



CYANCONNODE

INTERIM RESULTS | SEPTEMBER 2020

Presented by John Cronin, Executive Chairman &
Heather Peacock, Group CFO

**A WORLD LEADER IN NARROWBAND RADIO FREQUENCY (RF) SMART MESH
NETWORKS**

H1 2020 Highlights



Increased revenue

- Revenue increases by 48% to £1.499m

Continued cost controls

- Reduction in operating costs by 32% to £2.5m

Significantly increased order backlog

- Order for 350,000 modules
- Deployment of 430,000 module order resumes

Major acceleration in deployment

- Commencement of rollout of Thailand project
- Continued rollout of Swedish contracts
- 92,000 modules shipped during H1 2020

- **India**

- First two months of the period affected by Covid
- Thereafter resumption of large contract won in 2018 (430,000 units)
- Commencement of rollout of order for 142,000 units won in January 2020
- First revenue taken during the period for the 350,000 unit order won in September 2020 (MPWZ)
- Total order backlog approx. 1 million units being rolled out (value of contracts = c. £19m)

- **Rest of World**

- Thailand MEA order – 33,000 hardware units, 240,000 software licenses
- Modules now all delivered and project moving forward
- Measurement of data back to Omnimesh HES in a 42-floor tower block > 99% against SLA
- Potential for further opportunities in Thailand

H1 2020 Financials

Key figures

	H1 2020 £'000	Restated H1 2019 £'000	% Change
Revenue	1,499	1,014	↑ 48%
Gross profit	831	477	↑ 74%
Operating costs	(2,453)	(3,621)	↓ 32%
LBITDA *	(1,317)	(2,909)	↓ 55%
Cash	952	2,288	↓ 58%

* Where "LBITDA" is Loss before Interest, Tax, Depreciation and Amortisation. This is calculated by adding depreciation and amortisation back to the Operating loss.

Financial results – P&L

Consolidated Profit & Loss	30-Sep-20	30-Jun-19
	6 months	6 months
	£'000	£'000
Revenue	1,499	1,014
Cost of Sales	(668)	(537)
Gross Profit	831	477
<i>Gross Profit %</i>	<i>55%</i>	<i>47%</i>
Other Operating Costs	(2,148)	(3,386)
Amortisation and Depreciation	(305)	(235)
Operating Costs	(2,453)	(3,621)
Investment Income	1	10
Finance costs	(102)	(2)
Loss before tax	(1,723)	(3,136)
Tax Credit	377	300
Net Loss	(1,346)	(2,836)

