

HMS Networks

Year-end report 2023
January - December



Fourth quarter

- Net sales for the fourth quarter reached SEK 760 m (764), corresponding to a decrease of 1%. Currency translations had a positive effect of SEK 16 m on net sales
- Order intake was SEK 426 m (718), corresponding to a decrease of 41%
- Operating profit reached SEK 169 m (192), equal to a 22.3% (25.1) operating margin. Adjusted operating profit reached SEK 193 m, equal to a 25.3 % adjusted operating margin.
- Profit after tax totalled SEK 110 m (151) and earnings per share was SEK 2.36 (3.25). Adjusted profit after tax totalled SEK 134 m and adjusted earnings per share was SEK 2.86
- Cash flow from operating activities amounted to SEK 119 m (177)
- Entering into a binding agreement to acquire Red Lion Controls

Subsequent events

- Extraordinary General Meeting will be held on January 26, 2024

Yearly

- Net sales for the year reached SEK 3,025 m (2,506), corresponding to a 21% increase. Currency translations had a positive effect of SEK 135 m on net sales
- Order intake was SEK 2,303 m (3,064), corresponding to a decrease of 25%
- Operating profit reached SEK 753 m (653), equal to a 24.9% (26.0) operating margin. Adjusted operating profit reached SEK 777 m (626), equal to a 25.7% (25.0) adjusted operating margin
- Profit after tax totalled SEK 571 m (508) and earnings per share was SEK 12.23 (10.89). Adjusted profit after tax totalled SEK 594 m (481) and adjusted earnings per share was SEK 12.73 (10.31)
- Cash flow from operating activities amounted to SEK 519 m (431)
- Acquisition of additionally 20% of the shares in Owaysys Advanced Wireless Devices S.L.
- The Board of Directors propose a dividend to the amount of SEK 4.40 (4.00) per share

CEO comments

A QUARTER WITH SOLID SALES AND WEAK ORDER INTAKE

The last quarter of 2023 followed the same trend as the previous quarters. Continued solid turnover while order intake continues to be negatively affected when our customers continue to reduce their inventory levels in a somewhat weaker market.

The order intake for the quarter amounts to SEK 426 million (718), corresponding to an organic decline of 34%. We estimate that the quarter's order intake is negatively affected by our customers' inventory adjustments of approximately SEK 150 million, in contrast to the corresponding quarter last year, when we had inflated orders of SEK 85 million. Furthermore, the order intake has been negatively impacted by currency revaluations of the order book by SEK 43 million. Underlying order intake is estimated to be SEK 618 million, indicating a somewhat weaker market than previous quarter.

The quarter's turnover amounted to SEK 760 million (764), which corresponds to an organic decline of 3% compared to the corresponding period last year.

The order book amounted to SEK 778 million, which is a decrease of SEK 328 million compared to the previous quarter.

PROFITABILITY IN LINE WITH FINANCIAL TARGETS

Our gross margin remains at almost the same level as previous quarter, 65.3% (63.6) and we are pleased to see that we have managed to navigate through the last years with growing gross margins, with a full year margin in 2023 of 65%.

Our operating expenses increased to SEK 335 million (294) and is burdened with restructuring costs of SEK 7 million primarily from realizing efficiency improvement with the integration of the sales organization from our previous acquisition, Procentec. The quarter is also impacted by transaction costs of SEK 17 million, relating to the acquisition of Red Lion Controls. Organic increase of operating costs excluding restructuring and transaction costs were 3%.

The adjusted operating profit in the quarter reached SEK 193 million (192), corresponding to an operating margin of 25.3% (25.1). The quarter's cash flow from operations amounts to SEK 119 million (177), which is impacted by continued increased working capital, primarily related to our inventory.

MARKET SLOW-DOWN IN EUROPE AND JAPAN BUT POSITIVE SIGNALS FROM AMERICAS

The order normalization has continued with a similar pace as in Q3 for both Europe and Japan where many of our large customers still are placing few or small orders. This is due to a combination of previous large orders, but also an increased uncertainty for the market's underlying demand.

In the Americas, we see a trend break where order intake is now increasing compared to the last two quarters and we assess that the customers' inventory adjustments have essentially been completed, which is a promising indication for 2024.

ACQUISITION OF RED LION CONTROLS

On December 11th we entered into a binding agreement with Spectris

Group Holdings Limited to acquire the Red Lion Controls business, a well-established US-based provider of industrial communications & automation solutions. The acquisition will significantly strengthen our presence in the North American market and enable several cross-selling opportunities and expand our product offer.

We are currently waiting for all the necessary approvals to close the transaction, that we expect to happen during springtime.

With the acquisition, HMS will have a solid platform for further growth in the American market.

