

# Hexatronic Group AB (publ)

Interim Report January – September 2020

**HEXATRONIC** 

## Key ratio

	2020	2019		2020	2019	
MSEK	Q3	Q3	Δ %	Jan-Sept	Jan-Sept	Δ %
Net sales	534.3	473.1	13%	1,481.0	1,379.0	7%
EBITA	63.2	47.3	34%	139.0	108.3	28%
EBITA margin	11.8%	10.0%		9.4%	7.9%	
Operating result (EBIT)	56.5	40.3	40%	118.4	85.8	38%
Net earnings	39.1	27.2	44%	81.1	52.6	54%
Earnings per share after dilution, SEK	1.04	0.73	42%	2.17	1.41	54%
Cash flow from operating activities	42.4	79.6	-47%	110.4	115.8	-5%
Liquid assets	73.0	87.4	-16%	73.0	87.4	-16%

## Events during the quarter

- Hexatronic acquired the training company The Light Brigade Inc., a US-based fiber optic training provider for broadband communication, wireless, service providers etc.

## Events since the end of the period

- Hexatronic acquired the fiber optic companies Baltronic Group OÜ, based in Estonia and the Canadian company Toronics Inc.
- Hexatronic acquired 90 percent of the shares in Qubix S.p.A., an Italian supplier of structured cabling.

COMMENTS FROM THE CEO

## Strong profitability and several strategic acquisitions

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Profitability (EBITA) increased during the quarter to 11.8 percent, an increase of 34 percent on the same period last year. This strong rise in profitability means we are now less than half a percentage point from our goal of at least 9 percent on a rolling 12-month basis.

Earnings per share also improved considerably and is 54 percent higher than in the corresponding quarter of 2019. The strong profitability is primarily due to good gross margins and high capacity utilisation in several of our factories.

Sales continue to develop positively with growth of 13 percent during the quarter, despite an estimated adverse impact of 5 percent due to COVID-19, as well as negative currency effects of 4 percent. Virtually all the growth is organic.

North America continued to develop very positively with growth of 20 percent. This growth was primarily driven by duct sales, where our new factory in Texas was one contributing factor. Growth in Europe excluding Sweden was 16 percent, primarily driven by strong sales in the UK and Germany. Sales in Sweden reported growth of 11 percent, driven by continued extension of FTTH as well as projects relating to bolstering core networks.

The acquisition of Light Brigade, North America's leading training company in telecom, was completed during the quarter. Light Brigade makes us a better-known player in North America, with opportunities to offer training in our FTTH systems across the continent, something we believe will enhance our potential for higher system sales.

Since the end of the quarter, we have made several strategic acquisitions. Baltronic Group, headquartered in Estonia, is a long-standing partner of Hexatronic. Baltronic Group increases our production capacity in Europe, while also strengthening us in several geographic markets and in wireless networks. Toronics of Toronto gives us a local presence in Canada, and Qubix with headquarters in Italy establishes us on a new market and adds strength in indoor solutions.

The order book has continued to develop positively. We entered the fourth quarter with an order book that was 6 percent higher organically than at the same point last year.

We remain positive in our outlook on the market for fiber optic systems. Part of this lies in the fact that COVID-19 has made consumers and governments alike realise that fiber optic networks need to be extended to meet the needs that already exist and are set to increase with new services.

We have laid a solid foundation for continued strong growth and intend to continue to consolidate our position with further acquisitions.

Thank you for joining us on this journey.

Henrik Larsson Lyon  
President and CEO  
Hexatronic Group AB (publ)



## Net sales and earnings

### The third quarter (1 June – 30 September 2020)

The Group's net sales for the third quarter of 2020 increased 13 percent to MSEK 534.3 (473.1), mainly as a result of organic growth. The increase was 17 percent cleared for exchange-rate effects.

Analysis of change in net sales (MSEK)	Q3		Q3	
	2020	(%)	2019	(%)
Year-earlier quarter	473.1	-	403.6	-
Organic growth	72.8	15%	20.3	5%
Acquisitions and structural changes	7.3	2%	36.9	9%
Exchange-rate effects	-18.8	-4%	12.2	3%
<b>Current quarter</b>	<b>534.3</b>	<b>13%</b>	<b>473.1</b>	<b>17%</b>

The Group's net sales on its strategic growth markets of the UK, Germany and North America continued to grow during the quarter.

Geographical net sales (MSEK)	Q3 2020	Allocation (%)	Growth (%)
Sweden	149.8	28%	11%
Rest of Europe	172.5	32%	16%
North America	135.2	25%	20%
Rest of the world	76.9	14%	0%
<b>Total</b>	<b>534.3</b>	<b>100%</b>	<b>13%</b>

EBITA rose 34 percent to MSEK 63.2 (47.3) in the quarter. The EBITA margin amounted to 11.8 percent (10.0).

Net financial items during the quarter amounted to -2.8 MSEK (-4.2), whereof net interest amounted to -2.1 MSEK (-2.9), unrealised foreign exchange differences to -0.4 MSEK (-0.8) and other financial items to -0.3 MSEK (-0.5).

Net earnings for the quarter amounted to MSEK 39.1 (27.2) and earnings per share after dilution, increased by 42 percent and amounted to SEK 1.04 SEK (0.73). Tax for the period was MSEK 14.6 (8.8) which means the average effective tax rate for the Group was 27.2 percent (24.4) for the quarter.

### The period (1 January – 30 September 2020)

The Group's net sales for the period January-September 2020 increased 7 percent to MSEK 1,481.0 (1,379.0), mainly as a result of organic growth. The exchange-rate effect was marginal during the period compared to the same period last year.

<b>Analysis of change in net sales (MSEK)</b>	<b>Jan-Sept 2020</b>	<b>(%)</b>	<b>Jan-Sept 2019</b>	<b>(%)</b>
Year-earlier period	1,379.0	-	1,154.6	-
Organic growth	98.0	7%	36.7	3%
Acquisitions and structural changes	9.6	1%	151.2	13%
Exchange-rate effects	-5.7	0%	36.6	3%
<b>Current period</b>	<b>1,481.0</b>	<b>7%</b>	<b>1,379.0</b>	<b>19%</b>

The Group's net sales on its strategic growth markets of the UK, Germany and North America continued to grow during the period January-September.

