

# First-half 2018 revenues: €8.5m

- Revenues from public operators segment decline, as expected
    - Expansion in international markets continues
    - Ramp-up in value-added services confirmed
- Target to exceed €70m in revenues by 2020 reiterated

## PRESS RELEASE

Thorigné-Fouillard, July, 31<sup>st</sup> 2018 at 6.00 p.m.

**Thorigné-Fouillard, France**, July, 31<sup>st</sup> 2018; 6.00 p.m. – **Kerlink** (AKLK - FR0013156007), a global specialist in Network solutions for the Internet of Things (IoT), today publishes its 2018 first-half revenues.

As announced on June, 12<sup>th</sup> revenues from the public operators segment (incumbents and alternative telecoms operators) lost momentum during the period. Although this does not question the renewed interest in Kerlink's services still shown by a host of international players, conditions in this particular segment noticeably reduced second-quarter sales.

Meanwhile, revenues from the private network operators segment increased by 5% to €4.9m. This was an encouraging performance considering that the Group's sales and marketing resources have primarily been focused on winning new contracts in the public operators' segment in recent months.

Kerlink continued to expand in international markets, chalking up top-line growth of 27% to €5m. The Group also delivered the anticipated ramp-up in value-added services, with a 38% hike in revenues relative to the year-earlier period to over €1.6m.

### Public operator roll-outs postponed, as efforts in private operators segment stepped up

| Revenue by Business Unit<br>in thousands of euros | H1 2018      | H1 2017       | Change      |
|---|--------------|---------------|-------------|
| Public operators                                  | 3,386        | 5,320         | -37%        |
| Private operators                                 | 4,940        | 4,712         | 5%          |
| Reference Design                                  | 193          | 56            | 245%        |
| <b>Total</b>                                      | <b>8,520</b> | <b>10,088</b> | <b>-16%</b> |

*IFRS – Unaudited figures*

After facing a 19% year-on-year growth in Q1, revenues decreased by 37% to €3.9m in the second quarter of 2018.

Over the first-half of the year, total group sales therefore reached €8.5m, down 16% compared to the first half of 2017, impacted by the slowdown in sales in the public operators' segment.

Indeed, the Group recorded sales of €3.4m in the **public network operators** segment, compared with €5.3m in the first half of 2017. This result notably reflects the absence of sizeable deliveries on major contracts as well as contract postponements in Q2. The latter will be conducted gradually over the next few months.

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In the **private network operators** segment, revenues increased by 5%, in line with Group expectations. Kerlink stepped up marketing efforts to take advantage of sizeable growth opportunities in the segment, combining a direct sales approach with the development of a network of integration partners and value-added service providers, to extend market coverage and fit into regional value chains. This offensive sales strategy should start bearing fruit over the next few months.

Kerlink also chalked up growth in revenues from its **Reference Design** range, a differentiated offering targeting connected object manufacturers. As a result of the marketing efforts to bring this solution to new device manufacturers, generating initial licence revenues for the commercial launch of the latter's related equipment, this business line recorded a 245% boost in sales to €0.2m for the first half of 2018.

The shift in both Kerlink's customers mix, giving more weight to private network operators, and its product and solutions mix, with mounting contributions from value-added services, should definitely have a positive impact on its first-half gross margin.

### Promising launch of value-added application services for connected objects

| Revenue by Business Unit<br>in thousands of euros | H1 2018      | H1 2017       | Variation   |
|---|--------------|---------------|-------------|
| Kerlink Infrastructure Solutions                  | 5,856        | 8,262         | -29%        |
| Kerlink Advanced Services                         | 2,663        | 1,826         | 46%         |
| <b>Total</b>                                      | <b>8,520</b> | <b>10,088</b> | <b>-16%</b> |

*IFRS – Unaudited figures*

The logical result recorded by **Kerlink Infrastructure Solutions** Business Unit, which focuses on **turnkey solutions for IoT networks**, stems from the slowdown in roll-outs of infrastructure for public network operators. However, revenues from network management and operations services deployed over the last 18 months will start contributing to this Business Unit's top line during the second half of 2018.

**Kerlink Advanced Services** Business Unit markets **value-added application services for connected objects**. This is a strategic growth opportunity for the Group, generating revenues on the sale of end-devices connected to deployed networks and through value-added applications layers, like geolocation and device management. During the first half of 2018, the business unit registered a 46% growth in sales, up to €2.7m.

