

TagMaster

Interim report January to March 2018

TagMaster grows at good pace

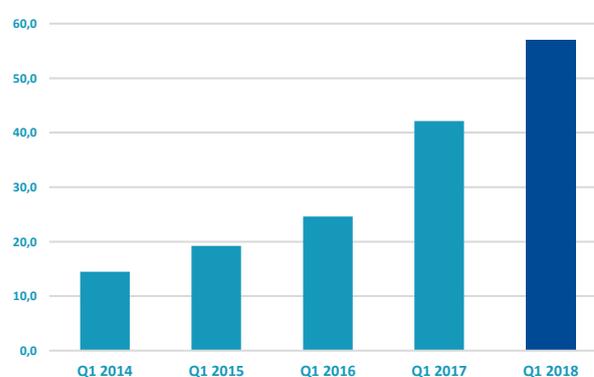
First quarter

- Net sales increased during the first quarter by 35,5% to 57,0 MSEK (42,1)
- Result before depreciation (EBITDA) increased during the first quarter by 9,3% to 5,3 MSEK (4,8), corresponding to a margin of 9,2% (11,4)
- Net result after tax was 2,9 MSEK (3,1)
- Result per share was 0,01 (0,02)
- Cash flow from the business for the period was -3,2 MSEK (7,3)

INCREASE IN NET SALES

+35,5%

NET SALES, Mkr



About TagMaster

TagMaster is an application driven technology company that designs and markets advanced identification systems and solutions based on radio & vision technology (RFID, Radar & ANPR) for demanding environments. Business areas include Traffic Solutions and Rail Solutions sold under the brands TagMaster, CitySync, Balogh, CA Traffic and Magsys with innovative mobility solutions in order to increase efficiency, security, convenience and to decrease environmental impact within Smart Cities. TagMaster has dedicated agencies in the US and in China 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 First North stock exchange in Stockholm, Sweden. TagMasters certified advisor is Remium Holding AB. www.tagmaster.com

Comments by the CEO

The TagMaster Group has continued to grow in good speed (35,5%) during the first quarter. Our sales during the first quarter has shown good development for most of the companies, while CA Traffic still has been influenced by the ongoing change work which has been going on since the acquisition.

Balogh has during the quarter continued to harvest the fruits from the change work and finished deliveries of the products which will no longer belong to the offerings. We have a more cost-efficient organization which should deliver good profits with lower volumes and we will therefore strengthen the sales organization with among other more employees.

CitySync has during the quarter finalized projects for a big retail chain in England and delivered further parking solutions for airport projects in the Nordics. We also see that cities are starting to look at using ANPR systems to handle e.g. environmental control and classification of diesel vehicles.

CA Traffic has continued to change towards a more scalable and more profitable business also for lower sales volumes. We will outsource production and assembly and simplify the product program and invest more in the new and profitable products, which also fit better in the export markets. We have continued to integrate our two British units (CitySync and CA Traffic) further and several functions will be shared, and common processes and systems will be used. We estimate that the change work will be finished during the second quarter 2018.

Magsys has in small scale started the launch of CA Traffic's products in the French market and during the quarters to come the work will be intensified and the CitySync ANPR products will be launched.

TagMaster has had a robust quarter with a lot of development work around our new products for toll road solutions, which are expected to be ready during Q4. The US market has started the year positively, while the India market has been in a quieter period.

Both TagMaster and Balogh have had satisfactory Rail businesses during the quarter but ahead of us, we foresee a somewhat lower level for the quarters to come. Balogh is in the final phase of a couple of development projects, which are interesting and which we expect to have a positive influence, but probably not until the second half of 2018. Balogh has already during the quarter received some smaller orders on the new SIL product platform.

Our quarterly result of 5,3 MSEK (4,8) and our cash flow from the running business of -3,1 (7,3) has been influenced negatively by increased accounts receivables which is a consequence of high sales during the latter part of the quarter. But as always, we still have work to do and it is worth mentioning that the variation between quarters could be substantial since among other our Rail business is quite volatile

Jonas Svensson

CEO

Comments to the result and balance sheet

Turnover and result

During the quarter a sales increase was noted mainly due to the acquired businesses (CA Traffic and Magsys). Net sales for the first quarter was 57,0 MSEK (42,1), an increase of 35,5%. The result (EBITDA) was 5,3 MSEK (4,8), an increase of 9,3%, and a margin of 9,2% (11,4).

The costs during the quarter were 30,0 MSEK (22,2), The overall increase is related to a bigger structure coming from the acquisitions of CA Traffic and Magys during 2018. No activation of direct development costs has been made. Included in tax on profit of the year is tax revenue of 1,2 MSEK based on R&D expenditures in Balogh SA and CitySync.

Cash flow and financial position

As per March 31, 2018 available liquidity was 32,8 MSEK (30,3) of which the revolving credit is 12,0 MSEK (12,0). Solidity at the end of the period was 55,2% (43,9). Cash flow from operating activities for the period was -3,2 MSEK (7,3). The negative cash flow is mainly explained by increased accounts receivables which is a consequence of high sales during the later part of the quarter.

