smartoptics

Q4 2021 presentation

Strong financial performance in 2021 and continued high demand

Revenue

Q4: 12.5 MUSD
2021: 45.9 MUSD

Adj. EBITDA Margin[1)]

Q4: 11.7%
2021: 11.8%

EBIT Margin

Q4: 10.0%
2021: 10.4%

Gross Margin

Q4: 44.3%
2021: 44.1%

Revenue Growth*

Q4: 7.4% (+11% in constant currencies)
2021: 31.3%

Operating Cash Flow Q4 2021

Q4: 2.1 MUSD
2021: 1.7 MUSD

***) 5.0 MUSD in Revenue is delayed until 2022 due to semi-conductor shortage**

smartoptics

Note: 1) EBITDA adjusted for 175 KUSD in one-off IPO costs in Q2

2021 Highlights – Delivering on strategy

Growing Smartoptics to become a recognized leader in Open Optical Networking Solutions

Leveraging new trends

Disaggregated and Open networks

Solutions, SW & services

Metropolitan area optical networks. Targeting Enterprise, Cloud and Network Operators

Filling the gap

Excellent market opportunity caused by recent years' consolidation

Breakthrough orders from large Operator

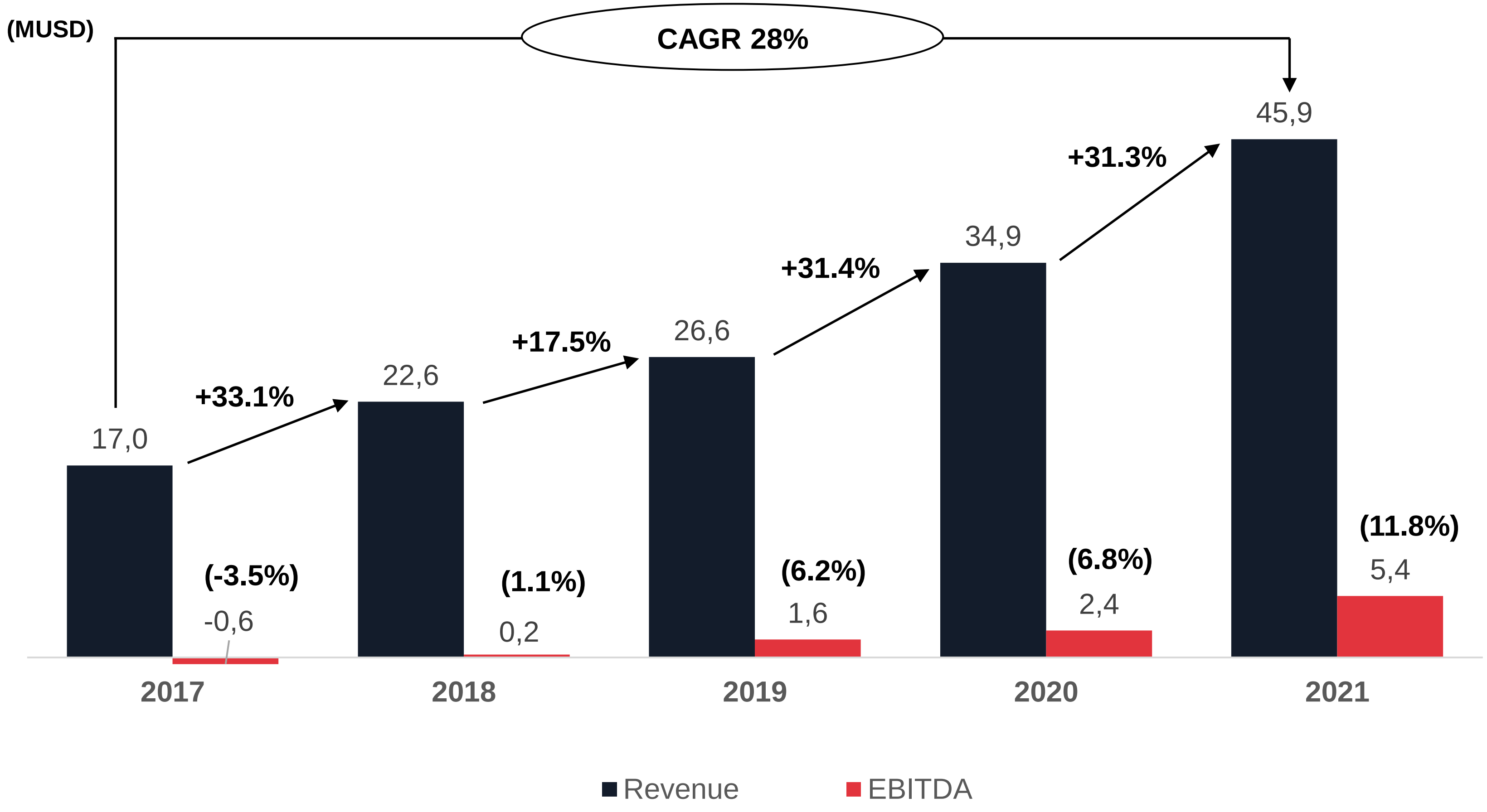
Solutions, software and services grew by 46%

