

**Cloud revenue growth 31 %,  
consulting impacted by  
uncertainty of the financial  
sector**

**Q1 2023 Highlights**

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# Key takeaways from Q1 2023 – revenue and ARR

## Cloud portfolio performed well

- Cloud ARR grew 27 % year-on-year to EUR 81.5 million
- Cloud NRR was 110 %
- Cloud revenue grew by 31 % year-on-year to EUR 19.9 million
  - Endpoint Detection and Response expansions and new customers
  - MDR market remains very competitive, requires well-focused sales efforts
  - Cloud Protection for Salesforce revenue grew, driven by new customers in APAC area

**On-premise products** revenue declined by 11 % to EUR 6.4 million

**Consulting** revenue declined by 10 % to EUR 8.9 million

- Uncertainty of the financial sector - banking sector customers deferring spend to control expenses
- Expected to be a temporary decline in demand, cyber security remains challenging for the companies

# Key takeaways from Q1 2023

## **Profitability**

- Adjusted EBITDA EUR -6.2 million
- Change negotiations almost fully completed during Q1 2023, resulted to reduction of 84 positions globally; in addition, ending employments not replaced
- Total estimated savings EUR 14 million annually
- One-off restructuring cost of EUR 4.5 million recognized in Q1 2023

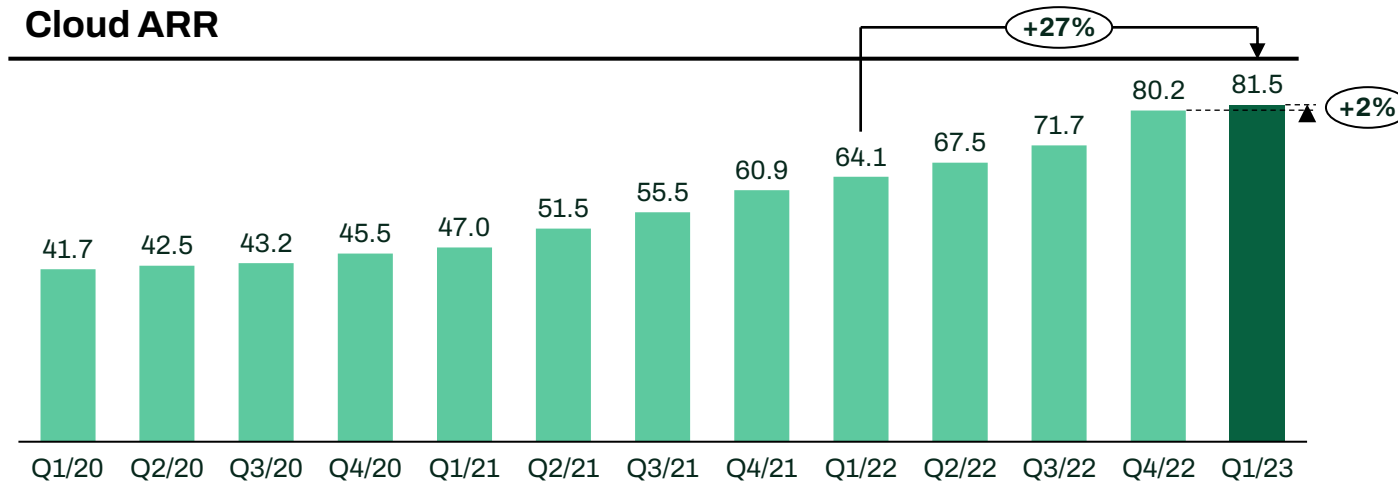
## **Market and products**

- Market continues to grow and demand overall still strong; customer decision-making continues to be slow
- Integrated portfolio and cloud capabilities are key in the future
- Good pipeline of new products and capabilities, to be launched in Q2 (Sphere'23) - expected to contribute to our growth in the next 24 months

