



**Samu Konttinen, CEO**

Q2 / 2017

# **CORPORATE SECURITY GREW BY 22% IN Q2**

# AGENDA

Key takeaways from Q2

Key figures

Business updates

Outlook

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Financials

FAQ

All figures refer to continuing operations unless otherwise stated.

# KEY TAKEAWAYS FROM Q2

“We improved our performance,  
building on our investments in growth.”

## CORPORATE SECURITY UP BY 22%

- Product sales continued to show above market growth, new solutions performed well
- Services in very fast double-digit growth, geographical expansion continued

## CONSUMER SECURITY UP BY 2%

- Steady progress, with both operator and direct sales growing
- F-Secure Sense was launched

# KEY FIGURES

EUR m	4-6/2017	4-6/2016	Change	1-6/2017	1-6/2016	Change	1-12/2016
Revenue	43.2	39.3	10 %	84.3	77.1	9 %	158.3
of which corporate security	18.8	15.4	22%	35.5	30.0	18%	62.5
of which consumer security	24.4	23.9	2%	48.7	47.1	3%	95.8
Operating profit (EBIT)	2.3	4.6	-51 %	3.9	7.8	-50 %	19.2
% of revenue	5 %	12 %		5 %	10 %		12 %
Profit before taxes	3.3	5.7	-41 %	4.9	8.6	-43 %	20.8
Earnings per share (EUR) <sup>1)</sup>	0.03	0.03	0%	0.03	0.04	-19%	0.10
Deferred revenue				55.6	51.1	9 %	54.3
Cash and available-for-sale financial assets				80.7	80.9	-13 %	92.7
Personnel, end of period <sup>1)</sup>				1,091	982	11 %	1,026

<sup>1)</sup> Includes both continuing and discontinued operations

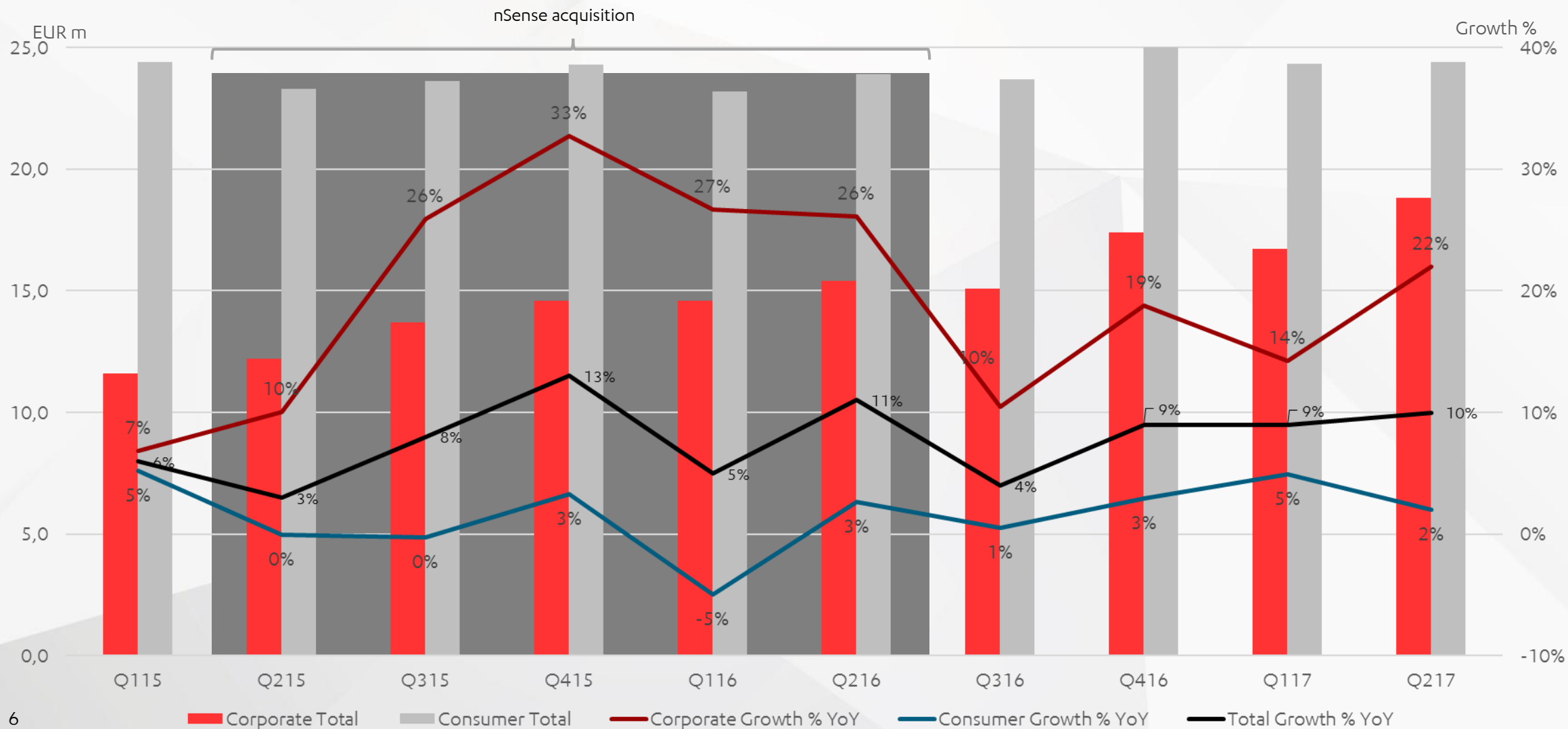
# RANSOMWARE OUTBREAKS HIGHLIGHTED THE NEED FOR SECURITY FOR EVERYONE



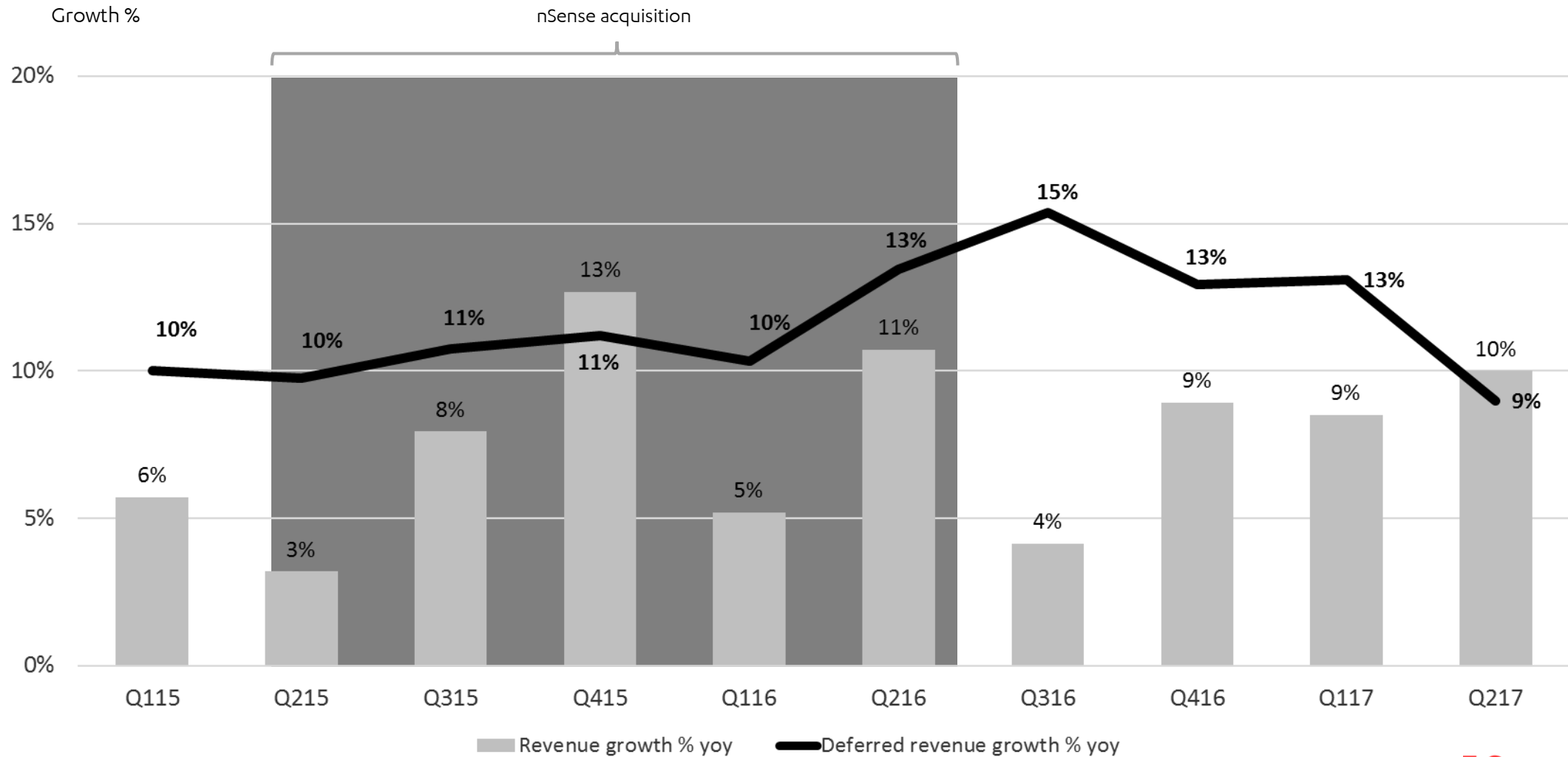
*Map of the countries initially  
affected by WannaCry  
Source: Wikipedia*



