



2018 annual results:
sharp rise in profit margins
EBITDA margin of 12.4%

PRESS RELEASE

PARIS, March 26, 2019 - Ekinops (Euronext Paris - FR0011466069 – EKI), a leading global supplier of telecommunications solutions for telecom operators, has published its audited annual results for 2018 (FY ended December 31, 2018), approved by the Board of Directors at its meeting held on March 25, 2019. The corresponding report was issued by the statutory auditors. Ekinops France (formerly OneAccess) and its subsidiaries have been fully consolidated within the Group's financial statements since October 1, 2017. Accordingly, the FY 2018 represents the first full year of consolidation of Ekinops France.

€m - IFRS - audited	2017 ¹	2018	Change in %
Revenue	34,291	84,222	+146%
Gross margin	17,509	47,088	+169%
<i>% of revenue</i>	51.1%	55.9%	
Operating expenses	21,861	45,803	+110%
EBITDA ²	257	10,448	+3,965%
<i>% of revenue</i>	2.0%	12.4%	
Current operating income	(4,352)	1,285	n.a.
Other operating income/(expenses)	(2,019)	(3,434)	
Operating income/(loss)	(6,371)	(2,149)	n.a.
Net income/(loss)	(6,769)	(2,084)	n.a.

(1) On June 30, 2018, Ekinops finalized the purchase price allocation of OneAccess and its subsidiaries. Certain items were impacted by the retroactive effect of this purchase price allocation. Figures for December 31, 2017 were restated to reflect this impact; certain line items therefore differ from the published 2017 annual financial report.

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

Top 10 clients' revenue grew 32% (on a pro forma basis)

At the end of FY 2018, Ekinops full-year consolidated revenue amounted to €84.2 million, up 146%, exceeding the annual target which was raised from €80 million to €82 million mid-September. On a pro forma basis, with the consolidation of OneAccess and its subsidiaries backdated to January 1, 2017, year-on-year revenue growth amounted to +14% (vs 2017 pro forma revenue of €73.8 million).

This excellent performance reflects the strong interest shown by major operators and service provider customers for Ekinops' technological solutions, at a time when network layers are converging and there is a shift towards virtualized services and Software-Defined Networks (SDN). Average growth for the Top 10 clients amounted to +32% in 2018 (vs 2018 on a pro forma basis).

Record gross margin of 55.9% in 2018

In addition to this buoyant performance, the group posted record gross profits of €47.1 million, up 169% for the period. The gross margin represented 55.9% of consolidated revenues (vs 51.1% a year earlier). This exceeds the group's target of achieving a gross margin of between 50-55% over the long term, a target that takes into account the one-off impacts of changes in the product mix, sales cycles and occasional price pressure on certain electronic components.

This exceptional performance in 2018 derives from a healthy business mix, and the combined improvement in margins on IP services products (routers, virtualized products, new OneOS6 software platform) and production costs of the Ekinops 360 platform's optical transport solutions.

Profit margins exceed targets: EBITDA margin of 12.4%

EBITDA amounted to €10.4 million, up from €0.3 million in 2017. In addition to the steep increase in gross profits, the Group capitalized on the new organizational structure implemented in early 2018 after the merger with OneAccess, which came with stringent cost control throughout the consolidation phase.

The increase in operating expenses was limited over the FY, especially for overheads, administrative expenses and R&D expenditure.

The EBITDA margin was reported at 12.4% of revenue, exceeding the revised targets set during the year and compared to 2.0% year-on-year and 9.5% at the end of the first half.

After taking into account net depreciation, amortization and provisions (€8.9 million) and non-cash expenses relating to share-based payments (€0.3 million), current operating income amounted to €1.3 million in 2018, compared to a loss of €4.4 million a year earlier.

Other operating expenses of €3.4 million mainly include the adjustment to the earn-out related to the acquisition of OneAccess in light of the performance achieved in FY 2018. The operating loss thus amounted to €2.1 million, compared to a loss of €6.4 million in 2017.

Net income, Group share for 2018 also amounted to a negative €2.1 million, compared to a negative €6.8 million the previous year.

Balance sheet as of December 31st, 2018

In 2018, Ekinops generated €10.3 million in cash flow. The highly efficient management of working capital generated €10 million in operating cash flow (vs a negative cash flow of €5.4 million in 2017).

Investment flows totaled €3 million in 2018, virtually entirely used for the company's usual CAPEX (fixed assets and R&D).

As regards financing flows, net loan repayments amounted to €3 million over the year.

Ultimately, the change in cash and cash equivalents totaled €3.8 million in 2018.

On the balance sheet, financial borrowings were reduced to €10.9 million at the end of 2018 from €13.5 million at the end of 2017, mainly as a result of a reduction in Bpifrance's factoring debt and interest-free loans for innovation (PTZI). As of December 31, 2018, bank borrowings were limited to €2.3 million.

