Exasol
The analytics database

Half-Year Report 2023

Content

Interim Group management report

for H1 2023

Overall assessment by the Executive Board

Exasol AG's performance in the first half of the current financial year presented a mixed picture. On the one hand, ARR growth was not as dynamic as had been expected at the beginning of the year. This was mainly due to the fact that major projects were postponed to a later billing period. On the other hand, cost efficiency continued to increase, so that losses could be reduced noticeably in the first half of the year on growing revenues. The expectation of becoming profitable on a quarterly basis in the second half of 2023 thus remains unchanged.

At total, ARR rose by EUR 1.0 million in the first six months of 2023, which was below expectations. This mainly applied to business with new customers, which was still sluggish in the first half of the year. Over the past 12 months, ARR thus increased by a total of EUR 4.2 million, which corresponds to a growth rate of approx. 13%. At the beginning of the second half of the year, however, ARR already showed a noticeable recovery, growing by EUR 0.6 million in July 2023 alone.

A main focus in the first half of the year was placed on further sharpening the company's strategic positioning to enable more efficient market access. Sustainably accelerating growth in the USA played an important role in this context. The reorganization initiated in mid-2022 bore fruit already in the first quarter of 2023, enabling disproportionate high growth. By reorganizing the sales team and targeting customers in a much more focused manner, the organization has also been able to successively build up the pipeline, thus laying the basis for future growth. Today already, renowned customers such as T-Mobile, Dell or Verizon use Exasol's software. Further expanding this basis is one of the main objectives for the future.

Exasol also placed a focus on further increasing customer orientation and promoting a more customer-centric culture within Exasol. For this purpose, a "Customer 360" project was launched to promote a closer dialog with the customer. The aim is to even better understand the needs of the customer and to consider these both in the further development of the product portfolio and in customer service.

The first half of 2023 also saw new products and services being added to the portfolio. In this context, Exasol launched a new product version of its improved SaaS solution in May 2023. This is an important addition to the portfolio that makes it very easy for customers to independently launch their database directly as a service and use it on a pay-as-you-go basis (hourly billing). In addition, this solution enables the use of "elasticity in the cloud", whereby data are stored inexpensively and made available only selectively for analysis. This will accelerate growth and the winning of new customers in the second half of the year. In addition, product enhancements are planned for the second half of the year that will further facilitate and enhance the use of the Exasol database for AI/ML (data science) and BI acceleration.

The improved strategic positioning, growing customer centricity and the expansion of the product portfolio provide a good basis for accelerated growth this year, but especially in the coming years. ARR growth in the first half of the year has not yet entirely met the company's expectations. Over time, however, the measures taken will unfold their full effect. In addition, the general trend towards digitalization and the growing data volumes will have a positive influence on growth opportunities. The Executive Board thus considers the general business performance as well as the net assets, financial position and results of operation to be satisfactory on balance. The main market drivers remain intact and the Executive Board sees great market opportunities in the long term, which should be reflected in continued growth and greatly improved profitability.

Economic performance January to June 2023

Revenues

ARR climbed to EUR 36.3 million in the first half of 2023. This represents an increase of 13.1% compared to the same period of the previous year (30 June 2022: EUR 32.1 million). A total of 6 new customers were won in the first six months of 2023 (H1 2022: 14 new customers), while 14 customers terminated their contracts during the same period (H1 2022: 4); as a result, the total number of customers declined to 207 in the first half of 2023 (31 December 2022: 215).

Revenues rose by 10,6% to EUR 17.8 million in the first half of 2023 (H1 2022: EUR 16.1 million). The share of recurring revenues increased to 95.5% (H1 2022: 93.8%). Recurring revenues are not the same as ARR (annual recurring revenues), but are a subset of total revenues that have a recurring nature.

