

Q4 and Full Year 2017

Conference Call | Feb 16, 2018 | CEO Lars Højgård Hansen

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Agenda

- CEO Lars Højgård Hansen comments Q4 and Full Year 2017
- Q&A
- Financial performance in further details

Strong end to the year in the USA

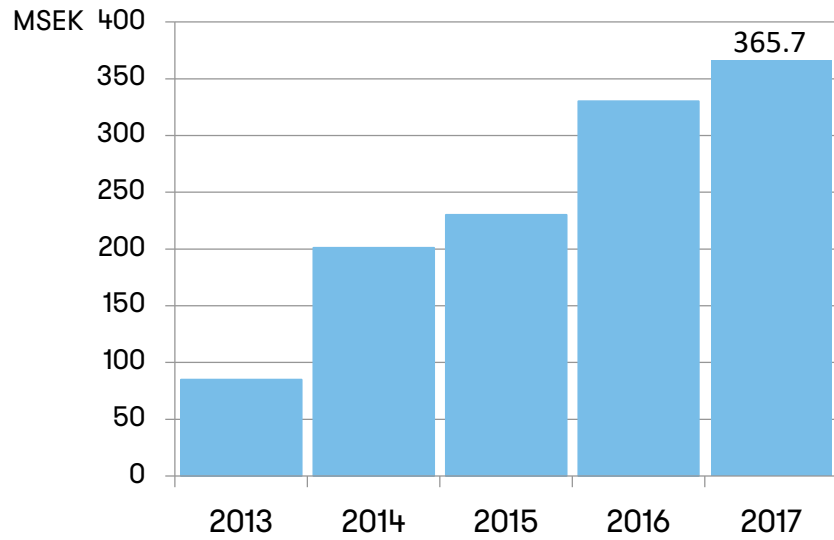
SEK in millions	2017 Q4	2016 Q4	Δ %	2017 Full year	2016 Full year	Δ %
Revenue	118.1	81.3	45	365.7	330.0	11
Gross profit	71.1	40.4	76	202.3	171.0	18
Gross margin, %	60.2	49.7		55.3	51.8	
EBITDA	28.3	20.6	38	82.9	97.8	-15
Operating profit/loss	27.3	16.9	61	78.6	90.4	-13
Operating margin, %	23.1	20.8		21.5	27.4	
Profit/loss for the period	15.0	16.3	-8	62.3	91.8	-32
Earnings per share, SEK	0.34	0.38	-10	1.42	2.14	-34

The financial performance should be seen in the light of our expansion

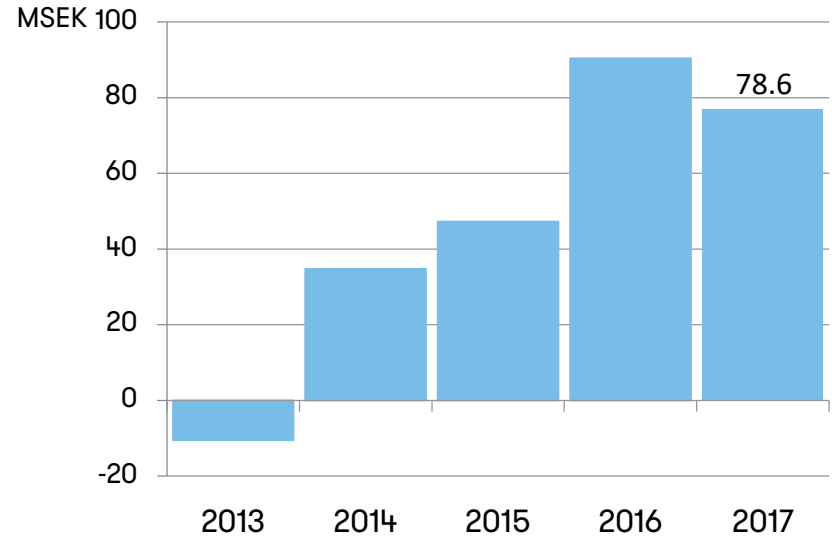
- Sales is driven by deliveries under contracts covering modernization programs.
 - Q4 revenue growth by 45%, boosted by a large delivery to a contract customer in the US and delivery of some delayed orders from Q3 due to an agreed color change of products.
 - Full year revenue growth by 11%.
- Strong gross margin. Higher share of direct sales in the US.
- Increased costs related to headcount growth (+40%) and investments in R&D and Marketing & Sales activities. Non-recurring costs of SEK 11.7 million related to US distributor fee.
- Operating margin in line with our expectations.