STABLE DESIGN-WINS DEVELOPMENT

For our Design-Win business model (approximately 52% of HMS's turnover) we see a continued stable inflow of new customers in 2023. In total, we received 139 (146) new Design-Wins during the year, and the total number of active Design-Wins now amounts to 1,945 (1,843), an increase of 6% compared to 2022. Of these, 1,582 (1,493) are in production, while 259 (280) are expected to go into production in the coming years.

INVESTMENTS IN EWON

HMS has during the quarter started the development of the next-generation Ewon Remote Access and Remote Data solution. Already having connected over half a million devices worldwide, Ewon continues to develop the portfolio to remain market leader.

Specifically designed for machine builders, this strategic initiative includes the development of a state-of-the-art device and an advanced Cloud platform, promising heightened levels of performance, reliability, and security in Remote Access and Remote Data with extended features for more advanced users. Initial customer testing is scheduled for 2024, with the official product release planned early 2025.

OUTLOOK

In the short term, the market continues to be characterized by inventory adjustments and uncertainties due to the macro-economic situation. The market is in "wait-and-see mode" where customers are hesitant to place order until their view of the market demand is clearer. We estimate that order intake will improve first in the second half of 2024, with a gradual improvement during the second quarter.

Our customers' willingness to invest in digitalization, productivity improvements and sustainability is strong 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 complicated security situation.

We continue to work with a focus on long-term growth based on 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.



Staffan Dahlström, CEO with Hatsuki Yasuoka, Ewon Sales Japan & Alexander Hess, SrVP Information Centric presenting our new Ewon-product concept in Japan

-41%

Order intake
Q4

-1%

Net sales
Q4

22%

Operating margin
Q4

Order intake, net sales and earnings

FOURTH QUARTER

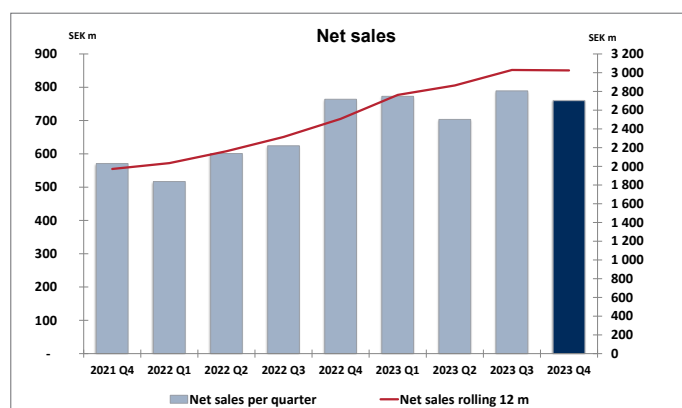
Order intake decreased by 41% to SEK 426 m (718), of which currency translations amounted to SEK-46 m (29). The organic decrease in order intake was 34%.

Net sales decreased by 1% to SEK 760 m (764), of which currency translation effects were SEK 16 m (65). The organic decrease in net sales was 3%.

Gross profit reached SEK 496 m (486), corresponding to a gross margin of 65.3% (63.6). Operating expenses amounted to SEK 335 m (294). Included in the operating profit was restructuring costs of SEK 7 m primarily from realizing efficiency improvement with the integration of the sales organization from our previous acquisition, Procentec and also transaction costs of SEK 17 m, relating to the acquisition of Red Lion Controls. The organic increase in operating expenses was 3%, corresponding to SEK 8 m. During the fourth quarter, the next generation of Ewon products has started to be developed, which has resulted in capitalized development costs of SEK 11 m.

Operating profit before depreciation/amortization and write-downs amounted to SEK 201 m (225), corresponding to a margin of 26.5% (29.4). Depreciations/amortizations and write-downs amounted to SEK 32 m (33). Operating profit amounted to SEK 169 m (192), corresponding to a margin of 22.3% (25.1). Adjusted operating profit for the above-mentioned restructuring and transaction costs amounted to SEK 193 m, corresponding to a margin of 25.3%. Currency translations affected the Group's operating profit by SEK 2 m (13).

Net financials were SEK-27 m (-11), mainly attributable to a stronger



The graph shows net sales per quarter on the bars referring to the scale on the left axis. The line shows net sales for the latest 12 month period referring to the scale on the axis to the right.

SEK exchange rate which has resulted in negative revaluation effects on primarily internal receivables and loans, which resulted in a profit before tax of SEK 142 m (180).

Profit after tax amounted to SEK 110 m (151) and earnings per share before and after dilution was SEK 2.36 (3.25) and SEK 2.35 (3.24) respectively. Adjusted profit after tax amounted to SEK 134 m and adjusted earnings per share was SEK 2.86.

