

CLAVISTER®

INFORMATION ABOUT SUBSCRIPTION OF SHARES RIGHTS ISSUE IN CLAVISTER HOLDING AB (PUBL)

In this information folder "Clavister" or "the Company"

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REDEYE

BUSINESS OVERVIEW

Clavister develops, produces and sells robust cybersecurity solutions for a global customer base. The solutions are based on proprietary, innovative software with powerful performance and excellent scalability. The Company has a commercial focus on a few selected European markets: the Nordic countries, Germany, Austria and Switzerland. Sales are primarily done under the company's own brand of Clavister, but also through OEM (Original Equipment Manufacturing), i.e. the software being added to customer's own product concept. The OEM licensing in combination with international resellers and distributors thus means that Clavister has a global reach. Until now, Clavister has delivered more than 130,000 products to customers in over 150 countries. The Company has approximately 120 employees, the majority of whom are located at Clavister's head office in Örnköldsvik, where more than 25 nationalities are represented.

Clavister's product portfolio is divided into five product categories:

- **Management & Analytics** - Tools offering centralized and complete control, monitoring and analysis of all Clavister products
- **Identity & Access Management** - Offer extensive features for identity management, authentication and access control
- **Device Security** - Offers user equipment security and safe connection to data centers and efficient multifactor authentication
- **Network Security** - Next-Generation Firewall-products and Service-Based Firewalls, mainly intended for telecom related applications
- **Cloud Services** - The majority of Clavister products are well suited to be offered as cloud services. Clavister primarily addresses five target verticals: Education & Public Sector, Retail & Distributed Offices, Critical Infrastructure, Industrial IoT & Transportation and Communication Service Providers.

Clavister today markets its products and solutions through three different sales channels: Distributors and resellers, Direct sales and Technology licensing. Clavister currently has sales and marketing representation in Sweden and Germany.

The revenue model today consists of three main components: Non-recurring product and licensing revenue, Recurring revenue from term-based software licenses including support and maintenance contracts, and Consulting services and other revenue. The recurring revenue constituted approximately 61 percent of the total revenue during the third quarter 2020 compared to 46 percent the same period last financial year.

Clavister's strategy in the short term is to accelerate sales growth, partly through activities and investments in sales and marketing, partly through further technical innovation and partly through deeper engagement with existing and additional larger customers. An important financial objective, as a result of the above investments, is a transition to a higher proportion of recurring revenue. Consulting revenues will continue to be a strategically important source of revenue as the consulting services often lead to additional sales of products and solutions. Consulting services also provide proximity to end customers, which is a good driving force in the ongoing product development. An operational objective, also as a result of the above investments, is a transition to a business model that consists of a dominant part of "As-a-Service" business. These are expected to consist partly of security delivered in the form of cloud services, and partly in the form of subscription services for customer-placed security products. Clavister's long-term goal is to become the leading European provider of cyber security, and to have a prominent role globally within certain customer groups.

Key Metrics Q3 2020

- Order intake Y/Y: 0 percent
- Invoiced sales Y/Y: +32 percent
- Revenue Y/Y: +39 percent
- Recurring revenue: 41 percent (46)
- Gross margin: 90.6 percent (81.1)
- EBITDA: 9.1 MSEK (-4.0)

In the mid-term, Clavister's ambition is to outperform market growth as well as reach sustainable EBITDA profitability during 2021 and demonstrate positive Free Cash Flow (FCF) from 2022.

Comparative figures are according to the adopted Annual Accounts of 2019. Numbers within parentheses refer to the corresponding period or date of last year, unless otherwise specified. Growth numbers concerning revenue, net sales, order intake and invoiced sales are adjusted for the divestment of the Chinese operations, unless otherwise specified.

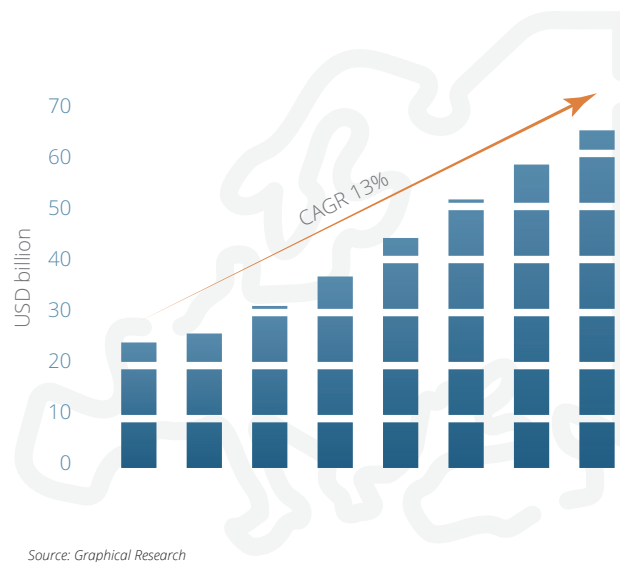
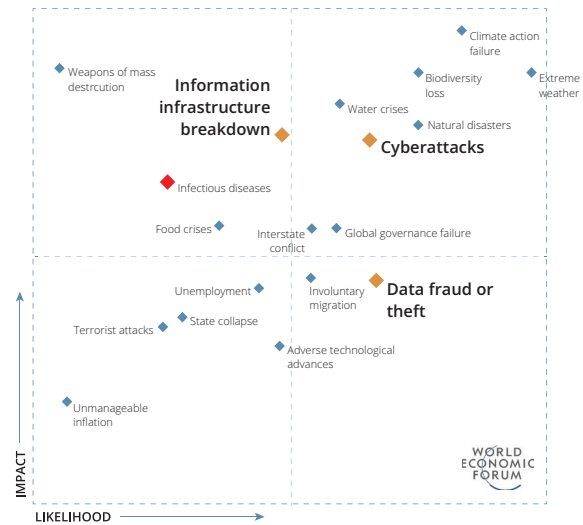
THE MARKET

