



**Samu Konttinen, CEO**

Q2 / 2018

**F-SECURE ACQUIRED MWR  
INFOSECURITY TO ACCELERATE  
CORPORATE SECURITY GROWTH**  
**CORPORATE SECURITY REVENUE INCREASED BY 8% IN Q2**

# AGENDA

Key takeaways from Q2  
Acquisition of MWR InfoSecurity  
Key figures  
Business updates  
Outlook

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Financials  
Supplementary material

# KEY TAKEAWAYS FROM Q2

- The acquisition of MWR InfoSecurity was a major milestone for F-Secure
- Corporate security revenue growth below expectations, due to weak new customer acquisition in endpoint protection, but good progress with renewals, new products and services
- Consumer security revenue as expected, with previously communicated customer loss in one region behind decline
- Profitability excluding acquisition related costs as expected
- New outlook given for 2018 to include the acquired company

# KEY FIGURES

EUR m	4-6/2018	4-6/2017	Change	1-6/2018	1-6/2017	Change	1-12/2017
Revenue	43.4	43.3	0 %	86.5	84.2	3 %	169.8
of which corporate security	20.0	18.6	8 %	39.4	35.2	12 %	72.2
of which consumer security	23.4	24.7	-5 %	47.1	48.9	-4 %	97.5
Adjusted EBITDA <sup>1)</sup>	2.7	4.0	-33 %	6.6	6.9	-5 %	18.1
EBITDA	2.1	3.6	-42 %	6.0	6.5	-9 %	17.8
Adjusted EBIT	1.1	2.5	-56 %	3.4	4.1	-18 %	11.9
of revenue, %	3 %	6 %		4 %	5 %		
EBIT	0.5	2.2	-77 %	2.7	3.7	-26 %	11.5
of revenue, %	1 %	5 %		3 %	4 %		6.8 %
Earnings per share (EUR)	-0.00	0.03	-103 %	0.00	0.03	-92 %	0.07
Deferred revenue				66.7	60.4	10%	65.7
Cash and financial assets at fair value through P&L				79.8	80.7	-1%	90.2
Personnel, end of period				1,201	1,091	10%	1,104

<sup>1)</sup>Adjustments are material items outside normal course of business associated with acquisitions, integration, gains or losses from sales of businesses, and other items affecting comparability.

# ACQUISITION CREATES A LEADING OFFERING FOR MIDMARKET

PREDICT	PREVENT	DETECT			RESPOND	
Cyber security services						
Vulnerability management	Anti-phishing behavior management	Endpoint protection	Breach detection	Proactive threat hunting	Remote forensics	Remote incident response
Radar	phishd	Protection Service for Business	Rapid Detection & Response		Countercept	

F-Secure

MWR InfoSecurity



# WORLD'S BEST CYBER SECURITY EXPERTS

F-Secure is now one the few truly global technical cyber security advisors

- ✓ Acquisition adds hundreds of experts performing incident response and forensics on four continents
- ✓ Unparalleled visibility into real-life cyber attacks 24/7

## TECHNICAL SECURITY SERVICES

Red teaming

Security assessments

Incident Management & Forensics

Hardware security assessments

## RISK & SECURITY MANAGEMENT

Audit & analysis

Development programs

Coaching & exercises

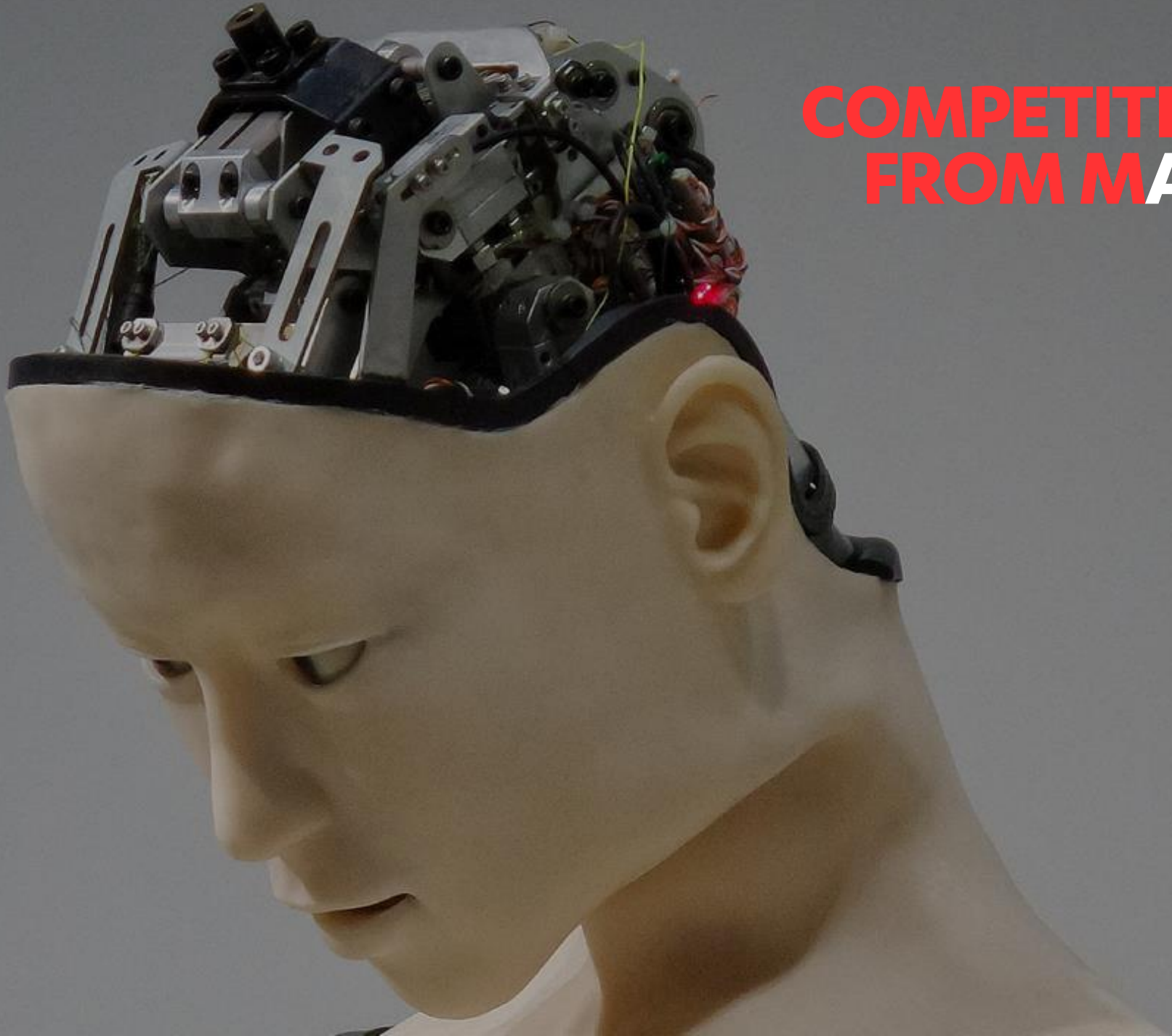
## CYBER INTELLIGENCE

Intelligence services

Intelligence platform







# COMPETITIVE ADVANTAGE FROM MAN & MACHINE

SYNERGIES

Threat research

Product development

Product sales

Company brand

# CORPORATE SECURITY REVENUE GREW BY 8% Q2

## CORPORATE SECURITY PRODUCTS

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- Endpoint security order intake at previous year's level
  - Renewals at their highest levels, but new customer acquisition below expectations
  - Customers' GDPR implementation and EDR considerations postponed purchase decisions
- Good progress with Rapid Detection Service (RDS) despite seasonality, high satisfaction and renewals
- Good growth with F-Secure Radar
- Endpoint Detection & Response (EDR) solution launched and first customer pilots started

