

Year End Report 2017

TagMaster ends the year in a strong position

Fourth quarter

- Net sales increased during the fourth quarter by 43,7% to 57,6 MSEK (40,1)
- Result before depreciation (EBITDA) increased during the fourth quarter by 55,9% to 7,8 MSEK (5,0), corresponding to a margin of 13,5% (12,4)
- Net result after tax was 7,6 MSEK (8,6)
- Result per share was 0,04 (0,05)
- Cash flow from the business for the period was 4,7 MSEK (2,0)
- TagMaster acquired SA Magsys with access on 21 December 2017. Magsys was established in 2003 and is the leading added value ITS (intelligent transportation solutions) distributor in France with a strong foothold in vehicle counting, travel time management and on-street parking monitoring. The consideration will be funded from the existing bank facilities and the acquisition is expected to be earnings enhancing to TagMaster in 2018.

January - December

- Net sales increased during the period by 71,6% to 195,4 MSEK (114,0)
- Result before depreciation (EBITDA) was 21,8 MSEK (3,8), corresponding to a margin of 11,2% (3,3)
- Net result after tax was 17,1 MSEK (4,2)
- Result per share was 0,09 (0,03)
- Cash flow from the business for the period was 20,5 MSEK (0,9)
- No dividend is proposed

INCREASE IN NET SALES (12 MONTHS)

Q4 EBITDA margin

+71,6% **13,5%**

About TagMaster

TagMaster is an application driven technology company that designs and markets advanced identification systems and solutions based on radio & vision technology (RFID & ANPR) for demanding environments. Business areas include Traffic Solutions and Rail Solutions sold under the brands TagMaster, CitySync, Balogh 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 made its best quarter ever with record sales and a good profit margin. Our sales have shown good development for TagMaster as well as for Balogh with momentary lower sales for CitySync while CA Traffic continues to feel the change, started after our takeover during the spring.

Balogh has during the quarter harvested the fruits from the changes for more than a year and the supply chain is working, which means that it has been possible to deliver many of the products no longer in the assortment as of 2018. We enter 2018 with a cost-efficient organization able to deliver good profits and lower volumes and we will therefore focus further on strengthening the sales organization with among other things more employees.

CitySync continues to work with several bigger parking projects together with several big international customers and hopefully the deliveries will start late in the first quarter of 2018. We see a strong trend in for example Scandinavia, that ANPR systems become a key component in the parking systems of the future, “free-flow parking”, where barriers and ticket machines disappear.

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 will during the first quarter of 2018 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 the change to be finalized during the second quarter 2018.

TagMaster Traffic business has had a good volume development during the quarter with continued positive margin development. The US market has continued to develop well, and the Indian market has been strong in products for toll roads. We will during 2018 increase the speed, developing more products in RFID, Radar and ANPR, several of which will be launched during 2018. The acquisition of Magsys was completed on December 21 and we look positively into common business opportunities in the French market during 2018.

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. We have started delivery of our new RailTag with 20-year lifetime. Balogh is in the final phase of a couple of product development projects which are interesting and which we expect to have a positive impact, but not until the later part of 2018.

Our quarterly result of 7,8 MSEK (5,0) and our cash flow from the running business of 4,7 (2,0) is the best ever and very gratifying but we still have work to do and it is still worth mentioning that the variation between quarters could be significant since especially our rail business is volatile.

Jonas Svensson

CEO

Comments to the result and balance sheet

Turnover and result

During the quarter a sales increase was noted both for existing business and due to acquired businesses (CA Traffic). Net sales for the fourth quarter was 57,6 MSEK (40,1), an increase of 43,7%. The result (EBITDA) was 7,8 MSEK (5,0), an increase by 55,9%, which corresponds to a margin of 13,5% (12,4).

The costs during the quarter were 33,1 MSEK (22,2), The overall increase is related to a bigger structure coming from the acquisition of CA Traffic. No capitalization of direct development costs has been made. However, the CA Traffic acquisition balance includes capitalized R&D that is amortized. Included in tax on profit of the year is a tax revenue of 0,7 MSEK based on R&D expenditures in Balogh SA.

