

Company Hepsor AS
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- Hepsor 2Q_2023_ENG.pdf (<http://oam.fi.ee/en/download?id=7580>)
- Hepsor 2Q_2023_EST.pdf (<http://oam.fi.ee/en/download?id=7581>)

Currency

Title Hepsor AS consolidated unaudited interim report for Q2 2023 and 6 months

Hepsor's consolidated sales revenue for the second quarter of 2023 amounted to 14.6 million euros and net profit was 3.5 million euros (incl. the share owned by the parent company was 1.6 million euros). The consolidated sales revenue for the first half of 2023 totaled 20.6 million euros and net profit 3.6 million euros (incl. the share owned by the parent company was 1.8 million euros).

In Q2 2023, the Group sold a total of 90 apartments of which 8 apartments in Paevälja Hoovimajad development project, Paevälja 11, Tallinn and 82 apartments in Latvia, in Riga in Kuldigas Parks development project, Gregora iela 2a 53 apartments were handed over to customers, in M?rupes D?rzs development project in Liela 45, 28 apartments were handed over to the customers and in Strelnieku 4b development project 1 apartment. In the second quarter, land plots at Tooma st 2, Tooma st 4 and Tooma st 6 were sold in Tallinn.

In the first half of 2023, a total of 195 real rights contracts were signed, based on which a total of 124 new homes were handed over to home buyers. The completion of the M?rupes D?rzs and Kuldigas Parks projects was only at the end of the second quarter and even though the real right contracts for 71 homes had been concluded, the homes had not yet been handed over to buyers at the end of the period and are therefore not reflected in the sales revenue for the period. The signing of real rights contracts for the Kuldigas Parks and M?rupes D?rzs projects and the handover of homes will continue in the third quarter of 2023.

The Group's revenues and profitability are directly dependent on the development cycle of projects, which is approximately 24 to 36 months. Sales revenue is generated only at the end of the cycle. Calendar quarters vary in terms of the number of projects ending during the quarter, which is why both profits and sales revenue can differ significantly across quarters. Therefore, performance can be considerably weaker or stronger in some years and quarters than in others.



The portfolio of the company's development projects and three-year average financial results are a better criteria for assessing the group's performance in order to assess the overall sustainability and economic results of a real estate development company.

Hepsor has four residential development projects under construction in Estonia and Latvia, with a total of 319 new apartments and 453 m(2) of commercial premises. After the completion of two projects in the first half-year, Nameja Residence development project remains under construction and for sale in Riga, in which a total of 38 homes will be completed, of which 10 apartments have been pre-sold under the law of obligations and reservation agreements (26%). In Tallinn, three development projects are under construction and for sale with a total of 281 new apartments and 453 m(2) of commercial premises-Ojakalda kodud, Lilleküla kodud ja Manufaktuuri 7. As of June 30, 2023, law of obligations and reservation agreements have been concluded for 77 of these apartments (27%).

According to Henri Laks, Member of the Management Board of Hepsor, the second quarter of 2023 went mostly as expected in the real estate sector. Positive developments include the stabilization of energy prices and inflation, which create the prerequisites for a recovery in demand in the real estate market. At the same time, the Euribor continued to rise, which has a direct impact on the monthly housing costs of households and home buyers and forces real estate purchasing decisions to take a conservative approach. The transaction activity of the Tallinn new development market increased slightly in the second quarter but remains below the previous long-term average. In Riga, transaction activity remains at the normal level," said Laks.

In the commercial real estate market, transaction activity in the Baltics is also rather low. However, from Hepsor's perspective we can highlight a landmark transaction with which we sold a stock-office type commercial building with 3,642 m(2) of rental space called StokOfiss U30 to an experienced asset management company through the sale of parts of Hepsor U30 SIA in Riga, Latvia in the second quarter of 2023.

Work to enter the Canadian market culminated in the first investment in Toronto in the second quarter of 2023, where, together with Canadian partners, a property suitable for residential development was purchased at 3406-3434 Weston road. To develop the property, Weston Limited Partnership was founded, in which, in addition to Hepsor and its Canadian partners, various Canadian and European investors also participate. The goal of the first phase of the acquired development project is to increase the construction volumes of the property from 27,000 m(2) to ca 53,000 m(2) and to obtain construction rights for the creation of two apartment buildings. The land valuation phase is expected to take 2-2.5 years, after which Weston Limited Partnership will be able to decide whether the additional value created by that point will be realized through the resale of the property or whether the project will move on to the construction phase.



