

Financial Presentation

Q3 2022

October 26, 2022



Accelerated growth rate and continued strong margins in Q3

Revenue

Q3: **13.6 MUSD** 

Revenue Growth

Q3: **+23.0%** 

Gross Margin

Q3: **48.2%** 


EBITDA Margin

Q3: **22.8%** 

EBIT¹ Margin

Q3: **20.1%** 

Operating Cash Flow

Q3: **2.5 MUSD** 

Smartoptics is a challenger in optical communication – addressing a global market

Market and Key Trends

- Ever increasing demand for bandwidth
- 8 BUSD addressable market (global metro WDM)
- Well positioned within high-growth segment, IP-over-DWDM
- Americas, EMEA and selected markets in APAC

Products and Solutions

- High-capacity optical transport solutions
- Software suite for network management
- Software support and rich service offering
- Wide range of optical devices for any application

Customers

Telecom & network operators



Cloud providers and internet exchanges



Large enterprises

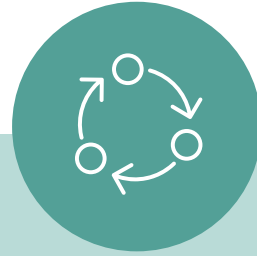


Highlights of Q3



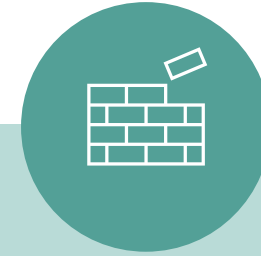
Key commercial success

- Strategic win in EMEA
 - Initial order value of MUSD 2.5
 - Managed service by major European tier 1 operator to a local government
 - Dominated by products released in 2022
- First orders SoSmart SW suite
 - Enabling larger projects
 - Increasing share of software revenue



Operational situation

- Component situation remains good
 - Occasional disturbances
 - Long lead times in adjacent technology (routing & switching) needed for larger projects
- Visible effects from actions to protect and improve gross margin
 - Product mix
 - Software revenue, increasing recurring elements

