



# Clavister Interim Report, Q2 2019



John Vestberg, President and CEO, 2019-08-28

## Agenda

Clavister – At a Glance

Q2 2019 – Key Financials and Business Update

Strategic Initiatives

Q&A

Clavister delivers  
business continuity  
through holistic  
cybersecurity  
solutions, based on  
Swedish innovation.

20 years of cybersecurity innovation  
>20 000 deployments in +150 countries  
Listed on NASDAQ First North  
Headquartered in Örnsköldsvik, Sweden  
170 Employees  
30% re-invested in R&D



**1997** Founded in Örnsköldsvik Sweden.

**1998** First firewall software release.

**2002** First Gigabit Firewall with line rate performance.

**2008** Fully virtualised product, performing at 10 Gbps.

**2014** Listed on NASDAQ First North.

**2016** Acquisition of IAM specialist PhenixID.

**2016** Launch of virtual security product for CSP market with Nokia.

**2018** 80-150% growth in core markets.

**2019** Launch of cloud security services.



Becoming the leading European cybersecurity expert.

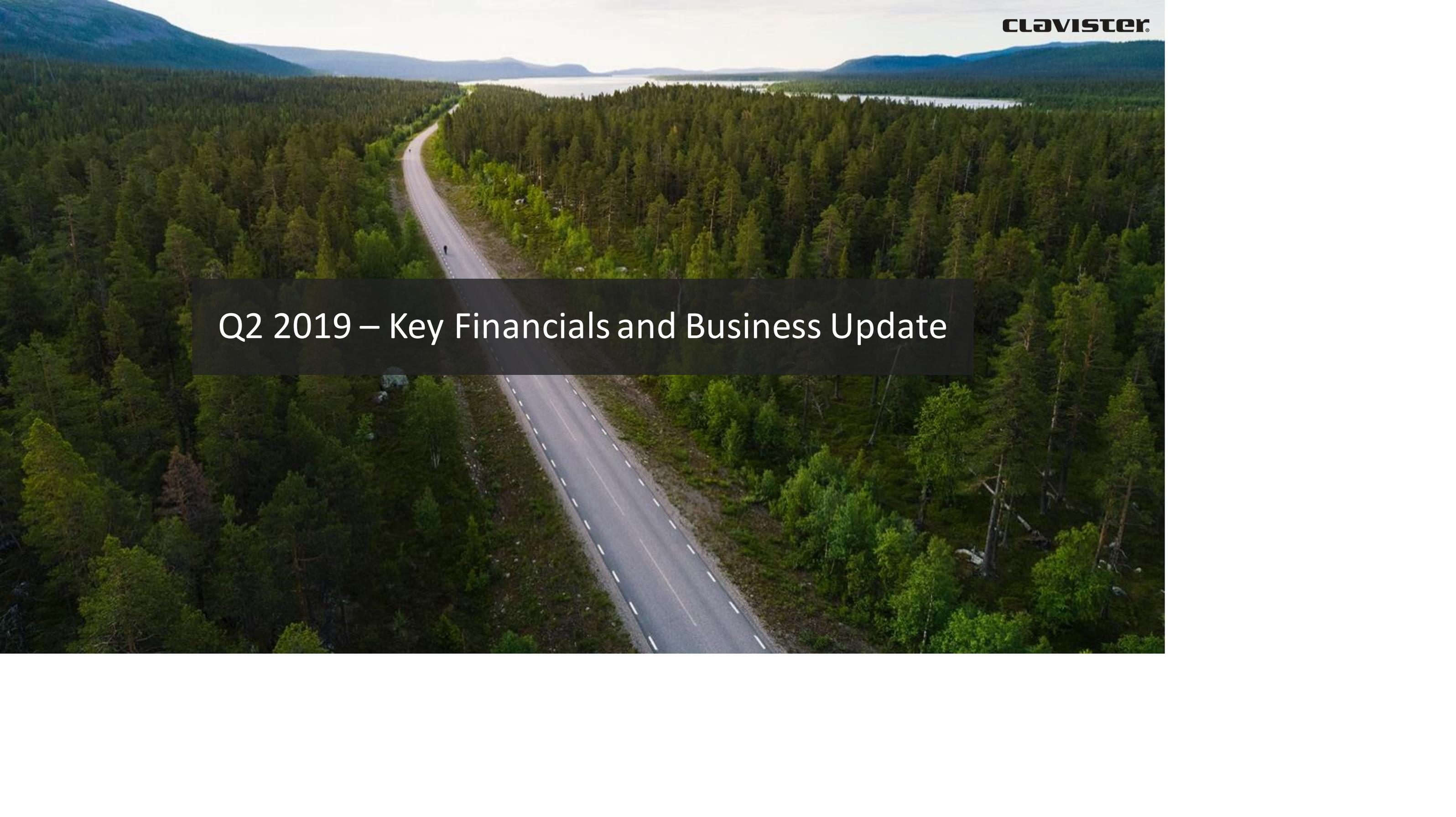
## According to Gartner:

“Clavister ranked 16th in the Unified Threat Management (SMB Multifunction Firewalls) Worldwide market in 2017-2018 for Revenue.

However, **Clavister had the fastest growth in the market** with a **Revenue Change** in 2017-2018 of **54.3%**, which is **more than five times** the Revenue Change for the total market (10.1%).”

*Source:*

*Gartner, Market Share: Unified Threat Management (SMB Multifunction Firewalls), Worldwide, 2018, Nat Smith and Christian Canales, 29 March 2019*

An aerial photograph of a two-lane asphalt road winding through a dense, lush green forest. The road has white dashed lines in the center and solid lines on the edges. In the distance, a large body of water is visible between two mountain ranges under a clear sky. The overall scene is serene and natural.

## Q2 2019 – Key Financials and Business Update

# Another Quarter of Growth...

(MSEK)	Q2 '19	Y/Y (%)
Order Intake	38.2 (29.9)	28%
Revenues (Post-IFRS 15)	33.1 (26.8)	23%

(MSEK)	H1 '19	Y/Y (%)
Order Intake	67.5 (51.1)	32%
Revenues (Post-IFRS 15)	59.6 (49.6)	20%

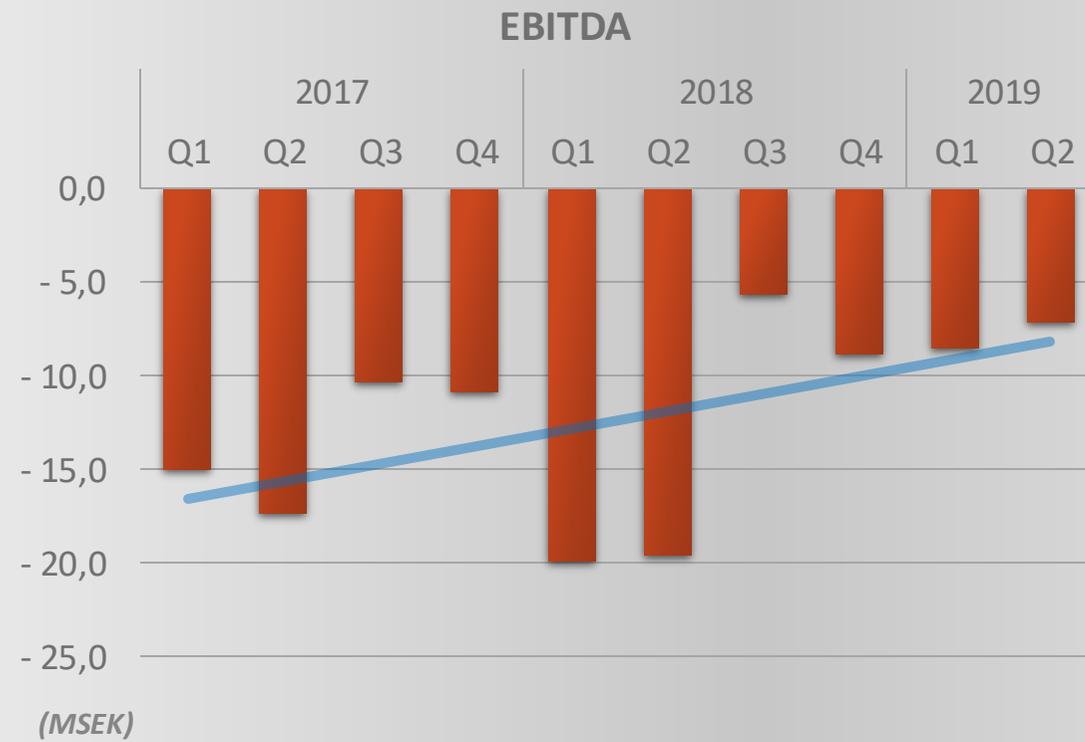


Concluding the 11th consecutive quarter of year-on-year growth (avg. 28%).