High customer and partner endorsement of open and dissagregated networks

World class customer and employee satisfaction NPS: 82 eNPS: 46

Financial development on track toward goal of 100 MUSD

Revenue and EBITDA development 2017-2021



Comments

- Consistent growth over the past five years ranging between 17%-33%
- Improving profitability as a result of revenue growth
- Market success driven by new products in the solution area
- 5.0 MUSD in revenue delayed to 2022 due to semi-conductor crisis
- On track toward 100 MUSD in 2025/2026

Note: EBITDA adjusted for 175 KUSD in one-off IPO costs in Q2

Smartoptics product offering is evolving to meet demands of larger customers and more applications

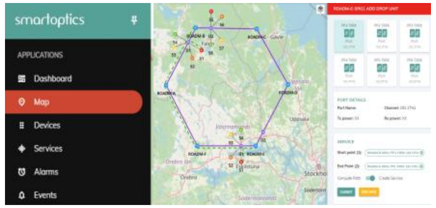
PARTNER

LightRiver — MANAGEMENT | MULTI VENDOR | FCAPS | INVENTORY — netFLEX

SOFTWARE

SoSmart

Domain control and network planning



CONTROLLER

PLANNING

MANAGEMENT

OPEN LINE SYSTEMS

DCP-M

Automation & cost efficiency

DCI | AUTOMATION | 16 TBIT/S

METRO

DCP-F

Versatile line-system toolbox

METRO | FLEXIBILITY | 19.2 TBIT/S

EDGE

DCP-R

Ultimate network flexibility and control

METRO | FLEXIBILITY | 16 TBIT/S

REGIONAL | SDN

L1 TRANSPORT

DCP-2

L1 Transponders and Muxponders

DCP-1610 | LOW SPEED

ENCRYPTION

DCP-101/108 | LOW COST 100G

DCP-404 | LOW COST 400G

smartoptics

netFLEX is a SW product and registered trademark of LighRiver Technologies INC. Smartoptics products are integrated in netFLEX by Lightriver. Smartoptics and LightRiver may partner in certain projects, but are independent entities in all respects.

