clavister

CAPITAL MARKETS DAY

June 16, 2021
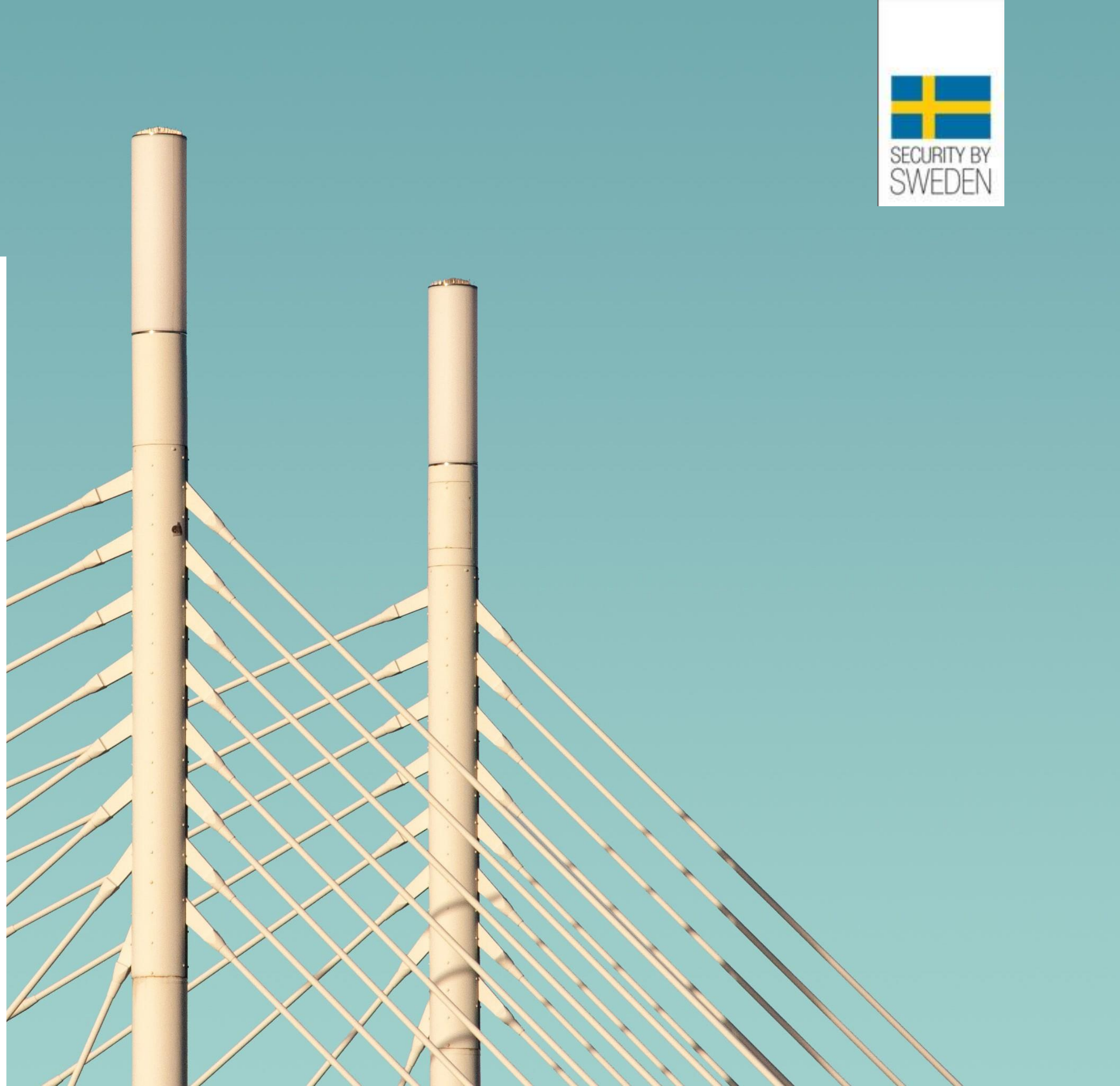
SECURITY BY
SWEDEN

Disclaimer

Contents

- Clavister at a Glance

- Market Update

- Strategic Direction

- Financial Perspective

Clavister at a Glance

What We Do

Carrier-grade cybersecurity solutions, made in the EU, for mission-critical applications

20+

Years of Swedish Innovation

130,000

Product Deployments World-Wide

85+%

Gross Margin

50+%

Recurring Revenue

Clavister Aurora Security Framework

Industry's most **comprehensive** and **versatile** cybersecurity platform

40+
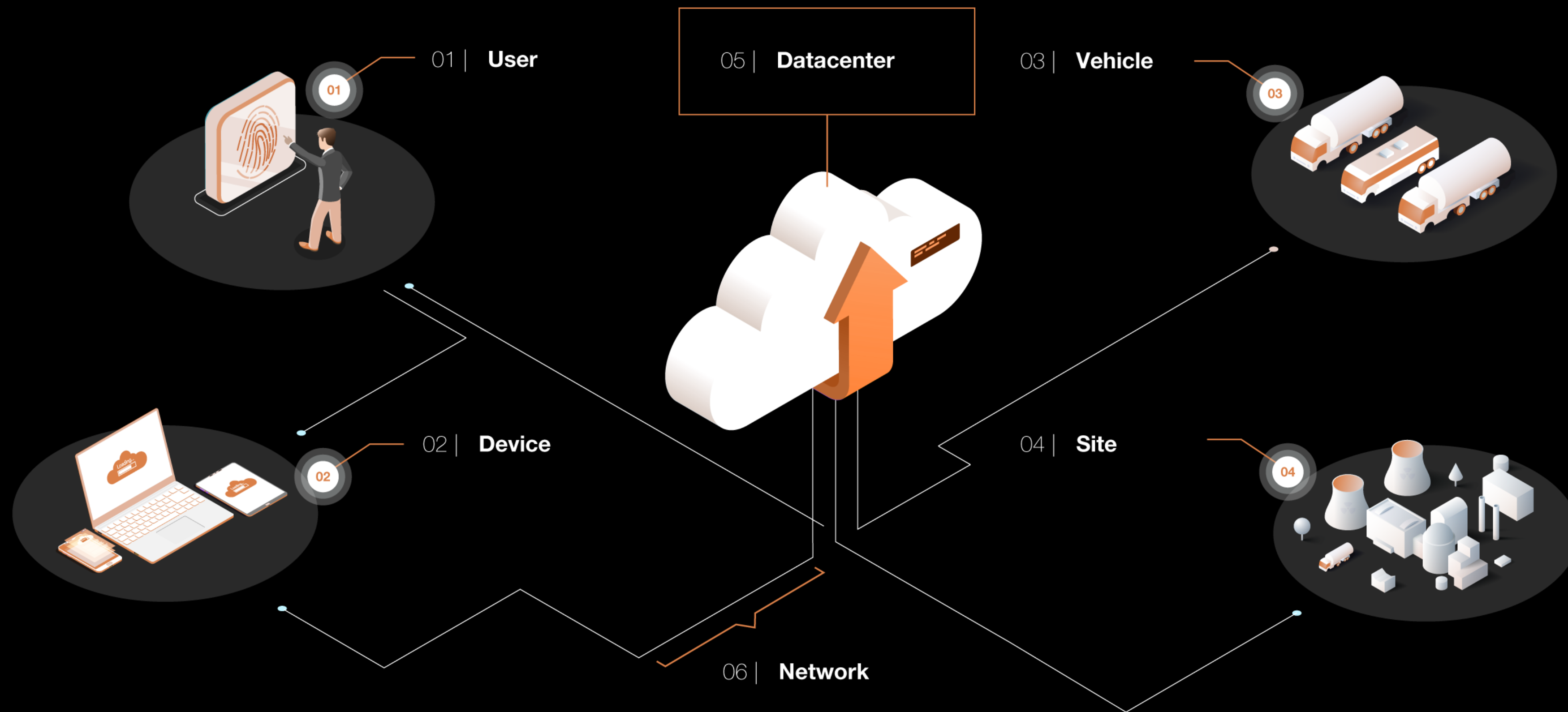**Cybersecurity use cases**

SECURITY BY SWEDEN

Designed and implemented in Sweden

Security from the User to the Cloud
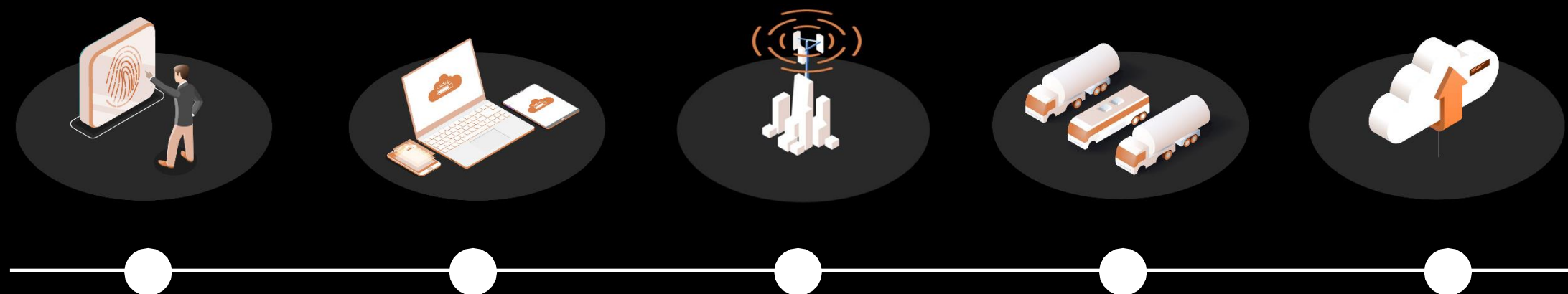
60+
MEUR of R&D investments to date

