

# NORBIT

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## Second quarter 2021 result presentation

CEO Per Jørgen Weisethaunet  
CFO Per Kristian Reppe

13 August 2021, Trondheim, Norway

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# Agenda

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- **Second quarter 2021 development and financial review**
- Update on ambitions and long-term financial targets

# Highlights second quarter 2021

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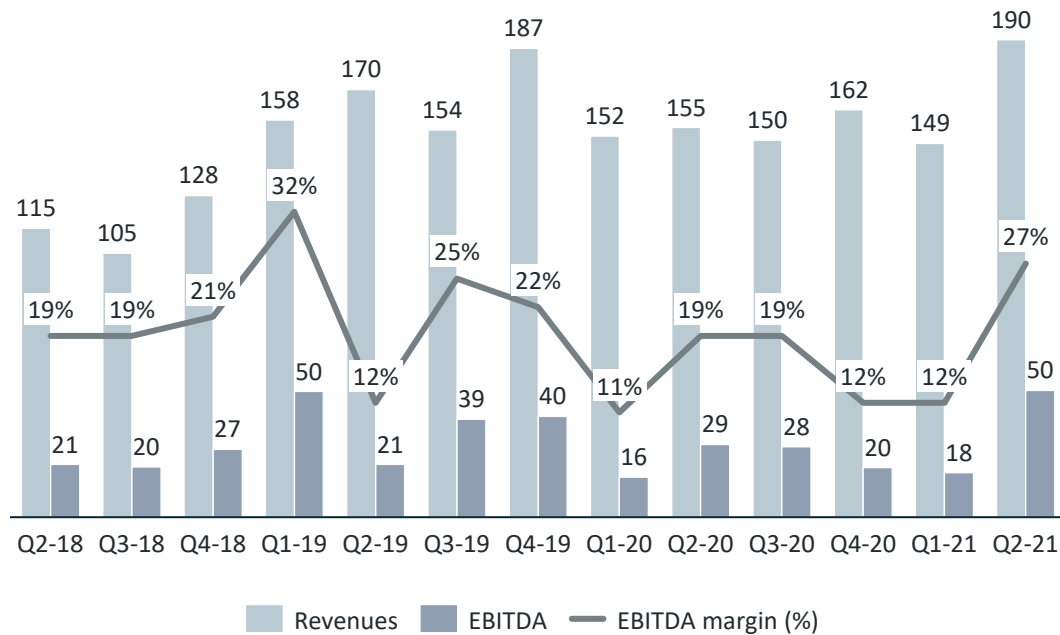
- Record revenues and EBITDA
- Strong growth in both Oceans and PIR
- Acquisition of iData Kft. completed post quarter
- Secured milestone On-Board Unit orders in line with strategy to migrate OBU business from public tendering to B2B
- Awarded contract for environmental monitoring systems
- Strengthened liquidity through refinancing and new debt facility
- Dividend of NOK 0.30 per share for the financial year 2020 distributed in May



# Record results in second quarter driven by Oceans and PIR

## Revenues and EBITDA

NOK million



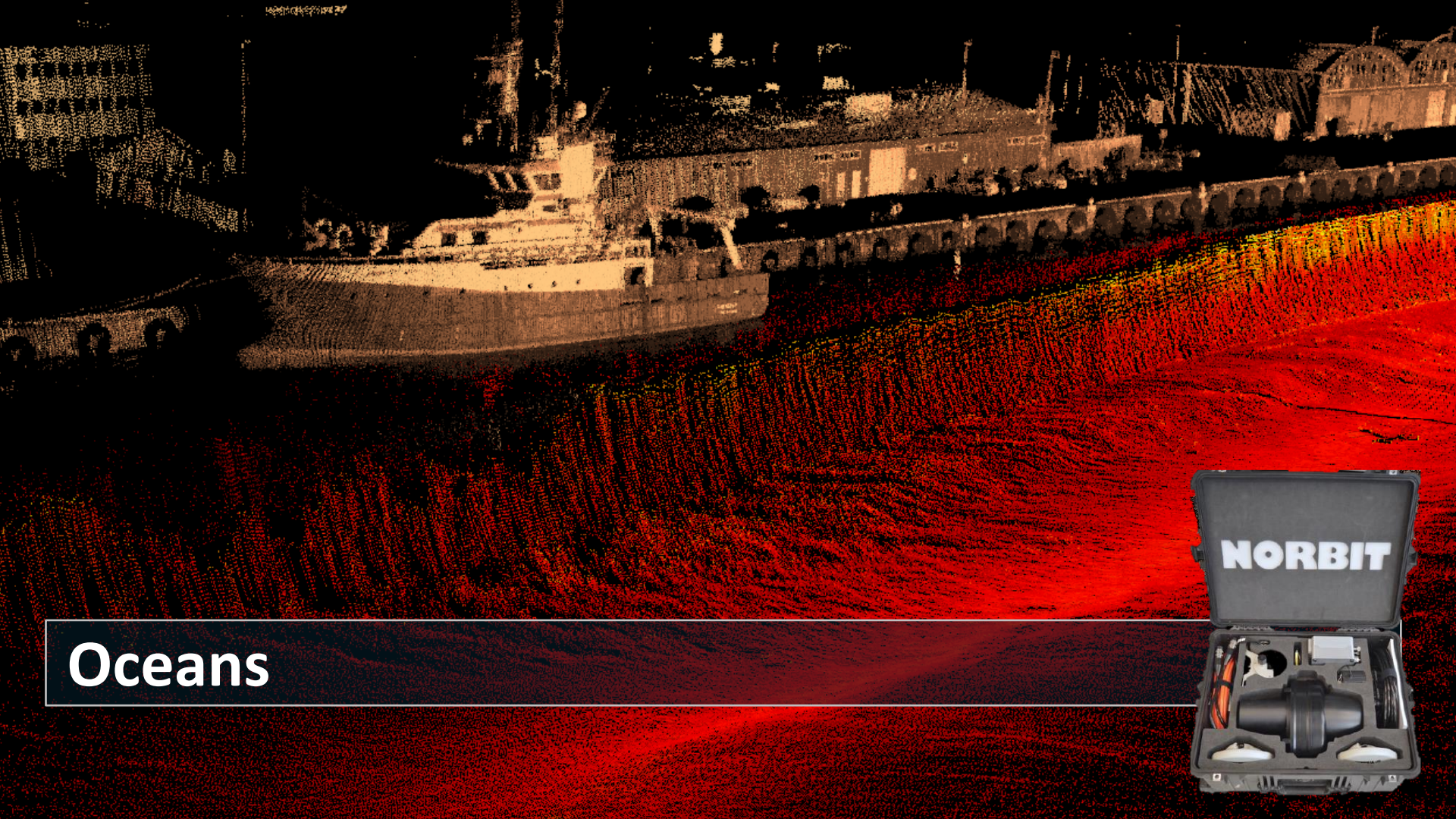
## Second quarter 2021

- Continued strong growth in both Oceans and PIR
- ITS with an expected weak financial quarter, but promising outlook driven by the announced contracts and strategic M&A
- Revenues totalled NOK 190 million, compared with NOK 155 million in Q2-20
- EBITDA came in at NOK 50 million, representing a 27 per cent margin

## First half 2021

- Revenues totalled NOK 339 million, up 10% from first half 2020
- EBITDA of NOK 68 million, a margin of 20%





