

# EXPANDING INTO CYBER SECURITY

**F-SECURE CORPORATION  
INTERIM REPORT Q2 / 2015**

July 23, 2015  
CEO Christian Fredrikson







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# Q2 HIGHLIGHTS

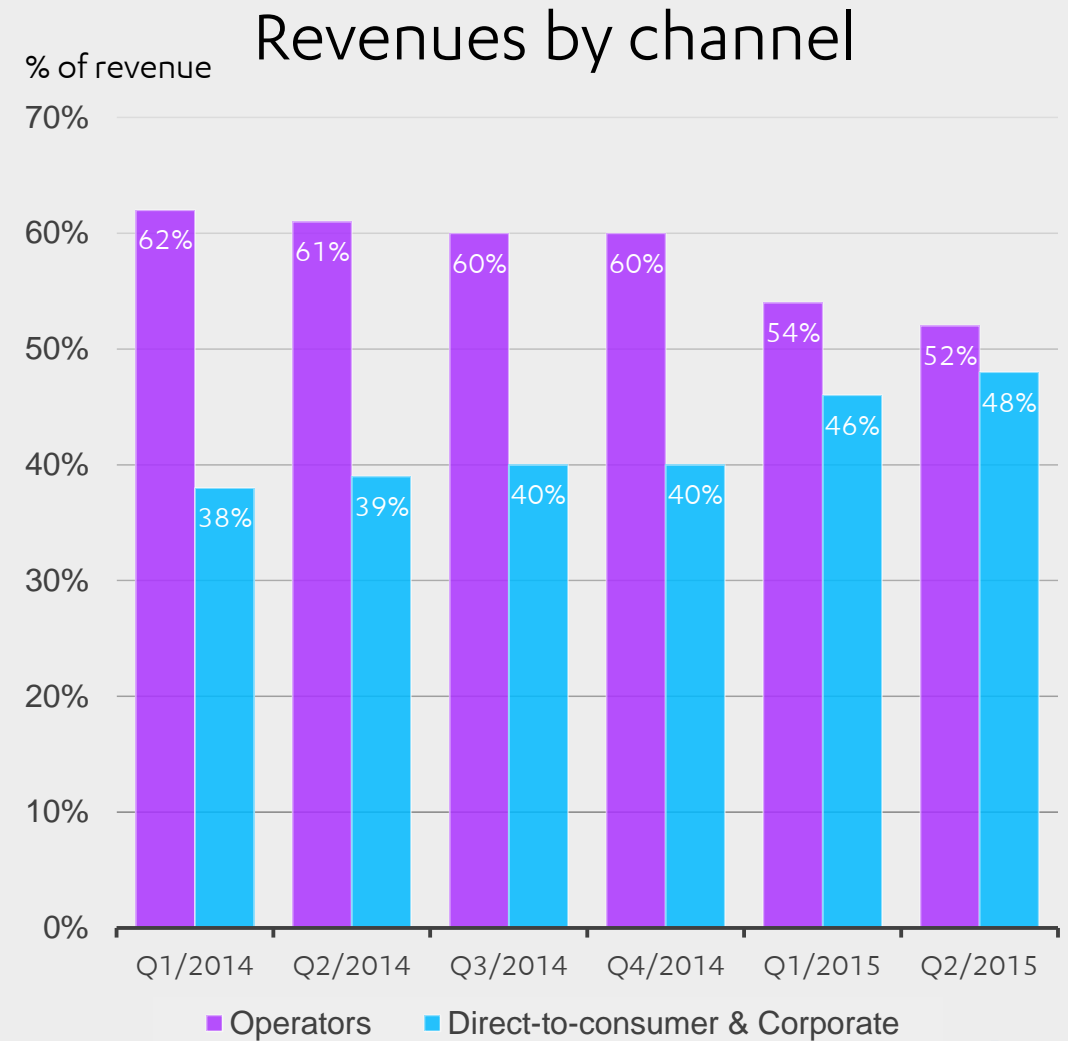
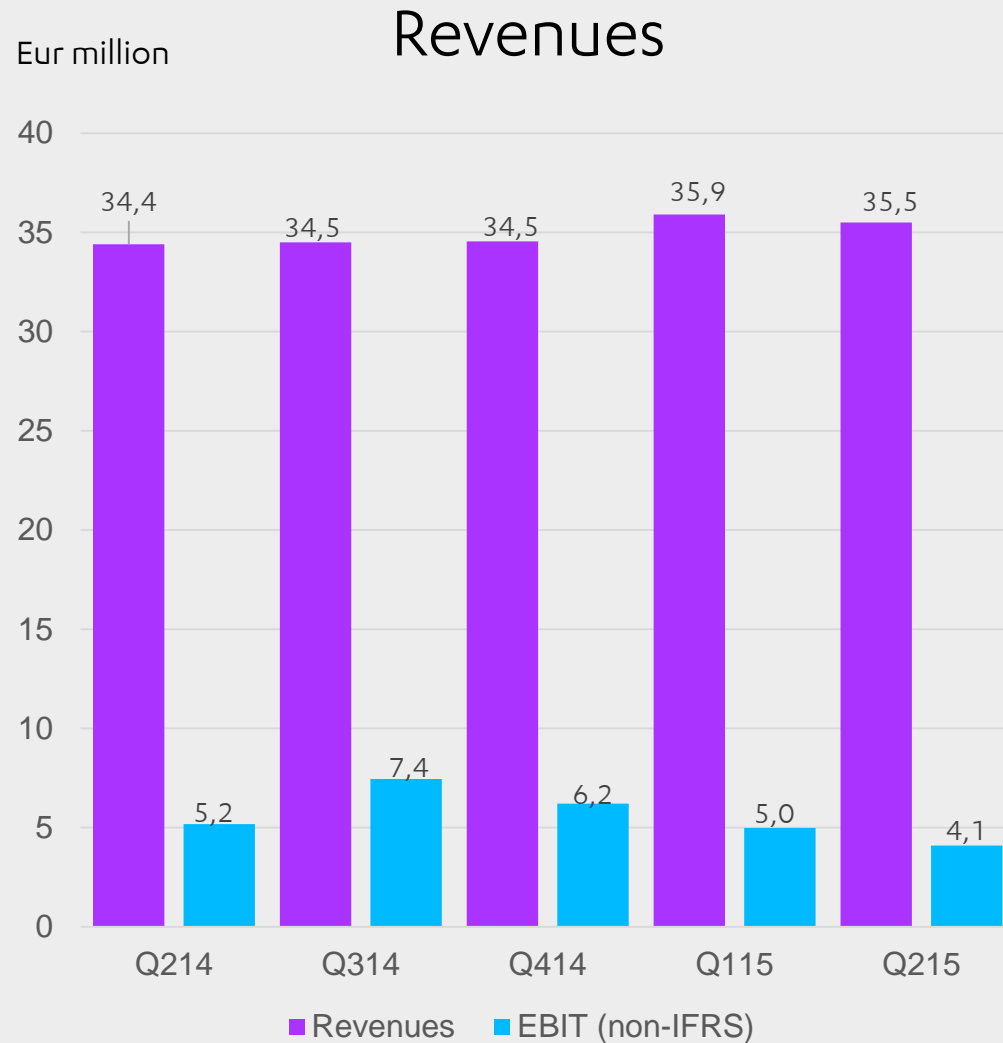
## Aiming to become the cyber security leader in Europe

