



FY 2020 annual results

Investor presentation

March 2021

Speakers



Didier Brédy
Chairman - CEO



Dmitri Pigoulevski
CFO

Disclaimer

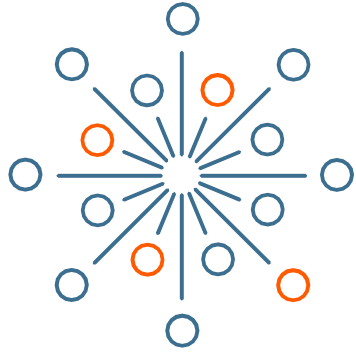
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We provide innovative telecommunications solutions to service providers for layers 1, 2 and 3

LAYERS

- 1 Optical transport over fibre optic cables
- 2 Switching / Ethernet services
- 3 Routing / IP services

2020 revenue: 92.8m€



- 2018: **+14%** growth – **12.4%** EBITDA
- 2019: **+11%** growth – **16.0%** EBITDA
- 2020: **flat revenue** – **15.9%** EBITDA

Staff: 460



- Half in **R&D**
- 90+% **software engineers**
- **20+%** of revenue in R&D
- **Innovation** is at the heart of our strategy

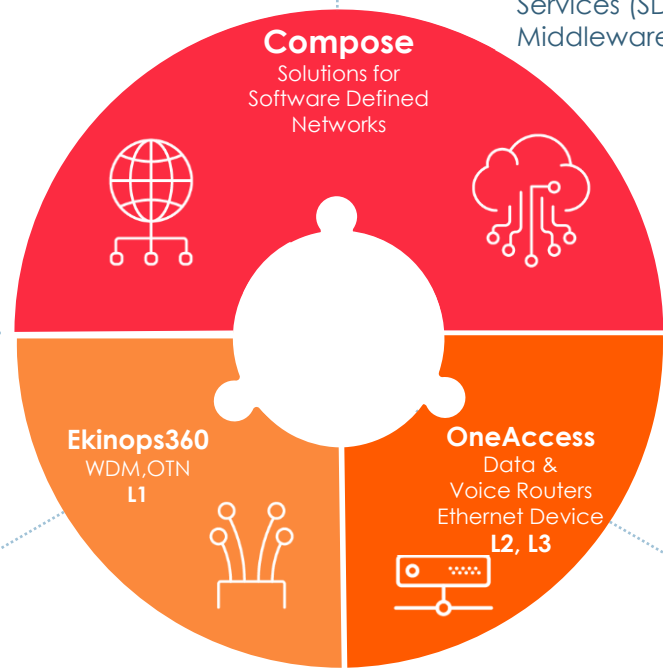
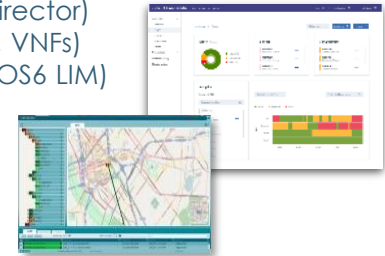


Ekinops Portfolio



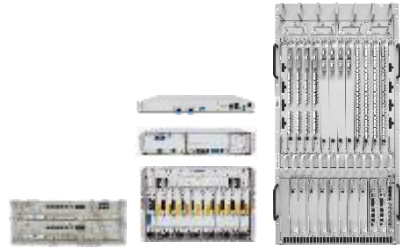
COMPOSE

Manager (NMS, Director)
 Services (SD-WAN, VNFs)
 Middleware (OneOS6 LIM)



EKINOPS360

Dynamic Optical Transport



Optical Transport Solutions for metro / long-haul / ...

ONEACCESS

Fast Network Virtualization



Devices for Branch Offices and Edge Networks

Software
 Hardware

The Partner of Service Providers



Half of the top 30 service providers are customers

1/3rd of the top 100



Shipped ~3 million CPEs

OneAccess:
#3 brand in our segment



Half of Ekinops360 installed-base in the USA



ACTIVITY & HIGHLIGHTS

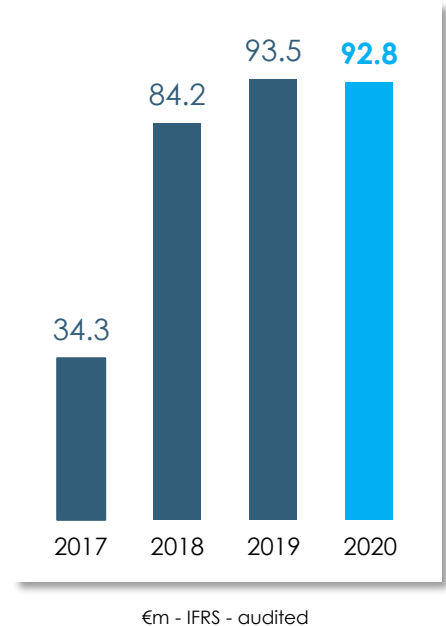
Strong commercial performance in a disrupted market

