

Q3 2024 report

Crister Fritzson, CEO
Cecilia Höjgård Höök, CFO

7 November, 2024

Agenda

01 HIGHLIGHTS

02 BUSINESS OVERVIEW

- Media
- Time Synchronization

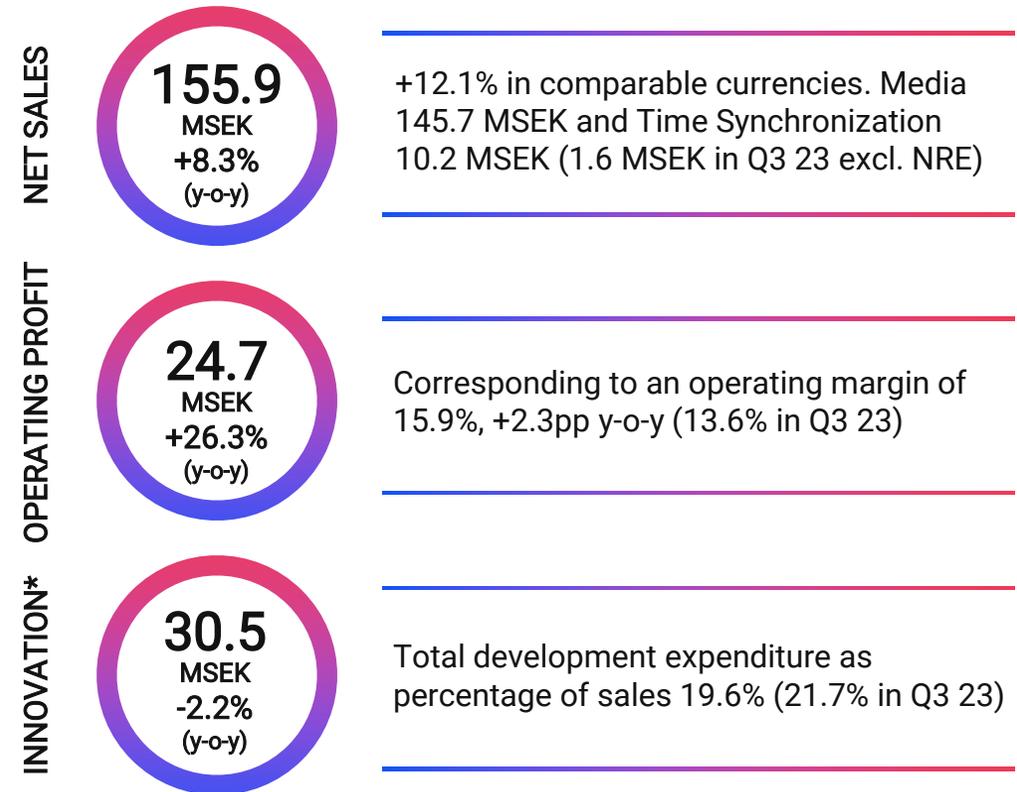
03 FINANCIALS

04 OUTLOOK

Focus on technological leadership drives continued growth

- Net sales growth of 8.3% following strong performance in the Americas and a continued focus on technological leadership
- Positive profitability trend with a 2.3pp increase in operating margin, as the the underlying business shows solid performance, and we simultaneously invest for the long term
- Solid net cash flow of 27.7 MSEK excluding share related transactions
- Product launches as key steps to meet the future media landscape
- Strong Zyntai interest from leading telecom operators and ITU standardization process progressing according to plan

