



Ekinops releases strong 2021 financial results: record EBITDA margin at nearly 17% and net income up 52%

PRESS RELEASE

PARIS, March 8, 2022 – 6:00 p.m. – EKinops (Euronext Paris – FR0011466069 – EKI), a leading supplier of telecommunications solutions for telecom operators and businesses, has published its financial statements for the year ended December 31, 2021, as approved by the Board of Directors on March 7, 2022. The statutory auditors have finished audit procedures and the certification report will be issued shortly.

€m - IFRS	2020	2021	Change
Revenue	92.8	103.6	+12%
Gross margin	51.1	56.5	+10%
<i>% of revenue</i>	55.1%	54.5%	
Operating expenses	47.6	53.0	
EBITDA ¹	14.8	17.6	+19%
<i>% of revenue</i>	15.9%	16.9%	
Current operating income	3.5	3.4	
Operating income/(loss)	3.3	3.0	
Consolidated net income/(loss)	3.2	4.8	+52%
<i>% of revenue</i>	3.4%	4.6%	

¹EBITDA (Earnings before interest, taxes, depreciation and amortization) corresponds to current operating income restated for (i) amortization, depreciation and provisions, and (ii) income and expenses relating to share-based payments (see appendices).

2021 revenue of €103.6 million, with organic growth of 12%

Ekinops' FY2021 consolidated revenue stood at €103.6m, up 12% (identical at constant scope and exchange rates), in line with the Group's target of double-digit business growth set at the start of the year.

This trend is the result of solid momentum in all the Group's activities, particularly in Optical Transport solutions. In addition, revenue generated by software and services grew by more than 60%, representing 14% of Group revenue in 2021 (compared with 10% in 2020).

Internationally, FY 2021 was marked by dynamic growth, with 25% growth in North America (in USD) and 28% in EMEA (Europe excluding France, Middle East and Africa).

Solid gross margin rate at 54.5% despite the global component crisis

Despite the persistent supply problems for certain electronic components, Ekinops' gross margin remained solid in 2021 at €56.5m, up 10% on an annual basis, as Ekinops successfully controlled the supply chain and passed part of the component pricing increases onto equipment sales prices. The Group also benefited from the increase in the share of software and services in its business mix.

Gross margin represented 54.5% of 2021 revenue, in line with the long-term target range (52%-56%).

Record annual EBITDA¹ margin at nearly 17%

In 2021, Ekinops posted EBITDA¹ of €17.6m, up 19% YoY.

The increase in operating expenses was contained (11%), while enabling the company to make the investments required to step up its development, notably with 25 net hires over the period mainly in R&D.

EBITDA margin set another record, at 16.9% versus 15.9% for FY 2020 and 16.0% for 2019.

After net depreciation, amortization and provisions (€11.3m, of which €5.8m of amortization charges related to intangible assets following purchase price allocation) share-based payments expenses (€2.8m), current operating income amounted to €3.4m in 2021, representing 3.3% of revenue. Excluding amortization related to the intangible assets identified after purchase price allocation, the current operating margin was 8.9%.

After booking remaining operating revenue and expenses (€0.4m), primarily related to the external growth strategy (i.e., the acquisition of SixSq in November 2021), operating income was €3.0m.

In 2021, Ekinops reported positive financial income of €0.2m, including a €0.6m exchange rate gain.

After accounting for net corporate tax income of €1.6m (with €2.6m of deferred taxes), annual net income rose 52% to €4.8m, representing a net margin of 4.6%.

Net cash up €3.5 million to €21.6 million² as of December 31, 2021

Supported by cash flow before taxes and net borrowing costs of €17.0m, up 23%, Ekinops generated operating cash flow of €12.5m in 2021, versus €7.2m in 2020. The increase in working capital remained in line with the growth in business activity (+€4.0m at December 31, 2021), particularly high by the end of FY 2021.

Cash outflow from investing activities amounted to -€6.1m, of which -€5.0m of CAPEX including €2.9m of R&D capitalization.

Cash flow from financing activities amounted to -€10.8m in 2021, of which -€5.7m in net repayments of bank debts (including pre-financing of the R&D tax credit (CIR)) and a -€3.2m decrease in factoring.

Overall, cash and cash equivalents decreased by €4.2m in 2021.

As of December 31, 2021, cash and cash equivalents totaled €45.4m and financial borrowings fell to €23.8m from €31.6m in 2020. Ekinops continued to benefit from a highly robust financial position, which was further strengthened at the end of the financial year, posting net cash² of €21.6m at 2021 year-end, up €3.5m from the €18.1m posted in 2020.

¹EBITDA (Earnings before interest, taxes, depreciation and amortization) corresponds to current operating income restated for (i) amortization, depreciation and provisions, and (ii) income and expenses relating to share-based payments (see appendices).

