

KREATE

Kreate's financial statement bulletin: Q4 cash flow was very strong and EBITA increased year-on-year

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This release is a summary of Kreate Group's Financial Statement Bulletin 2023. The complete Financial Statement Bulletin is attached, and also available on the company's website at <https://kreate.fi/en/investor/>.

October - December in brief

- Order backlog amounted to EUR 196.3 (306.9) million, a decrease of 36.0%
- Revenue decreased compared to the reference period, amounting to EUR 80.2 (83.1) million
- The year-on-year change in revenue was -3.5% (9.6%)
- EBITDA was EUR 4.9 (3.8) million, amounting to 6.1 (4.5) per cent of revenue
- EBITA was EUR 2.7 (2.3) million, amounting to 3.4 (2.8) per cent of revenue
- Earnings per share were EUR 0.18 (0.14)
- Free cash flow from operating activities was EUR 19.7 (15.2) million
- Interest-bearing net debt was EUR 16.8 (33.4) million

January - December in brief

- Revenue grew compared to the reference period, amounting to EUR 320.0 (273.9) million
- The year-on-year change in revenue was 16.8% (15.3%)
- EBITDA was EUR 14.0 (13.6) million, amounting to 4.4 (5.0) per cent of revenue
- EBITA was EUR 7.8 (8.8) million, amounting to 2.4 (3.2) per cent of revenue
- Earnings per share were EUR 0.44 (0.63)
- Free cash flow from operating activities was EUR 26.1 (3.5) million
- The Board of Directors proposes to the Annual General Meeting on 25 March 2024 that, based on the balance sheet verified for 2023, a dividend of EUR 0.48 be issued per share for shares held outside the company at the time of dividend distribution. The dividend will be paid in two instalments. The first instalment of EUR 0,30 per share will be paid in April 2024 and the second instalment of EUR 0.18 per share will be paid in October 2024.

Result guidance for 2024

Kreate estimates that its revenue in 2024 will decline and be in the range of EUR 270–300 million (2023: EUR 320.0 million) and EBITA will increase and be in the range of EUR 8–11 million (2023: EUR 7.8 million).

Justifications: The company's guidance is based on the order backlog expected to be realised in 2024 at the turn of the year. The company sees stable continuity in Kreate's characteristic demanding infrastructure construction due to the countercyclical nature of the business, despite the prevailing level of interest rate and cost inflation and the general market outlook. The company offers projects more selectively, which is expected to decrease revenue and improve profitability.

Key figures

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Order backlog			196.3	306.9
Revenue	80.2	83.1	320.0	273.9
Year-on-year change in revenue, %	-3.5	9.6	16.8	15.3
EBITDA	4.9	3.8	14.0	13.6
EBITDA, %	6.1	4.5	4.4	5.0
EBITA	2.7	2.3	7.8	8.8

EBITA, %	3.4	2.8	2.4	3.2
Operating profit	2.6	2.3	7.6	8.6
Operating profit, %	3.3	2.8	2.4	3.2
Result for the period	1.6	1.3	3.9	5.6
Capital employed			59.6	75.9
Return on capital employed, %			11.2	12.5
Return on equity, %			9.1	13.5
Net investments in operating activities	-0.7	-0.5	-5.9	-4.2
Free cash flow from operating activities	19.7	15.2	26.1	3.5
Net working capital			-11.3	4.7
Net debt			16.8	33.4
Net debt/EBITDA, rolling 12 months			1.2	2.5
Net debt/EBITDA, rolling 12 months pro forma*				2,4*
Equity ratio, %			31.8	31.6
Earnings per share, diluted, €	0.18	0.14	0.44	0.63
Earnings per share, undiluted, €	0.18	0.14	0.44	0.64
Dividend per share, €			0,48**	0.46
Personnel at the end of the period			472	447
Personnel on average	475	449	454	416

*) The pro forma includes the EBITDA of the acquisition from 1 Jan 2022 to 31 Aug 2022

***) Board of Directors' proposal to the Annual General Meeting

President & CEO Timo Vikström:

“The year 2023 was yet another challenging year in many ways. Since 2020, the COVID-19 pandemic, Russia’s war of aggression, cost inflation and, most recently, the rapidly changing level of interest rates and an economic downturn have all taken their toll on the industry, Finland and the world as a whole. Construction is one of the sectors hit hard by these crises. Against this background, I can be very proud of Kreate’s performance in the past year.

First of all, we have managed to grow in a falling market. Our 2023 revenue increased by 17 per cent year-on-year while, according to the latest forecast, the construction market took a double-digit dive and infrastructure construction declined by 4-10 per cent. Although our last quarter of the year fell slightly behind the previous year’s level in terms of revenue, the quarter was particularly gratifying with regard to free cash flow from operating activities amounting to EUR 20 million.

