

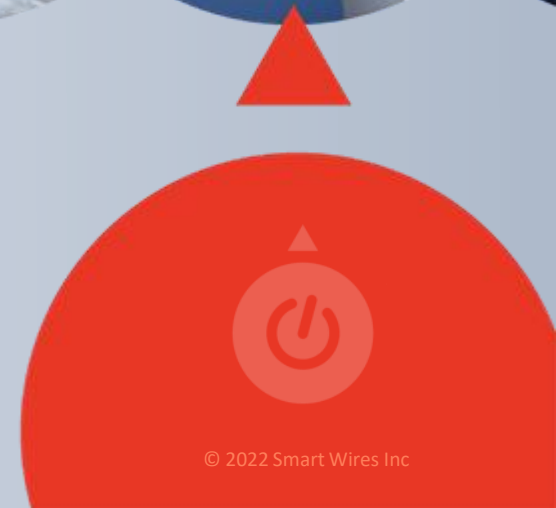
# SMART WIRES

REIMAGINE THE GRID



## Smart Wires Technology Ltd Q2 2022 Results

11 August | North Carolina



# Presenters



**Peter Wells, CEO**



**Julie Andrews, CFO**



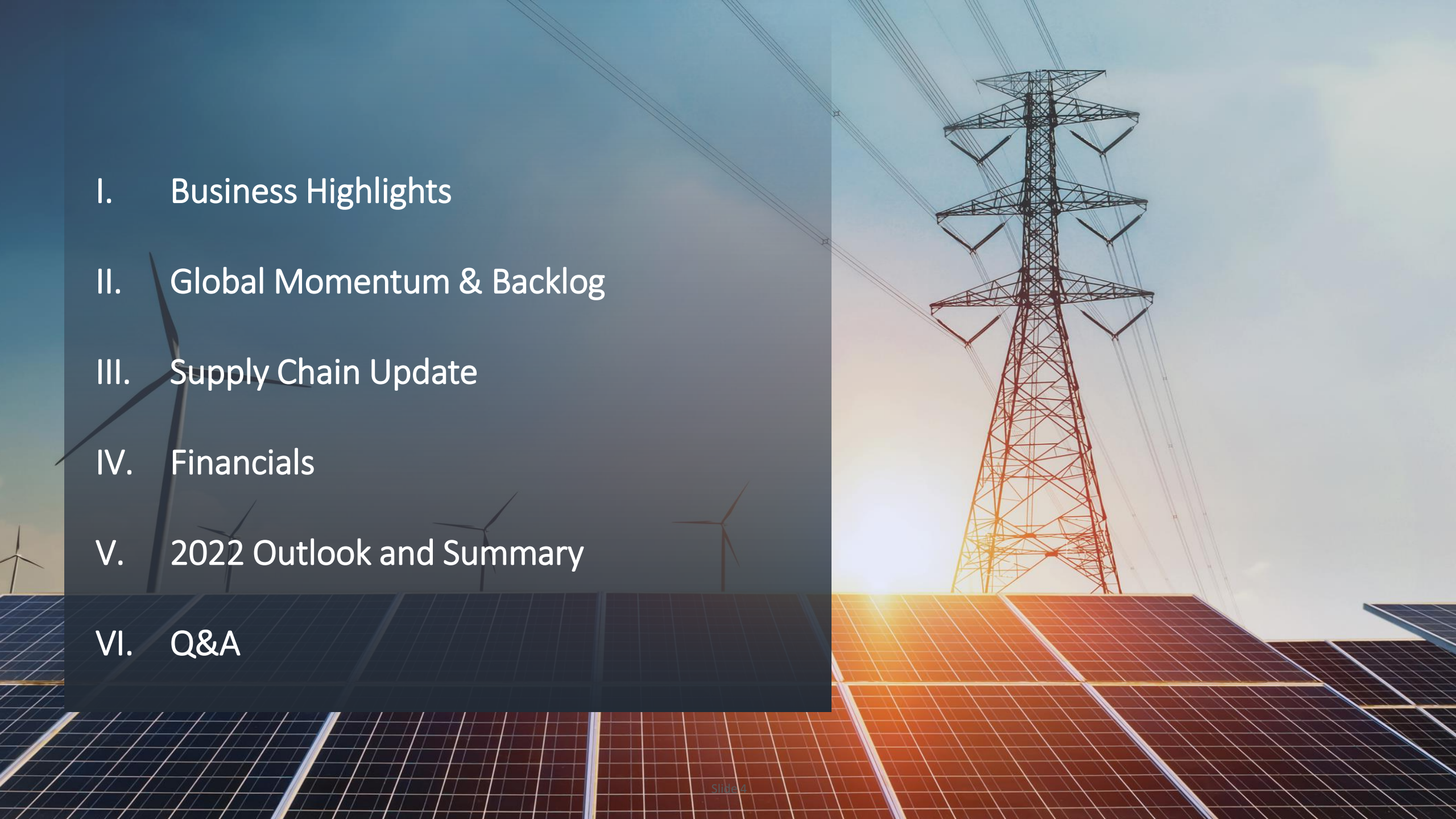
# Forward-Looking Statement

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.

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- I. Business Highlights
  - II. Global Momentum & Backlog
  - III. Supply Chain Update
  - IV. Financials
  - V. 2022 Outlook and Summary
  - VI. Q&A

