

# hms networks

Year-end report 2020  
January - December

## Fourth quarter

- Net sales for the fourth quarter reached SEK 405 m (346), corresponding to an increase of 17%. Currency translations had a negative effect of SEK 10 m on net sales
- Order intake was SEK 408 m (337), corresponding to an increase of 21%
- Operating profit reached SEK 75 m (55, adjusted operating profit previous year was 33) equal to a 18.5% (15.9) operating margin
- Profit after taxes totalled SEK 57 m (67, adjusted profit after taxes previous year was 31)
- Earnings per share was SEK 1.21 (1.46, adjusted earnings per share previous year was 0.68)
- Cash flow from operating activities amounted to SEK 83 m (61)
- HMS acquired 70% of the shares in Procentec B.V.
- HMS acquired the remaining 25.1% of the shares in WEBfactory GmbH
- The Board of Directors have decided on new financial targets for the Group

## Yearly

- Net sales for the year reached SEK 1,467 m (1,519), corresponding to a 3% decrease. Currency translations had a negative effect of SEK 19 m on net sales
- Order intake was SEK 1,447 m (1,470), corresponding to a decrease of 2%
- Operating profit was SEK 288 m (243, adjusted operating profit previous year was 246), equal to a 19.6% (16.0) operating margin
- Profit after taxes totalled SEK 220 m (205, adjusted profit after taxes previous year was 188)
- Earnings per share was SEK 4.79 (4.43, adjusted earnings per share previous year was 4.06)
- Cash flow from operating activities amounted to SEK 370 m (254)
- The Board of Directors propose a dividend to the amount of SEK 2.00 (0) per share

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*After some challenging quarters, we are pleased to see a trend break in the fourth quarter, and a recovering market. Both order intake and sales improved organically compared to the corresponding quarter last year – by 13% and 8% respectively.*



Staffan Dahlström, CEO,  
HMS Networks AB

# Comment from the CEO

## Back to growth in the fourth quarter

After some challenging quarters, we are pleased to see a trend break in the fourth quarter, and a recovering market. Both order intake, which amounted to SEK 408 million, and sales, which amounted to SEK 405 million, improved organically compared to the corresponding quarter last year – by 13% and 8% respectively. As communicated in the two latest quarterly reports, the gradual improvement in the market continues, but now also with growth compared to the corresponding quarter last year.

Our efforts to improve the gross margin continue to develop favourably. Despite a currency headwind, we see a gross margin of 61.6% (61.2%) for the quarter and 62.0% (61.1%) for the full year. The quarter's operating profit amounts to SEK 75 million, a significant improvement compared with the previous year. The positive result is driven by a recovery in sales combined with good gross margins and low operating expenditures. We estimate to have SEK 20 million in non-recurring savings, related to pandemic effects in sales and marketing in the fourth quarter. For the full year the same number is approximately SEK 48 million. For the full year, we achieved an operating margin of 19.6%, which is very close to our long-term target of 20%.

Cash flow continues to be strong at SEK 83 million (61) for the quarter, and a record high of SEK 370 million (254) for the full year, which has contributed to lowering our debt. When we close the year, we have a low net debt in relation to EBITDA of 0.49 (1.20).

## Recovery in our main markets

After several challenging quarters for the Central European market, we now see double-digit growth in order intake for the quarter. There are several factors behind the recovery, primarily a more positive outlook from our customers. We also see that the electronics industry in general now have a growing demand, which put pressure on component suppliers and foundries - which in its turn is driving longer lead times that partly also causing our customers to increase inventory levels.

The U.S. market continues to develop steadily with a growth of a few percent in both sales and order intake – primarily driven by end customers in the consumer and pharmaceutical industries.

Asia shows good growth in sales as a result of this year's strong order intake in China and Japan. China's large investments in wind power projects account for a large part of the growth. We foresee this to be a continued growth driver for HMS as China aims to become carbon neutral by 2060.

## New Design-Wins indicate continued interest in HMS products

Even though many of our customers have had a challenging year, interest in HMS solutions has continued to be high and we have seen

a record number of new sales leads, especially from digital events and campaigns. For products using our Design-Win business model, we can see a continued stable intake of new customers in 2020. In total, we received 165 (199) new Design-Wins during the year, and the total number of active Design-Wins amount to 1,820 (1,797), an increase of 1% compared to the previous year. Of these, 1,418 (1,399) are in production, while 402 (398) are expected to go into production in the coming years. Of this year's total sales, 46% (49) are related to the Design-Win business model.

## HMS2025 strategy launched in November

During the quarter, we presented the company's new long-term strategy — HMS2025. This comprises new financial targets, which include a growth target with net sales exceeding SEK “π” (3.14) billion and an operating margin target of 20%. To achieve these ambitious goals, we will have an increased focus on acquisitions, which means a slightly adjusted dividend policy. Furthermore, HMS2025 contains new ambitions regarding our focus markets, sustainability, employees and customer satisfaction.

## Acquisitions during the quarter

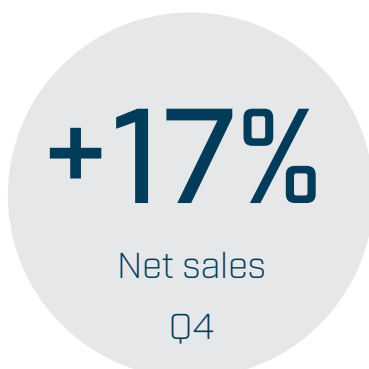
On October 1, HMS acquired 70% of the shares in Dutch Procentec B.V. The remaining 30% is owned by three senior executives in the company. The company, which offers hardware and software to monitoring and diagnostics of network traffic in industrial processes, will provide HMS with new opportunities for business with users of automation equipment. We see great opportunities to develop this business from today's diagnostic tools to offer services that provide preventive support to reduce operational problems in our customers' critical industrial networks.

