

Interim report, *July - September*

***XMReality 2021***

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# XMReality AB (publ) interim report, July - September 2021

Order Intake increased 72 percent compared with the same quarter last year. The corresponding growth in Annual Recurring Revenue (ARR) was 22 percent and 17 percent for Net Sales.

## The quarter July - September 2021

- Net Sales amounted to SEK 5,376 thousand (4,597)
- Costs totaled SEK -12,873 thousand (-9,419)
- The operating loss before appropriations was SEK -7,027 thousand (-4,430)
- Cash flow for the period was SEK -9,349 thousand (-3,149)
- Equity/assets ratio at the end of the period was 80.8 (73.5) percent

The growth in Net Sales was 17 percent. The Annual Recurring Revenue (ARR) increased with 22 percent to SEK 18,523 (15,155) thousand. The absolute majority of the revenue is still recurring software subscriptions. The gross margin remained high and 90 percent for the quarter.

Order Intake increased by 72 percent to SEK 5,135 (2,985) thousand. Cash and cash equivalents amounted to SEK 53,475 thousand at the end of the quarter. The order backlog, order intake that at the end of the period had not yet been recognized as Net Sales, increased by 70 percent to SEK 14,964 (8,785) thousand

## The period January – September 2021

- Net sales amounted to SEK 16,875 thousand (13,629)
- Costs totaled SEK -39,466 thousand (-33,577)
- The operating loss before appropriations was SEK -21,030 thousand (-18,190)
- Cash flow for the period was SEK 34,861 thousand (13,971)

## Notable events during the quarter July – September 2021

- XMReality AB and Tekniska Verken, a municipally owned company in Linköping, have signed a 24-month agreement with the aim of delivering Remote Guidance to most business areas within the Group. The total contract value for the two-year period amounts to SEK 900 thousand and covers only software.
- Anheuser-Busch InBev and XMReality AB has signed a master agreement to provide Remote Guidance for the European zone. The initial order includes licenses for XMReality Remote Guidance with branding. The total order value is 570 TSEK of which 90% is annual software licenses.

## Notable events after the period

- XMReality has now joined the Microsoft Partner Network (MPN) as an Independent Software Vendor (ISV). The partner program provides resources that enable XMReality to scale and grow worldwide. It allows XMReality to engage with Microsoft's global ecosystem as well as market XMReality Remote Guidance in their channels.

## Message from the CEO



XMReality's CEO Jörgen Remmelg

The quarter was characterized by existing customers renewing their subscriptions according to plan, and several new customers transitioning from pilot projects to subscription agreements. Two new major contracts signed in Tekniska Verken and the world's largest brewery, Anheuser-Busch InBev.

Existing customers who did renew their subscriptions include IMI (oil and gas), a number of companies within the Coesia Group (packaging), Hitachi ABB (manufacturing), Multivac (packaging), one of the business units within Assa Abloy, one of the larger Danone entities (food&bev) and some additional ABB companies. During the period, we still had a Churn below our target of 10 percent.

Examples of customers who during the period went from pilot projects to subscriptions, or increased the number of licenses, are Eon (energy), Laerdal (MedTech), Växjö Energi (energy), Bio-RAD (MedTech) and Rexnord (manufacturing). These are in addition to the two major agreements with Tekniska Verken (energy) and Anheuser-Busch InBev (AB InBev). The deal with Tekniska Verken is a strong reference for us, as the company is one of the larger within this vertical in Sweden, where Växjö Energi is the first 'twin' deal. The contract with AB InBev covers 40 central service technicians at their head office in Europe. We obviously have the ambition to scale up with additional licenses for AB InBev local breweries.

At the very end of last quarter, I reported that our largest customer chose not to extend two-thirds of their licenses, so-called Contraction. At the time of writing, we have recovered 30 percent of the ARR lost during the last quarter from the customer in question. The work continues to recover even more licenses. It is positive to note that the company has both a need and the willingness to buy from us, which shows that part of this Contraction indeed had to do with administrative issues on the customer side.

