

## **Componenta Corporation's business review 1 January–30 September 2024: Net sales and EBITDA decreased despite positive developments in Q2 and Q3**

*Componenta Corporation stock exchange release, 1 November 2024 at 8 a.m. EET*

### **January–September 2024**

- Net sales totalled EUR 70.3 million (EUR 80.1 million)
- EBITDA was EUR 3.1 million (EUR 5.8 million)
- The operating result was EUR -0.9 million (EUR 5.7 million\*)
- Cash flow from operating activities was EUR 1.0 million (EUR 2.7 million).

### **July–September 2024**

- Net sales totalled EUR 20.3 million (EUR 19.9 million)
- EBITDA was EUR 1.2 million (EUR 0.4 million)
- The operating result was EUR -0.1 million (EUR 3.2 million\*)
- Cash flow from operating activities was EUR -0.8 million (EUR -2.7 million).

\* The operating result for the comparison period included a one-off gain of EUR 4.2 million arising from the reversal of an impairment loss related to production machinery and equipment in the foundry business.

The information presented in this business review concerns the Componenta Group's performance in January–September 2024 and in the corresponding period in 2023, unless otherwise stated.

This is not an interim report in accordance with the IAS 34 standard. The company complies with half-year reporting in accordance with the Securities Markets Act. For the first three and nine months of the year, the company publishes business reviews containing key information concerning its financial performance.

The financial information presented in this review is unaudited.

### **Componenta's guidance for 2024**

Componenta expects the Group's net sales and EBITDA to improve from the previous year. The Group's net sales in 2023 were EUR 101.8 million, and its EBITDA was EUR 5.3 million.

The possible development of customers' sales volumes, poor availability of raw materials, increases in the prices of raw materials and electricity, and the general economic situation, labour market situation and competitive climate may affect business outlooks. In addition, the development of sales and profitability involves uncertainties because of increased geopolitical tensions. An unfavourable development of the geopolitical situation may also have a negative impact on the financial market, sales volumes, the availability and price development of raw materials and electricity, and the availability of foreign labour, all of which increase forecasting uncertainty.

## **Sami Sivuranta, President and CEO:**

“Our performance in the first three quarters of 2024 was at a more moderate level than expected. Volume and order book development remained at a clearly lower level throughout the review period than was expected in the first half of the year. The main reasons for this are slow general economic recovery and particularly the exceptionally low level of demand in the agricultural machinery industry, which has continued across Europe. Although order books and backlogs have gradually begun to pick up for some customers in the second half of the year, expectations of growth have been postponed until 2025 for the majority of customers. Despite of weaker than expected operating environment, current volume outlook and orderstock as well as product portfolio development, timing of customer deliveries and sales price changes support our full year 2024 guidance.

Low utilisation rates, especially in our iron foundries, had a negative impact on our profitability in the first quarter. Despite the low utilisation rates, we ramped up serial production for volume products, which had a negative impact on production efficiency and quality level. Starting in the second quarter, our high-quality production capability has improved through systematic measures.

Overall, the decrease in net sales in the review period was caused by lower delivery volumes and lower main raw material and energy index levels in the first half of the year. These indices are included in our sales prices.

Our order book started to grow slightly in the second quarter. The growth continued in the third quarter, when our total sales were higher than in the comparison period. However, order book development in the first half of the year was more modest than expected, and we have implemented a temporary pricing change that will take effect at the beginning of the last quarter of the year. We have also actively adjusted our operations to meet the lower volume and order book levels. As a result of our improved high-quality production capability and our adjustment measures, profitability improved clearly in the second and third quarters, compared with the first quarter. Our liquidity remained at a good level throughout the review period.

We were able to maintain good service capability across the Group despite the challenging operating environment. Inflation has stabilised at a moderate level, and the availability of raw materials, other materials and components is currently at a good level. We are actively monitoring market developments and ensuring that our own supply chains continue to work effectively. At the moment, there are no significant near-term risks in the availability of electricity, but the general price level of electricity involves uncertainties. Significant price fluctuations within a day and their management have become part of daily life in energy-intensive industries.

During the third quarter, we also made preparations by planning integration measures related to the acquisition we announced in July concerning the Kalajoki plant and the Sepänkylä machining and service centre. The transaction was completed as planned at the beginning of October. The expertise and technologies gained through the acquisition will expand the company’s production portfolio and complement its overall offering as a contract manufacturer also for heavier production. Componenta will also be able to make more extensive use of internal supply chains in terms of sheet metal cutting deliveries and heavy machining, for example.

We have continued to implement our strategy in accordance with our action plans. We are determined to continue to meet our customers’ expectations and demands in the coming years,

even more actively than today. As a contract manufacturer, we will continue to pursue measures to strengthen our market position, and we are working to be the preferred sustainable total supplier to our customers, with a wide offering.”

