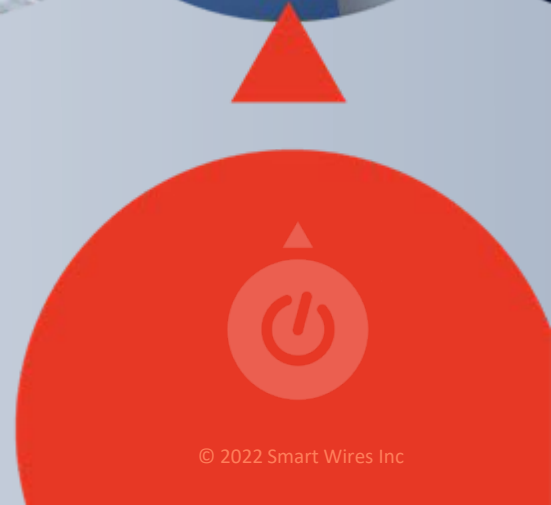




# Smart Wires Technology Ltd Q1 2022 Results

12 May | Stockholm, Sweden



# Presenters



**Peter Wells, CEO**



**Julie Andrews, CFO**



# Forward-Looking Statement

This presentation contains certain forward-looking information and statements that reflect the Company's current views on future events as well as financial and operational developments. Words such as “refer”, “assess”, “expect”, “can”, “plan”, “estimate”, “calculate”, “could” and other expressions that indicate indications or assessments regarding future developments or trends, and which does not relate to historical facts, constitutes forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events and circumstances.

Forward-looking information does not constitute a guarantee regarding future results or development and the actual outcome may differ materially from what is stated in forward-looking information. Neither the Company nor anyone else make any representations about publishing updates or revisions of forward-looking information as a result of new information, future events or similar circumstances other than as provided by applicable mandatory rules and regulations.





I. Market Trends

II. Q1 2022 Highlights & Financials

III. 2022 Outlook and Summary

IV. Q&A's

# Market Trends

*Positive momentum in US and EU*



- **United States**

- IJIA \$s start rolling out – Grid resiliency and Smart Grid Investment grants
- DOE - recent Case Study on GETs quantifies savings and impact
- New legislation - CHARGE Act calls for better transmission planning and cost-allocation process
- FERC - NOPR requiring IOUs to consider GETs as part of traditional transmission planning process

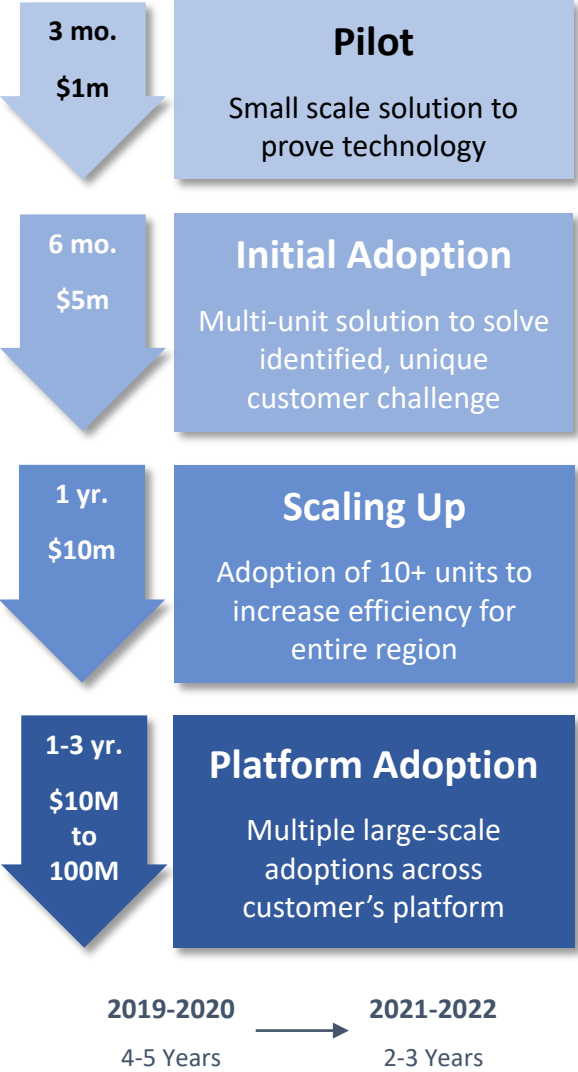
- **European Union**

- REPowerEU seeks independence from Russian fossil fuels, raising the importance of existing and future grid infrastructure being able to integrate affordable, secure, sustainable energy resources.
- Energy price disparity and pressure points.

