



# **Interim Report January - June 2023**

Anders Lidbeck, Acting President & CEO  
Ulf Stigberg, Acting CFO

**July 18, 2023**

# Agenda

▶ **Key Events**

▶ **Financial Results**

▶ **Way Forward and Outlook**



# Tough Start to the Quarter

**Multi-year contract for our 5G Cloud Network Data Layer product with a European telecom operator discontinued.**

=> Reservation in Q2 of already booked revenues of 41 MSEK

=> Loss of expected revenues in Q2 and going forward

**=> Strategic review of our telecom operations**

# Strategic Review of our Telecom Operations

1. Focus on market opportunities and outlook for our telecom portfolio
  2. Focus on own products and roadmaps as well as go-to-market capabilities
  3. Impairment test of intangible assets and capitalized R&D
- ✓ Increased interest rates leads to an increased WACC (to 11.5%)
  - ✓ New long term business case
  - ✓ Closing R&D site in India
  - ✓ Consolidating on our R&D site in Croatia (and Belfast)
  - ✓ Sharpening the focus of our NDL product
  - ✓ Keeping the entire product portfolio intact, as well as all our other roadmaps
  - ✓ 70 positions impacted by the changes
  - ✓ CEO change starting Q3

# Financial Impact of the Changes

- Q223, 65MSEK reservations (41MSEK accrued income and 24MSEK bad debt)
  - Q223, 20MSEK in NRI plus 10MSEK in Q323
  - Q223, 522MSEK impairment of which 415MSEK in Goodwill and 107MSEK in CAPEX
  - Q223-, 30MSEK less in expected new business from the discontinued project
  - Q223-, 13MSEK increased OPEX due to lower capitalization of R&D
- => Creating a 60MSEK positive cashflow effect from 2024**



