

HANSAMATRIX



Innovator and Manufacturing Solution High-Tech Group

Q4 and 12 month results of 2019 – Nasdaq webinar
presentation

Presenters: Ilmars Osmanis, CEO and Maris Macijevskis, CFO

February 25, 2020



Executive summary



2019/2020 Business trends

- Investments in EU 5G networks expected to positively effect future sales development in longer term, however in the short term obstructed by Brexit uncertainties.
- Component supply chain disruptions due to coronavirus could be expected to impact manufacturing order execution, could cause material supply delays, order fulfillment terms and could increase component sourcing costs.
- Faster then expected salary inflation in Latvia. 2019 year y-o-y salary inflation reached 7...8% and consensus forecast for 2020 among bank analysts stand at 6...7% respectively. That adds up on generation change.



2019 Q4 summary

- 17% y-o-y growth of the quarterly turnover
- EBITDA y-o-y increased by 8% in 2019 Q4
- 2019 Q4 net profit 81th EUR (influenced by wage inflation, EIB loan remuneration provisions, losses from investments in associates)

Results summary, MEUR	2018 Q4	2019 Q4	y-o-y	TTM 2019 Q4
Turnover	5.061	5.928	+17%	23.927
EBITDA	0.517	0.556	+8%	3.574
EBITDA, %	10.2%	9.4%		14.9%
Net profit	-0.185	0.081		0.199
Net profit, %		1,37%		0,8%
P/E				57.5



2019 Q4 comparison with peers

- HansaMatrix EBITDA margin – the second highest compared to industry peers
- Peer market value range 4.8x up to 15.7x EBITDA (HansaMatrix 3.6x)

TTM figures - Million EUR	Market Cap	TTM Revenue	TTM EBITDA	TTM Net Profit	EBITDA margin	Net profit margin
Incap Oyj	88	69	12	8	17.7%	11.7%
HansaMatrix	13	24	3.6	0.2	14.9%	0.8%
Data Response ASA	362	190	23	14	12.2%	7.3%
Note AB	137	166	16	9	9.6%	5.2%
Kitron ASA	212	335	29	13	8.7%	4.0%
Inission AB	53	93	7	4	7.8%	4.5%
HANZA Holding	58	186	12	1	6.4%	0.4%

