

## Interim report January – March 2020

# MSAB – Stable in time of pandemic

### First quarter

- Net sales were at the same level as for last year, SEK 66.2 (66.3) million (-3 percent in local currencies).
- EBIT amounted to SEK -8.8 (-5.6) million.
- The EBIT margin was -13.2 (-8.6) percent.
- Profit after tax amounted to SEK -8.5 (-4.4) million.
- Earnings per share amounted to SEK -0.46 (-0.23).
- Cash flow from operating activities amounted to SEK 9.2 (-3.7) million.
- Cash and cash equivalents at the end of the period amounted to SEK 71.5 (93.1) million.

### MSAB in brief

MSAB is a world leader in mobile forensics technology with the aim of extracting and analysing data from confiscated mobile devices, mainly from mobile phones. The Company has its own sales offices and sales representatives in Europe, North America, South America, China, Australia, Singapore, Japan and Russia, and together with a number of distributors, covers most of the world. The proprietary products have become a de facto standard in the field and are used for securing evidence in more than 100 countries. These products are complemented by a wide range of training courses with the possibility of becoming certified in a forensically sound methodology. Customers are primarily law enforcement agencies, such as police, military and customs. MSAB is listed on NASDAQ Stockholm under the ticker symbol: MSAB B.

# Comments from the CEO

One of MSAB's greatest strengths has always been its ability to adapt to new conditions. Without this capacity, we would never have survived 36 years on the absolute cutting edge of technological development. Today, the world has been hit by a pandemic, the consequences of which are impossible to foresee. And our ability to adapt is being put to the test.

We are confident that our capacity to deliver remains intact and our development organization is working effectively under the new circumstances. During the period, we developed new and powerful versions of our leading brands. Through focused, dedicated effort our marketing, training and support departments have adapted their ways of working to care for customer relations at a distance.

And because our business model builds to a large extent on recurring revenues from license renewals, MSAB's financial position remains strong.

Thanks to good planning and stock strategy, we have not experienced any shortages of components, neither for our office solutions nor our kiosk solutions. With the information we have today, we can continue delivering without problems in the current quarter as well. We depend on well-functioning sub-contractors. Hence, we work continuously to increase our independence from any single supplier.

We have completed all customer meetings, we have not cancelled a single customer meeting, we have switched over and digitalized them. All available tools for communicating with our customers and each other are being exploited. It is efficient, and customers continue to invest.

What we notice is that several new projects have been postponed. Maintaining the same tempo in new projects during the pandemic is not friction-free.

The order intake for the first quarter of 2020 was significantly better than first quarter 2019, but because of Covid-19, we have not been able to deliver everything we would have under normal circumstances. We have sometimes refrained from delivery when our personnel's safety was in question, but also in response to customer requests. Those solutions we have not been able to deliver are the ones that require our own staff on-site. Examples include on-site training, Advanced Acquisition Laboratory, customer installations and other Professional Services. Exactly how this impacts our turnover is difficult to assess, but we estimate that we would have been able to deliver approximately 10 percent more than we did in the first quarter.

An example of how we have adapted to our customers' new circumstances is our new offering C.A.R.E (Cellphone, Analysis, Risk Evaluation) which is, simply put, an extremely efficient way to track the spread of infection using mobile phones. We have received a positive response to our offering, which caters to potential customers outside of our traditional customer base within law enforcement.

The UK is one of our largest markets, and our success in the region continues. Our customers within the public service sector in the UK are amongst those who close their financial year at the end of March, so what happens there during the first quarter of the year is important. In March, a procurement was concluded for a significant framework agreement. This framework agreement is for delivery of Frontline solutions to seven regions and will run over several years.

The demands for winning this framework agreement were in many respects high and advanced. MSAB won the contract, which means that we will be delivering Frontline solutions to these districts in the UK for several years.

The British market is probably the area where law enforcement has experienced more success in their work than any other geographic region in the world. This has been the result of focusing on digitalisation and decentralisation. The demands placed on law enforcement's tools are amongst the toughest from a global perspective. It is no coincidence that MSAB's Frontline solutions were chosen.

