

INVISIO Communications

Conference call February 14, 2020 | Year-end Bulletin 2019
CEO Lars Højgård Hansen

INVISIO®



Agenda

- CEO Lars Højgård Hansen comments on Q4 and Full Year, 2019.
- Q&A.
- Financial performance in further details.



Strong close to a successful year

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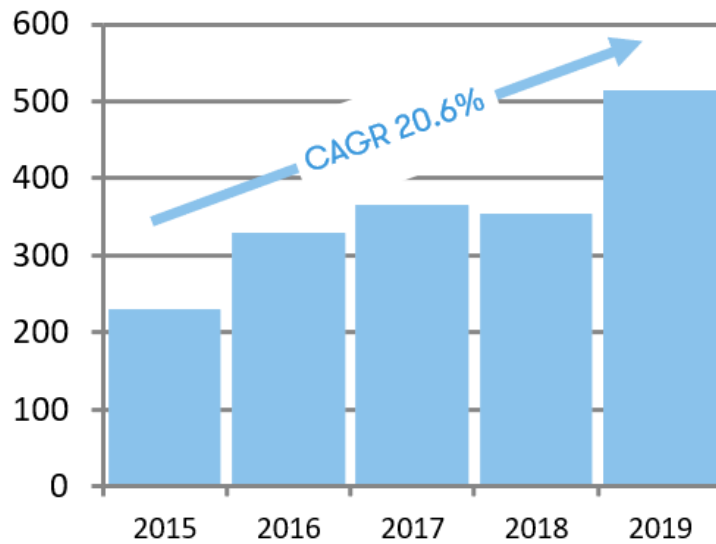
Q4 2019 and Full Year

| SEK in millions | 2019 Q4 | 2018 Q4 | Δ % | 2019 Full year | 2018 Full year | Δ % |
|----------------------------|--------------|------------|-----|-------------------|-------------------|-----|
| Revenue | 200.5 | 95.6 | 110 | 513.8 | 354.5 | 45 |
| Gross profit | 123.1 | 47.4 | 160 | 313.3 | 199.7 | 57 |
| Gross margin, % | 61.4 | 49.5 | | 61.0 | 56.4 | |
| EBITDA | 76.0 | 21.6 | 251 | 142.6 | 67.7 | 110 |
| Operating profit/loss | 73.5 | 20.6 | 257 | 132.6 | 63.5 | 109 |
| Operating margin, % | 36.7 | 21.5 | | 25.8 | 17.9 | |
| Profit/loss for the period | 55.4 | 16.0 | 246 | 101.6 | 48.2 | 111 |
| Earnings per share, SEK | 1.26 | 0.36 | 246 | 2.30 | 1.09 | 111 |

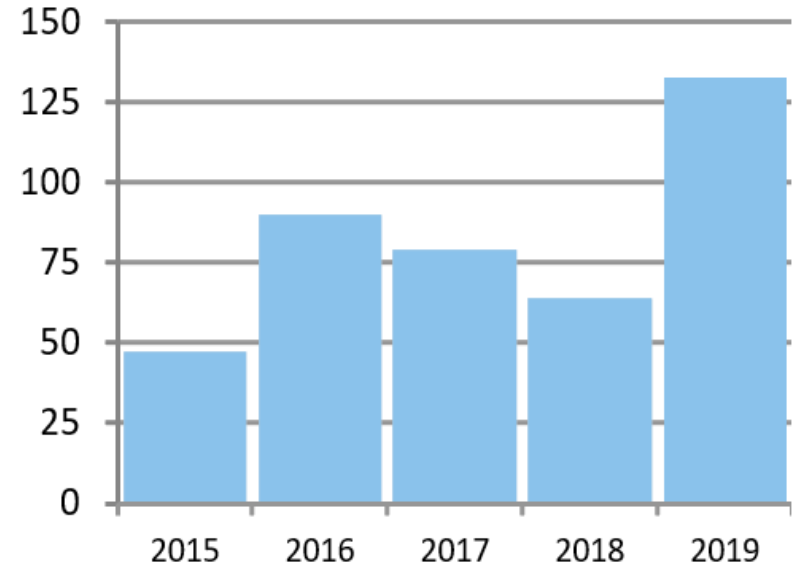
- A customer within the American Department of Defense renews a five-year framework agreement worth up to SEK 290 million.
- Enters into a framework agreement with the Swedish Police and receives a first order of SEK 19 million.
- Wins Belgian army tender and receives two orders worth SEK 55 million.
- Receives two first orders from the Japanese Police.
- A new customer within the American Department of Defense places a first order worth SEK 28 million.
- At year-end, the order book was SEK 145.0 million (56.1).

