

Company AS Ekspress Grupp
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Attachments:

- EG_I_kvartal_2023_ENG.pdf (<http://oam.fi.ee/en/download?id=7307>)
- EG_I_kvartal_2023_EST.pdf (<http://oam.fi.ee/en/download?id=7308>)

Currency

Title AS Ekspress Grupp: Consolidated unaudited interim report for the First Quarter of 2023

The revenue of AS Ekspress Grupp for the 1(st) quarter of 2023 increased by 25% and totalled EUR 16.8 million, and EBITDA increased by 87% to EUR 1.2 million. As expected, due to seasonality the Group's net operating loss in the 1(st) quarter of 2023 totalled EUR 0.4 million which is 20% lower than in the previous year. Digital revenue made up 80% of the Group's total revenue at the end of March.

The Group continues to successfully increase its sales volumes in advertising and digital subscriptions, both through an increase in its market share and an increase in average prices. The Group's revenue for the 1(st) quarter demonstrated strong growth, increasing by 25% as compared to the same period last year. Excluding from revenue the acquisitions made in Lithuania (news portal Lrytas and news agency ELTA) in the second half of 2022, revenue growth was 18%. Elections both in Estonia and Lithuania helped boost advertising sales. In Latvia, where the advertising market had been under a strong pressure in the first months of the year, we achieved growth primarily through growth in the revenue of ticket sales companies and higher profits. Advertising revenue from outdoor screens also grew, due to the investments made by the Group in previous years. We are going to install more screens in Latvia and Estonia this year.

The number of digital subscriptions of AS Ekspress Grupp increased by 15% year-over-year by the end of March 2023 and totalled 161.3 thousand subscriptions. The media companies of Ekspress Grupp gained more than 21 000 digital subscribers, solidifying our position as the leading Baltic media company with a digital business model. In relative terms, the Group's newest member, Geenius Meedia, showed the strongest growth, gaining 36% more digital subscribers in a year. Delfi Meedia with the largest number of subscribers achieved significant growth, gaining ca 13.5 thousand or 17% more digital subscriptions in a year. The growth of the digital subscriptions of Delfi's Latvian and Lithuanian subsidiaries, on a quarter-over-quarter and on a year-over-year basis,



demonstrated that the subscription package reform implemented at the end of last year has been successful, and further growth may be expected in these markets in the future.

The earnings before interest, tax, depreciation and amortisation (EBITDA) of Ekspress Grupp totalled EUR 1.2 million in the 1(st) quarter, growing by 87% or almost doubling as compared to the same period last year. Profitability has been boosted by successful sales of online advertising and digital subscriptions in Estonia and Lithuania, and volume growth of ticket sales platforms and digital outdoor screens.

The acquisition of the 100% ownership interest in one of the most popular Lithuanian news portals lrytas.lt (<https://www.lrytas.lt/>) at the end of 2022 has not yet had a positive impact on the 1(st) quarter's EBITDA. The acquisition of Lrytas is an organic part of the Group's strategy, the positive impact of which is to be expected in the second half of the current year.

The consolidated net loss, excluding extraordinary expenses, totalled EUR 0.4 million in the 1(st) quarter of 2023 (Q1 2022: EUR 0.5 million), or the operating loss decreased by 20% as compared to the same period last year. In addition to expected seasonality, net profit was primarily impacted by higher depreciation charges related to the Group's investments and higher interest rates due to the increase in Euribor rates. Interest costs which almost doubled had a negative impact of EUR 0.2 million on net profit in the 1(st) quarter.

Including extraordinary expenses, the net loss totalled EUR 0.7 million, of which the one-off reserve cost totalled EUR 0.3 million, related to the closure of the home delivery service of AS Express Post. In the 1(st) quarter of 2023, the Supervisory Board of AS Express Post, 50% of which is owned by the Group, decided to liquidate the home delivery service business. The change will not affect the volume, frequency or home delivery conditions of Ekspress Group's paper publications for its subscribers. We expect to see a positive effect from the liquidation of the joint venture's unprofitable home delivery service on the Group's profitability in the second half of the year.

