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Q2 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Henri Kiili

Director-Investor Relations and Treasury, F-Secure Oyj

Good afternoon and welcome to F-Secure's Q2 Result Presentation. I'm Henri Kiili, responsible for Investor Relations at F-Secure. To start off, we'll go through some practicalities. So today Samu Konttinen, our CEO will give you a presentation about the results and after that we'll have a Q&A session. Well, first take the questions from the room. We have some analysts following our company present here and after that we'll take questions from the webcast portal. And you can submit the questions in the portal at any time throughout the presentation.

Without further ado, Samu, please.

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

Thanks, Henri, and welcome on my behalf to our Q2 interim report session as well. So obviously a very challenging market environment, COVID-19 has been very difficult to predict, how it impacts different industries and how, therefore, kind of echoes the impact on cyber security requirements. So I will try to walk us through how we have seen the market and what's the overall performance across whole F-Secure for the quarter?

So key takeaways definitely is that the first, I want to be very happy that the full company being working remotely throughout the whole quarter and utmost priority continue protecting our customers 24/7, which is what, I believe, we do very well. So that has continued without any interruptions. So I'm very proud of our performance on that aspect.

Looking at the big picture, so we don't see any of the cyber security main fundamentals having changed much at all, so big themes like digitalization, which has always been a big driver for cyber security definitely is there and you can even take some assumptions that in the long run or in the mid-run COVID-19 could even be accelerating

digitalization for some industries and then this definitely should be a driver, a very positive driver for cyber security industry. So we continue thinking that this is a good industry to be at.

Now going into F-Secure results for Q2, so very pleased with the profitability, adjusted EBITDA 19% and this is a result of quite a few different factors impacting to it. So I'm happy with the cost management that we've done ourselves. So being very cautious with costs, trying to make sure that we are taking a very careful consideration for all costs and not excessively pouring down investments in areas that are uncertain [indiscernible] (03:35) cost management side of things. But I believe that the bigger part of, I would say, almost extraordinary good lifecycle with our investment case is because many cost components are down, because of the COVID-19 restrictions, as an example, [indiscernible] (04:00) to traveling was practically zero throughout the whole quarter. And another example could be like in B2B marketing mix, a big part of marketing mix for us has been organizing different kind of customer events where we run workshops or provide briefings. So obviously, that sort of marketing where you organize events for customers has not been possible in – during the COVID-19 times. So these are some of the examples that are now taking cost levels down during the quarter.

And then looking at the different business areas, so corporate security combination of our Managed Detection and Response, so that continued growing, endpoint security also growing, but only very slightly, and then the cyber security consulting definitely an area that is severely hit by the pandemic. We saw a 19% revenue decline there. And then, last but not the least, the consumer security revenue, growing by 3%. So this is roughly the business mix and I will elaborate each of these business areas now separately as we go forward with the presentation.

Little bit of a recap of COVID-19 considerations. So perhaps, first looking at the business impact, so very significant negative impact to our consulting that I already explained. And there we also are seeing quite significant variations from geography to one geography, so it's not exactly similar from country-to-country, but overall very much challenges there as customers have been postponing some of their cyber security roadmap projects, impacting to our revenue generation.

But also in MDR sales we see some delays in MDR sales and that this is something that we need to continue observing, so what the real impact for the full year will be. But right now we see some delays, but not significant impact, whereas in consulting the impact is definitely very significant.

And then looking at our pure-play software both in B2B and B2C areas, there we see the impact being so far more limited. But the bigger question mark there is that as I mentioned earlier, looking at the marketing mix, as an example, that in B2B side, we have not been able to execute our marketing mix exactly business as usual as those events have not been possible. So what the new leads generation impact will be remains to be seen, but right now it looks that the impact has not been very significant.

And on the mitigation side, some of the items here we disclosed already when we talked about our Q1 results, as an example, withdrawal of €10 million revolving credit facility and thus making sure that our financing position takes – is well under control. And I'm very happy how we are performing on that front, including things like improved performance in receivables collection and then making sure that we are also actively managing costs in areas where the business is impacted. As an example, in consulting, in those countries where the consulting revenue has been impacted, we've done very swiftly things like furloughs and making sure that we are managing the business.

