



# Q3 2019 Financial Result

Jan Häglund, President and CEO  
Björn Westberg, CFO

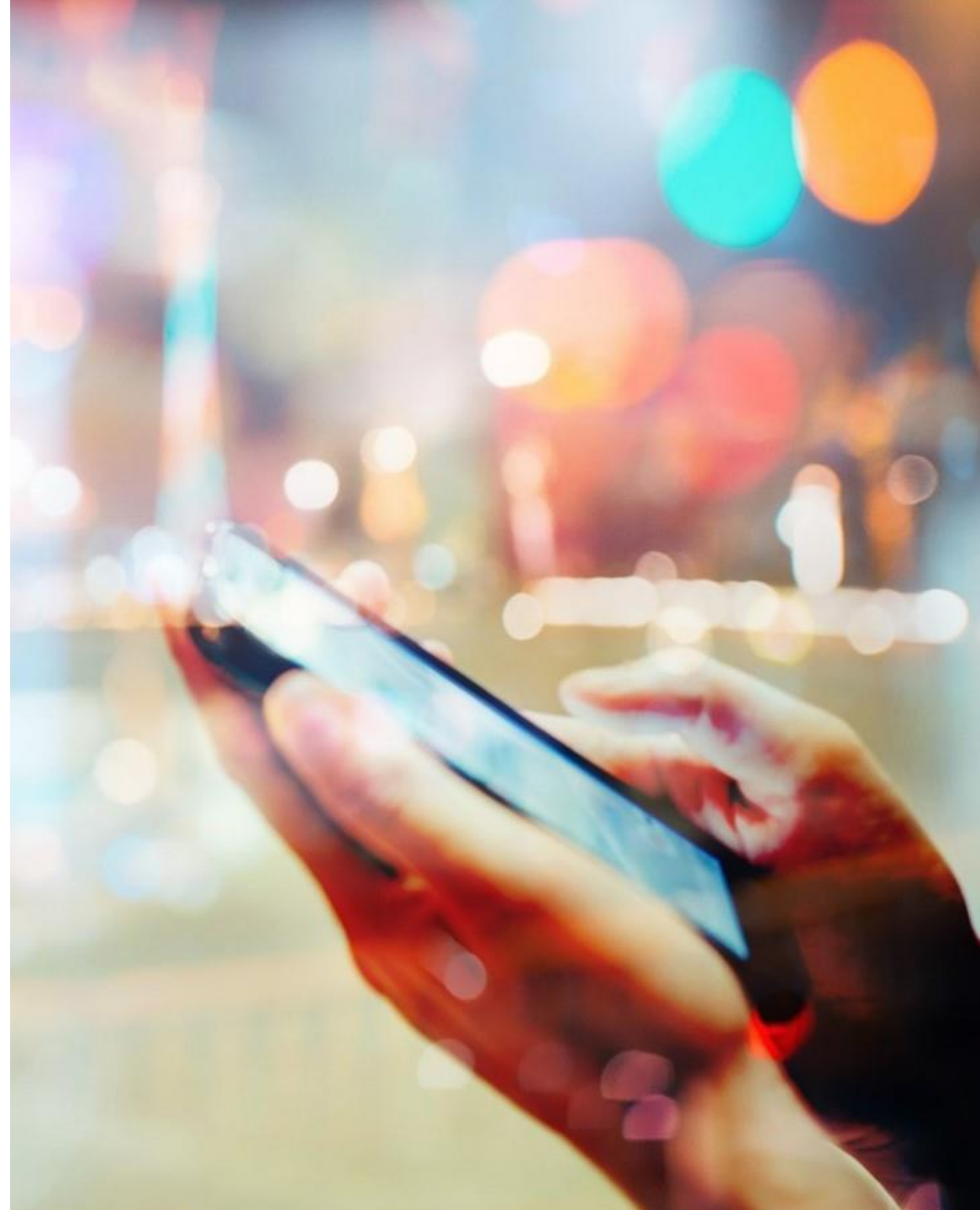
October 23, 2019



The Enea **Edge**

# Agenda

- ▶ Introduction
- ▶ Financial result
- ▶ Way forward and outlook



## Jul-Sep 2019

## Jan-Sep 2019

HEAD  
QUARTER  
KISTA,  
SWEDEN

REVENUE  
**250.2**  
MSEK

OPERATING  
MARGIN\*  
**25.4**  
PERCENT

REVENUE  
**751.2**  
MSEK

OPERATING  
MARGIN\*  
**26.8**  
PERCENT

LISTED  
NASDAQ  
STOCKHOLM  
(MID CAP)

NO. OF  
EMPLOYEES  
**658**

R&D OPEX  
INVESTMENT  
**16**  
PERCENT

NO. OF  
EMPLOYEES  
**658**

R&D OPEX  
INVESTMENT  
**16**  
PERCENT

\*excluding non-recurring items



# Key Events in the Quarter

**Direct sales of policy and access solutions**

**Contract worth 1.5 MEUR with large German operator** for AAA (Authentication, Authorization and Accounting).

**Video traffic management**

**New video traffic management contract worth 2.3 MUSD** with South-East Asian operator.

**Access virtualization market traction**

**New design win for virtualization software** in SD WAN solution for CMC Networks. Open source applications demonstrated at SDN NFV congress.

