



## SkartaNYAB Plc's business review 1 July - 30 September 2022: Strong growth despite a challenging operating environment

11.11.2022 12:00:03 EET | SkartaNYAB Oyj | Company Announcement

### SkartaNYAB Plc

COMPANY ANNOUNCEMENT

11 November 2022 at 12:00

## SkartaNYAB Plc's business review 1 July - 30 September 2022: Strong growth despite a challenging operating environment

- Revenue for the third quarter was 90.3 million euros (pro forma Q3/2021: 68.0 million euros), increasing 32.7%
- EBITA for the review period was 5.3 million euros (pro forma Q3/2021: 7.0 million euros) and EBITA margin 5.9% (7.1%)
- After the review period, the company published strategic objectives for 2022-2024, the realization of which is proceeding according to plan in all areas
- Contemplated transaction to establish a joint venture with CapMan fund for the development of renewable energy projects would have a significant positive impact on EBITA for the financial year. Preliminary estimate of the positive impact on profit is in the region of 20 million euros.

### Key figures of SkartaNYAB Plc Group

SkartaNYAB Plc Group	07-09/2022 (3 months)	07-09/2021 (3 months)	01-09/2022 (9 months)	01-09/2021 (9 months)	01-12/2021 (12 months)
<b>Revenue, 1000 EUR</b>	<b>90 326</b>	<b>14 221</b>	<b>157 763</b>	<b>14 753</b>	<b>41 646</b>
EBITDA, 1000 EUR	6 060	1 301	8 601	203	1 895
-share of revenue	6,7 %	9,1 %	5,5 %	1,4 %	4,6 %
<b>EBITA, 1000 EUR</b>	<b>5 341</b>	<b>1 015</b>	<b>6 857</b>	<b>-84</b>	<b>1 317</b>
<b>-share of revenue</b>	<b>5,9 %</b>	<b>7,1 %</b>	<b>4,3 %</b>	<b>-0,6 %</b>	<b>3,2 %</b>
Operating profit (EBIT)*, 1000 EUR	-374	63	-5 615	-1 225	-838
-share of revenue	-0,4 %	0,4 %	-3,6 %	-8,3 %	-2,0 %
Profit for the period, 1000 EUR	-1 354	-121	-9 090	-4 856	-4 885
-share of revenue	-1,5 %	-0,9 %	-5,8 %	-32,9 %	-11,7 %
Equity ratio	73,5 %	70,6 %	73,5 %	70,6 %	72,2 %
Shares at the end of period	706 658 238	278 285 034	706 658 238	278 285 034	288 397 790

\*EBIT is significantly affected by amortization of consolidated goodwill that was 5.7 million euros for 07-09/2022 and 12.5 million euros for 01-09/2022

### Pro forma key figures\*

	07-09/2022 (3 months)	07-09/2021 (3 months)	01-09/2022 (9 months)	01-09/2021 (9 months)	01-12/2021 (12 months)
Revenue, 1000 EUR	90 326	68 060	175 769	143 723	209 165
EBITDA, 1000 EUR	6 060	7 590	7 943	13 386	21 916
-share of revenue	6,7 %	11,2 %	4,5 %	9,3 %	10,5 %
EBITA, 1000 EUR	5 341	6 961	5 831	11 807	19 800
-share of revenue	5,9 %	10,2 %	3,3 %	8,2 %	9,5 %

\*Financial information of NYAB Sverige AB subgroup for 1 January–31 March 2022, when the companies did not belong to SkartaNYAB Plc Group, has been added to the pro forma figures for 01-06/2022. Information for financial year 2021 consists of combined financial information of Skarta Finland Oy subgroup and NYAB Sverige AB subgroup. Skarta Finland Oy subgroup has been consolidated to SkartaNYAB Plc's official consolidated income statement as of 1 August 2021, and NYAB Sverige AB subgroup as of 1 April 2022.

## **CEO Johan Larsson's review**

SkartaNYAB's business operations developed according to plan in all areas during the third quarter. In accordance with the strategic objectives that we published in October, we focus on continuing profitable growth, accelerating the monetization of renewable energy projects, as well as strengthening an entrepreneurial culture.

Revenue grew for yet another quarter, in line with expectations.

In Sweden, we have once again continued stable growth in the construction of sustainable infrastructure. In Northern Sweden, perennial maintenance contracts, as well as various projects that relate to the ongoing investment projects in the region, have contributed to our significant organic growth. Power Forze AB that we acquired in August strengthens our position in energy construction and services. We see an increasing demand for our services due to society's need to boost energy production as well as energy infrastructure.

In the Stockholm region, where our revenue is already four times as much as three years ago, we have also successfully expanded our activities to underwater construction with recruitments and first projects. Demand in this segment is growing due to urbanization, and we see it as likely to reach even higher margins than in our current business in energy and infrastructure construction.