Clavister Use Case Overview

Clavister

01 | **User**

05 | **Datacenter**

03 | **Vehicle**

02 | **Device**

04 | **Site**

06 | **Network**

![Clavister Solution Set — a circular puzzle diagram with the central hub labeled "Clavister Aurora Security Framework" surrounded by six segments: Next-Generation Firewall, Secure SD-WAN, Identity & Access Management, 5G Security, Cyber Armor, and SASE.]

Clavister Solution Set

Clavister Aurora Security Framework

- Next-Generation Firewall
- Secure SD-WAN
- Identity & Access Management
- 5G Security
- Cyber Armor
- SASE

Team

Executive Management

John Vestberg
Co-founder,
President & CEO

David Nordström
CFO

Przemek Sienkiewicz
Chief Commercial
Officer

Nils Undén
CTO

Johan Edlund
Chief Products
Officer

Adrianne Edblad
Chief People and
Culture Officer

Board of Directors

Viktor Kovacs
Chairman of the
Board

Jan Frykhammar
Board Member

Staffan Dahlström
Board Member

Kimberly Matenchuk
Board Member

Martin Kreuzer
Board Member

Malte Pollmann
Board Member

Martin Roos
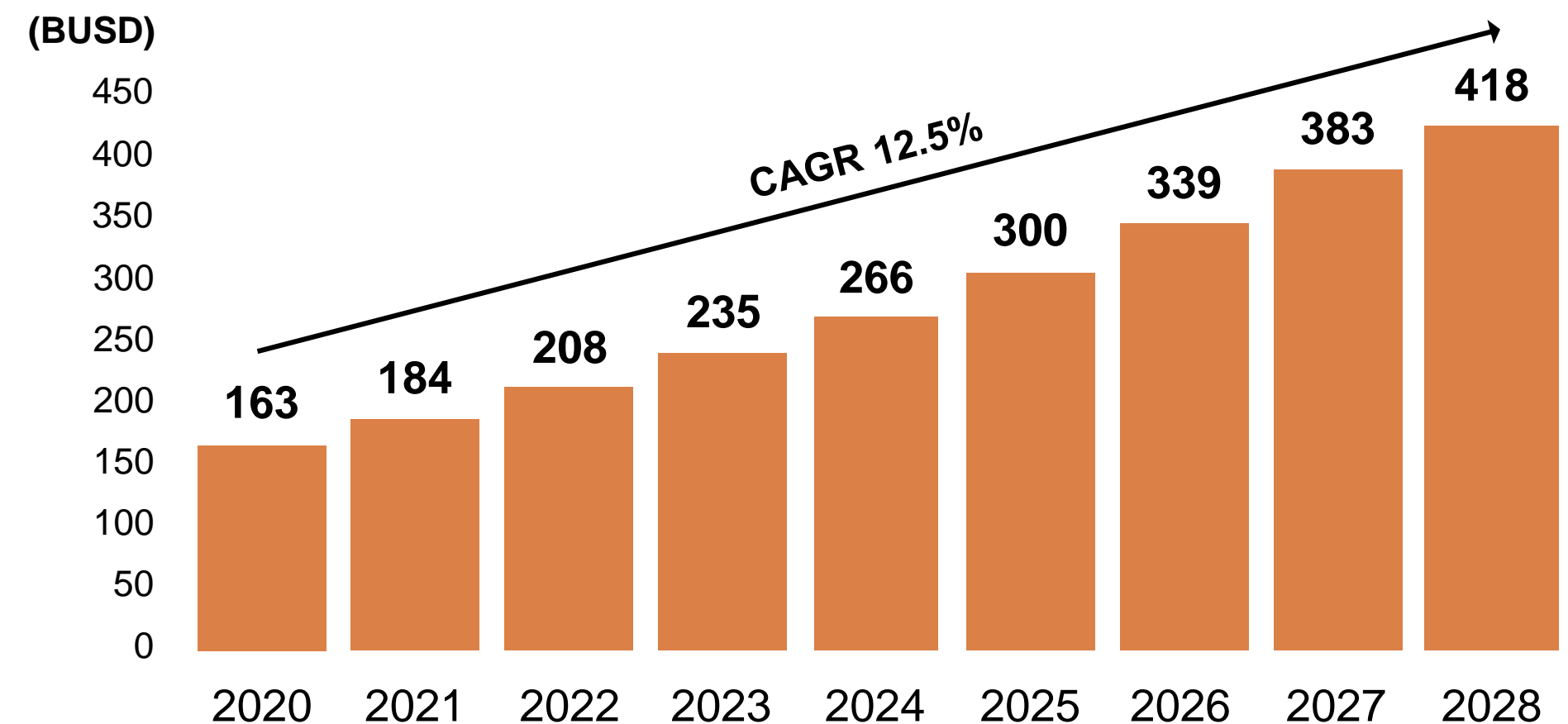Board Member

MARKET TRENDS
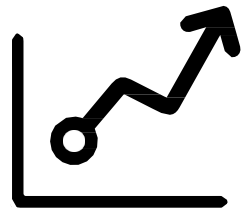
Clavister

Global Cybersecurity Market

CLAVISTER

"Global cybersecurity spend is anticipated to grow to **USD 418 Billion** by 2028, at an annual growth rate of **12.5%** between 2020 and 2028."

QUINCE
MARKET INSIGHTS

"In 2021, cybercrime damages might reach **USD 6** trillion — what would be equivalent to the **GDP** of the world's **third largest economy.**"

WORLD
ECONOMIC
FORUM

(BUSD)

Year	Value
2020	163
2021	184
2022	208
2023	235
2024	266
2025	300
2026	339
2027	383
2028	418

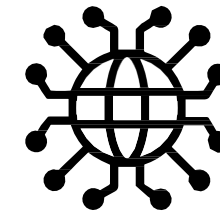CAGR 12.5%

Macro Trends Relevant to Clavister

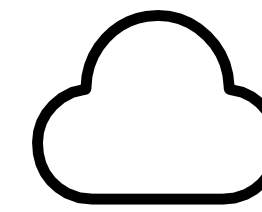The **digitalization** trend drives strong demand on identity, integrity and policy control

Increased **regulations**, e.g. EU Cybersecurity Act (2019)
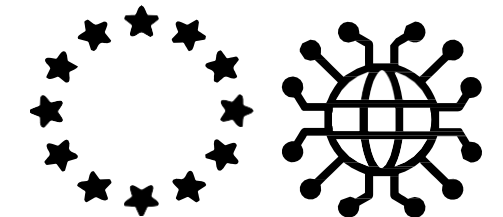
5G

Rapid adoption of **5G** - explosive growth of mobile **data traffic**

Cybersecurity is growing in **complexity** by the day

Accelerating **Cloud Services** adoption rate

Increased g**eo-political tension** with the EU lacking its own world-class cybersecurity vendors

STRATEGIC DIRECTION

Clavister

Key Pillars In Our Growth Strategy

We have a clear growth strategy and are well-positioned to expand in our selected markets

1	**2**	**3**	**4**	**5**
Industry Focus	**Clavister SASE**	**Solution-oriented Sales**	**Recurring Revenue**	**M&A**

