



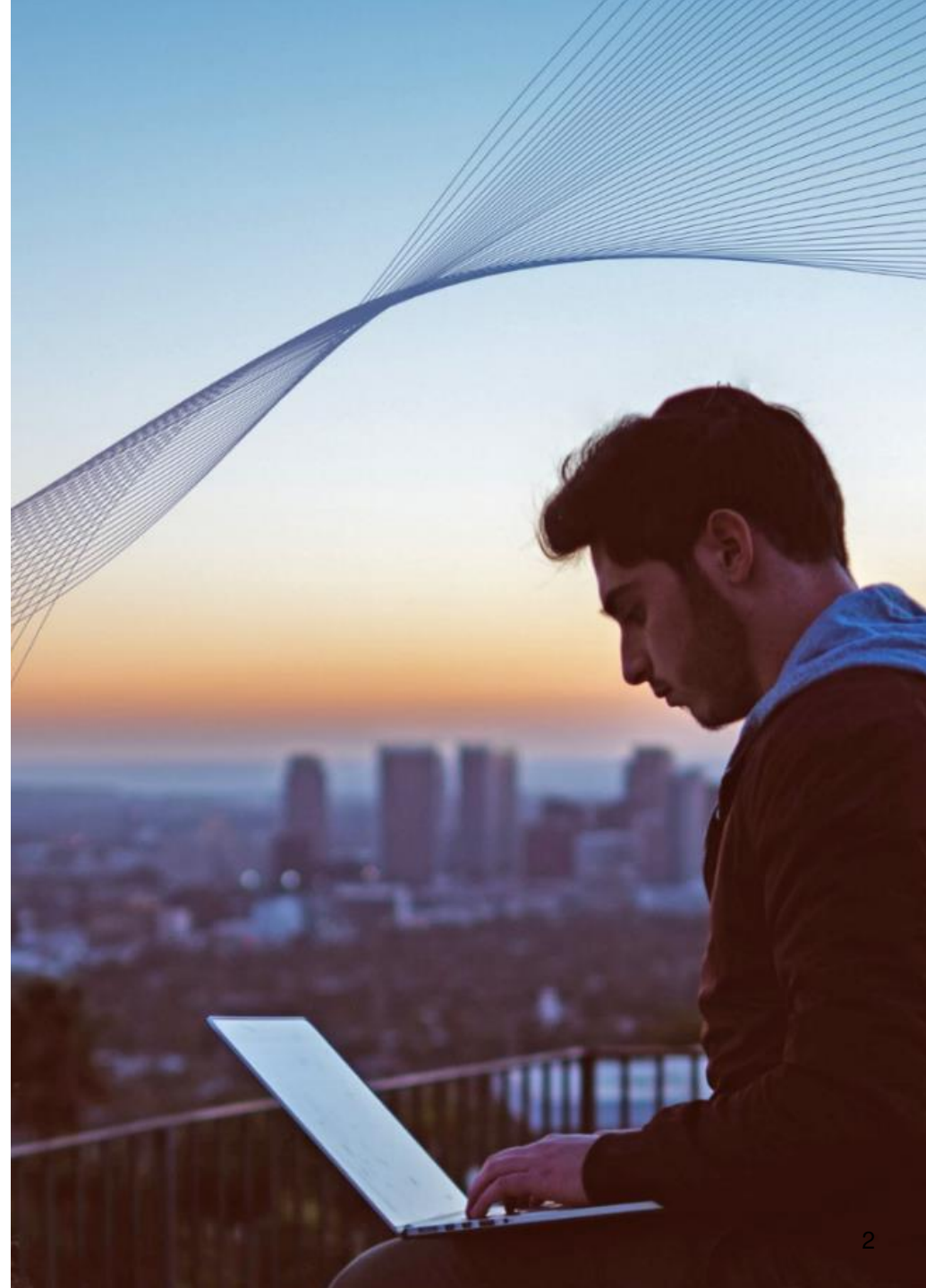
Interim Report Q1 2022

Jan Häglund, President and CEO
Ola Burmark, CFO

April 27, 2022

Agenda

- ▶ **Summary and Results**
- ▶ **News**
- ▶ **Way Forward and Outlook**



Summary of Q1 2022

January-March 2022

HEAD QUARTER KISTA, SWEDEN	NET SALES 242 SEK m	OPERATING MARGIN ^{2/} 8.4 PERCENT	NET DEBT 554 SEK m
LISTED NASDAQ STOCKHOLM (MID CAP)	EARNINGS PER SHARE -0.38 SEK	OPERATING CASH FLOW 4 SEK m	R&D ^{1/} 29.8 PERCENT

^{1/} (OPEX and Capitalized R&D)/(Net Sales)

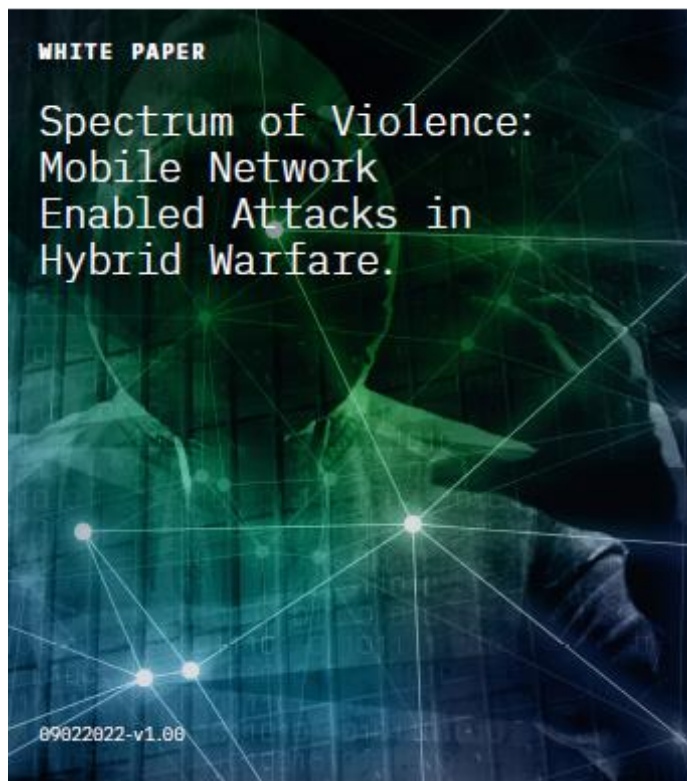
^{2/} (EBIT excl NRI)/(Net Sales)

Development in the quarter

- ▶ **AdaptiveMobile Security delivered majority of sales growth (+8%).**
- ▶ **Heightened attention on mobile network security due to Ukraine conflict.**
- ▶ **Weak development in Network Solutions (-4%) impacted growth.**
- ▶ **New 5G and Wi-Fi contract in North America demonstrates cross-selling synergies.**
- ▶ **Mobile World Congress 2022 - a return to physical customer meetings and one brand approach for Enea.**
- ▶ **Continued investment in sales and product development for cybersecurity and 5G markets, supported by cost reductions fully realized in Q2.**
- ▶ **Currency and inflationary effects require continued strong cost control.**



Mobile Networks enable attacks in Hybrid Warfare



Missile attack on Ukrainian military base was launched after Russian forces hacked into British phones

- A missile on Yavoriv training base was launched after phone hack, sources claim
- At least 35 people were killed in the strike on the training base last Sunday
- Unconfirmed reports suggest ex-British soldiers among the dead and wounded

By [GLEN OWEN](#) and [MARK NICOL FOR THE MAIL ON SUNDAY](#)
PUBLISHED: 00:19 GMT, 20 March 2022 | UPDATED: 00:36 GMT, 20 March 2022



Ukraine Arrests 'Hacker' It Says Was Routing Calls for Russian Troops

Russia may be relying on hackers like this after Ukrainian telecommunications firms blocked Russian and Belarusian numbers.

