

HOYLU AB

2020 Q1 Interim Report



Remote Work Re-imagined.



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All amounts are in thousand kr (KSEK) unless otherwise stated.

Interim Report Q1 2020 Overview

FIRST QUARTER 2020

- Hoylu has implemented the SaaS model:
 - Billings for the first quarter were MSEK 9.0
 - Revenues for the first quarter were MSEK 8.2 (6.5)
 - Annual Recurring Revenue (“ARR”) and long-term service contracts for 2020 at the end of the first quarter was MSEK 20.7
- Gross margin was 69 percent (70)
- EBITDA for the first quarter was MSEK -4.9 (-6.2)
- Operating result was MSEK -6.2 (-7.6)
- Profit after tax amounted to MSEK -7.1 (-8.5)
- Earnings per share amounted to SEK -0.26 (-0.57)

REMARKS ON THE BALANCE SHEET

- The total assets at the end of the period was MSEK 68.6 (60.9)
- Total cash at the end of the period was MSEK 3.0 (1.1)
- The total accounts receivable at the end of the period was MSEK 13.3 (12.9)
- The total accounts payable at the end of the period was MSEK 8.8 (9.1)
- Total liabilities at the end of the period was MSEK 61.0 (58.2) *
- The Equity at the end of the period amounted to MSEK 7.5 (2.6)

* The Q1 2020 balance includes various note payables, including the convertible notes of MSEK 23.9.

IMPORTANT EVENTS IN THE FIRST QUARTER

- Hoylu carried out a Private Placement of shares that resulted in additional capital of MSEK 6.25.
- Hoylu carried out a Rights Issue of shares that generated additional capital of MSEK 2.2.
- Announced a strategic partnership with Technological Innovations Group (“TIG”), the leading technology sales agency in the EMEA region offering integrated automation and control solutions for smart spaces, whereby TIG will represent Hoylu in EMEA.
- Received an order from BP plc, one of the world’s largest energy companies. The initial order was SEK 1 million in software and product revenue.
- Hoylu carried out a directed issue of convertible loan notes of MSEK 10.
- Received an order from Mace (macegroup.com), an international consultancy and construction company. The initial order is SEK 300,000 in software and product revenue.

INTERIM REPORT Q1 2020 OVERVIEW

- Entered into a Software as a Service contract with FedEx Corp. The initial order is for an amount of SEK 1.300.000 over a 3-year period, with Annual Recurring Revenues (ARR) of SEK 433,000.
- Received new orders from Polymedia, a leading integrator and software developer and Hoylu`s partner in the Russian market. The new orders amounted to SEK 530,000.



January 2020 – Workshop with Leonhard, Davit GmbH, design sprint studio, AKKA and Bosch

INTERIM REPORT Q1 2020 OVERVIEW



January 2020 – Invitation by the United States Air Force to exhibit at the Lackland Tech Expo in San Antonio, Texas.



January 2020 – HoyluWall featured at the LearnTec Conference in Karlsruhe.
Pictured: A Creative session with Daimler Consulting.

INTERIM REPORT Q1 2020 OVERVIEW



February 2020 – Hoylu attended ISE in Amsterdam. Hoylu was featured in NEC Display's booth on multiple NEC InfinityBoards. Hoylu also brought a HoyluWall to a stand-alone booth where TIG Sales Reps took meetings and introduced clients to their newest product line.



Comments from the CEO

As I am writing this letter, we are still in the midst of the single most disruptive global event all of us have ever experienced, and we are still learning about the impacts of COVID-19 and how it will affect our business lives going forward. Remote work has suddenly become a must for most organizations and people adapt to new ways to work outside the traditional office environment. Whilst many types of work are location based and require presence in an office or manufacturing site surprisingly many others see the benefits of working from home, for example less time spent in traffic, more focus on work and fewer distractions, and more quality time to spend with family. Many executives are currently rethinking how to better utilize office space and organize their teams based on the experience from the pandemic. Hoylu's mission is to provide better tools for connecting and engaging people and their work, and geographically dispersed teams and remote work has become the new normal.