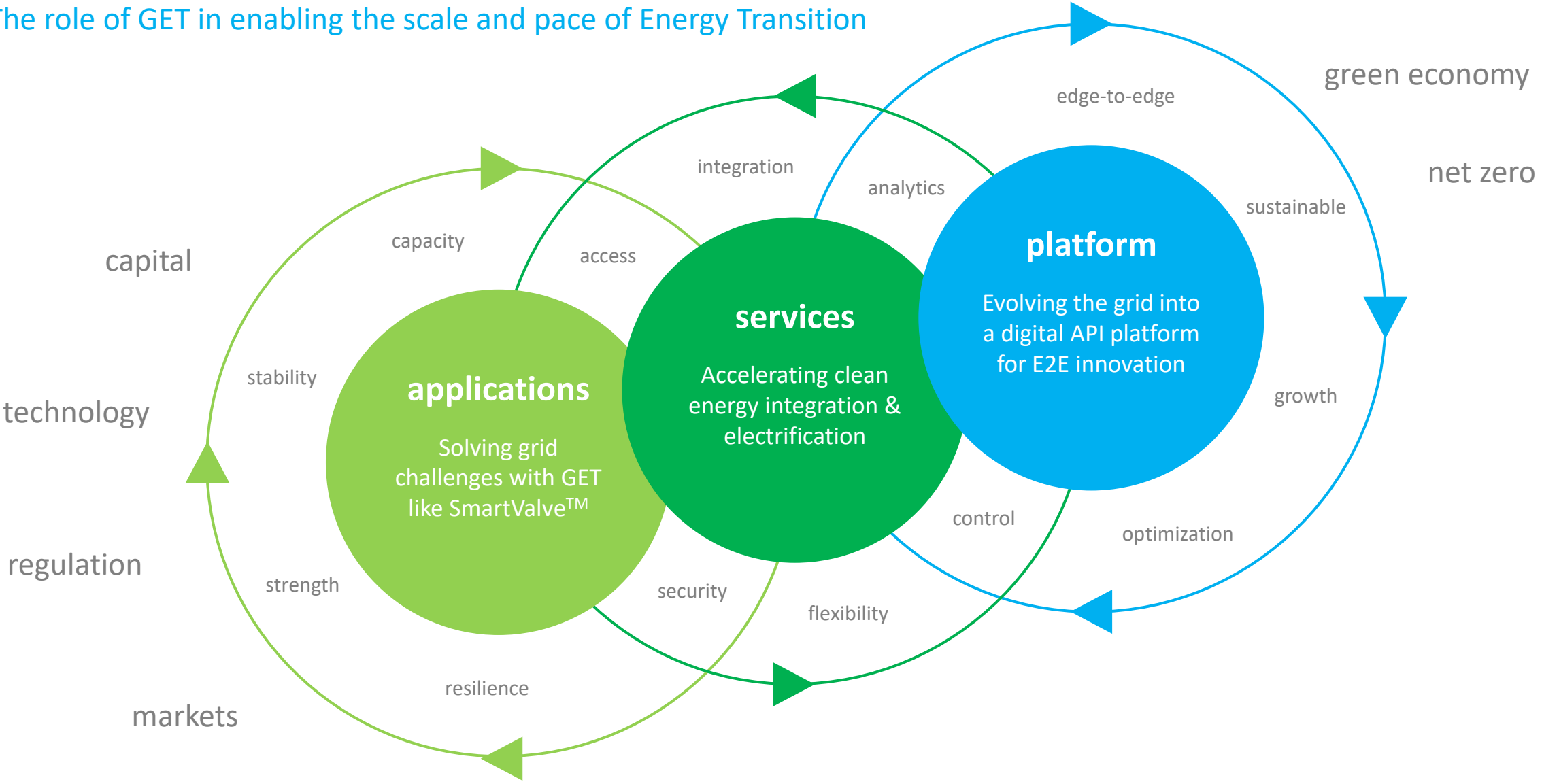
# Q2 2022 Business Highlights

- **Order received for second largescale project with ISA Transelca** ... net revenue of \$18M-\$20M over 2022, 2023, 2024. Project will enable 300 MW of renewables to reliably connect to the Colombian grid. This follows a first purchase order with net revenue of \$20-\$23.3M received in Sept 2021.
- **New Global HQ opens in North Carolina, Colombian subsidiary incorporated** ... Local officials marked HQ opening with tour. Colombian subsidiary in Medellin serves as operational hub for the Latin American region.
- **Organization strengthened** ... Jeremy Knepper promoted to Chief Operating Officer; Jessica Joyce promoted to Chief Sales Officer; Michael Walsh promoted to Chief Development Officer; Hedd Roberts appointed as General Manager, Europe; Sundar Baladhandapani appointed as Senior Director of Controls & Communication.
- **Reseller partnership broadens commercial offering** ... Smart Wires teams up with ELES Group subsidiary Operato to offer dynamic rating software SUMO.



# Reimagine the Grid (T&D)

The role of GET in enabling the scale and pace of Energy Transition





# Global Momentum

## US

- **Inflation Reduction Act** ...key climate provisions negotiated for 40% reduction in CO2 by 2030
- **FERC** ...proposed rule to speed up connection process for new generation, including requirement to review interconnection customer requests for APFC (**SmartValves™**)

## UK

- **NOA** ...forecasts 50 GW offshore wind by 2030 and moves to a holistic network design approach
- 17 PFC projects assessed, **12 projects** given “proceed” signals and 7 of these were identified as essential for offshore wind target

## Europe

- **Energy prices** ... escalation beginning to impact congestion and accelerating infrastructure investment
- **SkYROCKETING redispatch costs** ... in Germany increase pressure on TSOs (EUR 5B in 2022 possible; this would be 2x 2021)

## LatAm

- **Fuel oil scarcity** ...has significantly impacted electricity generation costs, accelerating the need to solve grid constraints and add renewable generation
- Various hydro-dependent countries like Chile continue to see **widespread drought**
- Planning agency confirms requirement for **largescale series compensation**: 1.4 GVar of SSSC to enhance interconnection between Colombia, Ecuador and Chile

