

Company AS Tallink Grupp
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Attachments:

- Tallink Grupp 2021 Q4 ENG.pdf (<http://oam.fi.ee/en/download?id=6050>)
- 2021 Tallink Grupp Q4 Presentation.pdf (<http://oam.fi.ee/en/download?id=6051>)
- Tallink Grupp 2021 Q4 Financial Data.xlsx (<http://oam.fi.ee/en/download?id=6052>)
- Tallink Grupp 2021 Q4 EST.pdf (<http://oam.fi.ee/en/download?id=6053>)
- 2021 Tallink Grupp Q4 Presentation.pdf (<http://oam.fi.ee/en/download?id=6054>)
- Tallink Grupp 2021 Q4 Financial Data.xlsx (<http://oam.fi.ee/en/download?id=6055>)

Currency

Title AS Tallink Grupp Unaudited Consolidated Interim Report Q4 2021

In the fourth quarter (1 October - 31 December) of the year, Tallink Grupp AS and its subsidiaries (the Group) carried 1 122 892 passengers, which is 660 thousand passengers more than in the fourth quarter last year. The number of cargo units transported increased by 24% in the same comparison. The Group's unaudited consolidated revenue increased by 110.1% or EUR 87.3 million to a total of EUR 166.6 million. Unaudited EBITDA was EUR 25.1 million (EUR 1.2 million in the fourth quarter 2020) and unaudited net loss was EUR 3.3 million (net loss of EUR 26.9 million in the fourth quarter 2020). Net profit in the second half of the year amounted to EUR 2.2 million (net loss of EUR 50.7 million in the second half of the year 2020).

The Group's operations and operating results were continuously strongly influenced by the COVID-19 situation in the fourth quarter. In the beginning of the quarter, particularly in October and November, the demand for travelling was relatively strong due to moderate restrictions, which allowed the business to start recovering and had positive effect on results. With the rise of new COVID-19 variant, demand was negatively affected, and additional restrictions were put in place by the end of the quarter in Group's home markets in Finland and Sweden. The operational factors impacting results were following:

- * during the quarter 2 shuttle vessels, 3 cargo vessels, 6 cruise ferries and 3 hotels were operating;
- * short-term charter of Silja Europa and Romantika;
- * significant increase in the global fuel prices;
- * cost savings from previously implemented measures.



To enhance travelling and contribute to resolving the COVID-19 crisis, the Group offered the opportunity for passengers to perform COVID-19 antigen testing and get vaccinated on board the Tallinn-Helsinki shuttle ferries since June 2021.

The results of the first half of the year were severely affected by limited operations of vessels and low demand for travelling due to strict travel restrictions imposed in Group's home markets. Despite of extensive travel restrictions and continuous negative effect of COVID-19, lower impact from support measures and government assistance, increasing fuel prices, the Group managed to operate profitably in the second half of the year since the beginning of the COVID-19 pandemic. In addition, reopening of Tallinn-Stockholm and Helsinki-Stockholm routes in the second half of the year contributed to the operating results of the Group. The earnings were supported by partial alleviation of travel restrictions, cost savings from previously implemented measures and short-term chartering of vessels.

Operations during the quarter

Given the uncertainty regarding the duration of the crisis and the course of the post-crisis recovery with progress of vaccinations, the business environment has remained challenging. In the current situation, the focus has remained on costs and cash flow management to ensure the sustainability of the Group's core business.

Cruise ferry Baltic Queen operated on the Tallinn-Stockholm route in the fourth quarter. Cruise ferry Victoria I operated 3 return trips on the Tallinn-Helsinki route replacing the cruise ferry Silja Europa. Cruise ferries Silja Europa and Romantika were chartered out from mid-October to mid-November.

Operations of the Riga-Stockholm route were suspended during the quarter.

Tallink City Hotel, Tallink Spa & Conference Hotel and Tallink Express Hotel were all operating during the fourth quarter. Tallink Hotel Riga has remained closed since October 2020 and was not opened in 2021.

