

# HANSAMATRIX



Innovator and Manufacturing Solution High-Tech Group

Q4 and 12 months results of 2018 – Nasdaq webinar

Presenters: Ilmars Osmanis, CEO and Maris Macijevskis, CFO

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# Executive summary

# 2018 12M Business trends

- The current global electronics component MLCC shortages have not been yet resolved and requires extra management efforts and costs.
- Latvia labor market y-o-y salary inflation in 2018 expected to be 8.4% (Ministry of Finance) requires labor cost adjustments. Rate for 2019 forecasted further 7...8% according to bank consensus.



# 2018 Q4 and 12M summary

- 12m turnover y-o-y increase by 7%
- 12m EBITDA y-o-y decrease by 10%
- 12m normalized net profit y-o-y decrease by 29% (without one off correction of reversed deferred corporate income tax in 2017)

Results summary, MEUR	2018 Q4	2018 12m
Turnover	5.061	21.152
EBITDA	0.517	3.318
EBITDA, %	10.2%	15.7%
net profit	-0.185	0.872
net profit, %	-3.67%	4.1%
P/E		13.6



# 2018 Q4 comparison with peers

- HansaMatrix EBITDA margin – highest compared to industry peers
- Peer market value range 4.1x up to 9.9x EBITDA (HansaMatrix 3.6x)

TTM figures - Million EUR	Market Cap	TTM Revenue	TTM EBITDA	TTM Net Profit	EBITDA margin	Net profit margin
HansaMatrix	12.1	21.2	3.3	0,8	15.7%	4.1%
Incap Oyj	39.5	58.9	9.1	5.9	15.5%	9.9%
Data Response ASA	153.0	154.9	15.4	5.6	9.9%	3.6%
Kitron ASA	154.3	272.7	21.8	11.5	7.9%	4.2%
Note AB	65.6	134.4	10.0	6.3	7.5%	4.7%
HANZA Holding	48.9	176.5	11.9	2.0	6.7%	1.2%
Inission AB	21.8	74.4	3.8	2.0	5.2%	2.8%

