

HANSAMATRIX



Innovator and Manufacturing Solution High-Tech Group

Q2 and 6 month results of 2019 – Nasdaq webinar
Presenters: Ilmars Osmanis, CEO and Maris Macijevskis, CFO

August 27, 2019



Executive summary

2019 Business trends

- Improved competitiveness of East European suppliers in US caused by recently increased US tariffs on China manufactured electronic circuits. Global business uncertainty created by it creates negative effects in the global market. It is complicated to predict how both effects combine.
- Increasing investments in EU 5G networks will positively effect future sales development. In 2019 Q2 HansaMatrix already started to supply electronic circuits for 5G network base stations.
- Faster then expected salary inflation in Latvia. 2018 year y-o-y salary inflation reached 8.4% and consensus forecast for 2019 among bank analysts stand at 7...8% level.



2019 Q2 summary

- Historically highest quarterly turnover, 15% y-o-y growth
- EBITDA y-o-y slight decrease by 1% in 2019 2Q
- 2019 2Q net profit slightly negative (influenced by wage inflation, EIB loan remuneration provisions, losses from investments in associates)

Results summary, MEUR	2018 Q2	2019 Q2	y-o-y	TTM 2019 2Q
Turnover	5.188	5.973	+15%	21.948
EBITDA	0.974	0.960	-1%	3.369
EBITDA, %	18.8%	16.1%		15.4%
Net profit	0.402	-0.054		0.114
Net profit, %	7.8%			0.5%
P/E				103.81



2019 Q2 comparison with peers

- HansaMatrix EBITDA margin – the second highest compared to industry peers
- Peer market value range 4.2x up to 12.6x EBITDA (HansaMatrix 3.4x)

TTM figures - Million EUR	Market Cap	TTM Revenue	TTM EBITDA	TTM Net Profit	EBITDA margin	Net profit margin
Incap Oyj	71.6	69.2	12.3	8.1	17.7%	11.7%
HansaMatrix	11.4	21,9	3.4	0.1	15.4%	0.5%
Data Response ASA	242.3	172.0	19.2	9.8	11.2%	5.7%
Note AB	73.9	149.7	12.7	7.5	8.5%	5.0%
Kitron ASA	168.9	307.6	24.5	12.7	8.0%	4.1%
Inission AB	48.1	87.5	6.6	3.9	7.6%	4.4%
HANZA Holding	48.3	179.0	11.6	1.7	6.5%	1.0%

