



**Samu Konttinen, CEO**

Q1 / 2018

**CORPORATE SECURITY  
GREW BY 16%**

# AGENDA

Restatements

Key takeaways from Q1

Key figures

Business updates

Outlook

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Financials

Supplementary material

# RESTATEMENT OF COMPARATIVE FINANCIALS

- As of 1 January 2018 F-Secure has adopted the new guidance on revenue recognition (**IFRS 15**)
- Together with analyzing the IFRS 15 impact, the allocation of costs between **Cost of Revenue** (CoR) and **Operating Expenses** (OPEX) has also been revised.
- All comparative figures in this presentation have been adjusted according to the restatement (Stock exchange release 3 May 2018)



## Impacts on 2017 key figures:

Revenue: +0.1 million

EBIT: +0.4 million

Gross margin: restated 85% (vs. 96%)

# “2018 started according to our expectations.”

## CORPORATE SECURITY UP BY 16%

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- Growth continued to be driven by strong growth in cyber security services and new products
- Good progress with Rapid Detection Service (RDS)

## CONSUMER SECURITY DOWN BY 2%

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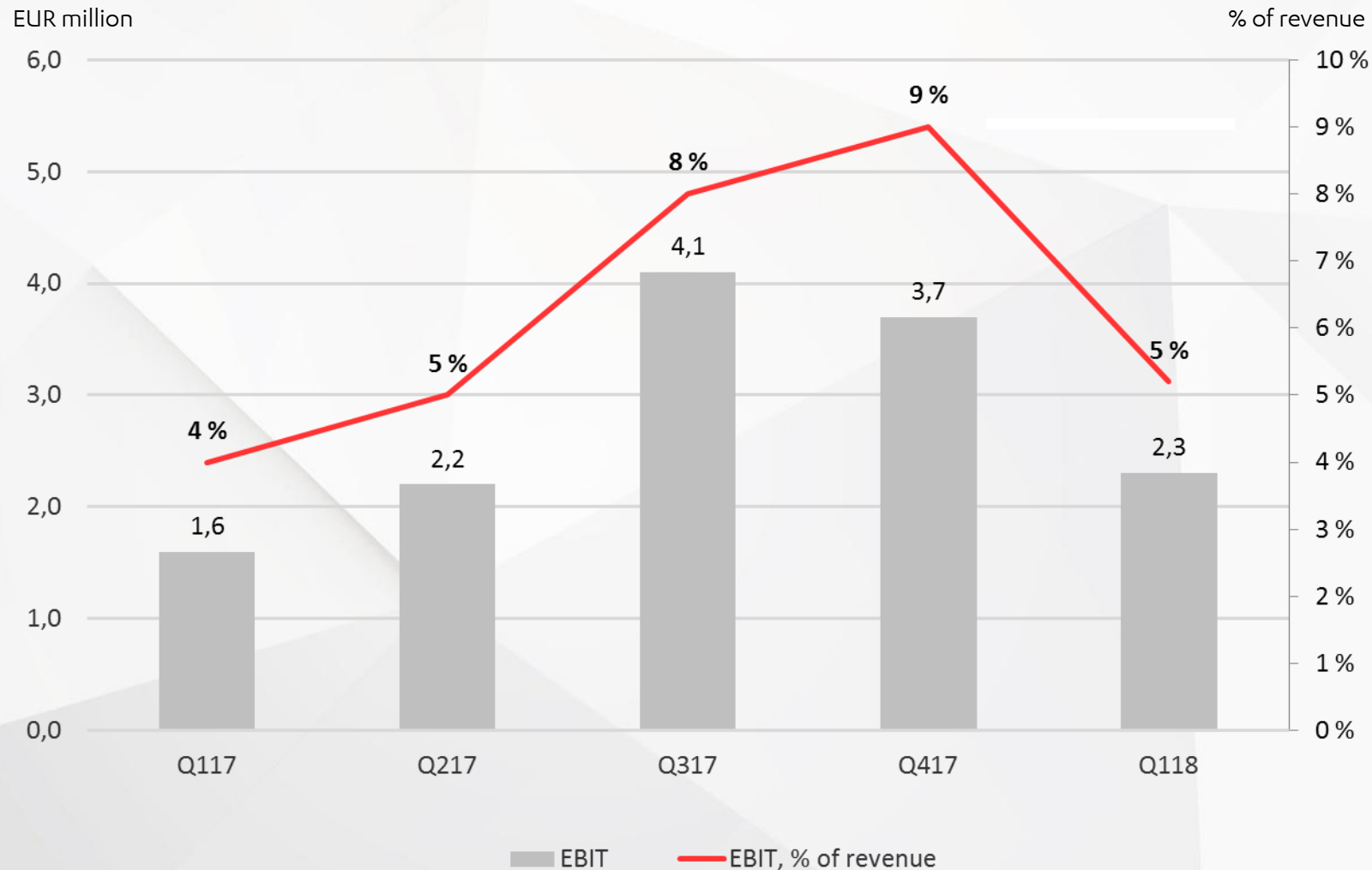
- Direct sales in good growth, solid performance with FREEDOME and F-Secure TOTAL
- Operator revenue down due to the lost customer in Latin America (H2/2017), other regions in slight growth

# KEY FIGURES

EUR m	1-3/2018	1-3/2017	Change	1-12/2017
Revenue	43.1	40.9	6 %	169.8
of which corporate security	19.4	16.6	16 %	72.2
of which consumer security	23.8	24.2	-2 %	97.5
EBIT	2.3	1.6	45 %	11.5
% of revenue	5.2%	3.8%		7 %
Earnings per share (EUR) <sup>1)</sup>	0.00	0.01		0.07
Deferred revenue	67.2	61.2	10%	65.7
Cash and financial assets at fair value through P&L	88.5	96.4	-8%	90.2
Personnel, end of period	1,145	1,055	9%	1,104

1) Earnings per share (EPS) excluding returned withholding taxes was EUR 0.05 for 1-12/2017.

