

HANSAMATRIX



Innovator and Manufacturing Solution High-Tech Group

Q2 results of 2018 – Nasdaq webinar

Presenters: Ilmars Osmanis, CEO and Maris Macijevskis, CFO

August 28, 2018



Executive summary

2018 Q2 Business trends

- During first 6 months of 2018 the Company reported sales volume increase by 19% compared to the same period of 2017.
- HansaMatrix is observing growing market demand for high quality supply chain in electronics, e.g. by receiving first orders from California, USA located company.
- The current global electronics component shortages are currently adding additional challenges for HansaMatrix group to ensure on-time deliveries for the clients and to effectively manage inventory levels.



2018 Q2 and 6m summary

- Q2 Quarterly turnover of 5.2 million euro
- 6 month turnover amounts to 11.1 million EUR and Q2 TTM turnover amounts to 21.4 million EUR
- Q2 y-o-y growth on turnover - 7%, on EBITDA - 25%

Results summary, MEUR	2018 Q2	2018 6m	2018Q2 12m TTM
Turnover	5.188	11.085	21.434
EBITDA	0.974	2.025	3.963
EBITDA, %	18.8%	18.3%	18.5%
net profit	0.406	0.908	1.775
net profit, %	7.8%	8.2%	8.3%
P/E			8.2



2018 Q2 comparison with peers

- HansaMatrix EBITDA and net profit margins – highest among industry peers
- Results reflect management strategy to focus on higher added value product manufacturing and capability to provide the research and development resources (R&D) for customers

TTM figures - Million EUR	Market Cap	TTM Revenue	TTM EBITDA	TTM Net Profit	EBITDA margin	Net profit margin
HansaMatrix	13.7	21.4	4.0	1.8	18.50%	8.30%
Incap Oyj	28.8	51.7	5.8	3.7	11.22%	7.07%
Kitron ASA	176.7	264.3	22.1	11.2	8.37%	4.23%
Data Response ASA	154.1	141.1	12.5	4.4	8.85%	3.10%
Note AB	65.9	126.1	10.1	6.3	8.04%	5.04%
HANZA Holding	47.9	164.4	10.6	2.5	6.43%	1.53%
Inission AB	19.0	74.4	3.8	2.1	5.16%	2.76%

