

Progressing on profitability in a challenging market

Q3 2023 Highlights

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Key takeaways from Q3 2023

Cloud portfolio

- Cloud ARR increased by 13% to EUR 81.2 million (EUR 71.7 million)
- Cloud NRR was 102%
- Cloud revenue grew by 14% year-on-year to EUR 20.5 million
 - Slower but positive growth in all geographic areas
 - DACH, France continued to perform well
 - Growth in all main products
- Cloud Protection for Salesforce growth below expectations

On-premise products revenue declined by 12 % to EUR 5.9 million

Consulting revenue declined by 5 % to EUR 8.4 million

- Financial sector purchases stabilizing, order backlog improving
- Good progress in Singapore and US

Key takeaways from Q3 2023

Profitability

- Adjusted EBITDA EUR -2.3 million
- Impact of 1H2023 cost savings becoming visible, decrease of opex approximately EUR 4 million from previous quarter
- Comparative opex of Q3 2022 is an estimate without TSA work for F-Secure; not fully comparable

Goodwill impairment

- Early testing of goodwill after lowered revenue outlook
- Impairment of EUR 6.2 million recorded in Q3 (IAC impacting EBIT)

Financial position

- 20 million Revolving Credit Facility (RCF) with OP Corporate bank in September

Market and products

- Cloud Security Posture Management and Co-monitoring services reached General availability in early October
- Next releases in exposure management planned for 1st half of 2024

Outlook for 2023

Outlook for 2023 (updated on 11 July 2023, unchanged)

Annual recurring revenue (ARR) for cloud products will grow by 18 – 24% from the end of 2022. At the end of 2022, cloud ARR was EUR 80.2 million.

Revenue from cloud products will grow by 18 – 24% from previous year. Previous year revenue from cloud products was EUR 68.7 million.

Total revenue of the group will grow by 6 – 12% from previous year. Previous year revenue was EUR 134.7 million.

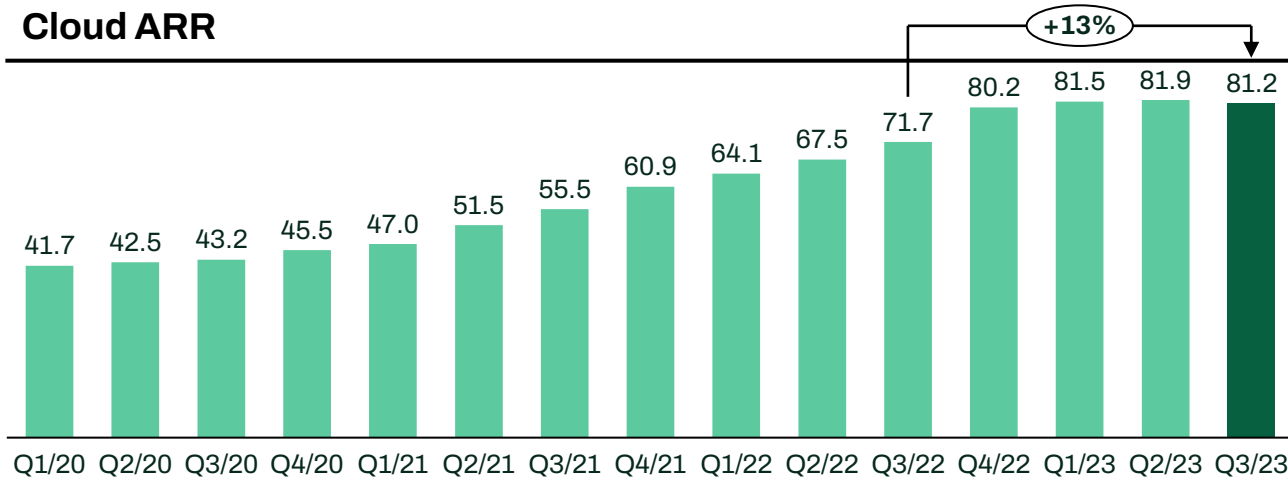
Adjusted EBITDA will improve from previous year. Previous year's Adjusted EBITDA (Estimated comparable EBITDA for two first quarters) was EUR - 23.2 million. Adjusted EBITDA of fourth quarter of 2023 will be between EUR - 4 million and EUR + 1 million.



