

# Year-end report

## ***XMReality 2021***



# XMReality AB (publ), Year-end report for 2021

On a full year basis the Net Sales totaled SEK 21,975 thousand representing a 6 percent increase, at the same time as the Order Backlog rose by 34 percent. The Annual Recurring Revenues (ARR) increased 6 percent during the year. The fourth quarter Net Sales was SEK 5,101 thousand, compared to SEK 7,072 thousand the corresponding quarter the previous year. Order Intake became SEK 25,964 thousand for the full year.

## The quarter October – December 2021

- Net sales amounted to SEK 5,101 thousand (7,072).
- Cost totaled SEK -18,311 thousand (-14,482).
- The operating loss before appropriations was SEK -12,410 thousand (-6,736).
- Net cash used in the period was SEK -8,377 thousand (-4,703) and the equity/assets ratio at the end of the period was 70.5 (59.6) percent.

The Order Intake decreased 35 percent to SEK 7,102 thousand (10,919), mainly as a result of fewer multi-year contracts the last quarter of 2021 compared to 2020. The Net Sales decreased 28 percent to SEK 5,101 thousand (7 072), the majority of the difference is related to the contract with Saab since the main portion was recognized as Net Sales directly as the delivery was made at contract signature and consequently not as a subscription.

## Full year 2021

- Net sales amounted to SEK 21,975 thousand (20,701).
- Costs totaled SEK -57,777 thousand (-48,059).
- The operating loss before appropriations was SEK -33,440 thousand (-24,925).
- Net cash used amounted to SEK 26,483 thousand (9,267).

Net Sales increased with 6 percent to SEK 21,975 thousand (20,701) at the same time as the Order Backlog increased 34 percent to SEK 17,088 thousand (12,725) as a result of the Order Intake being SEK 25,964 thousand (25,992) for 2021. The Order Backlog is Order Intake that at the end of the period remains to be recognized as Net Sales. The Annual Recurring Revenues (ARR) increased 6 percent to SEK 18,583 thousand (17,553). The majority of the Order Backlog is already invoiced to customers as the subscriptions normally are invoiced one year in advance, and is consequently either already paid or with payment awaited.

## Notable events during the quarter, October - December 2021

- XMReality has now joined the Microsoft Partner Network (MPN) as an Independent Software Vendor (ISV). The partner program provides resources that enable XMReality to scale and grow worldwide.
- XMReality now supports Remote Guidance on HoloLens 2, Microsoft's mixed reality smart glasses. The launch is part of XMReality's strategy to increase device independence and being present on user's choice of device. Being compatible with HoloLens 2 allows XMReality users to extend and advance the use cases where a hands-free operation is essential.
- XMReality Remote Guidance is now available in Salesforce, an integration making XMReality a natural part of already established support processes. This enables service agents and field technicians working in Salesforce to quickly start a Remote Guidance call and solve customers' support requests faster.

## Notable events after the end of the period

- Procurement for Housing (PfH) and XMReality has signed a framework agreement for XMReality Remote Guidance. The availability of Remote Guidance has been requested by the PfH member organizations and is now a catalogue product.
- Verisure SARL, the Swiss headquarter of Verisure, and XMReality AB have signed a global framework agreement for XMReality Remote Guidance. Verisure will initially make a deployment of XMReality Remote Guidance in their technical support function for home alarms in Sweden.
- As of March 1st, Lotta Ekerbring will take over as Chief Finance Officer (CFO) at XMReality. Lotta will replace the current CFO, Claes Pettersson, who will leave the company for retirement. Lotta will contribute with significant experience in the field and has previous experience as CFO in a high-tech company with subsidiaries in North America.

## Message from the CEO

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XMReality's CEO Jörgen Rimmelg

We now have more than 100 enterprise customers, including larger corporations such as Nestlé, Heineken, Danone, ABInbev, Electrolux and ABB. With a significantly improved product and a better offering we are now well positioned for 2022. The 2021 growth rate was still positive, but obviously insufficient. The exception is the growth of the Order Backlog, which shows the long-term demand for our offering as multi-year contracts are seen here. However, I expect that we are through the downsizing of the number of licenses that a handful of customers did during 2021. This was a result of these customers buying a too large amount during the peak of the Pandemic in 2020. The contraction from Nestlé is undoubtedly the dominant example here. However, we are now in positive discussions with all these large enterprise customers, also including Verisure.

