

Net Insight Interim Report January – March 2021



Net Insight AB (publ) corp.id.no. 556533–4397

January – March 2021

- Net sales amounted to SEK 77.9 (76.0) million, an increase of 2.6% year on-year. In comparable currencies net sales increased by 11.6%.
- Operating earnings amounted to SEK 3.1 (4.8) million, corresponding to an operating margin of 4.0% (6.3%). Excluding foreign exchange rate differences of SEK 7.6 (9.2) million, operating earnings were SEK -4.4 (-4.4) million.
- Net income for the period for the Group, including divested operations, was SEK -33.0 (248.4) million. This includes capital loss on disposal of discontinued operations of SEK -35.9 million (246.4). The effect on earnings from the disposal of discontinued operations deviates from the estimate communicated in connection with the announcement of the transaction. For more information, see section "Divested operations" in "Extraordinary events".
- Earnings per share, basic and diluted, for the Group was SEK -0.09 (0.65).
- Total cash flow for the Group was SEK 14.1 million (245.4). Excluding the cash impact of the divestment of subsidiary, cash flow was SEK -1.0 million (-57.0).

” New IP deals won during the quarter

Crister Fritzson, CEO, Net Insight

Significant events:

- Divestment of ScheduALL
- Promising results in innovation study of Net Insight's time synchronization technology in mobile networks
- Important deals with Red Bee Media and NEP Connect

FINANCIAL HIGHLIGHTS

SEK millions	Jan-Mar		Change	Apr 2020-	Jan-Dec	Change
	2021	2020		Mar 2021	2020	
Continuing operations						
Net sales	77.9	76.0	2.6%	333.7	331.7	0.6%
Operating earnings	3.1	4.8	-34.2%	-17.2	-15.6	
Operating margin	4.0%	6.3%		-5.2%	-4.7%	
Net income	3.9	1.3	207.0%	-12.1	-14.8	
EBITDA	2.6	1.1	131.5%	-17.8	-19.3	
EBITDA margin	3.3%	1.5%		-5.3%	-5.8%	
Total Group, including discontinued operations						
Net Income	-33.0	248.4		-44.0	237.4	
Total cash flow	14.1	245.4	-94.3%	1.3	232.6	-99.4%

Business area Resource Optimization was divested in 2021 and Business area Streaming Solutions was divested in 2020. The divested business areas are reported separately as discontinued operations in this report.

CEO's Statement



Accelerated product development results in new deals

Growth on a continued cautious market

Net Insight posted continued growth in the first quarter 2021 and revenue up by 2.6% despite negative exchange rate effects. Adjusted for exchange rate effects, year-on-year growth was 11.6%. The divestment of ScheduALL, which was announced in the quarter, is an important step towards focusing the operations and achieving profitable growth. It is also encouraging that our sharper focus and accelerated R&D investments are yielding results and that we won important deals in the quarter.

Financial targets

Following last year's strategic operational focus and initiatives aimed at the core operations Media Networks, we are now ready to communicate external financial targets of an average annual organic growth of at least 10% and an average annual EBIT margin (operating margin) of at least 10% until 2025.

Market position and Covid-19

The pandemic is not over yet and the market is continuing to adjust to the new reality. The transition towards remote production continues, as well as demand for live events with higher transmission quality from traditional TV broadcasters and various streaming services. Although market activity is increasing, the market remains hesitant and a high proportion of business in the quarter is related to minor upgrades and network extensions. Due to the increased market activity, we ended all short-term staff furloughs on April 1.

There is currently a global shortage of electronic components due to the Covid-19 pandemic. To what degree this will affect us, and whether it could disrupt production and delivery remains uncertain, but we are working to secure component deliveries.

The first quarter is normally characterized by preparations ahead of major trade shows. All Net Insight's operations are now carried out digitally and more than a year has passed since we last met in person with our customers, partners and colleagues. Although personal meetings are invaluable, the digital transition shows that we have the capacity to adjust and realign operations, which will be critical for continuing to build a successful change organization.

Media Networks

Over the past year, we have invested in Media Networks and accelerated product development. Our product investments are now focused on IP media, based on the ST 2110 standard, and IP video functionality, that supports our customers' transition to IP and cloud-based production and distribution.

In the quarter, we were pleased to announce the implementation of our 100GE IP media solution for delivery of an uncompressed IP playout to Red Bee

Media, for reliable, flexible and future-proof services for their customers. The solution includes Media Pro App, our new software offering IP video functionality in our Nimbra products, such as ST 2110 adaptation and IP video security. We also signed a deal in the quarter with NEP Connect relating to remote production for cricket for a UK broadcaster, where our solution supports the transition to IP and virtualized workflows. Swisscom Broadcast also chose us for a media network that covers all arenas for the top two soccer leagues in Switzerland.

During this period when sporting events are taking place without audiences on-site, TV broadcasts have become even more important which has led to extensive changes that have accelerated the shift to remote production. For example, we signed a deal with Swiss broadcaster SRF, who had planned to have 80 persons on-site during the Alpine World Championships in Cortina, but were forced to change their plans due to the Covid-19 pandemic. They chose our cloud-based Nimbra Edge solution for remote production as a replacement, which ensured quality transmission from Cortina and to quickly scale-up production.

Time synchronization

We recently completed a study as part of an innovation project alongside Vinnova and KTH Royal Institute of Technology relating to time synchronization for real-time critical networks. The study showed that our time synchronization technology could be attractive to mobile operators and that it satisfies the technical requirements for cost-efficient inclusion in existing synchronization solutions in 5G networks and other critical networks. This also demonstrates our leading-edge technology and highly skilled developers. We are now developing the solution further and have started discussions with customers and partners, and initiated the first customer tests.

Resource Optimization

In line with our strategy of focusing operations and optimize resources in Media Networks, we took an important step in February when we signed an agreement to sell ScheduALL to Xytech Systems,

thereby divesting the Resource Optimization business area. We will continue to develop various partnerships looking ahead, and have established a close collaboration with Xytech relating to continued joint solutions.