<b>Geographical net sales (MSEK)</b>	<b>Jan-Sept 2020</b>	<b>Allocation (%)</b>	<b>Growth (%)</b>
Sweden	422.4	29%	2%
Rest of Europe	491.7	33%	15%
North America	369.0	25%	15%
Rest of the world	197.9	13%	-10%
<b>Total</b>	<b>1,481.0</b>	<b>100%</b>	<b>7%</b>

EBITA rose 28 percent to MSEK 139.0 (108.3) during the period. The EBITA margin amounted to 9.4 percent (7.9).

Net financial items during the period amounted to -8.7 MSEK (-12.9), whereof net interest amounted to -7.1 MSEK (-9.2), unrealised foreign exchange differences to -0.5 MSEK (-2.5) and other financial items to -1.1 MSEK (-1.2).

Net earnings during the period amounted to MSEK 81.1 (52.6) and earnings per share after dilution, increased by 54 percent and amounted to SEK 2.17 SEK (1.41). Tax for the period was MSEK 28.7 (20.3) which means the average effective tax rate for the Group was 26.1 percent (27.8) during the period.

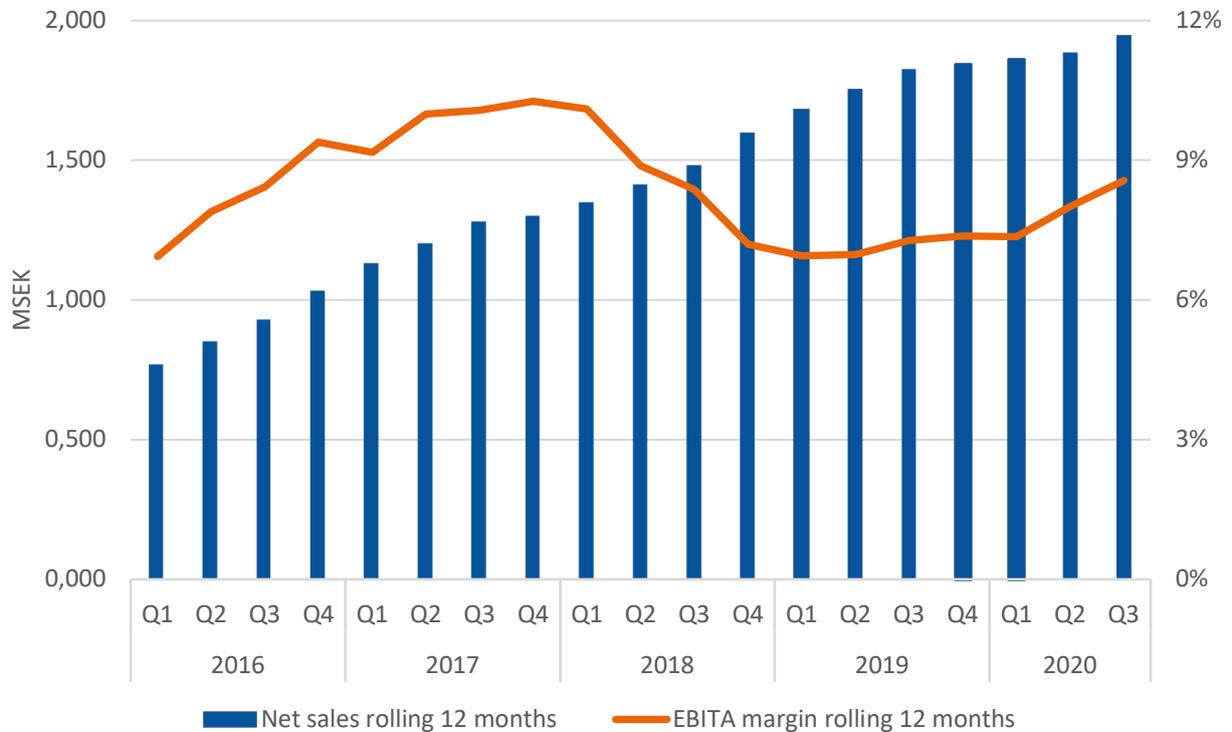
### Cash flow and investments

Cash flow from operating activities in the quarter amounted to MSEK 42.4 (79.6), including a change in working capital of MSEK -19.9 (21.4). The negative change in working capital is primarily attributable to increased capital tied-up in accounts receivables.

Cash flow from operating activities during the period January-September amounted to MSEK 110.4 (115.8), including a change in working capital of MSEK -46.8 (-27.6).

Investments during the period January-September amounted to MSEK 98.2 (72.4). This is mainly related to an investment in a new production facility in the US, production equipment in Hudiksvall and payments of additional purchase price related to the acquisitions of Blue Diamond Industries and Opternus.

## Net sales (MSEK) and EBITA margin (%) rolling 12 months



## Liquidity and financial position

### The Group's net debt

Net debt totalled MSEK 318.2 at the end of the reporting period compared to MSEK 318.9 as per 31 December 2019.

### Available funds

Available funds on 30 September 2020, including unutilised overdraft facilities, amounted to MSEK 196.5 (171.8).

### Equity

Equity amounted to MSEK 650.2 on 30 September 2020 (574.4), which equated to SEK 17.33 per outstanding share before dilution at the end of the reporting period.

### The Group's financial goals

#### 9 percent EBITA margin

Earnings before amortisation of intangible assets (EBITA) should be at least 9 percent on a rolling 12-month basis. The EBITA margin on a rolling 12-month basis on 30 September 2020 was 8.6 percent (7.3).

#### 20 percent annual growth

The Group shall grow more than its market organically. Annual growth of at least 20 percent.