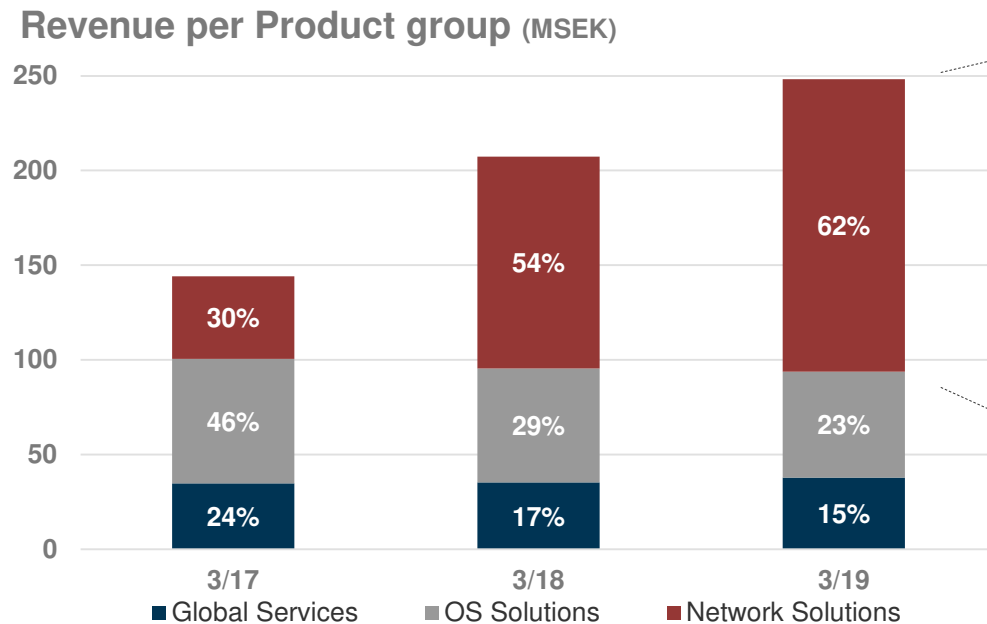
**Large multi-year contract with key account**

**Renewed frame agreement (4y) worth 21.2 MEUR** with a leading global telecom equipment provider.

**Directed share issue**

**Successful directed share issue of 271 MSEK**, used to redeem 500 MSEK bond and lower capital cost. EPS positive from 2020.

# Significant Growth in Network Solutions



- ▶ Total growth of 38 percent in Network solutions
- ▶ Good development of new Policy and access control business unit
- ▶ Organic growth of 6 percent, based on new traffic management and cyber security contracts

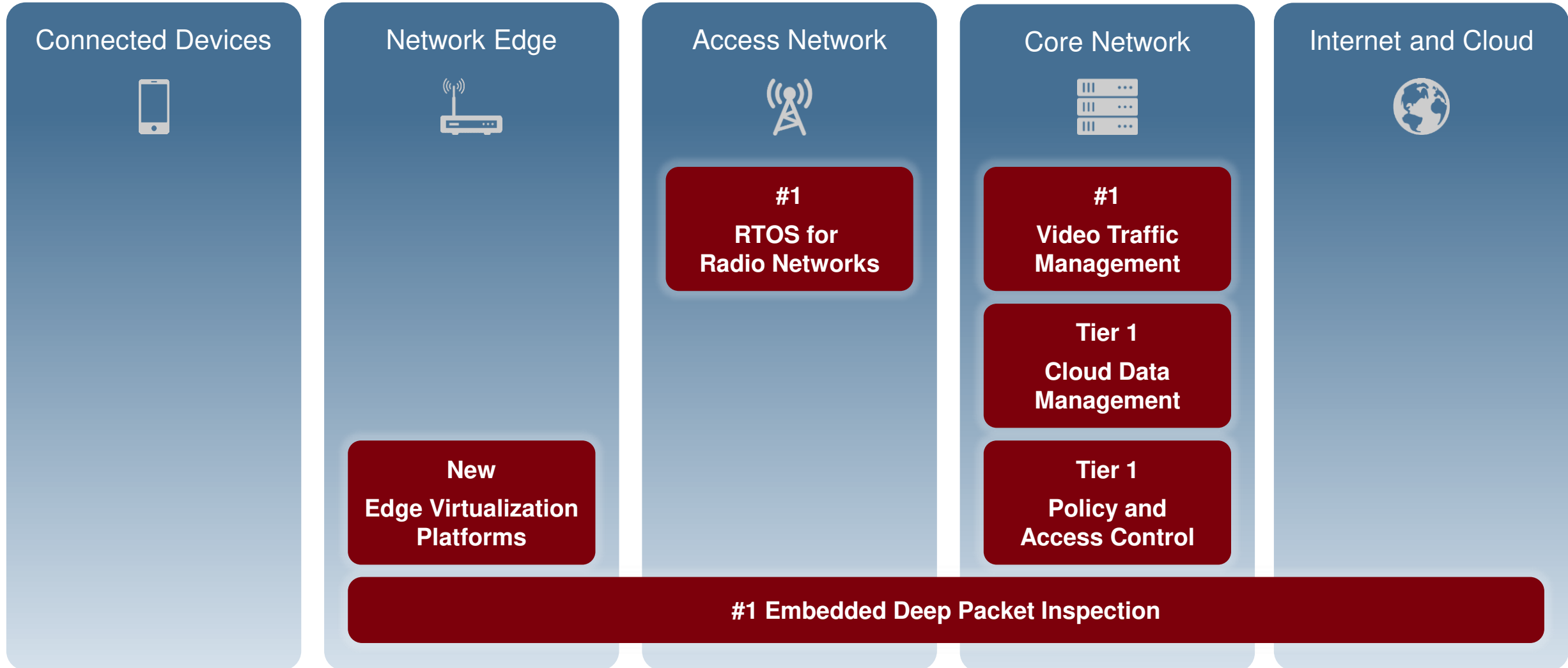


*Enea is a world-leading supplier of innovative software components for telecommunications and cybersecurity*

