2018 Half year results

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Overview

- Strategic
  - Turnaround plan is progressing well
  - Sale of Automotive division for $105 million
- Financial
  - Revenue - double-digit growth
  - Stabilization of gross margin has been achieved
  - Improvement in “profit in cash”
  - Cash operating expenses reduced
- Operational
  - New partnerships
  - Product certifications
  - Full integration of products and services team under one structure

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Turnaround plan implementation

- Increased focus on core business, industrial IoT products and solutions
- Integration of IoT product and services teams under one structure to utilise synergies in executing our strategy
- Back to double digit growth following the completion of LTE products development and certification
- Stabilisation and improvement of gross margin from H2 2017 level
- Cost reduction plan, resulted in $4.6 million saving in H1 2018, out of $10 million target for the full year 2018

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H1 2018: financial highlights

$201.7m

H1 2018 Revenues
(H1 2017: $177.6m)

$70.1m

H1 2018 cash OPEX
(H1 2017: 74.7m)

$21.1m

H1 2018 cash flow from operating activities
(H1 2017: ($3.3m))

$12.5m

H1 2018 Adjusted EBITDA
(H1 2017: $14.7m)

$16.5m

H1 2018 Cloud and connectivity Revenues
(H1 2017: $14.2m)

$5.7m

H1 2018 loss in cash
(H1 2017: $9.8m)

$25.0m

H1 net debt
(December 2017: $30.2m)

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Operational highlights

- New design wins, including customers with significant IoT projects
- New partnerships with IBM and Siemens to accelerate industrial IoT integration
- Received multiple certifications in several jurisdictions for LTE CAT-1 and CAT-M1 modules, including VoLTE from Verizon, Telstra and Softbank
- Completion of full organizational integration between IoT products and IoT services.
- Implementation of SAP IBP operational system completed - better planning of customers’ demand, for better service and shortening the lead time of product deliveries

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Revenue analysis

$m	H1 2018	H1 2017	%
Group	201.7	177.6	13.6%
Segments			
IoT Products	183.9	160.4	14.7%
IoT Services:	17.8	17.2	3.5%
Cloud and Connectivity	16.5	14.2	16.2%
Other services	1.3	3	(56.7%)
Geographical markets			
America	86.9	76.8	13.1%
EMEA	78.6	68.2	15.2%
APAC	36.2	32.6	11.0%

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Comments

- **Geographical markets:**
  - **America-** Increase of 13.1% reflecting the growing demand to our LTE products – expecting further growth coming from the transition to LTE
  - **EMEA-** Increase of 15.2% derived mainly from the strong performance of Automotive business
  - **APAC-** Increase of 11.1**%** a significant improvement after the decline in 2017. Performance was slightly behind expectations as a delay in a big project that negatively impacted overall performance

Operating expenses

$m	H1 2018	% of Revenue	H1 2017	% of Revenue	Saving in cash OPEX
Gross research and development	34.7	17.2%	35.4	19.9%	(0.7)
Selling and marketing	33.0	16.3%	35.1	19.8%	(2.1)
General and administrative	13.2	6.5%	14.4	8.1%	(1.2)
GainSpan integration cost	-		0.6		(0.6)
	80.9		**85.5**		**(4.6)**
Less share based payment charges	(3.4)		(3.3)		(0.1)
Less other depreciation and amortization	(7.4)		(7.5)		0.1
Total cash OPEX	**70.1**		**74.7**		**(4.6)**

Comments

- **Gross R&D (before capitalization, amortization and impairment of development assets)-** decline reflect is mainly the restructuring of the short range business including the closure of the R&D site in San Jose
- **R&D, net-** Increased mainly due to amortisation and impairment costs

	H1 2018	H1 2017
Gross R&D expenses	**34.7**	**35.4**
Less – capitalisation	**(13.7)**	**(17.9)**
Add – amortisation	**7.5**	**8.0**
Add – impairment	**2.4**	**-**
R&D, net	**30.9**	**25.5**

- **Selling and Marketing -** The decrease was mainly due to the cost optimization plan
- **General and Administrative-** The decrease reflect mainly the impact of the departure of former CEO)

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Profit in cash

$m	H1 2018	H1 2017	Difference
Adjusted EBITDA	12.5	14.7	(2.2)
Capitalisation of R&D costs	(13.7)	(17.9)	4.2
Net capital expenditure (CAPEX)	(4.5)	(6.6)	2.1
Loss in cash	**(5.7)**	**(9.8)**	**4.1**

Comments

- Adjusted EBITDA was affected by the lower gross margin and lower level of R&D capitalization.
- Capitalisation of R&D declined to a level of 39.5% of gross R&D (H1 2017: 50.6%)
- CAPEX declined to its normal level after higher investment in 2017