The growth will be both organic and acquisition driven. Growth during the quarter year was 13 percent.

Growth on a rolling 12-month basis was 7 percent (23).

### Customers

The Group's customers are mainly wholesalers, telecom operators, network owners, telecom companies, installers, and system houses.

### Employees

There were 705 (588) employees in the Group on 30 September 2020. The increase is mainly related to production personnel in Sweden and North America and the acquisitions of Tech Optics and The Light Brigade.

### Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period amounted to MSEK 13.5 (14.2) and the result for the quarter was MSEK -37.3 (-45.4).

### Ownership structure

The company's share is listed in the Mid cap segment on Nasdaq Stockholm. At the end of the period the share capital amounted to MSEK 1.9.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Ordinary share, 1 vote per share	37,508,930	37,508,930	99.0%	99.9%
Class C share, 1/10 vote per share	360,000	36,000	1.0%	0.1%
<b>Total number of shares before repurchases</b>	<b>37,868,930</b>	<b>37,544,930</b>	<b>100%</b>	<b>100%</b>
Repurchased class C shares	-360,000		1.0%	0.1%
<b>Total number of shares after repurchases</b>	<b>37,508,930</b>			

Employee stock option programmes active at the time of this report's publication are:

Outstanding warrant programme	Number of warrants	Corresponding number of shares	Proportion of total shares	Exercise price	Expiration period
Warrant programme 2018/2021	578,000	578,000	1.5%	82.20	15 May - 15 Jun 2021
Warrant programme 2019/2022	357,500	357,500	0.9%	66.73	15 May - 15 Jun 2022
Warrant programme 2020/2023	290,000	290,000	0.8%	63.00	15 May - 15 Jun 2023
<b>Total</b>	<b>1,225,500</b>	<b>1,225,500</b>			

In addition to above warrant programmes, a decision was made in 2019 to introduce a long-term, performance-based incentive plan (LTIP 2019) for 11 senior executives in the Group who are resident in Sweden. The participants have invested 48,640 savings shares in total.

Under the LTIP, for each acquired Hexatronic share (savings share), participants can receive 4–6 shares in Hexatronic (performance shares) free of charge, assuming achievement of certain performance targets. To

qualify for performance shares, participants must acquire and retain a number of Hexatronic shares for the whole of the three-year vesting period and must, with some exceptions, remain in employment during the same period. In addition to the above conditions, performance shares also require certain performance targets to be met, linked to the development of the per-share earnings, the Group's growth and the growth in EBITA during the vesting period.

The targets relate to the 2019, 2020 and 2021 financial years. Hexatronic has judged that all the above conditions are non-market related conditions under IFRS 2.

The company's market value at the end of the period was MSEK 2,393. The number of shareholders at period end, 8,987, is based on data from Euroclear.

The shareholder structure of Hexatronic Group AB (publ) on 30 September 2020 is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
Accendo Capital	3,756,012	10.0%
Handelsbanken Funds	3,673,630	9.8%
Jonas Nordlund, privately and corporately	3,003,000	8.0%
Länsförsäkringar Funds	1,945,868	5.2%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.8%
AMF Insurance & Funds	1,393,288	3.7%
Swedbank Robur, West Fund	1,309,572	3.5%
Consensus Asset Management	927,994	2.5%
Avanza Pension - Insurance Company	892,401	2.4%
Göran Nordlund, privately and corporately	875,364	2.3%
Other shareholders	17,945,929	47.8%
<b>Total outstanding shares</b>	<b>37,508,930</b>	<b>100.0%</b>

## Sustainability

Together with our employees, customers, and suppliers, Hexatronic wants to contribute to a more sustainable society. The Hexatronic Group focuses on the following nine sustainability areas: high business ethics, sustainable supply chain, stable profitability, low climate impact, environmentally sound products, high resource efficiency, diversity and gender equality, good working environment, health and safety and social involvement.

In 2019, Hexatronic Group was ranked among the top 5 percent of the stock exchange's most sustainable companies linked to anti-corruption and the top 25 percent linked to Agenda 2030. In 2019, we became a supporting member of the Swedish Anti-Corruption Institute and a member of the Global Compact.

In 2020, special focus will be on developing and improving the Group in the areas of low climate impact, sustainable supply chain and diversity and gender equality. In addition, a sustainability roadmap 2030 will be drawn up.

For more information about what Hexatronic has done and what is planned within the Group's sustainability work, please see Hexatronic's Annual Report 2019 on pages 24-37 and the website <https://hexatronicgroup.com/en/sustainability/>.

## The market

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The general transition to a more digital, sustainable society is continuing at an increasing rate, and this change is extensively dependent on a fast, reliable infrastructure for digital communication. There are many factors driving this transition and the increased need for connection, from altered behaviours such as increased work from home, online shopping, digital banking services, online gaming, HD TV, streaming services and VR/MR, to a higher degree of connectivity in industry and driverless vehicles. The common denominator for it all is reliable internet connection with increasing demands on short response times.

The world's fiber network consists of powerful international transport networks that link together national and regional networks, backbone networks, and finally access networks (FTTH, fiber-to-the-home) which reach out to individual households. Millions of homes around the world need to be connected to high-performance communication networks, which means that the international market for FTTH is continuing to develop positively. Market Panorama, an annual report by FTTH Council Europe conducted, shows that growth in subscribers between September 2018 and September 2019 was 5 percent in the Nordic countries, 40 percent in the UK and 42 percent in Germany. The 2017-2018 growth was 42 percent in New Zealand and 21 percent in North America.

Various reports and national forecasts indicate continued strong demand for FTTH on Hexatronic's strategic growth markets (the UK, North America and Germany) up to 2025–2030, and probably beyond as well.

## Other disclosures

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### Nature of operations

Hexatronic Group AB (publ) is an engineering group specialising in fibre communications. The Group delivers products and solutions for optical fibre networks and supplies a complete range of passive infrastructure for telecom companies, including related training.

