Interim Report January - September 2022

Jan Häglund, President and CEO
Ola Burmark, CFO

October 26, 2022
Agenda

- Summary and Key Events
- Financial Results
- Way Forward and Outlook
# Financial Summary

## July - September 2022

<table>
<thead>
<tr>
<th></th>
<th>Net Sales (SEK m)</th>
<th>Operating Margin (PERCENT)</th>
<th>Net Debt (SEK m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Per Share</td>
<td>2.42</td>
<td>18.0</td>
<td>283</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>92</td>
<td>28.3</td>
<td></td>
</tr>
<tr>
<td>R&amp;D (PERCENT)</td>
<td>1/</td>
<td>31.0</td>
<td></td>
</tr>
</tbody>
</table>

## January – September 2022

<table>
<thead>
<tr>
<th></th>
<th>Net Sales (SEK m)</th>
<th>Operating Margin (PERCENT)</th>
<th>Net Debt (SEK m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Per Share</td>
<td>8.61</td>
<td>13.0</td>
<td>283</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>169</td>
<td>3.24</td>
<td></td>
</tr>
<tr>
<td>R&amp;D (PERCENT)</td>
<td>1/</td>
<td>31.0</td>
<td></td>
</tr>
</tbody>
</table>

1/ (OPEX less D&A plus Capitalized R&D)/(Net Sales)
2/ (EBIT excl NRI)/(Net Sales)
3/ (EPS continued operations)
Developments in the Quarter

- Winning new business in Cybersecurity, Traffic management and 5G. Major contracts in North America.
- Increase in net sales, operating profit and cashflow, compared with previous quarters this year.
- Increase in recurring revenue from Support & Maintenance.
- Network Solutions grew 4 percent organically, Operating Systems declined 23 percent.
- Continued investment in stronger salesforce in selected regions.
- High attention on Cybersecurity, enhanced by geopolitical environment.
- Energy prices, inflation, and interest rates create pressure on our customers.
5.9M USD Messaging Security Win

- 3-year expansion agreement for Mobile Messaging Security with a North American Communication Platform-as-a-Service (CPaaS) provider.
- Enea will provide software licenses, Threat Intelligence services, and support and maintenance, to protect Application-to-Person (A2P) traffic from security threats.
- Software licenses worth USD 1.8 million are recognized in the third quarter of 2022, while remaining revenues will be recognized over the full contract period.
- The new agreement generates an increase in recurring revenues of USD 2.4 million during the contract period. The total deal value is USD 5.9 million.
Enea First to Market with 5G Traffic Management

- Innovative Service Engine (5G-SE) for dual mode 4G and 5G traffic management launched in July.
- Enea is the first vendor to market with a cloud-native commercial product.
- Traffic management improves subscribers’ quality of experience, accelerates traffic delivery, and alleviates radio network congestion, across both 4G and 5G.
- 5G-SE fosters a wider vendor ecosystem for service management, as demanded by CSPs.
5G Traffic Management Win of CAD 4.4M

- 5G traffic management contract was signed with a North American mobile network operator in September. The solution is based on Enea’s new 5G Service Engine (5G-SE).
- The agreement, which covers new business with an existing customer, includes software licenses, professional services, and product support.
- Software licenses with value of CAD 3.3 million are recognized in the third quarter of 2022, while remaining parts of the agreement are delivered during the next three years.
- The total contract value is CAD 4.4 million.
Energy Saving through Video Optimization

- Energy costs are a significant and increasing part of operator OPEX.
- The radio access network accounts for 73% of energy costs for the average mobile operator.
- Video comprises up to 70% of mobile traffic and remains the highest growth driver.
- Traffic management can make video 20% more bandwidth efficient without compromising user experience – which corresponds to a 10% energy reduction across the network.
- Video optimization can save mobile operators approximately 10M USD in energy cost per year, based on 10M subscribers.
Thought Leadership Shaping the Market

**Expert Insights:**
Hybrid Warfare blog & briefings

**Report:**
Reduce energy through video optimization

**Events:**
Trust Talks with Hardenstance

**Awards:**
IoT CCS “Product of the Year” by IoT Evolution, "Best IoT Platform" by IoT Breakthrough Awards

**Report:**
State of Intrusion Detection & Prevention

**Whitepaper:**
DPI for Secure Service Edge
Agenda

- Summary and Key Events
- Financial Results
- Way Forward and Outlook
Net sales decreased by 8% (currency adjusted)

