

Hexatronic Group AB (publ)

Interim report January – March 2024

Continued strong operating cash flow and contribution from new focus areas

First quarter (January 1 – March 31, 2024)

- Net sales decreased by 16 percent to MSEK 1,782 (2,115). Sales decreased organically by 27 percent.
- EBITA decreased by 54 percent to MSEK 168 (365), corresponding to an EBITA margin of 9.4 percent (17.2).
- Operating profit (EBIT) decreased by 59 percent to MSEK 138 (340), corresponding to an operating margin of 7.7 percent (16.1).
- Net profit decreased by 73 percent to MSEK 61 (224).
- Earnings per share after dilution amounted to SEK 0.31 (1.09).
- Leverage ratio (net debt/EBITDA (pro forma), R12) amounted to 2.0x compared to 1.7x as of December 31, 2023.
- Cash flow from operating activities amounted to MSEK 270 (28).

Significant events during the quarter

- The Board of Directors proposes to the Annual General Meeting that no payment of dividend will be made for the financial year 2023.
- Hexatronic merges its two Swedish wholly-owned subsidiaries, Hexatronic Cable & Interconnect Systems and Hexatronic Fiberoptic, forming Hexatronic Sweden. The merger aligns with Hexatronic's strategy to have a strong local fiber-to-the-home company in our selected markets.
- The Nomination Committee has informed the company that it intends to propose Magnus Nicolin for election as Chairman of the Board, at the Annual General Meeting on May 7, 2024.

Significant events since the end of the quarter

- Hexatronic announces changes in the company's executive management. Jakob Skov, Head of focus area Harsh Environment, will join the company's executive management as of April 2024 and in June 2024 Pernilla Grennfelt will join Hexatronic as Head of Investor Relations and join the company's executive management.

MSEK	Q1			R12	Full year
	2024	2023	Δ %	2023/24	2023
Net Sales	1,782	2,115	-16%	7,817	8,150
EBITA	168	365	-54%	1,037	1,234
EBITA-margin	9.4%	17.2%		13.3%	15.1%
Operating result (EBIT)	138	340	-59%	920	1,122
Net earnings	61	224	-73%	683	846
Earnings per share after dilution, SEK	0.31	1.09	-72%	3.38	4.17
Cash flow from operating activities	270	28		1,187	944
Liquid assets	795	509	56%	795	813

Continued strong operating cash flow and contribution from new focus areas

During the first quarter we had a continued strong operating cash flow of MSEK 270, compared to MSEK 28 in the corresponding period last year, primarily driven by continued inventory optimization according to the strategy. As previously communicated, the market in Fiber Solutions is negatively affected by high financing costs, cost inflation and high inventory levels in some geographical markets. Combined with an very strong first quarter last year, the Group experienced negative growth in the first quarter of 16 percent compared to the corresponding period last year and 4 percent compared to the previous quarter. Our new focus areas Harsh Environment and Data Center, partly offset the decline in Fiber Solutions and are beginning to constitute an increasingly relevant part of the Group's total sales, with good profitability. This is an important sign that our diversification strategy is yielding positive results. Going forward, we will clarify the roles of these areas within the Group.

Profitability in line with the previous quarter

Profitability has continued to be affected by lower capacity utilization and price pressure in several markets. The EBITA margin in the quarter was 9.4 percent, compared with 17.2 percent in the corresponding period last year and 9.1 percent compared with the previous quarter.

New focus areas continue to represent a more significant part of total sales

Sales in Harsh Environment totaled MSEK 259 in the first quarter, an increase from MSEK 52 in the corresponding quarter last year. The growth is driven by the acquisitions of Rochester Cable and Fibron Cable, active in dynamic hybrid cables for applications mainly in energy and defense.

In Harsh Environment, not least with the current security situation in the world, there is a generally strong demand in defense and energy markets that we believe will remain for a long time to come. We are currently seeing a substantial expansion of existing sea-based infrastructure and great interest in renewable sea-based energy production. This is driving investments in, for example, Remotely Operating Vehicles (ROVs) that rely entirely on dynamic hybrid cables for their operation.

Sales in Data Center amounted to MSEK 256 in the first quarter, an increase from MSEK 182 in the corresponding period last year. The majority of the growth is organic, and the remaining part is attributable to the acquisition of the data center company USNet in the US.

During the quarter, growth was strong in the product and service business in both of our main geographical markets, the US and Europe. The accelerating implementation of artificial intelligence (AI), which requires significant processing power, is driving the expansion of data centers globally.

North America

North America showed a negative sales development of 8 percent in the quarter. The acquisitions of Rochester Cable and USNet contributed positively but were offset by lower sales for Blue Diamond Industries.

Sales of FTTH systems in the US and Canada were slightly weaker than in the corresponding quarter last year, mainly due to project delays.

The construction of the new duct factory in Ogden, Utah, is proceeding according to plan and is expected to be ready for production in the third quarter of 2024. The plant expands our addressable market for duct to include the western United States, which is a significant market.

Europe

In the quarter, sales in Rest of Europe decreased by 21 percent compared to the corresponding period last year. The decrease is explained by the weaker development in Fiber Solutions, particularly in Germany and the UK, combined with the fact that the corresponding quarter last year was very strong. The acquisition of Fibron Cable contributed positively and in line with our expectations.

Sales in Sweden decreased by 8 percent, where we saw slightly lower activity in the FTTH market.

