

H1 2023 EBITDA up 33%:
record high EBITDA margin of 20.2%

PRESS RELEASE

PARIS, 27 July 2023 - 6.00 pm - EKINOPS (Euronext Paris – FR0011466069 – EKI), a leading supplier of telecommunications solutions for telecom operators and enterprises, reports its H1 2023 financial statements (for the period ended 30 June 2023) as approved by the Board of Directors on 26 July 2023. The statutory auditors conducted an interim review of these half-year financial statements.

m€ - IFRS	H1 2022	H1 2023	Change
Revenue	63.3	71.0	+12%
Gross margin	33.5	37.7	+13%
<i>% of revenue</i>	52.9%	53.1%	
Operating expenses	29.3	31.0	+6%
EBITDA¹	10.8	14.3	+33%
<i>% of revenue</i>	17.0%	20.2%	
Current operating income	4.1	6.7	+61%
Operating income/(loss)	4.2	6.6	+60%
Consolidated net income/(loss)	5.2	6.0	+15%
<i>% of revenue</i>	8.2%	8.4%	

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

H1 2023 revenue: 71.0m€, up 12%

Ekinops recorded H1 2023 consolidated revenue of €71.0m, up a solid +12% despite very challenging basis for comparison, with +25% growth posted in H1 2022. At constant exchange rates, half-year growth was also +12%.

Growth was driven primarily by the +41% jump in Optical Transport equipment sales over the period, enabled by the success of WDM solutions and the appeal of OTN technology in the US and Europe. Access solutions sales fell by -5% over H1 2023 (vs. +21% a year earlier), mainly due to lower sales in Asia-Pacific, but remained virtually stable in France and grew by +7% in EMEA. Software & Services business accounted for 14% of the Group's total revenues.

Geographically, first-half revenue rose sharply by +42% in North America (identical in USD terms), which now accounts for 26% of Ekinops' business. The EMEA region, which accounts for 39% of the Group's sales, posted growth of +13% at mid-year. Revenue in Asia-Pacific was down -65%, following +80% growth in the H1 2022. Lastly, in France, where the Group generated 34% of its H1 revenue, sales volumes were up +9% vs. H1 2022.

Record high EBITDA¹ margin of 20.2%

H1 2023 gross margin stood at 37.7m€, up +13% Y-o-Y, despite a complex economic environment and heightened market competitiveness. Gross margin thus represented 53.1% of consolidated revenue in H1 2023 vs. 52.9% a year earlier and 53.0% end-2022.

At mid-year, EBITDA came to 14.3m€, vs. 10.8m€ a year earlier, representing sustained growth of +33%. The rise in operating expenses was very well controlled (modest increase of +6% below the pace of revenue growth), despite the investments necessary to accompany the Group's expansion and growth (net rise in headcount of +37 over the last 6 months, R&D equipment purchases and higher number of exhibitions and business travel).

As such, H1 2023 EBITDA margin reached a record level of 20.2%, exceeding the 20% mark for the first time. EBITDA margin was 17.7% in 2022 and 16.9% in 2021.

Adjusted EBIT of 14% in H1 2023

After accounting for net depreciation, amortization and provisions (7.1m€, including 3.2m€ of amortization relating to post purchase price allocation technologies) and non-cash expenses relating to share-based payments (0.7m€), current operating income came to 6.7m€ in H1 2023, up a strong +61% on the same period last year. Current operating margin therefore represents 9.4% of revenue vs. 6.5% in the year-earlier period. Excluding amortization of intangible assets identified post purchase price allocation, adjusted EBIT² came to 14.0%, compared with 11.2% a year earlier.

In the absence of other significant operating income and expenses, operating income rose by +60% to 6.6m€ in H1 2023, compared with 4.2m€ a year earlier.

After taking into account financial expenses of 0.1m€ and a tax expense of 0.5m€, H1 2023 net income rose by 15% to 6m€, vs. 5.2m€ in H1 2022.

Net margin for the semester was 8.4%, vs. 8.2% a year earlier.

Net cash³ of 20.3m€ as of 30 June 2023

The positive trend in Ekinops' operating indicators led to a +36% increase in cash flow, to 14.6m€.

The increase in working capital requirements to +13.1m€ was mainly due to buoyant business at the end of H1 (+10.2m€ increase in accounts receivable). Operating cash flow therefore amounted to 0.9m€, vs. 2.2m€ in H1 2022.

