

# Smartoptics Group

Quarterly Report Q2 – 2021

---

**OSLO, August 10, 2021 - Smartoptics Group AS today reported its financial results for the period ending June 30, 2021. Smartoptics Group provides innovative communication solutions based upon optical technology for the new era of open networking. The company focuses on solving network challenges and increasing the customers efficiency. Smartoptics customer base includes thousands of enterprises, governments, cloud providers, Internet exchanges as well as cable and telecom operators, worldwide. Smartoptics Group leverages modern software design principles and expand network horizons by having an open networking approach. This allows the customers the freedom to remain flexible and reduce costs. The products are based on in-house developed, by a unique and world recognized team, and consists of hardware and software, enhanced through associated services.**

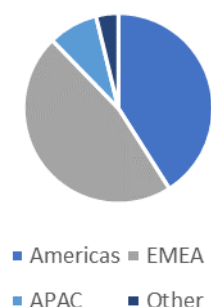
## Summary of the period

### Financial Highlights

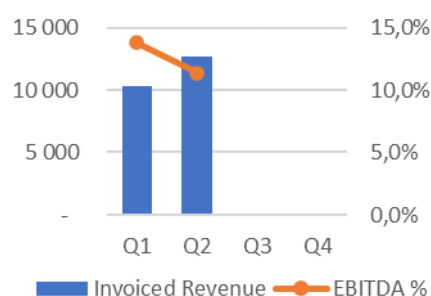
April – June 2021

- Recognized Revenue of USD 12.4 million (Apr-Jun). Growth of 61.6% compared to Q2 2020 (Apr-Jun).
- Gross Margin of 40.4 % (Apr-Jun), compared to 38.6% in Q2 2020 (Apr-Jun).
- Adjusted EBITDA of USD 1.4 million and 11.4% EBITDA margin (Apr-Jun), compared to USD 0.4 million and 4.8% EBITDA margin in Q2 2020 (Apr-Jun).
- Operating Cash Flow for the period (Apr-Jun) was USD 2.3 million, compared to USD -0.4 million in Q2 2020 (Apr-Jun).
- Successful listing on Euronext Growth Oslo, with USD 11 million in net proceeds.

Revenue per Region - Q2



Revenue and EBITDA

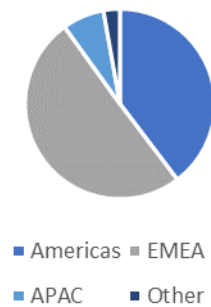


Amount in kUSD	Q2 2021	Q2 2020	Change	H1 2021	H1 2020	Change
Recognized Revenue	12 380	7 660	61.6%	22 394	14 250	57.1%
Gross Profit	4 996	2 957	69.0%	9 402	5 601	67.9%
Gross margin %	40.4%	38.6%	1.8 p.p	42.0%	39.3%	2.7 p.p
Adjusted EBITDA	1 410	365	285.9%	2 792	237	1078.6%
Adjusted EBITDA %	11.4%	4.8%	6.6 p.p	12.5%	1.7%	10.8 p.p
Operational cash flow	2 299	-362	-	2 910	472	-

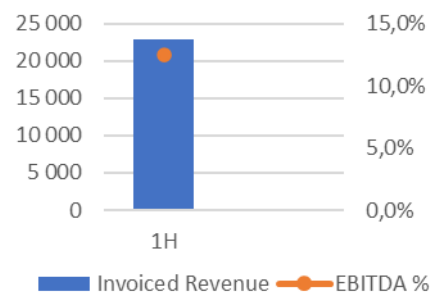
January – June 2021

- Recognized Revenue of USD 22.4 million (Jan-Jun). Growth of 57.1% compared to 1H 2020 (Jan-Jun).
- Gross Margin of 42.0 % (Jan-Jun), compared to 39.3% in 1H 2020 (Jan-Jun).
- Adjusted EBITDA of USD 2.8 million and 12.5% EBITDA margin (Jan-Jun), compared to USD 0.2 million and 1.7% EBITDA margin in 1H 2020 (Jan-Jun).
- Operating Cash Flow for the period (Jan-Jun) was USD 2.9 million, compared to USD 0.5 million in 1H 2020 (Jan-Jun).

Revenue per Region - YTD



Revenue and EBITDA



All figures are presented on a consolidated basis for the Group in USD as the presenting currency. The financial figures are prepared in accordance with the Norwegian Generally Accepted Accounting Principles (NGAAP).

