

Hexatronic Group AB (publ)

Year-end report January – December 2020



Key ratio

	2020	2019		2020	2019	
MSEK	Q4	Q4	Δ %	Jan-Dec	Jan-Dec	Δ %
Net sales	599.8	463.2	29%	2,080.8	1,842.3	13%
EBITA	65.8	27.6	139%	204.8	135.9	51%
EBITA margin	11.0%	5.9%		9.8%	7.4%	
Operating result (EBIT)	58.9	20.6	185%	177.3	106.4	67%
Net earnings	45.5	14.5	214%	126.5	67.1	89%
Earnings per share after dilution, SEK	1.21	0.39	210%	3.37	1.80	87%
Cash flow from operating activities	139.5	58.1	140%	249.8	173.9	44%
Liquid assets	212.3	103.8	105%	212.3	103.8	105%

Events during the quarter

- Hexatronic acquired the fiber optic companies Baltronic Group OÜ, based in Estonia and the Canadian company Toronics Inc. (name changed to Hexatronic Canada Inc).
- Hexatronic acquired 90 percent of the shares in Qubix S.p.A., an Italian supplier of structured cabling.
- Hexatronic won new submarine cable orders totalling approximately MSEK 115.
- Lennart Sparud announced that he is leaving his role as CFO in Hexatronic Group. The recruitment process for a replacement is in the final phase.

Events since the end of the period

- Hexatronic Hexatronic won new submarine cable orders totalling approximately MSEK 60.
- Hexatronic signed a strategic supply agreement with Vocus in Australia.
- The Board of Directors will propose a dividend of SEK 0.50 (0) per share for the financial year 2020 to the Annual General Meeting.
- Hexatronic adjusted the profitability target to 10 percent EBITA on rolling 12 months basis (from 9 percent).

COMMENTS FROM THE CEO

Strong profitability growth and high acquisition activity

2020 was a year of strong growth in profitability for Hexatronic. The EBITA margin increased from 7.4 percent last year to 9.8 percent, well above the target of at least 9 percent. Compared to last year, EBITA rose by 51 percent and earnings per share by 87 percent.

The quarterly EBITA margin of 11 percent was very strong and resulted in an increase in EBITA of 139 percent compared to the corresponding period last year. The strong development in profitability during the year is primarily attributable to scale effects: our production plants have seen higher capacity utilisation, and we have reduced costs of materials by using new materials, and thanks to reduced material prices.

Sales continue to develop well, even though we did not achieve our growth target of at least 20 percent. Sales growth totalled 13 percent, of which organic growth 11 percent. Our assessment is that we lost 5 to 10 percent of sales during the year due to the COVID-19 pandemic.

Sales growth in Europe excluding Sweden was 24 percent, primarily driven by continued strong development in the UK, as well as Germany and Norway. There has been high activity on the British market during the year, with many operators now building or planning FTTH networks. The German market, which lags behind the British one in terms of investment activity, showed clear signs of gathering momentum.

Sales in North America grew by 16 percent, mainly driven by a strong underlying market for duct. We have also increased our capacity with the new factory in Texas. Growth in our system sales was also strong, albeit from low levels.

Sales in Sweden increased by 12 percent, which was above expectation going into the year. Good demand for our solutions in FTTH systems, along with several transport network projects, explains the positive development. Our submarine cable business has seen great success during the year, winning several major contracts.

The Cash flow was also strong during the year, with cash flow from operating activities of MSEK 250 (174 in 2019). The strong cash flow, combined with higher profitability, gives us a strong financial position for future acquisitions.

We made four acquisitions during the year. These have added the Baltics and Italy to our market base and made us the largest player in telecom training in the USA. We believe that all four acquisitions will strengthen our competitiveness and contribute to continued good development in profitability.

Looking into 2021, we see continued increasing demand in all our growth markets. Our judgement is that the Swedish market will remain at much the same level as in 2020.

We will continue to invest in strengthening our organisations in primarily North America, Germany, and the UK, in order to support continued growth. We also intend to strengthen our position in our growth markets through further acquisitions.

We have raised our profitability target to EBITA of at least 10 percent on a rolling 12-month basis (from 9 percent), given the opportunities we can now see moving forward.

The order book has continued to develop positively. We entered 2021 with an order book that was 93 percent higher organically than at the same point last year. Excluding marine cable projects, the order book was 47 percent higher than at the same point last year.

The development of the COVID-19 pandemic and its impact on us does entail some ongoing uncertainty, even though we handled the situation well in 2020. In the longer term, we believe that experiences from COVID-19 will have a positive impact on investments in communication networks.

Thank you for joining us on this journey.

Henrik Larsson Lyon
President and CEO
Hexatronic Group AB (publ)



Net sales and earnings

The fourth quarter (1 October – 31 December 2020)

The Group's net sales for the fourth quarter of 2020 increased 29 percent to MSEK 599.8 (463.2), mainly as a result of organic growth. The increase was 34 percent cleared for exchange-rate effects.

Analysis of change in net sales (MSEK)	Q4 2020		Q4 2019	
		(%)		(%)
Year-earlier quarter	463.2	-	443.2	-
Organic growth	105.0	23%	-7.1	-2%
Acquisitions and structural changes	51.5	11%	20.7	5%
Exchange-rate effects	-19.9	-4%	6.5	1%
Current quarter	599.8	29%	463.2	5%

The Group's net sales on its strategic growth markets of the UK, Germany and North America continued to grow during the quarter. Strong growth also on the home market Sweden during the quarter.