Source: Bloomberg, August 27, 2018

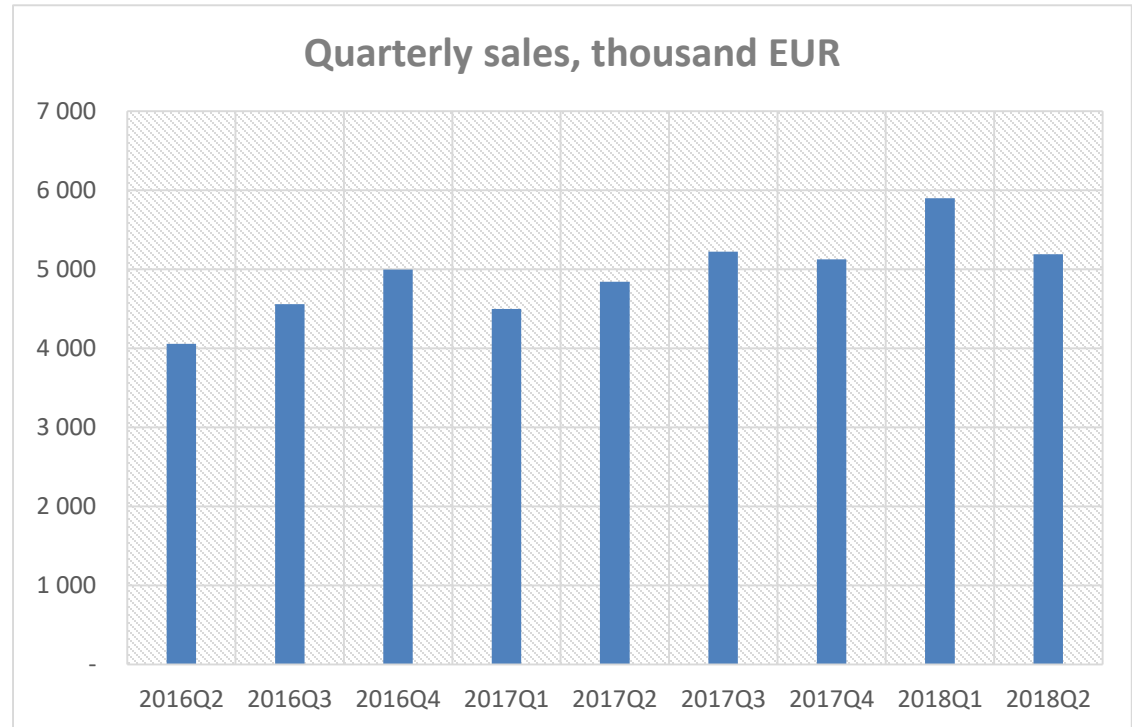


Q2 results of 2018 in detail



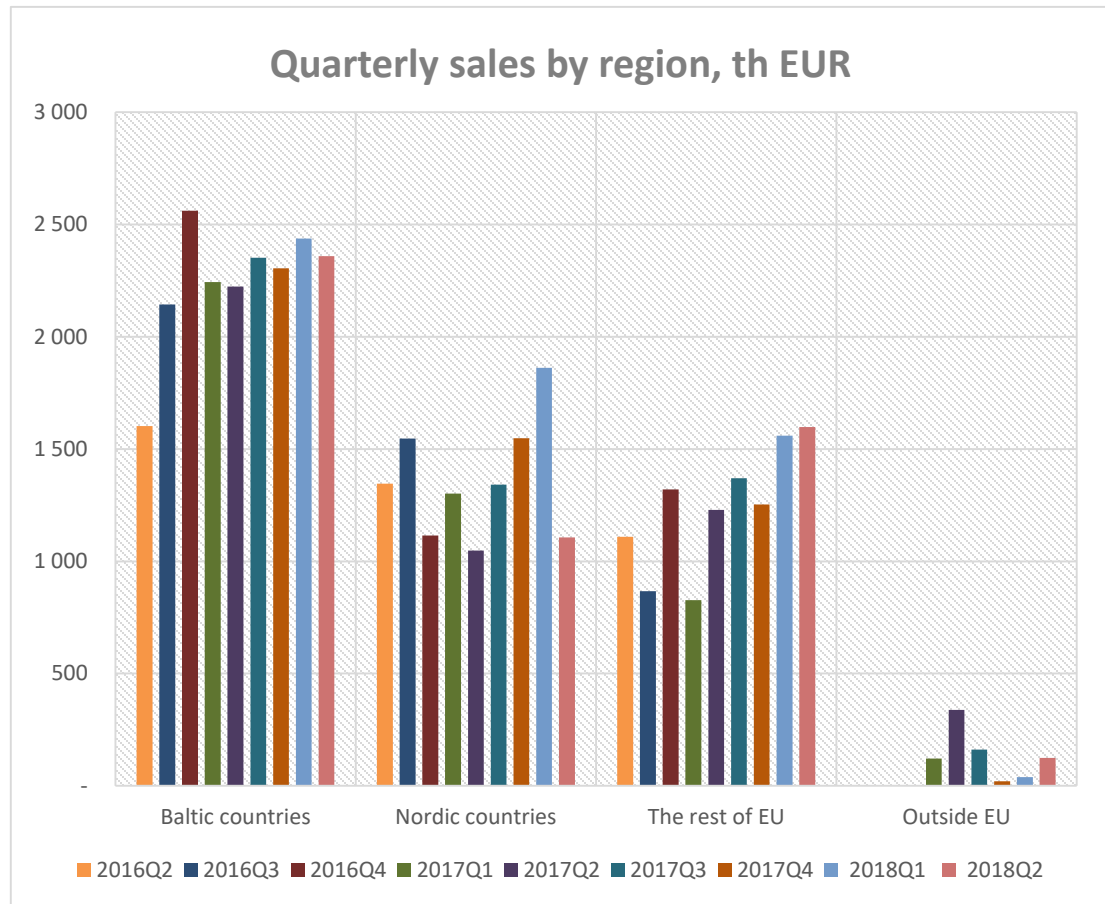
2018 Q2 sales

- Quarterly sales reached 5.188 million euro
- An increase by 7% in comparison to 2017Q2
- An decrease by 12% in comparison to 2018Q1



