



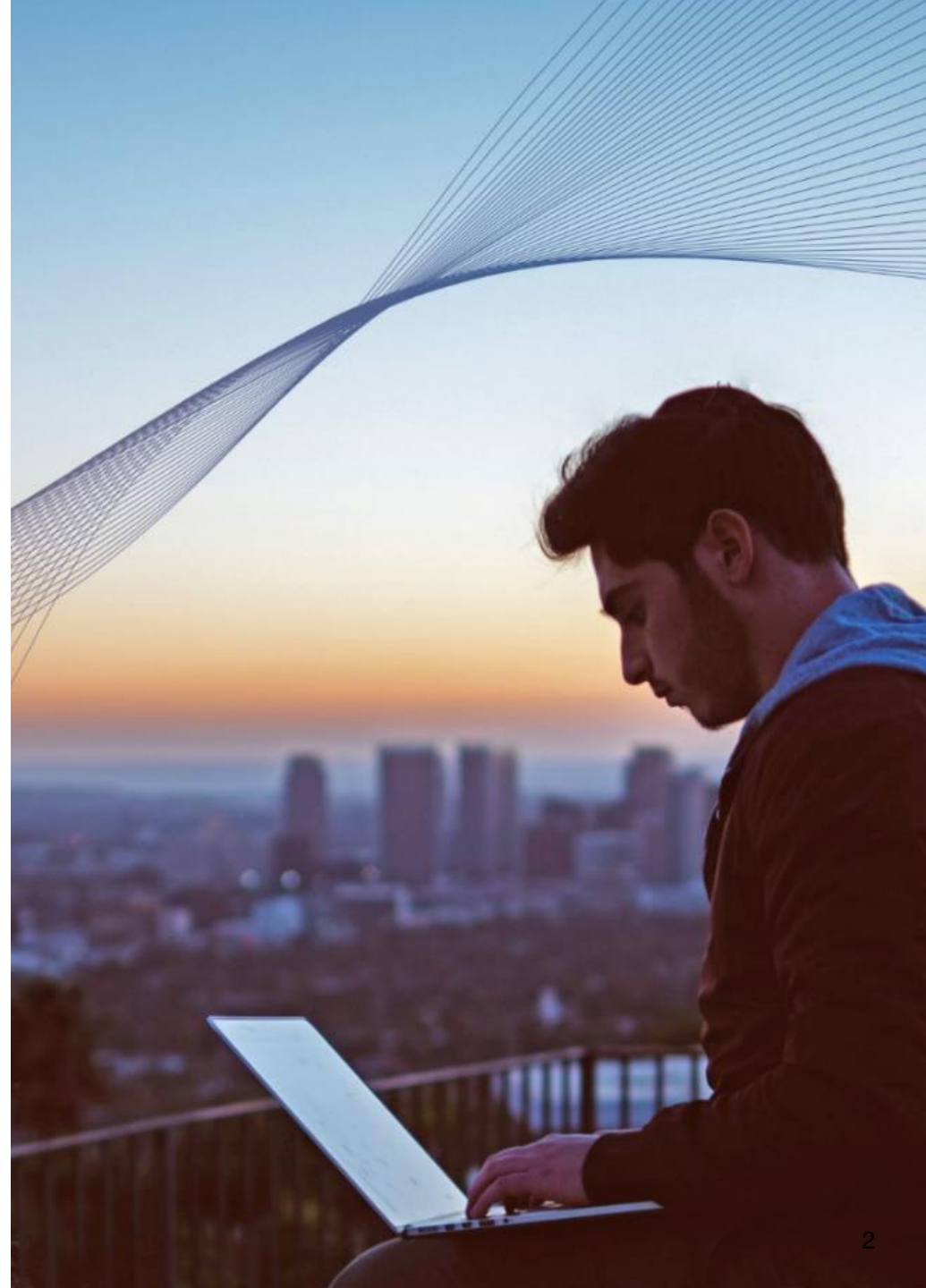
# Interim Report January - September 2022

Jan Häglund, President and CEO  
Ola Burmark, CFO

October 26, 2022

# Agenda

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



# Financial Summary

July - September 2022

January – September 2022

HEAD QUARTER KISTA, SWEDEN	NET SALES 229 SEK m	OPERATING MARGIN <sup>2/</sup> 18.0 PERCENT	NET DEBT 283 SEK m	NET SALES 657 SEK m	OPERATING MARGIN <sup>2/</sup> 13.0 PERCENT	NET DEBT 283 SEK m
LISTED NASDAQ STOCKHOLM (MID CAP)	EARNINGS PER SHARE 2.42 1.69 <sup>3/</sup> SEK	OPERATING CASH FLOW 92 SEK m	R&D <sup>1/</sup> 28.3 PERCENT	EARNINGS PER SHARE 8.61 3.24 <sup>3/</sup> SEK	OPERATING CASH FLOW 169 SEK m	R&D <sup>1/</sup> 31.0 PERCENT