Development in sales and operating profit

Sales

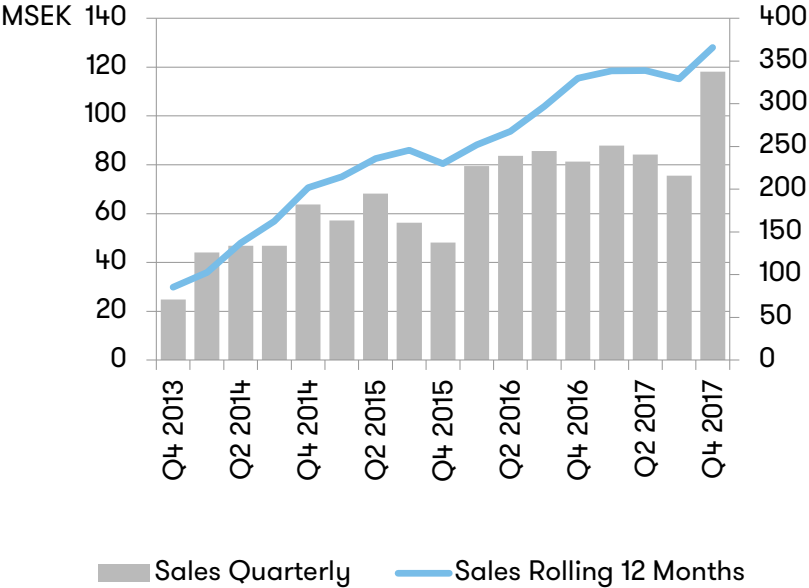


Operating profit

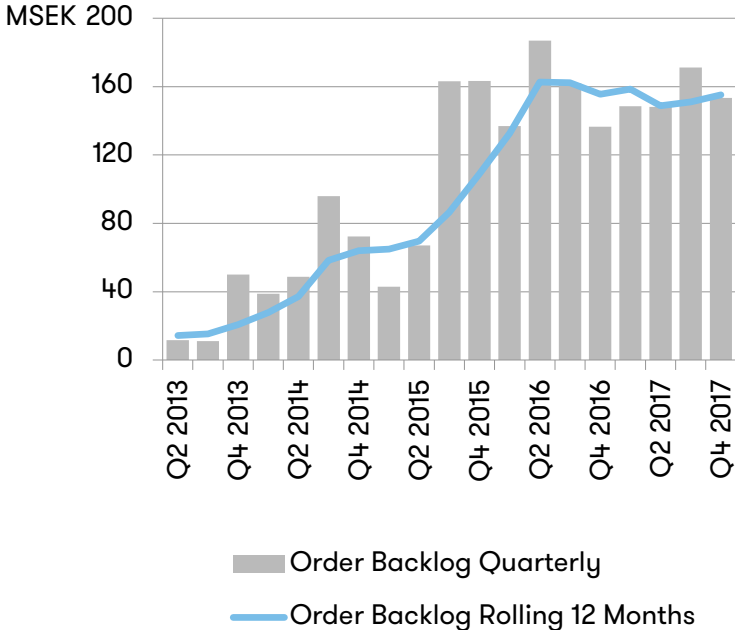


Sales and order backlog per quarter and rolling 12 months

Sales



Order backlog



Order backlog:
SEK 153.4 million



“Our efforts during the year have further strengthened our position and improved our market opportunities. The year’s successes with our own sales offices, contracts won, stronger relations with our customers, as well as an entirely new product category for communication in vehicles, give us a good starting position for the future. To enable the company’s growth ambitions the investments are continuing in 2018, but at a slightly calmer pace.”

Successful implementation of strategy for profitable growth

INVISIO 2017 Highlights

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Increased market penetration on existing markets

Expansion through own offices

- Our own sales teams in the USA, France and Italy.

Strengthened position in the USA and NATO

- Continued orders from existing contract customers in the USA, Canada, UK and Australia.
- Continuous smaller orders from other military customers.
- 30 million order from US Army's special unit SFAB.
- Increased demand from Police special units.

