



Genexis Group
Q2 2023 Financial Report



Word from the CEO

During Q2 in 2023, the market continued to suffer from the “post-component shortage” situation described in the Q1 report, resulting in weaker revenue compared to the same period last year. These circumstances are mainly caused by hoarding of products and components during the larger part of 2022, leading to temporary inventory “fill-ups” causing disruptions in our ability to maintain regular supply levels. Despite the slowdown the first half of 2023, we see signs that demand is picking up gradually. New and existing customers showed strong interest in our products and solutions during two leading European tradeshows, the FTTH Conference and ANGACOM, held during the spring for 2023.

Genexis Group Q2 2023 net sales were 31% below the same period last year. Genexis Group consolidated Net Sales for Q2 amounted to EUR 18.7 million (pro forma Q2 2022; EUR 27.0 million) and the consolidated Q2 Adjusted EBITDA was EUR 3.0 million (EUR 4.3 million). It should be noted that H1 2022 was very strong for the Group including sales from delayed orders from Q4, 2021, making the comparison to the previous year unfavorable. Revenue recognition of subscription-based software has changed in 2023 compared to previous years resulting in larger portions of the revenue being recognized throughout the financial year.

As part of our sustainability activities, we concluded and submitted our Science Based Targets to the Science Based Targets Initiative.

While we are not satisfied with the results of Q2, we expect the “post-component shortage” situation to normalize towards the end of 2023. Despite lower market activity we are keeping our market shares and have signed-on new business that will contribute to our revenue going forward. To mitigate a lower revenue, we have taken several cost saving measures.

We continue our mission to provide digital connectivity to European homes.



Stockholm, August 16, 2023
Gerlas van den Hoven
CEO, Genexis Group

A handwritten signature in blue ink, which appears to be the name Gerlas van den Hoven. The signature is stylized and written in a cursive-like font.

Highlights



Highlights Financial Report Q2 2023

Second Quarter	Proforma	
EUR millions	Q2 2023	Q2 2022
Net Sales	18,7	27,0
Other income	0,6	1,3
Total	19,3	28,3
Raw materials and goods for resale	-11,2	-18,2
Other direct costs	-0,6	-1,6
Gross Profit	7,5	8,6
Adjusted EBITDA	3,0	4,3
EBITA	0,7	2,6
EBIT	0,2	2,2
Cash and cash equivalents	10,0	3,6
Net Debt ²⁾	64,6	9,4
Gross Margin (%)	39,9%	32,7%
Adjusted EBITDA (%)	15,9%	16,0%

YTD June 2023		
EUR millions ¹⁾	Q2 2023	Q2 2022
Net Sales	39,1	54,0
Other income	1,2	2,3
Total	40,3	56,2
Raw materials and goods for resale	-25,3	-35,8
Other direct costs	-1,0	-2,6
Gross Profit	14,0	17,9
Adjusted EBITDA	5,0	10,0
EBITA	0,7	6,5
EBIT	-0,2	5,7
Cash and cash equivalents	10,0	3,6
Net Debt ²⁾	64,6	9,4
Gross Margin (%) ³⁾	35,3%	33,7%
Adjusted EBITDA (%)	12,9%	18,5%

Last 12 months (LTM)

EUR millions ¹⁾	Q2 2023	Q2 2022
Net Sales	92,0	93,9
Other income	3,7	3,8
Total	95,7	97,7
Raw materials and goods for resale	-60,7	-63,2
Other direct costs	-2,8	-4,1
Gross Profit	32,1	30,4
Adjusted EBITDA	13,4	15,8
EBITA	4,2	9,1
EBIT	2,6	7,6
Cash and cash equivalents	10,0	3,6
Net Debt	64,6	9,4
Gross Margin (%)	34,0%	32,7%
Adjusted EBITDA (%)	14,5%	16,8%

1) 2022 figures are pro forma as Genexis Group AB (former GC 100876 BidCo AB) was founded on January 18, 2022, but the activity in the company started by the acquisition of Inteno Group AB on September 22, 2022

2) The Net debt June 30, 2023 includes provision for Earn-Out of 18.0 EUR million, but excludes Shareholder Loans amounting to 4.1 EUR million

3) 'Raw materials and goods for resale' divided by 'Net Sales'

Business and market

Despite the persistent robust demand for fiber-based broadband and software solutions in the market, the overall macro-economic conditions have led to a temporary slowdown. Adding to this challenge is the post-component shortage, which has caused our customers to accumulate high inventory levels. As a result, our Q2 results have been adversely affected, falling short of our budget and the previous year's results.

