

Q1 2021 Quarterly Report





Introduction

Huddly AS (the “Company”) and its subsidiary Huddly Inc. (the “Group”) use its technology to create tools for team collaboration. Huddly combines expertise across the fields of design, hardware, software, and artificial intelligence. Huddly’s smart cameras are designed to make it easier and better for people to communicate with each other. Huddly’s solutions with industry-leading partners enable high-quality video experiences on all major collaboration platforms.

Q1 2021 highlights

- A record revenue first quarter for Huddly.
- Revenue at 84.1 MNOK, up 14% compared to 73.9 MNOK in Q1 2020.
- EBIT at loss 256.4 MNOK, compared to 21.6 MNOK in Q1 2020.
- Adjusted EBIT at 16.8 MNOK, compared to 21.9 MNOK in Q1 2020 (excluding option expenses).
- Gross margin at 52% for the quarter.

Huddly AS approved for admission to trading on Euronext Growth.

Huddly partners with Mersive Technologies a leading provider of wireless media streaming and collaboration software.

Huddly launched the Huddly L1, an AI collaboration camera for large meeting rooms.

iF and Red Dot design awards received for the Huddly Canvas our AI camera whiteboard solution.

R&D and Product

Huddly continued to attract and employ top talent as we continue to scale our capabilities and capacity.

Huddly has launched Huddly L1, the AI collaboration camera that delivers smart user experiences in large and medium meeting rooms to make video meetings inclusive and productive for the whole team. Thanks to a one-inch image sensor and a custom lens, Huddly L1 captures all meeting participants in sharp quality. Its neural engine has been trained and optimized to detect people in large and medium rooms, enabling it to provide instant, automatic, and responsive framing. In addition, it can capture comprehensive data such as meeting room usage, occupancy, and people count. The camera is compact and unobtrusive, with no moving mechanical parts. The focus of the meeting stays on the team, where it belongs.

Huddly Canvas has received both the Red Dot Award and the iF Award for its outstanding product design. Both awards are internationally renowned and recognized as symbols of design excellence. Design matters and this award is a great recognition of the work the Huddly team has done to make it easy to use whiteboards in video calls and offer a great experience every step of the way.



Sales

Q1 2020 was a record first quarter for Huddly in revenue.

Crestron, Google and Shure continued to be strong partners.

Huddly continued to increase our investments in our channels go-to-market strategy in both EMEA and Americas. Huddly partnered with Mersive Technologies a leading provider of wireless media streaming and collaboration software.

Outlook

With Huddly's leading engineering and design, Huddly is well positioned to take continued part in the fast-growing Unified Communication and Collaboration market. Huddly's short-, medium- and long-term product roadmap is being well received in the market.

Huddly forecasts revenue to be in the range from 400 MNOK to 500 MNOK in FY 2021. The COVID-19 pandemic, causing many closed offices globally, has negatively impacted the sales opportunities into the enterprise office market in the start of 2021. The third wave of COVID-19 in the Northern Hemisphere has hit harder and longer than anticipated at the beginning of 2021. Huddly sees signs of improvements in the enterprise office market and believe sales opportunities into this market will increase going forward, especially in second half of 2021 and into 2022. Companies worldwide have experienced supply chain disturbances during 2021, due to logistical backlogs from the Suez Canal blockage, port congestions in the US, as well as a global semiconductor shortage. Huddly has not had an adverse direct impact from this, as we have buffered up components over time. However, there has to some extent been an indirect adverse impact from strategic and channel partners, which may continue to be an uncertainty going forward.

Huddly is achieving solid growth with channel partners and our strategic partnerships with Google, Crestron and Shure are progressing well.

Huddly forecasts gross margin percentage to be around 50% in FY 2021 and costs to increase as Huddly accelerates investments in products, go-to-market, and support functions to accommodate for long term growth.



Financials Q1 2021

Highlights

A record revenue first quarter for Huddly.

Revenue at 84.1 MNOK, up 14% compared to 73.9 MNOK in Q1 2020.

EBIT at loss 256.4 MNOK, compared to 21.6 MNOK in Q1 2020.

Adjusted EBIT at 16.8 MNOK, compared to 21.9 MNOK in Q1 2020 (excluding option expenses).

Gross margin at 52% for the quarter.

Successful admission for trading on Euronext Growth.

Listing on Euronext Growth

In February, the Company announced its successful completion of an offering of new and existing shares in connection with the admission to trading of the company's shares on Euronext Growth.

