



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

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% |

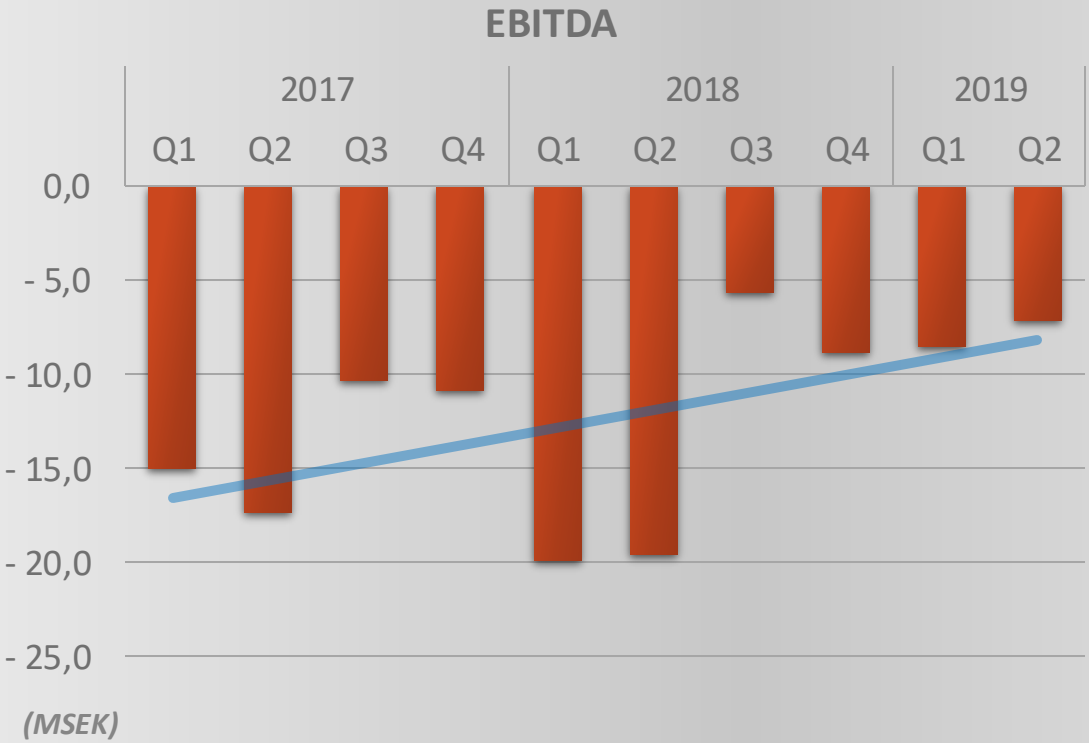


Concluding the 11th consecutive quarter of year-on-year growth (avg. 28%).

