



HMS Networks

Interim report: January - June 2024

Hardware Meets Software™

Second quarter

- Order intake for the second quarter was SEK 769 m (703), corresponding to an increase of 9% whereof acquired growth was 36% and organic growth was -22%. Currency translations had an effect of on net sales of -5%
- Net sales reached SEK 845 m (703), corresponding to an increase of 20% whereof acquired growth was 40% and organic growth was -20%. Currency translations had no material effect of on net sales
- Adjusted EBIT reached SEK 172 m (154), equal to a 20.4 % (21.9) adjusted operating margin
- EBIT reached SEK 104 m (150), equal to a 12.3% (21.4) operating margin
- Adjusted profit after tax totaled SEK 103 m (119) and adjusted basic earnings per share was SEK 2.12 (2.56)
- Profit after tax totaled SEK 34 m (116) and basic earnings per share was SEK 0.70 (2.48)
- Cash flow from operating activities amounted to SEK 152 m (78)

First six months

- Order intake for the first six months was SEK 1,242 m (1,384), corresponding to a decrease of 10% whereof acquired growth was 18% and organic growth was -29%
- Net sales reached SEK 1,461 m (1,476), corresponding to a 1% decrease whereof acquired growth was 19% and organic growth was -20%. Currency translations had a negative effect of SEK 3 m on net sales
- Adjusted EBIT reached SEK 309 m (370), equal to a 21.1% (25.0) adjusted operating margin
- EBIT reached SEK 233 m (362), equal to a 16.0% (24.5) operating margin
- Adjusted profit after tax totaled SEK 216 m (296) and adjusted basic earnings per share was SEK 4.55 (6.35)
- Profit after tax totaled SEK 140 m (288) and basic earnings per share was SEK 2.94 (6.18)
- Cash flow from operating activities amounted to SEK 210 m (233)

Order intake Q2

+9%

Net sales Q2

+20%

Adjusted EBIT Q2

20%

CEO Comments

FIRST QUARTER WITH RED LION

The second quarter of the year saw an improvement in organic order intake compared with the first quarter. We are in a relatively weak market situation where our customers continue to work on adjusting their inventory levels and are in a wait-and-see mode to understand how demand will develop going forward.

The quarter's order intake, including Red Lion, amounts to SEK 769 million (703), corresponding to a growth of 9%. Excluding Red Lion, we see an organic sequential improvement of 9%, but a decrease by 22% compared to last year. We estimate that the quarter's order intake was negatively affected by our customers' inventory adjustments by approximately SEK 100 million. Looking ahead, we believe that customers' inventories are beginning to balance with the current demand, and we expect to see significantly less of these inventory adjustments going forward.

The quarter's turnover, including Red Lion, amounts to SEK 845 million (703), which corresponds to an increase of 20%, but a decrease of 20% compared to the corresponding period last year.

THE RESTRUCTURING PROGRAM NOW IMPLEMENTED

The restructuring program launched at the beginning of the quarter has been completed. The program, which has realized early cost synergies from the acquisition of Red Lion and optimized the European organization, has resulted in savings of SEK 23 million in 2024 and SEK 41 million in full-year effect. The cost of the program amounts to SEK 27 million and will be charged to the second quarter.

Our gross margin lands at 61.9% (64.7), which we think is a good level considering low sales volumes and the addition of Red Lion's slightly lower gross margin.

Operating expenses for the quarter amount to SEK 423 million, which includes items affecting comparability related to the acquisition of Red Lion Controls and the restructuring program – totalling SEK 69 million. All items affecting comparability are explained later in the report. Good cost control is important to us in these slightly more uncertain times, and we can see that the adjusted operating expenses are decreasing organically by 21%.

The adjusted operating profit in the quarter amounts to SEK 172 million (154), which corresponds to an operating margin of 20.4% (21.9). The quarter's cash flow from current operations amounts to SEK 152 million (78).

NORTH AMERICAN ORDERS BACK UP AFTER TEMPORARY DECLINE

The biggest positive impact on the improved sequential order intake comes from the North American market, which after a temporary decline in the first quarter, is now once again developing well.

The European market is moving sideways from the first quarter of 2024 and we have received several indications that the recovery will be somewhat slower than previously estimated.

In Asia, China is showing good development and good outlook. The for HMS important Japanese market is slowly moving in the right direction, with a large number of pre-purchase orders placed.

THE INTEGRATION OF RED LION IS IN FULL PROGRESS

The acquisition of Red Lion was completed at the beginning of the quarter and the response from the customers is very positive.

The integration work has been in full swing for three months and the main focus is commercial synergies. In Red Lion's largest market, the USA, our sales organizations have already held several joint customer

and distributor meetings. In Asia, the sales organizations are already merged, and although fine-tuning of internal processes remains, the work has gone very well. Several collaborations have also started in Europe and our existing sales infrastructure is being used to improve Red Lion's presence in Europe.

At the same time, several integration initiatives are underway within the supply chain and support functions to further support sales synergies and increased operational efficiency, including changing business systems.

This is the first interim report that includes Red Lion as part of the HMS Group. We have updated the report to make it easier for the reader to follow the development of HMS organically as well as with Red Lion included. As the acquisition results in large amortizations of excess values, we have chosen to introduce a number of adjusted key figures in order to be able to follow and evaluate the business. These key figures are described in more detail later in the report.

NEW PRODUCTS

We have launched our first commercial standard product for 5G, the Anybus Wireless Bolt 5G, which addresses a new market for high performance wireless industrial applications. As we mentioned earlier, we assess 5G as an important technology development for mobile applications, for example AGV and Robot installations in Automotive, but it will likely take time before 5G begins to be used on a wider front in these applications.