The Group's liquidity is solid and we consider it important to keep liquidity reserves for possible new acquisitions as well as for the possible economic cooldown. As of 31 March 2023, the Group's monetary funds totalled EUR 7.3 million (31.12.2022: EUR 7.4 million). At the beginning of March this year, the Group completed its share buy-back programme, according to which 588 thousand shares at the price of EUR 1.70 per shares in the total amount of EUR 1 million were purchased in the market. The share buy-back programme generated keen interest among shareholders and created attractive market conditions for value generation. The ordinary general meeting of shareholders to be convened on 4 May 2023 will vote on the profit allocation proposal, according to which regular dividends of 5 euro cents per share in the total amount of EUR 1.5 million will be distributed to the shareholders. Thus, the Group's payments to its shareholders will total EUR 2.5 million in the first half of 2023.



Q1 RESULTS

REVENUE

In the 1(st) quarter of 2023, the consolidated revenue totalled EUR 16.8 million (Q1 2022: EUR 13.4 million). The revenue for the 1(st) quarter increased by 25% 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 80% at the end of the 1(st) quarter of 2023 (at the end of Q1 2022: 78% of total revenue). Digital revenue for the 1(st) quarter of 2023 increased by 28% as compared to the same period last year.

PROFITABILITY

In the 1(st) quarter of 2023, the consolidated EBITDA totalled EUR 1.2 million (Q1 2022: EUR 0.6 million). EBITDA grew by 87% as compared to last year and the EBITDA margin was 7% (Q1 2022: 5%). Profitability has been driven by successful sales of online advertising and digital subscriptions in Estonia and Lithuania, and the volume growth of ticket sales platforms and digital outdoor screens.

The consolidated net profit for the 1(st) quarter of 2023 (excl. extraordinary expenses) totalled EUR 0.4 million (Q1 2022: EUR 0.5 million). In the 1(st) quarter of 2023, net profit decreased by 20% as compared to last year. In addition to expected seasonality, net profit was primarily impacted by higher depreciation charges related to the Group's investments and higher interest rates due to the increase in Euribor rates. Interest costs which almost doubled had a negative impact of EUR 0.2 million on net profit in the 1(st) quarter.

Including extraordinary expenses, the net loss totalled EUR 0.7 million, of which the one-off reserve cost totalled EUR 0.3 million, related to the closure of the home delivery service of AS Express Post. In the 1(st) quarter of 2023, the Supervisory Board of AS Express Post, 50% of which is owned by the Group, decided to liquidate the home delivery service business. The change will not affect the volume, frequency or home delivery conditions of Ekspress Group's paper publications for its subscribers. We expect to see a positive effect from the liquidation of the joint venture's unprofitable home delivery service on the Group's profitability in the second half of the year.

EXPENSES

In the 1(st) quarter of 2023, the cost of goods sold, marketing, and general and administrative costs totalled EUR 16.8 million (Q1 2022: EUR 13.8 million). Operating expenses increased by EUR 3.0 million (+21%) as compared to the same period last year. Labour costs increased the most, by EUR 1.4 million (+18%).

In the 1(st) quarter of 2023, the Group employed 969 employees which is 123 more as compared to the same period last year (Q1 2022: 846 employees). This growth



is attributable to 88 employees who were transferred from the acquired companies, incl. ELTA news agency in Lithuania acquired in May 2022 and the news portal lrytas.lt acquired in December 2022. 35 employees were hired from other companies in Estonia, Latvia and Lithuania.

CASH POSITION

At the end of the reporting period, the Group had available cash in the amount of EUR 7.3 million and equity in the amount of EUR 53.7 million (53% of total assets). The comparable data as of 31 March 2022 were EUR 8.9 million and EUR 53.2 million (57% of total assets), respectively. As of 31 March 2023, the Group's net debt was EUR 13.6 million (31 March 2022: EUR 7.7 million).

In the 1(st) quarter of 2023, the Group's cash flows from operating activities totalled EUR 2.4 million (Q1 2022: EUR 0.5 million) 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 1(st) quarter of 2023, the Group's cash flows from investing activities totalled EUR -0.7 million (Q1 2022: EUR -1.8 million, incl. EUR -1.0 million investments in new LED screens).

