

## Componenta Corporation Business Review January - March 2020

### Net sales of continued operations increased but EBITDA weakened, cash flow remained at good level

The information presented in this business review concerns the development of Componenta Group in January - March 2020 and in the corresponding period in 2019, unless otherwise stated. All financial figures in this review are for continued operations, unless otherwise stated. Continued operations during the reporting period included foundries in Pori and Karkkila, Finland, and 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 will be presented.

The financial information presented in this business review is unaudited.

### January - March 2020

- Net sales increased to EUR 19.6 million (EUR 11.0 million).
- EBITDA decreased to EUR 0.8 million (EUR 1.6 million).
- Operating result was EUR -0.7 million (EUR 1.1 million).

### President and CEO Sami Sivuranta:

"During the first quarter of the year, market uncertainty continued and it meant decrease in our sales volumes. However, our net sales was increased by Componenta Manufacturing Oy (previously Komasa Oy), which was not part of Componenta Group during the comparison period. Our profitability was burdened not only with changes in product mix and reduced volumes but also by temporary decrease in productivity caused by challenges we had with quality.

During the first quarter, we reduced our management and downsized administrative personnel. These measures will have a positive impact on our company's fixed costs. In addition, cost savings from the acquisition and integration of Componenta Manufacturing Oy (previously Komasa Oy) to Componenta Group will actualize in our results with a delay.

The coronavirus (COVID-19) pandemic did not have any significant impact on Componenta's business operations during the first quarter. At the moment, however, the development of sales volumes involves uncertainties and the pandemic will have a slightly negative impact on net sales and profitability during the second quarter.

We have actively carried out measures to protect the safety and health of our personnel, to maintain good delivery capacity and customer service despite the current exceptional circumstances, and to minimize the impact of the pandemic on Componenta's finances. We have also secured the availability of raw material for our own production by using alternative procurement channels and, therefore, our delivery capacity has remained on a good level, even though the restrictions due to the pandemic, international procurement channels and financial uncertainties have strained our customers' production.

To keep costs under control and diminish the negative impact of the pandemic, we have launched additional cost saving measures. These include investment restrictions, minimization of travel and use of consultant services, and adjustments through cooperation negotiations in all our business units, including Componenta Group's administration.

During the reporting period, we strengthened our sales function by appointing a new sales and marketing director. We also clarified the responsibilities and operating model of our sales. With these changes we seek to clarify the ownership of sales in our profit centres and to secure the fulfilment of Componenta's growth and profitability targets in the long term.

Our liquidity remained on a good level during the reporting period and has further improved after the end of the period. At the end of March, the Group had EUR 3.3 million in undrawn committed credit facilities, in addition to which we signed a new revolving credit facility agreement of EUR 2.0 million in April.

We will continue to focus on securing new sales volumes and keeping our key operations profitable and liquidity under control. These measures will help to secure our company's operations in the short term, recover rapidly from the current exceptional circumstances and reach our long-term strategic goals."

## Financial performance during the reporting period

Sales volumes decreased slightly during the first quarter. However, Componenta Group's net sales increased to EUR 19.6 million (EUR 11.0 million). The increase in net sales resulted from the consolidation of Componenta Manufacturing Oy, as the company was not part of the Group during the comparison period. EBITDA was EUR 0.8 million (EUR 1.6 million) and the operating result was EUR -0.7 million (EUR 1.1 million). Profitability was affected by changes in product mix, reduced volumes and by decrease in productivity caused by quality challenges.

Cash flow from operating activities remained on a good level at EUR 2.2 million (EUR 2.4 million). At the end of the reporting period, the Group's cash and cash equivalents totalled EUR 5.6 million and comparable cash and cash equivalents excluding cash and cash equivalents from discontinued operations was EUR 6.9 million. The Group had EUR 3.3 million in undrawn committed credit facilities at the end of the reporting period. After the reporting period, the Group's liquidity has developed positively, and, in addition, on 22 April 2020 Componenta signed a new revolving credit facility agreement of EUR 2.0 million.