The Group forecasts a revenue of 41.3 million euros, net profit of 3.3 million euros and net profit attributable to the owners of the parent of 1.1 million euros for 2023. The Group's sales results for the first half of 2023 show that the Group is on track to meet the forecasts for 2023.

Consolidated statement of financial position

in thousands of euros	30 June 2023	31 December 2022	30 June 2022
Assets			
Current assets			
Cash and cash equivalents	8,304	3,754	4,361
Trade and other receivables	1,372	1,731	576
Current loan receivables	311	0	279
Inventories	68,776	69,760	56,128
Total current assets	78,763	75,245	61,344
Non-current assets			
Property, plant and equipment	233	232	260
Intangible assets	5	7	3
Financial investments	2	2	2
Investments in associates	912	1,086	0
Non-current loan receivables	3,233	1,766	2,308
Other non-current receivables	136	30	380
Total non-current assets	4,521	3,123	2,953
Total assets	83,284	78,368	64,297
Liabilities and equity			
Current liabilities			
Loans and borrowings	11,056	22,565	2,472
Current lease liabilities	64	46	64



Prepayments from customers	3,748	3,054	2,453
Trade and other payables	8,570	4,007	3,959
Deferred income tax liability	0	0	8
Total current liabilities	23,438	29,672	8,956
Non-current liabilities			
Loans and borrowings	35,144	26,015	34,641
Non-current lease liabilities	68	68	66
Other non-current liabilities	2,442	2,290	1,762
Total non-current liabilities	37,654	28,373	36,469
Total liabilities	61,092	58,045	45,425
Equity			
Share capital	3,855	3,855	3,855
Share premium	8,917	8,917	8,917
Reserve capital	385		
Retained earnings	9,035	7,551	6,100
Total equity	22,192	20,323	18,872
incl. total equity attributable to owners of the parent	21,709	19,866	18,345
incl. non-controlling interest	483	457	527
Total liabilities and equity	83,284	78,368	64,297

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	6M 2023	6M 2022	Q2 2023	Q2 2022
Revenue	20,590	3,954	14,615	2,682



Cost of sales (-)	-15,799	-3,752	-10,759	-2,586
Gross profit	4,791	202	3,856	96
Marketing expenses (-)	-268	-173	-197	-78
Administrative expenses (-)	-787	-537	-440	-209
Other operating income	82	47	62	37
Other operating expenses (-)	-92	-39	-69	-32
Operating profit (-loss) of the year	3,726	-500	3,212	-186
Financial income	1,046	567	996	58
Financial expenses (-)	-1,184	-312	-759	-144
Profit before tax	3,588	-245	3,449	-272
Current income tax(-)	0	-5	0	0
Deferred income tax	0	-8	0	-8
Net profit for the year	3,588	-258	3,449	-280
Attributable to owners of the parent	1,803	-273	1,563	-278
Non-controlling interest	1,785	15	1,886	-2
Other comprehensive income (-loss)				
Changes related to change of ownership	68	135	68	0
Change in value of embedded derivatives with minority shareholders	-1,787	-13	-1,795	-31
Other comprehensive income (-loss) for the period	-1,719	122	-1,727	-31
Attributable to owners of the parent	40	-286	54	-200
Non-controlling interest	-1,759	408	-1,781	169



Comprehensive income (-loss) for the period	1,869	-136	1,722	-311
Attributable to owners of the parent	1,843	-559	1,617	-478
Non-controlling interest	26	423	105	167
Earnings per share				
Basic (euros per share)	0.47	-0.07	0.41	-0.07
Diluted (euros per share)	0.47	-0.07	0.41	-0.07

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Hepsor AS (www.hepsor.ee) is one of the fastest growing residential and commercial real estate developers in Estonia and Latvia, which is also present on the Canadian real estate market since 2023. Over the last twelve years Hepsor has developed more than 1,600 homes and ca 36,000 m(2) of commercial space. Hepsor has been the first real estate developer in the Baltic States to implement a number of innovative engineering solutions that make the buildings we construct more energy-efficient and thus more environmentally friendly. The company's portfolio is comprised of 24 development projects with a total sellable space of 159,500 m(2).