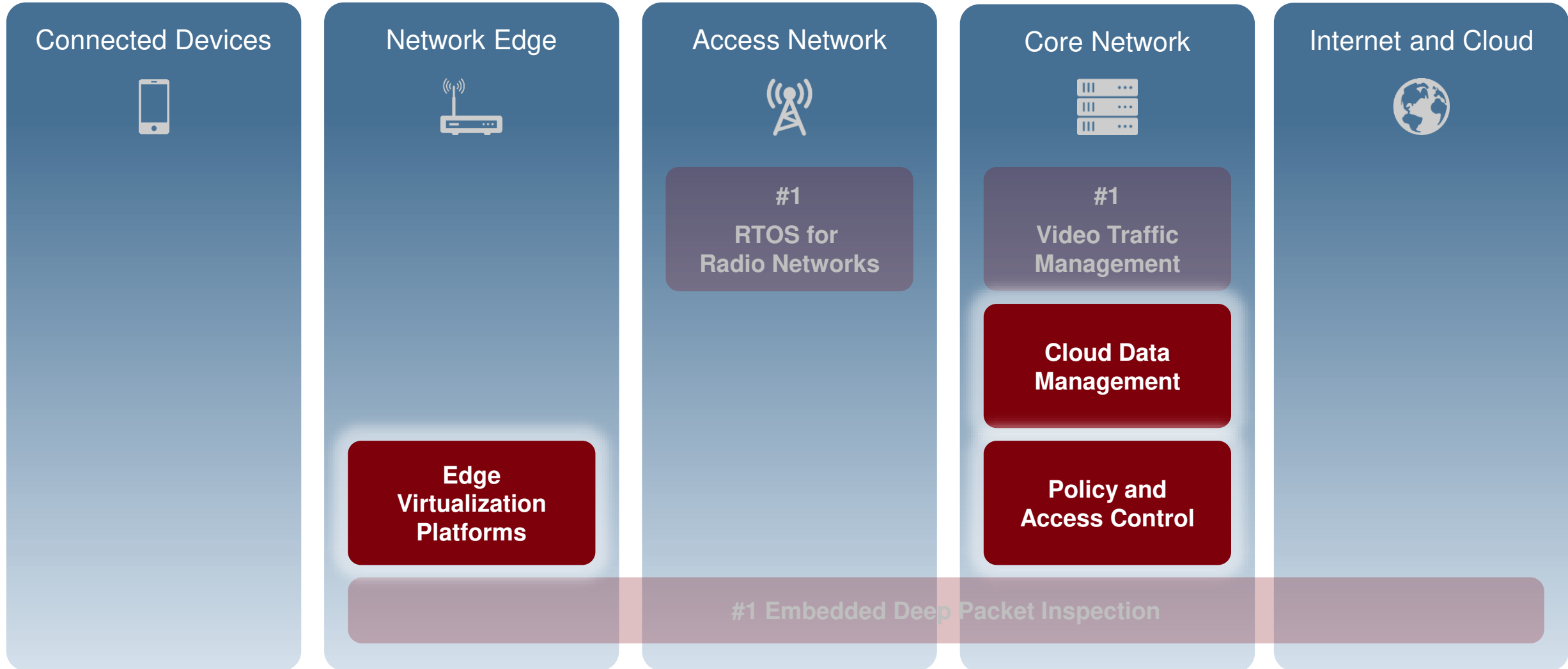


**ENEAA**

# Leading Positions in Select Segments



# Recent Acquisition and New Emerging Areas





# Investments for Organic Growth

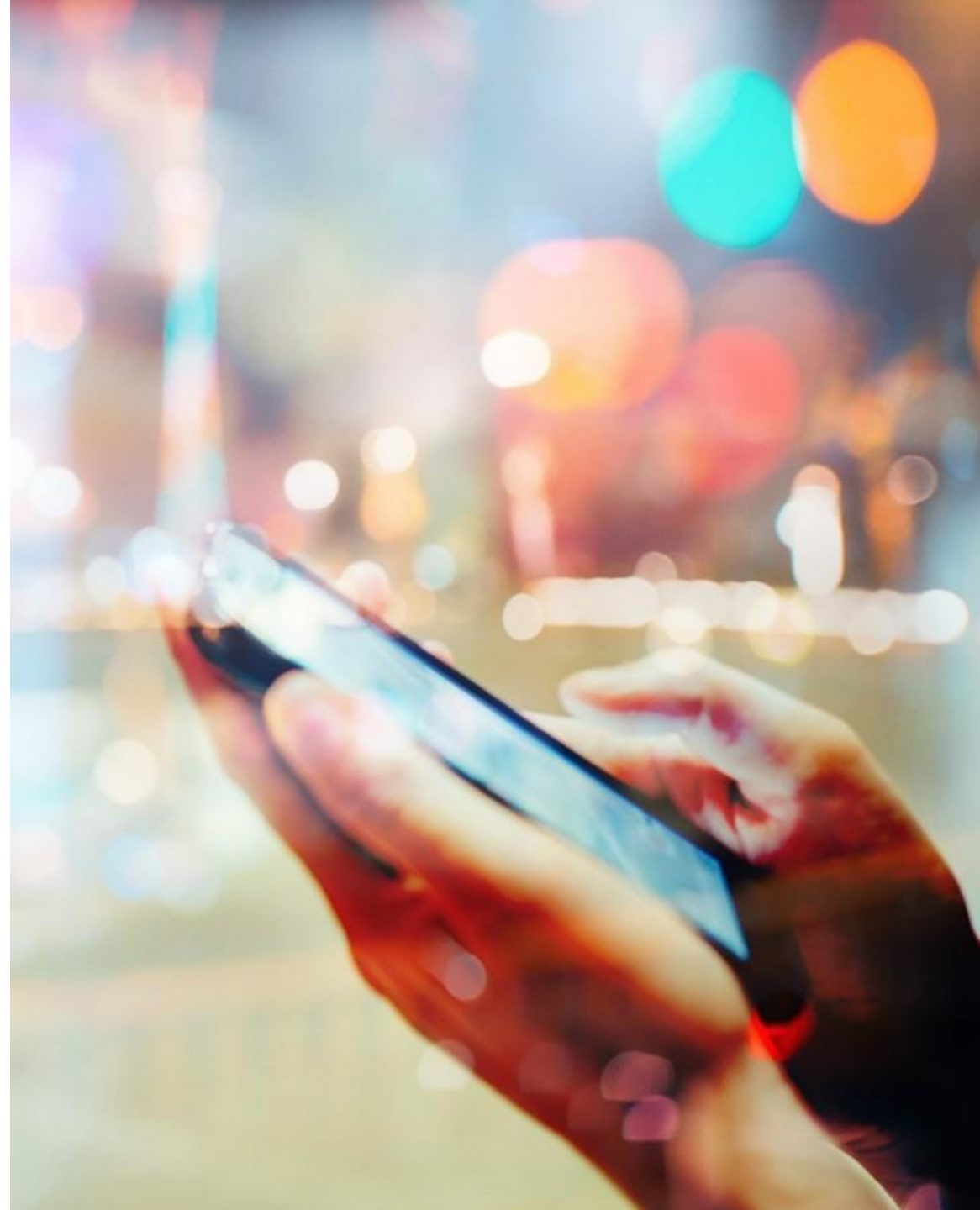
	Edge Virtualization Platforms	Cloud Data Management	Policy and Access Control
Market Outlook	<ul style="list-style-type: none"><li>▶ Growing market for Access virtualization</li></ul>	<ul style="list-style-type: none"><li>▶ 5G Core market expected to grow from 2020/2021</li></ul>	<ul style="list-style-type: none"><li>▶ 5G Core subscribers expected to grow from 2020/2021</li></ul>
Market Driver	<ul style="list-style-type: none"><li>▶ SD-WAN is the leading use case in this market</li></ul>	<ul