Q318
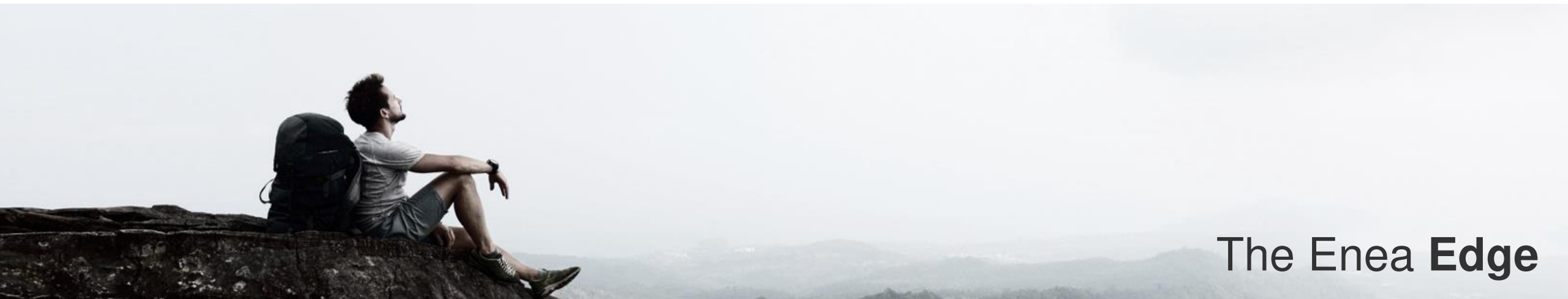
Presentation by Anders Lidbeck

President & CEO
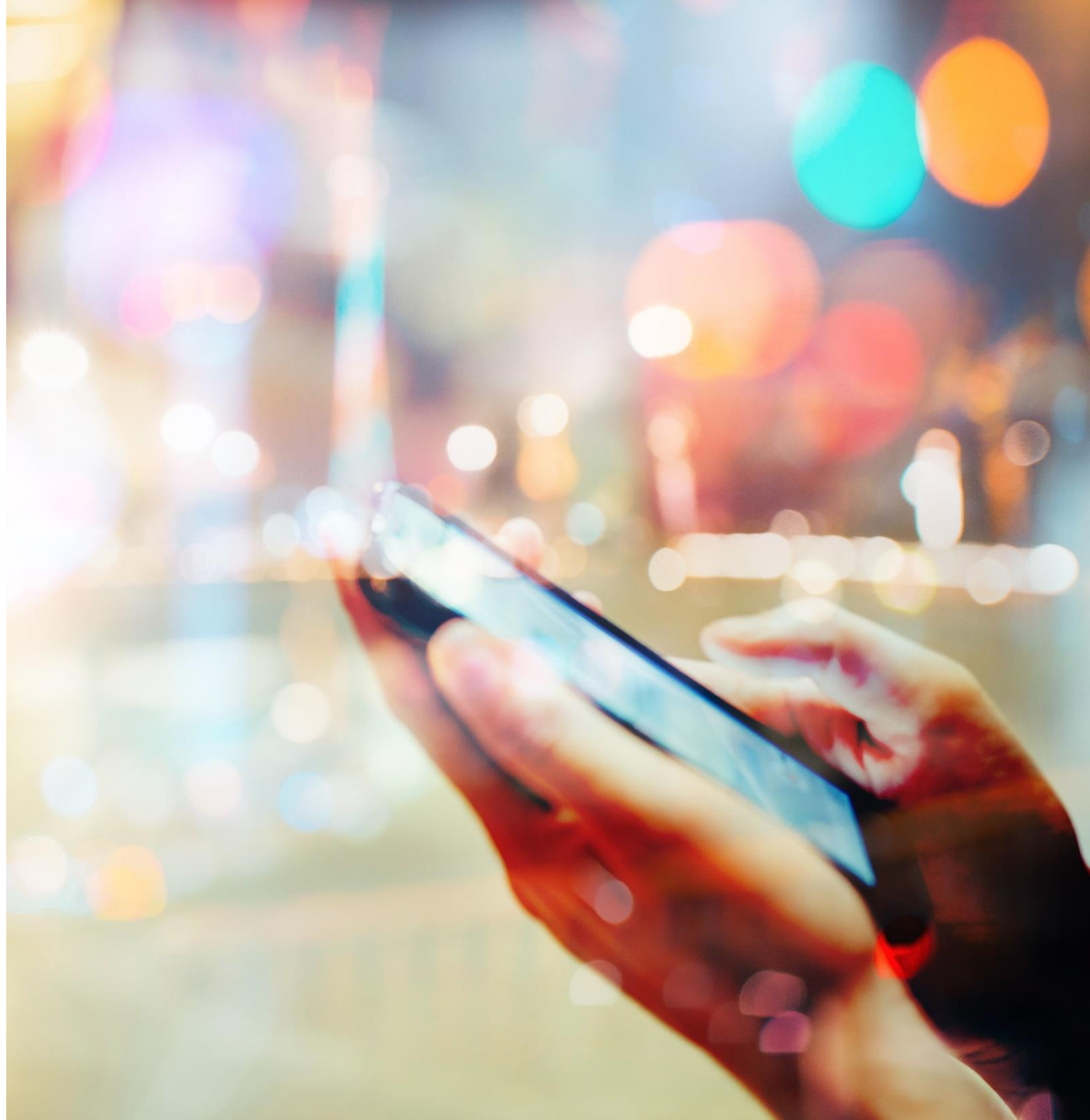
23 October 2018

The Enea **Edge**

Agenda

▶ Intro

▶ Financials Q318

▶ Way Forward & Outlook

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Intro

The Enea Journey

50 YEARS AT THE LEADING EDGE

Enea divests the Nordic consulting business and puts focus on the more profitable software business

