



INVENTRONICS LIMITED

2024 ANNUAL FINANCIAL REPORT

MANAGEMENT DISCUSSION & ANALYSIS

For the years ended December 31, 2024 and 2023

2024 Annual and Fourth Quarter Financial Report – December 31, 2024

Management Discussion and Analysis

This Management Discussion and Analysis (“MD&A”) is dated March 27, 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 three and twelve month periods ended December 31, 2024. This MD&A should be read in conjunction with the Corporation’s 2024 audited annual financial statements which consist of the Corporation’s Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, Notes to the Financial Statements and the Auditors’ Report thereon (collectively referred to as the “Financial Statements”). The Financial Statements and other information relating to the Corporation are available under Inventronics’ profile on the SEDAR+ website at www.sedarplus.ca. The Financial Statements have been prepared in accordance with IFRS[®] Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board, and all dollar amounts within this report are expressed in Canadian dollars 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, expectations, estimates or beliefs 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; the expectation that the Corporation’s working capital will be sufficient to support the operations at the forecast levels; the expectation that regulation changes in both Canada and the USA will keep the industry capital spending levels at or near current levels for the foreseeable future; the expectation that the backlog of orders will remain stable throughout 2025; the intention of management to carefully monitor the order pace to ensure appropriate actions continue to be taken to preserve working capital and respond to the impact of these various market and industry factors; and the forecast that the Corporation’s USA-based revenue will represent 25% of the 2025 total revenue. 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, power and cable industries. The forward-looking information contained in this report reflects several material factors and expectations and assumptions of Inventronics including, without limitation: that Inventronics will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax and regulatory regimes; and the continued availability of adequate debt financing and cash flow from operations to fund its operations. 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 and manufactures 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 North America, 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 ¹	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

Revenue in 2024 declined 29% from the level achieved in 2023 primarily as a result of customers adjusting their purchases to their planned project installation pace. The broadband build-out in Canada and the USA has slowed to a more sustainable pace and thus the demand for enclosures has moderated. Management is closely monitoring the market demand and adjusting operations as required to respond to fluctuations. Overall, the Corporation remains in a stable financial position with year end working capital of \$1,536,000, which is expected to be sufficient to support the operations at the forecast levels.

Selected Quarterly Financial Information

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

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	1,304	1,611	1,950	1,444	959	1,463	3,103	3,334
Cost of sales as a percentage of revenue	91%	87%	78%	86%	109%	97%	73%	73%
EBITDA ¹	(258)	129	281	97	(146)	(33)	563	550
Net earnings (loss)	(242)	31	141	8	(207)	(94)	346	325
Basic earnings (loss) per share	(5.0)¢	0.6¢	2.9¢	0.2¢	(4.2)¢	(1.9)¢	7.1¢	6.6¢

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

4. Results of Operations

Revenue

Revenue for the year ended December 31, 2024 of \$6,309,000 was 29% less than the \$8,859,000 achieved in 2023. Fourth quarter revenue of \$1,304,000 was 36% higher than the \$959,000 reported for the same quarter of 2023. This fourth quarter increase confirms the leveling off of activity communicated by the Corporation's customers. Most customers have aligned their inventories to the pace of installations and are projecting more uniform purchasing for the foreseeable future. The build-out of communications infrastructure is projected to continue in Canada and the USA in support of providing high speed internet access to all regions, including remote areas.

Cost of Sales

Cost of sales for the year ended December 31, 2024 was \$5,356,000 (85% of revenue) compared to \$7,163,000 (81% of revenue) in 2023. The reduction in revenue throughout 2024 resulted in fixed costs representing a higher proportion of cost of sales and therefore a decline in gross margins. Aligning labour and overhead costs to the revenue levels is ongoing.

Selling and Administration Expense

Selling and administration expense for 2024 was \$909,000 compared to \$1,032,000 in 2023. These expenses for the fourth quarter of 2024 were \$421,000 compared to \$125,000 for the same period of 2023. In the fourth quarter, as a part of an ongoing succession plan, the Corporation advanced its executive transition and paid a one-time long service award of \$275,000 to the Chief Executive Officer.