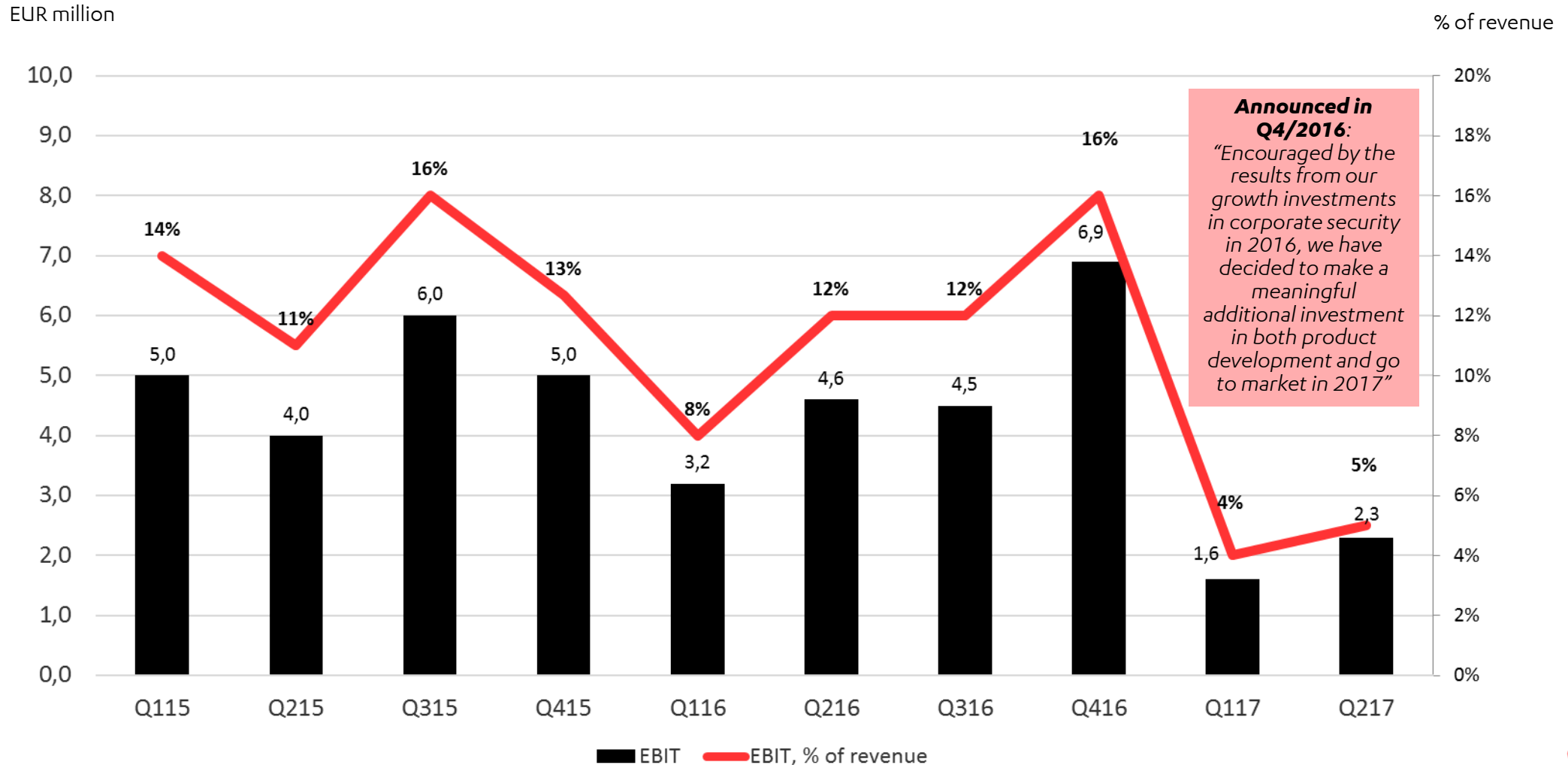
# CORPORATE SECURITY REVENUE GROWTH HAS IMPROVED



# DEFERRED REVENUE VS. REVENUE



# INVESTMENTS ARE VISIBLE IN OUR PROFITABILITY





# CORPORATE SECURITY REVENUE UP BY 22% IN Q2

## CORPORATE SECURITY PRODUCTS

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- Endpoint security product revenue in above-market growth
- Increasing share of order intake from Rapid Detection Service, F-Secure Radar and F-Secure Cloud Security for Salesforce
- Customer acquisition continued at a strong pace, renewals and upsells slightly above last year's level

## CYBER SECURITY SERVICES

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- Very strong double-digit revenue growth
- Increasing share of order intake coming from outside of the traditional strongholds in Finland and Denmark
- Geographical expansion continued with the acquisition of Digital Assurance (UK)