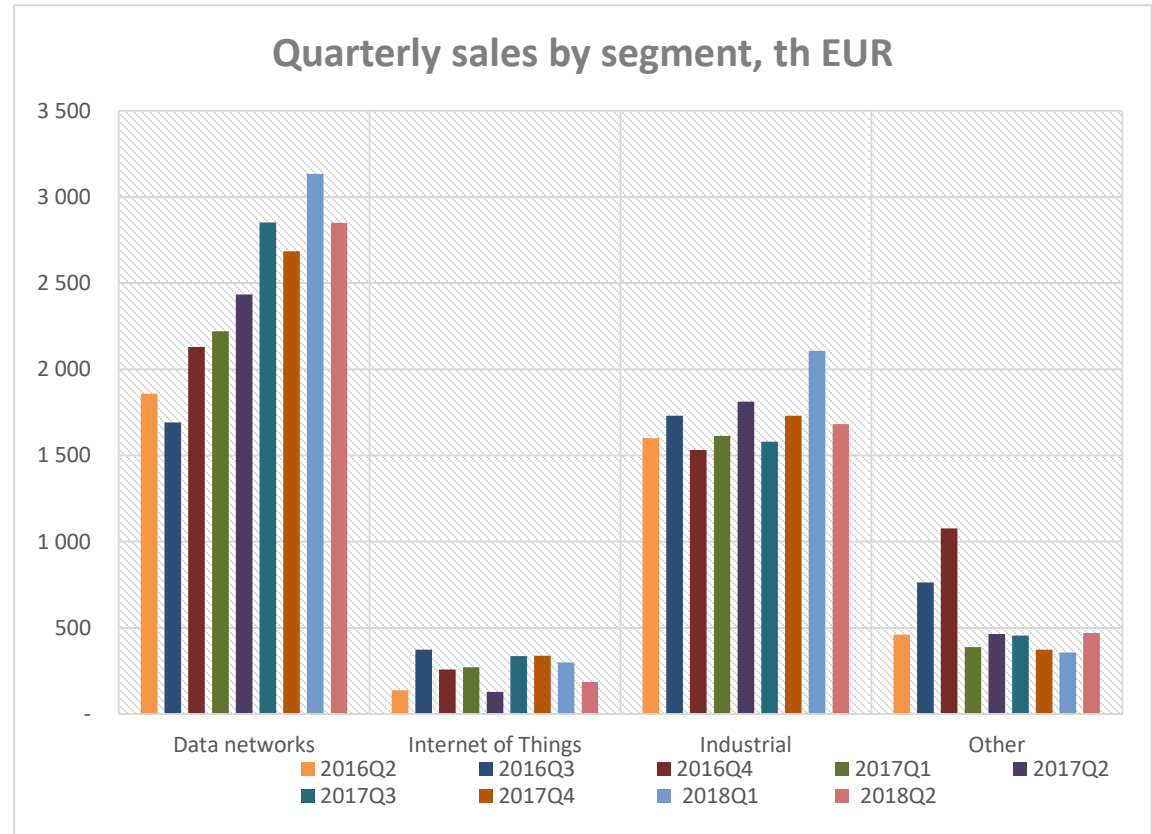
2018 Q2 sales by region

- Baltic sales – 45%
 - ✓ 6% up from 2017Q2
 - ✓ 3% down from 2018Q1
- Nordic sales – 21%
 - ✓ 6% up from 2017Q2
 - ✓ 41% down from 2018Q1
- The rest of EU sales – 31%
 - ✓ 30% up from 2017Q2
 - ✓ 2% up from 2018Q1
- Outside EU – 2%
 - ✓ 63% down from 2017Q2
 - ✓ 222% up from 2018Q1



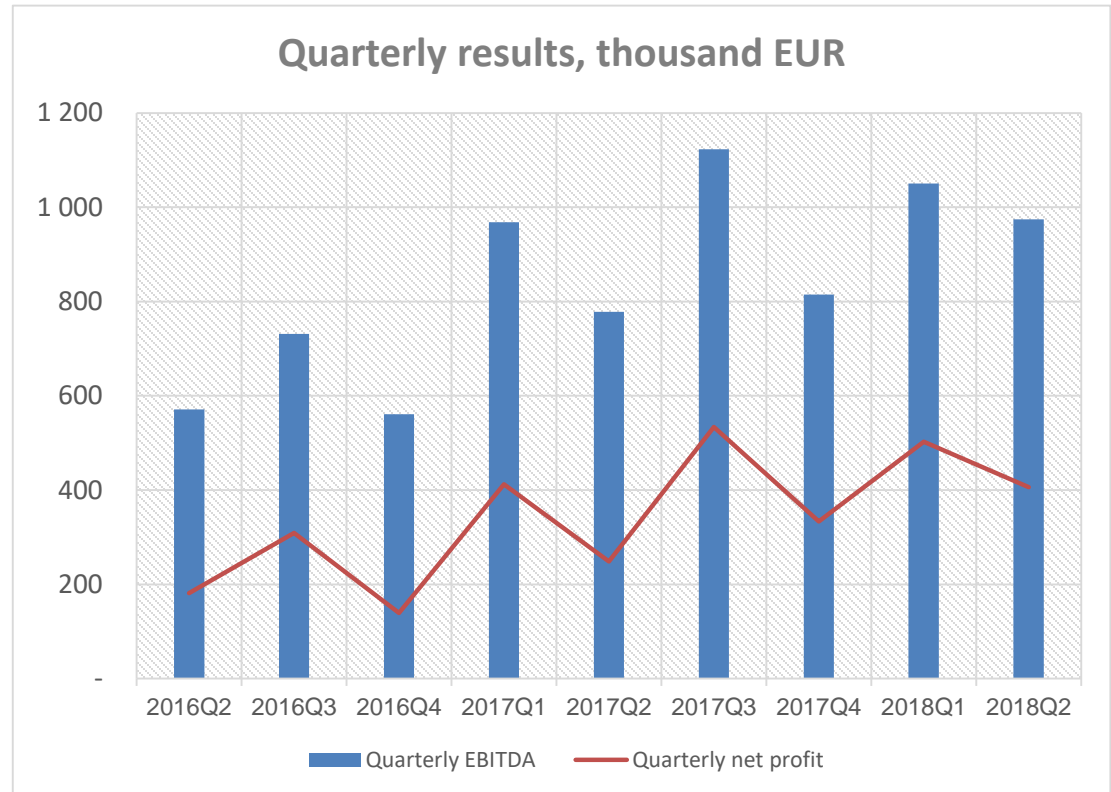
2018 Q2 sales by market segment

- Data network products - 55%
 - ✓ 17% up from 2017Q2
 - ✓ 9% down from 2018Q1
- Industrial segment – 32%
 - ✓ 7% down from 2017Q2
 - ✓ 20% down from 2018Q1
- Internet-of-things - 4%
 - ✓ 43% up from 2017Q2
 - ✓ 38% down from 2018Q1
- Other – 9%
 - ✓ 1% up from 2017Q2
 - ✓ 32% up from 2018Q1



2018 Q2 profitability results

- 2018 Q2 EBITDA result – 0.974 million EUR
 - ✓ 25% up from 2017Q2
 - ✓ 7% down from 2018Q1
- Net profit result – 0.402 million euros
 - ✓ 62% up from 2017Q2
 - ✓ 20% down from 2018Q1
- Q2 EBITDA margin – 18.8%
- Q2 net profit margin – 7.7%