Interest

Interest expense for the three and twelve month periods ended December 31, 2024 of \$39,000 and \$146,000, respectively, were reasonably in line with the \$36,000 and \$117,000 reported for the comparative periods of 2023.

Net Earnings

For the year ended December 31, 2024, the Corporation reported a net loss of \$62,000, or 1.3 cents per share, compared to net earnings of \$369,000, or 7.6 cents per share, for 2023. The fourth quarter net loss of \$242,000, or 5.0 cents per share, was similar to the net loss of \$207,000, or 4.2 cents per share, reported for the fourth quarter of 2023.

5. Liquidity and Capital Resources

Cash Flow from Operations

The following table details the cash flow from operations for both the 2024 fourth quarter and the fiscal year as compared to the same periods in 2023.

Cash Flow from Operations	Three months		Twelve months	
	2024	2023	2024	2023
<i>(in thousands of dollars)</i>				
For the periods ended December 31				
Net earnings (loss)	(242)	(207)	(62)	369
Add: Interest on long-term debt ¹	39	38	146	118
Add: Depreciation	52	48	203	188
Add: Option expense	-	21	2	82
Add: Deferred income tax	26	233	26	233
Cash flow from Operations	(125)	133	315	990

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 December 31, 2024, the Corporation reported a working capital balance of \$1,536,000 as compared to the prior year value of \$2,253,000. The year end working capital ratio of 2.65:1 is expected to be sufficient to support the projected operating requirements of the business.

Working Capital Position	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>(in thousands of dollars, except ratio calculation)</i>								
At the end of								
Current assets	2,469	2,689	3,169	3,067	2,860	2,921	2,983	3,758
Current liabilities	933	914	1,340	862	607	768	1,176	1,477
Working capital	1,536	1,775	1,829	2,205	2,253	2,153	1,807	2,281
Working capital ratio	2.65 :1	2.94 :1	2.36 :1	3.56 :1	4.71 :1	3.80 :1	2.54 :1	2.54 :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. The Corporation's unmarginated operating credit facility limit is \$1,200,000. The credit facility is secured against trade accounts receivable and inventories (see "Borrowing Arrangements and Covenants" 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	December 31, 2024		December 31, 2023	
	Shares	Amount	Shares	Amount
<i>(dollar amounts in thousands)</i>				
As at				
Outstanding, beginning of the period	4,871,145	\$ 1,337	4,838,145	\$ 1,266
Options exercised	-	-	33,000	71
Authorized, issued and outstanding common shares	4,871,145	\$ 1,337	4,871,145	\$ 1,337

There has been no change in the number of issued and outstanding common shares of the Corporation since December 31, 2024.

Stock option plan

Inventronics maintains a stock option plan that allows the Corporation to grant options to employees and directors to purchase one common share of the Corporation per option. In the twelve months ended December 31, 2024, there were no options granted to employees and directors. In the first quarter of 2024, a total of 334,000 options were rescinded leaving 50,000 options outstanding at year end (2023 – 384,000). No additional options have been granted to employees or directors to date in 2025 and as such there has been no change in the number of options outstanding since December 31, 2024.

Stock Options Outstanding				
<i>For the periods ended December 31</i>	Three months		Twelve months	
	2024	2023	2024	2023
Opening balance	50,000	384,000	384,000	417,000
Options rescinded	-	-	(334,000)	-
Options exercised	-	-	-	(33,000)
Ending balance	50,000	384,000	50,000	384,000

The following table summarizes the issued and outstanding common shares of the Corporation along with stock options convertible into common shares.

As at	December 31, 2024		December 31, 2023	
	Outstanding shares	Weighted	Outstanding shares	Weighted
		average shares		average shares
Issued and outstanding common shares	4,871,145	4,871,145	4,871,145	4,865,796
Dilutive stock options outstanding ⁽¹⁾	-	-	384,000	103,361
Diluted common shares	4,871,145	4,871,145	5,255,145	4,969,157

Note 1: For the year ended December 31, 2024, the effect of options is not included in the calculation of diluted earnings per share as inclusion would have an anti-dilutive effect.