Capital raised in connection with the offering and subsequent listing on Euronext Growth was 277,799 TNOK net of transactions cost.

Comprehensive income

EBIT for Q1 2021 was a loss of 256,369 TNOK, compared to 21,627 TNOK in Q1 2020.

Adjusted EBIT, excluding all option expenses for Q1 2021, was 16,832 TNOK, compared to 21,901 TNOK in Q1 2020.

Further details on option expenses can be found in Note 4. Operational expenses and option programs and Note 7. Equity.

Financial position

Cash and cash equivalents closed at 401,455 TNOK at end March 2021, an increase from 126,371 TNOK at year end 2020.

Capital raised in connection with the offering and subsequent listing to Euronext Growth was 277,799 TNOK net of transactions cost. The net proceeds from the capital raised will be used for an acceleration of R&D, integration with partners, working capital related to higher volumes and supply chain, potential M&A and general corporate purposes.

Inventory closed at 13,510 TNOK at end March 2021, an increase from 3,238 TNOK at year end 2020, following investments in supply chain to limit future component and manufacturing risk.

Group equity amounted to 478,451 TNOK at end March 2021 compared to 216,307 TNOK at year end 2020. The equity ratio was 81% at period end March 2021, an increase from 72% at year end 2020.

The group had no long-term interest-bearing debt as at end March 2021.



Comprehensive income Q1 2021

Interim consolidated statement of comprehensive income

Interim consolidated statement of comprehensive income (Unaudited)				
Thousands NOK	Notes	Q1 2021	Q1 2020	FY 2020
Revenue	3	84,078	73,924	365,555
Cost of goods sold		(40,256)	(30,161)	(159,712)
Gross margin		43,822	43,762	205,842
Operational expenditures	4	(286,844)	(13,076)	(57,925)
EBITDA		(243,022)	30,686	147,917
Depreciation and Amortization		(13,349)	(9,059)	(42,896)
EBIT		(256,372)	21,627	105,020
Net finance		(1,119)	5,086	(4,266)
Tax expense		-	-	(3,588)
Net Income/(loss)		(257,491)	26,713	97,167
Gross margin %		52%	59%	56%
Earnings per share				
Basic earnings per share		(1.19)	2.23	8.14
Fully diluted earnings per share		(1.02)	1.86	6.72

- Figures are reported in functional currency NOK
- All lines are accounted for according to IFRS



Comprehensive income Q1 2021

Adjusted interim consolidated statement of comprehensive income excluding option expense

Adjusted interim consolidated statement of comprehensive income (Unaudited)				
Thousands NOK	Notes	Q1 2021	Q1 2020	FY 2020
Revenue	3	84,078	73,924	365,555
Cost of goods sold		(40,256)	(30,161)	(159,712)
Gross margin		43,822	43,762	205,842
Operational expenditures	4	(13,643)	(12,802)	(54,410)
EBITDA		30,178	30,960	151,432
Depreciation and Amortization		(13,349)	(9,059)	(42,896)
EBIT		16,829	21,901	108,536
Net finance		(1,119)	5,086	(4,266)
Tax expense		-	-	(3,588)
Net Income/(loss)		15,710	26,987	100,682
Gross margin %		52%	59%	56%
Earnings per share				
Basic earnings per share		0.07	2.26	8.41
Fully diluted earnings per share		0.06	1.88	6.96

- Figures are reported in functional currency NOK
- All lines are accounted for according to IFRS



Financial position Q1 2021

Interim consolidated statement of financial position

Interim consolidated statement of financial position (Unaudited)		At 31 Mar	At 31 Dec	At 31 Mar
Thousands NOK	Notes	2021	2020	2020
ASSETS				
Intangible assets		90,323	84,214	72,241
Tangible assets		7,875	9,437	5,230
Total non-current assets		98,198	93,651	77,471
Inventory		13,510	3,238	778
Trade receivables		60,010	59,315	37,481
Other receivables		18,246	18,233	9,583
Cash and cash equivalents	5	401,455	126,371	75,101
Total current assets		493,220	207,156	122,943
Total assets		591,419	300,807	200,414
EQUITY AND LIABILITIES				
Total equity	6, 7	478,451	216,307	142,651
Total non-current liabilities		8,920	8,956	7,402
Trade payables		49,289	42,571	30,682
Other current liabilities		54,759	32,974	19,678
Total current liabilities		104,048	75,545	50,361
Total equity and liabilities		591,419	300,807	200,414

