

25-Apr-2025

# WithSecure Corp. (WITH.FI)

Q1 2025 Earnings Call

## CORPORATE PARTICIPANTS

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

---

## OTHER PARTICIPANTS

**Atte Riikola**

*Analyst, Inderes Oyj*

**Waltteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

---

## MANAGEMENT DISCUSSION SECTION

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

Very good afternoon. We are WithSecure. Welcome to this Quarter One 2025 Results Release. My name is Laura Viita. I am the Investor Relations Director of WithSecure. Today, we will have our CEO, Antti, who will present highlights of the strategy execution in the first quarter. And he will especially go through what it means to be a European cybersecurity company in today's world, and also what has happened with our partner network. After Antti, our CFO, Tom, will present the highlights in numbers and talk more about the outlook and midterm targets.

We've had grand difficulties in updating our website this morning. So, apologies if you had to wait for the material to update. Our IT has promised to fix the problem during today. So, both the interim report and this presentation will become available.

We will have Q&A session at the end. And if you have questions, you can put them through. If you're watching over the webcast, you can put them through the link all the time. I will take them up with the presenters at the end.

So, with this welcome and welcome to the President and CEO of WithSecure, Antti Koskela.

---

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

So, thank you, Laura. So, I would like to today go through our first quarter results from 2025, how we got started with our strategy execution this year. And we have continued our ARR growth with Elements and we reached a fairly high ARR growth of 70% for Cloud Protection for Salesforce in the quarter.

And like Laura promised, I would like to talk first a little bit about our strategy execution. So, this has been a quarter to remember from the world political landscape point of view. And so, what we have seen happening in

the quarter, it has intensified all these tariffs and continued war in Ukraine. They have intensified the discussion around European digital sovereignty, and cybersecurity being a key part of that one. And when we talk with the partners and distributors, this clearly has been on the top of the top of the agenda.

And we also made a deal with a distributor in Asia-Pacific, and we divested our Malaysian entity. That partner becomes a strategic distributor for WithSecure, providing European alternative for Asia, and they have a clear growth orientation in doing so. But more importantly as well, WithSecure will be a truly European company post the transaction. All our data will be handled in Europe, all our products are developed in Europe and all our services are delivered from Europe. These are the requirements customers are having in today's world. And so, we believe this is a good thing for WithSecure as we move on.

So, you probably remember from our Investor Day when we shared our partner strategy, this 2x2 matrix, and we want to focus on the partners serving the midmarket. And we work directly with partners in our focus regions, and we also consolidate some of the smaller partners under strategic distributors. So, that has been our plan.

So, what we have done this quarter, I start with the distribution. So, we have progressed with the distribution consolidation here in Finland. We have launched distribution partnership with Ingram Micro in the UK. So, that was made public. So, we have continued strengthening our distribution in France, and we have introduced new portfolio Elements there. We have agreed to launch a distribution approach to Austria during Q2, and also the whole Asia-Pacific topic we have done during Q1.

So, the key thing for us is that we are not only consolidating our existing smaller partners to these disties, but we become meaningful for these strategic distributors. And they, of course, start onboarding new partners as they go forward and we get wider opportunity for the WithSecure portfolio. So, that's the whole thinking here why we are doing things.

The second part on the new partner agreement. So, we said we want to have a top-five partner approach for our key regions. So, we have progressed with that one. And during quarter one, we have signed deals here in Finland that are yet to be announced. In the UK, a couple of them. So, we are working with many companies over there. So, we have been sharing some of these names in LinkedIn. And generally, in the UK, we are rebuilding our motion more from direct business to channel business. And that's what we are doing in the UK.

Then, interesting market for us has been Netherlands during Q1. So, we signed earlier with a company called [ph] Escrow (00:06:26), deal to go with this midmarket playbook to the market. So, they're offering the full Elements with all its co-security services to their midmarket clients. And we signed up a new one, Reliance. There have been some questions on that in the public. Reliance is a family office-owned company, and the family office consolidates multiple MSPs, which are managed service providers, and they standardize their service on WithSecure.