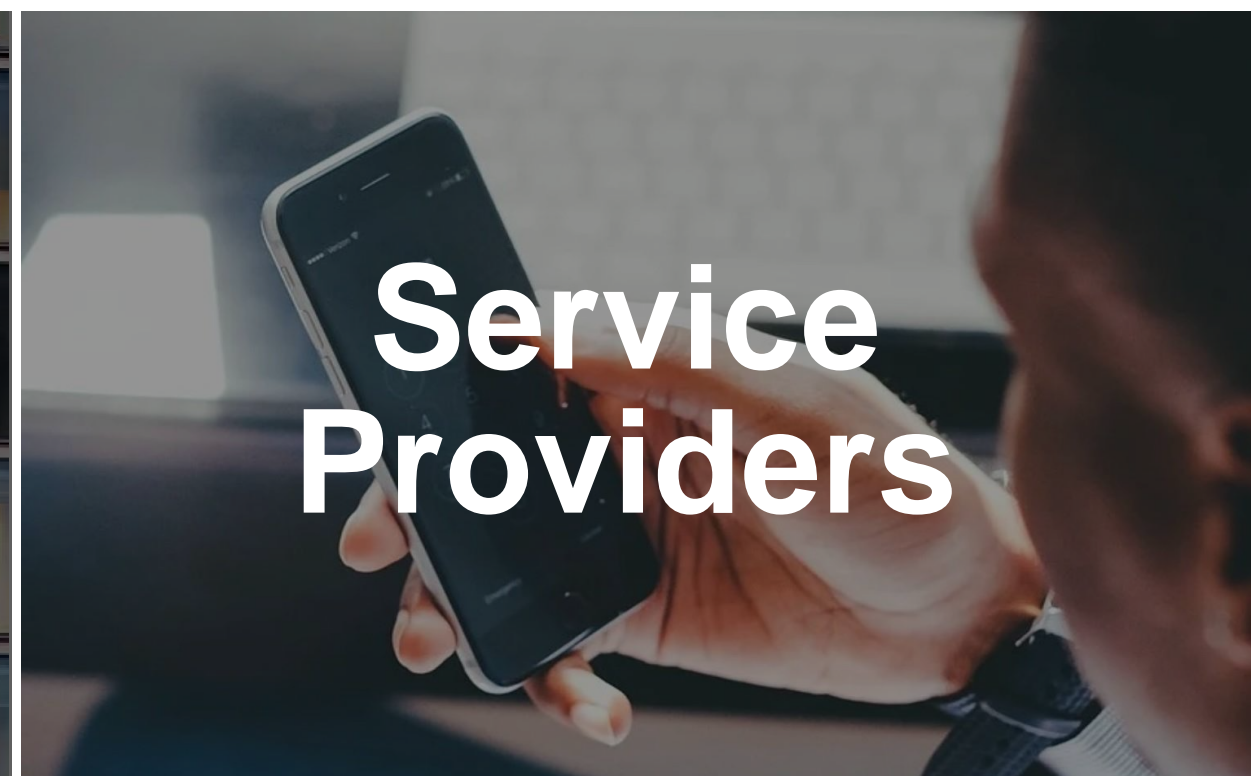# Industry Focus

- Implementing a targeted industry focus through verticalization

- Building critical mass to accelerate growth within selected customer verticals

- A natural continuation of a focused journey which Clavister started in 2018

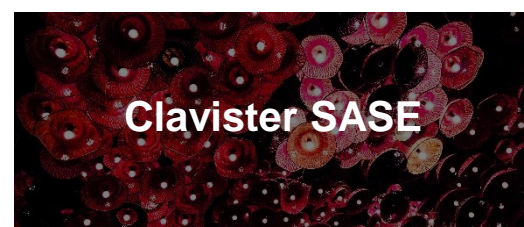- From 2021 Clavister is focusing on three key industries:

EU Public Administration

Service Providers

Defense

EU PUBLIC ADMINISTRATION

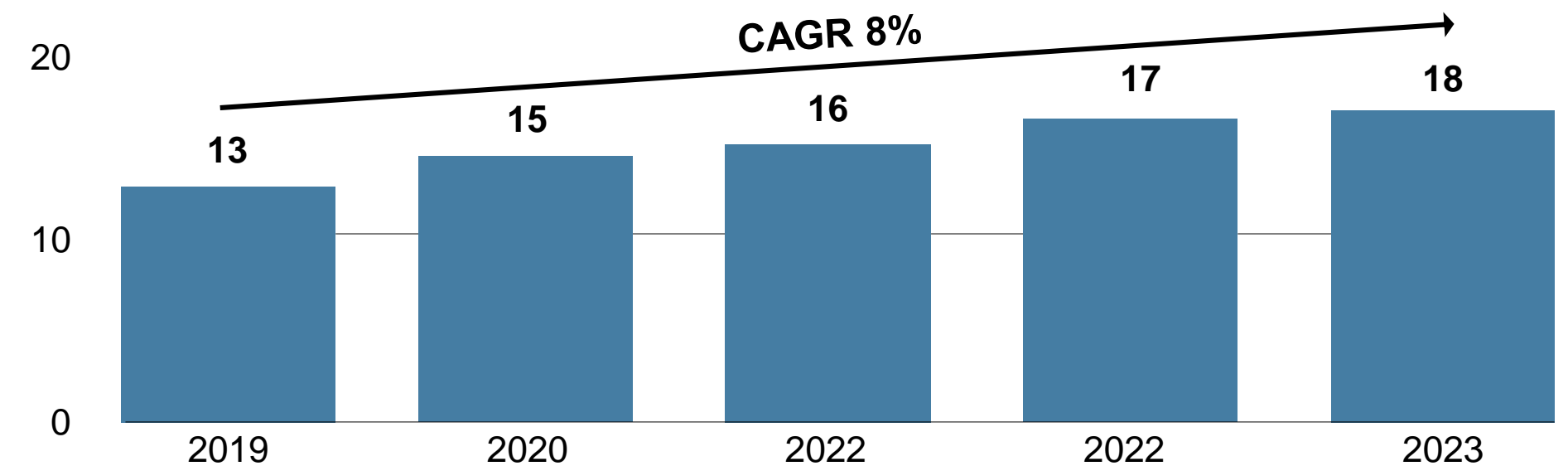# EU Public Administration – Investment Drivers and Market

Key Trends and Investment Drivers

- Digitalization of government services – accelerated by COVID-19
- Implementation of cybersecurity laws and regulations; NIS Directive (2016) and EU Cybersecurity Act (2019)
- Large-scale financial impact of cyber-attacks on critical government data
- Increasing public-private partnerships for enhancing cybersecurity infrastructure in the region

Addressed by Clavister Solutions

Identity & Access Management

Next-Generation Firewall

Secure SD-WAN

Clavister SASE

EU Public Admin Cybersecurity Spend 2019 – 2023 (BUSD)

CAGR 8%

Year	Value
2019	13
2020	15
2022	16
2022	17
2023	18

Westlands Advisory, 2020

CYBERSECURITY™ MADE IN EUROPE

COMMON CRITERIA CERTIFIED EAL4+

ICSAlabs CERTIFIED

Public Administration to account for

25+%

of total EU cybersecurity market by 2025

Public Administration – Clavister Key Values

Government
Track record

- Trusted by nation-wide, regional and local government customers, delivering high availability solutions for government services

- Publicly listed Swedish company with a matching design and engineering ethos and deep knowledge of the challenges faced by national and local governments

The natural
Transformation partner

- Understands the connectivity and identity management challenges, delivering secure SD-WAN across offices and devices

- Physical and virtual products meet on-premise, hybrid and cloud requirements

- Consistently rated well above industry average with Net Promoter Score of 59 for customer support services

True **European**
Cybersecurity

- The only European vendor that can deliver the scope of cybersecurity that otherwise only US vendors provide

