



## Reka Industrial Plc: Profitable growth

5.8.2021 09:00:00 EEST | Reka Industrial Oyj | Half Year financial report

Reka Industrial Plc's half year financial report January - June 2021

### January - June 2021

- Reka Industrial group's turnover was EUR 78.4 million (55.7 million)
- EBITDA was EUR 6.2 million (3.8 million)
- The operating result was EUR 3.5 million (1.4 million)
- The Group's result for the period was EUR 1.0 million (-0.1 million)

Near-term outlook: In 2021 EBITDA (EUR million) is expected to improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

### Managing Director Jukka Poutanen:

The Nordic cable market is growing and is expected to grow in the coming years. Our market share in Finland is strong and we aim to increase our market share in the other Nordic countries. In the first half of the year the turnover increased significantly both in Finland and in the other Nordic countries compared to the previous year. Approximately half of the increase in turnover is explained by rising metal prices. We have succeeded to keep the operating rate high in our production plants despite the sourcing challenges. This reflects on the increase of the cable segment's turnover.

The impact of higher metal prices on the value of inventories and the net effect of metal and currency hedging supported the EBITDA of the cable segment by approximately EUR 1 million compensating the strongly and unforeseen quickly risen purchase costs, which can only be passed on the customer prices with a delay. As a whole the cable segment's EBITDA almost doubled from previous year.

The demand situation is good. COVID-19 and supply chain logistics have required a lot of effort to ensure material deliveries. Both material prices and costs of logistics have risen strongly.

Reka Rubber has a strong position in its selected market segments. Especially in construction equipment, the market share continues to grow. Enquiries in the truck industry have grown from before.

Currently, the demand is growing strongly, and mapping of hoses capacity increase opportunities is underway. It is estimated to have additional production facilities in Poland in productive use at the end of the year.

Cable business has also made decision to increase production facilities space within Riihimäki factory. Additional space is expected to be available in 2 years.

Green Bond funded projects have been taken forwards and new ones are ongoing. Investments have been made specially to the projects relating to wind power and decreasing energy consumption. The annual Green Bond investor letter was published in March.

### Major events during the financial period

In January 2021 Reka Cables Ltd made an agreement of EUR 5.0 million loan limit. The limit is fixed term. There are covenant terms associated with the loan limit.

Figures in brackets refer to the same period a year earlier, unless otherwise stated. The half year financial report is unaudited.

### Key figures

|                               | 1-6/2021 | 1-6/2020 | 1-12/2020 |
|-------------------------------|----------|----------|-----------|
| Turnover, EUR million         | 78.4     | 55.7     | 120.4     |
| Operating result, EUR million | 4.4 %    | 2.5 %    | 3.8 %     |

|  |      |       |      |
|--|------|-------|------|
| EBITDA, EUR million                                    | 6.2  | 3.8   | 9.4  |
| Result for the period, EUR million                     | 1.0  | -0.1  | 1.0  |
| Earnings per share, EUR                                | 0.17 | -0.02 | 0.16 |
| Net cash provided by operating activities, EUR million | 4.2  | -0.8  | 2.1  |
| ROI, %   | 16.4 | 0.5   | 13.1 |
| IAS 19 corrected Equity ratio, %                       | 18.6 | 16.4  | 19.3 |

The entries of the IAS 19 defined benefit plan in the income statement are presented below the operating result as a separate item before the share of the result of associated companies. In this way, the development of Reka Industrial's business can be better monitored.

On 31 December 2020, Reka Industrial Group companies started preparations to remove the defined benefit plan in accordance with IAS 19.

Within the new arrangement Reka Industrial Group companies are to pay a fixed (24%) pension contribution and are not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund. In the view of Reka Industrial Group management, the end result is a defined contribution plan for pensions. The new arrangement is estimated to be completed during year 2021.

### **Turnover and operating result**

Reka Industrial Group's turnover was EUR 78.4 million (55.7) and operating result was EUR 3.5 million (1.4). EBITDA was EUR 6.2 million (3.8). The Group's result for the review period was EUR 1.0 million (-0.1).

### **Balance sheet and financing**

At the end of the review period, the balance sheet totalled at EUR 77.5 million. On 31 December 2020 the balance sheet totalled at EUR 73.2 million.

In January 2021 Reka Cables Ltd made an agreement of EUR 5.0 million loan limit. The limit is fixed term. There are covenant terms associated with the loan limit. The loan limit was not in use at the end of June 2021.

On June 30, 2021 the Group's interest-bearing loans excluding IFRS 16 leases were EUR 22.3 million (December 31, 2020 EUR 25.6 million). Of this amount EUR 15.8 million is long-term. Recourse related to financing of accounts receivables and included to interest-bearing loans was EUR 1.7 million in the end of June 2021 (December 31, 2020 EUR 1.5 million). Recourse arises in a situation where there is a delay in financing the accounts receivable at the end of the month or due to the customer's limit being met.