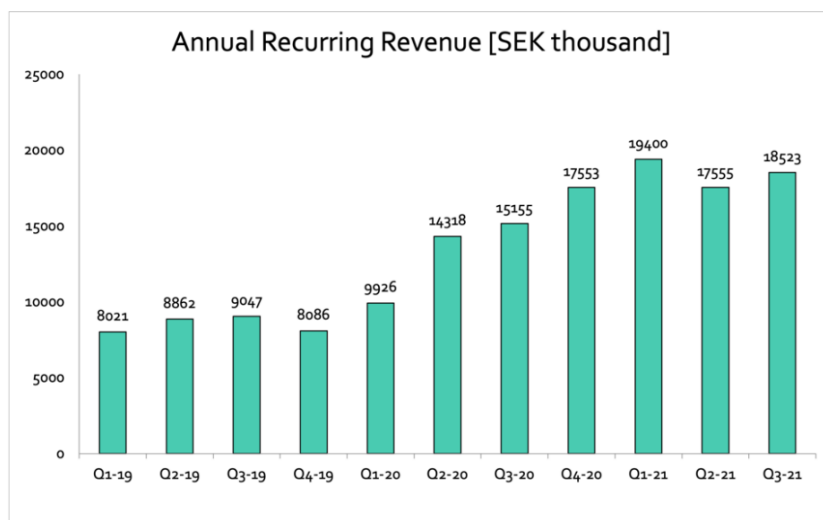
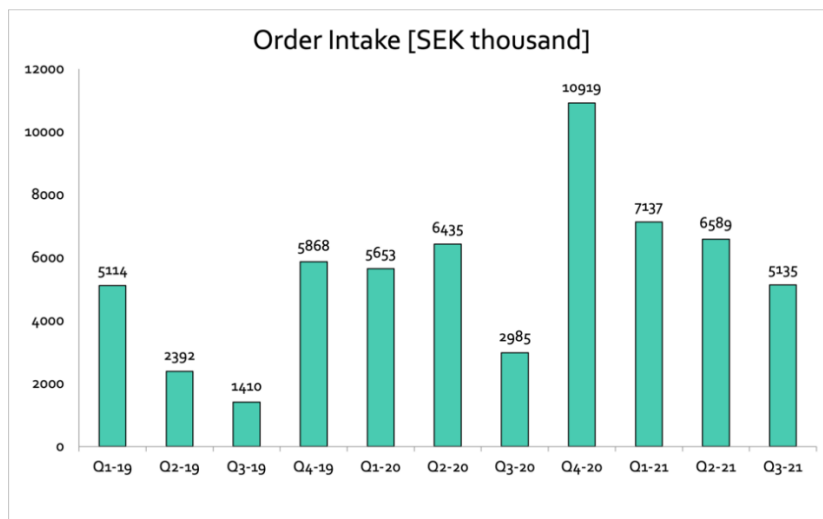
The cost increase, compared with the third quarter of last year, is mainly personnel cost. As Covid-19 has prevented us from travelling to US, we decided to launch additional resources on consulting basis with the option of subsequent standard employment. We also have additional consulting resources on the marketing side working on optimizing our website and the customers' digital buying journey. We have also strengthened