APAC

In APAC, sales decreased by 25 percent compared to the corresponding period last year, mainly due to a submarine cable project delivered to South Korea last year. Although, sales during the quarter were in line with the previous quarter.

Continued financial flexibility

We continue to have good financial flexibility for the creation of long-term value. Interest-bearing net debt (i.e. excluding IFRS 16) was largely in line with the previous quarter and amounted to MSEK 2,102 at the end of the quarter.

The interest-bearing net debt in relation to proforma EBITDA on 12-months basis, key ratio that reflects our existing bank covenant, increased from 1.4x to 1.7x during the quarter. The increase is due to lower profitability in the first quarter compared to a very strong first quarter last year.

Outlook for 2024 and beyond

In Harsh Environment and Data Center we expect market demand to remain strong during the rest of the year and beyond, mainly driven by investments in defense, energy and AI.

In Fiber Solutions we expect the market to remain weak in the coming quarters and then a gradual increase in demand in the latter part of the year. However, we see strong underlying structural trends, supporting global build-out in the long term.

The Group's order book at the end of the first quarter corresponded to just over two months of sales, which is unchanged compared to the end of 2023.

Welcome to join us on our growth journey.

Henrik Larsson Lyon

President and CEO Hexatronic Group AB (publ)



Net sales and earnings

First quarter (January 1 – March 31, 2024)

Net sales and growth

The Group's net sales during the first quarter decreased by 16 percent to MSEK 1,782 (2,115). Sales in the quarter decreased organically by 27 percent and is primarily attributable to a weaker market in Germany, US and UK. Growth from acquisitions amounted to 11 percent and is attributable to Rochester Cable, Fibron Cable, ATG and USNet. Currency effects in the quarter amounted to 0 percent.

In the quarter, net sales in Rest of Europe decreased by 21 percent compared to the corresponding period last year. Explained by the weaker development in Fiber Solutions, particularly in Germany and the UK, combined with the fact that the corresponding quarter last year was very strong. The acquisition of Fibron Cable contributed positively and in line with our expectations. North America showed a negative sales development of 8 percent in the quarter. The acquisitions of Rochester Cables and USNet contributed positively but were offset by a decrease in duct sales for Blue Diamond Industries. In APAC, net sales decreased by 25 percent compared to corresponding period last year. Mainly due to a submarine cable project delivered to South Korea last year. Net sales in Sweden decreased by 8 percent, where we saw slightly lower activity in the FTTH market.

Net sales in Fiber Solutions decreased by 33 percent compared to the corresponding period last year. The decrease is mainly explained by a weaker market due to high financing costs, cost inflation and high inventory levels in some geographical markets. Net sales in Harsh Environment showed a growth of 397 percent compared to the corresponding quarter last year. The increase is driven by the acquisitions of Rochester Cable and Fibron Cable. Net sales in Data Center increased by 40 percent compared to the corresponding quarter last year, where most of the growth is organic but also partly attributable to the acquisition of USNet.

Analysis of change in net sales (MSEK)	Q1		Q1	
	2024	(%)	2023	(%)
Previous year's quarter	2,115	-	1,388	-
Organic growth	-565	-27%	335	24%
Acquisitions and structural changes	234	11%	314	23%
Exchange-rate effects	-2	0%	77	6%
Current quarter	1,782	-16%	2,115	52%

Geographical net sales (MSEK)	Q1 2024	Allocation (%)	Growth (%)
Sweden	165	9%	-8%
Rest of Europe	786	44%	-21%
North America	692	39%	-8%
APAC and Rest of the world	139	8%	-25%
Total	1,782	100%	-16%

Focus areas net sales (MSEK)	Q1 2024	Allocation (%)	Growth (%)
Fiber Solutions	1,267	71%	-33%
Harsh Environment	259	15%	397%
Data Center	256	14%	40%
Total	1,782	100%	-16%

EBITA

EBITA decreased 54 percent to MSEK 168 (365) in the quarter, corresponding to an EBITA margin of 9.4 percent (17.2). The lower EBITA margin is affected negatively by price pressure in several markets and lower capacity utilization in our factories, resulting in higher operating costs in relation to revenue as well as a lower gross profit margin.