## CYBER SECURITY SERVICES

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- High demand and successful recruitment
- Order intake slightly declined, driven by reorganization of services sales
- Majority of order intake coming from Finland, Denmark and United Kingdom



# CONSUMER SECURITY DOWN BY 5% IN Q2

## OPERATOR CHANNEL

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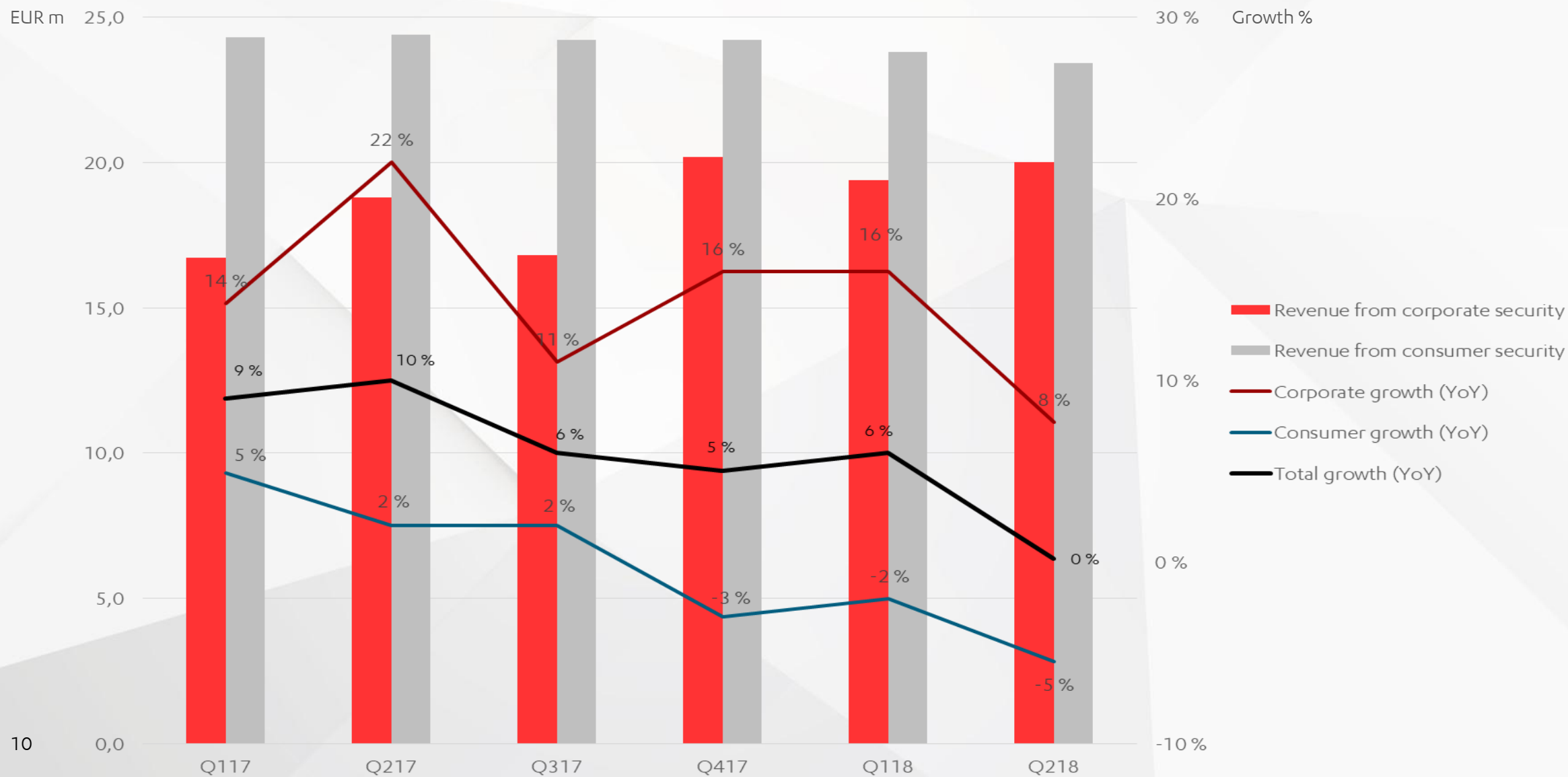
- Revenue declined due to previously communicated (H22017) operator partner loss in Latin America - impact remains partially visible in Q3/2018
- Other regions at previous year's level, overall improvement of product activation rates continues
- Negotiations on Sense (both as device and increasingly as software) continue with operators

## DIRECT SALES

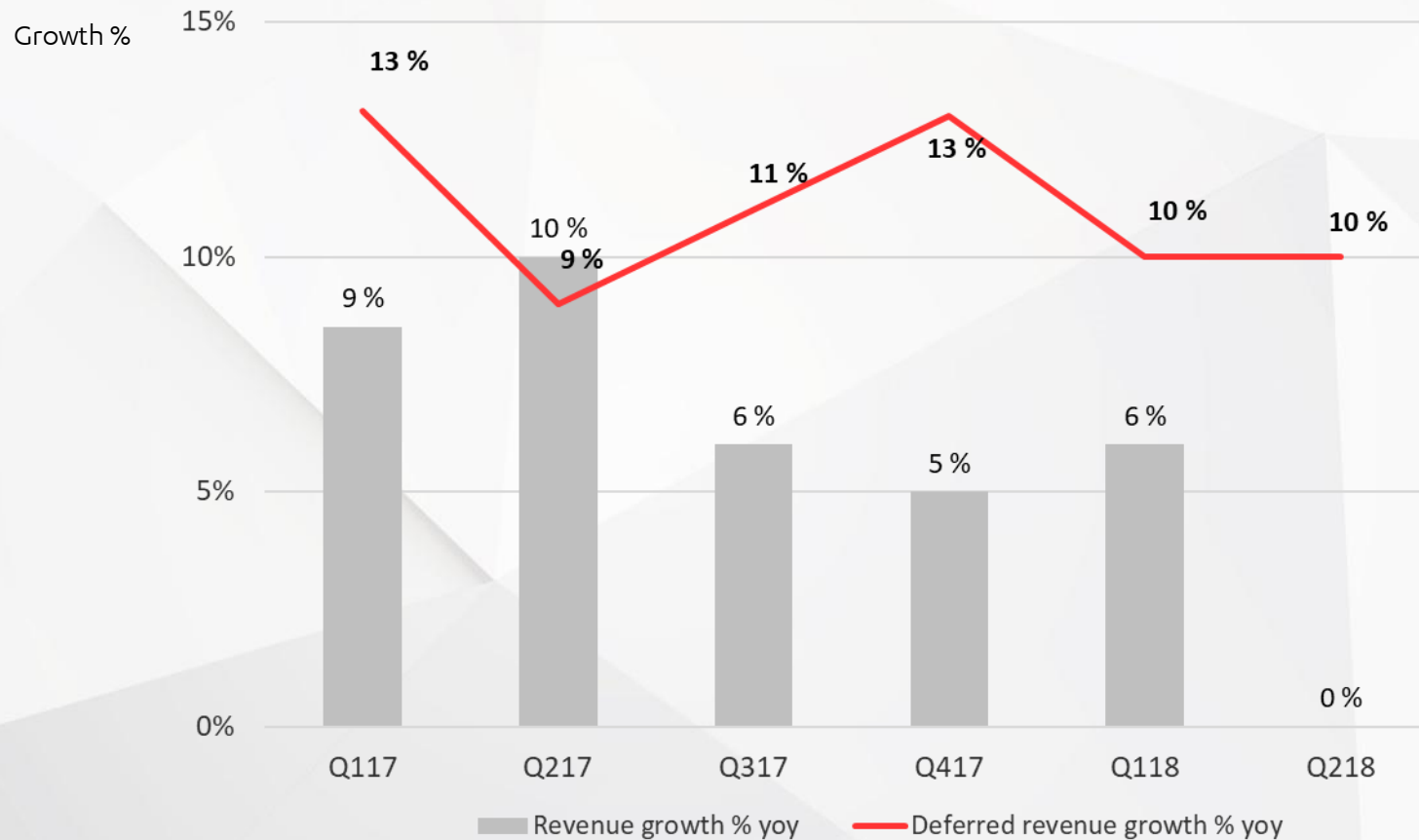
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- Revenue growth continues to outpace the market
- Growth driven by F-Secure SAFE and FREEDOME – both separately as well as combined into F-Secure TOTAL
- Comparison period in direct sales positively impacted by WannaCry and changes in privacy regulation