KEY FINANCIAL HIGHLIGHTS Q3 2024

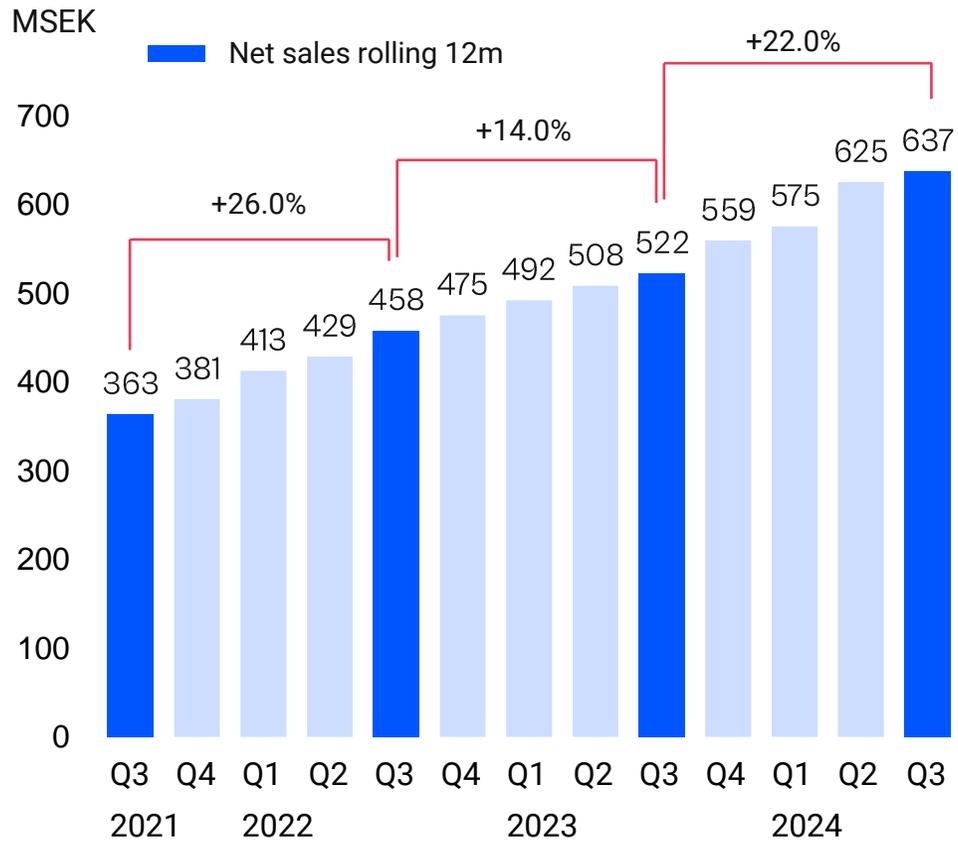


* Total development expenditure (Development expenses + Capitalization of development expenditure). Resulting in an EBITDAC (Operating earnings before depreciation, amortization and capitalization) of 26.2 MSEK (19.3 MSEK in Q3 23) and an EBITDAC-margin of 16.8% (13.4% in Q3 23).

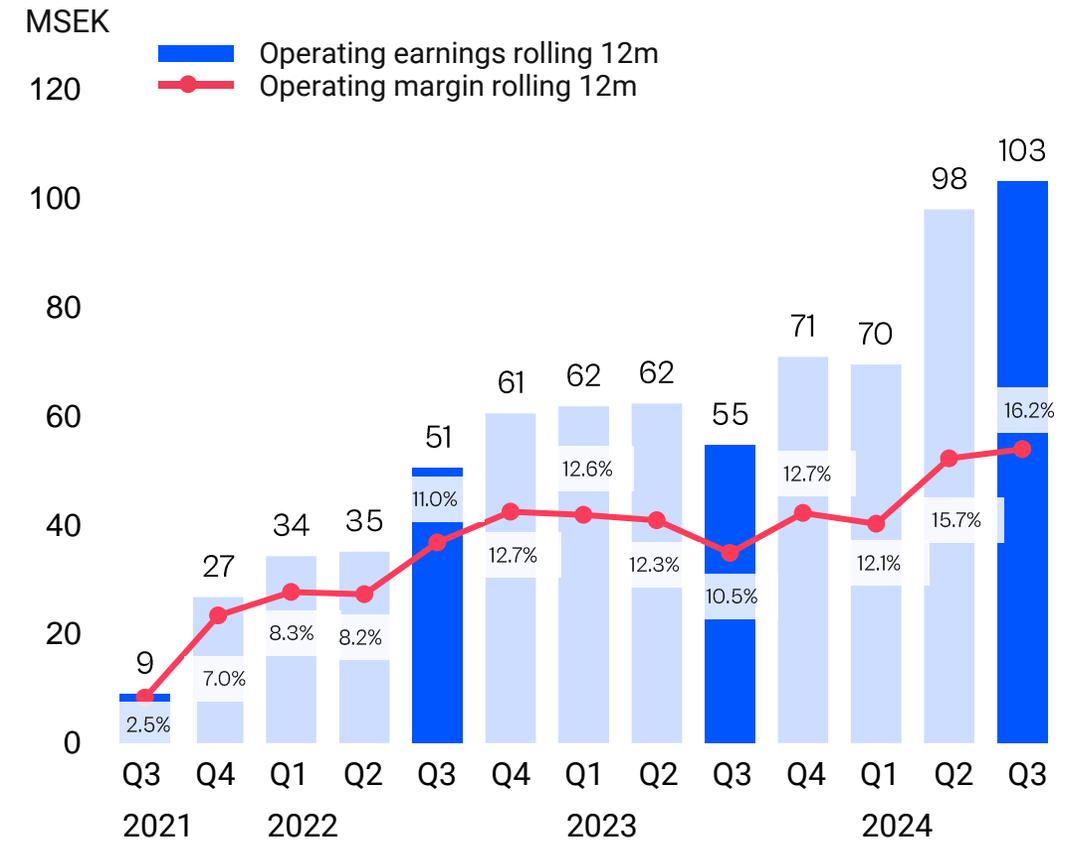
Business overview

Strong growth and positive profitability development

STRONG ABILITY TO MEET OUR CUSTOMERS' NEEDS AND FIRM STRATEGIC FOCUS RESULTING IN SOLID SALES GROWTH



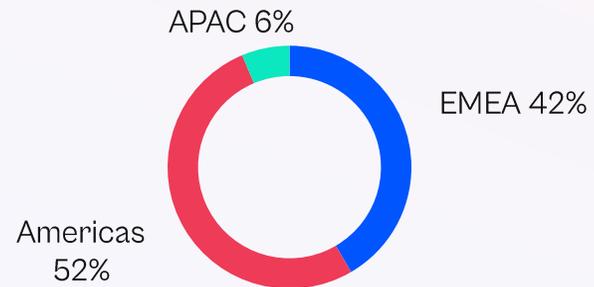
OPERATING PROFIT IN A POSITIVE TREND WHILE BUILDING FOR FUTURE GROWTH



