



Anders Lidbeck, President & CEO

October 26, 2016

# Agenda

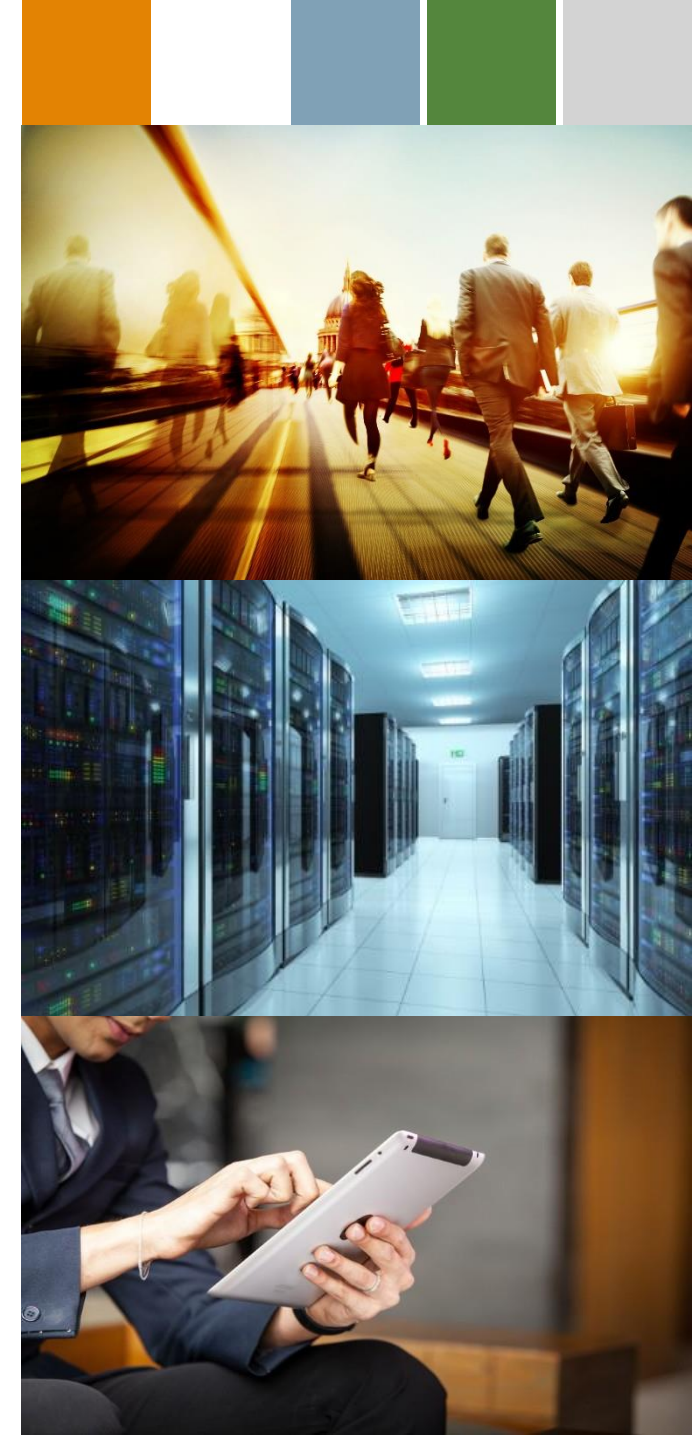
- Enea Intro
- Enea Financials Q316
- Technology & Corporate Development
- Outlook



# A Catalyst for the Connected Society

HEAD QUARTER KISTA, SWEDEN	REVENUE 481.5 MSEK	OPERATING MARGIN 22.9 PERCENT
NO. OF EMPLOYEES 403	R&D OPEX INVESTMENT 19 PERCENT	LISTED NASDAQ STOCKHOLM

*Numbers for 2015*



# Our Vision

*Our software and expertise help you  
develop amazing functions in a  
connected society*

More than *3 billion* people rely on Enea software every day, to  
connect a call or use their mobile phone to get online.



# Our Business

- **Software Products for embedded applications focused on communication solutions**
  - Operating Systems
  - Network Operating Systems for NFV
  - On Device Management
  - VNF Management
  - Network Management
  - Services Orchestration
  - Proprietary and Open Source

- **Maintenance, Support, and Product Services**
  - Related to our own product portfolio
  - For Open Source based solutions
  - For integrated solutions incl. 3<sup>rd</sup> party

- **Stand-alone System and Software Services**
  - Architecture, design, development, test
  - In-house and or on-site projects
  - Bridged Services



