

21-Oct-2021

F-Secure Oyj (FSC1V.FI)

Q3 2021 Earnings Call

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Matti Riikonen

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MANAGEMENT DISCUSSION SECTION

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Hello, everyone, and welcome to F-Secure's Q3 Interim Results Presentation. I'm Henri Kiili, responsible for Investor Relations at F-Secure. And today I'm joined here with our CEO, Juhani Hintikka, and CFO, Tom Jansson.

But now, without further ado, Juhani, the stage is yours.

Juhani Hintikka

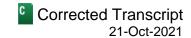
President & Chief Executive Officer, F-Secure Oyj

Thank you, Henri. Good morning, good afternoon, on my behalf as well. Good to be back here. This is a hybrid session, so we have lots of people online and then people also here at our offices in [indiscernible] (00:00:37) Helsinki. Solid growth in corporate security products, that's the headline we have for this session. And I will now talk through quarter three and then later on, I will be joined by Tom, who will be also covering financials, and then we'll do a joint Q&A after that.

So some of the key takeaways for Q3. So as the headline said, we had a solid growth in corporate security products. Our group revenue grew by 8% and that combined everything. And of course, here we see also the impacts from our scalable business model that started to materialize and also was evident in our adjusted EBITDA margin of 19%.

Corporate security products specifically, which in our case means the business security products, Managed Detection and Response business. We saw strong demand for our cloud-native solutions. As you may recall, we have been talking earlier about our transition from on-premise to natively cloud products. And this shift is, as expected, happening and we're happy to see the positive development there. In Managed Detection and Response, which is our business where we – as the name says, we manage detection and response, we manage

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the technology platform on behalf of our customers. We act as an extended team for their IT and security team. Their focus has been on key verticals and we have been quite successful now in landing several deals with new customers.

In cyber security consulting, we saw smaller revenue growth. And this, as you may recall, is a business which is geographically fairly divided in many different locations, and there are regional variations. Partly, we have seen impacts still from COVID in certain areas, which, in practice, for example, has meant that there's been limited access to customer premises. And then in some cases, the problems have been a little bit different. So we have seen attrition and, of course, we have also kind of seen the sometimes challenging situation of matching the skill sets with the demand. This is not a unique situation. This is, we believe, fairly common in our industry at the moment. There's quite a lot of movement happening there. But, of course, the good news is that our value proposition seems solid and we seem to be attracting also good talent into our company as a result of our recruiting.

Consumer security continued on a growth path, so we saw revenue growth of 6% and that, as you have seen throughout the year, has been a steady business in terms of its performance. And there, of course, Q3 again was similar in nature. As we mentioned during our last time we had the session, we are at present conducting a strategic review regarding our company structure to enable optimal capital allocation between the consumer and B2B side. And that work is ongoing and we will be coming back to that when we have more to report.

As a reminder, this is what our portfolio looks like from the business, so the B2B perspective as we call it for short. So we have the software side of things, which is very much centered around our Elements portfolio, which was launched at the end of May, and we have been very happy with the response we have seen in the market. Clearly, the things we are doing seem to resonate not only being a question of the offering itself, but also the way we do business with our customers, our partners. We have specifically developed partner programs. We have automated order processing. We have added new business models such as consumption based pricing. And all of these combined are making our offering attractive in the marketplace.

Specifically, outside of the Elements portfolio, we have our cloud protection business, Cloud Protection for Salesforce especially. And here we have seen also quite good traction now in Q3. And that, of course, is very promising. We believe that we are in a good position to further develop this business and have the growth that goes with it.

Then there's the solutions side of things. And of course, this is also an organizational designation as we have announced that we are combining our consulting and our Managed Detection and Response units under a single roof. And our plan is to start operating from January onwards with that entity. And the logic there has been that both of these businesses approach the market and the customer from the – from a kind of a problem-solving perspective, so it's outcome based as we like to call it. And that makes it very similar in terms of the engagement. We have also seen synergies between these businesses. We have fairly strong presence in certain sectors, for example, in consulting in large companies, and that hopefully more and more will help us also open doors for our Managed Detection and Response offering.

So coming back to numbers, so if we look at the corporate security products, in Q3, the revenue growth accelerated to 13%. And as said, we saw good demand for our cloud-native products and also good demand for EDR on a stand-alone basis that we have been talking previously. Now we're seeing that also materializing and, as said, also the Cloud Protection for Salesforce. Overall positive traction and also good renewal performance, which always is important in our kind of business.