Source: Bloomberg, February 20, 2020

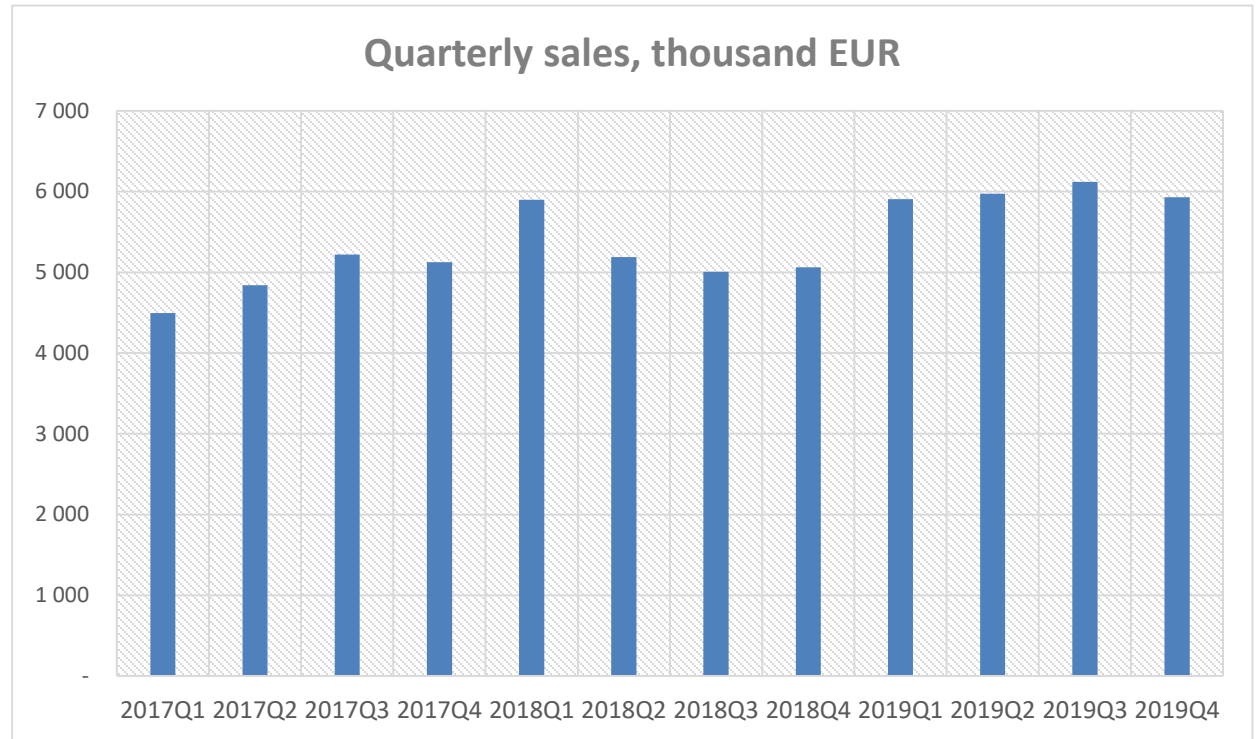


Q4 results of 2019 in detail



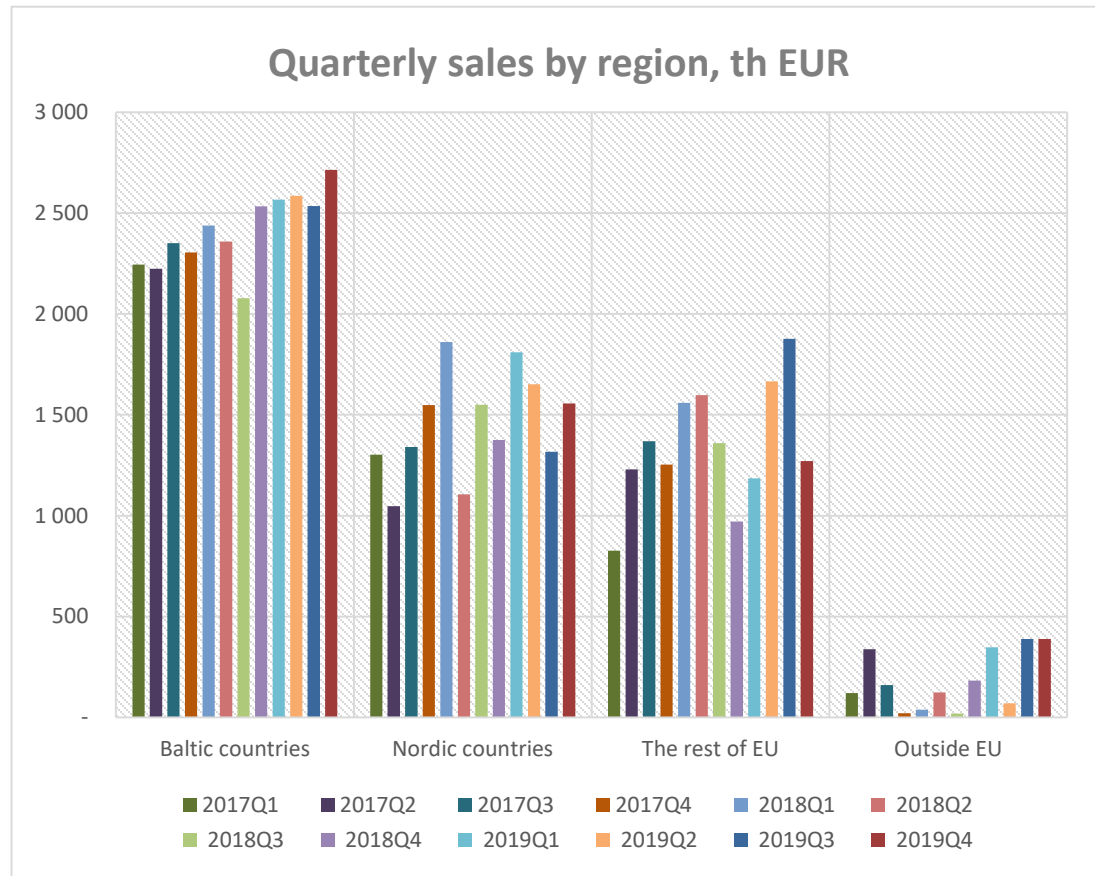
2019 Q4 sales

- Quarterly sales reached 5.928 million euro
- A increase by 17% in comparison to 2018Q4
- A decrease by 3% in comparison to 2019Q3



