

smartoptics

Q3 2021 presentation

2021 Q3 and first 9 months highlights

Revenues Q3 2021

11.1 MUSD
(33.5 MUSD 9 months)



Revenue Growth Q3 2021

+19.7%
(+42.4% 9 months)



Gross Margin Q3 2021

42.4%
(42.1% 9 months)



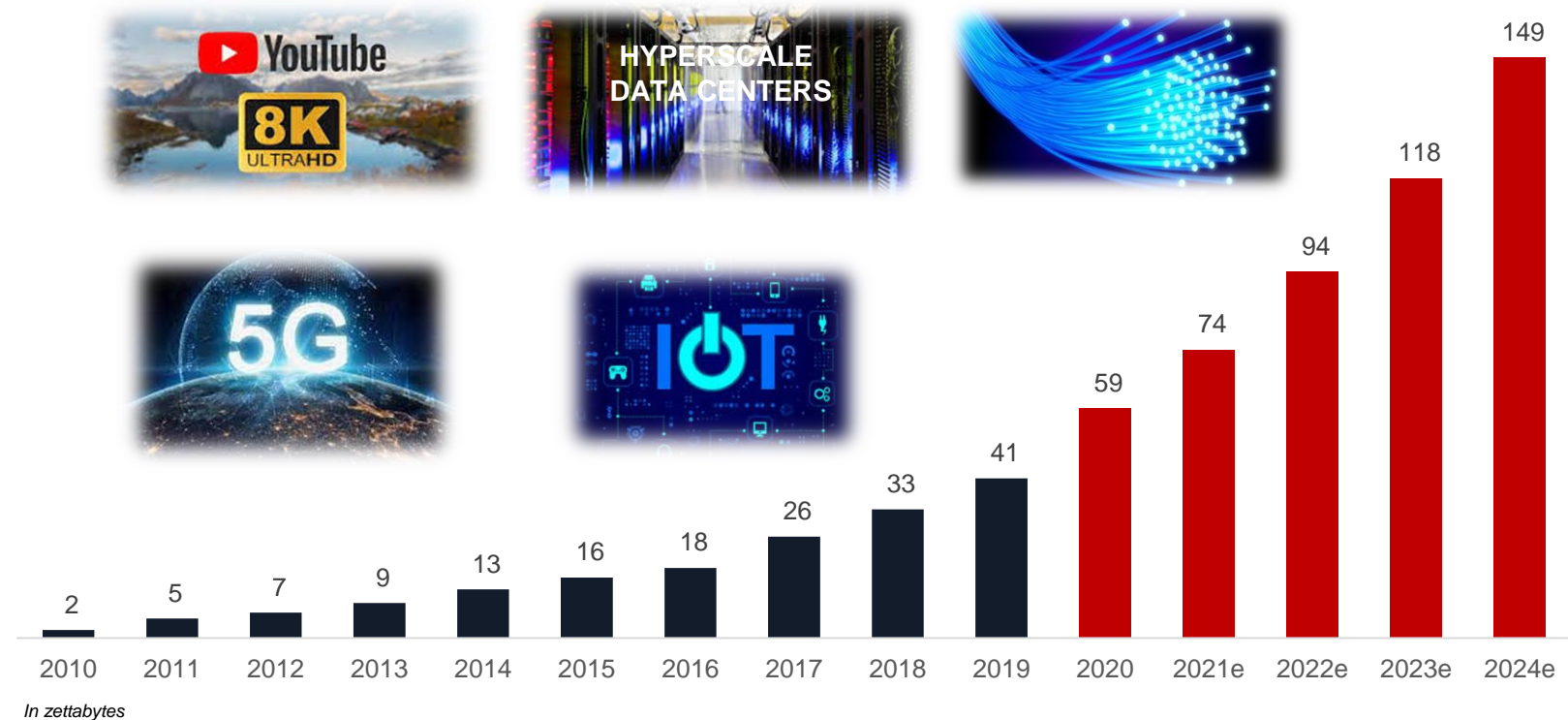
Adjusted EBITDA Margin Q3 2021

11.3%
(12.1% 9 months)



Our market is driven by mega trends that generate strong demand for data traffic and higher capacity

