



# POSITIVE PROFITABILITY DEVELOPMENT – REVENUE DECREASED AS EXPECTED

MIKKO LAINE, CFO

16 JULY 2024

KREATE GROUP PLC / HALF-YEAR REPORT JANUARY-JUNE 2024

**KREATE**  
THE FUTURE IS BUILT TODAY

# ON THE ROAD TO SUSTAINABLE PROFITABILITY

- Q2 EBITA increased in euros and profitability improved
  - Efficient operational activities
  - Flexible cost structure
  - Third consecutive quarter of EBITA growth
- Q2 revenue decreased by 21% year-on-year
  - The biggest factor in the decrease in the volume of large projects
  - Revenue in Sweden increased by double digits
- Order backlog 200 MEUR, of which 125 MEUR for this year
  - During Q2, Projects of 79 MEUR were booked in the order backlog. – The won Tampere passenger rail yard project to be entered in the order backlog H1/2025
  - A lot of activity in the market and in tendering
- Result guidance unchanged: Revenue in 2024 estimated to decline and be in the range of 270–300 MEUR (2023: 320.0 MEUR) and EBITA to increase and be in the range of 8–11 MEUR (2023: 7.8 MEUR).



MEUR	Q2/2024	Q2/2023	H1/2024	H1/2023
Order backlog			200.1	264.9
Revenue	68.0	85.7	122.4	151.6
EBITA, %	3.8 %	3.0 %	2.4 %	1.4 %
Free cash flow from operating activities	-6.5	1.7	-9.6	-1.6

# STRONG PERFORMANCE IN TENDERING AND ON SITES



4

Kreate Sweden signed with AF Anläggning AB over 6 MEUR contract for the construction of interior cladding structures for two ramp tunnels for the Lovö project on the Stockholm bypass.



5

The foundation stone of the extension of the National Museum of Finland was laid in Helsinki in May. The excavation section of the extension, which lasted 9 months and reached a depth of 10 metres, is now complete.



6

We won over 34 MEUR railway contract between Kytömaa and Järvenpää as part of the extensive Helsinki–Riihimäki project. The contract includes, among other things, 4 kilometres of new track, 5 bridges and 6 new switches.

# THE UPDATED STRATEGY IS REFLECTED IN OUR ACTIONS

## WE MUST:

**1 BE THE BEST PLACE FOR THE BEST INFRASTRUCTURE EXPERTS**



The average number of employees in H1/2024 has grown to over 500 experts – we have succeeded in key recruitments and are growing talent through internships.

**2 BE THE MOST DESIRABLE INFRASTRUCTURE PARTNER**



Winning the third major project of the Helsinki-Riihimäki project and the passenger rail yard project in Tampere are proof that we know the client's needs, are satisfied with our operations and are able to offer insightful solutions.

**3 BE AMONG THE LEADERS IN ALL OUR BUSINESSES**



The Swedish business was strengthened by acquiring the remaining shares in the associated company Karell Schakt AB. Investments in the railway business are starting to bear fruit, as evidenced by e.g. Helsinki-Riihimäki project and Tampere passenger rail yard.

**4 KEEP OUR PROCESSES AGILE**



Sami Laakso has been appointed as Chief Operating Officer as of 1.8.2024, focusing on supporting, developing and leading large strategic projects at the management team level. We are selective and perform tender calculations carefully.



## SUSTAINABLE PROFITABILITY

EBITA margin > 5 %

Annual revenue growth of 5-10 %

Net debt/EBITDA < 2,5

# TENDER ACTIVITY IS STILL VERY ACTIVE



## INFLATION AND INTEREST RATES

Cost inflation has levelled off and the markets have started to get used to interest rates. First policy rate cut seen.



## INDUSTRIAL INVESTMENTS

Industrial companies are willing to invest, and the level of activity has clearly increased from last year.



## TRANSPORT INVESTMENTS

The Government has about 3 BEUR transport investment programme and several cities are also planning tramway projects.

