

Capnor Weasel Bidco Oyj

Interim Report
January – September 2020



Interim report for the third quarter of 2020

Third quarter highlights (iLOQ Oy consolidated)

- Revenues increased by 38% to MEUR 16.4 (11.9)
- The Q3 gross margin remained flat at 56% (56%)
- Adjusted EBITDA increased by 155% to MEUR 3.5 (1.4)
- Operational Cash flow increased to MEUR 0.3 (-1.7)

Significant events during the quarter

- Actions in place to protect employee safety
- Actions to mitigate possible supply chain disruptions from COVID-19 continued successfully
- Despite COVID-19, the company continued to execute and invest in its long-term growth strategy as planned
- Strong new opportunities creation continued in Q3 by focusing in digital marketing activities

Capnor Weasel Bidco Group, in 1,000 EUR (IFRS)*	Jun-Sep 2020	Jun-Sep 2019	Change %	Jan-Sep 2020	Jan-Sep 2019	Change %	Jan-Dec 2019
Revenue	16,411			45,686			
Gross profit	9,239			23,710			
Gross margin	56 %			52 %			
EBITDA	3,672			4,991			
EBITDA margin	22 %			11 %			
Operational Cash Flow	1,459			2,590			
Operational Cash Flow %	40 %			52 %			

* No financials available for 2019

iLOQ Oy Consolidated, in 1,000 EUR (IFRS)	Jun-Sep 2020	Jun-Sep 2019	Change %	Jan-Sep 2020	Jan-Sep 2019	Change %	Jan-Dec 2019
Revenue	16,411	11,856	38 %	45,686	39,229	16 %	61,074
Gross profit	9,238	6,662	39 %	25,091	21,508	17 %	34,076
Gross margin	56 %	56 %		55 %	55 %		56 %
Adjusted EBITDA**	3,532	1,383	155 %	6,848	4,597	49 %	10,488
Adjusted EBITDA margin**	22 %	12 %		15 %	12 %		17 %
Adjusted Operational Cash Flow**	338	-1,669	-120 %	1,401	2,018	-31 %	4,772
Adjusted Operational Cash Flow %**	10 %	-121%		20 %	40 %	16 %	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 Q3 were MEUR 0 (-0.414) and 2020 YTD September MEUR -0.007 (-0.630).

Management overview of Q3

iLOQ's new iLOQ S5 product line has been well received in all geographies in which the company operates, which also is beginning to be seen as growing volumes. The digital launch of iLOQ S5 for Euro profile lock cylinders has been a success despite the COVID-19 situation and has received a positive market response. iLOQ announced in October that in a less than a year after its introduction to the market, the 1000th iLOQ S5 system had already been delivered.

Organizing face to face meetings with customers continued to be challenging in the third quarter in most of the countries in which iLOQ operates. As meetings have been held digitally there has only been a few projects, which have been postponed due to COVID-19. With the next generation product lines, iLOQ S50 and iLOQ S5, being well received by the customers, management believes that iLOQ is well positioned to further grow its leadership within electromechanical locking systems and continue to drive replacement of mechanical locking systems.

To support its leadership within electromechanical locking systems, iLOQ announced to have strengthened its management team with Thomas Thörewik being appointed as iLOQ's CSO and Timo Pirskanen being appointed as CFO of iLOQ during the third quarter. After the third quarter in November iLOQ announced to have extended its operations to Canada, which will allow iLOQ to introduce the benefits of its battery-free digital locking and mobile access sharing technology to a huge new market.

iLOQ continued to successfully mitigate the potential risks of possible supply chain disruptions due to COVID-19 by the company's sourcing strategy, which distributes purchases and manufacturing across several geographies. Management continued measures to secure delivery capability and to mitigate possible unforeseen supply chain disruptions in the third quarter to be able to meet customer demand. This has resulted in higher inventory levels compared to 2019.

iLOQ has continued to actively pursue new opportunities by moving to more digital ways of conducting sales and marketing, in addition to supporting our partner network in these unprecedented times. Management believes that, by being able to keep the organization fully employed and active, iLOQ is well positioned to continue executing its long-term growth strategy also in the fourth quarter of 2020, as well as in the coming years.

The company had stable cashflow situation in Q3 and hence did not need to utilize any of the drawn MEUR 10 SSRCF. The MEUR 10 SSRCF, originally drawn in March as a precaution for any unforeseen COVID-19 related issues, was paid back fully in September.