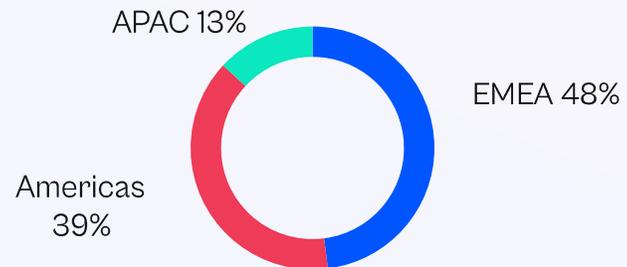
An increasingly diversified geographical footprint

REGIONAL NET SALES SPLIT

Net Sales split Q3 24

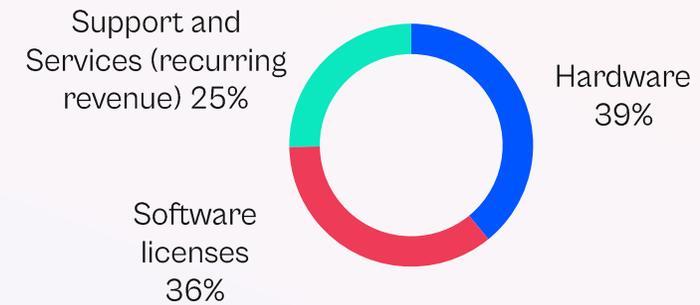


Net Sales split rolling 12m

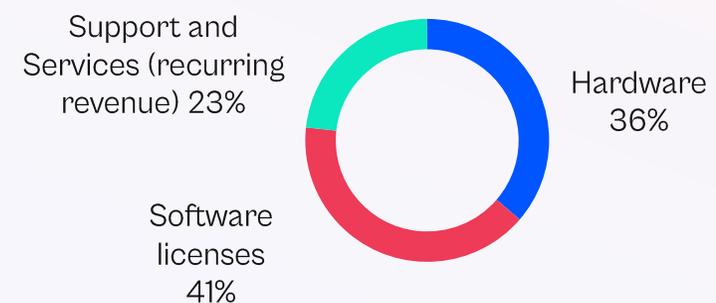


PRODUCT GROUP NET SALES SPLIT

Net Sales split Q3 24

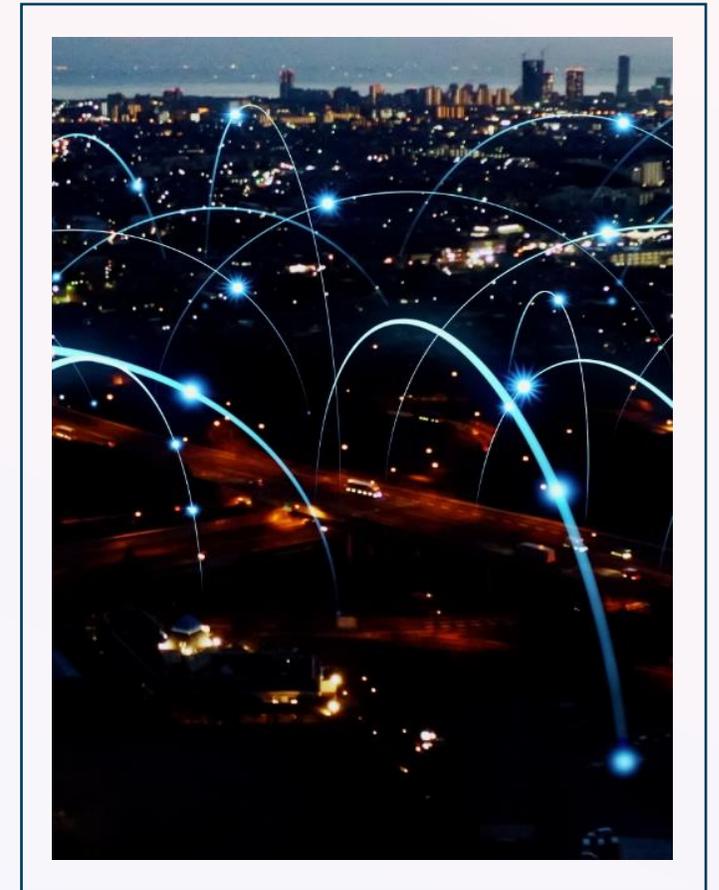


Net Sales split rolling 12m



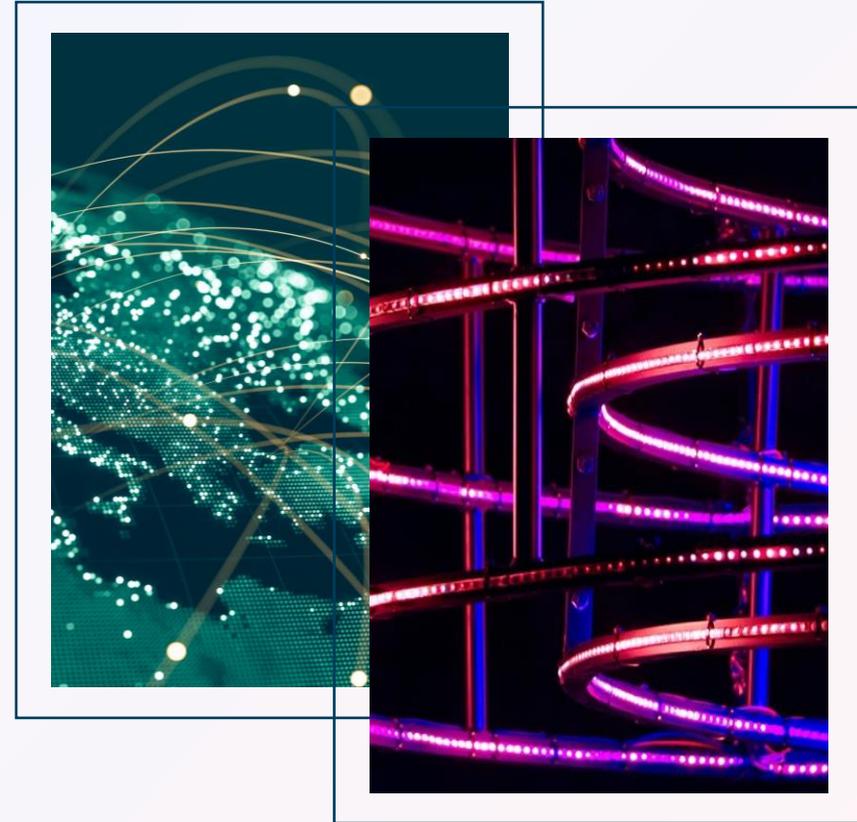
Media on a continued positive trajectory

- Strengthening existing partnerships and building new relationships
- Nimbra 400 recognized as the Innovation Award winner at IBC, in partnership with Verizon together with National Hockey League (NHL)
- Enhanced competitiveness in Cloud through product launch of Nimbra 204 and upgrade of Nimbra 400 platform
- Ever increasing demand for greater capacity => launch of 400G IP at the turn of 2025/2026. This important step to offer the world's first media capable 400G IP solution will reduce costs for our customers and consolidate our strong market position