- Technology designed and implemented in Sweden - services run in European clouds
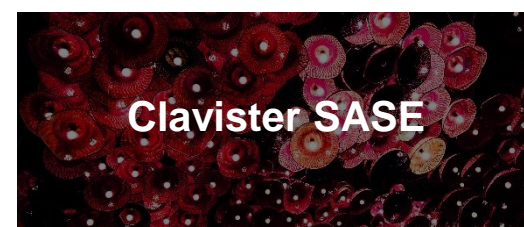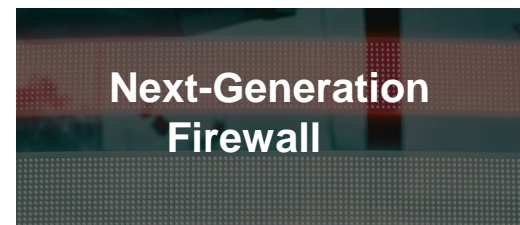
SERVICE PROVIDERS

clavister

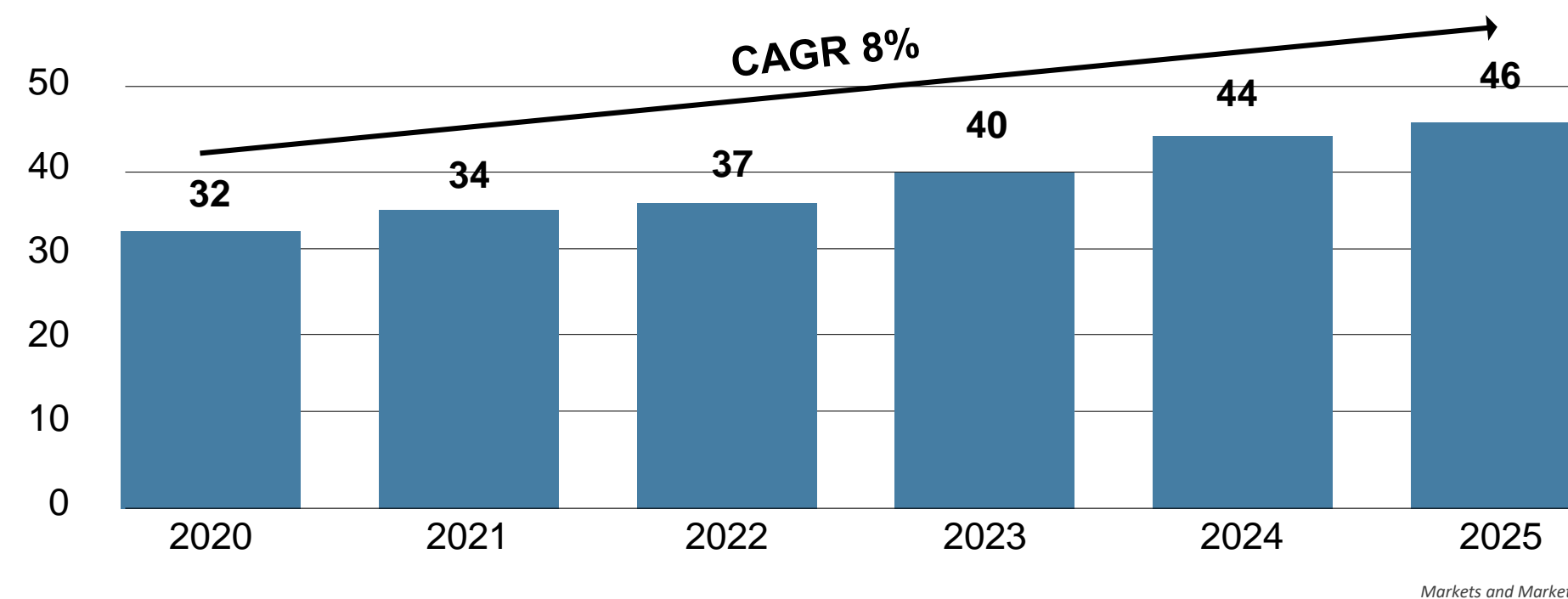# Service Providers – Investment Drivers and Market

Key Trends and Investment Drivers

- Ever-increasing complexity of cybersecurity drives strong trend of out-sourcing security to service providers

- Rapid adoption of 5G drives cybersecurity investments to ensure network resilience

- 5G capabilities open up for over-the-top security services to enterprise and customer customers

- CSPs are looking for over-the-top services to drive value from their recent investments in 5G

Addressed by Clavister Solutions

Identity & Access Management

Next-Generation Firewall

Secure SD-WAN

Clavister SASE

5G Security

Managed Security Services Market 2019 – 2023 (BUSD)

CAGR 8%

Year	Value
2020	32
2021	34
2022	37
2023	40
2024	44
2025	46

Markets and Markets

NOKIA

ERICSSON

TATA

TELCO SYSTEMS

IWG International Workplace Group

CLAVISTER

Service Providers - Clavister Key Values

Carrier-Proven
Capability

- Trusted by several CSPs and MSSPs across the globe, with products in large-scale operations for years

- A leader in 5G security deployments with over 30 operator wins, and a performance leader in fully virtualized software for 5G security

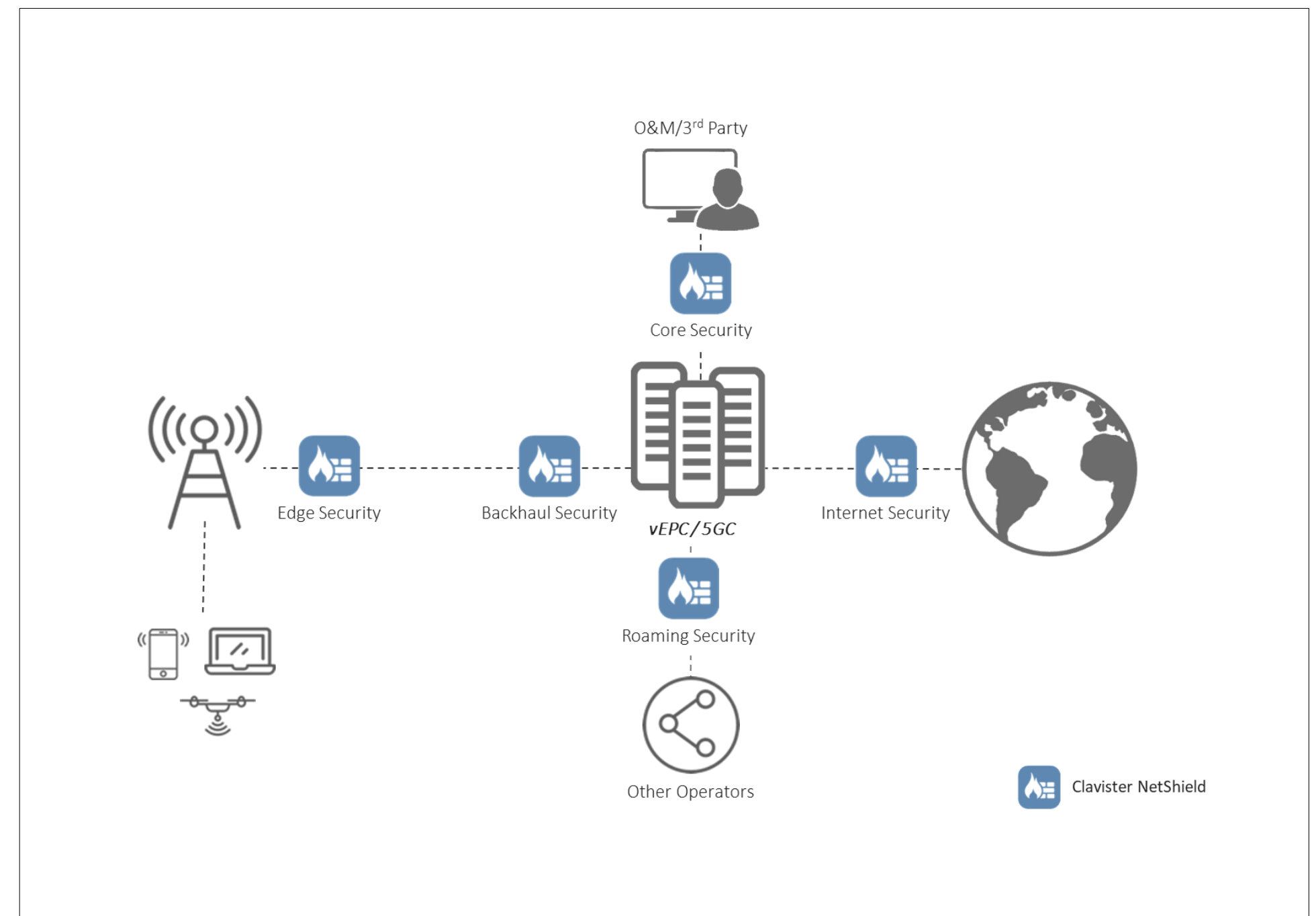### A **Partner**
for Cybersecurity

- Solid experience of working close with network equipment providers and service providers – often with highly demanding technical integration scope

- The wide set of use-cases makes Clavister a cybersecurity one- stop shop for service providers

Continuous
Innovation

- Investing above industry benchmarks to support the continuing evolution of our solutions

- Firewalling, SD-WAN and IAM solutions support the need for Zero Trust networking, whilst we continue to develop technologies for the future 5G world

- Our design principles are based on a low code footprint resulting in services that are easily integrated, scalable and with reduced complexity

Service Providers – Case Study with NOKIA

- **Nokia** is differentiating themselves through a comprehensive security offering to mobile operators and enterprises

- With the adoption of 5G, **cybersecurity** has to be **designed-in**, as opposed to a bolted-on afterthought

- With more bandwidth and more use cases, data volumes are expected to grow rapidly. As a consequence, firewalls must increase both performance and scalability

