

FINANTSINSPEKTSIOON

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- Merko_Ehitus_2024_6M_interim_report.pdf (<http://oam.fi.ee/en/download?id=8635>)
- Merko_Ehitus_2024_6k_vahearuanne.pdf (<http://oam.fi.ee/en/download?id=8636>)

Currency

Title 2024 6 months and II quarter consolidated unaudited interim report

COMMENTARY FROM MANAGEMENT

Merko Ehitus revenue for the 6 months of 2024 was EUR 204 million and net profit was EUR 17.5 million. Second-quarter revenue was EUR 122 million; net profit, EUR 13.1 million. The lower volumes from real estate development have been compensated by higher sales of construction services, which made up nearly 90% of revenue in the first half-year.

Considering general sentiment on the construction and real estate market, Merko Ehitus management were satisfied with second quarter and first half of 2024 results. According to the management of Merko Ehitus, group has managed well in the changed market situation. Profitability for the half-year has declined compared to last year due to the decrease in the share of the real estate development business. Orders are dramatically down in road construction. In the group at large, this does not constitute a business area with too great an impact. To sum up, Merko construction service portfolio continues to be strong and apartment sales in Q2 grew somewhat. Hopefully, the market trough is behind us.

The private sector's outlook on the future and investing has become more positive over the last year and orders for construction service have grown somewhat. Contracts for defence infrastructure and civil engineering also help offset the dearth of the usual orders from the public sector. Merko group home markets are acting in very different ways. Lithuania stands out with its clearly distinct government support for the economy and the resulting high consumer confidence and private sector appetite for investment, which towers over the others. Since the total volumes on the market are still down from the all-time peak, competition between providers is high and margins on contracts being concluded are very low. It is still a good time to order construction service. Merko decision to exit the Norwegian market also stems from our adjustments to



the new circumstances. The Norwegian construction market, like that of the Nordics as a whole, is in the throes of the effects of inflation, all too familiar to us as well, and there are no grounds to expect a rapid improvement.

In the first six months of 2024, Merko entered into new contracts worth EUR 140 million and the secured order-book grew by the end of H1 to EUR 438 million. The largest new contracts in Q2 were construction of wind farm infrastructure in Telshiai and additional work on NATO training centre infrastructure in Pabrade, Lithuania; in Latvia, the establishment of Ignitis solar park; and in Estonia, additional work on the construction of Arter Quarter, construction of Putukaväil in Tallinn and Tallinn city road maintenance.

In Q2 2024, the largest projects under construction were the TKM Group's logistics centre, and the Hampton by Hilton and Hyatt hotel buildings, Arter Quarter, Estonian Defence Forces buildings on Ämari base, a tram line between Old City Harbour and Rail Baltica Ülemiste passenger terminal and the first stage of Ülemiste multimodal transport junction and the Tõdva highway overpasses, also for Rail Baltica. In Lithuania, the largest construction projects were infrastructure works in the regions of Kelm? and Pag?gai, a substation in Kelm? and buildings and infrastructure for various NATO training centres.

In the first six months of 2024, Merko delivered 120 apartments and 9 commercial units to buyers, invested a total of EUR 21.3 million into development projects. As of the end of H1, the group companies had 671 unsold apartments which were either ready or under construction, and 81 apartments covered by preliminary sale contracts. Merko launched construction and sales of four new projects this year: a new stage of Veerenni in Tallinn, Õielehe in Jüri, a new stage of Erminurme in Tartu, and Lucavsala in Riga. The largest development projects under construction were Uus-Veerenni, Noblessner and Lahekalda in Tallinn, Erminurme in Tartu; Viesturdarzs, Mezhpilseta and Magnolijas in Riga and Vilneles Skverai in Vilnius.

OVERVIEW OF THE II QUARTER AND 6 MONTHS RESULTS

PROFITABILITY

2024 6 months' pre-tax profit was EUR 18.3 million and Q2 2024 was EUR 13.1 million (6M 2023: EUR 20.2 million and Q2 2023 was EUR 14.1 million), which brought the pre-tax profit margin to 9.0% (6M 2023: 9.3%).

Net profit attributable to shareholders for 6 months 2024 was EUR 17.5 million (6M 2023: EUR 19.4 million) and for Q2 2024 net profit attributable to shareholders was EUR 13.1 million (Q2 2023: EUR 13.6 million). 6 months net profit margin was 8.6% (6M 2023: 8.9%).

REVENUE

Q2 2024 revenue was EUR 122.4 million (Q2 2023: EUR 141.6 million) and 6 months' revenue was EUR 203.6 million (6M 2023: EUR 217.3 million). 6 months' revenue decreased by 6.3% compared to same period last year. The share of revenue earned outside Estonia in 6 months 2024 was 57.9% (6M 2023: 30.6%).