Source: Bloomberg, February 18, 2019

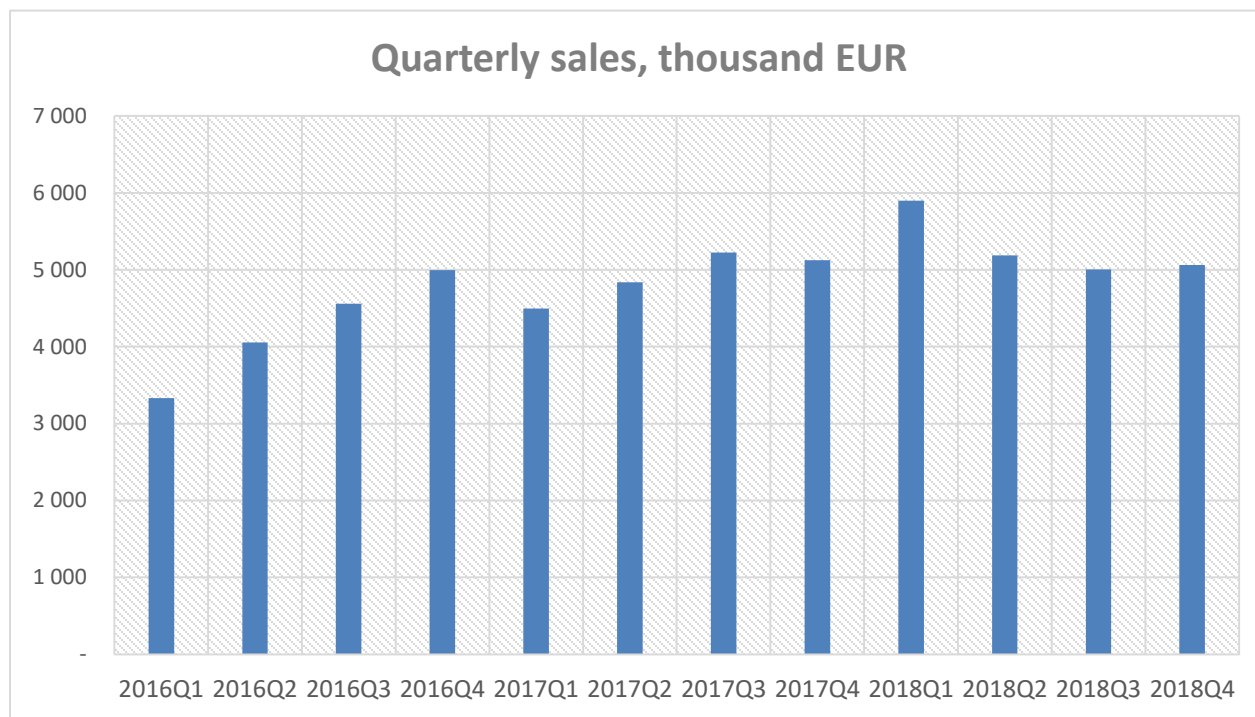


# Q4 results of 2018 in detail



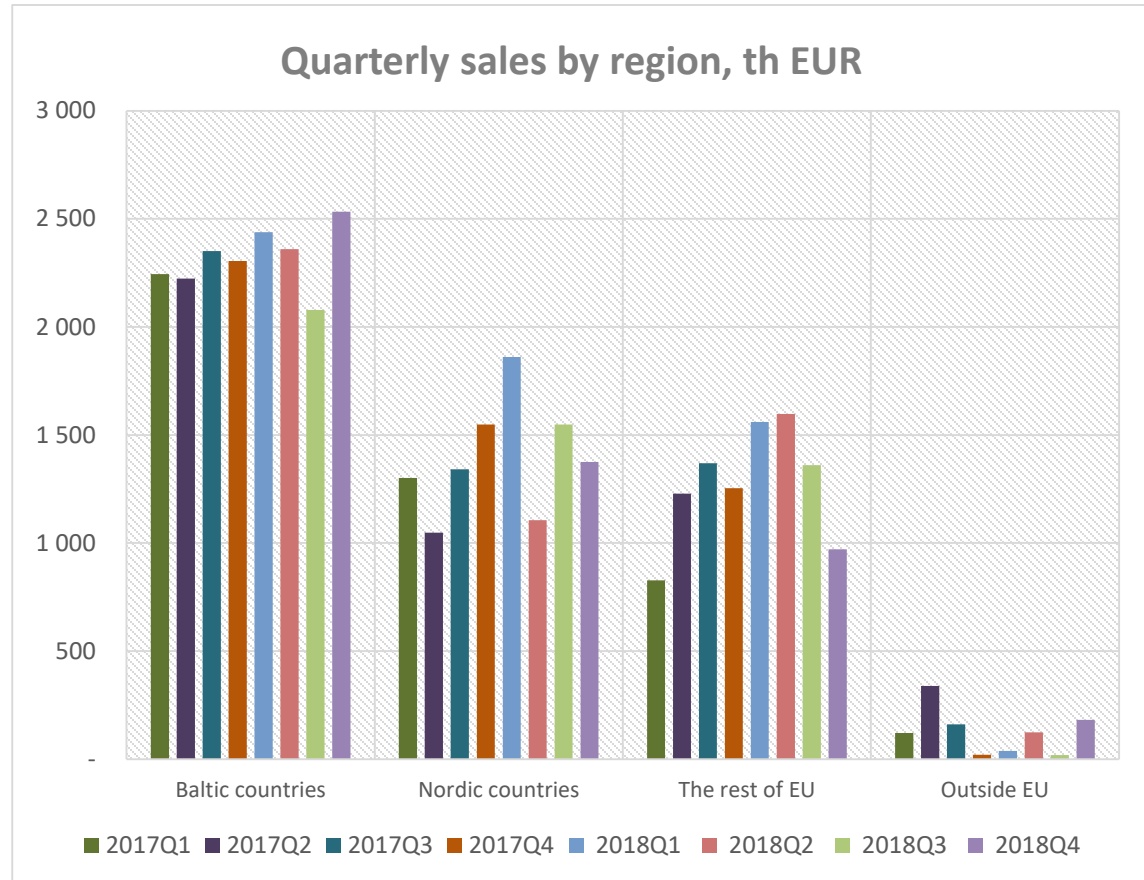
# 2018 Q4 sales

- Quarterly sales reached 5.061 million euro
- A decrease by 1% in comparison to 2017Q4
- An increase by 1% in comparison to 2018Q3



# 2018 Q4 sales by region

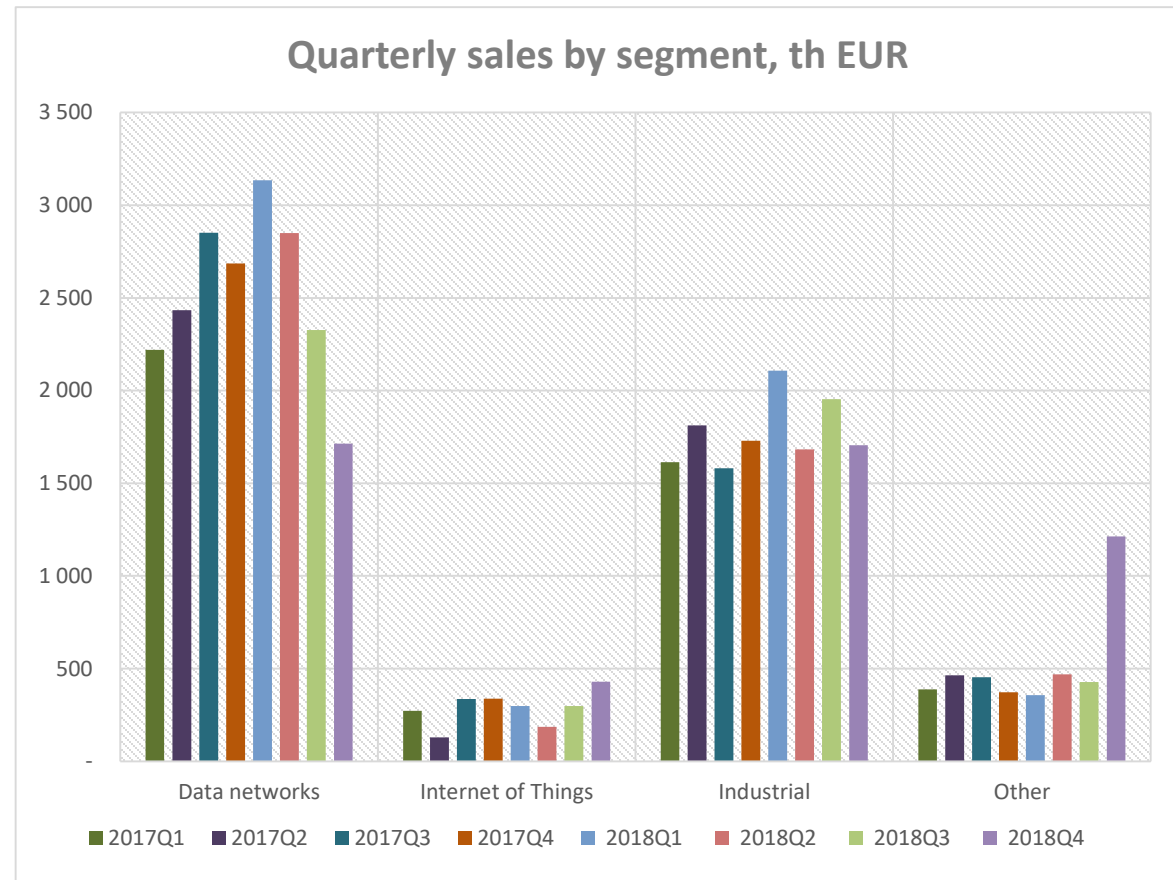
- Baltic sales – 50%
  - ✓ 10% up from 2017Q4
  - ✓ 22% up from 2018Q3
- Nordic sales – 27%
  - ✓ 11% down from 2017Q4
  - ✓ 11% down from 2018Q3
- The rest of EU sales – 19%
  - ✓ 23% down from 2017Q4
  - ✓ 29% down from 2018Q3
- Outside EU – 4%
  - ✓ 811% up from 2017Q4
  - ✓ 875% up from 2018Q3