Development in sales and EBIT

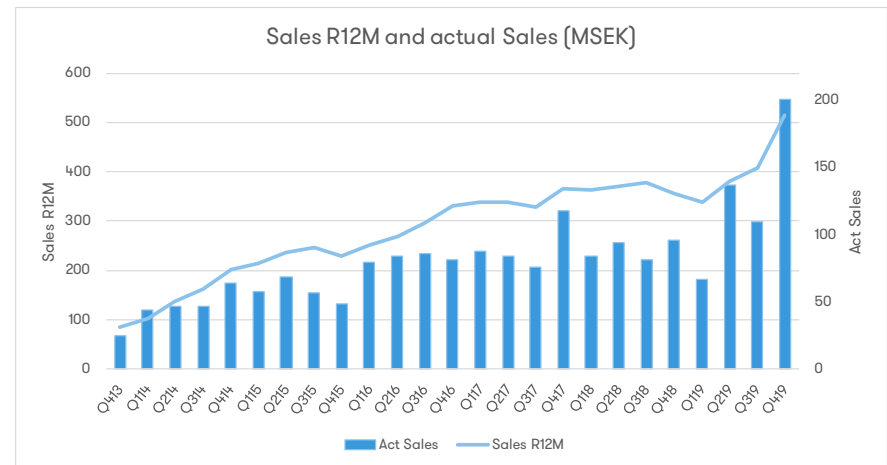
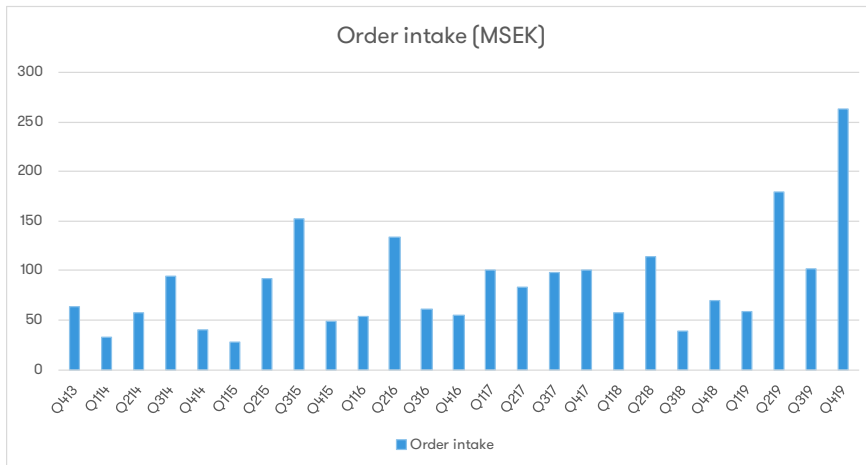
Sales (SEK m)



EBIT (SEK m)



Order intake and sales can fluctuate between quarters



- Steady long-term growth despite quarterly fluctuations in both sales and order intake.

New framework agreement with a customer within U.S. DoD



Department of Defense

October 2019

INVISIO has been awarded a five-year IDIQ (Indefinite Delivery, Indefinite Quantity) contract from a customer within the U.S. Department of Defense for communication and hearing protection systems.

