Otovo | Q3 2021 report

Third quarter and YTD September 2021 | Summary

Quarterly highlights

- **Record sales speed:** 750 sold projects in September - equivalent to 9,000 sales per year pace
- **Record installations speed**: 1086 installations in the quarter
- **Revenue up** 192% YoY to NOK 88m
- **Sold project value up** 325% YoY to NOK 134m (1470 units)
- **Pipeline value up** 270% YoY to NOK 152m
- **Gross profit up** 149% YoY to NOK 15m (17.5% margin)
- **Batteries** at 48% attachment rate of sales in Italy in Q3
- **First battery sale in Spain**, roll-out in most markets in '22
- **Holu, the investment in Brazil, showing promising growth**

"We saw daily, weekly and monthly sales records shattered repeatedly in all our markets and the quarter as a whole came out as our best to date"

Andreas Thorsheim, CEO

Financial summary

NOK 000'	Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change	FY 20
Revenue	87,899	30,153	191.5 %	189,681	107,545	76.4 %	147,532
Gross profit	15,424	6,198	148.9 %	31,444	18,885	66.5 %	26,223
Operating profit/(loss)	(38,758)	(27,634)		(122,253)	(72,954)		(102,793)
Profit/(loss) after tax	(39,286)	(25,980)		(123,582)	(71,325)		(102,222)

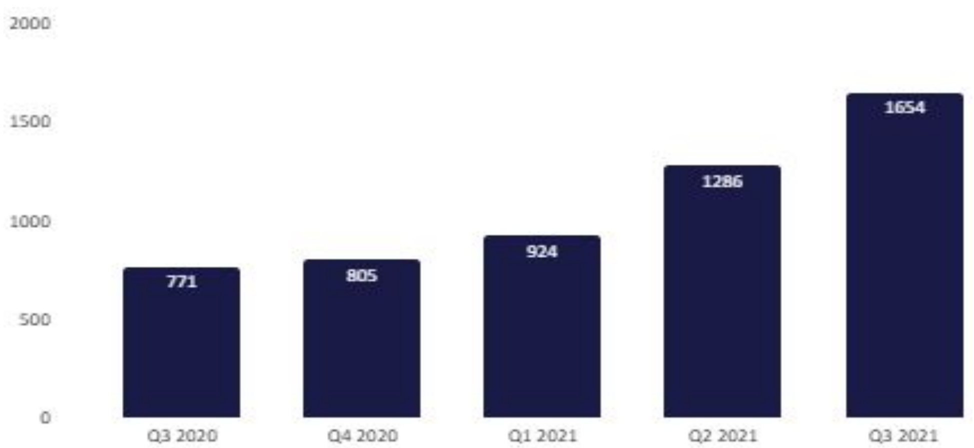
Key performance figures

Units	Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change	FY 20
Unit sales	1470	584	151.7 %	3468	1607	115.8 %	2247
Completed projects/installations	1086	486	123.5 %	2613	1402	86.4 %	2019
Project pipeline	1654	771	114.5 %	1654	771	114.5 %	805
Installers with active cost models	461	258	78.7 %	461	258	78.7 %	294
Gross margin	17.5 %	20.6 %	-3.1pp	16.6 %	17.6 %	-1.0pp	17.8 %

Financial summary

- Revenues up 192% compared with Q3 2020 due to strong growth across all markets
- Gross profit up NOK 9.2m YoY, while margin is reduced by 3.1 pp due to entry into new markets and change in business model in France
- Operating loss increased from NOK 27.6m to NOK 38.8m, due to expansion in current markets and entry into new markets

Units in pipeline (#)



CEO message | Breaking records amid turmoil

Dear Shareholder,

A role to play for distributed energy. This autumn and winter Europe is facing a crunch in energy markets. Consumer prices are record high, depleting households' purchasing power. Our view is that distributed energy in the form of solar panels, storage and energy efficiency technologies is essential to resolve this dire situation. Producing energy where it is consumed relieves the energy market of pressures on supply, on demand and on the grid. Otovo is proud to respond forcefully to the increased demand for affordable and clean energy - we'll continue to put solar panels on roofs every day.

Breaking records. We are very pleased with the sales and installation figures for the third quarter of 2021. Sales are up 2.5x year-on-year in the quarter, from 584 to 1,470 units sold. We saw daily, weekly and monthly sales records shattered repeatedly in all our markets, and the quarter as a whole was our best to date. In September alone we sold 750 systems, equating to a speed of 9,000 sales per year. In terms of installations, we delivered more than ever, showing Otovo's ability to scale according to plan..

