

HMS Networks – third quarter report 2018

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Third quarter

- Net sales for the third quarter reached SEK 353 m (305), corresponding to an increase of 16 %. The revaluation of the Swedish krona had a positive impact of SEK 29 m
- Operating profit reached SEK 74 m (65) equal to a 21 % (21) operating margin
- Order intake was SEK 360 m (289), corresponding to an increase of 24 %
- Cash flow from operating activities amounted to SEK 73 m (62)
- Profit after taxes totalled SEK 51 m (42) and the earnings per share was SEK 1,09 (0,90)
- Acquisition of 100 % of the shares in Beck IPC GmbH

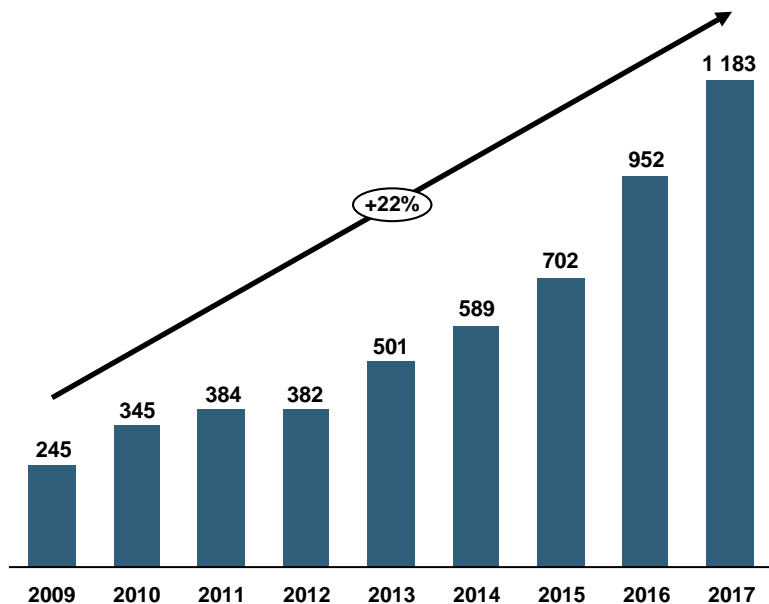
First nine months

- Net sales for the first nine months amounted to SEK 1 003 m (882), corresponding to a 14 % increase. The revaluation of the Swedish krona had a positive impact of SEK 44 m
- Operating profit was SEK 199 m (181), equal to a 20 % (21) operating margin
- Order intake was SEK 1 046 m (916), corresponding to an increase of 14 %
- Cash flow from operating activities amounted to SEK 144 m (171)
- Profit after taxes totalled SEK 129 m (123) and the earnings per share was SEK 2,78 (2,62)



HMS Financial targets – 20/20/50

HMS Sales development 2009-2017



HMS Financial targets

Sales
growth

20% per year

EBIT

20% per year

Dividend

50% of EPS



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Business update third quarter 2018

- Continued strong economy in Americas, pace has picked up after a slow Q1
- Still good performance YTD in Asia, after a strong start of the year, Q2 and Q3 has been a bit slower in sales. Strong order intake in Q3
- Stable development in EMEA, our largest market, after a weak Q2. Additional 10 MSEK in the quarter from the Beck acquisition

- New product launches and certification for IIoT and security
- Component shortage situation has improved, stock build up completed



Events in Q3: Acquisition of Beck IPC GmbH

- On July 17th HMS acquired German Beck IPC GmbH
 - Beck IPC is leading provider in the embedded communications market with solutions for embedded control, M2M communication and the Industrial Internet of Things (IIoT)
 - Purchase price of 5 MEUR, debt and cash free
 - Earn-out of 2 MEUR based on certain financial targets are met until 2020
- Financial impact for HMS
 - Yearly sales of 6-7 MEUR
 - Initial EBIT will be close to zero
 - Limited impact for HMS EPS in 2018
- The embedded offering of Beck IPC consisting of both hardware and software, are important building blocks to strengthen HMS' strategy within IIoT