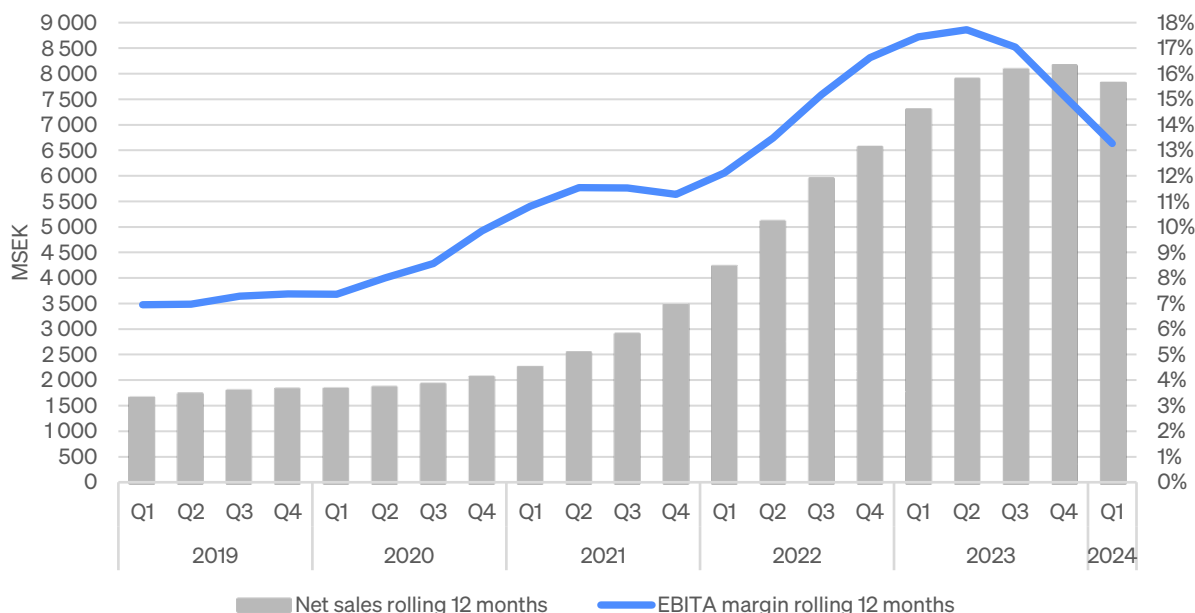
Financial items

Net financial items during the quarter amounted to MSEK -47 (-42), whereof net interest amounted to MSEK -50 (-28), realised and unrealised foreign exchange differences to MSEK 8 (1) and other financial items to MSEK -5 (-14). Other financial items include revaluation of the additional purchase price and acquisition option of MSEK -4 (-11).

Result

Net earnings for the first quarter amounted to MSEK 61 (224) and earnings per share after dilution decreased by 72 percent to SEK 0.31 (1.09). Tax for the quarter was MSEK -29 (-74), and the average effective tax rate for the Group was 32.4 percent (24.9) for the quarter. The effective tax rate during the quarter was affected negatively by non-deductible interest.

Net sales (MSEK) and EBITA margin (%) since 2019, rolling 12 months



Cash flow and investments

Cash flow from operating activities during the quarter amounted to MSEK 270 (28), including a change in working capital of MSEK 155 (-340). During the first quarter, we have continued the work to optimise our inventories, which resulted in a reduction in inventory levels of MSEK 88. Due to holidays in connection with the quarterly closing, accounts receivable and accounts payable have been slightly affected by deferred payments which been carried out during the first week of April.

During the quarter, cash flow from the Group's investing activities amounted to MSEK -160 (-722). Investments in intangible and tangible fixed assets amounted to MSEK -68 (-126), mainly driven by capacity investments in the US. Cash flow effect related to business combinations after deduction of acquired cash and cash equivalents amounted to MSEK -80 (-596) and relates to payment of additional purchase price related to the acquisition of Fibron Cable and USNet. In addition, a minor add-on acquisition was made during the quarter in form of MConnect. Also, a minor investment in a joint-venture company affected cash flow during the quarter.

During the quarter, cash flow from the Group's financing activities amounted to MSEK -156 (660). The change is mainly explained by amortization of utilised RCF of an amount of -124 MSEK (-1) and amortization of lease liabilities MSEK -31 (-20).

Total cash flow for the quarter amounted to MSEK -46 (-34).

Liquidity and financial position

The Group's net debt

The Group's net debt amounted to MSEK 2,690 at the end of the reporting period, compared to a net debt of MSEK 2,678 as of December 31, 2023. The leverage ratio (net debt / EBITDA (pro forma), R12) as of March 31, 2024, amounted to 2.0x, compared to 1.7x as of December 31, 2023.

The Group's interest-bearing net debt, which corresponds to net debt excluding lease liabilities, amounted to MSEK 2,102 as of March 31, 2024, compared to MSEK 2,111 on December 31, 2023.

Available funds

Available funds on March 31, 2024, including unutilized credit facilities, amounted to MSEK 1,793, compared to MSEK 1,732 as per December 31, 2023.

Equity

As of March 31, 2024, equity amounted to MSEK 3,692, corresponding to SEK 18.18 per outstanding share at the end of the reporting period before dilution, compared to equity of MSEK 3,438 as of December 31, 2023.

The market

The buildout of fiber optic infrastructure is crucial to supporting modern life's digital demands, driving economic growth, and preparing for future technological advancements. As data volumes continue to rise, the need for fiber network investment has become increasingly apparent, and the major buildout of data centers is emerging as a key indicator of this trend.

The FTTH rollout continues steadily, and several government initiatives in Hexatronic's strategic growth markets are expected to support the continued expansion of fiber optic infrastructure in the coming years. FTTH Council FTTH/B Market Panorama and Global ranking data on penetration rate from September 2023 shows that the share of households subscribing to a service through FTTH/FTTB is still low in Germany (10%), the UK (17%) and the US (24%). At the same time, the total number of households in these countries is high, indicating significant potential. According to FTTH Council Europe and RVA's forecasts, 120 million households in Germany, the UK, and the US are predicted to have access to fiber-optic connectivity by 2028. In mature markets, like Sweden, which has a penetration rate of 70%, effort is put into maintaining and improving existing infrastructure and upgrading transport networks. The need for long-haul transport networks constantly increases worldwide as new networks are established and existing ones are enhanced. The Hexatronic offering brings cost-efficient end-to-end solutions to any fiber optic project, from backbone networks to drop connections, to support the market needs ahead.