Geographical net sales (MSEK)	Q4 2020	Allocation (%)	Growth (%)
Sweden	187.9	31%	41%
Rest of Europe	236.6	39%	47%
North America	124.9	21%	17%
Rest of the world	50.3	8%	-19%
Total	599.8	100%	29%

EBITA rose 139 percent to MSEK 65.8 (27.6) in the quarter. The EBITA margin amounted to 11.0 percent (5.9).

Net financial items during the quarter amounted to -3.7 MSEK (-2.4), whereof net interest amounted to -2.7 MSEK (-2.4), unrealised foreign exchange differences to -0.1 MSEK (0.4) and other financial items to -0.9 MSEK (-0.4).

Net earnings for the quarter amounted to MSEK 45.5 (14.5) and earnings per share after dilution, increased by 210 percent and amounted to SEK 1.21 SEK (0.39). Tax for the period was MSEK -9.7 (-3.7) which means the average effective tax rate for the Group was 17.6 percent (20.4) for the quarter.

The full year (1 January – 31 December 2020)

The Group's net sales for the full year increased 13 percent to MSEK 2,080.8 (1,842.3), mainly as a result of organic growth. The exchange-rate effect was marginal compared to last year.

Analysis of change in net sales (MSEK)	Jan-Dec 2020		Jan-Dec 2019	
		(%)		(%)
Year-earlier	1,842.3	-	1,597.8	-
Organic growth	199.8	11%	28.4	2%
Acquisitions and structural changes	65.2	4%	171.9	11%
Exchange-rate effects	-26.5	-1%	44.2	3%
Current year	2,080.8	13%	1,842.3	15%

The Group's net sales on its strategic growth markets of the UK, Germany and North America continued to grow during the full year. Strong growth also on the home market Sweden during the full year.

Geographical net sales (MSEK)	Jan-Dec 2020	Allocation (%)	Growth (%)
Sweden	610.3	29%	12%
Rest of Europe	728.3	35%	24%
North America	493.9	24%	16%
Rest of the world	248.2	12%	-12%
Total	2,080.8	100%	13%

EBITA rose 51 percent to MSEK 204.8 (135.9) during the full year. The EBITA margin amounted to 9.8 percent (7.4).

Net financial items during the full year amounted to MSEK -12.4 (-15.4), whereof net interest amounted to MSEK -9.8 MSEK (-11.6), unrealised foreign exchange differences to MSEK -0.7 (-2.1) and other financial items to MSEK -1.9 (-1.7).

Net earnings during the full year amounted to MSEK 126.5 (67.1) and earnings per share after dilution, increased by 87 percent and amounted to SEK 3.37 SEK (1.80). Tax for the full year was MSEK -38.4 (-24.0) which means the average effective tax rate for the Group was 23.3 percent (26.3) during the full year.

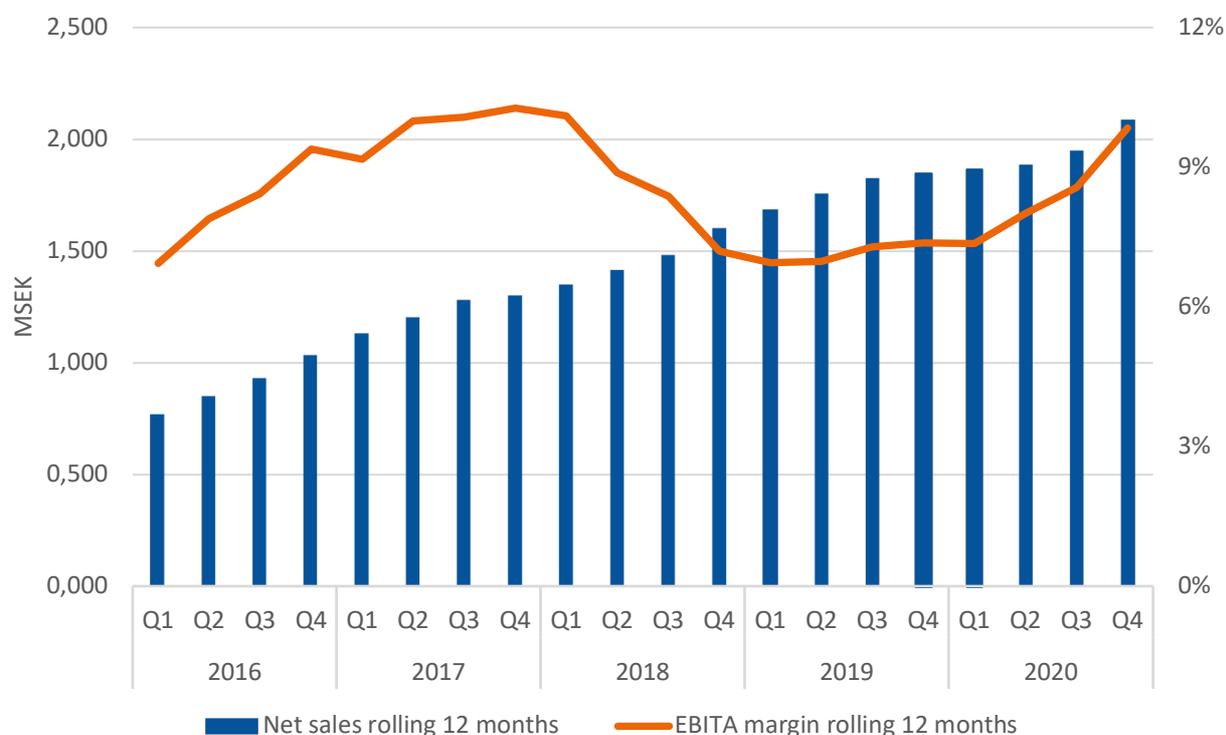
Cash flow and investments

Cash flow from operating activities in the quarter amounted to MSEK 139.5 (58.1), including a positive change in working capital of MSEK 99.3 (41.4).