## **Order book**

Our order book totalled EUR 13.9 million at the end of the review period (EUR 13.5 million). The order book increased by EUR 3.1 million from the end of June 2024. The order book contains the orders confirmed to customers for the next two months. The order book does not include the orders of the Kalajoki plant and the Sepänkylä machining and service centre, which Componenta acquired from Fortaco Group on 1 October 2024.

## **Agreement with the Defence Forces**

On 31 May 2024, Componenta announced that the Minister of Defence had approved the proposal of the Ministry of Defence, supported by the Finance Committee of the Parliament of Finland, to acquire 120 mm shell-tailed compositions for the Defence Forces during 2025–2028. The total value of the transaction is around EUR 50 million, including an option worth around EUR 9 million for 2028.

## **Net sales**

Componenta Group's net sales decreased by 12% in the review period and amounted to EUR 70.3 million (EUR 80.1 million). The decrease was caused by lower delivery volumes, especially in the first quarter of the year, and lower main raw material and energy index levels included in sales prices. In the third quarter, however, net sales exceeded the previous year's level.

## **Result**

In the review period, the EBITDA was EUR 3.1 million (EUR 5.8 million), and the operating result was EUR -0.9 million (EUR 5.7 million). The lower sales volumes in the review period caused more than half of the decrease in the EBITDA compared with last year. The rest of the decrease in the EBITDA was caused by the temporarily lower-than-normal profitability of new volume products that went into serial production, and by internal quality challenges and the strikes in the early part of the year, as well as the index development of electricity and main raw materials. The operating result for the comparison period included a one-off gain of EUR 4.2 million arising from the reversal of an impairment loss related to production machinery and equipment in the foundry business.

The result after financial items was EUR -2.7 million (EUR 4.0 million). Financial expenses were EUR 0.1 million higher than in the comparison period as a result of the loans drawn down during the past year. There were no significant changes in loan interest rates during the review period, although market interest rates began to fall slightly in the third quarter.

## **Balance sheet, financing and cash flow**

At the end of the review period, the Group's cash and cash equivalents totalled EUR 6.4 million (EUR 8.3 million). The Group's liquidity remained at a good level throughout the period. Componenta had EUR 2.0 million in unused committed credit facilities at the end of the review period (EUR 4.0 million).

In May 2024, Componenta entered into a financing arrangement of up to USD 3 million with MPL, a US investor. Under the financing arrangement, the company may, at its sole discretion, raise funds in the form of a loan from MPL in instalments of up to USD 750,000. Against the loan, the company then issues convertible debentures to MPL, with a maturity of three years. The annual interest rate on the convertible debentures is 4%. The company may, at any time, redeem convertible debentures from MPL by paying the principal amount and any accrued interest to MPL. MPL may demand the conversion of a convertible debenture after 18 months have passed from the issue of the convertible debenture. The subscription price per share for each instalment corresponds to 91,5% of the volume-weighted average price of the company's share over five consecutive trading days from the conversion request. In October 2024, the agreement was amended so that the convertible debenture arrangement is valid from 1 July 2025 to 31 December 2027 instead of the previously agreed period (20 May 2024 to 19 November 2026). The share subscription facility agreed with GCF, a US investor, expired in June 2024.

Net cash flow from operating activities was EUR 1.0 million in the review period (EUR 2.7 million). The decrease in the cash flow was mainly related to the EBITDA being lower than in the comparison period, especially in the first quarter of the year. At the end of the review period, working capital (including inventories and accounts receivable, less accounts payable) totalled EUR 8.6 million (EUR 6.3 million). The change was mainly caused by normal seasonal variation and higher accounts receivable and inventory levels than in the comparison period.

Componenta's equity ratio stood at 40.1% (46.5%) at the end of the review period. The equity ratio decreased as a result of weak performance in the review period. At the end of the review period, interest-bearing net debt totalled EUR 10.3 million (EUR 5.8 million), and net gearing was 44.7% (20.6%). The change in interest-bearing net debt and net gearing from the comparison period was affected by the weaker cash position, the new working capital loan of EUR 2.0 million drawn down in April 2024, and the EUR 2.0 million share in use out of EUR 4.0 million credit facilities at the end of the review period.

Long-term liabilities totalled EUR 11.9 million (EUR 11.7 million) and short-term liabilities totalled EUR 22.8 million (EUR 21.4 million) at the end of the review period. The Group's liabilities included EUR 6.4 million (EUR 3.9 million) in loans from financial institutions at the end of the review period. The Group's other debt items mainly consisted of working capital items, lease liabilities and hire-purchase debt. Componenta has agreed on a new EUR 2.0 million working capital loan with LocalTapiola and Elo Mutual Pension Insurance Company. The loan was drawn down in full on 12 April 2024. The loan period is five years, with standard terms and conditions.

