

Company AS Ekspress Grupp
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Attachments:

- EG_IV_kvartal_2022_ENG.pdf (<http://oam.fi.ee/en/download?id=7005>)
- EG_IV_kvartal_2022_EST.pdf (<http://oam.fi.ee/en/download?id=7006>)

Currency

Title AS Ekspress Grupp: Consolidated unaudited interim report for Q4 and 12 months of 2022

In the 4(th) quarter of 2022, the revenue of AS Ekspress Grupp totalled EUR 19.2 million and net profit totalled EUR 2.4 million. The revenue for the 12-month period totalled EUR 64.1 million, increasing by 20% as compared to the previous year. The net profit for the 12-month period totalled EUR 4.1 million which is at the same level as in the previous year. Digital revenue increased by 23% and digital revenue made up 78% of the Group's total revenue at the end of December.

The Group's performance in 2022 was solid, despite the extremely unstable environment and the related effects in the economy. The Group's revenue in the 4(th) quarter grew strongly as compared to the same period in 2021. The consolidated revenue for the quarter totalled EUR 19.2 million (Q4 2021: EUR 15.9 million), increasing by 20% as compared to the previous year. The Group's online advertising sales continued to grow at the time when the total market did not increase. The Group's media companies managed to successfully increase their sales as opposed to their competitors by offering better solutions to their advertising customers in reaching consumers. 12-month revenue totalled EUR 64.1 million, also increasing by 20% as compared to the previous year. In addition to advertising sales, 12-month revenue was also boosted by the higher number of digital subscriptions and the growth in the average price of both paper as well as digital products. Demand for the events offered through the Group's ticket business platforms also picked up. The sales volumes of outdoor screens increased due to the more extensive digital outdoor screen network where 27 new screens were added.

The number of digital subscriptions of AS Ekspress Grupp increased by 12% year-over-year by the end of December 2022 and totalled 146.6 thousand subscriptions. The number of digital subscriptions continued to grow rapidly, which is a proof that the paid content model is sustainable and has an increasingly more important role on the revenue side of the Group's media companies. Despite the



fact that the expenses of the people in the Baltic States are being more scrutinized due to inflation and general price rally, reader's interest in independent journalism remained high because of the disturbing events last year. Delfi's solid market leadership position in all Baltic States makes readers prefer the portal with the most comprehensive content.

The earnings before interest, tax, depreciation and amortisation (EBITDA) of Ekspress Grupp totalled EUR 3.8 million in the 4(th) quarter and EUR 8.9 million over the 12-month period. EBITDA increased both in the 4(th) quarter as well as over the 12-month period, by 19% and 8%, respectively. The Group has found it challenging to maintain its EBITDA margin due to the growth in input prices (primarily paper, printing and energy costs) and the general pressure from the economic environment on wage costs. Still, given the cost pressures, we are satisfied that due to revenue growth, we managed to maintain the 12-month EBITDA margin at around 14% (12 months 2021: 15%). The ability to maintain profitability and react quickly, especially if market developments are longer term than shown by current forecasts, will remain key topics for the Group in subsequent periods.

The consolidated net profit in the 4(th) quarter of 2022 totalled EUR 2.4 million and 12-month net profit totalled EUR 4.1 million. 12-month net profit remained at the same level (12 months 2021: EUR 4.1 million). Despite the Group demonstrating moderate, 8% EBITDA growth, net profit stayed at the same level as in 2021. The higher loss of the joint venture AS Express Post for the period and the increase of the Group's depreciation charge due to higher capital expenditures as compared to the same period last year had a negative impact on the Group's net profit in 2022. In addition, the revenue for 2021 included one-off finance income in the amount of EUR 0.4 million for fair value adjustment of the future commitment related the purchase price of the ticket sales platform.