The work associated with developing and improving customer relationships, together with our tech development initiatives, are now starting to pay off in the form of deals, while we are also gearing up for innovation and development on further markets.

I am very satisfied that we have now externally communicated our financial targets for the first time and look forward to continuing to work alongside all my colleagues to reach these goals on our future growth journey.

Solna, Sweden, April 20, 2021
Crister Fritzson, CEO

EXTRAORDINARY EVENTS

Divested operations

The business area Resource Optimization (ScheduALL) was divested on March 31, 2021, and is reported as discontinued operations in this report. The transaction means that 100% of the shares in the wholly owned subsidiary VizuALL Inc was sold on a cash and debt basis, including a normalized working capital for a total of USD 6 million, of which USD 3 million in cash in connection with the transfer of ownership and the remainder as a promissory note payable over a 12 -18 months term. The transaction had a negative effect on earnings for the Group of SEK -35.9 million and a negative effect on earnings for the Parent Company of SEK -70.1 million. The divestment had a positive cash impact (net after deduction of the withheld part of the consideration and transaction cost) of SEK 15.1 million.

Due to inaccuracies in the calculation of the expected earnings effect for the Group, which was communicated in connection with the announcement of the transaction on February 24, 2021, the actual effect on earnings (SEK -35.9 million) deviates sharply from the previously estimated positive profit effect of SEK 35-45 million. However, the difference between the previously communicated and the actual earnings effect at Group level does not imply any change in terms of either liquidity, distributable funds, tax situation or the future earning capacity for continuing operations.

Revenues for Resource Optimization in the first quarter 2021 were SEK 15.1 (18.0) million, a decrease of -16%. Operating earnings were SEK -1.2 (0.8) million. Excluding foreign exchange rate differences of SEK -0.1 (1.1) million, operating earnings were SEK -1.1 (-0.3) million. Uncertainty linked to Covid-19 has continued to characterize customers' willingness to invest and thus revenues during the first quarter.

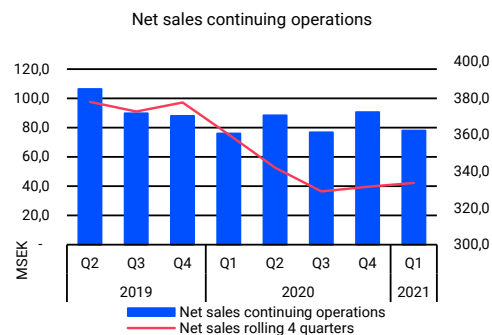
Comments in this report have reference to continuing operations, business area Media Networks, unless otherwise specified. For more information on discontinued operations, including the in 2020 divested business Streaming Solutions, see tables on page 11.

REVENUES

Net sales amounted to SEK 77.9 (76.0) million, an increase of 2.6% year on-year. In comparable currencies net sales increased by 11.6%. Despite continued general uncertainty, a number of important deals were made in the quarter, which contributed to slightly increased sales compared with the corresponding period last year.

Net Insight's solutions are sold all over the world and we have customers in around 70 countries. Many customers are global, with central purchasing functions for subsidiaries. Revenue per region varies over time depending on where events take place.

Media Networks encompasses the Nimbra portfolio. A Nimbra solution normally consists of software as well as hardware and support. Customers with existing software licenses sometimes purchases only hardware, which means the mix between software and hardware revenues may vary over time. Revenues are mainly driven by events and specific larger deals can have a significant impact on quarterly revenue. There is no clear seasonality, why revenue on a rolling 12-month basis is a better indicator than a single quarter.



EARNINGS

Gross profit for the first quarter was SEK 45.1 (47.0) million, a decrease by -4.0%. The decrease is explained by higher amortization of capitalized development expenditure due to new launches in late 2020 and early 2021. Gross profit included amortization of capitalized development expenditure of SEK -9.9 (-7.3) million. Gross margin excluding and including amortization of capitalized development expenditure was 70.5% (71.4%) and 57.9% (61.8%) respectively.

Operating expenses in the first quarter of SEK -49.8 (-51.7) million were SEK 1.9 million lower compared to the corresponding period of the previous year due to cost saving programs and temporary Covid-19 related cost reductions.

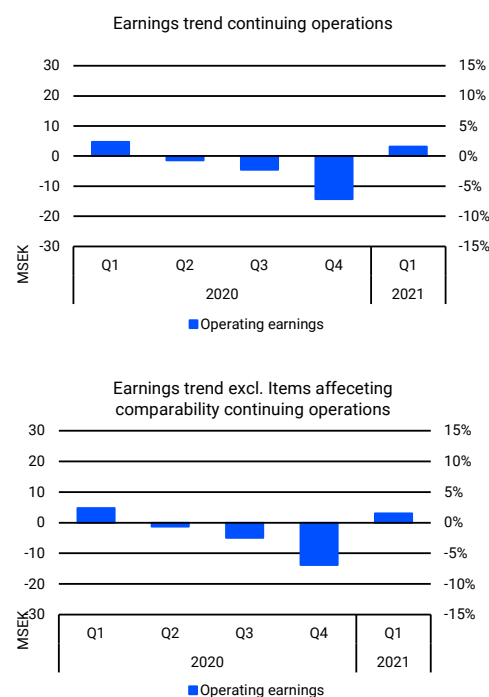
Sales and marketing expenses were SEK -23.0 (-23.1) million, and administration expenses to SEK -13.1 (-14.0). Development expenses were SEK -13.7 (-14.7) million. The decrease was due to a higher capitalization rate. Total development expenditure, i.e. before capitalization, decreased to SEK -28.1 (-29.4) million. Other operating income and expenses were SEK 7.9 (9.5) million, mostly related to foreign exchange rate gains.

Operating earnings were SEK 3.1 (4.8) million, corresponding to an operating margin of 4.0% (6.3%). Excluding foreign exchange rate differences of SEK 7.6 (9.2) million, operating earnings were unchanged at SEK -4.4 (-4.4).

EBITDA was SEK 2.6 (1.1) million, corresponding to an EBITDA margin of 3.3% (1.5%).

Net financial items amounted to SEK 1.5 (-2.6) million.