Revenues in Q1 2020 were SEK 8.2 million, up 26% from Q1 2019. Annual Recurring Revenues (ARR) including long term service contracts were SEK 20.7 million at the end of Q1, up from SEK 15.0 million at the end of Q4. We continued to work closely with our existing customers to position Hoylu's products in their daily workflow and we are pleased to see the increased adoption of use. We continue to add new customers and one of the highlights in the quarter was the signing of a master services contract with FedEx Corp.

On January 15 we announced the signing of a strategic partnership with Technological Innovations Group (TIG), a leading technology sales agency offering integrated automation and control solutions for smart spaces with a network of over 2,500 integrators and 15 offices across the EMEA region. The partnership will broaden our reach and significantly strengthen our sales capabilities. We are also very pleased with the progress of our partner NEC. Hoylu and NEC confirmed the relationship by the signing of a Strategic Alliance Partner agreement in February and NEC promotes Hoylu Connected Workspaces™ with their NEC InfinityBoard® touch panels. These partnerships are important for the complete value proposition to our customers that results in higher productivity and return on investments and they have already contributed a growth in our sales pipeline.

FUTURE OUTLOOK

Hoylu is a newcomer and a challenger within collaboration solutions. The collaboration solutions industry has a market of 40 billion USD and includes unified communication, videoconferencing, digital whiteboards, file-sharing, and group chat solutions. The COVID-19 pandemic has accelerated the use of collaboration solutions since people have been forced to work from their homes. Hoylu launched a new product in April, sooner than originally planned due to the situation. The new software that is offered as a subscription service, combines functionality in previous products with intuitive tools for collaborative work, and includes a dashboard for organizing workspaces as well as custom templates and dynamic modules for specific processes and use cases. We just released an integrated application and services for Microsoft Teams. This extension expands Hoylu's partnership with the Microsoft ecosystem that already leverages Azure and Office365 products as well as makes Hoylu easily available in Microsoft Teams App Store.

We raised a total of SEK 66 million in additional capital after the end of Q1 in a combination of cash and conversion of loans and the board approved an additional rights issue of up to SEK 11 million. In light of the challenging capital markets environment we are extremely pleased and grateful for continued support from

COMMENTS FROM THE CEO

existing shareholders, and confidence from new investors. The new capital will allow us to focus on growth, strengthen marketing and sales and execute on our business plan to provide better tools for connecting people and their work.



STEIN REVELSBY
CHIEF EXECUTIVE OFFICER
MAY 2020

EVENTS AFTER THE END OF THE PERIOD

- Hoylu carried out a Private Placement of shares that resulted in additional capital of approximately MSEK 63. Approximately SEK 36 million representing cash and SEK 27 million will be paid by set-off payment.
- The Board of Directors resolved to carry out a rights issue of approximately SEK 11 million.
- Board of Directors resolved, subject to the annual general meeting's approval, to carry out a directed share issue to certain employees and a Board of Director, in the amount of approximately MSEK 3.9.
- Board of Directors resolved, subject to the annual general meeting's approval, to resolved to implement an Employee Incentive Program of up to 9,400,000 warrants for senior executives and other employees in the Company and its subsidiaries. The strike price for the warrants shall be SEK 2.2 and the warrants may be exercised during Q1-Q2 2024.
- The Board of Directors resolved to move the date for the annual general meeting to June 25, 2020.
- Hoylu released an integrated application and services for Microsoft Teams.

Financial Information

REVENUES & PROFITABILITY

Revenues for the first three months of 2020 amounted to MSEK 8.2 (6.5) and consisted of revenue from the sale of the Hoylu Connected Workspaces™ via resellers and the sale of the HoyluWall, software product, and professional services.

Cost of goods and services sold was MSEK 2.5 (1.9) and EBITDA amounted to MSEK -4.9 (-6.2).

The operating result was MSEK -6.2 (-7.6).