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

Key Drivers

Streaming media

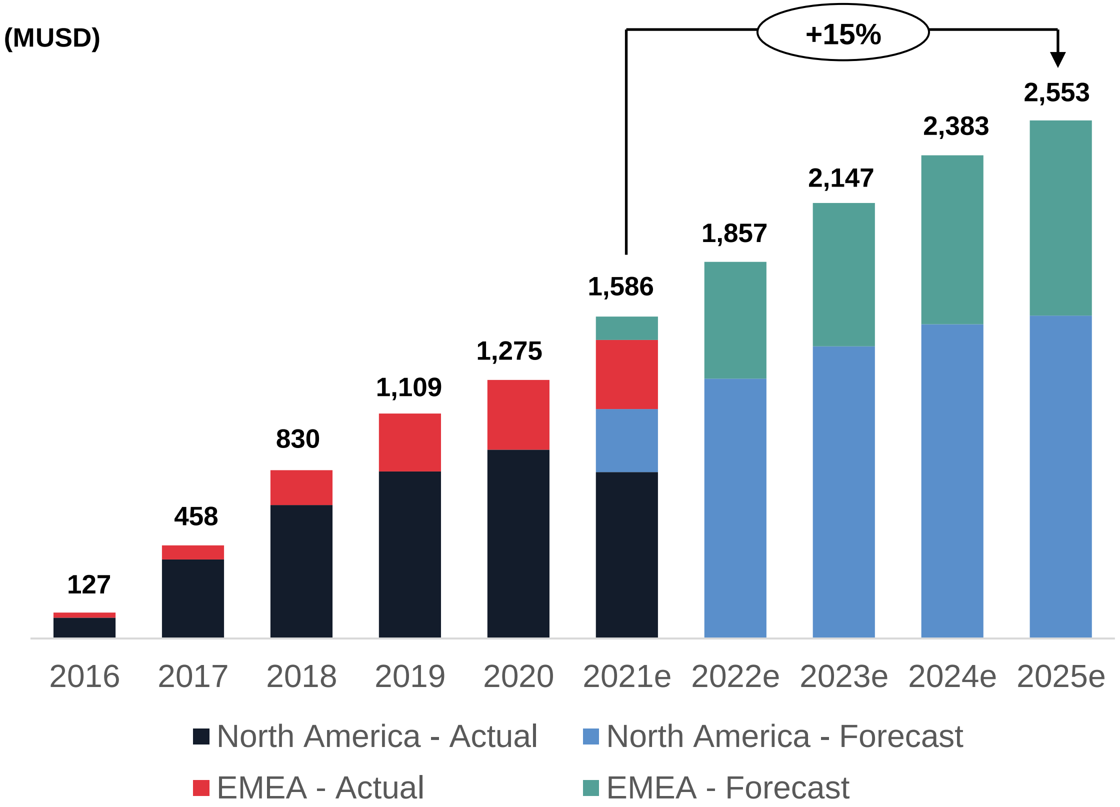
Gaming

Data Centers

Mobility

Internet of things

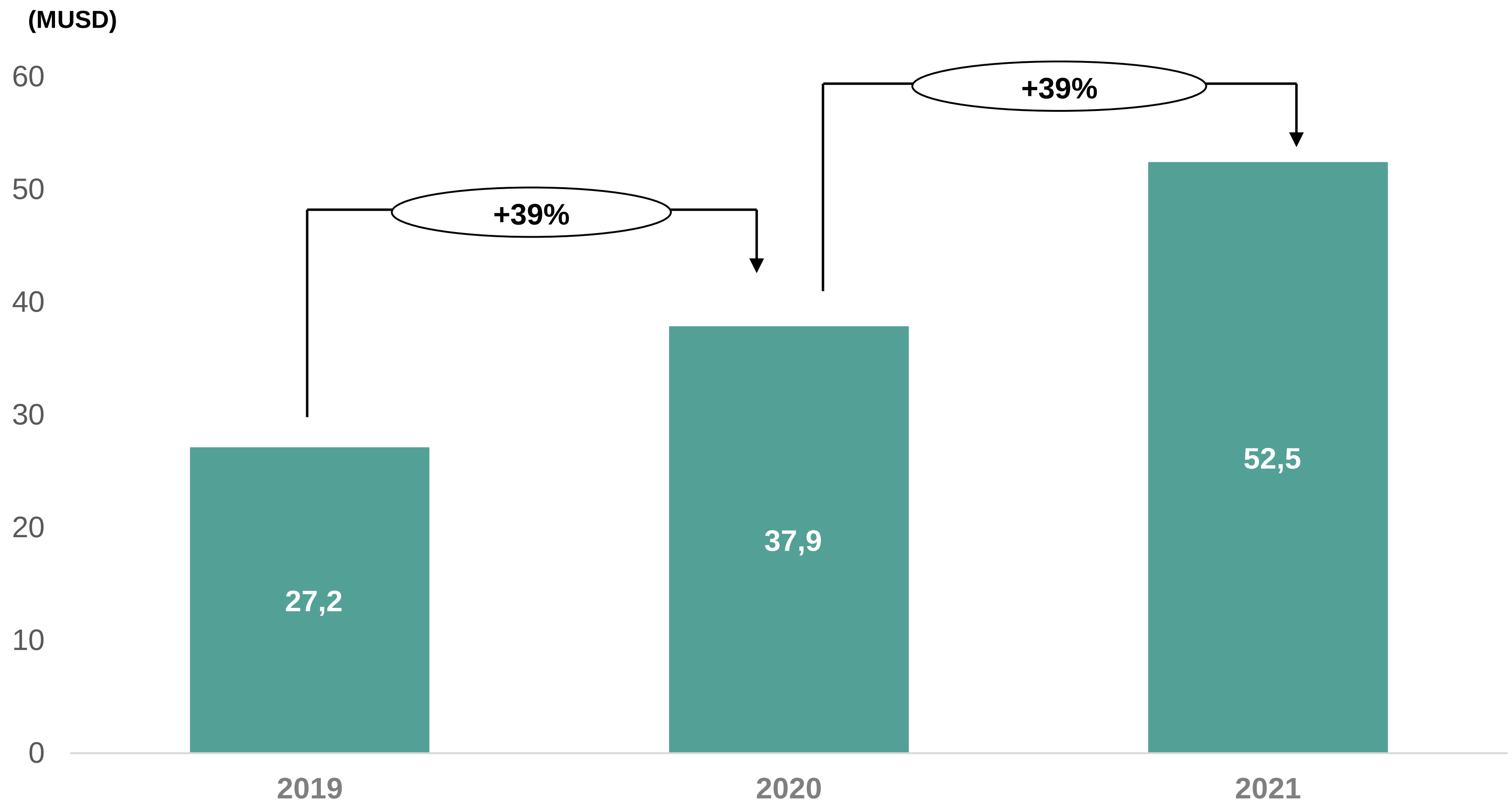
Market – Compact Modular EMEA + North America