In EUR millions	H1 2023	H1 2022	Change
Annual recurring revenue (ARR)	36.3	32.1	13.1%
Revenue	17.8	16.1	10.6%
Recurring revenue	17.0	15.1	12.6%
In % of revenues	95.5	93.8	1.7 pp
Other revenue	0.8	1.0	-20.0%
In % of revenues	4.5	6.2	-1.7 pp

A breakdown of total revenues by the four regions – DACH (Germany, Austria, Switzerland), Great Britain, North America and Rest of World – is provided below:

In EUR millions	H1 2023	H1 2022	Change
DACH	11.5	10.9	5.5%
Great Britain	1.3	1.1	18.2%
North America	3.0	2.2	36.4%
Rest of the world	2.0	1.9	5.3%
Total revenues	**17.8**	**16.1**	**10.6%**

The share of revenues of the DACH region, which is currently the most important region for Exasol, remained high and rose by 5.5% in the reporting period. At the same time, the importance of the North America region has increased:

In % of total revenues	H1 2023	H1 2022
DACH	65	68
Great Britain	7	7
North America	17	14
Rest of the world	11	12

Earnings

In EUR millions	H1 2023	H1 2022	Change
Revenue	17.8	16.1	1.7
Own work capitalized	-	-	-
Other operating income	1.6	2.6	-1.0
Cost of materials	-1.6	-1.1	-0.5
Personnel expenses	-14.9	-14.9	0.0
Other operating expenses	-6.5	-6.8	0.3
EBITA	**-3.7**	**-4.1**	**0.4**
Depreciation/amortization	-1.3	-1.4	0.1
Financial result	0.0	-0.1	0.1
Result from ordinary activities	**-5.1**	**-5.6**	**0.5**
Taxes	0.1	-	0.1
Consolidated net income	**-5.0**	**-5.6**	**0.6**

Other operating income amounted to EUR 1.6 million in the first half of 2023, compared to income of EUR 2.6 million in the same period of the previous year. The high income in the previous year was attributable to the revaluation of Executive Board stock appreciation rights, in the context of which provisions of EUR 2.3 million were released through profit/loss. Adjusted for this effect, other operating income clearly exceeded the level of the previous year. This is due to a research subsidy of approximately EUR 1.4 million for the development of product innovations in accordance with the German Research Grant Act. This was offset by related costs of EUR 0.5 million, which were recognized in other operating expenses. At the bottom line, this had a positive impact of approximately EUR 0.9 million on the operating result.

The **cost of materials** rose to EUR 1.6 million in the first half of 2023 (H1 2022: EUR 1.1 million). The main reason for this is a slightly changed product mix due to higher revenues from appliances (bundling of hardware and software) and increased energy costs. The cost of materials also comprises expenses for the ExaCloud infrastructure (leasing of servers and expenses relating to the operation of the data center), which remained essentially unchanged compared to the previous year.

At EUR 14.9 million, **personnel expenses** remained unchanged in the first half of 2023 (H1 2022: EUR 14.9 million). However, this item includes one-time expenses for the replacement of executives in the amount of EUR 0.6 million; adjusted for this effect, this item improved. Adjusted for the one-time expenses, personnel expenses declined by 4.0%. The decline is mainly attributable to a reduced headcount, which stood at 190 at the end of the first half of 2023 (30 June 2022: 213).

Other operating expenses amounted to EUR 6.5 million in the first half of 2023, which was below the previous year's EUR 6.8 million. This includes one-time expenses of approx. EUR 0.3 million for the capital increase in late June 2023 and the abovementioned costs of EUR 0.5 million in connection with the application for research funding. Adjusted for these one-time effects, other operating expenses were down by 16.2% on the prior year period.

The Exasol Group's earnings before interest, taxes, depreciation and amortization **(EBITDA)** thus improved to EUR -3.7 million in the first half of 2023 (H1 2022: EUR -4.1 million). Since EBITDA in the first half of 2022 still included income of EUR 1.9 million for the reversal of share-based remuneration, which did not recur in the current financial year, but costs for the June 2023 capital increase had an unscheduled impact on earnings in the first half of 2023, a comparison of **adjusted EBITDA** is the more meaningful indicator for assessing the improvement in operating performance. Adjusted for the above effect, adjusted EBITDA improved by 43% to EUR -3.4 million, compared to a loss of EUR -6.0 million in the same period of the previous year. The improvement is mainly due to the increase in revenues in combination with further improved cost efficiency, especially in the marketing area. The abovementioned research subsidy contributed an additional EUR 0.9 million to this improvement.

