

Press release

January 18, 2024

Peab publishes preliminary financial information for the full year 2023

Peab is adjusting its operations to the steep decline in the housing market while a total of SEK 525 million in costs for provisions, write-downs and restructuring will charge the fourth quarter 2023. The Board intends to propose that the Annual General Meeting resolves on a distribution of a dividend of SEK 1.50 per share.

The past few years have been marked by circumstances that have been turbulent in many ways, entailing both higher construction costs and drastic interest rate hikes. In Peab's case production starts of homes have dwindled significantly since the record year 2021 and start-ups of tenant-owner apartments are almost completely nonexistent. The decline in the housing market has, in addition to project development business, also impacted business area Construction. However, Construction has largely been able to shift to other kinds of building. The level of orders received for business area Construction has contracted by 26 percent since 2021, while the level of orders received for housing projects specifically has decreased by 78 percent.

A number of measures are being taken to adjust the cost base to a lower volume of business and ensure continued profitability. Organizations in construction production, housing development, rental operations and central support functions are being streamlined which generates restructuring costs but also lower overhead going forward. In business area Construction housing projects received before the outbreak of war in Ukraine that have been affected by price hikes and some projects in Norway are being written down. All in all provisions and restructuring costs amount to SEK 400 million. In addition, write-downs of goodwill in Norwegian construction operations amount to SEK 125 million. In total these measures entail one-off effects of SEK 525 million, which charge the fourth quarter 2023. SEK 465 million charge business area Construction and SEK 60 million charge Group functions.

Peab presents according to segment reporting preliminary financial information for January-December 2023 as follows (all the figures in parenthesis refer to 2022):

- Net sales SEK 58,821 million (63,135)
- Operating profit SEK 1,853 million (2,741)
- Operating margin 3.2 percent (4.3)
- Profit after tax SEK 1,413 million (2,037)
- Net debt SEK 8,676 million (6,899)
- Net debt/equity ratio 0.6 (0.5)
- Orders received SEK 45,108 million (53,259)
- Cash flow before financing SEK -1,291 million (-1,955)

Peab presents according to IFRS preliminary financial information for January-December 2023 as follows:

- Net sales SEK 61,600 million (61,933)
- Operating profit SEK 2,586 million (2,557)
- Operating margin 4.2 percent (4.1)
- Profit after tax SEK 1,988 million (1,831)

Preliminary outcome January-December 2023 business areas and Group

MSEK	Net sales	Operating profit	Operating margin, %
Construction	27,780	41	0.1
Civil Engineering	15,164	501	3.3
Industry	19,962	962	4.8
Project Development	5,722	304	5.3
Group functions	1,487	-299	-
Eliminations	-11,294	-56	-
Group, segment reporting excl. Mall of Scandinavia	58,821	1,453	2.5
Construction – effect Mall of Scandinavia	-	400	-
Group, segment reporting	58,821	1,853	3.2
Adjustment housing to IFRS	2,779	696	-
IFRS 16, additional leases	-	37	-
Group, IFRS	61,600	2,586	4.2

Business areas Construction and Project Development have been affected by the decline in the housing market. In Project Development there were 79 (314) production starts of our own housing developments in the fourth quarter 2023 and these are being built on our own balance sheet. For the full year 2023 the number of production-starts was 727 (2,236). A progressive shift to other products is being made in these two business areas. Business area Civil Engineering and the paving and mineral aggregates operations that are part of business area Industry are positioned towards the public sector and have a more stable market. Peab presents an improvement in profit in both business area Civil Engineering and business area Industry.

Prospects for the Nordic construction markets indicate a downturn in Sweden and Finland and an unchanged level in Norway for 2024. Housing markets are expected to continue to contract while civil engineering markets are expected to remain stable.

Peab is intensely focused on cash flow and net debt. During the fourth quarter 2023 Peab presents a strong cash flow and the net debt/equity ratio is 0.6 at the end of the year, which is within our financial target interval of between 0.3-0.7. The Board intends to propose that the Annual General Meeting resolves on a distribution of a dividend of SEK 1.50 per share, which is considered a balanced dividend based on our order situation, earning capacity and financial position.

“Peab’s business model with four business areas and local presence serves us well in good and hard times alike. After the now communicated adjustment of operations we are well-equipped to handle both a continued weak housing market and meet a growing market,” says Jesper Göransson, President and CEO of Peab.

Peab will publish its complete year-end report 2023 on February 2, 2024 at 8:00 a.m. CET.

For further information, please contact:

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This information is information that Peab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at January 18, 2024, 6:50 p.m. CET.

Peab is the Nordic Community Builder with 15,000 employees and net sales of SEK 60 billion. With a local presence and focus on our own resources we develop, do the groundwork and build everyday life where it's lived. Company headquarters are in Förslöv on Bjäre Peninsula in southern Sweden. The Peab share is listed on Nasdaq Stockholm.