# Leading Customers

**NOKIA**



**VOLVO**

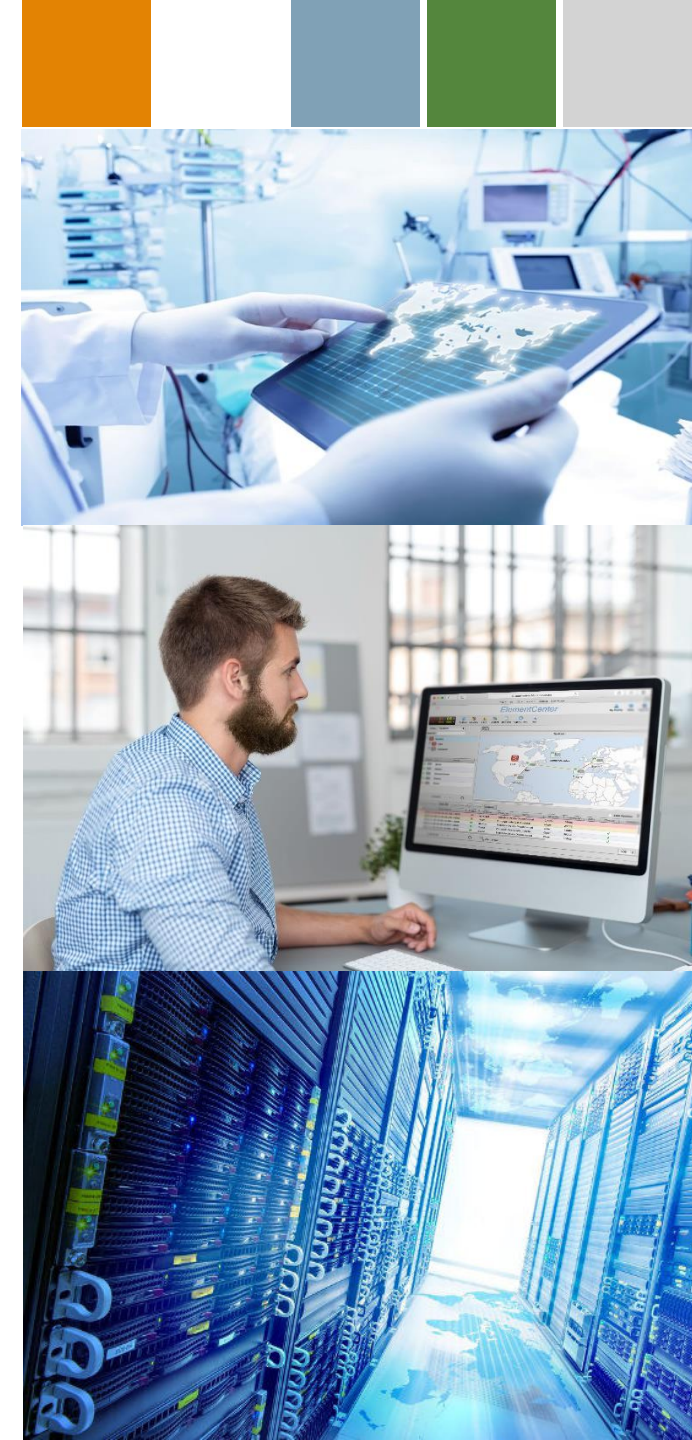


**Honeywell**



**HUGHES**

**ENEA**

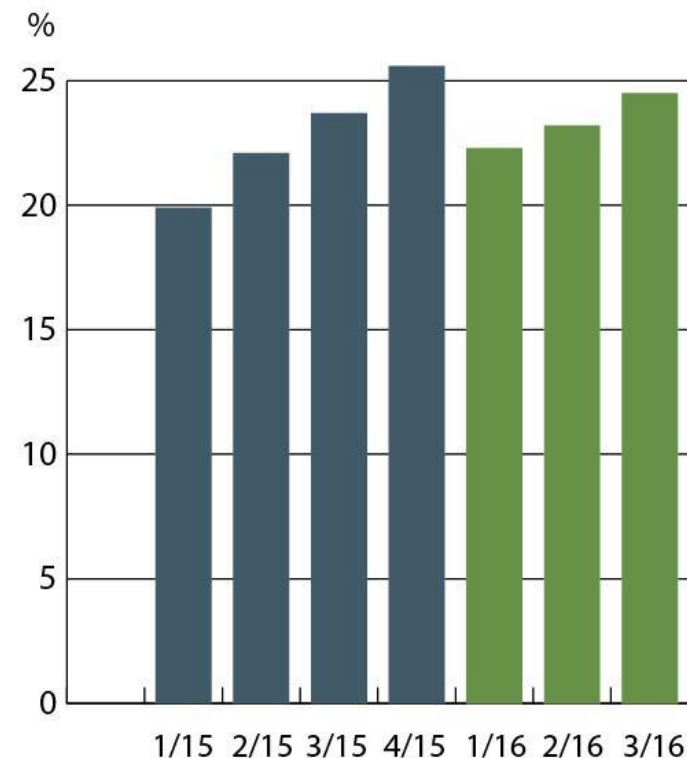


# Record Q3 EBIT & Operating Margin

	Q316	Q315
EBIT (MSEK)	29.6	27.9
Operating margin (%)	24.5	23.7
Earnings per share (SEK)	1.42	1.29

	FY15
EBIT (MSEK)	110.0
Operating margin (%)	22.9
Earnings per share (SEK)	5.49

Operating margin



- 14th consecutive quarter of y-o-y EBIT growth
- 20th consecutive quarter of y-o-y Operating margin expansion