Growth Acceleration – prioritize growth before further margin expansion

| 1968 | 1980 | 1990 | 2000 | 2010 | 2018 |
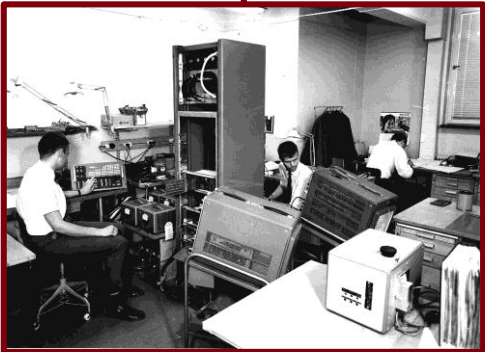
Enea was founded as four students at the Royal Institute of Technology in Sweden started to design a solution for data storage in an air traffic control system

Enea launches the real-time operating system OSE

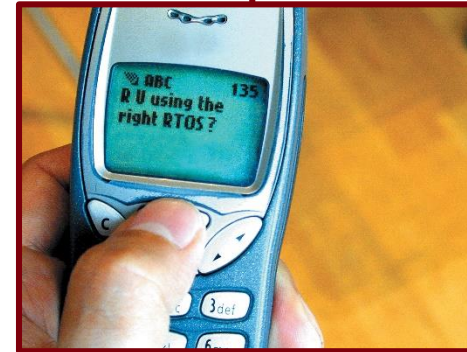Enea's software is deployed in more than a billion embedded devices and 2G, 3G (and later 4G/5G) infrastructure nodes around the world

Enea acquires Qosmos and later Openwave Mobility, and expands the market reach to the telecom application domain

Did you bring your mobile phone?

Have you checked your email yet?

Have you watched a streamed
video today?

Every day, more than 3 billion people rely on Enea's software to connect a call or to use their mobile device to get online

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

The Enea **Edge**

Global Presence

Belfast Bristol Stockholm (HQ)

Tokyo

Redwood City

Santa Clara

Phoenix

Boston

Paris

Bucharest
Iasi
Craiova

Pune

Singapore

Shanghai

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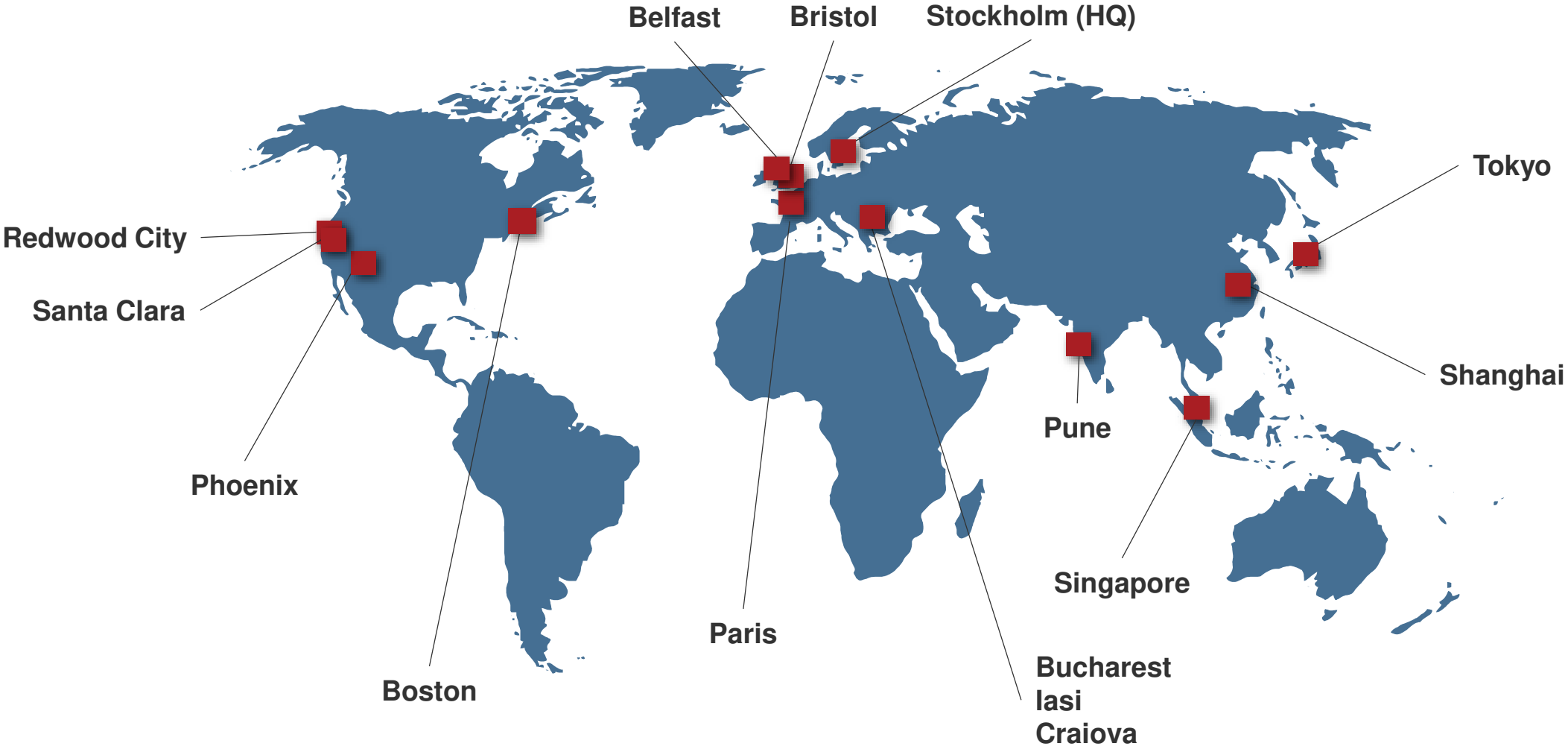
Financials Q318

