

# Q1 Interim Report

Jan-Mar 2022

## talkpool



## Quarter in brief

**January 1st – March 31st 2022**

- Net sales amounted to EUR 6 136 thousand (5 691)
- EBITDA of EUR 64 thousand (49) and EBITDA margin of 1.0 % (0.9)
- EBIT of negative EUR 38 thousand (48) and EBIT margin of -0.6% (-0.8)
- Net earnings after tax of negative EUR 276 thousand (-339)

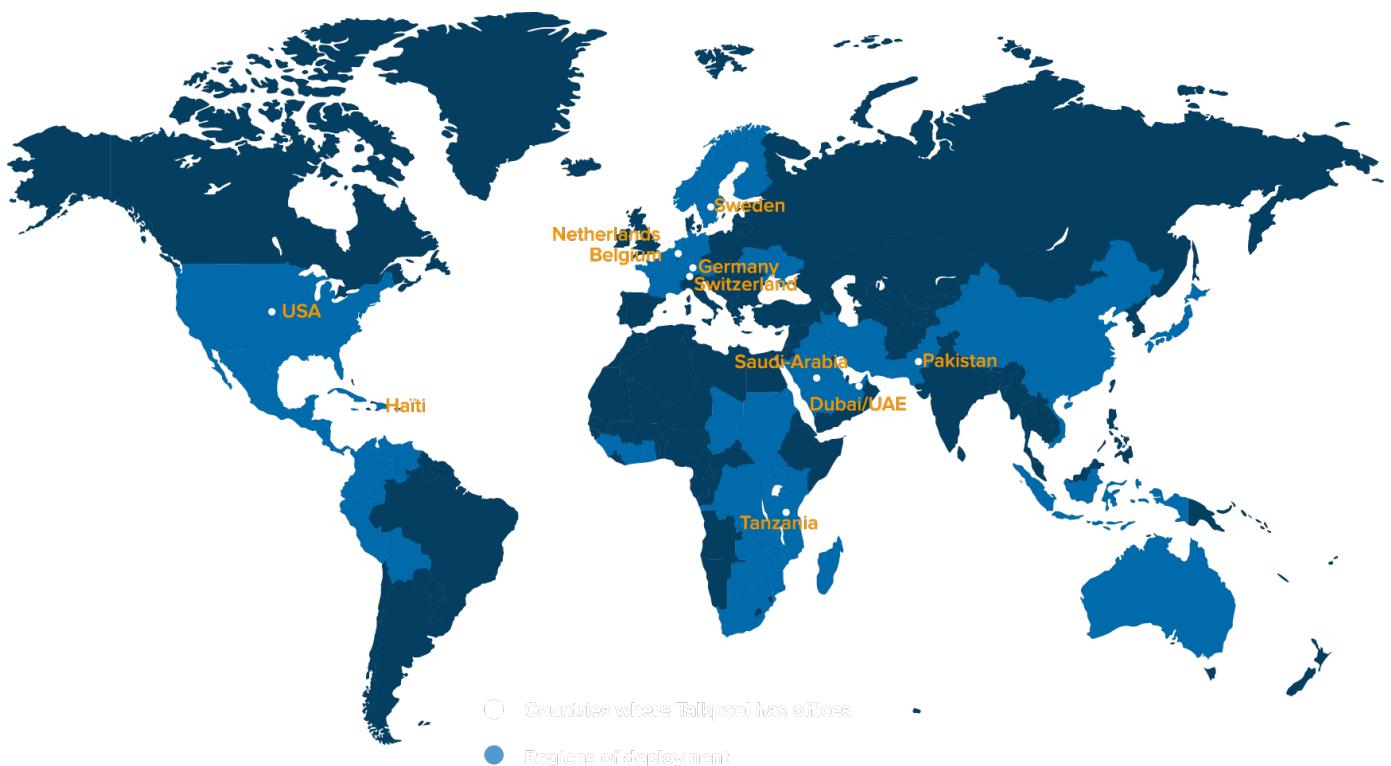
## January – March key developments

- low IoT sales at the beginning of the year due to delays in expected projects in Sweden
- Seasonal factors and global cost effects caused lower earnings in the first quarter
- ZT Group signed the SPA to buy Talkpool Pakistan for a total of USD 3.7 million
- New significant 5G services contract signed with Ericsson USA. The project was off for a good start with 30% more revenue and 60% higher margin than expected
- High sales in Germany thanks to high volumes of planning work from Deutsche Telekom
- Group financial costs were down 25% compared to Q1 2021
- Germany, Belgium, USA, Haiti and Pakistan beat their budgets in Q1
- Good orders booked uptake in the Netherlands, Sweden and Tanzania in March
- Talkpool LLC USA built a substantial pipeline of new opportunities during the quarter
- The Bond Loan from Nord Fondkommission was extended to 31 December 2022

*This information is inside information that Talkpool AG is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:30 CET on May 20, 2022.*

# This is Talkpool

Talkpool enables the IoT ecosystem by offering professional services and solutions, comprising a comprehensive range of design, creation and realization of IoT solutions and products. Talkpool's core competences include telecom, radio and security and Talkpool has geographical reach in Europe, Latin America, the Middle East and Africa.



# CEO Comments

After two years of pandemic and Corona restrictions, most countries opened at the beginning of 2022 and life gradually returned to normal again. Covid 19 never had a severe impact on Talkpool's business, but it created an uncertainty among our customers that hampered business decisions. Some countries were completely locked down, which made sales activities very difficult. Although the direct problems are now history, some "long covid symptoms" like non-working supply chains are still affecting our business to some extent. As Talkpool identified this risk early and secured a critical stock of components and IoT products, business impact has been limited.

What no one really did foresee was the brutal Russian attack on Ukraine on February 24, that started a war still ongoing and affecting the whole world. Soaring energy prices and inflation is increasing the operational costs for Talkpool, but it is also increasing the demand for energy saving solutions from real estate owners, telecom operators and tower companies. As a reaction on the real estate depreciation and costs caused by increasing interest rates, green building certifications are more in demand than ever in the real estate world.