Accounts receivable were 51,4 MSEK (20,8) and trade payables were 18,4 MSEK (10,2). The inventories were 39,0 MSEK (19,8), all as per March 31, 2018. The increase of the inventories and other assets is explained by CA Traffic's and Magsys' assets now being included and high sales during the later part of the quarter.

Employees, organization and personnel

The number of employees in the TagMaster Group was at the end of the period 90 (63). In connection with the changes of CA Traffic's business model, outsourced production and a more focused product offering, further employees will be made redundant during the second quarter

Business during the quarter

Traffic Solutions

During the quarter we have continued the launch of our ANPR products in the fast-growing US market, which will continue for several quarters to come. The positive development we have seen in India for RFID readers in toll road projects has been quitter during the quarter, but we estimate that this market will grow further during coming quarters. We continue to recruit more sales resources in all our home markets (The Nordics, UK and France). We are still actively building our brand through participation in several fairs in our focus markets. During the period we participated at the Intertraffic fair in Amsterdam and at PIE in Chicago and we will exhibit at more than 10 fairs in our own regime and together with our partners in further fairs.

We have during the quarter discussed several exciting ANPR projects in Scandinavia and in the English market we have finalized new exciting projects with a big retail chain. Our new acquisition CA Traffic, will start to sell their products in the Nordic markets via the TagMaster network and in the French market Magsys has already started to launch the radar products from CA Traffic. The ANPR assortments of City Sync and CA Traffic continue the integration process and the development departments now co-located have already started the development of our new ANPR platform. Our ambition is to become a leading actor in ANPR solutions for our selected segments.

We have divided our product offerings into four subgroups showing better how our companies work together. We have **Infomobility** consisting of Magsys and CA Traffics traffic products, we have **ANPR** composed of CitySync and CA Traffic ANPR products and who are now co-located and then we have **RFID Traffic** and **RFID Rail** consisting of TagMaster and Balogh. Our total competence in RFID, Radar, ANPR and traffic monitoring products (Infomobility) make us differentiate in a positive way which was very visible at the Intertraffic fair where we got a lot of attention. With the above offering we will become a more attractive partner for the system integrators who participate in building the smart cities of the future.

Rail Solutions

We have during the period had an acceptable level of serial deliveries to Rail customers, and Balogh especially has been able to complete deliveries of products that will be disappearing from our assortment and be replaced by new products with better functionality. We estimate that our customers' project portfolios will increase later during 2018, which will give us new projects and more product deliveries.

We also expect to get some more business in the CBTC (Communication Based Train Control) area 2018 and with the acquisition of Balogh our total product offering becomes much stronger, through the Balogh strength in Tramway solutions and this will give us access to a new dimension of growth opportunities for our Rail business. Balogh has during the quarter had a lower inflow of projects but we expect this to increase during 2018 when the work to simplify and improve Balogh's product portfolio should be completed.

Future outlook

The future outlook is unchanged, and the company has good growth opportunities in Traffic Solutions as well as in Rail Solutions. Our market shares are still small in a big and growing market, which means that future growth mainly depends on the company's own ability. Our companies will, however, see periods ahead of us when the sales and results development will stop momentarily as we invest in future growth, which means costs may come before the revenue. We will also see variations between quarterly volumes since our Rail business is volatile and product deliveries may vary between quarters. We will also see variations between quarters due to our acquisitions requiring changes of different amplitude and which could also take longer than planned. To meet the demand and to aspire to the position of market leading supplier of advanced RFID, Radar & ANPR solutions, TagMaster/CitySync/Balogh/CA Traffic/Magsys will continue to develop and launch new innovative products, develop and expand its partner networks and recruit further competent personnel. We now also see our basic business, advanced identification technology for vehicles to demanding customers in Rail and Traffic, is viable and we will therefore continue to look for products, partners and companies which in different ways could complement our offering to markets especially within Traffic solutions. TagMaster will continue the work to find more opportunities to acquire selective businesses in adjacent technology areas like sensors, detectors and other identification technology with the purpose of increasing our offering and becoming a more attractive supplier of information which is a prerequisite for building the smart cities of the future. With a profitable basic business and with a positive cash flow we may also be able to finance some acquisitions by ourselves in the future.

Reporting dates

TagMaster will report on the following dates during the 2018 and 2019 fiscal years:

Annual meeting 2018:	April 26
Interim report, January – June:	July 13
Interim report, January – September:	October 25
Earnings release 2018:	January 24

This as well as previous financial reports could be found at the company homepage

www.tagmaster.com

For further information, please contact

Jonas Svensson, CEO, +46 8-6321950, jonas.svensson@tagmaster.com

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 April 26, 2018.

