

# Financial Presentation

Q3 2023

November 8, 2023



# 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

Data centers, Cloud, Enterprises and Small to Medium Operators

# Smartoptics is well positioned for long term profitable growth



## Attractive technology

Open solutions  
 Cost efficient  
 No legacy products, unique position



## Well positioned in small and medium-sized customers

Opportunity to expanding into larger accounts



## Strong footprint in Americas and Europe

Investing into selected emerging markets



## Strong financial model and outlook

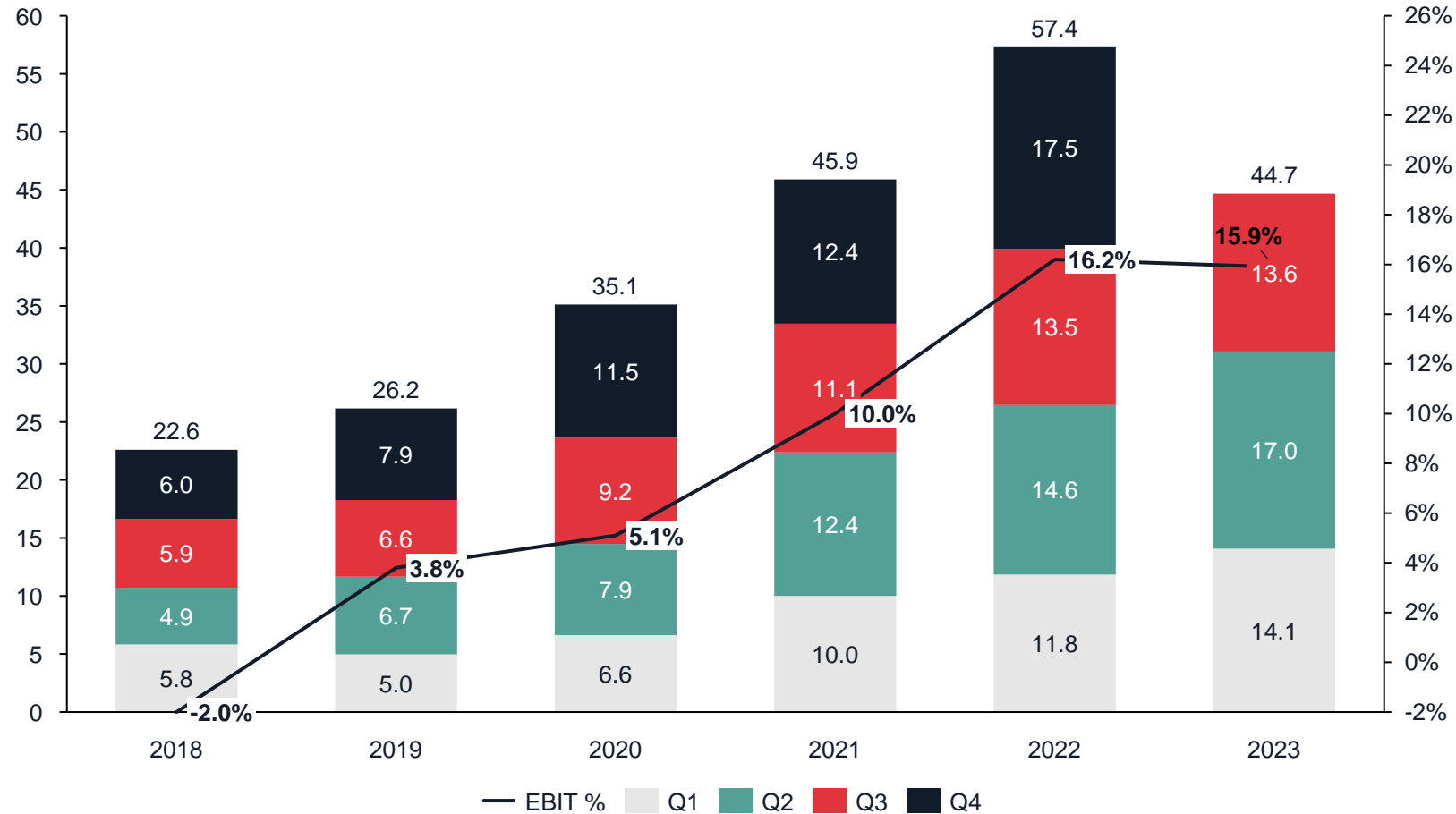
Solid margin & capital light  
 Debt free & good cash flow  
 Paying dividend