During the quarter, we also acquired the remaining part of German WEBfactory GmbH. As a 100% owner, we can now increase the integration and use of WEBfactory's software products together with other product segments, and we see great opportunities for new business that combines hardware and software.

## A brighter 2021

The fourth quarter was a step in the right direction for HMS. Although there is still great uncertainty in the market and a risk of local lockdowns, we see that the world is adapting to the situation that accompanies the pandemic. We expect that 2021 will be characterized by a continued recovery and see that the growth trend has continued in the start of 2021.

We continue to work with a focus on long-term growth and a balanced view of our costs. In the long run, 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.



# Order intake, net sales and earnings

## Fourth quarter

Order intake increased during the fourth quarter by 21% to SEK 408 m (337), of which currency translations affected negatively by SEK 17 m. Procentec B.V., acquired in the beginning of the quarter, has contributed to order intake with SEK 45 m. The organic increase in order intake was 13%.

Net sales increased by 17% to SEK 405 m (346), of which currency translation effects was SEK -10 m (15). Procentec B.V. has contributed to net sales by SEK 40 m. The organic increase in net sales was 8%.

Gross profit reached SEK 250 m (212), corresponding to a gross margin of 61.6% (61.2). Operating expenses amounted to SEK 175 m (176), of which SEK 22 m refers to the acquired company Procentec B.V. During the fourth quarter, the Group has been granted SEK 1 m in government support for short-time work, and additional SEK 2 m refers to reduced personnel expenses related to short-time work in Germany. The organic decrease in operating expenses, including adjustment for short-time work was 12%, corresponding to SEK 22 m.

Operating profit before depreciation/amortization and write-downs amounted to SEK 99 m (78), corresponding to a margin of 24.3% (22.6). Depreciations/amortizations and write-downs amounted to SEK 24 m (23). Operating profit amounted to SEK 75 m (55), corresponding to a margin of 18.5% (15.9). Currency translations had a negative effect on the Group's operating profit of SEK -6 m (6). The acquired company Procentec B.V. has contributed to the operating profit for the quarter by SEK 4 m, including amortization of overvalue and acquisition costs.

The operating profit previous year had positive effects of SEK 22 m, attributable to settlement regarding agreed additional purchase price (SEK 19 m) and restructuring effects (SEK 3 m). Adjusted operating profit amounted to SEK 33 m.

Net financials was SEK -5 m (-8), which gave a profit before tax of SEK 70 m (47).

Profit after tax amounted to SEK 57 m (67) and earnings per share before and after dilution was SEK 1.21 (1.46) and SEK 1.20 (1.46) respectively.

The reported tax during the fourth quarter previous year was affected positively by SEK 15 m, related to non-recurring items. Adjusted profit after tax amounted to SEK 31 m and adjusted earnings per share to SEK 0.68.

| SEK millions     | Q4<br>2020 | Q4<br>2019 | %    |
|------------------|------------|------------|------|
| Order intake     | 408        | 337        | 21.1 |
| Net sales        | 405        | 346        | 17.1 |
| Gross profit     | 250        | 212        | 18.0 |
| Gross margin (%) | 61.6       | 61.2       |      |
| EBITDA           | 99         | 78         | 25.9 |
| EBITDA (%)       | 24.3       | 22.6       |      |
| EBIT             | 75         | 55         | 36.6 |
| EBIT (%)         | 18.5       | 15.9       |      |

## Yearly

Order intake decreased by 2% to SEK 1,447 m (1,470), of which currency translations affected negatively by SEK 17 m. The acquired companies during 2019 along with with Procentec B.V. which was acquired in the beginning of the fourth quarter 2020, have together contributed to order intake with SEK 54 m. The organic change of order intake was -4%.

Net sales decreased by 3% to SEK 1,467 m (1,519), of which currency translations was SEK -19 m (73). The acquired companies have contributed to the net sales with SEK 48 m. The organic decrease in net sales was 5%.

Gross profit reached SEK 909 m (928) to a gross margin of 62.0% (61.1). Operating expenses decreased by SEK 72 m to SEK 633 m (704), of which SEK 6 m is attributable to government support for short-time work and additional SEK 7 m refers to reduced personnel expenses related to short-time work. Other operating income mainly consists of a reversal of SEK 10 m of additional purchase price related to the acquisition of WEBfactory GmbH. Other operating expenses include a write-down of goodwill of SEK 14 m, which is also attributable to WEBfactory GmbH. The reason for these adjustments is that there has been a weaker development in the subsidiary than expected. The organic decrease in operating expenses, including adjustment for short-time work was 11%, corresponding to SEK 75 m.

Operating profit before depreciation/amortization and write-downs amounted to SEK 401 m (334), corresponding to a margin of 27.4% (22.0). Depr./amortizations and write-downs amounted to SEK 113 m (92). Operating profit amounted to SEK 288 m (243), corresponding to a margin of 19.6% (16.0). Currency translations had a negative effect on the Group's operating profit of SEK -8 m (31). The acquired companies have contributed to the operating profit by SEK 5 m, including amortization of overvalues and acquisition costs.

