



Q3 2020

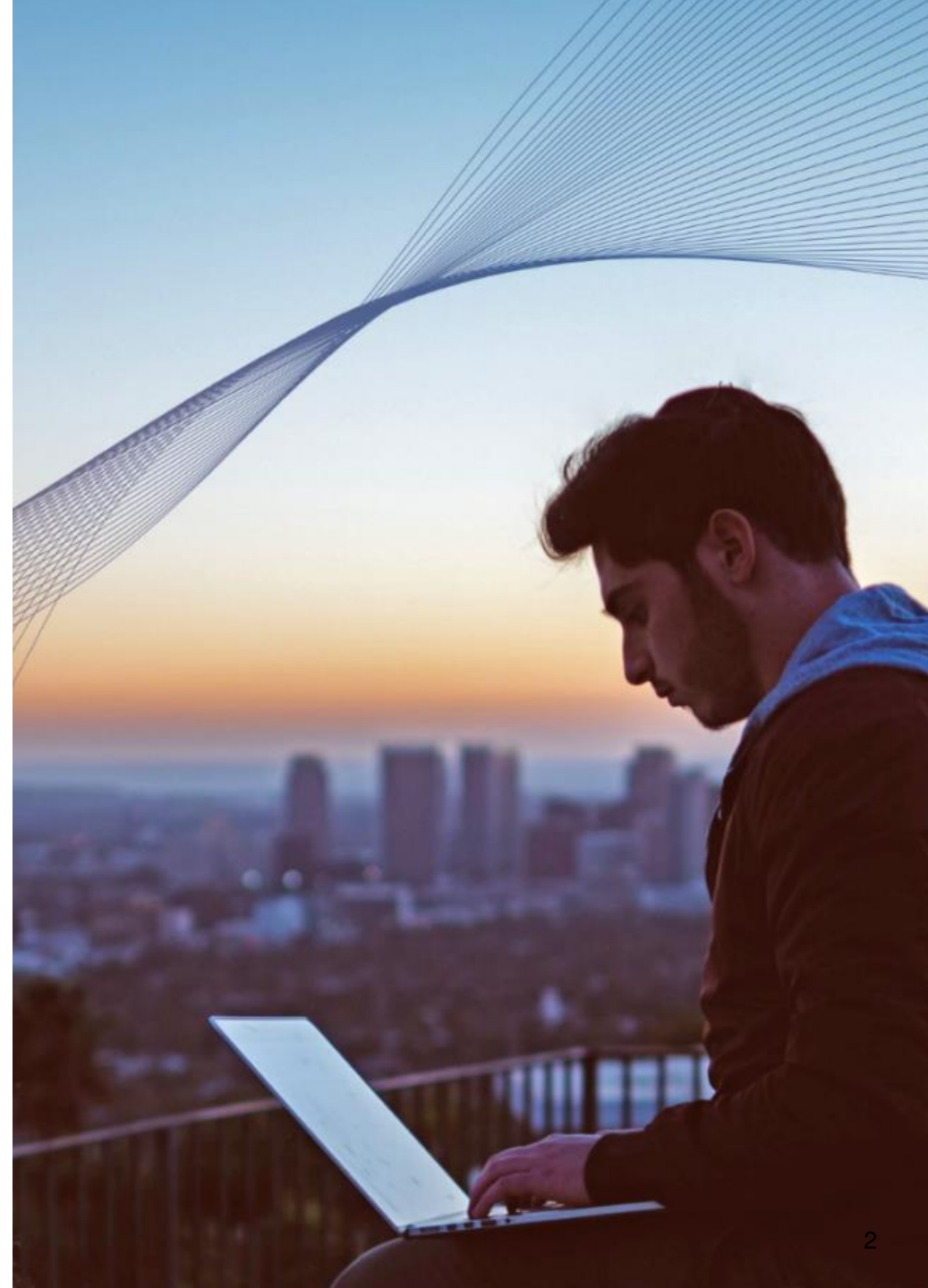
Financial Results

Jan Häglund, President and CEO
Björn Westberg, CFO

October 21, 2020

Agenda

- ▶ Introduction
- ▶ Financial Results
- ▶ Way Forward and Outlook



Summary

Jul-Sep 2020

HEAD
QUARTER
KISTA,
SWEDEN

NET SALES
206
SEK m

OPERATING
MARGIN ^{1/}
23.0
PERCENT

NET DEBT TO
EBITDA
0.43

EARNINGS PER
SHARE
1.44
SEK

OPERATING
CASH FLOW
83
SEK m

R&D ^{2/}
26.4
PERCENT

^{1/} Excluding non-recurring items

^{2/} (OPEX and Capitalized R&D)/(Net Sales)