## **The acquisition of the Kalajoki plant and the Sepänkylä machining and service centre**

On 22 July 2024, Componenta announced that it had signed an agreement on the acquisition of the business operations of the Kalajoki plant and the Sepänkylä machining and service centre, including their inventories and fixed assets including properties, from Fortaco Group for around EUR 2.8 million. The net sales of the acquired business operations were around EUR 9.6 million in 2023. The transaction strengthens Componenta's service offering and capability for machine and equipment manufacturers. The extensive expertise gained through the acquisition will expand the company's production portfolio and complement its overall offering as a contract manufacturer for heavier production. Componenta will also be able to make more extensive use of internal supply chains in terms of sheet metal cutting deliveries and heavy machining, for example. Componenta

and the business operations of the Kalajoki plant and the Sepänkylä machining and service centre had shared customers even before the acquisition.

Following the closing of the acquisition, Componenta Group has around 660 employees and ten locations in Finland. The company manufactures cast and machined components, forgings and hydraulic pipes, as well as welded structures and plate sections, for global manufacturers of vehicles, machines and equipment.

The acquisition of the Kalajoki and Sepänkylä businesses, including their inventories and fixed assets and excluding properties, was completed on 1 October 2024 at the agreed purchase price of EUR 1.8 million. Componenta Manufacturing Oy will buy the properties used by the Kalajoki and Sepänkylä businesses from Fortaco Oy within one year. Until then, Componenta is paying rent to Fortaco for the properties in Kalajoki and Sepänkylä. The paid rent will be deducted from the purchase price of the real estate (EUR 1 million). Componenta is financing the transactions with its internal financing and the financing limits at its disposal.

The business operations will become part of Componenta on the closing date of the transaction. Componenta will carry out a thorough assessment of the accounting principles of the acquiree and will prepare a purchase price allocation. Once the purchase price allocation has been completed, Componenta will provide information about its impacts, if necessary, by means of a separate release.

The transaction has no impact on Componenta's profit guidance for 2024.

<b>Key figures</b>	<b>Jan 1– Sep 30, 2024</b>	<b>Jan 1– Sep 30, 2023</b>	<b>Change, %</b>	<b>Jan 1– Dec 31, 2023</b>
Net sales, EUR thousand	70,259	80,138	-12.3	101,809
EBITDA, EUR thousand	3,137	5,810	-46.0	5,278
Operating result, EUR thousand	-888	5,699*	-115.6	3,762*
Operating result, %	-1.3	7.1*	-117.8	3.7*
Result after financial items, EUR thousand	-2,654	4,047	-165.6	1,568
Net result, EUR thousand	-2,656	4,139	-164.2	1,547
Basic earnings per share, EUR	-0.27	0.43	-164.2	0.16
Diluted earnings per share, EUR	-0.27	0.42	-164.2	0.16
Cash flow from operating activities, EUR thousand	1,027	2,697	-61.9	1,126
Interest-bearing net debt, EUR thousand	10,264	5,844	75.6	9,097
Net gearing, %	44.7	20.6	117.0	35.6
Return on equity, %	-14.6	21.0	-169.5	6.2
Return on investment, %	-3.0	19.0	-115.6	9.8
Equity ratio, %	40.1	46.5	-13.8	45.0
Capital expenditure incl. lease liabilities, EUR thousand	1,931	2,758	-30.0	4,066

Number of personnel at the end of the period, incl. leased workers	636	631	0.8	615
Average number of personnel during the period, incl. leased workers	623	635	-1.9	631
Order book at the end of the period, EUR thousand	13,918	13,539	2.8	14,532

\* The comparative period 2023 has been slightly adjusted (profit effect approx. EUR 7.5 thousand) due to a change in the principle of preparing real estate valuations. More information about the change in the accounting principle and its effects on previous years' figures can be found in the section "Valuation of properties and land areas" in the accounting principles for the consolidated financial statements published 15th March 2024.

In addition the operating result for 2023 included a non-recurring income of EUR 4.2 million from the reversal of the impairment loss related to the foundry business's production machinery and equipment. More information on the reversal of the impairment loss can be found in the note "Tangible assets" in the consolidated financial statements published 15th March 2024.

## Risks and business-related uncertainties

The most significant risks related to Componenta's business operations are risks associated with the operating environment (competitive situation, prices, commodities and the environment), risks related to business operations (customers, suppliers, productivity, production, processes, labour market disruptions, contracts, product liability, personnel and information security) and financing risks (availability, liquidity, counterparty, currency, interest rate and credit).