Financial results – Balance Sheet / Cash Flow Statement



- **Cash**

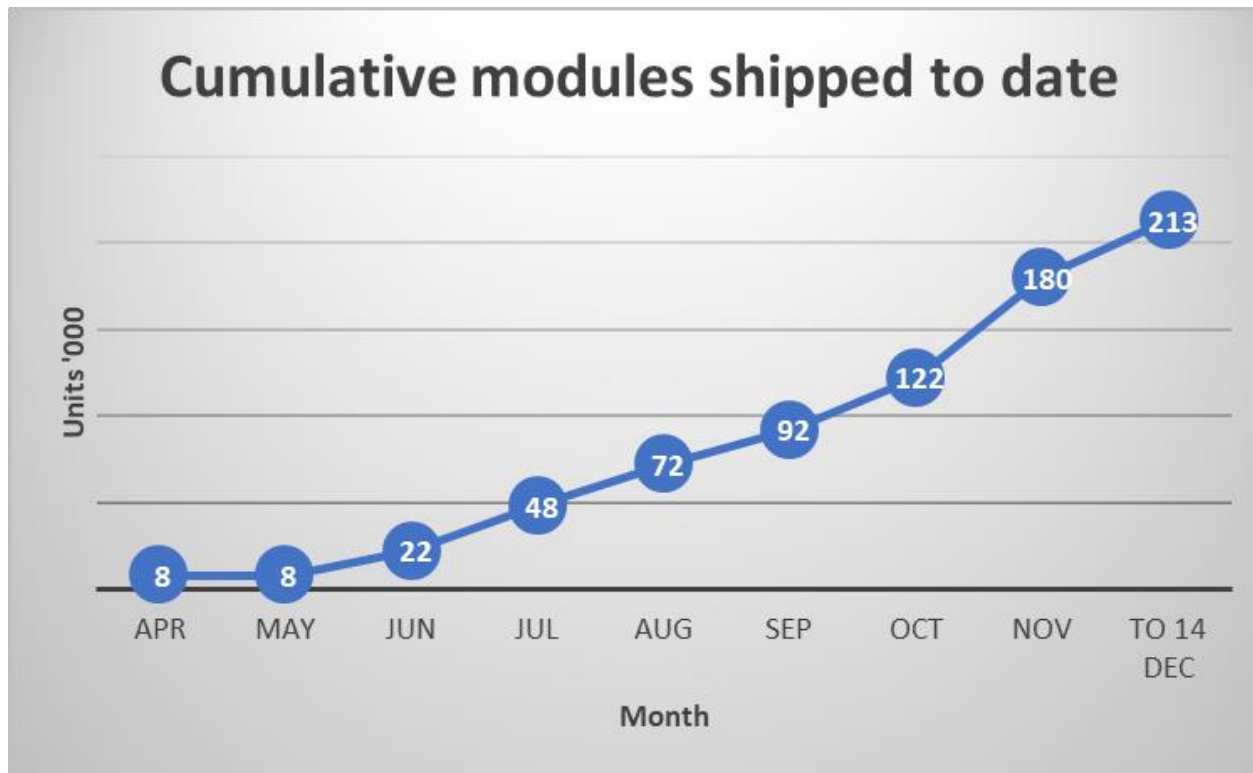
- H1 2020 cash outflows from operating activities were £1.8m lower than H1 2019
- H1 2020 cash and equivalents = £1m compared to £2.3m in H1 2019
- Approx £1.6m cash received from customers in H1 2020 vs £2m in H1 2019
- A further c. £0.75m cash received from customers in H2 2020
- Working Capital Loan received for £0.4m

- **Debtors**

- Trade and other receivables £3.86m includes £1.1m provision for R&D tax credit
- Trade receivables balance of £2.5m includes debtors of c. £1.4m not yet due as only payable upon reaching certain milestones

Post Period events

Further increase in deliveries to customers – the graph below shows deliveries to the date of release of the Interim Results on 14 December 2020



Post Period Highlights

Increased revenue growth

- Revenue for the 8 months to end of November 2020 exceeds the 15-month period to March 2020

Continued cost controls

- Continued tight controls on overheads

New team in India

- Appointment of new CEO / MD
- Appointment of new COO
- Appointment of new Sales Director

Major acceleration in deployment

- A further 121,000 modules shipped since the period end bringing year to date deployments to 213,000

Improved cash position

- Cash received from customers via Letters of Credit
- Working Capital Loan of £0.4m from certain Directors

New Senior Management Team in India

Ajoy Rajani – Managing Director and Chief Executive Officer of CyanConnode India

- Highly experienced, well-regarded business leader within the Indian Power Sector
- Held various senior positions with Reliance Communications and Reliance Energy for the last sixteen years
- Held the position of Senior Executive Vice President of Adani Energy Mumbai, where he drove technological innovation to increase revenues to circa USD 100m

Ratna Garapati – Chief Operating Officer of CyanConnode India

- Most recently was Vice President for India at Trilliant
- Involved in implementing multiple smart grid pilots in India, actively participating in the implementation of over 5 million Smart Meters of which 1.3 million have been commissioned

Atin Srivastava – Sales Director of CyanConnode India

- Deep expertise in the Indian power and energy distribution market
- Strong relationships with agencies of the Indian central government
- Achieved in excess of \$100m in revenue this year

- **Solid foundations to deploy and further prove the technology thereby growing revenues**
 - Large order backlog
 - Significantly increased volumes being shipped to customers
- **Further market opportunity in Rest of World**
 - UAE
 - Nigeria
- **India – market opportunity**
 - The Indian Government has stated a target of replacing 250 million conventional electricity meters with pre-paid smart meters within three years.
 - Finance Minister Nirmala Sitharaman has allocated Rs 22,000 crore (c. US\$3 billion) for the power and renewable sector in the Union Budget 2020 and has urged state governments to implement smart meters in three years.

