

# Hexatronic Group AB (publ)

Interim report January – March 2023

Key ratio	2023	2022	
MSEK	Q1	Q1	Δ %
Net sales	2,115	1,389	52%
EBITA	365	184	98%
EBITA-margin	17.2%	13.3%	
Operating result (EBIT)	340	171	99%
Net earnings	224	121	86%
Earnings per share after dilution, SEK <sup>1</sup>	1.09	0.60	83%
Cash flow from operating activities	28	-53	
Liquid assets	509	258	97%

<sup>1</sup> During June 2022, a share split was executed (5:1). Historical information about shares has in this report been recalculated according to IAS 33.

## Events during the quarter

- Hexatronic invests 30 MUSD in a new duct and pipe production facility in the Western USA.
- Hexatronic completed, on March 3, 2023, the previously announced acquisition of Rochester Cable in the U.S., from TE Connectivity.
- Hexatronic adjusted the profitability target to an EBITA-margin of 15% to 17% over a business cycle. The previously set profitability target was at least 12% EBITA-margin over a business cycle.

- The Board of Directors will propose a dividend of 0.10 SEK (0.10) per share for the financial year 2022 to the Annual General meeting

## Events since the end of the quarter

- Hexatronic has signed a one-year, with extension possibilities, Strategic Partner agreement with a newly established, fully funded, network operator in the USA, to a value of approximately 20 MUSD.

## COMMENTS FROM THE CEO

### A record-breaking quarter!

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The first quarter of the year was a record-breaking quarter in terms of both sales and profitability. In particular, sales in North America and Europe, excluding Sweden, developed very strongly. Total sales increased by 52%, of which 24% was organic growth, compared with the corresponding period last year. Profitability (EBITA) increased 98% to a margin of 17.2%.

Sales in our largest market, North America, continued to develop very strongly, growing by 73%. The sales increase is explained by both duct and our FTTH systems. The one-year agreement of 20 MUSD, with the possibility of extension, signed with a new US Fiber To The Home (FTTH) network operator after the end of the quarter, is an example of the good development we see in North America. To meet the increased demand for duct, our new factory in Clinton, South Carolina, was inaugurated during the quarter, and the production rate is increasing continuously. Full production in the factory will be reached during the latter part of the third quarter. To further respond to the increased demand for ducts we are seeing in the North American market, it was decided in the quarter to invest 30 MUSD in a duct and conduit factory in Utah. With three geographically dispersed factories, we will establish ourselves as a national player who can efficiently deliver to customers throughout the US.

Sales in Europe, excluding Sweden, also continued to develop strongly, mainly thanks to the UK and Germany. Sales in the region increased by 55% compared to corresponding period last year.

Sales in Sweden remained strong and increased by 15% compared to corresponding period last year.

Sales in APAC (Asia Pacific) grew by 20%, mainly due to the acquisition of KNET, which was consolidated from 1 December 2022.

During the quarter, we completed the acquisition of Rochester Cable in the US, which strengthens our offering in the business area Harsh environment (fiber optic solutions for harsh

environments). Rochester Cable was consolidated from 1 March 2023.

Order intake has continued to develop well. At the end of the quarter, we have an order book that is organically 21% higher than at the same time last year. In 2021 and 2022, the order book grew partly due to increasing demand but also because of long delivery times resulting from disruptions in various supply chains. The uncertainty regarding delivery times has resulted in some customers placing orders as far as 4-5 months before expected delivery, compared to a more normal delivery time of 1-2 months. As supply chains become more reliable, it is reasonable to expect the order book to normalize in the future.

We have recently noted a shift in demand, where several of our customers at the beginning of the year have prioritized connecting customers to their networks over the general fiber rollout. This has resulted in an increase in demand for blown fiber and nanocables, while demand for micro cables has decreased. Because of this shift in demand, it was decided at the beginning of April to reduce staffing in micro cable production in Hudiksvall by 27 temporary employees. After the transition, we still have more employees in Hudiksvall than we did on average in 2022. In the total group, we have close to 2,000 employees compared to just over 1,300 employees a year ago.

We believe that the market for fiber expansion is to some extent affected by increased inflation and rising financing costs for those who invest in fiber networks. However, our assessment is that it has a minor negative effect on our customers, and we see a continued positive development during the year, with both existing and new customers choosing Hexatronic as their partner.

Welcome to join us on our growth journey.

Henrik Larsson Lyon

President and CEO Hexatronic Group AB (publ)



## Net sales and earnings

The Group's net sales for the first quarter increased 52 percent to MSEK 2,115 (1,389), as a result of organic and acquisition driven growth. The increase was 47 percent cleared for exchange-rate effects.

Analysis of change in net sales (MSEK)	Q1		Q1	
	2023	(%)	2022	(%)
Previous year's quarter	1,389	-	635	-
Organic growth	335	24%	466	73%
Acquisitions and structural changes	314	23%	251	39%
Exchange-rate effects	77	6%	37	6%
<b>Current quarter</b>	<b>2,115</b>	<b>52%</b>	<b>1,389</b>	<b>119%</b>

The Group's net sales on its strategic growth markets the UK, Germany and North America continued to grow during the first quarter.

