

FINANTSINSPEKTSIOON

Company AS MERKO EHITUS

Type Company Release

Category Management interim statement or quarterly financial report

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Attachments:

- Merko_Ehitus_2023_3M_interim_report.pdf (<http://oam.fi.ee/en/download?id=7359>)
- Merko_Ehitus_2023_3k_vahearuanne.pdf (<http://oam.fi.ee/en/download?id=7360>)

Currency

Title 2023 3 months consolidated unaudited interim report

COMMENTARY FROM MANAGEMENT

Q1 2023 revenue for Merko Ehitus was EUR 76 million, representing 11% growth compared to the same period a year ago. Net profit for the first quarter was EUR 5.9 million - nearly double that of Q1 2022. Merko delivered 145 apartments to new homeowners in Q1.

According to the management of Merko Ehitus, despite the good profit growth in Q1, it had entered a completely different apartment market situation than was in 2020 and 2021 when transaction volume and prices peaked. Today are drawing up the final contracts under property law for apartments pre-sold earlier, and this is also showing up in current financial results. The pace of new sales of apartments has dropped steeply compared to spring 2022 and is several times lower than before. Because of that, Merko group has launched fewer development projects in the last 12 months, which in turn means fewer apartments in the next few years. On the positive side of things, the demand for new homes has increased somewhat in Q1.

In Q1 2023, the group companies entered into new construction contracts worth EUR 170 million and the balance of secured order-book grew by approximately 10% to EUR 412 million. The secured order-book of the group companies is currently strong, which in the sense of construction volumes does counterbalance the impacts of the apartment market declining in the next few years. The project management business directly relies on the volume of construction orders, and these in turn depend on investment confidence and the general health of the economy. The outlook in this area is not good and rapid inflation will mean a number of risks on the construction contact expense side.

In Q1, Merko delivered 145 apartments to buyers and launched the fifth phase of Lahekalda apartment development in Tallinn, with the construction of the above-



ground structures. The decision to build the project to completion depends on the market situation. As of the end of Q1, the group had 1,004 apartments under construction, of which more than 40% were covered by preliminary sale contracts. The largest apartment developments were Uus-Veerenni, Noblessner and Lahekalda in Tallinn, Erminurme in Tartu, Viesturd?rzs, Mezhpils?ta and Magnolijas in Riga and Vilneles Skverai in Vilnius.

In Q1 of 2023, the largest sites under construction in Estonia were the third phase of the Mustam?e medical campus of the North Estonia Medical Centre, Rae and Pelgulinna state gymnasiums, Arter Quarter and the infrastructure along the south-eastern border of the Republic of Estonia, Defence Forces buildings on Tapa base, a tram line between Old City Harbour and Rail Baltic's ?lemiste passenger terminal and the renovation of Vana-Kalamaja Street. Projects in progress in Latvia were the GUSTAVS business centre, Elemental Business Centre office buildings and NATO infrastructure in ?dazhi. In Lithuania, infrastructure for several wind farms and buildings and infrastructure for NATO training centres.

OVERVIEW OF THE 3 MONTHS RESULTS

PROFITABILITY

2023 3 months' pre-tax profit was EUR 6.1 million (3M 2022: EUR 3.5 million), which brought the pre-tax profit margin to 8.0% (3M 2022: 5.1%).

Net profit attributable to shareholders for 3 months 2023 was EUR 5.9 million (3M 2022: EUR 3.0 million) and 3 months net profit margin was 7.8% (3M 2022: 4.4%).

REVENUE

2023 3 months' revenue was EUR 75.8 million (3M 2022: EUR 68.4 million). 3 months' revenue increased by 10.7% compared to same period last year. The share of revenue earned outside Estonia in 3 months 2023 was 46.7% (3M 2022: 56.2%).

SECURED ORDER BOOK

As of 31 March 2023, the group's secured order book was EUR 412.2 million (31 March 2022: EUR 376.1 million). In 3 months 2023, group companies signed contracts in the amount of EUR 170.3 million (3M 2022: EUR 171.2 million).