In December 2022, the Group acquired a 100% ownership interest in one of the most popular Lithuanian news portals lrytas.lt (<https://www.lrytas.lt/>). The acquisition of the news portal Lrytas forms an organic part of the Group's strategy. The main purpose for the acquisition is the growth of the digital media business in the region's largest market. The news portal has an average of 420 000 daily readers (source: Gemius) and the portal's advertising revenue totals about EUR 3 million per year. The common goal of Lrytas and Ekspress Grupp is to provide captivating and independent content for its readers. After the transaction, Lrytas will continue to operate as an independent media company.

The Management Board of Ekspress Grupp rates the Group's 12-month performance as positive: the Group managed to increase its digital revenue base (both turnover and share of digital revenue, as well as the number of digital subscribers) and maintain decent profitability despite the unstable economic environment and the growth of both input prices and wage costs. This demonstrates that over the last two years, Ekspress Grupp has managed to quickly and efficiently adapt to the changed economic environment while adhering to its chosen strategy. Contradictory future forecasts require the readiness to be flexible and react



promptly in the coming quarters.

At the end of the reporting period, the Group had available cash in the amount of EUR 7.4 million and equity in the amount of EUR 55.4 million (56% of total assets). The comparable data as of 31 December 2021 were EUR 11.0 million and EUR 53.7 million (57% of total assets), respectively. Given the Group's cash position, at 8 February 2023 the Group announced a share buyback programme approved by the shareholders in May 2022. In the buyback offer targeting all shareholders, the Group offers shareholders from 15 February to 6 March 2023 the opportunity to sell Ekspress Grupp's shares back at the price of EUR 1.70 per share. The maximum volume of shares to be bought back is up to EUR 1 million (up to 588,235 shares). The purpose of share buyback is to take advantage of attractive market conditions to create value for shareholders by buying back own shares and using them for the reduction of share capital or for other purposes (e.g. sale of shares or use them for share option program).

The results of the buyback offer may affect the amount of dividends paid out of the Group's 2022 profits. The Management Board will make a proposal regarding the dividends to be paid out of the profit for 2022 along with the notice to call an ordinary general meeting, proceeding from the previously approved dividend policy and the volume of the shares to be bought back under the share buyback offer. The Group will pay out at least 30% of the last year's net profit as dividends under the condition that there will be sufficient monetary funds available to fund key operations and make new strategic investments. In case the economic environment significantly slows down or the cash flows are smaller than expected for other reasons, the Group may lower the dividend pay-out ratio or decide not to pay dividends.

Q4 AND 12 MONTHS RESULTS

REVENUE

In the 4(th) quarter of 2022, the consolidated revenue totalled EUR 19.2 million (Q4 2021: EUR 15.9 million). The revenue for the 4(th) quarter increased by 20% year-over-year. The consolidated revenue for the 12 months of 2022 totalled EUR 64.1 million (12 months 2021: EUR 53.5 million). The revenue for the 12-month period increased by 20% year-over-year. This growth was attributable to both online advertising revenue as well as digital subscription revenue. The share of the Group's digital revenue in total revenue was 78% at the end of the 4(th) quarter of 2022 (at the end of Q4 2021: 76% of total revenue). Digital revenue for the 12 months of 2022 increased by 23% as compared to the same period last year.

PROFITABILITY



In the 4(th) quarter of 2022, the consolidated EBITDA totalled EUR 3.8 million (Q4 2021: EUR 3.2 million). In the 4(th) quarter of 2022, EBITDA increased by 19% as compared to last year and the EBITDA margin was 20% (Q4 2021: 20%). The consolidated EBITDA for the 12 months of 2022 totalled EUR 8.9 million (12 months 2021: EUR 8.2 million). In the 12 months of 2022, EBITDA increased by 8% as compared to the previous year and the EBITDA margin was 14% (12 months 2021: 15%).