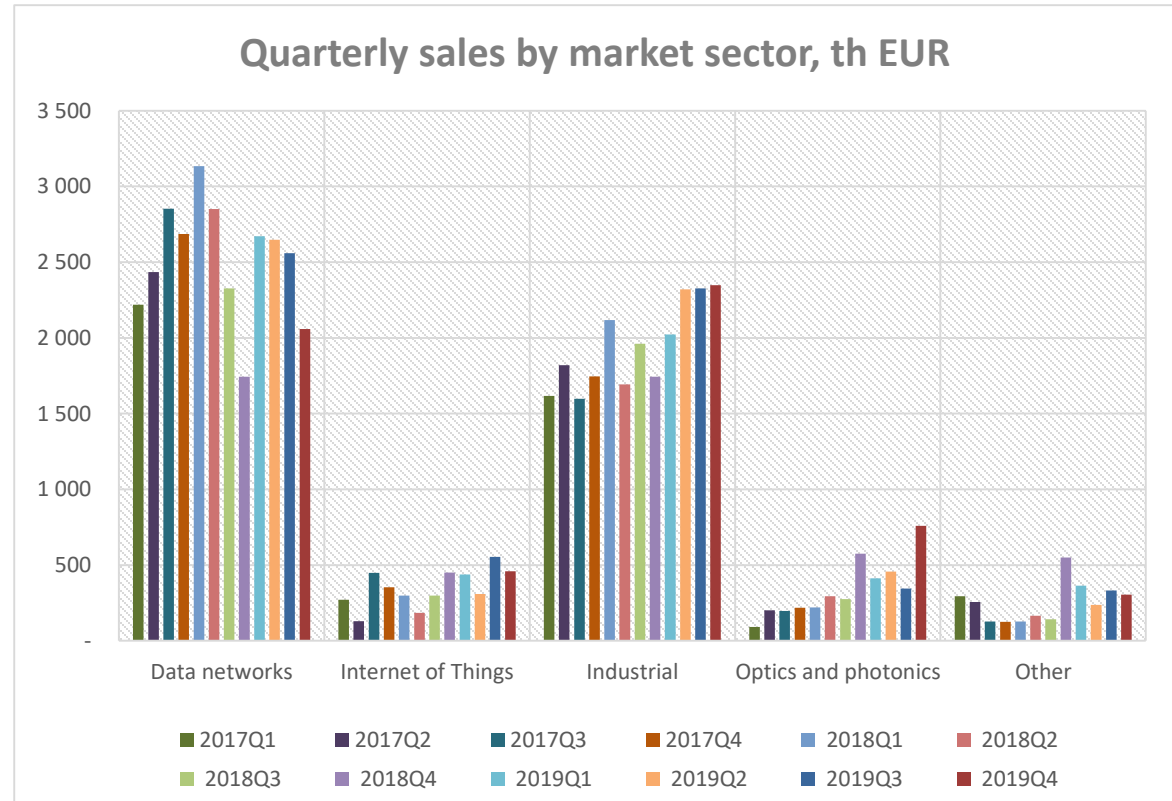
2019 Q4 sales by region

- Baltic sales – 46%
✓ 7% up from 2018Q4
- Nordic sales – 26%
✓ 13% up from 2018Q4
- The rest of EU sales – 21%
✓ 31% up from 2018Q4
- Outside EU – 7%
✓ 113% up from 2018Q4