For Talkpool the first quarter of the year is always the slowest. This year several countries including Germany, the Netherlands and the USA overperformed their sales targets as the demand for broadband network kept growing.

The sales of IoT solutions and products did however suffer during the first months of the year. Important projects were unexpectedly delayed and ongoing customer negotiations dragged into the second quarter. However, taking the high sales activity and the market trends into consideration we are confident that sales will pick up in Q2. In particular when the real-estate companies evaluate their energy costs of the passed heating season.

In March it was decided that Talkpool's Swedish bond loan will be extended to December 31, 2022, with an option to repay on an ongoing basis. Half of the funds received from asset sales will go to amortization of the bond loan.

## Network Services

The massive 5G and fibre network deployment projects in the USA continued to create a high demand for communication networks expertise and services.

In December Talkpool signed a contract with Ericsson USA for a 5G roll out services project in Puerto Rico. The project will run at least until the end of 2022 and the contract value for Talkpool will be at least USD 1,5m.

In January Talkpool initiated the first service deliveries to Ericsson and the ramp-up with additional teams continued throughout the quarter. The project was off to a good start with a smooth delivery of high-quality services. Already during the first quarter the project generated 30% more revenue and 60% higher margin than expected.

Talkpool LLC also built a substantial pipeline of concrete new opportunities during the quarter and preparations for new projects were initiated. To secure full focus and management attention during the start of the Ericsson 5G project in Puerto Rico, new project activities were pushed out to Q2.

Talkpool has a long history of delivering mobile network services to vendors and operators in the Americas, and we are glad to be back and work with the latest technology in the region. We have big plans to invest and grow in this expansive region again and we know from several request that our services are in high demand in the region.

In February ZT Group signed an agreement with Talkpool to buy 100% of its shares in Talkpool Pakistan for USD 3.7 million. The closing conditions are to be met latest by the 30<sup>th</sup> of June 2022. This transaction is an important step in Talkpool's strategy to increasingly focus on technology in developed markets, mainly in western Europe and the USA. The returns from the divestments will also be used to deleverage and lower the financial costs through payback of bonds and loans.