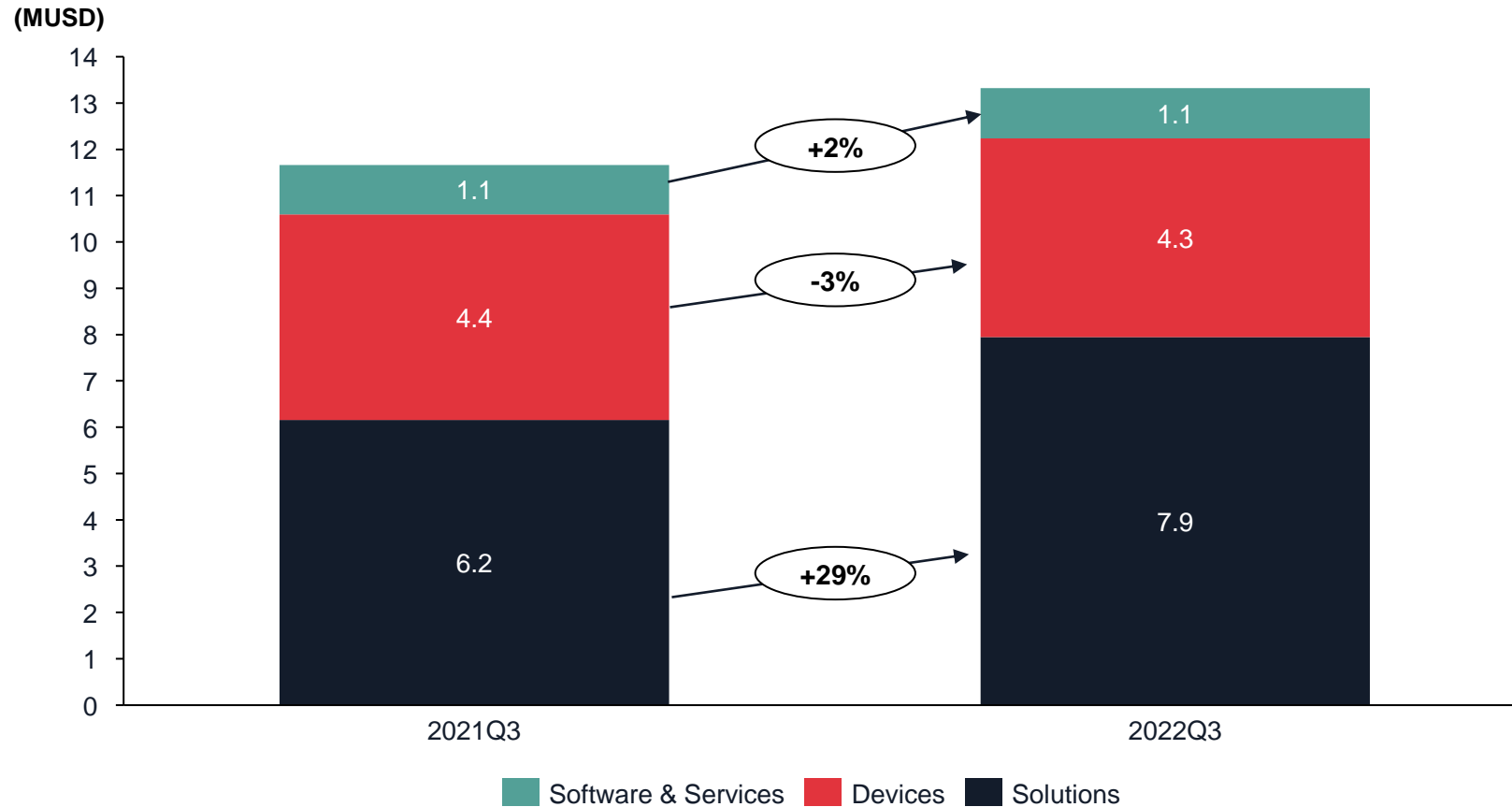


Building a stronger Smartoptics

- Expanding capacity in Oslo
 - New location with 2x production, lab and office space
- Continuous competence build-up
- Up-listing – intention to up-list to main market in Oslo