Continue to gain market share in metro segment in key markets and expand adressable market

# Continued strong financial development

## Revenue and profitability development since 2018



## Key milestones

- Last twelve months revenue is 62.1 MUSD
- Operational situation more favourable in 2023, enabling shorter lead times

# Continued solid profitability and strong cash flow in Q3 2023

13% revenue growth excluding 5G related projects in Q3

## Revenue

**Q3: 13.6 MUSD (+1.1%)**  
**9m: 44.7 MUSD (+11.9%)**

## Gross Margin

**Q3: 50.0% (+2.5 p.p.)**  
**9m: 49.9% (+3.9 p.p.)**

## Earnings Per Share

**Q3: 0.15 NOK**  
**9m: 0.71 NOK**

## EBITDA Margin

**Q3: 19.8% (2.7 MUSD)**  
**9m: 19.0% (8.5 MUSD)**

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

**Q3: 16.3% (2.2 MUSD)**  
**9m: 15.9% (7.1 MUSD)**

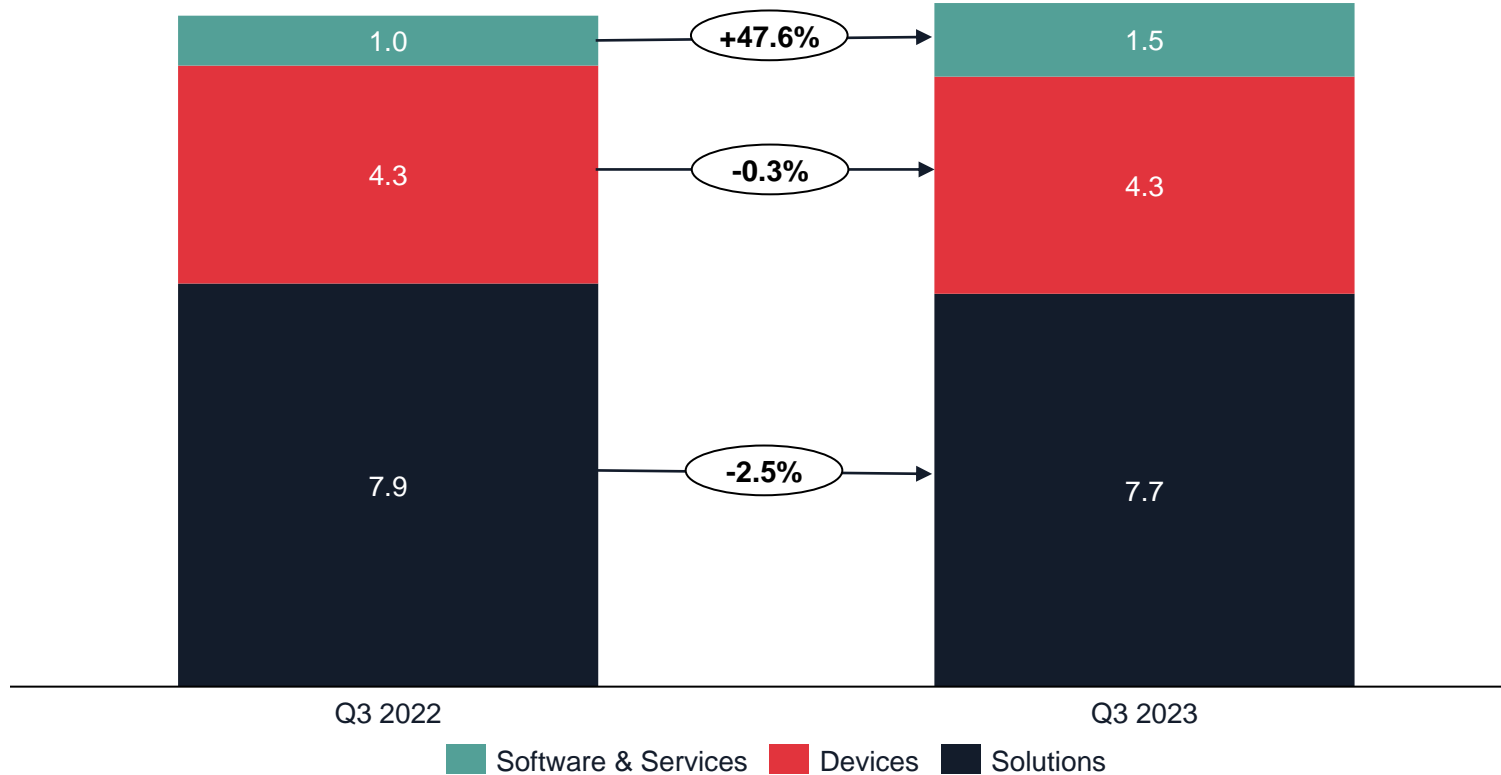
## Operating Cash Flow

**Q3: +5.5 MUSD**  
**9m: +9.7 MUSD**

# Strong growth in business area Software & Services

## Revenue by business area

(MUSD)



## Q3 specific development

- Software and Services showing very strong growth
  - Significant portion of Software and Service is recurring
- Solutions slightly down due to lack of large projects which contributed to 2022 numbers
- Software & Services shown after reduction of deferred revenue, i.e. numbers shown are the recognized revenue

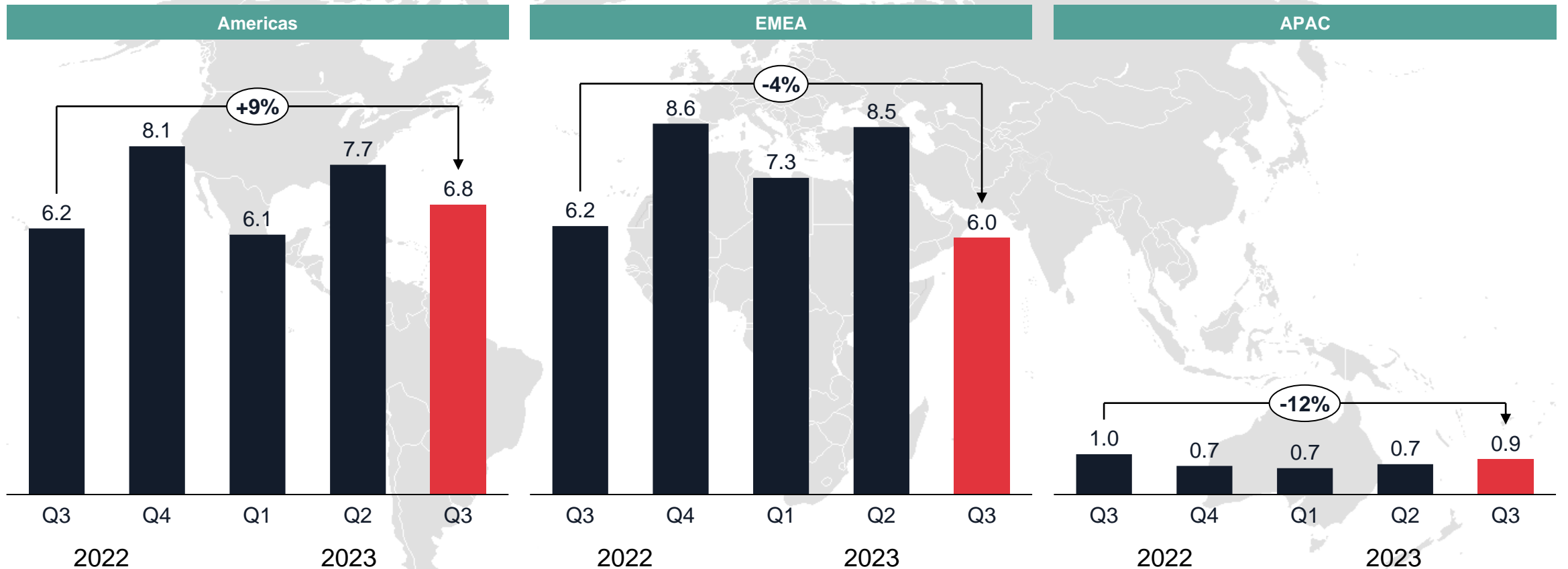
Note: Other revenue was 0.2M in Q3 2022, and 0.1M in Q3 2023



