

CAPNOR WEASEL BIDCO OYJ

Interim report
January – September 2024



Interim Report for the third quarter of 2024

Third quarter highlights

- Revenue increased by 21% to MEUR 27.8 (22.9)
- Adjusted EBITDA decreased by 4% to MEUR 2.5 (2.6), corresponding to a 9% (11%) EBITDA margin
- Adjusted EBIT decreased to MEUR -0.7 (0.0), corresponding to a -2% (0%) EBIT margin
- Operational Cash Flow improved to MEUR 1.1 from MEUR -3.6 in the previous year

Significant events during the quarter

- iLOQ signed a global framework agreement with leading European residential real estate company, Heimstaden Bostad with a portfolio of approximately 160,000 apartments across nine countries
- iLOQ signed an agreement with Telia Towers Norway for the deployment of its innovative battery-free and keyless smart-locking system across the company's more than 1000 tower sites
- iLOQ announced after the review period that operations at its new North American distribution center (iLOQ NAM DC) have been ramped up and the first customer deliveries have now been sent out

EUR thousand	Q3 2024	Q3 2023	Change		9M 2024	9M 2023	Change	
			in %				in %	
Revenue	27,828	22,905	21 %		76,468	84,040	-9 %	141,318
EBITDA	2,507	1,679	49 %		3,436	10,579	-68 %	31,367
EBITDA margin	9 %	7 %			4 %	13 %		22 %
EBIT	-681	-948	-28 %		-5,553	2,899	-292 %	20,493
EBIT margin	-2 %	-4 %			-7 %	3 %		15 %
Operational Cash Flow	1,149	-3,639	-132 %		11,050	-2,779	-498 %	11,197
Operational Cash Flow %	4 %	-16 %			14 %	-3 %		8 %
Adjusted EBITDA*	2,507	2,609	-4 %		3,436	11,887	-71 %	32,673
Adjusted EBITDA margin*	9 %	11 %			4 %	14 %		23 %
Adjusted EBIT	-681	-18	3684 %		-5,553	3,277	-269 %	21,799
Adjusted EBIT margin	-2 %	0 %			-7 %	4 %		15 %
Adjusted Operational Cash Flow	1,149	-2,709	-142 %		11,050	-1,471	-851 %	12,504
Adjusted Operational Cash Flow %	4 %	-12 %			14 %	-2 %		9 %

* Year 2023 EBITDA, EBIT & Operational Cash Flow included an impact from the IT Salonen transaction and a brand renewal together with costs related to iLOQ 20 years anniversary, which have been treated as items affecting comparability. The adjustment related to brand renewal in 378 thousand euros. The adjustment related to IT Salonen acquisition was 60 thousand and iLOQ 20 years anniversary events 870 thousand euros. These costs have been excluded in the Adjusted EBITDA, EBIT and Operational Cash Flow figures above.

Management overview of the third quarter

iLOQ Group's revenue increased 21 percent compared to the corresponding period of the previous year. Negative market sentiment has persisted in the Nordics throughout the year, primarily due to delays in decision-making within the renovation market, which has impacted overall demand. This is largely driven by economic uncertainties, including inflation and rising material costs, leading to postponed projects. However, the worst of the slowdown appears to be behind, and early signs suggest improving market sentiment, particularly in government or municipalities owned projects and in rental housing.

That said, the market is not expected to experience a significant recovery in 2024, with growth remaining gradual. Despite this short-term slowdown, management remains confident in the long-term growth potential of the Nordic market as digital solutions are outgrowing mechanical locking systems. Delayed investments are expected to be temporary, and the underlying demand drivers remain intact. iLOQ is well-positioned to continue outperforming the market even during periods of slower activity, leveraging a strong project pipeline, customer relationships, and its focus on innovation.

iLOQ continues to invest in future growth and the market entry in the US, an enormous market and opportunity for iLOQ, is on schedule and progressing as planned. iLOQ has a local sales organization in place, which has already generated a solid pipeline in the US market. Logistic channels and partner networks are being built and the US standard ANSI cylinder products were launched at the year-end in 2023. Naturally, the growth ambitions including the establishment of a team in the US as well as expansion of product features has resulted in an increasing cost base. iLOQ announced after the review period that operations at its new North American distribution center (iLOQ NAM DC) have been ramped up and the first customer deliveries have now been sent out.

While a significant part of Q4 is still to be seen, management expects to see strong double digit growth also in the fourth quarter, building on the step-change in growth momentum seen in Q3.

Operational cashflow improved compared to the previous year mainly due to improvement in the net working capital efficiency.