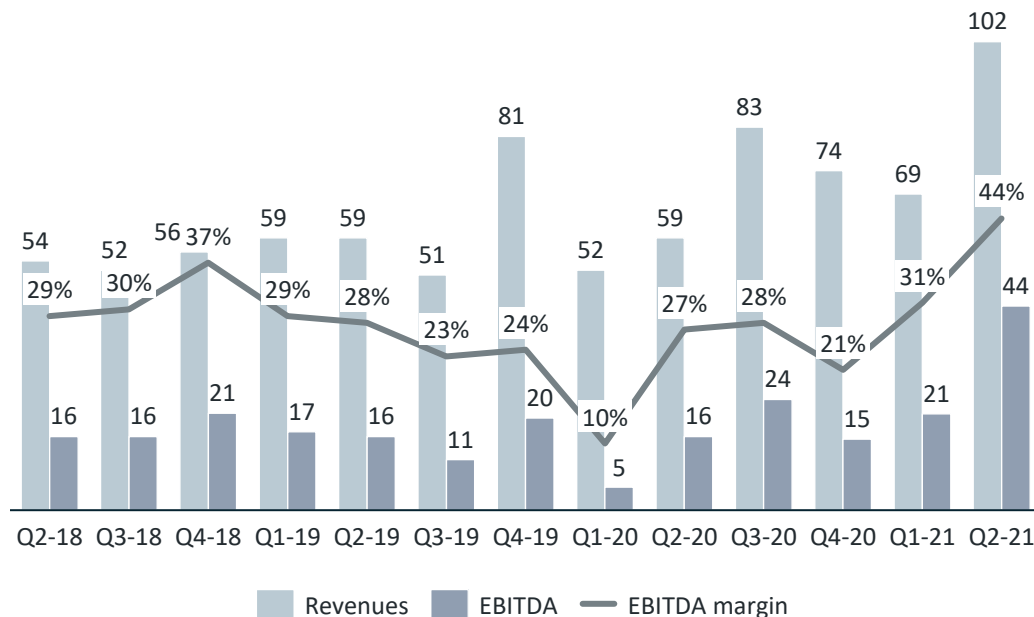
Oceans



# Continued strong growth and improved results in Oceans

## Revenues and EBITDA

NOK million



## Second quarter 2021

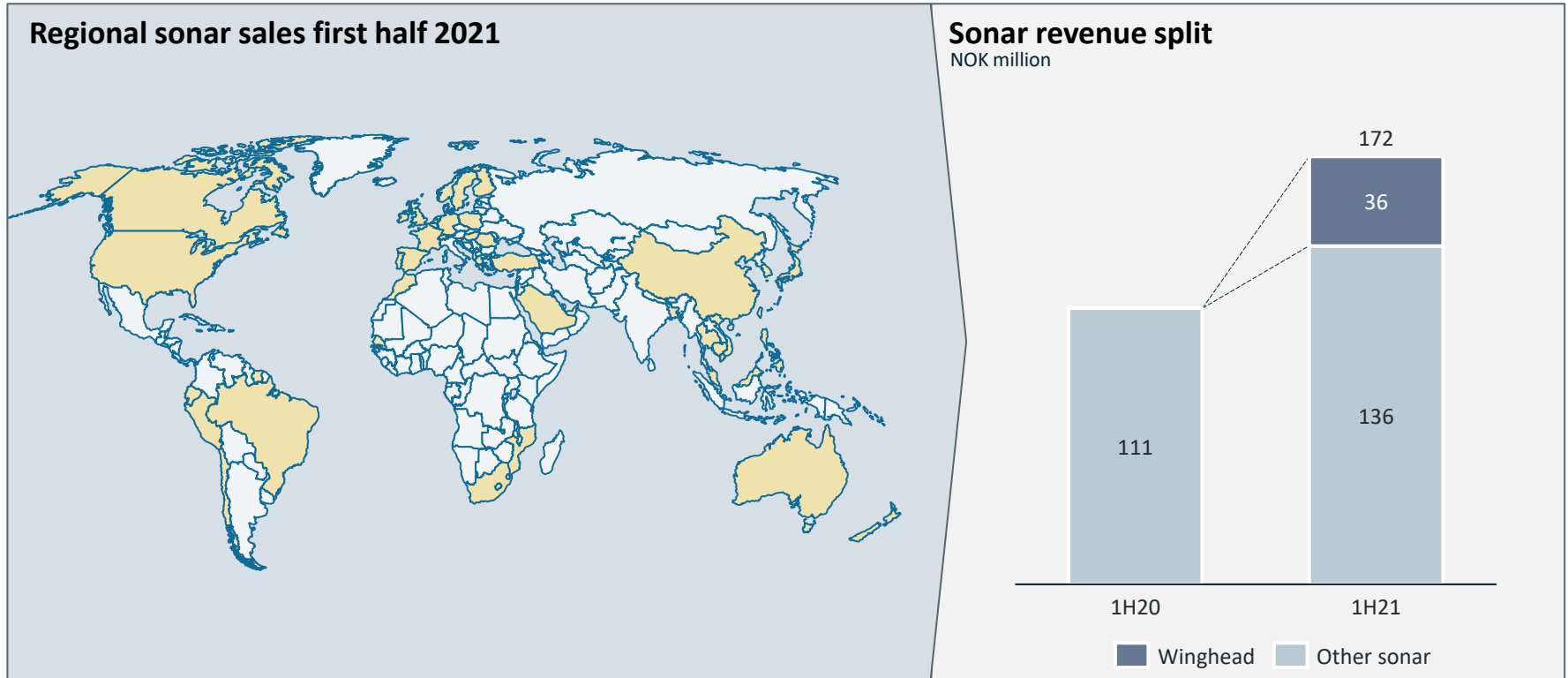
- All-time high revenues of NOK 102 million, an increase of 73 per cent from Q2-20\*
- Strong sonar sales across all geographies driving the results
- EBITDA margin of 44 per cent for the quarter

## Main events

- NOK 13 million contract awarded for delivery of the SeaCOP environmental monitoring system for three multipurpose law enforcement vessels, delivery expected late 2021 and early 2022

\* NORBIT Kabelpartner previously reported in the PIR segment accounts for 9 percentage points of the growth

# Delivered sonars to more than 50 countries in first half 2021







**DSRC solutions for satellite-based truck tolling**

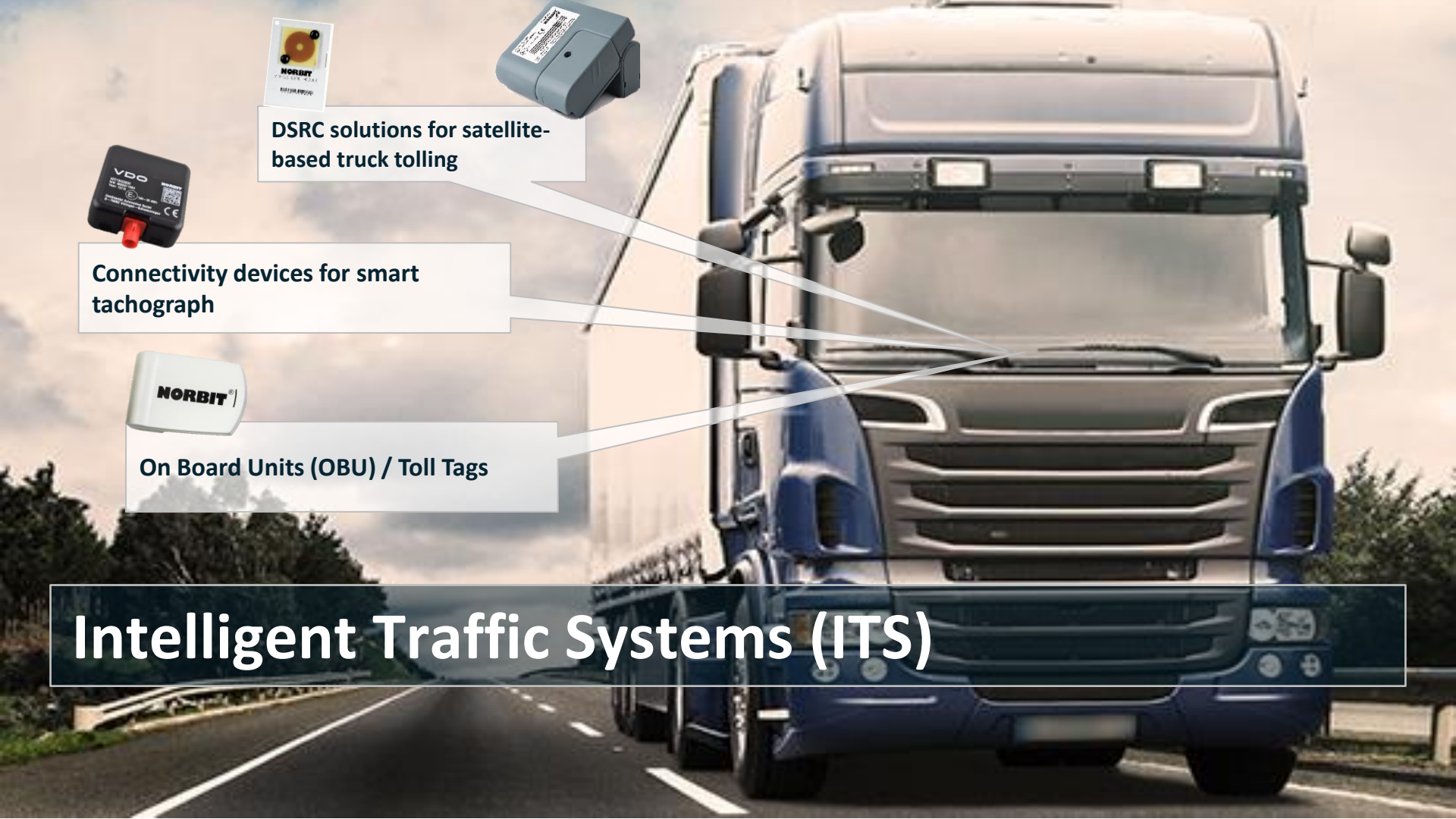


**Connectivity devices for smart tachograph**



**On Board Units (OBU) / Toll Tags**

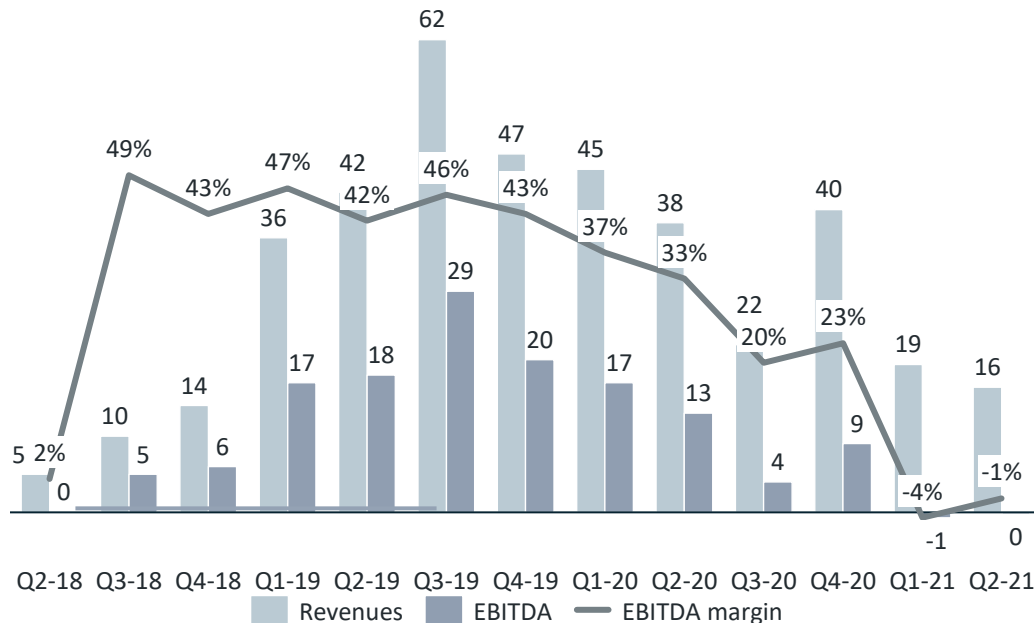
# Intelligent Traffic Systems (ITS)



# Second quarter as expected for Intelligent Traffic Systems (ITS)

## Revenues and EBITDA

NOK million



## Second quarter 2021

- Revenue of NOK 16.4 million, decline of 57 per cent from Q2-20
- Decline in EBITDA and margin due to the lower revenue base

## Main events

- Orders secured from Fremtind Service and an undisclosed European insurance company for delivery of On-Board Units (OBUs) for electronic toll collection
- Completion of iData Kft transaction on July 30

## Migrating On-Board Units business from public tendering to B2B

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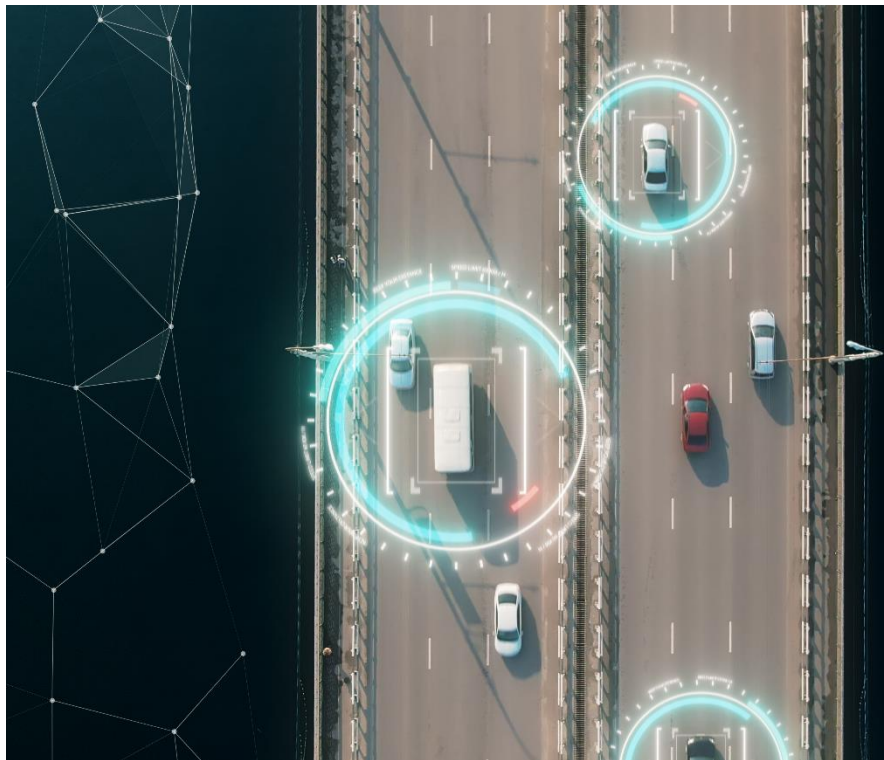