Estonia-Finland routes' shuttle vessels Megastar and Star, cargo vessel Sea Wind, Paldiski-Kapellskär route cargo vessels Regal Star and Sailor, and the four Finland-Sweden routes' cruise ferries continued their operations throughout the quarter.

Sales and segments

In the fourth quarter of 2021, the Group's total revenue increased by EUR 87.3 million to EUR 166.6 million. Total revenue in the fourth quarter of 2020 and 2019 was EUR 79.3 million and EUR 226.4 million, respectively.

Revenue from route operations (core business) increased by EUR 71.4 million to EUR 139.2 million. The passenger operations and segment results on all routes were significantly affected by the COVID-19 situation and imposed travel restrictions.



The number of passengers carried on the Estonia-Finland routes increased by 70.9% compared to last year. The number of transported cargo units increased by 19.6%. Estonia-Finland routes' revenue increased by EUR 18.1 million, or 48.3%, to EUR 55.5 million. The segment result increased by EUR 7.4 million to EUR 6.6 million. The segment effectively reflects operations of two shuttle vessels, one cruise ferry and one cargo vessel.

The number of passengers carried on the Finland-Sweden routes increased by 283.1%. The number of transported cargo units increased by 34.4%. The route's revenue increased by EUR 42.4 million to EUR 64.2 million and the segment result improved by EUR 20.2 million to EUR 2.9 million. The segment reflects the operations of Turku-Stockholm and Helsinki-Stockholm routes.

On Estonia-Sweden routes' the number of passengers carried increased by 104 thousand compared to last year. The number of transported cargo units increased by 40.8%. Estonia-Sweden routes' revenue increased by EUR 12.0 million to EUR 19.4 million and the segment result improved by EUR 3.7 million to EUR -1.1 million. Estonia-Sweden route reflects operation of two cargo vessels and one cruise ferry as well as expenses related to the suspended cruise ferry Victoria I.

The Latvia-Sweden route operations were suspended in the fourth quarter. The EUR -3.6 million segment result reflects the expenses of the suspended cruise ferries Isabelle as well as Romantika after conclusion of charter period.

Revenue from the segment other increased by a total of EUR 16.4 million and amounted to EUR 27.9 million. The increase was mainly driven by charter revenue and to a lesser extent by accommodation sales and various retail activities.

Earnings

In the fourth quarter of 2021, the Group's gross profit improved by EUR 38.4 million compared to the same period last year, amounting to EUR 20.0 million. EBITDA increased by EUR 23.9 million and amounted to EUR 25.1 million.

In the fourth quarter, the net amount of government assistance from Group's home markets was limited at EUR 1.4 million (EUR 14.7 million in fourth quarter of 2020). In addition, the reduction in fairway dues in Estonia amounted to EUR 0.6 million (EUR 1.1 million in fourth quarter of 2020).

Amortisation and depreciation expense decreased by EUR 1.1 million to EUR 24.2 million compared to last year.

As a result of increased interest-bearing liabilities, net finance costs increased by EUR 0.9 million compared to the fourth quarter of last year.

The Group's unaudited net loss for the fourth quarter of 2021 was EUR 3.3 million or EUR 0.004 per share compared to a net loss of EUR 26.9 million or EUR 0.040 per share in 2020 and net profit of EUR 5.5 million or EUR 0.008 per share in 2019.



Results of the 12 months of 2021

In the 2021 financial year (1 January - 31 December), the Group carried a total of 2 961 975 passengers, which is 21% less compared to the 2020 financial year. The number of cargo units transported increased by 2.6% compared to the previous financial year.

The Group's unaudited consolidated revenue amounted to EUR 476.9 million (EUR 442.9 million in 2020). Unaudited EBITDA was EUR 58.3 million (EUR 8.0 million, 2020) and unaudited net loss for the financial year was EUR 56.6 million or EUR 0.08 per share (net loss of EUR 108.3 million or EUR 0.16 per share, 2020).

