

Company AS MERKO EHITUS

Type Company Release

Category Management interim statement or quaterly financial report

Disclosure time 03 Nov 2022 08:00:00 +0200

Attachments:

- Merko_Ehitus_2022_9M_interim_report.pdf (<http://oam.fi.ee/en/download?id=6871>)
- Merko_Ehitus_2022_9k_vahearuanne.pdf (<http://oam.fi.ee/en/download?id=6872>)

Currency

Title 2022 9 months and III quarter consolidated unaudited interim report

COMMENTARY FROM MANAGEMENT

Merko Ehitus revenue was EUR 110 million in Q3 2022 and the revenue for the first nine months of the year amounted to EUR 266 million, while the respective figures for net profit were EUR 9.8 million and EUR 17 million. Merko has delivered more than 450 apartments to buyers in 9 months this year.

According to the management of Merko Ehitus, the results for Q3 reflect the growth of investments made into apartment development in recent years, and balanced management of the construction projects portfolio in a complicated market situation.

The outlook of the next 12 months and the years ahead for the construction sector have worsened sharply during the current year. The slowing of inflation and the expected adjustment by companies and households to the high prices of energy has not yet taken place. In addition, interest rates continue rising rapidly. Both customers for major construction projects and the apartment market are gripped by great uncertainty. In conditions of high inflation, pressure on prices continues despite of the fact that demand has decreased. Since processes in construction and real estate development take time, the impact of the current economic and market situation will manifest fully in the financial results for our sectors in 12-24 months.

In the nine months of the current year, the group companies entered into new construction contracts worth EUR 290 million and the balance of secured order book stood at EUR 341 million as of the end of September (respectively EUR 273 million and EUR 314 million in 2021). Merko secured order book is currently strong, which will help to get through the recessionary period of the next few years with a bit less pain. The outlook for new construction orders on the market as a whole is extremely unclear, but at the same time, we are well-



positioned for investments into the energy sector.

In the first nine months of this year, Merko delivered 456 new apartments and four commercial units to buyers (first 9 months of 2021: 197 apartments and 7 commercial units). Despite the exceedingly complicated situation in the economy, Merko has continued investments into apartment development and launched new development projects, albeit at a more moderate pace than years past. According to the management of Merko Ehitus, in conditions of rapid inflation the construction will not become cheaper in the future.

During the first nine months of this year, the group launched four new development projects with approximately 280 apartments. As of the end of Q3, there were 1,617 apartments under construction by the group, of which more than half have preliminary sale contracts. The largest apartment developments were Uus-Veerenni, Noblessneri and Lahekald in Tallinn; Erminurme in Tartu; Viesturdarzs, Mezhpilseta and Magnolijas in Riga, and Vilneles Skverai in Vilnius.

In Q3 of 2022, the largest objects under construction in Estonia were the third phase of the Mustamäe medical campus of the North-Estonia Medical Centre, Pelgulinna and Rae state gymnasiums, the Arter quarter, construction of infrastructure segments of the Republic of Estonia's southeast land border, the tram line between Old City Harbour and Rail Baltic's Ülemiste passenger terminal, and renovation of Rannamõisa tee and Vana-Kalamaja street in Tallinn. In Latvia, projects in progress included the Orkla wafer and biscuit production plant, GUSTAVS business centre, Elemental Skanste office buildings, NATO facilities in Adazhi; in Lithuania, several wind farm infrastructures and a car service centre in Vilnius.

OVERVIEW OF THE III QUARTER AND 9 MONTHS RESULTS

PROFITABILITY

2022 9 months' pre-tax profit was EUR 18.7 million and Q3 2022 was EUR 10.3 million (9M 2021: EUR 16.6 million and Q3 2021 was EUR 6.1 million), which brought the pre-tax profit margin to 7.0% (9M 2021: 7.3%). Net profit attributable to shareholders for 9 months 2022 was EUR 17.0 million (9M 2021: EUR 15.3 million) and for Q3 2022 net profit attributable to shareholders was EUR 9.8 million (Q3 2021: EUR 5.5 million). 9 months net profit margin was 6.4% (9M 2021: 6.7%).

REVENUE

Q3 2022 revenue was EUR 110.0 million (Q3 2021: EUR 80.7 million) and 9 months' revenue was EUR 266.2 million (9M 2021: EUR 226.5 million). 9 months' revenue increased by 17.5% compared to same period last year. The share of revenue earned outside Estonia in 9 months 2022 was 53.4% (9M 2021: 38.8%).

SECURED ORDER BOOK

As of 30 September 2022, the group's secured order book was EUR 341.0 million (30 September 2021: EUR 314.4 million). In 9 months 2022, group companies signed



contracts in the amount of EUR 290.4 million (9M 2021: EUR 272.9 million). In Q3 2022, new contracts were signed in the amount of EUR 97.1 million (Q3 2021: EUR 137.7 million).