Record Operating Profit

Operating profit excl. non-recurring costs
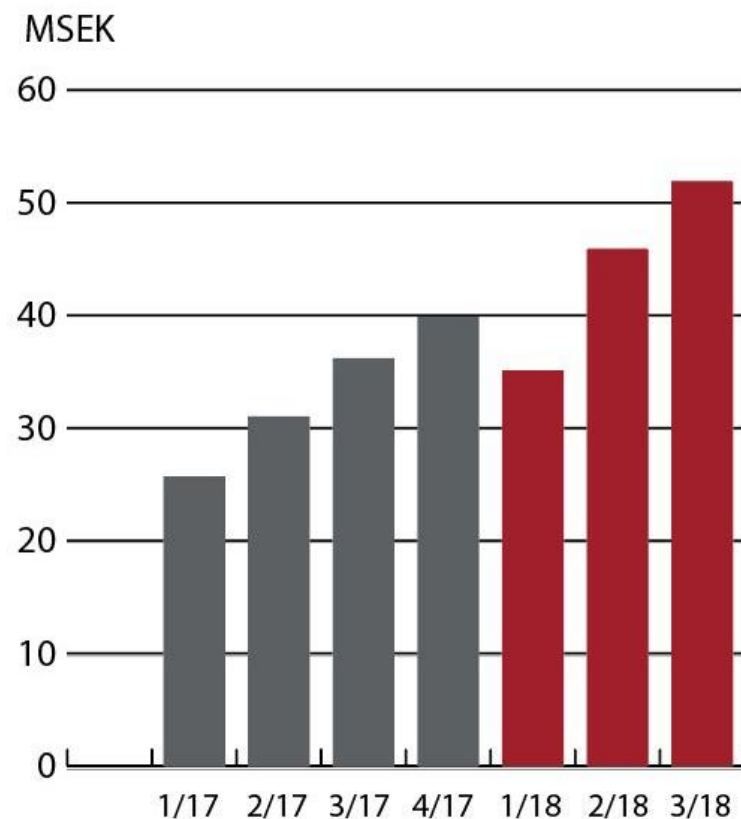
	Q318	Q317
Operating profit excl. non-recurring costs, MSEK	51.9	36.2
Operating profit, MSEK	51.2	32.2
Operating margin excl. non-recurring costs, %	24.8	24.9
Operating margin, %	24.4	22.2
Earnings per share, SEK	1.84	1.55

- ▶ 44 percent operating profit increase y-o-y (excl. NRC)
- ▶ Highest operating profit in a quarter ever (excl. NRC)
- ▶ Highest EPS ever (excl. Q112 capital gain)

