

Company AS Ekspress Grupp
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Category Management interim statement or quaterly financial report
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Attachments:

- EkspressGr-10004000781-en.pdf (<http://oam.fi.ee/en/download?id=4772>)
- EkspressGr-10004000783-et.pdf (<http://oam.fi.ee/en/download?id=4773>)

Currency

Title AS Ekspress Grupp: Consolidated unaudited interim report for the Second Quarter and First

The revenue of AS Ekspress Grupp totalled EUR 13.9 million in the second quarter of 2020 which is 20% less than in the same period last year. The revenue for the first six months of the year totalled EUR 29.6 million which is 10% less as compared to 2019. The Group's performance in the 2(nd) quarter was significantly affected by the crisis months related to the spread of the coronavirus where the Group's advertising revenue decreased by ca 19% in Estonia and Latvia as compared to last year. The state of emergency related to COVID-19 has primarily impacted the operations of the Latvian ticket sales platform and the advertising sales of digital outdoor screens both in Estonia and Latvia. The revenue in these areas was at a minimum level in the second quarter.

The Group responded quickly to the crisis. We reduced the cost base (incl. wage cuts in almost all group companies) and applied for various public measures in order to alleviate the situation and prevent employee layoffs. While the advertising revenue showed signs of a recovery in the second quarter, the restrictions applying to events will continue to impact the operating volumes of the ticket business for several months and thus no fast recovery to the prior level is to be expected.

The earnings before interest, tax, depreciation and amortisation (EBITDA) of Ekspress Grupp were EUR 1.65 million in the 2(nd) quarter which is EUR 0.01 million higher as compared to the 2(nd) quarter of 2019. In the first six months of the year, EBITDA totalled EUR 2.33 million, increasing by 3% year-over-year.

In an economic downturn, we adhered to the Group's long-term ambition to grow its digital revenue. We are close to meeting our targets for growing our digital revenue: by the end of the 2(nd) quarter, digital revenue made up 68% of the Group's media segment revenue and 46% of the Group's total revenue. The figures for the first six months of 2019 were 66% and 42%, respectively.



In the second quarter of 2020, the digital subscriptions of the periodicals of Ekspress Grupp grew strongly and reached 63 thousand subscribers in the Baltic States which is 26% more as compared to the year-end 2019. By the end of 2(nd) quarter of 2020, the number of digital subscriptions of the periodicals of Ekspress Grupp made up 53% of the volume of the entire market as reported by the Estonian Media Association. The growth in digital subscribers demonstrates clearly that we are able to offer reliable journalism both in ordinary as well as crisis circumstances. The so-called global digital transformation is also supporting the trend where consumers are more willing to pay for good video, audio or text content.

The Group's net profit for the 2(nd) quarter totalled EUR 0.58 million which is EUR 0.23 million higher than in the same period of 2019. The loss for the first six months of the year totalled EUR 0.16 million which is EUR 0.10 million less as compared to last year.

Despite the crisis months, the Group managed to improve its liquidity. By the end of June, the Group's cash totalled EUR 6.3 million (30.06.2019: EUR 1.5 million) which was positively impacted by the grace periods granted by banks, deferral of tax liabilities and the salary subsidy received from the Estonian Unemployment Insurance Fund. It is important for us to maintain our liquidity position as the future scope of the crisis related to the coronavirus is still unknown.

The forecasts call for a 10% decline in the GDP on average in the Baltic States this year. We are witnessing how the effects of the economic crisis related to the virus will also have a major impact on the Group in the third and fourth quarters. The Group's media companies, especially outdoor media and the ticket sales platform in Latvia are most vulnerable to future potential restrictions.

SUMMARY OF THE RESULTS OF THE SECOND QUARTER AND FIRST HALF-YEAR

In accordance with International Financial Reporting Standards (IFRS), 50% joint venture should be recognised under the equity method in the consolidated financial statements. To provide a clearer uniform overview of the financial statements to the readers of the financial statements, from the 1(st) quarter of 2020, only the information relating to the joint ventures recognised under the equity method is presented in the financial statements and their results are shown as one line in the finance income.

REVENUE

The consolidated revenue for the 2(nd) quarter of 2020 totalled EUR 13.9 million (2(nd) quarter 2019: EUR 17.5 million). The revenue for the 2(nd) quarter decreased by 20% year-over-year. The revenue drop is primarily attributable to the deterioration of the business environment related to the COVID-19 state of emergency resulting in a decline in advertising and printing services revenue. The consolidated revenue for the first six months of 2020 totalled EUR 29.6



million (first six months of 2019: EUR 32.8 million). At the end of the 2(nd) quarter, digital revenue accounted for 46% of total revenue and 68% of the media segment revenue (at the end of 2(nd) quarter 2019, 42% of the total revenue and 66% of the media segment revenue, respectively). The consolidated revenue for the 2(nd) quarter of 2020 where joint ventures have been 50% consolidated line-by-line, totalled EUR 15.7 million (2(nd) quarter 2019: EUR 19.5 million) and the consolidated revenue for the first six months of 2020 totalled EUR 33.3 million (first six months of 2019: EUR 36.8 million).