So, these are great additions to our partner portfolio. And in our business, what we do with the partners that we have the right partners that who invest in us and we invest in them. That's the driver for the growth. So, we are very much with our strategy revitalizing our channel. And that's what we shared with you in Investor Day as well.

So, that's on the what we have done in the commercial front. And I just wanted to say to you that this consulting divestment is progressing as planned. We are closing it – we are planning to close it this quarter, but also the Malaysian entity and the related deal plans to close this quarter.

So, when we look at then the financials. So, we have continued on the growth trend. So, it's 8% year-on-year compared to where we started off 12 months ago. Our net revenue retention went up a little bit, to 103%. And our ARR growth from the previous quarter end has been 4% from the reported number.

We wanted to also come back to our promise in the Investor Day that we give a bit more granularity on the underlying growth trend with Elements. And so, this is the organic growth what we are doing and this is definitely not just replacement of legacy software to the new one. So, we clearly see new customer acquisitions here behind the partners. We see new products like Exposure Management and Elements MDR becoming meaningful. And they are key part of this new midmarket playbook that what we have – term we have coined.

But we had some challenges. We had some challenges that we have talked with you earlier that some of the larger customers that have been using managed service, those have moved over to more this large company playbook in the UK, and then we reported a decline of 8% in the managed service. So, we wanted to give this visibility for you so that you understand what's the organic growth behind the numbers that leads to Elements Cloud ARR growth of 8%. Tom will talk more about this division, how these numbers stack up before he dives to the numbers.

And then, with the work we have done with the partners and the projects during the quarter, they have required some investments. So, we had an expected level of adjusted EBITDA of €0.9 million for the first quarter. So, that's on the Elements side of the house.

And so, when we look at this Cloud Protection for Salesforce; so, clearly what this tells me that the value proposition that we have in a way has been validated and is creating a pull-in effect from the market. So, we grew 70%. That was €1.1 million from the previous quarter in absolute terms. And we have won several new logos during the quarter. So, we have 290 customers at the quarter-end. And we also want to report this number of customers going forward so that you can get this average ARR per customer in average in your calculations, if that's of interest.

And just to give a flavor, Salesforce has 150,000 customers. So, we have sold 290 of them. So, we are not limited by the opportunity yet here. And so, we are developing this as an independent business inside WithSecure. And why we keep this quote on the strategic review is that if we come to a solution where we need to accelerate this faster, then we consider these options. But so far, the growth rate has been quite satisfactory. 70% is quite decent for anybody to report.

So, we are really happy with the progress here. And this meets all the Rule of 40 expectations with flying colors. And it's quite interesting to see how this is modeled as a standalone business. We, by the way, made accidentally profit during first quarter. That's not our plan. Our plan is to, of course, invest in the growth. But we made that one. That was unintentional.

But maybe with this one, Tom, I would hand over to you.

---

## Tom Jansson

*Chief Financial Officer, WithSecure Corp.*

Thank you very much, Antti. Good afternoon from my part as well, Tom Jansson, the CFO of WithSecure. So, if we start a little bit about this, as Antti mentioned, we wanted to kind of give a little bit more color around our cloud ARR. And here you can see how it's kind of divided up into different categories. So, we have this Elements software and co-security services ARR that we mentioned as one bucket. And then we have our managed service business as a secondary. And that's the way we give the information going forward in terms of our cloud ARR. Of

course, we have some smaller revenue streams than in other products. And Cloud Protection for Salesforce have their own ARR. And we still, of course, in Q1 have this discontinued operations that you can see in our financial reporting still in this quarter.

But then if we look at shortly the numbers still, as said, the Elements Cloud ARR grew 8%, but within that then this first category with Elements software and co-security grew 14%. So, that continues on a strong path. And a notable also, as Antti partially mentioned, was that our new products that we launched in SPHERE last year, Exposure Management and Elements MDR, are really growing very – quite nicely for us. And the time to revenue and meaningful revenue has been probably the shortest in a very long time in the company history. So, there we have managed to do some improvements also.

---

## Antti Koskela

*President & Chief Executive Officer, WithSecure Corp.*

Faster than in cloud protection.