- **FY revenue stable at €93 million: a performance above that of the market**

- -0.8% nominal
- +0.2% at constant exchange rates

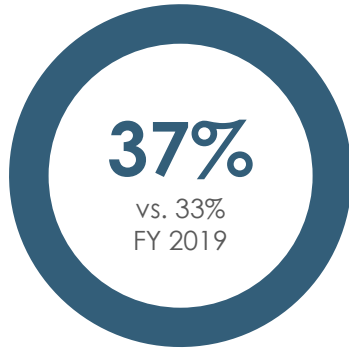
- **Strong momentum in the main strategic areas**

- **Optical transport:** OTN solutions, catalyst for WDM product sales
- **Access:** sales of mid-range routers with high added value and higher margins doubled in 2020
- New contracts and new customers in the **virtualization** and **SD-WAN** markets



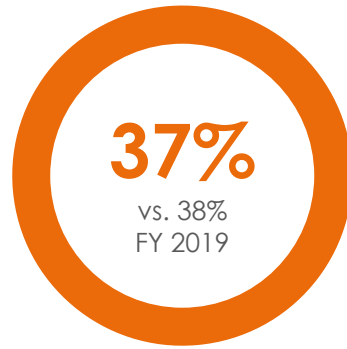
Revenue Breakdown by Region (FY 2020)

France



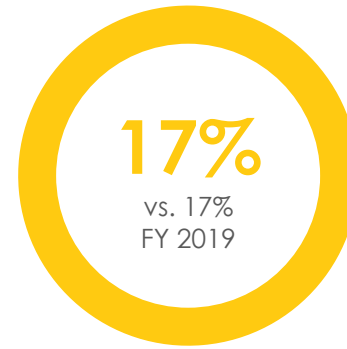
Solid business with **very encouraging annual growth of +9.0% FY 2020**

EMEA (excl. France)



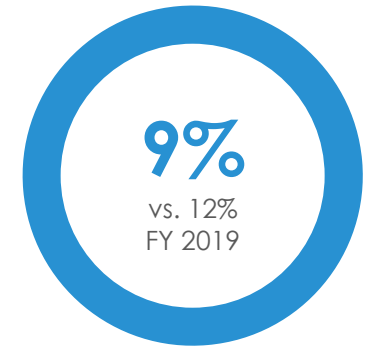
EMEA sales down 2% **flat at constant currencies**
Growth in H2: +8% particularly in Eastern and Northern Europe

North America



Business stable in this region, **grew 2.8% at constant exchange rate**: good performance given the context

Asia Pacific



Sales down -24% in 2020
Most affected area by the health crisis (strict lockdown measures)

2020 Top10 customers

| | Areas | % revenue 2020 | Change vs. 2019 |
|--------------|-----------|----------------|-----------------|
| Customer #1 | France | 22% | +14% |
| Customer #2 | France | 7% | +6% |
| Customer #3 | EMEA | 5% | +107% |
| Customer #4 | EMEA | 4% | -4% |
| Customer #5 | APAC | 4% | +371% |
| Customer #6 | EMEA | 3% | -50% |
| Customer #7 | APAC | 3% | -31% |
| Customer #8 | EMEA | 2% | +77% |
| Customer #9 | France | 2% | -37% |
| Customer #10 | North Am. | 2% | +889% |
| Total | | 54% | +13% |

- **+13% growth of Top10 customers**
- **Rebound for customers #1 and #2 (French) after a decline in 2019**
- **Solid growth for several international clients**
 - EMEA (excluding France): #3 and #8
 - APAC: #5
- **1st US customer: #10 representing 2% of FY 2020 revenue**