At the end of the reporting period, working capital (incl. inventory and accounts receivables deducted by accounts payables) was EUR 6.3 million (31 December 2019: EUR 6.9 million). This change is primarily attributable to seasonal variation, which is typical in the business.

In key figures, the changes from comparison period in net interest-bearing debt, return on equity, return on investment, equity ratio, the number of personnel and order book are mainly due to Componenta Manufacturing Oy not being consolidated with Componenta Group during the comparison period.

## Key figures

Continued operations, MEUR	1-3/2020	1-3/2019	Change	1-12/2019
Net sales	19.6	11.0	78.2%	50.7
EBITDA	0.8	1.6	-47.2%	1.6
Operating result	-0.7	1.1	-161.0%	-1.7
Operating result, %	-3.5	10.3	-134.2%	-3.3
Result after financial items	-1.0	1.1	-192.3%	-2.1
Net result for the period	-1.0	1.1	-190.2%	-2.1
Basic earnings per share, EUR	0.00	0.00	-167.4%	-0.01
Diluted earnings per share, EUR	0.00	0.00	-167.2%	-0.01
Net interest-bearing debt*	7.6	-5.5	237.4%	8.7
Return on equity, %	-26.6	23.3	-214.2%	83.0
Return on investment, %	-9.6	21.0	-146.0%	3.2
Equity ratio, %	26.8	37.5	-28.7%	29.4
Gross investments incl. lease liabilities, MEUR	1.0	0.4	33.3%	2.8
Cash flow from operating activities	2.2	2.4	-9.1%	4.1
Group's restructuring debt**	12.3	16.0	-23.1%	12.3

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Average number of personnel during the period, incl. leased workers	602	453	32.9%	508
Number of personnel at the end of the period, incl. leased workers	601	458	31.2%	617
Order book at the end of the reporting period	9.1	6.2	47.5%	9.0

\*) Only interest-bearing restructuring debt included.

\*\*) The EUR 16.0 million in the comparison period includes EUR 2.5 million external restructuring debts of Componenta Främmestad AB.

## Restructuring programmes

The implementation of restructuring programmes has proceeded as planned. Componenta Corporation and Componenta Castings Oy's repayment programmes commenced in 2019 and will end in 2023.

To secure liquidity, Componenta Castings Oy has signed a payment plan with approx. 20 significant creditors for postponing payments which were due on 3 May 2020 and 3 November 2020. These two payments will be paid to the creditors evenly in conjunction with remaining (six) instalments between 2021 and 2023. However, Componenta Castings Oy may pay the unpaid instalments earlier. Componenta Castings Oy will, nevertheless, pay the instalments defined in the payment plan to its parent company Componenta Corporation, so that Componenta Corporation can pay its restructuring debt instalments in accordance with the payment plan. Componenta Castings Oy's agreement improves the cash flow from financing activities by EUR 0.3 million during 2020.

In accordance with the restructuring programme, Componenta Corporation's next payment of restructuring debt will take place on 11 May 2020. On 4 May 2020, Componenta Castings Oy paid EUR 0.3 million of external restructuring debt and EUR 0.4 million of internal restructuring debt. After these payments, the Group's external restructuring debts are EUR 12.0 million. On 31 March 2020, the Group's external restructuring debts were EUR 12.3 million (31.3.2019: EUR 16.0 million, including EUR 2.5 million of external restructuring debts of Componenta Främmestad AB).

## Repayment schedule of external restructuring debts as of 8 May 2020

MEUR	2020	2021	2022	2023	Total
Componenta Corporation	0.7	0.8	0.7	5.4	7.5
Componenta Castings Oy	0.3	1.1	1.0	2.0	4.4
Total	1.0	1.8	1.8	7.3*	12.0

\*) The larger final instalment in Componenta Corporation and Componenta Finland Oy's repayment programme is due to the fact that income from the sale of properties not included in core business operations has been taken into account. This income will be used to pay debt at the end of the programme. The final instalment also includes an additional obligation of EUR 3.2 million arising from the expiry of a loan guarantee of EUR 80 million.