Accelerated digitalization has led to a booming Data Center market. The rapid rise of AI, high-performance computing, and capacity demands from cloud service providers are key factors behind the quick growth. The market can be divided into the segments hyperscale, enterprise, and colocation. The demand for hyperscale data centers is growing fastest – the high-performance computing in these data centers can power AI and its applications. As an alternative to enterprise data centers, many companies now seek colocation facilities to reduce costs, while maintaining control and ownership of the physical servers. In the massive buildout of data centers worldwide, structured cabling and data center expertise on installation and relocation are sought after. Sustainable and innovative solutions will likely be essential to succeed in the energy-consuming data center market.

In a Harsh Environment, the energy and defense markets increase rapidly. The energy sector drives a significant buildout of offshore infrastructure. Some of the world's largest countries turn to the ocean to increase energy generation from renewables. As the sector expands offshore, there is a massive demand for underwater robots or ROVs to manage the buildout and maintenance of the underwater infrastructure. The ROVs, in turn, depend entirely on dynamic cables bringing power, hydraulics, and fiber connections to get the job done. Given the renewed unrest in the world the defense market continues the expansion. Especially aviation and marine applications are demanding sophisticated optical sensing and communication systems. Furthermore, there is a rising acceptance of optical solutions for industrial applications, indicating potential ahead.

Acquisitions

Acquisitions during the quarter

During the quarter, Hexatronic completed a small add-on acquisition to the Data Center company IDS, the UK based company MConnect, which will contribute to increased profitability in IDS.

During the quarter, Hexatronic has completed a small investment of a joint venture company through 50% ownership together with a current supplier. The purpose of the investment is to capitalise on manufacturing capacity for several of Hexatronic's end markets, including the strategic growth markets of North America, Germany and the UK.

Acquisitions during the year

Company	Country	Consolidated from	Acquired share, %	EBITDA ¹⁾	Number of employees
MConnect, Ltd	UK	2024-02-02	97%	Not significant	2
SH Connectivity	South Korea	2024-02-06	50%	N/A	-

¹⁾ Last reported full year

Acquisitions after the end of the quarter

No additional acquisitions were made after the end of the quarter.

Sustainability

Hexatronic aims to be at the forefront of creating sustainable solutions within fiber infrastructure for segments such as telecom, energy storage, and energy. Enabling non-stop connectivity helps accelerate digital transformation, which is key to solving many of today's challenges and builds the foundations for greener, smarter, and safer societies.

Our three sustainability focus areas are Planet, People, and Ethics. These areas form the basis of our 2030 Sustainability Roadmap. For us to succeed, we ensure that sustainability is an integrated part of our business and that our company culture leads the way. We engage and collaborate to find the best solutions and increase awareness through training, communication, and sharing best practices.

We are proud and active members of several national, European, and global sustainability organizations. As participants in the Global Compact, we commit to following the Ten Principles of the United Nations (UN) Global Compact and contributing to Agenda 2030. Each sustainability focus area with related goals and metrics is connected to the Sustainable Development Goals and the Ten Principles. We are committed to facilitating digitalization and driving sustainability in our field as a member of the FTTH Sustainability Committee, which compiles best practices in deploying fiber networks and drives climate action in the FTTH value chain.

Read about Hexatronic's targets, activities, and progress in our Annual and Sustainability Report 2023.

Other disclosures

Nature of operations

Hexatronic Group AB (publ) is a technology group specializing in fiber infrastructure. The Group strongly focuses on complete solutions with associated support and training and operates in the business areas of Fiber Solutions, Harsh Environment, Data Center and Wireless.

The Group develops, designs, manufactures, and sells its products and system solutions combined with products from leading partners. Hexatronic is customer-centric and has a local presence worldwide, with the key strategic markets of North America,

Germany and the UK. Guided by the 2030 Sustainability Roadmap, Hexatronic actively integrates the three prioritized sustainability areas, Planet, People, and Ethics, in the business.

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

Customers

The Group's customers are mainly wholesalers, telecom operators, network owners, telecom companies, installers, and system houses, defense companies and co-location operators for data center and hyperscale's.

Employees

There were 1,991 employees in the Group on March 31, 2024, to be compared with 1,961 employees as of December 31, 2023.

Parent company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period January to March amounted to MSEK 33 (27) and the result after financial items was MSEK -117 (-35). The change compared to the previous year is entirely explained by negative currency effects on the revaluation of receivables and liabilities in foreign currency.

Share structure

The company's share is listed in the Mid Cap segment on Nasdaq Stockholm. At the end of the period the share capital amounted to MSEK 2.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Ordinary share, 1 vote per share	203,026,610	203,026,610	98.9%	99.9%
Class C share, 1/10 vote per share	2,297,040	229,704	1.1%	0.1%
Total number of shares before repurchases	205,323,650	203,256,314	100%	100%
Repurchased class C shares	-2,297,040		1.1%	0.1%
Total number of shares after repurchases	203,026,610			

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

Outstanding warrant programme	Number of warrantes	Corresponding Number of shares	Proportion of total Shares	Exercise price	Expiration period
Warrant programme 2021/2024	333,500	1,667,500	0.8%	37.93	15 May - 15 Jun -24
Warrant programme 2022/2025	478,000	478,000	0.2%	96.96	15 May - 15 Jun -25
Warrant programme 2023/2026	383,500	383,500	0.2%	96.20	15 May - 15 Jun -26
Total	1,195,000	2,529,000	1.2%		

In addition to above warrant programmes, there are three ongoing long-term, performance-based incentive plans (LTIP 2021, 2022 and 2023) for 43 senior executives and other key employees in the Group who are resident in Sweden. The participants have invested 230,646 savings shares in total.

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

The targets relate to the 2021-2025 financial years. Hexatronic has judged that all the above conditions are non-market related conditions under IFRS 2.

