HMS Networks Q4 2020 presentation
February 3, 2021

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Agenda

Summary and introduction

Business update

Financial results

Q&A
Financial summary of Q4 2020 and full year 2020

Q4

- Net sales 405 MSEK (346), +17%
- Order intake 408 MSEK (337), +21%
- EBIT 75 MSEK (55, adj. 33)
- EBIT margin 18.5% (15.9%, adj. 9.5%)
- Cash flow from ops. of 83 MSEK (61)
- EPS 1.21 (1.46, adj. 0.68)

2020

- Net sales 1,467 MSEK (1,519), -3%
- Order intake 1,447 MSEK (1,470), -2%
- EBIT 288 MSEK (243, adj. 246)
- EBIT margin 19.6% (16.0%, adj. 16.2%)
- Cash flow from ops. of 370 MSEK (254)
- EPS 4.79 (4.43, adj. 4.06)
We are Connecting Devices™
HMS at a glance

Our field: Industrial ICT (Information and Communication Technology)

700 employees worldwide

Partners in over 50 countries

Offices in 16 countries

Head office in Halmstad, Sweden

+7,000,000 devices connected in automation

+300,000 machines connected to cloud systems

5G Al IoT

Wireless

At the forefront of technology

π billion SEK: 2025 growth goal

1467 MSEK 2020 sales

Operating margin goal: 20%

Earnings per share: 4.79 SEK

2020
Two customer groups – Users and Makers

Users of automation systems
Usually targeted via partners

Makers of industrial equipment
Usually targeted direct
HMS strategic focus areas 2020-2025

ENVIRONMENT
Make HMS a net positive CO₂ company by 2025

STAFF & CUSTOMERS
Happy & high performing employees generate loyal customers

GROWTH & PROFITABILITY
Continue our sustainable and profitable growth
HMS targets 2020-2025

ENVIRONMENT
- Make HMS a net positive CO₂ company by 2025

STAFF & CUSTOMERS
- Happy & high performing employees
- Generate loyal customers

GROWTH & PROFITABILITY
- Continue our sustainable and profitable growth

TARGETS FOR 2025
- Net positive internal CO₂ impact
- Net positive external CO₂ impact
- Employee NPS > 25
- Customer NPS > 25
- Net Sales > π (3.14) BSEK
- EBIT-margin of 20%
- Dividend 30-50% of EPS

(NPS=Net Promoter Score)
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Q&A
• Wide recovery in the market – organic growth in order intake in all brands and all geographic markets (EMEA, Americas, APAC)

• Customers are back on positive outlook
  • Customers are increasing order size
    • Note 1: Some impact from customers increasing inventory levels
    • Note 2: Busy electronics industry – putting pressure on component suppliers
  • Continued positive development during January 2021

• Europe back to double-digit growth

• Americas continue steady in both orders and sales

• Continued China growth driven by large investments in segments like wind power
### 165 new design-wins in 2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Terminated</th>
<th>New wins</th>
<th>Active base</th>
<th>Share of Group sales, %</th>
</tr>
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<tbody>
<tr>
<td>2009</td>
<td>814</td>
<td>814</td>
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</tr>
<tr>
<td>2010</td>
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<td>2016</td>
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<tr>
<td>2017</td>
<td>-75</td>
<td>1,591</td>
<td>1,591</td>
<td>54%</td>
</tr>
<tr>
<td>2018</td>
<td>-95</td>
<td>1,693</td>
<td>1,693</td>
<td>51%</td>
</tr>
<tr>
<td>2019</td>
<td>-142</td>
<td>1,797</td>
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<td>49%</td>
</tr>
<tr>
<td>2020</td>
<td>-134</td>
<td>1,820</td>
<td>1,820</td>
<td>46%</td>
</tr>
</tbody>
</table>

- **CAGR +7.6%**
- **1.3%**

Terminated
New wins
Active base

**Terminated:**
- Bar height represents the number of terminated wins per year.

**New wins:**
- Bar height represents the number of new wins per year.

**Active base:**
- Bar height represents the size of the active base per year.
**Acquisition of Procentec and WEBfactory**

<table>
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<tr>
<th>PROCENTEC</th>
<th>WEBfactory</th>
</tr>
</thead>
</table>
| • On October 1st HMS acquired 70% of the shares in Procentec Group, HQ in Rotterdam  
  • Hardware and Software for surveillance and diagnostics of network traffic in industrial processes  
  • 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  
  “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.” |

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**Q4 2020: Order intake 408 MSEK, +21%**

**ORDER INTAKE, MSEK**

- Order intake Q4 2020: 408 MSEK (337), +21% (organic +13%)
- Order intake 2020: 1,447 MSEK (1,470), -2% (organic -4%)

**HIGHLIGHTS**

- Q4 highlights (organic order intake growth)
  - EMEA +13%
  - China: +79% (YTD +56%)
  - Ewon: +22% (YTD +2%)
  - Procentec: Showed a solid start within HMS ownership

**BRIDGE Q419-Q420, MSEK**

- Q4 2019 Organic: 13%
- Q4 2019 FX: -5%
- Q4 2019 Acquisitions: 13%
- Q4 2020: 408