### The Customers and the Market

During the year we have closed framework agreements with a number of large corporations within the food and beverage vertical that will be especially important for us going forward;

- ❖ **Danone**, the world's tenth largest food producer
- ❖ **Heineken**, the world's second largest brewery
- ❖ **ABInbev**, the world's largest brewery

These three are now in the deployment phase of our product in additional geographical regions within their respective organizations. In addition, we have now also signed Verisure, a global home alarm company with operations in 16 countries, where we now do have a positive understanding of their implementation plan. We have continued good relations with Electrolux and ABB, who are evaluating an expansion. We continue to be strong within the packaging industry, which together with the food and beverage sector becomes a prioritized ecosystem for us. Also, the situation with Nestlé has stabilized and we now look forward to an increased use instead of having to focus on managing the contraction that became a fact at the end of the second quarter of

2021. We have recently had success with municipalities and affiliated energy companies, here the contract with Tekniska Verken stands out.

The last quarter Order Intake was not what we had hoped for. Few deals have been lost; however, the discussions typically take longer time since the companies have a more thorough evaluation process. The many trade shows we attended in Q4 have led to several ongoing discussions with potential customers. Connected to these trade shows we have early 2022 signed framework agreements with Verisure and Pfh (social housing in UK). Even if our contraction during the year was too high, we kept our churn well below our 10 percent target. Finally, several of our customers are in the process of conducting a systematic implementation of Remote Guidance in their respective organizations, that will open the door for deployment within additional processes in 2022.

#### The Operations in Europe

During the year we have replaced a large portion of our management team and we are now significantly better staffed. We have also implemented a dedicated Customer Success (CX) team with the purpose of maximizing net retention, i.e. maximize up-sales and minimize contraction as well as churn. CX will systematically assist customers in their implementation phase and support customers in the subscription phase. About 90 percent of our contracts are now handled by CX, including the renewals of these contracts. This will consequently free time for our Enterprise Sales Managers to increase focus on generating new business, which I expect will have a positive impact on 2022.

#### The Operations in the U.S.

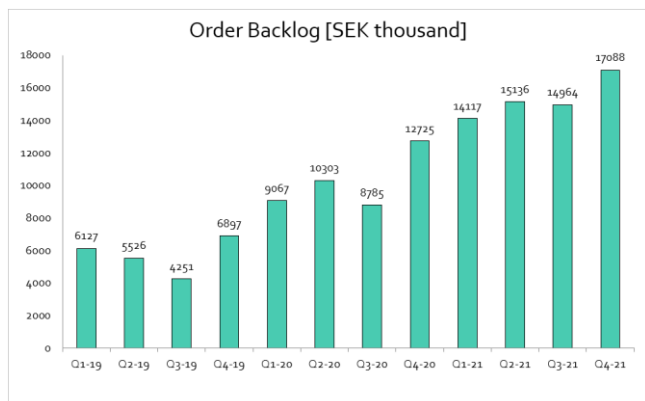
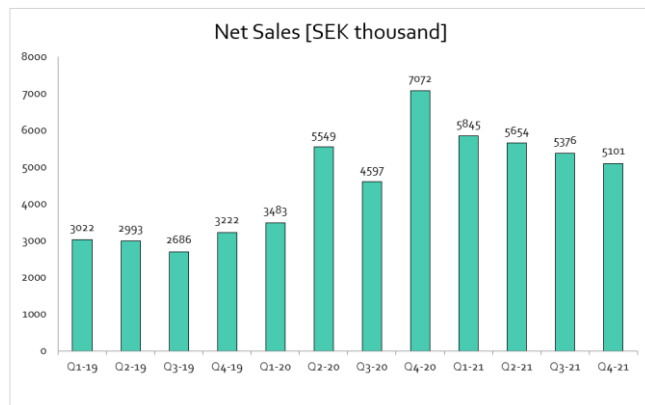
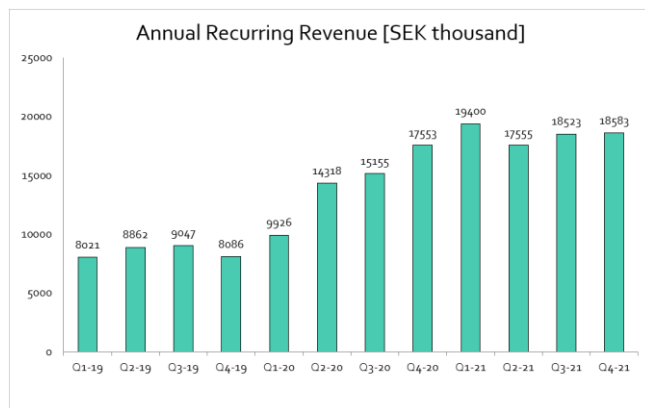
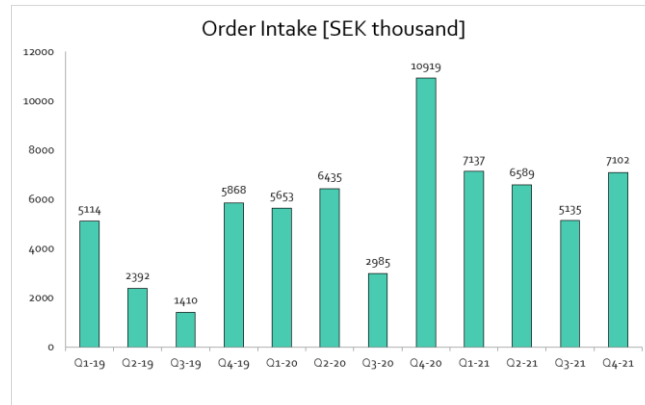
With the objective to grow our business in the U.S., we have rebuilt the North American organization during 2021. We now have a new and strong leader for the team (the President of our Inc), two Enterprise Sales Managers one Inside Sales and a full-time equivalent lead generation resource. The new setup and corresponding recruitment have taken more time, and been more costly, due to the workarounds we have been forced to do because of the travel restrictions imposed by the Pandemic. We have about a dozen customer contracts directly with U.S. entities. These, as well as new ones, will now be much better supported by our local staff in the U.S., resulting in improved customer relationships. Hence, a big improvement of the resources both in terms of quantity and quality that I believe will lead to more business.