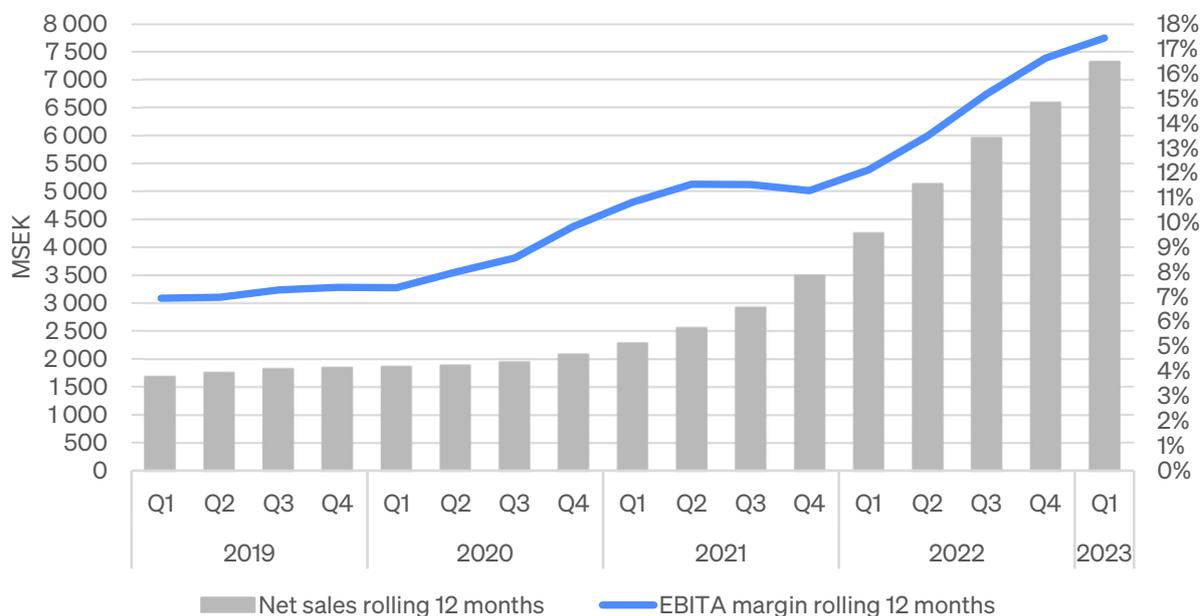
Geographical net sales (MSEK)	Q1 2023	Allocation (%)	Growth (%)
Sweden	178	8%	15%
Rest of Europe	998	47%	55%
North America	752	36%	73%
APAC and Rest of the world	187	9%	20%
<b>Total</b>	<b>2,115</b>	<b>100%</b>	<b>52%</b>

EBITA increased 98 percent to MSEK 365 (184) in the quarter. The EBITA margin amounted to 17.2 percent (13.3).

Net financial items during the quarter amounted to MSEK -42 (-9), whereof net interest amounted to MSEK -28 (-6), realised and unrealised foreign exchange differences to MSEK 1 (0) and other financial items to MSEK -14 (-3). Other financial items include a revaluation of conditional purchase price of MSEK -11.

Net earnings for the first quarter amounted to MSEK 224 (121) and earnings per share after dilution, increased by 83 percent and amounted to SEK 1.09 (0.60). Tax for the quarter was MSEK -74 (-41) which means the average effective tax rate for the Group was 24.9 percent (25.4) for the quarter.

### Net sales (MSEK) and EBITA margin (%) rolling 12 months



### Cash flow and investments

Cash flow from operating activities during the quarter amounted to MSEK 28 (-53), including a change in working capital of MSEK -340 (-235). The negative change in working capital is mainly explained by increased accounts receivable as a result of the group's growth.

During the quarter, cash flow from investing activities amounted to MSEK -722 (-46). Investments of intangible and tangible assets amounted to MSEK -126 (-46). Acquisition of subsidiaries after deduction of acquired liquid assets amounted to MSEK -596 (0).

Cash flow from financing activities amounted to MSEK 660 (-328) and include borrowings, amortisation of loan and lease liabilities, and changes in overdraft facilities. The cash flow for the period was MSEK -34 (-427).

## Liquidity and financial position

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### **The Group's net debt**

Net debt totalled MSEK 2,078 at the end of the reporting period compared to MSEK 1,359 as per December 31, 2022.

### **Available funds**

Available funds on March 31, 2023 including unutilized credit facilities, amounted to MSEK 1,423, compared to MSEK 2,150 as per December 31, 2022.

### **Equity**

Equity as of March 31, 2023 amounted to MSEK 3,002, which corresponded to SEK 14,79 per outstanding share before dilution at the end of the reporting period, compared to MSEK 2,805 as of December 31, 2022.

### **The Group's financial targets**

#### **EBITA margin**

Earnings before amortisation of intangible assets (EBITA) should be 15 to 17 percent over a business cycle. The EBITA margin for the quarter amounted to 17.2 percent (13.3)

The EBITA margin on a rolling 12-month basis on March 31, 2023 was 17.4 percent (12.1).

#### **Annual growth**

The Group shall have an annual growth rate of at least 20 percent over a business cycle. Growth during the quarter year was 52 percent (119).

The growth on a rolling 12-month basis was 72 percent (86).

### **Customers**

The Group's customers are mainly wholesalers, telecom operators, network owners, telecom companies, installers, and system houses.

### **Employees**

There were 1,951 employees in the Group on March 31, 2023, to be compared with 1,696 employees as of December 31, 2022, and 1,331 employees as of March 31, 2022. The increase compared to the same period last year is mainly related to production personnel in Sweden, the UK and North America and the acquisitions of Impact Data Solutions Limited, homeway GmbH, KNET and Rochester Cable. Number of employees in acquired companies amounted to 356 people.