- Unprecedented event affecting the global economy for almost a year
- Health and wellbeing of employees first and foremost to the Company
- CyanConnode adapted quickly to a remote working environment across the entire business, in line with Government guidelines
- Main impact was as a result of lockdown earlier in the year which delayed commencement of some Indian contracts by 2-3 months
- Contracts now rolling out with deployments accelerating
- Offices in both UK and India are set up with safety measures and processes in place including temperature guns, masks, sanitisers and social distancing measures in place to allow staff to work in office if required for certain tasks
- Managing cash and resources carefully – cash being received from customers since start of 2020, and company expects to be able to meet obligations as they fall due

- **Next twelve months**
 - Continued focus on delivery, revenue and cash collection
 - Focus on winning further orders to increase order backlog
 - Sufficient cash for the next 12 months
- **Further opportunities and focus for growth**
 - New revenue models – SMaaS – per meter per month over 7-10 years
 - Huge 250 million unit market in India – assuming only 20 million of this in our plans shows significant growth over the next 5 years
 - Further opportunities in Thailand
 - New territories
 - UAE
 - Nigeria



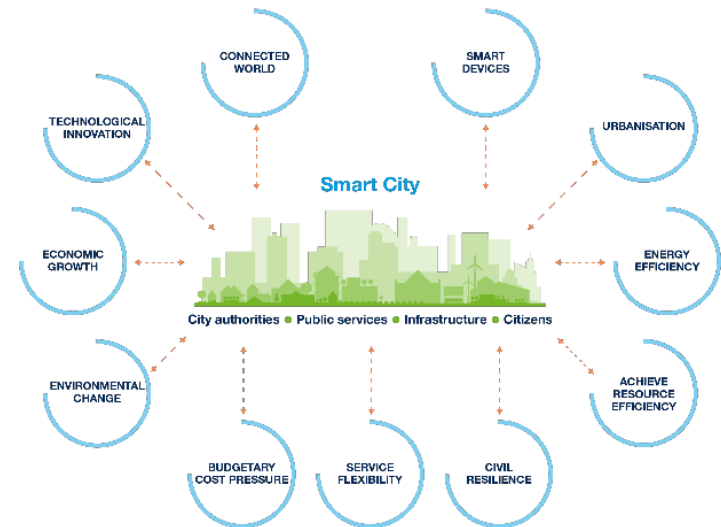
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Appendix

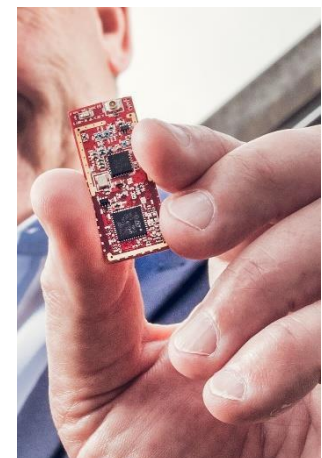
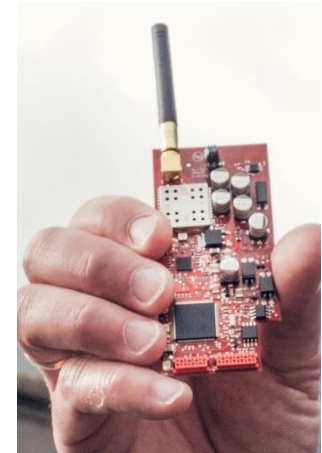
About CyanConnode



- World leader in Narrowband Radio Frequency (RF)
 - CyanConnode's platform provides secure M2M communication
 - Standards-based (IPv6, 6LoWPAN, IEEE 802.15.4g)
- Omnimesh Platform incorporates all the elements required to deliver multi-application networks for smart city solutions
- Blue-chip client base and partner eco-system validates technology offering
- Vendor agnostic model allows multiple routes to market
- Revenues in 2020 from existing contracts in UK, India, and Scandinavia
 - Opportunities for growth in UAE, Nigeria
- High margin revenue model
- Winner of Frost & Sullivan's 2018 Company of the Year Award, recognizing consistency in delivering innovative technology and customer value across the global smart metering industry
- Ranked in 20th place in 2019 & Ranked 22nd place in 2017 in the Deloitte UK Technology Fast 50 as one of the fastest growing technology company in the sector.