We do not know how Covid-19 will affect MSAB. But we know that both the market and the need are there. Crime does not rest during crises. Rather, it tends to increase, and additional vulnerability is created in societies. We also know that we have the solutions the market is looking for and needs right now. We solve other problems as we encounter them.

Sometimes law enforcement faces new and unexpected demands. MSAB offers tools and best practices to meet these changing demands. And we are proud of this.

This is not the first time MSAB has faced challenges during its 36-year history, and we have always come out the other side stronger. Speed and the ability to adapt is deeply rooted in our corporate culture. In the long-term, and if we do the right things, this means additional opportunities for MSAB.

Stockholm, April 2020

Joel Bollö  
Chief Executive Officer

# Comments on operations

## The market

EMEA & Latin America – in total, the region grew marginally compared with last year. The start of the year is often characterised by a more uneven purchasing pattern as a result of purchasing that follows the financial year of authorities, which we have seen in Germany and France. This has been compensated for in other ways, including a strong order intake in eastern Europe.

North America – sales for the region grew somewhat compared with last year. The comparison should be viewed in the context that during the previous year, the Company received a single, large order of field version from the American military, where purchasing is irregular.

Asia and Commonwealth of Independent States (CIS) – southeast Asia demonstrated good growth but the total for the region is affected mainly by authorities in Australia postponing planned purchases to the second quarter.

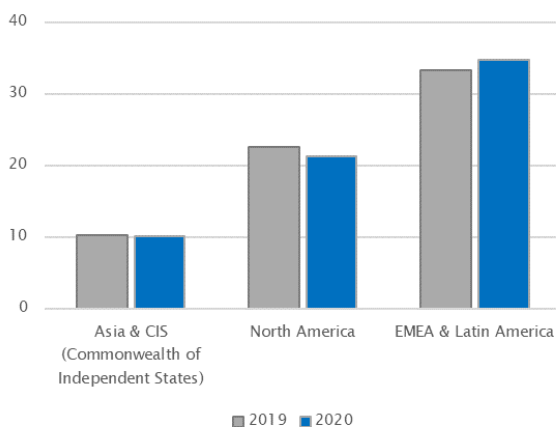
## Products

At the beginning of April, MSAB released new versions of product families XRY, XAMN and XEC – with many new, important, and improved functions to help investigators, analysts, and other users work quicker, smarter and more efficiently. High points include faster Android extractions, and improved Android and iOS app support in XRY. In XAMN, additions include a time-saving intelligent function for text queries, many improvements in the user experience, and new export functionality. The new version of XEC gives managers the opportunity to compile more detailed information at user levels. XRY 7.12 adds support for 342 mobile devices and apps, bringing the total number of support devices and app profiles to 27,118.

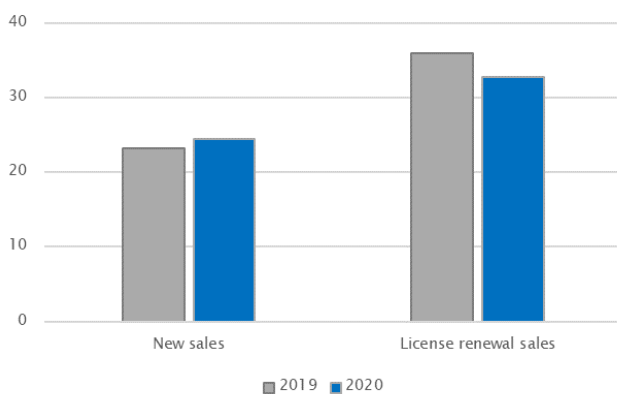
## Training

Revenues from training activities correlate with how the Company’s other sales develop. Sales from training activities for the year comprise 10 (10) percent of total sales. The Company continues to develop and market online training and training on demand, which means that a proportion of the sales of future training will be scalable.

