

# Bittium

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Bittium Corporation

Business Review

January-September 2020

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Net sales

Net sales growth

**56.6**

MEUR

**+17.2** %

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Operating result

Operating result, % of net sales

**1.8**

MEUR

**3.2** %

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## Business Review January-September 2020

*Unless otherwise mentioned, the figures in brackets refer to the corresponding period in the previous year.*

### Summary January-September 2020

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- The net sales increased by 17.2 percent year-on-year to EUR 56.6 million (EUR 48.3 million).
- The share of the product-based net sales was EUR 38.6 million, representing 68.3 percent of the net sales (EUR 29.3 million) and the share of the services-based net sales was EUR 18.0 million, representing 31.7 percent of the net sales (EUR 19.1 million).
- EBITDA was EUR 10.2 million (EUR 7.5 million).
- Operating result was EUR 1.8 million (EUR 2.2 million).

### Summary July-September 2020

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- The net sales decreased by 7.8 percent year-on-year to EUR 14.0 million (EUR 15.2 million).
- The share of the product-based net sales was EUR 8.6 million, representing 60.9 percent of the net sales (EUR 10.7 million) and the share of the services-based net sales was EUR 5.5 million, representing 39.1 percent of the net sales (EUR 4.6 million).
- EBITDA was EUR 1.8 million (EUR 2.7 million).
- Operating result was EUR -1.0 million (EUR 0.6 million).

### Bittium's CEO Hannu Huttunen

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In January-September 2020 net sales grew by 17.2 percent year-on-year and operating result was positive. Compared to previous year, product-based net sales grew and services-based net sales decreased slightly. The growth in the net sales and positive operating result were caused by the good first half of the year.

The third quarter in 2020 was slightly weaker than expected. Net sales decreased by 7.8 percent from previous year and operating result was negative. Especially in the defense and security markets we were behind our targets. Partly this was caused by the coronavirus (SARS-CoV-2) pandemic causing delays and slowdowns in the projects and new programs, and partly by the timing of product deliveries between the quarters.

We were able to turn the sale of the R&D services to growth and the net sales increased by 20 percent from previous year. The growth resulted from the increased sales in the telecom R&D service business and from the new medical technology projects. It is noteworthy that growth was achieved despite the fact that the company's own significant product development projects continued to tie experts to the development of our own products.

Cooperation with the Finnish Defence Forces continued strong. The development of the new Bittium Tough SDR™ vehicular radios has continued further and we aim at the first product deliveries by the end of this year. Also product deliveries to our other customers in the defense and public safety markets continued.

The overall awareness of mobile security threats has increased globally as well as the need to secure critical information the best possible way. This has clearly increased the interest towards secure Bittium Tough Mobile™ smartphones.

The active negotiations with the State of Mexico about the Mexsat phones to enable a wider use of the Mexsat system has continued. The prevailing exceptional circumstances caused by the coronavirus pandemic have slowed down the progress of the project for now. We are still aiming for product deliveries during the end of this year, but there is a risk that potential deliveries will not start until next year.

The cooperation with Preventice, the leading provider of remote medical monitoring services in the US, continued strongly in the US cardiac market. In September we signed a supply agreement with Preventice under which Bittium will supply Preventice with BodyGuardian® MINI cardiac arrhythmia monitors during the years 2021-2024. This is an important cooperation agreement to Bittium in the US markets. If materialized in full, the total value of the agreement is approximately USD 22.9 million.

The global new coronavirus pandemic affects the global economy by weakening the visibility of the market situation. The sales cycles of Bittium's business are long in nature, but now that the global pandemic situation is prolonging, its negative effects on Bittium's financial development have slowly begun to show in all of its product and service areas. The outlook towards the end of the year includes significant uncertainties, and due to the exceptional conditions caused by the pandemic, the building up the order book is challenging, which has begun to affect the requiring of new customers and thereby also closing of new deals.

Bittium has continued strict measurements to protect the health and safety of its employees and to secure the business operations. To date, the pandemic has not materially affected the health of our employees, and the work has continued mainly according to the plans.

