

## **TagMaster**

# Interim report January to March 2019

## A quarter with good margins

### First quarter

- Net sales decreased during the first quarter by 23,0% to 43,9 MSEK (57,0)
- Result before depreciation (EBITDA) decreased during the first quarter by 18,9% to 4,3 MSEK (5,3), corresponding to a margin of 9,7% (9,2)
- Net result after tax was 0,5 MSEK (2,9)
- Result per share was 0,00 (0,01)
- Cash flow from the business for the period was 3,3 MSEK (-3,2)

### About TagMaster

*TagMaster is an application driven technology company that designs and markets advanced sensor systems and solutions based on radio and vision technology (RFID, Radar and ANPR) for demanding environments. Business areas include Traffic Solutions and Rail Solutions sold under the brands TagMaster, CitySync, Balogh, CA Traffic, Magsys and Hikob with innovative mobility solutions in order to increase efficiency, security, convenience and to decrease environmental impact within Smart Cities. TagMaster has dedicated agencies in the US and in China and exports mainly to Europe, The Middle East, Asia and North America via a global network of partners and systems integrators. TagMaster was founded in 1994 and has its headquarters in Stockholm. TagMaster is a public company and its shares are traded on First North stock exchange in Stockholm, Sweden. TagMasters certified advisor is Erik Penser Bank phone +4684638300, E-mail: [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)*

[www.tagmaster.com](http://www.tagmaster.com)

## Comments by the CEO

TagMaster has during the period had good margins and all our countries are profitable. When it comes to gross margin we reach 66,7% which is the highest level ever for a quarter, which together with a lower cost level gives a margin of 9,7%.

Our total sales during the quarter has been lower than last year mostly explained by that last year Balogh during the first quarter 2018 had a big share of LTB (Last Time Buy) from products we stopped and also because TagMaster had major deliveries for Indian toll road systems. We have also had delays in delivery of Balogh's new SIL 4 product platform influencing the volume negatively.

Our British businesses, CA Traffic and CitySync, are now improving more and more and we see the result of the integration made. Cost reductions have been executed and we continue the work to strengthen our sales and marketing resources.

Our French businesses, Balogh, Magsys and Hikob have during the period shown satisfactory results. Our French companies intensify their integration work and all Traffic sales is now merged and controlled by a local manager. Also, operations have been merged with a local manager handling all of the companies' logistics. With an integrated business we see ahead of us a more powerful processing of the exciting French market. In France we continue recruitments to strengthen our sales and marketing resources.

TagMaster has had a quarter in line with expectations with good margins. The launch of a broader product program from our own companies continues and medium term we see a good growth also on that market.

Our integration work is getting to an end and our now cost efficient units could now focus on increasing sales.

*Jonas Svensson*

*CEO*

## Comments to the result and balance sheet

### **Turnover and result**

The decrease in sales during the quarter is mainly explained by the fact that the comparative figures include a large share of sales related to Balogh's LTB (last time buy) deliveries of products that have been discontinued. Another circumstance that explain the decrease in sales is TagMaster's major deliveries to Indian toll systems during the first quarter 2018.

Net sales for the first quarter was 43,9 MSEK (57,0), a decrease of 23,0%. The result (EBITDA) was 4,3 MSEK (5,3), a decrease of 18,9%, and a margin of 9,7% (9,2).

Overheads during the quarter amounted to 25,7 MSEK (30,0). The decrease is due to cost savings and, together with the higher gross margin, explains that, despite reduced sales, the Group has a higher operating margin.

TagMaster applies the cost accounting principle for development expenditure, i.e. no development costs are capitalized. The quarter's estimated tax includes tax revenues of 0,6 MSEK in accordance with tax rules in England and France and is based on R&D expenditure.

### **Cash flow and financial position**

As per March 31, 2019 available liquidity was 34,5 MSEK (32,8) of which the revolving credit is 12,0 MSEK (12,0). Solidity at the end of the period was 66,1% (55,2). Cash flow from operating activities for the period was 3,3 MSEK (-3,2).

Accounts receivable were 33,9 MSEK (51,4) and trade payables were 11,0 MSEK (18,4). The inventories were 35,9 MSEK (39,0), all as per March 31, 2019.

Amortization of financial liabilities of -4,0 MSEK (-0,5) is included in cash flow from financing activities, which amounts -1,2 MSEK (-0,5). The difference compared to the comparative period is mainly explained by an extra amortization of SEK -3,5 MSEK and obtained payments at the amount of 2,8 MSEK for shares issued in accordance with the 2015/2018 employee option program.

### **Employees, organization and personnel**

The number of employees in the TagMaster Group was at the end of the period 80 (90).

## Business during the quarter

### Traffic Solutions

We have during the period appointed an operations manager as well as a sales manager for our French businesses as a step to integrate our French companies to one unit. We thereby have a French management in place which can continue to develop our business and which can develop our employees to reach our full potential in the exciting French market. All our sales persons are now working with all our products and we will be seen as a complete partner by all our customers. We have by these appointments a group structure in place ready for the next phase in our growth journey.

