

# HANSAMATRIX



Innovator and Manufacturing Solution High-Tech Group

Q1 results of 2019 – Nasdaq webinar

Presenters: Ilmars Osmanis, CEO and Maris Macijevskis, CFO

May 28, 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.
- The recent global electronics component MLCC shortages are coming to the end.
- Faster than 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 Q1 summary

- Historically highest quarterly turnover, slight 0.18% y-o-y growth
- EBITDA y-o-y increase by 6% in 2019 1Q
- 2019 1Q net profit y-o-y down by 60% (influenced by EIB interest provisions and losses from investments in associates)

| Results summary, MEUR | 2018 Q1 | 2019 Q1 | y-o-y  | TTM 2019 1Q |
|-----------------------|---------|---------|--------|-------------|
| Turnover              | 5.898   | 5.908   | +0.18% | 21.162      |
| EBITDA                | 1.050   | 1.116   | +6%    | 3.384       |
| EBITDA, %             | 17.8%   | 18.9%   |        | 16.0%       |
| Net profit            | 0.502   | 0.201   | -60%   | 0.571       |
| Net profit, %         | 8.5%    | 3.4%    |        | 2.7%        |
| P/E                   |         |         |        | 19.9        |



# 2019 Q1 comparison with peers

- HansaMatrix EBITDA margin – highest compared to industry peers
- Peer market value range 4.2x up to 10.2x EBITDA (HansaMatrix 3.7x)

| TTM figures - Million EUR | Market Cap | TTM Revenue | TTM EBITDA | TTM Net Profit | EBITDA margin | Net profit margin |
|---------------------------|------------|-------------|------------|----------------|---------------|-------------------|
| HansaMatrix               | 12.2       | 21.2        | 3.3        | 0,5            | 15.6%         | 2.3%              |
| Incap Oyj                 | 55.9       | 59.0        | 9.1        | 5.8            | 15.5%         | 9.9%              |
| Data Response ASA         | 180.4      | 164.8       | 17.7       | 8.5            | 10.7%         | 5.2%              |
| Note AB                   | 75.8       | 142.3       | 11.5       | 6.9            | 8.1%          | 4.9%              |
| Kitron ASA                | 171.3      | 288.7       | 22.9       | 12.6           | 7.9%          | 4.4%              |
| HANZA Holding             | 48.2       | 180.3       | 11.6       | 2.0            | 6.4%          | 1.1%              |
| Inission AB               | 32.7       | 78.3        | 4.2        | 3.4            | 5.3%          | 4.3%              |