Optical networking technology is a prerequisite for growth

Strong order booking in 2021, growing by 39% YoY

Orders booked 2019, 2020 and 2021

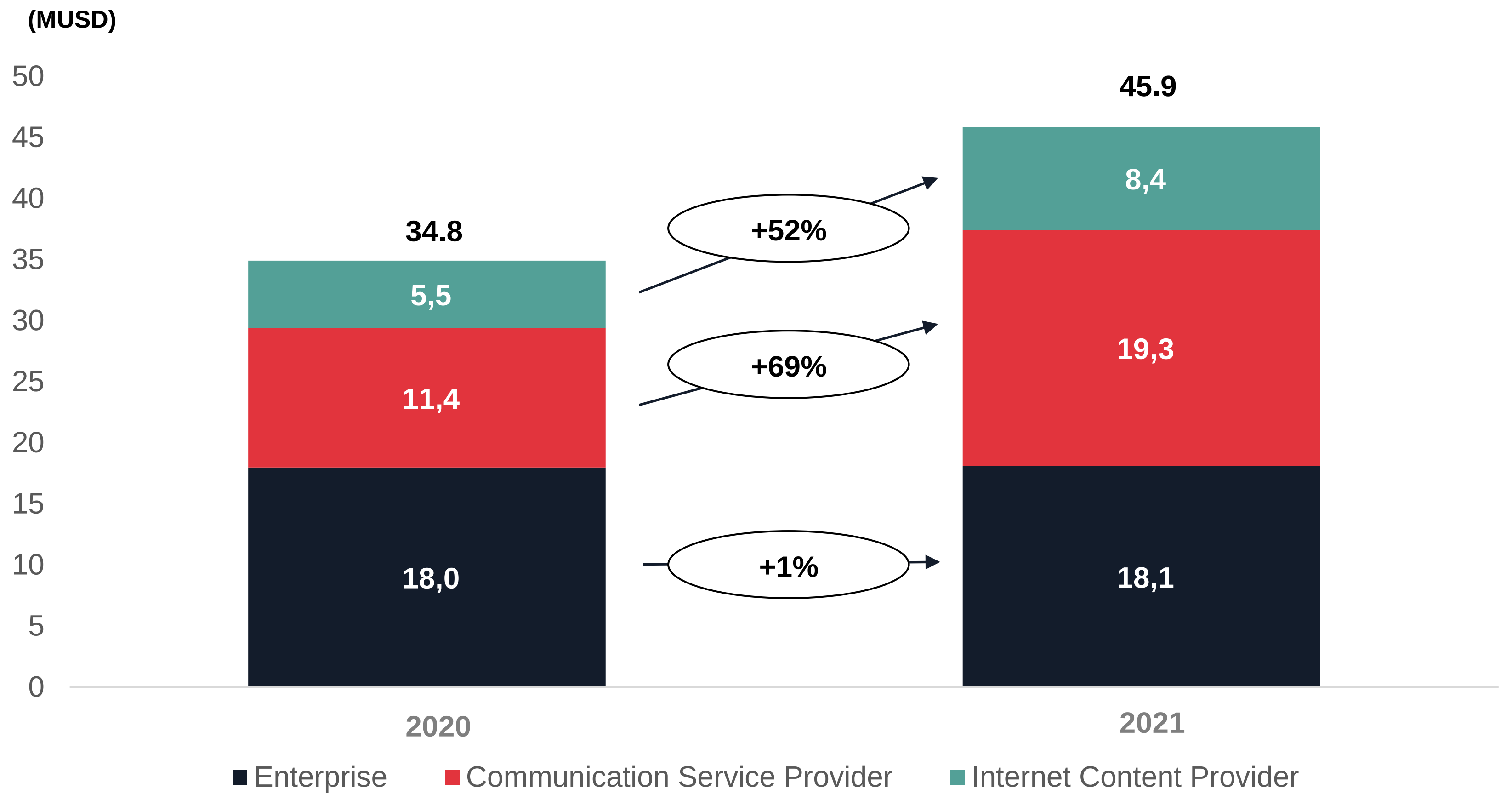


Comments

- Continued strong business momentum driven by both large customer orders and high demand from repeat customers
