Press release
Stockholm, February 6, 2019

Tobii AB Year-End Report 2018

Tobii AB today reported its results for the fourth quarter and full year 2018.

Comment by Tobii’s CEO Henrik Eskilsson:

“Tobii ended the year with record sales in all three business units. Particularly rewarding in the fourth quarter were the strong trends in both sales and profitability for Tobii Pro, the positive impact of new products from Tobii Dynavox on sales, and of course the breakthrough order for Tobii Tech from HTC in VR.”

Fourth quarter October–December 2018

- The Group's net sales increased by 27% to SEK 389 million (306), compared with the fourth quarter of 2017. Adjusted for currency effects, the increase was 18%.
- Gross margin was 69% (69%).
- The Group's operating loss amounted to SEK -35 million (-13). Tobii Dynavox contributed SEK 15 million (30) to earnings, Tobii Pro contributed SEK 24 million (19), and investments in Tobii Tech had a negative impact of SEK -74 million (-61) on the Group's operating result.
- Earnings per share amounted to SEK -0.34 (-0.08).

Significant events

- Tobii Tech signed a contract with HTC, one of the leading manufacturers of VR headsets regarding eye-tracking technology for the product HTC Vive Pro Eye, which was announced in conjunction with the CES trade show in January.
- Tobii Tech presented the next-generation eye-tracking platform for integration in laptops, Tobii IS5. The improved design and performance allow it to be integrated into a broader range of laptop computers, and it is expected drive increased sales.
- Dell launched its latest flagship product for gaming, Alienware Area 51-m, at the CES trade show in January. It is the first consumer product to integrate the IS5 platform.
- The acquisition of British Smartbox Assistive Technology Ltd was closed, but because the British Competition and Markets Authority (CMA) opened an investigation into the acquisition, integration with Tobii Dynavox has not yet begun.
- Tobii was ranked as Sweden’s fourth best employer in a survey from the research company Universum.

Events after the end of the period

- The Tobii Group has adapted the legal corporate structure to the operational structure with independent business units which Tobii already has. Thus, since January 1, 2019 the business unit companies are wholly owned subsidiaries of Tobii AB.
- In line with Tobii’s active acquisition agenda, the Company evaluates potential acquisition candidates on an ongoing basis. In order to achieve flexible financing for completed and potential
future acquisitions, Tobii has commissioned Carnegie to explore the possibilities for the Company to issue a bond loan that will replace the current debt financing, as well as provide greater leeway for additional acquisitions.

Comments from the CEO

Tobii ended the year with record sales in all three business units. Particularly rewarding in the fourth quarter were the strong trends in both sales and profitability for Tobii Pro, the positive impact of new products from Tobii Dynavox on sales, and of course the breakthrough order for Tobii Tech from HTC in VR.

Tobii Dynavox made a strong recovery during the year and delivered its highest quarterly sales ever in the fourth quarter. Adjusted for acquisitions and currency effects, the increase was 9% compared with the corresponding quarter in 2017. Our strategy is to be the market leader in both eye-controlled and touchscreen products and communication software across all price segments. The new touchscreen products launched in 2017 are a key driver of the positive sales trend in 2018, along with our initiative to increase knowledge about the products among therapists and prescribers. During the year we trained over 30,000 professionals, a threefold increase over 2017.

Underlying the sales growth was an even larger increase in the number of new users, and as much as 45% more people gained a voice through our communication devices or apps than during the same period in 2017. The focus moving forward is to maintain growth in line with the long-term financial goal of an average of 10% per year and to improve profitability over time to also reach the goal of an operating margin of 15–20%.

The acquisition of Smartbox was closed on October 1. Through the acquisition we intend to complement the Tobii Dynavox product portfolio, strengthen our sales presence in important geographic markets and accelerate the rate of innovation. The British competition authority CMA is currently conducting an investigation of the effects of the acquisition and we have therefore not been able to begin working on integration.

Tobii Pro delivered yet another record strong quarter with sales growth of 15% adjusted for currency effects. The increase for the full year was 26%, which exceeds our long-term goal for average annual growth of 15-20%. We see a sharp increase in demand driven by an increased knowledge. Customers know about eye tracking and understand its value to a greater extent than before and are increasing the use of it. During the quarter we received several large-volume orders for products and services to be delivered during the upcoming quarters.

We continued to invest in Tobii Pro’s sales organization during the year, which has contributed to the strong performance. As the business grows, we expect to see increased economies of scale. Tobii Pro has gradually improved its profitability over the past three years, with an operating margin of 6% in 2016, 8% in 2017 and 11% in 2018. The trend is moving in the right direction towards the target of reaching an EBIT margin of an average of 15% by 2020.

Tobii Tech reached several milestones in both of its main areas, PC and VR. HTC’s launch of its new VR headset Vive Pro Eye with integrated eye tracking was not just an important breakthrough for Tobii. Having one of the largest players in VR integrate eye tracking also has a strong symbolic value for the technology itself and sets the standard for other manufacturers. We expect that additional VR headsets with eye tracking from Tobii will be launched in 2019.
During the year we deepened our collaboration with Dell Alienware, which resulted in both new product integrations and other initiatives in eSports, such as the game training platform Alienware Academy. Now in January, Dell launched its new flagship product among gaming computers, Alienware Area 51-m, which will be the first consumer product with Tobii's new IS5 eye-tracking platform. Through the improved design and performance of IS5 it can be integrated into a broader range of laptops, and we expect it to drive increased sales volumes.

Tobi Tech's fourth quarter sales increased by 20%, adjusted for currency effects. In order for Tobi Tech to achieve the goal of profitability in 2021, the business unit needs to grow sales rapidly going forward. We see good prospects for this in VR and PC as well as niche applications.

In 2018 we consolidated our position as market leader, launched innovative new products and further developed our organization. We have placed great emphasis on ensuring that we have satisfied and productive employees, and it was therefore particularly rewarding that Tobii ranked as the fourth best employer in Sweden. The organization has now reached the size we need to deliver on our business plan. We are heading into 2019 with strength and plan for only minor cost increases moving forward. We are focusing on achieving our operational and financial targets, especially the target for the group to reach profitability 2020.

Conference call

Today at 2:00 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 Year-End Report 2018.

This information is information that Tobii AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on February 6, 2018, at 7:30 a.m. CET.

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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 3,000 companies and 2,000 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.