

KREATE

Kreate's interim report: profitability has improved four quarters in a row - revenue decreased

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

Kreate's interim report: profitability has improved four quarters in a row - revenue decreased

July - September in brief

- Order backlog amounted to EUR 153.1 (221.8) million, a decrease of 31.0%
- Revenue decreased compared to the reference period, amounting to EUR 77.6 (88.3) million
- The year-on-year change in revenue was -12.1% (20.4%)
- EBITDA was EUR 4.7 (4.0) million, amounting to 6.1 (4.6) per cent of revenue
- EBITA increased and was EUR 3.1 (2.9) million, amounting to 4.0 (3.3) per cent of revenue
- Earnings per share were EUR 0.20 (0.16)
- Free cash flow from operating activities was EUR 5.9 (8.0) million
- Interest-bearing net debt was EUR 28.5 (32.9) 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 - September in brief

- Revenue decreased compared to the reference period, amounting to EUR 200.0 (239.8) million
- The year-on-year change in revenue was -16.6% (25.7%)
- EBITDA was EUR 10.4 (9.1) million, amounting to 5.2 (3.8) per cent of revenue
- EBITA was EUR 6.0 (5.1) million, amounting to 3.0 (2.1) per cent of revenue
- Earnings per share were EUR 0.30 (0.26)
- Free cash flow from operating activities was EUR -3.6 (6.4) million

The operating environment of infrastructure construction in brief

- The end of the year and next year are expected to be difficult for the construction industry as a whole.
- As a whole, the infrastructure sector is expected to turn to volume growth of 2 per cent next year.
- Cost development stable, certain construction costs even falling
- In the short term, the infrastructure market will be weighed down by delays in the timing of public projects, the subdued development of Finland's national economy and interest rates. The impacts are related to the investment decisions of large private operators as well as consumer confidence and thus housing construction.

- The long-term outlook for infrastructure is very bright: Urbanisation, the shift of traffic to rails and the green transition support business development, as well as perspectives related to safety and security of supply.
- Kreate's direct dependence on housing construction is low, but the entry into the infrastructure market of operators with housing construction infrastructure has intensified competition, especially in less demanding and smaller infrastructure projects.
- Kreate's market outlook of less than 6 months in Finland neutral in the suitable market, market outlook over 6 months strong
- Kreate's market outlook of less than 6 months and over 6 months in Sweden is strong in a suitable market

President & CEO Timo Vikström:

"In the third quarter of 2024, we continued on the path of sustainable profitability – our EBITA profitability increased for the fourth time in a row compared to the comparison period, which means that there is improvement despite declining revenue for a year already. EBITA profitability for the quarter was 4 percent of revenue. The third quarter also showed that Kreate's business is firmly on track in the coming years – literally. The consortium of Kreate and GRK won the tender for the eastern part of the Vantaa tram, which is yet another proof of our ability to win large projects and our position as a desired partner in the industry.

Business growth in Sweden is also proceeding according to plan. During the review period, we won the first ever earthworks contract in Sweden, and at the end of the review period, we also expanded to another new type of construction with a foundation construction team in Gothenburg. All in all, the implementation of the strategy is progressing purposefully in both Sweden and Finland.

We are involved in three major rail projects under development: the Vantaa tramway, the Tampere passenger rail yard and the Koskela tram depot. Projects are entered in the order backlog when they move into the implementation phase and offer years of work from then on. Depending on the scope of implementation, the value of the projects is between EUR 300 million and EUR 400 million. In addition to actual track and rail expertise, the work carried out in the rail environment also combines other types of construction that are important to us, as they often include, for example, foundation construction, bridges, fairways and station infrastructure. The more challenging the site and the more types of construction, the more Kreate-looking the site is.

Demanding projects are also important to Kreate from the personnel's point of view. Kreate is known as a place where you can do challenging jobs and develop on your career path. We have highly skilled experts, and with the help of the winning projects, we will be able to continue to offer them meaningful projects and fulfil our goal of being the best place for the best experts in infrastructure.

