

# Financial Presentation

Q4 2023

February 15, 2024



# Q4'23 Continued solid profitability and strong cash flow

## REVENUE

	2023	Change
Q4	13.8 MUSD	-20.8%
12M	58.5 MUSD	+2.0%

2023 Revenue growth 19% for core business (excl. 8 MUSD 5G revenue from a single US customer) in challenging market conditions

## GROSS MARGIN

	2023	2022
Q4	50.5%	40.0%
12M	50.0%	44.2%

Solid foundation and well-positioned for growth with attractive product roadmap for 2024 and signs of increased investment budgets

## EBITDA MARGIN

	2023	2022
Q4	14.7%	15.9 %
12M	18.0%	18.9 %

Strong profitability despite continued investments for growth. Investments in product organization and selected markets prioritized



## Smartoptics in brief

# Optimizing the usage of optical fiber

We increase bandwidth by allowing data streams at different frequencies to be sent over a single optical fiber network



Enabled by **Wavelength Division Multiplexing (WDM)**, which allows multiple traffic signals to be transported over the same fiber, maximizing the usefulness of fiber and helps optimize network investments.



Smart design principles



An open approach



Ambitious growth aspirations



Sustainable solutions

## SMARTOPTICS IN BRIEF



Founded in 2006



Scandinavian company headquartered in Oslo, Norway



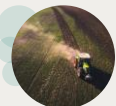
110+ employees



Listed on Euronext Growth Oslo in 2021



150+ business partners



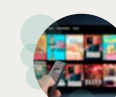
**BROADBAND PROVIDERS**



**ENTREPRISE DATA CENTERS**



**COMMUNICATION SERVICE PROVIDERS**



**CONTENT PROVIDERS & INTERNET EXCHANGES**

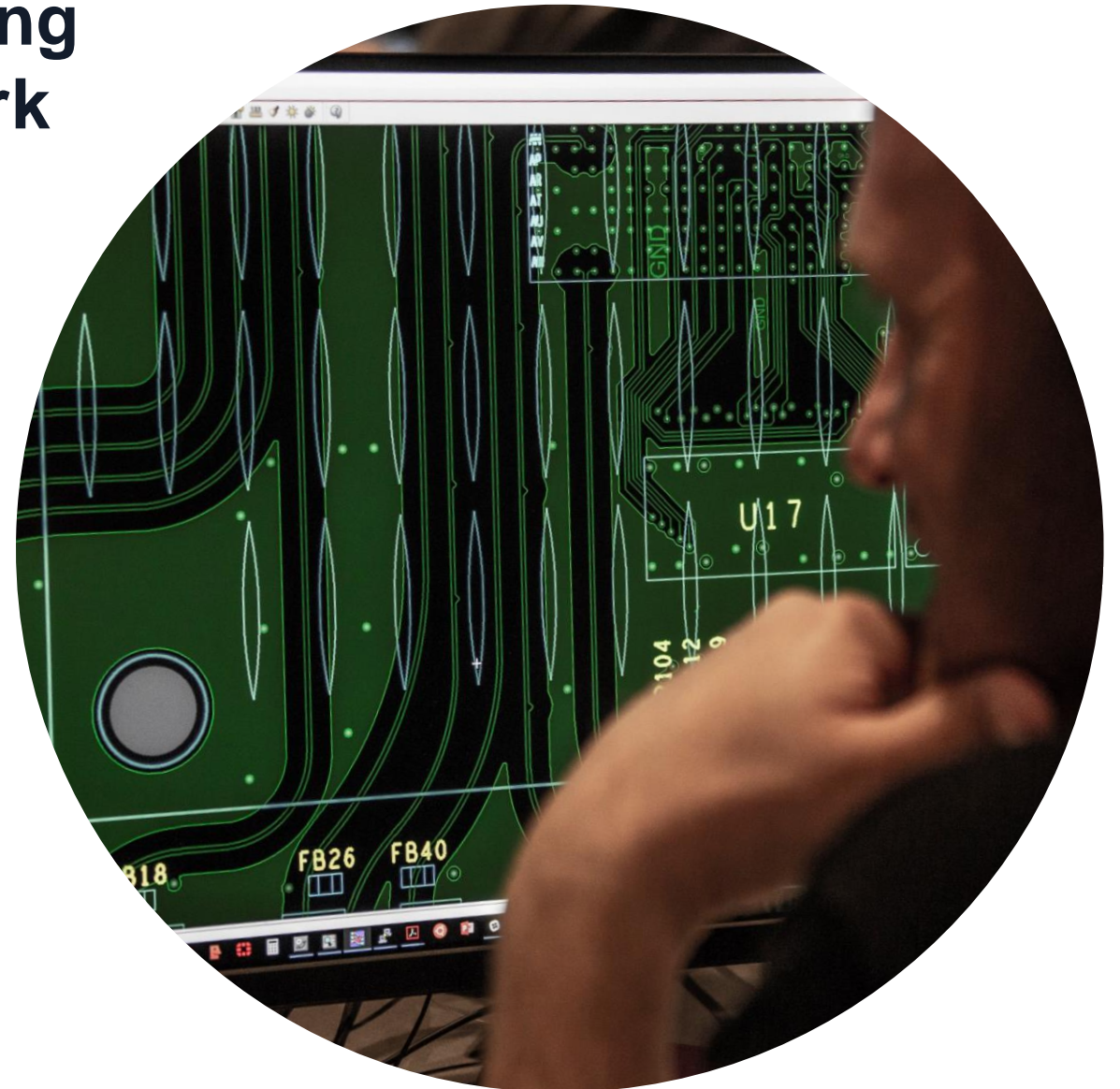
# A reliable and competitive offering targeting a wide range of network applications

