

**TagMaster**

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## Interim report January to June 2019

### Outlining the new TagMaster

#### Second quarter

- Net sales increased during the second quarter by 4,8 % to 53,2MSEK (50,7)
- Result before depreciation (EBITDA) for the second quarter amounted to 0,0 MSEK (3,4), corresponding to a margin of 0,0% (6,7)
- Net result after tax was -3,3 MSEK (0,8)
- Result per share was -0,01 (0,00)
- Cash flow from the business for the period was -0,2 MSEK (11,6)
- The acquisition of Sensys Networks was completed on June 13. The purchase price was USD 16 million on a debt and cash free basis with adjustment of net working capital as of the closing date against normalized net working capital.
- Share capital increased by 5 534 530,50 SEK and the number of shares by 110 690 610 shares by a directed equity issue. An issue of equity with preferential rights for existing shareholders increased the share capital by 2 581 250 SEK by issuing 51 625 000 shares.

#### First half year

- Net sales increased during the period by 9,9% to 97,0 MSEK (107,7)
- The result (EBITDA) was 4,3 MSEK (8,6), corresponding to a margin of 4,4% (8,0)
- Result after tax was -2,8 MSEK (3,7)
- Result per share was -0,01 (0,02)
- Cash flow from the business was 3,2 MSEK (8,5)

#### About TagMaster

TagMaster is an application driven technology company that designs and markets advanced sensor systems and solutions based on radio & vision technology (RFID, Radar & ANPR) for demanding environments. Business areas include Traffic Solutions and Rail Solutions sold under the brands TagMaster, CitySync, Balogh, CA Traffic, Magsys and Sensys Networks 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 telephone +46 8 4638300, E-mail: certifiedadviser@penser.se

## Comments by the CEO

TagMaster has had a very exciting quarter, which has been much characterized by the acquisition of Sensys Networks, finalized on June 13. Through the acquisition we almost double our turnover and we also get a platform of our own in the US. We also receive a wider and deeper technology competence. Through the acquisition we achieve a higher organic growth potential and we become an even more interesting partner for building the smart cities of the future.

Sensys Networks offer a wireless platform used in traffic and parking solutions. More specific it is an end to end solution composed by sensors, edge gateways and a sophisticated cloud-based data management system (SNAPS) installed in hundreds of cities around the world. The system addresses the need to let information control to offer more efficient traffic and parking solutions.

Our total sales during the quarter has been higher than last year explained by that we include Sensys Networks' figures for the last two weeks of the period. Adjusted for this, sales have been on the same level as last year, but with a higher gross margin. Costs have been temporarily higher for TagMaster as well as for Sensys Networks in connection with the acquisition, which ends up in a lower result.

Our British businesses, CA Traffic and CitySync, have had a quarter in line with Q1, but with somewhat lower margins depending on unfavorable product mix. We will finish the integration work (a common structure) during the second half of the year and we continue to strengthen our sales and marketing resources.

Our French businesses, Balogh, Magsys and Hikob have during the period altogether shown satisfactory results. Product deliveries of Baloghs new SIL 4 product platform have now started, but in a lower volume than planned. We have during the quarter had a somewhat higher cost level connected to the finalization of previous management changes. Also, in our French companies we bring the integration work one step further and merge legal units during the second half of the year. With an integrated business we look forward to a more powerful activity towards the exciting French market. In France we also continue recruitments to strengthen our sales and marketing resources.

Our integration work, of previously acquired businesses, is getting to an end and our now cost-efficient units could from now on focus on increasing sales. The integration work with Sensys Networks has already started and we see in a first step close cooperation in the European sales work.