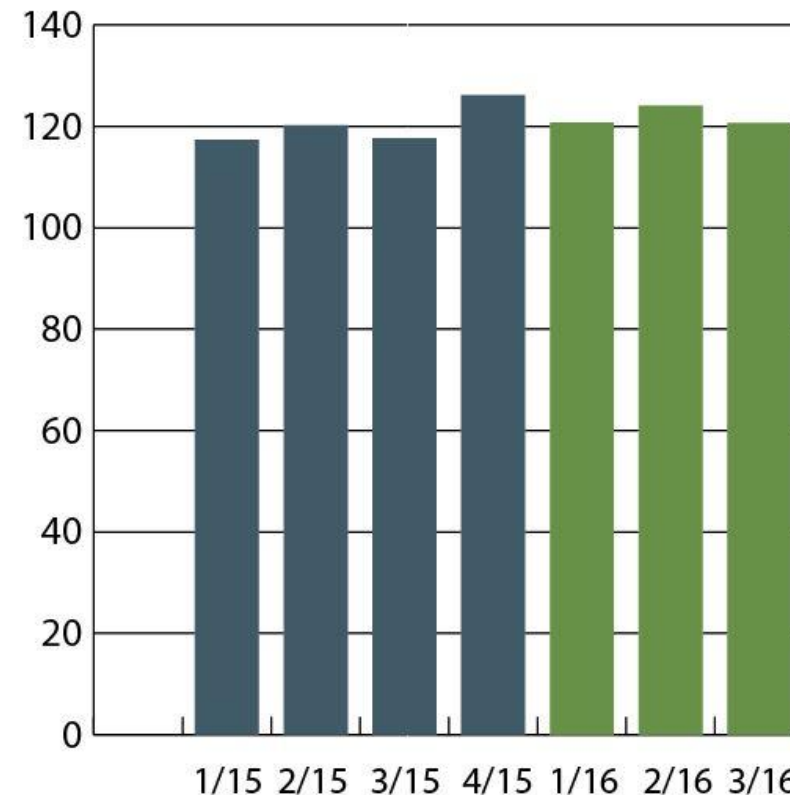
# Record Q3 Revenues

	Q316	Q315
Revenue (MSEK)	120.7	117.7
Revenue growth (%)	3	12
Revenue growth (%) <small>(currency adjusted)</small>	1	6

	FY15
Revenue (MSEK)	481.5
Revenue growth (%)	12
Revenue growth (%) <small>(currency adjusted)</small>	5

## Revenue

MSEK



- 9th consecutive quarter of y-o-y revenue growth



# Revenue Split per Region

- **Asia**

Sales increased significantly compared with the same period last year. Growth in Asia can be attributed to a number of small deals and one larger deal in with a global information and communications technology company.

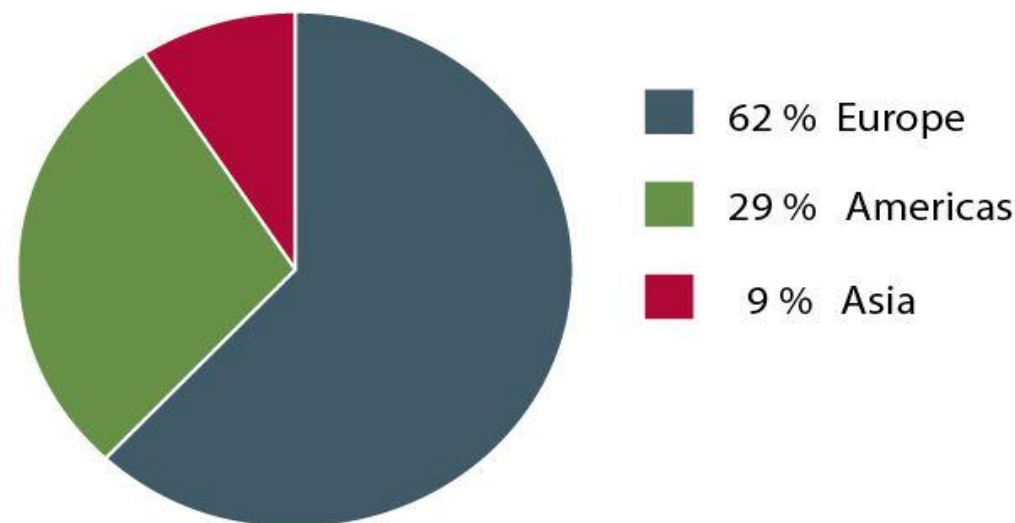
- **Americas**

Sales increased compared to the same quarter last year. The increase in America can be linked to a number of new service contracts and extension of an existing agreement.

- **Europe**

In Europe, sales decreased this quarter compared with the same quarter last year due to lower revenues from key accounts. Other Software and Services sales were flat over the same period last year.

