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Kreate's Financial Statement Bulletin: high order backlog - with strong revenue and operating profit

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Kreate Group Plc, Financial Statement Bulletin 2021, 26 January 2022 at 08:30 a.m. EET

This release is a summary of Kreate Group's Financial Statement Bulletin 2021. The complete Financial Statement Bulletin is attached, and also available on the company's website at <https://kreate.fi/en/investor/>.

Kreate's Financial Statement Bulletin: high order backlog - with strong revenue and operating profit

October-December in brief

- Order backlog amounted to EUR 202.8 (134.9) million
- Revenue grew compared to the reference period, amounting to EUR 75.8 (62.0) million
- EBITDA was EUR 4.1 (3.1) million, amounting to 5.4 (5.0) per cent of revenue
- EBITA was EUR 3.1 (2.3) million, amounting to 4.1 (3.8) per cent of revenue
- Earnings per share were EUR 0.28 (0.07)
- Free cash flow from operating activities was EUR 7.7 (7.2) million
- Interest-bearing net debt was EUR 20.9 (27.9) million

January-December in brief

- Kreate Group Plc's shares were listed on Nasdaq Helsinki, and the company gained 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.
- Revenue grew slightly compared to the reference period, amounting to EUR 237.6 (235.3) million
- EBITDA was EUR 14.2 (14.0) million, amounting to 6.0 (6.0) per cent of revenue
- EBITA was EUR 10.5 (10.5) million, amounting to 4.4 (4.5) 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 0.90.
- Earnings per share were EUR 0.80 (0.88)
- Free cash flow from operating activities was EUR 4.0 (9.7) million
- The Board of Directors proposes to the general meeting on 29 March 2022 that, based on the balance sheet verified for 2021, a dividend of EUR 0.45 (0.44) be issued per share for shares held outside the company at the time of dividend distribution.

Operating environment in 2022

In 2021, the growth in construction was higher than expected. In its economic assessment issued in October, the Confederation of Finnish Construction Industries estimated that growth in construction will also continue in 2022. For the entire construction industry, the growth forecast is 2.5 per cent in 2022.

Historically, the Finnish infrastructure construction market has grown steadily. In 2020, the total size of the market was approximately EUR 7 billion, and the growth estimate was one per cent in 2021. The Confederation of Finnish Construction Industries estimated that infrastructure construction will decrease in 2022 by one per cent due to municipalities' weaker investment capacity and the concurrent completion of large projects.

Between the different infrastructure construction segments, the development varies from normal to positive. Particularly housing construction, which has reached record levels due to the low supply of new apartments, and the construction of business premises starting to grow boost the foundation construction market in 2022. Repair construction and the repurposing of old buildings have also started to grow, which will be reflected in the special foundation construction market in the infrastructure segment. Furthermore, industrial investments important to infrastructure construction are estimated to grow. The bridge construction market continues to strengthen. In the railway construction segment, the number of smaller projects continues to grow, even though large rail investments cannot yet be seen in the railway construction volume. Overall, there is a very strong long-term trend of infrastructure construction experiencing stable growth and low volatility.

The National Transport System Plan is expected to bring long-term developments exceeding individual governments' terms in office to the development of the transport network, which will also have positive impacts on the infrastructure construction market. The Plan involves a 12-year action programme, which includes actions by the government and municipalities and a government funding programme for the transport system. However, one problem with the plan is the municipalities' growing share of construction costs, which may mean, at worst, that projects are not executed and the condition of the road and street network and railways deteriorates, for example. Furthermore, the budget cuts affecting the development of the transport system and basic transport infrastructure maintenance planned by the government would reduce the funding for 2023 and 2024. The current forecasts indicate that the company could get on a growth track after this.

The October economic assessment by the Confederation of Finnish Construction Industries states that industrial and public sector investments will continue at a high pace, but foundation work for housing construction will decrease in the long term. However, in the short term, particularly urbanisation, the infrastructure maintenance backlog and public sector projects are expected to drive growth and further strengthen Kreate's position in executing demanding projects. All in all, Kreate believes that, in 2022, the applicable structural engineering and transport infrastructure markets will at least remain on the 2021 level as Kreate focuses on the markets' growth areas.

Result guidance for 2022

Kreate estimates that the company revenue (2021: EUR 237.6 million) and EBITA (2021: EUR 10.5 million) will grow compared to 2021.

Justifications:

Kreate's strong order backlog and specialisation in demanding construction as well as the stable infrastructure construction market support the company's strategic growth forecast.

President & CEO Timo Vikström:

"Due to the project contracts acquired in Q4, our order backlog remained at a high level at EUR 203 million. In November, we increased our guidance concerning revenue for 2021 and estimated revenue and EBITA to be on the 2020 level. Our revenue for the year grew to EUR 237.6 million, with our operating profit reaching EUR 10.4 million. Our revenue and operating profit grew slightly higher compared to the previous year, and our relative profitability was still above the average of the infrastructure construction industry, which is seasonal in nature. Furthermore, as expected, Q4 was the second consecutive quarter during which we surpassed the reference period.