# NEW CORPORATE SOLUTIONS PERFORMED WELL



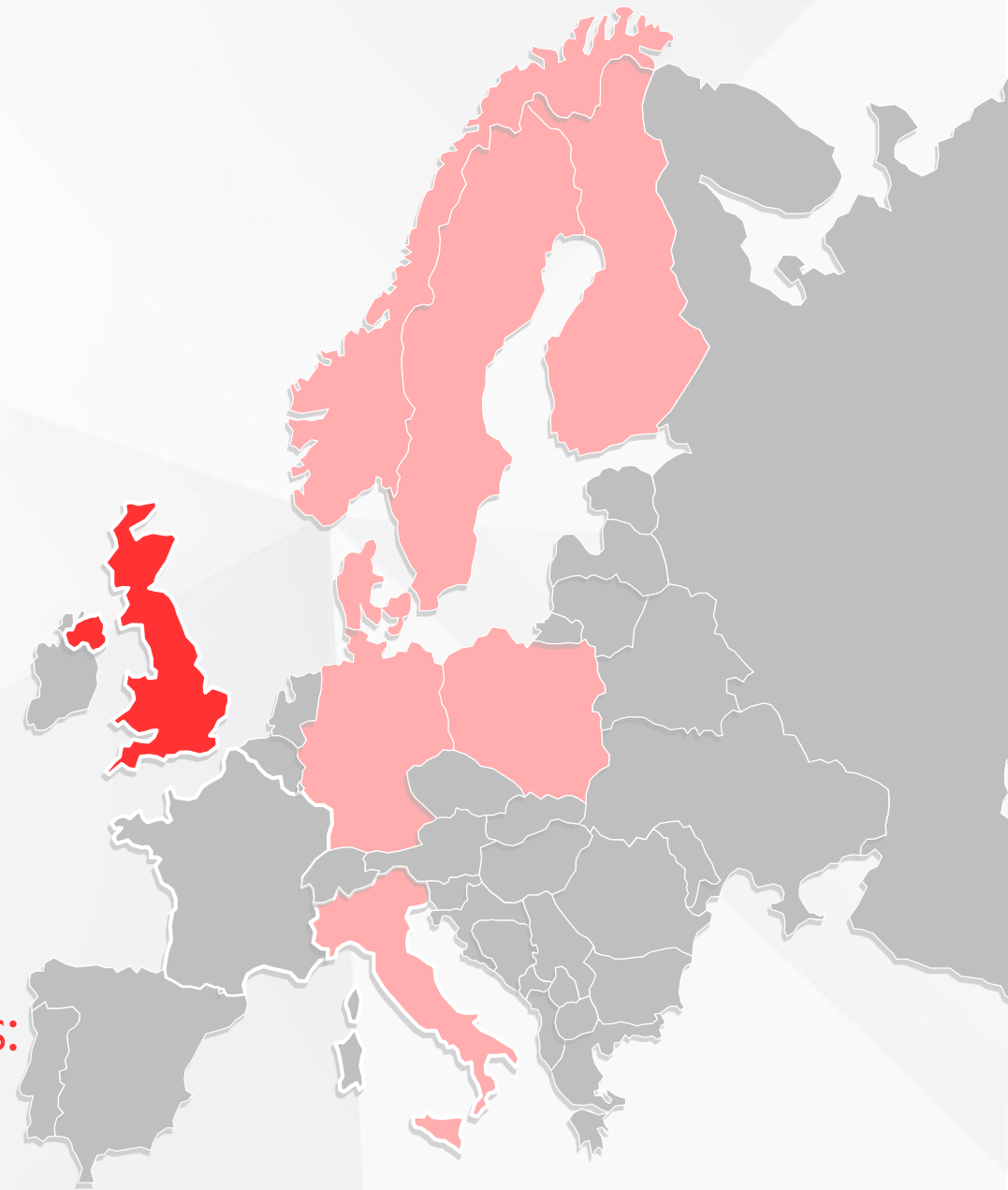
- ✓ F-Secure new corporate solutions are addressing fast growth security markets
- ✓ Sales pipelines continued to develop favorably
- ✓ First deals made now in 13 countries in Europe, Asia and the USA
- ✓ New key partnerships signed to boost distribution through reseller channel

# SCALING UP OUR CYBER SECURITY SERVICES

## F-Secure's cyber security services business has customers across the globe

- Operations in 8 countries in Europe
- We continue to recruit consultants and sales people to meet the demand
- **Digital Assurance** (UK) acquired in Q2

“Services are complementary to our product business: incident investigations provide valuable insights that feed back into our product creation.”



# CONSUMER SECURITY UP BY 2% IN Q2

## OPERATOR CHANNEL

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- Revenue in slight growth, improvement of product activation rates continues
- Clear leader in the operator ecosystem
  - 80+ operator partners joined our annual partner summit in Barcelona
- Signed partnerships with significant operators to combine F-Secure Key with F-Secure Safe
- First F-Secure Sense operator sales were initiated in Finland with Telia and Elisa

## DIRECT SALES

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- Revenue growth continued to outpace the market
- Growth driven by online and retail sales of both F-Secure Safe and Freedome
- Freedome continued to deliver strong growth
- F-Secure Sense shipments started in June

# POSITIVE REACTIONS IN THE MEDIA

***"It's a well made, good looking wireless router."***

Gadgets News (UK)

***"F-Secure SENSE will das Smart Home sicher machen."***

Mobile Geeks (GER)

***"F-secure Sense review - the best online security?"***

*"SENSE requires minimal effort and works tirelessly to protect all my devices connected to it."*

Tech Addicts (UK)

Also mentioned on:

**The New York Times** 31 May 2017



**ILTA-SANOMAT**

**Testissä F-Securen ihmelaite  
Sense – kaikki laitteet  
turvaan yhden laatikon taakse**

"Tuotteistus on onnistunut"

"Asentaminen on tehty helpoksi"

"Käyttöliittymä on onnistunut"

"Suorituskyky reitittimenä on hyvä"

"Erittäin lupaava tuote"

# PORTFOLIO EXPANSION OFFERS CROSS-SELL OPPORTUNITIES

**Endpoint security**  
F-Secure SAFE



**Connected homes**  
F-Secure SENSE



**VPN & Privacy**  
F-Secure Freedom



**Password management**  
F-Secure Key



**200+ OPERATOR PARTNERS**



**DIRECT SALES & RETAILERS**



# WE CONTINUE WITH OUR INVESTMENTS

2016

## **Our model works**

- ✓ Very competitive portfolio
- ✓ Fast growing channel
- ✓ Security capabilities best-in-class



2017

## **Seize the opportunity**

- ✓ Boost product development
- ✓ More cross-selling
- ✓ Expand channel
- ✓ Recruit best people

# OUTLOOK FOR 2017 UNCHANGED

*Encouraged by the results from our growth investments in corporate security in 2016, we have decided to make a meaningful additional investment in both product development and go to market in 2017*

- Revenue is anticipated to grow from the previous year's level (2016: EUR 158.3 million)
- Operating profit is anticipated to be EUR 8–12 million (2016: EUR 19.2 million); profitability in the first quarter of 2017 is foreseen to be lowest during the year following typical seasonality, and clearly better towards the year-end

# FINANCIALS

## Q2 2017

All income statement figures refer to continuing operations, and figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.  
F-Secure's personal cloud storage business (younited) was sold to Synchronoss Technologies in February 2015 and is reported as discontinued operations 2015–2016.



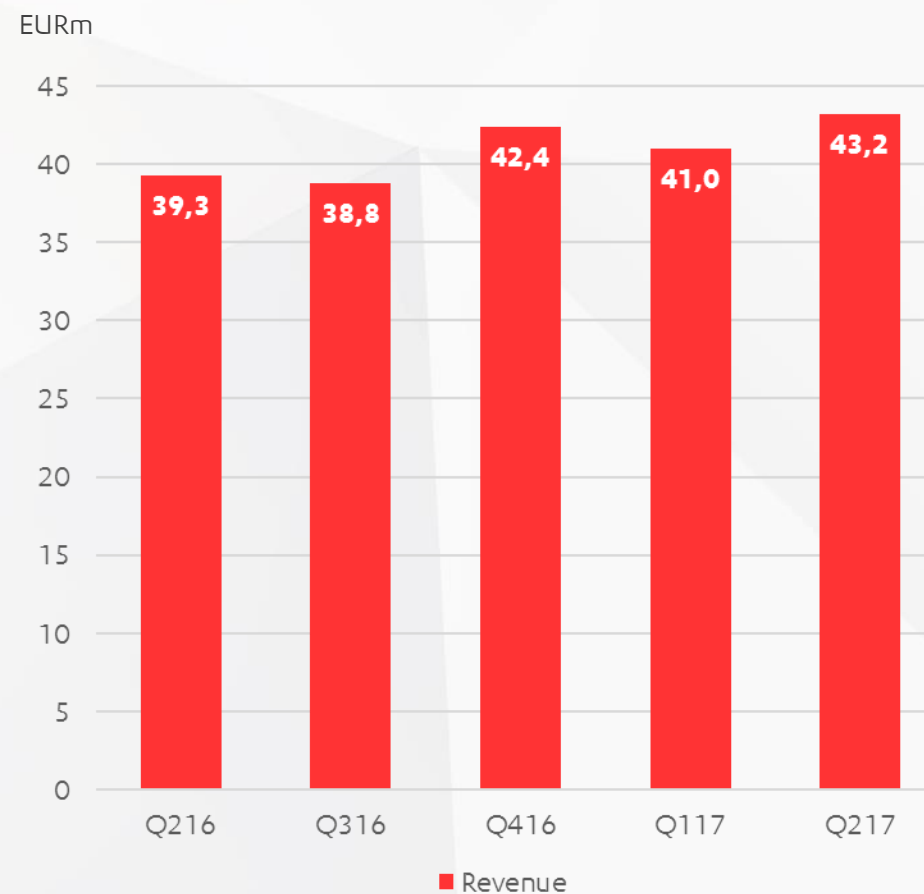
# REVENUE

## April–June

- Revenue increased by 10% y-o-y
- Total quarterly revenue 43.2m (Q216: 39.3m)

