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Net Insight

Q2 2024



Speakers



Annika Muskantor
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Crister Fritzon
CEO | Net Insight

Prepared Remarks



Crister Fritzson
CEO | Net Insight

Morning, and welcome to Net Insight's interim report for Q2 2024. My name is Crister Fritzson, the CEO of Net Insight, and today I have Annika Muskantor, interim CFO, in the call. And actually, that's the second and last report that you will be into because the new CFO will start in mid-August. So in Q3, Cecilia will take over as the CFO and presenting the result in Q3. So let's move into the agenda for today. We start with a short summary of Q2. We do an update on media and moving over to time synchronization. Annika will run through the financials, and then we move over to questions in the end of the call. So that's, like, the agenda for today. So let's move into the results for Q2, and we are so happy to report a record sales for Q2.



Crister Fritzson
CEO | Net Insight

The net sales were just over SEK 176 million, and that's compared with last year, 126, which is like a fantastic growth of close to 40%. And if you are looking into, like, the operating earning is, it's over 38 million, compared with last year, just under 10, and operating margin is close to 22, compared with 8 last year. And the fantastic is that this is the 15th consecutive quarter of growth, close to 4 years. So we are so happy to continue to grow, and that's really a strong result for Q2. We also have an historic software order coming in in Q2. It's also the main large US customer to place a software order for close to SEK 13 million.



Crister Fritzson
CEO | Net Insight

that was in line with the long-term agreement that we also created and signed with that customer. But even if we're taking out that historically large order, we had a growth in Q2 of over 15%. So that's- it's over our long-term financial targets of growth. So we are happy to, like, see this is an additional over the normal growth that we should have in the quarter, and I would say a really strong kick boost for sales, of course, and operating earnings. We did a first shipment of the Zyntai product to Türk Telekom in Q4. We commercial launch the Zyntai product in Q1 this year. And we, during the first half of this year, we have replaced the old synchronization product with the new Zyntai.



Crister Fritzson
CEO | Net Insight

We see an increase in POC to contract conversion during the quarter, and we are close to double digits number of commercial customer right now. If you're looking to the order pipeline for Q2, we ended up with SEK 190 million, compared with Q1 SEK 195 million, and of course, that's also a reduction of the shipments that we have done during the Q1. We are so happy that we are coming closer to the standardization of our Zyntai technology. As you know, we started the process, and we took an important step when we started the standardization at the end of last year. In the beginning of July, the ITU confirmed and approved the first document of many in Q1.



Crister Fritzson
CEO | Net Insight

So that was, like, a very important step towards to have our time synchronization technology approved as a standard within the ITU. Moving down towards media. And let's see, like, this is media. The last year, we have heavily invested in our products, strengthen our value proposition, use our strong innovation and power of expertise to come up with the best solution in the market. And this has really been paying off. And we see that we are recognized as the obvious partner within the live media. I hope that you hear me, because we hear some noise in the, in our... And now I think we are reconnected. It says, okay, perfect. We are reconnected. So yes, summarize, I mean, we are proud to be a part of the...



Crister Fritzson
CEO | Net Insight

the Summer Games, but we also like demonstrate our position in the market by being the obvious partner, then nothing can go wrong. Our teams are on site at the games, supporting the games, of course, but also assisting many of our customers that attend the event as well. So we have people on site, and then some of the revenue from the Olympic has been taking as a revenue in Q2, and some part will take a revenue in Q3 as well. I mean, this historic software order, the unique with this order is that this is unique in its size, but this is the normal way that we are doing business with our customer, that we had hardware installation of, like, the 600 and the 1000 series.



Crister Fritzson
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And we have, as you know, been delivering the 1000 series since 2018, and it's the same hardware as we have today to deliver, which means that it's easy for the customer to upgrade. And the customer that we have signed the order with has a huge installation base in U.S., and they have upgraded and extended the number of feature and function within, in the network. The order is based on the standard margins, and it also includes recurring revenue of license revenue for upgrade and maintenance of the software that they have installed. If you look into our business model, I mean, the normal customer life cycle for us is that they start normal with an initial hardware installation.



