

# INTERIM REPORT

## APRIL–JUNE 2020



## XMReality AB (publ), Interim Report, April–June 2020

Net sales rose by 85 percent and order intake by 169 percent for the second quarter compared to the same period last year. Customer utilization is still growing and now extends across 57 countries. The number of billable licenses doubled during the quarter.

### The quarter, April–June 2020

- Net sales grew 85 percent to SEK 5,549 thousand (2,993)
- Costs totaled SEK -13,302 thousand (-11,997)
- The loss after net financial income and expense amounted to SEK -7,159 thousand (-7,606)
- Net cash used during the period amounted to SEK -11,866 thousand (-4,233) and the equity/assets ratio at the end of the period was 71.5 percent (72.6)

Order intake grew by 169 percent compared to the preceding period and totaled SEK 6,435 thousand (2,392). The order backlog, i.e. order intake that had not yet been recognized in net sales at the end of the period, increased by 86 percent to SEK 10,303 thousand (5,526). The majority of the order backlog had been invoiced by the end of the period, as subscriptions are normally invoiced annually in advance. As a consequence of the initial costs associated with the offices in the US and Germany, improvement to the operating result was marginal.

Usage, measured as total customer call volume, rose significantly in April and by 1,000 percent compared to the same month in 2019. At the end of the quarter, a further increase of 30 percent compared to end of April was accomplished. The product is now being used in 57 countries.

### The half year, January–June 2020

- Net sales increased by 50 percent to SEK 9,032 thousand (6,014)
- Costs totaled SEK -24,158 thousand (-22,349)
- The loss after net financial income and expense was SEK -13,760 thousand (-13,318)
- Net cash used during the period was SEK 17,119 thousand (-10,823)

### Notable events, April–June 2020

- IMI, a British engineering company operating in 50 countries, has chosen to order XMReality Remote Guidance. The contract is for both hardware and software, with the software component accounting for about half the order value of SEK 800,000 and will be renewed annually.
- XMReality will be supplying Remote Guidance technology to Nestlé, a Swiss food and beverage company. The companies have entered into a Master Service Agreement. The contract is not limited in time or volume and does not guarantee any order volumes. The initial order value is about SEK 900,000 and covers the rest of 2020.
- Usage of XMReality Remote Guidance rose by nearly 1,000 percent in April compared to April 2019.
- XMReality is now offering a “freemium” version of Remote Guidance called “Connect” that makes it possible for anyone to trial Remote Guidance.
- XMReality is increasing its focus on the American market and closing its office in Hamburg, Germany
- First pharmaceutical application of XMReality Remote Guidance to Italian Alfasigma
- XMReality signs partnership agreement with French SOCAPS

## Message from the CEO



It is with pleasure and satisfaction that I can report a strong growth in the second quarter of 2020. This is mainly a result of accelerating market maturity and a good performance of our employees. After my first full quarter with the company, I can make the reflection that the combination of the product, the staff, the market and the customers amplify the positive feeling I had when I took the job as CEO of XMReality!

Up by 169 percent since the same quarter last year, order intake was particularly strong. The operating result is not yet satisfactory, of course, but the cost increase (11 percent) compared to the same quarter last year is significantly lower than the corresponding sales increase (85 percent). The plan going forward is to improve the operating result primarily through top line growth.

The strong growth in utilization is coming from both current and new customers. The Enterprise customer base now numbers 82, with usage in 57 countries. The majority of customers are located outside Sweden, which is progressively moving XMReality towards becoming a more international company. The number of billable licenses doubled during the quarter. Most of these licenses are invoiced annually in advance and are auto-renewed. Churn was less than 2 percent during the quarter.

ABB, Electrolux, General Electric, Bombardier and Scania can all be mentioned in the context of up-sales to existing customers. New customers include IMI, Assa Abloy and, in particular, Nestlé. Existing customers are ordering additional licenses in numbers at least at the same level as new sales. We foremost deliver the same software to the

majority of the customer base, have an easy-to-use product with good functionality, simple distribution and a high service availability. In summary, this translates to good scalability.