- The maximum order value, over the five-year time period, is USD 30 million, equivalent to approximately SEK 290 million.
- The contract replaces the first one received in 2017 that expired earlier this year.

Belgian army chooses INVISIO



Photo from the Belgium Army Facebook page

October 2019

INVISIO in partnership with Thales Belgium, received an order for communication and hearing protection systems from a new customer, the Belgian army.

- Order value approx. SEK 30 million for the first order.
- Received a follow-up order of SEK 25 million in November.
- Long-term potential for further orders is considerable.

Swedish Police: Framework agreements and a first order



*“It is our intention to make this solution available to as many police officers as possible who are at risk of exposure to high noise levels.”
Per Olov Olsson, Assignment Leader
at the Swedish Police*

October 2019

The Swedish Police signs framework agreements with INVISIO regarding communication equipment with active hearing protection.

- Potential value is between SEK 50 and 75 million over the contract period.
- Agreements valid for two years with the possibility of extending for another two years. No volume is guaranteed.
- First order worth 19 MSEK.

First orders in Japan



December 2019

Ahead of the 2020 Olympic Games the Japanese Police has placed two orders.

- Won the contracts for communication equipment from the Japanese police force with its Japanese partner FLE.
- The total order value amounts to SEK 10 million.

New customer within the US DoD places a first order of 28 MSEK



Department of Defense

December 2019

A new customer within the US Department of Defense, has selected INVISIO to provide a suite of hearing enhancement.

- The order is valued at approximately SEK 28 million.
- Deliveries will take place in the first half of 2020.
- Not part of the earlier awarded five-year IDIQ 30 MUSD contract from the US Department of Defense.

Strategy for growth



INVISIO's growth and financial position make continued investment in new markets and R&D projects possible

1

Increase market share

Existing markets in Europe, North America and Oceania.

2

Geographical expansion

Strengthen presence in selected countries in Asia, the Middle East and South America.

