

Company Hepsor AS
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Attachments:

- Hepsor 3Q_2023_ENG.pdf (<http://oam.fi.ee/en/download?id=7771>)
- Hepsor 3Q_2023_EST.pdf (<http://oam.fi.ee/en/download?id=7772>)

Currency

Title Hepsor AS consolidated unaudited interim report for Q3 2023 and 9 months

Hepsor's consolidated revenue for the first nine months of 2023 amounted to 36 million euros, with a net profit of 4.8 million euros (including a share of 2.3 million euros for the parent company). In the third quarter of 2023, the consolidated revenue reached 15.5 million euros, with a net profit of 1.2 million euros (including a share of 0.5 million euros for the parent company).

The group's management has updated the financial forecasts presented in 2022 for the fiscal years 2023-2024. We project a consolidated revenue of 40.8 million euros for 2023 (previously 41.1 million euros) and a profit of 4.3 million euros (previously 3.3 million euros), including a net profit of 1.5 million euros for the group's shareholders (previously 1.1 million euros). Given the challenging circumstances in the real estate sector and the broader economic environment, this is a positive outcome.

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.

In the first nine months of 2023, a total of 240 new homes (based on real rights contracts) were handed over to customers in the Paevälja courtyard house project and in the Riga Kuldigas Parks, M?rupes D?rzs, and Str?lnieku 4b projects. This includes the handover of 116 homes in the third quarter - 1 in the Paevälja project, 3 in the Str?lnieku 4b project, 51 in the M?rupes D?rzs project, and



61 in the Kuldigas Parks project. The signing of real rights contracts and the handover of homes in the Kuldigas Parks and Mõrpes Džrs projects will continue in the fourth quarter of 2023, and we anticipate that all apartments in these two projects will be sold by the end of the year.

In the commercial real estate segment, the environmentally friendly Grüne Maja in Tallinn was completed by the end of the second quarter and, as of the end of the third quarter, was fully leased. In the case of the associated company Büro 113, Hepsor had to unilaterally terminate the lease agreement in early September due to a breach of the lease agreement by tenants, resulting in the release of approximately 3,500 square meters of commercial space. Hepsor is already in negotiations with new tenants for these vacant spaces, and there is a higher level of interest in the vacant spaces than expected.

In 2023, Hepsor has four residential development projects under construction, comprising a total of 315 apartments - Ojakalda Kodud (101 apartments), Manufaktuuri 7 (150 apartments and 453 m² of commercial space), Lilleküla Kodud (26 apartments), and Nameja Residence (38 apartments). These projects are scheduled for completion in 2024, with most of the revenue also expected in 2024. However, as of September 30, 2023, we have signed contracts under law of obligations and written reservations for 106 apartments (34%) across these four projects. At the end of the third quarter of 2023, the Annenhof development project commenced in Latvia, which is planned to have 40 apartments. Pre-sales for the apartments began in the third quarter of 2023, with construction expected to start in the fourth quarter.

Regarding new projects, in August 2023, Hepsor acquired new properties in Latvia, purchasing a 50% stake in the shares of SIA 'Riga Properties 4.' SIA 'Riga Properties 4' has entered into purchase agreements for two properties near Riga, Latvia, with a total area of 74,314 square meters. Hepsor's partners in the development of these properties are Rēgas Pashumu Fonds SIA and Venturecorp Property Holdings UAB.

Hepsor in Canada - Hepsor initiated the development of its Canadian business line in the spring of 2022, following the start of Russia's military incursion into Ukraine, with the aim of finding new growth opportunities and mitigating geopolitical risks associated with current home markets. In a year, a collaboration network necessary to start the business has been established in Canada, ranging from legal and financial advisors to banks, market analysis firms, and brokerage companies.

By the end of the third quarter of 2023, together with Canadian partners, two investments have been made. In June 2023, a property was acquired at the address 3406-3434 Weston Road, and in September 2023, three adjacent properties suitable for residential development were purchased in downtown Toronto at the address 164 - 168 Isabella Street. The objective of the purchased properties is to enhance their value. Weston Limited Partnership and Elysium Isabella Limited Partnership have been founded to develop these properties. In both projects, the land appraisal phase is expected to take 2-2.5 years, after which Weston Limited



Partnership and Elysium Isabella Limited Partnership will decide whether to realize the obtained building rights through the sale of the properties or proceed with the construction phase.

