

H1 2022 results

A good first half year

Sales growth of 33%; positive EBITDA excluding provision



PRESS RELEASE

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Kerlink (ALKLK FR0013156007), a specialist provider of networks and solutions for the Internet of Things (IoT), is today publishing its consolidated 2022 first-half results.

The Group made revenue of €10m in the first half of 2022, an increase of 33% on a like-for-like basis, with the second quarter showing a stand-out increase of 65% versus the second quarter of 2021.

Earnings in the first half year were underpinned by strong activity levels, in particular thanks to an increase in sales of network infrastructure equipment between the first and second quarters, which led to a gross margin rate of 46.8% (versus 48.5% in the first half of 2021). Despite an increase in investment to pursue its development and secure supplies, EBITDA came out negative, at €-757k, after factoring in a provision of €818k for an outstanding receivable on one of its customers.

Consolidated half-year financial statements

On 19 September 2022, the Board of Directors approved the consolidated financial statements as at 30 June 2022.

| In thousands of euros | H1 2022 | H1 2021 | Change |
|-------------------------------------|---------------|---------------|--------------|
| Revenue | 10,051 | 7,578 | 2,473 |
| Gross margin | 4,706 | 3,672 | 1,034 |
| Gross margin rate | 46.8% | 48.5% | - |
| Other operating costs | -4,645 | -4,049 | -594 |
| Provision for a doubtful receivable | -818 | 0 | -818 |
| EBITDA | -757 | -376 | -381 |
| Depreciation and amortisation | -730 | -820 | +90 |
| Operating income (expense) | -1,487 | -1,197 | -290 |
| Net financial income | -45 | -53 | +8 |
| Income tax | -7 | 21 | -28 |
| Group net income (expense) | -1,540 | -1,229 | -311 |

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

Growth in revenue from services and equipment sales Increasing contribution from private network operators

The breakdown of activity by type of revenue over the period shows:

- a 26% increase in sales of network infrastructure equipment to €7.6m (i.e. 76% of revenue) amid a gradual easing of pressure on semiconductor supplies,
- a 53% increase in sales of services, illustrating the success of the strategy to bolster this stream of recurrent income,
- a 19% increase in revenue from private network operators, representing 81% of the Group's first-half sales,
- revenue growth across the three main business activities with the contribution from *Smart Building & Industry* accounting for more than half of revenue over the period (55%),
- noteworthy contributions from the Asia Pacific and EMEA regions, with the former showing growth of 300% to €2m and the latter up 21% to €7m,
- lower-than-expected growth in HNT cryptocurrency revenue due to a sharp deterioration in the sector since spring.

Continued rigorous management of the cost structure amid strong growth

After the exceptional budgetary measures taken by the Group in the first half of 2021 to deal with the international environment post Covid, it made EBITDA of €-0.7m in the first half of 2022 (compared with EBITDA €-0.4m in H1 2021).

The Group made a decision to book a provision in the first-half accounts of €818k in respect of a customer receivable, the recovery of which it believes is doubtful. **If we strip out this provision, Group EBITDA would have been positive.**

The increase in activity levels helped to absorb the business investments resumed by the Group to stimulate its long-term growth. Operating costs therefore came to €4.6m versus €4m in the first half of 2021, revenue having increased by 33% over the period.

On 30 June, there was an operating expense of €-1.4m compared with €-1.2m in 2021. It incorporated a slight fall in depreciation and amortisation.

Group net income (expense) came to €-1.5m in H1 versus €-1.2m in H1 2021.

Well-managed financial position Increase in inventories

On 30 June 2022, shareholders' equity stood at €14.5m, versus €15.7m at 31 December 2021.

The decrease in the cash position at 30 June 2022 to €6.4m versus €14.5m at 31 December 2021 reflects the issues experienced around the availability of semiconductors and a wish to take advantage of more favourable component purchase prices amid rising inflation. As such, inventories grew by €5.2m over the period to €11.9m.

Financial debt at the period end (excluding debt on lease transactions under IFRS16) was €8.4m (of which €0.7m factored) versus €9.2m (of which €3.2m factored) at 31 December 2021.

To enable it to forge ahead with its development and finance an increase in its inventories to meet client needs as quickly as possible, the Group signed new four-year bank loans during the summer with five partner banks for a total of €6m.

2022: a fresh year of growth in sight

During the second half of the year, Kerlink should continue to see strong business levels in its core IoT activity across all of its main markets: *Smart Building & Industry*, *Smart City & Quality of Life* and *Smart Agriculture & Environment*.

Despite this satisfactory outlook in a broadly difficult environment, the rate of growth initially expected is likely to be offset by the slowdown in the rollout of the Helium networks tied to the HNT cryptocurrency.

Given all of this, full-year revenue is expected to show further growth and surpass €20m. The Group will announce its short and medium-term outlook on 25 October 2022 after the market closes, together with its new strategic plan.

About Kerlink

Kerlink Group is one of the world's leading providers of connectivity solutions for the design, rollout and operation of public and private networks dedicated to the Internet of Things (IoT). Its comprehensive portfolio of solutions includes industrial-grade network equipment, best-of-breed network core, network operations and management software, value-added applications and expert professional services, backed by strong R&D capabilities. Kerlink specialises in access to smart and scalable IoT connectivity for three main areas: Smart cities and quality of life – urban operations, energy distribution and metering, retail and public places, infrastructure and trade centres, quality of life and health; Smart Building and Industry – buildings and real estate, industry and manufacturing, asset monitoring and tracking; and Smart Agriculture and Environment – precision agriculture, livestock monitoring and farming, environment and climate, protection of fauna and flora. More than 200,000 Kerlink installations have been deployed at more than 350 customers in 70 countries. Based in France, with subsidiaries in the United States, Singapore, India and Japan, Kerlink is a founding member of the boards of the LoRa® Alliance and the uCIFI™ Alliance. It is listed on Euronext Growth Paris under the symbol ALKLK.

For more information, please visit our website at www.kerlink.com.

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