



SIA Arsenal Industrial

Unaudited consolidated quarterly results
Q4 2024



February 28, 2025

INFORMATION ABOUT THE GROUP

Name of the Parent Company	Arsenal Industrial SIA
Legal status	Limited liability company
Registration number, place and date of registration	40103815302, Riga, August 8, 2014
Activity code (NACE)	NACE2 77.32 Renting and leasing of construction and civil engineering machinery and equipment NACE2 46.14 Agents involved in the sale of machinery, industrial equipment, ships and aircraft
Legal address	Stabu street 61-11, Riga, Latvia, LV-1011
Shareholders	SIA "Klucīši" (51%) FlyCap Investment Fund I AIF, limited partnership (49%)
Board Members	Gints Vanags, Member of the Board
Council Members	Ģirts Milgrāvis, Chairman of the Council Eva Miķelsone, Deputy Chairman of the Council Jānis Liepiņš, Council Member
Subsidiaries	ARSENAL INDUSTRIAL OU Suur-Sõjamäe 25a, Tallinn, 11415, Estonia Reg.No. 14041623 (100%, 02.05.2016.) ARSENAL INDUSTRIAL Sp.z o.o. ul. Marszałkowska, nr 111, lok., miejsc. Warszawa, kod 00-102, Poland Reg.No. 634144 (100%, 31.08.2016.) ARSENAL INDUSTRIAL UAB Perkūnkiemio g. 13-91, Vilnius, LT-12114, Lithuania Reg.No. 304784353 (100%, 07.03.2018.)



BUSINESS & OPERATIONS OVERVIEW

Management report



Gints Vanags
CEO since 2014

The main activity of the Group, the Parent Company of which is SIA Arsenal Industrial (hereinafter- the Parent Company, together with daughter companies – “the Group”), is rent and sale of construction equipment and hand tools with complementary activities of transportation and technical services.

Currently, the Group works in all three Baltic countries. The Group's goal is to provide products and services in high quality and to be an effective company that listens to the wishes of customers and implements them. To be a stable cooperation partner providing high quality customer service, establishing partnerships with entrepreneurs and continuing to invest in the Group's infrastructure.

In the reporting period from 1 January 2024 to 31 December 2024, the Group's net turnover was EUR 10,775,685. Compared to the corresponding period in 2023, when turnover was EUR 11,151,828, there was a decrease of approximately 3%. The most significant factor contributing to the decline was a decrease in the Group's turnover from rental services. In 2023, rental turnover was EUR 5,544,100, whereas in 2024, it decreased to EUR 4,902,932, marking a substantial decline. The decline in rental revenue was primarily driven by a downturn in Estonia, where rental activities were closed (€1,042,088 decrease compared to 2023). Meanwhile, rental turnover in Latvia increased by 14% in 2024 compared to 2023, and in Lithuania, both rental and sales turnover grew by 26% over the same period. However, the growth in these markets was not sufficient to offset the decline experienced in Estonia.

As anticipated in previous reports, the Group closed the year with losses amounting to EUR 427,477. The primary reason for this continued loss was the closure of the Estonian rental services, which led to restructuring costs, equipment transfers to Latvia and Lithuania, and related preparation, repairs, and re-registration expenses. This decision was driven by the weak market conditions in Estonia and the recognition of stronger growth and development opportunities in Latvia and Lithuania. Additionally, another contributing factor to the losses in 2024 was the long-term write-off of accounts receivable in Estonia. Due to these factors, the Group's own equipment, which previously operated in Estonia, remained unavailable during the third and fourth quarters, necessitating a greater reliance on re-rented equipment. This resulted in lower EBITDA, as re-rent costs do not generate as high a return as the Group's owned equipment.

Furthermore, the construction market's low activity, rising sales force costs, and higher interest payments further contributed to financial strain. Although the Group expected a gradual improvement in financial results by focusing solely on the Latvian and Lithuanian markets, the full benefits of this transition are projected to materialize in 2025. Additionally, agreements were reached with key suppliers in the fourth quarter of 2024 regarding price reductions, which will allow the Group to sell with better margins, achieving improved returns from rental investments.



BUSINESS & OPERATIONS OVERVIEW

Management report



In October 2024, Arsenal initiated a bondholder vote to amend financial covenants, specifically the Interest Coverage Ratio and Net Debt Leverage Ratio. The voting concluded on 23 October 2024, with 76% of bondholders voting in favor of the amendments to the Terms of Issue. This adjustment is expected to provide greater financial flexibility as the Group moves forward.

Looking ahead to 2025, the Group anticipates an improvement in financial results as operations develop in Latvia and Lithuania, eliminating the previous costs associated with the Estonian rental services closure. Additionally, Estonia will continue sales operations in 2025 and work with other partners to maintain its presence in the market. In the first quarter of 2025, the Group will commence projects abroad, expected to generate additional revenue throughout the year and contribute to increased EBITDA. Furthermore, the Group plans to invest up to EUR 2 million in fixed assets in 2025, allowing for a greater substitution of re-rented equipment with owned assets, which will enhance profitability. These investments are projected to drive a 20% increase in rental turnover. Another key indicator of growth is the increasing number of new customers in Latvia and Estonia, which rose in 2024 compared to 2023 and is expected to continue growing in 2025. With these strategic adjustments, the Group forecasts an EBITDA increase to approximately EUR 2 million in 2025. This will lead to an improvement in financial ratios, reducing the Net Debt / EBITDA ratio to around 4.0.

