

Shape Robotics

Interim report • July – September 2020



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On November 18 2020, the Board of Directors has approved the interim report for Q1-Q3 2020 (January 1 – September 30).

The interim report is unaudited.



About Shape Robotics A/S

Shape Robotics is a Danish robotics company with a strong position in the global educational technology ("EdTech") market. The Company has developed Fable, a unique modular robot that makes it easy and fun for students to build and program their own robots. Since the launch of Fable in 2017 more than 7000 robots have been sold and shipped to schools around the world.

Shape Robotics helps educational institutions provide excellent teaching that will prepare students for a fast-changing future where digital technologies, artificial intelligence, and automation are transforming life and work. Fable is a modular robot that students can build in seconds. The robot system is robust, can withstand everyday usage in classrooms and can be used to solve demanding tasks. Students code Fable depending on their experience - from simple block programming to coding in the advanced Python language. Comprehensive teaching materials has been developed in collaboration with professional educators. Therefore, Shape Robotics provides complete teaching solutions for educational institutions from the 3rd grade to high-school and vocational schools.

About the Interim Report

Auditor's review

The Interim report has not been reviewed by the Company's auditor

Net sales and operating result

Net sales for the third quarter was TDKK 1.672 (2.258). EBITDA (bf. non-recurring costs) was TDKK -1.673 (-1.424).

Balance sheet and equity ratio

Total assets amounted to TDKK 27.071 (14.172), and primarily consisted of cash and cash equivalents, inventories, tangible/intangible assets, and trade receivables.

Shareholder's equity amounted to TDKK 24.018 (12.585), and liabilities amounted to TDKK 3.054 (1.587). Shareholders equity includes TDKK 1.988 (0) of Treasury shares.

Cash Flow and investments

Cash flow for the third quarter amounted to TDKK -7.487 (2.813). The cash flow includes investment (increase) in inventories of TDKK -1.809 (223).

The share

The shares of Shape Robotics A/S were listed on Nasdaq First North Growth Market Denmark on June 25, 2020. On September 30, 2020, the total number of shares was 6.825.102 (of which 202.490 are treasury shares).

Certified Advisor

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Financial review and full year outlook 1/2

- The demand for the Company's products are mainly from educational institutions on the Company's main markets; US, UK, Benelux, Russia, Italy and Denmark. Given the current market situation with the covid-19 pandemic, where many educational institutions are either closed, or children are being taught through the internet in their home, the Company is experiencing more sales barriers given that most of the Company's products are meant for classroom teaching.
- For that same reason, the Company has extended the successful modular robotic platform with Fable Connect – a groundbreaking new product which adds remarkable dimensions to ordinary video chatting and enables the user to use the Company's products outside the physical classroom.
- The Company has realized a revenue of MDKK 1.7 in Q3 2020 (2.3) and MDKK 4.7 in the first three quarters of the year (5.4), which the board and management finds satisfactory based on the current market conditions.
- Although the revenue in Q3 alone was TDKK 586 below Q3 2019, the Gross Operating Profit was TDKK 91 above last year, which shows that the Company has increased the margin on the product mix considerably, without increasing prices. The Gross Operating in % was 50% in Q3 and 48% YTD (33%, 36%). Improving margins on the product mix is an ongoing process and ties into the Company's strategy in being Cash-Flow positive by 2023.



Financial Targets

Average revenue growth rate of more than 80% per annum between 2021 to 2023

Target Revenue of MDKK 55 in 2023

Cash Flow positive for the full year 2023

Financial review and full year outlook 2/2

- The company has significantly increased quantities in raw materials and finished goods in the inventory during Q3, in order to be able to deliver in larger order quantities when the COVID-19 restrictions are eased worldwide. The increase in inventory has had a short-term cash flow effect of MDKK -1.8. The Company's inventory and finished goods to be sold, cannot, in the short term, become obsolete. This increase in inventory allows the company to deliver orders of a larger quantity, e.g. for public tenders. This is in line with the Company's strategic plan.
- The Company expect that the growth will commence again in the end of 2020, as the new CCO and other new sales hires are onboarded, and expect the revenue, on average, to grow with 80% per annum from 2021.



