HMS Networks Q4 2022 presentation

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Summary and introduction

Business update

Financial results

Q&A
Financial summary of Q4 2022 and FY 2022

**Q4**
- Net sales 764 MSEK (571), +34%
- Order intake 718 MSEK (699), +3%
- EBIT 192 MSEK (109)
- EBIT margin 25.1% (19.2)
- Cash flow from ops. of 177 MSEK (104)
- EPS 3.25 (1.85)

**2022**
- Net sales 2,506 MSEK (1,972), +27%
- Order intake 3,064 MSEK (2,538), +21%
- EBIT 653 MSEK (446) (Adj. 626 MSEK)
- EBIT margin 26.0% (22.6) (Adj. 25.0%)
- Cash flow from ops. of 431 MSEK (508)
- EPS 10.89 SEK (7.61) (Adj. 10.31)
HMS at a glance

Our field: Industrial ICT (Information and Communication Technology)

+9,000,000 devices connected
+400,000 machines connected to cloud systems

At the forefront of technology

750 employees worldwide

Partners in over 50 countries

Offices in 17 countries

Head office in Halmstad, Sweden

2025

±0 Net positive in CO₂ emissions

+30% Staff NPS Customer NPS

π 3.14 billion SEK
HMS makes products which enable machines to communicate.
HMS playing field – overall market segments

Industrial Automation
- Manufacturing
  - Factory automation, Process automation
- Transportation & Infrastructure
  - Air, roads, railways, ports, marine, utilities, data centers, telecom, material handling, warehousing etc.
- Power & Energy
  - Power generation, power distribution, power management

Building Automation
- Commercial buildings, industrial buildings, hotels, offices, residential, retail

Industrial Information and Communication Technology Solutions
HMS playing field - Customer groups

Makers of industrial equipment

Users of automation systems
HMS key customer groups and market channels

Makers of industrial equipment

- Device manufacturers
  - 44% of revenue
  - Design Wins
  - Direct Sales

Machine builders

- 27% of revenue
- Specified as standard or option in BOM
- Direct Sales & Distribution

End users & System integrators

- 29% of revenue
- Project Sales
  - Product Sales
- Traditional Distributors
- E-Commerce Distributors

Users of automation systems

- Go-to-market
- Revenue
  - Direct Sales & Distribution
  - Direct Sales & Distribution

Business model

- Go-to-market
- Revenue
  - Direct Sales & Distribution
  - Direct Sales

44% of revenue

27% of revenue

29% of revenue
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146 new Design-Wins in 2022

- Terminated
- New wins
- Active base

<table>
<thead>
<tr>
<th>Year</th>
<th>Active base</th>
<th>New wins</th>
<th>Terminated</th>
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<tbody>
<tr>
<td>2012</td>
<td>909</td>
<td>119</td>
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<tr>
<td>2013</td>
<td>1,061</td>
<td>146</td>
<td>-64</td>
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<td>2014</td>
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<td>-55</td>
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<tr>
<td>2015</td>
<td>1,381</td>
<td>195</td>
<td>-76</td>
</tr>
<tr>
<td>2016</td>
<td>1,508</td>
<td>203</td>
<td>-134</td>
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<tr>
<td>2017</td>
<td>1,591</td>
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<tr>
<td>2019</td>
<td>1,797</td>
<td>165</td>
<td>-142</td>
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<tr>
<td>2020</td>
<td>1,820</td>
<td>174</td>
<td>-204</td>
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<tr>
<td>2021</td>
<td>1,790</td>
<td>146</td>
<td>-93</td>
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<tr>
<td>2022</td>
<td>1,843</td>
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Share of Group sales, %

- 2012: 76%
- 2013: 75%
- 2014: 61%
- 2015: 68%
- 2016: 67%
- 2017: 54%
- 2018: 54%
- 2019: 51%
- 2020: 49%
- 2021: 43%
- 2022: 44%

CAGR: +6.5%
Closing the year with a record quarter in sales and order intake at stable levels

Europe and Asia still holding up well in both sales and orders – some signs of slowdown in Americas

Component shortage is improving and need for spot purchases are declining slowly

HMS improving delivery capability – still long lead times driving some boost orders, estimated to 85 MSEK in Q4

In December – Acquisition 100% of British company Control Specialists Ltd, an addition to Procentec

In January – Acquisition of additional 20% of Owasys Advanced Wireless Devices S.L. – total ownership is now 80%
HMS closes a fantastic 2022 with record sales in all markets
The control centric Anybus Embedded offer has been the main driver of sales

The year continued on the same trend as in 2021 with major challenges in sourcing – leading to continued long lead times and several spot purchases of components
As a result, HMS had another year with more than 500 MSEK in “boosted” order intake, customers placing orders for a much longer period than normal

Two small acquisitions in 2022 – Global M2M, HMS’ distributor in Australia and Control Specialists Ltd
HMS also acquired the remaining 30% of the shares in Procentec and another 20% in Owasys in January 2023
HMS Networks – the growth journey continues...