## OUR EDGE

We stand out by offering **cost-efficient solutions**, leading the transition to modern and **open networks** with focus on **ease of use** with no ties to legacy technology

## TECHNOLOGY

Our solutions are designed by a **world class team** using **best of breed** merchant technology and **modern software** design principles, allowing a flexible approach and minimal time-to-market.





# 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



## Key driver is data growth

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

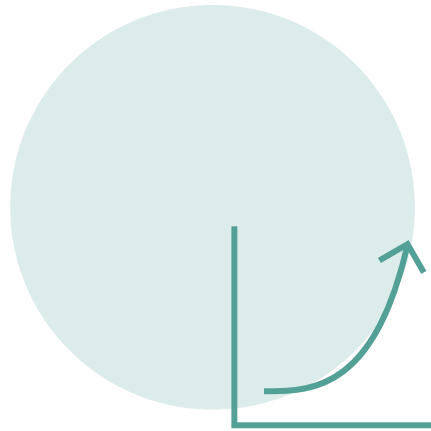


## Open and disaggregated solutions

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

**Smartoptics addressable market is 4-5 billion USD**

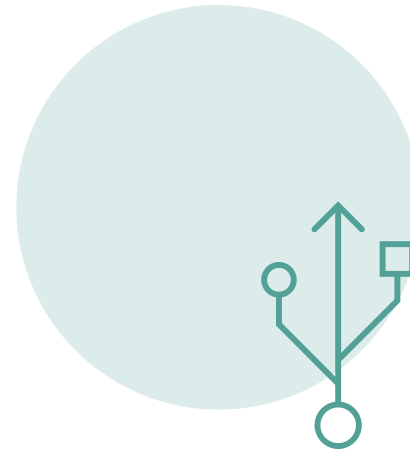
# Growth drivers towards 100 MUSD by 2025/26



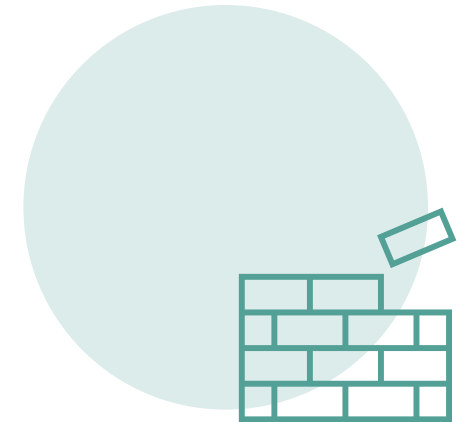
Markets expected to regain momentum in 2024