Major European insurance company places NOK 50 million order for On-Board Units scheduled for delivery in second half of 2021 and early 2022



Secures NOK 27 million On-Board Unit order from Fremtind Service

# Acquisition of iData completed post quarter



## iData

Specialised in GPS tracking with a subscription-based recurring revenue business model

Large customer base in its home market, Hungary

Vehicle tracking and fleet management services based on own proprietary technology

Transaction values iData at an enterprise value of EUR 14.5 million

2020 revenues  
EUR 5 million  
ARR > 80 %

34,000 vehicles from  
4,200 companies  
tracked using iTrack GPS  
Tracking System





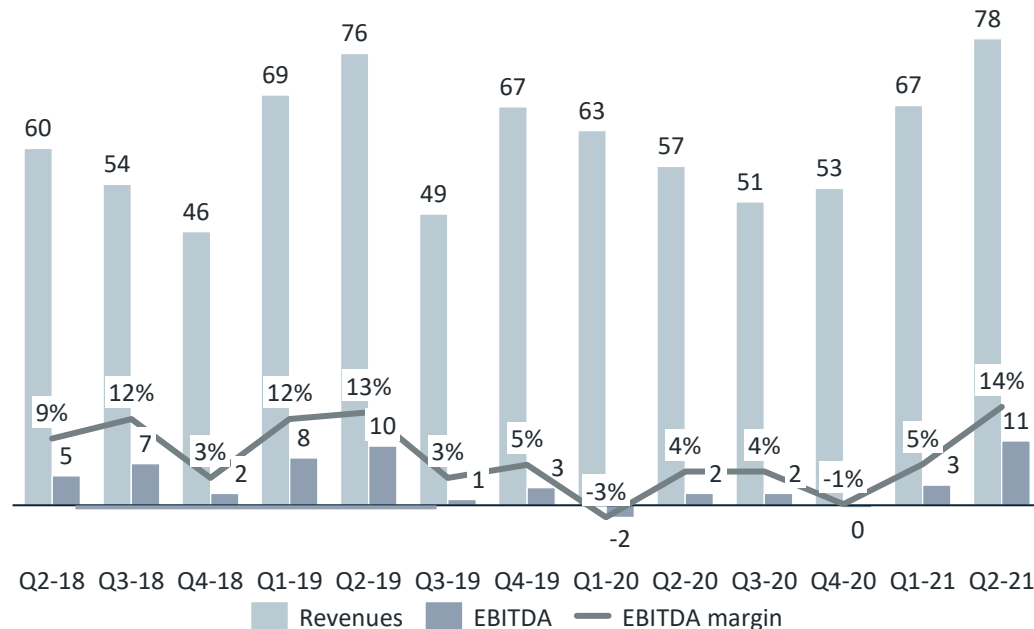
## Product Innovation & Realization (PIR)



# Product Innovation & Realization delivering profitable growth

## Revenues and EBITDA

NOK million



## Second quarter 2021

- Revenues grew by 37 per cent\* and reached NOK 78 million
- Strong growth in both contract manufacturing and R&D services. Activity increase primarily driven by automotive clients
- EBITDA of NOK 11 million, positively affected by higher revenue base and lower operating expenses

## Main events

- ISO-13485 certification of Selbu factory completed in April for manufacturing and assembly of electronic products and modules for the medical device industry

*\*46 per cent increase adjusted for Kabelpartner which was previously reported in the PIR segment*

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Group financials



# Financials – P&L

Amounts in NOK 000's

	Q2 2021	Q1 2021	Q2 2020
Revenues	189 950	148 700	155 152
Other gains and losses	-	1 230	-
Raw materials and change in inventories	88 103	72 550	77 298
Employee benefit expenses	34 343	41 550	32 113
Other operating expenses	17 037	18 180	16 267
<b>EBITDA</b>	<b>50 466</b>	<b>17 650</b>	<b>29 474</b>
Depreciation and amortization expenses	15 344	14 957	11 764
<b>Operating profit / EBIT</b>	<b>35 122</b>	<b>2 693</b>	<b>17 710</b>
Net financial items	124	(4 245)	(2 822)
<b>Profit before tax</b>	<b>35 246</b>	<b>(1 552)</b>	<b>14 888</b>
Income tax expense	(7 922)	(50)	(3 283)
<b>Profit for the period</b>	<b>27 324</b>	<b>(1 602)</b>	<b>11 605</b>

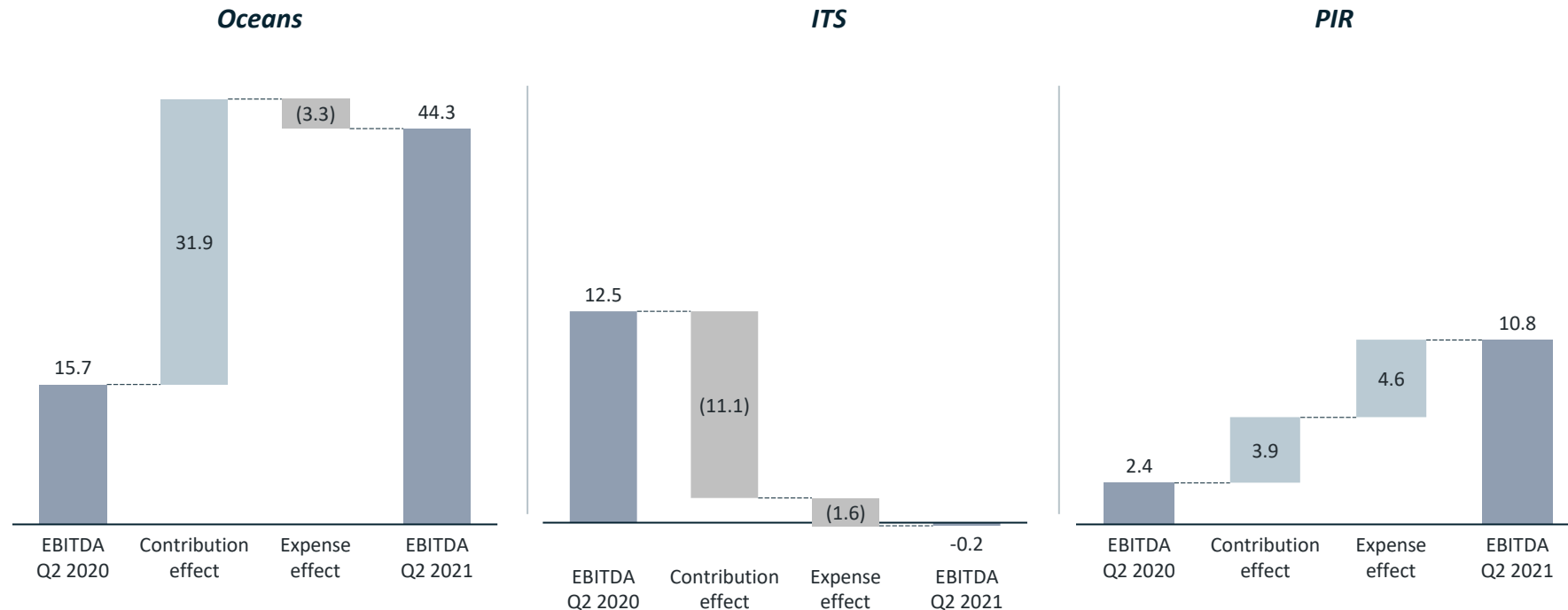
## Second quarter of 2021

- Revenues of NOK 190 million, up 22% from Q2 2020 and 28% from Q1 2021
  - Oceans and PIR delivering strong growth, sequentially and year-over-year
  - Continued weak results in segment ITS
- Contribution margin of 54% compared to 50% in Q2 2020, positively affected by Oceans' increasing share of revenues
- Employee benefit expenses of NOK 34.3 million versus NOK 32.1 million in Q2 2020, increase partly explained by less capitalisation of R&D
- EBITDA of NOK 50.5 million (27% margin) compared to NOK 29.5 million in Q2 2020 (19% margin)
- Net financial items of NOK 0.1 million, impacted by foreign exchange gains, offset by interest expenses
- Net profit for the period of NOK 27.3 million

# Segment EBITDA development

## Segment EBITDA development Q2 2021 vs. Q2 2020

NOK million



# Financials – Balance sheet

Amounts in NOK 000's

	30.06.21	31.03.21	31.12.20
<b>ASSETS</b>			
Property, plant and equipment	156 910	150 024	149 953
Intangible assets	183 391	179 776	171 454
Goodwill	6 002	6 002	-
Deferred tax asset	12 227	19 681	19 738
Inventories	202 450	170 301	164 605
Trade receivables	151 437	107 621	121 356
Other receivables and prepayments	20 468	38 376	25 628
Other assets	1 109	1 052	3 959
Cash and cash equivalents	22 378	18 421	14 953
<b>Total assets</b>	<b>756 372</b>	<b>691 253</b>	<b>671 648</b>
<b>LIABILITIES</b>			
Interest-bearing borrowings	142 619	117 104	94 702
Lease liabilities	19 010	21 087	23 187
Trade payables	108 030	76 734	67 356
Other current liabilities	38 812	38 923	47 467
Other liabilities	2 514	2 380	2 172
<b>Total liabilities</b>	<b>310 985</b>	<b>256 229</b>	<b>234 885</b>
<b>Total equity</b>	<b>445 386</b>	<b>435 024</b>	<b>436 763</b>
<b>Total liabilities and equity</b>	<b>756 372</b>	<b>691 253</b>	<b>671 648</b>

## Fixed and intangible assets

- Land and PPE: Increased primarily due to NOK 10.5 million reclassification of demo kits from inventory
- Intangible assets: Increase of NOK 3.6 million from end of Q1 2021 explained by investments in R&D, partly offset by amortization

## Working capital

- Inventories: NOK 202.4 million, increase from Q1 2021 due to securing components for planned deliveries
- Trade receivables: NOK 151.4 million, increase driven by sequential growth in revenues
- Other receivables: Down NOK 17.9 million due to completion of long-term project in Aptomar
- Trade payables: NOK 108.0 million, an increase of NOK 31.3 million from prior quarter