The company's market value at the end of the period was MSEK 6,759. Based on data from Euroclear and subsequent known changes the number of shareholders was 61,228 at period end. The shareholder structure of Hexatronic Group AB (publ) on March 31, 2024, is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
Handelsbanken Funds	14,898,200	7.4%
AMF Pension & Funds	14,064,491	7.0%
Accendo Capital	12,207,134	6.0%
Jonas Nordlund, privately and corporately	11,062,562	5.5%
Chirp AB	8,929,360	4.4%
Avanza Pension	7,873,485	3.9%
Vanguard	7,132,497	3.5%
Third AP fund	6,195,481	3.1%
Bank of Norway	5,024,494	2.5%
Nordnet Pension	4,840,150	2.4%
Other shareholders	110,798,756	54.5%
Total outstanding shares	203,026,610	100.0%

Transactions with related parties

The Group rents premises from Fastighets AB Balder, in which the Group's board member Erik Selin has a significant influence. The rental contract has been entered under normal commercial conditions. The rent for the premises amounts to approximately MSEK 7 annually.

Significant risks and uncertainties

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

Several risk areas have been identified in Hexatronic's risk management process. Hexatronic has divided identified risks into operational risks, market risks and financial risks. A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2023 on page 70-75.

We expect the market demand in Fiber Solutions to remain weak in the coming quarters. The main reasons are high financing costs, cost inflation and high inventory levels in some geographical markets.

Fiber optic networks are a critical infrastructure and the degree of expansion is still low in many countries, such as the US, Germany and the UK. Therefore, we see strong underlying structural trends supporting global build out. Primarily privately financed projects but also projects financed by subsidies from several government investment programs such as the BEAD program in the US, Gigabit Strategy in Germany and Project Gigabit UK. Similar programs exist in most countries.

Governmental subsidies are expected to have an increased positive impact on the market going forward. In combination with normalizing inventory levels, we expect a gradual market recovery in the latter part of the year.

Accounting policies

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

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

For full accounting policies, see the Annual Report for 2023.

Review

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

Other information

Presentation of the interim report

Henrik Larsson Lyon, CEO, of Hexatronic Group and Pernilla Lindén, CFO, of Hexatronic Group, will present the interim report in a telephone conference today, April 26, 2024, at 10:00 CEST.

Link to webcast:

<https://ir.financialhearings.com/hexatronic-group-q1-report-2024>

Link to register for the teleconference:

<https://conference.financialhearings.com/teleconference/?id=5007134>

Presentation materials and a recording will be made available on Hexatronic's website after the presentation via the following link:

<https://group.hexatronic.com/en/financial#financial-reports>.

Publication

This is information that Hexatronic Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on April 26, 2024, at 07:00 CEST.

Financial calendar

Interim Report April-June 2024: July 16, 2024

Interim Report July-September 2024: October 25, 2024

Year-End Report 2024: February 6, 2025

Annual General Meeting

The Annual General Meeting for the financial year 2023 will be held on May 7, 2024.

Please direct any questions to:

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

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

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

Gothenburg, April 26, 2024

Anders Persson
Chairman

Erik Selin
Board member

Helena Holmgren
Board member

Jaakko Kivinen
Board member

Per Wassén
Board member

Charlotta Sund
Board member

Henrik Larsson Lyon
President and CEO

Consolidated income statement

(MSEK)	2024	2023	2023
	Q1	Q1	Full year
Revenue			
Net sales	1,782	2,115	8,150
Other operating income	23	23	90
Total	1,804	2,138	8,240
Operating expenses			
Raw materials and goods for resale	-1,060	-1,170	-4,646
Other external costs	-185	-242	-925
Personnel costs	-304	-304	-1,147
Other operating expenses	-14	-9	-60
Depreciation of tangible assets	-72	-48	-228
Earnings before amortisation of intangible assets (EBITA)	168	365	1,234
Amortisation of intangible assets	-30	-25	-113
Operating result (EBIT)	138	340	1,122
Result from financial items			
Financial items, net	-47	-41	-1
Result after financial items	91	299	1,121
Income taxes	-29	-74	-275
Net result for the period	61	224	846
Attributable to:			
Parent Company shareholders	62	224	848
Non-controlling interest	-1	0	-2
Net result for the period	61	224	846
Earnings per share			
Earnings per share before dilution (SEK)	0.31	1.10	4.18
Earnings per share after dilution (SEK)	0.31	1.09	4.17
	2024	2023	2023
Consolidated statement of comprehensive income	Q1	Q1	Full year
Result for the period	61	224	846
Items which can later be recovered in the income statement			
Translation differences	265	-31	-196
Hedging of net investments	-96	0	69
Tax attributable to items that can be returned to the income statement	20	0	-14
Other comprehensive income for the period	188	-31	-142
Comprehensive income for the period	249	194	704
Attributable to:			
Parent Company shareholders	249	193	706
Non-controlling interest	1	1	-2
Comprehensive income for the period	249	194	704