The Group develops, designs, manufactures, and sells its own products and system solutions in combination with products from leading partners around the world. The Group conducts its own business through established companies in Sweden, Norway, the UK, Germany, Italy, Estonia, Latvia, Lithuania, China, New Zealand, USA and Canada.

All amounts are in thousands of Swedish kronor (SEK thousand) unless otherwise stated. The figures in parentheses refer to the previous year.

### Transactions with related parties

The Group rents premises from Fastighets AB Balder, in which the Group's board member Erik Selin has a significant influence. The rental contract has been entered under normal commercial conditions. The rent for the premises amounts to approximately MSEK 5.0 annually.

### Significant risks and uncertainties

Like all business activities, Hexatronic's operation is associated with risks of various kinds. Continually identifying and assessing risks is a natural and integral part of the operation, enabling risks to be controlled, limited and managed proactively. The Group's ability to map and prevent risks minimises the likelihood of unpredictable events having an adverse impact on the business. The aim of risk management is not necessarily to eliminate the risk, but rather to safeguard set business goals with a balanced risk portfolio. Mapping, planning and management of identifiable risks supports the management in making strategic decisions. Risk assessment also aims to increase the entire organisation's risk awareness.

On 1 January 2021, the customs union between the EU and UK comes to an end. All trade to and from the UK will be affected by new administration, and some products will be subject to customs duty. At the time of publishing this report, the precise regulations and processes remain unclear as negotiations are still in progress. Preparations have been made to minimise the risk of negative impact in the product flows from January 2021 onwards, primarily in the form of stock-building in the UK, as well as higher in-house administration capacity.

Several risk areas have been identified in Hexatronic's risk management process. Hexatronic has divided identified risks into operational and environmental risks, market risks and financial risks. A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2019 on page 44-47.

### Accounting policies

The consolidated financial statements for Hexatronic Group ("Hexatronic") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that in its interim report for the legal entity, the Parent Company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Insurance Act and regarding the relationship between accounting and taxation.

For full accounting policies, see the Annual Report for 2019.

### Review

This interim report has been reviewed by the company's auditor.

## Other information

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### Publication

This information comprises disclosures that Hexatronic Group AB (publ) must publish according to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, under responsibility of the contact persons named below, on 5 November 2020 at 07:00 CET.

### Financial calendar

Year-End Report 2020: 24 February 2021

Interim Report January-March 2021: 29 April 2021

Interim Report April-June 2021: 12 August 2021

Interim Report July-September 2021: 2 November 2021

### Annual General Meeting

The AGM will be held on 6 May 2021.

Please direct any questions to:

- Henrik Larsson Lyon, President and CEO, + 46 (0)70-650 34 00
- Lennart Sparud, CFO, + 46 (0)70-558 66 04

The Board of Directors and President hereby confirm that this interim report provides a true and fair overview of the business, financial position and results of the Parent Company and the Group and describes significant risks and uncertainty factors with which the Parent Company and the companies forming the Group are faced.

Gothenburg, 5 November 2020

Anders Persson  
Chairman

Erik Selin  
Board member

Jaakko Kivinen  
Board member

Malin Frenning  
Board member

Helena Holmgren  
Board member

Frida Westerberg  
Board member

Henrik Larsson Lyon  
President and CEO

## Auditor's report

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Hexatronic Group AB (publ) – org.nr 556168-6360

### Introduction

We have reviewed the condensed interim financial information (interim report) of Hexatronic Group AB (publ) as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

We Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, November 5, 2020

Öhrlings PricewaterhouseCoopers AB

Johan Palmgren  
Authorized Public Accountant

## Consolidated income statement

(SEK thousand)	2020 Q3	2019 Q3	2020 Jan-Sept	2019 Jan-Sept	2019 Full year
<u>Revenue</u>					
Net sales	534,325	473,068	1,480,992	1,379,030	1,842,266
Other operating income	3,687	6,278	10,164	8,540	14,043
	538,012	479,346	1,491,156	1,387,570	1,856,310
<u>Operating expenses</u>					
Raw materials and goods for resale	-296,455	-267,427	-819,343	-767,799	-1,022,632
Other external costs	-59,349	-66,055	-180,791	-192,429	-266,716
Personnel costs	-97,316	-83,131	-298,765	-270,600	-368,880
Other operating expenses	-4,337	0	-4,337	-695	-1,294
Depreciation of tangible assets	-17,357	-15,458	-48,957	-47,698	-60,876
<b>Earnings before amortisation of intangible assets (EBITA)</b>	<b>63,198</b>	<b>47,275</b>	<b>138,963</b>	<b>108,349</b>	<b>135,911</b>
Amortisation of intangible assets	-6,677	-7,013	-20,541	-22,585	-29,501
<b>Operating result (EBIT)</b>	<b>56,521</b>	<b>40,261</b>	<b>118,422</b>	<b>85,764</b>	<b>106,410</b>
<u>Result from financial items</u>					
Financial income	117	102	223	184	285
Financial expenses	-2,929	-4,329	-8,910	-13,113	-15,664
<b>Result after financial items</b>	<b>53,710</b>	<b>36,035</b>	<b>109,736</b>	<b>72,835</b>	<b>91,031</b>
Income taxes	-14,624	-8,806	-28,664	-20,257	-23,965
<b>Net result for the period</b>	<b>39,086</b>	<b>27,229</b>	<b>81,072</b>	<b>52,578</b>	<b>67,066</b>
<b>Attributable to:</b>					
Parent Company shareholders	39,086	27,229	81,072	52,578	67,066
<b>Earnings per share</b>					
Earnings per share before dilution (SEK)	1.04	0.73	2.17	1.42	1.81
Earnings per share after dilution (SEK)	1.04	0.73	2.17	1.41	1.80
<b>Consolidated statement of comprehensive income</b>	<b>2020 Q3</b>	<b>2019 Q3</b>	<b>2020 Jan-Sept</b>	<b>2019 Jan-Sept</b>	<b>2019 Full year</b>
Result for the period	39,086	27,229	81,072	52,578	67,066
<b>Items which can later be recovered in the income statement</b>					
Translation differences	-14,858	20,749	-25,760	33,823	12,025
<b>Other comprehensive income for the period</b>	<b>-14,858</b>	<b>20,749</b>	<b>-25,760</b>	<b>33,823</b>	<b>12,025</b>
<b>Comprehensive income for the period</b>	<b>24,228</b>	<b>47,978</b>	<b>55,311</b>	<b>86,401</b>	<b>79,091</b>
<b>Attributable to:</b>					
Parent Company shareholders	24,228	47,978	55,311	86,401	79,091