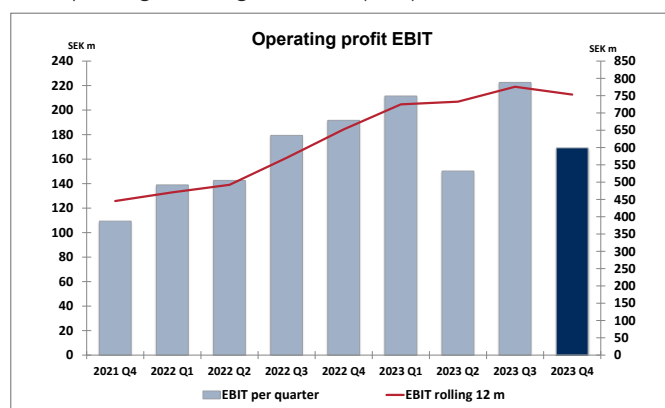
YEARLY

Order intake decreased by 25% to SEK 2,303 m (3,064), of which currency translations amounted to SEK-45 m (233). The organic decrease in order intake was 24%.

Net sales increased by 21% to SEK 3,025 m (2,506), of which currency translation effects were SEK 135 m (158). The organic increase in net sales was 15%.

Gross profit reached SEK 1,967 m (1,577), corresponding to a gross margin of 65.0% (62.9). Operating expenses amounted to SEK 1,223 m (958). Included in the operating profit was restructuring costs of SEK 7 m primarily from realizing efficiency improvement with the integration of the sales organization from our previous acquisition, Procentec and also transaction costs of SEK 17 m, relating to the acquisition of Red Lion Controls. The organic increase in operating expenses was 20%, corresponding to SEK 189 m, mostly related to increased sales and marketing initiatives and costs related to IT and change of ERP system. During the fourth quarter, the next generation of Ewon products has started to be developed, which has resulted in capitalized development costs of SEK 11 m.

Operating profit before depreciation/amortization and write-downs amounted to SEK 877 m (760), corresponding to a margin of 29.0% (30.3). Depreciations/amortizations and write-downs amounted to SEK 124 m (108). Operating profit amounted to SEK 753 m (653), corresponding to a margin of 24.9% (26.0).



The graph shows operating result EBIT per quarter. The bars refer to the scale on the left axis. The line shows operating result for the last 12 month period referring to the scale on the axis to the right.

Quarterly data	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Order intake (SEK m)	426	492	703	682	718	675	815	857
Net sales (SEK m)	760	789	703	773	764	624	601	517
Gross margin (%)	65.3	65.4	64.7	64.8	63.6	63.6	62.2	61.8
EBITDA (SEK m)	201	255	180	241	225	204	167	165
EBITDA (%)	26.5	32.3	25.6	31.2	29.4	32.7	27.7	31.9
EBIT (SEK m)	169	223	150	211	192	179	143	139
EBIT (%)	22.3	28.2	21.4	27.4	25.1	28.7	23.7	26.9
Cash flow from operating activities per share (SEK)	2.54	3.59	1.67	3.32	3.80	2.52	1.21	1.71
Earnings per share before dilution (SEK) ¹	2.36	3.69	2.48	3.70	3.25	2.90	2.33	2.41
Earnings per share after dilution (SEK) ¹	2.35	3.68	2.47	3.69	3.24	2.89	2.33	2.40
Equity per share (SEK)	40.74	38.21	36.57	35.64	32.54	28.91	27.27	26.27

¹ Attributed to parent company shareholders

Adjusted operating profit for the above-mentioned restructuring and transaction costs amounted to SEK 777 m, corresponding to a margin of 25.7%. The operating profit last year had a positive effect of SEK 27 m, related to the revaluation of option debt for HMS Technology Center B.V (previously Procentec B.V.). Adjusted operating profit last year amounted to SEK 626 m, corresponding to a margin of 25.0%. Currency translations affected the Group's operating profit by SEK 25 m (39).

Net financials were SEK -36 m (-29), mainly attributable to a stronger SEK exchange rate which has resulted in negative revaluation effects on primarily internal receivables and loans, which resulted in a profit before tax of SEK 717 m (623).

Profit after tax amounted to SEK 571 m (508) and earnings per share before and after dilution was SEK 12.23 (10.89) and SEK 12.19 (10.85) respectively. Adjusted profit after tax amounted to SEK 594 m (481) and adjusted earnings per share was SEK 12.73 (10.31).

Cash flow, investments and financial position

FOURTH QUARTER

Cash flow from operating activities before changes in working capital amounted to SEK 147 m (208) for the fourth quarter of the year. Changes in working capital were SEK -28 m (-31) which mainly corresponds to increased inventory. Cash flow from operating activities was thereby SEK 119 m (177).

