

First-half 2020 results

Results affected by the consequences of the global health crisis

Favourable impact of cost-cutting measures implemented in 2019

Cash balance strengthened by a €2.25 million government-guaranteed loan

PRESS RELEASE

Thorigné-Fouillard, 24 September 2020, 5.45 p.m.

Thorigné-Fouillard, France, 24 September 2020 – **Kerlink** (AKLK – FR0013156007), a specialist in solutions dedicated to the Internet of Things (IoT), today released its consolidated earnings for the first half of 2020.

The COVID-19 pandemics affected half-year business activity, with an impact on earnings for the period. Measures implemented in second-half of 2019 to reduce operating expenses, and in particular the wage bill, have helped cushion the consequences of this global health crisis.

Consolidated half-year financial statements

On 22 September 2020, the Board of Directors approved the consolidated financial statements for the first six months of the year to 30 June 2020.

In thousands of euros	H1 2020	H1 2019
Revenue	4,765	6,462
Gross margin (amount)	2,551	3,036
Gross margin rate	53.5%	47.0%
Other operating expenses	-4,299	-6,064
EBITDA	-1,748	-3,028
Depreciation and amortisation	-1,736	-1,458
Operating income	-3,484	-4,486
Financial income	655	-43
Corporation tax	-21	-1,725
Group net profit/loss	-2,849	-6,254

*A limited review has been carried out on the half-year IFRS consolidated financial statements.
The statutory auditor's report on the limited audit has been issued.*

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Business levels impacted by the health crisis in the second quarter, especially in Europe

In an unprecedented economic and health context, the Group's revenue fell by 26% to €4.8 million in the first half of 2020.

The impact on the Group's half-yearly revenue was particularly noticeable in France as soon as lockdown measures were implemented in mid-March (-38% over the half-year). The decline was only of 6% in international markets, with growth in the Americas (+11%), stability in Asia-Pacific and a decline of 8% in the EMEA zone (excluding France).

The decrease in revenue is mainly attributable to lower sales of infrastructure equipment (-34% vs the comparable period). Service revenues, which are essentially recurring, were down only by 4% over the period. Customers using the Group's application solutions benefited from total continuity of service, with Kerlink's teams leveraging the remote tools requested to supervise services platforms and keeping them in working order, regardless of their location.

The change in the product mix in favour of services (33% of total revenue) resulted in a 6.5% improvement in the margin. The gross margin now represents 53.5% of half-year revenue, compared with 47% in the first half of 2019.

Half-year results understandably affected by the health crisis

Favourable impact of measures implemented before the crisis to regulate the cost structure

The reduction in the volume of business activity and the consequences of the health crisis understandably weighed on the period earnings.

On 23 March, with the announcement of its Business Continuity Plan, the Group took measures to ensure the safety of its employees and preserve the financial health of the structure. Reasonable use of furlough (temporary unemployment) measures, the deferral of certain expenses and a significant reduction in travel expenses and attendance at events and trade-shows made it possible to limit the impact of the health crisis on the Group's cost structure.

The half-year results also benefited from measures implemented in 2019 to rein in operating expenses. As a reminder, in the second half of 2019 the Group implemented an employment safeguard plan. Compared to the same period last year, the cut in personnel expenses

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reaches nearly €1 million and expenses related to external personnel were down by €250 thousand.

In the six months to 30 June, EBITDA represented a negative amount of €1.7 million, compared with a negative €3.0 million in the first half of 2019.

Operating income is also improving. The operating loss amounted to €3.5 million, compared with €4.5 million in the first six months of 2019.

Depreciation and amortisation expenses (€1.7 million) include €644 thousand in additional impairment on the goodwill of Wyres. Its net value was accordingly reduced to €256 thousand as of 30 June 2020. From an accounting perspective, this entry represents a non-cash allocation that weighs on operating income for the period.

In addition, the finalisation of the acquisition of Wyres for €80 thousand in February 2020 resulted in a reassessment of the earnout on the purchase of the balance of the Wyres shares, which in the first half generated a gain of €670 thousand, recognised as financial income.

With tax virtually at zero, the net loss was ultimately €2.8 million, compared with a loss of €6.3 million in the first half of 2019.

Balance sheet

The Group had shareholders' equity of €9.6 million as of 30 June 2020, compared with €12.5 million as of 31 December 2019. The change is due primarily to the loss of €2.8 million. The drop in activity resulted in positive change of €508 thousand in working capital.

At the start of 2020, the Group took out medium-term loans from BPI France and its long-standing banking partners in a total amount of €2.75 million.

As of 30 June 2020, the Group's cash position, which was €6.2 million (€5.6 million excluding the factor), was therefore higher than as of 31 December 2019, which was €5.3 million.

Receipt of a €2.25 million government-guaranteed loan

Kerlink also requested assistance from banks within the framework of the government-guaranteed loan scheme, and in September obtained agreements in a total amount of €2.25 million.

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Uncertainties remain despite signs of an improvement

The second half of the year opened with an improvement in activity compared with the downturn of the health crisis. Third-quarter revenue is expected to be close to that of the same period in 2019.

However, uncertainty persists as to business trends over the last period of the year.

Kerlink is nevertheless pursuing its development strategy based on a determination to step up the pace of its development in the segment of private network operators by bringing out simplified and integrated offers, and by expanding the number of distribution and value-added partners worldwide. The Group is particularly targeting the Smart Metering, Asset Tracking and Smart Building segments.

In addition, in the spring, the Group rose to the challenge of designing, in partnership with Microshare, the Universal Contact Tracing™ solution, a local contact traceability solution to fight against the spread of the COVID-19 epidemic in the workplace.

In conclusion, while prudence remains in order with a health crisis affecting the Group's key customer segments worldwide, Kerlink remains confident in its ability to make it through this unprecedented period while staying focused on the implementation of its strategy. The Group can now rely on a cash balance strengthened by recent borrowings and a reduced cost structure compared with that of previous years.

These aspects should enable it to regain favourable momentum as soon as the situation starts returning to normal.

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About Kerlink

Kerlink Group is a leading global provider of connectivity solutions for designing, launching, and operating public & private Internet of Things networks. Its comprehensive product portfolio includes industrial-grade network equipment, best-of-breed network core, operations and management software, value-added applications and expert professional services, backed by strong R&D capabilities. Kerlink specializes in enabling future-proof intelligent IoT connectivity for key verticals such as fleet management, transportation & logistics, retail, asset tracking, and smart metering, as well as smart agriculture & environment, and smart cities, buildings, and factories. More than 120,000 Kerlink installations have been rolled out with more than 330 clients in 69 countries. Based in France, with subsidiaries in the US, Singapore, India, and Japan, Kerlink is a founding and board member of the LoRa Alliance™ and the uCIFI Alliance™. It is listed on Euronext Growth Paris under the symbol ALKLK.

For more information, visit www.kerlink.com or follow us on Twitter [@kerlink_news](https://twitter.com/kerlink_news).



Upcoming events

Q3 2020 revenue

22 October 2020, after market close

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