Source: Bloomberg, August 23, 2019

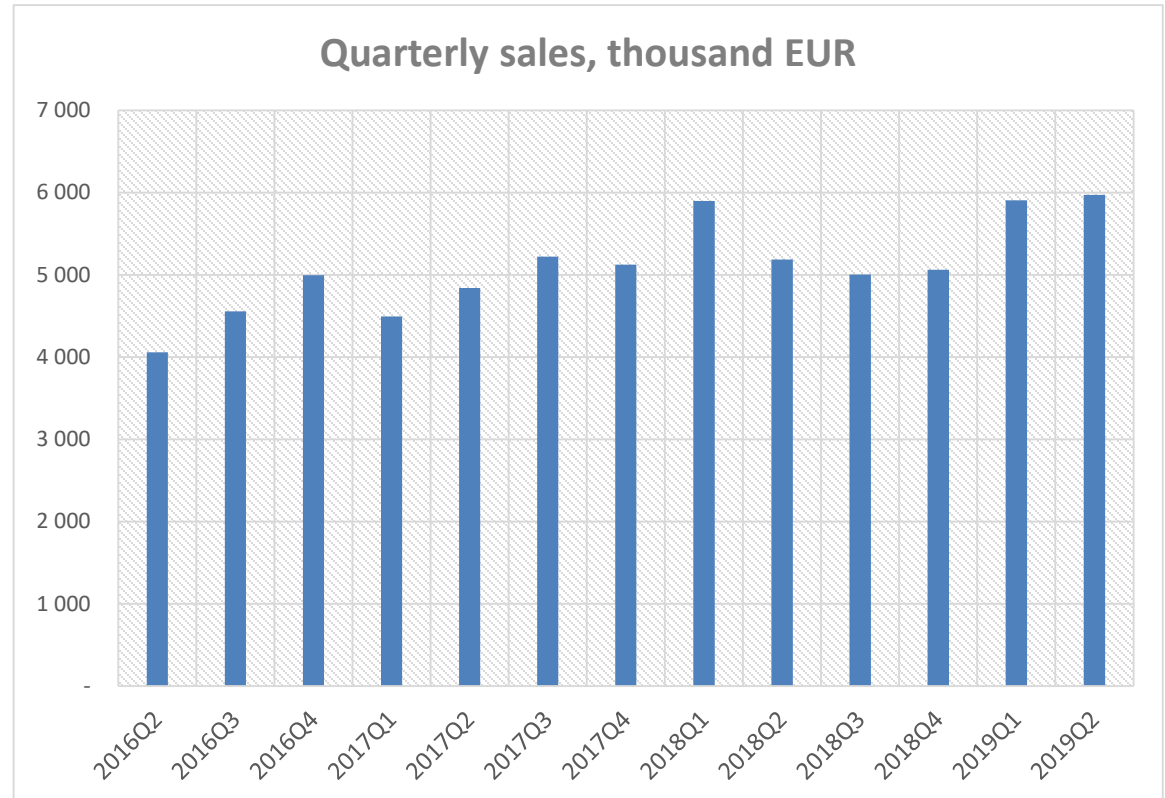


Q2 results of 2019 in detail



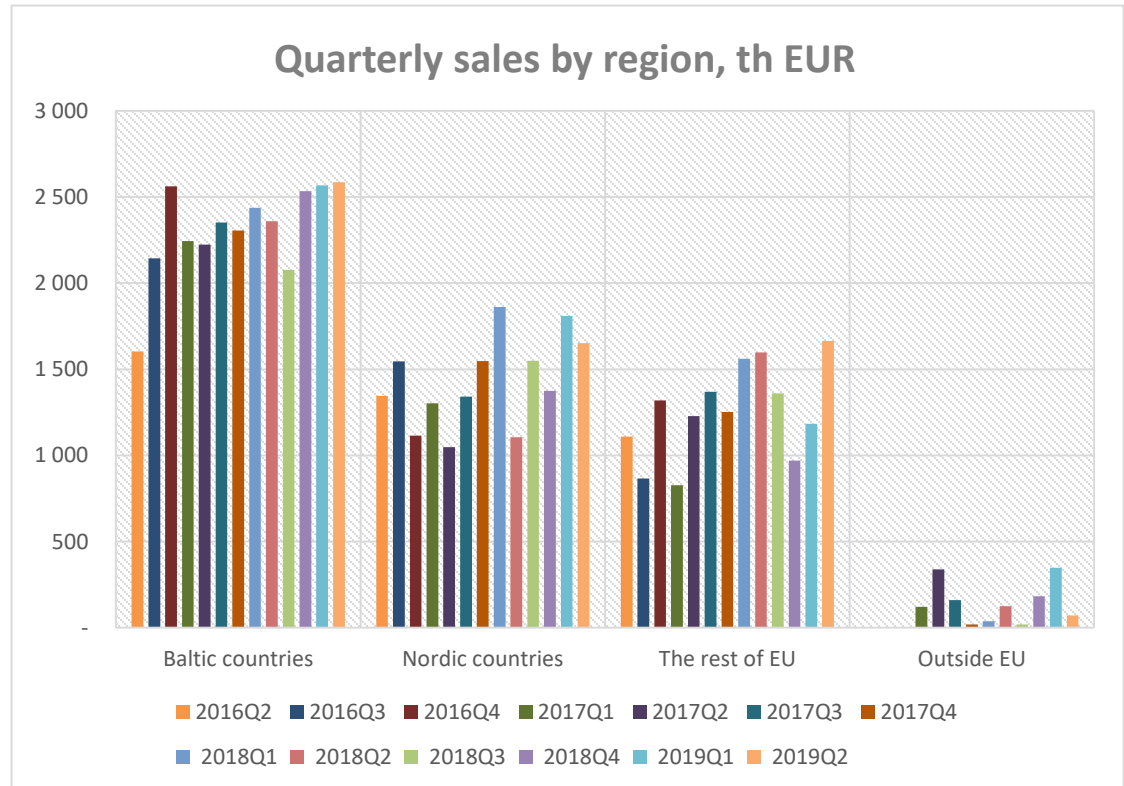
2019 Q2 sales

- Quarterly sales reached 5.973 million euro
- A increase by 15% in comparison to 2018Q2
- An increase by 1% in comparison to 2019Q1



