



## NYAB Plc's business review 1 July - 30 September 2023: Improved profitability

10.11.2023 09:30:00 EET | NYAB Oyj | Company Announcement

### NYAB Plc

COMPANY ANNOUNCEMENT

10 November 2023 at 09:30

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### July-September in brief

- Revenue amounted to EUR 88.1 (90.3) million, representing a change of -2.5%. In constant currencies, revenue growth was 3.6%.
- EBITDA was EUR 8.0 (6.6) million, amounting to 9.1% (7.3%) of revenue
- Operating profit (EBIT) improved 26.0% and was EUR 6.6 (5.2) million, amounting to 7.5% (5.8%) of revenue
- Free cash flow was EUR -3.8 (2.4) million
- Net debt/EBITDA was 0.30
- Order backlog amounted to EUR 183.3 (267.7) million
- A significant agreement regarding the construction of Aurora Line with an estimated value of EUR 89 million was signed after the end of the quarter

### January-September in brief

- Revenue amounted to EUR 192.6 (163.6) million, representing a change of 17.7%. In constant currencies, revenue growth was 24.7%.
- EBITDA was EUR 12.8 (9.6) million, amounting to 6.6% (5.9%) of revenue
- Operating profit (EBIT) improved 31.3% and was EUR 8.6 (6.5) million, amounting to 4.5% (4.0%) of revenue
- Free cash flow was EUR 5.5 (-5.8) million

### Key figures of the Group (IFRS)

	07-09/2023 (3 months)	07-09/2022 (3 months)	01-09/2023 (9 months)	01-09/2022 (9 months)	01-12/2022 (12 months)
Revenue, 1000 EUR	88,098	90,349	192,569	163,553	253,318
EBITDA, 1000 EUR	8,000	6,551	12,796	9,613	30,389
% of net sales	9.1%	7.3%	6.6%	5.9%	12.0%
EBITA, 1000 EUR	7,103	5,695	10,128	7,487	27,217
% of net sales	8.1%	6.3%	5.3%	4.6%	10.7%
Operating Profit (EBIT), 1000 EUR	6,576	5,211	8,573	6,531	25,744
% of net sales	7.5%	5.8%	4.5%	4.0%	10.2%
Profit for the period, 1000 EUR	4,567	4,339	5,484	4,002	23,320
Return on equity, previous 12 months, %	14.5%	NA	14.5%	NA	22.5%
Return on capital employed, previous 12 months, %	13.8%	NA	13.8%	NA	22.7%
Equity ratio, %	70.9%	63.4%	70.9%	63.4%	69.6%
Net gearing, %	5.5%	9.9%	5.5%	9.9%	3.9%
Net debt/EBITDA, previous 12 months	0.30	NA	0.30	NA	0.23
Free cash flow, 1000 EUR	-3,787	2,444	5,518	-5,832	3,699
Order backlog, 1000 EUR	183,298	267,656	183,298	267,656	239,682

## CEO Johan Larsson's review

NYAB has continued to perform well. In the third quarter, our revenue amounted to EUR 88 million with an improved EBIT margin of 7.5% after a strong performance in project execution.

From an overall perspective, we are in a period of macroeconomic headwinds resulting in a challenging market situation. Inflation and increasing interest rates have caused delays in customers' investment decisions mainly in Swedish infrastructure and Finnish energy markets.

Our addressable market continues to offer a high level of business opportunities and tenders. The newly signed contract with Svenska kraftnät also demonstrates NYAB's capabilities and the underlying growth potential in our markets.

Furthermore, we have been able to mitigate increasing costs with solid project execution and by that preserve healthy margins in our projects. We have also remained selective when taking on new projects to ensure profitability and not to increase our risk level.