Continued strong growth for Solutions drives the revenue growth

Revenue (invoiced, unadjusted) by business area



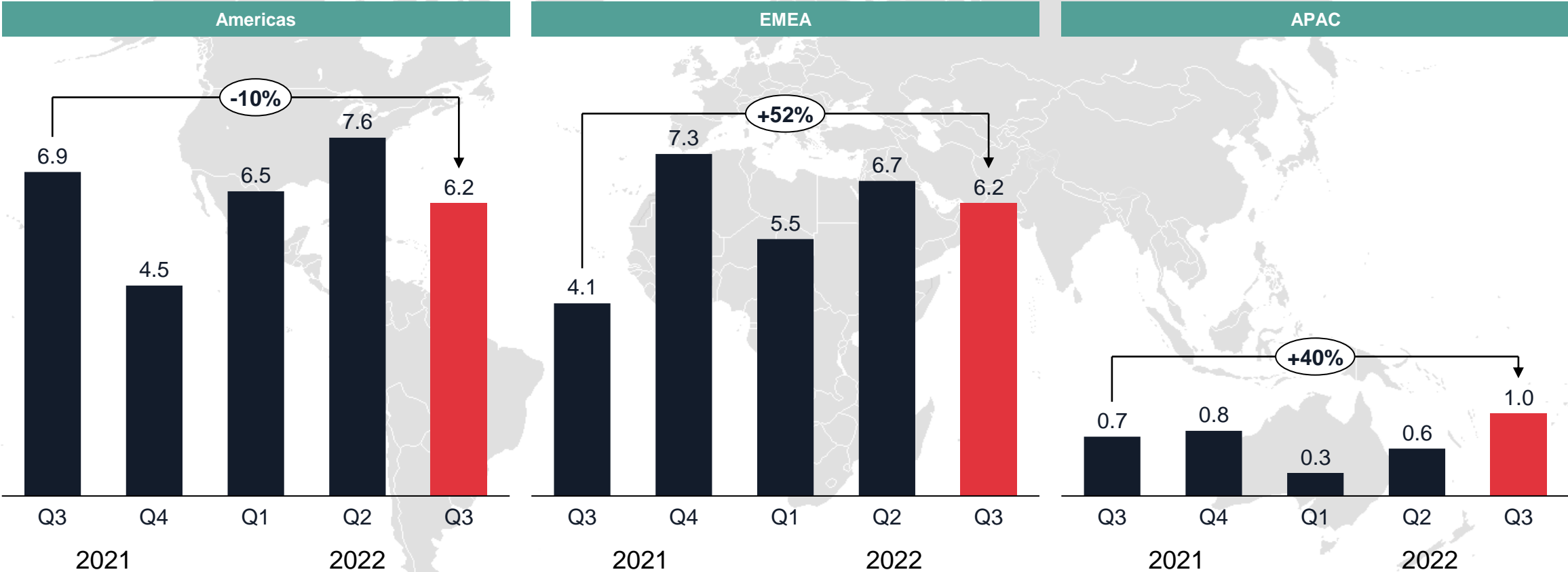
Comments

- Continued strong growth for software
- Services is seeing a shift toward subscription-based models
 - Higher recurring element
- Revenue split in Q3
 - Solutions 59.6%
 - Software & Services 8.2%
 - Devices 32.2%