# 12-MONTH MARKET OUTLOOK IS EXCEPTIONALLY STRONG

BUSINESS FUNCTIONS	MARKET DEVELOPMENT Q-ON-Q					12-MONTH OUTLOOK*	SHARE OF KREATE'S REVENUE
	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24		
<b>STRUCTURAL ENGINEERING</b>							
Bridge construction	Unchanged	Improved	Improved	Unchanged	Unchanged	→	<p>72%</p>
Foundation and engineering construction	Unchanged	Improved	Improved	Unchanged	Unchanged	→	
Special foundation construction	Unchanged	Improved	Improved	Unchanged	Unchanged	↗	
Circular economy	Unchanged	Unchanged	Unchanged	Unchanged	Unchanged	→	
Special infrastructure construction in Sweden	Unchanged	Unchanged	Unchanged	Improved	Unchanged	↗	
<b>TRANSPORT INFRASTRUCTURE CONSTRUCTION</b>							
Railway construction	Weaker	Improved	Unchanged	Unchanged	Improved	↗	<p>28%</p>
Road and street construction	Unchanged	Unchanged	Unchanged	Unchanged	Unchanged	→	
<b>OVERVIEW</b>	Unchanged	Improved	Unchanged	Unchanged	Unchanged	↗	

## Market development



## Outlook

- ↗ Very strong market in the following 12 months
- ↖ Strengthening market in the following 12 months
- Stable market in the following 12 months
- ↘ Weakening market in the following 12 months
- ↙ Very weak market in the following 12 months

\* Source: Kreate Group management estimate

# LONG-TERM OUTLOOK IS POSITIVE



## MILITARY MOBILITY

The need for and importance of rail, road, port and airport infrastructure to the northern and western borders is increasing.



## URBANIZATION

Urbanisation means denser and more challenging construction and more rail traffic.

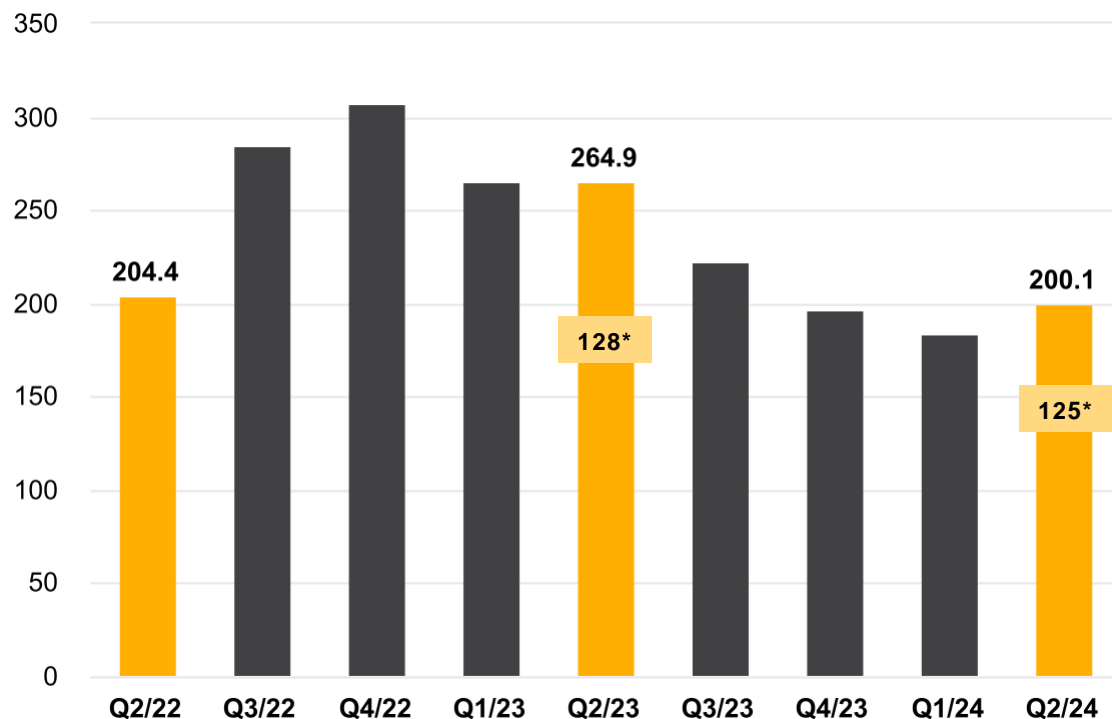


## GREEN TRANSITION

Investment plans amounting to ~ 270 BEUR in the portal of the Confederation of Finnish Industries