Cash flow from investing activities amounted to SEK -23 m (-51) and mainly corresponds to investments in intangible and tangible assets of SEK -20 m (-45).

Cash flow from financing activities was SEK -121 m (-125) which is mainly explained by changes in external loans of SEK -106 m (-113). Amortizations of lease liabilities was SEK -15 m (-12). This means that cash flow for the fourth quarter was SEK -26 m (2).

YEARLY

Cash flow from operating activities before changes in working capital amounted to SEK 751 m (647) for the year. Changes in working capital were SEK -232 m (-216) which mainly corresponds to increased inventory. Cash flow from operating activities was thereby SEK 519 m (431).

Cash flow from investing activities was SEK -135 m (-366) of which SEK -55 m (-280) corresponds to investments in subsidiaries. Investments in intangible and tangible assets has been made of SEK -74 m (-83).

Cash flow from financing activities was SEK -400 m (-99) which is mainly explained by disbursed dividend of SEK -187 m (-140). Changes in external loans amounts to SEK -140 m (112). Repurchase of own shares has been made of SEK -13 m (-34). Amortizations of lease liabilities was SEK -60 m (-41). This means that cash flow for the year was SEK -16 m (-34).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 124 m (144) and unused credit facilities to SEK 529 m (397). Net debt amounted to SEK 289 m (300) and mainly consists of lease liabilities of SEK 261 m (160). Net debt also consists of a debt corresponding to expected exercise price on option, in total SEK 127 m (99). External loans amounts to only SEK 2 m (136).

Net debt to EBITDA ratio for the last twelve months was 0.33 (0.39). Net debt/Equity ratio was 15% (19) and Equity/Assets ratio was 64% (59).

The HMS Networks AB share

HMS Networks AB (publ) is listed on the NASDAQ OMX Stockholm Large Cap list, in the sector Telecommunications. By the end of the period the total number of shares amounted to 46,818,868 of which 162,880 shares are held by the company.

A list of the company's ownership structure can be found on the company's website (www.hms-networks.com).

Share savings program

The company has four ongoing share savings programs. Based on a decision by the Annual General Meetings, permanent employees are offered to save in HMS shares in an annual share savings program. Between 41% and 56% of the employees opted to participate in the respective program. If certain criteria are met the company is committed to distribute a maximum of two HMS performance shares for every share saved by the employee, to the participant. As of December 31, 2023, the total number of saved shares amounted to 72,793 (78,082) within ongoing programs.

On December 31, 2022 the share savings program from 2019 was finalized. During the first quarter of 2023, 46,440 performance shares, were distributed free of charge to the participants. Shares used for the allocation were own shares held by the company.

The Parent Company

The parent company's operations are primarily focused on Group wide management and financing. Apart from the Group's CEO, the parent company has no employees. The operating profit amounted to SEK 1 m (0). Dividends from subsidiaries amounted to SEK 455 m (229). The profit after tax for the year was SEK 465 m (236). Cash and cash equivalents amounted to SEK 2 m (3) 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, described on page 93 in Note 37 of the Annual Report for 2022.

Significant events

ACQUISITION RED LION CONTROLS

December 11, 2023, HMS entered into a binding agreement with Spectris Group Holdings Limited to acquire Red Lion Controls, a well-established US-based provider of industrial communications and automation solutions, through acquisition of 100% of the shares in Red Lion Controls Inc. and Red Lion Europe GmbH as well as certain assets in other jurisdictions.

The cash consideration amounts to USD 345 m (approximately SEK 3,600 m)¹, on a cash and debt free basis. The combination of HMS and Red Lion had annual sales exceeding SEK 4.4 billion², with an adjusted EBIT margin of approximately 24.0% (during the twelve-month period ending on September 30, 2023)³.

Closing of the acquisition is expected to take place during the first half year of 2024, subject to customary regulatory approvals and closing conditions.

Subsequent events

HMS Networks will arrange an Extraordinary General Meeting on Friday January 26, at 10.30 a.m. at the HMS head office in Halmstad. The board proposes that the general meeting authorizes the Board of director to resolve on a new issue of shares. The total number of shares that may be issued shall amount to not more than the number of shares that corresponds to sufficient issue proceeds mainly for the purpose to refinance the company's bridge loan facility for the acquisition of Red Lion Controls Inc.

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

Outlook

In the short term, the market continues to be characterized by inventory adjustments and uncertainties due to the macro-economic situation. The market is in "wait-and-see mode" where customers are hesitant to place order until their view of the market demand is clearer. The estimation is that order intake will improve first in the second half of 2024, with a gradual improvement during the second quarter.

Our customers' willingness to invest in digitalization, productivity improvements and sustainability is strong 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 complicated security situation.

Risk management

HMS is exposed to business and financial risks through its operations. These risks have been described at length in the Company's Annual Report 2022. In addition, no significant risks are considered to have arisen.