- Successful execution of the Summer Games
- Product life cycle of programmable circuits (FPGA) shortened. Consequently, capital tied up in inventory of these high-value components will increase over the coming years



Strong interest from leading telecom operators

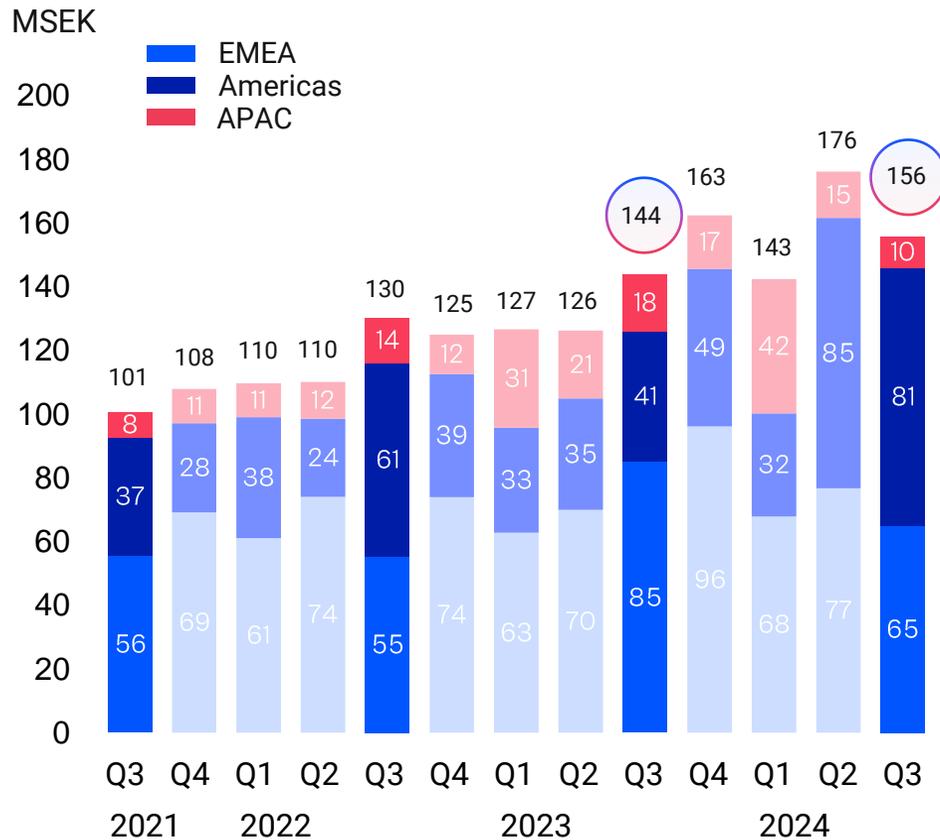
- Continued commercialization of Zyntai, currently ~10 commercial customers
- Extensive sales cycles including Proof of Concepts (PoCs), lab tests, field tests and framework agreements, and strong POC-to-contract conversion
- Order pipeline ~175 MSEK with a large portion related to the agreement with Türk Telekom where revenue is now being realized. Final delivery will be 2027
- ITU standardization process progressing according to plan, with estimated completion around the turn of 2025/2026