Global data traffic forecast and examples of key drivers



Comments

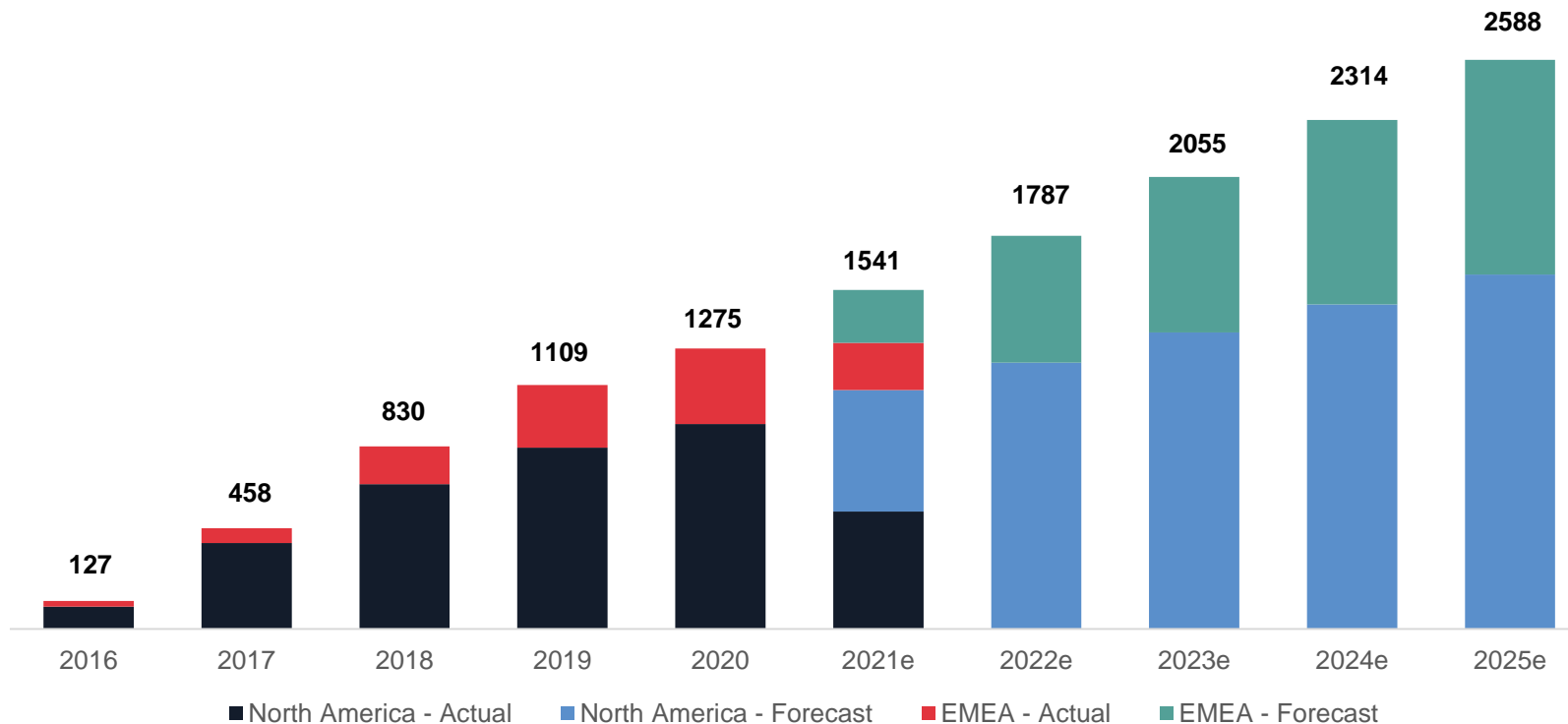
- More screens, larger screens and higher resolutions
- Datacenters integral part of network builds
- Continued build-out of cloud infrastructure
- 5G roll-outs starting to happen
- Connectivity everywhere and with everything
- Fiber required to deliver speed and capacity

Source: Cisco Annual Internet Report

Market with underlying market growth of 15.2% per year

Market – Compact Modular EMEA + North America

(MUSD)



Comments

- Compact modular segment is expected to grow by 15.2% in North America and EMEA between 2020-2025
- Compact modular products are compact in design and best suited for building open and disaggregated networks
- Smartoptics is starting to close in on the larger players on the compact modular market
- No other challenger visible on the market

Source: Signal.AI October 2021. Transport Applications Report

Good business momentum, strong order booking, while component shortage is a risk

Key events during the quarter

- Strong order booking – orders booked increased with 73% in Q3 2021 compared to Q3 2020
- Continued success with larger customers
- Customers in Americas have consumed a larger share of the business (revenue) during the quarter