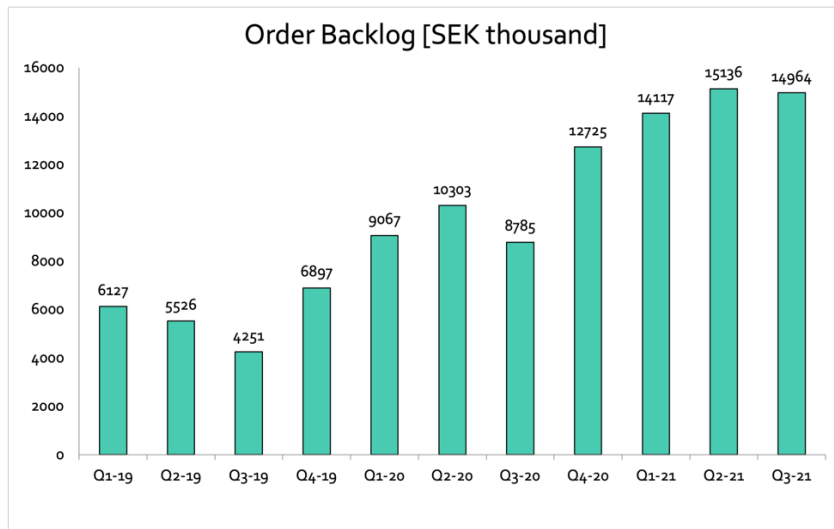
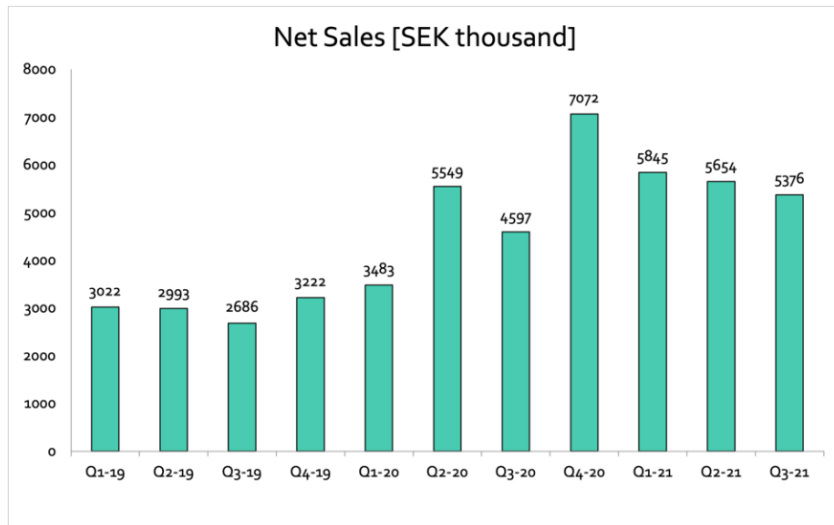
the company on the engineering side with the objective to accelerate our Product Road Map (Product Development). Consequently, activities that are focused on increasing the top line. Over time we do have the strategy to exchange consultants with permanent employments and mainly increase the cost base where we can see a direct increase in order intake short term and medium term.

We have now returned to an 'Office First' policy as the pandemic now seems to taper off. It feels very good to again experience the dynamics and atmosphere of a 'real world' office! We have also accomplished three of this autumn's major trade shows; Housing in Manchester, Packaging in Las Vegas and ForumLabo in Paris. Many good contacts and business opportunities have now been created. We still have three trade shows to go this year; Field Service USA, Call & Contact in London and a one in Berlin. We are working hard to ensure that our digital marketing is complemented by physical events to increase our overall impact. As I have previously mentioned, our Sales Pipeline remains at the higher level we experienced during the pandemic. Although some of the trade shows are pre Covid-19 registrations that finally materialize, the objective with all these trade shows is to lift the Sales Pipeline to a new and higher level.

It feels particularly rewarding that we this quarter have significant Order Intake growth, and that the ARR again is back in a growth mode.

Jörgen Remmelg, CEO  
Linköping 21 October 2021





# Financial basis for the interim report, July - September 2021

## Income statement (SEK thousand)

	July - September		January - September		Full year
	2021	2020	2021	2020	
Net sales	5,376	4,597	16,875	13,629	20,701
Capitalized production costs	452	368	1,516	1,614	2,224
Other operating income	18	24	45	144	209
<b>Total income</b>	<b>5,846</b>	<b>4,989</b>	<b>18,436</b>	<b>15,387</b>	<b>23,133</b>
Raw materials and consumables	-243	-286	-1,398	-1,458	-2,000
Other operating expenses	-6,586	-3,884	-18,060	-14,681	-20,290
Employee benefits expenses	-4,615	-3,766	-15,861	-13,411	-19,853
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-1,375	-1,268	-4,040	-3,707	-4,996
Other operating costs	-51	-204	-87	-287	-618
<b>EBIT</b>	<b>-7,025</b>	<b>-4,420</b>	<b>-21,012</b>	<b>-18,157</b>	<b>-24,623</b>
Financial income and similar profit items	0	0	0	0	0
Financial expenses and similar loss items	-2	-11	-18	-33	-302
<b>Profit(-loss) after net financial income</b>	<b>-7,027</b>	<b>-4,430</b>	<b>-21,030</b>	<b>-18,190</b>	<b>-24,925</b>
Group contribution received	0	0	0	0	0
Income tax expense for the period	0	0	0	0	0
<b>Profit(-loss) for the period</b>	<b>-7,027</b>	<b>-4,430</b>	<b>-21,030</b>	<b>-18,190</b>	<b>-24,925</b>
Earnings per share, before and after dilution (SEK)	-0.17	-0.13	-0.54	-0.61	-0.80
Average number of shares during the period	40,920,000	34,100,000	39,196,264	30,040,476	31,063,699
Shares outstanding at the end of the period	40,920,000	34,100,000	40,920,000	34,100,000	34,100,000