<sup>1/</sup> (OPEX less D&A plus Capitalized R&D)/(Net Sales)

<sup>2/</sup> (EBIT excl NRI)/(Net Sales)

<sup>3/</sup> (EPS continued operations)



# Developments in the Quarter

- ▶ Winning new business in Cybersecurity, Traffic management and 5G. Major contracts in North America.
- ▶ Increase in net sales, operating profit and cashflow, compared with previous quarters this year.
- ▶ Increase in recurring revenue from Support & Maintenance.
- ▶ Network Solutions grew 4 percent organically, Operating Systems declined 23 percent.
- ▶ Continued investment in stronger salesforce in selected regions.
- ▶ High attention on Cybersecurity, enhanced by geopolitical environment.
- ▶ Energy prices, inflation, and interest rates create pressure on our customers.



# 5.9M USD Messaging Security Win

- ▶ 3-year expansion agreement for Mobile Messaging Security with a North American Communication Platform-as-a-Service (CPaaS) provider.
- ▶ Enea will provide software licenses, Threat Intelligence services, and support and maintenance, to protect Application-to-Person (A2P) traffic from security threats.
- ▶ Software licenses worth USD 1.8 million are recognized in the third quarter of 2022, while remaining revenues will be recognized over the full contract period.
- ▶ The new agreement generates an increase in recurring revenues of USD 2.4 million during the contract period. The total deal value is USD 5.9 million.





# Enea First to Market with 5G Traffic Management

- ▶ Innovative Service Engine (5G-SE) for dual mode 4G and 5G traffic management launched in July.
- ▶ Enea is the first vendor to market with a cloud-native commercial product.
- ▶ Traffic management improves subscribers' quality of experience, accelerates traffic delivery, and alleviates radio network congestion, across both 4G and 5G.
- ▶ 5G-SE fosters a wider vendor ecosystem for service management, as demanded by CSPs.

**ENEA** DATASHEET

## 5G Service Engine (5G-SE)

Dual-mode (4G-5G), backwards-compatible service orchestration platform

### Key Features

- **Microservice Framework**  
For 5GC integration, the solution features a common framework with modular microservices designed for interaction with the different 5GC Network Functions. The system maintains a register of available microservices using a Consul cluster.
- **Dual Mode with Horizontal Scalability and Stateless Design**  
5G-SE is built upon stateless components that use a common data store which caches all subscriber and session information, facilitating horizontal scalability.
- **Location Management**  
5G-SE can obtain location from the 5GC from Nnrf-AMF API. In future will support the ability to retrieve subscriber information through the Policy.
- **Ultra-Efficient Policy**  
Provides ultra-fast inspection, classification and enforcement.
- **Session Data Management**  
Obtain and cache information from the 5G and from RADIUS A, PCRF, LDAP and NS.

Enea's 5G-SE is a cloud-native, live-rate traffic classification framework and orchestration component for insertion of additional 5G value added services in the 5G packet core (5GC).

**The Solution**

5G-SE enables Mobile Network Operators (MNOs) to rollout existing 4G and new, 5G-specific, best-of-breed traffic management and value added user plane services in the 5G core, natively and eliminate vendor lock-in providing fully interoperable services with any UPF and PGW vendor, as well as with standards-based network functions and 4G Control Plane elements.

It also helps service providers to immediately deploy services through seamless and transparent data plane insertion in the 5G-N6 reference point.

**Find Out More!**  
Request your 5G-SE demo today!

5G Service Engine

telecompaper

**Enea brings out 5G Service Engine dual mode platform, says 5G subscriptions will not overtake 4G until 2027**

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Enea has announced the launch of its 5G Service Engine (5G-SE), a dual-mode 4G and 5G convergent platform to enable CSPs to launch new 5G-enhanced services and move existing 4G services. It will let CSPs deploy Gi-LAN and N6 services simultaneously with both the 4G Packet Gateway and the 5G function (UPF) in a multi-vendor and cloud-native architecture. CSPs will no longer need to maintain services within each packet core, cutting costs and complexity to manage dual operations and the 4G/5G transition.