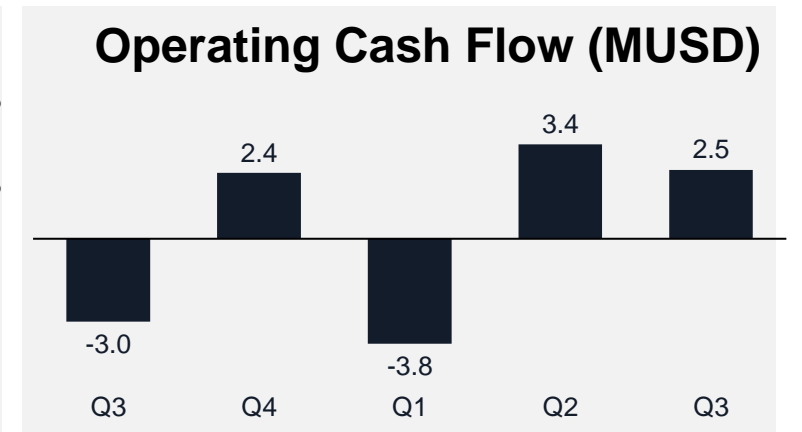
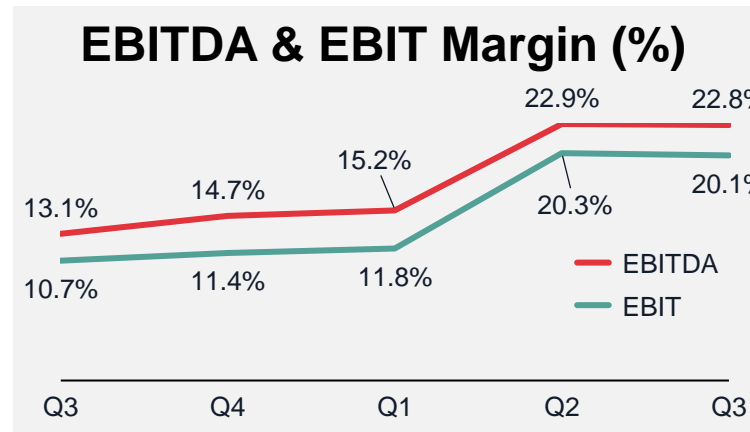
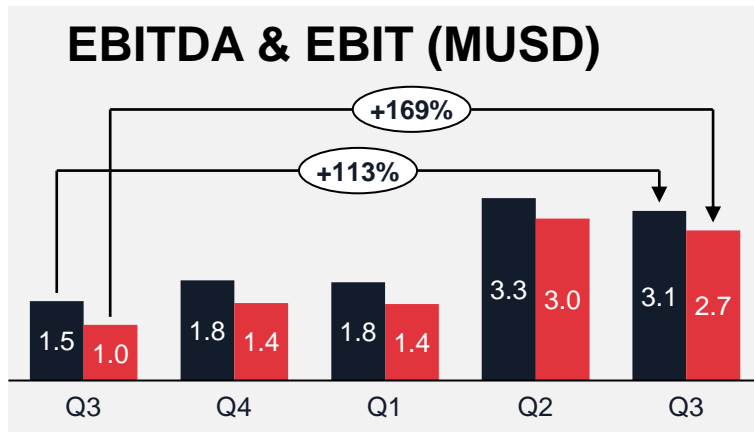
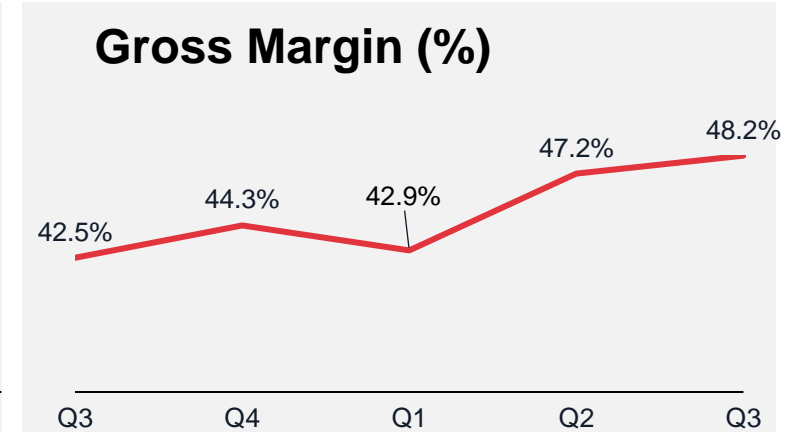
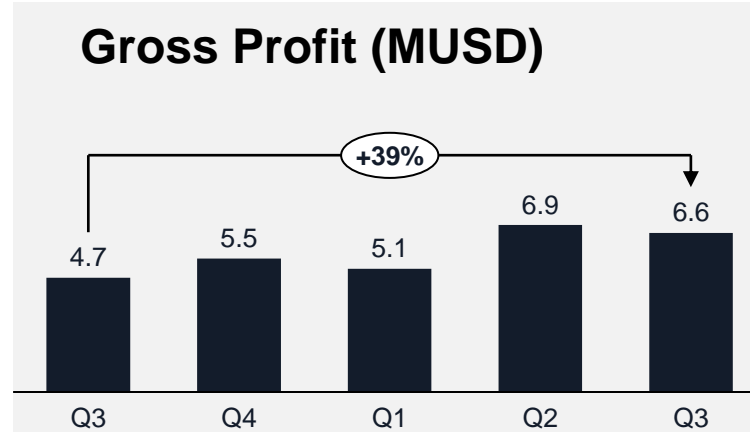
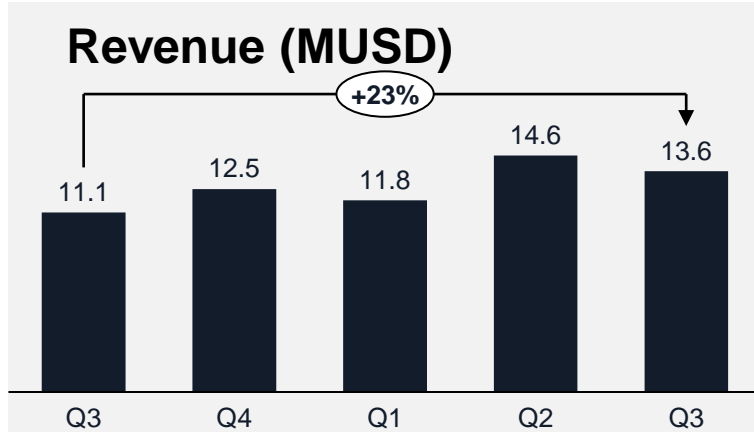
Strong focus on EMEA shipments during the quarter, building backlog in Americas

Revenue (invoiced, unadjusted) per Region and Quarter – Last 5 quarters

(MUSD)