# Growth in Americas, while EMEA declined slightly

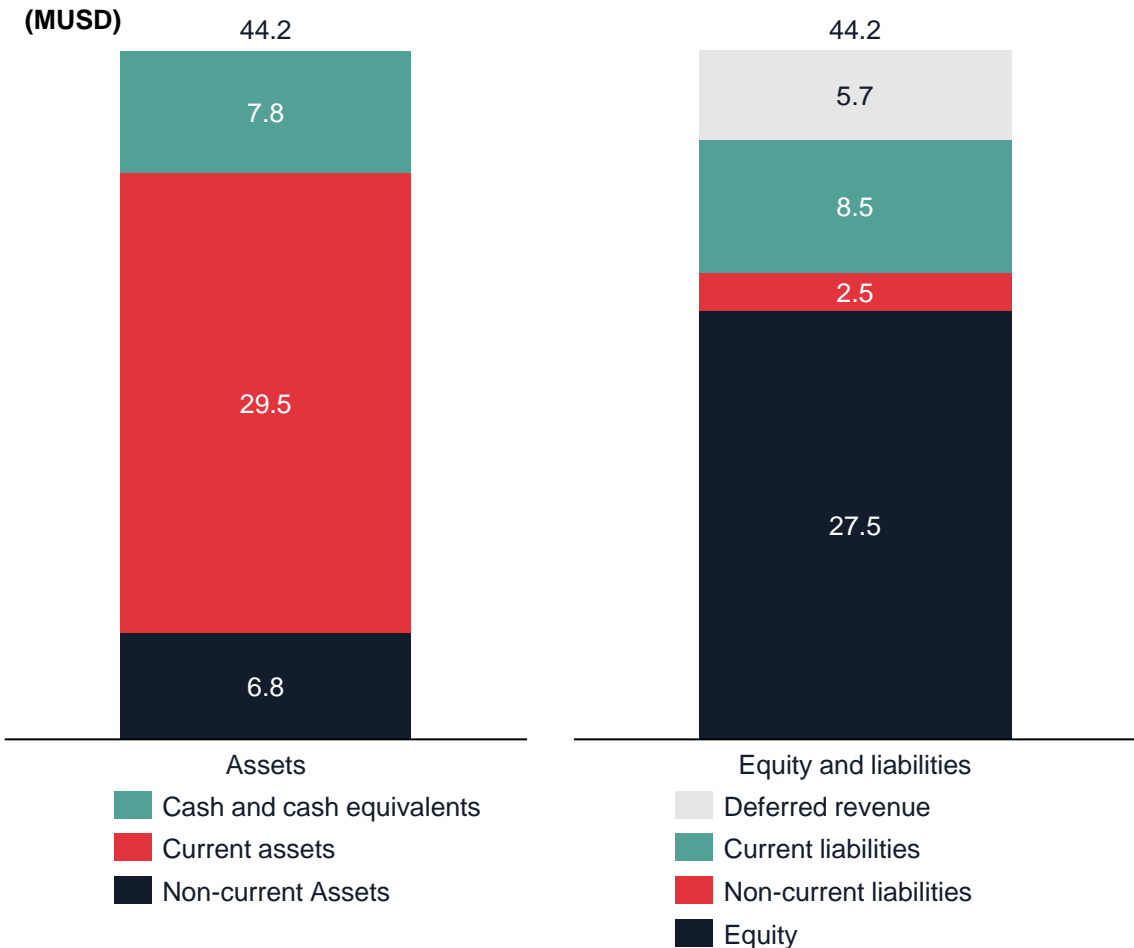
Revenue per Region and Quarter – Last 5 quarters