# ORDER BACKLOG INCREASED FROM PREVIOUS QUARTER

Order backlog Q2/22 – Q2/24, EUR million



\*Expedted to be realised during the financial year

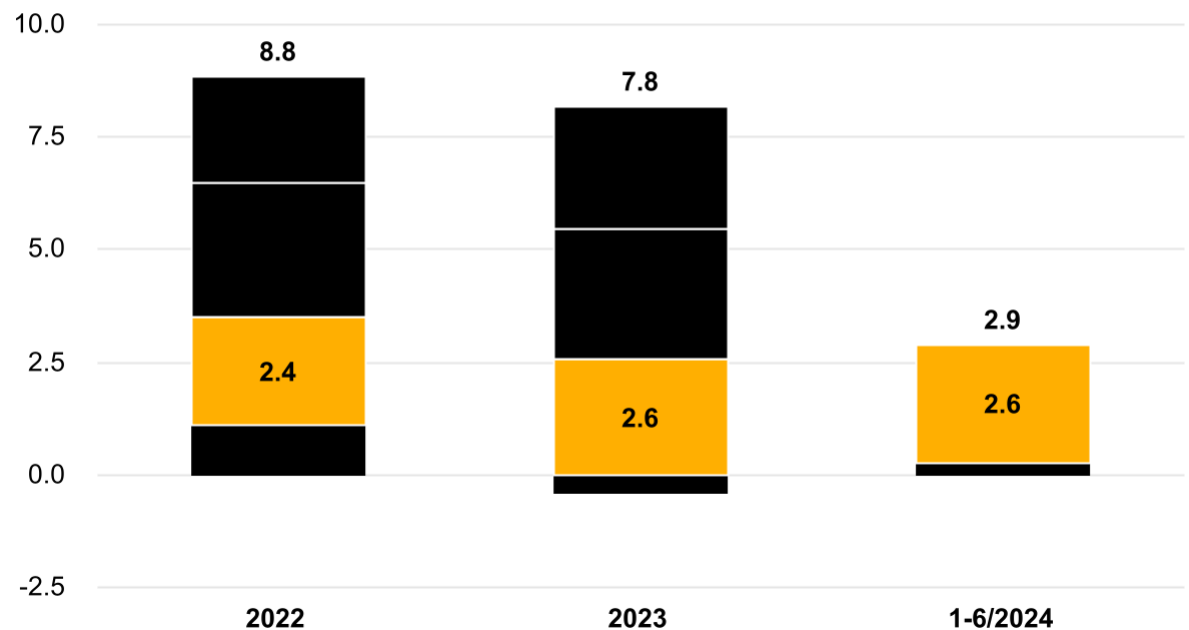
- The order backlog at the end of June 2024 was EUR 200.1 million.
  - Change from the end of the previous quarter +9.0%
  - Change year-on-year -24.5%
- If realised, the won Tampere passenger rail yard project of almost 200 MEUR will be entered in the order backlog during H1/2025
- Of the order backlog, EUR 125 (128) million is estimated to be realised during the current financial year
- In Q2 2024, projects of 79 MEUR were entered in the order backlog. Largest of them is the latest Helsinki–Riihimäki project of 34 MEUR.
- The order backlog in Sweden at the end of June 2024 was EUR 22 million.



# THIRD CONSECUTIVE QUARTER OF EBITA GROWTH

- Q2 EBITA-% improved clearly from the comparison period and was 3.8% (3.0%)
  - Slight growth also in euros: 2.6 (2.6) MEUR
- H1 EBITA-% improved by 2.4% (1.4%)
  - Growth also in euros: 2.9 (2.2) MEUR
- Third consecutive quarter of EBITA growth
  - Efficient operational activities
  - Flexible cost structure

