



Q417

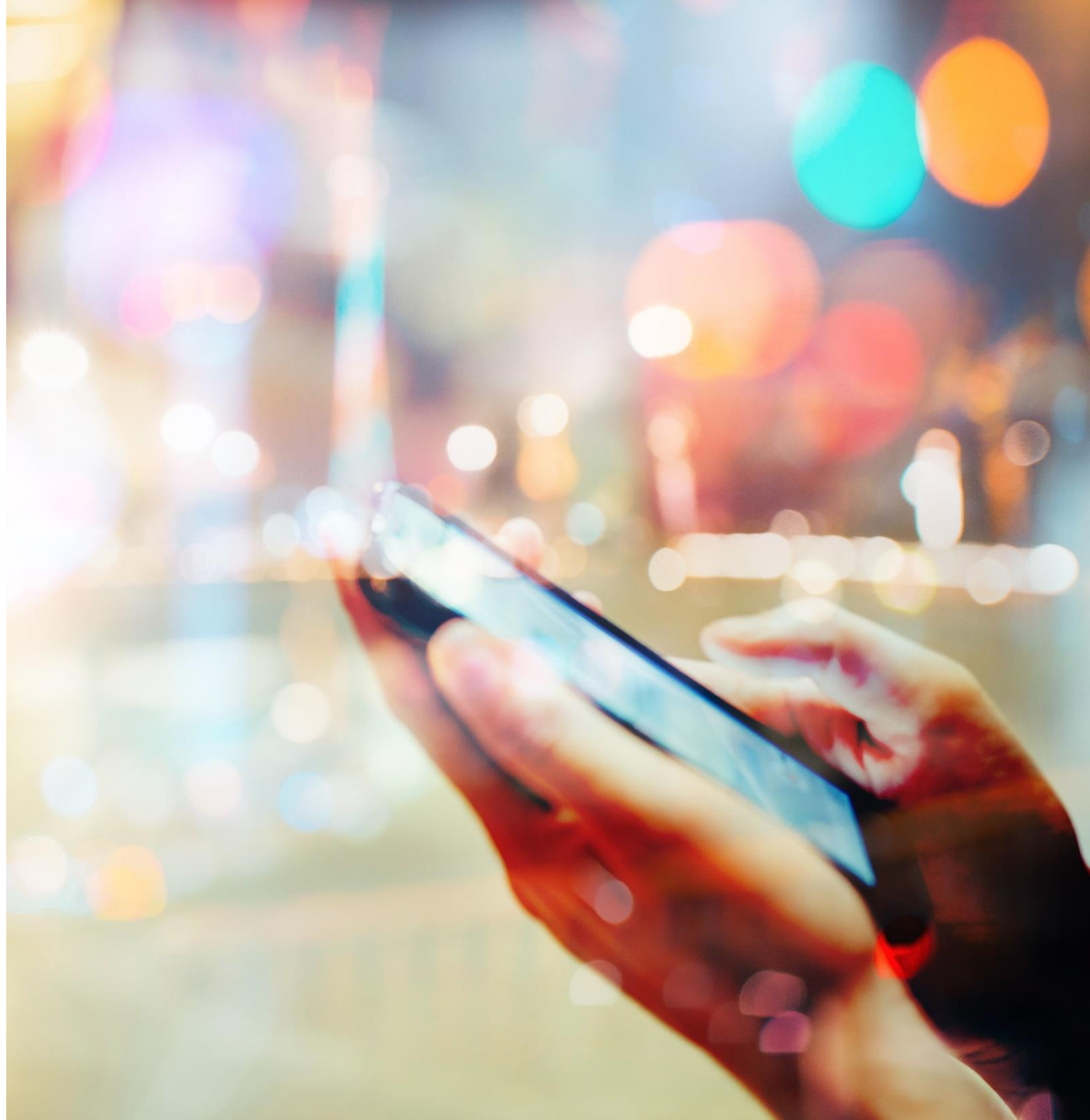
Presentation by Anders Lidbeck
President & CEO
8 February 2018



The Enea **Edge**

Agenda

- ▶ Intro
- ▶ Financials 2017
- ▶ Strategic Transformation
- ▶ Way Forward & Outlook





Intro

A Catalyst for the Connected Society

HEAD QUARTER KISTA, SWEDEN	REVENUE 589.3 MSEK	OPERATING MARGIN* 23 PERCENT
NO. OF EMPLOYEES 463	R&D OPEX INVESTMENT 17 PERCENT	LISTED NASDAQ STOCKHOLM