# Cloud revenue and ARR

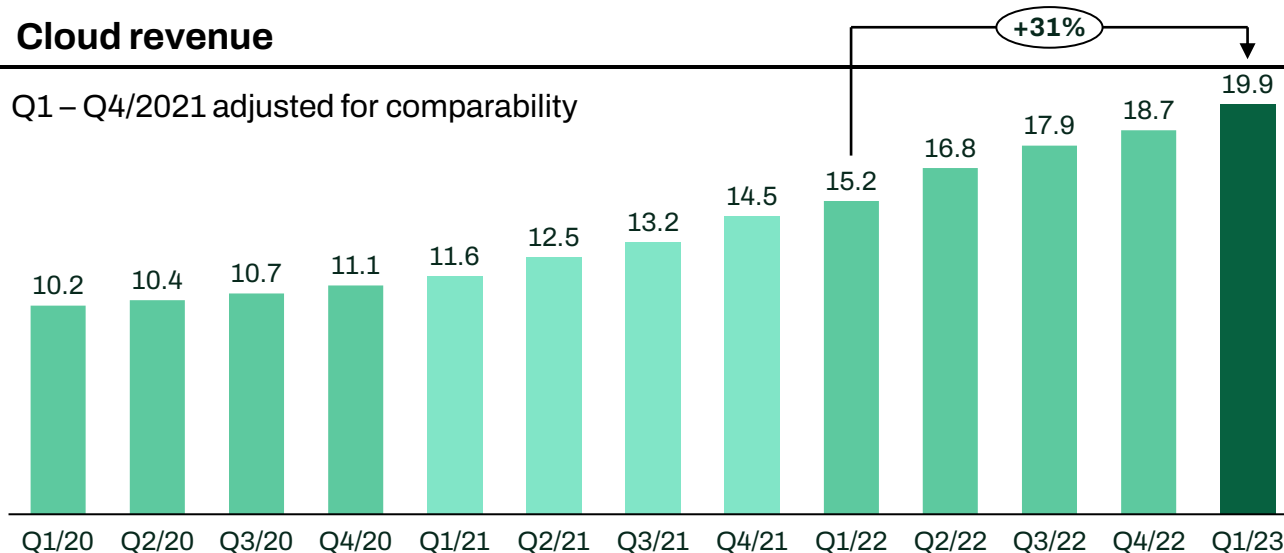
(EUR million)

## Cloud ARR



## Cloud revenue

Q1 – Q4/2021 adjusted for comparability



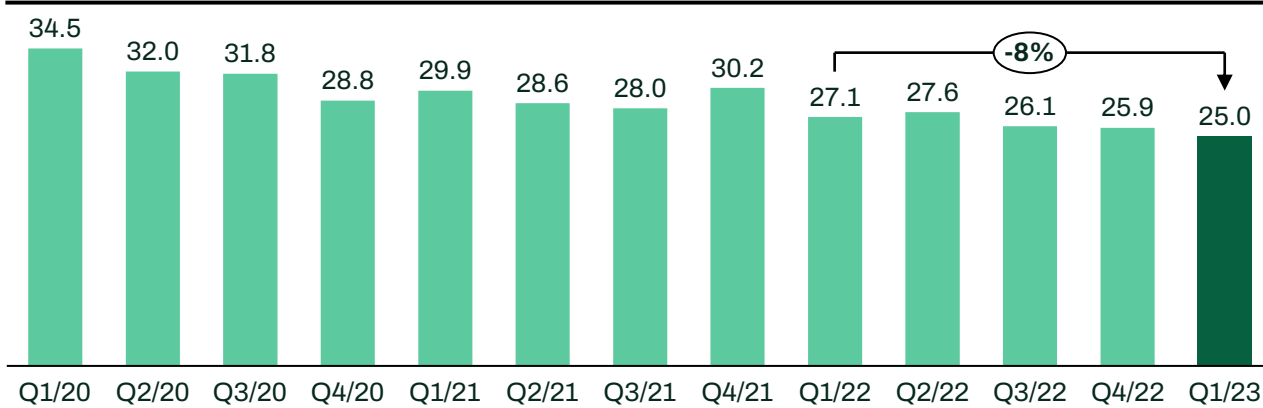
## Cloud revenue and ARR

- ARR growth year-on-year slightly below outlook range (28 – 34 %)
- ARR growth from previous quarter partly explained by strong Q4 and seasonality
- NRR for cloud products 110 %
- Revenue growth in line with the outlook range (28 – 34 %)
- Expansions to EDR and new customers driving the growth
- MDR market remains very competitive, requires well-focused sales efforts
- Cloud Protection for Salesforce revenue grew, driven by new customers in APAC area