Supply situation

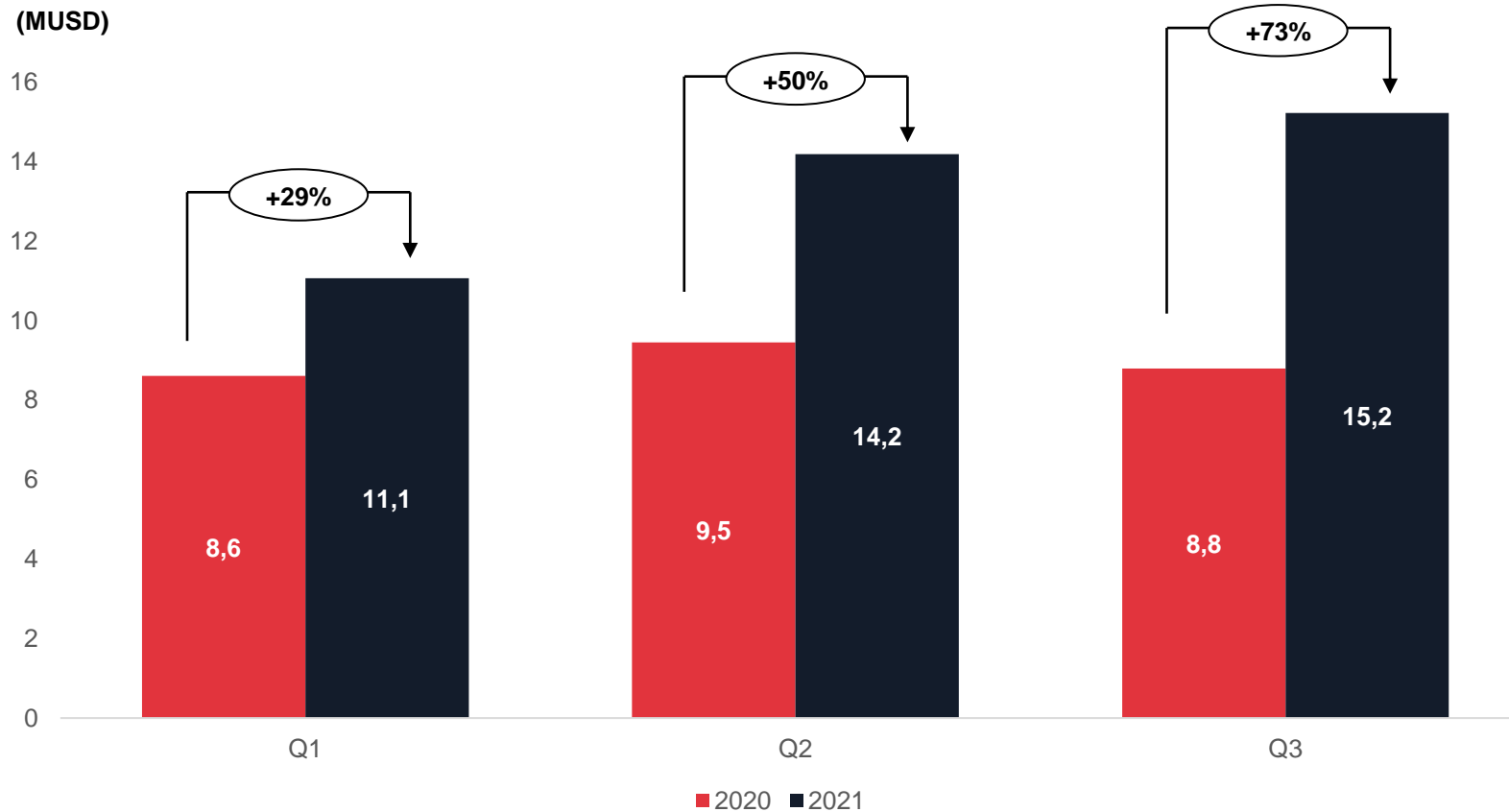
- Expected impact on revenue during Q3 is around 0.5 MUSD (delayed revenue)
- Build-up of inventory to mitigate component shortage has led to higher working capital and negatively impacted cash flow

Outlook

- Supply constraints to continue into next year
- High customer engagement levels and high appreciation of our products both in terms of network design / philosophy and cost levels
- Long term revenue growth ambitions maintained

