

HANSAMATRIX



Innovator and Manufacturing Solution High-Tech Group

Q3 results of 2018 – Nasdaq webinar

Presenters: Ilmars Osmanis, CEO and Maris Macijevskis, CFO

November 28, 2018



Executive summary



2018 9M Business trends

- During first 9 months of 2018 the Company reported sales volume increase by 11% compared to the same period of 2017.
- HansaMatrix is observing growing market demand for high quality supply chain in USA, e.g. by receiving first orders from 2 new US customers from Los Angeles, California, and Boulder, Colorado.
- 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 Q3 and 9M summary

- Q3 Quarterly turnover of 5.005 million euro
- 9 month turnover amounts to 16.1 million EUR and Q3 TTM turnover amounts to 21.2 million EUR
- 9m 2018 y-o-y increase of turnover – 11%
- Q3 y-o-y decrease of turnover - 4%, decrease of EBITDA - 31%

Results summary, MEUR	2018 Q3	2018 9m	2018Q3 12m TTM
Turnover	5.005	16.090	21.216
EBITDA	0.777	2.801	3.616
EBITDA, %	15.5%	17.4%	17.0%
net profit	0.153	1.058	1.391
net profit, %	3.1%	6.6%	6.6%
P/E			9.1



2018 Q3 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
- Peer market value range 3.7x up to 10x EBITDA

TTM figures - Million EUR	Market Cap	TTM Revenue	TTM EBITDA	TTM Net Profit	EBITDA margin	Net profit margin
HansaMatrix	12.6	21.2	3,6	1,5	17.04%	6.55%
Incap Oyj	32.6	51.7	5.8	3.7	11.22%	7.07%
Data Response ASA	144.6	146.4	13.5	4.8	9.21%	3.31%
Kitron ASA	157.5	265.5	22.0	11.7	8.29%	4.40%
Note AB	61.2	129.2	9.5	5.7	7.35%	4.44%
HANZA Holding	44.3	171.5	11.9	3.1	6.94%	1.83%
Inission AB	21.2	74.4	3.8	2.1	5.16%	2.76%