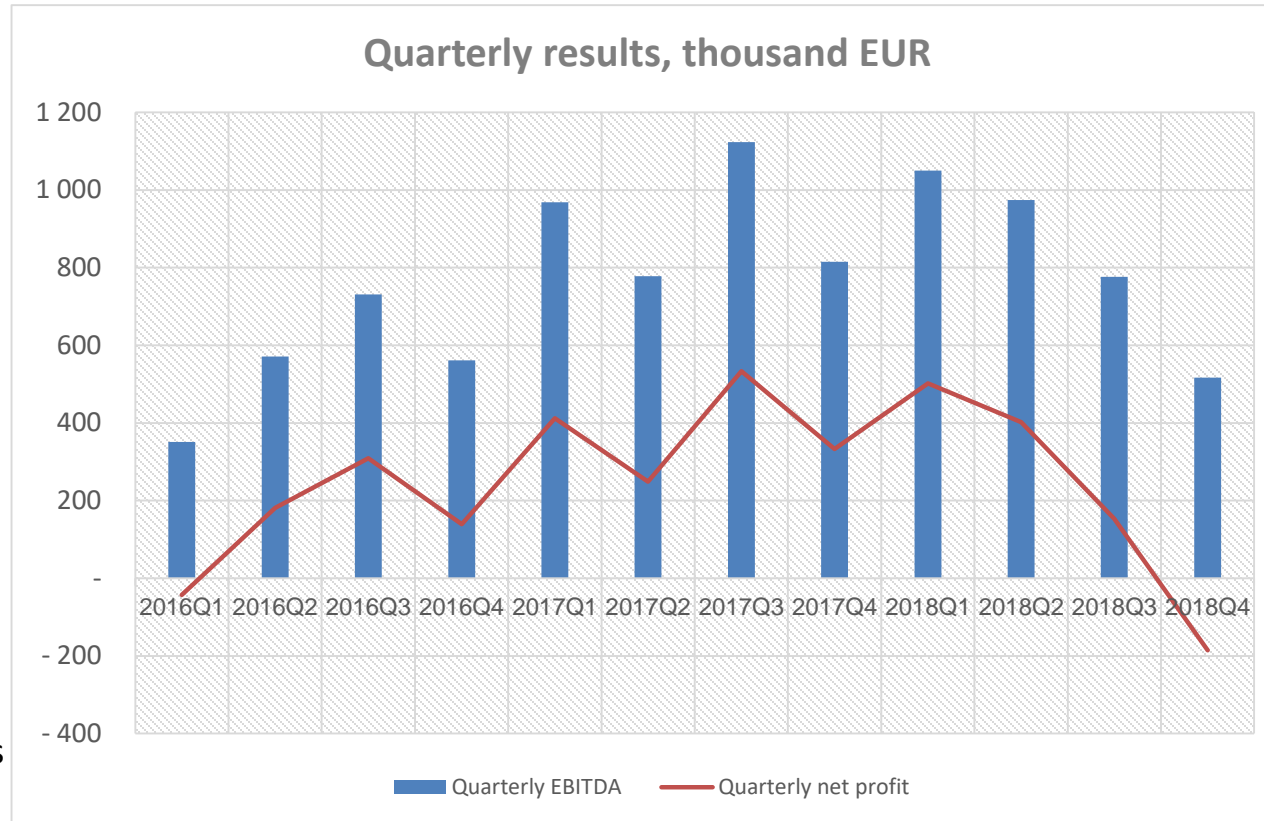
# 2018 Q4 sales by market segment

- Data network products - 34%
  - ✓ 36% down from 2017Q4
  - ✓ 26% down from 2018Q3
- Industrial segment – 34%
  - ✓ 1% down from 2017Q4
  - ✓ 13% down from 2018Q3
- Internet-of-things - 8%
  - ✓ 27% up from 2017Q4
  - ✓ 44% up from 2018Q3
- Other – 24%
  - ✓ 225% up from 2017Q4
  - ✓ 184% up from 2018Q3