Contract awards

- British MOD: 5-year contract. Orders of SEK 105 m.
- U.S. DoD: 2-year contract. Order of SEK 60 m.
Contract potential of USD 13 million.

January 2018

- Danish Army: 5-year contract.



Geographical expansion

Ongoing activities for broadening the customer base in new geographical regions.

- Several new partners in Asia, South America and the Middle East.
- Smaller initial orders.
- Lead times are long in our industry but we expect a good return over time from these investments.



A broader product offering

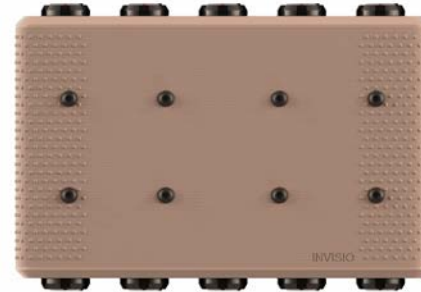
Enhanced personal communication portfolio

- The INVISIO V50 control unit.
- Based on the same technology platform as our other control units.



New product category for communication in vehicles

- The INVISIO Intercom system.
- Mounted or carried in a backpack.
- Commercially available in late 2018.

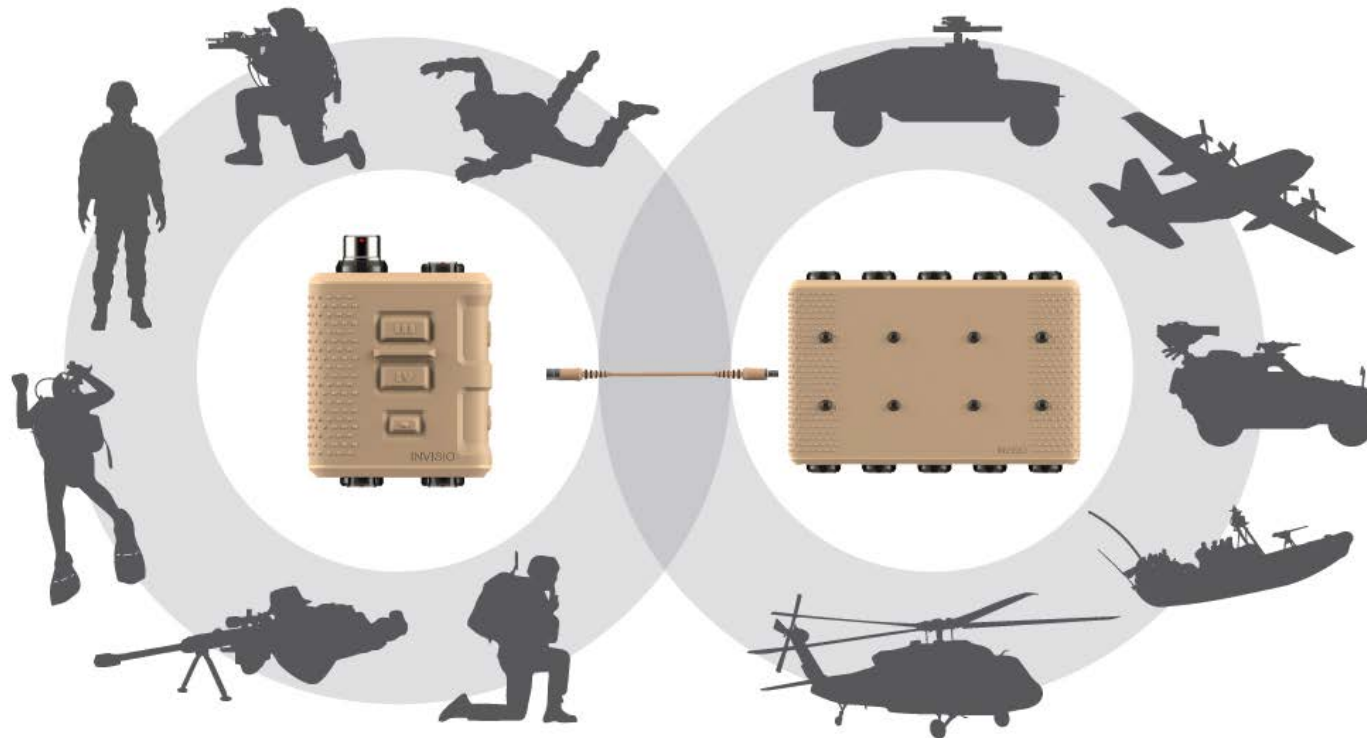


A step to further strengthen INVISIO's role as a leading supplier of communications solutions for demanding environments

Seamless integration

Bridging the gap between the mounted and dismounted soldier

- Multiple users and radios can connect simultaneously, controlling both systems with their INVISIO control units.