Looking at the market fundamentals, as I mentioned in the beginning, so the real drivers in cyber security has not – have not changed at all. So, this is a shortlist of some of the items that we see commercial espionage, customer data theft, fraudulent transactions and ransomware. Key thing perhaps is that despite the pandemic impacting

overall economy in many areas very negatively, but we see no signs of the cyber security threats slowing down, so the threat actors are not on a pause. They continue taking even advantage of extraordinary circumstances, like COVID-19 and because of that we see that the demand for cyber security has not changed much at all.

Obviously, customers are depending on industry. They are, sometimes, more cautious and careful how they evaluate their overall spend expenditure and that might impact in some cyber security-related decisions, like we see now in consulting, but in the big scheme of things, we don't believe that this industry has materially changed at all.

And now little bit of a recap, so just looking at our capabilities and now I'm starting from our technology platform in B2B side. So, the overall offering consists of technologies where we help our customers, first to predict attacks, so making sure that the customers understand potential vulnerabilities and can prepare themselves for their cyber resilience. Then the old core of F-Secure are really defending customers against the attacks, so the preventive side. And the last but not the least, the detect and respond an area where you are first compromised, where the matter is how quickly you detect attacks and what is your capability to mitigate the attacks thus Incident Response. And this continues being the fastest growth area for F-Secure and it's one of the fastest growing areas in the cyber security industry, especially the Managed Detection and Response side.

And now looking at similarly, so what are our capabilities in F-Secure consulting side? So there are some of the industry trends that is driving demand in this space. As an example, InfoSec education continues being bigger and more important for customers. There is secure programming as companies are increasingly digitalizing their business mechanics. So when you go and digitalize your business operation, it's very important the security is kind of in-built into the systems. We still see too often that the security is an afterthought that you start thinking a bit too late. So secure programming building kind of a software securely is still a big topic and a growing trend driving demand for cyber security consulting.

And then obviously attack simulators, which is an area where we have been active, very active doing targeted attack simulations, red teamings et cetera. So helping customers to understand what is their cyber resilience and what are the entry points for potential threat actors. So these are the drivers and really key focus for F-Secure is to continue driving innovation into service creation both for commercial and actually delivery models. And we've always been very research-led and data-driven in our approach. And during the pandemic, we've continued the research, despite the very challenging business environment and published a lot of whitepapers and they are very important to demonstrate the F-Secure thought leadership in this space.

And then, finishing with consumer security. So there us carrying a very, very solid offering altogether in the prevent space, now adding our ID Detection PROTECTION (sic) [ID PROTECTION] (12:52) in the detect space. And the response side in consumer space is still something that is not really addressed in this industry and remains to be seen what are the innovative solutions maybe later in that area. But I'm very happy with the portfolio. So a lot of endpoint security related stuff now complemented with our IDENTITY PROTECTION. And then you have the SENSE, which is the [ph] whole digital (13:21) home router security solution, so very happy with the portfolio mix there.

Now going into Q2 results. So revenue €53 million, minus 2% versus the same quarter a year ago and are looking at the first half, so we are at the previous year's level, consumer security a bit shy of €25 million and corporate security at €28.2 million. And here you see how strong improvement we had in the adjusted EBITDA, it's more than doubled from the same quarter a year ago. And as I explained in the beginning, so this is a component of our own cost mitigating actions, but also from COVID-19 related restrictions. It's obviously helped us in many areas. The activity levels are, I would say, artificially low because of the restrictions. And cash flow from operations, also

very happy with that €11.4 million and very significant 64% change compared to the same quarter year ago. So overall despite the very challenging and extraordinary market conditions, we are relatively happy with the results, especially on the strong profitability.

Now, a bit more on the products, on the business areas, so first talking about the corporate security. So there I guess the main positives perhaps is that looking at our Endpoint Protection solutions. So although the revenue is growing only slightly at the moment, but the ordering intake is growing faster than revenue, so this is always a good sign when your sales is growing faster than the revenue, so good performance in new sales. Our renewals have stayed a very solid and one perhaps insight from the market that is becoming very clear is that our Endpoint Protection and EDR, they are practically sold as a bundle each and every time. So customers are increasingly valuing single pane of glass management console. So, they want to get these two bought from the same source, from the same vendor and very often acquiring these two solutions at the same time.

