

Press Release

Interim Results 2021 and Outlook

Raised annual objectives

- ✓ Recurring revenues represent 90% of the activity, with 320,000 subscribers to the group's *Content-as-a-service* platform.
- ✓ Gross profit growth of 20% in the first half of 2021.
- ✓ This growth is accompanied by a return to profitability with EBITDA reaching € 2.0m (H1 2020: - € 0.3m) and a significant improvement in net cash (€ 4.3m at June 30, 2021 **vs.** € 1.8m at the end of 2020).
- ✓ The company raises its annual objectives, anticipating gross profit growth in 2021 of about 15%, compared to 10% as announced previously.

Paris, July 30, 2021

The Netgem Board of Directors of July 29, 2021 approved the accounts for the first half of 2021.

For Mathias Hautefort, CEO of Netgem, *“Our business model has stabilized. We are growing with our existing customers and discussions are underway with other telecom operators or publishers of video streaming services. We are revising our objectives upwards and are now aiming for organic annual gross profit growth of close to 15% in 2021.”*

H1 2021 results

IFRS data in millions of euros (unaudited)	2021 H1	2020 H1	Change
Revenue	14.7	15.4	-4%
Gross profit	9.0	7.5	+ 20%
Operating expenses	- 7.0	-7.9	-12%
EBITDA	2.0	-0.3	N/A
Current operating income	-2.2	-2.3	+ 4%
Operating income	-2.1	7.7	
Financial income	-	-0.2	
Taxes	-	-	
Overall net income	-2.1	7.5	
Net income (Group share)	-1.0	8.5	
Net income from minority interests	-1.1	-1.0	
Comprehensive net income (Group share)	-0.7	8.4	

Growing subscriber base and gross profit

The Group markets a multi-screen streaming video technology platform in an *as-a-service* mode to telecom operators and video services publishers, NetgemTV. Use of the platform's services is billed per subscribed end-user. Depending on the territories and distribution partners, the Group markets either the platform on its own (B2B mode), or in conjunction with all or part of the video rights that make up the final service (B2B2C mode). In France, some subscribers are addressed directly (B2C). Finally, some offers include the supply of a TV terminal, sold or rented to the partner operator.

The total number of subscribers to the Group's services stood at 320,000 at the end of June, up 45,000 over the first half of 2021. The slight drop in turnover in the first half is explained by a product mix including significantly more terminals delivered to new subscribers in the 1st quarter of 2020 compared to the 1st quarter of 2021. In the second quarter of 2021, revenue amounted to € 7.6m, up from € 7.4m for the same period in 2020.

The gross profit for the first half of 2021 stands at € 9.0m, compared with € 7.5m for the same period last year. It is up 20% compared to the same period the previous year, due to the growth of the subscribers base and also to the favorable evolution of the service - product mix over the first half of 2021.

Return to profitability

EBITDA amounted to + € 2.0m, compared to - € 0.3m over the same period last year, the growth in gross profit taking place in the context of a cost structure under control thanks to the savings plans implemented in 2019 and 2020.

Current operating income remained stable between the two years due to the increase in depreciation on equipment directly linked to the growth in activity, and depreciation recognized in the first half of 2021 (€ 1m) on the assets identified as part of the allocation of the Vitis goodwill over the 2020 financial year.

Operating income amounted to - € 2.1m over the past semester, against + € 7.7m over the first half of 2020. As a reminder, the operating profit for 2020 includes € 10m of capital gain recognized as the impact of the full consolidation of Vitis as of January 1, 2020.

Overall net income therefore stands at - € 2.1m and net income group share at - € 1.0m due to minority interests (Caisse des Dépôts and Groupe Océinde) in the French subsidiary Vitis 53% owned by Netgem.

H1 2021 cash flows

IFRS data in millions of euros (unaudited)	2021 H1	2020 H1
Cash flow from operations (A) (*)	3.3	1.1
Of which:		
Self-financing capacity before payment of tax	1.7	-0.1
Tax paid	-	-
Decrease (increase) in WCR	1.6	1.2
Cash flow from investments (B)	-3.6	-1.1
Operating cash flow (A + B) (*)	-0.2	-0.1
Cash flow from financing (C) (*)	-2.3	2.5
Of which:		
Dividends	-	-
Capital increase	-	0.2
Net purchase of own shares	-	0.1
Issuance / Repayment of loans and financial debts	-2.4	2.2
Discontinued operations & currency variation (D)	-	-
Net change in cash (A + B + C + D)	-2.6	2.4

(*) Excluding IFRS 16 restatement

The Group's activity generated € 3.3m of cash in the first half of 2021 compared to € 1.1m for the same period in 2020. The improvement in working capital requirements ("WCR") over the period is the consequence of the reimbursement by the French State of receivables on research tax credits.

Cash flows from investments reached € 3.6m over the past half-year. They mainly include the costs linked to the growth of the subscribers base (mainly immobilized equipment).

Cash flows from financing reflect the repayment of the loan contracted in anticipation of the payment by the State of research tax credits, and of loans from BPI and another credit institution.

Equity and debt, net cash

IFRS data in millions of euros (unaudited)	At 06/30/2021	At 12/31/2020
Shareholders' equity and debt		
Shareholders' equity, Group share	23.8	24.3
Current financial liabilities and non-current	2.8	7.5
A. Cash	7.6	10.2
B. Current financial liabilities	2.5	6.1
C. Current net cash (A) - (B)	5.2	4.1
D. Financial liabilities non-current	0.4	1.4
E. Net cash (C) - (D) before IFRS 16 impact	4.8	2.7
F. Impact of IFRS 16	0.6	0.8
G. Net cash (E) - (F)	4.3	1.8

Over the period, the group repaid *inter alia* the bond subscribed by Caisse des Dépôts for the benefit of Netgem's Vitis subsidiary, in Vitis shares, and in cash the loan taken out in anticipation of the reimbursement by the French State of the research tax credit. This resulted in an improvement in net cash of € 2.5 million over the past period, which stood at € 4.3 million as of June 30, 2021.

Activity and Outlook

In the Baltic region, deliveries remain strong with the operator Elisa for its Elisa Viidhe offer in Finland and its subsidiary in Estonia. The pace of this activity will remain sustained over the end of the year.

In the United Kingdom, the Group is experiencing growing success, which it hopes to translate in the second half of the year into new partnerships with leading players, which would allow the Group to increase its visibility in 2022.

In addition, in this same market, Netgem announced a first series of deployments of its SuperStream service, a powerful wifi optimized for each household to improve the video streaming experience. This service offering creates an opportunity for Netgem and its partners to improve the ARPU (average revenue per user) on the NetgemTV service and to win new Telecom operator customers.

In France, the Group continues to develop. The Viva offer, an OTT on-demand cinema service, was launched in July 2021, and the commercial launch of France Channel is scheduled for mid-August. This approach is combined with the optimization of the B2C Videofutur activity in France.

The group is consequently raising its annual target of gross profit growth, now expected to be close to 15% for the year as a whole, and of an EBITDA for the second half of the year at least equal to that of the first half, allowing it to anticipate a return to positive cash flow generation at the end of 2021 or early 2022. The outlook presented above takes into

