

# KREATE

## Kreate's Interim Report January-March 2021: profitability as expected - good order backlog

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Kreate Group Plc      Interim Report January-March 2021      28 April 2021 08:30 a.m. EEST

This release is a summary of Kreate Group's Interim Report January-March 2021. The complete Interim Report is attached, and also available on the company's website at <https://kreate.fi/en/investor/releases-and-reports/reports/>.

## Kreate's Interim Report January-March 2021: profitability as expected - good order backlog

### January-March in brief

- Kreate Group Plc's shares were listed on Nasdaq Helsinki, and the company received more than 18,600 new shareholders. Trading in Kreate's shares started on the pre-list of Nasdaq Helsinki Ltd on 19 February 2021 and on the stock exchange list on 23 February 2021
- Order backlog amounted to EUR 158.3 (162.3) million
- Revenue decreased to EUR 38.3 (50.0) million
- EBITDA was EUR 1.7 (2.2) million, amounting to 4.4 (4.3) per cent of revenue
- EBITA was EUR 0.9 (1.3) million, amounting to 2.3 (2.6) per cent of revenue
- The company's IPO expenses were EUR 2.3 million. Of this sum, EUR 0.9 million encumber the result before tax for the reporting period.
- Earnings per share adjusted with IPO expenses were EUR 0.07
- Earnings per share were EUR -0.04 (0.12)
- Free cash flow from operating activities was EUR 0.1 (-2.2) million
- Interest-bearing net debt was EUR 18.8 (20.9) million

### Operating environment in 2021

No changes have taken place in the operating environment after the financial statements bulletin released on 31 March 2021.

In March 2021, the Confederation of Finnish Construction Industries RT's economic survey estimated that the entire construction cluster will decline by two per cent during this year. According to the recent economic survey, optimism in construction is increasing, but on the other hand, COVID-19 balanced expectations. Finland's general economic performance defines the basic level of construction in the new normal. There is clear pressure to increase the level of construction costs due to the steep rise in the global market prices of key construction materials. In 2022, construction activity is estimated to stay at the level of 2021.

The Finnish infrastructure construction market has shown stable growth historically. In 2020, the estimated market size was approximately EUR 7 billion, and it is expected to decline by 1.5 per cent in 2021. The declining outlook of infrastructure construction is affected by the weakening economic situation of municipalities outside growth centre areas, the simultaneous ending of major investment periods and the decline in infrastructure work related to building construction. Despite the short-term outlook, the long-term trend of steady infrastructure growth and small volatility is very strong.

The COVID-19 pandemic has postponed the start of certain infrastructure construction projects during 2020, which also impacted the accumulation of Kreate's order backlog for 2021. The volume of calls for tender, which normalised in the last quarter of 2020, and customer activity are reflected particularly in the growing number of calls for tender in bridge construction, which is part of structural engineering. The large future rail investments, which have received much public attention, will not yet be reflected in construction volume, but smaller rail construction projects are, however, expected in the market. On the private side, investments are now deliberated for longer than usual, and planned investments, such as changes in the uses of old buildings, are not getting fully started. In the near term, particularly urbanisation, infrastructure renovation debt and public sector projects are expected to drive demand and strengthen Kreate's position as a builder of demanding projects.

The national traffic system plan is expected to introduce long-term thinking spanning over governments into traffic network development, which would also have a positive impact on the infrastructure construction market. The 12-year action plan included in the plan includes actions for the state and municipalities as well as a state funding programme for the traffic system. However, the growing share of construction costs borne by municipalities presents a problem in the plan and can in

the worst case mean that projects are not implemented and that, for example, the condition of the road and street network and railways declines.

The supplementary budget published by the government in June 2020 contained over EUR 400 million for traffic network development projects as well as investments in the development of public transportation, infrastructure and renovation.

Despite the predicted slight decline of the total infrastructure market in 2021, Kreate estimates that both the structural engineering market and the traffic routes market will remain at least on the 2020 level.

## Guidance for 2021 (unchanged)

Kreate expects that its revenue (2020: EUR 235.3 million) will decline in 2021 compared to 2020.

As at 31 December 2020, Kreate's order backlog stood at EUR 134.9 million (31 December 2019: EUR 177.2 million). Of this, around EUR 111 million is expected to be realised during 2021 (31 December 2019: EUR 130.3 million during 2020). During the last 3 years, Kreate has generated on average EUR 107 million of additional revenue during a financial year on top of order backlog at the beginning of the year. Management estimates that, as of 31 December 2020, the expected profitability of the order backlog has been on a normal level.

