Otovo | Q1 2021 report

Q1 2021 | Summary

Quarterly highlights

- **Revenue up** 7% YoY to NOK 38m
- **Net sold projects up** 49% YoY to 815, with value of NOK 62m
- **Pipeline value up** 29% YoY to NOK 66m
- **New markets, Italy and Poland**, show strong early sales
- **France lands a record sales quarter**, as integration is completed
- **March with highest monthly number of installations** ever (~300), showing Otovo's ability to operate at a high pace of installation
- **'Otovo Guarantee'** made available for all Otovo customers
- **Higher-efficiency solar panel** offering launched in all markets
- **Battery offering soft-launched** in Italy, fully live from Q2
- **Cost / Wp down 16% YoY**, showcasing strength of our platform

Highlight from CEO

"With six countries that are all growing as we enter the second quarter and batteries on their way into the product offering, starting in Italy, we feel confident that we are making meaningful strides towards our ambition of being number one in Europe in residential solar."

Andreas Thorsheim, CEO

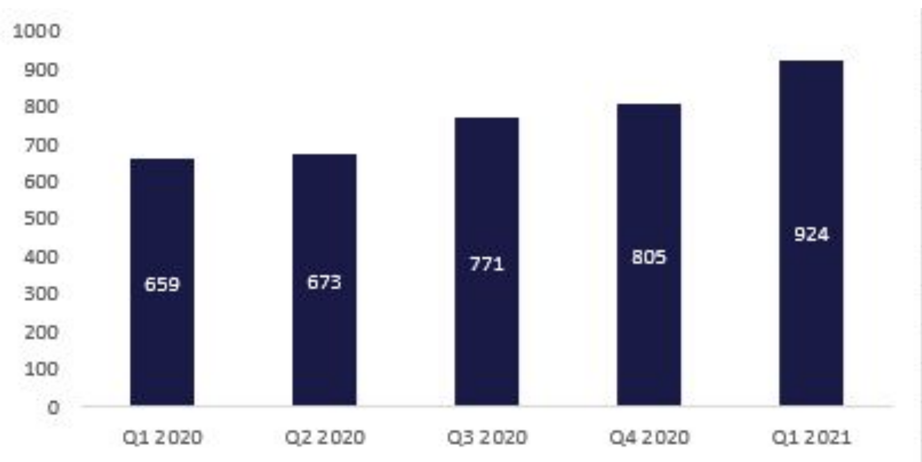
Financial summary

NOK 000'	Q1 21	Q1 20	Change	FY 20
Total operating revenue	37,582	35,050	7.2 %	152,022
Gross profit	5,685	5,747	-1.1 %	26,223
Operating profit/(loss)	(42,706)	(26,647)		(102,793)
Profit/(loss) after tax	(42,043)	(35,058)		(102,222)

Key performance figures

Units	Q1 21	Q1 20	Change	FY 20
Net unit sales	815	546	49.3 %	2247
Completed projects/installations	663	452	46.7 %	2019
Project pipeline	924	659	40.2 %	805
Installers with active cost models	340	231	47.2 %	280
Gross margin	15.1 %	16.4 %	-1.3pp	17.8 %

Units in pipeline (#)



Financial summary

- Total revenues up 7.2% compared with Q1 2020 due to increasing activity in Spain and France, partly netted by market setback in Scandinavia
- Gross margin reduced by 1.3 pp, primarily due to entry into new markets, campaigns in Scandinavia and France transitioning from commission sales to Otovo business model
- Operating loss increased from NOK 26.7m to NOK 42.7m, primarily due to expenses relating to entry into new markets and scaling up the organisation for further growth

CEO message | Returning to growth

Dear Shareholder,

We are back. We have been looking forward to reporting this first quarter of 2021 after a year of uncertainty and friction. While the pandemic still influences markets, the improvements Otovo has made outweigh the negatives.

