

## Componenta Corporation Business Review January–September 2021

Componenta Corporation, Interim report, 5 November 2021 at 08.00 a.m. EET

### Net sales increased, and EBITDA improved clearly

The information presented in this business review concerns the development of Componenta Group in January–September 2021 and in the corresponding period in 2020 unless otherwise stated. All financial figures in this review are for continued operations unless otherwise stated. Continued operations during the reporting period included the foundries in Pori and Karkkila, Finland, and the metal product plants in Jyväskylä, Härmä, Kurikka, Leppävesi and Sastamala, Finland.

This is not an interim report as specified in the IAS 34 standard. The company complies with half-year reporting in accordance with the Finnish Securities Markets Act, and discloses business reviews for the first three- and nine-month periods of the year in which key information regarding the company's financial situation and development is presented.

The financial information presented in this business review is unaudited.

### January–September 2021

- Net sales increased, amounting to EUR 62.0 million (EUR 52.5 million).
- EBITDA grew, reaching EUR 3.6 million (EUR 1.9 million).
- Operating result was EUR -0.8 million (EUR -2.5 million).
- Cash flow from operating activities amounted to EUR 0.5 million (EUR 6.9 million).

### July–September 2021

- Net sales increased, amounting to EUR 18.5 million (EUR 15.8 million).
- EBITDA reached EUR 0.3 million (EUR 0.6 million).
- Operating result was EUR -1.1 million (EUR -0.9 million).
- Cash flow from operating activities amounted to EUR -3.9 million (EUR 0.5 million).

### President and CEO Sami Sivuranta:

“The January–September reporting period proceeded mainly as expected. Our net sales increased, and our profitability improved clearly thanks to the measures we implemented as planned.

The markets recovered during the first nine months of the year. This, combined with the success of our new sales and our increased market shares, has also provided us with a very strong order book for the rest of the year.

The increased material costs and a temporary decrease in productivity resulting from the rapid increase in the production volumes of certain units had a slightly negative impact on profitability during the third quarter.

We have grown our capacity and increased our production personnel resources to meet customer demand throughout 2021. However, there have been challenges in the availability of both domestic and foreign workforce. The extended processing time related to work permit processes has presented

particular challenges in increasing foreign workforce. However, we have taken many actions to ensure a high service capability in our growing delivery volumes as well.

The increasing trend in material purchase prices continued to be exceptional during the third quarter. However, with regard to our main raw materials, cost development is tied to indices in customer agreements and will be updated in our sales prices with a delay. We have also agreed with our customers on the one-time transfer of cost increases and labour in material prices not tied to any indices for customer prices. These price agreements entered into force at the beginning of last the quarter of the current year.

The restructuring programmes of Componenta Corporation and Componenta Castings Oy have been completed this year: in April for Componenta Corporation; and in October after the reporting period once the supervisor's final account has been completed for Componenta Castings. The end of both restructuring programmes will significantly improve Componenta's position and credibility from the perspective of our customers and suppliers, as well as other stakeholders. This will have a significant positive impact on the group's business operations as a whole.

Our liquidity remained high throughout the reporting period. Production volumes increased considerably. Furthermore, challenges in the availability of material increased, to which we reacted through a discretionary increase in our safety stock levels. After the end of the reporting period, liquidity remained at a good level despite the payment of the restructuring debts.

General uncertainties caused by the COVID-19 pandemic and risks associated with the availability of our end customers' components notwithstanding, our strong first nine months of the year and the current outlook for the rest of the year are expected to lay a solid foundation for increases in full-year net sales and EBITDA. As a result, we raised our net sales guidance in the middle of September.

In the long term, we will actively continue with our measures to strengthen our market position and improve profitability as part of our growth strategy. Our objective is to be the primary supplier with an extensive offering for our customers.”

## **Financial performance during the reporting period**

Net sales of the Group increased and were EUR 62.0 million (EUR 52.5 million). Net sales increased due to increased delivery volumes and realised new sales to current and new customers. EBITDA was EUR 3.6 million (EUR 1.9 million). Operating result was EUR-0.8 million (EUR -2.5 million).