# 2018 Q4 profitability results

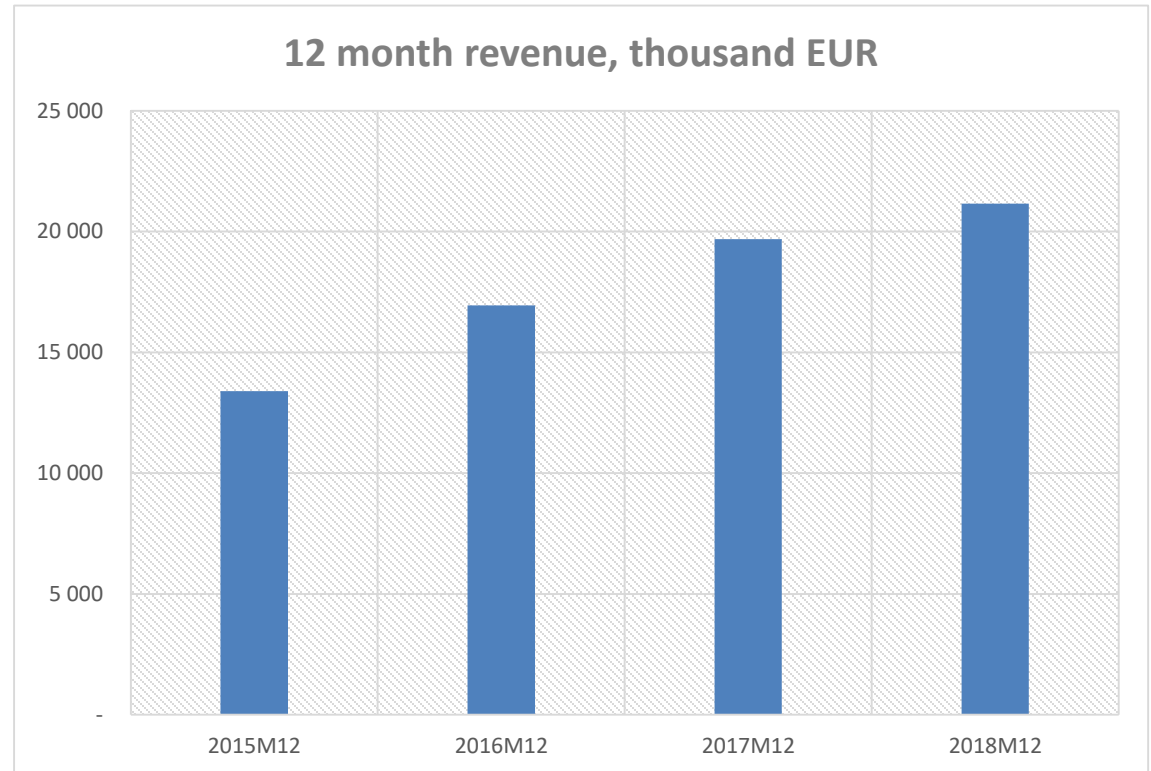
- 2018 Q4 EBITDA result – 0.517 million EUR
  - ✓ 37% down from 2017Q4
  - ✓ 33% down from 2018Q3
- Net loss result – 0.185 million euros
- Q4 EBITDA margin – 10.2%
- Q4 result was effected by mix of several factors:
  - ✓ Temporary decreased share of higher margin products
  - ✓ Temporary reduced business due to fire accident at customer warehouse
  - ✓ Labor costs increase by salary corrections in Q4



