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# Net Insight

Q4 2023



## Speakers



**Crister Fritson**  
CEO | Net Insight



**Joakim Schedvins**  
CFO | Net Insight

## Prepared Remarks

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**Crister Fritzson**  
CEO | Net Insight

Good morning and welcome to Net Insight Interim Report for Q4 2023. My name is Crister Fritzson, the CEO of Net Insight, Net Insight, and together with me today I have Joakim Schedvins, our CFO. The agenda today is that we do a short summary of Q4, and then moving into the media update, and then further on to the synchronization update, and Joakim will then finalize with the financial numbers. And then we open up for questions in the end. I'm both very glad and proud to present the best quarter ever in Net Insight's history, and it's also a record year for Net Insight, so it's the best result in 25 years. So we are very happy for the result that we have conducted in Q4 and in last year.



**Crister Fritzson**  
CEO | Net Insight

We can see that the long-term trend of growth and profitability is continuing, and that is many of the strategic initiatives that actually already take place in 2020. So we have stayed focused on the strategy that we set and tried to really find the growth in the market and invest wisely into the products that we see can give us growth and higher profitability. We're also very happy to have launched a new time synchronization product in Q4, and that's after two years' development. We also established a framework agreement with Türk Telekom and also started to deliver the first product to Türk Telekom in the Q4. And we have moved into a standardization process for our synchronization technology. I will come back to all of those points later on to the presentation.



**Crister Fritzson**  
CEO | Net Insight

If we just do a quick summary of the financial numbers, Joakim will go deeper into that later on in the presentation, but we can definitely see that we have had a fantastic growth during Q4 compared with last year. So the net sales Q4 was over SEK 160 million compared with last year, SEK 125 million. So it's a fantastic number. Even the EBITDA has more than doubled since last year and close to SEK 30 million compared with a little bit over SEK 13 million last year. This is actually the 13th consecutive quarter of growth, for Net Insight. And that's, as I mentioned earlier, it's coming from the strategy and the focus, to stay firm and make sure that we invest thoroughly into the product growth in the market.



**Crister Fritzson**  
CEO | Net Insight

But we're also glad to see that the order pipeline for time synchronization had increased to SEK 195 million during Q4 compared with SEK 118 million in Q3, and we have also shipped product for a little bit less than SEK 10 million in Q4. If we then move a little bit deeper into the media market, we still see a headwind in the media market. We look at the overall market. It had been a little bit more positive signals in the U.S., and we can see that on our sales that had increased the two last quarter in the U.S., the sales have moved up. But still, it's a lot of changes in the media market we can see in the Nordic area as well. But the technology shift towards IP and cloud drive investments among our customers.



**Crister Fritzson**  
CEO | Net Insight

The driver is actually the fact that the studios is moving over towards IP, and our customer would like to have a streamlined IP-based workflow from the studio all the way to the end customer, and that has cost and also take down production cost and make it much easier for our customer to handle that. I mean, we have, as you know, increased our investment the last two to three years in the media, and we continue to invest into the IP and cloud, and we see more and more standards protocol coming out around the IP. But what we have done that's unique and give us a stable sales and keep our existing customer is that we can offer an integration of our own unique technology together with the IP.



**Crister Fritzson**  
CEO | Net Insight

So for an existing customer that can gradually move over to IP, keep the uniqueness that we have in our technology, and this new solutions that we have launched in the IP video is software-based, which means that existing customer can keep the hardware and just upgrade with software. And that give us, of course, a unique position among our existing customer that we give them a very, very smooth transition over to IP if they like to do that or if they like to have a part of the network IP-based and keep our unique technology in other parts. Today can mixed, and we are fully agnostic on IP or our unique technology. But we can also see that our sales of our unique technology have increased the last two years combined with that we also sell more IP-based solutions.



**Crister Fritzson**  
CEO | Net Insight

So today we have a much broader offering of different functions and solutions around IP to give us the growth. We started to implement the IP video functionality into our 1000 series product, the high-capacity product, and during Q4 we have moved that over also to our high-volume 600 series, and we can see on the product mix for media is that the 600 series really increased sales during Q3, Q4. So today we have full functionality in both the high-capacity product and the mid-tier product, the 600 series product. We're also glad to see that Europe, the last two quarters, have really increased in sales, and we have been taking some larger orders in Europe. For instance, in Spain, we delivered a quite large order based on IP video functionality.