---

## Tom Jansson

*Chief Financial Officer, WithSecure Corp.*

Yes. So, that's good. Of course, in the managed services ARR, we have a decline of 8%. A lot of that has to do with large companies that has been also partially acquired at the acquisition that was done earlier some years ago and they have moved on with the bigger, large company strategy, so to say. The NRR was 103%. So, it improved a little bit, but of course there's work to be done there over the year and one of the focus areas also as part of our strategy execution this year and onwards.

On-premise declined very much as we have planned. And also, I'm sure those who have followed us knows that this is kind of what we expected. And our EBITDA then on the Elements Company side was €0.9 million in Q1. We have done a little bit of investments also in our sales and marketing and so on. So, that of course for the time being is taking a little bit of EBITDA, but we'll see that we continue on the path of scaling this company as we go forward.

Then, on the Cloud Protection for Salesforce, really nice Q1, I would say, we kept the momentum. Q1 is always a bit tricky because also the Salesforce have their own year-end in end of January. So, it tends to slow things down, but we still kept them, we're able to keep a decent growth also looking at even Q4 and so on. And we continued to win both new customers, but we also have nice expansion wins. And as we have previously said, this is very much a land-and-expand product. And you can see it from the NRR as well, 133% which is a number that we can be proud of. I think it compares to any SaaS company, that's a really good number, but also a demonstration of that. We usually go in with a smaller part and then the customer actually needs and wants a bigger protection within its company.

And as I said, we have approximately 290 customers and with 150,000 customers in Salesforce, of course, we are not far yet in terms of winning our share there.

And as said, our focus is to grow and focus on growth in this area. We are not here to do a – maximize the profit at this point. We want to invest in this and going forward. But we did a slight – small profit in Q1, and also of course requires – investment requires recruitments and so on. So, that is to become more in the future than maybe we were managed to do in Q1.

Then, our overall continuous operations, here you can see the combined P&L. So, I guess our two main highlights here may be to point out that our OpEx is pretty much flat even though we have, of course, normal pay increases and those things last year. So, we are continuing to look at how we can make sure that we scale the company and stay efficient. In some categories, we had to do a little bit more at this point in Q1, but overall, our overall EBITDA of course improved from the comparable period also quite nicely in terms of that.

Then, a reminder to everybody, outlook for this year, which stays the same as before, Elements Cloud products and services ARR, we are estimating that to grow 10% to 20% this year. And the EBITDA for Elements Company to be between 3% and 7%. And as we have said in the beginning of the year, we are treating Cloud Protection for Salesforce separately. So, we are guiding that also separately. It will become more and more an independent unit within our company. But the guidance for this year is that it will grow 20% to 35%. So, from that perspective, we had a quite good Q1 start for the year.

And the consulting business, as said before, for those maybe who haven't followed us the most, we are expecting that deal to be closed in Q2. But, yeah, maybe just to mention that once the consulting is divested, then we are a fully subscription software company in many ways. So, that also that changes kind of the way the – or the operation that the company has left.

On our medium-term financial targets, we are still very determined to reach a Rule of 30+ company in 2027. And as you know, this is a combination of revenue growth and EBITDA percentage of revenue. And that is still in our – very much determined to go ahead towards this goal over the next two years.

So, with that, I would maybe ask Laura to join us. And this time you can maybe go in the middle of us.

---

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

Yes.

---

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

So...

---

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

That's bold.

---

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

This is a change of protocol.

---

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

Yes.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

Yeah.

---

## QUESTION AND ANSWER SECTION

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

All right. Thank you, both presenters. And we are ready for the questions. So, we will first take the questions in the room, please.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

Hi. It's Atte Riikola from Inderes. Maybe first about the Elements Company revenue growth in Q1. If you look at the cloud-based solutions, they grew roughly €1.3 million. And if you look at the decline in on-premise revenue, it was like €1 million. So, is the on-premise, is there, like, permanently lost customers, or is it mostly like on-premise revenue moving to cloud business, or how is it going?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

I would say predominantly churn. There is some transition on that one. Anything?

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

No, I think if there is some churn, of course, because they want to stay on this sort of solution and then, of course, we also – once they transition over time, they will bring more value to us as well. That is still the way that we expect that to go.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

Yeah. So, there is, like, revenue growth in cloud coming from new customers...

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yes.