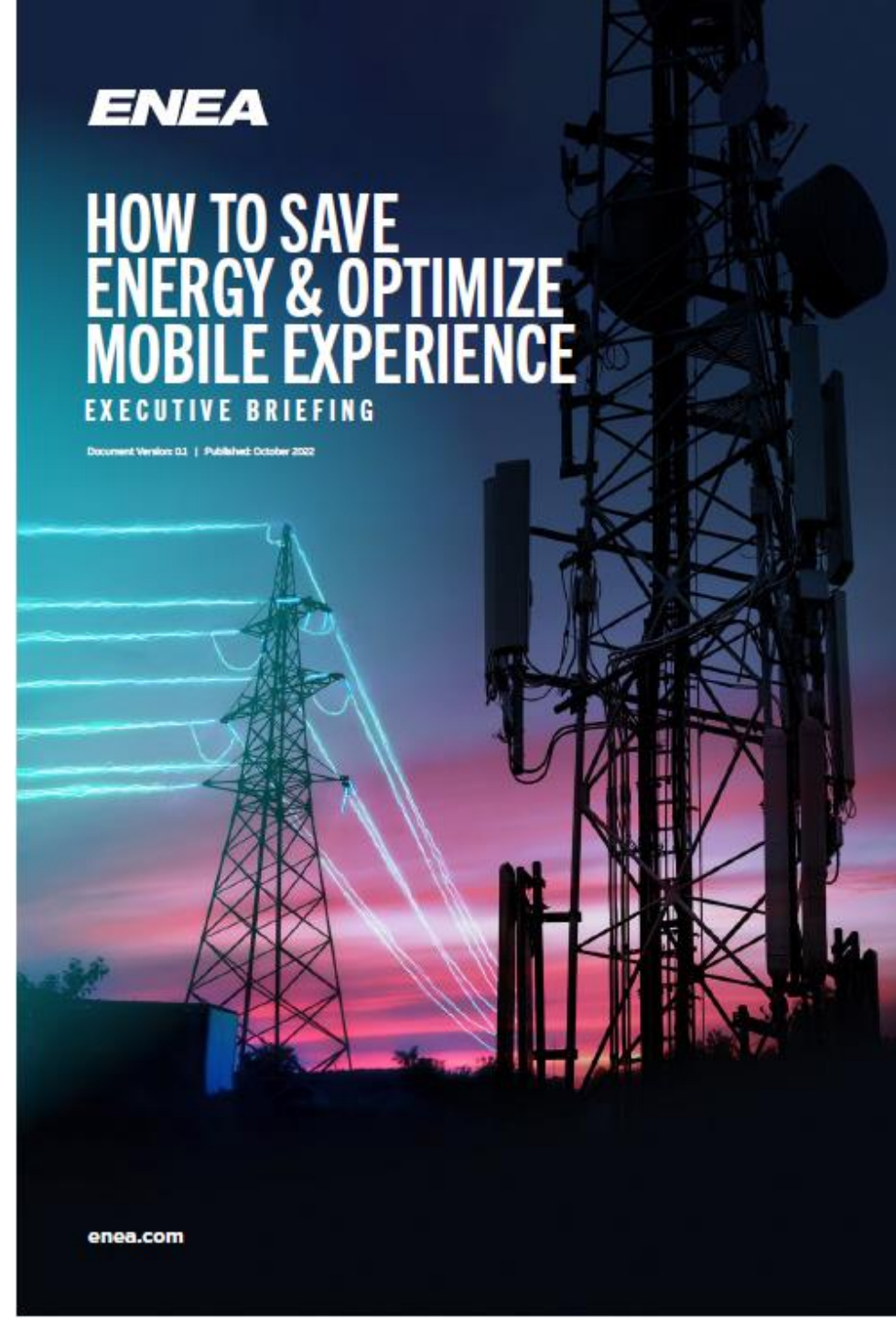
# 5G Traffic Management Win of CAD 4.4M

- ▶ 5G traffic management contract was signed with a North American mobile network operator in September. The solution is based on Enea's new 5G Service Engine (5G-SE).
- ▶ The agreement, which covers new business with an existing customer, includes software licenses, professional services, and product support.
- ▶ Software licenses with value of CAD 3.3 million are recognized in the third quarter of 2022, while remaining parts of the agreement are delivered during the next three years.
- ▶ The total contract value is CAD 4.4 million.

The image shows the text '5G' in a large, white, sans-serif font. The letters are positioned over a dark blue background that features a glowing horizon line of the Earth, suggesting a global or space-themed context. The '5' and 'G' are connected at the top.