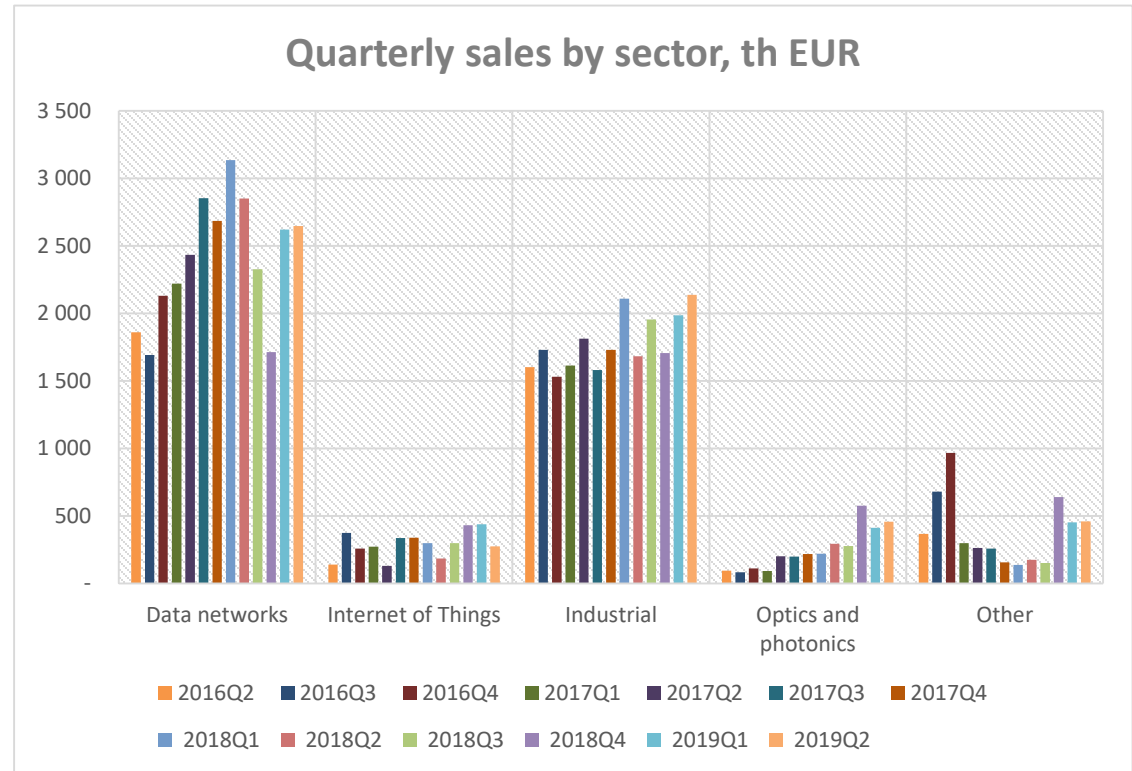
2019 Q2 sales by region

- Baltic sales – 43%
✓ 10% up from 2018Q2
- Nordic sales – 28%
✓ 49% up from 2018Q2
- The rest of EU sales – 28%
✓ 4% down from 2018Q2
- Outside EU – 1%
✓ 43% down from 2018Q2



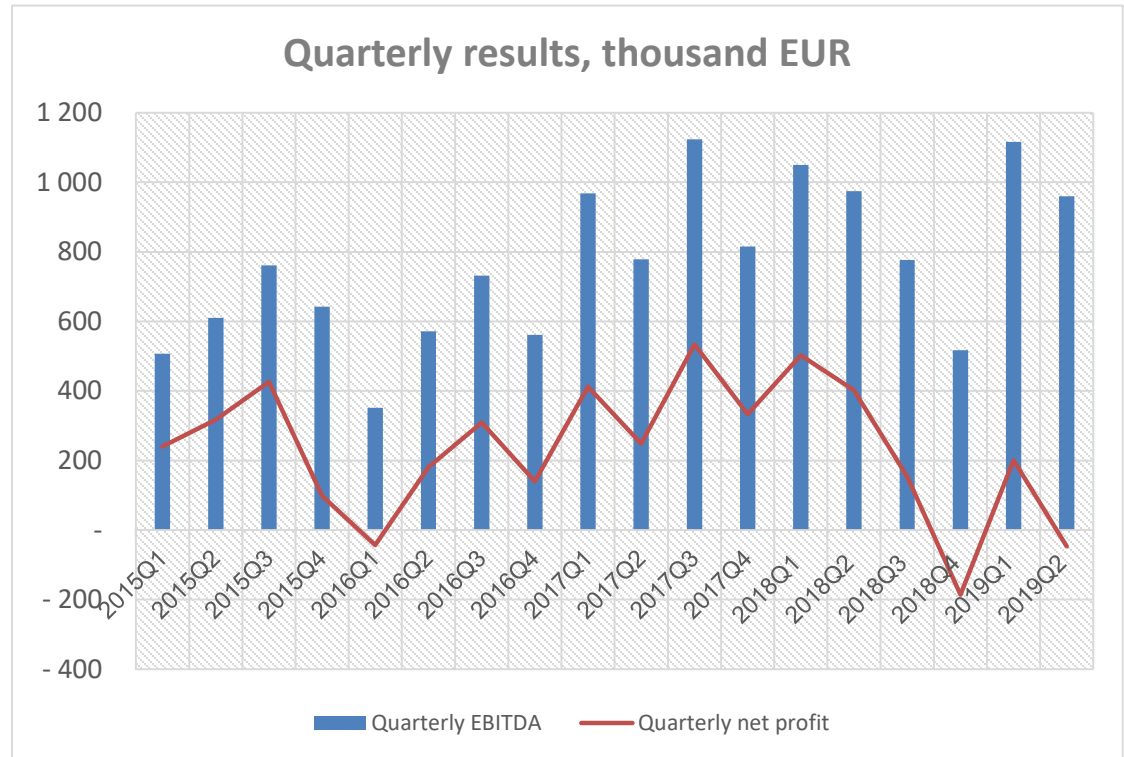
2019 Q2 sales by market sector

- Data network products - 44%
 - ✓ 7% down from 2018Q2
- Industrial segment – 36%
 - ✓ 27% up from 2018Q2
- Internet-of-things - 5%
 - ✓ 48% up from 2018Q2
- Optics and photonics - 8%
 - ✓ 55% up from 2018Q2
- Other – 8%
 - ✓ 162% up from 2018Q2