- Figures are reported in functional currency NOK
- All lines are accounted for according to IFRS



Equity Q1 2021

Interim consolidated statement of changes in equity

Interim consolidated statement of changes in equity (unaudited)		Issued	Share	Other	FX	Retained	Total
Thousands NOK	Notes	capital	Premium	equity difference	difference	earnings	equity
Balance at 1 January 2021		120	230,502	11,591	684	(26,589)	216,308
Registered capital increase							
Issue of share capital	6, 7	16	277,783				
Share-based payment to employees	4, 7				236,812		
Share repurchase					4,990		
Loss for the year	4					(257,491)	
Foreign exchange differences						34	
Balance at 31 March 2021		135	508,285	11,591	242,486	(284,047)	478,451

- Figures are reported in functional currency NOK
- All lines are accounted for according to IFRS



Cashflow Q1 2021

Interim consolidated statement of cashflow

Interim consolidated statement of cash flow (Unaudited)				
Thousands NOK	Notes	Q1 2021	Q1 2020	FY 2020
Cashflow from operations				
Result before tax		(257,491)	26,713	100,755
Share-based payments to employees	4, 7	236,812	240	(916)
Depreciation and amortization		13,349	9,059	42,896
Changes in provisions		(35)	869	2,422
Changes in working capital		17,557	(1,579)	(13,427)
Net change in cash from operations		10,192	35,302	131,730
Cashflow from investments				
Changes in other long term investments		-	-	10
Changes in capitalized assets		(17,792)	(13,910)	(52,309)
Purchase of tangible assets		(105)	(276)	(8,192)
Net change in cash from investments		(17,897)	(14,186)	(60,491)
Cashflow from financing				
Net proceeds own shares		4,990	-	1,147
Receipt of issued capital	4, 7	277,799	-	-
Net change in cash from financing		282,789	-	1,147
Net change in Cash		275,084	21,116	72,386
Beginning balance Cash		126,371	53,985	53,985
End balance Cash		401,455	75,101	126,371

- Figures are reported in functional currency NOK
- All lines are accounted for according to IFRS



Notes to consolidated Financials Q1 2021

1. General information

Huddly AS (the “Company”) and its subsidiary Huddly Inc. (the “Group” or “Huddly”) uses its technology to create tools for team collaboration. Huddly combines expertise across the fields of design, hardware, software, and artificial intelligence. Huddly’s smart cameras are designed to make it easier and better for people to communicate with each other. Huddly’s solutions with industry-leading partners enable high-quality video experiences on all major collaboration platforms.

Huddly Inc. is included in the consolidated financial statements as the control criterias in IFRS 10 are met.

Huddly AS is a public limited liability Company incorporated and domiciled in Norway. The address of its registered office is Karenslyst Allé 51, 0279 Oslo, Norway. Huddly AS is listed on Euronext Growth.

The consolidated condensed interim financial statements comprise the financial statements of the parent company and its subsidiary as of 31 March 2021, authorised for issue by the board of directors on 10 May 2021.

2. Accounting policies

The interim consolidated financial statements for the three months period ending on the 31 March 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for 2020. The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2020, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2021. These changes are described in the annual financial statements for 2020. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet mandatory.

The presentation currency of the Group is NOK which corresponds to the functional currency of the main entity in the Group.

All numbers are in NOK thousands unless otherwise stated. The condensed interim financial statements are unaudited.

3. Revenue and Segment information

The market for Huddly’s smart camera’s is global. The Management team has therefore determined the operating segments on this basis. The Group considers the business as one operational segment, which is customer segment.

The Group’s operating profit arises from such activities and are the only revenue generating asset across the entire operation and irrespective of geographic location.

Performance is measured by the Management team based on the operating segment’s revenue and profitability on a global basis.

The Management team allocate resources in assessing performance as well as making strategic decisions. This is consistent with the internal reporting submitted to the chief operating decision maker, as defined by the Management team.

Other information is measured in a manner consistent with that in the Annual Report for 2020. Principles of revenue recognition are stated in the accounting principles to the Annual Report for 2020.

**Revenue by customer segment**

In the following table, revenue is disaggregated by customer segment, as defined by the Management team.

