

Capnor Weasel BidCo

Interim Report
January – December 2019

Interim report for the fourth quarter and first twelve months of 2019

Fourth quarter highlights

- Revenues increased by 27% to MEUR 21.8 (17.1)
- The Q4 gross margin increased to 57% (54%)
- Adjusted EBITDA increased by 49% to MEUR 5.8 (3.9)

Significant events during the quarter

- Successful launch of the new product line, iLOQ S5, in the Nordic Countries
- Successful launch of the iLOQ S50 with iOS compatibility
- iLOQ Group acquired by Nordic Capital Fund IX

<i>The Group, in EUR thousands</i>	2019 Oct - Dec	2018 Oct - Dec	Change in %	2019 Jan- Dec	2018 Jan- Sep	Change in %	2018 Jan- Dec
Revenue	21,845	17,143	27%	61,074	50,249	22%	50,249
Gross profit	12,425	9,175	35%	33,550	27,137	24%	27,137
Gross margin	57%	54%		55%	54%		54%
Adjusted EBITDA*	5,775	3,876	49%	9,764	10,322	-5%	10,322
Adjusted EBITDA margin*	26%	23%		16%	21%		21%
Adjusted Operational Cash Flow*	3,081	1,555	98%	4,048	4,335	-7%	4,335
Adjusted Operational Cash Flow%**	53%	40%		41%	42%		42%

* Adjusted EBITDA excludes the impact from transaction related costs in connection with Nordic Capital Fund IX's acquisition of iLOQ.

** Adjusted Operational cash flow excludes the impact from transaction related costs in connection with Nordic Capital Fund IX's acquisition of iLOQ.

Management overview of Q4

In Q4, iLOQ launched its new iLOQ S5 product line in the Nordics. The launch was a success and received a very positive market response. With the next generation product lines, iLOQ S50 and iLOQ S5, now being launched, management believes that iLOQ is well positioned to further grow its leadership within electromechanical locking systems.

2019 Q4 saw the growth returning to targeted levels after the slightly slower growth rate in Q3. The launch of the new product line, iLOQ S5, in the Nordic countries contributed to the revenue growth. The first major deliveries of the iLOQ S50 product line also contributed positively to the growth in Q4.

Continued work on the dual sourcing strategy and focus on procurement savings resulted in improved margins.

In October, Nordic Capital Fund IX announced its acquisition of iLOQ through Capnor Weasel BidCo. The transaction was closed in December following approval by the relevant competition authorities.

In connection with the transaction, Capnor Weasel BidCo successfully issued Senior Secured Notes of MEUR 55.0.

Fourth quarter 2019

Revenue increased by 27%, driven by strong sales in the Nordics, the launch of the new product line, S5, and the iLOQ S50 product line, which is continuing to gain momentum in critical infrastructure segments.

Gross profit amounted to MEUR 12.4 (9.2), an increase by 35% compared to the same period last year. The gross margin amounted to 57% (54%). The 3p.p. improvement, compared to the same period last year, was due to productivity improvements, ramp up of our dual sourcing strategy and improved margin of the new iLOQ S5 product line.

Adjusted OPEX grew by 25% in Q4 y-o-y to MEUR 6.7 (5.3). The OPEX increase was mainly driven by increased sales and marketing expenses related to the iLOQ S5 launch, with some operating leverage achieved in the fixed cost base. Adjusted OPEX excluded MEUR +0.5 of one-off related transaction costs in Q4 (-0.3).

Adjusted EBITDA (excluding one-off items) amounted to MEUR 5.8, corresponding to a 26% EBITDA margin, an increase of 49% compared to the same period last year.

Adjusted Operational cash flow was MEUR 3.1 (1.6). The higher improvement in Operational cash flow compared to EBITDA was mainly explained by working capital improvements

January – December 2019

Revenue increased by 22%, driven by strong growth in the Nordics on the back of the S5 launch, and the first significant sales of the iLOQ S50 product line.

Gross profit amounted to MEUR 33.6 (27.1), an increase of 24% compared to last year. The gross margin amounted to 55% (54%), 1p.p. higher than last year due to the yearly price increase in the Nordic countries, productivity improvements, ramp up of our dual sourcing strategy and improved margin of the new product line, iLOQ S5, in Q4, partly offset by negative product mix effects.

Adjusted OPEX grew by 41% to MEUR 23.8 (16.8). The OPEX increase was mainly driven by increased investments within the sales and marketing and R&D organisations. Adjusted OPEX excluded MEUR -0.1 of one-off related transaction costs (-0.8).


Adjusted EBITDA (excluding one-off items) amounted to MEUR 9.8, a decrease of -5% compared to 2018. The resulting EBITDA margin for the full year was 16% (21%).

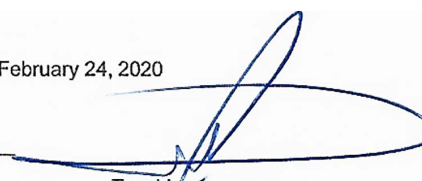
Adjusted Operational cash flow was MEUR 4.0 (4.3). The decrease was mainly explained by increased CAPEX investments compared to 2018

Declaration of the board

We confirm that, to the best of our knowledge, the condensed financial statements for the financial year 2019, has been prepared in accordance with Finnish Accounting Standards (FAS), and 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 financial year 2019.