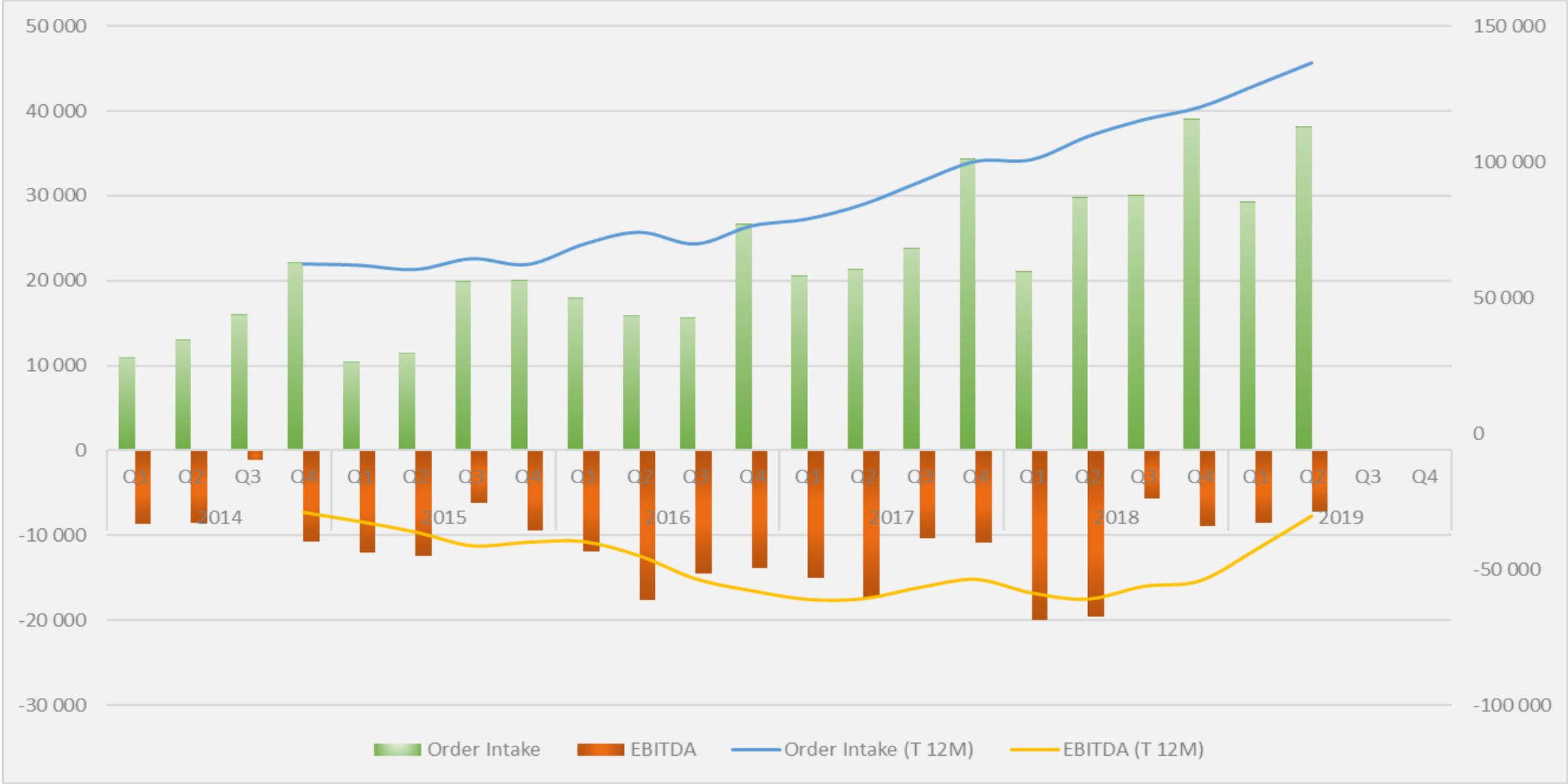
# ...with Improved Margins

(MSEK)	Q2 '19	Y/Y (%)
Gross Profit	27.1 (19.1)	42%
Gross Margin	82 (71)%	11 p.p.
EBITDA	-7.2 (-19.6)	neg.

(MSEK)	H1 '19	Y/Y (%)
Gross Profit	48.3 (36.5)	32%
Gross Margin	81 (74)%	7 p.p.
EBITDA	-15.8 (-39.6)	neg.



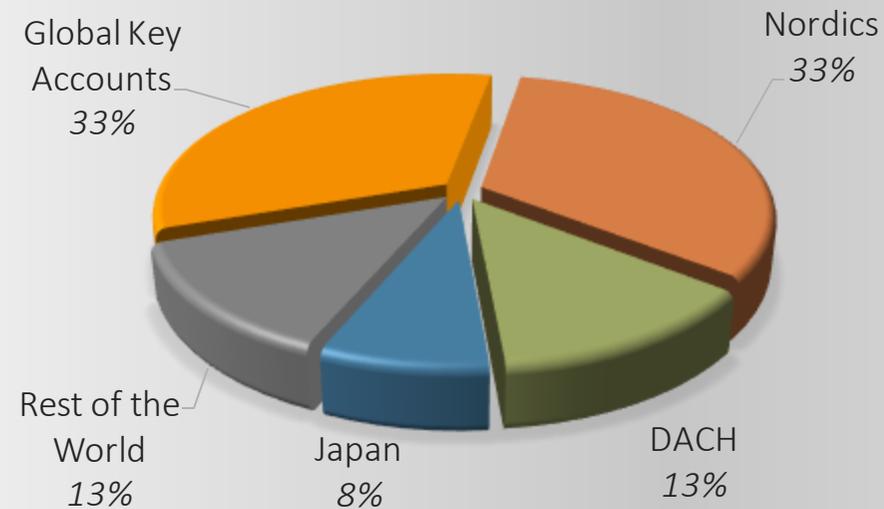
# Continuing our Strong Momentum



# Business Update

- Strong growth in the Communication Service Providers vertical
- Restructuring of the Nordics sales organization
  - Building a platform for strong growth
- Solid momentum in DACH sales
  - Rapidly adding end-customers and resellers
  - Expanding sales team to continue fueling growth
- Significant Global Key Account wins
  - Australian cloud security services provider
  - One of the largest SD-WAN projects in the world
  - ISP datacenters

Order Intake by Market – Q2 '19



(MSEK)	Q2 '19	Y/Y (%)	H1 '19	Y/Y (%)
Nordics	12.5 (12.7)	-2%	23.7 (20.5)	16%
DACH	5.0 (3.7)	35%	9.2 (7.0)	31%
Japan	3.0 (3.5)	-15%	3.5 (5.9)	-40%
Rest of the World	5.1 (5.5)	-7%	11.0 (9.5)	16%
Global Key Accounts	12.6 (4.5)	182%	20.1 (8.2)	144%
<i>w/o Communication Service Providers</i>	6.2 (1.6)	290%	10.6 (2.4)	350%
<b>Total</b>	<b>38.2 (29.9)</b>	<b>28%</b>	<b>67.5 (51.1)</b>	<b>32%</b>