3

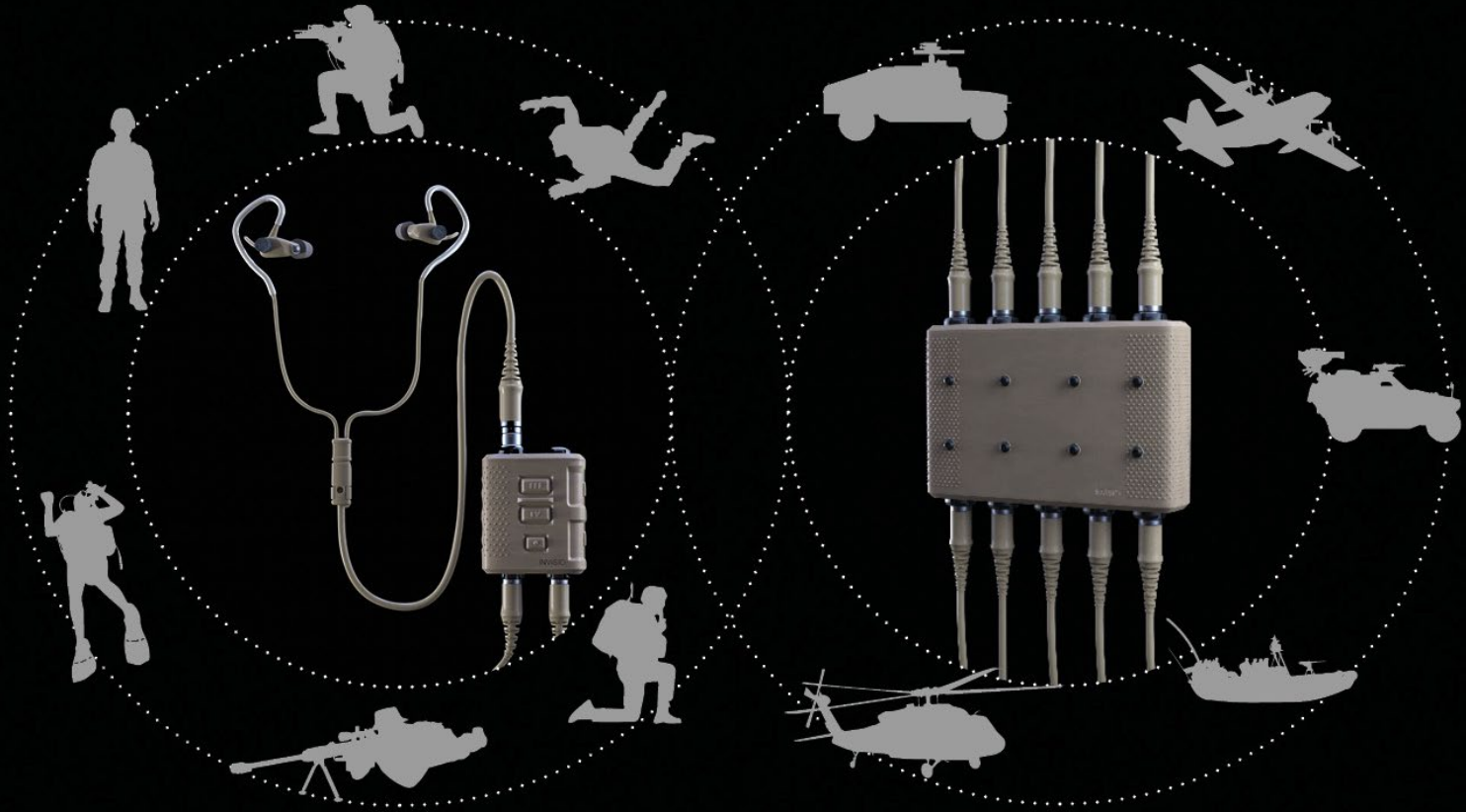
Product development

Both further developed and new products.

4

Cost efficiency

Scalable business model of outsourced production.



Intercom: a new system for communication in vehicles

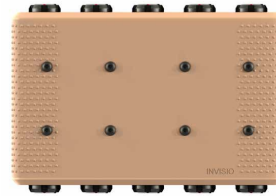
A step to further strengthen INVISIO's role as a leading supplier of communications and hearing protection solutions.

Intercom In a Bag

Intercom in a bag:



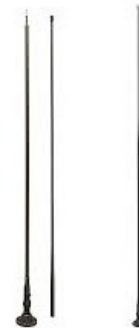
INVISIO ICS



Radios



Antennas



PWR MGMT



Cables



Battery



Military and defense market for the personal system

- 50 million soldiers in the world.
- 20 million soldiers are active.
- 2 million soldiers in the primary target group, in Europe, USA and selected countries in Asia.
- The value of the market is estimated to be about SEK 20 billion.
- Procurements at 4-year intervals, when modernizing communication equipment.
- The average annual addressable market is about SEK 5 billion.
- 200,000 users of the personal system – approx. 10% market penetration.



Law enforcement market for the personal system

- 2.7 million police officers in the USA, Europe and selected countries in Asia.
- 700,000 – 900,000 police officers are estimated to be the primary target group.
- The value of the market is estimated to be about SEK 9 billion.
- Customers estimated to carry out procurements at intervals of 5-7 years.
- The average annual addressable market is about SEK 1.5 billion.



Market for the portable Intercom-system

In a first phase INVISIO intends to focus on the portable Intercom-offer and direct it towards current users of the personal system.

- The estimated addressable market is 25,000 – 40,000 systems.
- Customers are estimated to carry out procurements at intervals of 5-7 years.
- The annual addressable market is about SEK 500 million.



Market for the mounted Intercom-system

In a second phase INVISIO intends to address the customers' existing fleets of vehicles, as well as vehicle manufacturers and companies that equip them.