- Clavister's virtual firewall is part of Nokia's security offering, branded as **Nokia NetGuard Virtual Firewall**

- The solution covers multiple 5G and 4G use-cases

- Pay-per-capacity business model – Clavister revenues scale with growing data volumes

O&M/3rd Party

Core Security

Edge Security

Backhaul Security

vEPC/5GC

Internet Security

Roaming Security

Other Operators

Clavister NetShield

NetGuard
Security you can rely on

Security management

Network security

Endpoint and IoT security

Service Providers – Case Study with TELCO SYSTEMS

- **Telco Systems**, part of BATM Advanced Communications, is a leader in network communication solutions

- Telco Systems provides solutions for current carrier ethernet networks, as well as the latest NFV network architectures to multiple verticals, including 5G, IoT, network slicing, and enterprise CIT

- Through the partnership with Clavister, Telco Systems is launching **Edgility -** a comprehensive SD-WAN and Security suite

- The solution is offered to Telco Systems' vast portfolio of service provider customers

DEFENSE

Defense – Investment Drivers and Market

CLAVISTER

Key Trends and Investment Drivers

- Modernization programs, cloud migration and battlefield IoT
- Regulation and policies on improving cyber controls. Examples include C2C (Comply to Connect) in Europe and CMMC in the US
- Digitalization of military operations is growing as countries invest to gain battlefield superiority
- Risk is high in a critical operating environment, with a successful cyber attack leading to loss of mobility, critical communications or interception of intelligence

Global Defense Cybersecurity Spending, 2019 – 2023 (BUSD)

CAGR 8%

- 2019: 9
- 2020: 10
- 2021: 10
- 2022: 11
- 2023: 12

Westlands Advisory, 2020

Addressed by Clavister Solutions

Cyber Armor

Identity & Access Management

Secure SD-WAN

BAE SYSTEMS

SAAB

Digital Cloak

Eurofighter
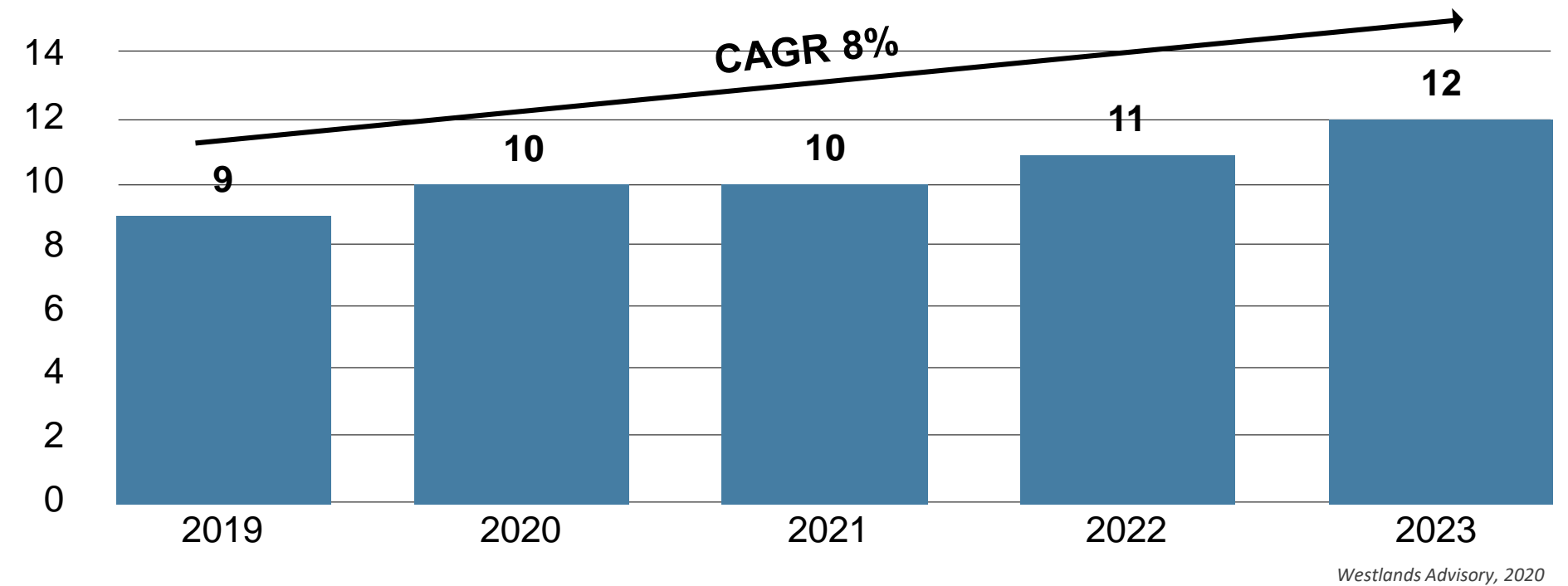
Defense – Clavister Key Values

Clavister

Defense Proven **Capability**

- Trusted by governments, delivering carrier grade, high availability solutions to the military and operators of essential services

- Operational experience in defense land systems, delivering technology across combat vehicles and personnel carriers

A **Partner** to the Defense Community

- Significant experience of complex project management, delivering through-life support including research, development and after- market services

- European headquartered business with a heritage of innovation and close collaboration with our customers

High Levels of **Performance** meeting Industry Requirements

- Delivering security products and services that meet the exacting SWaP and ruggedization requirements of armed forces

- Technology fits within General Vehicle Architecture specifications, delivering a low cost solution, ensuring Confidentiality, Integrity and Availability of data exchange

- Ease of use and configurability is at the center of our design ethos

Defense – Case Study with BAE SYSTEMS

- **BAE Systems** is Europe's largest and the world's third largest defense contractor. Subsidiary BAE Systems Hägglunds produces vehicle systems for military and civil applications

- Key products are the CV90 (Combat Vehicle 90) and the BvS10 (Armored All-Terrain Vehicle). Latest versions are integrating the Electronic Architecture NATO standard, which drives strong demand on cybersecurity

- Clavister contracted to implement and integrate a military-graded security gateway, RSG-400 and secure switch, RSW-400 into the CV90 and BvS10 vehicles

- Based on Clavister's technology platform – augmented with BAE/NATO requirements

- First end-customer contract is for a Western-European military organization, worth 50 MSEK to Clavister, with upside to 90 MSEK

- Subsequent end-customer projects worth 20 – 100 MSEK each (subject to contract award to BAE Systems)

Battle Command Systems
Video Cameras and Sights
Sensors
Communication Systems
Weapon Firing Computers
Engine Control Systems
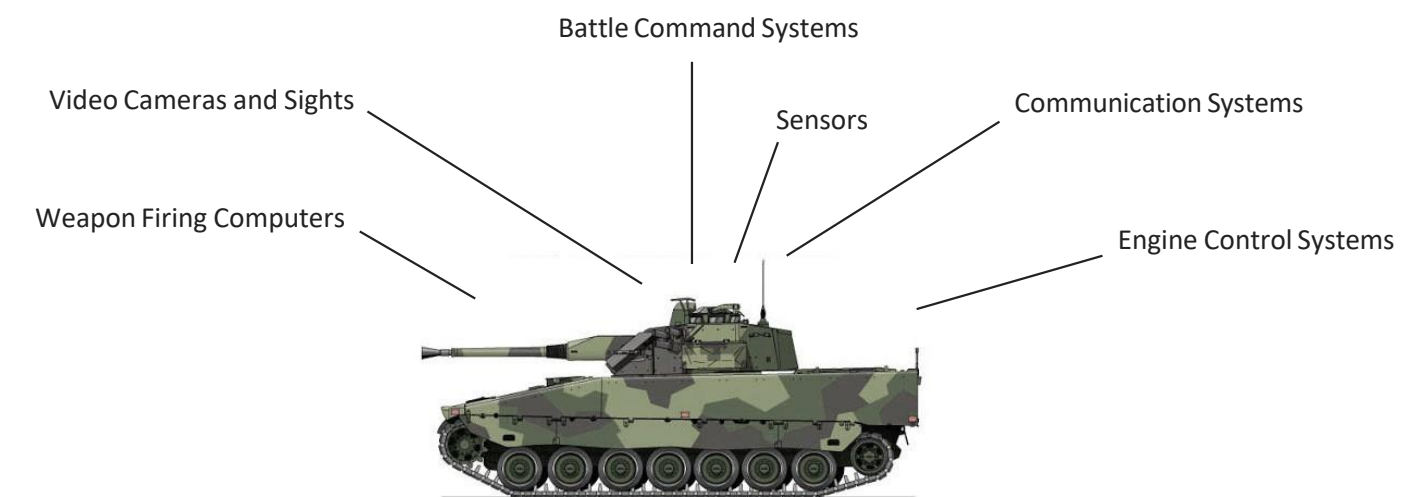
CV90 MkIV

BvS10

Clavister RSG-400

Defense –
Go-to-Market Model

DESIGN WINS AND INTEGRATIONS

DEFENSE PROGRAMS

DEFENSE OEMs AND SYSTEM INTEGRATORS

BAE SYSTEMS

SAAB

Digital Cloak

?