## Consolidated balance sheet

(SEK thousand)			
Assets	30/9/2020	30/9/2019	31/12/2019
<b>Non-current assets</b>			
Intangible assets	422,681	453,547	434,253
Tangible assets	391,616	341,320	352,562
Financial assets	1,564	1,722	1,729
<b>Total non-current assets</b>	<b>815,861</b>	<b>796,589</b>	<b>788,544</b>
<b>Current assets</b>			
Inventories	352,996	344,908	339,346
Accounts receivable	362,584	299,747	242,413
Other receivables	6,812	4,900	3,232
Prepaid expenses and accrued income	24,126	18,439	20,559
Liquid assets	73,035	87,407	103,762
<b>Total current assets</b>	<b>819,552</b>	<b>755,400</b>	<b>709,312</b>
<b>TOTAL ASSETS</b>	<b>1,635,413</b>	<b>1,551,989</b>	<b>1,497,856</b>
<b>Equity</b>	<b>650,161</b>	<b>580,772</b>	<b>574,400</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	305,232	349,323	320,430
Deferred tax	56,444	60,912	58,497
Non-current lease liabilities	122,913	132,162	123,415
<b>Total non-current liabilities</b>	<b>484,589</b>	<b>542,397</b>	<b>502,342</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	57,000	57,000	57,000
Current lease liabilities	36,662	34,158	34,349
Overdraft facilities	29,040	27,583	45,258
Accounts payable	194,483	171,880	162,584
Provisions	3,000	3,000	3,000
Current tax liabilities	20,012	2,379	2,811
Other liabilities	65,819	64,752	48,346
Accrued expenses and deferred income	94,647	68,069	67,765
<b>Total current liabilities</b>	<b>500,663</b>	<b>428,821</b>	<b>421,114</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>1,635,413</b>	<b>1,551,989</b>	<b>1,497,856</b>

## Consolidated statement of changes in equity

	Share capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total equity
<b>(SEK thousand)</b>					
<b>Balance brought forward as of 1 January 2019</b>	<b>1,826</b>	<b>205,787</b>	<b>5,905</b>	<b>280,897</b>	<b>494,415</b>
Result for the period	0	0	0	67,066	67,066
Other comprehensive income	0	0	12,025	0	12,025
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>12,025</b>	<b>67,066</b>	<b>79,091</b>
New shares related to employee stock option programme	34	12,795	0	0	12,828
Employee stock option programme	0	2,186	0	0	2,186
Share-based remuneration	18	0	0	736	754
Dividend paid	0	0	0	-14,874	-14,874
<b>Total transactions with shareholders, reported directly in equity</b>	<b>52</b>	<b>14,981</b>	<b>0</b>	<b>-14,138</b>	<b>894</b>
<b>Balance carried forward as of 31 December 2019</b>	<b>1,877</b>	<b>220,768</b>	<b>17,930</b>	<b>333,825</b>	<b>574,400</b>
<b>Balance brought forward as of 1 January 2020</b>	<b>1,877</b>	<b>220,768</b>	<b>17,930</b>	<b>333,825</b>	<b>574,400</b>
Result for the period	0	0	0	81,072	81,072
Other comprehensive income	0	0	-25,760	0	-25,760
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-25,760</b>	<b>81,072</b>	<b>55,311</b>
New shares related to employee stock option programme	15	15,854	0	0	15,869
Employee stock option programme	0	2,003	0	4	2,008
Share-based remuneration	0	0	0	1,441	1,441
New share issue related to business acquisitions	1	1,132	0	0	1,133
<b>Total transactions with shareholders, reported directly in equity</b>	<b>16</b>	<b>18,989</b>	<b>0</b>	<b>1,445</b>	<b>20,450</b>
<b>Balance carried forward as of 30 September 2020</b>	<b>1,893</b>	<b>239,757</b>	<b>-7,830</b>	<b>416,342</b>	<b>650,161</b>