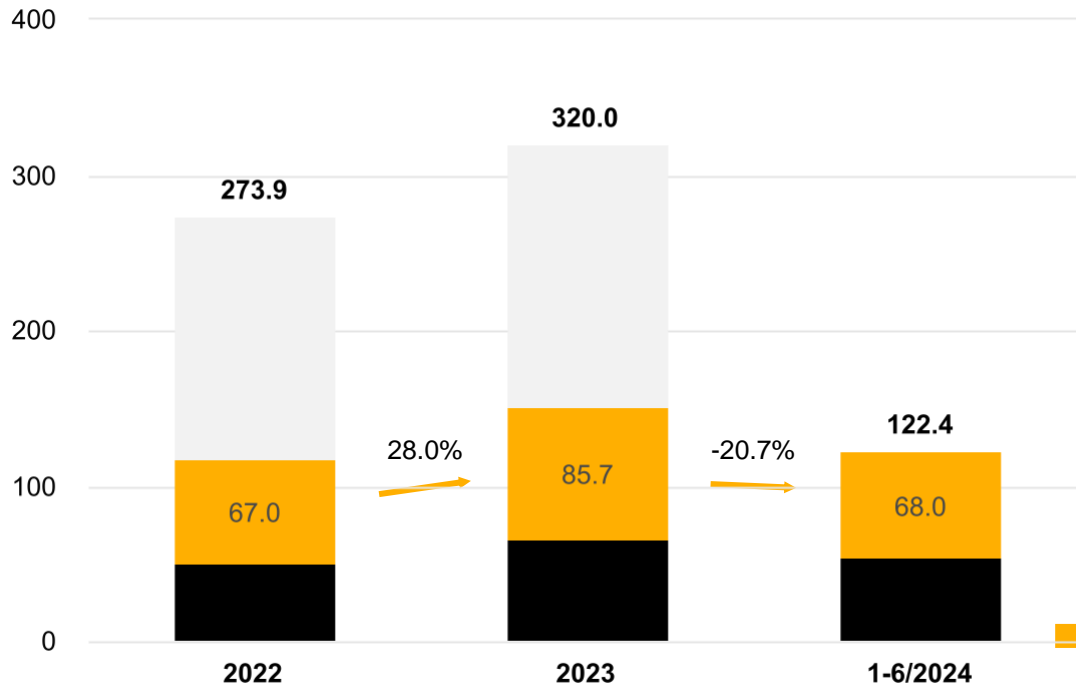
EBITA, EUR million



# REVENUE DECREASED – VOLUME WEIGHTED MORE ON H2/2024

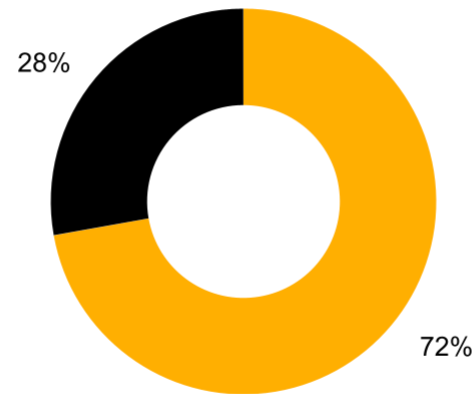
FULL-YEAR GUIDANCE UNCHANGED

Revenue, EUR million

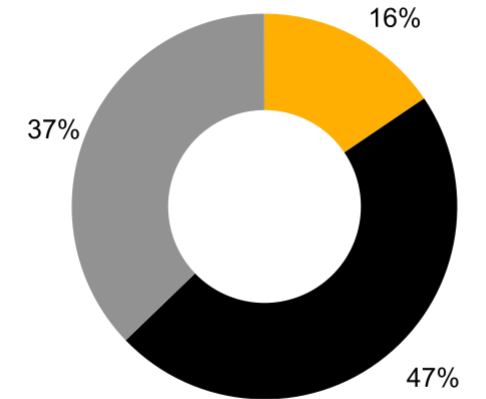


Revenue distribution 1-6/2024

By business function













By customer group



■ Structural engineering 
 ■ Transport infrastructure construction 
 ■ Cities and municipalities 
 ■ Government 
 ■ Private sector