**Crister Fritzson**  
CEO | Net Insight

If you go back a few years, normally a large order was one or two SEK 10 million orders per quarter, but now the last year we have had a number of SEK 10 million orders coming in and even larger orders than that. What we have done, we have increased our expertise around the IP and cloud, both in the front end, the sales, but also on the product management, but also specific specialist on IP cloud, which had helped us to deepen the collaboration with our customer and partners. We are much more earlier into the sales phase now than we have done previously, which means that we can work together with our customer and partner to design the network, understand the customer need, and through that we get a much more stable and predictable sales.



**Crister Fritzson**  
CEO | Net Insight

We can see during 2024, the average sale, sales deal or average order had increased by close to 20%. Moving over to our time synchronization product. As I mentioned, we are so glad that we have signed an agreement with Türk Telekom. The network that Türk Telekom have is a critical network, and we see an increased interest from critical networks globally to move over to GPS-independent solutions. But we also have received an order from Three Denmark, and the order that we have received from Türk Telekom will be delivered during we started last year in Q4, but it will be delivered during this year. As I mentioned, we have commercially launched our new Zyntai product, and we have done the first delivery both to Türk Telekom, as I mentioned, Three Sweden, and to Türk Telekom.



**Crister Fritzson**  
CEO | Net Insight

We have started to ship smaller volumes into the market. We announced last year that we have been in a relation and a cooperation with a major American operator, and they did the first trial that have moved over to a commercial trial in Q4, and that after, of course, a successful first testing of the product. The standardization of our technology that we are using in our synchronization product have started. And if you look into the telecom industry, all operator, the market within that segment are used to have standards and basing the network on standards. So that is, like, an important milestone for Net Insight. Really to start the standardization of our technology.



**Crister Fritzson**  
CEO | Net Insight

That's done through the ITU, the Telecom Standard Forum, and that started in the end of last year, and we continue during this year and will be probably, hopefully, ready next year. That, of course, creates an increased reliability for our product for the customer that are interested to buy our Zyntai product. So that's an important part of our launch of the new technology and our product to get it standardized. As I mentioned, the order book had increased from SEK 180- SEK 195, and we have gradually, and we will gradually deliver the order book in line with the rollout of new network for the customer and the expansion that they have of the network. So it will be a gradual delivery of the order book over a few years.



**Crister Fritzson**  
CEO | Net Insight

As we have mentioned earlier, we have a POC with a power grid company in Europe, and we are still ongoing with that POC, but we see also other power grid company started to get interesting in our solution. The power grid market is moving from analog to digital, so it creates a need for our solution for synchronized power grid networks. What we are doing right now is that we are evaluating the market potential, and we are also looking into our go-to-market strategy. So that's in a phase, and we are working with that right now. If we are looking a little bit ahead and looking into Q1, we will transition some of the POCs that we have been running for a while with the old synchronization product and move that over to the new Zyntai.



**Crister Fritzson**  
CEO | Net Insight

So a few of the POCs that we are running will start to use the Zyntai product for test right now, and we are aiming to start at least two new POCs during Q1. I think most of you have seen the increased communication around the issue with satellite navigation systems, and they are increasingly facing threat from jamming and spoofing. And we have seen that in the press in Nordic, in Europe, and even in U.S. So that's more and more coming up to the agenda that it's an issue to use satellites as both navigation system but also use it, of course, as a synchronization, too. So regions like Northern Europe, Middle Europe, Baltic definitely are affected by interference on GPS.



**Crister Fritzson**  
CEO | Net Insight

GPS can be affected by natural things like solar storms, snowstorms, heavy raining, but also, of course, from jamming or spoofing. We can see that when we start, like, two to three years ago to start to talk about GPS synchronization and the issue with GPS, a number of operators was, of course, aware of that, but it was not on the top of the agenda as operator, but it's coming up as an issue that need more time to get handled. We can see that it is a general downturn on the sales around 5G, but we definitely see that the synchronization part of 5G is growing and is driving increased demand for securing more reliable network solutions.