At the table with majors making decisions



Product development increasing competitiveness in high-end segments



New geographies (APAC, LATAM) contributing to growth

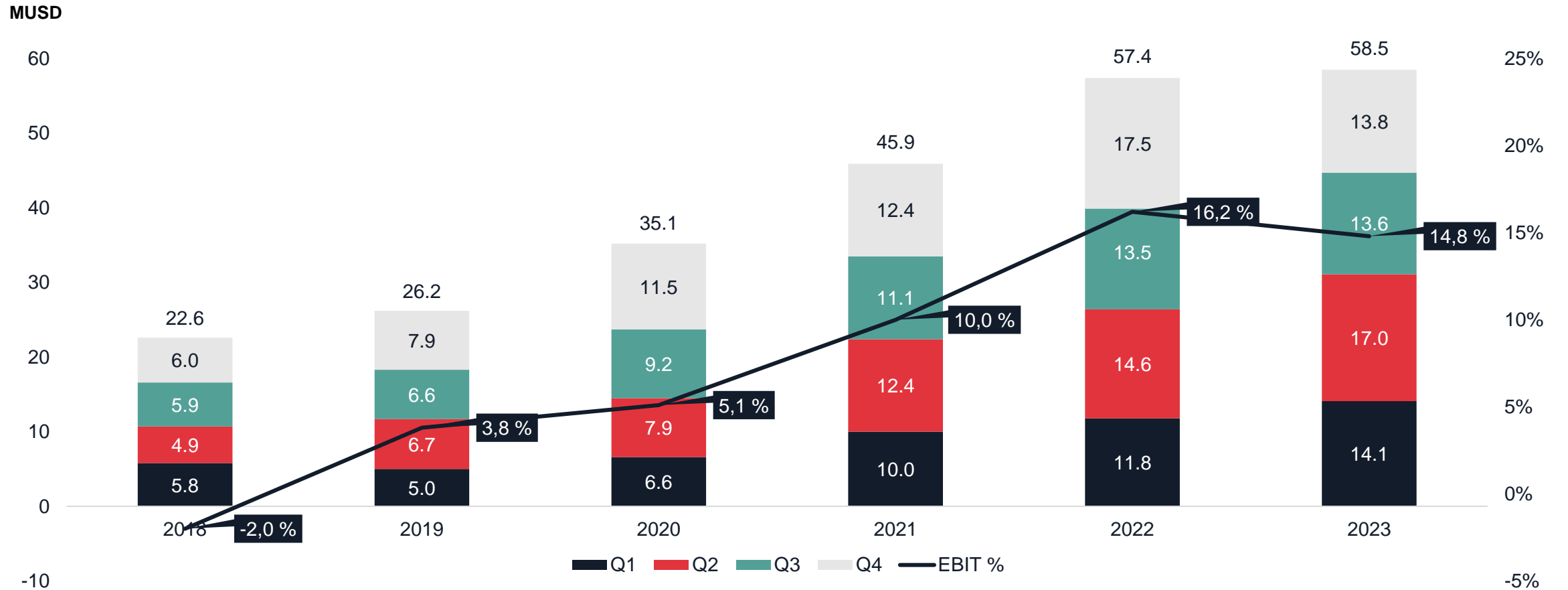
Continuously growing core business

Q4'23 deep dive



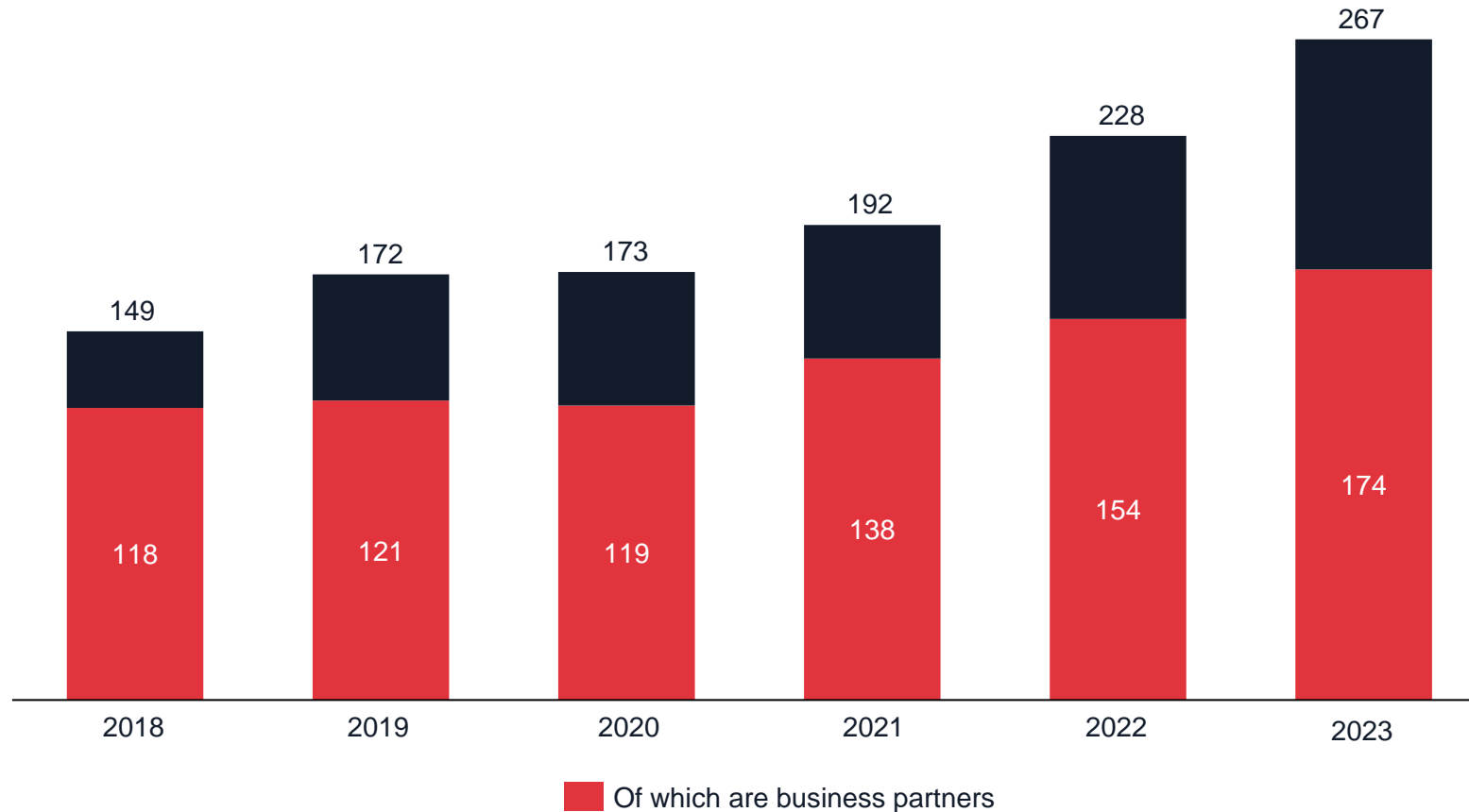
# Continued track record of profitable growth in 2023 despite harsh market conditions