OUTLOOK

The recovery in demand has taken longer than expected and there are still some inventory adjustments and general uncertainty due to the macroeconomic situation. We expect a gradual improvement in order intake during 2024, especially during the last quarter of the year.

Customers' willingness to invest in digitization, productivity improvements and sustainability is high and underlying demand is still considered to be good, although there is some concern linked to how the industry will be affected by weaker consumer purchasing power, increasing energy costs and the difficult global security situation.

We continue to work with a focus on long-term growth and a balanced view of our costs. In the long term, we continue to believe that the market for Industrial ICT (Information & Communication Technology) will be an interesting area, both in terms of organic growth and acquisitions.



CEO Staffan Dahlström together with Sandra Johansson, Group Finance Director, both satisfied with the integration of Red Lion's figures in HMS' reporting, which was quick and smooth to produce in a new report format.

Order intake, net sales and earnings

SECOND QUARTER

Order intake increased by 9% to SEK 769 m (703), of which currency translation effects amounted to SEK-34 m (19). Organically, order intake decreased by 22%.

Net sales increased by 20% to SEK 845 m (703). Currency translation effects had no material effect on net sales in the quarter (SEK 39 m). Organically, sales decreased by 20%.

Gross profit amounted to SEK 523 m (455), corresponding to a gross margin of 61.9% (64.7). Gross margin excluding Red Lion was 63.9%. Operating expenses amounted to SEK 423 m (305). Operating expenses include restructuring costs of SEK 27 m, transaction, and integration costs of SEK 15 m related to the acquisition of Red Lion and amortization of excess values of SEK 27 m. Organically, operating expenses decreased by 21%, corresponding to SEK 62 m.

Adjusted EBITDA amounted to SEK 206 m (180), corresponding to a margin of 24.4% (25.6). Depreciation and amortization amounted to SEK 61 m (30). The increase compared to the previous period is due to amortization of excess values of SEK 24 m from the acquisition of Red Lion. Adjusted EBIT amounted to SEK 172 m (154), corresponding to a margin of 20.4% (21.9). Currency translation effects have affected operating profit by SEK -4 m (5). EBITDA amounted to SEK 165 m (180), corresponding to a margin of 19.5% (25.6). EBIT amounted to SEK 104 m (150), corresponding to a margin of 12.3% (21.4).

Net financials were SEK-61 m (-7), burdened by interest costs of SEK 43 m in respect of loans, which gave a profit before tax of SEK 42 m (143).

Adjusted profit after tax amounted to SEK 103 m (119). Adjusted basic earnings per share were SEK 2.12 (2.56). Profit after tax amounted to SEK 34 m (116). Basic earnings per share was SEK 0.70 (2.48).

SECOND QUARTER RED LION

Order intake for Red Lion decreased by 8% to SEK 253 m (276) compared to the corresponding period last year and net sales decreased by 21% to SEK 283 m (356). Adjusted for integration and restructuring costs, operating profit amounted to SEK 52 m (80), corresponding to a margin of 18.4% (22.4).

Quarterly data	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Order Intake (SEK m)	769	473	426	492	703	682	718	675	815
Organic %	-22	-36	-34	-25	-17	-20	-1	-11	16
Acquisition %	36	0	0	0	1	0	0	0	4
Currency translation effects %	-5	5	-6	-2	2	-1	4	12	14
Order backlog	713	641	778	1,106	1,316	1,316	1,407	1,453	1,408
% of R12 Net sales	18	22	26	37	46	48	56	63	65
Net Sales (SEK m)	845	616	760	789	703	773	764	624	601
Organic %	-20	-20	-3	20	10	40	22	23	17
Acquisition %	40	0	0	0	1	1	0	0	4
Currency translation effects %	0	0	2	6	6	8	11	9	6
Gross margin (%)	61.9	62.6	65.3	65.4	64.7	64.8	63.6	63.6	62.2
Adjusted EBIT (SEK m)¹	172	137	196	226	154	216	197	185	148
Adjusted EBIT (%)¹	20.4	22.2	25.8	28.7	21.9	27.9	25.8	29.6	24.6
EBIT (SEK m)	104	130	169	223	150	211	192	179	143
EBIT (%)	12.3	21.1	22.3	28.2	21.4	27.4	25.1	28.7	23.7
Adjusted basic earnings per share (SEK)¹	2.12	2.43	2.94	3.77	2.56	3.79	3.37	3.02	2.45
Basic earnings per share (SEK) ¹	0.70	2.28	2.36	3.69	2.48	3.70	3.25	2.90	2.33

¹ Excluding items affecting comparability and amortization of excess values. Please see Adjusted EBIT in Economic Definitions on page 16.

FIRST SIX MONTHS

Order intake decreased by 10% to SEK 1,242 m (1,384), of which currency translation effects amounted to SEK 3 m (12). Organically, order intake decreased by 29%.

Net sales decreased by 1% to SEK 1,461 m (1,476), of which currency translation effects amounted to -3 MSEK (80). Organically, sales decreased by 20%.

Gross profit amounted to SEK 908 m (956), corresponding to a gross margin of 62.2% (64.7). Gross margin for the first six months excluding Red Lion amounted to 63.7%. Operating expenses amounted to SEK 678 m (594). Operating expenses include restructuring costs of SEK 27 m, transaction, and integration costs of SEK 18 m related to the acquisition of Red Lion and amortization of excess values of SEK 30 m. Organically, operating costs have decreased by 16%, corresponding to SEK 94 m.