### **Parent company**

The Parent Company's main business consists of performing Group-wide services. Revenue for the period January to March amounted to MSEK 27 (14) and the result after financial items was MSEK -35 (-11). The change compared to previous year is explained by less dividend from subsidiaries and negative currency effects on receivables from subsidiaries.

## Share structure

The company's share is listed in the Large Cap segment on Nasdaq Stockholm. At the end of the period the share capital amounted to MSEK 2.1.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Ordinary share, 1 vote per share	203,026,610	203,026,610	99.0%	99.9%
Class C share, 1/10 vote per share	2,035,969	203,597	1.0%	0.1%
<b>Total number of shares before repurchases</b>	<b>205,062,579</b>	<b>203,230,207</b>	<b>100%</b>	<b>100%</b>
Repurchased class C shares	-2,035,969		1.0%	0.1%
<b>Total number of shares after repurchases</b>	<b>203,026,610</b>			

Employee stock option programmes active at the time of this report's publication are:

Outstanding warrant programme	Number of warrantes	Corresponding Number of shares	Proportion of total Shares	Exercise price	Expiration period
Warrant programme 2020/2023	250,000	1,250,000	0.6%	12.60	15 May - 15 Jun -23
Warrant programme 2021/2024	368,500	1,842,500	0.9%	37.93	15 May - 15 Jun -24
Warrant programme 2022/2025	515,000	515,000	0.3%	96.96	15 May - 15 Jun -25
<b>Total</b>	<b>1,133,500</b>	<b>3,607,500</b>			

In addition to above warrant programmes, there are two ongoing long-term, performance-based incentive plans (LTIP 2021 and 2022) for 34 senior executives and other key employees in the Group who are resident in Sweden. The participants have invested 163,650 savings shares in total.

Under the LTIP, for each acquired Hexatronic share (savings share), participants can receive 2–6 shares in Hexatronic (performance shares) free of charge, assuming achievement of certain performance targets. To qualify for performance shares, participants must acquire and retain a number of Hexatronic shares for the whole of the three-year vesting period and must, with some exceptions, remain in employment during the same period. In addition to the above conditions, performance shares also require certain performance targets to be met, linked to the development of the per-share earnings, the Group's growth and the growth in EBITA during the vesting period.

The targets relate to the 2021-2024 financial years. Hexatronic has judged that all the above conditions are non-market related conditions under IFRS 2.

The company's market value at the end of the period was MSEK 23,957. Based on data from Euroclear and subsequent known changes the number of shareholders was 56,458 at period end. The shareholder structure of Hexatronic Group AB (publ) on March 31, 2023 is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
AMF Pension & Funds	16,830,611	8.3%
Swedbank Robur Funds	15,816,460	7.8%
Accendo Capital	12,713,945	6.4%
Jonas Nordlund, privately and corporately	11,351,062	5.6%
Handelsbanken Funds	10,876,631	5.4%
Chirp AB	8,929,360	4.4%
Vanguard	6,942,296	3.4%
Henrik Larsson Lyon	4,057,180	2.0%
Bank of Norway	3,802,207	1.9%
Folksam	3,124,501	1.5%
Other shareholders	108,582,357	53.3%
<b>Total outstanding shares</b>	<b>203,026,610</b>	<b>100.0%</b>

## Sustainability

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As a significant player in the global fiber network expansion sector, we recognize our pivotal role in achieving Agenda 2030 and adhering to the UN Global Compact's ten principles for sustainable enterprise. Collaborating with our employees, customers, and suppliers, we are committed to contributing to a more sustainable society. Together, we drive progress toward this shared goal.

At Hexatronic Group, we have chosen to focus on managing, developing, and improving six key areas of sustainability: Strong business ethics, Sustainable supply chain, Low climate impact, Diversity and gender equality, Social involvement, and Good health, safety, and working environment. Our Sustainability Roadmap guides us by outlining short-term (2-5 years) and long-term (10 years) objectives for each sustainability area, as well as identifying key activities to prioritize.

We firmly believe that by working together, we can make a meaningful difference in building a more sustainable future.

For further information on what Hexatronic has done and what sustainability work is planned by the Group, see Hexatronic's Annual and Sustainability Report 2022.

## The market

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As data volumes continue to rise, the need for fiber network investment has become increasingly apparent. Data centers, including hyper-scale and co-location facilities, are emerging as key indicators of this trend, along with the need for edge computing where the data needs to be closer to users.

Technological advancements are accelerating rapidly, and our society is rapidly evolving. We can't predict the future, but we know we're moving towards a more online and interconnected world. This drives the rollout of high-performance communication networks, as individuals, companies, and communities require reliable and fast internet connections to thrive.

Today, a well-functioning fiber optic network is essential. The world's fiber network comprises international transport networks that link national and regional networks, backbone networks, and access networks (such as FTTH). The need for these transport networks constantly increases as new networks are established and existing ones are enhanced.

The expansion of 5G is expected to gather momentum in the coming years. 5G has many applications and can improve mobile telephony and broadband experiences. Additionally, industrial applications of 5G will create opportunities for streamlining and optimizing production processes. With the installation and densification of 5G antennas, there will be an increased demand for fiber. Many networks currently being built for FTTH are also being prepared for 5G, allowing for the installation of extra ducts to increase the number of fiber cables. This trend is creating a need for efficient installation solutions, trained personnel, and new applications for fiber optics.