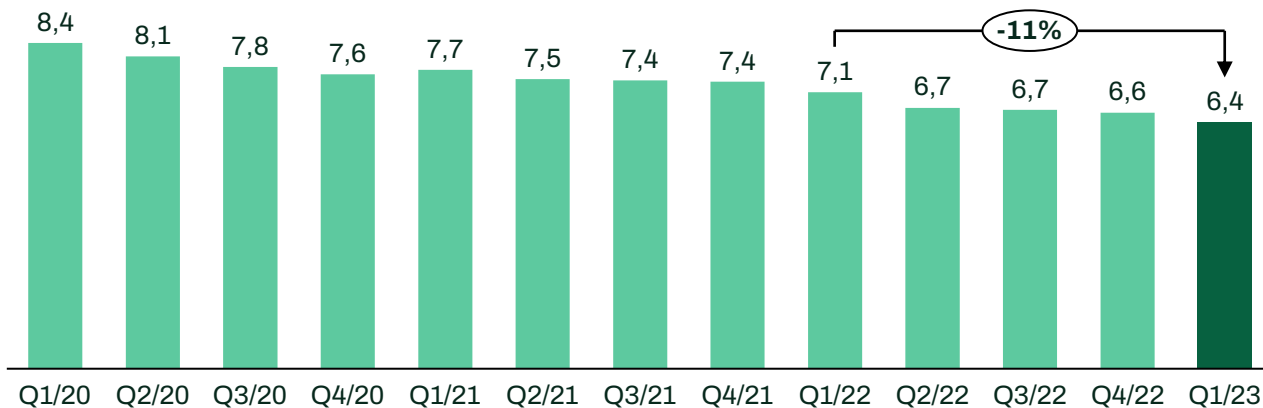
# On-premise revenue and ARR

(EUR million)

