Fifth Quarter 2015 – 2016 Earnings Call

The Quarter in brief....

Conference Call overview

1. Business update – market overview
2. Brief summary of financial performance
3. Integration of Mblox
4. Business Update – Enterprise and Operator divisions
5. Margin uplift program
6. Pre-launch of CLX IoT – Internet of Things
Fifth Quarter 2015 – 2016 Earnings Call

Business update – market overview

- A2P Communication is exploding
  - Application usage is growing fast, the interactions between consumers and businesses are increasingly taking place through an application; mobile application or trough a website, rather than face-to-face or over the phone.
  - The consequence? – an accelerating need to build and integrate communication capabilities at the core of enterprise applications to automate, simplify, and scale interactions and communication need.

- A2P is becoming Cloud Based
  - Cloud-based platforms offer developers easy-to-use APIs for access, flexibility, and scalability. And with more applications being built for cloud-only environments, the adoption of cloud-based A2P communication is likely to explode

- CPaaS (Communication Platform as a Service) market is already large and is growing rapidly when A2P-communication capabilities expands (voice, messaging, video, security online.)

- High-growth Total Addressable Market (TAM)
  - IDC forecasts the overall (cloud and legacy) A2P messaging market to grow from $25.2 billion in 2015 to $34.3 billion in 2019.

- A highly fragmented market drive opportunities to grow – organically and through acquisitions
  - With a market leading position, a leading technology and strong financial position CLX will be an active part in the consolidation of the market.

- Internet of Things – IoT is making progress

Q5 – Highlights

- Revenue increased with 143 percent to SEK 590.2 million (243.2).
- Gross profit was SEK 164.9 million (73.4).
- EBITDA was SEK 28.1 million (13.5).
- Adjusted EBITDA, excluding items affecting comparability, was SEK 72.1 million (23.2).
- Adjusted EBITDA margin was 12.2 percent (9.5).
- EBIT was SEK 7.3 million (12.0).
- Net profit was SEK 16.5 million (9.2).

YTD – Highlights

- Revenue increased with 53 percent to SEK 1,664.4 million (1,087.6).
- Gross profit was SEK 452.9 million (325.3).
- EBITDA was SEK 93.8 million (106.7).
- Adjusted EBITDA, excluding items affecting comparability, was SEK 162.0 million (112.4).
- Adjusted EBITDA margin was 9.7 percent (10.3).
- EBIT was SEK 66.0 million (100.8).
- Net profit was SEK 58.4 million (62.3).
The acquisition has created a strong, strategic position in the US where margins are considerably higher.

As previously communicated, we also expect annual synergies of USD 10 million, which will contribute to higher profitability.

Operationally assessed and planned synergies from the acquisition has exceeded expectations.

A new organization has been created to ensure the successful integration of Mblox, both operationally and financially.

To achieve full synergies from the acquisition a technology project has been initiated, intended to migrate all customers to a uniform technical platform.
Enterprise Division update

Margin Uplift program:

- Updated internal pricing policies.
- Automated price barriers etc. within the Group’s integrated technology platform.
- Corporate bonus models with a greater focus on margin targets of additional business.
- CLX will continuously evaluate and take action addressing the profitability of customers.
- Renegotiation of operator agreements, based on increased traffic volumes.
Operator Division update

Operator division according to plan.

- Solid order book.
- Solid sales pipeline.
- Capacity upgrade project delivery according to plan.
INTERNET OF THINGS

“Connecting People and Things to a World of Infinite Possibilities”
Going Forward

- Following a successful acquisition and integration of Mblox, CLX will continue to focus on growth, both organically and through acquisitions, and to deliver value for our shareholders.

- Continued investments in our Tier 1 Network that offer most direct connections in the industry to support mission critical Enterprise applications.

- Why is direct connections important:
  - Security
  - Highest delivery rates
  - Lowest latency

- Continued investments in broaden our A2P communication service portfolio.
### Outcome Q5