Source: Bloomberg, November 27, 2018

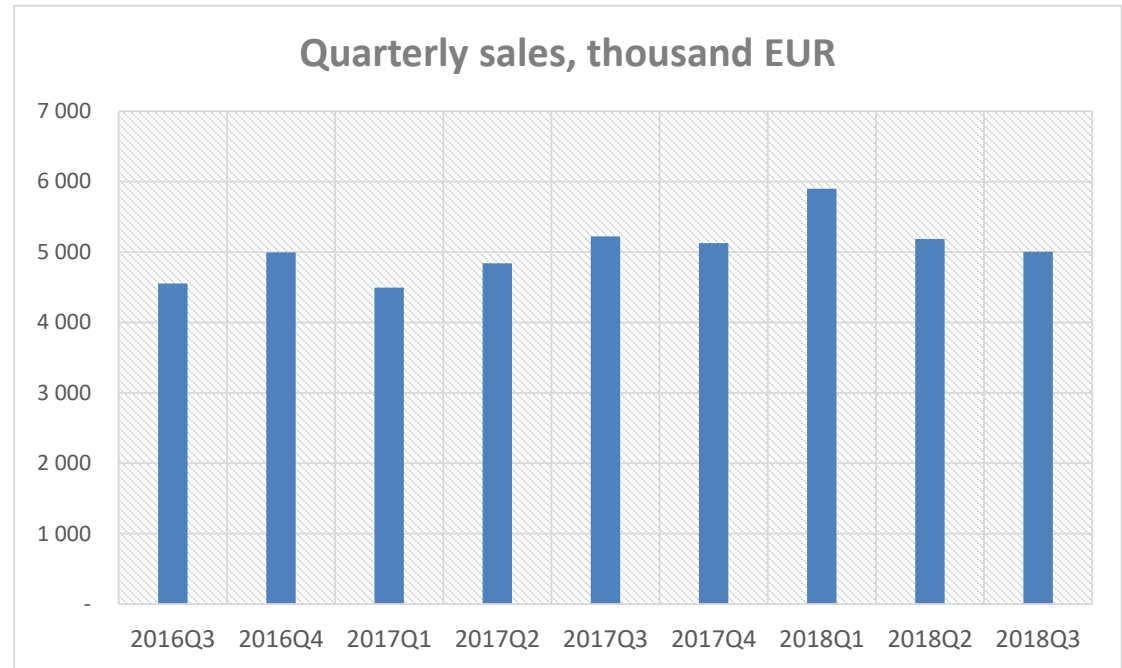


Q3 results of 2018 in detail



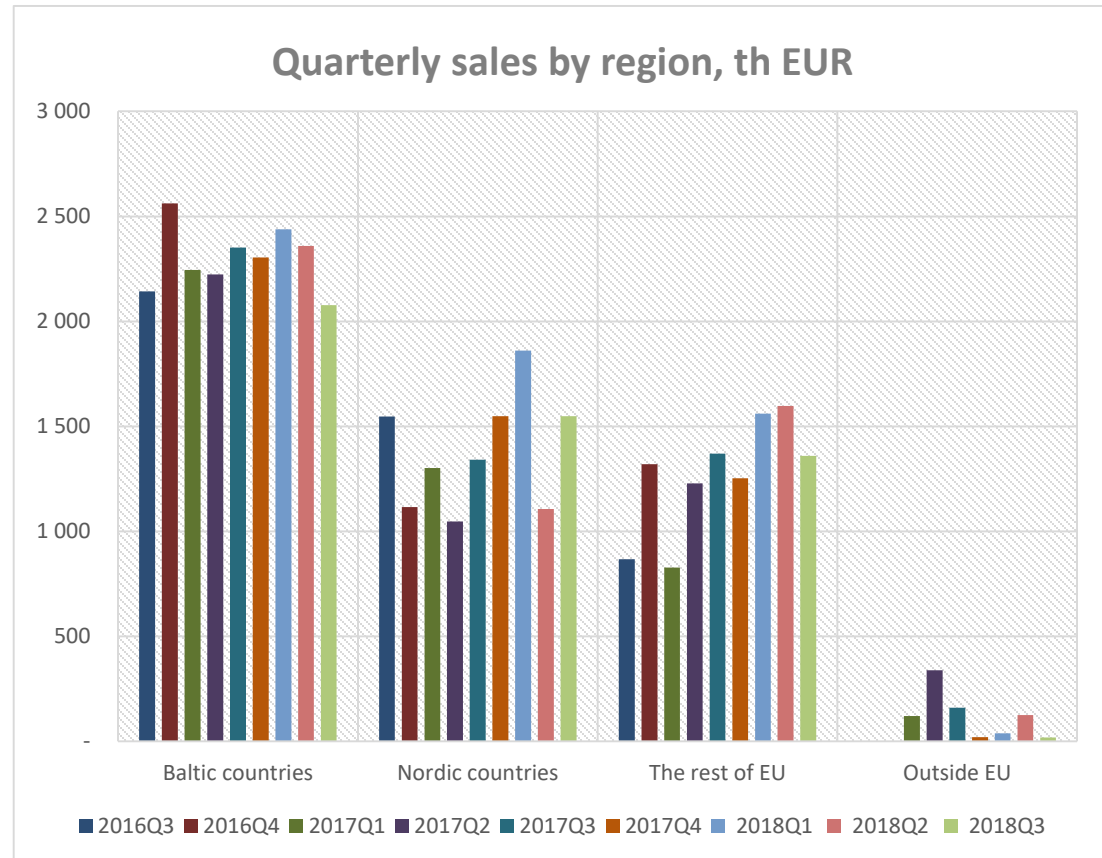
2018 Q3 sales

- Quarterly sales reached 5.005 million euro
- A decrease by 4% in comparison to 2017Q3
- An decrease by 4% in comparison to 2018Q2