## CEO Comments to the Q2 Report

We have concluded our first quarter as a publicly listed company with strong results. On June 3rd, Smartoptics was listed on Euronext Growth Oslo. The net proceeds from the transaction, amounting to USD 11 million, puts us in a good position to continue the growth journey we have been on since 2017.

Our revenue growth accelerated in Q2, our EBITDA margin expanded, and our customer base grew and diversified further, as communication service providers, internet content providers and enterprises globally expand their networks to meet the increased demand for bandwidth. The demand for bandwidth is driven by e.g. video streaming, roll-out of 5G, IoT and continued growth in the data center market to meet the need for more cloud based services and computing. This ever-growing demand for bandwidth and our open networking solutions approach, which allows the customers the freedom to remain flexible and reduce costs, means that we have a perfect position to compete with the giants of the industry.

The second quarter of 2021 was characterized by continued high business activity. Order backlog going into the quarter, strong order booking throughout the quarter and good management of a challenging component supply situation, generated a revenue growth of 61.6 percent compared to the second quarter of 2020. During the quarter Smartoptics have had currency tailwind compared to 2020. About 10 percentage points of the 61.6 percent growth is attributable to USD/NOK changes.

During the quarter we received the second major order from one of the leading Mobile Backhaul/Tower Companies in the US. The order is related to build-out of 5G networks in the US.

The EBITDA margin for the quarter was 11.4 percent, compared to 4.8 percent same period 2020. Gross Margin was 40.4 percent in the quarter, compared to 38.6 percent same period 2020. The change in Gross Margin reflects the business mix of the quarter. The general trend is business mix shifting towards higher-value advanced system products and related services offerings. The business areas Solutions, Software and Services represent 61.8 percent of the revenue in second the quarter.

After a good first half of the year and continued strong business momentum I can conclude that the outlook for the second half of the year looks positive and in-line with, or slightly above, the growth rate communicated at the time of our listing. We have raised the revenue growth guidance to 20-35% for 2021 (previously 20-30%). There is a remaining uncertainty related to potential disturbances in the supply chain, caused by the global shortage of semi-conductor components required in our products. So far, we have managed well in these challenging times. Our long-term growth targets remain.

For further information, please contact:

Magnus Grenfeldt, CEO  
Phone: +46 733 668 877  
E-mail: [magnus.grenfeldt@smartoptics.com](mailto:magnus.grenfeldt@smartoptics.com)

Mikael Haag, CFO  
Phone: +46 704 264 872  
E-mail: [mikael.haag@smartoptics.com](mailto:mikael.haag@smartoptics.com)

## Financial review

All numbers are presented in thousands of US dollar and thousands of NOK.

### Consolidated Profit and Loss Statement April – June

kUSD	kUSD		kNOK	
	2021	2020	2021	2020
	Apr-Jun	Apr-Jun	Apr-Jun	Apr-Jun
Invoiced revenue	12 392	7 817	103 669	78 321
Deferred revenue <sup>1</sup>	-12	-157	-99	-1 576
<b>TOTAL Recognized Revenue</b>	<b>12 380</b>	<b>7 660</b>	<b>103 569</b>	<b>76 745</b>
COGS	7 384	4 703	61 772	47 119
<b>Gross Profit</b>	<b>4 996</b>	<b>2 957</b>	<b>41 797</b>	<b>29 626</b>
Gross Margin %	40.4%	38.6%	40.4%	38.6%
Operating Expenses <sup>2</sup>	3 586	2 592	30 001	25 965
<b>Adjusted EBITDA</b>	<b>1 410</b>	<b>365</b>	<b>11 796</b>	<b>3 661</b>
EBITDA Margin %	11.4%	4.8%	11.4%	4.8%
Depreciation and Amortization <sup>3</sup>	228	147	1 907	1 474
<b>EBIT</b>	<b>1 039</b>	<b>218</b>	<b>8 689</b>	<b>2 187</b>
EBIT Margin %	8.4%	2.8%	8.4%	2.8%
Net Financial Items <sup>4</sup>	93	-296	779	-2 961
<b>Earnings before tax</b>	<b>1 132</b>	<b>-77</b>	<b>9 467</b>	<b>-775</b>
EBT Margin	9.1%	-1.0%	9.1%	-1.0%
Exchange rates	8.3658	10.0190		

## Revenue

Recognized revenue is Invoiced Revenue less Deferred Revenue. Invoiced revenue is revenue which has been invoiced during the period. Deferred revenue is related to service contracts over a period of months (typically 24-48 months), where the service revenue is recognized over the contract period.

Recognized Revenue grew by 61.6% in Q2 2021 to USD 12.4 million compared to USD 7.7 million Q2 2020. The growth was supported by strong business momentum in terms of orders in the previous quarter, strong order intake throughout the quarter.

