

Capnor Weasel Bidco Oyj

Interim Report
January – June 2020



Interim report for the second quarter of 2020

Second quarter highlights (iLOQ Oy consolidated)

- Revenues increased by 5% to MEUR 14.0 (12.8)
- The Q2 gross margin decreased slightly to 54% (55%)
- Adjusted EBITDA increased by 4% to MEUR 2.1 (2.1)
- Operational Cash flow decreased to MEUR 0.1 (1.1)

Significant events during the quarter

- Actions in place to protect employee safety
- Successful virtual launch of the new generation iLOQ S5, in Central Europe despite COVID-19
- Actions to mitigate possible supply chain disruptions from COVID-19 continued successfully
- Despite COVID-19, the company continued to execute its growth strategy as planned and invest in future growth without laying off any employees

Capnor Weasel Bidco Group, in 1,000 EUR (IFRS)*	Apr-Jun 2020	Apr-Jun 2019	Change %	Jan-Jun 2020	Jan-Jun 2019	Change %	Jan-Dec 2019
Revenue	15,234			29,274			
Gross profit**	8,058			14,471			
Gross margin	53 %			49 %			
Adjusted EBITDA**	1,435			1,319			
Adjusted EBITDA margin	9 %			5 %			
Adjusted Operational Cash Flow**	-125			-100			
Adjusted Operational Cash Flow %	-9 %			-8 %			

* No financials available for 2019 H1

** 2020 Q1 Gross Profit includes an impact from goodwill bridge calculation in which there is an inventory fair value adjustment of MEUR -1.2. This adjustment was done in connection with Nordic Capital Fund IX's acquisition of iLOQ and is an NRI.

iLOQ Oy Consolidated, in 1,000 EUR (IFRS)	Apr-Jun 2020	Apr-Jun 2019	Change %	Jan-Jun 2020	Jan-Jun 2019	Change %	Jan-Dec 2019
Revenue	15,234	14,576	5 %	29,274	27,373	7 %	61,074
Gross profit	8,199	7,966	3 %	15,852	14,846	7 %	34,076
Gross margin	54 %	55 %		54 %	54 %		56 %
Adjusted EBITDA***	2,147	2,063	4 %	3,315	3,214	3 %	10,488
Adjusted EBITDA margin***	14 %	14 %		11 %	12 %		17 %
Adjusted Operational Cash Flow***	67	1,066	-94 %	1,061	3,687	-71 %	4,772
Adjusted Operational Cash Flow %***	3 %	52 %		32 %	115 %		45 %

*** EBITDA and Operational Cash Flow exclude the impact from transaction related costs in connection with Nordic Capital Fund IX's acquisition of iLOQ. The costs in 2020 Q2 were MEUR 0 (-0.196) and 2020 H1 MEUR -0.007 (-0.217).

Management overview of Q2

In Q2, iLOQ continued to market and sell its new iLOQ S5 product line in the Nordics and further launched the iLOQ S5 product line in the Central European markets. The digital launch of iLOQ S5 in Central Europe has been a success despite COVID-19 and has received a positive market response. With the next generation product lines, iLOQ S50 and iLOQ S5, now launched, management believes that iLOQ is well positioned to further grow its leadership within electromechanical locking systems.

The risks from possible supply chain disruptions due to COVID-19 have been mitigated by the company's sourcing strategy which distributes purchases and manufacturing across geographies. In addition, the management team has taken further measures to secure delivery capability and to mitigate possible unforeseen supply chain disruptions to be able to meet customer demand. This has resulted in higher inventory levels compared to 2019.

Despite COVID-19 resulting in most, if not all, physical marketing events in Q2 being cancelled, iLOQ has continued to actively pursue new opportunities and support our partner network in these unprecedented times. Management believes that, by keeping the organization fully employed and active during Q2, iLOQ is well positioned to execute its long-term growth strategy also in the second half of 2020.

The company has not had a need to utilize the drawn 10 MEUR SSRCF during Q2. The decision to draw on the SSRCF in Q1 was taken as a precaution to guarantee the company's liquidity in case of unforeseen impacts of COVID-19. To this date, the company has not experienced any significant COVID-19 related negative cash flow impacts. The management estimates that the company has been able to take the necessary and adequate steps to mitigate the potential COVID-19 related market disruptions.

Second quarter 2020 (iLOQ Oy Consolidated)

Total revenue grew 5% compared to Q2 2019, driven by strong sales in the Nordic countries with the exception of Finland being negatively impacted by COVID-19. The Central European markets were hit harder by the COVID-19 pandemic and had negative growth of 5 % compared to Q2 2019. The management team believes that, with the launch of the iLOQ S5 product line in Central Europe in Q2, the company is well positioned to regain the growth momentum in Central Europe in the second half of 2020.

Gross profit amounted to MEUR 8.2 (8.0), an increase by 3% compared to the same period last year. The gross margin amounted to 54% (55%). The 1p.p. decrease, compared to the same period last year, was mainly due to a management decision to build own production capability in our Oulu HQ and with that, guarantee the production capability in the case of an unforeseen COVID-19 related production issue. This negative impact was partly offset by productivity improvements and the continued ramp up of our dual sourcing strategy.