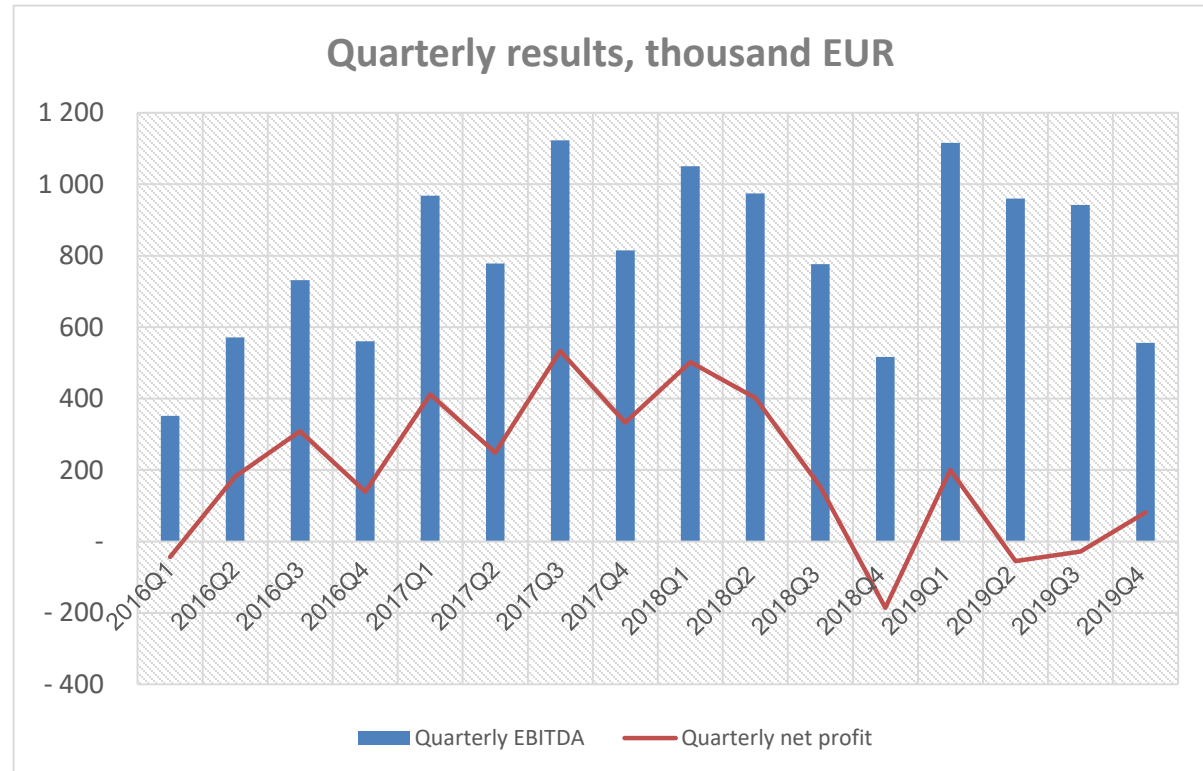
2019 Q4 sales by market sector

- Data network products - 35%
✓ 18% up from 2018Q4
- Industrial segment – 40%
✓ 35% up from 2018Q4
- Internet-of-things - 8%
✓ 2% up from 2018Q4
- Optics and photonics - 13%
✓ 32% up from 2018Q4
- Other – 5%
✓ 44% down from 2018Q4



2019 Q4 profitability results

- 2019 Q4 EBITDA result – 0.556 million EUR
 - ✓ 8% up from 2018Q4
- Net profit – 0.081 million EUR
- Q4 EBITDA margin – 9.38%
- Q4 net profit margin – 1,37%
- Q4 EBITDA profitability influenced by:
 - ✓ Comparably weaker december results influenced by many holidays
 - ✓ Zinātnes parks consolidation