Profitability improved during the reporting period as a result of increased sales volumes and our planned development measures. The one-time payment of EUR 0.1 million from the bankruptcy estate of the former subsidiary Componenta BV for receivables that had been previously written down also contributed to our profitability. During the second and third quarter of this year, profitability was somewhat burdened by the increasing development in raw material prices. The main part of price raises will be transferred with a delay to sales prices in accordance with the index terms in customer agreements. Additionally, profitability was burdened in the third quarter due to challenges related to workforce availability, which, among other things, prolonged production turnaround time in some manufacturing processes, especially at the Karkkila foundry. The profitability of the comparison year was improved due to the development support received from Business Finland (COVID-19) and cost support received from the State Treasury (COVID-19), with EUR 0.2 million in total recognised in the result. The aforementioned is mainly related to the third quarter of the comparison period.

Additionally, profitability improved in the third quarter of the comparison period due to delivery volumes being partially transferred from the second to the third quarter.

Net financial items were EUR -0.5 million (EUR -1.1 million). The net financial items were improved by a EUR 0.7 million net profit, which was realised when the parent company paid its restructuring debt prematurely in March.

At the end of the reporting period, the Group's cash and cash equivalents totalled EUR 7.6 million (EUR 7.7 million). On 30 September 2021, non-current interest-bearing debts were EUR 9.7 million in total, and current interest-bearing debts were EUR 3.0 million in total. At the end of the reporting period, the Group had undrawn committed credit facilities of EUR 4.0 million (EUR 4.0 million). Additionally, Componenta has entered into a USD 8 million share subscription facility. The Group's good liquidity has also been affected by the payment exemptions related to the COVID-19 pandemic granted by pension companies and the tax authorities, which must be paid according to separate payment schedules by 22 June 2023 and which were EUR 2.7 million (EUR 4.5 million) in the end of the reporting period. Annual interest of 2.5% is paid for these exemptions.

Cash flow from operating activities during the reporting period was EUR 0.5 million (EUR 6.9 million). Cash flow is weakened in the reporting period due to instalments regarding payment exemptions related to the pandemic granted by pension companies and the tax authorities, which were EUR 1.3 million. Cash flow is also partly weakened by increased working capital, especially at the Karkkila foundry due to a prolonged production turnaround time among other things in some manufacturing processes. At the end of the reporting period, working capital (incl. inventory and accounts receivables deducted by accounts payables) was EUR 7.3 million, and on 31 December 2020 it was EUR 5.2 million. The increased working capital is also partly due to increased sales volumes. Cash flow was exceptionally good in the comparison period due to payment exemptions related to the pandemic granted by pension companies and the tax authorities, and to the favourable development of working capital.

## Key figures

EUR thousands	1–9/2021	1–9/2020	Change	1–12/2020
Net sales, continued operations	61,994	52,508	18.1%	70,040
EBITDA, continued operations	3,557	1,897	87.5%	3,750
Operating result, continued operations	-784	-2,480		-2,034
Operating result, continued operations, %	-1.3	-4.7		-2.9
Result after financial items, continued operations	-1,249	-3,555		-3,489
Net result, continued operations	-1,191	-3,516		-3,175
Net result, including discontinued operations	-1,191	-3,516		-949
Basic earnings per share*	-0.13	-0.74		-0.20
Diluted earnings per share*	-0.13	-0.74		-0.20
Cash flow from operating activities, continued operations	479	6,923	-93.1%	6,355
Interest-bearing net debt**	5,171	6,599	-21.6%	-2,584
Net gearing, %	22.6	52.7		-10.8
Return on equity, %	-6.8	-32.9		-5.8
Return on investment, %	-0.4	-12.0		0.7
Equity ratio, %	39.6	22.4		37.3

Gross investments incl. leases, continued operations	1,056	4,193	-74.8%	5,134
Group's restructuring debt	3,608	11,653	-69.0%	10,694
Number of personnel at the end of the period, incl. leased workers, continued operations	594	582	2.1%	574
Average number of personnel during the period, incl. leased workers, continued operations	587	593	-1.0%	589
Order book at the end of the review period, continued operations	16,049	8,864	81.1%	9,536

\*) The comparable figures for 2020 have been adjusted due to a reverse share split and rights issue.