## January–June

- Revenue increased by 9% y-o-y
- Total H1 revenue 84.3m (H117: 77.1m)



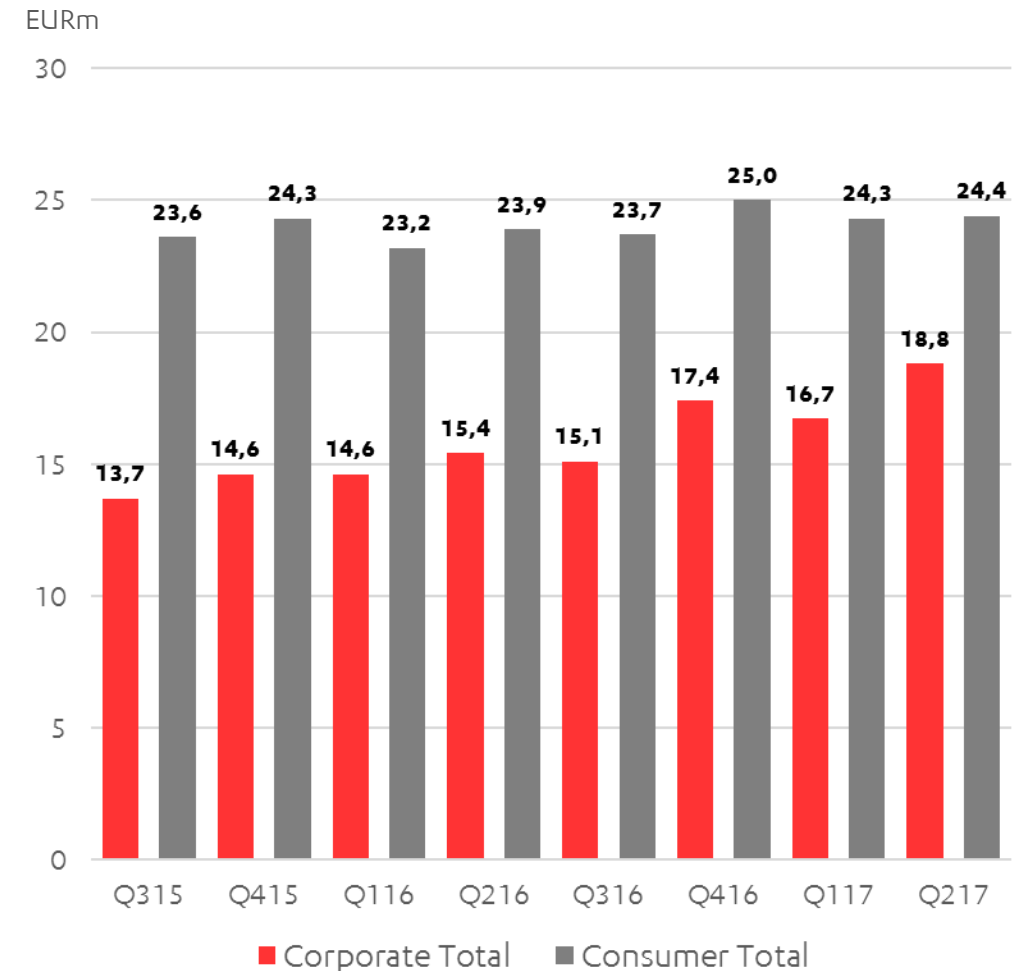
# REVENUE SPLIT

## April–June

- Revenue from corporate security increased by 22% totalling EUR 18.8 million (15.4m)
- Revenue from consumer security increased by 2% and was EUR 24.4 million (23.9m)
- Corporate and consumer security represented 43% (39%) and 57% (61%) of total revenue respectively

## January–June

- Revenue from corporate security increased by 18% totalling EUR 35.5 million (30.0m)
- Revenue from consumer security increased by 3% and was EUR 48.7 million (47.1m)
- Corporate and consumer security represented 42% (39%) and 58% (61%) of total revenue respectively



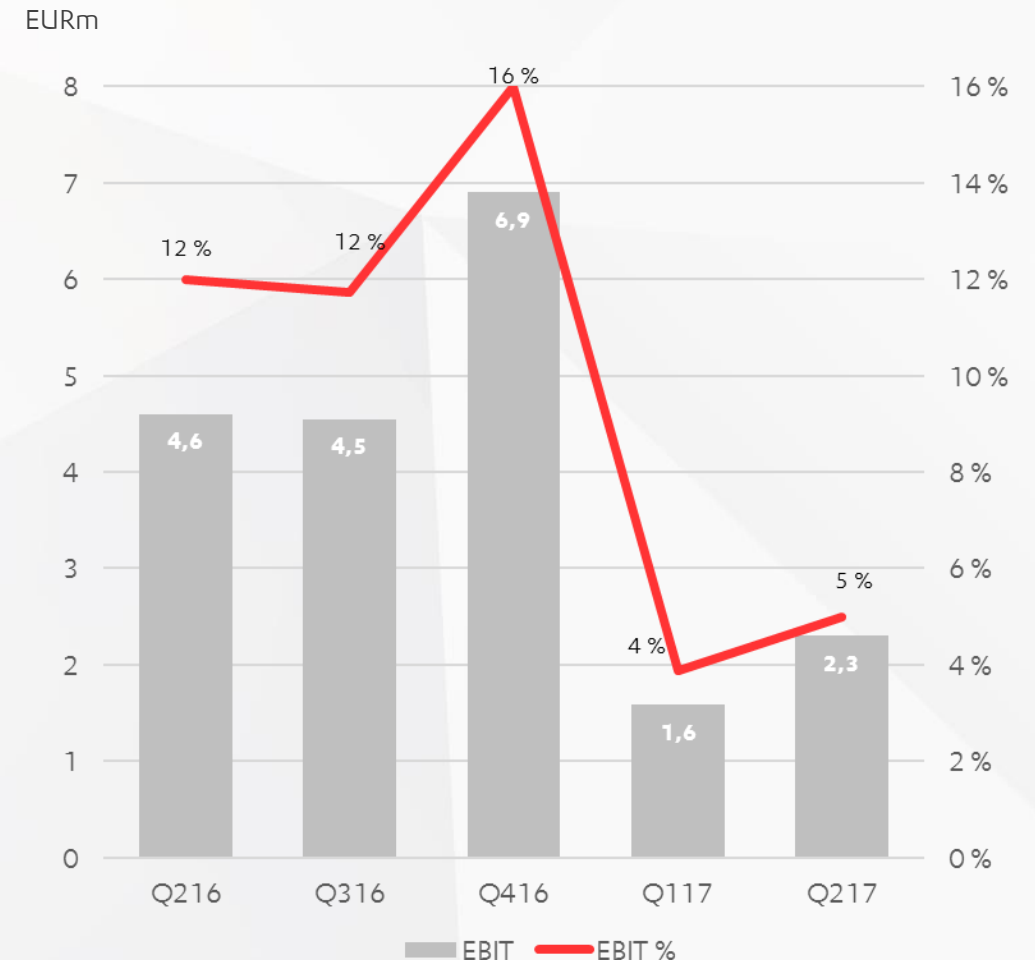
# PROFITABILITY

## April–June

- EBIT 2.3m, 5% of revenues (Q216: 4.6m, 12%)
- Earnings per share (EPS) for continuing operations EUR 0.03 (EUR 0.03)
- Earnings per share (EPS) excluding returned withholding taxes was EUR 0.01