In the 1(st) quarter of 2023, the Group's cash flows from financing activities totalled EUR -1,9 million (Q1 2022: EUR -0.8 million), of which EUR -1,0 million is the share buy-back. Financing activities also include a net change in borrowings in the amount of EUR -0.4 million and lease liabilities in the amount of EUR -0.5 million.

SHARE BUY-BACK AND DIVIDENDS

Within the framework of the share buy-back programme, on 9 March 2023 AS Ekspress Grupp purchased 588 235 shares at the price of EUR 1.70 per share in the total amount of EUR 1.0 million.

In March 2023, the Group's Management Board proposed to pay 5 euro cents per share as dividends to shareholders from the net profit of the financial year 2022 in the total amount of 1.5 million. The profit allocation proposal will be made at the ordinary general meeting of shareholders on 4 May 2023.

SEGMENT OVERVIEW

Key financial indicators for segments

(EUR thousand)	Sales		
	Q1 2023	Q1 2022	Change % 12 months 2022



Media segment	16 867	13 081	29%	62 690
advertising revenue	9 681	7 840	23%	37 613
subscriptions (incl. single-copy sales)	4 560	3 886	17%	16 819
marketplaces	636	353	80%	2 232
outdoor screens	688	402	71%	2 396
sale of other goods and services	1 302	600	117%	3 630
Corporate functions	1 226	1 092	12%	4 500
Inter-segment eliminations	(1 339)	(747)		(3 050)
TOTAL GROUP	16 755	13 426	25%	64 141
incl. revenue from all digital channels	13 384	10 434	28%	49 928
% of revenue from all digital channels	80%	78%		78%

(EUR thousand)

EBITDA

	Q1 2023	Q1 2022	Change %	12 months 2022
Media segment	1 478	893	66%	10 183
Corporate functions	(321)	(230)	-39%	(1 122)
Inter-segment eliminations	(3)	(46)		(171)
TOTAL GROUP	1 153	616	87%	8 891

EBITDA margin	Q1 2023	Q1 2022	12 months 2022
Media segment	9%	7%	16%
TOTAL GROUP	7%	5%	14%

Consolidated balance sheet (unaudited)



(EUR thousand)

31.03.2023 31.12.2022

ASSETS

Current assets

Cash and cash equivalents	7 272	7 448
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Trade and other receivables	12 090	11 661
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Corporate income tax prepayment	74	49
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Inventories	278	286
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Total current assets	19 714	19 444
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Non-current assets

Other receivables and investments	1 580	1 580
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Deferred tax asset	59	60
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Investments in joint ventures	983	1 017
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Investments in associates	2 225	2 279
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Property, plant and equipment	9 104	8 736
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Intangible assets	66 838	66 720
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Total non-current assets	80 790	80 392
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TOTAL ASSETS	100 504	99 836
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LIABILITIES

Current liabilities

Borrowings	3 050	3 393
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Trade and other payables	21 152	19 004
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Corporate income tax payable	21	25
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Total current liabilities	24 223	22 422
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Non-current liabilities



Long-term borrowings	22 536	21 948
Other long-term liabilities	44	43
Total non-current liabilities	22 580	21 991
TOTAL LIABILITIES	46 803	44 413
EQUITY		
Minority interest	150	147
Capital and reserves attributable to equity holders of parent company:		
Share capital	18 478	18 478
Share premium	14 277	14 277
Treasury shares	(1 334)	(334)
Reserves	2 067	2 059
Retained earnings	20 063	20 796
Total capital and reserves attributable to equity holders of parent company	53 551	55 276
TOTAL EQUITY	53 701	55 423
TOTAL LIABILITIES AND EQUITY	100 504	99 836

Consolidated statement of comprehensive income (unaudited)

(EUR thousand)	Q1 2023	Q1 2022	12 months 2022
Sales	16 755	13 426	64 141
Cost of sales	(13 641)	(11 034)	(48 185)
Gross profit	3 114	2 393	15 956
Other income	70	119	789
Marketing expenses	(571)	(655)	(2 979)
Administrative expenses	(2 551)	(2 147)	(8 823)