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In Managed Detection and Response, the key verticals that I mentioned earlier that we made entries into [ph] and/or (00:07:04) new customers won in these sectors where manufacturing, technology and then financial service industries. Our position remains strong overall in the financial services sector, especially since many of the leading financial institutions are already our consulting customers. And I would like to point especially that the new sales in Germany were particularly strong in Q3, which is, of course, important for us being such a key market for us and a key market in general in Europe. Also, at the same time, we were able to land new deals in the US and UK, and that, of course, paves way for good, further positive development there.

As I mentioned, we have – saw regional variations in consulting and that continued some of the COVID-19 related restrictions were there. And as said already, there is quite a bit of movement in terms of the people in this industry. The highly specialized experts are in demand. And of course, we always need to kind of find the right resources for the right customer case. Overall, also good demand for our subscription-based services and that is something that we want to develop further. We want to see more and more of this business also becoming more recurring business in nature. And we see a quite positive demand for – especially at our customer base for the – those strategies are especially technology driven. For example, when our customers are moving to cloud environment, or they're doing some other kind of changes, that usually creates good opportunities for us as our consulting is very technical in nature.

Consumer security growth was driven by the sales of our whole portfolio. Of course, as mentioned before, we have been especially focusing on the growth that has been related to our SENSE, our router product and also ID PROTECTION offering which have been in many cases spearheads to kind of enter new customer cases and that has developed favorably. Also our overall partnership approach has worked well with the existing services providers allowing us to sign new deals and add more products to their offering. And as you may recall, we're serving about 200 telecom operators around the world and going to market with them in addition to our direct business.

Direct business, we saw increasing share of the bundled solution, the F-Secure TOTAL, where the advantage is that instead of downloading several applications for several purposes, you can now download one application called F-Secure TOTAL, underneath that, you can then activate the different services as per your needs. And there are also the important metric, the renewal performance continued to be on a good level.

So a few words about the ID PROTECTION and what has it did in practice. So consumer behavior and changes in operative landscape create business opportunities. And of course, this in plain English means that we need to understand what are the needs that the consumers have, we need to stay tuned. Even though we are, of course, very much working through partners, we need to also understand end customers. And of course, these are some of the drivers that we see, especially at this present time what are the different type of things that are currently discussed.

There are questions related to identity theft. For example, according to a survey, 80% of consumers believe they're at risk of identity theft. Overall, I think there is an increasing awareness of this topic and this is also especially now in areas outside of the US. And many of the high profile cases that we read about in the newspapers, of course, are also supporting the demand for these kind of solutions. We have earlier on also talked about the other verticals in consumer that we are addressing. And of course, we're seeing also quite interesting opportunities in those verticals, such as the insurance sectors specifically, where you have similar challenges and we have the opportunity of working together with some of these partners and being part of their solution that they present to their customer base.

So coming back to numbers, so this is a look at F-Secure up until this moment, so the periods one to nine. So how does it look compared to last year? First of all, on the left-hand side, you see the revenue numbers. This time last year, we were at €162.3 million, [ph] which (00:12:12) now have a year-on-year growth of 8%, so being at €174.6 million to be precise. And here you can also see that what has been the growth in these different areas. And as you can see, all of the three areas have grown some more than others, but still there is – overall tendency has been growth. In the middle part, you see the revenue split, how is that divided between the different geographies. And Nordics continues, obviously, to be a strong market, important market for us. And then the rest of Europe that provides the bulk of our business. And then the rest, Americas and other regions. Also, I think regionally, you could say that we saw across the board growth. And then finally, on the right-hand side, you have the EBITDA, how is that developing year-to-date. And we are roughly at the same level as we did last year.

With that, I would like to hand over to Tom Jansson. Tom, our recently appointed CFO. The floor is yours.

Thomas Jansson

Chief Financial Officer, F-Secure Oyj

Thank you very much, Juhani. And welcome everybody also from my part. So as you can see, our Q3 was the best performance in terms of profitability this year, and we, obviously, are very happy about that. Maybe a few words still about the numbers. So the quarter represents the same revenue increase as the year-to-date, so 8% as Juhani mentioned, and the breakdown that we went through here already. Adjusted EBITDA on very similar levels as last year, some improvement but slightly. Maybe a few other points to note here is that the net debt position has now moved to a negative number, which is obviously positive. So we have more assets than debt at the moment and even though the cash flow in Q3 wasn't particularly strong. And EPS is improving from last year's level of being – [ph] €0.07 (00:14:20) so far this year against [ph] €0.06 (00:14:23).