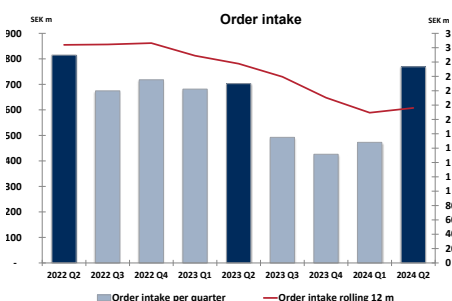
Adjusted EBITDA amounted to SEK 370 m (421), corresponding to a margin of 25.3% (28.5). Depreciation and amortization amounted to SEK 91 m (60). The increase compared to the previous period is due to amortization of excess values of SEK 24 m from the acquisition of Red Lion. Adjusted EBIT amounted to SEK 309 m (370), corresponding to a margin of 21.1% (25.0). Currency translation effects have affected operating profit by SEK -7 m (17). EBITDA amounted to SEK 325 m (421), corresponding to a margin of 22.2% (28.5). EBIT amounted to SEK 233 m (362), corresponding to a margin of 16.0% (24.5).

Net financials were -58 MSEK (-6), burdened by interest costs of 46 MSEK related to loans, which gave a profit before tax of 176 MSEK (356).

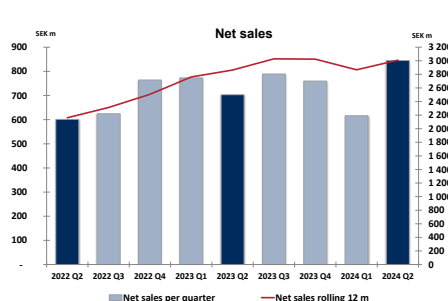
Adjusted profit after tax amounted to SEK 216 m (296). Adjusted basic earnings per share were SEK 4.55 (6.35). Profit after tax amounted to SEK 140 m (288). Basic earnings per share was SEK 2.94 (6.18).

	Q2 2024			Q1-Q2 2024		
	HMS excl Red Lion	Red Lion	Total	HMS excl Red Lion	Red Lion	Total
Order intake (SEK m)	516	253	769	989	253	1,242
Net sales (SEK m)	562	283	845	1,178	283	1,461
Adjusted EBIT (SEK m) ¹	120	52	172	257	52	309
Adjusted EBIT (%) ¹	21.4	18.4	20.4	21.8	18.4	21.1

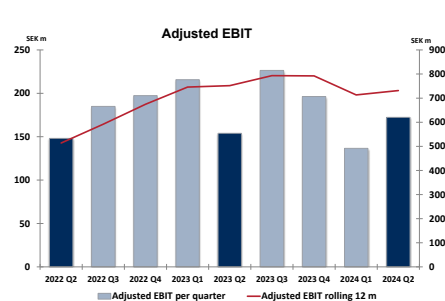
¹ Excluding items affecting comparability and amortization of excess values. Please see the section Adjusted EBIT in Economic Definitions on page 16.



The graph shows order intake per quarter in bars with the scale on the left axis. The line shows net sales for the most recent 12-month period with the scale on the right axis.



The graph shows quarterly net sales in the bars with the scale on the left axis. The line represents net sales for the latest 12-month period with the scale on the right axis.



The graph shows adjusted EBIT per quarter. The bars refer to the scale on the left axis. The line represents adjusted EBIT for the latest 12-month period, with the scale on the right axis.

Cash flow, investments and financial position

SECOND QUARTER

Cash flow from operating activities before changes in working capital amounted to SEK 135 m (134) for the second quarter. Changes in working capital were SEK 18 m (-56). Cash flow from operating activities thereby was SEK 152 m (78).

Cash flow from investing activities amounted to SEK-3,829 m (-25) and mainly corresponds to investments in subsidiaries of SEK-3,799 m (-). Investments in intangible and tangible assets amounted to SEK-27 m (-25).

Cash flow from financing activities amounted to SEK 3,627 m (-142), primarily consisting of changes in external loans with SEK 2,474 m (61). Additionally, a directed share issue was conducted with impact of SEK 1,390 million (-) and dividend was paid out with SEK-221 m (-187). Amortizations in lease liabilities amounted to SEK-16 (-15). This results in a cash flow of SEK-49 m (-89) for the quarter.

FIRST SIX MONTHS

Cash flow from operating activities before changes in working capital amounted to SEK 265 m (359) for the first six months. Changes in working capital were SEK-54 m (-126). Cash flow from operating activities was thereby SEK 210 m (233).

Cash flow from investing activities amounted to SEK-3,864 m (-102) and mainly corresponds to investments in subsidiaries of SEK-3,799 m (-49). Investments in intangible and tangible assets amounted to SEK-66 m (-50).

Cash flow from financing activities amounted to SEK 3,606 m (-209), primarily consisting of changes in external loans with SEK 2,479 m (18). Additionally, a directed share issue was conducted with impact of SEK 1,390 million (-) and dividend was paid out with SEK-223 m (-187). Amortizations in lease liabilities amounted to SEK-31 (-28). Repurchase of own shares has been made by SEK-5 m (-13) This results in a cash flow of SEK-48 m (-79) for the first six months.

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 102 m (66), and unused credit facilities to SEK 1,748 m (430). Net debt amounted to SEK 2,760 m (540), primarily consisting of changes in external loans with SEK 2,459 m (138). Net debt also consists of lease liabilities of SEK 255 m (294) and a debt corresponding to expected exercise price on option, in total SEK 133 million (132).

