

Nordic Lights Group Corporation

BUSINESS REVIEW

January – March 2023



The year 2023 started in line with expectations, tender offer process continues

JANUARY – MARCH 2023 IN BRIEF (Q1)

- Net sales decreased by 8% and totaled EUR 20.5 million (22.2)
- EBITA decreased by 37% and totaled EUR 2.1 million (3.3)
- EBITA margin was 10.2% (14.8%)
- Adjusted EBITA decreased by 24% and totaled EUR 2.6 million (3.4)
- Adjusted EBITA margin was 12.7% (15.3%)
- Operating profit decreased by 49% and totaled EUR 1.3 million (2.5)
- Operating profit margin was 6.2% (11.2%)
- Net cash flow from operating activities were EUR 1.1 million (2.4)
- On 28 February 2023, Montana BidCo Oy announced a recommended public cash offer for all the shares of Nordic Lights.

The figures in this report are unaudited unless otherwise mentioned. Comparative figures for the corresponding period of the previous year are in brackets.

GUIDANCE FOR 2023 (UNCHANGED)

Following rapid net sales growth in both 2022 (24.3%) and 2021 (51.9%), mostly driven by gains in market share, Nordic Lights continues to see opportunities to strengthen its market position in 2023, but the overall market demand is expected to be weaker, in particular during the first half of 2023. Furthermore, in 2022 profitability increased significantly mainly due to successful mitigation of cost inflation and increased production efficiency, and the company sees opportunities for further margin improvement also for the full year 2023.

The company has on 16 February 2023 issued the following guidance for 2023:

- Nordic Lights net sales is expected to remain at approximately previous year's level (2022: EUR 82.4 million). Particularly in Q1 2023, and also in Q2 2023, net sales is expected to be below corresponding Q1 and Q2 2022 levels, while H2 2023 net sales is expected to be above H2 2022 levels.
- Full year 2023 adjusted EBITA-% is expected to be above previous year.

TOM NORDSTRÖM, CEO:

The year 2023 began in line with our expectations. Sales improved from year end, but remained below previous year's levels. As communicated earlier, the first half of 2022 was positively impacted by distributors increasing inventory levels as the supply chain constraints of 2021 gradually levelled off. Overall, in Q1/2023 our net sales decreased by 8 percent from the previous year to EUR 20.5 million. Our current expectation is that necessary inventory adjustments have now been completed and that aftermarket sales should start growing during the coming quarters.

Adjusted EBITA totaled EUR 2.6 million (3.4) or 12.7 percent (15.3%) of net sales. The lower margin was due to the lower level of net sales, slightly higher costs and a lower gross margin. Gross margin decline mainly reflected the lower level of after market sales due to the forementioned adjustment of inventory levels by certain distributors. As a result, while typically 30 percent of sales have come from aftermarket, in the beginning of the year this share has been 20 percent.

In recent years, Nordic Lights has achieved strong and profitable growth, establishing its position as a trusted premium supplier among well-known manufacturers of heavy duty machines. At the same time, the growth of our business in different geographical areas and industries continues to balance the seasonality that is part of the industry and creates new business opportunities.

The market uncertainty remains and, as we have previously guided, we expect net sales to remain below the the previous year in the second quarter as well, against the tough comparison period in 2022. However, we continue to estimate that net sales will resume a growth path in the second half of 2023. Despite the seasonality, the underlying positive development in our business has continued and our customers have maintained a fairly positive short-term outlook.

In February, Methode announced a voluntary recommended public cash tender offer, and currently already owns 99.4 percent of Nordic Lights' shares. I believe that the merger of these two companies will bring Nordic Lights new resources and additional significant growth opportunities.



KEY PERFORMANCE INDICATORS

(EUR million)	1-3/2023	1-3/2022	Change	1-12/2022
Net sales	20.5	22.2	-7.8%	82.4 ⁽¹⁾
Gross margin	6.6	7.0	-5.2%	28.7
Gross margin, % of net sales	32.2%	31.3%	0.9%	34.8%
EBITDA	2.6	3.8	-32.6%	14.3
EBITDA margin (%)	12.5%	17.1%	-4.6%	17.3%
Items affecting comparability in other operating expenses	0.5	0.1		1.2
Adjusted EBITDA	3.1	3.9	-21.6%	15.5
Adjusted EBITDA margin (%)	15.0%	17.7%	-2.6%	18.8%
EBITA	2.1	3.3	-36.5%	12.3
EBITA margin (%)	10.2%	14.8%	-4.6%	14.8%
Adjusted EBITA	2.6	3.4	-23.7%	13.4
Adjusted EBITA margin (%)	12.7%	15.3%	-2.6%	16.3%
Operating profit	1.3	2.5	-49.2%	9.0 ⁽¹⁾
Operating profit margin (%)	6.2%	11.2%	-5.0%	10.9%
Adjusted operating profit	1.8	2.6	-31.9%	10.2
Adjusted operating profit margin (%)	8.6%	11.7%	-3.1%	12.3%
EPS	0.03	0.09	-63.6%	0.23
Number of shares on average	20,957,962	17,940,430		19,449,196
Net cashflow from operating activities	1.1	2.4	-54.6%	11.3
Gross capital expenditure	0.8	0.7	17.6%	1.9
Gross capital expenditure, % of net sales	4.0%	3.1%	0.9	2.3%
Net interest-bearing debt/Adjusted EBITDA (ratio)	0.2	2.1		0.2
Personnel, at the end of the period	260	301	-13.6%	271

Key performance indicators are unaudited, unless otherwise indicated. 1) Audited

TENDER OFFER

On 28 February 2023, Montana BidCo Oy, a private limited liability company indirectly wholly owned by Methode Electronics, Inc., and Nordic Lights Group Corporation entered, into a combination agreement pursuant to which the offeror had made a voluntary recommended public cash offer for all the shares of Nordic Lights.

Montana BidCo currently has a shareholding of 99.4% as a result of the original offer and the subsequent offer. The intention is to acquire all shares and apply for the shares in Nordic Lights to be delisted from Nasdaq First North Growth Market Finland.

FINANCIAL CALENDAR IN 2023

Nordic Lights will publish its financial reports in 2023 as follows:

- 31 August 2023 Half Year Financial Review for January-June 2023
- 30 November 2023 Business Review for January-September 2023

Pietarsaari 24 May 2023

NORDIC LIGHTS GROUP CORPORATION

Board of Directors

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