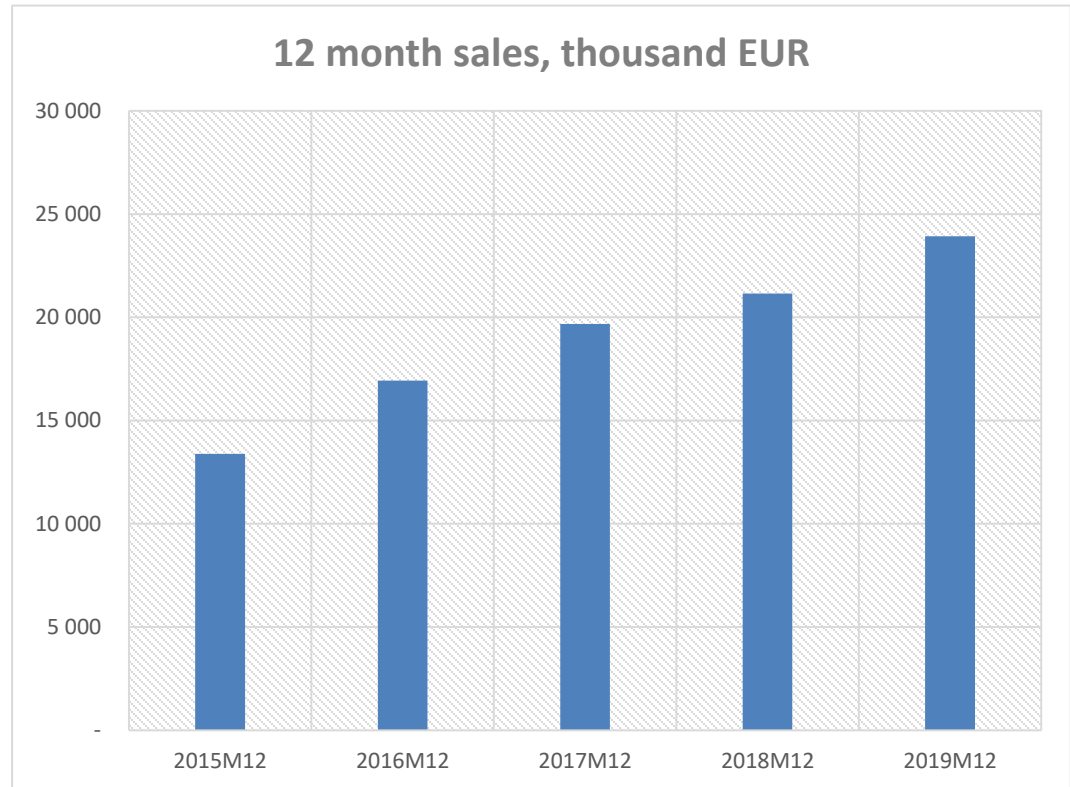


12m results of 2019 in detail



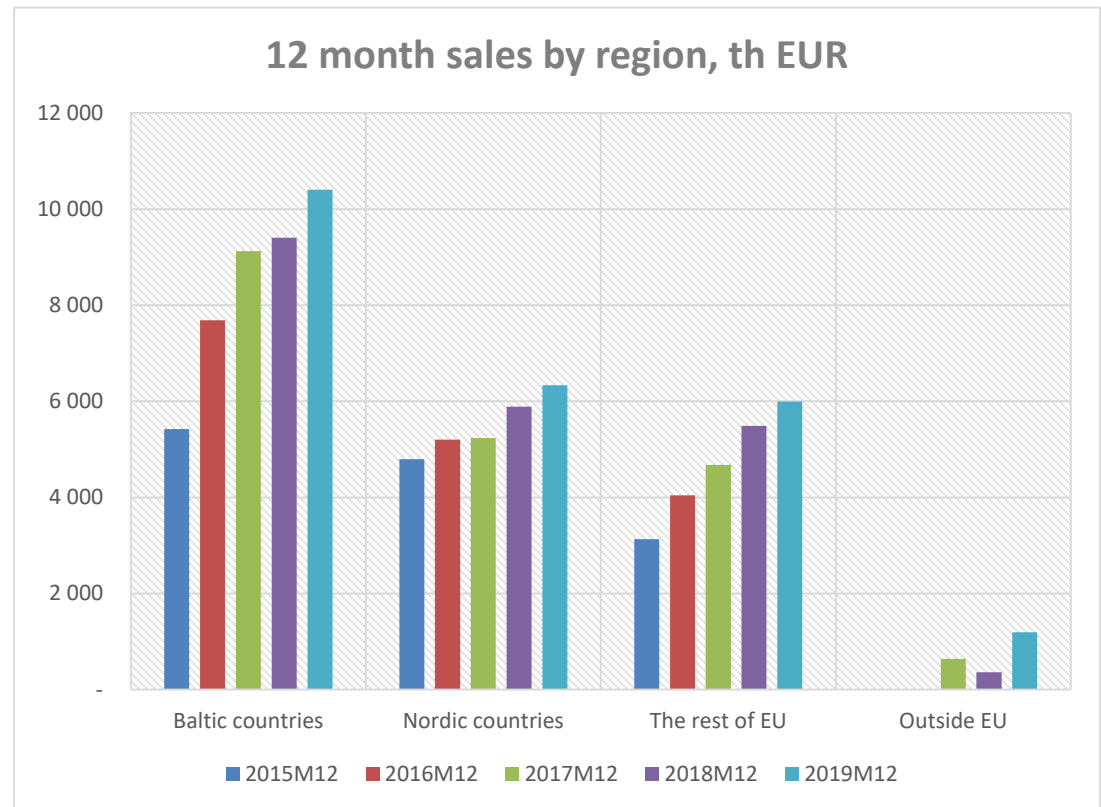
2019 12m sales

- Record high 2019 12m sales of 23.927 million EUR
- An increase by 13% in comparison to 2018 12m



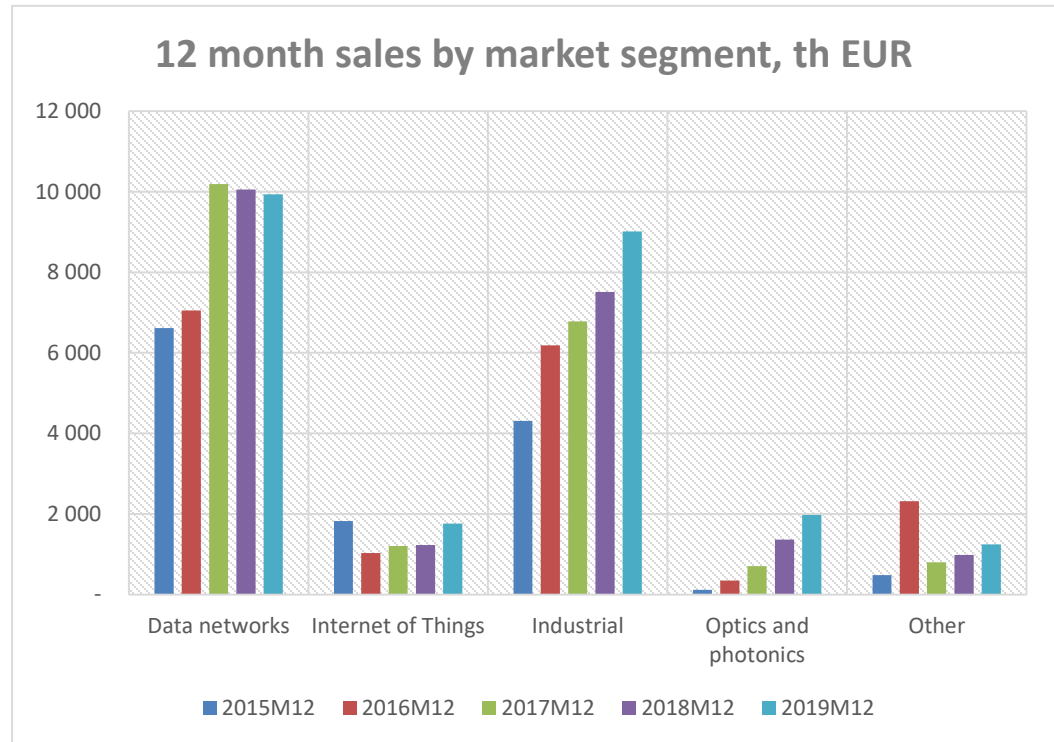
2019 12m sales by region

- Baltic sales – 43%
 - ✓ 11% up from 2018 12m
- Nordic sales – 26%
 - ✓ 8% up from 2018 12m
- The rest of EU sales – 25%
 - ✓ 9% up from 2018 12m
- Outside EU – 5%
 - ✓ 229% up from 2018 12m



