

2022 annual results and Q1 2023 revenue

Results marked by the collapse of sales of infrastructure equipment for the deployment of the Helium network



PRESS RELEASE

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[Kerlink](#) (ALCLK - FR0013156007), a specialist provider of networks and solutions for the Internet of Things (IoT), is today publishing its 2022 consolidated full-year results and revenue for Q1 2023.

As announced on 24 January, revenue for the financial year 2022 came to €18.9 million, down 5% on 2021. This fall in revenue can be explained by the collapse in sales of infrastructure equipment for the deployment of the Helium network as a result of the drop in price of Helium's HNT cryptocurrency since spring 2022.

This particular context has weakened some of the Group's customers whose business model was based on the stability of HNT. At the end of the financial year, the Group had to cancel certain orders for equipment placed by customers that could no longer offer the necessary solvency guarantees and record a provision on a receivable presenting a risk of non-recovery.

An impairment of inventories and a provision for the loss in value of the HNT held by the Group also automatically weighed on the results of the financial year.

Consolidated financial statements

At its meeting on 19 April 2023, the Board of Directors approved the consolidated financial statements for the financial year ended 31 December 2022.

In thousands of euros	2022	2021
Revenue	18,897	19,875
Cost of sales	-10,839	-11,839
<i>O/w impairment of inventories</i>	-924	+77
Gross margin	8,059	8,036
Gross margin rate	42.6%	40.4%
Other operating costs	-10,115	-8,190
<i>O/w provision for doubtful receivable</i>	-831	--
<i>O/w provision for loss in value of HNT held</i>	-473	--
EBITDA	-2,057	-154
Depreciation and amortisation	-1,410	-1,559
Operating income (expense)	-3,467	-1,713
Net financial income	-13	-109
Income tax	-29	-12
Group net income (expense)	-3,509	-1,834

IFRS – Audited financial statements

Increase in revenue from services

Growth in Europe and Asia, sharp decline in the Americas

Sales of infrastructure equipment accounted for 75% of the sales of IoT solutions in 2022. They fell by 12% to €14.2 million in 2022 after the cessation of deliveries for the deployment of Helium networks, which would have represented revenue of nearly €3 million in 2022. Sales of services, however, continued on a positive trend, rising by 21% to €4.6 million, reflecting the Group's steady development in this segment.

The Group showed gains in the EMEA region, with business up 12%, bringing together private operators, service integrators, historical telecom operators and alternative operators. Revenue for the region came to nearly €15 million. Sales in the Asia Pacific region (APAC) were strong, growing by 73% versus 2021. The Americas (NCSA) region was marked by a decline in deliveries to customers involved in the deployment of Helium networks.

Stable gross margin

EBITDA impacted by the decrease in value of HNT

The gross margin came to 42.6% for 2022 compared with 40.4% in 2021, illustrating, on the one hand, the increase in the product mix in favour of services and, on the other hand, the Group's ability to pass on some component price increases to its sales prices. However, this increase is offset by a decision to book an inventory impairment of €0.9 million to take into account orders that were not delivered to the contributors of the Helium network. Thus, despite lower revenue, the gross margin in value terms remained stable in 2022.

Operating expenses totalled €10.1 million compared with €8.2 million the previous year. This increase includes the €0.8 million provision booked on a receivable that has not been recovered and for which legal recourse has been initiated, and a provision of €0.5 million relating to the loss of value of the HNT cryptocurrency recorded in the wallets held by the Group.

EBITDA therefore came out at -€2 million versus -€0.2 million in 2021 after taking into account the provision for a doubtful receivable, the provision for impairment of HNT and the impairment of inventories.

After recognition of depreciation and amortisation charges at €1.4 million (versus €1.6 million in 2021), the Group made a net loss of €3.5 million versus a loss of €1.8 million in 2021.

Sharp increase in inventories partially financed by new loans

Fall in cash position

At 31 December 2022, the Group's shareholders' equity stood at €12.6 million compared with €15.7 million in 2021, mainly due to the consolidated net loss of €3.5m.

As previously explained, at the end of 2022, the Group decided to stop delivering orders placed by customers involved in HNT cryptocurrency projects that no longer offered sufficient solvency guarantees. As purchases of electronic components and equipment production had been initiated, this decision led to an increase in inventories at the year-end, with an automatic impact on the cash position, which stood at €5.7 million at 31 December 2022 compared with €14.5 million at the end of 2021.

