

## **Componenta Corporation's Business Review 1 January–31 March, 2023: Net sales increased and EBITDA improved clearly**

*Componenta Corporation, Stock Exchange Release, 5 May 2023 at 8.00 a.m. EEST*

### **January–March 2023**

- Net sales increased, amounting to EUR 30.7 million (EUR 25.5 million).
- EBITDA was EUR 2.8 million (EUR 1.5 million).
- Operating result was EUR 1.4 Me (EUR 0.0 million).
- Cash flow from operating activities was EUR 0.7 million (EUR -0.1 million).

The information presented in this business review concerns the development of Componenta Group in January–March 2023 and in the corresponding period in 2022, unless otherwise stated.

This is not an interim report in accordance with IAS 34. The company complies with the semiannual reporting in accordance with the Finnish Securities Markets Act and discloses business reviews for the first three and first nine months of the year, which present key information regarding the company's financial position and development.

The financial information presented in this business review have not been audited.

### **Componenta's guidance for 2023**

Componenta expects the Group's net sales to be EUR 110–120 million in 2023. EBITDA is expected to improve from the previous year. The Group's net sales in 2022 were EUR 109.1 million, and its EBITDA was EUR 7.1 million.

Limited availability of raw materials, increases in the prices of raw materials and electricity, the general economic situation and competitive climate, and the development of customers' sales volumes may affect business outlooks. In addition because of the Russia's war of aggression, the development of sales and profitability involves uncertainties. An unfavourable development of the geopolitical situation in relation Russia's war of aggression 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 uncertainty in terms of forecasts.

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

“Overall, we succeeded well in the first quarter of the year. Our net sales, market share and EBITDA continued to grow in line with our strategy. Our liquidity was at a good level at the end of the review period. We made the withdrawal of the second of the two EUR 2 million instalments of the net working capital loan we announced in December 2022. The loan enables us to prepare for growing volumes, ensure the availability of key materials and enable us to continue the implementation of our development activities.

The availability of raw materials and other materials improved during the first quarter of 2023, but the accelerating inflation has continued to keep costs at an exceptionally high level and even on

the increase. This is also reflected in salaries through the collective bargaining agreement in our industry, causing our costs to increase clearly. These factors burdened our profitability somewhat during the first quarter. We have agreed on the transfer of non-indexed cost increases to our customer prices where applicable.

In terms of our main raw materials and electricity, the cost development is mainly tied to our customer agreements through indices that are reflected quarterly in our sales prices with a delay. The worst electricity price fluctuations and peaks have clearly stabilised since the end of 2022, which is why our electricity index in relation to the real cost of electricity in the first quarter had a somewhat favourable impact on our profitability.

In our most energy-intensive operations, we increased night-time production in the first quarter. This contributed positively to the national management of the electricity system in Finland. The stabilised situation in the electricity market has also allowed a return to normal production shift arrangements in the end of the review period.

In our own operations, we have successfully managed our supply chain and secured our production and deliveries to customers in a constantly changing operating environment. Our measures to improve production quality and productivity at our Karkkila foundry have also progressed, and the performance indicators developed favourably during the first quarter of the year.

Our employees' resilience and strong commitment ensured a solid foundation for positive development. Our human resources correspond to our current production needs, and our ability to respond to changes in the operating environment has enabled us to maintain good service capability.

The prolonged Russia's war of aggression on Ukraine has increased the overall uncertainty of the market and the rising cost trend arising from inflation. However, the impacts through our customers' and suppliers' business operations have been minor. We are actively monitoring developments in our business environment and seeking to ensure the availability of raw materials and good delivery capability in all situations and circumstances.

Our customers' order backlogs, forecasts and expectations remained generally positive during the first quarter of 2023, and our order book was at a strong level at the end of March. However, the general uncertainty has increased the average decision-making time of our customers from request for quotation to acceptance of the offer. On the other hand our customers are moving their production chains more actively closer to Europe and its neighbouring regions for improved operations in terms of risk management and sustainability. Thanks to the current customer outlook and our own sales success, our expectations for 2023 continue to be positive.

We will actively continue our efforts to strengthen our market position and further improve our profitability as part of our growth strategy. In addition, we are focusing on our service capability, close customer relationships and highly competent personnel, as well as on expanding our offering. Sustainability is taken into account in the different phases of our production. We are aiming for close partnerships with our customers and to be their preferred supplier with an extensive offering and excellent service."

