



## PRESS RELEASE

# Interim report January – June 2019

Stockholm, Sweden, July 18, 2019 Enea® (Nasdaq Stockholm: ENEA)

## **New business generating strong growth and profitability**

### Second quarter 2019

- Revenue amounted to SEK 260.2 (213.4) million, equivalent to a 22 percent increase.
- Operating profit excluding non-recurring items increased to SEK 72.2 (45.9) million, corresponding to an operating margin of 27.8 (21.5) percent.
- Operating profit increased to SEK 72.0 (44.0) million, equivalent to an operating margin of 27.7 (20.6) percent.
- Earnings per share increased to SEK 2.71 (1.83).
- Jan Häglund took up position as CEO on 6 May.
- The AGM appointed Anders Lidbeck, formerly CEO, as new Chairman of the Board. Birgitta Stymne Göransson was appointed a new Board member. The Board was given a mandate to issue shares to finance continued growth.

### January - June 2019

- Revenue amounted to SEK 501.1 (383.6) million, equivalent to a 31 percent increase
- Operating profit excluding non-recurring items increased to SEK 137.9 (81.1) million, corresponding to an operating margin of 27.5 (21.1) percent
- Operating profit increased to SEK 134.2 (71.0) million, equivalent to an operating margin of 26.8 (18.5) percent.
- Earnings per share increased to SEK 4.85 (2.77).

### Significant events after period end

- On 9 July, Enea reported that it had signed a multi-year, EUR 21.2 million contract on one of its Key Accounts.

### Comments from Jan Häglund, President and CEO

#### **Innovation and successful acquisitions pay off**

##### **Strong growth and profitability**

Enea's second quarter 2019 is my first as the company's CEO and President. I'm delighted to report continued brisk progress, with revenue growth of 22 percent, and an operating margin of 27.7 percent. Our revenue increase was highest in Network Solutions, where new business, mainly in policy and access control, as well as traffic classification, had a positive impact. Enea's operating profit was up by 64 percent on



the corresponding quarter of the previous year, driven by higher sales and good profitability in our new policy and access control business. Our strong earnings also resulted in earnings per share increasing to SEK 2.71 and cash flow before changes in working capital remaining high in the quarter, at SEK 74.5 million. We should note that in the second quarter, profitability is impacted by positive non-recurring effects. Even if we expect to be able to continue our long-term positive earnings trend, we should not anticipate equally high operating margins in forthcoming quarters. We're retaining our target of achieving growth with an operating margin of over 20 percent.

### **Consolidating our leadership in traffic classification**

Cyber security remains a dynamic and growing market where Enea enjoys a leading position in the traffic classification technology known as DPI (Deep Packet Inspection). We signed a USD 2.8 million deal with a major US provider of cloud technology and network solutions for business in the quarter. Enea is making a contribution to this customer's Software Defined Wide Area Networks (SD-WAN) solution. The deal is another example of customers selecting Enea's software based on our many years' expertise in key segments like cyber security and network communication.

### **Policy and access control creating new business**

Enea previously reported the acquisition of a business providing policy and access control products from Atos Convergence Creators. Policy and access control is present in all 4G and 5G systems, bringing users network access and services. This market is forecast to grow as mobile traffic expands, and with operator access to the 5G spectrum. Enea develops and delivers software specialized for cloud-based infrastructure. Enea's acquisition of a business providing policy and access control products made a positive impact on our profitability in the second quarter.

### **Major contract generates stable revenues in operating systems**

Enea's traditional business in real-time operating systems is significant, even if it is a lower share of the company's total revenue than previously (21 percent in the second quarter). The usage of open source such as Linux is continuing to increase, reducing the demand for proprietary operating systems, where Enea's real-time operating system OSE is the telecom market leader. In the quarter, we renewed a deal for the years 2019-2022 for operating systems on one of our Key Accounts, worth EUR 21.2 million. This contract extension means an expected loss of revenues from operating systems on this account during coming years. We will be continuing to adapt our focus and costs to match how the market in the operating system segment evolves.

### **Award-winning innovations**

Enea is an innovator, and we continue to invest a significant revenue share in research and development. Most of the company's some 650 employees develop software for the systems of tomorrow such as 5G. In the quarter, two of our products won great awards—congestion software for mobile systems and a solution for more efficient data management in future 5G systems. The combination of increasing data traffic volume and the new 5G standard means the market for Enea's software solutions is growing. We're a world leader in several key segments, not least managing and optimizing video traffic on mobile networks.

### **New customers in business communication**

Enea recently launched NFV Access, a product that opens a door to the growing business communication market. NFV Access is a software platform that enables business customers to use various communication and security applications in combination with hardware from an array of independent vendors. We've now signed our first contract, and also helped bring the system into commercial operation. Our business model in this segment is based on subscriptions for used units. Accordingly, total revenue will increase as new units are installed, often by SMEs.

### **Future prospects**

We still take a positive view of the market outlook for software in telecom systems and business networks, although the scale of deals and revenues may vary between individual quarters. We stand on a secure foundation, based on proprietary development and recent years' business acquisitions. Accordingly, we will



continue to invest in own innovation and consider acquisitions that strengthen our market positioning and long-term earnings capacity.

Our goal for the full year 2019 is to achieve revenue growth on 2018, and an operating margin of over 20 percent.

The full report can be found as an attachment in this press release and published on [www.enea.com](http://www.enea.com)

### Press and analyst meeting

Press and financial analysts are invited to a press and analyst meeting where Jan Häglund, President and CEO, will present and comment on the report.

Time: Thursday July 18 at 08:30 am CET.

Link: <https://tv.streamfabriken.com/enea-q2-2019>

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### About Enea

Enea develops the software foundation for the connected society. We provide solutions for mobile traffic optimization, subscriber data management, network virtualization, traffic classification, embedded operating systems, and professional services. Solution vendors, systems integrators, and service providers use Enea to create new world-leading networking products and services. More than 3 billion people around the globe already rely on Enea technologies in their daily lives. Enea is listed on Nasdaq Stockholm. For more information: [www.enea.com](http://www.enea.com)

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