**Excluding non-recurring costs*

Numbers for FY 2017

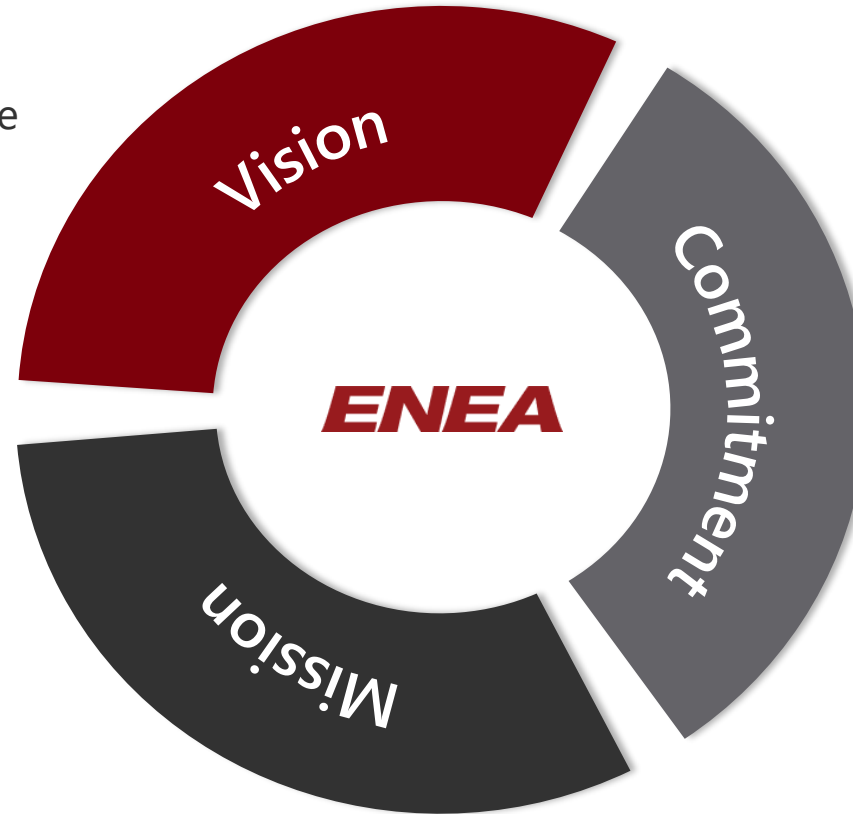
Our Vision, Mission, and Commitment

Our Vision

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

Our Mission

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



Our Commitment

Our commitment is to work together with the leading hardware vendors and our customers - as a key contributor in the open source community - to develop and harden optimal software solutions for tomorrow's 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*

ENEAA



Customers



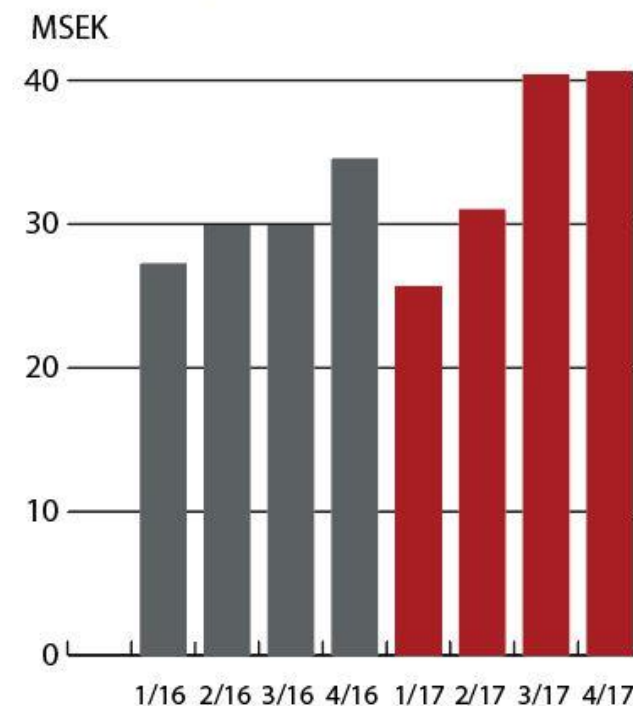


Financials Q417

Record Operating Profit

	Q417	Q416
Operating profit excl. non-recurring costs, MSEK	40.6	34.6
Operating profit, MSEK	23.5	33.5
Operating margin excl. non-recurring costs, %	26.6	25.5
Operating margin, %	15.4	24.7
Earnings per share, SEK	0.97	1.67

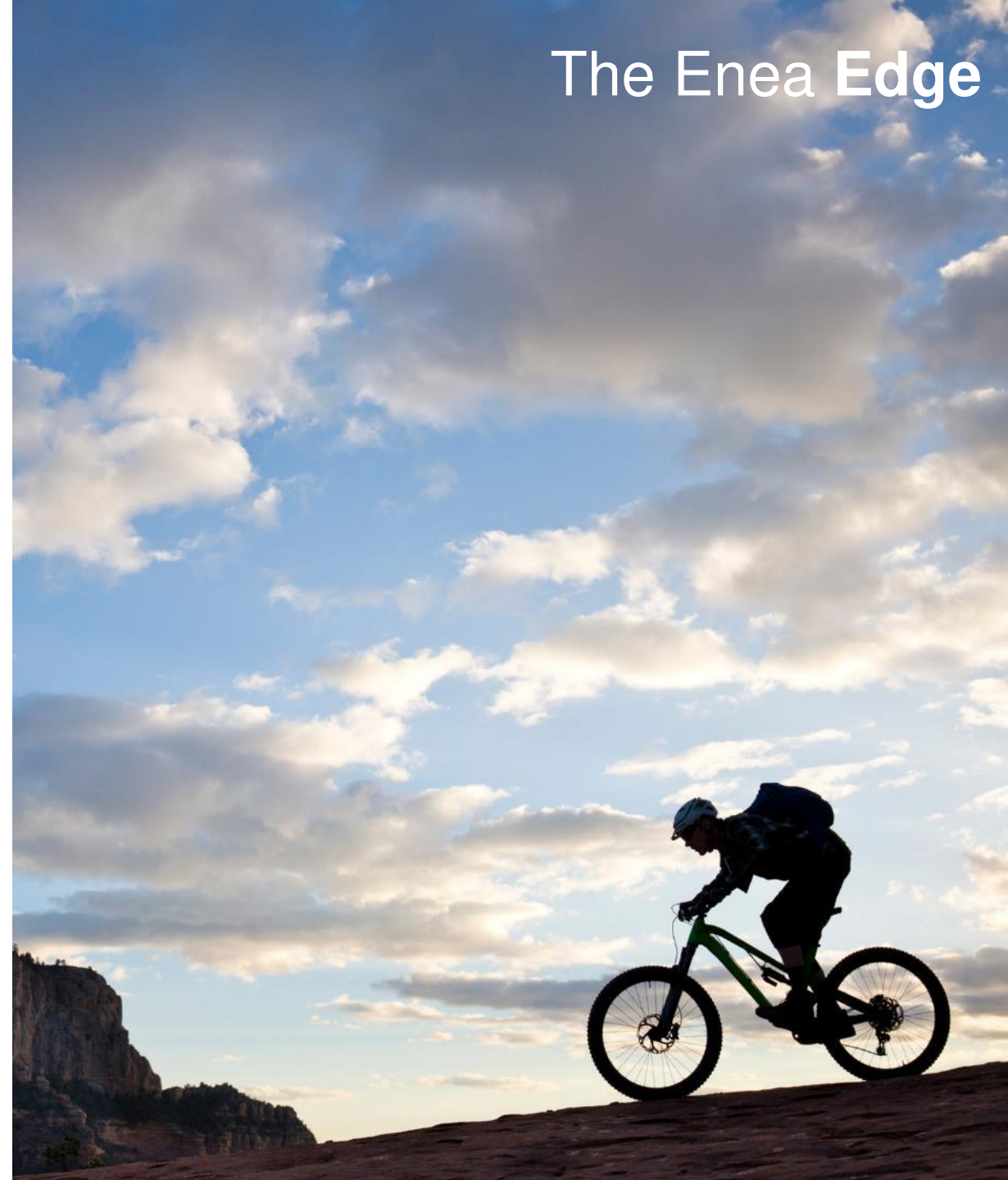
Operating profit excl. non-recurring costs