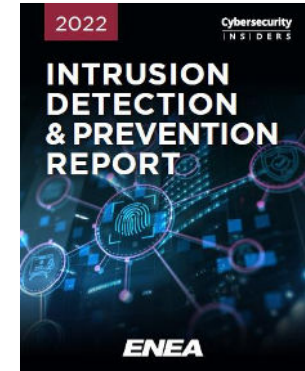
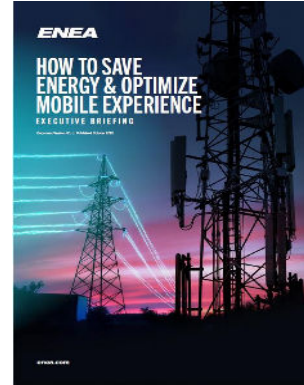
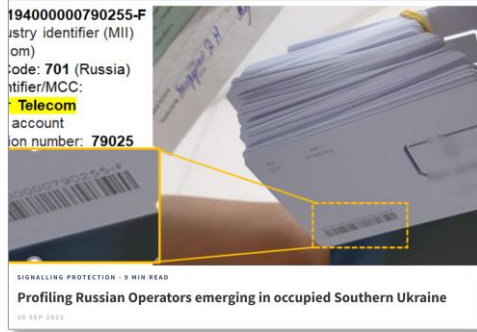
# Energy Saving through Video Optimization

- ▶ Energy costs are a significant and increasing part of operator OPEX.
- ▶ The radio access network accounts for 73% of energy costs for the average mobile operator.
- ▶ Video comprises up to 70% of mobile traffic and remains the highest growth driver.
- ▶ Traffic management can make video 20% more bandwidth efficient without compromising user experience – which corresponds to a 10% energy reduction across the network.
- ▶ Video optimization can save mobile operators approximately 10M USD in energy cost per year, based on 10M subscribers.





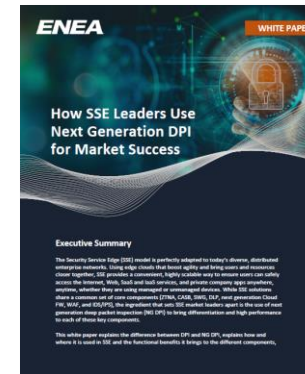
# Thought Leadership Shaping the Market



**Expert Insights:  
Hybrid Warfare blog  
& briefings**

**Report: Reduce energy  
through video optimization**

**Report: State of Intrusion  
Detection & Prevention**



**Events: Trust Talks with  
Hardenstance**

**Awards: IoT CCS "Product of the  
Year" by IoT Evolution, "Best IoT  
Platform" by IoT Breakthrough  
Awards**

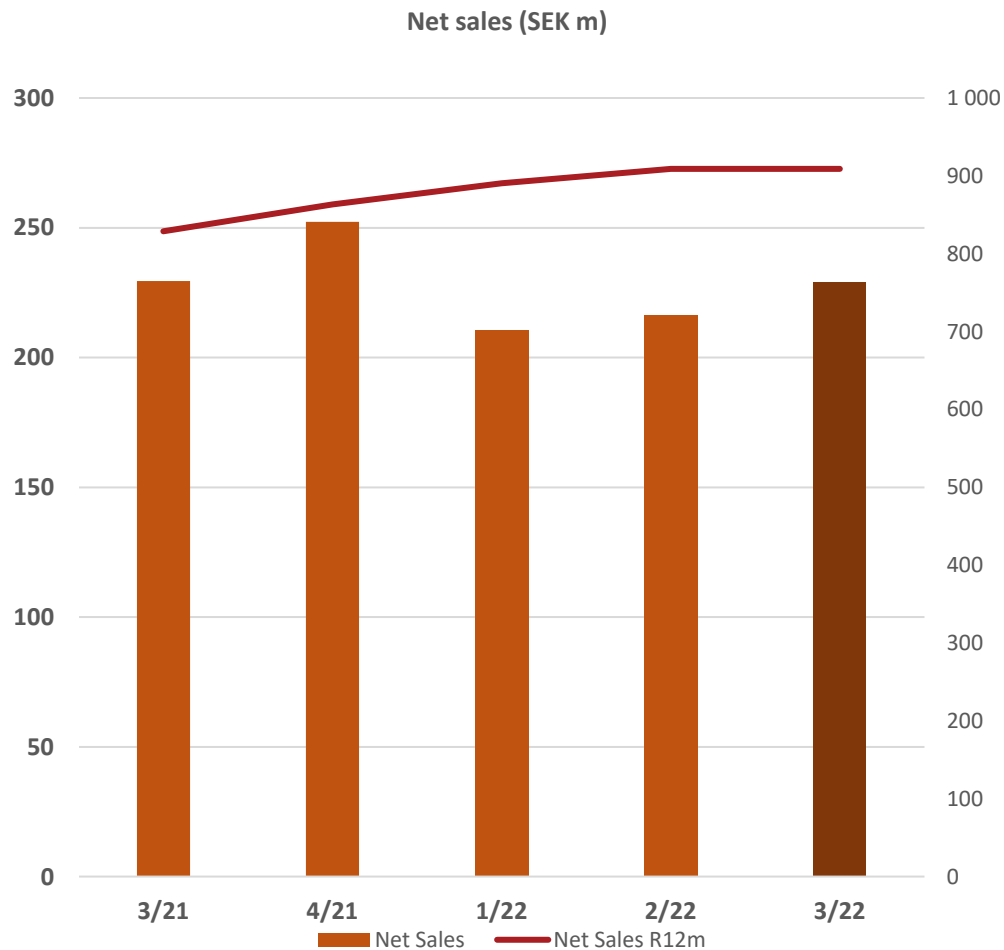
**Whitepaper: DPI for  
Secure Service Edge**