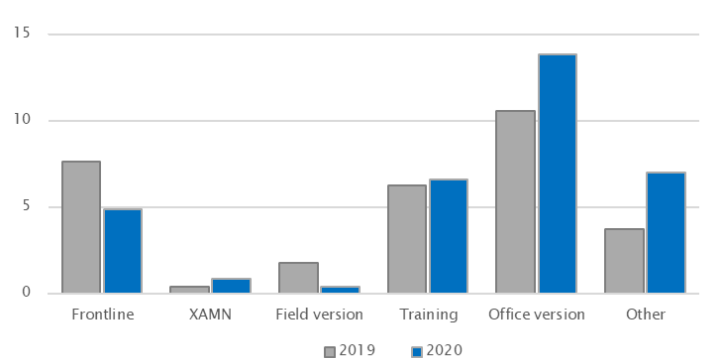
Sales distribution by regions MSEK, Jan–Mar



Product sales distribution MSEK, Jan–Mar



New sales distribution MSEK, Jan–Mar



# Comments on financial performance

## Net sales

Consolidated net sales were in principle unchanged compared with last year at SEK 66.2 (66.3) million. In local currencies, net sales fell 3 percent.

## Expenses

Expenses for goods for resale for the quarter amounted to SEK 5.1 (5.9) million. Direct costs depend on the product mix sold where sales for the previous year comprised more hardware than for the current year. Other external expenses for the quarter including depreciation amounted to SEK 20.1 (21.0) million. Personnel expenses for the quarter were SEK 49.8 (45.0) million. The increase in expenses for the quarter were primarily attributable to personnel-related investments for products and marketing, for the purpose of promoting further growth and to consolidate our leading position in a technologically advanced and rapidly changing market.

## Profit/loss

EBIT for the quarter was SEK -8.8 (-5.6) million, which corresponds to an EBIT margin of -13.2 (-8.6) percent. The net financial income/expense was SEK 0.7 (1.5) million for the quarter. The net financial income/expense stemmed primarily from revaluation of cash and cash equivalents in foreign currencies. Profit after tax for the quarter was SEK -8.5 (-4.4) million.

## Cash flow and financial position

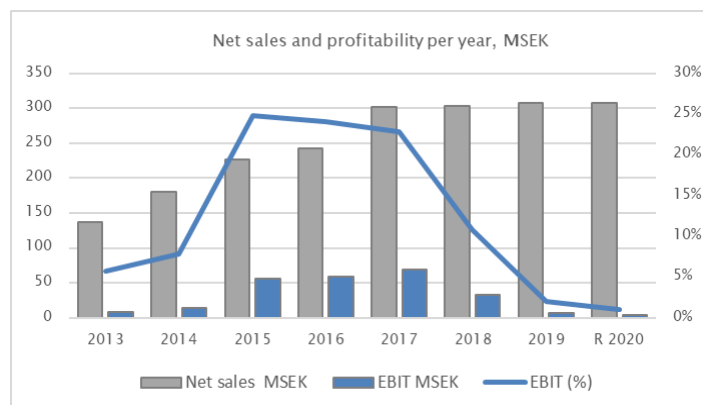
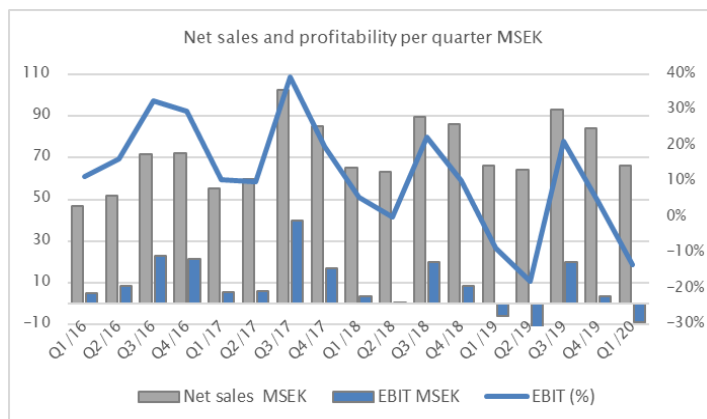
The equity/assets ratio at the end of the period was 38.2 (49.2) percent. Cash flow from operating activities for the quarter amounted to SEK 9.2 (-3.7) million. Cash and cash equivalents at the end of the period amounted to SEK 71.5 (93.1) million.