In Finland, we have carried out several measures to improve our profitability during the autumn. We have been cutting fixed costs and reorganizing our structures, so that we ensure our future competitiveness. Leadership is more a matter of personality than a title. Therefore, I am very happy to see how different employees have shown leadership and taken responsibility, both by accepting new positions and adapting to changes. Our level of specialization has increased due to earlier announced changes in management. Together these above-mentioned measures have contributed to the fact that September was the first profitable month in Finnish operations this year. This turnaround in profitability shows our strength, as it has happened although we have not yet got to monetize our investments in our renewable energy project portfolio. I also feel very confident that we will continue improving and that the full effect of taken and ongoing measures will be seen from the coming spring on.

As mentioned, we have so far been at a development stage regarding our own projects in renewable energy. Accelerating the monetization of energy projects, as defined in our strategy, took a major step forward this week. As we got to announce the planned establishment of a joint venture with CapMan fund. The finalization of the transaction continues as mentioned in our announcement. The process is expected to be completed by the end of the year. When it comes to individual energy projects, our solar project in Utajärvi has proceeded furthest. The first phase of the project has been granted an action permit, and the connection agreement signed in October enables the constructed solar farm to be connected to Fingrid's main grid.

Skarta and NYAB now have two quarters of common path behind. I am very happy to see the progress that we have made. As for all companies in the industry, external factors such as interest rates, inflation and energy prices have slightly diluted our margins in our construction business. However, we have handled the challenging operating environment well. We have already built a much better foundation for the years to come. Our contemplated joint venture provides us an anticipation of reaching a double-digit EBITA margin. The related preferred partnership for engineering, procurement, and construction contracts would markedly increase our future possibilities as well, as the scope of the initial business plan is even more than 500 MW of renewable energy projects in coming five years.

However, in line with our strategy, we have entrepreneurs in every part of the company: as owners, in our board and management, and on our project sites. It means that we always strive for better by recognizing and correcting our weaknesses. Our entrepreneurship also makes us strive and drive to capture good business.

I believe we will be even stronger together when operating under one brand in all our construction business operations in Finland and Sweden. NYAB in Sweden has achieved continuous profitable growth for ten years. Therefore, it is a good name to build a common future on. We intend to launch our new brand in mid-December.

To sum it up, we have a skilled organization, diversified business, diversified backlog and exposure to non-cyclical and counter-cyclical markets, as well as a solid financial position. Therefore, I am very confident that we will deliver long-term value for both society and stakeholders.

## **Business operations and financial performance**

Revenue was 90.3 million euros for the third quarter. Revenue increased 32.7% from pro forma revenue for the comparison period. EBITA, i.e. operating profit before amortization of goodwill and other intangible assets, was 5.3 million euros for the third quarter, i.e. 5.9% of revenue (pro forma 2021: 7.0 million euros, 7.1%). The decrease in relative profitability was affected by cost inflation, the depreciation of Swedish krona, margin reductions in certain individual projects, as well as increased expenses in group administration. Amortization of consolidated goodwill that is originated from corporate

acquisitions of the group was 5.7 million euros for the review period, which significantly affected the operating profit that was -0.4 million euros.

Business operations of the Group during the review period concentrated especially in the execution of diverse orderbook that was built during the first half of the year. The most significant new contract was the 32-million-euro contract that was done at the beginning of July and that regards a wind park that is constructed in the city of Oulainen in Northern Ostrobothnia. Responsibilities of the company in the comprehensive BoP project include land improvement, foundation construction, and internal grid works for the wind farm, as well as the construction of a substation, main transformers, and a 110 kV power line. Other new contracts have been done especially in infrastructure construction in Northern Sweden and Stockholm region. Contracts made during the review period relate to several public sector projects regarding the construction of roads, plumbing, and electric grids, for example. The company has also expanded its activities in Stockholm region to underwater construction and has received first projects regarding maritime routes in the archipelago.

At the end of August, SkartaNYAB Plc acquired all shares in Swedish Power Forze AB. Power Forze AB is a company that operates particularly in Northern Sweden and offers services regarding power installations for industry and wind power, as well as construction and maintenance of electric grids. Purchase price for the share was approximately 3.6 million euros, of which 0.8 million euros was paid as a cash consideration and the remaining by arranging a directed share issue for Power Forze AB's shareholders. Power network construction business of the Group also took steps forward in Finland, as Skarta Finland Oy was granted Qualification B for Fingrid's supplier register. Previous substation contracts of the company have related to BoP projects in wind power construction, beside which it will now be able to execute Fingrid's 110 kV electrical substation projects.

## **Operating environment and risks**

SkartaNYAB's most significant risks and uncertainties relate to changes in the operating environment, as well as currency rate fluctuations that have an impact on the reported euro-denominated financial information of the Group.