#### The Product

In 2021 we have launched multi-participant calls, a web-based version with full functionality, eleven new languages, the possibility to guide on a recorded video, a Teams integration, a Salesforce integration and compatibility with Hololens 2 (Smart Glasses from Microsoft). Especially the web-based version will give us substantial advantages going forward when developing new functionality, since we now only need to maintain compatibility with a few web-browsers instead of many different PC's, cell phones and tablets. Even if we have increased the development resources some 10 percent, we now have a significant increase of the output compared to just a year ago. With the existing development resource, we will now be able to further increase the output during 2022 with the objective to increase the value for existing customers and new customers in our prioritized verticals. My judgement is that we within the year will be able to offer the best product on the market.

In summary we are executing the right activities, we have good focus and an underlying progress that significantly increases our competitiveness. In many ways 2021 has been a transitional year. With the right team now in place, I have strong expectations that 2022 will bring better financial growth and scalability.

Jörgen Rimmelg, CEO  
Linköping February 17<sup>th</sup>, 2022



## Financial basis for the year-end report 2021

### Income statement (SEKk)

	October – December		January - December	
	2021	2020	2021	2020
Net sales	5,101	7,072	21,975	20,701
Capitalized production costs	695	610	2,211	2,224
Other operating income	105	65	150	209
<b>Total income</b>	<b>5,901</b>	<b>7,746</b>	<b>24,337</b>	<b>23,133</b>
Raw materials and consumables	-309	-542	-1,707	-2,000
Other operating expenses	-8,941	-5,609	-27,002	-20,290
Employee benefits expenses	-7,532	-6,442	-23,393	-19,853
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-1,246	-1,289	-5,287	-4,996
Other operating costs	-298	-331	-385	-618
<b>EBIT</b>	<b>-12,425</b>	<b>-6,466</b>	<b>-33,436</b>	<b>-24,623</b>
Financial income and similar profit items	16	0	16	0
Financial expenses and similar loss items	-2	-269	-20	-302
<b>Profit(-loss) after net financial income</b>	<b>-12,410</b>	<b>-6,736</b>	<b>-33,440</b>	<b>-24,925</b>
Group contribution received	0	0	0	0
Income tax expense for the period	0	0	0	0
<b>Profit(-loss) for the period</b>	<b>-12,410</b>	<b>-6,736</b>	<b>-33,440</b>	<b>-24,925</b>
Earnings per share, before and after dilution (SEK)	-0.30	-0.20	-0.84	-0.80
Average number of shares during the period	40,920,000	34,100,000	39,630,740	31,063,699
Shares outstanding at the end of the period	40,920,000	34,100,000	40,920,000	34,100,000

