



# **WestBond Enterprises Corporation**

## **Quarterly Report September 30, 2024**

### **Management Discussion and Analysis**

**Dated November 19, 2024 to Accompany the Interim Consolidated Financial Statements for the Three and Six Month Period Ended September 30, 2024**

**Caution Regarding Forward Looking Statements – There are many risk factors and uncertainties that may affect the company’s actual results, performance, achievements, or developments. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and the company cannot assure investors that actual results, performance, achievements, or developments that the company anticipates will be realized. Forward-looking statements are based on the beliefs of management and reflect management’s current plans, expectations, estimates, projections, beliefs and opinions and the company does not undertake any obligation to update forward-looking statements should the assumptions related to these expectations, plans, estimates, projections, beliefs, and opinions change, except as required by law. The forward-looking statements contained in this MD&A speak only as of the date of this MD&A.**

### **Description of Our Business**

We, WestBond Enterprises Corporation or the “Company”, are a paper manufacturer and converter that manufactures disposable paper products for many market segments. A full description of our business and products is contained in the Management Discussion and Analysis included in our 2024 Annual Report. A pdf version of the 2024 Annual Report may be downloaded from our web site at [www.westbond.ca](http://www.westbond.ca) or from the SEDAR web site at [www.sedar.com](http://www.sedar.com). For a printed copy, please contact the Company. Additional information on the Company is also available on our web site and on the SEDAR web site.

### **Discussion of Operations and Financial Condition**

You should refer to our interim consolidated financial statements for the three and six month period ended September 30, 2024 and our consolidated financial statements for the year ended March 31, 2024 while you read this discussion. Those financial statements provide significant material information that is not meant to be, nor is it included in this discussion. This discussion is meant to provide information not included in the financial statements and an explanation of some of the financial statement information. You should also refer to the Management Discussion and Analysis that was included in our 2024 Annual Report. Information included in that discussion is only updated in this discussion. Information that has not changed materially since June 30, 2024, the date of the Management Discussion and Analysis in the 2024 Annual Report, is not repeated here.

Sales were \$2,577,348 for the three months ended September 30, 2024, which is 13.7% higher than for the three months ended June 30, 2024. We realized a profit of \$71,060 (\$0.002 per share) for the three months ended September 30, 2024 compared to a profit of \$74,763 (\$0.002 per share) for the same period last year, and a profit of \$12,566 (\$0.000 per share) for the quarter ended June 30, 2024. The increase in profit compared to last quarter ending June 30, 2024 is a result of an increase in sales of napkins and parent rolls (air laid) and other product categories, off-set by decreases in sales in personal hygiene, clinical and wipes product categories. The table and graph on the next page show the trends over the past eight quarters.

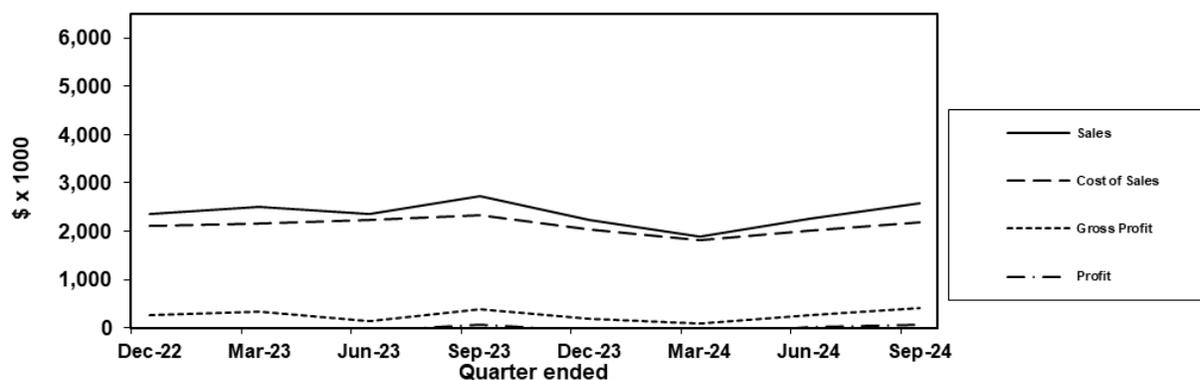
## Summary of Quarterly Results

The following table summarises the results of operations for the past eight quarters. We have extracted the data from our consolidated financial statements which are prepared in Canadian dollars and in accordance with International Financial Reporting Standards.