Revenue and profitability development since 2018



# Continuously growing indirect and direct customer base

## Active customers



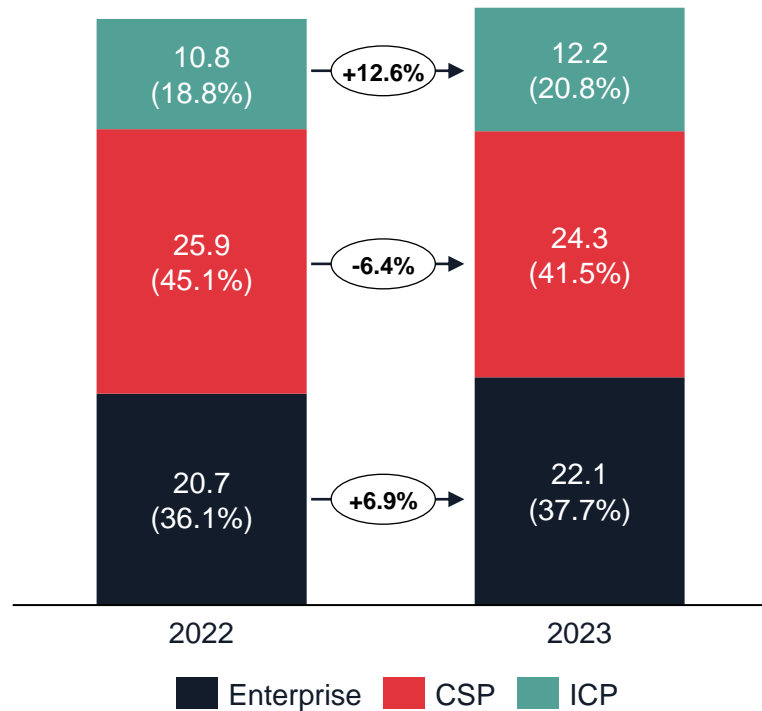
## Comments

- Steady growth in invoiced customers YoY
- New customers represented 8M USD in 2023
- High customer retention – more than 50% of revenue in 2023 from customers acquired in and before 2018
- Business partners includes value added resellers, distributors and OEM partners

