

Company AS Ekspress Grupp
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Attachments:

- EkspressGr-10004351471-en.pdf (<http://oam.fi.ee/en/download?id=4927>)
- EkspressGr-10004351473-et.pdf (<http://oam.fi.ee/en/download?id=4928>)

Currency

Title AS Ekspress Grupp: Consolidated unaudited interim report for the Third Quarter and Nine

In the third quarter of 2020, the revenue of AS Ekspress Grupp totalled EUR 15.2 million and net profit totalled EUR 1.08 million. The revenue for the first nine months of the year totalled EUR 44.8 million and net profit was EUR 0.92 million. At the end of September, the Group's digital revenue accounted for 48% of total revenue and 70% of media segment revenue (9 months of 2019: 44% of total revenue and 68% of media segment revenue, respectively).

In the 3(rd) quarter, the Group's revenue recovered well from the downturn caused by the state of emergency and was at the same level as the year before. The revenue for the first 9 months of the year was ca 6% lower than in 2019, primarily related to the state of emergency in the 2(nd) quarter. While the revenue drop in 2(nd) quarter was clearly attributable to cautiousness of customers, in the 3rd quarter we witnessed revenue recovery, especially relating to the data of online advertising.

In the 3(rd) quarter, the digital revenue of Ekspress Grupp increased and accounted for 70% of the Group's media segment revenue and 48% of the Group's total revenue. In the 3(rd) quarter, growth was propelled by the steadily increasing volume of digital subscriptions of periodicals of Ekspress Grupp and reached 71 thousand subscribers in the Baltic States, growing by more than 12% in a quarter and being 42% higher than at the year-end 2019. The growth in digital subscriptions has accelerated following the extraordinary events in the world, demonstrating clearly that readers appreciate edited content and they are willing to pay for it. Digital revenue increased in Estonia, Latvia and Lithuania. In Estonia, where we have offered paid content the longest in the Baltic States, the number of digital subscriptions of the periodicals of Ekspress Grupp accounted for 53% of the volume of the entire market at end of the 3(rd) quarter, as reported by the Estonian Association of Media Companies. Latvia and Lithuania are also improving their potential and the number of digital subscriptions is growing strongly.



Earnings before interest, tax, depreciation and amortisation (EBITDA) of Ekspress Grupp were EUR 2.23 million in the 3(rd) quarter which is EUR 0.91 million higher as compared to the 3(rd) quarter of 2019. The EBITDA in the 3(rd) quarter also includes one-off public government measures related to the corona crisis in the amount of EUR 0.41 million. The EBITDA for the first 9 months of the year totalled EUR 4.56 million (incl. EUR 0.73 million of government measures related to the corona crisis), increasing by 27% year-over-year.

The Group's net profit in the 3(rd) quarter totalled EUR 1.08 million, which is EUR 1.06 million higher than in the previous year. Third quarter results were positively impacted by ongoing cost savings and revenue recovery. In the first 9 months of the year, the Group's net profit totalled EUR 0.92 million which is EUR 1.16 higher as compared to 2019. The key effect over the nine-month period comes from the 3(rd) quarter.

The Group continued to operate in the cost-cutting mode and searched for ways to increase efficiency. In the crisis months, the Group immediately took action by cutting costs and the cost base has been reduced by ca EUR 3 million over the nine-month period, the as compared to the previous year. It is within the same range as revenue reduction over the first 9 months of the year. The state of emergency in the 2(nd) quarter when most of the employees worked remotely, provided an excellent opportunity to review organisation of work, reallocation of the office space and preservation of a lower cost base. However, in the media segment home delivery costs of Estonian paper periodicals pose a major risk in the future, as no agreements have been reached in respect of delivery prices and the state's participation in the maintenance of the delivery network. For Ekspress Grupp, the danger lies in the limited interest of the state as the home delivery organisation in the optimisation of the delivery network. The Group has repeatedly addressed the issue and is ready to search for more efficient methods for a long-term outcome.