- Headquartered in Cambridge, UK, one of the leading technology hotspots in the world, with entities in Sweden and India
 - European engineering functions have been consolidated to Cambridge, providing operational and financial efficiencies
- World class engineering team responsible for the development and validation work required to fulfil customer contracts
 - The centralised team utilise streamlined processes, improving efficiency, predictability, and performance
 - Cellular Network Interface Card (CNIC)
 - Long range RF Mesh capability up to 12KM
 - In-meter Gateway
- Provide world-class technology and expert support to customers – from integration to ongoing maintenance
- Expertise to support the seamless integration of customers' devices and software with CyanConnode's communication platform



- Provides a hybrid (IoT) M2M data communication for utility smart city solutions
 - Standards-based, IPv6 LoWPAN narrowband RF technology with cellular backhaul
 - Electricity and soon to be gas, water metering and district heating, and street lighting
- Low cost, low power and future proof – unlimited scale, coverage, density and penetration through all terrains
- Uses license-free, regulated ISM* bands that support interoperability between devices as well as connectivity in hard to reach places
- Ease of integration and deployment – technology integrates into existing smart metering designs via plug-in modules paired with an antenna
- Offers critical infrastructure-grade security

* ISM - industrial, scientific, and medical radio band refers to a group of radio bands or parts of the radio spectrum that are internationally reserved for the use of radio frequency (RF)