The net result for the first three months of 2020 amounted to MSEK -7.1 (-8.5).

FINANCIAL POSITION

Cash flow from operating activities in the first three months of 2020 amounted to MSEK -13.1 (1.3).

Cash flow from investment activities amounted to MSEK -3.1 (-3.1) and the cash flow from financing activities was MSEK 18.6 (2.5).

Cash-flow for the first three months of 2020 was MSEK 2.4 (0.7) and the liquid assets at the end of the quarter was MSEK 3.0 (1.1).

CAPITALIZED EXPENSES

Hoylu continues to capitalize its investments in research and development efforts associated with Hoylu Connected Workspaces™.

During the first three months of 2020 Hoylu capitalized product development costs in the amount of SEK 2.9 million, which represents 22% of the Company's total operating costs.

Amortization expense associated with capitalized product development costs amounted to MSEK 0.5 during the first three months of 2020.

DEPRECIATION & AMORTIZATION

Intangible and tangible assets are stated at cost less amortization and depreciation. Expenditures directly attributable to the cost of the asset is included in the cost of the asset.

Amortization and Depreciation is linear as follows:

Goodwill	10 years
Other Intangible Assets	5 years
Machinery Equipment	3 years
Furniture & Fixtures	5 years

EMPLOYEES & ORGANIZATION

Hoylu Group had a total 29 employees as of March 31, 2020. 23 in the US and 6 in the EU. Hoylu's headquarters is in Stockholm, Sweden.

Product management and software development activities are based in Seattle, US.

FINANCIAL INFORMATION

MARKET

The global enterprise collaboration market size is estimated to grow from USD 26.7 billion in 2016 to USD 49.5 billion by 2021, at a compound annual growth rate of 13.2%. (1)

The worldwide market for team collaboration software used in the enterprise is estimated to double from USD 8.2 billion in 2017 to USD 16.6 billion by 2025. (2)

While Hoylu's main market is Europe and the US, Hoylu has also established relationships with resellers for the Asian market.

The Company believes enterprises with more than 50 employees will be the main buyers of Hoylu's enterprise collaboration solutions. Data from OECD SDBS database shows a total of approximately 640,000 enterprises with at least 50 employees each and more in Hoylu's main markets with a total of 150,000 enterprises in the US alone.

(1)<http://www.marketsandmarkets.com/PressReleases/enterprise-collaboration.asp>

(2) Grandview Research

RELATED PARTY TRANSACTIONS

There were no related party transactions during the period.

FINANCIAL CALENDAR

Annual Report – 2019	June 2, 2020
Annual General Meeting	June 25, 2020
Interim Report – Q2 2020	Aug. 21, 2020
Interim Report – Q3 2020	Nov. 20, 2020

RISKS AND UNCERTAINTIES

An investment in Hoylu's shares is associated with certain risks.

Hoylu's business is affected, and may be affected, by numerous factors which are not possible for Hoylu at all, or in part, to control.

Such factors may adversely affect the Company's business, financial position and profits in the future or may lead to a decrease of the share price and that the investors could lose part or all of their investment.

Certain risks are associated with the Company and other do not have any specific connection to the Company. Investors should carefully analyze the specific risk factors as well as other information in the Company Description prior to deciding whether to make an investment in the Company or not.

ACCOUNTING PRINCIPLES

The interim report for Hoylu has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board on annual report, and consolidated financial statements BFNAR 2012: 1 (K3) as well as the Swedish Securities Market Act.

The K3 financial reporting framework is comparable to International Financial Reporting Standard's (IFRS) for Small and Medium enterprises. The parent company has in preparation of this interim report applied the same accounting and valuation principles as Hoylu.

AUDITORS REVIEW

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

SHARE DATA

The Hoylu share is listed on the Nasdaq First North Growth Market in Stockholm.

The total number of shares at the end of the period amounted to 29,277,575.

ABOUT HOYLU

Hoylu is a company with one goal: Take collaboration and information sharing into the future.