## Gross Profit

COGS (Cost of Goods Sold) was USD 7.4 million in Q2 2021, resulting in a Gross Profit of USD 5.0 million (40.4%).

## Operating Expenses

Operating Expenses was USD 3.6 million in Q2 2021, compared to USD 2.6 million in Q2 2020. Operating Expenses is increasing primarily due to continued increase of R&D resources and Sales resources. In addition, the USD/NOK and USD/SEK exchange rate had a significant impact accounted for about 15%-points of the Operating Expenses growth. The group has significant operating expenses in SEK and a smaller portion in NOK.

Salaries and consultant costs is the largest cost component in Operating Expenses, representing 77.6% of the Operating Expenses in Q2 2021.

## EBITDA

Adjusted EBITDA in Q2 2021 was USD 1.4 million (Adjusted EBITDA Margin of 11.4%) compared to USD 0.4 million (4.8%) in Q2 2020.

A one-time management bonus for successful listing of the company equal to NOK 1.2 million (USD 0.14 million) is recognized during Q2. Adjusted EBITDA presented does not include this cost.

The increase in EBITDA is a result revenue growth and improved Gross Margin. The revenue growth was primarily driven by stronger solutions and software & services revenue.

## Net Financials

Interest payments and currency effects are the main components of Net Financials. Currency effects arises as underlying reporting is done in NOK, while the communication of the financial results is done in USD. Cash, Receivables and Payables all have a currency component.

Most of the Revenue and COGS is in USD. The company policy is not to engage in any currency hedging, as the company has a natural hedge in having both Revenue and COGS to a very large extent in USD.

## Consolidated Balance Sheet

	kUSD		kNOK	
	2021	2020	2021	2020
	Apr-Jun	Apr-Jun	Apr-Jun	Apr-Jun
<b>Non-Current Assets</b>	<b>6 570</b>	<b>5 729</b>	<b>56 323</b>	<b>55 376</b>
Capitalized Development Cost	922	930	7 908	8 986
Deferred Tax Asset	5 4 083	3 599	34 999	34 786
Property Plant and Equipment	1 216	499	10 426	4 825
Financial Assets	349	701	2 989	6 779
Other Non-Current Assets	0	0	0	0
<b>Current Assets</b>	<b>26 744</b>	<b>12 661</b>	<b>229 276</b>	<b>122 371</b>
Inventory	6 343	4 928	54 379	47 629
Accounts Receivables	6 455	4 777	55 341	46 170
Prepaid Expenses	1 585	755	13 584	7 301
Cash and Cash Equivalents	12 187	2 125	104 475	20 535
Other Current Asset	175	76	1 497	736
<b>TOTAL Asset</b>	<b>33 314</b>	<b>18 390</b>	<b>285 599</b>	<b>177 747</b>
<b>TOTAL Equity</b>	<b>9 22 887</b>	<b>9 760</b>	<b>196 204</b>	<b>94 338</b>
<b>Non-Current Liabilities</b>	<b>3 588</b>	<b>1 795</b>	<b>30 755</b>	<b>17 352</b>
Liabilities to Financial Institutions	6 2 139	1 035	18 333	10 000
Deferred Revenue	1 1 449	761	12 422	7 352
Other Non-Current Liabilities	0	0	0	0
<b>Current Liabilities</b>	<b>6 840</b>	<b>6 834</b>	<b>58 640</b>	<b>66 057</b>
Liabilities to Financial Institutions	0	1 812	0	17 516
Deferred Revenue	1 1 097	631	9 408	6 103
Accounts Payable	3 416	2 338	29 289	22 598
Public Duties	7 311	841	2 662	8 124
Other Current Liabilities	2 016	1 212	17 281	11 716
<b>TOTAL Liability</b>	<b>10 428</b>	<b>8 630</b>	<b>89 395</b>	<b>83 409</b>
<b>TOTAL Liability and Equity</b>	<b>33 314</b>	<b>18 390</b>	<b>285 599</b>	<b>177 747</b>
Exchange rates	8.5729	9.6654		