# 12m results of 2018 in detail

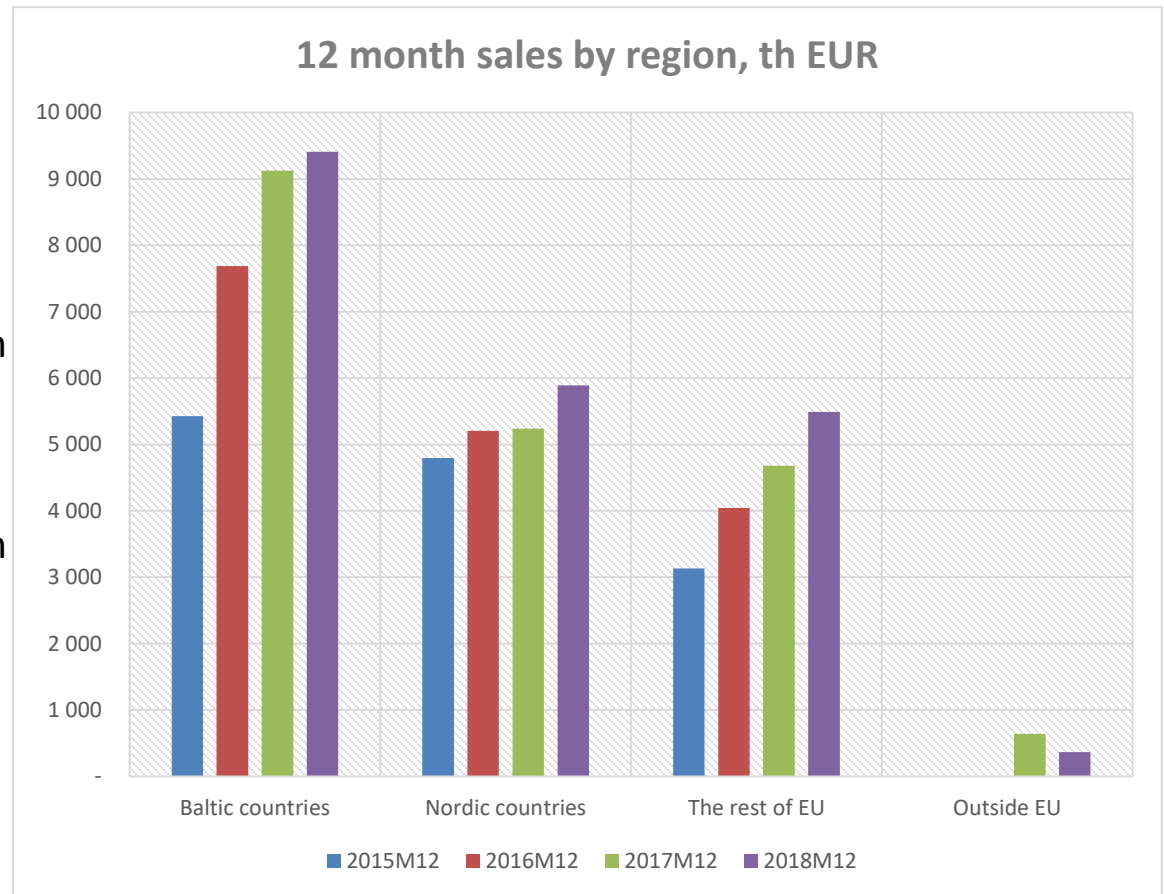
# 2018 12m sales

- 2018 12m sales  
21.152 million EUR
- An increase by 7% in  
comparison to 2017  
12 months



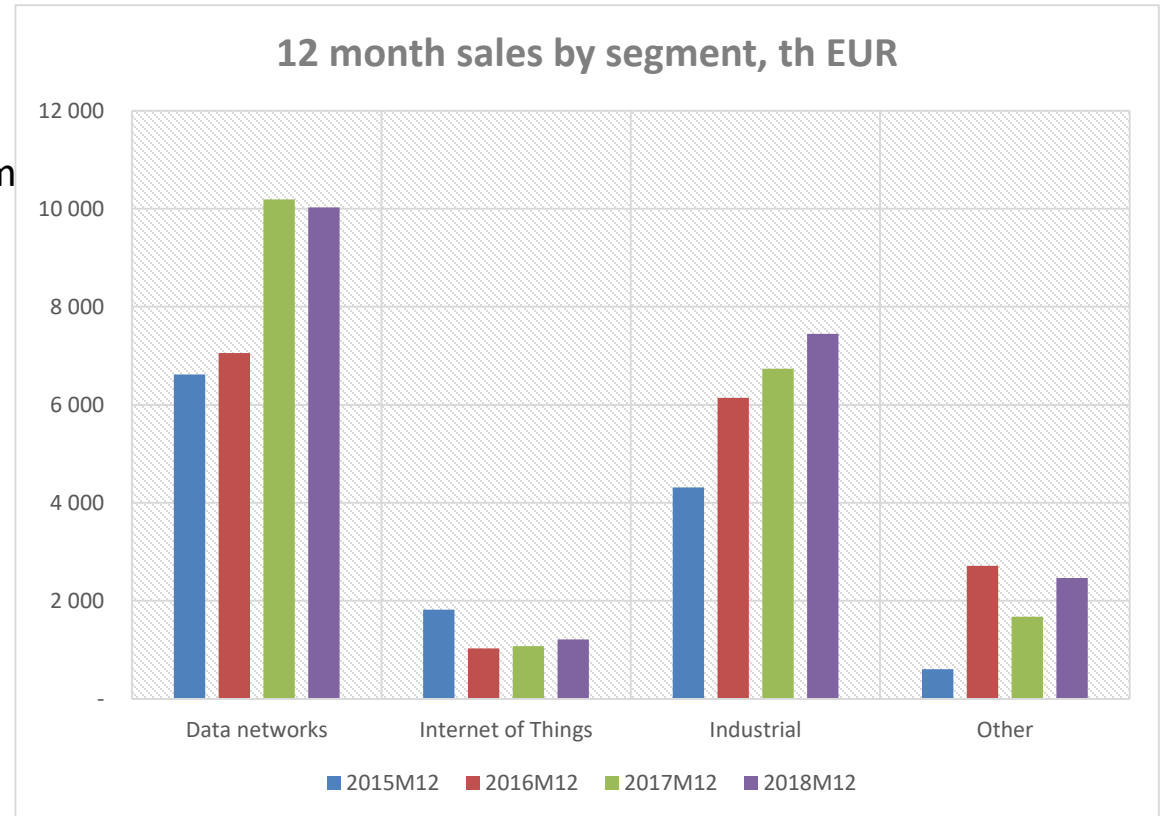
# 2018 12m sales by region

- Baltic sales – 45%
  - ✓ 3% up from 2017 12m
- Nordic sales – 28%
  - ✓ 12% up from 2017 12m
- The rest of EU sales – 26%
  - ✓ 17% up from 2017 12m
- Outside EU – 2%
  - ✓ 43% down from 2017 12m