## January–June

- EBIT 3.9m, 5% of revenues (Q216: 7.8m, 10%)
- Earnings per share (EPS) for continuing operations EUR 0.03 (EUR 0.04)
- Earnings per share (EPS) excluding returned withholding taxes was EUR 0.02





# FIXED COSTS

## April–June

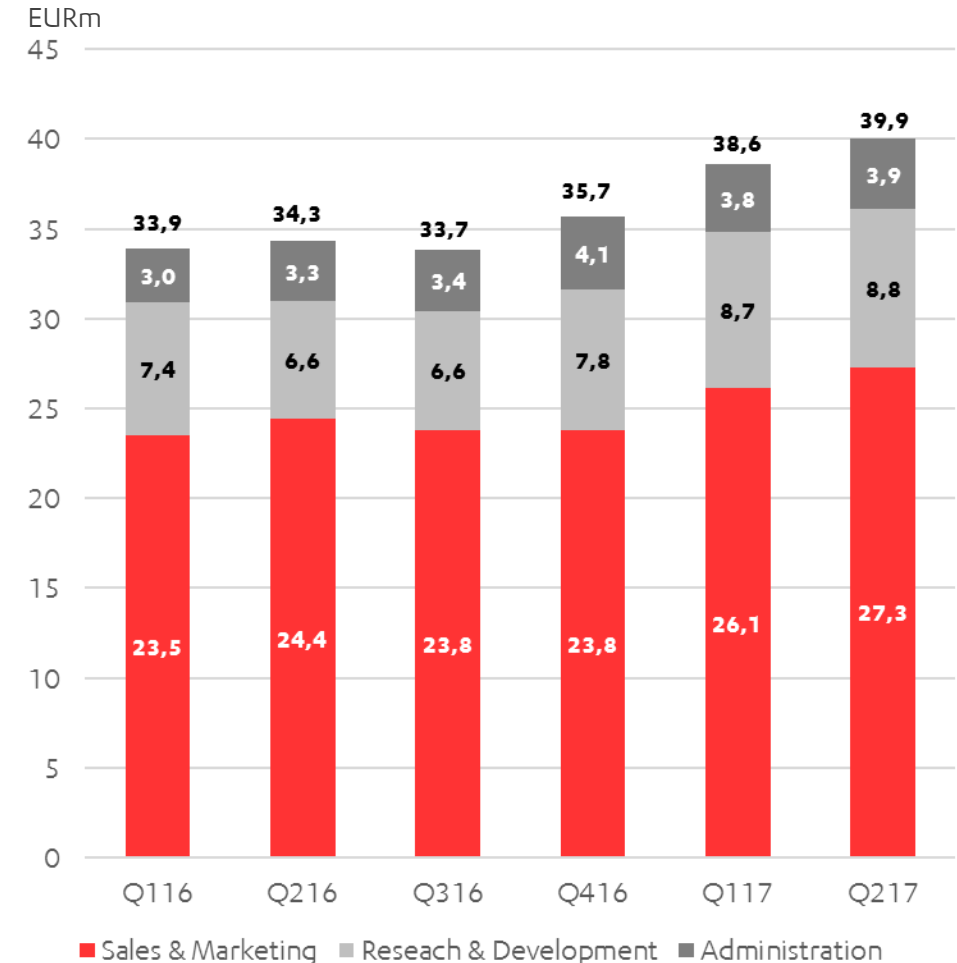
**Fixed costs 39.9m (Q216: 34.3m), +17% y-o-y**

- Key drivers behind the increase were recruitments in corporate security, the impact of share-based incentive programs as well as acquisition-related costs
- Depreciation and amortization increased to 1.5m (Q216: 1.3m)
- Capitalized development expenses were 1.1m (Q216: 1.0m)

## January–June

**Fixed costs 78.5m (Q216: 68.2m), +15% y-o-y**

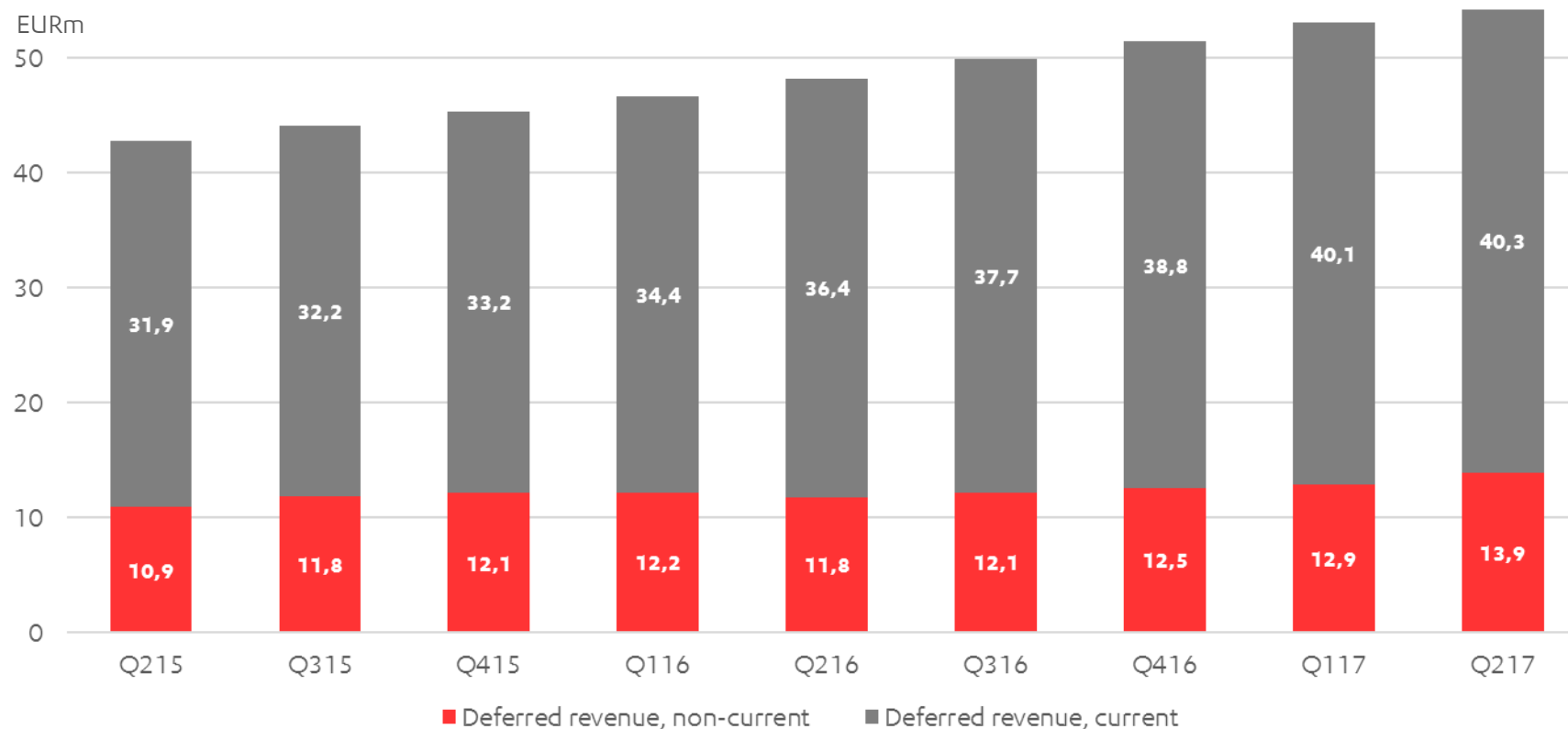
- Key drivers behind the increase were recruitments in corporate security and the impact of share-based incentive programs
- Depreciation and amortization increased to 2.9m (Q216: 2.7m)
- Capitalized development expenses were 1.7m (Q216: 1.4m)