\*\*\*) Only interest-bearing restructuring debt included.

## Restructuring programmes

Componenta carried out a rights issue in November–December 2020 by which the Company raised gross funds of approximately EUR 9.5 million. The company intended to enter into negotiations with the company's creditors on the early payment of the restructuring debts. Furthermore, the purpose of the rights issue was to strengthen the company's financial position.

On 25 February 2021, the company's Board of Directors decided to pay the restructuring debts amounting to EUR 5.9 million to its creditors and to end the restructuring programme prematurely. The premature termination of the restructuring programme was funded with cash received from the abovementioned rights issue.

On 31 March 2021, Componenta Corporation carried out the aforementioned EUR 5.9 million payments to its creditors, the amount of which has become more precise during the course of March 2021. The company has also reached agreements with creditors concerning the conversion into new maximum amount debts of approximately EUR 0.1 million conditional and maximum amount restructuring debts, based on guarantee liabilities included in the previously mentioned amount. Following the conversion, the company has fulfilled its liability towards these creditors arising from the restructuring programme.

Componenta Corporation's restructuring programme ended on 27 April 2021, when the restructuring programme supervisor approved the payments of restructuring debt carried out by the company on 31 March 2021 and provided the creditors with a final report on the restructuring programme.

The Board of Directors of Componenta decided on 13 October 2021 to pay the restructuring debts of Componenta Castings Oy's (former Componenta Finland Oy) restructuring programme in the total amount of approximately EUR 5.6 million and to end the restructuring programme prematurely. Componenta Castings Oy carried out the aforementioned payments of approximately EUR 5.6 million to its creditors on 15 October 2021, consisting of approximately EUR 3.4 million external restructuring debts and EUR 2.2 million intra-group restructuring debts. The intra-group restructuring debts have been settled in their entirety by converting the restructuring debts into a new loan. A net profit of approximately EUR 0.2 million was realised for the group in connection with the repayment, as external restructuring debts with a book value of EUR 3.6 million were paid with EUR 3.4 million. The profit was recognised in the financial items of the Group's continued operations. The restructuring programme of Componenta Castings ended on 22 October 2021, when the supervisor of the restructuring programme approved the payments carried out on 15 October 2021 and provided creditors with the supervisor's final account.

## **Impact of the COVID-19 pandemic**

The safety and health of employees has been very important for Componenta during the COVID-19 pandemic. Componenta's proactivity in protecting the health of its personnel has minimised the pandemic's impact, and the group has been able to serve its customers, complete its deliveries, and keep all functions running without any significant problems. The uncertainty caused by the COVID-19 pandemic in the markets is expected to continue throughout 2021. Componenta is closely monitoring official instructions, market development, and the operating environment and business situation of its customers, and will adapt its operations accordingly if necessary. Componenta continues to actively implement the necessary measures to maintain health and wellbeing, and prevent the spread of the pandemic.

## **Risks and business uncertainties**

The most significant risks in Componenta's business in normal circumstances are those related to the business environment (competitive and price risk, commodity risks and environmental risks), business risks (customer, supplier, productivity, production, and process risks, labour market disruptions, contractual and product liability risks, personnel and security risks) and financial risks (risks related to access to finance and liquidity, currency, interest rate and credit risks).

The availability of certain raw materials such as recycled steel, pig iron, structural steel and aluminium, as well as energy at competitive prices, is essential for the Group's business. Because of the COVID-19 pandemic and the current rapid economic recovery, uncertainties related to the availability of raw materials and materials have increased somewhat in Componenta's operating business. Additionally, our customers' global challenges in the availability of certain components, especially semiconductors and other electronic components, may result in production disturbances for our end customers and thus affect Componenta's sales volumes in the short term.