CyanConnode's RF Smart Mesh Network technology

✓ Highly Reliable

✓ Low Power

✓ Cost Effective

✓ Long Distance

✓ Easy Integration

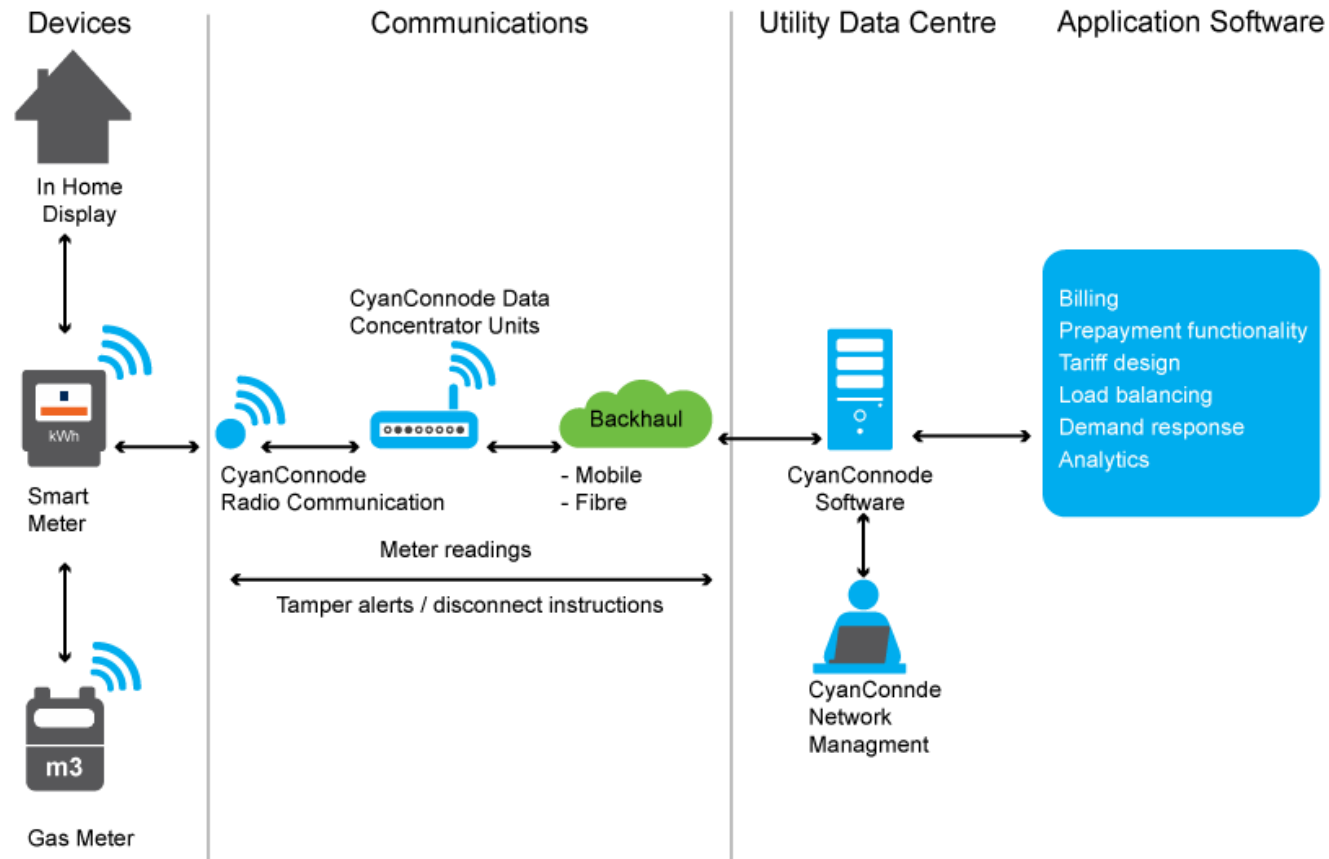
✓ Standards Based

✓ Self forming & Healing

✓ Hardware Agnostic

✓ Always On

Typical Smart Metering Deployment **CYANCONNODE**

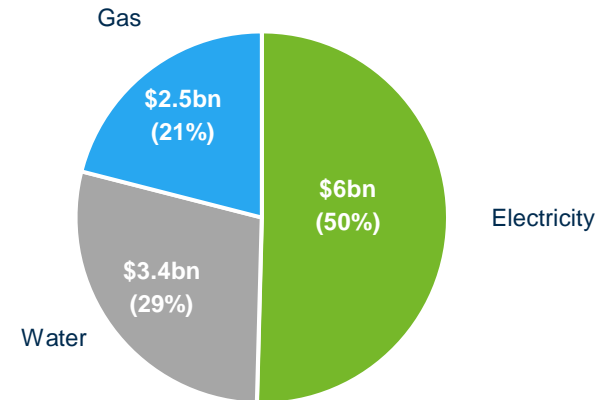


Market Opportunity

- CyanConnode's technology is focused on smart metering – a huge growth opportunity, with fewer than 25% of the world's 3bn meters currently smart
- Global meter market estimated at \$12bn in 2017- expected to grow by 9.34% CAGR to 2022
- Smart meter penetration expected to increase rapidly driven by energy efficiency regulation
- To date, the Company has primarily focused on electricity meter market, which accounts for ~50% of the global meter market
- CyanConnode also targets gas meter market – number of large, advanced opportunities in place which have the potential to be applied to the smart water market in the future
- Deployed technology in the smart lighting market – an \$8bn market in 2018 expected to grow at a CAGR of 22% to 2023¹

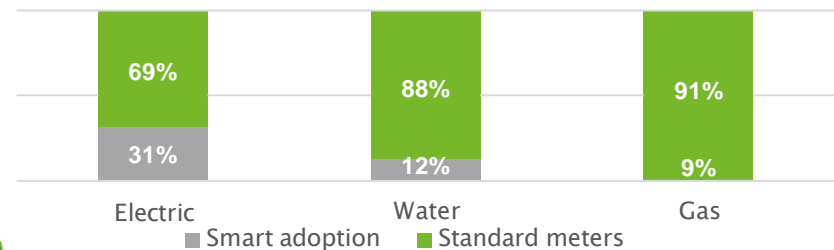
Well positioned to benefit from rapid forecast market growth

Global meter market (2017)



Source: McKinsey analysis from the Xylem Investor Presentation – April 2017

Global smart meter adoption (2017)²



Source: 1. Markets and Markets; 2. McKinsey analysis from the Xylem Investor Presentation – April 2017

Blue-chip client base and partner eco-system validates technology offering

Customers

- Deployed >1m electricity meters and streets lights to date across approximately 20 customers globally
- End customer typically an electricity utility with the direct customer (often a major prime contractor partner or meter OEM)