## Financial development during the review period

Sales volumes increased in the first quarter of 2023. Componenta Group's net sales increased by 20.4% during the review period and were EUR 30.7 million (EUR 25.5 million). EBITDA was EUR 2.8 million (EUR 1.5 million) and operating profit EUR 1.4 million (EUR 0.0 million). Profitability was somewhat affected by the rising material and subcontracting purchase prices. The majority of purchase price increases are passed on to sales prices with a delay in accordance with the index terms included in customer agreements. During the review period stabilized price development of electricity improved Componenta's profitability.

The result after financial items was EUR 0.9 million (EUR -0.3 million). Due to the rising market interest rates and the withdrawal of the first installment of the working capital loan of EUR 2 million in December 2022, financing costs were EUR 0.1 million higher than during the comparison period.

At the end of the review period, the Group's cash and cash equivalents totalled EUR 9.7 million (EUR 4.3 million). The Group's liquidity improved clearly from the comparison period. Componenta had unused binding revolving credit facilities of EUR 4.0 million (EUR 4.0 million). Componenta withdrew during the review period second and consequently final instalment of EUR 2 million regarding the working capital loan that was agreed on December 2022. In addition, Componenta had a share subscription facility with the unused portion of USD 7.5 million. At the end of the review period, Componenta had EUR 0.4 million in payment relief for liabilities granted by the tax authorities due to the COVID-19 pandemic, which must be paid in accordance with separate payment schedules by 22 August 2023. The annual interest on the payment relief is 2.5%.

Cash flow from operating activities during the review period was EUR 0.7 million (EUR -0.1 million). The change in cash flow is mainly due to higher profitability than in the comparison period. Cash flow in the first quarter of 2023 was weakened by the payments of EUR 0.5 million in accordance with the payment schedules of the payment reliefs granted by the Tax Administration in 2020–2022 due to the COVID-19 pandemic. At the end of the review period, working capital (incl. inventories and accounts receivables less trade payable) was EUR 6.2 million (EUR 8.5 million). The change was mainly due to the fact that growing volumes, the increase in purchase prices of certain raw materials and the timing of material deliveries caused trade payables to be larger than in the end of the comparison period.

Componenta's equity ratio at the end of the review period was 40.2% (42.1%). The decrease in the equity ratio was mainly due to the withdrawal of the working capital loan of EUR 4 million. At the end of the review period, interest-bearing net debt was EUR 5.4 million (EUR 7.3 million) and net gearing was 21.7% (31.3%). Change in net gearing was due to stronger cash position and the withdrawal of the working capital loan of EUR 4 million.

Long-term interest-bearing debt totalled EUR 11.7 million (EUR 8.7 million) and short-term interest-bearing debt totalled EUR 3.4 million (EUR 2.8 million) at the end of the review period. In total interest-bearing debt included EUR 5.0 million (EUR 2.4 million) loans from external financial institutions. Other interest-bearing debt of the Group consisted mainly of working capital items and lease and hire purchase liabilities.

Key figures	Jan 1–Mar 31 /2023	Jan 1–Mar 31 /2022	Change, %	Jan 1–Dec 31 /2022
Net sales, EUR thousand	30,726	25,512	20.4	109,087
EBITDA, EUR thousand	2,800	1,453	92.7	7,086
Operating result, EUR thousand	1,370	50	2,654.2	1,555
Operating result, %	4.5	0.2	2,186.8	1.4
Result after financial items, EUR thousand	880	-336	362.1	-106
Net result, EUR thousand	896	-300	398.6	52
Basic earnings per share, EUR	0.09	-0.03	407.6	0.01
Diluted earnings per share, EUR	0.09	-0.03	407.6	0.01
Cash flow from operating activities, EUR thousand	719	-85	945.9	6,168
Interest-bearing net debt, EUR thousand	5,426	7,252	-25.2	4,818
Net gearing, %	21.7	31.3	-30.8	20.0
Return on equity, %	3.6	-5.2	170.8	0.2
Return on investment, %	3.5	0.6	487.8	4.3
Equity ratio, %	40.2	42.1	-4.4	41.1
Capital expenditure incl. lease liabilities, EUR thousand	934	163	472.6	3,617
Number of personnel at the end of the period, incl. leased workers	642	636	0.9	643
Average number of personnel during the period, incl. leased workers	644	624	3.1	643
Order book at the end of the period, EUR thousand	16,579	16,193	2.4	18,481

## 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, 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 an exceptionally high level during the review period. Due to the Russia's war of aggression uncertainties related to the availability of raw materials and other materials continue to exist 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.