## Consolidated statement of cash flows

(SEK thousand)	2020 Q3	2019 Q3	2020 Jan-Sept	2019 Jan-Sept	2019 Full year
Operating result	56,521	40,261	118,422	85,764	106,410
Items not affecting cash flow	20,984	29,717	59,983	88,313	97,206
Interest received	117	102	223	184	285
Interest paid	-2,411	-3,253	-9,088	-10,103	-16,090
Income tax paid	-12,884	-8,669	-12,425	-20,734	-27,679
<b>Cash flow from operating activities before changes in working capital</b>	<b>62,328</b>	<b>58,158</b>	<b>157,115</b>	<b>143,424</b>	<b>160,132</b>
Increase (-)/decrease (+) in inventories	8,245	30,340	-11,253	-10,626	-5,065
Increase (-)/decrease (+) in accounts receivable	-32,431	-6,998	-118,302	-37,973	19,361
Increase (-)/decrease (+) in operating receivables	2,743	4,092	-5,984	4,390	3,938
Increase (+)/decrease (-) in accounts payable	-17,293	-21,527	30,927	-1,892	-11,188
Increase (+)/decrease (-) in operating liabilities	18,843	15,532	57,853	18,516	6,736
<b>Cash flow from changes in working capital</b>	<b>-19,893</b>	<b>21,440</b>	<b>-46,760</b>	<b>-27,584</b>	<b>13,782</b>
<b>Cash flow from operating activities</b>	<b>42,435</b>	<b>79,598</b>	<b>110,355</b>	<b>115,840</b>	<b>173,915</b>
<b>Investing activities</b>					
Acquisition of tangible and intangible assets	-13,225	-28,765	-59,611	-57,854	-81,781
Acquisition of subsidiaries after deduction of acquired liquid assets	-13,753	-13,809	-38,752	-13,809	-13,809
Change in financial assets	8	-8	165	-707	-714
<b>Cash flow from investing activities</b>	<b>-26,970</b>	<b>-42,581</b>	<b>-98,198</b>	<b>-72,369</b>	<b>-96,304</b>
<b>Financing activities</b>					
Borrowings	20,000	20,000	20,000	20,000	20,000
Amortisation of loans	-21,375	0	-35,625	-27,611	-56,971
Amortisation of lease liabilities	-9,209	-9,026	-27,794	-26,514	-35,657
Changes in overdraft facilities	-6,375	-44,634	-16,218	-2,280	15,395
New share issues for the period	0	0	16,147	13,106	13,106
Dividends paid	0	0	0	-14,874	-14,874
<b>Cash flow from financing activities</b>	<b>-16,959</b>	<b>-33,660</b>	<b>-43,489</b>	<b>-38,172</b>	<b>-59,000</b>
<b>Cash flow for the period</b>	<b>-1,493</b>	<b>3,356</b>	<b>-31,332</b>	<b>5,298</b>	<b>18,610</b>
Liquid assets at the start of the period	74,904	84,878	103,762	84,621	84,621
Exchange rate difference in liquid assets	-376	-827	605	-2,512	531
<b>Liquid assets at the end of the period</b>	<b>73,035</b>	<b>87,407</b>	<b>73,035</b>	<b>87,407</b>	<b>103,762</b>

## Key metric for the group

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Q3</b>	<b>Q3</b>	<b>Jan-Sept</b>	<b>Jan-Sept</b>	<b>Full year</b>
Growth in net sales	13%	17%	7%	19%	15%
EBITA margin	11.8%	10.0%	9.4%	7.9%	7.4%
EBITA margin, 12 months rolling	8.6%	7.3%	8.6%	7.3%	7.4%
Operating margin	10.6%	8.5%	8.0%	6.2%	5.8%
Earnings per share before dilution (SEK)	1.04	0.73	2.17	1.42	1.81
Earnings per share after dilution (SEK)	1.04	0.73	2.17	1.41	1.80
Net sales per employee (SEK thousand)	766	798	2,289	2,361	3,133
Result per employee (SEK thousand)	56	46	125	90	114
Quick asset ratio	93%	96%	93%	96%	88%
Average number of employees	698	593	647	584	588
Number of shares at period end before dilution	37,508,930	37,183,825	37,508,930	37,183,825	37,183,825
Average number of shares before dilution	37,508,930	37,183,825	37,436,684	37,109,158	37,127,825
Average number of shares after dilution	37,513,319	37,210,169	37,441,436	37,185,969	37,217,336

For definition of key metrics, see the section Definition alternative key metrics.

The key metrics presented are deemed essential to describing the Group's development as they both constitute the Group's financial objectives (growth in net sales and EBITA margin) and are the key metrics by which the Group is governed. Several key metrics are considered relevant to investors, such as earnings per share and the number of shares. Other key metrics are presented in order to provide different perspectives on how the Group is developing and are therefore deemed to be of benefit to the reader.

## Parent Company income statement

(SEK thousand)	2020 Jan-Sept	2019 Jan-Sept
<b>Revenue</b>		
Net sales	13,537	14,161
	13,537	14,161
<b>Operating expenses</b>		
Other external costs	-26,734	-35,009
Personnel costs	-19,279	-19,543
Depreciation of tangible assets	-173	-161
<b>Operating result (EBITA)</b>	<b>-32,649</b>	<b>-40,553</b>
<b>Result from financial items</b>		
Interest income	3,088	2,469
Interest expenses	-7,689	-7,353
<b>Result after financial items</b>	<b>-37,250</b>	<b>-45,437</b>
Appropriations	0	0
<b>Result before tax</b>	<b>-37,250</b>	<b>-45,437</b>
Tax on profit for the period	-39	-76
<b>Net result for the period</b>	<b>-37,289</b>	<b>-45,513</b>

Total comprehensive income is the same as net result for the period in the parent company since there is nothing accounted for as other comprehensive income.

## Parent Company balance sheet

(SEK thousand)	30/9/2020	30/9/2019	31/12/2019
<b>Assets</b>			
Intangible assets	1,915	388	388
Tangible assets	325	386	333
Financial assets	657,384	635,212	631,753
<b>Total non-current assets</b>	<b>659,624</b>	<b>635,986</b>	<b>632,473</b>
<b>Current receivables</b>			
Receivables from Group companies	248,113	160,851	257,463
Other receivables	5,079	3,508	2,262
Prepaid expenses and accrued income	2,564	2,626	4,118
<b>Total current receivables</b>	<b>255,757</b>	<b>166,985</b>	<b>263,843</b>
<b>Cash and bank balances</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total current assets</b>	<b>255,757</b>	<b>166,985</b>	<b>263,843</b>
<b>TOTAL ASSETS</b>	<b>915,382</b>	<b>802,971</b>	<b>896,316</b>
<b>Equity</b>	192,069	155,333	210,390
<b>Untaxed reserves</b>	16,950	12,350	16,950
<b>Non-current liabilities</b>			
Liabilities to credit institutions	305,232	349,323	320,430
Deferred tax	43	2	4
<b>Total non-current liabilities</b>	<b>305,275</b>	<b>349,325</b>	<b>320,434</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	57,000	57,000	57,000
Overdraft facilities	29,040	27,583	45,258
Accounts payable	4,023	6,994	8,465
Liabilities to Group companies	291,054	150,811	200,084
Current tax liabilities	0	78	3,462
Other liabilities	12,396	33,415	29,270
Accrued expenses and deferred income	7,575	10,082	5,002
<b>Total current liabilities</b>	<b>401,087</b>	<b>285,963</b>	<b>348,541</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>915,382</b>	<b>802,971</b>	<b>896,316</b>