Cdn\$ x 1,000	Quarters ended							
	Sept 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Sales	2,577	2,267	1,896	2,239	2,718	2,367	2,510	2,360
Cost of Sales	2,179	2,013	1,817	2,041	2,322	2,237	2,166	2,100
Gross Profit	398	254	79	198	396	130	344	260
Selling and distribution expenses	48	41	30	35	46	44	39	40
General and administrative expenses	222	161	242	204	201	149	269	193
Operating profit	128	52	(193)	(41)	149	(63)	36	27
Other expenses	30	34	48	29	46	31	2	45
Profit before Tax	98	18	(241)	(70)	103	(94)	34	(18)
Income Tax Expense	27	5	(76)	(18)	28	(25)	40	1
Profit	71	13	(165)	(52)	75	(69)	(6)	183
Earnings per share, basic and diluted-Cdn\$	0.002	0.000	(0.005)	(0.001)	0.002	(0.002)	0.000	(0.001)
Dividends paid per share - Cdn\$	-	-	-	-	-	-	-	-
<b>Sales % change over previous quarter</b>	<b>13.67</b>	<b>19.60</b>	<b>(15.30)</b>	<b>(17.60)</b>	<b>14.80</b>	<b>(5.70)</b>	<b>6.40</b>	<b>(18.60)</b>

### Costs, expenses and net income - % of Sales

Cost of Sales	84.5	88.8	95.8	91.2	85.4	94.5	86.3	89.1
Selling and distribution expenses	1.9	1.8	1.6	1.6	1.7	1.9	1.5	1.7
General and administrative expenses	8.6	7.1	12.8	9.1	7.4	6.3	10.7	8.2
Other expenses	1.1	1.5	2.5	1.3	1.7	1.3	0.1	1.9
Income Tax Expense	1.1	0.2	(4.0)	(0.8)	1.0	(1.1)	1.6	0.0
Net profit	2.8	0.6	(8.7)	(2.3)	2.8	(2.9)	(0.2)	(0.8)



## Sales

Sales for the three months ended September 30, 2024 were 5.2% lower than for the same period last year and 13.7% higher than the previous quarter, ended June 30, 2024. The increase in profit compared to last quarter ending June 30, 2024, is a result of an increase in aggregate sales, with an increase in sales in napkins and parent rolls (air laid) and other product categories, off-set by decreases in sales in personal hygiene, clinical and wipes product categories. We have hired an additional shipper who will be able to reduce our backlog of unshipped orders.

We are investing in faster, more efficient new equipment to add to our diverse line of products. This new equipment will add capacity to support our new markets.

We are now supplying air laid napkins to a major, high profile national restaurant chain with a customized product. Additionally, major American restaurant supply distributors have placed trial orders for our air laid napkins. Demand for our products remains high and we are launching a rebranding of these products to aid in our marketing efforts.

Sales	Three Months ended		Change over last year	Six Months ended		Change over last year
	September 30			September 30		
	2024	2023		2024	2023	
Product Line	\$	\$		\$	\$	
Personal Hygiene	548,236	647,458	-15.3%	1,123,547	1,337,489	-16.0%
Clinical	269,434	434,934	-38.1%	603,098	935,967	-35.6%
Wipes	499,265	659,593	-24.3%	1,061,147	1,156,916	-8.3%
Napkins & Parent rolls (Air laid)	1,243,323	966,286	28.7%	2,037,707	1,584,710	28.6%
Other	17,090	9,899	72.6%	19,225	69,926	-72.5%
	2,577,348	2,718,170	-5.2%	4,844,724	5,085,008	-4.7%

## Cost of Sales

Materials are the most significant component of cost of sales. Bulk paper and pulp are our main materials cost. All of our products have a high materials component and a low labour component. Materials costs were lower in the quarter ended September 30, 2024 than in the quarter ended September 30, 2023 as a percentage of sales. Compared to the same quarter in 2023, production labour, variable overhead and shipping costs decreased because of intermittent factory closures and lower maintenance cost. The decrease in factory overhead labour cost is off-set by an increase in payments to a consultant for overseeing the production plant and assisting with sales and marketing. An increase in factory rent increased the fixed overhead by 0.4%. Depreciation of plant and equipment remained at 9.2% of sales and the depreciation of right of use of assets increased by 0.1% of sales.