Third quarter 2024

Total revenue increased 21% compared to Q3 2023. Still low activity in the multi-residential new construction and renovation markets in the Nordics, but good performance in the rest of the world continued and international expansion also underpinned the revenue compared to the same period in the previous year.

EBITDA amounted to MEUR 2.5 (1.7), corresponding to a 9% (7%) EBITDA margin.

EBIT amounted to MEUR -0.7 (-0.9), corresponding to a -2% (-4%) EBIT margin.

Operational cashflow was MEUR 1.1 (-3.6). Improvement was based on improved EBITDA and lower net working capital.

YTD September 2024

Total revenue decreased 9% compared to corresponding period in the previous year.

EBITDA amounted to MEUR 3.4 (10.6), corresponding to a 4% (13%) EBITDA margin. Gross margins have remained unchanged at the historical healthy levels. Continued investments in growth, including costs related to the US market entry, continued to increase opex and impacted EBITDA negatively especially in the first quarter, which in combination with lower delivery volumes resulted in the negative EBITDA development.

EBIT amounted to MEUR -5.6 (2.9), corresponding to a -7% (3%) EBIT margin.

Operational cashflow was MEUR 11.0 (-2.8). Improvement was based on lower net working capital.

Capnor Weasel Bidco Oyj successfully priced senior secured floating rate notes of EUR 55 million with a tenor of five years in March. The New Notes have a floating rate coupon of 3 months EURIBOR + 4.00 per cent per annum and final maturity in March 2029. Capnor Weasel Bidco Oyj intends to apply for listing of the New Notes on the corporate bond list of Nasdaq Stockholm. The total amount of different fees related to the transaction amounted to MEUR 1.4.

Quarterly Information

QUARTERLY INFORMATION	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Revenue	27,439	51,003	32,000	29,135	22,905	57,278	20,288	28,352	27,828
EBITDA	4,701	16,625	6,060	2,840	1,679	20,786	-3,098	4,027	2,507
EBITDA margin	17 %	33 %	19 %	10 %	7 %	36 %	-15 %	14 %	9 %
EBIT	2,414	13,952	3,542	305	-948	17,594	-5,835	963	-681
EBIT margin	9 %	27 %	11 %	1 %	-4 %	31 %	-29 %	3 %	-2 %
Operational Cash Flow	-2,372	7,065	7,753	-6,893	-3,639	12,295	10,433	-532	1,149
Operational Cash Flow %	-9 %	33 %	24 %	-24 %	-16 %	21 %	51 %	-2 %	4 %
Adjusted EBITDA	4,701	16,625	6,438	2,840	2,609	20,786	-3,098	4,027	2,507
Adjusted EBITDA margin	17 %	33 %	20 %	10 %	11 %	36 %	-15 %	14 %	9 %

Declaration of the Board

We confirm that, to the best of our knowledge, the condensed financial statements give a true and fair view of the Group's assets, liabilities, financial position and results of operations for the period. We also confirm, to the best of our knowledge, that the management overview includes a fair review of important events that have occurred during the first half of 2024.

Espoo November 14, 2024

Heikki Hiltunen
President and CEO

Magnus Hammarstöm
Member of the Board

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT, IFRS					
EUR Thousand	Q3 2024	Q3 2023	9M 2024	9M 2023	FY 2023
Revenue	27,828	22,905	76,468	84,040	141,318
Other income	3	0	11	0	35
Materials and services	-12,448	-9,572	-33,607	-36,971	-59,724
Employee benefit expenses	-8,621	-5,959	-24,555	-19,805	-26,908
Depreciation, amortisation and impairment losses	-3,188	-2,627	-8,989	-7,682	-10,873
Other operating expenses	-4,254	-5,695	-14,881	-16,683	-23,355
Operating profit	-681	-948	-5,553	2,899	20,493
Finance income	152	38	329	122	278
Finance cost	-1,522	-1,783	-5,614	-4,443	-6,330
Net financial expenses	-1,370	-1,745	-5,285	-4,321	-6,051
Profit (-loss) before taxes	-2,051	-2,693	-10,838	-1,422	14,442
Income taxes	8	224	425	-243	-3,338
Profit (loss) for the financial period	-2,043	-2,469	-10,412	-1,665	11,104
Items that may be subsequently reclassified to profit or loss					
Translation differences	338	7	279	15	25
Total comprehensive income	-1,705	-2,462	-10,133	-1,650	11,129