The consolidated net profit for the 4(th) quarter of 2022 totalled EUR 2.4 million (Q4 2021: EUR 2.3 million). In the 4(th) quarter of 2022, net profit increased by 6% as compared to the previous year. The consolidated net profit for the 12 months of 2022 totalled EUR 4.1 million (12 months 2021: EUR 4.1 million). The Group demonstrated modest EBITDA growth of 8% while the net profit stayed at the same level as in 2021. The net profit for 2022 declined due the higher loss of the joint venture AS Express Post for the period and the Group's higher depreciation charge resulting from higher capital expenditures as compared to the same period last year. In addition, the comparable base for 2021 is higher due to recognition of one-off finance income in the amount of EUR 0.4 million for fair value adjustment of the future commitment related to the purchase price of the ticket sales platform.

EXPENSES

In the 12 months of 2022, the cost of goods sold, marketing, and general and administrative costs totalled EUR 60.0 million (12 months 2021: EUR 49.5 million). In the 12 months of the year, operating expenses increased by EUR 10.5 million (+21%). Staff costs in the amount of EUR 5.4 million (+20%) increased the most. The significant growth in input expenses is linked to the outsourcing of the printing service related to print media as well as the home delivery service, total growth was EUR 1.0 million (+17%).

As of 31 December 2022, the Group employed 884 employees which is 143 more as compared to the same period last year (31.12.2021: 741 employees). This growth is attributable to 66 employees who were transferred from the companies acquired, incl. OÜ Geenius Meedia, ELTA news agency in Lithuania and the news portal lrytas.lt acquired in December 2022. 77 employees were hired in other companies in Estonia, Latvia and Lithuania. Given the high inflationary and rising interest rate environment, we have selectively adjusted the salaries of Group employees and set up one-off support measures. In addition, cost reductions and individual redundancies were carried out in Latvia already in the 3(rd) quarter of 2022, as its advertising sales have failed to meet the Group's internal targets.

In the 12 months of the year, the one-off expenditure includes donations to Ukraine in the total amount of EUR 0.2 million.

The war in Ukraine has had a major negative effect on the GDP growth in the Baltic States. As a result, the economy has slowed down and created a high inflationary environment (in December 2022, inflation was 17.5% in Estonia,



20.0% in Lithuania and 20.7% in Latvia as compared to the previous year) which is currently one of the highest in the Eurozone. The inflationary environment will be a challenge in 2023. However, the positive news is that it is in a downward trend as compared to October data. The Group has neither any operations nor any assets in Ukraine and Russia, and therefore, the war has only an indirect impact on the Group.

CASH POSITION

At the end of the reporting period, the Group had available cash in the amount of EUR 7.4 million and equity in the amount of EUR 55.4 million (56% of total assets). The comparable data as of 31 December 2021 were EUR 11.0 million and EUR 53.7 million (57% of total assets), respectively. As of 31 December 2022, the Group's net debt was EUR 13.3 million (31 December 2021: EUR 6.1 million).

In the 12 months of 2022, the Group's cash flows from operating activities totalled EUR 8.0 million (12 months 2021: EUR 8.1 million, incl. printing services segment) that were positively impacted by the ticket sales platforms in Estonia and Latvia. The sales activity of the Latvian ticket sales platform has recovered and is in a better position due to higher ticket prices as compared to the pre-Covid-19 period.

In the 12 months of 2022, the Group's cash flows from investing activities totalled EUR -10.6 million (12 months 2021: EUR 1.0 million, incl. the sale of a discontinued operation in the amount of EUR 6.3 million), of which EUR -3.7 million was related to development and acquisition of property, plant and equipment and intangible assets, indicating higher investments in products and technologies. In the 12 months of the year, the Group invested EUR -1.9 million in new LED screens, which has been partially funded with a finance lease.

In the 12 months of 2022, the Group's cash flows from financing activities totalled EUR -0.9 million (12 months 2021: EUR -4.4 million), of which EUR -2.4 was the dividend payment to the shareholders of AS Ekspress Grupp. Financing activities also include a net change in borrowings in the amount of EUR 3.3 million and lease liabilities in the amount of EUR -1.8 million. When making investments in 2022, the Group has used debt in moderate amounts in the form of bank loans.