Revenue per region (Jul-Sep)

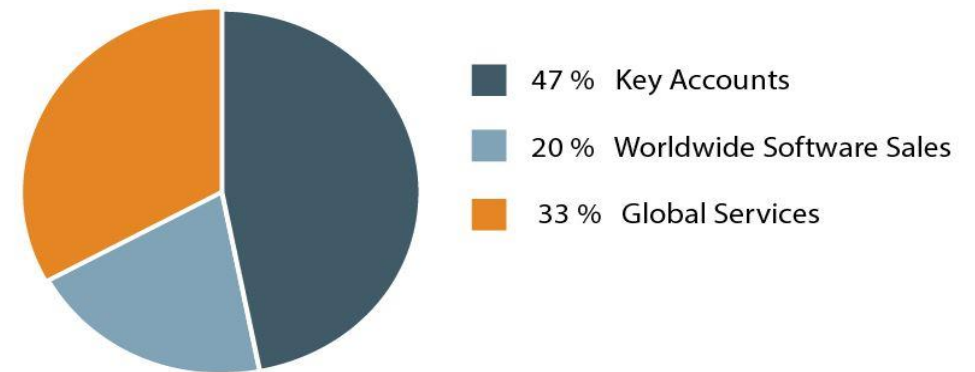


- High double-digit growth numbers in Asia
- Significant win in Asia with a LTE-base station project

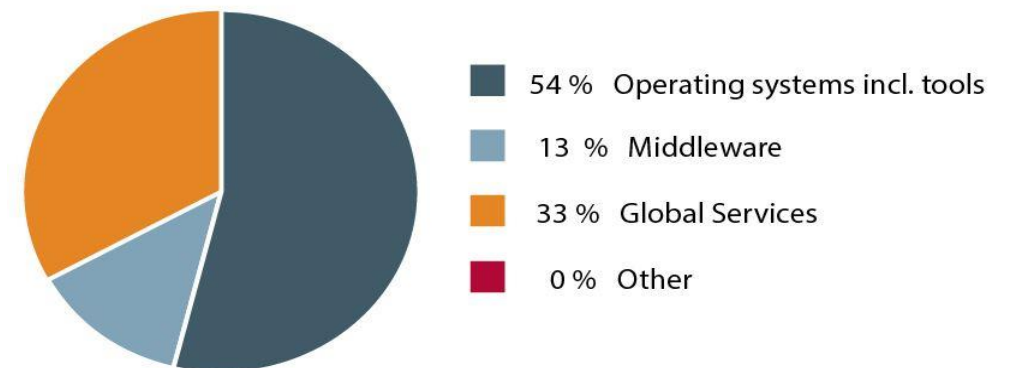
# Strong Continued Growth in Worldwide Sales

- World-wide software sales continues to grow and now represents 20% of total Q3 revenues compared to 15% two years ago (Q314)
- Revenues from Key Accounts decreased compared to the same quarter last year both in absolute numbers and in percent – representing 47% of Q3 revenues
- Global Services revenues increased compared to the same period last year, showing a record quarter

Revenue per business unit (Jul-Sep)



Revenue per product group (Jul-Sep)



- WW Software Sales: Highest quarterly revenues on record
- Global Services: Highest quarterly revenues on record
- Middleware: 8% y-o-y growth

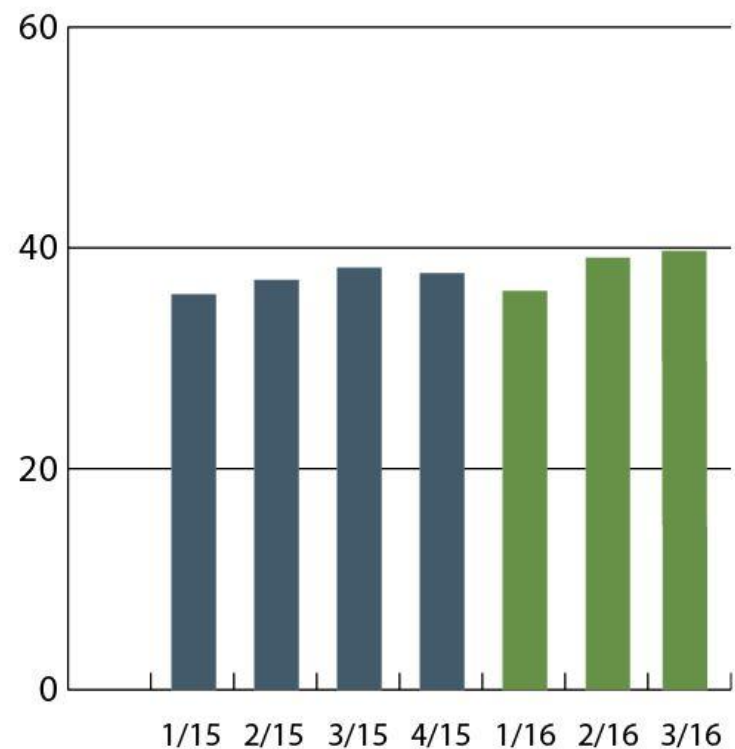
# Good Quarter in Global Services

- 3% y-o-y revenue growth in the quarter with growth both in the US and in Europe
- The Bridge Services deal in the US, closed in Q216 continued to be important

- Rolling 12 Months revenue growth: +5%
- Highest Global Services revenue on record