## Net-interest bearing debt, lease liabilities and equity

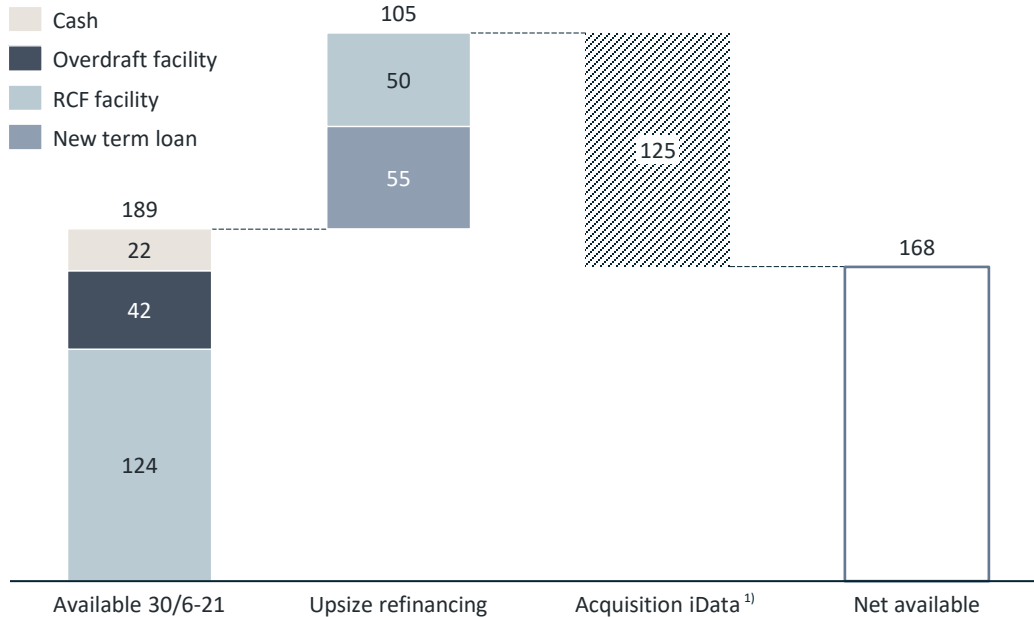
- Total borrowings of NOK 142.6 million
- Net-interest bearing debt (excl. lease liabilities) of NOK 120.2 million, up from NOK 98.7 million in Q1 2021
- Equity of NOK 445.4 million, representing an equity ratio of 59%



# Liquidity strengthened following refinancing and new loan established

## Pro-forma available liquidity

NOK million



## Refinancing terms and conditions:

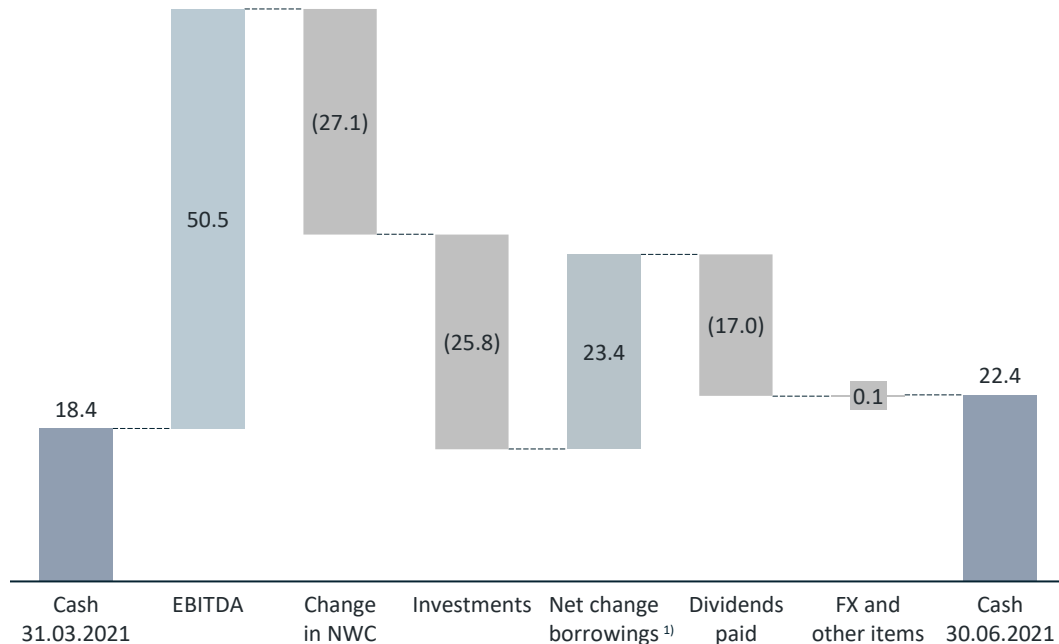
- Successful refinancing of revolving credit facility, upsizing to NOK 200 million
  - NIBOR + 180bps p.a.
  - Maturing February 2025
  - Flexible structure
- Established new term loan of NOK 55 million with security in real estate portfolio
  - NIBOR + 180bps p.a.
  - Three year tenor, amortizing over 15 year
- Increased liquidity with NOK 105 million
- No change in covenants
  - NIBD/EBITDA < 4.0x (EBITDA 12 month rolling)
  - Equity ratio > 30%

1) Including upfront cash payment of EUR 6.0 million paid 30 July and settlement of seller's credit liability. EUR/NOK per 30.06.2021

# Financials – Cash Flow

## Cash flow development second quarter 2021

NOK million



<sup>1)</sup> Including repayment of leases

## Second quarter of 2021

- Operating cash flow of NOK 23.4 million
  - Net increase in working capital of NOK 27.1 million, primarily driven by increase in inventory and trade receivables, partly offset by increase in trade payables and other accruals
- Investing activities generated cash outflow of NOK 25.8 million
  - NOK 10.5 million related to reclassification of demo kits from inventory
  - NOK 3.9 million related to investments in fixed assets
  - NOK 11.4 million invested in R&D
  - Maintaining 2021 guidance of NOK 50 – 60 million in R&D investments and NOK 10 – 20 million in fixed assets
- Financing activities led to a cash inflow of NOK 6.4 million
  - Net increase of NOK 23.4 million in interest-bearing borrowings and leases
  - Dividends paid of NOK 17.0 million

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## Outlook



# Outlook for second half of 2021

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- Positive outlook with continued high activity
- Fourth quarter historically the seasonally strongest quarter for Oceans



- Uplift in revenues and margins expected, supported by announced B2B OBU contracts
- Acquisition of iData to contribute positively to results
- Expect revenues to exceed NOK 100 million in second half of the year (H1: NOK 36 million)



- Continued high activity
- Expect increase in revenues driven by contract manufacturing

# Agenda

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- Second quarter 2021 development and financial review
- **Update on ambitions and long-term financial targets**



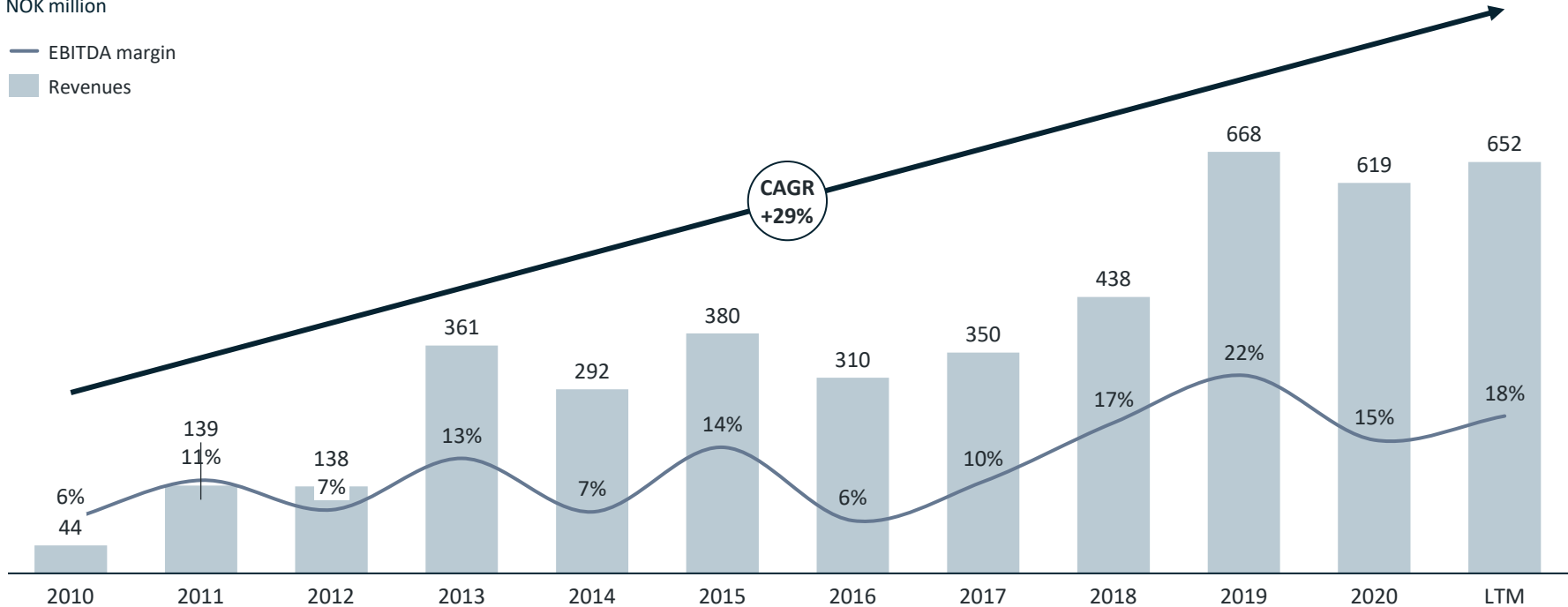
# NORBIT has delivered continued growth and profitability in the past