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# Net sales decreased by 8% (currency adjusted)



	2022 Q3	2021 Q3	2022 Jul-Sep	2021 Jul-Sep
Net Sales	229	229	657	610
Growth (%) <sup>1/</sup>	0%	4%	7%	0%
Growth (% , currency adjusted)	-8%	5%	1%	5%
Total Revenues	253	232	692	621
FX impact vs last year	+17.1		+40.3	

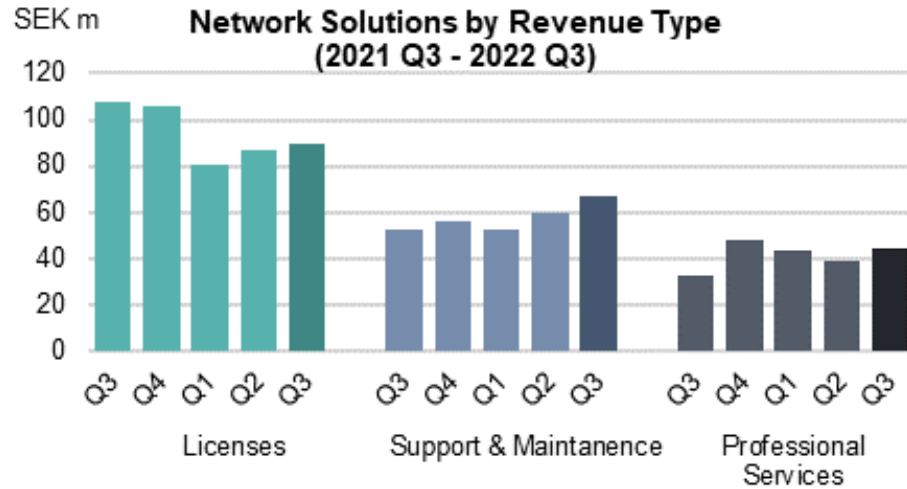
<sup>1/</sup> AdaptiveMobile Security business contributed 47 SEKm in Q3 2021 and SEK 47m in January-September 2021

- 8% decrease vs 2021-Q3 in fixed currencies
- 0% increase vs 2021-Q3 in floating currencies
- Currency adjusted negative Organic Growth
  - Network Solutions -4%
  - Operating Systems -24%
- Total Revenues of SEK 253m (232) includes Other revenues of SEK 23.6m (2.3). 14m in currency gains and SEK 10m in forgiveness of Covid related loan in United States