2020 commercial highlights

- **Optical transport: First commercial win for the OTN Switching Technology**
 - Deal with a major provider of telecommunication and digital solutions in EMEA: upgrade of an existing optical transport network from 10G to 100G
- **Optical transport: Adamo deploys Ekinops 200G FlexRate™ solution**
 - 7-figure contract - part of a total infrastructure investment of €250 million
- **Access: First major 10Gb/s router win in Europe**
 - 7-figure contract with a Tier 1 in EMEA
- **Ekinops OneOS6-LIM certified on Verizon's wireless network together with Lanner's white-box solution**
- **Virtualization: strengthening of Ekinops' leadership**
 - uCPE and pCPE selected by **Orange Business Services** and several other service providers
 - Chosen by **Swisscom** for access network virtualization software

EMEA



Other 2020 highlights

- **Launch of Compose, a new suite of Ekinops software products**
 - Compose enables operators to expand their service portfolio with software defined networks (SDN) solutions
 - Compatible with third-party white-boxes and VNFs (Virtualized Network Functions)

- **Appointment of our new Chief Technology Officer and Vice President of Research and Development (CTO and VP of R&D)**
 - Mission: strengthen the Ekinops technology vision and accelerate software innovation

- **New technological and commercial partnerships**
 - **Lanner**: develop the Access market in North America
 - **Alef**: distribution agreement in the Adriatic area
 - **Vexpress**: business partnership for Australia and New Zealand



Vincent Munière

Lanner

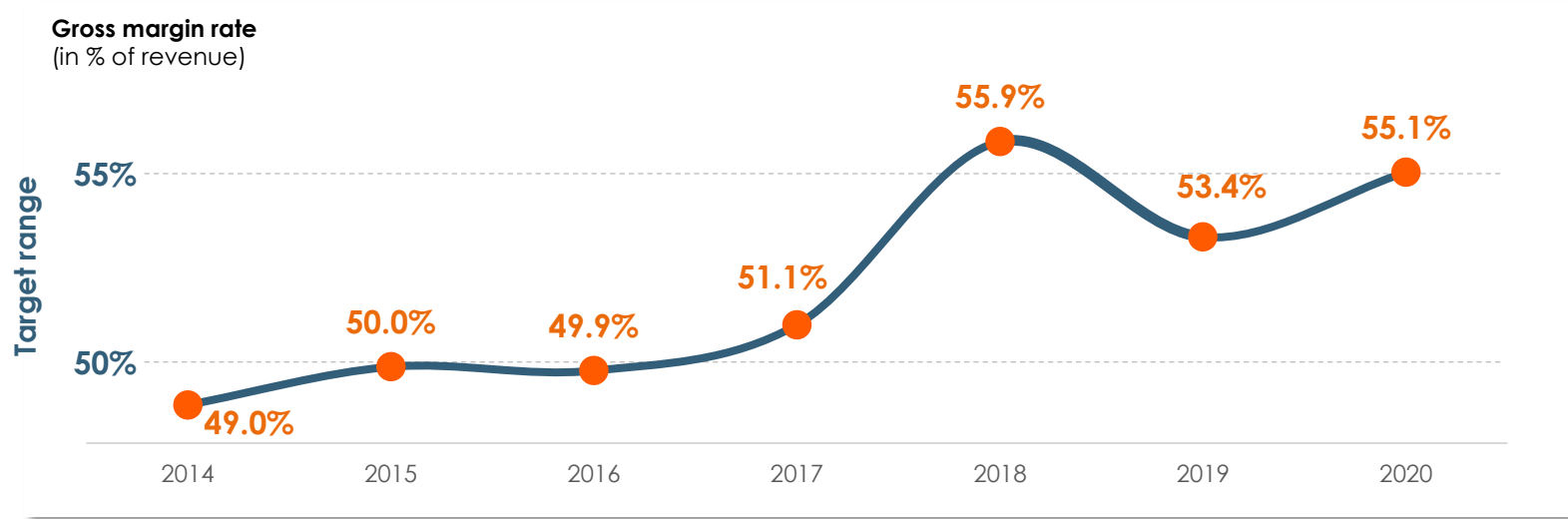
ALEF

V EXPRESS



FY 2020 KEY FINANCIALS

2020 gross margin rate above the target range



- **Gross margin rate of 55.1%, up 1.7 point**
- **Strict control of production costs**
- **Successful upmarket strategy: new solutions (10 Gb/s connectivity routers mid-range) contribute to improving the product mix and margins**