Talkpool Germany overperformed its sales forecast for Q1 with over 40% and reached an all-time high revenue in March, as the demand for fiber optic planning solutions from Deutsche Telekom continued up from an already high level. Our staff was working at its full capacity and the hiring of several new planners was progressing well. The steady increase in business volume, service areas and geographic footprint in Germany is the fruit of a long and close partnership between Deutsche Telekom and Talkpool.

## IoT

The sales of IoT solutions and products in the Swedish market suffered during the first months of the year. Important projects were unexpectedly delayed and ongoing customer negotiations dragged into the second quarter. However, taking the high sales activity and the market trend into consideration we are confident that sales will pick up in Q2. In particular when the real-estate companies evaluate their energy costs of the passed heating season.

SISAB (Skolfastigheter i Stockholm AB), a Swedish company that owns and develops 600 preschools, compulsory schools and upper-secondary schools in Stockholm, introduced of a new solution that makes it possible to measure radon levels in their properties in real time. By connecting Radonova's and Talkpool's new SPIRIT wireless radon logger to SISAB's existing AI operating system SOLIDA, the radon content in schools can now be measured and analyzed continuously. Every day, around 200,000 people spend time in SISAB's 1.8 million square meters of educational facilities. This means that security and safety always come high on the agenda. In addition to safety, sustainably and energy efficiency are key. Some of the measures required to reduce elevated radon levels are energy intensive. With the new solution ventilation is optimised and the indoor climate is secured in an energy-smart way.

Talkpool has been part of a project with Swedish Uppsala University where Talkpool's air quality devices were installed in vehicles to monitor air quality inside the vehicle. The data has given important insights in air quality status in public transport, and has also been used to verify the effect of air cleaning systems.

The project focused on an innovative technology for air cleaning in vehicles using heat from the vehicle's engine to sterilize virus particles in the air. Talkpool's air quality sensors showed different parameters of air quality, such as carbon dioxide or particulate matter, and were monitoring the process. The results were very positive and showed a significant improvement of the air quality in buses with the air purification system installed.

The system was also tested in ambulances under cold weather circumstances. The tests verified that the system also operates successfully in harsh winter conditions, leading to a reduction in the risk of spreading viruses and bacteria. One of the test ambulances is now on its way to Ukraine, filled with medical equipment. The vehicle and medical equipment are donated to Ukraine, supporting the country in its crisis situation

## 1st Quarter 2022

A few years ago, Talkpool launched its 'Talkpool-inside' strategy, where Talkpool's radio equipment is embedded into the product offering of companies that have a strong footprint in their respective domains. B METERS, a long-term Talkpool partner, is an Italian company that has been designing and producing water meters for 30 years. The yearly production currently exceeds 1,8 million units, putting B METERS in a leading position both at national and European level.

In April B METERS placed an order for 15.000 of Talkpool's IoT communication devices, compatible with their water meters. The order shows that demand for the product, first launched in 2018, keeps increasing, and the rollout of the product is reaching large scale.

The partnership fits well in the 'Talkpool-inside' concept and the sale of 15.000 LoRaWAN modules is a sign of the success of the strategy. The smart water meters with Talkpool inside will be sold by B METERS to its end-customers, in various markets all over Europe.

The primary market driving use cases are submetering in real estate and smart metering by utility companies. Using smart meters for these applications allows for strengthened control of water management systems, including the detection of leakages and the invoicing of consumption, based on real-time insights in actual consumption.

Reduction of water consumption is an important part of Talkpool's water management concept for buildings. Another one is water leakage detection. After a period of extensive analysis and development work, Purus and Talkpool have jointly developed the world's first smart floor drain. The floor drain has an integrated humidity sensor, which transmits an alarm over the internet when a suspected leakage is detected.

A couple of years ago, insurance company Folksam initiated a collaboration between Purus, Anticimex and Talkpool, to explore the opportunities to use new technology to reduce water damage costs. Folksam has run a pilot installation for one year with actual customers. Although the sample size was small, the smart floor drain was able to show a decrease of water damage related costs by 60%, through the enablement of partial repairs of the bathroom.