Cash flow and financial position

As per December 31, 2017 available liquidity was 35,3 MSEK (21,9) of which the revolving credit is 12,0 MSEK (12,0). Solidity at the end of the period was 51,8% (43,3). Cash flow from the running business for the quarter was 4,7 MSEK (2,0) and for the full year 20,5 MSEK (0,9).

Accounts receivable were 46,3 MSEK (22,2) and supplier debts were 18,7 MSEK (10,6). The inventories were 40,2 MSEK (22,1), all as per December 31, 2017. The increase of the inventories and other assets is explained by CA Traffic and Magsys assets now being included. The ongoing outsourcing projects in Balogh and CA Traffic and the termination of products process in which the costumers are offered a last-time-by opportunity have created temporary high inventory levels. Our assessment is that the inventories will be at normalized lower levels during the second half of 2018.

Employees, organization and personnel

The number of employees in the TagMaster Group was at the end of the period 91 (69). With the acquisition of CA Traffic and Magsys, the number of employees has increased by 40 persons whereof thirteen have been made redundant due to outsourcing of production and initiated rationalization processes.

Business during the quarter

Traffic Solutions

During the period 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 continued and we expect this market to grow further during quarters to come. 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 in fairs in the US, in the UK and in Dubai and during 2018 we will participate in our own regime at more than 10 fairs and together with our partners in further fairs.

We have during the quarter discussed several exciting ANPR projects in Scandinavia and we estimate the UK market to increase during 2018. Our new acquisition CA Traffic, will start to sell their products in the Nordic markets via the TagMaster network and in the French market we intend to use our latest acquisition, Magsys, as a partner. The ANPR assortments of City Sync and CA Traffic are in an integration phase and the development departments have already moved to the same address to achieve fast technical and commercial synergies. Our ambition is to become a market leader in ANPR solutions for our selected segments.

We will continuously address new and existing customers with our combined and stronger product offering, where our total competence in RFID, ANPR and traffic monitoring products (Infomobility) will differentiate us. With this offering we will become a more attractive partner for the system integrators, building the smart cities of the future. We will also during 2018 work intensively with integration of our RFID and ANPR offerings and the sales force will work with our complete offering in their respective regions to implement synergies in a natural way.

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 expect that our customers' project portfolios will increase 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 during 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.

Our business model within Rail, where we could offer our Rail customers the advantage of our know-how and application knowledge. The project format will be further strengthened when we enhance our development resources with our new Rail Competence Center in Toulouse (Balogh).

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 which could also take longer than expected. To meet the demand and to aspire to the position of the market leading supplier of advanced RFID, Radar & ANPR solutions, TagMaster/CitySync/Balogh/CA Traffic 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:

Interim report, January – March:	April 26
Annual General Meeting 2018	April 26
Interim report, January – June:	July 13
Interim report, January – September	October 25
Year End Report 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

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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 January 26, 2018.

Consolidated income statement

KSEK	Q4		Full year	
	2017	2016	2017	2016
Net revenue	57 561	40 056	195 394	113 892
Change in inventories of product in progress and finished goods	1 519	2 631	2 630	2 631
Other operating income	1 178	384	567	544
Total operating income	60 258	43 071	198 591	117 067
Goods for resale	-18 878	-14 370	-69 355	-43 925
Other external costs	-10 007	-9 216	-38 913	-26 773
Personnel costs	-23 052	-12 985	-67 797	-37 839
Other operating expenses ¹	-559	-1 522	-706	-4 723
Operating profit before depreciation and amortization (EBITDA)	7 762	4 978	21 820	3 807
Depreciation	-180	-96	-582	-316
Goodwill amortization	-2 568	-952	-6 645	-2 554
Operating profit after depreciation and amortization (EBIT)	5 014	3 930	14 593	937
Financial items	27	-159	-432	-432
Profit after financial items	5 041	3 771	14 161	505
Tax	2 582	4 863	2 909	3 710
Net profit	7 623	8 634	17 070	4 215

¹ Other operating expenses are related to restructuring activities (CitySync 801 Ksek and Balogh 1 522 Ksek) and write down of project costs (CitySync) at the amount of 2 400 Ksek. For 2017, the item mainly relates to exchange-rate losses on operating receivables and liabilities.