To secure the availability of raw materials and materials, Componenta maintains active dialogue with its suppliers, continuously updates its needs based on long-term demand, closely monitors its suppliers' situation and changes in the market, and reacts to these changes as required.

The cost risk related to raw materials is managed mainly through price agreements, whereupon product prices are adjusted in line with changes in the general index of raw material prices. Rising raw material prices may tie up more money in working capital than estimated. As for commercial risks, future volumes may be weakened due to customers switching supplier because of price competition.

Componenta's current credit facilities will need to be renewed in June–November 2022. The Group also finances its business through non-binding factoring arrangements for trade receivables. The termination of factoring arrangements or non-renewal of credit facilities could significantly impair Componenta's liquidity and affect the Group's ability to continue as a going concern.

However, the Group's liquidity was at a good level at the end of the reporting period. Additionally, Componenta Corporation has entered into a USD 8 million share subscription facility with an US based investor, GCF.

According to the management, the uncertainties related to the ability to continue as a going concern have clearly decreased due to the premature payment of the restructuring debts of Componenta Corporation and Componenta Castings Oy, the aforementioned renewal of the revolving credit facility agreements and the share subscription facility and the renewal of the revolving credit facility

agreement. Uncertainties and other business risks related to the company's ability to continue as a going concern have been described in detail in the half-year financial report tables published on 23 July 2021.

## **Resolutions of the Annual General Meeting**

On 9 April, Componenta Corporation announced the resolutions of the Annual General Meeting. The stock exchange release with the detailed resolutions of the Annual General Meeting can be found on the company's website.

## **Events after the reporting period**

On 1 July 2021, Componenta announced that it had appointed Hanna Seppänen as General Counsel. She started in her new position on 1 November 2021. At the same time, the Corporate Executive Team of Componenta Corporation was expanded from three to four members. The composition of the Corporate Executive Team as of 1 November 2021 is President and CEO Sami Sivuranta, CFO Marko Karppinen, COO Pasi Mäkinen and General Counsel Hanna Seppänen.

On 13 October 2021, Componenta announced that it would end its subsidiary Componenta Castings Oy's restructuring programme prematurely. Componenta Castings Oy carried out its restructuring debts prematurely on 15 October 2021. The restructuring programme of Componenta Castings has ended with the approval of the payment of the restructuring debt carried out by the company on 15 October 2021 by the supervisor, and the provision of the supervisor's final account of the restructuring programme to the creditors on 22 October 2021. All Componenta Group companies have carried out their restructuring debts, and all restructuring programmes have ended in the Group.

## **Guidance for 2021**

On 16 September 2021, Componenta announced an increase in its net sales guidance, and EBITDA guidance remained unchanged.

Componenta expects the net sales of continued operations in 2021 to be EUR 85–90 million. EBITDA is expected to improve from the previous year. In 2020, net sales from continued operations were EUR 70 million, and EBITDA EUR 3.7 million.

The potential increase in prices for raw materials, the general economic and competitive situation, and the development of customers' sales volumes may affect the business outlook. Due to the COVID-19 pandemic, future sales and profitability developments are associated with uncertainties and poor visibility.

## **Alternative performance measures**

Componenta will continue to publish certain publicly available performance measures that can be derived from the IFRS financial statements. The calculations of these key financial figures were presented in Componenta's annual review, which was published on 12 March 2021.

## **Webcast**

President and CEO Sami Sivuranta will present the Business Review for investors, analysts and the media in a webcast on 5 November 2021 at 10 a.m. EET. The webcast will be in Finnish. Please

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follow the Finnish webcast via the company pages at [www.componenta.com](http://www.componenta.com) or via this link:  
<https://live.esf.fi/componenta1121>.

Helsinki, 5 November 2021

COMPONENTA CORPORATION

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**Componenta Corporation is an international technology company and Finland's leading contract manufacturer in the machine building industry. Sustainability and customer needs are at the core of the company's broad technology portfolio. Componenta Corporation manufactures components for its customers, which are global manufacturers of machinery and equipment. The company's stock is listed on Nasdaq Helsinki. [www.componenta.com](http://www.componenta.com)**