By [Joseph Cox](#)



THE WALL STREET JOURNAL.

BUSINESS

In Ukraine War, Keeping Phones Online Becomes Key Defense

Russian attacks have battered wireless networks, but service providers say consistent repairs, years of planning have kept signals working

Innovation: AdaptiveMobile Security wins at MWC22



Best Mobile Authentication & Security Solution

“AdaptiveMobile Security, an Enea Company for the World’s First Unified 5G Network Security Solution”

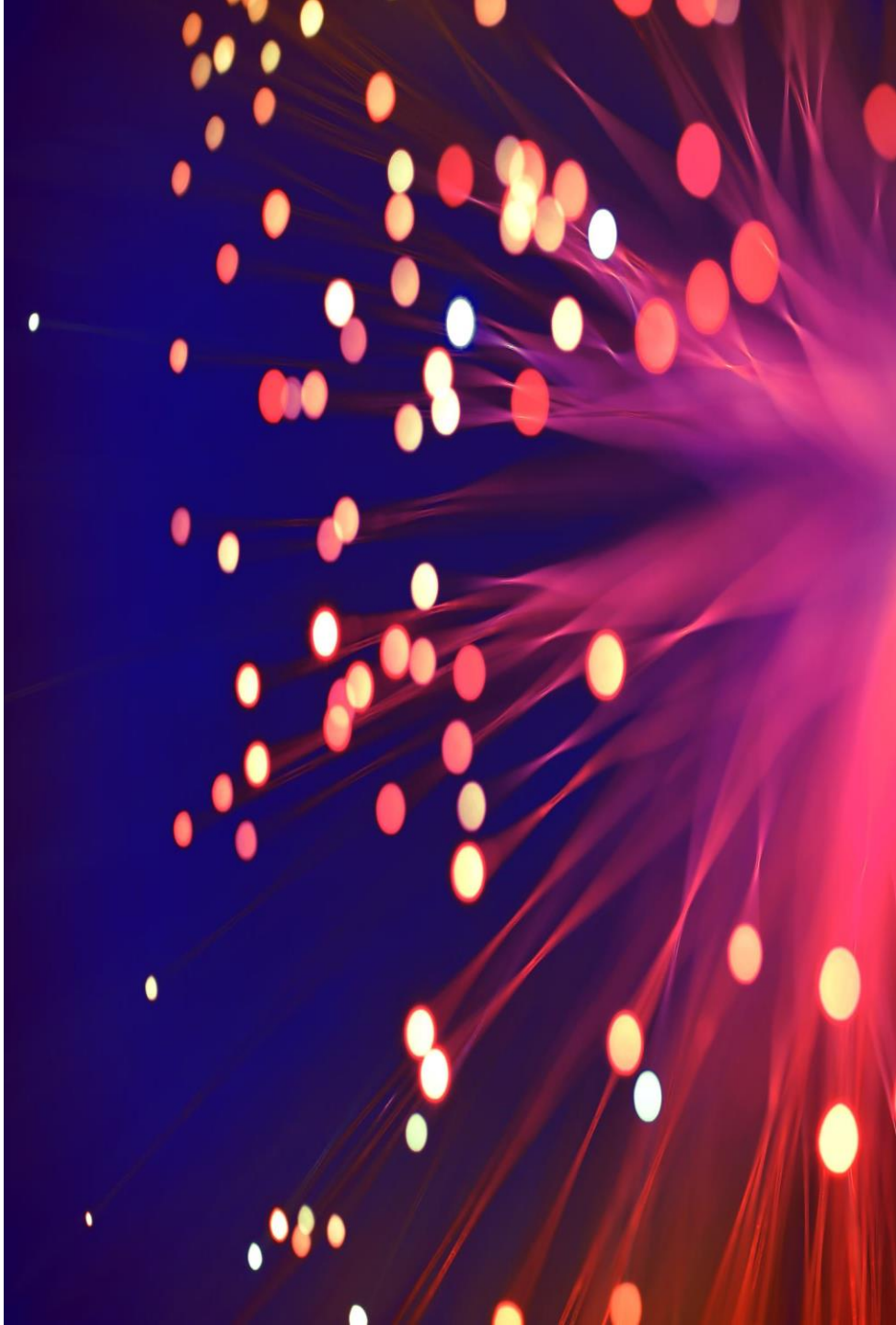
Contract for 5G and Wi-Fi worth USD 5.1 Million