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

Yes.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

...and expansions not only from the transition...?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yes. Correct. I think if anybody has that kind of view, it needs to be corrected.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

And then, about managed services ARR development, it was like minus 8%. And we know that there is those – some customer losses. So, are you still expecting that negative trend to continue in the coming quarters?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, we said in the Investor Day that we have maybe €7.8 million ARR in these large managed customers. So, we have gone down in that number since the Investor Day. But I think that that was the ARR amount that amounted for these top 10 customers. Right, Tom?

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

Yes. So, that of course future will see. We also may be good to mention that we are also winning new customers...

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yeah.

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

...in that category. However, a bit smaller than the big ones.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, we have been winning, for instance, a lot in Germany and so forth.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

All right then. Now, we know that you are profiling as an European alternative, and you mentioned that there is like increasing interest towards you because of the geopolitical situation. So, do you have already some, for example, customer cases where this side has affected the customer purchasing decisions?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

I think it mainly impacts the partner selection. And for us, the partner selections are crucial; who is the primary partner for the distributor, who is the primary partner for the reseller? So, it's no secret there's been a lot of competition from some of the American vendors in this field. But I think some of that market is not behaving like it used to work two years ago, but nowadays, there's increasing trend to really push from the channel this kind of more European solutions.



And those have been the conversations what I've been having, for instance, during the first quarter. Of course, the results are not imminent, but I think once we get more into system more broadly, I think they should bear fruit. That's why I wanted to open up these two cases in the Netherlands. I think they are clearly where companies are standardizing on us.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

Right. Then about Cloud Protection for Salesforce now. Like you mentioned, you're not – or you're going to keep on investing in growth, but is it more like investments in sales or some new product development, or where are those investments going?

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

I think it is both. Of course, we have already invested slightly more in sales. We will do more. But we also are investing in product, and Salesforce themselves are very much into the AI solutions, and we will play a role in that security as well.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yeah.

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

So, it requires some product investments as well.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, for instance, the Agentforce, what Salesforce has, is a key driver for them. Of course, we need to go alongside because for an agentic AI to operate safely, it needs to be protected. And I think we want and can be part of that Agentforce security.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

Could you briefly remind us how's the sales model for the Cloud Protection for Salesforce going on?

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

Sure. So...

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

Is it direct sales or is there was like you can basically buy the product also from the platform?

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

Yes, from their – what's the market?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

AppExchange.

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

AppExchange, yes. And it's also maybe to remind those who have maybe not followed us that much is this is from a go-to-market model totally different for Elements. This is direct sale to large customers who usually, as I said, take in a part of the company or smaller part, and then it expands.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

And you buy it from the app store of Salesforce and then it's transacted through there. And of course, there is marketing and sales work, but the actual transaction gets handled digitally.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

All right. And last question from me, the divestment of that Malaysian entity, is there like any meaningful impact on your numbers going forward?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

I think – so, we report it as a press release because it's more or less cost neutral so that we will initially start buying back the services and we have a transition period to replace some of the people in the Europe base, so that we are not modeling cost saving at this point of time on that one, but nor we are modeling the upside yet with the distributor work.

So, I think the more – the important strategic part is that we become European-based company, and that drives the strategic narrative to the channel in Europe, but also the fact that we have now a distributor in APAC that gets to use the capabilities we have sold to them in Malaysia so that we can extend our reach without doing much ourselves. So, that is quite scalable model.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

And maybe, Antti, there was some question – a question on the forum about what kind of personnel we have in that Malaysian site, you could expand on that a bit.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, it has been a service center for finance and IT back office. That has been one part of it. I think there we likely to hire some new people, but we also look for a lot for automation with AI as we move further. But then, the people who will remain, there are a lot of support people, there are service people, there are some R&D cyber

people over there that the local partner can build then service capability on to serve their local markets. So, I think it's a good win, win, win for everybody, and we find a good solution for many of the employees as well with this structure.

**Walteri Rossi***Analyst, Danske Bank A/S (Finland)*

Q

Hi. Walteri Rossi from Danske Bank. I'll start with Cloud Protection for Salesforce. What would you say you're doing differently now compared to history? I think last two quarters you've been able to show quite rapid growth. So, what has changed in your operations there?