<table>
<thead>
<tr>
<th></th>
<th>2022 Q3</th>
<th>2021 Q3</th>
<th>2022 Jul-Sep</th>
<th>2021 Jul-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>229</td>
<td>229</td>
<td>657</td>
<td>610</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>0%</td>
<td>4%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Growth (% currency adjusted)</td>
<td>-8%</td>
<td>5%</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>253</td>
<td>232</td>
<td>692</td>
<td>621</td>
</tr>
<tr>
<td>FX impact vs last year</td>
<td>+17.1</td>
<td>+40.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ AdaptiveMobile Security business contributed 47 SEKm in Q3 2021 and SEK 47m in January-September 2021

- 8% decrease vs 2021-Q3 in fixed currencies
- 0% increase vs 2021-Q3 in floating currencies
- Currency adjusted negative Organic Growth
  - Network Solutions -4%
  - Operating Systems -24%
- Total Revenues of SEK 253m (232) includes Other revenues of SEK 23.6m (2.3). 14m in currency gains and SEK 10m in forgiveness of Covid related loan in United States
Network Solutions

Revenue by Type

- License revenues of SEK 90m (107) or -17%
  - Licence revenues of SEK 0m (28.5) have been recognized in the quarter related to achieved delivery milestones in data management projects for 4G and 5G core networks

- Support & Maintenance of SEK 67m (53) or +27%

- Professional Services SEK 44m (32) or +37%

- License revenues of SEK 257m (276) or -7%
  - Licence revenues of SEK 29.5m (46.8) have been recognized in the period related to achieved delivery milestones in data management projects for 4G and 5G core networks.

- Support & Maintenance SEK 180m (142) or +27%

- Professional Services SEK 128m (77) or +65%
Net sales of SEK 28m (36) or -27%
- Organic growth adjusted for currency was -24% vs Q3 2021
- The two key accounts declined by -33% and represent approx. 60% (69) of total sales in the quarter.

Net sales of SEK 92m (115) or -20%
- Organic growth adjusted for currency was -21% vs first nine months 2021
- The two key accounts declined by -31% and represent approx. 61% (70) of total sales in the period.
Network Solutions grew by 4% and account for 88% of total sales

- Net sales increased by 4%, driven by strong sales in AdaptiveMobile Security and positive currency impact.
- Organic growth adjusted for currency was -4% vs Q3 2021

Operating Systems
- Net sales decreased by 23%, due to an expected decline in key accounts
- Organic growth adjusted for currency was -24% vs Q3 2021
37.3 percent EBITDA margin in Q3

- **37.3% (39.9%) EBITDA margin excl. NRI**
- No new Non-Recurring Items in the quarter
- 86.9% in Gross margin (83.4%), positively affected by improved margin on Support and Services
- Operational expenses of SEK 158.2m (148.5). Explained by increased D&A of SEK 8.0m and unfavorable fx of SEK 7.6m
- Adjusting for the above, operational spending decreased by SEK 4.5m

### Financial Highlights

**EBITDA excluding NRI (SEK m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q3</th>
<th>Jan-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>85.4</td>
<td>212.3</td>
</tr>
<tr>
<td>2021</td>
<td>91.6</td>
<td>248.3</td>
</tr>
</tbody>
</table>

**EBITDA, SEK m**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q3</th>
<th>Jan-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>85.3</td>
<td>188.5</td>
</tr>
<tr>
<td>2021</td>
<td>79.2</td>
<td>235.8</td>
</tr>
</tbody>
</table>

**EBITDA margin excl. non-rec. items, %**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q3</th>
<th>Jan-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>37.3%</td>
<td>32.3%</td>
</tr>
<tr>
<td>2021</td>
<td>39.9%</td>
<td>40.6%</td>
</tr>
</tbody>
</table>