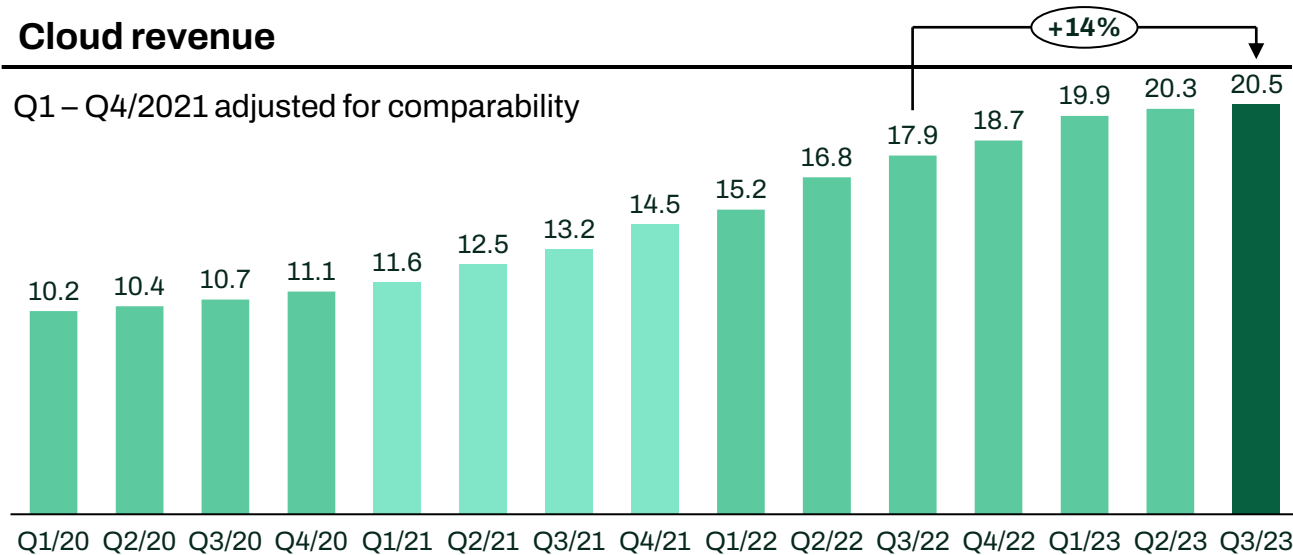
Cloud revenue and ARR impacted by market slowness and competition

(EUR million)