- Solid long-term trend in order booking, two years of 39% growth

Communication Service Providers (CSP) is the largest customer segment in 2021 and the fastest growing segment

Estimated Revenue by customer type 2020 and 2021



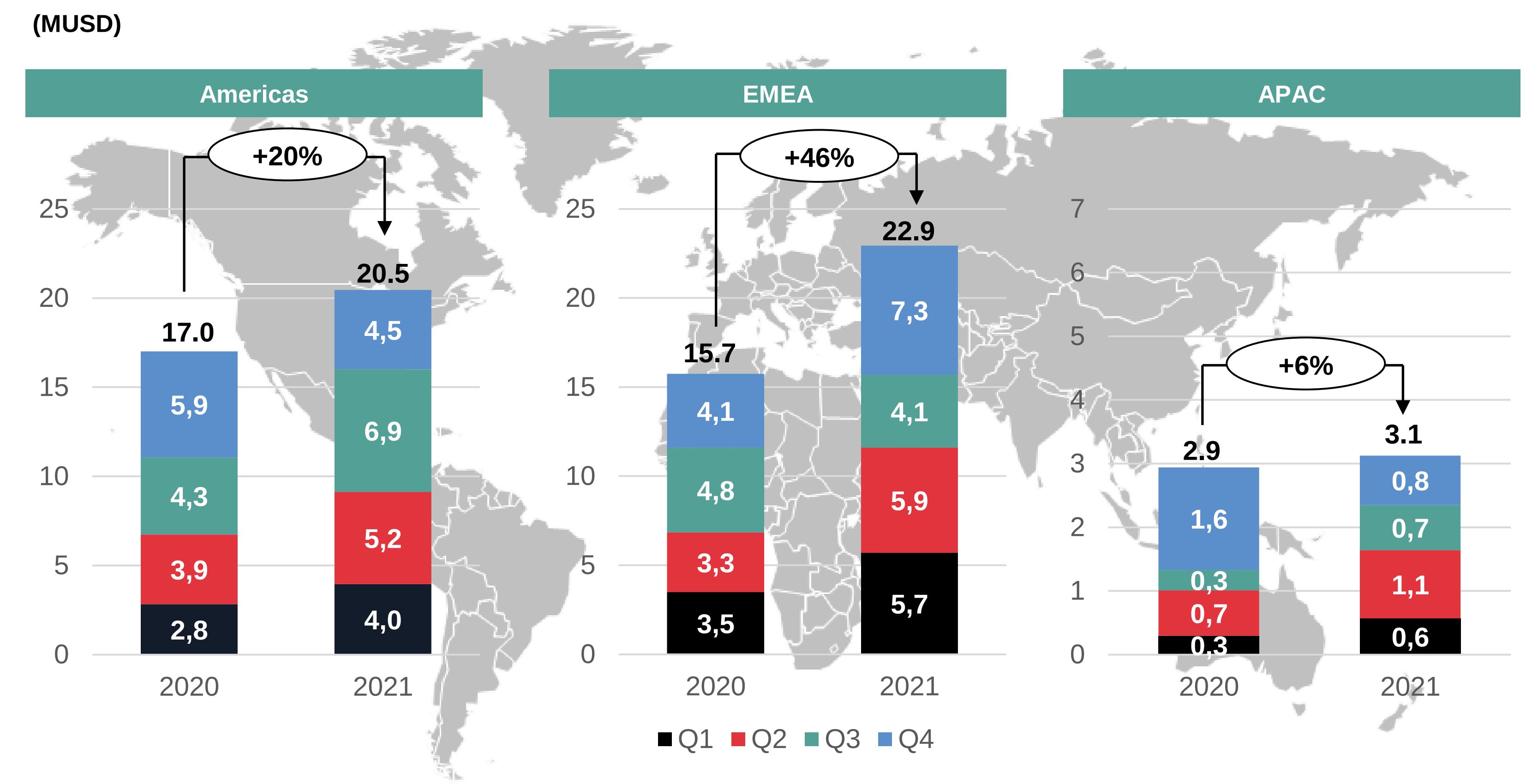
Note: Estimated revenue split based upon categorization of accounts larger than 50 KUSD