To ensure the availability of raw materials and other materials, Componenta maintains active interaction 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.

According to Componenta's estimate, the Group has no significant and immediate risk concentrations in relation to Russia and Ukraine among its customers or suppliers of goods. Componenta has no operations of its own in Russia or Ukraine. The Russia's 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.

A prolonged war 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 for next quarter are updated in response to changes in the prices of raw materials. An increase in raw material prices may increase capital employed in 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 depends on the operational security and reliability of production facilities, procurement and delivery channels and related processes and systems. As information technology plays a significant role in the operations of Componenta and its suppliers and customers, the quality, correctness and availability of information are very important. Because of this, IT and cyber security risks, when realized, may expose Componenta to disruptions in operations, loss or distortion of information, and interruption of operations, which in turn may lead to interruptions in the availability of products. Componenta pays close attention to cyber security risks and also monitors the situations and notifications of its suppliers and customers.

Componenta is continuously monitoring the liquidity risk. Componenta's current revolving credit facilities will need to be renewed in November 2023. The Group also finances its operations through factoring arrangements for receivables. Any termination or non-renewal of factoring arrangements or revolving credit facilities can create uncertainties for Componenta's liquidity and the continuity of its operations. However, these uncertainties can be mitigated, and it is the management's estimate that the future financing of operations does not involve significant uncertainties. In addition Group's liquidity was at a good level at the end of the financial year. At the end of the review period, Componenta also had EUR 4.0 million in unused binding revolving credit facilities and a USD 7.5 million unused portion of its USD 8.0 million share subscription facility from GCF, an investor based in the United States. In addition the second and consequently the final instalment of EUR 2 million regarding the working capital loan of EUR 4 million was withdrawn in March 2023. A more detailed description of the uncertainties related to the company's ability to continue as a going concern and other business risks is provided under "Accounting principles requiring the management's judgement" in Componenta's Annual Review published on 16 March 2023.

## **Resolutions of Annual General Meeting and decisions of the Board of Directors**

Componenta Corporation's Annual General Meeting was held 13 April 2023, in Vantaa. The AGM adopted the company's financial statements and consolidated financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial period of 1 Jan–31 Dec, 2022. The AGM decided that no dividends will be distributed on the basis of the balance sheet established for the financial year that ended on 31 December 2022.

The number of members of the Board of Directors was confirmed to be four (4). The AGM re-elected the current members of the Board of Directors Tomas Hedenborg, Anne Leskelä, Harri Suutari and Petteri Walldén. The AGM was decided to keep the board's fees unchanged. The Board of Directors of Componenta Corporation elected from its members Harri Suutari as Chairman of the Board and Anne Leskelä as Vice Chairman of the Board. The AGM elected the audit firm PricewaterhouseCoopers Oy as the Auditor for the next term of office and Ylva Eriksson, Authorised Public Accountant, will act as the responsible auditor.

The AGM authorised the Board of Directors to decide on share issues in one or several tranches as follows: The issuance of shares may be carried out by offering new shares or transferring treasury shares held by the company. The total number of shares to be issued or transferred under the authorisation may not exceed 571,275 shares, which corresponds to approximately 5.88 per cent of all the shares in the company. The new shares may be issued and the treasury shares held by the company may be transferred for consideration or without consideration. The authorisation is valid until the end of the next Annual General Meeting, but no longer than until 30 June 2024 at the latest. The authorisation shall revoke previous non-utilised authorisations to decide on share issuance.

The AGM authorised the Board of Directors to decide on the issue of shares, stock options and other special rights entitling to shares in one or several tranches as follows. The total number of shares to be issued or transferred under the authorisation may not exceed 400,000 shares (including shares issued based on the special rights), which corresponds to approximately 4.12 per cent of all the shares in the company. The authorisation is valid until 13 April 2028. For the sake of clarity, the authorisation shall revoke previous non-utilised authorisations to decide on the issue of shares, stock options and other special rights entitling to shares.

The Stock Exchange Release about the decisions of the general meeting can be read in its entirety on the company's website.

## **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 financial ratios are presented in Componenta's Annual review published in 16 March 2023.

## **Webcast**

President and CEO Sami Sivuranta will present the Business Review for investors, analysts and the media in a webcast on 5 May 2023 at 10 a.m. EEST. The webcast will be in Finnish. Please follow the webcast via the company pages at [www.componenta.com](http://www.componenta.com) or via this link: <https://live.esf.fi/componenta-q1-liiketoimintakatsaus>.

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