

## Management Report FY2020/2021

Beaconsmind AG

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## 1. Information about the company

### 1.1. The company Beaconsmind AG

Beaconsmind AG, registered in the Zurich Commercial Register under company number CHE-206.335.836 and VAT no. CHE-206.335.836, was founded in Switzerland in 2015 and is a pioneer in the field of location-based marketing (LBM) software for retail companies. Beaconsmind helps retailers run successful location-based marketing campaigns. By implementing BLE Bluetooth Beacons at the point-of-sale, smartphone users can be located and identified in real-time. By integrating Beaconsmind Suite software, Beaconsmind unlocks a powerful marketing and revenue channel for retailers to interact with their customers to fundamentally transform the shopping experience. Beaconsmind's solution enables retailers to merge physical and digital channels, bridging the gap between offline and online.

The object of the company is to offer comprehensive services in the field of beacons based on Bluetooth Low Energy (BLE) technology. The company can take over the production of beacons, the development and distribution of mobile application software (APPS) as well as the transmission of data to mobile devices. It can also develop software in which customers are given access to user data and the transmission of data to mobile devices is coordinated. It can offer consulting services for customers in the area of data evaluation, analysis, online and mobile marketing and the creation of customer-specific solutions for data utilization. The company can acquire, hold and sell interests in other companies in Switzerland and abroad. It may establish branches and subsidiaries in Switzerland and abroad. The Company may acquire, manage and sell real estate and make other types of investments. The company may acquire, hold and sell intellectual property rights and licenses of any kind. It may also provide financing for its own account or for the account of third parties and enter into guarantees and sureties for subsidiaries and third parties.

The company maintains its registered office in Stäfa, Switzerland and has various branches and subsidiaries, including in Munich, Germany (Beaconsmind Deutschland GmbH). The Company has been in existence

since 2015 and has not employed more than 10 full-time positions on an annual average.

## 1.2. Corporate structure of Beaconsmind AG

In the 2020/2021 fiscal year, Beaconsmind consists of Beaconsmind AG and the wholly owned subsidiary Beaconsmind Deutschland GmbH.

## **2. Presentation of the business development and general conditions**

### 2.1. Sales development

In fiscal year 2020/2021, Beaconsmind AG was able to expand its business activities in terms of global implementation of its software & hardware solution as well as realization of projects based on new customer acquisitions. Total sales increased by +56% from CHF 498,434 in the previous year to CHF 773,369 in the current fiscal year.

**Income statement of Beaconsmind AG**

for the period 1 July 2020 to 30 June 2021

in CHF

in CHF

|  | <b>1 Jul 2020<br/>- 30 Jun 2021</b> | <b>1 Jul 2019<br/>- 30 Jun 2020</b> |
|--|-------------------------------------|-------------------------------------|
| Revenue from sales of services and goods                     | 779.369                             | 498.434                             |
| Cost of sales  | -34.770                             | -68.744                             |
| Personnel expenses   | -599.498                            | -309.472                            |
| Other operating expenses                                     | -2.176.748                          | -592.078                            |
| <b>EBITDA</b>  | <b>-2.031.647</b>                   | <b>-471.861</b>                     |
| Depreciation and amortization on PP&E and intangible assets  | -56.649                             | -58.122                             |
| Impairment on other short-term receivables from subsidiaries | 0                                   | -8.800                              |
| <b>Operating result (EBIT)</b>                               | <b>-2.088.296</b>                   | <b>-538.783</b>                     |
| Financial expenses   | -9.071                              | -10.360                             |
| <b>Ordinary result</b>                                       | <b>-2.097.366</b>                   | <b>-549.143</b>                     |
| Income taxes   | -293                                | -461                                |
| <b>Net result</b>  | <b>-2.097.660</b>                   | <b>-549.604</b>                     |

## 2.2. Earnings and cost situation

In the 2020/2021 financial year, EBITDA of CHF -2,031,647 was achieved. This corresponds to an increase of +407% compared with the previous year's figure of CHF -498,434. Expenditure for externally procured services in the 2020/2021 financial year amounted to