Audit review

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

Nomination committee

In accordance with principles adopted at a prior HMS' Annual General Meeting, the following persons have been assigned to be a part of the Nomination Committee: Johan Menckel, Investment AB Latour, representing 26% of the shares, Staffan Dahlström representing 13% of the shares, Sophie Larsén, AMF Fonder representing 9% of the shares, Patrik Jönsson, SEB Fonder representing 6% of the shares, and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Johan Menckel as its Chairman.

Accounting policies

HMS' consolidated accounts have been prepared in accordance with the 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 Swedish Financial Reporting Board's recommendation, RFR 2 Accounting for Legal Entities, and the Swedish Annual Accounts Act.

The accounting principles applied conform to those described in the 2022 Annual Report, with exception of the below addendum.

HMS holds option liabilities for acquisitions which have previously been assessed as financial instruments reported at fair value through profit and loss. As of January 1, 2023, such put options are reported at the present value of expected future cash outflow to settle the put option. Changes in this valuation are reported directly in equity.

Put options issued to owners with a minority interest are related to agreements that give the minority owner the right to sell the holding in the company to HMS at a future time when the option can be redeemed. The amount to be paid if the option expires is recorded at the present value of future settlement as a financial liability. Thus, HMS reports no minority interest within the framework of equity. Instead, the debt is revalued on an ongoing basis using the group's best assessment of the expected outcome and changes are reported directly against equity.

Other new or revised IFRS standards or other IFRIC-interpretations that came into effect after January 1, 2023 have not had any significant impact on the Group's financial reports as of December 31, 2023.

HMS applies the European Securities and Market Authority's (ESMA) guidelines on alternative key indicators (measures that are not defined in accordance with 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 centres within HMS are using core HMS technology.

PRODUCT STRATEGY – HMS offers solutions for industrial ICT (Information and Communication Technology) under the brands Anybus®, Ewon®, Ixat® and Intesis®.

- 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

¹ To be determined in SEK upon closing.

² Translated to SEK based on currency rates for the corresponding period.

³ The EBIT numbers have been adjusted to reflect how the Red Lion business would, on a preliminary and indicative basis, be reported in the group (excluding any purchase price allocation adjustments), with the main adjustments relating to Spectris management fee and cost for management incentive programs. The Red Lion financial information presented herein refers to unaudited IFRS figures. Furthermore, the adjusted EBIT also excludes any amortization coming from potential purchase price allocations related to the acquisition that could impact EBIT. The adjusted EBIT excludes any potential synergies, transaction costs and integration costs from the acquisition.

- 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)

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

PRODUCTION STRATEGY – Flexible low volume production in own factories in Halmstad, Nivelles and Igualada 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 18 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 calendar

- Extraordinary General Meeting will be held on January 26, 2024
- First quarter report 2024 will be published on April 16, 2024
- Annual General Meeting 2024 will be held on April 23, 2024
- Half-year report 2024 will be published on July 12, 2024
- Third quarter report 2024 will be published on October 18, 2024

Conference call

JANUARY 26, 2024 (09.00 CET)

President and CEO Staffan Dahlström and CFO Joakim Nideborn present the fourth quarter report 2023.

For link to the webcast, go to:

<https://www.hms-networks.com/sv/aktieagare>

Halmstad January 26, 2024

Staffan Dahlström

Chief Executive Officer

Further information can be obtained by:
Staffan Dahlström, CEO, +46 (0)35 17 2901
Joakim Nideborn, CFO, +46 (0)35 710 6983

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 CET on January 26, 2024.

Consolidated income statement in summary

SEK millions	Q4 2023	Q4 2022	Q1-Q4 2023	Q1-Q4 2022
Net sales	760	764	3,025	2,506
Cost of goods and services sold	-264	-278	-1,057	-930
Gross profit	496	486	1,967	1,577
Selling expenses	-160	-139	-588	-457
Administrative expenses	-66	-68	-282	-212
Research and development expenses	-86	-76	-319	-261
Other operating income ¹	9	-	9	34
Other operating expenses ²	-23	-11	-33	-27
Operating profit	169	192	753	653
Financial income and expenses	-28	-11	-35	-28
Results from associated companies	1	0	-1	-1
Profit before tax	142	180	717	623
Tax	-32	-29	-147	-116
Profit for the period	110	151	571	508
Earnings per share regarding profit attributed to parent company shareholders:				
Before dilution (SEK)	2.36	3.25	12.23	10.89
After dilution (SEK)	2.35	3.24	12.19	10.85

¹ During the first quarter 2022, the Group reported non-taxable operating income of SEK 27 m, regarding revaluation of option debt related to HMS Technology Center B.V. (previously Procentec B.V.).

