

Bittium

Bittium Corporation Business Review January-March 2022

Net sales

18.4 MEUR

Net sales growth

7.7 %

Operating result

-1.0 MEUR

Operating result, % of net sales

-5.6 %

Business Review January-March 2022

Unless otherwise mentioned, the figures in brackets refer to the corresponding period in the previous year.

Summary January-March 2022

- The net sales grew by 7.7 percent year-on-year to EUR 18.4 million (EUR 17.0 million).
- The share of the product-based net sales was EUR 11.4 million (EUR 11.2 million), representing 62.0 percent of the net sales (65.7 percent). The share of Defense & Security products was EUR 7.8 million (EUR 3.3 million) and the share of Medical Technologies products was EUR 3.6 million (EUR 7.9 million).
- The share of the services-based net sales was EUR 7.0 million (EUR 5.9 million), representing 38.0 percent of the net sales (34.3 percent). The share of Connectivity Solutions service-based net sales was EUR 4.3 million (EUR 4.1 million).
- EBITDA was EUR 1.6 million (EUR 1.0 million).
- The operating result was EUR -1.0 million (EUR -1.5 million).

Bittium's CEO Hannu Huttunen: "Net sales and order backlog grew"

The year 2022 started slightly better than we anticipated. Net sales and order backlog grew.

The world political situation caused by Russia's invasion of Ukraine is reflected in the defense market. States are increasing their defense budgets, which is affecting demand for defense industry products and services. We believe that this will also have a positive impact on the demand for Bittium's tactical communication system products and information security solutions. Bittium has no business in Russia, Ukraine, or Belarus.

The net sales in the first quarter grew 7.7 percent from the previous year and were EUR 18.4 million. The net sales grew in the product business through the increased sale of tactical communication products and secure smartphones. In contrast, the sales of medical technology products were remarkably low due to a shortage of components. However, the production of Bittium Faros™ ECG devices measuring the electrical activity of the heart was restarted in late March. Service-based net sales grew more than 19 percent year-on-year due to growth in sales of Defense and Security services. Sales of Connectivity Solutions R&D services also increased slightly.

The operating result improved year-on-year but due to the product delivery difficulties caused by the shortage of components, it was negative. The shortage of components will also affect our product business during the rest of the year.

The order backlog increased by 13 percent from the end of 2021 and was EUR 33.3 million. The growth was mainly in products and services for the defense & security industries, as well as for medical technology products.

Demand for Bittium Tough Mobile™ secure phones and security-related software has continued to grow, and we have supplied secure terminals and systems to authorities in several countries. The number of users of the delivered systems is typically small in the first phase but offers an excellent opportunity for growth as the number of users increases.

Cooperation with the Finnish Defense Forces has remained strong. We received an order under the framework agreement for the products of the Bittium Tactical Wireless IP Network™ (TAC WIN) software-based radio system. We also continued to supply Bittium Tough SDR™ radios for pilot use. The Defense Forces is testing the radios and their waveforms and developing an operational mode for the wider deployment of radios. After the review period, the Finnish Minister of Defense Mr. Antti Kaikkonen authorized the Finnish Defense Forces Logistics Department to order the development of a narrowband waveform from Bittium for the future use of Bittium Tough SDR radios. The order has arrived, and the development of the narrowband waveform has begun. The project will be multi-year.

In the international defense and authorities' markets, we continued to deliver tactical communications system products and integrate and test products and systems for our customers in Austria and Estonia, as well as for our other international customers.

In the medical technology market, demand for Bittium Faros™ ECG measuring devices remained at a good level. At the beginning of the year, we entered into an agreement with our long-term major customer Preventice, according to which Bittium will supply Preventice with BodyGuardian MINI devices measuring heart arrhythmias during 2022–2025. When the minimum volumes are met, the total value of the contract will be approximately USD 40-45 million. In addition, the cooperation in the development of a new ECG technology tailored for Preventice continues. This agreement replaces the previous agreement between the companies concluded in 2021.

We also made good progress in the market for medical neurophysiology products, and new pilots of Bittium BrainStatus™ EEG measuring devices began. Among others, there are Finnish university hospitals testing the BrainStatus in their intensive care units. The BrainStatus product, together with the software of our partner Cerenion, enables the artificial intelligence-assisted interpretation of brain electrical curves, which makes it significantly easier to assess the care needs of intensive care patients.

The medical device approval (Medical Device Regulation, MDR) for the Bittium Respiro™ device used to measure sleep apnea is in progress. We estimate that approval will be obtained by the end of the year after which we will be able to deliver the first devices to our customers. We have introduced this home measurement solution to customers around the world and the feedback has been really promising. Sleep apnea significantly affects the quality of sleep, which can cause serious health problems and a decline in quality of life. Many currently available solutions are either difficult to use or require testing in a hospital setting. In addition to the technical requirements, the ease of use, comfort, and efficiency of the device have been taken into account in the development of Bittium Respiro.

