Business update on the service provider market

Clavister is experiencing a continued strong interest for its virtualized security solutions for the Service Provider market*). The company confirms that potential revenues compare well with the guidelines provided in the previously published Telecom Update. In addition, the commercial interest for expanded functionality is greater than what was initially assumed.

The potential revenue for at least two out of the six solutions Clavister is offering to the Service Provider market is estimated to between 15 and 30 million SEK, per solution, over a five year period, given a mobile operator customer with 10 million subscribers. For the same sized operator and time period, at least two additional solutions are expected to generate potential revenue amounting to at least three to five million SEK, per solution. The aforementioned potential is exclusive of recurring support fees.

Clavister is able to address approximately 30% of about 800 mobile operators world-wide through contractual partners. External analysts suggest that 80% of the operators' investments in mobile networks by the year 2020 are in virtualized infrastructure.

*)The term "Service Providers" will be used from now on to better denote the wider segment which Clavister is addressing, and where the mobile operator market is included.

Clavister has, as of today, developed and made six various solutions commercially available for the Service Provider market. These solutions will over time be complemented with additional functionality. The majority of the solutions have a pricing model where the end customer is charged a license fee per solution and maximum capacity (throughput expressed in Gigabits per second, Gbps). The price differs between the various solutions. A customer making use of multiple solutions is, as a consequence, charged multiple license fees. The customer upgrades the license as capacity requirements are increasing, and when additional functionality is added. On top of this, the customer is charged an annual support fee based on aggregated license fees.

The company can with high certainty confirm earlier communicated initial capacity between 20 and 100 Gbps, and that some customers choose to order additional functionality on top of what is included in the respective solution. The business then scales both as the customer rolls out the solution, and as the customer's underlying capacity demands increase due to a combination of growth of mobile subscriptions and capacity requirements per subscription. External sources, such as Ericsson Mobility Report and Cisco Virtual Networking Index, claim a strong growth over time. During a customer's roll-out phase over three to five years, it is not unreasonable to assume that the capacity demands are doubled every year. When the customer reaches a normalized level, the capacity growth is estimated to 30 to 60%, year over year.

There are several parameters affecting the long-term business value for Clavister (including capacity, data growth, number of solutions and additional functionality). For this reason, the company chooses to present a simplified model, specifically concerning the mobile operator customer group. As capacity requirement is largely proportional to the number of mobile subscriptions, the potential value of an order can be derived from the size of the mobile operator. For an operator with, for instance, 10 million mobile subscriptions (a quite small operator in a global context), we estimate the order value over five years to be in the range of 15 to 30 million SEK, excluding support fees, per solution. This estimate is valid for at least two of the Clavister solutions. Additional solutions and functionality add-ons increase the order value further. As previously mentioned, the initial order value is limited, but increases proportionally with the roll-out of the solution, the underlying capacity growth, additional solutions and functionality add-ons.

Clavister is hereby confirming that potential revenue per service provider customer compares well with the guidelines provided in the previously published Telecom Update.

According to GSMA, there are approximately 800 registered mobile operators world-wide. The number of mobile subscriptions in year 2016 amounted to about 7.7 billion (source: Ericsson Mobility Report 2016). Clavister is able to address approximately 30% of this market through contractual partners, having an ambition to grow this share over time. Reports from Market Research Reports and SNS Research indicate that, already by year 2018, 70% of all operators will have launched projects for virtualizing their network infrastructure. By 2020, 80% of all investments in mobile networks are estimated to be in virtualized infrastructure. One of the main driving forces behind this development is that virtualized infrastructure, according to Gartner, provides 40% lower CAPEX and 60% lower OPEX for a mobile operator.

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About Clavister

Clavister is a leading security provider for fixed, mobile and virtual network environments. Its award-winning solutions give enterprises, local and federal governments, cloud service providers and telecoms operators the highest levels of protection against current and new threats, and unmatched reliability. The company was founded in Sweden in 1997, with its solutions available globally through its network of channel partners. Clavister is a member of Intel's Network Builders program (networkbuilders.intel.com), a cross-industry initiative that enables telcos to build and manage business-critical infrastructures, with lower capital and operating costs. For more information about Clavister, visit www.clavister.com