SECURED ORDER BOOK

As of 30 June 2024, the group's secured order book was EUR 437.5 million (30 June 2023: EUR 418.2 million). In 6 months 2024, group companies signed contracts in the amount of EUR 139.5 million (6M 2023: EUR 254.8 million). In Q2 2024, new contracts were signed in the amount of EUR 129.0 million (Q2 2023: EUR 84.4 million).

REAL ESTATE DEVELOPMENT

In 6 months 2024, the group sold a total of 120 apartments; in 6 months 2023, the group sold 512 apartments. The group earned a revenue of EUR 21.3 million from sale of own developed apartments in 6 months 2024 and EUR 80.5 million in 6 months 2023. In Q2 of 2024 a total of 61 apartments were sold, compared to 367 apartments in Q2 2023, and earned a revenue of EUR 10.6 million from sale of own developed apartments (Q2 2023: EUR 61.2 million).

CASH POSITION

At the end of the reporting period, the group had EUR 44.2 million in cash and cash equivalents, and equity of EUR 206.5 million (49.4% of total assets). Comparable figures as of 30 June 2023 were EUR 9.8 million and EUR 186.0 million (51.3% of total assets), respectively. As of 30 June 2024, the group's net debt was negative EUR 10.9 million (30 June 2023: positive EUR 68.0 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	2024 6 months	2023 6 months	2024 II quarter	2023 II quarter	2023 12 months
Revenue	203,568	217,347	122,383	141,596	466,304
Cost of goods sold	(179,859)	(191,528)	(107,558)	(125,752)	(401,267)
Gross profit	23,709	25,819	14,825	15,844	65,037
Marketing expenses	(2,293)	(2,095)	(1,225)	(1,018)	(4,312)
General and administrative expenses	(8,630)	(8,261)	(4,488)	(4,296)	(19,423)
Other operating income	4,393	2,778	3,069	1,961	4,171
Other operating expenses	(2,466)	(147)	(1,513)	(85)	(991)
Operating profit	14,713	18,094	10,668	12,406	44,482



Finance income/costs	3,595	2,126	2,438	1,735	7,500
incl. finance income/costs from joint ventures	3,655	3,819	2,087	2,539	10,220
interest expense	(1,116)	(1,337)	(461)	(682)	(2,697)
foreign exchange gain (loss)	(56)	(290)	134	(80)	(153)
other financial income (expenses)	1,112	(66)	678	(42)	130
Profit before tax	18,308	20,220	13,106	14,141	51,982
Corporate income tax expense	(863)	(929)	(45)	(637)	(6,081)
Net profit for financial year	17,445	19,291	13,061	13,504	45,901
incl. net profit attributable to equity holders of the parent	17,479	19,450	13,052	13,570	46,048
net profit attributable to non-controlling interest	(34)	(159)	9	(66)	(147)
Other comprehensive income, which can subsequently be classified in the income statement					
Currency translation differences of foreign entities	24	72	(82)	19	(41)
Comprehensive income for					



the period	17,469	19,363	12,979	13,523	45,860
incl. net profit attributable to equity holders of the parent	17,501	19,490	12,975	13,580	45,993
net profit attributable to non-controlling interest	(32)	(127)	4	(57)	(133)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	0.99	1.10	0.74	0.77	2.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
unaudited
in thousand euros

30.06.2024 30.06.2023 31.12.2023

ASSETS

Current assets

Cash and cash equivalents	44,180	9,795	77,330
Trade and other receivables	94,401	68,627	68,754
Prepaid corporate income tax	310	146	2
Inventories	200,768	216,142	195,435
	339,659	294,710	341,521

Non-current assets

Investments in joint ventures	22,570	15,514	21,915
Other shares and securities	80	80	80
Other long-term loans and receivables	20,057	21,457	24,490
Deferred income tax assets	6,077	1,044	3,298
Investment property	12,674	11,435	16,823
Property, plant and equipment	16,648	17,640	16,613



Intangible assets	488	582	520
	78,594	67,752	83,739
TOTAL ASSETS	418,253	362,462	425,260
LIABILITIES			
Current liabilities			
Borrowings	5,840	39,783	19,673
Payables and prepayments	153,595	83,889	133,898
Income tax liability	5,971	1,419	4,260
Short-term provisions	12,301	9,805	10,451
	177,707	134,896	168,282
Non-current liabilities			
Long-term borrowings	27,426	37,965	35,142
Deferred income tax liability	1,626	1,774	4,441
Other long-term payables	5,135	2,472	5,495
	34,187	42,211	45,078
TOTAL LIABILITIES	211,894	177,107	213,360
EQUITY			
Non-controlling interests	(187)	(622)	(155)
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	(816)	(743)	(838)
Retained earnings	198,640	177,998	204,171
	206,546	185,977	212,055
TOTAL EQUITY	206,359	185,355	211,900

TOTAL LIABILITIES AND EQUITY 418,253 362,462 425,260

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 and Lithuania. As at the end of 2023, the group employed 635 people, and the group's revenue for 2023 was EUR 466 million.