Jan-Sep 2020

NET SALES
667
SEK m

OPERATING
MARGIN ^{1/}
22.3
PERCENT

EARNINGS PER
SHARE
4.43
SEK

OPERATING
CASH FLOW
213
SEK m

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

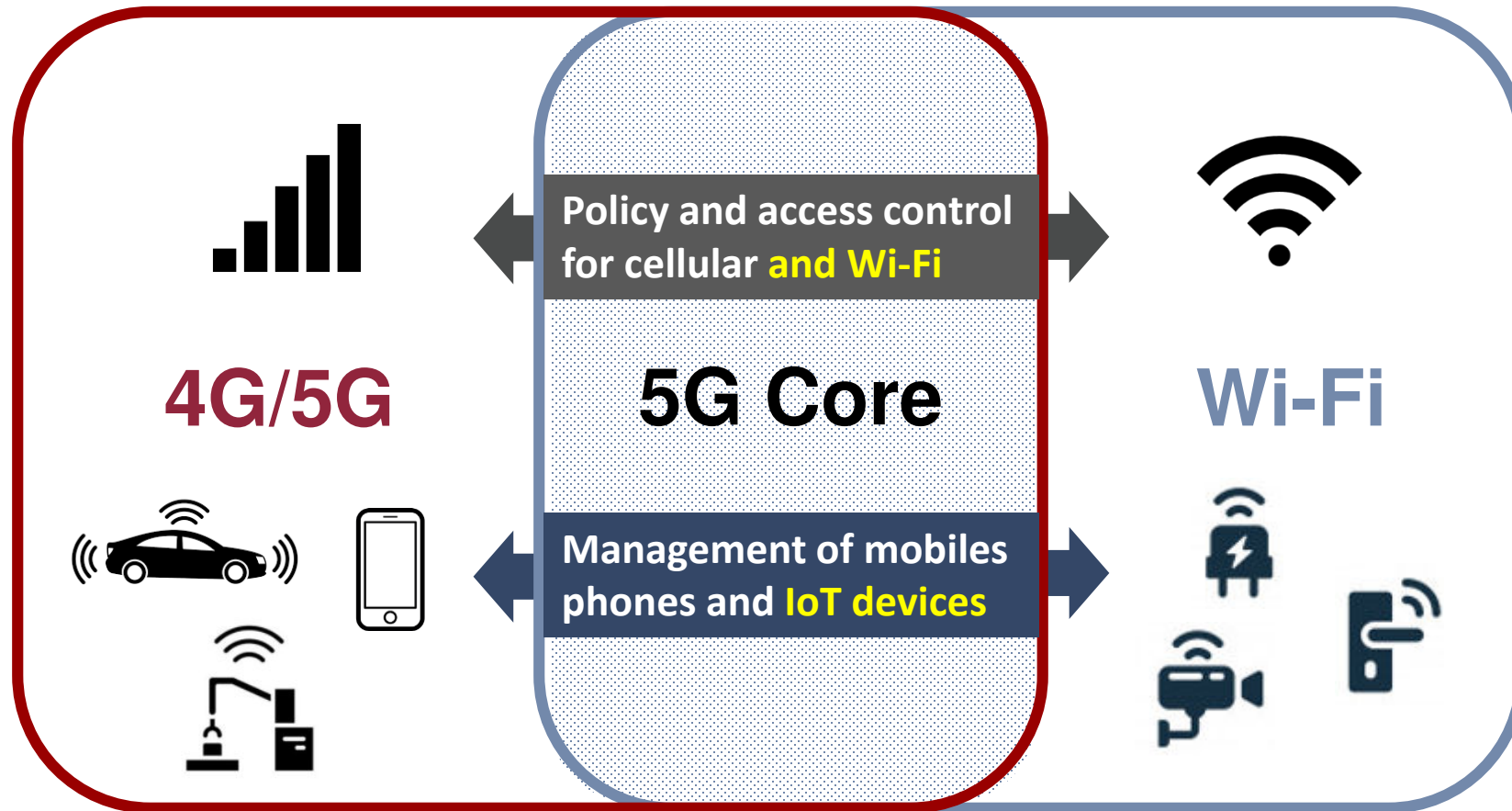
- ▶ **Enterprise value of 150 MSEK**
 - 92 MSEK as purchase consideration
 - Net debt (and similar) adjustment of 58 MSEK
- ▶ **Financed by cash and bank loan**
- ▶ **Expected to be EPS accretive 2021**
- ▶ **Transaction costs ~ 4 MSEK**