PROFITABILITY

In the 2(nd) quarter of 2020, the consolidated EBITDA totalled EUR 1.65 million (2(nd) quarter 2019: EUR 1.64 million) and in the first six months of 2020, the consolidated EBITDA totalled EUR 2.33 million (first six months of 2019: EUR 2.26 million). In the 2(nd) quarter of 2020, EBITDA grew by 1% year-over-year and the EBITDA margin was 11.9% (2(nd) quarter 2019: 9.4%). In the second quarter of 2020, profitability was positively impacted by cost savings throughout the entire Group (incl. wage cuts) and the salary subsidy received from the Estonian Unemployment Insurance Fund in the amount of EUR 1.14 million, that will be accrued as income in the second, third and fourth quarters. The salary subsidy made up EUR 0.32 million of the EBITDA in the 2(nd) quarter of 2020. The net profit for the 2(nd) quarter of 2020 totalled EUR 0.58 million, which is EUR 0.23 million or 63 per cent higher than in the same period of 2019.

CASH POSITION

At the end of the reporting period, the Group had available cash in the amount of EUR 6.3 million and equity in the amount of EUR 51.5 million (54% of total assets). The comparable figures as of 30 June 2019 were EUR 1.5 million and EUR 50.0 million (55% of total assets), respectively. As of 30 June 2020, the Group's net debt totalled EUR 16.3 million (30 June 2019: EUR 19.2 million). Due to the state of emergency related to COVID-19, the Group concluded an agreement with AS SEB Pank to suspend loan payments in the period March-August 2020 (EUR 1.20 million) and with AS Citadele banka to suspend loan payments in the period June-November 2020 (EUR 0.30 million). The salary subsidy received from the Estonian Unemployment Insurance Fund (EUR 1.14 million) and the postponement of the payment of tax arrears (EUR 1.60 million) due to the state of emergency for the period of 24 months had an additional positive impact on the Group's cash position.

Key financial indicators for segments

(EUR thousand) Sales

			1(st)	1(st)	12
			Half year	Half year	months
Q2 2020	Q2 2019	Change %	2020	2019	Change % 2019



Media segment	9 860	11 512	-14%	19 863	20 869	-5%	44 218
incl. revenue from all digital and online channels	7 021	7 775	-10%	13 526	13 829	-2%	30 534
incl. % of revenue from all digital and online channels	71%	68%		68%	66%		69%
Printing services segment	4 569	6 610	-31%	10 813	13 180	-18%	25 695
Corporate functions	520	508	2%	1 035	1 046	-1%	2 076
Inter-segment eliminations	(1 037)	(1 155)		(2 118)	(2 310)		(4 533)
TOTAL GROUP	13 912	17 475	-20%	29 593	32 785	-10%	67 456
incl. % of revenue from all digital and online channels	50%	44%		46%	42%		45%

(EUR thousand) EBITDA

	Q2 2020	Q2 2019	Change %	1(st) Half year 2020	1(st) Half year 2019	Change %	12 months 2019
Media segment	1 514	1 364	11%	1 762	1 800	-2%	5 966
Printing services segment	248	558	-56%	831	1 108	-25%	2 032
Corporate functions	(92)	(273)	66%	(236)	(636)	63%	(1 150)
Inter-segment eliminations	(16)	(7)		(33)	(13)		(75)
TOTAL GROUP	1 654	1 643	1%	2 325	2 259	3%	6 772



EBITDA margin	Q2 2020	Q2 2019	1(st) Half year 2020	1(st) Half year 2019	12 months 2019
Media segment	15%	12%	9%	9%	13%
Printing services segment	5%	8%	8%	8%	8%
TOTAL GROUP	12%	9%	8%	7%	10%

Consolidated balance sheet (unaudited)

(EUR thousand)

30.06.2020 31.12.2019

ASSETS

Current assets

Cash and cash equivalents	6 306	3 647
Trade and other receivables	9 799	12 705
Corporate income tax prepayment	24	0
Inventories	3 053	3 120
Total current assets	19 181	19 472

Non-current assets

Other receivables and investments	1 002	975
Deferred tax asset	38	38
Investments in joint ventures	1 407	1 254
Investments in associates	2 274	2 356
Property, plant and equipment	14 561	14 943
Intangible assets	56 664	56 369
Total non-current assets	75 945	75 935
TOTAL ASSETS	95 126	95 407



