Q3 2020
Financial Results
Jan Häglund, President and CEO
Björn Westberg, CFO

October 21, 2020
Agenda

- Introduction
- Financial Results
- Way Forward and Outlook
### Summary

**Head Quarter**
KISTA, SWEDEN

**Listed**
NASDAQ STOCKHOLM (MID CAP)

### Jul-Sep 2020

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Per Share (SEK)</td>
<td>1.44</td>
</tr>
<tr>
<td>Operating Margin (1%)</td>
<td>23.0</td>
</tr>
<tr>
<td>Net Debt to EBITDA (0.43)</td>
<td></td>
</tr>
<tr>
<td>Operating Cash Flow (SEK m)</td>
<td>83</td>
</tr>
<tr>
<td>R&amp;D (2%)</td>
<td>26.4</td>
</tr>
</tbody>
</table>

1/ Excluding non-recurring items
2/ (OPEX and Capitalized R&D)/(Net Sales)

### Jan-Sep 2020

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Per Share (SEK)</td>
<td>4.43</td>
</tr>
<tr>
<td>Operating Margin (1%)</td>
<td>22.3</td>
</tr>
<tr>
<td>Net Sales (SEK m)</td>
<td>667</td>
</tr>
<tr>
<td>Operating Cash Flow (SEK m)</td>
<td>213</td>
</tr>
</tbody>
</table>

1/ Excluding non-recurring items
2/ (OPEX and Capitalized R&D)/(Net Sales)
Impact from Corona Pandemic in Q3

Market Conditions
- Delays in customer investments, which means that certain projects (e.g. 5G) and software upgrades are postponed
- Lower demand for consulting services in North America, where our customers in the aviation industry have suffered from the effects of the Corona pandemic

Enea Response and Position
- The majority of our business is stable, supported by a high degree of recurring revenue
- Impact on operating profit mitigated by cost reductions
Key Events for Enea During the Third Quarter

**Acquisition**
- Acquired Aptilo, a leading provider of policy and access control solutions for carrier Wi-Fi and IoT (Internet of Things)

**Video optimization**
- Vodafone Ireland delivers outstanding video Quality of Experience (QoE) using Enea Traffic Management

**Traffic intelligence**
- Published results of the first survey about Deep Packet Inspection (DPI) among high-tech product managers

**Edge virtualization**
- Pan-African, cloud-based digital service provider inq. selected Enea NFV Access for innovative security and SD-WAN services

**Innovation**
- Enea RAN Congestion Manager (RCM) with Machine Learning increases mobile operators’ 4G RAN capacity
Aptilo Acquisition

Aptilo

- Swedish company with international reach
- A leading provider of Policy and Access Control solutions for carrier Wi-Fi and IoT
- Deployed by > 100 operators in 75 countries
- Sold both directly and indirectly

Enea + Aptilo

- 5G + Wi-Fi 6 combination creates a unique offering
- Strengthens Enea’s data management portfolio
- Adds new customers and additional sales capabilities
Acquisition Financials

- Enterprise value of 150 MSEK
  - 92 MSEK as purchase consideration
  - Net debt (and similar) adjustment of 58 MSEK

- Financed by cash and bank loan

- Expected to be EPS accretive 2021

- Transaction costs ~ 4 MSEK
Aptilo Portfolio and Market Position

Operator B2C Wi-Fi / Offloading

Operator B2B Wi-Fi

Operator IoT Policy Control

Zero Touch Wi-Fi IoT

200 MILLION + PEOPLE & EVEN MORE THINGS

100 + SERVICE PROVIDER CUSTOMERS

75 + COUNTRIES
Vision: 5G Core for all Wireless Access and all Mobile Endpoints

- Policy and access control for cellular and Wi-Fi
- Management of mobile phones and IoT devices
Aptilo Expanding Product Group
Network Solutions

Operating Systems
- YAMAHA
- NOKIA
- CM Networks
- ERICSSON
- Fujitsu
- Hytera

Software Development Services
- vodafone
- Honeywell
- ESA

Network Solutions

Pie chart for illustration only
Network Solutions:
Survey Shows that Customers Depend on Traffic Intelligence

Question: what level of traffic visibility do you require?

100%
Application Identification
WhatsApp, MS Teams, YouTube, Instagram, Facebook, Google Maps...

80%
Traffic Categorization
Video, audio, file transfer, adult content, social network, ICS/SCADA...

