

CAPNOR WEASEL BIDCO OYJ

Interim Report
January – September 2023



Interim Report for the third quarter of 2023

Third quarter highlights

- Revenue decreased by 17% to MEUR 22.9 (27.4)
- EBITDA decreased to MEUR 1.7(4.7), corresponding to a 7% (17%) EBITDA margin
- EBIT decreased to MEUR -0.9 (2.4), corresponding to a -4% (9%) EBIT margin
- Operational Cash Flow was negative at MEUR -3.6 (-2.4)

Significant events during the quarter

- iLOQ announced in September that it will continue its growth strategy by expanding to Australia. iLOQ currently has sales offices in thirteen countries in Europe, the Middle East, USA and Canada, as well as a comprehensive global partner network.
- iLOQ announced in September that it has received LenelS2 factory certification and joined the LenelS2 OpenAccess Alliance Program (OAAP). LenelS2 is the global leader in advanced physical security solutions, including access control, video surveillance and mobile credentialing.
- iLOQ published its Sustainability Report in July.

EUR thousand	Q3 2023	Q3 2022	Change in %	9M 2023	9M 2022	Change in %	FY 2022
Revenue	22,905	27,439	-17 %	84,040	81,945	3 %	132,948
EBITDA	1,679	4,701	-64 %	10,579	14,753	-28 %	31,379
EBITDA margin	7 %	17 %		13 %	18 %		24 %
EBIT	-948	2,414	-139 %	2,899	7,902	-63 %	21,853
EBIT margin	-4 %	9 %		3 %	10 %		16 %
Operational Cash Flow	-3,639	-2,358	54 %	-2,779	1,520	-283 %	8,568
Operational Cash Flow %	-16 %	-9 %		-3 %	2 %		6 %
Adjusted EBITDA*	2,609	4,701	-45 %	11,887	14,753	-19 %	31,867
Adjusted EBITDA margin*	11 %	17 %		14 %	18 %		24 %
Adjusted EBIT	-18	2,414	-101 %	3,277	8,390	-61 %	22,342
Adjusted EBIT margin	0 %	9 %		4 %	10 %		17 %
Adjusted Operational Cash Flow	-2,709	-2,358	15 %	-1,471	2,009	-173 %	9,056
Adjusted Operational Cash Flow %	-12 %	-9 %		-2 %	2 %		7 %

* Q3 2023, 9M 2023, 9M 2022 and Q2 2022 and year 2022 EBITDA, EBIT & Operational Cash Flow included an impact from a brand renewal project, IT Salonen transaction and a market study conducted with external companies together with costs related to iLOQ 20 years anniversary, which have been treated as items affecting comparability. The adjustment related to brand renewal was 378 thousand euros, IT Salonen acquisition 60 thousand euros, market study 488 thousand euros 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 declined compared to the corresponding period of the previous year due to low activity in the multi-residential new construction and renovation market in the Nordics. The negative performance in the Nordics was further enhanced by adverse FX effects, primarily due to a weaker SEK. Strong performance continued in the rest of the world compared to the same period in the previous year. Revenue declined 17% compared to the same period in the previous year.

Prevailing geopolitical risks related to Russia's invasion of Ukraine and the resulting rise in energy prices, together with an increasing interest rate environment have had a negative impact on the real estate sector during 2023. Especially the new construction market has been affected, which constitutes only a small part of iLOQ's revenue base. However, continued postponement in decision making in the renovation market has also affected overall demand in the third quarter. Management is confident that the long-term growth potential and drivers in the market remain intact despite a short-term slowdown, due to delayed investments by customers, and that iLOQ is well positioned to continue to outgrow the market also during periods of softer market activity.

iLOQ continues to invest in future growth and the market entry to the US is on schedule and progressing as planned. An expansion to Australia was announced during the reporting period. iLOQ has a local sales organization in place, which has already generated a solid pipeline and leads in the US. Logistic channels and partner network are being built and final steps of the ANSI cylinder product development are being completed. Management expects the market entry for the US built environment market to take place during the fourth quarter of this year.

iLOQ has been able to successfully mitigate supply-chain disruptions in the market to be able to meet customer demand. However, inventory levels remained high, despite the destocking, as the company is simultaneously preparing its end-product inventory for the normal seasonal volume growth and to meet delivery capability for the current strong pipeline in the critical infrastructure segment. The increase in working capital had a negative effect on the Group's cashflow in the second quarter.