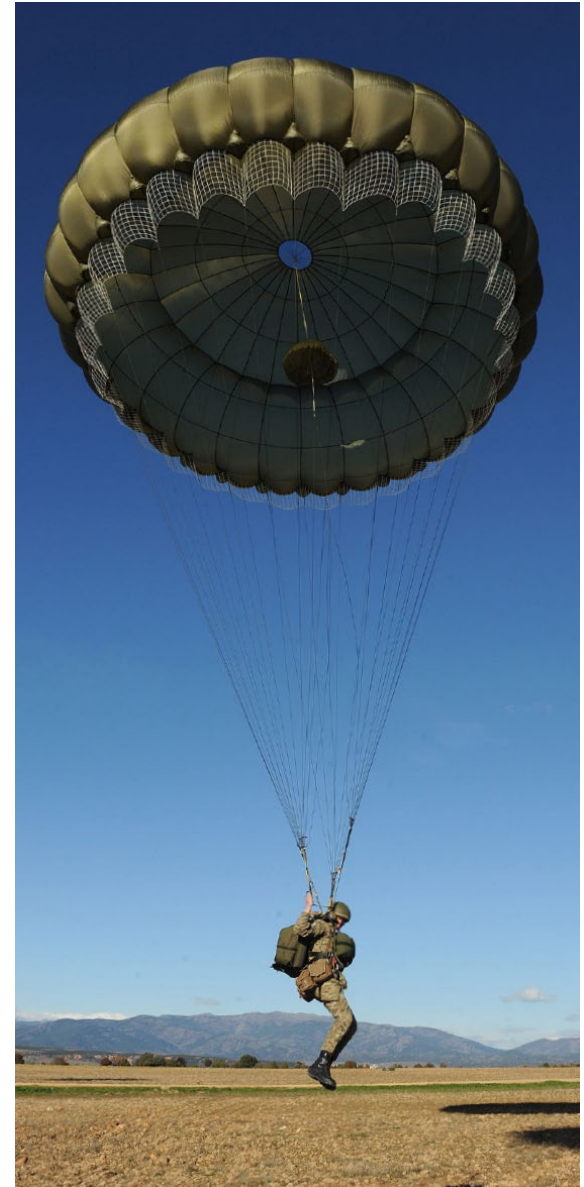
- There are about 650,000 relevant vehicles in the target markets.
- Customers are estimated to carry out procurements at intervals of 10 years.
- The annual addressable market of about SEK 6.5 billion.