*Jonas Svensson*

*CEO*

## Comments to the result and balance sheet

### **Acquisition of Sensys Networks**

The acquisition of Sensys Networks was completed on June 13. The purchase price was USD 16 million on a debt and cash free basis with adjustment of net working capital as of the closing date against normalized net working capital. Sensys Networks is headquartered in Berkeley, California, and is led by industry veterans who bring years of experience in wireless communications, carrier grade infrastructure, enterprise software and transportation management for the public sector. Fair value of acquired assets and liabilities are shown below:

Goodwill	146 117
Tangible fixed assets	285
Non-current receivables	452
Inventories	19 642
Trade receivables	22 894
Other current receivables	29 074
Provisions	-2 426
Non-current liabilities	-7 530
Trade payables	-22 430
Current liabilities	-44 348
<b>Total acquired assets</b>	<b>141 730</b>

The preliminary purchase price allocation that was prepared in connection with the acquisition of Sensys may change when the final acquisition balance is determined.

Since the date of the acquisition Sensys Networks has contributed 4,4 Mkr in net revenue. Since the investment in Sensys is long-term and strengthens the Group within a strategic field of technology, and because clear synergistic effects have been identified, an amortization period of 5 years for goodwill is deemed to be appropriate.

The acquisition was be funded through a combination of new debt facilities at the amount of 5,7 MUSD, an equity issue with preferential rights to existing shareholders and a directed equity issue to new qualified shareholders with deviation from existing shareholders preferential rights totaling to 115,7 Mkr after deducted share issue cost of 14,2 Mkr.

### **Turnover and result**

During the quarter a slight increase in sales was noted. Net sales for the second quarter was 53,2 MSEK (50,7), an increase of 4,8%. The result (EBITDA) was 0,0 Mkr (3,4), which represents a margin of 0,0% (6,7).

The costs during the quarter were 34,0 Mkr (28,0). The increase is explained by the fact that Sensys Network's expenses from the time after the takeover have been added.

TagMaster applies the cost accounting principle for development expenditure, i.e. no development costs are capitalized.

**Cash flow and financial position**

As per June 30, 2019 available liquidity was 87,3 Mkr (43,3) of which the revolving credit is 39,8 Mkr (12,0). Solidity at the end of the period was 55,0% (57,5). Cash flow from operating activities for the period was -0,2 Mkr (11,6).

Accounts receivables were 54,2 Mkr (39,3) and trade payables were 36,1 Mkr (13,8). The inventories were 56,2 Mkr (38,2), all as per June 30, 2019. As shown in the summary above the increase inventories and other current assets is explained by Sensys assets now being included in the group balances.

Amortization of financial liabilities of -0,5 Mkr (-0,5) is included in cash flow from financing activities, which amounts 167,6 Mkr (-0,5). Other items included in cash flow from financing activities are the new debt facilities at the amount of 5,7 Musd and the equity issue of 115,7 Mkr that financed the acquisition of Sensys Networks. Cash flow from investing activities of -142,3 Mkr mainly consists of the proceeds for the shares in Sensys Network.

**Employees, organization and personnel**

The number of employees in the TagMaster Group was at the end of the period 113 (81) whereof 36 are employed by Sensys Networks.

## Business during the quarter

### Traffic Solutions

We have during the period acquired Sensys Networks which further strengthens our Traffic solution business and which makes it our by far biggest business area. Sensys Networks product portfolio is composed of IoT sensors with magnetic and radar sensing. The sensors use a patented ultra-low power communication protocol to deliver data to wireless gateways and the batteries have an expected lifetime of 8-10 years. Sensys Networks have until today delivered more than 400 000 sensors installed in more than 300 cities. In their other end the edge gateways communicate with a cloud-based data management system called SNAPS.

Today's traffic systems are based on inductive loop sensors, which are both expensive to install and to maintain. The wireless sensor systems of System Networks are significantly more cost efficient than loop-based systems, require a minimum of maintenance and work well on the service market. When the Sensys Networks technology has been installed in a city there is a replacement market emerging providing recurring income. Sensys Networks have a strong belief in the future commercial opportunity with infrastructure for vehicles (I2V) where traffic information from e.g. traffic crossings is used to inform vehicles. The company is pretty advanced and is already today running tests driving with well-known car manufacturers in city environments.