## Australia

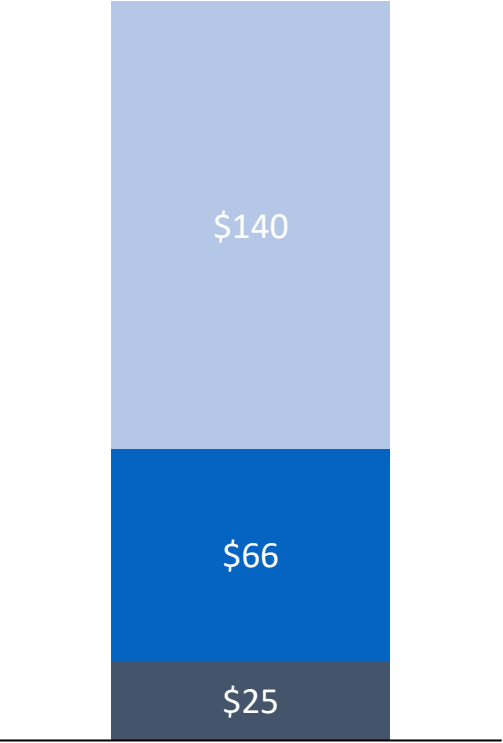
- **Rising energy costs** ... Russia’s invasion of Ukraine, unreliable coal generation and the weather combine to create crisis resulting in AEMO suspending spot market & narrowly avoiding load shedding
- **VNI West** ... significant project with net market benefits of ~ AUD\$687m to expand transmission interconnector capacity between Victoria and New South Wales – includes modular power flow control (**SmartValves™**)



# High confidence in 2022 Order Target

## 2022 Order Pipeline

(\$ in millions)



Contracted Tracking Potential

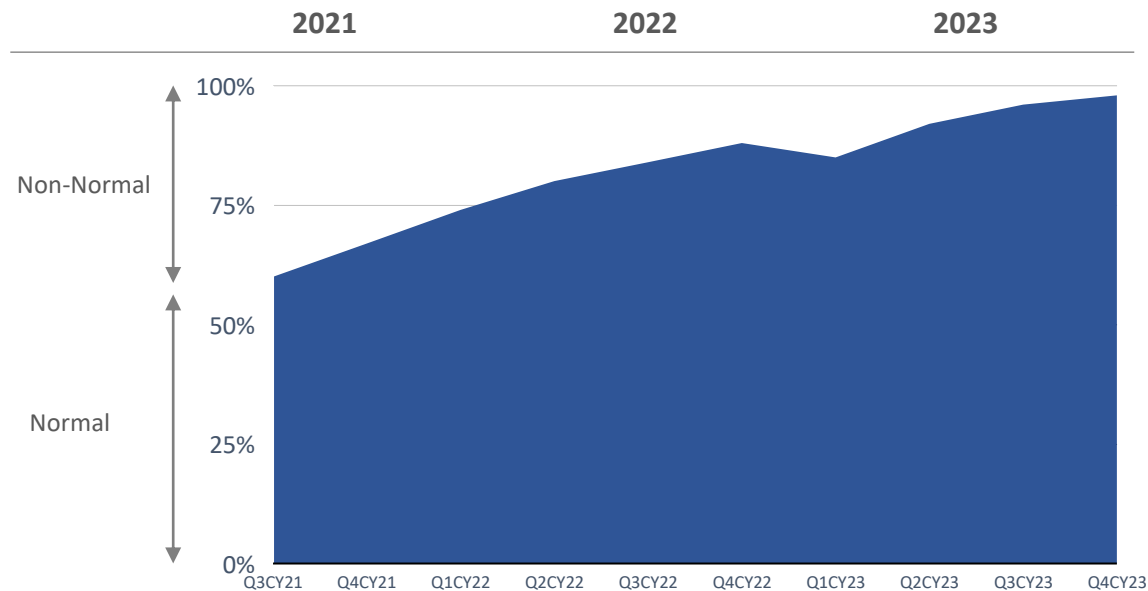
- Order guidance \$100M-\$120M
- 75% of order target on track or closed already
- \$140M of high probability new opportunities identified this year from lighthouse customers
- Strong position and potential for upside in 2022
- 2023 deal flow firming up with >\$110M of strong deals already identified
- Lighthouse customers and key markets gaining in momentum and multi-year commitment potential