CHF 2,176,748 and was thus CHF 1,584,669 or +367% higher than the previous year's figure. The increased costs for third-party services are mainly due to extraordinary and necessary consulting services and fees incurred in the course of the listing on the EURONEXT Paris stock exchange in February 2021 and the Vienna Stock Exchange in March 2021. The use of subcontractors, e.g. for the local installation of the Beaconsmind Track Bluetooth Beacon hardware or the use of external developer resources, enables Beaconsmind to react flexibly to the requirements of its customers without having to maintain the corresponding capacities itself or to commit to long-term contract periods. In these cases, Beaconsmind acts as a contractual partner to its end customers, while the partners charge Beaconsmind for their services. The cost of purchased goods and services from the distribution of sold software licenses of the Beaconsmind Suite based on Microsoft Azure, as well as hardware components amounts to CHF 134,435. As of the end of the fiscal year on June 30, 2021, Beaconsmind had no more than 10 employees. Personnel expenses of CHF 599,498 are 93% higher than the previous year's figure of CHF 309,427. Depreciation and amortization of fixed assets of CHF 56,649 is slightly lower than the previous year (CHF 66,922). Depreciation is mainly attributable to intangible assets in connection with the Beaconsmind Suite software related development expenses. In fiscal year 2020/2021, other operating expenses increased by 234% to CHF 1,409,404 (previous year: CHF 601,756). It should be noted that the expense items for the leasing of company vehicles are reported in personnel expenses and the rent for premises in other operating expenses.

In fiscal year 2019/2020, the company has taken out a COVID-19 loan from its principal bank Credit Suisse in the amount of CHF 45,000, which is due for repayment after 5 years without interest and can be extended by option for at least another 2 years.

At the end of the financial year 2020/2021, Beaconsmind AG had no non-current liabilities - except for the above-mentioned COVID-19 loan.

**Balance sheet of Beaconsmind AG**

as per 30 June 2021

in CHF

in CHF

**30 Jun 2021**
**30 Jun 2020**
**Assets**

|   |                  |                |
|---|------------------|----------------|
| Cash  | 675.349          | 68.472         |
| Trade accounts receivable                       | 31.357           | 18.342         |
| Other short-term receivables from third parties | 33.355           | 15.042         |
| Other short-term receivables from subsidiaries  | 1                | 1              |
| Other short-term receivables from shareholders  | 52.500           | 0              |
| Prepayments and accrued income                  | 52.250           | 14.866         |
| Inventory                                       | 15.539           | 18.275         |
| <b>Total current assets</b>                     | <b>860.351</b>   | <b>134.998</b> |
| Financial assets from subsidiaries              | 1                | 1              |
| Investments                                     | 1                | 1              |
| Property, plant and equipment                   | 19.295           | 22.955         |
| Intangible assets                               | 138.551          | 58.477         |
| <b>Total non-current assets</b>                 | <b>157.848</b>   | <b>81.434</b>  |
| <b>Total Assets</b>                             | <b>1.018.199</b> | <b>216.432</b> |

**Liabilities and shareholders' equity**

|   |         |         |
|---|---------|---------|
| Trade accounts payable                                      | 101.485 | 154.204 |
| Other short-term liabilities                                | 28.142  | 34.734  |
| Short-term interest bearing liabilities due to shareholders | 62.047  | 0       |
| Accrued expenses and deferred income                        | 136.425 | 72.388  |

|  |                  |                 |
|--|------------------|-----------------|
| <b>Current Liabilities</b>                                 | <b>328.099</b>   | <b>261.326</b>  |
| COVID-19 Credit  | 45.000           | 45.000          |
| Other long-term liabilities                                | 0                | 5.844           |
| Long-term interest bearing liabilities due to shareholders | 15.000           | 85.210          |
| <b>Total non-current liabilities</b>                       | <b>60.000</b>    | <b>136.54</b>   |
| <b>Total liabilities</b>                                   | <b>388.099</b>   | <b>397.381</b>  |
| Share capital  | 210.888          | 181.144         |
| Reserves from capital contributions                        | 4.392.502        | 1.513.538       |
| Accumulated losses   | -1.875.631       | -1.326.028      |
| Loss of the period   | -2.097.660       | -549.603        |
| <b>Total shareholders' equity</b>                          | <b>630.100</b>   | <b>-180.949</b> |
| <b>Total liabilities and shareholders' equity</b>          | <b>1.018.199</b> | <b>216.432</b>  |

### 2.3. Operating result (EBITDA)

In the 2020/2021 financial year, the negative operating result (EBITDA) increased to CHF -2,031,647 compared with the previous year (CHF -471,861).

