**Interim Report, Beijer Electronics Group AB**

**1 January-30 June 2021**

**Big boost to order intake sets a stable base for higher sales and improved earnings**

**Second quarter**

• Order intake increased by 53% to 514 MSEK (335).

• Net sales rose by 9% to 390 MSEK (357).

• EBIT amounted to 9.8 MSEK (7.9).

• Profit after tax of 1.9 MSEK (-0.8).

• Earnings per share were 0.07 SEK (-0.03).

**First half-year**

• Order intake increased by 26% to 932 MSEK (741).

• Net sales of 741 MSEK (753).

• EBIT amounted to 14.5 MSEK (16.3).

• Profit after tax of 3.6 MSEK (4.4).

• Earnings per share were 0.12 SEK (0.16).

• Acquisition of ELTEC of Germany.

**Comments from CEO Per Samuelsson:**

“BEIJER GROUP’s order intake set a new record in the second quarter. With an increase of over 50%, we passed 500 MSEK order intake in a single quarter for the first time. This is a sign of strength, and evidence that our growth strategies are now paying off. We’ve also noted how the upturn is broad based, covering all three of the Group’s business entities, and all geographical regions.

It is also a sign that the effects of the pandemic and Covid-19 on demand are starting to fade. However, the global shortage of certain key components does persist, which means that several products will not be fully complete according to plan, causing disruptions to supply chains. This impacted BEIJER GROUP’s shipments in the second quarter, and the first.

We think that the loss of sales resulting from the component shortage that have restricted shipments was 11-12% of sales in the second quarter, or nearly 50 MSEK. The Group was still able to increase sales by 9% to almost 390 MSEK in the period. In this context, I’d like to acknowledge how my co-workers have succeeded in dealing with the challenges of the component shortage through flexibility, finding new solutions and re-planning.

EBIT was up by 24%, but negatively impacted by the loss of sales. As CEO, I can state that earnings are too low, and that there is clearly some way to go to achieve our profitability targets. But I’m confident that we’re going in the right direction, and I’m optimistic about our future. Our earnings in the second quarter would have been significantly higher if we’d had a normal supply situation. The component shortage also caused increased costs for key components, and price adjustments to our customers will feed through during coming quarters.

It’s also important to emphasize how delivery problems relate to the component shortage rather than any internal capacity problems. We decided to increase some product inventory so we can deliver quickly once the individual component is in hand. Apart from the earnings impact, this inventory build-up did cause negative cash flow in the period, which will go positive after delivery. We think that BEIJER GROUP’s total delivery capacity, given normal flows of components, will more than exceed the rate of order intake in the second quarter.

The Group’s three business entities performed positively in terms of order intake and sales. Westermo’s order intake was up by 40%, and sales by 9%. The business entity secured a major order of 36 MSEK under a framework agreement with a North American train operator. ELTEC of Germany, acquired in the first quarter, has performed above expectations, making a positive contribution to Westermo’s business. This business entity’s EBIT was somewhat lower in the period, mainly due to rising component prices and deferred deliveries due to the component shortage.

Westermo also achieved a milestone in the quarter through the launch of new switches in the power distribution segment. Westermo now possesses a competitive product portfolio for automating substations and digitalizing energy systems, which is consistent with the business entity’s growth strategy.

Beijer Electronics’ order intake grew by nearly 80%, and was over 200 MSEK for the second consecutive quarter. Sales increased by 7%, and EBIT went from negative to breakeven. Sales and earnings were negatively impacted by the component shortage and rising component prices. The Korenix business entity also performed positively after significant re-orientation in recent years. Order intake and sales increased by nearly 30%, and the business entity was able to record breakeven earnings after a fairly heavy operating loss last year.

Overall, we’re satisfied with the excellent growth of the Group’s order intake. By the end of the second quarter, BEIJER GROUP’s order book was at an all-time high of some 750 MSEK. After a dip during the pandemic, underlying demand has progressed strongly, especially in Asia. Europe has staged a gradually accelerating recovery, while the upturn in North America has been more cautious.

