

KREATE

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Kreate Group Oy is planning an initial public offering and a listing on Nasdaq Helsinki

Kreate Group Oy (which will be renamed Kreate Group Plc, "**Kreate**"), announces that it is planning an initial public offering ("**IPO**") and a listing of its shares on the official list of Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**").

The objective of the IPO is to promote Kreate's ability to implement its growth strategy and to bring financial flexibility to the development of operations. The IPO is also expected to increase awareness of Kreate among customers, potential new employees and investors, which would strengthen the competitiveness of Kreate. In addition, the IPO would enable Kreate to access the capital markets and widen its ownership base thus providing liquidity for its shares. Due to the improved liquidity of the shares, Kreate would also be able to use the shares more efficiently in employee incentive schemes and as consideration in potential acquisitions.

The contemplated IPO is expected to consist of a share sale by certain existing shareholders and a share issue by Kreate of approximately EUR 10 million (after the fees and expenses relating to the IPO). The proceeds of the share issue are intended to be used to strengthen Kreate's capital structure, which will improve Kreate's capabilities to implement its growth strategy.

The Finnish family owned company Harjavalta Oy and Tirinom Oy (Timo and Ritva Pekkarinen's holding company) have committed to becoming cornerstone investors ("**Cornerstone Investors**") in the contemplated IPO. The Cornerstone Investors have, each individually, committed to subscribe for shares at the final subscription price in the contemplated IPO, subject to certain conditions being fulfilled, including a condition that the maximum valuation of all of Kreate's outstanding shares (after any proceeds from the share issue), does not exceed EUR 73 million based on the final subscription price. The Cornerstone Investors have committed to acquire such amounts of shares in Kreate which will lead to following proportions of all of Kreate's outstanding shares after the contemplated IPO: Harjavalta Oy 15.5 per cent, and Tirinom Oy 10.5 per cent.

Timo Vikström, President & CEO of Kreate comments:

"The contemplated IPO is intended to enhance the execution of our growth strategy and to strengthen our competitiveness due to increased awareness of Kreate. Our specialisation in the execution of projects which are technically demanding and require diverse infrastructure construction together with our highly skilled employees will support the profitable growth of the company also in the future."

Petri Rignell, Chairman of the Board of Directors of Kreate comments:

"I am proud of the development of Kreate's business over the recent years. Kreate has enjoyed strong revenue growth and maintained its profitability and return on capital on a good level. Increasing urbanisation drives the need for infrastructure construction and adds to its complexity. I am confident that the broad and specialised offering of Kreate as well as the utilisation of digital tools will provide Kreate with a competitive advantage in projects requiring a variety of special know-how in infrastructure construction. I am also confident that the market holds several growth and expansion opportunities for Kreate. The contemplated IPO would present new shareholders with an opportunity to participate in this growth and development."

Kreate in brief

Kreate is a Finnish infrastructure construction company that focuses on demanding infrastructure projects. According to Kreate's management, Kreate is the leading player especially in bridge construction and foundation engineering, as measured by both volume and know-how. Kreate's operations are guided by strong core values: integrity, entrepreneurship, humanity and straightforwardness, through which it offers solution-driven services to its clientele made up of both private and public customers.

Kreate's offering is divided into traffic routes and structural engineering in addition to which Kreate provides circular economy services. Traffic routes consists of railway construction as well as road and street construction. Structural engineering consists of bridge construction and repairs, foundation, concrete and ground engineering as well as rock engineering.

In its services Kreate focuses on comprehensive quality, cost-efficiency and flexibility, while respecting its customer's wishes. In the financial year 2019, Kreate had approximately 160 ongoing infrastructure construction projects.¹ The management of Kreate believes that the service offering which includes various types of infrastructure construction gives Kreate a competitive advantage in demanding projects requiring versatile and specialised know-how in infrastructure construction.

Kreate has operations mainly in Finland, and Kreate employed an average of 376 people in the financial year 2019.² Kreate's management sees Kreate as an attractive employer for the best employees in the industry, and the management believes that this brings a competitive edge, as competent personnel play a key role in Kreate's business and in achieving profitable growth. The eNPS index³ measuring employee satisfaction of Kreate's employees has risen steadily in recent years and was 64 in the survey conducted in 2019.