Financials

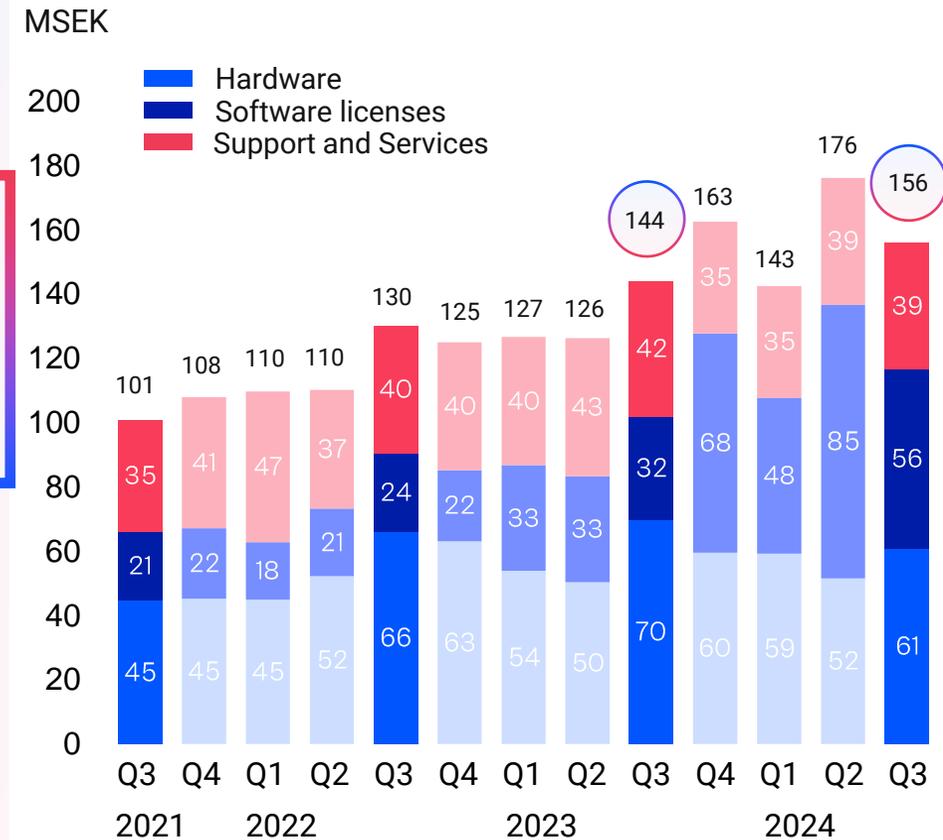
Strong net sales growth in rapidly growing region Americas

STRONG GROWTH DRIVEN BY FOCUS REGION AMERICAS



+12.1%
in comparable
currencies
+8.3%
reported
(y-o-y)

SEQUENTIAL HARDWARE GROWTH AND SOFTWARE LICENSES DECREASE*

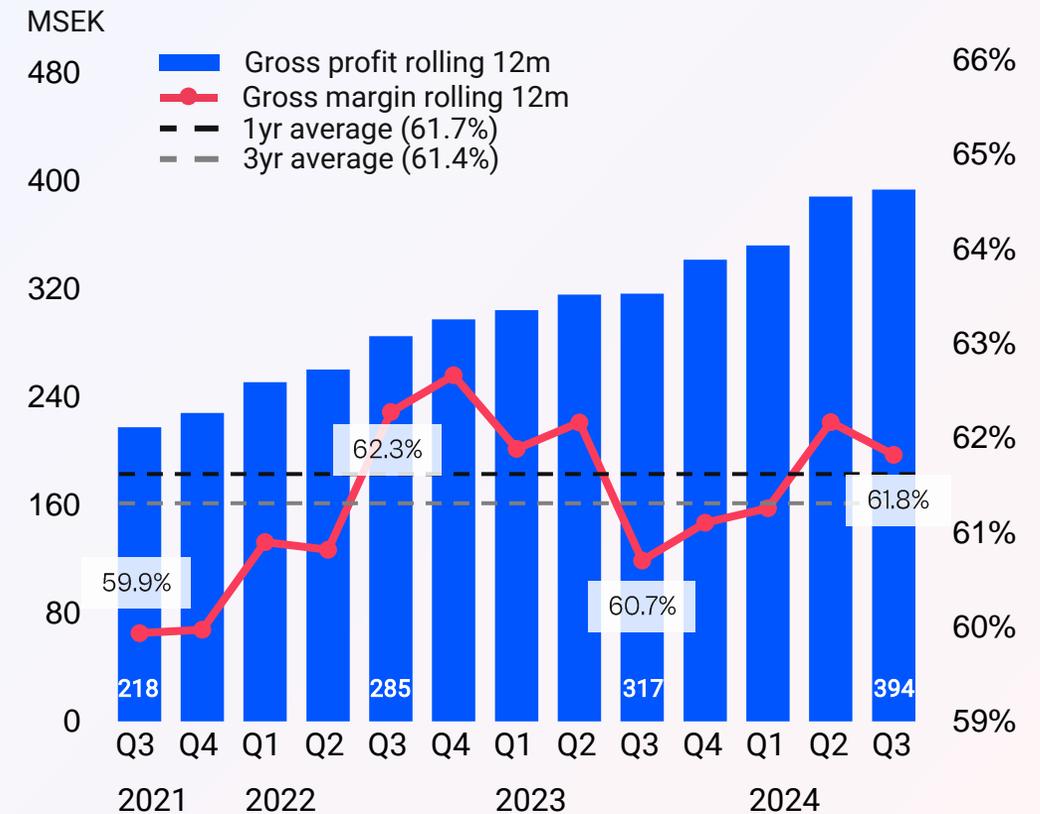


*Historic comparison distorted by a financial system upgrade in Q4 2023, resulting in improved distribution of package sales across product groups. 