Cash flow from operating activities during the full year amounted to MSEK 249.8 (173.9), including a positive change in working capital of MSEK 52.6 (13.8).

Investments during the full year amounted to MSEK 229.0 (96.3). This is mainly related to an investment in a new production facility in the US, production equipment in Hudiksvall, acquisitions during the year and payments of additional purchase price related to the acquisitions of Blue Diamond Industries and Opternus.

Net sales (MSEK) and EBITA margin (%) rolling 12 months



Liquidity and financial position

The Group's net debt

Net debt totalled MSEK 323.2 at the end of the reporting period compared to MSEK 318.9 as per 31 December 2019.

Available funds

Available funds on 31 December 2020, including unutilised overdraft facilities, amounted to MSEK 362.8 (171.8).

Equity

Equity amounted to MSEK 649.5 on 31 December 2020 (574.4), which equated to SEK 17.25 per outstanding share before dilution at the end of the reporting period.

The Group's financial goals

EBITA margin

Earnings before amortisation of intangible assets (EBITA) should be at least 9 percent on a rolling 12-month basis. The EBITA margin on a rolling 12-month basis on 31 December 2020 was 9.8 percent (7.4).

The Board of Directors has adjusted the profitability target as of 2021, with an EBITA goal (earnings before interest, taxes and amortisation) of at least 10 percent on a rolling 12-month basis.

Annual growth

The Group shall grow more than its market organically. Annual growth of at least 20 percent. The growth will be both organic and acquisition driven. Growth during the quarter year was 29 percent.

Growth during the full year 13 percent (15).

Customers

The Group's customers are mainly wholesalers, telecom operators, network owners, telecom companies, installers, and system houses.

Employees

There were 789 (597) employees in the Group on 31 December 2020. The increase is mainly related to production personnel in Sweden, the UK and North America and the acquisitions of Tech Optics, The Light Brigade, Baltronic Group and Qubix.

Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the full year amounted to MSEK 18.6 (19.0) and the result for the full year was MSEK 11.2 (9.2).

Ownership structure

The company's share is listed in the Mid cap segment on Nasdaq Stockholm. At the end of the period the share capital amounted to MSEK 1.9.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Ordinary share, 1 vote per share	37,661,430	37,661,430	99.1%	99.9%
Class C share, 1/10 vote per share	360,000	36,000	0.9%	0.1%
Total number of shares before repurchases	38,021,430	37,697,430	100%	100%
Repurchased class C shares	-360,000		0.9%	0.1%
Total number of shares after repurchases	37,661,430			

Employee stock option programmes active at the time of this report's publication are:

Outstanding warrant programme	Number of warrants	Corresponding number of shares	Proportion of total shares	Exercise price	Expiration period
Warrant programme 2018/2021	563,000	563,000	1.5%	82.20	15 May - 15 Jun 2021
Warrant programme 2019/2022	342,500	342,500	0.9%	66.73	15 May - 15 Jun 2022
Warrant programme 2020/2023	285,000	285,000	0.8%	63.00	15 May - 15 Jun 2023
Total	1,190,500	1,190,500			

In addition to above warrant programmes, a decision was made in 2019 to introduce a long-term, performance-based incentive plan (LTIP 2019) for 10 senior executives in the Group who are resident in Sweden. The participants have invested 43,500 savings shares in total.

Under the LTIP, for each acquired Hexatronic share (savings share), participants can receive 4–6 shares in Hexatronic (performance shares) free of charge, assuming achievement of certain performance targets. To qualify for performance shares, participants must acquire and retain a number of Hexatronic shares for the whole of the three-year vesting period and must, with some exceptions, remain in employment during the same period. In addition to the above conditions, performance shares also require certain performance targets to be met, linked to the development of the per-share earnings, the Group's growth and the growth in EBITA during the vesting period.

The targets relate to the 2019, 2020 and 2021 financial years. Hexatronic has judged that all the above conditions are non-market related conditions under IFRS 2.

The company's market value at the end of the period was MSEK 2,877. The number of shareholders at period end, 8,639, is based on data from Euroclear.

The shareholder structure of Hexatronic Group AB (publ) on 31 December 2020 is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
Accendo Capital	3,756,012	10.0%
Handelsbanken Funds	3,673,630	9.8%
Jonas Nordlund, privately and corporately	2,886,199	7.7%
Länsförsäkringar Funds	1,945,527	5.2%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.7%
AMF Insurance & Funds	1,393,288	3.7%
Swedbank Robur, West Fund	1,309,572	3.5%
Consensus Asset Management	937,994	2.5%
Avanza Pension - Insurance Company	899,964	2.4%
Göran Nordlund, privately and corporately	875,364	2.3%
Other shareholders	18,198,008	48.3%
Total outstanding shares	37,661,430	100.0%

Sustainability

Together with our employees, customers, and suppliers, Hexatronic wants to contribute to a more sustainable society. The Hexatronic Group focuses on the following six sustainability areas: high business ethics, sustainable supply chain, low climate impact, social involvement, diversity and gender equality and good working environment, health and safety.