Reconciliation of adjusted EBITDA

In EUR millions	H1 2023	H1 2022
EBITDA (reported)	-3.7	-4.1
+ share-based remuneration	-	-1.9
+ expenses for capital measures	0.3	-
= adjusted EBITDA	-3.4	-6.0

At EUR 1.3 million, depreciation/amortization remained roughly at the prior year level in the first half of 2023 (H1 2022: EUR 1.4 million). Together with a financial result of EUR 0.0 million (H1 2022: EUR -0.1 million) and tax income of EUR 0.1 million (H1 2022: EUR 0.0 million), **earnings after taxes** in the reporting period improved to EUR -5.0 million (H1 2022: EUR -5.6 million).

Net assets and financial position

Compared to the prior year reporting date (31 December 2022), total assets declined to EUR 21.3 million as of 30 June 2023 (31 December 2022: EUR 23.2 million), which was due to the operating result in the first half of 2023 and the depreciation-related reduction in fixed assets.

Assets

In EUR millions	30 Jun. 2023	31 Dec. 2022	Change
Intangible assets	4.7	5.7	-1.0
Property, plant and equipment	0.4	0.7	-0.3
Total fixed assets	**5.1**	**6.4**	**-1.3**
Inventories	-	0.2	-0.2
Receivables and other assets	3.2	2.6	0.6
Cash and cash equivalents	11.7	12.7	-1.0
Total current assets	**14.9**	**15.5**	**-0.6**
Prepaid expenses	1.3	1.3	0.0
TOTAL ASSETS	**21.3**	**23.2**	**-1.9**

Intangible assets declined to EUR 4.7 million in the first half of 2023 (31 December 2022: EUR 5.7 million). This trend was mainly driven by the change in the methods used to manage software development resources and the fact that own work was no longer capitalized as of 1 January 2022. Depreciation/amortization of earlier capitalizations was therefore no longer offset by additions in the reporting period, resulting in a decrease in the balance sheet item as of 30 June 2023. Accordingly, **fixed assets** declined from EUR 6.4 million as of 31 December 2022 to EUR 5.1 million on the balance sheet date. As of the end of the reporting period, intangible assets represented 92.1% of total fixed assets (31 December 2022: 89.7%).

At the same time, **current assets** declined slightly to EUR 14.9 million (31 December 2022: EUR 15.5 million). This reflects the decline in short-term cash and cash equivalents to finance the operations as well as the payment of employee entitlements from the 2020 IPO. Optimized working capital management had an improving effect on liquidity. Cash and cash equivalents therefore declined only slightly to EUR 11.7 million in the reporting period (31 December 2022: EUR 12.7 million).

Equity and liabilities

In EUR millions	30 Jun. 2023	31 Dec. 2022	Change
Equity	0.4	5.5	-5.1
Provisions	2.9	5.8	-2.9
Liabilities	3.1	2.8	0.3
Deferred income	14.7	8.9	5.8
Deferred tax liabilities	0.1	0.2	-0.1
TOTAL EQUITY AND LIABILITIES	**21.3**	**23.2**	**-1.9**

Group equity declined to EUR 0.4 million as of the balance sheet date (31 December 2022: EUR 5.5 million). This is equivalent to a consolidated equity ratio of 1.8% (31 December 2022: 23.7%). The change in equity is largely attributable to the negative result for the first half of 2023. At the end of June 2023, the company carried out a capital increase, issuing 2.4 million new shares at an issue price of EUR 2.90. This significantly strengthened equity and increased the equity ratio above the year-end 2022 level. As the capital increase was entered in the Commercial Register on 11 July 2023, the effect is not yet visible in the balance sheet as of 30 June 2023.

Provisions were down by 51.7% compared to 31 December 2022 and amounted to EUR 2.9 million as of 30 June 2023 (31 December 2022: EUR 5.8 million). This represents 13.6% of total assets (31 December 2022: 32.8%). The decline is essentially attributable to the partial payment of employee entitlements in the amount of EUR 1.9 million acquired in the context of the 2020 IPO (SAR program). As at the reporting date of 30 June 2023, the remaining provisions for the SAR program amounted to EUR 0.7 million (31 December 2022: EUR 2.5 million). Liabilities rose slightly to EUR 3.1 million as of 30 June 2023 (31 December 2022: EUR 2.8 million).

