

# TagMaster

## QUARTERLY REPORT FOR TAGMASTER AB (publ.) January-March 2014

### Stable sales with continued positive result

#### First quarter

- Net sales was 14,5 MSEK (14,6)
- Result before depreciation (EBITDA) was 1,6 MSEK (1,9)
- Net result was 1,3 MSEK (1,5)
- Result per share was 0,01 (0,01)
- Cash flow from the business was -1,7 MSEK (-0,5)
- Launch of our new product family in the UHF area
- Serial deliveries of products to the Alstom project

#### Sales and income

| TSEK                             | First quarter |               |             | Full year     |               |              |
|----------------------------------|---------------|---------------|-------------|---------------|---------------|--------------|
|                                  | 2014          | 2013          | Change      | 2013          | 2012          | Change       |
| <b>Sales</b>                     | <b>14 506</b> | <b>14 597</b> | <b>-1%</b>  | <b>50 196</b> | <b>39 616</b> | <b>27%</b>   |
| <b>Operating income (EBITDA)</b> | <b>1 556</b>  | <b>1 940</b>  | <b>-20%</b> | <b>2 776</b>  | <b>154</b>    | <b>1703%</b> |
| Operating margin (EBITDA)        | 10,7%         | 13,3%         |             | 5,5%          | 0,4%          |              |
| Income before tax                | 1 254         | 1 517         | -17%        | 1 512         | -5 466        | -128%        |
| Operating cash flow              | -1 667        | -469          | 255%        | -1 209        | -379          | 219%         |
| <b>Earnings per share</b>        | <b>0,01</b>   | <b>0,01</b>   |             | <b>0,01</b>   | <b>-0,05</b>  | <b>-120%</b> |

#### About TagMaster

TagMaster is an application driven technology company that designs and markets advanced radio frequency identification (RFID) systems and information products for demanding environments. Application areas include vehicle access control, rail bound transportation and logistics, in order to increase efficiency, security, convenience and to decrease environmental impact. TagMaster has dedicated agencies in the US and in China and exports mainly to Europe, Middle East, Asia and North America via a global network of partners, systems integrators and distributors. 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.

[www.tagmaster.com](http://www.tagmaster.com)

## Comments by the CEO

Our sales have been stable during the period with another positive quarterly result. We are not satisfied with our growth, which we would like to improve during the year. Our Rail business has been satisfactory with good intake of serial deliveries to several customers. New projects are discussed and our focus is to work more and tighter with our already established big partners, with whom we want to expand our business and become a more important business partner for them. We have after analyzing the business made the judgment that our product offering is most efficient in certain applications and we will therefore “drill deeper” in these applications and spend less time on the requests regarding our less efficient offerings. Being a small company it is important that we focus on the right things and especially in Rail Solutions where the projects are complex, project specific and always demanding major resources.

Our Traffic business has developed well in the US market, while it has been somewhat weaker in the Asian market. In the EMEA region the sales has been according to plan, but we intend to increase our efforts there when we launch our new UHF products which we judge will have a positive impact during the second half of the year. In Asia we have since February strengthened our presence with a new representative office in Malaysia. We can hereby offer a local presence favoring our established partners and at the same time gives us the opportunity to approach new partners and strengthen our sales network.

The innovation work will continue and we plan to launch more products on our new UHF family at the end of the year. In focus for our product innovation we have the customer’s need for security and safety, reliability, functionality, design, life cycle cost etc. Our judgment is that further launches will increase our addressable market and this is a fundamental requisite for increasing our growth.

The result is 1,6 MSEK (1,9), somewhat lower than last year, but one should then consider that a big part at that time was project sales to Alstom. I think we should be glad for the quarterly result even if we are no satisfied and want more for the future. Our liquidity has been negatively impacted by higher accounts receivable, stock and the fact that we now pay our supplier debts on time. We have during the period got increased confidence from our bank in the form of an increased revolving credit and our key ratios like solidity, and profits are improving continuously. As we have said before we are still in a change period and this will impose our stability and our quarterly figures during the quarters to come.

Our new UHF products will contribute with the major part of our growth the next few years to come even if we see opportunities to make selective acquisitions as a way to complement our product portfolio in Traffic Solutions with the purpose to increase the value and the attraction of our customer offering.

*Jonas Svensson*  
CEO

## Comments to the result and balance sheet

### **Turnover and result**

During the quarter sales was stable. Net sales for the period January-March was 14,5 MSEK (14,6). The result (EBITDA) was 1,6 MSEK (1,9) which corresponds to a margin of 10,7% (13,3).