Crister Fritzson
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Our target the last years is, like, keeping the hardware, not changing that, and upgrade with software that the customer can, as we have launched earlier, like, double the capacity on the 1000 and 600. It's just a software upgrade, so it's the same hardware that we launched 2018. Also, it's the same with the IP-based, the solution that we have launched, the last two years. It's the same hardware, but the customer can upgrade the, the products and features by software. And this goes both for the 1000 and the 600. Of course, it's a huge benefit for the customer because it's lower the cost. For us, it's obvious. It's a sticky product that we have, and we don't get challenge of in a, in a, in a procurement or in RFQ.



Crister Fritzson
CEO | Net Insight

We can stay with the customer, and our relation with the customer is normal, very long. Over 10, we have customer that have been with us over 10 years. We, of course, create stability in our business, lower the cost of taking new customers. It's costly, so this lower our sales cost, of course. But one major thing is that we are very customer-centric. It's not just the sales people meeting the customer, it's the product management, it's the CTU. I meet the customer. I, our IP expert, cloud expert, meet the customer to understand the needs, understand the market, and definitely deliver the right product and the right features to the customer.



Crister Fritzson
CEO | Net Insight

So that's one of the key things that we focus on, and the strategies that we have for the last years to focus more on software have really been paying off. I mean, we have had growth for 15 quarters, and we have been growing more than the overall market. So we are taking market share right now. And we see that we are very attractive on the huge sport events and the league. And normally, we see that when we are coming into competition and they evaluate our proposal, compare the competitor, we normally are very strong in the situation and come out as a very positive and can sign the deal with the customer. We have focused on growing the recurring revenue.



Crister Fritzson
CEO | Net Insight

We're doing that by, of course, software, both on the hardware product, but also on the, on the cloud-based product. So that's the focus that we continue to do and then give us also, like, a stability and increased margin, of course. Moving over to synchronization then, and the highlight. Sync is a critical function in any network, and specifically 5G or critical network or even a power grid, is a critical function. If it's not working, then the network will not be able to deliver the services that the customer is really paying for. So all operator do a thoroughly test and evaluation of the function like this, like this, before they take the decision to move forward. And they are testing in several stage. They normally start with a lab test, and then maybe they do a lab test combined with the live network.



Crister Fritzson
CEO | Net Insight

Then they do maybe a larger test in the network to understand how they should use the product and how they should design the network. I mean, this can result in longer sales cycles, but it also makes the benefit for us that we be sticky in the network. We will stay with the relation for a very, very long time when we have been choosing as a supplier to the customer, and we will have like a customer relation for many, many years. As you know, they are still building out the 4G network, and that they've been in the market for many, many, many years.



Crister Fritzson

CEO | Net Insight

5G and 6G will be deployed for many, many years going forward, and we will have long relationship with the customer, steady delivery product constantly to them when they are building out the network. We also have the license fee, recurring revenue coming in on the install base that we have with the customer. As I mentioned, I mean, we are proceeding with the standardization on our technology. So as you know, ITU has decided to include our technology as a new working item within the ITU standardization group for time synchronization. That decision has been taken earlier, end of last year, early this year. But the big step this quarter is that they took in the beginning of July and approved the first document of several that were approved by the ITU group.



Crister Fritzson

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So that was like a good milestone for us, showing that we are on the right track to get type approval or standardization of our technology. And within the telecom market, this is an important part for the telecom operator. They are asking us, "Are you a standardized product?" And we cannot say, we are on the path to get this technology standardized, and that's enough for the operator, and they tick that box because it is important part. And they give us, of course, a strong position in the market. We get more marketing around that, that we are within the ITU now for standardization. So the operator are also, of course, included into this work, and we do it together with other operators and with suppliers as well.



Crister Fritzson

CEO | Net Insight

Last year, as I think most of you know, it was a huge earthquake in Turkey. From that, they have, Türk Telekom have a huge, of course, affected the network quite dramatically. Hundreds of sites were actually been taken down, and they needs to be replaced and rebuilt. So the focus right now for Türk Telekom has been since then, to replace and restore, restoring the network. And that, of course, before they can proceed with expansion. In the contract that is signed, in the end of 2021, it was decided and finalized that the last delivery of the order should be taken, should be in 2026. But we see now a risk that the final delivery is delayed until 2027.



Crister Fritzson

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So not, it's not decided, but we see a risk in the situation that we see that Türk Telekom is in right now. And the full 5G license is expected to be issued around year end or beginning of next year. And the order book in the end of this quarter, as I mentioned, is SEK 190, and it is in the end of last quarter, it was SEK 195. And delivery in June quarter affect, of course, remaining order book. Okay, thank you for that. If you have any question, you can pull them into the chat, and we will answer them after the presentation from Annika. So I hand over to you, Annika.



