

# First-half 2018 Results

- Business undermined by delayed deployment for Tier 1 public carriers
- Gross margin improvement reflecting the initial benefits of the business model
  - Solid cash position maintained: €14m

## Kerlink on track to hit revenue of €70m by 2020

### PRESS RELEASE

Thorigné-Fouillard, 25 September 2018, 5:35 p.m.

**Thorigné-Fouillard**, France, 25 September 2018 – **Kerlink** (AKLK – FR0013156007), a specialist provider of networks and solutions for the Internet of Things (IoT), today released its 2018 first-half results.

As previously announced, the fiscal year began with a lull in the Group's robust growth momentum (CAGR of 62% from 2013 to 2017). Even so, the Group has reiterated its target of €70m in revenue by 2020.

### Consolidated financial statements

On 20 September 2018, the Board of Directors approved the consolidated financial statements for the half-year period ended 30 June 2018.

In thousands of euros	H1 2018	H1 2017
<b>Revenue</b>	<b>8,520</b>	<b>10,088</b>
Gross margin (amount)	4,155	3,377
Gross margin (%)	48%	33%
<b>EBITDA</b>	<b>-1,552</b>	<b>-1,114</b>
Operating income (expense)	-2,554	-1,586
Financial income (loss)	-44	-35
<b>Net profit/(loss) for the company</b>	<b>- 2,684</b>	<b>-1,579</b>

*Under IFRS – Limited review*

### Delayed deployment for public carriers

In the public network carriers segment, the Group posted revenue of €3.4m versus €5.3m in first-half 2017. This decline can be attributed primarily to delayed deployment of contracts with Tier 1 public carriers, observed in the execution of orders initially expected in the second quarter. In the first half of 2017, contracts with Tier 1 carriers contributed over 36% to total revenue, as opposed to less than 25% in H1 2018. Despite these deferrals, which may continue to weigh on activity in the coming months, the Group is as confident as ever that it will soon be able to recapture its growth momentum. Indeed the proliferation of projects in discussion phase, along with major players such as Tencent, Alibaba and Google Cloud recently joining the LoRa™ Alliance are strong signals to support this conviction.

## First-half 2018 Results

- Business undermined by delayed deployment for Tier 1 public carriers
- Gross margin improvement reflecting the initial benefits of the business model
  - Solid cash position maintained: €14m

### Kerlink on track to hit revenue of €70m by 2020

Furthermore, the Group consolidated its positions in the private carriers segment with revenue of €4.9m, up 5% year-on-year.

#### Nearly 40% growth in services

Services contributed €1.6m to H1 2018 revenue, an increase of 38% year-on-year. Sales of the Reference Design solution to new manufacturers, coupled with initial licensing revenues from the marketing of their equipment, substantially increased to €0.2m (+245%).

#### International business: +31%

On the international market, Kerlink generated revenue of more than €5m, up 31%, accounting for 61% of total revenue versus 39% in H1 2017. The Group boasted strong performances in the EMEA region (excl. France, +132%) and the NCSA region (Americas), with the Chicago office generating its first revenues following its creation in August 2017.

#### Gross margin improvement reflecting the initial benefits of the business model

The gross margin came out at €4.2m in H1 2018, representing 48% of revenue versus 33% (€3.4m) in H1 2017, drawing on the improvement in the product mix thanks to the higher contribution of services to total business recorded over the period. This trend is perfectly in line with the Group's plan to combine the development of network infrastructure revenues with an expanded range of high value-added services for all IoT players (public and private carriers, manufacturers and users of connected devices).

The drop in business activity automatically weighed on operating profitability, despite strong cost discipline over the period. H1 2018 EBITDA came to -€1.6m versus -€1.1m in H1 2017.

The *Kerlink Infrastructure Solutions* BU, which sells infrastructure solutions as well as network management and maintenance services, delivered EBITDA of -€1.8m.

The *Kerlink Advanced Services* BU, which offers high value-added application services for connected devices, benefited from the shift in the product mix towards sales of services to generate EBITDA of €0.3m.

Overall, the Group recorded an operating loss of -€2.6m, including €1m in amortisation, depreciation and provisions. Financial income was stable. After tax, Kerlink posted a net loss of -€2.7m in H1 2018.

# First-half 2018 Results

- Business undermined by delayed deployment for Tier 1 public carriers
- Gross margin improvement reflecting the initial benefits of the business model
  - Solid cash position maintained: €14m

## Kerlink on track to hit revenue of €70m by 2020

### Cash position maintained, intact borrowing capacity

Group shareholders' equity totalled €26.1m in H1 2018 versus €28.9m in H1 2017. WCR improved and the cash position held steady at roughly €14m, reflecting strong financial discipline with a borrowing capacity intact. With the financial resources available to the Group and the structure in place, Kerlink is ideally positioned to seize any prime market opportunities aimed at ramping up business.

