Agenda

Summary

Business update

Financial results

Q&A
Financial summary of Q3 2020 and first nine months

**Q3**
- Net sales 345 MSEK (377), -8%
- Order intake 336 MSEK (372), -10%
- EBIT 77 MSEK (56, adj. 81)
- EBIT margin 22% (15%, adj. 22%)
- Cash flow from ops. of 116 MSEK (90)
- EPS 1.33 (0.98)

**First nine months**
- Net sales 1,061 MSEK (1,172), -9%
- Order intake 1,039 MSEK (1,134), -8%
- EBIT 213 MSEK (188, adj. 213)
- EBIT margin 20% (16%, adj. 18%)
- Cash flow from ops. of 286 MSEK (193)
- EPS 3.58 (2.96)
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 has 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>Product Category</th>
<th>Users</th>
<th>Makers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design wins, embedded products</td>
<td>0%</td>
<td>47%</td>
</tr>
<tr>
<td>Gateways, routers and other products</td>
<td>19%</td>
<td>29%</td>
</tr>
<tr>
<td>Software, subscriptions and services</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>
HMS Updated financial targets

**Growth**
- HMS target is to exceed $\pi$ (3.14) BSEK by 2025
- This will be achieved through equal parts of organic growth and acquisitions

**Profitability**
- HMS target is to have an EBIT-margin of 20% over the period for the business plan

**Dividend**
- The dividend will be between 30-50% of Earnings Per Share
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On October 1st HMS acquired 70% of the shares in Procentec Group

Hardware and Software for surveillance and diagnostics of network traffic in industrial processes

HQ in Rotterdam and sales offices in Germany, UK and Italy

Sales of 11.7 MEUR in 2019

Expected organic single-digit growth, and double-digit EBIT-margin

“We see great opportunities to develop this business from today’s diagnostic tools and offer predictive maintenance services to reduce operational problems in our customers’ critical networks.”
HMS acquired 74.9% of the shares in WEBfactory GmbH in Q2 2019.

In October, the final 25.1% of the shares was acquired in order to speed up integration and benefit from a more integrated product offer.

The business, with primary markets Germany and central Europe, had a challenging start of the year and the financial impact short-term will be small.

“We can now increase the integration and use of WEBfactory’s software products together with our other product brands, and we see great opportunities for new business where Hardware meets Software.”
Covid-19 impacting customer segments differently

- Customers within exposure towards med-tech and food and beverage performing well
- Continued challenging business related to Automotive
- Good development in several industries in China (for example Wind power)
- Continued low/hesitant CAPEX investments in industrial applications in general

Europe continues to be down in both sales and orders, Asia is down in terms of sales, but showing positive order development, USA develops sideways

- Except Anybus brand, small organic growth in all our other brands

Stable gross margins, despite lower volumes
Covid-19 update

Q3

• All HMS team members are healthy
• Continued home-office work for most staff
• Short-time work in Germany (about 20%)
• All supply facilities are working without any major disruption

Q4 expectations

• Q4 has started in line with Q3 order intake pace and is expected to continue with similar levels
• Short-time work continues in Germany, until further notice
• Continued close monitoring of Covid-19 situation
• All fairs cancelled for 2020 and planning for 2021 is based on digital events

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
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Q&A
Order intake 336 MSEK

Comments on Q3 order intake
- Order intake in Q3 336 MSEK (372), corresponding to a decrease of 10%
- Organic a decrease of 7%
- Continued decline in Germany, Italy and France – main reason for the Group decline
- USA showing a small decline of -4%
- Asia +20% (China 50%)

Comments on first nine months order intake
- Order intake first nine months 1,039 MSEK (1,134), corresponding to a decrease of 8%
- Organic a decrease of 9%
- Germany and Italy are down 18%
- USA is developing sideways
- Asia growing more than 20%
Net sales 345 MSEK

**Comments on Q3 Net Sales**
- Net Sales of 345 MSEK (377), corresponding to a decrease of 8%
- Organic a decrease of 6%
- EMEA: -12%
- Americas: +1%
- Asia: -7%

**Comments on first nine months Net Sales**
- Net Sales of 1,061 MSEK (1,172), corresponding to a decrease of 9%
- Organic a decrease of 9%
- EMEA: -15%
- Americas: +3%
- Asia: -3%
Sales per region Q3 2020

**Americas**
- Net Sales 80 MSEK (80)
- 23% of Group sales (21%)
- USA represents 81%

**EMEA**
- Net Sales 208 MSEK (236)
- 60% of Group sales (63%)
- Germany represents 39%

**Asia**
- Net Sales 57 MSEK (61)
- 17% of Group sales (16%)
- Japan represents 42%
EBIT 77 MSEK (22% margin)

Comments on Q3 results

- EBIT 77 MSEK (56, adj. 81), EBIT margin of 22.3% (14.9%, adj. 21.6%)
- Q3 gross margin of 61.9% (62.8), volume and currency are the main reasons for the changes in gross margin compared to Q3 2019
- OPEX decrease of 44 MSEK corresponding to an organic decrease of 13 MSEK (-8%)
- Short-time work OPEX reduction by 4 MSEK (whereof 1 MSEK in government support)

Comments on first nine months results

- EBIT of 213 MSEK (188, adj. 213), corresponding to 20.0% (16.0%, adj. 18.2%) margin
- Gross margin 62.1% (61.1) internal improvements and product mix main drivers
- OPEX decrease of 70 MSEK, (organic 53 MSEK), mainly related to corona effects and restructuring program in Q3 2019
- Restructuring program effects as planned, 45 MSEK OPEX reduction annually
EPS 1.33 SEK

**Comments on Q3 EPS**
- EPS of 1.33 SEK (0.98)
- Net financials of -4 MSEK (-1)

**Comments on first nine months EPS**
- EPS of 3.58 (2.96)
- Net financials of -9 MSEK (-7)

*Adjusted EPS*
Cash flow from operations of 116 MSEK in Q3

- Cash flow from operating activities of 116 MSEK (90)
- Changes in NWC → cash flow of +20 MSEK
- Inventory -5 MSEK and AR -28 MSEK vs Q2 (partly FX)
- NWC in % of sales 10.7%

Comments on first nine months Cash Flow

- Cash flow from operating activities of 286 MSEK (193)
- Changes in NWC → cash flow of +8 MSEK
- Inventory -23 MSEK from 2019-12-31
- Tax returns and low financing cost
Net debt 161 MSEK

- Net debt / EBITDA of 0.42 (1.45)
- Net debt / Equity: 0.14 (0.49)
- No dividend burdening net debt and no acquisition in the first three quarters
Welcome to our digital Capital Markets Day on November 18th 09.00-12.00!