Deferred income climbed to EUR 14.7 million as of the balance sheet date (31 December 2022: EUR 8.9 million). This was mainly attributable to the increased business volume.

Changes in cash and cash equivalents

In EUR millions	H1 2023	H1 2022	Change
Operating cash flow	-1.0	-7.6	6.6
Cash flow from investing activities	-	-0.3	0.3
Cash flow from financing activities	-	-0.1	0.1
Net change in cash and cash equivalents	**-1.0**	**-8.0**	**7.0**

Operating cash flow for the first six months stood at EUR -1.0 million, which represented a clear improvement compared to the same period of the previous year (H1 2022: EUR -7.6 million). This is mainly due to improved working capital management and Exasol's increased profitability. Cash flow from **investing activities** amounted to EUR 0.0 million in the reporting period (H1 2022: EUR -0.3 million). As Exasol still has not raised any debt capital for financing purposes, cash flow from **financing activities** amounted to EUR 0.0 million in the first half of 2023 (H1 2022: EUR -0.1 million). Cash and cash equivalents thus stood at EUR 11.7 million as at the reporting date of 30 June 2023 (30 June 2022: EUR 19.3 million). In addition, the company has an unused credit line of EUR 1 million with its principal bank. At the time of the preparation of this report, the Executive Board assumes that it will be able to meet in full all payment obligations known and expected to date. The Executive Board is not aware of any business developments that could lead to potential liquidity bottlenecks.

Changes to the opportunities and risk report

The assessment of the opportunities and risks of Exasol AG has not changed materially compared to the statements made in the 2022 Annual Report.

Forecast

For the financial year 2023, management continues to project an increase in ARR to between EUR 42.5 million and EUR 44.0 million. At the same time, the adjusted operating result (adj. EBITDA) is expected to improve to between EUR -3 million and EUR -1 million (adjusted EBITDA 2022: EUR -13.4 million). In view of the results of the first six months, the Executive Board expects to reach the lower end of the forecast, however.

While the forecast for cash and cash equivalents at the end of 2023 also remains unchanged, it is increased by the positive effect from the capital increase on 29 June 2023. In this context, the company collected net proceeds of EUR 6.8 million in July 2023. Accordingly, the Executive Board now expects cash and cash equivalents to amount to between EUR 15.8 million and EUR 17.8 million at the end of the year (before the capital increase: EUR 9 million to EUR 11 million).

Exasol
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Interim Consolidated Financial Statements

Consolidated balance sheet
Consolidated income statement for the period
Consolidated statement of cash flows

Consolidated balance sheet

as at 30 June 2023

Assets	30 June 2023 EUR	30 June 2023 EUR	31 December 2022 EUR	31 December 2022 EUR
A. Fixed assets				
I. Intangible assets				
1. Internally generated industrial property rights and similar rights and assets	4,023,017.10		4,971,768.10	
2. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	509,526.45		621,210.44	
3. Goodwill	130,209.51	4,662,753.06	159,145.50	5,752,124.04
II. Property, plant and equipment				
Other equipment, operating and office equipment		408,604.58		660,434.82
		5,071,357.64		**6,412,558.86**
B. Current assets				
I. Inventories				
Goods		0.00		158,753.26
II. Receivables and other assets				
1. Trade receivables	1,614,921.09		1,885,705.38	
2. Other assets	1,604,059.66	3,218,980.75	704,192.75	2,589,898.13
III. Cash and cash equivalents		11,717,953.96		12,727,979.55
		14,936,934.71		**15,476,630.94**
C. Prepaid expenses		**1,298,594.85**		**1,312,045.97**
		21,306,887.20		**23,201,235.77**