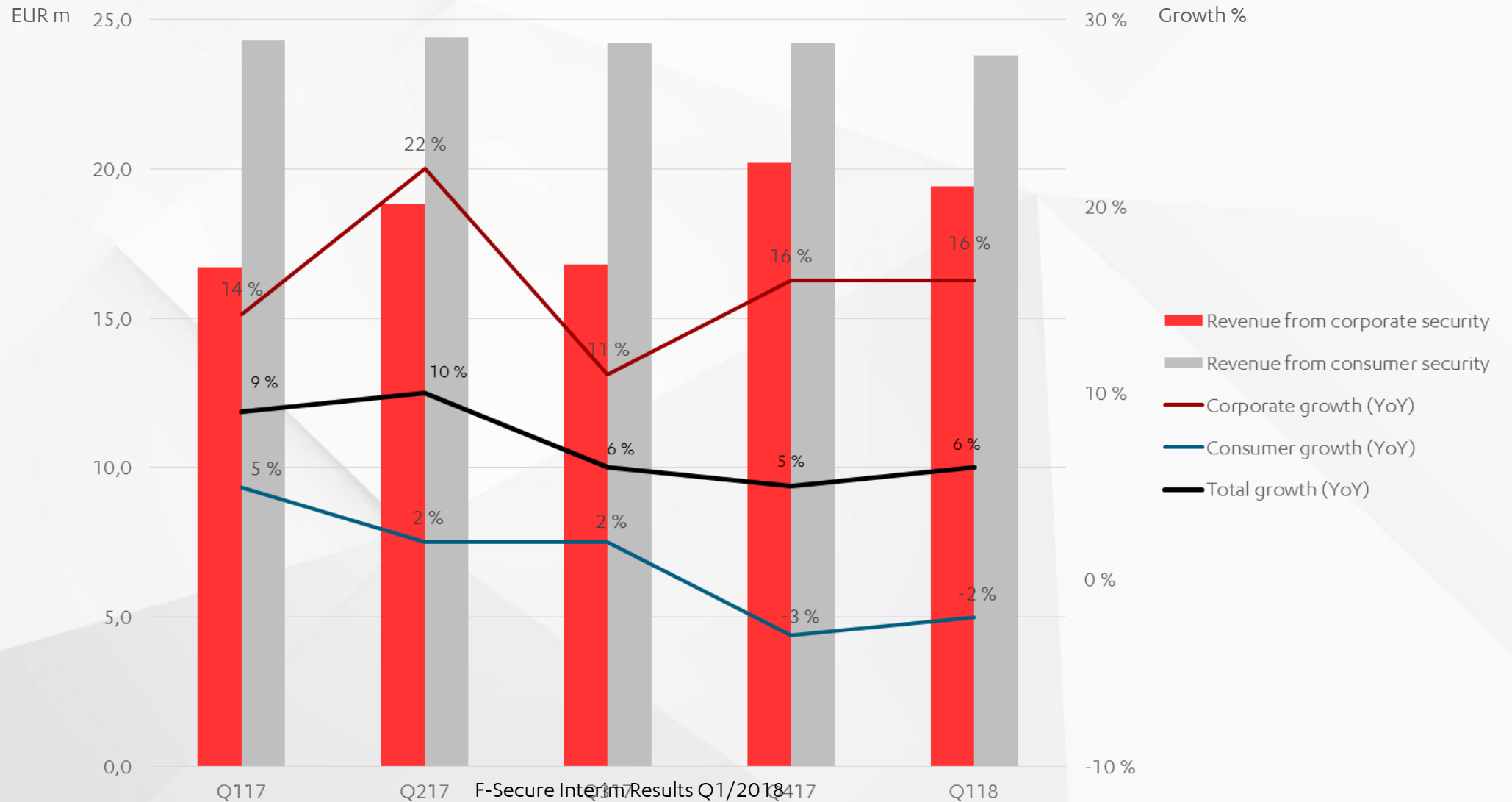
# PROFITABILITY SLIGHTLY IMPROVED Y-O-Y, CONTINUES TO REFLECT FOCUS ON GROWTH



# DEFERRED REVENUE GROWS FASTER THAN REVENUE



# CORPORATE SECURITY CONTINUES TO DRIVE GROWTH





# CORPORATE SECURITY REVENUE UP BY 16% IN Q1

## CORPORATE SECURITY PRODUCTS

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- Good progress with Rapid Detection Service (RDS), significant wins in demanding verticals
- Regional sales expansion continued with new products, sales in 20 countries, but many have only started
- Preparations for Endpoint Detection & Response (EDR) launch continued
- Endpoint security order intake at previous year's level, country-level performance varies. Customer acquisition at previous year's level, renewal rates remained high

## CYBER SECURITY SERVICES

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- Strong revenue growth, driven by high demand
- Successful recruitment
- Majority of revenue coming from Denmark, Finland and UK – share of order intake coming from other countries also increasing

# CORPORATE SECURITY

## ORGANIZATIONAL CHANGE IN FEBRUARY

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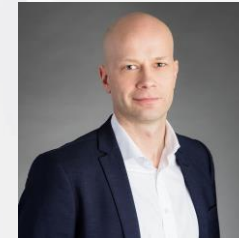
- To ensure efficient execution of this strategy, F-Secure has made changes into our corporate security organization structure last February
- Key functional areas within corporate security elevated to the Leadership Team

## NEW LEADERSHIP TEAM ROLES

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**Juha Kivikoski**  
Enterprise &  
Channel Sales



**Jyrki Tulokas**  
Cyber Security  
Products &  
Services



**Jyrki Rosenberg**  
Marketing

# CONSUMER SECURITY DOWN BY 2% IN Q1

## OPERATOR CHANNEL

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- Revenue declined due to previously communicated (H22017) operator partner loss in Latin America - impact remains visible in Q2/2018
- Other regions in slight growth, overall improvement of product activation rates continues
- Discussions about Sense (both as device and as software) continue with operators and device manufacturers

## DIRECT SALES

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- Revenue growth continues to outpace the market
- Growth driven by F-Secure SAFE and FREEDOME – both separately as well as combined into F-Secure TOTAL





**READY FOR THE NEXT 30 YEARS**



# KEY FOCUS AREAS IN 2018

## Enterprise-grade cyber security for the midmarket

- Increase share of wallet by cross-selling and upselling
  - Sales expansion of the new corporate security products (RDS & F-Secure RADAR)
  - Successful launch of the new Endpoint Detection & Response solution (EDR)
- Best-in-class renewal rates
- Adding new customers in focus geographies
- Continued growth of cyber security services
- Active M&A

# OUTLOOK FOR 2018 - UNCHANGED

*F-Secure continues to invest in the growth of the corporate business, both the development of cyber security products and services as well as sales and marketing of these solutions.*

- Revenue from corporate security is expected to grow by over 15% compared to 2017
- Revenue from consumer security to stay at the same level as in 2017.
- EBIT is expected to be in the range of 8-12M€

# FINANCIALS

## Q1 2018

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.

