

Company AS Harju Elekter Group
Type Company Release
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Attachments:

- HEG Interim Report Q3 2023.pdf (<http://oam.fi.ee/en/download?id=7747>)
- HEG vahearuanne III kv 2023.pdf (<http://oam.fi.ee/en/download?id=7748>)

Currency

Title Harju Elekter Group financial results, 1-9/2023

Harju Elekter's Q3 financial results continue to be profitable. A strong profit is Harju Elekter's most important sustainability objective, without which it will not be possible to meet the growing expectations of stakeholders. The third quarter saw a number of important and successful events: the appointment of managing directors for subsidiaries in Sweden and Finland; winning the procurement contract with Elektrilevi for supplying substations for the next five years; and exiting the wholesale and retail business in Estonia. Although the individual project contracts signed by our Swedish subsidiary a few years ago have proven to be more unprofitable than expected, the potential of the Swedish market and the demand for our products are sufficient to continue our efforts of starting up a factory in Sweden and reaching profitability in the coming quarters and years. Evaluating Harju Elekter's overall financial position and the developments resulting from the restructuring of the Group's management structure, Harju Elekter can be satisfied with the results as it celebrates its 55th year of operation.

Revenue and financial results

The Group's revenue for the reporting quarter was 56.2 (2022 Q3: 46.1) million euros, growing by 22.1% compared to the comparable period. Nine-month revenue increased by 26.3% compared to the comparable period, being 158.3 (2022 9M: 125.3) million euros. The majority of the increase in revenue came from the sale of electrical equipment, increasing by 11.7 million euros year-on-year. In the comparison of nine months, the revenue of electrical equipment increased by 39.4 million euros.

EUR '000	Q3	Q3	+/-	9 M	9 M	+/-
	2023	2022		2023	2022	



Revenue	56,247	46,081	22.1%	158,277	125,315	26.3%
Gross profit	7,378	5,803	27.1%	19,372	9,751	98.7%
EBITDA	4,899	3,182	54.0%	10,524	1,161	806.5%
Operating profit/loss (-) (EBIT)	3,846	1,691	127.4%	7,323	-2,482	395.0%
Profit/loss (-) for the period	3,393	1,406	141.3%	5,026	-3,085	262.9%
Earnings per share (EPS) (euros)	0.18	0.08	137.5%	0.27	-0.17	258.8%

The Group's operating expenses totaled 52.4 (2022 Q3: 44.3) in the reporting quarter and 150.4 (2022 9M: 127.8) million in nine months. The majority of the increase in operating expenses was caused by the increase in the costs of sales, which in both periods was below the growth rate of revenue, by 0.8 in the quarter and by 6.1 percentage points in the nine-month comparison.

Distribution costs in the reporting quarter were 1.4 (2022 Q3: 1.3) and administration expenses 2.2 (2022 Q3: 2.7) million euros. The total distribution costs for the nine months were in the same order of magnitude as the year before - 4.1 million euros, and administrative expenses were 7.5 (2022 9M: 8.2) million euros.

Labour costs increased in both periods, being 9.3 (2022 Q3: 7.5) and 29.5 (2022 9M: 25.3) million euros, respectively. The majority of the increase in labour costs originates from staff growth, and the growth in average wages was influenced by wage pressure from the overall economy.

The gross profit for the reporting quarter was 7,378 (2022 Q3: 5,803) thousand euros and the gross margin was 13.1% (2022 Q3: 12.6%). Operating profit (EBIT) was 3,846 (2022 Q3: 1,691) thousand euros. The operating margin of the third quarter was 6.8% (2022 Q3: 3.7%). The net profit for the reporting quarter was 3,393 (2022 Q3: 1,406) thousand euros. Net profit per share in the third quarter was 0.18 (2022 Q3: 0.08) euros.

The gross profit for the nine months was 19,372 (2022 9M: 9,751) thousand euros and the gross margin was 12.2% (2022 9M: 7.8%). During the nine months, operating profit (EBIT) was 7,323 (2022 9M: operating loss -2,482) and net profit 5,026 (2022 9M: net loss -3,085) thousand euros. Net profit per share was 0.27 (2022 9M: net loss per share -0.17) euros.

Core business and markets

During the reporting quarter, the Group's core activity - production - accounted for 95.2% (2022 Q3: 89.3%) of its revenue. The revenue of the production segment increased by 30.1% in the reporting quarter and 34.9% compared to nine months,



being 53.6 and 150.1 million euros, respectively.

The Group's largest target markets are Estonia, Finland, Sweden, and Norway, where a total of 81.7% (2022 Q3: 92.6%) of the Group's products and services were sold in the reporting quarter.

In the third quarter, 5.1 (2022 Q3: 8.9) million euros were earned from Estonia, which was 3.8 million euros less than a year earlier. Compared to nine months, the revenue decreased by 7.0 million to 15.6 million euros. The decrease in revenue in both periods is mostly related to the termination of the retail and project-based sale of electrical products in Estonia and the decrease in sales of electrical equipment to contractual customers.

Revenue from the Finnish market in the third quarter was 20.5 (2022 Q3: 21.8) million euros in the third quarter and 63.7 (2022 9M: 60.6) million in nine months. The majority of the increase in revenue came from the sale of automation equipment and low-voltage switchgears to key customers. During the reporting quarter, 36.5% (2022 Q3: 47.3%) of Harju Elekter products and services were sold to the Group's largest market.