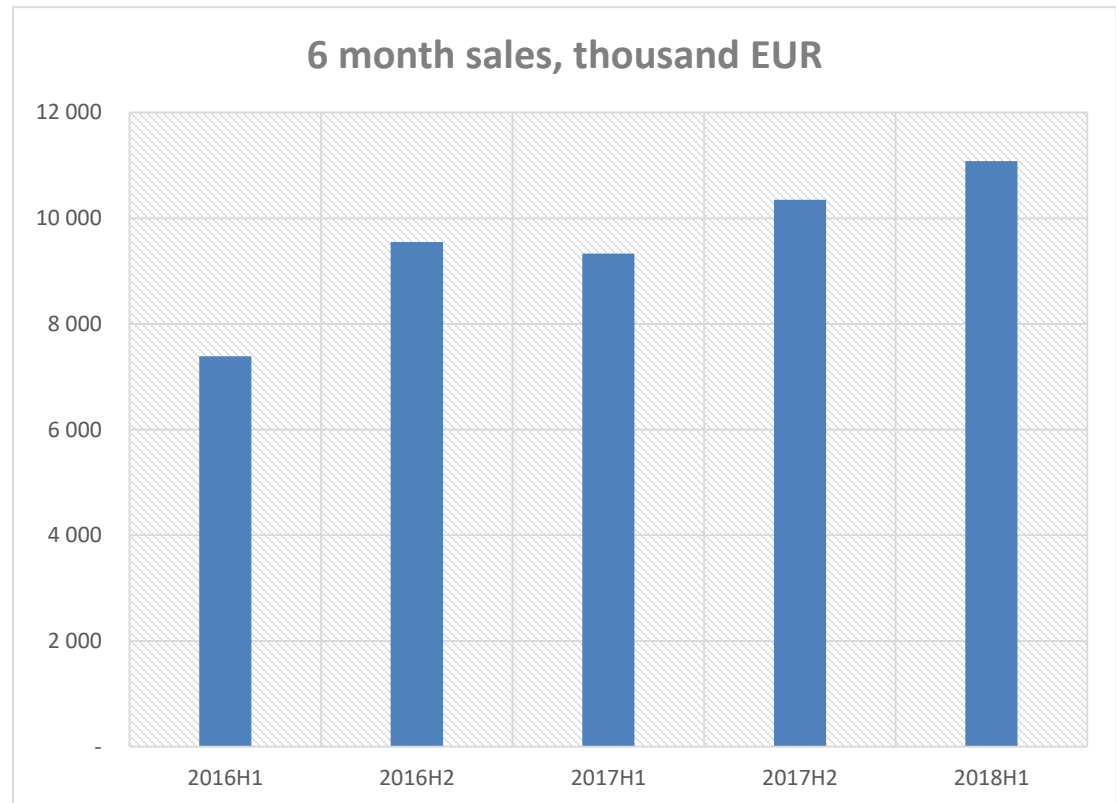


6m results of 2018 in detail



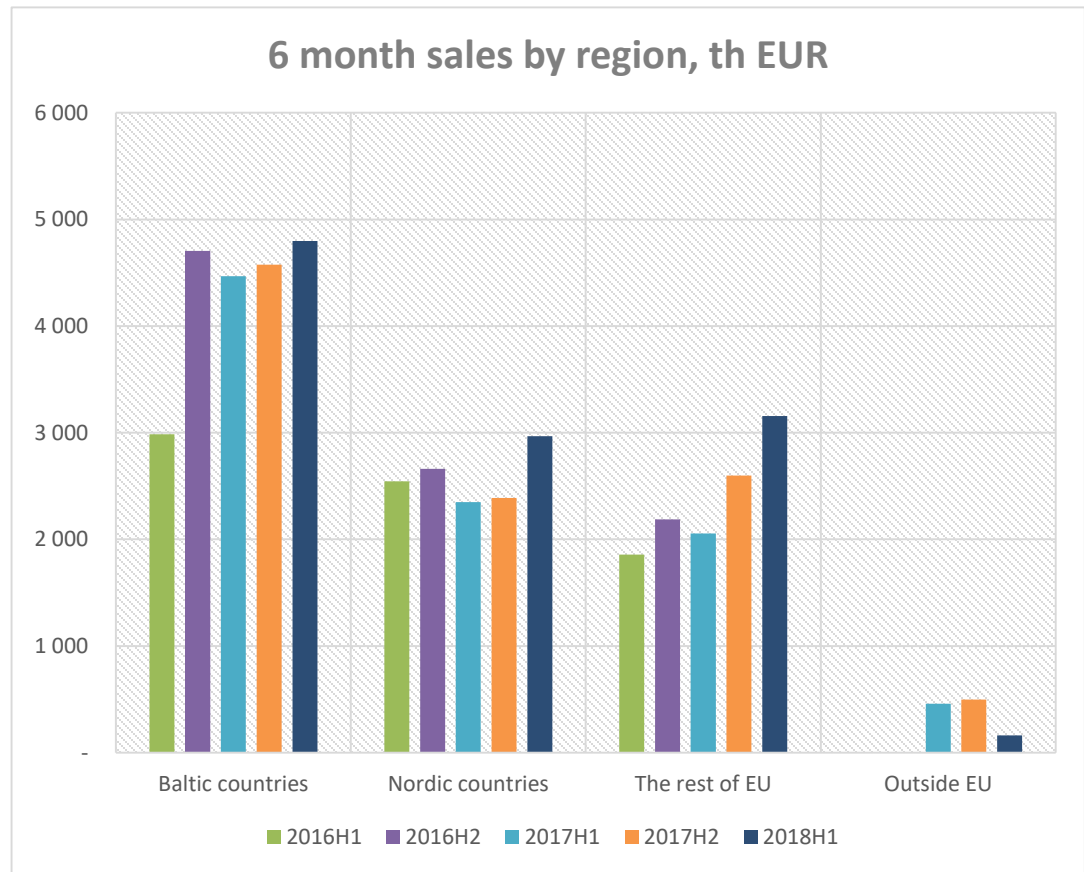
2018 6m sales

- Record high 2018 1H sales of 11.085 million EUR
- An increase by 19% in comparison to 2017 6 months (2016H1)