Annika Muskantor

CFO | Net Insight

Thank you, Crister. I'm pleased to have the opportunity to walk you through this six months report. I will, of course, repeat some of the points that Crister has made, but let me try to add some more color. So let's start with the past quarter in net sales. Net sales grew to SEK 176.1 million. That is to be compared to SEK 126.3 million in Q2 of 2023, and it corresponds to growth of 39.5%, as you see it reported, which remains basically the same in the current adjusted basis. This means that the past quarter is the 15th consecutive quarter of year-over-year growth. Now, the reported net sales, of course, include a SEK 30 million order. If we exclude that from the calculations, the growth would have been 15.5%.



Annika Muskantor

CFO | Net Insight

And if we do take a look at that on a four-quarter rolling basis, the growth would have been 17.1%, i.e., even there, as Crister said, exceeding the organic growth target. The growth is driven by a steady increase of sales in our media offering, as well as SEK 9 million being contributed by the time synchronization project. Notably, that the reported sales were about the same last year. When we reported SEK 8.9 million, however, that number included SEK 7.1 million of NRE fee, while this quarter did not, and hence the SEK 9 million this year reflects current sales. So to clarify what the NRE fee is, for those of you who have not or new, more new to Net Insight, the NRE is an abbreviation of non-recurring engineering.



Annika Muskantor

CFO | Net Insight

In short, it relates to the agreement that we made with Türk Telekom at the end of 2021, and it was a prepayment that was to be recognized as revenue over a two-year period as development proceeded. If you'd like to read more about that, I urge you to turn to the annual report of 2021 and the publications around this contract. With that, moving on to operating earnings for the quarter, which amounted to SEK 38.3 million, and that is an increase from SEK 9.9 million that we reported in Q2 last year. The improvement is, of course, to an extent, driven by the large software order of SEK 30 million.



Annika Muskantor

CFO | Net Insight

Even when we exclude that, the earnings were driven by increased sales and a favorable product mix with a high proportion of software that was somewhat offset by an increase in marketing and sales expenses. For competitive reasons, we will neither disclose the operating profit nor the operating margin for the quarter, excluding the large software order, which I'm sure you all understand. However, as we state in the report, the operating profit, excluding the specific order, has improved compared to the same period last year. In the operating margin terms, this translates to reported operating margin of 21.8%. That is to be compared to 7.8% in the second quarter of last year, and if you wish, 12.7% for the 2023 fiscal year.



Annika Muskantor

CFO | Net Insight

The reported margin is inevitably positively affected by the software order, but please note that it was executed based on our standard margins. Hence, the improvements driven by the order is more attributable to the scale effects a larger order inevitably has on a mostly fixed cost base. With that, for the quarter, I'd like to turn your attention to the right-hand column, and talk about the six months, the first half year of 2024. There we can conclude that net sales grew to SEK 318.6 million. Now you can compare that to SEK 252.9 million for the same period last year. It corresponds to growth of 26% as reported, which is coming in only marginally lower, 25.5% on a currency-adjusted basis.



Annika Muskantor

CFO | Net Insight

The reported net sales do, of course, include the SEK 30 million order. However, please note that it only counts for slightly more than 9% of total net sales in the period. Time synchronization contributed with SEK 19.1 million of sales in the corresponding period, we reported SEK 17.4 million of sales, where, again, net sales last year included SEK 14.1 million of NRE fee. Then, of course, media accounted for the remaining balance of reported net sales. Operating earnings for the first six months of the year amounted to SEK 48.9 million, and is an increase from SEK 21.9 million reported last year. However, excluding items affecting comparability and foreign exchange rate differences, operating earnings amounted to SEK 52 million for the current reporting period.



Annika Muskantor

CFO | Net Insight

That is to be compared with SEK 24.3 million for the first six months of 2023. In operating margin terms, the reported operating earnings translated into a reported operating margin of 15.4%. Now, you need to compare that to 8.7% last year, and if adjusted for comparability, it translates to 16.3% this year, to be compared to 9.6% last year. That improvement is primarily driven by increased revenue and the product mix for the period, which is, of course, a composite of Q1, where we had relatively high share of low-margin hardware, and Q2, with a relatively large share of high-margin software and support sales.