The third quarter of 2023 included multiple significant events for iLOQ:

iLOQ announced in September that it continues to pursue its growth strategy by expanding to Australia. iLOQ currently has sales offices in thirteen countries in Europe, the Middle East, USA and Canada, as well as a comprehensive global partner network. Starting operations in Australia will advance iLOQ's growth strategy and opens up a large new market for the company.

iLOQ announced in September that it has received LenelS2 factory certification and joined the LenelS2 OpenAccess Alliance Program (OAAP). The iLOQ 5 Series access management platform interfaces with the OnGuard® access control system to allow fast, secure and convenient daily management of iLOQ S5 keys and key users. iLOQ has completed the required factory testing at LenelS2 to validate the functionality of its interface to the OnGuard system. LenelS2 is the global leader in advanced physical security solutions, including access control, video surveillance and mobile credentialing.

iLOQ published a Sustainability Report in July. iLOQ takes a holistic 360-degree approach to sustainability. This means looking at all ESG factors, not only in the company's day-to-day operations but, across the entire supply chain and throughout the lifecycle of its solutions. Continuous development of the circular economy and sustainable performance is a core part of iLOQ's strategy.

Third quarter 2023

Total revenue declined 17% compared to Q3 2022. The decline was mainly due to low activity in the multi-residential new construction and renovation market in the Nordics. The negative performance in the Nordics was further enhanced by adverse FX effects, primarily due to a weaker SEK. However, the strong performance continued in the rest of the world compared to the same period in the previous year.

EBITDA amounted to MEUR 1.7 (4.7), corresponding to a 7% (17%) EBITDA margin. EBITDA margin was negatively impacted by the decline in revenue. Gross margins have remained unchanged at the historical healthy levels. Continued investments in growth, including costs related to the US market entry, also increased opex and impacted EBITDA negatively in the quarter.

EBIT amounted to MEUR -0.9 (2.4), corresponding to a -4% (9%) EBIT margin.

Operational Cash Flow was MEUR -3.6 (-2.4). Inventory levels remained high as the company is preparing its end product inventory for the normal seasonal volume growth and to meet the required delivery capability for the remainder of the year.

YTD September 2023

Total revenue grew 3% compared to 9M 2022. Revenue declined in the Nordics, while strong performance continued in the rest of the world compared to the same period in the previous year.

EBITDA amounted to MEUR 10.6 (14.8), corresponding to a 13% (18%) EBITDA margin. EBITDA margin was negatively impacted by the low revenue growth and growth investments in the US and Australia market entries.

EBIT amounted to MEUR 2.9 (7.9), corresponding to a 3% (10%) EBIT margin.

Operational Cash Flow was MEUR -2.8 (1.5). Operational cash flow was negatively impacted by low revenue growth and normal seasonal inventory build-up.

Quarterly Information

QUARTERLY INFORMATION	Q3 2021	Q4 2021	Q1 2022	Q3 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Revenue	21,282	39,424	25,716	28,790	27,439	51,003	32,000	29,135	22,905
EBITDA	3,986	11,818	5,368	4,684	4,701	16,625	6,060	2,840	1,679
EBITDA margin	19 %	30 %	21 %	16 %	17 %	33 %	19 %	10 %	7 %
EBIT	1,902	9,758	3,083	2,405	2,414	13,952	3,542	305	-948
EBIT margin	9 %	25 %	12 %	8 %	9 %	27 %	11 %	1 %	-4 %
Operational Cash Flow	-859	10,114	3,451	442	-2,372	16,625	7,753	-6,893	-3,639
Operational Cash Flow %	-4 %	26 %	13 %	2 %	-9 %	33 %	24 %	-24 %	-16 %
Adjusted EBITDA	3,986	11,818	5,368	5,172	4,701	16,625	6,438	2,840	2,609
Adjusted EBITDA margin	19 %	30 %	21 %	18 %	17 %	33 %	20 %	10 %	11 %

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 nine months of 2023.

Espoo November 14, 2023

Heikki Hiltunen
President and CEO

Karl Petersson
Member of the Board

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT, IFRS					
EUR Thousand	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Revenue	22,905	27,439	84,040	81,945	132,948
Other income	0	0	0	0	0
Materials and services	-9,572	-12,467	-36,971	-35,946	-56,846
Employee benefit expenses	-5,959	-5,927	-19,805	-18,912	-26,191
Depreciation, amortisation and impairment losses	-2,627	-2,287	-7,682	-6,852	-9,525
Other operating expenses	-5,695	-4,343	-16,683	-12,333	-18,533
Operating profit	-948	2,414	2,899	7,902	21,853
Finance income	38	100	122	110	122
Finance cost	-1,783	-1,146	-4,443	-3,309	-4,599
Net financial expenses	-1,745	-1,046	-4,321	-3,199	-4,478
Profit (-loss) before taxes	-2,693	1,368	-1,422	4,703	17,376
Income taxes	224	-510	-243	-1,587	-3,648
Profit (loss) for the financial period	-2,469	857	-1,665	3,115	13,728
Items that may be subsequently reclassified to profit or loss					
Translation differences	7	6	15	18	12
Total comprehensive income	-2,462	864	-1,650	3,134	13,740