The net debt to adjusted EBITDA (for the last twelve months) ratio was 3.05 including proforma from Red Lion (0.64). The net debt to equity ratio was 85% (32), and the equity to asset ratio was 48% (57).

In connection with the acquisition of Red Lion, a new loan agreement was signed with SEB together with Svensk Exportkredit. The agreement consists of a long-term loan facility and a revolving credit facility, in total USD 225 m, equivalent to SEK 2,365 m as of June 30, 2024. Furthermore, a bridge loan facility of USD 120 m was engaged, which was repaid during the quarter through a directed share issue conducted after the completion of the acquisition.

Net debt, SEK millions	2024-06-30	2023-06-30	2023-12-31
Interest-bearing liabilities	2,459	143	2
Option debt	133	132	127
Other	15	37	23
Less: Cash and cash equivalents	-102	-66	-124
Net debt excl. IFRS 16	2,505	245	28
Lease liabilities	255	294	261
Net debt incl. IFRS 16	2,760	540	289
Net debt excl. IFRS 16/adjusted EBITDA R12 ¹	2.58 ¹	0.29	0.03

¹ The KPI is excluding IFRS16. Prior periods include pro forma EBITDA from acquisitions.

The HMS Networks AB share

HMS Networks AB (publ) is listed on NASDAQ OMX Stockholm, in the Large Cap segment under the Telecommunications sector.

During the second quarter, HMS Networks conducted a directed share issue. For more details, refer to the section "Significant events." The total number of shares at the end of the period amounted to 50,318,868 shares, with 143,416 shares held in treasury. A breakdown of the company's ownership structure can be found on the company's website (www.hms-networks.com).

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Annual General Meeting

At the Annual General Meeting on April 23, 2024, it was decided to re-elect board members Charlotte Brogren, Niklas Edling, Anna Kleine, Anders Mörck, and Cecilia Wachtmeister. Johan Stakeberg was newly elected as a board member.

Other decisions from the Annual General Meeting;

- The dividend was decided to SEK 4.40 per share, corresponding to SEK 221 m, excluding shares held by the Company.
- Updated guidelines for remuneration to senior executives.
- Decision to authorize the board to decide on new share issues of such number of shares that corresponds to a maximum of 10 percent of the company's share capital to enable the company to finance or carry out, in whole or in part, acquisitions of companies.
- Decision to implement a performance-based share savings program, Share Savings Program 2025-2028, aimed at all employees and covering up to 100,000 shares, and authorizing the Board to acquire and transfer the corresponding number of shares.

Share saving program

The company has four ongoing share savings programs. According to decisions at the company's annual general meetings, employees are offered the opportunity to save shares in HMS through an annual share savings program. The percentage of employees participating in these programs ranges from 51% to 56%. The company has committed, subject to specified criteria being met, to provide participants in the program with up to two performance shares in HMS for each saved share. As of June 30, 2024, the total number of saved shares in ongoing programs amounted to 57,996 (62,566).

On December 31, 2023, the share savings program from 2020 concluded. During the first quarter of 2024, 44,464 performance shares were distributed free of charge to the remaining participants. Shares held in treasury were used for the allocation.

The parent company

The parent company's operations primarily focus on Group-wide management and financing. Apart from the Group CEO, the company has no employees. The operating profit for the first six months amounted to SEK 0 m (0) and dividend from shares in subsidiaries was received with SEK 537 m (400). The profit after tax for the first six months was SEK 537 m (399). Cash and cash equivalents amounted to 4 MSEK (2), and external borrowing does not exist.

Related party transactions

No material transactions with related parties have occurred during the period.

Contingent liabilities

There have been no changes in the group's contingent liabilities, further described on page 95 under Note 35 in the 2023 annual report.

Significant events

COMPLETED ACQUISITION OF RED LION CONTROLS

On April 2, 2024, HMS completed the acquisition of all shares in Red Lion Controls Inc. and Red Lion Europe GmbH as well as certain assets in other jurisdictions ("Red Lion Controls"), which expands HMS's presence in North America and complements HMS's product offering. Red Lion Controls has been included in the Group's income statement and balance sheet from April 1, 2024. During the second quarter of 2024, Red Lion Controls contributed SEK 283 m in net sales and SEK 52 m in adjusted EBIT.

The preliminary acquisition analysis is as follows on the next page:

Purchase sum	SEK m
Cash and cash equivalents	3,838
Sum	3,838

The assets and liabilities recognized in conjunction with the acquisition are as follows	SEK m
Intangible assets	683
Tangible fixed assets	118
Deferred tax assets	27
Current assets	461
Cash and cash equivalents	26
Deferred tax liabilities	-7
Non-current liabilities	-13
Current liabilities	-99
Net identifiable assets and liabilities	1,196
Goodwill*	2,642
Sum	3,838

*Goodwill is attributable to the company's market position and expected synergies with existing operations. HMS will opt for a so called 338(h)(10) election in the United States, which recharacterizes a stock purchase as an asset purchase for federal tax purposes. With that, reported goodwill allocated to the US-shares are expected to be tax deductible.

SHARE ISSUE

In April, HMS conducted a directed share issue related to the acquisition of Red Lion. The issue has resulted in a change in the number of shares and votes in HMS Networks. Prior to the issue, there were a total of 46,818,868 shares in HMS Networks, corresponding to 46,818,868 votes. The number of shares and votes has as a result of the directed share issue increased by 3,500,000. Following the issue, the total number of shares in HMS Networks are 50,318,868, corresponding to 50,318,868 votes.

Subsequent events

No events that are to be considered significant has occurred after the end of the period until the signing of this interim report.