Revenue by customer segment		
Thousands NOK	Q1 2021	Q4 2020
Strategic partners %	73%	70%
Channel partners %	27%	30%
Total Revenue	84,078	111,994
Strategic partners	61,551	78,644
Channel partners	22,527	33,349
Total Revenue	84,078	111,994

4. Operational expenses and option programs

The Company's only active incentive program is the new 2021 Incentive Plan implemented in January 2021, directed at employees and directors. Participants are granted options to subscribe for Shares in the Company based on a pre-determined strike price. The options are as a general rule subject to a three-year vesting schedule. Further, the options may only be exercised in a coordinated process lead by the Company's board of directors. This implies that the participant may only exercise a number of options each year equal to 20% of its total number of options. In connection with the listing, 3,500,800 such options were exercised for 3,500,800 new Shares in the Company.

The Company has historically issued a limited number of options to employees and directors under the 2017 Incentive Plan. These options are subject to a three-year vesting schedule, and the strike price payable when exercising the options is set to NOK 0.000625 per option. In connection with the listing, 2,476,624 such options were exercised for 2,476,624 new Shares in the Company.

The Company's main incentive program has in the period between 2017 to 2020 consisted of a synthetic option scheme whereby the eligible employees and directors were entitled to a bonus payment triggered by a sale of more than 50% of the Shares in the Company to a single buyer or two or more buyers acting in concert, over a continuous period of 12 months (change of control). The synthetic options were granted through separate synthetic options agreements and most synthetic options are subject to a three-year vesting scheme.

Operational expenses include 273,201 TNOK in expenses related to the option programs in Q1 2021 after IFRS 2, including valuation of 2021 Incentive Plan and 2017 Incentive Plan as of end March 2021, exercised options under both plans, social security tax on exercised options and accrued social security tax on unexercised options. 236,812 TNOK is accrued versus Other equity and 36,389 TNOK is accrued versus Other current liabilities. Operational expenses for full year 2020 include 3,515 TNOK in expenses related to the 2017 Incentive Plan. Adjusted statement of comprehensive income excludes option expense in Q1 2021 and FY 2020. As of end March 2021 remaining option expenses for future quarters versus Other Equity are 34,928 TNOK under the 2021 plan and 68 TNOK under the 2017 plan.



See table below for outstanding instruments as of end March 2021.

	2021 plan	2017 plan	Synthetic options
Options granted, outstanding 15.02.21	21,968,000	2,769,968	16,213,328
Options granted	320,000	-	-
Options exercised	(3,500,800)	(2,476,624)	-
Options forfeited	(80,000)	(26,672)	-
Options granted, outstanding 31.03.21	18,707,200	266,672	16,213,328
Percent of outstanding shares	8.6%	0.1%	7.5%

5. Cash and cash equivalents

Restricted cash at period end March 2021 was TNOK 4,820 (2020 TNOK 5,693) related to advance payment of social taxes, deposit for office premises, and cash collateral guarantee to Polish VAT fiscal representative.

Capital raised in connection with the offering and subsequent listing on Euronext Growth was incoming 277,799 TNOK net of transactions cost.

Cash and cash equivalents	At 31 Mar	At 31 Dec
Thousands NOK	2021	2020
Cash and cash equivalents	401,455	126,371
Ending cash and equivalents	401,455	126,371

6. Shareholders and share capital

The Company has 216,328,048 outstanding shares, with par value NOK 0.000625, which give a total share capital of NOK 135,205.

The Company has one share class, common shares, which all have the same voting and dividend rights.

The Company has 2,345 shareholders as of end March 2021. Below are the 20 largest shareholders.

Shareholder name	Number of shares	Ownership
GJEH Pty Ltd ATF GJEH Family Trust	14,024,839	6.5%
MERTOUN CAPITAL AS	13,645,471	6.3%
STAFF HOLDING AS	9,366,000	4.3%
SOM HOLDING AS	7,970,928	3.7%
MP PENSJON PK	7,560,000	3.5%
ATF G+J Williams Super Fund	6,858,272	3.2%
PORTIA AS	6,400,000	3.0%
KOLBERG MOTORS AS	6,128,000	2.8%
HØYLANDET BYGGUTLEIE AS	5,041,264	2.3%
VERDIPAPIRFONDET DNB SMB	4,590,847	2.1%
SKIPS AS TUDOR	4,500,000	2.1%
CLEARSTREAM BANKING S.A.	4,422,842	2.0%
State Street Bank and Trust Comp	4,236,442	2.0%
The Bank of New York Mellon SA/NV	4,235,379	2.0%
BJØBERG EIENDOM AS	4,042,080	1.9%
MULTIPLIKATOR AS	3,472,000	1.6%
KORINVEST AS	3,216,832	1.5%
TVECO AS	3,000,000	1.4%
JPMorgan Chase Bank", N.A., London	2,952,398	1.4%
All others	100,664,454	46.5%
Total	216,328,048	100%



7. Equity

Issue of share capital and share premium

In conjunction with new shares in the **Primary offering** and subsequent listing on Euronext Growth, the share capital increased by **NOK 11,952** by issuing 19,123,200 new shares, each at a nominal value of NOK 0.000625. The subscription price was NOK 15.50 per share. Of the total proceeds of NOK 296,409,600, **NOK 296,397,648** was allocated as share premium in the statement of financial position.