Costs during the quarter were 6,5 MSEK (6,8). No activation of development costs has been made.

### **Cash flow and financial position**

As per March 31, 2014 available liquidity was 2,5 MSEK (2,4). The revolving credit is 6,0 MSEK (4,0), which is an increase of 2 MSEK. Solidity was at the end of the period 32,0 % (27,7). Cash flow from the running business was for the period -1,7 MSEK (-0,5).

The liquidity at the reporting date has been negatively influenced by relatively high share of the capital bound in accounts receivable after a period of increased invoicing to customer groups with longer credit time than our average. It has also been influenced by a higher stock level to enable us to handle the serial deliveries to Alstom and others. The supplier debts have also been substantially decreased.

Liquidity planning for the company is based on regular follow-up of costs and sales and also a detailed analysis of the cash flow for the next future. Liquidity and cash flow have priority in the daily work and the dialogue with creditors, suppliers and customers is continuous. The board therefore today makes the judgment that the company has sufficient liquidity for the coming 12 months.

Accounts receivable were 10,1 MSEK (9,2) and accounts payable were 5,9 MSEK (5,7). The inventories were 6,6 MSEK (5,6), all as per March 31 2014..

## Business during the quarter

**Traffic Solutions (Access/Parking):** We continue our work and efforts with the partner program to identify and engage more distributors in some of our most important markets. A corner stone in our strategy is to focus more on the geographical markets where we already have a presence and we have during the period, together with our partner in North America, successfully continued our work to increase our presence in this market, the world's largest RFID market. We have also initiated a work to strengthen our presence in our Nordic "home markets" where we think we have a good opportunity for profitable growth during the years to come. Our participation in the Intertraffic fair in Amsterdam, the world's biggest traffic fair, gives us further understanding of our work to become a wider technology supplier in the Traffic Solutions segment. The launch of our new product family in the UHF area was appreciated with the launch of the first product in the new family, XT1, and product deliveries will start during the second quarter.

**Rail Solutions:** The segment has had a good period with a high level of serial deliveries but also with addition of a few smaller NRE projects for new as well as existing customers. It is obvious that our value offering is becoming stronger with our new model where we offer to our Rail customers to share our know-how and application knowledge also in project form. Our relations will become further developed and our ambition is to enter earlier in the projects and thereby add more value for our Rail customers and simultaneously get access to further income and increase our business. Serial deliveries of products have started for the Alstom project and will continue during the beginning of the second quarter. New development projects are discussed with existing customers and also with potential new partners, but from experience we know that lead times may be long before discussions lead to business and even longer before invoicing.

**Events after the end of the period:** In the beginning of April TagMaster participated in ISC West, a leading security fair in Las Vegas, US and at MetroRail which was this year taking place in London.

#### **Employees, Organization and personnel**

The number of employees in TagMaster AB was at the end of the period 14 (12). The average number of employees was 13 (12).

#### **Future outlook**

The future outlook is unchanged and the company has good growth opportunities in Traffic Solutions as well as in Rail Solutions. TagMaster's market share is still small in growing market, which means that future growth mainly depends on the company's own ability. To meet the demand and to take back the position as market leading supplier of advanced RFID solutions, TagMaster will continue to develop and launch new innovative products, develop and expand existing partner networks and recruit further competent personnel.

#### **Annual general meeting**

The TagMaster AGM will take place April 24, 15.00 at Middlepoint, Kronborgsgränd 1 Kista.

#### **Coming reports 2014-15**

|                               |                  |
|-------------------------------|------------------|
| Quarter 2, April-June 2014    | July 17, 2014    |
| Quarter 3 July-September 2014 | October 23, 2014 |
| Year-end report               | February 5, 2015 |

This report like all previous economic reports can be found at the company home page [www.tagmaster.com](http://www.tagmaster.com)

#### **For further information, please contact:**

Jonas Svensson, CEO, +46 8-6321950, [jonas.svensson@tagmaster.com](mailto:jonas.svensson@tagmaster.com)