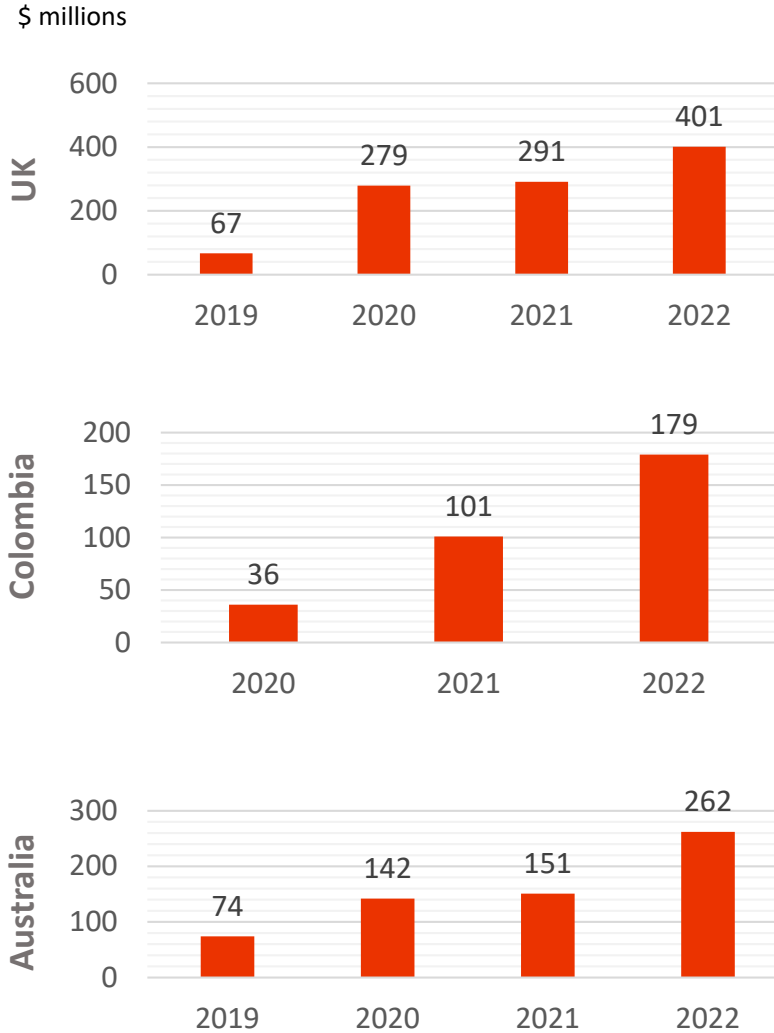
**Deep awareness leading to action ...and increased market opportunities for Smart Wires.**