style="list-style-type: none"><li>▶ Network Data Layer is prioritized by leading customers</li></ul>	<ul style="list-style-type: none"><li>▶ New 5G Core standard - new cloud native applications required</li></ul>
Our Position	<ul style="list-style-type: none"><li>▶ Enea's virtualization software is a key component in customers' solutions</li></ul>	<ul style="list-style-type: none"><li>▶ Enea's solution is recognized for innovation and early market leadership</li></ul>	<ul style="list-style-type: none"><li>▶ Enea targets subscriber management software portfolio for 5G</li></ul>

# Agenda

► Introduction

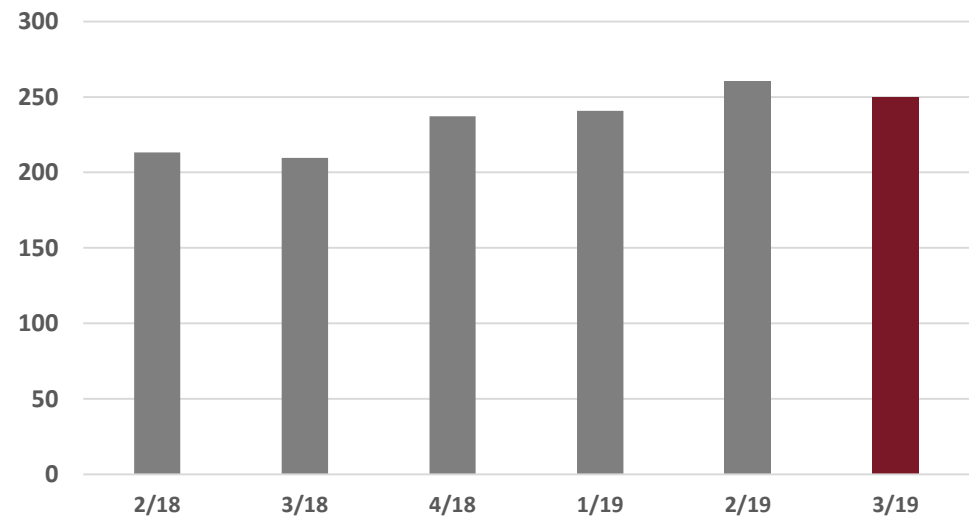
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► Way forward and outlook



