

MEMSCAP

THE POWER OF A SMALL WORLD



MEMSCAP – FIRST HALF 2023 EARNINGS:

**55.6% GROWTH
IN HALF-YEAR REVENUE**

**CONFIRMATION OF
THE PROFITABLE GROWTH PROFILE**

- 55.6% growth in half-year revenue
- Strong momentum across all Group's businesses
- Half-year adjusted¹ EBITDA of EUR 1,677 thousand (23.7% of revenue)
- Half-year operating profit of EUR 1,158 thousand (16.3% of revenue)
- Consolidated half-year net profit of EUR 1,134 thousand euros (16.0% of revenue)
- Consolidated available cash at EUR 4,832 thousand as of June 30, 2023
- Signature of the first contract for engine control applications for aerospace
- Confirmation of MEMSCAP profile shift: a solid model of profitable growth
- Growth and profitability momentum expected to continue in the second half of 2023

Grenoble (France) – August 31, 2023 – 06:30 p.m.

MEMSCAP (Euronext Paris: MEMS), leading provider of high-accuracy, high-stability pressure sensor solutions for the aerospace and medical markets using MEMS technology (Micro Electro Mechanical Systems), today announced its earnings for the first half of 2023 ending June 30, 2023.

Analysis of consolidated revenue

In accordance with the previous quarterly press releases, consolidated revenue from continuing operations for the first half of 2023 amounted to EUR 7,089 thousand compared to EUR 4,555 thousand for the first half of 2022.

Over the first half of 2023, the distribution of consolidated revenue from continuing operations by market segment is as follows:

<i>Market segments / Revenue (In thousands of euros)</i>	H1 2022	H1 2022 (%)	H1 2023	H1 2023 (%)
Aerospace	3,492	77%	4,515	64%
Medical	1,011	22%	1,709	24%
Optical communications	--	--	798	11%
Others (<i>Royalties from licensed trademarks</i>)	52	1%	67	1%
Total revenue from continuing operations	4,555	100%	7,089	100%

(Any apparent discrepancies in totals are due to rounding.)

Consolidated revenue from continuing operations in the first half of 2023 increased by 55.6% compared to the first half of 2022.

The aerospace segment, the Group's largest market, posted revenue of EUR 4,515 thousand for the first half of 2023, an increase of 29.3% compared to the first half of 2022. This segment represented 64% of consolidated revenue for the first half of 2023.

Sales in the medical segment also demonstrated strong dynamism, reaching EUR 1,709 thousand for the first half of 2023, thus an increase of a 69.0% compared to the first half of 2022. This segment represented 24% of consolidated revenue for the first half of 2023.

The optical communications business, including design and sales of variable optical attenuators (VOA) according to a fabless organization, achieved a revenue of EUR 798 thousand for the first half of 2023, i.e. 11% of consolidated revenue.

Royalties from licensed trademarks amounted to EUR 67 thousand for the first half of 2023, similar to the first half of 2022.

Analysis of consolidated income statement

MEMSCAP's consolidated earnings for the first half of 2023 are given within the following table:

<i>In thousands of euros</i>	H1 2022	H1 2023
Revenue from continuing operations	4,555	7,089
Cost of revenue	(2,841)	(4,030)
Gross margin	1,714	3,059
% of revenue	37.6%	43.2%
Operating expenses*	(1,685)	(1,901)
Operating profit / (loss)	29	1,158
Financial profit / (loss)	95	23
Income tax expense	(38)	(47)
Net profit / (loss) from continuing operations	86	1,134
Profit / (loss) after tax from discontinued operations	(657)	--
Net profit / (loss)	(571)	1,134

(Financial data were subject to a limited review by the Group's statutory auditors. On August 31, 2023, MEMSCAP's board of directors authorized the release of the interim condensed consolidated financial statements on June 30, 2023. Any apparent discrepancies in totals are due to rounding.)

* Net of research & development grants.

The strong growth in business volumes and the evolution of sales mix resulted in a consolidated gross margin of EUR 3,059 thousand for the first half of 2023, representing 43.2% of consolidated revenue, compared to EUR 1,714 thousand for the first half of 2022, representing 37.6% of consolidated revenue. This represented an increase of 5.6 percentage points in margin.