**Crister Fritzson**  
CEO | Net Insight

I mean, Sweden was the first country that was saying that you have to have an alternative for GPS, as a synchronization tool, and they were putting it into a mandate into the license that the operator have received. So they have to have an alternative GPS ready by the 1st of January 2025. But we see also that other countries is more looking into the Swedish model, and they are when we have had a number of dialogues with regulators and others in other countries to explain how we have done it in Sweden. And we see that other countries are trying to follow Sweden's model, and they are interesting to find a way of doing that in different areas. So we see a number of countries are following the way that we have done it in Sweden.



**Crister Fritzson**  
CEO | Net Insight

And we will next week launch an article series and some video content, and we have done that through Netnod, and Netnod is the company in Sweden that handles from in five different places in Sweden actually. It's you can get time from the network that Netnod has five different places in Sweden. So that is one way of doing that, that together with Netnod we have put together an explanation how we do it in Sweden, and it will be commercialized globally start next week. And that's the runner-up for the Mobile World Congress that will start the week after next.



**Crister Fritzson**  
CEO | Net Insight

So I hope you all will like to read and see the videos that we are sending out because it will give you a good view of what we are doing and what we are doing with Netnod and the drive is in the market. So that will come out next week so you all can see that. Okay. Thank you for that. We move over to the financial numbers. So welcome, Joakim.



**Joakim Schedvins**  
CFO | Net Insight

Thank you, Crister. And to start with, let's see here. There we go. Yeah. As Crister mentioned earlier, Q4 is our strongest quarter ever with net sales of SEK 162.5 million, which is a revenue growth of 30% year-over-year.



**Joakim Schedvins**  
CFO | Net Insight

It's very confident that despite the challenging market conditions that we see, a little bit different in different regions, but that we despite that have this growth trend that continues, that we have the 13th consecutive quarter of growth. As mentioned previously, that's really a result of the investments we have done in our product portfolio, which have resulted in an extended product portfolio with new features launched throughout the year, addressing the growth areas in the market in this ongoing technology transformation where many customers invest and upgrade their networks. High growth in the media business in Q4, in Q4 particularly driven by the previously mentioned strong performance in EMEA region, with a number of large deals where customers expanding and upgrading their networks.



## Joakim Schedvins

CFO | Net Insight

It was also good to see that we have seen an increased activity and higher revenue in Americas in Q3 and also in Q4 after a soft first half of 2024 in Americas. Operating earnings also coming up to an all-time high, almost SEK 30 million in the quarter, even if we are still in an investment period. The earnings in the quarter is, of course, driven by the strong revenue primarily. Also we can see, which is satisfying, that we have a higher gross margin than last year. That's really driven by the favorable revenue mix with increased support and license revenue from really extended portfolio of software solutions, driving that. On the negative side, of course, we have some inflation-driven cost increases that we partly have been able to compensate by price increases.



## Joakim Schedvins

CFO | Net Insight

On the cost side, we also have increased cost due to the strengthening of the organization within these growth areas, for example. Operating margin of a little bit above 18%, which is close to our long-term target of 20% that we set in the beginning of 2023, the five-year target to reach 20% within the five-year period. So that's also, of course, satisfying to see that. Looking at the expenses in the period, the operating expenses, we have an increase of about 17%. Worth mentioning is that we have, of course, as previously discussed, strengthening the organization related to, for example, the synchronization initiative and also other growth initiatives. We have also had a new ERP system implementation going on during 2023, which was successfully launched in Q4.



## Joakim Schedvins

CFO | Net Insight

So that has also been some costs for that during the year 2023 and during the quarter. Some increases in the quarter is related to the strong sales as for example sales commission driven by the strong revenue in the quarter then. And then of course on top of that some inflation-driven costs in addition to that. Development expenditures slightly ahead of last year almost SEK 40 million. And that's of course this continued investment that we do to make sure that we maintain and increase our competitiveness and secure future growth then. And what's encouraging is that we can already now see the effect of the investment in terms of increased revenue. So we can see that we decrease the development expenditures percentage of total revenue then.



