



## PRESS RELEASE

# Interim Report January - March 2020

Stockholm, Sweden, April 28, 2020 Enea® (Nasdaq Stockholm: ENEA)

## A stable quarter without major new deals

January – March 2020

- Total revenue amounted to SEK 226.8 (240.9) million, equivalent to a 6 percent decrease. Last year's revenue included SEK 20 million related to a settlement with a key customer.
- Operating profit amounted to SEK 22.6 (62.2) million, corresponding to an operating margin of 10.2 (25.9) percent. Operating profit excluding non-recurring items, related to restructuring done, amounted to SEK 40.5 (65.7) million, equivalent to an operating margin of 18.3 (27.4) percent.
- Earnings per share amounted to SEK 0.80 (2.14).
- The consequences of the coronavirus pandemic have caused delays to a few customer projects. Internal business has continued without any major disruptions, through digital channels and remote working. We see a risk of continued interruptions to customer projects and delayed investment decisions during the current pandemic, even if the market for telecommunication will most probably be less affected than the economy generally.

## Significant events after the period end

- In April 2020, Enea announced a multi-year 5G deal worth USD 15-20 million with a leading North American operator.

## Comments from Jan Häglund, President and CEO

Enea's net sales in the first quarter were SEK 221.7 million, and operating profit before non-recurring items was SEK 40.5 million, equivalent to an operating margin of 18.3 percent. Most of Enea's business is stable, thanks to a high share of recurring revenues from software, which is critical to customers' continued operation of telecom and enterprise networks worldwide. However, the corona pandemic has caused some delays to individual projects and investment decisions. We anticipate that similar disruptions may occur as long as the pandemic is affecting our core markets.

Enea's cash flow from operating activities before changes in working capital was SEK 43.9 million. The combination of strong cash flows and good liquidity, as well as low indebtedness (net debt/EBITDA = 0.58) mean we have good potential to cope with a period of greater uncertainty on the market.

## Telecommunication – more important than ever

The consequences of the corona pandemic for people, businesses and countries remains hard to assess. However, we can humbly conclude that telecommunication is playing a more important role than ever in society. Many people are working from home using sophisticated communication and remote collaboration tools. Students have found new ways to study over the Internet. Video streaming and gaming services have seen increased use now that people are spending more time at home.



Overall, this has created new traffic patterns and a sharp increase in traffic volumes, of up to 50 percent in some countries. Even if part of this increase will be lost when the corona pandemic is over, there is reason to expect that progress towards greater digitalization and communication will accelerate.

For Enea, these higher traffic volumes mean more usage of our software, and that some solutions like video optimization will be even more important to our customers for managing all the traffic in their networks. We have already received enquiries to increase capacity on some markets. In the short term, operators will focus on maintaining stable networks with minimal manual intervention. But in the longer term, it will only be possible to satisfy the need for capacity and new functionality with more frequency spectrum for mobile communication. That's why we think the rollout of 5G will continue, and we have decided to continue investments in 5G and cybersecurity.

#### **Strategic 5G and data management contract**

The strategic 5G contract that was signed in April with a leading North American operator is a very positive event. What's often referred to as the 'Network data layer' is an important part of the operator's core networks, and Enea's cloud software will be the backbone of all data storage that many other vendors' network functions integrate with. This contract enables revenues of USD 15-20 million over the next five years, as this customer rolls out 5G networks and its subscriber base expands. The contract has been signed in direct relationship between Enea and the operator - not via any of our partners. It will be an important reference when other customers select suppliers over the coming years.

#### **Effective adaptation of our company**

With distributed and cloud-based IT tools for development and communication, we've succeeded in adapting the company to the prevailing situation, including those countries where we have major development centers. We are continuing to support customers remotely, developing and testing new products compliant with new market demands and standards.

In the quarter, we concluded the planned downsizing of staff in Sweden and Germany, a process generating non-recurring costs of SEK 18 million, somewhat above our previous estimates. This change gives us a more effective structure with fewer development centers and lower costs. We'll keep adapting our organization to business conditions, for example in our US service operation, where we anticipate lower demand for development consultants for the rest of the year.

#### **Outlook**

Our target of an operating margin over 20 percent remains. Uncertainty in the short and medium term has increased because of the corona pandemic. It's very likely that its after-effects will delay projects and otherwise have a negative impact on our business, which risks causing variations in earnings in forthcoming quarters. However, we still have a positive view of market prospects for software in telecom and enterprise networks. We see potential for our new solutions in virtualization, cybersecurity and 5G, which is why we are continuing our investments in product development and innovation for long-term organic growth. In addition, we are continuing our search for potential acquisitions that can strengthen our market position and long-term earnings capacity. Overall, we think that the consequences of the corona pandemic will have a negative impact on our sales in 2020.

**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: Tuesday April 28, 2020 at 8:30 am CET.

Link to Audiocast: <https://financialhearings.com/event/12423>

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### **About Enea**

Enea is a world-leading supplier of innovative software components for telecommunications and cybersecurity. Focus areas are cloud-native, 5G-ready products for mobile core, network virtualization, and traffic intelligence. More than 3 billion people 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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