Outlook

The recovery in customer demand has taken longer than expected and some inventory adjustments are still ongoing as well as there is a general uncertainty due to the macroeconomic situation. HMS expects a gradual improvement in order intake in 2024, especially in the last quarter of the year.

Customers' willingness to invest in digitalization, productivity improvements and sustainability is high, and underlying demand is still considered to be good, although there is some concern linked to how the industry will be affected by weaker purchasing power of consumers, increased energy costs and the difficult political situation.

Risk management

HMS is exposed to general business and financial risks in its operations. These risks have been comprehensively described in the company's annual report for 2023. Additionally, no significant risks are assessed to have emerged since then.

Audit review

This report has not been subject to review by the company's auditor.

Accounting policies

HMS prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the EU. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The parent company applies RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act.

The accounting principles applied conform to those described in the 2023 Annual Report, with exception of the below addendum.

HMS has assessed that parts of the Group's internal loans raised in connection with the acquisition of subsidiaries constitute a so-called extended net investment in foreign operations in accordance with the rules of IAS 21. This is given that settlement of these loans is not planned

or likely in the foreseeable future. Thus, exchange rate differences on these loans, as long as the conditions of IAS 21 are deemed to be met, are recognized against comprehensive income as part of translation differences as of 1 April 2024.

Other new or revised IFRS standards or other IFRIC interpretations that have come into effect after January 1, 2024, have not had any effect on the group's financial reports as of June 30, 2024.

HMS applies the European Securities and Markets Authority's (ESMA) guidelines for alternative performance measures (metrics not defined under IFRS).

HMS in short

STRATEGIES

GROWTH STRATEGY – HMS' growth strategy is a combination of organic growth and acquisitions. Expansion in existing markets is done through a continuously improved and expanded product offering. This is combined with a high level of service and active investments in new sales channels globally. New markets are addressed with innovative and targeted solutions.

DEVELOPMENT STRATEGY – HMS' core competence is the broad and deep knowledge of industrial communication and IIoT, Industrial Internet of Things. A clear platform strategy ensures that all development centers within HMS are using core HMS technology.

PRODUCT STRATEGY – HMS offers solutions for industrial ICT (Information and Communication Technology) under the brands Anybus®, Ewon®, Ixxat®, Intesis®, Red Lion® and N-Tron®.

- Anybus – connecting automation products and machines to industrial networks and IIoT applications, through embedded network cards, gateways, and wireless solutions. Also, industrial network diagnostics
- Ewon – remote access, data collection, monitoring, and visualization of machines as well as other industrial applications
- Ixxat – communication within machines and smart grids, solutions for functional safety as well as automotive testing
- Intesis – communication solutions for building automation, primarily within HVAC (heating, ventilation, and air conditioning)
- Red Lion – The Red Lion products allow industrial customers to get access to and visualize their critical data regardless of where the data is located
- N-Tron – The N-tron products are easy to use Industrial Ethernet Switches designed to keep the network connected and protected even in the harshest of environments.

HMS also offers solutions for wireless communication in mobile industrial applications through Owasys.

Since April 2024, Red Lion® Controls is a part of HMS. The company helps industrial organizations worldwide to exploit the value of data by developing and manufacturing innovative and scalable products and solutions that help them get real-time data and visibility to increase productivity. Red Lions main customers are active in factory automation, renewable energy, oil and gas, electricity distribution, transport and in the water and drain segment.

PRODUCTION STRATEGY – Flexible low volume production in own factories in Halmstad, Nivelles and Igalada is combined with high volume production in Europe and Asia in close collaboration with carefully selected subcontractors.

MARKETING STRATEGY – HMS' markets its solutions to several customer segment in the industrial value chain. Device manufacturers and machine builders are offered solutions that are tightly integrated into the customer's application. System integrators and end users are offered flexible infrastructure products that solve all kinds of communication problems in industrial systems and IIoT applications. HMS' most important market is factory automation, but other important markets are energy and infrastructure, transport, and logistics, and building automation.

SALES STRATEGY – HMS combines direct sales from own sales offices with sales through distribution. HMS has sales offices in key markets in 20 countries, complemented by a network of distributors and solution partners in more than 50 countries.

BUSINESS MODEL

HMS has developed its business models by packaging technology into targeted solutions for each targeted customer group. With device manufacturers and machine builders, HMS signs long-term framework agreements, so-called Design-Wins. This model is characterized by a relatively long sales cycle and design phase during which HMS' solutions are integrated into the customer's application, ensuring long-term revenue. The close collaboration gives HMS clear insight into the customer's future needs.

The business model towards system integrators is more traditional with a short sales cycle and manufacturing against customer orders or short-term forecasts. This sale is often handled by local distributors who are supported by HMS' sales and marketing organization.

Financial calender

- Third quarter report 2024 will be published on October 18, 2024
- Year-end report 2024 will be published on January 28, 2025
- First quarter report 2024 will be published on April 23, 2025
- Annual General Meeting 2025 will be held on April 24, 2025

Conference call

JULY 12, 2024 (09:00 CEST)

President and CEO Staffan Dahlström and CFO Joakim Nideborn present the second quarter report 2024.

For link to the webcast, go to:

<https://www.hms-networks.com/hms-for-shareholders>

ASSURANCE

The Board of Directors and CEO assure that the interim report provides a true and fair overview of the parent company and the Group's operations, positions and earnings and describes the material risks and uncertainties faced by the parent company and the Group.

