

Private Company Spotlight

PRIVE COMMS

Equity Research

Technology, Media, and
Communications

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Key Metrics

TAM is difficult to define, as it **essentially pertains to the entire IT sector, which is the addressable market for encrypted communications in a manner that is agnostic to the underlying operating systems, applications, and devices.**

First full year of operations: **2018**

Expectation for double-digit sales in **2020/2021**

Regions of fast acceleration of growth: **Americas, Middle East, Southeast Asia**

Competitors



PriveComms, provider of communications security solutions

Our Q&A With PriveComms

Executive Chairman Harri Sundvik and CMO Janne Pesonen

Company Description

PriveComms is a communications security provider, enabling encrypted communications through protocols, operating systems, devices, and network solutions that employ next-generation authentication and key exchange that is agnostic to the underlying operating systems, applications, and devices for which voice, data, and video are encrypted, even when public networks are not available. PriveComms's suite of offerings, which include TX, Privebook, Conference Platform, PriveOS, MPP, and Independent Network, encapsulates and abstracts the underlying details necessary to implement resilient and secure communications.

1. What first attracted you to the company and what has surprised you since joining the business?

Harri Sundvik, Executive Chairman: I have had engagement in the cyber security space for 20 years—initially as a technology investment banker, and subsequently as an investor and purchaser of technologies and solutions. What attracted me to PriveComms was the bold aspiration to do something genuinely different and build a premium platform in response to emerging cyber security mega trends. The drive for zero trust adoption as a strategic foundation and production of true clean hardware and software solutions were academic concepts a couple of years ago, but now zero trust has moved to the mainstream as a driving force, and companies want practical solutions to reflect this foundational model.

For us, 2018 was the first full year of operations. What surprised me the

most was the fact that the company and product offering attracted a lot of early interest, but when it came to decision-making and purchasing, senior decision-makers were so deeply rooted in the “old world” that they could not act on the new concepts.

2. What are the core challenges the company is trying to solve and what are the main pain points for customers today?

Essentially, we are approaching the cybersecurity challenge from three different angles. First, at the foundational level, we believe a new architecture is needed: Rather than building on the existing consumer models and operating systems—which time and again are proven to be unsafe—we have built our own operating model, a platform with Linux-based Prive™ OS, which is the bedrock of everything we do.

A key piece of our architecture is the adoption of our Multi-Party Protocol (MPP), which solves the authentication challenge of the modern and complex many-to-many world in a very powerful way, especially in the 5G environment and for IoT applications. MPP authenticates multiple parties to the same consensus group, making it a virtual match for the zero trust “authenticate everything” model.

Second, our devices and networks offerings solve the daily operating level communication challenges. PriveTX is a mobile computing unit, which also serves as an external security device. On secure devices we have a very exciting development track—the next step being a dual

device that combines our secure mobile unit with a consumer device.

Our most recent launch—PriveVideoConference Platform—presents a real breakthrough offering, as it is in the heart of the new way of working. Clients say our platform serves as a critical solution to many parties as they have been told by their respective institutions that the generally available video platforms—Zoom (ZM \$538.99; Outperform), Google (GOOG \$1,604.26; Outperform), Teams (MSFT \$213.25; Outperform), etc.—are not permitted platforms under corporate policies for secure communication. Using our Multi-Party Protocol, our video delivery system secures video content between multiple parties—and, most importantly, in such a way that encryption of the traffic does not rely on third parties or intermediary servers. Instead, communication feeds are encrypted and decrypted in PriveTX mobile devices, thereby the information protection process is conducted by customer-controlled hardware, operating system, and cryptography.

Third, on the networks side, we are benefiting from the increasing demand for secure independent communications platforms. Our Prive Independent Networks solution is built on mesh-technology adding our Prive security features and MPP as an overlay to provide maximum security. The Prive communication system is fully compliant with private LTE networks, it is self-hosted, and is under customer control for resilience and security purposes.

3. What can you share on the company in terms of size, growth profile, profitability, etc.?

Following a very intensive R&D investment period in 2016 and 2017, 2018 was our first full year of operations when we delivered some

early success with network contract wins and devices wins, amounting to a few million Euros. The COVID-19 environment represented an initial challenge for 2020, but we are now seeing a burst of orders and interest in both devices and networks leading to double-digit headline sales in 2020/2021. We can sense a fast acceleration of our growth as the cybersecurity momentum is building globally; we are being approached by customer orders not just from our home markets in Europe, but also from the Americas, the Middle East, and Southeast Asia. We are very pleased with the profitability. We do not have the lowest cost base as we produce in Finland, but we enjoy premium positioning in the market as the “blue/white flag” and zero trust adoption is clearly building trust for an increasing number of clients.

4. Can you talk a little about the market opportunity and the company’s ability to scale?

We are strictly in the B2B market and specifically the communication portion of that market. Instead of being just a niche market, we view this as one of the fastest-growing markets in relative terms. What is adding to the global momentum and accelerating growth profile is that lead corporate names and the global professional services sector are realizing that there is confidential business and client information that simply cannot be processed with consumer devices. And of course, rapid growth in private LTE networks demands more self-hosted and resilient solutions for communication systems.

In addition, regarding the sudden acceleration for the need for video conferencing services, the “leakiness” of the currently available platforms is easy to see despite the hastily added enhanced security features: You simply cannot talk about secure

communication if the service provider sits in the middle and controls the flow of data and communication.

Scaling up is an interesting challenge. We have taken a very pragmatic approach to build smart strategic partnerships in different parts of the world and with different actors in high-impact sectors.

5. What accelerates the growth of the market and gives you confidence that the growth can sustain?

The growth of the market is driven by the fundamental human drive for enhanced security at all levels. Geopolitics is clearly adding to the already intense market dynamics. We are hearing the statement for “digitally independent” and “digitally sovereign” from multiple directions—these voices are just getting stronger and we are ideally positioned to be direct beneficiaries of this trend. One can say that our platform fills the void where industries and enterprises are engaged in the integration processes of the 5G based IoT era, but cannot find a suitable trust anchor from currently available (consumer) operating systems and platforms.

6. Anything else you would like to add?

What we are seeing in the cyber world is in our view truly classic disruption—the environment and client demand is crying for fundamentally new ways of doing things—the old boxes and generally available platforms simply do not meet the hurdle in the new digital world. Disrupting technologies and applications of these technologies will face doubters in the beginning, but the underlying market forces will do their work. There is an increasingly high cost of being late: The cost of a wrong call in the cyber world can be truly disastrous for the equity holders.

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DOW JONES: 27463.20
 S&P 500: 3390.68
 NASDAQ: 11431.30

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