Financial Targets

Average revenue growth rate of more than 80% per annum between 2021 to 2023

Target Revenue of MDKK 55 in 2023

Cash Flow positive for the full year 2023

New revenue streams – Fable Connect “PRO” with an annual recurrent subscription and Fable Connect for consumers 1/2

During the summer, the Company extended the successful modular robotic platform with Fable Connect – a groundbreaking new product which adds remarkable dimensions to ordinary video chatting.

The concept, which has been developed in close collaboration with the Child Cancer Unit at the highly specialized Danish hospital, Rigshospitalet, is as simple as it is ingenious.

Download the app, plug your phone into your robot, activate the video chat, and send an invite to the person you want to come visit. Your invited guest is now able to control the telerobot with the phone through an optional device (smartphone, tablet, PC, or Mac).



New revenue streams – Fable Connect “PRO” with an annual recurrent subscription and Fable Connect for consumers 2/2

Fable Connect is already being distributed to reseller partners in a “PRO” version, which contains a recurrent subscription model on the software. The sale of Fable Connect and subscriptions started in August 2020, and up until November 2020 more than 80 Fable Connect and PRO licenses are active, equivalent to turnover for Fable Connect TDKK 133 and ARR from subscriptions of TDKK 66.

The Company is currently negotiating with other distributors and consumer electronics retailers, with the purpose of selling Fable Connect directly to end-consumers in hardware stores. The consumer-version of the software that the robot contains will unlike the “PRO” version not be a recurrent subscription model but will enable the company to upsell other products to the end-consumer from the unique modular building platform.





Watch our Fable Connect commercial

Financial Highlights

KEY FIGURES		<i>not revised</i>	<i>not revised</i>	<i>revised</i>	SHARE CALCULATIONS		<i>not revised</i>	<i>not revised</i>	<i>revised</i>
Amounts in DKK ('000)		Q3 2020	Q3 2019	FY 2019	DKK	Q1-Q3 2020	Q1-Q3 2019	FY 2019	
INCOME STATEMENT	Revenue (Net)	1.672	2.258	8.061	Market share price, end of period	13,7	N/A	N/A	
	Gross Operating Profit	836	745	2.821	Earnings per share	-1,54	N/A	N/A	
	Gross Operating Profit %	50%	33%	35%	# total shares	6.825.102	N/A	N/A	
	Operating profit/loss bf. non-recurring costs	-1.903	-1.570	-9.506	# treasury shares	202.490	N/A	N/A	
	EBITDA bf. non-recurring costs	-1.673	-1.424	-8.895	# shares outstanding	6.622.612	N/A	N/A	
	Operating profit/loss	-1.706	-1.570	-9.506	Equity ratio %	89%	89%	76%	
	Financial income and expenses, net	-44	-28	-70					
	Net profit/loss	-1.707	-1.598	-9.094					<i>NOT LISTED</i>
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BALANCE SHEET	Total Assets	27.071	14.172	12.418					
	Equity	24.018	12.585	9.471					
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CASH FLOW STATEMENT	Cash flow from operating activities	-5.965	-1.709	-8.869					
	Cash flow from investing activities	-220	-478	-2.113					
	Cash flow from financing activities	-1.301	5.000	10.000					
	Total cash flows	-7.487	2.813	-982					

Letter from the CEO 1/2

Dear Shareholder,

Let me start out by saying that it has been an exciting third quarter. We spent a lot of time building the foundation for future growth: Launched new products, optimized our operations, and strengthened our organization. Just like everyone else, we also hope that COVID-19 will soon be history, but as a company we are now prepared even if it takes longer than anticipated.

Successful launch of Fable Connect

We achieved a major milestone when we moved Fable Connect into stable production and started delivery to our customers. The PRO version of the product, which we sell to educational institutions, has already gained initial solid traction in Denmark. It has been very well received by the schools, municipalities, and patient associations. They see it as a valuable, simple, and affordable (10x cheaper than the direct competitors) solution to the massive problem of absence and isolation amongst children. As of today, Fable Connect is already helping dozens, if not a hundred, homebound children to stay connected with their school. However, the societal problem is far bigger. According to a recent report (Skolens Tomme Stole, Børns Vilkår og Egmont Fonden 2020), 14,2% of the school pupils in Denmark had an absence higher than 10%. Naturally, reseller interest in Fable Connect is also high and it is gradually being introduced into their product portfolios. The same can be said about potential retail partners. We are moving forward to be able to offer Fable Connect to end-consumers (B2C) through retail channels. Overall, we have high expectations for Fable Connect both short-term and longer-term.