With more sensor products like RFID, Radar, Camera and now also magnetic detection we could in the future build solutions around our product offerings.

CitySync continues to work towards the parking and security market and has during the period launched its new CS40 camera. The CS40-camera is the most complete intelligent all-in-one-camera for so called free float parking and access control respectively in the market. New functions like PoE+, Linux operating system, built in OCR-motor and ANPR processing guarantee high performance and scalability. The built in OCR-motor has one of the fastest and most exact algorithms to read license plates in the market. Our core competence in algorithm and neural networks (AI) are frequently used in the development of ANPR solutions. CitySync and TagMaster have also started to cooperate on the future ANPR development where the ambition is to use the broad experience on embedded software, hardware and Linux architecture within TagMaster.

CA Traffic has during the quarter continued tests of its new CityRadar family which will be used in smart cities to detect pedestrians, bikers and vehicles in the same system. Planned launch is during the latter part of quarter 2. With this product family CA Traffic together with Magsys will offer a complete bike monitor solution with hardware, software and reporting system.

With the offerings above and our focus on advanced sensor systems for real time information we will become a more attractive partner to the system integrators participating in building the smart cities of the future.

### Rail Solutions

We have during the quarter had ongoing serial deliveries to Rail customers and we have also seen new orders for 2020 and 2021 coming in. Balogh has in small scale delivered its new SIL4 product platform, but we have seen delays influencing the volume deliveries of the quarter. We have during the period continued the work to concentrate our RFID radio competence to Baloghs development department in Toulouse and from now on all new development for rail take place in France.

## Future outlook

The future outlook is unchanged, and the company has good growth opportunities in Traffic Solutions as well as in Rail Solutions. Our market shares are still small in a big and growing market, which means that future growth mainly depends on the company's own ability. Our companies will, however, see periods ahead of us when the sales and results development will stop momentarily as we invest in future growth, which means costs may come before revenue. We will also see variations between quarterly volumes since our Rail business is volatile and product deliveries may vary between quarters. We will also see variations between quarters due to our acquisitions requiring changes of different amplitude, which could also take longer than planned. To meet the demand and to aspire to the position of market leading supplier of advanced sensor solutions for traffic and rail solutions we will continue to develop and launch new innovative products, develop and expand its partner networks and recruit further competent personnel. TagMaster will actively continue the work to find more opportunities to acquire businesses in existing and adjacent technology areas with the purpose of increasing our product offering and our market presence thereby becoming a more attractive supplier of real time information which is a prerequisite for building the smart cities of the future.

### Reporting dates

Tagmaster will report on the following dates during the 2019 and 2020 fiscal years:

Interim report, January – June:	July 12
Interim report, January – September:	October 24
Earnings release 2020:	January 30

This as well as previous financial reports could be found at the company homepage [www.tagmaster.com](http://www.tagmaster.com)

### For further information, please contact

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*This information is information that TagMaster AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 a.m. CET on April 25, 2019.*

## Consolidated income statement

KSEK	Q1		Full year
	2019	2018	2018
Net revenue	43 848	56 979	195 561
Change in inventories of product in progress and finished goods	802	507	-780
Other operating income	1 113	315	1 215
<b>Total operating income</b>	<b>45 763</b>	<b>57 801</b>	<b>195 996</b>
Goods for resale	-15 405	-22 479	-72 093
Other external costs	-8 430	-11 109	-41 864
Personnel costs	-17 314	-18 847	-68 989
Other operating expenses	-350	-110	-318
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>4 264</b>	<b>5 256</b>	<b>12 732</b>
Depreciation	-309	-258	-880
Goodwill amortization	-3 126	-2 416	-11 077
<b>Operating profit after depreciation and amortization (EBIT)</b>	<b>829</b>	<b>2 582</b>	<b>775</b>
Financial items	-101	-55	-356
<b>Profit after financial items</b>	<b>728</b>	<b>2 527</b>	<b>419</b>
Tax	-209	366	2 945
<b>Net profit</b>	<b>519</b>	<b>2 893</b>	<b>3 364</b>

## Key ratios

	Q1		Full year
	2019	2018	2018
Net sales growth, %	-23,0	35,5	0,1
EBITDA-margin, %	9,7	9,2	6,5
Equity ratio, %	66,1	55,2	63,1
Earnings per share before dilution, SEK	0,00	0,01	0,02
Earnings per share after dilution, SEK	0,00	0,01	0,02
Number of shares, average, thousand	202 879	201 389	201 389
Number of shares, end of the period, thousand	203 873	201 389	201 389
Market price on closing day, SEK	1,17	1,90	1,15
Number of employees at end of period	80	90	79