And one of the milestones in the quarter definitely was that we've now launched Cloud Protection for Microsoft Office 365, which, I believe, is a very important addition to our endpoint security suite offering given that e-mail still continues being by far the biggest attacking vector for the threat actors. So that's a very nice addition to the portfolio and talking about the Cloud Protection and protecting the content in the cloud overall, so we see very positive traction for our Cloud Protection for Salesforce. So this is definitely one of the positives in the market. We are very much in the early days with Cloud Protection for Salesforce. The numbers are small, but we are seeing very exciting tractions and lot of amazing customers even some Fortune 2000 or even Fortune 100 companies selecting F-Secure for that line of protection.

Then in the Managed Detection and Response, so despite COVID slightly impacting in the new sales, slowing it down, we continue winning new customers in several European countries. Some examples of customer verticals like engineering, finance and critical infrastructure and public sector. When we talk about finance, very often the finance sector customers for MDR, they are not the large international banks as an example, very often those large international banks, they feel very confident on their own cyber security teams and they can afford to run their own 24x7 operations. So, they very rarely outsource detection and response to a service provider. They want to buy best-of-class technology, but they want to operate it themselves.

For us, the finance customers are typically more like local – locally operating finance sector actors, so not the largest banks in the world, although we do serve many of those largest banks in the world from our consulting teams. Renewal performance in Managed Detection and Response continued being very solid and definitely one very positive from the quarter was that one of our largest MDR customers bought a significant size extension to their existing deals. So, in the beginning, they had not deployed the MDR across the whole enterprise and given how happy they have been with our service quality, how we deliver that kind of a peacetime value, they now made a decision that they wanted to extend the offering and now are deploying MDR across all their enterprise around the world. And as I said, so we see some delay, some softness in new sales because of COVID-19, so our internal aspirations, I would say, pre-COVID-19 were somewhat higher in MDR and also perhaps somewhat higher in Endpoint Protection side as well. There the impact is perhaps smaller than in MDR.

And then in consulting, we already mentioned so very difficult quarter indeed. The key challenges becomes from the fact that a lot of customers are blocking access to their sites and in this industry, a lot of consulting assignments still needed to be delivered on site with the customers and this not being possible now is postponing many projects. And customers are more cautiously evaluating their cyber security roadmaps given that many of the customers might be very severely impacted by COVID-19 themselves.

And on the cost management side here in the consulting, it's very important that we have managed, I believe, quite well the costs with various cost management actions, like furloughs, but so far we have not had to implement furloughs across all our consulting sites. As an example in Finland we have not yet had to furlough any of our consultants and it is a good example where the regional differences are quite significant, like in Finland, the cyber security consulting has been tracking very close to our plans. So, very big regional differences.

Here, as earlier we discussed how the threat actors are not slowing down, so this is also slowing here. So, we had had several Incident Response assignments and which is one of our spearhead offering and we want to be positioning in Incident Response really as the leading player in the Europe.

The predictability of consulting business is still low, but looking at the positives, so, I'm looking at the in-quarter sales flow. So, it clearly was that the June sales in consulting was significantly better, as an example, compared to April and May, which gives us some confidence that the business should be improving, but I have to emphasize that the visibility is weak and this is perhaps also the main reason why we didn't want to issue a market guidance at this time. So, the visibility in the consulting business, which then impacts on the consulting revenue, it then impacts on the B2B revenue and it can impact on the company profitability as well.

And the last consumer security, so here I would say that we were quite happy with the results. So, we won three new operator partners, two in the US, one in Europe. We've now won several operator deals for F-Secure ID PROTECTION. It is not showing in numbers practically at all at this stage for Q2, but signing these operator partners for ID PROTECTION, that's the first step you need to take on igniting the channel and we continue being very excited about the IDENTITY PROTECTION and also SENSE, a future growth driving opportunities and now us growing around 3% in consumer business. The new products like SENSE and ID PROTECTION are not visible in that much at all. So this quite good 3% performance is practically coming from our old – good old faithful core F-Secure SAFE and FREEDOME solutions.

In direct consumer business, we saw a bit of a rollercoaster within the quarter. So when the COVID started, we saw first it impacting on our direct consumer negatively, but within the quarter it has bounced back and it has bounced back strongly. So looking at the full quarter performance, so ecommerce is growing and this is – this, I believe, is perhaps an area within F-Secure business mix where COVID might even be a positive impact. So when people are at their homes, spending more times with their personal devices, so we are seeing first signs that this is perhaps driving more demand for consumer security as people spend more times with their individual personal devices. So consumer security looks very, very solid and very, very happy with the performance there.