Comments

- CSP have grown to become the dominating segment
- Strong growth of Internet Content Provider (ICP/Cloud) segment, increasing 52% YoY, backed by strong overall cloudification trend

Growth in all Regions, EMEA showing highest revenue growth while Americas' growth is slightly dampened by supply constraints

Invoiced Revenue per Region and Quarter – 2020 and 2021

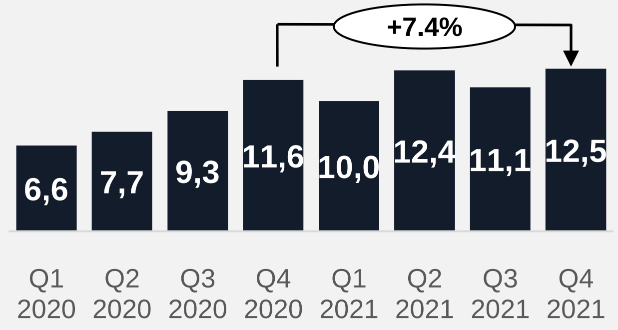


Comments

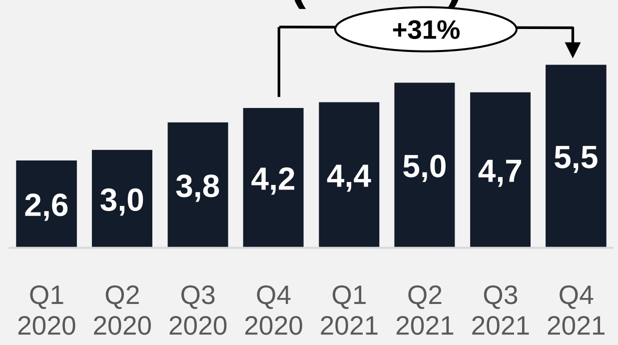
- EMEA consumed more of the delivery capacity during the quarter
- The estimated 5.0 MUSD of delayed revenue relates wholly to the CSP segment in Americas

Summary of financial performance 2020 and 2021

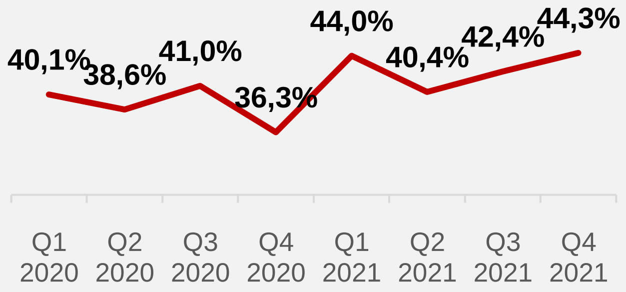
Revenues (MUSD)