Strong order booking in 2021, accelerating throughout the year

Orders booked Q1 through Q3 2020 and 2021



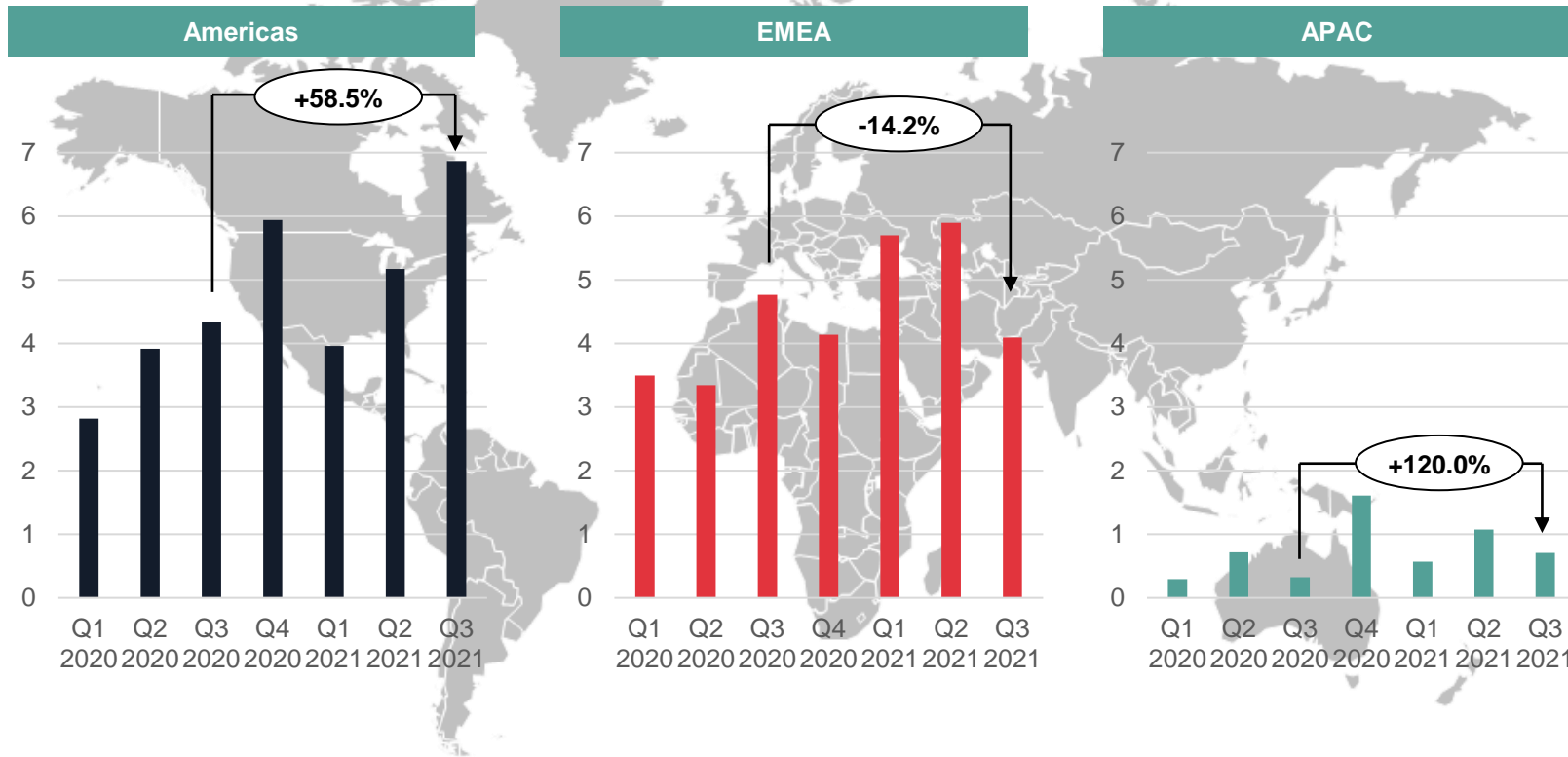
Comments

- Q3 orders booked driven by larger customers in the US, as well as good momentum in markets like Nordics and DACH
- 51% orders booked growth for the period January through September (2021 vs 2020)

Americas key driver for growth in 2021

Invoiced Revenue per Region and Quarter – 2020 and 2021

(MUSD)