(MUSD)

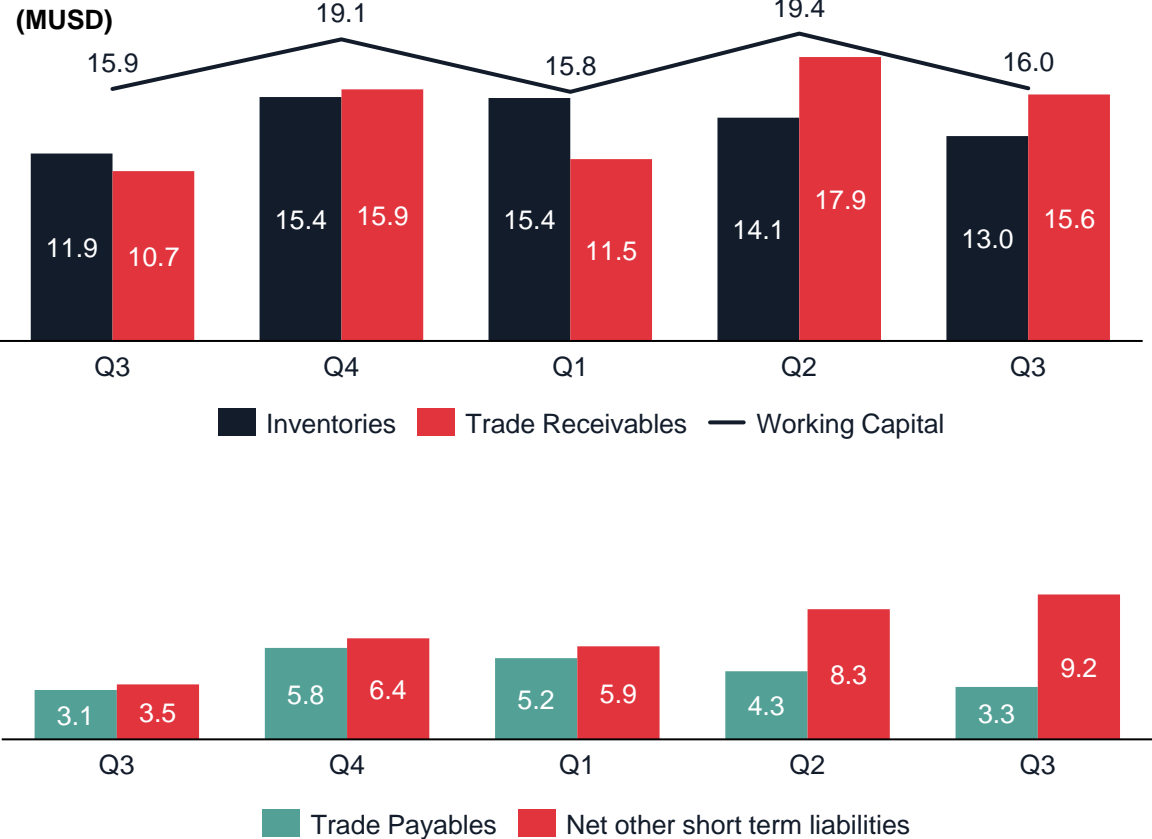


# Increased cash position due to profitability and decreased working capital

Balance Sheet Sep 30, 2023

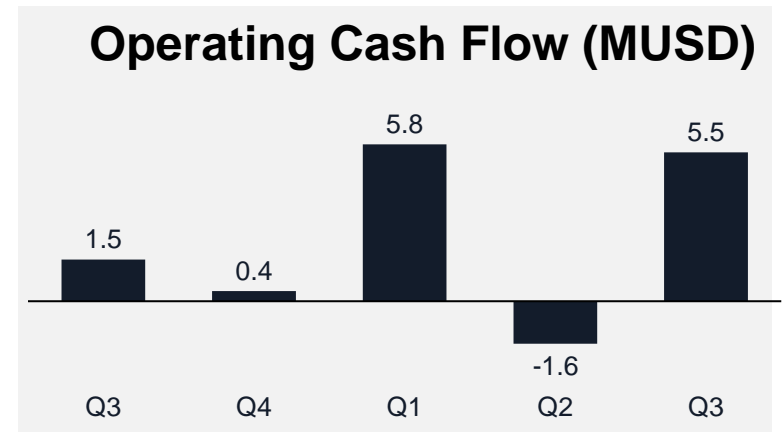