Key ratios

	Q4		Full year	
	2017	2016	2017	2016
Net sales growth, %	43,7	75,5	71,6	44,2
EBITDA-margin, %	13,5	12,4	11,2	3,3
Equity ratio, %	51,8	43,3		
Earnings per share before dilution, SEK	0,04	0,05	0,09	0,03
Earnings per share after dilution, SEK	0,04	0,05	0,09	0,03
Number of shares, average, thousand	201 389	167 824	187 320	167 824
Number of shares, end of the period, thousand	201 389	167 824	201 389	167 824
Market price on closing day, SEK	1,65	1,13		
Number of employees at end of period	91	69		

Consolidated balance sheet

KSEK	31 December	
	2017	2016
ASSETS		
Intangible assets ¹	53 286	32 325
Tangible assets	1 425	948
Financial assets	9 135	6 917
Inventories	40 210	22 099
Trade receivables	46 267	22 165
Other receivables	13 259	11 166
Cash and cash equivalents	23 276	9 903
TOTAL ASSETS	186 858	105 523
EQUITY AND LIABILITIES		
Equity	96 731	45 707
Provisions	17 604	2 317
Long term liabilities to credit institutions	7 598	8 567
Other long term liabilities	10 766	11 910
Trade payables	18 736	10 594
Other current liabilities	35 423	26 428
TOTAL EQUITY AND LIABILITIES	186 858	105 523

¹Including goodwill from the preliminary acquisition analysis prepared in relation to the acquisitions of CA Traffic Ltd and SA Magsys.

Changes in consolidated equity

KSEK	31 December	
	2017	2016
Opening balance	45 707	44 059
New share issue	34 589	-
Warrant payment	-20	170
Transaction difference	-615	-2 737
Net result	17 070	4 215
TOTAL EQUITY	96 731	45 707

Consolidates cash flow analysis

KSEK	Q4		Full year	
	2017	2016	2017	2016
Cash flow from operating activities before change in working capital	20 058	5 578	38 403	10 390
Change in working capital	-15 345	-3 568	-17 865	-9 487
Cash flow from operating activities	4 713	2 010	20 538	903
Cash flow from investing activities	-8 342	7	-40 132	-4 034
Cash flow from financing activities	-500	0	32 911	8 670
Cash flow	-4 129	2 017	13 317	5 539
Cash and cash equivalents at beginning of period	27 272	7 886	9 903	4 492
Effect of exchange differences	133	-	56	-128
Cash and cash equivalents at end of period	23 276	9 903	23 276	9 903

Parent company income statement

KSEK	Q4		Full year	
	2017	2016	2017	2016
Net revenue	23 391	22 582	90 413	79 837
Other operating income	1 016	431	0	495
Total operating income	24 407	23 013	90 413	80 332
Goods for resale	-8 342	-7 633	-33 587	-31 363
Other external costs	-5 690	-4 991	-20 116	-17 380
Personnel costs	-5 938	-5 589	-22 436	-20 977
Other operating expenses	-333	0	-188	0
Operating profit (EBITDA)	4 104	4 800	14 086	10 612
Financial items	192	15	-263	-591
Profit after financial items	4 296	4 815	13 823	10 021
Appropriations	0	170	0	867
Tax	-1 848	2 251	-3 316	1 098
Net profit	2 448	7 236	10 507	11 986

Parent company balance sheet

KSEK	31 December	
	2017	2016
ASSETS		
Shares in subsidiaries	88 930	40 428
Long-term receivables from group companies	9 288	12 454
Deferred tax asset	2 634	5 291
Inventories	13 053	9 819
Trade receivables	8 063	12 390
Current receivables from group companies	1 976	867
Other receivables	3 475	3 074
Cash and cash equivalents	15 382	2 153
TOTAL ASSETS	142 801	86 476
EQUITY AND LIABILITIES		
Equity	108 142	63 043
Provisions	7 819	2 093
Liabilities to credit institutions	7 500	8 500
Trade payables	7 485	5 040
Other current liabilities	11 855	7 800
TOTAL EQUITY AND LIABILITIES	142 801	86 476

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. This is described more extensively in the Annual report 2016.

Operational and financial risks

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2016 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on January 26 2018 at 08.30 CET.

Declaration

The Board of Directors and the CEO provide their assurance that the interim report gives a true and fair view of the Parent Company’s and the Group’s operations, positions and results and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Kista January 26, 2018

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Jonas Svensson
CEO