

Q3 2018 revenue

Q3 revenue declines, in line with forecasts

Improvement expected in Q4

PRESS RELEASE

Thorigné-Fouillard, France - 30 October 2018 - 6:00 p.m.- Kerlink (ALKLK - FR0013156007), a specialist and global leader in solutions dedicated to the Internet of Things (IoT), published its third-quarter 2018 revenue today.

As previously announced, revenues are still bearing the brunt of the lull in the Group's robust momentum (CAGR of 62% from 2013 to 2017). As previously stated, this dip in momentum stems primarily from time lags on contracts with Tier 1 public operators.

In light of its confidence with regard to medium-term trends across the IoT market as a whole, the Group is nevertheless maintaining its target for revenues to reach €70m by 2020.

Revenue by business In thousands euros	At 30 Sept. 2018	At 30 Sept. 2017	Change	Q3 2018	Q3 2017
Public operators	4,218	8,222	-48.7%	831	2,902
Private operators	7,090	6,577	+7.8%	2,150	1,865
Reference Design	243	101	x 2.4	50	45
Total	11,551	14,900	-22.5%	3,031	4,812

Consolidated revenue under IFRS – unaudited figures

Placed on hold by public operators, as growth continues in private operator segment

Kerlink chalked up revenue of €4.2m in the public operators' segment, versus €8.2m at end September 2017.

In addition to the persistent wait-and-see stance being taken by certain public network operators, the decline comes against a demanding comparison base. Indeed, Kerlink recorded sharp growth in revenues in Q3 2017, when it conducted a major contract for a Tier 1 French operator and rolled out the Tata Communications contract in India.

Meanwhile, the Group consolidated its positions in the private operators' segment, with revenue of €7.1m, up 7.8% year-on-year (note that Kerlink posted growth of +5% at end June 2018).

Despite this anticipated decline in Q3 2018, the Group is standing by its 2018 target, with second-half revenue expected to increase relative to the first-half period.

As announced, and despite the temporary dip in revenue, the rising number of projects now at the discussion stage, some of which being very large in scale, cements the Group's confidence in its ability to restore momentum and achieve its target by 2020.

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Growth in value-added application services for connected objects

Revenue by Business Unit In thousands euros	At 30 Sept. 2018	At 30 Sept.2017	Change
Kerlink Infrastructure Solutions	8,170	12,144	-32.7%
Kerlink Advanced Services	3,381	2,757	22.6%
Total	11,551	14,900	-22.5%

Consolidated revenue under IFRS – unaudited figures

Kerlink Advanced Services Business Unit, which markets value-added application services for connected objects, reported growth in sales during the period. As at 30 September 2018, revenue from the BU was up 22.6% at €3.4m and accounted for nearly 30% of total Group sales.

Revenue trends at Kerlink Infrastructure Solutions Business Unit, which markets turnkey solutions for IoT networks, reflect the slowdown in deployments of infrastructure for public operators.

Services account for rising share of product mix

Sales of the Group's services continue to gain traction, as anticipated and in line with its business model. At end September 2018, revenue from services totalled €2.2m, up 31% on the year-earlier period. These now account for some 19.1% of total Group revenue, compared with 11.3% at end September 2017.

Sales of Kerlink's Reference Design solution came to €0.2m at end September 2018.

Kerlink reiterated its expectation for gross margin to top 40% over the full year, thanks notably to the ramp in services revenues.

International activity: growth rate maintained excluding comparison base effect on Asia region

Revenue by geographic area In thousands euros	At 30 Sept. 2018	At 30 Sept. 2017	Change	Q3 2018	Q3 2017	Change
NCSA (Americas)	299	311	-3.9%	116	133	-12.8%
APAC (Asia-Pacific)	2,429	4,613	-47.3%	840	2,234	-62.4%
EMEA, excl. France	1,992	1,927	3.3%	548	519	5.6%
FRANCE	6 831	8,049	-15.1%	1,527	1,926	-20.7%
Total	11,551	14,900	-22.5%	3,031	4,812	-37.0%

Consolidated revenue under IFRS – unaudited figures

Revenue from international activities came to €4.7m, accounting for 41% of total revenue, compared with 46% for the year-earlier period.

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The decline in revenues in the Asia-Pacific zone stemmed from an unfavourable comparison base effect, the Tata Communications contract having been rolled out on a massive scale during the same period of 2017.

With respect to this high-potential region, the Group reiterated it had recently opened a Japanese subsidiary to support the roll-out of LoRa® networks, step up the pace of Group growth in Japan, and underpin its international ambitions for Asia.

Erratum regarding geographic breakdown of H1 2018 revenue

The Group wishes to inform the market of an error in the geographic breakdown of its H1 2018 revenue. The error appeared in a press release issued on 31 July 2018 and was unfortunately repeated in that of 25 July 2018 and in a financial report for the period, which was made available to the public on 3 October 2018. The error concerns the breakdown of revenue generated in H1 2018 by Kerlink Infrastructure Solutions Business Unit: some of the revenue generated in France in Q2 (€1.8m) was mistakenly attributed to the EMEA zone excluding France. This error has no impact on the total revenue or on reported first-half earnings, nor does it affect Q1 2018 revenue and the related geographic breakdown issued on 24 April 2018.

After correction, the updated breakdown of revenue by geographic regions and variations relative to H1 2017 are as follows:

Revenue by geographic area In thousands of euros	Initially Reported			Corrected		
	H1 2018	H1 2017	Change	H1 2018	H12017	Change
NCSA (Americas)	183	178	3%	183	178	3%
APAC (Asia-Pacific)	1,589	2,379	-33%	1,589	2,379	-33%
EMEA, excl. France	3,264	1,408	+132%	1,444	1,408	3%
FRANCE	3,484	6,123	-43%	5,304	6,123	-13%
Total	8,520	10,088	-16%	8,520	10,088	-16%

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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 and follow us on Twitter [@kerlink_news](https://twitter.com/kerlink_news)

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Upcoming events

2018 full-year revenue: 05 February 2019, after trading

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