Profit before tax for the first quarter was SEK 4.7 (2.2) million, and net income was SEK 3.9 (1.3) million, corresponding to a net margin of 5.0% (1.7%). Including Discontinued operations, net income was SEK -33.0 (248.4) million, including capital loss on disposal of discontinued operations of SEK -35.9 (246.4) million.



Key Ratios continuing operations	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Net sales, SEK millions	77.9	76.0	333.7	331.7
Net sales YoY, change in %	2.6%	-18.8%	-7.3%	-12.2%
Gross earnings	45.1	47.0	200.0	201.9
Gross margin	57.9%	61.8%	59.9%	60.9%
Operating earnings	3.1	4.8	-17.2	-15.6
Operating margin	4.0%	6.3%	-5.2%	-4.7%
EBITDA	2.6	1.1	-17.8	-19.3
EBITDA margin	3.3%	1.5%	-5.3%	-5.8%

INVESTMENTS INCLUDING DIVESTED OPERATIONS

First quarter investments were SEK 18.1 (24.4) million, of which SEK 17.6 (21.3) million related to capitalization of expenditure for development. Last year also includes SEK 2.9 million of fixed assets acquired from Aperi.

Depreciation and amortization in the first quarter totaled SEK 16.2 (13.9) million, of which SEK 11.2 (8.4) million related to amortization of capitalized expenditure for development.

At the end of the period, net value of capitalized expenditure for development was SEK 149.3 million. Net value of capitalized expenditure for development was SEK 208.9 million as of December 31, 2020.

For continuing operations (Media Networks) capitalized expenditure for development in the first quarter amounted to SEK 14.4 (14.6) million, and amortization to SEK -9.9 (-7.3) million.

At the end of the period, net value of capitalized expenditure for development was SEK 149.3 million, against SEK 144.8 million as of December 31, 2020.

CASH FLOW AND FINANCIAL POSITION INCLUDING DISCONTINUED OPERATIONS

Cash flow from operating activities in the first quarter was SEK 19.3 (-30.2) million. The divestment of Business Area Resource Optimization (last year Business Area Streaming Solutions) had a cash impact of SEK 15.1 (302.3) million. Total cash flow for the period was SEK 14.9 (245.4) million. Excluding the divestment impact, cash flow was SEK -1.0 (-57.0) million. Last year, cash flow was affected negatively with SEK -12.7 million by the acquisition of the Aperi product portfolio.

Cash and cash equivalents were SEK 298.3 million at the end of the period, against SEK 283.2 million as of 31 December 2020.

Remaining tax loss carry-forwards for group companies amounted to SEK 98.1 million at the end of the period, compared to SEK 102.2 million for continuing business as of December 31, 2020. For more information, see the section Tax on page 13.

Equity was SEK 659.7 million at the end of the period, against SEK 692.6 million as of 31 December 2020. The equity/assets ratio was 82.4%, against 80.3% as of 31 December 2020. For more information about share repurchases and share structure, see the section Contributed equity on page 13.

EMPLOYEES

The average number of employees and consultants at Net Insight during the first quarter was 153 (148) of which 124 (128) in the parent company Net Insight AB (publ).

Katarina Dufvenmark, vice president People, and Marcus Sandberg, vice president Corporate Development, left the company during the quarter and in connection with this, a reorganization took place, meaning that the HR department is part of the CFO's area of responsibility and Corporate Development is part of the CCO's area of responsibility. Ken Graham, vice president Resource Optimization, left the management team in connection with the divestment of the business area in the first quarter of 2021.

PARENT COMPANY

Parent company net sales were SEK 77.9 (80.2) million in the first quarter, and net income was SEK -67.2 (200.0) million. The financial net includes result from participation in group companies of SEK -70.1 (193.8) million, which relates to capital loss/gains from divestment of subsidiary. In the first quarter, intra-group sales totaled SEK 0.0 (4.7) million, and intra-group purchases SEK -11.7 (-13.1) million.

Progress in the parent company in the first quarter and the full year largely shadowed Group progress as indicated above for the business area Media Networks (except for the effect of the sale of businesses/subsidiaries).

RISK AND SENSITIVITY ANALYSIS

Net Insight's operations and results of operations are affected by a number of external and internal factors. The company conducts a continuous process to identify all risks present, and to assess how each risk should be managed.

Primarily, the risks the company is exposed to are market-related risks (including competition, technological progress and political risks), operational risks (including product liability, intellectual property, disputes, customer dependency and contract risks) as well as financial risks.

No additional critical risks and uncertainty factors, other than those reviewed in the Annual Report for 2020, arose during the period or are anticipated in 2021.

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see pages 26-28 and 45-46 of the Annual Report for 2020.

SEASONALITY

In the past three calendar years, average seasonality has been fairly modest. Net sales per quarter were approximately 25% of annual sales.

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Continuing operations				
Net sales	77,938	75,971	333,711	331,744
Cost of sales	-32,840	-28,998	-133,673	-129,831
Gross earnings	45,098	46,973	200,038	201,913
Sales and marketing expenses	-23,014	-23,054	-92,538	-92,578
Administration expenses	-13,093	-13,953	-53,728	-54,588
Development expenses	-13,716	-14,734	-54,321	-55,339
Other operating income and expenses	7,850	9,520	-16,671	-15,001
Operating earnings	3,125	4,752	-17,220	-15,594
Net financial items	1,536	-2,583	-505	-4,624
Profit/loss before tax	4,661	2,169	-17,725	-20,218
Tax	-748	-894	5,604	5,458
Net income continuing operations	3,913	1,275	-12,121	-14,760
Discontinued operations, net after tax	-36,926	247,094	-31,877	252,143
Net income	-33,013	248,368	-43,998	237,383
Net income for the period attributable to the shareholders of the parent company	-33,013	248,368	-43,998	237,383

Earnings per share, based on net income attributable to the parent company's shareholders during the period	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Earnings per share basic and diluted continuing operations (SEK)	0.01	0.00	-0.03	-0.04
Earnings per share basic and diluted including discontinuing operations (SEK)	-0.09	0.65	-0.11	0.62
Average number of outstanding shares in thousands, basic	382,758	382,758	382,758	382,758