# A Note on the CSP Vertical

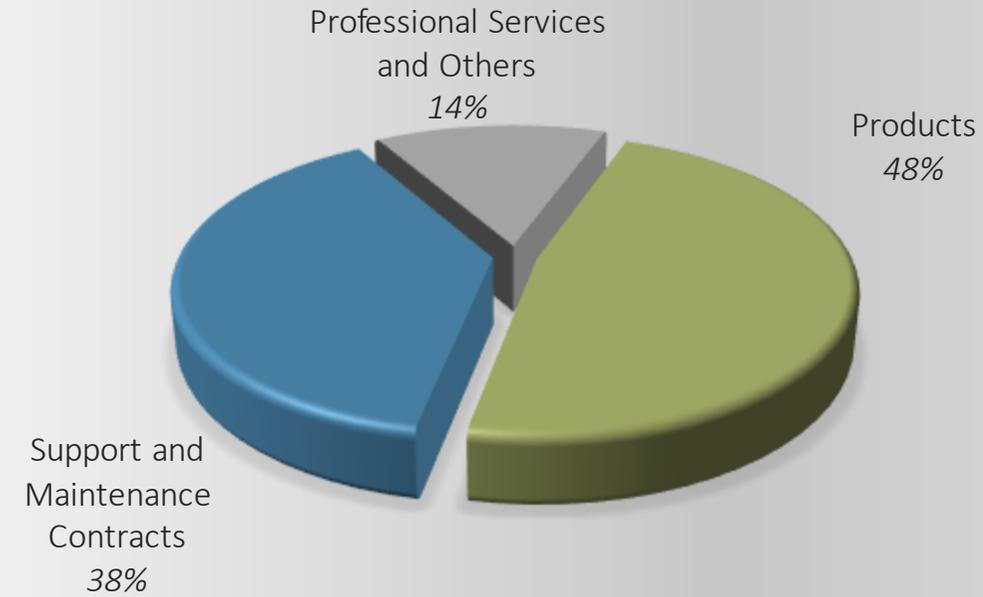
- Finally live:
  - Commercial launch in June of the world's first virtualized mobile network using Clavister's security solution.
  - Already 280 firewall instances deployed, and expanding.
- Substantial order (4 MSEK) from new public safety network operator.
- Recurring license and maintenance extensions from current base of operators.
- Very strong uptake on professional services contracts.



# Healthy Revenue Mix

- New product sales (e.g. perpetual software licenses and hardware appliances) continue to dominate our revenue mix.
- Average deal size increases – larger share of more high-end products.
- Strong demand for professional services – especially within the CSP vertical.