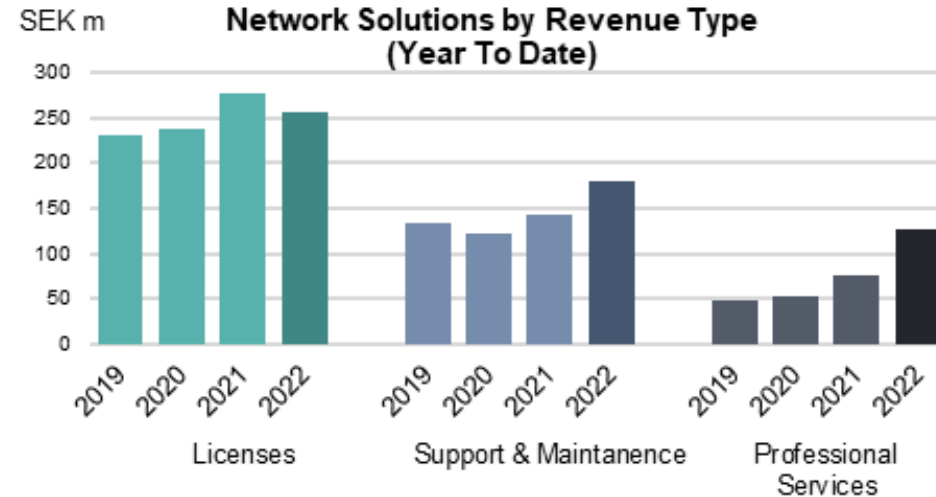


# Network Solutions

## Revenue by Type



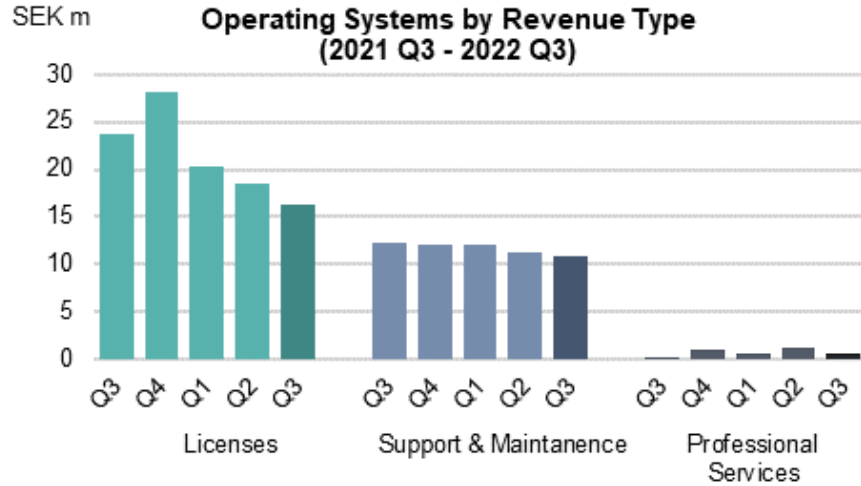
- ▶ **License revenues of SEK 90m (107) or -17%**
  - Licence revenues of SEK 0m (28.5) have been recognized in the quarter related to achieved delivery milestones in data management projects for 4G and 5G core networks
- ▶ **Support & Maintenance of SEK 67m (53) or +27%**
- ▶ **Professional Services SEK 44m (32) or +37%**



- ▶ **License revenues of SEK 257m (276) or -7%**
  - Licence revenues of SEK 29.5m (46.8) have been recognized in the period related to achieved delivery milestones in data management projects for 4G and 5G core networks.
- ▶ **Support & Maintenance SEK 180m (142) or +27%**
- ▶ **Professional Services SEK 128m (77) or +65%**