## Balance sheet (SEKk)

	31 Dec 2021	31 Dec 2020
<b>Assets</b>		
<b>Non-current assets</b>		
Capitalized development costs	10,430	13,452
Equipment, tools and systems	131	345
Financial assets	51	51
<b>Total non-current assets</b>	<b>10,612</b>	<b>13,847</b>
<b>Current assets</b>		
Inventories	395	255
Current receivables	7,993	8,964
Cash and bank balances	45,098	18,615
<b>Total current assets</b>	<b>53,486</b>	<b>27,834</b>
<b>Total assets</b>	<b>64,098</b>	<b>41,681</b>
<b>Equity and liabilities</b>		
Equity	45,212	24,847
Non-current liabilities	50	50
Current liabilities <sup>1</sup>	18,835	16,784
<b>Total equity and liabilities</b>	<b>64,098</b>	<b>41,681</b>
<sup>1</sup> Of which interest-bearing liabilities	0	333
Collateral provided	3,700	3,700
of which in own custody	3,000	0
Contingent liabilities	None	None



## Statement of change in equity (SEKk)

	31 Dec 2021	31 Dec 2020
Balance at the beginning of the period	24,847	20,273
New share issue (net of issue costs)	53,805	29,500
Profit(-loss) for the period	-33,440	-24,925
<b>Balance at the end of the period</b>	<b>45,212</b>	<b>24,847</b>
Average number of shares during the period, <sup>2</sup>	39,630,740	31,063,699
Shares outstanding at the end of the period <sup>2</sup>	40,920,000	34,100,000

<sup>2</sup>New issue of 17,050,000 shares subscribed in March 2020..

## Statement of cash flow (SEKk)

	October - December		January - December	
	2021	2020	2021	2020
<b>Operating activities</b>				
Cash flow (-used) before changes in working capital	-11,096	-5,122	-28,545	-20,081
Change in working capital	3,414	1,029	3,494	2,784
<b>Cash flow from (-used in) operating activities</b>	<b>-7,682</b>	<b>-4,093</b>	<b>-25,051</b>	<b>-17,297</b>
Cash flow from (-used in) investing activities	-695	-610	-2,271	-2,341
Cash flow from (-used in) financing activities	0	0	53,805	28,906
<b>Cash flow from (-used in) the period</b>	<b>-8,377</b>	<b>-4,703</b>	<b>26,483</b>	<b>9,267</b>
Cash and cash equivalents at the beginning of period	53,475	23,318	18,615	9,347
<b>Cash and cash equivalents at the end of period</b>	<b>45,098</b>	<b>18,615</b>	<b>45,098</b>	<b>18,615</b>

## Overview of financial performance (SEKk)

An overview of the financial performance of XMReality AB (publ) for the period of January-December 2021 and for the full years of 2017-2020 is presented below. All figures for the financial years 2017-2020 are based on material taken from official, published annual reports.

