

Company Announcement No 37/2022

4 November 2022

Trading Statement for 1 January – 30 September 2022

HusCompagniet generated a revenue of more than DKK 1 billion, bringing the year-to-date revenue to DKK 3.4 billion equivalent to a growth of 7.6%. EBITDA before special items (bsi) margin in Q3 was 9.7% which is the highest during current financial year and driven by a recovery of gross margin and lower SG&A due to several adjustments of the organisation. Market conditions were challenging with sales of 138 in Q3, 75% below Q3 2021.

“I am pleased with the financial results in Q3, especially the improvements in our margins compared to prior quarters which remain a key focus area within our organisation and demonstrates the business model is robust despite very challenging environment” says CEO Martin Ravn-Nielsen and continues.

“Sales continues to be a challenge and the level in Q3 has not been experienced the last decade and worse than during the financial crisis. This underlines the extraordinary market conditions HusCompagniet is currently operating in. Therefore, we were unfortunately forced to initiate another collective redundancy process in October to ensure that HusCompagniet continues being a financially strong and a robust business going forward.”

Outlook for 2022

HusCompagniet reiterates the latest full-year 2022 guidance from August 2022

- Revenue is expected to be DKK 4,100 – 4,400 million
- EBITDA before special items is expected to be DKK 340 – 360 million
- Operating profit (EBIT) is expected to be DKK 265 – 290 million
- HusCompagniet expects net debt to EBITDA before special items around 2.0x at the end of 2022

Assumptions for the outlook

The 2022 guidance is based on no severe disruption of supply chains including gas supply emerging and on raw material prices not significantly exceeding current levels.

- Going forward HusCompagniet will not provide expectations on sales and have therefore decided to remove this metric already in Q3 2022 following the currently low visibility in the market (previously expected between 1,100 – 1,400)
- As HusCompagniet will not provide sales expectations going forward the mid-term sales target of selling 750 semi-detached houses towards 2025 is also removed
- Current expectations for deliveries are between 1,925 and 2,050 houses
- Revenue from the semi-detached segment is assumed to be around DKK 450-500 million
- Share of deliveries on own land is expected to be around 10% due to the current size of the land bank. Long-term target remains at around 20%
- Current expectations for capital expenditures are DKK 40–60 million and comprise investments in digitalisation, automation, B2B, and sustainability

- Full year cash conversion (free cash flow to EBITDA bsi) is expected to be at least 50% despite the increased capex level
- Special items of DKK 25 -30 million is expected including expenses for redundancies in October
- As announced on 1 July 2022, due to the delayed closing of the acquisition of Danhaus Production A/S, the expected revenue from the factory in Esbjerg for 2022 is expected to be around DKK 50-80 million with an expected break-even EBITDA result

Due to continued lack of market visibility HusCompagniet will present 2023 guidance along with the annual report. Dividends are suspended in 2023 and therefore there is no distribution to shareholders in 2023.

Selected key highlights Q3 2022

<i>DKKm</i>	Q3 2022	Q3 2021	Change	Q1-Q3 2022	Q1-Q3 2021	Change	FY 2021
Houses sold (units)	138	545	-74.7%	870	1,892	-54.0%	2,376
Houses delivered (units)	417	390	6.9%	1,423	1,208	17.8%	1,831
Order backlog, gross	3,104	4,088	-24.1%	3,104	4,088	-24.1%	3,735
Order backlog, net	1,999	3,010	-33.6%	1,999	3,010	-33.6%	2,855
Revenue	1,083	1,074	0.8%	3,350	3,114	7.6%	4,315
Gross profit	217	219	-0.9%	642	638	0.6%	875
EBITDA bsi*	105	110	-4.5%	280	285	-1.8%	401
EBIT bsi*	93	99	-6.1%	245	251	-2.4%	355
Special items	13	0	n/a	14	0	n/a	0
EBIT	79	99	-20.2%	230	251	-8.4%	355
Gross margin bsi*	20.0%	20.4%	-0.4 ppt.	19.2%	20.5%	-1.3 ppt.	20.3%
EBITDA margin bsi*	9.7%	10.2%	-0.5 ppt.	8.4%	9.2%	-0.8 ppt.	9.3%
EBIT margin bsi*	8.6%	9.2%	-0.6 ppt.	7.3%	8.0%	-0.7 ppt.	8.2%
EBIT margin	7.3%	9.2%	-1.9 ppt.	6.9%	8.0%	-1.1 ppt.	8.2%
Contract assets, gross	916	970	-5.6%	916	970	-5.6%	809
Inventories	361	289	24.9%	361	289	24.9%	316
Available cash	152	192	-20.8%	152	192	-20.8%	455
Net interest-bearing debt	1,021	980	4.2%	1,021	980	4.2%	713
NIBD/LTM EBITDA bsi*	2.6x	2.4x	0.2x	2.6x	2.4x	0.2x	1.8x
FTEs end of period	521	465	12.0%	521	465	12.0%	481