## Balance sheets (SEK thousand)

	30 Sept 2021	30 Sept	31 Dec 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Capitalized development costs	11,081	14,082	13,452
Equipment, tools and systems	250	393	345
Financial assets	51	312	51
<b>Total non-current assets</b>	<b>11,383</b>	<b>14,787</b>	<b>13,847</b>
<b>Current assets</b>			
Inventories	220	2,311	255
Current receivables	6,243	4,651	8,964
Cash and bank balances	53,475	23,318	18,615
<b>Total current assets</b>	<b>59,938</b>	<b>28,199</b>	<b>27,834</b>
<b>Total assets</b>	<b>71,321</b>	<b>42,987</b>	<b>41,681</b>
<b>Equity and liabilities</b>			
Equity	57,623	31,583	24,847
Non-current liabilities	50	50	50
Current liabilities <sup>1</sup>	13,648	11,354	16,784
<b>Total equity and liabilities</b>	<b>71,321</b>	<b>42,987</b>	<b>41,681</b>
<sup>1</sup> Of which interest-bearing liabilities	0	458	333
Collateral provided	1,200 <sup>2</sup>	3,700	3,700
Contingent liabilities	None	None	None

<sup>2</sup>Total collateral taken out SEK 3,700 thousand, of which SEK 2,500 thousand in own custody.

## Statement of change in equity (SEK thousand)

	July - September		January - September		Full year 2020
	2021	2020	2021	2020	
Balance at the beginning of the period	64,746	36,013	24,847	20,273	20,273
New share issue (net of issue costs)	-96	0	53,805	29,500	29,500
Profit(-loss) for the period	-7,027	-4,430	-21,030	-18,190	-24,925
<b>Balance at the end of the period</b>	<b>57,623</b>	<b>31,583</b>	<b>57,623</b>	<b>31,583</b>	<b>24,847</b>
Average number of shares during the period, <sup>3</sup>	40,920,000	34,100,000	39,196,264	30,040,476	31,063,699
Shares outstanding at the end of the period <sup>3</sup>	40,920,000	34,100,000	40,920,000	34,100,000	34,100,000

<sup>3</sup> New issue of 17,050,000 shares subscribed in March 2020.  
New issue of 6,820,000 shares subscribed in February 2021.

## Statement of cash flow (SEK thousand)

	July - September		January - September		Full year 2020
	2021	2020	2021	2020	
<b>Operating activities</b>					
Cash flow (-used) before changes in working capital	-5,732	-3,242	-17,449	-14,959	-20,081
Change in working capital	-3,043	544	80	1,755	2,784
<b>Cash flow from (-used in) operating activities</b>	<b>-8,775</b>	<b>-2,697</b>	<b>-17,369</b>	<b>-13,204</b>	<b>-17,297</b>
Cash flow from (-used in) investing activities	-477	-368	-1,576	-1,739	-2,341
Cash flow from (-used in) financing activities	-96	-83	53,805	28,914	28,906
<b>Cash flow from (-used in) the period</b>	<b>-9,349</b>	<b>-3,149</b>	<b>34,861</b>	<b>13,971</b>	<b>9,267</b>
Cash and cash equivalents at the beginning of period	62,825	26,467	18,615	9,347	9,347
<b>Cash and cash equivalents at the end of period</b>	<b>53,475</b>	<b>23,318</b>	<b>53,475</b>	<b>23,318</b>	<b>18,615</b>



## Overview of financial performance (SEK thousand)

An overview of the financial performance of XMReality AB (publ) for the period of January-September 2021 and for the full years of 2017 - 2020 is presented below. All figures for the financial years 2017-2020 are based on material taken from official, published annual reports.