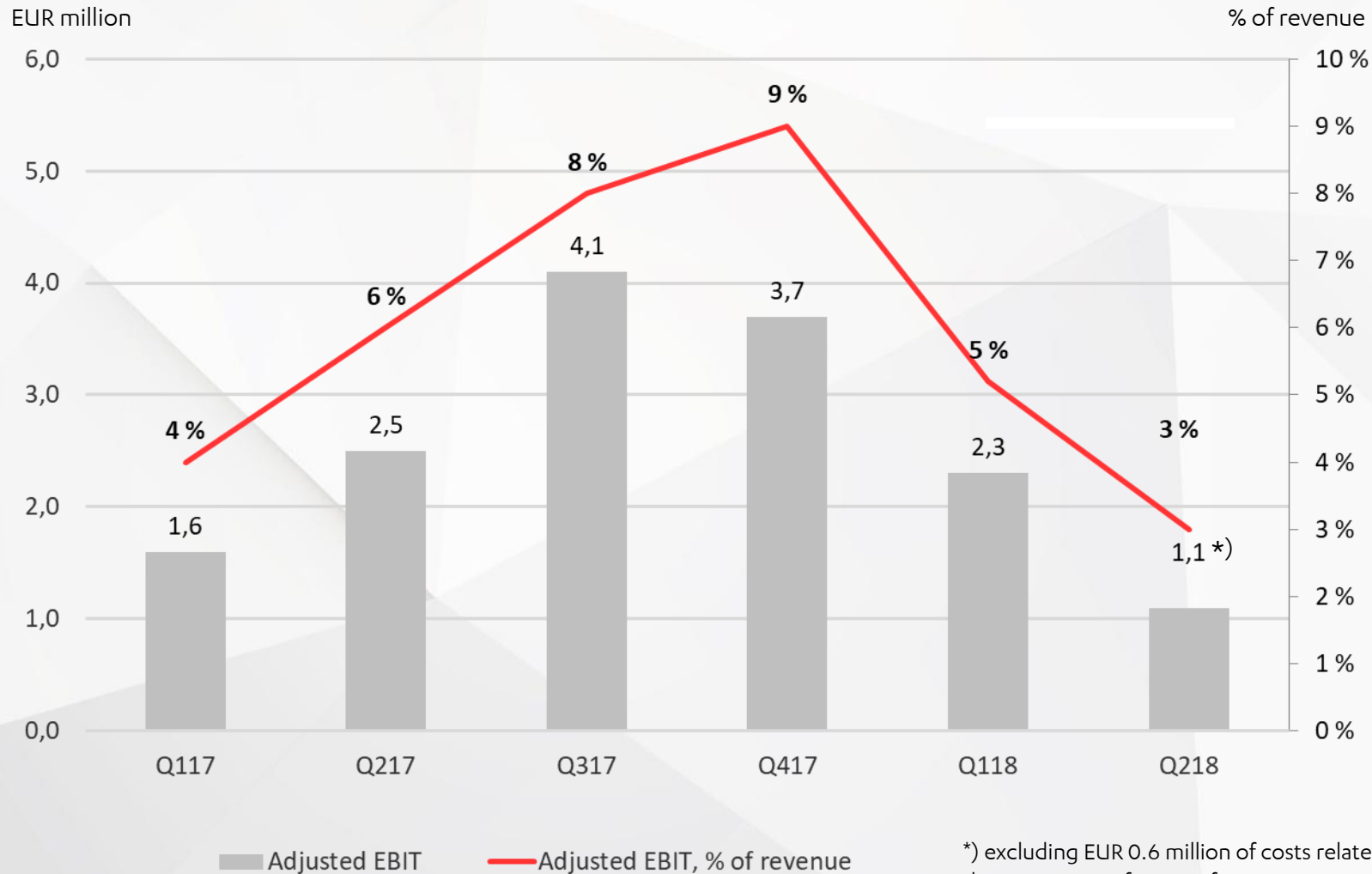
# CONSUMER BUSINESS IMPACTS TOTAL GROWTH, WEAKER QUARTER IN CORPORATE BUSINESS



# DEFERRED REVENUE GROWS FASTER THAN REVENUE



# PROFITABILITY AS EXPECTED CONTINUES TO REFLECT FOCUS ON GROWTH



\*) excluding EUR 0.6 million of costs related to the acquisition of MWR InfoSecurity

# KEY FOCUS AREAS FOR 2018–2019

## Enterprise-grade cyber security for the midmarket

- Accelerate corporate security growth with successful integration of MWR InfoSecurity
  - Aim is to become the leader in detection and response solutions
  - Continued growth of cyber security services
- Increase share of wallet by cross-selling and upselling
  - Sales expansion of the new corporate security products (RDS & EDR, F-Secure Radar, phishd)
  - Best-in-class renewal rates
  - Adding new customers in focus geographies
- Growth in consumer security
- Active M&A



# NEW OUTLOOK FOR 2018

*As previously communicated, F-Secure gives a new outlook for 2018. As of 2 July 2018, F-Secure includes the acquired MWR InfoSecurity in the Group's financials. Management remains confident in reaching the initial outlook for 2018 both in terms of revenue growth and profitability excluding the impacts of the acquisition. New outlook is given to include the impact of the acquired company.*

- Revenue from corporate security is expected to grow over 35% compared to 2017
- Revenue from consumer security is expected to stay at the same level as in 2017
- Adjusted EBITDA is expected to be in the range of EUR 14-18 million
- M&A related acquisition and integration costs in 2018 are expected to be 3,5-4,0 million

# OUTLOOK FOR 2018-2021 UNCHANGED

- 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.