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Record Revenue Growth
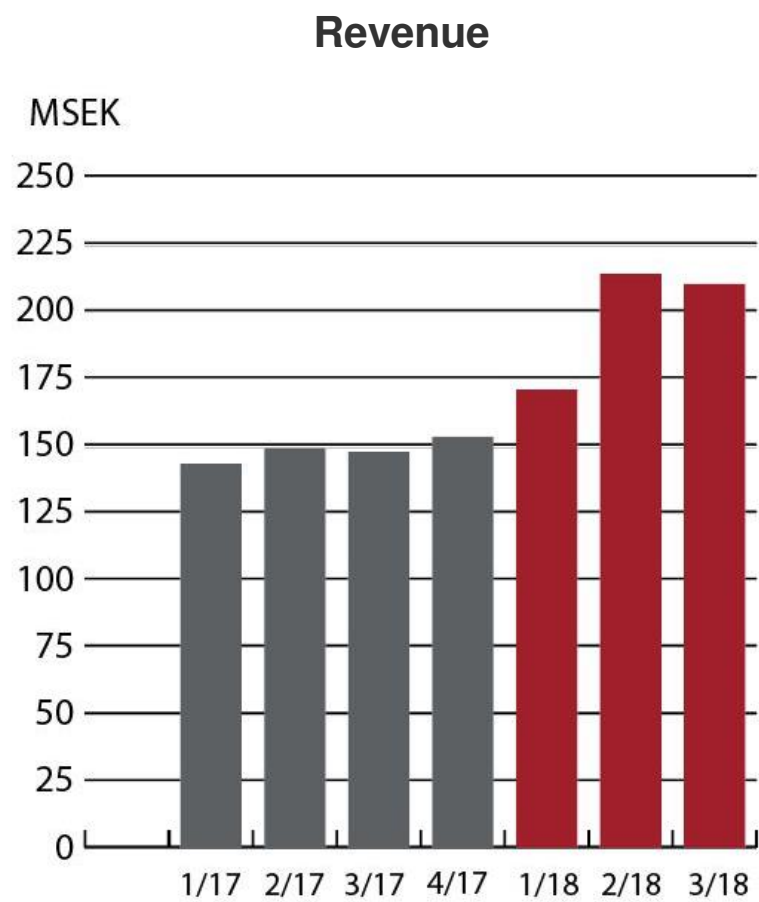
Revenue

	Q318	Q317	FY17
Revenue (MSEK)	209.6	145.2	588.4
Revenue growth (%)	44	20	17
Revenue growth (%, currency adjusted)	36	22	17

- ▶ Highest Q3 revenue ever
- ▶ Highest growth number on record – better than earlier record Q218

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Accelerated Software Growth in the US

► **EMEA**
Revenue in EMEA increased by 35 percent in the quarter year over year. Both Worldwide Software Sales and the European service operation made stable progress in the quarter.

► **Americas**
Revenue increased by 77 percent in the quarter year over year. A significant part of this increase relates to the acquisition of Openwave Mobility.

► **Asia**
Revenue increased by 3 percent on the corresponding quarter of the previous year. The increase is mainly sourced from Openwave Mobility.

Revenue per region (Jul-Sep)

- 55 % EMEA
- 37 % Americas
- 8 % Asia
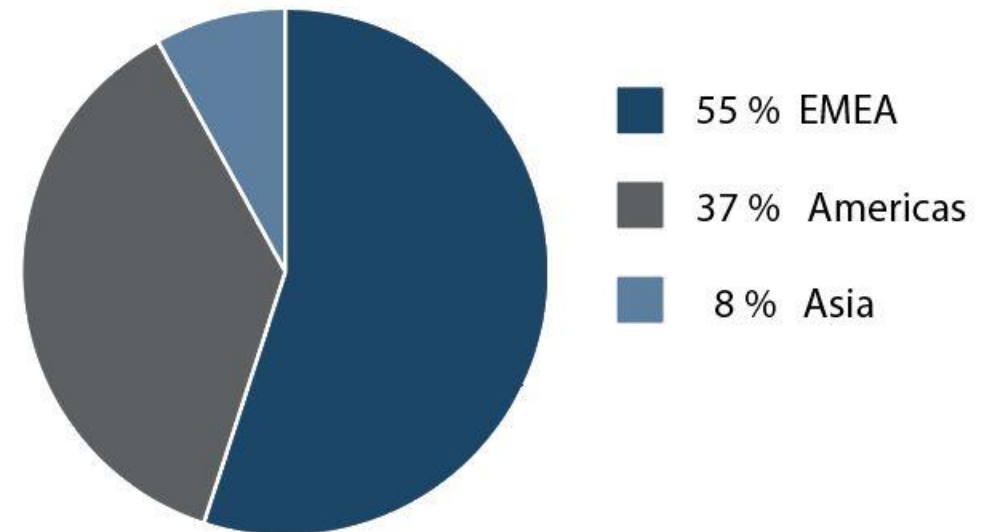
Note. The acquisitions Enea made in recent years have a larger proportion of new business, where individual contracts may be substantial, with varying levels of recurring revenues. This means that variations between individual quarters in the regions may increase.

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Strong Global Services Operation in Europe

▶ Global Services revenues grew with 2 percent over the third quarter last year and in Q3 accounting for 17 percent of Enea's total sales

▶ Global Services revenues in the US is under pressure, and has been for some quarters now – top top line development was not satisfactory in Q3.

▶ The Global Services business in Europe is developing well, with solid growth numbers, but the bottom line is suffering from tax changes in some European countries

▶ Overall Global Services is showing a growth in Bridge Services, both in Sweden and in the US