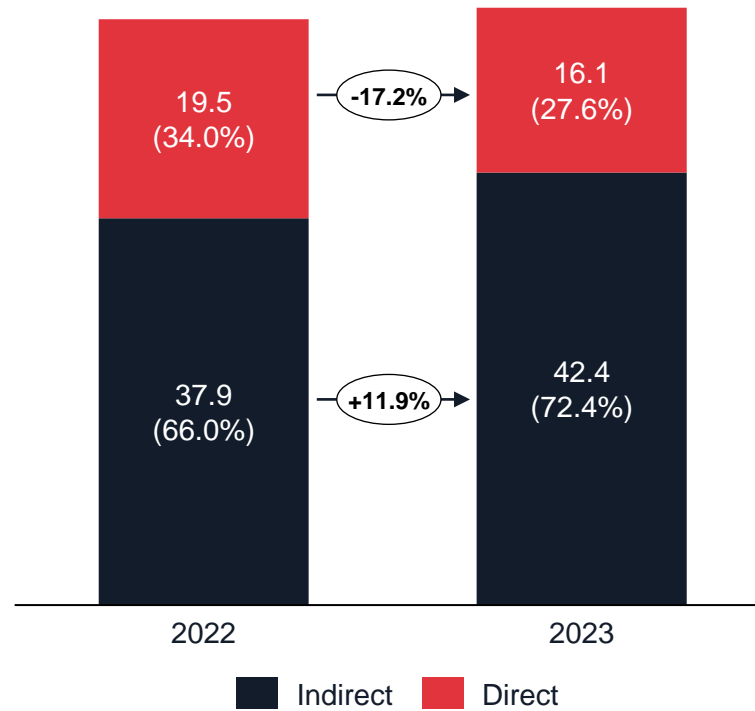
# Growth in Enterprise and ICP segments

## Customer type

MUSD



## Customer channel



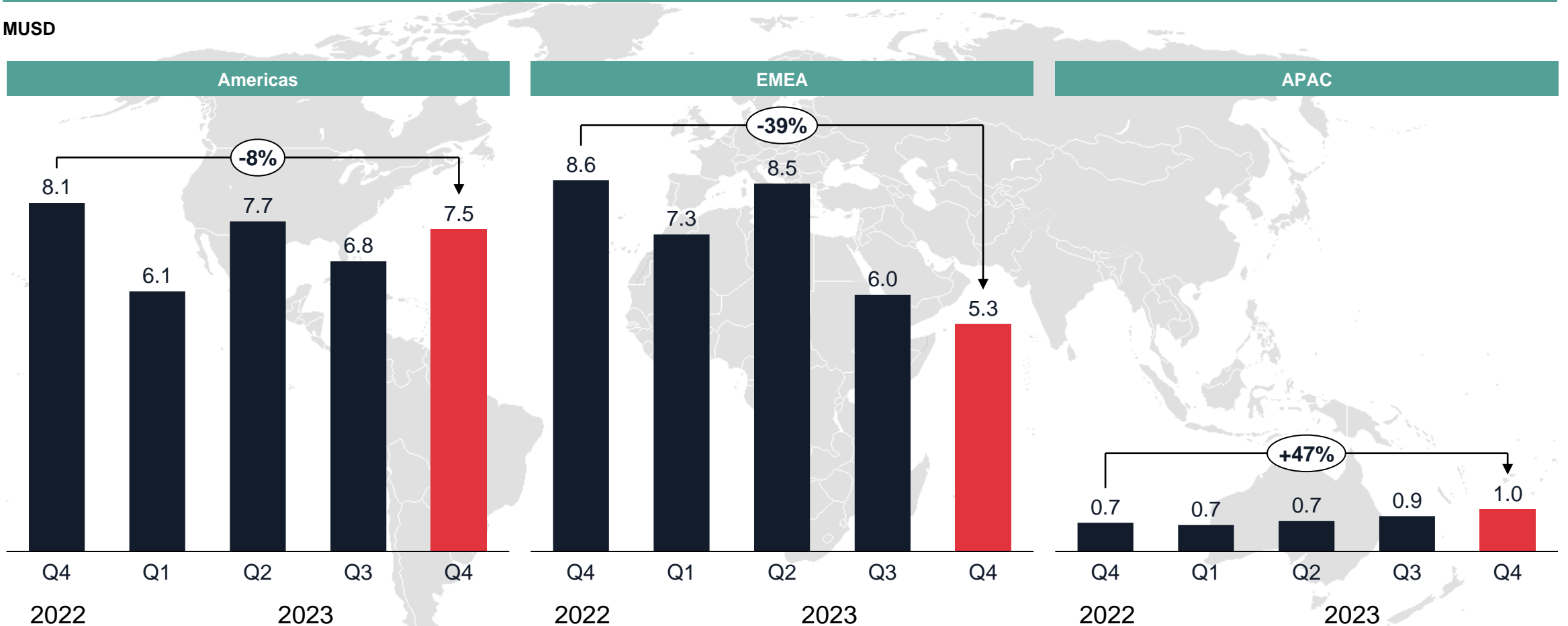
## Comments

- Direct CSP business declined due to lack of 5G related projects.