Prognoscentret that analyzes Swedish markets estimated in September that investments in the construction industry are expected to start decreasing next year because of recession. SkartaNYAB's business operations in Sweden have concentrated on projects in the public sector and with large-scale industrial clients, whose demand is relatively stable regardless of business cycles. For example, investment plan of the government for 2022-2033 that was released in the summer includes a record number of investments in transportation infrastructure, more than 80 billion euros, which balances the expected decrease in the private sector. However, delays in other private sector projects may increase competition in SkartaNYAB's business areas and therefore have a detrimental effect on the profitability of the group.

In Finland, RAKSU group that studies trends in construction and is led by the Ministry of Finance estimated at the end of August that the increase in prices and challenges in the availability of materials is relieving. However, general inflation development, increase in interest rates and increase in energy prices have a negative effect to the realization of construction projects. Uncertainty is high especially in the construction of business premises, and the public sector may not have sufficient funding for all scheduled projects in infrastructure and industrial construction. Volumes in land and water construction are expected to slightly decrease in 2022 and 2023. Wind power construction is a significant part of SkartaNYAB's business operations and, on the other hand, is at a rapid growth. There are approximately 300 wind power plants at planning and construction stages, and their related investments amount to approximately 1.5 billion euros.

The construction of solar power will be providing significant growth potential for SkartaNYAB's business operations. According to European Commission's solar energy strategy that was published in May, solar power is in a key position to end dependency on fossil fuels. At the entire EU level, the share renewable energy sources in electricity distribution are expected to grow from 37 percent in 2021 to 69 percent in 2030. Finland and Sweden are suitable areas for the construction of solar power, as sun is shining around the clock in the summer, and snow reflects more radiation from the sun that is low over the horizon to the solar panels.

Rapidly increasing production of renewable energy, as well as increased electricity consumption resulting from the investment projects in Northern Sweden, require strengthening of the transmission capacity as well. Fingrid and Svenska Kraftnät have planned to invest more than 12 billion euros to the main grid over the next ten years. One of the most significant cross-border projects is the 380-kilometer-long Aurora Line, the first construction agreements of which were signed in summer 2022 and will provide potential projects also for SkartaNYAB's group companies.

## **Share and shareholders**

SkartaNYAB Plc's total number of shares at the end of the review period was 706,658,238 shares and the average number of shares for the review period 704,650,063. The number of shares increased with 9 950 shares in July, as the company arranged a share issue without payment for its personnel as a part of the new share-based incentive programs of the group, and with 4 006 400 shares in September, as the company directed a share issue with a payment for Power Forze AB's shareholders as a consideration for the acquisition of all shares in Power Forze AB.

On 30 September 2022, SkartaNYAB Plc had a total of 3555 shareholders that had been registered in the shareholder register of the company. The largest shareholders of the company were Holding Investment Förvaltning i Luleå AB (a company under joint control of Board member and CEO Johan Larsson and Board and Executive Management Team member Mikael Ritola, ownership 33.4%), Andament Group Oy (a company that is in control of Board member Jukka Juola and where Chairman of the Board Markku Kankaala exercises significant influence, ownership 19.1%), and Sätergrens Entreprenad AB (ownership 10.6%).

Members of the Board and Executive Management Team of the Company, including companies under their control, owned a total of 57.4% of all shares in the Company at the end of the review period. On 30 September 2022, the share capital of the parent company was 80 000 euros, and the total equity was 255,5 million euros.

## Significant events after the review period

The company has continued measures to improve its profitability in Finnish business operations. In October, Skarta Finland Oy launched change negotiations with its personnel with the aim of finding ways to make operations more efficient, streamlined and to achieve cost savings. The negotiations concern a total of 50 employees, and they are expected to end at the end of November. According to preliminary assessment, the planned measures could, if implemented, lead to a substantial change in the terms of employment or dismissal of a maximum of 10 people.

At the end of October, the company published strategic objectives set for 2022-2024 including continuing profitable growth, accelerating the monetization of renewable energy projects, and strengthening an entrepreneurial culture. At the same time, the company published an invitation to an Extraordinary General Meeting that is held on 22 November 2022 and is intended to decide on changing the name of the company to NYAB Plc. The purpose of the change is to simplify the brand portfolio of the group and strengthen as hared culture between Finland and Sweden by taking the NYAB name in use in construction business activities in both Finland and Sweden. The change is proposed to come into effect on 14 December 2022.