| <b>RESULT (SEK 000)</b>                             | <b>Q1</b>          | <b>Q1</b>          | <b>Full year</b>   |
|---|--------------------|--------------------|--------------------|
| <b>TagMaster AB (publ)</b>                          | <b>2014</b>        | <b>2013</b>        | <b>2013</b>        |
| Net revenue   | 14 506             | 12 078             | 50 196             |
| Project revenue                                     | 0                  | 2 519              |                    |
| Other revenue                                       | 0                  | 0                  | 148                |
| <b>TOTAL REVENUE</b>                                | <b>14 506</b>      | <b>14 597</b>      | <b>50 344</b>      |
| <i>Costs</i>  |                    |                    |                    |
| Purchased goods                                     | -6 323             | -5 512             | -20 811            |
| Other external costs                                | -2 632             | -3 798             | -13 587            |
| Personnel costs                                     | -3 843             | -3 018             | -13 007            |
| Other costs   | -152               | -166               | 0                  |
| Items affecting comparability                       | 0                  | -163               | -163               |
| <b>RESULT BEFORE DEPRECIATION (EBITDA)</b>          | <b>1 556</b>       | <b>1 940</b>       | <b>2 776</b>       |
| Depreciations                                       | -203               | -354               | -961               |
| <b>RESULT AFTER DEPRECIATIONS (EBIT)</b>            | <b>1 353</b>       | <b>1 586</b>       | <b>1 815</b>       |
| <i>Financial income and costs</i>                   |                    |                    |                    |
| Interest income                                     |                    |                    | 1                  |
| Interest and financial costs                        | -99                | -69                | -297               |
| Depreciation of shares and debts daughter companies |                    |                    | -7                 |
| <b>TOTAL FINANCIAL INCOME AND COSTS</b>             | <b>-99</b>         | <b>-69</b>         | <b>-303</b>        |
| <b>PERIODIC RESULT</b>                              | <b>1 254</b>       | <b>1 517</b>       | <b>1 512</b>       |
| <b>RESULT PER SHARE</b>                             | <b>0,01</b>        | <b>0,01</b>        | <b>0,01</b>        |
| <b>NUMBER OF SHARES, average</b>                    | <b>107 731 708</b> | <b>107 731 708</b> | <b>107 731 708</b> |
| <b>NUMBER OF SHARES, end of period</b>              | <b>107 731 708</b> | <b>107 731 708</b> | <b>107 731 708</b> |

| <b>Balance sheet</b>                         | <b>2014-03-31</b> | <b>2013-03-31</b> | <b>2013-12-31</b> |
|--|-------------------|-------------------|-------------------|
| <b>ASSETS</b>                                |                   |                   |                   |
| <i>Fixed assets</i>                          |                   |                   |                   |
| Balanced expenditure for development costs   | 533               | 1 254             | 710               |
| <i>Tangible assets</i>                       |                   |                   |                   |
| Inventory, tools and installations           | 236               | 227               | 262               |
| <i>Finacial assets</i>                       |                   |                   |                   |
| Shares in daughter companies                 | 0                 | 100               | 0                 |
| <b>Total fixed assets</b>                    | <b>769</b>        | <b>1 581</b>      | <b>972</b>        |
| <i>Current assets</i>                        |                   |                   |                   |
| <i>Stock</i>                                 |                   |                   |                   |
| Goods for saler                              | 6 629             | 5 624             | 6 010             |
| <i>Short term claims</i>                     |                   |                   |                   |
| Accounts receivable                          | 10 083            | 9 202             | 9 197             |
| Other short term claims                      | 1 245             | 1 135             | 1 023             |
| Current tax claims                           | 546               | 547               | 429               |
| Prepaid costs and work in progress           | 1 148             | 863               | 1 378             |
| Cash and bank                                | 1 031             | 1 304             | 1 397             |
| <b>Total current assets</b>                  | <b>20 682</b>     | <b>18 675</b>     | <b>19 434</b>     |
| <b>TOTAL ASSETS</b>                          | <b>21 451</b>     | <b>20 256</b>     | <b>20 406</b>     |
| <b>OWN CAPITAL AND DEBT</b>                  | <b>2014-03-31</b> | <b>2013-03-31</b> | <b>2013-12-31</b> |
| <i>Own capital</i>                           |                   |                   |                   |
| Share capital                                | 5 386             | 10 773            | 5 386             |
| Bound reserves                               | 42 967            | 42 967            | 42 967            |
| Share premium reserve                        | 20 803            | 20 803            | 20 803            |
| Balanced loss                                | -63 554           | -70 453           | -65 066           |
| Result from the period                       | 1 254             | 1 517             | 1 512             |
| <b>Total own capital</b>                     | <b>6 856</b>      | <b>5 607</b>      | <b>5 602</b>      |
| Provisions                                   | 0                 | 31                | 0                 |
| <b>Total provisions</b>                      | <b>0</b>          | <b>31</b>         | <b>0</b>          |
| Long term debts                              | 261               | 522               | 326               |
| Debts to group companies                     | 0                 | 93                | 0                 |
| <b>Total long term debts</b>                 | <b>261</b>        | <b>615</b>        | <b>326</b>        |
| <i>Short term debts</i>                      |                   |                   |                   |
| Credit facility                              | 4 485             | 1 991             | 3 119             |
| Accounts payable                             | 5 902             | 5 711             | 7 808             |
| Other short term debts                       | 308               | 784               | 415               |
| Accrued cost and prepaid income              | 3 639             | 5 517             | 3 136             |
| <b>Total short term debts</b>                | <b>14 334</b>     | <b>14 003</b>     | <b>14 478</b>     |
| <b>TOTAL OWN CAPITAL AND DEBTS</b>           | <b>21 451</b>     | <b>20 256</b>     | <b>20 406</b>     |
| <b>SECURITIES AND CONTINGENT LIABILITIES</b> |                   |                   |                   |
| Liabilities                                  | 7 000             | 7 512             | 7 512             |
| Pledged assets                               | None              | None              | None              |