- ▶ 3-year agreement for 5G core network applications and Wi-Fi Service management solutions with a North American Tier-1 mobile network operator. New business with an existing customer.
- ▶ Software licenses corresponding to a value of USD 2.8 million are booked in the first quarter of 2022, while remaining revenues from professional services and support and maintenance are recognized over the full contract period.
- ▶ The total deal value amounts to USD 5.1 million.



Enea divests Software Development Services business

- ▶ Enea signed an agreement to divest Software Development Services to AROBS, a listed Romanian company.
- ▶ With this divestment, Enea enhances focus as a specialist in software products for telecom and cybersecurity.
- ▶ The transaction is expected to close in Q2 2022.
- ▶ Transaction details
 - Enterprise value of the transaction is EUR 17.9M
 - SDS generated SEK 113M in net sales 2021 (GAAP)
 - Contribution of SEK 20M in operating profit 2021 (pro forma)
 - Transaction and separation costs estimated to SEK 11M
 - Increase in net result for Enea of SEK 115M at closing.
 - Purchase price paid in cash.

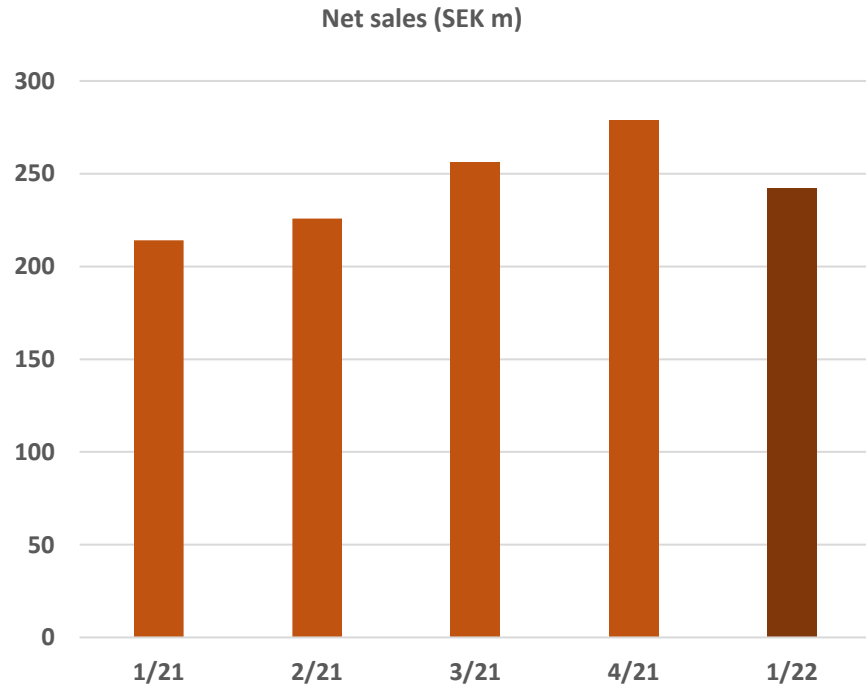


Agenda

- ▶ Summary and Key Events
- ▶ Financial Results
- ▶ Way Forward and Outlook



Net sales increased by 8% (currency adjusted)



