



# **INVENTRONICS LIMITED**

## **2025 THIRD QUARTER FINANCIAL REPORT**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

**For the period ended September 30, 2025**

## 2025 Third Quarter Financial Report – September 30, 2025 Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is dated October 23, 2025 and was prepared based on information available to Inventronics Limited (referred to herein as "Inventronics" or the "Corporation") as of this date to help readers interpret Inventronics' financial results for the nine month period ended September 30, 2025. This financial report, including the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, and Notes to the Financial Statements (collectively referred to as the "financial statements") and this MD&A, should be read in conjunction with the Corporation's audited annual financial statements and accompanying MD&A for the year ended December 31, 2024, which are available on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca) under the Inventronics profile. All dollar amounts within this report are expressed in Canadian dollars ("CAD") unless otherwise stated.

**Forward-looking information advisory.** Certain statements contained in this report, including this MD&A, contain forward-looking information that represents the Corporation's internal projections and estimates concerning, among other things, the Corporation's expectations, perceptions and/or beliefs with respect to: economic conditions and the related impact on the Corporation's customers and/or demand for the Corporation's products; how its customers plan and execute their purchasing decisions and what factors might impact those decisions; its working capital position and its sufficiency to support the Corporation's current operations; and its forecast financial results. All statements other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", and similar expressions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. These risks and uncertainties include but are not limited to: general economic conditions; foreign currency fluctuations; actions by government authorities; competitor activity; indebtedness of the Corporation; availability of future financing; customer concentration risks; changes in the price of raw materials; interest rates; and changes in the communications, cable, power and energy industries. Although management of the Corporation believes such statements are reasonable, undue reliance should not be placed on forward-looking information as the Corporation can give no assurance that such assumptions will prove to be correct. The forward-looking information has been included herein to provide shareholders with a more complete outlook on the Corporation's future business and operations and this information may not be appropriate for other purposes. The Corporation does not undertake to update the forward-looking information contained herein except as required by applicable laws.

### **1. Corporation Overview**

Founded in 1970 in Brandon, Manitoba, Canada, Inventronics designs, manufactures and markets protective enclosures for use in utility-type infrastructures. The Corporation's products are typically found in telecommunication, cable, electric distribution, energy, and other industries where they are utilized in both outdoor and indoor applications to house and protect passive and/or active electrical and electronic components. Although the Corporation's products have been primarily placed in service throughout Canada and the United States, it is not uncommon to find Inventronics' enclosures in other international infrastructures as well. A significant portion of Inventronics' revenues are generated from the sale of Inventronics-branded standard products which are sold directly to utilities, original equipment manufacturers and/or through distributors. Additionally, for customers with specialty requirements, the Corporation designs and manufactures products that have been custom designed to suit the customer's particular needs. This can range from the modification of an existing Inventronics cabinet to the conceptualization and manufacture of a completely new enclosure.

Inventronics operates from its ISO 9001:2015 certified facility located in Brandon, Manitoba where product design, manufacturing, corporate administration and sales functions are performed. The Corporation's production employees are organized under the United Steelworkers Union. The Corporation is incorporated in the Province of Alberta, Canada, has no subsidiaries and its shares are publicly traded on the TSX Venture Exchange under the symbol IVX.

## 2. Selected Annual Financial Information

### Selected Annual Financial Information

(in thousands of dollars, except per share amounts)

For the years ended December 31	2024	2023	2022
Revenue	6,309	8,859	14,245
EBITDA <sup>1</sup>	249	934	3,327
Net earnings (loss)	(62)	369	2,093
Total assets	5,713	6,095	6,027
Long-term debt, excluding current portion	2,250	2,437	1,989
Basic earnings (loss) per share	(1.3)¢	7.6¢	43.4¢

Note 1. See "Non-IFRS Measures" below.

## 3. Summary of Financial Results

The demand for enclosures in Canada and the USA has stabilized in alignment with the planned project installation pace. Overall, the Corporation is in a secure financial position with working capital of \$1,923,000, which is expected to be sufficient to support the operations at the forecast operating levels.

### Selected Quarterly Financial Information

(in thousands of dollars, except percentage and per share amounts)

	2025			2024				2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	2,078	2,190	2,427	1,304	1,611	1,950	1,444	959
Cost of sales as a percentage of revenue	81%	79%	78%	91%	87%	78%	86%	109%
EBITDA <sup>1</sup>	245	271	322	(258)	129	281	97	(146)
Net earnings (loss)	112	138	183	(242)	31	141	8	(207)
Basic earnings (loss) per share	2.3¢	2.8¢	3.8¢	(5.0)¢	0.6¢	2.9¢	0.2¢	(4.2)¢

Note 1. See "Non-IFRS Measures" below.