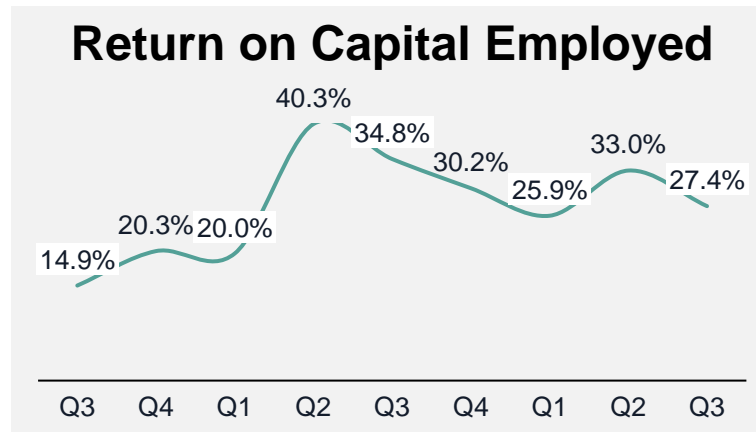
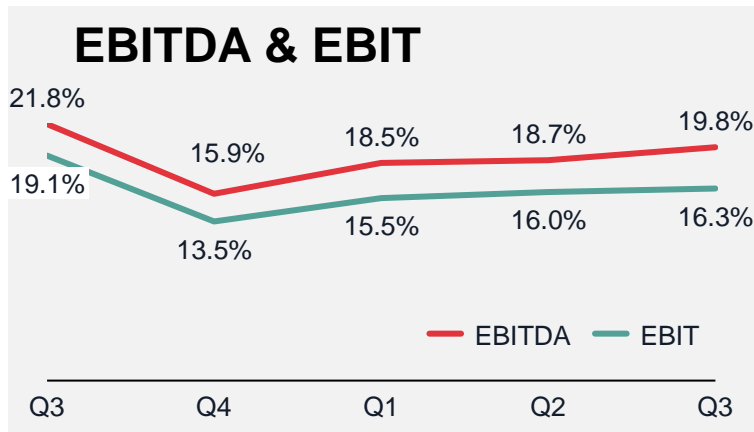
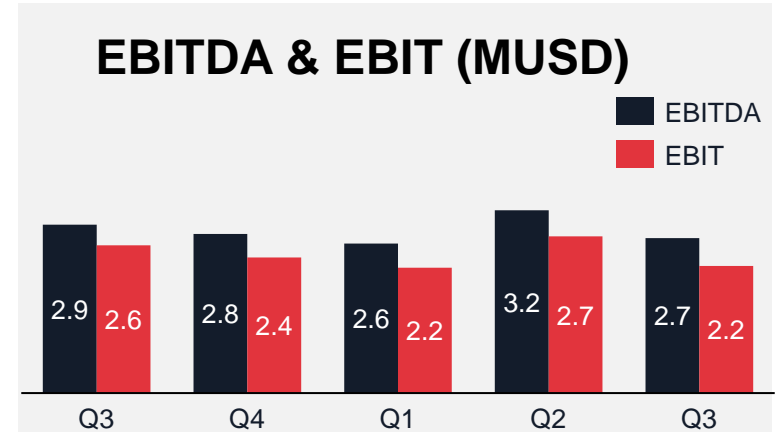
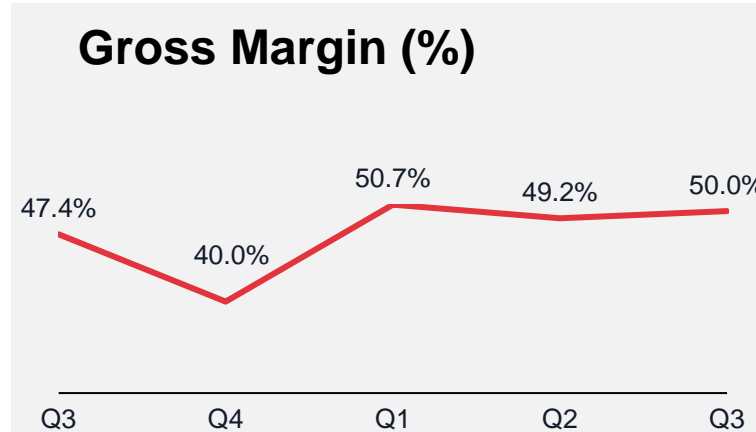
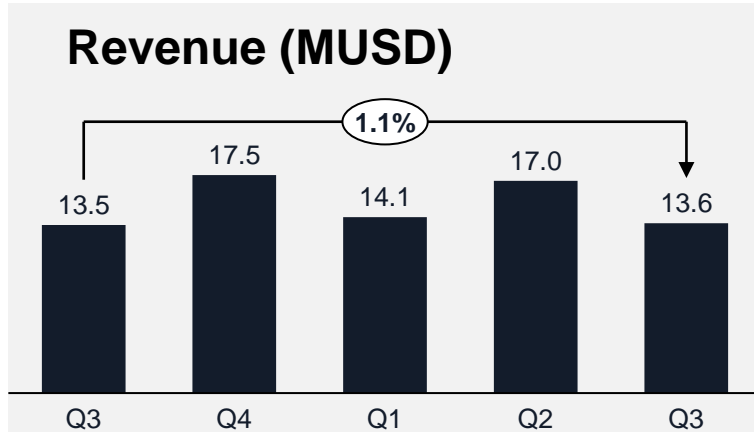