The need for cybersecurity continues to grow on an unprecedented scale. From originally being a relatively isolated phenomenon, cybercrime has today grown to be by far one of the greatest threats to society. Cyberattacks are considered the sixth most likely threat to the world economy. Cyberattacks are expected to have a greater impact on the global economy than, for example, food supply crises, terrorist attacks and even global pandemics.¹

Cyberattacks and cyber defense are a constant arms race, where methods and technologies are developed continuously and at an extreme pace. A modern cyber defense is no longer about individual firewalls or other stand-alone products, but about a complex and integrated environment with lots of different defense mechanisms that all need to interact to be able to handle the increasingly advanced attacks. This drives the underlying market for cyber security with significant growth. In addition, there is also increased awareness among decision-makers in companies and authorities, increasing digitalization, and new laws and directives. An example is the NIS Directive, an EU legislation that requires a certain level of cyber security for critical infrastructure within the EU.²

The global cybersecurity market is expected to have a turnover of approximately USD 250 billion by 2023, corresponding to an annual growth of 10 percent.³ The EU cybersecurity market alone is expected to grow by an average of 13 percent annually until 2025 and is estimated to reach more than USD 65 billion.⁴ Clavister currently addresses three solution areas:

- Network security, consisting of firewalls and equipment for handling so-called Advanced Threats. This segment is expected to grow by 5-10 percent annually until 2025.
- Identity and access management, consisting of solutions for multifactor authentication and identity control. This segment is expected to grow by 8 - 12 percent annually until 2025.
- Cloud security, where security is delivered as a service from public or private clouds. This segment is expected to grow by 35 - 50 percent annually.



Source: Graphical Research

¹ World Economic Forum, "Global Risks Report 2020", <https://www.weforum.org/reports/the-global-risks-report-2020>.

² MSB, the "NIS Directive", <https://www.msb.se/sv/amnesomraden/informationssakerhet-cybersakerhet-och-sakra-kommunikationer/nis-direktiv/>.

³ Markets and Markets, "Cybersecurity Market by Solution (IAM, Encryption, UTM, Antivirus/Antimalware, Firewall, IDS/IPS, Disaster Recovery, and DDoS Mitigation), Service, Security Type, Deployment Mode, Organization Size, Industry Vertical, and Region - Global Forecast to 2023" <https://www.marketsandmarkets.com/Market-Reports/cyber-security-market-505.html>.

⁴ Graphical research, "Europe Cybersecurity Market", <https://www.graphicalresearch.com/industry-insights/1246/europe-cybersecurity-market>.

BACKGROUND AND MOTIVATION FOR THE RIGHTS ISSUE

Up until 2017, the Company mainly focused on research and development of the technical platform that today forms the basis of Clavister's offering. As of 2017, the Company is on a commercial growth journey with more focus on developing its sales and marketing. The result of this change can be seen in e.g. the increased order intake, which has doubled since mid-2017.

Clavister's current customer base includes well-known brands such as Nokia, Ericsson, IWG, BAE Systems, NTTBP, and E.ON. However, no single end customer or reseller today accounts for more than 15 percent of the total sales i.e. the Company has a healthy mix of large customers and thousands of smaller customers. Customer loyalty is high, illustrated by the fact that more than 90 percent of all customer contracts have been renewed during the last three years.

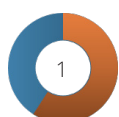
A more well-defined focus on the development of sales and marketing means that the Company now attracts larger customers and projects, even though the total customer base is still diversified. During June 2020, the Company entered into an agreement with BAE Systems stipulating that Clavister's products will be used in BAE Systems' vehicles in several end-customer projects. Another example is the Company's agreement with Nokia, where Clavister's technology is sold under the Nokia brand to mobile operators worldwide.

Clavister now intends to further exploit this trend which the Company is experiencing with new types of customers and larger projects, to increase sales growth. Through sales and market development combined with increased working capital, the Company intends to carry out a verticalization and specialization around selected customer segments.

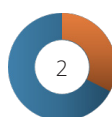
Clavister is now carrying out a rights issue amounting approximately MSEK 149.8 before deductions for costs related to the rights issue, primarily for the purpose of strengthening sales growth (the "**Rights Issue**"). In order for the Company to meet any demand in the case of oversubscription of the Rights Issue, and thereby raise additional proceeds to the Company, the board of directors can resolve on a so-called oversubscription option (the "**Oversubscription Option**"). The Oversubscription Option will provide the Company with net proceeds amounting to maximum MSEK 30. In addition, the Company carries out a new share issue with deviation from shareholders' pre-emption rights (the "**Directed Issue**") in parallel with the Rights Issue amounting to approximately MSEK 54 before deductions of costs related to the Directed Issue.

Use of proceeds

If the Rights Issue is fully subscribed, Clavister will receive approximately MSEK 129.8, after deductions for costs related to the Rights Issue (including compensation for guarantee commitments) totaling approximately MSEK 20. Clavister has received subscription and guarantee commitments in the Rights Issue from existing shareholders and from a consortium of external investors corresponding to the entire Rights Issue. The issue proceeds from the Rights Issue are intended to be distributed as follows:



Development of sales and marketing including increased working capital (approximately 67 percent of the proceeds): Implementation of verticalization for specific customer groups and associable development of the technology platform. Working capital to enable the implementation of larger customer projects.



Strengthen the balance sheet (approximately 33 percent of the proceeds): Reduction of relative debt levels to reduce operational and financial risks.

Exercise of the Oversubscription Option and the proceeds from the Directed Issue are intended to further support measures related to sales and market development as described above.





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