And now looking at the how the company profitability has been developing over the last few quarters. So going to a good direction and going back into the beginning of the year where we saw – where we gave back then a guidance of us wanting to start clearly improving profitability and have announced that the investment peak is now behind us, so that thinking has not changed at all and I'm very happy how we are taking the right steps on our path on continue growing, at the same time improving profitability. But again have to remind that a very strong profitability in Q2 is to some extent because of COVID restrictions or not only the cost management that we have done. So that's the mix there.

And then related to profitability, so good job here on the receivables studies is down by more than €6 million compared to same quarter year ago and we have been very happy to see that some of our largest customers are not taking COVID as an opportunity to start behaving badly and not paying on time. So we have really had no challenges so far with the receivables, almost the opposite, so receivables is improving all the time and that together and with the top line is generating a good cash flow. So we are in a very good position at this time of the year.

And closing off looking at the – not the Q2, but the first half now in brief here you see the revenue split by business area, revenue split by geography and how the adjusted EBITDA has changed.

So I guess that concludes the presentation. So extraordinary quarter in so many ways, we are relatively happy with the results, whereas COVID definitely has impacted some business areas very significantly and some business areas less so and some business areas not much at all. So that's the business mix and the thinking at this point of time.

Henri Kiili

Director-Investor Relations and Treasury, F-Secure Oyj

Thank you, Samu. Now let's take the questions from the room.

QUESTION AND ANSWER SECTION

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

Hi. It's Matti Riikonen, Carnegie. Maybe we should start with the consulting business, which was the most affected. Have you seen the recovery already during Q2, so that the volumes would be back? And does that give any indication what kind of negative impact would still be on Q3? And I think what you have earlier said about the recovery phase would be starting towards Q4 and the end of the year. Do you think that it would be even theoretically possible to have a normalized quarter already in Q4 or should we expect that it will go beyond that into 2021?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

So, two questions there. So first, the visibility in consulting business is difficult, which is, again, our main reason why we are not issuing financial guidance at this point. So the visibility is weak. To your second question, so have we seen recovery within Q2? So, yes, definitely we saw that. So looking at the Q2 and within the Q2 it was very clear that both in orders and in revenue April and May were definitely the weakest months within the quarter and June was definitely the strongest month of the quarter actually June was the strongest month we have so far throughout the whole year. So, June was very promising. But again, I want to emphasize that the visibility is weak and therefore, we are very cautious on how we want to be guiding Q3 and Q4, but June was good.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

What are your customers saying about the potential activity that they might go into? I mean many customers, at least in Finland, still have restrictions on how people get to the office, but there are also organizations, who are opening up doors.

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

There's no one answer to that. We see very significant differences from customer-to-customer. So as I mentioned, as an example, in Finland, our consulting has not been hit by much, because of COVID-19. So, if I just look at our consulting performance in Finland as an example of one of our operating countries, so the performance would

definitely go in the range of normal business fluctuation, so like what is a great quarter and what is a normal quarter and what is a good quarter? So if our consulting business was only Finland, I would say that COVID might have impacted, but not much. But then we have some other countries where we see that our clients are behaving very differently. As an example, you might have two clients of yours in same industry and the other client is saying that the remote delivery is against our policy and so you can't deliver anything remotely, so our project will not bounce back until there is a full access to our site. And we don't know when that is.

And then you have an other customer in the same industry and the other customer says that this project was supposed to be delivered on-site, but because this is not possible now we still want to move forward with the project. So if you can deliver remotely, we're happy with that. So there are significant differences and I mentioned Finland as one country where the impact has not been significant, definitely not. But we have some other countries where the decline is not 19%, the decline is much more and then we have some other countries where consulting business is growing fast, really fast and even countries that are very severely hit by COVID-19. So there is no real – clear analogy that you could be looking at in this country because of this country's COVID situation [indiscernible] (32:41). So this is more like a case-by-case and almost, I would say, a little bit down to look what kind of a clients you happen to have. But June sales was good, very happy with that one, visibility weak. So we need to stay vigilant and alert to see how market goes.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

All right. Thank you.