Revenue Global Services

MSEK

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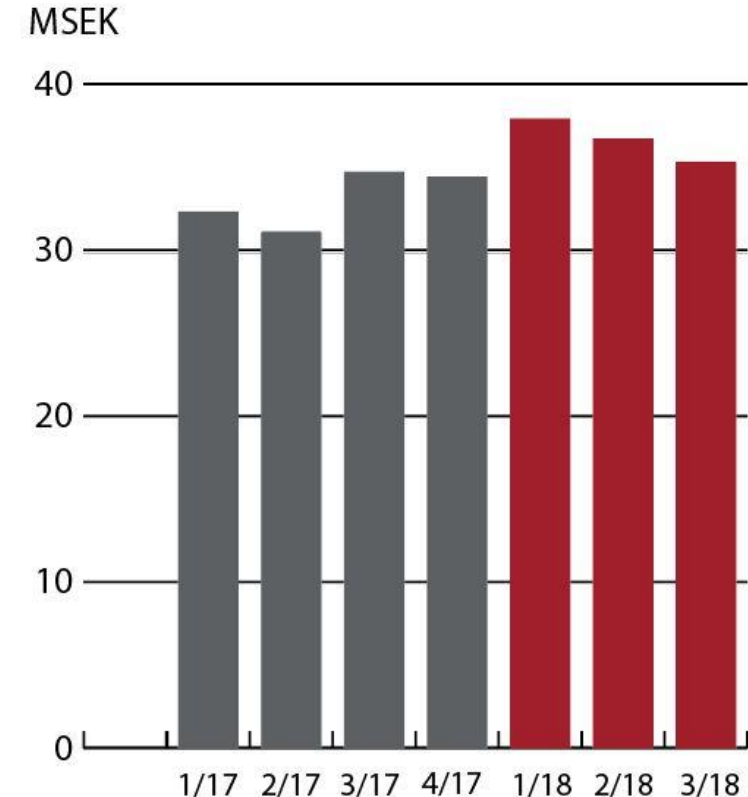
Consolidated Shift in Product Revenue Mix

- Operating systems represented 29 percent of the revenues in the quarter. Sales decreased somewhat in the quarter compared to the corresponding quarter of the previous year, due to the open source trend in key accounts.

- Sales in Network Solutions increased significantly in the quarter due to the acquisition of Openwave Mobility. This product group represented 53 percent of Enea's total revenues in the quarter – and is now both the largest and the fastest growing product area.

- Enea's Global Services revenues increased on the corresponding quarter of the previous year, accounting for 17 percent of Enea's total revenues.

Revenue per product group (Jul-Sep)

- 29 % Operating System Solutions
- 53 % Network Solutions
- 17 % Global Services
- 1 % Other
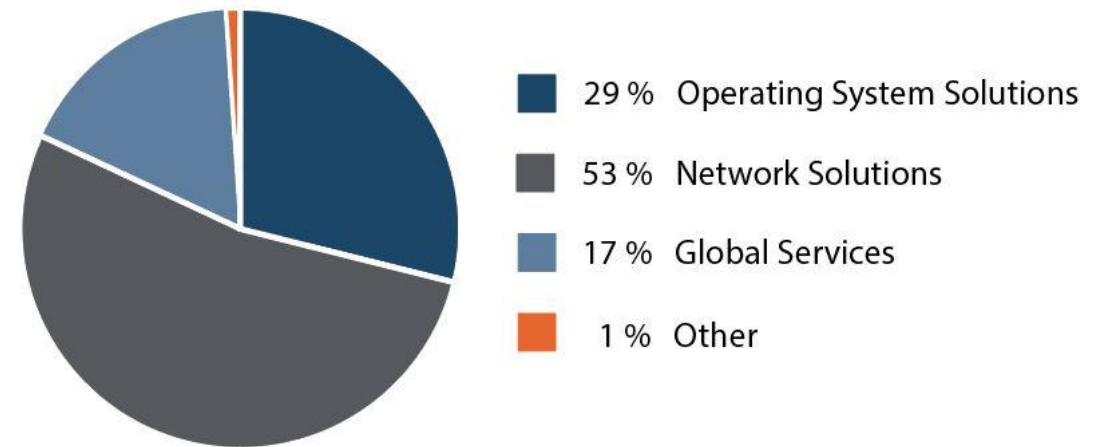
▶ The fastest growing product group is now also the largest
▶ Significant jump in gross margin 73.9 (70.6) percent

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Significant Growth in Revenues from New Customers

Revenue per Business Area (MSEK)

► **World Wide Software Sales** include all software sales outside key accounts, and grew 136 percent year-over-year.