Market Panorama, an annual report from the FTTH Council Europe, shows that the growth in the number of users between September 2021 and September 2022 in the EU27 including the UK, was 18 percent and that the Penetration rate (number of FTTH users/number of households in the country) in Germany and the UK remains at low levels with 7.0% and 11.1% respectively, compared to the EU average of 49.4 % and Sweden with 67.5%. Several reports and national forecasts show a continued strong demand for FTTH in Hexatronic's strategic growth markets (the UK, North America, and Germany) until 2028-2030, and likely beyond.

## Other disclosures

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### **Nature of operations**

Hexatronic Group AB (publ) is an engineering group specialising in fibre communications. The Group delivers products and solutions for optical fibre networks and supplies a complete range of passive infrastructure for telecom companies, including related training.

The Group develops, designs, manufactures, and sells its own products and system solutions in combination with products from leading partners around the world. The Group conducts its own business through established companies in Sweden, Norway, Denmark, the UK, Germany, Netherlands, Belgium, Austria, Italy, Estonia, Latvia, Lithuania, China, New Zealand, Australia, South Korea, Indonesia, USA and Canada.

All amounts are presented in million Swedish kronor (MSEK) unless otherwise stated. The figures in parentheses refer to the previous year. Totals are based on integer numbers (kronor).

### **Transactions with related parties**

The Group rents premises from Fastighets AB Balder, in which the Group's board member Erik Selin has a significant influence. The rental contract has been entered under normal commercial conditions. The rent for the premises amounts to approximately MSEK 5.4 annually.

### **Significant risks and uncertainties**

Like all business activities, Hexatronic's operation is associated with risks of various kinds. Continually identifying and assessing risks is a natural and integral part of the operation, enabling risks to be controlled, limited and managed proactively. The Group's ability to map and prevent risks minimises the likelihood of unpredictable events having an adverse impact on the business. The aim of risk management is not necessarily to eliminate the risk, but rather to safeguard set business goals with a balanced risk portfolio. Mapping, planning and management of identifiable risks supports the management in making strategic decisions. Risk assessment also aims to increase the entire organisation's risk awareness.

Several risk areas have been identified in Hexatronic's risk management process. Hexatronic has divided identified risks into operational and environmental risks, market risks and financial risks. A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2022 on page 72-77.

We assess that the market for fiber expansion is to some extent affected by increased inflation and increasing financing costs for those who invest in fiber networks. However, our assessment is that it has a less negative effect on our customers and sees continued positive development during the year with both existing and new customers choosing Hexatronic as their partner.

### **Accounting policies**

The consolidated financial statements for Hexatronic Group ("Hexatronic") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that in its interim report for the legal entity, the Parent Company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Insurance Act and regarding the relationship between accounting and taxation.

For full accounting policies, see the Annual Report for 2022.

### **Review**

This interim report has not been reviewed by the company's auditor.

## Other information

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### **Publication**

The information was submitted for publication, under responsibility of the contact persons named below, on April 27, 2023 at 07:00 CEST.

### **Financial calendar**

Interim Report April-June 2023: August 15, 2023

Interim Report July-September 2023: October 27, 2023

Year-End Report 2023: February 9, 2024

### **Annual General Meeting**

The AGM for financial year 2022 will be held on May 9, 2023

Please direct any questions to:

- Henrik Larsson Lyon, President and CEO, + 46 (0)70-650 34 00
- Pernilla Lindén, CFO, + 46 (0)70-877 58 32

**This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.**

The Board of Directors and President hereby confirm that this interim report provides a true and fair overview of the business, financial position and results of the Parent Company and the Group and describes significant risks and uncertainty factors with which the Parent Company and the companies forming the Group are faced.

Gothenburg, April 27, 2023

Anders Persson  
Chairman

Erik Selin  
Board member

Helena Holmgren  
Board member

Jaakko Kivinen  
Board member

Per Wassén  
Board member

Charlotta Sund  
Board member

Henrik Larsson Lyon  
President and CEO

## Consolidated income statement

(MSEK)	2023 Q1	2022 Q1	2022 Full year
<b>Revenue</b>			
Net sales	2,115	1,389	6,574
Other operating income	23	12	56
<b>Total</b>	<b>2,138</b>	<b>1,400</b>	<b>6,630</b>
<b>Operating expenses</b>			
Raw materials and goods for resale	-1,170	-810	-3,705
Other external costs	-242	-156	-735
Personnel costs	-304	-216	-955
Other operating expenses	-9	-	-1
Depreciation of tangible assets	-48	-33	-146
<b>Earnings before amortisation of intangible assets (EBITA)</b>	<b>365</b>	<b>184</b>	<b>1,090</b>
Amortisation of intangible assets	-25	-13	-62
<b>Operating result (EBIT)</b>	<b>340</b>	<b>171</b>	<b>1,028</b>
<b>Result from financial items</b>			
Financial income	1	0	56
Financial expenses	-43	-9	-67
<b>Result after financial items</b>	<b>299</b>	<b>162</b>	<b>1,017</b>
Income taxes	-74	-41	-224
<b>Net result for the period</b>	<b>224</b>	<b>121</b>	<b>793</b>
<b>Attributable to:</b>			
Parent Company shareholders	224	121	795
Non-controlling interest	0	0	-2
<b>Net result for the period</b>	<b>224</b>	<b>121</b>	<b>793</b>
<b>Earnings per share</b>			
Earnings per share before dilution (SEK)	1.10	0.61	3.95
Earnings per share after dilution (SEK)	1.09	0.60	3.89
	<b>2023</b>	<b>2022</b>	<b>2022</b>
<b>Consolidated statement of comprehensive income</b>	<b>Q1</b>	<b>Q1</b>	<b>Helår</b>
Result for the period	224	121	793
<b>Items which can later be recovered in the income statement</b>			
Translation differences	-31	53	293
<b>Other comprehensive income for the period</b>	<b>-31</b>	<b>53</b>	<b>293</b>
<b>Comprehensive income for the period</b>	<b>194</b>	<b>174</b>	<b>1,086</b>
<b>Attributable to:</b>			
Parent Company shareholders	193	174	1,086
Non-controlling interest	1	0	0
<b>Comprehensive income for the period</b>	<b>194</b>	<b>174</b>	<b>1,086</b>