Soldier

Vehicle, aircraft, boat

Proposed dividend

Shows trust in our capacity to continue growing with sound profitability.

- The Board of Directors proposes a dividend of SEK 0.60 per share (0.50).



Market and drivers – going forward

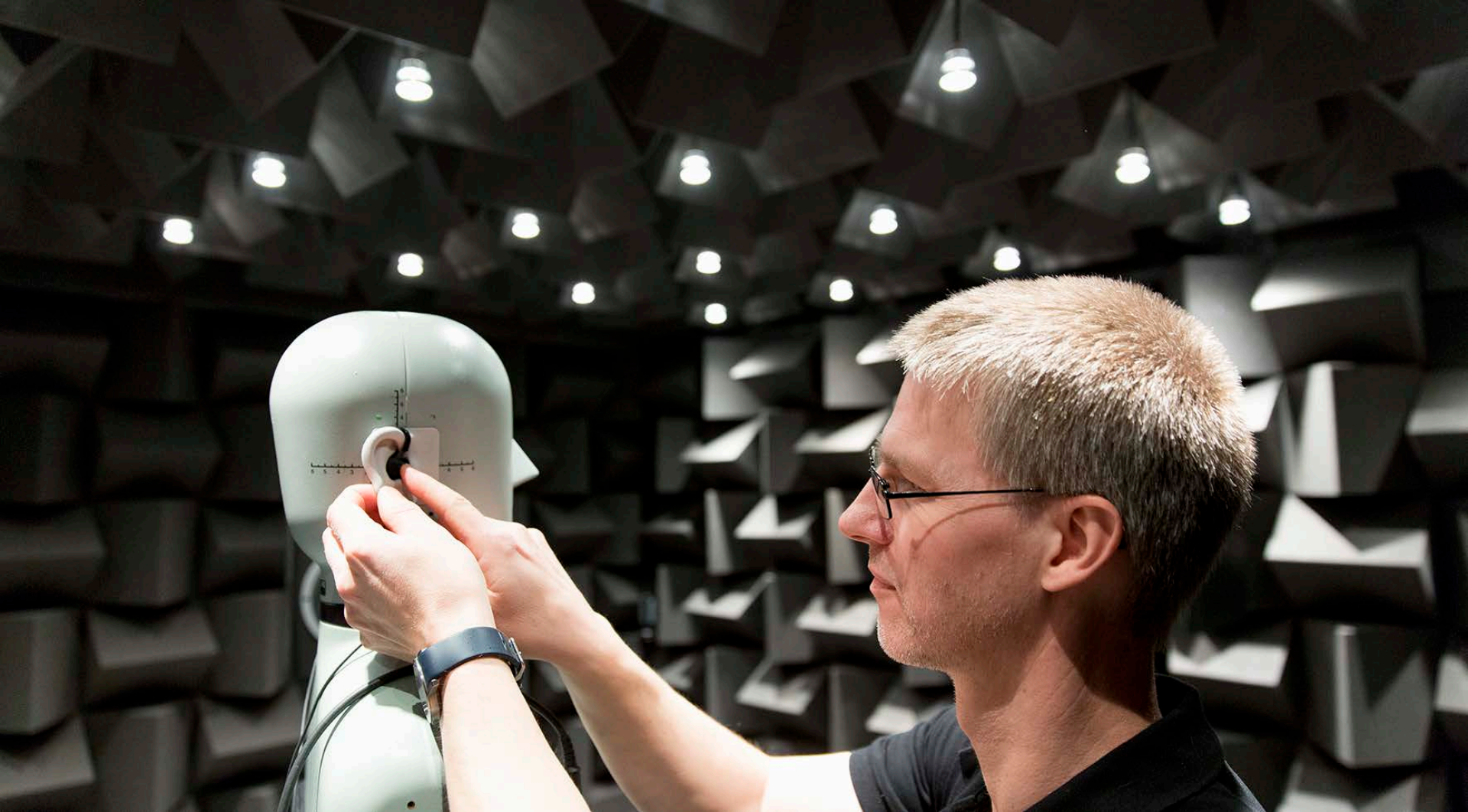


- Modernization of soldier communications drives growth.
- Cost for hearing impairment drives growth.
- INVISIO drives growth by developing new, innovative solutions that raise the performance, functionality and user experience requirements.
- Current market still in infancy. Strong position in a growing market with barriers to entry.
- Potentially big market for the new Intercom system.
- Uneven order flow and sales over the year.



Q&A

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Thank you!

Financial performance in further details

Q4 and Full Year 2017

Condensed consolidated income statement and consolidated statement of comprehensive income

SEK in millions	2017 Q4	2016 Q4	2017 Full year	2016 Full year
Revenue	118.1	81.3	365.7	330.0
Cost of goods sold	-47.0	-40.9	-163.4	-159.0
Gross profit	71.1	40.4	202.3	171.0
Operating expenses*	-43.8	-23.5	-123.7	-80.6
Operating profit/loss	27.3	16.9	78.6	90.4
Net financial items	-2.4	0.0	-5.1	-0.1
Profit/loss before tax	24.9	16.9	73.5	90.3
Income tax	-10.0	-0.6	-11.2	1.5
Profit/loss for the period	15.0	16.3	62.3	91.8
OTHER COMPREHENSIVE INCOME				
<i>Items that may subsequently be reclassified to profit and loss</i>				
Translation differences	6.4	-1.4	6.3	5.7
Comprehensive income for the period	21.3	14.9	68.6	97.4
(Profit/loss attributable to equity holders of the parent company.)				
*Depreciation incl. in operating expenses	-1.0	-3.7	-4.4	-7.5

Condensed consolidated statement of financial position

SEK in millions

Assets	31/12/2017	31/12/2016