Cash flow from investments (non-current assets and R&D) amounted to a 4.4m€ outflow (vs. 2.8m€ in H1 2022) with 2.4m€ in equipment investments and 2.0m€ for capitalized R&D.

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

² Adjusted EBIT corresponds to current operating income adjusted for amortization charges related to intangible assets identified post purchase price allocation, i.e. developed technologies and customer relation.

³ Net cash = cash and cash equivalents – borrowings (excluding bank debt relating to R&D tax credit (CIR) pre-financing and IFRS 16 lease liabilities).

Cash flow from financing activities totaled +11.7m€, including +10.6m€ in new bank loans contracted net of reimbursements over the period. This also included the 7.8m€ participatory recovery loan (*Prêt Participatif de Relance - PPR*), which was cashed at the beginning of March 2023.

Cash and cash equivalents totaled 47.6m€ as of 30 June 2023 (vs. 39.4m€ a year earlier), for financial borrowings⁴ of 27.3m€.

As such, Ekinops had a very solid financial position at the end of H1 2023 with net cash at 20.3m€ (vs. 19.3m€ a year earlier and €20.5m at end-2022), and equity of €121.1m (up +7.5m€ from end-December 2022).

At the close of the half-year period, Ekinops arranged a new 100m€ financing line with its banking partners, to provide the company with additional financial resources to support its development, in particular its acquisitions strategy, using non-dilutive financing methods⁵. The new financing consists of a confirmed 50m€ external growth loan (which may be increased to 90m€ under certain conditions) with a seven-year maturity, and a revolving loan of up to 10m€. These new financings will benefit from ESG targets that take into account Ekinops' Corporate Social Responsibility (CSR) strategy.

ASSETS - €m - IFRS	12/31 2022	06/30 2023	LIABILITIES - €m - IFRS	12/31 2022	06/30 2023
Non-current assets	79.8	77.8	Shareholders' equity	113.6	121.1
o/w goodwill	28.5	28.5	Financial liabilities	18.9	27.3
o/w intangible assets	21.1	19.1	o/w bank loans	14.5	20.7
o/w right-of-use assets	6.8	7.8	o/w factoring	4.4	6.6
Current assets	63.5	77.2	French research tax credit pre-financing	2.6	6.8
o/w inventories	25.0	24.9	Trade payables	17.7	16.5
o/w trade receivables	29.9	40.0	Lease liabilities	6.9	8.0
Cash & cash equivalents	39.4	47.6	Other liabilities	23.0	22.9
TOTAL	182.7	202.6	TOTAL	182.7	202.6

Outlook

The H1 2023 figures testify to a very good performance by Ekinops, with solid double-digit growth, despite a very demanding base effect, and record profitability, with EBITDA margin over 20% for the first time, and adjusted EBIT of 14.0%.

In today's less buoyant market environment, with less visibility for H2 2023, Ekinops' priority is to intensify its hunting of new customers in all its geographies.

At mid-year, 2023 financial targets remain unchanged:

- **revenue growth of over +12%**, with a return to a more traditional seasonal pattern in H2;
- **EBITDA margin between 15% and 19%**.

⁴ Financial debt excluding bank debt relating to R&D tax credit pre-financing and IFRS 16 lease liabilities

⁵ See [press release of 19 July 2023](#)

In terms of external growth, Ekinops maintains its ambition to complete a transaction during the year, favoring a non-dilutive source of financing.

2023 financial calendar

Date	Release
October 11, 2023	Q3 2023 revenue
January 10, 2024	FY 2023 revenue

All press releases are published after Euronext Paris market close.

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About EKINOPS

Ekinops is a leading provider of open, trusted and innovative network connectivity 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: EKINOPS360, OneAccess and Compose.

- EKINOPS360 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 and SixSq Edge-to-Cloud solutions.

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 operates on four continents.

Name: Ekinops
 ISIN code: FR0011466069
 Ticker: EKI
 Total number of shares: 26,795,049



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) expenses and income related to share-based payments.

€m - IFRS	H1 2022	H1 2023
Current operating income	4.1	6.7
Amortization, depreciation and provisions	2.3	3.8
Amortization of developed technologies and customer relations	3.0	3.2
Share-based payments	1.3	0.7
EBITDA	10.8	14.3