- **Overall security revenue** +3 % y-o-y totaling EUR 35.5 million
- **Operator** security sales -2 % y-o-y totaling EUR 18.6 million
- **Corporate reseller** and **direct-to-consumer** revenues +10 % y-o-y totaling EUR 16.9 million
- **M&A:** F-Secure acquired nSense, the leading Nordic cyber security services provider in June

As of the beginning of 2015 the personal cloud storage business (younited), which was sold to Synchronoss Technologies in February, is reported as discontinued operations. Consequently, comparison figures related to the statement of income have been restated. Comparison figures in the text refer to continuing operations only and the corresponding period of the previous year, unless otherwise stated.

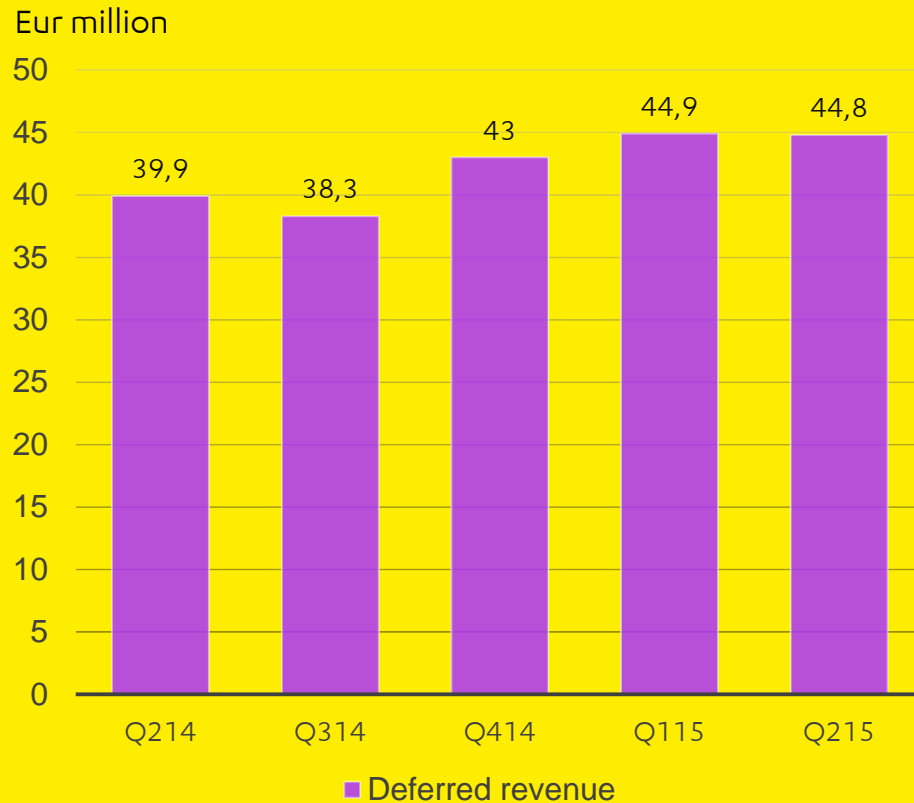
As of 2 June 2015 the acquired cyber security services business (nSense) has been consolidated into the F-Secure Group accounts.