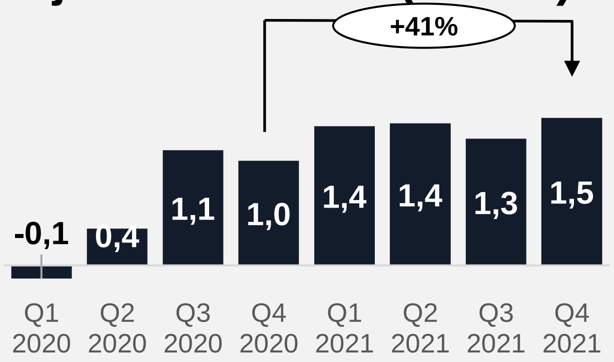
Gross Profit (MUSD)



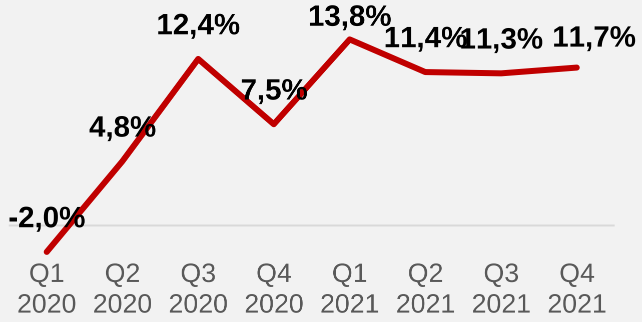
Gross Margin (%)



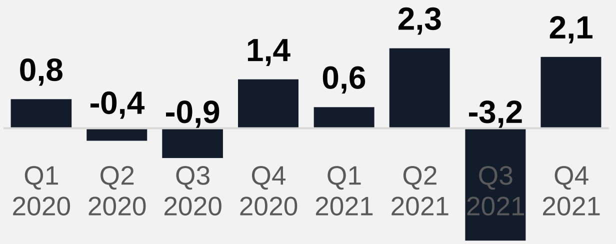
Adjusted EBITDA (MUSD)[1]



Adjusted EBITDA Margin (%)[1]



Operating Cash Flow (MUSD)



Note: 1) EBITDA adjusted for 175 KUSD in one-off IPO costs in Q2 2021

smartoptics

Performance in the upper range of guidance – long term ambitions maintained

	2021	2021 Guidance	2025/26 aspirations
Revenue	+31.3%	20-35% organic growth	~100 mUSD
Gross margin	44.1%	~41-44%	~45%
EBITDA margin	11.8%	~9-12%	~15-18%
Capex/sales	1.3%	~2%	~2%

Profit and Loss Statement

Profit and Loss Statement Q4 and full year of 2021 and 2020

Profit and Loss Statement	2021 Q4	2020 Q4	2021 12m	2020 12m	Q4 21 vs Q4 20	2021 vs 2020
Invoiced Revenue	12 654	12 091	46 596	35 852		
Net Change Deferred Revenue	-151	-448	-730	-918		
Total Recognized Revenue	***12 503***	***11 643***	***45 866***	***34 934***	***+7.4%***	***+31.3%***
Total COGS	-6 964	-7 416	-25 649	-21 387		
Gross profit	***5 539***	***4 227***	***20 218***	***13 546***	***+31.0%***	***+49.2%***
Gross margin	44,3%	36,3%	44,1%	38,8%		
Operating expenses	-4 073	-3 189	-14 788	-11 173	*+27.7%*	*+32.9%*
Adjusted EBITDA[1)]	***1 466***	***1 038***	***5 430***	***2 373***	***+41.3%***	***+128.8%***
EBITDA in %	11,7%	8,9%	11,8%	6,8%		
Total Depreciation	-220	-158	-479	-618		
EBIT	***1 246***	***880***	***4 767***	***1 755***	***+41.7%***	***+171.6%***
EBIT in %	10,0%	7,6%	10,4%	5,0%		
Net Finance Items	-121	-108	135	-106		
Earnings before taxes	***1 125***	***772***	***4 902***	***1 649***	***+45.8%***	***+197.2%***
EBT in %	9,0%	6,6%	10,7%	4,7%		
Tax	-248	-5	-1 078	-16		
Earnings after tax	***878***	***766***	***3 824***	***1 633***		