- ▶ 40.6 MSEK operating profit excl. non-recurring costs is a new all-time high & a 17% y-o-y growth
- ▶ 26.6 percent operating margin excl. non-recurring costs is a new all-time high

Non-recurring Costs

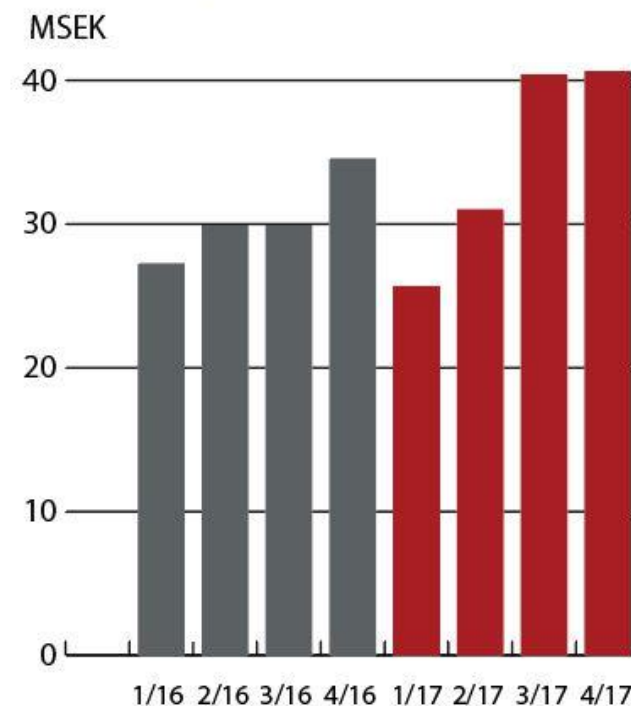
- ▶ January 2018, the arbitration award in the dispute that has been ongoing with one of our largest customers for several years was issued.
- ▶ The ruling means we incurred the majority of the counterparty's expenses meant that Q417 was charged with additional 16.4 MSEK of non-recurring costs. (Total net impact of non-recurring costs in Q417 was 17.1 MSEK.)
- ▶ Although this ruling does imply additional royalties for deliveries that the customer has not paid for, since 2004, it is too early to specify any amount.
- ▶ 31.7 MSEK in total non-recurring costs FY17 (vs. 2.8 MSEK FY16), of which 26.7 MSEK represents legal fees



Record FY Operating Profit

	FY17	FY16
Operating profit excl. non-recurring costs, MSEK	135.4	121.6
Operating profit, MSEK	103.7	118.8
Operating margin excl. non-recurring costs, %	23.0	24.3
Operating margin, %	17.6	23.7
Earnings per share, SEK	4.73	5.95

Operating profit excl. non-recurring costs



- ▶ All-time high operating profit excl. non-recurring costs, 11 percent y-o-y growth
- ▶ 23 percent operating margin excl. non-recurring costs
- ▶ 31.7 MSEK in non-recurring costs FY17 (2.8 MSEK FY16) of which 26.7 MSEK represents legal fees