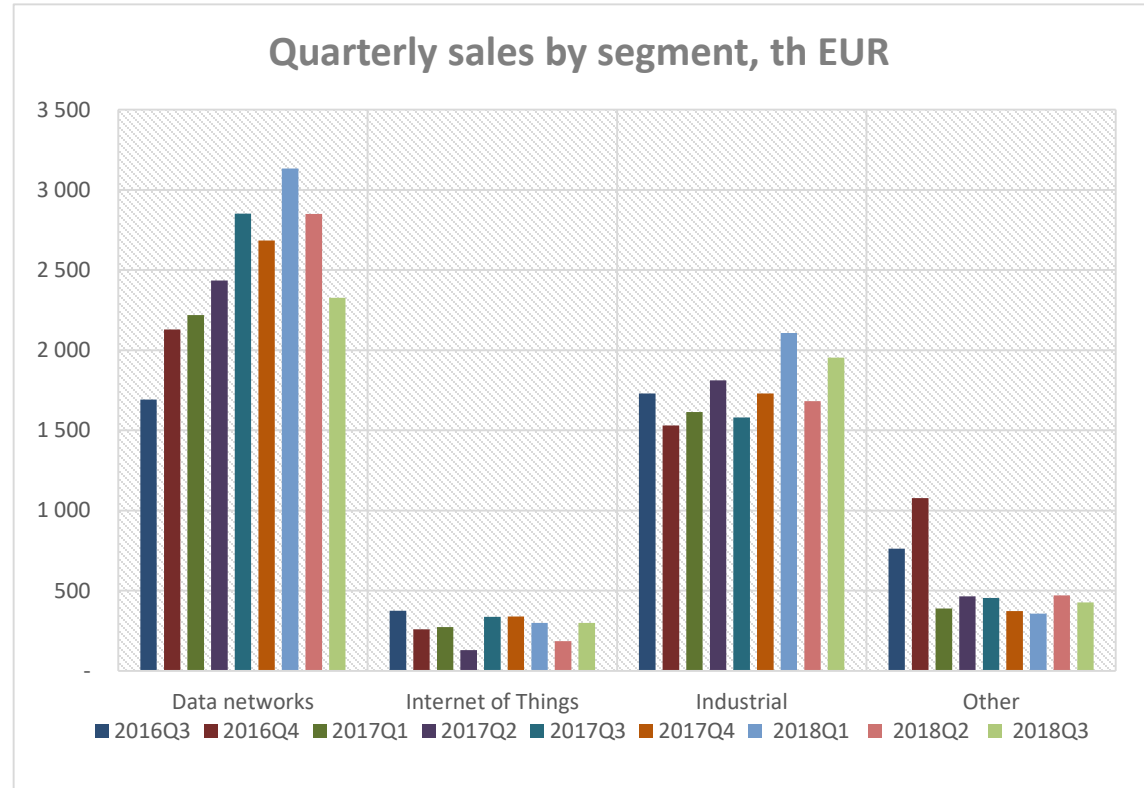
2018 Q3 sales by region

- Baltic sales – 42%
 - ✓ 12% down from 2017Q3
 - ✓ 12% down from 2018Q2
- Nordic sales – 31%
 - ✓ 16% up from 2017Q3
 - ✓ 40% up from 2018Q2
- The rest of EU sales – 27%
 - ✓ 1% down from 2017Q3
 - ✓ 15% down from 2018Q2
- Outside EU – below 1%
 - ✓ 88% down from 2017Q3
 - ✓ 85% down from 2018Q2



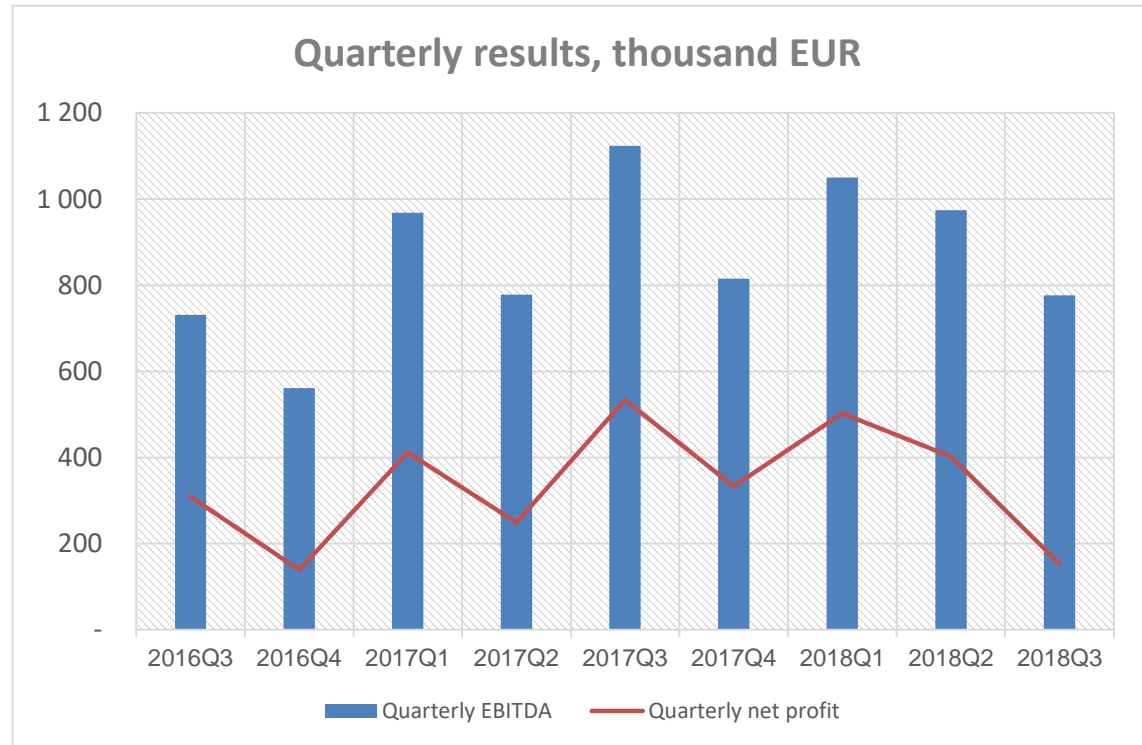
2018 Q3 sales by market segment

- Data network products - 46%
 - ✓ 18% down from 2017Q3
 - ✓ 18% down from 2018Q2
- Industrial segment – 39%
 - ✓ 24% up from 2017Q3
 - ✓ 16% up from 2018Q2
- Internet-of-things - 6%
 - ✓ 11% down from 2017Q3
 - ✓ 61% up from 2018Q2
- Other – 9%
 - ✓ 6% down from 2017Q3
 - ✓ 9% down from 2018Q2



2018 Q3 profitability results

- 2018 Q3 EBITDA result – 0.777 million EUR
 - ✓ 31% down from 2017Q3
 - ✓ 20% down from 2018Q2
- Net profit result – 0.153 million euros
 - ✓ 71% down from 2017Q3
 - ✓ 62% down from 2018Q2
- Q2 EBITDA margin – 15.5%
- Q2 net profit margin – 3.1%