Halmstad July 12, 2024

Staffan Dahlström

Chief Executive Officer

Charlotte Brogren

Chairman of the Board

Niklas Edling

Board Member

Anna Kleine

Board Member

Anders Mörck

Board Member

Cecilia Wachtmeister

Board Member

Johan Stakeberg

Board Member

Mikael Mårtensson

Employee representative

Richard Gonsalves

Employee representative

Further information can be obtained by:

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This information is such that HMS Networks AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the contact persons set out above, at 07.30 CEST on July 12, 2024.

Consolidated income statement in summary

SEK millions	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	R12 2024	Q1-Q4 2023
Net sales	845	703	1,461	1,476	3,010	3,025
Cost of goods and services sold	-322	-248	-552	-520	-1,090	-1,057
GROSS PROFIT	523	455	908	956	1,920	1,967
Selling expenses	-189	-145	-328	-280	-635	-588
Administration expenses	-83	-76	-142	-147	-277	-282
Research and development expenses	-77	-78	-133	-158	-294	-319
Other operating income	3	-	3	-	12	9
Other operating expenses ¹	-73	-6	-76	-8	-100	-33
OPERATING PROFIT	104	150	233	362	-625	753
Financial income and expenses ²	-61	-7	-58	-5	-89	-35
Results from associated companies	0	-1	0	-1	0	-1
PROFIT BEFORE TAX	42	143	176	356	537	717
Income tax	-8	-27	-35	-68	-114	-147
PROFIT FOR THE PERIOD	34	116	140	288	423	571
Earnings per share regarding profit attributed to parent company shareholders:						
Basic (SEK)	0.70	2.48	2.94	6.18	8.93	12.23
Diluted (SEK)	0.70	2.47	2.93	6.16	8.91	12.19

¹ During the fourth quarter of 2023, the Group reported restructuring costs of SEK 7 million. The Group also reported transaction costs for the acquisition of Red Lion of SEK 17 million. During the first quarter of 2024, the Group reports transaction and integration costs for the acquisition of Red Lion of SEK 3 million. During the second quarter 2024, the Group reported restructuring costs of SEK 27 million and transaction- and integration costs for the acquisition of Red Lion of SEK 15 million. From the second quarter 2024, amortization of excess values of SEK 30 million is also included, mainly from the acquisition of Red Lion.

² During the second quarter 2024, HMS signed a new amortization loan and a revolving facility which resulted in interest expenses of SEK 43 million in the quarter.

Consolidated statement of comprehensive income in summary

SEK millions	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	R12 2024	Q1-Q4 2023
Profit for the period	34	116	140	288	423	571
Other comprehensive income:						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	16	-12	-4	-6	43	41
Hedging of net investments	39	-5	39	-6	40	-4
Translation differences ¹	-67	66	-16	83	-104	-5
Income tax relating to components of other comprehensive income	-7	3	-3	2	-13	-7
Other comprehensive income for the period, net of tax	-19	53	16	74	-34	24
Total comprehensive income for the period attributed to the parent company shareholders	15	168	157	362	389	595

¹ From Q2 2024 exchange rate differences on internal acquisition loans are included. See more information in accounting principles.

Consolidated balance sheet in summary

SEK millions	2024-06-30	2023-06-30	2023-12-31
ASSETS			
Goodwill ¹	3,745	1,172	1,117
Other intangible assets ¹	947	290	276
Property, plant and equipment	187	74	70
Right-of-use	259	298	266
Deferred tax assets	44	24	21
Interest in associates	13	13	13
Other non-current assets	18	18	21
Total non-current assets	5,214	1,888	1,783
Inventories	863	489	589
Trade receivables	401	430	385
Other receivables	176	123	130
Cash and cash equivalents	102	66	124
Total current assets	1,542	1,108	1,228
TOTAL ASSETS	6,756	2,996	3,011
EQUITY AND LIABILITIES			
Equity attributed to parent company shareholders	3,243	1,696	1,933
Total equity	3,243	1,696	1,933
Liabilities			
Interest-bearing liabilities	2,157	122	16
Non-interest-bearing liabilities ²	133	138	127
Lease liabilities	192	236	202
Deferred tax liability	125	76	104
Total non-current liabilities	2,606	572	449
Interest-bearing liabilities	302	29	1
Non-interest-bearing liabilities ²	15	22	8
Lease liabilities	63	58	59
Trade payables	170	267	250
Other liabilities	357	353	312
Total current liabilities	907	729	630
TOTAL EQUITY AND LIABILITIES	6,756	2,996	3,011

¹ From the second quarter 2024, this is affected by the acquisition of Red Lion. For more information, see "significant events"

² During the second quarter 2024, HMS signed a new amortization loan and a revolving facility of USD 225 m in total, corresponding to SEK 2,365 m per June 30 2024.

Consolidated cash flow statement in summary

SEK millions	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	R12 2024	Q1-Q4 2023
Cash flow from current operations before changes in working capital	135	134	265	359	656	751
Change in working capital	18	-56	-54	-126	-160	-232
Cash flow from current operations	152	78	210	233	496	519
Acquisition of subsidiaries	-3,799	-	-3,799	-48	-3,806	-55
Investments in intangible fixed assets	-21	-5	-42	-15	-63	-36
Investments in tangible fixed assets	-6	-20	-23	-35	-26	-38
Other investments	-3	0	1	-3	-2	-6
Cash flow from investment activities	-3,829	-25	-3,864	-102	-3,897	-135
Loans taken out and repayments, net	2,479	61	2,480	18	2,321	-140
Share issue	1,390	-	1,390	-	1,390	-
Dividend to shareholders	-221	-187	-223	-187	-223	-187
Amortization of leasing debts	-16	-15	-31	-28	-63	-60
Other financing items	-5	-1	-10	-12	-10	-13
Cash flow from financing activities	3,627	-142	3,606	-209	3,415	-400
Cash flow for the period	-49	-89	-48	-79	15	-16
Cash and cash equivalents at the beginning of the period	127	157	124	144	66	144
Exchange rate effects	24	-2	26	0	22	-4
Cash and cash equivalents at the end of the period	102	66	102	66	102	124