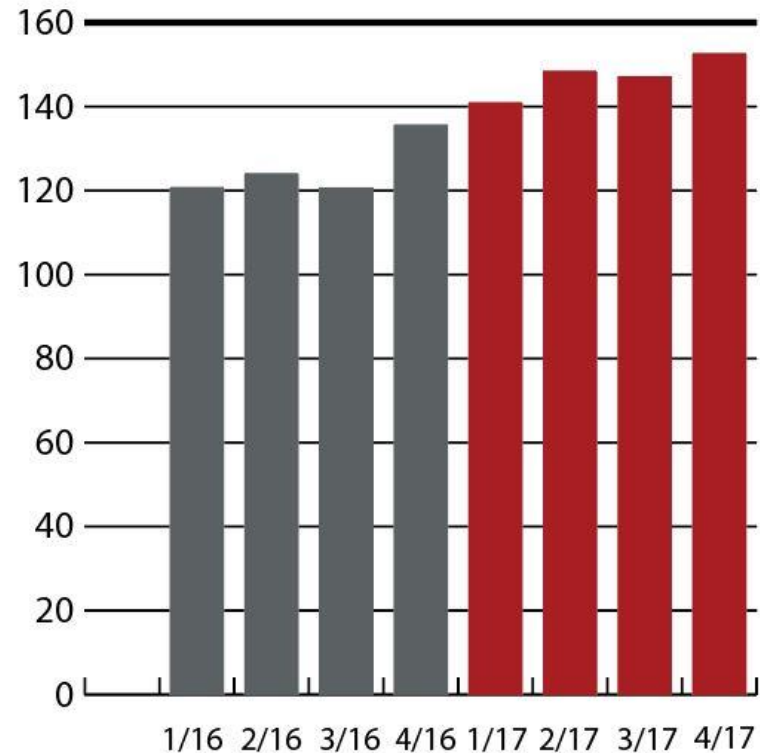
Record Revenue Growth

	Q417	Q416
Revenue (MSEK)	152.7	135.7
Revenue growth (%)	13	8
Revenue growth (%) <small>(currency adjusted)</small>	15	5

	FY17
Revenue (MSEK)	589.3
Revenue growth (%)	18
Revenue growth (%) <small>(currency adjusted)</small>	17

Revenue

MSEK



- ▶ Highest full year revenue ever
- ▶ 14th consecutive quarter of y-o-y revenue growth
- ▶ Record y-o-y revenue growth number

Strong Software Growth in the US

► **Europe**

Revenue in Europe increased with 6 percent in the quarter year-over-year. Both Worldwide Software Sales and the Global Services delivered solid growth numbers in the quarter.

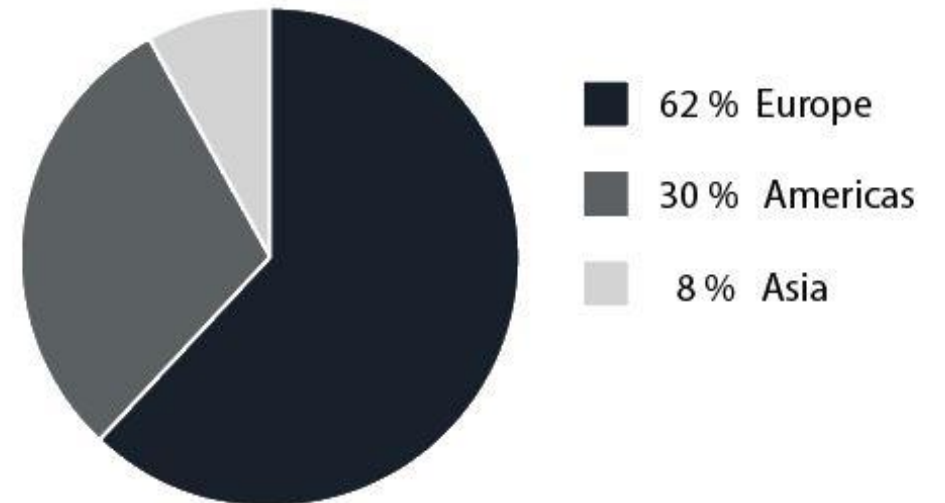
► **Americas**

Revenue increased with 35 percent in the quarter year-over-year. The increase is due to high growth in Worldwide Software Sales and a recovery in Global Services with a number of new customer wins.

► **Asia**

Revenue increased with 2 percent over the corresponding quarter previous year.

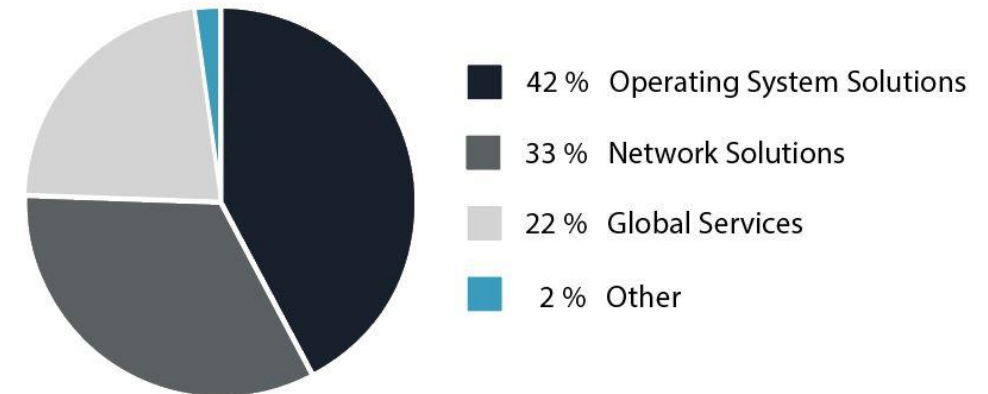
Revenue per region (Oct-Dec)



Improved Product Revenue Mix

- ▶ Operating systems account for most of Enea's sales, with 42 percent of revenues in the quarter. Sales decreased in the quarter compared to the corresponding quarter of the previous year.
- ▶ Sales in Network Solutions increased significantly in the quarter. This product group represented 33 percent of total sales in the quarter. A majority of this revenues stems from the Qosmos acquisition – that developed very well during the year – and it is of growing strategic significance to Enea.
- ▶ Enea's Global Services sales increased over the corresponding quarter previous year, accounting for 22 percent of Enea's total sales.