Operating expenses, net of research and development grants, amounted to EUR 1,901 thousand for the first half of 2023, compared to EUR 1,685 thousand for the first half of 2022. This increase was mainly driven by significant developments in commercial operations and by the impact of the growth in business volumes on the Group's structure.

The average equivalent full-time workforce related to continuing operations increased from 41.3 people in the first half of 2022 to 51.7 people in the first half of 2023.

For the first half of 2023, the Group posted an operating profit from continuing operations of EUR 1,158 thousand (16.3% of consolidated revenue), compared to breakeven operating earnings for the first half of 2022.

The financial result was at breakeven for the first half of 2023, compared to a net gain of EUR 95 thousand for the first half of 2022, resulting from the exchange rate fluctuations of the US dollar and the Norwegian krone.

The tax expense recorded for the first half of 2023 and 2022 corresponded to the variation in deferred tax assets. This charge has no impact on the Group's cash flow.

The Group reported a net profit after tax from continuing operations of EUR 1,134 thousand for the first half of 2023 compared to a net profit of EUR 86 thousand for the first half of 2022.

The Group therefore posted a consolidated net profit of EUR 1,134 thousand for the first half of 2023 (16.0% of consolidated revenue) compared to a net loss of EUR 571 thousand for the first half of 2022 including discontinued operations*.

**As part of the FABLITE program, the US Custom products division, including the design and manufacturing of MEMS components for third parties and the related foundry services, was sold in December 2022. In accordance with IFRS 5, the net loss relating to this business, i.e. EUR 657 thousand for the first half of 2022, was recognized in loss after tax from discontinued operations.*

Evolution of the Group's cash / Consolidated shareholders' equity

Adjusted EBITDA¹ from continuing operations for the first half of 2023 amounted to EUR 1,677 thousand compared to EUR 711 thousand for the first half of 2022.

In line with the increase in business volumes, the Group's working capital requirement increased by EUR 1,779 thousand for the first half of 2023, compared to an increase of EUR 127 thousand for the first half of 2022. This significant increase in the working capital requirement was due to the rise in accounts receivable and inventory levels.

As of June 30, 2023, the Group posted available cash of EUR 4,832 thousand (December 31, 2022: EUR 5,456 thousand) including cash investments (Corporate bonds / investment securities) recorded under non-current financial assets.

As of June 30, 2023, MEMSCAP shareholders' equity totalled EUR 16,079 thousand (December 31, 2022: EUR 15,587 thousand).

¹ Adjusted EBITDA means operating profit before depreciation, amortisation, share-based payment charge (IFRS 2) and including foreign exchange gains/losses related to ordinary activities.

Perspectives

The 2022 financial year was marked by the completion of the FABLITE program, which ended with the sale of the Group's Custom Products business and its US-based factory. This sale operation was accompanied by the establishment of a fabless organization, enabling the Group to address the variable optical attenuators (VOA) market with the creation of the optical communications business unit, whose commercial activities were effective in January 2023.

Following the successful completion of the FABLITE program within the initially planned timeframe, the Group launched the 4G development plan from the first quarter of 2023. This 4G plan aims for consecutive, competitive, profitable, and responsible growth of the Group's activities, with an average annual consolidated revenue growth rate of 20% over the period from 2022 to 2026. The plan highlights strong development prospects for the aerospace and medical activities in growing structural markets as well as new opportunities.

With an adjusted EBITDA¹ of EUR 1,677 thousand for the first half of 2023, representing 23.7% of consolidated revenue (compared to EUR 711 thousand for the first half of 2022), and a net profit of EUR 1,134 thousand for the same period, MEMSCAP demonstrates the success of its 4G plan launch.

To ensure the growth of its aerospace activities over the next 3 years, the Group first intends to leverage its reputation in its current markets (air data computer, cabin pressure control systems, ground-based aerial tests, etc.) to increase business volumes with existing customers and expand its market share with new clients. The Group also aims to continue meeting the growing market demand for UAV (Unmanned Aerial Vehicle) and address the market for electric Vertical Take-Off and Landing Vehicles (eVTOL). Additionally, MEMSCAP plans to strengthen its growth by penetrating the engine control market, both in Engine Monitoring Units (EMU) and Full Authority Digital Engine Control (FADEC). This will require the qualification of the new SP85 sensor family developed as part of the Sensor Technology for Green and Safe Jet Engines (STEGS) program which aims at developing safer and more environmentally friendly engines and was funded in previous years by the Norwegian government.