Consolidated balance sheet

(MSEK)	Note	2024-03-31	2023-03-31	2023-12-31
Assets				
Non-current assets				
Intangible assets		3,097	2,706	2,978
Tangible assets		2,393	1,877	2,279
Financial assets		17	5	5
Total non-current assets		5,507	4,588	5,263
Current assets				
Inventories		1,352	1,793	1,393
Account receivables		1,250	1,343	1,124
Other receivables		27	12	25
Prepaid expenses and accrued income		111	101	116
Liquid assets		795	509	813
Total current assets		3,536	3,759	3,470
TOTAL ASSETS		9,044	8,346	8,733
Equity				
Equity		3,692	3,002	3,438
Non-current liabilities				
Liabilities to credit institutions	4	2,747	2,481	2,774
Deferred tax		254	199	248
Non-current lease liabilities		482	366	476
Other non-current liabilities	5	340	487	304
Total non-current liabilities		3,823	3,533	3,803
Current liabilities				
Liabilities to credit institutions	4	151	100	150
Current lease liabilities		106	68	91
Overdraft facilities		-	6	-
Accounts payable		637	812	510
Provisions		43	13	59
Current tax liabilities		50	147	88
Other liabilities	5	169	241	249
Accrued expenses and deferred income		372	423	347
Total current liabilities		1,529	1,811	1,493
TOTAL EQUITY, PROVISION AND LIABILITIES		9,044	8,346	8,733

Consolidated statement of changes in equity

	Share Capital	Other capital contributions	Reserves	Hedging reserve	Result brought forward, including result for the period	Total	Non-controlling interests	Total equity
(MSEK)								
Balance brought forward as of 1 January 2023	2	938	325	0	1,503	2,768	37	2,805
Result for the period	-	-	-	-	848	848	-2	846
Other comprehensive income	-	-	-196	54	-	-141	0	-142
Total comprehensive income	0	0	-196	54	848	706	-2	704
New shares related to employee stock option programme	-	16	-	-	-	16	-	16
Employee stock option programme	-	5	-	-	-	5	-	5
Share-based remuneration	0	-	-	-	8	8	-	8
Repurchase of shares	-	-	-	-	-81	-81	-	-81
Dividend paid	-	-	-	-	-20	-20	-	-20
Total transactions with shareholders, reported directly in equity	0	21	0	0	-93	-72	0	-72
Balance carried forward as of 31 December 2023	2	959	129	54	2,258	3,402	35	3,438
Balance brought forward as of 1 January 2024	2	959	129	54	2,258	3,402	35	3,438
Result for the period	-	-	-	-	62	62	-1	61
Other comprehensive income	-	-	263	-77	-	187	1	188
Total comprehensive income	0	0	263	-77	62	249	1	249
Employee stock option programme	-	1	-	-	-	1	-	1
Share-based remuneration	-	-	-	-	4	4	-	4
Total transactions with shareholders, reported directly in equity	0	1	0	0	4	5	0	5
Balance carried forward as of 31 March 2024	2	960	392	-22	2,324	3,656	36	3,692

Consolidated statement of cash flow

(MSEK)	Note	2024 Q1	2023 Q1	2023 Full year
Operating result		138	340	1,122
Items not affecting cash flow	3	91	97	409
Interest received		1	1	8
Interest paid		-45	-27	-156
Income tax paid		-69	-42	-282
Cash flow from operating activities before changes in working capital		116	368	1,100
Increase (-)/decrease (+) in inventories		88	-63	329
Increase (-)/decrease (+) in accounts receivable		-64	-253	26
Increase (-)/decrease (+) in operating receivables		8	-15	-4
Increase (+)/decrease (-) in accounts payable		128	-31	-391
Increase (+)/decrease (-) in operating liabilities		-4	22	-116
Cash flow from changes in working capital		155	-340	-156
Cash flow from operating activities		270	28	944
Investing activities				
Acquisition of tangible and intangible assets		-68	-126	-518
Acquisition of subsidiaries after deduction of acquired liquid assets		-80	-596	-907
Change in financial assets		-12	0	0
Cash flow from investing activities		-160	-722	-1,426
Financing activities				
Borrowings		-	675	1,635
Amortisation of loans		-124	-1	-688
Amortisation of lease liabilities		-31	-20	-92
Changes in overdraft facilities		-	6	-
Repurchase of shares		-	-	-81
New shares related to employee stock option programme		-	-	16
Dividend paid		-	-	-20
Cash flow from financing activities		-156	660	769
Cash flow for the period		-46	-34	288
Liquid assets at the start of the period		813	552	552
Exchange rate difference in liquid assets		28	-9	-28
Liquid assets at the end of the period		795	509	813

Key metric for the Group

	2024	2023	2024	2023
	Q1	Q1	Q1, R12	Full year
Growth in net sales	-16%	52%	7%	24%
EBITA margin	9.4%	17.2%	13.3%	15.1%
EBITA margin, 12 months rolling	13.3%	17.4%	13.3%	15.1%
Operating margin	7.7%	16.1%	11.8%	13.8%
Equity asset ratio	40.8%	36.0%	40.8%	39.4%
Earnings per share before dilution (SEK)	0.31	1.10	3.38	4.18
Earnings per share after dilution (SEK)	0.31	1.09	3.38	4.17
Net sales per employee (SEK thousand)	932	1,167	4,087	4,211
Result per employee (SEK thousand)	32	124	359	438
Quick asset ratio	143%	109%	143%	139%
Cash flows from operating activities	270	28	1,187	944
Average number of employees	1,912	1,812	1,913	1,935
Number of shares at period end before dilution	203,026,610	203,026,610	203,026,610	203,026,610
Average number of shares before dilution	203,026,610	203,026,610	203,026,610	203,026,610
Average number of shares after dilution	203,026,610	205,529,820	203,197,570	203,454,005