Available cash stood at €25.1 million. As a result, the group had a strong year-end net¹ cash surplus of €14.2 million (vs €7.8 million at year end 2017).

As of December 31, 2018, the Group's consolidated shareholders' equity stood at €74.4 million.

ASSETS - €m - IFRS - audited	12/31 2017 ¹	6/30 2018	LIABILITIES - €m - IFRS - audited	12/31 2017 ¹	6/30 2018
Non-current assets	73,320	71,128	Shareholders' equity	76,293	74,355
of which Goodwill	27,523	27,523	Financial liabilities	13,494	10,935
of which Intangible assets	35,236	30,363	o/w factoring	7,424	4,955
Current assets	35,606	37,831	of which conditional advances/interest free loans	3,069	2,127
of which Inventories	8,736	11,232	CIR pre-financing liabilities	5,036	4,832
of which Trade receivables	20,703	20,687	Trade payables	11,041	13,958
Cash & cash equivalents	21,316	25,115	Other liabilities	24,378	29,994
TOTAL	130,242	134,074	TOTAL	130,242	134,074

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Outlook

The excellent results of FY 2018, which exceed expectations, reflect the success of the merger with OneAccess since late 2017, in terms of sales, finance and technology.

As far as optical transport solutions are concerned, the year was marked by the commercial success of FlexRate 100/200G solutions, which were successfully installed in the networks of 15 new customers in just a few months, with a focus on North America. This new Flexrate range was completed by the new ultra-low latency encryption module, PM Crypto, and at the very end of the year, with the launch of the 400G module.

In terms of network routing and virtualization, 2018 saw the launch of a new range of routers enabling operators to provide enterprise services at fiber speed on existing copper installations. Ekinops has also launched a range dedicated to the SME market (business-in-a-box solution, ONE425 / ONE545 routers) enabling operators to provide IP voice and data services at a price geared to the SME market. In terms of network virtualization, the year also saw the first deployments of OVP (*Open Virtualization Platforms*), which demonstrate the relevance of implementing communication services based on virtualized solutions and managed by software orchestrators.

¹ Cash and cash equivalents – borrowings (excluding bank debt relating to CIR pre-financing)

In 2019, Ekinops is committed to pursuing the roll-out of new solutions, notably in the areas of switching and routing and for the deployment of virtual network functions (VNF). Ekinops is also pursuing its software development activities for SD-WAN (Software-Defined Wide Area Network) solutions.

To drive all these developments and market future solutions, the Group plans, in 2019, to boost the investments initiated in the second half of the year, particularly in human resources, by hiring around thirty new employees, two thirds of whom will be dedicated to R&D.

2019 ambitions

Ekinops intends to pursue its dynamic development in 2019, through organic growth in both optical transport solution and access activities, and by leveraging commercial and technological synergies resulting from the merger.

Moreover, given the successful integration of OneAccess into the Group, Ekinops is keen to continue to seize strategic, value-creating external growth opportunities.

Update on talks with Nokia Corporation regarding Alcatel Submarine Networks (ASN)

Following press reports, Ekinops announced on October 18, 2018 that it had initiated preliminary discussions with Nokia Corporation regarding a possible acquisition of Alcatel Submarine Networks (ASN).

Since that date, Ekinops has continued to study the possible acquisition of ASN and have been discussing deal terms with Nokia Corporation. No agreement has been reached with Nokia to this day. The success of Ekinops current strategy is shown by the strong results announced today, and the combination of ASN and Ekinops would mark another key milestone in the development of Ekinops.

Pursuant to statutory and regulatory obligations, Ekinops shall inform the market if an agreement is reached or if discussions with Nokia Corporation are discontinued.

2019 financial calendar

Date	Release
Tuesday, April 16, 2019	Q1 2019 revenues (unaudited)
Tuesday, May 21, 2019	General Meeting
Wednesday, July 17, 2019	Q2 2019 revenues (unaudited)
Wednesday, September 25, 2019	H1 2019 results (audited)
Wednesday, October 16, 2019	Q3 2019 revenues (unaudited)
Wednesday, January 22, 2020	FY 2019 revenue (unaudited)

All press releases are published after Euronext Paris market close.

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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 two highly complementary product sets. One, marketed under the Ekinops 360 brand name, provides a single, fully integrated platform for metro, regional, and long-haul applications. The other, marketed under the OneAccess brand name, provides a wide choice of physical and virtualized deployment options for Layer 2 and Layer 3 network functions.

As service providers embrace SDN and NFV deployment models, Ekinops' solutions enable them to deploy today in the knowledge that they can seamlessly migrate to an open virtualized delivery model at a time of their choosing.

A global organization, with operations in 4 continents; 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 LISTED EURONEXT	Name: Ekinops
	ISIN code: FR0011466069
	Ticker: EKI
	Total number of shares: 21,529,161

For more information, visit www.ekinops.com