

# Financial Presentation

Q2 2023

August 23, 2023



# Today's agenda

- Q2 2023 highlights

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- Smartoptics – strong position in a large untapped market
- Q2 2023 financials
- Wrap-up and outlook

# Continued growth and solid profitability in Q2 2023


## Revenue

Q2: 17.0 MUSD   
YTD: 31.1 MUSD


## Revenue Growth

Q2: +16.3%   
YTD: +17.4%


## Gross Margin

Q2: 49.2%   
YTD: 49.9%

## EBITDA Margin

Q2: 18.7%   
YTD: 18.6%

## EBIT<sup>1</sup> Margin

Q2: 16.0%   
YTD: 15.8%

## Operating Cash Flow

Q2: - 1.6 MUSD   
YTD: +4.2 MUSD

# Highlights of Q2 and key initiatives for 2023

## Key events during Q2 2023

- Continued good momentum in Enterprise and typical Smartoptics customers. 400 Gbit/s demand is still strong
- Supply chain fully healed, and good inventory of components. Delivery times are considerably shorter
- Growth during in 1H despite lack of 5G related projects in 2023
- Progressing discussions with a handful of larger accounts



## Building a stronger Smartoptics in 2023

- Continued to strengthen organization with focus on R&D to capture larger accounts
- Investments in new features, new products and more complete software offering
- Increasing focus on business area Devices



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# Founded in 2006 Smartoptics is a challenger in optical communication – addressing a global market

## Customers

### Large enterprises



### Cloud providers and internet exchanges



### CSP: Telecom & network operators



## Market and Key Trends

- Ever increasing demand for bandwidth
- Open Optical Networking growing quickly
  - Disruption in the 8 BUSD addressable market (Metro WDM)
- Americas, EMEA and selected markets in APAC
  - Broadband infrastructure funding in the US and EU
  - Introduction of 400Gbit/s services
    - Replacement of legacy platforms
  - 5G drives advanced optical towards the edge



## Products and Solutions

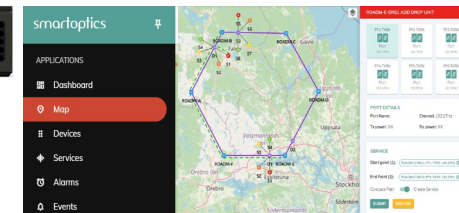
- High-capacity optical transport solutions
- Software support and rich service offering
- Wide range of optical devices for any application
- Software suite for network orchestration, planning and simulation – SoSmart NEW!



One of three families of open line systems: DCP-R



Optical devices: Delivered ~300 000 optical transceivers in 2022



The SoSmart software suite

# The market for fiber optical network equipment is worth 16 billion USD worldwide



- **16 billion USD world market**

- 50% is Metro
- 50% is EMEA and North America
- In total Smartoptics addresses about 30%

- **Key driver is data growth**

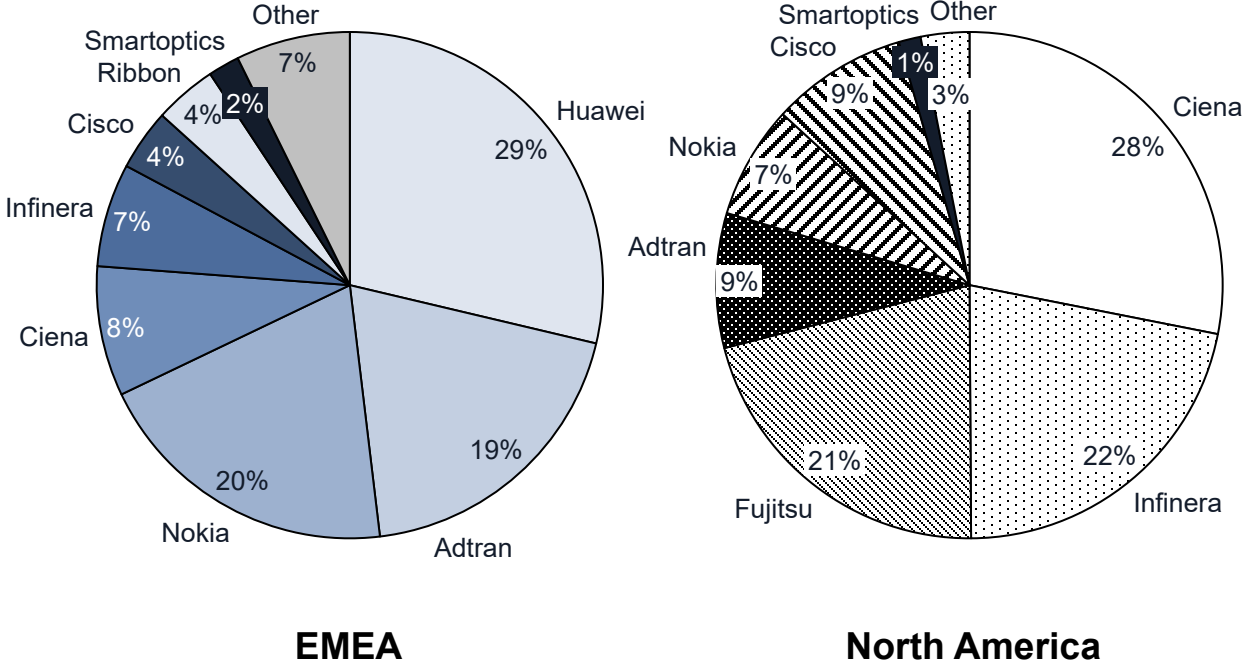
- Cloud migration & new data centers
- Migration to 400Gbit/s
- 5G roll-out
- Fiber access roll-out
- Government funding