REAL ESTATE DEVELOPMENT

In 9 months 2022, the group sold a total of 456 apartments; in 9 months 2021, the group sold 197 apartments. The group earned a revenue of EUR 56.9 million from sale of own developed apartments in 9 months 2022 and EUR 33.3 million in 9 months 2021. In Q3 of 2022 a total of 242 apartments were sold, compared to 52 apartments in Q3 2021, and earned a revenue of EUR 29.8 million from sale of own developed apartments (Q3 2021: EUR 7.5 million).

CASH POSITION

At the end of the reporting period, the group had EUR 22.2 million in cash and cash equivalents, and equity of EUR 166.6 million (40.9% of total assets). Comparable figures as of 30 September 2021 were EUR 19.6 million and EUR 150.8 million (50.9% of total assets), respectively. As of 30 September 2022, the group's net debt was EUR 88.3 million (30 September 2021: EUR 20.6 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	2022 9 months	2021 9 months	2022 III quarter	2021 III quarter	2021 12 months
Revenue	266,206	226,533	110,008	80,673	339,375
Cost of goods sold	(235,123)	(200,064)	(96,206)	(71,442)	(292,563)
Gross profit	31,083	26,469	13,802	9,231	46,812
Marketing expenses	(2,945)	(2,632)	(776)	(802)	(3,611)
General and administrative expenses	(11,411)	(9,098)	(3,889)	(3,392)	(13,925)
Other operating income	2,426	2,511	1,004	1,197	3,508
Other operating expenses	(647)	(328)	(192)	(235)	(582)
Operating profit	18,506	16,922	9,949	5,999	32,202



Finance income/costs	168	(351)	361	90	(75)
incl. finance income/costs from associates and joint ventures	1,093	384	765	381	799
interest expense	(670)	(548)	(296)	(232)	(681)
foreign exchange gain (loss)	(152)	(39)	(85)	-	(8)
other financial income (expenses)	(103)	(148)	(23)	(59)	(185)
Profit before tax	18,674	16,571	10,310	6,089	32,127
Corporate income tax expense	(1,911)	(1,426)	(735)	(570)	(3,104)
Net profit for financial year	16,763	15,145	9,575	5,519	29,023
incl. net profit attributable to equity holders of the parent	17,023	15,277	9,821	5,514	29,140
net profit attributable to non- controlling interest	(260)	(132)	(246)	5	(117)
Other comprehensive income, which can subsequently be classified in the income statement					
Currency translation differences of foreign entities	11	14	23	(2)	33
Comprehensive income for the period	16,774	15,159	9,598	5,517	29,056



incl. net profit attributable to equity holders of the parent	17,020	15,292	9,831	5,513	29,163
net profit attributable to non-controlling interest	(246)	(133)	(233)	4	(107)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	0.96	0.86	0.55	0.31	1.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
unaudited
in thousand euros

	30.09.2022	30.09.2021	31.12.2021
ASSETS			
Current assets			
Cash and cash equivalents	22,200	19,581	44,930
Trade and other receivables	72,295	59,665	55,484
Prepaid corporate income tax	5	3	114
Inventories	243,222	154,688	160,593
	337,722	233,937	261,121
Non-current assets			
Investments in associates and joint ventures	10,472	7,288	7,703
Other long-term loans and receivables	28,323	23,832	24,079
Deferred income tax assets	1,155	1,120	622
Investment property	11,511	13,847	13,828
Property, plant and equipment	17,527	15,624	16,350
Intangible assets	592	684	669



	69,580	62,395	63,251
TOTAL ASSETS	407,302	296,332	324,372
LIABILITIES			
Current liabilities			
Borrowings	60,034	9,355	11,636
Payables and prepayments	119,251	88,394	90,054
Income tax liability	1,830	997	681
Short-term provisions	5,584	6,318	7,976
	186,699	105,064	110,347
Non-current liabilities			
Long-term borrowings	50,469	30,826	41,001
Deferred income tax liability	1,671	1,986	3,112
Other long-term payables	2,377	3,553	2,900
	54,517	36,365	47,013
TOTAL LIABILITIES	241,216	141,429	157,360
EQUITY			
Non-controlling interests	(473)	4,083	(227)
Equity attributable to equity holders of the parent			
Share capital	7,929	7,929	7,929
Statutory reserve capital	793	793	793



Currency translation differences	(794)	(799)	(791)
Retained earnings	158,631	142,897	159,308
	166,559	150,820	167,239
TOTAL EQUITY	166,086	154,903	167,012
TOTAL LIABILITIES AND EQUITY	407,302	296,332	324,372

Interim report is attached to the announcement and is also published on NASDAQ Tallinn and Merko's web page (group.merko.ee (<https://group.merko.ee/en/>)).

Urmas Somelar
Head of Finance
AS Merko Ehitus
+372 650 1250
urmas.somelar@merko.ee (<mailto:urmas.somelar@merko.ee>)

AS Merko Ehitus (group.merko.ee (<https://group.merko.ee/en/>)) group companies develop real estate and construct buildings and infrastructure. We create a better living environment and build the future. We operate in Estonia, Latvia, Lithuania and Norway. As at the end of 2021, the group employed 670 people, and the group's revenue for 2021 was EUR 339 million.