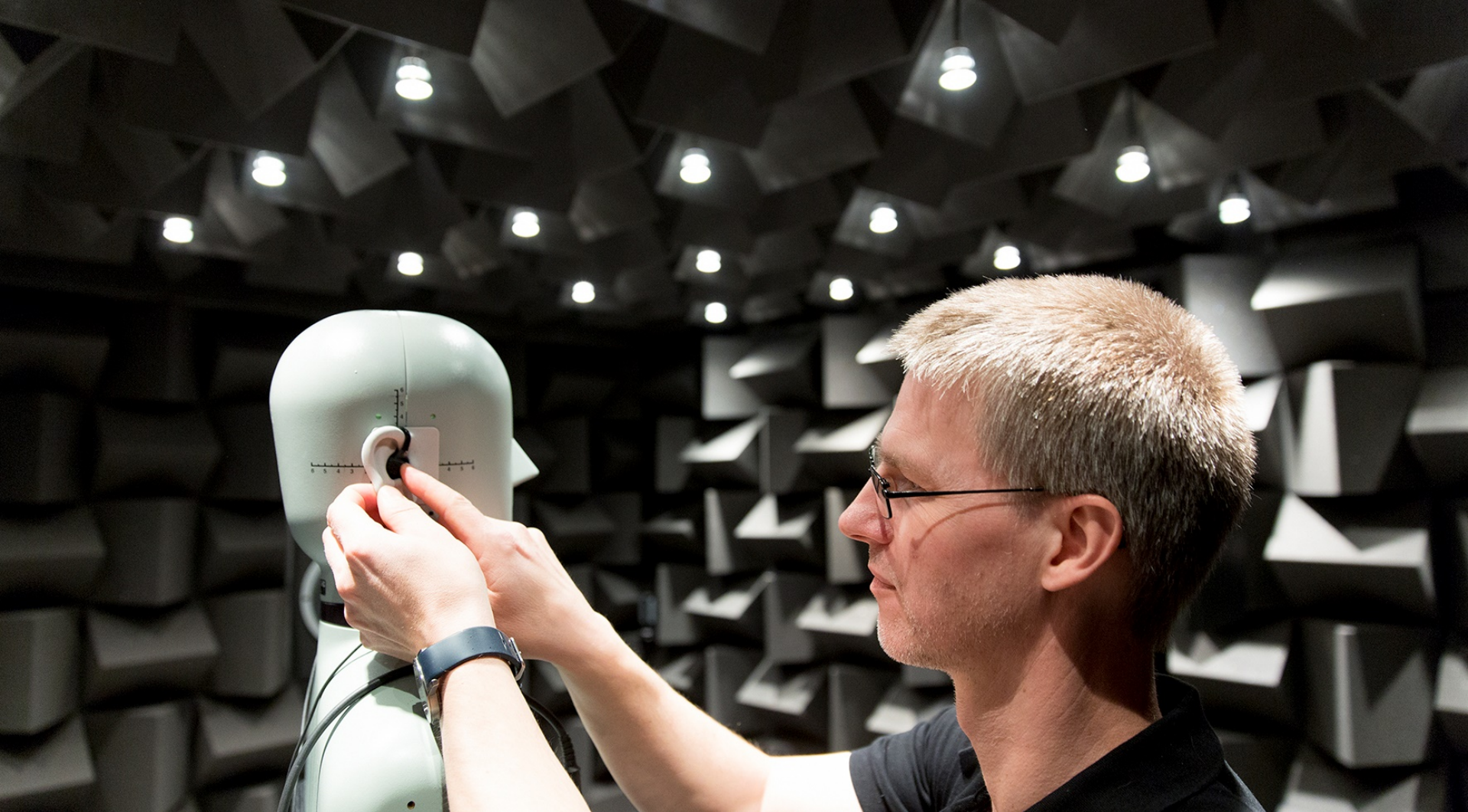


Proposed dividend

We believe in our capacity of continued growth with sound profitability.

- The Board of Directors proposes a dividend of SEK 0.85 per share (0.70).





“The year’s successes, with new agreements and a growing customer base that can generate continual orders mean that INVISIO holds a strengthened position for the future.”



Thank you!

Financial performance in further detail

Q4 and Full Year 2019

Condensed consolidated income statement and consolidated statement of comprehensive income

| <i>SEK in millions</i> | Note | 2019 Q4 | 2018 Q4 | 2019 Full year | 2018 Full year |
|---|------|--------------|-------------|-------------------|-------------------|
| Revenue | 2 | 200.5 | 95.6 | 513.8 | 354.5 |
| Cost of goods sold | | -77.4 | -48.3 | -200.5 | -154.7 |
| Gross profit | | 123.1 | 47.4 | 313.3 | 199.7 |
| Operating expenses* | | -49.6 | -26.8 | -180.7 | -136.3 |
| Operating profit/loss | | 73.5 | 20.6 | 132.6 | 63.5 |
| Net financial items | | -1.4 | 0.5 | 1.5 | 0.7 |
| Profit/loss before tax | | 72.1 | 21.1 | 134.1 | 64.2 |
| Income tax | 3 | -16.7 | -5.1 | -32.5 | -16.0 |
| Profit/loss for the period | | 55.4 | 16.0 | 101.6 | 48.2 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| <i>Items that may subsequently be reclassified to profit and loss</i> | | | | | |
| Translation differences | | -9.7 | -0.7 | 1.8 | 9.9 |
| Comprehensive income for the period | | 45.7 | 15.3 | 103.4 | 58.1 |
| (Profit/loss attributable to equity holders of the parent company.) | | | | | |
| *Depreciation incl. in operating expenses | | -2.5 | -1.1 | -10.0 | -4.3 |