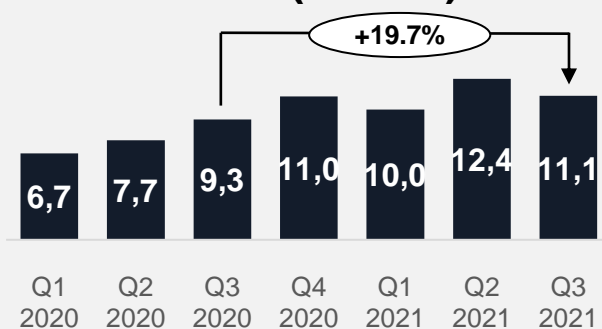


Comments

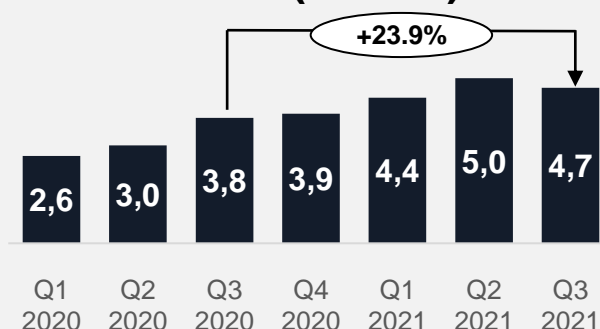
- Strong growth in Americas, driven by large deals and key customers
- EMEA lower revenue an effect of business prioritization and catch-up effects in Q3 2020 (related to weak H1 2020 due to Covid-19)
- APAC showing high growth, although from lower levels

Summary of financial performance

Revenues (MUSD)



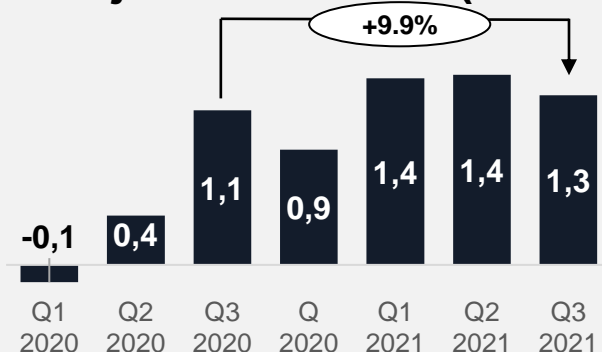
Gross Profit (MUSD)



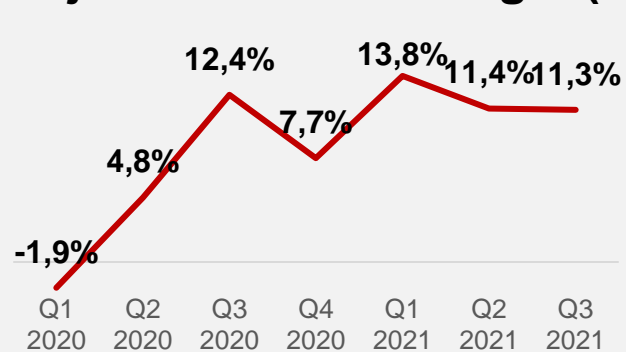
Gross Margin (%)



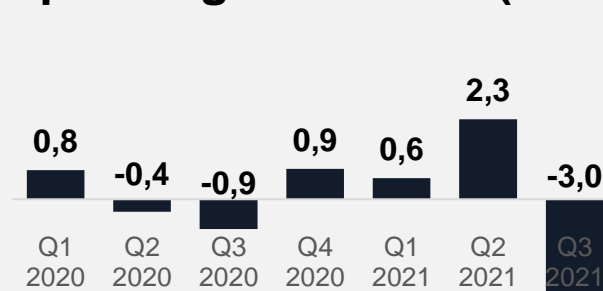
Adjusted EBITDA (MUSD)*



Adjusted EBITDA Margin (%)



Operating Cash Flow (MUSD)



Note: *) EBITDA adjusted for around 175 KUSD in one-off IPO costs

Financial guidance unchanged

	2020a	2021e	2025/26 aspirations
Revenue	34.8 mUSD	20-35% organic growth	~100 mUSD
Gross margin	~39%	~41-44%	~45%
EBITDA margin	~6.4%	~9-12%	~15-18%
Capex/sales	~1.7%	~2%	~2%