Source: Enea survey of Product Managers using DPI in cybersecurity solutions, 2020
4G continues to grow and will still represent 56% of connections in 2025 (source: GSMA)

Enea RAN Congestion Manager (RCM) with Machine Learning increases mobile operators’ 4G RAN capacity by 15%

Operators can prolong the life of 4G networks without any additional hardware investment
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Net sales decreased by 13% (currency adjusted)

<table>
<thead>
<tr>
<th></th>
<th>2020 Q3</th>
<th>2019 Q3</th>
<th>2020 Q1-Q3</th>
<th>2019 Q1-Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (SEK m)</td>
<td>206</td>
<td>247</td>
<td>667</td>
<td>736</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>-16</td>
<td>19</td>
<td>-9</td>
<td>25</td>
</tr>
<tr>
<td>Growth (%, currency adjusted)</td>
<td>-13</td>
<td>15</td>
<td>-9</td>
<td>20</td>
</tr>
</tbody>
</table>

1/ the acquired Policy and Access Control business included from 1 March 2019

Q3
-13% decline vs 2019 Q3 (247)
Decline in all product groups (partly due to Corona pandemic)
Network Solutions represent 2/3 of Total Revenue

- **Network Solutions**
  Net sales decreased by 11 percent. Stable recurring revenues but delays in customer investments in the quarter.

- **Operating System Solutions**
  Net sales decreased by 32 percent, due to an expected decline in key accounts.

- **Software Development Services**
  Net sales decreased by 16 percent, driven by decline in segments affected by Covid-19 in the US.

Corona pandemic impacting Net sales
23 percent EBIT margin in Q3 (excl NRI)

- **Gross margin bridge**
  - Base Gross margin\(^1\): 69.2% vs 71.7%
  - Currency effect working capital: +1.1% vs +1.3%
  - Restructuring cost: -0.4%
  - Gross margin: 69.9% vs 72.0%

\(^1\) Excluding restructuring cost and currency effect on working capital

- **Operating profit excluding NRI (SEK m)**
  - 2020 Q3: 47.6
  - 2019 Q3: 63.5
  - 2020 Q1-Q3: 148.4
  - 2019 Q1-Q3: 201.5

- **EBIT excl. non-recurring items, SEK m**
  - 2020 Q3: 47.6
  - 2019 Q3: 63.5
  - 2020 Q1-Q3: 148.4
  - 2019 Q1-Q3: 201.5

- **EBIT, SEK m**
  - 2020 Q3: 42.8
  - 2019 Q3: 63.5
  - 2020 Q1-Q3: 124.5
  - 2019 Q1-Q3: 197.7

- **EBIT margin excl. non-recurring items, %**
  - 2020 Q3: 23.0%
  - 2019 Q3: 25.7%
  - 2020 Q1-Q3: 22.3%
  - 2019 Q1-Q3: 27.4%

- **EBIT margin, %**
  - 2020 Q3: 20.7%
  - 2019 Q3: 25.7%
  - 2020 Q1-Q3: 18.7%
  - 2019 Q1-Q3: 26.8%

- **Earnings per share, SEK**
  - 2020 Q3: 1.44
  - 2019 Q3: 2.37
  - 2020 Q1-Q3: 4.43
  - 2019 Q1-Q3: 7.21

**Q3**
- 23.0% EBIT margin (excl NRI)
- Positively impacted by lower OPEX \(^2\), SEK 97.5m (114.2)
- Negatively impacted by lower GM SEK 144.3 m (177.8)
  - 16% lower net sales
  - Currency effect on working capital SEK -4.4 m (-0.9)
  - Restructuring cost of SEK 0.8 m
  - Higher D&A from previous acquisitions

\(^2\) excl NRI (SEK 4m related to Aptilo acquisition costs)
Solid Financial Position

Stable cash flow generation

- Q3 cash flow before change in WC amounted to SEK 68.1 m (78.1)
- Q3 cash flow from operations amounted to SEK 82.8 m (69.5)

Effective financing structure

- Interest bearing bank loans amounted to SEK 301.6 m (total facility of SEK 400 m)
- Cash and cash equivalents were SEK 180.0 m (395.7)
- Interest on loans Q3 was SEK 2.0 m (8.4)

Improvement in financial KPIs

- Equity ratio was 69.6 percent (59.0)
- Net debt to EBITDA was 0.43 (0.67)

Well-positioned to invest in both organic growth and potential non-organic opportunities
Introduction

Financial Results

Way Forward and Outlook
Market Outlook 2020

Continued positive outlook for software in telecom and enterprise networks

Increased uncertainty in the short and medium term due to the pandemic

Our target of an operating margin above 20 percent remains, but the consequences of the corona pandemic will have a negative impact on our sales in 2020
Thank you!

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