David Johan Christensen,
CEO & Co-founder,
MSc Eng, PhD in Robotics

Letter from the CEO 2/2

Building the foundation to a new normal

The international educational market has continued to be heavily affected by COVID-19. Schools still have a strong interest in teaching 21st century skills but much of their focus has been on dealing with more urgent needs due to the pandemic. Further, exhibitions and visits at schools have been at a minimum which has put many resellers in a difficult situation. Shape Robotics has handled the situation by improving our product portfolio (launching Fable Connect) and putting extra focus on optimizing our operations, organization, products, and customer experience. The result is that we have a solid foundation for continued growth, also if the COVID-19 situation continues longer than expected.

Change in Management and Board

The former minister of education, Merete Riisager, has joined our board as an observer, and the board nominates Merete Riisager to the board at the next ordinary general meeting. Merete's strong background in politics and insights into the educational sector will help us steer the company in the right direction. Steen Lund was announced as our new CCO early November. Steen has a solid commercial background in the educational robotics market from leading companies such as Arduino and LEGO Education. Together with his team, he will play a vital role expanding the global sales of Fable by nurturing and extending our network of partners. Lately, we have also welcomed new colleagues in Sales, Marketing, R&D, and Supply Chain Management as part of our effort to strengthen the company and build a solid foundation for success.

/David



Income statement (1 January – 30 September 2020)

PROFIT & LOSS		<i>not revised</i>	<i>not revised</i>	<i>not revised</i>	<i>not revised</i>	<i>revised</i>
Amounts in DKK ('000)	Note	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Revenue (Net)		1.672	2.258	4.665	5.375	8.061
Cost of Revenue		-835	-1.514	-2.410	-3.421	-5.240
Gross Operating Profit		836	745	2.255	1.954	2.821
Gross Operating Profit %		50%	33%	48%	36%	35%
Research and development		-80	-26	-405	-183	-377
Sales, general and administrative		-782	-557	-1.920	-1.963	-2.765
Staff cost	(1)	-1.647	-1.586	-6.209	-5.304	-8.575
Depreciation and amortization		-231	-146	-696	-435	-611
Total operating expenses		-2.740	-2.315	-9.231	-7.884	-12.327
Operating profit/loss bf. non-recurring costs		-1.903	-1.570	-6.975	-5.930	-9.506
Non recurring costs / Other operating expenses*		197	0	-3.508	0	0
Operating profit/loss		-1.706	-1.570	-10.483	-5.930	-9.506
Financial income and expenses, net		-44	-28	-100	-50	-70
Taxes, calculated and actual		43	0	79	0	482
Net profit/loss		-1.707	-1.598	-10.504	-5.980	-9.094

* Costs related to listing the Company on Nasdaq First North Denmark



Balance sheet (30 September 2020)

ASSETS	<i>not revised</i>	<i>not revised</i>	<i>revised</i>
Amounts in DKK ('000)	Q3 2020	Q3 2019	FY 2019
Completed development projects	4.738	4.164	5.275
Development projects in progress	360	999	0
Intangible assets	5.098	5.163	5.275
Other plant, machinery, tools & equipment	629	782	746
Tangible assets	629	782	746
Fixed assets	5.726	5.944	6.021
Raw materials and finished goods	5.112	2.543	2.296
Inventories	5.112	2.543	2.296
Trade receivables	554	554	1.462
Other receivables	356	507	342
Corporation tax receivable	79	538	482
Receivables	989	1.600	2.286
Cash and cash equivalents	15.243	4.085	1.815
Current Assets	21.345	8.228	6.397
Assets	27.071	14.172	12.418

EQUITY AND LIABILITIES		<i>not revised</i>	<i>not revised</i>	<i>revised</i>
Amounts in DKK ('000)	Note	Q3 2020	Q3 2019	FY 2019
Share capital		683	256	256
Treasury Shares		-1.988	0	0
Reserve for development cost		3.976	3.481	4.186
Retained earnings/losses		21.347	8.848	5.029
Equity	(2)	24.018	12.585	9.471
Trade payables		1.274	362	882
Other liabilities		1.780	1.226	2.065
Current liabilities		3.054	1.587	2.947
Liabilities		3.054	1.587	2.947
Equity and liabilities		27.071	14.172	12.418