# Record Q3 Revenue

Revenue  
MSEK

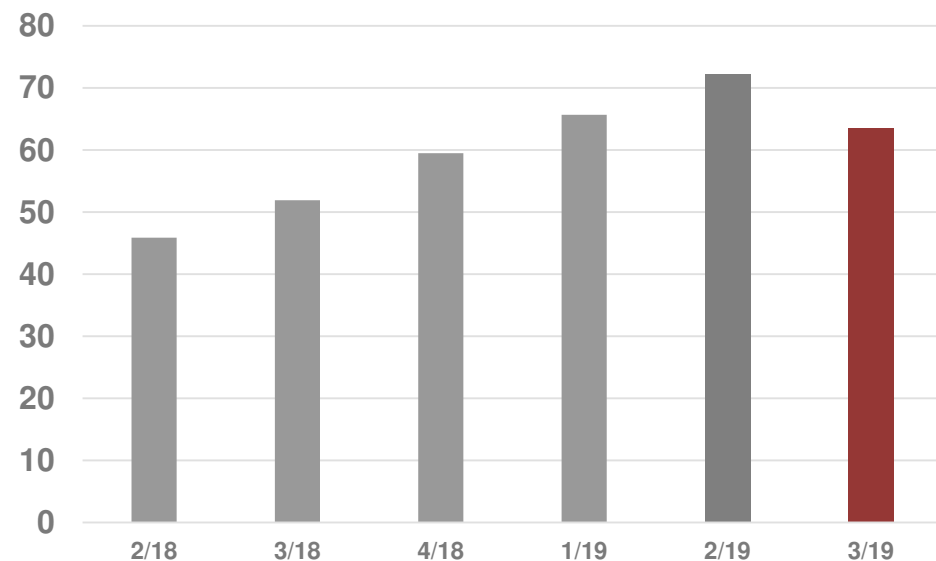


	Q319	Q318
Revenue (MSEK)	250.2	209.6
Revenue growth (%)	19	44
Revenue growth (% , currency adjusted)	16	36

- ▶ Highest Q3 revenue ever
- ▶ 19 percent revenue growth

# Record Operating Profit in a Q3

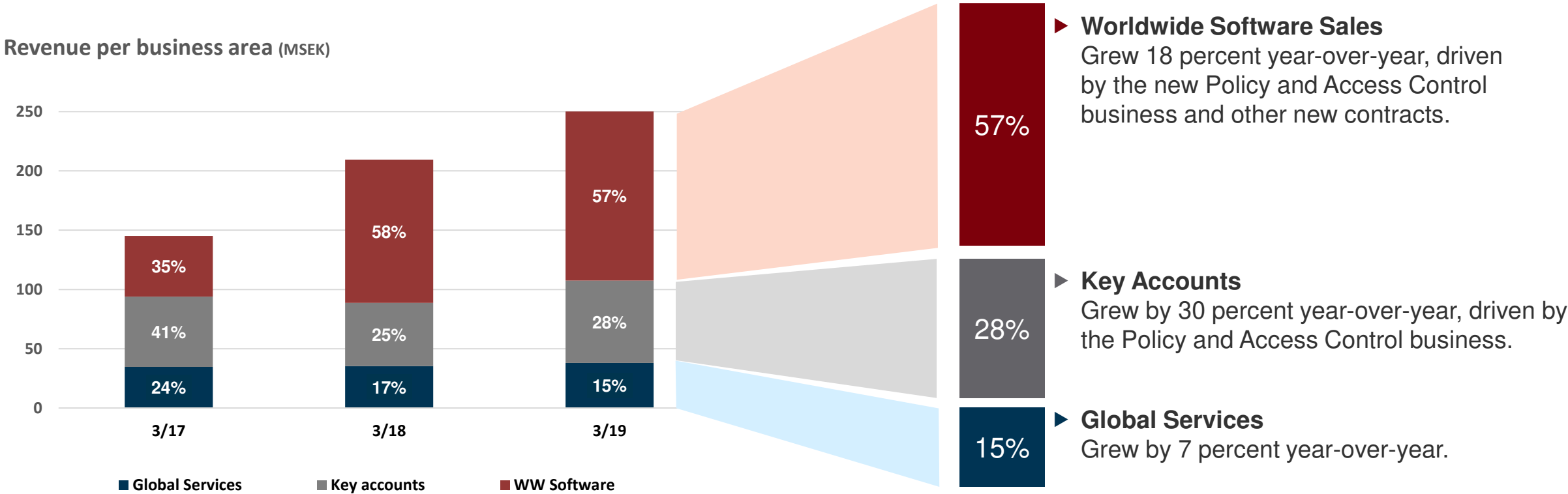
EBIT excl. non-recurring items  
MSEK



	Q319	Q318
Operating profit excl. non-recurring items, MSEK	63.5	51.9
Operating profit, MSEK	63.5	51.2
Operating margin excl. non-recurring items, %	25.4	24.8
Operating margin, %	25.4	24.4
Earnings per share, SEK	2.37	1.84

- ▶ 24 percent operating profit growth
- ▶ 25.4 percent operating margin
- ▶ Highest Q3 operating profit
- ▶ 29 percent EPS growth