## Notes

### Note 1 Revenue

January to September 2020					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	422,358	491,711	369,037	197,887	<b>1,480,992</b>
<b>Category</b>					
Goods	405,380	451,969	364,933	197,887	1,420,168
Services	16,978	39,742	4,104	0	60,824
<b>Total</b>	<b>422,358</b>	<b>491,711</b>	<b>369,037</b>	<b>197,887</b>	<b>1,480,992</b>
<b>Time for revenue recognition</b>					
At a given time	422,358	491,711	369,037	197,887	1,480,992
Over time	0	0	0	0	0
<b>Total</b>	<b>422,358</b>	<b>491,711</b>	<b>369,037</b>	<b>197,887</b>	<b>1,480,992</b>

January to September 2019					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	412,882	426,986	320,095	219,067	<b>1,379,030</b>
<b>Category</b>					
Goods	388,131	379,334	320,095	219,067	1,306,627
Services	24,751	47,652	0	0	72,403
<b>Total</b>	<b>412,882</b>	<b>426,986</b>	<b>320,095</b>	<b>219,067</b>	<b>1,379,030</b>
<b>Time for revenue recognition</b>					
At a given time	412,882	426,986	320,095	219,067	<b>1,379,030</b>
Over time	0	0	0	0	0
<b>Total</b>	<b>412,882</b>	<b>426,986</b>	<b>320,095</b>	<b>219,067</b>	<b>1,379,030</b>

### Note 2 Pledged assets

Pledged assets	Group			Parent Company	
	30/9/2020	30/9/2019	31/12/2019	30/9/2020	30/9/2019
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	157,350	157,350	157,350	100	100
Shares in subsidiaries	349,958	324,444	269,517	83,402	82,645
<b>Total</b>	<b>507,308</b>	<b>481,794</b>	<b>426,867</b>	<b>83,502</b>	<b>82,745</b>

## Note 3 Business acquisitions

### **Tech Optics Ltd. (“Tech Optics”)**

On 1 June 2020, the Group acquired 100% of the share capital in Tech Optics for MGBP 0.374.

The table below summarises the purchase price paid for Tech Optics and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

<b>Purchase price as of 1 June 2020</b>	
Liquid assets	4,655
<b>Total purchase price</b>	<b>4,655</b>
<b>Recognised amounts for identifiable acquired assets and taken-over liabilities</b>	
Liquid assets	1,043
Tangible assets	277
Accounts receivable	141
Inventories	1,888
Other receivables	567
Accounts payable	-945
Other payables	-435
<b>Total identifiable net assets</b>	<b>2,536</b>
<b>Goodwill</b>	<b>2,119</b>

Acquisition-related costs of SEK 406 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -3,612 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 141 thousand. No accounts receivable is deemed to be doubtful.

Tech Optics net sales have been included in the consolidated income statement since 1 June 2020 and amount to SEK 5,514 thousand. Tech Optics also generated a net profit of SEK 550 thousand in the same period on group level.

Had Tech Optics been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 30 September 2020 would have shown increased net sales amounting to SEK 10,436 thousand and a net profit of SEK 107 thousand.

### **The Light Brigade Inc. (“Light Brigade”)**

On 1 August 2020, the Group acquired 100% of the share capital in Light Brigade for MUSD 1.6.

The preliminary table below summarises the purchase price paid for Light Brigade and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

<b>Purchase price as of 1 August 2020</b>	
Liquid assets	14,009
<b>Total purchase price</b>	<b>14,009</b>
<b>Recognised amounts for identifiable acquired assets and taken-over liabilities</b>	
Liquid assets	617
Tangible assets	851
Accounts receivable	1,728
Inventories	508
Other receivables	596
Accounts payable	-27
Other payables	-1,831
<b>Total identifiable net assets</b>	<b>2,441</b>
<b>Goodwill</b>	<b>11,568</b>

Acquisition-related costs of SEK 702 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -13,392 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 1,728 thousand. No accounts receivable is deemed to be doubtful.

Light Brigade net sales have been included in the consolidated income statement since 1 August 2020 and amount to SEK 4,104 thousand. Light Brigade also generated a net profit of SEK 155 thousand in the same period on group level.

Had Light Brigade been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 30 September 2020 would have shown increased net sales amounting to SEK 18,837 thousand and a net profit of SEK -2,799 thousand.

### **Business acquisitions (post balance date)**

#### ***Baltronic Group OÜ ("Baltronic")***

On 2 November 2020, the Group acquired 100 percent of the share capital in Baltronic for MEUR 1.9.

There are no definitive admission accounts at the time of publication of this interim report. Detailed acquisition calculation will be included in the next interim report which will be published on 24 February 2021.

#### ***Qubix S.p.A. ("Qubix")***

On 2 November 2020, the Group acquired 90 percent of the share capital in Qubix for MEUR 14.4.

There are no definitive admission accounts at the time of publication of this interim report. Detailed acquisition calculation will be included in the next interim report which will be published on 24 February 2021.

## Reconciliation between IFRS and key metrics used

In this interim report, Hexatronic presents certain financial parameters that are not defined in IFRS, known as alternative key metrics. The Group believes that these parameters provide valuable supplementary information for investors, as they facilitate an evaluation of the company's results and position. Since not all companies calculate financial parameters in the same way, these metrics are not always comparable with those used by other companies. Investors should see the financial parameters as a complement to, rather than a replacement for, financial reporting in accordance with IFRS.