How long the component shortage will last as hard to estimate. We’re doing our upmost to manage these problems and alleviate the negative impacts. But viewed in a slightly longer perspective, we’re sure that the scale of our order book and excellent order intake driven by strong demand will translate into sales generating earnings at least in line with the EBIT margin target of 10%.

We are maintaining our view for the full year 2021. BEIJER GROUP has good potential to achieve better financial performance in 2021 than in 2020.”

**The Group in the second quarter**

The Group’s order intake increased by 53% to 514 MSEK (335) in the second quarter 2021. Adjusted for currency effects, order intake increased by 60%. The order intake of all three business entities increased.

The Group’s sales increased by 9% to 390 MSEK (357). Adjusted for currency effects, sales increased by 14%. All three business entities increased sales.

The Group’s EBITDA was 47.2 MSEK (44.9). Depreciation and amortization amounted to 37.4 MSEK (37.0). EBIT was 9.8 MSEK (7.9), corresponding to an EBIT margin of 2.5% (2.2). EBIT was charged with negative currency effects of 4.4 MSEK. Earnings were negatively impacted by lost deliveries due to the component shortage and increasing component prices. Total development expenditure was 53.3 MSEK (48.4), which corresponded to 13.7% (13.5) of Group sales.

.Passing order intake of 500 MSEK in a single quarter for the first time is a sign of strength.

Profit before tax was 2.7 MSEK (0.4). Net financial income/expense was -7.1 MSEK (-7.6). Profit after estimated tax was 1.9 MSEK (-0.8). Earnings per share after estimated tax were 0.07 SEK (-0.03).

**The Group in the first half-year**

The Group’s order intake increased by 26% to 932 MSEK (741) in the first half-year 2021. Adjusted for currency effects, order intake increased by 32%. The order intake of the three business entities increased.

The Group’s sales decreased to 741 MSEK (753). Adjusted for currency effects, sales increased by 3%. Korenix’s sales increased, while Westermo’s and Beijer Electronics’ decreased.

The Group’s EBITDA was 86.5 MSEK (88.5). Depreciation and amortization was 72.1 MSEK (72.2). EBIT was 14.5 MSEK (16.3), equivalent to an EBIT margin of 2.0% (2.2). Earnings were negatively impacted by lost deliveries due to a component shortage and increasing component prices. Earnings in 2020 were charged with non-recurring expenses of 15 MSEK. Total development expenditure amounted to 98.8 MSEK (100.7), corresponding to 13.3% (13.4) of Group sales.

Profit before tax was 5.8 MSEK (7.5). Net financial income/expense was -8.7 MSEK (-8.8). Profit after estimated tax amounted to 3.6 MSEK (4.4). Earnings per share after estimated tax were 0.12 SEK (0.16).

**Westermo business entity**

Westermo’s order intake took a sharp upward turn in the second quarter after decreasing in the first quarter. The gains were backed by deals including a major 36 MSEK order from a North American train operator under a framework agreement signed last year. There were also a number of mid-sized orders, and the contribution from ELTEC of Germany, acquired on 1 April 2021. Otherwise, order intake progressed positively after lower demand resulting from the pandemic.

The business entity’s sales also increased, but more slowly. Sales were impacted by lost deliveries resulting from the shortage of key components, especially electronic components. This, like increasing component prices, also impacted earnings, which were down somewhat on the previous year. ELTEC of Germany performed better than expected, and contributed to the business entity’s order intake, sales and earnings.

After an extensive development and certification process, in the second quarter, Westermo launched new and robust network solutions with features including new, specialized switches for the energy distribution segment. This launch marks a milestone, enabling Westermo to offer segments a complete product portfolio enabling automation of substations and digitalization of energy systems. This is a large and growing market, which Westermo identified within the framework of the business entity’s growth strategy.