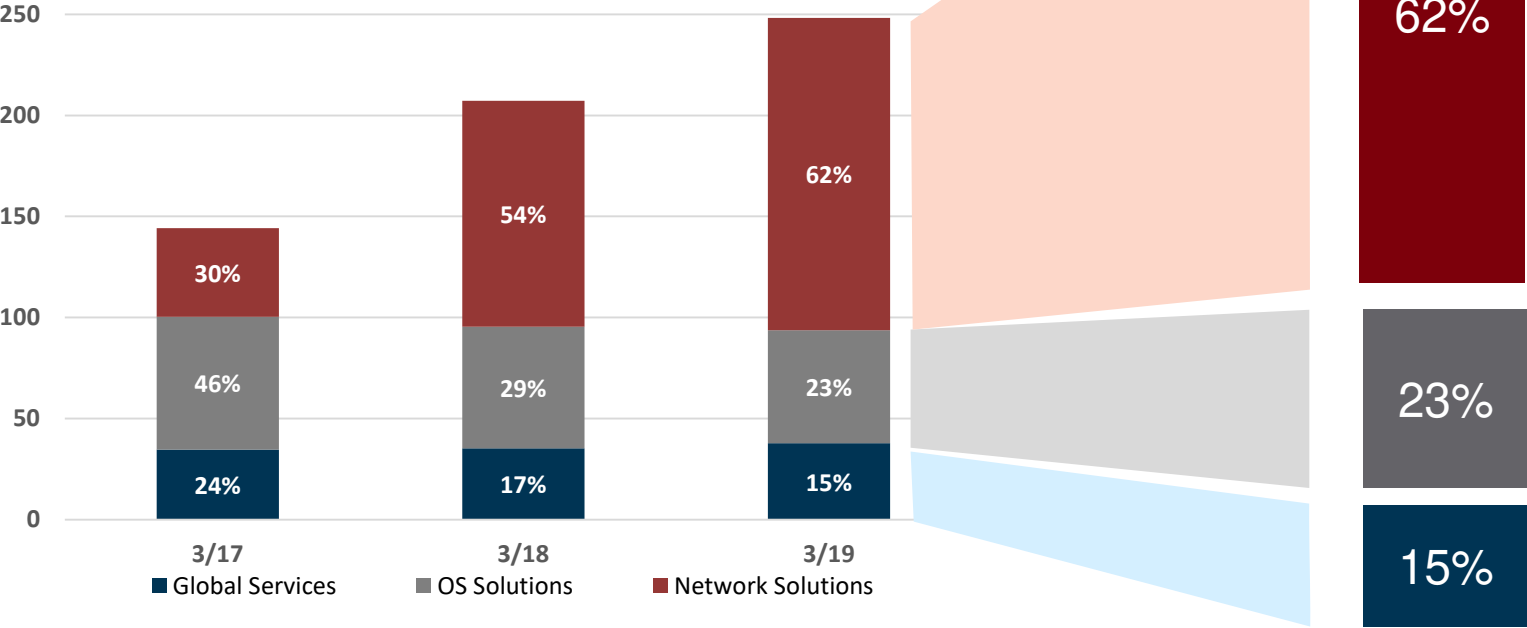
# Increased number of customers and products



- Significantly reduced dependency on single customers and single products
- 21 quarters of y-o-y revenue growth and 20 out these 21 quarters of y-o-y EBIT growth

# Significant Growth in Network Solutions

Revenue per Product group (MSEK)



- **Network Solutions**  
Revenue increased by 38 percent. Main contribution from the new Policy and Access Control business. Organic growth (6 percent) in other products
- **Operating System Solutions**  
Revenue decreased (7 percent) due to an expected decline in key accounts
- **Global Services**  
Revenue increased by 7 percent

► Significant increase of 38 percent in Network solutions, representing 62 percent of total revenue



# All regions increased sales

## ▶ EMEA

Revenue in EMEA increased by 8 percent in the quarter, year over year. The increase is mainly related to the acquisition of the Policy and Access Control business (closed March 2019)

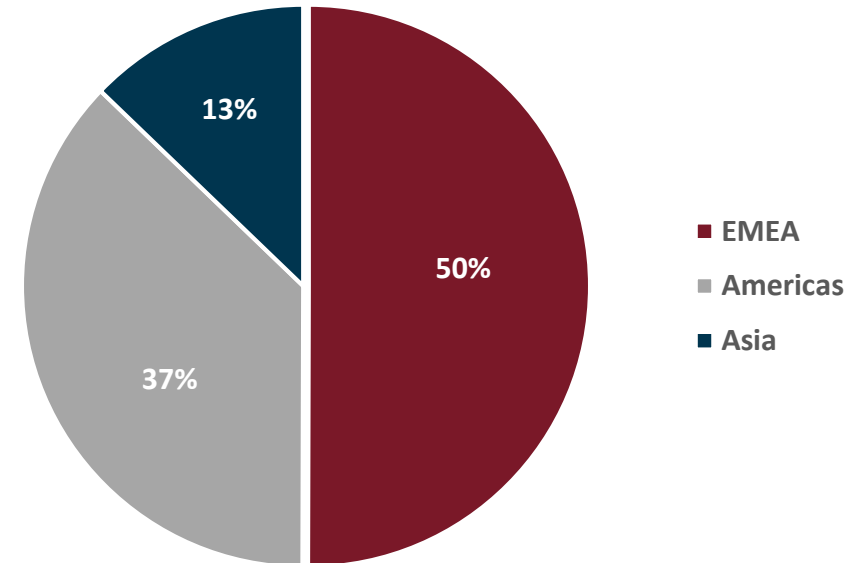
## ▶ Americas

Revenue increased by 19 percent in the quarter, year over year. The increase predominantly relates to contracts in the Policy and Access Control business

## ▶ Asia

Revenue increased by 102 percent in the quarter, year over year. The increase is mainly related to some larger deals in Network Solutions.

