

# ASTG **Advanced Stabilized Technologies Group**

Advanced Stabilized Technologies Group AB (ASTG)  
Org.nr 556943 - 8442

Press release in English  
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(NSME : ASTG)

## ASTG Year-End Report 2019

### **ASTG delivers positive EBITDA for the second quarter in a row**

ASTG has released its Year-End report for 2019 and shows a growing revenue and a continued positive EBITDA for Q4.

[Click here](#) to see interview with CEO, Carsten Drachmann

### **Q4 2019: October-December 2019 (same period as last year)**

- Net Sales amounted to 13.1 MSEK (3.4 MSEK)
- Operating profit before depreciation and other expenses amounted (EBITDA) amounted to 0.5 MSEK (-3.1 MSEK)
- Operating profit after depreciation and financial items amounted to -7.2 MSEK (-4.3 MSEK)
- Earnings per share after depreciation and financial items amounted to -0.56 SEK (-0.59 SEK)
- Cash flow from operations amounted to -5.7 MSEK (-0.5 MSEK)

### **Full year 2019: January - December 2019 (same period as last year)**

- Net Sales amounted to 34.8 MSEK (6.8 MSEK)
- Operating profit before depreciation and other expenses amounted (EBITDA) amounted to -4.0 MSEK (-11.0 MSEK)
- Operating profit after depreciation and financial items amounted to -15.5 MSEK (-13.6 MSEK)
- Earnings per share after depreciation and financial items amounted to -1.21 SEK (-1.86 SEK)
- Cash flow from operations amounted to - 21.9 MSEK (-8.4 MSEK)
- The Board proposes no dividend for the year 2019

## CEO Words

Dear Shareholders and Investors,

What an incredible year of positive change this has been for ASTG. I have really enjoyed these past 7 months working and interacting with our employees and customers as well as our shareholders and the board of directors. I also want to recognize a wide range of partners who have helped us to create our many changes during 2019. With respect to shareholders, I know that many of you have been very loyal throughout the years and, on behalf of ASTG, I thank you for that loyalty. It is my clear intention and commitment to do everything I can to create the environment for strong results now and in the future for all our stakeholders.

Allow me to highlight some of our key achievements and changes that happened during 2019, including the latest developments from the first weeks into 2020.

### Orders

- We received additional orders of 20 MSEK for our maritime antennas, growing the total order from our Israeli customer to well over 60 MSEK.
- After years of work, we now have a significant agreement for the AIMS business with a major defence contractor

### Financials

- Our 2019 revenue is at 34.8 MSEK, significantly higher than previous years
- We had our first EBITDA positive quarter in the history of the company in Q3 2019
- We just followed that up with another EBITDA positive quarter in Q4 2019
- We are debt free as of end of December 2019

### Operations & Product Quality

- Antenna volume production is up and running and we have delivered approximately half of the order to Israel
- We have a proof of product concept and quality stamp from our Israeli customer, representing a very strong reference in the market

### Strategy & Branding

- We have created and shared a clear strategy for how to take the company forward
- A new website and brand image have been created

### Acquisitions

- In line with our strategy communicated in November 2019, we have now signed a Letter of Intent for our first acquisition adding an additional product line to our business

All these achievements and efforts are part of creating a foundation for building up the company and taking it to a different level.

## **Q4 financial comments**

Our deliveries to Israel are progressing according to plan which is reflected in the Q4 revenue of 13.1 MSEK, in line with our expectations.

The EBITDA is at 0.5 MSEK, a slight improvement from Q3 2019 EBITDA of 0.4 MSEK. While we had an increase in revenue in Q4 2019 (13.1 MSEK) compared to Q3 2019 (10.4), we have also added additional cost and resources to the organization, allowing us to execute our strategy.

Q4 held a number of extra cost items related to, e.g. new website, marketing initiatives, one off cost items for assistance of our change efforts, and external cost in relation to the rights issue in Nov/Dev 2019. Part of this cost is listed below EBITDA (0.9 MSEK) and other parts are included in the Equity balance.

Our Net Profit in Q4 (-7.2 MSEK) is lower than both the same period in 2018 (-4.3 MSEK) and Q3 2019 (-1.2 MSEK). This is mainly related to a decision to be more prudent in our depreciation strategy, where we have changed the depreciation period on our investments from 10 years to 5 years. This has not been reflected in the first 3 quarters of 2019, and we have decided to include the accumulated change for the full year 2019 into Q4, hence the higher depreciation level in Q4 of -4.8 MSEK compared to -2.5 MSEK accumulated in the first 3 quarters. This does not change anything on our operational result (EBITDA) or cash flow.