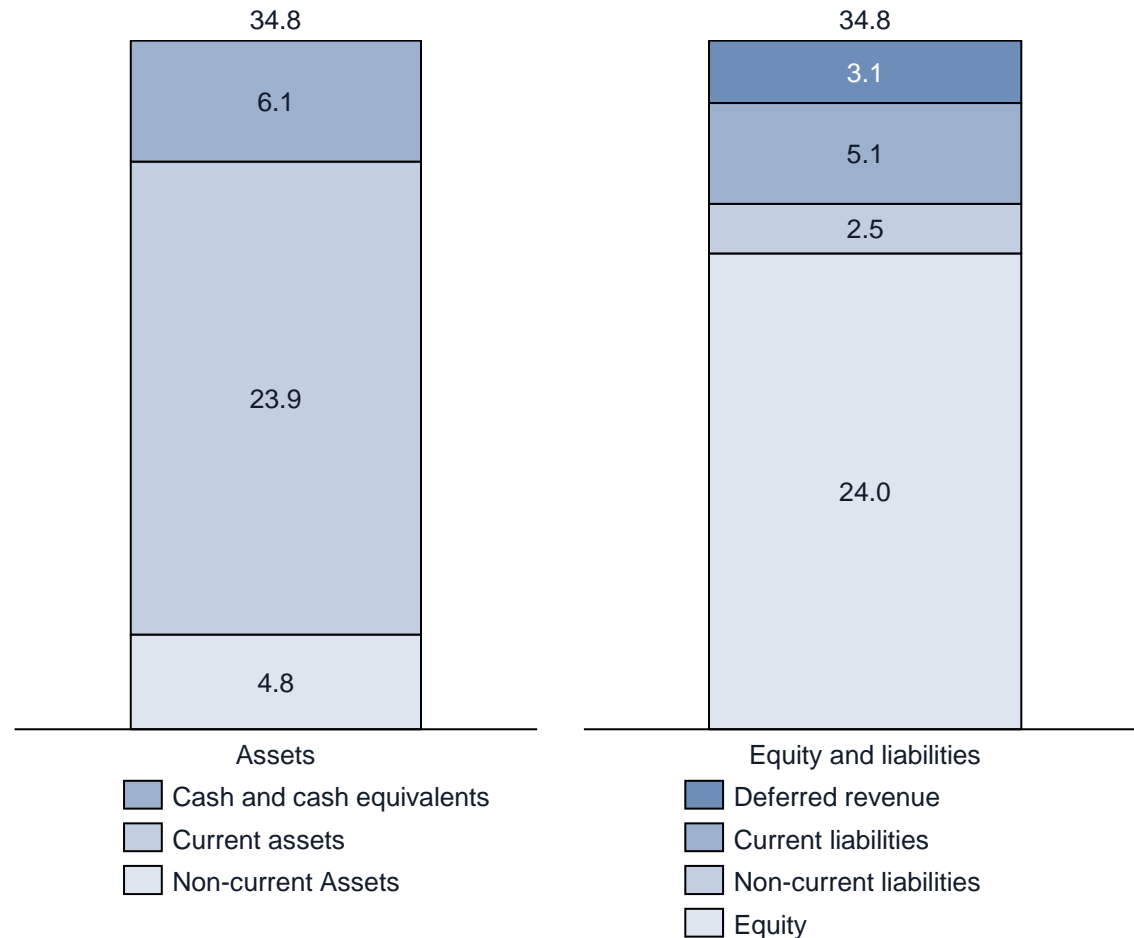


Revenue growth, increasing margins and continued positive cash flow

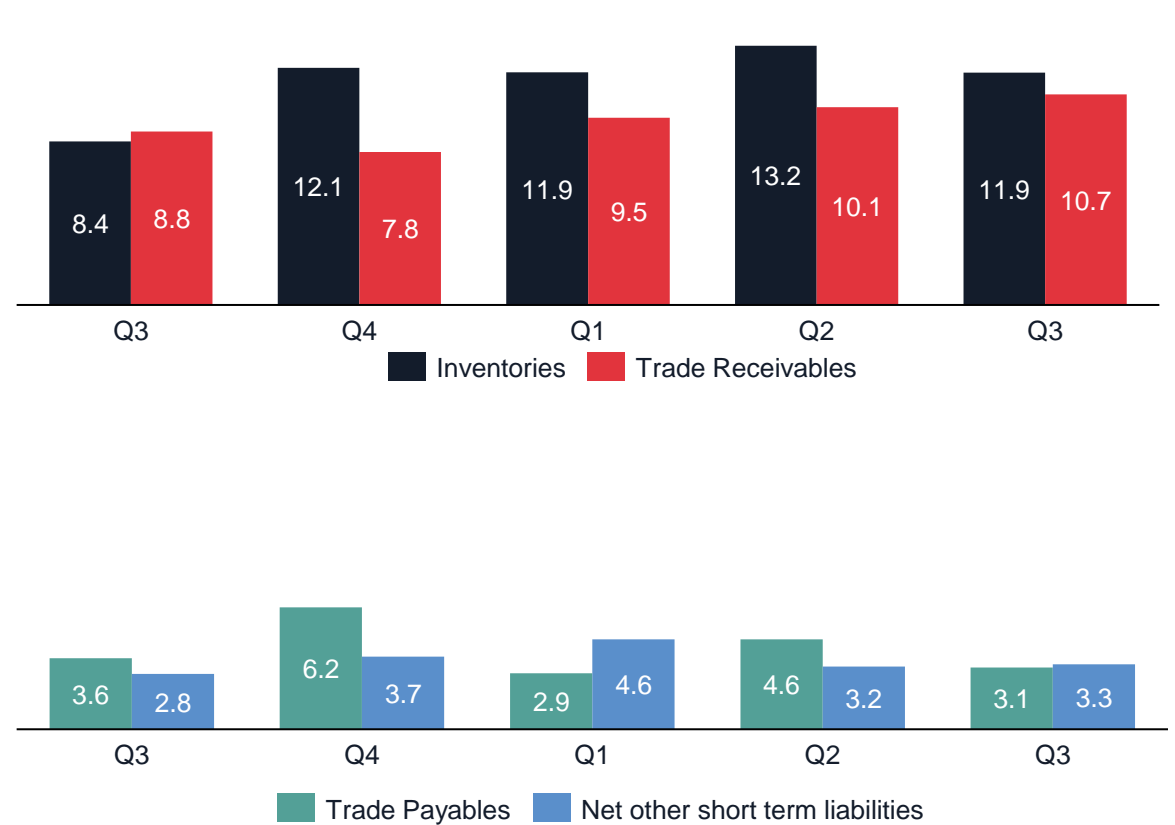


Solid financial position and decreasing inventories in Q3

Balance sheet Sep 30, 2022



Working Capital Development past 5 quarters



Smartoptics has initiated the process of up-listing to Oslo Børs main market

Key workstreams

- Preparing Smartoptics Group AS for the main market
 - Corporate Governance, ESG reporting, Board composition, etc. – ongoing activities
 - Financial reporting – IFRS adopted in 2021
- Audit and prospectus
 - Preliminary kick-off Q1 2023
- Listing process
 - Start during 2023



**Up-listing
during 2023**

Long term ambitions

	2022 Q3	2025/26 aspirations
Revenue	YoY Growth +23.0% (52.6 MUSD LTM ¹)	~100 MUSD
Gross margin	48.2%	~45%
EBITDA margin	22.8%	~17-20%
EBIT ² margin	20.1%	~13-16%

Note: 1) Revenue for the 12 months Q4 2021 – Q3 2022 2) EBIT margin equals Operating margin