# Supply Chain: Normalization

## Commodity Management & Normalization



### Non- Normal

Issues on lead time, quality, cost, visibility, possible sole source risk

### Normal

Diverse and stable quality supply with standard lead times, terms, and costs

### Focus Areas

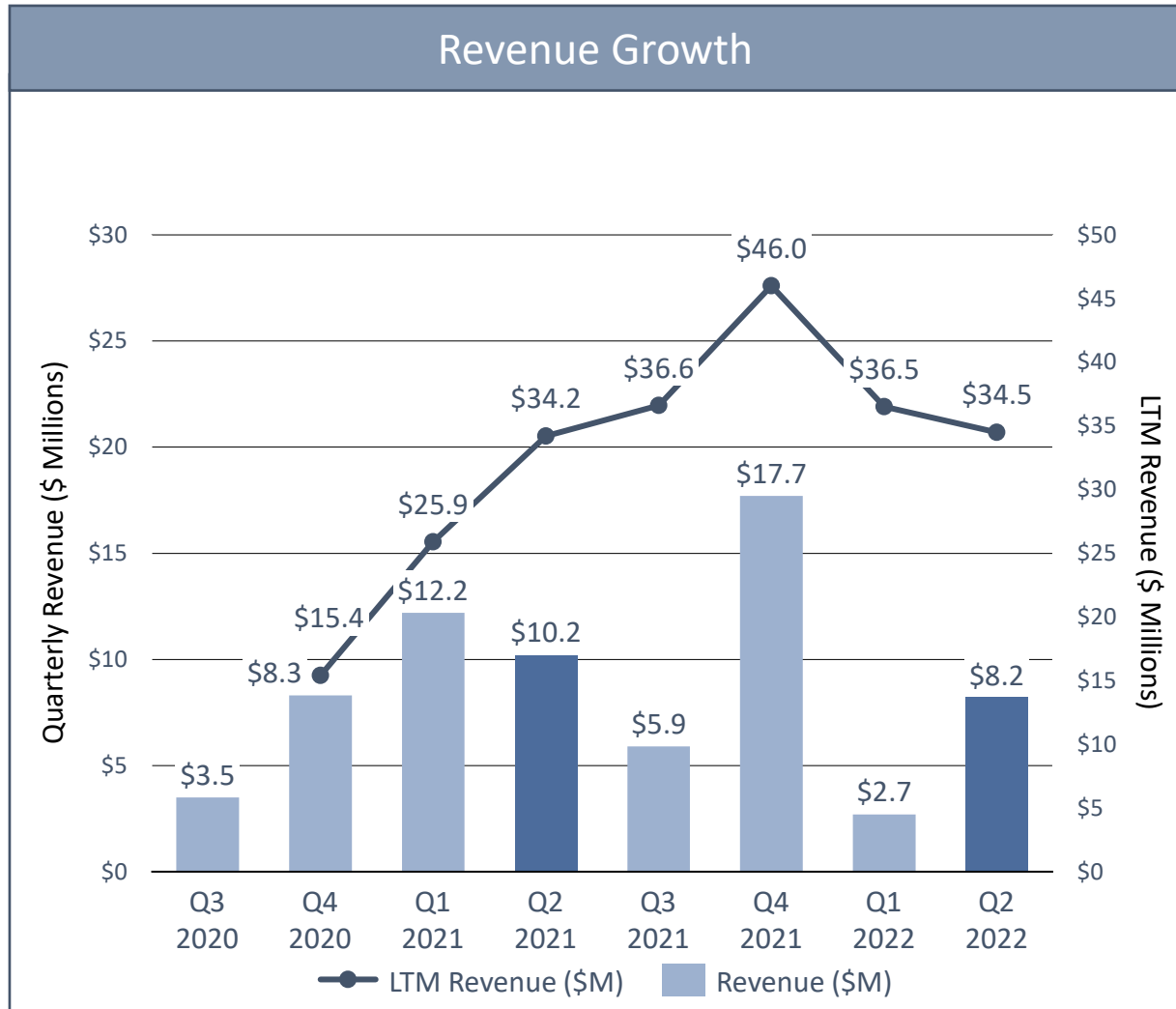
- Harnesses
- Cooling System
- PCB
- PCBA
- Frames
- PHT