## Fluctuations in sales and profit

Consolidated sales and profit both tend to fluctuate between quarters, primarily due to our customers' purchasing patterns and single, larger orders. This is illustrated in the diagram below, where the substantial variation between individual quarters is clearly visible for sales. Given the Company's relatively fixed expense base, the result is a corresponding variation in profit. Even when trends are viewed across one-year periods, growth has occurred in waves, where for example growth was strong in 2015, more modest in 2016, and then significantly stronger in 2017.

## Personnel

There were 201 (182) employees in the Group at the end of the period. The average number of employees was 201 (181).



## Other

### Seasonal effects

MSAB is not dependent on the seasons in the sense that is normally meant by the term seasonal effects. However, the majority of the Company's customers have a purchasing pattern that follows their budget period. Budget periods differ between countries, but most common in MSAB's largest markets is that they follow the calendar year or end on 30 September. Historically, this has been reflected in sales in such a way that the second half of the year is stronger than the first.

### Risks and uncertainty factors

Through its operations, the Group is exposed to risks and uncertainty factors. Information on risks and uncertainties other than currency exposure due to foreign subsidiaries and the fact that most invoicing in Sweden is denominated in foreign currencies can be found in more detail in the 2019 Annual Report. The Annual Report is available on the Company's website. MSAB is monitoring developments regarding Corona virus Covid-19 and is evaluating the extent to which it can impact the Company's operations in the short- and long-term. It is currently not possible to assess the extent of impact on operations.

### Accounting principles

This report has been prepared for the Group in accordance with the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Information as per IAS 34 is provided in notes as well as in other places throughout this interim report. The accounting principles adopted for the Group and the Parent Company are consistent, unless stated below, with the accounting principles used to prepare the most recent annual report. For short-term financial assets and liabilities, the reported value is a reasonable estimate of fair value.

### The Parent Company

Net sales for the Parent Company for the period amounted to SEK 42.2 (43.3) million. EBIT was SEK -10.5 (-6.7) million for the period. Investments for the period amounted to SEK 0.0 (0.5) million. There were 151 (131) employees in the Parent Company at the end of the period.

### Related party transactions

There were no related party transactions during the period other than settlement of internal transactions between the Parent Company and its subsidiaries.

### Financial calendar

22 July	Interim report January-June
28 October	Interim report January-September
27 January, 2021	Year-end report 2020

The information in this report is such that MSAB, Corporate ID number 556244-3050, is required to disclose in accordance with the EU's Market Abuse Regulation. The information in this report was submitted for publication on 29 April, 2020 at 08:00 CEST.

This report and earlier financial reports and press releases are available on the Company's website: [www.msab.com](http://www.msab.com).

Questions should be addressed to:  
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 Email: [joel.bollo@msab.com](mailto:joel.bollo@msab.com)

## Statement from the Board and CEO

The under-signed certify that this interim report provides, in accordance with current regulations, a fair and true overview of the Parent Company's and Group's operations, financial position and earnings, as well as describing the significant risks and uncertainty factors to which the Parent Company and the subsidiaries that comprise the Group are exposed.

Stockholm, 29 April, 2020

### **Micro Systemation AB (publ)**

Corporate ID number 556244-3050

Henrik Tjernberg  
Board Chair

Joel Bollö  
Chief Executive Officer

Ann Hellenius  
Board member

Jan-Olof Backman  
Board member

Carl Bildt  
Board member

Linda Nyberg  
Board member

This report has not been reviewed by the Company's auditors.