The financial result of the 2021 financial year was impacted by suspension of operations of vessels and hotels due to the COVID-19 situation and travel restrictions as well as increase in global fuel prices. The results of the first half of the year were strongly impacted by low season and low demand for travelling due to extensive travel restrictions and communication advising against travelling. Despite the continuous impact of the pandemic, the reopening of Tallinn-Stockholm and Helsinki-Stockholm routes in the second half of the year and income from short-term charter agreements contributed to the operating results, and the Group managed to earn net profit in the second half of the year.

Investments

The Group's investments in fourth quarter of 2021 amounted to EUR 9.2 million.

Due to the changed economic environment and suspension of vessel operations, ship-related investments were kept to minimum and only critical maintenance and repair works were performed.

Investments were also made in the development of the online booking and sales systems as well as other administrative systems and in relation to the opening of Burger King restaurants.

Dividends

Due to a deteriorated operating environment and considering the Group's long-term interests, the shareholders' annual general meeting decided not to distribute dividends for 2020.

Financial position

In order to relieve the liquidity issues caused by the COVID-19 situation, Group entities were allowed to postpone tax payments in 2020 and 2021 by home markets tax boards. The postponed tax liabilities amounted to EUR 1.8 million at the end of the quarter and have different settlement dates over the coming years.

At the end of the second quarter, the Group agreed with financial institutions on the amendment and the prolongation of the waivers of financial covenants and the postponement of principal payments under existing loan agreements. From the second quarter of 2021 until the end of first quarter of 2022 repayments in the



total amount of EUR 82.1 million are deferred and added to the last payment of each respective loan facility. The deferrals for the 2021 financial year amount to EUR 67.4 million.

At the end of the fourth quarter 2021, the Group's net debt had decreased by EUR 24.9 million to EUR 652.4 million compared to the end of the fourth quarter 2020.

As at 31 December 2021, the Group's cash and cash equivalents amounted to EUR 127.6 million (EUR 27.8 million at 31 December 2020) and the Group had EUR 134.8 million in unused credit lines (EUR 119.3 million at 31 December 2020). The total liquidity buffer (cash, cash equivalents and unused credit facilities) amounted to EUR 262.4 million (EUR 147.1 million at 31 December 2020). The current trade and other payables amounted to EUR 91.7 million (EUR 73.5 million at 31 December 2020).

Economic Environment

The Group considers Finland, Sweden, Estonia and Latvia its home markets with the most exposure to the economic and travel restriction developments in Finland. The Group has also high exposure to the economic and travel restriction developments in Estonia and Sweden. In the fourth quarter of 2021, the Group's economic environment was still dominated by the ongoing COVID-19 pandemic and restrictions related to international travel, although to a lesser extent compared to previous periods.

Despite some decline during the quarter, the confidence of Finnish, Swedish and Estonian consumers remained relatively high. The overall demand in passenger traffic remained negatively affected by the COVID-19 related considerations, particularly in the end of the quarter on Finnish and Swedish markets.

In the fourth quarter, the cargo business remained solid supported by the continuously robust business confidence on all home markets. The market conditions regarding the price competition remained challenging.

Measured in euros and weighted with the Group's consumption volumes, the global fuel prices increased, on average, by 138% in the fourth quarter of 2021 compared to last year. Increase in the fuel prices was the main cause of the Group's overall fuel cost increase by 132% compared to the same period last year.

High levels of vaccination in Finland and Sweden contributed to consumer confidence to travel, which was evident in the first months of the fourth quarter. The developments with the new COVID-19 variant affected negatively the demand in December. By the end of the quarter, infection rates grew rapidly in all home markets and additional restrictions were put in place in Finland and Sweden, effectively resulting in lower demand for travelling. The vaccination pace in Latvia and particularly in Estonia unfortunately lagged and the lower than average level of vaccination rate contributed to the countries rapid growth in infections and hospitalisations per capita compared to other home markets.