In this context, the Group announced in May 2023 the signing of a multi-year development and supply contract for pressure modules for Engine Monitoring Units (EMU) with Meggitt PLC. Under this contract, MEMSCAP will provide Meggitt with various configurations of pressure modules, incorporating a customized and ruggedized version of the new generation of its SP85 pressure sensor.

The growth drivers in the MEMSCAP's medical business primarily rely on the development of the Group's current markets, especially those that have been established in recent years. These markets include pressure measurement solutions used as medical accessories for patient monitoring in intensive care units, sensors integrated into blood filtration equipment, and solutions implanted in the human body. Additionally, MEMSCAP continues to expand its solutions for the urology market (already representing 10.8% of its half-year medical revenue) and is initiating commercial efforts in the fields of lung/heart devices and angiography.

Furthermore, the Group leverages its intellectual property to serve its niche market of variable optical attenuators (VOA) for fiber optic systems, thanks to its new fabless organization as previously mentioned.

All these actions are intended to maintain the positive trend initiated in the first half of 2023.

"After the success of the FABLITE program, MEMSCAP's teams demonstrate once again their execution capabilities by rapidly turning the ambitious 4G program objectives into reality." says Jean Michel Karam, CEO of MEMSCAP. "With a solid balance sheet, the Group is intensifying its efforts to confirm every quarter its profile of profitable and responsible hyper-growth."

Q3 2023 earnings: October 25, 2023

About MEMSCAP

MEMSCAP is a leading provider MEMS based pressure sensors, best-in-class in term of precision and stability (very low drift) for two market segments: aerospace and medical.

MEMSCAP also provides variable optical attenuators (VOA) for the optical communications market.

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MEMSCAP is listed on Euronext
Paris (Euronext Paris - Memscap
- ISIN code: FR0010298620 -
Ticker symbol: MEMS)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Interim condensed consolidated financial statements at 30 June 2023

	<i>30 June 2023</i>	<i>31 December 2022</i>
	€000	€000
Assets		
Non-current assets		
Property, plant and equipment.....	886	901
Goodwill and intangible assets.....	6 559	6 888
Right-of-use assets.....	4 354	4 764
Other non-current financial assets.....	1 239	1 276
Employee benefit net asset.....	5	6
Deferred tax asset.....	89	137
	13 132	13 972
Current assets		
Inventories.....	2 894	2 578
Trade and other receivables.....	3 667	2 494
Prepayments.....	248	222
Cash and short-term deposits.....	3 593	4 180
	10 402	9 474
Total assets	23 534	23 446
Equity and liabilities		
Equity		
Issued capital.....	1 869	1 869
Share premium.....	17 972	17 972
Treasury shares.....	(118)	(144)
Retained earnings.....	1 002	(242)
Foreign currency translation.....	(4 646)	(3 868)
	16 079	15 587
Non-current liabilities		
Lease liabilities.....	4 114	4 479
Interest-bearing loans and borrowings.....	77	128
Employee benefit liability.....	72	69
	4 263	4 676
Current liabilities		
Trade and other payables.....	2 571	2 487
Lease liabilities.....	487	576
Interest-bearing loans and borrowings.....	101	101
Provisions.....	33	19
	3 192	3 183
Total liabilities	7 455	7 859
Total equity and liabilities	23 534	23 446

CONSOLIDATED STATEMENT OF INCOME

Interim condensed consolidated financial statements at 30 June 2023

	<i>For the six months ended 30 June</i>	
	2023	2022
Continuing operations	€000	€000
Sales of goods and services	7 089	4 555
Revenue	7 089	4 555
Cost of sales	(4 030)	(2 841)
Gross profit	3 059	1 714
Other income	157	204
Research and development expenses	(938)	(945)
Selling and distribution costs	(415)	(306)
Administrative expenses.....	(705)	(638)
Operating profit / (loss)	1 158	29
Finance costs	(97)	(87)
Finance income.....	120	182
Profit / (loss) for the period from continuing operations before tax	1 181	124
Income tax expense	(47)	(38)
Profit / (loss) for the period from continuing operations	1 134	86
Discontinued operations		
Profit/(loss) after tax for the period from discontinued operations.....	--	(657)
Profit / (loss) for the period	1 134	(571)
Earnings per share:		
- Basic, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros)	€ 0.152	€ (0.077)
- Diluted, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros)	€ 0.147	€ (0.077)
- Basic, profit / (loss) for the period from continuing operations attributable to ordinary equity holders of the parent (in euros).....	€ 0.152	€ 0.012
- Diluted, profit / (loss) for the period from continuing operations attributable to ordinary equity holders of the parent (in euros).....	€ 0.147	€ 0.012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Interim condensed consolidated financial statements at 30 June 2023