**Antti Koskela***President & Chief Executive Officer, WithSecure Corp.*

A

I think at least when I started as an Interim CEO, I tried to be very vocalist that there were in the beginning we had some growth pains. And there were three deals that they churned away. They were quite significant. And we initially had a period where the churn and the new customer acquisition in a way compensated each other. So, of course, that's never good.

So, I think we have a good setup now for customer success. We also can leverage a lot of the learnings to the Elements side from that one. And then, it's a quite focused sales execution and working together with Salesforce teams in the field. I think we have learned how to do it. And we have honed to both not only the product, but also the way to do business in the Salesforce ecosystem. And it's starting to pay off.

Anything you want to add?

**Tom Jansson***Chief Financial Officer, WithSecure Corp.*

A

Yeah. Maybe I think also to remember that this is a quite new solution. It's still the unique solution, the relevant solution in this space. And we believe we have a very good position in this. So, there is ups and downs in the beginning as always. And as Antti said, we have learned many things working with Salesforce, learning how to go to market better and do better marketing and so on. So, there's many elements that has improved.

**Antti Koskela***President & Chief Executive Officer, WithSecure Corp.*

A

How to serve enterprise customers.

**Tom Jansson***Chief Financial Officer, WithSecure Corp.*

A

Yes, that's too.

**Walteri Rossi***Analyst, Danske Bank A/S (Finland)*

Q

Is it basically one product that you're selling there, or...?

**Antti Koskela***President & Chief Executive Officer, WithSecure Corp.*

A

It is a one product. It's a one transaction, one product, quite simple, simple to buy. And so, it's basically if you are using Salesforce Service Cloud or Community Cloud, for instance, you often have a situation where you as a Salesforce customer, when you are using it for customer service, you onboard your customers to that platform. So, the shared responsibility model in Salesforce works that way that you as a customer, you are responsible for the security of the data brought in by your respective customers.

So, the customers of Salesforce, they need security when there are malicious files or malicious network addresses being brought into the system. Otherwise, there's a liability for them towards Salesforce as well. And so, it's a quite – all the cloud scalars work this way. And so, I think we are solving a problem that Salesforce intentionally doesn't want to solve.

---

**Walteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

All right. Thank you. Seems to be a working product. Is there any potential to maybe in the future broaden your product portfolio within Salesforce?

---

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, that's what Tom was indicating...

[indiscernible] (00:29:47)

---

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

That's what we're doing. For instance, we are – within the Salesforce ecosystem, this Agentforce is a big thing at the moment, a big investment for Salesforce. We are part of that as well protecting that. So, there's many. And then, we are doing other things that we can protect within any ecosystem, but we are of course focusing this now for Salesforce.

---

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

But I think within Salesforce, I think we would be expanding the scope and of course expanding the marketing and sales reach. And driving the accelerated growth is the focus here. And we do the necessary.

---

**Walteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

All right. Thank you. Then, looking at the Nordic sales, I think they declined 8% in Q1. Can you open up what's behind that and – because one would think that Nordics is one of your key markets?

---

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, do you, Tom, have a comment on that?

---

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

A

Yeah. I mean, we have also seen a few churn items and smaller – bigger customers that have scaled down somewhat our services. That's kind of the main reason.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

That and then also that we also have had some of these legacy on-premise customers in these regions. So, I think that's also something to remember that in Finland and [indiscernible] (00:31:07) region, we have a lot of this on-premise history. In some regions, they are more native-cloud regions. And so, that's – so, I got a little bit concerned on your question because I was still thinking through the ARR terms that that didn't happen, but I think from a revenue point of view, I think this churn of the on-premise is of course impacting Finland as well.

**Walter Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

Okay. Thank you. One last question. You talk about the consolidation of the partner channel. I think your partner number was really high actually in the CMD. Can you tell in more concrete terms what has happened in that front? How much have you been able to scale down the partner number maybe?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, I think the absolute – because we – in a strategic distribution model, we work with a two-tier model. So, instead of serving directly the partners from our end, we serve the disty who serves them. So, I think our ambition, of course, is to have a wide partner channel so that there's no rationale to reduce the number of partners. But we are more focusing on reducing the number of parties we engage directly with. And we don't disclose those specific numbers, but I said that we have started the process in Finland, UK, France, Austria, and now in Asia-Pacific. And it continues globally.