In September, it was communicated that the Board of Directors decided to proceed with preparations for re-domiciliation to Sweden and that NYAB aims for a listing on Nasdaq First North Premier Growth Market in Sweden. The cross-border conversion and the listing transfer are expected to be completed during the first half of the year 2024. We aim to provide more information on the process for our shareholders during the fourth quarter, as legal decisions on the re-domiciliation are expected to be made.

To summarize, I am convinced that NYAB will continue to display positive development also in a challenging market environment. In the short term, I expect that we will see continued fluctuation in our order intake and revenue recognition. However, we have a strong financial position, solid project execution, flexibility, and capabilities, and we are operating in a market with continued high underlying demand. This gives us opportunities to continue our journey with profitable growth.

## Financial guidance for 2023 (specified)

In the financial guidance given on 10 August 2023, NYAB's revenue for full year 2023 was estimated to be EUR 290-315 million and operating profit (EBIT) EUR 16-24 million. NYAB now specifies the guidance so that revenue for 2023 is expected to be at the lower end of the previously communicated range.

Specified guidance for revenue is based on events that have taken place after the publishing of the half-year report. The challenging macroeconomic environment has continued to cause delays to both order intake and revenue recognition in ongoing projects. Delayed projects include, for example, the Aurora Line project with an estimated total value of EUR 89 million, where the estimated revenue to be recognized during 2023 is lower than in the previous project schedule. Guidance is based on the current outlook on the market and project conditions.

Key uncertainties impacting NYAB's outlook include the development of inflation and interest rates, exchange rate between the euro and the Swedish krona, weather conditions, as well as functionality of supply chains.

## Business operations and financial performance

NYAB's revenue for the third quarter amounted to EUR 88.1 (90.3) million, a decrease of 2.5% from the comparison period. However, in constant currencies the revenue grew by 3.6%. Reported revenue was affected by the year-to-year depreciation of the Swedish krona of 8.9% at the end of the period.

In addition to the currency headwind, there have been delays in customers' investment decisions and the start-up of already decided projects. This short-term uncertainty has been seen, for example, in Swedish infrastructure frame agreements, where there have been lower realized volumes than estimated, and in the Finnish renewable energy sector, where the initiation of new projects has been interrupted.

Sweden continues to be NYAB's largest market and represented 68% (78%) of total revenue for the third quarter. A more detailed breakdown of the revenue per country is presented in the table below.

Revenue (MEUR)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Finland	28.5	20.2	67.3	32.6	51.6
Sweden	59.6	70.2	125.2	131.0	201.7
<b>Total</b>	<b>88.1</b>	<b>90.3</b>	<b>192.6</b>	<b>163.6</b>	<b>253.3</b>

Operating profit (EBIT) for the third quarter improved 26.0% and amounted to EUR 6.6 (5.2) million, 7.5% (5.8%) of revenue. The improved profitability was mainly a result from operations in Finland and the Stockholm region. Continued solid project execution in all areas has mitigated the negative currency impact and increased costs.

Net profit amounted to EUR 4.6 (4.3) million and has been affected by, among others, finance expenses relating to NYAB's potential re-domiciliation and listing transfer, EUR -0.4 million, as well as the share of result in the associated company Skarta Energy, EUR -0.4 million.

NYAB's financial position has remained strong. Equity ratio at the end of the quarter improved to 70.9% (63.4%) and net debt to EBITDA (last 12 months) was 0.30. Free cash flow was EUR -3.8 (2.4) million. The negative free cash flow for the quarter was mainly due to tie-up in working capital, as certain projects in Sweden have experienced longer than expected resolving of outstanding receivables settlement.

Order backlog amounted to EUR 183 (267) million at the end of the third quarter. New contracts have mainly been achieved in Northern Sweden and the Stockholm region. Among the signed contracts, there was a framework agreement with Stockholm Vatten & Avfall regarding excavation and piping work for water and sewage. NYAB is one of three contracted companies that together will receive a total volume of up to SEK 1.5 billion over the next five years. Furthermore, NYAB has commenced work for Talga to establish a battery anode refinery in Luleå. The underlying strength of NYAB's core market is also demonstrated by the agreement to start the construction of Aurora Line that was signed in October.

