



NYAB Plc's business review 1 January - 31 March 2023: Accelerating balanced growth

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NYAB Plc

COMPANY ANNOUNCEMENT

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- Revenue was EUR 39.2 (11.6) million, an increase of 34 percent from pro forma revenue of EUR 29.3 million for the comparison period.
- EBITA was EUR -1.2 (-1.3) million, an improvement of 55 percent from pro forma EBITA of EUR -2.2 million for the comparison period.
- Order backlog at the end of March was EUR 235.0 (156.3) million, an increase of 50 percent from March 2022.
- After the review period, settlement agreement with the City of Mikkeli was executed and will have a positive cash flow impact of EUR 9.2 million and a positive non-recurring result impact of EUR 3.6 million for the second quarter.

Key figures of the group

	01-03/2023 (3 months)	01-03/2022 (3 months)	01-12/2022 (12 months)
Revenue, 1000 EUR	39,152	11,613	247,702
EBITDA, 1000 EUR	-480	-987	33,100
-share of revenue	-1.2%	-8.5%	13.4%
EBITA, 1000 EUR	-1,229	-1,284	30,488
-share of revenue	-3.1%	-11.1%	12.3%
Operating profit (EBIT)*, 1000 EUR	-7,003	-2,351	12,242
-share of revenue	-17.9%	-20.2%	4.9%
Profit for the period, 1000 EUR	-8,056	-2,578	8,396
-share of revenue	-20.6%	-22.2%	3.4%
Equity ratio	84.1%	82.7%	78.8%
Order backlog, 1000 EUR	235,026	156,308	238,722

*EBIT is significantly affected by the amortization of consolidated goodwill that amounted to EUR -5.8 (-1.1) million for the first quarter and EUR 18.2 million for the financial year 2022.

CEO Johan Larsson's review

Taken as a whole, NYAB's first quarter can be considered as a strong performance with increased revenue, improved profitability, and order backlog that amounted to EUR 235 million at the end of March, well above last year's level.

NYAB traditionally has the seasonally lowest production volumes in the first quarter, as project execution in northern regions does not commence in full until spring has arrived. However, as NYAB is exposed to and targets segments of the market that provide opportunities for profitable growth, successful strengthening of the order backlog has been possible.

EBITA was EUR -1.2 million, an improvement compared to pro forma EBITA of EUR -2.2 million for Q1/2022.

In Sweden, we modified and strengthened our organization to meet increased business volumes during the rest of the year. Our order backlog is well diversified and includes projects with high margins, several perennial contracts, and collaborative contracts, as well as a good split between our business units.

In Finland, it has been rewarding to see that our skilled organization has been able to utilize the potential of their strengths. The restructuring of the organization that was initiated in Q4/2022 has already resulted in improved business performance and profitability. Furthermore, our joint venture with CapMan fund, Skarta Energy, has continued its development and is following its business plan of building 800 MW of solar power during the next five years.

At the Annual General Meeting on 26 April 2023, the Board of Directors was strengthened with new members who have experience of managing larger companies in a public environment. I am satisfied that we have gained such a competent and engaged Board that will have an important role in complementing our entrepreneurial soul when developing the company. I also want to thank Jukka Juola and Aarne Simula, who left our Board, for their contributions related to the forming of NYAB as the current listed entity in 2022.

In April 2023, NYAB's analyst coverage was initiated. The coverage is an important part in increasing the recognition of the company and hence supports the improvement of the liquidity of our shares going forward. Our available opportunities in financial markets will also increase with the transition to IFRS reporting that we aim to have in place soon. We also aim to present our conclusions about future listings as soon as possible. These actions are designed with the ambition to maximize long-term value creation for our stakeholders.

NYAB's financial targets express our ambition to deliver profitable and sustainable growth. For the financial year 2023, we expect our revenue to be EUR 315-340 million and EBITA to be EUR 25-33 million. As we have started the year with positive momentum, I am convinced that we will deliver accordingly.

Financial guidance for 2023

NYAB gives a financial guidance, according to which its revenue for 2023 will be EUR 315-340 million and EBITA, operating profit before amortization and depreciation of intangible assets, will be EUR 25-33 million. NYAB estimates that the market outlook for 2023 is favorable even though inflation and interest rates that have remained at elevated levels are still creating some uncertainty in the operating environment. In Sweden, demand has remained robust, but in Finland there have been signs of stabilizing demand especially regarding new wind power projects. Due to the seasonal nature of the business and in line with the historical pattern, a significant part of revenue and profit is expected to accrue during the second half of the year. The guidance is based on the current exchange rate between the euro and Swedish krona.

Business operations and financial performance

NYAB's revenue for the first quarter was EUR 39.2 (11.6) million. Revenue increased 33.8 percent from pro forma revenue of the comparison period. Revenue per geographical region is shown in the table below.

Revenue (MEUR)	Q1/2023	Q1/2022	Q1/2022 (pro forma)
Finland	14.9	8.4	8.4
Sweden	24.2	3.3	21.0
Total	39.2	11.6	29.3

EBITA of the group was EUR -1.2 (-1.3) million for the first quarter. EBITA improved 54.5 percent from pro forma figures of the comparison period. EBITA per geographical region is shown in the table below.