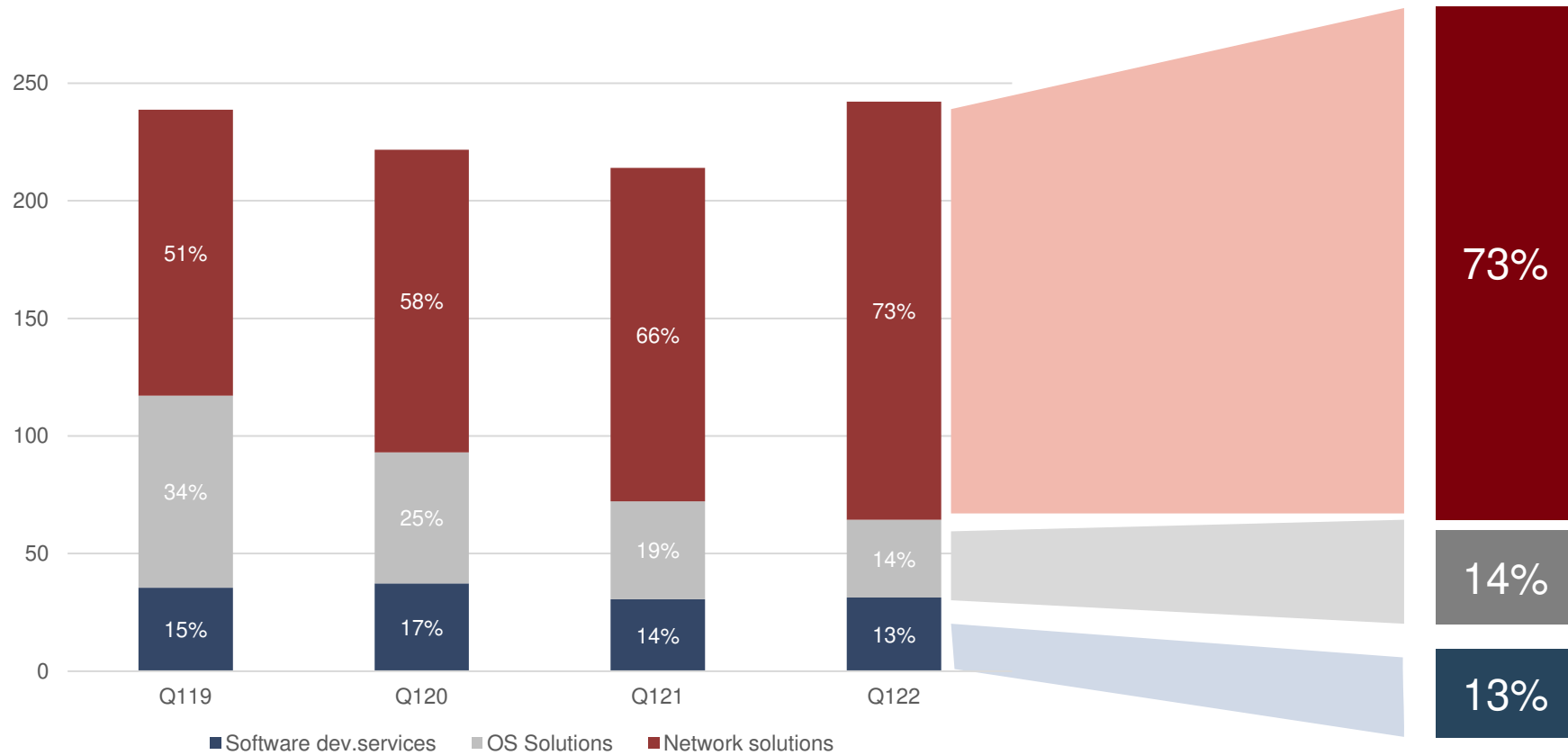
	2022 Q1	2021 Q1	2022 Jan-Mar	2021 Jan-Mar
Net Sales	242	214	242	214
Growth (%) ^{1/}	+13%	-3%	+13%	-3%
Growth (% , currency adjusted)	+8%	+4%	+8%	+4%
Total Revenues	248	217	248	217
<i>FX impact vs last year</i>	+11.5		+11.5	

^{1/} LY does not include Adaptive Mobile Security business (acquired July 2021), which contributed by 34 SEKm in the quarter.