For the foreseeable future, the key risk has to do with global and regional developments of the COVID-19 situation, progress of national vaccination efforts and related restrictions on travel and other economic activities, the economic damage it may cause and its impact on local and international trade.

Events in Q4

Short-term chartering of cruise ferries Silja Europa and Romantika
Cruise ferries Silja Europa and Romantika were chartered out from mid-October to mid-November to provide accommodation for the COP26 event in Glasgow, Scotland.

Opening of Burger King restaurants

In December 2021, three new Burger King restaurants were opened in Lithuania. By the end of the year, the Group operated 14 Burger King restaurants in the Baltics.

Events after the reporting period and outlook

Opening of Burger King restaurants

In January 2022, one new Burger King restaurant was opened in Latvia. The Group continues preparations for opening additional Burger King restaurants in 2022.

Easing of travel restrictions in Group's home markets

Starting from February 2022, travel restrictions were lifted in Group's home markets in Finland and Sweden, which contributed to the increase in number of bookings.

Compromise for termination of dispute with AS Tallinna Sadam

On 11 February 2022, AS Tallink Grupp and AS Tallinna Sadam concluded a settlement upon approval of which by the court, the court dispute between the parties concerning the fees of port services provided to passenger vessels at Old City Harbour is terminated, AS Tallink Grupp waives all the claims filed in the matter and AS Tallinna Sadam will amend the port fees applied to passenger vessels visiting the Old City Harbour.

Completion of the new LNG-based shuttle vessel MyStar

The new LNG-based shuttle vessel built in Rauma Shipyard is expected to be delivered during spring 2022. MyStar is estimated to start operating on the Tallinn-Helsinki route from June 2022.

Earnings

The Group's earnings are not generated evenly throughout the year. The summer period is the high season in the Group's operations. In management's opinion and based on prior experience most of the Group's earnings are generated during the summer (June-August). However, this year, dependent on situation with the vaccinations and cross-border travelling, the period extended to autumn.

Due to the ongoing COVID-19 situation the earnings outlook is uncertain and continues to be strongly affected by external factors such as the progress of vaccination and situation with new COVID-19 variants, states' decisions



regarding the timing of the lifting or imposing of travel restrictions and allowing passenger traffic, passengers' willingness to travel as well as the duration of the recovery period. Management expects the passenger traffic between Estonia and Finland to recover more rapidly from the second quarter of 2022, when greater immunity is expected to be reached for most of the population on Group's home markets and hospitalisation rates are decreasing.

Research and development projects

The Group does not have any substantial ongoing research and development projects. The Group is continuously seeking opportunities for expanding its operations in order to improve its results.

The Group is continuously looking for innovative ways to upgrade the ships and passenger area technology to improve its overall performance through modern solutions. The most recent technical projects are focusing on the solutions for reduction of the ships CO2 footprint.

Risks

The Group's business, financial position and operating results could be materially affected by various risks. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial or unlikely, could also impair our business. The order of presentation of the risk factors below is not intended to be an indication of the probability of their occurrence or of their potential effect on our business.

- * COVID-19 situation and developments
- * Governmental restrictions on business activities
- * Accidents, disasters
- * Macroeconomic and labour market developments
- * Changes in laws and regulations
- * Relations with trade unions
- * Increase in the fuel prices and interest rates
- * Market and customer behaviour

Key figures

For the period	Q4 2021	Q4 2020	Change %
Revenue (million euros)	166.6	79.3	110.1%
Gross profit/loss (million euros)	20.0	-18.4	209.1%
EBITDA ¹ (million euros)	25.1	1.2	2019.3%
EBIT ¹ (million euros)	0.9	-24.2	103.6%