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Net income	-33,013	248,368	-43,998	237,383
Other comprehensive income				
<i>Items that may be reclassified subsequently to the income statement</i>				
Translation differences	80	5,443	-15,103	-9,740
Total other comprehensive income, after tax	80	5,443	-15,103	-9,740
Total other comprehensive income for the period	-32,933	253,811	-59,101	227,643
Total comprehensive income for the period attributable to the shareholders of the parent company	-32,933	253,811	-59,101	227,643

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	31 Mar 2021	31 Dec 2020
ASSETS		
Non-current assets		
Capitalized expenditure for development	149,318	208,938
Goodwill	38,752	58,166
Other intangible assets	3,381	7,830
Right-of-use assets	39,436	45,231
Equipment	21,675	24,989
Deferred tax asset	20,956	27,428
Deposits	5,022	5,400
Total non-current assets	278,540	377,982
Current assets		
Inventories	56,911	52,470
Accounts receivable	84,256	98,116
Other receivables	82,826	50,620
Cash and cash equivalents	298,305	283,184
Total current assets	522,298	484,390
TOTAL ASSETS	800,838	862,372
EQUITY AND LIABILITIES		
Equity attributable to parent company's shareholders		
Share capital	15,597	15,597
Other paid-in capital	1,192,727	1,192,727
Translation reserve	-187	-267
Accumulated deficit	-548,454	-515,441
Total shareholders' equity	659,683	692,616
Non-current liabilities		
Lease liabilities	30,794	35,498
Other liabilities	11,284	18,230
Total non-current liabilities	42,078	53,728
Current liabilities		
Lease liabilities	9,107	10,231
Accounts payable	14,621	17,093
Other liabilities	75,349	88,704
Total current liabilities	99,077	116,028
TOTAL EQUITY AND LIABILITIES	800,838	862,372

The balance sheet as of December 31, 2020, includes assets and liabilities related to the in 2021 divested business. See table on page 11 for divested assets and liabilities on March 31, 2021.

CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				Total shareholders' equity
	Share capital	Other paid-in capital	Translation reserve	Accumulated deficit	
January 1, 2020	15,597	1,192,727	9,473	-754,052	463,745
Warrants issued	-	-	-	1,228	1,228
Total comprehensive income	-	-	-9,740	237,383	227,643
December 31, 2020	15,597	1,192,727	-267	-515,441	692,616
January 1, 2021	15,597	1,192,727	-267	-515,441	692,616
Total comprehensive income	-	-	80	-33,013	-32,933
March 31, 2021	15,597	1,192,727	-187	-548,454	659,683

CONSOLIDATED STATEMENT OF CASH FLOWS INCLUDING DISCONTINUED OPERATIONS

SEK thousands	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Ongoing activities				
Profit/loss before tax	-32,333	249,426	-44,862	236,897
Income tax paid	-	-	-313	-313
Depreciation & amortization	16,168	13,909	62,146	59,887
Other items not affecting liquidity	27,596	-251,909	49,612	-229,893
Cash flow from operating activities before changes in working capital	11,431	11,426	66,583	66,578
Changes in working capital				
Increase-/decrease+ in inventories	-4,645	-14,954	-3,360	-13,669
Increase-/decrease+ in receivables	-3,491	-25,548	29,071	7,014
Increase+/decrease- in liabilities	15,974	-1,147	-26,935	-44,056
Cash flow from operating activities	19,269	-30,223	65,359	15,867
Investment activities				
Investment in intangible assets	-17,563	-21,346	-70,563	-74,346
Investment in tangible assets	-552	-3,026	-588	-3,062
Disposal of subsidiary, net effect on cash	15,129	302,348	15,129	302,348
Increase-/decrease+ in financial assets, net	-	-	-278	-278
Cash flow from investment activities	-2,986	277,976	-56,300	224,662
Financing activities				
Amortization leasing	-2,190	-2,381	-8,943	-9,134
Cash flow from financing activities	-2,190	-2,381	-7,715	-7,906
Net change in cash and cash equivalents	14,093	245,372	1,344	232,623
Exchange differences in cash and cash equivalents	1,028	476	-1,217	-1,769
Cash and cash equivalents at the beginning of the period	283,184	52,330	298,178	52,330
Cash and cash equivalents at the end of the period	298,305	298,178	298,305	283,184

DISAGGREGATION OF REVENUE

SEK thousands	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Net sales by product group				
Hardware	34,855	32,379	139,587	137,111
Software licenses	15,314	15,585	80,655	80,926
Support and Services	27,769	28,007	113,469	113,707
Total	77,938	75,971	333,711	331,744
Net sales by region				
WE	40,640	39,098	159,170	157,628
AM	25,248	24,221	118,233	117,206
RoW	12,050	12,652	56,308	56,910
Total	77,938	75,971	333,711	331,744
Timing of revenue recognition				
Products and services transferred at a point in time	50,201	47,976	220,289	218,064
Services transferred over time	27,737	27,995	113,422	113,680
Total	77,938	75,971	333,711	331,744

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category - Assets	Mar 31, 2021			31 Dec 2020		
	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss
SEK thousands						
Assets in Balance Sheet						
Derivative instruments	2		-	2		-
Accounts receivable and other receivables, excluding non-financial assets		168,094			130,667	
Cash and cash equivalents		298,305			283,134	
Total		466,399	-		413,801	-

Group's financial instruments by category - Liabilities	Mar 31, 2021			31 Dec 2020		
	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss
SEK thousands						
Liabilities in Balance Sheet						
Synthetic options	2		-	2		-
Derivative instruments	2		27	2		-
Accounts payable and other liabilities, excluding non-financial liabilities		18,696			22,763	
Lease liabilities		39,900			45,729	
Total		58,597	27		68,492	-

Financial instruments in tier 2

The fair value of derivative instruments is measured using exchange rates of currency forwards on the reporting date. The closing balance for synthetic options represents the total assessed value of a number of outstanding options, which has been measured on the basis of accepted market principles and are based on Net Insight's share price.