As earlier communicated, NYAB proceeds with preparations to re-domicile its parent company to Sweden. In connection with the cross-border conversion, NYAB also aims for listing on Nasdaq First North Premier Growth Market in Sweden. The cross-border conversion and the listing transfer are expected to be completed during the first half of 2024. More information on the background, rationale and process can be found at NYAB's Company Announcement that was published on 27 September 2023.

In connection with proceeding with the re-domiciliation, NYAB Plc's Board of Directors appointed Jan Öhman, previously Vice Chairman, as new Chairman of the Board on 27 September. Öhman succeeds Markku Kankaala, who continues to serve as Vice Chairman of the Board.

## **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. Increasing interest rates, as well as inflation that has remained at high levels, are causing challenges in both Swedish and Finnish markets. In NYAB's business operations, challenges in the operating environment have particularly resulted in delays of customers' investment decisions. Financial and operative risks of the Group have been presented in more detail in the half-yearly report that was published in August 2023, and they have not been subject to major changes.

Prognoscentret that analyzes Swedish markets estimates that industrial investments in Northern Sweden, as well as large investment needs in the public sector, support the entire construction industry. According to Byggföretagen, construction investments in the Norrbotten County are accelerating, the estimated growth being 6% for 2023 and 11% for 2024. Simultaneously, most of the other regions are expected to remain at a decline. NYAB has the largest share of its operations in the northern markets, where the detrimental effects of the operating environment are expected to remain limited and demand for the services in the long term to continue to be strong.

Order backlogs in Finnish construction companies are at a significantly lower than average level, and development of the industry during the year has been clearly negative. According to the Confederation of Finnish Construction Industries and RAKSU group that studies trends in construction, the construction of industrial premises and infrastructure may increase already in 2024, but land and water construction is expected to remain at a decline. Investments in the green transition may improve the outlook of the industry in comparison with the forecasts. There is a high interest to invest in Finland, and several new projects are planned especially in the energy sector. However, timing and execution of the investments is subject to uncertainty.

## **Share and shareholders**

NYAB Plc's total number of shares for the entire review period was 706,658,238 (for the comparison period, the average number of shares was 704,650,063 and number of shares at the end of the period was 706,658,238).

At the end of the period, the company had a total of 3,941 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 30 September 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 34.2%), Sätergrens Entreprenad AB (ownership 10.6%), and Kallastor Oy (ownership 8.9%). Members of the Board and management, as well as companies under their control, owned a total of 41.3% of all shares in the company.

## Significant events after the review period

NYAB and Svenska kraftnät signed an agreement regarding the construction of Aurora Line at the end of October. The agreement is a collaborative agreement. Based on the target price agreed between the parties and other budgeted expenses, the total value of the project is estimated to be approximately EUR 89 million. Work under the agreement will be started without delay and completed at the end of 2025.

Aurora Line is a new 380 km long 400 kV transmission line between Sweden and Finland that is built together by main grid companies Svenska kraftnät and Fingrid. It will improve the security of supply, equalize electricity prices between Finland and rest of the Nordic countries by increasing transmission capacity, and enable an increase in renewable energy production in the Baltic Sea region. NYAB's work in the project regards the approximately 90 km distance between Dockasberg and Risudden in Sweden.