- **Open and disaggregated solutions**

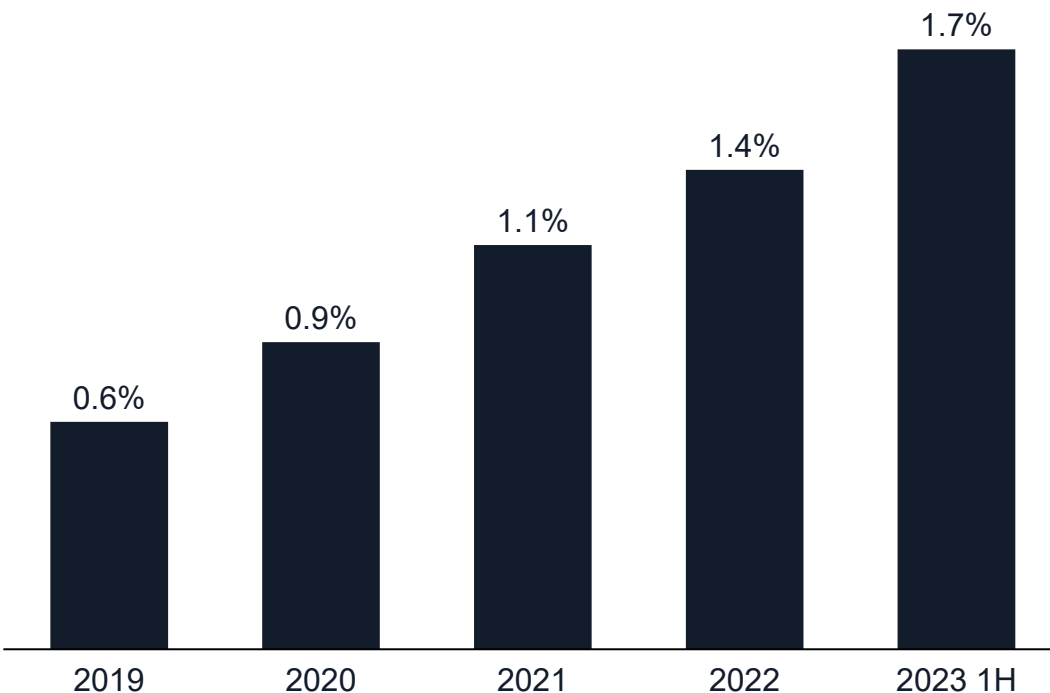
- Shift toward more cost-efficient networks
- IP over DWDM

# Smartoptics gaining market share steadily in a field of 6-7 significantly larger players

Market shares 2023 YTD (June 30)  
Metro WDM EMEA and North America



Smartoptics market share development 2019-2023 YTD  
Metro WDM EMEA and North America combined



Source: Signal.AI Aug 2023. Partly preliminary data with adjustments from Smartoptics with reported numbers



# Smartoptics is well positioned for long term growth

## Key assets

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- Attractive and future-oriented technology – open and cost-efficient
- Well positioned in small and medium-sized customers – expanding into larger accounts
- Strong footprint in Europe and Americas and unique market position
- Solid financial position