FY20 P&L (1/2)

| €m - IFRS - Audited | 2019 ¹ | 2020 | Var. |
|-----------------------------|-------------------|--------------|------------|
| Revenue | 93.5 | 92.8 | -1% |
| Gross margin | 49.9 | 51.1 | +3% |
| <i>% of revenue</i> | 53.4% | 55.1% | |
| Operating expenses | 45.3 | 47.6 | +5% |
| <i>o/w R&D expenses</i> | 18.6 | 22.1 | +18% |
| <i>o/w S&M expenses</i> | 18.5 | 18.0 | -3% |
| <i>o/w G&A expenses</i> | 8.2 | 7.5 | -9% |
| EBITDA² | 15.0 | 14.8 | -1% |
| <i>% of revenue</i> | 16.0% | 15.9% | |

- **Limited increase of €2.2 million year-on-year in operating expenses**
- **R&D: + €3.4 million**
 - €1.2 million of D&A charges (o/w €0.8 million due to the OTN acquisition)
 - €1.4 million due to the expansion of the R&D team (+7 new hires) and the full-year impact of Ekinops Brasil
 - R&D new projects and subcontracting: +€0.8 million
- **S&M / G&A: - €1.2 million**
 - due to savings on travel expenses and trade shows
 - non-cash expenses relating to share-based payments: €0.9 million vs. 1.8 million in 2019
- **Robust 2020 EBITDA margin: 15.9%**
 - 14.2% in H1 2020 / 17.7% in H2 2020
 - no partial unemployment measures

FY20 P&L (2/2)

| €m - IFRS - Audited | 2019 ¹ | 2020 | Var. |
|---|-------------------|--------------|--------------|
| EBITDA² | 15.0 | 14.8 | -1% |
| <i>% of revenue</i> | 16.0% | 15.9% | |
| Net depreciation, amortization and provisions | (2.1) | (2.7) | |
| Amortization charge – Technologies & PPA | (5.1) | (5.8) | |
| Depreciation charge - Right-of-use assets | (1.7) | (1.6) | |
| Net expenses relating to share-based payments | (1.8) | (0.9) | |
| Net provisions | 0.2 | (0.3) | |
| Current operating income | 4.5 | 3.5 | -22% |
| <i>% of revenue</i> | 4.9% | 3.8% | |
| Other operating income/(expenses) | (2.6) | (0.2) | |
| Operating income | 2.0 | 3.3 | +72% |
| Net income | 1.6 | 3.2 | +100% |
| <i>% of revenue</i> | 1.7% | 3.4% | |

- **Slight net increase of €0.8m in non-cash expenses**
 - + €0.7 million amortization charge due to OTN acquisition (Technologies & PPA)
 - Non-cash expenses relating to share-based payments decline - €0.9 million
- **Absence of material non-recurring expenses related to “strategic projects”**
- **Net income doubled: €3.2 million in 2020**

FY20 Cash Flow

| €m - IFRS - Audited | 2019 ¹ | 2020 |
|--|-------------------|--------------|
| Cash flow before taxes & net borrowing | 12.4 | 13.8 |
| Change in operating working capital | (0.1) | 6.1 |
| Other items of operating working capital (R&D tax credit, tax and social security debt) | 2.0 | (0.5) |
| Tax paid | (0.9) | (1.0) |
| Cash flow from operating activities | 9.6 | 7.2 |
| Cash flow used by investing activities | (16.1) | (4.9) |
| o/w acquisition of non-current assets and R&D | (3.9) | (4.3) |
| o/w share acquisitions | (12.2) | (0.6) |
| Cash flow used by financing activities | 13.1 | 14.9 |
| o/w share issues | 7.3 | 3.3 |
| o/w net change in borrowings | 7.9 | 12.7 |
| Lease payments under IFRS 16 | (1.7) | (1.6) |
| Change in cash & cash equivalents | 7.5 | 17.0 |

- **Cash flow before taxes and net borrowing costs: €13.8 million, up 11%**
- **Working capital increase mainly due to the year-end components build-up**
- **Cash flow from investing activities: €4.9 million**
 - €4.3 million in CAPEX (non-current assets and R&D) up 10% due to the acquisition of the OTN business
 - €0.6 million expense relating to the buyout of minority interests of ex-OneAccess shareholders
- **Cash flow from financing activities: €14.9 million**
 - €12.7 million net of repayments, including €12.5 million under government support schemes « COVID-19 » (PGE and PPP)
 - €3.3 million capital increase following the exercise of warrants and stock options by employees
- **Cash & cash equivalent up €17.0 million**