Cloud ARR



Cloud revenue



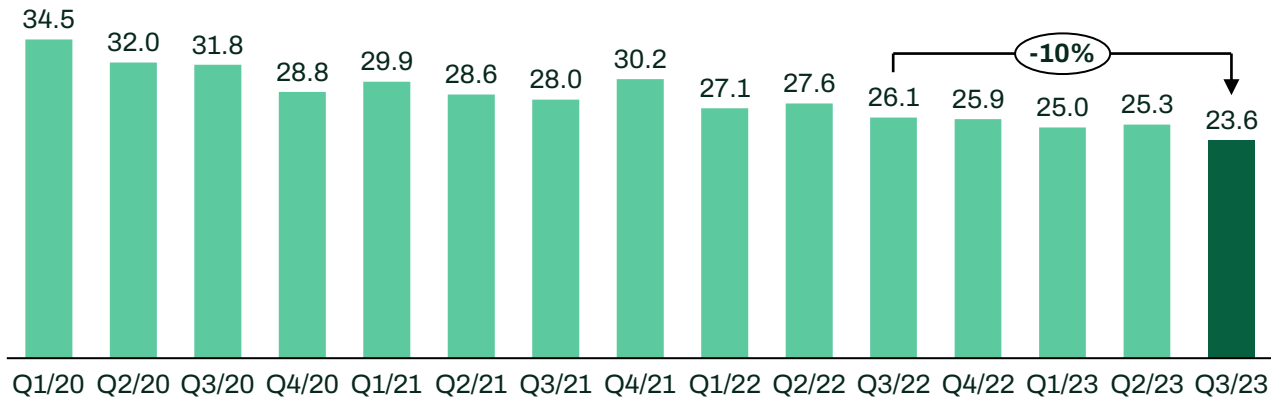
Cloud revenue and ARR

- Cloud revenue impacted by market slowness and competition
- Year-on-year growth in all products and all geographies
- MDR shift to mid-market customers, especially in DACH area
- CPSF ARR and revenue growth below expectations, but US customer base strong with upsell potential

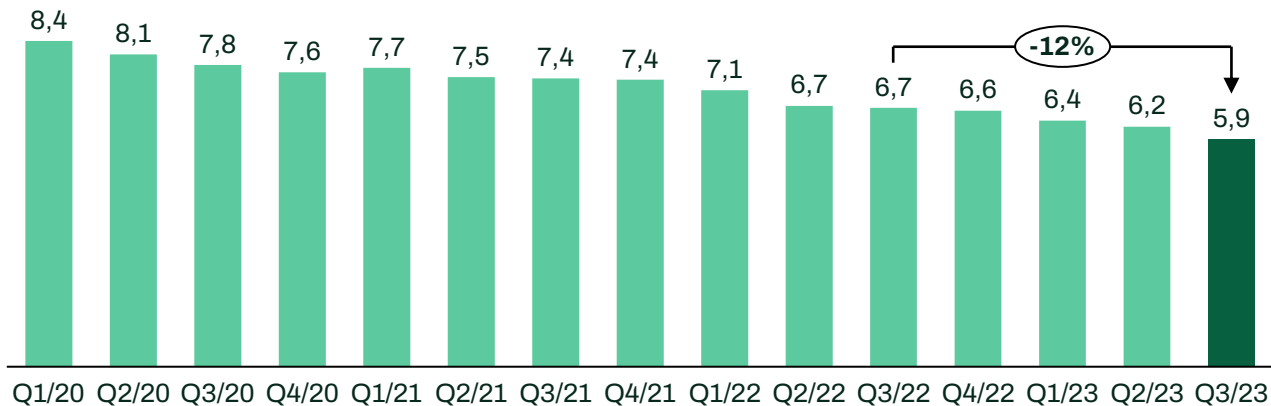
On-premise revenue and ARR

(EUR million)