Q1-22

- ▶ 8% increase vs 2021-Q1, fixed currencies
- ▶ 13% increase vs 2021-Q1
- ▶ Currency adj Organic Growth -7.1%
- ▶ The increase driven by the acquisition AdaptiveMobile Security which contributed by 34 SEKm to Net Sales in the first quarter
- ▶ Total Revenues of SEK 248m (217) includes Other revenues of 6.3 SEKm (2.8). 4.2m in currency gains and SEK 2.1m in other revenues

Network Solutions represent 73% of total net sales



- ▶ **Network Solutions**
Net sales increased by 25%, driven by the acquisition of AdaptiveMobile Security
- ▶ Organic growth adjusted for currency was - 4% vs Q1 2021

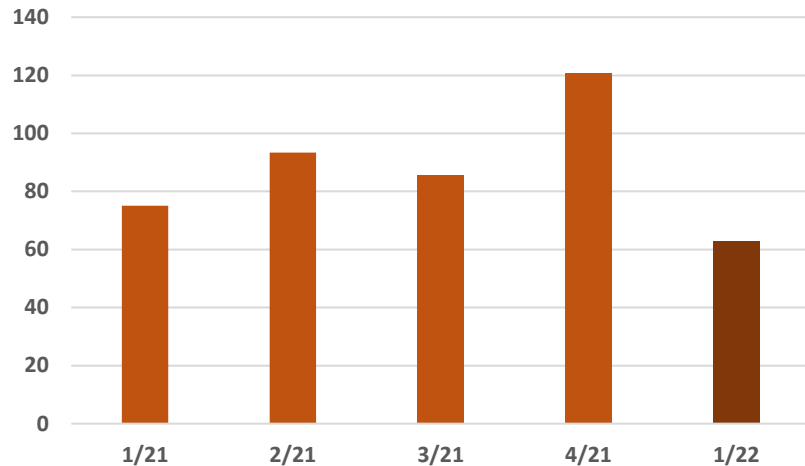
- ▶ **Operating System Solutions**
Net sales decreased by 21%, due to an expected decline in key accounts (accounting for 65% (74) of segment sales).
- ▶ Organic growth adjusted for currency was -22% vs Q1 2021

- ▶ **Software Development Services**
Net sales increased by 2%, mainly driven by an increase in the US market.

Network solutions grew by 25% and accounted for 73% of total Net sales

25.8 percent EBITDA (excl NRI) margin in Q1

EBITDA excluding NRI (SEK m)