Net Cash¹ of €18.1 million at December 31, 2020

| €m - IFRS - Audited | 12/31/20 |
|--|-------------|
| Cash & cash equivalent | 49.6 |
| Financial liabilities | 31.6 |
| o/w bank loans | 21.9 |
| o/w conditional advances & interest-free loans | 1.3 |
| o/w factoring liabilities | 7.8 |
| o/w other financial liabilities | 0.6 |
| Net cash position¹ | 18.1 |
| R&D tax credit financing (CIR) receivable | 6.3 |
| Lease liabilities (IFRS 16) | 5.5 |

- **€21.9 of bank loans**, o/w €12.0 million “PGE” (French state-guaranteed loan) and €0.5 million loan under the PPP (United States)
- **Factoring liabilities:** trade receivables remain on BS
- **Bank debt relating to R&D tax credit (CIR) pre-financing:** repayment via liquidation of the debt by the tax authorities
- **Net cash¹ of €18.1 million at End 2020** (vs. €14.0 m at End 2019)

Balance Sheet

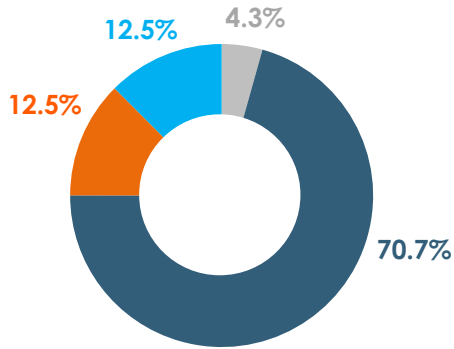
| €m - IFRS - Audited | 12/31/19 ¹ | 12/31/20 | €m - IFRS - Audited | 12/31/19 ¹ | 12/31/20 |
|------------------------------------|-----------------------|--------------|---|-----------------------|--------------|
| Non-current assets | 83.9 | 77.6 | Shareholders' equity | 86.5 | 90.9 |
| o/w goodwill | 28.7 | 28.3 | Financial liabilities | 18.6 | 31.6 |
| o/w intangible assets | 34.3 | 27.2 | o/w bank loans | 9.8 | 21.9 |
| o/w right-of-use assets | 6.2 | 5.3 | o/w factoring | 6.7 | 7.8 |
| Current assets | 38.9 | 41.2 | R&D tax credit pre-financing | 5.3 | 6.3 |
| o/w inventories | 10.5 | 13.9 | Trade payables | 13.8 | 12.4 |
| o/w trade receivables | 21.4 | 22.3 | Lease liabilities | 6.5 | 5.5 |
| Cash & cash equivalents | 32.6 | 49.6 | Other liabilities | 24.6 | 21.8 |
| TOTAL | 155.4 | 168.5 | TOTAL | 155.4 | 168.5 |

- **Goodwill: no impairment**
- **Intangible assets include €22m of Technology and Client relations (post PPA): 3-5 years of amortization remaining**

Capital Markets Snapshot¹

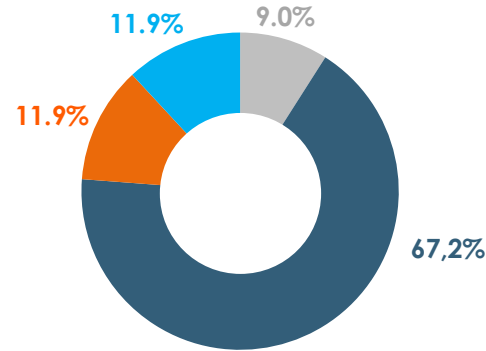
- **Shareholding (current)**

25,614,322 shares



- **Shareholding (fully diluted)**

26,917,669 shares



Management & Employees

Bpifrance

Aleph Capital

Free float

- **Stock market data**

- **ISIN:** FR0011466069
- **Ticker symbol:** EKI
- **Stock price:** €6.46
- **Market capitalization:** €166m (comp. B)
- **Daily average liquidity:** €465,000 (FY 2020)

- **2021 financial calendar**

- **Q1 2021 revenue:** April 12, 2021
- **General meeting:** May 27, 2021
- **Q2 2021 revenue:** July 12, 2021
- **H1 2021 results:** July 29, 2021
- **Q3 2021 revenue:** October 12, 2021
- **Q4 2021 revenue:** January 12, 2022
- **FY 2021 results:** March 8, 2022