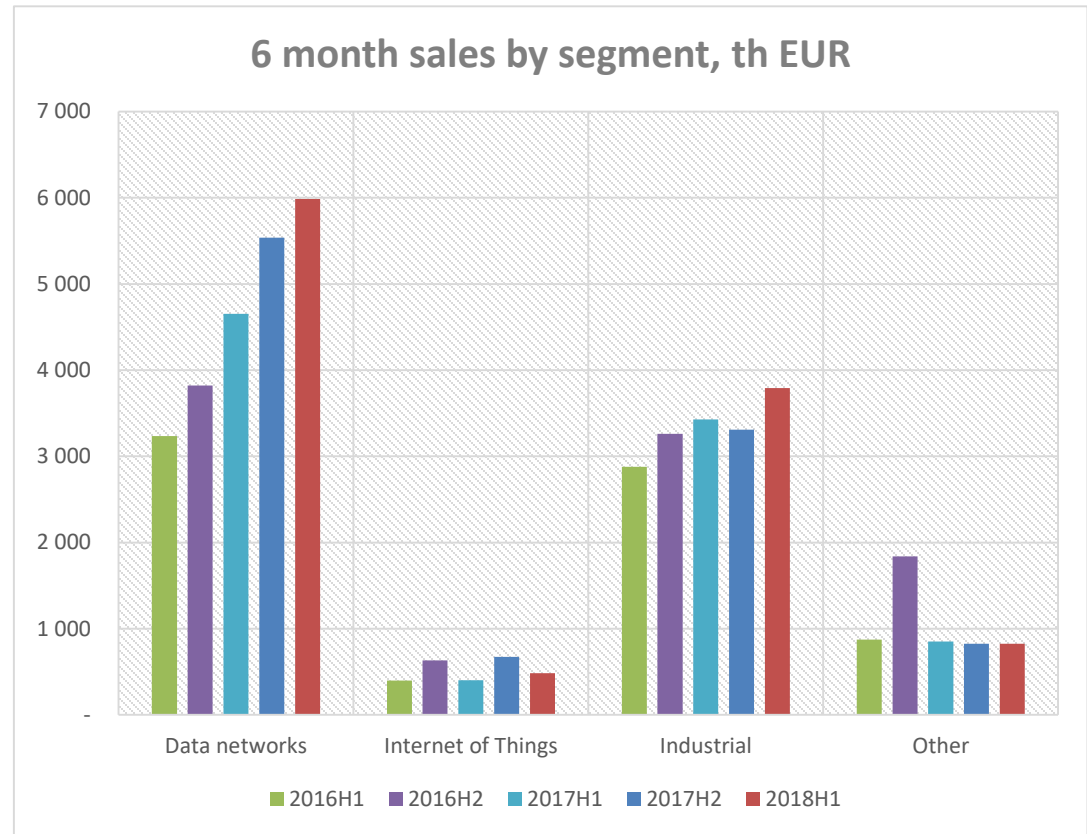
2018 6m sales by region

- Baltic sales – 43%
 - ✓ 7% up from 2017 6m
- Nordic sales – 27%
 - ✓ 26% up from 2017 6m
- The rest of EU sales – 28%
 - ✓ 54% up from 2017 6m
- Outside EU – 1%
 - ✓ 65% down from 2017 6m