On the investment side, we have started developing further variants for the satcom antennas that we see a market demand for. The variants relate to performance levels and antenna sizes. We have also invested into testing our tracking algorithms and stabilization system with low orbit satellites in mind. The total investments in Q4 was 5.0 MSEK, which is also our investment for the full year 2019, versus 6.2 MSEK in full year 2018.

While the cashflow from the primary operation was negative in Q4 (-5.7 MSEK), it should be noted that the balance sheet contains receivables of approx. 8 MSEK from Israel, which was paid on January 3, 2020, i.e. 3 days after closing of the 2019 fiscal year.

With the successful rights issue in December 2019, the company is now debt free, reducing interest rates and other financial cost by approx. 3.3 MSEK from 2019 and going into 2020.

## **Full year 2019 financial comments**

As expected, the 2019 revenue and results show a very strong improvement over 2018. Revenue for 2019 amounted to 34.8 MSEK (6.8 MSEK in 2018) and the EBITDA showed a good improvement at -4.0 MSEK compared to -11.0 MSEK in 2018.

While Q3 and Q4 showed positive EBITDA and positive financial trends, the full year result is, as expected, still impacted by the limited revenue (0.4 MSEK) and negative EBITDA of -3.4 MSEK in Q1 of 2019.

We opened the fiscal year of 2019 with 12.5 MSEK in short term debt, which has now been reduced to zero.

The net sum of our inventory (18.1 MSEK) and our supplier payables (7.3 MSEK), indicates that we have bought a good deal of the material needed for production and delivery for Israel in 2020. These numbers also reflect purchasing higher quantity of IMU parts to inventory, to achieve a better cost level for future sales.

The net result of the successful rights issue, paying out all debt and receiving the aforementioned payment from Israel in early January, is a cash balance of approx. 16 MSEK on January 3, 2020.

## **2020 Strategy & Execution**

Let me put some words on how I see 2020 and what we are not only planning to do, but we are already executing it right now.

First of all, all businesses have opportunities, risks and challenges, no matter the size of the company. Success lies in understanding those opportunities, risks and challenges and what you do to mitigate the risk and leverage the opportunities.

Let me first reiterate on the opportunities and strength that ASTG has, referring to the Investor Presentation available on our website since November 2019.

1. ASTG is operating in Growing Markets, i.e. the opportunity space is growing
2. ASTG is in business today, with products, customers, proof of concept, IP and a positive financial trend, as just evidenced in this Q4 2019 report.
3. We have outlined several “mega trends” in the market and ASTG has the technology and insight to compete for those market trends.
4. We have access to a large talent mass in the Nordics, as well as access to a wide range of companies with wireless communication and satellite communication products.

Those opportunities are what we want to focus on and capture to build our long-term business.

Looking at challenges, it is clear that order intake leading to revenue is a must and a key to continued success. We have a good opening backlog for 2020, but more is needed. There is no doubt that the agreement for the AIMS business with the large defence contractor will create a very good revenue stream, once the customer sales starts picking up. This is a good foundation for the coming years, but we want to do much more.

As stated, the vision for the long-term growth is clear, and it happens through a number of steps. Referring again to the strategy published on our website, we have 5 Strategic Objectives. Two of them address what we will do in 2020, i.e. “Scale & Diversification” and “Accelerate”.

Our recent signing of a letter of intent for a new product/technology, COTM (Comms on the Move for Land), is ticking boxes in both strategic objectives. We have a wider portfolio to sell and we have cut significant development time out of creating a new product. We have synergies in our portfolio through the stabilisation software as well as supply chain and sales. The COTM is initially aimed at a commercial market and thus we have opened up a new market as well as increased the chances of orders in 2020 with the expanded product offering.

We will continue the “Accelerate” track in 2020.

For 2020, we have also taken steps to invest more into sales. On February 7, 2020, we announced that we are hiring a Chief Sales Officer, to lead our overall sales efforts. As mentioned in the press release, this is a travelling job. We have also informed in a press release on Feb 10, 2020, that we are working to change existing sales partner agreements to better accommodate our strategy and ambitions. You can look at it this way, “nobody cares more about your own success than you”, so taking steps towards driving and controlling more of the sales interface is the right step for ASTG at this stage of the development of the company.