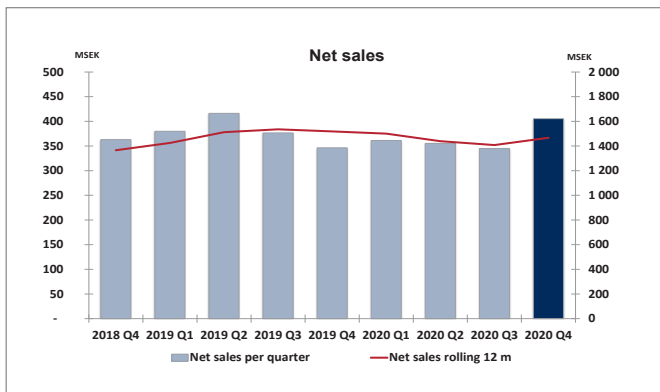
Included in the operating profit previous year was a positive effect of SEK 19 m attributable to a settlement regarding agreed additional purchase price, as well as SEK -22 m related to restructuring costs. Adjusted operating profit amounted to SEK 246 m.

Net financials was SEK -14 m (-15), which gave a profit before tax of SEK 274 m (228).

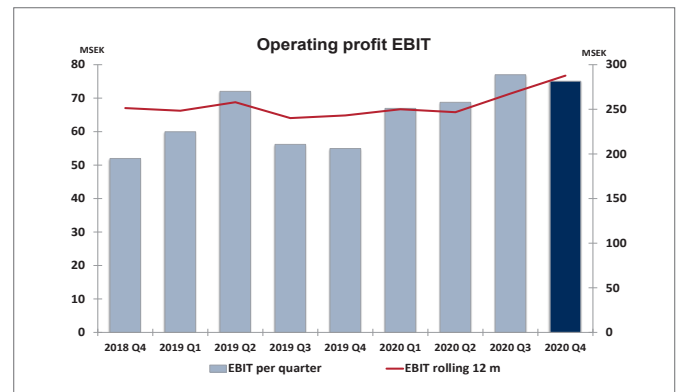
Profit after tax amounted to SEK 220 m (205) and earnings per share before and after dilution was SEK 4.79 (4.43) and SEK 4.77 (4.40) respectively.

The reported tax previous year was affected positively by SEK 19 m, related to non-recurring items. Adjusted profit after tax amounted to SEK 188 m and adjusted earnings per share to SEK 4.06.

| SEK millions     | Q1-Q4<br>2020 | Q1-Q4<br>2019 | %    |
|------------------|---------------|---------------|------|
| Order intake     | 1,447         | 1,470         | -1.6 |
| Net sales        | 1,467         | 1,519         | -3.4 |
| Gross profit     | 909           | 928           | -2.1 |
| Gross margin (%) | 62.0          | 61.1          |      |
| EBITDA           | 401           | 334           | 20.3 |
| EBITDA (%)       | 27.4          | 22.0          |      |
| EBIT             | 288           | 243           | 18.4 |
| EBIT (%)         | 19.6          | 16.0          |      |



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



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 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Order intake (SEK m)  | 408     | 336     | 302     | 401     | 337     | 372     | 375     | 387     |
| Net sales (SEK m)   | 405     | 345     | 355     | 361     | 346     | 377     | 416     | 380     |
| Gross margin (%)  | 61.6    | 61.9    | 62.0    | 62.4    | 61.2    | 62.8    | 61.2    | 59.3    |
| EBITDA (SEK m)  | 99      | 102     | 111     | 90      | 78      | 82      | 94      | 79      |
| EBITDA (%)  | 24.3    | 29.4    | 31.2    | 25.0    | 22.6    | 21.7    | 22.6    | 20.9    |
| EBIT (SEK m)  | 75      | 77      | 69      | 67      | 55      | 56      | 72      | 60      |
| EBIT (%)  | 18.5    | 22.3    | 19.4    | 18.5    | 15.9    | 14.9    | 17.3    | 15.8    |
| Cash flow from operating activities per share (SEK)         | 1.79    | 2.49    | 2.47    | 1.18    | 1.30    | 1.93    | 1.10    | 1.11    |
| Earnings per share before dilution (SEK) <sup>1</sup>       | 1.21    | 1.33    | 1.24    | 1.01    | 1.46    | 0.98    | 1.10    | 0.88    |
| Earnings per share before after dilution (SEK) <sup>1</sup> | 1.20    | 1.32    | 1.24    | 1.01    | 1.46    | 0.98    | 1.09    | 0.87    |
| Equity per share (SEK)                                      | 25.75   | 24.62   | 23.60   | 22.49   | 21.06   | 19.88   | 19.42   | 18.96   |

<sup>1</sup> Attributed to parent company shareholders.

# Cash flow, investments and financial position

## Fourth quarter

Cash flow from operating activities before changes in working capital amounted to SEK 79 m (32) for the fourth quarter of the year. Changes in working capital was SEK 5 m (28), mainly explained by a combination of increased accounts receivable and current liabilities. Cash flow from operating activities was thereby SEK 83 m (61).

Cash flow from investing activities was SEK -51 m (-19), whereof SEK -40 m (0) corresponds to acquisitions of subsidiaries. Moreover investments in intangible and tangible assets have been made of SEK -12 m (-18).

Cash flow from financing activities was SEK -121 m (-45), which is mainly explained by a decrease in external loans of SEK -111 m (-38). In connection with the acquisition of Procentec B.V., the company's bank loan was amortized by SEK -60 m. Moreover, amortizations of lease liabilities claimed SEK -9 m (-8). This means that cash flow for the quarter was SEK -88 m (-4).

## Yearly

Cash flow from operating activities before changes in working capital amounted to SEK 357 m (264) for the year. Changes in working capital was SEK 13 m (-10), mainly due to a combination of decreased inventory, increased accounts receivable and current liabilities. Cash flow from operating activities was thereby SEK 370 m (254).

During the year investments in new intangible and tangible assets was made by SEK -48 m (-68). Acquisitions of new subsidiaries amounted to SEK -40 m (-24). Cash flow from investing activities was SEK -88 m (-92).