Through our customizable Connected Workspaces™ we deliver software solutions for companies, organizations and individuals across virtually all industries that enable all teams, big and small to work efficiently and securely in a fun and easy workflow. For more information: www.hoylu.com.

Financial Reports First Three Months 2020

CONSOLIDATED INCOME STATEMENT IN SUMMARY

KSEK	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	8,152	6,491	26,903
Cost of goods and services sold	-2,499	-1,948	-8,373
Gross profit	5,653	4,543	18,530
Development, Sales, and Administrative Costs	-10,512	-10,722	-49,648
Depreciation/Amortization	-1,334	-1,456	-5,690
Operating profit/loss	-6,194	-7,635	-36,808
Other financial items	-911	-885	-10,535
Profit before taxes	-7,105	-8,520	-47,343
Taxes	-4	-8	-40
Profit/loss for the period	-7,109	-8,528	-47,383
Key ratios:			
Gross margin	69.3%	70.0%	68.9%
Operating margin	Neg	Neg	Neg
Earnings per share before and after dilution	-0.26	-0.57	-2.38
Average number of shares before and after dilution	27,693,489	14,865,711	19,938,194

FINANCIAL REPORTS FIRST THREE MONTHS 2020

CONSOLIDATED BALANCE SHEET IN SUMMARY

KSEK	3/31/2020	3/31/2019	12/31/2019
Intangible fixed assets	56,868	42,553	51,069
Cumulative Amortization	-12,669	-7,844	-11,257
Intangible fixed assets	44,199	34,708	39,812
Tangible assets	3,543	3,019	3,300
Cumulative Depreciation	-2,646	-1,523	-2,261
Tangible assets	897	1,496	1,039
Financial fixed assets	588	7,424	544
Total fixed assets	45,684	43,628	41,395
Inventories	1,942	1,452	2,617
Accounts receivable	13,290	12,928	9,286
Other current assets	4,650	1,768	3,858
Liquid assets, including current investments	2,998	1,139	637
Total current assets	22,880	17,287	16,398
Total assets	68,564	60,915	57,793
Total equity	7,459	2,591	4,334
Other long term liabilities	82	82	0
Total long-term liabilities	82	82	0
Accounts payable	8,801	9,115	10,035
Other current liabilities	28,360	17,782	29,699
Convertible Notes	23,862	31,344	13,725
Total current liabilities	61,023	58,242	53,459
Total liabilities and shareholders equity	68,564	60,915	57,793

FINANCIAL REPORTS FIRST THREE MONTHS 2020

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

KSEK	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Operating Profit (Loss)	-6,194	-7,635	-43,766
Depreciation, amortisation	1,334	1,456	5,690
Impairment	0	0	6,957
Interest Received	0	0	0
Interest Paid	-902	-849	-3,704
Taxes	-4	-8	-40
Foreign exchange Gain or Loss	-10	-36	127
Translation differences	-643	3,558	857
Cash flow from operating activities before changes in working capital	-6,418	-3,514	-33,879
Change in operating receivables	-4,797	-173	1,380
Change in inventory	675	-25	-1,189
Change in operating liabilities	-2,574	5,053	9,851
Cash flow from operating activities	-13,113	1,341	-23,837
Intangible assets	-2,885	-3,098	-11,609
Fixed assets	-243	-40	-322
Cash flow from net capital expenditures	-3,128	-3,138	-11,931
Total cash flow before financing activities	-16,241	-1,797	-35,768
New share issue	8,465	0	43,052
Change in financial liabilities	10,137	2,461	-7,122
Cash flow from financing activities	18,602	2,461	35,930
Cash flow for the period	2,361	665	162
Liquid assets at the beginning of the period	637	475	475
Liquid assets at the end of the period	2,998	1,139	637