EBITA (MEUR)	Q1/2023	Q1/2022	Q1/2022 (pro forma)
Finnish operations	0.0	-1.4	-1.4
Swedish operations	-1.4	0.1	-0.8
Other unallocated	0.2	0.0	0.0
Total	-1.2	-1.3	-2.2
Share of revenue	-3.1%	-11.1%	-7.4%

Pro forma figures include NYAB Sverige AB subgroup that has been a part of NYAB Plc and therefore consolidated to the reported figures as of 31 March 2022.

In Finland, NYAB has grown particularly in energy construction. In January, a Balance of Plant (BoP) contract worth nearly EUR 18 million was signed with Energiequelle regarding the new Mikonkeidas wind farm to be constructed in Kristiinankaupunki, Ostrobothnia. NYAB will supply the wind farm's roads, lifting areas, foundations, internal grid, substation, and transmission lines. In practice, this means that NYAB is responsible for the entire construction of the wind farm, except for the installation of the wind turbines. With the contract, NYAB's completed and ongoing wind farm projects already include more than 190 wind turbines. In addition, NYAB has continued to execute larger-scale energy, infrastructure and industrial projects that were signed during the previous financial year.

In Sweden, NYAB's growth primarily relates to the significant investment projects that take place in Northern Sweden and aim for a clean future and regularly entail new project opportunities for NYAB. One significant contract signed in the first quarter was the contract with the Swedish Transport Administration Trafikverket. The project relates to the strengthening measures of a road that is important for the transportation and service traffic to the ore mining districts. In addition, NYAB has continued its growth in the Stockholm region, where its new contracts concern the construction of new public transport infrastructure, amongst other projects. NYAB also has dozens of perennial frame and maintenance contracts that create revenue throughout the year.

Skarta Energy Oy, the joint venture between NYAB and CapMan Infra fund, has continued the active development of solar projects and strengthened its organization to prepare for the beginning of construction. The company aims to construct 800 MW of solar power during the next five years. In February, the Ministry of Economic Affairs and Employment in Finland granted Skarta Energy's project company an investment aid of EUR 13.3 million for the solar farm development project in Utajärvi. The solar farm to be constructed in disused peat bog areas will be the first solar farm in Finland that is connected to Fingrid's main grid. Skarta Energy had an effect of EUR -0.4 million on NYAB's result before appropriations and taxes for the first quarter, consisting especially of the amortization of goodwill that originates from the establishment of the joint venture, as well as frontloaded costs relating to the launching of operations.

NYAB Plc signed a merger plan in February, whereby Andament II Sulautuva Oy, a company demerging from its second largest shareholder Andament Group Oy, merges into NYAB. In the proposed series of transactions, 111,000,000 NYAB shares that Andament owns, corresponding to 15.7 percent of all shares in the Company, are cancelled, and the equivalent number of new shares in the Company are issued to Andament shareholders. The transaction aims at clarifying NYAB's ownership structure and expanding its owner base. The arrangement does not have a net impact on the number of shares in the Company, and its net impact on the balance sheet position and business operations of the Company are neutral. NYAB's Annual General Meeting approved the transaction on 26 April 2023 and authorized the Board of Directors to decide on the completion of the merger, as well as the issuance of shares as a merger consideration. The merger is expected to take place by the end of August 2023.

Operating environment and risks

NYAB's most significant risks and uncertainties relate to changes in the operating environment, as well as the fluctuation of currency rates that affect the reported euro-nominated financial information of the Group. The Swedish krona continued to decrease during the beginning of the year and its average value for the first quarter was 6.4 percent lower than in the comparison period. NYAB's strategic, operative, damage, financial, and administrative risks have been presented in more detail in the annual report for the financial year 2022.

The increased probability of recession, high inflation, and increasing interest rates have weakened the outlook for the construction industry. According to the Confederation of Finnish Industries, confidence in the construction industry has decreased to an even lower level than at the beginning of the war in Ukraine in February 2022. The Confederation of Finnish Construction Industries RT estimated in its most recent review that the industry is on the bottom of the business cycle and the outlook will improve towards the end of the year. Austerity pressures cause uncertainty for governmental infrastructure projects, whereas the construction of industrial premises begins to support new construction rather than rapidly weakening housing construction.

In Sweden, there are significant regional differences in the outlook of the construction industry. Byggföretagen estimates that in Norrbotten County, an essential market area for NYAB, investments will grow approximately 5 percent annually in both 2023 and 2024, whereas in many other regions the decline is estimated to be around the double-digit level. The heavy decline in housing construction explains the negative development of construction investments also in Sweden, whereas other construction is estimated to continue at a steady level.

The outlook for NYAB's energy construction remains positive due to investments in the green transition. According to the Ministry of Economic Affairs and Employment in Finland, an average of at least EUR 3.3 billion is annually invested in the green transition in the industry. In the short term, decreased electricity prices and increased interest rates may cause delays in decisions to invest in renewable energy, but in the long term the clean energy construction sector is projected to experience rapid growth. Fingrid reported in March 2023 that the number of enquiries related to connecting renewable electricity production facilities to the main grid is at a record high level. In addition to the strongly developed wind power sector, the number of solar power enquiries have also more than trebled in a year.