Cash flow from financing activities amounted to SEK -247 m (-173), mainly explained by a decrease in the Group's external loans of SEK -206 m (-58). Moreover, amortizations of lease liabilities claimed SEK -34 m (-29). Repurchase of own shares was made by SEK -6 m (-). Due to the corona virus and the aim to strengthen the Company's preparedness for upcoming uncertainties, no dividend was paid (-84) This means that cash flow for the year was SEK 36 m (-12).

## Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 82 m (51) and unused credit facilities to SEK 311 m (176). Net debt amounted to SEK 198 m (402), whereof SEK 101 m (113) corresponds to lease liabilities. Net debt to EBITDA ratio for the last twelve months was 0.49 (1.20). Net debt/Equity ratio was 16% (40) and Equity/Assets ratio was 67% (58).

## The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Mid Cap list, in the Information Technology sector. By the end of the period the total number of shares amounted to 46,818,868 of

which 154,916 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](http://www.hms-networks.com)).

## Share savings program

The Company has four ongoing share saving programs today. Based on a decision by the Annual General Meetings permanent employees are offered to save in HMS shares in an annual share saving program. Between 41% and 52% of the employees opted to participate in the respective program. If certain criterias are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of December 31, 2020, the total number of saved shares amounted to 118,252 (141,941) within ongoing programs.

On December 31, 2019 the share saving program from 2016 was finalized. During the first quarter of 2020, 88,083 shares, of which 44,002 performance shares, were distributed free of charge to the participants. Shares used for the allocation was 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 for the year amounted to SEK 0 m (0). Dividend from subsidiaries was received by SEK 29 m (179) and the profit for the year after tax was SEK 32 m (181). Cash and cash equivalents amounted to SEK 2 m (1), 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 100 in Note 36 of the Annual Report for 2019.

## Significant events

Even though the quarter was characterized by increased optimism and higher activity, we are still in the middle of a second wave of covid-19. For HMS, this has led to a continued impact on order intake and sales, although to a lesser extent than before. Thanks to a number of measures, which include increased control over liquidity, working capital and costs as well as a cancelled dividend, the effects on profit and financial position have been limited.

In mid-April, HMS chose to introduce short-time work corresponding to a reduction to approximately 80% of normal working hours for the majority of employees in Sweden and Germany. This ended in Sweden at the end of June but is still ongoing for some of the German operations.

## HMS acquires Procentec B.V.

On October 1, 2020 HMS acquired 70% of the shares in the Dutch company Procentec B.V., a world leader in solutions and services for diagnostics and monitoring of industrial networks. With about 70 employees and subsidiaries in Germany, Italy and UK, the Procentec Group had sales of EUR 11.8 m in 2020.

The acquisition generated a SEK 71 m excess value in the Group (30% minority share included). The acquired company is consolidated in the HMS Group account as of October 1, 2020. During the fourth quarter, Procentec had a positive impact on the net sales of the Group of SEK 40 m. The acquisition's contribution to operating profit, including amortization on acquired overvalue and acquisition costs, amounted to SEK 4 m.

According to preliminary acquisition analysis (30% minority share included), the consideration, acquired net assets and goodwill amount to:

|                           | SEK<br>million |
|---------------------------|----------------|
| <b>Purchase sum:</b>      |                |
| Cash and cash equivalents | 57             |
| <b>Total purchase sum</b> | <b>57</b>      |

| <b>The assets and liabilities recognized in conjunction with the acquisition are as follows:</b> | SEK<br>million |
|--|----------------|
| Intangible fixed assets  | 6              |
| Property, plant and equipment  | 4              |
| Financial fixed assets   | 2              |
| Current assets   | 48             |
| Cash and cash equivalents  | 13             |
| Deferred tax liabilities   | -1             |
| Non-current liabilities  | -60            |
| Current liabilities  | -21            |
| Total identifiable net assets  | -9             |
| Goodwill*  | 66             |
| <b>Acquired net assets</b>   | <b>57</b>      |

\*Goodwill is attributable to the company's market position in communications infrastructure and expected synergies with existing operations. No part of the recognized goodwill is expected to be tax deductible.

## Acquisition WEBfactory GmbH

The acquisition analysis from the acquisition of WEBfactory GmbH became definitive in the second quarter 2020, as one year has passed since the acquisition on April 1, 2019. Final acquisition analysis was presented in HMS' Annual Report 2019.

Impairment of goodwill during the second quarter resulted in a write-down of SEK 14 m. This brings the total goodwill relating to WEBfactory to SEK 15 m.

During the fourth quarter HMS acquired the remaining 25.1% of all shares in WEBfactory GmbH, which is expected to increase the integration and use of WEBfactory's software products together with HMS' other product brands.

## Acquisition Raster Products B.V.

The acquisition analysis from the acquisition of Raster Products B.V. (now HMS Industrial Networks B.V.) became definitive in the second quarter 2020, as one year has passed since the acquisition on May 2, 2019. Final acquisition analysis was presented in HMS' Annual Report 2019.

## New financial targets

The Board of Directors, together with the management, have set new financial targets for the Group, which express both ambition and confidence in the future for the company and its markets. The sales target, to reach 2025, shall exceed "π" (3.14) billion SEK. At the same time, the operating margin shall continue to remain at 20% during the period. As part of achieving the sales target consists of increasing the acquisition rate, it is estimated that an annual dividend can be given in the interval between 30-50% of earnings per share, where the previous target was 50%.

## Subsequent events

There are no events that are to be considered significant after the end of the period until the signing of this interim report.

## Outlook

The HMS Group's long-term growth is supported by a continued inflow of Design-Wins, a broader product offering especially within the Industrial ICT, supplementary technology platforms from earlier acquisitions, and expansion of the HMS sales channels according to the existing strategy.

