

Kerlink - First-Half 2019 Results

Results still impacted by sluggish activity in incumbent operators' market

Business resizing underway to adjust to new market conditions

Stepping up efforts in private operators' segment

PRESS RELEASE

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Thorigné-Fouillard, France, 26 September 2019 – **Kerlink** (AKLK - FR0013156007), a global specialist in network solutions for the internet of things, is publishing today its interim results for 2019.

In the first half of 2019, incumbent telecoms operators continued to take a wait-and-see stance, which automatically undermined Group results. To tackle this situation, the Group took the necessary steps to adapt its business organisation to these new market conditions and to step up efforts to expand in the private operators' segment.

Half-yearly consolidated financial statements

On 24 September 2019, the Board of Directors approved the consolidated financial statements for the six-month period ending 30 June 2019.

International accounting standard IFRS 16, concerning the treatment of leases in the consolidated financial statements, came into force on 1 January 2019. Kerlink Group chose to apply this standard using the simplified retroactive approach, in which there are no adjustments for the previous year. Note that the implementation of IFRS 16 requires a change in the presentation of the consolidated financial statements as approved at 30 June 2019, with the balance sheet showing a liability in respect of future lease payments and an asset in respect of rights-of-use. On the income statement, the lease expense previously recognised under operating costs is now to be recognised partly as a depreciation charge and partly as a financial cost.

In thousands of euros	H1 2018	H1 2019 Reported (incl. IFRS 16)	Comparable H1 2019 figures (excl. IFRS 16)
Revenue	8,519	6,462	6,462
Gross margin (amount)	4,155	3,036	3,036
Gross margin	48%	47%	47%
EBITDA	(1,552)	(3,028)	(3,139)
Operating income	(2,554)	(4,486)	(4,489)
Financial income	(44)	(43)	(39)
Net profit / loss for the company	(2,684)	(6,254)	(6,253)

The consolidated financial statements have been audited in accordance with IFRS standards and the statutory auditor's report certifying those statements is currently being prepared.

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Incumbent telecoms operators taking wait-and-see approach, slight growth in private operator segment, stable revenue from services

As stated on 12 June 2018 and in subsequent communications, the IoT market targeted by the company has been affected by delays in the pace of deployment of major infrastructure projects by incumbent telecoms operators, slowing down the Group's business and performance. In this context, H1 revenues came to €6.4m, compared with €8.5m a year earlier. Revenues from incumbent telecoms operators totalled €1.1m, down from €3.4m in H1 2018.

As for the Group's private network operator clients, which are at the cornerstone of its new expansion strategy, revenues from the segment increased to €5.2m, from €4.9m in H1 2018.

Revenues from services contributed €1.6m to the total, which is a stable performance year-on-year.

In international markets, Kerlink generated revenues of €2.4m, accounting for 38% of total interim revenue. The EMEA zone (excluding France) accounted for 81% of total revenue. Although contributions from the NCSA (Americas) and APAC (Asia-Pacific) zones were marginal during the period, these regions still harbour considerable potential for the Group.

Results testify to slump in activity

This slump in activity pushed EBITDA into negative territory, at -€3.0m. Operating expenses (taking into account IFRS 16) came to €6.1m.

Group operating income for the period came to -€4.5m. Net income worked out to -€6.3m, after reversals of deferred tax assets in the amount of €1.7m.

Shareholders' equity stood at €16.9m, down from €26.1m at the end of H1 2018. The Group's cash position stood at €8.3m.

Business resizing necessary

Kerlink has taken the necessary steps to adapt its business to the new state of play in its market.

In early September 2019, the Group announced the roll-out of an Employment Protection Plan. This will affect 24 of the 103 employees of Kerlink France at 31 July 2019, with 2 internal reclassifications. All departures related to the implementation of the plan should take place before the end of the year. In addition to the measures affecting its staff, the Group is slashing the number of subcontractor resources used and is keeping a tight rein on its costs. This should enable Kerlink to cut its operating expenses by €3.5m over the full year from 2020.

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This resizing effort was conducted with a view to preserving Kerlink's marketing and sales capacities.

An action plan to keep step with transformation in the market

At the end of 2018, the Group launched a proactive plan to adapt to changes in its market, notably by strengthening its range of offers and its positioning towards the private operator segment (companies, cities, government administrations, etc.). The plan has five key strategic priorities:

- 1) Consolidate the Group's technological edge,
- 2) Step up growth in the private operator segment. In the short term, market growth is expected to be fuelled chiefly by private players in favour of implementing their own IoT network. In this context, Kerlink has embarked on a strategy specifically aimed at establishing an ecosystem of partners in order to offer end-to-end vertical solutions,
- 3) Support incumbent telecoms operators in converting to IoT networks,
- 4) Strengthen its market penetration in high-potential regions of Asia and the Americas,
- 5) Keep on ramping up its offer of services.

The adaptation efforts undertaken so far gives Kerlink the requested financial visibility needed to pursue this strategy.

About Kerlink Group

Kerlink Group is a leading global provider of end-to-end network solutions for the Internet of Things (IoT), serving telecom operators, businesses and public authorities worldwide. Based in Thorigné-Fouillard, France, with a U.S. subsidiary in Chicago, Kerlink is a leading global provider of LoRaWAN network equipment, software and services. Its growing suite of turnkey IoT services includes network planning, design and operational management that maximizes performance of its market-leading, carrier-grade infrastructure offering. The Group, widely recognized for its IoT expertise, also continually introduces innovative value-added services, such as network-based geolocation, remote end-device management and low-power IoT reference design, which allows its customers to quickly bring to market IoT-ready devices and to imagine innovative business models to monetize their deployments. Most recently, Kerlink introduced an expanded service, solution design, as part of its growing suite of services for companies and smart cities.

For more information, visit www.kerlink.com or follow us on Twitter @kerlink_news.

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Upcoming events

Q3 2019 revenue: 22 October 2019, after market close
www.kerlink.fr



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