

March 29, 2023



# Actelis Networks Reports Fiscal Full Year 2022

FREMONT, Calif., March 29, 2023 (GLOBE NEWSWIRE) -- **Actelis Networks, Inc. (NASDAQ: ASNS)** ("Actelis" or the "Company"), a market leader in cyber-hardened, rapid deployment networking solutions for wide area IoT applications, today reported financial results for the fiscal full year 2022 ended December 31, 2022.

## Full Year 2022 Financial Highlights:

- Total revenue increased 3.3% year-over-year to \$8.8 million for the full year ended December 31, 2022.
- Delivery of Sales to IoT- customers grew 31% year-over-year for the full year ended December 31, 2022, offset by a decline in Telco sales, as the Company's strategic shift to IoT continues.
- Gross Margin remains consistent at 47% for the full year ended December 31, 2022, despite pressures from semiconductor and electronic component lead times and purchase price variance.
- By the end of 2022, the Company was able to deliver 85% of 2021 year-end open orders. Lead time from order to delivery date has improved to within 10% of pre-Covid19 levels.
- Operating expenses increased from \$5.8 million for 2021 to \$10.2 million for 2022, as the Company went public in 2022 and invested in sales and marketing – its impact is expected in future years.
- Adjusted EBITDA loss in 2022 was \$4.1 million compared to \$1.1 in the same year ago period due to the effects associated with the investments made in sales and marketing, as well as the impact of the Company going public during 2022.

## Recent Operational Updates:

- The Company continues to make progress on its examination of possible target opportunities for inorganic growth, consistent with what was mentioned during the IPO in May. Potential targets will complement and extend Actelis' cyber security offering and are focused on the adjacent areas of Cyber Aware Networking.
- [Appointed](#) Tzachy Givaty as Regional Vice President for Asia-Pacific to lead the Company's business development and channel partner expansion efforts in the region as well as strengthen its global footprint – a testimonial for the commitment of investment in sales and marketing to take advantage of the rapidly expanding IoT market.
- Jan Ruderman, former Chief Revenue Officer for North America, left the Company on

March 24, 2023.

- Conducted a highly successful first trial of the Company's new GL800, multi-gigabit encrypted platform with a rail application.
- Completed development and started certification of Federal Information Processing Standards (FIPS) capabilities, making operating systems in Actelis' products encryption-hardened per the requirements of the US Department of Defense (DoD).
- Engaged in a service agreement with Shareholder Intelligence Services, LLC ("ShareIntel") to review and analyze anomalies in the trading patterns of the Company's common stock, particularly associated with possible "naked" short selling of the stock.
- Announced a reverse stock-split, allowing Actelis to remain compliant with Nasdaq trading rules.

### **Recent Customer Highlights:**

- Received over \$500,000 of orders as part of our previously announced three-year contract with SITA, the largest global provider of airport operations management systems, operating in over 200 countries. The contract is aiming at modernizing and digitizing operations in hundreds of airports worldwide.
- [Selected](#) for deployment by the City of San Jose, CA, in a multi-year, city-wide smart traffic infrastructure upgrade to modernize and extend a state-of-the-art Intelligent Transportation System (ITS). The total city budget is estimated to be \$3 million.
- [Reported](#) on base US Military implementation utilizing Actelis' technology is entering the final phase of deployment to provide networking for various divisions of the United States Military.
- [Selected](#) by Northern Ireland Railways (NI Railways, a division of Translink) to enable high-speed connectivity for a large-scale safety critical project.
- Reported on win of a major deployment project with an Energy company, providing power to the capital of one of Europe's largest countries.
- [City of Eugene, Oregon has selected Actelis'](#) hybrid fiber-copper networking solutions as part of its most recent traffic modernization project.

### **Management Commentary:**

"Following our IPO in May of 2022, we've been increasing our market presence and impact in many of our verticals. We've invested in our global Sales and Marketing Teams, launched aggressive digital and tangible marketing plans, and added multiple channel partners and resellers. New, powerful products have been launched, with faster speeds and better cyber protection capabilities. Despite macroeconomic headwinds affecting components, we've successfully maintained margins and quality of service and closed the gap in component shortages and backlog delivery catch up," said Tuvia Barlev, chairman and CEO of Actelis.