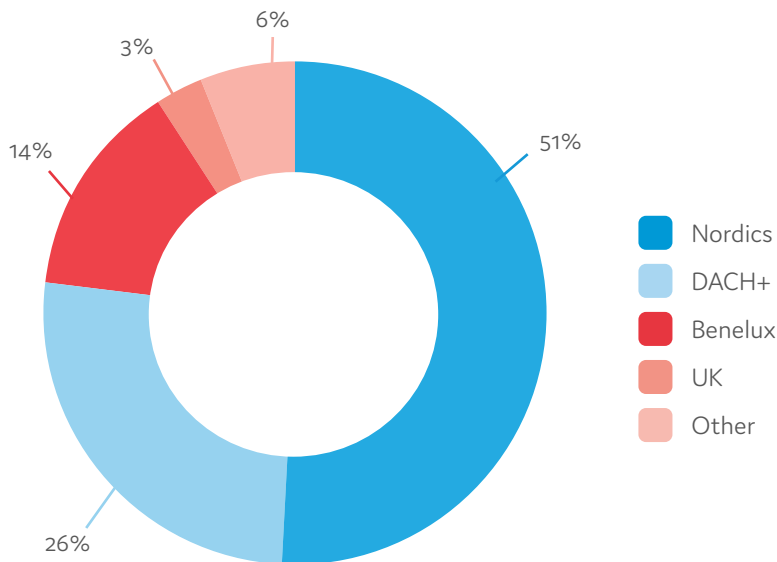
Business area Genexis:

Despite the slowdown in the market, our view is that Genexis has maintained its market share in Q2. New and existing customers show strong interest in our products, especially in products that offer connections with speeds above 1 Gbps. We are well-positioned for the anticipated market pick-up and pleased to hear that many customers appreciate our local presence and dedication to sustainability. During the quarter, Genexis closed a larger multi-year contract based on our next-generation 10 Gbps product line. Comparing YTD June sales to previous year, the Nordic market is in line with previous year while sales the DACH and the Benelux regions has decreased somewhat. Based on a bottom-up analysis, we conclude that these declines are driven by existing customers buying lower qualities than anticipated due to the factors described above.

Business area IOPSYS:

Key customer projects are progressing according to schedule as planned. During Q2, BT started to launch IOWRT based products to the market, which is a big milestone for our partnership with a key customer. The market for multi-SOC and tailored-made software for the broadband industry is clearly awakening, and we have successfully identified a substantial number of concrete potential projects during the quarter. Last but not least, IOPSYS closed a larger multi-year contract based on IOWRT in Q2 YTD sales for IOPSYS is 27% behind the same period previous year.