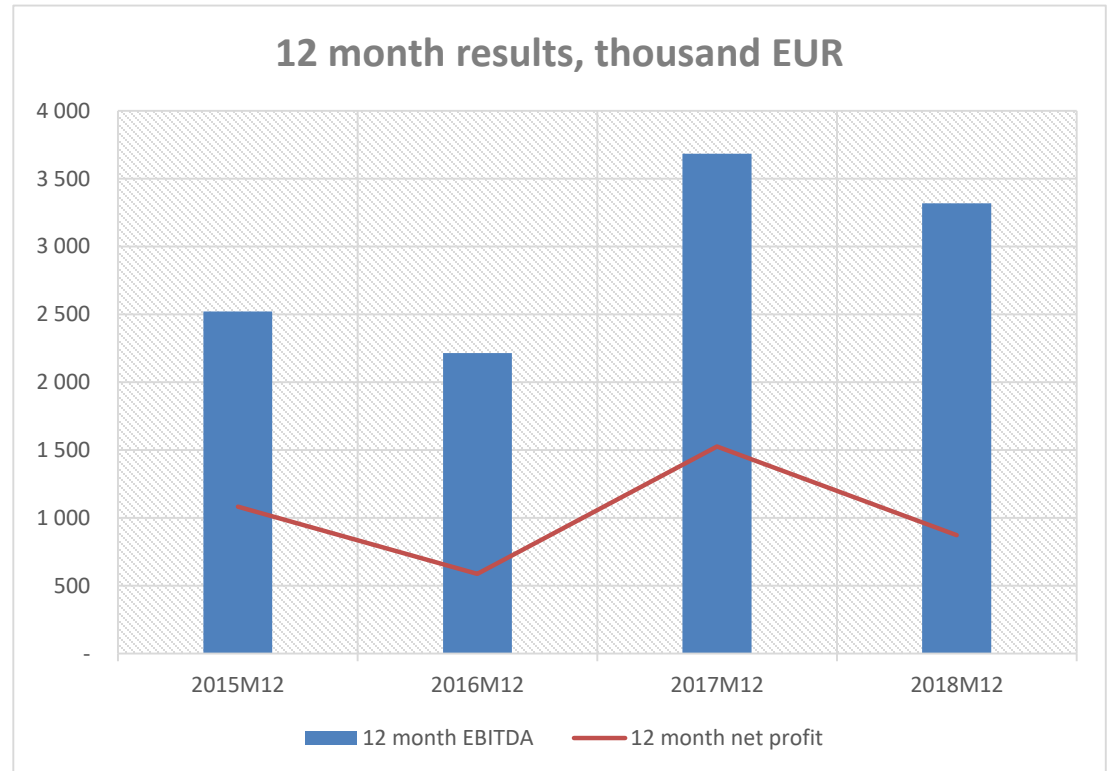
# 2018 12m sales by market segment

- Data network products - 47%
  - ✓ 2% down from 2017 12m
- Industrial segment – 35%
  - ✓ 11% up from 2017 12m
- Internet-of-things - 6%
  - ✓ 13% up from 2017 12m
- Other – 12%
  - ✓ 47% up from 2017 12m



# 2018 12m profitability results

- 2018 12m EBITDA result – 3.318 million EUR
  - ✓ 10% down from 2017 12m
- Net profit result – 0.872 million euros
  - ✓ net profit 29% (43% as per accounts) down from 2017 12m normalized profit (by CIT accrued liability reversal 0.304MEUR)
- 12m EBITDA margin – 15.7%
- 12m net profit margin – 4.1%