## Consolidated Cash Flow Statement April – June

	kUSD		kNOK	
	2021	2020	2021	2020
	Apr-Jun	Apr-Jun	Apr-Jun	Apr-Jun
<b>Cash at the Beginning of Period</b>	<b>2 391</b>	<b>1 786</b>	<b>20 379</b>	<b>18 934</b>
EBITDA	1 410	365	11 796	3 661
Changes in Accounts Receivables	-818	-561	-7 348	-1 480
Changes in Accounts Payable	759	-208	6 666	-4 397
Changes in Inventory	299	-693	2 168	-2 737
Changes in Deferred Revenue	<sup>1</sup> 2	249	164	1 335
Other Working Capital Changes	<sup>8</sup> 648	487	5 550	4 016
<b>Cash Flow from Operating Activities</b>	<b>2 299</b>	<b>-362</b>	<b>18 996</b>	<b>399</b>
Changes in Non-Current Assets	-115	-256	-1 090	-541
Other Changes	0	0	136	6
<b>Cash Flow from Investing Activities</b>	<b>-115</b>	<b>-256</b>	<b>-954</b>	<b>-535</b>
Changes in short term financing	<sup>6</sup> -2 710	422	-23 075	2 777
Changes in long term financing	-64	91	-417	0
Interest paid	-26	-34	-215	-318
<b>Cash Flow from Financing Activities</b>	<b>-2 800</b>	<b>479</b>	<b>-23 707</b>	<b>2 459</b>
Dividend	<sup>9</sup> -704	0	-5 900	0
New shares issued	11 159	0	95 662	0
Translation Differences	-43	477	-2	-723
<b>Net Cash Flow</b>	<b>9 796</b>	<b>338</b>	<b>84 096</b>	<b>1 600</b>
<b>Cash at the End of Period</b>	<b>12 187</b>	<b>2 124</b>	<b>104 475</b>	<b>20 535</b>



### Consolidated Profit and Loss statement January – June

	kUSD		kNOK	
	2021	2020	2021	2020
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
Invoiced revenue	22 659	14 434	191 084	141 104
Deferred revenue <sup>1</sup>	-265	-183	-2 258	-1 823
<b>TOTAL Recognized Revenue</b>	<b>22 394</b>	<b>14 250</b>	<b>188 825</b>	<b>139 281</b>
COGS	12 992	8 650	109 517	84 567
<b>Gross Profit</b>	<b>9 402</b>	<b>5 601</b>	<b>79 308</b>	<b>54 713</b>
Gross Margin %	42.0%	39.3%	42.0%	39.3%
Operating Expenses <sup>2</sup>	6 610	5 364	55 746	52 272
<b>Adjusted EBITDA</b>	<b>2 792</b>	<b>237</b>	<b>23 562</b>	<b>2 442</b>
EBITDA Margin %	12.5%	1.7%	12.5%	1.8%
Depreciation and Amortization <sup>3</sup>	436	292	3 681	2 849
<b>EBIT</b>	<b>2 356</b>	<b>-55</b>	<b>19 881</b>	<b>-408</b>
EBIT Margin %	10.5%	-0.4%	10.5%	-0.3%
Net Financial Items <sup>4</sup>	-56	481	-493	4 403
<b>Earnings before tax</b>	<b>2 299</b>	<b>425</b>	<b>19 388</b>	<b>3 995</b>
EBT Margin	10.3%	3.0%	10.3%	2.9%

## Consolidated Cash Flow statement January – June

	kUSD		kNOK	
	2021	2020	2021	2020
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
<b>Cash at the Beginning of Period</b>	<b>3 625</b>	<b>2 094</b>	<b>31 134</b>	<b>18 431</b>
EBITDA	2 792	237	23 563	2 529
Changes in Accounts Receivables	-343	-23	-2 880	-4 328
Changes in Accounts Payable	-594	56	-5 129	2 510
Changes in Inventory	1 760	-84	15 166	-4 988
Changes in Deferred Revenue	<sup>1</sup> 269	103	2 282	2 104
Other Working Capital Changes	<sup>8</sup> -974	184	-8 367	2 672
<b>Cash Flow from Operating Activities</b>	<b>2 910</b>	<b>472</b>	<b>24 635</b>	<b>499</b>
Changes in Non-Current Assets	-393	119	-3 287	-976
Other Changes	0	0	0	0
<b>Cash Flow from Investing Activities</b>	<b>-393</b>	<b>119</b>	<b>-3 287</b>	<b>-976</b>
Changes in short term financing	<sup>6</sup> -2 163	-465	-18 567	-2 533
Changes in long term financing	-95	-101	-833	0
Interest paid	-44	-80	-375	-757
<b>Cash Flow from Financing Activities</b>	<b>-2 302</b>	<b>-647</b>	<b>-19 775</b>	<b>-3 290</b>
Dividend	<sup>9</sup> -2 231	0	-18 900	0
New shares issued	11 159	0	95 662	0
Translation Differences	-579	86	-4 994	5 871
<b>Net Cash Flow</b>	<b>8 562</b>	<b>30</b>	<b>73 342</b>	<b>2 104</b>
<b>Cash at the End of Period</b>	<b>12 187</b>	<b>2 124</b>	<b>104 475</b>	<b>20 535</b>

## Share information

At the end of Q2 2021, Smartoptics Group AS had 96 286 593 shares.