Covid-19 is still affecting the global economic developments, but the market situation has improved significantly compared with the situation during the spring and summer months of 2020. The recovery is expected to continue in 2021.

## Risk management

The HMS Group is exposed to business and financial risks through its operations. These risks have been described at length in the Company's Annual Report 2019.

The corona pandemic is still ongoing and it is still challenging to estimate the extent of the impact that the pandemic may have on the Group. HMS monitors the development closely and is prepared to take further actions where necessary to reduce the negative effects on the business. The Group acts in accordance with decisions and recommendations from governments and authorities in each market and with the employees' health and well-being as the highest priority.

## 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 Hjertansson, Investment AB Latour, representing 26% of the shares, Staffan Dahlström representing 14% of the shares, Per Trygg, SEB Fonder representing 9% of the shares, Evert Carlsson, Swedbank Robur Fonder AB representing 6% of the shares, and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Johan Hjertansson 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 2019 Annual Report. Other new or revised IFRS standards or other IFRIC-interpretations that came into effect after January 1, 2020 have not had any significant impact on the Group's financial reports as of December 31, 2020.

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

## Items affecting comparability

Items affecting comparability are reported separately in the financial statements when it is necessary to explain the Group's results. Items affecting comparability refer to significant income or expense items that are reported separately due to the significance of their character or amount.

During the second quarter of 2020, the Group reported non-taxable operating income of SEK 10 m, attributable to reversal of additional purchase price related to the acquisition of WEBfactory GmbH. In addition, a non-deductible write-down of goodwill of SEK 14 m was reported, also attributable to WEBfactory GmbH.

During the third and fourth quarter of 2019, the Group reported restructuring costs of SEK -25 m and SEK 3 m, respectively related to a cost reduction program. During the fourth quarter, the Group reported non-taxable operating income of SEK 19 m, attributable to settlement regarding agreed additional purchase price related to Beck IPC. The fourth quarter was also affected by tax relief in total SEK 15 m, attributable to the previous year.

Since the costs are significant in the individual quarter and not normally occurring, these costs are handled as items affecting comparability in the accounts.

## Short about the company

### Strategies

**GROWTH STRATEGY** – HMS Networks growth strategies include a combination of organic growth and acquisitions. Expansion in existing markets is done through a continuously improved and expanded product offering, often including new technology. 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** – The Company's core competence is the broad and deep knowledge of industrial communication and IIoT, Industrial Internet of Things. A clear platform strategy ensures that all development centers within HMS are using core HMS technology.

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

- Anybus – connection of automation products and machines to industrial networks and IIoT applications, through embedded network cards, gateways and wireless solutions
- Ewon – remote access, data collection, monitoring and control of machines as well as other industrial applications
- Ixxat – communication within machines and smart grids, solutions for functional safety as well as automotive testing
- Intesis – communication solutions for building automation, primarily within HVAC (heating, ventilation and air conditioning)

HMS also offers products and services for diagnostics, monitoring and troubleshooting of industrial networks via Procentec, as well as software solutions for intuitive visualization of data from industrial applications through WEBfactory.

**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 segments 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 still 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 16 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 specified into the customer's application, after which long-term revenues are secured. 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

- First quarter report will be published on April 23, 2021
- Annual General Meeting will be held on April 23, 2021
- Half-year report will be published July 14, 2021
- Third quarter report will be published on October 22, 2021

Halmstad February 3, 2021

Staffan Dahlström

Chief Executive Officer

Further information can be obtained by:

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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 14.00 CET on February 3, 2021.

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## Income statements

| SEK millions  | Q4<br>2020 | Q4<br>2019 | Q1-Q4<br>2020 | Q1-Q4<br>2019 |
|---|------------|------------|---------------|---------------|
| Net sales   | 405        | 346        | 1,467         | 1,519         |
| Cost of goods and services sold   | -156       | -134       | -558          | -591          |
| <b>GROSS PROFIT</b>   | <b>250</b> | <b>212</b> | <b>909</b>    | <b>928</b>    |
| Sales and marketing expenses  | -87        | -91        | -312          | -349          |
| Administrative expenses   | -37        | -35        | -123          | -124          |
| Research and development expenses   | -49        | -49        | -180          | -190          |
| Restructuring expenses <sup>1</sup>   | -          | 3          | -             | -22           |
| Other operating income <sup>2</sup>   | -          | 20         | 12            | 20            |
| Other operating expenses <sup>3</sup>   | -1         | -5         | -18           | -20           |
| <b>OPERATING PROFIT</b>   | <b>75</b>  | <b>55</b>  | <b>288</b>    | <b>243</b>    |
| Financial income and expenses   | -5         | -8         | -14           | -15           |
| <b>Profit before tax</b>  | <b>70</b>  | <b>47</b>  | <b>274</b>    | <b>228</b>    |
| Tax   | -12        | 20         | -54           | -23           |
| <b>PROFIT FOR THE PERIOD</b>  | <b>57</b>  | <b>67</b>  | <b>220</b>    | <b>205</b>    |
| Attributed to:  |            |            |               |               |
| Parent company shareholders   | 56         | 68         | 223           | 206           |
| Non-controlling interests   | 1          | -1         | -3            | -1            |
| Earnings per share regarding profit attributed to parent company shareholders |            |            |               |               |
| Before dilution. SEK  | 1.21       | 1.46       | 4.79          | 4.43          |
| After dilution. SEK   | 1.20       | 1.46       | 4.77          | 4.40          |

<sup>1</sup> Restructuring expenses for the full year 2019 are allocated as follows: Cost of goods and services sold SEK 6 m, Sales and marketing expenses SEK 9 m, Administrative expenses SEK 4 m and Research and development expenses SEK 3 m.