As a result of the steep rise in utilization of the product, we and our customers have an increased understanding of how the product should be utilized to maximize its benefit. We are now implementing this knowledge in our development plan. Regarding new use cases, we have helped our customers to implement Remote Guidance during the quarter for property maintenance and within the pharmaceutical industry. I also note that ABB, Nestlé, Assa Abloy, Sacmi, Minebea, ACTEGA, Jodapro, Electrolux and Coesia all proudly on their webpages display how they are using the technology where the XMReality software is key.

During the quarter we have reviewed, clarified, improved and established the company's vision and strategies. Our vision is to be the world's most used Remote Guidance. The strategies for achieving the visionary state are the following: i) The SaaS model is the norm for customer contracts ii) We run our software on commercially off-the-shelf hardware iii) We are best in class in terms of ease of use and service availability iv) We have a very good understanding of the customer use cases. The strategy process also resulted in the decision to close the German office to further strengthen our presence in the US. Going forward, German customers will be served from the Swedish office like other customers within EMEA. We have also reinforced the US team with a new sales manager, who comes from one of our competitors.

The inflow of customer inquiries remains high. Accordingly, I see a continuous high demand for our product, and we have a positive business impact from Covid-19. With the vision and strategies in place, the associated activities identified and under implementation, I am really looking ahead with a good feeling!

Linköping, 14 August 2020

Jörgen Rummelg  
Chief Executive Officer  
XMReality AB (publ)

## Income statement (SEKk)

	April–June		January–June		Full year 2019
	2020	2019	2020	2019	
Net sales	5,549	2,993	9,032	6,014	11,921
Capitalized production costs	544	1,320	1,246	2,882	5,289
Other operating income	49	78	120	135	427
<b>Total operating income</b>	<b>6,143</b>	<b>4,391</b>	<b>10,398</b>	<b>9,031</b>	<b>17,637</b>
Raw materials and consumables	-887	-319	-1,172	-789	-1,282
Other operating expenses	-5,773	-5,478	-10,797	-9,391	-19,890
Employee benefits expenses	-5,305	-5,164	-9,645	-10,176	-19,456
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-1,240	-1,011	-2,438	-1,946	-4,160
Other operating costs	-87	-4	-83	-8	-149
<b>EBIT</b>	<b>-7,149</b>	<b>-7,585</b>	<b>-13,737</b>	<b>-13,279</b>	<b>-27,300</b>
Financial income and similar profit items	0	0	0	0	0
Financial expenses and similar loss items	-10	-21	-22	-39	-64
<b>EBT</b>	<b>-7,159</b>	<b>-7,606</b>	<b>-13,760</b>	<b>-13,318</b>	<b>-27,364</b>
Group contributions received	0	0	0	0	29
<b>Profit (-loss) before tax</b>	<b>-7,159</b>	<b>-7,606</b>	<b>-13,760</b>	<b>-13,318</b>	<b>-27,335</b>
Income tax expense for the period	0	0	0	0	0
<b>Profit (-loss) for the period</b>	<b>-7,159</b>	<b>-7,606</b>	<b>-13,760</b>	<b>-13,318</b>	<b>-27,335</b>
Earnings per share (SEK)	-0.21	-0.45	-0.49	-0.78	-1.60
Earnings per share, fully diluted (SEK)	-0.21	-0.44	-0.40	-0.77	-1.59
Average number of shares during the period	34,100,000	17,050,000	27,977,072	17,050,000	17,050,000
Shares outstanding at the end of the period	34,100,000	17,050,000	34,100,000	17,050,000	17,050,000
Average shares outstanding during the period, fully diluted	34,207,748	17,170,000	28,041,751	17,229,669	17,228,630
Shares outstanding at the end of the period, fully diluted	34,207,748	17,170,000	34,207,748	17,170,000	17,270,000