2019 Q2 profitability results

- 2019 Q2 EBITDA result – 0.960 million EUR
 - ✓ 1% down from 2018Q2
- Net loss – 0.054 million EUR
- Q2 EBITDA margin – 16.07%
- Q2 EBITDA profitability influenced by:
 - ✓ Comparably high share of higher margin products
 - ✓ IFRS 16 introduction effect

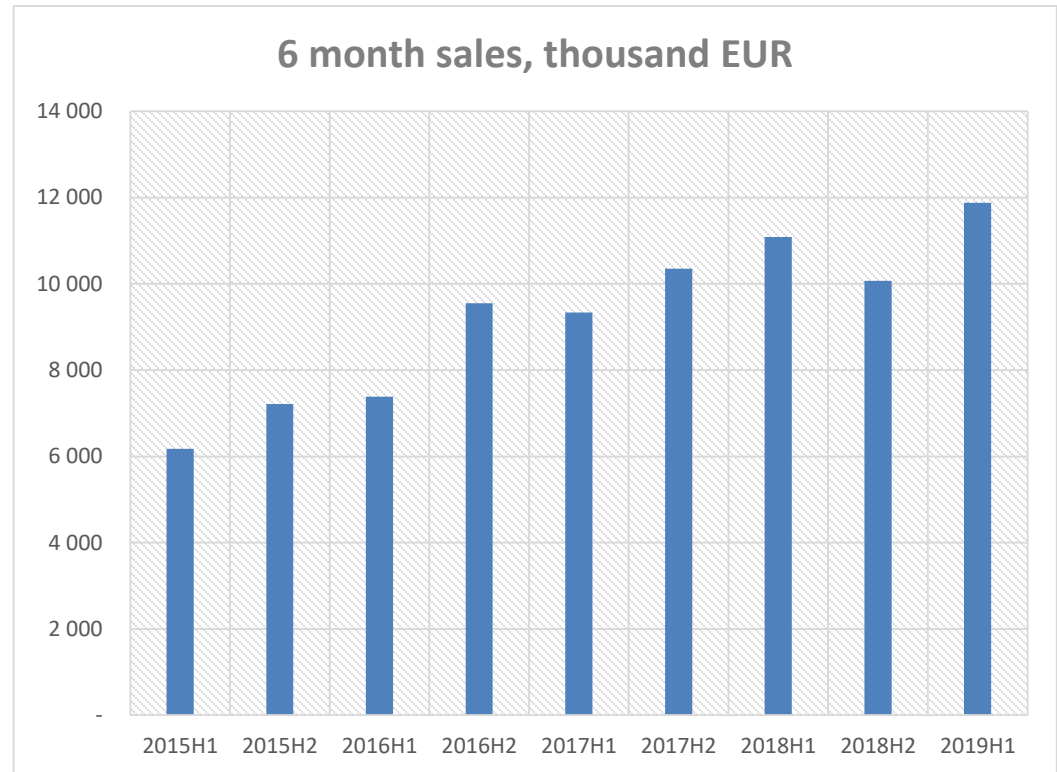


6m results of 2019 in detail



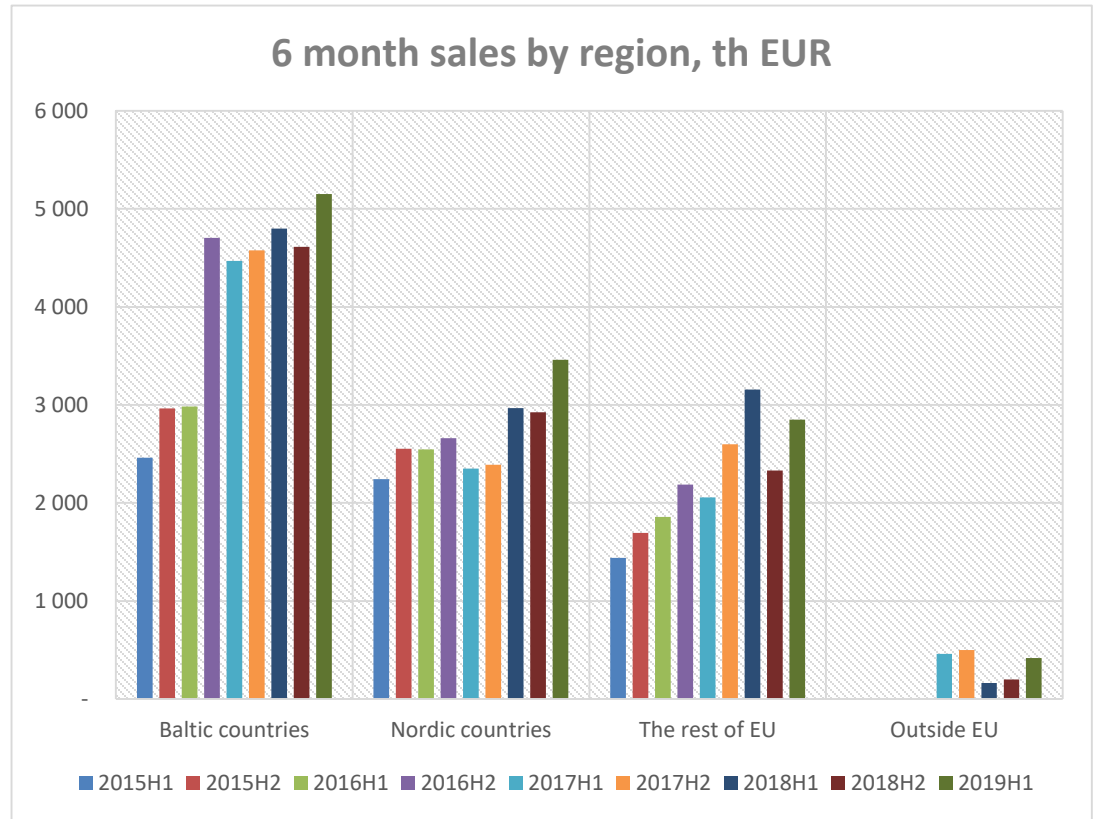