## Consolidated balance sheet

KSEK	31 March		
	2019	2018	2018-12-31
<b>ASSETS</b>			
Subscribed capital unpaid	-	-	2 806
Intangible assets	50 237	53 558	51 400
Tangible assets	3 126	1 223	3 008
Financial assets	6 493	8 095	7 259
Inventories	35 901	38 986	37 037
Trade receivables	33 890	51 376	32 079
Other receivables	12 915	14 810	13 172
Cash and cash equivalents	22 532	20 766	20 297
<b>TOTAL ASSETS</b>	<b>165 094</b>	<b>188 814</b>	<b>167 058</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	109 073	104 166	105 331
Provisions	6 230	15 483	6 707
Long term liabilities to credit institutions	-	5 000	3 500
Other long-term liabilities	9 672	11 250	9 525
Short term liabilities to credit institutions	1 500	2 000	2 000
Trade payables	10 962	18 347	12 826
Other current liabilities	27 657	32 568	27 169
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>165 094</b>	<b>188 814</b>	<b>167 058</b>

## Changes in consolidated equity

KSEK	31 March		
	2019	2018	2018-12-31
<b>Opening balance</b>	<b>105 331</b>	<b>96 731</b>	<b>96 731</b>
New share issue	-	-	2 806
Transaction difference	3 223	4 542	2 430
Net result	519	2 893	3 364
<b>TOTAL EQUITY</b>	<b>109 073</b>	<b>104 166</b>	<b>105 331</b>

## Consolidates cash flow analysis

KSEK	Q1		Full year
	2019	2018	2018
<b>Cash flow from operating activities</b>	<b>3 333</b>	<b>-3 161</b>	<b>13 004</b>
Cash flow from investing activities	-366	492	-13 691
Cash flow from financing activities <sup>1</sup>	-1 194	-500	-2 516
<b>Cash flow</b>	<b>1 773</b>	<b>-3 169</b>	<b>-3 203</b>
Cash and cash equivalents at beginning of period	20 297	23 276	23 276
Effect of exchange differences	462	659	224
<b>Cash and cash equivalents at end of period</b>	<b>22 532</b>	<b>20 766</b>	<b>20 297</b>

<sup>1</sup> Cash flow from financing activities consists of amortization of bank loans of 4,0 MSEK and obtained payments of 2,8 MSEK for shares issued in accordance with the 2015/2018 employee option program.

## Parent company income statement

KSEK	Q1		Full year
	2019	2018	2018
Net revenue	19 057	21 608	73 891
Other operating income	165	284	826
<b>Total operating income</b>	<b>19 222</b>	<b>21 892</b>	<b>74 717</b>
Goods for resale	-5 462	-7 898	-25 075
Other external costs	-3 652	-3 953	-16 756
Personnel costs	-6 542	-6 722	-24 150
Other operating expenses	0	0	-14
<b>Operating profit (EBITDA)</b>	<b>3 566</b>	<b>3 319</b>	<b>8 722</b>
Financial items	800	418	-419
<b>Profit after financial items</b>	<b>4 366</b>	<b>3 737</b>	<b>8 303</b>
Tax	-927	-822	-1 232
<b>Net profit</b>	<b>3 439</b>	<b>2 915</b>	<b>7 071</b>



## Parent company balance sheet

KSEK	31 March		
	2019	2018	2018-12-31
<b>ASSETS</b>			
Subscribed capital unpaid	-	-	2 806
Shares in subsidiaries	86 115	88 930	86 115
Long-term receivables from group companies	25 359	9 837	22 788
Deferred tax asset	475	1 812	1 402
Inventories	9 982	13 782	10 200
Trade receivables	8 397	12 214	8 365
Current receivables from group companies	1 339	6 746	908
Other receivables	4 084	3 292	3 300
Cash and cash equivalents	2 462	6 655	3 621
<b>TOTAL ASSETS</b>	<b>138 213</b>	<b>143 268</b>	<b>139 505</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	121 456	111 057	118 017
Provisions	3 777	7 850	3 736
Liabilities to credit institutions	1 500	7 000	5 500
Trade payables	4 389	7 308	4 174
Other current liabilities	7 091	10 053	8 078
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>138 213</b>	<b>143 268</b>	<b>139 505</b>

## Other

### Accounting principles

Applied accounting and valuation principles are according to “Årsredovisningslagen” and according to expressed and general advice from the Accounting Committee. For interim reports BFNAR 2012:1 (K3) is applied, which influence comparable figures for postponed tax, depreciations and own capital. This is described more extensively in the Annual report 2018.

### Operational and financial risks

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2018 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on April 25, 2019 at 08.30 CET.

The board and the CEO assure that this report is giving a correct overview of the Company, its business, position and result as well as it is describing major risks and uncertainties, which the Company is seeing ahead.

Kista, April 25, 2019

Rolf Norberg  
Chairman

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Jonas Svensson  
CEO