² Net cash = cash and cash equivalents – borrowings (excluding bank debt relating to French research tax credit (CIR) pre-financing and IFRS 16 lease liabilities)

ASSETS - €m IFRS	12/31 2020	12/31 2021	EQUITY & LIABILITIES - €m IFRS	12/31 2020	12/31 2021
Non-current assets	77.6	75.2	Shareholders' equity	90.9	98.8
o/w goodwill	28.3	29.4	Financial liabilities	31.6	23.8
o/w intangible assets	27.2	23.2	o/w bank loans	21.9	18.4
o/w right-of-use assets	5.3	4.6	o/w factoring	7.8	4.5
Current assets	41.2	49.7	R&D tax credit pre-financing	6.3	4.8
o/w inventories	13.9	19.0	Trade payables	12.4	16.2
o/w trade receivables	22.3	24.2	Lease liabilities	5.5	4.7
Cash & cash equivalents	49.6	45.4	Other liabilities	21.8	22.0
TOTAL	168.5	170.3	TOTAL	168.5	170.3

2022 growth ambition: beat 2021 to tend towards 15%

Following a dynamic 2021 performance, which enabled Ekinops to scale up, with revenue topping the €100m mark for the first time and a record EBITDA margin, the Group has strong ambitions for 2022.

Bolstered by the growing success of its Optical Transport Network (OTN) solutions and strengthened by the launch of the new ETSc compact platform, the major partnership with Fujitsu in North America and its proven leadership in virtualization and SD-WAN technologies in Access, Ekinops is aiming to generate greater organic growth in 2022.

After two years of uncertainty caused by the health crisis, Ekinops is seeking to accelerate its development and put itself in a position to achieve greater organic growth, while remaining particularly vigilant in response to the component crisis that is ongoing in 2022.

In this perspective, investments and recruitments will be intensified in 2022—both in R&D to consolidate the leading position of the OTN range and SD-WAN solutions and in sales and marketing following two years of slow activity (business trips, trade shows, etc.) during the pandemic. Backed by an optimal range of solutions, Ekinops' intends to accelerate its commercial development and new client acquisition in 2022 by focusing on strengthening its sales force in 2022.

2022 financial targets

Ekinops has set the following targets for FY 2022:

- **robust organic growth**, at least equal to 2021 growth (+12%);
- **gross margin between 52% and 56%**, in line with long-term ambitions and considering the potential impact of the supply chain crisis on electronic components, which is still very much ongoing;
- **EBITDA margin between 14% and 18%**, integrating human and technological investments to execute the new growth plan.

Boosted by its strong financial position in 2021, with reduced financial debts and a net cash position of more than €20m, Ekinops continues to actively pursue opportunities for external growth.

Ekinops' exposure to the Russian telecom market is extremely limited

Revenue from Russian operators was €0.8m in 2021, accounting for less than 0.8% of revenue in the most recent financial year.

2022 financial calendar

Date	Release
April 12, 2022	Q1 2022 revenue
May 25, 2022	General Meeting
July 11, 2022	Q2 2022 revenue
July 28, 2022	H1 2022 results
October 11, 2022	Q3 2021 revenue
January 11, 2023	FY 2022 revenue
March 7, 2023	2022 annual results

All press releases are published after Euronext Paris market close.

EKINOPS Contact

Didier Brédy
Chairman and CEO
contact@ekinops.com

Investors

Mathieu Omnes
Investor relation
Tel.: +33 (0)1 53 67 36 92
momnes@actus.fr

Press

Nicolas Bouchez
Press relation
Tel.: +33 (0)1 53 67 36 74
nbouchez@actus.fr

About EKINOPS

Ekinops is a leading provider of open and fully interoperable Layer 1, 2 and 3 solutions to service providers around the world. Our programmable and highly scalable solutions enable the fast, flexible and cost-effective deployment of new services for both high-speed, high-capacity optical transport as well as virtualization-enabled managed enterprise services.

Our product portfolio consists of three highly complementary product and service sets:

- EKINOPS 360 provides optical transport solutions for metro, regional and long-distance networks with WDM for high-capacity point-to-point, ring and optical mesh architectures, and OTN for improved bandwidth utilization and efficient multi-service aggregation.
- OneAccess offers a wide choice of physical and virtualized deployment options for Layer 2 and Layer 3 access network functions.
- Compose supports service providers in making their networks software-defined with a variety of software management tools and services, including the scalable SD-WAN Xpress.

As service providers embrace SDN and NFV deployment models, Ekinops enables future-proofed deployment today, enabling operators to seamlessly migrate to an open, virtualized delivery model at a time of their choosing.

A global organization, Ekinops (EKI) - a public company traded on the Euronext Paris exchange - is headquartered in Lannion, France, and Ekinops Corp., a wholly owned subsidiary, is incorporated in the USA.

EKI Name: Ekinops
ISIN code: FR0011466069
LISTED Ticker: EKI
EURONEXT Total number of shares: 25,962,052
For more information, visit www.ekinops.com

Appendices – Alternative performance indicators

EBITDA

The Group has opted to communicate this metric in view of (i) its significance for the analysis of financial performance, and (ii) the vesting terms applicable to the Group's employee bonus share and stock option plans.

As such, the Group defines EBITDA as current operating income restated for (i) amortization, depreciation, provisions and write-offs, and (ii) charges related to share-based payments.

€m - IFRS	2020	2021
Current operating income	3.5	3.4
Amortization, depreciation and provisions	4.6	5.4
Amort., depr. of developed technologies and customer relations	5.8	5.8
Share-based payments	0.9	2.8
EBITDA	14.8	17.6