The deferred revenue that has been used here, so continues to show excellent growth, especially on the current portion that has been having a steady growth throughout the year [ph] and in (00:14:42) the previous quarters. So this is, obviously, mirroring also the business performance that we have seen. On the operative expenses, those have – they're also going up partially because of the COVID restrictions last year, but also we are continuing to invest in R&D and also then the sales and marketing has gone up. An element in that among many is the sales commissions that, obviously, increases as we sell more. And then we have seen in some market pocket of markets also the requirement for salary inflation. And I see this is a lot dependent on different – certain skill sets. So we, obviously, need to react to those pressures also. So that has impacted somewhat on the OpEx development for the company.

And here is the reconciliation for – from the EBIT to the [ph] asset – (00:15:47) adjusted EBITDA. And as you can see, the main reason for the difference continues to be the strategic review that we mentioned here before – Juhani mentioned before, and expenses related to that.

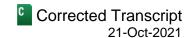
Our cash flow, as said, wasn't particularly strong in Q3. There's a few elements that impacted that. First of all, we had some quite large vendor payments in the third quarter. This is more timing than anything. But then also in terms of comparability to last year, there was some precautionary measures done last year in terms of moving some of the holiday bonus payments, that is a scheme in Finland, that was moved to Q4, which was now in this year paid on a normal Q3 schedule, so that impacted quarter-to-quarter comparison somewhat, but nothing unusual other than these two in the cash flow, but continues to be a focus as always for any company.

And then lastly, we have left the outlook for this year as before and no changes to that. So we continue with this outlook for now. So maybe with that short addition to Juhani's section, we could move over to Q&A and see what other – questions there might be.

QUESTION AND ANSWER SECTION

Henri Kiili Director-Investor Relations & Corporate Finance, F-Secure Oyj	A
Let's continue with the Q&A. So a reminder for all the listeners on the line, you can cast your questions at any time in the webcast portal and we'll go through each of the questions in time. But now, we'll start here from the room, we have couple of analysts present here.	
	Q
[indiscernible] (00:17:36) from Inderes. About your outlook that you kept intact, so what is going to hap profitability in Q4? Because if you look at your Q3 profitability and try to approximate the Q3 – Q4 adju EBITDA, it has to drop quite significantly. So what is going to happen in Q4?	
Juhani Hintikka President & Chief Executive Officer, F-Secure Oyj	А
Do you want to take that, Tom?	
Thomas Jansson Chief Financial Officer, F-Secure Oyj	А
Yeah. Sure. At the moment, we see that the business cycle mirrors somewhat last year as well on this from that perspective, we are not changing it for the time being.	one. So
	Q
Okay. And same question about corporate security products growth, it's also – it looks like if we believe guidance, it's going to – the growth is going to slow down in Q4?	e your
Juhani Hintikka President & Chief Executive Officer, F-Secure Oyj	А
Well, sure. Yeah.	
Thomas Jansson Chief Financial Officer, F-Secure Oyj	A
Yeah. So if you look at the – it looks very strong at the moment, but we have to also remember that in have to convert quite a – some new sales into revenue. So we need to look at also against the revenue recognition on those deals. So for the time being, we're maintaining that outlook.	
	Q
All right. And then about the consulting, you said that outlook is improving, but the growth rates have b different in Q2 and Q3. So is it going to be better in Q4 or	een quite

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Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

So it's a bit of a mixed bag to be honest. And like I said, it's not kind of one reason. I think we're partly still impacted by the COVID and partly there are some different challenges and then there are – those markets where actually we are performing better than expected. So kind of a – that's the combination. But, of course, ultimately, of course, we seek to accelerate the growth also in the consulting business – but that's the outlook we have for now.