In 2019, Hexatronic Group was ranked among the top 5 percent of the stock exchange's most sustainable companies linked to anti-corruption and the top 25 percent linked to Agenda 2030. In 2019, we became a supporting member of the Swedish Anti-Corruption Institute and a member of the Global Compact.

In 2020, special focus has been on developing and improving the Group in the areas of low climate impact, sustainable supply chain and diversity and gender equality. In addition, a sustainability roadmap 2030 will be drawn up.

For more information about what Hexatronic has done and what is planned within the Group's sustainability work, please see Hexatronic's Annual Report 2019 on pages 24-37 and the website <https://hexatronicgroup.com/en/sustainability/>.

The market

The general transition to a more digital, sustainable society is continuing at an increasing rate, and this change is extensively dependent on a fast, reliable infrastructure for digital communication. There are many factors driving this transition and the increased need for connection, from altered behaviours such as increased work from home, online shopping, digital banking services, online gaming, HD TV, streaming services and VR/MR, to a higher degree of connectivity in industry and driverless vehicles. The common denominator for it all is reliable internet connection with increasing demands on short response times.

The world's fiber network consists of powerful international transport networks that link together national and regional networks, backbone networks, and finally access networks (FTTH, fiber-to-the-home) which reach out to individual households. Millions of homes around the world need to be connected to high-performance communication networks, which means that the international market for FTTH is continuing to develop positively. Market Panorama, an annual report by FTTH Council Europe conducted, shows that growth in subscribers between September 2018 and September 2019 was 5 percent in the Nordic countries, 40 percent in the UK and 42 percent in Germany. The 2017-2018 growth was 42 percent in New Zealand and 21 percent in North America.

Various reports and national forecasts indicate continued strong demand for FTTH on Hexatronic's strategic growth markets (the UK, North America and Germany) up to 2025–2030, and probably beyond as well.

Other disclosures

Nature of operations

Hexatronic Group AB (publ) is an engineering group specialising in fibre communications. The Group delivers products and solutions for optical fibre networks and supplies a complete range of passive infrastructure for telecom companies, including related training.

The Group develops, designs, manufactures, and sells its own products and system solutions in combination with products from leading partners around the world. The Group conducts its own business through established companies in Sweden, Norway, Denmark, the UK, Germany, Italy, Estonia, Latvia, Lithuania, China, New Zealand, Australia, USA and Canada.

All amounts are in thousands of Swedish kronor (SEK thousand) unless otherwise stated. The figures in parentheses refer to the previous year.

Transactions with related parties

The Group rents premises from Fastighets AB Balder, in which the Group's board member Erik Selin has a significant influence. The rental contract has been entered under normal commercial conditions. The rent for the premises amounts to approximately MSEK 5.2 annually.

Dividend policy

Any dividend is decided by the Annual General Meeting, following a recommendation by the Board of Directors. The Group is currently in an expansive phase of development, and in the next few years the focus will be on re-investing profits back into the business.

The board will propose a dividend of SEK 0.50 (0) per share for the financial year 2020 to the annual general meeting.

Significant risks and uncertainties

Like all business activities, Hexatronic's operation is associated with risks of various kinds. Continually identifying and assessing risks is a natural and integral part of the operation, enabling risks to be controlled, limited and managed proactively. The Group's ability to map and prevent risks minimises the likelihood of unpredictable events having an adverse impact on the business. The aim of risk management is not necessarily to eliminate the risk, but rather to safeguard set business goals with a balanced risk portfolio. Mapping, planning and management of identifiable risks supports the management in making strategic decisions. Risk assessment also aims to increase the entire organisation's risk awareness.

Several risk areas have been identified in Hexatronic's risk management process. Hexatronic has divided identified risks into operational and environmental risks, market risks and financial risks.

The global outbreak of COVID-19 in 2020 has entailed greater uncertainty regarding the above risks and uncertainties. The company's assessment is that Hexatronic's sales have been adversely affected by COVID-19 during the financial year, and this effect is judged to be between 5 and 10 percent.

On 1 January 2021, the customs union between the EU and UK came to an end. The new agreement between the EU and the UK entailed zero duty on all Hexatronic products. All trade to and from the UK is, however, now subject to the same kind of administration as deliveries to and from the rest of the world. Hexatronic's preparations for product flows and their administration have proceeded satisfactorily. Transport times have been extended somewhat, and transport capacity was affected early on in the year.

A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2019 on page 44-47.

Accounting policies

The consolidated financial statements for Hexatronic Group ("Hexatronic") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that in its interim report for the legal entity, the Parent Company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Insurance Act and regarding the relationship between accounting and taxation.

For full accounting policies, see the Annual Report for 2019.

Review

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

Other information

Publication

This information comprises disclosures that Hexatronic Group AB (publ) must publish according to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, under responsibility of the contact persons named below, on 24 February 2021 at 07:00 CET.

Financial calendar

Interim Report January-March 2021: 29 April 2021

Interim Report April-June 2021: 12 August 2021

Interim Report July-September 2021: 2 November 2021

Year-End Report 2021: 23 February 2022

Annual General Meeting

The AGM will be held on 6 May 2021.

Please direct any questions to:

- Henrik Larsson Lyon, President and CEO, + 46 (0)70-650 34 00
- Lennart Sparud, CFO, + 46 (0)70-558 66 04

The Board of Directors and President hereby confirm that this interim report provides a true and fair overview of the business, financial position and results of the Parent Company and the Group and describes significant risks and uncertainty factors with which the Parent Company and the companies forming the Group are faced.