BALANCE SHEET

CONSOLIDATED BALANCE SHEET, IFRS			
EUR Thousand	Sept 2024	Sept 2023	Dec 2023
ASSETS			
Non-current assets			
Intangible assets	108,341	105,392	107,750
Goodwill	92,467	92,467	92,467
Property, plant and equipment	6,715	6,921	6,989
Deferred tax assets	536	415	395
Total non-current assets	208,060	205,195	207,601
Inventories	25,222	36,369	24,477
Trade and other receivables	20,363	17,943	36,908
Current tax receivables for the financial year	2,996	1,547	143
Cash and cash equivalents	2,718	2,133	7,397
Total current assets	51,300	57,992	68,925
Total assets	259,359	263,187	276,526
EQUITY & LIABILITIES			
Equity			
Share capital	80	80	80
Invested unrestricted equity fund	143,240	143,240	143,240
Translation difference	313	22	33
Retained earnings	16,597	15,225	27,972
Total equity	160,230	158,567	171,325
LIABILITIES			
Non-current liabilities			
Financial liabilities	54,634	54,987	54,979
Non-current lease liabilities	1,720	621	1,716
Non-current provisions	1,076	816	880
Deferred tax liabilities	15,928	16,598	16,316
Total non-current liabilities	73,358	73,022	73,891
Current liabilities			
Short-term interest-bearing liabilities	1,328	8,365	5,062
Account payables and other liabilities	21,420	21,353	22,401
Current lease liabilities	1,895	1,369	1,597
Current provisions	879	367	386
Current tax liabilities	250	144	1,864
Total current liabilities	25,771	31,598	31,309
Total liabilities	99,129	104,620	105,201
Total equity and liabilities	259,359	263,187	276,526

STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS			
EUR Thousand	9M 2024	9M 2023	FY 2023
CASH FLOW FORM OPERATING ACTIVITIES			
Profit (Loss) for the financial period	-10,412	-1,665	11,104
Adjustments:			
Depreciation and amortization	8,989	7,682	10,873
Unrealized exchange rate gains and losses	0	0	-306
Financial Income	-329	-122	-278
Financial Expense	5,614	4,443	6,330
Taxes	-425	243	3,338
Other adjustments	-370	0	-817
Change in Working Capital:			
Change in trade and other receivables	16,544	12,079	-6,886
Change in inventory	-745	-10,253	1,640
Change in trade and other payables	-1,223	-3,731	-1,417
Change in provisions	689	-94	-12
Interest paid	-3,818	-3,568	-5,127
Interest received	17	3	35
Income tax paid	-4,458	-3,778	-4,117
Other financial items	-1,493	-113	-138
Net cash flow from operating activities (A)	8,579	1,126	14,223
Cash flow from investing activities			
Payments from tangible assets sales	0	18	18
Investments in intangible assets	-7,274	-8,115	-12,892
Investments in tangible assets	-377	-1,583	-621
Business acquisitions	0	0	0
Net cash flow from investing activities (B)	-7,651	-9,680	-13,495
Cash flow from financing activities			
Common control merger	0	0	0
Payments of lease liabilities	-1,674	-1,331	-1,851
Withdrawals of short-term loans	1,331	5,000	8,365
Proceeds from short-term liabilities	-5,000	3,365	-3,365
Withdrawals of long-term loans	55,000	0	0
Payments of long-tem liabilities	-55,064	-61	-62
Net cash flow from financing activities (C)	-5,408	6,973	3,087
CHANGE IN CASH AND EQUIVALENTS (A+B+C)	-4,481	-1,582	3,813
Cash and cash equivalents, in the beginning of period			
	7,397	4,087	4,087
Net effect of exchange rate changes on cash and cash equivalents	-199	-372	-504
Cash and cash equivalents, at the end of period	2,718	2,133	7,397

Definitions of alternative performance measures

1. **EBITDA** = EBIT before depreciation, amortization and impairments
2. **Operational Cash Flow** = EBITDA + Change in trade and other receivables + Change in inventory + Change in trade and other payables + Change in provisions + Investments in intangible assets + Investments and Payments in tangible assets. Operational Cash Flow is used internally by the group to follow EBITDA which takes into account investments and change in working capital
3. **Operational Cash Flow %** = Operational Cash Flow / Revenue
4. **Adjusted EBITDA, Adjusted EBIT & Adjusted Operational Cash Flow** = Same as above but excluding an impact from the IT Salonen transaction, the brand renewal and the iLOQ 20 years anniversary events, which have been treated as items affecting comparability. Year 2023 EBITDA, EBIT & Operational Cash Flow included an impact from the IT Salonen transaction and the brand renewal together with costs related to iLOQ 20 years anniversary, which have been treated as items affecting comparability. The adjustment related to brand renewal in Q1 2023 was 378 thousand. The adjustment related to IT Salonen acquisition was 60 thousand and iLOQ 20 years anniversary events 870 thousand euros. Both took place in Q3 2023. These costs have been excluded in the Adjusted EBITDA, EBIT and Operational Cash Flow figures.

CONTACT

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