## Revenue Global Services

MSEK

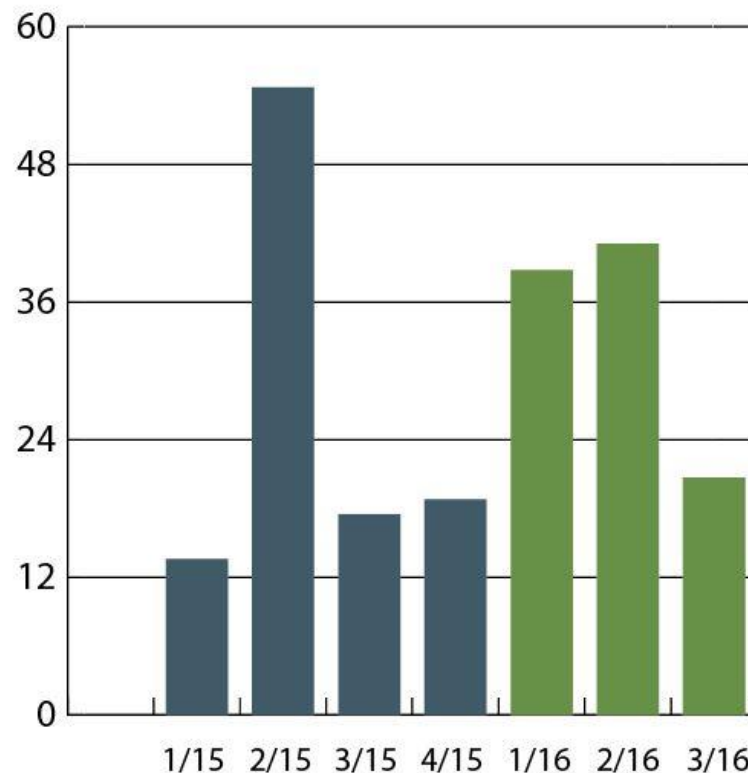


# Strong Financial Position

- Q316 cash flow from operations 20.7 (17.5) MSEK
- Q316 cash flow before change in working capital 29.0 (30.6) MSEK
- Cash, cash equivalents and financial investments at the end of the quarter were 215.8 (193.4) MSEK with no debt and unused credits of 15 MSEK
- The equity ratio was 76.0% (77.5%)

## Cash flow from operations

MSEK





# Technology & Corporate Development

# Open Source Will Impact Us



**Taking the role of a truly independent software vendor**

- Leveraging both multi-vendor hardware and software
- Engaging with both end users and hardware vendors (both ARM and Intel)



**NFV infrastructure fully aligned with the open source community**

- Extending the OPNFV project to cover ARM hardware
- Taking a lead role around security within the OPNFV project

**Innovation that augments the open source based infrastructure**

- VNF management and network management
- Carrier grade solutions for high-availability and real-time





# Acquisition of Qosmos

Enea has signed an agreement to acquire Qosmos – a leading supplier of Network Intelligence software based on Deep Packet Inspection (DPI)

- Subject to approvals from French authorities
- Expected completion before end of 2016
- Total consideration approximately 53 MEUR
- Financed through cash and bank loan
- Qosmos will provide significant extension to Enea's product portfolio

*"I am proud to announce this highly complementary acquisition, which provides a significant and attractive extension of our portfolio. The combination of our companies will benefit the joint customer base, open up new market segments, and accelerate Enea's growth going forward while maintaining a healthy profit margin."*

**Anders Lidbeck**  
President and CEO, Enea

*"I am very happy to join forces with Enea, a larger and well-established organization with a strong reputation in our adjacent markets."*

**Thibaut Bechetoille**  
CEO, Qosmos

# Qosmos



- Headquartered in Paris, with major offices in the US and APAC
- Privately held, founded 2000, 90 employees, revenue 14.2 MEUR (2016 est.)
- Customer types: vendors in the telecom, networking and security industries
- 100+ telecom networks worldwide use products powered by Qosmos