## Joakim Schedvins

CFO | Net Insight

Lastly, looking at the cash flow, we can see that the net cash flow in the quarter is a little bit more than SEK 4 million. We can see both in the quarter and full year that we continue to improve the cash flow from operations. And what's also encouraging to see in the quarter is when we look at cash flow from changes in working capital, as mentioned previously during the year, we have had an effect of the situation with the shortage of components where we have the last year or one and a half year increase the inventory to secure deliveries and make sure that we're able to deliver to our customers.



## Joakim Schedvins

CFO | Net Insight

And now we can see that that situation have stabilized, which means that we have been able to see the second quarter in a row where we reduce the inventory even if we have a sharp increase in revenue. So that's satisfying. Worth mentioning is also when we look at working capital that we have a little bit of a negative effect, a decrease in liabilities, and that's related to a prepayment from the time synchronization customer Türk Telekom that have negative impact on working capital in Q4 and this year and of course, opposite impact in last year when the prepayment was received. We have capitalized development, as mentioned previously, affecting investment activities in the quarter, and we continue this repurchase of shares program that we initiated earlier 2023 that have an impact of about SEK 15 million in the quarter.



## Joakim Schedvins

CFO | Net Insight

Excluding cash impact from share-related transactions, the repurchase of shares, the cash flow in the quarter was positive SEK 17.5 million, and the cash situation at end of 2023 is SEK 266 million. Yes.

## Q&A

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**Crister Fritzson**  
CEO | Net Insight

Thanks. Okay. Moving into questions. Yeah. We had a number of questions around the product mix from media during the quarter. I mentioned that. I mean, our main drivers amongst the product is the 600 series is taking a substantial part of the sales during the quarter together with the 1,000 series. If you look on the edge product, the cloud product is an annual recurring revenue, which means that we have quarterly, based on this number of streams they are using. And it's based then on how much use of the cloud-based product.



**Crister Fritzson**  
CEO | Net Insight

These two models, you can buy like free how many you will use during the quarter and then pay in the end of the quarter or end of the month, or that you have a fixed amount of streams that you're using permanently long term, and then you can add that. So that's the streams is one part, and then we have a license fee for using the product, which is up to close to 20% of the stream cost they are also paying a license fee for. Should we go in a little bit deeper on the product mix, Joakim, do you have any numbers more specifically on the product mix for media?



**Joakim Schedvins**  
CFO | Net Insight

Yeah.



**Joakim Schedvins**  
CFO | Net Insight

We can say not exact numbers on the but, as you mentioned earlier, it's really the 1,000 series, our main platform and the 600 platform, and the license is related to that that is driving the revenue in the quarter.



**Crister Fritzson**  
CEO | Net Insight

We have received a specific question about our Trust Boundary product that we have for the media product. It's a combination of number of features that is within that brand name. First of all, it's a security product. It's many of the content is now delivered or distributed or open network. It means that security is key. But it's also a function that helps you to control your network much easier.



**Crister Fritzson**  
CEO | Net Insight

And what we are trying to do with the Trust Boundary, which is really a product that many of our customers are using today, we are trying to move all the unique functionality that we have in our unique technology, which is the ease of use. And it's one of the downsides with IP networks is it's much more complicated to run an IP network. But we are trying to move that easiness of use into our IP video product as well. So that's a unique, like, offering to the market that we are trying to work on to make sure that it will be as easy to handle an IP network as our existing or our unique technology that we are using.



**Crister Fritzson**  
CEO | Net Insight

So that's something that we're really pushing and take the experience that we have from our previous product into the IP video market or segment or market, as well. So that's a product that gradually can be implemented into existent customer or new customer. So that's this is a stickiness product that we are trying to use, and it is really appreciating among a few many of our customer today. We have a question on our revenue on support and services. Can you comment that, Joakim?



**Joakim Schedvins**  
CFO | Net Insight

[Foreign language] Yeah, exactly. We can see that within support and services is the NRE fee that we received from Türk Telekom to support the development of the synchronization product. And that part is now fully recognized by October.



**Joakim Schedvins**  
CFO | Net Insight

So the impact a little bit of reduction in support and services is related to that, the NRE fee have been fully recognized for Türk Telekom. Otherwise, the underlying support, base revenue is still increasing. That's the explanation to that.