Despite the continued challenging economic environment, the security crisis, and rising interest rates, the Hepsor group remains profitable. We have increased the net profit for the 2023 fiscal year based on the adjusted financial forecast compared to the previous projection.

Please see Hepsor AS consolidated unaudited interim report for Q3 2023: <https://hepsor.ee/en/for-investors/stock/reports-2/>

Consolidated statement of financial position

in thousands of euros	30-Sep-23	31-Dec-22	30-Sep-22
Assets			
Current assets			
Cash and cash equivalents	7,083	3,754	3,110
Trade and other receivables	5,578	1,731	1,596
Current loan receivables	311	0	100
Inventories	68,807	69,760	67,118
Total current assets	81,779	75,245	71,924
Non-current assets			
Property, plant and equipment	193	232	230
Intangible assets	5	7	2
Financial investments	1,504	2	2
Investments in associates	384	1,086	209
Non-current loan receivables	1,766	1,766	1,766
Other non-current receivables	166	30	167
Total non-current assets	4,018	3,123	2,376
Total assets	85,797	78,368	74,300



Liabilities and equity			
Current liabilities			
Loans and borrowings	2,270	22,565	2,445
Current lease liabilities	26	46	33
Prepayments from customers	2,227	3,054	3,497
Trade and other payables	8,683	4,007	3,213
Total current liabilities	13,206	29,672	9,188
Non-current liabilities			
Loans and borrowings	46,696	26,015	43,322
Non-current lease liabilities	68	68	66
Other non-current liabilities	2,633	2,290	2,692
Total non-current liabilities	49,397	28,373	46,080
Total liabilities	62,603	58,045	55,268
Equity			
Share capital	3,855	3,855	3,855
Share premium	8,917	8,917	8,917
Reserve capital	385	0	0
Retained earnings	10,037	7,551	6,260
Total equity	23,194	20,323	19,032
incl. total equity attributable to owners of the parent	22,150	19,866	18,529
incl. non-controlling interest	1,044	457	503
Total liabilities and equity	85,797	78,368	74,300

Consolidated statement of profit and loss and other comprehensive income



in thousands of euros	9M 2023	9M 2022	Q3 2023	Q3 2022
Revenue	36,048	5,622	15,458	1,668
Cost of sales (-)	-29,224	-5,100	-13,425	-1,348
Gross profit	6,824	522	2,033	320
Marketing expenses (-)	-399	-279	-131	-106
Administrative expenses (-)	-1,110	-764	-323	-227
Other operating income	112	47	30	0
Other operating expenses (-)	-116	-45	-24	-6
Operating profit (-loss) of the year	5,311	-519	1,585	-19
Financial income	1,129	849	83	282
Financial expenses (-)	-1,662	-454	-478	-142
Profit before tax	4,778	-124	1,190	121
Current income tax(-)	0	-5	0	0
Deferred income tax	0	0	0	8
Net profit for the year	4,778	-129	1,190	129
Attributable to owners of the parent	2,272	-141	469	132
Non-controlling interest	2,506	12	721	-3
Other comprehensive income (-loss)				
Changes related to change of ownership	250	135	182	0
Change in value of embedded derivatives with minority shareholders	-2,157	18	-370	31
Other comprehensive income (-loss) for the period	-1,907	153	-188	31



Attributable to owners of the parent	12	-234	-28	52
Non-controlling interest	-1,919	387	-160	-21
Comprehensive income (-loss) for the period	2,871	24	1,002	160
Attributable to owners of the parent	2,284	-375	441	184
Non-controlling interest	587	399	561	-24
Earnings per share				
Basic (euros per share)	0.59	-0.04	0.12	0.03
Diluted (euros per share)	0.59	-0.04	0.12	0.03

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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. Over the last twelve years Hepsor has developed more than 1,600 homes and 36,000 m2 of commercial space. Hepsor was 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 25 development projects with a total sellable space of 169,300 m2.