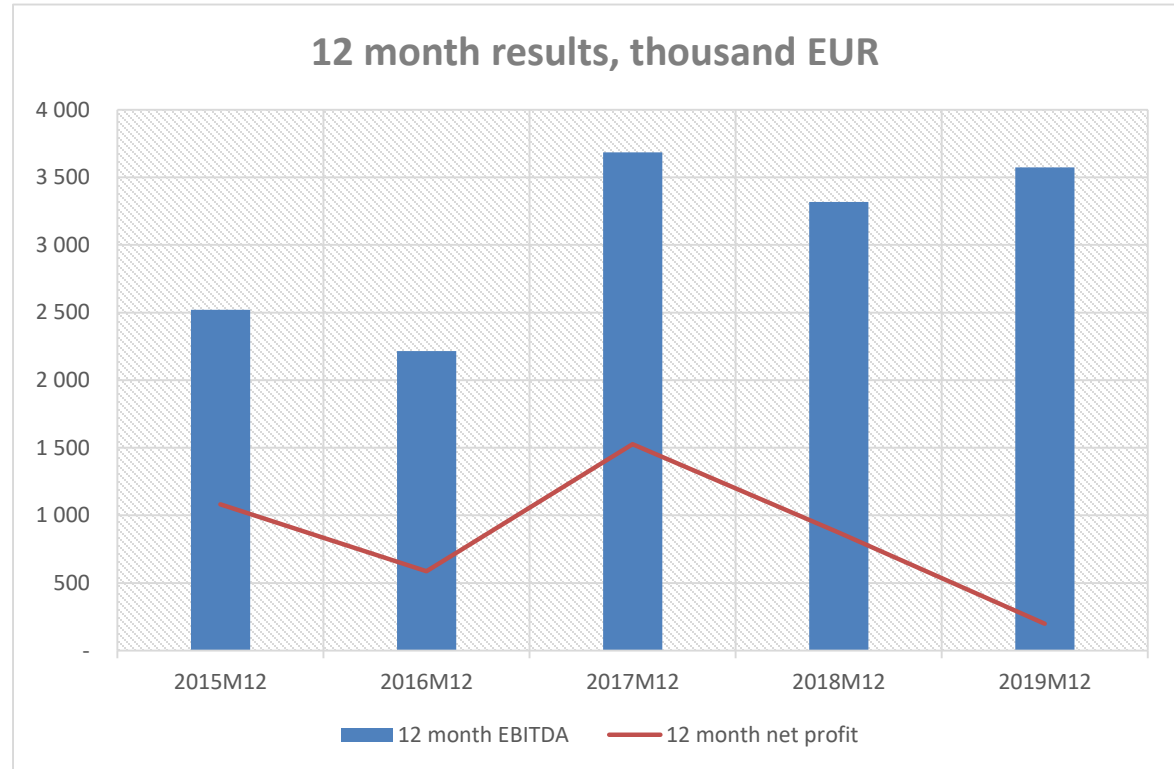
2019 12m sales by market sector

- Data network products - 42%
✓ 1% down from 2018 12m
- Industrial segment – 38%
✓ 20% up from 2018 12m
- Internet-of-things - 7%
✓ 43% up from 2018 12m
- Optics and photonics - 8%
✓ 45% up from 2018 12m
- Other – 5%
✓ 26% up from 2018 12m