# DEFERRED REVENUE

**30 June 2017**

- Deferred revenue increased by 9% to EUR 55.6m (EUR 51.1m), continuing positive development\*



\*figure shows 4-qtr rolling average deferred revenue

# SOLID CASH POSITION

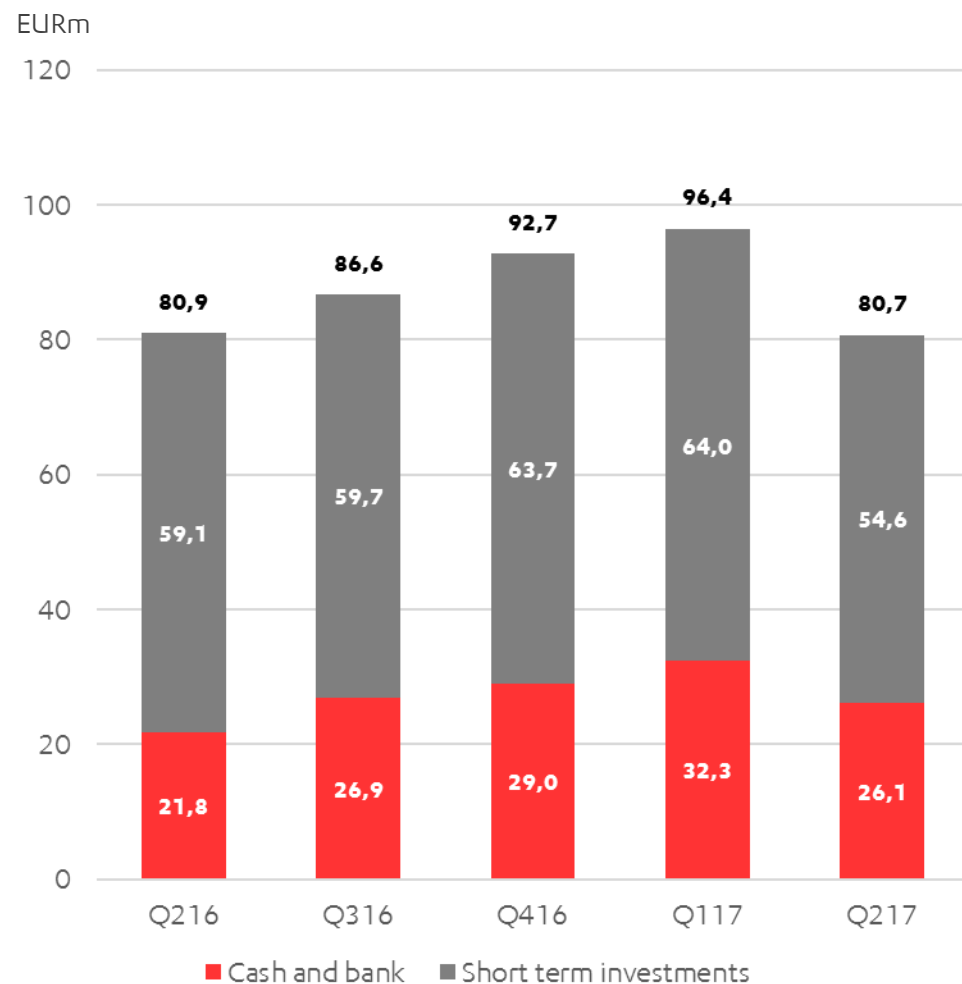
## April–June

**Q2 cash flow from operations was EUR 8.0m (Q216: 6.7m)**

- F-Secure's financial position remained solid.
- Gearing ratio was 126.4% negative (120.9% negative)
- In June, the Company received a payment of EUR 3.1 million, related to withholding taxes from 2009–2011.

## January–June

**H117 cash flow from operations was EUR 13.4m (H116: 5.5m)**

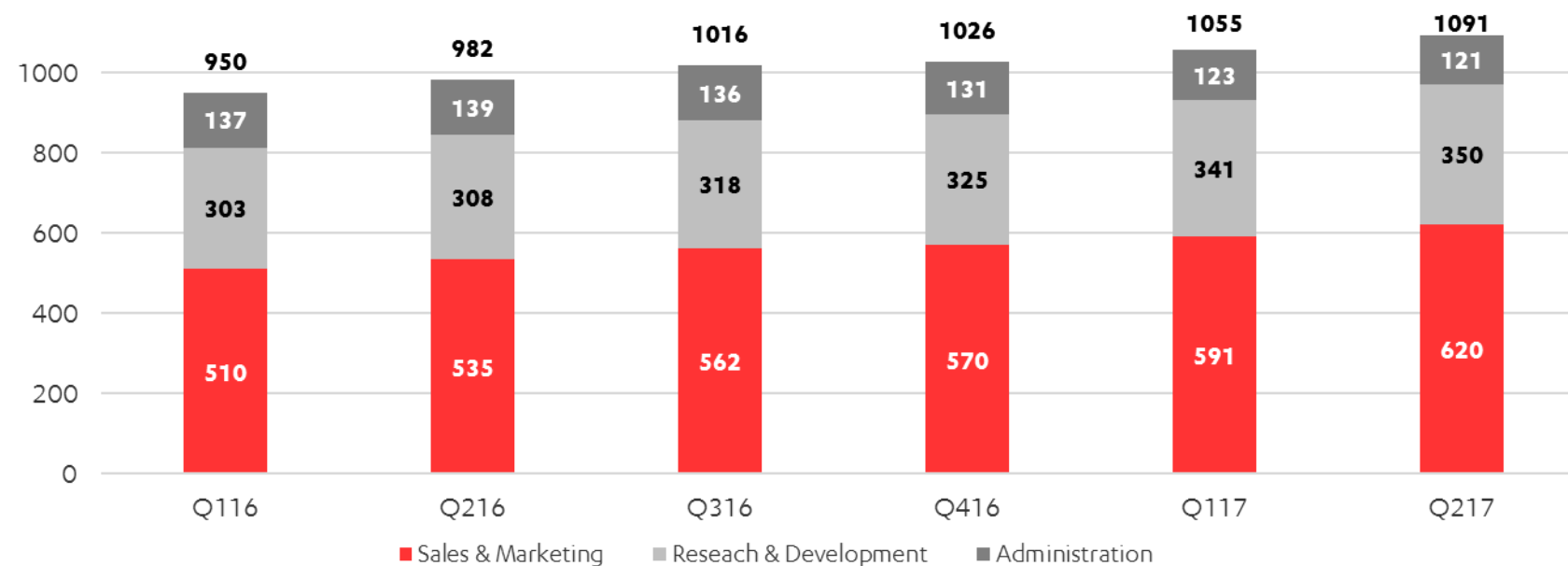


# NUMBER OF PERSONNEL

## April–June

### Investments reflected in headcount growth

- Net headcount increase during Q2 +36 persons
- The company's headcount at the end of Q217 was 1,091 (+109 from Q216)