OUTLOOK

Market drivers



Digital adoption

- 5B individuals with at least 1 mobile device today
- 25B IoT devices in 2025
- 2020 pandemic accelerated the trend



Cloud & Edge

- Flexible, distributed resources for on-demand usage
- Real-time tools for collaboration
- Work anywhere with same performance as if in the office



Service providers



- **Network core:** strengthen the optical layer
- **Edge:** bring compute power and telecom resources closer to the users
- **Access:** 5G / less latency
- **Management:** virtualization / all software defined (SDN)

Evolution that will fuel our growth

1 Bandwidth Explosion and Optimization 

2 SDN, SD-WAN & Virtualization 

3 5G: More Traffic, More Virtualization 

4 Edge Computing: Convergence of Access Functions and WAN/Cloud Services into the Edge Network 

Market context

- **Positive signals for the beginning of the year 2021...**

- Operators' investment projects are encouraging
- Service providers are again entertaining new solutions and new vendors

- **But too early to declare a market recovery given the prolongation of the health crisis**

- No return to pre-pandemic investment levels yet

Current worldwide shortages of some electronic components



- Could possibly shift Q2 deliveries of many suppliers to H2 2021
- Ekinops has built surplus inventory and ordered components early since Q4 2020
- Cautiously optimistic: hoping for a limited impact of these shortages on Ekinops' business

2021 financial targets



Revenue

Long-term ambition:
double-digit growth

Target to be confirmed mid-2021



Gross margin

Raising the guidance to
52% - 56%

thanks to upmarket &
software strategy



EBITDA

EBITDA guidance:
Between 12% & 16%
while continuing to invest in
innovation and business
development

We are studying all acquisition opportunities that would create value for the Group
leveraging its robust financial position (€49.6 millions of cash & cash equivalents)



Thanks

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Ekinops Product Portfolio: 3 Brands

EKINOPS360

ONEACCESS



COMPOSE

Clients

Telecom operators, service providers, enterprises

Markets

Metro & Longhaul

Edge & Access

Network management and virtualization

Solutions

CWDM/DWDM products
Transponders & Muxponders
ROADMs
OTN & Packet Switching

Ethernet Access Devices
Data & voice enterprise routers
uCPE

Virtualization & VNFs
SD-WAN
NMS

Services

Support, Network design, Consulting, Security audit, Certification, etc.

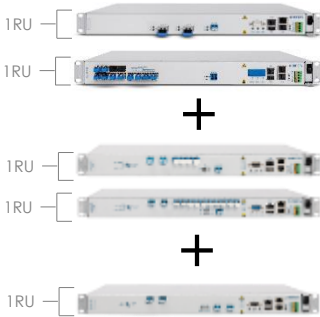
Ekinops Optical Transport Solutions



Compose Manager



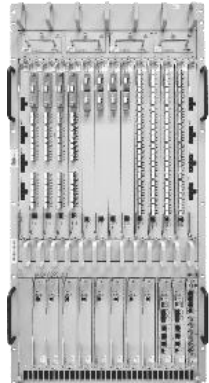
Layer 1



White Box Transport

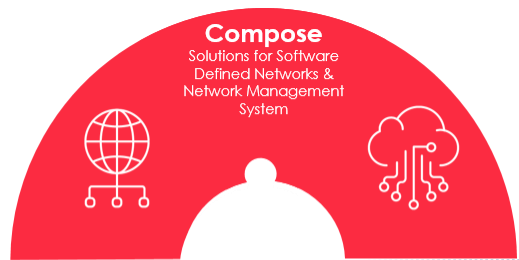


Modular Transport & OTN Switching



EKINOPS360

Ekinops Branch Access Solutions



Compose Alliances | Compose ProServ

Compose Manager

OneOS6

Compose Services

SD-WAN Xpress
SD-WAN Prime

VNF 3rd Party

Ekinops OneOS6 Built-in or Ekinops VNFs | 32 certified 3rd Party VNFs

Compose Middleware

Branch Office Data Routers

Mid-Range Data Routers

Ethernet Access Devices

Data Products

Branch Voice + Data Routers

High-Density Voice + Data Routers

Voice Products

OneAccess OVP

Dell VEP

3rd Party White Boxes

uCPEs

Company Milestones

2003

Ekinops formed
Launch of 1st multi-service routers (voice & data)