## Milestones

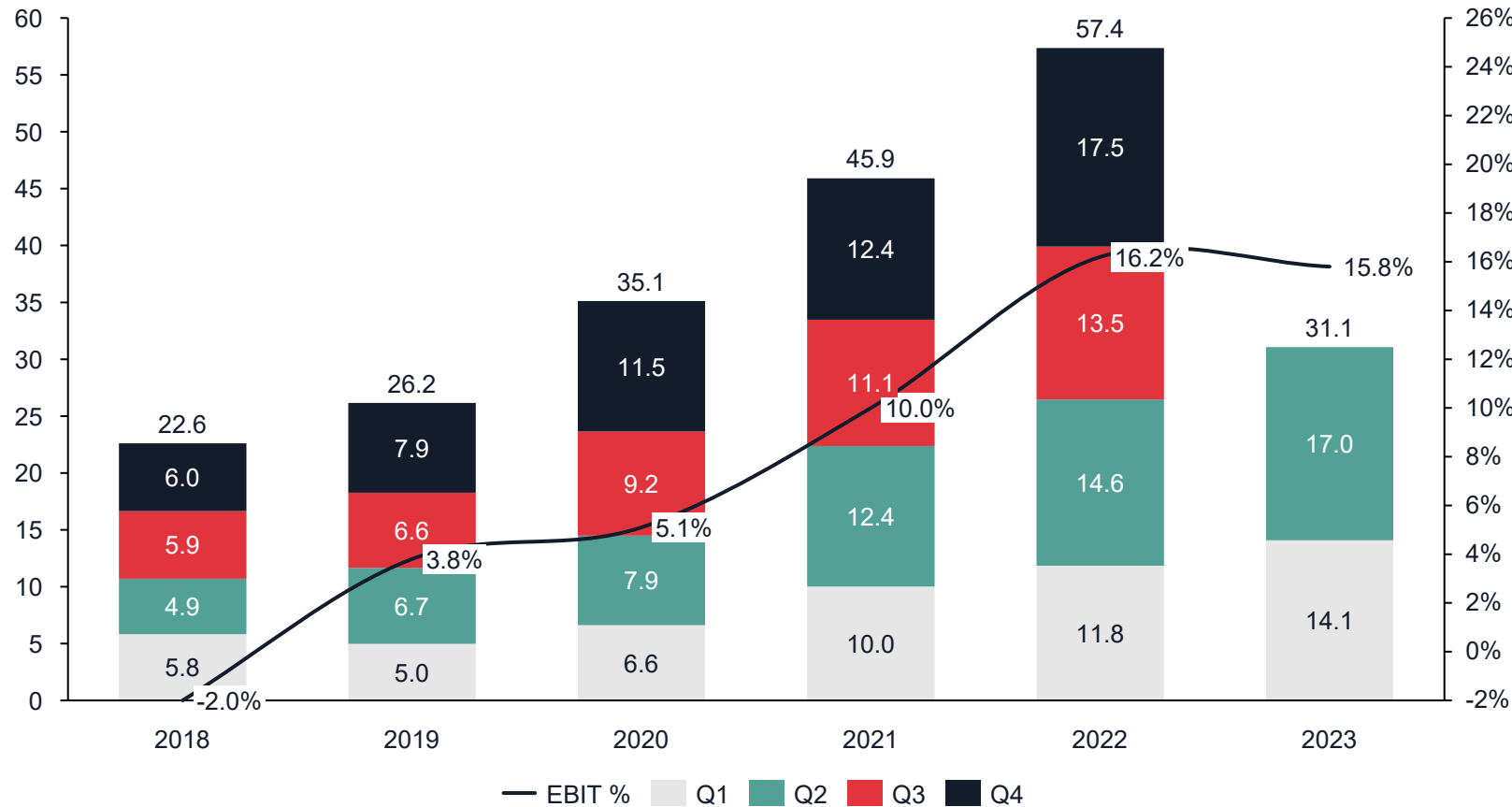
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- Improving product offering addressing the service provider metro market:
  - Expanded offering in Open line systems
  - New versions of Layer 1 Transponders and Muxponders
  - Complete product offering integrated in SoSmart SW suite
- Increased growth rate in customer segment Enterprise and product area Devices
- Win new major account every 12-24 months and continuously develop existing accounts

**Ambition to continue gain of market share in metro segment in key markets (NA, EMEA, CALA, parts of APAC)**

# Continued strong financial development

## Revenue and profitability development



## Key milestones

- Continuous expansion of product portfolio creates foundation for sustained growth
  - DCP-M (launched 2017)
  - DCP-F (launched 2020)
  - DCP-R (launched 2022)
  - DCP-404 Muxponder (launched 2022)
  - Transceivers
  - Software and Services
- Last twelve months revenue is 62.0 MUSD
- Operational situation more favourable in 2023, enabling shorter lead times