2019 12m profitability results

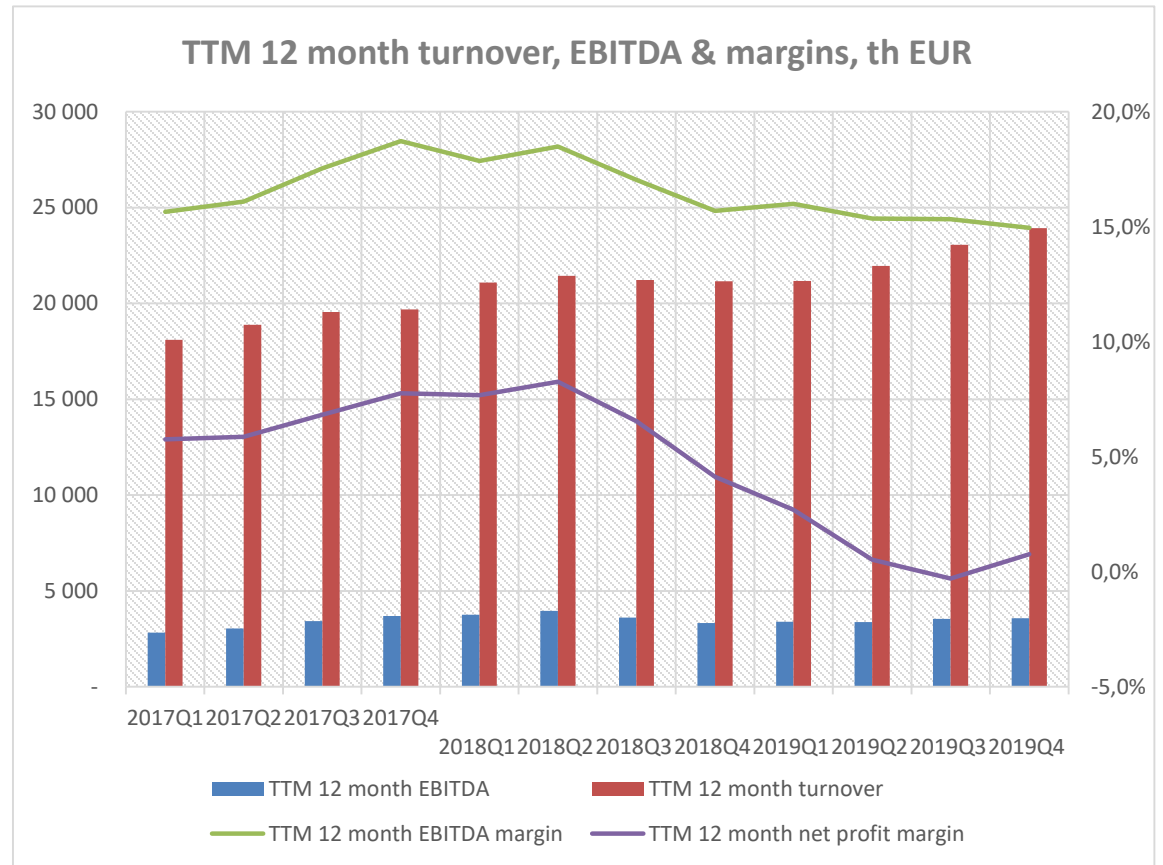
- 2019 12m EBITDA result – 3.574 million EUR
 - ✓ 8% up from 2018 12m
- Net profit result – 0.199 million euros
 - ✓ 77% down from 2018 12m
- 12m EBITDA margin – 14.9%
- 12m net profit margin – 0.8%
- 2019 12m EBITDA result adjusted for IFRS 16 effects – 2.932 million EUR



TTM 12 month results in detail

TTM 12 month sales and results

- TTM (trailing twelve months) period ending Q4 2019 indicator dynamics compared to TTM period ending Q3 2019:
- TTM turnover 23.927 M EUR – 3.7% up
- TTM EBITDA 3.578 M EUR – 1.2% up
- TTM net profit 0.199 M EUR
- TTM EBITDA margin reported as 14.9%