Annika Muskantor

CFO | Net Insight

The large software deal discussed in the Q2 section inevitably had some impact, but given that it's such a small fraction of the total revenue in the period, it is less material to explain the improvements. With that, before moving on, what does this really say then? Well, to me, it says that, the operations are growing, and they're growing profitably, and doing so also when excluding the larger software order published in Q2. It further tells us that the time synchronization business is starting to convert to current orders, compared to revenue recognized from deals made in previous periods. So with that, I'd kind of ask you to turn page to discuss operating expenses.



Annika Muskantor

CFO | Net Insight

Then let's start again with the second quarter, where operating expenses in total increased to SEK 78.4 million from SEK 67.6 million in Q2 2023, which corresponds to reported increase to shy of about SEK 11 million, or about SEK 10 million when adjusting for non-recurring items affecting comparability. For the change between the quarters to make sense, I think it's necessary to look at the individual items included in OpEx. So let's do that... For sales and marketing, that amounted to SEK 47.8 million, to be compared to SEK 38.5 million last year. Now, that is an increase of about SEK 9 million, which is attributable to the strengthening of the sync organization, the increased sales, of course, and investment in cloud and IP expertise.



Annika Muskantor

CFO | Net Insight

It also relates to administration that amounted to SEK 17.8 million, to be compared to SEK 16.2 million last year. Now, that is an increase of about SEK 1.5 million, and mostly attributable to strengthening of work of the organization. Leading us with development that amounted to SEK 12.7 million, to be compared to SEK 12.9 million last year. Hence, it's about the same level as Q2 last year. The drivers behind the reduction will reduce cost as a result of the move R&D that we talked about last quarter from Camarillo in the U.S. to Stockholm, somewhat offset by lower capitalization, which in turn is driven by the phases in the current development projects.



Annika Muskantor

CFO | Net Insight

Development only really makes sense to talk about as an expense if we also talk about the expenditures, i.e., the expenses, if we add that CapEx for the period, which amounted to SEK 36.5 million, or a decrease just short of SEK 2 million as a result of the move of the R&D. Then it makes sense to talk about operating sale expenses for the six-month period. That in total increased to SEK 150.6 million from SEK 129.4 million in the first half of 2023, and that corresponds to a reported increase of about SEK 21 million, or about SEK 18 million, if adjusting for non-recurring items affecting comparability. To put those amounts into perspective, it makes sense to look at them as a percentage of sales.



Annika Muskantor

CFO | Net Insight

While one can expect sales expenses to be somewhat, or at least to some extent, correlated with top line, administration seems to need to be expanded from time to time to adjust for scale and new requirements, but should have a flatter development curve. While R&D should be driven by investment decisions and be based on future payoffs. I urge you to view the information about operating expenses in the context of the graphs provided to the right of the slide. So again, going through the items and for the variance to make sense, variances to make sense, let's talk first about sales and marketing. That amounted to SEK 89.2 million, to be compared with SEK 74 million last year. That is an increase of about SEK 15 million with the same drivers as in the quarter.



Annika Muskantor

CFO | Net Insight

Administration amounted to SEK 35.2 million, to be compared to SEK 31.3 million last year. That is an increase of almost SEK 4 million, but equally attributable to strengthening of the organization, revaluation of staff-related provisions, and projects aimed to meet future reporting requirements with higher efficiency, while also laying the foundation for the plan to continuous growth. Development that amounted to SEK 26.2 million, to be compared to SEK 24.1 million last year, has a slight increase, where the drivers were the same as in the Q2. Again, focusing on the expenditures, which amounted to SEK 78.6 million, or an increase of a little more than SEK 4 million, which is a net increase, actually, of component sourcing necessary to secure future R&D, batch sizes, timing, trade-offs, et cetera, and the move of R&D to Sweden.



Annika Muskantor

CFO | Net Insight

So what does that really say? Well, to me, it says that the expenses have increased, but given that marketing accounts for the larger part of the increase and that operating expenses as a % of net sales have oscillated within a fairly constant range, the number indicates that the investment in sales and marketing have delivered top line. The same logic applies to development expenditures that have varied somewhat across quarters, but have been fairly constant as a % of sales, indicating consciously managed investments in future products. So with that, if you could please turn to the next page to talk about what is always going to be my favorite topic, cash and conversion to cash.