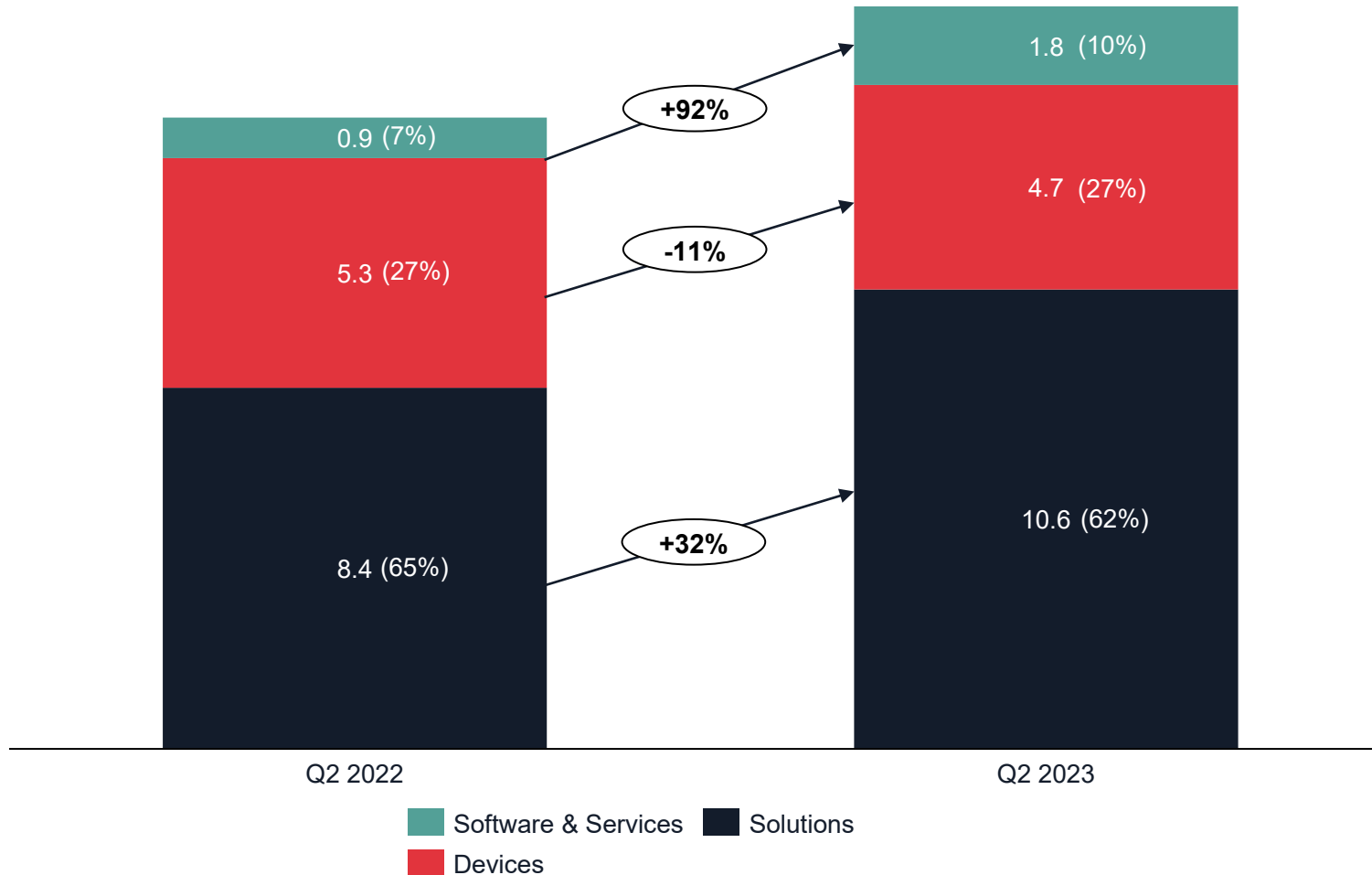
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# Strong growth in business areas Solutions, Software & Services

## Revenue by business area

(MUSD)