Despite of the global uncertainties, the company believes that the impacts of the coronavirus pandemic are temporary and that in a long run the company has good opportunities to grow internationally. Our vision is to be a significant international provider of secure and safe communication and connectivity solutions especially in the defense and public safety markets, as well as a significant international provider of outside hospitals' biosignal's measuring and analytics solutions.

## Outlook for 2020

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The world-wide new coronavirus (SARS-CoV-2) pandemic significantly affects the global economy and market situation. The prevailing uncertainties in the markets cause weak visibility to the market situation.

Despite the uncertainties caused by the prolongation of the pandemic situation, the company maintains its financial outlook for the year 2020, however, continues following the market situation development constantly. The most significant risks in the outlook for the rest of the year relate to uncertainties related to the timing of product deliveries. If the outlook should change, the company may need to quickly re-evaluate the situation.

Bittium expects that the net sales in 2020 will grow from the previous year (EUR 75.2 million) and the operating result will be at the same level than in the previous year (operating profit of EUR 6.3 million). The level of the operating profit in 2020 will be impacted by the investments in the international growth and depreciations of the R&D investments.

## Risks and Uncertainties

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Bittium has identified a number of business, market and finance related risk factors and uncertainties that can affect the level of sales and profits.

The new coronavirus (SARS-CoV-2) pandemic has caused fast changes in the company's operating environment. The company management has actively aimed at following and anticipating the development of the pandemic, and began preventing activities and corrective activities related to the impacts of the pandemic. It is impossible to estimate the length of the situation or its impacts on business operations and financial results.

More information about other uncertainties regarding the outlook is presented in the Report by the Board of Directors 2019 and on the company's internet pages at [www.bittium.com](http://www.bittium.com).

## Key Figures

GROUP (MEUR)	7-9/2020 3 months	7-9/2019 3 months	1-9/2020 9 months	1-9/2019 9 months
NET SALES	14.0	15.2	56.6	48.3
Change of the net sales, %	-7.8 %	11.2 %	17.2 %	15.0 %
EBITDA	1.8	2.7	10.2	7.5
EBITDA, % of net sales	13.2 %	18.0 %	18.1 %	15.4 %
OPERATING PROFIT / LOSS	-1.0	0.6	1.8	2.2
Operating profit / loss, % of net sales	-7.4 %	3.8 %	3.2 %	4.6 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	-1.0	0.6	1.5	2.1
EARNINGS PER SHARE (EUR)	-0.029	0.016	0.042	0.058
TOTAL R&D INVESTMENTS	4.9	5.7	16.9	18.5
R&D INVESTMENTS, % FROM NET SALES	34.7 %	37.5 %	29.9 %	38.4 %
CAPITALIZED R&D INVESTMENTS	2.8	3.2	10.1	11.8
NET CASH FROM OPERATING ACTIVITIES	1.5	1.1	1.8	-0.1
NET CASH FROM INVESTING ACTIVITIES	-3.4	-4.1	-11.8	-14.2
NET CASH FROM FINANCING ACTIVITIES	-0.4	-0.3	-1.1	13.6
NET CHANGE IN CASH AND CASH EQUIVALENTS	-2.3	-3.3	-11.1	-0.8
CASH AND OTHER LIQUID ASSETS	24.1	30.1	24.1	30.1
NET GEARING (%)	-1,4 %	-7.1 %	-1.4 %	-7.1 %
EQUITY RATIO (%)	74.8 %	73.4 %	74.8 %	73.4 %
AVERAGE PERSONNEL DURING THE PERIOD	669	669	669	669
PERSONNEL AT THE END OF THE PERIOD	677	650	677	650

Oulu, October 30, 2020

Bittium Corporation  
The Board of Directors

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**About Bittium**

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its 30 year legacy of expertise in advanced radio communication technologies. Bittium provides innovative products and services, customized solutions based on its product platforms and R&D services. Complementing its communications and connectivity solutions, Bittium offers proven information security solutions for mobile devices and portable computers. Bittium also provides healthcare technology products and services for biosignal measuring in the areas of cardiology, neurology, rehabilitation, occupational health and sports medicine. Net sales in 2019 were EUR 75.2 million and operating profit was EUR 6.3 million. Bittium is listed on Nasdaq Helsinki. [www.bittium.com](http://www.bittium.com)