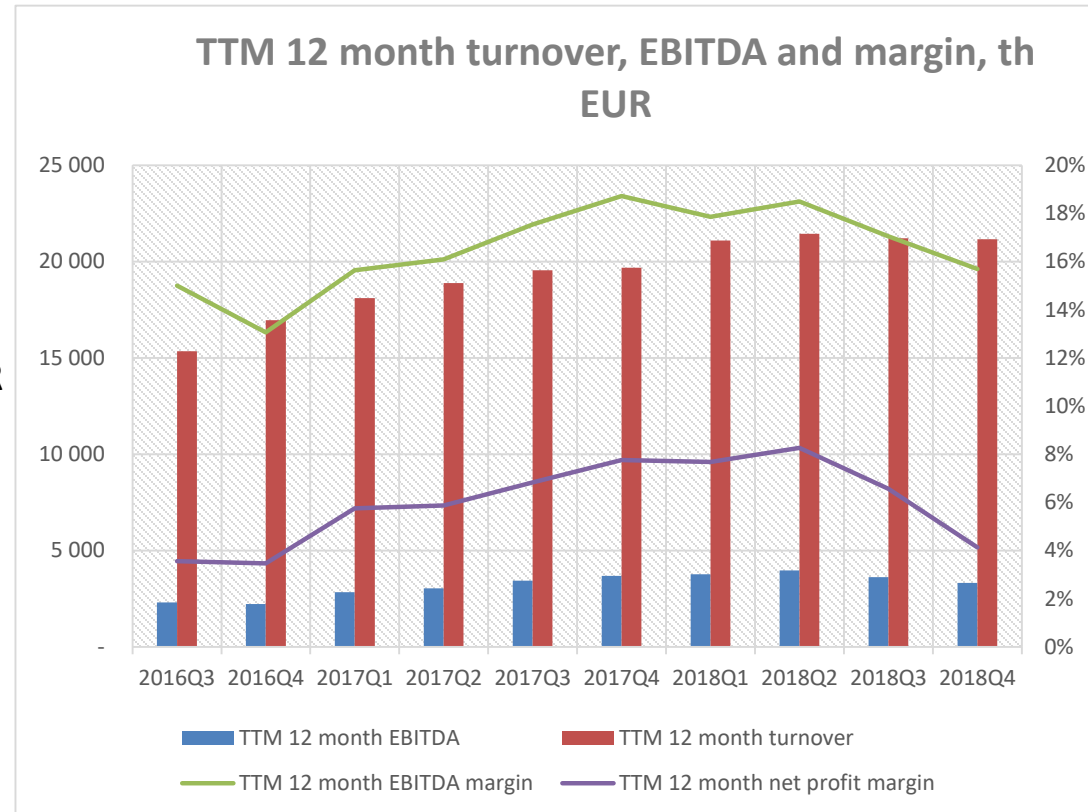


# TTM 12 month results in detail



# TTM 12 month sales and results

- TTM (trailing twelve months) 12 months represent period:
  - ✓ starting January 1, 2018
  - ✓ ending December 31, 2018
- TTM turnover 21.152 million EUR – 7% up from period ending at Q4 2017
- TTM EBITDA result is 3.318 million EUR - 10% down from period ending at Q4 2017
- TTM net profit is 0.872 million EUR - 43% down from period ending at Q4 2017
- TTM EBITDA margin reported as 15.7%
- TTM net profit margin reported as 4.1%

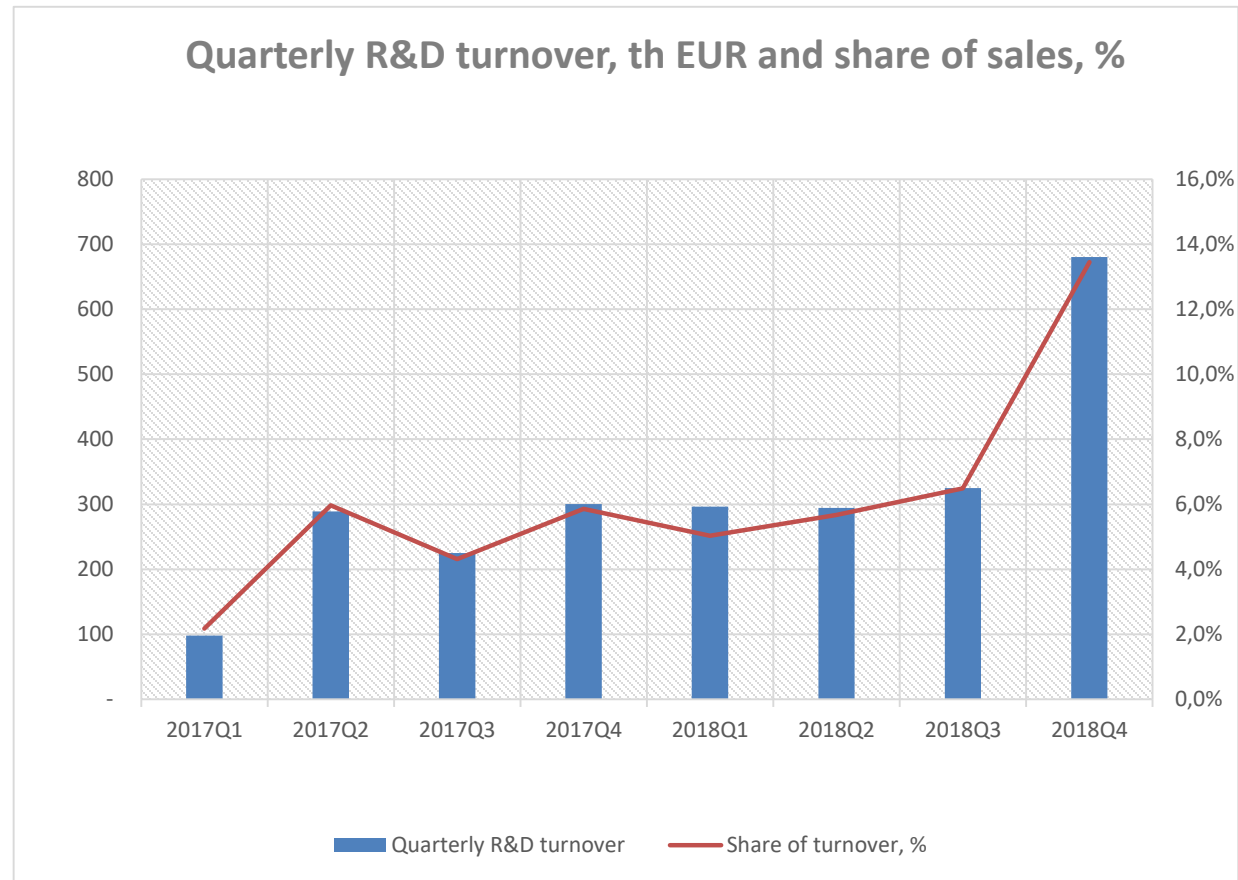


# Update on other activities



# Quarterly and 12m R&D turnover

- 2018 Q4 R&D B2B sales reported 0.68 M EUR
- 13.4% share of quarterly consolidated sales
- 2018 Q4 12 TTM R&D sales reported 1.596 M EUR, 31% increase compared to 2017
- 7.5% share of 12 TTM consolidated sales
- production of optical assemblies and finished products increased to 0.34 M EUR in Q4. Trend will continue in 2019.
- completion and invoicing in Q4 of several longer period R&D projects



# Investments during 2018 12 months

- 12 months 2.5 MEUR investments in production capacity increase, introduction of a new production technologies
- 1 MEUR invested in Q4 2018
- Most significant investments in Q4:
  - IPC Class 3 production equipment to increase quality and getting ready for new AS9100 quality certification (aviation, aerospace)
  - Plastic parts production equipment to start injection molding production to increase added value and to reduce outsourcing quality and logistic costs



# Investments in associated companies

- In 2018 2.7 MEUR (1.9 MEUR in Q4) investments into LightSpace Technologies to finance technology R&D and commercialization of 3D display technologies.
- In 2018 363 thEUR (72 thEUR in Q4) investments in form of convertible loan to associated company – Zinātnes parks for RIX High Tech City project development
- As of end of 2018 investment in the form of the convertible loan in Zinātnes parks in total amounted to 1.2 MEUR.