Revenue per product group (Oct-Dec)



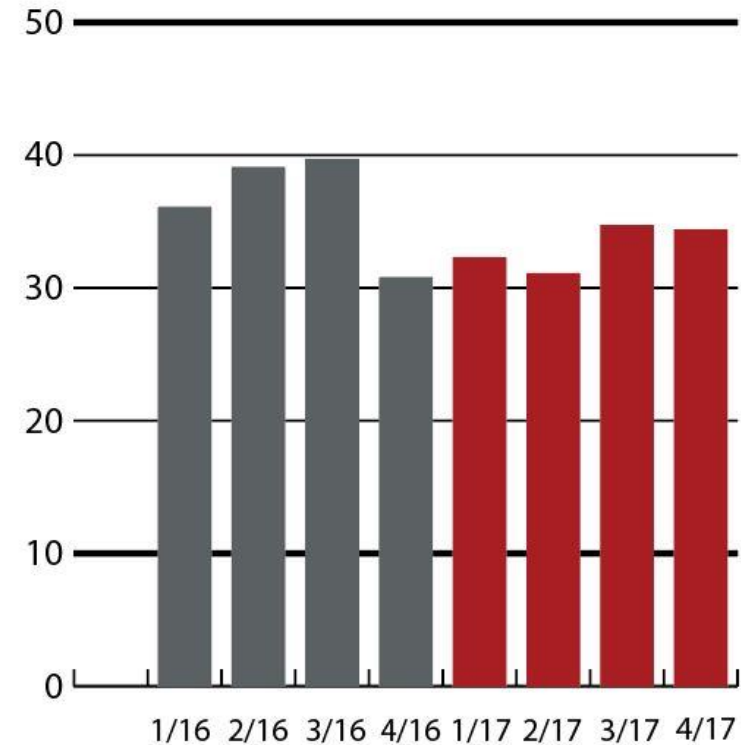
- ▶ Revenue from Worldwide Software Sales was up by 54 percent on the corresponding quarter of the previous year.
- ▶ Strong gross margin 72.5%

Signs of Improvement in US Services

- ▶ Global Services sales increased on the corresponding quarter of the previous year, accounting for 22 percent of Enea's total sales.
- ▶ European operations continued to post solid y-o-y growth numbers
- ▶ US operations have improved compared with the previous quarter, but the FY decline is still significant and the overall FY decline in Global Services is coming from the US.
- ▶ Overall Global Services revenues are expected to further stabilize in Q118 and also to return to y-o-y growth

