



PRESS RELEASE

Interim Report January - June 2020

Stockholm, Sweden, July 16, 2020

Strategic 5G contracts strengthen Enea

April - June 2020

- Net sales amounted to SEK 239.0 million (249.4), equivalent to a 4 percent decrease.
- Operating profit amounted to SEK 59.1 million (72.0), corresponding to an operating margin of 24.7 percent (28.9). Operating profit excluding non-recurring items amounted to SEK 60.4 million (72.2), equivalent to an operating margin of 25.3 percent (29.0).
- Earnings per share amounted to SEK 2.18 (2.71).
- Enea published two larger multi-year contracts in the quarter, one with a leading telecom service provider in North America worth USD 15-20 million and one with a leading telecom service provider in Germany, worth up to EUR 24 million.
- The Annual General Meeting appointed Charlotta Sund as new Board member. The Board was given a mandate to issue shares to finance continued growth.

January – June 2020

- Net sales amounted to SEK 460.7 million (489.5), equivalent to a 6 percent decrease.
- Operating profit amounted to SEK 81.7 million (134.2), corresponding to an operating margin of 17.7 percent (27.4). Operating profit excluding non-recurring items amounted to SEK 100.9 million (137.9), equivalent to an operating margin of 21.9 percent (28.2).
- Earnings per share amounted to SEK 2.98 (4.85).

Comments from Jan Häglund, President and CEO

Network Solutions—growing with new customers

Sales in the second quarter 2020 were SEK 239 million. Operating profit was SEK 59 million, equivalent to an operating margin of 25 percent. Cash flow from operating activities before changes in working capital amounted to SEK 87 million.

These numbers are backed by several signs of strength. Despite the corona pandemic causing delays to network projects and investment decisions by some customers, we report increased revenue in the Network Solutions product group. One of the reasons is that our business stands on a stable foundation of recurring revenue from a broad customer base. In addition, contracts with new customers generated extra revenue in the quarter. The two new 5G contracts with leading telecom service providers in North America and Germany were especially important and are expected to generate significant revenue over the coming five-year period, conferring us with a leading position on this market. Growth in Network Solutions is largely compensating for the decline of Operating Systems, where our Key Accounts are continuing their migration to open source-based products.



The strong operating margin in the quarter is due to the combination of a high share of software sales and an efficient cost structure. In the second quarter, we witnessed the full effect of the restructuring and cost saving actions we executed in the first quarter of this year. We will keep adapting our organization to business volumes with the objective of generating healthy margins.

We strengthened our financial position further, and have a higher equity ratio and lower net debt than the previous year, and previous quarters. This creates stability, and the scope to make future investments.

Strategic 5G deals

We've been selected to deliver 5G data management software for two of the world's largest operators, based in North America and Germany. We won these contracts in fierce competition with several major system vendors, thanks to our unique solution for data management in 5G networks. We expect these new 5G contracts to generate substantial revenue over a five-year period as project milestones are achieved and the 5G subscriber base expands. Our new products are compliant with the standalone (SA) 5G standard. A survey in the spring revealed that 37 percent of responding operators plan to launch 5G SA networks over the next two years. Our 5G contracts in North America and Germany will be important references for future business with new customers.

Video traffic setting increased demands on telecom networks

Continuing traffic expansion on mobile networks is persuading many operators to invest in sophisticated video optimization solutions to enhance user experiences, and tailor traffic to available network capacity. One of our customers is Vodafone Ireland, which thanks to our video optimization technology, has realized clear network performance improvements. Zain Kuwait is another telecom operator that selected our video optimization software platform. In the same region, one Egyptian customer has recently placed an order for a new traffic management solution, which it will start installing in the second-half-year this year. I'm delighted to see our customer base expanding, and we continue to invest to consolidate our market leadership in video optimization.

Traffic intelligence—crucial for cybersecurity

Traffic intelligence is a core technology across a raft of different applications including sophisticated cybersecurity solutions, enabling rapid threat detection and response. We have a broad customer base in this segment, and are continuing to secure new customers, one example being German company Genua, which has selected Enea as a vendor in competition with other specialists in this segment. The business model of this agreement, like most of our contracts, is based on revenue that grows as customers succeed and the usage of our software increases.

Outlook

Our target of an operating margin over 20 percent remains. Uncertainty in the short to medium term has increased because of the corona pandemic. Its after-effects are very likely to continue to delay projects and impact our business negatively in other ways, risking fluctuations in our earnings over forthcoming quarters. We still take 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 maintaining 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. However, overall, we do believe 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.



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 16, 2020 at 8:30 am CEST.

Link: <https://financialhearings.com/event/12891>

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This information is information that Enea AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set below, on July 16, 2020 at 7:20 am CEST.

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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