# FINANCIALS

## Q2 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.

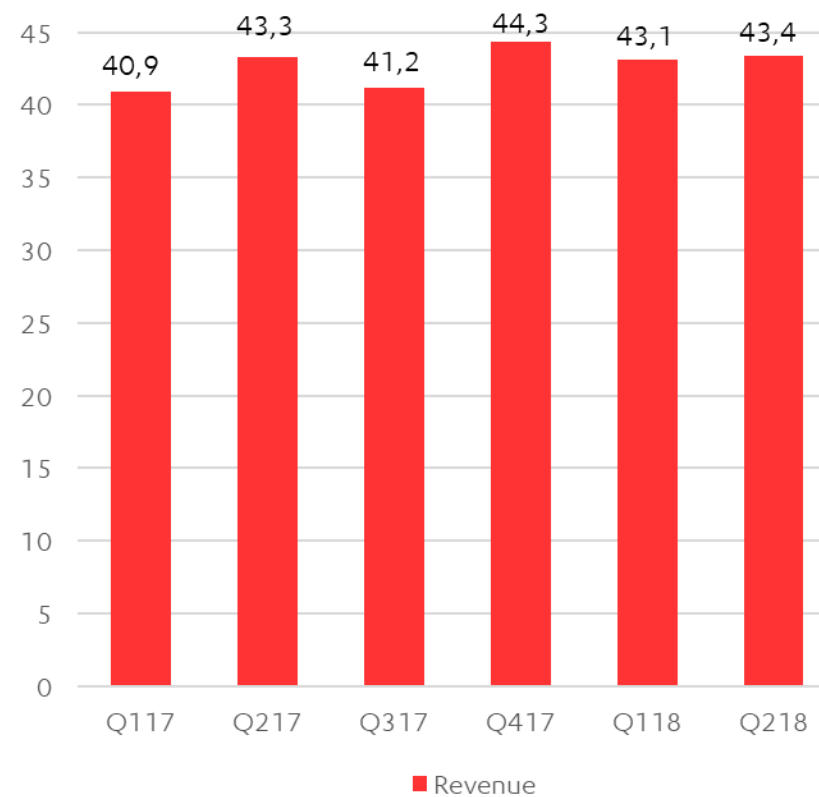


# REVENUE

## April-June

- Revenue increased by 0,2% y-o-y
- Total quarterly revenue 43.4m (Q217: 43.3m)

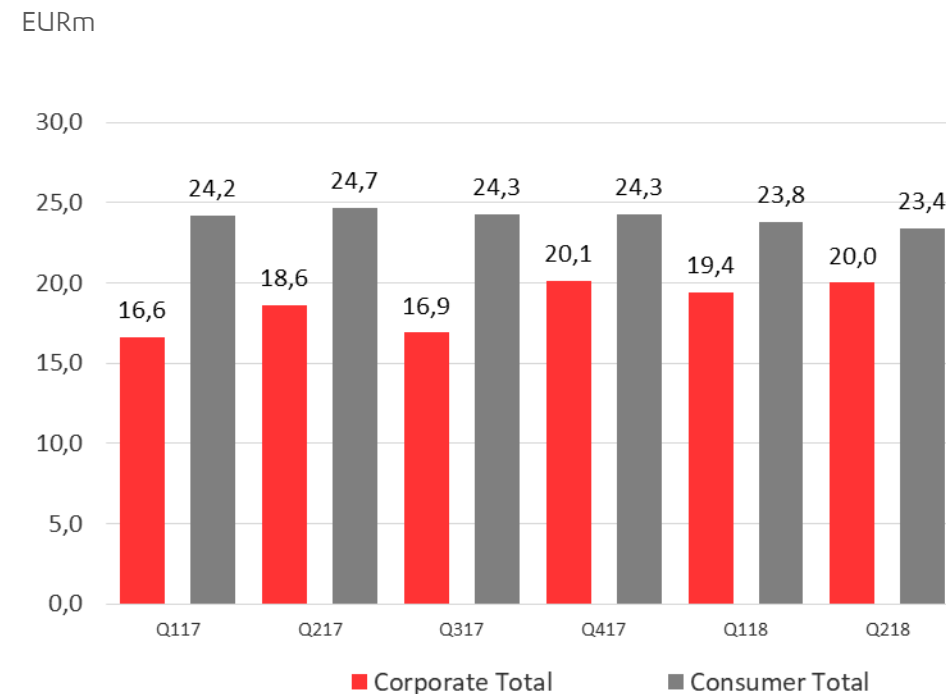
EURm



# REVENUE SPLIT

## April-June

- Revenue from corporate security increased by 7.7% totalling EUR 20,0 million (18.6m)
- Revenue from consumer security decreased by -5.4% and was EUR 23.4 million (24.7m)
- Corporate and consumer security represented 46% (43%) and 56% (57%) of total revenue respectively

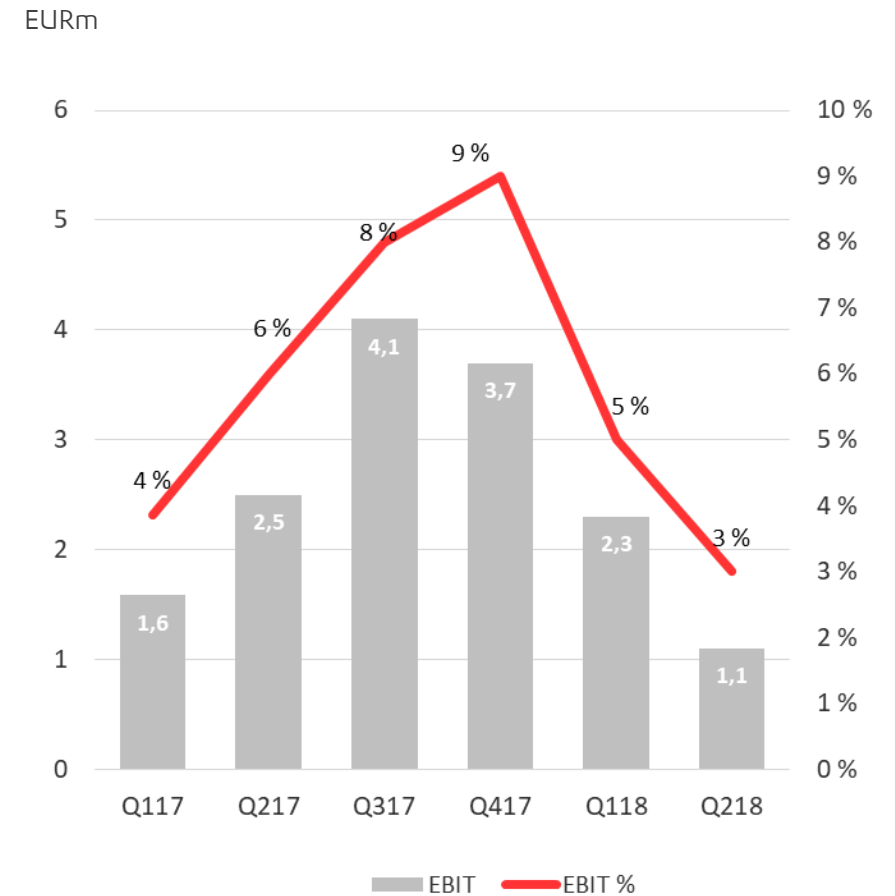




# PROFITABILITY

## April-June

- Adjusted EBIT 1.1m, 2.6% of revenue (2.5m, 5.9%), excluding EUR 0.6 million of costs related to the acquisition of MWR InfoSecurity
- Earnings per share (EPS) EUR -0.00 (EUR 0.03)