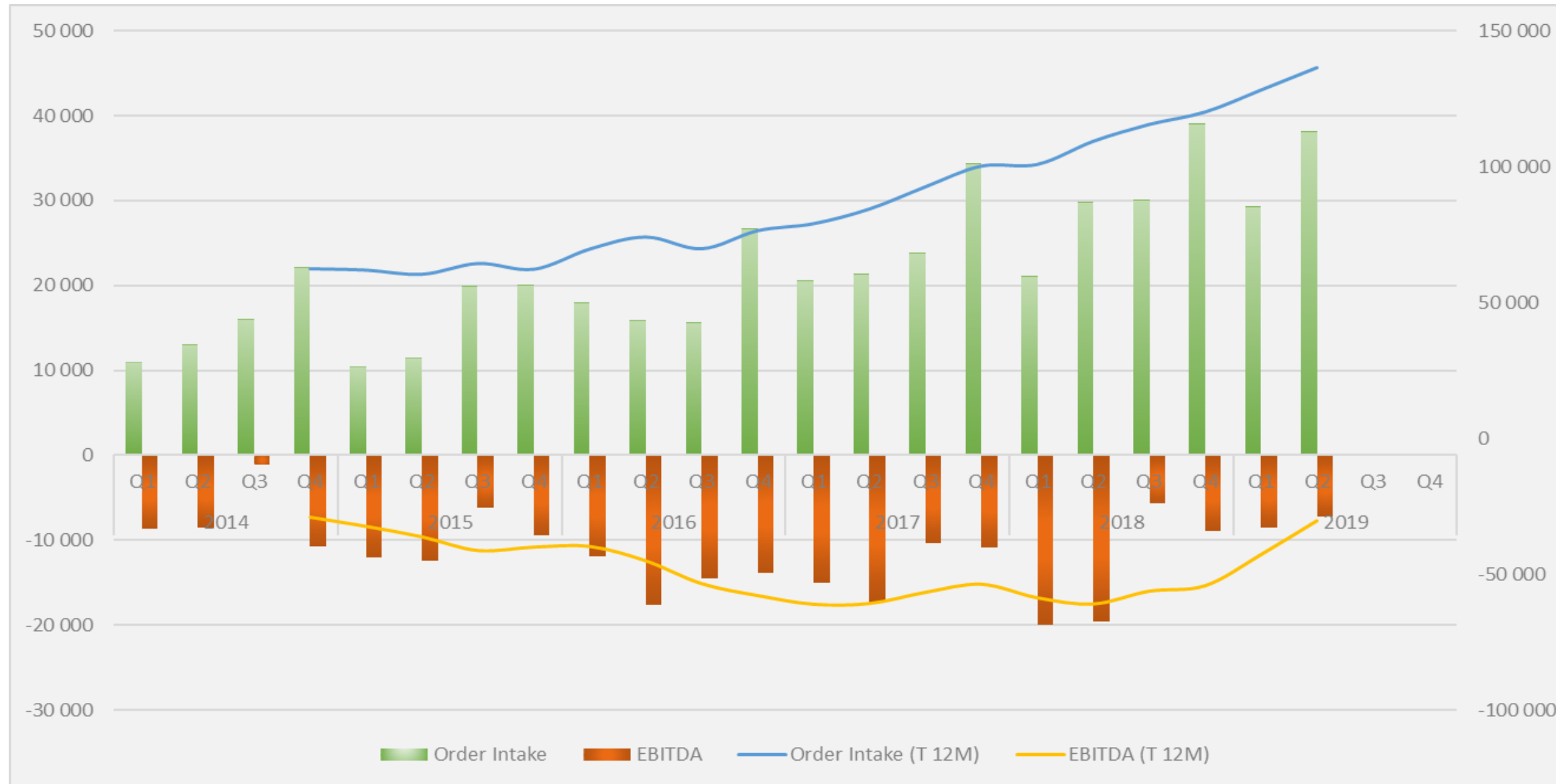
...with Improved Margins

| (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. |



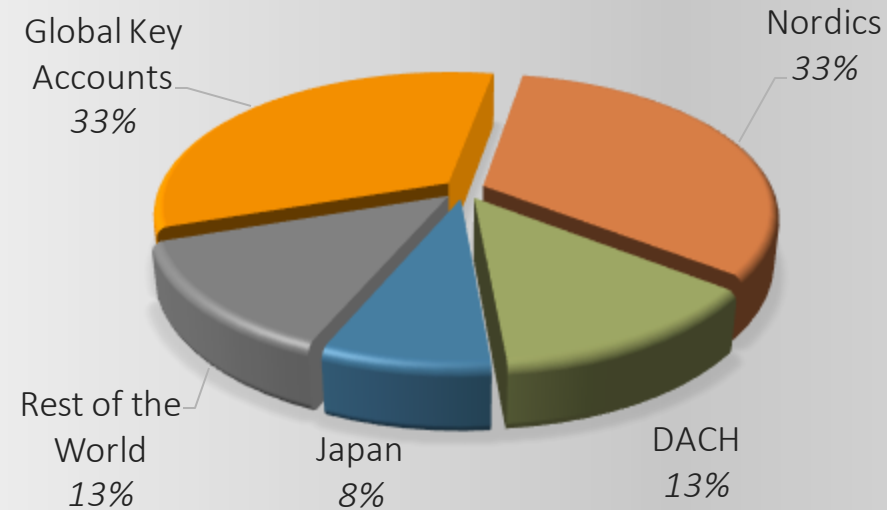
Continuing our Strong Momentum



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% |
| w/o Communication Service Providers | 6.2 (1.6) | 290% | 10.6 (2.4) | 350% |
| Total | 38.2 (29.9) | 28% | 67.5 (51.1) | 32% |