**Walter Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

All right. Thank you. That's it from now.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

All right. Thanks, Atte and Walter. So, I'm starting to crack the questions on the webcast. There are quite a few questions on the Europe theme. So, I might have to consolidate a little bit.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yeah.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

But I hope we will get answers to all of them. So, first of all, there's [ph] Sigmon (00:33:01) from the audience. Can you elaborate on the significant interest you're seeing given the geopolitical landscape? What kind of customers are coming to you and how has this translated into the pipeline?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yeah. Not quoting on the pipeline, but I would say, of course, we have conversations with the governments and public sector parties generally on the cybersecurity. So, I think – but that's not our sort of primary focus currently. But we are considering that what should we do in public sector and then also these larger enterprises. So, that's a strategic question for us. But I think if you look at the midmarket, midmarket scope, which is our primary, there predominantly the demand comes from the channel partners who they work with. And so, we start to move faster with those ones.

And I just highlighted these two cases, this [ph] Escrow (00:34:07) and Reliance from Netherlands, which are important flagship because they standardize on WithSecure, they provide the full security solution for their respective customers they have and they go all in with WithSecure. I think we have had too few of such partners in the past, and that's visible in our historical numbers. But I think that that is the drive and the momentum and the change we want to do in the company. But I think too early to comment on the specific numbers.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

All right. And then Felix Henriksson, our analyst, is also on the Europe theme. So, I hope we answered the first part, but he asks, is there a specific customer group or an industry that particularly wants to look for European alternatives?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

I think it's no secret that public sector is definitely looking for European solutions, and we see that one already now. So, that discussion has intensified and we have got inbound interest on that one. But I think it's generally all this critical infrastructure. So, I think the NIS2 scope customers. Why wouldn't they be interested in this one? Because what kind of cybersecurity we, for instance, provide here in Finland, it's part of the national resilience we have in the country. And so, we have things in our own hands. I think, for me, this is a no-brainer, but I think we have still work to do to convince all the customers to do so.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

Actually, this leads me to another question from Felix. Can you provide an update on the NIS2 as a demand driver for you?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, in NIS2; so, we have now nine EU member state who have published the legislation. Finland published on 8th of April this year, the new Kyberturvallisuuslaki, the Cybersecurity Act, here in Finland. And I think we expect other member states to follow during this year.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

Okay. I'm staying with Felix's question. So, in Q2 2024, you had €1.2 million of marketing expenses related to SPHERE. Should we expect a similar or a larger cost item for Q2 2025?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, I'd say something about – so, SPHERE will be a big event for us in May. And this time, we will have a very focused activity with our top partners. So, last year, we had maybe 800 people. This year, we wanted to have it smaller. We will have the partners that matter. We will have roughly 400 people in the room. And then, we are going to organize local SPHERE to You events then in the countries to it in a more economically.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

Great. Then, Antti, this definitely goes to you. When would you like Cloud Protection for Salesforce to turn profitable?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yeah. I think it's a tricky one because if you really want to follow this Rule of 40, and if you look at SaaS company metrics and how you should do a valuation on a SaaS company, so it would not be in the best interest of the investors not to invest in growth and to start making profit because somebody else will do that. So, that – if you're a Rule of 70 company like we start soon being in cloud protection so that we should invest further in growth and use cash to accelerate it. But as long as we are in this Rule of 40 pace, I think I wouldn't start making profit. I would much rather want to grow it. But it's a tricky question because it's – somebody else will take the growth if you don't take it. And I think that's why this Rule of 40 is such an important part of the SaaS thinking.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

Thanks. All right. Then, Jaakko Tyrväinen, our analyst, asking, have you seen customers becoming more hesitant lately after the increased uncertainty regarding tariffs in the decision-making, or is the increased geopolitical tension supporting your sales pitch of being the European alternative?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