## Consolidated balance sheet

(MSEK)	2023-03-31	2022-03-31	2022-12-31
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	2,706	1,404	2,491
Tangible assets	1,877	1,155	1,630
Financial assets	5	2	4
<b>Total non-current assets</b>	<b>4,588</b>	<b>2,561</b>	<b>4,124</b>
<b>Current assets</b>			
Inventories	1,793	1,098	1,596
Account receivables	1,343	867	1,018
Other receivables	12	13	23
Prepaid expenses and accrued income	101	55	75
Liquid assets	509	258	552
<b>Total current assets</b>	<b>3,759</b>	<b>2,290</b>	<b>3,264</b>
<b>TOTAL ASSETS</b>	<b>8,346</b>	<b>4,851</b>	<b>7,388</b>
<b>Equity</b>	<b>3,002</b>	<b>1,821</b>	<b>2,805</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	2,481	1,107	1,811
Deferred tax	199	108	212
Non-current lease liabilities	366	375	372
Other non-current liabilities	487	166	430
<b>Total non-current liabilities</b>	<b>3,533</b>	<b>1,755</b>	<b>2,825</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	100	100	100
Current lease liabilities	68	66	68
Overdraft facilities	6	16	0
Accounts payable	812	602	788
Provisions	13	4	14
Current tax liabilities	147	45	108
Other liabilities	241	174	330
Accrued expenses and deferred income	423	268	351
<b>Total current liabilities</b>	<b>1,811</b>	<b>1,274</b>	<b>1,759</b>
<b>TOTAL EQUITY, PROVISION AND LIABILITIES</b>	<b>8,346</b>	<b>4,851</b>	<b>7,388</b>

## Consolidated statement of changes in equity

(MSEK)	Share Capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total	Non-controlling interests	Total equity
<b>Balance brought forward as of 1 January 2022</b>	<b>2</b>	<b>904</b>	<b>33</b>	<b>703</b>	<b>1,642</b>	<b>5</b>	<b>1,648</b>
Result for the period	-	-	-	795	795	-2	793
Other comprehensive income	-	-	291	-	291	2	293
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>291</b>	<b>795</b>	<b>1,086</b>	<b>0</b>	<b>1,086</b>
New shares related to employee stock option programme	0	20	-	-	20	-	20
Employee stock option programme	-	4	-	-	4	-	4
Share-based remuneration	0	-	-	9	9	-	9
New shares issue related to business acquisitions	0	10	-	-	10	-	10
Sale of shares linked to incentive programme	-	-	-	17	17	-	17
Dividend paid	-	-	-	-20	-20	-	-20
Non-controlling interest on acquisition of subsidiary	-	-	-	-	0	32	32
<b>Total transactions with shareholders, reported directly in equity</b>	<b>0</b>	<b>34</b>	<b>0</b>	<b>6</b>	<b>40</b>	<b>32</b>	<b>72</b>
<b>Balance carried forward as of 31 December 2022</b>	<b>2</b>	<b>938</b>	<b>325</b>	<b>1,503</b>	<b>2,768</b>	<b>37</b>	<b>2,805</b>
<b>Balance brought forward as of 1 January 2023</b>	<b>2</b>	<b>938</b>	<b>325</b>	<b>1,503</b>	<b>2,768</b>	<b>37</b>	<b>2,805</b>
Result for the period	-	-	-	224	224	0	224
Other comprehensive income	-	-	-31	-	-31	1	-31
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-31</b>	<b>224</b>	<b>193</b>	<b>1</b>	<b>194</b>
Employee stock option programme	-	1	-	-	1	-	1
Share-based remuneration	-	-	-	3	3	-	3
<b>Total transactions with shareholders, reported directly in equity</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>4</b>
<b>Balance carried forward as of 31 March 2023</b>	<b>2</b>	<b>939</b>	<b>294</b>	<b>1,730</b>	<b>2,965</b>	<b>38</b>	<b>3,002</b>