In April the floor drain was launched at the big construction fair Nordbygg in Stockholm. The product and the concept were met with an overwhelming interest from insurance companies, property owners, installers and industry associations, which indicates a great market potential.



Erik Strömstedt, CEO

# Financial development

## Key figures

	Q1 22	Q1 21	FY 21	FY 20
Sales, € thousand	6'136	5'691	24'502	21'221
Sales growth in %	7.8%	16.6%	15.5%	-0.1%
Gross profit, € thousand	1'401	1'274	5'770	5'414
Gross margin	22.8%	22.4%	23.5%	25.5%
EBITDA, € thousand	64	49	1'139	957
EBITDA margin	1.0%	0.9%	4.6%	4.5%
EBIT, € thousand	-38	-48	727	492
EBIT margin	-0.6%	-0.8%	3.0%	2.3%

## Sales and gross margin

### January - March

Net sales increased with 7.8 percent to EUR 6 136 thousand (5 691) compared to the same quarter last year despite low IoT sales in Sweden Q1 is always the weakest sales quarter and that was taken into consideration in our forecast, but the deep IoT sales dip in January and February due to project delas was not expected. IoT orders booked and sales picked up in March and April.

The gross margin increased by 0.4 percentage points to 22.8 percentage.

## EBITDA

### January – March

EBITDA for the period increased to EUR 64 thousand compared to EUR 49 thousand in Q1 2021. The low EBITDA is mainly a result of low IoT sales and higher costs than expected.

## Net profit/loss

### January - March

The net earnings in Q1 2022 amounted to negative EUR 276 thousand compared to negative EUR 339 thousand in the same quarter 2021. A small loss was expected due to seasonal variations, but not on this level.

# Financial position and cash flow

## Key figures

	Q1 22	Q1 21	FY 21	FY 20
Equity ratio	-15.9%	2.6%	-21.3%	-14.9%
Return on equity	-7.8%	85.0%	13.8%	50.1%
Net cash/debt, € thousand	-4'815	-6'348	-5'674	-5'225
Operating cash flow, € thousand	19	-136	2'519	-1'275

## Balance sheet and financial position

### 31 March 2022

As of 31 March, cash amounted to 1 862 thousand and net debt to EUR -4 815 thousand.

The consolidated net equity ratio was -15.9% per end of the quarter.

## Cash-flow and investments

### January - March

The cash flow from operating activities over Q1 2022 amounted to EUR 19 thousand.

## Other disclosures

### Accounting principles

The consolidated interim report is based on uniform accounting principles for all group companies. The parent company, Talkpool AG, is a Swiss company and is governed by Swiss law and accounting principles. The consolidated interim report has been prepared in compliance with the Swiss Code of Obligations (Art. 957 to 963b CO).

As per 31 December 2016, the group changed its goodwill accounting from capitalization and amortization to offsetting against equity. For further information regarding applied accounting principles please refer to page 28-32 in the Talkpool annual report 2021.

## Significant events after the period

No significant events after the period.

## Certified advisor

Erik Penser Bank is Talkpool's Certified Advisor.

## Auditor's review

The company's auditors have not audited this report.