**Second quarter**

Order intake increased by 40% to 277 MSEK (199) including the acquisition of ELTEC. Sales increased by 9% to 206 MSEK (189). EBITDA amounted to 37.5 MSEK (37.3). Depreciation and amortization was 17.8 MSEK (15.6). EBIT was 19.7 MSEK (21.6), corresponding to an EBIT margin of 9.6% (11.4).

**First half-year**

Order intake increased by 12% to 449 MSEK (400). Sales decreased to 394 MSEK (404). EBITDA was 70.7 MSEK (85.2). Depreciation and amortization was 34.0 MSEK (30.2). EBIT was 36.7 MSEK (55.0), corresponding to an EBIT margin of 9.3% (13.6).

“ELTEC of Germany, acquired in the first quarter, performed above expectations, making a positive contribution to the Westermo business entity’s business.

**Beijer Electronics business entity**

Beijer Electronics kept progressing in the right direction in the second quarter. The business entity’s order intake, the primary indicator of future sales growth, was up by 79% in the period, easily exceeding 200 MSEK for the second consecutive quarter. The upturn is broad based, including all regions. Demand was strongest in Asia. In Europe, the recovery gradually accelerated, while progress in the US was more cautious.

The business entity’s sales increased by 7%, although as in the first quarter, sales were restricted by the global shortage of certain electronic components. The sales decrease due to lost deliveries is estimated at just over 10% of sales, or nearly 20 MSEK. This impacted earnings, which otherwise would have been higher. Nevertheless, earnings increased compared to the corresponding period of 2020, and accordingly, the business entity was able to lift an operating loss to breakeven in the second quarter of this year. The business entity also encountered some price increases, especially on key components. These price increases will be passed on during coming quarters.

Sales of Beijer Electronics’ X2 HMIs continued their positive progress, representing nearly 70% of the business entity’s sales in the period. Beijer Electronics launched two updated versions of the X2 base HMI in the first half-year, one being an entry level model, and the second offering higher performance. Partnership with the Korenix business entity continued to plan.

**Second quarter**

Order intake increased by 79% to 216 MSEK (121). Sales increased by 7% to 164 MSEK (153). EBITDA was 13.8 MSEK (12.3). Depreciation and amortization was 13.8 MSEK (14.3). EBIT was 0 MSEK (-2.0).

**First half-year**

Order intake increased by 42% to 437 MSEK (308). Sales decreased to 308 MSEK (317). EBITDA was 25.7 MSEK (21.4). Depreciation and amortization was 26.2 MSEK (27.9). EBIT was -0.5 MSEK (-6.6). Earnings in 2020 were charged with 9.4 MSEK of restructuring expenses.

“The Beijer Electronics business entity’s order intake easily exceeded 200 MSEK for the second consecutive quarter.

**Korenix business entity**

Korenix was able to report positive progress for the second consecutive quarter, evidence of the business entity going in the right direction. Order intake increased by 27% in the second quarter. Sales increased by 26% in the same period. This upturn was broad based, and fairly evenly divided between different segments and regions. The main demand increase is being sourced from Korenix’s OEM customers, while the business entity also noted delays to some projects, which mainly impacts order intake.

The combination of previous savings programs with increasing volumes enabled Korenix to report a clear earnings improvement, and modest positive EBIT. Like the Group’s other business entities, Korenix was impacted by the global component shortage to some extent. Otherwise, sales and earnings would have been higher.

The partnership with the Beijer Electronics business entity has gone to plan. Coordination on the sales side is achieving the desired outcomes, including one joint project on network communication for buses in France. Supply chains are being coordinated and a shared sales and product management organization is being structured. The first joint development project will initiate in the fall.

**Second quarter**

Order intake increased by 27% to 25 MSEK (20). Sales increased by 26% to 24 MSEK (19). EBITDA was 2.5 MSEK (0). Depreciation and amortization was 2.4 MSEK (3.3). EBIT was 0.1 MSEK (-3.3).