- Continued growth in run rate business (indirect business predominately into Enterprise and ICP market segments).

# Good traction in Americas results in moderate decline despite lack of large projects

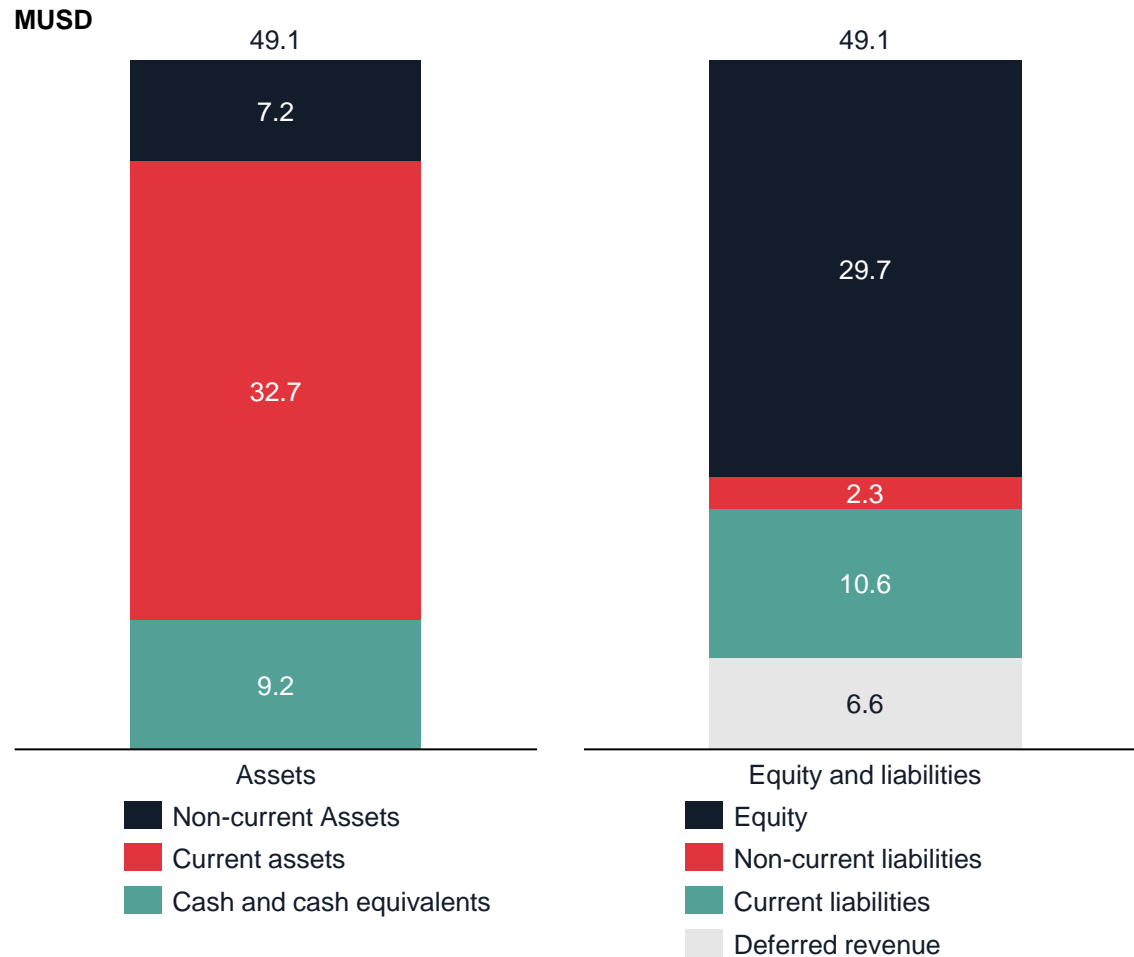
Revenue per Region and Quarter – Last 5 quarters