→ change from the same quarter in the previous year

# SAFETY CAMPAIGN BOOSTED SAFETY OBSERVATIONS IN APRIL

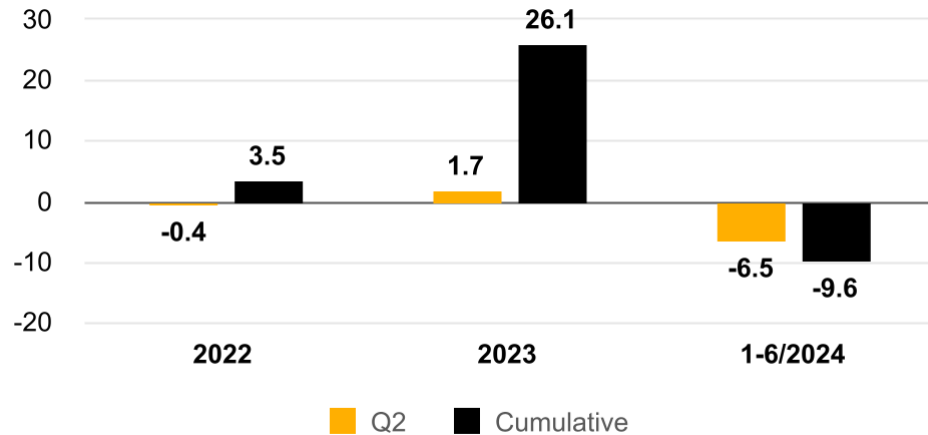
Building with passion	Metrics and target at the end of 2024	Q1 / 2024*	Q2 / 2024*	Q2/24 vs Q1/24	Q2/24 vs target
Occupational safety and safety culture	• Combined accident frequency – target level to be decided during 2024	9.6	10,2		
	• Occupational safety observations from projects – target 100%	23 %	24 %		
	• Occupational safety observations per person – minimum target 6	3.7	5,3		
Responsible employer	• Code of conduct trained to personnel – target 100 %	61 %	74 %		
Reducing our footprint		Q1 / 2024	Q2 / 2024	Q2/24 vs Q1/24	Q2/24 vs target
Tackling climate change	• CO2 emissions (in Finland) – climate targets to be set during 2024	748 tn+71 tn (scope 1+2)	832 tn+68 tn (scope 1+2)		
Increasing our handprint		Q1 / 2024*	Q2 / 2024*	Q2/24 vs Q1/24	Q2/24 vs target
Sustainable and safe solutions	• Customer NPS – target > 50	72	72		
Infrastructure projects supporting megatrends	• Operations on the rail environment in Finland – target > 15 % revenue	18 %	23 %		

# KEY FIGURES

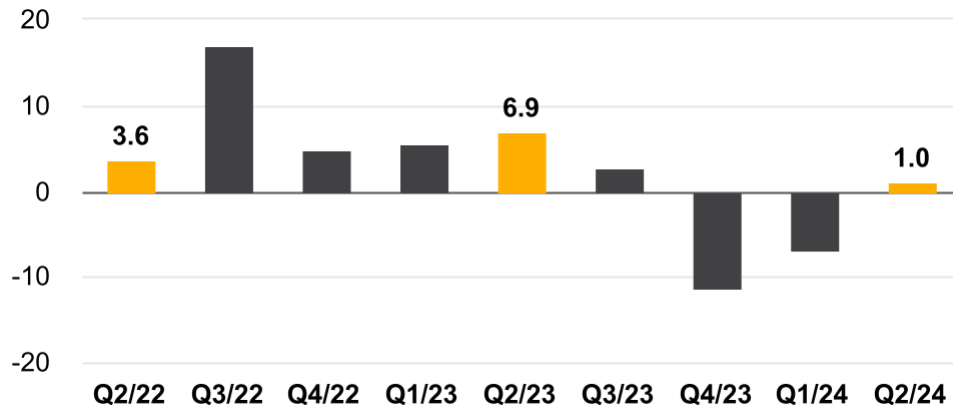
EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023
Order backlog			200.1	264.9
Revenue	68.0	85.7	122.4	151.6
EBITDA	4.0	4.0	5.7	5.0
EBITDA, %	5.9 %	4.7 %	4.6 %	3.3 %
EBITA	2.6	2.6	2.9	2.2
EBITA, %	3.8 %	3.0 %	2.4 %	1.4 %
Operating profit	2.6	2.5	2.8	2.1
Operating profit, %	3.8 %	2.9 %	2.3 %	1.4 %
Result for the period	1.6	1.5	1.1	0.8
Return on capital employed, %			10.8 %	9.8 %
Free cash flow from operating activities	-6.5	1.7	-9.6	-1.6
Net working capital			1.0	6.9
Net debt			31.7	39.1
Net debt/EBITDA, rolling 12 months			2.2	3.0
Net debt/EBITDA, rolling 12 months pro forma				3,0*
Equity ratio, %			31.9 %	28.2 %
Earnings per share, undiluted, €	0.16	0.17	0.09	0.10
Personnel at the end of the period			512	504