## Condensed balance sheet (SEKk)

	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Capitalized development costs	14,934	15,767	16,039
Equipment, tools and systems	442	451	405
Financial assets	312	58	59
<b>Total non-current assets</b>	<b>15,688</b>	<b>16,276</b>	<b>16,503</b>
<b>Current assets</b>			
Inventories	271	124	184
Current receivables	7,978	3,840	6,792
Cash and bank balances	26,467	26,976	9,347
<b>Total current assets</b>	<b>34,715</b>	<b>30,940</b>	<b>16,323</b>
<b>Total assets</b>	<b>50,403</b>	<b>47,216</b>	<b>32,826</b>
<b>Equity and liabilities</b>			
Equity	36,013	34,290	20,273
Non-current liabilities	133	583	383
Current liabilities <sup>1</sup>	14,257	12,343	12,169
<b>Total equity and liabilities</b>	<b>50,403</b>	<b>47,216</b>	<b>32,826</b>
<sup>1</sup> Of which interest-bearing liabilities	500	590	510
Collateral provided	3,700	3,700	3,700
Contingent liabilities	None	None	None

## Statement of changes in equity (SEKk)

	April–June		January–June		Full year 2019
	2020	2019	2020	2019	
Balance at the beginning of the period	43,373	41,895	20,273	47,608	47,608
New share issue (net after issue costs)	-200	0	29,500	0	0
Loss for the period	-7,159	-7,606	-13,760	-13,318	-27,335
<b>Balance at the end of the period</b>	<b>36,013</b>	<b>34,290</b>	<b>36,013</b>	<b>34,290</b>	<b>20,373</b>
Average number of shares during the period	34,100,000	17,050,000	27,977,072	17,050,000	17,050,000
Shares outstanding at the end of the period	34,100,000	17,050,000	34,100,000	17,050,000	17,050,000
Average shares outstanding during the period, fully diluted	34,207,748	17,170,000	28,041,751	17,229,669	17,228,630
Shares outstanding at the end of the period, fully diluted	34,207,748	17,170,000	34,207,748	17,170,000	17,270,000

## Statement of cash flows (SEKk)

	April–June		January–June		Full year 2019
	2020	2019	2020	2019	
<b>Operating activities</b>					
Cash flow (-used) before changes in working capital	-6,000	-6,649	-11,717	-11,472	-23,456
Changes in working capital	-4,880	3,911	1,211	3,842	809
<b>Cash flow from (-used in) operating activities</b>	<b>-10,880</b>	<b>-2,738</b>	<b>-10,506</b>	<b>-7,630</b>	<b>-22,647</b>
Cash flow from (-used in) investing activities	-669	-1,370	-1,372	-2,882	-5,321
Cash flow from (-used in) financing activities	-317	-125	28,997	-310	-482
<b>Cash flow for (-used in) the period</b>	<b>-11,866</b>	<b>-4,233</b>	<b>17,119</b>	<b>-10,823</b>	<b>-28,451</b>
Cash and cash equivalents at beginning of period	38,332	31,208	9,347	37,798	37,798
<b>Cash and cash equivalents at end of period</b>	<b>26,467</b>	<b>26,976</b>	<b>26,467</b>	<b>26,976</b>	<b>9,347</b>

## Overview of financial performance (SEKk)

An overview of the financial performance of XMReality AB (publ) for the period of January–June 2020 and for the full years of 2016–2019 is presented below. All figures for the financial years of 2016–2019 are based on material taken from official, published annual reports.