## 4. Results of Operations

### Revenue

Revenue for the third quarter of 2025 of \$2,078,000 was \$467,000, or 29%, higher than the \$1,611,000 reported for the comparative quarter of 2024. Revenue for nine months of 2025 totalled \$6,695,000, which is 34% higher than the \$5,005,000 reported for the 2024 year to date. This increase in revenue aligns with the pace of installations being completed in Canada and the USA. The forecast volumes for the coming quarters are expected to remain relatively consistent with seasonal patterns noted in the table above.

### Cost of Sales

Cost of sales as a percentage of revenue of 81% for the three months ended September 30, 2025, is slightly higher than the percentages achieved in Q1 and Q2 of 2025 due to the modest reduction in revenue. There are no material changes in operating costs anticipated and thus margins will continue to fluctuate with volumes due to the effect of fixed costs.

### Selling and Administration Expense

Selling and administrative expenses for the third quarter increased to 10% of revenue from 8% of revenue in the same period last year. This increase is a reflection of the cost variations that occur as volumes change from period to period.

### Interest

Interest expense for the third quarter and nine months of 2025 remained consistent with the values recognized in the same periods of 2024.

### Net Earnings

Net earnings for the third quarter of 2025 of \$112,000, or 2.3 cents per share, was much improved over the \$31,000, or 0.6 cents per share, earned in the same period last year. Net earnings for the nine months ended September 30, 2025 of \$433,000, or 8.9 cents per share, was a solid improvement over the \$180,000, or 3.7 cents per share, earned in the same period last year. Elevated revenues and consistent operating performance have been the drivers for this profitability improvement.

## 5. Liquidity and Capital Resources

### Cash Flow from Operations

For the three months ended September 30, 2025, the Corporation's operations generated cash flow of \$204,000 compared to \$117,000 for the same quarter of the prior year. The year-to-date cash generation of \$674,000 was an improvement over the \$440,000 achieved for the same period of 2024.

#### Cash Flow from Operations

(in thousands of dollars)

For the periods ended June 30	Three months		Nine months	
	2025	2024	2025	2024
Net earnings	112	31	433	180
Add: Interest on long-term debt <sup>1</sup>	33	32	101	107
Add: Depreciation	45	54	135	152
Add: Option expense	14	-	18	1
Add: Deferred income tax	-	-	(13)	-
Cash flow from Operations	204	117	674	440

Note 1. Interest on long-term debt is considered a component of financing and therefore added back to net earnings to determine cash flow from operations.

### Working Capital Position

As at September 30, 2025, the Corporation reported a working capital balance of \$1,923,000, which represented a working capital ratio of 2.65:1. It is management's belief that the Corporation's current working capital position is more than sufficient to support the forecast operating requirements of the business.

#### Working Capital Position

(in thousands of dollars, except ratio calculation)

At the end of	2025			2024			2023	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Current assets	3,086	2,957	2,937	2,469	2,689	3,169	3,067	2,860
Current liabilities	1,163	1,142	1,255	933	914	1,340	862	607
Working capital	1,923	1,815	1,682	1,536	1,775	1,829	2,205	2,253
Working capital ratio	2.65 :1	2.59 :1	2.34 :1	2.65 :1	2.94 :1	2.36 :1	3.56 :1	4.71 :1

### Working Capital Liquidity

Working capital liquidity for operating purposes has generally been provided through positive cash flow from operations and the Corporation's operating credit facility. At September 30, 2025, the Corporation's unmarginated operating credit facility limit was \$1,200,000, of which Nil was drawn, and is secured by a general assignment of trade accounts receivable and inventory (see "Borrowing Arrangements" below).

## 6. Share Capital

An unlimited number of common shares are authorized for issue. The following table summarizes the authorized, issued and outstanding common shares of the Corporation.

#### Share Capital

(dollar amounts in thousands)

As at	September 30, 2025		December 31, 2024	
	Shares	Amount	Shares	Amount
Outstanding, beginning of the period	4,871,145	\$ 1,337	4,871,145	\$ 1,337
Options exercised	-	-	-	-
Authorized, issued and outstanding common shares	4,871,145	\$ 1,337	4,871,145	\$ 1,337

### Stock option plan

Inventronics maintains a stock option plan providing the Corporation the ability to grant options to employees and directors to purchase one common share of the Corporation per option. At September 30, 2025, there were 480,000 options outstanding with an average exercise price of \$0.575 per share (December 31, 2024 – 50,000 at \$1.65 per share). In the second quarter of 2025, there were 430,000 options granted to the directors of the Corporation at an exercise price of \$0.45 per share, vesting over two years from the date of grant, and expiring at the end of five years.