# KEY FIGURES



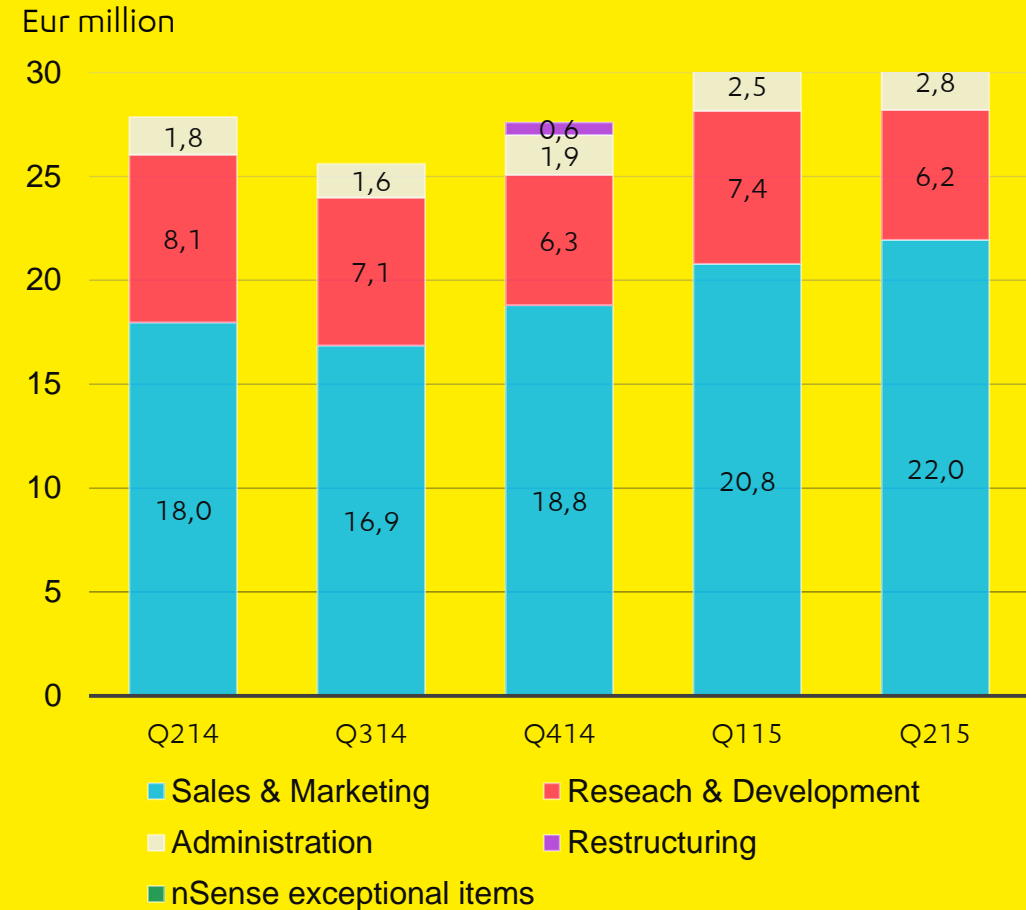
# KEY FIGURES

## Deferred revenues



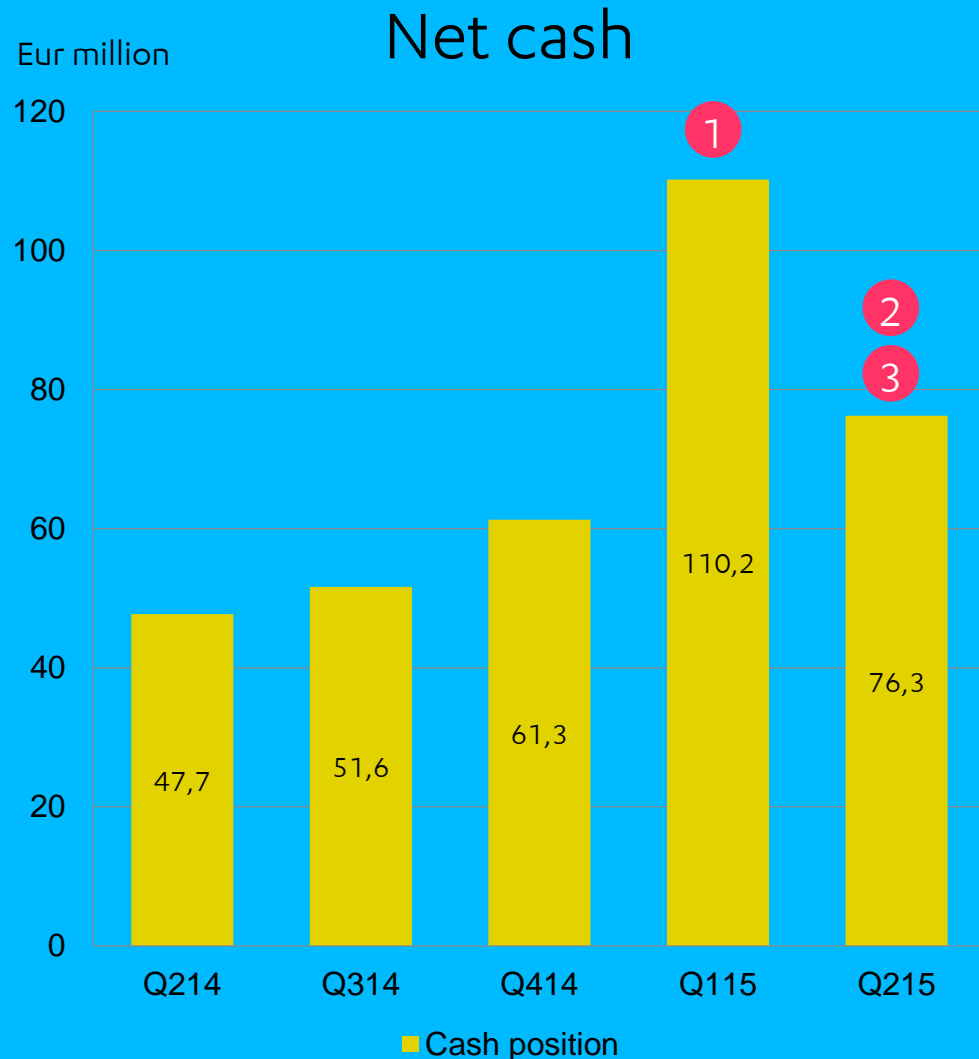
Increase as a result of growth in license and renewal sales

## Costs



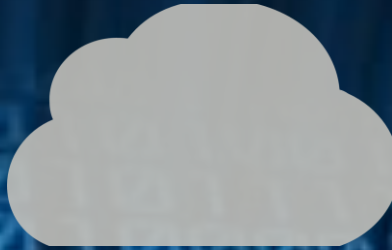
The increase is mainly related to personnel related expenses, costs incurred by the acquired nSense business and investments in sales and marketing activities.

# KEY FIGURES



- 1 Personal cloud storage business (younited) sold to Synchronoss Technologies for USD 60 million in February
- 2 Dividend of EUR 24.9 million paid in April
- 3 Acquisition of nSense in June: EUR 11 million in cash, EUR 4 million in shares (deferred) and max 3 million earn-out

# THE BIG TRENDS



## EVERYTHING GOES INTO THE CLOUD

Most of the data and services will be in the cloud - or rather, many clouds.



## INCREASING AMOUNT OF CONNECTED DEVICES

Mobility and vast variety of connected devices is changing the Internet landscape rapidly.