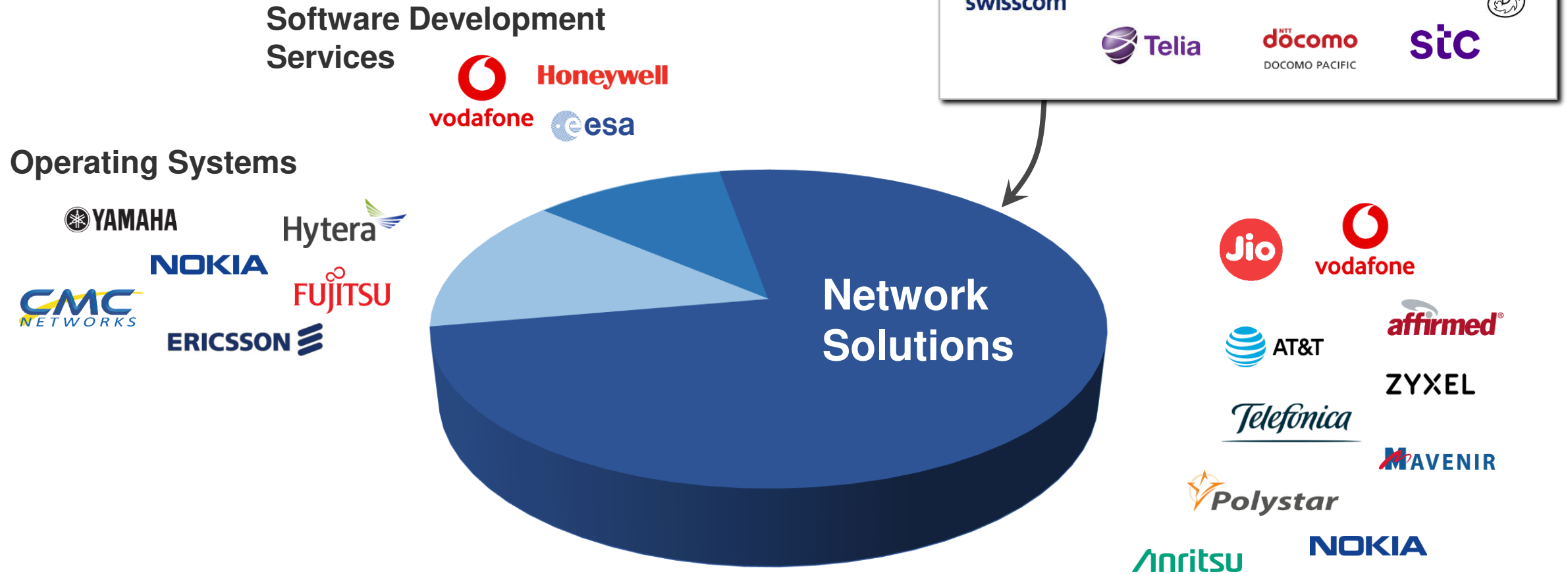
Aptilo Portfolio and Market Position



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



Aptilo Expanding Product Group Network Solutions

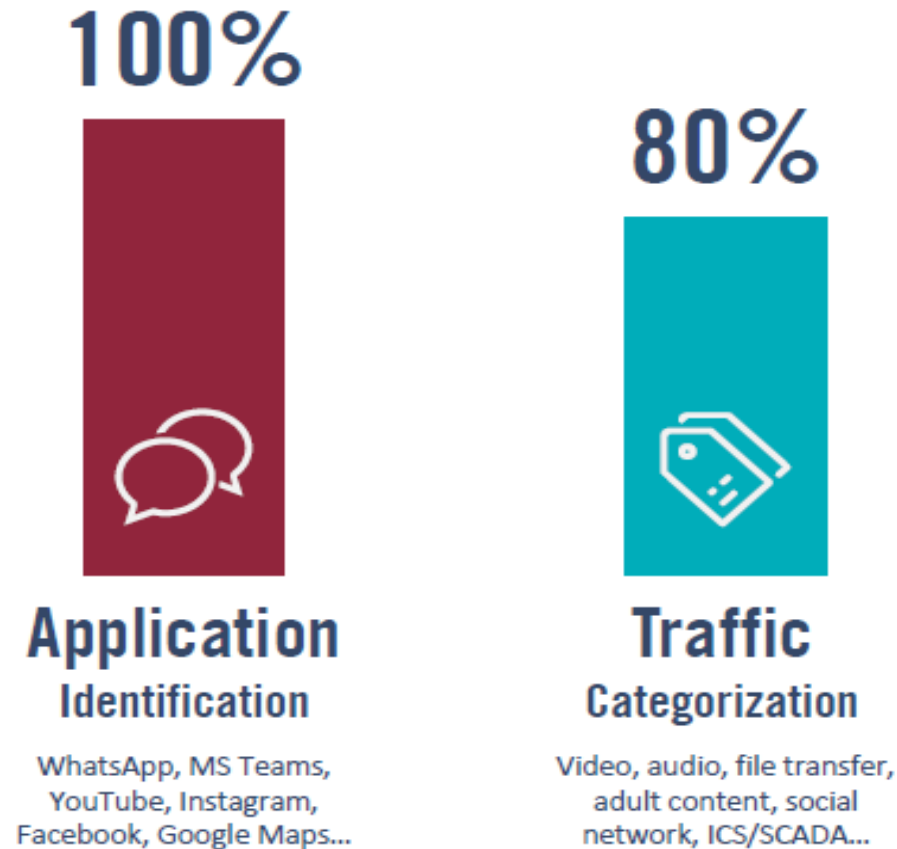


Pie chart for illustration only

Network Solutions:

Survey Shows that Customers Depend on Traffic Intelligence

Question: *what level of traffic visibility do you require?*