INCOME FROM DISCONTINUED OPERATIONS

SEK thousands	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Revenues	15,101	17,649	64,281	66,829
Expenses	-16,176	-16,741	-55,499	-56,064
Capital gain on disposal of discontinued operations	-35,919	246,350	-35,919	246,350
Profit/loss before tax	-36,994	247,258	-27,137	257,115
Tax	68	-164	-4,740	-4,972
Net income discontinuing operations	-36,926	247,094	-31,877	252,143

ASSETS HELD FOR SALE

SEK thousands	Mar 2021	Jan 2020
Disposed assets and liabilities		
Capitalized expenditure for development	70,198	79,756
Goodwill	22,932	-
Other intangible assets	3,642	-
Right-of-use assets	3,617	-
Equipment	2,688	250
Deferred tax asset	6,261	13,598
Deposits	407	-
Accounts receivable	7,916	-
Other receivables	1,859	186
Cash and cash equivalents	2,274	1,533
Lease liabilities, non-current	-2,593	-
Other liabilities, non-current	-5,862	-
Lease liabilities	-1,291	-
Accounts payable	-1,702	-
Other liabilities	-32,596	-2,875
Net assets and liabilities	77,750	92,448
Cash consideration	49,538	348,002
Less: Escrow	-24,428	-34,917
Less: Cash and cash equivalents in discontinued operations	-2,274	-1,533
Less: Transaction costs	-7,707	-9,204
Effect on group's cash and cash equivalents	15,129	302,348

CASHFLOW FROM DISCONTIUED OPERATIONS

SEK thousands	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Cash flow from discontinued operations, net				
Cash flow from operating activities	819	3,288	19,749	22,218
Cash flow from investment activities	11,960	295,667	-2,769	280,938
Cash flow from financing activities	-	-	-	-
Cash flow from discontinued operations, net	12,779	298,955	16,980	303,156

PARENT COMPANY INCOME STATEMENT, IN SUMMARY

SEK thousands	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Net sales	77,879	80,195	338,347	340,663
Cost of sales	-31,768	-29,124	-134,092	-131,448
Gross earnings	46,111	51,071	204,255	209,215
Sales and marketing expenses	-28,411	-24,846	-113,400	-109,835
Administration expenses	-13,278	-13,916	-55,133	-55,771
Development expenses	-10,413	-15,073	-51,442	-56,102
Other income expenses	7,767	9,520	-16,943	-15,190
Operating earnings	1,776	6,756	-32,663	-27,683
Net financial items	-68,274	194,262	-66,335	196,201
Profit/loss before tax	-66,498	201,018	-98,998	168,518
Tax	-708	-1,001	6,067	5,774
Net income	-67,206	200,017	-92,931	174,292

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	31 Mar 2021	31 Dec 2020
ASSETS		
Non-current assets		
Capitalized expenditure for development	149,318	144,776
Other intangible assets	3,381	3,981
Equipment	19,745	20,407
Participations in group companies	174,895	246,400
Deferred tax asset	20,210	20,919
Deposits	4,927	4,927
Total non-current assets	372,476	441,410
Current assets		
Inventories	56,911	52,470
Accounts receivable	84,721	90,453
Receivables from group companies	-	-
Other receivables	84,278	50,520
Cash and cash equivalents	273,958	263,558
Total current assets	499,868	457,001
TOTAL ASSETS	872,344	898,411
EQUITY AND LIABILITIES		
Equity		
Restricted equity	248,106	200,181
Non-restricted equity	381,426	496,557
Total equity	629,532	696,738
Non-current liabilities		
Other liabilities	11,519	11,357
Total non-current liabilities	11,519	11,357
Current liabilities		
Accounts payable	14,621	15,557
Liabilities to group companies	150,318	120,390
Other liabilities	66,354	54,369
Total current liabilities	231,293	190,316
TOTAL EQUITY AND LIABILITIES	872,344	898,411

ACCOUNTING POLICIES

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations of the Swedish Annual Accounts Act. The Interim Report of the parent company complies with chapter 9 of the Swedish Annual Accounts Act, Interim Financial Reporting, and RFR 2 Accounting for Legal Entities.

Disclosures in accordance with IAS 34 are presented in the interim financial statements and the associated notes as well as elsewhere in the interim financial report.

There are no new or amended International Financial Reporting Standards (IFRS) that have had a material impact on the Company's financial reporting.

Business area Resource Optimization (ScheduALL) was divested on March 31, 2021, and business area Streaming Solutions (Sye) was divested on January 3, 2020. Hence, Net Insight has now only one business area and segment. The divested business areas are presented in the report as discontinued operations. As a result of the divestment, certain costs for central functions has been reallocated between the various business areas. Most of these costs are fixed and do not accompany the divested operations.

Except for stated above, the same accounting principles and basis of calculation as those used in the latest Annual Report have been applied to the group and parent company. For a description of these accounting principles, please refer to the Annual Report for 2020.

The preparation of the Interim Report requires management to make judgements, estimates and assumptions that affect the company's earnings and position and information presented generally. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including

expectations of future events that are believed to be reasonable under the circumstances. For a description of these estimates and assumptions, please refer to the Annual Report for 2020.

Figures in brackets in this report refer to comparison with the corresponding period or date in the previous year, if not stated otherwise. Divergences due to rounding may occur in this report.

TAX

The group reported tax of total SEK -0.7 (1.1) million for the period January–March 2021, of which SEK -0.7 (-0.9) million relates to continuing operations. Reported tax corresponds to an effective tax rate of 2.1 (-0.4) percent and 16.0 (-41.2) percent, respectively. The group recognized a capital loss/gain from discontinued operations of SEK -35.9 (246.4) million, which is a non taxable income. The effective tax rate is also affected by the relative effects of foreign tax rates and temporary differences.

Remaining tax loss carry-forwards for group companies amounted to SEK 98.1 million at the end of the period, compared to SEK 102.2 million for continuing business as of December 31, 2020.