According to scenarios that focus on the increase of renewable energy and that Fingrid presented in its electricity system vision, there is a considerable need to strengthen the main grid as fossil fuels are gradually replaced. Beside Fingrid's current investment plan of EUR 3 billion, as well as new transmission connections between Finland and Sweden, the needed investments may amount to several billion euros.

Share and shareholders

NYAB Plc's total number of shares for the entire review period was 706,658,238. At the end of the period, the company had a total of 3,870 shareholders that had been registered in the shareholder register maintained by Euroclear Finland. A total of 64.8 percent of all shares in the company were owned by nominee-registered shareholders.

The largest shareholders of the company on 31 March 2023 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 34.1 percent), Andament Group Oy (a company where Chairman of the Board Markku Kankaala exercises significant influence, ownership 19.1 percent), and Sätergrens Entreprenad AB (ownership 10.6 percent).

Significant events after the review period

NYAB and the city of Mikkeli signed a settlement agreement in April. The agreement was signed to settle the dispute between Group company NYAB Finland Oy and Mikkeli Waterworks, a municipal enterprise owned by the City of Mikkeli, that had been subject to legal proceedings. The agreement was executed on 11 May 2023, as the resolution of Mikkeli City Board on the approval of the agreement became final. NYAB reports a positive cash flow impact of approximately EUR 9.2 million and a positive non-recurring result impact of approximately EUR 3.6 million for the second quarter.

NYAB Plc's Annual General Meeting took place on 26 April 2023. The meeting adopted the financial statements and consolidated financial statements for the financial year 2022, discharged persons, who had been Board members or CEO, from liability, and decided on the election and remuneration of Board members and auditors. Previous Board members Markku Kankaala, Johan K Nilsson, Johan Larsson, Mikael Ritola, Jari Suominen, and Lars-Eric Aaro were re-elected, and Anders Berg, Barbro Frisch, and Jan Öhman were elected as new members. In accordance with the decision of the organizing meeting of the Board of Directors, Markku Kankaala continues as the Chairman of the Board, and Jan Öhman operates as the Vice Chairman. The Annual General Meeting also decided to pay a capital repayment of 0.7 euro cents per share to shareholders. The capital repayment was paid on 8 May 2023.

Consolidated income statement (condensed)

NYAB Plc Group (1000 euros)	01-03/2023 (3 months)	01-03/2022 (3 months)	01-12/2022 (12 months)
REVENUE	39 152	11 613	247 702
Other operating income	94	718	20 720
Materials and services	-31 153	-8 622	-195 630
Personnel expenses	-7 057	-3 183	-26 320
Other operating expenses	-1 517	-1 513	-13 373
Depreciation, amortization, and reduction in value	-6 522	-1 364	-20 858
OPERATING PROFIT (LOSS)	-7 003	-2 351	12 242
Financial income and expenses	-300	-102	-1 637
Share of profit in associated companies	-399	-2	-30
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-7 701	-2 455	10 574
Adjustment from group transactions	0		913
Income taxes	-354	-122	-3 092
PROFIT (LOSS) FOR THE PERIOD	-8 056	-2 578	8 396

Consolidated balance sheet (condensed)

NYAB Plc Group (1000 euros)	31.3.2023	31.3.2022	31.12.2022
Intangible assets	200 799	220 939	206 576
Tangible assets	14 996	13 627	15 277
Investments	16 325	5 368	16 734
NON-CURRENT ASSETS	232 120	239 935	238 587
Inventory	1 467	2 860	2 303
Long-term receivables	1 629	53	343
Short-term receivables	65 777	46 932	82 616
Investments	35	35	35
Cash and cash equivalents	13 572	13 033	13 828

CURRENT ASSETS	82 481	62 914	99 125
TOTAL ASSETS	314 601	302 849	337 713
Subscribed capital	80	80	80
Reserves	273 235	272 609	273 235
Retained earnings	-10 947	-19 777	-18 964
Profit (loss) for the period	-8 056	-2 578	8 396
TOTAL CAPITAL AND RESERVES	254 312	250 336	262 746
Provisions	82	2 247	83
Long-term loans	17 028	7 451	11 303
Short-term loans	4 377	1 880	7 178
Other short-term liabilities	38 803	40 935	56 402
TOTAL CREDITORS	60 207	50 366	74 883
TOTAL CAPITAL, RESERVES, AND LIABILITIES	314 601	302 849	337 713

Disclosure regulation

This business review is not a quarterly financial report within the meaning of the Rulebook of Nasdaq First North Growth Market Finland. NYAB 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.

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About NYAB Oyj

NYAB 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 renewable energy and sustainable infrastructure. NYAB is headquartered in Oulu and it has more than 350 employees at different locations in Finland and Sweden.

NYAB Plc's Certified Adviser is Augment Partners AB, info@augment.se, phone +46 8 604 22 55.

Attachments

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