Source: Bloomberg, May 27, 2019

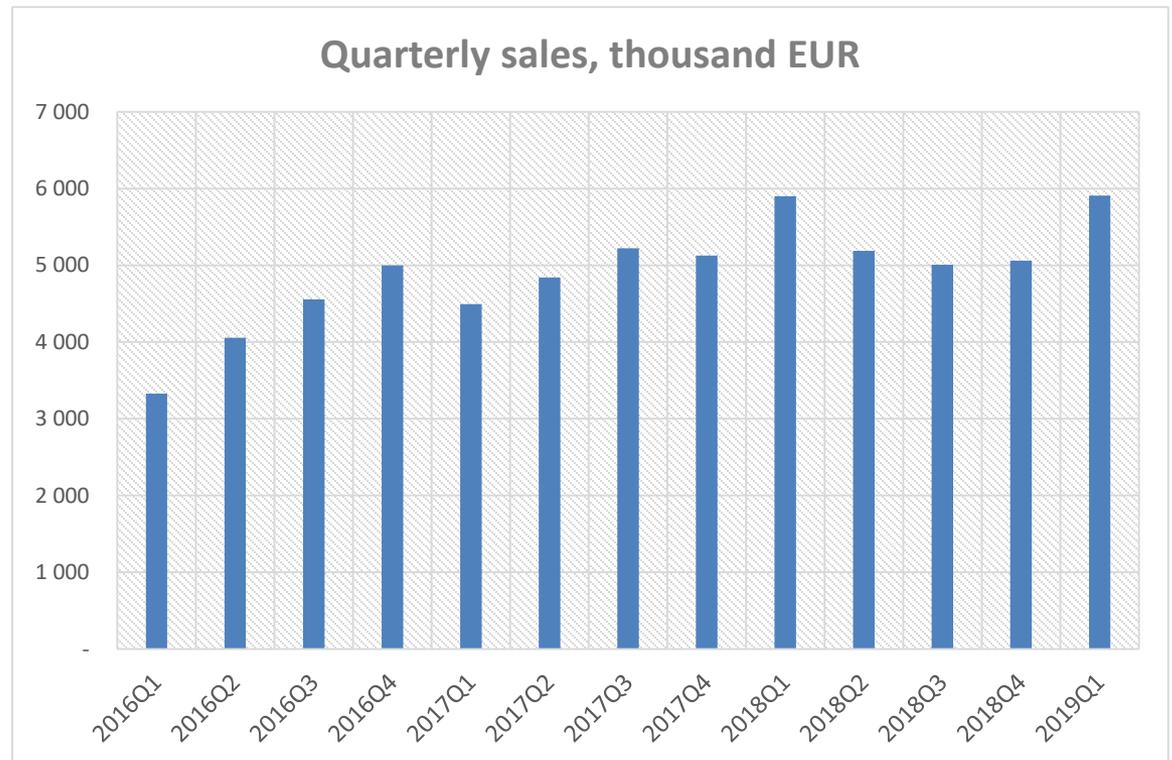


# Q1 results of 2019 in detail



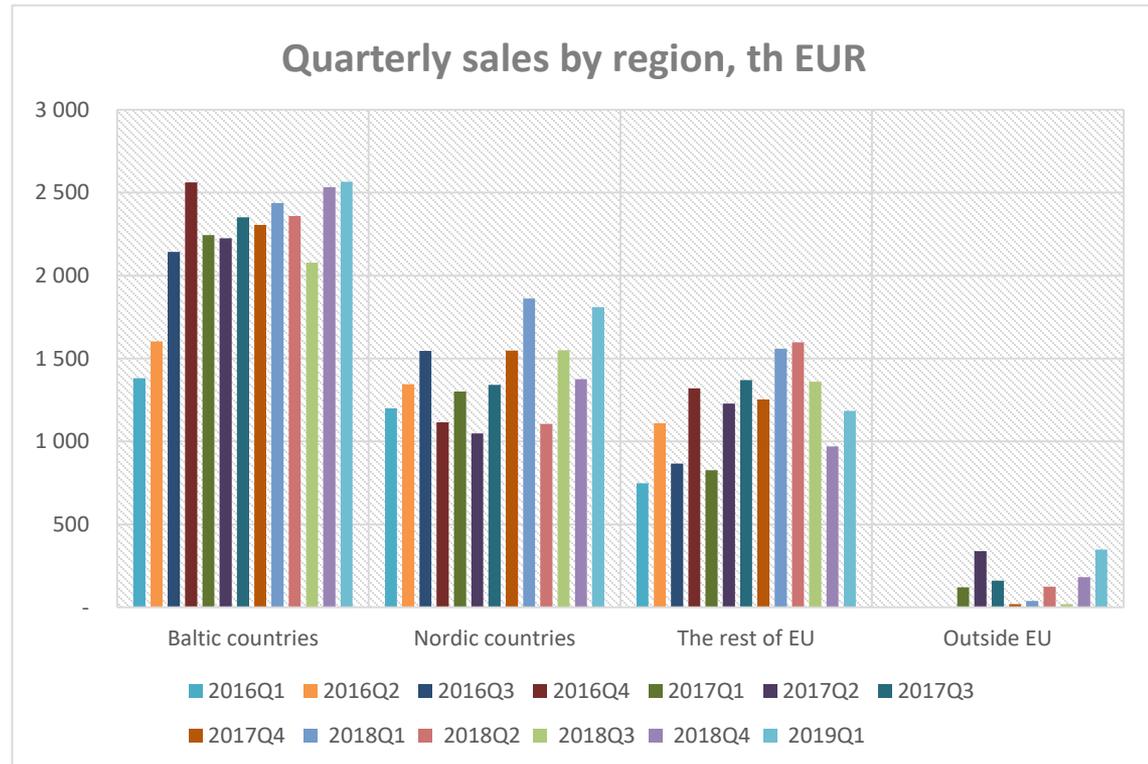
# 2019 Q1 sales

- Quarterly sales reached 5.908 million euro
- A increase by 0.18% in comparison to 2018Q1
- An increase by 17% in comparison to 2018Q4



