

## Press release

Stockholm, April 29, 2020

# Tobii Interim Report for the First Quarter 2020

**Tobii AB (publ) today announced its results for the first quarter 2020.**

Comment by Tobii's CEO Henrik Eskilsson:

“Tobii's business continued to develop fundamentally well during the first quarter of 2020 and we delivered an operating profit that improved significantly over the previous year. In the quarter, development was particularly positive in Tobii Dynavox, which grew currency-adjusted revenue with 8 percent and greatly improved its operating margin to 15 percent, which is in line with the long-term target that the division has pursued. In some markets, especially China and Japan, sales were negatively affected by covid-19. We took the pandemic seriously early on and began preparations for changing work methods and implementing cost saving measures. Although the first quarter developed well, we expect a significant negative impact on sales in the second quarter. The cost reduction program is necessary, both to manage a lower revenue short term and to achieve profitability in Tobii Tech in line with our earlier ambition.”

## First quarter January- March 2020

- Consolidated revenue rose by 5% to SEK 380 million (363), compared with the first quarter of 2019. Adjusted for currency effects, the revenue remained unchanged.
- Gross margin was 69% (68%).
- The Group's operating result amounted to SEK -23 million (-38).  
Tobii Dynavox contributed SEK 36 million (17) and Tobii Pro SEK 1 million (23) to earnings, while investments in Tobii Tech had an impact of SEK -61 million (-80) on the Group's operating result.
- Earnings per share amounted to SEK -0.17 (-0.33).

## Significant events

- The [new I-Series](#), which is Tobii Dynavox's medical-grade eye-controlled flagship product, has been very well received by the market. The sales trend for the new I-Series was strong on both the European and US markets.
- Qualcomm unveiled its new reference design for VR- and AR headsets based on the XR2 platform, the world's first with 5G support and Qualcomm's third reference design optimized for Tobii eye tracking.
- Tobii issued additional bonds of SEK 150 million within its existing 2019/2022 bond loan.

## Significant events after the end of the period

- After the end of the quarter, Tobii [commented](#) on the impact of the Covid-19 pandemic and the Group's planned cost reduction program.

## Comments from the CEO

*Tobii's business continued to develop fundamentally well during the first quarter of 2020 and we delivered an operating profit that improved significantly over the previous year. In the quarter, development was particularly positive in Tobii Dynavox, which grew currency-adjusted revenue with 8 percent and greatly improved its operating margin to 15 percent, which is in line with the long-term target that the division has pursued. In some markets, especially China and Japan, sales were negatively affected by covid-19. We took the pandemic seriously early on and began preparations for changing work methods and implementing cost saving measures. Although the first quarter developed well, we expect a significant negative impact on sales in the second quarter. The cost reduction program is necessary, both to manage a lower revenue short term and to achieve profitability in Tobii Tech in line with our earlier ambition.*

**Over the past few months, the Covid-19 pandemic** has dramatically changed the way we live our lives and the conditions for doing business. Most Tobii employees are currently working from home, but thanks to early preparedness, effective IT infrastructure and fantastic efforts by many employees, productivity remains good.

However, our revenue was negatively impacted in the quarter, especially in China and Japan, which were affected early and where universities and offices were closed. As most countries have introduced quarantine rules, marketing and sales have become increasingly challenging and, in some cases, we have seen disturbances in customers' supply chains and development projects. Although the outlook is highly uncertain, we expect that revenue in all three divisions will be negatively impacted in the short term. However, we believe that most parts of Tobii's business are highly resilient to general downturns in the economy and therefore continue to have a positive view of opportunities for both growth and improved operating profit as quarantine rules ease.

One consequence of the pandemic is that it will most likely not be possible to reach the Group's financial targets in 2020, including the target for Group to reach profitability for the full year. We will therefore review the financial targets once the situation has stabilized. In order to adapt costs to an expected lower level of revenue in the short term, we have initiated a cost reduction program. The program includes a reduction of discretionary expenses, a reduction of the number of consultants, a company-wide temporary work reduction program and a temporary salary reduction for the executive management team. In addition, we are implementing structural changes to facilitate Tobii Tech division's path to profitability, and unfortunately, it has been necessary to give notice that up to 50 employees will be laid off. The program will reduce the Group's operating expenses and in the second quarter specifically by approximately 20% compared with the previous year. We expect that our measures will result in a sufficiently strong financial position, but we are also prepared to take more actions if the market outlook changes.