## On-Premise ARR



## On-premise Revenue



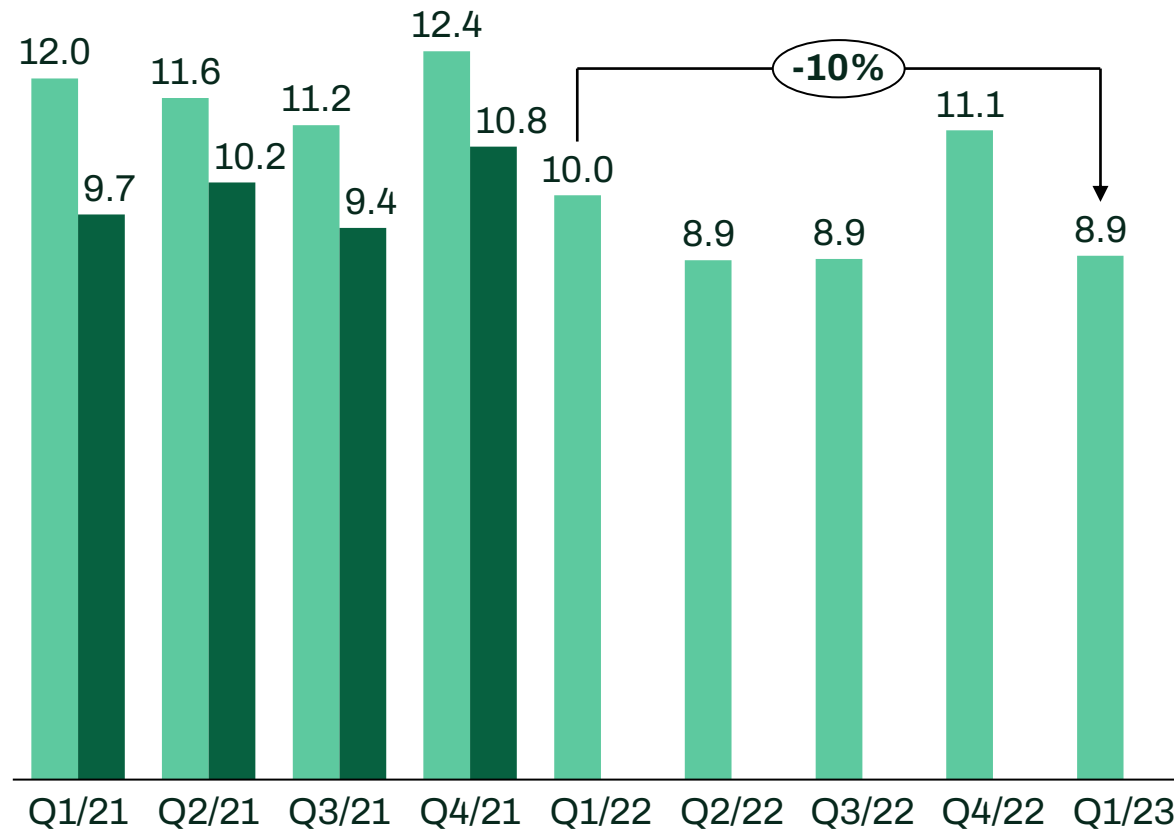
## On-premise revenue and ARR

- Revenue and ARR declining according to expectations
- Customers are transferring to cloud-based environments

# Cyber Security Consulting impacted by uncertainty in the banking sector

(EUR million)

