

H1 2024 results: EBITDA margin of 14.3%

PRESS RELEASE

PARIS, 29 July 2024, 6:00 pm – EKINOPS (Euronext Paris – FR0011466069 – EKI), a leading supplier of telecommunications solutions for telecom operators and enterprises, reports its H1 2024 financial statements (for the period ended 30 June 2024) as approved by the Board of Directors on 29 July 2024. The statutory auditors conducted an interim review of these half-year financial statements.

m€ – IFRS	H1 2023 (6 months)	H2 2023 (6 months)	H1 2024 (6 months)	2023 (12 months)
Revenue	71.0	58.1	57.5	129.1
Gross margin	37.7	29.6	32.2	67.3
<i>As a %</i>	53.1%	50.9%	56.1%	52.1%
Operating expenses	31.0	31.3	29.3	62.3
EBITDA¹	14.3	4.3	8.2	18.6
<i>As a %</i>	20.2%	7.4%	14.3%	14.4%
Current operating income (EBIT)	6.7	-1.6	3.0	5.1
Operating income	6.6	-3.0	2.6	3.6
Consolidated net income	6.0	-2.4	1.5	3.6
<i>As a %</i>	8.4%	n.a.	2.6%	2.8%

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 relating to share-based payments.

H1 2024 revenue: 57.5m€

Ekinops recorded H1 2024 consolidated revenue of 57.5m€, down -19% from the same period last year (identical at constant exchange rates).

Propelled by the sales rebound in France (+16% in H1 2024), the **Access** business line grew +1% over the period, after a decline over 2023. The Group's main operator-customers are gradually rebuilding their Access equipment inventory, without reaching normative levels.

Conversely, sales of **Optical Transport** solutions were down -41% in H1 2024, after an all-time high performance in 2023 (+41% in H1 2023 and +27% on a full-year basis). This business line was mainly

impacted by (i) reluctance from operators with substantial inventory to initiate CAPEX (capital expenditure), (ii) slower growth for 2023 internet traffic in a context of overcapacity and (iii) a wait-and-see attitude triggered by the delayed launch of Ekinops' new 800G optical solution.

Software & Services accounted for 17% of Group revenue, with an increasing share of recurring revenue, particularly for the SD-WAN solution.

Geographically, H1 2024 revenue increased by +5% in France while international business declined by -31%. International sales for this first half came out to 56% (vs. 66% a year earlier), of which 22% in North America (down -31%), 32% in EMEA (Europe, Middle East and Africa, down -32%) and 2% in Asia-Pacific (decline of -15%).

H1 2024 gross margin: 56.1%

At mid-year, gross margin stood at 32.2m€, versus 37.7m€ Y-o-Y.

Gross margin thus reached a record level of 56.1% in H1 2024, vs. 53.1% a year earlier and 52.1% end-2023. This record gross margin performance results from a favorable business mix (growth in the Access business line), a solid "selling price/manufacturing costs" ratio for Ekinops' solutions, and the increasing share of Software & Services' in Group's revenue.

H1 2024 EBITDA margin¹: 14.3%

At mid-year, EBITDA came to 8.2m€ vs. 14.3m€ Y-o-Y, with a -6% decline in operating expenses, driven by carefully managed costs (-11% in general costs, -6% in R&D costs and -3% in marketing and sales costs). As such, H1 2024 EBITDA margin was 14.3%, compared to an exceptional 20.2% a year earlier and 14.4% in FY 2023.

After accounting for net depreciation, amortization and provisions (4.1m€, including 1.1m€ of amortization relating to post purchase price allocation technologies), declining due to the discontinued amortization of *OneAccess* technology, and non-cash expenses relating to share-based payments (0.6m€), current operating income came to 3.0m€ in H1 2024 vs. 6.7m€ a year earlier.

Current operating margin therefore stood at 5.1% of half-year revenue, vs. 9.4% the same period last year and 3.9% in FY 2023.

H1 2024 adjusted EBIT: 7.0%

Excluding amortization of intangible assets identified post purchase price allocation, adjusted current operating margin (adjusted EBIT²) came to 7.0%, vs. 14.0% a year earlier and 8.0% at end-2023.

Other operating expenses totaled 0.4m€, resulting in operating income of 2.6m€ for H1 2024 vs. 6.6m€ Y-o-Y and 3.6m€ for FY 2023.

After taking into account financial expenses of 0.7m€, comprising a net interest expense and foreign exchange gains on currency hedging, and a tax expense of 0.4m€, H1 2024 net income stood at 1.5m€, vs. 6.0m€ a year earlier and 3.6m€ in FY 2023

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 relating to share-based payments.