The revenue of the Swedish market increased due to the rise in the sale of substations and the growth of project business, being 7.7 (2022 Q3: 6.4) in the reporting quarter and 23.3 (2022 9M: 15,8) million in the nine months. Sweden accounted for 13.7% (2022 Q3: 14.0%) of the revenue of the reporting quarter.

Revenue from the Norwegian market was 12.6 (2022 Q3: 5.5) in the reporting quarter and 28.1 (2022 9M: 12.9) million euros in nine months. The Norwegian market accounted for 22.4% (2022 Q3: 12.0%), of the revenue of the reporting quarter, growing into the second largest market after Finland.

Investments

During the reporting period, Harju Elekter Group invested a total of 5.0 (2022 9M: 3.1) million euros in non-current assets, incl 4.2 (2022 9M: 1.6) in investment properties, 0.6 (2022 9M: 1.1) in property, plant, and equipment and 0.2 (2022 9M: 0.4) million euros in intangible assets. Most of the investments during the reporting period were made in the construction of the production building to be rented out to Reimax Electronics OÜ in the Allika Industrial Park, scheduled to be completed by the end of the year. In addition, investments were made in other real estate objects, production technology equipment, and production and process management systems.

The value of the Group's non-current financial investments totalled 32.5 (31.12.22: 23.7) million euros as of the reporting date. Due to the revaluation of financial assets performed in the second quarter, the estimated fair value of OÜ Skeleton Technologies Group's investment increased by 8.8 million euros to 30.6 million euros. The fair value didn't change in the third quarter.

Share



The company's share price on the last trading day of the reporting quarter on the Nasdaq Tallinn Stock Exchange closed at 5.0 euros. As of 30 September 2023, AS Harju Elekter Group had 11,269 shareholders. The number of shareholders increased during the reporting quarter by 95 members.

CONSOLIDATED STATEMENT OF FINANCIAL
POSITION

Unaudited

EUR '000	30.09.2023	31.12.2022	30.09.2022
ASSETS			
Current assets			
Cash and cash equivalents	596	9,152	504
Trade and other receivables	42,522	31,612	34,069
Prepayments	1,818	1,126	1,497
Inventories	40,183	37,068	43,809
Total current assets	85,119	78,958	79,879
Non-current assets			
Deferred income tax assets	994	1 008	756
Non-current financial investments	32,509	23,731	23,707
Investment properties	28,146	24,756	24,754
Property, plant, and equipment	33,590	35,740	25,490
Intangible assets	7,315	7,244	7,372
Total non-current assets	102,554	92,479	82,079
TOTAL ASSETS	187,673	171,437	161,958
LIABILITIES AND EQUITY			
Liabilities			
Borrowings	19,839	24,385	20,667



Prepayments from customers	18,675	16,827	8,021
Trade and other payables	28,343	24,502	32,720
Tax liabilities	3,618	3,478	3,881
Current provisions	60	2,103	535
Total current liabilities	70,535	71,295	65,824

Borrowings	23,743	20,732	14,222
Other non-current liabilities	0	0	32
Total non-current liabilities	23,743	20,732	14,254

TOTAL LIABILITIES	94,278	92,027	80,078

Equity			
Share capital	11,655	11,523	11,523
Share premium	3,306	2,509	2,509
Reserves	26,580	17,768	17,756
Retained earnings	51,854	47,771	50,291
Total equity attributable to the owners of the parent company	93,395	79,571	82,079
Non-controlling interests	0	-161	-199
Total equity	93,395	79,410	81,880

TOTAL LIABILITIES AND EQUITY	187,673	171,437	161,958

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	Q3	Q3	9 M	9 M
	2023	2022	2023	2022



Revenue	56,247	46,081	158,277	125,315
Cost of sales	-48,869	-40,278	-138,905	-115,564
Gross profit	7,378	5,803	19,372	9,751
Distribution costs	-1,392	-1,264	-4,060	-4,128
Administrative expenses	-2,164	-2 728	-7,455	-8,157
Other income	24	0	223	342
Other expenses	0	-120	-757	-290
Operating profit/loss (-)	3,846	1,691	7,323	-2,482
Finance income	3	0	71	74
Finance costs	-340	-146	-1,910	-377
Profit/loss (-) before tax	3,509	1,545	5,484	-2,785
Income tax	-116	-139	-458	-300
Profit/loss (-) for the period	3,393	1,406	5,026	-3,085
Profit /loss (-) attributable to:				
Owners of the parent company	3,393	1,493	5,026	-3,024
Non-controlling interests	0	-87	0	-61
Earnings per share				
Basic earnings per share (euros)	0.18	-0.08	0.27	-0.17
Diluted earnings per share (euros)	0.18	-0.08	0.27	-0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

EUR '000

Q3 Q3 9 M 9 M



	2023	2022	2023	2022
Profit/loss (-) for the period	3,393	1,406	5,026	-3,085
Other comprehensive income (loss)				
Items that may be reclassified to profit or loss				
Impact of exchange rate changes of a foreign subsidiaries	-49	-96	74	-161
Items that will not be reclassified to profit or loss				
Gain on sales of financial assets	0	0	0	320
Net gain/loss (-) on revaluation of financial assets	-83	112	8,782	-746
Total comprehensive income (loss) for the period	-132	16	8,856	-587
Other comprehensive income (loss)	3,261	1,422	13,882	-3,672
Total comprehensive income (loss) attributable to:				
Owners of the Company	3,261	1,412	13,882	-3,708
Non-controlling interests	0	10	0	36

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