Other expenses	(20)	(42)	(146)
Operating profit /(loss)	42	(332)	4 797
Interest income	9	10	36
Interest expenses	(330)	(169)	(738)
Other finance income/(costs)	(11)	(14)	179
Net finance cost	(331)	(172)	(523)
Profit/(loss) on shares of joint ventures	(553)	(133)	(242)
Profit/(loss) on shares of associates	128	130	325
Profit /(loss) before income tax	(715)	(508)	4 357
Income tax expense	(16)	(4)	(302)
Net profit /(loss) for the reporting period	(730)	(512)	4 055
Net profit /(loss) for the reporting period attributable to			
Equity holders of the parent company	(733)	(511)	4 048
Minority interest	3	(1)	7
Total comprehensive income /(loss)	(730)	(512)	4 055
Comprehensive income /(loss) for the reporting period attributable to			
Equity holders of the parent company	(733)	(511)	4 048
Minority interest	3	(1)	7
Earnings per share (euro)			
Basic earnings per share	(0.0243)	(0.0169)	0.1335
Diluted earnings per share	(0.0235)	(0.0163)	0.1294

Consolidated cash flow statement (unaudited)



(EUR thousand)	12 months		
	Q1 2023	Q1 2022	2022
Cash flows from operating activities			
Operating profit /(loss) for the reporting year	42	(332)	4 797
Adjustments for (non-cash):			
Depreciation and amortisation	1 112	948	4 084
(Gain)/loss on sale, write-down and impairment of property, plant and equipment	(2)	(7)	29
Change in value of share option	8	9	29
Cash flows from operating activities:			
Trade and other receivables	(441)	(214)	(1 939)
Inventories	7	(6)	(9)
Trade and other payables	1 960	378	2 188
Income tax paid	(44)	(131)	(401)
Interest paid	(262)	(104)	(767)
Net cash generated from operating activities	2 380	542	8 011
Cash flows from investing activities			
Acquisition of subsidiaries/ associates (less cash acquired) and other investments / cash paid-in equity-accounted investees	(387)	(257)	(7 632)
Receipts of other investments	0	0	10
Interest received	0	1	2
Purchase of property, plant and equipment and intangible assets	(495)	(1 627)	(3 748)
Proceeds from sale of property, plant and equipment and intangible assets	2	25	66
Loans granted	0	(30)	(30)



Loan repayments received	0	86	86
Dividends received	199	0	601
Net cash used in investing activities	(681)	(1 803)	(10 645)
Cash flows from financing activities			
Dividends paid	0	0	(2 425)
Payment of lease liabilities	(456)	(402)	(1 751)
Loans received / Repayments of bank loans	(420)	(420)	3 296
Purchases of treasury shares	(1 000)	0	0
Net cash used in financing activities	(1 876)	(823)	(880)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(176)	(2 084)	(3 514)
Cash and cash equivalents at the beginning of the period	7 448	10 962	10 962
Cash and cash equivalents at the end of the period	7 272	8 878	7 448

Changes in the Group's legal structure

The Supervisory Board decided to make several changes to the Group's structure, the aim of which is to increase management efficiency and transparency, simplify the Group's legal structure, and make the provision of the central financial services more efficient. The changes will also help meeting the bank's requirements.

In Lithuania, the Supervisory Board decided to merge the Group's subsidiary UAB Satyre with UAB Lrytas that was acquired last year. In Estonia, the Group's wholly-owned subsidiary OÜ Ekspress Finants will be merged with the parent company AS Ekspress Grupp. Group-wide financing and accounting services will be provided by the parent company to the Group's subsidiaries in Estonia.

According to §421(4) of the Commercial Code, approval of the merger with the merger decision is not required of AS Ekspress Grupp, because 100% of the share capital of the company being merged (Ekspress Finance) belongs to the merging company. A merger decision is necessary if it is requested by the shareholders of the merging joint-stock company, whose shares represent at least 1/20 of share capital. The shareholders of AS Ekspress Grupp will have until 28 May 2023 to submit this request.

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