Third quarter 2020 (iLOQ Oy Consolidated)

Total revenue grew 38% compared to Q3 2019, driven by strong sales across all regions. The management team believes that, with the launch of the iLOQ S5 product line in Central Europe in Q2 and the decision to not lay off any employees during Q2 and Q3 the company has been able to take market share in Q3 and is well positioned to continue the growth momentum in all regions during Q4 2020.

Gross profit amounted to MEUR 9.2 (6.7), an increase by 39% compared to the same period last year. The gross margin amounted to 56% (56%). The management decision done in Q2 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 issues contributed negatively to the gross profit development. This negative impact was offset by productivity improvements and the continued ramp up of our dual sourcing strategy.

Adjusted OPEX grew by 8% in Q3 y-o-y to MEUR 5.9 (5.4). 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. Q3 2020 Adjusted OPEX did not include any adjustments for items affecting comparability.

Adjusted EBITDA amounted to MEUR 3.5 (1.4), corresponding to 22% (12%) EBITDA margin, an increase of 155% compared to the same period last year.

Adjusted Operational cash flow was MEUR 0.3 (-1.7). The increase was mainly caused by the improved profitability. 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. These higher inventory levels may have a negative impact to the operational cashflow in Q4.

YTD September 2020 (iLOQ Oy Consolidated)

Revenue increased by 16% compared to YTD September 2019, driven by strong sales in the Nordic countries. Despite COVID-19 continuing to have a negative impact during the third quarter in Central and Southern Europe versus the targeted growth levels, the region still had growth of 33% in YTD September 2020 compared to YTD September 2019.

Gross profit amounted to MEUR 25.1 (21.5), an increase by 17% compared to the same period last year. The gross margin amounted to 55% (55%).

Adjusted OPEX grew by 9% in YTD September y-o-y to MEUR 18.6 (17.1). The OPEX increase was mainly driven by increased R&D expenses related to the iLOQ S5 launch. Other contributing factors to the increased OPEX were continued investments in sales and marketing activities.

Adjusted EBITDA amounted to MEUR 6.8 (4.6), corresponding to 15% (12%) EBITDA margin, an increase of 49% compared to the same period last year.

Adjusted Operational cash flow was MEUR 1.4 (2.0). 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 November 23, 2020

Heikki Hiltunen
President and CEO

Karl Petersson
Member of the Board

Financial statement, Group

Consolidated statement of income 01.01.2020 -30.09.2020

<i>1,000 EUR</i>	<i>Capnor Weasel Bidco Group</i> IFRS	<i>Capnor Weasel Bidco Oyj</i> FAS
Revenue	45,685	360
Other income	1	0
Materials and services	-21,975	0
Employee benefit expenses	-10,552	-372
Depreciation, amortization and impairment losses	-5,507	0
Other expenses	-8,168	-642
Operating profit	-516	-654
Finance income	92	0
Finance cost	-3,114	-2,631
Net finance costs	-3,022	-2,631
Profit (-loss) before taxes	-3,538	-3,285
Income taxes	507	0
Profit (-loss) for the financial year	-3,031	-3,285

Consolidated statement of balance sheet 30.09.2020

1,000 EUR	Capnor Weasel Bidco Group IFRS	Capnor Weasel Bidco Oyj FAS
Assets		
Non-current assets		
Intangible assets	102,899	0
Goodwill	91,672	0
Tangible assets	2,424	0
Leasings	985	0
Other non-current assets	0	194,783
Deferred tax assets	474	0
Total non-current assets	198,454	194,783
Current assets		
Inventories	9,781	0
Other receivables	8,961	84
Prepayments	488	0
Deferred tax assets	0	0
Cash and cash equivalents	3,773	229
Total current assets	23,002	313
Total assets	221,456	195,096
Equity and liabilities		
Equity		
Share capital	80	80
Reserves	142,980	142,980
Translation difference	-11	0
Retained earnings	-4,996	-1,778
Profit and loss for the year	-3,031	-3,285
Total equity	135,023	137,998
Liabilities		
Interest-bearing financial liabilities	54,175	55,000
Long term Provisions	744	0
Long term Leasings	442	0
Short-term interest-bearing liabilities	0	0
Short-term interest-free liabilities	11,208	2,098
Short term Leasings	565	0
Deferred taxes	420	0
Short term Provisions	435	0
Deferred tax liabilities	18,444	0
Total liabilities	86,433	57,098
Total equity and liabilities	221,456	195,096