**Crister Fritzson**

CEO | Net Insight

We have received a question, a broad question around how we can size a Zyntai deal or a Zyntai customer. And it is a very broad question, but mainly it's driven from how large network the operator have. Of course, the order that we received from Denmark is a much smaller order than we received from Türk Telekom, obviously, because Denmark is a much, much smaller country and have a much smaller network. And Three is one of the smaller operator. But it is based on number of base station, but also how you designed your network.



**Crister Fritzson**

CEO | Net Insight

So that's various a little bit. You can have like Türk Telekom have decided to have the, the product at site, but you can more have a centralized network that you have more in the core. So that's a little bit various how you will like how you designed your, your network. But definitely it's the size of the network, number of base station you have, that's the key. That's the driver. Mainly it's the TDD network that require, a high security and, very precise timing in the network, but also 2G, 3G, and 4G use time, but it's not that crucial for those networks. But they need time. So that's also, an area, that can be in the future product or solution that we can offer with our Zyntai product.



**Crister Fritzson**

CEO | Net Insight

But today we are focused on the 5G because that's the main drivers in the market to have time synchronization for the 5G network. We have also received question about the market size and volumes for power grid. And as I mentioned, I mean, we are just in the first phase looking into that. And we do like a pre-study just to look into the potential of the market, how our solution is fitting into the power grid. So we are like in the first phase of looking into that. And of course, it's important to have a partner, a customer that we can test our product. And that's the reason why we are running a POC in Europe to get that understanding because we need to design our product to new profile for power grid, which is different to 5G.



**Crister Fritzson**

CEO | Net Insight

But we know that our product will fit in and can be handled in a power grid company. But we need to understand fully how the product needs to be designed. And therefore, it's really important to have like a POC to understand that similar that we have with Türk Telekom when we designed the 5G product. Türk Telekom was our key partner really to help us to understand the 5G technology and how that affect the synchronization that we have. As you all know, we have had this functionality in our media product in the digital TV network that we have probably around 20-25 networks globally with the digital TV. And many, many of them are using our synchronization functionality similar to the ones that we have now for 5G.



**Crister Fritzson**

CEO | Net Insight

So that's also like a profile that we have developed specifically for the digital TV network. So let's see. I think that most of the questions that have been coming in, I think many of them we have already answered in our presentation or been trying to elaborate a little bit after right now. Obviously, I mean, we have a question that says, "Interest for GPS-independent synchronization increased?" Yeah. I mean, the awareness has really been moving up among the telecom operator, but also has been much a broader awareness in the society. But definitely understanding and need for GPS-independent synchronization has really moved up. And we should remember that the telecom operator previously before 5G have a fairly low knowledge about synchronization because they use GPS.



**Crister Fritzson**

CEO | Net Insight

So it was a very few people within the organization that had an understanding how to handle sync time synchronization. And the telecom operator are increasing now resources and really increasing the knowledge how they should handle that. So that's a journey that we have helped many operator to understand and the communication. But we have still like need for more information, more knowledge, and understand how you should handle that and how that can affect your network. And when you are moving almost more to like industry services or slicing of the network, it become more and more important to have precise time synchronization. And we had a question. Can you say something about future 6G? Now, I cannot say exactly nothing around communicating around 6G, but other product fit perfectly well into 6G as well.



**Crister Fritzson**  
CEO | Net Insight

So moving from 5G to 6G is not an issue for us. Maybe it can be an upside because then we will have probably even more advanced services that need even more precise synchronization. We have received some questions around the decentralization and how that will affect our product and how we should license this out. So I think that's a topic that we can come back to later and go a little bit deeper into that because that's a common and very normal way of doing it in the telecom industry to do this. And it's the technology, not the product that we are standardized. And that's important to understand. So no one can use our product, but this technology or some part of the technology that we will standardize. Okay. Do we have any more questions? Okay.



**Crister Fritzson**  
CEO | Net Insight

I don't think that we have more or less covered most of the questions that have been coming in. So thank you for today. Thank you for listening in. Don't forget to read about the article that we send out next week, around our collaboration with Netnod and how we see the market develop. So thanks for today and see you in a quarter.



**Joakim Schedvins**  
CFO | Net Insight

Thanks.



**Crister Fritzson**  
CEO | Net Insight

Thanks.