Barlev added: "Through our engagement with existing and new partners and customers, I'm pleased with the strong interest we're gaining. Our focus on providing high quality, and quickly deployable IoT solutions to customers has led to a 31% increase in delivery of sales

in our IoT vertical. As our offering enables highly efficient use of existing infrastructure, it meets our customers' needs to move rapidly, grow and conserve budget at the same time. Despite the challenging economic climate, worldwide investments in our target verticals continue to grow. We are very excited to help our customers extend and do more with their budgets to move faster towards a digital world."

### **Fiscal Full Year 2022 Financial Results:**

**Revenues** for the full year ended December 31, 2022 amounted to \$8.8 million, compared to \$8.5 million for the year ended December 31, 2021. The increase from the corresponding period was primarily attributable to an increase of \$626,000 of revenues generated from Europe, the Middle East and Africa, offset by a decrease of \$340,000 in revenues generated from North America and Asia Pacific. The decline was primarily attributed to Telco customers' revenues.

**Cost of revenues** for the full year ended December 31, 2022, amounted to \$4.7 million compared to \$4.6 million for the full year ended December 31, 2021.

**Gross profit** for the full year ended December 31, 2022, was \$4.1 million, or 47% of revenue, compared to \$4.0 million, or 46% of revenue for the full year ended December 31, 2021.

**Research and development expenses** for the full year ended December 31, 2022, amounted to \$2.8 million compared to \$2.4 million for the full year ended December 31, 2021. The increase was mainly due to an increase in payroll expense for research and development personnel in the amount of \$256,000, and an increase in professional services related to research and development in the amount of \$64,000.

**Sales and marketing expenses** for the full year ended December 31, 2022, amounted to \$3.3 million compared to \$2.2 million for the full year ended December 31, 2021. The increase from the corresponding period was mainly a result of our increased investments in sales and marketing, including in payroll expenses for additional personnel in the amount of \$595,000, and increase in commission expenses in the amount of \$249,000. The Company also had an increase in travel expenses in the amount of \$181,000.

**General and administrative expenses** for the full year ended December 31, 2022, amounted to \$4.2 million compared to \$1.2 million for the year ended December 31, 2021. This increase was mainly due to payroll, insurance expenses and professional services expenses, in connection with the IPO completed in May 2022 and our status as a public company thereafter.

**Operating loss** for the full year ended December 31, 2022, was \$6.1 million, compared to an operating loss of \$1.9 million for the year ended December 31, 2021. The increase was mainly due to higher expenses associated primarily with investment in sales and marketing and expenses attributed to the IPO completed in May 2022 and costs associated with our status as a public company.

**Financial expense, net** for the full year ended December 31, 2022, was \$4.9 million (including \$0.8 million interest expenses) compared to \$3.4 million (including \$0.7 million interest expenses) for the year ended December 31, 2021. This increase during the year

ended December 31, 2022 is due to us incurring financial expenses in connection with increases in fair value of various financial instruments, such as convertible loan, note and warrants in the amount of \$4.5 million up until the IPO when such instruments converted to equity. Additionally, during the year ended December 31, 2022, we had income in the amount of \$0.5 million from exchange rate differences. Since all convertible loans and nearly all warrants we had outstanding converted to equity in connection with the IPO, we do not expect additional material financial expenses going forward for these loans and warrants.

**Net loss** for the full year ended December 31, 2022, was \$11.0 million, compared to a net loss of \$5.3 million for the year ended December 31, 2021. This increase was primarily due to the increase in financial expenses, resulting from the increases in fair value of various financial instruments, as well as an increase in operating expenses mainly due to investment in sales and marketing, as well as expenses attributed to our IPO in May 2022 and being a public company.

**Adjusted EBITDA loss**, a non-GAAP measurement of operating performance (reconciled below to Net Loss), for the full year ended December 31, 2022, was \$4.1 million, compared to \$1.1 million in the comparable year-ago period. This was primarily a result of investing in sales and marketing and being a public company since May 2022.