Chur, 20 May 2022

Erik Strömstedt

CEO Talkpool AG

# Summary of financial reports

## Consolidated income statement

EUR	Jan-Mar		Jan-Dec	
	2022	2021	2021	2020
Net revenue from goods and services	6'136'127	5'690'730	24'501'565	21'221'419
Cost of sales	-4'735'275	-4'416'892	-18'731'757	-15'806'637
<b>Gross profit</b>	<b>1'400'852</b>	<b>1'273'838</b>	<b>5'769'808</b>	<b>5'414'782</b>
Selling expenses	-316'489	-68'356	-851'7992	-387'116
Administrative expenses	1'125'611	-1'218'466	4'518'079	3'938'848
Other operating income & expenses	3'522	-35'060	327'423	-597'033
<b>Operating result</b>	<b>-37'725</b>	<b>-48'045</b>	<b>727'360</b>	<b>491'792</b>
Financial net	-146'135	-217'014	-806'137	-1'056'377
Profit/loss before income taxes	<b>-183'860</b>	<b>-265'059</b>	<b>-78'776</b>	<b>-564'585</b>
Income taxes	-92'116	-74'182	-255'694	-421'372
Net profit/loss	<b>-275'977</b>	<b>-339'241</b>	<b>-334'471</b>	<b>-985'957</b>
<b>Net income attributable to:</b>				
Stockholders of the parent company	-227'721	-364'056	-494'873	-1'142'265
Minority interests	-48'256	24'815	160'403	156'308
<b>Other information</b>				
Average number of shares	6'778'097	6'388'682	6'682'883	5'375'392
Earnings per share (no dilutive effects)	-0.03	-0.06	-0.07	-0.21
Number of shares, end of period	6'778'097	6'778'097	6'778'097	6'379'730
Earnings per share (no dilutive effects)	-0.03	-0.05	-0.07	-0.18

# Consolidated balance sheet

EUR	March 31 2022	March 31 2021	December 31 2021	December 31 2020
<b>ASSETS</b>				
<i>Current assets</i>				
Cash	1'861'543	2'445'681	1'509'324	1'072'799
Trade receivables	2'463'877	3'740'756	2'788'789	3'844'767
Other current receivables	2'607'384	3'150'876	2'121'354	2'450'315
Inventories and unvoiced services	2'486'084	2'412'938	2'197'473	2'002'848
Prepaid expenses and accrued income	555'377	404'739	388'124	309'439
<b>Total current assets</b>	<b>9'974'265</b>	<b>12'154'990</b>	<b>9'005'064</b>	<b>9'680'168</b>
<i>Non-current assets</i>				
Financial assets	431'366	3'550'290	520'570	186'528
Investments in associates and joint venture	8'486	7'909	8'449	8'084
Intangible assets	787'073	505'071	743'144	473'982
Property, plant and equipment	1'089'266	693'175	1'387'006	696'411
<b>Total non-current assets</b>	<b>2'316'191</b>	<b>4'756'446</b>	<b>2'659'170</b>	<b>1'365'005</b>
<b>TOTAL ASSETS</b>	<b>12'290'456</b>	<b>16'911'436</b>	<b>11'664'234</b>	<b>11'045'173</b>
<b>LIABILITIES AND EQUITY</b>				
<i>Current liabilities</i>				
Trade payables	2'174'168	2'051'441	2'410'782	2'079'282
Current interest-bearing liabilities	4'497'022	4'664'953	4'431'728	4'441'928
Other current liabilities	1'664'662	1'459'460	1'203'453	1'161'407
Accrued expenses and deferred income	3'262'349	3'676'424	2'927'238	2'750'282
<b>Total current liabilities</b>	<b>11'598'201</b>	<b>11'852'278</b>	<b>10'973'201</b>	<b>10'432'899</b>
<i>Non-current liabilities</i>				
Non-current interest-bearing liabilities	2'179'427	4'129'025	2'751'263	1'855'644
Provision	465'836	493'442	428'904	404'756
<b>Total non-current liabilities</b>	<b>2'645'263</b>	<b>4'622'467</b>	<b>3'180'167</b>	<b>2'260'400</b>
<b>Total liabilities</b>	<b>14'243'464</b>	<b>16'474'745</b>	<b>14'153'368</b>	<b>12'693'299</b>
<i>Equity</i>				
Stockholders' equity	-2'927'703	-428'469	-3'579'069	-2'279'926
Minority interest in equity of subsidiaries	974'695	865'160	1'089'936	631'800
Total equity	-1'953'008	436'691	-2'489'134	-1'648'126
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>12'290'456</b>	<b>16'911'436</b>	<b>11'664'234</b>	<b>11'045'173</b>

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity.