Gothenburg, 24 February 2021

Anders Persson
Chairman

Erik Selin
Board member

Jaakko Kivinen
Board member

Malin Frenning
Board member

Helena Holmgren
Board member

Frida Westerberg
Board member

Henrik Larsson Lyon
President and CEO

Consolidated income statement

(SEK thousand)	2020 Q4	2019 Q4	2020 Full year	2019 Full year
Revenue				
Net sales	599,785	463,236	2,080,777	1,842,266
Other operating income	4,199	5,503	14,363	14,043
	603,984	468,740	2,095,140	1,856,310
<u>Operating expenses</u>				
Raw materials and goods for resale	-323,563	-254,833	-1,138,569	-1,022,632
Other external costs	-73,138	-74,287	-258,265	-266,716
Personnel costs	-121,723	-98,281	-420,488	-368,880
Other operating expenses	0	-599	-4,337	-1,294
Depreciation of tangible assets	-19,729	-13,179	-68,686	-60,876
Earnings before amortisation of intangible assets (EBITA)	65,832	27,562	204,795	135,911
Amortisation of intangible assets	-6,926	-6,916	-27,467	-29,501
Operating result (EBIT)	58,905	20,646	177,328	106,410
<u>Result from financial items</u>				
Financial income	16	101	239	285
Financial expenses	-3,728	-2,551	-12,637	-15,664
Result after financial items	55,194	18,196	164,930	91,031
Income taxes	-9,723	-3,708	-38,387	-23,965
Net result for the period	45,471	14,488	126,543	67,066
Attributable to:				
Parent Company shareholders	45,471	14,488	126,543	67,066
Earnings per share				
Earnings per share before dilution (SEK)	1.21	0.39	3.38	1.81
Earnings per share after dilution (SEK)	1.21	0.39	3.37	1.80
Consolidated statement of comprehensive income	2020	2019	2020	2019
	Q4	Q4	Full year	Full year
Result for the period	45,471	14,488	126,543	67,066
Items which can later be recovered in the income statement				
Translation differences	-56,403	-21,798	-82,151	12,025
Other comprehensive income for the period	-56,403	-21,798	-82,151	12,025
Comprehensive income for the period	-10,932	-7,310	44,392	79,091
Attributable to:				
Parent Company shareholders	-10,932	-7,310	44,392	79,091

Consolidated balance sheet

(SEK thousand)	31/12/2020	31/12/2019
Assets		
<u>Non-current assets</u>		
Intangible assets	548,377	434,253
Tangible assets	441,085	352,562
Financial assets	2,055	1,729
Total non-current assets	991,517	788,544
<u>Current assets</u>		
Inventories	410,332	339,346
Accounts receivable	307,990	242,413
Other receivables	6,411	3,232
Prepaid expenses and accrued income	24,707	20,559
Liquid assets	212,303	103,762
Total current assets	961,744	709,312
TOTAL ASSETS	1,953,262	1,497,856
Equity	649,535	574,400
<u>Non-current liabilities</u>		
Liabilities to credit institutions	453,503	320,430
Deferred tax	74,045	58,497
Non-current lease liabilities	167,811	123,415
Total non-current liabilities	695,360	502,342
<u>Current liabilities</u>		
Liabilities to credit institutions	82,000	57,000
Current lease liabilities	41,347	34,349
Overdraft facilities	0	45,258
Accounts payable	252,491	162,584
Provisions	3,000	3,000
Current tax liabilities	16,910	2,811
Other liabilities	105,658	48,346
Accrued expenses and deferred income	106,963	67,765
Total current liabilities	608,368	421,114
TOTAL EQUITY, PROVISIONS AND LIABILITIES	1,953,262	1,497,856

Consolidated statement of changes in equity

	Share capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total equity
(SEK thousand)					
Balance brought forward as of 1 January 2019	1,826	205,787	5,905	280,897	494,415
Result for the period	0	0	0	67,066	67,066
Other comprehensive income	0	0	12,025	0	12,025
Total comprehensive income	0	0	12,025	67,066	79,091
New shares related to employee stock option programme	34	12,795	0	0	12,828
Employee stock option programme	0	2,186	0	0	2,186
Share-based remuneration	18	0	0	736	754
Dividend paid	0	0	0	-14,874	-14,874
Total transactions with shareholders, reported directly in equity	52	14,981	0	-14,138	894
Balance carried forward as of 31 December 2019	1,877	220,768	17,930	333,825	574,400
Balance brought forward as of 1 January 2020	1,877	220,768	17,930	333,825	574,400
Result for the period	0	0	0	126,543	126,543
Other comprehensive income	0	0	-82,151	0	-82,151
Total comprehensive income	0	0	-82,151	126,543	44,392
New shares related to employee stock option programme	15	15,854	0	0	15,869
Employee stock option programme	0	2,575	0	4	2,580
Share-based remuneration	0	0	0	2,439	2,439
New share issue related to business acquisitions	9	9,847	0	0	9,856
Total transactions with shareholders, reported directly in equity	24	28,276	0	2,443	30,743
Balance carried forward as of 31 December 2020	1,901	249,044	-64,221	462,811	649,535