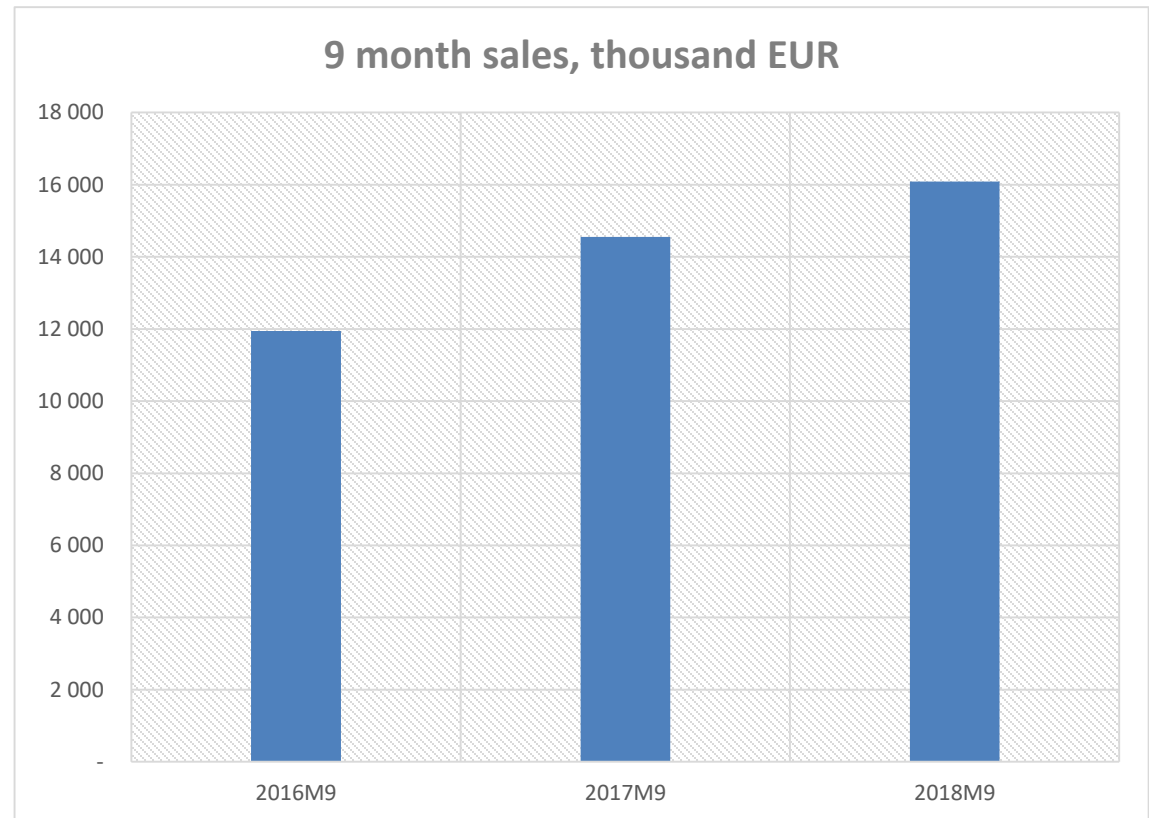


9m results of 2018 in detail



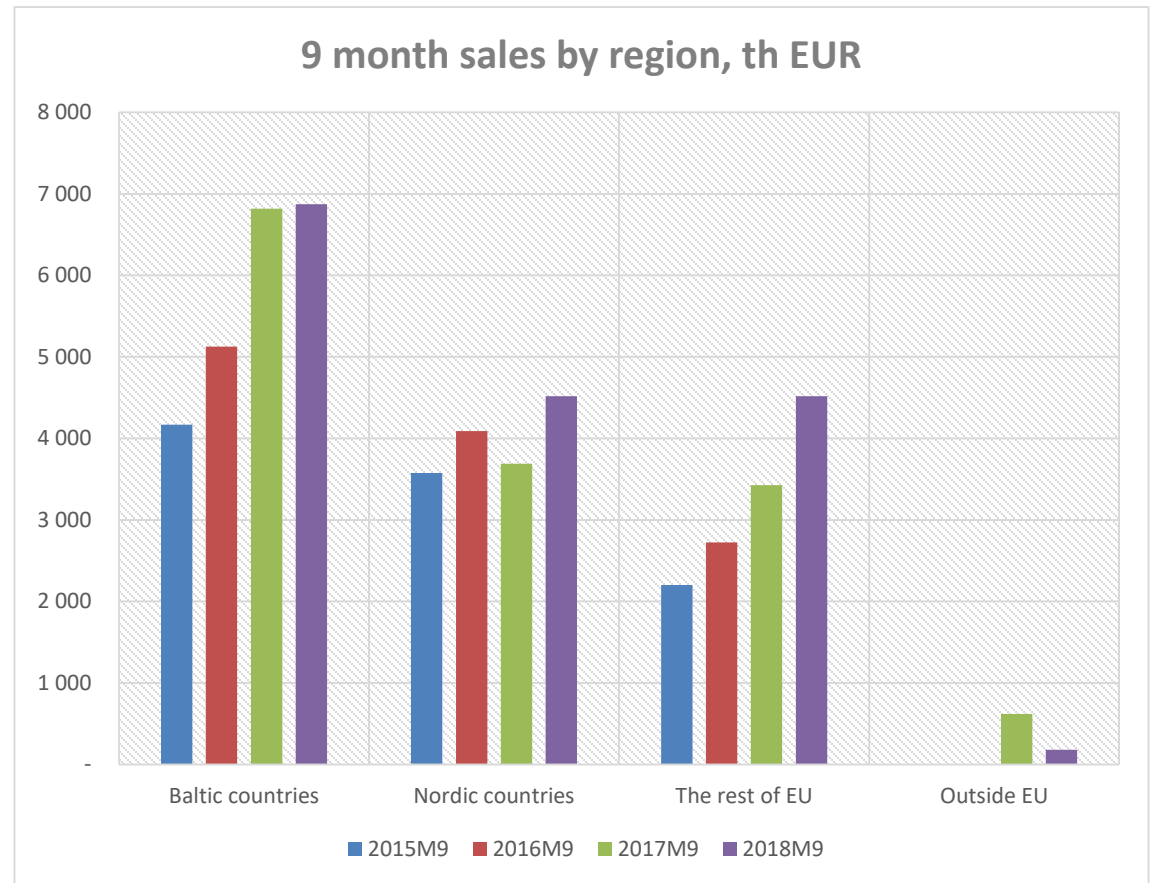
2018 9m sales

- Record high 2018 9m sales of 16.090 million EUR
- An increase by 11% in comparison to 2017 9 months