Revenue Global Services

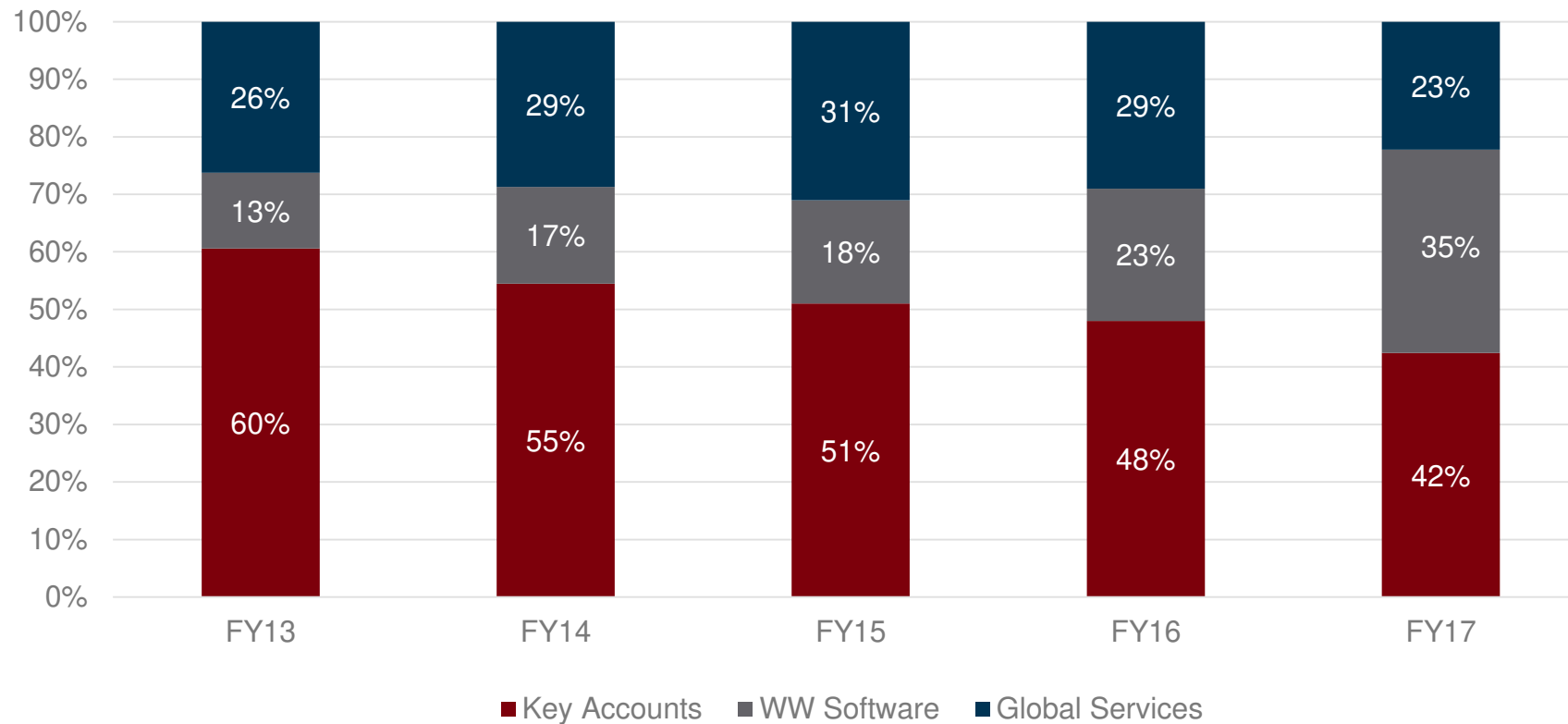
MSEK





Strategic Transformation

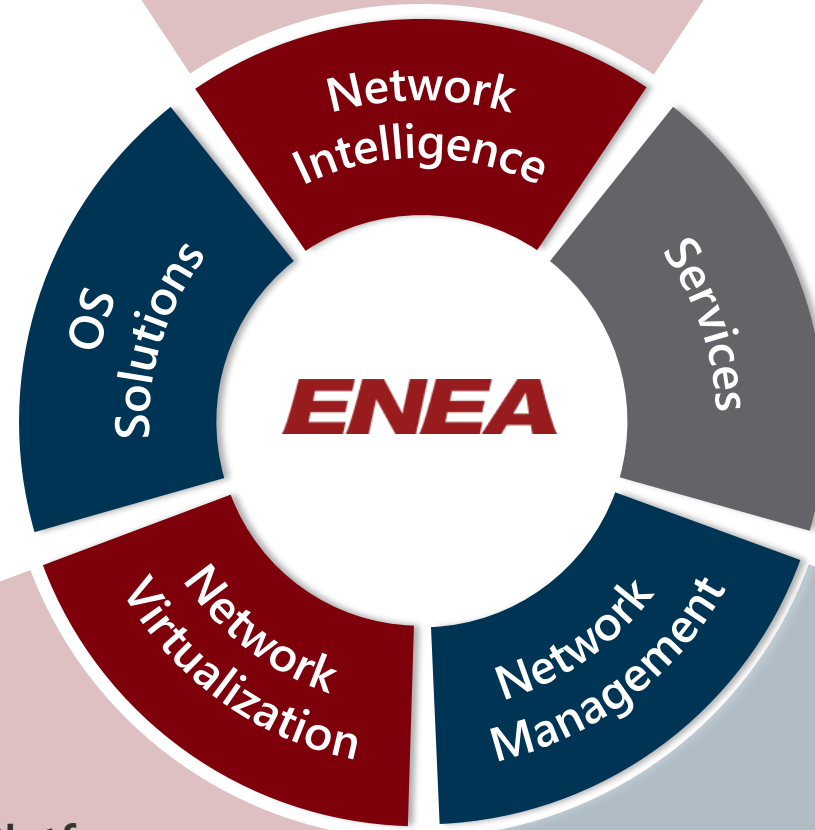
Change in Revenue Mix 2013-2017



- ▶ WW Software grew 82% in FY17 (growth in both OS System Solutions & Network Solutions)
- ▶ Key Accounts grew 3% in FY17 (due to the acquisition of Qosmos)
- ▶ 4YCAGR: Key Accounts 0%. WW Software 39%, Global Services 6%

A Quickly Expanding Portfolio

► 3 new areas in the last 2 years



NFV Platforms
Virtual Probes

Network Management Systems
On-Device Management Agents



During the quarter we continued and deepened our Partnerships...

- ▶ Oct 24: With the Taiwanese hardware company and were (side by side with Wind River) on Lanner's announcement for : *"NFV-ready Network Platforms for vCPE, SD-WAN and Telco Cloud"*



Validated by @WindRiver #TitaniumCloud, @EneaAB NFV Core and other #NFVi solutions; @LannerAmerica's #NFV-ready Network Platforms for #vCPE, SD-WAN and Telco Cloud. bit.ly/2AppUsc #SDWAN #SDSecurity #EdgeComputing #virtualization #DataCenter



- ▶ Oct 27: With the Swedish company Clavister and entered a collaborative partnership for virtual mobile solutions within the SDN/NFV environment.



PRESS RELEASE

Enea and Clavister Collaborative Partnership Extends SDN/NFV Security Market Reach

Telecom operators benefit from Clavister virtual security running on Enea high-performance NFV platforms

Örnsköldsvik and Stockholm, Sweden, October 27th 2017. Clavister, a leader in high-performance network security solutions, and Enea® (Nasdaq Stockholm: ENEA), a supplier of NFVi software platforms, embedded DPI software and real-time operating systems, announce that they have entered a collaborative partnership for virtual mobile solutions within the SDN/NFV environment.

With its strongly integrated solution, Clavister's virtual security solution and the Enea® NFV Core and Enea® NFV Access NFV software platforms will provide a foundation for telecom operators to cost-effectively launch and deploy new services.

Clavister and Enea will—as two Swedish companies—work closely throughout integration and testing period, providing essential carrier grade NFV platform and network security functionality to the telecom industry as it readies to deploy SDN/NFV.



We engaged in our well-established cooperation with the semiconductor company ARM...

- Dec 8: We had a booth at "ARM Tech Symposia"



- 15-17 Nov: We had a booth with ARM on "Embedded Technology"





We still remain an independent software vendor...

- ▶ 26 Oct: One example is the webinar around NFV that we conducted during the quarter together with Intel and leading industry analysts.

ENEAA Enea AB
@EneaAB

Följ

Join @EneaAB @intel @acg_r's live webinar: #NFVI as a Foundation for Service Value at the Network Edge on @SDXCentral bit.ly/2kSSCu1

- ▶ OSE remains a key player for us and during the fourth quarter, we released both a whitepaper and a video production that focuses on execution environments multi-core processors, where OSE is one of our main components.



Choosing Your Runtime

The runtime environment is typically something that is taken for granted by most applications developers. It is expected to efficiently handle system resources and provide them to applications when needed. But the runtime environment is the base all applications run on top of, and its efficiency is key to the overall performance of the system. So when designing a system, regardless of it is a new design or one with legacy applications, the applications' requirements must guide the choice of runtime. This is not always as straightforward as it seems.

