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Financial summary of Q2 2023 and YTD

Q2
• Net sales 703 MSEK (601), +17%
• Order intake 703 MSEK (815), -14%
• EBIT 150 MSEK (143)
• EBIT margin 21.4% (23.7)
• Cash flow from ops. of 78 MSEK (56)
• EPS 2.48 (2.33)

YTD
• Net sales 1,476 MSEK (1,118), +32%
• Order intake 1,384 MSEK (1,671), -17%
• EBIT 362 MSEK (282) (Adj. 255 MSEK)
• EBIT margin 24.5% (25.2) (Adj. 22.8%)
• Cash flow from ops. of 233 MSEK (136)
• EPS 6.18 SEK (4.74) (Adj. 4.17)
Valuable data and insights from machines and systems

HMS makes products which enable machines to communicate
HMS playing field – overall market segments

**Industrial Automation**
- Manufacturing
  - Factory automation, Process automation
- Transportation & Infrastructure
  - Air, roads, railways, ports, marine, utilities, data centers, telecom, material handling, warehousing etc.
- Power & Energy
  - Power generation, power distribution, power management

**Building Automation**
- Commercial buildings, industrial buildings, hotels, offices, residential, retail

**Industrial Information and Communication Technology Solutions**
HMS playing field – Customer groups

Makers of industrial equipment

Users of automation systems
HMS key customer groups and market channels

- **Makers of industrial equipment**
  - Device manufacturers
    - 44% of revenue
    - Design Wins
    - Direct Sales
  - Machine builders
    - 27% of revenue
    - Specified as standard or option in BOM
    - Direct Sales & Distribution

- **Users of automation systems**
  - End users & System integrators
    - 29% of revenue
    - Project Sales
    - Product Sales
    - Traditional Distributors
    - E-Commerce Distributors

**Revenue**
- 44% of revenue
- 27% of revenue
- 29% of revenue

**Business model**
- Design Wins
- Specified as standard or option in BOM
- Go-to-market
- Direct Sales & Distribution

**Go-to-market**
- Traditional Distributors
- E-Commerce Distributors
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Business update – second quarter 2023

- Continued stable demand despite macro indications of slower industrial markets
- Solid development in Continental Europe, Japan shows combination of long orders and destocking, customers in North America destocking but solid delivery volumes
- Strong development in building automation

- We still see effects from the last two years of disruption in the global supply chain for electronic components – continued component inventory buildup at HMS
- Inventory buildup also driven by low deliveries during ERP go-live and FX

- Implementation of new ERP system in May – roll out during 2023-2024
- Recruitment of a COO and CHRO, new roles in the Group Management to build the organization for continued growth
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Order intake of 703 MSEK in Q2 2023, -14%

ORDER INTAKE, MSEK

- Q2 2023: 703 MSEK (815), -14% (organic -17%)
- YTD 2023: 1,384 MSEK (1,671), -17% (organic -18%)
- Continued strong market in Building Automation, 20%+ organic growth in sales and orders
- Book-to-bill excluding FX effects of 0.94 in Q2

HIGHLIGHTS

BRIDGE Q222-Q223, MSEK

BRIDGE YTD, MSEK

Q2 2022 Organic FX Acquisitions Q2 2023

YTD 2022 Organic FX Acquisitions YTD 2023
Underlying demand holding up well

Customers are now de-stocking, primarily in Americas and Japan – also in line with HMS’ lead times improving for large part of the offering.
Reported order intake: 14% decline, adjusted for boost orders in 2022 and destocking in 2023, 10% growth, further adjusted for FX → 2% organic growth
Net Sales 703 MSEK in Q2 2023, +17%  

**HIGHLIGHTS**

- Q2 2023: 703 MSEK (601), +17% (organic +10%)
- YTD 2023: 1,476 MSEK (1,118), +32% (organic +24%)
- 40 MSEK postponed deliveries from go-live of ERP-system, to be recovered during H2 2023
- Mixed customer requirements between wanting deliveries asap, and some large customers that are managing inventory levels carefully
Order backlog remains at 1.3 BSEK – due to temporary lower sales from ERP-roll out and continued weakening of SEK, increasing value of backlog in foreign currency.
Q2 2023: Sales per region

Sales per region Q2 2023, MSEK

**Americas**
- Net Sales 169 MSEK (117)
- 24% of Group sales (19%)
- USA represents 63%

**EMEA**
- Net Sales 414 MSEK (372)
- 59% of Group sales (62%)
- Germany represents 36%

**APAC**
- Net Sales 120 MSEK (111)
- 17% of Group sales (19%)
- Japan represents 59%
- China 28%
Q2 2023: EBIT 150 MSEK (21.4% margin)

### EBIT, MSEK

- EBIT Q2: 150 MSEK (143)
- EBIT margin Q2: 21.4% (23.7)
- EBIT YTD: 362 MSEK (282) (Adj. 255)
- EBIT margin YTD: 24.5% (25.2) (Adj. 22.8)

### Comments on Q2 results

- EBIT Q2: 150 MSEK (143)
- EBIT margin Q2: 21.4% (23.7)
- EBIT YTD: 362 MSEK (282) (Adj. 255)
- EBIT margin YTD: 24.5% (25.2) (Adj. 22.8) margin

- Q2 2023 gross margin of 64.7% (62.2)
- Main drivers to strong gross margin:
  - Price adjustments towards customers
  - Favorable currency situation
  - Almost no spot purchases of components

- Organic OPEX increase by 25% to 305 MSEK – investment in IT/ERP and high activity in Sales and Marketing driving cost
  - ERP roll out will continue throughout 2023-2024 but at a less cost intensive pace
Q2 2023: EPS 2.48 SEK

• EPS of 2.48 SEK (2.33)
• Net financials of -7 MSEK (-3)
• Dividend of 4.00 SEK paid out in May

Comments on Q2 EPS

Comments on YTD EPS

• EPS of 6.18 (4.74) (Adj. 4.17)
• Net financials of -6 MSEK (-6)
Q2 2023: Cash flow from ops. of 78 MSEK

Comments on Q2 Cash Flow
- Cash flow from operating activities of 78 MSEK (56)
- Changes in NWC \(\rightarrow -56\) MSEK (-84)
  - Inventory buildup of 100 MSEK out of which 30 MSEK is related to FX and lower sales in Q2
  - NWC in % of sales 11.1% (7.1)

Comments on YTD Cash Flow
- Cash flow from operating activities of 233 MSEK (136)
- Changes in NWC \(\rightarrow\) cash flow of -126 MSEK (-134)
  - Inventory buildup of 127 MSEK
Q2 2023: Net Debt of 540 MSEK

Net debt / EBITDA of 0.63 (0.69)

Net debt / Equity: 0.32 (0.32)

Total net debt 540 MSEK, out of which interest-bearing net debt is 93 MSEK

Comments on Net debt and leverage:

- Net debt / EBITDA of 0.63 (0.69)
- Net debt / Equity: 0.32 (0.32)
- Total net debt 540 MSEK, out of which interest-bearing net debt is 93 MSEK
Summary Q2 2023

Demand holds up well despite some destocking

- Order intake holds up well, underlying organic order intake up 2% vs Q2 2022
- Starting to see customers destocking, expected to continue throughout H2

Temporary somewhat lower sales and cash flow

- Some postponed deliveries from ERP go-live (40 MSEK) impacting both sales and results, will be recovered during H2 2023
- Inventory further increased, focus on cash flow during H2 2023
- Large order book and strong gross margins give solid base for rest of 2023