### An offensive plan to take advantage of market opportunities

In a bid to take full advantage of market opportunities and restore its robust growth momentum, the Group has launched a **5-point plan** of attack:

#### 1) Consolidating its technological edge:

Priorities in this area for the coming months will focus on expanding the interoperability of Group and third-party solutions by tapping into the differentiating core features of the networks and further adapting platform interfaces and protocols brought to market by new players.

#### 2) Ramping up the conversion of public carriers to IoT networks:

Kerlink is already involved in more than 68 deployment projects and expects to see the first transformations in the second half. The Group also plans to step up its efforts to sell global coverage contracts, generating value from its entire range of products and services, from infrastructure deployment to integration of high value-added services.

**3) Accelerating growth in the private operators segment**, with a key focus on developing verticals with higher-potential and increasing the Group's commercial presence by expanding its partnerships.

#### 4) Developing market penetration in the high-potential Asia and Americas regions:

The North American subsidiary has a pivotal role to play in achieving this goal. To that end, the H2 2018 launch of the new Wirnet™ IBTS 64 Highway, the station dedicated to this high-potential market, will go a long way to building the Group's presence in the region. Meanwhile, in Asia, market coverage is poised to expand with the upcoming establishment of a new subsidiary, on the heels of the successful opening of the Singapore office.

#### 5) Supporting the development of the service offer:

In addition to developing its range of geolocation and other high value-added services, Kerlink will continue building on the development driven by the extensive group of clients already equipped with Kerlink solutions all around the world. In the *Reference Design* segment, the contribution of royalties received from the first device manufacturers is expected to continue climbing. The Group is also doubling down on its sales initiatives in a bid to extend this offer to new clients.

## First-half 2018 Results

- Business undermined by delayed deployment for Tier 1 public carriers
- Gross margin improvement reflecting the initial benefits of the business model
  - Solid cash position maintained: €14m

### Kerlink on track to hit revenue of €70m by 2020

Kerlink expects to start seeing the results of this proactive plan in 2019. Although the third quarter is likely to record another sharp decline, business in H2 2018 should end up increasing compared to the first half. The Group targets a gross margin of more than 40% for full-year 2018.

#### About Kerlink Group

Kerlink Group is a global leading provider of end-to-end network solutions for the Internet of Things (IoT), serving telecom operators, businesses and public authorities worldwide. Its growing suite of turnkey IoT services includes network planning, design and operational management that maximizes performance of its market-leading, carrier-grade infrastructure offering. The Group, widely recognized for its IoT expertise, also continually introduces innovative value-added services, such as network-based geolocation, remote end-device management and low-power IoT reference design, which allows its customers to quickly bring to market IoT-ready devices and to imagine innovative business models to monetize their deployments.

In just over 10 years, more than 100,000 Kerlink installations have been deployed in more than 69 countries. In 2017 Kerlink supplied more than 330 customers, including major telecom operators such as Tata Communications, and service providers such as GrDF and Suez. The company's solutions are enabling IoT networks worldwide with major deployments in Europe, South Asia, South America and Oceania. Kerlink, a co-founder and board member of the LoRa Alliance™, has invested more than €10 million in research in the past three years. In 2017, Kerlink Group generated revenues of nearly €25 million, more than 50 percent internationally. Since 2013, it has posted average annual growth of more than 62 percent. It has been listed on Euronext Growth Paris since May 2016 and was added to the EnterNext PEA-PME 150, an index of 150 fast-growing French SMEs, in 2017. It joined the Tech 40 index in April 2018, which recognizes the top-performing tech SMEs on Euronext's markets in Amsterdam, Brussels, Lisbon and Paris.

For more information, go to [www.kerlink.fr](http://www.kerlink.fr) and follow us on Twitter [@kerlink\\_news](https://twitter.com/kerlink_news)

## First-half 2018 Results

- Business undermined by delayed deployment for Tier 1 public carriers
- Gross margin improvement reflecting the initial benefits of the business model
  - Solid cash position maintained: €14m

**Kerlink on track to hit revenue of €70m by 2020**



Upcoming events

**Q3 2018 revenue: out 30 October 2018 after market**

[www.kerlink.fr](http://www.kerlink.fr)

**actifin**  
communication financière

**Investors:**

Actifin  
Benjamin Lehari  
+33 (0)1 56 88 11 25  
[blehari@actifin.fr](mailto:blehari@actifin.fr)

**Financial Press:**

Actifin  
Isabelle Dray  
+33 (0)1 56 88 11 29  
[idray@actifin.fr](mailto:idray@actifin.fr)

**MIL**

**Press and Market Analysts:**

Mahoney Lyle  
Céline Gonzalez  
+33 (0)6 75 85 60 42  
[cgonzalez@mahoneylyle.com](mailto:cgonzalez@mahoneylyle.com)



[www.kerlink.com](http://www.kerlink.com)



[fr.linkedin.com/company/kerlink](http://fr.linkedin.com/company/kerlink)



[@kerlink\\_news](https://twitter.com/kerlink_news)