## Cyber security consulting revenue



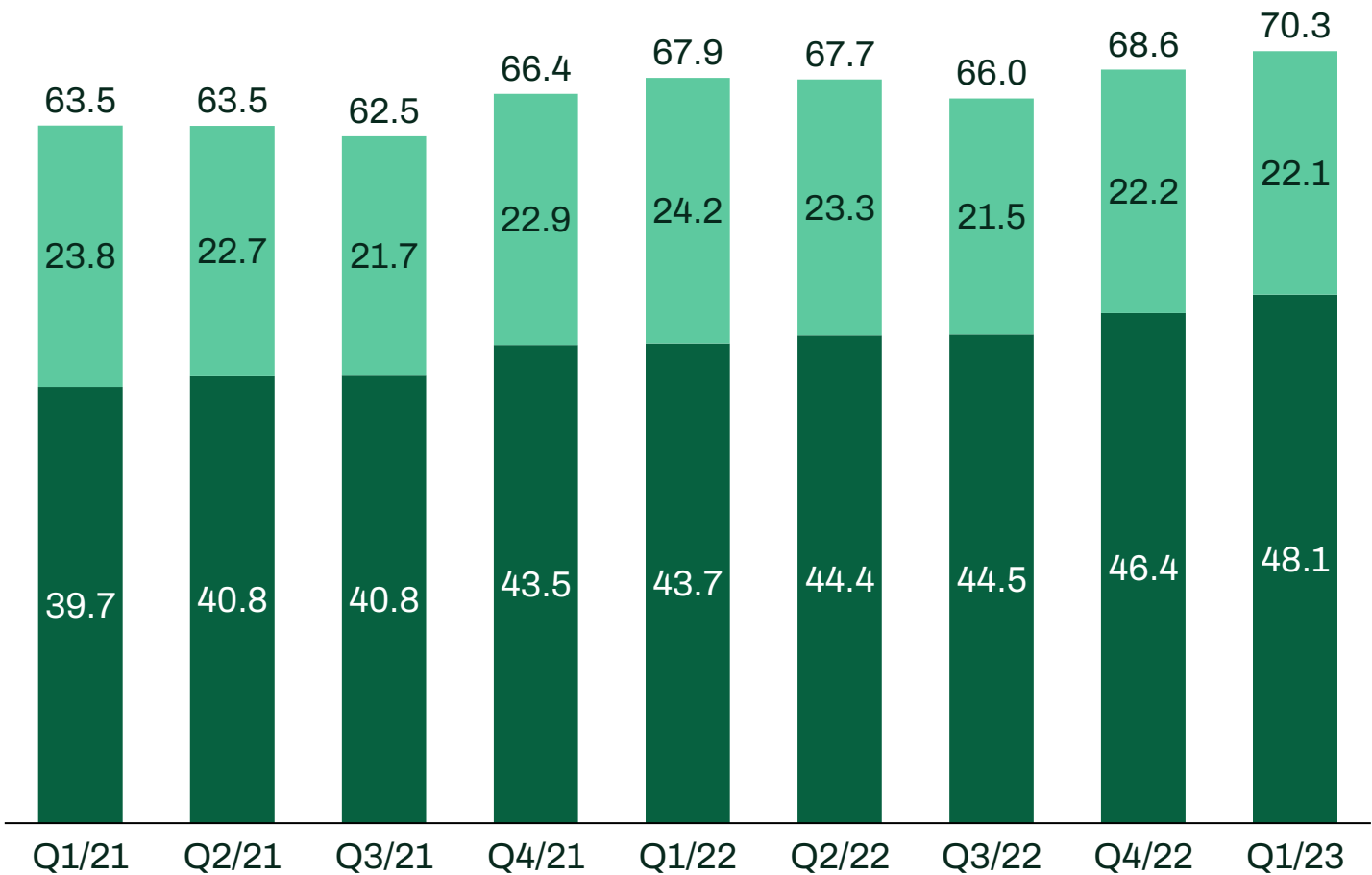
## Cyber security consulting revenue

- Many WithSecure customers operate in financial / banking sector, going through economic uncertainty
- Some large customers reduced or completely deferred their spending in Q1 2023
- Expected to be a temporary decline in demand

Revenue  
Comparable revenue

# Deferred Revenue at strong level

(WithSecure, Deferred Revenue<sup>1</sup>, EUR million)



- Orders are recognized after customer commitment, while deferred revenue is recognized according to invoicing schedule
- Some large multi-year contracts are split into several installments. The associated deferred revenue gets recognized according to the invoicing schedule
- Monthly payment subscriptions do not create deferred revenue
- Transition to subscriptions will start impacting deferred revenue over time

Non-current  
Current

<sup>1</sup> Non-current deferred revenue = recognized as revenue after the next 12 months onwards  
Current deferred revenue = recognized as revenue within the next 12 months

# Q1 profitability

WithSecure, EUR million	1-3/2023	1-3/2022	Change %	1-12/2022
<b>Revenue</b>	<b>35.2</b>	<b>32.4</b>	<b>9 %</b>	<b>134.7</b>
Gross Margin	24.4	21.3	15 %	87.7
<i>of revenue, %</i>	69.3 %	65.8 %		65.1 %
Other operating income <sup>1)</sup>	0.4	0.5	-7 %	2.3
Operating expenses <sup>1)</sup>	-31.0	-28.7	8 %	-116.7
Sales & Marketing	-17.4	-18.8	-5 %	-79.1
Research & Development	-10.1	-7.6	18 %	-28.4
Administration	-3.6	-2.3	81 %	-9.2
<b>Adjusted EBITDA <sup>2)</sup></b>	<b>-6.2</b>	<b>-6.9</b>	<b>-11 %</b>	<b>-26.7</b>
<i>of revenue, %</i>	-17.6 %	-21.4 %		-19.8 %
<b>Estimated comparable EBITDA</b>	<b>-6.2</b>	<b>-5.2</b>	<b>19 %</b>	<b>-23.2</b>
<i>of revenue, %</i>	-17.6 %	-16.1 %		-17.3 %

1) Excluding Items Affecting Comparability (IAC), depreciation and amortization. From Q3 22 excluding also costs of services provided to F-Secure under TSA and equivalent income charged for TSA services.

2) For comparable figures year on year, see Estimated comparable EBITDA



# Guidance

## Outlook for 2023 (unchanged)

Annual recurring revenue (ARR) for cloud products will grow by 28–34% from the end of 2022. At the end of 2022, cloud ARR was EUR 80.2 million.

Revenue from cloud products will grow by 28–34% from previous year. Previous year revenue from cloud products was EUR 68.7 million.

Total revenue of the group will grow by 12–20% from previous year. Previous year revenue was EUR 134.7 million.

Adjusted EBITDA will improve from previous year. Previous year's Adjusted EBITDA (Estimated comparable EBITDA for two first quarters) was EUR -23.2 million. Adjusted EBITDA of fourth quarter of 2023 will be positive.

## Medium term financial targets (unchanged)

Growth Target: To double revenue organically by the end of 2025 (from year 2021 comparable revenue of EUR 122.8 million)

Profitability Target: Adjusted EBITDA break-even by the end of 2023 and adjusted EBITDA margin of some 20% by 2025

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