FINANCIAL REPORTS FIRST THREE MONTHS 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share Capital	Ongoing Share Issue	Other Capital Contributed	Translation Reserves	Profit/(Loss) Brought Forward	Shareholders Equity
Closing balance December 31, 2018	1,226	0	57,134	-70	-50,847	7,443
Profit/loss from Jan 1, 2019 to Dec. 31, 2019					-47,384	-47,384
Translation Differences				1,222		1,222
Convertible Note Conversion	527		25,053			25,580
Private Placement	309		13,191			13,500
Private Placement	49		1,661			1,710
Ongoing Share Issue		2,263				2,263
Closing balance December 31, 2019	2,111	2,263	97,039	1,152	-98,231	4,334
Profit/loss from Jan 1, 2020 to Mar. 31, 2020					-7,109	-7,109
Translation Differences				1,769		1,769
Ongoing Share Issue		-2,263				-2,263
Convertible Note Conversion	84		2,178			2,263
Private Placement	161		6,089			6,250
Rights Issue	57		2,158			2,215
Closing balance March 31, 2020	2,414	0	107,465	2,921	-105,340	7,459

KEY RATIOS

KSEK	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Cash flow for the period	2,361	-3,380	162
Cashflow / share before and after dilution (SEK) ¹	0.08	-0.23	0.01

	3/31/2020	12/31/2019
Equity/assets ratio	10.9%	9.5%
Number of shares	27,693,489	25,610,678
Shareholders equity per share (kr)	0.27	0.85

¹ Based on the weighted average number of shares and outstanding warrants for each period.

FINANCIAL REPORTS FIRST THREE MONTHS 2020

PARENT COMPANY – INCOME STATEMENT IN SUMMARY

TSEK	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	2,352	1,385	7,878
Cost of goods and services sold	-825	-279	-1,929
Gross profit	1,527	1,106	5,949
Development, Sales, and Administrative Costs	-2,660	-2,056	-16,848
Depreciation/Amortization/Impairment	-160	-293	-1,092
Operating profit/loss	-1,293	-1,243	-11,991
Other financial items	-523	-598	-2,571
Profit before taxes	-1,816	-1,841	-14,562
Taxes	0	0	0
Profit/loss for the period	-1,816	-1,841	-14,562

FINANCIAL REPORTS FIRST THREE MONTHS 2020

PARENT COMPANY –BALANCE SHEET IN SUMMARY

KSEK	3/31/2020	3/31/2019	12/31/2019
Intangible fixed assets	6,270	6,147	6,270
Cumulative Amortization	-1,837	-1,329	-1,789
Intangible fixed assets	4,433	4,818	4,481
Tangible assets	1,441	1,339	1,441
Cumulative Depreciation	-1,288	-838	-1,176
Tangible assets	153	502	265
Financial fixed assets	14,130	12,459	14,130
Total fixed assets	18,716	17,779	18,876
Inventories	1,370	1,047	2,058
Accounts receivable	4,816	4,608	3,076
Other current assets	96,642	59,880	83,007
Liquid assets, including current investments	120	244	180
Total current assets	102,948	65,779	88,321
Total assets	121,664	83,558	107,197
Total equity	71,384	34,392	64,736
Other long term liabilities	0	0	0
Total long-term liabilities	0	0	0
Accounts payable	4,716	5,228	5,257
Convertible Notes	23,862	31,344	23,479
Other current liabilities	21,702	12,594	13,725
Total current liabilities	50,280	49,166	42,461
Total liabilities and shareholders equity	121,664	83,558	107,197

Contact Details

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BOARD OF DIRECTORS

Bjorn Wallin, Chairman of the Board
Stein Revelsby, Member of the Board, CEO
Hans Othar Blix, Member of the Board
Ian Sandmael, Member of the Board

EXECUTIVE OFFICERS

Stein Revelsby, Member of the Board, CEO
Truls Baklid, COO and Deputy CEO
Karl Wiersholm, CFO
Travis Beaven, CPO

AUDITOR

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MARKETPLACE

Nasdaq First North Growth Market, Stockholm
Ticker: HOYLU

LEGAL DISCLAIMER

Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes.

Such factors include developments for customers, competitors, the impact of economic and market conditions, regulations, technological developments, exchange rates fluctuations and market conditions and political risks.