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<tbody>
<tr>
<td>Net sales</td>
<td>590.2</td>
<td>243.2</td>
<td>1,664.4</td>
<td>1,087.6</td>
<td>844.4</td>
<td>1,421.2</td>
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<tr>
<td>Gross profit</td>
<td>164.9</td>
<td>73.4</td>
<td>452.9</td>
<td>325.3</td>
<td>251.9</td>
<td>379.5</td>
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<td>Gross margin</td>
<td>27.9%</td>
<td>30.2%</td>
<td>27.2%</td>
<td>29.9%</td>
<td>29.8%</td>
<td>26.7%</td>
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<tr>
<td>Operating profit, EBITDA</td>
<td>28.1</td>
<td>13.5</td>
<td>93.8</td>
<td>106.7</td>
<td>93.1</td>
<td>80.2</td>
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<td>EBITDA margin</td>
<td>4.8%</td>
<td>5.6%</td>
<td>5.6%</td>
<td>9.8%</td>
<td>11.0%</td>
<td>5.6%</td>
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<tr>
<td>Adjusted EBITDA</td>
<td>72.1</td>
<td>23.2</td>
<td>162.0</td>
<td>112.4</td>
<td>89.1</td>
<td>138.8</td>
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<tr>
<td>Adjusted EBITDA margin</td>
<td>12.2%</td>
<td>9.5%</td>
<td>9.7%</td>
<td>10.3%</td>
<td>10.6%</td>
<td>9.8%</td>
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<tr>
<td>Adjusted EBITDA / gross profit</td>
<td>43.7%</td>
<td>31.6%</td>
<td>35.8%</td>
<td>34.6%</td>
<td>35.4%</td>
<td>36.6%</td>
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<tr>
<td>Operating profit, EBIT</td>
<td>7.3</td>
<td>12.0</td>
<td>66.0</td>
<td>100.8</td>
<td>88.7</td>
<td>53.9</td>
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<tr>
<td>EBIT margin</td>
<td>1.2%</td>
<td>4.9%</td>
<td>4.0%</td>
<td>9.3%</td>
<td>10.5%</td>
<td>3.8%</td>
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<tr>
<td>Adjusted EBIT</td>
<td>51.3</td>
<td>21.7</td>
<td>134.2</td>
<td>106.5</td>
<td>84.7</td>
<td>112.5</td>
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<tr>
<td>Adjusted EBIT margin</td>
<td>8.7%</td>
<td>8.9%</td>
<td>8.1%</td>
<td>9.8%</td>
<td>10.0%</td>
<td>7.9%</td>
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<tr>
<td>Profit for the period</td>
<td>16.5</td>
<td>9.2</td>
<td>58.4</td>
<td>62.3</td>
<td>52.9</td>
<td>49.1</td>
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<tr>
<td>Net margin</td>
<td>2.8%</td>
<td>3.8%</td>
<td>3.5%</td>
<td>5.7%</td>
<td>6.3%</td>
<td>3.5%</td>
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<tr>
<td>Cash flow from operating activities</td>
<td>-34.2</td>
<td>-10.9</td>
<td>5.6</td>
<td>84.1</td>
<td>94.9</td>
<td>16.5</td>
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<tr>
<td>Equity ratio</td>
<td>36.3%</td>
<td>14.8%</td>
<td>36.3%</td>
<td>14.8%</td>
<td>12.4%</td>
<td>36.3%</td>
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<tr>
<td>Diluted earnings per share, SEK</td>
<td>0.34</td>
<td>0.21</td>
<td>1.44</td>
<td>1.73</td>
<td>1.53</td>
<td>1.22</td>
</tr>
<tr>
<td>Average number of employees</td>
<td>208</td>
<td>150</td>
<td>177</td>
<td>144</td>
<td>138</td>
<td>181</td>
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Outcome – Enterprise Division

- Continued high revenue growth: 179% in the quarter, of which 35% was organic.
- Higher gross margin driven by Mblox acquisition and positive developments on existing customer base.
- The US is now our largest market, closely followed by EU and then ROW.
- First launch of commercial IoT application to limited number of existing beta customers.

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<tr>
<td>Revenue</td>
<td>552.8</td>
<td>197.9</td>
<td>1,461.6</td>
<td>909.7</td>
<td>711.8</td>
<td>1,263.7</td>
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<tr>
<td>Gross profit</td>
<td>130.8</td>
<td>31.2</td>
<td>264.2</td>
<td>163.7</td>
<td>132.5</td>
<td>233.0</td>
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<tr>
<td>Gross margin</td>
<td>23.7%</td>
<td>15.8%</td>
<td>18.1%</td>
<td>18.0%</td>
<td>18.6%</td>
<td>18.4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>59.8</td>
<td>8.5</td>
<td>102.5</td>
<td>62.9</td>
<td>54.4</td>
<td>94.0</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>10.8%</td>
<td>4.3%</td>
<td>7.0%</td>
<td>6.9%</td>
<td>7.6%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

§ Continued high revenue growth: 179% in the quarter, of which 35% was organic.
§ Higher gross margin driven by Mblox acquisition and positive developments on existing customer base.
§ The US is now our largest market, closely followed by EU and then ROW.
§ First launch of commercial IoT application to limited number of existing beta customers.
Outcome – Operator Division

- Temporary revenue decline due to limited revenue from large on-going projects booked during the quarter.
- The division’s revenue and profits can vary quite considerably between quarters, driven by how large projects develop.
- The division is continuing to invest in its Platform-as-a-service and Managed service offerings to meet the demands of its customers.
Questions?

“Connecting People and Things to a World of Infinite Possibilities”

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