LIABILITIES

Current liabilities

Borrowings	3 264	5 100
Trade and other payables	18 118	16 483
Corporate income tax payable	35	65
Total current liabilities	21 416	21 647

Non-current liabilities

Long-term borrowings	19 310	19 242
Other long-term liabilities	2 930	2 895
Total non-current liabilities	22 239	22 137

TOTAL LIABILITIES	43 655	43 784
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EQUITY

Minority shareholding	108	100
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Capital and reserves attributable to equity holders of parent company:

Share capital	17 878	17 878
Share premium	14 277	14 277
Treasury shares	(22)	(22)
Reserves	1 758	1 688
Retained earnings	17 472	17 701
Total capital and reserves attributable to equity holders of parent company	51 363	51 522
TOTAL EQUITY	51 471	51 622
TOTAL LIABILITIES AND EQUITY	95 126	95 407

Consolidated statement of comprehensive income (unaudited)



(EUR thousand)	Q2 2020	Q2 2019	1(st) Half year 2020	1(st) Half year 2019	12 months 2019
Sales	13 912	17 475	29 593	32 785	67 456
Cost of sales	(11 598)	(14 126)	(25 070)	(27 223)	(54 044)
Gross profit	2 315	3 349	4 523	5 562	13 412
Other income	552	170	659	289	607
Marketing expenses	(531)	(894)	(1 288)	(1 625)	(3 124)
Administrative expenses	(1 602)	(1 969)	(3 495)	(3 906)	(8 024)
Other expenses	(56)	(35)	(80)	(56)	(148)
Operating profit /(loss)	678	621	319	264	2 722
Interest income	6	6	12	12	22
Interest expenses	(217)	(183)	(441)	(317)	(784)
Other finance income/(costs)	(12)	(25)	(28)	(44)	(61)
Net finance cost	(223)	(202)	(457)	(349)	(823)
Profit/(loss) on shares of joint ventures	135	51	8	0	(38)
Profit/(loss) on shares of associates	(8)	(16)	(28)	(75)	(114)
Profit /(loss) before income tax	582	454	(158)	(160)	1 746
Income tax expense	(1)	(97)	(2)	(98)	(339)
Net profit /(loss) for the reporting period	582	356	(160)	(258)	1 407
Net profit /(loss) for the reporting					



period attributable
to

Equity holders of the parent company	575	354	(168)	(263)	1 394
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Minority shareholders	7	2	8	5	13
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Total comprehensive income /(loss)	582	356	(160)	(258)	1 407
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Comprehensive income
/(loss) for the
reporting period
attributable to

Equity holders of the parent company	575	354	(168)	(263)	1 394
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Minority shareholders	7	2	8	5	13
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Basic and diluted earnings per share	0.02	0.01	(0.01)	(0.01)	0.05
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Consolidated cash flow statement (unaudited)

(EUR thousand) 1(st) Half year 2020 1(st) Half year 2019

Cash flows from operating activities

Operating profit for the reporting year	319	264
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Adjustments for:

Depreciation, amortisation and impairment	2 011	1 977
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(Gain)/loss on sale and write-down of property, plant and equipment	(3)	2
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Cash flows from operating
activities:

Trade and other receivables	2 470	(1 902)
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Inventories	68	(77)
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Trade and other payables	1 515	2 182
Cash generated from operations	6 379	2 446
Income tax paid	(56)	(140)
Interest paid	(306)	(317)
Net cash generated from operating activities	6 017	1 989
Cash flows from investing activities		
Acquisition of subsidiaries/ associates (less cash acquired) and other investments / cash paid-in equity-accounted investees	(203)	(4 960)
Interest received	1	12
Purchase of property, plant and equipment and intangible assets	(1 037)	(1 352)
Proceeds from sale of property, plant and equipment and intangible assets	29	4
Loans granted	(98)	(78)
Loan repayments received	0	301
Net cash used in investing activities	(1 308)	(6 073)
Cash flows from financing activities		
Dividends received	150	0
Payment of lease liabilities	(519)	(410)
Change in overdraft	(1 018)	67
Loans received / Repayments of bank loans	(662)	4 667
Net cash used in financing activities	(2 050)	4 324



NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	2 659	240

Cash and cash equivalents at the beginning of the year	3 647	1 268

Cash and cash equivalents at the end of the year	6 306	1 507

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AS Ekspress Grupp is the leading media group in the Baltic States whose key activities include web media content production, publishing of newspapers and magazines and provision of printing services in Estonia, Latvia and Lithuania. The Group also manages the electronic ticket sales platform and ticket sales sites in Latvia. Ekspress Grupp that launched its operations in 1989 employs almost 1700 people, owns leading web media portals in the Baltic States and publishes the most popular daily and weekly newspapers as well as the majority of the most popular magazines in Estonia.