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 been running friendly user tests with its new CS40 ANPR camera, addressing the 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.

CA Traffic has during the quarter started sales in smaller scale and continued tests of its new CityRadar family which will be used in smart cities to detect pedestrians, bikers and vehicles in the same system. With this product family CA Traffic will, together with Magsys, and now also together with Sensys Networks, 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 during the quarter started deliveries of its new SIL4 product platform, however, with some delays. We have during the period continued the work to

concentrate our RFID Rail competence to Balogh and some product today manufactured in China will during 2020 be moved to France all new development for rail take place in Toulouse, which now is our competence center for Rail development.

## Future outlook

The future outlook is unchanged good, and through the acquisition of Sensys Networks even better. With a bigger volume and a wider assortment also reaching out towards solutions in important growth areas, the company has good growth opportunities. 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, also in the future 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 – 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

Jonas Svensson, CEO, +46 8-6321950, [jonas.svensson@tagmaster.com](mailto:jonas.svensson@tagmaster.com)

*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 July 12, 2019.*

## Consolidated income statement

KSEK	Q2		Q1 - Q2		Full year
	2019	2018	2019	2018	2018
Net revenue	53 158	50 715	97 006	107 694	195 561
Change in inventories of product in progress and finished goods	-1 307	223	-505	730	-780
Other operating income	290	457	1 403	772	1 215
<b>Total operating income</b>	<b>52 141</b>	<b>51 395</b>	<b>97 904</b>	<b>109 196</b>	<b>195 996</b>
Goods for resale	-17 966	-19 893	-33 371	-42 372	-72 093
Other external costs	-10 757	-10 212	-19 187	-21 321	-41 864
Personnel costs	-23 208	-17 830	-40 522	-36 677	-68 989
Other operating expenses	-205	-75	-555	-185	-318
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>5</b>	<b>3 385</b>	<b>4 269</b>	<b>8 641</b>	<b>12 732</b>
Depreciation	-323	-142	-632	-400	-880
Amortization	-4 819	-2 617	-7 945	-5 033	-11 077
<b>Operating profit after depreciation and amortization (EBIT)</b>	<b>-5 137</b>	<b>626</b>	<b>-4 308</b>	<b>3 208</b>	<b>775</b>
Financial items	924	-49	823	-104	-356
<b>Profit after financial items</b>	<b>-4 213</b>	<b>577</b>	<b>-3 485</b>	<b>3 104</b>	<b>419</b>
Tax	912	217	703	583	2 945
<b>Net profit</b>	<b>-3 301</b>	<b>794</b>	<b>-2 782</b>	<b>3 687</b>	<b>3 364</b>

## Key ratios

	Q2		Q1 - Q2		Full year
	2019	2018	2019	2018	2018
Net sales growth, %	4,8	0,4	-9,9	16,3	0,1
EBITDA-margin, %	0,0	6,7	4,4	8,0	6,5
Equity ratio, %	55,0	57,5			63,1
Earnings per share before dilution, SEK	-0,01	0,00	-0,01	0,02	0,02
Earnings per share after dilution, SEK	-0,01	0,00	-0,01	0,02	0,02
Number of shares, average, thousand	293 378	201 389	274 285	201 389	201 389
Number of shares, end of the period, thousand	366 188	201 389	366 188	201 389	201 389
Market price on closing day, SEK	0,80	1,57			1,15
Number of employees at end of period	113	81			79

