

Swedish Electromagnet Invest AB (publ.)

559153-6510

Interim Report

January – March 2021



Group overview

The Swedish Electromagnet Invest AB (publ) Group ¹, SEM Invest, is a leading supplier of highly engineered mission critical powertrain components for heavy duty commercial vehicles ("HDCV"). Core product segments includes a range of ignition systems, injector stators and sensors, primarily used for natural gas ("NG") and diesel powered HDCVs as well as ignition systems for handheld professional power tools. The group sells its products through own sales channels worldwide and customers include well known OEM's, Tier 1 and Tier 2 suppliers to the industry.

¹ Swedish Electromagnet Invest AB (publ) Group is the ultimate Parent Company and serves as a holding company for the intermediary holding company Swedish Electromagnet Holding AB Group containing of SEM AB in Sweden, SEM Technology (Suzhou) Co., Ltd in China, SEM Technology Inc. in USA and Senfusion AB in Sweden.

Table of content

Key figures and ratios	3
Comments from the CEO	3
Financial reports	6
Condensed Consolidated Income Statement	6
Other comprehensive income	6
Condensed consolidated Balance Sheet	7
Consolidated statement of changes in equity	8
Consolidated Cash Flow Statement	9
Parent Company Income Statement	10
Parent Company Balance Sheet	11
Notes to the interim report	13
Definitions	16
Declaration of the board of directors	17

Reporting period, first quarter January – March 2021

- Net sales amounted to 119 918 (74 874) KSEK.
- The operating profit/loss amounted to 21 405 (12 697) KSEK.
- The cash flow from operating activities amounted to -16 950 (9 400) KSEK.

Development in the first quarter 2021

All amounts are stated in thousand SEK (KSEK) unless stated otherwise.

The figures below are equivalent to the operations in SEM Invest Group the first quarter 2021 and the first quarter 2020.

Key figures and ratios ³⁾

KSEK	Q1 2021	Q1 2020
Net sales	119 918	74 874
EBITDA	30 642	21 717
Adjustment to EBITDA ¹⁾	-	-
EBITDA (adj.) ¹⁾	30 642	21 717
Operating profit	21 405	12 697
Net result for the period	9 514	2 802
Net Debt ²⁾	336 011	304 970
Return on equity ³⁾ , %	4,2%	1,3%
Return on total assets equity ³⁾ , %	2,5%	1,5%
Equity/assets ratio, %	38,1%	39,9%

¹⁾ Adjustments include non-recurring figures to enable better comparison of underlying development in the business.

Adjustments during Q1 2021 including 0 KSEK (0).

²⁾ End of period

³⁾ Figures regarding Q1 2021 and Q1 2020. Please see "Definitions" for further details.

Comments from the CEO

The strong recovery we saw among our customers in the fourth quarter of 2020 continued in Q1 2021 and results in a record quarter for SEM in terms of sales. Sales for the quarter land at 120 MSEK, which is more than 60% higher than quarter one 2020. The quarter has been marked by the global shortage of electronic components and certain raw materials. We have been able to keep our deliveries at a good level, however, with increased costs for components and extraordinary transports.

Fortunately, we have not had any direct impact in our operations of the pandemic, but our material supply chain has been somewhat unstable due to suppliers adapting their production to covid-19, forcing us to be very agile and flexible in our production.

During the quarter, we have worked closely with an OEM in China on ramping up component deliveries to their gas engines.

Christina Hallin
CEO

Financial overview

Sales and profit first quarter 2021

Sales in first quarter 2021 totalling SEK 119 918 (74 874) thousand.

Adjusted EBITDA totalling SEK 30 642 (21 717) thousand in first quarter.

Investments

In first quarter 2021 the group have made total investment affecting cash flow of SEK 2 361 (6 104) thousand referred to investments in test equipment for the new circuit board production at the factory in Åmål as well as production equipment, tools and fixtures for installation of new gas products at the factory in Suzhou.

