

2018 results – 2019 outlook



Dear customers and partners,

With 2019 starting and our minds full of new plans and ambitions, we would like to take the opportunity to inform you on our 2018 results and our outlook for 2019.

First of all we would like to thank you all for your contribution to yet again the best year ever in the history of RideOnTrack. The results delivered could only be achieved because you gave us the trust and the possibility to prove that we are your partner of choice if it concerns fixed operational communications.

Some of the highlights

With 850 DiCa Modular dispatcher terminals up and running at Infrabel we have implemented the biggest SIP/IP dispatching network for railways in the world. Pioneering this size of complex SIP/IP dispatcher solution, and migrating the customer network over a 2 year period, is something we take great pride in. All of this would not have been possible without the partnership cooperation with Infrabel. The teams of Infrabel and RideOnTrack worked many late hours and weekends, and thanks to the hard work we got where we are today. Many, many thanks to all.

With 650 dispatcher terminals shipped in 2018 we remain the number one supplier for railway dispatcher terminals in the world. By the end of 2019 we expect Infrabel to operate 1000+ terminals.

During Q3 2018 RideOnTrack and Engie Ineo Urban Transport Solutions (UTS) signed a contract for the delivery of a fixed operational communication system for the regional express train between Dakar and the AIBD airport in Senegal. The contract includes a Geo-redundant DiCa dispatching system, certification on the Huawei GSM-R switch, integration with the Zenitel intercom and track side telephony as well as voice recording and playback. In the meantime the Factory Acceptance Test is successfully performed and our DiCa product family is integrated on the Huawei GSM-R switch. We plan to install our systems in Dakar during Q4 2019 after which we will maintain the systems for 3 years.

After a European tendering procedure, Eesti Raudtee, the incumbent rail infrastructure operator in Estonia, awarded the dispatcher renewal contract to RideOnTrack.

It is about a year ago that RideOnTrack won its first railway project in Estonia. This was a contract with Edelaraudtee Infrastruktuuri AS, the private railway infrastructure operator. Now that we also have won the contract with the incumbent operator, Eesti Raudtee, we can proudly say that by Q3 2019 all the railway dispatching infrastructure in Estonia will be RideOnTrack supply.

The project includes about 100 dispatcher terminals (DiCa Compact), a geo-redundant dispatcher core, voice recording and playback, several types of gateways to the legacy systems (Motorola DMR, IpPbx, etc.) and cross border connections with the Russian dispatching networks.

2018 was also very successful in terms of business done with Nokia with more than 15 orders received. To mention some:

- the extension of the group call functionalities for GSM-R and DMR radios which will allow for more complex/extended group calls in a rail operational network. The group calls can further be extended with fixed telephones, analogue radio or other telecommunication resources as are available in the customer network. Several Railway infrastructure providers are investing in DMR-radio systems and these functionalities will further improve railway operational safety.

- A range of software applications (including android apps) which will give the dispatcher more capabilities to 'command and control' the work force active in dangerous areas (e.g. work along the rail track). All parties involved in the potential danger situation will get communication means to send/receive emergency messages as simple as if pushing a button. These orders are part of the 'Crisis Management Software Suite' RideOnTrack is building. We will release more products during 2019 under this development program.

Let's not forget to mention InnoTrans Berlin 2018, the world's largest railway event. For the first time RideOnTrack also participated in this international fair (hall 4.1, stand 412). Hall 4 and Hall 7 gathered more than 150 international companies that provide telecommunication solutions for railway customers (on-board, track-side, stations, apps, etc.). We can proudly say that our booth, and our products showcased, got a lot of attention. Especially our dispatcher product range, DiCa Modular and DiCa Compact, caught a lot of attention from potential customers. Customers appreciated the design and the feature richness of our products. Having one dispatcher product that can integrate and dispatch all operational communication (GSM-R, analogue radio, DMR, Tetra, track side, public address, etc.) was seen as a strong asset by the user community. Customers and partners also appreciated the Westvleteren beer and the Belgian chocolates we served during happy hour. We would like to thank you again for taking the time to visit us at the InnoTrans.

It is with great pleasure that we can announce that RideOnTrack is accepted as new member of the ROC Industry Group. The ROC (Rail Operational Communication) Industry Group bundles all important manufacturers active in Railway Operational Communication. The members are dedicated to support GSM-R and the next generation (FRMCS) networks (www.gsm-rail.com). The current members are : Nokia, Kapsch, Siemens, Wenzel, Frequentis, Alstom, Leonardo, TrioRail, Iskratel and Funkwerk. As a member we will be interfacing with all important stake holders in the industry, like the ERTMS MoU Steering Committee, the International Railway Association UIC, the ETCS Industry

UNISIG/UNIFE and the European Union Agency for Railways. Together with the other ROC Industry Group members we will be able to globally promote the technology, continue to develop the EIRENE standards and strive for seamless Interoperability between the solutions of different vendors. In the course of 2019 the ROC Industry Group will become part of UniTel.

Let's have a look at the figures.

Year	2016	2017	2018	growth	2019
all in Euros				2017->2018	
Order Intake	1 400 000	2 200 000	2 838 975	30%	2 920 000
Turnover	700 000	1 200 000	2 761 596	130%	3 225 847
Gross Margin quality	50%	52%	53%	1%	50%
Head Count	3	6	7	1	9

Our 2018 financial performance is far better than stated in previous communications.