We are accelerating. In Q1 we report growth compared to a pre-covid Q1 of 2020, despite the fact that we come off a weak Q4 in sales in Scandinavia. We are confident that we will be able to deliver good sales and installation numbers in the remaining three quarters of the year, as Scandinavia returns to normality and the rapid growth we see in the remaining markets continue, with Poland, Spain and France expected to contribute significantly.

We are taking positions. Our view of the distributed energy market is that the winners will be those who can address soft costs and build brands that deliver high volumes across many markets. Those who succeed will turn into energy leaders in a future where systems get smarter, with storage and energy management, and where the sum of value created by solar and batteries is bigger than its parts.

The model is working. We're once again reducing costs by double digits, and we're taking our model to more markets, last year by building sales and installation capacity in Poland and Italy. We're planning for new market entries within a year.

Storage is coming. We have added batteries to our product lineup and are currently selling 10-20 percent of projects in Italy with energy storage, a figure we believe we can replicate in other markets and that will help improve ticket sizes and absolute earnings per project positively. We continue to work on the leasing product to find a product-market fit that can lift deployment numbers and add uniqueness to our consumer offering.

We're listed. We thank you for your confidence in investing in us. Otovo has been an excellent investment every year since we started in 2016, and we feel responsible for continuing to deliver on our track record. This quarter we listed on Euronext Growth and raised equity through a private placement that brings our net cash position to NOK 284m. This provides us with runway to enter new markets and grow in existing ones so we can deliver on our vision to become Europe's number one in residential solar.

A strong team. Finally, I am proud to say we have filled out our team with three talented general managers that I welcome to the Otovo growth journey!

May the sun shine on you too!

Andreas E. Thorsheim, CEO and founder

Financial review | Returning to growth

Entry into new markets and increasing activity in existing markets has secured growth in both revenues and pipeline compared with Q1 20. The launch of leasing and new products, combined with presence in attractive markets, sets a good foundation for future growth. The result after tax was a loss of NOK 42.0m in Q1 21 compared with a loss of NOK 35.1m in Q1 20.

Income statement

Total revenues were up from NOK 35.1m in Q1 20 to NOK 37.6 in Q1 21, primarily explained by increasing activity in France and Spain. Spain had its first installations in Q1 20, while France up until Q4 20 was on commission model, first fully integrated on the Otovo business model in Q1 21. Additionally, Otovo has entered Poland and Italy and completed the first projects in these markets during Q4 20 and Q1 21. The increase in revenues from these markets are partly netted by reduced revenues in Scandinavia, explained by less sales in Q4 20 than in Q4 19. The reduction in sales from Q4 19 to Q4 20 is primarily due to uncertainty about subsidies in Sweden and grid tariffs in Norway, both clarified in December.

Gross profit is in line with Q1 20, while gross margin % is down from 16.4% to 15.1%. This is explained by increasing activity in new markets with lower margins, launch discounts and other campaigns, and France going from a commission-based model to being fully integrated on the Otovo business model.

Payroll and related costs increased from NOK 16.1m in Q1 20 to NOK 27.2m in Q1 21, with approximately NOK 8.0m of the cost current year and NOK 4.4m last year relating to Otovo's employee share purchase and option program. The number for Q1 21 includes non-recurring expenses of approximately NOK 4m related to accelerated vesting of shares due to the listing on Euronext Growth, as well as NOK 2m relating to increased social security accrual due to share price increase. Q1 20 includes a non-recurring expense of NOK 3.3m for the share option program belonging to 2019, first accrued in 2020. Further to this, the increase in payroll and related costs is explained by new hires due to increasing activity in existing markets and entry into new markets. Increasing activity and entry into new markets is also explaining the increase in other operating expenses from NOK 11.8m in Q1 20 to NOK 15.9m in Q1 21.

Net financial items are up from a loss of NOK 8.4m in Q1 20 to a gain of NOK 0.7m in Q1 21. The results in both quarters are primarily related to currency exchange fluctuations.

Balance sheet

Total non-current assets as of Q1 21 are in line with Q4 20. The change is mainly explained by capitalization of expenses relating to development of Otovo Cloud netted by reduction in goodwill due to amortization and currency effects.