Balance sheet items

Measurement of deferred tax assets in connection with loss carryforwards - interest deduction

Following the introduction of the new rules on interest deduction limitations in Sweden, the Group recorded a non-deductible interest. This non-deductible interest means an increased tax payment in the first quarter 2021 of 1,0 (0,9) SEK million for the Group. There is a future possible tax credit on the same amount. Given that there are time constraints in the possibility of utilizing the future tax credit, the Group has, for prudence, chosen not to record the future tax credit but will be taking the positive tax effects at the rate that the tax credit is utilized. This has resulted in a higher tax expense in the quarterly accounts for 2021 of 1,0 (0,9) MSEK. For further analysis of taxes, please refer to the annual report.

Test of impairment of goodwill and trademarks

The President assesses the operating performance based on the Group as a whole. Goodwill and trademarks are monitored by the President, based on the Group as a whole.

As Covid-19 to some extent still contributes to greater uncertainty regarding order intake for the Company in the short term, while the long-term business opportunities remain, a new impairment test was also carried out during the first quarter of 2021. The new test shows that no impairment for goodwill or trademarks have occurred. But the development going forward will be closely followed. This test is usually done once a year in the fourth quarter.

Cash flow

KSEK

Quarter 1 2021

Cash flow from operating activities -16 950 (9 400).

Cash flow from investing activities -2 361 (-6 104).

Cash flow from financing activities -3 429 (-3 386).

Cash flow for the period -22 740 (-90).

Cash flow from investing activities for quarter 1 2021 SEK -2 361 (-6 104) thousand thousand referred to investments in test equipment for the new circuit board production at the factory in Åmål as well as production equipment, tools and fixtures for installation of new gas products at the factory in Suzhou.

Cash flow from financing activities for quarter 1 2021 SEK -3 429 (-3 386) thousand consist of instalment of debt for financial leasing.

Cost regarding salaries, social security and pension

The personnel cost for salary, social security and pensions amounted to SEK 26 703 (24 987) thousand during the first quarter. During the first quarter the cost split with SEK 20 860 (20 131) thousand in Sweden, SEK 5 507 (4 383) thousand in China and SEK 336 (473) thousand in USA. At the end of the period the number of fulltime employees (FTE) in the group amounted to in total 209 (190) of which 54 (55) % women and 46 (45) % men.

Parent Company

The ultimate parent company Swedish Electromagnet Invest AB (publ) ("SEM Invest") was established on 26th March 2018. SEM Invest became operative on 11th December, 2018 through the acquisition of Swedish Electromagnet Holding AB ("SEH Group"). Swedish Electromagnet Invest AB (publ) Group is the ultimate Parent Company and serves as a holding company for the intermediary holding company Swedish Electromagnet Holding AB Group containing of SEM AB in Sweden, SEM Technology (Suzhou) Co., Ltd in China, SEM Technology Inc. in USA and Senfusion AB in Sweden.

The Parent Company's net result totalled SEK -4 555 (- 3 684) thousand in first quarter 2021. The Parent Company's net sales consist entirely of services to group companies. The Parent Company's operations include certain group-wide functions regarding management, strategy and financing.

Parent Company assets totalled SEK 681 863 (690 842) thousand, mainly consisting of shares in subsidiaries and internal receivables from a short-term loan to Swedish Electromagnet Holding AB.

The Parent Company is mainly financed by a bond issued in 10th of December 2018 to a nominal amount of SEK 350 000 thousand.

The number of shares totalled 2 000 000 as at 31st of March 2021. The main shareholder is Procuritas Capital Investors V L.P. with 91,5% of votes and capital.

Events after the reporting period

No significant events after the end of the reporting period.

Outlook

The SEM Invest Group does not provide forecasts due to the nature of its business.

Significant risks and uncertainties

The risks and uncertainties that primarily affect the Group have not changed during the period. These risks are described in detail in the annual report for 2020.