## Consolidated statement of comprehensive income

EUR thousand	07-09 /2023	07-09 /2022	01-09 /2023	01-09 /2022	01-12 /2022
<b>Revenue</b>	<b>88 098</b>	<b>90 349</b>	<b>192 569</b>	<b>163 553</b>	<b>253 318</b>
Other operating income	287	409	3 096	1 064	16 019
Materials and services	-69 381	-73 902	-150 886	-133 410	-203 612
Employee benefit expenses	-7 865	-7 632	-23 632	-17 619	-26 764
Other operating expenses	-3 139	-2 673	-8 352	-3 974	-8 571
<b>EBITDA</b>	<b>8 000</b>	<b>6 551</b>	<b>12 796</b>	<b>9 613</b>	<b>30 389</b>
Depreciation, amortisation and impairment	-1 424	-1 340	-4 223	-3 083	-4 645
<b>OPERATING PROFIT</b>	<b>6 576</b>	<b>5 211</b>	<b>8 573</b>	<b>6 531</b>	<b>25 744</b>
Finance income	15	35	531	72	565
Finance expenses	-939	-277	-2 148	-675	-1 004
<i>Finance income and expenses total</i>	<i>-923</i>	<i>-242</i>	<i>-1 617</i>	<i>-603</i>	<i>-440</i>
Share of result of associates and joint ventures	-442	3	-1 040	41	-27
<b>RESULT BEFORE TAXES</b>	<b>5 210</b>	<b>4 972</b>	<b>5 916</b>	<b>5 968</b>	<b>25 278</b>
Income taxes	-644	-634	-432	-1 967	-1 958
<b>RESULT FOR THE PERIOD</b>	<b>4 567</b>	<b>4 339</b>	<b>5 484</b>	<b>4 002</b>	<b>23 320</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Valuation (losses)/gains on fair value through other comprehensive income equity investments	0	-28	0	-133	-499
Tax relating to items that will not be reclassified	0	6	0	27	100
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in cumulative translation adjustment	211	-318	-822	-1 135	-1 857
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4 778</b>	<b>3 999</b>	<b>4 662</b>	<b>2 760</b>	<b>21 064</b>

## Consolidated balance sheet

EUR thousand	30.09.2023	30.09.2022	31.12.2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	121 074	121 242	121 182
Intangible assets	2 555	10 344	3 840
Tangible assets	13 065	13 321	14 360
Right-of-use assets	3 203	3 297	3 377
Participations in associates and joint ventures	12 597	1 100	11 110
Other non-current receivables and investments	7 089	3 222	5 624
Deferred tax assets	22	511	480
<b>Total non-current assets</b>	<b>159 605</b>	<b>153 038</b>	<b>159 973</b>
<b>Current assets</b>			
Inventories	4 352	2 871	2 303
Trade receivables	47 331	49 412	50 618
Contract assets	28 126	41 113	22 841
Other receivables	7 072	969	9 536

Cash and cash equivalents	15 743	7 985	13 827
<b>Total current assets</b>	<b>102 625</b>	<b>102 350</b>	<b>99 125</b>
<b>TOTAL ASSETS</b>	<b>262 229</b>	<b>255 389</b>	<b>259 098</b>

<b>EQUITY AND LIABILITIES</b>	<b>30.09.2023</b>	<b>30.09.2022</b>	<b>31.12.2022</b>
<b>Equity attributable to owners of the parent company</b>			
Share capital	80	80	80
Reserve for invested non-restricted equity	137 428	142 374	142 375
Translation adjustment	-3 201	-1 660	-2 382
Retained earnings	46 724	21 057	40 345
<b>Total equity</b>	<b>181 032</b>	<b>161 851</b>	<b>180 418</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	18 352	16 462	10 367
Lease liabilities	2 624	2 355	2 277
Accrued expenses	86	125	113
Provisions	78	143	83
Deferred tax liabilities	3 479	4 489	4 379
<b>Total non-current liabilities</b>	<b>24 619</b>	<b>23 573</b>	<b>17 219</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	4 287	4 228	7 178
Lease liabilities	517	929	1 014
Contract liabilities	6 746	4 232	11 647
Trade and other payables	45 028	60 576	41 621
<b>Total current liabilities</b>	<b>56 579</b>	<b>69 965</b>	<b>61 460</b>
<b>TOTAL LIABILITIES</b>	<b>81 198</b>	<b>93 538</b>	<b>78 680</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>262 229</b>	<b>255 389</b>	<b>259 098</b>