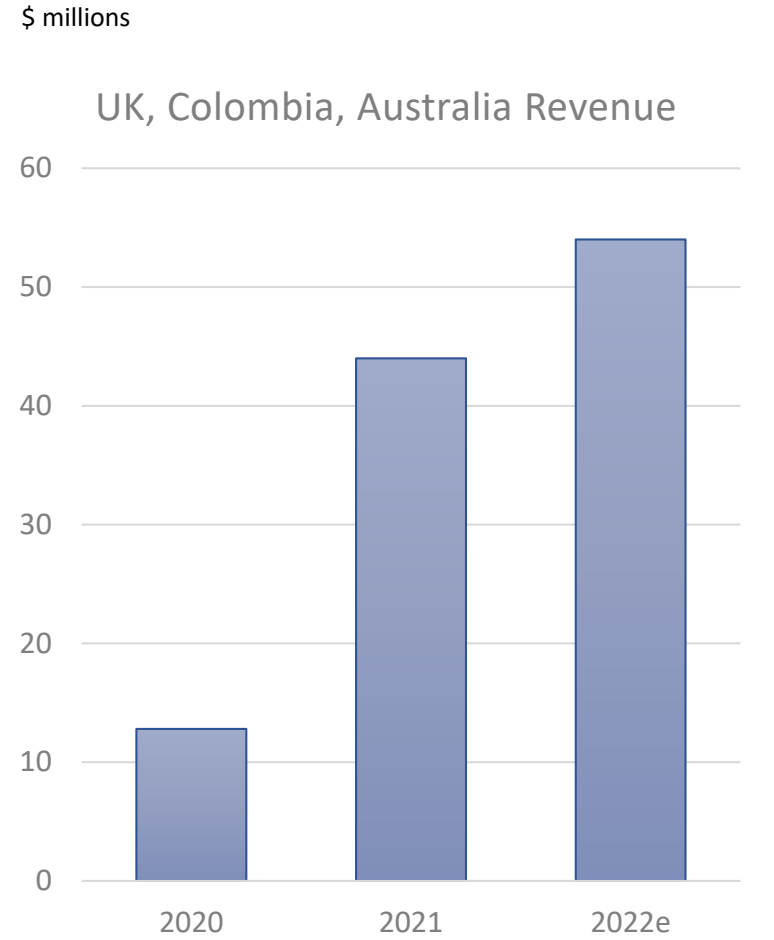
# Demand Creation and Sales Cycle



**Pipeline growth in lighthouse markets**



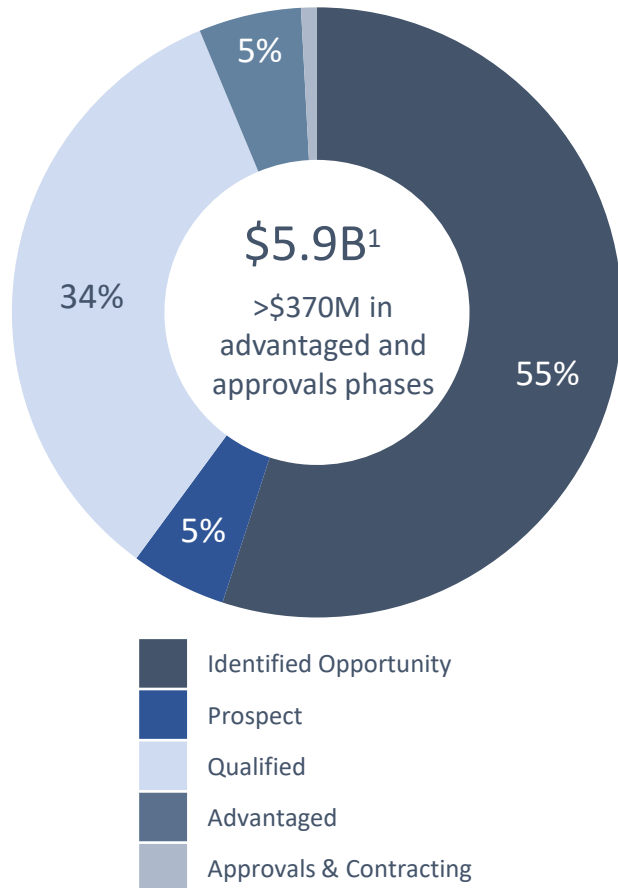
**Revenue in lighthouse markets**



# Technology Adoption and Backlog

2022 Orders Expected to be \$100M - \$120M

## Pipeline Evolution



<sup>1</sup> Pipeline captures order opportunities through 2032, with >75% in next 5 years

## Demand Creation

- Pipeline conversion to revenue follows demand creation model rather than harvesting from an existing market.
- As the market evolves, the Grid Enhancing Technology market is being established and will grow rapidly.
- Compared to end of 2021, current Advantaged, Approvals & Contracting increased by 54% to \$370M.
- Growing backlog of \$60M for 2022 deliveries, with more commitments expected in Q2 and 2H 2022, with a strong pipeline of projects for 2023+.
- 2022 orders expected to be \$100 - \$120M which will convert into revenue in 2022, 2023 ...with potential for backlog creation with 2024 deliveries.
- We expect >50% of 2022 orders will be from key lighthouse customers in Europe, Latin America and Australia.