<sup>2</sup> Of other operating income for the full year 2020, SEK 10 m corresponds to reversal of additional purchase price related to WEBfactory GmbH. Of other operating income for 2019, SEK 19 m corresponds to the settlement of contracted additional purchase price related to Beck IPC (now HMS Technology Center Wetzlar GmbH).

<sup>3</sup> Of other operating expenses for the full year 2020, SEK 14 m corresponds to a write-down of goodwill attributable to WEBfactory GmbH. Other operating expenses for 2019 mainly corresponds to realized currency forward hedging, SEK 4 m in Q4 and SEK 14 m for the full year. From January 1, 2020, realized currency forward hedges are reported gross.

## Statement of comprehensive income

| SEK millions   | Q4<br>2020 | Q4<br>2019 | Q1-Q4<br>2020 | Q1-Q4<br>2019 |
|--|------------|------------|---------------|---------------|
| Profit for the period  | 57         | 67         | 220           | 205           |
| <b>Other comprehensive income</b>                                      |            |            |               |               |
| <b>Items that may be reclassified subsequently to income statement</b> |            |            |               |               |
| Cash flow hedges   | 16         | 14         | 18            | 4             |
| Hedging of net investments   | 13         | 9          | 12            | -2            |
| Translation differences  | -47        | -28        | -37           | 15            |
| Income tax relating to components of other comprehensive income        | -6         | -5         | -6            | 0             |
| <b>Other comprehensive income for the period, net of tax</b>           | <b>-24</b> | <b>-11</b> | <b>-13</b>    | <b>16</b>     |
| <b>Total comprehensive income for the period</b>                       | <b>34</b>  | <b>56</b>  | <b>207</b>    | <b>221</b>    |
| Attributed to:   |            |            |               |               |
| Parent company shareholders  | 33         | 57         | 210           | 223           |
| Non-controlling interests  | 1          | -1         | -3            | -1            |

## Balance sheets

| SEK millions                                     | Dec 31 2020  | Dec 31 2019  |
|--|--------------|--------------|
| <b>ASSETS</b>                                    |              |              |
| Goodwill   | 902          | 876          |
| Other intangible assets                          | 278          | 290          |
| Property, plant and equipment                    | 42           | 45           |
| Right-of-use assets                              | 102          | 112          |
| Deferred tax assets                              | 4            | 4            |
| Other long-term receivables                      | 11           | 9            |
| <b>Total fixed assets</b>                        | <b>1,339</b> | <b>1,335</b> |
| Inventories                                      | 158          | 159          |
| Accounts receivable - trade                      | 175          | 143          |
| Other current receivables                        | 83           | 69           |
| Cash and cash equivalents                        | 82           | 51           |
| <b>Total current assets</b>                      | <b>498</b>   | <b>442</b>   |
| <b>TOTAL ASSETS</b>                              | <b>1,837</b> | <b>1,758</b> |
| <b>EQUITY AND LIABILITIES</b>                    |              |              |
| Equity attributed to parent company shareholders | 1,204        | 998          |
| Non-controlling interests                        | 17           | 12           |
| <b>Total Equity</b>                              | <b>1,220</b> | <b>1,010</b> |
| <b>Liabilities</b>                               |              |              |
| Non-current interest-bearing liabilities         | 177          | 339          |
| Non-current lease liabilities                    | 68           | 82           |
| Deferred income tax liabilities                  | 80           | 77           |
| <b>Total non-current liabilities</b>             | <b>326</b>   | <b>498</b>   |
| Current interest-bearing liabilities             | 1            | 1            |
| Current lease liabilities                        | 33           | 31           |
| Accounts payable - trade                         | 91           | 76           |
| Other current liabilities                        | 165          | 142          |
| <b>Total current liabilities</b>                 | <b>290</b>   | <b>249</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>              | <b>1,837</b> | <b>1,758</b> |

## Cash flow statements

| SEK millions  | Q4<br>2020 | Q4<br>2019 | Q1-Q4<br>2020 | Q1-Q4<br>2019 |
|---|------------|------------|---------------|---------------|
| Cash flow from operating activities before changes in working capital | 79         | 32         | 357           | 264           |
| Cash flow from changes in working capital                             | 5          | 28         | 13            | -10           |
| <b>Cash flow from operating activities</b>                            | <b>83</b>  | <b>61</b>  | <b>370</b>    | <b>254</b>    |
| Cash flow from investing activities <sup>1</sup>                      | -51        | -19        | -88           | -92           |
| Cash flow from financing activities                                   | -121       | -45        | -247          | -173          |
| <b>Cash flow for the period</b>                                       | <b>-88</b> | <b>-4</b>  | <b>36</b>     | <b>-12</b>    |
| Cash and cash equivalents at beginning of the period                  | 175        | 57         | 51            | 59            |
| Translation differences in cash and cash equivalents                  | -5         | -2         | -5            | 4             |
| <b>Cash and cash equivalents at end of period</b>                     | <b>82</b>  | <b>51</b>  | <b>82</b>     | <b>51</b>     |
| Interest-bearing liabilities  | 279        | 453        | 279           | 453           |
| <b>Net debt</b>   | <b>198</b> | <b>402</b> | <b>198</b>    | <b>402</b>    |

<sup>1</sup>The acquisition of WEBfactory's impact on the Group's cash and cash equivalents, after deduction of WEBfactory's cash and cash equivalents, amounted to SEK 13 m in Q2 2019.

The acquisition of Raster's impact on the Group's cash and cash equivalents, after deduction of Raster's cash and cash equivalents, amounted to SEK -12 m in Q2 2019.