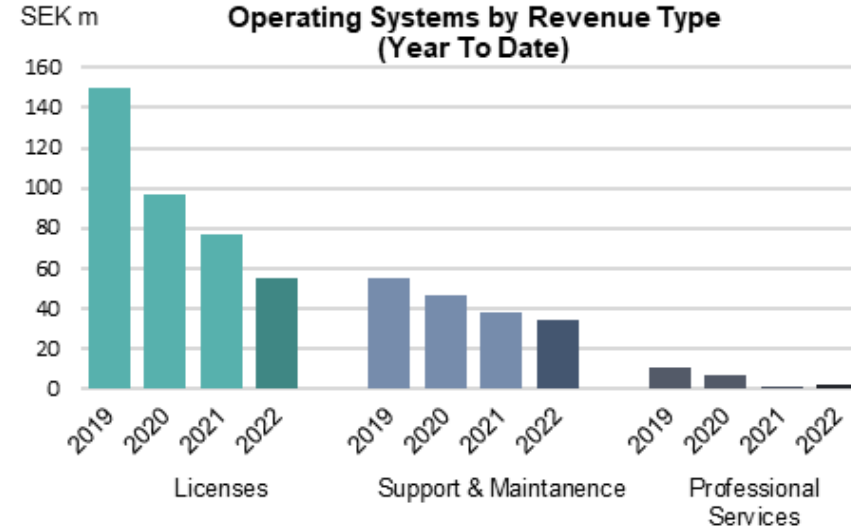
# Operating Systems

## Revenue by type



► **Net sales of SEK 28m (36) or -27%**

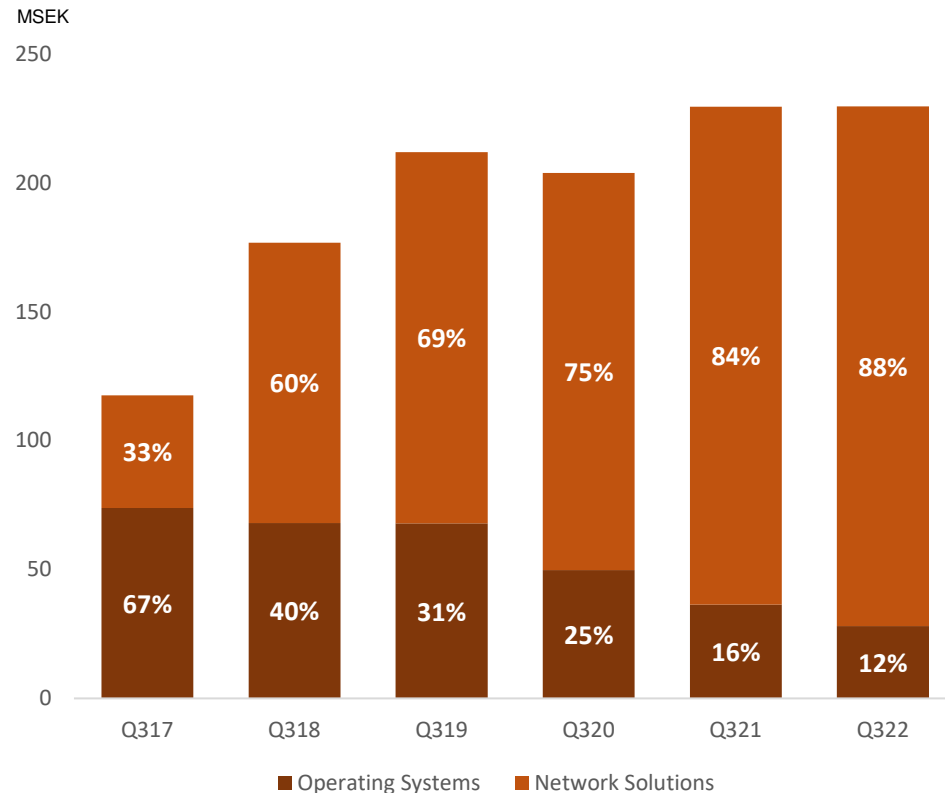
- Organic growth adjusted for currency was -24% vs Q3 2021
- The two key accounts declined by -33% and represent approx. 60% (69) of total sales in the quarter.



► **Net sales of SEK 92m (115) or -20%**

- Organic growth adjusted for currency was -21% vs first nine months 2021
- The two key accounts declined by -31% and represent approx. 61% (70) of total sales in the period.

# Network Solutions grew by 4% and account for 88% of total sales



## Network Solutions

- ▶ Net sales increased by 4%, driven by strong sales in AdaptiveMobile Security and positive currency impact.
- ▶ Organic growth adjusted for currency was -4% vs Q3 2021

## Operating Systems

- ▶ Net sales decreased by 23%, due to an expected decline in key accounts
- ▶ Organic growth adjusted for currency was -24% vs Q3 2021



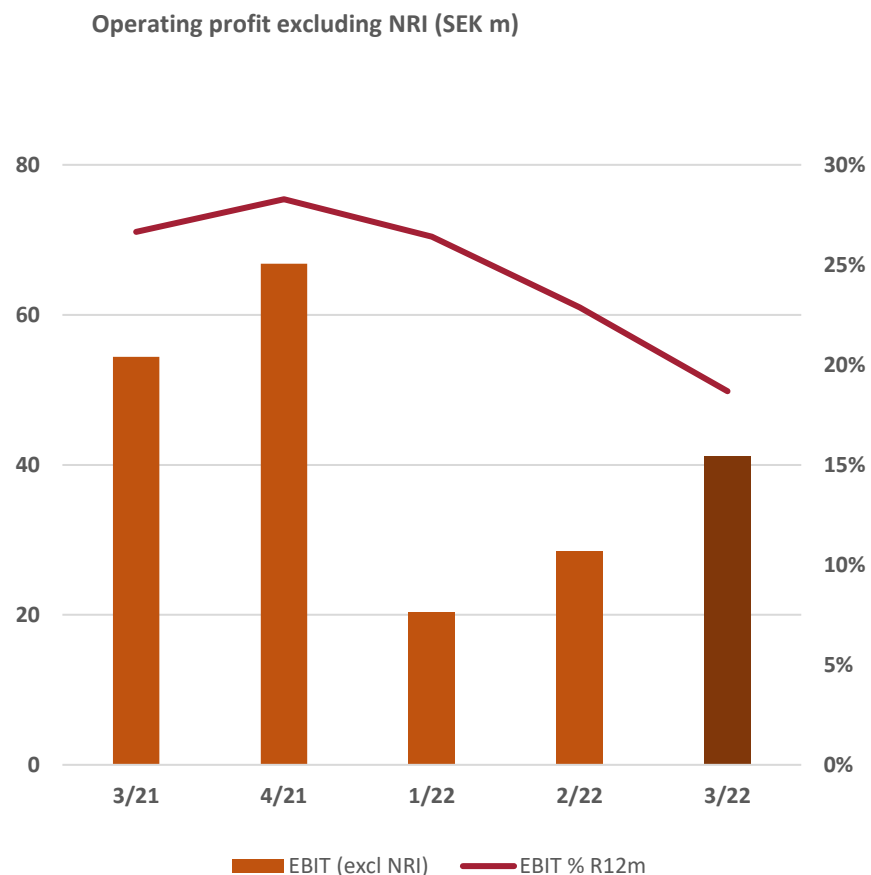
# 37.3 percent EBITDA margin in Q3



	2022 Q3	2021 Q3	2022 Jan-Sep	2021 Jan-Sep
EBITDA excl Non-Recurring Items, SEK m	85.4	91.6	212.3	248.3
EBITDA, SEK m	85.3	79.2	188.5	235.8
EBITDA margin excl. non-rec. items, %	37.3%	39.9%	32.3%	40.6%
EBITDA margin, %	37.2%	34.5%	28.7%	38.6%