In addition, Shareholders' Nomination Board has proposed to the General Meeting that Lars-Eric Aaro is elected as a new member of the Board of Directors in addition to the current members. Lars-Eric Aaro has been, for example, CEO at LKAB between 2009-2015, and Head of Corporate Sales and Executive Vice President at AFRY between 2015-2018. Nomination Board sees that Lars-Eric Aaro's long management experience in major industrial companies, as well as his expertise and network in SkartaNYAB's essential market area in Northern Sweden, would be a valuable addition to SkartaNYAB's competences.

SkartaNYAB and CapMan Nordic Infrastructure II fund signed a Memorandum of Understanding on 10 November 2022, where the parties have expressed their intent to enter into a partnership for the purposes of developing, owning and operating solar and other renewable energy projects. In the contemplated transaction, parties would establish a joint venture, of which the fund would own 60% and SkartaNYAB 40% and that would acquire all shares in SkartaNYAB Group company Skarta Energy Ltd. The signing of binding transaction documents and closing of the transaction are targeted to take place by the end of 2022. Transaction would have a significant positive impact on SkartaNYAB's EBITA. Preliminary estimate of the positive impact on profit is in the region of 20 million euros.

## Consolidated income statement

SkartaNYAB Plc Group (1000 euros)	07-09/2022 (3 months)	07-09/2021 (3 months)	01-09/2022 (9 months)	01-09/2021 (9 months)
<b>REVENUE</b>	<b>90 326</b>	<b>14 221</b>	<b>157 763</b>	<b>14 753</b>
Other operating income	627	135	2 448	634
Materials and services	-74 344	-10 545	-125 776	-10 545
Personnel expenses	-7 327	-1 660	-17 476	-2 448
Other operating expenses	-3 223	-850	-8 358	-2 191
Depreciation, amortization, and reduction in value	-6 434	-1 238	-14 216	-1 428
<b>OPERATING PROFIT (LOSS)</b>	<b>-374</b>	<b>63</b>	<b>-5 615</b>	<b>-1 225</b>
Financial income and expenses	-241	-33	-1 456	-3 480
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>	<b>-610</b>	<b>30</b>	<b>-7 030</b>	<b>-4 705</b>
Income taxes	-744	-150	-2 060	-150
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-1 354</b>	<b>-121</b>	<b>-9 090</b>	<b>-4 856</b>

## Consolidated balance sheet

<b>SkartaNYAB Plc Group (1000 euros)</b>	<b>30.9.2022</b>	<b>30.9.2021</b>
Intangible assets	213 395	32 390
Tangible assets	13 945	5 435
Investments	4 324	6 411
<b>NON-CURRENT ASSETS</b>	<b>231 664</b>	<b>44 766</b>
Stocks	3 355	854
Long-term receivables	367	1 458
Short-term receivables	91 131	24 529
Investments	35	35
Cash and cash equivalents	7 985	1 783
<b>CURRENT ASSETS</b>	<b>102 873</b>	<b>28 561</b>
<b>TOTAL ASSETS</b>	<b>334 537</b>	<b>73 426</b>
Subscribed capital	80	80
Reserves	275 495	69 934
Retained earnings	-20 466	-13 999
Profit (loss) for the period	-9 090	-4 856
<b>TOTAL CAPITAL AND RESERVES</b>	<b>246 019</b>	<b>51 160</b>
Appropriations	175	37
Provisions	3	0
Long-term loans	17 239	6 421
Short-term liabilities	71 101	15 808
<b>TOTAL CREDITORS</b>	<b>88 339</b>	<b>22 327</b>
<b>TOTAL CAPITAL, RESERVES, AND LIABILITIES</b>	<b>334 537</b>	<b>73 426</b>

### Disclosure regulation

*This business review is not a quarterly financial report within the meaning of the Rulebook of Nasdaq First North Growth Market Finland. SkartaNYAB Plc applies half-yearly reporting, as defined in the rulebook, and publishes business reviews for the first and third quarter, where essential information regarding the financial performance of the company is presented. Financial information presented in the business review is unaudited.*

### Contacts

- Aku Väliäho, CFO, SkartaNYAB Oyj, +358 (0)40 559 2772, [aku.valiaho@skartanyab.com](mailto:aku.valiaho@skartanyab.com)
- Johan Larsson, CEO, SkartaNYAB Oyj, +46 (0)70 182 5070, [johan.larsson@nyabab.se](mailto:johan.larsson@nyabab.se)

### About SkartaNYAB Oyj

SkartaNYAB is a builder of a clean future with decades of experience in complex and demanding projects. We are enabling green transition in the Nordics by providing engineering, construction, and maintenance services to public and private

sector clients regarding the construction of renewable energy and sustainable infrastructure. SkartaNYAB is headquartered in Oulu and it has more than 300 employees at different locations in Finland and Sweden.

SkartaNYAB Plc's Certified Adviser is Augment Partners AB, [info@augment.se](mailto:info@augment.se), phone +46 8 604 22 55.

## **Attachments**

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