The acquisition of Procentec's impact on the Group's cash and cash equivalents, after deduction of Procentec's cash and cash equivalents, amounted to SEK -27 m in Q4 2020.

The acquisition of the remaining 25.1% of WEBfactory had an impact on the Group's cash and cash equivalents by SEK -13 m in Q4 2020.

## Equity

| Change in Group Equity, SEK millions                              | Dec 31 2020  | Dec 31 2019  |
|---|--------------|--------------|
| Opening balance at January 1                                      | 998          | 857          |
| Total comprehensive income for the period                         | 210          | 223          |
| Share-related payment   | 6            | 3            |
| Repurchase of own shares  | -6           | -            |
| Dividends   | -            | -84          |
| Transactions with minority  | -6           | -            |
| <b>Closing balance attributed to parent company shareholders</b>  | <b>1,204</b> | <b>998</b>   |
| Opening non-controlling interest at January 1                     | 12           | -            |
| Total comprehensive income for the period                         | -3           | -1           |
| Non-controlling interest arising from acquisition of subsidiaries | 16           | 13           |
| Acquired minority   | -8           | -            |
| <b>Closing non-controlling interest</b>                           | <b>17</b>    | <b>12</b>    |
| <b>Closing balance</b>  | <b>1,220</b> | <b>1,010</b> |

# Financial accounts

|   | Q4<br>2020 | Q4<br>2019 | Q1-Q4<br>2020 | Q1-Q4<br>2019 |
|---|------------|------------|---------------|---------------|
| Net increase in net sales (%)                                 | 17.1       | -4.6       | -3.4          | 11.2          |
| Gross margin (%)  | 61.6       | 61.2       | 62.0          | 61.1          |
| EBITDA (SEK m)  | 99         | 78         | 401           | 334           |
| EBITDA (%)  | 24.3       | 22.6       | 27.4          | 22.0          |
| EBIT (SEK m)  | 75         | 55         | 288           | 243           |
| EBIT (%)  | 18.5       | 15.9       | 19.6          | 16.0          |
| Return on capital employed (%)                                | -          | -          | 19.3          | 17.2          |
| Return on Shareholder's equity (%)                            | -          | -          | 19.9          | 22.3          |
| Working capital in relation to sales (%)                      | -          | -          | 10.5          | 9.5           |
| Capital turnover rate   | -          | -          | 0.81          | 0.87          |
| Net debt/equity ratio   | 0.16       | 0.40       | 0.16          | 0.40          |
| Equity/assets ratio (%)                                       | 66.5       | 57.5       | 66.5          | 57.5          |
| Investments in tangible fixed assets (SEK m)                  | 2          | 6          | 6             | 25            |
| Investments in right-of-use assets (SEK m)                    | 17         | 5          | 24            | 24            |
| Investments in intangible fixed assets (SEK m)                | 10         | 12         | 41            | 42            |
| Depreciation of tangible fixed assets (SEK m)                 | -3         | -4         | -13           | -15           |
| Depreciation of right-of-use assets (SEK m)                   | -9         | -8         | -34           | -29           |
| Amortization of intangible fixed assets (SEK m)               | -11        | -12        | -48           | -46           |
| <i>of which amortization of overvalues acquired</i>           | -5         | -3         | -18           | -16           |
| <i>of which amortization of capitalized development costs</i> | -6         | -9         | -29           | -30           |
| Impairment of intangible fixed assets (SEK m)                 | -          | 0          | -19           | -1            |
| Number of employees (average)                                 | 659        | 633        | 614           | 617           |
| Net sales per employees (SEK m)                               | 0.6        | 0.5        | 2.4           | 2.5           |
| Equity per share (SEK)  | 25.75      | 21.06      | 24.07         | 19.87         |
| Cash flow from operations per share (SEK)                     | 1.79       | 1.30       | 7.93          | 5.45          |
| Total number of share average (thousands)                     | 46,819     | 46,819     | 46,819        | 46,819        |
| Holding of own shares average (thousands)                     | 155        | 203        | 165           | 221           |
| Total outstanding shares average (thousands)                  | 46,664     | 46,616     | 46,654        | 46,598        |

## Quarterly data

| Division of net sales per brand<br>SEK millions | Q4<br>2020 | Q3<br>2020 | Q2<br>2020 | Q1<br>2020 | Q4<br>2019 | Q3<br>2019 | Q2<br>2019 | Q1<br>2019 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Anybus  | 191        | 184        | 212        | 211        | 184        | 213        | 251        | 225        |
| Ixxat   | 42         | 43         | 40         | 43         | 42         | 42         | 44         | 48         |
| Ewon  | 84         | 74         | 67         | 76         | 75         | 70         | 74         | 73         |
| Intesis   | 33         | 33         | 27         | 21         | 34         | 29         | 28         | 25         |
| Other <sup>1</sup>                              | 55         | 11         | 9          | 10         | 11         | 22         | 19         | 8          |
| <b>Total</b>                                    | <b>405</b> | <b>345</b> | <b>355</b> | <b>361</b> | <b>346</b> | <b>377</b> | <b>416</b> | <b>380</b> |

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.