The Company reported a **balance sheet** with \$14.8 million of total assets compared to \$4.7 million as of December 31, 2021, \$11.5 million of total liabilities compared to \$24.3 million as of December 31, 2021, and \$3.3 million of shareholders' equity compared to a capital deficiency of (\$19.6) million as of December 31, 2021.

## Conference Call

Actelis management will hold a conference call today, March 29, 2023, at 4:30 p.m. Eastern time (1:30 p.m. Pacific time) to discuss these results.

Company CEO Tuvia Barlev and CFO Yoav Efron will host the call.

**U.S. & Canada dial-in** (toll-free): (800) 715-9871

**International dial-in** (toll): +1(646) 307-1963

**Conference ID:** 5824707

Please call the conference telephone number 10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 949-574-3860.

The conference call will also be broadcast live and available for replay [here](#) and via the Investor Relations section of Actelis Network's [website](#).

A telephonic replay of the conference call will be available after 8:30 p.m. Eastern time on the same day through April 5, 2023.

US Toll-free replay number: (800) 770-2030

International replay number (toll): +1(609) 800-9909

Conference ID: 5824707

**About Actelis Networks, Inc.**

Actelis Networks, Inc. (NASDAQ: ASNS) is a market leader in cyber-hardened, rapid-deployment networking solutions for wide-area IoT applications including federal, state and local government, ITS, military, utility, rail, telecom and campus applications. Actelis' unique portfolio of hybrid fiber-copper, environmentally hardened aggregation switches, high density Ethernet devices, advanced management software and cyber-protection capabilities, unlocks the hidden value of essential networks, delivering safer connectivity for rapid, cost-effective deployment. For more information, please visit [www.actelis.com](http://www.actelis.com).

## **Use of Non-GAAP Financial Information**

*Non-GAAP Adjusted EBITDA, and backlog of open orders are Non-GAAP financial measures. In addition to reporting financial results in accordance with GAAP, we provide Non-GAAP operating results adjusted for certain items, including: financial expenses, which are interest, financial instrument fair value adjustments, exchange rate differences of assets and liabilities, stock based compensation expenses, depreciation and amortization expense, tax expense, and impact of development expenses ahead of product launch. We adjust for the items listed above and show Non-GAAP financial measures in all periods presented, unless the impact is clearly immaterial to our financial statements. When we calculate the tax effect of the adjustments, we include all current and deferred income tax expense commensurate with the adjusted measure of pre-tax profitability.*

## **Cautionary Statement Concerning Forward-Looking Statements**

*This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements. Forward-looking statements are not historical facts, and are based upon management's current expectations, beliefs and projections, many of which, by their nature, are inherently uncertain. Such expectations, beliefs and projections are expressed in good faith. However, there can be no assurance that management's expectations, beliefs and projections will be achieved, and actual results may differ materially from what is expressed in or indicated by the forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the forward-looking statements. For a more detailed description of the risks and uncertainties affecting the Company, reference is made to the Company's reports filed from time to time with the SEC, including, but not limited to, the risks detailed in the Company's final prospectus (Registration No. 333-264321), filed with the SEC on May 16, 2022. Investors and security holders are urged to read these documents free of charge on the SEC's web site at <http://www.sec.gov>. Forward-looking statements speak only as of the date the statements are made. The Company assumes no obligation to update forward-looking statements to reflect actual results, subsequent events or circumstances, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. If the Company does update one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect thereto or with respect to other forward-looking statements. References and links to websites have been provided as a convenience, and the information contained on such websites is not incorporated by reference into this press release. Actelis is not responsible for the contents of third-party websites.*

**Investor Relations Contact:**

Matt Glover and Ralf Esper

Gateway Investor Relations

+1 949-574-3860

[ASNS@gatewayir.com](mailto:ASNS@gatewayir.com)**-Financial Tables to Follow-**

The accompanying notes are an integral part of the following consolidated financial statements.