2019 6m sales

- Record high 2019 1H sales of 11.881 million EUR
- An increase by 7% in comparison to 2018 6 months



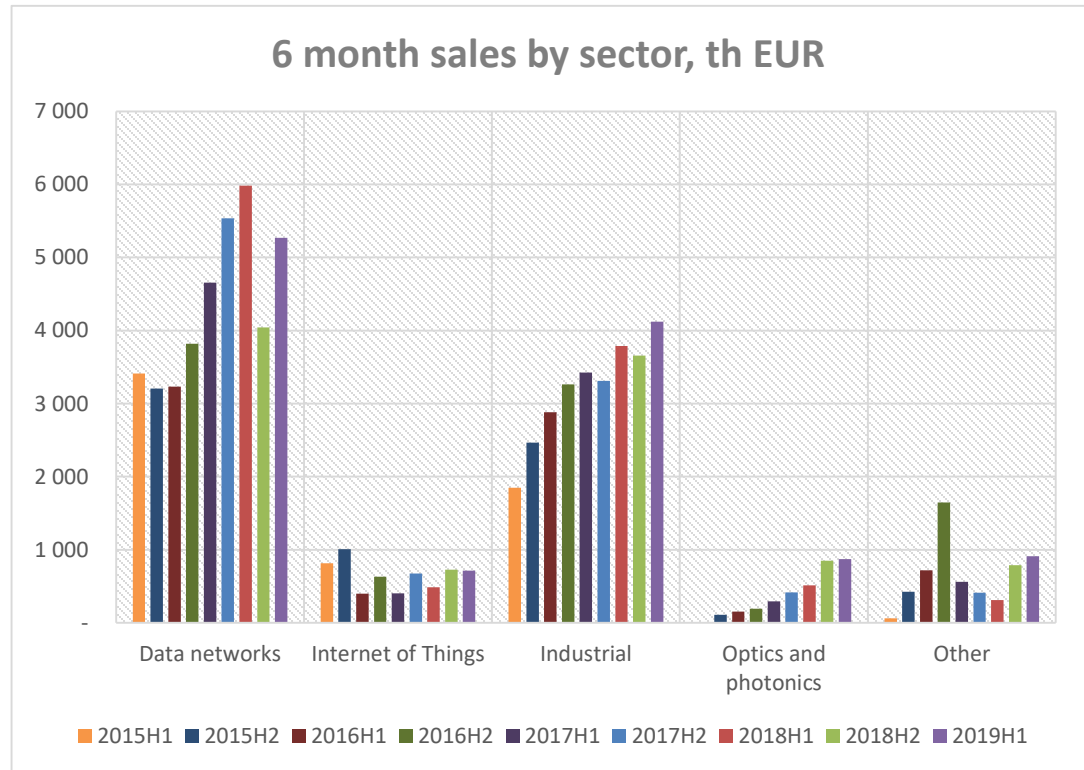
2019 6m sales by region

- Baltic sales – 43%
 - ✓ 7% up from 2018 6m
- Nordic sales – 29%
 - ✓ 17% up from 2018 6m
- The rest of EU sales – 24%
 - ✓ 10% down from 2018 6m
- Outside EU – 4%
 - ✓ 157% down from 2018 6m