# What is DPI?

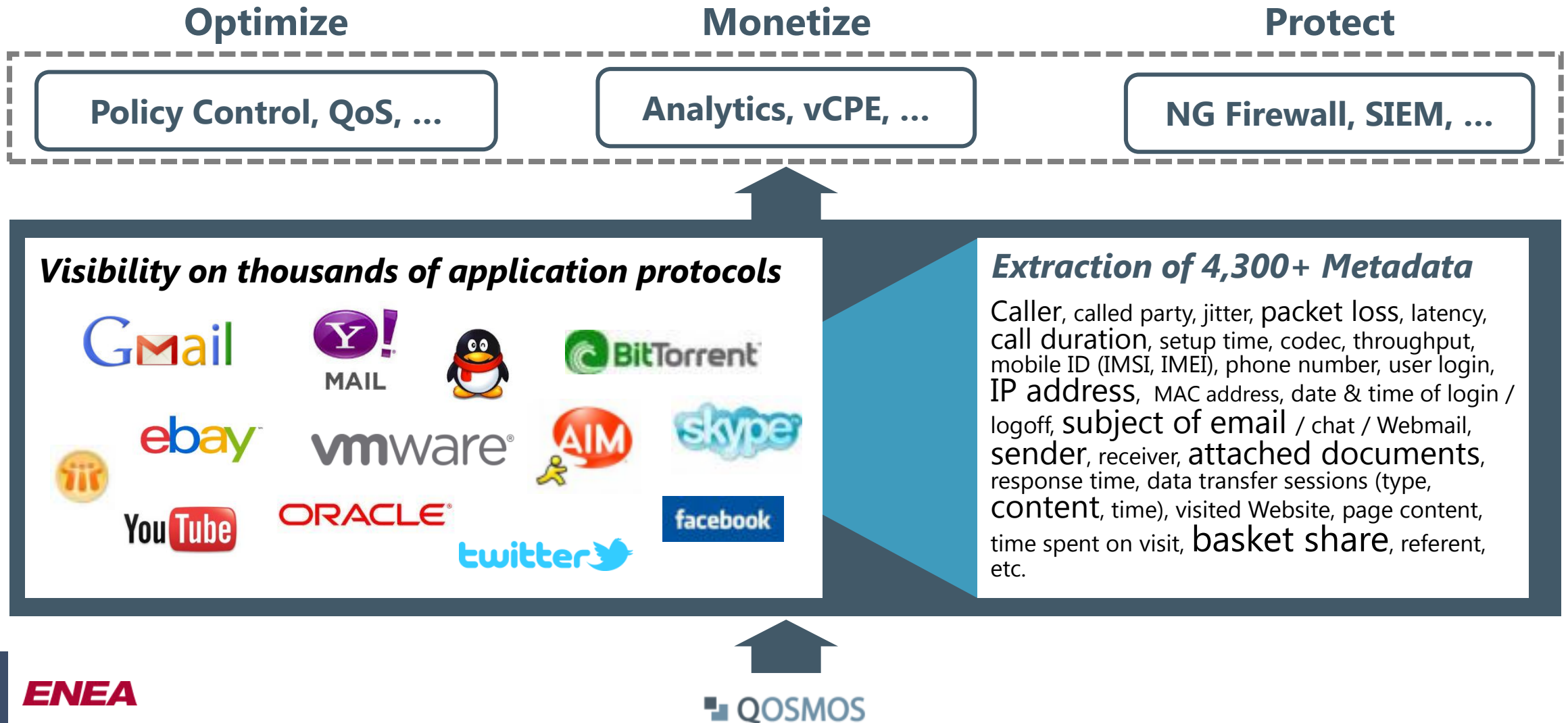
- DPI stands for Deep Packet Inspection
- Technology that scans network traffic in real time
- Enables users to make automated decisions about what to do with the traffic
- Makes it possible to find, identify, classify, reroute or block packets with specific data
- Enables users to allocate available resources to streamline traffic flow

## Use Cases Include

- Traffic Shaping
- Cyber Security
- Value Added Services
- Managing Video Content
- Network and Subscriber Analytics
- Managing M2M Connections
- Regulatory Compliance



# Network Intelligence to Optimize, Monetize and Protect



# In the Old World...

## Old Monolithic Architecture

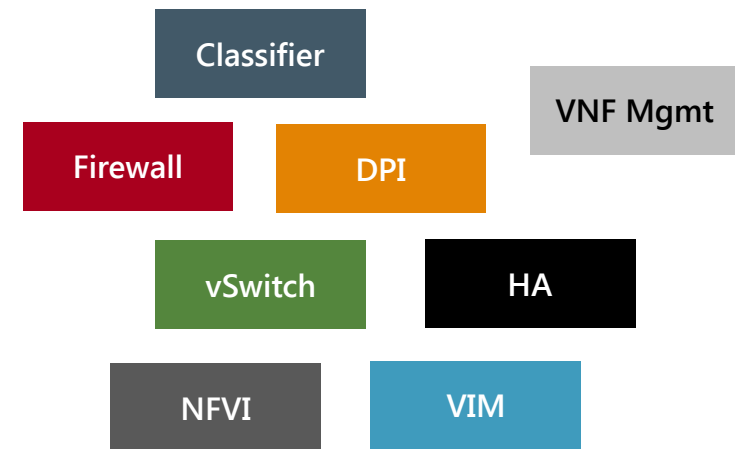


- **Enea** is a leading vendor of embedded operating systems and middleware solutions and services
- **Qosmos** is a leading vendor of embedded DPI solutions for classification and data extraction
- The end product is typically an integrated solution provided by a telecom/network equipment provider
- Enea and Qosmos have no direct engagement with the end user (service provider or operator)

# In the New SDN/NFV World...

- **Enea** provides NFV infrastructure, management and orchestration solutions, as well as specific VNF components and expert services
- **Qosmos** provides application aware network intelligence for analytics, micro-segmentation, and intelligent, dynamic, service chaining
- The customer can still be an equipment vendor, but we can also address the end user (service provider or operator) directly

## New Component-Based Architecture



Future networks are built using components linked by standardized interfaces



# Enea and Qosmos in 2015



## Joint demo at the ARM Partner Meeting 2015

A multi-vendor NFV solution, implementing quality-of-service and firewall functionality for a video streaming application

**ENEAA**

 **freescale**  
semiconductor

 **CAVIUM**

 **QOSMOS**  
*The Network is Information*

**AMD** 

# Enea and Qosmos and Partners in 2016



## Kontron, AppliedMicro, Enea and Qosmos Showcase Security DPI Virtualized Network Function on 64-bit ARM Technology and OPNFV Framework