Consolidated changes of Equity in summary

SEK millions	2024-06-30	2023-06-30	2023-12-31
Opening balance at January 1	1,933	1,610	1,610
Total comprehensive income for the period	157	362	595
Cost of share-based remuneration	4	6	11
Repurchase of own shares	-11	-13	-13
Share issue ¹	1,390	-	-
Option ²	-6	-81	-83
Dividend ³	-223	-187	-187
Closing equity attributed to the parent company's shareholders	3,243	1,696	1,933

¹ In April 2024, HMS conducted a directed share issue related to the acquisition of Red Lion. The number of shares has increased by 3,500,000 with the issue.

² During 2023, a call/put option was redeemed via the acquisition of an additional 20 percent of the shares in Owasy. At the time of the acquisition, a new call/put option was subscribed for the remaining 20 percent of the shares.

³ During the first quarter 2024, Owasy paid a dividend to minority owners of SEK 2 m. During the second quarter HMS paid a dividend to owners of SEK 221 m.

Key ratios

	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	R12 2024	Q1-Q4 2023
Revenue growth						
Change in net sales (%)	20.2	17.0	-1.0	32.0	5.1	20.7
Profitability						
Gross marginal (%)	61.9	64.7	62.2	64.7	63.8	65.0
Adjusted EBITDA (MSEK)	206	180	370	421	849	877
Adjusted EBITDA (%)	24.4	25.6	25.3	28.5	28.2	29.0
Adjusted EBIT (MSEK)	172	154	309	370	732	792
Adjusted EBIT (%)	20.4	21.9	21.1	25.0	24.3	26.2
EBIT (MSEK)	104	150	233	362	625	753
EBIT (%)	12.3	21.4	16.0	24.5	20.8	24.9
Return						
Return on capital employed (%)	-	-	-	-	21.5	35.9
Return on shareholder's equity (%)	-	-	-	-	19.6	32.3
Financial strength						
Net debt/adjusted EBITDA R12	-	-	-	-	3.25	0.33
Net debt/equity ratio	0.85	0.32	0.85	0.32	0.85	0.15
Equity/assets ratio (%)	48.0	56.6	48.0	56.6	48.0	64.2
Capital turnover rate	-	-	-	-	0.79	1.02
Stock data						
Equity per share (SEK)	52.81	36.57	48.05	35.88	43.04	37.82
Cash flow from operating activities per share (SEK)	3.15	1.67	4.40	4.99	10.48	11.12
Adjusted earnings per share	2.12	2.56	4.55	6.35	11.26	13.07
Total number of shares (average, thousands)	48,569	46,819	47,986	46,819	47,519	46,819
Holding of own shares (average, thousands)	143	163	150	167	155	166
Total outstanding shares (average, thousands)	48,425	46,656	47,836	46,652	47,364	46,653
Personal data						
Average number of employees (FTE) ¹	1,159	792	988	791	902	803
Female employees (%)	30.9	27.0	29.0	27.3	28.0	27.1
Female managers (%)	27.7	21.1	25.0	21.7	23.7	22.1

¹ The key ratio for Q1-Q4 2023 have been corrected as incorrect values were reported in previous reports.

Quarterly data

Division of net sales per brand, SEK m	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Anybus	269	320	450	486	381	440	431	364	326
Ixxat	56	62	84	91	78	62	60	61	67
Ewon	121	100	116	117	126	157	143	114	134
Intesis	70	59	59	60	64	56	49	39	49
Red Lion	283	-	-	-	-	-	-	-	-
Other	47	75	52	34	54	59	81	45	25
Total	845	616	760	789	703	773	764	624	601

Net sales by region, SEK m	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
EMEA	369	349	447	486	414	463	486	378	372
Americas	355	144	175	160	169	165	148	127	117
APAC	121	124	138	143	120	145	130	119	111
Total	845	616	760	789	703	773	764	624	601

Income statement, SEK m	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Net sales	845	616	760	789	703	773	764	624	601
Gross result	523	385	496	516	455	501	486	397	374
<i>Gross margin (%)</i>	<i>61.9</i>	<i>62.6</i>	<i>65.3</i>	<i>65.4</i>	<i>64.7</i>	<i>64.8</i>	<i>63.6</i>	<i>63.6</i>	<i>62.2</i>
Adjusted EBIT	172	137	196	226	154	216	197	185	148
<i>Adjusted EBIT (%)</i>	<i>20.4</i>	<i>22.2</i>	<i>25.8</i>	<i>28.7</i>	<i>21.9</i>	<i>27.9</i>	<i>25.8</i>	<i>29.6</i>	<i>24.6</i>

Parent company's income statement in summary

SEK millions	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	R12 2024	Q1-Q4 2023
Net sales	8	5	13	12	26	25
Gross profit	8	5	13	12	26	25
Administrative expenses	-8	-6	-13	-12	-25	-24
Operating profit	0	-1	0	0	1	1
Profit from interest in Group companies	537	400	537	400	593	455
Interest income/expenses and similar items	0	0	0	0	12	12
Profit before tax	537	399	537	400	606	468
Income tax	-	-	-	-	-3	-3
Profit for the period	537	399	537	400	603	465