Cash Flow Statement (1 January - 30 September 2020)

CASH FLOW Amounts in DKK ('000)	Note	not revised Q3 2020	not revised Q3 2019	not revised Q1-Q3 2020	not revised Q1-Q3 2019	revised FY 2019
Net profit/loss		-1.707	-1.598	-10.504	-5.980	-9.094
Reversed depreciation and amortization		231	146	696	435	611
Reversed tax calculations		-43	0	-79	0	-482
Corporation tax received		482	0	482	0	537
Δ Accounts receivable		222	162	958	1.177	502
Δ Inventory		-1.846	-195	-2.817	-1.183	-936
Δ Account payable		-1.494	-446	392	-635	-112
Δ Other working capital		-1.809	223	-308	-665	105
Cash flow from operating activities		-5.965	-1.709	-11.179	-6.852	-8.869
Purchase, intangible assets		-200	-396	-360	-999	-1.237
Purchase, tangible assets		-20	-82	-44	-861	-876
Cash flow from investing activities		-220	-478	-404	-1.860	-2.113
Issue of shares	(2)	0	5.000	26.999	10.000	10.000
Purchase treasury shares	(2)	-1.301	0	-1.988	0	0
Cash flow from financing activities		-1.301	5.000	25.011	10.000	10.000
Δ Net change in cash		-7.487	2.813	13.428	1.288	-982
Cash beginning of period		22.730	1.272	1.815	2.797	2.797
Cash end of period		15.243	4.085	15.243	4.085	1.815

”The cash flow from operating activities in the third quarter of 2020 shows that the company had larger settlements with vendors than in the reference period, which primarily are costs related to the IPO. Also, an increase in inventory can be noticed, which is in line with our strategic focus and enables us to deliver larger orders faster.”

André Reinhard Fehrn, CFO

Notes to the financial statements

(1) Staff costs - Amounts in DKK ('000)	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Number of FTE's end of period (#)	14	19	14	19	19
Production & Assembly	255	236	768	873	1.090
Research & Development	643	643	2.738	1.896	2.784
Sales, Marketing & Education	512	744	2.029	2.356	3.168
Administration	358	258	955	855	2.391
Capitalized salaries	-120	-296	-280	-675	-859
Total staff costs	1.647	1.586	6.209	5.304	8.575

Long-Term Incentive Programme

To motivate key staff, The Board has granted up to 132.653 share options to selected employees.

Each share option gives the right to acquire one share in the company on a predetermined strike price.



Notes to the financial statements

(2) Equity - Amounts in DKK ('000)	Q3 2020	Q3 2019	FY 2019
Share Capital	256	202	202
Retained earnings/losses	5.030	3.543	3.543
Reserve for development costs	4.185	3.481	3.481
Equity at 1 January	9.471	7.226	7.226
<i>Changes in Equity, 1 January - 30 September</i>			
Capital increase (share capital)	427	54	54
Treasury shares in Shape Robotics A/S*	-1.988	0	0
Retained earnings/losses	26.780	10.740	10.580
Distribution of loss to retained earnings/losses	-10.504	-5.980	-9.094
Reserve for development costs	-169	545	704
Equity end of period	24.018	12.585	9.471

The Company's share capital consists of 6.825.102 shares of nom. 0,1 kr.

*Treasury shares equals less than 3% of the total share capital.



Statement by the Board of Directors and Executive Management

Statement

Today the Board of Directors and the Executive Management have discussed and approved the interim report of Shape Robotics A/S for Q3 2020, and the first 9 months of 2020.

The interim report has been created in accordance with IAS 34, Interim Financial Reporting as approved by the EU and additional disclosure requirements for companies listed on NASDAQ First North Denmark.

In our opinion, the financial statements give a true and fair view of the Company's financial position at September 30 2020 and of the results of the Company's operations and cash flows for the financial period January 1 – September 30 2020.

The management's review includes in our opinion a fair presentation of the matters dealt with in the report.

The interim report is unaudited.

Farum, November 18 2020

Executive Management

David Johan Christensen
CEO

Board of Directors

Lars R. Nyengaard
Chairman

Thomas Gjørup
Vice Chairman

Moises Pacheco

Kasper Støj

Michael Frank