Overall, 2021 was a very successful year for Kreate. We acquired the strategically important projects that, according to our estimates, would strengthen our competitiveness either due to their technical demands or purchasing model. Significant megaprojects executed in joint project ventures – the Crown Bridges project, the technical construction for the Sulkavuori central wastewater treatment plant and the renovation of the Kirjalanlansalmi and Hessundinsalmi bridges – provide continuity across operating periods and offer interesting development opportunities for our professionals. In addition to these extensive projects, we have countless other ongoing projects that require special expertise and strengthen our position as an expert in infrastructure construction. Our success in project tendering was supported by the high professional skills of our personnel, our good visibility of the upcoming projects and the clear goals set based on plans.

In Q4, the contract for the technical construction for the Sulkavuori central wastewater treatment plant entered the execution stage and, thereby, our order backlog. In the second half of the year, we also won several smaller foundation, circular economy and bridge projects that grew our order backlog by more than EUR 20 million.

In October, we opened the section on National Road 5 between Nuutilanmäki and Juva for traffic. In November, we finished the highly praised project involving three wooden bridges in Varkaus and the Paciuksenkatu bridge in Helsinki. In December, we opened an impressive overpass in Hanko for traffic nearly four months ahead of schedule and under the original cost estimate. We also felt great about the Helsinki Airport's T2 alliance being recognised as the worksite of the year – Kreate participated in the alliance for a few years, executing a highly demanding infrastructure project that amounted to tens of millions of euros. Kreate's position as one of the most sustainable companies in the infrastructure industry was strengthened further by opening new circular economy areas and integrating the circular economy more clearly as part of the daily operations.

The cost level in construction grew during the year, but this had a very limited impact on Kreate's business results. Successful tender calculation, project management and contractual measures that reduce the impact of cost changes allowed the execution of projects according to plan.

We continued our work in improving our personnel well-being and strategic reinforcement of our organisation. Over the course of the year, we developed Kreate's working ability management measures through well-being coaching, supervisor training and personnel surveys. In Q4, we strengthened our organisation particularly by supplementing our expertise in special foundation, railway and bridge construction. Furthermore, we succeeded well in process improvement, utilising digitalisation and the related hiring.

During 2021, we further strengthened our competitiveness as a company delivering strategically demanding and technically challenging projects. We have an excellent outset for the coming year: we have a strong order backlog and good

visibility into the 2022 projects, and our competent organisation is in great shape. From here, we are aiming for profitable growth in line with our strategy also in 2022.”

Key figures

EUR million	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Order backlog			202.8	134.9
Revenue	75.8	62.0	237.6	235.3
Year-on-year change in revenue, %	22.3	-14.0	1.0	6.4
EBITDA	4.1	3.1	14.2	14.0
EBITDA, %	5.4	5.0	6.0	6.0
EBITA	3.1	2.3	10.5	10.5
EBITA, %	4.1	3.8	4.4	4.5
Operating profit	3.0	2.3	10.4	10.4
Operating profit, %	4.0	3.7	4.4	4.4
Result for the period	2.4	1.8	6.9	7.8
Capital employed			62.0	54.5
Return on capital employed, %			17.8	19.2
Return on equity, %			20.4	24.7
Net investments in operating activities	-1.5	-1.7	-4.9	-4.6
Free cash flow from operating activities	7.7	7.2	4.0	9.7
Net working capital			-0.0	-5.4
Net debt			20.9	27.9
Net debt/EBITDA, rolling 12 months			1.5	2.0
Equity ratio, %			38.6	26.3
Earnings per share, €	0.28	0.07	0.80	0.88
Earnings per share adjusted with IPO expenses, €			0.90	
Dividend per share, €			0.45*	0.44
Personnel at the end of the period			385	383
Personnel on average	389	390	392	407

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

Webcast event for analysts and media

A live webcast for analysts and media will be held today, 26 January 2022, at 11:00 a.m. The event will be in Finnish. President & CEO Timo Vikström and Chief Financial Officer Mikko Laine will host the event. The webcast can be followed live in Finnish at <https://kreate.videosync.fi/2021-tulosjulkistus>. A recording of the webcast will be made available later at <https://kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/> and a summary in English will become available at <https://kreate.fi/en/investor/releases-and-reports/reports/>.

Kreate Group's financial reporting

Kreate Group Oyj will publish the financial reports for 2022 as follows:

- Interim report for January–March 2022: 27 April 2022
- Half-year report for January–June 2022: 27 July 2022
- Interim report for January–September 2022: 26 Oct 2022

Board of Directors' proposal on the use of distributable funds

The parent company Kreate Group Plc's distributable funds amounted to EUR 30,289,500.36 on 31 December 2021. The Board of Directors proposes to the general meeting on 29 March 2022 that, based on the balance sheet verified for 2021, a dividend of EUR 0.45 be issued per share for shares held outside the company at the time of dividend distribution. The remaining funds distributable as profits are left in unrestricted equity. On the day of making the proposal for profit distribution, 25 January 2022, 8,894,772 shares were held outside the company, which is equivalent to total dividends of EUR 4,002,647.40.

Kreate Group Plc
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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 238 million in 2021 and the company has over 400 employees. Kreate Group is listed on Nasdaq Helsinki.

Attachments

- [Download announcement as PDF.pdf](#)
- [Kreate Group Financial Statement Bulletin 2021.pdf](#)