Source: Enea survey of Product Managers using DPI in cybersecurity solutions, 2020

Network Solutions: Innovation in Video Traffic Optimization

- ▶ 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

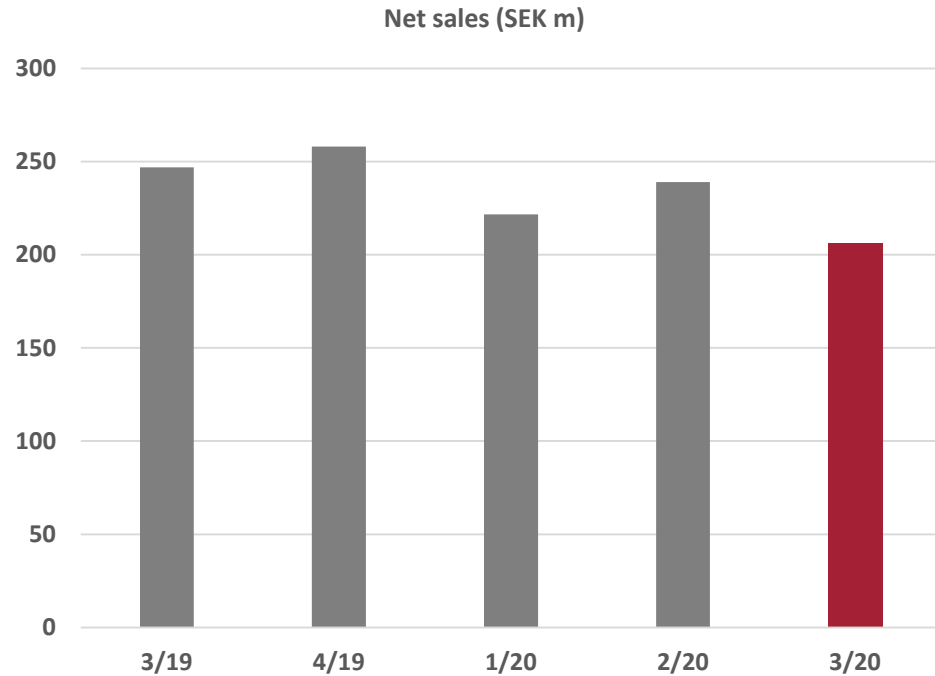


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Net sales decreased by 13% (currency adjusted)