Net loss for the period (million euros)	-3.3	-26.9	87.6%
Depreciation and amortisation (million euros)	24.2	25.4	-4.5%
Capital expenditures ^{1 2} (million euros)	9.2	4.8	91.0%
Weighted average number of ordinary shares outstanding	743,569,064	669,882,040	11.0%
Earnings/loss per share ¹	-0.004	-0.040	88.8%
Number of passengers	1,122,892	462,859	142.6%
Number of cargo units	101,486	81,861	24.0%
Average number of employees	4,743	4,707	0.8%

As at	31.12.2021	30.09.2021	Change %
Total assets (million euros)	1,585.9	1,616.7	-1.9%
Total liabilities (million euros)	893.4	920.8	-3.0%
Interest-bearing liabilities (million euros)	779.9	802.8	-2.8%
Net debt ¹ (million euros)	652.4	659.7	-1.1%
Net debt to EBITDA ¹	11.2	19.2	-41.7%
Total equity (million euros)	692.5	695.9	-0.5%
Equity ratio ¹ (%)	44%	43%	
Number of ordinary shares outstanding	743,569,064	743,569,064	0.0%
Equity per share ¹	0.93	0.94	-0.5%

Ratios ¹	Q4 2021	Q4 2020
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Gross margin (%)	12.0%	-23.2%
EBITDA margin (%)	15.1%	1.5%
EBIT margin (%)	0.5%	-30.5%
Net profit/loss margin (%)	-2.0%	-33.9%
ROA (%)	-2.4%	-6.1%
ROE (%)	-8.2%	-14.1%
ROCE (%)	-2.8%	-7.2%

(1) Alternative performance measures based on ESMA guidelines are disclosed in the Alternative Performance Measures section of this Interim Report.

(2) Does not include additions to right-of-use assets.

EBITDA: result from operating activities before net financial items, share of profit of equity-accounted investees, taxes, depreciation and amortization

EBIT: result from operating activities

Earnings per share: net profit or loss / weighted average number of shares outstanding

Equity ratio: total equity / total assets

Shareholder's equity per share: shareholder's equity / number of shares outstanding

Gross margin: gross profit / net sales

EBITDA margin: EBITDA / net sales

EBIT margin: EBIT / net sales

Net profit margin: net profit or loss / net sales

Capital expenditure: additions to property, plant and equipment - additions to right-of-use assets + additions to intangible assets

ROA: earnings before net financial items, taxes 12-months trailing / average total assets

ROE: net profit 12-months trailing / average shareholders' equity

ROCE: earnings before net financial items, taxes 12-months trailing / (total assets - current liabilities (average for the period))

Net debt: interest-bearing liabilities less cash and cash equivalents

Net debt to EBITDA: net debt / EBITDA 12-months trailing

Consolidated statement of profit or loss and other comprehensive income

Unaudited, in thousands of EUR	Q4 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020



Revenue (Note 3)	166,618	79,295	476,937	442,934
Cost of sales	-146,593	-97,658	-455,282	-486,388
Gross loss/profit	20,025	-18,363	21,655	-43,454
Sales and marketing expenses	-9,008	-7,289	-29,262	-37,817
Administrative expenses	-13,460	-13,301	-45,732	-48,391
Other operating income	3,334	14,974	16,336	37,339
Other operating expenses	-11	-205	-28	-298
Result from operating activities	880	-24,184	-37,031	-92,621
Finance income (Note 4)	-37	0	34	1
Finance costs (Note 4)	-5,867	-4,983	-21,921	-17,843
Share of profit/loss of equity-accounted investees	-80	-158	-80	-158
Loss before income tax	-5,104	-29,325	-58,998	-110,621
Income tax	1,766	2,474	2,422	2,313
Net loss for the period	-3,338	-26,851	-56,576	-108,308
Net loss for the period attributable to equity holders of the Parent	-3,338	-26,851	-56,576	-108,308
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	-13	-320	123	-193