Consolidated statement of cash flows 01.01.2020- 30.09.2020

1,000 EUR	Capnor Weasel Bidco Group IFRS	Capnor Weasel Bidco Oyj FAS
CASH FLOW FORM OPERATING ACTIVITIES		
Profit (Loss) for the financial period	-3,031	-3,285
Adjustments:		
Depreciation and amortisation	5,507	0
Financial Income and Expense	3,021	2,631
Taxes	-507	0
Change in Working Capital:		
Change in trade and other receivables	1,536	-77
Change in inventory	-1,309	0
Change in trade and other payables	-19	1,951
Change in provisions	405	
Interest paid	-2,506	-2,631
Income tax paid	-1,010	
Other financial items	-211	
Net cash flow from operating activities (A)	1,876	-1,410
Cash flow from investing activities		
Purchases of tangible fixed assets	-622	0
Purchases of intangible fixed assets	-2,396	0
Net cash flow from investing activities (B)	-3,018	0
Cash flow from financing activities		
Payments of lease liabilities	-734	0
Net cash flow from financing activities (C)	-734	0
CHANGE IN CASH AND EQUIVALENTS (A+B+C)	-1,876	-1,410
Cash and cash equivalents, Jan 1	5,784	1,639
Net effect of exchange rate changes on cash and cash equivalents	-135	0
Cash and cash equivalents, at the end of period	3,773	229

iLOQ Oy consolidated IFRS

Consolidated statement of comprehensive income

1,000 EUR	Jan-Sep 2020	Jan-Sep 2019
Revenue	45,685	39,229
Other income	1	0
Changes in inventories of finished goods and work in progress		
Wok performed for own use		
Materials and services	-20,595	-17,721
Employee benefit expenses	-10,180	-9,883
Depreciation, amortisation and impairment losses	-2,500	-2,079
Other expenses	-8,070	-7,659
Operating profit	4,342	1,888
Finance income	92	72
Finance cost	-354	-354
Net finance costs	-261	-282
Profit (-loss) before taxes	4,081	1,606
Income taxes	-718	-348
Profit (-loss) for the financial year	3,363	1,258

iLOQ Oy consolidated IFRS

Consolidated statement of balance sheet 30.09.2020

1,000 EUR	2020	2019
Assets		
Non-current assets		
Intangible assets	9,393	7,864
Tangible assets	2,424	2,032
Leasings	985	1,674
Deferred tax assets	474	483
Total non-current assets	13,276	12,052
Current assets		
Inventories	9,781	7,556
Long-term receivable	0	2,662
Other receivables	10,501	6,862
Prepayments	488	0
Tax receivables	0	497
Cash and cash equivalents	3,513	851
Total current assets	24,283	18,428
Total assets	37,559	30,480
Equity and liabilities		
Equity		
Share capital	1,000	1,000
Reserves	5,682	5,099
Translation difference	-11	-29
Retained earnings	14,184	9,081
Profit and loss for the year	3,363	1,258
Total equity	24,218	16,408
Liabilities		
Provisions	744	435
Long term Leasings	442	762
Short-term interest-bearing liabilities	0	2,544
Short-term interest-free liabilities	10,735	8,934
Short term Leasings	565	931
Dererred taxes	420	18
Provisions	435	448
Total liabilities	13,341	14,072
Total equity and liabilities	37,559	30,480

iLOQ Oy consolidated IFRS
Consolidated statement of cash flows

1,000 EUR	Jan-Sep 2020	Jan-Sep 2019
Profit (Loss) for the financial period	3,363	1,254
Adjustments:		
Non-cash items	0	76
Depreciation and amortisation	2,500	2,079
Financial Income	-92	-72
Financial Expense	354	354
Taxes	718	352
Change in Working Capital:		
Change in trade and other receivables	-136	1,421
Change in inventory	-2,690	-2,024
Change in trade and other payables	-8	1,584
Change in provisions	405	-141
Interest paid	-95	-58
Interest received	0	1
Income tax paid	-1,011	-841
Other financial items	-18	37
Net cash flow from operating activities (A)	3,290	3,948
Cash flow from investing activities		
Purchases of tangible fixed assets	-623	-963
Purchases of intangible fixed assets	-2,395	-2,456
Net cash flow from investing activities (B)	-3,018	-3,419
Cash flow from financing activities		
Acquisition of own shares		-265
Proceeds from issuance of shares	0	150
Dividends paid	0	-2,472
Withdrawal short term loan	0	2,544
Payments of lease liabilities	-734	-640
Net cash flow from financing activities (C)	-734	-683
CHANGE IN CASH AND EQUIVALENTS (A+B+C)	-462	-154
Cash and equivalents, Jan 1	4,110	1,218
Net effect of exchange rate changes on cash and cash equivalents	-135	-213
Cash and equivalents, at the end of period	3,513	851

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 September 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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