

Year End Report 2019

TagMaster's profitable growth continues – the best result to date

Fourth quarter

- Net sales increased during the fourth quarter by 89,6% to 83,5 MSEK (44,1)
- Adjusted EBITDA amounted to 8,7 MSEK (0,9), corresponding to a margin of 10,4% (2,0)
- EBITDA for the fourth quarter amounted to 4,3 MSEK (0,9), corresponding to a margin of 5,2% (2,0)
- Net result after tax was -9,4 MSEK (-0,5) whereof amortizations of goodwill in accordance with the standard accounting principles (K3) applied by TagMaster amounted to -9,7 MSEK
- Result per share was -0,03 (0,00)
- Cash flow from operating activities before changes in working capital for the period was 12,0 MSEK (3,7)

January - December

- Net sales increased during the period by 34,5% to 263,0 MSEK (195,6)
- Adjusted EBITDA amounted to 22,3 MSEK (12,7), corresponding to a margin of 8,5% (6,5)
- EBITDA was 12,9 MSEK (12,7), corresponding to a margin of 4,9% (6,5)
- Net result after tax was -25,1 MSEK (3,4) whereof amortizations of goodwill in accordance with the standard accounting principles (K3) applied by TagMaster amounted to -25,6 MSEK
- Result per share was -0,07 (0,02)
- Cash flow from operating activities before changes in working capital for the period was 21,1 MSEK (14,2)
- 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.

Other

- During 2020, TagMaster intends to change accounting standard from BFNAR 2012: 1 (K3) to IFRS. The purpose of the planned transition to IFRS is, among other things, to simplify the analysis and evaluation of the Group's financial ratios and development.

About TagMaster

TagMaster is an application driven technology company that designs and markets advanced sensor systems and solutions based on radio, radar, vision and magnetic technology for demanding environments. Business areas include Traffic Solutions and Rail Solutions sold under the brands TagMaster, CitySync, Balogh, CA Traffic, Magsys, Hikob and Sensys Networks with innovative mobility solutions in order to increase efficiency, security, convenience and to decrease environmental impact within Smart Cities. TagMaster has subsidiaries in UK, France and US 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 Nasdaq First North Growth Market in Stockholm, Sweden. TagMasters certified advisor is Erik Penser Bank phone +4684638300, E-mail: certifiedadviser@penser.se
www.tagmaster.com

Comments by the CEO

Our sales during the quarter was 83,5 (44,1) MSEK, which is almost double compared to the fourth quarter 2018. The strong growth is mainly explained by the acquisition of the American Sensys Networks finalized in June, but good growth also in our other business had a positive impact on the quarter. Gross margin for the quarter was a record of 70,0% (64,7) and with an adjusted EBITDA margin of 10,4% (2,0). It means that both the quarterly and yearly results are the best in the company history.

During the quarter we have continued to streamline the organizational structure of the company and our business in Great Britain (TagMaster UK), France (TagMaster France) and Sweden (TagMaster) will for the future be presented as one unit, Segment Europe. Sensys Networks will continue under its present name and will be presented as Segment USA.

Our European business has during the quarter had a growth of just over 10% compared to last year.

Different markets have developed differently, with weaker sales in **TagMaster UK**, depending on a delay for some projects. Recruitments to strengthen sales and marketing efforts in the UK market have been made during the quarter giving us a good platform to speed up growth during 2020.

Our French business – **TagMaster France** - has had a quarter slightly below plan with lower sales than plan, but with better gross margins. The integration of all parts of the French business continues. We expect to be fully ready with the integration during the first quarter 2020. With a fully integrated business and further recruitments on the sales side we will get stronger impact in the French market.

Our Swedish business – **TagMaster** – Has had a good quarter in Volume as well as in gross margin and profitability.

Sensys Networks quarter resulted in a sales according to plan, but with a better gross margin. Cost level has been somewhat higher connected to the integration work during the quarter. The integration work is going well and according to plan and Sensys Networks and the other businesses in the TagMaster Group has already identified and started a number of initiatives regarding cooperation within development and logistics.

With the acquisition of Sensys Networks we have created a TagMaster company almost double in sales. Through the acquisition we have created a platform of our own in the US and we will have competence within technology which is both wider and deeper. The acquisition gives us a higher organic growth potential and we become a more interesting partner for building the Smart Cities of the future.

TagMaster is today an important player in a market with good prerequisites for growth and good profits. To work daily with improving the traffic environment in cities and urban areas around the world provides us with lots of energy to continue hard and targeted work.

