Summary

Business update

Financial results

Q&A
Financial summary of Q4 and 2019

Q4

- Net sales 346 (363), -5%
- Order intake 337 MSEK (387), -13%
- Adjusted EBIT 33 MSEK (52)
- Adjusted EBIT margin 10% (14%)
- Cash flow of 61 MSEK (49)
- Adjusted EPS 0.68 (0.90)

2019

- Net sales 1 519 (1 366), +11%
- Order intake 1 470 MSEK (1 433), +3%
- Adjusted EBIT 246 MSEK (251)
- Adjusted EBIT margin 16% (18%)
- Cash flow of 254 MSEK (193)
- Adjusted EPS 4.06 (3.68)
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, Nestle, 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>Category</th>
<th>Users</th>
<th>Makers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design wins, embedded products</td>
<td>-</td>
<td>~50%</td>
</tr>
<tr>
<td>Gateways, routers and other products</td>
<td>~20%</td>
<td>~25%</td>
</tr>
<tr>
<td>Software, subscriptions and services</td>
<td></td>
<td>~5%</td>
</tr>
</tbody>
</table>
Design win growth of 6% in 2019

CAGR+8.2%

Terminated
New wins
Active base

Share of Group sales, %


814 830 909 979 1,061 1,241 1,381 1,508 1,591 1,693 1,797

-98 -37 -49 -64 -55 -76 -134 -75 -95

69% 75% 76% 75% 61% 68% 67% 54% 54% 51% 49%
HMS Financial targets – 20/20/50

HMS sales development 2010-2019

HMS Financial targets

<table>
<thead>
<tr>
<th>Target</th>
<th>Actual avg. 2010-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth (CAGR)</td>
<td>20%</td>
</tr>
<tr>
<td>EBIT (% margin)</td>
<td>20%</td>
</tr>
<tr>
<td>Dividend (% of EPS)</td>
<td>50%</td>
</tr>
</tbody>
</table>
Agenda

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Q&A
• The slow development from Q3 continues in Q4
• Building Automation continues to be strong while most of Manufacturing Industry related business continues to be hesitant
• Our brands Anybus and Ixxat has continued to suffer from a weak embedded business and slower business from some of our large customers
• Ewon is developing somewhat better and Intesis continues to show good growth
• Americas and EMEA, to a large extent driven by Germany, is similar to previous quarter with a hesitant market overall
• In Japan we are seeing a somewhat better order intake – best since Q3 2018, but with a backlog on low levels
• Launch of HMS HUB, for data aggregation and distribution
• Two new HMS sales offices opened in the year, Dubai and South Korea
• HMS starts 5G early adopter pilot installations (HMS Labs)
• Acquisition of WEBfactory GmbH and Raster Products B.V. in Q2
• Initiated restructuring program during Q3, finalized in Q4
• Final integration of Beck and Intesis in Q4
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Order intake 337 MSEK

**ORDER INTAKE, MSEK**

**Comments on Q4 order intake**
- Order intake in Q4 337 MSEK (387), corresponding to a decrease of 13%
- Organic a decrease of 18%
- Book to bill of 0.97
- Americas and EMEA is down from Q4 2018 and sequentially
- Some improvements in Asia, +13% organic in Q4

**Comments on YTD order intake**
- Order intake 2019 1 470 MSEK, corresponding to an increase of 3%
- Organic a decrease of 5%
- Book to bill of 0.97
- In total, order intake 48 MSEK below sales for the year, Asia is behind most of the gap
Net sales 346 MSEK

Comments on Q4 Net Sales
- Net Sales of 346 MSEK (363), corresponding to a decrease of 5%
- Organic a decrease of 10%
- EMEA: -2%
- Americas: -6%
- Asia: -13%

Comments on YTD Net Sales
- Net Sales of 1 519 MSEK (1 366), corresponding to an increase of 11%
- Organic an increase of 1%
- EMEA: 12% growth
- Americas: 14% growth
- Asia: 5% growth
Sales per market 2019

Sales per geography 2019, MSEK

**Americas**
- Net Sales 321 MSEK
- 21% of Group sales
- USA represents 83%

**Europe & RoW**
- Net Sales 950 MSEK
- 63% of Group sales
- Germany represents 44%

**Asia**
- Net Sales 248 MSEK
- 16% of Group sales
- Japan represents 55%
Adjusted EBIT 33 MSEK (10% margin)

Comments on Q4 results

- Adjusted EBIT of 33 MSEK (52 MSEK), corresponding to a 9.5% margin
- Reported EBIT of 55 MSEK, 19 MSEK positive impact from Beck IPC earn-out settlement
- Q4 gross margin of 61.2% (59.6%)
- OPEX increase of 12 MSEK corresponding to an organic decrease of 3 MSEK

Comments on YTD results

- EBIT of 243 MSEK (251 MSEK), corresponding to 16.0% (18.4%) margin
- Adjusted EBIT 246 MSEK (restructuring costs and earn-out adjustments) resulting in 16.2% margin
- Gross margin 61.1% (61.1%)
- OPEX increase of 121 MSEK, corresponding to an organic increase 32 MSEK
Update: restructuring program

- Restructuring program fully implemented
- Resulted in 43 people leaving HMS
- Final restructuring cost of 22 MSEK (25 in Q3 and -3 in Q4)
- Run-rate saving estimated to 45 MSEK, in line with earlier communication
- Current OPEX run-rate in line with average OPEX for 2019
Adj usted EPS for 2019: 4.06 SEK

Comments on Q4 EPS

- EPS of 1.46 SEK (0.90), adjusted EPS 0.68 SEK
- Positive tax by 20 MSEK in Q4, main reasons:
  - Other income of 19 MSEK related to earn-out Beck
  - New tax regime in Belgium “Innovation Income Deduction”, positive tax impact of 19 MSEK, out of which 10 MSEK related to 2018
  - Other earn-out related transaction, +5 MSEK
  - Above mentioned items effect EPS by 0.78 SEK

Comments on YTD EPS

- EPS of 4.43 (3.68), adjusted EPS 4.06
- On top of above Q4 items, the restructuring cost of 22 MSEK has also been adjusted for
- Total positive impact on earnings after tax from adjustments is 17 MSEK
- The Board of Directors propose a dividend of 1.90 SEK
Cash flow from operations of 61 MSEK in Q4

CASH FLOW, MSEK

Comments on Q4 Cash Flow
- Cash flow from operating activities of 61 MSEK (49)
- Changes in NWC of 28 MSEK
  - Inventory reduction 15 MSEK since Q3
  - Reduced receivables 20 MSEK since Q3

Comments on YTD Cash Flow
- Cash flow from operating activities of 254 MSEK (193)
- Changes in NWC -10 (-39)
- Main reasons for the better cash flow – lower tax and NWC changes
Net debt 402 MSEK

Net debt and leverage, MSEK

Comments on Net debt and leverage

- Net debt / EBITDA of 1.20 (1.13)
- Net debt / EBITDA of 1.03 (Adjusted for 93 MSEK IFRS 16 impact on net debt)
- Net debt / Equity: 0.40 (0.40)