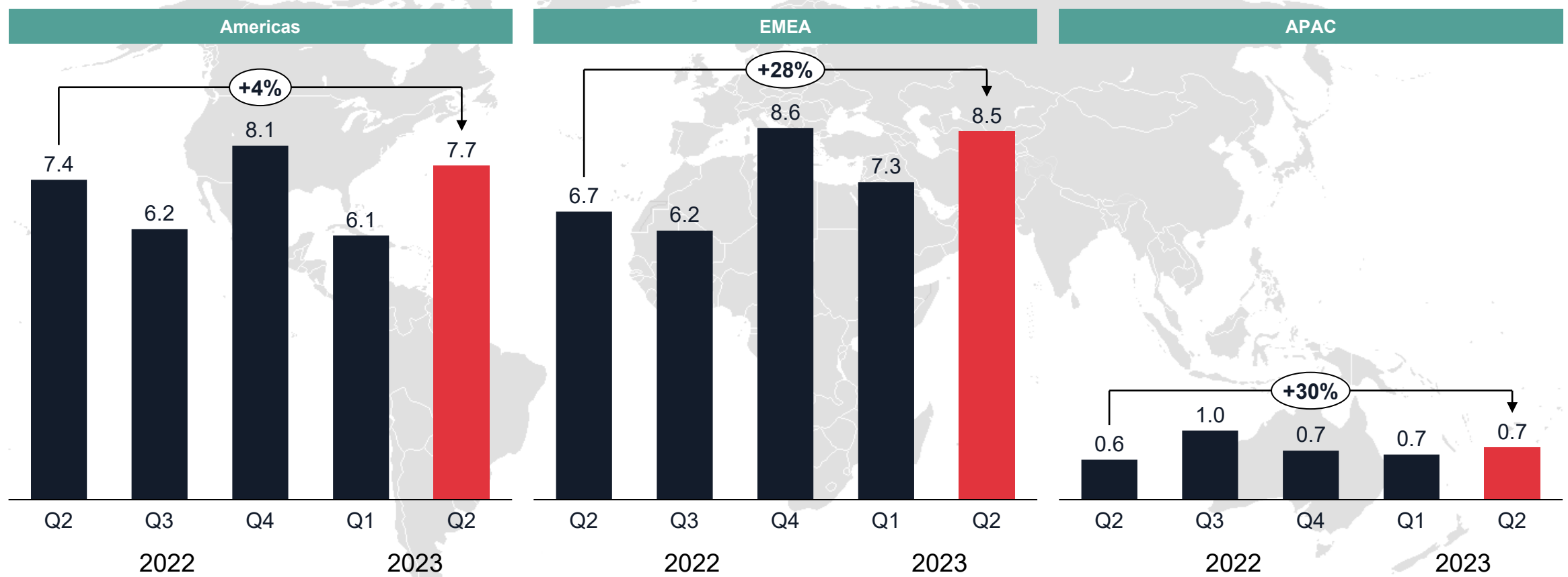
## Q2 specific development

- Software and Services showing very strong growth
- Solutions again above 30% growth
- Devices not growing following a strong Q1. YTD flat development vs 2022
- Software & Services shown after reduction of deferred revenue, i.e. numbers shown is the recognized revenue

# EMEA drove the growth in Q2, growth in Americas despite lack of 5G related projects

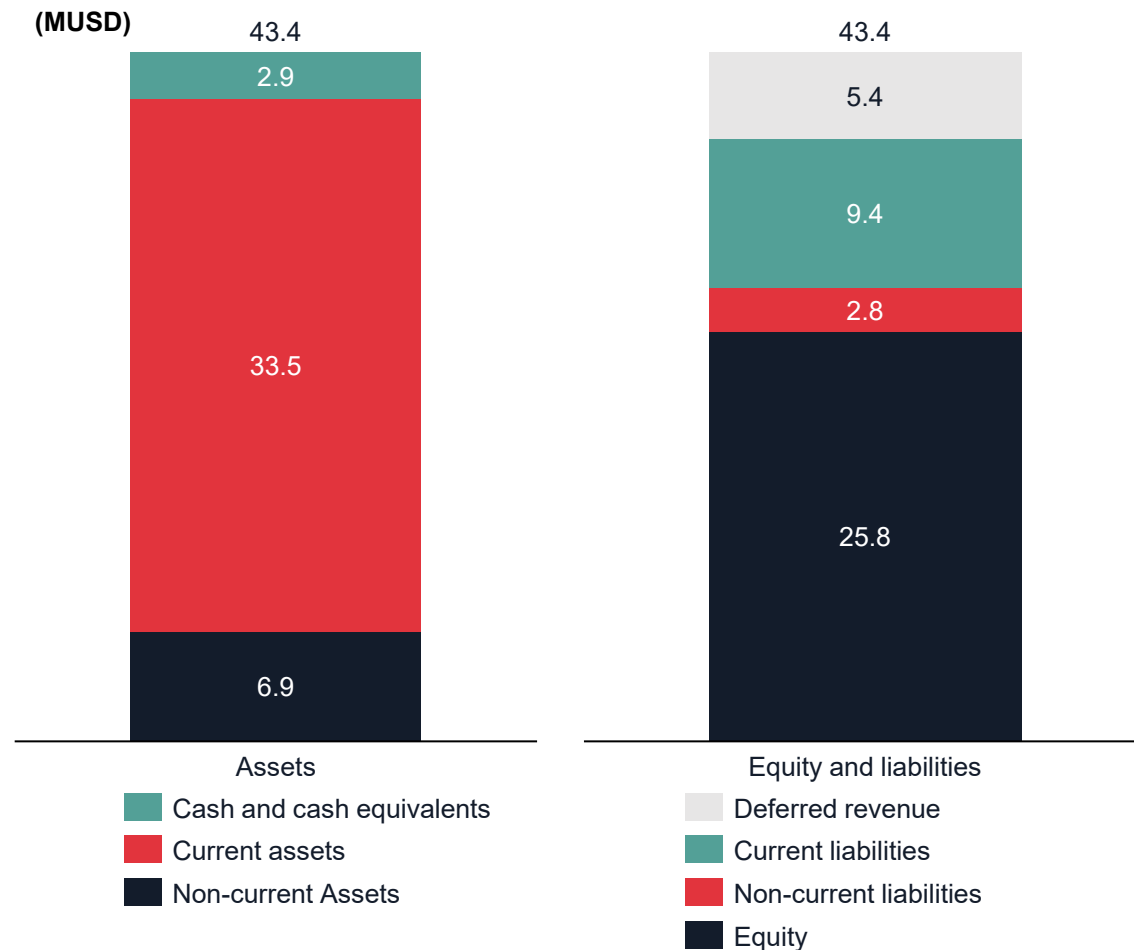
Revenue per Region and Quarter – Last 5 quarters

(MUSD)