## Consolidated balance sheet

KSEK	30 June		
	2019	2018	2018-12-31
<b>ASSETS</b>			
Subscribed capital unpaid	-	-	2 806
Intangible assets	187 517	51 242	51 400
Tangible assets	3 314	1 111	3 008
Financial assets	10 887	6 866	7 259
Inventories	56 157	38 194	37 037
Trade receivables	54 161	39 286	32 079
Other receivables	40 083	15 302	13 172
Cash and cash equivalents	47 465	31 342	20 297
<b>TOTAL ASSETS</b>	<b>399 584</b>	<b>183 343</b>	<b>167 058</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	219 626	105 468	105 331
Provisions	8 263	8 469	6 707
Long term liabilities to credit institutions	44 092	4 500	3 500
Other long-term liabilities	17 085	11 390	9 525
Short term liabilities to credit institutions	9 344	2 000	2 000
Trade payables	36 060	13 822	12 826
Other current liabilities	65 114	37 694	27 169
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>399 584</b>	<b>183 343</b>	<b>167 058</b>

## Changes in consolidated equity

KSEK	30 June		
	2019	2018	2018-12-31
<b>Opening balance</b>	<b>105 331</b>	<b>96 731</b>	<b>96 731</b>
New share issue	118 726	-	2 806
Transaction difference	-1 649	5 050	2 430
Net result	-2 782	3 687	3 364
<b>TOTAL EQUITY</b>	<b>219 626</b>	<b>105 468</b>	<b>105 331</b>



## Consolidates cash flow analysis

KSEK	Q2		Q1 - Q2		Full year
	2019	2018	2019	2018	2018
<b>Cash flow from operating activities</b>	<b>-160</b>	<b>11 635</b>	<b>3 173</b>	<b>8 474</b>	<b>13 004</b>
Cash flow from investing activities	-141 929	-561	-142 295	-69	-13 691
Cash flow from financing activities	167 624	-500	166 430	-1 000	-2 516
<b>Cash flow</b>	<b>25 535</b>	<b>10 574</b>	<b>27 308</b>	<b>7 405</b>	<b>-3 203</b>
Cash and cash equivalents at beginning of period	22 532	20 766	20 297	23 276	23 276
Effect of exchange differences	-602	2	-140	661	224
<b>Cash and cash equivalents at end of period</b>	<b>47 465</b>	<b>31 342</b>	<b>47 465</b>	<b>31 342</b>	<b>20 297</b>

## Parent company income statement

KSEK	Q1 - Q2		Full year
	2019	2018	2018
Net revenue	36 081	42 611	73 891
Other operating income	180	720	826
<b>Total operating income</b>	<b>36 261</b>	<b>43 331</b>	<b>74 717</b>
Goods for resale	-11 359	-15 800	-25 075
Other external costs	-7 596	-7 488	-16 756
Personnel costs	-13 534	-12 457	-24 150
Other operating expenses	0	-14	-14
<b>Operating profit (EBITDA)</b>	<b>3 772</b>	<b>7 572</b>	<b>8 722</b>
Financial items	1 399	427	-419
<b>Profit after financial items</b>	<b>5 171</b>	<b>7 999</b>	<b>8 303</b>
Tax	0	-1 760	-1 232
<b>Net profit</b>	<b>5 171</b>	<b>6 239</b>	<b>7 071</b>

## Parent company balance sheet

KSEK	30 June		
	2019	2018	2018-12-31
<b>ASSETS</b>			
Subscribed capital unpaid	-	-	2 806
Shares in subsidiaries	252 319	88 930	86 115
Long-term receivables from group companies	25 624	9 837	22 788
Deferred tax asset	4 431	874	1 402
Inventories	10 303	12 759	10 200
Trade receivables	8 138	9 831	8 365
Current receivables from group companies	1 229	3 217	908
Other receivables	4 029	3 363	3 300
Cash and cash equivalents	13 081	13 346	3 621
<b>TOTAL ASSETS</b>	<b>319 154</b>	<b>142 157</b>	<b>139 505</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	241 914	114 379	118 017
Provisions	3 816	4 753	3 736
Liabilities to credit institutions	53 436	6 500	5 500
Trade payables	11 548	4 462	4 174
Other current liabilities	8 440	12 063	8 078
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>319 154</b>	<b>142 157</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. 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 July 12, 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, July 12, 2019

Rolf Norberg  
Chairman

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Juan Vallejo

Jonas Svensson  
CEO