## THREATS GETTING MORE COMPLEX

Modern, advanced threats will continue to impact businesses and governments and require new ways of defense and expertise in cyber security



## ADVENT OF THE INTERNET OF THINGS

Emerging Internet of Things opens new security, privacy and confidentiality concerns for consumers and businesses.



# NSENSE - A FOUNDATION FOR BECOMING A EUROPEAN CYBER SECURITY LEADER

## ▪ **Entry into the enterprise customer segment**

- Services and products to financial institutions, game and gambling companies, service providers and other large businesses with critical IT infrastructure

## ▪ **Broadened corporate portfolio**

## ▪ **Deal structure**

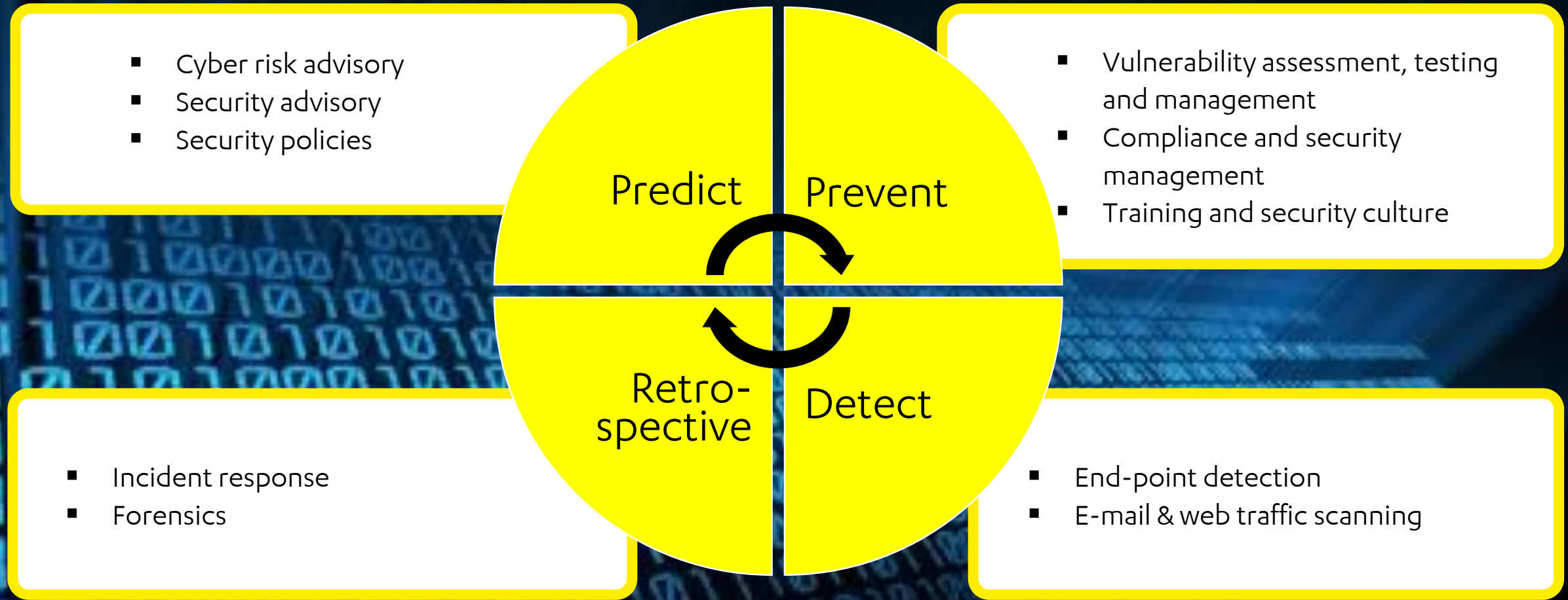
- EUR 11 million cash consideration at closing
- EUR 4 million deferred payment in F-Secure shares
- Up to EUR 3 million earn-out element subject to achievement of certain milestones in 2015-16

## **FACTS**

- Revenue EUR 7 million (2014)
- Profitable
- 69 employees
- Offices in Denmark, Finland, Poland and Norway
- Consultancy services and products



# OUR CYBER OFFERING IN MORE DETAIL



# KARHU

## VULNERABILITY SCANNING & SECURITY MANAGEMENT

- Centralized reporting platform
- Vulnerability management capabilities (ticketing system)
- API interface
- 3-1 scanning solution
- Cloud or private hosting



Certified as a  
PCI ASV scanning tool



# OTHER CORPORATE HIGHLIGHTS



## Focus countries continued to show good progress

- Sales growth was driven by Protection Service for Business, while sales of traditional licenses slightly declined

## New features added to Business Suite

- Blocking content (Java, flash or other web components) with Advanced Protection.
- Preventing employee exposure to malicious websites with Web Content Control
- Controlling access to potentially unsecure sites with Connection Control while performing business critical tasks





# CONSUMER HIGHLIGHTS

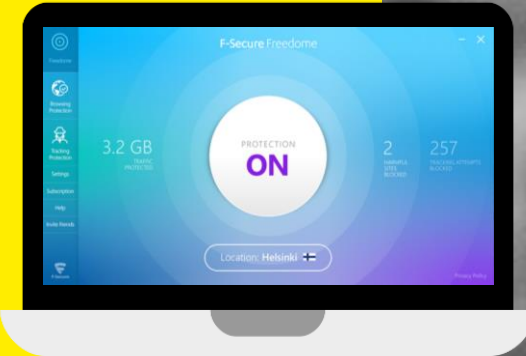


## SAFE

- Over half of operators making 90% of our operator revenue have launched SAFE
- New features: Windows 10 ready, new Network checker

## FREEDOME

- New significant retail partnerships in Canada and in the Nordics
- First device manufacturer partnership signed
- All together 3 operators deals now



## BOOSTER

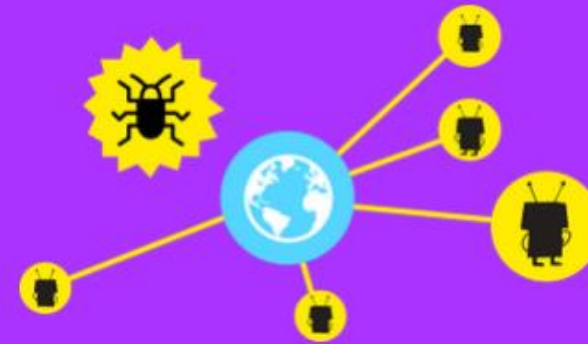
- Launched in April
- Solid performance and showing clear potential