Jonas Svensson

CEO

Comments to the result and balance sheet

Turnover and result

Quarterly sales was significantly higher than for the same period previous year. Net sales for the fourth quarter was 83,5 MSEK (44,1), an increase of 89,6%. Of the total turnover, the European operations accounted for 48,8 MSEK (44,1), of which the customer group Rail solutions 14,0 MSEK. The US business accounted for 34,7 MSEK.

EBITDA was 4,3 MSEK (0,9), which corresponds to a margin of 5,2% (2,0). EBITDA-margin adjusted for non-recurring items directly related to the acquisition of Sensys Networks amounted to 8,7 MSEK which corresponds to a margin of 10,4%.

The costs during the quarter were 54,0 MSEK (27,5). 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.

Financial items for the quarter totaled to 1,1 MSEK (-0,1). Financial expenses are revaluation of bank loan nominated in USD at the amount of 2,7 MSEK and interest expenses on liabilities to credit institutions amounting to -0,9 MSEK.

The tax expense of 3,6 MSEK for the quarter is primarily attributable to the parent company TagMaster AB and consists of utilized tax losses carryforwards attributable to tax deductible new share issue expenses recognized in equity (share premium fund).

Cash flow and financial position

As per December 31, 2019 available liquidity was 74,8 MSEK (32,1) of which the revolving credit is 33,5 MSEK (12,0). Solidity at the end of the period was 58,7% (63,1). Cash flow from operating activities before changes in working capital for the period was 12,0 MSEK (3,7).

Accounts receivable were 56,7 MSEK (32,1) and supplier debts were 19,5 MSEK (12,8). The inventories were 53,4 MSEK (37,0), all as per December 31, 2019. As shown in the summary below the increase inventories and other current assets is explained by Sensys assets now being included in the group balances.

Amortization of financial liabilities of -3,4 MSEK (-0,5) and utilization of the bank overdraft facility of 2,8 MSEK are included in cash flow from financing activities, totaling to -0,6 MSEK (-0,5).

Employees, organization and personnel

The number of employees in the TagMaster Group was at the end of the period 115 (79) whereof 37 are employed by Sensys Networks.

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	145 479
Tangible fixed assets	285
Non-current receivables	452
Inventories	19 642
Trade receivables	22 894
Other current receivables	29 074
Provisions	-2 426
Trade payables	-22 430
Current liabilities	-51 022
Total acquired assets	141 948

The preliminary purchase price allocation that was prepared in connection with the acquisition of Sensys may change when the final acquisition balance is determined. Among other things, the result of the ongoing investigation regarding the valuation of tax losses carryforwards may cause changes in the acquisition balance.

Since the date of the acquisition Sensys Networks has contributed 74,9 MSEK in net revenue. According to the accounting principles (K3) applied by TagMaster, goodwill that arises in business acquisitions should be amortized over the useful life which is considered to be a maximum of five years. Only in rare cases are longer amortization periods permitted.

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 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 115,5 MSEK after deducted share issue cost of 14,3 MSEK.

Business during the quarter**Traffic Solutions**

Traffic Solutions have become a significantly bigger part of TagMaster after the acquisition of Sensys Networks, which is in line with the Group strategy to focus growth in this specific business segment. The segment is divided into different application areas to achieve more power and focus on product

offerings towards the different customer solutions requested. Below the business during the quarter is described for these different application areas.

Traffic Management/Infomobility

Through the acquisition of Sensys Networks, which further strengthens the TagMaster Traffic Management business, this application area becomes the by far biggest with more than 55% of sales during the quarter. The product offerings of TagMasdter UK and TagMaster France are now part of the Traffic Management/Infomobility offering. Product and solution examples offered by TagMaster are control of traffic lights, products to measure and classify traffic flows, systems to detect cyclists and pedestrians and systems to measure air quality and emissions etc. During the quarter Sensys Networks have continued to deliver to several projects in the Gulf states and in South Africa. Serial deliveries of a “give Me Green”-solution, a full-scale solution for control of traffic lights and traffic flows with focus on cyclists, has continued. The system consists of hardware, management software (SNAPS) and a connection to the cyclists via a Smart Phone application. During the quarter joint Group development teams from US, France and UK have started pre-studies for future common development projects. During the quarter Sensys Networks and TagMaster participated together at the Gulf Traffic fair in Dubai.