Financial reports

Condensed consolidated Income Statement

KSEK	Q1 2021	Q1 2020
Net sales	119 918	74 874
Cost of goods sold	-79 575	-42 930
Gross profit	40 343	31 944
Selling expenses	-4 300	-4 564
Administrative expenses	-6 403	-7 096
Research and development costs	-8 872	-7 727
Other operating income	638	140
Operating profit (loss)	21 405	12 697
Financial income	9	53
Financial expenses	-7 259	-7 676
Interest expenses from lease liabilities	-475	-583
Net financial items	-7 725	-8 206
Profit (loss) after financial items	13 680	4 491
Profit (loss) before tax	13 680	4 491
Income tax	-4 167	-1 689
Net result for the period	9 514	2 802

Other comprehensive income

KSEK	Q1 2021	Q1 2020
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences from translation of foreign operations	4 618	3 542
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of the net pension obligation	-	-
Income tax attributable to the above item	-	-
Other comprehensive income for the period, after tax	4 618	3 542
Total comprehensive income for the period	14 132	6 344

Profit (loss) for the period and total comprehensive income are, in their entirety, attributable to shareholders of the Parent Company.

Condensed consolidated Balance Sheet

KSEK	31 st Mar 2021	31 st Dec 2020
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Customers relationships	149 418	151 529
Trade name	143 633	143 633
Goodwill	257 024	257 024
Capitalised expenditure for development activities	13 044	13 440
Total intangible assets	563 119	565 626
<i>Tangible assets</i>		
Plant and machinery	20 479	19 956
Right-of-use assets	59 958	42 116
Equipment, tools, fixtures and fittings	21 202	22 010
Total intangible assets	101 639	84 082
Total non-current assets	664 758	649 708
Current assets		
<i>Inventories</i>		
Raw materials and consumables	33 611	33 049
Work-in-progress	3 398	1 244
Finished goods and goods for resale	12 616	15 589
Total inventories	49 625	49 882
<i>Current receivables</i>		
Trade receivables	109 014	60 762
Other receivables	5 636	5 088
Prepaid expenses and accrued income	9 607	9 873
Cash and cash equivalents	39 185	60 812
Total current receivables	163 442	136 535
Total current assets	213 067	186 417
TOTAL ASSETS	877 825	836 125

Condensed consolidated Balance Sheet

KSEK
EQUITY

31st Mar 2021

31st Dec 2020

Equity attributable to Parent Company's shareholders

Share capital	500	500
Other contributed capital	325 000	325 000
Reserves	1 693	-2 925
Retained earnings (incl. profit/(loss) for the period)	7 405	-2 109
Total equity attributable to the shareholders of the Parent Company	334 598	320 466

LIABILITIES

Non-current liabilities

Bond loan	346 219	345 666
Lease liabilities	46 929	30 024
Provisions for pensions and similar obligations	4 778	4 778
Deferred tax liabilities	61 678	63 047
Other provisions	950	950
Total non-current liabilities	460 554	444 465

Current liabilities

Lease liabilities	15 004	14 206
Trade payables	42 082	28 690
Tax liabilities	1 379	4 553
Other current liabilities	5 495	5 414
Invoiced income - not yet accrued	-	1 041
Accrued costs and prepaid income	18 713	17 290
Total current liabilities	82 673	71 194
Total liabilities	543 227	515 659

TOTAL EQUITY AND LIABILITIES

877 825 836 125

Consolidated statement of changes in equity

Amounts in KSEK	Attributable to shareholders of the Parent Company				
	Share Capital	Other contributed capital	Reservs	Losses carried froward/ Retained earnings, including profit (loss) for the period	Total shareholders equity
Q 1 2020					
Starting balance as at 1 st January 2020	500	325 000	310	5 995	331 805
Net profit for the period Jan - Mar 2020	-	-	-	2 802	2 802
Other comprehensive income for the period	-	-	3 542	-	3 542
Total comprehensive income for the period	-	-	3 542	2 802	6 344
Closing balance as at 31st March 2020	500	325 000	3 852	8 797	338 149
Q1 2021					
Starting balance as at 1 st January 2021	500	325 000	-2 925	-2 109	320 466
Net profit for the period Jan - Mar 2021	-	-	-	9 514	9 514
Other comprehensive income for the period	-	-	4 618	-	4 618
Total comprehensive income for the period	-	-	4 618	9 514	14 132
Closing balance as at 31st March 2021	500	325 000	1 693	7 405	334 598