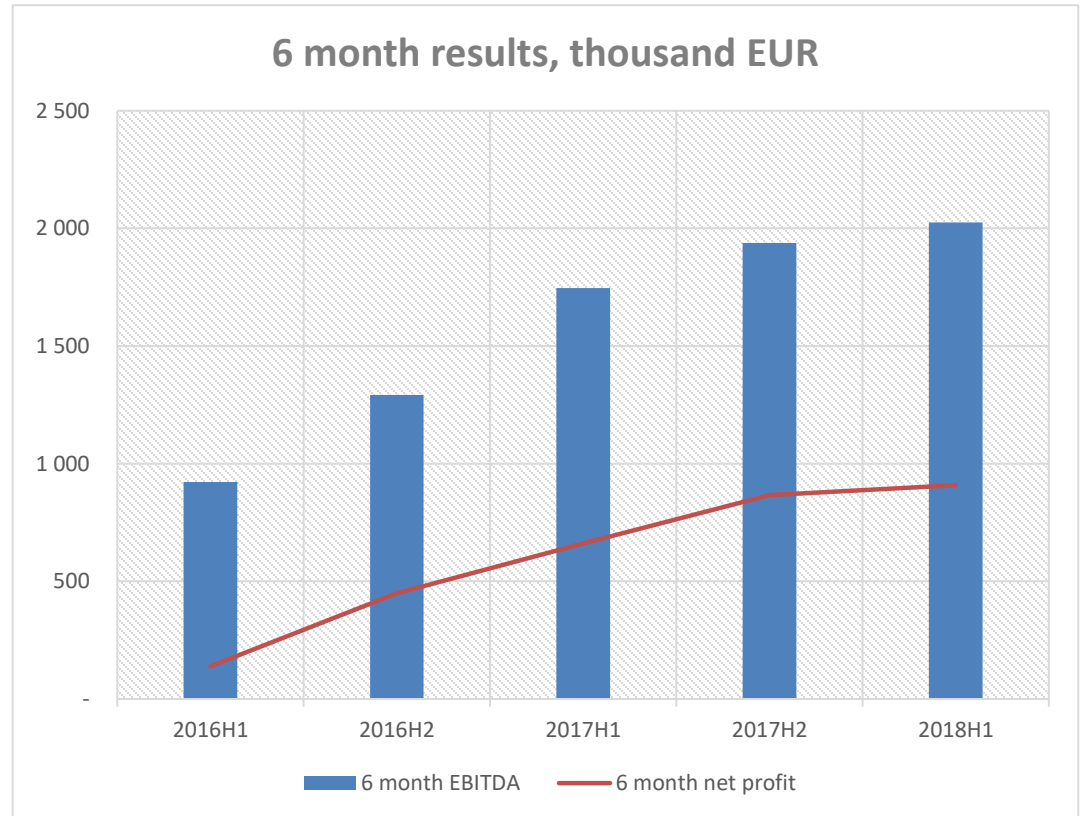
2018 6m sales by market segment

- Data network products - 54%
 - ✓ 29% up from 2017 6m
- Industrial segment – 34%
 - ✓ 11% up from 2017 6m
- Internet-of-things - 4%
 - ✓ 21% up from 2017 6m
- Other – 7%
 - ✓ 3% down from 2017 6m



2018 6m profitability results

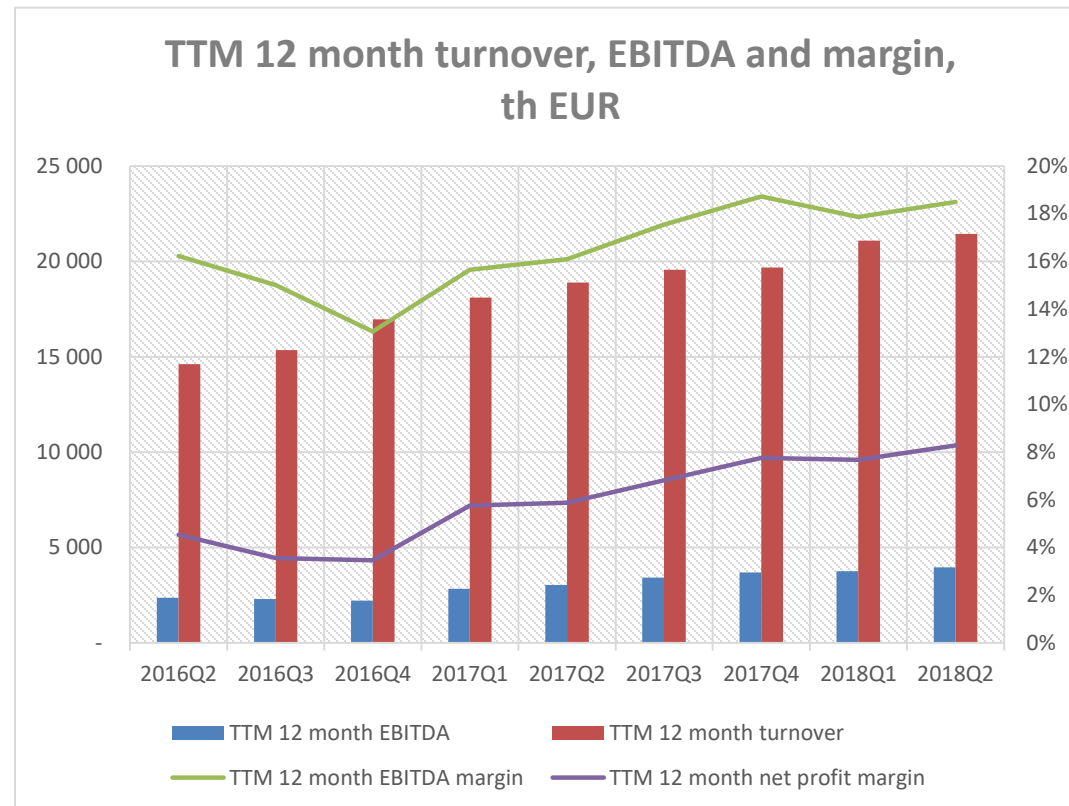
- 2018 6m EBITDA result – 2.025 million EUR
 - ✓ 16% up from 2017 6m
- Net profit result – 0.904 million euros
 - ✓ 37% up from 2017 6m
- 6m EBITDA margin – 19.6%
- 6m net profit margin – 8.7%



TTM 12 month results in detail

TTM 12 month sales and results

- TTM (trailing twelve months) 12 months represent period:
 - ✓ starting July 1, 2017
 - ✓ ending June 30, 2018
- TTM turnover grown to 21.434 million EUR - 13% up from period ending at Q2 2017
- TTM EBITDA result is 3.963 million EUR - 30% up from period ending at Q2 2017
- TTM net profit is 1.771 million EUR - 60% up from period ending at Q2 2017
- TTM EBITDA margin reported as 18.5%
- TTM net profit margin reported as 8.3%
- Margins are highest among industry peers.