## F-SECURE BUDDY

- Launched in May
- The market's most advanced Bluetooth tracking device
- Red Dot Award in 2014



# FREEDOME—NEW PROTECTION LOG FEATURE



To be  
launched in  
September

SEE HOW YOU'RE TRACKED WHILE  
SURFING

## AVAILABLE

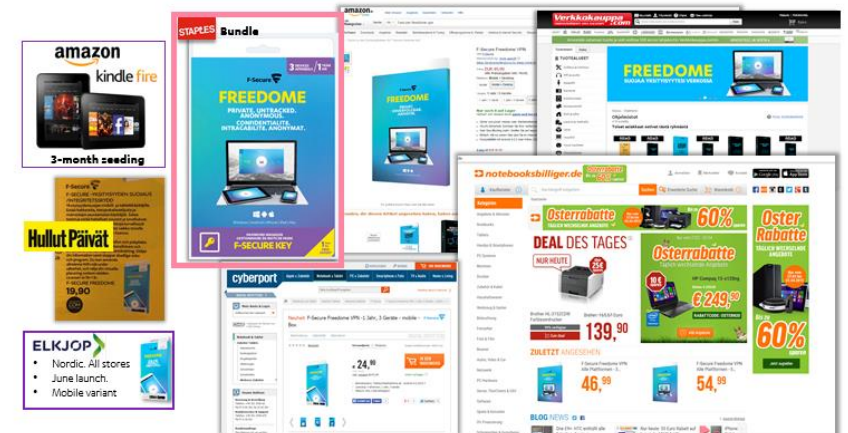
On all significant platforms  
(OSX launched in May)



**AVAILABLE** from  
retailers and  
webshops

## NEW!

Elkjöp (Nordics) &  
Staples (Canada)





# MARKET REVIEW

## Consumer security

- **Short-term growth** challenged by declining PC-related sales
- **Churn between operators** creates sales opportunities
- **App stores** continue to change the market
- **Market for privacy** solutions still developing
- **Broadband and mobile subscriptions** flat in the Western world, but growth in developing countries

## Corporate security

- **Cloud-based delivery** disrupting the way of selling security
- Especially the **cyber security** market is offering growing opportunities. Growth in related **consultancy services** limited mainly by lack of resources
- **Rush to cyber** has created some hype among investors
- **Geopolitics**



# OUTLOOK

- **The business outlook has not changed**
- **Change in phrasing:** Guidance for operating profit has been revised due to the IFRS accounting of the deferred payment and earn-out elements of the nSense acquisition as expense
- **The current outlook is:**
  - Overall security revenue growth for continuing operations is anticipated to be at or above 5 % in 2015 (2014: EUR 137.4 million).
  - Operating profit (non-IFRS) for continuing operations is estimated to be around 15% of revenues. The guidance excludes the profit from the sale of the personal cloud storage business and the cost impact of the acquisition of nSense.
  - Approximately EUR 6 million in revenues from services sold to Synchronoss is anticipated to be recognized in discontinued operations.

Previous guidance for operating profit was “Operating profit for continuing operations is estimated to be around 15% of revenues (excluding the profit from the sale of the personal cloud storage business)”.



# THANK YOU!

Questions?







# FINANCIALS Q2 2015





As of the beginning of 2015 the personal cloud storage business (younited), which was sold to Synchronoss Technologies in February, is reported as discontinued operations. Consequently, comparison figures related to the statement of income have been restated. Comparison figures in the text refer to continuing operations only and the corresponding period of the previous year, unless otherwise stated.

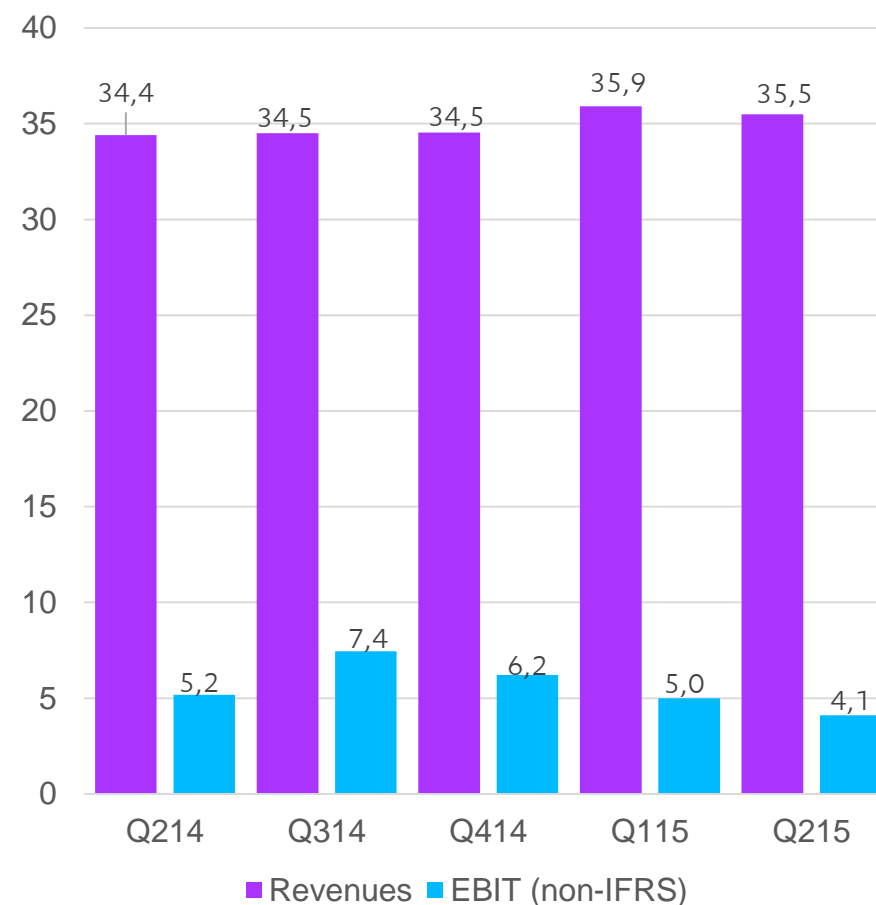
As of 2 June 2015 the acquired cyber security services business (nSense) has been consolidated into the F-Secure Group accounts.