Consolidated income statement

KSEK	Q1		Full year
	2018	2017	2017
Net revenue	56 979	42 059	195 394
Change in inventories of product in progress and finished goods	507	281	2 630
Other operating income	315	-	567
Total operating income	57 801	42 340	198 591
Goods for resale	-22 479	-14 707	-69 355
Other external costs	-11 109	-8 951	-38 913
Personnel costs	-18 847	-13 215	-67 797
Other operating expenses	-110	-660	-706
Operating profit before depreciation and amortization (EBITDA)	5 256	4 807	21 820
Depreciation	-258	-95	-582
Goodwill amortization	-2 416	-884	-6 645
Operating profit after depreciation and amortization (EBIT)	2 582	3 828	14 593
Financial items	-55	-226	-432
Profit after financial items	2 527	3 602	14 161
Tax	366	-517	2 909
Net profit	2 893	3 085	17 070

Key ratios

	Q1		Full year
	2018	2017	2017
Net sales growth, %	35,5	70,8	71,6
EBITDA-margin, %	9,2	11,4	11,2
Equity ratio, %	55,2	43,9	51,8
Earnings per share before dilution, SEK	0,01	0,02	0,09
Earnings per share after dilution, SEK	0,01	0,02	0,09
Number of shares, average, thousand	201 389	167 824	187 320
Number of shares, end of the period, thousand	201 389	167 824	201 389
Market price on closing day, SEK	1,90	1,71	1,65
Number of employees at end of period	90	63	92

Consolidated balance sheet

KSEK	31 March		
	2018	2017	2017-12-31
ASSETS			
Intangible assets	53 558	31 326	53 286
Tangible assets	1 223	993	1 425
Financial assets	8 095	5 207	9 135
Inventories	38 986	19 800	40 210
Trade receivables	51 376	20 749	46 267
Other receivables	14 810	14 511	13 259
Cash and cash equivalents	20 766	18 327	23 276
TOTAL ASSETS	188 814	110 913	186 858
EQUITY AND LIABILITIES			
Equity	104 166	48 645	96 731
Provisions	15 483	3 316	17 604
Long term liabilities to credit institutions	7 000	9 140	7 598
Other long-term liabilities	11 250	12 601	10 766
Trade payables	18 347	10 200	18 736
Other current liabilities	32 568	27 011	35 423
TOTAL EQUITY AND LIABILITIES	188 814	110 913	186 858

Changes in consolidated equity

KSEK	31 March		
	2018	2017	2017-12-31
Opening balance	96 731	45 707	45 707
New share issue	0	0	34 589
Warrant payment	0	-20	-20
Transaction difference	4 542	-127	-615
Net result	2 893	3 085	17 070
TOTAL EQUITY	104 166	48 645	96 731

Consolidates cash flow analysis

KSEK	Q1		Full year
	2018	2017	2017
Cash flow from operating activities before change in working capital	6 539	5 237	38 403
Change in working capital	-9 700	2 051	-17 865
Cash flow from operating activities	-3 161	7 288	20 538
Cash flow from investing activities	492	1 237	-40 132
Cash flow from financing activities	-500	-85	32 911
Cash flow	-3 169	8 440	13 317
Cash and cash equivalents at beginning of period	23 276	9 903	9 903
Effect of exchange differences	659	-16	56
Cash and cash equivalents at end of period	20 766	18 327	23 276

Parent company income statement

KSEK	Q1		Full year
	2018	2017	2017
Net revenue	21 608	26 157	90 413
Other operating income	284	0	0
Total operating income	21 892	26 157	90 413
Goods for resale	-7 898	-9 574	-33 587
Other external costs	-3 953	-5 484	-20 116
Personnel costs	-6 722	-5 948	-22 436
Other operating expenses	0	-652	-188
Operating profit (EBITDA)	3 319	4 499	14 086
Financial items	418	-122	-263
Profit after financial items	3 737	4 377	13 823
Appropriations	0	0	0
Tax	-822	-963	-3 316
Net profit	2 915	3 414	10 507

Parent company balance sheet

KSEK	31 March		
	2018	2017	2017-12-31
ASSETS			
Shares in subsidiaries	88 930	40 428	88 930
Long-term receivables from group companies	9 837	9 591	9 288
Deferred tax asset	1 812	4 329	2 634
Inventories	13 782	7 872	13 053
Trade receivables	12 214	11 460	8 063
Current receivables from group companies	6 746	4 685	1 976
Other receivables	3 292	3 384	3 475
Cash and cash equivalents	6 655	11 428	15 382
TOTAL ASSETS	143 268	93 177	142 801
EQUITY AND LIABILITIES			
Equity	111 057	66 459	108 142
Provisions	7 850	2 093	7 819
Liabilities to credit institutions	7 000	8 500	7 500
Trade payables	7 308	5 342	7 485
Other current liabilities	10 053	10 783	11 855
TOTAL EQUITY AND LIABILITIES	143 268	93 177	142 801

Other

Accounting principles

Applied accounting and valuation principles are according to “Årsredovisningslagen” and according to expressed and general advice from the Accounting Committee. For interim reports BFNAR 2012:1 (K3) is applied, which influence comparable figures for postponed tax, depreciations and own capital. This is described more extensively in the Annual report 2017.

Operational and financial risks

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2017 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on April 26, 2018 at 08.30 CET.

The board and the CEO assure that this report is giving a correct overview of the Company, its business, position and result as well as it is describing major risks and uncertainties, which the Company is seeing ahead.

Kista, April 26, 2018

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Jonas Svensson
CEO