## Consolidated statement of cash flow

(MSEK)	Note	2023 Q1	2022 Q1	2022 Full year
Operating result		340	171	1,028
Items not affecting cash flow	3	97	46	346
Interest received		1	0	2
Interest paid		-27	-6	-32
Income tax paid		-42	-28	-152
<b>Cash flow from operating activities before changes in working capital</b>		<b>368</b>	<b>182</b>	<b>1,192</b>
Increase (-)/decrease (+) in inventories		-63	-156	-610
Increase (-)/decrease (+) in accounts receivable		-253	-264	-239
Increase (-)/decrease (+) in operating receivables		-15	-12	38
Increase (+)/decrease (-) in accounts payable		-31	89	200
Increase (+)/decrease (-) in operating liabilities		22	108	89
<b>Cash flow from changes in working capital</b>		<b>-340</b>	<b>-235</b>	<b>-522</b>
<b>Cash flow from operating activities</b>		<b>28</b>	<b>-53</b>	<b>670</b>
<b>Investing activities</b>				
Acquisition of tangible and intangible assets		-126	-46	-479
Acquisition of subsidiaries after deduction of acquired liquid assets		-596	-	-625
Change in financial assets		-	0	-
<b>Cash flow from investing activities</b>		<b>-722</b>	<b>-46</b>	<b>-1,104</b>
<b>Financing activities</b>				
Borrowings		675	-	791
Amortisation of loans		-1	-327	-464
Amortisation of lease liabilities		-20	-17	-74
Changes in overdraft facilities		6	16	-
New share issues for the period		-	-	20
Sale of shares		-	-	17
Dividend paid		-	-	-20
<b>Cash flow from financing activities</b>		<b>660</b>	<b>-328</b>	<b>271</b>
<b>Cash flow for the period</b>		<b>-34</b>	<b>-427</b>	<b>-164</b>
Liquid assets at the start of the period		552	675	675
Exchange rate difference in liquid assets		-9	10	40
<b>Liquid assets at the end of the period</b>		<b>509</b>	<b>258</b>	<b>552</b>

## Key metric for the Group

	2023 Q1	2022 Q1	2022 Full year
Growth in net sales	52%	119%	88%
EBITA margin	17.2%	13.3%	16.6%
EBITA margin, 12 months rolling	17.4%	12.1%	16.6%
Operating margin	16.1%	12.3%	15.6%
Equity asset ratio	36.0%	37.5%	38.0%
Earnings per share before dilution (SEK)	1.10	0.61	3.95
Earnings per share after dilution (SEK)	1.09	0.60	3.89
Net sales per employee (SEK thousand)	1,167	1,054	4,598
Result per employee (SEK thousand)	124	92	556
Quick asset ratio	109%	94%	95%
Average number of employees	1,812	1,317	1,430
Number of shares at period end before dilution	203,026,610	199,826,650	203,026,610
Average number of shares before dilution	203,026,610	199,826,650	201,151,897
Average number of shares after dilution	205,529,820	203,113,515	203,996,888

<sup>1</sup>During June 2022, a share split was executed (5:1). Historical information about shares has in this report been recalculated according to IAS 33.

For definition of key metric, see the section Definition alternative key metrics.

The key metrics presented are deemed essential to describing the Group's development as they both constitute the Group's financial objectives (growth in net sales and EBITA margin) and are the key metrics by which the Group is governed. Several key metrics are considered relevant to investors, such as earnings per share and the number of shares. Other key metrics are presented in order to provide different perspectives on how the Group is developing and are therefore deemed to be of benefit to the reader.

## Parent Company income statement

(MSEK)	2023 Q1	2022 Q1
<b>Revenue</b>		
Net sales	27	14
	<b>27</b>	<b>14</b>
<b>Operating expenses</b>		
Other external costs	-29	-15
Personnel costs	-16	-11
Other operating expenses	0	-
Depreciation of tangible assets	0	0
	<b>-18</b>	<b>-12</b>
<b>Earnings before amortisation of intangible assets (EBITA)</b>		
Amortisation of intangible assets	-1	0
<b>Operating result (EBIT)</b>	<b>-19</b>	<b>-12</b>
<b>Result from financial items</b>		
Interest income	13	28
Interest expenses	-29	-5
	<b>-35</b>	<b>11</b>
<b>Result after financial items</b>		
Appropriations	-	-
<b>Result before tax</b>	<b>-35</b>	<b>11</b>
Income taxes	7	-2
<b>Net result for the period</b>	<b>-28</b>	<b>9</b>

Total comprehensive income is the same as net result for the period in the parent company since there is nothing accounted for as other comprehensive income.

## Parent Company balance sheet

(MSEK)	2023-03-31	2022-03-31	2022-12-31
<b>Assets</b>			
Intangible assets	8	5	8
Tangible assets	1	0	1
Financial assets	4,192	1,541	3,699
<b>Total non-current assets</b>	<b>4,201</b>	<b>1,546</b>	<b>3,708</b>
<b>Current receivables</b>			
Receivables from Group companies	459	1,116	266
Current tax receivables	6	-	-
Other receivables	2	0	10
Prepaid expenses and accrued income	12	17	6
<b>Total current receivables</b>	<b>478</b>	<b>1,132</b>	<b>282</b>
<b>Cash and bank balances</b>	<b>-</b>	<b>-</b>	<b>42</b>
<b>Total current assets</b>	<b>478</b>	<b>1,132</b>	<b>324</b>
<b>TOTAL ASSETS</b>	<b>4,680</b>	<b>2,678</b>	<b>4,032</b>
<b>Equity</b>	<b>1,088</b>	<b>947</b>	<b>1,116</b>
<b>Untaxed reserves</b>	<b>29</b>	<b>24</b>	<b>29</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	2,469	1,107	1,798
Other non-current liabilities	472	118	413
<b>Total non-current liabilities</b>	<b>2,940</b>	<b>1,225</b>	<b>2,211</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	100	100	100
Overdraft facilities	6	16	-
Accounts payable	11	10	18
Liabilities to Group companies	406	307	367
Current tax liabilities	-	6	3
Other liabilities	59	25	150
Accrued expenses and deferred income	41	20	38
<b>Total current liabilities</b>	<b>622</b>	<b>483</b>	<b>676</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>4,680</b>	<b>2,678</b>	<b>4,032</b>