With a turnover result of 2,761,596€ for 2018 we landed far above our expectations. This is a YoY growth of 130% and 550,000€ above our expectation. It was clear to us that we were building quite some order backlog during the last 2 years, but we didn't expect to convert this into turnover so quickly. We planned a roll-out of about 300 dispatcher terminals during 2018 but it turned out that we rolled out more than 650 units. Especially for the Infrabel project, the Infrabel/RideOnTrack installation and commissioning teams became extremely efficient in the work required and we were able to put in operation many more units than expected. By now, a big part of the field work is fully automated with only the physical installation requiring an on-site activity.

Our plan was to end the year with a GM quality of 45%, however due to the 550,000€ extra turnover and lower cost positions in several areas (e.g. lower HC cost than expected), we were able to deliver a GM quality of 53%, a 1% YoY growth, our best GM quality performance in the history of the company. As we are running the company with low overheads and with no tangible debts, this GM quality will result in a double digit Ebit result. For 2019 we give a GM-quality outlook of 50% which is a 3% decline compared with 2018. Most of the decline will come from a less favorable product/service mix during 2019 and an increase of the R&D HC with two additional engineers.

At the start of 2018 we targeted an Order Intake (OI) of 3,000,000€ and we landed pretty close with 2,838,975€, which is a year-on-year growth of about 30%. The main reason for not reaching our target is the cancellation of the DMR RFQ at Infrabel. As we successfully conducted the Proof of Concept (PoC) for this DMR RFQ in 2018 we expected to win this opportunity and to book some OI during Q4 2018.

The GSM-R project in Poland is another opportunity we were not able to win during 2018. This project was not part of our 2018 target but it was one of the large projects we mentioned last year as an opportunity for exponential growth. Nokia won the project as main contractor but decided to award the dispatching part (1,500 terminals/ 3 years) to one of our competitors.

Some of our missed OI was compensated with less expected wins. Infrabel ordered far more dispatcher terminals and Value Added Application software and Nokia issued more orders than expected. Our gateway product line is still selling better than expected with 285 units sold during 2018.

For 2019 we expect a small growth in order intake compared with 2018. If we look to our sales pipeline we feel quite comfortable in reaching a 3 000 000€ figure. Again we have a number of 'big fish' in our funnel, but we do not put those opportunities in our OI-target.

RideOnTrack ended 2018 with 7 people on the pay-roll. Our plan was to have 8 people, but we could manage the workload with one HC less than planned. Taking into account that we booked 550,000€ turnover more than planned, this shows that we are very well organized for the business we do. Being able to deliver a 2,761,596€ turnover with only 7 people shows an efficiency factor which is far better than any of our competitors. Needless to say that we can't do all of the work by ourselves and so special thanks go to our selected partners, all of them specialists in their 'field of work'. This again proves that a company's ability to perform, not so much depends on its own headcount, but more importantly, it depends on its network of trusted partners. If each of these partners is '*on top of his game*' the customer will be served best.

For 2019 we plan to hire two more engineers. With several projects up and running in the field, we need to strengthen our organization especially for helpdesk and maintenance support. Maintenance contracts become an important part of our business and already contribute for 50% of our yearly company overall costs.

Some of the new products/features 2019 will bring ...

For 2019 we see our R&D capabilities shift more and more towards the development of Value Added Applications (VAA) which are mostly dispatcher centric. The idea behind these new developments is to give more capabilities to the dispatchers to control train traffic, to offer the dispatcher more 'situational awareness' and to strengthen the dispatcher's capability to control the situation by means of additional (software) tools.

For that purpose we will extend our DiCa dispatcher platform with video switching and with a video presentation layer. We will implement these capabilities on our existing products and installed base without the need for any tangible upgrade/investment. This video capability we will further enhance with rail specific (IoT) sensors (including machine learning) in order to provide the dispatcher with very accurate and real time information. The plan is to use these capabilities to fight a number of situations that hamper train traffic and could result in emergency situations (e.g. people on the track, vehicle on a closed crossing, etc.).

We will also further invest in the development of rail specific apps for smartphones. LocaTrack is an app for people working along the track which will use GPS and Geofencing to give the dispatcher the possibility to monitor in real time the physical location of people in his/her area of responsibility. The dispatcher will get additional (software) tools to call/warn these track workers for potential danger. Further integration with the signaling systems will allow for the automatic generation of warning messages towards track workers without a dispatcher intervention required.

Several European countries committed to the implementation of ETCS L1 and L2. Especially the implementation of ETCS L2 will have impact on the operational telephony as, step by step, lateral signaling points will disappear. During 2019 RideOnTrack and some of its partners will test several alternative technologies (e.g. RFID tagging with NFC technology) which should result in a Proof of Concept by the end of the year.

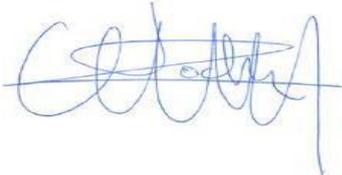
This year we will also spend considerable R&D resources on project specific developments for the projects we have been awarded during 2018. A dispatcher project is not an 'off-the-shelf' delivery. Every customer is different and translating these customer specific operational rules into a specific software controlled communication platform is a must in each project. Customer specific development is one of the key strengths of RideOnTrack, an area in which we can clearly show our software development capabilities and consult the customer with our railway 'domain' knowhow.

To conclude

We want to thank all our customers and partners for the trust you have put in RideOnTrack. During 2018 we have strengthened our product line and we have acquired a number of important new customers. In 2019 we will further mature our business and position RideOnTrack as a key player in the Value Added Application software market.

We look forward to work with you all again in 2019. Let's continue to 'ride on track' together.

Warm regards,



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