In summary, to address the need of closing additional orders in 2020, we have expanded our portfolio with additional products and solutions, we are hiring a “travelling” senior sales executive, we are adjusting current sales agreements, and we will continue to execute on our “Accelerate” strategy.

## **2020 Outlook**

We have an opening order backlog for 2020 of approximately 29 MSEK from Israel. It is reasonable to expect that we will see more orders from Israel for spare parts and perhaps extra antennas during the year. In addition we expect to enter into a Service Level Agreement (SLA) with the customer to ensure continued maintenance and support of the delivered antennas.

We have regularly been receiving orders for the IMU during 2019, with an increasing trend towards the end of the year. We expect this trend to continue with existing customers and we would also expect to see new customers coming on board during 2020, generating extra volume and traction in the market for AIMS.

The AIMS development contract for the IMU with the major defence contractor, eventually leading to volume orders over the years, is expected to contribute well to the 2020 revenue numbers compared to AIMS contribution in 2019.

The COTM product and technology, that we have signed a letter of intent for, comes with a sales pipeline that we need to work on closing in 2020 together with our new partner, ReQuTech. This may not bring revenue in 2020 but it will help build the order backlog for 2021. We will also work on opening up new markets and customers for the COTM product.

There is a sales pipeline of government business for our maritime antenna, especially in Europe. As I have repeatedly stated, government business is hard to predict when it comes to closing time, but we know that there are intentions to buy maritime antennas fitting our product characteristics in the coming years. We will continue to pursue those opportunities both through existing resellers and directly through the sales organization that we are now building.

During 2020, we will also focus on increasing sales and partner activities outside of Europe, e.g. North America and India.

Let’s take a look at cash flow. Without additional orders and only executing our current order backlog, we estimate that we are net cashflow positive from our primary operation during 2020. This is positive, but we still need to manage the working capital needed to successfully deliver on our orders during the year. This means we need to have enough cash to purchase materials, assemble products and ship them to the customer, before we in turn receive payment from our customers.

Opening the fiscal year of 2020 with a good cash balance and knowing that we are net cash flow positive from the primary operation over the next 12 months, allows us to spend more money on needed sales and business development activities, as well as further development of our technology and solution portfolio.

### **Organization**

It is a key to our strategy and operations that we have skilled people and the right structure to execute. During the past 6 months we have added people especially in sales, software development, testing and mechanical design.

For the sales part, it is the recruitment of our AIMS sales executive. As communicated, we will continue to invest in our sales organization with a new travelling CSO to cover all business units.

The software and stabilization algorithms are at the core of the company's intellectual property and value, and we are increasing our efforts to maintain and update the software and securing continuous knowledge and insight into our core value. The efforts will e.g. include looking at new applications like Comms on the Move for Land, and for tracking Low Orbit Satellites.

On the executive side we have added a Chief Operating Officer to lead the daily operation of the business. The COO is also instrumental in executing the strategy, executing change programs, engaging with customers on contract execution, leading marketing efforts and supporting in market communication.

### **2019 Successful Rights Issue**

In closing, I would like to thank all of our loyal shareholders and new investors who helped make the rights issue in December 2019 such a huge success. 198% subscription rate showed an incredible interest in our company and 66% of that came from existing investors. This result enables us to really get started on our strategy execution. I know many of you recognized that several employees at ASTG also invested additional money into the company, which is a further testament to their belief in our ongoing strategy and success.

I hope you have found this to be interesting and informative reading. The team here at ASTG is highly motivated and excited to start 2020 with a very different baseline and outlook compared to previous years.

With very best regards,

Carsten Drachmann,  
CEO

***About Advanced Stabilized Technologies Group AB***

*ASTG includes the wholly owned subsidiary AIMS AB.*

*ASTG AB develops, manufactures and sells innovative 4-axes stabilizing VSAT antennas for maritime use. The company is also selling development projects based on C2SAT's antenna platform. AIMS AB develops and sells advanced inertial sensor units (IMUs) designed to measure movements in three dimensions.*

*The company's registered office is in Stockholm, Sweden.*

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For accuracy, please exclusively rely on the Swedish version. Should there be unintentional translation differences between the English and the Swedish press release, the Swedish version will take precedence.

These financial statements have not been reviewed by the Company's auditor.