² During the fourth quarter 2023, the Group reported restructuring costs of SEK 7 m. The Group also reported transaction costs of SEK 17 m, relating to the acquisition of Red Lion Controls.

Consolidated statement of comprehensive income in summary

SEK millions	Q4 2023	Q4 2022	Q1-Q4 2023	Q1-Q4 2022
Profit for the period	110	151	571	508
Other comprehensive income:				
Items that may be reclassified subsequently to income statement				
Cash flow hedges	36	7	41	-8
Hedging of net investments	1	-1	-4	-16
Translation differences	-80	24	-5	108
Income tax relating to components of other comprehensive income	-8	-1	-7	5
Other comprehensive income for the period, net of tax	-50	29	24	89
Total comprehensive income for the period attributed to parent company shareholders	60	180	595	597

Consolidated balance sheet in summary

SEK millions	Dec 31, 2023	Dec 31, 2022
ASSETS		
Goodwill	1,117	1,120
Other intangible assets	276	290
Property, plant and equipment	70	69
Right-of-use assets ²	266	164
Deferred tax assets	21	22
Shares in associated companies	13	14
Other long-term receivables	21	15
Total fixed assets	1,783	1,693
Inventories	589	362
Accounts receivable - trade	385	412
Other current receivables	130	119
Cash and cash equivalents	124	114
Total current assets	1,228	1,037
TOTAL ASSETS	3,011	2,730
EQUITY AND LIABILITIES		
Equity attributed to parent company shareholders	1,933	1,610
Total Equity	1,933	1,610
Liabilities		
Interest-bearing liabilities	16	114
Non interest-bearing liabilities ¹	127	113
Lease liabilities ²	202	118
Deferred income tax liabilities	104	89
Total non-current liabilities	449	434
Interest-bearing liabilities	1	36
Non interest-bearing liabilities	8	21
Lease liabilities ²	59	42
Accounts payable - trade	250	243
Other current liabilities	312	344
Total current liabilities	630	686
TOTAL EQUITY AND LIABILITIES	3,011	2,730

¹December 31, 2022, SEK 98 m was referred to the expected exercise price of options related to the remaining shares in Owasy S.L. On December 31, 2023, the item refers to exercise price of a new option for Owasy of SEK 127 m.

²Increased Right-of-use assets and lease liabilities during 2023 refers to renegotiated rental agreement in Germany, Belgium and Italy. Increased Right-of-use assets during 2022 refers to renegotiated rental agreement in Sweden.

Consolidated cash flow statement in summary

SEK millions	Q4 2023	Q4 2022	Q1-Q4 2023	Q1-Q4 2022
Cash flow from operating activities before changes in working capital	147	208	751	647
Cash flow from changes in working capital	-28	-31	-232	-216
Cash flow from operating activities	119	177	519	431
Cash flow from investing activities ¹	-23	-51	-135	-366
Cash flow from financing activities	-121	-125	-400	-99
Cash flow for the period	-26	2	-16	-34
Cash and cash equivalents at beginning of the period	153	138	144	172
Translation differences in cash and cash equivalents	-3	4	-4	6
Cash and cash equivalents at end of period	124	144	124	144
Interest-bearing and Non-interest-bearing liabilities ²	413	444	413	444
Net debt	289	300	289	300

¹ The acquisition of the remaining shares in HMS Technology Center B.V.'s (previously Procentec B.V.) impact on the Group's cash and cash equivalents was SEK -266 m in Q2, 2022.

¹ Reclassification from tangible assets to right-of-use assets in Q3 2023 impact investing activities with SEK +6 m.

² Non-interest-bearing liabilities refers to additional purchase price and option debt related to Owasy.

Consolidated changes of Equity in summary

SEK millions	Dec 31, 2023	Dec 31, 2022
Opening balance at January 1	1,610	1,177
Total comprehensive income for the period	595	597
Share-related payment	11	10
Repurchase of own shares	-13	-34
Put option ¹	-83	-
Dividend	-187	-140
Closing balance attributed to parent company shareholders	1,933	1,610

¹ HMS holds an option liability for acquisitions which have previously been measured as financial instruments reported at fair value through profit or loss. As of January 1, 2023, such put options are reported at the present value of expected future cash outflow to settle the put option. Changes in this valuation are reported directly in the equity.

