Enea Financial Results Q3 2023

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Ulf Stigberg, CFO

October 26, 2023
Agenda

- Intro
- Financial Results
- Way Forward and Outlook
### Summary Q3 2023

#### July - September

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>216 MSEK</td>
</tr>
<tr>
<td>EBITDA Margin$^2/3$</td>
<td>34 PERCENT</td>
</tr>
<tr>
<td>Net Debt</td>
<td>147 MSEK</td>
</tr>
<tr>
<td>Earnings Per Share</td>
<td>0.95 SEK</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>108.3 MSEK</td>
</tr>
<tr>
<td>R&amp;D $^1/$</td>
<td>23 PERCENT</td>
</tr>
</tbody>
</table>

#### January - September

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<th>Metric</th>
<th>Value</th>
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<tbody>
<tr>
<td>Net Sales</td>
<td>671 MSEK</td>
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<tr>
<td>EBITDA Margin$^2/3$</td>
<td>32 PERCENT</td>
</tr>
<tr>
<td>Net Debt</td>
<td>147 MSEK</td>
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<tr>
<td>Earnings Per Share</td>
<td>-26.13 SEK</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>282.9 MSEK</td>
</tr>
<tr>
<td>R&amp;D $^1/$</td>
<td>26 PERCENT</td>
</tr>
</tbody>
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1/ (OPEX less D&A plus Capitalized R&D)/(Net Sales)
2/ (EBITDA excl NRI)/(Net Sales)
First 90 Days

- **Simplification & Performance – Entire Company**
- **Build Solid Plans & Deliver – Product and Sales**
- **Accelerate Established Products – Product and Sales**
- **Focus on Winning – Sales and Company**
- **Focus on Growth in Security & Embrace AI – Company**
- **Value Creation – for Customers, Employees, Shareholders**
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Stable Net Sales Q3

- Q3 23 Net Sales MSEK 216 (229)
- 6% decline over Q3 22 but 4% growth over Q2 23
- Total revenues MSEK 221 (253) including currency gains
- FX impact vs last year MSEK 12.3
- 9 months 23: MSEK 671 (657)
- 2% growth over 9 months 22
- Stable but slow development across the business
Recurring Revenue Growing

- Q323 Support & Maintenance of MSEK 70 (67) or +5%
- Q323 Professional Services of MSEK 48 (45) or +8%
- Three consecutive years of stable growth
Operating Systems – Small Numbers as Predicted

- Expected drop in license revenues to MSEK 10 (16) or -38%
- Support & Maintenance of MSEK 12 (11) or +6%. Performing well in the quarter and is above plan (with very small FX-effect)
- Professional Services of MSEK 1 (1), small numbers but stable
34 Percent EBITDA Margin in Q3

- EBITDA margin excl. NRI of 34% (37%)
- MSEK 4.5 non-recurring items in Q3 affecting EBITDA
- Gross margin of 76.7% (78.8%), impacted by lower share of license revenues in the quarter
- The right-sizing initiatives have effect and operational expenses down with MSEK 15 to MSEK 142.9 (158.1)
- Operating expenses excluding D&A are down with MSEK 17 to MSEK 96.4 (113.8), still negatively impacted by decreased CAPEX of MSEK 17.4 and unfavorable exchange rates of approx. MSEK 4.0
Growing EBITDA Less Capex in Q3

- EBITDA Less Capex excl. Non-Rec Items of MSEK 55.2 (51.3) or 26% (22%) EBITDA less Capex margin.
- EBITDA Less Capex excl. Non-Rec Items of MSEK 146.4 (122.4) or 22% (19%) EBITDA less Capex margin.

- EBIT excl non-recurring items MSEK 26.9 (41.1) or 12% (18%) EBIT margin
- EPS of SEK 0.95 (1.69) for the continued operation
Strong Cash Flows

Cash flow generation
- Cash flow before changes in WC MSEK 47.3 (91.4)
- Cash flow from operations MSEK 108.3 (92.1)
- Cash flow from investment activities MSEK -18.8 (-21.8)
- Cash flow from financing activities MSEK -39.2 (-38.4)
- Net Cash flow for the quarter of MSEK 50.3 (35.9)

Financing structure
- Interest bearing bank loans MSEK 479.7 (546.7)
- Cash and cash equivalents were MSEK 333.0 (264.0)
- Net debt of MSEK 146.7 (282.7)
- Unutilized credit facilities of MSEK 400

Financial KPIs
- Equity ratio was 64.9 (68.5) percent
- Net debt to EBITDA was 0.64 (1.10)
The Buy-back Program on Repeat

- 374 790 shares were bought back from the start of the program in July till October 25, 2023
- For a total consideration of MSEK 17.6

- Given the strong financial position the board has re-initiated a buy-back program of own shares for Q4
- Within the 10 percent mandate given by the AGM
- The program will be carried out by a credit institution following the ‘Safe Harbour Regulation’
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Wide Telecom Core & Cybersecurity Portfolio

Data Management Applications

Service Provider Wi-Fi

Network Security

Network Data Layer

Traffic Management

DPI Library + SDK

Secure Internet of Things
AI in Cybersecurity
Global Survey of 457 Cybersecurity Professionals

Fears
77% concerned that artificial intelligence will become unpredictable and dangerous.

Plans
41% have high priority to deploy AI as part of their cybersecurity strategy
68% expect a budget increase for this over the next two years.

Hopes
48% believe artificial intelligence can help detect malware in encrypted traffic.
72% think automation based on artificial intelligence will be key.
Long Term Financial Ambition and 2023 Outlook

Our goal in the coming years is to generate double-digit growth in Network Solutions, an EBITDA margin over 35 percent, and strong cash flows.

In 2023, we also expect a strong cash flow. But after a weak first half of the year and with a difficult economic situation, 2023 will be a challenging year in terms of growth and profit.