Parent company's balance sheet in summary

SEK millions	2024-06-30	2023-06-30	2023-12-31
ASSETS			
Financial assets ¹	1,727	337	337
Total financial assets	1,727	337	337
Receivables from Group companies	937	567	640
Other receivables	2	2	0
Cash and cash equivalents	4	2	2
Total current assets	943	571	642
TOTAL ASSETS	2,670	908	980
EQUITY AND LIABILITIES			
Equity	2,659	898	964
Current liabilities			
Trade receivables	1	0	1
Other liabilities	10	10	14
Total current liabilities	11	10	15
TOTAL EQUITY AND LIABILITIES	2,670	908	980

¹ During the second quarter of 2024, HMS carried out a direct share issue. Through the issue, the number of shares has increased by 3,500,000, corresponding to SEK 1,390 m.

Economic Definitions

ADJUSTED EARNINGS PER SHARE

Share of the adjusted profit after tax attributable to the parent company shareholders in relation to the average number of shares outstanding.

ADJUSTED OPERATING MARGIN

Adjusted operating profit in relation to net sales.

ADJUSTED EBIT

Operating profit excluding depreciation and amortization of excess values from acquisitions and goodwill, and integration-, transaction from acquisitions and restructuring costs.

ADJUSTED EBITDA

EBITDA excluding integration and transaction costs from acquisitions, and restructuring costs.

AVERAGE NUMBER OF OUTSTANDING SHARES

The average number of registered shares less repurchased own shares that are held as treasury shares.

BASIC EARNINGS PER SHARE

Share of profit after tax attributable to the shareholders of the parent company in relation to the average number of shares outstanding.

CAPITAL TURNOVER RATE

Net sales in relation to average balance sheet total.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

Cash flow from operating activities in relation to the average number of shares outstanding.

DILUTED EARNINGS PER SHARE

Share of profit after tax attributable to the shareholders of the parent company in relation to the average number of shares outstanding plus the average number of shares that are added upon conversion of the outstanding number of convertibles and options.

EBIT

Operating income according to income statement.

EBITDA

Operating profit excluding amortization and depreciation of intangible assets, and property, plant, and equipment.

EQUITY PER SHARE

Average equity attributable to the shareholders of the parent company in relation to the number of shares outstanding at the end of the period.

EQUITY/ASSETS RATIO

Shareholders' equity in relation to the assets total.

FINANCIAL ASSETS

Non-current and current financial receivables plus cash and cash equivalents.

NET DEBT

Non-current and current interest-bearing liabilities plus contingent consideration and option liability less financial interest-bearing assets and cash and cash equivalents.

NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

NUMBER OF SHARES OUTSTANDING

The number of registered shares, less repurchased own shares which are held by the company.

OPERATING MARGIN

Operating profit in relation to net sales.

ORGANIC CHANGE

Change in order intake, net sales, and operating expenses excluding increase attributable to acquisitions, translated at the previous year's exchange rates and calculated as a percentage of the previous year's figures. Amounts from acquired companies are included in the calculation of organic change from the end of the first month that falls 12 months after the acquisition date.

RETURN ON CAPITAL EMPLOYED

Share of profit after financial income in relation to the average capital employed.

RETURN ON SHAREHOLDER'S EQUITY

Share of profit after tax attributable to the shareholders of the parent company in relation to average of Shareholder's equity.

WORKING CAPITAL

Current assets less cash and cash equivalents and current liabilities calculated on average values.

Alternative KPIs

HMS presents certain financial measures in the interim report that are not defined under IFRS. The company believes these measures provide valuable supplementary information to investors and management, enabling evaluation of relevant trends and the company's performance. Due to variations in calculation methods among companies, these financial measures may not always be comparable to those used by other companies. Therefore, these financial measures should not be considered a substitute for measures defined under IFRS, unless otherwise stated.

During the second quarter of 2024, the acquisition of Red Lion was completed. As the acquisition gives rise to large depreciations of excess values as well as transaction and integration costs, we have chosen to adjust the KPIs "Adjusted EBITDA" and "Adjusted EBIT" in order to monitor and evaluate the business. During the second quarter of 2024, restructuring costs incurred which are of a one-off nature and are included in the KPIs.

The key figures have been adjusted for previous periods in order to provide fair comparability.

ADJUSTED EBITDA

SEK millions	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	R12 2024	Q1-Q4 2023
EBITDA	165	180	325	421	781	877
Restructuring costs	27	-	27	-	34	-
Transaction costs	10	-	12	-	29	-
Integration costs	5	-	6	-	6	-
Adjusted EBITDA	206	180	370	421	849	877
Net sales	845	703	1,461	1,476	3,010	3,025
Adjusted EBITDA (%)	24.4	25.6	25.3	28.5	28.2	29.0

ADJUSTED EBIT

SEK millions	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	R12 2024	Q1-Q4 2023
EBIT	104	150	233	362	625	753
Depreciation of excess values from acquisitions	27	4	30	8	38	16
Restructuring costs	27	-	27	-	34	7
Transaction costs	10	-	12	-	29	17
Integration costs	5	-	6	-	6	-
Adjusted EBIT	172	154	309	370	732	792
Net sales	845	703	1,461	1,476	3,010	3,025
Adjusted EBIT (%)	20.4	21.9	21.1	25.0	24.3	26.2

Our vision

To become the World's greatest industrial ICT company.
(ICT = Information & Communication Technology.)

Our mission

Enable valuable data and insights from industrial equipment allowing our customers to increase productivity and sustainability.