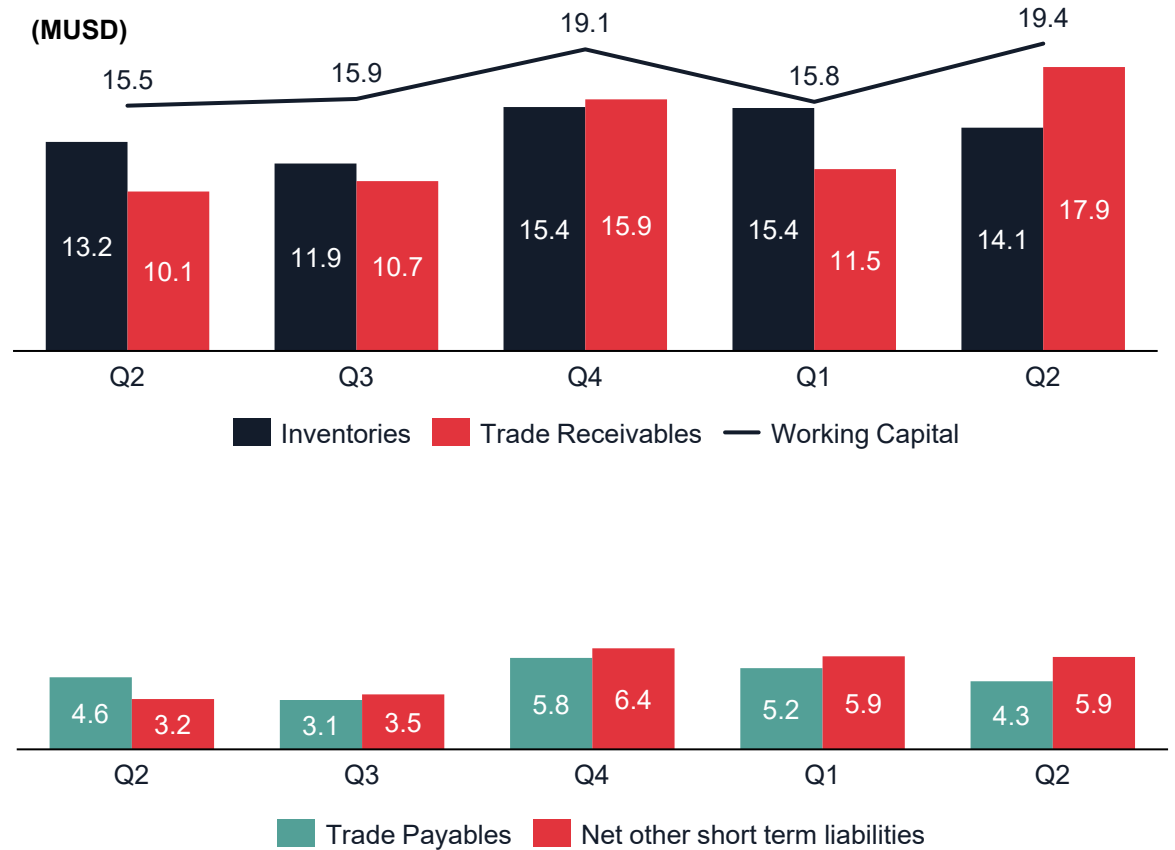


# Solid financial position – reduced inventory levels

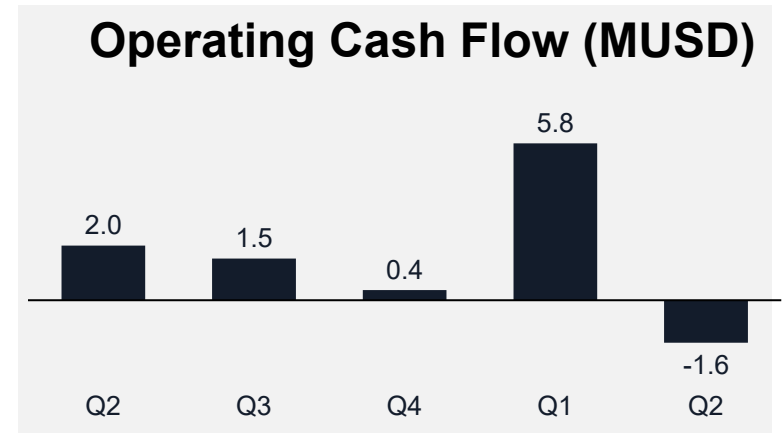
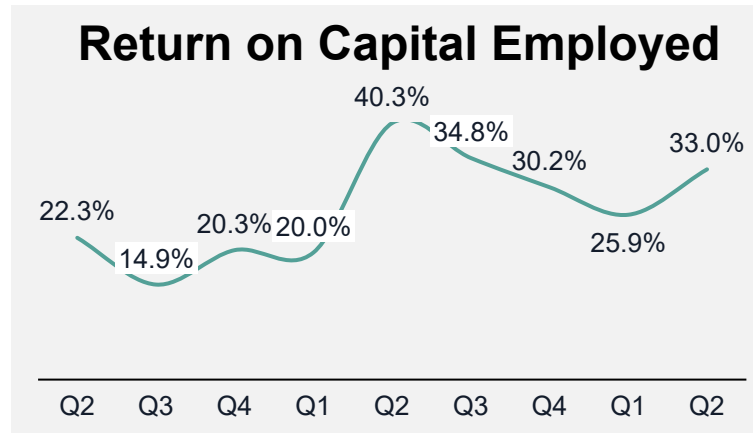
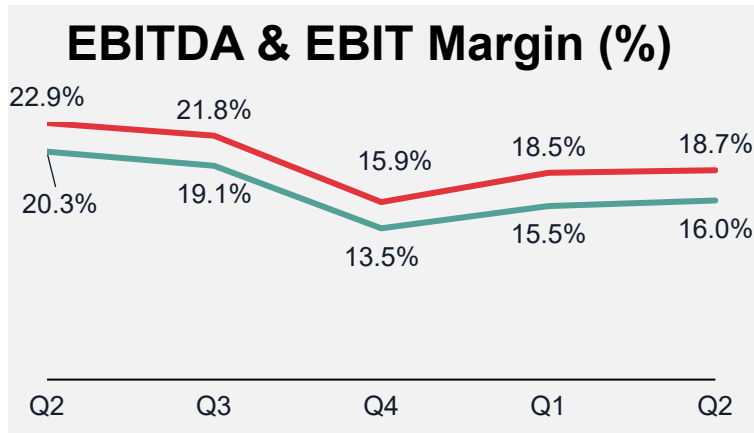
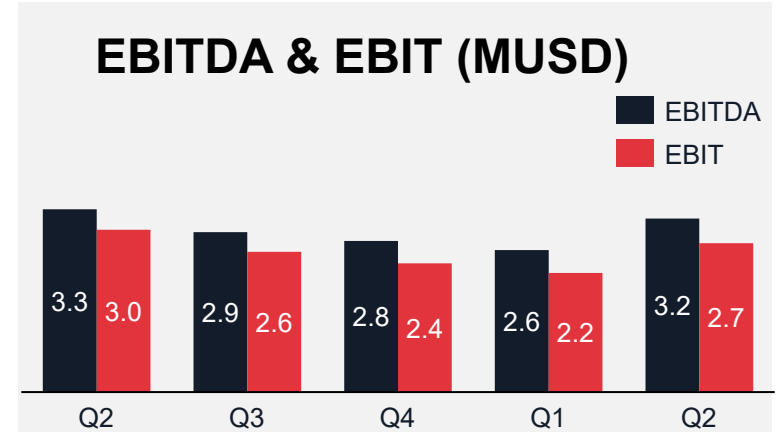
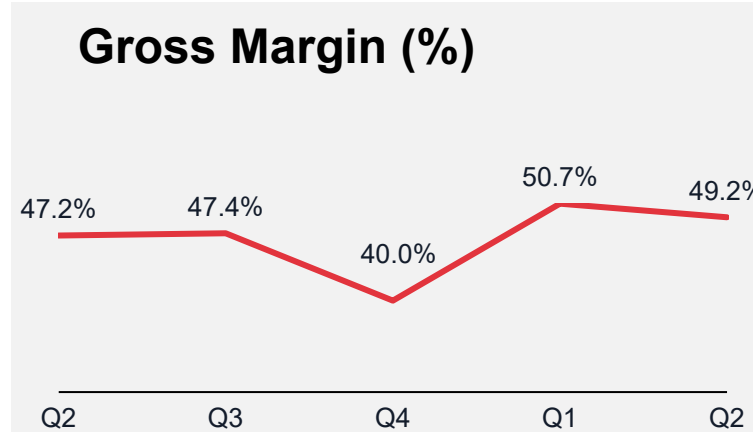