► **Key Accounts** include software sales to major telecom equipment manufacturers decreased with 9 percent year-over-year
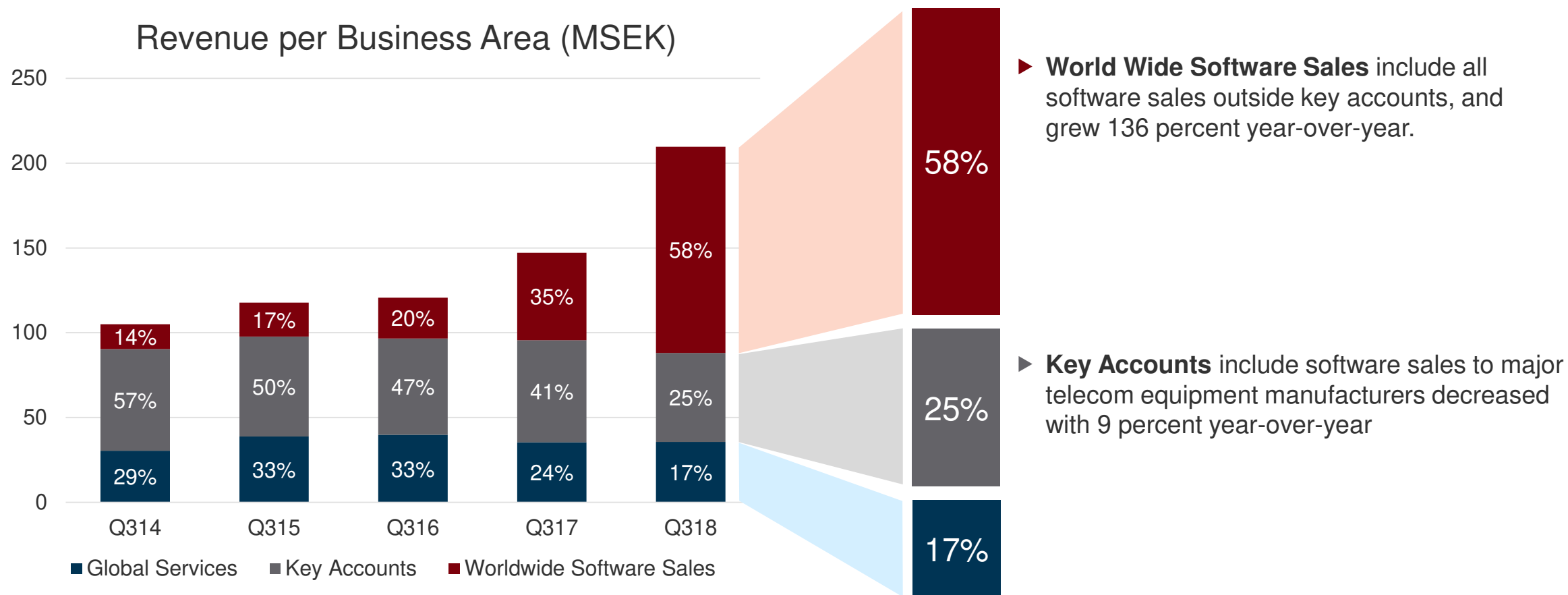
- ► Improved margin & earnings capacity
- ► Significantly reduced dependency on single customers and single product
- ► Managed during 17 quarters of y-o-y revenue growth & 16 out 17 quarters of y-o-y EBIT growth

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Financial Position

▶ Cash flow from operations 23.2 (30.3) MSEK

▶ Cash flow before change in working capital 63.2 (35.0) MSEK

▶ Cash, cash equivalents at the end of the quarter were 206.2 (265.5) MSEK

▶ Total interest-bearing liabilities at the end of the quarter amounted to 573.4 (116.0) MSEK

▶ Net debt position 477.8 MSEK

▶ The equity ratio is 47.8 (58.8) percent

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The Enea **Edge**

Way Forward & Outlook

Our Focus – Growth Acceleration

- **Size does matter** – both to be perceived as a credible vendor and to leverage economies of scale

- **New challenges** within the networking and mobile broadband domains calls for new solutions and new product offerings

- **A balanced revenue mix** with a broad customer base (where no single customer dominates completely) reduces risks and improves growth potential

Prioritize growth before margin expansion

Q3 2018 was yet a record in terms of growth. Revenue grow by 44% and operating profit was up 43.4% compared to same quarter 2017 (excl. NRC)

Acquisitions to accelerate growth

During the last two years, we've closed two major acquisitions that has taken us to a new level in terms of revenues and growth.

Expand portfolio and addressable market

The growth area "network solutions" represent 53% of revenues, and now includes business both through equipment vendors, as well as direct towards operators.
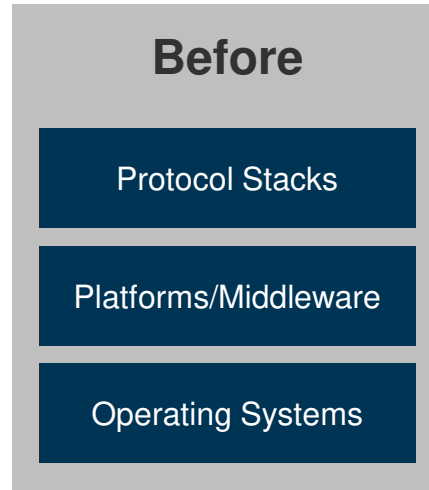
Reduced dependency on single product/customers

Our dependency on individual key accounts has decreased from 57% to 25% during the last 4 years.

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Enea's Expanded Portfolio

▶ In a situation where operating systems and other low-level software are encountering a growing presence of open source, it will be easier for us to find growth with good margins higher up the software stack.
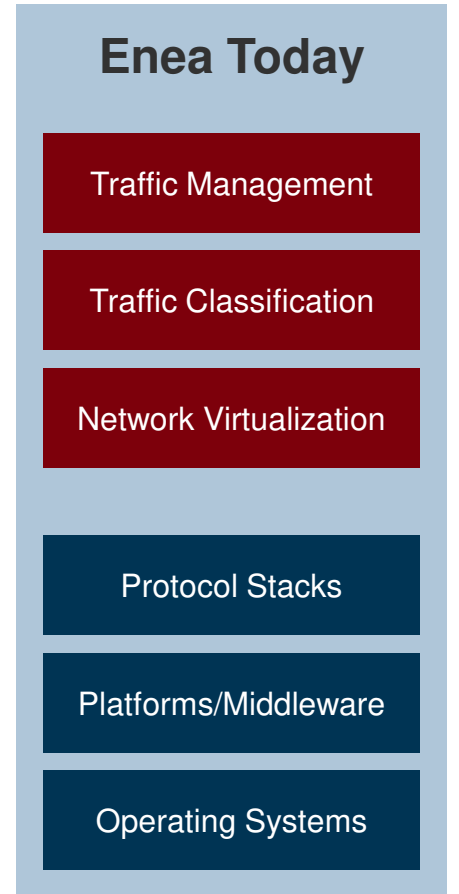
More focus on software at the application level