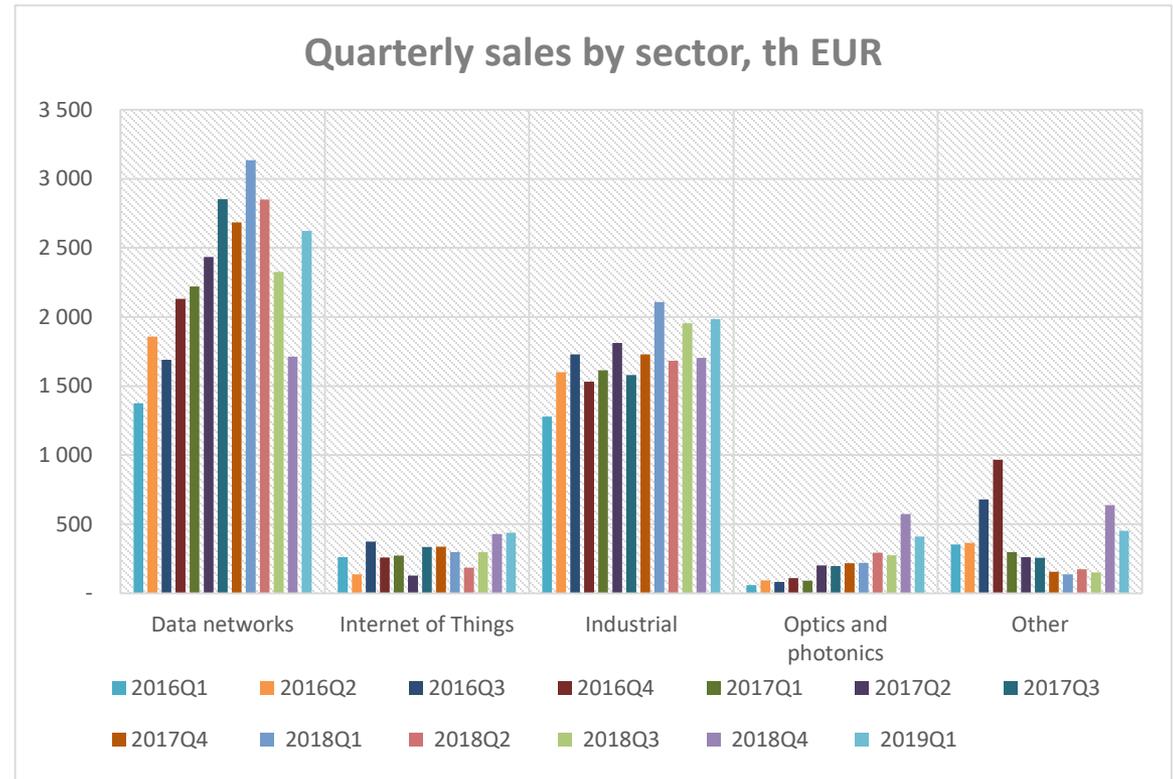
# 2019 Q1 sales by region

- Baltic sales – 43%
  - ✓ 5% up from 2018Q1
- Nordic sales – 31%
  - ✓ 3% down from 2018Q1
- The rest of EU sales – 20%
  - ✓ 24% down from 2018Q1
- Outside EU – 6%
  - ✓ 801% up from 2018Q1