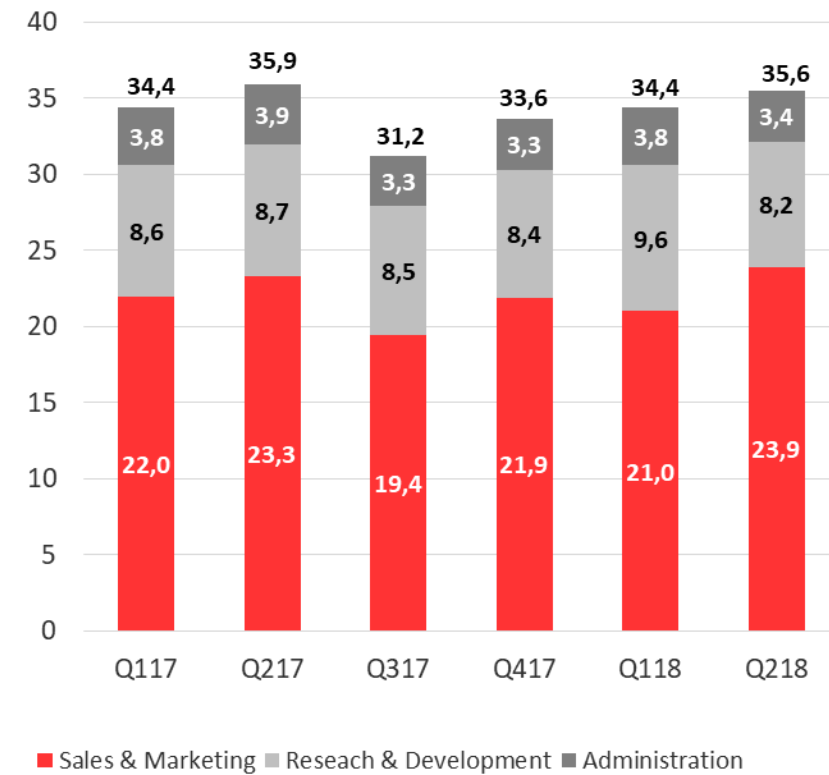
# OPERATING EXPENSES

## April-June

**Operating expenses 35.6m (Q217: 35.9m), -1% y-o-y**

- Depreciation and amortization 1.6m (Q217: 1.5m)
- Capitalized development expenses were 1.5 m (Q217: 1.1m)

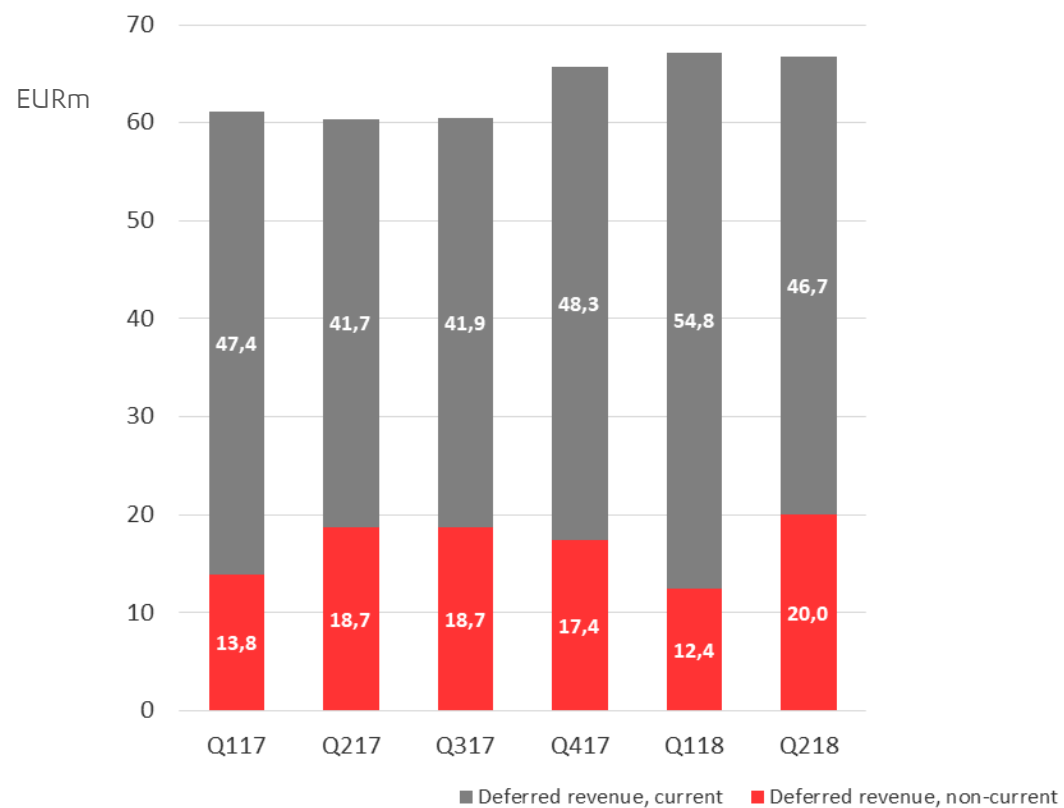
EURm



# DEFERRED REVENUE

**30 June 2018**

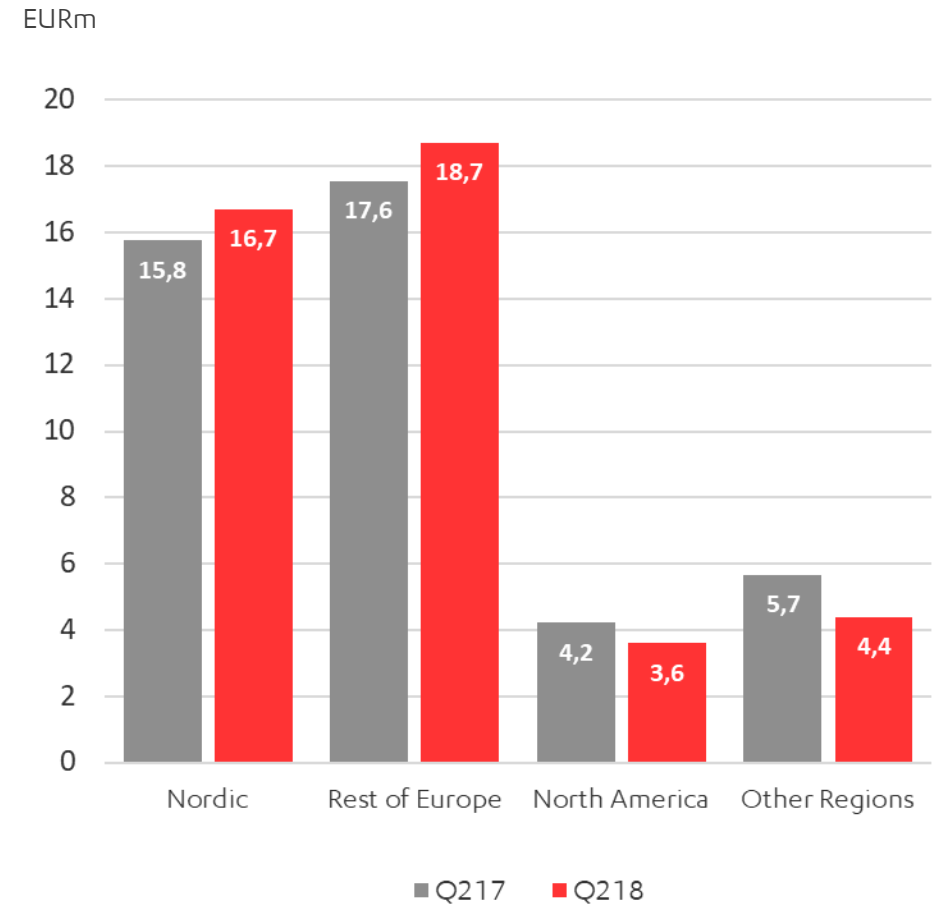
- Deferred revenue increased by 10% y-o-y to EUR 66.7m (EUR 60.4m)