Gross margin on a slight increasing long-term trend

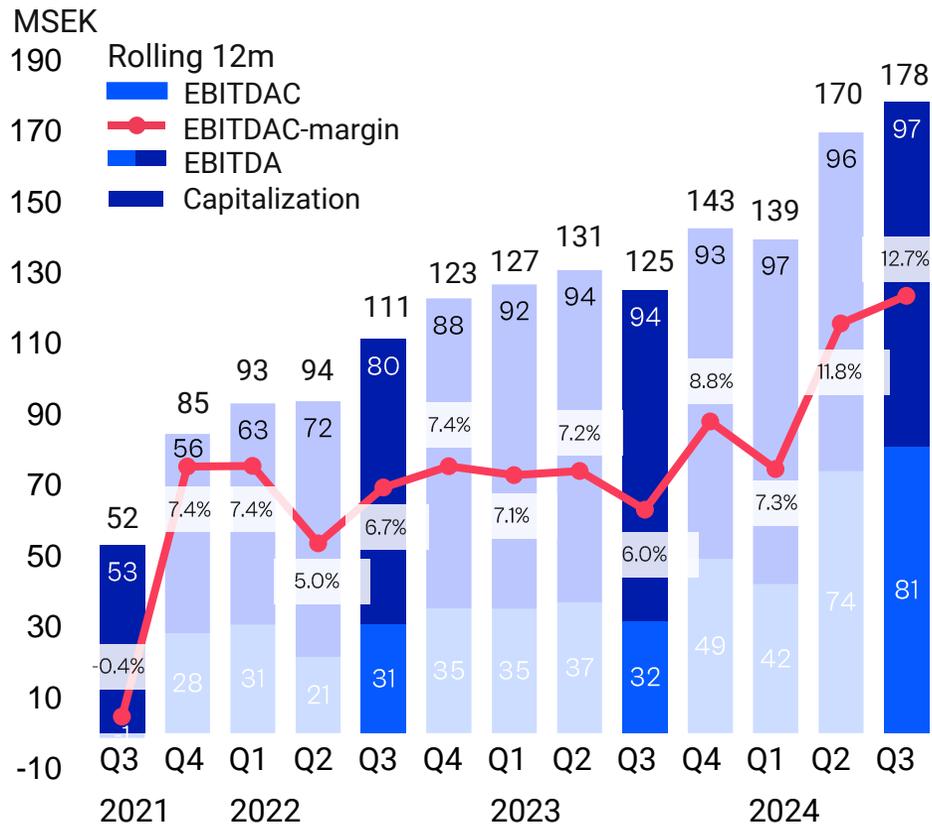
- Gross profit amounted to 91.2 MSEK, +6.0% y-o-y, driven by increased revenues
- Gross margin of 58.5% in the quarter (59.7% in Q3 23) and 61.8% rolling 12 months
- Excluding amortization of capitalized development, the quarterly gross margin was 69.9% (69.7% in Q3 23 and 3yr average of 71.3%)
- Gross margin on a slightly increasing long-term trend on the back of a marginal changing product mix towards a larger share of recurring revenues in both Media and Time Synchronization

GROSS MARGIN DEVELOPMENT



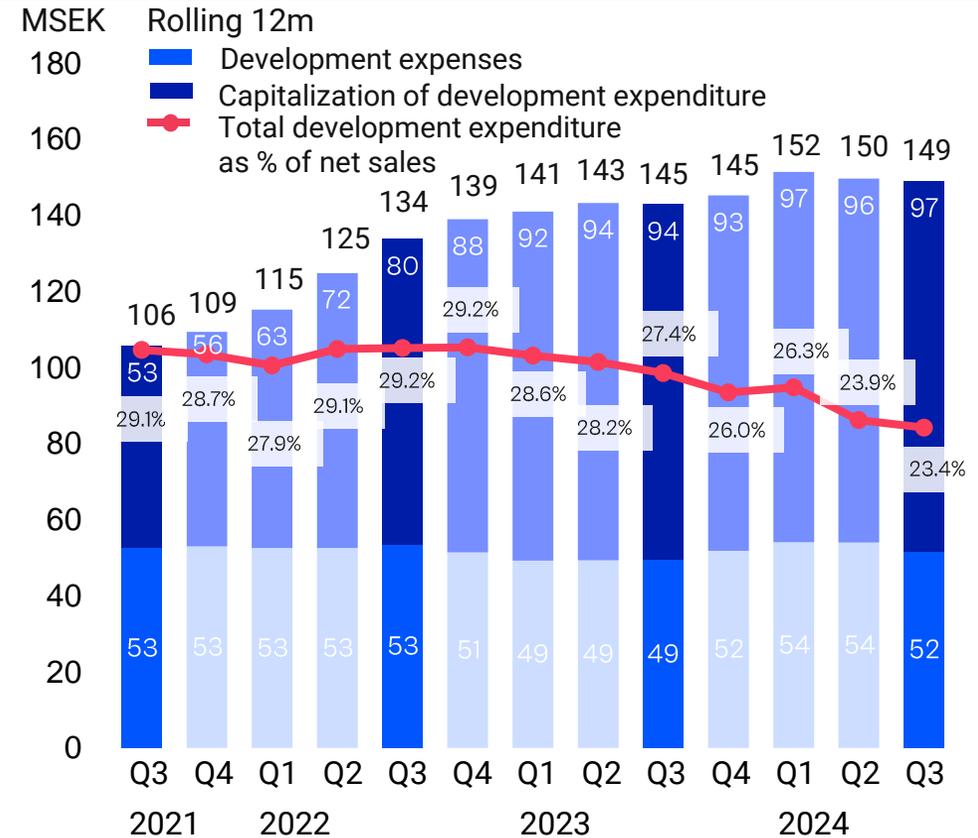
Net sales increase drives EBITDAC improvement