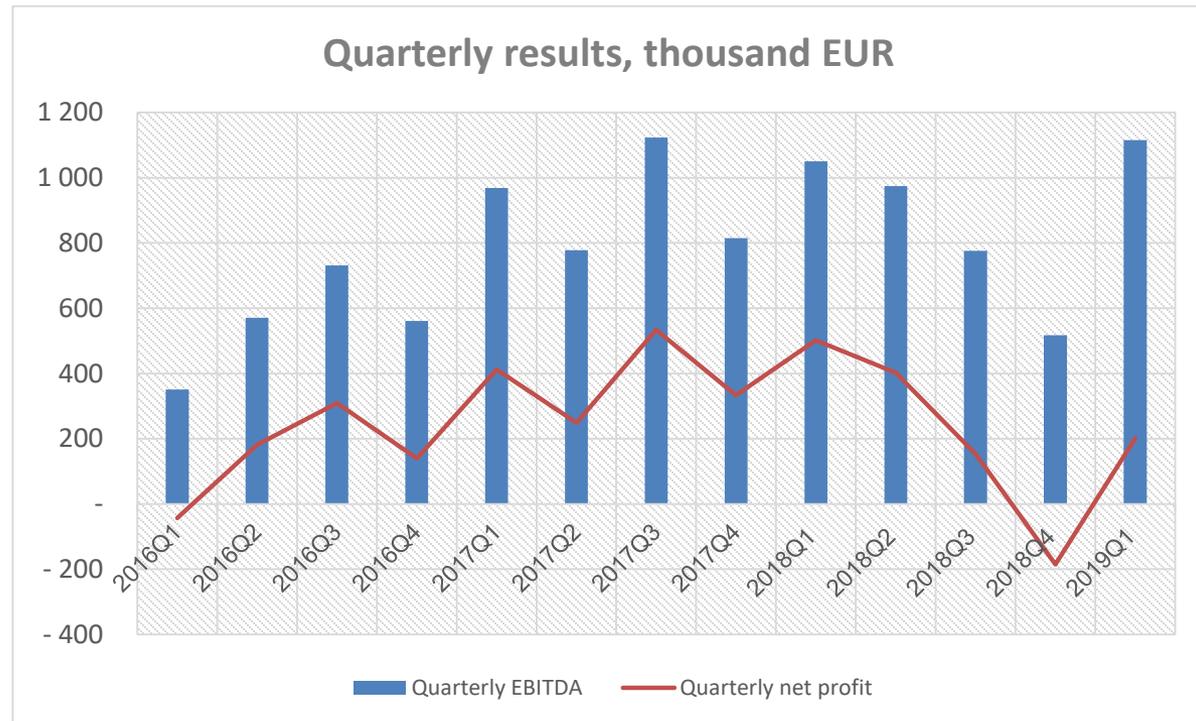
# 2019 Q1 sales by market sector

- Data network products - 44%  
✓ 16% down from 2018Q1
- Industrial segment – 34%  
✓ 6% down from 2018Q1
- Internet-of-things - 7%  
✓ 47% up from 2018Q1
- Optics and photonics - 7%  
✓ 87% up from 2018Q1
- Other – 8%  
✓ 231% up from 2018Q1



# 2019 Q1 profitability results

- 2019 Q1 EBITDA result – 1.116 million EUR
  - ✓ 6% up from 2018Q1
- Net profit result – 0.201 million EUR
- Q1 EBITDA margin – 18.9%
- Q1 EBITDA profitability influenced by:
  - ✓ Comparably high share of higher margin products
  - ✓ IFRS 16 introduction effect