All right. Thank you.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Good afternoon. It's Matti Riikonen, Carnegie. A couple of questions. First, regarding the consulting business. Have you lost actually consultants lately if you are not able to kind of fill the demand?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yeah. I think reality is that I think all of the companies are facing certain churn in terms of the people and us included. So, yes – I think the answer is yes. At the same time, we've been quite successful in recruiting people. But of course, there's sometimes also in the situations there's the lag between taking somebody in and having somebody else as a billable consultant, there can be a bit of a gap in between those cases. But overall, it seems that there's a lot of movement in the industry at the moment.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Right. Thanks. And then when you mentioned the salary inflation, what kind of numbers are we talking about?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

So we haven't given out specific numbers regarding that one. And it would actually be difficult, because I think the markets are also different. In this regard, I think it's a general observation that all of us here are seeing in the IT industry.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

But basically, we think that the normal pay increases would be in the range of, let's say, between 1% and 2%. And if you're saying that it's accelerated, then it must be higher than that. So...

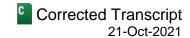
Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yes. That would be correct.



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Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Yeah. Should we assume that it would be closer to 5% than 2%?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

I would rather not give a generic number, because, like I said, I think this happens in pockets and having one number would give easily the wrong impression [indiscernible] (00:21:14).

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Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Now, looking forward in the consulting business, do you think that in those areas where consultants are free to go to customers premises, do you think that in those areas you can basically start growing again and you would have the resources...

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj



Yeah. I think so. And I think the move that we have made in consolidating our, as we call it, kind of outcome-based businesses under the solutions banner and the same roof having, in the future, common sales organization for these three units, I think that will help, I think, create new business. And of course, we understand that in consulting you need to continuously also hire consultants if you want to grow. And that, I think, is well understood. At the same time, all of our business is also based to a degree on our technology, also consulting where we have tools that help us become more effective and work in a more automated manner. And that, we believe, sets us apart from many of the competitors in the marketplace.

And also finally, and maybe most importantly, there is really deep expertise within our consulting organization. That is also the reason why we're getting a lot of business and a lot of inquiries. I think the question also of finding the right customer group and finding the right niche where we provide something which I think could be characterized as solving very complex problem and having a very premium type of offering.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Right. And then are there any other places in the world in addition to Singapore that you mentioned that you are still kind of not capable of going to customer premises, so the COVID restrictions basically prevent doing part of the consulting work?

Juhani Hintikka

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President & Chief Executive Officer, F-Secure Oyj

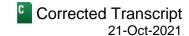
Yeah. There are few. Of course, it would be wrong to characterize it that being across the board, but it's here and there I think that we have this and they also change. So it's kind of a dynamic moving target at the moment. On a positive side, also many customers have now become more accustomed to remote delivery, so that we can actually kind of address them remotely and solve those problems remotely.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Is it more driven by the customer rules or by the country rules where the customer sits?

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Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Well in many cases, they're the one and the same. So that actually that starts with the country and the kind of rules they have in terms of the restrictions in place.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Right. Then jumping onto the corporate products or corporate business, you have said for many quarters that you're landing quite many new MDR deals. So what is the average deal size that you normally blend into? Are we talking about more than €0.5 million per piece or are they smaller?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

It varies and we probably are not able to disclose that number. But what I could say is that, there – yes, there are deals that are over €0.5 million in size. That's true.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Okay, and then one question regarding the ID PROTECTION product. How do you actually get paid? Is it so that if you distribute it through operators, then they pay you and the customer doesn't pay anything?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

That's correct. That's correct.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

All right.

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Of course, we have – hasten to add that, we have the direct sales to consumers also through our online presence.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

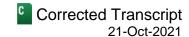
Right. Then finally, kind of another attempt to test your EBITDA guidance for this year. I was just wondering that, are you really sure that you can add so much costs that you would not be able to meet last year's EBITDA or is it that you are expecting sudden drop in top line that you would kind of make it more difficult to achieve it?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Well, that is not our current guidance and it, of course, reflects our best understanding of what it will look like. If there's reason to change, we will then change it.

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Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Fair enough. Thank you.

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

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Thanks.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj



Next, we'll continue with the questions that we have received in the portal. We have quite a few coming up. First one from SEB, Jaakko Tyrväinen asking. Your deferred revenue liability is up 13% year-over-year and you have previously stated that the order book outgrows currently reported revenue growth. Is still – this still valid comment?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yeah, that's still a valid comment.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj



Next one from Veikkopekka Silvasti from Dasnke. Is the SaaS portion of corporate products business growing faster than the annual/multi-year licenses business?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj



Well, I don't think we have offered the breakdown, but - and - off the top of my head, I don't remember exact figures, but I would say that clearly the emphasis is now on the cloud-native growth that we are seeing.