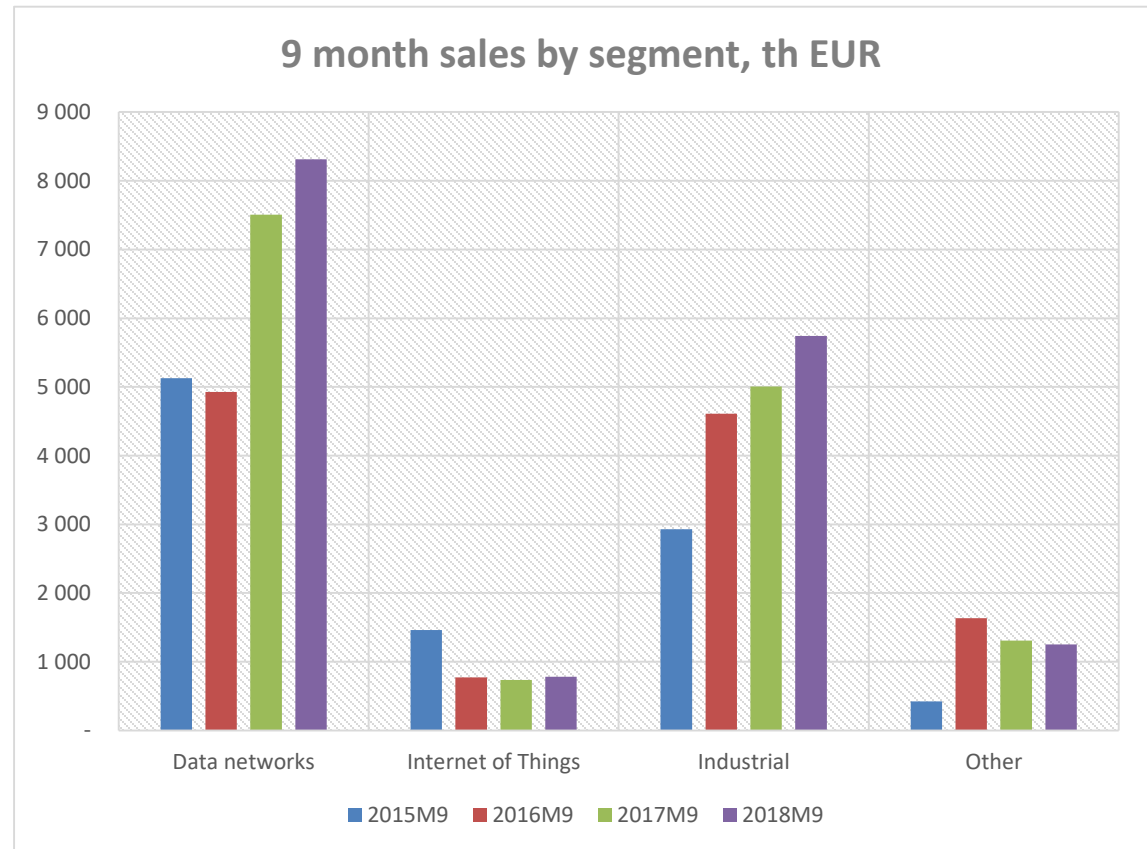
2018 9m sales by region

- Baltic sales – 43%
 - ✓ 1% up from 2017 9m
- Nordic sales – 28%
 - ✓ 22% up from 2017 9m
- The rest of EU sales – 28%
 - ✓ 32% up from 2017 9m
- Outside EU – 1%
 - ✓ 71% down from 2017 9m