## Consolidated income statement in summary

MSEK	Jan - Mar		12 months	
	2020	2019	Apr-Mar	2019
Net sales	66.2	66.3	307.5	307.6
Cost of goods sold	-5.1	-5.9	-28.7	-29.5
Other external costs	-17.1	-18.1	-69.9	-70.9
Personnel costs	-49.8	-45.0	-193.8	-189.0
Depreciation of fixed assets	-3.0	-2.9	-12.1	-12.0
Total operating cost	-75.0	-71.9	-304.5	-301.4
Operating profit - EBIT	-8.8	-5.6	3.0	6.2
Financial income	1.6	2.1	5.1	5.6
Financial expenses	-0.9	-0.6	-4.8	-4.5
Profit/loss before tax	-8.1	-4.1	3.3	7.3
Tax	-0.5	-0.3	-2.6	-2.4
<b>Net profit/loss after tax</b>	<b>-8.5</b>	<b>-4.4</b>	<b>0.8</b>	<b>4.9</b>

## Statement of comprehensive income

MSEK	Jan - Mar		12 months	
	2020	2019	apr - mar	2019
Net profit/loss after tax	-8.5	-4.4	0.8	4.9
Currency translation differences	1.5	1.1	2.0	1.6
Tax on currency translation differences	0.5	0.1	0.5	0.1
<b>Total comprehensive income</b>	<b>-6.5</b>	<b>-3.2</b>	<b>3.3</b>	<b>6.6</b>
Comprehensive income for the period attributable to the shareholders of the parent company	-6.5	-3.2	3.3	6.6

## Key figures

	Jan - Mar		12 months	
	2020	2019	Apr-Mar	2019
Revenue growth, %	-0.0	1.5	0.9	1.2
EBIT-margin, %	-13.2	-8.6	1.0	2.0
Cash flow from operating activities per share, SEK	0.4	-0.4	1.7	1.0
Return on equity, %	-9.7	-3.7	1.3	5.5
Return on capital employed, %	-8.1	-3.2	9.5	12.9
Equity per share, SEK	3.8	5.8	4.8	4.1
Average number of shares, basic, million	18.5	18.5	18.5	18.5
Average number of shares, diluted, million	18.5	18.5	18.5	18.5

## Consolidated balance sheet in summary

MSEK	31-mar		31-dec
	2020	2019	2019
<b>ASSETS</b>			
Intangible assets	0.0	0.1	0.0
Tangible assets	2.6	2.7	2.7
Assets with right to use	27.3	37.4	29.8
Deferred tax asset	0.5	0.0	0.6
Other long term asset	-	-	-
Total non-current assets	30.4	40.2	33.1
Inventories	9.1	6.1	6.4
Accounts receivable - trade	55.8	53.5	75.2
Current tax asset	6.0	10.5	5.5
Other current assets	10.1	13.9	6.0
Cash and cash equivalents	71.5	93.1	63.9
Total current assets	152.4	177.1	157.0
<b>TOTAL ASSETS</b>	<b>182.8</b>	<b>217.3</b>	<b>190.1</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	69.8	106.9	76.1
Long term leasing liabilities related to assets with right to use	16.3	21.0	16.5
Accounts payable - trade	4.5	3.9	4.6
Current tax liability	1.9	0.9	1.2
Leasing liabilities related to assets with right to use	11.9	11.8	11.8
Other current liabilities	78.4	72.8	79.9
Total current liabilities	96.7	110.4	97.5
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>182.8</b>	<b>217.3</b>	<b>190.1</b>

## Change in equity

MSEK	31-mar		
	2020	2019	2019
Opening balance	76.1	110.1	110.1
Profit/loss for the period	-6.3	-3.2	6.6
Dividend	-	-	-40.6
Equity at the end of the period	69.8	106.9	76.1



## Cash flow statement in summary

MSEK	Jan-Mar		12 months	
	2020	2019	Apr-Mar	2019
Profit after paid tax and non-cash items	-4.8	-1.1	14.0	17.6
Working capital changes	14.0	-2.6	16.7	0.1
Cash flow from operating activities	9.2	-3.7	30.7	17.7
Investments in fixed assets	-0.1	-0.5	-1.1	-1.5
Cash flow from investing activities	-0.1	-0.5	-1.1	-1.5
Dividend paid to shareholders	-	-	-40.6	-40.6
Amortization of leasing liability	-2.6	-3.2	-12.0	-12.6
Cash flow from financing activities	-2.6	-3.2	-52.6	-53.2
Cash flow for the period	6.4	-7.4	-23.1	-37.0
Cash at the beginning of the period	64.0	98.8	93.1	98.8
Exchange rate difference in cash	1.1	1.7	1.5	2.1
Cash at the end of the period	71.5	93.1	71.5	63.9