**ACTELIS NETWORKS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(U. S. dollars in thousands except for share and per share amounts)

		<b>December 31</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Assets</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		3,943	693
Short-term deposits		1,622	-
Restricted bank deposits		451	-
Trade receivables, net of allowance for doubtful debts of \$125 and \$61 as of December 31, 2022, and December 31, 2021, respectively		3,034	2,147
Inventories	4	1,179	897
Prepaid expenses and other current assets	5	678	398
<b>TOTAL CURRENT ASSETS</b>		<b>10,907</b>	<b>4,135</b>
<b>NON-CURRENT ASSETS:</b>			
Property and equipment, net	6	80	103
Prepaid expenses		492	-
Restricted cash		336	-
Restricted bank deposits		2,027	102
Severance pay fund		239	266
Operating lease right of use assets		726	-
Long-term deposits		12	78
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,912</b>	<b>549</b>
<b>TOTAL ASSETS</b>		<b>14,819</b>	<b>4,684</b>

**ACTELIS NETWORKS, INC.**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
(U. S. dollars in thousands except for share and per share amounts)

		December 31	
	Note	2022	2021
Liabilities and redeemable convertible preferred stock and shareholders' equity (capital deficiency)			
CURRENT LIABILITIES:			
Current maturities of long-term loans	9	553	758
Warrants	14	8	177
Trade payables		1,781	1,920
Deferred revenues		484	673
Employee and employee-related obligations		793	703
Accrued royalties	12	900	818
Operating lease liabilities		445	-
Other current liabilities	8	1,238	902
TOTAL CURRENT LIABILITIES		6,202	5,951
NON-CURRENT LIABILITIES:			
Long-term loan, net of current maturities	9	4,625	5,473
Deferred revenues		164	-
Warrants	14	-	1,972
Convertible loan	11	-	4,905
Operating lease liabilities		237	-
Accrued severance		278	315
Other long-term liabilities		48	79
TOTAL NON-CURRENT LIABILITIES		5,352	12,744
TOTAL LIABILITIES		11,554	18,695
COMMITMENTS AND CONTINGENCIES	12		
REDEEMABLE CONVERTIBLE PREFERRED STOCK:			

\$0.0001 par value, 10,000,000 authorized as of December 31, 2022, and 7,988,691 authorized as of December 31, 2021. SERIES A 0 and 4,986,039 shares issued and outstanding as of December 31, 2022, and December 31, 2021: aggregate liquidation preference of \$5,091 as of December 31, 2021 - \$2,858. SERIES B 0 and 2,745,004 shares issued and outstanding as of December 31, 2022, and December 31, 2021: aggregate liquidation preference of \$4,271 as of December 31, 2021 - \$2,727.

**TOTAL REDEEMABLE CONVERTIBLE PREFERRED STOCK**

**SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY):**

15

Common stock, \$0.0001 par value: 30,000,000 and 11,009,315 shares authorized as of December 31, 2022 and December 31, 2021, respectively; 17,379,861 and 2,050,404 shares issued and outstanding as of December 31, 2022 and 2021, respectively

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Non-voting common stock, \$0.0001 par value: 2,803,774 shares authorized as of December 31, 2022, and 2021, respectively; 0 and 1,783,773 shares issued and outstanding as of December 31, 2022 and 2021, respectively.

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Additional paid-in capital

36,666

2,824

Accumulated deficit

(33,402)

(22,420)

**TOTAL SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)**

3,265

(19,596)

**TOTAL LIABILITIES AND REDEEMABLE CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)**

14,819

4,684

**ACTELIS NETWORKS, INC.**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(U. S. dollars in thousands except for share and per share amounts)

Note	Year ended December 31	
	2022	2021



<b>REVENUES</b>	18	8,831	8,545
<b>COST OF REVENUES</b>		4,721	4,575
<b>GROSS PROFIT</b>		<u>4,110</u>	<u>3,970</u>
<b>OPERATING EXPENSES:</b>			
Research and development expenses, net		2,766	2,443
Sales and marketing expenses, net		3,282	2,204
General and administrative expenses, net		4,163	1,183
<b>TOTAL OPERATING EXPENSES</b>		<u>10,211</u>	<u>5,830</u>
<b>OPERATING LOSS</b>		(6,101)	(1,860)
Interest expenses		(830)	(690)
Other financial expenses, net	19	<u>(4,051)</u>	<u>(2,701)</u>
<b>NET COMPREHENSIVE LOSS FOR THE YEAR</b>		(10,982)	(5,251)
Net loss per share attributable to common shareholders – basic and diluted	17	\$ (0.95)	\$ (2.56)
Weighted average number of common stock used in computing net loss per share – basic and diluted		11,621,238	2,048,788