## Notes

### Note 1 Revenue

January-March 2023					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	178	998	752	187	2,115
<b>Category</b>					
Goods	168	860	726	186	1,939
Services	10	138	26	1	175
<b>Total</b>	<b>178</b>	<b>998</b>	<b>752</b>	<b>187</b>	<b>2,115</b>
<b>Time for revenue recognition</b>					
At a given time	168	860	726	186	1,939
Over time	10	138	26	1	175
<b>Total</b>	<b>178</b>	<b>998</b>	<b>752</b>	<b>187</b>	<b>2,115</b>
<b>January-March 2022</b>					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	155	643	435	156	1,389
<b>Category</b>					
Goods	142	621	426	155	1,344
Services	13	22	9	1	44
<b>Total</b>	<b>155</b>	<b>643</b>	<b>435</b>	<b>156</b>	<b>1,389</b>
<b>Time for revenue recognition</b>					
At a given time	142	621	426	155	1,344
Over time	13	22	9	1	44
<b>Total</b>	<b>155</b>	<b>643</b>	<b>435</b>	<b>156</b>	<b>1,389</b>

## Note 2 Business acquisitions

### Acquisitions 2023

On March 3, 2023, the Group completed the asset purchase agreement to acquire all business activities of Rochester cable for a fixed purchase price of USD 55 million (excluding ND/NWC adjustment of MUSD -4.5).

The preliminary table below summarises the purchase price for the acquisitions and the fair value of the acquired assets and assumed liabilities recognized on the acquisition dates. The acquisition calculations are preliminary as the acquisition balances are not yet finalized and not yet finally audited.

<b>Preliminary Purchase price (MSEK)</b>	
Liquid assets	529
<b>Total purchase price</b>	<b>529</b>
<b>Recognised amounts for identifiable acquired assets and taken-over liabilities</b>	
Tangible assets	165
Customer contracts and Customer relations	108
Accounts receivable	77
Inventory	142
Other payables	-104
<b>Total identifiable net assets</b>	<b>387</b>
<b>Non-controlling interests</b>	<b>-</b>
<b>Goodwill</b>	<b>142</b>

Acquisition-related costs of MSEK -12 are included in other external costs in the consolidated statement of comprehensive income for the 2023 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to MSEK 529. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals MSEK 77. Doubtful accounts receivable amount to MSEK 2 and are reserved.

The total value of goodwill is tax deductible.

Net sales of MSEK 31 have been included in the consolidated income statement from the acquired company since the acquisition dates during 2023. The acquired company generated an EBITDA of MSEK -1 in the same period.

If the acquired company been consolidated from January 1, 2023, the consolidated statement for the period January 1, 2023 – March 31, 2023 would have shown increased net sales amounting to MSEK 111 and an EBITDA of MSEK 3.

## Acquisitions 2022

On September 1, 2022, the Group acquired 82 % of the share capital in homeway GmbH for a fixed purchase consideration of MEUR 7.2 and contingent purchase consideration calculated at net present value of maximum MEUR 5.1 (in total MSEK 132.2). On October 1, 2022, the group acquired 90 % of the share capital in Impact Data Solutions Ltd for a purchase consideration of MGBP 19.6 (MSEK 243.7). Finally, the group acquired 100 % of the share capital in KNET on December 1, 2022, for a fixed purchase consideration of MUSD 48 MUSD (excluding ND/ NWC adjustment of MUSD -1.6) and contingent purchase consideration calculated at net present value of maximum MUSD 27.8 (in total MSEK 782.6).

The acquisition of Impact Data Solutions Ltd includes a put/call option to acquire the remaining 10 % until 2029. Both parties have the right to use the option and it is considered likely that the option will be used. The acquisition is therefore recognized at 100 % and no non-controlling interests have been entered. The expected purchase price for the remaining 10 percent is recognised as a liability with any changes in value through profit or loss

The preliminary table below summarises the purchase price for the acquisitions and the fair value of the acquired assets and assumed liabilities recognized on the acquisition dates. The acquisition calculations are preliminary as the acquisition balances are not yet finalized and not yet finally audited. The acquisitions are reported aggregated, as none of the acquisitions have been deemed individually significant.

### Preliminary Purchase price (MSEK)

Liquid assets	745
Contingent purchase consideration (not paid)	404
Equity instruments (88,429 shares)	10
Holdback purchase consideration (not paid)*	-
Option to buy remaining 10 % of Impact Data Solutions Ltd (not paid)	43
<b>Total purchase price</b>	<b>1,201</b>

\*Has been regulated in Q1 2023

### Recognised amounts for identifiable acquired assets and taken-over liabilities

Liquid assets	112
Tangible assets	62
Customer contracts and Customer relations	97
Trademark	37
Other intangible assets	7
Financial assets	7
Accounts receivable	185
Inventory	60
Other receivables	72
Financial liabilities	-51
Other payables	-239
<b>Total identifiable net assets</b>	<b>349</b>
<b>Non-controlling interests</b>	<b>-32</b>
<b>Goodwill</b>	<b>883</b>

Acquisition-related costs of MSEK -11 are included in other external costs in the consolidated statement of comprehensive income for the 2022 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisitions amounted to MSEK 633. Goodwill is attributable to the added earning capacity the company is expected to bring.