BALANCE SHEET

CONSOLIDATED BALANCE SHEET, IFRS			
EUR Thousand	Sept 2023	Sept 2022	Dec 2022
ASSETS			
Non-current assets			
Intangible assets	105,392	102,155	102,774
Goodwill	92,467	92,409	92,412
Property, plant and equipment	6,921	6,909	7,334
Deferred tax assets	415	381	447
Total non-current assets	205,195	201,854	202,967
Inventories	36,369	28,776	26,117
Trade and other receivables	17,943	18,151	30,022
Current tax receivables for the financial year	1,547	0	51
Cash and cash equivalents	2,133	1,961	4,087
Total current assets	57,992	48,888	60,277
Total assets	263,187	250,743	263,245
EQUITY & LIABILITIES			
Equity			
Share capital	80	80	80
Invested unrestricted equity fund	143,240	143,264	143,240
Translation difference	22	14	7
Retained earnings	15,225	7,009	17,658
Total equity	158,567	150,366	160,986
LIABILITIES			
Non-current liabilities			
Financial liabilities	54,987	54,851	54,899
Non-current lease liabilities	621	1,331	1,499
Non-current provisions	816	39	574
Deferred tax liabilities	16,598	17,463	17,246
Total non-current liabilities	73,022	73,683	74,219
Current liabilities			
Short-term interest-bearing liabilities	8,365	2,167	0
Account payables and other liabilities	21,353	21,968	24,185
Current lease liabilities	1,369	1,401	1,559
Current provisions	367	841	704
Current tax liabilities	144	316	1,593
Total current liabilities	31,598	26,693	28,040
Total liabilities	104,620	100,376	102,259
Total equity and liabilities	263,187	250,743	263,245

STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS EUR Thousand	9M 2023	9M 2022	FY2022
CASH FLOW FORM OPERATING ACTIVITIES			
Profit (Loss) for the financial period	-1,665	3,115	13,728
Adjustments:			
Depreciation and amortization	7,682	6,852	9,525
Unrealized exchange rate gains and losses	0	0	38
Financial Income	-122	-110	-122
Financial Expense	4,443	3,309	4,599
Taxes	243	1,587	3,648
Other adjustments	0	0	0
Change in Working Capital:			
Change in trade and other receivables	12,079	-1,258	-13,341
Change in inventory	-10,253	-8,962	-6,303
Change in trade and other payables	-3,731	3,787	6,057
Change in provisions	-94	-936	-537
Interest paid	-3,568	-2,457	-3,356
Interest received	3	0	0
Income tax paid	-3,778	-3,257	-4,341
Other financial items	-113	-168	-294
Net cash flow from operating activities (A)	1,126	1,502	9,302
Cash flow from investing activities			
Payments from tangible assets sales	18	14	31.4
Investments in intangible assets	-8,115	-4,518	-6,937
Investments in tangible assets	-1,583	-1,346	-1,750
Business acquisitions	0	-1,716	-1,716
Net cash flow from investing activities (B)	-9,680	-7,566	-10,371
Cash flow from financing activities			
Common control merger	0	0	
Payments of lease liabilities	-1,331	-1,178	-1,697
Withdrawals of short-term loans	5,000	0	0
Proceeds from short-term liabilities	3,365	2,167	-6
Payments of short-tem liabilities	-61	-6	
Net cash flow from financing activities (C)	6,973	983	-1,703
CHANGE IN CASH AND EQUIVALENTS (A+B+C)	-1,582	-5,080	-2,772
Cash and cash equivalents, in the beginning of period			
	4,087	7,536	7,536
Net effect of exchange rate changes on cash and cash equivalents	-372	-495	-677
Cash and cash equivalents, at the end of period	2,133	1,961	4,087

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 a brand renewal project, a market study, IT-Salonen acquisition and iLOQ 20 years anniversary which have been treated as items affecting comparability. The adjustment related to brand renewal in Q1 2023 was 378 thousand euros, in Q3 2023 IT Salonen acquisition 60 thousand euros and iLOQ 20 years anniversary 870 thousand euros. In FY 2022 conducted market study adjustment was 488 thousand euros. These costs have been excluded in the Adjusted EBITDA, EBIT and Operational Cash Flow figures above.

CONTACT

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