Consolidated balance sheet

as at 30 June 2023

Equity and liabilities	30 June 2023 EUR	30 June 2023 EUR	31 December 2022 EUR	31 December 2022 EUR
A. Equity				
I. Issued capital				
1. Subscribed capital	24,438,870.00		24,438,870.00	
2. Nominal value of own shares	-298,397.00	24,140,473.00	-298,397.00	24,140,473.00
II. Capital reserve		108,890,548.49		108,890,548.49
III. Difference in equity due to currency translation		313,303.30		372,123.78
IV. Accumulated deficit brought forward		-127,932,531.63		-112,918,444.29
V. Consolidated profit/loss for the year		-4,978,617.33		-15,014,087.34
		433,175.83		**5,470,613.64**
B. Provisions				
1. Provisions for taxes		18,107.17		315,850.80
2. Other provisions		2,912,050.72		5,525,051.35
		2,930,157.89		**5,840,902.15**
C. Liabilities				
1. Trade payables		1,665,869.08		1,653,183.61
2. Other liabilities – thereof for taxes: EUR 553,687.75 (PY: EUR 508,595.04) – thereof for social security: EUR 55,289.43 (PY: EUR 105,125.63)		1,432,285.79		1,190,205.06
		3,098,154.87		**2,843,388.67**
D. Deferred income		**14,715,191.11**		**8,887,187.81**
E. Deferred tax liabilities		**130,207.50**		**159,143.50**
		21,306,887.20		**23,201,235.77**

Consolidated income statement

for the period from 1 January to 30 June

	2023		2022	
	EUR	EUR	EUR	EUR
1. Revenue		17,779,421.46		16,133,869.09
2. Other operating income – thereof from currency translation: EUR 11,849.42 (PY: EUR 42,081.88)		1,573,339.08		2,558,448.16
3. Cost of materials				
a) Cost of raw materials, supplies and purchased goods	-1,491,445.78		-893,474.03	
b) Cost of purchased services	-155,512.04	-1,646,957.82	-194,430.40	-1,087,904.43
4. Personnel expenses				
a) Wages and salaries	-12,858,459.16		-12,865,128.58	
b) Social security, pension and other benefits – thereof for pensions: EUR 74,601.55 (PY: EUR 82,353.58)	-2,022,736.81	-14,881,195.97	-2,013,233.29	-14,878,361.87
5. Amortisation of intangible assets and depreciation of property, plant and equipment		-1,339,922.34		-1,392,511.01
6. Other operating expenses – thereof from currency translation: EUR 40,175.38 (PY: EUR 23,700.95)		-6,547,265.97		-6,822,919.13
7. Other interest and similar income		19,925.17		79.60
8. Interest and similar expenses – thereof to shareholders: EUR 0.00 (PY: EUR 0.00)		-7,904.96		-83,350.37
9. Income taxes – thereof to deferred tax: EUR 86,806.36 (PY: EUR 28,935.18)		73,717.02		24,009.51
10. Earnings after taxes		**-4,976,844.33**		**-5,548,640.45**
11. Other taxes		-1,773.00		-3,150.70
12. Consolidated profit/loss for the year		**-4,978,617.33**		**-5,551,791.15**

Consolidated statement of cash flows

for the period from 1 January to 30 June

	2023 TEUR	2022 TEUR
Profit for the period (net income including share of profit of other shareholders)	-4.979	-5.552
Amortisation, depreciation and write-downs on fixed assets	1.340	1.393
Increase/decrease in provisions	-2.911	-7.897
Other non-cash expenses/income	-503	-3.354
Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	-457	-645
Increase/decrease in trade payables and other liabilities not related to investing or financing activities	6.083	8.384
Interest expense/income	20	83
Income tax expense/income	74	-29
Income taxes paid	322	35
Cash flows from operating activities	**-1.011**	**-7.583**
Acquisition of intangible assets	0	-8
Acquisition of property, plant and equipment	-19	-240
Cash flows from investing activities	**-19**	**-249**
Repayments of bonds and borrowings	0	-37
Interest paid	20	-83
Cash flows from financing activities	**20**	**-120**
Net increase/decrease in cash and cash equivalents	-1.010	-7.951
Effect of movements in exchange rates and remeasurements on cash held	0	25
Cash and cash equivalents at the beginning of the period	12.728	27.206
Cash and cash equivalents at the end of the period	**11.718**	**19.280**

Cash and cash equivalents consist of the following	2023 TEUR	2022 TEUR
Cash and cash equivalents	**11.718**	**19.280**
Current account liabilties	**0**	**0**
	11.718	**19.280**

Other non-cash expenses and income result from changes in prepaid expenses and deferred income.

Financial Calendar

Publications

Trading Update 9M/2023

14 November 2023

Conferences

Capital Markets Conference "Eigenkapitalforum"

Frankfurt am Main

27-28 November 2023

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