| <b>KASSAFLÖDESANALYS (SEK 000)</b>              |                |                |                   |
|---|----------------|----------------|-------------------|
| <b>TagMaster AB (publ)</b>                      | <b>Q1 2014</b> | <b>Q1 2013</b> | <b>Helår 2013</b> |
| <b>FROM ORDINARY BUSINESS</b>                   |                |                |                   |
| Result before depreciations and financial costs | 1 353          | 1 586          | 1 815             |
| Depreciations                                   | 203            | 354            | 961               |
| Other non cash influencing costs                |                |                | -31               |
| Received interest                               |                |                | 1                 |
| Paid interest and financial costs               | -99            | -69            | -297              |
| Increase/decrease stock                         | -619           | 153            | -233              |
| Increase/decrease accounts receivable           | -886           | -4 783         | -4 778            |
| Increase/decrease other short term debts        | -719           | -413           | -698              |
| Increas/decrease supplier debts                 | -1 296         | 2 086          | 4 182             |
| Increase/decrease other short term debts        | 396            | 617            | -2 131            |
| <b>Cash flow from ordinary business</b>         | <b>-1 667</b>  | <b>-469</b>    | <b>-1 209</b>     |
| <b>INVESTMENT ACTIVITIES</b>                    |                |                |                   |
| Investment in tangible assets                   | 0              | 0              | -99               |
| <b>Cash flow from investment activities</b>     | <b>0</b>       | <b>0</b>       | <b>-99</b>        |
| <b>FINANCING ACTIVITY</b>                       |                |                |                   |
| New loans                                       | 1 366          | 231            | 1 359             |
| Amortization of loans                           | -65            | -65            | -261              |
| <b>Cash flow from finance activities</b>        | <b>1 301</b>   | <b>166</b>     | <b>1 098</b>      |
| <b>PERIODIC CASH FLOW</b>                       | <b>-366</b>    | <b>-303</b>    | <b>-210</b>       |
| <b>Cash at the beginning of the period</b>      | <b>1 397</b>   | <b>1 607</b>   | <b>1 607</b>      |
| <b>Cash at the end of the period</b>            | <b>1 031</b>   | <b>1 304</b>   | <b>1 397</b>      |
| <b>Cash including not used credits</b>          | <b>2 546</b>   | <b>2 413</b>   | <b>2 278</b>      |

| <b>CHANGE IN OWN CAPITAL (SEK 000)</b> |                      |                       |                              |                        |                          |
|--|----------------------|-----------------------|------------------------------|------------------------|--------------------------|
| <b>TagMaster AB (publ)</b>             | <b>Share capital</b> | <b>Bound reserves</b> | <b>Share premium reserve</b> | <b>Balanced result</b> | <b>Total own capital</b> |
| <b>Own capital 2012-12-31</b>          | <b>10 773</b>        | <b>42 967</b>         | <b>20 801</b>                | <b>-70 453</b>         | <b>4 090</b>             |
| Periodic result                        |                      |                       |                              | 1 512                  | <b>1 512</b>             |
| Decrease in share capital              | -5 387               |                       |                              | 5 387                  |                          |
| <b>Own capital 2013-12-31</b>          | <b>5 386</b>         | <b>42 967</b>         | <b>20 803</b>                | <b>-63 554</b>         | <b>5 602</b>             |
| Periodic result                        |                      |                       |                              | 1 254                  | 1 254                    |
| <b>Own capital 2014-03-31</b>          | <b>5 386</b>         | <b>42 967</b>         | <b>20 803</b>                | <b>-62 300</b>         | <b>6 856</b>             |



**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 2007:1 is applied. The same accounting principles have been applied as in the latest published annual report.

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2013 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on April 24 at 09.00 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 23, 2014

Rolf Norberg  
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson  
CEO