# Agenda

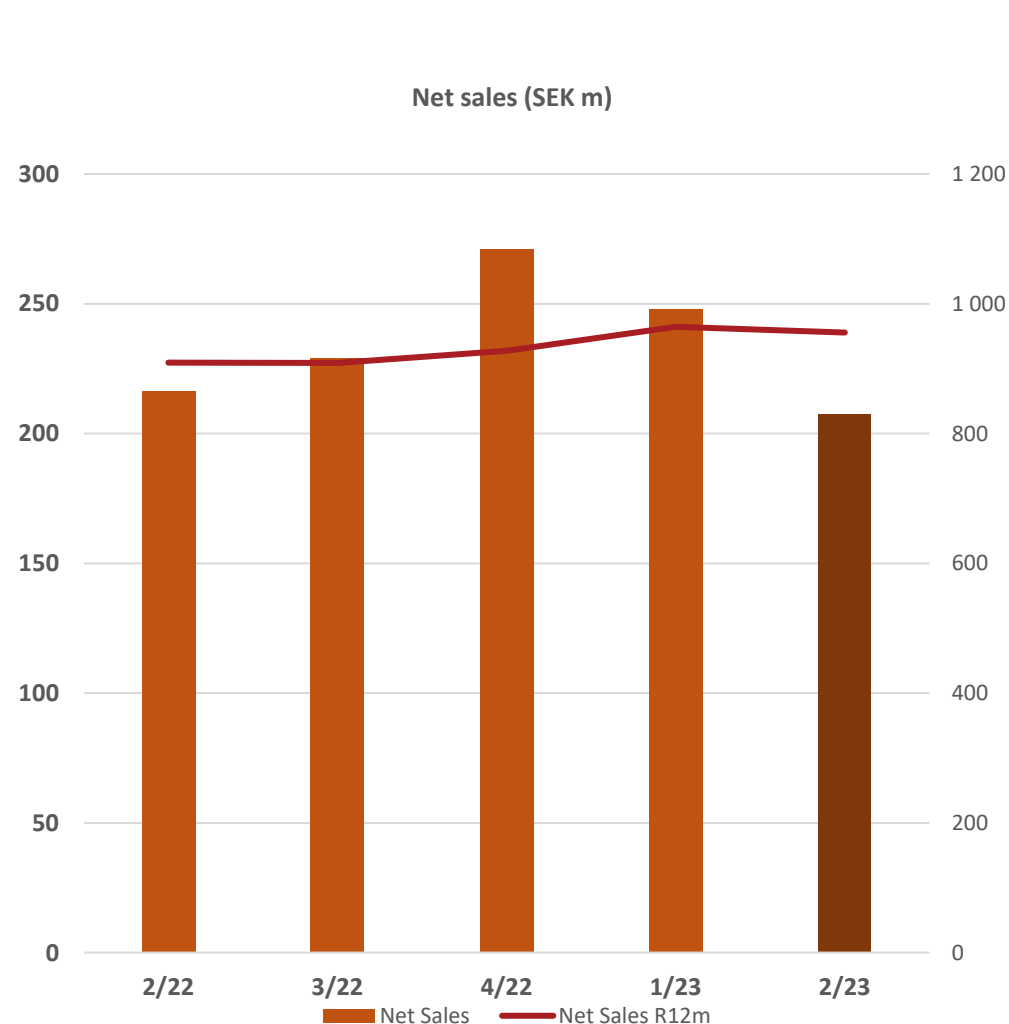
▶ **Summary and Key Events**

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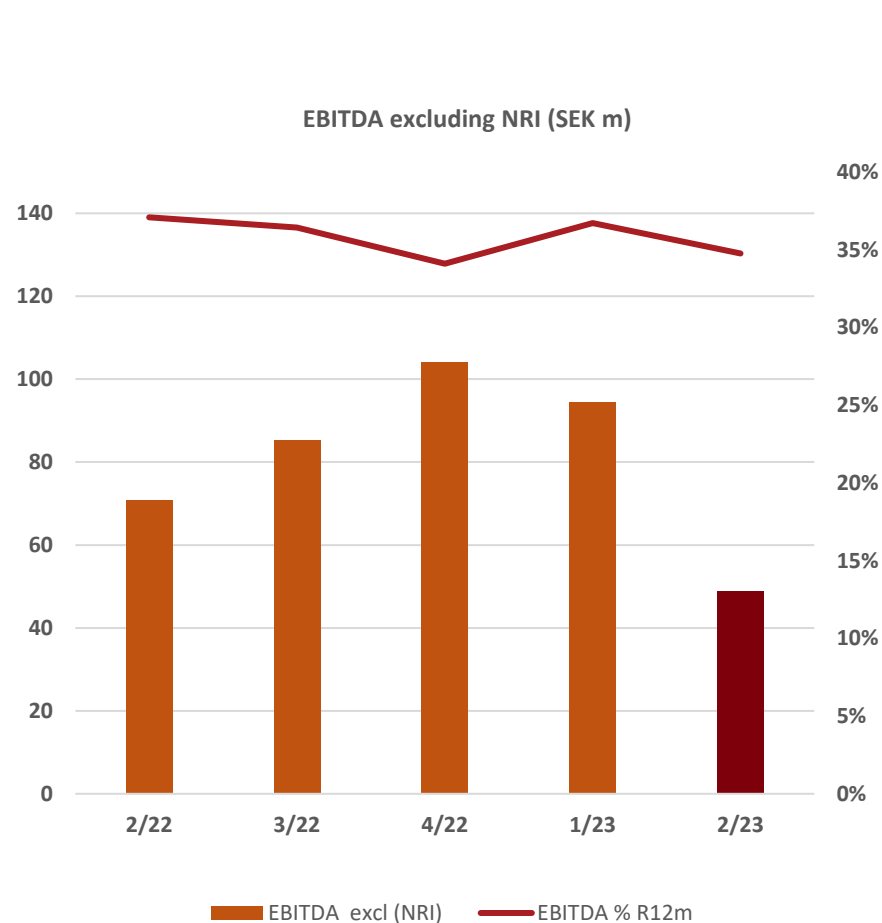
# Not Helping Already Soft Net Sales



	2023 Q2	2022 Q2	2023 Jan-Jun	2022 Jan-Jun
Net Sales	208	217	456	427
Growth (%)	-4%	9%	7%	12%
Growth (% , currency adjusted)	-10%	3%	1%	6%
Total Revenues	217	222	471	439
FX impact vs last year	12.3		21.8	

- 10% decrease vs 2022-Q2 in fixed currencies
- 4% decrease vs 2022-Q2 in floating currencies
- Currency Adjusted organic decrease of 10% in the second quarter
  - Network Solutions -8%
  - Operating Systems -18%
- Total Revenues of SEK 217m (222) include Other revenues of SEK 9.7m (5.2), all related to currency gains.