The availability of certain raw materials such as recycled steel, pig iron, structural steel, aluminium and energy at competitive prices, as well as the uninterrupted supply of energy, is essential for the Group's business operations. Market prices for electricity remained at a reasonable level on average during the review period, although the price variation is very high on a daily and hourly basis.

Because of increased geopolitical tensions, the availability of raw materials and other materials may involve uncertainties in Componenta's operational activities. In addition, global challenges with the availability of certain components for customers may lead to production disruptions in our end customers' plants and thereby affect Componenta's sales volumes in the short term. However, from Componenta's point of view, the situation is stable at the moment.

To ensure the availability of raw materials and other materials, Componenta actively engages in discussions with its suppliers, continuously updates its needs forecast and optimises its inventory levels to meet longer-term demand, closely monitors the situation of its suppliers and market changes, and responds to these changes as necessary.

Componenta has no significant and immediate risk concentrations related to Russia, Ukraine or the Middle East among its customers or suppliers of goods. Componenta has no operations of its own in Russia, Ukraine or the Middle East. The Russian war of aggression has had an impact on the general price development and availability of raw materials such as structural steel and pig iron, and on the development of energy prices. The war has had an indirect impact on the supply chains of Componenta's manufacturers of steel materials and wholesalers through the price development and availability of iron ore and coal, for example. The continuation of the wars and an unfavourable

development of the geopolitical situation can continue to have a negative impact on the financial market, sales volumes, the availability and price development of raw materials and energy and the availability of foreign labour, which increases uncertainty in terms of forecasts.

The cost risk associated with raw materials is mainly managed through index-based price agreements, based on which the sales prices of products are updated in response to changes in the prices of raw materials for the next quarter. An increase in raw material prices may tie more cash than expected into working capital. In terms of commercial risks, future volumes may be weakened by customers switching to cheaper alternatives due to price competition.

Componenta's business operations depend on the reliability of production plants, supply and delivery channels and the related processes and systems. Componenta is also closely monitoring developments in the labour market. The quality, accuracy and availability of information are extremely important, as information technology plays a significant role in the operations of Componenta and its suppliers and customers. If materialised, IT and cybersecurity risks may expose Componenta to disruptions and interruptions in operations and the loss or distortion of data, which may lead to interruptions in product availability. Componenta pays close attention to cybersecurity risks and monitors its customers' situations and notifications.

Componenta continuously monitors the liquidity and counterparty risk. The financing of the company's business operations is based on income financing, committed loans from financial institutions, credit facilities in force until September 2025, the convertible bond arrangement established in May 2024, and factoring arrangements. Any termination or non-renewal of factoring arrangements or credit facilities can create uncertainties for Componenta's liquidity. In addition, the counterparty risk, when realized may cause uncertainties for Componenta's liquidity. The Group's liquidity was at a good level at the end of the review period. At the end of the review period, Componenta had EUR 2.0 million in unused committed credit facilities and a convertible bond arrangement of up to USD 3.0 million agreed with MPL, a US investor, for 1 July 2025 to 31 December 2027.

Componenta's credit facilities and working capital loans include the following financial covenants: net interest-bearing debt / rolling 12-month EBITDA no higher than 3.0, and an equity ratio of at least 25%. In accordance with the agreed terms, the covenants are reviewed semi-annually on 30 June and 31 December, and are valid for as long as the liability or amount related to the loan agreements is outstanding or undrawn. As a result of a low rolling 12-month EBITDA, the first covenant was not met on 30 June 2024, and the company received waivers from the financiers during June 2024 for the situation on 30 June. Unfavourable EBITDA development over a rolling 12-month period can cause a covenant breach.

A more detailed description of the uncertainties related to the continuity of the company's operations and other business risks is provided under "Accounting principles requiring the management's judgement" in the half-year report published on 23 July 2024.

## **Events after the review period**

On 1 October 2024, as planned, Componenta completed the acquisition of the business operations of the Kalajoki plant and the Sepänkylä machining and service centre, announced on 22 July 2024, from Fortaco Group, when the standard terms and conditions of the acquisition were met.

## **Alternative key financial ratios**

Componenta publishes certain commonly used key financial ratios that can be derived from the IFRS financial statements. The calculation formulas for these key figures are presented in Componenta's half-year report of 23 July 2024.

## **Webcast**

President and CEO Sami Sivuranta will present the business review to investors, analysts and the media in a webcast on 1 November 2024 at 10.00 am. The event will be conducted in Finnish. The webcast can be followed on the company's website at [www.componenta.com](http://www.componenta.com), or through <https://live.esf.fi/componenta-q3-2024>.

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## COMPONENTA CORPORATION

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