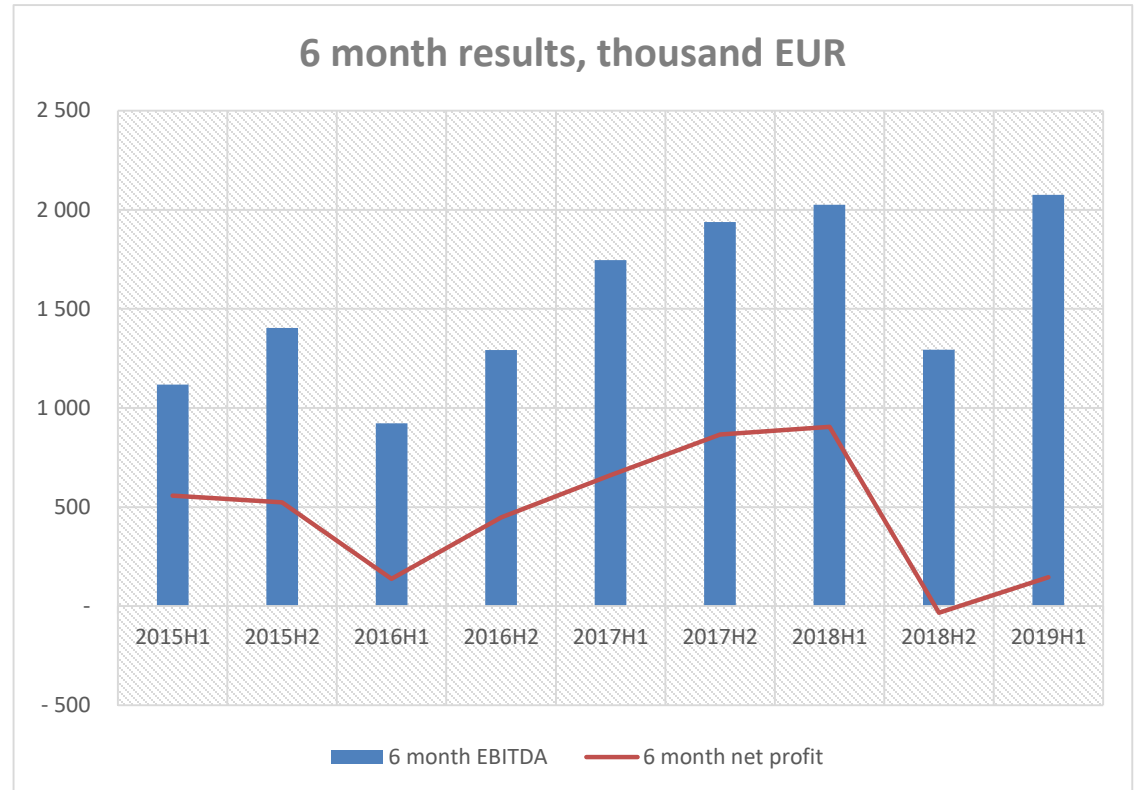
2019 6m sales by market sector

- Data network products - 44%
✓ 12% down from 2018 6m
- Industrial segment – 35%
✓ 9% up from 2018 6m
- Internet-of-things - 6%
✓ 47% up from 2018 6m
- Optics and photonics - 7%
✓ 69% up from 2018 6m
- Other – 8%
✓ 192% up from 2018 6m