The state of emergency related to COVID-19 has impacted the activities of the Latvian ticket sales network the most. The Latvian State has set a 50% limit on the occupancy rate of movie theatres and the company's activities are therefore considerably more restricted than the year before. At the same time, the ticket sales platform has been able to focus on the development of its web platform and launched a new and more modern solution for its end users. New technological opportunities, including requirements for the customer profile of the ticket platform set by the state where each customer can be identified and that we have successfully developed in our systems, have helped to almost double our market share. However, due to the government restrictions, the activities will still be significantly impaired in the coming months.

At the beginning of September, the new season of Delfi TV was launched in Lithuania, where more than 50 different programmes and more than six hours of daily live broadcasts will be broadcast. At the beginning of 2020, Delfi TV was launched in Lithuania as a free-to-air Lithuania-wide TV station. Video content



has become more popular among Delfi users. Delfi streaming services have already gained popularity on the Lithuanian market where Delfi is one of the most popular online television channels.

The Group's liquidity continues to be strong. As of 30 September 2020, the Group's available cash totalled EUR 5.8 million (30.09.2019: EUR 2.8 million). Liquidity was positively impacted by the grace periods granted by banks and the salary subsidy received from the Estonian Unemployment Insurance Fund. For the Group, it is important to maintain its liquidity position as the future scope of the crisis related to the coronavirus is still unknown.

SUMMARY OF THE RESULTS OF THE THIRD QUARTER AND NINE MONTHS

In accordance with International Financial Reporting Standards (IFRS), 50% joint venture should be recognised under the equity method in the consolidated financial statements. To provide a clearer uniform overview of the financial statements to the readers of the financial statements, from the 1(st) quarter of 2020, only the information relating to the joint ventures recognised under the equity method is presented in the financial statements and their results are shown as one line in the finance income.

REVENUE

The consolidated revenue for the 3(rd) quarter of 2020 totalled EUR 15.2 million (3(rd) quarter 2019: EUR 15.0 million). Revenue increased by 1% year-over-year in the 3(rd) quarter. The consolidated revenue for the first nine months of 2020 totalled EUR 44.8 million (9 months of 2019: EUR 47.8 million). At the end of the 3(rd) quarter, digital revenue accounted for 48% of total revenue and 70% of media segment revenue (3(rd) quarter 2019: 44% of total revenue and 68% of media segment revenue, respectively).

PROFITABILITY

In the 3(rd) quarter of 2020, the consolidated EBITDA totalled EUR 2.23 million (3(rd) quarter 2019: EUR 1.32 million) and in the first nine months of 2020, the consolidated EBITDA totalled EUR 4.56 million (first 9 months 2019: EUR 3.58 million). In the 3(rd) quarter of 2020, EBITDA grew by 69% year-over-year and the EBITDA margin was 14.7% (3(rd) quarter 2019: 8.8%) and in the first nine months of 2020, EBITDA increased by 27% as compared to the previous year and the EBITDA margin was 10.2% (first 9 months 2019: 7.5%). Profitability was positively impacted by cost savings implemented throughout the entire Group in the 2(nd) and 3(rd) quarters (incl. salary cuts) and the salary subsidy of the Estonian Unemployment Insurance Fund in the amount of EUR 1.14 million that was received in the 2(nd) quarter and that will be accrued as income in the second, third and fourth quarters. The salary subsidy accounted for EUR 0.41 million of the EBITDA in the 3(rd) quarter of 2020 and EUR 0.73 million of the EBITDA in the first nine months of 2020. The net profit for the 3(rd) quarter of 2020 totalled EUR 1.08 million which is EUR 1.06 million higher than in the same



period of 2019.