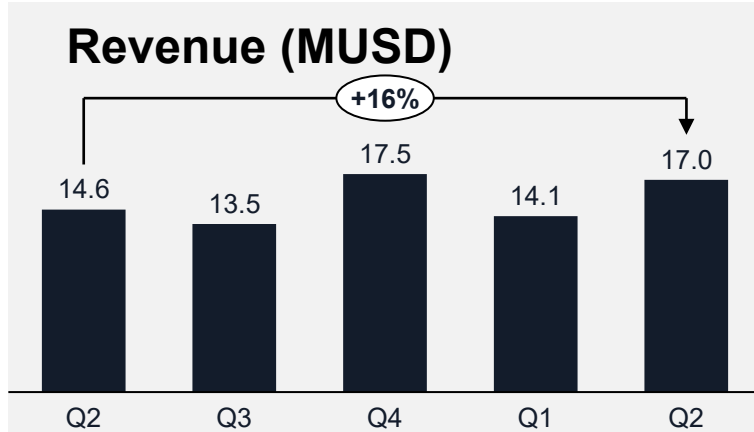
Balance Sheet Jun 30, 2023



Working Capital Development past 5 quarters



# Continued revenue growth and solid profitability



Note: Return on Capital Employed (ROCE) defined as EBIT divided Capital Employed. Capital Employed is defined as Fixed Assets + Current Assets – Current Liabilities