**BRIDGE 2019-2020, MSEK**

- 2019 Organic: -4%
- 2019 FX: 60
- 2019 Acquisitions: -1%
- 2020: 54
- 2020 Total: 1,447
**Q4 2020: Net Sales 405 MSEK, +17%**

**NET SALES, MSEK**

- **Q4 2020:** Net Sales 405 MSEK, +17%
- **Organic:** Q4 2019: 346, Q4 2020: 405, +8%
- **FX:** Q4 2019: 416, Q4 2020: 377, -12%
- **Acquisitions:** Q4 2019: 29, Q4 2020: 35, -17%

**HIGHLIGHTS**

- Net Sales of 405 MSEK (346), +17% (organic +8%)
- Net Sales of 1,467 MSEK (1,519), -3% (organic -5%)
- Q4 highlights (sales growth)
  - EMEA: +15% (Organic +3%)
  - Americas: +8% (Organic +3%)
  - Asia: +40% (Organic +39%)
- China: +76% in Q4 and +45% in 2020, from 4% to 6% of Group sales

**BRIDGE Q419-Q420, MSEK**

- Q4 2019: 346
- Organic: 29, +8%
- FX: 10, -3%
- Acquisitions: 40, +12%
- Q4 2020: 405

**BRIDGE 2019-2020, MSEK**

- 2019: 1,519
- Organic: 80, +8%
- FX: 19, -1%
- Acquisitions: 48, +3%
- 2020: 1,467
Sales per region Q4 2020

Sales per region Q4 2020, MSEK

**Americas**
- Net Sales 82 MSEK (76)
- 20% of Group sales (22%)
- USA represents 78%

**APAC**
- Net Sales 73 MSEK (52)
- 18% of Group sales (15%)
- Japan represents 49%
- China 34%

**EMEA**
- Net Sales 250 MSEK (218)
- 62% of Group sales (63%)
- Germany represents 35%
Q4 2020: EBIT 75 MSEK (18.5% margin)

**Comments on Q4 results**
- EBIT 75 MSEK (55, adj. 33), EBIT margin of 18.5% (15.9%, adj. 9.5%)
- Q4 gross margin of 61.6% (61.2)
- OPEX amounted to 175 MSEK (176) corresponding to an organic decrease of 22 MSEK (-12%)
- Short-time work OPEX reduction by 3 MSEK (whereof 1 MSEK in government support)

**Comments on 2020 results**
- EBIT of 288 MSEK (243, adj. 246), corresponding to 19.6% (16.0%, adj. 16.2%) margin
- Gross margin 62.0% (61.1) internal improvements and product mix main drivers
- OPEX decrease of 72 MSEK, (organic 75 MSEK), mainly related to corona effects and effects from restructuring program initiated in Q3 2019
OPEX bridge – savings from pandemic

Comments on OPEX Q4

- Non-recurring savings of 20 MSEK related to short-time work, reduced marketing and travelling during the pandemic
- Almost no short-time work in Q1 2021, remaining expected to be ended shortly
- Acquisition OPEX about 5 MSEK above normal run-rate

Comments on OPEX 2020

- Non-recurring savings of 48 MSEK related to short-time work, reduced marketing and travelling during the pandemic
- Restructuring program has delivered savings as expected
EPS of 1.21 SEK in Q4 and 4.79 SEK in 2020

Comments on Q4 EPS
- EPS of 1.21 SEK (1.46, adj. 0.68)
- Net financials of -5 MSEK (-8)
- Non-recurring items in Q4 2019:
  - Adjustments in EBIT by 22 MSEK
  - Positive tax costs of 20 MSEK, driven by 28 MSEK tax benefit from Belgium and related to earn-outs

Comments on 2020 EPS
- EPS of 4.79 (4.43, adj. 4.06)
- Net financials of -14 MSEK (-15)
- Dividend proposed of 2.00 SEK (0)
2020 Q4: Cash flow from operations of 83 MSEK

- Cash flow from operating activities of 83 MSEK (61)
- Changes in NWC → cash flow of +5 MSEK (+28)
- NWC in % of sales 10.5% (9.5)

Comments on Q4 Cash Flow

Comments on 2020 Cash Flow

- Cash flow from operating activities of 370 MSEK (254)
- Changes in NWC → cash flow of +13 MSEK (-10)
Net debt 198 MSEK

- Net debt / EBITDA of 0.49 (1.20)
- Net debt / Equity: 0.16 (0.40)
- Net debt reduced 200+ MSEK during 2020
- Good shape to execute updated strategy with increased M&A focus
Summary of 2020

Conclusions 2020

• A year like no other – quick turn around to digital interaction and careful approach to OPEX

• Order intake – two challenging quarters (2 and 3) especially in Europe and two positives (1 and 4)

• Increased footprint in China, believe in continued growth

• Gross margins improved by 1%-points, despite FX and volume head wind

• Positive development in Q4, followed by a good start in January and in general bright outlook

• Solid financial position to execute M&A strategy