## Key Takeaways / Actions

- **Supply chain disruption** has impacted product design, testing, production ramp and field support
- **Lead times** have been under severe pressure, e.g., 18 months on some PCB components, forcing us to find alternate pathways for production needs
- We initiated an **Obeya** process in Q2 to drive Daily Management on Clean-To-Start (% BOM secured by production unit/week)
- In parallel we initiated a **strategic review** looking at supplier diversification, design evolution, sub-assembly strategy and so on
- As an outcome, our line of sight to **sources improved by 2X** in Q2 with a high degree of confidence for production plans through Year End (47 units)
- We believe **supply chain is set to normalize** over the next 4-6 quarters as original supplier lead times cut-in and/or improve, and new suppliers ramp up



# Q2 Revenue in Line with Expectations given Supply Challenges

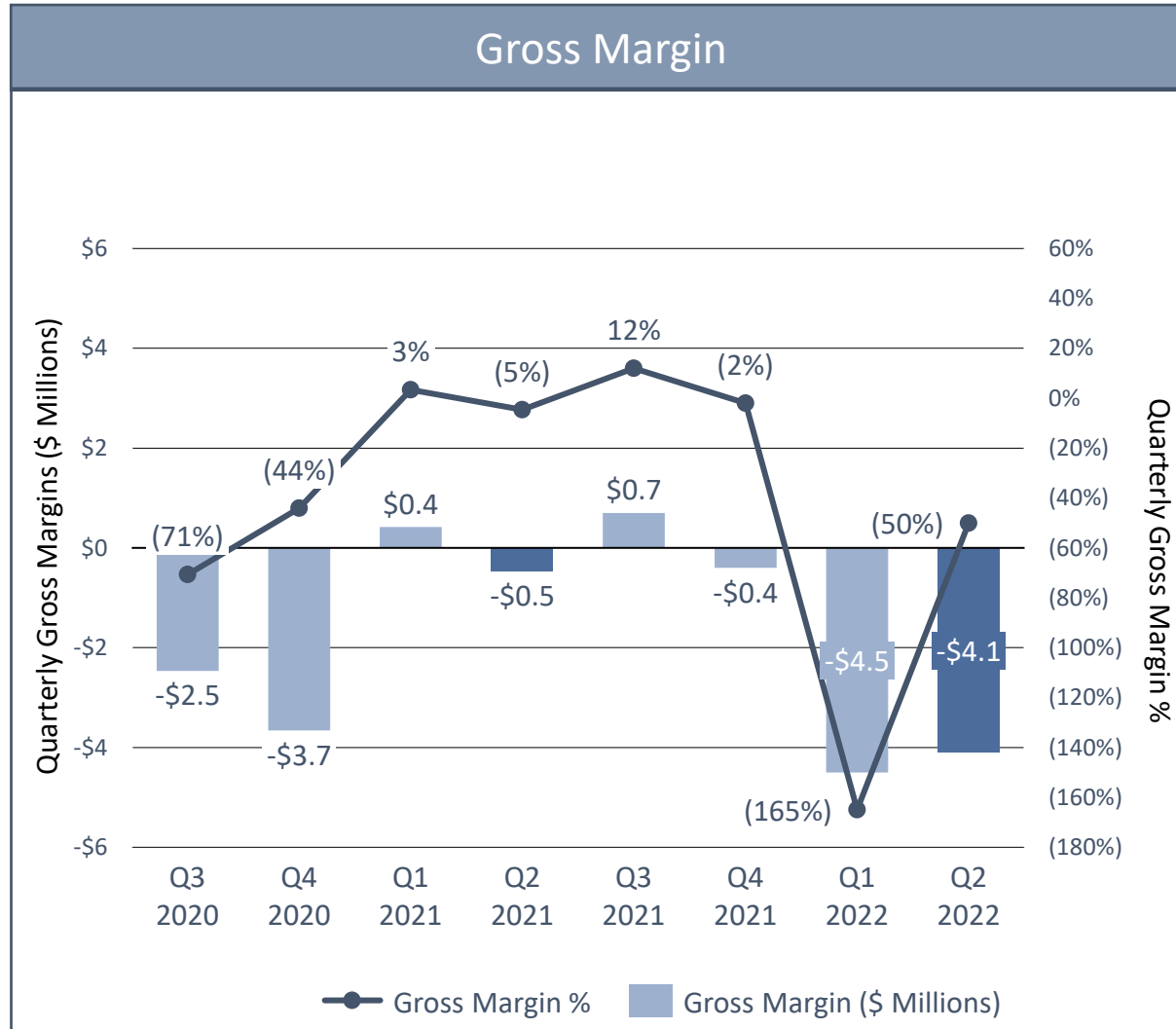


Note: unaudited financial statements presented herein are prepared in accordance with U.S. Generally Accepted Accounting Principles.