CONTRIBUTED EQUITY

No own shares have been repurchased during January-March 2021.

At the end of the reporting period, the parent company had a total of 7,175,000 of its own class B shares, at an average cost of SEK 4.44 per share and with a par value of SEK 0.04 per share. The shares are held as own shares. The parent company has the right to reissue these shares at a later date.

All shares issued by the parent company were fully paid.

The division of shares	31 Mar, 2021			31 Dec, 2020		
	A-shares	B-shares	Total	A-shares	B-shares	Total
Outstanding shares	1,000,000	381,758,009	382,758,009	1,000,000	381,758,009	382,758,009
Repurchased own shares	-	7,175,000	7,175,000	-	7,175,000	7,175,000
Issued shares	1,000,000	388,933,009	389,933,009	1,000,000	388,933,009	389,933,009

TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties during the period.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the end of the reporting period.

AUDITORS' REVIEW

This Report has not been reviewed by the company's auditors.

THIS IS NET INSIGHT

Business concept and model

Net Insight is defining new ways to deliver media. Net Insight is driving the transformation of video networks with open IP, virtualized and cloud solutions that enable our customers to simply and cost-effectively create live experiences. With the product area Media Networks, Net Insight is opening up new routes for customers to produce and deliver content to viewers anywhere. Revenues are generated through sales of hardware and software solutions and services.

Strategy

Net Insight wants to set the benchmark for media transport and help broadcasters, production companies, service providers and enterprises to transform their media businesses – enabling them to benefit from new software defined, virtual and distributed media workflows, without discarding their existing hardware investments. Net Insight wants to empower customers to work smarter through remote/distributed production and flexible networks.

Net Insight is technology agnostic and has built the market's most open and cloud-ready video centric media delivery platform, allowing customers to deliver content on any network, their way.

The main strategic objective is to accelerate growth, in both existing and closely related market and customer segments. This will be achieved through a combination of leveraging our unique portfolio and our industry expertise, strengthened solutions competitiveness, and improved internal execution.

Value creators

The solutions are deployed by the world's leading media brands to keep their mission-critical media networks running smoothly. New technology is enabling these players to adopt new, more cost efficient and flexible ways to produce and deliver content. Net Insight can play an important role to support our customers making this gradual transition.

Net Insight benefits from underlying market trends like the general increase in video traffic, live streaming and file-based transfers. Other trends supporting the company's growth prospects include the broader coverage of live events, move towards remote production and increased use of Internet and cloud for media production and transport.

REPORTING DATES

Annual General Meeting	May 7, 2021
Interim report January – June	July 16, 2021
Interim report January – September	November 9, 2021

Solna, Sweden, April 20, 2021

Crister Fritzson
CEO

This interim report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish interim report and the English translation the former shall have precedence.

For more information, please contact:

Crister Fritzson, CEO, Net Insight AB (publ)
Phone: +46 (0)8-685 04 00
Email: crister.frtizson@netinsight.net

Joakim Schedvins, CFO, Net Insight AB (publ)
Phone: +46 (0)8-685 04 00
Email: joakim.schedvins@netinsight.net

Net Insight AB (publ), corp.id.no. 556533-4397
Box 1200, 171 23 Solna, Sweden
Phone. +46 (0)8 – 685 04 00
www.netinsight.net

This information is information that Net Insight AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 8:45 am CEST on April 20, 2021.

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Earnings continuing operations				
Net sales	77.9	76.0	333.7	331.7
Gross earnings	45.1	47.0	200.0	201.9
Operating expenses	49.8	51.7	200.6	202.5
Total development expenditure	28.1	29.4	104.6	105.9
EBITDA	2.6	1.1	-17.8	-19.3
Operating earnings	3.1	4.8	-17.2	-15.6
Profit/loss before tax	4.7	2.2	-17.7	-20.2
Net income	3.9	1.3	-12.1	-14.8
Balance sheet and cash flow including discontinued operations				
Cash and cash equivalents	298.3	298.2	298.3	283.2
Working capital	71.2	38.0	53.5	57.8
Total cash flow	14.1	245.4	1.3	232.6
The share				
Dividend per share, SEK	-	-	-	-
Earnings per share basic and diluted continuing operations, SEK	0.01	0.00	-0.03	-0.04
Earnings per share basic and diluted discontinuing operations, SEK	-0.10	0.65	-0.08	0.66
Earnings per share basic and diluted total, SEK	-0.09	0.65	-0.11	0.62
Cash flow per share, SEK	0.04	0.64	0.00	0.61
Equity per share basic and diluted, SEK	1.72	1.87	1.72	1.81
Average number of outstanding shares basic and diluted, thousands	382,758	382,758	382,758	382,758
Number of outstanding shares at the end of the period basic and diluted, thousands	382,758	382,758	382,758	382,758
Share price at end of period, SEK	2.61	1.75	2.61	1.58
Employees and consultants continuing operations				
Average number of employees and consultants	153	148	169	152
KPI continuing operations				
Net sales YoY, change in %	2.6%	-18.8%	-7.3%	-12.2%
Gross margin	57.9%	61.8%	59.9%	60.9%
Total development expenditure/Net sales	36.1%	38.6%	31.3%	31.9%
Operating margin	4.0%	6.3%	-5.2%	-4.7%
EBITDA margin	3.3%	1.5%	-5.3%	-5.8%
Net margin	5.0%	1.7%	-3.6%	-4.4%
KPI Group including discontinued operations				
Return on capital employed	-1.2%	-3.3%	-1.1%	-0.6%
Equity/asset ratio	82.4%	76.7%	82.4%	80.3%
Return on equity	-6.3%	42.4%	-6.3%	36.0%

ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Non-IFRS financial measures are presented to enhance an investors and management possibility to evaluate the ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of result between periods. The APMs in this report may differ from similar-titled measures used by other companies. APMs regarding to the income statement are calculated on continuing operations unless otherwise stated. APMs regarding the balance sheet are calculated on the whole group including discontinued operations, unless otherwise stated.