# REVENUES

## Q2 Revenues increased by 3% y-o-y

- Total quarterly revenues 35.5m (Q214: 34.4 m)
- Operator revenues declined by 2% to 18.6m (Q214: 19.1 m)
- Corporate and direct to consumer channels grew by 10% to 16.9m (Q214:15.3 m)

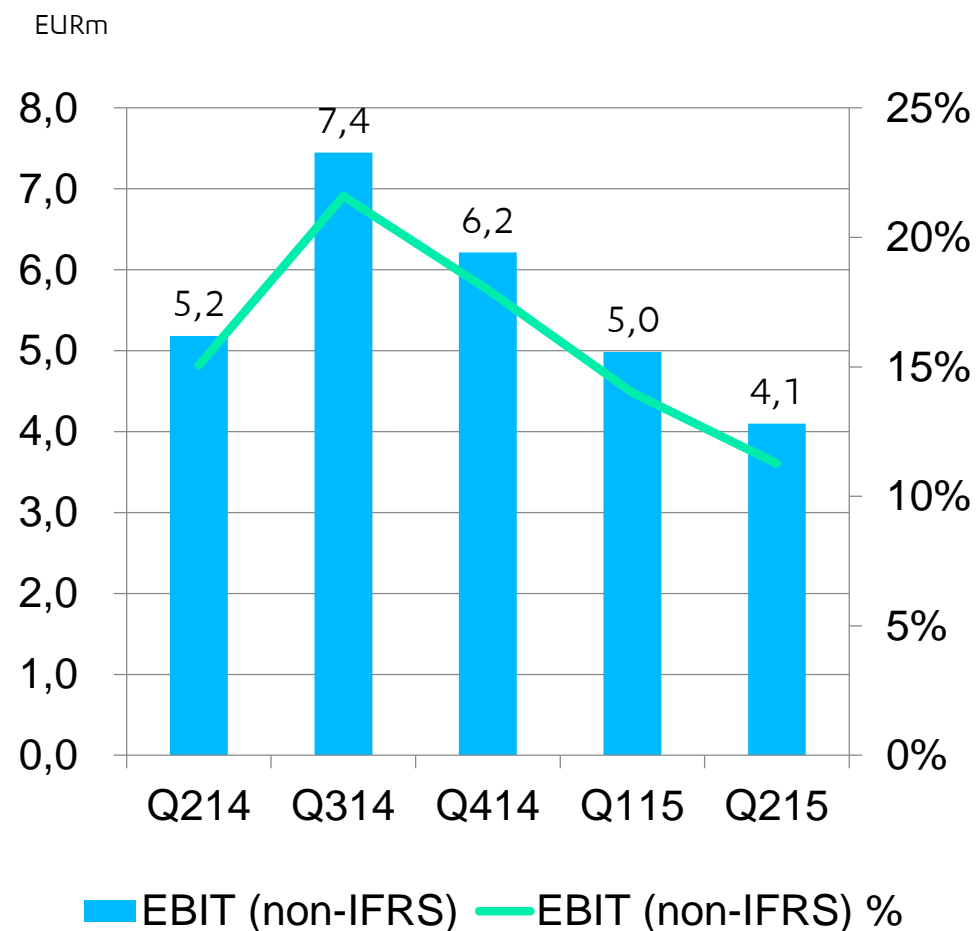
EURm



# PROFITABILITY

## Q2 Operating Profit

- EBIT (non-IFRS) 4.1m, 12% of revenues
- EBIT (IFRS) 4.0m, 11% (Q214: 5.2m, 15%)
- Earnings per share for continuing operations EUR 0.02 (EUR 0.02)
- Earnings per share EUR 0.02 (EUR 0.02)