FINANCIAL HIGHLIGHTS

Income Statement

€'000	12m 2024	12m 2023 Audited
Net turnover	10,775	11,152
Cost of goods sold (COGS)	8,432	8,371
Gross profit	2,343	2,781
Sales costs	1,294	1,289
Administration costs	861	903
Other operating income	305	204
Other operating expenses	50	51
EBIT	443	742
Other interest and similar income	6	884
Interest and similar expenses	876	949
Tax	-	3
Profit (loss)	-427	674
EBITDA	1,275	1,615

FINANCIAL HIGHLIGHTS

Balance Sheet

€'000	31.12.2024	2023 Audited
ASSETS	11,302	10,023
LONG-TERM INVESTMENTS	7,218	7,097
Intangible assets	90	117
Fixed assets	7,014	6,866
Non-current financial assets	114	114
CURRENT ASSETS	4,084	2,926
Inventories	2,416	1,216
Receivables	1,393	1,404
Cash	275	306
LIABILITIES	11,302	10,023
Adjusted EQUITY*	1,615	1,365
CREDITORS	9,687	8,658
Long-term creditors	5,180	5,667
Bond issue	4,500	4,500
Long-term leasing	680	1,167
Short-term creditors	1,249	988
Bond issue	0	988
Short-term leasing	1,249	-
Other short-term creditors	3,258	2,003

*Including Subordinated Debt 658 thousand EUR on 31.12.2024 and 601 thousand EUR on 31.12.2023.

FINANCIAL HIGHLIGHTS

Statement of Changes in Equity

€'000	Share capital	Share premium	Revaluation reserves	Foreign currency revaluation reserve	Retained loss	Profit for the reporting year	Total
BALANCE AT 01.01.2023	49	981	788	20	-1,969	295	164
Revaluation of property, plant and equipment	-	-	-73	-	-	-	-73
Profit carried forward	-	-	-	-	295	-295	0
Profit for year 2023	-	-	-	-	-	674	674
Foreign currency revaluation	-	-	-	-2	-	-	-2
BALANCE AT 31.12.2023	49	981	715	18	-1,674	674	763
Revaluation of property, plant and equipment, net	-	-	621	-	-	-	621
Profit carried forward	-	-	-	-	674	-674	0
Loss for year 2024	-	-	-	-	-	-427	-427
Foreign currency revaluation	-	-	-	-	-	-	0
BALANCE AT 31.12.2024	49	981	1,336	18	-1,000	-427	957

FINANCIAL HIGHLIGHTS

Cash Flow statement

€'000	12m 2024	12m 2023
Cash flows to/ from operating activities		
Profit or loss before corporate income tax	-427	681
Adjustments for:		
Depreciation and impairment of property, plant and equipment	690	732
Amortization and impairment of intangible assets	27	22
Gain or loss from fluctuations of currency exchange rates	-	-2
Gain or loss from disposal of property, plant and equipment	-156	-134
Other interest and similar income	-6	-888
Interest and similar expense	876	949
Profit or loss before adjustments for the effect of changes in current assets and current liabilities	1,004	1,360
• (increase) or decrease in receivables	7	-373
• (increase) or decrease in inventories	-1,195	-408
• increase or (decrease) in trade and other payables	1,293	759
Cash generated from operations	1,109	1,338
Corporate income tax paid	-	-4
Net cash flows to/ from operating activities	1,109	1,334

FINANCIAL HIGHLIGHTS

Cash Flow statement

€'000	12m 2024	12m 2023
Cash flows to/ from investing activities		
Purchase of property, plant and equipment and intangible assets	-122	-209
Proceeds from sale of property, plant and equipment and intangible assets	360	291
Loans issued	-	-
Loans repaid	-	-
Interest received	6	1
Net cash flows to/ from investing activities	244	83
Cash flows to/ from financing activities		
Expenditure on interest payments	-781	-818
Expenditure on fixed assets acquired under finance leases	-605	-584
Loans received	-	4,500
Loans repaid	-	-4,500
Net cash flows to/ from financing activities	-1,386	-1,402
Net foreign exchange difference	-	-
Net cash flow for the quarter	-33	15
Cash and cash equivalents at the beginning of the year	308	291
Cash and cash equivalents at the end of the quarter	275	306

FINANCIAL HIGHLIGHTS

Financial covenants calculation

	12m 2024	12m 2023
Capitalization Ratio	14%	23%
Net Debt Leverage Ratio	4.83	3.9
Collateral Coverage Ratio	1.83	1.54

ARSENAL

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