## Historical revenues and EBITDA<sup>1</sup> margin

NOK million

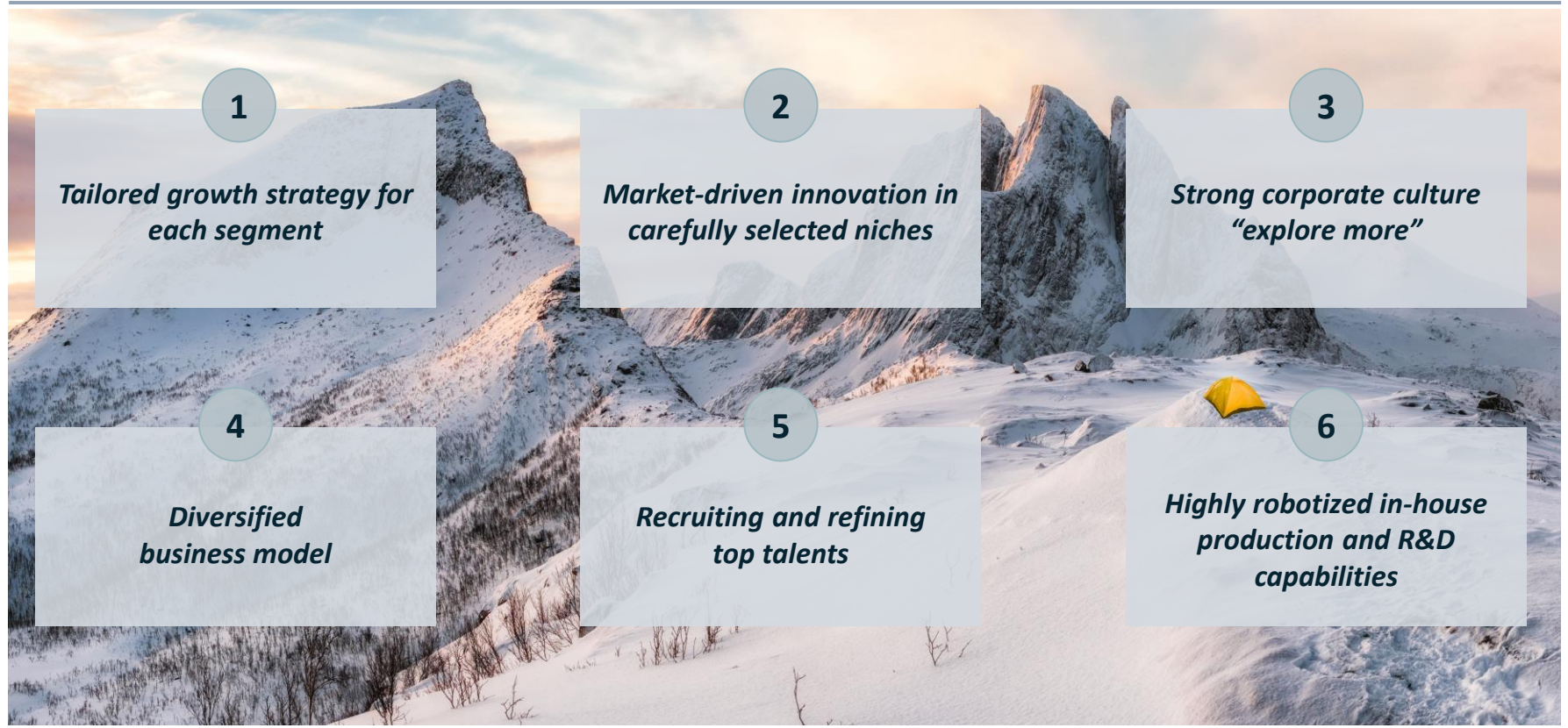
— EBITDA margin

■ Revenues



1) Numbers from and including 2018 in accordance with IFRS. Financial figures prior to 2018 based on local GAAP

# Successful elements to historical results

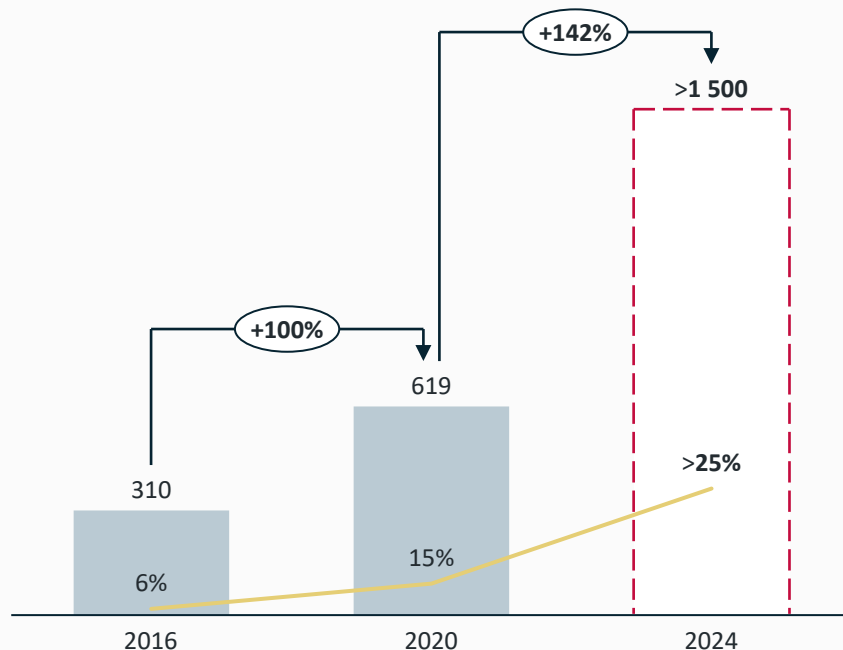


# Ambition level: Organic revenues in excess of NOK 1.5bn and EBITDA margin above 25%

## Ambition level: Organic growth

NOK million

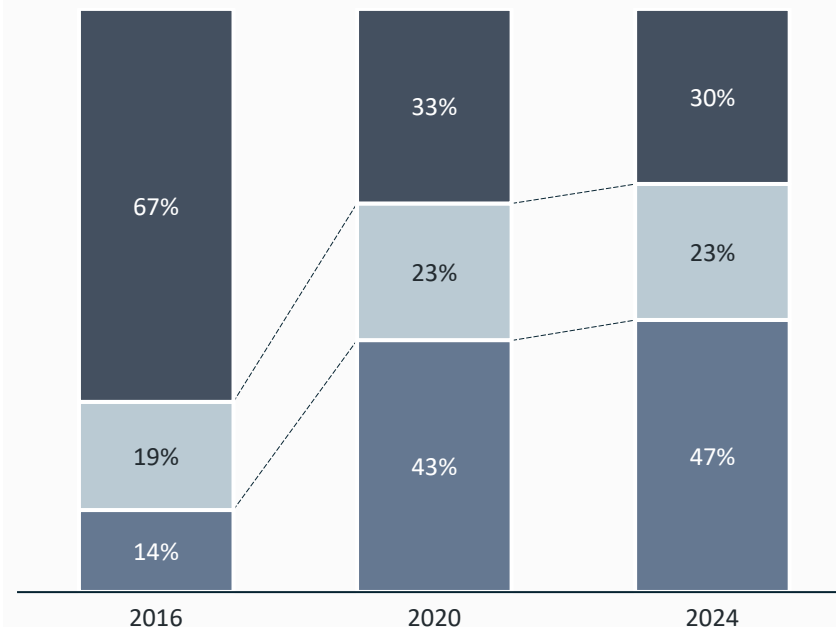
Revenues EBITDA



## Segment composition

Per cent of total

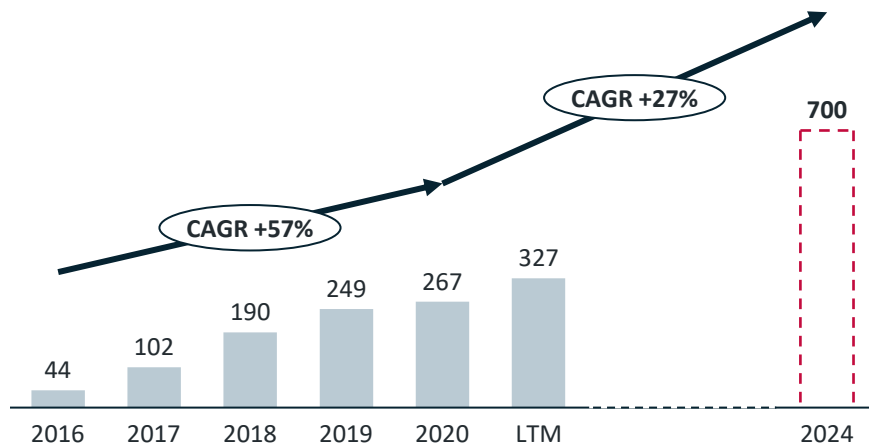
PIR ITS Oceans



# Oceans: Ambition level

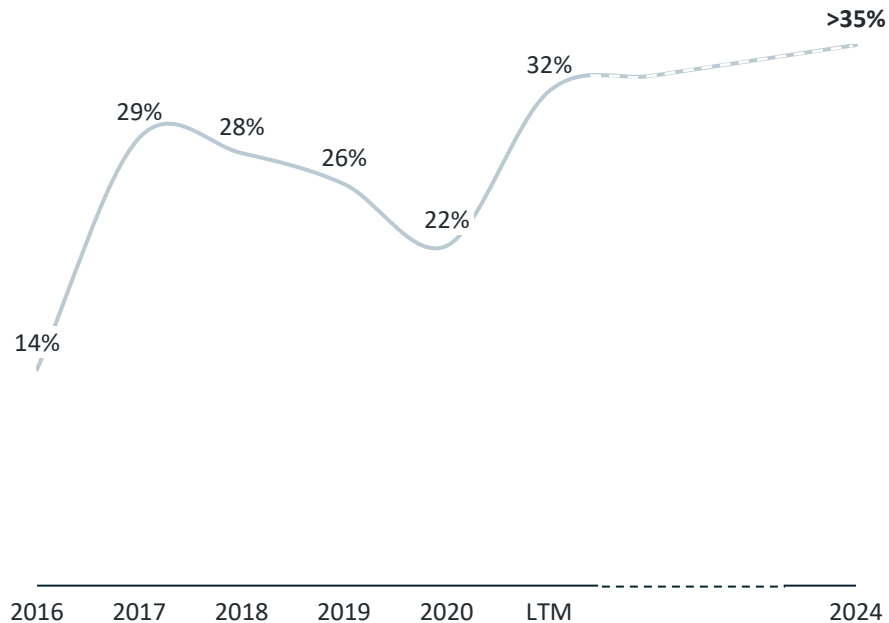
## Revenues historical figures and organic ambition

NOK million

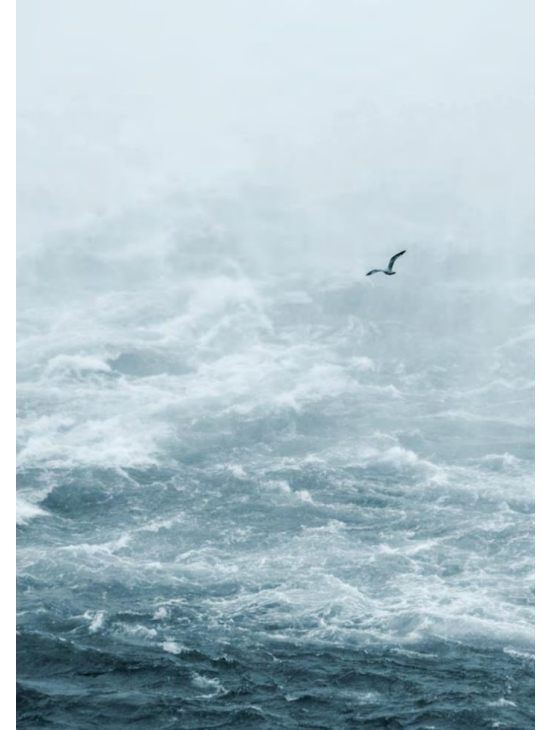
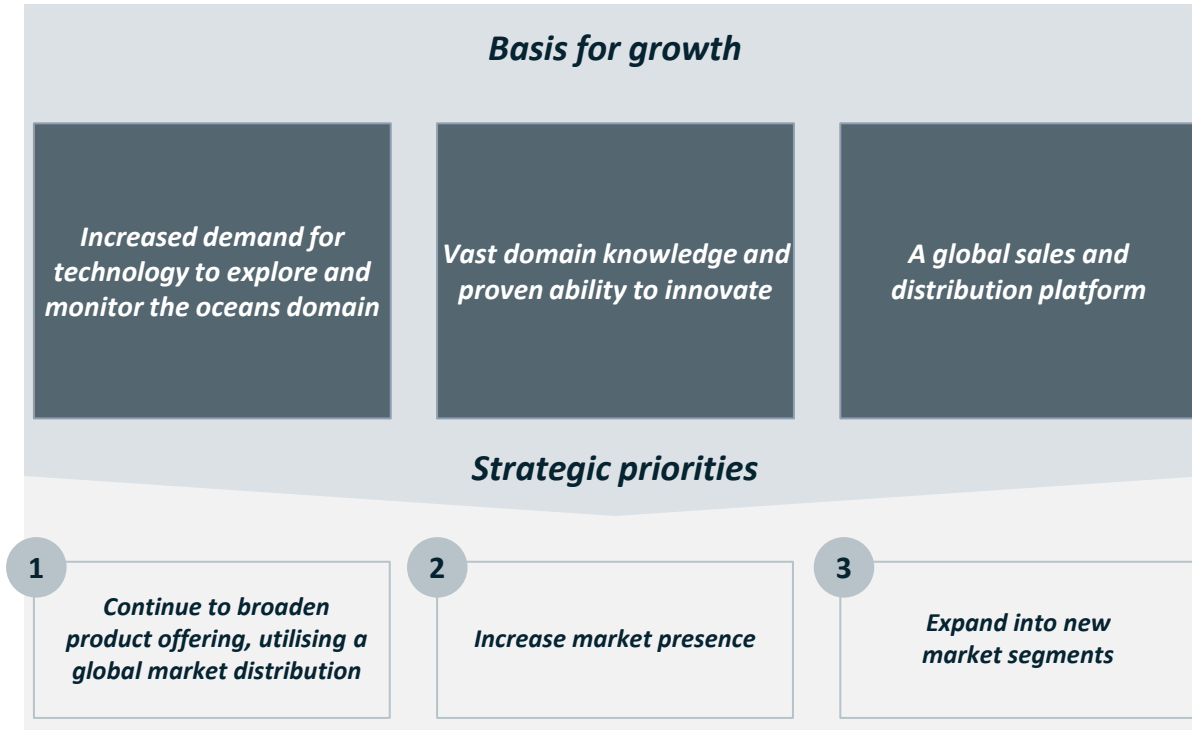