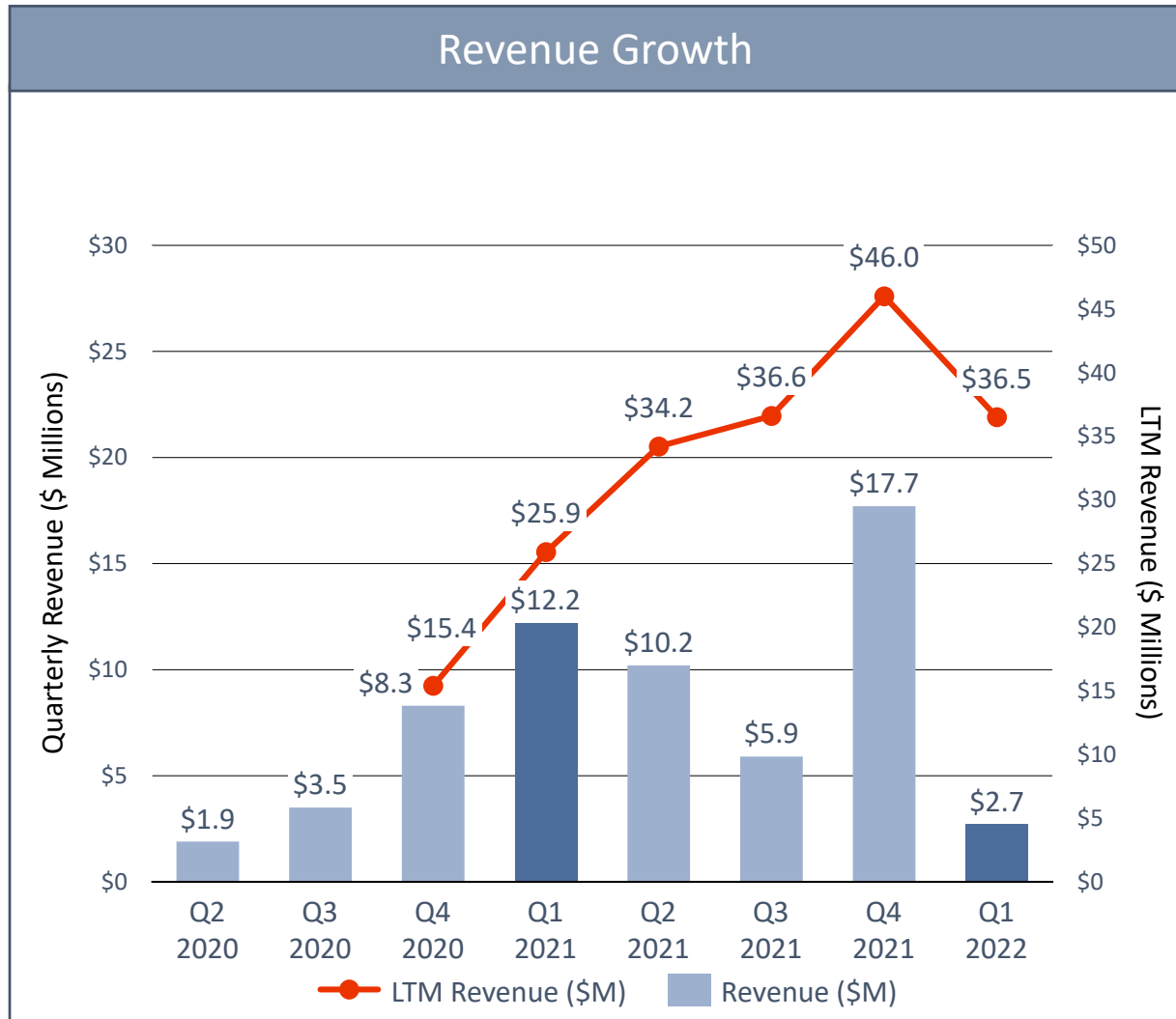
# Q1 2022 Highlights: Operational

- **Grupo Energia Bogota (GEB) project completed...** improves security of supply and unlocks 252 MW capacity to support economic development in region ... rapid delivery and commissioning
- **Austria Power Grid project completed ...** mobile demonstration rapidly installed, tested and decommissioned, work also includes extensive studies demonstrating potential of technology across Austrian grid
- **Expanded patent portfolio...** 66 grants worldwide... focused on core tech and value-added features... no prior art
- **Renowned industry leader joins as Chairperson of the Board...** Dr. Michael Howard, former President and CEO of EPRI
- **Key appointments across commercial and technical organizations ...** Jessica Joyce, SVP Americas; Hedd Roberts, GM, Europe; Jeremy Knepper, SVP Quality; Sundar Baladhandapani, Sr. Director of Software Engineering