# Consolidated cash flow statement

EUR	Jan-Mar		Jan-Dec	
	2022	2021	2021	2020
<i>Operating activities</i>				
Net profit/loss	-275'977	-339'241	-334'471	-985'957
+/- adjustment for items not affecting cash flow	743'711	108'886	800'141	720'994
+/- increase/decrease of working capital	-448'611	94'414	2'053'466	-1'009'690
<b>Net cash flow from operating activities</b>	<b>19'123</b>	<b>-135'941</b>	<b>2'519'136</b>	<b>-1'274'653</b>
<i>Investing activities</i>				
Investments in property, plant and equipment	-243'946	-83'390	-997'960	-191'924
Sale/divestment of property, plant and equipment	-	-	7'484	71'605
Investments in intangible assets	599'933	-10'147	-361'504	-86'265
Inflow/outflow from change of financial assets	89'204	-	-334 042	-
Dividends paid to minority	-59'835	-	-74'136	-75'614
Acquisition of subsidiaries	-	-259'351	-7'306	-
<b>Net cash flow from investing activities</b>	<b>385'356</b>	<b>-352'888</b>	<b>-1 767'464</b>	<b>-282'198</b>
<i>Financing activities</i>				
Net proceeds from share issue	-	867'103	867'103	-
Net issuance (repayment) of interest-bearing liabilities	-78'275	1'013'090	-1'156'333	1'307'453
<b>Net cash flow from financing activities</b>	<b>-78'275</b>	<b>1'880'193</b>	<b>-289'230</b>	<b>1'307'453</b>
Currency translation effects	26'015	-18'483	-25 918'	165'065
<b>Net change in cash</b>	<b>352'219</b>	<b>1'372'882</b>	<b>436'524</b>	<b>-84'332</b>
Cash, beginning of period	1'509'324	1'072'799	1'072'799	1'157'131
Cash, end of period	1'861'543	2'445'681	1'509'324	1'072'799

# Changes in equity

EUR	Share capital	Capital reserves	Cumulative foreign translation adjustment	Retained earnings	Goodwill recognized	Total equity excl. minority interests	Share of minority interests	Total equity incl. minority interests
<b>Jan 1, 2021</b>	<b>257'725</b>	<b>7'501'119</b>	<b>-712'076</b>	<b>-5'963'661</b>	<b>-3'363'031</b>	<b>-2'279'924</b>	<b>631'800</b>	<b>-1'648'124</b>
Net profit/loss	-	-	-	-364'056	-	-364'056	24'815	-339'241
Share issue	18'010	882'012	-	-	-	900'022	-	900'022
Acquisition of subsidiaries	-	-	-	-98'030	1'070'473	972'443	208'546	1'180'988
Foreign currency differences	-	-	343'047	-	-	343'047	-	343'047
<b>Mar 31, 2021</b>	<b>275'735</b>	<b>8'383'131</b>	<b>-369'029</b>	<b>-6'425'747</b>	<b>-2'292'558</b>	<b>-428'469</b>	<b>865'160</b>	<b>436'691</b>
<b>Jan 1, 2022</b>	<b>275'735</b>	<b>11'884'533</b>	<b>-679'229</b>	<b>-6'298'132</b>	<b>-8'761'977</b>	<b>-3'579'070</b>	<b>1'089'935</b>	<b>-2'489'135</b>
Net profit/loss	-	-	-	-275'977	-	-275'977	48'256	-227'721
Share issue	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	40'047	40'047	-163'496	-123'449
Foreign currency differences	-	-24'801	464'427	447'671	-	887'297	-	887'297
<b>Mar 31, 2022</b>	<b>275'735</b>	<b>11'859'732</b>	<b>-214'802</b>	<b>-6'126'438</b>	<b>-8'721'930</b>	<b>-2'927'703</b>	<b>974'695</b>	<b>-1'953'009</b>

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity.

## Definitions of key indicators

Earnings per share	Period net profit/loss in relation to average number of shares for the period
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EBIT	Earnings Before Interest and Tax
Equity ratio	Equity in percentage of total assets
Return on equity	Net profit/loss in relation to equity
Net cash/debt	Net of interest-bearing liabilities minus cash and bank, excluding tax receivables/liabilities

# Further information

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# Financial calendar

Annual Shareholder's meeting.....	8 Jun 2022
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