HMS Networks Q3 2022 presentation

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Summary and introduction

Business update

Financial results

Q&A
Financial summary of Q3 2022 and YTD

**Q3**
- Net sales 624 MSEK (472), +32%
- Order intake 675 MSEK (669), +1%
- EBIT 179 MSEK (101)
- EBIT margin 28.7% (21.5)
- Cash flow from ops. of 118 MSEK (148)
- EPS 2.90 (1.81)

**YTD**
- Net sales 1,742 MSEK (1,401), +24%
- Order intake 2,346 MSEK (1,839), +28%
- EBIT 461 MSEK (336) *(Adj. 434 MSEK)*
- EBIT margin 26.5% (24.0) *(Adj. 24.9%)*
- Cash flow from ops. of 254 MSEK (405)
- EPS 7.64 SEK (5.75) *(Adj. 7.07)*
HMS Playing Field – Customer groups

Makers of industrial equipment

Users of automation systems
Makers of industrial equipment

Device manufacturers

43% of revenue

Design Wins

Direct Sales

End users & System integrators

35% of revenue

Specified as standard or option in BOM

Direct Sales & Distribution

Revenue

Business model

Go-to-market

Project Sales

Product Sales

Traditional Distributors

E-Commerce Distributors

Users of automation systems

Machine builders

35% of revenue

43% of revenue

Revenue

Business model

Go-to-market

Traditional Distributors

E-Commerce Distributors
To become the World’s Greatest Industrial ICT Company

**Vision and mission**

- **Vision**
  - The World’s Greatest Industrial ICT Company

- **Mission**
  - “HMS enables valuable data and insights allowing our customers to increase productivity and sustainability”

**2025 Group objectives**

- **Environment**
  - +0 Net Positive in CO₂ emissions

- **Staff & Customers**
  - +25 Staff NPS
  - +25 Customer NPS

- **Financial**
  - 3.14 BSEK
  - 20% EBIT
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With continued solid demand, improved component availability and beneficial currency situation, sales reached record levels in the third quarter.

Still no signs of market slowdown.

Customer’s inventory build-up pace is significantly reduced – partly driven by HMS’ improved delivery capacity – boost order intake went down to 50 MSEK in Q3.

HMS has continued to build component inventory in the quarter.

Acquisition of HMS distributor Global M2M in Australia on July 1st.

Global M2M with expected sales of ~20 MSEK in FY2022 with 90% HMS products.
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Q3 2022: Order intake 675 MSEK, +1%

ORDER INTAKE, MSEK

- Q3 2022: 675 MSEK (669), +1% (organic -11%)
- YTD 2022: 2,346 MSEK (1,839), +28% (organic +14%)
- Boost orders dropped from previous high levels to ~50 MSEK in Q3
- FX revaluation of order book → 50 MSEK positive impact on order intake
- Book-to-bill of 0.99 in Q3 in constant currencies
- Anybus continues to be surprisingly strong, showing organic growth

HIGHLIGHTS

BRIDGE Q321-Q322, MSEK

- Q3 2021: 669
- Organic: 77
- FX: 82
- Acquisitions: 0
- Q3 2022: 675

BRIDGE YTD, MSEK

- Q3 2021: 1,839
- Organic: 256
- FX: 204
- Acquisitions: 46
- Q3 2022: 2,346
Underlying demand estimated to 575 MSEK in Q3

Order Intake, MSEK

- Q121: 565
- Q221: 606
- Q321: 669
- Q421: 699
- Q122: 857
- Q222: 815
- Q322: 675

Legend:
- Light blue: FX revaluation of already existing order book
- Light blue-grey: "Boost"
- Dark blue: Real demand

Underlying demand still holds up well despite worrying macro signals. HMS now has a total of 950 MSEK in boosted order intake since Q1 2021.
Backlog increase only due to FX - 45 MSEK up in Q3
Q3 2022: Net Sales 624 MSEK, +32%

NET SALES, MSEK

- Q3 2022: 624 MSEK (472), +32% (organic +23%)
- Net Sales YTD: 1,742 MSEK (1,401), +24% (organic +15%)
- Improved component availability, strong demand and currency situation are main factors to record result
- Anybus deliveries are catching up with better component availability and stands out with 42% organic growth compared to same period last year

HIGHLIGHTS

BRIDGE Q321-Q322, MSEK

BRIDGE YTD, MSEK

Q3 2021 | Organic | FX | Acquisitions | Q3 2022
---|---|---|---|---
| 472 | 111 | 41 | 624 |

Q3 2021 | Organic | FX | Acquisitions | Q3 2022
---|---|---|---|---
| 1,401 | 216 | 92 | 1,742 |
Q3 2022: Sales per region

**Sales per region Q3 2022, MSEK**

- **Americas**
  - Net Sales 127 MSEK (96)
  - 20% of Group sales (20%)
  - USA represents 66%

- **APAC**
  - Net Sales 119 MSEK (80)
  - 19% of Group sales (17%)
  - Japan represents 43%
  - China 21%

- **EMEA**
  - Net Sales 378 MSEK (296)
  - 61% of Group sales (63%)
  - Germany represents 36%

The diagram illustrates the sales distribution across regions, highlighting the percentage of Group sales and the leading markets for each region.
Q3 2022: EBIT 179 MSEK (28.7% margin)

- EBIT Q3: 179 MSEK (101), 28.7% (21.5) margin
- Adj. EBIT YTD: 434 MSEK (336) 24.9% (24.0) margin
- Q3 gross margin of 63.6% (61.4)
  - Price increases now making up for COGS increase
  - Less spot purchases
  - Favorable FX situation
- As always in Q3, low OPEX from vacation effects
- Organic OPEX increase of +12%, majority related to Sales and Marketing
- Positive EBIT impact of 10 MSEK from currency
Q3 2022: EPS 2.90 SEK

Comments on Q3 EPS

- EPS of 2.90 SEK (1.81)
- Net financials of -11 MSEK (1) as the weakening of the SEK gave negative effects on option debt and additional purchase price reservations

Comments on YTD EPS

- EPS of 7.64 (5.75)
- Net financials of -18 MSEK (-2)
- Dividend of 3.00 SEK in April
Q3 2022: Cash flow from operations of 118 MSEK

Cash flow from operating activities of 118 MSEK (148)

Changes in NWC → -52 MSEK (20)
  - Inventory buildup of 50 MSEK
  - AR buildup of 18 MSEK
  - NWC in % of sales 7.7% (7.4)

Comments on Q3 Cash Flow

Cash flow from operating activities of 254 MSEK (405)

Changes in NWC → cash flow of -186 MSEK (-4)
  - Inventory buildup of 129 MSEK

Comments on YTD Cash Flow

Cash conversion (cash flow ops./EBITDA)
Cash flow
Q3 2022: Net Debt of 415 MSEK

Net debt and leverage, MSEK

- Net debt / EBITDA of 0.62 (0.81)
- Net debt / Equity: 0.29 (0.38)
- Increased Net debt IFRS 16 refers to new rental agreements

Comments on Net debt and leverage

- Net debt / EBITDA of 0.62 (0.81)
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- Increased Net debt IFRS 16 refers to new rental agreements
Stable demand despite uncertainties ahead

- Order intake softer in line with HMS expectations due to large orderbook and previous major “boost orders”
- Component availability situation improving
- Customers remain positive, but leading indicators (PMI) shows slowdown

Continued solid execution

- Improved gross margins
- Expanded inventory to improve delivery capacity
- All-time-high sales and earnings