DIVIDENDS

At the regular General Meeting of Shareholders of AS Ekspress Grupp held on 2 May 2022, it was decided to pay a dividend of 8 euro cents per share in the total amount of EUR 2.43 million. Dividends were paid to shareholders on 20 May 2022.

Key financial indicators for segments



(EUR thousand)	Sales									
	Q4 2022		Q4 2021		Change	%	12 months 2022	12 months 2021	Change	%
Media segment	18 803	15 608	20%				62 690	52 093	20%	
advertising revenue	11 623	10 171	14%				37 613	33 781	11%	
subscriptions (incl single-copy sales)	4 677	3 629	29%				16 819	13 311	26%	
marketplaces	822	408	101%				2 232	1 013	120%	
outdoor screens	749	569	31%				2 396	1 448	65%	
sale of other goods and services	933	830	12%				3 630	2 539	43%	
Corporate functions	1 157	1 013	14%				4 500	4 118	9%	
Inter-segment eliminations	(776)	(677)					(3 050)	(2 695)		
TOTAL GROUP	19 185	15 943	20%				64 141	53 516	20%	
incl. revenue from all digital channels	15 342	12 610	22%				49 928	40 453	23%	
% of revenue from all digital channels	80%	79%					78%	76%		

(EUR thousand)	EBITDA						
	Q4 2022	Q4 2021	Change	%	12 months 2022	12 months 2021	Change %
Media segment	4 175	3 449	21%		10 183	8 927	14%
Corporate							



functions	(319)	(245)	-30%	(1 122)	(669)	-68%
Inter-segment eliminations	(61)	(15)		(171)	(18)	
TOTAL GROUP	3 795	3 189	19%	8 891	8 240	8%

EBITDA margin	Q4 2022	Q4 2021	12 months 2022	12 months 2021
Media segment	22%	22%	16%	17%
TOTAL GROUP	20%	20%	14%	15%

Consolidated balance sheet (unaudited)

(EUR thousand) 31.12.2022 31.12.2021

ASSETS

Current assets

Cash and cash equivalents	7 448	10 962
Trade and other receivables	11 661	9 323
Corporate income tax prepayment	49	2
Inventories	286	266
Total current assets	19 444	20 553

Non-current assets

Other receivables and investments	1 580	1 671
Deferred tax asset	60	42
Investments in joint ventures	1 017	1 011
Investments in associates	2 279	2 210
Property, plant and equipment	8 736	7 964
Intangible assets	66 720	60 807



Total non-current assets	80 392	73 705
TOTAL ASSETS	99 836	94 258
LIABILITIES		
Current liabilities		
Borrowings	3 393	3 201
Trade and other payables	19 004	17 664
Corporate income tax payable	25	82
Total current liabilities	22 422	20 947
Non-current liabilities		
Long-term borrowings	21 948	19 018
Other long-term liabilities	43	601
Total non-current liabilities	21 991	19 619
TOTAL LIABILITIES	44 413	40 566
EQUITY		
Minority interest	147	140
Capital attributable to equity holders of parent company:		
Share capital	18 478	18 478
Share premium	14 277	14 277
Treasury shares	(334)	(384)
Reserves	2 059	1 920
Retained earnings	20 796	19 261
Total capital attributable to equity holders of parent company	55 276	53 552
TOTAL EQUITY	55 423	53 692
TOTAL LIABILITIES AND EQUITY	99 836	94 258



Consolidated statement of comprehensive income (unaudited)

