

KREATE

Kreate's Half-year Report: positive profitability development - revenue decreased as expected

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This release is a summary of Kreate Group's Half-year report January-June 2024. The complete Half-year report is attached, and also available on the company's website at <https://kreate.fi/en/investor/reports/>.

Kreate's Half-year Report: positive profitability development - revenue decreased as expected

April - June in brief

- Order backlog amounted to EUR 200.1 (264.9) million, a decrease of 24.5%
- Revenue decreased compared to the reference period, amounting to EUR 68.0 (85.7) million
- The year-on-year change in revenue was -20.7% (28.0%)
- EBITDA was EUR 4.0 (4.0) million, amounting to 5.9 (4.7) per cent of revenue
- EBITA increased and was EUR 2.6 (2.6) million, amounting to 3.8 (3.0) per cent of revenue
- Earnings per share were EUR 0.16 (0.17)
- Free cash flow from operating activities was EUR -6.5 (1.7) million
- Interest-bearing net debt was EUR 31.7 (39.1) million
- Result guidance unchanged: 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).

January - June in brief

- Revenue decreased compared to the reference period, amounting to EUR 122.4 (151.6) million
- The year-on-year change in revenue was (19.3)% (29.1%)
- EBITDA was EUR 5.7 (5.0) million, amounting to 4.6 (3.3) per cent of revenue
- EBITA was EUR 2.9 (2.2) million, amounting to 2.4 (1.4) per cent of revenue
- Earnings per share were EUR 0.09 (0.10)
- Free cash flow from operating activities was EUR -9.6 (-1.6) million

The operating environment of infrastructure construction in brief

- Finnish infrastructure market EUR 9.5 billion, of which market suitable for Kreate EUR 5 billion
- The Swedish infrastructure construction market EUR 20 billion, of which Kreate's market suitable for its current business operations in Sweden is EUR 1.5 billion
- Market outlook strong in Finland and Sweden in markets suitable for Kreate
- Normal competitive situation in demanding infrastructure
- There is activity for both private and public sector customers

- There is a lot to offer and Kreate is increasingly selective in what it offers
- Cost development has calmed down, certain construction costs are even falling
- There is a short delay in the start-up of projects, and projects can be launched quickly if necessary
- Long-term outlook bright in both Finland and Sweden

President & CEO Timo Vikström:

"The second quarter of 2024 was in line with our expectations and, above all, with our updated strategy: We won significant projects in the railway environment in Finland and took concrete steps to strengthen our business in Sweden. In terms of revenue, we were EUR 18 million lower compared to the corresponding period last year, but relative profitability continued to grow for the third consecutive quarter. This is well in line with our guidance that full-year revenue will decrease and EBITA will increase compared to last year.

The highlights of the quarter are related to the determined implementation of the company's strategy. In May, we published an updated strategy and accordingly we will focus on improving profitability in 2024–2027 and aim to grow especially in the rail and light rail business and in Sweden. Concrete steps were taken immediately: Kreate Sweden acquired the remaining share capital of the associated company Karell Schakt AB and won annual contracts from Trafikverket for EUR 5 million for further repairs to the Bohuslän tunnels. All in all, Sweden has had great successes and has a good momentum. We have gained the first project as the main contractor, and the acquisition also provides us with the tools to start earthworks above ground.

In Finland, we won the significant Tampere passenger rail yard project, which immediately began with the development phase. This project, worth nearly EUR 200 million, will be entered in the order backlog during the first half of 2025 if the project proceeds to implementation. The passenger rail yard in Tampere and the EUR 34 million contract won in June for the Helsinki-Riihimäki railway project are demanding infrastructure projects that look just like Kreate and combine several construction disciplines. These are the projects where our expertise is best shown, and I am very happy that we were also able to show that we have the ability to win tenders of this size.

The market suitable for Kreate in both Finland and Sweden looks very good. There are significant projects in the offer calculation, and the future outlook continues to be good. All in all, we see that the size of contracts in Finland is increasing, which also increases the number of various co-operation projects. This also requires new kinds of expertise and leadership in companies, but above all, the ability to cooperate with the customer's problem solutions. Expertise has been increased through recruitment, and leadership has been strengthened by appointing Sami Laakso, the company's experienced VP of Transport Infrastructure Construction, as COO who focuses on supporting, developing and managing large strategic projects at the management team level.