Espoo February 24, 2020


 Heikki Hiltunen
 President and CEO


 Tzachi Wiesenfeld
 Chairman of the Board

Financial statement, Group

Consolidated statement of income

PROFIT AND LOSS

<i>EUR Thousand</i>	Bidco Group FAS 1.1.-31.12.2019	Capnor Weasel Bidco Oy FAS 1.1.-31.12.2019
Revenue	61,074	0
Other income	0	
Materials and services	-26,998	
Personnel expenses	0	
Employee benefit expenses	-13,146	
Depreciation, amortisation and impairment losses	-2,052	
Depreciation goodwill	-17,714	
Other expenses	-11,261	-2
Operating profit	-10,096	-2
Finance income	106	
Finance cost	-1,920	-1,497
Net finance costs	-1,815	-1,497
Profit (-loss) before taxes	-11,911	-1,499
Income taxes	-1,457	
Profit (-loss) for the financial year	-13,368	-1499

Consolidated statement of income

PROFIT AND LOSS

<i>EUR Thousand</i>	Bidco Group FAS 1.10.-31.12.2019	Capnor Weasel Bidco Oy FAS 1.10.-31.12.2019
Revenue	21,845	
Other income	0	
	0	
Materials and services	-9,277	
Personnel expenses	0	
Employee benefit expenses	-3,340	
Depreciation, amortisation and impairment losses	-5,061	
Other expenses	-2,918	-2
Operating profit	1,249	-2
Finance income	33	0
Finance cost	-1,595	-1,497
Net finance costs	-1,561	-1,497
Profit (-loss) before taxes	-312	-1,499
Income taxes	-1,133	0
Profit (-loss) for the financial year	-1,445	--1,499

Balance sheet

<i>EUR Thousand</i>	Bidco Group FAS 31.12.2019	Capnor Weasel Bidco Oy FAS 31.12.2019
Assets		
Non-current assets		
Intangible assets	8,433	0
Shares	0	194,969
Goodwill	177,135	0
Goodwill depreciation	-17,714	0
Tangible assets	2,131	0
Other non-current assets	0	0
Deferred tax assets	0	0
Total non-current assets	169,985	194,969
Current assets		
Inventories	7,092	0
Long-term receivable	0	0
Other receivables	11,172	729
Prepayments	369	0
Tax receivables	0	0
Deferred tax assets	55	0
Cash and cash equivalents	5,646	1,502
Total current assets	24,334	2,231
Total assets	194,319	197,200
Equity and liabilities		
Equity		
Share capital	0	0
Reserves	148,298	142,778
Translation difference	-8,637	0
Retained earnings	0	0
Profit and loss for the year	-13,368	-1,499
Total equity	126,293	141,279
Liabilities		
Interest-bearing financial liabilities	55,000	55,000
Provisions	0	0
Short-term interest-bearing liabilities	0	0
Short-term interest-free liabilities	13,027	920
Provisions	0	0
Deferred tax liabilities	0	0
Total liabilities	68,027	55,920
Total equity and liabilities	194,319	197,200

Consolidated statement of cash flows

<i>EUR Thousand</i>	Bidco Group 1.1.-31.12.2019
CASH FLOW FROM OPERATIONS	
Profit (loss) before taxes	-11,911
Adjustments:	
Planned depreciation	19,765
Unrealized exchange rate differences	9
Financial income	-106
Financial expenses	1,922
Before working capital	9,679
Change in working capital	
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-3,442
Increase (-) / decrease (+) in inventory	-1,560
Increase (+) / decrease (-) in current non-interest-bearing liabilities	4,114
Change in working capital	-887
Interest and other expenses paid for finance expenses from operations	-427
Interest received from business operations	163
Direct taxes paid	-905
Cash flow from operations (A)	7,622
CASH FLOW FROM INVESTMENTS	
Investments in tangible and intangible assets	-6,614
Repayment of loan receivables	2,980
Cash flow from investments (B)	-3,634
CASH FLOW FROM FINANCING	
Loans granted	-433
Share issue	0
Dividends paid and other distribution of profit	-2,398
Repayment of long term loans	-525
Cash flow from financing (C)	-3,356
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	633
Cash and cash equivalents at the beginning of the financial period	5,018
Exchange rate difference impact	-5
Cash and cash equivalents at the end of the financial period	5,646

Consolidated statement of cash flows

<i>EUR Thousand</i>	Bidco Group 1.10.-31.12.2019
CASH FLOW FROM OPERATIONS	
Profit (loss) before taxes	-312
Adjustments:	
Planned depreciation	5,061
Unrealized exchange rate differences	8
Financial income	-33
Financial expenses	1,592
Before working capital	6,316
Change in working capital	
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-4,220
Increase (-) / decrease (+) in inventory	465
Increase (+) / decrease (-) in current non-interest-bearing liabilities	2,473
Change in working capital	-1,282
Interest and other expenses paid for finance expenses from operations	-100
Interest received from business operations	113
Direct taxes paid	-515
Cash flow from operations (A)	4,532
CASH FLOW FROM INVESTMENTS	
Investments in tangible and intangible assets	-3,195
Repayment of loan receivables	2,662
Cash flow from investments (B)	-533
CASH FLOW FROM FINANCING	
Share issue	0
Repayment of short term loans	-2,544
Repayment of long term loans	-450
Cash flow from financing (C)	-2,994
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	1,005
Cash and cash equivalents at the beginning of the financial period	4,633
Exchange rate difference impact	8
Cash and cash equivalents at the end of the financial period	5,646

Notes to the interim consolidated financial statements

1. Reporting entity

Capnor Weasel BidCo (the Company) is domiciled in Finland. These condensed consolidated interim financial statements as at for the quarter ended December 31, 2019 comprise the Company and its subsidiaries (together referred to as the 'Group').

2. Accounting principles

These consolidated financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). These interim statements have not been audited.

Contact

Additional information about the company can be found on the corporate website www.iloq.com. The company can be contacted by e-mail, info@iloq.com.

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