POSITIVE PROFITABILITY TRAJECTORY: EBITDAC* MARGIN IMPROVING ALONG SOLID NET SALES GROWTH



* EBITDAC = EBITDA including total development expenditure

LONG TERM VALUE CREATION: A LARGE PORTION OF TOTAL DEVELOPMENT EXPENDITURES ARE CAPITALIZED



Strengthened profitability alongside increased investments

- Operating earnings amounted to 24.7 MSEK and saw an increase of 26.3% year-on-year, partly driven by improved scalability and supported by currency effects
- Operating margin increased by 2.3pp, to 15.9%, alongside continued increased investments in the organization and product development
- Total opex excluding Other operating income and expenses decreased to 43.8% of Net sales (44.9% in Q3 23)

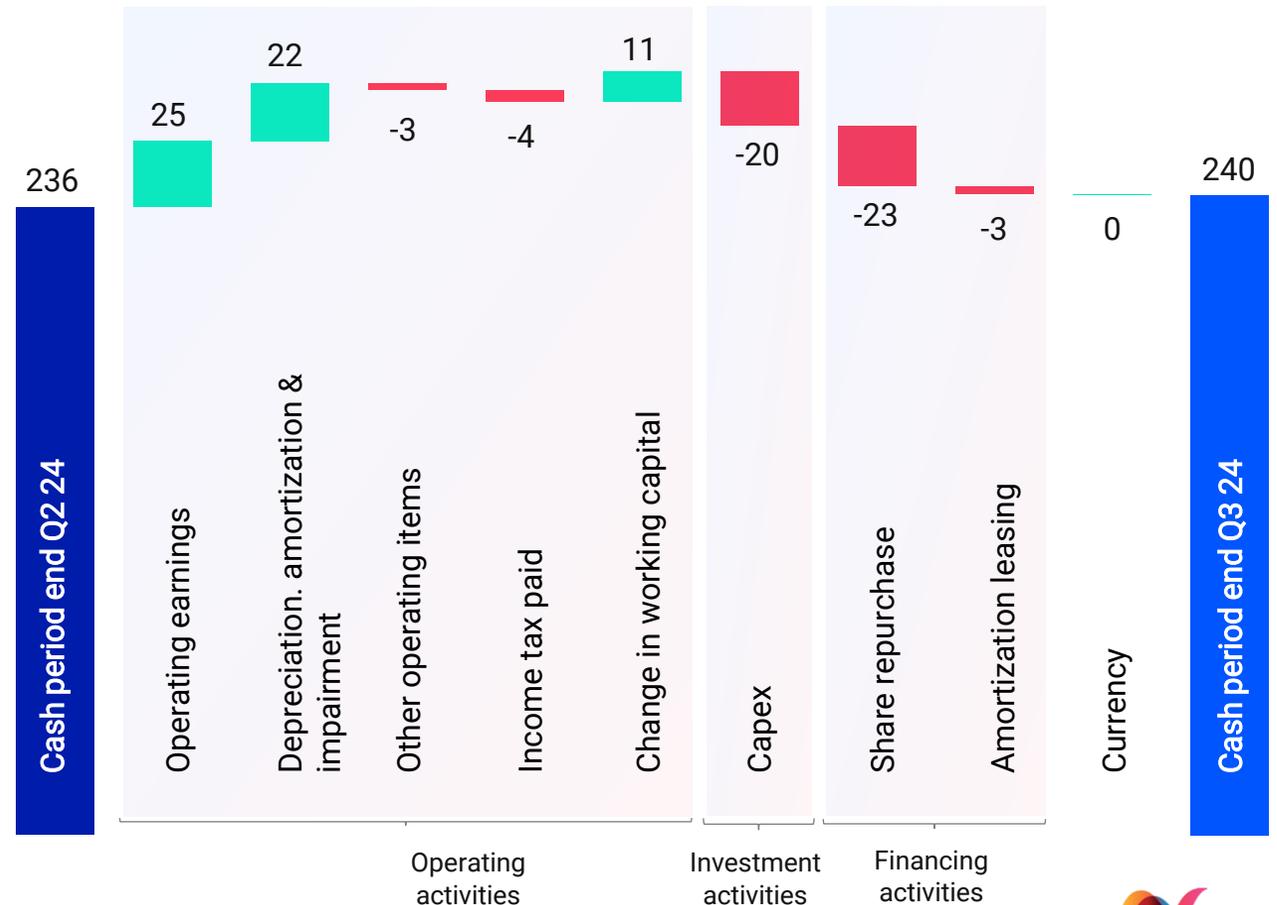
OPERATING PROFIT DEVELOPMENT



Improved cash flow driven by results and WC reduction

- Cash flow from operating activities at 50.9 MSEK and year-on-year improvement attributable to improved results and reduced working capital
- Cash flow from investment activities of -20.4 MSEK as a result of capitalized expenditure
- Cash flow from financing activities amounted to -25.5 MSEK, primarily attributable to 22.8 MSEK in repurchases of own shares
- Solid net cash flow of 27.7 MSEK excluding share related transactions (4.9 MSEK as reported)