Profit and Loss Statement

Profit and Loss Statement Q3 2022, 2021

	kUSD			kNOK		
	2022	2021	Change	2022	2021	Change
	Q3	Q3		Q3	Q3	
Total revenue	13 641	11 094	23.0%	137 775	96 863	42.2%
Cost of Goods Sold	7 070	6 376		71 203	55 660	
Gross Profit	6 572	4 718	39.3%	66 572	41 203	61.6%
Gross Margin %	48.2%	42.5%	5.7 p.p.	48.3%	42.5%	5.8 p.p.
Operating Expenses	3 463	3 261	6.2%	34 703	28 569	21.5%
EBITDA	3 108	1 456	113.5%	31 869	12 634	152.2%
EBITDA Margin %	22.8%	13.1%	9.7 p.p.	23.1%	13.0%	10.1 p.p.
Depreciation and Amortization	360	433		3 596	3 795	
Operating profit	2 748	1 023	168.6%	28 273	8 839	219.9%
Operating Margin %	20.1%	9.2%	10.9 p.p.	20.5%	9.1%	11.4 p.p.
Net Financial Items	406	11		4 358	108	
Earnings before Tax	3 154	1 034	205.0%	32 631	8 946	264.8%
Profit Margin	23.1%	9.3%	13.8 p.p.	23.7%	9.2%	14.5 p.p.
Estimated Tax	694	227		7 179	1 968	
Net Profit after Tax	2 460	807	204.8%	25 452	6 978	264.7%