I think that was a good point. I actually forgot to mention it in the beginning. So, of course, this is driving demand for European solutions. But I think at the same time, there is general uncertainty now. I think these tariffs and things like that, they are not good. I think you all know that. So, I think they are introducing a large elements of uncertainty to any purchase process. And I think – I don't think cybersecurity is exempt from that one. So, I think it looks very foggy currently on that one, but I think that's the thing that we need to navigate.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

All right. Then there's the [ph] Robert Miettinen (00:39:24), who has a couple of questions here. Elements' ARR growth at 8% year-on-year doesn't outpace inflation and NRR at 103% lags behind competitors like CrowdStrike, who are 110%, and SentinelOne. WithSecure's market position is slipping into niche territory while competitors scale globally, even across EMEA. If the flywheel is reversing, as many fear, what's leadership's concrete plan to reverse this trajectory, not just maintain stability?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A



I think we laid out our strategy in the Investor Day. The first bit in our part, we have a lot of historical partners at WithSecure, it's to revitalize the partner channel and develop partnerships that are growth-oriented. So, I talked about the consolidation. I talked about that we work with the partners whom we matter. We are their number one choice. And we focus with them, we grow with them. I think that's part of the flywheel.

The other part of the flywheel, of course, is that we have got our products into the level that they address this minimum effective security that is needed against modern attackers. So, we have been getting endorsement recently from AV-Test on that one. We have been doing well in the MITRE last year. So, I think we're getting the pieces together. But it's true that we have had a turnaround situation in the company so that we have rebuilt the offering and we are rebuilding the channel. And that's how we get to the flywheel that keeps us in the game and gets us with this European solution to where we want.

---

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

**A**

All right. [ph] Robert (00:41:20) continues. Despite the positive EBITDA, operating cash flow was minus €2.6 million. Total cash flow fell to minus €4.4 million. And there's over €23 million in lease liabilities. Meanwhile, WithSecure is positioned as Europe's cybersecurity leader. But where is the analyst validation or market visibility to support that claim? The question continues. Is the company financing stability while hoping the European way story fills the gaps, or is there a real strategy to convert this positioning into measurable traction?

---

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

**A**

Okay. Maybe you, Tom, comment first on the cash on the quarter one.

---

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

**A**

Sure. So, Q1 is always, like, from a cash flow perspective a bit more heavy cash. So, we usually pay some bonuses and so on from the past year. And we also, of course, have – we have had two projects ongoing with divestments and so on in the first quarter, plus that our discontinued operations, consulting, didn't have a great Q1, even though it looks a bit better going forward. So, those all burnt some of our cash. And of course, once we close the divestments in second quarter, that will correct our cash balance quite significantly from where we are now. And then ongoing – of course, we also have one element that has been in the history burning cash away from our company.

---

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

**A**

But in general, I think – so, as we are transforming the company into a kind of a pure-play SaaS company, I think the consulting is part of it and I think we follow the yardsticks of the ARR growth, both on Cloud Protection for Salesforce, this Elements Cloud, Elements software in particular. I think, to me, those indicators are moving to the right direction, but we need time to make sure that these carry the entire company and then some of these legacy items are not anymore relevant. But I think that's the path we are in.

---

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

**A**

All right. Thanks. And one more from [ph] Robert (00:43:38). At what point does leaning into global instability as the growth narrative cross the line from strategic positioning into moral hazard? And how does WithSecure reconcile that with the European values it promotes around trust, sovereignty and security?



**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

I think the key thing what I've been talking with the partners is not to start bragging this as a great growth opportunity that the world is going like this. There's nothing good about the situation of the world, in my view. But I see this as a responsibility. So, I approach it from the point of responsibility that we do the right things, that we make sure that we are one of the actors that provides good cybersecurity for Europe. And then, we make sure that we get the reach and support as many customers with that one. I think that's our moral duty and responsibility. And I agree with you. I take it very much from a position of moral and values.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

Thank you. So, so far, no more on the chat. So, Waltteri, you had something else.

**Waltteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

Hi. Yeah. Waltteri Rossi, Danske Bank. A couple of more questions. I don't think you have disclosed the public sector exposure, but can you give any estimate on that? Is it one-third of your sales or...?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

No, we – I was maybe talking more publicly. If you refer to previous comment, I was talking more about that public sector part is contacting us about could we do more, and I think that's what we are doing. So, we are not disclosing any sector, division in our – but we do sell to public sector as well.

**Waltteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

But no estimate, no ballpark, kind of guidance...?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Good try.

**Waltteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

Is it meaningful?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Thank you, Waltteri.

**Waltteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

All right. Fair enough. Still on the competitive situation today, historically – or, previously, we have been talking about tough competition you've been facing from the US giants. Is that situation still the same?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

I think on a competitive landscape, in Europe, there are maybe three European competitors. So, we are Bitdefender, ESET and WithSecure. So, we are in a way who could claim that you have a European operation. So, ESET is from Slovakia and Bitdefender from Romania. And so, when I look at the European angle, those two come to my mind. But of course, across the board in Europe, there's a lot of Microsoft. And I think they continue to be all around. But also they are a company like anybody else. And so, that – I think at least what – trend what I'm seeing is that there is a new demand coming in and people are interested in what we are talking about, the midmarket playbook and the integrated products and service approach. I think we are not doing that bad on that one.

So, I don't want to call out competitors, but I think these I would like to do. But I also want to say is that something is that midmarket and SMB, they don't buy these CrowdStrikes and Palo Altos. So, it's good that some of the investors you are following them, but that's not our comparison point, and we don't see those people in these smaller to midsized segments.

**Walteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

All right. A follow-up on that. What's your current understanding of the pricing situation or positioning against Microsoft, for example? How do you price yourself against them?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

So, our approach is that we have both products and services. Microsoft typically provides licenses only, and then they do bundling, bundling of different solutions together whether we like it or not, whether it's fair or not. I think there was a question on the ethics. I would challenge that ethic. But then the key thing with Microsoft is, of course, what customers need to consider, what does it cost to run a service on that one? And I don't think we are doing that badly when we look the whole WithSecure proposition against that mix.

**Walteri Rossi**

*Analyst, Danske Bank A/S (Finland)*

Q

All right. Thank you.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

A

All right.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

One more question from me. From AI development, we know that you launched Luminen AI agent, was it...

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yes.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

...almost one year ago? So...

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

At SPHERE.

**Atte Riikola**

*Analyst, Inderes Oyj*

Q

...anything other on that AI front from yourself?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

A

Yeah. I think we are absolutely continuing on the development of the AI. So, I see AI key part of running the company business operations. I think you could see that some part of this deal, what we did in Malaysia, is part of that, because this give us opportunity as well to relook how we run our processes with AI agents. And that's definitely one part we are doing. And that's usually a big experimentative journey in any company that you need to do, because you have – when you start with the brownfield, it's a one approach, so you need to experiment and learn what works, and then you can take some of the greenfield solutions with that one.

I think same thing with the products, with the AI front, we continue to further develop the scope of our Luminen and we will have broader use cases absolutely with that one. We will talk about Luminen as well at SPHERE. And so – but I think that's the, in a way, Elements. Elements is an AI agent itself and, of course, that is more intensifying as we go forward.

And the third thing is, of course, positioning Cloud Protection for Salesforce together with the Agentforce that how do we make Salesforce agent AIs secure? I think it's a key consideration. But I think we are progressing in many fronts with AI. But it's both for the offering, but definitely for the efficiency. Every company should do things with AI for the efficiency.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

No more questions in the room, I think. And the chat has gone silent as well. So, I think we are ready to wrap up. Any final words of wisdom?

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

Yeah. So, thank you so much for joining today. This quarter was very much about continued execution of our strategy. We progressed nicely with the partner channel. This European topic surfaced quite a lot because of what was happening in the world itself. We approach being European from the position of responsibility, and we work with our partners to make sure that we have digital sovereignty in the Europe. And we are happy that we can be part of that journey in Europe.

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

Thanks...

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

Thanks for being with us today, and see you next time.

**Antti Koskela**

*President & Chief Executive Officer, WithSecure Corp.*

So, thank you so much.

**Tom Jansson**

*Chief Financial Officer, WithSecure Corp.*

Thank you.

**Laura Viita**

*Investor Relations Director, WithSecure Corp.*

Bye-bye.

**Disclaimer**

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.