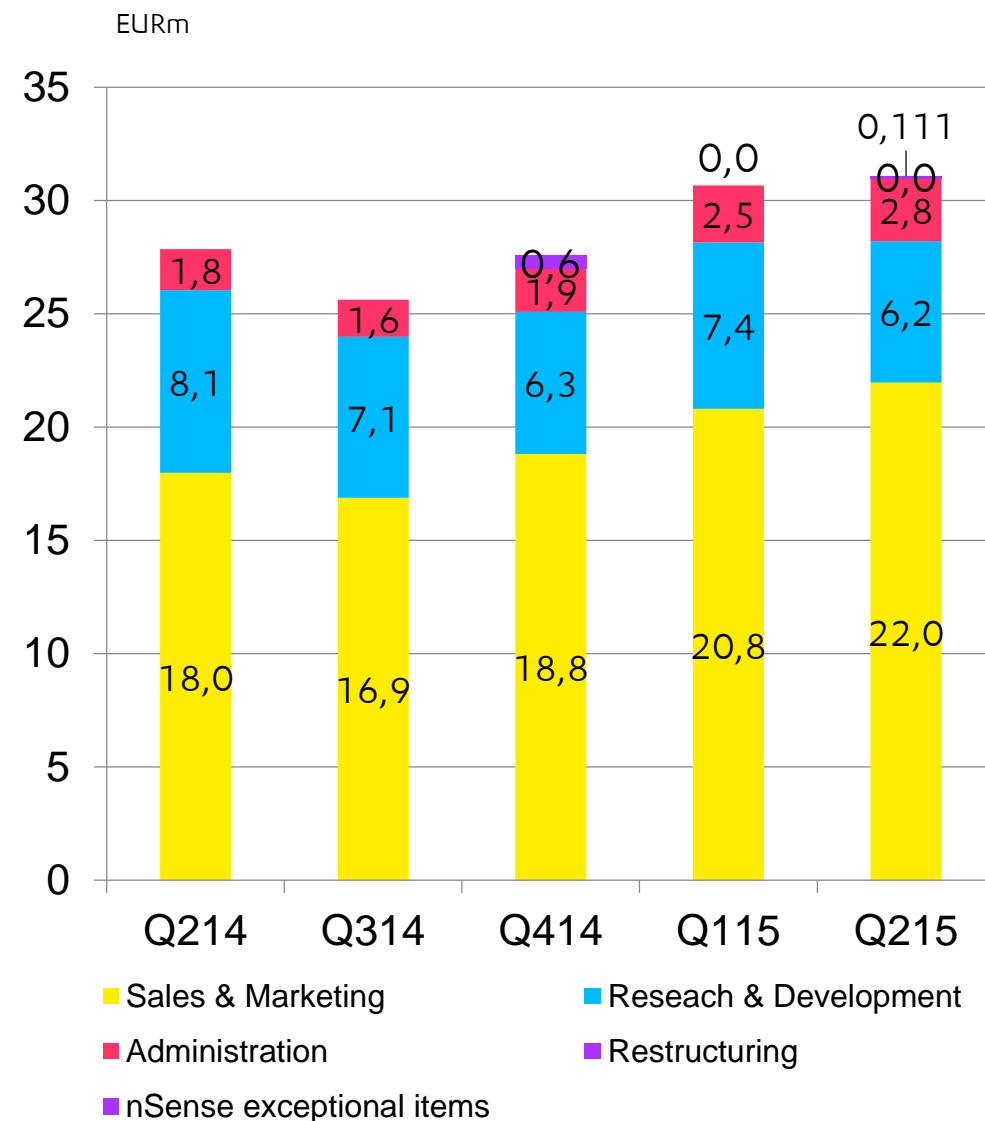


# COSTS

## Q2 costs

Costs 31.0m (Q214: 27.9m), +11% y-o-y

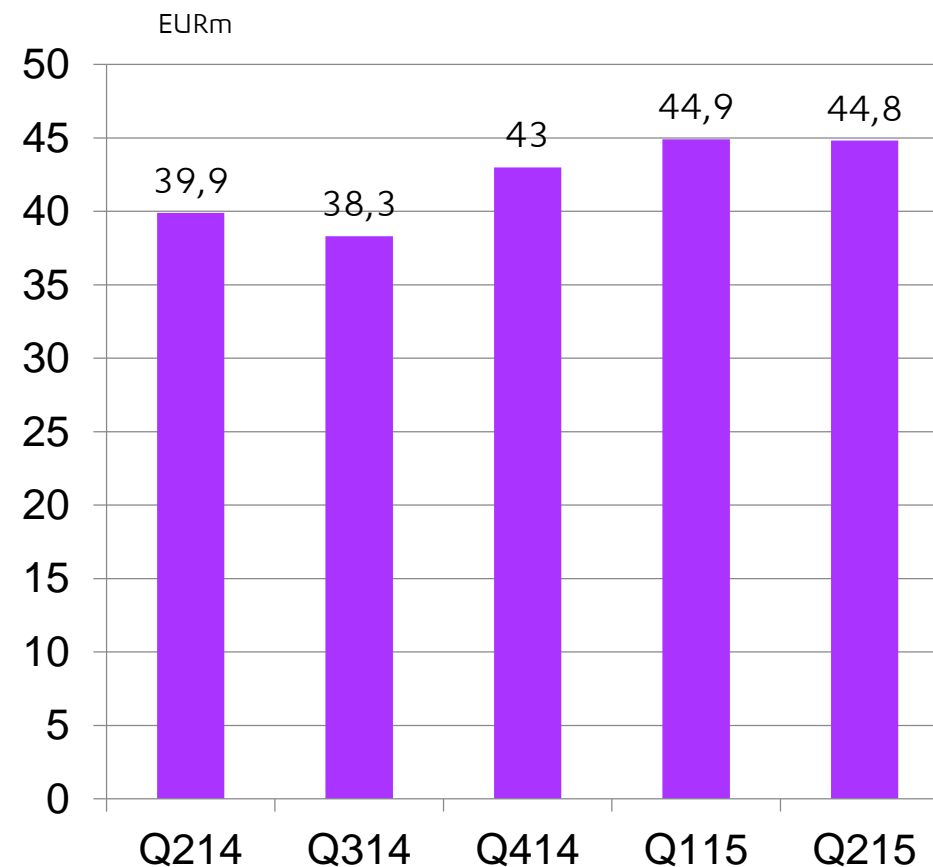
- The increase is mainly related to personnel related expenses, costs incurred by the acquired nSense business and investments in sales and marketing activities
- Depreciations from past capitalized expenses were 1.4m (Q214: 2.0m)
- Capitalized R&D expenses were 0.5m (Q214: 0.6m)