Revenue per region Jul -Sep



# Financial Position

## Stable cash flow generation

- CF before change in WC amounted to 78.1 MSEK (63.2)
- CF from operations amounted to 69.5 MSEK (23.2)

## New share issue

- Gross proceeds of 271 MSEK
- Share dilution of 9 percent (after the issue)

## Reduced net debt to 277 MSEK

- Interest bearing liabilities amounted to 575 MSEK (573)
- Remaining purchase price amounted to 48 MSEK (103)
- Cash and cash equivalents were 396 MSEK (206)

## Improvement in financial KPIs

- Equity ratio was 59.0 percent (47.8)
- Net debt to EBITDA was 0.67 (2.62)

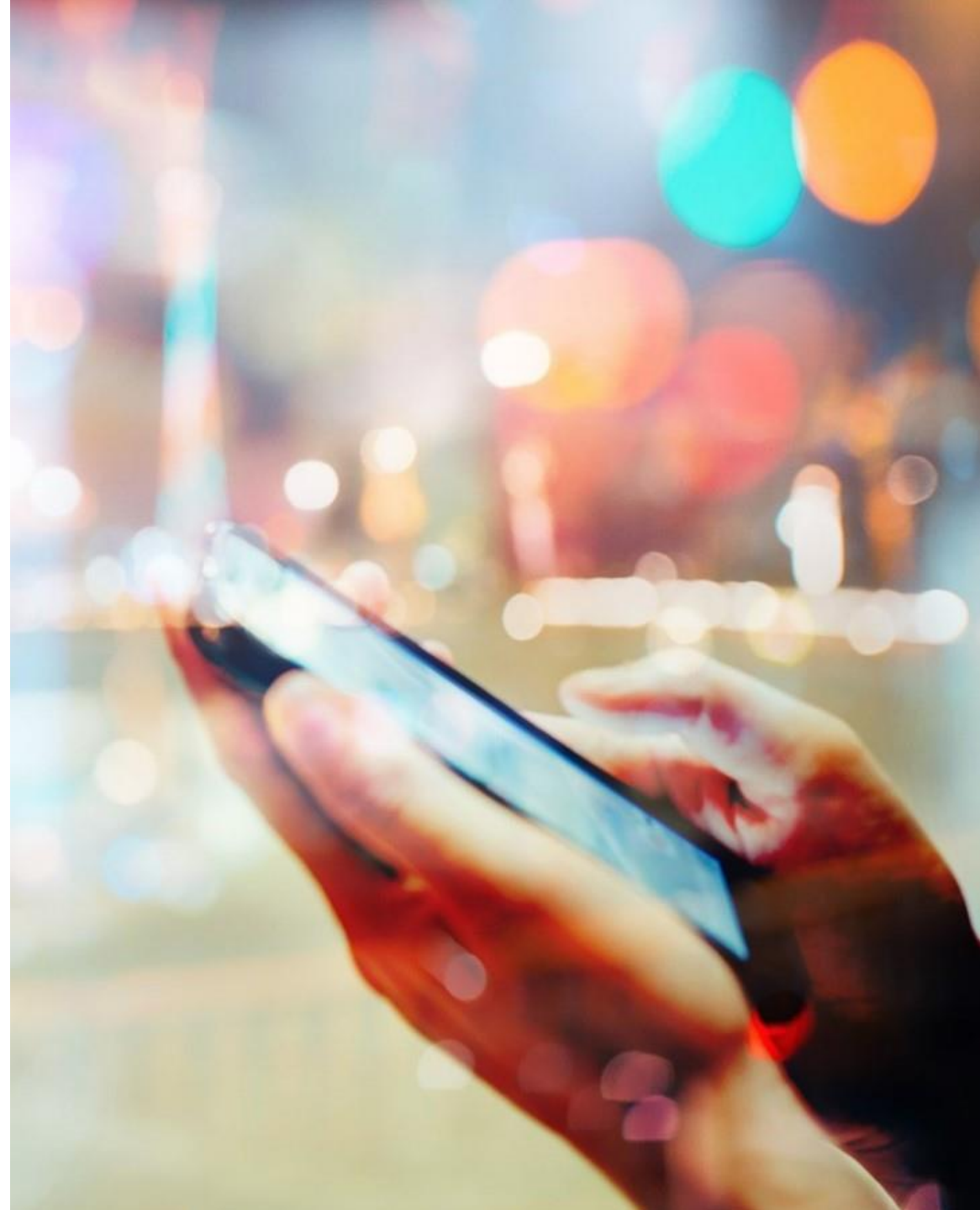
The 500 MSEK bond loan was redeemed in October creating an even more efficient capital structure

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# Positioned for Profitable Growth

## Market Position

**Select markets in telecommunication (4G and 5G) and cybersecurity**, working with leading customers and gaining top positions in key niche segments.

## Business Model

**Pure play software company** with high gross margin and significant recurring revenues, unencumbered by hardware legacy.

## Go-to-Market Model

**Extensive market reach** through own sales force complemented with multiple global partners, combining both direct and indirect sales at a global scale.

## Growth Strategy

**Innovation and leadership in key technology and product areas** through own R&D investments complemented with strategic acquisitions.

## Track Record

**Proven track record** in innovation (unique technology), strategy execution (portfolio and business expansion) and financial development (21 quarters of growth). We deliver on promises.