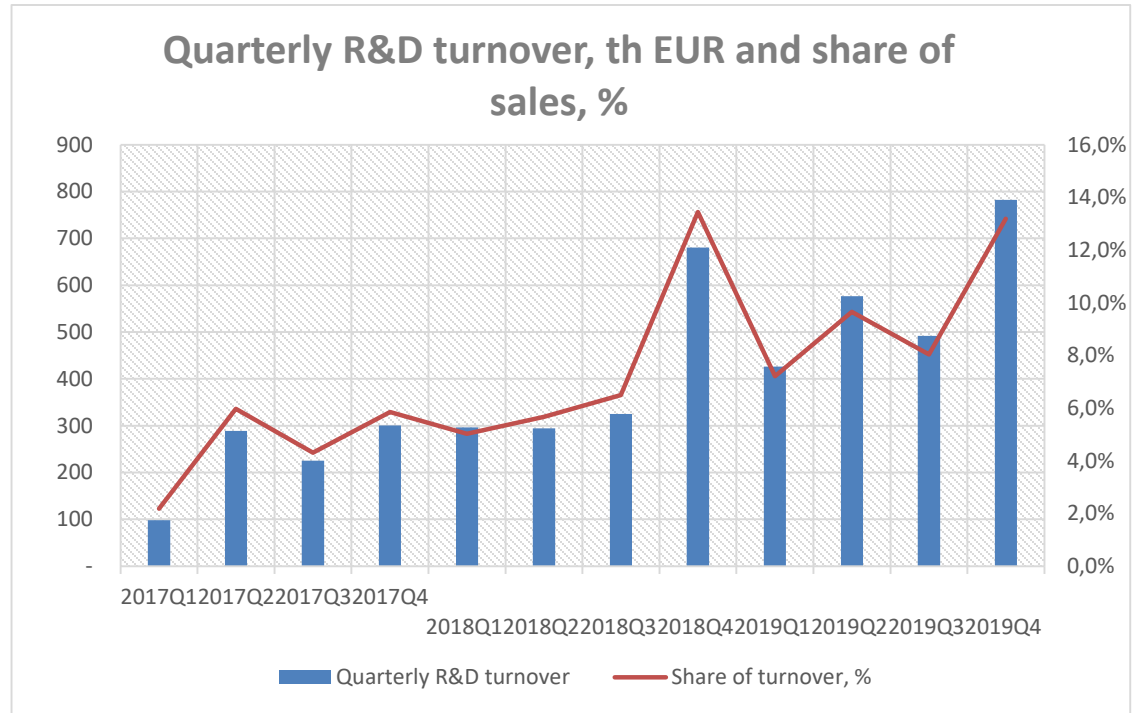


Update on other activities



2019 Q4 R&D turnover

- 2019 Q4 R&D B2B sales reported 0.78 M EUR
- y-o-y 15% growth
- 13.2% share of Q4 sales
- 2019 12M R&D B2B sales reported 2.27 M EUR
- y-o-y 43% growth
- 9.5% share of 12M sales



Investments during 2019 Q4 and 12m

- During 2019 Q4 HansaMatrix made 946 thEUR investments in production capacity increase, effectiveness improvements and introduction of a new production technologies.
- In 2019 12m 3301 thEUR were invested.



Investments in associated companies

- During Q4 2019 HansaMatrix made 397 thEUR (3'509 thEUR in 2019 12m) investments into Lightspace Technologies to finance the development and commercialization of 3D display technologies.
- Total HansaMatrix balance sheet value of investments in Lightspace Technologies as at the end of 2019 amount to 8171 thEUR (3710 thEUR share capital and 4461 thEUR convertible loan).
- During Q4 2019 HansaMatrix made 97 th EUR (415 thEUR in 2019 12m) investments into Zinatnes parks to finance the development of RIX High Tech City real estate project.
- Total HansaMatrix balance sheet value of investments in Zinatnes parks as at the end of 2019 amount to 1624 thEUR (801 thEUR share capital and 823 thEUR convertible loan).



Business development of LightSpace Technologies

- During Q3-4 Three global Tier1 OEMs (biggest names) 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 Tier1 display manufacturer has chosen LightSpace technology to develop new generation 3D displays.
- New multi focal AR headset IG1000 at SPIE AR MR VR 2020 expo demonstrated the best image quality among ALL commercially available and next generation headsets.



Other events during reporting period

- On October 29, 2019 extraordinary shareholder meeting of HansaMatrix, elected new Supervisory Council member Ivars Ķirsons, simultaneously Krišs Osmanis left the Supervisory Board position.
- On October 29, 2019 extraordinary shareholder meeting approved remuneration policy of the Board of Directors and the Supervisory Council. The goal of the policy is to establish key remuneration principles facilitating the Company's business strategy, long-term interests and sustainability.
- The Company has decided to change fixed asset depreciation policy with regard to manufacturing equipment to ensure residual values are better matched with fair values of fixed assets. The changes have a positive impact on the Company's net profit in 2019 in amount of 345 thEUR.
- Aldis Cimoška resigned as HansaMatrix Management Board Member on December 04, 2019.



Events after reporting period

- HansaMatrix has signed agreements with SEB banka and SEB lizings to extend the maturity of factoring, overdraft, guarantee and reverse factoring for the next annual period of one year for a total amount of EUR 4.56 million for working capital financing that also include export financing transactions.



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. How company plans to manage current situation caused by coronavirus spread in China?

At the moment all HansaMatrix suppliers in China have resumed operations, but most of them not at the full capacity. Main production components affected by the virus situation are Printed Circuit Boards (PCB's) where delivery delays could be at the range of 2 to 4 weeks. In addition HansaMatrix procurement department is actively looking for alternative component supply sources although the alternatives in most cases are with long lead times and also dependant on raw material supply from China suppliers.



Q and A submitted before webinar

2. Any new clients, contracts?

In Q4 2019 first deliveries were made for 3 new customers in industrial and IoT sectors to Nordic and other EU countries. Those new customers has forecasted sales volume of 1 M EUR in 2020. In beginning 2020 the production already being planned for 2 other new clients with potential volumes up to 1.5 M EUR per year.



Q and A submitted before webinar

3. What is the expectation for salary inflation for current year?

Consensus forecast for 2020 salary inflation among bank analysts stands at 6...7%, for HansaMatrix it is expected to manage the average salary increases for different employee groups within 5%.

4. What would be the biggest challenge for 2020?

Three key challenges are:

- 1) all level qualified employee availability to ensure growth;***
- 2) investor attraction for Lightspace technologies;***
- 3) sale of Zinatnes parks real estate project;***



Alternative performance measures

The definitions of alternative performance indicators (APIs) used in the webinar presentation can be found on page 33 of the HansaMatrix Unaudited Interim Condensed Consolidated Financial Statements for the 12 month period ended December 31, 2019:

https://nasdaqbaltic.com/market/upload/reports/hmx/2019_q4_en_eur_con_ias.pdf





Thank you!