Profit and Loss Statement

Profit and Loss Statement Q3 and first 9 months of 2021 and 2020

Profit and Loss Statement	2021 Q3	2020 Q3	2021 9m	2020 9m	Q3 21 vs Q3 20	9m 21 vs 9m 20
Invoiced Revenue	11 389	9 565	34 048	23 999	+19.1%	+41.90%
Net Change Deferred Revenue	-304	-305	-569	-488		
Total Recognized Revenue	11 085	9 261	33 479	23 511	+19.7%	+42.4%
Total COGS	-6 382	-5 465	-19 373	-14 115		
Gross profit	4 704	3 795	14 106	9 396	+23.9%	+50.1%
<i>Gross margin</i>	42,4%	41,0%	42,1%	40,0%		
Operating expenses	-3 446	-2 651	-10 056	-8 015	+30.0%	+25.5%
Adjusted EBITDA¹⁾	1 258	1 145	4 050	1 382	+9.9%	+193.1%
<i>EBITDA in %</i>	11,3%	12,4%	12,1%	5,9%		
Total Depreciation	-225	-167	-662	-459		
EBIT	996	978	3 208	923	+1.8%	+247.6%
<i>EBIT in %</i>	9,0%	10,6%	9,6%	3,9%		
Net Finance Items	-14	-163	-70	317		
Earnings before taxes	982	815	3 138	1 240	+20.5%	+153.0%
<i>EBT in %</i>	8,9%	8,8%	9,4%	5,3%		
Tax	-216	4	-690	11		
Earnings after tax	766	819	2 447	1 251		

Note: 1) EBITDA adjusted for around 175 KUSD in one-off IPO costs

Cash Flow Statement

Cash Flow Statement for Q3 and first 9 months of 2021 and 2020

Cash Flow Statement	2021 Q3	2020 Q3	2021 9m	2020 9m	Comment
Cash at the beginning of the period	12 187	2 124	3 625	2 094	
EBITDA	1 258	1 145	4 050	1 382	
Changes in Accounts Receivables	-2 389	-1 272	-2 732	-1 296	
Changes in Accounts Payable	203	606	-391	662	
Changes in Inventory	-2 007	-1 589	-247	-1 673	
Changes in Deferred Revenue	281	320	550	422	
Other Working Capital Changes	-568	-60	-1 543	124	
Cash Flow from Operating Activities	-3 224	-851	-314	-378	
Changes in Non-Current Assets	52	-263	-342	-144	
Cash Flow from Investing Activities	52	-263	-342	-144	
Changes in short term financing	0	-515	-2 163	-980	
Changes in long term financing	-81	1 040	-176	939	
Interest paid	-1	-34	-46	-115	
Cash Flow from Financing Activities	-83	491	-2 385	-156	
Dividend	0	0	-2 231	0	
New shares issued	0	0	11 159	0	
Translation Differences	-400	3	-980	89	
Net Cash Flow	-3 654	-620	4 907	-590	
Cash at the End of Period	8 533	1 504	8 533	1 504	

Comments

- The negative Operating Cash Flow was attributable to increase in Working Capital driven by:
 - Increase in Accounts Receivable due to large portion of the revenue coming at the end of the quarter
 - Increase in Inventory related to 1) ramp-up for deliveries in the fourth quarter and the general growth trend and 2) larger purchases of components in order to mitigate the general component shortage
- Normally Q3 has a weaker Cash Flow due to seasonality effects, and 2021 is no exception

Balance Sheet

Balance Sheet for Q3 2021 and Q3 2020

Assets (MUSD)	Sep 30, 2021	Sep 30, 2020
Non-Current Assets	6 229	5 917
Capitalized Development Cost	877	964
Deferred Tax Asset	4 019	3 685
Property Plant and Equipment	1 334	550
Financial Assets	0	718
Other Non-Current Assets	0	0
Current Assets	27 088	15 005
Inventory	8 350	6 517
Accounts Receivables	8 845	6 049
Prepaid Expenses	1 361	833
Cash and Cash Equivalents	8 532	1 504
Other Current Asset	0	102
Total Assets	33 317	20 922

Equity and Liabilities (MUSD)	Sep 30, 2021	Sep 30, 2020
Total Equity	23 454	10 798
Non-Current Liabilities	3 655	3 033
Liabilities to Financial Institutions	2 057	2 075
Deferred Revenue	1 598	959
Other Non-Current Liabilities	0	0
Current Liabilities	6 208	7 091
Liabilities to Financial Institutions	0	1 297
Deferred Revenue	1 229	753
Accounts Payable	3 619	2 944
Public Duties	127	795
Other Current Liabilities	1 233	1 301
Total Liability	9 863	10 124
Total Liability and Equity	33 317	20 922