2010-12

100G 1 RU backbone product
Acquisition of WAN optimization technology



2015

200G metro access products fronthaul solutions
SDN interoperability
Delivery of 1st VNFs



2017

Acquisition of OneAccess
Netconf/Yang pCPE



2019

Acquisition of OTN technology



2006-09

Launch of 360 platforms
Introduction of EADs
1st major deployment in North America



2013-14

Euronext introduction
MEF certification
Launch of 1G service routers



2016

FlexRate coherent solutions
2 million routers sold



2018

Launch of PM Crypto
Launch of 10G EAD

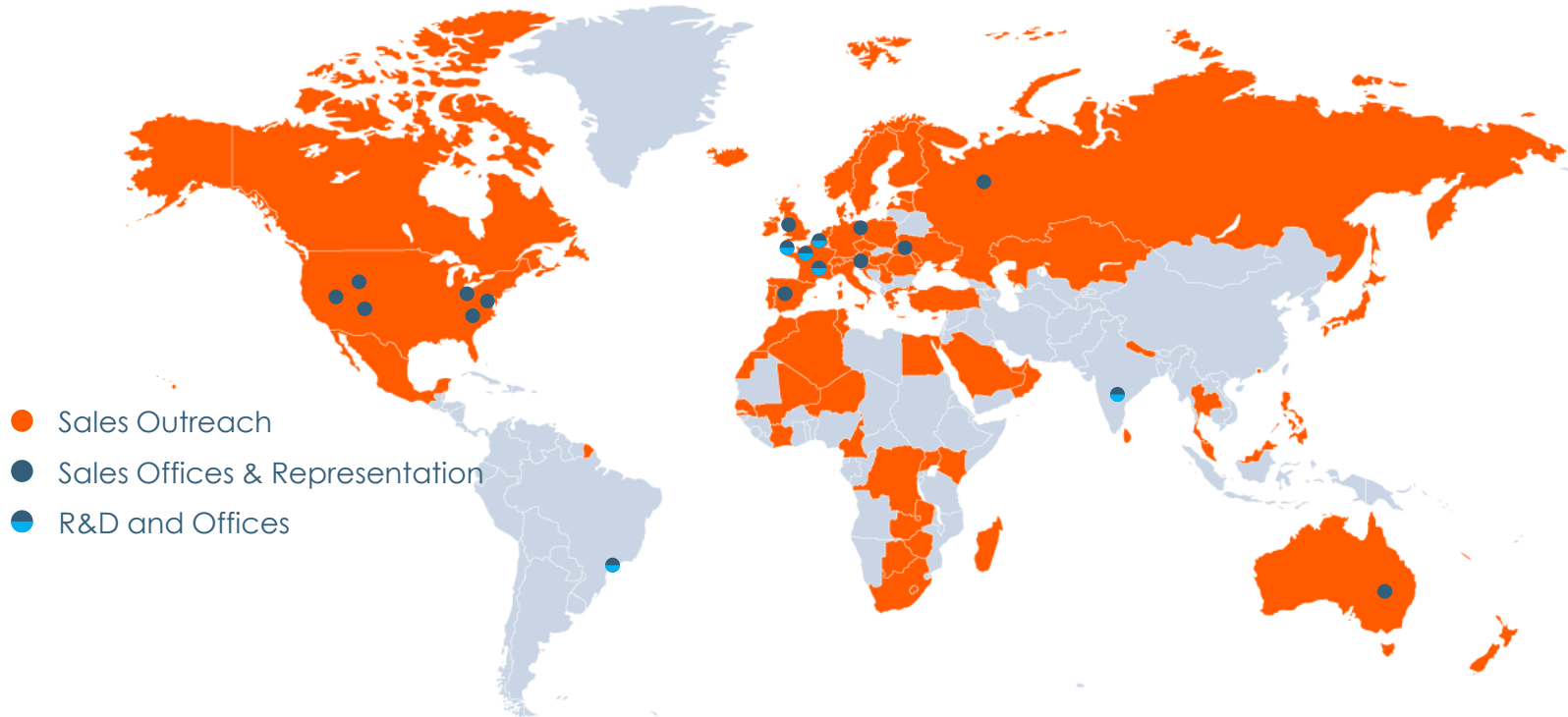


2020

Launch of Compose
Launch of SD-WAN Home Office Connect



Global Reach



Empowering next-Generation networks over 70 countries



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