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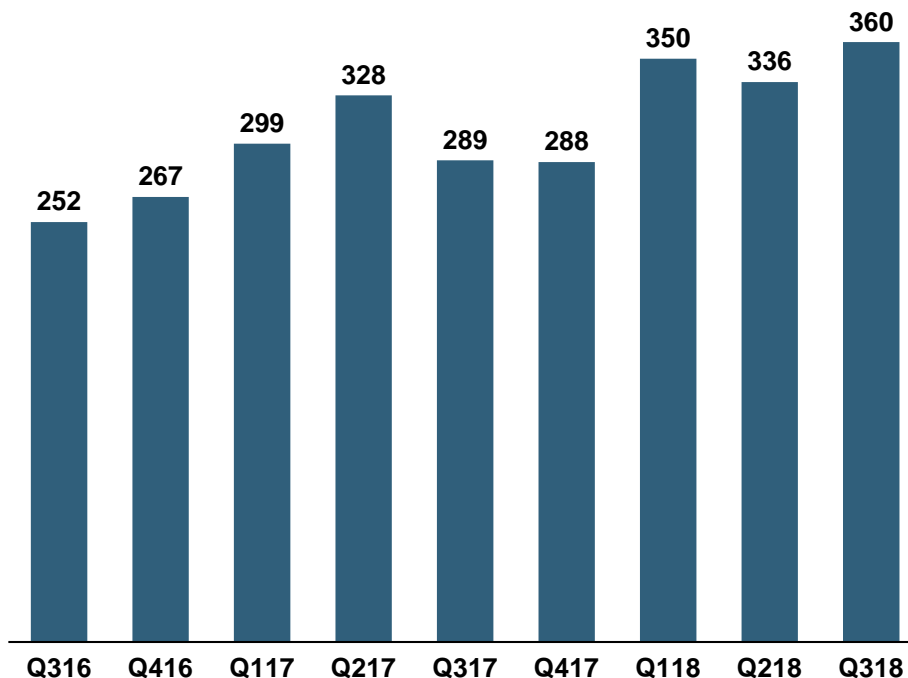
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Order intake of 360 MSEK

Order intake, MSEK



Reported growth

40% 70% 50% 33% 15% 8% 17% 3% 24%

Organic growth

17% 41% 35% 24% 15% 8% 17% 3% 16%

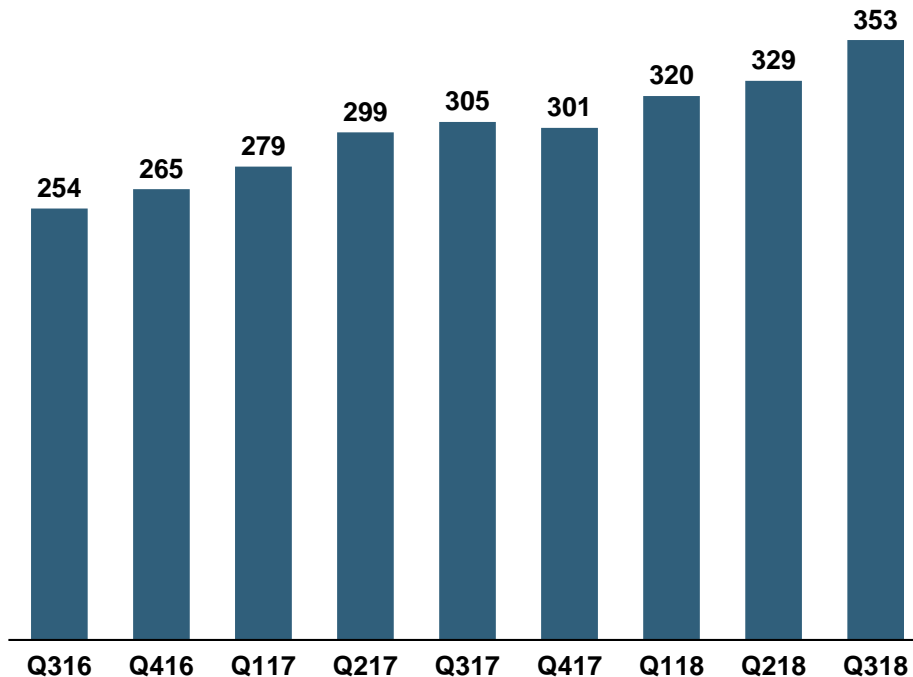
Comments on order intake

- Group order intake +24% (Beck: 23 MSEK)
- Organic growth +16% (in local currencies 8%)
- Large increase in Asia – two large frame orders to be delivered in 2019