Kreate's clientele mainly consists of public sector customers. During the period between 1 January 2019 and 30 September 2020, 31 per cent of sales originated from state-owned entities, 30 per cent of sales originated from municipal customers and the remaining 39 per cent of sales originated from private sector customers.⁴ Kreate has enjoyed strong revenue growth and maintained its profitability and return on capital on a good level. Kreate's revenue increased approximately 24.0 per cent on average in 2017–2019. The growth was mainly organic, amounting to approximately 19 per cent per year. During the same period, Kreate's EBITA margin has remained at a good level, being 4.4 per cent on average.

¹ Number of projects of Kreate's wholly-owned subsidiaries Kreate Rata Oy and Kreate Oy which generated revenue in 2019.

² The number of employees does not include the personnel of Kreate's joint venture KFS Finland Oy.

³ eNPS, Employee Net Promoter Score. Score range -100–100. The score is based on the employee satisfaction survey conducted by Kreate. The employees of Kreate's joint venture KFS Finland Oy participated in the survey.

⁴ The distribution of sales is based on customer invoicing. The figures have not been prepared according to the IFRS, and they include certain assumptions made by the management. As such, these figures should only be considered indicative of Kreate's customer segments, and they may not be directly comparable with Kreate's information reported according to the IFRS.

Kreate's strengths

Kreate's management believes that the following factors are Kreate's key strengths:

- Large and resilient market with a stable outlook
- Broad and specialised offering positioned towards megatrends and demanding projects
- First-class references and strong track record in demanding infrastructure projects
- Satisfied customer base of mostly public sector customers
- Kreate is an attractive employer for the best employees in the industry
- Professional employees and risk management combined with integrated and efficient operating platform
- Strong financial profile including strong growth, profitability and cash flow

Kreate's strategy

Kreate aims to be one of the leading providers of demanding infrastructure construction projects in Finland. Kreate continues to offer well-functioning comprehensive solutions for demanding infrastructure construction projects based on its broad know-how and service offering. Kreate also strives to be the most attractive workplace in the industry and to maintain an entrepreneurial culture in its operations.

Kreate's strategic cornerstones are the following:

- Positioning in growing market segments
- Strengthening and expanding the customer base and the service offering
- Supporting the strategy with selected acquisitions
- Supporting profitability by improving the operational efficiency

Kreate's financial targets and dividend policy

The Board of Directors of Kreate has set the following financial targets for Kreate:

- Net sales of EUR 300 million in 2024 through a balanced combination of organic growth and selective bolt-on acquisitions;
- EBITA margin above 5 per cent in the medium term; and
- Net debt to EBITDA below 2.0x.

Kreate's aim is to distribute at least 50 percent of the Company's annual net profit as dividends, while taking into account Kreate's financial position, cash flow and growth opportunities.

Kreate's financial figures

According to preliminary information, Kreate's revenue for the financial year ended on 31 December 2020 is estimated to amount to approximately EUR 235 million. EBITA for the financial year 2020 is estimated to amount to approximately EUR 10.5 million (excluding the costs related to the IPO), corresponding to an EBITA margin of approximately 4.5%.

The following table sets forth the key figures of Kreate:

	1 Jan - 30 Sep	1 Jan - 30 Sep	1 Jan - 31 Dec	1 Jan - 31 Dec	1 Jan - 31 Dec
Key figures ⁽¹⁾	2020	2019	2019	2018	2017
(EUR million, unless otherwise indicated)					
Revenue.....	173.3	149.0	221.1 ⁽²⁾	192.4 ⁽²⁾	143.9
Change in revenue, %.....	16.3	8.5	14.9	33.7	-
EBITDA.....	10.9	9.3	14.9	10.7	7.5
EBITDA, %.....	6.3	6.3	6.7	5.6	5.2
EBITA.....	8.2	7.1	11.7	8.3	5.3
EBITA %.....	4.7	4.7	5.3	4.3	3.7
Operating profit.....	8.1	6.9	11.5 ⁽²⁾	7.7 ⁽²⁾	4.5
Operating profit, %.....	4.7	4.7	5.2	4.0	3.2
Profit for the period.....	5.9	4.9	8.7 ⁽²⁾	3.8 ⁽²⁾	1.0
Earnings per share, €.....	0.81	0.67	1.00	0.53	0.13
Order backlog.....	149.0	204.1	177.2	126.6	120.7
Capital employed.....	58.8	60.8	53.6	57.5	48.9
Return on capital employed, %.....	21.1	16.2	20.7	14.5	_(3)
Return on equity, %.....	25.3	27.6	26.3	20.0	_(3)
Net investments in operating activities.....	-2.9	-3.8	-5.0	-3.7	-2.0
Free cash flow from operating activities.....	2.4	2.1	14.5	3.6	16.0
Net working capital.....	1.0	3.6	-4.0	1.3	-0.9
Net debt.....	16.5	25.7	17.3	27.5	40.9
Net debt/EBITDA.....	1.0	2.0	1.2	2.6	5.5
Equity ratio, %.....	38.7	33.6	34.5	31.3	39.1

Personnel at the end of the period.....	404	391	395	342	272
Personnel on average.....	413	371	376	319	276

(1) Unaudited, unless otherwise indicated.

(2) Audited.

(3) Due to the IFRS transition implemented in the financial year 2018, the return on investment (%) and return on equity (%) cannot be given as a comparable IFRS comparison figure for the financial year 2017.

Information on the IPO

The contemplated IPO is expected to consist of a primary offering by Kreate and a secondary offering by certain shareholders in Kreate, including the main shareholder Intera Fund II Ky. Kreate, the selling shareholders, the members of the Board of Directors and the Management Team of Kreate, as well as the employees of Kreate participating in the contemplated personnel issue, will be subject to customary lock-up arrangements in connection with the contemplated IPO. Intera Fund II Ky will remain a significant shareholder after the contemplated IPO. The contemplated IPO is expected to include a personnel offering to the employees of Kreate.

The Cornerstone Investors have, each individually, committed to subscribe for shares at the final subscription price in the potential IPO, subject to certain conditions being fulfilled, including that the maximum valuation of all of Kreate's outstanding shares (after any proceeds from the share issue), does not exceed EUR 73 million based on the final subscription price. The Cornerstone Investors have committed to acquire such amounts of shares in Kreate which will lead to following proportions of all of Kreate's outstanding shares after the contemplated IPO: Harjavalta Oy 15.5 per cent, and Tirinom Oy 10.5 per cent.

Danske Bank A/S, Finland branch is acting as lead manager (the "**Lead Manager**") in connection with the contemplated IPO and OP Corporate Bank plc is acting as joint bookrunner ("**Joint Bookrunner**") and together with Lead Manager, the "**Managers**") in connection with the contemplated IPO. Krogerus Attorneys Ltd is acting as legal adviser to Kreate. Roschier, Attorneys Ltd. is acting as legal adviser to the Managers. Hill+Knowlton Strategies is acting as communications adviser to Kreate.

Further enquiries

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Information about the Cornerstone Investors

Harjavalta Oy

Harjavalta Oy, founded in 1920, is a Finnish family-owned company that today is a leading construction group and employer in Finland. The Harjavalta group comprises Puustelli Group Ltd (a manufacturer of kitchen furniture), Kastelli Group Oy (a house manufacturer) as well as Lapti Group Oy (a builder of apartment buildings and care properties). The group's revenue for the year 2019 was EUR 491 million, and it employed 1,100 employees. In its investments, Harjavalta Oy strives for long-term growth as an active owner and supporter.

Tirinom Oy

Tirinom Oy is Timo and Ritva Pekkarinen's holding company that makes long-term investments in listed and unlisted companies as well as real estate. Timo Pekkarinen is the founder and major shareholder of Lapti Group Oy and has acted as the CEO since the year 2000. Pekkarinen was one of the founders of Suomen Hoivatilat Oyj, CEO (2009–2010), and a member of its Board of Directors (2008–2019), in addition to which he was one of the major shareholders in Hoivatilat Plc until the public tender offer on November 2019.