CASH POSITION

At the end of the reporting period, the Group had available cash in the amount of EUR 5.8 million and equity in the amount of EUR 52.6 million (55% of total assets). The comparable data as of 30 September 2019 were EUR 2.8 million and EUR 50.0 million (55% of total assets), respectively. As of 30 September 2020, the Group's net debt totalled EUR 16.5 million (30 September 2019: EUR 16.7 million). Due to the state of emergency related to COVID-19, the Group concluded an agreement with AS SEB Pank to suspend loan payments in the period March-August 2020 (EUR 1.2 million) and with AS Citadele banka to suspend loan payments in the period June-November 2020 (EUR 0.3 million). The salary subsidy received from the Estonian Unemployment Insurance Fund (EUR 1.14 million) and the postponement of the payment of tax arrears (EUR 1.60 million) due to the state of emergency for the period of 24 months had an additional positive impact on the Group's cash position.

Key financial indicators for segments

(EUR thousand) Sales

	Q3 2020	Q3 2019	Change	%	9 months 2020	9 months 2019	Change	%	12 months 2019
Media segment	10 709	9 908	8%		30 572	30 777	-1%		44 218
incl. revenue from all digital and online channels	7 812	6 987	12%		21 338	20 815	3%		30 534
incl. % of revenue from all digital and online channels	73%	71%			70%	68%			69%
Printing services segment	4 901	5 608	-13%		15 714	18 789	-16%		25 695
Corporate functions	693	512	35%		1 728	1 558	11%		2 076
Inter-segment eliminations	(1 125)	(1 043)			(3 243)	(3 353)			(4 533)



TOTAL GROUP	15 179	14 985	1%	44 771	47 771	-6%	67 456
incl. % of revenue from all digital and online channels	51%	47%		48%	44%		45%

(EUR thousand) EBITDA

	Q3 2020	Q3 2019	Change %	9 months 2020	9 months 2019	Change %	12 months 2019
Media segment	1 729	1 188	45%	3 491	2 988	17%	5 966
Printing services segment	603	357	69%	1 434	1 465	-2%	2 032
Corporate functions	(90)	(219)	59%	(325)	(854)	62%	(1 150)
Inter-segment eliminations	(11)	(10)		(43)	(23)		(75)
TOTAL GROUP	2 231	1 317	69%	4 556	3 576	27%	6 772

EBITDA margin	Q3 2020	Q3 2019	9 months 2020	9 months 2019	12 months 2019
Media segment	16%	12%	11%	10%	13%
Printing services segment	12%	6%	9%	8%	8%
TOTAL GROUP	15%	9%	10%	7%	10%

Consolidated balance sheet (unaudited)

(EUR thousand) 30.09.2020 31.12.2019

ASSETS

Current assets

Cash and cash equivalents	5 760	3 647
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Trade and other receivables	10 871	12 705
Corporate income tax prepayment	48	0
Inventories	2 906	3 120
Total current assets	19 585	19 472
Non-current assets		
Other receivables and investments	1 041	975
Deferred tax asset	38	38
Investments in joint ventures	1 629	1 254
Investments in associates	2 276	2 356
Property, plant and equipment	14 348	14 943
Intangible assets	56 583	56 369
Total non-current assets	75 915	75 935
TOTAL ASSETS	95 499	95 407
LIABILITIES		
Current liabilities		
Borrowings	3 368	5 100
Trade and other payables	17 699	16 483
Corporate income tax payable	24	65
Total current liabilities	21 091	21 647
Non-current liabilities		
Long-term borrowings	18 933	19 242
Other long-term liabilities	2 922	2 895
Total non-current liabilities	21 855	22 137
TOTAL LIABILITIES	42 947	43 784



EQUITY

Minority shareholding	115	100
Capital and reserves attributable to equity holders of parent company:		
Share capital	17 878	17 878
Share premium	14 277	14 277
Treasury shares	(22)	(22)
Reserves	1 758	1 688
Retained earnings	18 546	17 701
Total capital and reserves attributable to equity holders of parent company	52 437	51 522
TOTAL EQUITY	52 552	51 622
TOTAL LIABILITIES AND EQUITY	95 499	95 407

Consolidated statement of comprehensive income (unaudited)