Sales reached all time high of 353 MSEK

Sales, MSEK



Reported growth

41% 51% 39% 29% 20% 14% 15% 10% 16%

Organic growth

15% 20% 25% 22% 20% 14% 15% 10% 12%

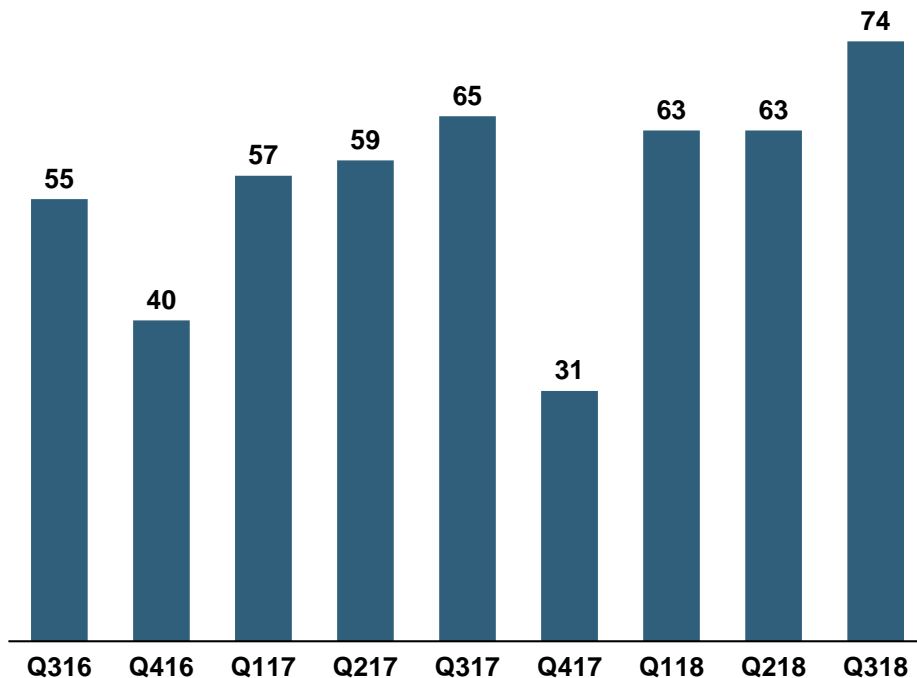
Comments on sales

- Sales growth of 16%, Beck included by 10 MSEK
- 4% organic growth in local currencies
- EMEA +19% in Q3 – general stable market development
- Americas +17% in Q3 – investments are starting to pay off
- Asia +5% – lower sales activity on large customers