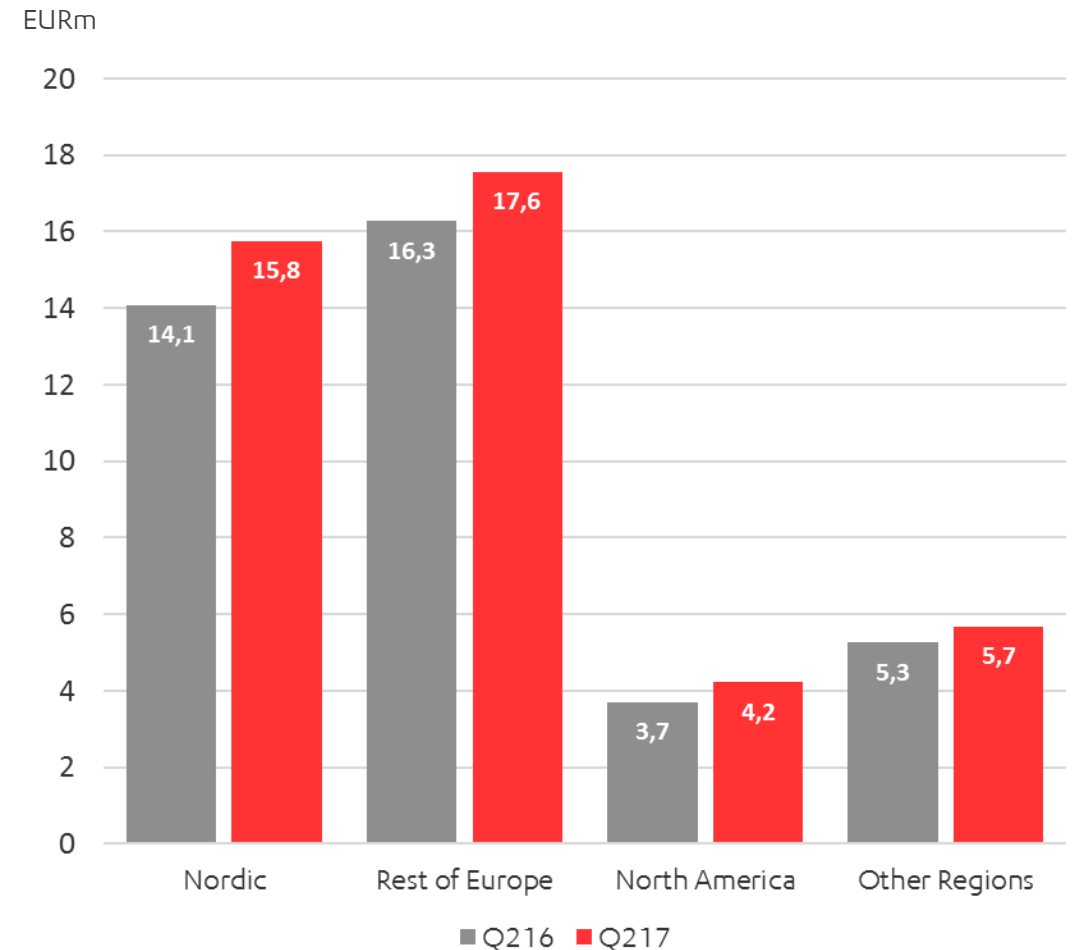


# REGIONAL REVENUE

## April–June

### Revenue growth across all regions

- Revenue growth in European countries was EUR 3.0m relative to the comparison period
- All other regions saw growth between EUR 0.5m (North America) and 0.4m (Rest of the world)