# REGIONAL REVENUE

## April-June

- Other regions revenue declined slightly due to the loss of a single operator customer in Latin America in H2/17



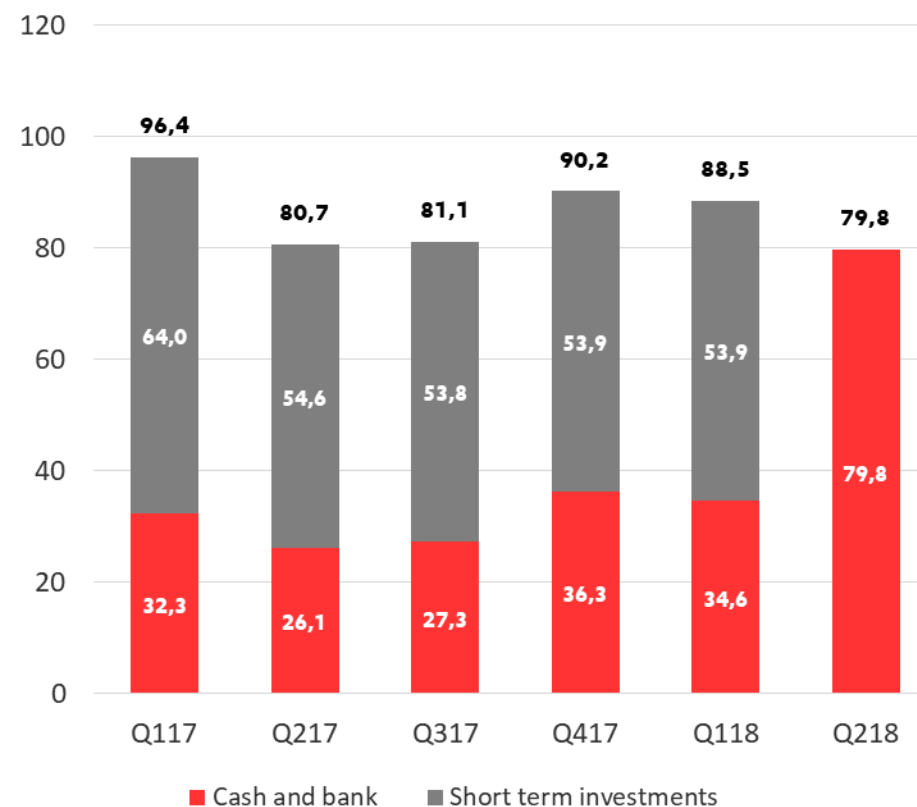
# SOLID CASH POSITION

## April-June

**Cash flow from operations was EUR 1.3 million (7.9m) reflecting a decrease in EBIT and paid income tax advances.**

- F-Secure's financial position remained solid. Short term investments were sold in June 2018 as F-Secure prepared to finance the acquisition of MWR InfoSecurity in the beginning of third quarter.
- Gearing ratio was 112.7% negative (125.1% negative)

EURm

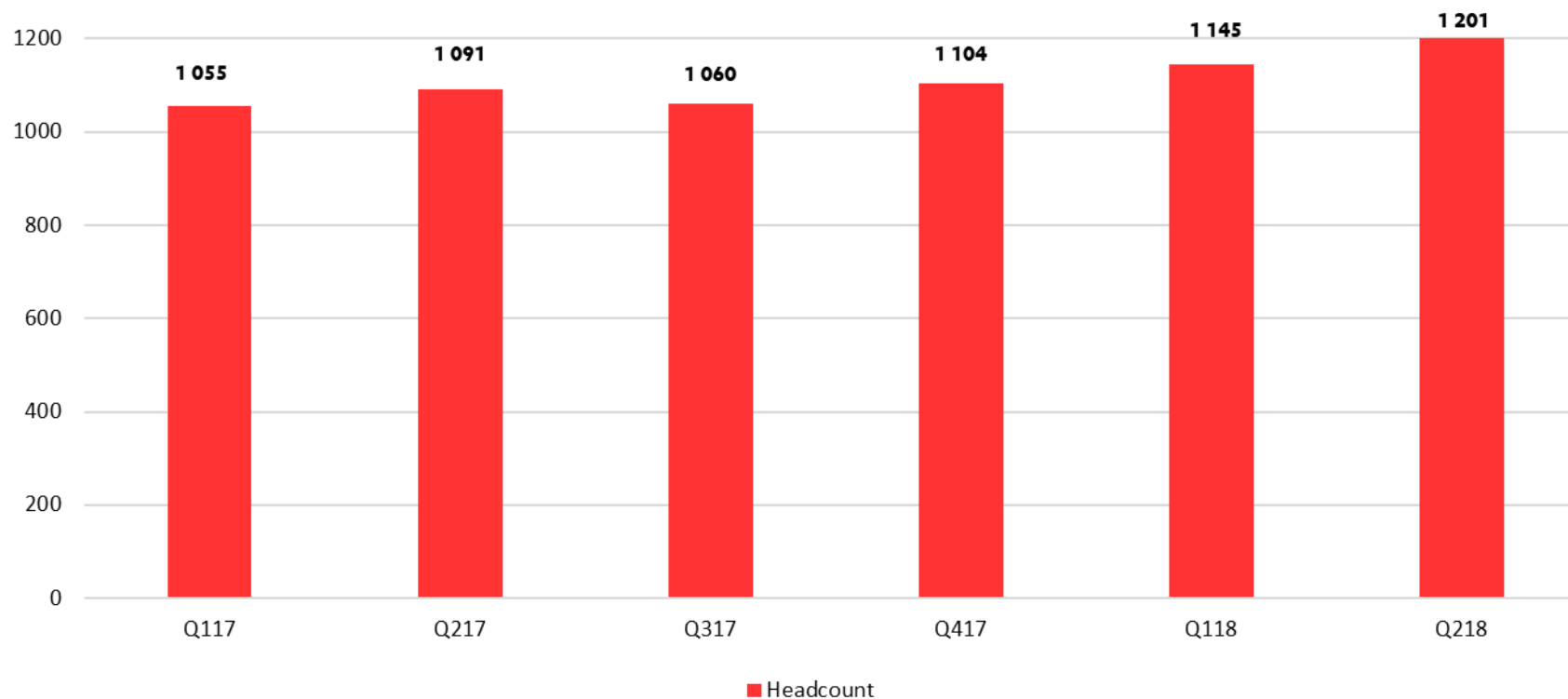




# NUMBER OF PERSONNEL

## April-June

- Net headcount increase during Q2 was +56 persons
- The company's headcount at the end of Q218 was 1,201 (Q217: 1,091)