	<i>For the six months ended 30 June</i>	
	2023	2022
	€000	€000
Profit / (loss) for the period	1 134	(571)
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses).....	--	--
Income tax on items that will not be reclassified to profit or loss	--	--
Total items that will not be reclassified to profit or loss	--	--
Items that may be reclassified subsequently to profit or loss		
Net gain / (loss) on available-for-sale financial assets.....	(34)	(141)
Exchange differences on translation of foreign operations	(778)	(273)
Income tax on items that may be reclassified to profit or loss	--	--
Total items that may be reclassified to profit or loss	(812)	(414)
Other comprehensive income for the period, net of tax	(812)	(414)
Total comprehensive income for the period, net of tax	322	(985)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Interim condensed consolidated financial statements at 30 June 2023

<i>(In thousands of euros, except for number of shares)</i>	<i>Number of shares</i>	<i>Issued capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Retained earnings</i>	<i>Foreign currency translation</i>	<i>Total shareholders' equity</i>
		<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
At 1 January 2022	7 476 902	1 869	17 972	(144)	(1 130)	(2 779)	15 788
Loss for the period	--	--	--	--	(571)	--	(571)
Other comprehensive income for the period, net of tax	--	--	--	--	(141)	(273)	(414)
Total comprehensive income	--	--	--	--	(712)	(273)	(985)
Treasury shares	--	--	--	(6)	--	--	(6)
At 30 June 2022	7 476 902	1 869	17 972	(150)	(1 842)	(3 052)	14 797
At 1 January 2023	7 476 902	1 869	17 972	(144)	(242)	(3 868)	15 587
Profit for the period	--	--	--	--	1 134	--	1 134
Other comprehensive income for the period, net of tax	--	--	--	--	(34)	(778)	(812)
Total comprehensive income	--	--	--	--	1 100	(778)	322
Treasury shares	--	--	--	26	--	--	26
Share-based payment	--	--	--	--	144	--	144
At 30 June 2023	7 476 902	1 869	17 972	(118)	1 002	(4 646)	16 079

CONSOLIDATED CASH FLOW STATEMENT

Interim condensed consolidated financial statements at 30 June 2023

	<i>For the six months ended 30 June</i>	
	2023	2022
	€000	€000
Operating activities:		
Net profit / (loss) for the period	1 134	(571)
Profit/(loss) after tax for the period from discontinued operations.....	--	(657)
Profit / (loss) for the period from continuing operations	1 134	86
Non-cash items written back:		
Amortization and depreciation.....	356	499
Loss / (capital gain) on disposal of fixed assets	(3)	35
Other non-financial activities	182	52
Accounts receivable.....	(1 367)	212
Inventories.....	(597)	(202)
Other debtors	(44)	(52)
Accounts payable.....	(67)	149
Other liabilities	296	20
Net cash flows from / (used in) operating activities - continuing operations	(110)	799
Net cash flows used in operating activities - discontinued operations.....	--	(614)
Total net cash flows from / (used in) operating activities	(110)	185
Investing activities:		
Purchase of fixed assets.....	(190)	(223)
Proceeds from sale / (purchase) of other non-current financial assets.....	19	155
Net cash flows used in investing activities - continuing operations	(171)	(68)
Net cash flows used in investing activities - discontinued operations.....	--	(7)
Total net cash flows used in investing activities	(171)	(75)
Financing activities:		
Repayment of borrowings	(50)	(70)
Payment of principal portion of lease liabilities	(242)	(298)
Sale / (purchase) of treasury shares	26	(6)
Net cash flows used in financing activities - continuing operations	(266)	(374)
Net cash flows used in financing activities - discontinued operations	--	--
Total net cash flows used in financing activities	(266)	(374)
Net foreign exchange difference	(40)	(41)
Increase / (decrease) in net cash and cash equivalents	(587)	(305)
Opening cash and cash equivalents balance	4 180	3 648
Closing cash and cash equivalents balance	3 593	3 343