Good visibility on sales growth. Otovo experiences increasing consumer demand for our solar energy services. It is obvious that more homeowners realize that installing solar panels on the roof of their house reduces not only the energy bills considerably but also the environmental footprint. Installing solar panels is a win-win for the wallet and the environment, and we believe that this trend will continue in line with the increasing prices of conventional energy sources. This quarter adds to our confidence in continued sales growth into 2022, and has added visibility on the prospects of sustaining a 100 percent growth rate next year.

Adding storage to the growth. Our battery attachment rate in Italy is 48 percent and on the last day of the September we introduced batteries to the Spanish market. Otovo will make batteries available in all geographies within months. We are excited about the technology and its price development and believe storage will be increasingly attractive to European consumers.

Delivering despite turmoil, but risk is up. As remarked in our Q2 presentation, uncertainty is on the rise in supply chains. In this quarter, Otovo has once again shown that the platform can lower costs while growing the amount of projects completed amid global turmoil. The tough sourcing situation is expected to remain for some time, and the upcoming quarters will be challenging. However we reiterate our belief that the long term trajectory of energy hardware costs is steep and downward, and are confident in the platform's resilience.

Speedy launches. Poland and Italy are delivering very strong quarters, even before they end their full year of operation. In Germany, our general manager Christian Rahn is in place and is on track building a strong team in time for launch. We will launch before the end of the year, making it our third major country launch in the span of 12 months.

May the sun shine on you too!

Andreas E. Thorsheim, CEO and founder

Financial review | Growth across all markets

Otovo delivers another solid quarter, with record sales and installation speed. The growth in revenues, both compared with Q3 20 and Q2 21 comes from all markets. Margins are trending upwards in all markets, increasing from 16.1% in Q2 21 to 17.5% in Q3 21 on aggregate level.

The result after tax was a loss of NOK 39.3m in Q3 21 compared with a loss of NOK 25.4m in Q3 20 and NOK 42.3m in Q2 21.

Income statement

Revenues were up 192%, from NOK 30.2m in Q3 20 to NOK 87.9 in Q3 21. All markets but one deliver 100% or more in growth, with the increase in revenues per market ranging from NOK 5.3m to NOK 12.9m. The increase is explained by Otovo responding actively to a market rebounding from the Covid-19 pandemic and consumers showing increasing interest in solar panels and related products. Entry into new countries (Poland and Italy) as well as strengthening of operations has secured Otovo's ability to take and grow market share. Compared with Q2 21 revenues grew from NOK 64.2m to NOK 87.9 (37%), with the highest growth, both in absolute numbers and per cent, coming from Sweden and the two new markets Italy and Poland.

Gross profit is up 148.9% compared with Q3 20, while gross margin is down from 20.6% to 17.5%, as France was still on broker model (i.e. 100% margin) in Q3 20. Compared with Q2 21 the margin has increased with 1.4pp, up from 16.1%. Margins are increasing in all markets, as a result of more installers on the platform, tuning of price models in the mature markets and gradual increase of low entry margins in Poland and Italy.

Payroll and related costs increased from NOK 11m in Q3 20 to NOK 26.8m in Q3 21. The increase in payroll and related costs is explained by new hires due to increasing activity in existing markets and entry into new markets, as well as expenses for share purchase programs being significantly higher in Q3 21 than in Q3 20. Compared with Q2 21 the expenses are up NOK 4.2m, from NOK 22.5m, primarily explained by expenses for employee share purchase programs being higher in Q3 21 than in Q2 21 as a result of increasing share price and its impact on social security accrual.

Other operating expenses are up from NOK 17.7m in Q3 20 to NOK 20.9m in Q3 21 mainly due to higher activity and entry into new markets. Compared with Q2 21 the operating expenses are down NOK 1.5m from NOK 22.4, primarily due to reduced spend on marketing and other external services.

Net financial items are down from a gain of NOK 1.7m in Q3 20 to a loss of NOK 0.5m in Q3 21. The results in both quarters are primarily related to currency exchange fluctuations,

Balance sheet

Total non-current assets as of Q3 21 are in line with year end 2020. The change is mainly explained by capitalization of expenses relating to development of Otovo Cloud netted by depreciation, amortisation and currency effects.