A Note on the CSP Vertical

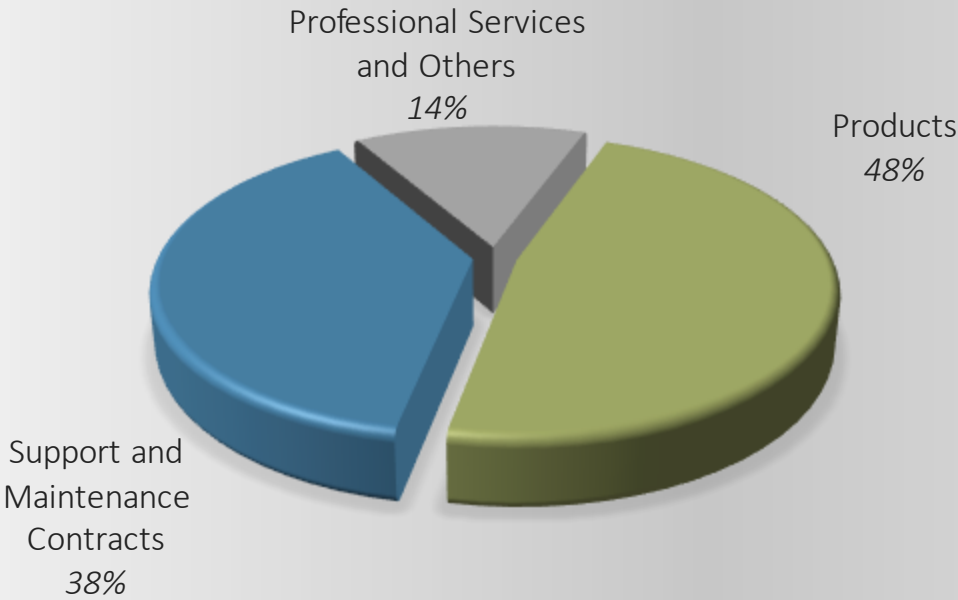
- Finally live:
 - Commercial launch in June of the world's first virtualized mobile network using Clavister's security solution.
 - Already 280 firewall instances deployed, and expanding.
- Substantial order (4 MSEK) from new public safety network operator.
- Recurring license and maintenance extensions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

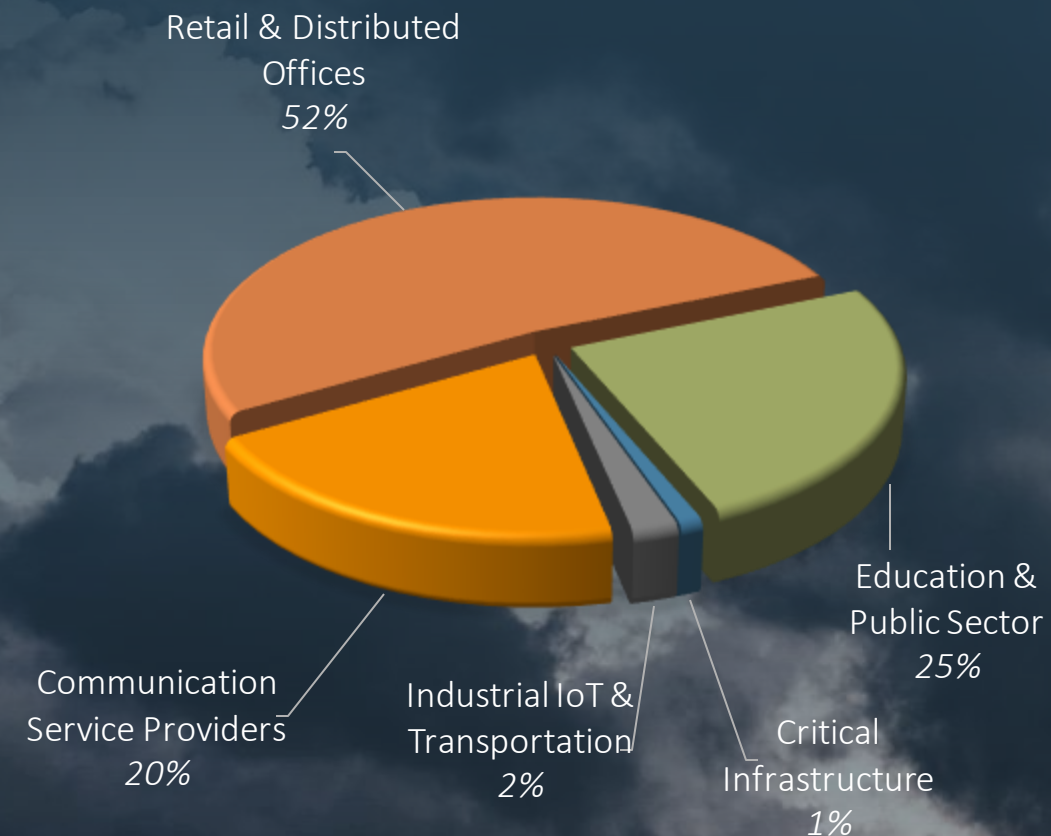
Revenues by Type – Q2 '19



| (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.

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.

CLAVISTER®



Thank you!