<sup>1</sup>Net sales from Procentec, of SEK 40 m, is included in "Other" for Q4 2020.

| Net sales per region<br>SEK millions | Q4<br>2020 | Q3<br>2020 | Q2<br>2020 | Q1<br>2020 | Q4<br>2019 | Q3<br>2019 | Q2<br>2019 | Q1<br>2019 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| EMEA                                 | 250        | 208        | 198        | 214        | 218        | 236        | 256        | 240        |
| Americas                             | 82         | 80         | 84         | 87         | 76         | 80         | 81         | 85         |
| Asia                                 | 73         | 57         | 73         | 60         | 52         | 61         | 79         | 55         |
| <b>Total</b>                         | <b>405</b> | <b>345</b> | <b>355</b> | <b>361</b> | <b>346</b> | <b>377</b> | <b>416</b> | <b>380</b> |

| Income statement<br>SEK millions | Q4<br>2020  | Q3<br>2020  | Q2<br>2020  | Q1<br>2020  | Q4<br>2019  | Q3<br>2019  | Q2<br>2019  | Q1<br>2019  |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Net sales</b>                 | <b>405</b>  | <b>345</b>  | <b>355</b>  | <b>361</b>  | <b>346</b>  | <b>377</b>  | <b>416</b>  | <b>380</b>  |
| <b>Gross profit</b>              | <b>250</b>  | <b>213</b>  | <b>220</b>  | <b>225</b>  | <b>212</b>  | <b>236</b>  | <b>254</b>  | <b>225</b>  |
| <i>Gross margin (%)</i>          | <i>61.6</i> | <i>61.9</i> | <i>62.0</i> | <i>62.4</i> | <i>61.2</i> | <i>62.8</i> | <i>61.2</i> | <i>59.3</i> |
| <b>Operating profit</b>          | <b>75</b>   | <b>77</b>   | <b>69</b>   | <b>67</b>   | <b>55</b>   | <b>56</b>   | <b>72</b>   | <b>60</b>   |
| <i>Operating margin (%)</i>      | <i>18.5</i> | <i>22.3</i> | <i>19.4</i> | <i>18.5</i> | <i>15.9</i> | <i>14.9</i> | <i>17.3</i> | <i>15.8</i> |
| <b>Profit before tax</b>         | <b>70</b>   | <b>73</b>   | <b>69</b>   | <b>63</b>   | <b>47</b>   | <b>55</b>   | <b>70</b>   | <b>56</b>   |

## Parent company's income statement

| SEK millions                                | Q4<br>2020 | Q4<br>2019 | Q1-Q4<br>2020 | Q1-Q4<br>2019 |
|---|------------|------------|---------------|---------------|
| Net sales                                   | 3          | 5          | 16            | 16            |
| <b>Gross profit</b>                         | <b>3</b>   | <b>5</b>   | <b>16</b>     | <b>16</b>     |
| Administrative expenses                     | -4         | -5         | -16           | -16           |
| <b>Operating profit</b>                     | <b>0</b>   | <b>-</b>   | <b>0</b>      | <b>-</b>      |
| Profit from participations in subsidiaries  | -          | -          | 29            | 179           |
| Interest income/ expenses and similar items | -          | -2         | 4             | 2             |
| <b>Profit before tax</b>                    | <b>0</b>   | <b>-2</b>  | <b>33</b>     | <b>181</b>    |
| Tax   | -1         | -1         | -1            | -1            |
| <b>Profit for the period</b>                | <b>-1</b>  | <b>-2</b>  | <b>32</b>     | <b>181</b>    |

## Parent company's balance sheet

| SEK millions                        | Dec 31 2020 | Dec 31 2019 |
|-------------------------------------|-------------|-------------|
| <b>ASSETS</b>                       |             |             |
| Financial assets                    | 337         | 337         |
| <b>Total financial assets</b>       | <b>337</b>  | <b>337</b>  |
| Receivables from Group companies    | -           | 96          |
| Other receivables                   | 1           | 0           |
| Cash and cash equivalents           | 2           | 1           |
| <b>Total current assets</b>         | <b>3</b>    | <b>97</b>   |
| <b>TOTAL ASSETS</b>                 | <b>340</b>  | <b>434</b>  |
| <b>EQUITY AND LIABILITIES</b>       |             |             |
| <b>Equity</b>                       | <b>325</b>  | <b>299</b>  |
| <b>Current liabilities</b>          |             |             |
| Accounts payable - trade            | 1           | 0           |
| Liabilities to Group companies      | 6           | 128         |
| Other current liabilities           | 8           | 7           |
| <b>Total current liabilities</b>    | <b>15</b>   | <b>135</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>340</b>  | <b>434</b>  |

# Definitions

## NUMBER OF OUTSTANDING SHARES

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

## 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.

## RETURN ON CAPITAL EMPLOYED

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

## EBIT

Operating income according to income statement.

## EBITDA

Operating profit excluding depreciation, amortization and write-downs 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.

## FINANCIAL ASSETS

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

## AVERAGE NUMBER OF OUTSTANDING SHARES

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

## ADJUSTED PROFIT

Profit exclusive items affecting comparability.

## 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.

## NET DEBT

Long-term and current interest-bearing financial liabilities less financial assets.

## NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

## WORKING CAPITAL

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

## OPERATING MARGIN

Operating profit in relation to net sales.

## EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

## CAPITAL EMPLOYED

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

## 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.

## 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.

| SEK millions                                 | Q4<br>2020 | Q4<br>2019 | Q1-Q4<br>2020 | Q1-Q4<br>2019 |
|--|------------|------------|---------------|---------------|
| Operating profit                             | 75         | 55         | 288           | 243           |
| Depreciation/amortization<br>and write-downs | 24         | 23         | 113           | 90            |
| <b>EBITDA</b>                                | <b>99</b>  | <b>78</b>  | <b>401</b>    | <b>334</b>    |



This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

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## Our vision

“In a world where all devices are intelligent and networked... HMS is the leader in making industrial devices and systems communicate – for a more productive and sustainable world.”

## Our mission

“We drive innovation in collaboration with partners and customers creating leading technologies, products and solutions bringing value to real-world challenges”.

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