

2020 Full-Year Results

EBITDA up significantly year-on-year
Business recovery initiated in Q4 2020

Q1 2021 Revenue up 43% to €3.7m

PRESS RELEASE

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Thorigné-Fouillard, France - Kerlink (AKLK - FR0013156007), specialising in IoT networks and solutions, is today publishing its 2020 consolidated full-year results and revenue for Q1 2021.

In the wake of nine months impacted by the global health crisis, business secured a gradual recovery as the year drew to a close, with Q4 2020 posting a two-year high. Revenue ended the year down 14%, automatically impacting full-year results. Against this backdrop, the Group was able to adapt its organisation and maintain its cash holdings while stepping up its sales development efforts in the private network operators' segment (city, industries, companies, etc.). In 2020, the Group also doubled the number of distribution partnerships with IoT players, paving the way for business recovery.

Consolidated financial statements

On 13 April 2021, the Board of Directors approved the consolidated financial statements for the financial year ended 31 December 2020.

In thousands of euros	2020	2019
Revenue	11,184	13,038
Gross margin	4,829	5,956
Gross margin rate	43.2%	45.7%
Other operating costs	-8,025	-10,981
EBITDA	-3,196	-5,027
Depreciation and amortisation	-3,075	-3,636
Operating income (expense)	-6,271	-8,663
Financial income (expense)	554	-79
Income tax	-9	-1,817
Group net income (expense)	-5,726	-9,843

IFRS – Audited financial statements

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Kerlink trusted by leading private network operators Strengthening the partner ecosystem

Private operators further increased their contribution to Group revenue, now accounting for more than 80% of annual revenue. Sales were down 11% in this top-priority market segment. Despite the restrictive health measures established by governments in 2020, direct marketing momentum remained strong and efforts to identify new prospects were significantly increased. The breadth of the client portfolio and the depth of the Group's range of solutions set it back on the growth track towards the end of the year.

The Group also took advantage of the various lockdowns to expand its partner ecosystem during the year, focusing on Kerlink's three target segments: Smart Cities (with Pilot Things and Sensing Vision), Smart Industries (with Smart Traffik, Microshare and Zenner IoT Solutions GmbH) and Smart Territories (with GI Supply in Japan, for example). At the end of the year Kerlink announced partnerships with iconic players such as Richardson RFPD and Amazon Web Services.

In the historic and alternative telecom operators' segment, revenue for the financial year totalled €1.7m (-29%).

Services: rise in service revenue, recurring revenue sources

Revenue from services totalled €3.1m, i.e. 28% of full-year revenue vs. 25% last year. Sales of value-added services (operation and maintenance of IoT networks, administration and geolocation of connected equipment, Reference Design expertise and professional services) fell just 5% over the period.

All clients using the Group's application solutions enjoyed full continuity of service, with Kerlink's teams having the remote tools they need to supervise service platforms and keep them in working order, regardless of their location.

Equipment sales were hit harder by the first lockdown, resulting in total full-year revenue of €8.1m, down 17%.

Revenue growth in the Americas and EMEA Sharp decline in France

In 2020, 53% of Group revenue was generated internationally, a significant increase on 2019 (+40%). In the Americas, annual sales rose sharply (+54%), significantly gathering pace towards the end of the year. APAC (Asia-Pacific) business was encouraging at the beginning of 2020 but was dampened by the effects of the crisis. The successive lockdowns have delayed projects for some of the Group's customers in this part of the world. Revenue in the EMEA (Europe, Middle East and Africa) excluding France rose 17% compared to 2019. The drop in French sales was mainly associated with historic telecom operators.

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Significantly improved results

Despite the decline in business, results improved significantly over the year, reflecting the Group's restructuring efforts starting in 2019. The gross margin stood at €4.8m, i.e. 43.2% of revenue for the financial year, compared to 45.7% in 2019. This figure includes the commercial gestures made on several major projects, the impact of which is expected in 2021. The gross margin was also affected by tensions in supply prices for certain electronic components, triggered by the pandemic.

Operating expenses totalled €8m vs. €11m in 2019. This reduction can be partially attributed to the Employment Protection Plan ("ESP"), launched by the Group at end-2019 before the Covid-19 crisis. Additional provisions were recorded to protect the company's financial position. Kerlink demonstrated its resilience during this unprecedented crisis by limiting the use of short-time work and temporarily deferring certain expenses, alongside the de facto decrease in travel costs. These measures were implemented without undermining the Group's ability to step up its sales momentum or the transformations planned once the crisis is over.