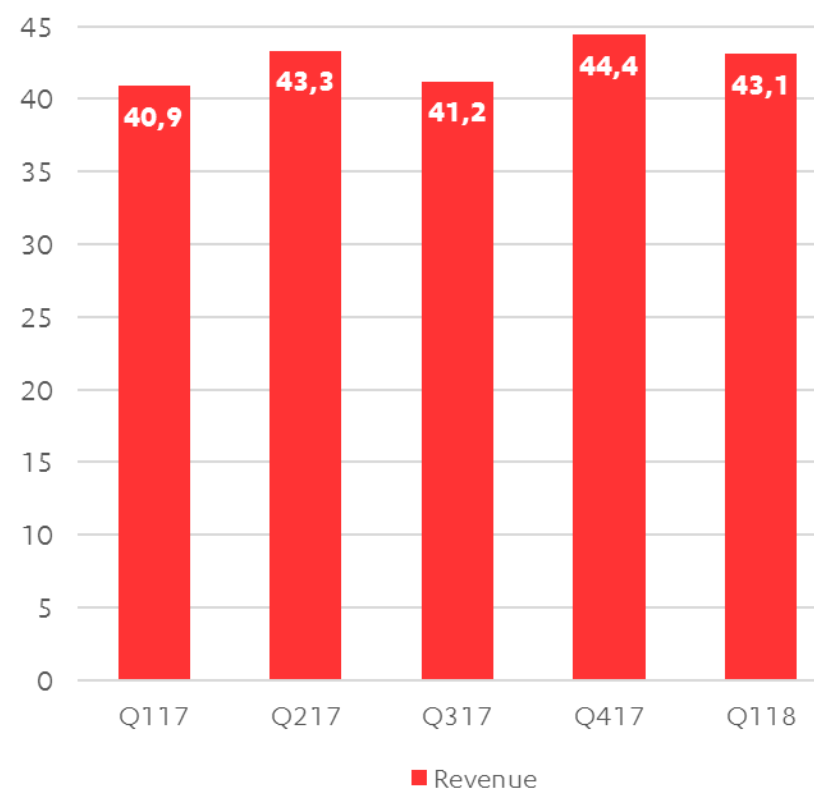


# REVENUE

## January–March

- Revenue increased by 6% y-o-y
- Total quarterly revenue 43.1m (Q117: 40.9m)

EURm

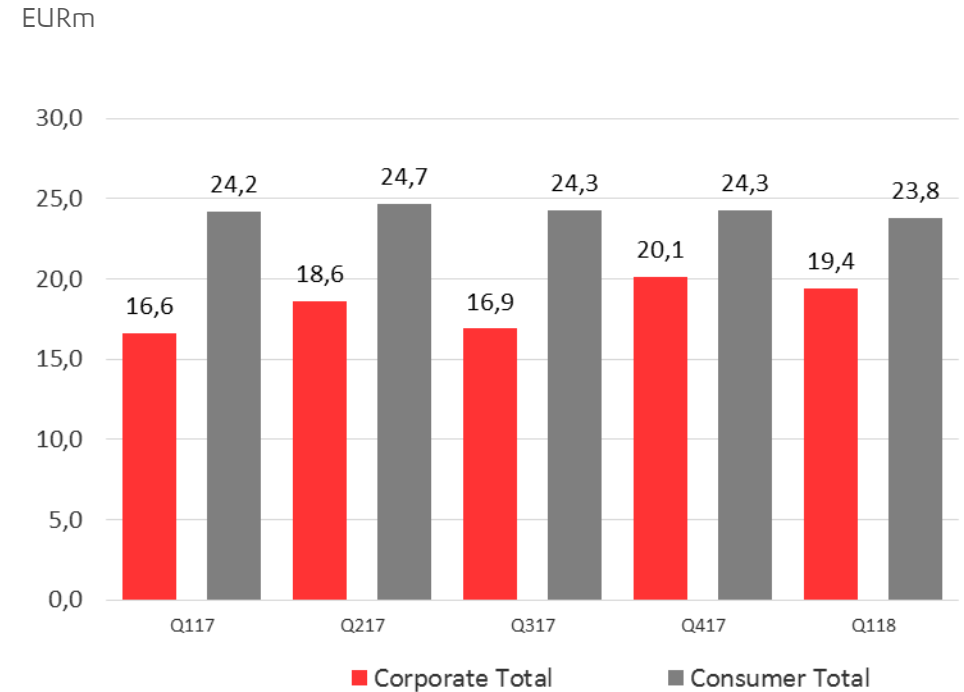




# REVENUE SPLIT

## January–March

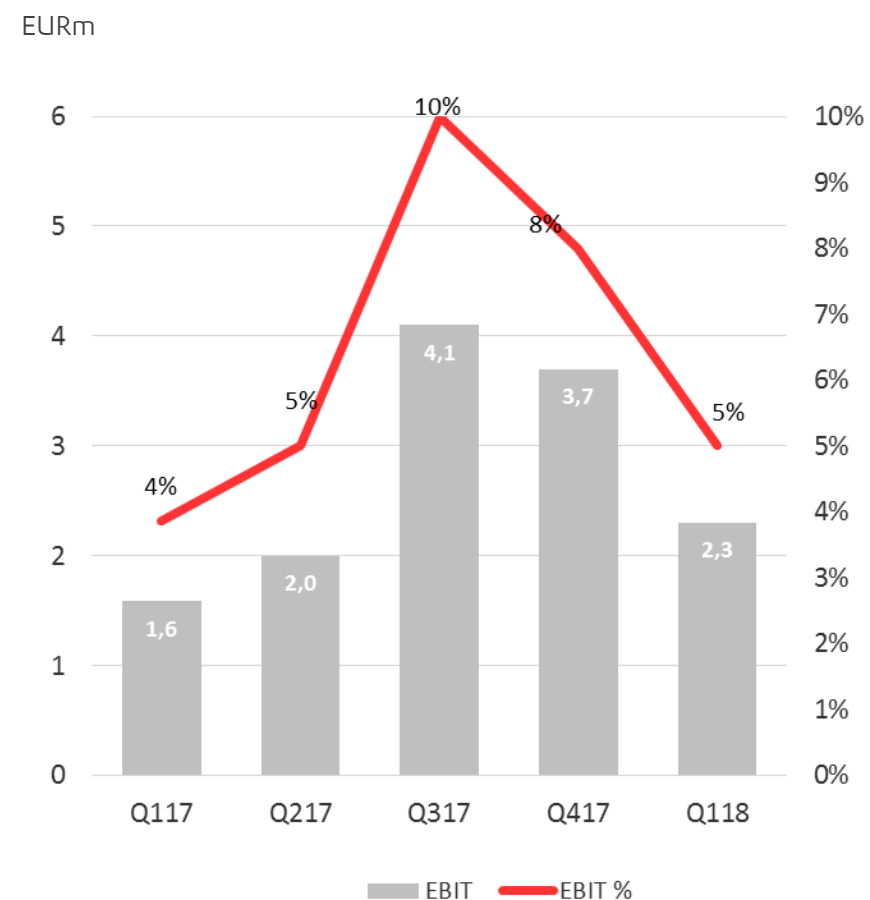
- Revenue from corporate security increased by 16% totalling EUR 19.4 million (16.6m)
- Revenue from consumer security decreased by -2% and was EUR 23.8 million (24.2m)
- Corporate and consumer security represented 45% (41%) and 55% (59%) of total revenue respectively