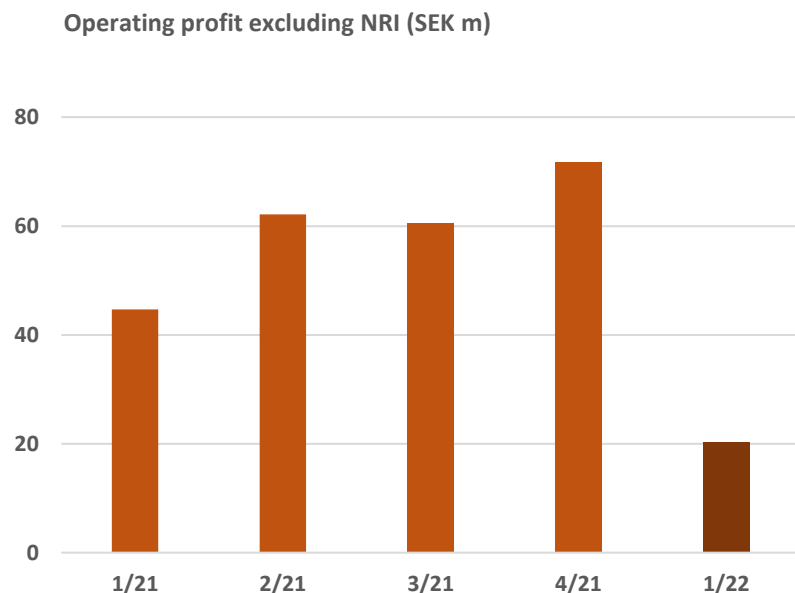


	2022 Q1	2021 Q1	2022 Jan-Mar	2021 Jan-Mar
EBITDA excl Non-Recurring Items, SEK m	62.5	75.1	62.5	75.1
EBITDA, SEK m	38.8	75.1	38.8	75.1
EBITDA margin excl. non-rec. items, %	25.8%	35.1%	25.8%	35.1%
EBITDA margin, %	16.0%	35.1%	16.0%	35.1%

Q1

- ▶ 25.8% (35.1%) EBITDA margin excl. NRI
- ▶ 16.0% (35.1%) EBITDA margin , incl SEK 23.6m NRI (0)
- ▶ NRI in Q1 relates to the restructuring of operating systems announced in Q4 report
- ▶ 73.9% in Gross margin (79.1%), negatively affected by a higher degree of cost of services within AdaptiveMobile Security

8.4 percent EBIT (excl NRI) margin in Q1



	2022 Q1	2021 Q1	2022 Jan-Mar	2021 Jan-Mar
EBIT excl Non-Recurring Items, SEK m	20.1	44.7	20.1	44.7
EBIT, SEK m	-3.5	44.7	-3.5	44.7
EBIT margin excl. non-rec. items, %	8.3%	20.9%	8.3%	20.9%
EBIT margin, %	-1.5%	20.9%	-1.5%	20.9%
Earnings per share, SEK	-0.38	2.02	-0.38	2.02

Q1-22

- ▶ 8.3% (20.9%) EBIT margin excl. NRI (20.9%)
- ▶ -1.5% (20.9%) EBIT margin incl SEK 23.5m NRI (0)
- ▶ NRI in Q1 relates to restructuring of operating systems announced in Q4 report
- ▶ OPEX (excl NRI) negatively impacted by unfavorable FX. Capex in relation to Net Sales, 65.6% (58.3)
- ▶ 74.0% in Gross margin (79.1%), negatively affected by a higher degree of cost of services within AdaptiveMobile Security
- ▶ EPS negative of -0.38 compared to 2.02 last year

Solid financial position

Stable cash flow generation

- Q1 cash flow before changes in WC amounted to SEK 39.2m (79.9)
- Q1 cash flow from operations amounted to SEK 3.8 m (68.7)

Effective financing structure

- Interest bearing bank loans amounted to SEK 696.9m (438.1)
- Increase related to the new Euro denominated loan for the Adaptive acquisition
- New financing structure signed in mid April
- Cash and cash equivalents were SEK 142.5 m (236.9)

Solid financial KPIs

- KPIs affected by the Adaptive acquisition (EV EUR 45 m)
- Equity ratio was 59.6 percent (65.2)
- Net debt to EBITDA was 1.64 (0.62)

Well-positioned to invest in both organic growth and potential non-organic opportunities

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Strategy

We focus on software...



...high margin portfolio
in a world where many
of our competitors are
encumbered by legacy
hardware business.

*Well positioned in selected
growth markets...*



...including:

- Cybersecurity
- 5G core networks
- Internet of Things

Global presence...



...via:

- direct and indirect go to market
- distributed R&D for securing key talent

Outlook 2022 and longer term

Our long-term target of sales growth and an operating profit above 20 percent remains, but an uncertain macro environment and a weak first quarter means that we now judge it challenging to reach the profitability target during 2022.



Thank you!

ENEAA

www.enea.com