## Segment reporting

MSEK Jan-Mar 2020	Asia & CIS	EMEA & Latin America		Total
		America	North America	
Product sales	9.0	28.4	19.8	57.2
Training & other services	1.1	6.3	1.6	9.0
<b>Total</b>	<b>10.1</b>	<b>34.7</b>	<b>21.4</b>	<b>66.2</b>

Recognized at a certain point in time	8.8	29.1	16.9	54.8
Recognized over time	1.3	5.6	4.5	11.4
<b>Total</b>	<b>10.1</b>	<b>34.7</b>	<b>21.4</b>	<b>66.2</b>

MSEK Jan-Mar 2019	Asia & CIS	EMEA & Latin America		Total
		America	North America	
Product sales	9.5	29.5	20.2	59.1
Training & other services	0.9	3.8	2.4	7.1
<b>Total</b>	<b>10.3</b>	<b>33.3</b>	<b>22.6</b>	<b>66.3</b>

Recognized at a certain point in time	8.4	28.9	17.4	54.7
Recognized over time	1.9	4.4	5.2	11.6
<b>Total</b>	<b>10.3</b>	<b>33.3</b>	<b>22.6</b>	<b>66.3</b>

## Quarterly data

	2019				2018				2017				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	66.2	84.0	93.3	64.1	66.3	86.2	89.4	63.0	65.3	84.8	102.0	59.5	55.4
EBIT, MSEK	-8.8	3.7	19.8	-11.5	-5.6	8.7	20.1	0.1	3.7	16.9	40.0	6.1	5.8
EBIT-margin, %	-13.2	4.4	21.2	-17.9	-8.6	10.1	22.5	0.2	5.6	19.9	39.2	10.2	10.6
Earnings per share, SEK	-0.46	0.07	1.03	-0.58	-0.23	0.40	0.79	0.07	0.24	0.76	1.65	0.24	0.22
Return on equity, %	-9.7	1.5	21.2	-15.4	-3.9	6.6	14.4	1.8	3.8	12.8	32.5	6.4	3.9
Return on capital employed, %	-8.1	4.8	23.2	-14.0	-3.2	9.5	20.7	3.3	6.5	18.2	43.7	8.9	5.3
Equity ratio, %	38.2	40.0	40.3	33.7	49.2	57.2	55.2	53.4	59.8	57.2	52.2	52.0	60.6
Cash flow from operations /per share, SEK	0.4	0.57	0.73	0.04	-0.4	1.57	-0.69	-0.62	0.0	2.75	-0.06	-0.24	0.1
Equity per share, SEK	3.8	4.12	4.14	2.98	5.8	5.96	5.58	4.59	6.5	6.23	5.46	3.87	5.9

## Definitions

The Company presents certain financial metrics in the interim report that are not defined under IFRS. The Company believes that these metrics provide useful supplemental information to investors and the Company's management as they allow for the evaluation of the Company's performance. The key ratios are further described in the 2018 annual report.

EBIT

Earnings before interest and taxes.

EBIT margin

EBIT in relation to net sales.

Earnings per share \*

Profit/loss after tax in relation to average number of outstanding shares after dilution.

Return on equity

Profit/loss after tax in relation to average adjusted equity.

Return on capital employed

EBIT plus financial items in relation to average capital employed.

Equity ratio

Equity in relation to total assets.

Cash flow from operations /per share

Cash flow from operations in relation to average number of outstanding shares after dilution.

Equity per share

Equity in relation to outstanding shares at the end of the period.

Average adjusted equity

Average of equity during 12 months-period. Opening plus closing shareholders' equity divided by two.

Capital employed /average capital employed

Capital employed is calculated as total assets less non- interest-bearing liabilities.

Average capital employed is calculated as capital employed over a 12 months period. Capital employed at beginning of period plus capital employed at end of period divided by two.