MUSD

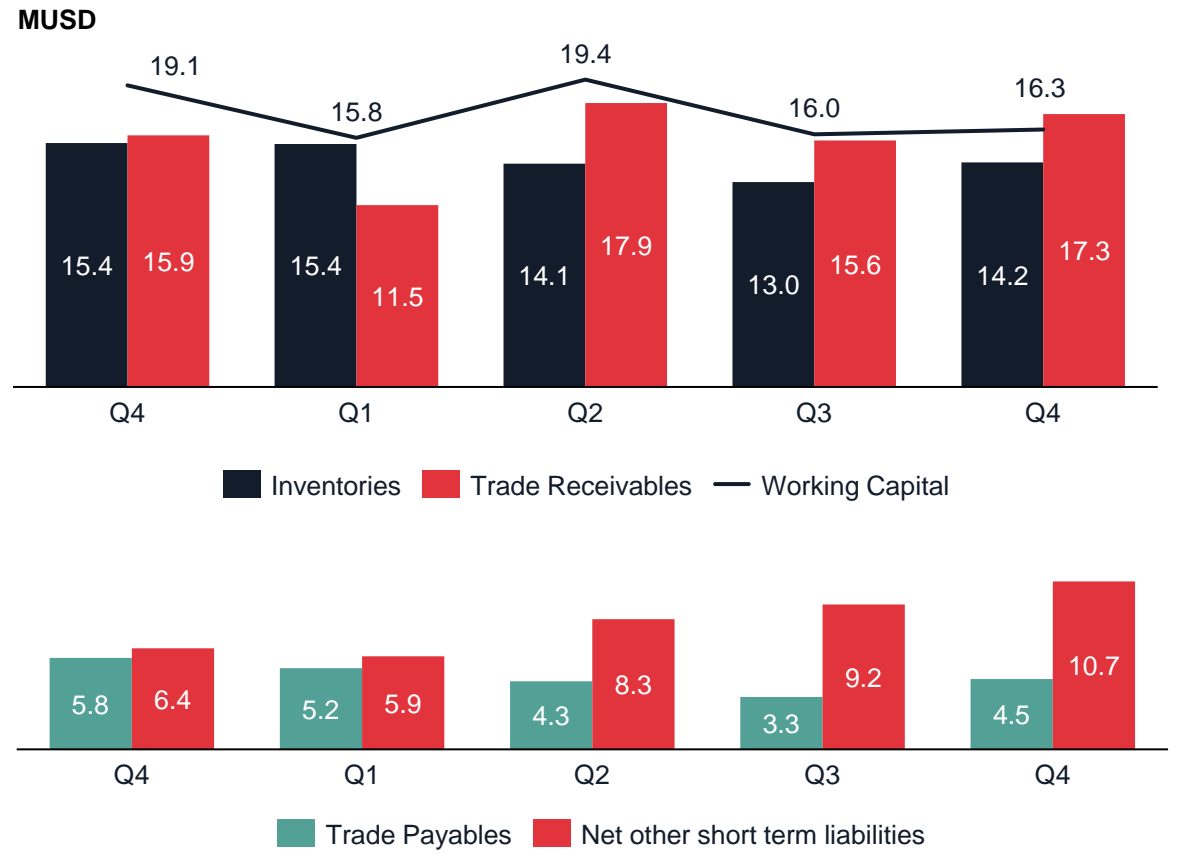


# Strong financial position. Board recommends dividend of NOK 0.50 per share

Balance Sheet Dec 31, 2023

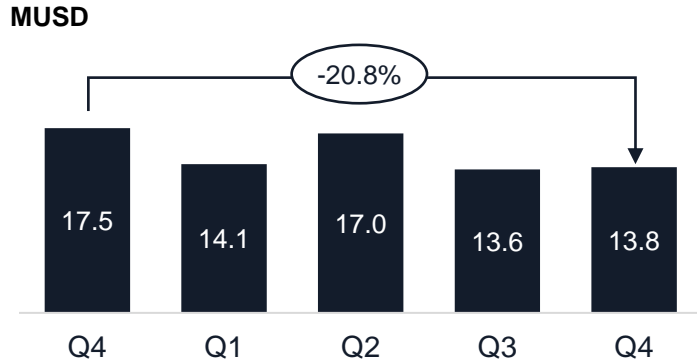


Working Capital Development past 5 quarters

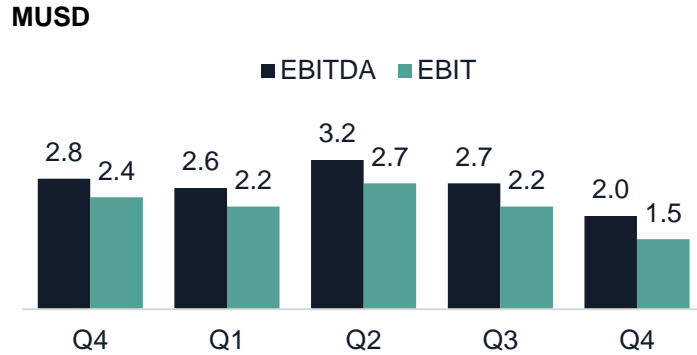


# Solid profitability, strong cash flow and gross margin maintained at high level, in line with long term ambitions

## Revenue



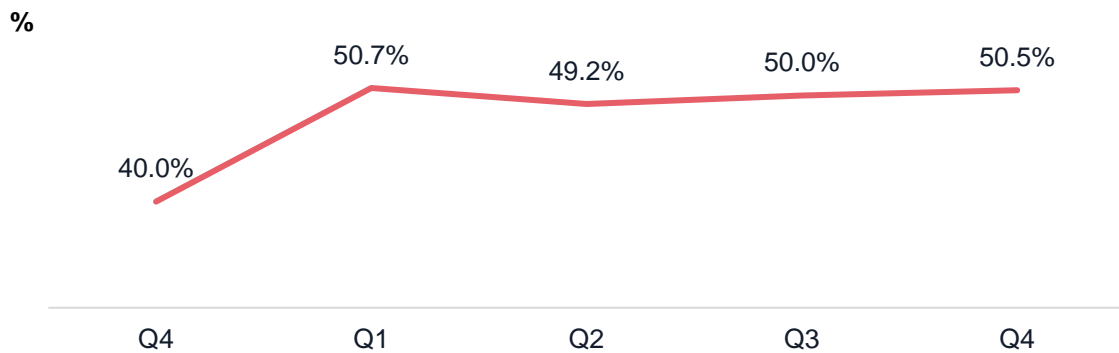
## EBITDA & EBIT



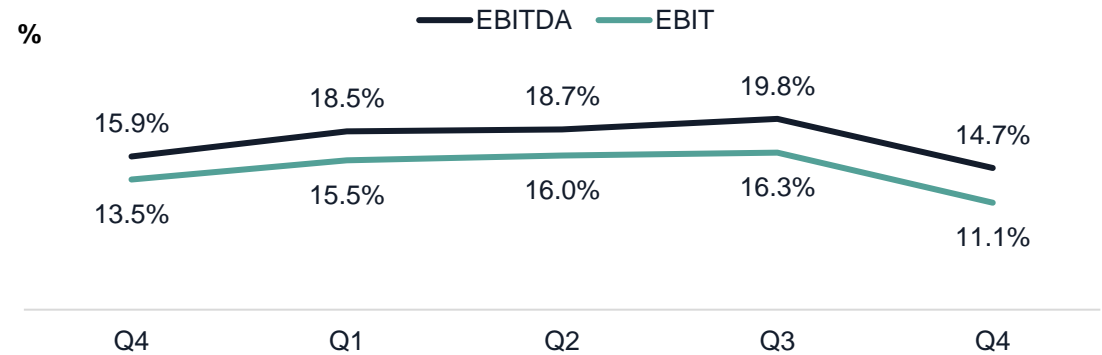
## Operating Cash Flow



## Gross Margin



## EBITDA & EBIT margin



# Long-term ambitions stay firm

	2023 RESULTS	2025/26 ASPIRATIONS
REVENUE	58.5 MUSD	~100 MUSD
GROSS MARGIN	50.0%	~45%
EBITDA MARGIN	18.0%	~17-20%
EBIT MARGIN	14.8%	~13-16%