## EBITDA margin historical figures and ambition

Margin



# Oceans: Basis for growth and strategic priorities

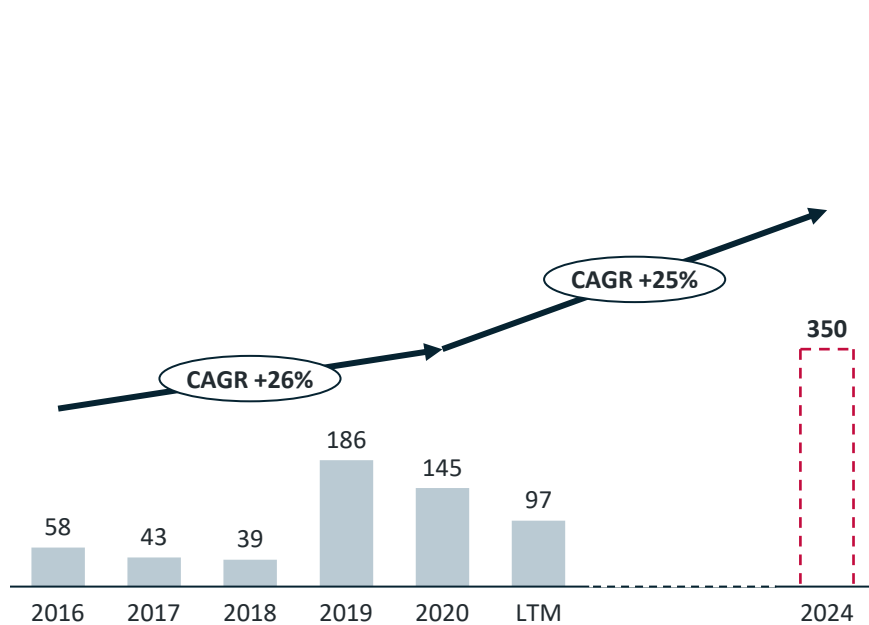




# ITS: Ambition level

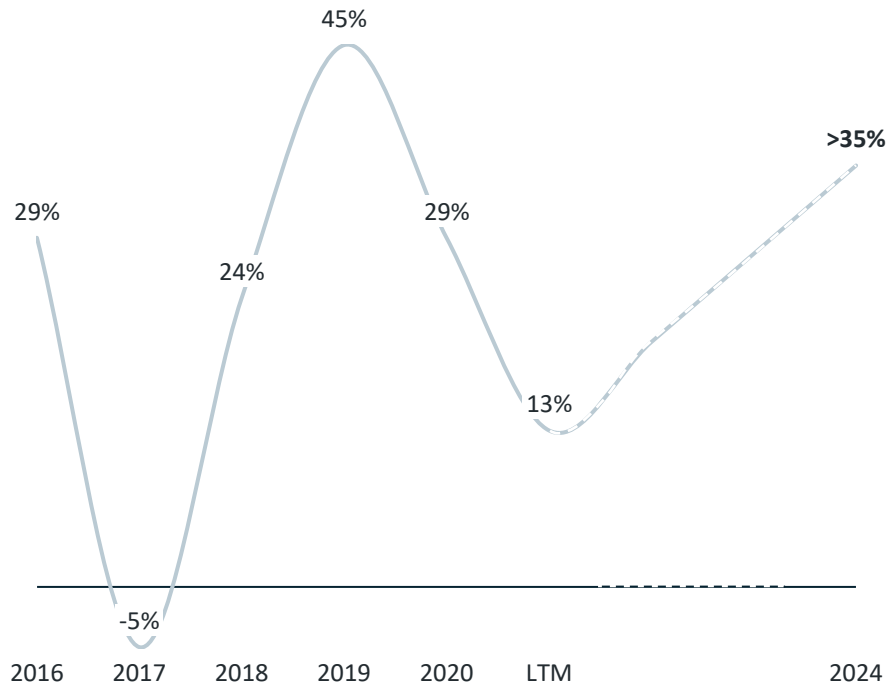
## Revenues historical figures and organic ambition

NOK million

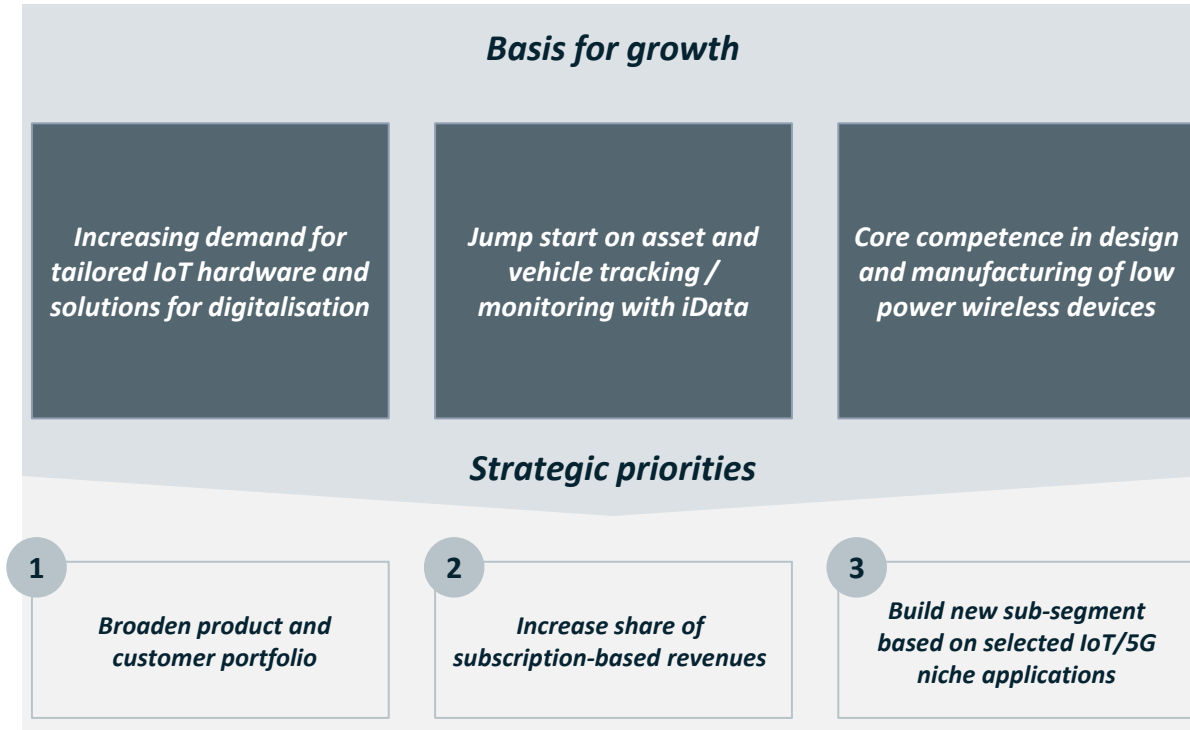


## EBITDA margin historical figures and ambition

Margin



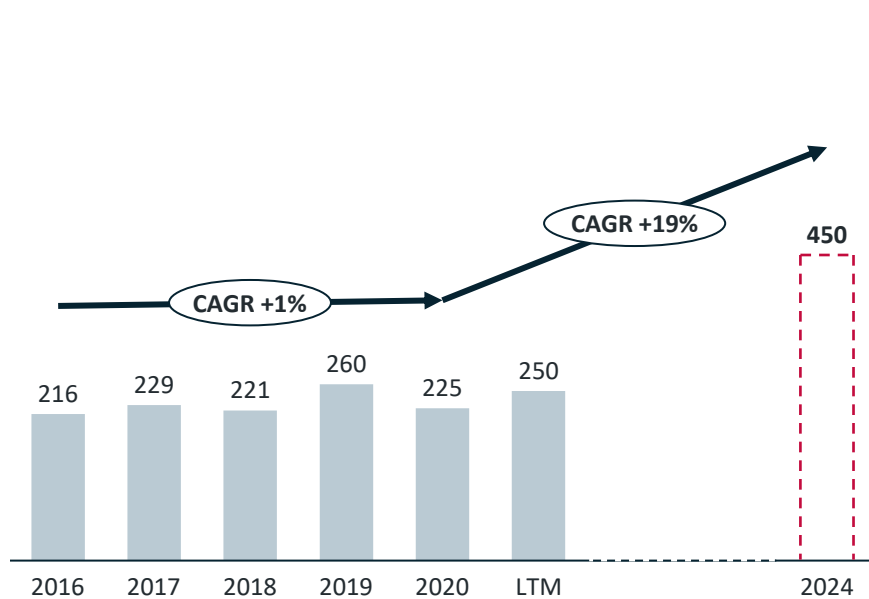
# ITS: Basis for growth and strategic priorities