Parking/Access

In this application area product offerings from TagMaster, TagMaster UK and TagMaster France are found. Size wise this application area has represented just below 20% of sales during the quarter. The Group products are used for access to parking, guiding to free parking slots, e.g. charging posts for electrical vehicles and for short term parking in cities etc. For these solutions RFID, magnetic technology and camera technology (ANPR) are all used. During the quarter sales work has been focused on the main markets being, UK, the Nordics and the product offering has been focused on digital parking solutions and free flow access solutions. The Group competence in algorithm development and neural networks (AI) is used frequently in development of new ANPR solutions and nowadays all development is made in common between Sweden, UK and France.

Tolling/Security

Tolling and Security is until now a smaller application area where the Group has worked with toll road projects in India and with police and security projects in England and the Middle East. Size wise the application area is responsible for less than 5% of the sales during the quarter, but it is expected to increase medium term since more countries and cities will finance their road infrastructure with toll roads. During the quarter a bit more than 300 systems were delivered to provide more efficient traffic flows for toll roads at several Indian toll road stations. TagMaster could also announce that the company had received patent in the US for a software solution combining information from several different antennas in electronic toll road solutions.

Rail Solutions

TagMaster has during the quarter had ongoing serial deliveries in the business segment Rail Solutions, which during the quarter has represented 17% of sales, to rail customers and we have also received new orders for 2020 and 2021. Volumes have been according to plan as well as the gross margins. A great deal of the serial deliveries has continued to China and other countries in South East

Asia. Delivery of the new product platform SIL4 has during the quarter continued but in smaller volumes. For some products today produced in China will be moved to France during 2020.

Parent Company's operations

The operations of the parent company TagMaster AB are consistent with the operations of the group as a whole.

Future outlook

The outlook is unchanged good and with the acquisition of Sensys Networks even better. With more volume and a wider offering stretched also towards solutions in important growth areas, the company has good growth opportunities long term.

TagMaster will also in the future see periods ahead of us when the sales and results development will stop momentarily in certain application areas where we invest in future growth, which could mean that costs come before revenue of these investments. There will also be variations between quarterly volumes since our Rail business is volatile and product deliveries may vary between quarters.

TagMaster will continue the work to find more opportunities to acquire businesses in adjacent technology areas with the purpose of increasing our product and solution offering as well as our market presence. The target is to become a more attractive supplier of real time information which is a prerequisite to building the Smart Cities of the future.

Reporting

During the business year 2020 to 2021 TagMaster will report at the following dates:

Publication of Annual Report	Week 13
1 st quarter report	April 29
Annual General Meeting	April 29
2 nd quarter report	July 16
3 rd quarter report	October 22
Year end report	January 28

This report and previous reports and press releases are found at the company home page www.tagmaster.com

For further information contact:

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This information is information that TagMaster AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 a.m. CET on January 30, 2020.

Consolidated income statement

KSEK	Q4		Full year	
	2019	2018	2019	2018
Net revenue	83 532	44 053	262 955	195 561
Change in inventories of product in progress and finished goods	-1 727	469	-2 319	-780
Other operating income	0	5	2 216	1 215
Total operating income	81 805	44 527	262 852	195 996
Goods for resale	-23 371	-16 030	-85 637	-72 093
Other external costs	-14 492	-9 911	-48 964	-41 864
Personnel costs	-39 500	-17 622	-114 715	-68 989
Other operating expenses	-122	-71	-677	-318
Operating profit before depreciation and amortization (EBITDA)	4 320	893	12 859	12 732
Depreciation	-399	-327	-1 368	-880
Amortization	-10 855	-3 322	-29 483	-11 077
Operating profit after depreciation and amortization (EBIT)	-6 934	-2 756	-17 992	775
Financial items	1 119	-143	-2 070	-356
Profit after financial items	-5 815	-2 899	-20 062	419
Tax	-3 550	2 436	-5 086	2 945
Net profit	-9 365	-463	-25 148	3 364

Key ratios

	Q4		Full year	
	2019	2018	2019	2018
Net sales growth, %	89,6	-23,5	34,5	0,1
Gross margin, %	70,0	64,7	66,6	62,7
Adjusted EBITDA ¹ -margin, %	10,4	2,0	8,5	6,5
EBITDA-margin, %	5,2	2,0	4,9	6,5
Equity ratio, %	58,7	63,1		
Cash flow from operating activities before change in working capital, Msek	12,0	3,7	21,1	14,2
Earnings per share before dilution, SEK	-0,03	0,00	-0,07	0,02
Earnings per share after dilution, SEK	-0,03	0,00	-0,07	0,02
Number of shares, average, thousand	366 188	201 389	294 468	201 389
Number of shares, end of the period, thousand	366 188	201 389	366 188	201 389
Market price on closing day, SEK	0,81	1,15		
Number of employees at end of period	115	79		