REAL ESTATE DEVELOPMENT

In 3 months 2023, the group sold a total of 145 apartments; in 3 months 2022, the group sold 126 apartments. The group earned a revenue of EUR 19.4 million from sale of own developed apartments in 3 months 2023 and EUR 15.5 million in 3 months 2022.

CASH POSITION

At the end of the reporting period, the group had EUR 14.3 million in cash and cash equivalents, and equity of EUR 190.1 million (50.0% of total assets). Comparable figures as of 31 March 2022 were EUR 29.9 million and EUR 170.3 million (50.0% of total assets), respectively. As of 31 March 2023, the group's net debt was EUR 72.8 million (31 March 2022: EUR 23.6 million).



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	2023 3 months	2022 3 months	2022 12 months
Revenue	75,751	68,426	409,633
Cost of goods sold	(65,776)	(60,554)	(355,975)
Gross profit	9,975	7,872	53,658
Marketing expenses	(1,077)	(1,115)	(4,077)
General and administrative expenses	(3,965)	(3,723)	(15,860)
Other operating income	817	686	3,144
Other operating expenses	(62)	(61)	(1,834)
Operating profit	5,688	3,659	35,031
Finance income/costs	391	(160)	2,067
incl. finance income/costs from joint ventures	1,280	(2)	3,516
interest expense	(655)	(162)	(1,180)
foreign exchange gain (loss)	(210)	52	(138)
other financial income (expenses)	(24)	(48)	(131)
Profit before tax	6,079	3,499	37,098
Corporate income tax expense	(292)	(421)	(2,995)
Net profit for financial year	5,787	3,078	34,103
incl. net profit attributable to equity holders of			



the parent	5,880	3,006	34,640
net profit attributable to non-controlling interest	(93)	72	(537)
 Other comprehensive income, which can subsequently be classified in the income statement			
Currency translation differences of foreign entities	53	16	30
Comprehensive income for the period	5,840	3,094	34,133
incl. net profit attributable to equity holders of the parent	5,910	3,020	34,648
net profit attributable to non-controlling interest	(70)	74	(515)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	0.33	0.17	1.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
unaudited
in thousand euros

31.03.2023 31.03.2022 31.12.2022

ASSETS

Current assets

Cash and cash equivalents	14,295	29,881	17,665
Trade and other receivables	54,206	57,331	77,959
Prepaid corporate income tax	89	53	38
Inventories	244,549	187,848	225,661
	313,139	275,113	321,323

Non-current assets

Investments in joint ventures	14,175	9,377	12,895
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Other long-term loans and receivables	22,685	23,878	22,982
Deferred income tax assets	873	793	693
Investment property	11,460	13,803	11,485
Property, plant and equipment	17,287	16,966	17,452
Intangible assets	564	653	582
	67,044	65,470	66,089
 TOTAL ASSETS	 380,183	 340,583	 387,412
 LIABILITIES			
Current liabilities			
Borrowings	59,753	11,554	49,687
Payables and prepayments	88,907	103,801	96,248
Income tax liability	1,290	956	1,241
Short-term provisions	8,973	6,825	9,820
	158,923	123,136	156,996
Non-current liabilities			
Long-term borrowings	27,347	41,938	42,236
Deferred income tax liability	2,327	3,159	2,355
Other long-term payables	2,054	2,244	2,133
	31,728	47,341	46,724
 TOTAL LIABILITIES	 190,651	 170,477	 203,720
 EQUITY			



Non-controlling interests	(565)	(153)	(495)
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	(753)	(777)	(783)
Retained earnings	182,128	162,314	176,248
	190,097	170,259	184,187
TOTAL EQUITY	189,532	170,106	183,692
TOTAL LIABILITIES AND EQUITY			
	380,183	340,583	387,412

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/>)).

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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 2022, the group employed 661 people, and the group's revenue for 2022 was EUR 410 million.