- 37.3% (39,9%) EBITDA margin excl. NRI
- No new Non-Recurring Items in the quarter
- 86.9% in Gross margin (83.4%), positively affected by improved margin on Support and Services
- Operational expenses of SEK 158.2m (148.5). Explained by increased D&A of SEK 8.0m and unfavorable fx of SEK 7.6m
- Adjusting for the above, operational spending decreased by SEK 4.5m

# 18.0 percent EBIT margin in Q3



	2022 Q3	2021 Q3	2022 Jan-Sep	2021 Jan-Sep
EBIT excl Non-Recurring Items, SEK m	41.1	54.4	84.1	152.8
EBIT, SEK m	41.0	42.9	60.3	140.3
EBIT margin excl. non-rec. items, %	18%	24%	13%	25%
EBIT margin, %	18%	19%	9%	23%
Earnings per share, SEK	2.42	2.33	8.61	6.76
Earnings per share (Continued operations), SEK	1.69	2.11	3.24	6.17

- EBIT of SEK 41.1m (54.4) or 18.0% (24%) EBIT margin
- EPS of SEK 2.42 compared to SEK 2.33 last year
- EPS for the continued operations of SEK 1.69 compared to SEK 2.11 last year

# Positive cash flow reduces interest bearing debts

## Cash flow generation

- Cash flow before changes in working capital amounted to SEK 91.4m (86.1)
- Cash flow from operations amounted to SEK 92.1m (28.3)
- Cash flow from divestment of operations SEK 14.6m (0)

## Financing structure

- Interest bearing bank loans amounted to SEK 546.7m (790.9)
- Cash and cash equivalents were SEK 264.0m (176.4)

## Financial KPIs

- Equity ratio was 68.5 percent (56.9)
- Net debt to EBITDA was 0.93 (1.88)



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# Key Factors and Trends

## Telecom

- ▶ Traffic growth continues, new applications require higher network performance
- ▶ "Digital telco" first movers set the scene for a reshaped industry

## Cybersecurity

- ▶ Geopolitical tensions and cyber attacks remain high
- ▶ Mobile networks are strategic and therefore potential targets
- ▶ High attention in Americas

## Macro environment

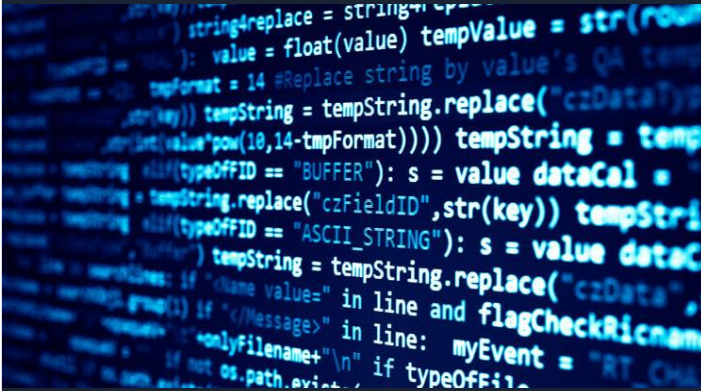
- ▶ Energy crisis affecting network opex
- ▶ USD strengthened against weaker European currencies
- ▶ Cautious decision making and deferred investments





# Our Strategy

## Software Specialist



...cloud-native products in a world where competitors have proprietary platforms

## Leading Positions



...in telecom software for mobile core, and security for mobile networks

## Global Presence



...through direct and indirect market channels supported by distributed R&D

# Strategy Execution

## Software Specialist

- ▶ **Divestment of Software Development Services business** brings enhanced focus on software product business
- ▶ ...and has a positive impact on the gross margin.

## Leading Positions

- ▶ **Successful launches** of new innovative products like the 5G Service Engine
- ▶ **Contract wins** in Traffic Management and Messaging security with Tier-1 Service Providers
- ▶ **Continued momentum from the acquisition** of AdaptiveMobile Security

## Global Presence

- ▶ **Strengthening go to market** through investments in sales force in targeted regions
- ▶ **Expanding business in key accounts** by cross-selling a wider product portfolio

# 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 start of the year means that we judge it challenging to reach the profitability target for 2022.





# Thank you!

**ENEAA**

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