### 3. Research and development

Development services are provided based on customer-specific requirements, mainly for the further development of new functions of the Beaconsmind Suite software based on Microsoft Azure. These further developments are primarily add-ons/modifications that can also be used for other customers and that expand and improve the company's own

software and its usability.

## 4. Special events

### 4.1. Initial public offering

In the 2020/2021 financial year, Beaconsmind AG decided to take the step of going public via a direct listing as part of its growth strategy, increased presence and focus on global markets.

The IPO was preceded by financing measures, which were successfully completed in December 2020 within the framework of capital increases from authorized capital in the amount of approximately CHF 3,000,000 against the issue of new shares.

The IPO to EURONEXT Paris in the Access Plus Segment (ISIN: CH0451123589 - Ticker: MLBMD) was completed with the first trading day as of February 15, 2021 at an opening price of EUR 23 (CHF 25) per share. A total of 2,108,884 shares were listed, resulting in a market capitalization of EUR 48,504,332 (CHF 52,722,100). The issuance of Beaconsmind shares was successful and the highest price resulted as of March 11, 2021 in the past fiscal year at EUR 42.50 (CHF 46).

Overview of shareholder structure at IPO:

|                            |         |
|----------------------------|---------|
| Free float                 | 45,00 % |
| Max Weiland (Founder/CEO)  | 24,00 % |
| Strategic Venture Partners | 19,00 % |
| OSRAM                      | 12,00 % |

Source: <https://live.euronext.com/en/product/equities/CH0451123589-XMLI/company-information>

To support its global commercial expansion and access to capital and investors in the German-speaking region, Beaconsmind announced the dual listing of its shares on the Vienna Stock Exchange on March 5, 2021.



The listing of Beaconsmind on the Vienna Stock Exchange in the Direct Market Plus Segment (ISIN: CH0451123589 - Ticker: BMD) was completed with the first trading day as of March 9, 2021 at an opening price of EUR 37.80 (CHF 41) per share. The highest price in the past fiscal year was EUR 39.30 (CHF 42.60) on May 18, 2021.

#### 4.2. Market expansion Middle East

In order to advance into further high-growth markets, in which optimal foundations can be found so that the Beaconsmind solution can be quickly adapted by retailers, the Middle East has emerged as an optimal market within the scope of internal research.

Retail companies in the Middle East have an extremely strong affinity for technology and, based on their disruptive orientation and technical landscapes (including mobile apps), are able to adapt new technologies such as Beaconsmind's solution more quickly than is the case in other markets. Furthermore, retailers are already using location-based marketing or proximity technologies. Another key reason for selecting the Middle East as a fixed point of expansion was its geographical location, which allows it to act as a hub where sales activities between Europe, the Gulf region and Asia can be optimally coordinated. With the establishment in the Middle East, the planned expansion into the Asian market can be directly supported. In addition, the corona pandemic in the Middle East was brought under control relatively quickly compared to other markets, sparing retail companies months of lockdown and enabling them to make investments in new technologies.

As part of its market expansion, Beaconsmind has partnered with Seed Group, a company owned by The Private Office of Sheikh Saeed Bin Ahmed Al Maktoum (part of the Royal Family of Dubai). This partnership is of key importance in that the Seed Group will actively support Beaconsmind in entering the Middle East market and will act as local sponsor of the planned subsidiary in Dubai. The local subsidiary is planned to be established in Q3/2021 and Seed Group will hold 51% of the shares in this subsidiary.

With this collaboration, we hope to reduce sales cycles to initiate new business relationships with retail companies and companies from other

industries that can benefit from the Beaconsmind solution. We estimate the market potential for Beaconsmind to be in the 2-digit million range, which could be realized in the next few years.

## **5. Opportunities and risk report**

Beaconsmind operates as a globally active software company and is therefore exposed to a variety of risks in the course of its business activities, the occurrence of which could endanger the development of the company. In accordance with its risk policy, Beaconsmind AG only takes on risks that are unavoidable in the context of value creation, but which can be controlled.

An internal control system (ICS) is established and in use in the company and is periodically adjusted based on the given dynamics. Beaconsmind AG also regularly reviews its business objectives, processes and control measures. Despite regular review and further development of the risk management, risks cannot be completely excluded.

In the following, only those risks are dealt with that are relevant to the business, asset, financial and earnings situation of Beaconsmind AG.