# PROFITABILITY

## January–March

- EBIT 2.3m, 5% of revenue (1.6m, 3.8%)
- Earnings per share (EPS) EUR 0.00 (EUR 0.01)



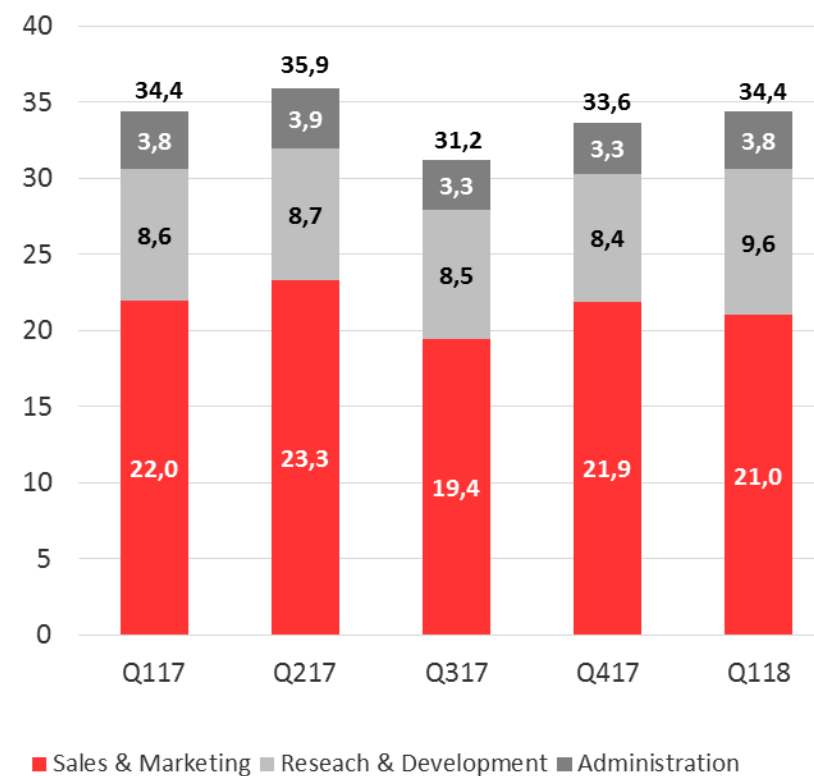
# OPERATING EXPENSES

## January–March

### Operating expenses 34.4m (Q117: 34.4m), 0% y-o-y

- Depreciation and amortization 1.6m (Q117: 1.4m)
- Capitalized development expenses were 0.5 m (Q117: 0.7m)