*Before special items

Highlights Q1-Q3 2022

- Sales are down 54%, totalling 870 houses. Q3 2022 sales were 138 houses down 74.7%. All three segments are negatively impacted, the market conditions are currently unprecedented, and the visibility is poor.
- Due to the continued low number of sales HusCompagniet has carried out a collective round of layoffs end of October 2022. ~60 persons have been made redundant of which most relates to the detached business. Year-to-date 2022 a total number ~150 have been made redundant. The reorganisations in 2022 are expected to generate an annual S&GA saving of approximately DKK 105-115 million.
- In connection with the October 2022 redundancy round HusCompagniet will close additional 5 offices reducing the total number to 8 offices, but a full national footprint is upheld. Offices being closed post October are Aabenraa, Næstved, Hillerød, Randers and Viborg.
- As part of the reorganisation the Head of Semi-detached will become responsible for region Zealand in the Detached business. CEO Martin Ravn-Nielsen will be interim operational responsible for the Semi-detached business.
- HusCompagniet generated a revenue of DKK 3,350 million in Q1-Q3 2022, an increase of 7.6% of which 6.8% is organic. Deliveries of 1,423 houses, up 215 from 1,208 houses in Q1-Q3 2021, driving the higher level of revenue, combined with higher average selling prices in detached.
- Despite distressed supply chains HusCompagniet managed to obtain our target of delivering 98% on time. Distressed supply chains are mainly on Zealand, but HusCompagniet is starting to see less pressure on subcontractors in Zealand.
- EBITDA before special items (bsi) was DKK 280 million, down 1.8% from DKK 285 million. EBITDA margin bsi was 8.4% against 9.2% in Q1-Q3 2021. Despite the lower margin year-to-date the margin focus has materialised in Q3 2022 resulting in an EBITDA margin bsi of 9.7%, significantly higher than the past two quarters (6.9% and 8.5%).
- FTE's increase 12%. ~60 FTEs are attributable to the acquisition of the factory in Esbjerg.
- Special items amount to DKK 14 million of which the majority relates to previous collective layoffs and transaction related costs to acquisition of the factory in Esbjerg.
- The gross order backlog is down 24.1% and amounted to DKK 3,104 million on 30 September 2022, impacted by the lower sales activity.
- Inventories totalled DKK 361 million pending on 30 September 2022 up from DKK 289 million in Q3 2021. DKK 20 million of the increase is attributable to the factory in Esbjerg and DKK 23 million is due to purchase of land plot in Viborg.
- Net debt (NIBD) amounted to DKK 1,021 million while the leverage ratio (NIBD/LTM EBITDA) was 2.6x, 0.2x higher in Q3 2021. ~DKK 90 million of NIBD is attributable to the acquisition of the factory in Esbjerg.
- The acquisition of the factory in Esbjerg was completed in July 2022. The entity name was changed to HusCompagniet Production A/S and the Q3 figures are the first to be included in the reporting for this year. Integration is currently being carried out. From 2023 the numbers will be included in the semi-detached segment.
- The Group COO, Lars Hansen was employed in August 2022.

Q3 segmental development

	Detached houses		Semi-detached houses		Sweden		HC Prod.	Group	
	Q3-2022	Q3-2021	Q3-2022	Q3-2021	Q3-2022	Q3-2021	Q3-2022	Q3-2022	Q3-2021
<i>DKKm</i>									
Houses sold (units)	111	359	11	100	16	86	n/a	138	545
Houses delivered (units)	293	323	78	21	46	46	n/a	417	390
Houses delivered on own land (%)	10.9%	14.2%	1.3%	19.0%	n/a	n/a	n/a	8.9%	14.5%*
Order backlog, gross	2,117	3,048	589	659	280	382	118	3,104	4,088
Order backlog, net	1,304	2,310	357	368	224	332	114	1,999	3,010
Revenue	890	880	95	122	77	71	22	1,083	1,074
Gross profit	172	179	10	16	27	24	8	217	219
EBITDA bsi	94	89	3	12	8	9	1	105	110
Average selling price (ASP)	2.6	2.2	1.1	1.4	1.7	1.5	n/a	n/a	n/a
Revenue growth (%)	1.1%	8.0%	-22.1%	564%	8.5%	17.5%	n/a	0.8%	20.1%
Gross margin	19.4%	20.3%	10.6%	13.1%	34.7%	34.4%	34.7%	20.0%	20.4%
EBITDA margin bsi	10.6%	10.1%	2.8%	9.6%	10.0%	12.9%	4.0%	9.7%	10.2%

*Only includes houses delivered in Denmark.