¹Operating profit before depreciations and amortizations adjusted for non-recurring items directly related to the acquisition of Sensys Networks

Consolidated balance sheet

KSEK	31 Dec	
	2019	2018
ASSETS		
Subscribed capital unpaid	-	2 806
Intangible assets	167 098	51 400
Tangible assets	3 310	3 008
Financial assets	7 345	7 259
Inventories	53 386	37 037
Trade receivables	56 654	32 079
Other receivables	10 219	13 172
Cash and cash equivalents	41 293	20 297
TOTAL ASSETS	339 305	167 058
EQUITY AND LIABILITIES		
Equity	199 096	105 331
Provisions	7 189	6 707
Long term liabilities to credit institutions	38 305	3 500
Other long term liabilities	8 441	9 525
Short term liabilities to credit institutions	17 657	2 000
Trade payables	19 468	12 826
Other current liabilities	49 149	27 169
TOTAL EQUITY AND LIABILITIES	339 305	167 058

Changes in consolidated equity

KSEK	31 Dec	
	2019	2018
Opening balance	105 331	96 731
New share issue	118 593	2 806
Transaction difference	320	2 430
Net result	-25 148	3 364
TOTAL EQUITY	199 096	105 331

Consolidates cash flow analysis

KSEK	Q4		Full year	
	2019	2018	2019	2018
Cash flow from operating activities before change in working capital	11 978	3 707	21 144	14 204
Change in working capital	-12 284	2 366	-26 050	-1 201
Cash flow from operating activities	-306	6 073	-4 906	13 003
Cash flow from investing activities	-745	-1 543	-143 511	-13 691
Cash flow from financing activities	-593	-500	169 334	-2 516
Cash flow	-1 644	4 030	20 917	-3 204
Cash and cash equivalents at beginning of period	43 914	16 388	20 297	23 276
Effect of exchange differences	-977	-121	79	225
Cash and cash equivalents at end of period	41 293	20 297	41 293	20 297

Parent company income statement

KSEK	Full year	
	2019	2018
Net revenue ¹	84 175	73 891
Other operating income	0	826
Total operating income	84 175	74 717
Goods for resale	-25 129	-25 075
Other external costs	-17 158	-16 756
Personnel costs	-26 052	-24 150
Other operating expenses	-69	-14
Operating profit (EBITDA)	15 767	8 722
Depreciation and amortization	-39	
Operating profit after depreciation and amortization (EBIT)²	15 728	8 722
Financial items	-174	-419
Profit after financial items	15 554	8 303
Tax	-3 378	-1 232
Net profit	12 176	7 071

¹Where of invoiced intercompany services 5 270 Msek

²Intercompany sales above is included in the operating profit

Parent company balance sheet

KSEK	31 Dec	
	2019	2018
ASSETS		
Subscribed capital unpaid	-	2 806
Intangible assets	368	-
Tangible assets	123	-
Shares in subsidiaries	252 539	86 115
Long-term receivables from group companies	24 518	22 788
Deferred tax asset	1 089	1 402
Inventories	8 377	10 200
Trade receivables	13 453	8 270
Current receivables from group companies	17 228	1 003
Other receivables	3 820	3 300
Cash and cash equivalents	1 597	3 621
TOTAL ASSETS	323 112	139 505
EQUITY AND LIABILITIES		
Equity	248 784	118 017
Provisions	3 657	3 736
Liabilities to credit institutions	55 962	5 500
Liabilities to group companies	15	-
Trade payables	5 494	4 174
Other current liabilities	9 200	8 078
TOTAL EQUITY AND LIABILITIES	323 112	139 505

Other

Accounting principles

For interim reports BFNAR 2012:1 (K3) is applied. This is described more extensively in the Annual report 2018.

Related party transactions

Related party transactions are remunerations to senior executives, as presented in the Annual Report for 2018, page 43. In addition, there are no significant transactions with related parties.

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 January 30, 2020 at 08.30 CET.

Declaration

The Board of Directors and the CEO provide their assurance that the interim report gives a true and fair view of the Parent Company's and the Group's operations, positions and results and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Kista January 30, 2020

Rolf Norberg
Chairman

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Juan Vallejo

Jonas Svensson
CEO