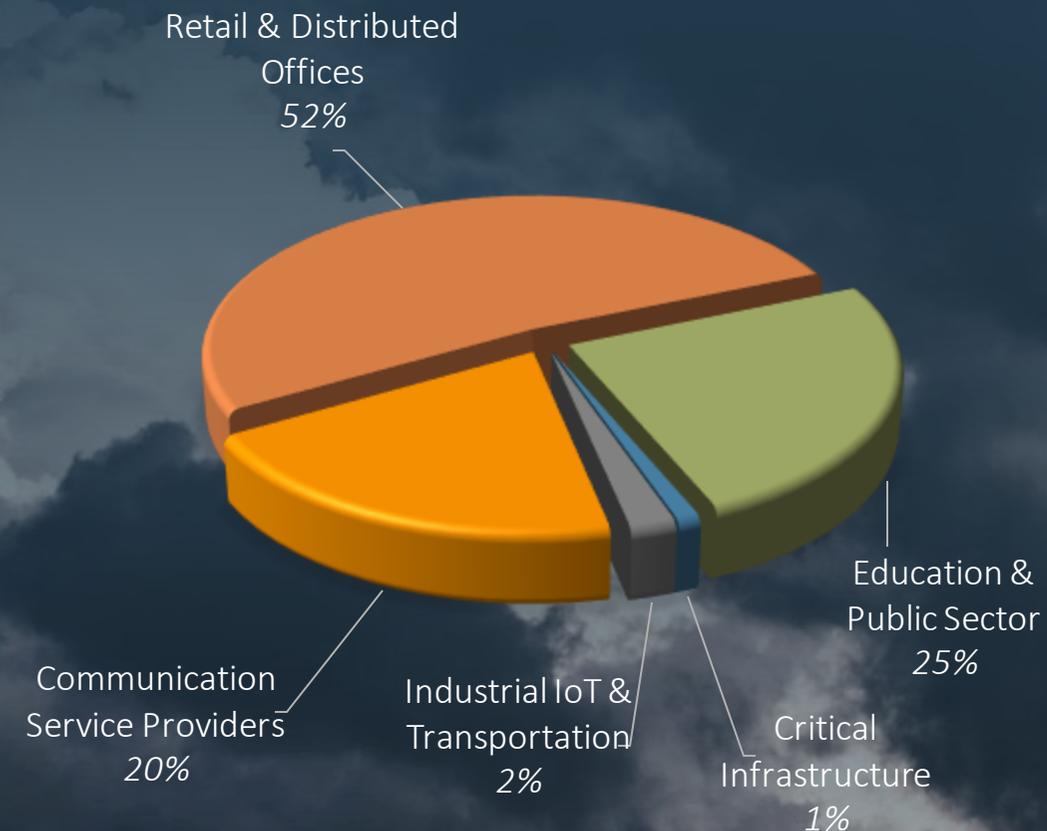
Revenues by Type – Q2 '19



(MSEK)	Q2 '19	Y/Y (%)	H1 '19	Y/Y (%)
Products	15.7 (11.7)	34%	25.7 (20.5)	26%
Support and Maintenance Contracts	12.7 (12.9)	-1%	24.4 (24.5)	-1%
Professional Services and Others	4.6 (2.2)	108%	9.5 (4.6)	106%
Total	33.1 (26.8)	23%	59.6 (49.6)	20%