# NET WORKING CAPITAL RETURNED TO NORMAL LEVEL

Free cash flow from operating activities, EUR million



Net working capital, EUR million

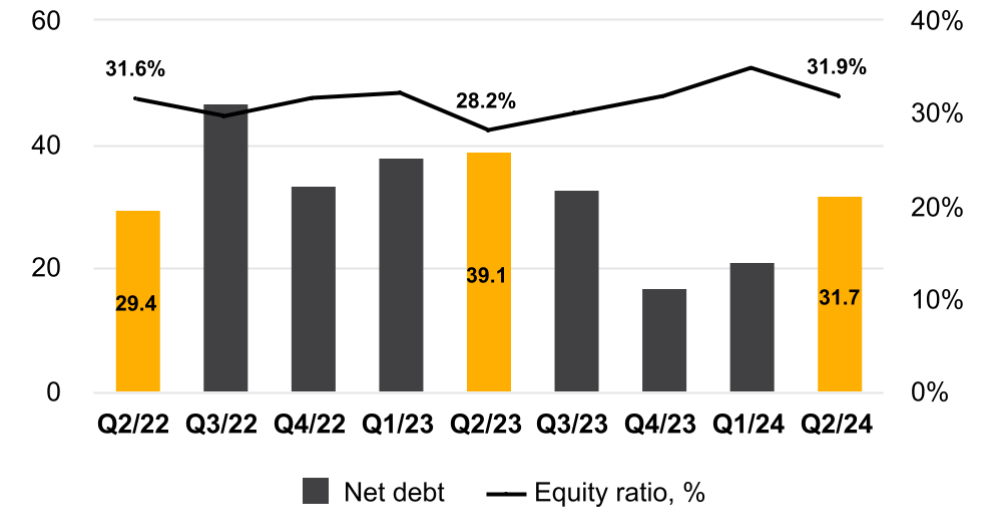


- Q2 Operating cash flow amounted to -6.5 (1.7) MEUR and in H1 it amounted to -9.6 (-1.6) MEUR.
  - Cash flow was weakened by the return of net working capital to a normal level from a very good situation at the end of March
  - Net investments amounted to 1.7 (1.1) MEUR in Q2 and 2.7 (4.3) MEUR in January–June.
  - Investment has returned to a basic level from the high level of the comparison period
- At the end of June 2024, net working capital was 1.0 (6.9) MEUR, which is in line with the company's long-term target of 0-level.
  - The good level is supported by continuous and systematic work in project liquidity and risk management