EBIT margin of 21% in the third quarter

EBIT per quarter, MSEK



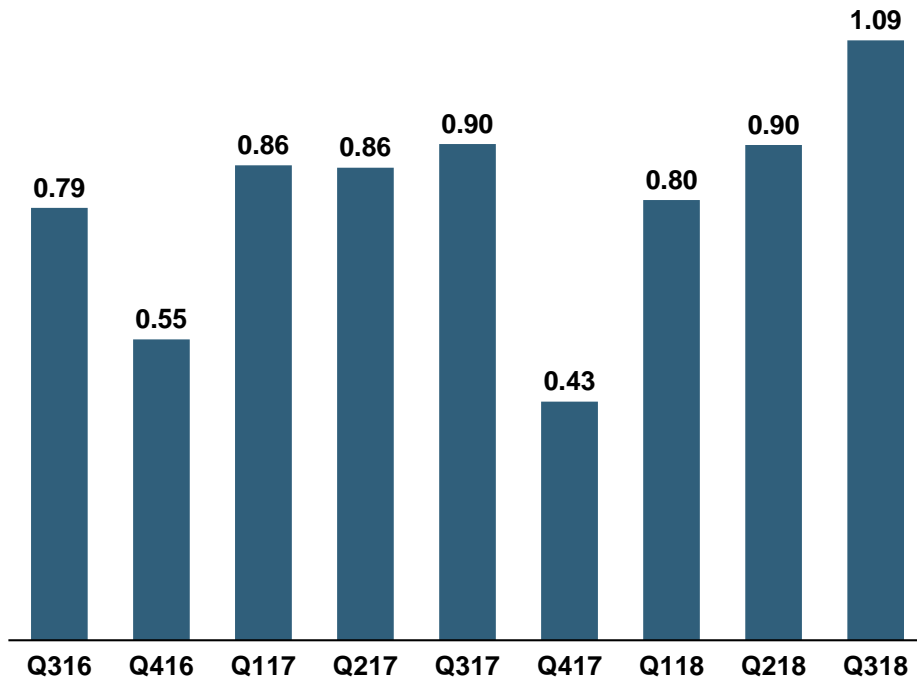
EBIT margin

21% 15% 21% 20% 21% 10% 20% 19% 21%

Comments on EBIT

- EBIT of 74 MSEK, 21% margin
- +11 MSEK in positive currency effects
- Gross margin of 60.3%
- Increased OPEX of 18 MSEK in relation to Q3 2017, +50 FTE (+20 FTE from Beck)

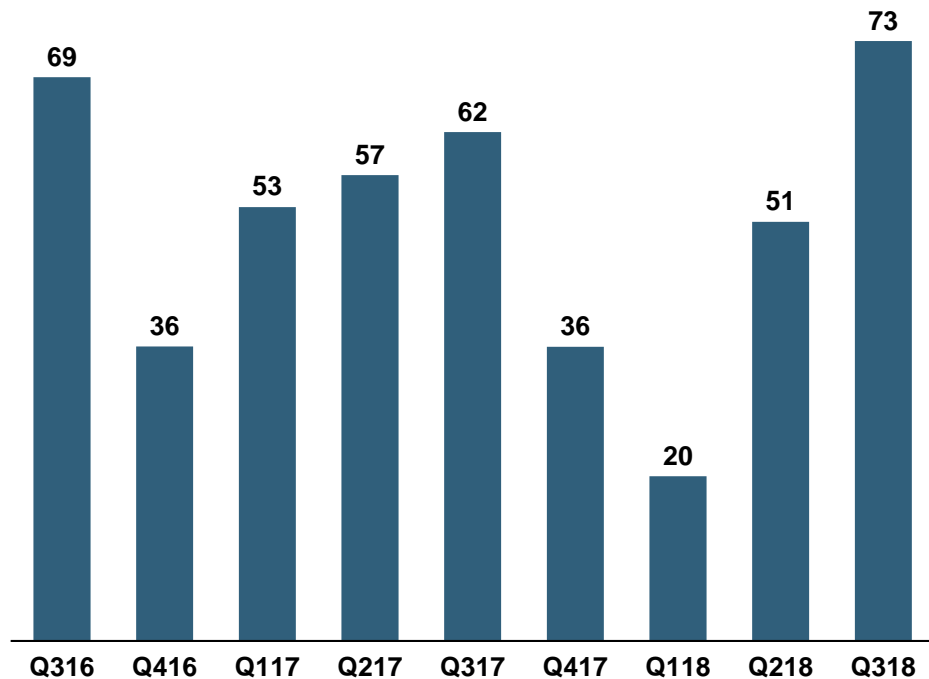
EPS per quarter, SEK



Comments on EPS

- EPS of 1.09 SEK (0.90)
- Net financials of -4 MSEK (-6)