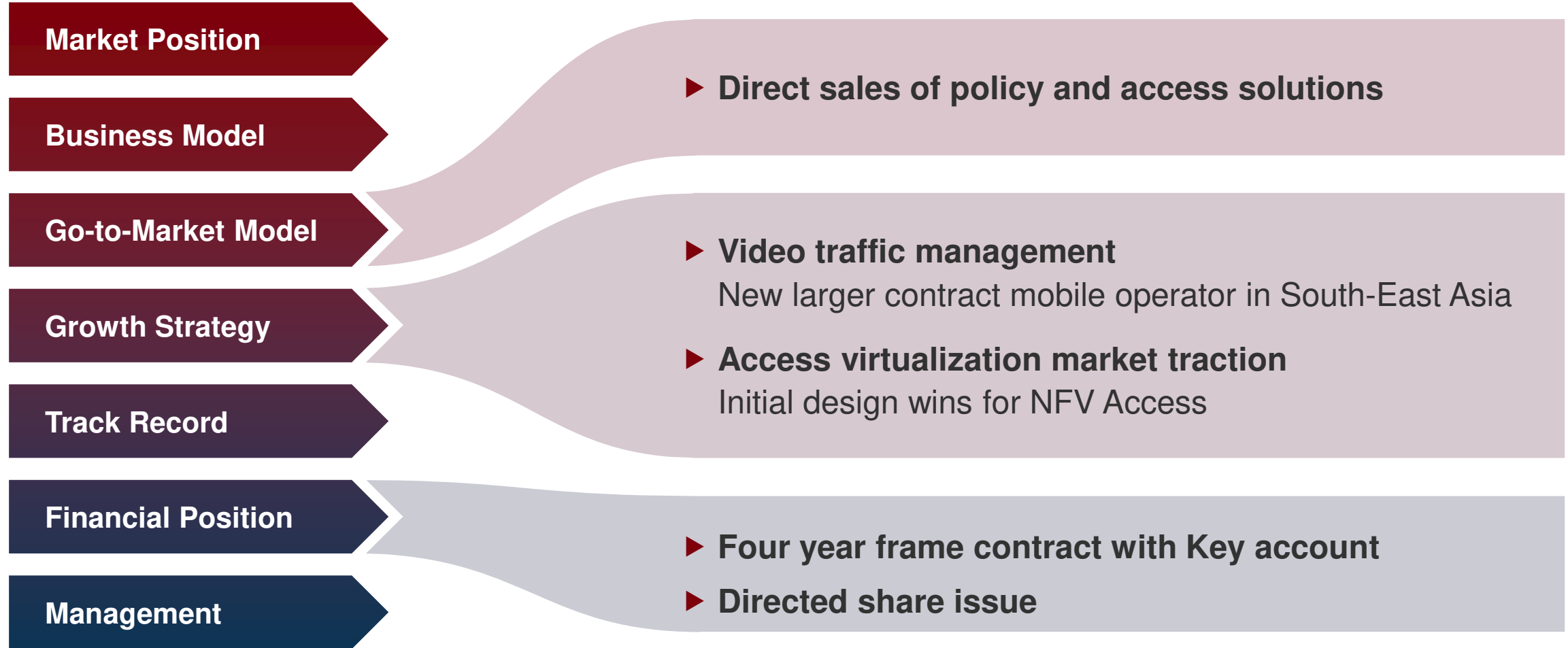
## Financial Position

**Solid financial position** with a robust balance sheet, attractive revenue mix, significant earnings capacity and strong cash flows.

## Management

**Experienced management team and board**, with deep technical, market and customer understanding.

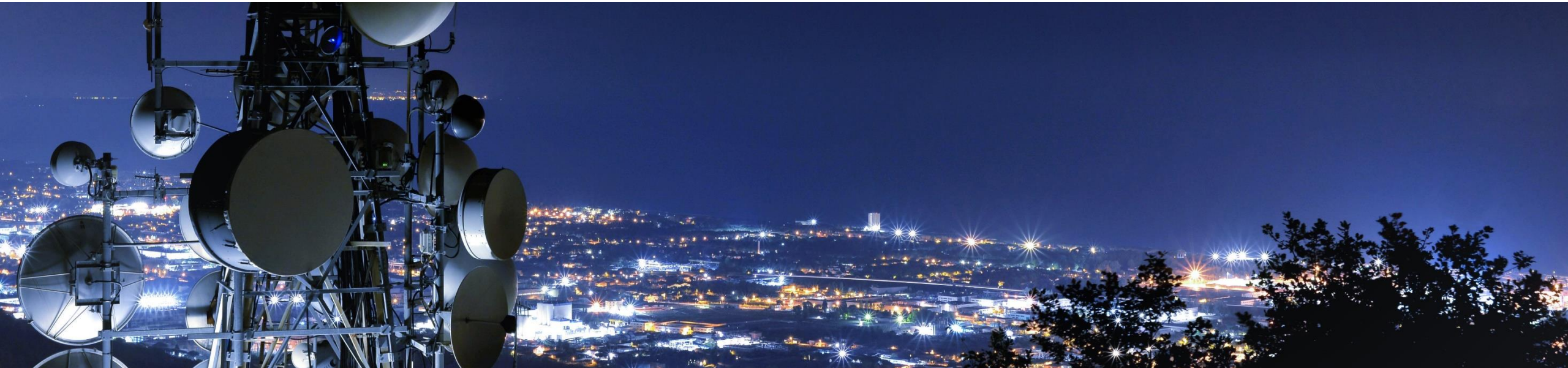
# Strategy Execution in the Quarter





# Market Outlook 2019

Our objective for the full year 2019 is to achieve revenue growth over 2018 and an operating margin exceeding 20 percent.





The Enea Edge

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THANK YOU

[www.enea.com](http://www.enea.com)