# INTEREST-BEARING NET DEBT INCREASED IN Q2

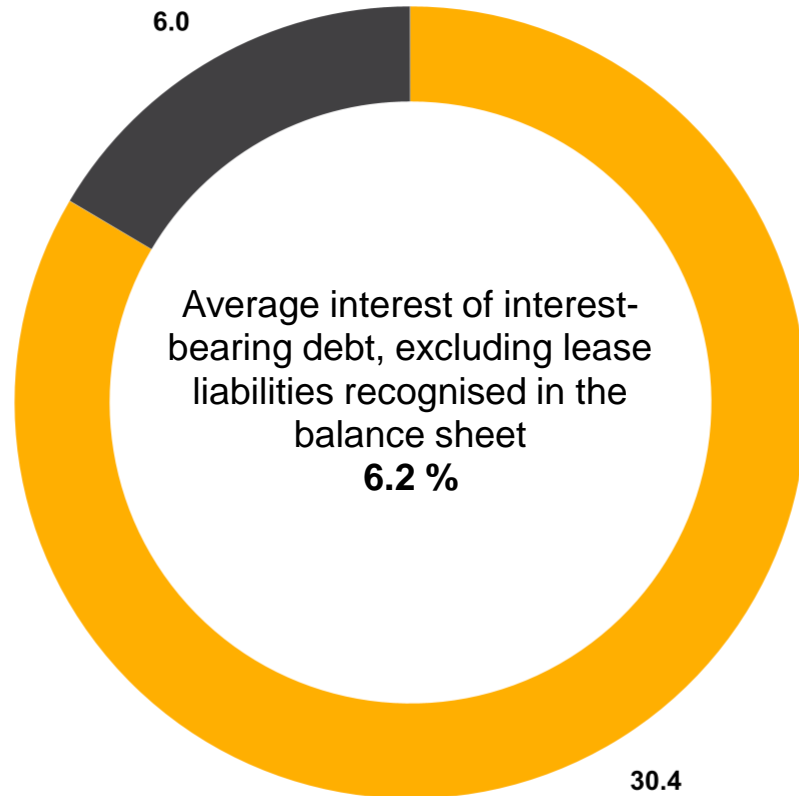
- Kreate's interest-bearing net debt on 30 June 2024 was EUR 31.7 (30 June 2023: 39.1) million
- The change in working capital is the most significant factor in the growth of net debt
- Net debt/EBITDA was 2.2 (3.0)
- Interest-bearing debt amounted to EUR 39.2 million on 30 June 2024, of which EUR 6.0 million constituted issued commercial papers
- Equity ratio was 31.9% on 30 June 2024 (30 June 2023: 28.2%)

Interest-bearing net debt (EUR million) and equity ratio (%)