Partners

- Formed deep relationships with major local partners in target geographies which hugely enhances ability to win and deliver landmark projects
- Have integrated technology into a number of major global meter manufacturers' devices meaning it can rapidly deploy its technology with these OEMs on new projects

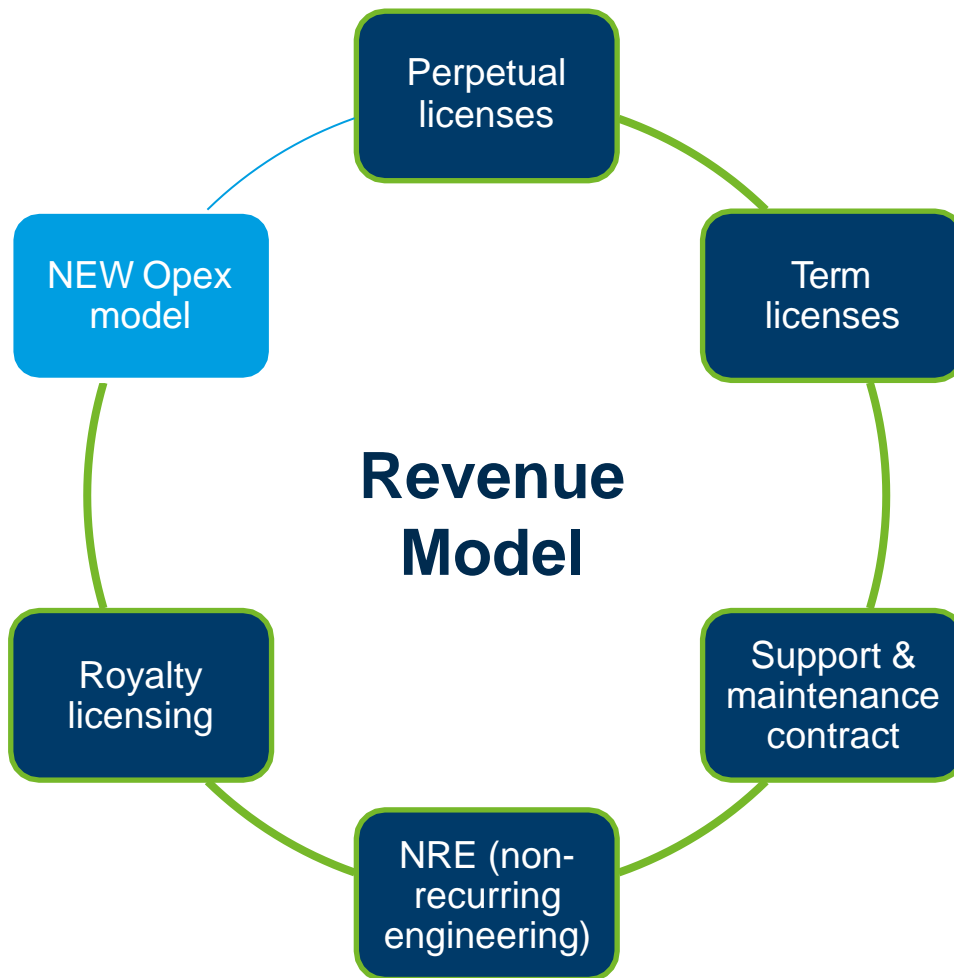
Key customer deployments



Eco-system partners



Deployed with major end customers, partners and hardware providers



- **Perpetual licences** for: Modules, Gateways and Software – one off payment plus 22% annual SMC
- **Term licenses** for: Module, Gateway, Software over X years, plus 22% annual SMC
- **Support & maintenance** contract: per device once installed, recurring revenue
- **NRE (non-recurring engineering):** rate card, per engineering day
- **Royalty licensing:** manufacture of hardware via reference design
- **Opex Model:** per meter per month

New Opex Model – realizing the vision of a new world



- No upfront investment needed

Per meter per month over a period of years (typically 10 years)

- Barriers of high initial cost and comparative end use are subsequently overcome
- Skills and knowledge transfer to local in-country teams
- Local creation of jobs
- Incentives for all stakeholders
 - Aggregation of demand to leverage economies to scale and deliver at affordable prices
- Encouraging all sections of the value chain including social, economic and Environmental

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