Calculation of performance measures not included in IFRS framework

Performance measures		
Various types of performance measures and margin measures as a percentage of sales.		
Non-IFRS performance measures	Description	Reason for use of the measure
Gross margin	Gross earnings as a percentage of net sales.	The gross margin is of major importance, showing the margin for covering the operating expenses.
Gross margin excl. amortization of capitalized development	Gross earnings excl. amortization of capitalized development as a percentage of net sales.	
Operating expenses	Sales and marketing expenses, administration expenses and development expenses.	
Operating expenses/net sales	Operating expenses as a percentage of net sales.	Used in charts to illustrate trend.
Operating earnings	Calculated as operating earnings before financial items and tax.	Operating earnings provides an overall picture of earnings generated in the operating activities.
Operating margin	Operating earnings as a percentage of net sales.	The operating margin is a key measure together with sales growth and capital employed for monitoring value creation.
Net sales YoY, change in %	The relation between net sales for the period and the corresponding sales for the comparative period in previous year.	The sales growth is a key measure together with operating margin and capital employed for monitoring value creation.
Change in Net sales in comparable currencies	The relation between the net sales for the period, recalculated using the foreign currency rates from the comparative period, and the corresponding sales for the comparative period in previous year. Only sales from business combinations that has been part of the Group for the whole comparative period are recalculated.	This measure is of major importance for management in its monitoring of underlying sales growth driven by changes in volume, price and product mix for comparable currency rates between different periods.
Net margin	Net Income as a percentage of net sales.	The net margin shows the remaining share of net sales after all the company's costs have been deducted.
Total development (R&D) expenditure	Development expenses and capitalized expenditures for development.	The measure is a good complement to development expenses, as it shows the company's total expenditure in development. The development expenditures effect on income, financial position, and presentation in the statement of cashflow is affected by the periods level of capitalized development expenditures.
Capitalization rate	Capitalized development expenditures as a percentage of total development expenditures.	
Total development (R&D) expenditure/net sales	Total development expenditure as percentage of net sales.	
EBITDA	Operating earnings before depreciation and amortization and capitalization of development expenditure.	The measures are good complements to operating earnings and margin as it, simplified, shows the earnings-generated cash flow in the operation and it shows operating earnings without influence of variations in the level of capitalized development expenditures in the company's development projects.
EBITDA margin	EBITDA as a percentage of net sales.	
Region	Region. <ul style="list-style-type: none"> • Western Europe (WE). • Americas (AM), North and South America. • Rest of World (RoW), countries outside of Western Europe and Americas. 	

Change in net sales in comparable currencies SEK millions (if not defined differently)	Jan-Mar		Jan-Dec
	2021	2020	2020
Net sales	77.9	76.0	331.7
Net currency effect of comparable currencies	6.8	-2.6	5.7
Net sales in comparable currencies	84.8	73.4	337.4
Change in net sales in comparable currencies	11.6%	-21.6%	-10.7%

KPI Income Statement SEK millions (if not defined differently)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Continuing operations				
Net sales	77.9	76.0	333.7	331.7
Net sales YoY, change in %	2.6%	-18.8%	-7.3%	-12.2%
Cost of sales ex. amortization of capitalized development	-23.0	-21.7	-99.7	-98.4
Gross earnings ex. amortization of capitalized development	54.9	54.3	234.0	233.3
Gross margin ex. amortization of capitalized development	70.5%	71.4%	70.1%	70.3%
Cost of sales amortization of capitalized development	-9.9	-7.3	-34.0	-31.4
Gross earnings	45.1	47.0	200.0	201.9
Gross margin	57.9%	61.8%	59.9%	60.9%
Sales and marketing expenses	-23.0	-23.1	-92.5	-92.6
Administration expenses	-13.1	-14.0	-53.7	-54.6
Development expenses	-13.7	-14.7	-54.3	-55.3
Operating expenses	-49.8	-51.7	-200.6	-202.5
Operating expenses/net sales	63.9%	68.1%	-60.1%	61.0%
Other operating income and expenses	7.9	9.5	-16.7	-15.0
Operating earnings	3.1	4.8	-17.2	-15.6
Operating margin	4.0%	6.3%	-5.2%	-4.7%
Net financial items	1.5	-2.6	-0.5	-4.6
Profit/loss before tax	4.7	2.2	-17.7	-20.2
Tax	-0.7	-0.9	5.6	5.5
Net income continuing operations	3.9	1.3	-12.1	-14.8
Net margin continuing operations	5.0%	1.7%	-3.6%	-4.4%
Discontinued operations, net after tax	-36.9	247.1	-31.9	252.1
Net Income	-33.0	248.4	-44.0	237.4

EBITDA margin continuing operations SEK millions (if not defined differently)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Operating earnings	3.1	4.8	-17.2	-15.6
Amortization of capitalized development expenditure	9.9	7.3	34.0	31.4
Other depreciation, amortization & impairment	4.0	3.7	15.7	15.4
Capitalization of development expenditure	-14.4	-14.6	-50.3	-50.5
EBITDA	2.6	1.1	-17.8	-19.3
Net sales	77.9	76.0	333.7	331.7
EBITDA margin	3.3%	1.5%	-5.3%	-5.8%

Development expenditure continuing operations SEK millions (if not defined differently)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Development expenses	13.7	14.7	54.3	55.3
Capitalization of development expenditure	14.4	14.6	50.3	50.5
Total development expenditure	28.1	29.4	104.6	105.9
Capitalization rate	51.2%	49.8%	48.1%	47.7%
Net Sales	77.9	76.0	333.7	331.7
Total development expenditure/net sales	36.1%	38.6%	31.3%	31.9%