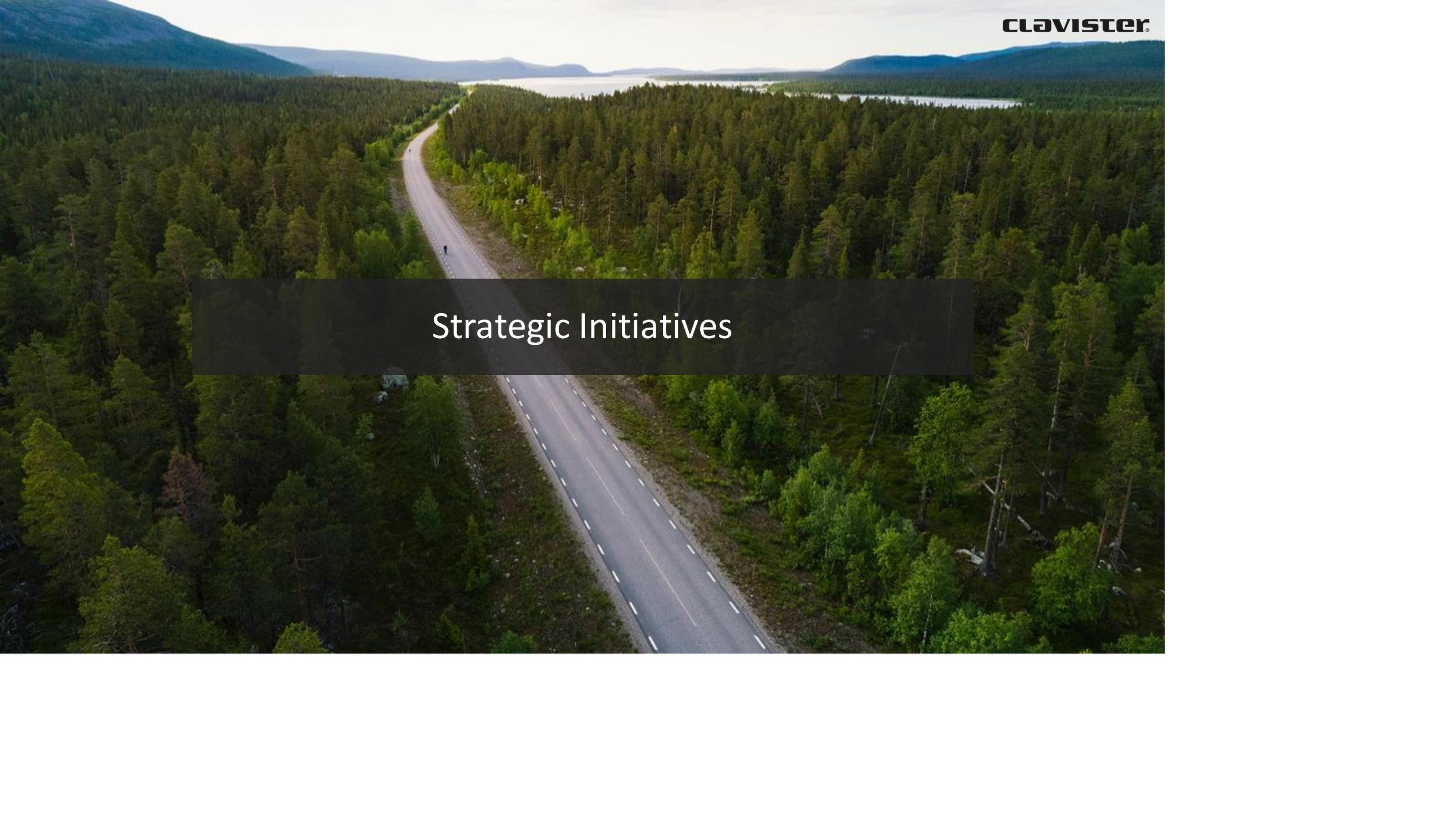
- The established **Retail & Distributed Offices** and **Education & Public Sector** verticals still represent the bulk of the business.
- The **Communication Service Providers vertical** is however rapidly growing in significance.
- The **Industrial IoT & Transportation** and **Critical Infrastructure** verticals hold substantial opportunities for Clavister going forward, but is still in an early phase.

Order Intake by End-Customer Vertical - Q2 '19



# Financing

- 66 MSEK of cash holdings at end of quarter.
- Direct issue of 35 MSEK executed during the quarter; buyers were institutional investors.
- Expecting to draw down third tranche of 5 MEUR from the European Investment Bank during 2019.
- In advance discussions with major financial institution on securing funds for fueling a scenario with even higher growth rate.

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# Strategic Initiatives

# Arm and Clavister Partnership Brings Security to the Edge

- The IoT market is exploding over the next years with tens or hundreds of billions of connected smart devices.
- Intelligent devices will necessitate an architectural shift and new methods for ensuring security.
- New use cases arise, such as:
  - Industrial and Consumer IoT
  - Automated Vehicles
  - New telecom services and consumer experiences
- Strategic partnership signed between Arm and Clavister to bring Clavister's technology to the Arm ecosystem.
- Gaining deeper access to growth markets, such as 5G Edge Computing and Industrial IoT applications.

First area of cooperation is within the **Universal Customer Premise Equipment (uCPE)** space.

Together with go-to-market partner **Telco Systems**, Clavister provides the NetWall firewall product, ported to Arm, as security solution for Tier-1 mobile operators providing uCPE devices to their enterprise customers.

Proof-of-concepts with global operators start during H2 2019.

## Clavister and Tieto team up to improve the cybersecurity of connected and autonomous cars

- The automotive industry is on the verge of a massive digital transformation.
- Future vehicles are not only “connected”, but fully featured datacenter-on-wheels.
- Robust cybersecurity becomes crucial to prevent incidents and to create trust.
- Collaboration between Tieto and Clavister aims to embed security in technologies and services being delivered to the automotive industry.
- Strong synergies also with the Arm partnership.

# Q&A Session

Becoming the leading European cybersecurity expert.



Thank you!