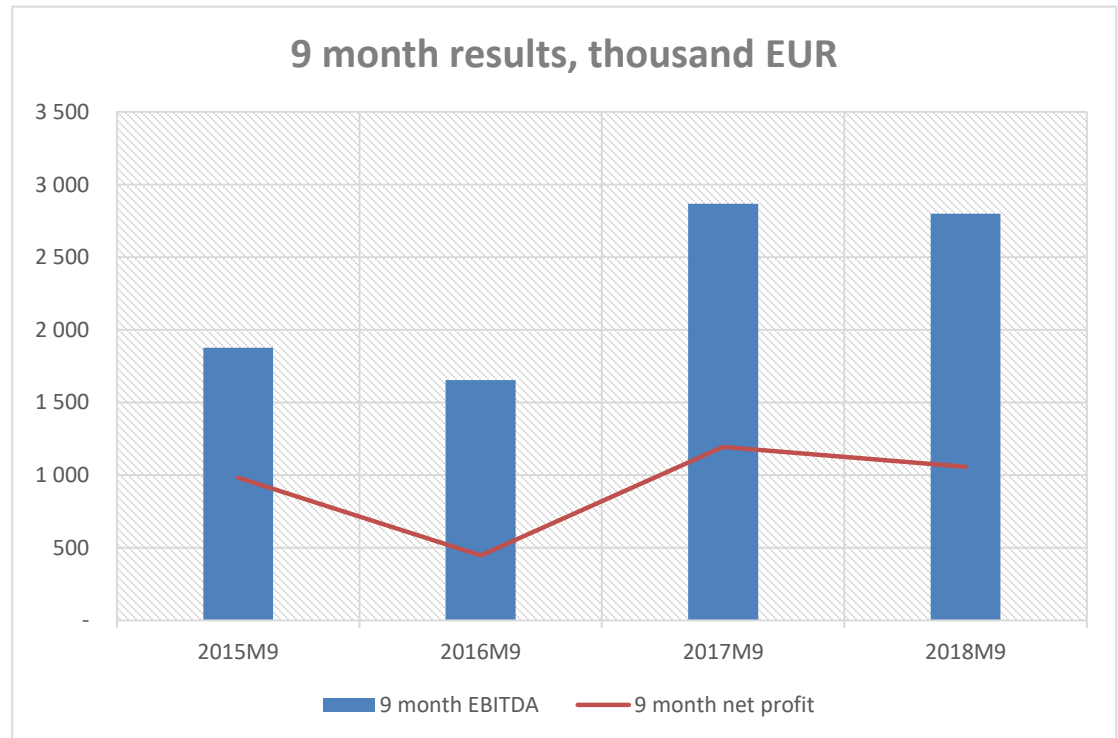
2018 9m sales by market segment

- Data network products - 52%
 - ✓ 11% up from 2017 9m
- Industrial segment – 36%
 - ✓ 15% up from 2017 9m
- Internet-of-things - 5%
 - ✓ 6% up from 2017 9m
- Other – 8%
 - ✓ 4% down from 2017 6m



2018 9m profitability results

- 2018 9m EBITDA result – 2.801 million EUR
 - ✓ 2% down from 2017 9m
- Net profit result – 1.058 million euros
 - ✓ 11% down from 2017 9m
- 9m EBITDA margin – 17.4%
- 9m net profit margin – 6.6%

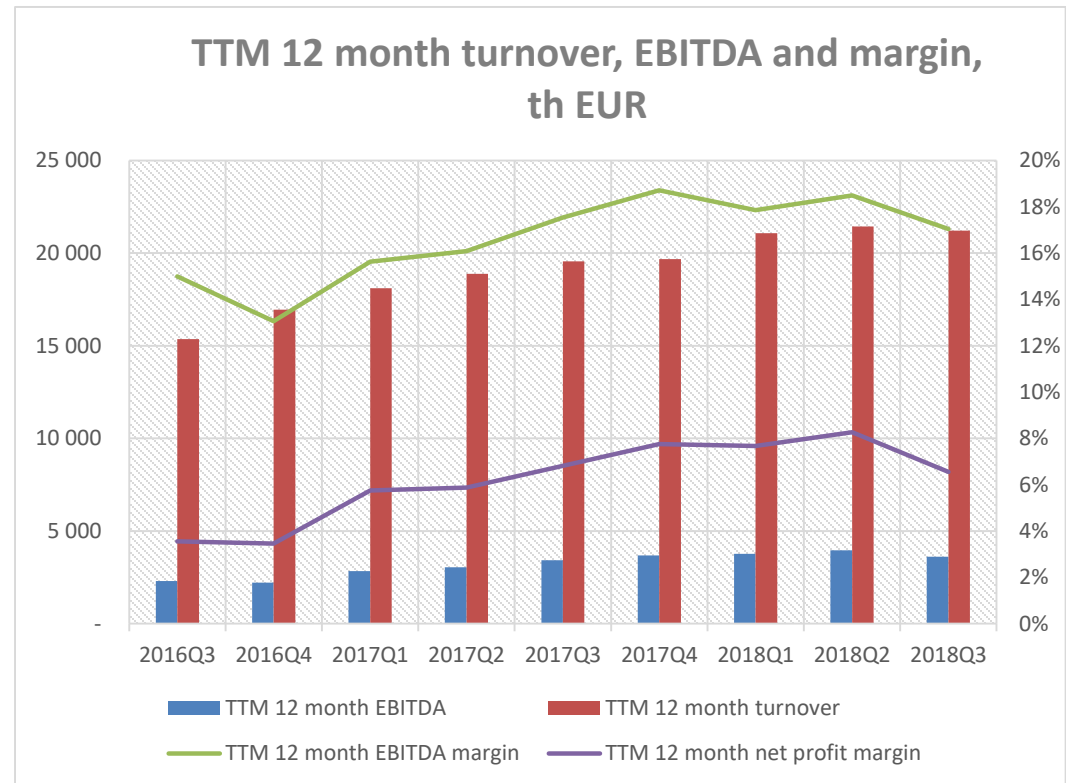


TTM 12 month results in detail



TTM 12 month sales and results

- TTM (trailing twelve months) 12 months represent period:
 - ✓ starting October 1, 2017
 - ✓ ending September 30, 2018
- TTM turnover grown to 21.216 million EUR - 9% up from period ending at Q3 2017
- TTM EBITDA result is 3.616 million EUR - 5% up from period ending at Q3 2017
- TTM net profit is 1.391 million EUR - 4% up from period ending at Q3 2017
- TTM EBITDA margin reported as 17.0%
- TTM net profit margin reported as 6.6%
- Margins are highest among industry peers.