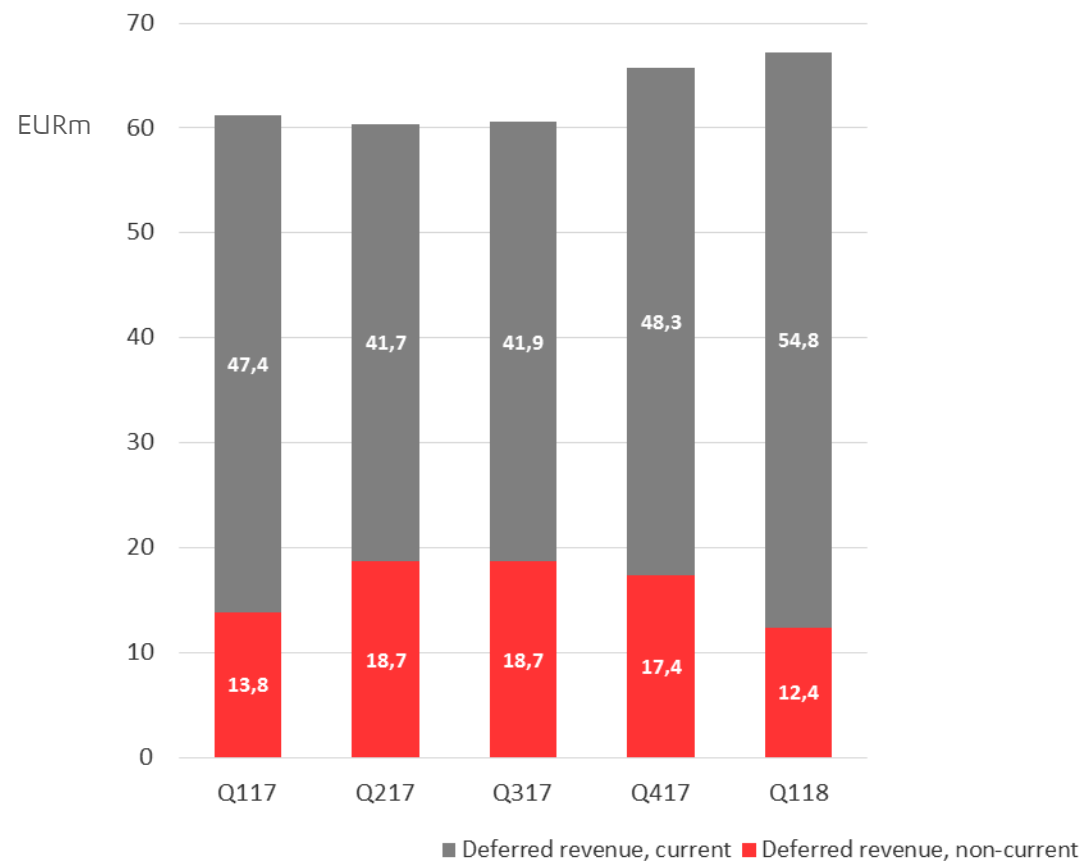
EURm



# DEFERRED REVENUE

**31 March 2018**

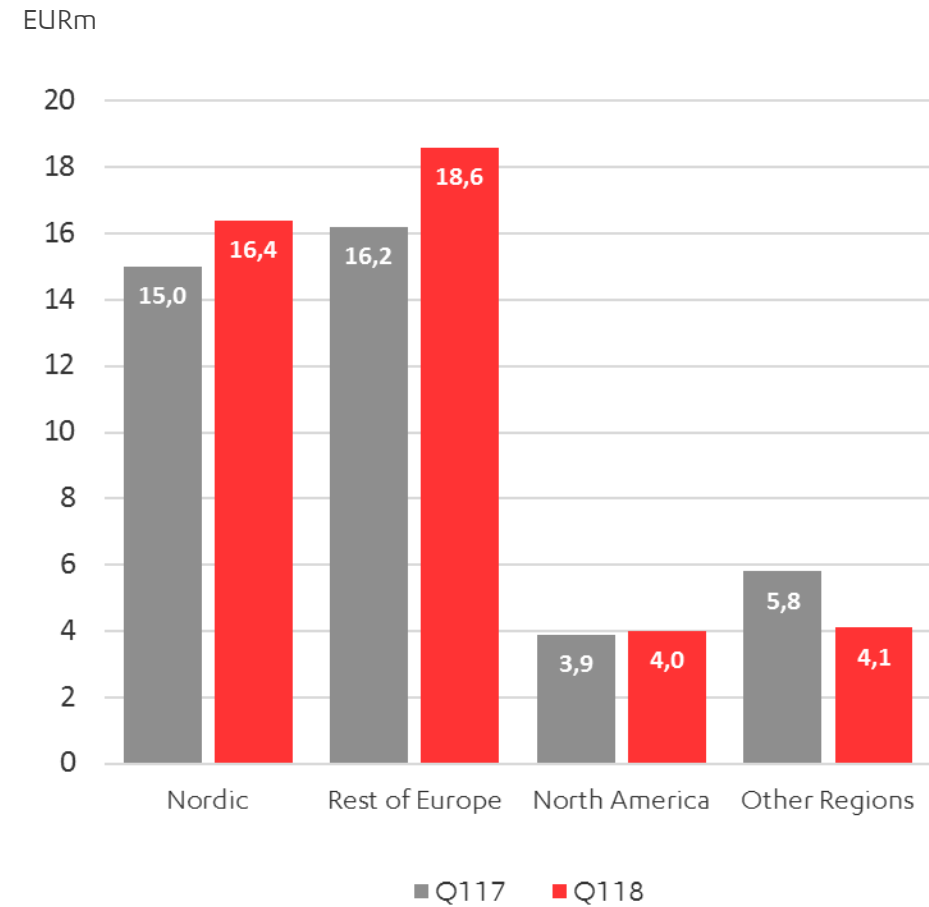
- Deferred revenue increased by 10% to EUR 67.2m (EUR 61.2m)



# REGIONAL REVENUE

## January–March

- Other regions revenue declined slightly due to the loss of a single operator customer in Latin America

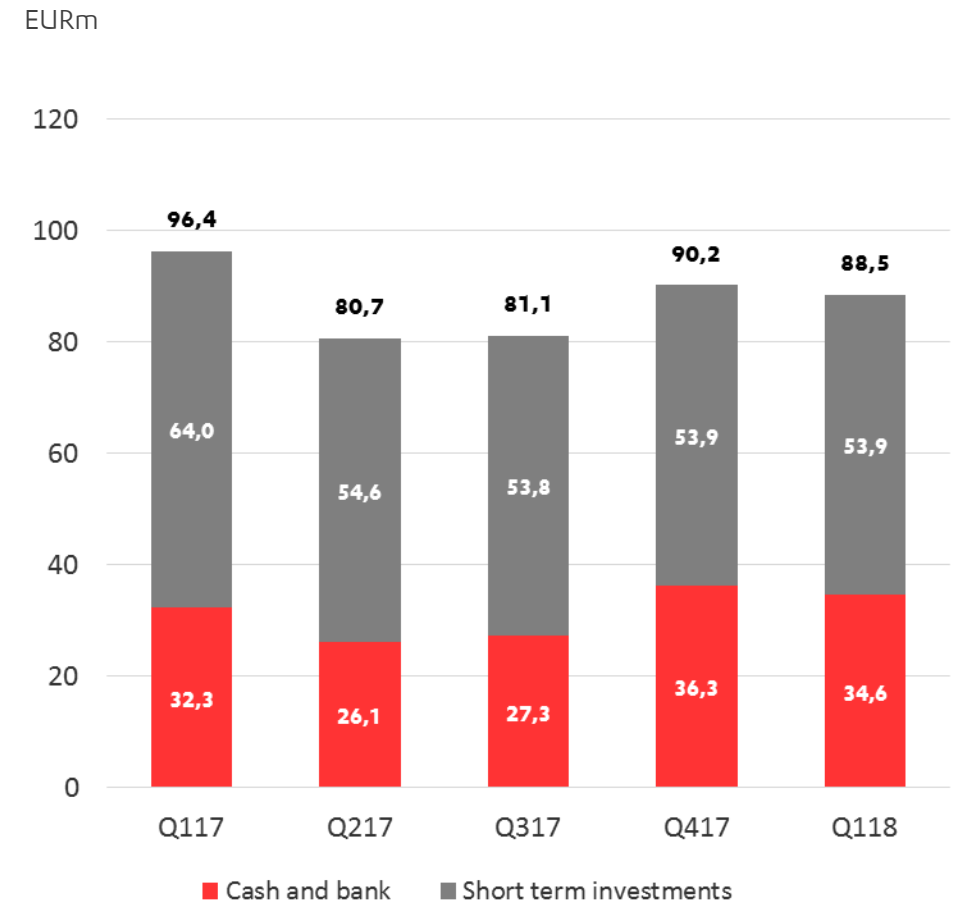


# SOLID CASH POSITION

## January–March

**Cash flow from operations was EUR -0.3 million (5.5m), including a cash settlement related to the company's long-term incentive plan (-2.3m)**

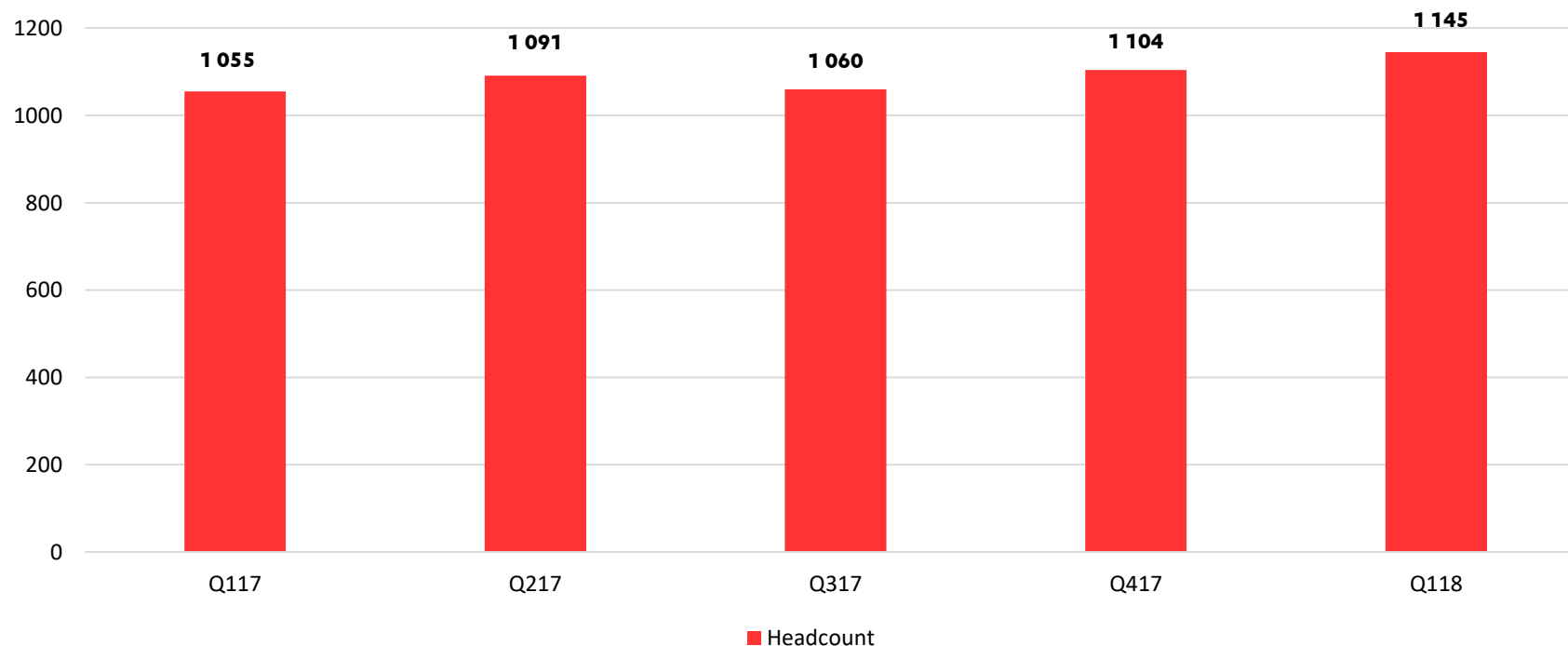
- F-Secure's financial position remained solid
- Gearing ratio was 123.1% negative (123.3% negative)



