

# Press Release

31 Aug 2023, 08.30

## Interim Report January - June 2023

### April 1<sup>st</sup> – Jun 30<sup>th</sup> 2023

- Net sales amounted to EUR 3 912 thousand (6 763)
- EBITDA of 432 thousand (301) and EBITDA margin of 11% (4.4)
- EBIT of EUR 392 thousand (194) and EBIT margin of 10 % (2.9)
- Net earnings after tax of EUR 158 thousand (106) and net EAT margin of 4.0% (1.6)

### Jan 1<sup>st</sup> – Jun 30<sup>th</sup> 2023

- Net sales amounted to EUR 7 584 thousand (12 899)
- EBITDA of EUR 594 thousand (365) and EBITDA margin of 7.8% (2.8)
- EBIT of EUR 520 thousand (157) and EBIT margin of 7% (1.2)
- Net earnings after tax of EUR 405 thousand (-170) and net EAT margin of 5.3% (-1.3)

## April– June key developments

- Group EBITDA and net earnings exceeded budget
- Turnaround targets now achieved with stable positive cash flow and net earnings
- All time high revenue in Germany in June and Q2
- 5-year frame agreement worth EUR 17.5m signed with Deutsche Telekom
- Haiti's performance exceeded expectations again
- Talkpool AG reached positive net earnings without any extraordinary gains
- Group SG&A costs 25% lower and interest expenses 30% lower than in Q1
- Several investors interested in buying shares in Talkpool Pakistan
- Sales agent Quadrillion initiated a DD of Talkpool Pakistan
- Talkpool USA activity level low. New opportunities under evaluation
- Decision to focus on AI based solutions in Talkpool Saudi

## CEO COMMENTS

After several quarters of turnaround activities, Talkpool has successfully achieved its objectives and cost savings targets, which are now reflected in a positive operating cash flow and net profit. Despite low revenues in Saudi Arabia, Belgium and the USA and no extraordinary financial gains, the Group's net profit for the second quarter was clearly positive, demonstrating that the key markets are now generating a significant and reliable net profit.

The second quarter report is the third in a row with a positive net result and we see no sign of this positive trend changing. Thanks to the reduction in the Group's administrative and financial costs, a net profit was achieved at both consolidated and statutory level.

Deleveraging and shrinking the balance sheet has not only reduced debt and increased profitability, it has also made Talkpool Group more focused and agile. We can now focus on further improving the business in our key markets and identifying new strategic business opportunities in Europe and the US.

Talkpool Germany achieved an all-time high in Q2 revenues, driven by orders under the new frame agreement with Deutsche Telekom. The new 5-year frame agreement includes major backbone network planning projects which will progressively drive Talkpool Germany's growth.

Talkpool Haiti continued to exceed expectations in the second quarter, while Talkpool USA wound up the final activities of its latest project and prepared for new opportunities.

Preparations for the sale of Talkpool Pakistan showed results as the sales agent Quadrillion presented an investment memorandum and started negotiations with potential investors. Feedback from the candidates approached indicated interest in both partial and full acquisition of Talkpool AG's shares in Talkpool Pakistan.

The proceeds from the sale will be used to fund a new phase of growth for the Talkpool Group with investment in organic growth and acquisitions of communications technology companies, primarily in Europe and the US.

## Network Services

In the second quarter, Talkpool Germany signed a five-year frame agreement with Deutsche Telekom for the design and planning of its fast-growing German fixed broadband network, consisting mainly of optical fibre. The value of the frame agreement is estimated at approximately EUR 17.5 million.

This significant agreement is one of the largest deals in Talkpool's history and provides an important foundation for our continued business development in Germany.

The new contract further strengthens Talkpool's position in Germany, which is one of Talkpool's most important growth markets. Talkpool is an established player in the German telecommunications network services market and a trusted service partner of Deutsche Telekom, the largest telecommunications provider in Germany and Europe by revenue. The demand for fibre planning and deployment services in the German market will continue for many years to come to meet political commitments and Talkpool is determined to continue to grow into one of the major broadband network experts in the market. Talkpool's German business grew significantly in 2022 and management expects high growth in the range of 30-40% in the coming years.

Deutsche Telekom plans to significantly increase the pace of its fibre rollout, adding between 2.5 and 3 million lines in 2023. By the end of 2022, the total number of connections is expected to be around 5.2 million, with more than 10 million connections by 2024. By 2030, a further 8 million households in rural areas, i.e. communities with fewer than 20,000 inhabitants, will be covered by fibre.

A senior executive at Deutsche Telekom recently said: "Our fibre engine is running. In 2022 we will have laid more fibre than all our competitors combined. In the second phase, we will bring even more fibre to our customers even faster. It's all about growth and scale. The increase we have set for our 2023 fibre buildout is enormous."

In Haiti, Talkpool invested in tools and staff to ensure the quality of the 24/7 network operations and maintenance services for Digicel's network, which Talkpool has been providing for 17 years. Talkpool's service organisation works closely with Digicel staff to maintain network availability and service levels. Talkpool Haiti performed better than expected in Q2 and we are confident that the positive trend will continue. Talkpool Group's focus on debt reduction and cash management has impacted the ability to drive growth in the US market. New investment has been limited and we are carefully evaluating new opportunities before committing to additional service delivery projects. Market demand remains strong, and our aim is to establish Talkpool as a value-added service provider.

As well as cutting costs, Talkpool Pakistan has focused on developing its offering to broaden its customer base and move up the value chain. One of the latest additions to its portfolio is an AI-based computer vision solution for monitoring industrial production processes. Major industrial customers are already testing the solutions for sorting, screening and quality assurance with very positive results. The technology has also been proven in several other industries and is expected to be a game changer in many others. Following the successful completion of the pilot projects, Talkpool will develop further solutions based on the same technology for various industries. In Pakistan, but also in other markets and regions outside Pakistan.

Investors have also shown a great interest in this new AI based business area and want to invest in Talkpool Pakistan and the new opportunities.

## IoT

Talkpool continues to be interested in smart technologies with a focus on telecom infrastructure and smart real estate. Talkpool's stake in Nordic Propeye has been temporarily reduced. Loans have been repaid with Nordic Propeye shares. Talkpool's medium to long-term strategy is to continue to invest in and act as an incubator for IoT and similar technology companies in Europe and the US.

The Swiss development of smart air quality control solutions for buildings is continuing and will be actively scaled up as soon as the products are industrialized, and investment capital has been secured.

## 3rd Quarter

Talkpool has decided to promote computer vision-based AI solutions for the industrial, government and defence sectors in Saudi Arabia. Talkpool is already piloting similar solutions with customers in Pakistan. The results of the pilot project will be evaluated and Talkpool hopes to win a major player as a customer and investor.

Talkpool Belgium has been affected by changes in market demand for equipment repair services and radical measures have been taken to address the situation.

New opportunities for value-added services have been identified in both Germany and the USA and Talkpool expects these to materialise during the autumn.

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Talkpool provides IoT solutions and telecommunication network services globally. Through its cutting-edge technical expertise, long experience and agile business model, Talkpool offers global telecom vendors and operators high-quality services on short notice no matter the location. Talkpool offers end-to-end IoT solutions for smart buildings and cities with focus on environmental control, energy saving and damage prevention. Erik Penser Bank, +46 8 463 80 00, [www.penser.se](http://www.penser.se), is Talkpool's Certified Advisor. For more information [www.talkpool.com](http://www.talkpool.com)

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