### **5.1. Opportunities and risks**

The effects of the Corona crisis are still being felt and are dampening the global economy. The expected recovery process after the end of the first lockdown period has slowed down noticeably during the second lockdown. Gross domestic product (GDP) in the EU and euro zone fell to around 13.35 trillion euros (EU) and around 11.36 trillion euros (euro zone) in the Corona year 2020 compared with the previous year.

No European country has been spared from the Corona pandemic and its associated impact on the economy. There is a decline in economic performance and according to current forecasts of leading organizations and economic institutes, it is evident that there will be no V-shaped recovery over the next few years.

Our customers are and have been directly affected by the Corona pandemic, which affects budgets and investment volumes, even though Beaconsmind's solution provides immediate added value for its customers. Especially in the first half of the fiscal year 2020/2021, Beaconsmind was affected by project pauses due to lockdown and temporary business closures, for example, regarding the implementation of the software and hardware solution in the context of roll-outs. Planned implementation dates could not be met, which meant that services and invoices did not materialize. It should be emphasized that sales activities were not able to develop their full impact because there was no willingness to invest due to the prevailing uncertainty caused by the Corona pandemic.

In the event of a further pandemic-related lockdown and subsequent slump in the global economy, our customers' willingness to invest, particularly in Europe, could have a long-term impact on orders and order backlog and thus adversely affect the earnings and financial position of Beaconsmind AG.

In order to account for and compensate for the impact of the current difficult market environment, the development in other international markets is being monitored in addition to the expansion into the Middle East that has taken place.

## 5.2. Human resources opportunities and risks

Beaconsmind AG operates in a highly competitive market environment, together with well-financed start-ups, private as well as listed technology companies from Western Europe, Asia and North America. Therefore, the competition for qualified employees is correspondingly demanding.

The success of Beaconsmind depends directly on the extent to which the company succeeds in attracting and retaining good employees with professional experience in sales, customer support, development, consulting and marketing. There is a risk that employees will be recruited for the company at great expense in terms of time and money, that they will build up important expertise, and that they will

not be retained. There is also the risk of not being able to recruit qualified IT specialists quickly enough to meet performance peaks.

To minimize this risk on the one hand, Beaconsmind strives at all times to present itself as an attractive employer. In addition to a structured onboarding process, this includes above all a variable, performance-based compensation model and individual training opportunities, as well as the option for home office and temporary work at various company locations.

### 5.3. Financial opportunities and risks

The management reports the liquid funds to the Board of Directors. Using a periodic liquidity overview and forecast and liquidity planning, liquid funds are reviewed and short-term measures are initiated. Existing liquidity reserves are invested conservatively. The risk of payment defaults is limited insofar as Beaconsmind's customers are predominantly large companies, some of which are listed on the stock exchange, with high credit ratings.

Systematic credit checks of customers before signing contracts or ongoing credit monitoring did not take place in fiscal year 2020/2021. Beaconsmind manages liquidity risks with adequate reserves, monitoring of cash inflows and outflows as well as early action to generate further growth capital from investors and to meet its financial obligations.

### 5.4. Outlook

As an internationally active software company, Beaconsmind AG primarily operates in the B2B sectors of retail, FMCG, transport and industry.

In the context of the necessary digitalization pressure, forced by the Corona crisis and the associated increased investments of the core industries in omnichannel measures, Beaconsmind anticipates indirectly and directly with its LBM solution.

Beaconsmind was able to successfully distribute and implement its solution on a global level and has established itself as a strong partner

for its customers to successfully take the step into the digital future. With the stringent orientation as LBM SaaS provider with focus on retail companies, we expect further growth and competitive advantages compared to other market participants who position themselves in the LBM area.

In fiscal year 2021/2022, we expect the Corona crisis to have a noticeable impact on the business activities of our retail customers, especially in the retail sector, in terms of available investments and marketing budgets. As a growth-oriented company, we are nevertheless planning a moderate increase in the number of new employees in order to expand sales and ensure the service quality and development of our solution. Expansion into the Asian market, together with further expansion in the Middle East, will also form an essential part of our growth strategy.

In the coming fiscal year, we are forecasting revenue growth in the double- to triple-digit percentage range and positive EBITDA in the single- to double-digit percentage range, despite the continuing economic weakness.

Stäfa, June 30, 2021



**Max Weiland**

Founder & CEO, Beaconsmind AG