# NUMBER OF PERSONNEL

## January–March

- Net headcount increase during Q1 was +41 persons
- The company's headcount at the end of Q118 was 1,145 (Q117: 1,055)



# OUTLOOK FOR 2018

*F-Secure continues to invest in the growth of the corporate business, both the development of cyber security products and services as well as sales and marketing of these solutions.*

- Revenue from corporate security is expected to grow by over 15% compared to 2017
- Revenue from consumer security to stay at the same level as in 2017.
- EBIT is expected to be in the range of 8-12M€



# OUTLOOK FOR 2018-2021

- The demand for corporate cyber security products and services is expected to grow strongly. F-Secure aims to grow faster than the market, with revenue from corporate security expected to grow above 15% annually during our strategy period 2018-2021.
- Driven by the anticipated revenue growth and scalable business model, the company's profitability is expected to improve significantly in the long-term. The board and the management continuously seek to balance growth investments and profitability to optimize long-term value creation for the shareholders.

# STRATEGY SLIDES FROM THE CAPITAL MARKETS DAY

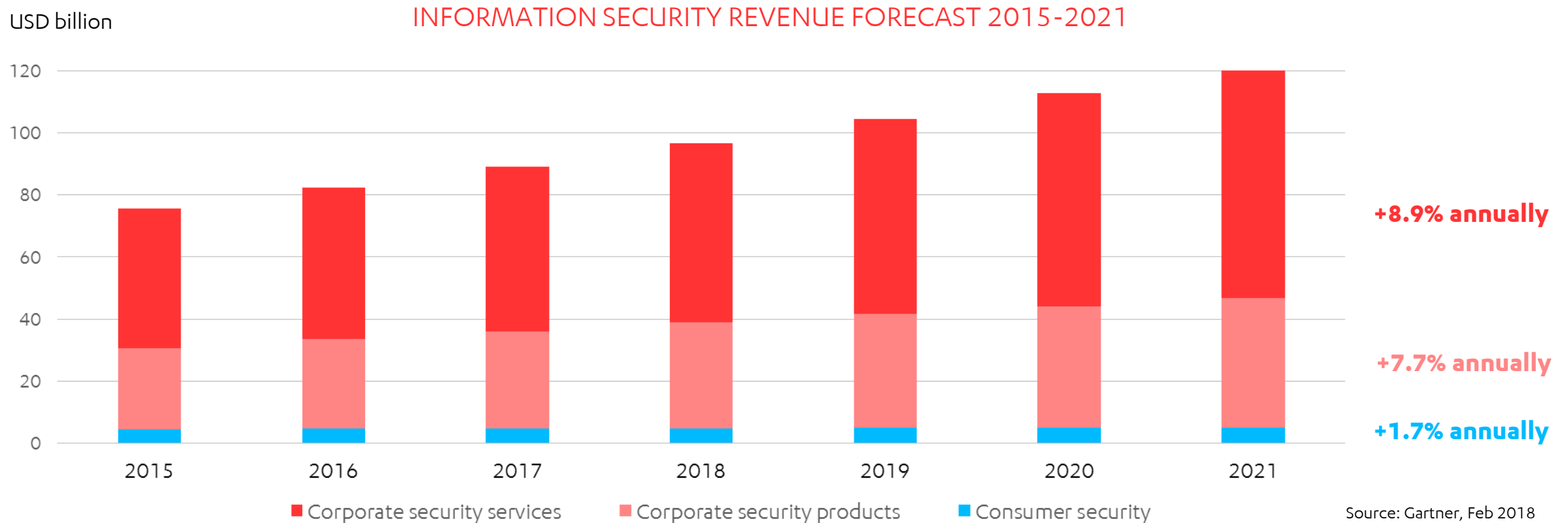
22 Nov 2017






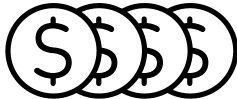