Capital and return measures	Shows how capital is utilized and the company's financial strength. Return is a financial term that describes how much the value of an asset changes from an earlier point in time.	
Non-IFRS performance measure	Description	Reason for use of the measure
Working capital	Current assets less cash and cash equivalents, accounts payable and other interest-free current liabilities. The Company has no interest-bearing liabilities, excluding lease liabilities. Changes in working capital in the cash flow statement also includes adjustments for items not affecting liquidity and changes in non-current operating assets and liabilities.	This measure shows how much working capital that is tied up in the operations and can be put in relation to sales to understand how effectively tied up working capital is used.
Capital employed	The Company capital employed is calculated as an average of total assets, less total liabilities, excluding interest-bearing liabilities. The Company has no interest-bearing liabilities, excluding lease liabilities.	Return on capital employed is the central ratio for measuring the return on the capital tied up in operations.
Return on capital employed	Operating earnings plus interest income, in relation to average capital employed, rolling four quarters.	
Equity/asset ratio	Shareholders' equity divided by the balance sheet total.	A traditional measure for showing financial risk, expressing the ratio of the assets that is financed by the owners.
Return on equity	Net income as a percentage of average shareholders' equity, rolling four quarters. .	Return on equity shows the total return on shareholders' capital and reflects the effect of the company's profitability as well as the financial leverage. The measure is primarily used to analyze shareholder profitability over time.
Investments	Investments in intangible and tangible assets.	
Total cash flow	Change in cash and cash equivalents during the period, excluding exchange differences in cash and cash equivalents.	

Working capital SEK millions	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Current assets	459.8	359.3	382.5	424.3
Cash and cash equivalents	-290.7	-175.3	-193.9	-237.1
No interest-bearing short term liabilities	-97.9	-146.0	-135.2	-129.4
Working capital	71.2	38.0	53.5	57.8

In current assets, assets held for sale are excluded, as they mainly relate to capitalized development expenses.

Return on capital employed including discontinued operations SEK millions (if not defined differently)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
<i>Capital employed</i>				
Total balance	831.5	810.8	879.5	856.6
No interest-bearing liabilities	-112.6	-167.5	-130.6	-148.3
Capital employed	718.9	643.3	748.9	708.3
<i>Operating earnings less interest income R4Q</i>				
Operating earnings R4Q	-8.2	-20.8	-8.2	-4.3
Interest income R4Q	0.3	0.6	0.3	0.2
<i>Operating earnings less interest income R4Q</i>	<i>-8.5</i>	<i>-21.4</i>	<i>-8.5</i>	<i>-4.5</i>
Return on capital employed	-1.2%	-3.3%	-1.1%	-0.6%

Equity/asset ratio SEK millions (if not defined differently)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Equity	659.7	717.6	659.7	692.6
Total equity and liabilities	800.8	935.1	800.8	862.4
Equity/asset ratio	82.4%	76.7%	82.4%	80.3%

Return on equity including discontinued operations SEK millions (if not defined differently)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Net income - R4Q	-44.0	224.7	-44.0	237.4
Average equity - R4Q	698.2	530.1	698.2	659.0
Return on equity	-6.3%	42.4%	-6.3%	36.0%

Shareholders' information		Measures related to the share.	
Non-IFRS performance measure	Description	Reason for use of the measure	
Dividend per share	Dividend divided by the average number of outstanding shares during the period.	Measures showing the return of the business to the owners, per share.	
Earnings per share (EPS)	Net income divided by the average number of outstanding shares during the period.		
Cash flow per share	Total cash flow, divided by average number of outstanding shares during the period.		
Equity per share	Shareholders' equity divided by number of outstanding shares at the end of the period.		
Average number of outstanding shares	Total number of shares in the Parent company, less the number of group companies' holdings of shares in the Parent company (own/treasury shares).		

Employees		Measures related to employees.	
Non-IFRS performance measure	Description	Reason for use of the measure	
Average number of employees and consultants/co-workers	The average number of employees and consultants for non-temporary positions (longer than nine months) and who do not replace absent employees, in FTE (Full-time equivalent).	To supplement the number of employees with consultants gives a better measure of the Company's cost.	

Average number of employees and consultants	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Average number of employees	169	166	172	168
Average number of consultants	28	32	35	30
Total average number of employees and consultants	197	198	207	198
Average number of employees and consultants discontinued operations	-44	-50	-38	-46
Net Average number of employees and consultants continuing operations	153	148	169	152

MATERIAL PROFIT AND LOSS ITEMS

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group:

Material profit and loss items		Jan-Mar		Apr 2020-	Jan-Dec
SEK millions	Note	2021	2020	Mar 2021	2020
Effects of the Net Insight share price development during the period					
Share-based benefits	(a)	-0.2	0.1	-0.3	-0.0
Synthetic options, change in value	(b)	-	0.1	0.0	0.1
Total		-0.2	0.1	-0.3	0.0
Exchange rate differences					
Part of Other operating income & expenses		7.5	9.2	-17.7	-16.0
Part of Net Financial Items		1.8	-2.1	0.3	-3.5
Total Exchange rate differences		9.3	7.1	-17.3	-19.5
Government grants Covid-19					
Reduction of employee expenses		-	-	3.4	3.4
Other operating income		0.1	-	0.8	0.7
Total		0.1	-	4.2	4.1
Items affecting comparability					
Restructuring	(c)	-	-	-0.9	-0.9
Government grants Covid-19, other operating income	(d)	0.1	-	0.7	0.7
Total		0.1	-	-0.2	-0.3
Operating earnings excluding items affecting comparability continuing operations					
Operating earnings		3.1	4.8	-17.2	-15.6
Items affecting comparability, as per above		-0.1	-	0.2	0.3
Operating earnings excluding items affecting comparability		3.0	4.8	-17.0	-15.3

All items in the table above effects operating earnings, except for (b) that effects net financial items.

- (a) Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program.
- (b) Net Insight has synthetic option programs. The synthetic options are revaluated on a current basis to fair value by applying an options valuation model. The changes in value during the term of the options are presented as a financial item. To financially hedge future cash flow effects of the company's commitments in the synthetic option programs, if the share price would exceed the strike price, the parent company has repurchased its own shares. The repurchased of own shares is deducted from equity, retained earnings, and are not revaluated to fair value on a current basis.
- (c) Severance pay in due to structural changes.
- (d) Costs for strategic advisory services and preparation for capital injection, which were interrupted as a result of the divestment of the Sye business.

Net Insight AB (publ)

Telefon: +46 (0)8 685 04 00, info@netinsight.net, www.netinsight.net

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