	2021	2020	2019	2018	2017
Net sales	21,975	20,701	11,921	10,155	6,683
Operating profit (-loss)	-33,436	-24,623	-27,300	-29,250	-22,633
Profit (-loss) after net financial income	-33,440	-24,925	-27,364	-29,317	-22,741
Group contribution received	0	0	29	0	0
Profit (-loss) after appropriations	-33,440	-24,925	-27,335	-29,317	-22,741
Profit margin, %	neg.	neg.	neg.	neg.	neg.
Intangible assets	10,430	13,452	16,039	14,754	12,458
Tangible assets	131	345	405	528	1,705
Financial assets	51	51	59	8	0
Inventories	395	255	184	261	306
Current receivables	7,993	8,964	6,792	5,978	6,014
Cash and bank balances	45,098	18,615	9,347	37,798	46,241
Equity	45,212	24,847	20,273	47,608	56,826
Non-current liabilities	50	50	383	844	1,535
Current liabilities	18,835	16,784	12,169	10,875	8,362
Total assets	64,098	41,681	32,826	59,327	66,724
Return on average capital employed, %	neg.	neg.	neg.	neg.	neg.
Return on average equity, %	neg.	neg.	neg.	neg.	neg.
Equity/assets ratio, %	70.5	59.6	61.8	80.2	85.2
Dept/equity ratio, multiple	0.00	0.01	0.04	0.04	0.04
Interest coverage ratio, %	neg.	neg.	neg.	neg.	neg.
Quick ratio, %	281.9	164.3	132.6	402.5	624.9
Number of employees (end of period)	24	18	17	23	19
Investments					
Intangible assets	2,211	2,224	5,289	5,478	6,687
Tangible assets	59	125	32	140	1,908
Deposits	0	-8	51	8	0
Basic earnings (-loss) per share, before and after dilution, SEK	-0.84	-0.80	-1.60	-1.72	-1.56
Average number of shares during the period	39,630,740	31,063,699	17,050,000	14,982,648	13,175,227
Shares outstanding at the end of the period	40,920,000	34,100,000	17,050,000	17,050,000	14,607,982

## Definition of key data

Equity	The sum of shareholder's equity, restricted reserves and non-restricted equity
Return on average capital employed	Profit or loss before interest expenses divided by average capital employed
Return on average equity	Profit or loss after tax divided by average equity
Equity/assets ratio	Equity divided by total assets
Dept/equity ratio	Interest-bearing liabilities divided by equity
Interest coverage ratio	Earnings before interest divided by interest expenses
Earnings per shares	Profit or loss after tax divided by average number of shares outstanding
Quick ratio	Cash and current assets excluding inventories divided by current liabilities
ARR (Annual Recurring Revenue)	The annual value of subscriptions subscribed. (Provided no changes are made in the agreement).

## Accounting policies

The year-end report is prepared in compliance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual and Consolidated Accounts (K3). The accounting policies have not changed compared to previously reported periods. Assets, provisions and liabilities have been valued at cost unless otherwise specified. Transactions denominated in foreign currency are converted at the spot rate in effect on the transaction date.

## Risk factors and uncertainties

A number of risk factors could have negative impact on the business of XMReality AB (publ). It is therefore imperative to consider relevant risks alongside the Company's growth potential. Refer to the XMReality Annual Report 2020, pages 20-21, "risk factors" for a more detailed description of the risks associated with the Company and its stock. The board of directors has assessed current and available liquidity as sufficient to assure continuing operation.

## Stock

Shares in XMReality AB (publ) are listed on Nasdaq First North Growth Market. The stock ticker is XMR and the ISIN code is SE0009664188. At the end of the period, there were 40,920,000 shares outstanding in XMReality AB (publ). There is only one share class. Each share carries one vote.

There are three outstanding stock option plans, 2019/2022 carrying rights to subscribe for up to 107 748 shares, 2020/2023L carrying the rights to subscribe for up to 600 000 shares and 2020/2024S carrying rights to subscribe for up to 560 000 shares.

## Appropriation of profits

The board have the attention not to propose any dividend at the Annual General Meeting.

## Auditor review

This year-end report has not been reviewed by the company's auditor.

## Submission of year-end report

The board of directors and chief executive officer certify and assure that this year-end report provides a true and fair view of the company's operations, financial position and earnings.

Linköping February 17<sup>th</sup> 2022

Board of Directors

## Financial reporting calendar:

Annual report 2021 published	Wednesday April 13 <sup>th</sup> , 2022
Interim report Q1 2022	Thursday April 28 <sup>th</sup> , 2022
Interim report Q2 2022	Thursday August 11 <sup>th</sup> , 2022
Interim report Q3 2022	Thursday October 20 <sup>th</sup> , 2022
Year-end report 2022	Thursday February 16 <sup>th</sup> , 2023

Annual General Meeting (AGM)	Wednesday May 4 <sup>th</sup> , 2022
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All reports and minutes of the AGM will be published on [www.xmreality.com/investors/](http://www.xmreality.com/investors/)

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## Disclaimer

As the company is noted in Sweden; should there be any discrepancies between this report and its Swedish version, the Swedish version prevail. This report is only an internal translation of the Swedish report.