## Consolidated cash flow statement

<b>EUR thousand</b>	<b>07-09 /2023</b>	<b>07-09 /2022</b>	<b>01-09 /2023</b>	<b>01-09 /2022</b>	<b>01-12 /2022</b>
<b>Cash flows from operating activities</b>					
Result for the period	4 567	4 339	5 484	4 002	23 320
<b>Adjustments for profit:</b>					
Depreciation and amortisation	1 424	1 340	4 223	3 083	4 645
Finance income and expenses	923	243	1 617	603	440
Gain on disposal of intangible assets	-71	0	-71	0	-16 020
Income taxes	644	-634	432	1 967	1 958
Share of profit/loss of an associate	442	-4	1 040	-41	27
Other adjustments	-134	317	541	325	657
<b>Total adjustments</b>	<b>3 228</b>	<b>2 530</b>	<b>7 782</b>	<b>5 937</b>	<b>-8 294</b>
<b>Changes in working capital:</b>					
Increase (-) / Decrease (+) in trade and other receivables	-4 712	-19 684	-3 300	-32 223	-19 743
Increase (+) / Decrease (-) in inventories	-801	-811	-2 079	-1 002	-421
Increase (+) / Decrease (-) in trade and other payables	-1 425	19 451	4 249	21 933	10 558
<b>Total changes in working capital</b>	<b>-6 938</b>	<b>-1 043</b>	<b>-1 129</b>	<b>-11 291</b>	<b>-9 605</b>
Interest received and other financial income	-102	34	413	72	565
Interests paid and other financial expenses	-1 113	-277	-1983	-675	-1 004
Income taxes paid	-3 607	-51	-3 607	-151	-193
<b>Net cash flows from operating activities</b>	<b>-3 966</b>	<b>5 532</b>	<b>6 959</b>	<b>-2 106</b>	<b>4 789</b>
<b>Cash flows used in investing activities</b>					
Acquisition of subsidiaries, net of cash acquired	0	-313	0	1 403	1 403
Disposal of subsidiaries, net of cash disposed	0	0	0	0	4 559

Purchase of tangible and intangible assets	-72	-2 775	-1 692	-5 129	-7 051
Proceeds from sale of tangible and intangible assets	251	0	251	0	0
<b>Net cash flows from investing activities</b>	<b>179</b>	<b>-3 087</b>	<b>-1 441</b>	<b>-3 726</b>	<b>-1 089</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of new long-term debt	1 699	2 963	21 368	15 851	13 142
Repayment of long-term debt	2 541	-1 345	-12 883	-5 109	-5 606
Change in short-term borrowings	-2 519	0	-2 519	0	0
Repayment of lease liabilities	-290	-121	-367	-255	-387
Acquisition of non-controlling interests	0	0	0	-97	-97
Dividend paid	97	-555	-8 982	-5 654	-5 654
<b>Net cash flows from/(used in) financing activities</b>	<b>1 528</b>	<b>942</b>	<b>-3 383</b>	<b>4 736</b>	<b>1 398</b>
<b>Net increase in cash and cash equivalents</b>	<b>-2 259</b>	<b>3 387</b>	<b>2 135</b>	<b>-1 096</b>	<b>5 097</b>
Cash and cash equivalents, beginning of period	17 839	4 621	13 827	9 369	9 369
Impact of the changes in foreign exchange rates	163	-23	-219	-288	-640
<b>Cash and cash equivalents, end of period</b>	<b>15 743</b>	<b>7 985</b>	<b>15 743</b>	<b>7 985</b>	<b>13 827</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, and it has not been prepared in accordance with IAS 34 Interim Financial Reporting standard. NYAB Plc applies half-yearly reporting 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 400 employees at different locations in Finland and Sweden.

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## Attachments

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