- Q2 revenue improved from Q1, but as expected was impacted by ongoing global supply chain challenges
- Order backlog stands at \$72 million
- Full year 2022 revenue estimated between \$55 - \$60 million, with the remainder of the backlog to be delivered in the first half of 2023
- Demand remains strong, still targeting orders this year of \$100 to \$120 million



# Gross Margin Impacted by Low Volume Quarter



- Margins improved sequentially from Q1 on higher revenue
- Lower production volume in the quarter resulted in deleverage of fixed manufacturing cost base driving a significant decline in gross margins vs Q2 2022

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# Summary Financials

## Earnings

\$ in millions	Q2 22	Q2 21	H1 22	H1 21
<b>Revenue</b>	<b>\$8.2</b>	<b>\$10.2</b>	<b>\$10.9</b>	<b>\$22.5</b>
Cost of revenue	(12.3)	(10.7)	(19.5)	(22.5)
Gross profit	<b>(4.1)</b>	<b>(0.5)</b>	<b>(8.6)</b>	<b>(0.1)</b>
<b>Margin</b>	<b>(50%)</b>	<b>(5%)</b>	<b>(79%)</b>	<b>(0%)</b>
OPEX	(13.3)	(15.2)	(29.5)	(28.6)
Net Loss	(18.0)	(24.3)	(39.2)	(40.5)
EBITDA	(16.1)	(15.0)	(35.2)	(27.4)
<b>EBITDA margin</b>	<b>(196%)</b>	<b>(146%)</b>	<b>(323%)</b>	<b>(122%)</b>
Net Loss per share (actual \$)	(0.18)	(0.35)	(0.38)	(1.10)

## Balance Sheet and Cash Flow

\$ in millions	6/30/22	6/30/21	12/31/21
<b>Cash and Restricted Cash</b>	<b>\$40.2</b>	<b>\$109.2</b>	<b>\$100.8</b>
<b>Current assets</b>	<b>90.9</b>	<b>143.8</b>	<b>137.5</b>
Total assets	118.0	147.7	149.4
<b>Current liabilities</b>	<b>\$25.1</b>	<b>\$31.3</b>	<b>\$30.6</b>
LT Liab. & Equity	92.9	116.5	118.8
<b>Net working Capital</b>	<b>\$65.8</b>	<b>\$112.6</b>	<b>\$106.9</b>
Cash Flow (Ops)	(48.6)	(30.8)	(64.8)
Cash Flow (Investment)	(9.0)	(0.1)	(2.4)
Cash Flow (Financing)	0.0	130.5	159.1