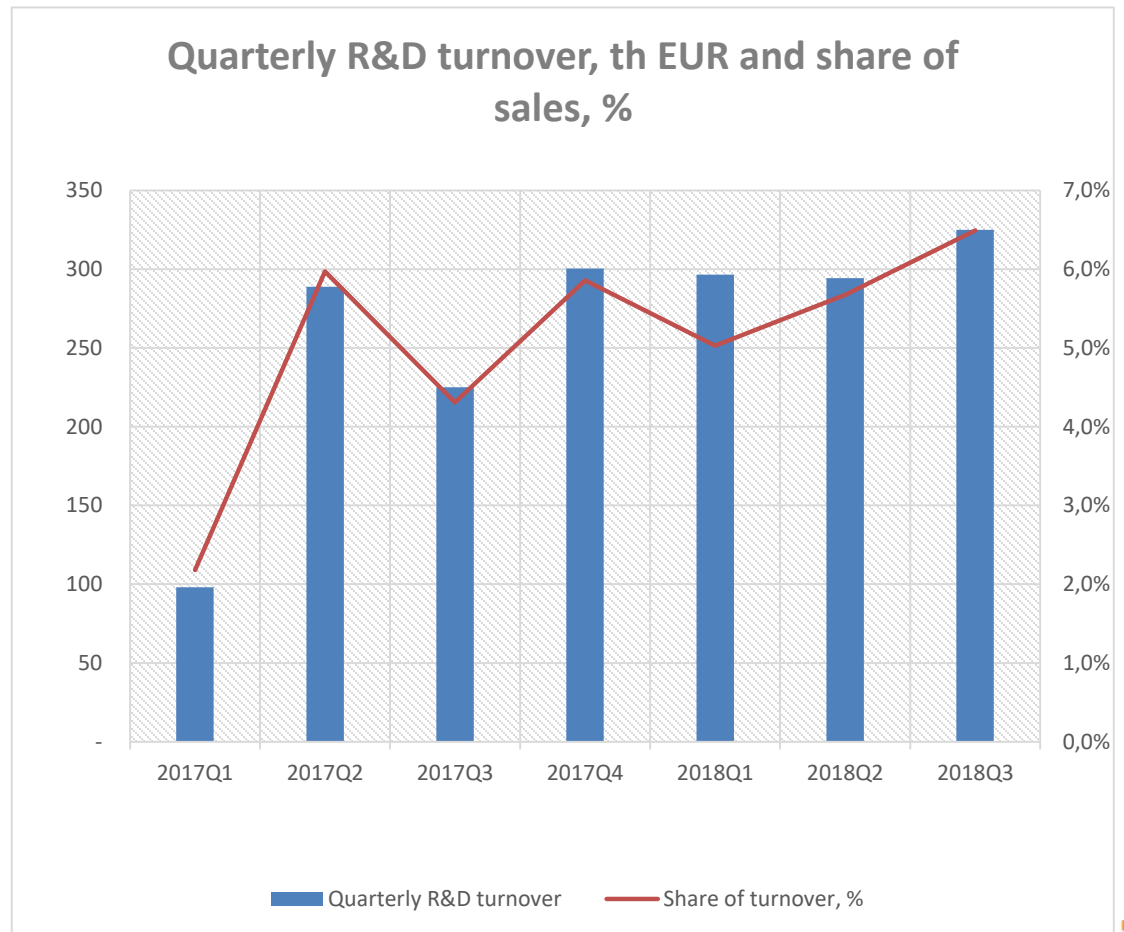


Update on other activities



Quarterly and 12m R&D turnover

- 2018 Q3 R&D B2B sales reported 0.325 M EUR
- 6.5% share of quarterly consolidated sales
- 2018 Q3 12 TTM R&D sales reported 1.216 M EUR
- 5.7% share of 12 TTM consolidated sales
- EU grant financing is not included in reported results here



Investments during 2018 9 months

- During 2018 9 months HansaMatrix made 1.460 thEUR investments in production capacity increase, research instruments, test systems, of which 668 thEUR were invested in Q3 2018.
- During 2018 9 months HansaMatrix group received 897 thEUR leasing financing for technological equipment purchases from SEB lizings, of which 499 thEUR were received in Q3.
- Most significant investments in Q3 capacity increase and effectiveness were made in:
 - Automated T/H assembling robot to increase the printed circuit board through hole assembly efficiency in Ventspils production facility
 - The newest generation high speed machining system in Marupe precision metal production unit, allowing to start of manufacturing of composite material soldering pallets