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

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

Parent Company income statement

(MSEK)	2024 Q1	2023 Q1
Revenue		
Net sales	33	27
Total	33	27
Operating expenses		
Other external costs	-26	-29
Personnel costs	-22	-16
Other operating expenses	0	0
Depreciation of tangible assets	0	0
Earnings before amortisation of intangible assets (EBITA)	-16	-18
Amortisation of intangible assets	-1	-1
Operating result (EBIT)	-16	-19
Result from financial items		
Financial items, net	-100	-16
Result after financial items	-117	-35
Appropriations	-	-
Result before tax	-117	-35
Income taxes	19	7
Net result for the period	-97	-28

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

Parent Company balance sheet

(MSEK)	2024-03-31	2023-03-31	2023-12-31
Assets			
Intangible assets	7	8	6
Tangible assets	1	1	1
Financial assets	4,476	4,192	4,418
Total non-current assets	4,484	4,201	4,425
Current receivables			
Receivables from Group companies	289	459	450
Current tax receivables	21	6	1
Other receivables	2	2	2
Prepaid expenses and accrued income	13	12	8
Total current receivables	324	478	462
Cash and bank balances	54	-	173
Total current assets	378	478	635
TOTAL ASSETS	4,862	4,680	5,060
Equity	889	1,088	983
Untaxed reserves	29	29	29
Non-current liabilities			
Liabilities to credit institutions	2,733	2,469	2,760
Other non-current liabilities	315	472	282
Total non-current liabilities	3,048	2,940	3,042
Current liabilities			
Liabilities to credit institutions	151	100	150
Accounts payable	-	6	-
Provisions	10	11	16
Liabilities to Group companies	3	-	5
Current tax liabilities	648	406	668
Other liabilities	58	59	146
Accrued expenses and deferred income	27	41	21
Total current liabilities	895	622	1,006
TOTAL EQUITY, PROVISIONS AND LIABILITIES	4,862	4,680	5,060

Notes

Note 1 Revenue

January-March 2024					
Geographical markets	Sweden	Rest of Europe	North America	APAC/ Rest of the world	Total
Revenue from external customers	165	786	692	139	1,782
Category					
Goods	151	695	644	133	1,622
Services	14	91	47	7	159
Total	694	786	692	139	1,782
Time for revenue recognition					
At a given time	151	638	631	131	1,551
Over time	14	148	61	8	231
Total	165	786	692	139	1,782
January-March 2023					
Geographical markets	Sweden	Rest of Europe ¹	North America	APAC/ Rest of the world	Total
Revenue from external customers	178	998	752	187	2,115
Category					
Goods	168	915	726	186	1,995
Services	10	83	26	1	120
Total	178	998	752	187	2,115
Time for revenue recognition					
At a given time	168	915	726	186	1,995
Over time	10	83	26	1	120
Total	178	998	752	187	2,115

¹ Split between goods/ services and at a given time / over time, has for 2023 been adjusted in Rest of Europe to reflect the correct breakdown.

Note 2 Business acquisitions

Acquisitions 2024

On February 2, 2024, the Group acquired 97% of the share capital of MConnect, Ltd ("MConnect") for a fixed purchase consideration of MGBP 0,6 on a debt free basis. The acquisition of MConnect includes a put/call option to acquire the remaining 3% after 2027. Both parties have the right to exercise the option and it is considered likely that the option will be exercised, hence the acquisition is recognized at 100% with no non-controlling interest. The expected purchase price for the remaining 3% is recognized as a liability with any changes in value through the income statement.

The acquisition has not had any material impact on Hexatronic's balance sheet, net sales and earnings for the period.

Acquisitions 2023

On March 3, 2023, the Group completed the asset purchase agreement to acquire all business activity of Rochester Cable ("Rochester") for a fixed purchase consideration of MUSD 55 on a debt free basis (excluding ND/NWC adjustment of MUSD -4.5).

On August 18, 2023, the Group acquired 100% of the share capital of Fibron XB Ltd ("Fibron") for a fixed purchase consideration of MGBP 25 on a debt free basis (excluding ND/NWC adjustment of MGBP -5.5), and contingent purchase consideration calculated at net present value of maximum MGBP 7.

On September 1, 2023, the Group acquired 100% of the share capital of ATG Technology Group Limited ("ATG") for a purchase consideration of MNZD 0.9.

On October 1, 2023, the Group acquired 95% of the share capital of USNet for a fixed purchase consideration (excluding ND/NWC adjustment) of MUSD 5.5, and contingent purchase consideration calculated at net present value of maximum MUSD 0.9. The acquisition of USNet includes a put/call option to acquire the remaining 5% after 2027. Both parties have the right to exercise the option and it is considered likely that the option will be exercised, hence the acquisition is recognized at 100% with no non-controlling interest. The expected purchase price for the remaining 5% is recognized as a liability with any changes in value through the income statement.

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

Preliminary Purchase price (MSEK)	
Liquid assets	865
Contingent purchase consideration (not paid)	108
Holdback purchase consideration (not paid)	2
Option to acquire remaining 5% of USNet (not paid)	14
Total purchase price	988

Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	75
Tangible and intangible assets	225
Customer relations	168
Financial assets	-
Accounts receivable	173
Inventories	168
Other receivables	44
Financial liabilities	-132
Other liabilities	-251
Total identifiable net assets	470
Non-controlling interests	-
Goodwill	518

Acquisition-related costs of MSEK 23 are included in other external costs in the consolidated statement of comprehensive income for the 2023 financial year. Total cash flow, excluding acquisition-related costs, attributable to the business combinations amounted to MSEK 790. Goodwill is attributable to the earning capacity that the companies are expected to bring.