Key ratios

	Q4 2023	Q4 2022	Q1-Q4 2023	Q1-Q4 2022
Net increase in net sales (%)	-0.6	33.8	20.7	27.1
Gross margin (%)	65.3	63.6	65.0	62.9
EBITDA (SEK m)	201	225	877	760
EBITDA (%)	26.5	29.4	29.0	30.3
EBIT excl acquisition-related costs (SEK m)	190	198	786	675
EBIT excl acquisition-related costs (%)	25.0	25.9	26.0	26.9
EBIT (SEK m)	169	192	753	653
EBIT (%)	22.3	25.1	24.9	26.0
Return on capital employed (%) ²	-	-	35.9	41.0
Return on shareholder's equity (%)	-	-	32.3	37.6
Working capital in relation to sales (%)	-	-	13.9	8.7
Capital turnover rate	-	-	1.02	1.04
Net debt/equity ratio	0.15	0.19	0.15	0.19
Equity/assets ratio (%)	64.2	59.0	64.2	59.0
Investments in tangible fixed assets (SEK m) ³	4	24	38	34
Investments in right-of-use assets (SEK m) ^{1 3}	14	7	126	108
Investments in intangible fixed assets (SEK m)	16	21	36	49
Depreciation of tangible fixed assets (SEK m)	-5	-3	-18	-13
Depreciation of right-of-use assets (SEK m)	-14	-13	-56	-41
Amortization of intangible fixed assets (SEK m)	-13	-12	-50	-47
<i>of which amortization of overvalues acquired</i>	-4	-6	-16	-22
<i>of which amortization of capitalized development costs</i>	-9	-7	-34	-25
Impairment of intangible fixed assets (SEK m)	0	-5	-1	-7
Number of employees (average) ⁴	818	737	803	726
Net sales per employees (SEK m) ⁴	0.9	1.0	3.8	3.5
Equity per share (SEK)	40.74	32.54	37.82	28.97
Cash flow from operations per share (SEK)	2.54	3.80	11.12	9.24
Total number of share average (thousands)	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)	163	176	166	174
Total outstanding shares average (thousands)	46,656	46,643	46,653	46,645

¹ Increased Right-of-use assets during 2023 refers to renegotiated rental agreement in Germany, Belgium and Italy. Increased Right-of-use assets during 2022 refers to renegotiated rental agreement in Sweden.

² The key ratio for Q1-Q4 2022 have been corrected as incorrect values were reported in previous reports.

³ The key ratio for Q1-Q4 2023 have been corrected as incorrect values were reported in previous reports.

⁴ The key ratio for Q1-Q4 2023 and Q1-Q4 2022 have been corrected as incorrect values were reported in previous reports.

Quarterly data

Division of net sales per brand SEK millions	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Anybus	450	486	381	440	431	364	326	305
Ixxat	84	91	78	62	60	61	67	46
Ewon	116	117	126	157	143	114	134	103
Intesis	59	60	64	56	49	39	49	41
Other ¹	52	34	54	59	81	45	25	22
Total	760	789	703	773	764	624	601	517

All brands are based on a common technology platform and are marketed and sold in common sales channels. Therefore, no complete segment follow-up is reported.

¹Net sales in "Other" includes Owasy from Q3 2021. Previously, net sales regarding Proctentec has also been included in "Other" but due to the integration of Proctentec into the Anybus brand from 2023, earlier quarters has been updated for comparability.

Net sales per region SEK millions	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
EMEA	447	486	414	463	486	378	372	320
Americas	175	160	169	165	148	127	117	100
APAC	138	143	120	145	130	119	111	97
Total	760	789	703	773	764	624	601	517

Income statement SEK millions	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net sales	760	789	703	773	764	624	601	517
Gross profit	496	516	455	501	486	397	374	319
<i>Gross margin (%)</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>	<i>61.8</i>
Operating profit	169	223	150	211	192	179	143	139
<i>Operating margin (%)</i>	<i>22.3</i>	<i>28.2</i>	<i>21.4</i>	<i>27.4</i>	<i>25.1</i>	<i>28.7</i>	<i>23.7</i>	<i>26.9</i>
Profit before tax	142	220	143	213	180	168	140	135

Parent company's income statement in summary

SEK millions	Q4 2023	Q4 2022	Q1-Q4 2023	Q1-Q4 2022
Net sales	8	6	25	19
Gross profit	8	6	25	19
Administrative expenses	-7	-6	-24	-19
Operating profit	1	-	1	-
Profit from participations in subsidiaries	55	-	455	229
Interest income/ expenses and similar items	12	7	12	9
Profit before tax	68	7	468	238
Tax	-3	-2	-3	-2
Profit for the period	65	5	465	236

Parent company's balance sheet in summary

SEK millions	Dec 31, 2023	Dec 31, 2022
ASSETS		
Financial assets	337	337
Total financial assets	337	337
Receivables from Group companies	640	371
Other receivables	0	0
Cash and cash equivalents	2	3
Total current assets	642	374
TOTAL ASSETS	980	711
EQUITY AND LIABILITIES		
Equity	964	698
Current liabilities		
Accounts payable - trade	1	0
Other current liabilities	14	12
Total current liabilities	15	13
TOTAL EQUITY AND LIABILITIES	980	711

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 outstanding shares.