Annika Muskantor

CFO | Net Insight

So we can then conclude the cash and cash equivalent at the end of the period amounted to SEK 235.6 million, to be compared to SEK 266.3 million at the end of Q2 2023. We can also conclude that the total cash flow for the second quarter amounted to SEK -16.1 million, while the cash flow for the corresponding quarter last year was SEK 12.4 million. Now, that is a difference of 3.7. Since the cash flow for the quarter and that in the first six months of the year were influenced by the same drivers, they make sense to the review in parallel.



Annika Muskantor

CFO | Net Insight

Both periods this year are driven by a positive cash contribution from operating activities and a negative contribution from working capital, where an increase in receivables driven by strong invoicing somewhat offset by lower inventory and liabilities. In other words, a base that will be converted to cash in the coming quarters. But somewhat reduced by tax payments that since we no longer have any tax loss carryforwards that we can use to offset. Investment activities driven by R&D expenditure, now that's an investment for future cash-generating offerings. And financing activities, mostly driven by repurchases of own shares. So from that, we can conclude that the operations generate cash, but the growth, as it always does, ties up some of the funds in working capital, capital to be converted to cash in later quarters.



Annika Muskantor

CFO | Net Insight

That investments are continuously made into the company's future, to which Crister has spoken to, and I think will continue to speak to. With that, I hand over to you again, Crister.



Crister Fritzson

CEO | Net Insight

Thank you, Annika. Before we move into the questions, just have like a sum up of the Q2. I mean, we are doing well financially, but also we are strengthening our position in the market. So we have the 15 consecutive quarter of growth, close to 40%, and if you look at the net operating margin, it's close to 22%. So this is a record quarter, both in terms of sales and operating margin. So even as we have explained earlier, even if we exclude the SEK 30 million software order, the growth was about 15%, and with operating, improved the operating profit year on year. We are growing market share, and in media, we are the self-evident part, and it really counts. And we have an extremely strong position, strong position within that.



Crister Fritzson

CEO | Net Insight

It always counts when you have a live sports event, then you need to trust the supplier and the product that you have installed. In time synchronization, the conversion of POCs to contracts has resulted in close to double-digit number of customers, and that's the growth base for the growth going forward, with the customer when they start to expand the network and install our product at the same time. So we are a growing company and invest in the future.



Crister Fritzson

CEO | Net Insight

We are keeping updating our media products to grow with our existing customer, and we are focused on taking on new customer that we did in Q1, that we added three large customer, and we see even one of them have already replaced order in Q2, so they are continuing to use our product to build out the network. And we are keeping investing growth pocket in the market, and I think that we are doing good finding them, and we are really investing for the long, big revenue, not the short, small revenue. So we are looking into the market, finding growth pocket in the markets, and really investing into them, and make sure that we have a very competitive product when we are doing that. And time synchronization is our largest growth opportunity that we can see.



Crister Fritzson

CEO | Net Insight

It's a huge market, and it's growing, and we have a unique product that we can offer the market. We are placing feet on the ground to capture growth opportunity across the globe. As we had already communicated, we have increased number of people, like in India, in China, we have signed a reseller or a partner, and same in Saudi Arabia and in Middle East. So we are increasing our footprint globally, and we are doing that very carefully, so we don't spend money that we don't see an opportunity relative in deals. And of course, when we hire and develop the best people, most talent and committed crew.

Q&A



Crister Fritzson
CEO | Net Insight

So that's like the benefit and the drivers internally, that we have an extremely strong and talented organization that's really pushing the business forward. So with that, I think we're moving over to questions. So let's look into questions. The first question that we received is on the new cloud-based product, Nimbra Connect, that we launched in the beginning of Q2. It's based on the existing Nimbra Edge that we launched like a little bit more than 2 years, but it's a more easy and simple, not simple, easier product for the customer to install, which means that we can grow with the customer, that they start with the Nimbra Connect. The installation is very easy.



Crister Fritzson
CEO | Net Insight

I mean, we are claiming that you can do it in, like, in 5, 10, 15 minutes, and you can be up and running. And then you can grow your business, and when you are coming up to a larger deployment of the, of the cloud-based product, you can seamlessly move over to the Edge product that we had, the- that we had launched earlier, that had a larger capacity. And we can see that, that's really paying off. I know that we immediately received, like, double digits interest from customer, and we have done the first installation during Q2.