Integrated Converged Platform Solution Brings a Carrier Grade ARM-Based and Open Source Alternative to Carriers Implementing NFV Infrastructure

BARCELONA, Spain, Feb. 22, 2016 (GLOBE NEWSWIRE) -- [Kontron](#), a leading global provider of Embedded Computing Technology (ECT), [Applied Micro Circuits Corporation](#) (Nasdaq:AMCC), a global leader in computing and connectivity solutions and Enea, a global supplier of network software platforms and world class services, today revealed the integration of a security network functions virtualization (NFV) solution on 64-bit ARMv8 modular servers. With a goal to provide new architectural choices, the platform uses the OPNFV Arno release on new ARM-based Kontron SYMKLOUD converged infrastructure.

Full demonstrations will be available at the Kontron booth (5H41; Hall 5) and the Enea booth (7J30; Hall 7) during Mobile World Congress, Feb. 22 - 25, 2016.

### PROFILE

Applied Micro Circuits Corporation

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# Together We become Bigger and Stronger

## Market

- TEMs and NEPs are main customers today, similar dialogues with customers in the SDN/NFV domain
- Well established in the ARM & Intel ecosystem
- Together stronger coverage in community projects and industry consortiums

## Business

- Similar go-to-market models
- Concrete cases combining operating systems and DPI & integration of device/network-management and DPI
- Developing dialogue with operators/CSPs – componentization trend in our favor

## Portfolio

- Highly complementary portfolios & complementing technology areas
- Crucial technology for next generation networks
- Complementing fundamental building blocks in an emerging growth market

## Culture

- Midsize SW companies with global footprint with focus on business & investing in R&D
- Similar internal organizations and ways of working
- Good cooperation already

# Price & Financing

- Of the total 52.7 MEUR purchase price, approximately 16.3 MEUR is related to net cash and cash equivalents, leaving 36.4 MEUR as the enterprise value
- The acquisition will be financed by cash-on-hand and a 165 MSEK bank loan. The parties have agreed that 10.0 MEUR will be paid 24 months after closing
- EPS accretive already 2017

Financing	MEUR	MSEK
Cash at hand	25.7	249.2
Bank loan	17.0	165.0
Deferred payment	10.0	97.0
<b>Total purchase consideration</b>	<b>52.7</b>	<b>511.2</b>

(1 EUR = 9.70 SEK)

# Net Cash Balance

Indicative post-deal net cash balance, MSEK	Enea	Q	Adj.	E+Q
Cash	216	157	-276	97
Bank loan	0	27	138	165
<b>Net cash</b>	<b>216</b>	<b>130</b>	<b>-414</b>	<b>-68</b>

The combination of reduced return on cash and the interest rate on the bank loan will amount to less the 5 MSEK per year

# Long Term Ambition

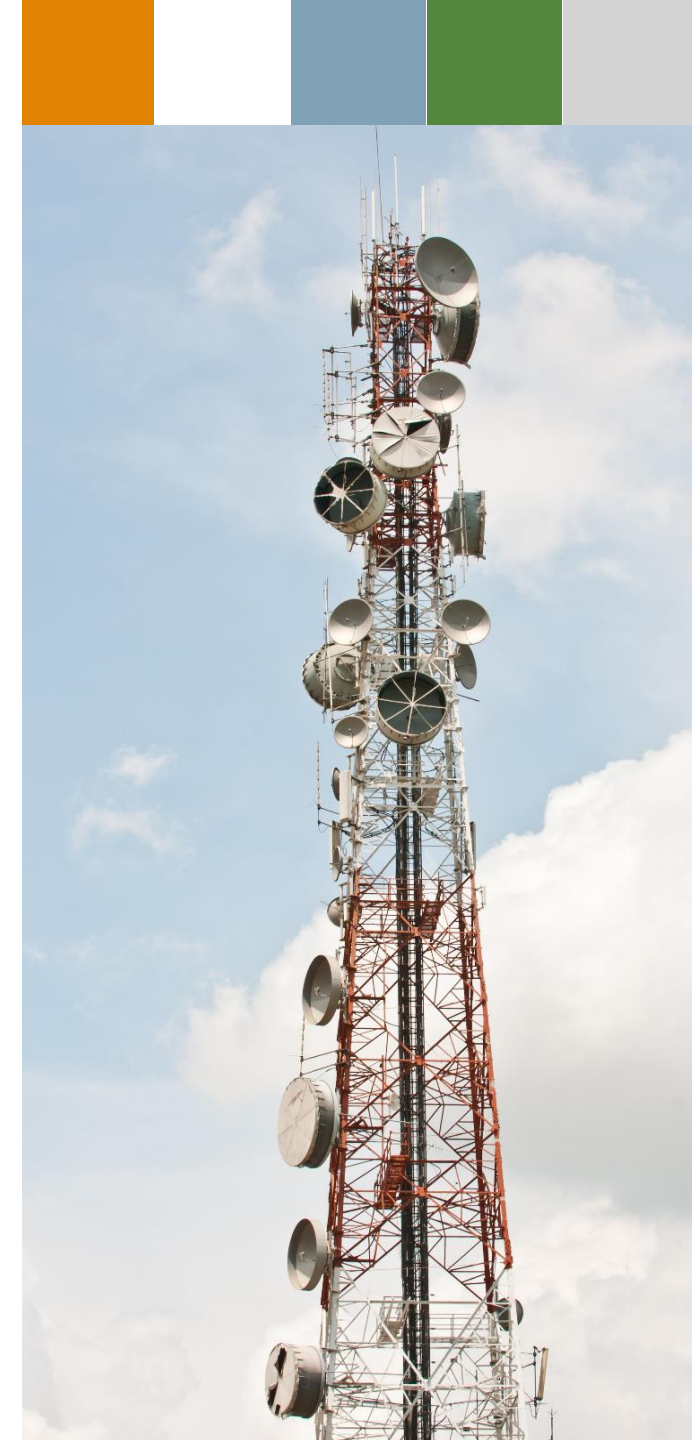
**Our Vision** is that our software and expertise will help you develop amazing functions in a connected society.