# Significant Impact on the EBITDA Margin

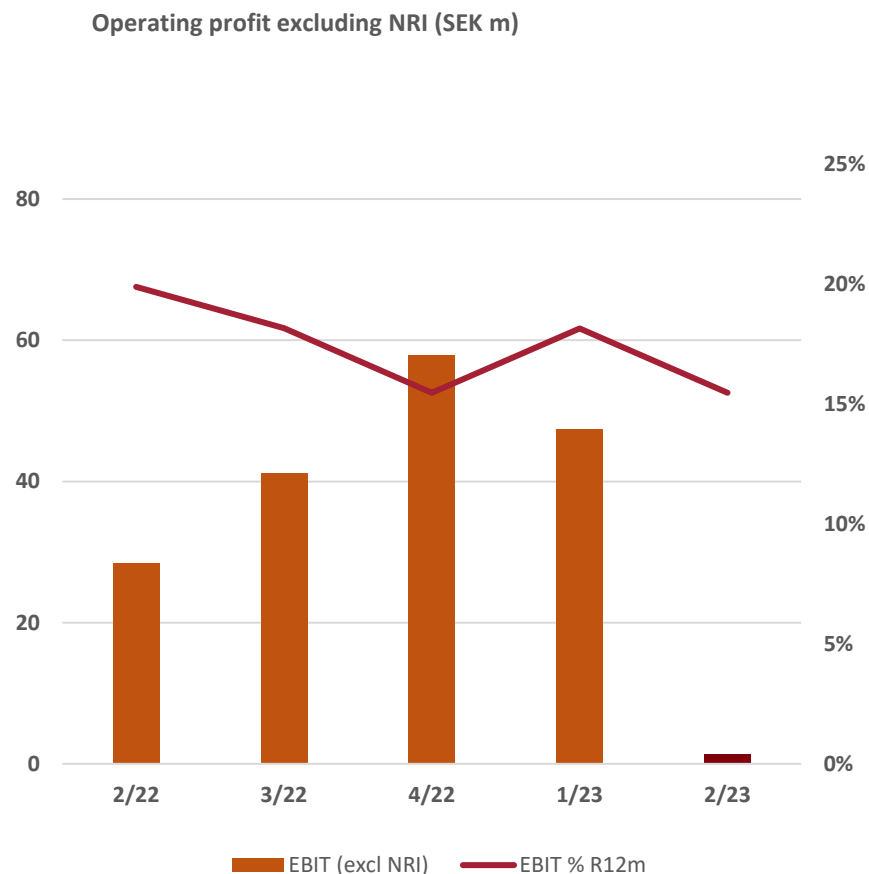


	2023 Q2	2022 Q2	2023 Jan-Jun	2022 Jan-Jun
EBITDA excl Non-Recurring Items, SEK m	48.8	70.8	143.2	126.9
EBITDA, SEK m	-35.8	70.7	58.6	103.2
EBITDA margin excl. non-rec. items, %	24%	33%	31%	30%
EBITDA margin, %	-17%	33%	13%	24%

- 24% (33%) EBITDA margin excl. NRI
- Non-recurring items in Q2 amounted to SEK 84.6m
- 75.6% in Gross margin (78.5%), negative impact of 3 percentage units by lower share of software revenues
- Operational expenses of SEK 163.2m (145.7).
- Operating expenses, excluding D&A and costs amounted to SEK 123.2m (110.2) and have been negatively impacted by unfavorable exchange rates of approx. SEK 7.6m
- Operational spend in local currencies have decreased by SEK 8.8m compared to last year



# Even More Stress on our EBIT Margin



	2023 Q2	2022 Q2	2023 Jan-Jun	2022 Jan-Jun
EBIT excl Non-Recurring Items, SEK m	1.3	28.5	48.8	44.3
EBIT, SEK m	-605.7	28.3	-558.2	19.3
EBIT margin excl. non-rec. items, %	1%	13%	11%	10%
EBIT margin, %	-292%	13%	-122%	4%
Earnings per share, SEK	-28.70	6.56	-27.04	6.19
Earnings per share (Continued operations), SEK	-28.70	2.15	-27.04	1.54