CASH FLOW DEVELOPMENT Q3 2024



Outlook

On a clear path to capturing more of the value chain



Net sales growth of 8.3% year-on-year, 12.1% in comparable currencies. Firm focus on high growth areas and capturing more of the value chain through offering enhancements



Operating margin of 15.9%, corresponding to a 2.3pp increase as the underlying business shows solid performance alongside innovation and building the organization for future growth



Launch of groundbreaking 400G IP solution at the turn of 2025/2026. Enhanced competitiveness in Cloud



Strong interest from leading telecom operators and solid POC-to-contract conversion. ITU standardization process progressing according to plan, with estimated completion around year turn 2025/2026



Q4 seasonally more volatile while last year's strong finish represents tough comparables. Maintained confidence in our financial targets of average annual organic revenue growth exceeding 15% until 2027 and operating margin to reach 20%

Q&A

Contact



Investor relations

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Calendar



19 February 2025

Q4 2024 will be published at 07.30 CET



22 April 2025

Annual report will be published



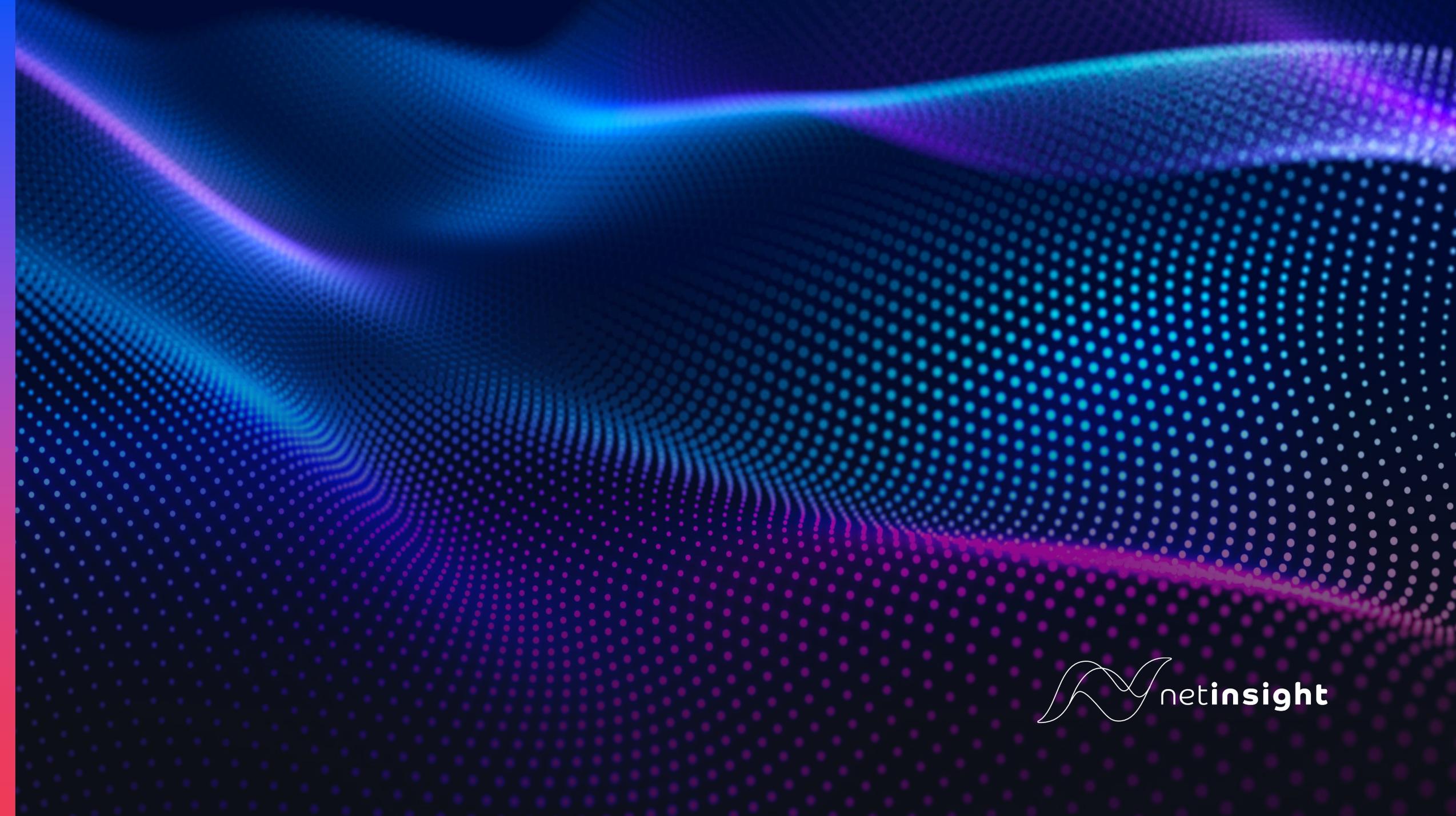
29 April 2025

Q1 2024 will be published at 07.30 CEST



14 May 2025

Annual General Meeting



 netinsight