Revenue split by region (Genexis Group) YTD Q2 2023

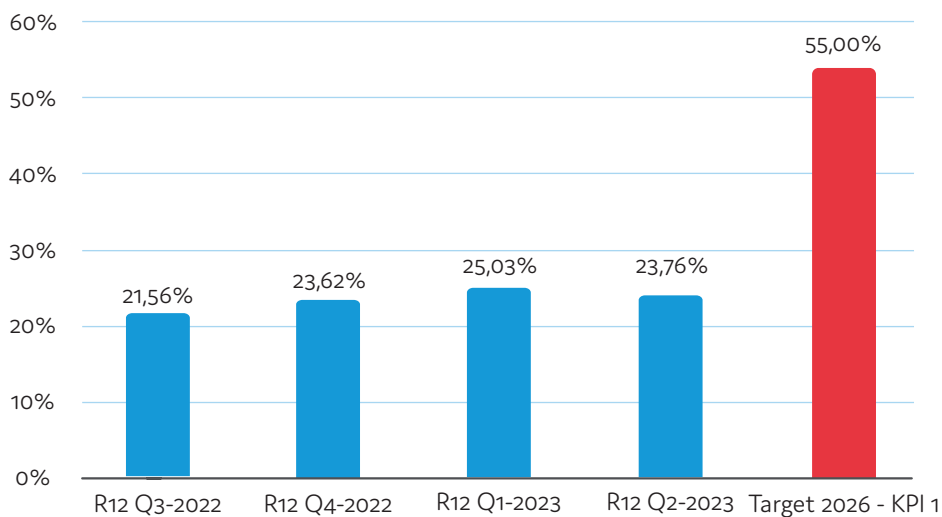


Sustainability update

In accordance with the sustainability-linked bond framework Genexis Group has established two targets (KPI's) to reduce our impact on the environment. These targets are:

KPI 1: Share of recycled plastics in Genexis' products (measured as share of total plastic in terms of plastic weight). The KPI target is to increase the share of recycled plastics used in Genexis' products to 55% by YE 2026. The Q2 rolling-12-month average indicates a current level of 23,8% recycled plastics of all products shipped.

Level of recycled plastics rolling 12 months



Note: the percentage can vary over quarter driven by product mix, hence levels above are presented on a rolling-12-month average basis.

KPI 2: Setting Science-Based Targets (SBTs) for scope 1-3 emissions approved by the Science-Based Target Initiative for CO₂e emission reduction in line with the 1.5-degree scenario. This SBT will be aligned with the SBTi targets (as sub-targets) and announced when the SBTi targets have been validated. It is expected that the 2026 milestone targets will be achieved by 2026.

Progress report as of Q2 2023:

Genexis Group has high ambitions within the sustainability area. In Q2 the Group published its first Sustainability Report which was presented on 30 April 2023. Furthermore, the application for approving our targets was submitted to the SBTi by the end of the quarter.

Financial Review



Financial Review

Genexis Group AB started its operations in conjunction with the issue of a senior secured sustainability-linked bond (the "Bond") in September 2022. As such, all financial data including periods prior to this date are pro forma financials.

Financials

Genexis Group Q2 2023 Net Sales was EUR 18.7 million (pro forma Q2 2022; EUR 27.0 million) and with a gross margin of 39.9% (32.7%). The Adjusted EBITDA was EUR 3.0 million (EUR 4.3 million) with an Adjusted EBITDA margin of 15.9% (16.0%).

Gross margins increased significantly during the quarter, mainly due to higher share of software revenues as well as revenue from high margin regions.

Operating expenses increased by EUR 0.4 million compared to Q2 2022, driven by recruitments made during 2022 as well as slightly higher share of R&D expenses being taken as cost rather than CAPEX.

Financial position

Genexis Group had a total equity of EUR 31.6 million at the end of Q2 2023. Total borrowings were EUR 59.6 million. EUR 55.0 million relates to the Bond and EUR 4.1 million to a shareholder loan. Total assets per June 30, 2023, was EUR 128.5 million. Cash on hand per June 30, 2023, was EUR 10.0 million. To ensure compliance with the incurrence test of the bond, the communicated Earn-Out payment linked to the 2022 EBITA will be disbursed in two installments. The first tranche of SEK 137.5 million (EUR 11.7 million¹) is scheduled to be paid in July 2023. The remaining part of the Earn-Out payment of SEK 62.5 million (EUR 5.3 million²) will be paid during 2024. The full provision for the SEK 200 million (EUR 17.9 million) is included in Other short term financial liabilities.

In Q2 2023 Genexis Group had a negative cash flow from operating activities of EUR -2.2 million (EUR 6.6 million) of which EUR -3,9 million relates to NWC. Cash flow from investing activities was EUR -2.1 million (EUR -2.2 million), while Cash flow from financing activities was EUR 0.5 million. In total Genexis Group had a net decrease in cash and cash equivalents of EUR 4.0 million in Q2 2023.