## 7. Borrowing Arrangements and Covenants

### Credit facilities

The Corporation has a demand operating credit facility in the form of an overdraft lending account which provides an authorized limit of \$1,200,000 with an interest rate of prime plus 0.90% (December 31, 2024 – prime plus 0.90%) for an effective rate of 5.6% (December 31, 2024 – 6.35%). At September 30, 2025, an amount of \$1,200,000 under this facility was available, of which \$Nil was drawn (September 30, 2024 - \$1,200,000 available and \$Nil was drawn). The credit facility does not contain any financial covenants and is secured by a general security agreement over accounts receivable and inventory balances. The Corporation also has an equipment financing facility in the amount of \$1,500,000 (December 31, 2024 - \$1,500,000), to be used when necessary to finance equipment additions.

### Long-term debt

The Corporation has a long-term lending agreement in the form of a fixed rate mortgage maturing in 2043; bearing interest of 5.25%; repayable monthly in blended principal and interest installments of \$14,000; secured by a mortgage on the Corporation's production facility and land in Brandon, Manitoba, which was valued at \$4,400,000 by a professional appraiser in July 2022. The facility is secured by a general security agreement providing a security interest in all of the Corporation's present and after acquired personal property but accepting a subordinate position to all existing registered charges. The Corporation also has an equipment financing loan in the amount of \$418,000 (2024 – \$509,000); bearing interest at 7.5% and maturing in September 2028; repayable monthly in blended principal and interest installments of \$13,000. Although these facilities contain general performance conditions, these agreements do not contain any financial covenants that must be periodically tested. The Corporation is in compliance with all obligations pertaining to its credit and lending facilities.

## 8. Foreign Currency Exposure

For the nine months ended September 30, 2025, the Corporation had an exposure to foreign currency risk as the proportion of sales denominated in US dollars ("USD") was approximately 22%. This exposure is currently unhedged, and management monitors this exposure on an ongoing basis.

## 9. Collective Bargaining Agreement

The Corporation's production labour force is organized under a collective bargaining agreement with the United Steel Workers that has an expiry date of December 31, 2026.

## 10. Related Party Transactions

The four-person senior management team are members of Inventronics' Board of Directors ("Board") and receive no compensation for their service as Board members. The Corporation pays fixed and variable compensation to its senior management team for their employment services. For the three and nine months ended September 30, 2025, the Corporation expensed \$232 (2024 - \$144) and \$740 (2024 - \$465), respectively, related to those compensation arrangements.

## 11. Non-IFRS Measures

### EBITDA

Earnings before interest, tax, depreciation and amortization ("EBITDA") is not a recognized measure under International Financial Reporting Standards ("IFRS"). However, management believes that EBITDA is a useful supplementary measure to net earnings, as it provides investors with an indication of cash earnings prior to debt service, capital expenditure, income tax and non-cash items. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Corporation's performance or to cash flows from operating, investing and financing activities as a measure of liquidity or cash flows. The Corporation's method of calculating EBITDA may differ from the methods by which other companies calculate EBITDA and, accordingly, the EBITDA used herein may not be comparable to measures used by other companies.

### Reconciliation of EBITDA to Net Earnings

(in thousands of dollars)

For the periods ended June 30	Three months		Nine months	
	2025	2024	2025	2024
EBITDA	245	129	838	506
Less: Interest expense	(33)	(32)	(101)	(107)
Less: Depreciation and amortization	(59)	(54)	(153)	(153)
Less: Income tax	(41)	(12)	(151)	(66)
Net earnings	112	31	433	180

## **12. Outlook**

In addition to other sections of this MD&A, this section contains forward-looking information, and actual outcomes may differ materially from those expressed or implied therein. Please see the forward-looking information advisory included in the opening section of this MD&A.

The Corporation is a part of the supply chain to the construction and maintenance of communications infrastructures in Canada and the USA which are essential to establishing and supporting internet services. The Corporation's enclosures house the interconnections and control systems necessary to support these services. The continuing digitization of the economy and the expansion of the metaverse are expected to play a significant part in the demand for the Corporation's products for the foreseeable future. The key risks in this uncertain environment are changes in government regulation and support programs, employee availability, customer spending patterns, and supply chain challenges. These risks are being addressed and mitigated to the extent possible but are largely beyond the Corporation's control.

The 2025 results have strengthened due to more consistent enclosure demand aligned with the pace of fibreoptic broadband infrastructure installations. Across the market that the Corporation services, the pace of installations has levelled off to a more sustainable rate aligned with the availability of installers. The demand for internet bandwidth and changing communication technologies is continuing to drive significant infrastructure investments in both Canada and the USA.

At the present time, the Corporation's USA sales are unaffected by the tariffs that have been implemented by the US Administration since the products are produced and shipped under the terms of the CUSMA free trade agreement. It remains unclear what future tariff actions will be imposed and whether such tariffs will be maintained, increased or decreased. Any tariffs that may be imposed by the USA will be passed along to the enclosure purchasers, and it is currently undetermined what affect this will have on the Corporation's USA-based revenue, which are forecast to represent approximately 20% of the 2025 total.