Olli Eloranta

Analyst, Danske Bank A/S (Finland)

Q

Hi. Olli Eloranta from Danske Bank. If I continue with the consulting agenda you mentioned that in Finland the business has proceeded almost according to plan, but what are the countries where the situation has been the opposite? Could you list some countries where you've had the most difficulties?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

Perhaps the biggest challenges for us has been in South Africa. So, that's definitely one to mention.

Olli Eloranta

Analyst, Danske Bank A/S (Finland)

Q

Okay. Thank you. And then if we move on to the corporate security, you mentioned that the EPP and EDR are, well, almost always sold as a bundle and are you referring to new sales when you talk about this? And if so how is the cross-selling to existing EPP customers developing?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

Yeah. So, I'm referring to both. So, I guess the main point is that it's very clear that they are not only adjacent to one another, but the market has clearly been formed in a way that they've become fully integrated. So, it's very rare that customers would buy EPP from somebody and EDR from somebody else. So, they want that from the same source. So, therefore that applies definitely for new sales, but also for – as you mentioned, on the cross-sales. So, there we have a lot of untapped opportunity selling EDR to our existing EPP customers, keeping in mind that a lot of our EPP customers are small and medium-sized companies. So, their appetite to increase their

cyber security budgets and to pay the premium that we want them to pay for adding EDR is not as high as it would be with the bigger enterprises. So that is definitely kind of a growth limiting factor for F-Secure.

Olli Eloranta

Analyst, Danske Bank A/S (Finland)

Q

Okay. Thank you.

Kimmo Stenvall

Analyst, OP Yrityspankki Oyj

Q

Yeah. It's Kimmo Stenvall from OP Markets. Question on the cost base, as you mentioned that cost came down quite heavily in this quarter, is there somehow quantify the delta on the cost, so how much is this kind of structural effect that will stay also in the future and how much are these kind of temporary cost base reduction?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

We've tried to look at that and found it quite difficult to draw the line exactly. So I guess we have both. So there are some more structural, more permanent cost reduction areas, as an example, traveling, which, I don't believe, will return to normal pre-COVID times anytime soon. So that is one example of cost component that, I believe, that will be maybe permanently significantly less than it has been in the past. But in some areas the mix is more challenging and marketing is a good example as I elaborated that sound like some marketing events have not been possible to orchestrate during the COVID-19.

Now, will that return? Probably, yes. But when? Difficult to say. [indiscernible] (37:11) different situation. So if you look at Finland and then if you look at US where here it looks like the COVID is definitely easing up, and in US we are still seeing kind of a record infections per day. So, it goes to country-by-country, and therefore I cannot give you kind F-Secure group-wide comprehensive answers. So that's a little bit of both.

Kimmo Stenvall

Analyst, OP Yrityspankki Oyj

Q

Okay. Thank you.

Atte Riikola

Analyst, Inderes Oy

Q

Atte Riikola from Inderes. Corporate security products sales growth has been quite slow during the past few quarters, despite the fact you have been investing quite heavily into that area. Is there like some reason from the competitive side that the – has the competitive landscape become more tougher during the last quarter, because the sales growth is quite slow?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

Yeah, I guess there are a couple of things, so the competitive rivalry has been quite intense for a long time. So, I don't see any significant change there. You should also remember that we discontinued a couple of products that is impacting some percentage points to the pace. And then perhaps the other thing what I answered previously about the EPP/EDR industrial logic so we see them almost predominantly being sold together and then that business opportunity, like some bigger companies having EPP from one of our competitors and us kind of selling

our EDR to complement a third-party EPP, this is not happening much as customers want these from same source.

So, these dynamics we've seen happening now for several quarters and it's not becoming very clear that the customers want these from a same source. Then if you look at the industry analysts, not financial analysts like you guys, but companies like Gartner. So Gartner is no longer looking at EPP and EDR as separate markets, they are looking that as one market, because it's so clearly that these technologies are fully integrated and Gartner expects that market growth being around 5% and 6%. So this also gives an idea on the dynamics we see on the – from the broader market perspective.

Atte Riikola

Analyst, Inderes Oy

Q

Do you think after the COVID-19 situation you could get back to like double-digit growth track in the product area in corporate security?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

We definitely want to be growing faster than what the growth rate now is. Let's – let the numbers then tell how well achieve, but we are not – we are not entirely happy with the current pace.