Total current assets have increased from NOK 95.7m at year end 2020 to NOK 253.6m in Q3 21. The increase in cash and cash equivalents was driven by the capital increase of NOK 250m and is reduced by the losses year to date. Accounts receivables and other receivables, the latter primarily related to projects completed not yet invoiced, has increased due to increasing activity and significantly more installations completed in the end of September this year compared with the end of December last year.

Non-current liabilities are reduced from NOK 22.4m at year end to NOK 10.1m in Q3. The reduction is primarily explained by earnout liability that have gone short and installments paid.

Current liabilities are up from NOK 63.1m to NOK 74.7m. The change is generally explained by increasing activity and timing of completion during the quarter, netted by a reduction in the earnout liability, of which NOK 24.2m was converted to equity.

Cash flow

Net cash flow from operating activities was -NOK 40.6m in Q3 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 5.9m driven by continued development of Otovo Cloud. Cash flow from financing activities was -NOK 2.3m, driven by outflow due to repayment of non-current liabilities.

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 October 2021

Consolidated income statement

	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Consolidated income statement					
NOK 000'	**Q3 2021**	**Q3 2020**	**YTD 2021**	**YTD 2020**	**FY2020**
Revenue	87,899	30,153	189,681	107,545	147,532
Other operating revenue	-525	107	-1,009	321	4,490
Total operating revenue	**87,376**	**30,260**	**188,673**	**107,866**	**152,022**
Cost of goods sold	72,475	23,955	158,237	88,660	121,309
Payroll and related costs	26,769	10,969	76,498	37,916	52,825
Depreciation and amortisation	5,957	5,299	16,953	14,869	20,762
Other operating expenses	20,932	17,671	59,237	39,375	59,919
Operating profit/(loss)	**-38,758**	**-27,634**	**-122,253**	**-72,954**	**-102,793**
Interest income	91	41	240	489	532
Other financial income	72	1,752	531	3,180	2,081
Interest expense	126	139	391	610	777
Other financial expenses	565	-	1,709	1,430	1,351
Net financial items	**-528**	**1,654**	**-1,329**	**1,629**	**485**
Profit/(loss) before tax	**-39,286**	**-25,980**	**-123,582**	**-71,325**	**-102,308**
Income tax expense			-	-	-86
Profit/(loss) after tax	**-39,286**	**-25,980**	**-123,582**	**-71,325**	**-102,222**
Non-controlling interest		-558	-	-558	-742
Parent company shareholders	**-39,286**	**-25,422**	**-123,582**	**-70,767**	**-101,481**
Basic earnings per share (NOK)1)	-0.00037	-0.00036	-0.00138	-0.00105	-0.00151
Diluted earnings per share (NOK)1)	-0.00037	-0.00036	-0.00138	-0.00105	-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'	**Q3 2021**	**Q3 2020**	**FY2020**
ASSETS			
Intangible assets	42,717	32,414	32,427
Deferred tax assets	17,099	17,041	17,020
Goodwill	72,491	89,720	82,135
Property, plant and equipment	4,531	5,489	4,205
Investments in associated companies	27,778	-	27,615
Other assets	2,297	1,025	914
Total non-current assets	**166,913**	**145,689**	**164,317**
Accounts receivables	29,670	9,790	9,967
Other receivables	17,185	4,606	8,755
Receivables from associated companies	-	-	3,319
Cash and cash equivalents	206,752	145,182	73,677
Total current assets	**253,607**	**159,578**	**95,718**
Total assets	**420,520**	**305,267**	**260,035**
EQUITY AND LIABILITIES			
NOK 000'	**Q3 2021**	**Q3 2020**	**FY2020**
Equity			
Share capital	533	443	443
Share premium	633,862	354,034	355,102
Other paid-in equity	10,032	1,503	2,130
Retained earnings	-308,680	-148,942	-183,190
Minority interests	-	24,502	-
Total equity	**335,746**	**231,540**	**174,486**
Liabilities			
Other non-current provisions	724	-	2,819
Debt to financial institutions	5,862	8,490	7,769
Other non-current liabilities	3,537	10,100	11,829
Total non-current liabilities	**10,123**	**18,590**	**22,416**
Accounts payable	16,391	10,662	12,494
Other taxes and withholdings	11,755	4,766	9,391
Income taxes payable	-	-	-
Other current liabilities	46,505	39,709	41,248
Total current liabilities	**74,652**	**55,137**	**63,133**
Total equity and liabilities	**420,520**	**305,267**	**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	Minority's share of equity	Total equity
Equity as of 01.01.2021	443	355,102	2,130	(183,190)	-	174,486
Result for the period	-	-	-	(123,582)	-	(123,582
Share capital increase	63	249,938	-	-	-	250,000
Transaction cost	-	(13,434)	-	-	-	(13,434)
Share based payments	21	18,046	7,901	-	-	25,969
Debt conversion	6	24,210	-	-	-	24,216
Not yet registered capital increase	-	-	-	-	-	-
Translation differences	-	-	-	(1,909)	-	(1,909)
Equity as of 30.09.2021	**533**	**633,862**	**10,032**	**-308,680**	**-**	**335,746**