**ACTELIS NETWORKS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**U.S. DOLLARS IN THOUSANDS**

	<b>Year ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the year	(10,982)	(5,251)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	23	37
Changes in fair value related to warrants to lenders	1,049	1,031
Inventories write-downs	147	102
Exchange rate differences	(642)	167
Share-based compensation	220	53
Changes in fair value related to convertible loan	1,648	1,342
Changes in fair value related to convertible note	1,753	-
Treasury shares	15	-
Interest expenses	830	235

Changes in operating assets and liabilities:

Trade receivables	(887)	(731)
Net change in operating lease assets and liabilities	(44)	-
Inventories	(429)	78
Prepaid expenses and other current assets	(280)	(236)
Other long-term assets	(492)	-
Long term deposits	-	27
Trade payables	(139)	(217)
Deferred revenues	(25)	92
Other current liabilities	508	516
Other long-term liabilities	(41)	29
Net cash used in operating activities	<u>(7,768)</u>	<u>(2,726)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Short term deposit	(1,622)	-
Long- term deposit	66	-
Restricted long term bank deposit	(27)	-
Restricted bank deposit	(2,451)	-
Purchase of property and equipment	-	(54)
Net cash used in investing activities	<u>(4,034)</u>	<u>(54)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from exercise of options	5	*
Proceeds from long-term debt, net of issuance costs	-	2,904
Proceeds from initial public offering and private placement	18,697	-
Underwriting discounts and commissions and other offering costs	(2,175)	-
Repayment of long-term loan	(1,241)	-
Net cash provided by financing activities	<u>15,286</u>	<u>2,904</u>

**Effect of exchange rate changes on cash and cash equivalents and restricted cash**

(72) 167

**INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

3,484 124

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR**

795 671

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR**

4,279 795

**RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH:**

Cash and cash equivalents	<u>3,943</u>	<u>693</u>
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Restricted cash, non-current	336	-
Restricted bank deposit, non-current	-	102
Total cash, cash equivalents and restricted cash	4,279	795

\* Represents an amount less than \$1 thousands.

	Year ended December 31	
	2022	2021
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	818	511

**SUPPLEMENTARY INFORMATION ON INVESTING AND FINANCING ACTIVITIES NOT INVOLVING CASH FLOWS:**

Additional warrants	-	95
Right of use assets obtained in exchange for new operating lease liabilities	237	-
Conversion of convertible loan to common stock upon initial public offering	6,553	-
Conversion of convertible note to common stock upon initial public offering	3,600	-
Conversion of warrants to common stock upon initial public offering	3,190	-
Conversion of convertible redeemable preferred stock to common stock upon initial public offering	5,585	-
Repurchase of common stock	15	-

**Non-GAAP Financial Measures**

<i>(U.S. dollars in thousands)</i>	Year Ended December 31, 2022	Year Ended December 31, 2021
Revenues	\$ 8,831	\$ 8,545
GAAP net loss	(10,982)	(5,251)
Interest Expense	830	690
Other financial expenses, net	4,051	2,701
Tax Expense	94	87
Fixed asset depreciation expense	23	37

Stock based compensation	220	53
Research and development, capitalization	525	586
Other one-time costs and expenses	1,714	-
Non-GAAP Adjusted EBITDA	<u>(4,065)</u>	<u>(1,097)</u>
GAAP net loss margin	<u>(124.36)%</u>	<u>(61.45)%</u>
Adjusted EBITDA margin	<u>(46.03)%</u>	<u>(12.84)%</u>



Source: Actelis Networks, Inc.