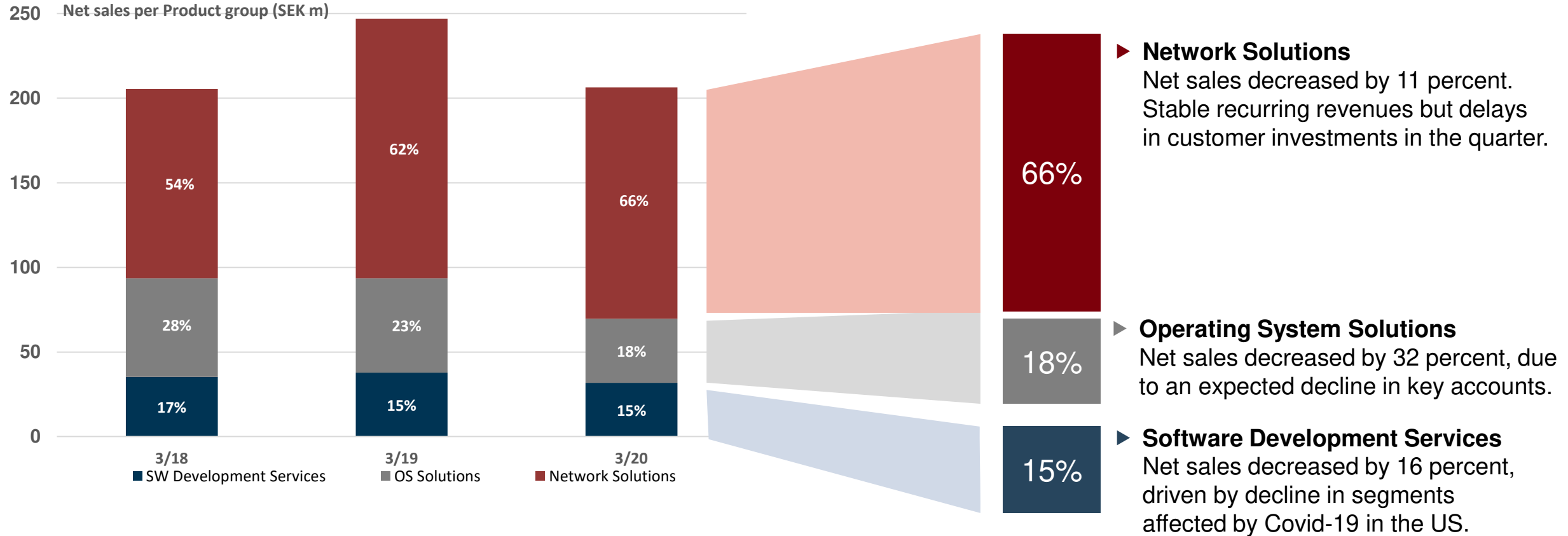
	2020 Q3	2019 Q3	2020 Q1-Q3	2019 Q1-Q3	
Net sales (SEK m)	206	247	667	736	1/
Growth (%)	-16	19	-9	25	
Growth (% , currency adjusted)	-13	15	-9	20	

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

Q3

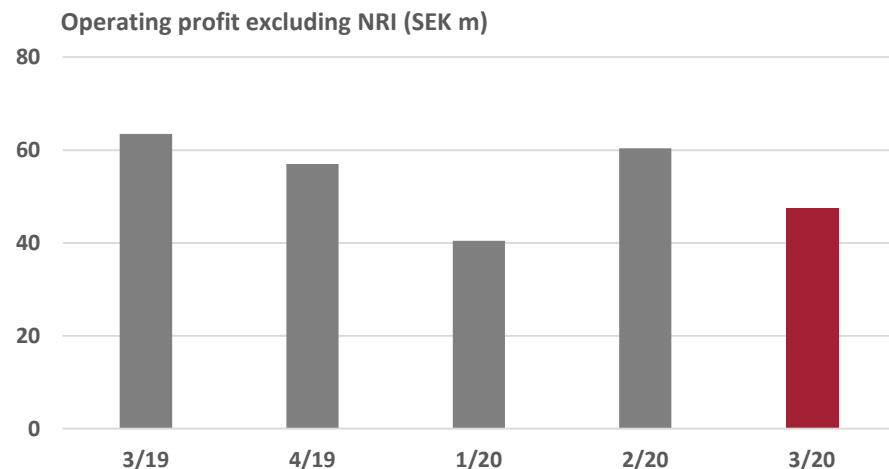
- ▶ -13% decline vs 2019 Q3 (247)
- ▶ Decline in all product groups (partly due to Corona pandemic)

Network Solutions represent 2/3 of Total Revenue



Corona pandemic impacting Net sales

23 percent EBIT margin in Q3 (excl NRI)



Gross margin bridge	20Q3	19Q3
Base Gross margin ^{1/}	69.2%	71.7%
Currency effect working capital	+1.1%	+1.3%
Restructuring cost	-0.4%	
Gross margin	69.9%	72.0%

^{1/} Excluding restructuring cost and currency effect on working capital

	2020 Q3	2019 Q3	2020 Q1-Q3	2019 Q1-Q3
EBIT excl. non-recurring items, SEK m	47.6	63.5	148.4	201.5
EBIT, SEK m	42.8	63.5	124.5	197.7
EBIT margin excl. non-recurring items, %	23.0	25.7	22.3	27.4
EBIT margin, %	20.7	25.7	18.7	26.8
Earnings per share, SEK	1.44	2.37	4.43	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

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Market Outlook 2020

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

Continued positive outlook for software in telecom and enterprise networks

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!

ENEA

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