# PIR: Ambition level

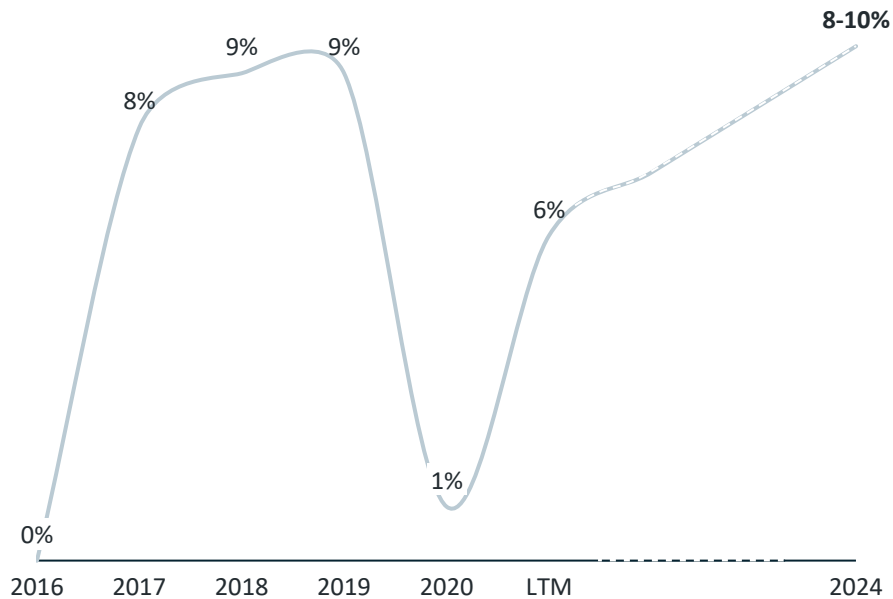
## Revenues historical figures and organic ambition

NOK million

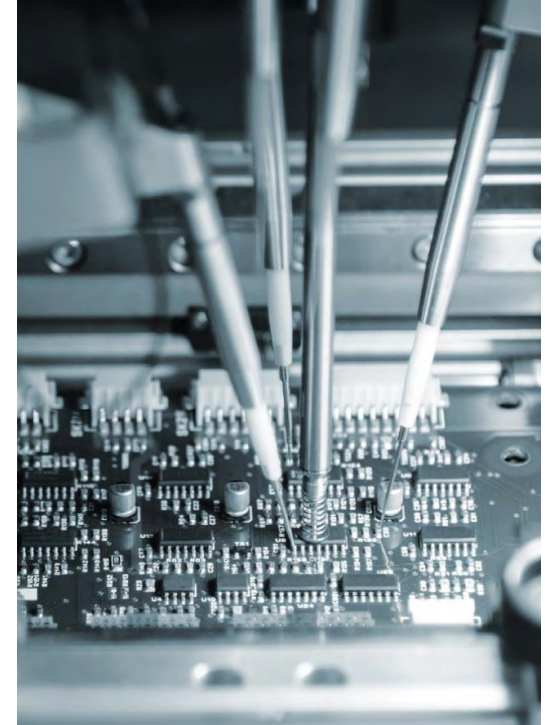
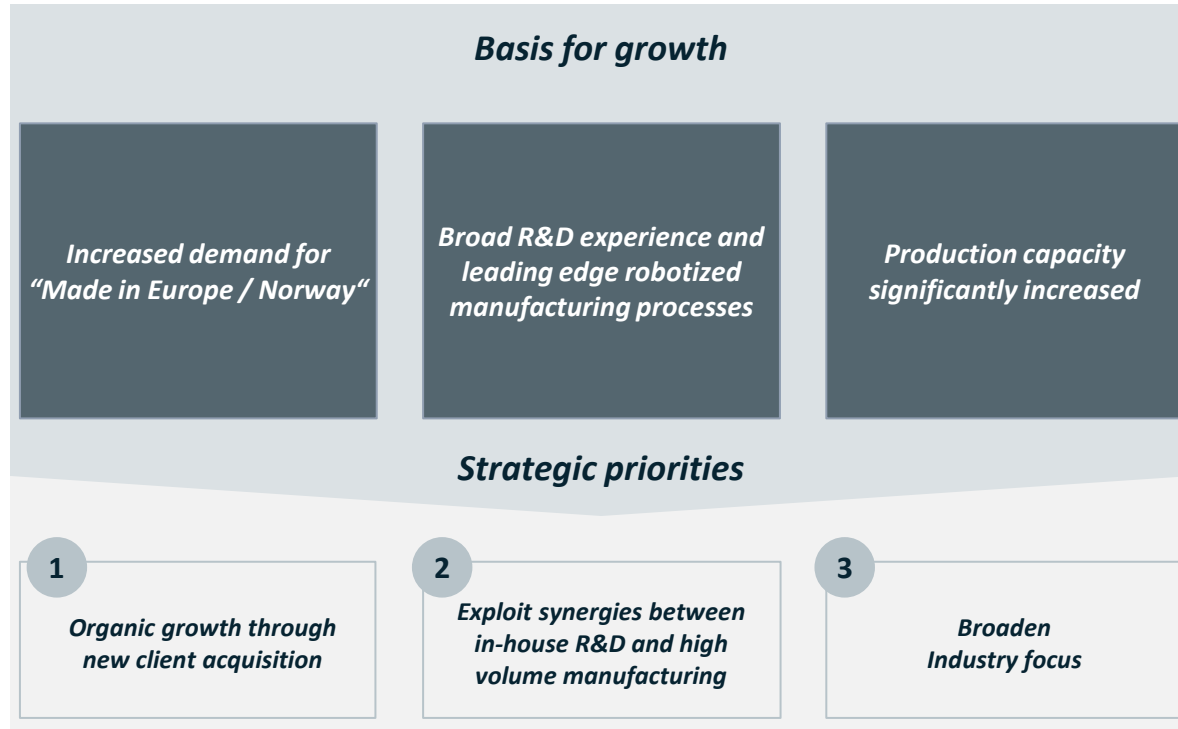


## EBITDA margin historical figures and ambition

Margin



# PIR: Basis for growth and strategic priorities



# Capital allocation framework

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## Capital allocation priorities

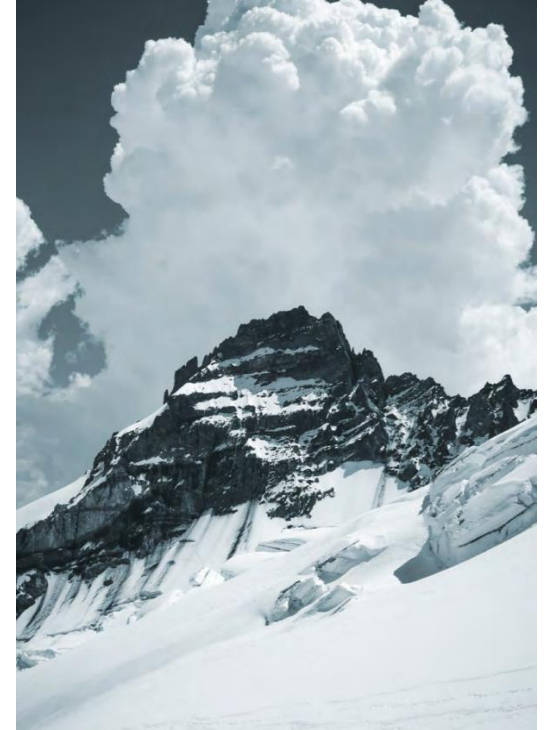
1 Maintain a solid balance sheet

2 Working capital and sustaining capital expenditures

3 R&D investments to support organic growth

4 Strategic M&A

5 Shareholder distributions

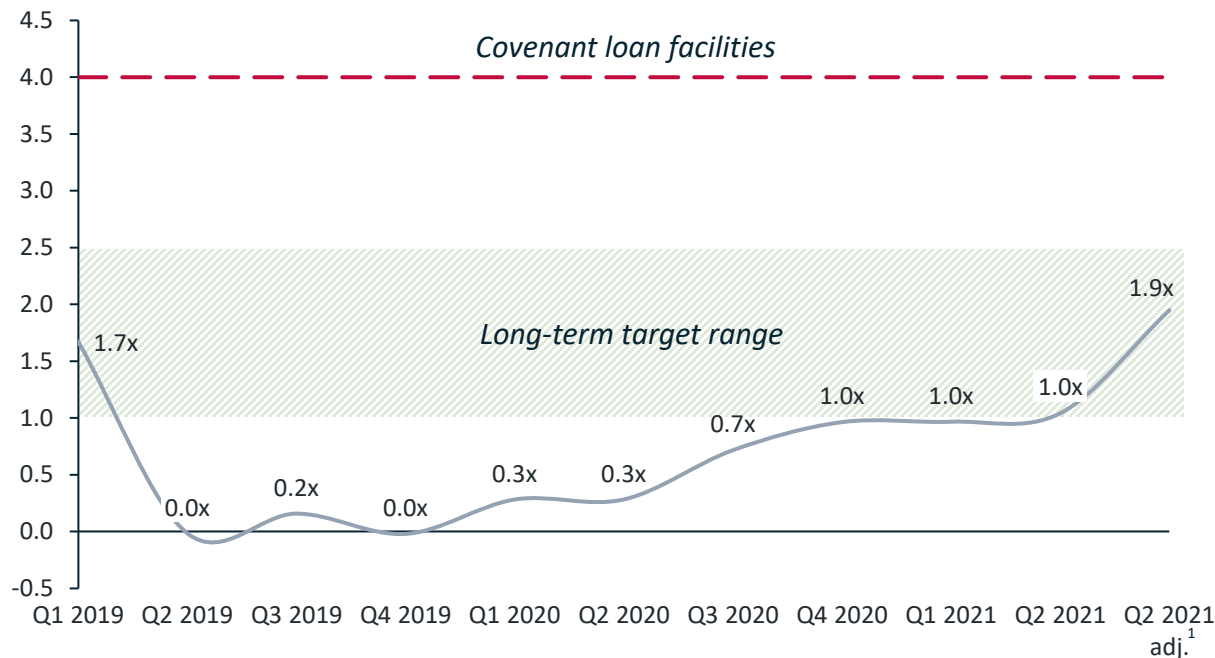




# Maintaining a solid balance sheet

## NIBD/EBITDA

EBITDA 12 month rolling



- Maintaining a strong balance sheet and liquidity position are first priorities for capital allocation:
  - Provide for financial flexibility
  - Prudent risk management
  - Operating well within covenants
  - Maintain customer confidence
  - Available financing for working capital in growth phase
- Long-term target level between 1.0 – 2.5x NIBD<sup>2</sup>/EBITDA over the cycle
- Covenants in loan facilities at 4.0x NIBD/EBITDA and equity ratio > 30%
  - 59% equity ratio at Q2 2021