A challenge for consolidated designs on multicore devices is to reconcile different runtime requirements of different functions. For example, combining real-time requirements or legacy applications with a Linux environment needs careful considerations to make the runtime provides the characteristics and performance expected by the applications.

Linux has become the standard runtime choice for embedded systems (except perhaps for the very smallest ones) and cloud environments. Basing new designs on a native Linux concept is a natural approach. And for good reasons, Linux has many benefits. Real-time characteristics however, is not one of them.

This paper presents some of the challenges to consider when choosing a Linux based runtime with different application requirements on multicore devices.

What to Consider

While the complexity of the design or migration for an individual application may differ, there is a set of common areas worth considering:

- System characteristics – Do the system and applications have expectations or requirements on the runtime environment that needs to be considered?
- Performance requirements – What should the system be capable of in terms of upstart/restart time, internal/external communication, interrupt response time, jitter etc.
- Code migration – Can legacy applications, fully or partly, be migrated

to a new system or is a reimplementation needed?

The relevance and content for each area is likely to differ from application to application and its usage, for example a high overhead, low effort migration solution for a scarcely used component may not be fitting for a frequently used component, as it may have large impact on needed hardware resources and power consumption.

The Execution Environment – Overview

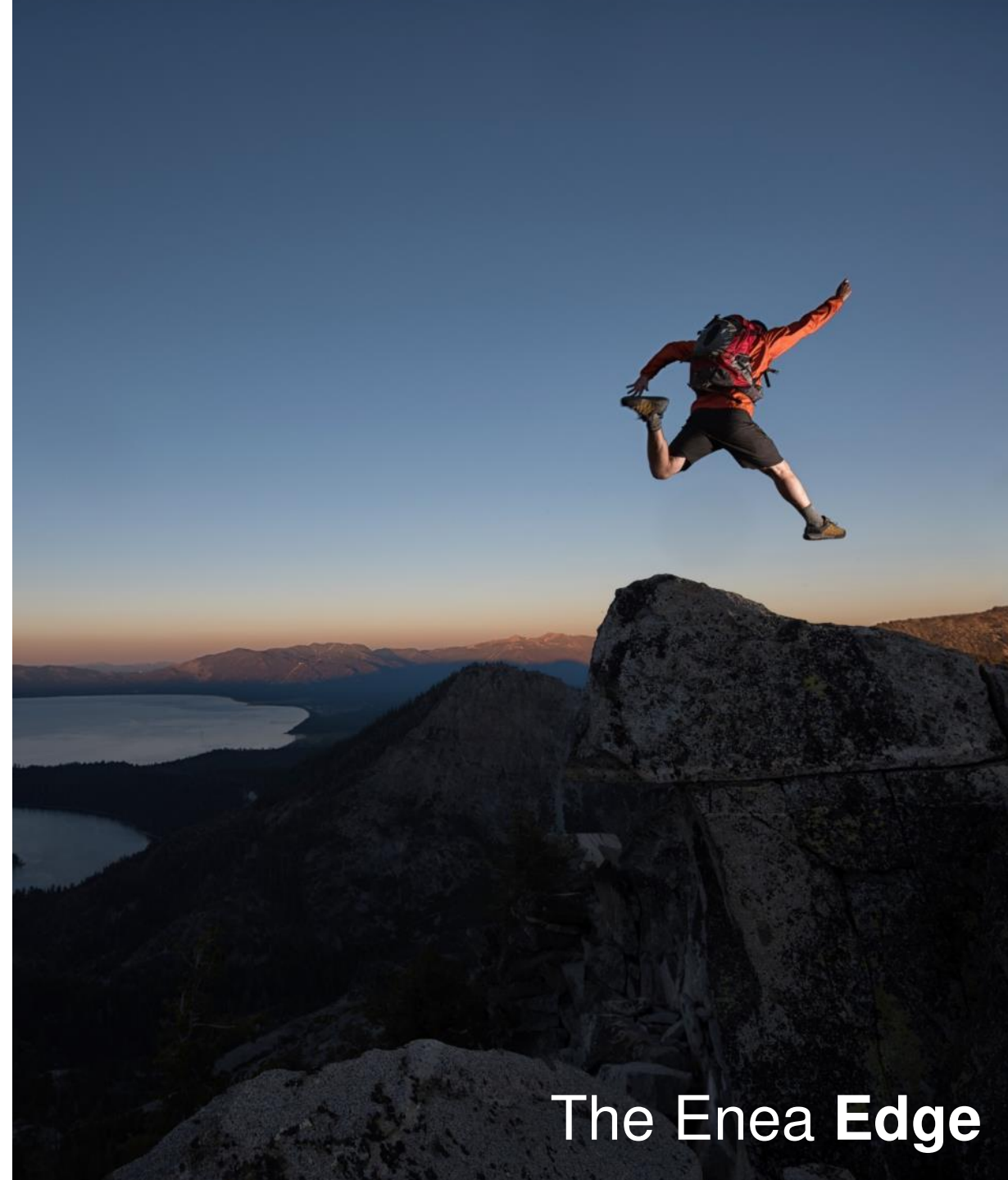
As already stated, it is important to take an application's requirements into consideration for the runtime environment. There are several ways to adapt a Linux environment to be more real-time friendly. See examples in Figure 1.



Way Forward & Outlook

Assessment of 2017 Targets

- ▶ Our objective for the full year 2017 was to achieve double-digit revenue growth, and improved operating profit compared to 2016 before non-recurring costs.
- ▶ We achieved these two targets through revenue growth of 18 percent and operating profit of SEK 135.4 million, before non-recurring costs, an operating profit improvement of 11 percent on 2016.