(EUR thousand)	Q4 2022	Q4 2021	12 months 2022	12 months 2021
Continuing operations				
Sales	19 185	15 943	64 141	53 516
Cost of sales	(13 473)	(11 132)	(48 185)	(39 674)
Gross profit	5 712	4 811	15 956	13 842
Other income	263	320	789	929
Marketing expenses	(847)	(766)	(2 979)	(2 359)
Administrative expenses	(2 381)	(2 013)	(8 823)	(7 435)
Other expenses	(7)	(51)	(146)	(113)
Operating profit /(loss)	2 740	2 301	4 797	4 864
Interest income	9	9	36	35
Interest expenses	(208)	(172)	(738)	(709)
Other finance income/(costs)	(14)	401	179	339
Net finance cost	(214)	239	(523)	(335)
Profit/(loss) on shares of joint ventures	85	(153)	(242)	(281)
Profit/(loss) on shares of associates	(1)	78	325	161
Profit /(loss) before income tax	2 610	2 465	4 357	4 409
Income tax expense	(173)	(156)	(302)	(276)
Net profit /(loss) from continuing operations	2 438	2 310	4 055	4 133
Net profit /(loss) from				



discontinued operation	0	0	0	(1 876)
Net profit /(loss) for the reporting period	2 438	2 310	4 055	2 257
Net profit /(loss) for the reporting period attributable to				
Equity holders of the parent company	2 431	2 300	4 048	2 243
Minority interest	7	10	7	14
Total comprehensive income /(loss)	2 438	2 310	4 055	2 257
Comprehensive income /(loss) for the reporting period attributable to				
Equity holders of the parent company	2 431	2 300	4 048	2 243
Minority interest	7	10	7	14
Earnings per share (euro) - continuing operations				
Basic earnings per share	0.0801	0.0760	0.1335	0.1362
Diluted earnings per share	0.0776	0.0734	0.1294	0.1316
Earnings per share (euro)				
Basic earnings per share	0.0801	0.0760	0.1335	0.0742
Diluted earnings per share	0.0776	0.0734	0.1294	0.0716

Consolidated cash flow statement (unaudited)

(EUR thousand)	12 months	
	12 months 2022	2021*
Cash flows from operating activities		
Operating profit /(loss) for the reporting year	4 797	3 060
Adjustments for (non-cash):		



Depreciation and amortisation	4 084	4 162
(Gain)/loss on sale, write-down and impairment of property, plant and equipment	29	(10)
Change in value of share option	29	36
Loss on sale of discontinued operation	0	2 077
Cash flows from operating activities:		
Trade and other receivables	(1 939)	(1 599)
Inventories	(9)	(33)
Trade and other payables	2 188	1 464
Income tax paid	(401)	(281)
Interest paid	(767)	(803)
Net cash generated from operating activities	8 011	8 073
Cash flows from investing activities		
Acquisition of subsidiaries/ associates (less cash acquired) and other investments / cash paid-in equity-accounted investees	(7 632)	(3 325)
Disposal of discontinued operation, net of cash disposed of	0	6 326
Receipts of other investments	10	51
Interest received	2	3
Purchase of property, plant and equipment and intangible assets	(3 748)	(2 786)
Proceeds from sale of property, plant and equipment and intangible assets	66	3
Loans granted	(30)	(212)
Loan repayments received	86	156
Dividends received	601	828



Net cash used in investing activities	(10 645)	1 044
Cash flows from financing activities		
Dividends paid	(2 425)	(3 028)
Payment of lease liabilities	(1 751)	(1 814)
Loans received / Repayments of bank loans	3 296	864
Purchases of treasury shares	0	(446)
Net cash used in financing activities	(880)	(4 424)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3 514)	4 693
Cash and cash equivalents at the beginning of the period	10 962	6 269
Cash and cash equivalents at the end of the period	7 448	10 962

*No adjustments have been made to the consolidated cash flows for 2021 in accordance with the requirements of IFRS. Cash flows related to the printing services segment are still consolidated line-by-line.

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AS Ekspress Grupp is the leading Baltic media group whose key activities include web media content production as well as publishing of newspapers, magazines and books. The Group also operates an electronic ticket sales platform and ticket offices and provides an outdoor screen service in Estonia and Latvia. Ekspress Grupp launched its operations in 1989 and it employs almost 1600 people.