Cash flow from operations per quarter, MSEK

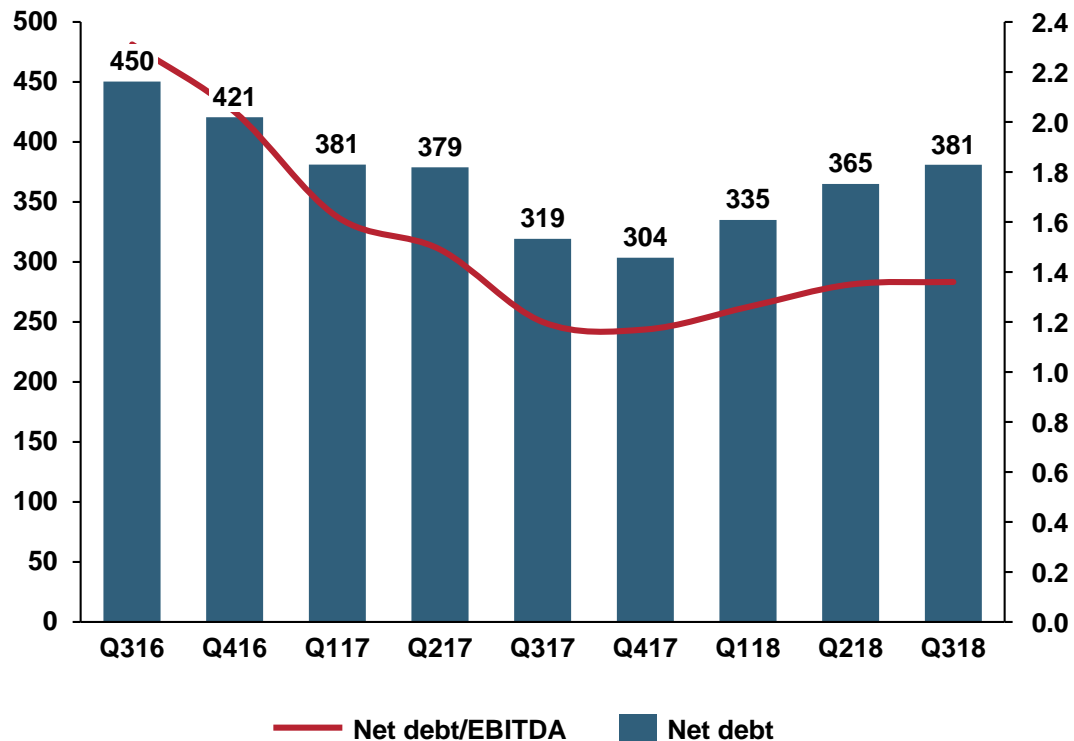


Comments on cash flow

- Cash flow from operating activities before changes in NWC 59 MSEK
- Decrease of NWC by 15 MSEK

Net debt/EBITDA is stable at 1.36

Net debt and leverage

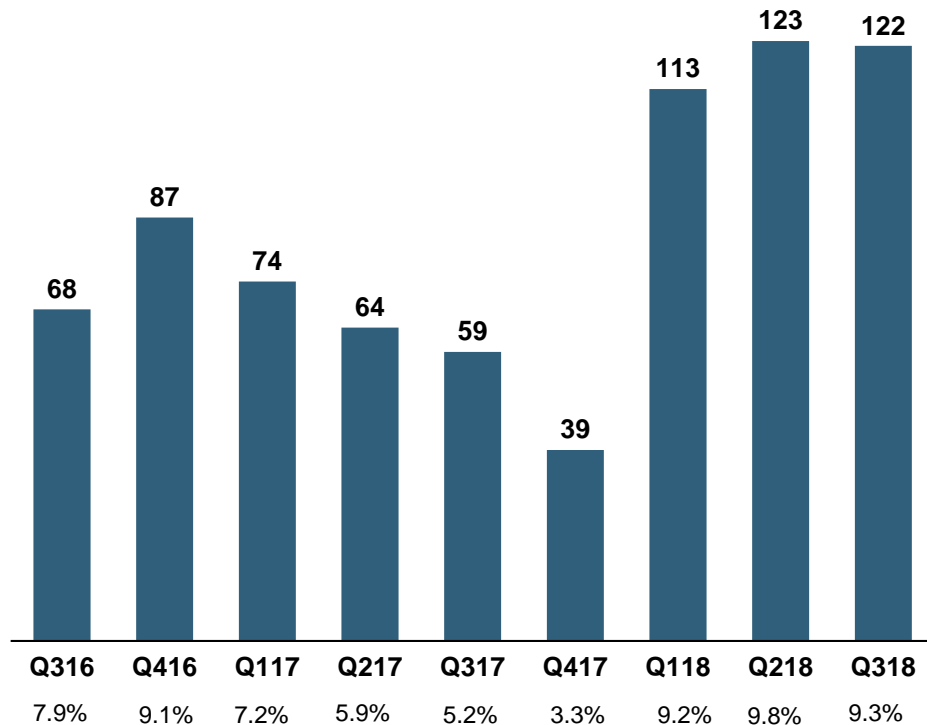


Comments on net debt and leverage

- Net debt/EBITDA of 1.36
- No increase in Net debt/EBITDA, despite acquisitions of Beck
- Repurchase of own shares of 11 MSEK (to share savings program)

Working capital of 9.3% of R12-sales

Working capital per quarter, MSEK



Comments on working capital

- NWC expected to be around 10% of sales
- NWC from Beck 10 MSEK
- Inventory increase of 12 MSEK (Beck 6 MSEK) offset by increased current liabilities



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