	Jan–Jun 2020	2019	2018	2017	2016
Net sales	9,032	11,921	10,155	6,683	5,155
Operating profit (-loss)	-13,737	-27,300	-29,250	-22,633	-9,976
Profit (-loss) after net financial income	-13,760	-27,364	-29,317	-22,741	-10,041
Group contribution received	0	29	0	0	0
Profit (-loss) after appropriations	-13,760	-27,335	-29,317	-22,741	-10,041
Profit margin, %	Neg	Neg	Neg	Neg	Neg
Intangible assets	14,934	16,039	14,754	12,458	6,595
Property, plant and equipment	442	405	528	1,705	901
Financial assets	312	59	8	0	25
Inventories	271	184	261	306	587
Current receivables	7,978	6,792	5,978	6,014	2,297
Cash and bank balances	26,467	9,347	37,798	46,241	22,100
Equity	36,013	20,273	47,608	56,826	26,556
Non-current liabilities	133	383	844	1,535	2,428
Current liabilities	14,257	12,169	10,875	8,362	3,521
Total assets	50,403	32,826	59,327	66,724	32,505
Return on average capital employed, %	Neg	Neg	Neg	Neg	Neg
Return on average equity, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	71.5	61.8	80.2	85.6	81.7
Debt/equity ratio, multiple	0.02	0.04	0.04	0.04	0.1
Interest coverage ratio, %	Neg	Neg	Neg	Neg	Neg
Quick ratio, %	241.6	132.6	402.5	649.1	693.0
Number of employees at the end of the period	18	17	23	19	14
Investments					
Intangible assets	1,246	5,289	5,478	6,687	2,999
Property, plant and equipment	125	32	140	1,908	901
Financial assets	303	51	8	0	0
Basic earnings per share, SEK	-0.49	-1.60	-1.72	-1.56	-1.20
Earnings per share, fully diluted, SEK	-0.40	-1.14	-1.70	-1.52	-1.15
Average number of shares during the period	27,977,072	17,050,000	14,982,648	13,175,227	7,202,593
Shares outstanding at the end of the period	34,100,000	17,050,000	17,050,000	14,607,982	8,368,420
Average shares outstanding during the period, fully diluted	28,041,751	15,228,630	15,257,634	13,565,227	7,463,085
Shares outstanding at the end of the period, fully diluted	34,207,748	17,270,000	17,290,000	14,997,982	8,758,420

## Definitions of key data

Profit margin	Profit after net financial income or expense divided by sales
Equity	The sum of shareholders' equity, restricted reserves and non-restricted equity
Return on average capital employed	Profit or loss before interest expense divided by average capital employed
Return on average equity	Profit or loss after tax divided by average equity
Equity/assets ratio	Equity divided by total assets
Debt/equity ratio	Interest-bearing liabilities divided by equity
Interest coverage ratio	Earnings before interest divided by interest expenses
Earnings per share	Profit or loss after tax divided by average number of shares outstanding
Quick ratio	Cash and current assets excluding inventories divided by current liabilities
Churn	Calculated on the order value for a customer that opts to cancel its subscription to XMReality Remote Guidance.

### Accounting policies

The interim report is prepared in compliance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual and Consolidated Accounts (K3). The accounting policies have not changed compared to previously reported periods. Assets, provisions and liabilities have been valued at cost unless otherwise specified. Transactions denominated in foreign currency are converted at the spot rate in effect on the transaction date.

### Risk factors and uncertainties

A number of risk factors could have negative impact on the business of XMReality AB (publ). It is therefore imperative to consider relevant risks alongside the Company's growth potential. Refer to the XMReality Annual Report 2019, pages 22-23, "Risk factors" for a more detailed description of the risks associated with the Company and its stock.

### Stock

Shares in XMReality AB (publ) are listed on Nasdaq First North Growth Market. The stock ticker is XMR and the ISIN code is SE0009664188. At the end of the period, there were 34,100,000 shares outstanding in XMReality AB (publ). There is only one share class and each share carries one vote.

There is an outstanding stock options plan 2019/2022 carrying rights to subscribe for up to 107,748 shares (in accordance with the terms and conditions of the warrants, subscription rights have been recalculated as a result of the share issue executed in 2020).

### Certified advisor

XMReality's Certified Adviser is Redeye AB.

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### Auditor review

This interim report has not been reviewed by the company's auditor.

### **Submission of interim report**

The board of directors and chief executive officer certify and assure that this interim report provides a true and fair view of the company's operations, financial position and earnings.

Linköping, 14 August 2020

Board of Directors

### **Financial reporting calendar:**

Interim report Q3 2020                      29 October 2020

Year-end report 2020                      12 February 2021

### **Contact person at XMReality AB (publ):**

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