- EBIT excl Non-Rec Items of SEK 1.3m (28.5) or 1% (13%) EBIT margin
- Non-recurring items in Q2 amounted to SEK 607.0m
- EPS of -28.70 compared to 6.56 last year
- EPS for the continued operations of -28.70 compared to 2.15 last year

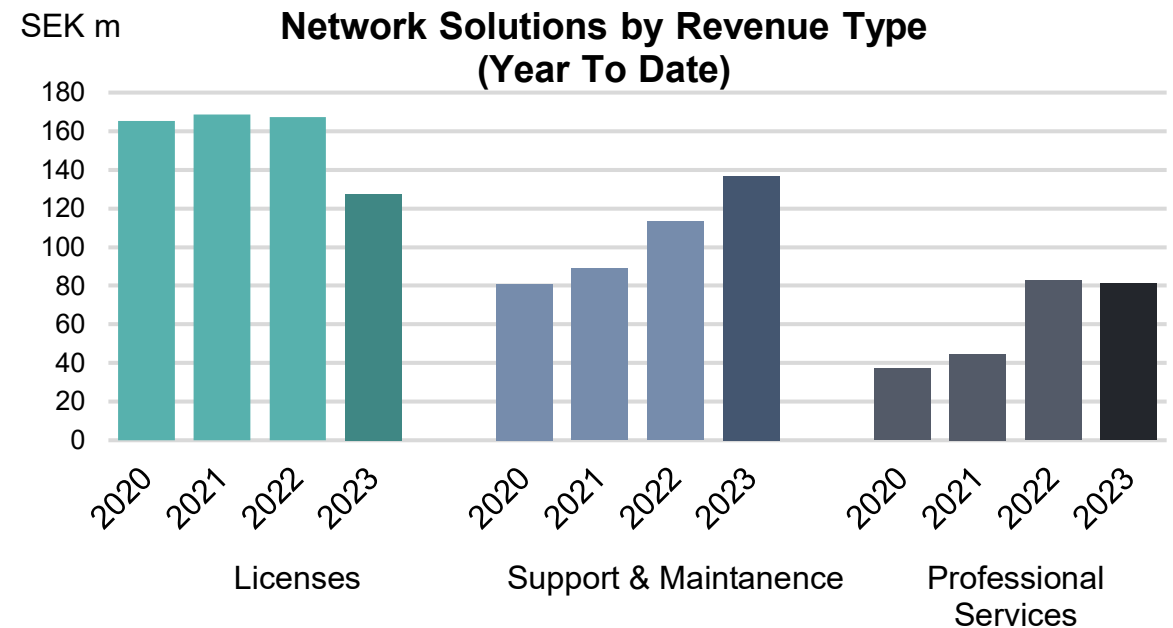
# Growth in Support & Maintenance for Network Solutions