The strong cash flow in the last quarter of the year is partly a reflection of the normal seasonal variation in the business, as smaller projects are often completed before winter, but it also clearly indicates that we have continued to improve the efficiency of working capital management throughout the entire organisation. We have also revised our risk management, keeping an even sharper eye on, for example, the contract terms and what projects we offer in general. The increased importance of risk management is well reflected, among other things, in the fact that, in the last quarter of the year, after careful consideration, we did not participate in tenders for projects worth several hundred million euros because we judged their risk-sharing mechanisms to be too disadvantageous.

Healthy business and our order backlog, strong liquidity position and - taking into account the construction market situation - fairly good profit (EBITA) of EUR 7.8 million for 2023 give us certainty and peace of mind to wait for and continue to choose projects that suit Kreate. Our core competences are technically difficult infrastructure projects combining a high level of technical challenges and several types of construction, good contract expertise and listening to the customer.

Tender calculation has been very active towards the end of 2023 and market demand surprisingly high. We are confident that the activity will continue in 2024, especially driven by the investment programmes of cities located in growth centres as well as government rail investments, which will have a positive impact on the development of our order backlog this year. During the early part of the year, public tenders expected for calculation include the Tampere passenger railway yard as well as railway projects between Tampere-Pori and Helsinki-Riihimäki. The industry side has also been commendably active in terms of both the green transition and data centre projects, while housing construction seems very quiet still. Public building construction is continuing at a high pace.

We have also been pleased with the development of our Swedish business. Our revenue in Sweden for the whole year was EUR 23 million; it has almost doubled from September 2022 when we expanded into Sweden through a business acquisition. Although the short-term outlook for the construction market in Sweden is weak, the infrastructure construction market is expected to remain strong in the future as well.

We have entered 2024 with quite a lot of confidence. We have survived the market turmoil in an exemplary manner and we have good visibility into projects that are starting and ongoing in 2024. Our order backlog of EUR 196 million is at a sustainable level, although it is lower than in the previous year (EUR 307 million). From the order backlog, it is estimated that EUR 168 million will be recognised as income during 2024.

We owe our success to our personnel. We have a wonderful team that makes the impossible possible every day - sustainable infrastructure for everyone. In 2023, we have been involved in construction in more than 100 projects and at around 60 locations in Finland and Sweden. The highlights have been many and varied - lifting of the massive steel girders of the Kruunuvuori bridge into place, completion of the large-scale casting project for the Kesko logistics centre, opening of the Veturitie bridge for traffic, moving of the rare concrete joint structure of the Hessundinsalmi bridge into place as well as dozens of other projects and activities. We would like to thank every member of our team for the past year and all the shareholders for their trust. This position is a good starting point for us to continue doing strong work also in 2024."

Board of Directors' proposal on the use of distributable funds

The parent company Kreate Group Plc's distributable funds amounted to EUR 27,538,498.33 on 31 December 2023. The Board of Directors proposes to the Annual General Meeting on 25 March 2024 that, based on the balance sheet verified for 2023, a dividend of EUR 0.48 be issued per share for shares held outside the company at the time of dividend distribution. The dividend will be paid in two instalments.

The first instalment of the dividend, EUR 0.30 per share, is paid to shareholders who are recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment which is Wednesday 27 March 2024. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on Tuesday 9 April 2024.

The second instalment of the dividend, EUR 0.18 per share, is paid in October 2024. The second instalment is paid to shareholders who are recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment. The Board of Directors will decide on the date of record and payment date for the second instalment of the dividend on its meeting in September.

On the day of making the proposal for profit distribution, 30 January 2024, 8,766,266 shares were held outside the company. The proposed dividend of EUR 0.48 per share corresponds to a dividend yield of 6.6% per share (calculated at the share price of EUR 7.22 at the end of 2023) and totals EUR 4,207,807.68.

Webcast event

A live webcast open to all will be held today, 31 January 2024, at 11:00 a.m. The event will be held in Finnish. President & CEO Timo Vikström and Chief Financial Officer Mikko Laine will be presenting at the event. The webcast can be followed live in Finnish at <https://kreate.videosync.fi/2023-q4-tulosjulkistus>. A recording of the webcast will be made available later at <https://kreate.fi/sijoittajille/raportit-ja-esitykset/> and a summary in English will become available at <https://kreate.fi/en/investor/reports/>.

Distribution: Nasdaq Helsinki, key media, kreate.fi/en

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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 EUR 320 million in 2023 and the company has over 450 employees. Kreate Group is listed on Nasdaq Helsinki.

Attachments

- [Download announcement as PDF.pdf](#)
- [Kreate Group Plc Financial Statement Bulletin 2023.pdf](#)