Working Capital Development past 5 quarters





# Solid profitability and strong cash flow



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

# Long term ambitions stay firm

	2023 Q3	2025/26 aspirations
Revenue	13.6 MUSD (LTM 62.1 MUSD)	~100 MUSD
Gross margin	50.0%	~45%
EBITDA margin	19.8%	~17-20%
EBIT margin	16.3%	~13-16%

# Profit and Loss Statement

## Profit and Loss Statement Q3 2023

	2023 Q3	kUSD 2022 Q3	Change
<b>Total revenue and other operating income</b>	13 602	13 451	+1.1%
<b>Direct cost of sales</b>	-6 805	-7 070	-3.8%
Employee benefit expenses	-3 188	-2 679	+19.0%
Other operating expenses	-913	-773	+18.1%
<b>Total operating expenses</b>	-10 906	-10 522	
Depreciation	-418	-282	
Amortization of intangible assets	-67	-78	
<b>Total depreciation and amortization</b>	-484	-360	
<b>Operating profit/(loss)</b>	2 211	2 569	
Financial income	5	1	
Financial expenses	-66	-36	
Net foreign exchange gains (losses)	-652	455	
<b>Net Finance Items</b>	-714	420	
<b>Profit/(loss) before income tax</b>	1 497	2 989	
Estimated income tax	-329	-496	
<b>Profit/(loss) for the period</b>	1 168	2 493	
Shares outstanding (Basic)	96 286 593	96 286 593	
Shares outstanding (Diluted)	97 293 383	96 286 593	
<b>Earnings per share (Basic) USD</b>	\$ 0.012	\$ 0.026	
<b>Earnings per share (Diluted) USD</b>	\$ 0.012	\$ 0.026	
<b>Earnings per share (Basic) NOK</b>	NOK 0.147	NOK 0.270	
<b>Earnings per share (Diluted) NOK</b>	NOK 0.146	NOK 0.270	