Software that adds "intelligence" to the network

Software that constitutes the "fundament" for network infrastructure

Software as a complete solution rather than software as an OEM component

Before

| Protocol Stacks |
| Platforms/Middleware |
| Operating Systems |

Enea Today

| Traffic Management |
| Traffic Classification |
| Network Virtualization |

| Protocol Stacks |
| Platforms/Middleware |
| Operating Systems |

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Our Direction – The Cloud Native Networking SW Vendor

▶ **The tip is focused** – our **applications** address key challenges within the telecom domain of today and tomorrow

▶ **Our added capabilities** open new opportunities within the Cyber Security domain

▶ **The base is wide** – our operating system solutions are **components** present in many different verticals

Traffic Management
Cloud Data Management

Traffic Intelligence

Operating System Solutions and Virtualization Platforms

Global Services

▶ **Services** are a **complement** to our products and spans the entire portfolio **from end user applications** to **low level software components –** but also as **stand-alone** systems and software development services to a wide range of customers

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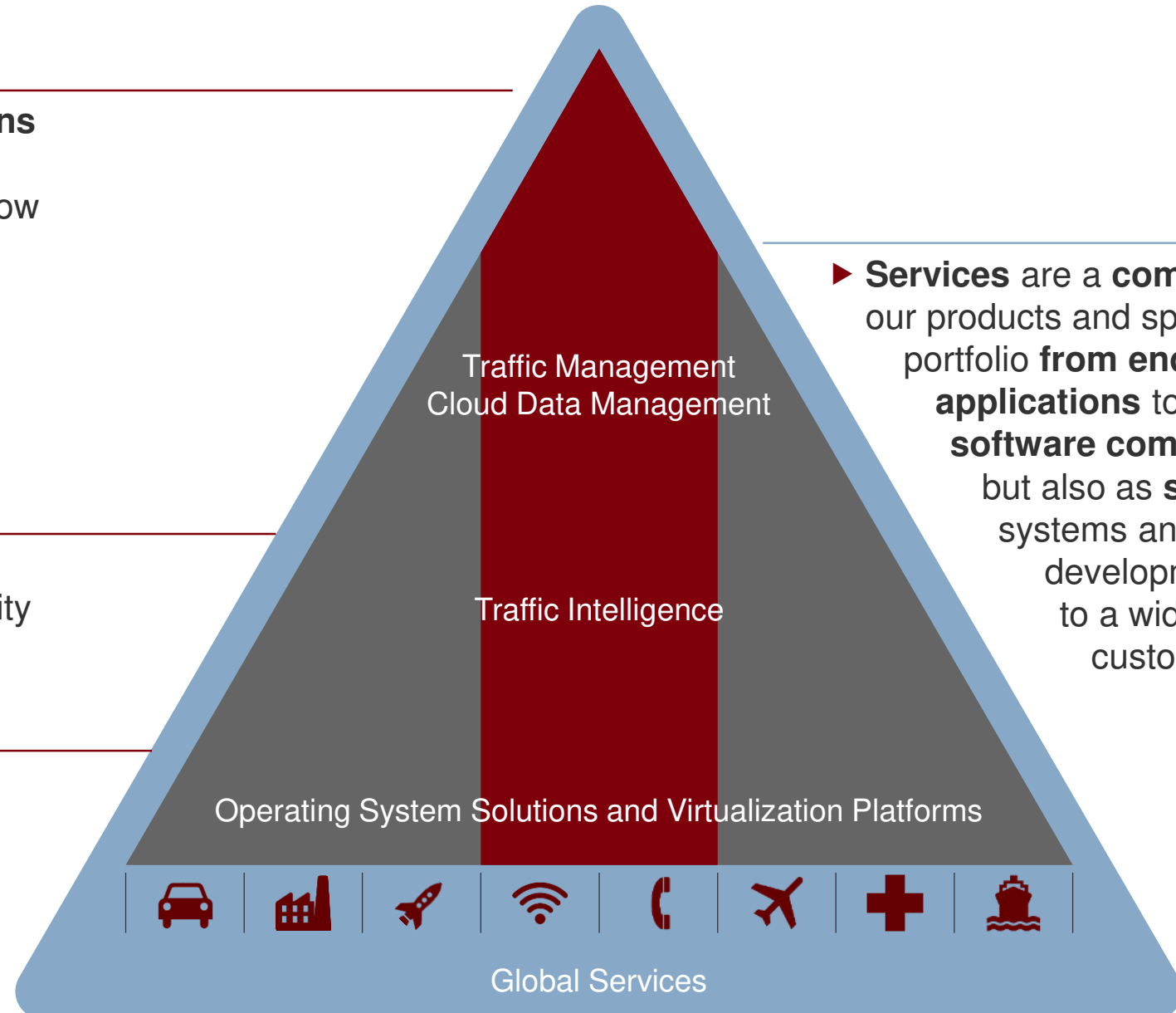
2018 Network Transformation Award Winner