Consolidated Cash Flow Statement

KSEK	1 st Jan 2021 – 31 st Mar 2021	1 st Jan 2020 – 31 st Mar 2020
Cash flow from operating activities		
Operating profit (loss)	21 405	12 697
<i>Adjustment for non-cash items</i>		
- Other non-cash items	2 708	1 787
- Depreciation of tangible and intangible assets	9 237	9 020
Interest received	9	53
Interest paid	-7 254	-8 307
Income taxes paid	-8 705	-7 388
Cash flow from operating activities before changes in working capital	17 399	7 862
Cash flow before changes in working capital		
Increase/decrease of inventories	257	-3 252
Increase/decrease of trade receivables	-48 252	5 162
Increase/decrease of other current receivables	-282	807
Increase/decrease of trade payables	13 392	255
Increase/decrease of other current payables	536	-1 434
Total changes in working capital	-34 349	1 538
Cash flow from operating activities	-16 950	9 400
Cash flow from investing activities		
Investment in intangible assets	440	-3 279
Investment in property, plant and equipment	-2 801	-2 825
Cash flow from investing activities	-2 361	-6 104
Cash flow from financing activities		
Repayment of leasing debt	-3 429	-3 386
Cash flow from financing activities	-3 429	-3 386
Decrease/increase of cash and cash equivalents		
Opening cash and cash equivalents	60 812	58 069
Net cash flow during the period	-22 740	-90
Exchange rate differences in cash and cash equivalents	1 113	1 099
Closing cash and cash equivalents	39 185	59 078

Parent Company Income Statement

KSEK	1 st Jan 2021 – 31 st Mar 2021	1 st Jan 2020 – 31 st Mar 2020
Net sales	2 760	2 760
Gross profit	2 760	2 760
Administrative expenses	-189	-243
Operating profit (loss)	2 571	2 517
Profit (loss) from financial items		
Financial expenses	-7 043	-7 204
Net financial items	-7 043	-7 204
Profit (loss) after financial items	-4 472	-4 687
Profit (loss) before tax	-4 472	-4 687
Tax for the period	-83	1 003
Net result for the period	-4 555	-3 684

In the Parent Company, there are no items recognized as other comprehensive income, consequently, total comprehensive income corresponds to profit (loss) for the period.

Parent Company Balance Sheet

KSEK	31 st Mar-21	31 st Dec-20
ASSETS		
Non-current assets		
<i>Financial assets</i>		
Participation in Group companies	420 893	420 893
Deferred tax assets	917	-
Total financial assets	421 810	420 893
Total non-current assets	421 810	420 893
Current assets		
<i>Current receivables</i>		
Receivables from Group companies	254 968	265 968
Current tax asset	1 032	50
Prepaid expenses and accrued income	3 552	3 568
Total current assets	259 552	269 586
Cash and bank	501	363
Total current assets	260 053	269 949
TOTAL ASSETS	681 863	690 842

Parent Company Balance Sheet

KSEK	31 st Mar-21	31 st Dec-20
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital	500	500
Non-restricted equity		
Retained earnings	327 931	331 502
Profit/(loss) for the period	-4 555	-3 571
Total equity	323 876	328 431
UNTAXED RESERVS		
Accrued fund	4 143	4 143
Total untaxed reserves	4 143	4 143
LIABILITIES		
Non-current liabilities		
Bond loan	346 219	345 666
Total non-current liabilities	346 219	345 666
Current liabilities		
Trade payables	-	110
Current tax liabilities	4 989	9 519
Other liabilities	647	912
Accrued expenses and prepaid income	1 988	2 061
Total current liabilities	7 625	12 602
Total liabilities	353 844	358 268
TOTAL EQUITY AND LIABILITIES	681 863	690 842