Thomas Jansson

Chief Financial Officer, F-Secure Oyj



Maybe we can add, we have seen some strong growth there. How it compares exactly? We don't know about – or not on top of my head know.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj



All right. So all-in-all it's practically along those same lines as the normal subscription business [ph] to grow (00:27:06)?

Thomas Jansson

Henri Kiili

Chief Financial Officer, F-Secure Oyj

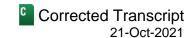


[ph] Yes. (00:27:07)

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Director-Investor Relations & Corporate Finance, F-Secure Oyj

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Then one question coming back to Capital Markets Day. Over there, you showed 30% growth in corporate products, if you count MDR and business security software order books, so year-over-year of 30% growth. But now in deferred revenue, that growth did not exceed revenue growth. So could you please describe the trends the effect the order book growth, specifically in Q3 now?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Well, I think, of course, it is hard to kind of mention a kind of a one trend that would drive it. I think there is clearly, for example, this trend of our customers moving to more cloud-native solutions that is something that this is evident in the market. There's another trend regarding MDR which is about the increased complexity and the need for additional resources to complement our customer security team that trend continues to be there. Those are maybe some of those things that we're seeing and maybe there's a third one which is maybe not so much of a trend, but I think the launch of our Elements portfolio at the end of May is clearly kind of creating traction in the marketplace and we're benefiting from that one.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

All right. Then coming back to the Elements, so could you give a little bit more color on the first half year sales of Elements? So has it delivered according your expectations?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yes. In broadly speaking, the answer is yes.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Director-Investor Relations & Corporate Finance, F-Secure Oyi



All right. And we can already agree that the numbers are meaningful on group level?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yes

Henri Kiili

And then hopping to consulting and the staffing situation there. Could you give an indication about the number of employees versus a year ago and versus 2019 in consulting business?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yeah. We don't provide those breakdowns typically, but I would say that, of course, in consulting the head count, of course, is very much tied into the revenue and vice versa. So if you compare those numbers, I think you get a quite a good picture, which is essentially saying that we have been able to backfill open positions and being - our recruitment machine has worked quite well.

Thomas Jansson

Chief Financial Officer, F-Secure Oyj

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Yeah. And also adding here is that we communicated that the gross margin performance in consulting has been now better than a year ago when we were hit by COVID-19.

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

There's been good cost management also in consulting that clearly is something to be recognized.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Yeah. And then a follow-up on this one still. So what is the rough annual recruitment capacity of consulting domain? And how easy is it to find these talents?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Ovi

Okay. Very detailed questions. Annual recruitment capacity, I would say that, of course, the way I would look at it is that we build our recruitment pipeline based, of course, on our revenue expectations and our order book expectations. And so far, I think we've been quite a – quite nicely able to manage that and match these two things. I don't think the capacity is a limitation in there and also the fact that we're present in so many different markets, it helps us in this regard.

But like I mentioned earlier on, it's a kind of a puzzle in a way that you're putting together, which is about matching the demand with the right skill sets and at the same time, also having some attrition that you're compensating with the recruitment and how quickly you can get then the new recruits billable and visible in the numbers. That is the kind of question. So this is something that we are doing, both on a country level and the regional level. But also, of course, being a global organization, we are looking at it from a global supply/demand perspective, and we are able to, for example, flexibly allocate resources over country borders. And that, of course, makes it different compared to many of the purely local players.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Thank you. Next, we have a follow-up here.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Hi. It's Matti Riikonen, Carnegie again. I was thinking about the attrition levels in the consulting business. So in general terms, in many IT services companies, you tend to have a 10% churn on people. And now when we see that there's clearly a shortage of personnel, it would be logical to assume that it would be significantly higher. But what would you say? Is it kind of clearly above 10% in your case? And is it even above 15%?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

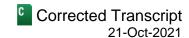
Yeah. So without giving a specific number on this, what I can confirm, it's above 10%.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Okay. Fair enough. Thank you.

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Atte Riikola

Analyst, Inderes Oy

Atte Riikola from Inderes. Maybe one follow-up about the corporate security products. You said that the growth is coming from the EDR and the cloud protection products. So is it mostly that you are upselling to your existing customer base or are you winning new customers?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

No, there are completely new customers as well. And I think regarding cloud protection, that, of course, is – as the name says, it's protecting in a way the Salesforce platform in terms of the third-party content and there we have been clearly winning completely new customers. And of course, we are present at the AppExchange, that is a global marketplace for that, the world's largest software ecosystem where we are operating.