Crister Fritzson
CEO | Net Insight

So that's a really interesting customer that we can grow with the customer, and we can seamlessly increase the capacity on the cloud, and the customer can have a product that fit into the requirement that they have and the capacity that they need. We have, like, a question on the revenue coming from the Olympics. And as I mentioned, some of the—we have recognized some of the incoming Q2 and some part in Q3, so it's divided Q2, Q3. I mean, we have had that in our, like, budget, and we have, as you probably know, been a part of the Olympics already back in 2008. If you go back quite a few years, it was, like, important part of our business and our growth to be part of this larger event.



Crister Fritzson
CEO | Net Insight

But when we're now increasing revenue, and we have a broader number of customer, those larger events, like the Summer Games, is not that strong driver as it has been in the past. It's important for us, but it's not like the major driver for our revenue in the business. But we are, of course, happy to be part of the Summer Games, and then we have people on site, and it is a large event that we participate in, though. Right. We have a question that we have stated that we are converting POCs into commercial customer. Yeah, I mean, we have converted customer during the quarter, but of course, we had converted customer earlier than that.



Crister Fritzson
CEO | Net Insight

But yes, we have converted, but we will not give any details, specifically number of conversion that we have done during the quarter. But it's easy, I think it's a clear guidance that we are giving, that we are close to double digits number of customers. So that's an important part, of course, in that. We have also another question on the POCs, and I think it's what about the one from North America, I think. Yes, we are proceeding on the customer commercial test that we are doing in Americas. So that is progressing well. So they are continuing to doing that, and so it's definitely going in the right direction. Also, the deal that we done in Canada is also progressing well.



Crister Fritzson
CEO | Net Insight

So the North American market is going according to plan, and the announcement that we have been giving are still very active and progressing in the right direction. Yes, we also get the question, how do you find a new investor relation manager? And we have. We will have investment relation manager starting just after the summer holiday, so that will be a strong drive for communicate better to you, shareholders, and we will be much more active in that part. So that's definitely something that we are focused on, and we are glad that we are to hire a person coming in just after the summer. When are you planning to launch a volume for Zyntai?



Crister Fritzson
CEO | Net Insight

I mean, we are not giving forecasts on volumes going forward, but of course, we are like, with the customer that we are converting from POC to commercial customer, we're building the customer base of future growth. That's the idea that we are doing now. Even though that the volume is not rapidly increasing, over time, that will create volume increase and growth around the Zyntai. We have also proceeded how the process of a new customer within sync. I mentioned that in my presentation, that all operators are thoroughly testing the synchronization, time synchronization product that we are offering them, because that's a crucial service that they need to have or function they need to have, to have a network that can operate.



Crister Fritzson
CEO | Net Insight

Definitely when the operator are moving more to industry solutions and more advanced solution, that this is a key function that the customer will ask for, that they have a reliable network... So it normally start with like a small PC within the labs, and then it will move into the network, and then it will move into like larger test that also sometimes are using in the 5G live network. So it's a number of different steps that you're going through, but no operator will take on this product without testing. It is not nothing to do with Net Insight, it's nothing to do with our product. That's the normal procedure that all operators are doing. So that's the way that they normally take in products.



Crister Fritzson
CEO | Net Insight

So that's a new, standard operation thing that the operator do. We have also a question on the APAC market that it might have minor interest in 2024. No, on the opposite, we see that the, I mean, like Q1 for APAC was growing very strong with increased sales in Q1, a little bit lower in Q2. Obviously, when they have a strong Q1, they were a little bit lower in Q2. But we have seen a steady growth in APAC the last years, and we see that it will continue. And we have, like, a strong team. As you know, we have a Swedish guy that heading APAC, that have been at Net Insight earlier, and a very strong position market. They know the Asian market very well.



Crister Fritzson
CEO | Net Insight

So we have a strong organization, and we see that the expected APAC will grow moving forward. We have also a question around the power grid market, and we have communicated earlier that we have a POC with one power grid company within Europe. And that POC is going well, and we see a progress in that, and we see that we have also increased our activity to look into partner within that market segments. So that is proceeding according to plan, and it's important for us to have a partner like that to make sure that we can see that we can develop our product that fit into like a power grid or smart grid environment.