Notes to the interim report

General

Swedish Electromagnet Invest AB (publ), corporate identity number 559153-6510, is a limited company, registered in Sweden and headquartered in Åmål. The address of the head office is: Swedish Electromagnet Invest AB, c/o SEM Aktiebolag, Box 30, 662 21 Åmål, Sweden. The operations of the Parent Company and its subsidiaries comprise development, manufacturing and marketing of emission critical and high-technological components for heavy-duty commercial vehicles ("HDCV"). Core areas include a number of different ignition systems, injectors stators and sensors, primarily for natural gas ("NG") and diesel powered HDCVs, as well as smaller ignition systems for hand-held tools for the professional. The Groups sells its products through its own sales channels all over the world, and customers include well-known OEMs, both Tier 1 and Tier 2 within the industry.

Note 1 Accounting policies

This Interim Report is presented in accordance with IAS 34 Interim Financial Reporting. The group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards from IFRS Interpretations Committee (IFRS IC) as adopted by the European Commission. The accounting also follows the Annual Accounts Act (1995:1554).

In addition, the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied. The Parent Company's interim report has been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board.

Applied accounting principles are in accordance with those described in Swedish Electromagnet Invest AB's annual report for 2020.

Note 2 Net Sales

The Group has recognised the following amounts, attributable to revenue, in the statement of comprehensive income:

	Q1 2021	Q1 2020
Revenue from contracts with customers	119 918	74 874
Total revenue	119 981	74 874

Division of revenue from contracts with customers

The Group has revenue in accordance with the specification below from the sales of goods and services. Revenue from external customers mainly comprise the development and manufacturing of ignition systems and components. The majority of the Group's revenue is recognised over time.

Revenue from customer contracts per goods item and service	Q1 2021	Q1 2020
Ignition systems and components	118 804	74 165
Design and Development services	1 113	709
Total	119 918	74 874

Note 3 Cost broken down by type of cost

	Q1 2021	Q1 2020
Raw materials and consumables	-54 915	-27 243
Employee benefits	-26 703	-24 987
Capitalized development hours	1 971	1 923
Depreciation of tangible assets	-2 938	-3 337
Depreciation of right-of-use assets	-4 232	-3 525
Amortisation of intangible assets	-2 067	-2 158
Other external costs	-10 267	-2 990
Total operating costs	-99 151	-62 317

Note 4 Borrowings

Bond loan

The Company has issued a senior secured bond, ISIN SE0011167600 (the "Bond") with a nominal value of SEK 350 million. The bond runs up until the 10th December 2022 with a variable interest of Stibor 3 months plus 7.50%. In accordance with the terms and conditions of the Bond, certain covenants need to be met when raising new loans, at acquisitions and in connection with dividends. The terms and conditions of the Bond contain several obligations, such as a prohibition against raising new loans, grant loans, pledge assets as collateral, obligations that the working capital facility, during a certain period, should be unutilised, restrictions regarding disposals and transferring of cash and cash equivalents. Under the Bond, assets have been pledged as collateral, which include certain share collaterals shares in subsidiary and internal loans.

The Parent Company has met all the terms and conditions of the bond during the period from 1st of January 2021 until 31st of March 2021.

	Carrying amount 2021-03-31	Fair value 2021-03-31	Carrying amount 2020-03-31	Fair value 2020-03-31
Bond loan	346 219	341 250	344 006	325 500

Fair value of the bond loan has been valued at level 1 of the fair value hierarchy, ie the quoted market price per 2021-03-31.

Note 5 Related party transactions

Related party transactions - Group

Swedish Electromagnet Invest AB (publ) (the Company) is a majority owned company by Procuritas Capital Investors V.L.P., headquartered in Guernsey. Swedish Electromagnet Invest AB (publ) is the parent company in the largest group in which consolidated accounts are prepared. Related parties are all subsidiaries within the group as well as senior executives and their associates.