2019 6m profitability results

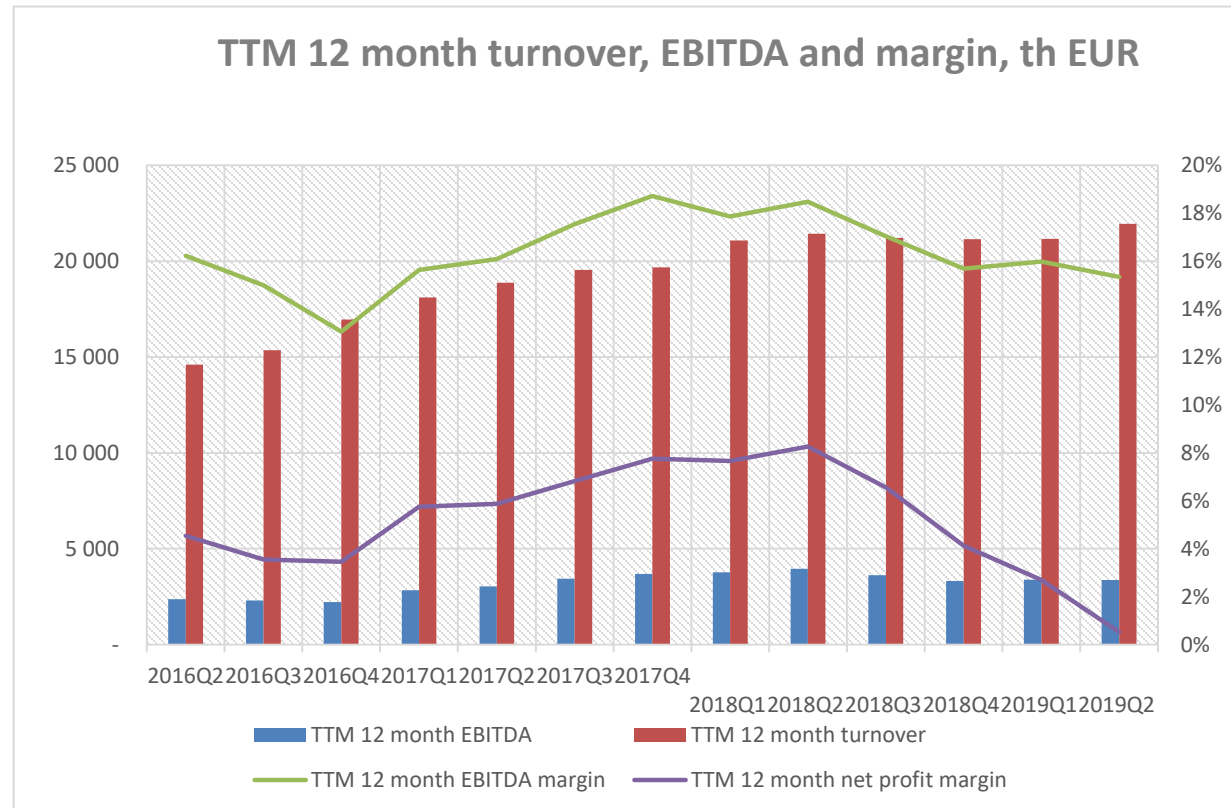
- 2019 6m EBITDA result – 2.076 million EUR
 - ✓ 3% up from 2018 6m
- Net profit result – 0.146 million euros
 - ✓ 84% down from 2017 6m
- 6m EBITDA margin – 17.5%
- 6m net profit margin – 1.2%



TTM 12 month results in detail

TTM 12 month sales and results

- TTM (trailing twelve months) period ending Q2 2019 indicator dynamics compared to TTM period ending Q2 2018:
- TTM turnover 21.948 M EUR – 2.4% up
- TTM EBITDA 3.369 M EUR – 15% down
- TTM net profit 0.114 M EUR - 80% down
- TTM EBITDA margin reported as 15.4%
- TTM net profit margin reported as 0.5%

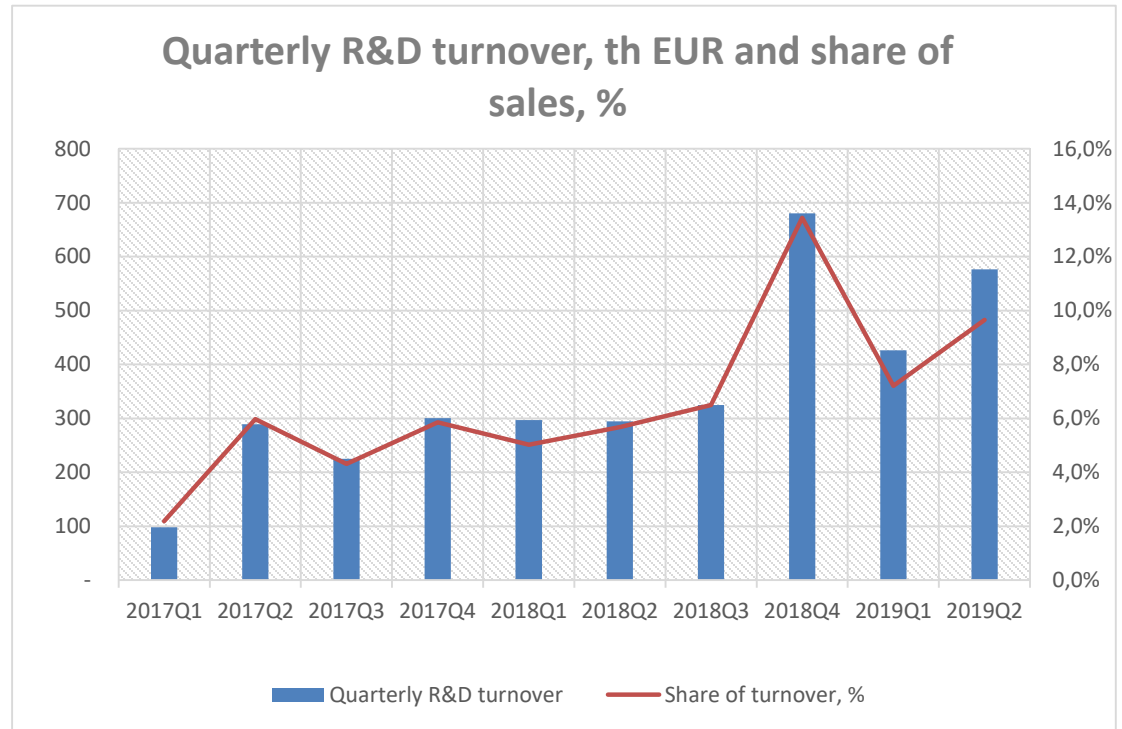


Update on other activities



2019 Q2 R&D turnover

- 2019 Q2 R&D B2B sales reported 0.58 M EUR
- y-o-y 96% growth
- 9.7% share of Q2 sales
- 2019 6M R&D B2B sales reported 1 M EUR
- y-o-y 70% growth
- 8.4% share of 6M sales