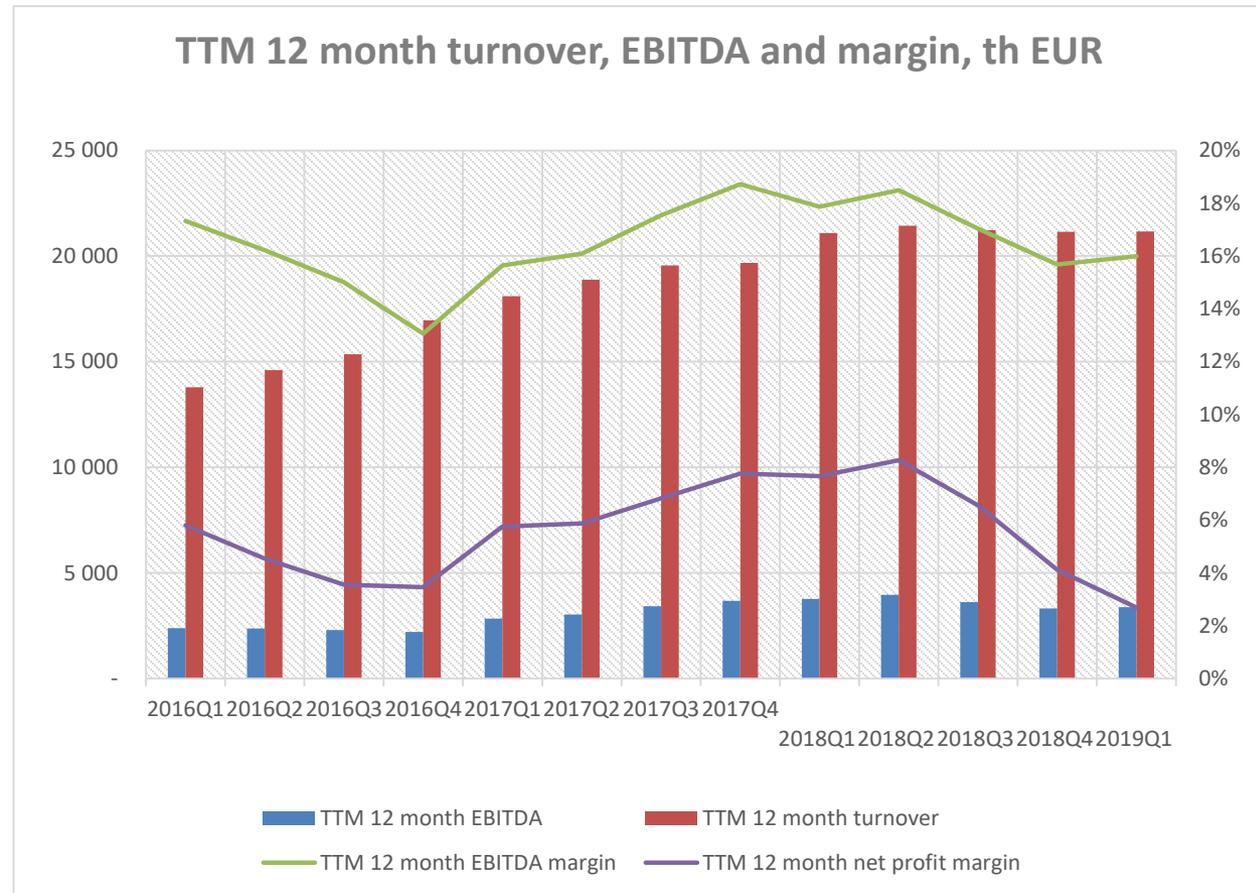


# TTM 12 month results in detail



# TTM 12 month sales and results

- TTM (trailing twelve months) period ending March 31, 2019 indicator dynamics compared to TTM period ending Q1 2018:
- TTM turnover 21.162 M EUR – 0.36% up
- TTM EBITDA 3.384 M EUR – 10% down
- TTM net profit 0.571 M EUR – 65% down
- TTM EBITDA margin reported as 16.0%
- TTM net profit margin reported as 2.7%

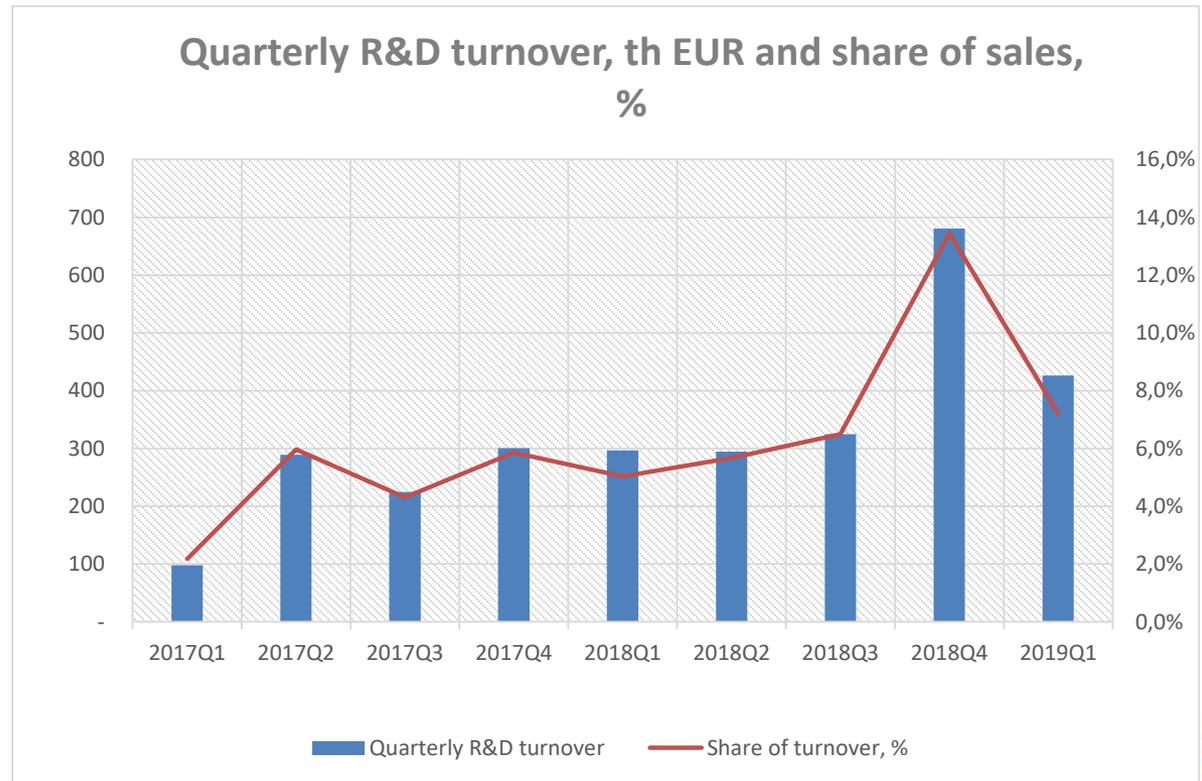


# Update on other activities



# 1Q 2019 R&D turnover

- 2019 Q1 R&D B2B sales reported 0.43 M EUR
- 7.2% share of quarterly consolidated sales
- 2019 Q1 12 TTM R&D sales reported 1.726 M EUR, 8% increase compared to 2018 Q4 12 TTM
- 8.2% share of 12 TTM consolidated sales