The following related-party transactions have been performed:	Q1 2021	Q1 2020
(a) Sales of services		
- Administration services from the Parent Company	2 760	2 760
Total	2 760	2 760

Related party transaction - Parent company

<i>Loans to related parties</i>	31-Mar-21	31-Mar-20
<i>Loan to Swedish Electromagnet Holding AB</i>		
Starting balance	246 457	246 457
<i>Loan to SEM AB</i>		
Loan raised during the year / Starting balance	18 361	16 070
Amounts repaid	-	-5 000
At year-end	253 818	257 527

Not 6 Reconciliation of Key figures and ratios¹⁾

Reconciliation of EBITDA, KSEK	Q1 2021	Q1 2020
Operating profit (loss)	21 405	12 697
Depreciations of intangible assets	2 067	2 158
Depreciations of right-to-use-assets	4 232	3 525
Depreciations of tangible assets	2 938	3 337
EBTIDA	30 642	21 717
Reconciliation of adjusted EBITDA		
EBITDA	30 642	21 717
Adjusted EBITDA	30 642	21 717
Reconciliation of net debt		
	2021-03-31	2020-03-31
Bond loans	346 219	344 006
Lease liability (non-current and current) according to IAS17	28 977	20 042
Cash and cash equivalents	-39 185	-59 078
Net debt	336 011	304 970

¹⁾ Figures regarding Q1 2021 and Q1 2020. Please see "Definitions" for further details.

Definitions

Alternative performance measures

Alternative performance measures (APM) are financial measures that are not defined in the applicable financial reporting framework (IFRS) and are presented outside the financial statements.

APMs are used by SEM Invest when relevant to assess and describe the financial situation and provide additional relevant information and tools to enable analysis of SEM Invest's performance. The Company believes that these key ratios are useful for readers of the financial statements as a complement to other key performance indicators to assess the SEM Invest's financial position and profitability. APMs can be defined in different ways by other companies and, therefore, may not be comparable with similar measures used by other companies.

EBITDA¹⁾

Profit before interest, tax, depreciation and amortisation.

EBITDA (just)¹⁾

Profit before interest, tax, depreciation and amortisation, adjusted for non-recurring item. The adjustments performed are cost and income of a non-recurring item, for which, according to the terms and conditions of the bond, EBITDA should be adjusted ²⁾.

Net debt

Net interest-bearing debt according to the terms and conditions of the bond including financial indebtedness such as the bond loan and leasing accounted for in accordance with IAS 17 (excluding leasing accounted for in accordance with IFRS 16 since the accounting principle were not applicable on the date of the issue of the bond but first applicable as of 1st January 2019) less cash and cash equivalents.

According to the bond terms, net debt is not including any pension liability.

Net debt in relation to adjusted EBITDA

Net interest-bearing debt in relation to adjusted EBITDA. The adjustments performed are cost and income of a non-recurring item, for which, according to the terms and conditions of the bond, EBITDA should be adjusted ¹⁾.

Return on equity

Profit before tax (EBT) attributable to shareholders in relation to average shareholders' equity. (Average year-to-date, calculated on quarter-end figures.)

Return on total assets

Operating result (EBIT) attributable to shareholders, in relation to average total assets. (Average year-to-date, calculated on quarter-end figures.)

Equity/assets ratio

Equity as a percentage of the sum of shareholders' equity and liabilities.

¹⁾ Including IFRS16 leasing.

²⁾ Adjustments include non-recurring figures to enable better comparison of underlying development in the business.

Declaration of the board of directors

The Board of Directors and the Chief Executive Officer certify that the Interim Report present a fair view of the development of the operations, position and performance of the Group and the Parent Company and describes significant risks and uncertainties to which the Parent Company and the companies in the Group are exposed.

Åmål on 28th May 2021

Halvar Jonzon
Chairman of the Board

Hans Wikse
Board Member

Christina Hallin
Board Member
/ Chief Executive Officer

Hasse Johansson
Board Member

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

Financial calendar 2021

Interim Report Q2 2021 is published on the 31st of August 2021

Interim Report Q3 2021 is published on the 26th of November 2021

Contact

IRcontact@sem.se

Website

All reports and press releases are available on the Internet at www.sem.se