Subject to the agreements of conditional purchase price, the Group will pay a maximum MSEK 79 for homeway GmbH based on gross profit in the period 2022 – 2025, MSEK 56 for Impact Data Solutions Ltd based on EBITDA for 2022 and maximum MSEK 390 for KNET based on EBITDA for 2023–2025. The conditional purchase price for Impact Data Solutions LTD was paid during Q1 2023.

The fair value of accounts receivable totals MSEK 185 No accounts receivable is deemed to be doubtful.

No part of the goodwill is tax deductible.

Net sales of MSEK 110 have been included in the consolidated income statement from the acquired companies since the acquisition dates during 2022. The acquired companies generated an EBITDA of MSEK 20 in the same period.

Had the acquired companies been consolidated from January 1, 2022 to December 31, 2022, the consolidated statement for full year would have shown increased net sales amounting to MSEK 908 and an EBITDA of MSEK 151.

### Note 3 Items not affecting cash flow

<b>(MSEK)</b>	<b>2023 Q1</b>	<b>2022 Q1</b>	<b>2022 Full year</b>
Depreciation/amortisation	73	46	208
Revaluation of incentive programmes	11	-	45
Change obsolescence reserve inventory	11	0	70
Other provisions	0	-	11
Exchange rate differences	3	-	2
Other	-1	-1	11
<b>Total</b>	<b>97</b>	<b>46</b>	<b>346</b>

## Reconciliation between IFRS and key metrics used

In this interim report, Hexatronic presents certain financial parameters that are not defined in IFRS known as alternative key metrics. The Group believes that these parameters provide valuable supplementary information for investors as they facilitate an evaluation of the company's results and position. Since not all companies calculate financial parameters in the same way these metrics are not always comparable with those used by other companies. Investors should see the financial parameters as a complement to rather than a replacement for financial reporting in accordance with IFRS.

<b>Organic growth, MSEK, %</b>	<b>Jan-March 2023</b>		
Net sales Q1 2023	2,115		
Exchange-rate effects	-77		
Acquisition driven	-314		
Comparable net sales	1,724		
Net sales Q1 2022	1,389		
<b>Net sales increase cleared of exchange-rate effects</b>	<b>649</b>		
Net sales increase cleared of exchange-rate effects %	47%		
<b>Organic growth</b>	<b>335</b>		
Organic growth %	24%		
<b>Annual growth, rolling 12 months, %</b>	<b>12 months</b>		
Net sales January-March 2023	2,115		
Net sales April-December 2022	5,185		
Net sales rolling 12 months	7,300		
Net sales January-March 2022	1,389		
Net sales April-December 2021	2,856		
Net sales rolling 12 months	4,245		
<b>Annual growth, rolling 12 months</b>	<b>72%</b>		
<b>Quick asset ratio, %</b>	<b>2023-03-31</b>	<b>2022-03-31</b>	<b>2022-12-31</b>
Current assets	3,759	2,290	3,264
Inventories	-1,793	-1,098	-1,596
Current assets - inventories	1,965	1,192	1,668
Current liabilities	1,811	1,274	1,759
Quick asset ratio	109%	94%	95%
<b>Core working capital, MSEK</b>	<b>2023-03-31</b>	<b>2022-03-31</b>	<b>2022-12-31</b>
Inventories	1,793	1,098	1,596
Accounts receivable	1,343	867	1,018
Accounts payable	-812	-602	-788
Core working capital	2,324	1,363	1,827

## Definition alternative key metrics

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### **Gross profit margin**

Net sales minus raw materials and merchandise, as a percentage of net sales.

### **EBITA**

Earnings before amortisation of intangible assets.

### **EBITA margin**

Earnings before amortisation of intangible assets as a percentage of net sales.

### **EBIT (operating result)**

Earnings before interest and taxes.

### **Operating margin**

Earnings before interest and taxes as a percentage of net sales.

### **Equity asset ratio**

Total equity as a percentage of total assets.

### **Number of shares**

Number of outstanding shares at the end of the period.

### **Organic growth**

Changes in net sales excluding exchange-rate effects and acquisitions compared with the same period last year.

### **Annual growth**

Average annual growth is calculated as the Group's total net sales during the period compared to the same period the year before.

### **Quick asset ratio**

Quick asset ratio is calculated as current assets minus inventories divided by current liabilities.

### **Core-working capital**

Core working capital is defined as inventories plus accounts receivable minus accounts payable.

### **Net debt**

Interest-bearing liabilities, excluding lease liabilities, less cash and cash equivalents

### **Average number of outstanding shares**

Weighted average of the number of outstanding shares during the period.

### **Average number of outstanding shares after dilution**

Number of outstanding shares at the end of the period plus the number of shares that would be added if all dilutive potential shares were converted.

### **Earnings per share before dilution**

Earnings attributable to Parent Company shareholders as a percentage of average number of outstanding shares before dilution.

### **Earnings per share after dilution**

Earnings attributable to Parent Company shareholders as a percentage of average number of outstanding shares after dilution.

### **Equity per share**

Total equity divided by the number of shares at the end of the period.

### **Number of employees**

Number of employees at the end of the period.



## This is Hexatronic

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Hexatronic Group AB (publ) enables non-stop connectivity for communities worldwide. We partner with customers across four continents – from telecom operators to network owners – offering leading-edge fiber technology and solutions for any and all conditions.

Hexatronic Group AB (publ) was founded in 1993 in Sweden and is listed on Nasdaq OMX Stockholm. Our global product brands include Viper, Stingray, Raptor, InOne, and Wistom®.

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