OEM Contract for
CV90 / BvS10 Integration

Other Vehicle Systems

PoC for 1,500
Employees at U.S.
Marine Corps.

Other U.S. DoD Use Cases

Western European Army
50 MSEK Contract (90 MSEK potential)

Prospect

Prospect

Prospect

Prospect

Prospect

Announced Wins

Clavister SASE

What is SASE (Secure Access Service Edge)?

- Launching Clavister SASE solution in H2 2021

- Initial target group is public administration customers in Sweden, then scaling to Nordics and later to Europe

- Solution also packaged for OEMs and Service Providers wanting to deploy SASE as part of their business model

- Leveraging the comprehensive software IPR built over 20 years

Source: Gartner

SASE is the **convergence** of **WAN** and **security** services into one holistic service model, predominantly **cloud-delivered**

Clavister SASE – Key Values

- We own more of our SASE stack than most other vendors own of theirs which drives margins and allows flexible OEM and licensing arrangements

- Identity is at the core, leveraging our strengths in Identity Management

- Hosted in Europe – mitigating any data integrity and geo-political concerns

- Multi-tenant, security-first architecture

- Infrastructure as code – deployable on any cloud infrastructure

Market Outlook

- Global SASE market is projected to reach 5.4 BUSD by 2027, from 2.7 BUSD in 2020, at a CAGR of 10.4% during 2021-2027

- By 2025, at least 60% of enterprises will have explicit strategies and timelines for SASE adoption encompassing user, branch and edge access, up from 10% in 2020

Source: www.marketwatch.com

Clavister SASE – Our IPR Advantage

Clavister
- Licensed Technology
- Buy/Build/Partner

User & Device Directory	Behavior Detection Engine	Zero Trust Policy Rule Set

Service Policy Engine

Data Leakage Prevention (DLP) and Cloud Access Security Broker (CASB) functions

Advanced Threat Protection (ATP) – Secure Web Gateway (SWG)

IAM federation

MFA	SSO	Device & Location Awareness	Firewall - Network Policy Enforcement Point (FWaaS)

FIDO2	Mobile Auth App	EndPoint Security	Client SSL VPN App	Thin Edge	Thick Edge	Cloud Edge	SD-WAN

Control Plane Zone

User Plane Zone

Solution-oriented Sales

CLAVISTER

- Elements of Clavister product portfolio combined into pre-defined solutions to address specific industry challenges
- Part of an overall transition journey from product selling to value added solution selling
- Reflected in the overall operational setup of the business

Elastic Secure SD-WAN

Identity & Access Management

5G Security

Cyber Armor

Benefits include:

Crisper positioning + **Increased viability of the portfolio** + **Ability to target larger accounts**

Consolidating to Recurring Revenue Model

- Historically, products have been sold primarily on a perpetual license model
- Within the portfolio, multiple products were sold on multiple different pricing models
- Transition from selling products to selling solutions gives an opportunity to transition further towards recurring revenue-based pricing schemes

Perpetual with subscriptions

Term-based licensing

Utility-based licensing

MSSP licensing

Term-based and As-a-Service Revenues (100% recurring)

Project-specific model
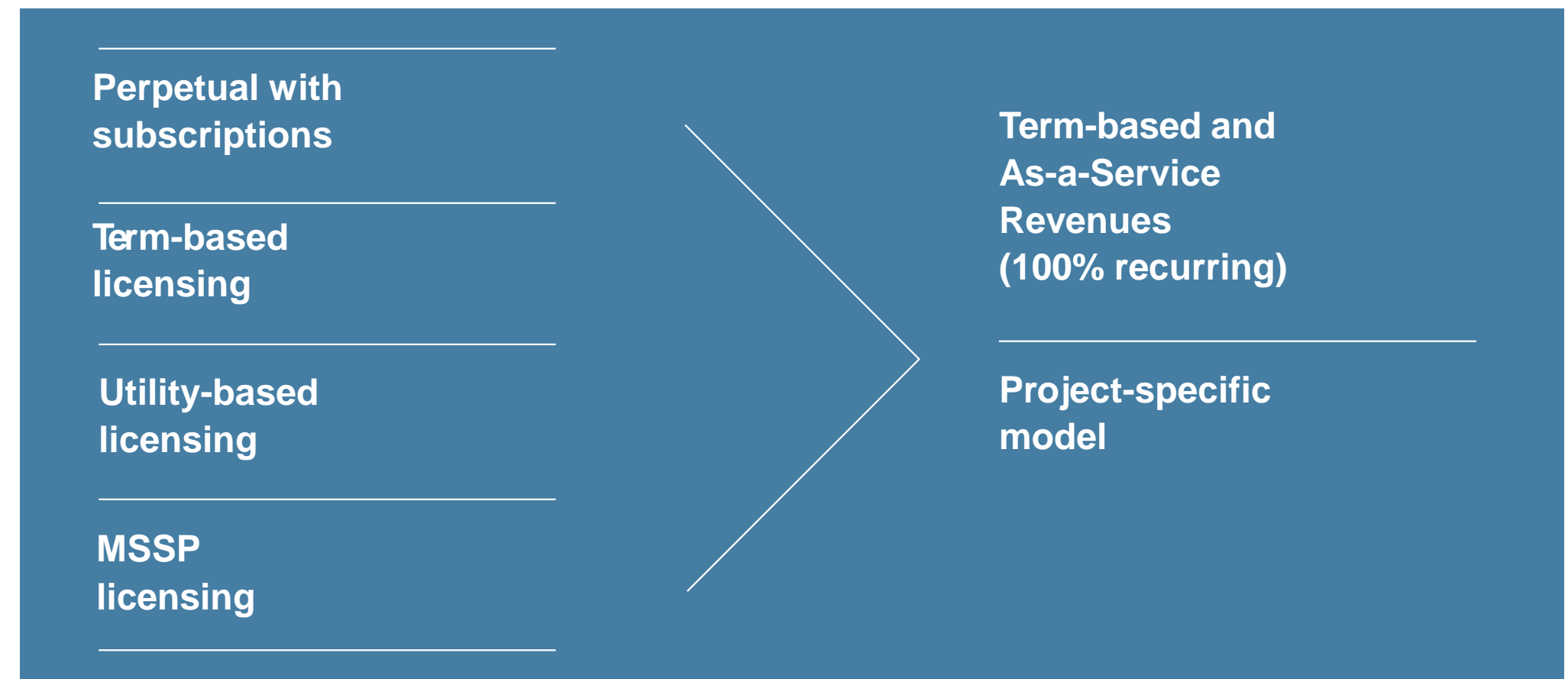
Benefits include:

Highly visible revenue streams

+

Reduced churn rates due to auto-renewals

+

Lower up-front investment for customers

Successfully Transitioning to a Recurring Revenue Model

Chart legend:
- Consulting service
- Products and license of a non-recurring nature
- Recurring revenue

Values by year:
- 2017: Consulting service 5, Products and license of a non-recurring nature 64, Recurring revenue 31
- 2018: Consulting service 8, Products and license of a non-recurring nature 55, Recurring revenue 37
- 2019: Consulting service 17, Products and license of a non-recurring nature 40, Recurring revenue 42
- 2020: Consulting service 16, Products and license of a non-recurring nature 30, Recurring revenue 54

We started the transition in 2018 and already by 2020 over 50% of revenues are recurring

M&A

- Clavister successfully entered the IAM market through the acquisition of PhenixID in 2016

- Further acquisitions will be undertaken provided they align closely with Clavister's strategy and accelerate profitable growth

- Key characteristics of potential acquisitions we wish to undertake include:
    o Strengthen our position in our key geographical and vertical markets
    o Bring cybersecurity talent with a compatible culture to our own
    o Strengthen our offering by bringing either new routes to market or new functional capabilities that match our own R&D road map.
    o Add near-term profitability once synergies are considered

- We are actively considering potential acquisition targets that meet these criteria

Our Ambitions

Clavister will continue to accelerate growth and improve leverage

- Outperform underlying cybersecurity market growth
- Improved net sales growth in 2021 over 2020.
- Reach sustainable EBITDA profitability level

- Outperform underlying cybersecurity market growth
- Net sales growth of 20+% on average over the next three years
- Demonstrate positive Free Cash Flow[*] (FCF) from 2022