Lastly, EBITDA amounted to -€3.2m in 2020 vs. -€5.0m in 2019, an improvement of nearly €2m.

Operating income of -€6.2m included a decrease in depreciation and amortisation (€3.1m in 2020 vs. €3.6m in 2019), mainly due to the activation of R&D expenses for €0.3m in 2020 versus €0.8m in 2019.

Financial income increased €633K, including the revaluation of the earnout on the purchase of the remaining WYRES shares.

Group net income was negative in 2020 at -€5.7m, representing a major improvement on 2019 (-€9.9m).

Well-managed financial position

Shareholders' equity stood at €6.6 million at 31 December 2020, compared with €12.5 million at 31 December 2019. This decrease was mainly due to losses of €5.7m.

The business downturn resulted in positive change in WCR of €727k.

The Group's cash position stood at €6.5m at 31 December 2020.

The Group reiterated that it took out medium-term loans from BPI France and its historic banking partners over the year, for a total of €2.75 million, in addition to a government-backed loan of €2.25 million.

Global financial liabilities totalled €8.1m at end-2020 (excluding lease debt according to IFRS 16).

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An excellent Q1 2021

The recovery initiated in Q4 2020 carried over into Q1 2021. Over the period, Group revenue stood at €3.7m, up 43% year-on-year and 24% compared to Q1 2019.

Growth was mainly driven by private network operators, in line with the strategic shift initiated by the Group over the past two years.

In the Americas, in addition to a tech deal announced with Microshare and Aramark for Smart Building solutions in March, the upturn in sales can be partially attributed to initial revenue from a partnership established in 2020 with Cal-Chip Connected Devices for the deployment of an IoT network ("The People's Network") launched by the US firm Helium.

This global network offers long-range, energy-efficient public wireless coverage. Its deployment is made possible by Helium's LongFi™ technology, which combines the LoRaWAN® wireless protocol with Helium blockchain technology, allowing any LoRaWAN® sensor to transfer data via the new network. By creating its blockchain, the Helium network decentralised IoT network coverage, paving the way for the deployment of a global open wireless network, capable of combining various LoRaWAN® stations and available worldwide, in a cost-effective way.

Thanks to the partnership with Amazon Web Services announced in December, the Group will be working with a top-tier provider in the area, showcasing Kerlink solutions. The Americas posted revenue of €0.8m in Q1 2021, a more than ten-fold increase year-on-year. The Group is accelerating its growth in this part of the world.

Revenue in the Asia-Pacific region rose 41% to €0.3m. Circumstances vary depending on the country, but positive signs are pointing to a business recovery. The subsidiary made a strong local contribution to new contracts with distributors based in Europe.

Revenue in the EMEA (Europe, Middle East and Africa) rose 11% year-on-year.

2021 outlook

Solid performances in Q1, coupled with a promising order pipeline in early Q2, have ensured that Kerlink can face the coming months with confidence, despite the caution imposed by developments in the health crisis year-to-date and pressure on supply prices for certain electronic components. Otherwise, the Group remains confident it can weather the crisis thanks to its sound financial position and a range of commercial and technological solutions that has now found its market.

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Appendices: Q1 2021 revenue

Breakdown by business line and geographic region

Revenue by business line In thousands of euros	At 31 March 2021	At 31 March 2020	Change
Historic & alternative telecom operators	439	520	-16%
Private operators	3,283	2,089	+57%
Total	3,722	2,609	+43%

Revenue by geographic region In thousands of euros	At 31 March 2021	At 31 March 2020	Change
NCSA (Americas)	854	73	+1,070%
APAC (Asia-Pacific)	257	183	+41%
EMEA (Europe, Middle East, Africa)	2,611	2,354	+11%
Total	3,722	2,609	+43%

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 three major domains: Smart Cities – metering, parking, street lighting, waste management, air quality & pollution, building & facilities, assets monitoring... Smart Industries – fleet & asset tracking, energy & utilities, oil, gas & mining, airports, harbors, infrastructure, manufacturing, retail... and Smart Territories – precision agriculture, environment protection and rural towns & areas. 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 co-founder and board member of the LoRa Alliance® and the uCIFI Alliance™. It is listed on Euronext Growth Paris under the symbol ALKLLK.

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

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Upcoming events

First Half Year Revenue: July 22, 2021, after market close

www.kerlink.com



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