Atte Riikola

Analyst, Inderes Oy

Q

Thank you.

Q

Maybe a follow up question on the MDR demand and your supply. Going into Q2 you had already an existing kind of sales pipeline for the MDR projects and you probably finalized some of that in Q2. Now, since new sales is probably more difficult in Q2, is it possible that the relatively small impact that you had on MDR in Q2 would actually be more significant in Q3, perhaps in Q4 assuming that the sales activity during Q2 has been perhaps a slight – a bit weaker? Do you think that that's a realistic scenario that things might get more challenging before they become easier?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

Well, I guess kind of a headline thinking for the COVID-19 overall is that making predictions is more difficult than before COVID-19, but if I'm just looking at the raw data what we see from our sales funnel and how many cases we have at which states of a sales funnel. So, through that data, we expect that the second half of the year would be better in MDR sales than the first half of the year. But as we saw in Q2, saw some customers who were practically on the decision-making point of MDR started to slow down their processes. So, visibility not as good as I would want, but if the current funnel data holds, we have every reason to expect the second half in MDR sales being stronger than the first half.

Q

Okay. Fair enough. Thank you.

Henri Kiili

Director-Investor Relations and Treasury, F-Secure Oyj

A

Next, we'll have the online questions. So, going back to consulting, we have Mikael Rautanen from Inderes asking, since the COVID-19 impact on consulting business is so strong, do you expect a similarly rapid recovery in demand when the situation normalizes?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

That's possible, because if I'm looking at the customer behavior, we've seen more cases where customers are postponing the project rather than customers would say that we plan to do this project and now this plan is entirely off the table. So the thinking, therefore, has to be the postponed projects will start to come in at some point of time. The speediness of that recovery as we saw a very dramatic change from Q1 plus 16% revenue growth now down to minus 19% in one quarter, whether the bounce back will be as rapid I doubt. But I believe that this can at some point of time start improving quite fast. Timing is a big question mark.

Henri Kiili

Director-Investor Relations and Treasury, F-Secure Oyj

A

All right. Next we have [indiscernible] (44:06) from SEB. Your sales and marketing costs were significantly down. Could you elaborate a bit more, what kind of costs came down and how should we think about these items going towards second half of the year?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

Well, sales and marketing costs were down. So I mentioned – so some of the marketing activities [ph] were not possible to action (44:28) during Q2. So we are looking at which point of time it would be possible to return to more normal marketing mix, as an example, organizing events for customers. But at the same time even if that will not be possible, I'm not sure, if we can, at this point, conclude that then the marketing costs will go permanently down because you still need to do awareness creation, you still need to create leads and then you need to start figuring out what other activities you would do to replace the events that you are not possible to do, so that the marketing budgets will be allocated to different kind of activities.

This we didn't want to do much of that in the – during Q2 and that is one reason why – or one example where we wanted to be very cautious and thus see how this go and if you look at our F-Secure investments case altogether that we are – we want to be growing, but growing profitably and not just pushing for growth at all costs. So taking a very cautious look at things, but a big scheme of things the cost level in Q2 was very artificially abnormally low and as we've commented in our interim report, we believe that eventually during the second half of the year, if there are no changes in COVID-19 circumstances, the cost base starts to return towards the normal levels.

Henri Kiili

Director-Investor Relations and Treasury, F-Secure Oyj

A

All right. Next up, going back to consumer business, Mikael Rautanen from Inderes. Would it make sense to actually invest more in marketing in direct consumer business because of the situation, wouldn't this be an opportunity to acquire more customers and recurring revenue?

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

A

We are doing that. So we have made some tactical moves and now as the IDENTITY PROTECTION, new product is just launched in June. So we are pouring more marketing investments in the consumer and trying to tap into this opportunity that has perhaps surfaced because of COVID-19, which I think is a good demonstration that having a diversified portfolio that we have consulting consumer B2B. So, now we are certainly seeing that the business opportunity in consumer perhaps is more attractive than it was first before.

Henri Kiili

Director-Investor Relations and Treasury, F-Secure Oyj

Thank you, Samu. That was the last of the questions. Do we have any more from the room? No. So, thank you, Samu.

Samu Konttinen

President & Chief Executive Officer, F-Secure Oyj

Thank you.

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