Adjusted OPEX grew by 4% in Q2 y-o-y to MEUR 6.2 (5.9). The OPEX increase was mainly driven by increased R&D expenses related to the iLOQ S5 launch. The higher R&D OPEX was mostly offset by COVID-19 related impacts e.g. lower traveling, cancelled physical sales events and exhibitions. Q2 2020 Adjusted OPEX did not include any adjustments for Non-Recurring items.

Adjusted EBITDA amounted to MEUR 2.1 (2.1), corresponding to 14% (14%) EBITDA margin, an increase of 4% compared to the same period last year.

Adjusted Operational cash flow was MEUR 0.1 (1.1). The decrease was mainly caused by the higher inventories to mitigate potential unforeseen COVID-19 related supply chain issues. The company is expected to continue to have higher than normal inventories during the COVID-19 pandemic to guarantee our ability to produce and ship iLOQ products to our customers.

First half 2020 (iLOQ Oy Consolidated)

Revenue increased by 7% compared to H1 2019, driven by strong sales in the Nordic countries with the exception of Finland. Despite COVID-19 having a negative impact during the second quarter in Central Europe, the region had growth of 9% in H1 2020 compared to H1 2019.

Gross profit amounted to MEUR 15.9 (14.8), an increase by 7% compared to the same period last year. The gross margin amounted to 54% (54%).

Adjusted OPEX grew by 9% in H1 y-o-y to MEUR 12.8 (11.7). The OPEX increase was mainly driven by increased R&D expenses related to the iLOQ S5 launch. Other contributing factors to the increased H1 OPEX were continued investments in sales and marketing activities.

Adjusted EBITDA amounted to MEUR 3.3 (3.2), corresponding to 11% (12%) EBITDA margin, an increase of 3% compared to the same period last year.

Adjusted Operational cash flow was MEUR 1.1 (3.7). The decrease was mainly caused by the company moving to using IFRS 16 reporting standards in the beginning of 2019. Compared to end of the financial year 2018, this created a MEUR 2.0 increase in liabilities due to the leasing costs now being categorized as liabilities and therefore a positive impact for the 2019 operational cashflow. The higher inventories to mitigate potential unforeseen COVID-19 caused supply chain difficulties also contributed to the decrease in operational cash flow. The company is expected to continue to have higher than normal inventories during the COVID-19 pandemic to guarantee our ability to produce and ship iLOQ products to our customers.

Declaration of the board

We confirm that, to the best of our knowledge, the condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and 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 first half 2020.

Espoo August 26, 2020

Heikki Hiltunen
President and CEO

Karl Petersson
Member of the Board

Financial statement, Group

Consolidated statement of income 01.01.2020 -30.06.2020

<i>1,000 EUR</i>	<i>Capnor Weasel Bidco Group</i> IFRS	<i>Capnor Weasel Bidco Oyj</i> FAS
Revenue	29,274	186
Other income	1	0
Materials and services	-14,803	0
Employee benefit expenses	-7,377	-235
Depreciation, amortization and impairment losses	-3,849	0
Other expenses	-5,776	-555
Operating profit	-2,530	-604
Finance income	61	0
Finance cost	-2,048	-1,723
Net finance costs	-1,987	-1,723
Profit (-loss) before taxes	-4,517	-2,327
Income taxes	701	0
Profit (-loss) for the financial year	-3,816	-2,327

Consolidated statement of balance sheet 30.06.2020

<i>1,000 EUR</i>	<i>Capnor Weasel Bidco Group IFRS</i>	<i>Capnor Weasel Bidco Oyj FAS</i>
Assets		
Non-current assets		
Intangible assets	103,498	0
Goodwill	91,672	0
Tangible assets	2,455	0
Leasings	1,224	0
Other non-current assets	0	194,969
Deferred tax assets	445	0
Total non-current assets	199,294	194,969
Current assets		
Inventories	7,948	0
Other receivables	7,885	76
Prepayments	655	0
Deferred tax assets	145	0
Cash and cash equivalents	13,565	10,073
Total current assets	30,198	10,149
Total assets	229,492	205,118
Equity and liabilities		
Equity		
Share capital	80	80
Reserves	142,980	142,980
Translation difference	2	0
Retained earnings	-5,021	-1,778
Profit and loss for the year	-3,816	-2,327
Total equity	134,225	138,955
Liabilities		
Interest-bearing financial liabilities	54,141	55,000
Long term Provisions	634	0
Long term Leasings	551	0
Short-term interest-bearing liabilities	10,000	10,000
Short-term interest-free liabilities	10,092	1 163
Short term Leasings	695	0
Deferred taxes	29	0
Short term Provisions	399	0
Deferred tax liabilities	18,726	0
Total liabilities	95,267	66,163
Total equity and liabilities	229,492	205,118