## President & CEO Timo Vikström:

“Our business developed in line with the forecasts and plans in Q1. Even though our revenue decreased compared to the record-strong 2020 reference period, the order backlog for the comparable period grew well and nearly reached the level of the previous year. Our relative profitability remained at the previous year's level and was still above the average of the infrastructure construction industry, which is seasonal in nature.

At the end of January, we announced our plans for listing our shares on the Nasdaq Helsinki stock exchange list in order to support our growth strategy and improve our competitiveness through better visibility. Our February IPO exceeded all expectations, and our company received more than 18,600 new shareholders. The IPO further strengthened our balance sheet.

At the end of the reporting period, we announced organisational changes that aim at improved competitiveness and market leadership. The infrastructure construction business is currently undergoing strong changes: collaborative forms of purchasing are becoming increasingly more common, market demand is changing, and construction is focused around railways and light rail lines. By strengthening our railway business leadership we took the next step forward with developing this business segment. The investments that we now make will benefit us in the coming years as railway and track construction will also form an important part of other future projects.

In the reporting period, we increased our focus on our employees' competence development and occupational well-being. In addition to diverse training, we organised our personnel a physical exercise campaign and personal well-being coaching that provided opportunities for competence development and improved wellness. Our employees' well-being and willingness for personal development play an important role for our success, as they give our team the energy to deliver high-quality construction projects and participate in innovative collaboration with our clients.

In Q1, we won and started new contracts. The most technically demanding ones of these include renovating the first metro rail bridge in Helsinki and constructing a rare lifting bridge in Parainen. The Kipparlahti metro rail bridge is a technically demanding project that takes place in a challenging site with exceptional traffic arrangements. The project for dismantling the Lillholmen lifting bridge and constructing a new one is off to a good start. What makes the project interesting is that the construction of lifting bridges is a very rare event. The demanding and interesting new projects build our team's competence further and drive our work this year.

Through strategic organisational reinforcement and changes our company has an even stronger capability to offer and deliver all demanding and versatile infrastructure projects. In April 2021, the Finnish Government approved the National Transport System Plan for 2021–2032, which will provide stability and long-term business for the infrastructure industry. Among other things, the plan will guide road and rail investments in the long term.

This provides a good outset for focused implementation of our strategic plans and building a successful year 2021.”

## Key figures

EUR million	1-3/2021	1-3/2020	1-12/2020
Order backlog	158.3	162.3	134.9
Revenue	38.3	50.0	235.3
Year-on-year change in revenue, %	-23.3	73.0	6.4
EBITDA	1.7	2.2	14.0
EBITDA %	4.4	4.3	6.0

EBITA	0.9	1.3	10.5
EBITA, %	2.3	2.6	4.5
Operating profit	0.8	1.2	10.4
Operating profit, %	2.2	2.5	4.4
Result for the period	-0.3	0.9	7.8
Capital employed	56.3	58.1	54.5
Return on capital employed, %	17.4	21.5	19.2
Return on equity, %	17.6	29.4	24.7
Net investments in operating activities	-0.8	-1.0	-4.6
Free cash flow from operating activities	0.1	-2.2	9.7
Net working capital	-4.6	-0.8	-5.4
Net debt	18.8	20.9	27.9
Net debt/EBITDA	1.4	1.3	2.0
Equity ratio, %	38.2	36.8	26.3
Earnings per share, €	-0.04	0.12	0.88
Earnings per share adjusted with IPO expenses	0.07		
Personnel at the end of the period	385	407	383
Personnel on average	382	398	407

## Kreate Group's financial reporting in 2021

The planned publication dates for Kreate Group Plc's financial reports in 2021 are as follows:

- Half-year report for January-June 2021: 28 July 2021 and
- Interim report for January-September 2021: 27 October 2021

Kreate Group Plc's Annual General Meeting will be held on 5 May 2021.

## Webcast event for analysts and media

A live webcast for analysts and media will be held today 28 April 2021 at 11:00 a.m. The event will be in Finnish. President & CEO Timo Vikström and Chief Financial Officer Antti Heinola will host the event.

The webcast can be followed live in Finnish at <https://kreate.videosync.fi/2021-q1-tulosinfo>. A recording of the webcast will be made available later at [kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/](https://kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/) and a summary in English will become available at [kreate.fi/en/investor/releases-and-reports/reports/](https://kreate.fi/en/investor/releases-and-reports/reports/).

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## **About Kreate Group Oyj**

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 235 million in 2020 and the company has over 400 employees. Kreate Group is listed on Nasdaq Helsinki.

## **Attachments**

- [Download announcement as PDF.pdf](#)
- [Kreate Group Interim Report Q1 2021.pdf](#)