	Jan - Sept	Full year			
	2021	2020	2019	2018	2017
Net sales	16,875	20,701	11,921	10,155	6,683
Operating profit (-loss)	-21,012	-24,623	-27,300	-29,250	-22,633
Profit (-loss) after net financial income	-21,030	-24,925	-27,364	-29,317	-22,741
Group contribution received	0	0	29	0	0
Profit (-loss) after appropriations	-21,030	-24,925	-27,335	-29,317	-22,741
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	11,081	13,452	16,039	14,754	12,458
Tangible assets	250	345	405	528	1,705
Financial assets	51	51	59	8	0
Inventories	220	255	184	261	306
Current receivables	6,243	8,964	6,792	5,978	6,014
Cash and bank balances	53,475	18,615	9,347	37,798	46,241
Equity	57,623	24,847	20,273	47,608	56,826
Non-current liabilities	50	50	383	844	1,535
Current liabilities	13,648	16,784	12,169	10,875	8,362
Total assets	71,321	41,681	32,826	59,327	66,724
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	80.8	59.6	61.8	80.2	85.2
Dept/equity ratio, multiple	0.00	0.01	0.04	0.04	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	437.6	164.3	132.6	402.5	624.9
Number of employees (end of period)	21	18	17	23	19
Investments					
Intangible assets	1,516	2,224	5,289	5,478	6,687
Tangible assets	59	125	32	140	1,908
Deposits	0	-8	51	8	0
Basic earnings (-loss) per share, before and after dilution, SEK	-0.54	-0.80	-1.60	-1.72	-1.56
Average number of shares during the period	39,196,264	31,063,699	17,050,000	14,982,648	13,175,227
Shares outstanding at the end of the period	40,920,000	34,100,000	17,050,000	17,050,000	14,607,982

## Definition of key data

Equity	The sum of shareholder's equity, restricted reserves and non-restricted equity
Return on average capital employed	Profit or loss before interest expenses 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
Dept/equity ratio	Interest-bearing liabilities divided by equity
Interest coverage ratio	Earnings before interest divided by interest expenses
Earnings per shares	Profit or loss after tax divided by average number of shares outstanding
Quick ratio	Cash and current assets excluding inventories divided by current liabilities
ARR (Annual Recurring Revenue)	The annual value of subscriptions subscribed (provided no changes are made in the agreement).

## Accounting policies

The year-end 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 2020, pages 20-21, "risk factors" for a more detailed description of the risks associated with the Company and its stock.

The board of directors has assessed current and available liquidity as sufficient to assure continuing operation.

## 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 40,920,000 shares outstanding in XMReality AB (publ). There is only one share class. Each share carries one vote.

There are three outstanding stock option plans, 2019/2022 carrying rights to subscribe for up to 107 748 shares, 2020/2023L carrying the rights to subscribe for up to 600 000 shares and 2020/2024S carrying rights to subscribe for up to 560 000 shares.

## Auditor review

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



Interim report July - September 2021

## Submission of year-end report

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

Linköping October 21<sup>st</sup> 2021

Board of Directors

## Financial reporting calendar:

Year-end report 2021	Thursday February 17 <sup>th</sup> , 2022
Interim report first quarter 2022	Thursday April 28 <sup>th</sup> , 2022
Annual General Meeting, AGM	Tuesday May 4 <sup>th</sup> , 2022
Interim report second quarter 2022	Thursday August 11 <sup>th</sup> , 2022
Interim report third quarter 2022	Thursday October 20 <sup>th</sup> , 2022
Year-end report 2022	Thursday February 16 <sup>th</sup> , 2023

All reports and minutes of the AGM will be published on [www.xmreality.com/investors/](http://www.xmreality.com/investors/)

The information was submitted, through the care of the contact person below, for publication on October 21, 2021 at 8.30 CET.

## Contact person at XMReality AB (publ):

Jörgen Rimmelg, CEO  
Phone: +46 739 822 409  
Mail: [jorgen.rimmelg@xmreality.se](mailto:jorgen.rimmelg@xmreality.se)

## Disclaimer

As the company is noted in Sweden; this English version is an internal translation of the Swedish Interim Report. Should there be any discrepancies between this report and its Swedish version, the Swedish version prevail.