<b>Organic growth, SEK thousand, %</b>	<b>Q3 2020</b>	<b>Jan-Sept 2020</b>	
Net sales 2020	534,325	1,480,992	
Exchange-rate effects	18,802	5,693	
Acquisition driven	-7,298	-9,618	
Comparable net sales	545,829	1,477,067	
Net sales 2019	473,068	1,379,030	
<b>Net sales increase cleared of exchange-rate effects</b>	<b>80,059</b>	<b>107,655</b>	
%	17%	8%	
<b>Organic growth</b>	<b>72,761</b>	<b>98,037</b>	
%	15%	7%	
<b>Annual growth, rolling 12 months, %</b>	<b>12 months</b>		
Net sales January-September 2020	1,480,992		
Net sales October-December 2019	463,236		
<i>Net sales rolling 12 months</i>	1,944,228		
Net sales January-September 2019	1,379,030		
Net sales October-December 2018	443,159		
<i>Net sales rolling 12 months</i>	1,822,189		
<b>Annual growth, rolling 12 months</b>	<b>7%</b>		
<b>Quick asset ratio, %</b>	<b>30/9/2020</b>	<b>30/9/2019</b>	<b>31/12/2019</b>
Current assets	819,552	755,400	709,312
Inventories	-352,996	-344,908	-339,346
<i>Current assets-inventories</i>	466,557	410,492	369,965
Current liabilities	500,663	428,821	421,114
<b>Quick asset ratio</b>	<b>93%</b>	<b>96%</b>	<b>88%</b>
<b>Core working capital, SEK thousand</b>	<b>30/9/2020</b>	<b>30/9/2019</b>	<b>31/12/2019</b>
Inventories	352,996	344,908	339,346
Accounts receivable	362,584	299,747	242,413
Accounts payable	-194,483	-171,880	-162,584
<b>Core working capital</b>	<b>521,096</b>	<b>472,775</b>	<b>419,176</b>

## Definition alternative key metrics

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### **EBITA**

Earnings before amortisation of intangible assets.

### **EBITA margin**

Earnings before amortisation of intangible assets as a percentage of net sales.

### **EBIT (operating result)**

Earnings before interest and taxes.

### **Operating margin**

Earnings before interest and taxes as a percentage of net sales.

### **Number of shares**

Number of outstanding shares at the end of the period.

### **Organic growth**

Changes in net sales excluding exchange-rate effects and acquisitions compared with the same period last year.

### **Annual growth**

Average annual growth is calculated as the Group's total net sales during the period compared to the same period the year before.

### **Quick asset ratio**

Quick asset ratio is calculated as current assets minus inventories divided by current liabilities.

### **Core working capital**

Core working capital is defined as inventories plus accounts receivable minus accounts payable.

### **Average number of outstanding shares**

Weighted average of the number of outstanding shares during the period.

### **Average number of outstanding shares after dilution**

Number of outstanding shares at the end of the period plus the number of shares that would be added if all dilutive potential shares were converted.

### **Earnings per share before dilution**

Earnings as a percentage of average number of outstanding shares before dilution.

### **Earnings per share after dilution**

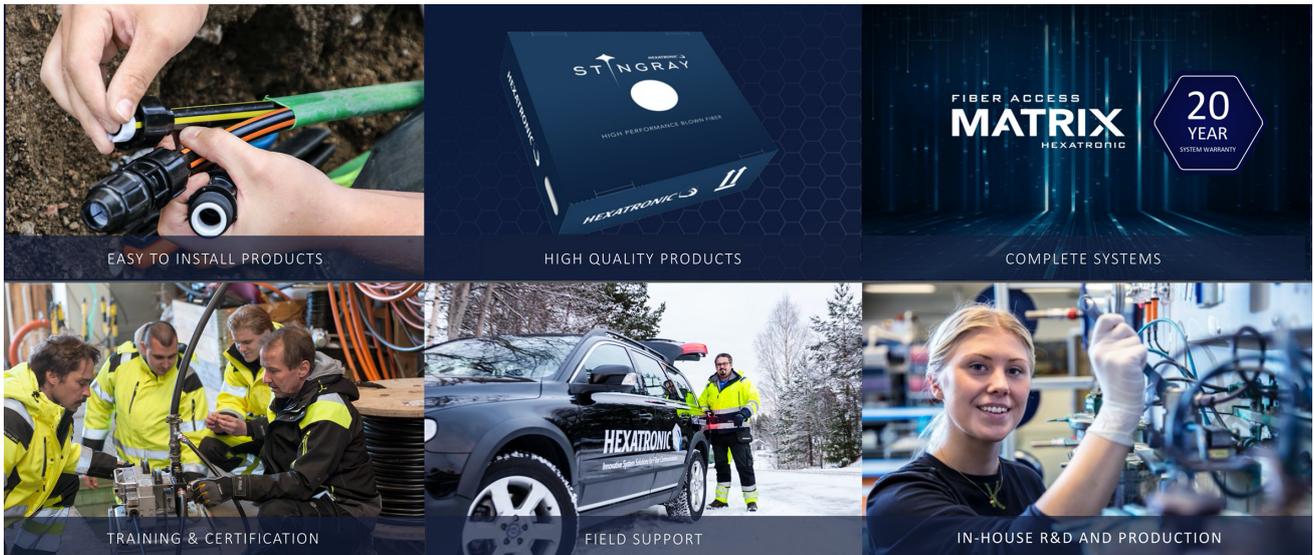
Earnings as a percentage of average number of outstanding shares after dilution.

### **Equity per share**

Equity divided by the number of shares at the end of the period.

### **Number of employees**

Number of employees at the end of the period.



## This is Hexatronic

Hexatronic Group AB (publ) is a group that develops, markets and delivers products, components and system solutions with the main focus on the fiber optic market. Hexatronic offers a wide range of innovative system and product solutions mainly for passive fiber optic infrastructure with global trademarks like Ribbonet®, Micronet™, Drytech™, Lightmate®, FibreHub™, Matrix, Viper, Stringray, Raptor, InOne and Wistom®. The Group has its headquarters in Gothenburg, Sweden and has sales offices and/or subsidiaries in Sweden, Norway, Finland, United Kingdom, Germany, China, New Zealand and the US. The Group is listed on Nasdaq Stockholm under the ticker HTRO. For more information, visit [www.hexatronicgroup.com](http://www.hexatronicgroup.com).

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