Inventories therefore increased by €7.5 million over the period to €14.2 million at the year-end, after factoring in impairment of €0.9 million. Operating cash flows were therefore impacted by the negative change in WCR (-€10.1 million).

The Group points out that the equipment stored at the end of 2022 is not specific and can be used for the customers of its core IoT business.

To enable it to finance this increase in its inventories, the Group signed new four-year bank loans during summer 2022 with five partner banks for a total of €6 million.

Financial debt at the period-end (excluding lease liabilities under IFRS16) was €13.9 million (of which €1.3 million factored) versus €9.2 million (of which €3.2 million factored) at 31 December 2021.

In thousands of euros	31 December 2022	31 December 2021
Net assets and other non-current assets	6,342	5,497
Current assets	22,199	13,060
Cash and cash equivalents	5,746	14,534
Total assets	34,287	33,091
Shareholders' equity	12,586	15,674
Long- and medium-term financial liabilities	10,602	5,009
Other non-current liabilities	441	539
Current financial liabilities	4,369	4,611
Other current liabilities	6,288	7,258
Total liabilities	34,287	33,091

IFRS – Audited financial statements

2023 priorities

Against this backdrop, the Group continues to focus primarily on its commercial development and purging its inventories of electronic components and finished products in its core IoT business. This will enable it to meet the needs of players in its priority markets, *Smart Building & Industry*, *Smart City & Quality of Life* and *Smart Agriculture & Environment*, under good conditions.

Beyond this, KERLINK is focused on three major challenges for 2023:

- Constantly adjusting to the pace of deliveries of parts from suppliers of electronic components and of manufacturing with sub-contracting partners according to the purge rate of inventories and new market needs;
- Maintaining strong procedures and controls and the recovery of trade receivables in an environment that offers increasingly less visibility;
- Continued strict cost discipline.

These actions should allow Kerlink to gradually return to the trajectory set out in the "Serve IoT 2025" strategic roadmap.

Q1 2023 revenue: -11%

Unfavourable comparison base due to Helium equipment sales of €1 million in Q1 2022

Sales achieved in the core IoT business

Revenue in the first quarter was down 11% to €3.4 million, compared with €3.8 million in the same period the previous year. The first quarter of 2022 includes around €1 million in sales of infrastructure equipment to customers involved in the deployment of the Helium network. Q1 2023 revenue was generated from the core IoT business line and the Group's historical activities, which rose by 12% on a like-for-like basis versus Q1 2022.

Sales of services continued to grow in line with the trends seen the previous year. They came to €1.1 million, an increase of 12% compared with Q1 2022.

Revenue by type of sales			
In thousands of euros	Q1 2023	Q1 2022	Change
Equipment	2,196	2,753	-20%
Services	1,171	1,044	12%
Total	3,367	3,798	-11%

IFRS – Unaudited figures

Geographically, sales were stable in the EMEA region and increased in the Asia-Pacific region (APAC). Sales in the Americas (NCSA) show a sharp decline, Q1 2022 revenue in this region having mainly been generated on deliveries to customers participating in the deployment of Helium networks.

Revenue by geographical area			
In thousands of euros	Q1 2023	Q1 2022	Change
NCSA (Americas)	195	696	-72%
APAC (Asia-Pacific)	330	292	13%
EMEA (Europe, Middle East & Africa)	2,842	2,809	1%
Total	3,367	3,798	-11%

IFRS – Unaudited figures

Revenue by business line			
In thousands of euros	Q1 2023	Q1 2022	Change
Historical and alternative telecom operators	185	609	-70%
Private operators (incl. €1m in revenue on Helium in Q1 2022)	3,182	3,188	0%
Smart Cities & Quality of Life	1,282	683	88%
Smart Building & Industry	1,417	2,248	-37%
Smart Agriculture & Environment	478	195	145%
HNT Cryptocurrency Revenue	5	62	-92%
Total	3,367	3,798	-11%

IFRS – Unaudited figures

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. More than 200,000 Kerlink installations have been deployed at more than 350 customers in 70 countries. Kerlink is a founding member and board member of the LoRa® Alliance and the uCIFI™ Alliance. It is listed on Euronext Growth Paris under the symbol ALKLK.

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