Information about Kreate

Kreate Group is one of the leading infrastructure construction companies in Finland. The company offers solutions for bridges, roads and railways, environmental and ground engineering, circular economy and geotechnical needs. As a specialist in demanding projects, Kreate focuses on comprehensive quality and cost-effectiveness. The group's revenue was approximately EUR 220 million in 2019 and the company has over 400 employees.

IMPORTANT INFORMATION

Neither this release nor the information contained herein is for publication, distribution or release, in whole or in part, directly or indirectly, in or into the United States, Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or Singapore or any other jurisdiction in which publication or distribution would be unlawful. The information contained herein does not constitute an offer of securities for sale in the United States, nor may the securities be offered or sold in the United States. Kreate Group Oy (the "**Company**") does not intend to register any portion of the offering in the United States under the U.S. Securities Act of 1933, as amended (the "Securities Act") or to offer securities to the public in the United States.

The issue, exercise and/or sale of securities are subject to specific legal or regulatory restrictions in certain jurisdictions. The Company or the Managers assume no responsibility in the event there is a violation by any person of such restrictions.

The information contained herein shall not constitute an offer to sell or a solicitation of an offer to purchase or subscribe, nor shall there be any sale of the securities referred to herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction. Investors must neither accept any offer for, nor acquire, any securities to which this document refers, unless they do so on the basis of the information contained in the applicable prospectus published or offering circular distributed by the Company

The Company has not authorized any offer to the public of securities in the United Kingdom or in any Member State of the European Economic Area other than Finland. With respect to the United Kingdom and each Member State of the European Economic Area other than Finland and which applies the Prospectus Regulation (each, a "**Relevant Member State**"), no action has been undertaken or will be undertaken to make an offer to the public of securities requiring publication of a prospectus in any Relevant Member State. As a result, the securities may only be offered in Relevant Member States (a) to any legal entity, which fulfils the requirements of a qualified investor as defined in the Prospectus Regulation; or (b) in any other circumstances falling within Article 1(4) of the Prospectus Regulation. For the purposes of this paragraph, the expression "offer of securities to the public" means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe for those securities. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 of the European Parliament and of the Council, as amended.

This communication is directed only at (i) persons who are outside the United Kingdom or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") and (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "**Relevant Persons**"). Any investment activity to which this communication relates will only be available to and will only be engaged with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

Full terms, conditions and instructions for the contemplated initial public offering will be included in the prospectus that will be prepared by the Company in connection with the contemplated initial public offering. The prospectus will be published on the website of the Company at www.kreate.fi/en/IPO.

Investors are advised to read the prospectus before making an investment decision to fully understand the risks and rewards associated with the investment. The approval by the Finnish Financial Supervisory Authority of the prospectus shall not be considered as an endorsement of the securities offered.

The Managers are acting exclusively for the Company and no one else in connection with the contemplated initial public offering. The Managers will not regard any other person as their respective client in relation to the initial public offering. The Managers will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the initial public offering or any transaction or arrangement referred to herein.

FORWARD-LOOKING STATEMENTS

Certain statements in this release are "forward-looking statements." Forward-looking statements include statements concerning plans, assumptions, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, the Company's competitive strengths and weaknesses, plans or goals relating to financial position, future operations and development, its business strategy and the anticipated trends in the industry and the political and legal environment in which it operates and other information that is not historical information. In some instances, they can be identified by the use of forward-looking terminology, including the terms "believes," "intends," "may," "will" or "should" or, in each case, their negative or variations on comparable terminology.

Forward-looking statements in this release are based on assumptions. Forward-looking statements involve inherent risks, uncertainties and assumptions, both general and specific, and the risk exists that the predictions, forecasts, projections, plans and other forward-looking statements will not be achieved. Given these risks, uncertainties and assumptions, you are cautioned not to place undue reliance on such forward-looking statements. Any forward-looking statements contained herein speak only as at the date of this release. Save as required by law, the Company does not intend to, and does not assume any obligation to, update or correct any forward-looking statement contained in this release.

Attachments

- [Download announcement as PDF.pdf](#)