# Business development of LightSpace Technologies

- During a reporting period LightSpace has started feasibility study with leading car manufacturer of development of car multi-plane 3D AR Head up Display.
- During 2018 12 months LightSpace has filed 8 new patent applications and published 2 scientific articles.
- Marketing activities included participation in SPIE Photonics West 2018 in San Francisco and SPIE DCS 2018 in Orlando, Florida, USA, ISR C2 conferences in Rome and Alexandria, VA.





# Investment in RIX High Tech City

- In 2018 Zinātnes Parks has invested 100 thEUR (21 thEUR in Q4) in construction technical project development.
- planned to complete construction project development work in 2019Q1.
- Currently searching for real estate investors to support a realization of the project - *RIX high tech city*.



# Other events during reporting period

- Signed contract in amount of 3 million USD to supply high complexity electronic assemblies over period of years 2019-2020 to industrial segment corporate customer with location outside EU
- Paid out the second installment of the 2017 profit dividend payment in amount of EUR 73 thEUR (0.04 EUR per share)
- Signed long-term financing agreement with European Investment Bank (EIB) in amount of 10 million EUR in support of planned investments, which total 20 million EUR in the years 2018-2020 and received first tranche 5m EUR
- Issued HansaMatrix stock warrants to EIB in 10% of Company's stock on fully diluted basis
- Signed new financing agreements with SEB: 2.7 mEUR new factoring, 1.9 mEUR working capital financing maturity prolongation for 1 year. SEB approved new long term financing limit for investments 2.5 m EUR





# Q&A Session

We welcome your questions during webinar !

Please use investor contact for any other enquiries:

**Māris Macijevskis, CFO**

Phone: (+371) 6780 0002

e-mail: [invest@hansamatrix.com](mailto:invest@hansamatrix.com)



# Q and A submitted before webinar (1)

1. How would you describe the current situation in terms of the shortage of components, especially MLCC's? When do you expect the component deficit to ease and prices to normalise?

***Deficit expected to continue in 2019, industry has accepted higher prices and longer lead times. HansaMatrix believes that situation will even out in H2 2019.***

2. Do you expect EBITDA margin to improve any time soon or similar margin to Q4 can stay for longer?

***EBITDA margin could be expected to improve in 2019 Q1 and Q2. Downward pressure on margins going forward is expected from continuing wage inflation and component deficit in the global market. In medium-term the forecasted EBITDA margin is in the range 12 to 15%, as per previously publicly issued guidance. Not excluding periods of higher peaks according to market situation.***

3. Please name a few of your current largest customers by sales in the data networks and industrial segments?

***Customer names cannot be provided due to confidentiality undertakings in manufacturing agreements.***



# Q and A submitted before webinar (2)

4. When could we expect larger deliveries to the new customer outside the EU to appear in sales figures?

***Deliveries have been gradually increasing to customers outside EU starting with Q4 2018. More noticeable delivery amounts are expected in second half of 2019.***

5. What part of Q4 2018 R&D revenues was related to LightSpace activities?

***LightSpace activities:***

- ***project development - 43% of R&D revenues;***
- ***optical device manufacturing – 19% of R&D revenues;***

6. Please describe the major terms of the convertible loans given to LightSpace (period, interest rates, conversion terms etc). What would be the ownership of HansaMatrix in LightSpace assuming all loans would be converted?

***Loan has 0% interest and is convertible at the same rate 483 EUR/share as last investment for first 50% and 15% higher valuation for the second half of a loan.***



# Q and A submitted before webinar (3)

7. Please explain, why LightSpace accounts the convertible loans under “other reserves” within the equity?

***It shall be accounted in liabilities category. This will be corrected in audited accounts.***

8. A little accounting aspect: given that HansaMatrix accounts LightSpace as an associate company under the equity method, why the respective position is not adjusted in HansaMatrix's balance sheet?

***These are operative accounts, therefore the deduction of associated company loss was carried out in the balance sheet item "other investment loans". In audited accounts the respective changes will be included in "investments in associates" balance sheet item.***

9. When do you expect LightSpace to reach the break-even level?

***We expect it to happen around years 2020-2021.***



# Q and A submitted before webinar (4)

10. Can you reveal the annual interest rate that will be accumulated for the EIB loan in 2019? When HansaMatrix could receive the following tranches of the EIB's facility?

***The effective annual rate to be accumulated will depend on warrant value in 5 years that is being discussed and confirmed with our auditors, therefore could not be revealed at this moment. The following EIB financing tranches could be received after first part of the investment program in amount of ~10m EUR is finalized and certain financial milestones are reached.***

11. In 2017, you expected HansaMatrix sales to reach EUR 30m by 2020, with EBITDA margin 12-15%. Are those still realistic or a new guidance will be released?

***According to business forecasts with customers we continue to confirm previously issued guidance to reach 30m EUR sales by 2020, with EBITDA margin 12-15%.***





Thank you!