# DEFERRED REVENUES

**Q2 Deferred revenues increased to 44.8m (39.9m)**

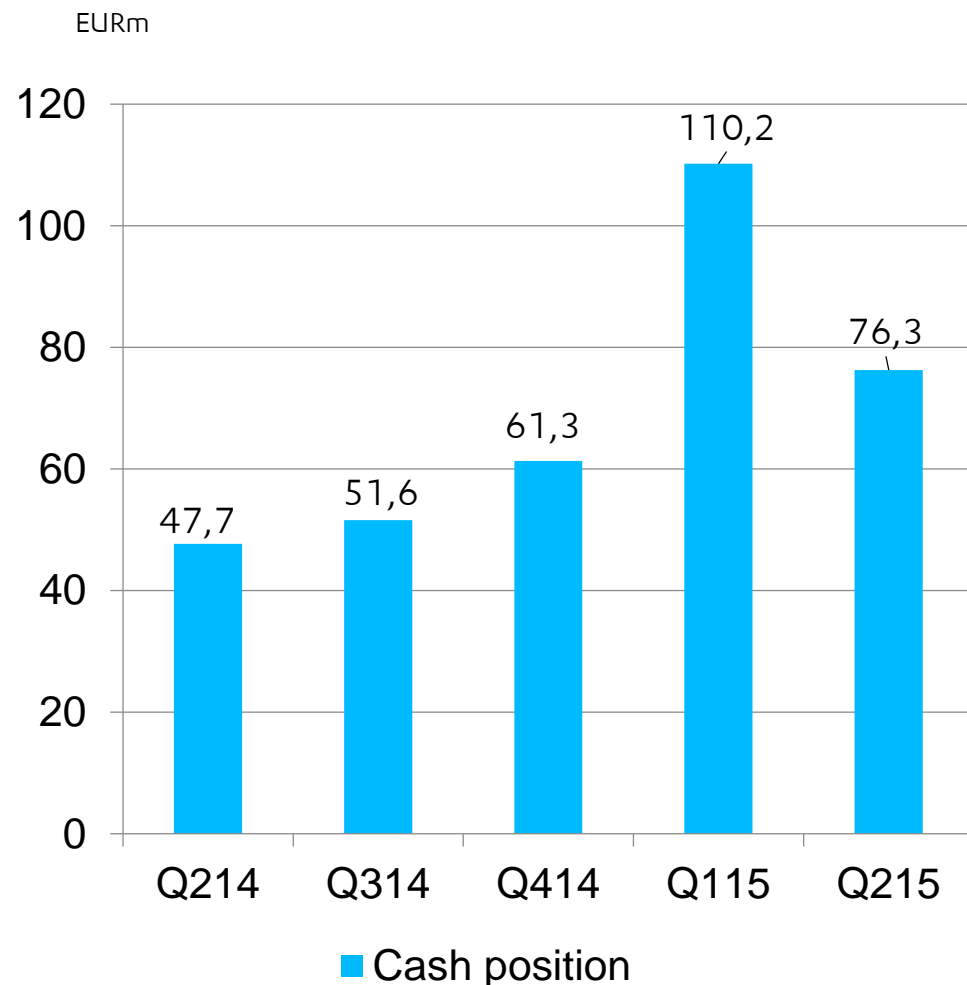
- Continued growth in Corporate and Direct Business



# SOLID CASH POSITION

- Solid operational cash flow in Q2
  - Cash flow from operations 4.2m\* (Q214: 6.0m)
- Change in cash -33.9m\*
  - Dividend payment of 24.9m
  - Cash consideration of 11m for nSense acquisition
- Market value of liquid assets on 30 June 76.3m (Q214 : 47.7m)

\* Including discontinued business

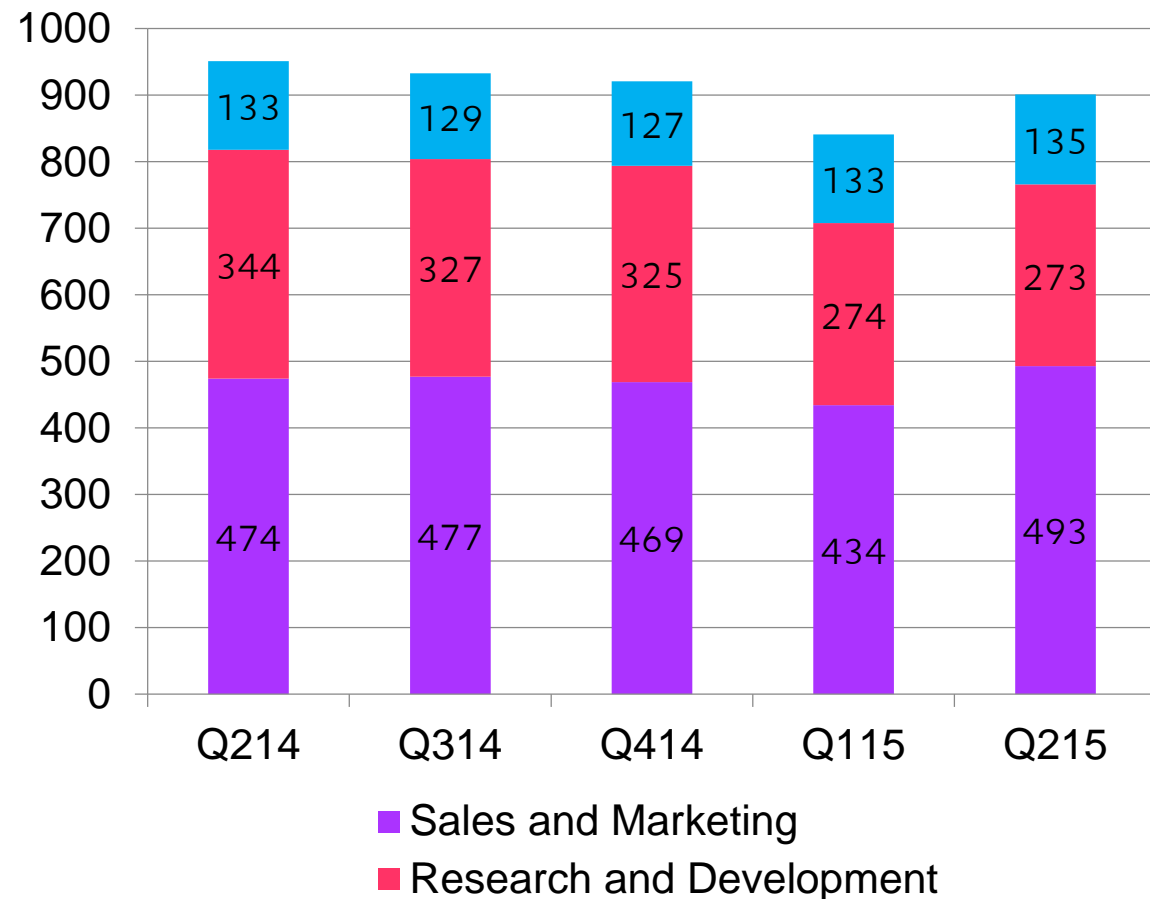






# NUMBER OF PERSONNEL

- Number of personnel 901 (Q214: 951) at the end of the quarter
- 69 nSense employees became F-Secure employees as of 2 June 2015



# REGIONAL REVENUE