Revenue growth, %

Sales current period in relation to same period prior year

Net financial items

Net of financial income and expenses

\* Defined in line with IFRS

## Reconciliations of measurements that are not defined under IFRS.

### Capital employed

	2019				2018				2017				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets, MSEK	182.8	190.1	189.7	163.2	217.4	192.5	186.9	158.3	200.9	200.2	192.5	136.5	179.0
Accounts payables, MSEK	-4.5	-4.6	-5.5	-3.1	-3.9	-3.7	-4.5	-4.7	-10.9	-5.0	-11.3	-4.1	-4.5
Tax liabilities, MSEK	-1.9	-1.2	-0.8	-1.3	-0.9	-0.5	-6.9	-2.5	-2.1	-3.6	-11.4	-3.1	-4.7
Leasing liabilities related to assets with right to use	-25.7	-28.3	-30.8	-33.1	-32.8	-	-	-	-	-	-	-	-
Other liabilities, MSEK	-78.4	-79.9	-92.5	-70.5	-72.8	-78.2	-72.4	-35.2	-67.9	-77.0	-69.4	-58.3	-61.4
Capital employed, MSEK	72.3	76.1	60.1	55.2	107.0	110.1	103.1	115.9	120.0	114.6	100.4	71.0	108.4
Average capital employed, MSEK	89.6	93.1	81.6	85.5	113.5	112.4	101.8	93.5	114.2	109.5	93.6	69.4	104.8

## Parent company income statement in summary

MSEK	Jan-Mar	
	2020	2019
Net sales	42.2	43.3
Cost of goods sold	-5.1	-5.9
Other external costs	-10.3	-11.4
Personnell costs	-34.6	-30.1
Depreciation of fixed assets	-2.7	-2.6
Total operating cost	-52.7	-50.0
Operating profit - EBIT	-10.5	-6.7
Net financial items	0.6	1.6
Profit/loss before tax	-9.9	-5.1
Tax	-	-
<b>Net profit/loss after tax</b>	<b>-9.9</b>	<b>-5.1</b>

## Statement of comprehensive income

MSEK	Jan-Mar	
	2020	2019
Net profit/loss after tax	-9.9	-5.1
Total comprehensive income	-9.9	-5.1

## Parent company balance sheet in summary

MSEK	31-mar	
	2020	2019
<b>ASSETS</b>		
Intangible assets	0.0	0.1
Tangible assets	2.6	2.7
Assets with right to use	25.5	34.7
Shares in group companies	0.4	0.0
Other long term asset	-	-
Total fixed assets	28.5	37.9
Inventories	9.1	6.1
Accounts receivable - trade	13.0	43.1
Other current assets	21.4	22.0
Cash and cash equivalents	41.4	41.4
Total current assets	84.9	112.6
<b>TOTAL ASSETS</b>	<b>113.4</b>	<b>150.5</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	3.8	3.8
Share premium	20.3	20.3
<i>Restricted equity</i>	24.1	24.1
Statutory reserve	7.8	7.8
Profit brought forward	4.8	45.5
<i>Non-restricted equity</i>	12.6	53.3
Total equity	36.7	77.4
Long term leasing liabilities related to assets with right to use	15.6	22.1
Accounts payable - trade	3.8	3.5
Current tax liability	-	-
Short term leasing liabilities related to assets with right to use	10.7	10.7
Other current liabilities	46.6	36.8
Total current liabilities	61.1	73.1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>113.4</b>	<b>150.5</b>

## The Ecosystem of Mobile Forensics

**XRY**  
**Extract**  
Extract and recover forensic data.

**XAMN**  
**Analyze**  
Visualize and analyze data for examination.

**XEC**  
**Manage**  
Efficient tools for management, administration and process related use.

**START YOUR FREE TRIAL**

Combined together, all of our products, platforms and services form a complete ecosystem of mobile forensics that protects our customers throughout the evidence chain. No matter what type of user, location, mobile device or environment; we have a tool designed to suit that particular need. These solutions work together in harmony to ensure best practice workflows for all stakeholders; from the field to the lab, through to the court room and beyond.



### Extract

Extract digital forensic data from mobile devices



### Analyze

Review, Visualize and Analyze mobile data



### Manage

Management tools for efficient processes