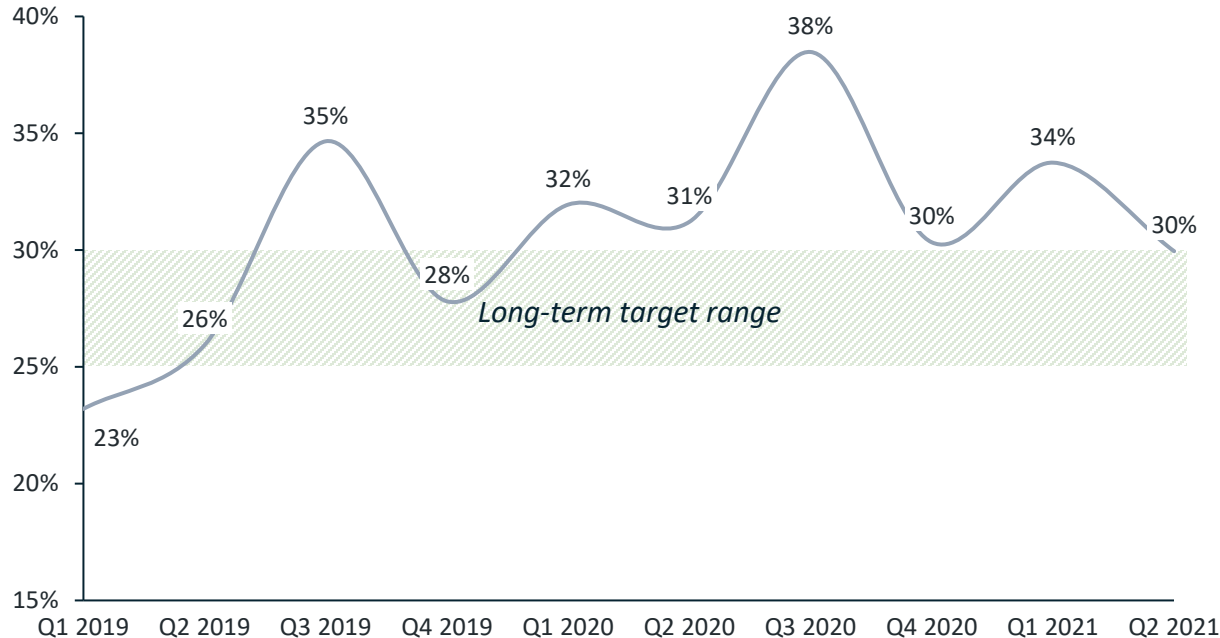
1) Pro-forma adjusted for cash payment of iData on 30 July and including seller's credit of EUR 6.0 million and leasing liabilities per 30.06.21

2) NIBD defined as total interest bearing borrowings less cash and cash equivalents (including leasing liabilities starting Q3 2021)

# Growth will require working capital, but ambition to increase capital efficiency

## Net working capital<sup>1</sup>

Per cent of annualized quarterly revenues



- Net working capital target range between 25 – 30% of revenues
- Ambition to lower working capital to lower end of target over time
- Some fluctuations over target level should be expected, particularly near-term with the challenging component situation
- Strategy of maintaining extra inventory as security stock to safeguard deliveries continues

1) Net working capital defined as trade receivables + inventory + other receivables and prepayments, less trade payables and other current liabilities

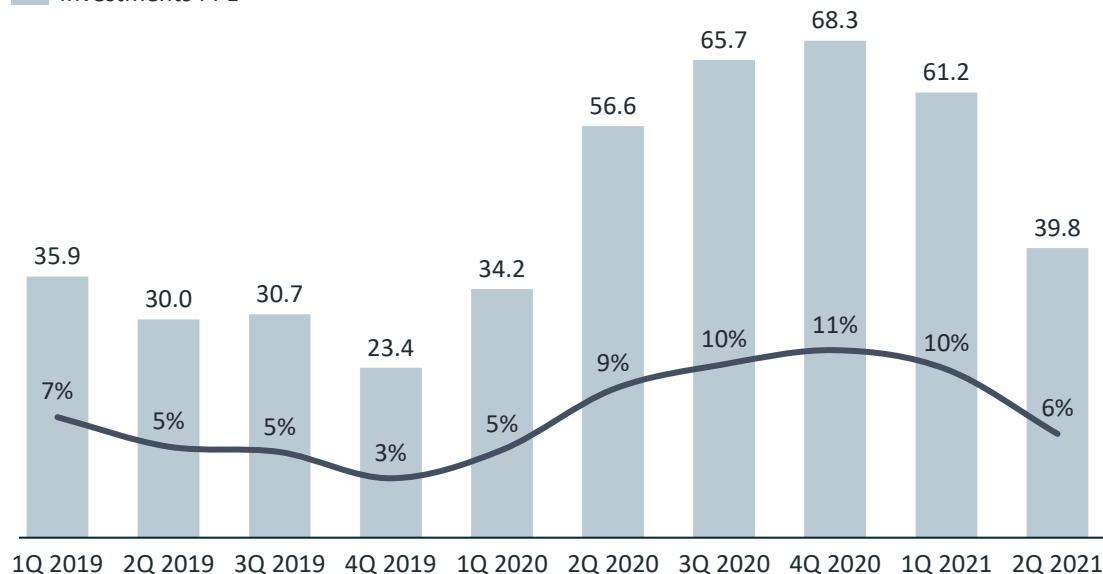
# From growth capex to sustaining capex level

## Investments in fixed assets<sup>1</sup>

NOK million, 12 month rolling

— % revenues (group)

■ Investments PPE



- Investments in property, plant and equipment on downward trajectory, guiding NOK 10 – 20 million for 2021
- No significant increase in growth investments expected to reach ambition level:
  - Investments made in expanding the Røros facility in 2020, doubling capacity
  - Available capacity at the Selbu facility
  - Oceans expanded its production facilities in Trondheim in Q1 2021
- Priority for sustaining capex in machinery and equipment to maintain competitiveness and strengthen productivity

1) Includes investments in property, plant and equipment, excluding reclassification of inventory to fixed assets

# Prioritizing R&D capex to reach ambition level

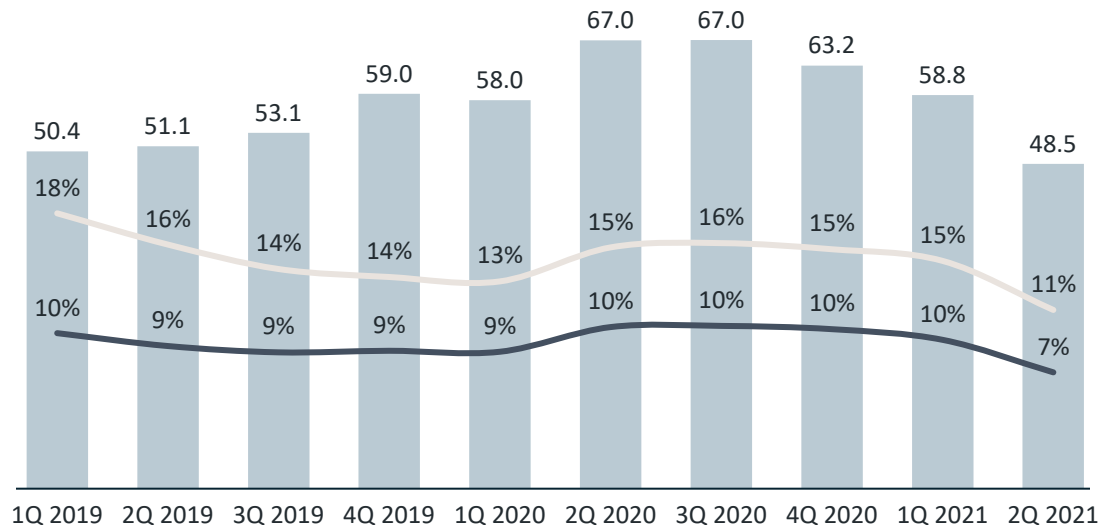
## Investments in R&D CAPEX<sup>1</sup>

NOK million, 12 month rolling

— % revenues (group)

— % revenues (Oceans and ITS)

■ R&D capital expenditures



- Continued focus on organic R&D investments, mainly to grow Oceans and ITS segments (> 95% of R&D capex historically)
- Strict prioritization favouring projects with attractive risk-adjusted returns and short payback period
- Continuous review of project portfolio to evaluate upsides and risks
- Expect nominal spending level to increase going forward (partly due to iData acquisition), but decline in percentage of revenues, to reach 2024 ambition level

1) Research and development capital expenditures reported as payments for intangible assets in the cash flow statement

# Continuing to pursue value-added acquisition

## M&A criteria

*Value accretive to  
shareholders*

*Organization with deep  
market domain knowledge*

*Technology in carefully  
selected niches*

*Cultural fit with target*

*Synergy potential*



# Dividend policy

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## Dividend policy

*NORBIT ASA's dividend policy is to pay out annual dividends between 30 and 50 per cent of the company's ordinary net profit after tax. When deciding on the annual dividend, the company will take into account the company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.*





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EXPLORING IS FINDING OPPORTUNITIES WHERE OTHERS FIND LIMITS

# NORBIT is to be recognized as world class, enabling people to explore more

- Founded 1995
- HQ in Trondheim, Norway
- Manufacturing facilities in Selbu and Røros, Norway
- Offices and Subsidiaries in 15 countries
- Dedicated workforce of ~400
- Listed on Oslo Børs, ticker **NORBIT**



*Victory awaits him who has everything in order. Luck people call it...  
Defeat is certain for him who has neglected to take necessary  
precaution in time. This is called bad luck"*

**Roald Amundsen 1912**



# A global provider of tailored technology to carefully selected niches

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## *Diversified and robust business model*



Oceans is offering tailored technology solutions to global maritime markets



Intelligent Traffic Systems (ITS) is offering tailored connectivity solutions for vehicle identification and tracking



Product Innovation & Realization (PIR) is offering R&D services and contract manufacturing to key customers

# Shareholder overview, updated 12 August 2021\*

#	Investor	# of shares	%
1	VHF INVEST AS - founder Steffen Kirknes	8,686,495	15.17
2	PETORS AS - CEO Per Jørgen Weisethaunet	6,940,695	12.12
3	DRAUPNIR INVEST AS - family of founder Steffen Kirknes	5,702,949	9.96
4	ESMAR AS	3,832,286	6.69
5	EIDCO A/S	3,832,286	6.69
6	Handelsbanken Nordiska smabolag (through J.P. Morgan Bank)	3,180,771	5.56
7	Clearstream Banking S.A.	2,805,075	4.90
8	ARCTIC FUNDS PLC	2,734,676	4.78
9	DnB NOR Bank ASA	2,500,000	4.37
10	Citibank, N.A.	1,138,193	1.99
11	Danske Invest Norge Vekst	1,050,000	1.83
12	Taiga Investment Funds (through Morgan Stanley)	945,187	1.65
13	Danske Bank A/S - MD Oceans Peter K. Eriksen	760,776	1.33
14	USEGI AS - CTO Arild Sjøraunet	721,989	1.26
15	SONSTAD AS	685,822	1.20
16	Carnegie Investment Bank AB	627,216	1.10
17	Nordea Bank Abp	571,731	1.00
18	Citibank, N.A.	525,000	0.92
19	Handelsbanken Mikrocap Norden (through J.P. Morgan Bank)	520,392	0.91
20	VPF FONDSFINANS UTBYTTE	300,000	0.52
<b>Total 20 largest shareholders</b>		<b>48,061,539</b>	<b>83.95</b>
Other shareholders		9,185,598	16.05
<b>Total</b>		<b>57,247,137</b>	<b>100.00</b>

\* Does not include new shares issued to sellers of iData Kft, in total 1,212,165 shares.