On-Premise ARR



On-premise Revenue



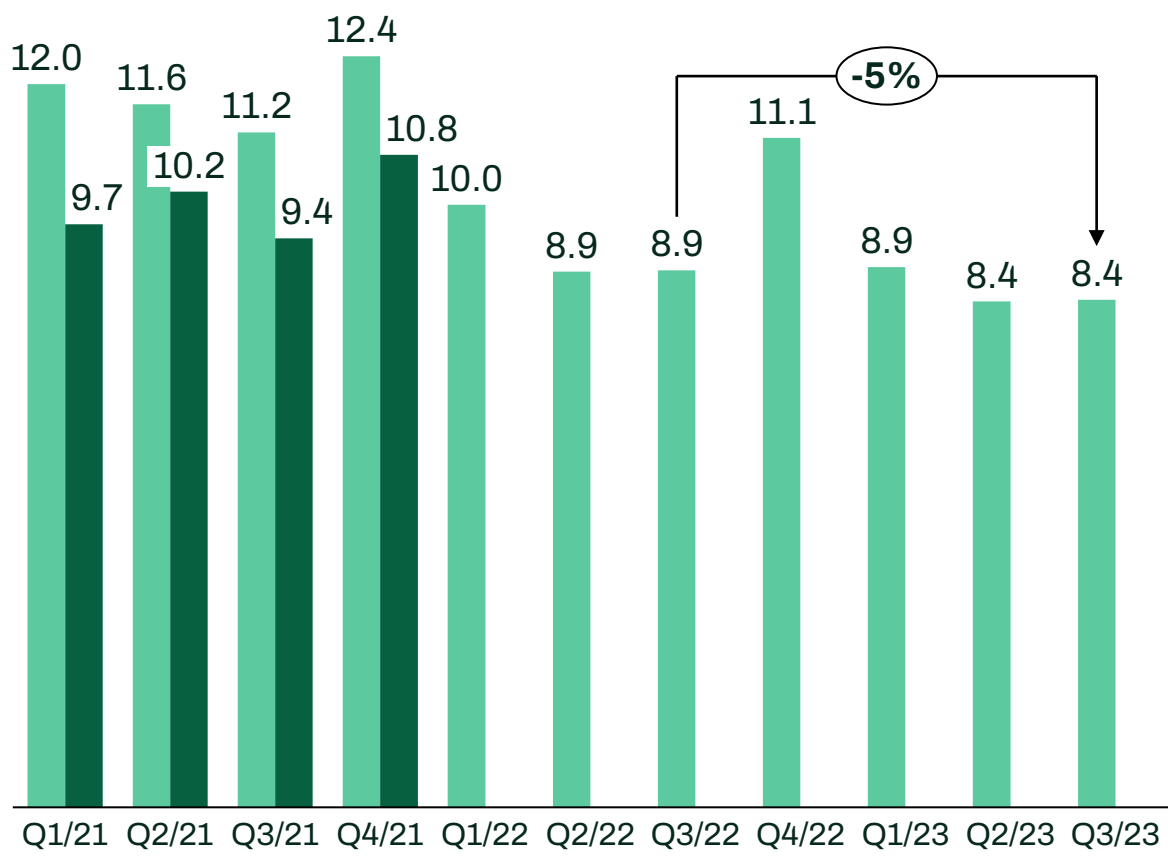
On-premise revenue and ARR

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

Cyber Security Consulting – recovering from the 1H23 slowdown

(EUR million)

