

EcoUp Oyj business review 1 January - 30 September 2023: Defensive victory in a challenging market

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July-September 2023

- Revenue declined by 13.3% to EUR 7.8 million (9.0). The decline is due to a decrease of over 50% in the volumes of housing construction market.
- In spite of weak markets EBITDA grew by 41.4% to EUR 0.8 million (0.6).
- In spite of weak markets operating profit improved, but remained negative. Operating profit was EUR -0.2 million (-0.4).
- Investments amounted to EUR 1.1 million (1.0), of which the Technology business accounted for EUR 0.2 (0.5). The main investments during the review period were directed at the production equipment of the new Ekovilla plant to be completed in Vantaa.
- The Technology business continued developing end products based on demolition waste. The Cubeco block piloted by EcoUp has advanced into the marketing and sales phase. Tests with different product applications of Cubeco for other infrastructure construction also continued. In addition, we continued testing materials we have innovated with two industrial partners.
- On 8 September 2023 the company announced that it will initiate change negotiations at the Ylistaro production plant and considers shutting down the plant. Six people worked full-time at the plant subject to the negotiations. As a result of the negotiations, the Ylistaro plant will be shut down by next summer.

January-September 2023

- In the first three quarters, revenue was 7.5% lower than last year's equivalent. EcoUp performed well compared to the market. For example, the number of houses delivered by the member companies of the Finnish Association for Manufacturers of Prefabricated Houses (PTT) was 56% lower compared to the same period in 2022.
- Despite lower volumes, profitability has been better than last year in every quarter. EBITDA improved by 112.3% and was EUR 1.6 million (0.8) in January-September, corresponding to 7.5% of revenue (3.3%).
- Operating profit remained negative, but exceeded last year's level and was EUR -1.4 million (-1.9).
- Investments amounted to EUR 2.3 million (4.3), of which EUR 0.8 million was allocated to the Technology business (1.8).

Key figures

EcoUp Group	7-9/2023	*7-9/2022	Change %	1-9/2023	*1-9/2022	Change %	*2022
Revenue, 1,000 €	7,797	8,996	-13.3%	21,333	23,072	-7.5%	35,614
EBITDA, 1,000 €	790	559	41.4%	1,601	754	112.3%	1,815
% of revenue	10.1%	6.2%	-	7.5%	3.3%	-	5.1%
Operating profit (EBIT), €1,000	-212	-361	-	-1,418	-1,920	-	-1,761
% of revenue	-2.7 %	-4.0 %	-	-6.6 %	-8.3 %	-	-4.9 %
Profit for the period, €1,000	-351	-543	-	-1,813	-2,154	-	-2,162
% of revenue	-4.5%	-6.0%	-	-8.5%	-9.3%	-	-6.1%
Average number of personnel	178	192	-7.3%	183	187	-2.1%	188
Wages and salaries, €1,000	2,004	2,141	-6.4%	5,688	5,769	-1.4%	8,156
Equity ratio %	-	-	-	61.2%	59.5%	-	57.8%
Net investments, €1,000	1,051	957	9.9%	2,294	4,290	-46.5%	5,062
Net leverage %	-	-	-	25.3%	12.8%	-	5.4%
Return on investment (ROI) %	-	-	-	-5.5%	-6.8%	-	-6.5%
Balance sheet total, €1,000	-	-	-	31,042	34,884	-11.0%	35,948
Earnings per share (EPS), €	-0.04	-0.06	-	-0.20	-0.24	-	-0.24

* The capitalization practice of R&D costs capitalized in intangible assets was changed by reducing the amount of capitalization from the beginning of 2023. The figures for the comparison period have been adjusted to correspond to the capitalization practice that changed during the review period. For example, EBITDA for the comparison period (EUR 1,000) excluding the change was 928 in Q3, 605 in January-September, and 2,014 for the whole year.