Cost of Sales	Three Months ended September 30		Six Months ended September 30	
	% of Sales			
	2024	2023	2024	2023
Materials	43.5%	44.3%	44.1%	46.1%
Production labour	9.3%	9.5%	9.3%	10.3%
Factory overhead labour	4.8%	4.5%	5.0%	4.8%
Variable overhead	4.2%	4.3%	4.2%	4.6%
Fixed overhead	3.3%	2.9%	3.6%	3.1%
Shipping	7.7%	8.5%	7.7%	8.6%
Depreciation of plant equipment	9.2%	9.2%	9.8%	9.6%
Depreciation of right of use assets	2.5%	2.4%	2.7%	2.5%
Gross Profit	15.5%	14.6%	13.5%	10.4%

### ***Selling and Distribution Expenses***

Selling and distribution expenses during the three months ended September 30, 2024 were 1.9% of sales, compared to 1.7% for the three months ended September 30, 2023. The percentage cost in 2024 was higher due to an increase in shipping wages and benefits.

### ***General and Administrative Expenses***

Administrative and office expenses are higher in the three months ended September 30, 2024 than in the quarter ended September 30 2023, mainly due to increase in IT costs, office rent, and more vacation days taken during this period in 2023.

During the six months ended September 30, 2024 the company incurred total short-term employee benefits of \$205,417 (2023 – \$186,920) to its key management personnel, comprising the directors and officers of the company, and incurred \$9,576 (2023 – \$11,590) of professional fees in the normal course of operations paid to DuMoulin Black LLP, a law firm with which J. Douglas Seppala, a director of the company, is associated. The professional fees are for legal services provided to the Company at rates normally charged to arm's length parties.

### ***Other Income and Expenses***

Fluctuations in the US dollar exchange rate resulted in a \$5,711 loss during the three months ended September 30, 2024, compared with a \$9,273 loss in the same period last year. Compared to the previous quarter ending June 30, 2024, interest expense on bank loan is lower because of a lower balance on the revolving bank loan. Interest on lease liabilities is lower in 2024 than 2023 because of a lower principal balance.

### **Liquidity, Financial Position and Capital Resources**

Our operating cash flows, before accounting for fluctuations in non-cash working capital were \$444,130 during the three months ended September 30, 2024, an average of \$148,043 per month, compared to an average of \$53,574 per month during the year ended March 31, 2024. The increase is a result of lower costs and profit for the period. We had working capital of \$2,130,986 at September 30, 2024, compared to \$1,805,725 at March 31, 2024. The change is mainly due to increased trade and other receivables, income tax payable and trade and other payables, offset by decreased inventory, cash and cash equivalents, and bank loan.

We intend to spend around \$200,000 on production equipment additions and improvements over the next year, which we will finance from operating cash flows, supplemented by our revolving bank loan facility.

We have a revolving bank loan facility of \$1,500,000. The loan outstanding at any time may not be greater than an amount based on percentages of accounts receivable and inventory less accounts payable having priority over the bank. The amount currently available, based on our Consolidated Statement of Financial Position at September 30, 2024, is \$1,460,970. Loans outstanding under the facility bear interest at bank prime plus 0.5%. Substantially all of our assets are pledged as collateral for the revolving bank loan facility. \$95,000 was outstanding under the revolving bank loan facility at September 30, 2024.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as \$400,000. Accounts payable can also fluctuate by as much as \$400,000. We purchase our pulp and paper supplies in relatively large quantities and often have large shipments to customers on credit, which are the main reasons for these fluctuations.

We had a term loan credit facility which was used for the purchase of our binder bonded air laid paper making machine. The final payment of the balance of principal was made on August 31, 2023. This loan is now fully repaid.

At September 30, 2024 we are in compliance with all of our covenants to the bank regarding the revolving bank loan facility and do not anticipate difficulty maintaining this compliance during the forthcoming year. If we are not compliant with the covenants and are unable to obtain a waiver from the bank, the revolving bank loan will become payable on demand.

## Share Capital

The Company has only one class of share capital, common shares without par value. The Company also has a stock option plan.

	<u>November 19, 2024</u>
Authorized common shares without par value	Unlimited
Issued common shares	35,625,800
Shares issuable on exercise of outstanding stock options	940,000
Shares available for future stock option grants	2,622,580

The stock option plan permits the directors of the Company to grant incentive options to the employees, directors, officers and consultants of the Company.

### **Changes in accounting policies including first-time adoption**

The company notes that there is a change in the classification of "Shipping" costs in our financial reports starting in quarter ended June 30, 2023. Upon our external auditor's recommendation, we have added shipping costs to the Cost of sales category and removed it from Selling and distribution expenses category. For equitable comparison in this report, we have adjusted all numbers reported in previous periods to reflect this change.

### **Other Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's web-site at [www.westbond.ca](http://www.westbond.ca).