Cyber security consulting revenue



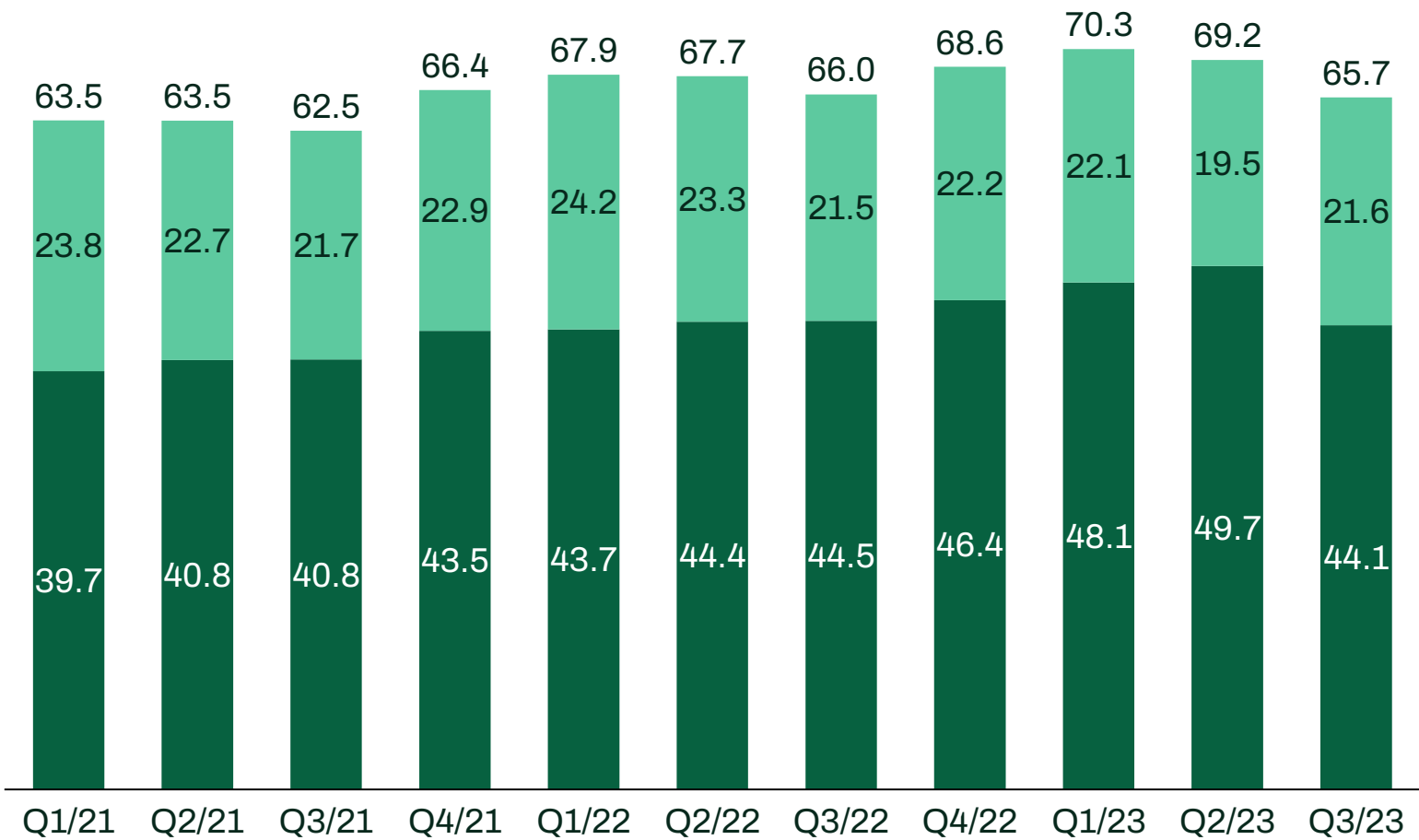
Cyber security consulting revenue

- Spend of financial sector customers returning to the earlier level
- Order backlog improving

Revenue
Comparable revenue

Deferred Revenue declining for lower revenue and increasing share of SaaS contracts

(WithSecure, deferred revenue¹, 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 (reduction of balance over time)

Non-current
Current

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

Q3 profitability

(mEUR)	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change%
Revenue	34,8	33,5	4 %	104,8	98,3	7 %
Gross Margin	24,2	21,9	10 %	72,6	63,9	14 %
of revenue, %	69,5 %	65,3 %		69,3 %	65,0 %	
Other operating income ¹⁾	0,2	0,9	-76 %	1,0	1,8	-43 %
Operating expenses ¹⁾	-26,6	-26,8	0 %	-90,0	-86,4	4 %
Sales & Marketing	-15,2	-18,6	19 %	-52,4	-57,9	10 %
Research & Development	-8,2	-5,9	38 %	-27,6	-21,8	27 %
Administration	-3,3	-2,3	46 %	-10,0	-6,6	51 %
Adjusted EBITDA ²⁾	-2,3	-4,0	44 %	-16,3	-20,6	21 %
of revenue, %	-6,5 %	-12,0 %		-15,6 %	-21,0 %	
Estimated comparable EBITDA	-2,3	-4,0	44 %	-16,3	-17,2	5 %
of revenue, %	-6,5 %	-12,0 %		-15,6 %	-17,5 %	

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

Medium-term financial targets

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

Medium-term targets to be reviewed as part of the annual strategy process, still ongoing at interim report date.



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Waste less

Withstand all

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