Table of the 20 largest shareholders as of 30<sup>th</sup> June

#	Shareholders	Holding	Stake
1	SMARTER HOLDING AS	67 378 104	69.98%
2	Nordnet Bank AB	5 004 484	5,20%
3	Danske Invest Norge Vekst	3 853 564	4.00%
4	Skandinaviska Enskilda Banken AB	3 700 000	3,84%
5	PORTIA AS	1 450 000	1,51%
6	Avanza Bank AB	1 218 683	1,27%
7	CACEIS Bank	1 156 069	1,20%
8	TOLUMA NORDEN AS	963 391	1,00%
8	AS CLIPPER	963 391	1,00%
8	VARNER INVEST AS	963 391	1,00%
11	VIOLA AS	958 477	1,00%
12	VJ INVEST AS	486 004	0,50%
13	FOUNTAIN VENTURE AS	481 695	0,50%
13	JAKOB HATTELAND HOLDING AS	481 695	0,50%
13	JAHATT AS	481 695	0,50%
13	BERGEN KOMMUNALE PENSJONSKASSE	481 695	0,50%
17	Swedbank AB	463 078	0,48%
18	SMARTOPTICS GROUP AS	355 098	0,37%
19	VARNER EQUITIES AS	341 884	0,36%
20	GC RIEBER FORTUNA AS	335 547	0,35%
	Other	4 768 648	4,95%
	<b>Total number of shares</b>	<b>96 286 593</b>	<b>100.00%</b>

## Notes

### General

Smartoptics Group AS is a Norwegian company and the parent company of the Smartoptics Group. The Financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The group consists of Smartoptics Group AS and the wholly owned subsidiaries Smartoptics AS, Smartoptics Sverige AB and Smartoptics US Corp.

The numbers in this report have not been audited and may be subject to change.

### Exchange Rates

The interim financial statements are all translated from NOK to USD. For the Profit and Loss statement average exchange rate for the period is used. For the Balance sheet, the monthly ending exchange rate is used. The Cash Flow statement is translated using both the average exchange rates for Balance sheet items and the monthly ending exchange rate for Profit and Loss statement items.

Profit and Loss	2020	2021
Jan - Mar	9.4887	8.5140
Apr - Jun	10.019	8.3658

Balance sheet	2020	2021
Mar 31.	10.6006	8.5137
Jun 30.	9.6654	8.5729

### Note 1 – Deferred Revenue

Service revenues are invoiced in advance and covers a contract period of typically 24-48 months. The service revenue is recognized during the contract period. "Current Deferred Revenue" will be recognized within the next 12 months.

### Note 2 – Research and Development

Parts of the development cost is capitalized and depreciated over 5 years. The principle is to capitalize no more than 30% of direct salary costs in selected development projects. Capitalization for the period Apr - Jun was USD 72 thousand.

A one-time management bonus for successful listing of the company equal to NOK 1.2 million (USD 0.14 million) is recognized during Q2. Adjusted EBITDA presented does not include this cost.

### Note 3 – Depreciation and Amortization

Fixed assets are depreciated over a period of 3 to 5 years. There is no goodwill in the group.

### Note 4 – Financial Items

Currency effects comes from the cash position, which is made of NOK, SEK and USD, Accounts Receivables which is mostly in USD and Accounts Payable which is mostly in USD.

### Note 5 – Deferred Tax Assets

Deferred tax assets consist of historical net operating losses and amounts to NOK 35 million.

*Note 6 – Liabilities to Financial Institutions*

There are two loans from Innovasjon Norge of combined NOK 18.3 million. As of 30<sup>th</sup> June 2021, NOK 0 of the credit line from Nordea was utilized. Total available credit facility from Nordea is 26 MNOK.

*Note 7 – Public Duties*

Under the Covid-19 relief measures the Swedish Government has allowed for postponing of payment of Social Charges. The social charges were paid back in full as of 30<sup>th</sup> June 2021.

*Note 8 – Other Working Capital Changes*

Other Working Capital Changes relates to pre-payments of certain components and inventory, pay-out of sales commission for the first quarter of 2021 and down-payment of postponed Social Charges in Sweden.

*Note 9 – Dividend*

Dividend of NOK 5.9 million was paid in May, 2021.