Dividend

In the second quarter of 2024, the Corporation's Board of Directors declared a special dividend of \$0.10 per share payable on July 11, 2024 in the amount of \$487,000 (2023 - \$0.12 per share payable on June 7, 2023 in the amount of \$584,000). The dividends paid in both 2024 and 2023 were designated as "eligible dividends" for Canadian income tax purposes. The Corporation has no set policy for dividends, but the Board and management consider dividends from time to time based on cash balances, working capital, and capital asset requirements.

7. Borrowing Arrangements and Covenants

Operating credit

The Corporation maintains a demand operating credit facility in the form of an overdraft lending account, which provides an authorized limit of \$1,200,000 and an interest rate of prime plus 0.90% (2023 – prime plus 0.90%). At December 31, 2024, an amount of \$1,200,000 under this facility was available, of which \$Nil was drawn (2023 - \$1,200,000 available and \$Nil drawn). The demand operating credit facility is unmarginated although the lender does retain a general security agreement over the Corporation's accounts receivable and inventory balances.

Long-term debt

The Corporation has a long-term lending agreement in the form of a fixed rate mortgage maturing in 2043; as at December 31, 2024 a principal amount of \$1,927,000 (2023 – \$1,989,000) was outstanding under this lending arrangement; bearing interest at 5.25% until April 2034; 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 Corporation also has an equipment financing loan in the amount of \$509,000 (2023 – \$622,000); 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

Foreign currency risk pertains to the number and value of transactions denominated in US dollars. The Corporation did not engage in any derivative hedging activities during the years ended December 31, 2024 and 2023 other than a natural hedge that occurs by carrying US dollar denominated cash, receivable and payable balances simultaneously.

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 the 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 twelve months ended December 31, 2024, the Corporation expensed \$470,000 (2023 - \$116,000) and \$936,000 (2023 - \$1,074,000), respectively, related to those compensation arrangements, which in the fourth quarter of 2024 included a one-time long service award of \$275,000 to the Chief Executive Officer.

11. Governance

The Corporation's Board is comprised of the four members of the Corporation's senior management team and two independent members. The Corporation's Chief Executive Officer and the two independent members comprise the Corporation's Audit Committee.

12. Non-IFRS Measures

EBITDA

Earnings before interest, tax, depreciation and amortization ("EBITDA") is not a recognized measure under 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 are 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 (loss)

(in thousands of dollars)

<i>For the periods ended December 31</i>	Three months		Twelve months	
	2024	2023	2024	2023
EBITDA	(258)	(146)	249	934
Less: Interest expense	(39)	(36)	(146)	(117)
Less: Depreciation and amortization	(52)	(69)	(205)	(270)
Less: Income tax	107	44	40	(178)
Net earnings (loss)	(242)	(207)	(62)	369

13. 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 and control infrastructures in Canada and the USA which are essential to establishing and supporting internet services. The Corporation's enclosures house the electronics and control systems required for the operation of these services. The continuing digitization of the economy and the rapid 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.

2024 was a year of transition to the moderating pace of broadband installations across Canada and the USA. Revenues have stabilized at a level that is lower than those achieved in the prior few years. This reduction has required a realignment of labour and overhead costs to preserve a breakeven or better profitability level. Regulation changes in both Canada and the USA are anticipated to keep the industry capital spending levels at or near current levels for the foreseeable future.

The Corporation's operations have been aligned to the current activity. The backlog of orders to start 2025 is stronger than last year and it is anticipated to remain stable throughout 2025. The major providers of internet bandwidth and other communication technologies are continuing to make infrastructure investments to meet the service demand in both Canada and the USA. The governments in both countries remain committed to satisfying the demand for broadband access in their more remote regions. Notwithstanding these commitments, management is carefully monitoring the order pace to ensure appropriate actions continue to be taken to preserve working capital and respond to the impact of these factors.

On March 4th, 2025, the Trump Administration imposed 25% tariffs on all Canadian goods being imported into the USA; although such tariffs were paused on March 6, 2025 provided the products comply with the USMCA free trade agreement. It is presently unclear whether the announced tariffs will be imposed and if imposed whether such tariffs will be maintained, increased or decreased. In addition, the Canadian government may take retaliatory actions in response to such tariffs. Any tariffs imposed by the USA are anticipated to impact the USA customers in a negative manner, and it is currently undetermined what affect this will have on the Corporation's USA-based revenue, which is forecast to represent 25% of the 2025 total.