# Q1 Revenue in Line with Expectations

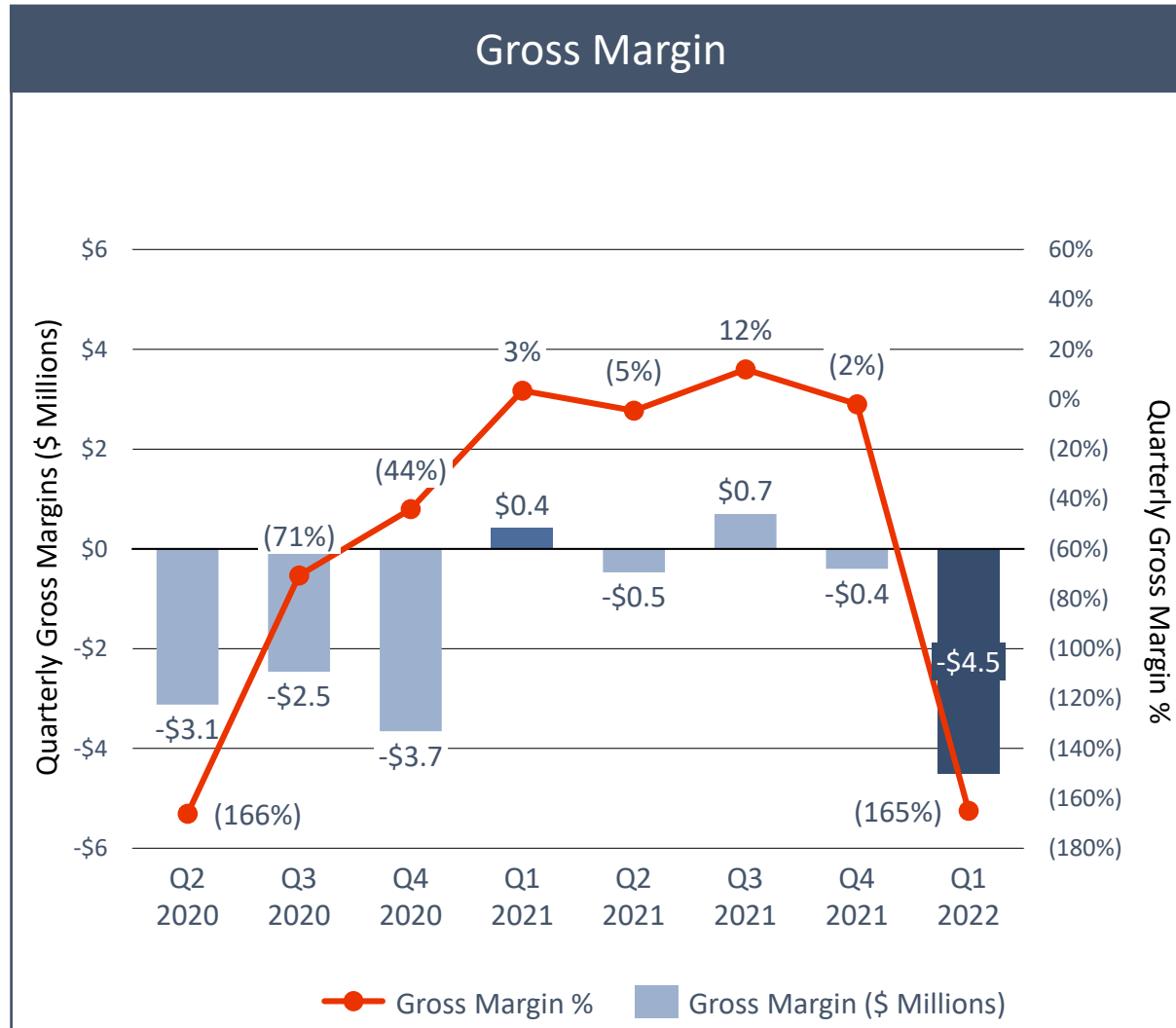


Note: unaudited financial statements presented herein are prepared in accordance with U.S. Generally Accepted Accounting Principles.