# FREQUENTLY USED SLIDES





# HIGH LEVEL TRENDS IN SECURITY



**EXPANDING ATTACK SURFACE**



**DISAPPEARING PERIMETERS**



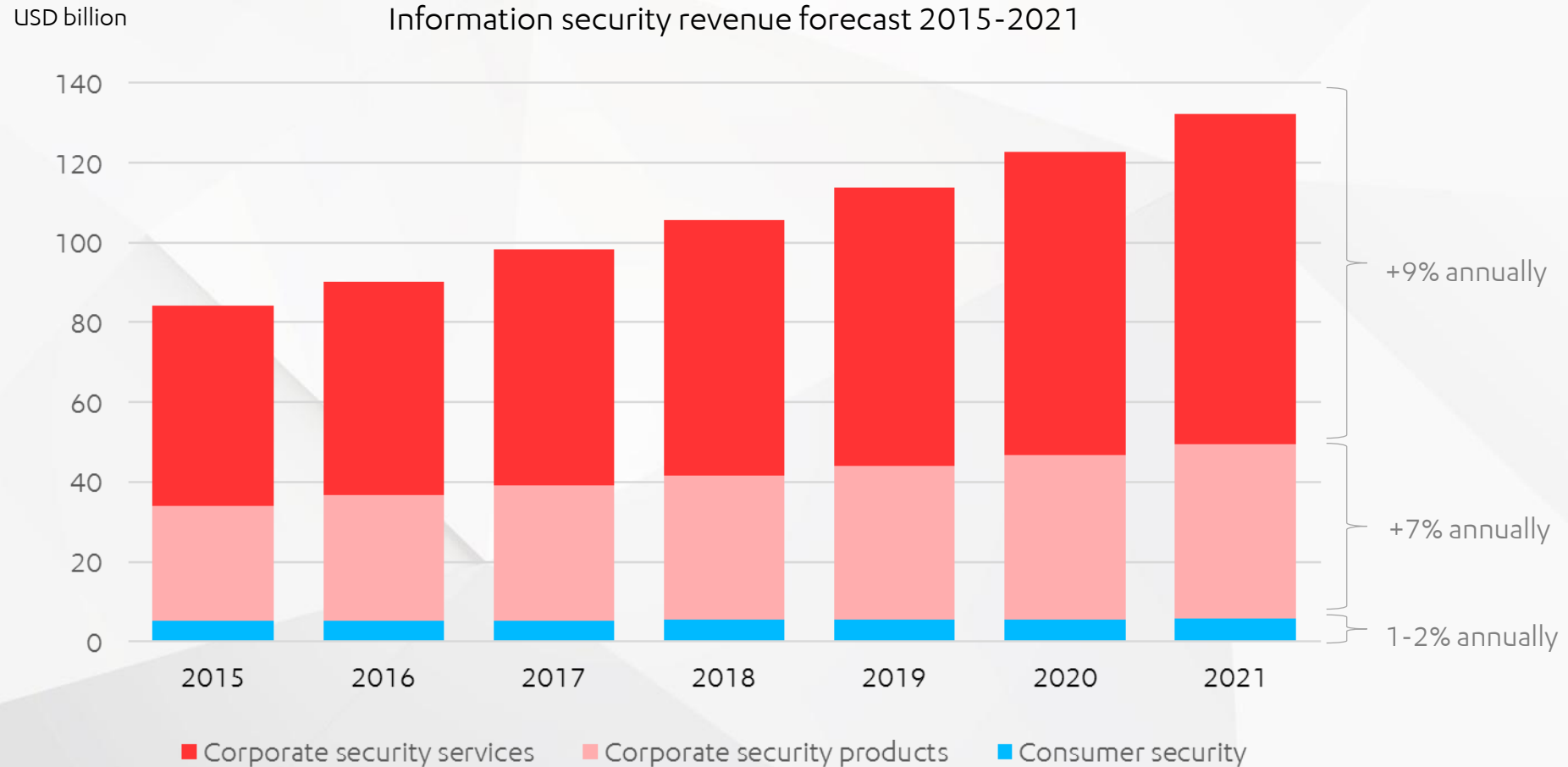
**SOPHISTICATED ATTACKS**

**HIGHTENED RISK  
AWARENESS**

# SEVERAL FACTORS DRIVE DEMAND



# CORPORATE SECURITY CONTINUES TO DRIVE THE GROWTH



Source: Gartner, May 2017

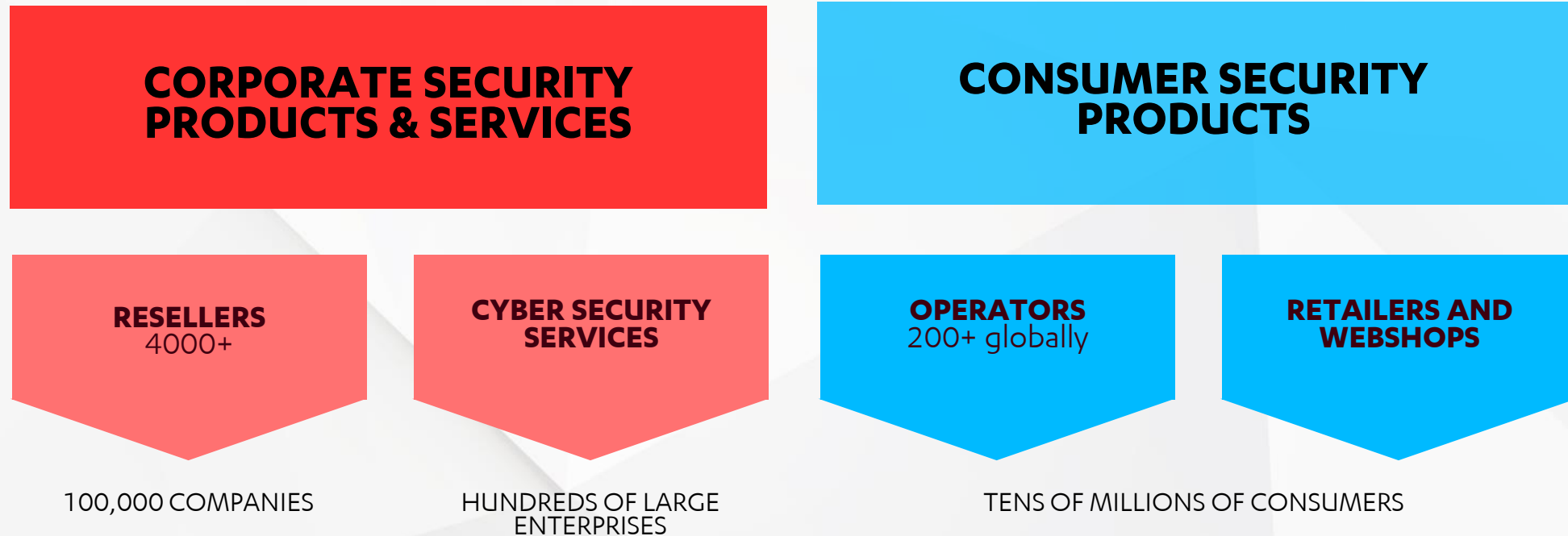
# F-SECURE'S APPROACH TO CYBER SECURITY



# EXTENDED OFFERING ENABLES CROSS-SELLING AND SUPPORTS PRODUCT DEVELOPMENT



# WE HAVE A STRONG SCALABLE BUSINESS MODEL

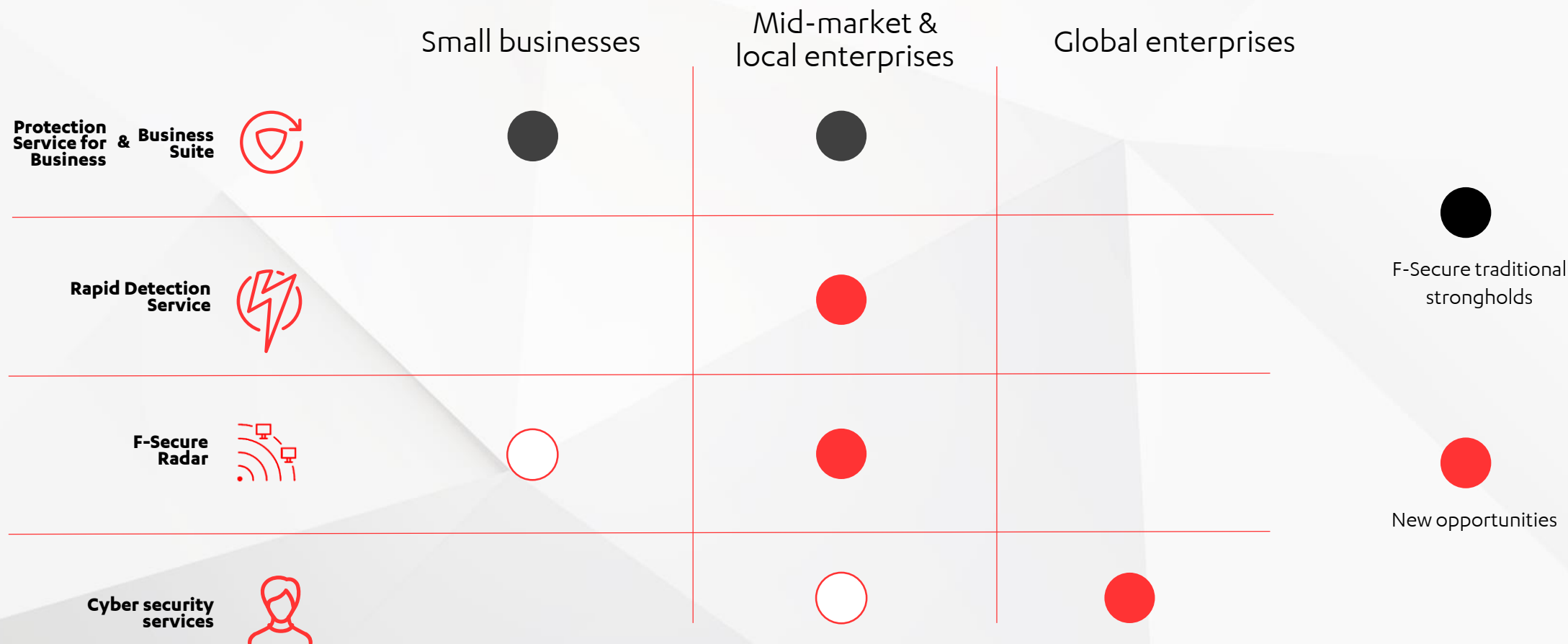




# F-SECURE'S CYBER SECURITY OFFERING FOR COMPANIES



# EXPANDED OFFERING ALLOWS US TO EXPAND INTO NEW CORPORATE CUSTOMER SEGMENTS



# INCREASING FOCUS ON DETECTION CREATES NEW OPPORTUNITIES IN THE ENDPOINT MARKET



*“EDR is an addition, not a replacement for other endpoint security tools.”*

# F-SECURE'S CYBER SECURITY OFFERING FOR CONSUMERS



## **Endpoint Security**

- F-Secure SAFE



## **Password Management**

- F-Secure Key



## **VPN**

- F-Secure Freedom



## **IoT – Connected homes**

- F-Secure SENSE

# IN CONSUMER SECURITY INCREASED BUNDLING WITH OPERATOR PARTNERS



TOTAL SECURITY AND PRIVACY



**F-SECURE SAFE**

+



**F-SECURE FREEDOME**

*Bundling enables cross-selling to leverage the power of portfolio,  
and increase average revenue per customer.*

**200+ OPERATOR PARTNERS**



# HOW DOES SENSE PROTECT YOU?

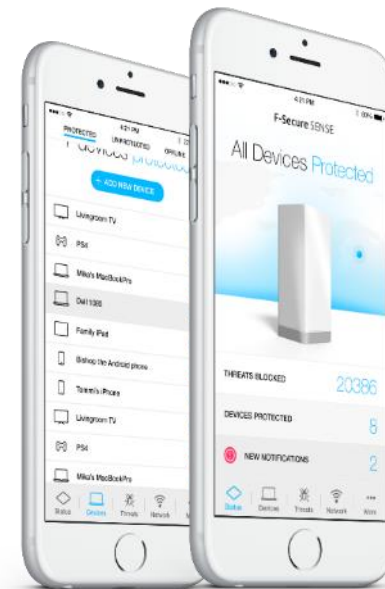
## At home

SENSE creates a secure network for all your connected things



## On the go

your devices are protected with the SENSE app



**Total privacy and security both at home and when on the go**

# SENSE @ HOME



Own or operator  
provided router



Ethernet  
OR  
Wi-Fi connection



**F-Secure  
SENSE**



Ethernet  
AND/OR  
Wi-Fi connection