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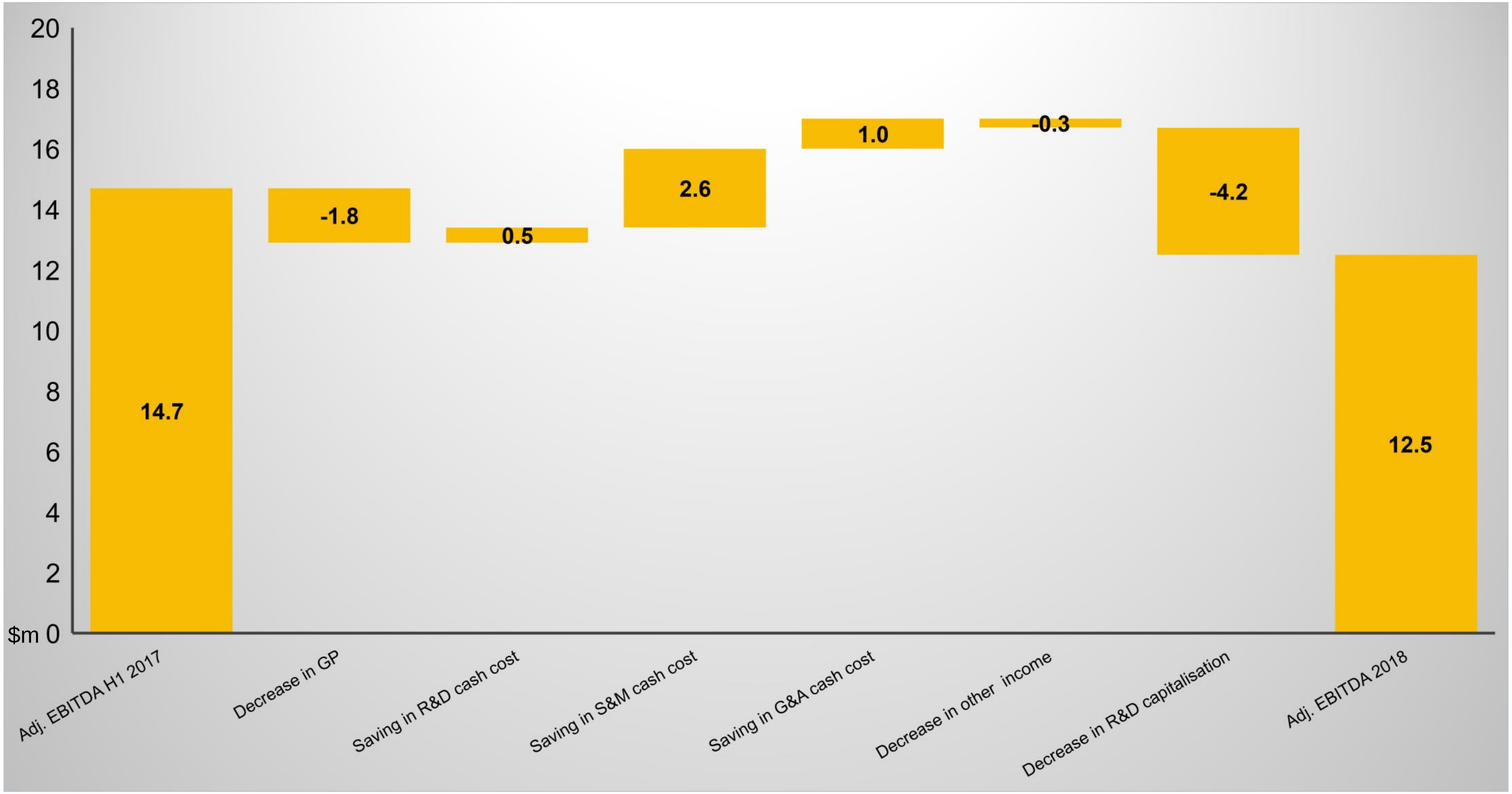
H1 2017 Adjusted EBITDA vs. H1 2018