	Share capital	Premium reserve	Other paid-in equity	Other equity	Minority's share of equity	Total equity
Equity as of 01.01.2020	424	328,108	-	(89,127)	-	239,405
Result for the period	-	-	-	(70,767)	(558)	(71,325)
Transaction cost	-	(73)	-	-	-	(73)
Share based payments	7	3,053	1,503	-	-	4,563
Debt conversion	12	22,947	-	-	-	22,959
Not yet registered capital increase	-		-	-	-	-
Minority's purchase of share in EDE/	-	-	-	-	25,060	25,060
Translation differences	-	-	-	10,952	-	10,952
Equity as of 30.09.2020	**443**	**354,034**	**1,503**	**-148,942**	**24,502**	**231,540**

Consolidated statement of cash flows

	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Consolidated statement of cash flows					
NOK 000'					
Cash flow from operating activities	**Q3 2021**	**Q3 2020**	**YTD 2021**	**YTD 2020**	**FY2020**
Profit/(loss) before tax	-39,286	-25,422	-123,582	-70,767	-102,308
Depreciation and amortisation	5,957	5,299	16,953	14,869	20,762
Expensed share-based payments	2,404	220	7,901	1,503	2,130
Other revenues from associated companies	779	-	1,827	-	-4,112
Other expenses related to associated companies	-	-	-	-	309
Change in accounts receivables and accounts payables	-11,661	2,968	-15,805	4,717	6,372
Change in other balance sheet items	1,158	-9,335	16,925	-6,176	1,040
Net cash flow from operating activities	**-40,649**	**-26,270**	**-95,781**	**-55,854**	**-75,807**
Cash flow from investing activities					
Investment in other companies	-	-	-1,720	-	-2,237
Disposal of subsidiary (EDEA)/shares in EDEA	-	25,060	-	25,060	-25,095
Investments in intangible assets	-5,784	-3,818	-19,337	-13,937	-18,312
Investments in tangible assets	-103	-929	-1,104	-1,608	-851
Net cash flow from investing activities	**-5,886**	**20,313**	**-22,160**	**9,515**	**-46,495**
Cash flow from financing activities					
Proceeds from issuance of ordinary shares	1	122	254,634	2,987	4,056
Inflow due to new non-current liabilities	-	-			1,286
Outflow due to downpayment of non-current liabilities	-2,312	-633	-3,875	-1,955	-2,399
Net cash flow from financing activities	**-2,311**	**-512**	**250,759**	**1,031**	**2,943**
Net cash flow during the period	-48,847	-6,469	132,817	-45,308	-119,359
Cash and cash equivalents at the beginning of the period	255,723	153,738	73,677	193,036	193,036
Exchange rate difference on cash and cash equivalents	-124	-2,087	258	-2,546	-
Cash and cash equivalents at the end of the period	**206,752**	**145,182**	**206,753**	**145,182**	**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 third quarter ended 30 September 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 30 September 2021 and 30 September 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 30.09.2021 there are 2,488,260 outstanding options with a weighted average strike price of 7.07 kroner per share. In addition Otovo has two employee share purchase programmes. There are 507.935 performance shares and 1.624.135 retention shares outstanding under these programmes.

Expense in Q3 2021 for both share programmes was NOK 5.5m. Expense in Q3 2020 was NOK 0.1m.

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'	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY2020
Revenue	87,899	30,153	189,681	107,545	147,532
Cost of goods sold	72,475	23,955	158,237	88,660	121,309
Gross profit	**15,424**	**6,198**	**31,444**	**18,885**	**26,223**
Gross margin %	**17.5 %**	**20.6 %**	**16.6 %**	**17.6 %**	**17.8 %**
Operating profit/(loss)	(38,758)	(27,634)	(122,253)	(72,954)	(102,793)
Add back depreciation and amortisation	5,957	5,299	16,953	14,869	20,762
EBITDA	**(32,801)**	**(22,335)**	**(105,300)**	**(58,085)**	**(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

Sold projects

Sold projects 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.