Exchange rates

Shares outstanding (Basic)	96 286 593	96 286 593		96 286 593	96 286 593
Shares outstanding (Diluted)	96 286 593	96 286 593		96 286 593	96 286 593

Earnings per share (Basic)	\$	0.026	\$	0.008	kr	0.264	kr	0.078
Earnings per share (Diluted)	\$	0.026	\$	0.008	kr	0.264	kr	0.078

Comments to Q3 events

- Net financial items are largely currency translation differences
- Operating Expenses grow at a slower rate in USD, as most payroll expenses are other currencies than USD

Cash Flow Statement

Cash Flow Statement for Q3 of 2022 and 2021

	kUSD		kNOK	
	2022	2021	2022	2021
	Q3	Q3	Q3	Q3
Cash at the Beginning of Period	5 750	12 168	57 274	104 475
EBITDA	3 108	1 456	31 869	12 634
Changes in Trade Receivables	-655	-2 389	-16 135	-21 692
Changes in Trade Payable	-1 444	203	-11 572	2 233
Changes in Inventory	1 369	-2 007	3 034	-18 348
Changes in Contract Liabilities (Deferred Revenue)	-252	281	305	2 792
Other Working Capital Changes	374	-568	3 877	-4 872
Cash Flow from Operating Activities	2 499	-3 025	11 377	-27 253
Payment for PPE and Development Costs	-263	52	-4 581	99
Other Investing Activities	0	0	0	0
Cash Flow from Investing Activities	-263	52	-4 581	99
Dividend	0	0	0	0
New Shares Issued	0	0	0	0
Changes in Credit Facility	0	0	0	0
Repayments of Lease Liabilities	-169	-224	-1 690	-1 966
Repayments of Borrowing	-176	-81	-417	-417
Paid Interest on Borrowing	-20	-1	-334	-11
Cash Flow from Financing Activities	-366	-307	-2 441	-2 393
Exchange Rate Changes	-1 504	-355	4 779	-617
Net Cash Flow	366	-3 635	9 134	-30 164
Cash at the End of Period	6 116	8 532	66 409	74 312

Comments

- Exchange rate changes are driven by changes in USD/NOK, where holdings in NOK decreases when translated to USD, with a stronger USD

Balance Sheet

Balance Sheet for Sep 30, 2022, 2021

	kUSD		kNOK	
	2022	2021	2022	2021
	Q3	Q3	Q3	Q3
Non-Current Assets	4 792	7 965	52 030	69 376
Intangible Assets	834	877	9 052	7 634
Property, Plant and Equipment	1 352	1 334	14 679	11 617
Right of Use Asset	1 442	2 465	15 658	21 465
Financial Assets	0	0	0	0
Deferred Tax Asset	1 164	3 291	12 642	28 660
Current Assets	30 008	27 087	325 807	235 921
Inventory	11 851	8 350	128 672	72 727
Trade Receivables	10 741	8 845	116 615	77 033
Other Current Assets	1 300	1 361	14 111	11 849
Cash and Cash Equivalents	6 116	8 532	66 409	74 312
TOTAL Asset	34 800	35 053	377 838	305 297
Exchange rates	10.8574	8.7096		

	kUSD		kNOK	
	2022	2021	2022	2021
	Q3	Q3	Q3	Q3
TOTAL Equity	24 048	22 697	261 104	197 678
Non-Current Liabilities	4 282	5 344	46 494	46 542
Other non-current liabilities	0	0	0	0
Non-current deferred revenue	1 772	1 598	19 242	13 916
Non-current interest-bearing debt	1 497	2 057	16 250	17 917
Non-current lease liability	1 013	1 689	11 002	14 709
Current Liabilities	6 469	7 013	70 240	61 077
Credit facility	0	0	0	0
Current lease liability	470	805	5 106	7 010
Current deferred revenue	1 377	1 229	14 952	10 706
Trade Payable	3 149	3 619	34 185	31 522
Public Duties	461	127	5 009	1 105
Other Current Liabilities	1 012	1 233	10 987	10 735
TOTAL Liability	10 752	12 356	116 734	107 619
TOTAL Liability and Equity	34 800	35 053	377 838	305 297
Exchange rates	10.8574	8.7096		

Thank you