The Administrative Court has stated in its' decision that the subsidiary merge carried out in 2015 is not tax neutral. In June's figures has been taken into account a total EUR 1.3 million following the decision of the Administrative Court. Tax and tax increase a total of EUR 1.1 million have been recorded in equity and other expenses in total EUR 0.2 million have been recorded through the income statement. Most of the amount has been paid and for the remaining EUR 0.5 million the company has agreed with the tax authority a payment schedule until June 2022. The company disagrees with the decision and has decided to seek a leave to appeal to the Supreme Administrative Court.

### **COVID-19**

The COVID-19 pandemic has not affected to the market demand in the cable segment. COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk. The additional costs due COVID-19 pandemic is estimated to stress operating result of cable segment EUR 0.5 million in the first half-year. The additional costs have arisen from increased sick leave, overtime to replace them and additional staff, as well as increased freight costs due to the efforts to minimize delays due to sick leave through small and express deliveries.

The pandemic has reflected material procurement in both industries. Most of the materials have been able to be procured in time, but the shortages of raw materials, components and partly containers have brought additional work and challenges to sourcing. In the cable segment, material prices have even risen significantly in some cases. There is upward pressure on the prices of materials and components in the rubber segment. Logistic costs have risen sharply.

So far COVID-19 pandemic has not affected to the payment behaviour of the customers.

### **Risks and uncertainty factors**

Reka Industrial's financial risks include currency, interest rate, commodity, liquidity, credit and investment risks. Financial risks and the related protection measures are described in more detail in notes to the financial statements. The company's

future risk factors are related to the development of its business segments.

In the cable segment, the most significant risks are related to market development, fluctuations of raw material prices and currencies as well as working capital management in various situations. During considerable seasonal changes, suppliers' terms of payment effect significantly on the ability to ensure competitive delivery times through sufficient inventories. Also, operation models are being developed in order to balance out the effects of seasonal changes on the load rates of factories. In cable business, COVID -19 pandemic has caused extra costs and delivery delays. It is difficult to estimate the effect of the pandemic for the future. The additional costs are expected to have also in year 2021.

In the cable segment of Reka Industrial the key raw materials are metals (copper and aluminum) and plastics. In the metals purchases partial price hedging is used with the aid of commodity derivatives. Important with metals are the development of both the dollar-denominated price and the USD / EUR exchange rate. Currency hedges are also made for the main selling currencies. Partial price fixing is used with electricity.

The financial situation in euro area and political uncertainties may have effect on purchase amount of the customers in rubber business as well to the start of new projects. COVID-19 pandemic has affected to the purchase amounts in customers in 2020 and it is difficult to estimate the effect of pandemic for the future.

The trade sanctions of USA increase of customs tariffs for the products as well Brexit can have negative effect on customer volumes in rubber industry. Also, the increased competition by Asian actors in euro area can have effect on customer's purchase decisions.

### **Major events after the review period**

There has not been any major event after the review period.

### **Near-term outlook**

Near-term outlook: In 2021 EBITDA (EUR million) is expected to improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

### **Disclosure policy of half year financial report**

Reka Industrial discloses relevant information related to its Half Year Financial Report with this Stock Exchange Release. The entire Half Year Report for January-June 2021 is attached to this release and is also available on company's website at [www.rekaindustrial.fi](http://www.rekaindustrial.fi)

Hyvinkää, 5 August 2021

Reka Industrial Plc  
Board of Directors

### **Disclosure regulation**

All comments in this report that do not refer to actual facts are future estimates. Such estimates include expectations concerning market trends, growth and profitability as well as statements including the words "believe", "assume" or "will be" or a similar expression. Since these estimates are based on current plans and estimates, they involve risks and uncertainty factors that may cause the actual results to differ substantially from current statements.

Among other things, such factors include 1) operating conditions, such as continued success in production and the ensuing efficiency benefits, availability and cost of production inputs, demand for new products and changes in circumstances affecting the acquisition of capital under acceptable conditions; 2) sector-specific circumstances, such as the intensity of demand for products, the competition, current and future market prices for the Group's products and related pricing pressures, the financial situation of the Group's customers and competitors and competitors' possible new products; and 3) the general economic situation, such as economic growth in the Group's main market areas and change in exchange rates and interest rates.

Figures in brackets refer to the same period a year earlier, unless otherwise stated.

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### **About Reka Industrial Oyj**

*Reka Industrial invests in modern society and reforms the industry that is the foundation of society. As an industrial family company, Reka Industrial is committed to developing the performance and sustainability of the companies it owns over the long term. Through the group's companies, we are involved in the transformation of the energy and vehicle industries. Reka Industrial class B shares are listed on the Nasdaq Helsinki Ltd.*

## Attachments

- [Download announcement as PDF.pdf](#)
- [Reka Industrial Plc\\_Half year financial report\\_H12021.pdf](#)