	Detached houses		Semi-detached houses		Sweden		HC Prod.	Group	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2022	Q1-Q3 2021
<i>DKKm</i>									
Houses sold (units)	668	1,340	137	238	65	314	n/a	870	1,892
Houses delivered (units)	998	998	243	52	182	158	n/a	1,423	1,208
Houses delivered on own land (%)	9.0%	14.2%	32.9%	38.5%	n/a	n/a	n/a	13.7%	15.4%*
Order backlog, gross	2,117	3,048	589	659	280	382	118	3,104	4,088
Order backlog, net	1,304	2,310	357	368	224	332	114	1,999	3,010
Revenue	2,659	2,532	413	361	255	221	22	3,350	3,114
Gross profit	504	513	37	42	93	83	8	642	638
EBITDA bsi	233	224	16	29	31	32	1	280	285
Average selling price (ASP)	2.5	2.2	1.5	1.4	1.4	1.4	n/a	n/a	n/a
Revenue growth (%)	5.0%	10.7%	14.4%	276%	15.4%	8.9%	n/a	7.6%	20.4%
Gross margin	19.0%	20.2%	8.9%	11.7%	36.5%	37.9%	34.7%	19.2%	20.5%
EBITDA margin bsi	8.8%	8.8%	3.8%	8.1%	12.2%	14.6%	4.0%	8.4%	9.2%

*Only including houses delivered in Denmark.

Q3 highlights - segments

Detached houses

- Q3 sales totalled 111 homes, down 248 or 69.1% from 359 homes in Q3 2021. Market is very hesitant and current levels are unrepresented.
- Revenue was DKK 890 million, up 1.1% from Q3 2021 while deliveries were 293, 30 houses lower than Q3 2021.
- The average selling price (ASP) offset the lower number of deliveries as Q3 ASP was DKK 2.6 million up from DKK 2.2 million in Q3 2021. The higher ASP is mainly driven by price adjustment catering instant surcharges introduced in H1 2022.
- Gross margin 19.4%, 0.9% lower than Q3 2021, of which some the impact is due to lower level of share of own land deliveries in Q3 2022 compared to Q3 2021. However, the Q3 2022 margin is trailing upwards compared to prior 2022 financial quarters.
- EBITDA bsi was DKK 94 million up DKK 5 million from DKK 89 million. EBITDA margin was 10.6% against 10.1% in Q3 2021. The reduced SG&A was driven by prior lay-offs and less sales provision due to the lower sales.

Semi-detached houses

- Q3 2022 unit sales amounted to 11 units, down from 100 units in Q3 2021. The B2B share was 10 units sold. The market conditions are equal to the detached market very difficult with investors being hesitant.
- Revenue decreased to DKK 95 million from DKK 122 million in Q3 2021. Despite an increase in deliveries totalling 78 in Q3 2022 up from 21 deliveries, the increase is offset by lower contracted work in progress.
- The EBITDA margin was 2.8%, against 9.6% in Q3 2021. The margin was impacted by inter-segment move of B2B projects produced in the detached segment. 4 people were made redundant in October 2022 to adjust the organisation to the current market environment.

Sweden

- Q3 2022 sales totalled 16 houses, down from 86 houses in Q3 2021. The sales rate is still impacted by lower market activity. Cancellations from previous sales are also impacting the sales numbers.
- Revenue totalled DKK 77 million, up DKK 6 million or 8.5% from DKK 71 million in Q3 2021. The strong sales rate in 2021 supported the higher revenue level. Deliveries amounted to 46 houses and was on par with Q3 2021. Slightly higher unit prices was the main driver of revenue growth.
- EBITDA margin was 10.0% against 12.9% in Q3 2021. The margin was negatively affected by lower gross margin due to production utilisation during the summer combined with both automation of the factory and increased prices on materials. Quarterly fluctuations are expected.
- Order back log (net) was DKK 224 million against DKK 332 million as of 30 September 2021 and the reduction is driven by the lower sales during 2022.

HC Production (HusCompagniet Production A/S)

- Revenue was DKK 22 million of which the majority is attributable to one project, which have been executed and carried a profitability according to plan.
- Margins has some similarities to the Swedish business although EBITDA margins are lower.
- EBITDA bsi was DKK 1 million at an EBITDA margin of 4.0%.
- The gross orderbook was DKK 118 million on 30 September 2022.

Webcast and conference call

HusCompagniet will host a conference call (in English) for investors and analysts today, Friday 4 November 2022 at 12:30 (CET). The conference call and presentation will be available from HusCompagniet's investor website.

<https://streams.eventcdn.net/huscompagniet/2022q3/>

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Forward-looking statements

This announcement includes forward-looking statements on various matters, such as expected earnings and future strategies and expansion plans. Such statements are uncertain and involve various risks, as many factors, some of which are beyond our control, may result in actual developments differing considerably from the expectations set out. Such factors include, but are not limited to, general economic and business conditions, exchange rate and interest rate fluctuations, the demand for our services and competition in the market.