HMS Networks – Q1 report 2019
April 25th, 2019

Staffan Dahlström, CEO, Joakim Nideborn, CFO
Agenda

Summary

Business update

Financial results

Q&A
Summary Q1 and last 12 months

First quarter

- Net sales for the first quarter reached SEK 380 m (320), corresponding to an increase of 19%. Currency translations had a positive effect of SEK 25 m on net sales.
- Operating profit reached SEK 60 m (63) equal to a 16% (20) operating margin.
- Order intake was SEK 387 m (350), corresponding to an increase of 11%.
- Cash flow from operating activities amounted to SEK 52 m (20).
- Profit for the period totalled SEK 41 m (37) and the earnings per share was SEK 0.88 (0.80).

Last twelve months

- Net sales for the last twelve months amounted to SEK 1,425 m (1,225), corresponding to a 16% increase. Currency translations had a positive effect of SEK 88 m of net sales.
- Operating profit was SEK 248 m (218), equal to a 17% (18) operating margin.
- Order intake reached SEK 1,470 m (1,255), corresponding to an increase of 17%.
- Cash flow from operating activities amounted to SEK 224 m (174).
- Profit for the period totalled SEK 175 m (140) and the earnings per share was SEK 3.76 (2.99).
HMS Financial targets – 20/20/50

HMS sales development 2009-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>245</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>345</td>
<td>+21%</td>
</tr>
<tr>
<td>2011</td>
<td>384</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>382</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>501</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>589</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>702</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>952</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1,183</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1,366</td>
<td></td>
</tr>
</tbody>
</table>

HMS Financial targets

<table>
<thead>
<tr>
<th>Target</th>
<th>Actual 2009-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth (CAGR)</td>
<td>20%</td>
</tr>
<tr>
<td>EBIT (% margin)</td>
<td>20%</td>
</tr>
<tr>
<td>Dividend (% of EPS)</td>
<td>50%</td>
</tr>
</tbody>
</table>
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• Americas continues to be our main growth area with another record quarter in sales driven by a strong order intake in Q4 2018

• In Europe, particularly Germany, the automotive sector is still slow which is also effecting several suppliers to the automotive industry. Other sectors are showing growth – as a whole Europe is showing good order intake but weaker net sales

• The development in Asia is still challenging. Japan, the main market for HMS, is down substantially and the Asian region is down 13% compared to Q1 2018, even if other markets in Asia are showing growth
New technology in Q1 2019

• New technology
  • HMS HUB, which is the joint cloud solution from Beck IPC and HMS was launched at Hannover Messe
  • HMS 5G concept demonstrated together with Ericsson and ABB at Mobile World Congress

• Two new sales offices opened, in Dubai and South Korea

• Acquired 74.9% of WEBfactory, deal closed on April 1st
HMS Hub™ - From Device to Enterprise

Application (SaaS) and Cloud connections

Hub Portal & Hub Connectors
Dashboards, Analytics, Machine Learning, predictive maintenance, Digital Twin, etc.

Solution Partner Software

Security & Device Management

Edge Connectivity (CaaS)

Edge Intelligence

Industrial Communication

Industrial Devices

And more…
WEBfactory plug-in perfectly with HMS IIoT view
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Order intake of 387 MSEK

Order intake, MSEK

Comments on order intake

- Group order intake +11%
- Organic growth in local currencies +2%
- Adjusted for one-off order in Q1 2018 of 22 MSEK organic growth in local currencies is 9%
- Good order intake in EMEA, Americas slightly up and Asia continues to be weak
Net Sales reached all time high of 380 MSEK

- Sales growth of +19%
- Organic growth in local currencies +4%
- EMEA: +21% (excl acquisitions +10%) – solid market outside automotive
- Americas: +42% strong development of net sales from strong Q4
- Asia: -13%, tough comparable quarter and challenging market in Japan behind the slowdown
EBIT margin of 16% in the first quarter

EBIT per quarter, MSEK

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBIT per Quarter, MSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q117</td>
<td>57</td>
</tr>
<tr>
<td>Q217</td>
<td>59</td>
</tr>
<tr>
<td>Q317</td>
<td>65</td>
</tr>
<tr>
<td>Q417</td>
<td>31</td>
</tr>
<tr>
<td>Q118</td>
<td>63</td>
</tr>
<tr>
<td>Q218</td>
<td>63</td>
</tr>
<tr>
<td>Q318</td>
<td>74</td>
</tr>
<tr>
<td>Q418</td>
<td>52</td>
</tr>
<tr>
<td>Q119</td>
<td>60</td>
</tr>
</tbody>
</table>

EBIT margin

- EBIT of 60 MSEK, (63 MSEK) corresponding to 16% margin
- Q1 gross margin of 59.3% (61.8%), main reason is the low gross margin in Beck
- Price increases and WEBfactory acquisition should bring us back to 60%+ margin
- OPEX increase of 30 MSEK, driven by increase of 64 FTE
EPS of 0.88 SEK

Comments on EPS

- EPS of 0.88 SEK (0.80)
- Net financials of -4 MSEK (-11)
Cash flow from operating activities, 52 MSEK

- Cash flow from operating activities after changes in NWC 52 MSEK
- NWC is 8.7% of net sales (March closing) and 8.1% of net sales (average LTM)
- Inventory situation and component availability has further stabilized

Cash flow from operations per quarter, MSEK

Comments on cash flow

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Cash Flow (MSEK)</th>
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<tbody>
<tr>
<td>Q117</td>
<td>53</td>
</tr>
<tr>
<td>Q217</td>
<td>57</td>
</tr>
<tr>
<td>Q317</td>
<td>62</td>
</tr>
<tr>
<td>Q417</td>
<td>36</td>
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<td>20</td>
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<td>49</td>
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<td>Q119</td>
<td>52</td>
</tr>
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Q218 compared to Q117 shows a +160% increase.
Net debt/EBITDA at 1.33

Net debt and leverage, MSEK

Comments on net debt and leverage

- Net debt/EBITDA of 1.33 (1.26)
- Net debt/Equity: 0.45 (0.40)
- IFRS 16 impact on net debt +98 MSEK
- Comparable (excl. IFRS 16) Net debt/EBITDA of 1.04
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