## ► Stable development of Support & Maintenance for Network Solutions

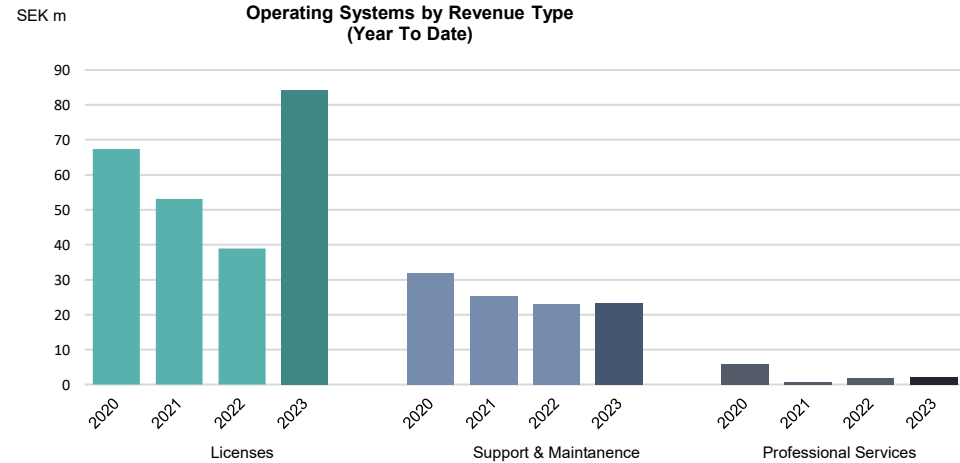
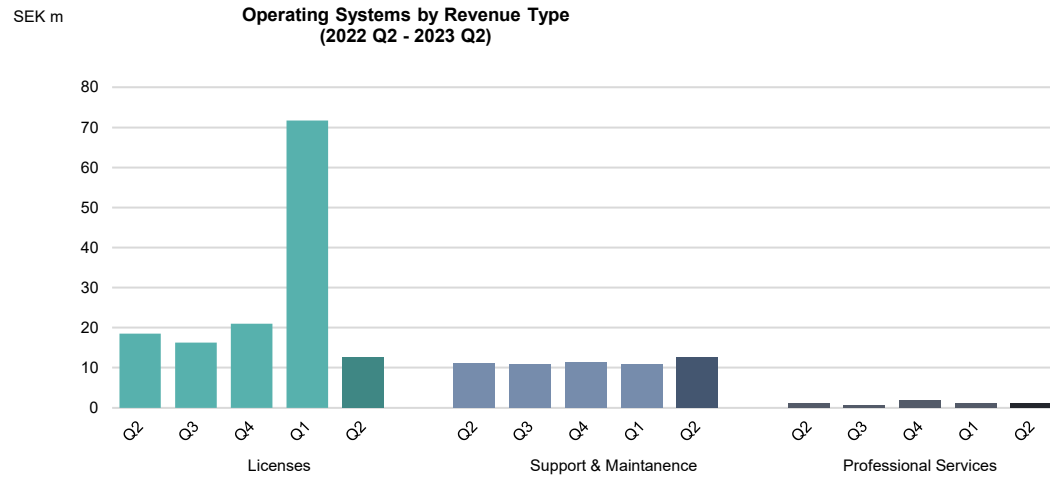
- Increased from SEK 80m 2020 to SEK 138m 2023
- Shows the loyal underlying customer base
- Recurring revenues an important part of the revenue mix – increases stability

## ► License revenue

- Shows the importance of larger customer projects with a good share of software license components



# Operating Systems Soon Where We Predicted...



- ▶ **Operating Systems represents only 13% of Net Sales**
- ▶ **Net sales decreased by 15%**
  - Organic growth adjusted for currency was -18% vs Q2 2022
- ▶ **Stable long-term tail of support and maintenance contracts**

# But Strengthening an Already Strong Financial Position

## Cash flow generation

- Cash flow from operations amounted to SEK 77.1m (73.3)
- Cash flow from investment activities SEK -22.5m (120.6)
- Cash flow from financing activities SEK -34.7m (-126.5)
- Net Cash flow for the quarter of SEK 20.0m (67.4)

## Financing structure

- Interest bearing bank loans amounted to SEK 511.7m (577.2)
- Cash and cash equivalents were SEK 291.3m (218.0)
- Net debt of SEK 220.4m (359.2m)
- Unutilized credit facilities of SEK 380m

## Financial KPIs

- Equity ratio was 64.0 percent (65.9)
- Net debt to EBITDA was 0.89 (1.20)

# A Buy-back Program of Own Shares Initiated

- The board has initiated a buy-back program of own shares
- Within the 10% mandate given by the AGM
- The program starts now and runs until October 25<sup>th</sup> 2023
- The program will be carried out by a credit institution following the 'Safe Harbour Regulation'



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# Much More to Enea Than the NDL Project

The screenshot shows the Enea website's navigation menu. The 'Our Solutions' dropdown is open, listing various services. The 'Network Data Layer' option is highlighted with an orange border. Below the dropdown, a list of services is shown with green checkmarks to their right. The main content area features a hero banner for 'Telecom and Cybersecurity' and an 'In Focus' section with a video thumbnail from Sky News.

**ENEAA** Your Business ▾ Our Solutions ▲ Insights News ▾ About ▾ Investors ▾ Search 🇬🇧 Contact Us

**Telecom and Cybersecurity**

Our cloud-native software connects, optimizes, and secures services for mobile subscribers, enterprises, and the Internet of Things. More than 100 communication service providers and billion people rely on Enea technologies daily.