ANNUAL NET SALES, MSEK

Net sales

ANNUAL NET SALES, MSEK

1 1 1 1 2 5 5 19 22 33 63 84 114 150 180 227 270 317 345 384 501 589 702 952 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22

2 506

1 1 1 1 1 2 5 5 19 22 33 63 84 114 150 180 227 270 317 345 384 501 589 702 952 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22

2 506

1 1 1 1 2 5 5 19 22 33 63 84 114 150 180 227 270 317 345 384 501 589 702 952 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22
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Order intake of 718 MSEK in Q4 and 3,064 FY

ORDER INTAKE, MSEK

- Q4 2022: 718 MSEK (699), +3% (organic -1%)
- FY 2022: 3,064 MSEK (2,538), +21% (organic 10%)
- Book-to-bill of 0.94 in Q4, 1.22 FY
- Q4: Declining order trend in Americas, still growth. Decline in Europe, still third best quarter
- Q4: Continued very strong orders in embedded and weaker in remote access orders
- FY: Summary of the year – Embedded and Asia have been the growth drivers

HIGHLIGHTS

BRIDGE FY 2022, MSEK

- 2021: 2,538
- Organic: +10%
- FX: +9%
- Acquisitions: +2%
- 2022: 3,064

BRIDGE Q421-Q422, MSEK

- Q4 2021: 699
- Organic: -1%
- FX: +4%
- Acquisitions: +0%
- Q4 2022: 718
Underlying demand is estimated to 633 MSEK in Q4

Order Intake, MSEK

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FX revaluation of already existing order book</th>
<th>&quot;Boost&quot;</th>
<th>Real demand</th>
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<tbody>
<tr>
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<td>250</td>
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<td>Q222</td>
<td>815</td>
<td>150</td>
<td>615</td>
</tr>
<tr>
<td>Q322</td>
<td>675</td>
<td>50</td>
<td>675</td>
</tr>
<tr>
<td>Q422</td>
<td>718</td>
<td>85</td>
<td>633</td>
</tr>
</tbody>
</table>

Accumulated boost orders since 2021 above 1 BSEK
Net Sales 764 MSEK in Q4 and 2,506 MSEK FY

**HIGHLIGHTS**

- Q4 2022: 764 MSEK (571), +34% (organic 22%)
- FY 2022: 2,506 MSEK (1,972), +27% (organic +17%)
- Q4: Delivery of strong backlog of Embedded in Asia and Europe driving growth
- Q4: Continued positive development in component supply, also including some temporary relief
- Price increase driving growth by 11% in Q4 and 9% FY
Continued order placing with long lead times – improved delivery capability behind the reduced backlog
Q4 2022: Sales per region

Sales per region Q4 2022, MSEK

**Americas**
- Net Sales 148 MSEK (136)
- 19% of Group sales (24%)
- USA represents 71%

**EMEA**
- Net Sales 486 MSEK (349)
- 64% of Group sales (61%)
- Germany represents 36%

**APAC**
- Net Sales 130 MSEK (86)
- 17% of Group sales (15%)
- Japan represents 33%
- China 39%
EBIT 192 MSEK in Q4 and 626 MSEK (Adj.) FY

- EBIT Q4: 192 MSEK (109), 25.1% (19.2) margin
- Adj. EBIT FY 2022: 626 MSEK (446) 25.0% (22.6) margin
- Q4 gross margin of 63.6% (60.8)
  - Spot purchases slowly declining
  - Price increases made in 2022 have full effect in Q4
- FY gross margins of 62.9% (62.4) – supported by FX and volume
- Organic increase in OPEX by 14% in Q4 and 15% FY
- Gross margins, FX and operational leverage → Net Sales growth of 34% and EBIT growth of 75% Q4 and 27% and 40% FY
- Positive FX effects on EBIT 13 MSEK in Q4 and 39 MSEK in 2022
### EPS 3.25 SEK in Q4 and 10.89 FY

#### Comments on Q4 EPS
- EPS of 3.25 SEK (1.85)
- Net financials of -11 MSEK (5) primarily FX re-valuation of option debt and earn-out
- The board proposes a dividend of 4.00 SEK (3.00) for 2022

#### Comments on FY 2022 EPS
- EPS of 10.89 (7.61)
- Net financials of -29 MSEK (3) primarily FX re-valuation of option debt and earn-out
- Dividend paid of 3.00 SEK in April

#### EPS, SEK

<table>
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<th>Quarter</th>
<th>EPS, SEK</th>
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<td>Q421</td>
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<td>Q322</td>
<td>2.90</td>
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<td>Q422</td>
<td>3.25</td>
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</table>

*Adjusted EPS 0.68

Adjusted EPS 0.68
Cash flow from ops. of 177 MSEK in Q4 and 431 MSEK FY

**Cash Flow, MSEK**

**Comments on Q4 Cash Flow**
- Cash flow from operating activities of 177 MSEK (104)
- Changes in NWC → -31 MSEK (-24)
  - Inventory buildup of 34 MSEK
  - NWC in % of sales 8.7% (6.8)

**Comments on FY 2022 Cash Flow**
- Cash flow from operating activities of 431 MSEK (508)
- Changes in NWC → cash flow of -216 MSEK (-28)
  - Inventory buildup of 167 MSEK
Net debt / EBITDA of 0.39 (0.64)

Net debt / Equity: 0.19 (0.30)
Demand continues to hold up

- Order intake holds up well in Q4 and customers remain positive, at the same time leading indicators shows coming slowdown
- Positive long-term market drivers, but short-term uncertainty – HMS is prepared for continued growth, but stays agile to adopt to potential slowdowns later in 2023

Record year 2022

- Record year from most perspectives
- Organic sales growth of 17% and EBIT-margin of 25%