Financial Position

- ▶ Q417 cash flow from operations 17.9 (27.5) MSEK
- ▶ Q417 cash flow before change in working capital 22.5 (45.0) MSEK
- ▶ Cash, cash equivalents and financial investments at the end of the quarter were 414.3 (223.5) MSEK
- ▶ Total interest-bearing liabilities at the end of the quarter amounted to MSEK 116.0 (150.0)
- ▶ Net cash position 192.8 MSEK (-124.9)
- ▶ The equity ratio is 64.8 (43.0) percent



Dividend

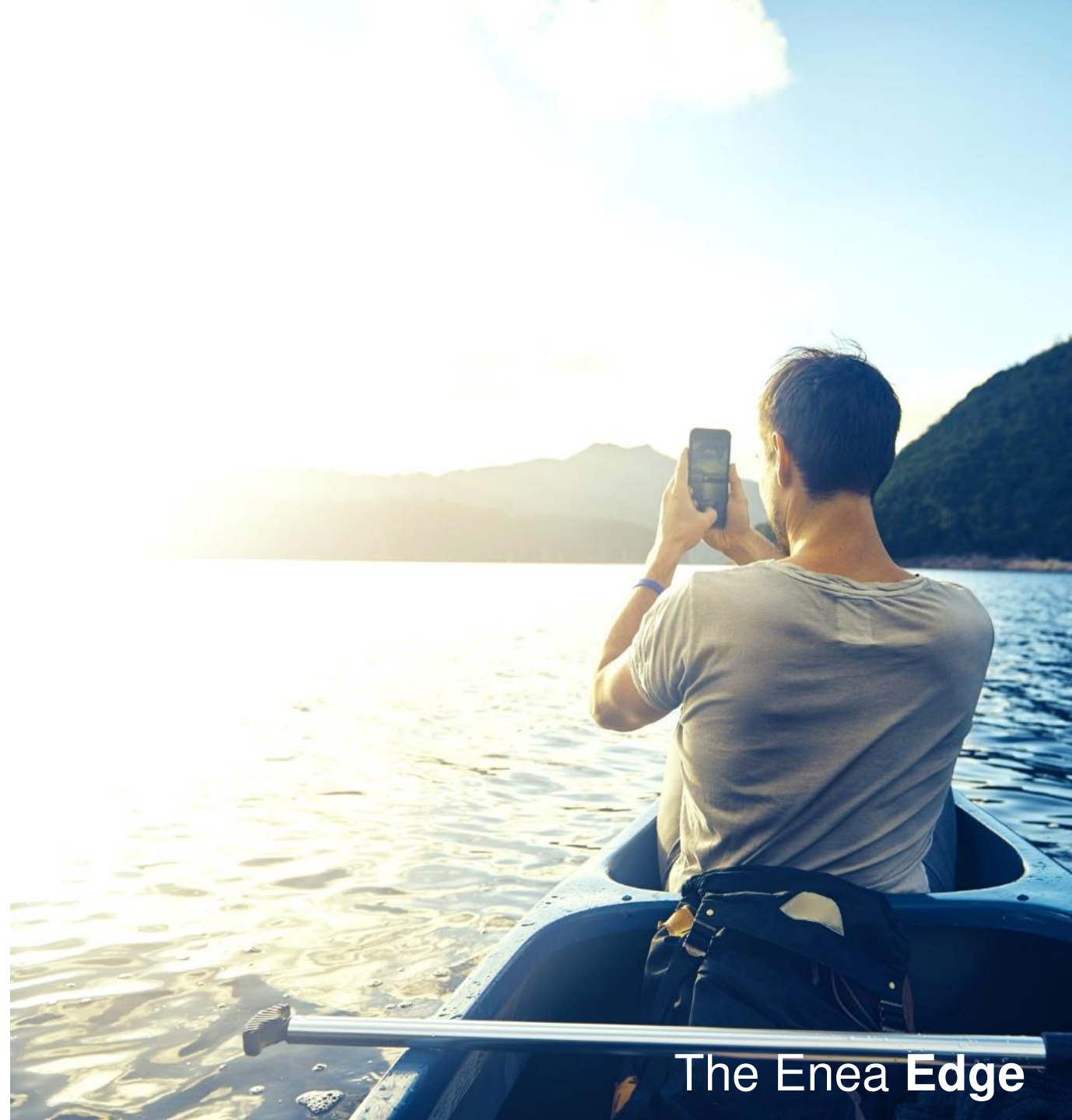
- ▶ Enea's aim is to build a larger and stronger company, delivering an increasing value for customers, employees and shareholders
- ▶ Acquisitions that strengthens the company's market position and long-term earnings capacity, as well as continued investments in our product portfolio are important elements of this endeavor
- ▶ In order to enable and be well-equipped for this type of acquisitions, Enea needs a strong and also flexible capital structure. This can mean that the company may be in net debt from time to time
- ▶ In line with this, the Board has decided to adjust the company's long-term dividend policy to; "Enea's long-term dividend policy is that at least 30 percent of profit after tax will be transferred to shareholders. However, consideration should be given to the Company's financial position, cash flow, acquisition opportunities and future prospects. "
- ▶ Given the acquisitions and prospects that the Board are looking at in the coming years, no 2017 dividend will be proposed



Market Outlook 2018

Our goal for the full year 2018 is to achieve revenue growth and improved operating profit compared with 2017.

The improvement in operating profit is expected to occur in the second half of 2018.



The Enea Edge

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THANK YOU

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