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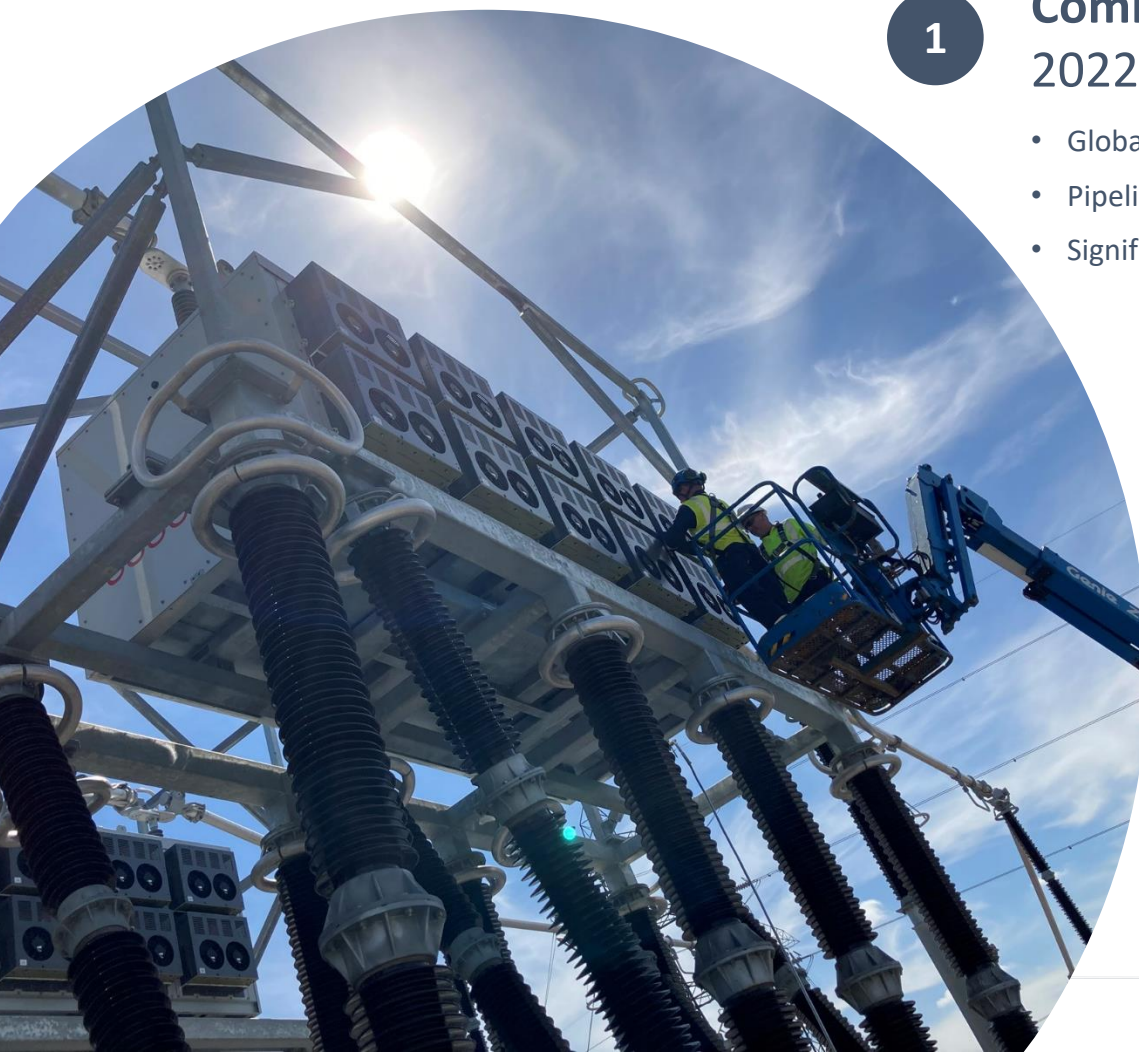
# 2022 Outlook

	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	\$55M to \$60M	\$47.5M	<ul style="list-style-type: none"><li>Revenue guidance includes current backlog of \$72M updated to reflect supply chain delays</li></ul>
Gross Profit Margin	No Guidance Provided	4%	<ul style="list-style-type: none"><li>Gross Margin and EBITDA guidance suspended due to the variability in near term supply chain costs</li></ul>
EBITDA	No Guidance Provided	(\$50.5M)	



# Summary

*Positive momentum for 2H22 and 2023 as we come out of major global supply chain disruption.*



1

## **Commercial Momentum:** high confidence in 2022 orders of \$100-\$120M

- Global moment ...policy, regulation, customer, consumer and prosumer
- Pipeline evolution to high probability deal flow, orders and backlog
- Significant progress in key markets with lighthouse customers

2

## **Supply Chain:** impacts limited to 2022 revenue outlook

- Global supply chain disruption continues and has impacted production
- Clean-to-Start with Obeya and Daily Management is giving near term solutions
- Mid-term, our strategic actions are normalizing the supply chain ...>95% by 4Q23

3

## **Capital Management:** cash needs and solutions continue to be addressed

- Working capital management and quarterly expense profiling
- Ongoing assessment of strategic financing options



# 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



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