- Q1 revenue was in line with expectations due to the cutover to production of the SmartValve™ 10-1800 v1.04 and supply chain challenges
- On track to deliver full year revenue of \$65M to \$70M with more than 70% of revenue expected in the second half of the year



# Gross Margin Impacted by Low Volume Quarter



- Lower production volume in the quarter resulted in deleverage of fixed manufacturing cost base driving a significant decline in gross margins
- Anticipate sequential improvement in gross margins as we move through 2022
- Full year gross margins still expected to be between 12 and 14%

*Note: unaudited financial statements presented herein are prepared in accordance with U.S. Generally Accepted Accounting Principles.*



# Summary Financials

## Earnings

\$ in millions	Q1 22	Q1 21
<b>Revenue</b>	<b>\$2.7</b>	<b>\$12.2</b>
Cost of revenue	(7.2)	(11.8)
Gross profit	(\$4.5)	\$0.4
<b>Margin</b>	<b>(165%)</b>	<b>3%</b>
OPEX	(16.2)	(13.5)
Net profit	(\$21.2)	(\$16.2)
EBITDA	(\$19.1)	(\$12.6)
<b>EBITDA margin</b>	<b>(709%)</b>	<b>(103%)</b>
EPS (actual \$)	(\$0.21)	(\$3.77)

## Balance Sheet and Cash Flow

\$ in millions	3/31/22	12/31/21	3/31/21
<b>Cash and Restricted Cash</b>	<b>\$68.5</b>	<b>\$100.8</b>	<b>\$24.2</b>
<b>Current assets</b>	<b>112.4</b>	<b>137.5</b>	<b>50.9</b>
Total assets	139.2	149.4	55.0
<b>Current liabilities</b>	<b>\$29.9</b>	<b>\$30.6</b>	<b>\$16.7</b>
LT Liab. & Equity	109.3	118.8	38.3
<b>Net working Capital</b>	<b>\$82.4</b>	<b>\$106.9</b>	<b>\$34.2</b>
Cash Flow (Ops)	(26.9)	(64.8)	(21.3)
Cash Flow (Investment)	(4.2)	(2.4)	-
Cash Flow (Financing)	-	159.1	35.9

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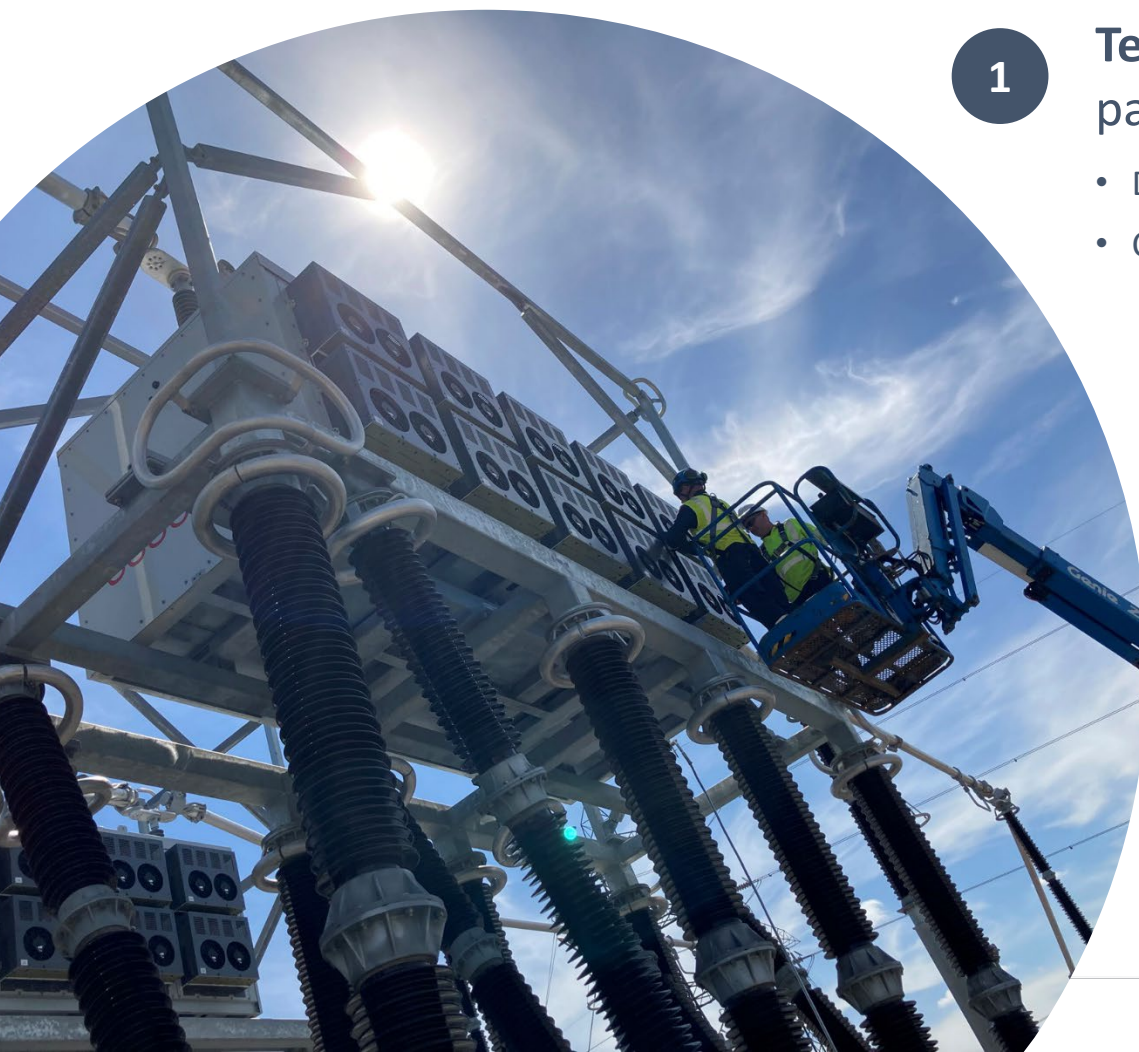
# 2022 Outlook