Other comprehensive income for the period	-13	-320	123	-193
Total comprehensive loss for the period	-3,351	-27,171	-56,453	-108,501
Total comprehensive loss for the period attributable to equity holders of the Parent	-3,351	-27,171	-56,453	-108,501
Loss per share (in EUR, Note 5)	-0.004	-0.040	-0.081	-0.162

Consolidated statement of financial position

Unaudited, in thousands of EUR	31.12.2021	31.12.2020
ASSETS		
Cash and cash equivalents	127,556	27,834
Trade and other receivables	29,298	25,463
Prepayments	11,924	7,216
Inventories	34,631	28,707
Current assets	203,409	89,220
Investments in equity-accounted investees	165	245
Other financial assets and prepayments	555	2,233
Deferred income tax assets	21,840	20,270
Investment property	300	300
Property, plant and equipment (Note 6)	1,323,353	1,363,485
Intangible assets (Note 7)	36,293	40,448
Non-current assets	1,382,506	1,426,981



TOTAL ASSETS	1,585,915	1,516,201
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LIABILITIES AND EQUITY

Interest-bearing loans and borrowings (Note 8)	244,436	111,601
Trade and other payables	91,687	73,477
Payables to owners	6	6
Income tax liability	47	10
Deferred income	21,734	23,253
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Current liabilities	357,910	208,347

Interest-bearing loans and borrowings (Note 8)	535,489	593,518
Non-current liabilities	535,489	593,518
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Total liabilities	893,399	801,865

Share capital (Note 9)	349,477	314,844
Share premium	663	663
Reserves	67,930	69,854
Retained earnings	274,446	328,975
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Equity attributable to equity holders of the Parent	692,516	714,336
Total equity	692,516	714,336
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TOTAL LIABILITIES AND EQUITY	1,585,915	1,516,201

Consolidated statement of cash flows

Unaudited, in thousands of EUR			Jan-Dec	Jan-Dec
	Q4 2021	Q4 2020	2021	2020
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CASH FLOWS FROM OPERATING ACTIVITIES

Net loss for the period	-3,338	-26,851	-56,576	-108,308
Adjustments	29,973	29,188	116,083	117,305
Changes in:				
Receivables and prepayments related to operating activities	6,446	2,950	-6,925	10,822
Inventories	560	3,799	-6,513	8,548
Liabilities related to operating activities	-6,045	-21,343	13,447	-35,307
Changes in assets and liabilities	961	-14,594	9	-15,937
Cash generated from operating activities	27,596	-12,257	59,516	-6,940
Income tax repaid/paid	-20	-21	-137	-107
NET CASH FROM OPERATING ACTIVITIES	27,576	-12,278	59,379	-7,047

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant, equipment and intangible assets (Notes 6, 7)	-9,191	-17,163	-20,192	-100,024
Proceeds from disposals of property, plant, equipment	26	37	816	115
Interest received	1	0	3	1
NET CASH USED IN INVESTING ACTIVITIES	-9,164	-17,126	-19,373	-99,908

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans received (Note 8)	0	70,000	90,000	125,000
Repayment of loans received (Note 8)	0	0	-14,667	-14,667
Change in overdraft (Note 8)	-25,482	-34,937	-15,556	15,736



Payment of lease liabilities (Note 8)	-4,159	-3,704	-14,903	-12,565
Interest paid	-4,328	-4,122	-19,296	-16,290
Payment of transaction costs related to loans	0	-670	-495	-1,302
Increase of share capital (Note 9)	0	0	34,633	0
NET CASH FROM/USED IN FINANCING ACTIVITIES	-33,969	26,567	59,716	95,912

TOTAL NET CASH FLOW	-15,557	-2,837	99,722	-11,043
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Cash and cash equivalents at the beginning of period	143,113	30,671	27,834	38,877
Change in cash and cash equivalents	-15,557	-2,837	99,722	-11,043
Cash and cash equivalents at the end of period	127,556	27,834	127,556	27,834

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