Our order backlog at the end of the third quarter was EUR 153 million, down by almost 25 percent from the previous quarter. The order backlog does not include large rail projects that are still under development, which make the company's long-term order book outlook very strong.

In the short term, the decline in the order backlog partly reflects the company's strategic choice to emphasise selectivity, but it also indicates that the infrastructure market, which was seen as strong in the spring, did not develop in line with our expectations in the third quarter. Large state-owned rail projects have once again moved forward: The MAL agreements between municipalities and the state on land use and construction were completed late from their target schedule, and although they offer a significant additional volume to the infrastructure construction market, their impact will actually start to be visible as projects to be implemented during H2 2025 at the earliest. In addition, the intense activity in the private sector, especially related to the green transition, seen in the spring has been put on hold after the tender calculation phase. However, it is clear that when public projects take off and when interest rates fall and private investors press a button, there is a lot to do for us and the entire infrastructure sector. The long-term outlook for the infrastructure sector is strong.

As a whole, our order backlog is on a good basis, and with large rail projects, we expect a long order backlog for the coming years. However, towards the end of the year, we begin to move to seasonally quieter winter time. In Finland, the short-term outlook for the market suitable for us has changed from good to neutral since the summer. We expect a positive market turnaround to start in the second half of 2025. In Sweden, the market outlook remains very good. All in all, the long-term outlook for the infrastructure sector is bright. Megatrends – urbanisation, shift of traffic to rail and green transition – support business development, as do perspectives related to safety and security of supply.

Our full-year 2024 revenue and EBITA guidance remains unchanged. Thank you to all employees for another operationally great quarter – I'm really proud of each and every one of our yellow-and-black professionals. This team is great to work with – focusing on the essentials and creating sustainable profitability."

Key figures

EUR million	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Order backlog			153.1	221.8	196.3
Revenue	77.6	88.3	200.0	239.8	320.0
Year-on-year change in revenue, %	-12.1	20.4	-16.6	25.7	16.8
EBITDA	4.7	4.0	10.4	9.1	14.0
EBITDA, %	6.1	4.6	5.2	3.8	4.4
EBITA	3.1	2.9	6.0	5.1	7.8
EBITA, %	4.0	3.3	3.0	2.1	2.4
Operating profit	3.1	2.8	5.9	4.9	7.6
Operating profit, %	4.0	3.2	3.0	2.1	2.4
Result for the period	1.9	1.4	3.0	2.3	3.9
Capital employed			72.3	76.3	59.6
Return on capital employed, %			11.5	8.8	11.2
Return on equity, %			10.4	8.4	9.1
Net investments in operating activities	-1.2	-0.9	-4.0	-5.2	-5.9
Free cash flow from operating activities	5.9	8.0	-3.6	6.4	26.1
Net working capital			-2.1	2.8	-11.3
Net debt			28.5	32.9	16.8
Net debt/EBITDA, rolling 12 months			1.9	2.6	1.2
Equity ratio, %			32.1	30.0	31.8
Earnings per share, diluted, €	0.20	0.16	0.30	0.26	0.44
Earnings per share, undiluted, €	0.21	0.16	0.30	0.26	0.44
Personnel at the end of the period			520	494	472
Personnel on average	534	499	504	449	454

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.

Kreate Group's financial reporting

Kreate Group Plc will publish its financial reports in 2025 as follows:

- 5 February 2025: Financial Statement Release for financial period ending on 31 December 2024
- 24 April 2025: Interim Report for January–March 2025
- 15 July 2025: Half Year Financial Report for January–June 2025
- 22 October 2025: Interim Report for January–September 2025

Kreate Group's Annual General Meeting is tentatively scheduled for Friday, March 28, 2025. Kreate Group's Board of Directors will give a separate notice of the Annual General Meeting.

Webcast event

A live webcast open to all will be held today, 25 Oct 2024, at 11:00 a.m. The event will be held in Finnish. President & CEO Timo Vikström and CFO Mikko Laine will be presenting at the event. The webcast can be followed live in Finnish at <https://kreate.videosync.fi/q3-2024>. 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 Interim report Q3 2024.pdf](#)