	2022 Guidance	2021 Results	
Orders	\$100M to \$120M	\$60M	<ul style="list-style-type: none"><li>• Order guidance ~40% to 50% conversion of pipeline at advantaged, approvals, and contracting stage</li></ul>
Revenue	\$65M to \$70M	\$47.5M	<ul style="list-style-type: none"><li>• Revenue guidance includes current backlog of \$60M plus late contracting stage projects</li></ul>
Gross Profit Margin	12% - 14%	4%	<ul style="list-style-type: none"><li>• Gross profit margin improvement due to volume leverage on fixed manufacturing costs</li></ul>
EBITDA	(\$62M) to (\$57M)	(\$50.5M)	<ul style="list-style-type: none"><li>• EBITDA decline due to investments in next generation product launch, technology adoption, and industrialization and scaling</li></ul>



# Summary

*We are in the energy transition business. Our success links to our ability to meet the challenges of Energy Transition and the needs of our customers. We're an essential part of the transition.*



1

## **Technology Adoption:** wide-scale adoption of patented, transformational technology.

- Differentiation: 66 granted patents, no prior art
- Customer Satisfaction: NPS >30 ...tracking >40

2

## **Industrialization:** process control, improvement and productivity.

- On Time Delivery: >80% ... commissioning on track
- Unit Cost: 10% reduction year over year

3

## **Growth:** capture growth and enhance margins.

- Pipeline > Orders: \$100M - \$120M 2022 Orders guidance
- Gross Margin: 12% - 14%



# Terms & Definitions

**Orders:** Signed contract with a customer for a purchase

**Orders Backlog:** Revenue not yet recognized on orders that have not yet been fulfilled, installed and/or commissioned into service

**Gross Profit:** Revenue from customer contracts less direct product and labor costs, freight, installation and project management costs, warranty costs and inventory reserves

**Gross Profit Margin:** Gross profit as a percentage of revenue

**EBITDA:** Earnings before Interest, tax, depreciation and amortization and other non-cash expenses like stock-based compensation and foreign exchange gains and losses

**EBITDA Margin:** EBITDA as a percentage of revenue

**Net Working Capital:** Total net amount of cash, restricted cash, accounts receivable, inventory, prepaid and other current assets less accounts payable, accrued expenses and other current liabilities, deferred revenue and customer deposits



# SMART WIRES

REIMAGINE THE GRID