**In Focus**

**Enea Interviewed by Ian King on Sky News**

Vulnerabilities in mobile signaling infrastructure have been highlighted recently. We provide the industry's most comprehensive threat defense and have global threat intelligence capabilities. In this interview by Ian King on Sky News, we shared some of our unique insights.

sky NEWS  
**Ian King Live**

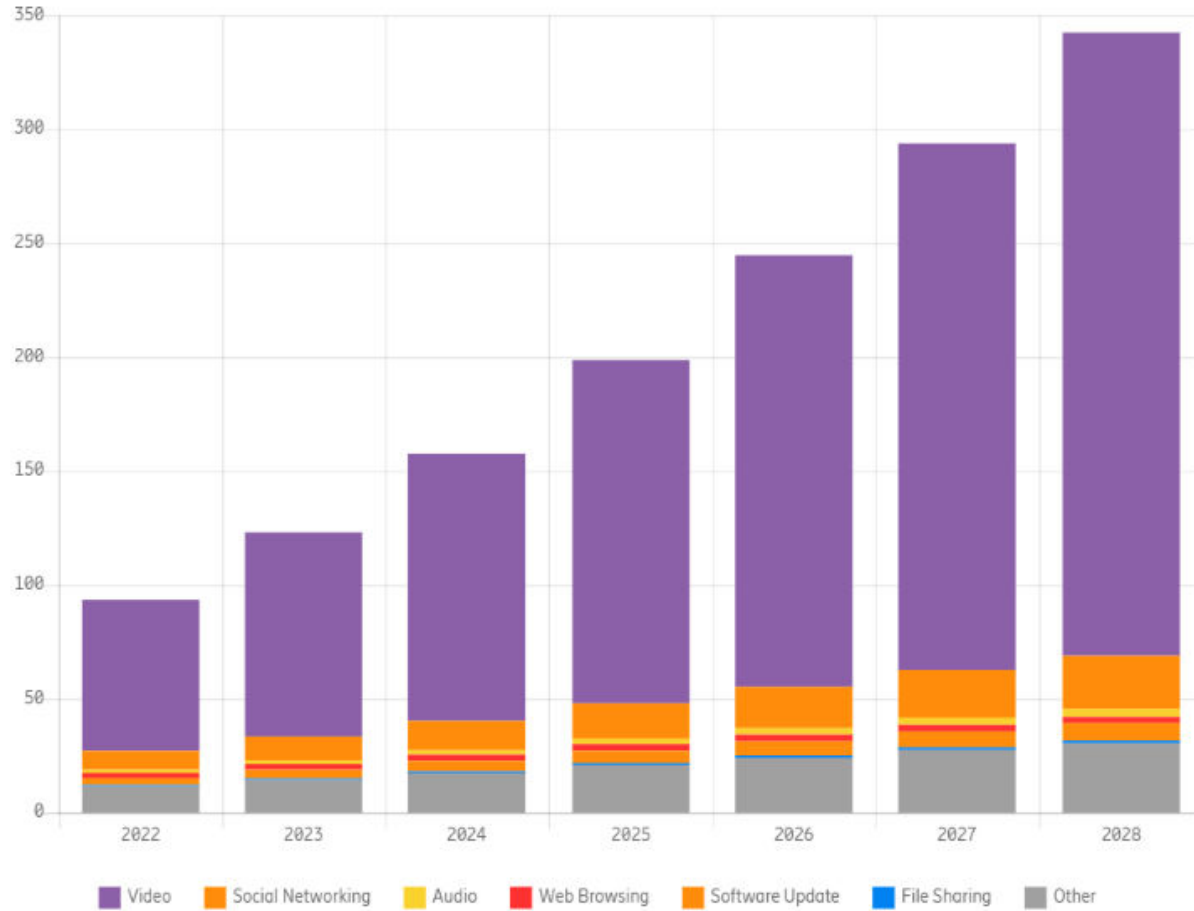
- Network Data Layer →
- Data Management Applications → ✓
- Traffic Management → ✓
- Service Provider Wi-Fi → ✓
- IoT Connectivity & Security → ✓
- Embedded DPI & Traffic Intelligence → ✓
- Signalling Security → ✓
- Messaging Security → ✓
- Threat Intelligence → ✓
- Operating Systems & Middleware → ✓

# Video Drives the Mobile Traffic Growth

Mobile traffic by application category

Unit: EB/month

Source: Ericsson (June 2023)