## Repayment schedule of the Group's internal restructuring debts as of 8 May 2020

MEUR	2020	2021	2022	2023	Total
Componenta Corporation	0.0	0.0	0.0	0.0	0.0
Componenta Castings Oy	0.4	0.7	0.7	1.5	3.3
Total	0.4	0.7	0.7	1.5	3.3

## **Risks and factors causing uncertainty to business**

The most significant risks to Componenta's business in normal circumstances are risks related to the business environment (competition and price risk, commodities risks and environmental risks), risks relating to business operations (customer, supplier, productivity, production and process risks, disruptions in the employment market, contract and product responsibility risks, personnel and data security risks) and financing risks (risks relating to arranging financing and liquidity; currency, interest and credit risks).

With regard to the COVID-19 pandemic, Componenta is closely monitoring the development of markets and the situation of its customers, and will adapt its operations accordingly. The pandemic is estimated to have a slightly negative impact on net sales and profitability, at least during the second quarter. Componenta Group has already started adjustments by, for example, transferring payments related to taxes and pensions as permitted by the tax authority and pension companies, by temporarily laying off employees and by agreeing upon postponed payments of restructuring debts with significant creditors of Componenta Castings Oy. The Group's liquidity has improved after the financial statements release, and this will help the Group to keep the situation under control. After the reporting period, Componenta has also signed a new revolving credit facility agreement of EUR 2.0 million.

Regarding the ability of Componenta to continue as a going concern, the most significant risks and uncertainties are related to Componenta Corporation and Componenta Castings Oy's ability to make payments based on the restructuring programmes. Uncertainties and other business risks related to the company's ability to continue as a going concern have been described in detail in the financial statements published on 17 March 2020.

## **Changes in Componenta's management during the reporting period**

The Corporate Executive Team of Componenta was reduced from seven to five members, effective 1 March 2020. The change aims at cost efficient administration and clearer responsibilities in the management of Componenta Corporation. In connection with this change, Pasi Mäkinen, previously Director, Material Services, was appointed Componenta's Chief Operating Officer as of 1 March 2020.

On 11 March 2020, Componenta announced that the Board of Directors had appointed M.Sc. (Eng.) Sami Sivuranta, 45, as the new President and CEO of Componenta. Since September 2019, Sivuranta has held the position of Director Business Development at Componenta, and during years 2004 - 2016 he has worked in various managerial positions at Componenta. Sivuranta has also served as Director Business Development at Parma Ltd. during 2016 - 2017 and as Executive Vice President Operations at HKScan Corporation during 2017 - 2019. The appointment took place immediately.

The composition of the Corporate Executive Team as of 31 March 2020 was: President and CEO Sami Sivuranta, General Counsel Mervi Immonen, CFO Marko Karppinen, and COO Pasi Mäkinen.

## **Resolutions of Componenta's Annual General Meeting**

Componenta published the resolutions of its Annual General Meeting on 16 April 2020. This stock exchange release with the resolutions in detail can be found on the company's website.

## **Conversion of stock options 2018A to stock options 2018B and market value of stock options 2018B**

On 10 February 2020, Componenta published a stock exchange release on stock options. This release can be found on the company's website.

## **Guidance for 2020**

Componenta expects the net sales of continued operations to be EUR 65 - 80 million in 2020. EBITDA is expected to remain positive. Net sales of continued operations in 2019 was EUR 50.7 million and EBITDA was EUR 1.6 million.

Any increases in raw material prices, the general competitive situation and the development of customers' sales volumes may have an impact on the future outlook. Due to the COVID-19 pandemic, the development of sales and profitability involve significant 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 calculation of these key financial figures are presented in Componenta's annual review published on 17 March 2020.

Helsinki, 8 May 2020

COMPONENTA CORPORATION

Sami Sivuranta  
President and CEO

Componenta is a technology company which specialises in supplying cast and machined components to global manufacturers of vehicles, machines and equipment.  
The company's share is listed on the Nasdaq Helsinki.