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## Revenues from international markets grew by 27% to more than €5m

| Revenue by geographic zone<br>in thousands of euros | H1 2018      | H1 2017       | Variation   |
|---|--------------|---------------|-------------|
| NCSA (Americas)                                     | 183          | 178           | 3%          |
| APAC (Asia-Pacific)                                 | 1,589        | 2,379         | -33%        |
| EMEA excl. France                                   | 3,264        | 1,408         | 132%        |
| <b>INTERNATIONAL</b>                                | <b>5,036</b> | <b>3,965</b>  | <b>+27%</b> |
| FRANCE  | 3,484        | 6,123         | -43%        |
| <b>Total</b>  | <b>8,520</b> | <b>10,088</b> | <b>-16%</b> |

IFRS – Unaudited figures

In France, revenues declined as a result of the extensive sales efforts undertaken in early 2017, with the result that one top-tier operator has now partially deployed its IoT network infrastructure.

**In international markets, the Group maintained sustained momentum in a growing market, generating a revenue growth of 27% to more than €5m.** International markets now account for round 59% of total sales, up from 39% in the first half of 2017.

This increase stems from the Group's expansion in the top-tier operators segment in the EMEA zone, notably signing contracts that are now at the roll-out stage with Digimondo (Germany), Netemera (Poland) and Proximus (Belgium). After generating 32% revenue growth in the first quarter of 2018, Kerlink is now recording a robust 132% growth rate in EMEA region, with sales exceeding €3m.

Revenue trends for the Asia-Pacific region reflect an unflattering comparison base, the first half of 2017 having seen major deliveries to Tata Communications in India. That said, prospects in the region remain extremely bright and warrant the additional marketing efforts planned for the coming months.

In the Americas region, where Kerlink set up a subsidiary in 2017, a team was put together to implement the Group's first contracts there, with eleven-x (Canada), Senet (US), and Yeap! (Argentina). Meanwhile, marketing efforts have been stepped up and new contract signatures are expected over the next few months.

## Prospects: confident medium-term outlook reiterated

Despite the recent postponements of infrastructure roll-outs by public network operators, Kerlink Group reiterated its confident outlook on the medium term, with:

- Vibrant growth in the IoT market worldwide, in which Kerlink Group now enjoys international visibility and impressive references. This ensures clear visibility on infrastructure equipment sales

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and on revenues from the provision of network supervision and operating conditions maintenance services.

- A proven ability to conduct large-scale roll-outs for top-tier operators and efficiently manage these over the long term;
- Over 50 major projects currently being discussed with both private and public operators alike;
- The positions taken in markets harbouring huge potential, such as the Americas and Asia-Pacific regions;
- The growth trajectory launched in services, which boosts the Group's potential for future growth, both in terms of sales and profitability.

Considering its unique positioning in the IoT ecosystem, along with its ability to muster a host of players across the industry's value chain, its customer references and current trends in the world market, Kerlink Group is standing by its ambition for revenues to top the €70m mark in 2020.

## About Kerlink Group

Kerlink Group is a global leading provider of end-to-end network solutions for the Internet of Things (IoT), serving telecom operators, businesses and public authorities worldwide. Its growing suite of turnkey IoT services includes network planning, design and operational management that maximizes performance of its market-leading, carrier-grade infrastructure offering. The Group, widely recognized for its IoT expertise, also continually introduces innovative value-added services, such as network-based geolocation, remote end-device management and low-power IoT reference design, which allows its customers to quickly bring to market IoT-ready devices and to imagine innovative business models to monetize their deployments.

In just over 10 years, more than 100,000 Kerlink installations have been deployed in more than 69 countries. In 2017 Kerlink supplied more than 330 customers, including major telecom operators such as Tata Communications, and service providers such as GrDF and Suez. The company's solutions are enabling IoT networks worldwide with major deployments in Europe, South Asia, South America and Oceania. Kerlink, a co-founder and board member of the LoRa Alliance™, has invested more than €10 million in research in the past three years. In 2017, Kerlink Group generated revenues of nearly €25 million, more than 50 percent internationally. Since 2013, it has posted average annual growth of more than 62 percent. It has been listed on Euronext Growth Paris since May 2016 and was added to the EnterNext PEA-PME 150, an index of 150 fast-growing French SMEs, in 2017. It joined the Tech 40 index in April 2018, which recognizes the top-performing tech SMEs on Euronext's markets in Amsterdam, Brussels, Lisbon and Paris.

For more information, visit [www.kerlink.fr](http://www.kerlink.fr) and follow us on Twitter @kerlink\_news

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Upcoming events

**H1 2018 results: 25 September 2018 after market close**

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