# STRATEGY SLIDES FROM THE CAPITAL MARKETS DAY

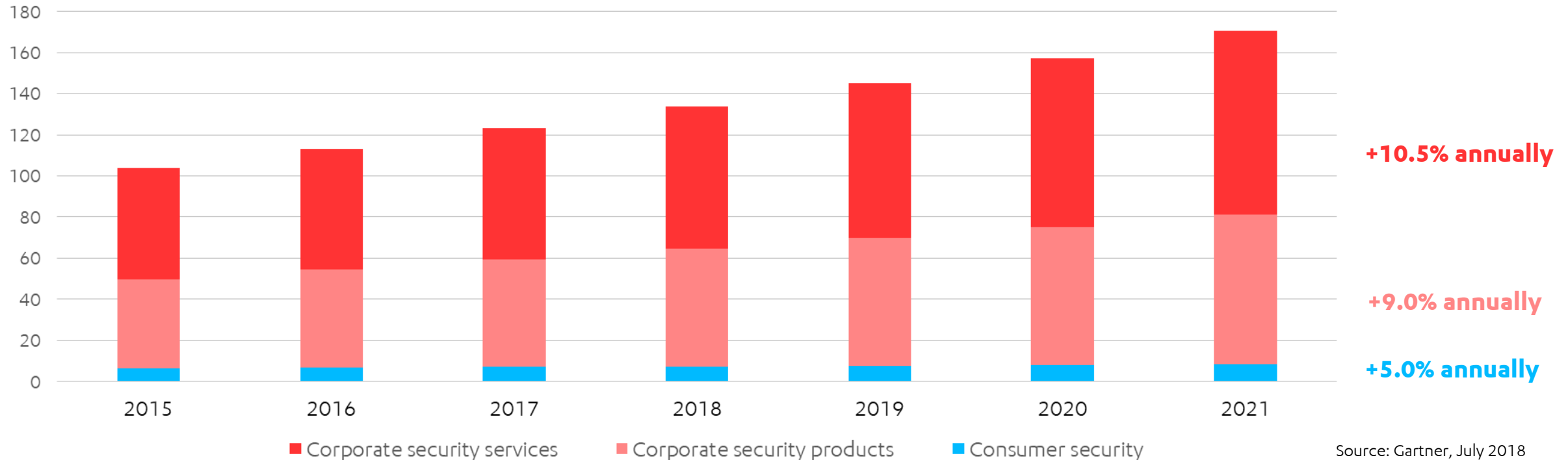
22 Nov 2017



# CORPORATE SECURITY CONTINUES TO DRIVE THE GROWTH

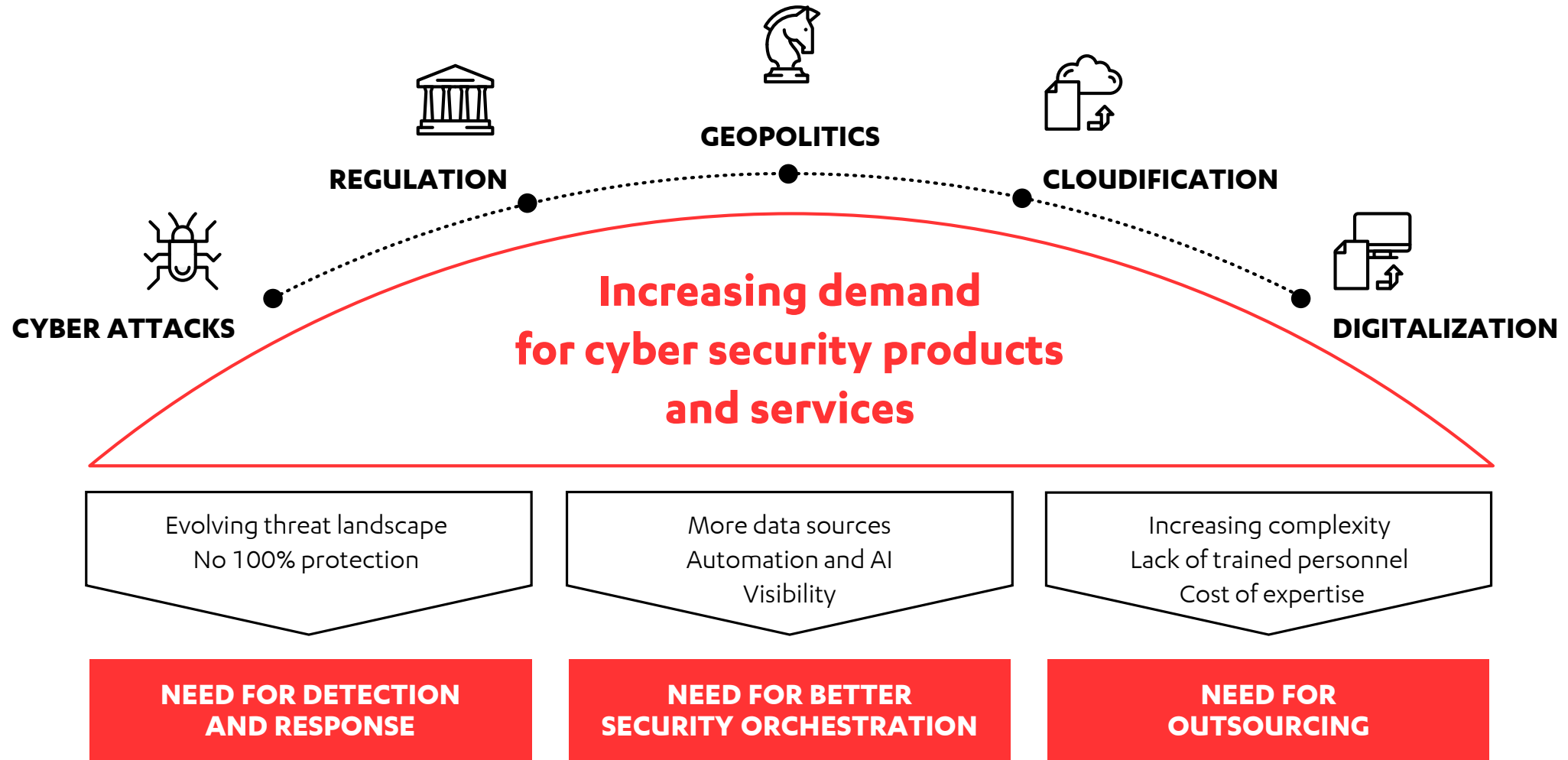
USD billion

## INFORMATION SECURITY REVENUE FORECAST 2016-2022



**DISCLAIMER:** Gartner has changed the way it provides forecast information. As of Q2 2018, It is publishing an overall end-user spending based forecast for information security and this will be the format used going forward. This represents a change in approach from the vendor-revenue-based forecasting that this publication provided previously. As a result, the overall forecast has gone up significantly..