**EBITDA margin, %**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q3</th>
<th>Jan-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>37.2%</td>
<td>28.7%</td>
</tr>
<tr>
<td>2021</td>
<td>34.5%</td>
<td>38.6%</td>
</tr>
</tbody>
</table>
### 18.0 percent EBIT margin in Q3

- EBIT of SEK 41.1m (54.4) or 18.0% (24%) EBIT margin
- EPS of SEK 2.42 compared to SEK 2.33 last year
- EPS for the continued operations of SEK 1.69 compared to SEK 2.11 last year

<table>
<thead>
<tr>
<th></th>
<th>2022 Q3</th>
<th>2021 Q3</th>
<th>2022 Jan-Sep</th>
<th>2021 Jan-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT excl Non-Recurring Items, SEK m</td>
<td>41.1</td>
<td>54.4</td>
<td>84.1</td>
<td>152.8</td>
</tr>
<tr>
<td>EBIT, SEK m</td>
<td>41.0</td>
<td>42.9</td>
<td>60.3</td>
<td>140.3</td>
</tr>
<tr>
<td>EBIT margin excl. non-rec. items, %</td>
<td>18%</td>
<td>24%</td>
<td>13%</td>
<td>25%</td>
</tr>
<tr>
<td>EBIT margin, %</td>
<td>18%</td>
<td>19%</td>
<td>9%</td>
<td>23%</td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>2.42</td>
<td>2.33</td>
<td>8.61</td>
<td>6.76</td>
</tr>
<tr>
<td>Earnings per share (Continued operations), SEK</td>
<td>1.69</td>
<td>2.11</td>
<td>3.24</td>
<td>6.17</td>
</tr>
</tbody>
</table>

**Graph:** Operating profit excluding NRI (SEK m)

- Operating profit excluding Non-Recurring Items (NRI) increased from SEK 41.1m in Q3 2022 to SEK 54.4m in Q3 2021.
- EBIT margin excluding non-recurring items increased from 18% in Q3 2022 to 24% in Q3 2021.
- Earnings per share increased from SEK 2.42 in Q3 2022 to SEK 2.33 in Q3 2021.
Positive cash flow reduces interest bearing debts

- Cash flow before changes in working capital amounted to SEK 91.4m (86.1)
- Cash flow from operations amounted to SEK 92.1m (28.3)
- Cash flow from divestment of operations SEK 14.6m (0)

- Interest bearing bank loans amounted to SEK 546.7m (790.9)
- Cash and cash equivalents were SEK 264.0m (176.4)

- Equity ratio was 68.5 percent (56.9)
- Net debt to EBITDA was 0.93 (1.88)
Agenda

- Summary and Key Events
- Financial Results
- Way Forward and Outlook
Key Factors and Trends

Telecom
- Traffic growth continues, new applications require higher network performance
- "Digital telco" first movers set the scene for a reshaped industry

Cybersecurity
- Geopolitical tensions and cyber attacks remain high
- Mobile networks are strategic and therefore potential targets
- High attention in Americas

Macro environment
- Energy crisis affecting network opex
- USD strengthened against weaker European currencies
- Cautious decision making and deferred investments
Our Strategy

Software Specialist

…cloud-native products in a world where competitors have proprietary platforms

Leading Positions

…in telecom software for mobile core, and security for mobile networks

Global Presence

…through direct and indirect market channels supported by distributed R&D
<table>
<thead>
<tr>
<th>Software Specialist</th>
<th>Leading Positions</th>
<th>Global Presence</th>
</tr>
</thead>
</table>
| ▶ Divestment of Software Development Services business brings enhanced focus on software product business | ▶ **Successful launches** of new innovative products like the 5G Service Engine  
▶ **Contract wins** in Traffic Management and Messaging security with Tier-1 Service Providers  
▶ **Continued momentum from the acquisition** of AdaptiveMobile Security | ▶ **Strengthening go to market** through investments in sales force in targeted regions  
▶ **Expanding business in key accounts** by cross-selling a wider product portfolio |

...and has a positive impact on the gross margin.
Outlook 2022 and Longer Term

Our long-term target of sales growth and an operating profit above 20 percent remains, but an uncertain macro environment and a weak start of the year means that we judge it challenging to reach the profitability target for 2022.
Thank you!

www.enea.com