# F-SECURE'S TRANSFORMATION CONTINUES



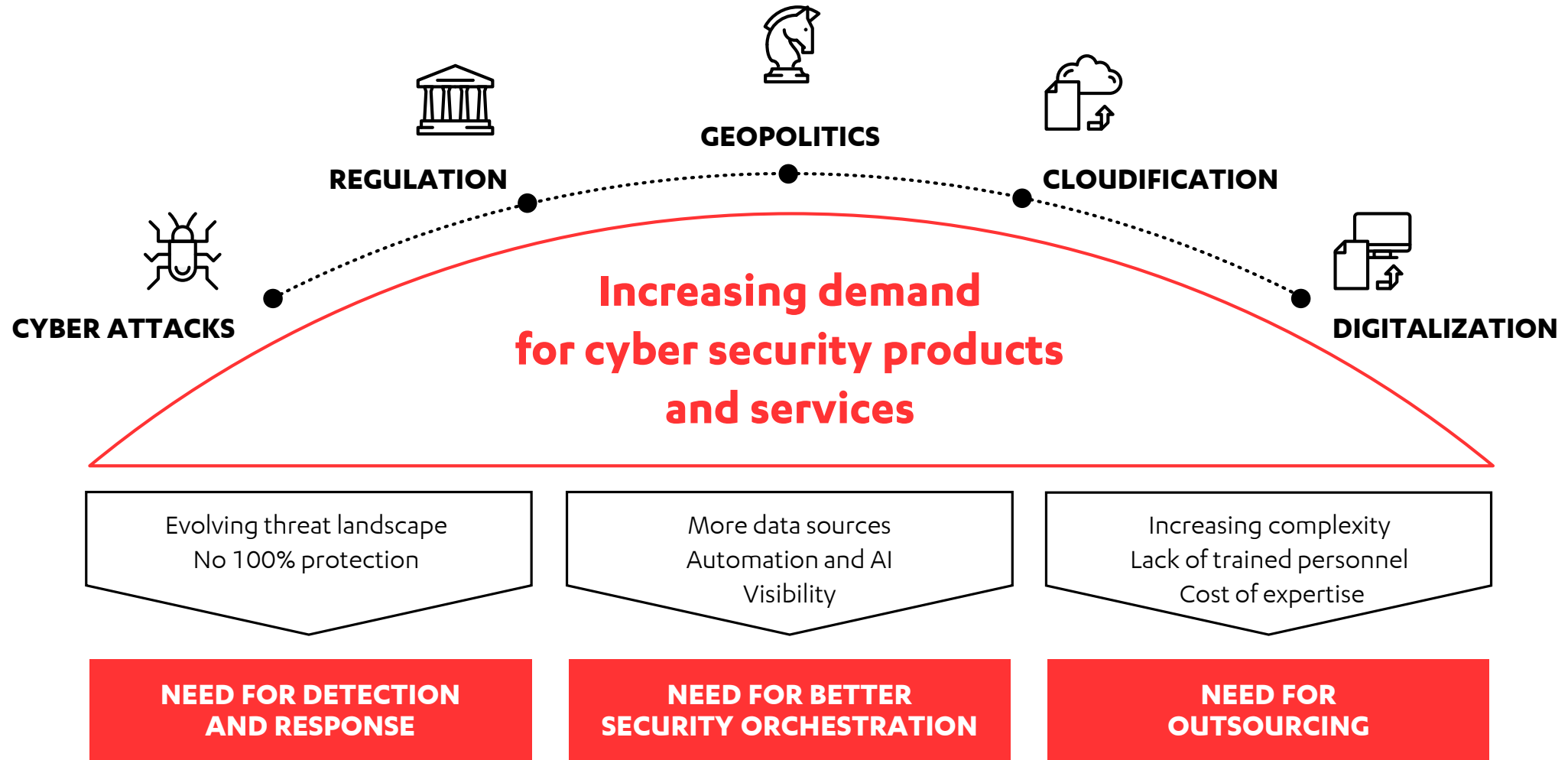
# CORPORATE SECURITY CONTINUES TO DRIVE THE GROWTH



# DIFFERENCES BETWEEN SEGMENTS

ENDPOINT PROTECTION	ENDPOINT DETECTION & RESPONSE	VULNERABILITY MANAGEMENT	CYBER SECURITY SERVICES	CONSUMER SECURITY
"Mature"	"Emerging"	"Fast growth"	"Fast growth"	"Mature"
 <b>3,6</b> BILLION	 <b>0,4</b> BILLION	 <b>1,0</b> BILLION	 <b>16,0</b> BILLION	 <b>4,6</b> BILLION
CAGR 2015-21 <b>2.7%</b>	CAGR 2015-20 <b>45.3%</b>	CAGR 2015-20 <b>13.0%</b>	CAGR 2015-20 <b>10.0%</b>	CAGR 2015-21 <b>1.3%</b>
Source: Gartner	Source: Gartner	Source: IDC	Source: Markets&Markets	Source: Gartner

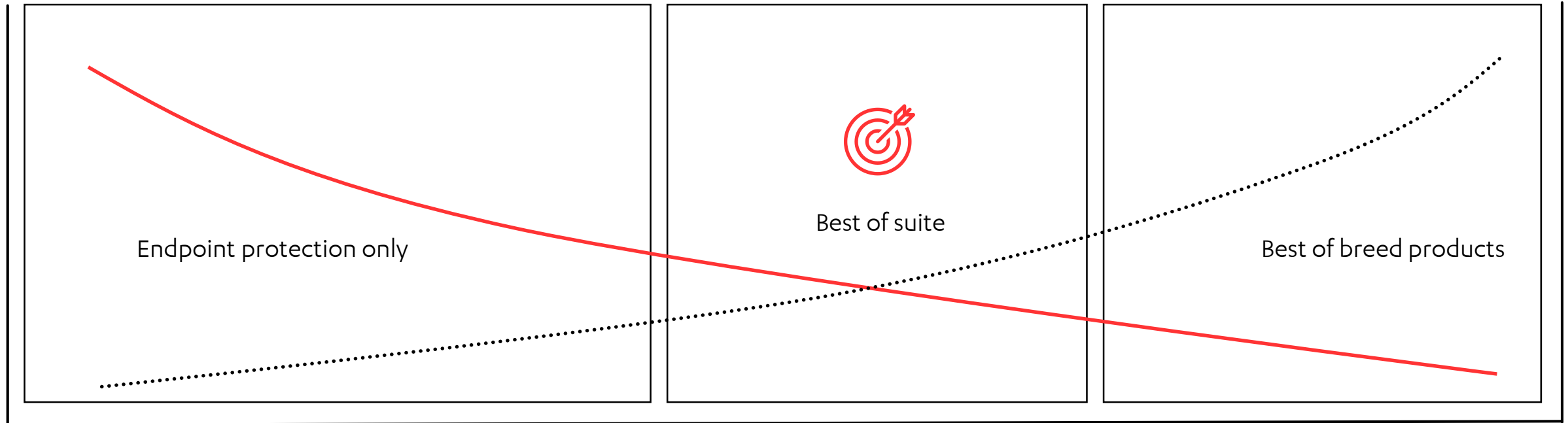
# MEGATRENDS



# CHANNEL PAYS A BIG ROLE WITH MID-MARKET CUSTOMERS & CONSUMERS

Channel influence

Product differentiation



Customer size



**Consumers**



**Small companies**



**Mid-market**



**Enterprise**

# MID-MARKET HAS BROADER NEEDS & MORE CAPACITY TO SPEND

Company size

Available budget\*

Customer focus



**SMALL COMPANIES**

**25–200** seats



1k–10k

**Endpoint protection**



**MID-MARKET**

**200–5000** seats



100k–1M

**Best of Suite**



**ENTERPRISES**

**+5000** seats



1M–5M

**Best of Breed**

\* SOURCE: SANS institute



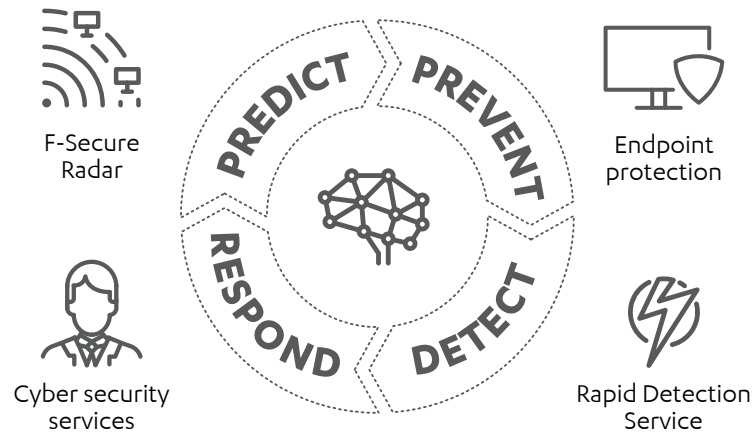
# EXPANSION OF F-SECURE'S OFFERING FOR MID-MARKET