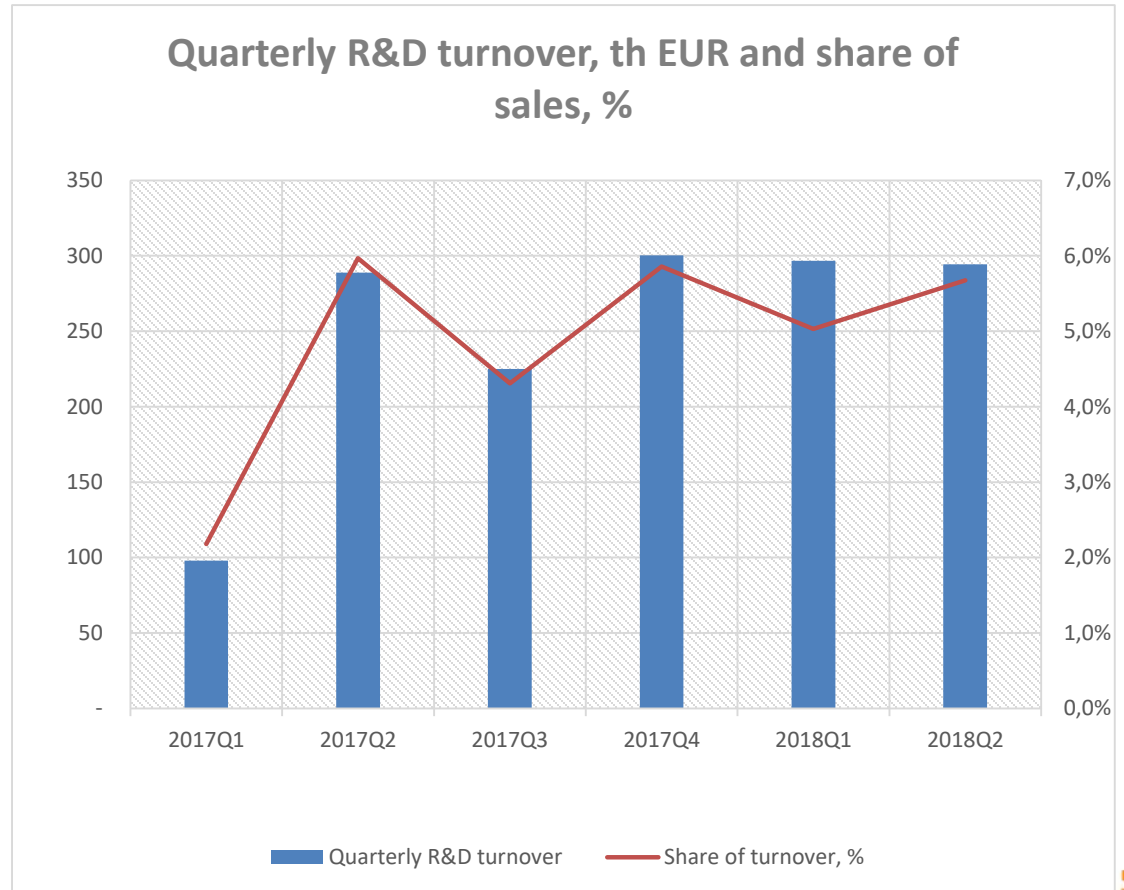


Update on other activities



Quarterly and 12m R&D turnover

- 2018 Q2 R&D B2B sales reported 0.294 M EUR
- 5.7% share of quarterly consolidated sales
- 2018 Q2 12 TTM R&D sales reported 1.116 M EUR
- 5.2% share of 12 TTM consolidated sales
- EU grant financing is not included in reported results here



Investments during 2018 6 months

- During 2018 6 months HansaMatrix made 791 thEUR investments in production capacity increase, research instruments, test systems, of which 608 thEUR were invested in Q2 2018.
- During 2018 6 months HansaMatrix group received 399 thEUR leasing financing for technological equipment purchases from SEB lizings. All amount was received in 2018 Q2.
- Most significant investments in capacity increase and effectiveness were made in:
 - Additional two high productivity NXT III assembly modules were added in Pārogre plant
 - New stencil washing machine and glue dispensing robot in Ventspils plant