Despite large projects and good tender calculation situation, 2024 will be lower in terms of volume than 2023. As previously estimated, the volumes of 2024, and thus also revenue and profit, will be weighted more strongly in the second half of the year than in the previous year. We have clearly made the right choice in deciding to focus on large and demanding projects, of which there are now several on the market. We have proven our competitiveness by winning the largest railway project in Kreate's history and several other demanding projects in Finland and Sweden. Success in competitions is no coincidence. We have done our homework well and prepared for projects for a long time. We do not compete primarily on price, but on quality and insightful solution proposals.

Thank you to our entire personnel for a great quarter. With solid expertise, we have done good work on all fronts - in tender calculations, administration and on construction sites. I'm proud of our whole team. Thank you for the first half of the year and let's make the second half even better."

Key figures

EUR million	4-6/ 2024	4-6/ 2023	1-6/ 2024	1-6/ 2023	1-12/ 2023
Order backlog			200.1	264.9	196.3
Revenue	68.0	85.7	122.4	151.6	320.0
Year-on-year change in revenue, %	-20.7	28.0	-19.3	29.1	16.8
EBITDA	4.0	4.0	5.7	5.0	14.0

EBITDA, %	5.9	4.7	4.6	3.3	4.4
EBITA	2.6	2.6	2.9	2.2	7.8
EBITA, %	3.8	3.0	2.4	1.4	2.4
Operating profit	2.6	2.5	2.8	2.1	7.6
Operating profit, %	3.8	2.9	2.3	1.4	2.4
Result for the period	1.6	1.5	1.1	0.8	3.9
Capital employed			73.4	80.8	59.6
Return on capital employed, %			10.8	9.8	11.2
Return on equity, %			9.8	10.4	9.1
Net investments in operating activities	-1.7	-1.1	-2.7	-4.3	-5.9
Free cash flow from operating activities	-6.5	1.7	-9.6	-1.6	26.1
Net working capital			1.0	6.9	-11.3
Net debt			31.7	39.1	16.8
Net debt/EBITDA, rolling 12 months			2.2	3.0	1.2
Net debt/EBITDA, rolling 12 months pro forma				3,0*	
Equity ratio, %			31.9	28.2	31.8
Earnings per share, diluted, €	0.16	0.17	0.09	0.10	0.44
Earnings per share, undiluted, €	0.16	0.17	0.09	0.10	0.44
Personnel at the end of the period			512	504	472
Personnel on average	496	460	501	424	454

*) Includes the EBITDA of the acquisition from 1 Jul 2022 to 31 Aug 2022

Result guidance for 2024 unchanged (published on 31 January 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 Kreate's characteristic demanding infrastructure construction continuing as stable due to the countercyclical nature of the business. The company offers projects more selectively, which is expected to decrease revenue and improve profitability.

Strategy 2024-2027: Sustainable profitability

During the review period, the company published new financial targets and presented an updated strategy at the Capital Markets Day organised by the company. During the strategy period lasting until 2027, Kreate Group will focus especially on improving profitability. In addition, the company intends to continue growing while keeping gearing under control. In terms of growth, the focus is on growing the rail and tramway business as well as the Swedish business. The company has set a

target to increase the revenue of its Swedish business to SEK 650 million by the end of 2027 and to build it into a second geographical pillar for the Group.

	TARGETS 2024-2027	PREVIOUS TARGETS 2020-2024
PROFITABILITY		
EBITA margin	>5 %	>5 % in medium term
GROWTH		
Revenue	5-10% annual growth (2025 onwards)	over EUR 300 million
INDEBTEDNESS		
Net debt/EBITDA	< 2.5	< 2.0
DIVIDEND POLICY	The aim is to distribute at least half of Kreate's annual net profit as dividends, taking into account Kreate's financial position, cash flows and growth potential	

Financial targets: read the [stock exchange release](#) published on 26 April 2024

Capital Markets Day: [presentation material](#) and [recording of the event](#) are available in Finnish only

We will attend several investor events (presentations held in Finnish) during 2024: please find our [event calendar](#)

Kreate Group's financial reporting

Kreate Group Plc will publish its financial reports in 2024 as follows:

- 25 October 2024 Interim Report for January–September 2024

Webcast event

A live webcast open to all will be held today, 16 Jul 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/g2-2024>. 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/>.

Kreate Group Plc
Board of Directors

Distribution: Nasdaq Helsinki, key media and 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 Half-year Report for January-June 2024.pdf](#)