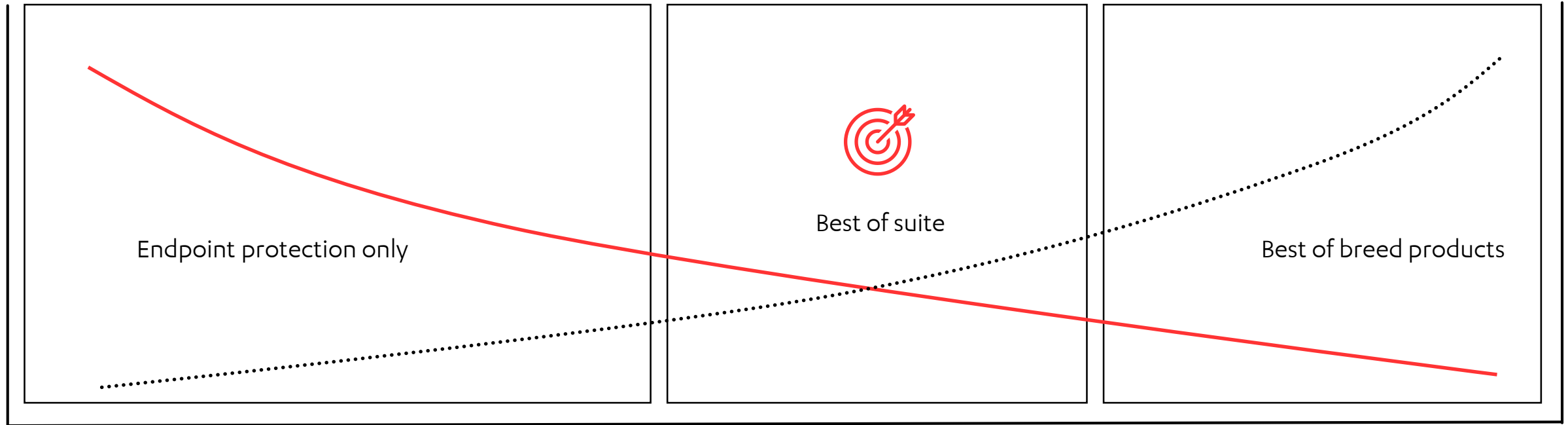
# MEGATRENDS



# 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

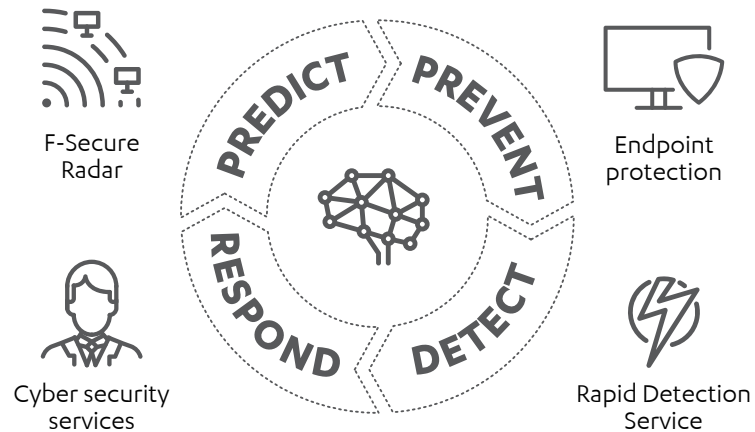
# EXPANSION OF F-SECURE'S OFFERING FOR MID-MARKET

## ENDPOINT PROTECTION ONLY



– 2015

## COMPREHENSIVE CYBER SECURITY OFFERING



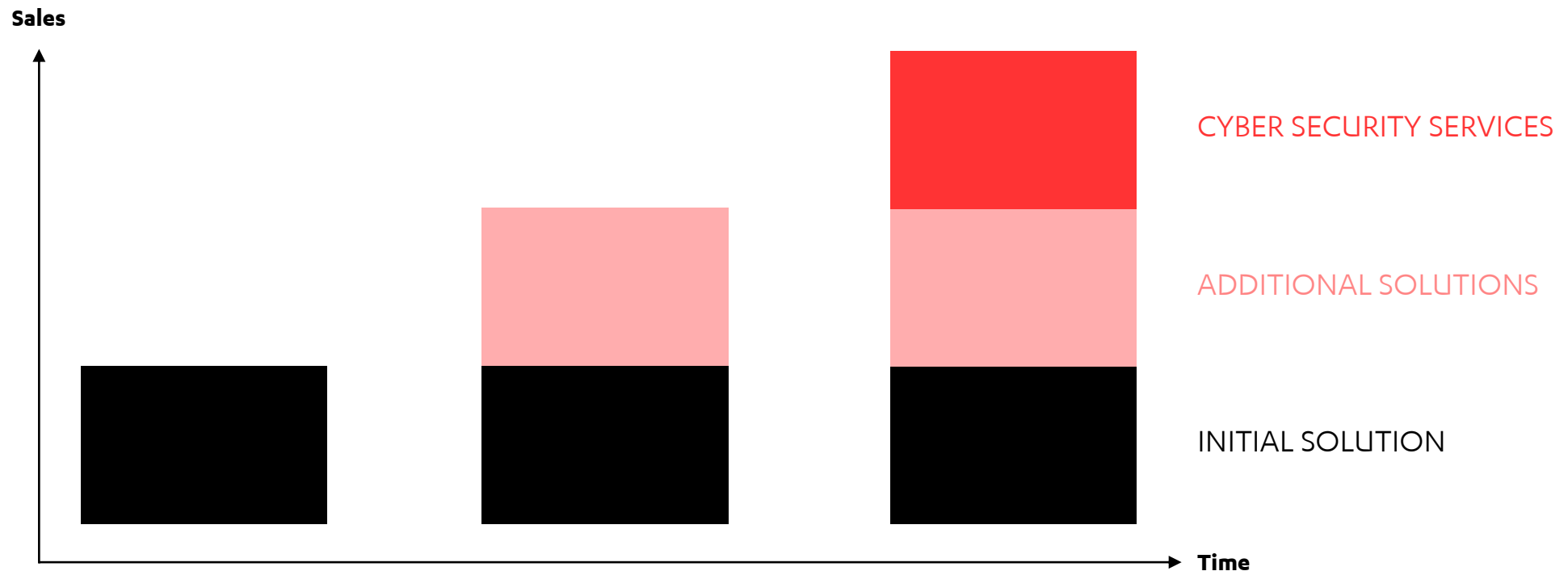
2015–2017

## INTEGRATED SECURITY SUITE FOR MID-MARKET

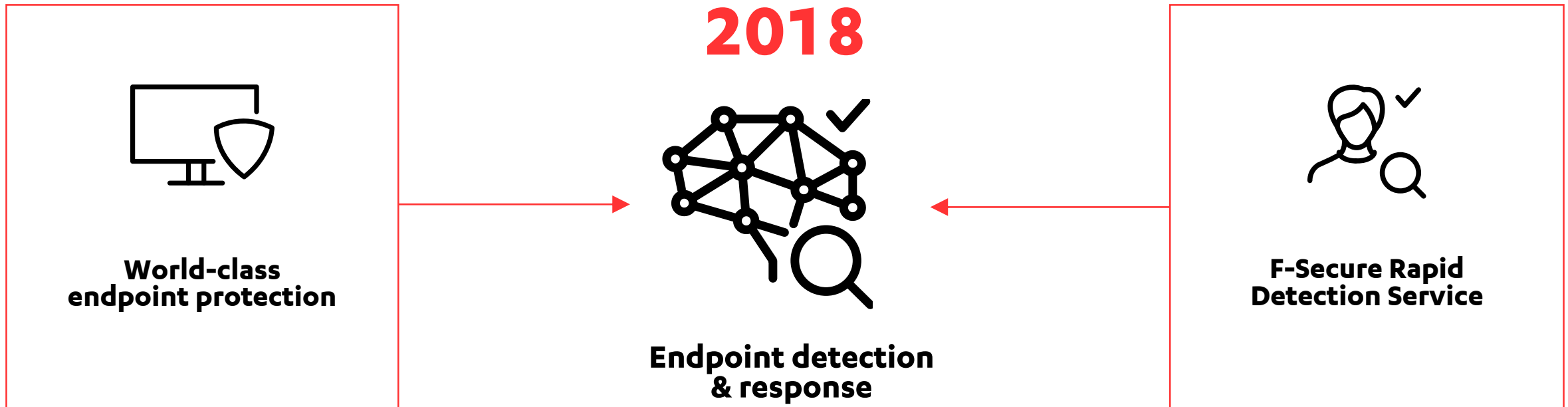


2018 –

# 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