CEO Matti Kaski

EcoUp's revenue decreased in Q3 by 13.3%, but EBITDA improved. Year-to-date revenue decreased by 7.5% from the corresponding period last year. EcoUp managed to improve margins from the comparison period, but the strong decline in volumes through out the construction market weakens the effect of the improved margins. I am reasonably satisfied with our performance in an environment where the housing construction market that is important to Ekovilla, clearly shrank from the comparison period.

The strong decline in construction also continued in the other Nordic countries, which was reflected in the development of Ekovilla's exports. Ekovilla's exports decreased in Q3 and during the first nine months of the year from the comparison period. Similar demand as in the comparison period for insulation is not expected on the export market, since there is no similar energy crisis brewing as last year.

In September, Ekovilla decided to shut down the production plant in Ylistaro. The plant will be shut down by next summer, which is estimated to reduce fixed costs starting from H2/2024 by EUR 200-300,000 annually.

At the beginning of the year, EcoUp announced it will build a new Ekovilla mineral wool production plant in Vantaa. The project has acquired all necessary permits from authorities, but is slightly delayed from the original schedule. Despite this, we estimate that the production plant will be completed this year and investment costs will be slightly below budgeted. The investment is expected to improve the efficiency of Ekovilla's production and logistics.

The Technology business continued developing end products based on demolition waste. The Cubeco piece piloted by EcoUp has advanced into the marketing and sales

phase. Tests with different product applications for other infrastructure construction also continued. Our understanding of Cubeco's commercial potential is growing via our marketing efforts and we believe we will be able to assess it more precisely during 2024. In addition, we continued testing materials we have innovated with two industrial partners. Testing with industrial operators has progressed, but we have not yet reached a point where we can assess product completion and their commercial prospects.

During the review period, investments totaled EUR 1,051 million, the largest of which was of machinery and equipment deliveries to the new upcoming plant in Vantaa. In the Technology business, investments amounted to EUR 216,000.

Outlook for 2023

EcoUp estimates that its result for the period and operating cash flow will improve in 2023 from the comparison period. The guidance was issued in connection with the financial statement release and remains unchanged.

Medium-term financial targets

The company aims for growth. The target is annual revenue of around EUR 65 million by the end of 2026. In terms of profitability, the target is to achieve an EBITDA margin of over 20% in the medium term. With regard to dividend distribution, the company aims to distribute 30-50% of its profit for the financial year as dividends.

Market outlook

At the end of Q3/2023, the member companies of the Finnish Association for Manufacturers of Prefabricated Houses (PTT) reported that their total order backlog is 43% lower than one year earlier. In the previous quarter, the order backlog was 49% lower than one year ago. The steep decline in order volumes has abated as expected, but all signs suggest that the volume of detached house construction, which is important for Ekovilla, will remain low at least until the first half of next year. The business outlook of PTT's member companies remained weak at the end of Q3/2023. However, the outlook for six months down the line was assessed cautiously more positively than for three months down the line.

High energy prices that boosted EcoUp's renovation business last year have fallen to the levels they were at before the exceptional situation caused by the war in Ukraine. Electricity prices are also expected to remain at these levels in 2024. In the longer term, the EU Directive on Energy Efficiency, Finland's long-term renovation strategy, and the EU's European Renovation wave (ERW) initiative are expected to strongly support EcoUp's renovation business. According to the ERW energy efficiency campaign initiative, some 30 million European homes should be further insulated by 2030, effectively even doubling the current insulation market of EUR 15 billion.

Significant events during the review period

On 8 September 2023 the company announced that it will initiate change negotiations at the Ylistaro production plant and considers shutting down the plant. Six people worked full-time at the plant subject to the negotiations. As a result of the negotiations, the Ylistaro plant will be shut down by next summer.

There were no significant events after the review period.

EcoUp Oyj

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EcoUp Oyj in brief

EcoUp Oyj promotes a green transition in the construction industry by producing carbon-neutral, energy-efficient and circular economy-based materials, services and technologies that help construction companies to reduce their environmental impact. The company has more than 40 years of experience in developing and delivering circular economy solutions to its customers.