## ENDPOINT PROTECTION ONLY



– 2015

## COMPREHENSIVE CYBER SECURITY OFFERING



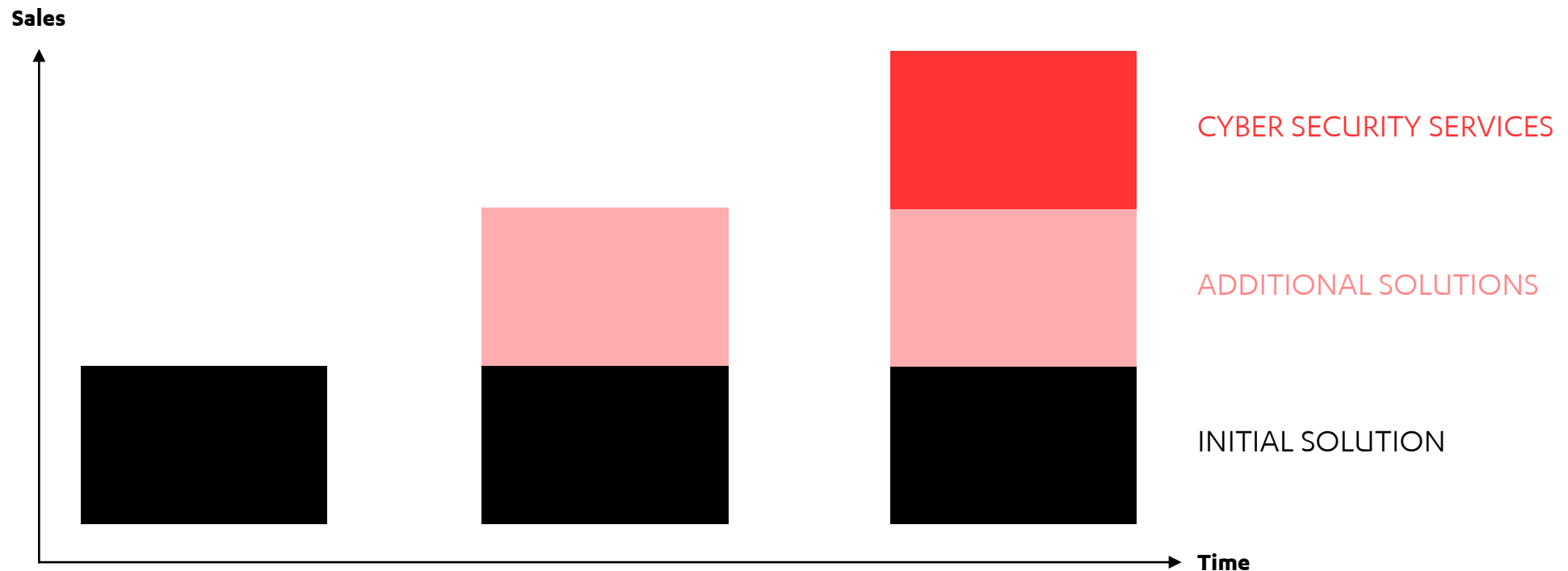
2015–2017

## INTEGRATED SECURITY SUITE FOR MID-MARKET

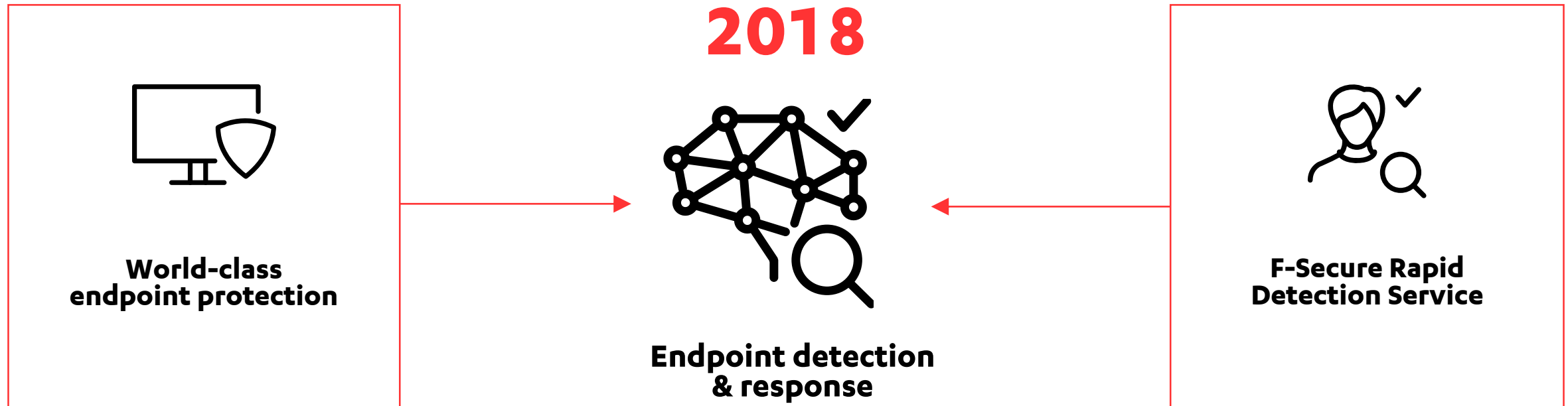


2018 –

# BROADER OFFERING EXPANDS BUSINESS OPPORTUNITIES



# BRINGING TOGETHER ENDPOINT PROTECTION AND DETECTION & RESPONSE



# SCALABILITY THOUGH

## A GLOBAL NETWORK OF PARTNERS

### CORPORATE SECURITY PRODUCTS & SERVICES

**RESELLERS**  
6000+

**CYBER SECURITY  
SERVICES**

**100,000+ COMPANIES**

**HUNDREDS OF LARGE  
ENTERPRISES**

### CONSUMER SECURITY PRODUCTS

**OPERATORS**  
200+ globally

**RETAIL & ETAIL**

**TENS OF MILLIONS OF CONSUMERS**

# SYNERGIES ACROSS SEGMENTS

