Agenda

Summary

Business update

Financial results

Q&A
## Financial summary of Q1 2020 and R12 months

### Q1
- **Net sales**: 361 MSEK (380), -5%
- **Order intake**: 401 MSEK (387), +4%
- **EBIT**: 67 MSEK (60)
- **EBIT margin**: 19% (16)
- **Cash flow from ops.**: of 55 MSEK (52)
- **EPS**: 1.01 (0.88)

### R12 months
- **Net sales**: 1,500 MSEK (1,425), +5%
- **Order intake**: 1,484 MSEK (1,470), +1%
- **EBIT**: 250 MSEK (248)
- **EBIT margin**: 17% (17)
- **Cash flow from ops.**: of 257 MSEK (224)
- **EPS**: 4.56 (3.76)
Connecting Devices™

We make sure that industrial devices can communicate. Millions of robots, engines, drives, generators and other business-critical equipment rely on HMS technology to get connected.
HMS is working with "Users" and "Makers"

HMS have thousands of industrial customers

Users of Industrial Automation Systems
These companies work in end-user industries:

- Examples of Users
  
  - Volkswagen
  - Carlsberg
  - Continental
  - BMW
  - E.ON
  - Nestlé
  - Foxconn

- HMS typically reaches these customers indirectly via intermediaries (Systems Integrators, Distributors and Solution Partners).

Makers of Industrial Equipment
These companies make:

- Intelligent Industrial Machines
  
  - Packaging machine, CT-scanner, Windmill, Elevator, genset, AGV, heavy duty vehicle etc. “Machine Categories”

- Intelligent Industrial Devices
  
  - Drives, PLC, HMI, Robot controller, actuator, nutrunner, circuit breaker etc. “Device Categories”

- HMS typically address these customers directly with HMS sales force.
<table>
<thead>
<tr>
<th></th>
<th>Users</th>
<th>Makers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design wins, embedded products</td>
<td>0%</td>
<td>48%</td>
</tr>
<tr>
<td>Gateways, routers and other products</td>
<td>18%</td>
<td>28%</td>
</tr>
<tr>
<td>Software, subscriptions and services</td>
<td>4%</td>
<td>2%</td>
</tr>
</tbody>
</table>
HMS Financial targets – 20/20/50

HMS sales development 2010-2019

Sales growth (CAGR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Actual avg. 2010-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>345</td>
<td>384</td>
</tr>
<tr>
<td>2011</td>
<td>501</td>
<td>382</td>
</tr>
<tr>
<td>2012</td>
<td>589</td>
<td>582</td>
</tr>
<tr>
<td>2013</td>
<td>702</td>
<td>706</td>
</tr>
<tr>
<td>2014</td>
<td>952</td>
<td>1,183</td>
</tr>
<tr>
<td>2015</td>
<td>1,366</td>
<td>1,366</td>
</tr>
<tr>
<td>2016</td>
<td>1,519</td>
<td>1,519</td>
</tr>
</tbody>
</table>

EBIT (% margin)

| | Target | Actual avg. 2010-2019 |
| | 20%    | 18%                  |

Dividend (% of EPS)

| | Target | Actual avg. 2010-2019 |
| | 50%    | 46%                  |
Summary

Business update

Financial results

Q&A
Corona update

Q1

• No major Corona impact on HMS business and all team members are OK
• Manufacturing facilities in Spain closed for 2-3 weeks, now up and running
• Managed to secure supply, small disruptions from China after Chinese new year
• Customers stocking up to avoid shortage, order intake boosted 30-40 MSEK

Q2

• Order intake down ~20% compared to 2019 so far in April
• Expected challenging quarter
• Short-time work implemented in Sweden since last week, in Germany from next week
• Close monitoring of the situation and potential implementation of short-time work at higher level as well as in other areas

Strategy

• Once the Corona situation is behind us we expect good market conditions for Automation & Digitalization, and we should then have intact teams to execute our business – until then we keep a close eye on our cost and cash flow
• Volatile sales and order intake as effect of some customers stocking up for tougher times

• In general a positive trend in USA and Asia, driven by Japan where some of our main customers are ordering after some weak quarters

• Europe continues to be challenging, especially Germany being weak. Substantially down from Q1 2019 but on similar levels as Q4 2019

• Ewon delivering record quarter, Remote Access solutions gain interest in these times!

• Anybus and Ixxat down from Q1 2019, but still on positive track from H2 2019

• Intesis somewhat impacted by supply chain disruptions, but back on track towards the end of the quarter
Summary

Business update

Financial results

Q&A
Order intake 401 MSEK

Comments on Q1 order intake
- Order intake in Q1 401 MSEK (387), corresponding to an increase of 4%
- Organic a decrease of 4%
- Book to bill of 1.11 (1.02)
- Even distribution of the organic decline between brands vs. Q1 2019, except Ewon
- Record order intake driven by FX and customers stocking up

Comments on R12 months order intake
- Order intake R12 months 1,484 MSEK (1,470), corresponding to an increase of 1%
- Organic a decrease of 6%
- Book to bill of 0.99
Net Sales of 361 MSEK (380), corresponding to a decrease of 5%
- Organic a decrease of 8%
- EMEA: -11%
- Americas: +4%
- Asia: +9%

Net Sales of 1,500 MSEK (1,425), corresponding to an increase of 5%
- Organic the same level as last year R12 months
- EMEA: 4% growth
- Americas: 5% growth
- Asia: 11% growth
Sales per market Q1 2020

Sales per geography Q1 2020, MSEK

**Americas**
- Net Sales 87 MSEK (84)
- 24% of Group sales (22)
- USA represents 83%

**EMEA**
- Net Sales 214 MSEK (240)
- 59% of Group sales (63)
- Germany represents 40%

**Asia**
- Net Sales 60 MSEK (55)
- 17% of Group sales (15)
- Japan represents 57%
EBIT 67 MSEK (19% margin)

Comments on Q1 results
- EBIT 67 MSEK (60), EBIT margin of 18.5% (15.8)
- Q1 gross margin of 62.4% (59.3), positive effects from a favorable product mix, efficiency improvements and acquisitions
- OPEX decrease of 6 MSEK corresponding to an organic decrease of 14 MSEK (-8%)
- 5 MSEK of OPEX reduction due to less travelling and cancelled customer events

Comments on R12 months results
- EBIT of 250 MSEK (248), corresponding to 16.7% (17.4) margin
- Gross margin 61.9% (60.4)
- OPEX increase of 65 MSEK, driven by acquisitions, FX and restructuring costs
- Restructuring program effects as planned, 45 MSEK OPEX reduction annually
EPS 1.01 SEK

EPS, SEK

Comments on Q1 EPS
- EPS of 1.01 SEK (0.88)
- Net financials of -4 MSEK (-4)

Comments on R12 months EPS
- EPS of 4.56 (3.76)
- Net financials of -15 MSEK (-15)
Cash flow from operations of 55 MSEK in Q1

- Cash flow from operating activities of 55 MSEK (52)
- Changes in NWC of -29 MSEK
- Increased AR of 41 MSEK
- Inventory reduction of 6 MSEK, we might build up some component inventory during coming months
- NWC in % of sales 10.3% - might be slightly higher for some months

Comments on R12 months Cash Flow

- Cash flow from operating activities of 257 MSEK (224)
- Changes in NWC -30
Net debt 390 MSEK

### Comments on Net debt and leverage

- Net debt / EBITDA of 1.13 (1.33)
- Net debt / Equity: 0.36 (0.45)
- Reduced leverage as result of no dividend