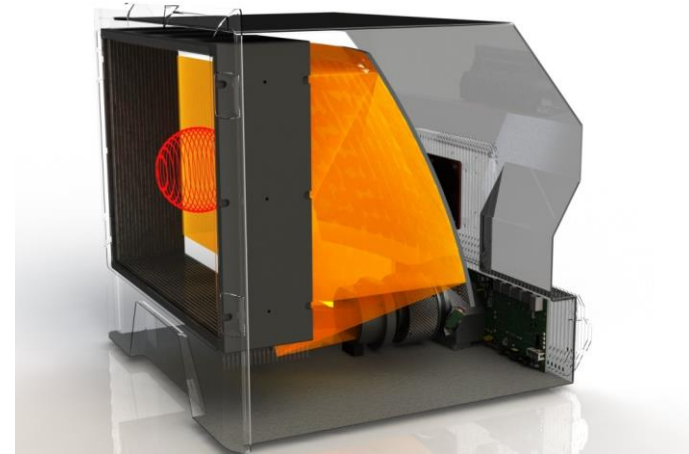
Investments in associated companies

- During 2018 9m HansaMatrix made 826 thEUR (323 thEUR in 2018 Q3) investments into SIA Lightspace Technologies to finance the development and commercialization of 3D display technologies.
- During 2018 9m HansaMatrix made 291 th EUR (110 thEUR in 2018 Q3) investments in form of convertible loan to associated company – Zinātnes parks.
- As of September 30, 2018 HansaMatrix investment in the form of the convertible loan in Zinātnes parks in total amounted to 1,134 thEUR.



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 9 months LightSpace has filed five 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

- During 9m 2018 Zinātnes Parks has invested 79 thEUR (32 thEUR in 2018Q3) in construction technical project development.
- planned to complete construction project development work by 2018Q4/2019Q1.
- Currently searching for real estate investors to support a realization of the project - *RIX high tech city*.



Other events during reporting period

- In July, 2018 HansaMatrix increased the existing overdraft facility by 400 thEUR, to 1.000 thEUR at SEB banka and signed unsecured Supply Chain Factoring agreement with SIA SEB lizings in amount of 300 thEUR
- 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, but is not expected to impact the segment sales volume in the longer term.



Significant events after reporting period

- On October 29, 2018 HansaMatrix has signed contract and received purchase order 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. Customer name according to the contract remains confidential.
- On October 31, 2018 The European Investment Bank (EIB) has approved 10 million EUR long-term quasi equity financing facility in support of HansaMatrix group's planned investments, which total 20 million EUR in the years 2018-2020.
- On November 15, 2018 HansaMatrix paid out the second installment of the 2017 profit dividend payment in amount of EUR 73 thEUR (0.04 EUR per share)



EIB Financing Facility

- Part of the EIB Financing Facility in the amount of 5 million EUR shall be available to the Company as 5 year bullet loan with one off interest payment at the end of 5 year period at the amount of 10% share market value (as a put option of warrant).
- It is secured by the warrant that can be converted into the shares of the Company representing 10% of the fully diluted share;
- Tranches 2 and 3 of EIB facility are standard non-amortizing investment loans, available after/if the Company reaches certain financial milestones
- EIB financing facility is unsecured
- EIB financing has to be complemented with HansaMatrix own capital, commercial bank lending and EU fund grants



EIB investment loan – investment plan

HansaMatrix planned investments, in thousand EUR:

- Upgrade of manufacturing process at Ogre plant – 500;
 - improving quality, reducing down time and maintenance costs;
- New capacity and new technological processes in Ventspils plant – 3,550;
 - Plastic parts production facility – 1,750 – will increase added value and add new customers
 - New prototype and NPI product production line – 1,100 – will increase capacity for prototypes and new product introduction runs
 - New equipment requested for IPC class 3 and aerospace production process - 700
- New product and R&D project funding in Hansamatrix Innovation – 800;
 - New IoT products; Industry 4 compliant manufacturing IT platform with AI elements;
- Working capital increase – 1,250
- Investments in LightSpace Technologies and funding of 3D visualization system R&D – 4,850
 - Key enabling technologies (vacuum sputtering and 27inch screen size) process – 2,500
 - R&D funding of advanced 3D AR/VR product development – 2,350



Value proposition to shareholders

HansaMatrix believes that the structure of EIB financing facility is very beneficial to the investors, based on the following:

- The company will be able to realize full investment program to accelerate the grow the current business volumes and value

At the maturity (in 5 years):

- The Company planning to repurchase the warrants issued to secure the loan to EIB, at the market price at the time of repurchase, to avoid the existing shareholder dilution

Comparison to a new capital attraction:

- In case 5 million EUR financing would be attracted in form of new equity, the investors of new funds would have to receive ~30% of the capital of the Company, resulting in significantly higher shareholder dilution



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



Q and A submitted before webinar (1)

1. Deficit of components – is it only due to fire at your partner warehouse or a wider global issue?

Partially by fire, partially as a global issue, which in our opinion will be resolved by Q2 2019.

2. What are the possibilities to replace this deficit by other suppliers?

There are such possibilities on the market. Purchasing team is successfully finding them. On some occasions replacements are more expensive.

3. Does it mean any fines for HansaMatrix that company can not deliver final products to clients due to component deficit?

On some occasions it means reduced business growth opportunities.



Q and A submitted before webinar (2)

4.If HansaMatrix revenue is down now due to components' deficit, would it be compensated by higher revenue in following quarters in 2019?

Yes such scenario is very much possible. However revenue growth requires also manufacturing staff head count growth, that does not come very fast. And can be carried through only when sustainable growth is possible on both – supply and demand side. We are planning it for Y2019.

5.Could you share more information about investments which will be done for EIB loan?

The planned investment item list for the first tranche of EIB financing in amount of 5 million EUR provided in the webinar presentation.





Thank you!