▶ Best New NFVi Platform

Enea NFV Access features a lightweight virtualization software runtime platform - designed for deployment on edge devices at the customer premise. It is streamlined for high networking performance with minimal RAM footprint for both platform and VNFs, resulting in very high compute density. Enea NFV Access provides a foundation for vCPE/SD-WAN agility and innovation, reducing cost and complexity for computing at the network edge.

NETWORK TRANSFORMATION AWARDS 2018
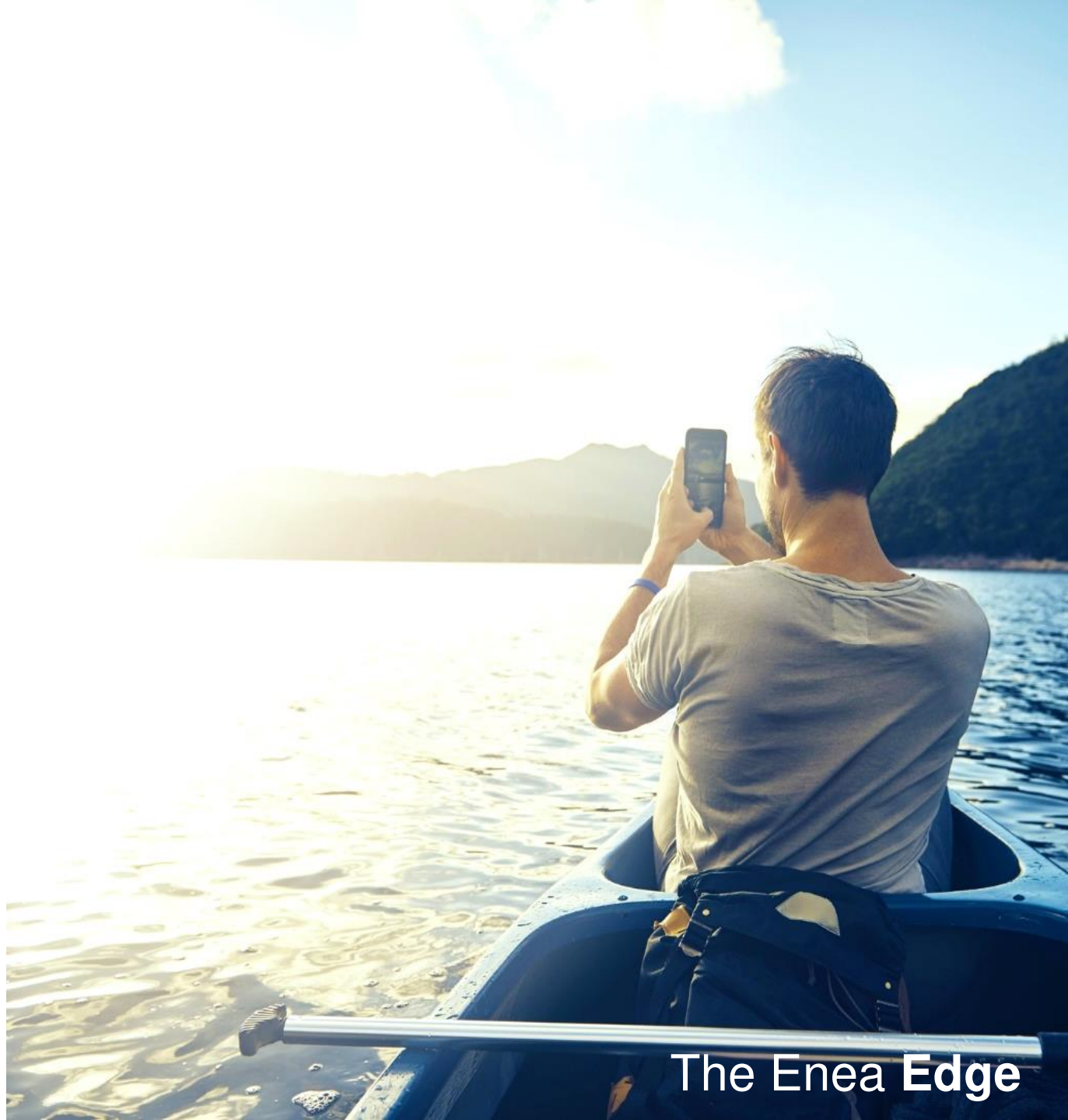
10 October 2018

2018 WINNERS

LAYER:123

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Market Outlook 2018

Our objective for the full year 2018 was to achieve revenue growth and improved operating profit over 2017.

After a record Q3 we have already surpassed the 2017 numbers, but will give no further guidance for the full year 2018.

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THANK YOU

www.enea.com