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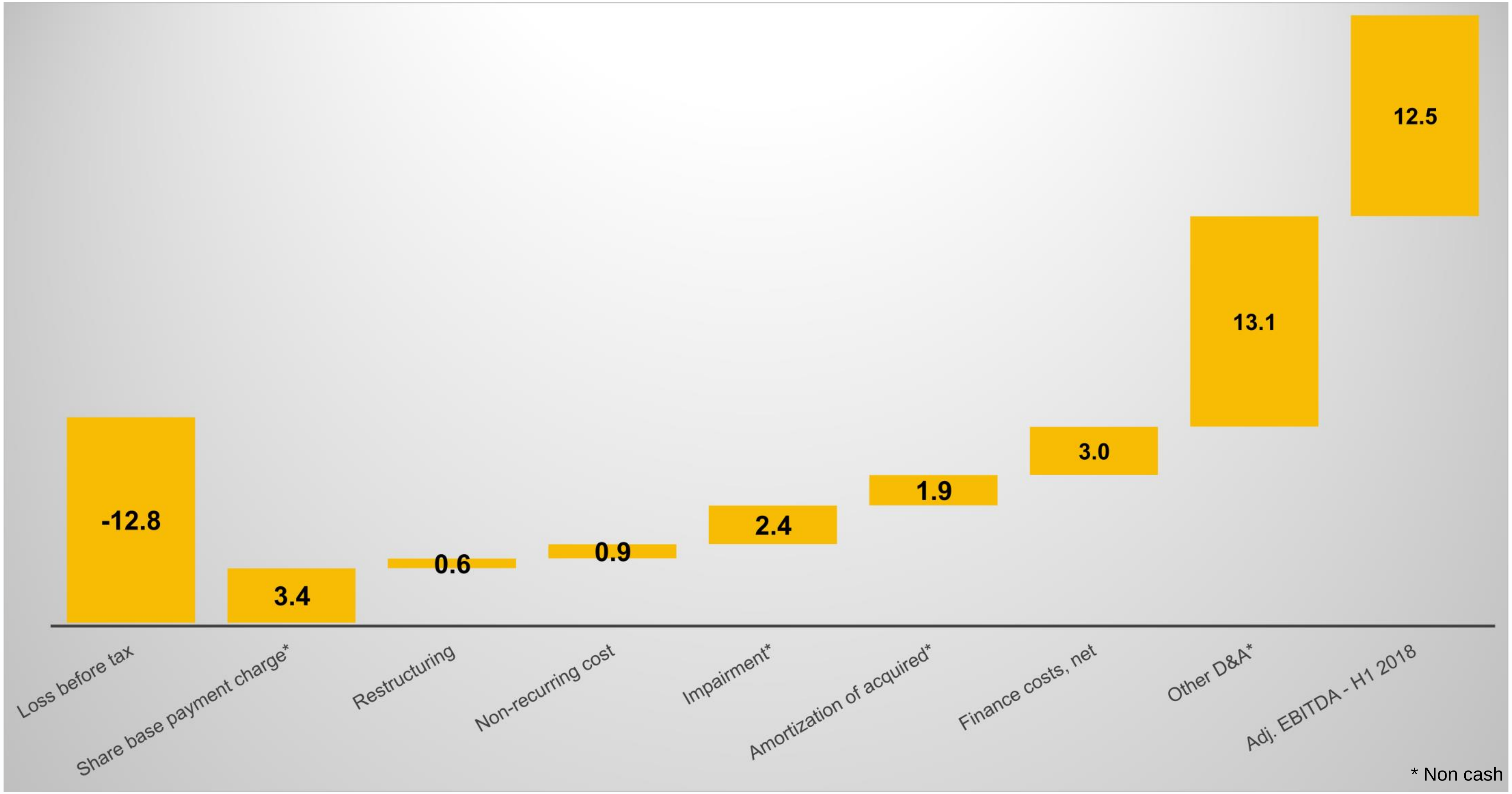
PBT to Adjusted EBITDA



Cash flows

$m	H1 2018	H1 2017	Difference
Net cash (used in) generated from operating activities (1)	21.1	(3.3)	24.4
Net cash used in investing activities (2)	(18.1)	(36.2)	18.1
Net cash (used in) generated from financing activities (3)	(6.6)	42.1	(48.7)
Net (decrease)/increase in cash and cash equivalents	**(3.6)**	**2.6**	**(6.2)**
Cash and cash equivalents at beginning of period	41.9	26.5	15.4
Effect of exchange rate differences	(1.3)	0.6	(1.9)
Cash and cash equivalents at end of period	**37.0**	**29.7**	**7.3**

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Comments

1. Improvement in cash flow from operating activities was driven mainly by optimizing working capital
2. Improvement in cash flow used in investing activity was driven mainly by the amounts spent on acquisition and in R&D capitalization
3. The cash generated from financing activity in 2017 includes mainly the proceeds of $49.7 million from issue of new shares

Net debt

$m	30.6.2018	31.12.2017
Cash and cash equivalent	37.0	42.0
Restricted cash deposits	0.6	0.4
Total cash	**37.6**	**42.4**
Current borrowings	12.8	22.2
Non current borrowings	49.8	50.4
Total borrowings	**62.6**	**72.6**
Net debt	**(25.0)**	**(30.2)**

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Comments

- The improvement in the net debt is a result of the significant improvement in the cash generated from operating activities which was higher than the cash flow from investing activities

Summary

- Continue implementation of turnaround plan to achieve profit in cash
- Cost reduction and control implemented, under new organizational structure
- Further development of innovative products, solution and capabilities in the growing IoT market
- Maintaining the return to double digit growth
- Keep improving gross margin, after the stabilistion in the first half

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Thank you!