## Comments to Q3 events

- Continued strengthening of the organization with focus on R&D drives employee expenses
- Improved gross margin (lower direct cost of sales)
- Increase in employee benefit expenses and other operating expenses slowed down as recruiting and external spend are at lower level
- YTD (9m) EPS 0.71 NOK
- LTM (12m) EPS 0.82 NOK
- EBITDA Q3 2023 2,696 kUSD
- EBITDA Q3 2022 2,929 kUSD

# Cash Flow Statement

## Cash Flow Statement for Q3 of 2023

Amounts in USD 1,000	2023 Q3	2022 Q3
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	1 497	2 989
Adjustments for		
<i>Taxes paid</i>	-67	
<i>Depreciation and amortization</i>	484	360
<i>Interest</i>	38	19
<i>Change in inventory</i>	1 165	1 369
<i>Change in trade receivable</i>	2 364	-655
<i>Change in contract liabilities (deferred revenue)</i>	309	-68
<i>Change in trade payable</i>	-1 001	-1 444
<i>Change in other current assets and other liabilities</i>	707	-1 033
Interest received	5	1
<b>Net cash inflow from operating activities</b>	<b>5 502</b>	<b>1 537</b>
<b>Net cash (outflow) from investing activities</b>	<b>-242</b>	<b>-282</b>
<b>Net cash inflow from financing activities</b>	<b>-6</b>	<b>-227</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5 254</b>	<b>1 027</b>
Cash and cash equivalents at the beginning of period	2918	5 749
Effects of exchange rate changes on cash and cash equivalents	-344	-659
<b>Cash and cash equivalents at the end of period</b>	<b>7 829</b>	<b>6 117</b>

## Comments

- Lower inventory due to continuous efficiency improvement and purchases during semiconductor shortage being shifted out
- Lower trade receivables as revenue late in Q2 converted to cash

# Balance Sheet

## Balance Sheet for Sep 30, 2023

	kUSD	
	2023 Q3	2022 Q3
Intangible assets	975	834
Property, plant and equipment	2 667	1 352
Right of use assets	1 973	1 442
Noncurrent receivables against related party	-	-
Deferred tax assets	1 232	2 643
<b>Total Non Current Assets</b>	<b>6 847</b>	<b>6 271</b>
Inventories	12 958	11 851
Trade receivable	15 585	10 741
Receivables to related party	-	-
Other current assets	1 006	1 298
Cash and cash equivalents	7 829	6 116
<b>Total Current Assets</b>	<b>37 378</b>	<b>30 006</b>
<b>TOTAL ASSETS</b>	<b>44 225</b>	<b>36 277</b>

	kUSD	
	2023 Q3	2022 Q3
Share capital	181	177
Share premium	11 879	11 622
Other paid in capital	141	138
Foreign currency translation reserves	73	99
Retained earnings	15 227	13 307
<b>Total Equity</b>	<b>27 501</b>	<b>25 343</b>
Lease liabilities (noncurrent portion)	1 107	1 013
Contract liabilities (noncurrent deferred revenue)	3 099	1 847
Other noncurrent liabilities	1 361	1 497
<b>Total noncurrent liabilities</b>	<b>5 567</b>	<b>4 357</b>
Lease liabilities (current portion)	679	470
Trade payable	3 339	3 149
Contract liabilities (deferred revenue)	2 649	1 486
Current tax liabilities	2 541	461
Other current liabilities	1 949	1 010
<b>Total current liabilities</b>	<b>11 157</b>	<b>6 577</b>
<b>Total Liabilities</b>	<b>16 723</b>	<b>10 934</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>44 225</b>	<b>36 277</b>

**Thank you**