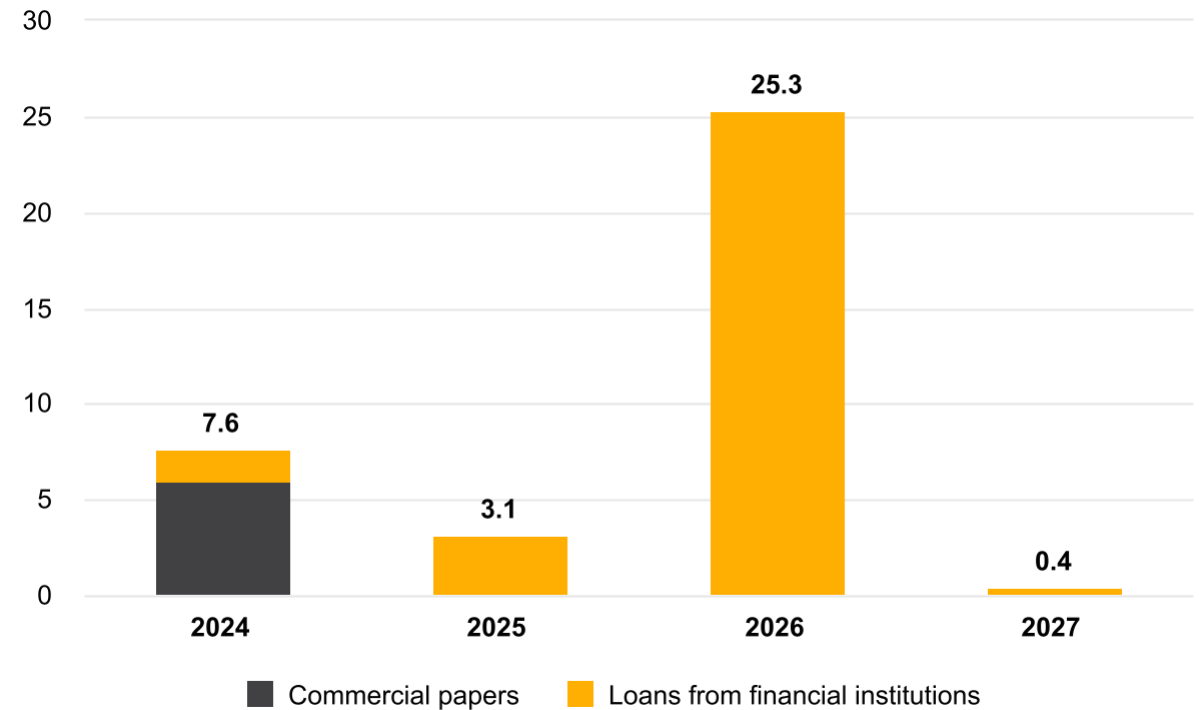


# INTEREST-BEARING DEBT – MATURITY AND AVERAGE INTEREST

Loan portfolio on 30 June 2024, EUR million



Repayment schedule for interest-bearing debt on 30 June 2024, EUR 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).

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.

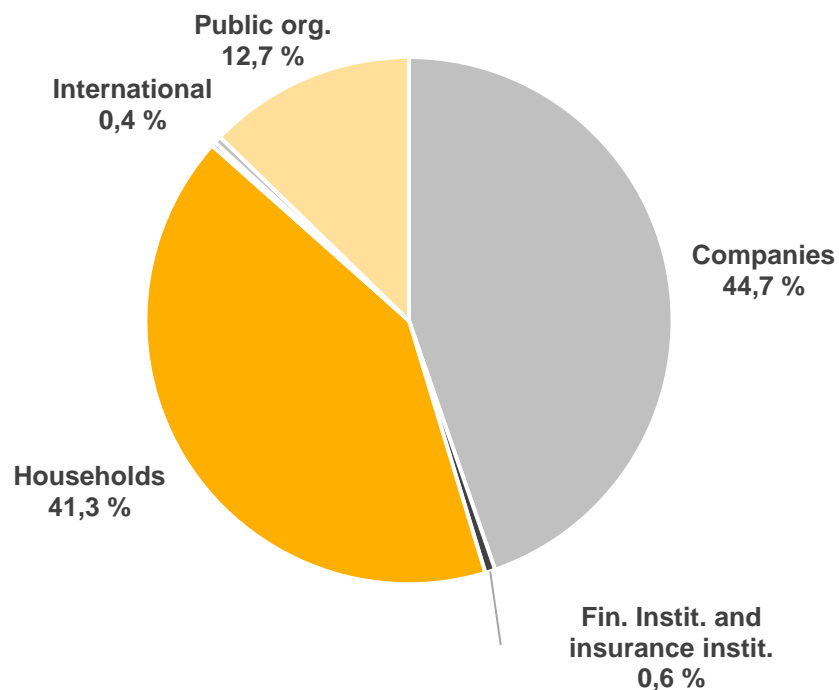




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# KREATE'S SHAREHOLDERS ON 30 JUNE 2024

## SHAREHOLDERS BY SECTOR



Shareholder	Shares	% of shares
1 Harjavalta Oy	1 783 689	19,9
2 Tirinom Oy	1 000 000	11,1
3 Ilmarinen Mutual Pension Insurance Company	425 000	4,7
4 Valtonen Seppo Timo Johannes	412 101	4,6
5 Varma Mutual Pension Insurance Company	359 000	4,0
6 Säästöpankki Small Cap Mutual Fund	350 000	3,9
7 Rantala Sami Kalle Antero	273 534	3,0
8 Inkala Tero Antero	208 396	2,3
9 Elo Mutual Pension Insurance Company	180 000	2,0
10 Veritas Pension Insurance Company Ltd.	175 000	2,0
11 Salminen Juha Petri	160 512	1,8
12 EAI Kreate Holding Oy	128 506	1,4
13 Neva-Aho Ronnie	100 519	1,1
14 Tradeka-Sijoitus Oy	90 261	1,0
15 Kreate Group Plc	90 000	1,0
16 Prirock Oy	69 908	0,8
17 Kulmala Teuvo Kalle Olavi	67 966	0,8
18 Karjalainen Jarmo Juhani	65 580	0,7
19 Hat Invest Oy	63 588	0,7
20 Beachfish Invest Oy	55 796	0,6
<b>TOP 20 TOTAL</b>	<b>6 059 356</b>	<b>67,44</b>
<b>ALL SHARES TOTAL</b>	<b>8 984 772</b>	<b>100,0</b>