On new shares based on the **2017 Incentive Plan**, share capital increased with **NOK, 1,547.89** by issuing 2,476,624, new shares each at a nominal value of NOK 0.000625. The subscription price was NOK 0.000625 per share. Of the total proceeds of **NOK 1,547.89**, all was allocated as share premium in the statement of financial position.

On new shares based on the new **2021 Incentive Plan**, share capital was increased with **NOK 2,188** by issuing 3,500,800 new shares, each at a nominal value of NOK 0.000625. The subscription price was NOK 2.046655164533821 per share. Of the total proceeds of NOK 7,164,930.40, **NOK 7,162,742.40** was allocated as share premium in the statement of financial position.

Summary of statement of changes in share capital and share premium

	Issued capital	Share premium
Balance at 1 January 2021	119,674	230,502,259
Issue of share capital PRIMARY	11,952	296,397,648
Issue of share capital WARRENTS	1,548	-
Issue of share capital OPTIONS	2,188	7,162,742
Transaction cost		-(25,777,474)
Total issued share capital and share premium in period	15,688	277,782,916
Balance at 31 March 2021	135,362	508,285,175

Other equity

Share based payments to employees amounted to NOK 236,812,044 and included the valuation of all 2021 options and 2017 options as of end March 2021, exercised under both programs.

Regarding the valuation of the options exercised, IFRS 2 states that where an award is modified, the classification changes from cash-settled to equity-settled, the entity should then take the amount recognised as a liability, up to the modification date, and immediately reclassify it to equity giving the NOK value referenced above in Other Equity of NOK 236,812,044.

The remaining cost on options granted, not vested, will be amortized over the vesting period in future accounting periods and are based on the award's fair value. Further details on all share-based payments to employees can be found in Note 4. Operational expenses and employee share-based compensation.

8. Related parties

For detailed information on related party transactions, please refer to Note 17 in the Annual Report for 2020. There have been no other significant transactions with related parties for the three months period ending on 31 March 2021. All transactions with related parties are considered priced on an arm's length basis.



9. Alternative performance measures

The following alternative performance measures (APMs) are used in addition and to provide enhanced insight into the Groups operations, financing, and prospects in this report.

Definition of Huddly's financial APM's

Gross margin: The company's net sales revenue less its cost of goods sold. The net sales figure is simply gross revenue, less the credit returns, allowances, and or discounts.

EBITDA: Earnings for the period before net financial items, income tax expense, depreciation, and amortization as a measure of the company's operating performance. EBITDA is calculated as revenue less expenses (including cost of cost good sold) excluding interest, tax, depreciation, and amortization.

EBIT: Earnings before interest and income taxes as an indicator of a company's profitability. EBIT is calculated as revenue less expenses (including cost of cost good sold) excluding tax and interest.

Adjusted EBIT: EBIT adjusted for non-recurring costs as a measure of profitability from core operations before the impact of capital structure. Adjusted EBIT is EBIT less various one-time, irregular, and non-recurring items.

Disclaimer

This document (the "Report") has been produced by Huddly AS (the "Company", "Huddly"), to provide information to authorized recipients of this document ("Recipient"). An authorized recipient is a person to whom Huddly has directly provided a copy of this document or to whom Huddly has made available via a third party authorized by Huddly. The Recipient acknowledges and agrees that all intellectual property rights in the Report vests in the Company. The Recipient may only use this Report for the sole and exclusive purpose of considering potential investment in the Company. No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including but not limited to projections, estimates, targets, and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein. This Report is current as at 31 March 2021, however, relates to Q1 2021. There may have been changes in matters which affect the Company subsequent to the date of this Report. Neither the issue nor delivery of this Report shall under any circumstance create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed. This Report is subject to Norwegian law, and any dispute or claim arising in respect of this Report is subject to the exclusive jurisdiction of Norwegian courts.

huddly.com