Note: 1) EBITDA adjusted for around 175 KUSD in one-off IPO costs in Q2 2021

Comments

- Q4 Adjusted EBITDA grew by 41.3% compared to Q4 2020 and 128.8% for the full year
- SkatteFUNN had a contributing effect of about 220 KUSD (reduction of Operating Expenses) in Q4 2021
- Paid taxes will be negligible as Smartoptics Group has deferred tax assets consist of historical net operating losses which corresponds to NOK 35 million

Cash Flow Statement

Cash Flow Statement for Q4 and full year of 2021 and 2020

Cash Flow Statement	2021 Q4	2020 Q4	2021 12m	2020 12m	Comment
Cash at the beginning of the period	**8 533**	**1 503**	**3 628**	**2 094**	
EBITDA	1 466	1 038	5 516	2 419	
Changes in Accounts Receivables	1 020	-63	-1 713	-1 359	
Changes in Accounts Payable	2 589	1 066	2 198	1 728	
Changes in Inventory	-3 746	-1 586	-3 993	-3 259	
Changes in Deferred Revenue	126	566	675	988	
Other Working Capital Changes	595	380	-947	504	
Cash Flow from Operating Activities	**2 050**	**1 400**	**1 736**	**1 022**	
Changes in Non-Current Assets	-247	-450	-589	-594	
Cash Flow from Investing Activities	**-247**	**-450**	**-589**	**-594**	
Changes in short term financing	0	866	-2 163	-114	
Changes in long term financing	-73	158	-249	1 097	
Interest paid	-36	-39	-81	-154	
Cash Flow from Financing Activities	**-109**	**986**	**-2 494**	**829**	
Dividend	0	0	-2 231	0	
New shares issued	0	0	11 159	0	
Translation Differences	-835	189	-1 817	278	
Net Cash Flow	**859**	**2 122**	**5 763**	**1 534**	
Cash at the End of Period	**9 391**	**3 628**	**9 391**	**3 628**	

Comments

- Q4 had 2.1 MUSD in Operating Cash Flow
- 12 months Operating Cash Flow was 1.7 MUSD
- Increase in Working Capital reduced the Operating Cash Flow
- The increase in Working Capital was mainly due to higher Inventory, as an effect of component shortages, as shipments are delayed
- Solid cash position to continue growth journey
- In addition, Smartoptics Group has a credit facility amounting to around 2.8 MUSD

Balance Sheet

Balance Sheet for Dec 31 2021 and Dec 31 2020

Assets (MUSD)	Dec 31, 2021	Dec 31, 2020
Non-Current Assets	***6 266***	***6 583***
Capitalized Development Cost	904	1 040
Deferred Tax Asset	3 968	4 053
Property Plant and Equipment	1 394	676
Financial Assets	0	814
Other Non-Current Assets	0	0
Current Assets	***30 935***	***18 830***
Inventory	11 988	8 103
Accounts Receivables	8 207	6 112
Prepaid Expenses	1 349	949
Cash and Cash Equivalents	9 391	3 628
Other Current Asset	0	38
Total Assets	***37 201***	***25 413***

Equity and Liabilities (MUSD)	Dec 31, 2021	Dec 31, 2020
Total Equity	***24 238***	***12 201***
Non-Current Liabilities	***3 558***	***3 537***
Liabilities to Financial Institutions	1 984	2 233
Deferred Revenue	1 574	1 304
Other Non-Current Liabilities	0	0
Current Liabilities	***9 406***	***9 676***
Liabilities to Financial Institutions	0	2 163
Deferred Revenue	1 379	974
Accounts Payable	6 208	4 010
Public Duties	49	945
Other Current Liabilities	1 769	1 583
Total Liability	***12 964***	***13 213***
Total Liability and Equity	***37 201***	***25 413***