Consolidated statement of cash flows 01.01.2020- 30.06.2020

<i>1,000 EUR</i>	<i>Capnor Weasel Bidco Group IFRS</i>	<i>Capnor Weasel Bidco Oyj FAS</i>
CASH FLOW FORM OPERATING ACTIVITIES		
Profit (Loss) for the financial period	-3,816	-2,327
Adjustments:		
Depreciation and amortisation	3,849	0
Financial Income and Expense	1,987	1,723
Cash flow before change in working capital	2,020	-604
Change in Working Capital:		
Change in trade and other receivables	2,591	-68
Change in inventory	523	0
Change in trade and other payables	-2,304	829
Cash flow before financial items and taxes	2,830	157
Interest paid	-1,779	-1,723
Income tax paid	-1,041	
Net cash flow from operating activities (A)	10	-1,566
Cash flow from investing activities		
Purchases of tangible fixed assets	-588	0
Purchases of intangible fixed assets	-1,642	0
Net cash flow from investing activities (B)	-2,229	0
Cash flow from financing activities		
Withdrawal short term loan	10,000	10,000
Net cash flow from financing activities (C)	10,000	10,000
CHANGE IN CASH AND EQUIVALENTS (A+B+C)	7,781	8,434
Cash and equivalents, Jan 1	5,784	1,639
Cash and equivalents, at the end of period	13,565	10,073

iLOQ Oy consolidated IFRS

Consolidated statement of comprehensive income

<i>1,000 EUR</i>	H1 2020	H1 2019
Revenue	29,273	27,373
Other income	1	0
Changes in inventories of finished goods and work in progress		
Wok performed for own use		
Materials and services	-13,422	-12,527
Employee benefit expenses	-7,140	-6,934
Depreciation, amortisation and impairment losses	-1,607	-1,356
Other expenses	-5,404	-4,915
Operating profit	1,701	1,641
Finance income	60	62
Finance cost	-229	-272
Net finance costs	-170	-210
Profit (-loss) before taxes	1,532	1,431
Income taxes	-242	-315
Profit (-loss) for the financial year	1,290	1,116

iLOQ Oy consolidated IFRS

Consolidated statement of balance sheet 30.06.2020

<i>1,000 EUR</i>	2020	2019
Assets		
Non-current assets		
Intangible assets	9,226	7,447
Tangible assets	2,455	1,608
Leasings	1,223	1,519
Deferred tax assets	445	478
Total non-current assets	13,349	11,052
Current assets		
Inventories	7,948	5,698
Long-term receivable	0	2,662
Other receivables	8,606	7,353
Prepayments	655	0
Tax receivables	145	572
Cash and cash equivalents	3,461	1,318
Total current assets	20,815	17,603
Total assets	34,164	28,655
Equity and liabilities		
Equity		
Share capital	1,000	1,000
Reserves	5,682	5,098
Translation difference	2	-56
Retained earnings	14,158	9,073
Profit and loss for the year	1,290	1,116
Total equity	22,132	16,231
Liabilities		
Provisions	634	403
Long term Leasings	551	749
Short-term interest-bearing liabilities	0	651
Short-term interest-free liabilities	9,723	9,352
Short term Leasings	696	781
Dererred taxes	29	13
Provisions	399	475
Total liabilities	12,032	12,424
Total equity and liabilities	34,164	28,655

iLOQ Oy consolidated IFRS
Consolidated statement of cash flows

<i>1,000 EUR</i>	H1 2020	H1 2019
Profit (Loss) for the financial period	1,290	1,116
Adjustments:		
Non-cash items	0	40
Depreciation and amortisation	1,607	1,356
Financial Income	-61	-63
Financial Expense	230	272
Taxes	242	315
Change in Working Capital:		
Change in trade and other receivables	1,592	908
Change in inventory	-856	-166
Change in trade and other payables	-1,019	1,964
Change in provisions	259	-145
Interest paid	-55	-48
Income tax paid	-1,041	-1,012
Other financial items	-21	-22
Net cash flow from operating activities (A)	2,167	4,515
Cash flow from investing activities		
Purchases of tangible fixed assets	-588	-286
Purchases of intangible fixed assets	-1,642	-1,802
Net cash flow from investing activities (B)	-2,229	-2,087
Cash flow from financing activities		
Acquisition of own shares	0	-265
Proceeds from issuance of shares	0	150
Dividends paid	0	-2,472
Withdrawal short term loan	0	651
Payments of lease liabilities	-496	-429
Net cash flow from financing activities (C)	-496	-2,365
CHANGE IN CASH AND EQUIVALENTS (A+B+C)	-558	63
Cash and equivalents, Jan 1	4,110	1,218
Net effect of exchange rate changes on cash and cash equivalents	-91	-166
Cash and equivalents, at the end of period	3,461	1,115

Notes to the interim consolidated financial statements

1. Reporting entity

Capnor Weasel Bidco Oyj (the Company) is domiciled in Finland. These condensed consolidated interim financial statements for the quarter ended June 30, 2020 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 International Financial Reporting Standards (IFRS) and Finnish Accounting standards (FAS). These interim statements have not been audited.

3. Comments on financial results

The results of operations of iLOQ Oy are included in the consolidated financial statements of the Group from the date of acquisition, December 11, 2019. To provide meaningful information on the operational development, the financial comments refer to the financial performance of the underlying business of iLOQ Oy and its subsidiaries (together referred to as "iLOQ Oy consolidated").

Contact

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

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