(EUR thousand)	Q3 2020	Q3 2019	9 months 2020	9 months 2019	12 months 2019
Sales	15 179	14 985	44 771	47 771	67 456
Cost of sales	(12 255)	(12 161)	(37 325)	(39 384)	(54 044)
Gross profit	2 924	2 824	7 446	8 387	13 412
Other income	693	161	1 352	450	607
Marketing expenses	(661)	(685)	(1 949)	(2 311)	(3 124)
Administrative expenses	(1 658)	(1 962)	(5 153)	(5 868)	(8 024)
Other expenses	(24)	1	(104)	(54)	(148)
Operating profit /(loss)	1 274	339	1 593	603	2 722



Interest income	7	6	19	18	22
Interest expenses	(217)	(239)	(658)	(555)	(784)
Other finance income/(costs)	(33)	7	(61)	(37)	(61)
Net finance cost	(243)	(226)	(700)	(574)	(823)
Profit/(loss) on shares of joint ventures	99	(16)	107	(17)	(38)
Profit/(loss) on shares of associates	(48)	(22)	(75)	(97)	(114)
Profit /(loss) before income tax	1 082	75	924	(85)	1 746
Income tax expense	(1)	(55)	(3)	(153)	(339)
Net profit /(loss) for the reporting period	1 081	20	921	(238)	1 407
Net profit /(loss) for the reporting period attributable to					
Equity holders of the parent company	1 074	20	906	(243)	1 394
Minority shareholders	7	0	15	5	13
Total comprehensive income /(loss)	1 081	20	921	(238)	1 407
Comprehensive income /(loss) for the reporting period attributable to					
Equity holders of the parent company	1 074	20	906	(243)	1 394
Minority shareholders	7	0	15	5	13



Basic earnings per share	0.04	0.00	0.03	(0.01)	0.05
Diluted earnings per share	0.03	0.00	0.03	(0.01)	0.05

Consolidated cash flow statement (unaudited)

(EUR thousand)	9 months 2020		9 months 2019	
Cash flows from operating activities				
Operating profit for the reporting year	1 593		603	
Adjustments for:				
Depreciation, amortisation and impairment	2 974		2 989	
(Gain)/loss on sale and write-down of property, plant and equipment	(1)		(17)	
Cash flows from operating activities:				
Trade and other receivables	1 880		(1 463)	
Inventories	214		130	
Trade and other payables	327		3 347	
Cash generated from operations				
Income tax paid	(91)		(220)	
Interest paid	(453)		(428)	
Net cash generated from operating activities	6 443		4 940	
Cash flows from investing activities				
Acquisition of subsidiaries/ associates (less cash acquired) and other investments / cash paid-in equity-accounted investees	(203)		(4 858)	
Proceeds from other investments	84		323	
Interest received	1		18	



Dividends received	150	0
Purchase of property, plant and equipment and intangible assets	(1 623)	(2 111)
Proceeds from sale of property, plant and equipment and intangible assets	29	18
Loans granted	(187)	(93)
Loan repayments received	0	303
Net cash used in investing activities	(1 750)	(6 400)
Cash flows from financing activities		
Payment of lease liabilities	(693)	(669)
Change in overdraft	(1 018)	(267)
Loans received / Repayments of bank loans	(868)	3 899
Net cash used in financing activities	(2 579)	2 963
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	2 114	1 503
Cash and cash equivalents at the beginning of the year	3 647	1 268
Cash and cash equivalents at the end of the year	5 760	2 771

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AS Ekspress Grupp is the leading media group in the Baltic States whose key activities include web media content production, publishing of newspapers and magazines and provision of printing services in Estonia, Latvia and Lithuania. The Group also manages the electronic ticket sales platform and ticket sales sites in Latvia. Ekspress Grupp that launched its operations in 1989 employs almost 1700 people, owns leading web media portals in the Baltic States and publishes the most popular daily and weekly newspapers as well as the majority of the most popular magazines in Estonia.