**First half-year**

Order intake increased by 32% to 53 MSEK (40). Sales increased by 17% to 46 MSEK (39). EBITDA was 3.6 MSEK (-5.7). Depreciation and amortization was 4.9 MSEK (6.7). EBIT was -1.3 MSEK (-12.4). Earnings in 2020 were charged with restructuring expenses of 2.9 MSEK.

**Other financial information**

Group investments, including capitalized development expenses and acquisitions, amounted to 148 MSEK (48) in the first half-year, with the big increase due to the acquisition of ELTEC. Cash flow from operating activities was 23.6 MSEK (88.9). Equity was 667 MSEK (698) on 30 June 2021. The equity ratio was 31.6% (34.2). Cash and cash equivalents were 140 MSEK (121). Net debt was 821 MSEK (740). The average number of employees was 779 (799).

**Issue of class C shares**

In March 2021, the Board of Directors decided to issue 99,538 class C shares with a quotient value of SEK 0.33, in accordance with authorization from the AGM 2020. The issue was to a financial institution, and was immediately repurchased by the company. The intention of the repurchased class C shares on delivery to employees in 2023 is to convert them to ordinary shares, pursuant to the terms and conditions of the LTI 2020/2023 incentive program. After the completed repurchase of class C shares, there are 28,951,938 shares, of which 28,768,324 ordinary shares and 183,614 class C shares, equivalent to a total of 28,786,685.40 votes.

**Significant events**

In January 2021, BEIJER GROUP signed a five-year supply agreement worth a minimum of 25 MEUR (250 MSEK-plus) with train manufacturer Alstom through its Westermo business entity. This deal specifies shipments of network equipment in a framework agreement between the parties. Alstom is already one of Westermo’s key accounts. Shipments to Alstom’s train side will progressively increase in the five-year period from 2021.

In March 2021, BEIJER GROUP signed an agreement to acquire 100% of German enterprise ELTEC Eletronik AG through the Westermo business entity. ELTEC is an innovative technology enterprise in communication solutions for connected trains. The enterprise specializes in wireless communication solutions for passenger information, infotainment and passenger Wi-Fi networks. Its customers include the largest train operators and system integrators in connected trains in Europe. ELTEC has some 35 employees an annualized sales of 65 MSEK. ELTEC complements Westermo’s operations on the train side. The purchase consideration was 10.5 MEUR on a debt-free basis, financed through the Group’s existing finance facilities. The acquisition was completed on 1 April 2021, and will be consolidated into Westermo’s and the Group’s accounts effective 1 April 2021. ELTEC will have a limited impact on BEIJER GROUP’s earnings in 2021 but is expected to contribute from 2022 onwards, consistent with Westermo’s profitability level.

**Financial targets for the Group**

The Board of Directors has set financial targets for Beijer Electronics Group. The targets are that the Group will have a minimum organic growth rate of 7% per year, and achieve a minimum EBIT margin of 10%, measured as an average over a business cycle.

**Outlook for the full year**

BEIJER GROUP has good potential to achieve better financial performance in 2021 than in 2020.

\* Including restructuring expense of 15,000,000 SEK.

Paid-up capital after deducting for transaction expenses

Sales of treasury shares

Cash flow from acquisitions of subsidiaries

Free cash flow

Repurchase of treasury shares

Sale of treasury shares

Share-based payment

**The market’s most reliable data communication for energy systems**

Westermo has recently introduced two new IEC61850-3-certified products enabling the automation of substations and digitalizing energy systems. Without doubt, the standards applying to data communication in substations and other types of energy application are among the most exacting imaginable. Westermo is accustomed to delivering the market’s most robust network solutions, which satisfy these challenging standards. One of its new products, Merlin 4600, a mobile router for robust and secure cellular communication, is one of its latest products. The second is a rack switch, RedFox 5700, which takes secure and mission-critical data communication to a new level. RedFox 5700 has been rated KEMA Gold, the highest certification standard in this segment.

Read more at westermo.com