Consolidated statement of cash flows

(SEK thousand)	2020	2019	2020	2019
	Q4	Q4	Full year	Full year
Operating result	58,905	20,646	177,328	106,410
Items not affecting cash flow	-367	8,893	59,616	97,206
Interest received	16	101	239	285
Interest paid	-3,248	-5,987	-12,336	-16,090
Income tax paid	-15,139	-6,945	-27,564	-27,679
Cash flow from operating activities before changes in working capital	40,168	16,708	197,283	160,132
Increase (-)/decrease (+) in inventories	-20,932	5,561	-32,185	-5,065
Increase (-)/decrease (+) in accounts receivable	108,819	57,334	-9,483	19,361
Increase (-)/decrease (+) in operating receivables	17,962	-452	11,978	3,938
Increase (+)/decrease (-) in accounts payable	20,613	-9,296	51,540	-11,188
Increase (+)/decrease (-) in operating liabilities	-27,149	-11,780	30,704	6,736
Cash flow from changes in working capital	99,314	41,367	52,554	13,782
Cash flow from operating activities	139,481	58,075	249,837	173,915
Investing activities				
Acquisition of tangible and intangible assets	-5,375	-23,928	-64,986	-81,781
Acquisition of subsidiaries after deduction of acquired liquid assets	-124,980	0	-163,732	-13,809
Change in financial assets	-491	-7	-326	-714
Cash flow from investing activities	-130,846	-23,935	-229,044	-96,304
Financing activities				
Borrowings	194,504	0	214,505	20,000
Amortisation of loans	-32,470	-38,503	-95,889	-92,628
Amortisation of lease liabilities	-29,040	17,675	-45,258	15,395
Changes in overdraft facilities	0	0	16,147	13,106
New share issues for the period	0	0	0	-14,874
Dividends paid	132,995	-20,828	89,505	-59,000
Cash flow from financing activities	141,630	13,312	110,298	18,610
Cash flow for the period	73,035	87,407	103,762	84,621
Liquid assets at the start of the period	-2,362	3,043	-1,757	531
Exchange rate difference in liquid assets	212,303	103,762	212,303	103,762

Key metric for the group

	2020	2019	2020	2019
	Q4	Q4	Full year	Full year
Growth in net sales	29%	5%	13%	15%
EBITA margin	11.0%	5.9%	9.8%	7.4%
EBITA margin, 12 months rolling	9.8%	7.4%	9.8%	7.4%
Operating margin	9.8%	4.5%	8.5%	5.8%
Earnings per share before dilution (SEK)	1.21	0.39	3.38	1.81
Earnings per share after dilution (SEK)	1.21	0.39	3.37	1.80
Net sales per employee (SEK thousand)	777	771	3,069	3,133
Result per employee (SEK thousand)	59	24	187	114
Quick asset ratio	91%	88%	91%	88%
Average number of employees	772	601	678	588
Number of shares at period end before dilution	37,661,430	37,183,825	37,661,430	37,183,825
Average number of shares before dilution	37,610,597	37,183,825	37,480,163	37,127,825
Average number of shares after dilution	37,717,233	37,235,486	37,563,322	37,217,336

For definition of key metrics, see the section Definition alternative key metrics.

The key metrics presented are deemed essential to describing the Group's development as they both constitute the Group's financial objectives (growth in net sales and EBITA margin) and are the key metrics by which the Group is governed. Several key metrics are considered relevant to investors, such as earnings per share and the number of shares. Other key metrics are presented in order to provide different perspectives on how the Group is developing and are therefore deemed to be of benefit to the reader.

Parent Company income statement

(SEK thousand)	2020 Full year	2019 Full year
Revenue		
Net sales	18,566	18,986
	18,566	18,986
Operating expenses		
Other external costs	-36,243	-51,806
Personnel costs	-26,450	-23,032
Depreciation of tangible assets	-229	-215
Operating result (EBITA)	-44,356	-56,066
Result from financial items		
Interest income	4,094	2,072
Interest expenses	-14,813	-10,346
Result after financial items	-55,075	-64,340
Appropriations	69,740	76,550
Result before tax	14,665	12,210
Tax on profit for the period	-3,485	-3,042
Net result for the period	11,181	9,167

I moderbolaget finns inga poster som redovisas i övrigt totalresultat varför summa totalresultat överensstämmer med periodens resultat.

Total comprehensive income is the same as net result for the period in the parent company since there is nothing accounted for as other comprehensive income.

Parent Company balance sheet

(SEK thousand)	31/12/2020	31/12/2019
Assets		
Intangible assets	2,002	388
Tangible assets	269	333
Financial assets	936,591	631,753
Total non-current assets	938,862	632,473
Current receivables		
Receivables from Group companies	318,824	257,463
Other receivables	2,177	2,262
Prepaid expenses and accrued income	2,080	4,118
Total current receivables	323,081	263,843
Cash and bank balances	34,997	0
Total current assets	358,078	263,843
TOTAL ASSETS	1,296,940	896,316
Equity	250,260	210,390
Untaxed reserves	17,210	16,950
Non-current liabilities		
Liabilities to credit institutions	453,503	320,430
Deferred tax	123	4
Total non-current liabilities	453,626	320,434
Current liabilities		
Liabilities to credit institutions	82,000	57,000
Overdraft facilities	0	45,258
Accounts payable	4,813	8,465
Liabilities to Group companies	415,451	200,084
Current tax liabilities	85	3,462
Other liabilities	64,593	29,270
Accrued expenses and deferred income	8,900	5,002
Total current liabilities	575,843	348,541
TOTAL EQUITY, PROVISIONS AND LIABILITIES	1,296,940	896,316