# Investments during 2019 1Q

- 0.87 MEUR investments in 2019 1Q in production capacity increase, introduction of a new production technologies
- Most significant investments in 2019 Q1:
  - 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 2019 1Q 1.4 MEUR investments into LightSpace Technologies to finance technology R&D and commercialization of 3D display technologies.
- In 2019 1Q 76 thEUR investments in form of convertible loan to associated company – Zinātnes parks for RIX High Tech City project development
- As of end of 2019 1Q investment in the form of the convertible loan in Zinātnes parks in total amounted to 1.28 MEUR.



# Business development of LightSpace Technologies

- New multi focal VR/AR headset display concept announced and showed in various events, including in world's leading forum on AR VR MR Photonics West 2019 conference.
- participated in several major events: Airborn ISR &C2 in London, VRX Europe 2019 in Amsterdam. Positive feedback was received from several experts.
- Shipped design kits to several Tier1 headset manufacturers and started to develop enterprise use multi focal smart glasses design.



# Investment in RIX High Tech City

- In 2019 Q1 Zinātnes Parks has invested 38 thEUR in construction technical project development.
- Currently searching for real estate investors to support a realization of the project - *RIX high tech city*.



# Other events during reporting period

- On February 1, 2019 Nasdaq CSD SE recorded 205 298 AS HansaMatrix warrants, owned by European Investment bank (EIB), issued according to EUR 10 million financing agreement, signed by EIB and AS HansaMatrix.
- On March 17, 2019 signed loan agreement with SEB in amount of 2 M EUR, within previously approved and publicly announced SEB long term investment financing limit for 2019



# Events after reporting period

- Dividend payment out of the 2018 profit is planned on May 31, 2019 in amount of EUR 73 thEUR (0.04 EUR per share)



# Guidance statement

- The Company has previously issued and confirms the estimate of consolidated revenue for 2020:

revenue by year 2020: 30 million EUR

EBITDA margin by year 2020: between 12 to 15%

- The Company now announces its estimate of consolidated revenue for 2022:

revenue by year 2022: 40 million EUR

EBITDA margin by year 2022: between 12 to 15%



# 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 will trade war with China affect your competitive positions? Any changes in demand, pricing?

***As we mentioned earlier US import tariffs at level 10% and/or 25% on China manufacturing products puts East european suppliers in competitive position for US market. It is required some time to develop new relationships. However global business uncertainty created by it give some negative effect on global market. It is complicated to predict how both effects combine.***

2. What could be long term impact on your sector from trade war?

***We do not forecast any long terms substantial impact for small niche supplier as HansaMatrix is.***

3. Have problems with one client (who had warehouse fire) ended?

***At the moment the business relationship with this customer has practically returned to business as usual situation, although some minor effects are still present in the supply chain of components.***



# Q and A submitted before webinar (2)

4. What are the IFRS 16 impacts on your EBITDA?

***As a result of the adoption of IFRS 16 as of 1 January 2019, the asset amount has increased by 1.7 M EUR, current liabilities – by 0.5 M EUR and non-current liabilities – by 1.2 M EUR. In the consolidated statement of comprehensive income in 2019 Q1 fixed asset depreciation increased by 108 th EUR (also impacts positively EBITDA) leased assets depreciation and interest expense increased by 9 th EUR discounting interest expense. Lease payments in amount of 144 th EUR are reflected in the consolidated cash flow statement of 2019 Q1.***



# Alternative performance measures

The definitions of alternative performance indicators (APIs) used in the webinar presentation can be found on page 27 of the HansaMatrix Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ended March 31, 2019:

[https://www.nasdaqbaltic.com/market/upload/reports/hmx/2019\\_q1\\_en\\_eur\\_con\\_ias.pdf](https://www.nasdaqbaltic.com/market/upload/reports/hmx/2019_q1_en_eur_con_ias.pdf)





Thank you!