Total current assets have increased from NOK 95.7m in Q4 20 to NOK 314.3m in Q1 21. Capital increase of NOK 250m in Q1 21, net of transaction cost of NOK 13.4m, is together with increase in activity and resulting increase in accounts and other receivables explaining the change.

Cash flow

Net cash flow from operating activities was -NOK31.6m in Q1 21. Main driver is negative operating profits due to start-up expenses in new markets and scaling the organisation for growth. Cash flow from investing activities was -NOK 8.8m driven by continued development of Otovo Cloud. Cash flow from financing activities was NOK 249.2m driven mainly by net proceeds from the private placement in conjunction with the IPO.

Disclaimer

This report contains forward-looking statements that reflect management's current view with respect to future events. All such statements are subject to inherent risks and uncertainties, and many factors can lead to developments deviating from what has been expressed or implied in such statements.

Board of Directors, Otovo AS , 27 April 2021

Consolidated income statement

Consolidated income statement	Unaudited	Unaudited	Audited
NOK 000'	**Q1 2021**	**Q1 2020**	**FY2020**
Revenue	37,553	34,943	147,532
Other operating revenue	29	107	4,490
Total operating revenue	**37,582**	**35,050**	**152,022**
Cost of goods sold	31,868	29,196	121,309
Payroll and related costs	27,194	16,137	52,825
Depreciation and amortisation	5,315	4,520	20,762
Other operating expenses	15,911	11,844	59,919
Operating profit/(loss)	**-42,706**	**-26,647**	**-102,793**
Interest income	4	323	532
Other financial income	71	2	2,081
Interest expense	142	182	777
Other financial expenses	-730	8,553	1,351
Net financial items	**663**	**-8,411**	**485**
Profit/(loss) before tax	**-42,043**	**-35,058**	**-102,308**
Income tax expense	-	-	-86
Profit/(loss) after tax	**-42,043**	**-35,058**	**-102,222**
Non-controlling interest	-	-	-742
Parent company shareholders	-42,043	-35,058	-101,481
Basic earnings per share (NOK) 1)	-0.00048	-0.00053	-0.00151
Diluted earnings per share (NOK) 1)	-0.00048	-0.00053	-0.00151

1) Earnings per share is updated to reflect split of 10 completed at listing on Euronext Growth in February 2021

Consolidated balance sheet

	Unaudited	Unaudited	Audited
Consolidated balance sheet			
NOK 000'	**Q1 2021**	**Q1 2020**	**FY2020**
ASSETS			
Intangible assets	35,474	27,340	32,427
Deferred tax assets	17,093	17,049	17,020
Goodwill	76,035	98,500	82,135
Property, plant and equipment	4,754	4,655	4,205
Investments in associated companies	28,070	-	27,615
Other assets	921	946	914
Total non-current assets	**162,348**	**148,490**	**164,317**
Accounts receivables	15,165	11,556	9,967
Other receivables	11,462	4,668	8,755
Receivables from associated companies	3,287	-	3,319
Cash and cash equivalents	284,374	170,226	73,677
Total current assets	**314,287**	**186,450**	**95,718**
Total assets	**476,636**	**334,941**	**260,035**
EQUITY AND LIABILITIES			
NOK 000'	**Q1 2021**	**Q1 2020**	**FY2020**
Equity			
Share capital	513	427	443
Share premium	605,029	328,162	355,102
Other paid-in equity	5,677	1,072	2,130
Retained earnings	-228,494	-108,242	-183,190
Total equity	**382,724**	**221,419**	**174,486**
Liabilities			
Other non-current provisions	2,471	-	2,819
Debt to financial institutions	7,344	8,803	7,769
Other non-current liabilities	7,271	75,522	11,829
Total other non-current liabilities	**14,616**	**84,325**	**19,598**
Accounts payable	11,593	11,208	12,494
Other taxes and withholdings	11,659	7,790	9,391
Income taxes payable	-	-	-
Other current liabilities	53,573	10,199	41,248
Total current liabilities	**76,825**	**29,196**	**63,133**
Total equity and liabilities	**476,636**	**334,941**	**260,035**

