

Clavister Q4 2018: Q&A Session, Feb. 21, 2019

Q: When can a positive cash and EBITDA result be expected?

A: As a matter of policy the company do not give public forecast statements and cannot therefore communicate a specific date, but with a stable cost base in combination with a steadily growing top line we are now steadily moving towards that date.

Q: When do you plan for a list change from Nasdaq First North to Nasdaq's main list?

A: As we grow, we have a list change as a part of our mid to long-term plan, but as per now, no decision on timing has been taken.

Q: Do you plan for any road-shows in the USA?

A: In 2018 we held or participated in several gatherings and meetings with institutional investors, in Sweden and in Europe - as it is where the majority of our shareholders are placed. Going forward we will obviously continue to meet existing, as well as potential investors and a future road show in the U.S. should not be ruled out as an option.

Q: What can be expected from CSP in 2019?

A: We have over the past two years won close to 20 mobile and broadband operator customers on our CSP solution. We anticipate this trend to continue. We can also conclude that the lead-time from initial order into a live deployment shall not be underestimated, seeing recent examples of lead-time of up to two years. As the operators are going live and start adding more capacity into their networks, this will drive more license revenue for Clavister as a result of our throughput based licensing model.

Q: The order intake in Q4 grew by 13% in Q4 YoY, while Q2 grew by 40% and Q3 by 26%. What can we expect as a normalized quarterly growth in 2019?

A: Q4 2018 was a record quarter in terms of order intake levels, as were the last quarter 2017. Without giving any forward-looking statements, we have communicated that we always strive to outperform the underlying cyber-security market growth, which is around 10% annually.

Q: Can we consider your staff cost as stable from Q4 and onwards?

A: By Q2 2018, we reported that the majority of our recruiting investments were completed. Individual staff changes can and will occur, but on an overall level we can consider the Q4 staff cost base as a fairly good representation of the quarters to come, given the normal seasonality fluctuations.

Q: Are you satisfied with your sales staff recruitments and their ramp up times?

A: On an overall level, we are happy with our Sales & Marketing recruiting done in 2018. Our focus has been to strengthen our focus markets, mainly Nordics and DACH, something that has generated a good return with an annual order intake growth of 37% and 47%, respectively.

Q: Can you elaborate a bit on your selected focus markets?

A: When we made our business transformation in late 2017, we selected the Nordics as our main focus market, being our home market and where we have our largest customer and partner network footprint. DACH, the German speaking part of Europe, was selected as our

second focus market, based on a strong distributor network, good partners and a multitude of existing end customers. Germany is also Europe's largest cyber-security market by far, representing a total addressable market for Clavister valued at over €600 M annually. Our third focus market, Japan, was selected due to a number of high-profile customers, which can be considered as potential growth accelerators for the company. Outside of our focus markets, we nurture the business through an existing, and constantly expanding, partner network.

Q: Is 5G necessary for your CSP growth?

A: The launch and implementation of the 5th generation of mobile networks is a very important market driver for our virtualized cyber security product offering, but it is not a prerequisite. 5G is dependent on virtualization for cost and efficiency reasons, but we also see that 4G hybrids will benefit greatly from using virtualized solutions such as ours.

Q: Out of your 39 MSEK order intake for Q4, were there any material or one-off wins that supported you in building up your quarter?

A: No, the quarter was very much biased towards organic and incremental orders, which we consider a positive signal - that we can reach a record order level without any extraordinary material wins.

Q: In Q3 you announced two significant IAM orders. What can we expect going forward here?

A: Correct, one IAM order from North Africa and one from Thailand, which were our first two IAM orders outside the Nordic market. We plan to continue to leverage on our existing channel base with ca 400 Clavister partners around the globe in order to leverage also our IAM portfolio.

Q: How should we consider your Capex investments going forward?

According to accounting policies, we activate and amortize the cost for development work evenly over 60 months. The activated levels can vary between individual months, but the Q4 level is not extreme in any way.

Q: The CSP Order Intake was more or less flat in 2018 versus last year. How do you plan to win more market share in 2019?

A: The virtualized CSP market is still very much an early adopter market, just about to take off and start scaling. We have already established strong partnerships with system integrators such as Nokia and Tata, and we will continue to leverage on our partnerships to scale our business within the CSP vertical over the years to come.

Q: What is your CSP forecast for 2019, 2020 and 2021?

A: As a matter of policy, we do not give any forecasts.

Q: Do you see or plan for any rights issues?

A: There are currently no plans for any rights issues.