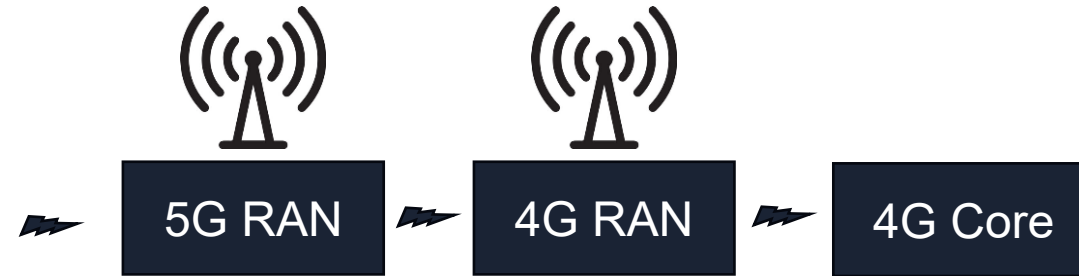


**Video drives >20 percent annual Global Traffic growth to 2028**

Source: Ericsson Mobility Report 06 2023

# 5G Core Network Market Still in Front of Us

There are **249** commercial 5G networks as of March 31, 2023 <sup>1</sup>



*Only 20 percent of the operators and mainly small-scale deployments <sup>2</sup>*

<sup>1</sup> Source: Lightcounting – Téral Research

<sup>2</sup> Source: GSA

# Increased International Focus on Cybersecurity

International investigation links Mobile attacks to murder, election interference and major financial crimes.



10.05.2023

## Ghost in the network

How a Swiss tech expert runs a global phone surveillance system



US FTC reports 100% YoY growth in messaging fraud, costing consumers \$330M USD

FRM:WellsFargo-Call:[833.983.2265](tel:833.983.2265)  
SUBJ:\$240.00 @ ATM on 04/12/2021 Approved.  
MSG:Ignore MSG if Valid. Contact Us if Suspicious.  
IDNo:[10452420082](https://www.fraudid.com/10452420082)

Text Message  
Today 19:19

HMRC Refund: You have an outstanding Tax refund of £276.74 from 2020 to 2021. Follow instructions to claim your Tax refund at: <https://gov-tax.refundpr.com/>

More countries implementing Cybersecurity and resilience strategies.  
Eg US, Ireland, UK, Australia, Singapore, Malaysia, India



***“Telecom providers must make sure that they cannot be abused as a kind of highway for spies.”***

Sophie In't Veld, EU MP



# Influencing the Market

LIGHTHOUSE REPORTS



10.05.2023

## Ghost in the network

How a Swiss tech expert runs a global phone surveillance system



CHANNEL ASIA ARN

## 5G network slices could be vulnerable to attack, researchers say

Configuration errors and device vulnerabilities could allow attackers to move laterally across 5G network slices.

## International investigation into mobile security

**TTIS Telecom Threat Intelligence Summit 2023**

**MEF CONNECTS NORDICS** JUNE 1-2023

**ENISA 3rd TELECOM & DIGITAL**

**ISS World Europe**  
Intelligence Support Systems for Electronic Surveillance, Social Media/DarkNet Monitoring and Cyber Threat Detection

**Rowland Corr**  
Vice President of Government Relations  
ENEA

**Faez Burney**  
PreSales Director Africa  
Cybersecurity, 5G, and Crimes of the Future

## Expert speakers at external security events



## EU PEGA Committee influencing govt agenda

OSSNews REVIEW

## Telenor, Oracle, Enea Increase Network Slice Deployment Speed by 70%

Posted on MAY 18, 2023 Written by OSS



## Telenor, Oracle, Enea increase network slice deployment speed by 70%

Post by 11/05/2023

Light Reading

## Eurobit: Telenor and friends soup up 5G SA network slicing

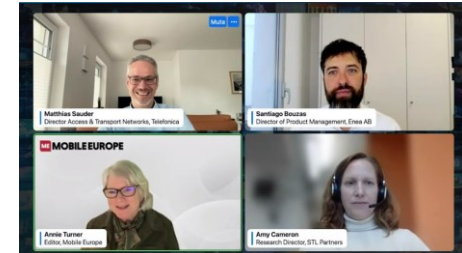


News Analysis  
PAUL SANFORD, Assistant Editor, Europe

## Telenor slicing proof-of-concept in the media



## Best Security product – Cyberdefence magazine



## Telefonica at Movic and event with AT&T Mexico

# 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. Over time, we also aim to make complementary acquisitions to further strengthen our market position.*

*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.*



***ENEA***

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