**Our Mission** is to provide the network software platform and expert services our customers need to enable today's and tomorrow's connected society.

**Our Ambition** over a period of three years commencing 2016 is to continue to develop a global software company with higher revenues, sustainable high profitability and good cash flows. The company will focus on organic growth, but both strategic and complementary acquisitions will be evaluated continuously.

**Growth** will vary between years and quarters, depending on the timing of individual deals and the progress of royalty streams, which depend on customers' sales volumes.

**Operating margin** will vary over the quarters of this period, corresponding to growth. Enea's objective is to maintain an operating margin of over 20 percent over this period.

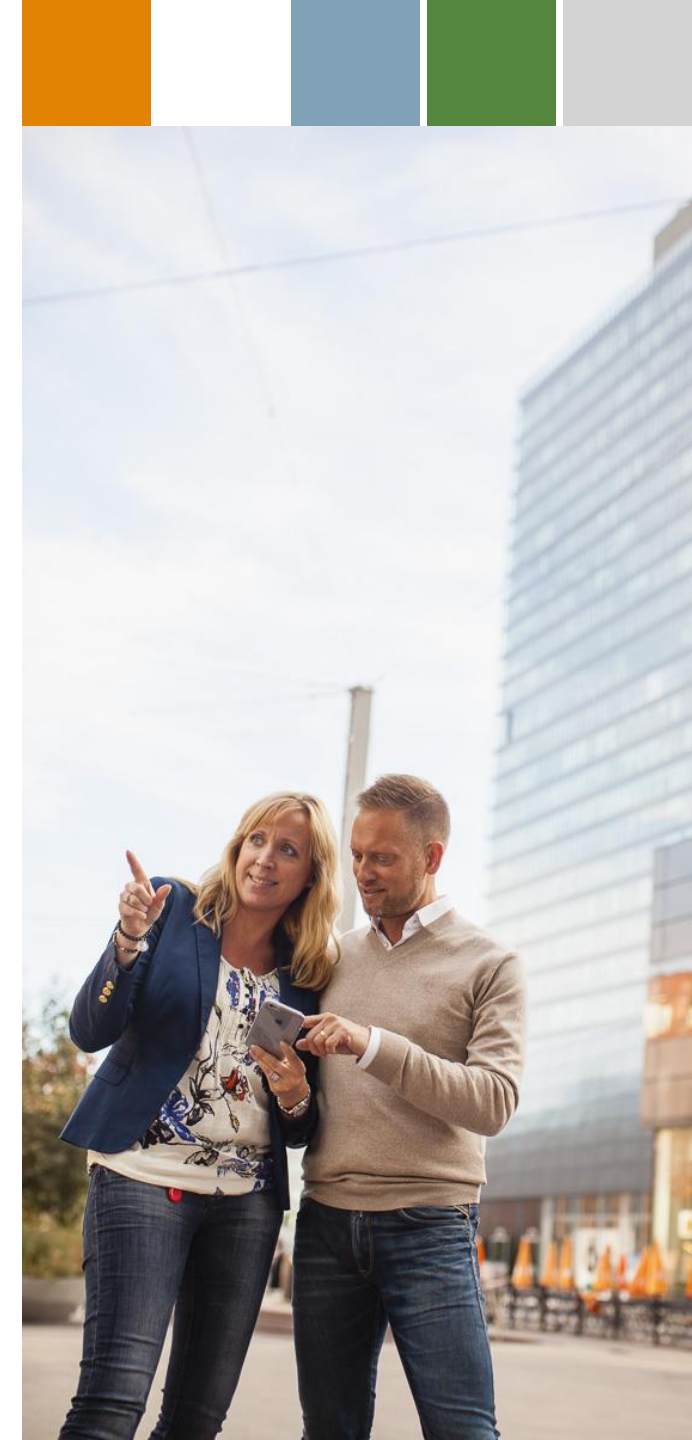




# Market Outlook

## Outlook 2016

Our objective for the full year 2016 to achieve revenue growth and our assessment that earnings per share will improve compared with 2015, is unchanged.





# Thank You!

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please contact:

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