Subject to the agreement of contingent purchase consideration, the Group will pay a maximum of MSEK 98 for Fibron based on EBITDA for the full year 2023 and MSEK 10 for USNet based on EBITDA for the full year 2023 and 2024.

The fair value of account receivables totals MSEK 173. Doubtful accounts receivables amount to MSEK 3 and are reserved.

The value of tax-deductible goodwill amounts to MSEK 158.

Since the acquisition date, net sales of MSEK 688 have been included in the consolidated income statement from the acquired companies during 2023. The acquired companies generated an EBITDA of MSEK 80 during the same period.

If the acquired companies had been consolidated from January 1, 2023, the consolidated income statement for the period January to December would have increased with net sales of MSEK 1,178 and EBITDA of MSEK 158.

Note 3 Items not affecting cash flow

(MSEK)	2024 Q1	2023 Q1	2023 Full year
Depreciation/amortisation	102	73	340
Revaluation of incentive programmes	7	11	-12
Change inventory obsolescence reserve	1	11	26
Other provisions	-18	0	51
Exchange rate differences	0	3	0
Other	0	-1	4
Total	91	97	409

Note 4 Liabilities to credit institutions

(MSEK)	2023-12-31	Cash flow		Items not affecting cash flow				2024-03-31
		Borrowings	Amortisation of loan	Acquisitions	Reclassification	Currency effects	Cost of financing	
Non-current liabilities to credit institutions	2,774	-	-124	-	-	96	1	2,747
Current liabilities to credit institutions	150	-	-	-	-	1	-	151
Total	2,924	0	-124	0	0	96	1	2,897

Note 5 Financial liabilities valued at fair value via the income statement

(MSEK)	2023-12-31	Cash flow	Items not affecting cash flow			2024-03-31
		Payments	Acquisitions during the year	Translation differences	Revaluation over the income statement	
Additional purchase price / acquisition option	461	-74	17	2	4	409

Reconciliation between IFRS and key metrics used

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

Organic growth, MSEK, %	Q1 2024	Full year 2023	
Net sales	1,782	8,150	
Exchange-rate effects	2	-294	
Acquisition driven	-234	-1,454	
Comparable net sales	1,549	6,402	
Net sales corresponding period previous year	2,115	6,574	
Organic growth	-565	-172	
Organic growth %	-27%	-3%	
Annual growth, rolling 12 months, %	Q1 2024	Q1 2023	Full year 2023
<i>Net sales rolling 12 months</i>	7,817	7,300	8,150
Annual growth, rolling 12 months	7%	72%	24%
Quick asset ratio, %	2024-03-31	2023-03-31	2023-12-31
Current assets	3,536	3,759	3,470
Inventories	-1,352	-1,793	-1,393
<i>Current assets less inventories</i>	2,185	1,965	2,077
Current liabilities	1,529	1,811	1,493
Quick asset ratio	143%	109%	139%
Core working capital, MSEK	2024-03-31	2023-03-31	2023-12-31
Inventories	1,352	1,793	1,393
Accounts receivable	1,250	1,343	1,124
Accounts payable	-637	-812	-510
Core working capital	1,965	2,324	2,008

Net debt, MSEK	2024-03-31	2023-03-31	2023-12-31
Non-current liabilities to credit institutions	2,747	2,481	2,774
Current liabilities to credit institutions	151	100	150
Overdraft facilities	-	6	-
Liquid assets	-795	-509	-813
Interest-bearing net debt	2,102	2,078	2,111
Non-current lease liabilities	482	366	476
Current lease liabilities	106	68	91
Net debt	2,690	2,512	2,678

EBITDA and EBITDA (proforma) R12, MSEK	Q1 2024	Q1 2023	Full year 2023
Operating result (EBIT), R12	920	1,197	1,122
Amortisation of intangible assets, R12	118	74	113
EBITA, R12	1,038	1,271	1,234
Depreciation of tangible assets, R12	251	160	228
EBITDA, R12	1,289	1,431	1,462
EBITDA (proforma), R12	1,360	1,635	1,574

Leverage ratio	Q1 2024	Q1 2023	Full year 2023
Net debt	2,690	2,512	2,678
EBITDA (proforma), R12	1,360	1,635	1,574
Net debt / EBITDA (proforma), R12	2.0	1.5	1.7

Definition alternative key metrics

Gross profit margin

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

EBITDA (proforma), R12

Rolling 12 month reported EBITDA plus proforma acquired EBITDA, before entry.

EBITA

Earnings before amortisation of intangible assets.

EBITA margin

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

EBIT (operating result)

Earnings before interest and taxes.

Operating margin

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

Equity asset ratio

Total equity as a percentage of total assets.

Number of shares

Number of outstanding shares at the end of the period.

Organic growth

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

Acquisition-driven growth

Acquisition-driven growth is based on net sales from acquired operations during the following 12 months after the acquisition date.

Annual growth

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

Quick asset ratio

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

Core-working capital

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

Net debt

Interest-bearing liabilities, including lease liabilities, less liquid assets.

Leverage ratio

Net debt through EBITDA (proforma), R12.

Average number of outstanding shares

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

Average number of outstanding shares after dilution

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

Earnings per share before dilution

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

Earnings per share after dilution

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

Equity per share

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

Number of employees

Number of employees at the end of the period.

This is Hexatronic

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

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

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