² Adjusted EBIT corresponds to current operating income adjusted for amortization of intangible assets identified after allocation of goodwill, Technologies developed and Customer relations.

H1 2024 operating cash flow: 5.1m€

Despite the economic challenges impacting its business, Ekinops showed once again resilience with an ability to generate cash through its operations.

At mid-year, operating cash flow totaled 5.1m€, up significantly compared with H1 2023 (+0.9m€). Change in working capital requirements was limited to €2.1m, down considerably from the previous year (13.1m€ in H1 2023, boosted by the sharp increase in accounts receivable). H1 2024 decrease in accounts receivable (-3.4m€) notably offset rising inventory (3.3m€) as a result of slower business activity.

Cash flow from investments (non-current assets and R&D) amounted to -5.7m€ (vs. -4.5m€ a year earlier), with 1.1m€ in equipment investments and 4.5m€ for capitalized R&D and the acquisition of the 5View software suite.

Cash flow from financing activities totaled -4.7m€, including -2.5m€ in repayments under bank loans. No new loans were taken out during the semester.

At the end of H1 2024, change in cash flow was -€5.4m.

Comfortable net cash³ position of €22.3m as of June 30, 2024

ASSETS – €m IFRS	12/31 2023	6/30 2024	LIABILITIES – €m IFRS	12/31 2023	6/30 2024
Non-current assets	78.8	85.4	Shareholders' equity	119.4	120.4
o/w goodwill	28.5	28.4	Financial borrowings	21.4	19.5
o/w intangible assets	17.1	18.5	o/w bank loans	18.3	16.7
o/w right-of-use assets	6.7	12.4	o/w factoring	2.8	2.5
Current assets	66.6	68.9	French research tax credit pre-financing	5.1	4.3
o/w inventories	25.9	29.2	Trade payables	18.2	17.1
o/w trade receivables	30.0	26.6	Lease liabilities	7.0	12.9
Cash	47.2	41.8	Other liabilities	21.5	21.8
TOTAL	192.6	196.0	TOTAL	192.6	196.0

During the first half of 2024, Ekinops signed the lease for its new headquarters in Lannion (Brittany) as well as renewing its Belgian subsidiary's commercial lease. This increased the Group's right-of-use assets to 12.4m€.

Cash and cash equivalents totaled 41.8m€ as of 30 June, 2024, for financial borrowings⁴ of 19.5m€.

As such, Ekinops benefited from a healthy financial position at the end of H1 2024, with net cash at 22.3m€ (vs. 20.3m€ a year earlier and 25.8m€ at end-2023) with shareholders' equity of 120.4m€ (vs. 119.4m€ as of 31 December 2023).

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

⁴ excluding bank debt relating to French research tax credit (CIR) pre-financing and IFRS 16 lease liabilities

Subsequent to the semester, Ekinops secured a 1.8m€ subsidy, granted by the French government and Bpifrance as part of the "ORANGE MECT PART" major project of common European interest (PIIEC) initiative. The latter was developed in collaboration with Orange and its partners, to provide innovative connectivity solutions for specific configurations or digital deserts, as an alternative to current transmission solutions.

Outlook

Against a sluggish economic backdrop, Ekinops proved resilient thanks to a strong gross margin, sound management of operating expenses and a further demonstrated ability to generate cash flow despite the slowdown in business.

In Access, the gradual normalization of operator inventories in France led Ekinops to report modest growth for this segment over the semester. Looking ahead to H2 2024, the Group aims to accelerate this trend, both in France and EMEA, conditional on a favorable economic recovery. In Optical Transport, the launch of the 800G solution with its innovative features and the cost-optimized 100G product should spark fresh momentum in this business line over the coming semesters.

In this context, Ekinops expects Q3 2024 revenue to follow the same trend as previous quarters, with a more marked improvement in business targeted for Q4 2024.

In terms of external growth, Ekinops still aims to carry out operations to consolidate the Group, strengthen its offering and expand its customer base, favoring a non-dilutive source of financing.

2024 financial calendar

Date	Release
October 15, 2024	Q3 2024 revenue
January 13, 2025	FY 2024 revenue
March 5, 2025	2024 annual results

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.

EKI Name: Ekinops
LISTED ISIN code: FR0011466069
EURONEXT Ticker: EKI
Total number of shares: 26,994,049

For more information, visit www.ekinops.com

Appendices – Alternative performance indicators

EBITDA

The Group has opted to communicate this metric in view of its significance for the analysis of financial performance, and 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 2023	H1 2024
Current operating income (EBIT)	6.7	3.0
Amortization of developed technologies and customer relations	3.2	1.1
Adjusted EBIT	9.9	4.1
Amortization and provisions	3.8	3.6
Share-based payments	0.7	0.6
EBITDA	14.3	8.2