Capitalized development costs	27.7	17.5
Equipment	4.5	3.3
Deposits for rent, long-term	1.5	1.5
Deferred tax assets	25.9	34.3
Inventories	36.3	25.9
Trade receivables	121.1	39.4
Other short-term receivables	12.1	5.9
Cash and cash equivalents	113.2	133.2
Total assets	342.2	260.9
Shareholders' equity and liabilities		
Shareholders' equity	259.9	209.5
Trade payables	49.7	26.0
Other short-term liabilities	32.7	25.4
Total shareholders' equity and liabilities	342.2	260.9

Condensed consolidated statement of cash flow

SEK in millions	2017 Q4	2016 Q4	2017 Full year	2016 Full year
Operating activities				
Profit/loss before tax	24.9	16.9	73.5	90.3
Adjustments for non-cash items	3.3	9.8	7.3	13.2
Income tax paid	-2.1	-4.9	-2.7	-5.1
Cash flow from operating activities before changes in working capital	26.1	21.8	78.1	98.4
Changes in inventories	-7.5	6.9	-9.5	-4.9
Changes in operating receivables	-35.4	18.7	-86.4	1.1
Changes in operating liabilities	30.3	-0.5	28.7	11.2
<i>Cash flow from changes in working capital</i>	<i>-12.5</i>	<i>25.2</i>	<i>-67.2</i>	<i>7.5</i>
Cash flow from operating activities	13.7	46.9	10.9	105.8
Investing activities				
Capitalization of development costs	-3.2	-2.2	-12.6	-6.8
Acquisition of property, plant, and equipment	-0.6	-2.2	-2.4	-3.1
Acquisition of financial assets	0.0	-0.6	0.0	-0.6
Cash flow from investing activities	-3.8	-5.0	-15.0	-10.5
Financing activities				
New issues through exercising employee stock options	-	3.1	3.4	6.2
Dividend	-	-	-21.7	-
Cash flow from financing activities	-	3.1	-18.3	6.2
CASH FLOW FOR THE PERIOD	9.8	45.0	-22.5	101.5
Cash and cash equivalents at start of period	100.7	88.3	133.2	29.4
Translation differences in cash and cash equivalents	2.7	-0.1	2.4	2.3
Cash and cash equivalents at end of period	113.2	133.2	113.2	133.2