# Profit and Loss Statement

## Profit and Loss Statement Q4 2023

## Comments

Amounts in USD 1 000	2023 Q4	2022 Q4	2023 Jan - Dec	2022 Jan - Dec
<b>Total revenue and other operating income</b>	<b>13 831</b>	<b>17 460</b>	<b>58 504</b>	<b>57 366</b>
Direct cost of sales	6 852	10 468	29 234	32 014
Employee benefit expenses	3 871	3 648	14 449	11 958
Other operating expenses	1 069	577	4 303	2 552
<b>Total operating expenses</b>	<b>11 793</b>	<b>14 692</b>	<b>47 986</b>	<b>46 524</b>
Depreciation	438	333	1 592	1 218
Amortization of intangible assets	65	76	267	324
<b>Total depreciation and amortization</b>	<b>503</b>	<b>409</b>	<b>1 859</b>	<b>1 542</b>
<b>Operating profit/(loss)</b>	<b>1 536</b>	<b>2 358</b>	<b>8 659</b>	<b>9 300</b>
Financial income	157	39	164	40
Financial expenses	- 79	- 52	- 241	- 229
Net foreign exchange gains (losses)	0	733	754	253
<b>Net Finance Items</b>	<b>78</b>	<b>746</b>	<b>677</b>	<b>442</b>
<b>Profit/(loss) before income tax</b>	<b>1 614</b>	<b>1 613</b>	<b>9 336</b>	<b>8 858</b>
Estimated income tax	- 355	486	- 2 054	- 2 069
<b>Profit/(loss) for the year</b>	<b>1 259</b>	<b>1 126</b>	<b>7 282</b>	<b>6 789</b>
Shares outstanding (Basic)	96 286 593	96 286 593	96 286 596	96 286 593
Shares outstanding (Diluted)	96 758 986	96 732 899	96 235 329	96 322 038
Earnings per share (Basic) USD	0.013	0.012	0.076	0.071
Earnings per share (Diluted) USD	0.013	0.012	0.075	0.070
Earnings per share (Basic) NOK	0.155	0.112	0.866	0.698
Earnings per share (Diluted) NOK	0.154	0.111	0.858	0.697

# Cash Flow Statement

## Cash Flow Statement Q4 2023

## Comments

Amounts in USD 1 000	2023 Q4	2022 Q4	2023 Jan - Dec	2022 Jan - Dec
<b>Cash flows from operating activities</b>				
Profit/(loss) before income tax	1 614	1 613	9 336	8 858
Adjustments for				
Taxes paid	-	-	240	
Depreciation and amortization	503	409	1 859	1 542
Interest	- 98	- 12	164	109
Change in inventory	- 1 238	- 3 572	1 227	- 3 328
Change in trade receivable	- 1 669	- 5 174	1 340	- 8 103
Change in contract liabilities (deferred revenue)	814	782	2 447	1 163
Change in trade payable	1 148	2 683	1 344	- 384
Change in other current assets and other liabilities	840	3 606	486	194
Interest received	157	39	164	40
<b>Net cash inflow from operating activities</b>	<b>2 071</b>	<b>374</b>	<b>11 805</b>	<b>91</b>
<b>Net cash (outflow) from investing activities</b>	<b>- 744</b>	<b>- 969</b>	<b>- 2 329</b>	<b>- 1 578</b>
<b>Net cash inflow from financing activities</b>	<b>- 372</b>	<b>- 331</b>	<b>- 5 394</b>	<b>- 1 130</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>956</b>	<b>926</b>	<b>4 082</b>	<b>2 616</b>
Cash and cash equivalents at the beginning of period	7 826	6 116	5 660	9 380
Effects of exchange rate changes on cash and cash equivalents	451	470	510	1 104
<b>Cash and cash equivalents at the end of period</b>	<b>9 232</b>	<b>5 660</b>	<b>9 232</b>	<b>5 660</b>

# Balance Sheet

## Balance Sheet Dec 31, 2023

Amounts in USD 1 000	2023 Q4	2022 Q4
Intangible assets	1 075	941
Property, plant and equipment	2 906	1 787
Right of use assets	1 912	2 380
Noncurrent receivables against related party	-	-
Deferred tax assets	1 284	1 326
<b>Total Non Current Assets</b>	<b>7 177</b>	<b>6 433</b>
Inventories	14 196	15 423
Trade receivable	17 254	15 915
Receivables to related party	0	0
Other current assets	1 239	943
Cash and cash equivalents	9 232	5 660
<b>Total Current Assets</b>	<b>41 921</b>	<b>37 941</b>
<b>TOTAL ASSETS</b>	<b>49 099</b>	<b>44 374</b>

Amounts in USD 1 000	2023 Q4	2022 Q4
Share capital	189	195
Share premium	12 404	12 801
Other paid in capital	20	152
Foreign currency translation reserves	36	188
Retained earnings	17 017	14 269
<b>Total Equity</b>	<b>29 667</b>	<b>27 606</b>
Lease liabilities (noncurrent portion)	1 271	1 759
Contract liabilities (noncurrent deferred revenue)	3 430	2 297
Other noncurrent liabilities	1 032	1 120
<b>Total noncurrent liabilities</b>	<b>5 732</b>	<b>5 176</b>
Lease liabilities (current portion)	716	674
Trade payable	4 487	5 831
Contract liabilities (deferred revenue)	3 133	1 818
Current tax liabilities	3 042	868
Other current liabilities	2 322	2 401
<b>Total current liabilities</b>	<b>13 700</b>	<b>11 592</b>
<b>Total Liabilities</b>	<b>19 432</b>	<b>16 769</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49 099</b>	<b>44 374</b>

**Thank you**