**Tobii Dynavox** had a strong first quarter despite the pandemic, with currency-adjusted growth of 8 percent and a greatly improved operating margin of 15 percent. The [new I-Series](#) has indeed been well received by the market and is a key driver of the good results. I-Series continued to sell well in Europe and sales in the US, our largest market, have also gained significant momentum in the quarter.

At the end of the quarter, restrictions were imposed in several markets that are important for Tobii Dynavox. Nevertheless, the business remains fully operational even in the US, though restrictions in society have obviously made it more difficult to engage in sales and to help our users. We have adapted our working methods by working from home and meeting our customers and users through digital platforms. I am impressed that we are still actually training about as many therapists, prescribers and other professionals as before the pandemic. In the short term, however, we expect that our revenue will be negatively impacted over the next one to two quarters and we are therefore also adjusting our costs accordingly within Tobii Dynavox. We believe that the division's business is highly resilient to economic downturns and we are therefore confident that we will see good growth again as soon as countries ease their restrictions.



**Tobii Pro** had a much tougher quarter due to the pandemic. Currency-adjusted revenue decreased by 20 percent and operating profit was SEK 1 million. Parts of the business grew at a healthy pace, including the Professional Performance segment and our Tobii Pro Insight service business. Both China and Japan are important markets for Tobii Pro, and are countries where offices and universities were closed early on. Sales in China have therefore been negatively impacted and Japan and some other markets have also been affected to varying degrees. We estimate that the pandemic has reduced our revenue in the quarter by more than SEK 20 million. In addition, product transitions also had a short-term negative impact on revenue during the quarter.

As quarantine rules have been introduced in other countries, sales efforts have become more difficult. In some countries many of our customers have switched to working digitally, while in others work has stalled. In the short term, we expect the pandemic to continue to have a negative impact on our revenue in the division and are adjusting our costs accordingly. However, the needs for our products and services remain and we believe that the business will quickly pick up once the restrictions are lifted. In particular, the Scientific Research segment, which accounts for about half of Tobii Pro's business, has historically been highly resilient to general economic downturns.

**Tobii Tech's** currency-adjusted revenue to external customers increased by 25 percent in the quarter. Overall, revenue rose by 14 percent, adjusted for currency. The division's revenue has been affected to a lesser extent by the pandemic, but we have seen some impact caused by customers' supply chain disruptions and changes in development plans. We have adapted our working methods to the new reality and since our customers are also international and IT-savvy, I think the transition has gone very well.

During the quarter, Qualcomm unveiled their new reference design for VR- and AR-headsets based on their XR2 platform, the world's first with 5G support. It is also Qualcomm's third reference design optimized for Tobii eye tracking. We have several current customer projects within VR and AR, which along with the PC segment accounted for a significant portion of revenue. In the PC segment, deliveries to Alienware continued at a satisfactory level and we are engaged in several in-depth customer dialogues regarding Tobii Aware, where we see continued strong interest. In the Niche Applications segment, some of our customers have experienced pandemic-related supply chain disruptions, which has had some impact on our revenue.

We still see large opportunities for Tobii Tech and we will continue to make significant investments in the division. However, the pandemic's effect on the cash-flow of the other divisions reduces the Group's room to invest. This, combined with slower-than-expected development in parts of the PC-segment, have led us to take the measures necessary to bring Tobii Tech to profitability in line with our earlier ambition.

**Overall**, the world has really changed in recent months. However, the need for eye tracking and the opportunities it creates have not changed. We are adapting to the new reality and making the necessary decisions, and once the situation normalizes, we will stand strong and be well positioned for continued robust growth.

### Conference call

Today at 1:00 p.m. CET, Tobii will host a conference call with web cast presentation for media, analyst and investors. Please find dial-in details on Tobii's website under [Calendar](#).

*This report has not been subjected to review by the Company's auditors.*

*This is a translation of the Swedish original. In case of any inconsistency between the Swedish and English version, the Swedish version shall prevail.*

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#### About Tobii

Tobii is the global leader in eye tracking. Our vision is a world where all technology works in harmony with natural human behavior. Tobii operates through three business units: Tobii Dynavox makes specially designed computers that are controlled by eye movement or touch screens for use by people with special needs due to spinal cord injuries, CP, ALS or other medical conditions. Tobii Pro develops and sells eye-tracking equipment and services used today by more than 3,500 companies and 2,500 research institutions, including all of the world's 50 highest ranked universities. Tobii Tech further develops Tobii's technology for new volume markets, such as computer games, personal computers, virtual reality, augmented reality and smartphones. Tobii is headquartered in Sweden and is listed on Nasdaq Stockholm (TOBII). The group has about 1,000 employees. For more information: [www.tobii.com](http://www.tobii.com).

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