Notes

Note 1 Revenue

January to December 2020					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	610,276	728,328	493,947	248,227	2,080,777
Category					
Goods	582,274	673,679	484,662	248,227	1,988,841
Services	28,002	54,649	9,285	0	91,936
Total	610,276	728,328	493,947	248,227	2,080,777
Time for revenue recognition					
At a given time	610,276	728,328	493,947	248,227	2,080,777
Over time	0	0	0	0	0
Total	610,276	728,328	493,947	248,227	2,080,777

January to December 2019					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	546,339	587,740	426,782	281,405	1,842,266
Category					
Goods	515,482	524,330	426,782	281,405	1,747,999
Services	30,857	63,410	0	0	94,267
Total	546,339	587,740	426,782	281,405	1,842,266
Time for revenue recognition					
At a given time	546,339	587,740	426,782	281,405	1,842,266
Over time	0	0	0	0	0
Total	546,339	587,740	426,782	281,405	1,842,266

Note 2 Pledged assets

Pledged assets	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<i>Assets pledged for liabilities to credit institutions</i>				
Chattel mortgages	157,350	157,350	100	100
Shares in subsidiaries	313,358	269,517	83,836	82,758
Total	470,708	426,867	83,936	82,858

Note 3 Business acquisitions

Tech Optics Ltd. ("Tech Optics")

On 1 June 2020, the Group acquired 100% of the share capital in Tech Optics for MGBP 0.392.

The table below summarises the purchase price paid for Tech Optics and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

Purchase price as of 1 June 2020	
Liquid assets	4,655
Total purchase price	4,655
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	1,043
Tangible assets	277
Accounts receivable	141
Inventories	1,888
Other receivables	567
Accounts payable	-945
Other payables	-435
Total identifiable net assets	2,536
Goodwill	2,119

Acquisition-related costs of SEK 406 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -3,612 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 141 thousand. No accounts receivable is deemed to be doubtful.

Tech Optics net sales have been included in the consolidated income statement since 1 June 2020 and amount to SEK 8,422 thousand. Tech Optics also generated a net profit of SEK 1,008 thousand in the same period on group level.

Had Tech Optics been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 31 December 2020 would have shown increased net sales amounting to SEK 13,344 thousand and a net profit of SEK 565 thousand.

The Light Brigade Inc. ("Light Brigade")

On 1 August 2020, the Group acquired 100% of the share capital in Light Brigade for MUSD 1.6.

The preliminary table below summarises the purchase price paid for Light Brigade and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

Purchase price as of 1 August 2020	
Liquid assets	14,009
Total purchase price	14,009
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	617
Tangible assets	851
Accounts receivable	1,728
Inventories	508
Other receivables	596
Accounts payable	-27
Other payables	-1,831
Total identifiable net assets	2,441
Goodwill	11,568

Acquisition-related costs of SEK 702 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -13,392 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 1,728 thousand. No accounts receivable is deemed to be doubtful.

Light Brigade net sales have been included in the consolidated income statement since 1 August 2020 and amount to SEK 9,286 thousand. Light Brigade also generated a net result of SEK -669 thousand in the same period on group level.

Had Light Brigade been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 31 December 2020 would have shown increased net sales amounting to SEK 24,019 thousand and a net result of SEK -3,623 thousand.

Baltronic Group OÜ ("Baltronic")

On 2 November 2020, the Group acquired 100 percent of the share capital in Baltronic for MEUR 5.4.

The preliminary table below summarises the purchase price paid for Baltronic and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

Purchase price as of 2 November 2020	
Liquid assets	25,406
Equity instruments (152,500 shares)	8,723
Not paid purchase price (paid in January 2021)	21,757
Total purchase price	55,887
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	42,836
Tangible assets	1,836
Other intangible assets	27
Financial assets	171
Accounts receivable	12,803
Inventories	10,262
Other receivables	15,052
Accounts payable	-5,388
Other payables	-26,015
Total identifiable net assets	51,584
Goodwill	4,303

Acquisition-related costs of SEK 2,224 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -4,328 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 12,803 thousand. No accounts receivable is deemed to be doubtful.

Baltronic net sales have been included in the consolidated income statement since 2 November 2020 and amount to SEK 15,369 thousand. Baltronic also generated a net result of SEK -463 thousand in the same period on group level.

Had Baltronic been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 31 December 2020 would have shown increased net sales amounting to SEK 83,824 thousand and a net result of SEK 4,132 thousand.

Qubix S.p.A. ("Qubix")

On 2 November 2020, the Group acquired 90 percent of the share capital in Qubix for MEUR 18.1.

The Group has an option to acquire the remaining 10 percent of Qubix during 2021 and 2023. It is deemed likely that this option will be utilised. The acquisition is therefore recognised at 100 percent and no holdings without a controlling influence have been entered. The expected purchase price for the remaining 10 percent is recognised as a liability with any changes in value through profit or loss.

The preliminary table below summarises the purchase price paid for Qubix and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

Purchase price as of 2 November 2020	
Liquid assets	187,316
Option to buy remaining 10 % (not paid)	30,869
Total purchase price	218,185
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	43,101
Tangible assets	1,300
Other intangible assets	67
Financial assets	24
Trademarks	17,356
Accounts receivable	41,422
Inventories	26,143
Other receivables	3,091
Accounts payable	-32,006
Other payables	-21,482
Total identifiable net assets	79,017
Goodwill	139,168

Acquisition-related costs of SEK 3,070 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -175,084 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 41,422 thousand. No accounts receivable is deemed to be doubtful.

Qubix net sales have been included in the consolidated income statement since 2 November 2020 and amount to SEK 32,117 thousand. Qubix also generated a net result of SEK 7,425 thousand in the same period on group level.