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# Long term ambitions stay firm

	2023 Q2	2025/26 aspirations
Revenue	17.0 MUSD (LTM 62.0 MUSD)	~100 MUSD
Gross margin	49.2%	~45%
EBITDA margin	18.7%	~17-20%
EBIT margin	16.0%	~13-16%

# Profit and Loss Statement

## Profit and Loss Statement Q2 2023

	2023 Q2	kUSD 2022 Q2	Change
<b>Total revenue and other operating income</b>	16 989	14 608	+16.3%
<b>Direct cost of sales</b>	8 637	7 713	
Employee benefit expenses	3 889	2 845	+36.7%
Other operating expenses	1 285	703	+82.8%
<b>Total operating expenses</b>	<b>13 810</b>	<b>11 261</b>	+22.6%
Depreciation	386	292	
Amortization of intangible assets	66	82	
<b>Total depreciation and amortization</b>	<b>452</b>	<b>375</b>	
<b>Operating profit/(loss)</b>	<b>2 727</b>	<b>2 972</b>	-8.2%
Financial income	2	0	
Financial expenses	- 52	- 99	
Net foreign exchange gains (losses)	367	550	
<b>Net Finance Items</b>	<b>316</b>	<b>451</b>	
<b>Profit/(loss) before income tax</b>	3 043	3 423	
Estimated income tax	- 670	527	
<b>Profit/(loss) for the period</b>	2 374	2 897	-18.1%
Shares outstanding (Basic)	96 286 593	96 286 593	
Shares outstanding (Diluted)	97 415 655	96 286 593	
<b>Earnings per share (Basic)</b>	\$ 0.025	\$ 0.030	
<b>Earnings per share (Diluted)</b>	\$ 0.024	\$ 0.030	

## Comments to Q2 events

- Continued strengthening of the organization with focus on R&D drives employee expenses

# Cash Flow Statement

## Cash Flow Statement for Q2 of 2023

Amounts in USD 1,000	2023 Q2	2022 Q2
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	3 043	3 423
Adjustments for		
<i>Taxes paid</i>		
<i>Depreciation and amortization</i>	452	375
<i>Interest</i>	28	80
<i>Change in inventory</i>	1 245	- 1 343
<i>Change in trade receivable</i>	- 6 454	- 543
<i>Change in contract liabilities (deferred revenue)</i>	603	- 64
<i>Change in trade payable</i>	- 834	1 740
<i>Change in other current assets and other liabilities</i>	348	- 1 653
Interest received	2	0
<b>Net cash inflow from operating activities</b>	<b>- 1 568</b>	<b>2 015</b>
<b>Net cash (outflow) from investing activities</b>	<b>- 951</b>	<b>- 192</b>
<b>Net cash inflow from financing activities</b>	<b>- 4 718</b>	<b>- 302</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>- 7 237</b>	<b>1 520</b>
Cash and cash equivalents at the beginning of period	10 419	5 077
Effects of exchange rate changes on cash and cash equivalents	- 264	- 848
<b>Cash and cash equivalents at the end of period</b>	<b>2 918</b>	<b>5 749</b>

## Comments

- Dividend pay out of 4.4 million USD in May 2023 included in “financing activities”

# Balance Sheet

## Balance Sheet for Jun 30, 2023

	kUSD	
	2023 Q2	2022 Q2
Intangible assets	897	826
Property, plant and equipment	2 654	1 301
Right of use assets	2 149	1 693
Noncurrent receivables against related party	-	-
Deferred tax assets	1 215	2 880
<b>Total Non Current Assets</b>	<b>6 916</b>	<b>6 700</b>
Inventories	14 123	13 220
Trade receivable	17 949	10 085
Receivables to related party	0	0
Other current assets	1 472	1 586
Cash and cash equivalents	2 918	5 749
<b>Total Current Assets</b>	<b>36 462</b>	<b>30 640</b>
<b>TOTAL ASSETS</b>	<b>43 378</b>	<b>37 341</b>

	kUSD	
	2023 Q2	2022 Q2
Share capital	179	193
Share premium	11 715	12 665
Other paid in capital	139	151
Foreign currency translation reserves	36	169
Retained earnings	13 745	11 373
<b>Total Equity</b>	<b>25 815</b>	<b>24 551</b>
Lease liabilities (noncurrent portion)	1 243	1 201
Contract liabilities (noncurrent deferred revenue)	2 958	1 974
Other noncurrent liabilities	1 517	1 673
<b>Total noncurrent liabilities</b>	<b>5 719</b>	<b>4 848</b>
Lease liabilities (current portion)	695	535
Trade payable	4 340	4 593
Contract liabilities (deferred revenue)	2 480	1 427
Current tax liabilities	2 057	607
Other current liabilities	2 272	780
<b>Total current liabilities</b>	<b>11 845</b>	<b>7 941</b>
<b>Total Liabilities</b>	<b>17 563</b>	<b>12 790</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>43 378</b>	<b>37 341</b>

**Thank you**