- Provide industry-leading profitability and Free Cash Flow[*] (FCF)

2021 **Mid-term** **Long-term**

[*] *Defined as operating cash flow and investing cash-flow in order to service our debts.*

# FINANCIAL PERSPECTIVE

Accelerating our Growth Trajectory

Order intake CAGR of 20 %

Net Sales CAGR of 17 %

ORDER INTAKE (T12M)

(MSEK)

Legend:
- Order Intake (T 12M)
- Net Revenue (T 12M)
- Linear (Order Intake (T 12M))
- Linear (Net Revenue (T 12M))
- BAE Systems Order Intake

Y-axis: 50, 70, 90, 110, 130, 150, 170, 190, 210

X-axis: Q1 Q2 Q3 Q4 (2017), Q1 Q2 Q3 Q4 (2018), Q1 Q2 Q3 Q4 (2019), Q1 Q2 Q3 Q4 (2020), Q1 (2021)
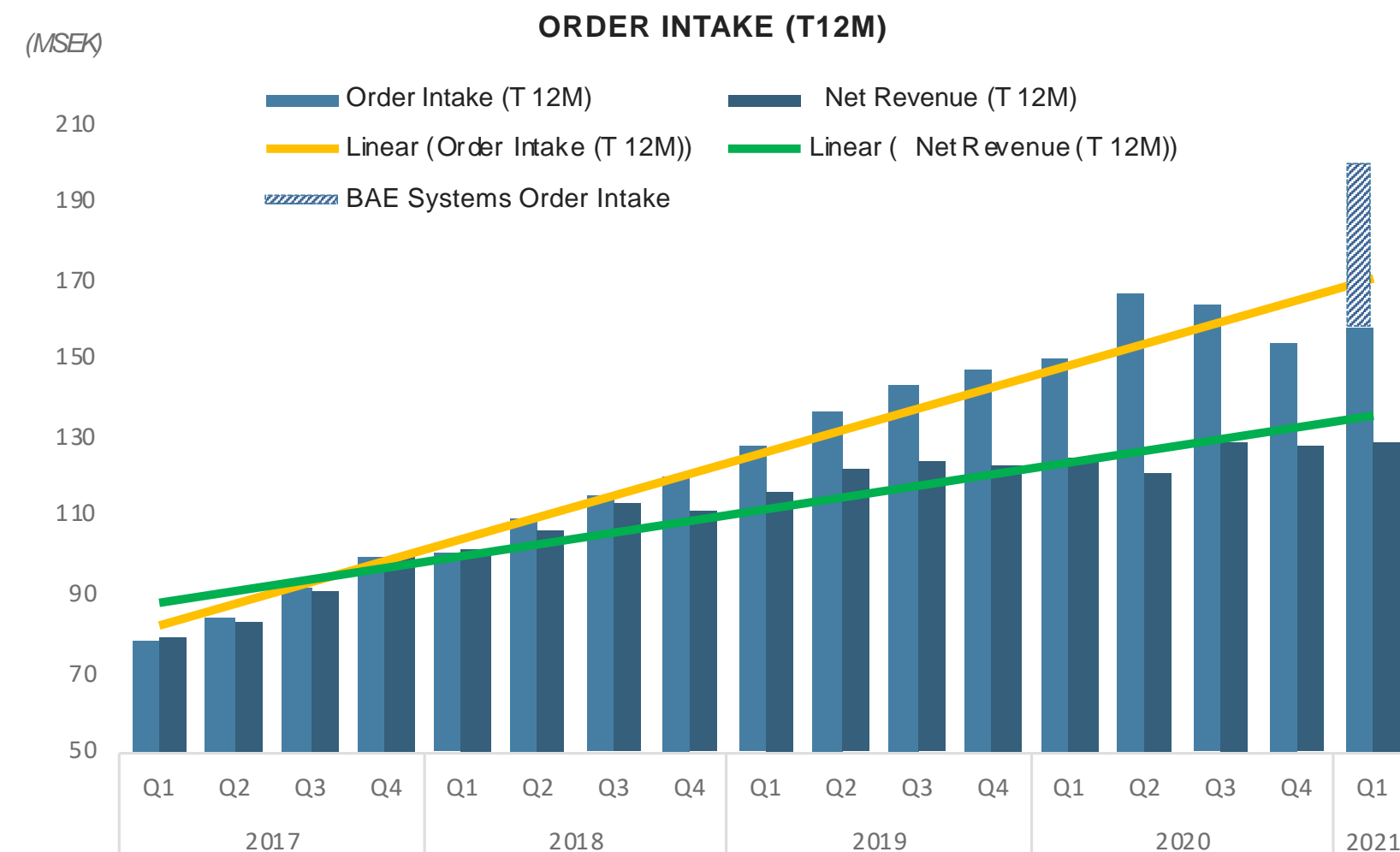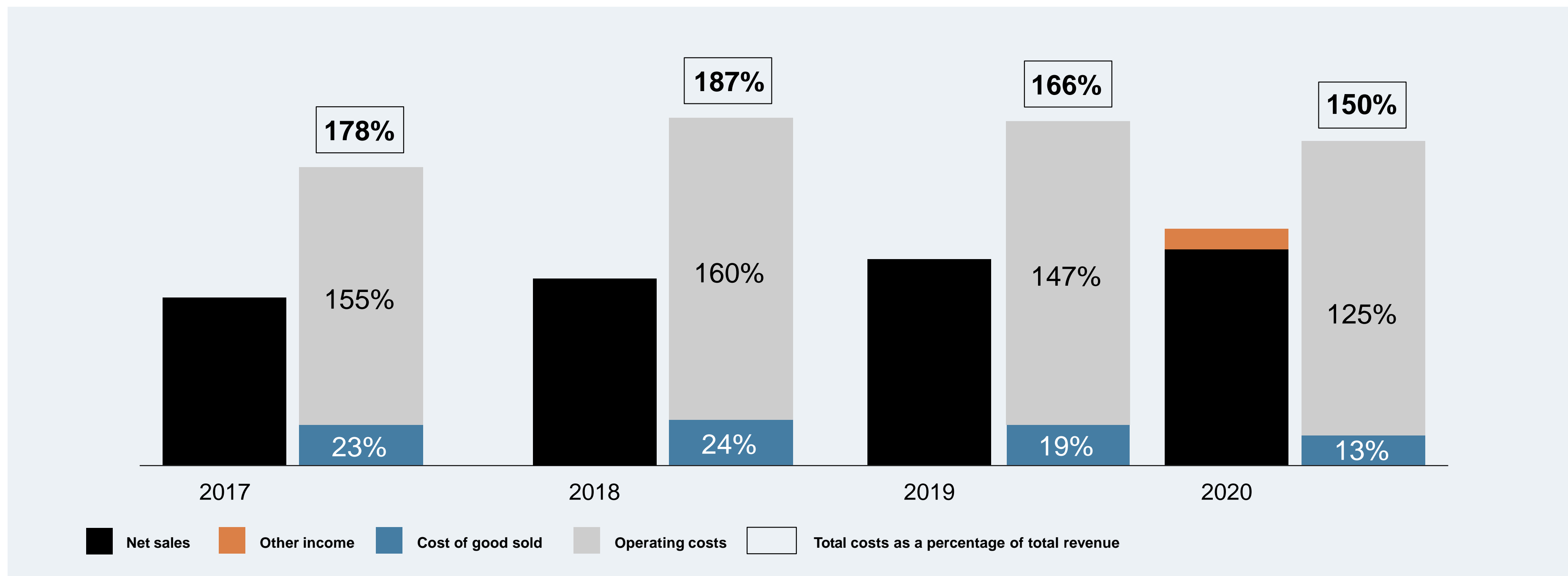
- • Order book of 30 MSEK end of Q1 to be fulfilled within 24 months, majority within 12 months

- • BAE contract of 50 MSEK will generate additional order intake mainly during 2022 – 2024

- • Transition to recurring revenue model will fuel order intake and net sales

- • Cohesive Commercial Department with strong end customer focus will accelerate our growth