Crister Fritzson
CEO | Net Insight

So that is going in the right direction, and we are continuing to have cooperation with that power grid company in Europe. And we are also looking into how we can form the team around that to make sure that we can capture the market potential within the power grid segment. But this is still in a pre-study phase, so we haven't moved in fully to with resources, and we will take the decision going forward, depending on the, of course, the test that we are doing and the cooperation together with this. But so far, it's very positive and going in the right direction. I mean, we had a question about the potential within the media segment and how big is it, and of course, we don't do any forecast on that.



Crister Fritzson
CEO | Net Insight

I think you can see on the historic numbers that we have been showing, and we are continuing to growing that. So definitely, we are taking market share, but that's it, it's a big, big market that we are attracting. So we see that we have opportunity to continue to grow within the media segment. So the potential is, of course, now when they are moving from over to IP-based solutions and cloud. So that's the driver for investment from the media operator and the media customer, and that will continue for many years going forward. So we are in the first phase of doing the move from over to IP-based product and cloud-based product. So that will continue for many years from now.



Crister Fritzson
CEO | Net Insight

Again, we get a question from the pilot in Canada and U.S., and I think I have already been covering that, that it's going according to plan. Again, America question. Are there any more software deals in the pipeline? I mean, this is the normal way that we are doing our business, that the customer are installing the hardware. Some of the customers actually is buying the hardware because it take, like, a few months or a quarter to install that, and when they have installed the product, then they are ordering the software. So that's like the drivers within our business model that we have the software, and it's getting bigger and bigger part of the overall sales. So that definitely we will have more software deals. And the unique one is that this was a large—it was a SEK 30 million deal.



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So that was unique with that, not the way that we were taking the order or not the way that we're getting the order. It's more that it was the unique was the size of the order. So definitely, we are hoping for more, or we will get more. We get, so that's obvious. I mean, when we are moving to new regions, I mean, it's an investment that we do, like in India, that we start with, like, first you do a pre-study, make sure that we have the right product and the right market condition. Like India, it's like one of the largest, the largest market for 5G, and it's expanding heavily so that we saw that we see an opportunity of doing that.



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So what we are doing right now in India is, of course, approaching the major three operators, and we are also looking into the product to get the product approved for the Indian market. So that's what we are doing. So sales will take time until we get that. This is the normal that I described earlier. It's a stepwise relation with the customer, start with the POC, then you move forward into, like, designing the network as well. So that will take time until we see revenue coming in from the new market that we are entering. But it's important for us to be in that part of the market because it's so large, and we see the need of our products in those markets as well.



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We are finding very well-established, safe people within the market to make sure that we get the right level of contact within the operator. Private networks, it is a question, yes. Yeah, we see definitely an opportunity in private networks market, that we see that the operator can, of course, offer solution to private networks, but we see also private network that we can have a direct relation with. So private network is definitely a driver in the market, and as we communicated, like in the China market, private networks is a growing part of the Chinese market. So that's something that can be a driver or is a driver going forward. You have a big partner with Tata. They will help you in the Indian business.



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Yeah, I mean, Tata is one of, or one of the biggest or the biggest customers. We have a relation with them, but we cannot, like, reveal any, any business information around that. But they, of course, are strong in, in India. So, what are you most excited about into next year? You can... Next year, I mean, of course, I mean, it's so exciting when we see that we are growing, and we see that we are growing the, the media business, that we are now soon into the double-digit number of commercial customer. So it will be extremely interesting to see when they are really starting to invest and rolling out the network. So that is so exciting to see that it's going in the right direction. So that is something that's really exciting.



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The media business, it continue to grow, and we are continue to invest. We see opportunity into the market, and we see opportunity to invest in the growth pocket in the market. So we are continuing on doing that. So I think we are going in the right direction. We see the trend being clear, and I'm very positive to the second half of this year and next year. So that was all the question that we have right now, but if you have any questions that you would like to answer, you can just send them into our investor relations mailbox that we have. You can find the address on the website, and you can send it in to us, and we will try to answer them as quick as possible.



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That's something that you can do whenever you like. Okay, thank you for now, and thank you for listening. With this, I think we close the Q2 call, and I wish you all a fantastic summer, and see you in when we report the Q3. Thank you all, and talk to you soon. Bye.