¹ Based on a EUR/SEK rate 11.8

² Based on a EUR/SEK rate 11.8

Condensed Consolidated Income Statement

Consolidated figures for Genexis Group AB

EUR thousands	Q2 2023 01.04-30.06	Q2 2022 ¹⁾ 01.04-30.06	YTD 2023 01.01-30.06	YTD 2022 ¹⁾ 01.01-30.06
Net sales	18 680	27 001	39 064	53 962
Other income	605	1 285	1 246	2 288
Total revenue	19 285	28 287	40 310	56 250
Raw Materials and Goods For Resale	-11 226	-18 161	-25 288	-35 768
Other Direct Costs	-597	-1 575	-992	-2 603
Gross profit	7 461	8 551	14 030	17 879
Other operating expenses	-4 636	-4 242	-9 153	-7 885
Non-recurring items	142	0	142	0
Adjusted EBITDA	2 967	4 309	5 020	9 994
Non-recurring items	-142	0	-142	0
EBITDA	2 825	4 309	4 878	9 994
Depreciation & Amortization	-2 100	-1 728	-4 158	-3 525
EBITA	725	2 581	720	6 469
Amortization of Acquisitions	-477	-364	-947	-728
EBIT	248	2 217	-227	5 741
Financial income	282	794	233	920
Financial expenses	-1 617	-1 114	-3 502	-2 136
Financial Net	-1 335	-320	-3 269	-1 216
Profit before income tax	-1 088	1 897	-3 496	4 525
Income tax expense	336	21	396	42
Minority interests	0	-27	0	-11
Profit for the year	-752	1 918	-3 100	4 567
Profit for the year is attributable to:				
Owners of the parent company			-3 100	4 579
Non-Controlling Interests means			0	-11

1) 2022 figures are pro forma as Genexis Group AB (former GC 100876 BidCo AB) was founded on January 18, 2022, but the activity in the company started by the acquisition of Inteno Group AB on September 22, 2022

Consolidated statement of financial position

Balance sheet according to IFRS per 30.06.2023

EUR thousands	30.06.2023	30.06.2022 ¹⁾	31.12.2022
ASSETS			
Non-current assets			
Capitalized Expenditure for Software	16 782	15 147	16 110
Customer Contracts	10 482	14 128	13 022
Trademarks	1 704	1 543	1 732
Goodwill	60 570	10 239	64 111
User rights	518	1 348	1 422
Machines & Inventory	2 557	2 163	1 968
Financial Assets	1 856	1 153	972
Total Fixed Assets	94 470	45 721	99 337
Current assets			
Stock & Work In Progress	10 314	12 546	12 530
Accounts Receivable	10 750	12 822	8 831
Prepayments & Accrued Income	2 926	1 257	1 833
Cash & Bank Balances	10 018	3 649	17 437
Total current assets	34 008	30 274	40 631
TOTAL ASSETS	128 478	75 994	139 967

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EUR thousands	30.06.2023	30.06.2022 ¹⁾	31.12.2022
EQUITY			
Equity	-31 636	-35 383	-40 278
Total Equity	-31 636	-35 383	-40 278
Liabilities			
Non-current Liabilities			
Provisions For Guarantees	-188	-59	0
Provisions For Deferred Taxes	-1 561	-1 801	-1 713
Other Provisions	0	-224	-132
Other Long-Term Liabilities	-59 339	-8 639	-59 529
Total non-current Liabilities	-61 087	-10 724	-61 374
Current Liabilities			
Bank Overdrafts	0	-4 364	0
Other Short-Term Financial Liabilities	-19 829	-3 591	-18 774
Current Liabilities To Customers & Suppliers	-8 271	-15 504	-12 463
Tax Liabilities	-1 156	-615	-844
Vat & Special Excise Duties	-1 716	-2 531	-2 022
Personnel Taxes, Fees & Salary Deductions	10	-291	-347
Accrued Expenses & Deferred Income	-4 792	-2 989	-3 866
Total Current Liabilities	-35 755	-29 885	-38 316
Total Liabilities	-96 842	-40 609	-99 690
TOTAL EQUITY AND LIABILITIES	-128 478	-75 991	-139 967

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Consolidated statement of changes in Equity