Continuous Investment in R&D
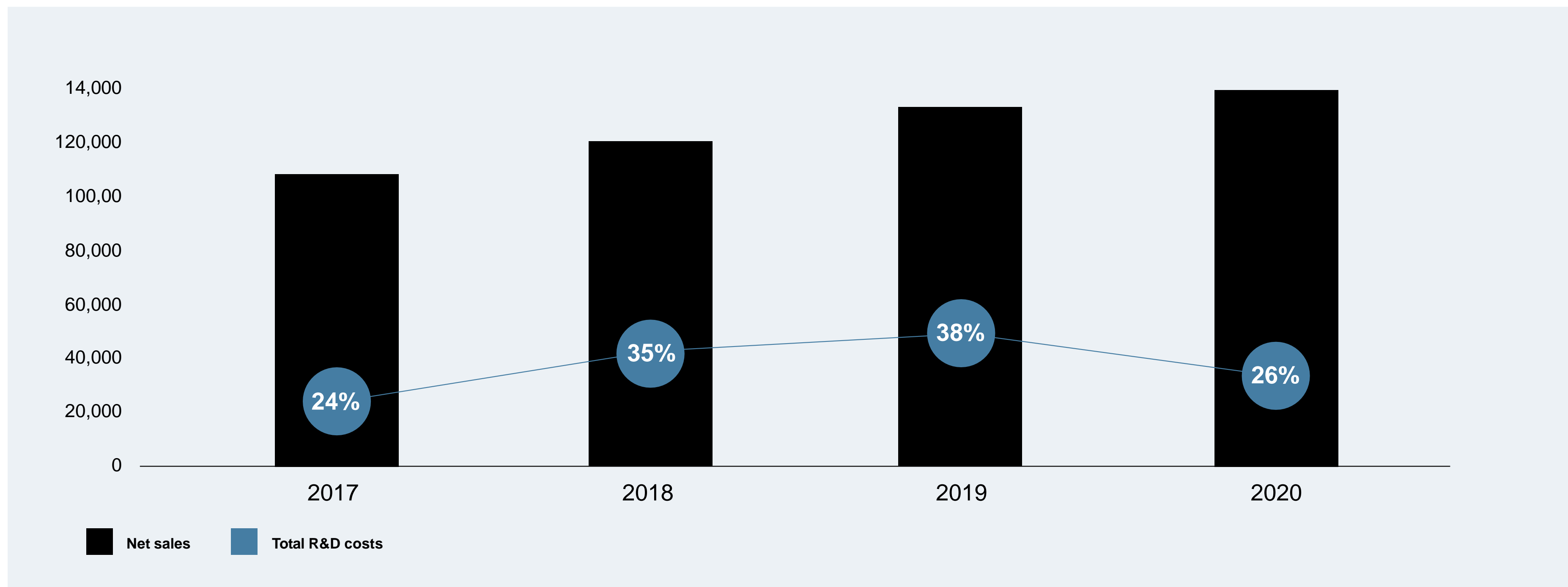
Committed and continuous R&D investment to maintain competitive edge

Cost Base Under Control as Net Sales Grow

CLAVISTER

178%	**187%**	**166%**	**150%**

2017: 155%, 23%
2018: 160%, 24%
2019: 147%, 19%
2020: 125%, 13%

Legend:
- Net sales
- Other income
- Cost of good sold
- Operating costs
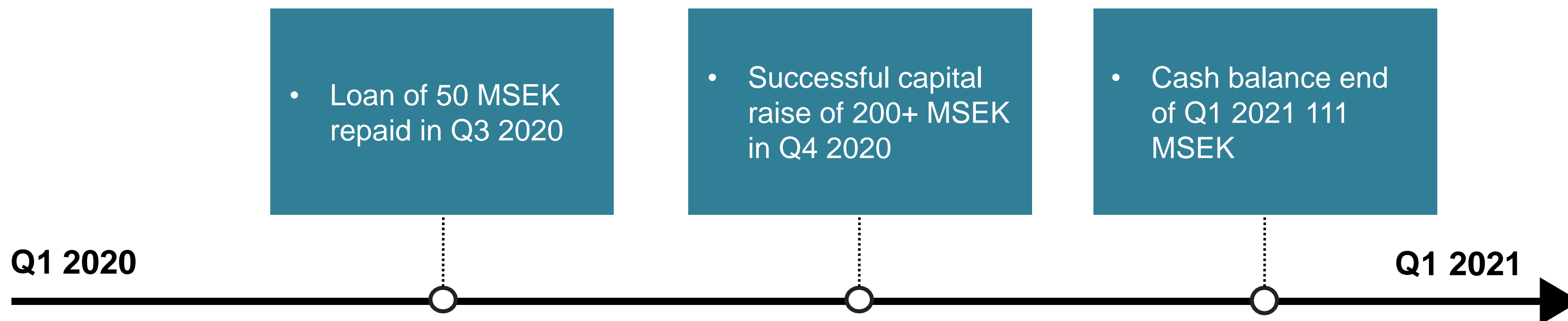- Total costs as a percentage of total revenue

- Cost of goods sold keeps reducing as software component increases
- Operating costs have reduced to a sustainable level, while revenues continue to grow consistently

Note: Operating Costs do not include Depreciation & Amortisation

# Balance Sheet Supporting Accelerated Growth and Transition to Recurring Revenue

CLAVISTER

Net capital raising combined with reducing operating loss due to tight management of OPEX have led to a 115 MSEK increase in equity

- Loan of 50 MSEK repaid in Q3 2020

- Successful capital raise of 200+ MSEK in Q4 2020

- Cash balance end of Q1 2021 111 MSEK

Q1 2020 ─────────────○─────────────○─────────────○──────> **Q1 2021**

- Cash burn from operations are decreasing as Net Sales increases with OPEX under control

Cash position supports the transition to increased recurring revenue – moment is now
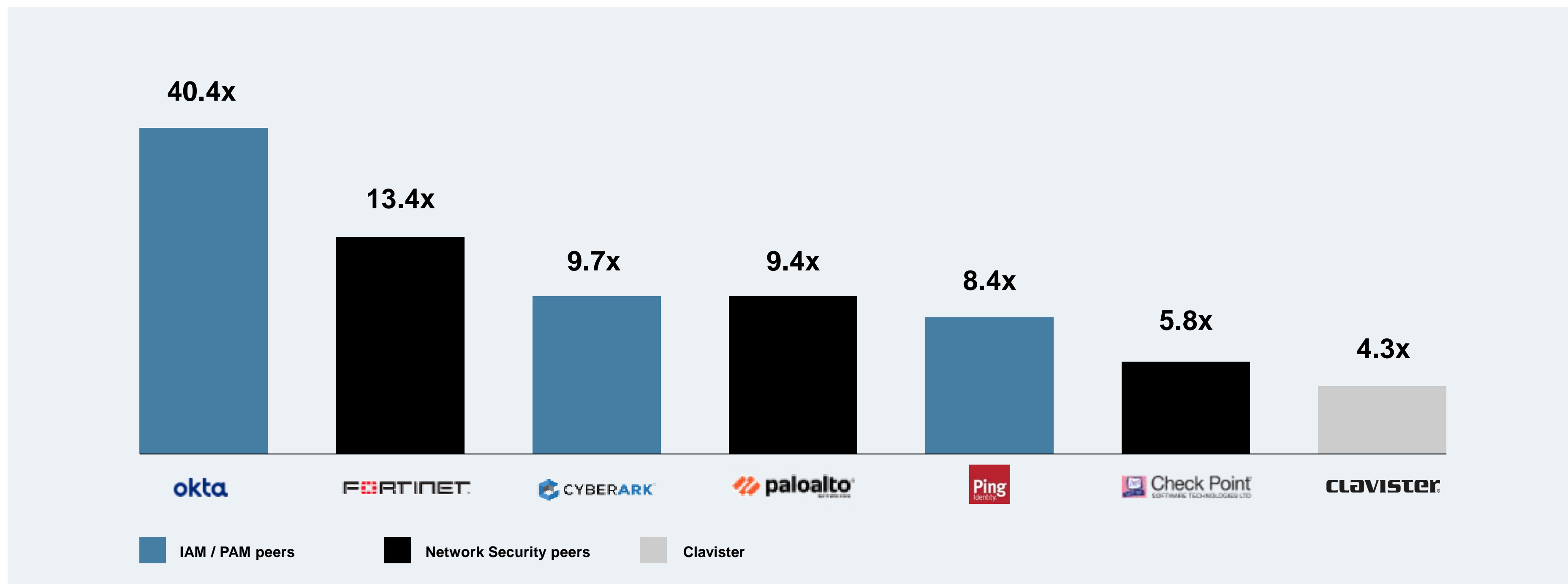
Summary

- Rapidly growing market opportunity driven by digitalization, 5G and Cloud – accelerated due to Covid-19

- Versatile technology capable of deployment in any IT environment

- Trusted by the largest players in European defense and mobile, each driving significant revenues

- Huge opportunity in Nordic and DACH public administration

- Full, proprietary technology suite at least as good – and often better – than global competitors

- Brand value and quality of proprietary, Swedish built technology are ideal for EU markets

- Growth now coming through, with EBITDA profitability anticipated in the near term

clavister

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SWEDEN