Had Qubix been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 31 December 2020 would have shown increased net sales amounting to SEK 185,537 thousand and a net result of SEK 33,956 thousand.

Reconciliation between IFRS and key metrics used

In this interim report, Hexatronic presents certain financial parameters that are not defined in IFRS, known as alternative key metrics. The Group believes that these parameters provide valuable supplementary information for investors, as they facilitate an evaluation of the company's results and position. Since not all companies calculate financial parameters in the same way, these metrics are not always comparable with those used by other companies. Investors should see the financial parameters as a complement to, rather than a replacement for, financial reporting in accordance with IFRS.

Organic growth, SEK thousand, %	Q4 2020	Jan-Dec 2020
Net sales 2020	599,785	2,080,777
Exchange-rate effects	19,870	26,453
Acquisition driven	-51,461	-65,183
Comparable net sales	568,194	2,042,047
Net sales 2019	463,236	1,842,266
Net sales increase cleared of exchange-rate effects	156,419	264,964
%	34%	14%
Organic growth	104,958	199,781
%	23%	11%
Annual growth, rolling 12 months, %	12 months	
Net sales January-December 2020	2,080,777	
<i>Net sales rolling 12 months</i>	2,080,777	
Net sales January-December 2019	1,842,266	
<i>Net sales rolling 12 months</i>	1,842,266	
Annual growth, rolling 12 months	13%	
Quick asset ratio, %	31/12/2020	31/12/2019
Current assets	961,744	709,312
Inventories	-410,332	-339,346
<i>Current assets-inventories</i>	551,412	369,965
Current liabilities	608,368	421,114
Quick asset ratio	91%	88%
Core working capital, SEK thousand	31/12/2020	31/12/2019
Inventories	410,332	339,346
Accounts receivable	307,990	242,413
Accounts payable	-252,491	-162,584
Core working capital	465,832	419,176

Definition alternative key metrics

EBITA

Earnings before amortisation of intangible assets.

EBITA margin

Earnings before amortisation of intangible assets as a percentage of net sales.

EBIT (operating result)

Earnings before interest and taxes.

Operating margin

Earnings before interest and taxes as a percentage of net sales.

Number of shares

Number of outstanding shares at the end of the period.

Organic growth

Changes in net sales excluding exchange-rate effects and acquisitions compared with the same period last year.

Annual growth

Average annual growth is calculated as the Group's total net sales during the period compared to the same period the year before.

Quick asset ratio

Quick asset ratio is calculated as current assets minus inventories divided by current liabilities.

Core working capital

Core working capital is defined as inventories plus accounts receivable minus accounts payable.

Average number of outstanding shares

Weighted average of the number of outstanding shares during the period.

Average number of outstanding shares after dilution

Number of outstanding shares at the end of the period plus the number of shares that would be added if all dilutive potential shares were converted.

Earnings per share before dilution

Earnings as a percentage of average number of outstanding shares before dilution.

Earnings per share after dilution

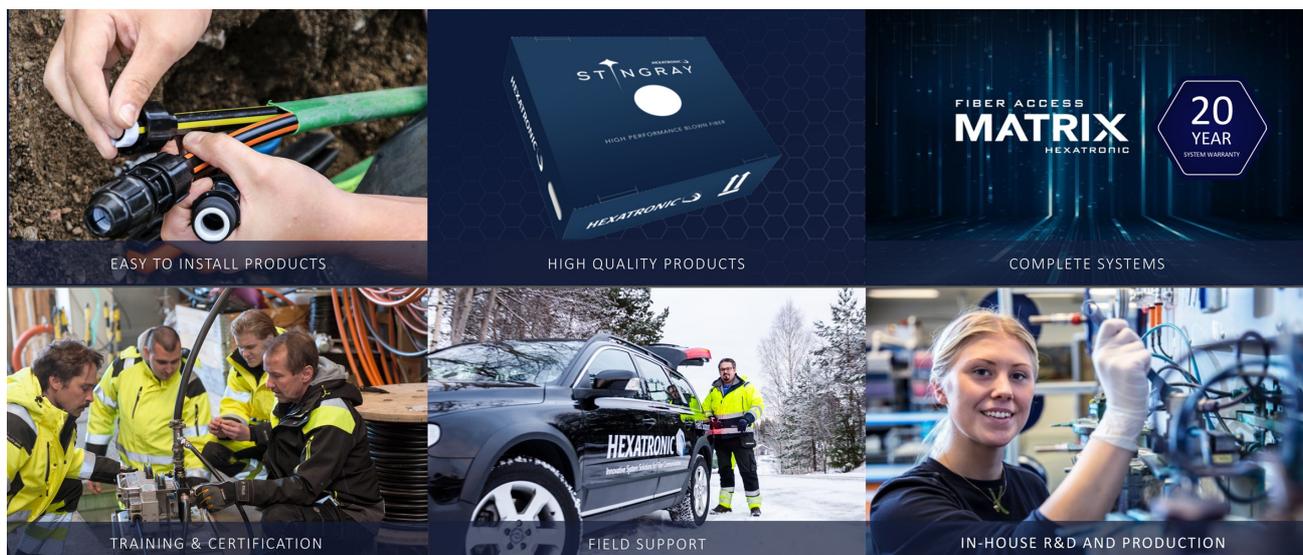
Earnings as a percentage of average number of outstanding shares after dilution.

Equity per share

Equity divided by the number of shares at the end of the period.

Number of employees

Number of employees at the end of the period.



This is Hexatronic

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