1 January – 30 June, 2023

EUR thousands	Share Capital	Other paid in capital	Other reserves	Retained earnings	Total Equity
Opening balance at January 1, 2023	108	40 710	1 263	-1 804	40 278
Profit for the period	0	0	0	-3 100	-3 100
Other comprehensive income	0	-115	-542	592	-65
Currency Translation Effects	0	-245	-360	-4 872	-5 477
Total comprehensive income	0	-360	-902	-7 380	-8 642
Balance at 30 June, 2023	108	40 351	360	-9 184	31 636

Consolidated statement of Cash Flows

EUR thousands	Q2 01.04- 30.06.2023	Q2 01.04- 30.06.2022 ¹⁾	YTD 01.01- 30.06.2023	YTD 01.01- 30.06.2022 ¹⁾
Cash flows from operating activities				
EBITDA adjusted	2 967	4 303	5 020	9 989
Interest payments and adjustments FX	-1 243	0	-3 107	0
Non-cash Result	0	15	0	66
Income Taxes Paid	-110	-251	-597	-776
Cashflow Before Change In Net Working Capital	1 614	4 067	1 315	9 278
Change in working capital				
Change in Inventory	1 684	-1 178	2 043	-2 489
Change in Accounts receivables	-1 824	1 619	-2 273	-1 297
Change in Other ST Operating receivables / Accruals	-1 336	16	-1 864	-127
Change in Accounts payables	-3 457	1 596	-3 804	2 010
Change in Other ST Operating payables / Accruals	1 074	484	1 238	667
Change in Net Working Capital	-3 858	2 538	-4 661	-1 237
Net cash flow from Operating Activities	-2 244	6 605	-3 346	8 041
Cash flows from Investing Activities				
Capex Intangible Assets	-2 016	-1 800	-3 977	-3 831
Capex Plant & Equipment	-86	-339	-218	-527
Proceeds From Disinvestments	0	-40	0	-40
Net cash flow from Investing Activities	-2 102	-2 179	-4 195	-4 398
Equity issuance	-65	0	-65	0
Net Other Financial Items	553	465	950	249
Change in bank debt	0	-814	0	-1 599
Change in overdraft	11	-3 103	-52	98
Leasing Amortization	0	-202	0	-407
Net Cash Flow from Financing Activities	499	-3 654	833	-1 659
Sum Non-recurring Items	-142	0	-142	0
Net Increase/Decrease in Cash	-3 989	772	-6 850	1 984
Cash & Cash equivalents by beginning of period	14 367	2 857	17 437	1 662
Exchange rate differences on cash	-360	88	-569	71
Cash & Cash equivalents by June 30	10 018	3 719	10 018	3 719

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Notes to the financial statements



Notes to the financial statements

Basis of preparation

The numbers are prepared in accordance with the International Financial Reporting Standards (IFRS) and local GAAP for the legal entities.

This Financial Update was authorized for issue by the Company's board of directors on 16 August 2023.

Key figure	Definition
Proforma revenue	Total revenue according to income statement adjusted for acquired/divested sites and extraordinary items.
Proforma Adjusted EBITDA	EBITDA according to income statement adjusted for acquired/divested sites, extraordinary items and all leasing being handled as financial leasing.

Note 2 - Disclaimer

The report has not been reviewed by the company's auditors.

Glossary

CPE	Customer Premises Equipment
RGW	Residential Gateway
IoT	Internet of Things
IOWRT	IOPSYS Operating System Software
SBTi	Science-Based Target Initiative
SPT	Sustainability Performance Targets
CO ₂ e	Carbon Dioxide Emission equivalents
CAGR	Compound Average Growth Rate

Board of Director's Assurance



Board of Director's Assurance

The Board and the CEO assures that this Financial Update is prepared in accordance with the accounting standards applied by the group and in accordance with the past practices and provides, to the best of our knowledge a true and fair view of the group's operations, financial position, and performance, and describes the material and uncertainties faced by the parent company and other group companies.

Stockholm, 16 August 2023

Genexis Group AB

Gerlas van den Hoven
CEO

Daniel Winberg
Chairman of the Board

Eric van Schagen
Board member

Victoria Scheer
Board member



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