Atte Riikola

Analyst, Inderes Oy

Can you say anything about those deal sizes in terms of protection?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yeah, they vary. But I would maybe characterize them being hundreds of thousands in nature.

Atte Riikola

Analyst, Inderes Oy

All right. Thank you.

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Thank you.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Then we have Felix Henriksson from Nordea asking, when can we expect to get more information on the brand – new brand launch for B2B security?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

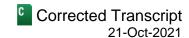
So our current plan is to disclose the new brand name and the related content internally in November, and the most likely time we're going public with the new B2B brand will be February.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

All right. And then coming back to consulting, how far is the consulting activity from pre-pandemic levels now comparing against 2019?

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Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Okay. I can't remember off the top of my head, but the comparison [ph] upon would (00:34:35) be but on a year-on-year basis, of course, you see that in the reports. Before that time I don't fully recall. We did at the beginning of the pandemic, I think we had a quite a dip in terms of the volume and then we have been gradually building our way up again. But I think at the comparison point, at least to last year's was relatively low regarding the earlier part of the year.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Yeah. Still continuing on consulting. How is your visibility for Q4 given that you continue to highlight the uncertainty regarding growth for 2021?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Of course, Q4 is so close that – I would say that visibility is reasonably good at the moment in terms of the business at hand.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Okay. Next, Tom, going through the numbers, again, could you provide an estimate level of the IACs for the coming quarters that relate to the strategic reviews?

Thomas Jansson

Chief Financial Officer, F-Secure Oyi

Well, I don't think we can disclose that, but the activity continues and until – as we also have said in the announcement.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

All right. Thanks.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Hi. Matti Riikonen, Carnegie. One question related to the products. When you mentioned that EDR sales has improved, is it coming from kind of a stand-alone EDR sales to new customers, or is it more like EDR sold as a package with EPP?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yeah.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

So, how do you find the split? I think...

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Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Yeah. So the reason I mentioned it specifically is because we have seen new stand-alone cases in EDR. So I think there was an assumption some time ago, before my time, that the growth would come from these packages of – if you had EPP, then you took EDR. But that seems not to be the case. So we have been able to deploy EDR also on top of other vendors EPP solutions. And I think that has been quite an important achievement and maybe even a change in what was earlier the common understanding in the market.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Yes. Next, going to the cost side again. So operative expenses were above Q3 2019 levels. So should we expect a similar pattern for Q4 as well with the OpEx going above Q4 in 2019?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Maybe I'm going to start, just to maybe comment that – we have, of course, now seen costs coming back to prepandemic levels, and we talked about it earlier in this year. So we remain a growth oriented in terms of our business. All of our businesses are growing at the moment and we have also made plans in terms of the investments that are required in order to support this growth. And of course, that is reflected in our understanding of the development of the profitability of the company.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Thank you. And next question related to the potential demerger of consumer business. Which one of these do you see as more probable, the IPO for consumer business or you will split the company into two separate entities with no equity market transactions?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

So as I said [indiscernible] (00:38:39) as we have said, the evaluation is ongoing and we have nothing to report. But of course, you have listed possible scenarios there and we need to kind of come to a conclusion which one is the right one for us. But of course, we have emphasized the IPO in our communication.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Thank you. Then going back to corporate security product growth of 13% now in Q3. Given the visibility that we could see in the order book in Capital Markets Day and also now in deferred revenue, do you expect this growth rate of 13% to be sustainable?

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyj

Well, if you look at the overall market growth and what is being said about that, I think, what we're seeing is trailing also that opportunity we're seeing in the marketplace. And Tom?

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Thomas Jansson

Chief Financial Officer, F-Secure Oyj

Yeah. And I think also in the CMD, there was a guidance on midterm and that's still [ph] also believe (00:39:45) in that.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

Still testing on our guidance for this year. But do we get any more questions? That was the last one.

Henri Kiili

Director-Investor Relations & Corporate Finance, F-Secure Oyj

So thank you all. Thank you for [ph] Q3 (00:40:02).

Juhani Hintikka

President & Chief Executive Officer, F-Secure Oyi

Thank you for joining.

Thomas Jansson

Chief Financial Officer, F-Secure Oyi

Thank you. Thank you all.

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