Consolidated statement of changes in equity

Consolidated statement of changes in equity					
NOK 000'	Share capital	Premium reserve	Other paid-in equity	Other equity	Total equity
Equity as of 01.01.2021	443	355,102	2,130	(183,190)	174,486
Result for the quarter	-	-	-	(42,043)	(42,043)
Share capital increase	63	249,938	-	-	250,000
Transaction cost	-	(13,420)	-	-	(13,420)
Share based payments	7	7,796	3,546		11,350
Not yet registered capital increase	-	5,613	-	-	5,613
Translation differences	-	-	-	(3,261)	(3,261)
Equity as of 31.03.2021	**513**	**605,029**	**5,677**	**-228,494**	**382,724**

	Share capital	Premium reserve	Other paid-in equity	Other equity	Total equity
Equity as of 01.01.2020	424	328,108	-	(89,127)	239,405
Result for the quarter	-	-	-	(35,058)	(35,058)
Share capital increase	-	-	-	-	-
Transaction cost	-	(73)	-	-	(73)
Share based payments	3	127	1,072	-	1,202
Not yet registered capital increase	-	-	-	-	-
Translation differences	-	-	-	15,943	15,943
Equity as of 31.03.2020	**427**	**328,162**	**1,072**	**-108,242**	**221,419**

Consolidated statement of cash flows

Consolidated statement of cash flows	Unaudited	Unaudited	Audited
Cash flow from operating activities	**Q1 2021**	**Q1 2020**	**FY2020**
Profit/(loss) before tax	-42,043	-35,058	-102,308
Depreciation and amortisation	5,315	4,520	20,762
Expensed share-based payments	3,546	1,072	2,130
Other revenues from associated companies	319	-	-4,112
Other expenses related to associated companies	-	-	309
Change in accounts receivables and accounts payables	-6,099	3,496	6,372
Change in other balance sheet items	7,364	8,068	1,040
Net cash flow from operating activities	**-31,597**	**-17,902**	**-75,807**
Cash flow from investing activities			
Investment in other companies	-823	-	-2,237
Disposal of subsidiary (EDEA)	-	-	-25,095
Investments in intangible assets	-6,882	-5,184	-18,312
Investments in tangible assets	-1,128	-259	-851
Net cash flow from investing activities	**-8,834**	**-5,443**	**-46,495**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	249,996	130	4,056
Inflow due to new non-current liabilities	-	-	1,286
Outflow due to downpayment of non-current liabilities	-782	-390	-2,399
Net cash flow from financing activitie	**249,214**	**-260**	**2,943**
Net cash flow during the period	208,783	-23,605	-119,359
Cash and cash equivalents at the beginning of the period	73,677	193,036	193,036
Exchange rate difference on cash and cash equivalents	1,913	795	-
Cash and cash equivalents at the end of the period	**284,374**	**170,226**	**73,677**

Notes to the interim consolidated financial statements

Note 1 – General information and basis for preparation

Otovo AS (the Company or Parent) and its subsidiaries (together the Group) operates an online marketplace for solar installations. Otovo AS is a public limited liability company, incorporated and domiciled in Norway. The Company's registered office is at Torggata 7, 0181 Oslo, Norway.

The interim condensed consolidated financial statements consist of the Group and the Group's interests in associated companies and joint arrangements. As a result of rounding differences, numbers or percentages may not add up to the total. These interim condensed consolidated financial statements (interim report) for the first quarter ended 31 March 2021 have been prepared in accordance with The Norwegian Accounting Act and generally accepted accounting practice in Norway. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statement for 2020. The annual consolidated financial statements for 2020 are available upon request from the Company and at https://investor.otovo.com/.