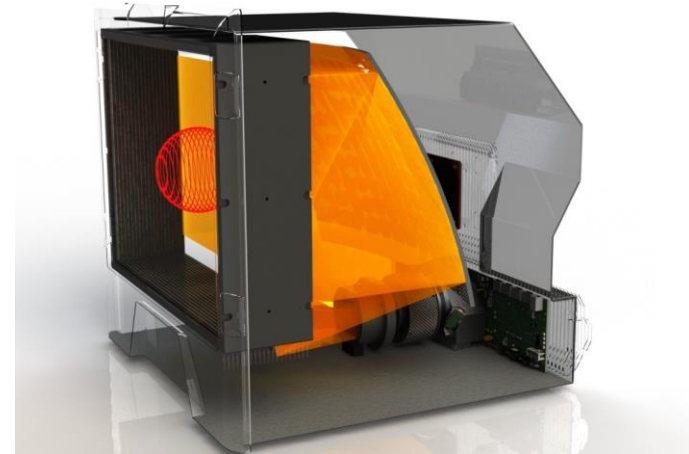
Investments in associated companies

- During 2018 H1 HansaMatrix made 503 thEUR (226 thEUR in 2018 Q2) investments into SIA Lightspace Technologies to finance the development and commercialization of 3D display technologies.
- During 2018 H1 HansaMatrix made 181 th EUR (81 thEUR in 2018 Q2) investments in form of convertible loan to associated company – Zinātnes parks.
- As of June 30, 2018 HansaMatrix investment in the form of the convertible loan in Zinātnes parks in total amounted to 1,027 thEUR.



Business development of LightSpace Technologies

- During a reporting period LightSpace has made an agreement in USA regarding joint development of bench top and head mount display based on LightSpace multiplane display technology.
- During 2018 6 months LightSpace has submitted two new patent applications.
- Marketing activities included participation in SPIE Photonics West 2018 in San Francisco and SPIE DCS 2018 in Orlando, Florida, USA.



Investment in RIX high tech city

- During H1 2018 Zinātnes Parks has invested 47.5 thEUR (all amount in Q1 2018) in construction technical project development.
- planned to complete construction project development work by Q3 2018.
- Currently searching for real estate investors to support a realization of the project - *RIX high tech city*.



Other events during reporting period (1)

- On May 25, 2018 HansaMatrix paid the first tranche of dividends for the year 2017 in amount of 73 thEUR or 0.04 EUR per share. The second tranche of dividends 0.04 EUR per share is to be paid out in Q42018.
- On April 20, 2018, the Flycap investment fund I AIF has reduced its shareholding in HansaMatrix to remaining 175,808 shares or 9.61%.
- In Q2 2018 HansaMatrix Innovation and LightSpace Technologies has finished the EU grant funded research project developing optics for robotic 3D vision. Project budget 352.1 thousand EUR, planned EU grant 184.7 thEUR expected to be received in second half of 2018.



Other events during reporting period (2)

- In Q2 2018 LightSpace Technologies has increased shareholding to 76.12% shares of the main supplier EUROLCDs in share swap transaction when BaltCap Jeremie Fund and HansaMatrix has swapped (invested) their EUROLCDs shares for newly issued LightSpace Technologies shares. In addition to share swap HansaMatrix has subscribed to 1000 new and Ilmars Osmanis has used his personal option to buy 500 new LightSpace Technology shares. After the above transactions HansaMatrix holds 39.99% Lightspace Technologies shares.



Significant events after reporting period

- HansaMatrix increased overdraft in SEB bank to 1 million EUR and signed new 300 thEUR Reverse Factoring agreement with SEB lizings to facilitate working capital for the growing business.
- On July 20, 2018 BaltCap Latvia Venture Capital Fund acquired 9.95% HansaMatrix shares from SIA MACRO RIGA, which decreased Company share ownership to 49.09%.
- On July 28, 2018 SIA MACRO RIGA acquired 11.68% Lightspace Technologies shares from BaltCap Latvia Venture Capital Fund.
- On August 20, 2018, a fire broke out in one of AS HansaMatrix client's warehouses and is expected to have limited negative impact on HansaMatrix data networks segment sales in 2018 Q3 and Q4 due to supply chain delivery times of additional new components, but is not expected to impact the segment sales volume in the longer term.



Q&A Session

We welcome your questions during webinar !

Please use investor contact for any other enquiries:

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Q and A submitted before webinar (1)

1. How serious this fire accident at client's warehouse can turn out for your H2 results?

Work has been done to minimize the impact of replacement parts lead times and the mitigation effect will depend on how successful is the supply chain logistics. We believe negatively effected shall be period of 2...3 months only. In medium term most likely any negative effect will be compensated with additional product quantities requested to replenish supply chain towards customers.

2. At what price MACRO RIGA bought Lightspace Technologies stake? Is there any money left for debt repayments to HMX?

Transaction between parties did not include cash transfer. Macro Riga has paid the same amount for stake of LightSpace Technologies shares (1620 or 11.68%) it received from selling its HansaMatrix shares (182'000 @ 7.281EUR). Macro Riga plans to cover debt during next 12-18 month period.



Q and A submitted before webinar (2)

3. Valuations at which different parties purchased Lightspace Technologies shares (page 19, latest financial report) are quite different. Can you please explain/clarify?

- a) ***Valuation of Lightspace technologies (LT) share in the company consolidation transaction in which the existing EUROLCDs (ELCD) shareholders (BaltCap and HansaMatrix) invested their EUROLCDs shares into LT and received ownership in LT: LT shares were issued at historic cash investment value at the same 482 EUR per LT share as any other LT investor. According to Latvian law it was required to evaluate enterprise equity value and pass into books only that share value.***
- b) ***Lightspace technologies share value for the cash investments was established as historical investment cost per share – rounded up to 483 EUR;***
- c) ***Ilmārs Osmanis received 500 LT share option at no cost (only paying nominal value 1 EUR per share) as a compensation for giving up inventor rights and authoring of 3 LT patents to LT. All 3 patents has been submitted. Share option was approved by Councils (Boards) of HansaMatrix and LT.***





Thank you!