In February, we signed a new distributor agreement with our reseller, Technomed, a UK provider of ECG diagnostic services. We have a long history of working with them, and this new agreement covers the resale of both the Bittium Faros ECG devices and the Bittium Respiro Sleep Apnea devices. In addition, we agreed to cooperate in the development of analysis software.

The net sales of R&D services and the profitability of projects improved slightly compared to the previous year. In the Connectivity Solutions business, the market is recovering, and customer meetings have returned to normal, which will have a positive impact on the business and the start of projects towards the end of the year. Demand is currently focused on telecommunications and Open Radio Access Network (O-RAN) solutions, wireless communication satellite technology and embedded wireless connectivity solutions in various industries.

The availability of labor in the market remains challenging and labor mobility continues. Our goal is to recruit more employees specifically for the design of embedded systems for existing R&D service projects. We are developing our expertise, especially in the areas of wireless communications and embedded wireless connectivity solutions.

As a whole, the development at the beginning of the year has been promising, but the continuing shortage of components will affect product deliveries and their timing also during the end of the year.

Outlook for 2022

The global disruption in the availability of electronic components and the spread of new variants of the coronavirus are having a significant impact on the global market. More than 70 percent of Bittium's net sales accumulate from products and related systems, and the prevailing shortage of components is causing significant uncertainty to the development of Bittium's product-based net sales in 2022. Due to these uncertainties, at this point of the year, the company will exceptionally publish only the first half-year outlook instead of the full-year outlook.

Bittium expects the net sales in January-June 2022 to be at the same level as in the previous year (EUR 39.7 million in January-June 2021) and the operating result to be negative (operating loss of EUR -0.7 million in January-June 2021). The second quarter operating result is expected to be positive.

More information about Bittium's market outlook, risks, and uncertainties are presented on the company's internet pages at www.bittium.com.

Risks and Uncertainties

Bittium has identified several business, market, and finance-related risk factors and uncertainties that can affect the level of sales and profits.

The coronavirus pandemic has caused changes in the company's operating environment. The company management has been actively following and anticipating the development of the pandemic and has taken measures to prevent and remedy the impacts of the pandemic. It is difficult to estimate the length of the situation or its impacts on business operations and financial results.

The global disruption in the availability of electronic components and their price development has caused fast changes in the company's operating environment. The company monitors the development of the situation and actively strives to ensure the availability of components required for product deliveries. Poor availability of components can have a detrimental effect on the progress of customer projects and the ability to deliver products.

More information about uncertainties is presented on the company's internet pages at www.bittium.com.

Key Figures

GROUP (MEUR)	1-3/2022 3 months	1-3/2021 3 months
NET SALES	18.4	17.0
Change of the net sales, %	7.7 %	-1.5 %
EBITDA	1.6	1.0
EBITDA, % of net sales	8.8 %	5.8 %
OPERATING PROFIT / LOSS	-1.0	-1.5
Operating profit / loss, % of net sales	-5.6 %	-8.6 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	-1.2	-1.6
EARNINGS PER SHARE (EUR)	-0.034	-0.044
TOTAL R&D INVESTMENTS	5.4	5.6
R&D INVESTMENTS, % FROM NET SALES	29.6 %	32.7 %
CAPITALIZED R&D INVESTMENTS	1.3	2.5
NET CASH FROM OPERATING ACTIVITIES	3.0	-1.4
NET CASH FROM INVESTING ACTIVITIES	-1.7	-2.9
NET CASH FROM FINANCING ACTIVITIES	-0.4	-0.3
NET CHANGE IN CASH AND CASH EQUIVALENTS	1.0	-4.6
CASH AND OTHER LIQUID ASSETS	23.0	20.0
NET GEARING (%)	-0.5 %	2.2 %

EQUITY RATIO (%)	72.6 %	72.7 %
AVERAGE PERSONNEL DURING THE PERIOD	651	675
PERSONNEL AT THE END OF THE PERIOD	645	673

Oulu, April 29, 2022

Bittium Corporation
The Board of Directors

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About Bittium

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its over 35-year legacy of expertise in advanced radio communication technologies. Bittium provides innovative products and services, customized solutions based on its product platforms and R&D services. Complementing its communications and connectivity solutions, Bittium offers proven information security solutions for mobile devices and portable computers. Bittium also provides healthcare technology products and services for biosignal measuring in the areas of cardiology and neurophysiology. Net sales in 2021 were EUR 86.9 million and operating profit was EUR 3.2 million. Bittium is listed on Nasdaq Helsinki. www.bittium.com