The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020. The interim financial information for the quarters ended 31 March 2021 and 31 March 2020 are unaudited. The 2020 audited financial statements were approved by the Board of Directors on 16 February 2021.

Note 2 – Share based payments

Otovo has granted share options to management and key personnel. As of 31.03.2021 there are 2,488,260 outstanding options with a weighted average strike price of 7.07 kroner per share. In addition a employee share purchase programme was established in 2020. There are 1.116.200 retention shares outstanding under this programme.

Expense in Q1 2021 of both share programmes was NOK 8.0m of which approximately NOK 4m is an acceleration of cost due to listing on Euronext Growth in February, and approximately NOK 2m was increase in social security accrual due to increasing share price. The cash effect related to these expenses is NOK 4.2m and will first come in Q2 2021.

Expense in Q1 2020 was NOK 4.4m and include a non-recurring expense of NOK 3.3m which is recognition of expenses relating to previous years.

Note 3 – Subsequent events

On 12 April 2021 the board of directors resolved to offer participation in the employee share purchase programme to new managers and key employees that did not take part in the first round. The structure of the programme is the same, with subscription price adjusted for share price development since the programme was established. Issuance of shares will be within the authorisation given at the extraordinary meeting on 15 December 2020. The total proceeds from the issuance is limited to NOK 8.8m.

The annual general meeting was held on 27 April 2021. The general meeting elected Josefin Landgård as new member of the board of directors, replacing Jean Baptiste Curien.

Alternative performance measures (APMs)

Otovo discloses alternative performance measures (APMs) in addition to those normally required by The Norwegian Accounting Act and generally accepted accounting practice in Norway. This is based on the Group's experience that APMs are frequently used by analysts, investors and other parties for supplemental information. The purpose of APMs is to provide an enhanced insight into the operations, financing and future prospect of the Group. Management also uses these measures internally to drive performance in terms of long-term target setting. APMs are defined, calculated and used in a consistent and transparent manner over the years and across the Group where relevant. Financial APMs should not be considered as a substitute for measures of performance in accordance with the Norwegian Accounting Act and generally accepted accounting practice.

Gross profit

Gross profit is net sales revenue minus cost of goods sold

Gross margin

Gross margin is gross profit divided by net sales revenue

EBITDA

Operating profit before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) adding back depreciation and amortisation of tangible and intangible assets.

Alternative performance measures - reconciliation

NOK 000'	Q1 2021	Q1 2020	FY2020
Revenue	37,553	34,943	147,532
Cost of goods sold	31,868	29,196	121,309
Gross profit	**5,685**	**5,747**	**26,223**
Gross margin %	**15.1 %**	**16.4 %**	**17.8 %**
Operating profit/(loss)	(42,706)	(26,647)	(102,793)
Add back depreciation and amortisation	5,315	4,520	20,762
EBITDA	**(37,390)**	**(22,127)**	**(82,031)**

Other definitions

Abandoned project

An abandoned project is a project that has been cancelled after the contract with the customer is signed

Installed project

A installed project is a project that has been physically completed and is capable of producing electricity

Net sold projects

Net sold project is the number of projects sold during the period less projects abandoned during the period

Project pipeline

A project is included in the pipeline when the contract with customer has been signed and is excluded from the pipeline when the installation is completed or the project has been abandoned

Otovo business model

Otovo business model means that Otovo bills the final customer (private homeowner or asset-owner) and gets invoiced by the installer company with the winning bid. The difference between the two invoices is Otovo’s gross profit. Until Q4 2020 the French business unit was using a different model, where they only billed the installer a commission (typically 10% of the project value), and the installer billed the final customer. During Q1 2021 the French business unit has gradually transitioned to the Otovo direct sales model

Cost per Wp

Otovo reports on the industry standard on cost per Watt-peak (Wp). The figure is calculated as the in hardware; non-hardware; or the sum of all project cost, divided by the size of the system measured in Watt-peak, for example a 10 panel system with 375Wp panels would have 3750Wp in the denominator of a cost per Watt-peak calculation.