Investments during 2019 Q2 and 6m

- During 2019 Q2 months HansaMatrix made 1'182 thEUR investments in production capacity increase and introduction of a new production technologies. In 2019 6m 2'050 thEUR were invested.
- During 2019 Q2 months HansaMatrix group received 1'628 thEUR financing for technological equipment purchases from SEB. In 2019 6m 1'801 thEUR were received.
- Most significant investments in 2019 Q2:
 - Additional four high productivity NXT III assembly modules and additional equipment for assembling line were added in Ventspils plant



Investments in associated companies

- During 2019 Q2 HansaMatrix made 879 thEUR (2'327 thEUR in 2019 6m) investments into SIA Lightspace Technologies to finance the development and commercialization of 3D display technologies.
- During 2019 Q2 HansaMatrix made 169 th EUR (245 thEUR in 2019 6m) investments in form of convertible loan to associated company – Zinātnes parks.
- In Q2 2019 HansaMatrix has increased its capital participation in the SIA Zinatnes parks to 74.67% by paying up newly issued 200 capital shares in amount of 800 thEUR
- As of end of 2019 Q2 investment in the form of the convertible loan in Zinātnes parks in total amounted to 654 thEUR.



Business development of LightSpace Technologies

- Two global Tier1 OEMs in AR and VR has chosen to build concept VR/AR prototypes using LightSpace multi focal VR/AR headset photonics technology.
- In August 2019 received and installed vacuum coating line to enable larger size multi plane screen manufacturing.
- Global display manufacturer has chosen LightSpace technology to build new generation 3D displays.



Other events during reporting period

- On May 31, 2019 dividend payment of the 2018 profit was carried out in amount of EUR 73 thEUR (0.04 EUR per share)



Events after reporting period

- On August 08 the shareholding of Macro Riga in HansaMatrix has decreased by 15.06% to 34.03% in a transaction where Macro Riga repaid shareholder loan to HansaMatrix with HansaMatrix shares owned by Macro Riga.
- On August 12 ZGI Capital managed fund ZGI-4 has become a 15.06% shareholder of HansaMatrix by purchasing 15.06% HansaMatrix shares from HansaMatrix. As a result of this transaction ZGI-4 has invested EUR 2 million in HansaMatrix to enhance the company's growth and competitiveness.



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 has business environment developed in last 3-4 months? How these changes are impacting company results?

As we mentioned earlier US import tariffs on China manufacturing products put East European manufacturers in competitive position for US market. It is required some time to develop new relationships. The same time global business uncertainty created by it creates some negative effects in the global market. It is complicated to predict how both effects combine.

Increasing investments in EU 5G networks will positively effect future sales development. In 2019 Q2 HansaMatrix already started to supply electronic circuits for 5G network base stations.

2. How it is planned to improve profitability? Does company have any pricing power to transfer increasing personell costs to clients?

Company has ongoing plan for several years to compensate for increasing costs caused by salary inflation. (1) investments are focused to increase of productivity of each worker; (2) partly (however not immidiately) cost level can be transferred to customers;



Q and A submitted before webinar (2)

3. Any new significant customers recently?

In Q3 Company has started to ship products to 2 new customers: (1) Human Machine Interface industrial products (yearly amount ~2M EUR) to professional customer in EU and (2) Industrial products (yearly amount around ~1.3M EUR) to customer outside EU; expected to start business with 2 more medium size accounts from Nordic countries.

4. Any longer term changes in product mix?

All additional new business comes with lower margin products, what was expected in planning and therefore medium term margin guidance is slightly lower than margin for current product mix.

5. Judging from the second quarter financial report, it seems that HansaMatrix has started to develop 5G technology. How much income from the total revenue do you expect 5G technologies to bring HansaMatrix in nearest quarters?

Provisionally we can expect part of Data networks product group covers 5G. We would presume 10...15% of product sales could be 5G related.



Alternative performance measures

The definitions of alternative performance indicators (APIs) used in the webinar presentation can be found on page 32 of the HansaMatrix Unaudited Interim Condensed Consolidated Financial Statements for the 6 month period ended June 30, 2019:

https://www.nasdaqbaltic.com/market/upload/reports/hmx/2019_q2_en_eur_con_ias.pdf





Thank you!