ADJUSTED OPERATING MARGIN

Adjusted operating profit in relation to net sales.

ADJUSTED OPERATING PROFIT

Operating profit excluding significant non-recurring items.

ADJUSTED PROFIT AFTER TAX

Profit excluding significant non-recurring items and tax effects on these items.

AVERAGE NUMBER OF OUTSTANDING SHARES

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

CAPITAL EMPLOYED

Total assets less non-interest-bearing current liabilities, provisions, and total deferred tax liabilities.

CAPITAL TURNOVER

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 outstanding shares.

EARNINGS PER SHARE, UNDILUTED

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

EARNINGS PER SHARE, DILUTED

Share of the profit after tax attributable to the parent company shareholders in relation to the average number of outstanding shares plus an adjustment for the average number of shares that are added when converting the outstanding number of convertibles and options.

EBIT

Operating income according to income statement.

EBIT EXCL ACQUISITION-RELATED COSTS

Operating income excluding amortization and impairment of acquired overvalues and goodwill as well as acquisition-related transaction costs.

EBITDA

Operating profit excluding depreciation, amortization and impairment of tangible and intangible assets.

EQUITY PER SHARE

Average equity attributable to the parent company's shareholders divided by the number of outstanding shares at the end of the period.

EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

FINANCIAL ASSETS

Long-term and short-term financial receivables plus cash and cash equivalents.

NET DEBT

Long- and short-term interest-bearing financial liabilities, additional purchase price and option liability, reduced with financial interest-bearing assets and cash and cash equivalents.

NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

NUMBER OF OUTSTANDING SHARES

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

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, converted to 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 first turn of the month, which falls 12 months after the acquisition date.

RETURN ON CAPITAL EMPLOYED

Profit after financial income in relation to the average capital employed.

RETURN ON SHAREHOLDER'S EQUITY

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

WORKING CAPITAL

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

Alternative key ratios

HMS presents certain financial measures in the interim report that has not been defined in accordance with IFRS. The company considers that these measures provide valuable additional information for investors and the company's management, as they enable the evaluation of relevant trends and the company's performance.

As not all companies calculate financial measures in the same way, these are not always comparable with the measures used by other companies. These financial measures should therefore not be viewed as substitutes for IFRS-defined measures, unless otherwise stated.

EBITDA

EBITDA is a measure of the underlying operational activities and an indicator of cash flow.

SEK millions	Q4 2023	Q4 2022	Q1-Q4 2023	Q1-Q4 2022
Operating profit	169	192	753	653
Depreciation of tangible fixed assets (incl right-of-use assets)	19	16	74	53
Amortization of intangible fixed assets	13	12	50	47
Impairment of intangible fixed assets	0	5	1	7
EBITDA	201	225	877	760
Net sales	760	764	3,025	2,506
EBITDA (%)	26.5	29.4	29.0	30.3

EBIT EXCL ACQUISITION-RELATED COSTS

EBIT before amortization and impairment of acquired overvalues and goodwill and transaction costs is a value that the company uses to describe how the operating activities develop and perform without the impact of acquisition-related costs.

SEK millions	Q4 2023	Q4 2022	Q1-Q4 2023	Q1-Q4 2022
Operating profit	169	192	753	653
Amortization of acquired overvalues	4	6	16	22
Acquisition-related transaction costs	17	0	17	1
EBIT excl acquisition-related costs	190	198	786	675
Net sales	760	764	3,025	2,506
EBIT excl acquisition-related costs (%)	25.0	25.9	26.0	26.9

HMS Networks AB (publ) is a market-leading provider of solutions in industrial information and communication technology (Industrial ICT). HMS develops and manufactures products under the Anybus®, Ixxat®, Ewon® and Intesis® brands. Development takes place at the headquarter in Halmstad and also in Ravensburg, Nivelles, Igualada, Wetzlar, Buchen, Delft, Sibiu, Rotterdam and Bilbao. Local sales and support are handled by branch offices in Germany, USA, Japan, China, Singapore, Italy, France, Spain, the Netherlands, India, UK, Sweden, South Korea, Australia, UAE and Vietnam, as well as through a worldwide network of distributors and partners. HMS employs over 800 people and reported sales of SEK 3,025 million in 2023. HMS is listed on the NASDAQ OMX in Stockholm, category Large Cap, Telecommunications.



HMS

Our vision

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

Our mission

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

HMS Networks AB (publ)
Org.Nr. 556661-8954
Box 4126 | 300 04 Halmstad | Sweden
Tel: +46 35 17 29 00
info@hms.se
www.hms-networks.com/ir

Hardware Meets Software™