Condensed consolidated statement of financial position

SEK in millions

| Assets | Note | 31/12/2019 | 31/12/2018 |
|---|-------------|-------------------|-------------------|
| Capitalized development costs | | 85.6 | 49.7 |
| Equipment | | 3.1 | 4.4 |
| Right-of-use assets, leases | 4 | 25.3 | - |
| Deposits for rent, long-term | | 2.3 | 1.7 |
| Deferred tax assets | 3 | 1.8 | 15.6 |
| Inventories | | 95.6 | 101.3 |
| Trade receivables | | 111.0 | 104.6 |
| Other short-term receivables | | 10.0 | 16.2 |
| Cash and cash equivalents | | 145.1 | 62.2 |
| Total assets | | 479.7 | 355.7 |
| Shareholders' equity and liabilities | | | |
| Shareholders' equity | | 366.0 | 292.0 |
| Lease liabilities | 4 | 25.9 | - |
| Deferred tax liabilities | 3 | 6.5 | - |
| Trade payables | | 29.8 | 39.6 |
| Other current liabilities | | 51.5 | 24.1 |
| Total shareholders' equity and liabilities | | 479.7 | 355.7 |

Condensed consolidated statement of cash flow

| <i>SEK in millions</i> | 2019 | 2018 | 2019 | 2018 |
|--|-------------|--------------|------------------|------------------|
| | Q4 | Q4 | Full year | Full year |
| Operating activities | | | | |
| Profit/loss before tax | 72.1 | 21.1 | 134.1 | 64.2 |
| Adjustments for non-cash items | 5.4 | -0.1 | 8.7 | 2.0 |
| Income tax paid | -0.9 | -0.1 | -2.8 | -4.8 |
| Cash flow from operating activities before changes in working capital | 76.7 | 20.9 | 140.0 | 61.4 |
| Changes in inventories | 5.7 | -11.0 | 7.5 | -63.3 |
| Changes in operating receivables | -32.4 | -23.1 | 2.3 | 19.7 |
| Changes in operating liabilities | 8.6 | -11.6 | 8.6 | -20.8 |
| <i>Cash flow from changes in working capital</i> | -18.1 | -45.7 | 18.4 | -64.3 |
| Cash flow from operating activities | 58.6 | -24.9 | 158.4 | -3.0 |
| Investing activities | | | | |
| Capitalization of development costs | -8.5 | -9.1 | -39.6 | -23.4 |
| Acquisition of property, plant, and equipment | -0.1 | -1.0 | -0.6 | -1.6 |
| Acquisition of financial assets | -0.4 | 0.0 | -0.5 | -0.1 |
| Cash flow from investing activities | -8.9 | -10.1 | -40.8 | -25.1 |
| Financing activities | | | | |
| Changes in lease liabilities | -1.8 | - | -3.4 | - |
| Dividend paid | - | - | -30.9 | -26.5 |
| Cash flow from financing activities | -1.8 | - | -34.2 | -26.5 |
| CASH FLOW FOR THE PERIOD | 47.9 | -34.9 | 83.4 | -54.6 |
| Cash and cash equivalents at start of period | 101.4 | 97.1 | 62.2 | 113.2 |
| Translation differences in cash and cash equivalents | -4.1 | 0.0 | -0.5 | 3.6 |
| Cash and cash equivalents at end of period | 145.1 | 62.2 | 145.1 | 62.2 |