

Market uncertainty reflected in the new outlook; new products launched to strengthen co-security approach

Q2 2023 Highlights

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Key takeaways from Q2 2023

Cloud portfolio

- Cloud ARR increased by 21% to EUR 81.9 million (EUR 67.5 million)
- Cloud NRR was 107%
- Cloud revenue grew by 20% year-on-year to EUR 20.3 million
 - UK, US and Japan did not meet expectations
 - DACH, France performed well

On-premise products revenue declined by 6 % to EUR 8.4 million

Consulting revenue declined by 10 % to EUR 8.9 million

- Banking sector demand, especially in the UK, not fully recovered

Profit warning released on 11 July 2023 for revenue and profitability outlook

Key takeaways from Q2 2023

Profitability

- Adjusted EBITDA EUR -7.9 million
- Impact of cost savings partly offset by
 - One-off salaries in Q2 (EUR 1.5 million)
 - Marketing expenses related to SPHERE'23 (EUR 1.1 million)

Market and products

- Cloud Security Posture Management
 - 5th module of Elements software platform
 - Provides automated identification and remediation of risks related to cloud infrastructures
- Co-security services
 - Co-monitoring to complete partner's or end customer's monitoring capabilities
 - Incident Readiness Retainer to ensure high-quality response services

Outlook for 2023

Outlook for 2023 (updated on 11 July 2023)

Annual recurring revenue (ARR) for cloud products will grow by 18 – 24% from the end of 2022. At the end of 2022, cloud ARR was EUR 80.2 million.

Revenue from cloud products will grow by 18 – 24% from previous year. Previous year revenue from cloud products was EUR 68.7 million.

Total revenue of the group will grow by 6 – 12% from previous year. Previous year revenue was EUR 134.7 million.

Adjusted EBITDA will improve from previous year. Previous year's Adjusted EBITDA (Estimated comparable EBITDA for two first quarters) was EUR -23.2 million. Adjusted EBITDA of fourth quarter of 2023 will be between EUR – 4 million and EUR + 1 million.

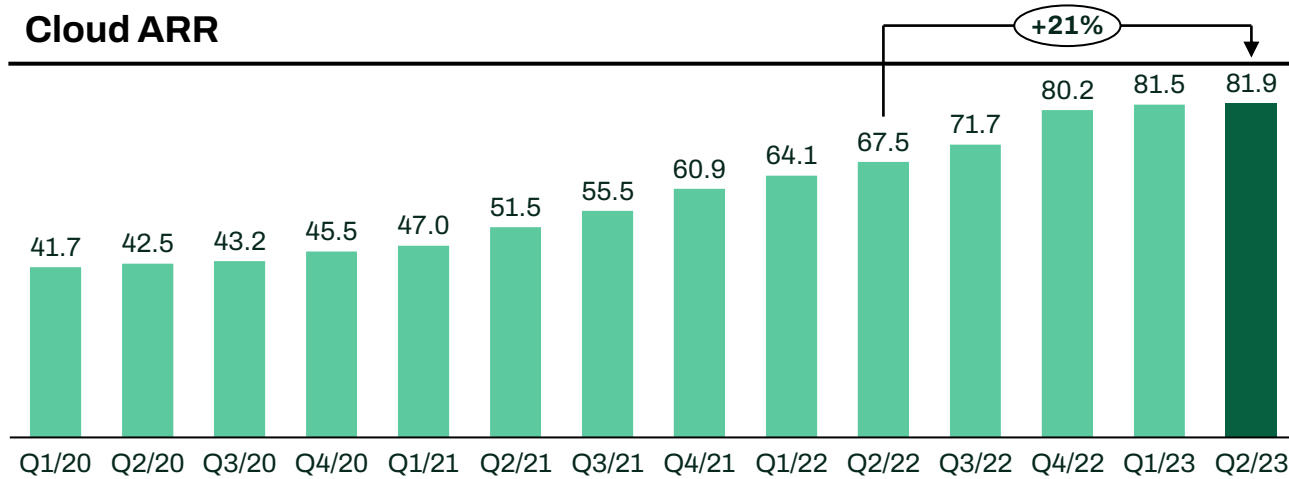
Background of outlook update

- Operational improvement needs identified
- Large market participants investing more in the development of their small and mid-market solutions, and embedded solutions
- Consulting demand still weaker than expected, especially in the financial sector

Cloud revenue and ARR impacted by market slowness and competition

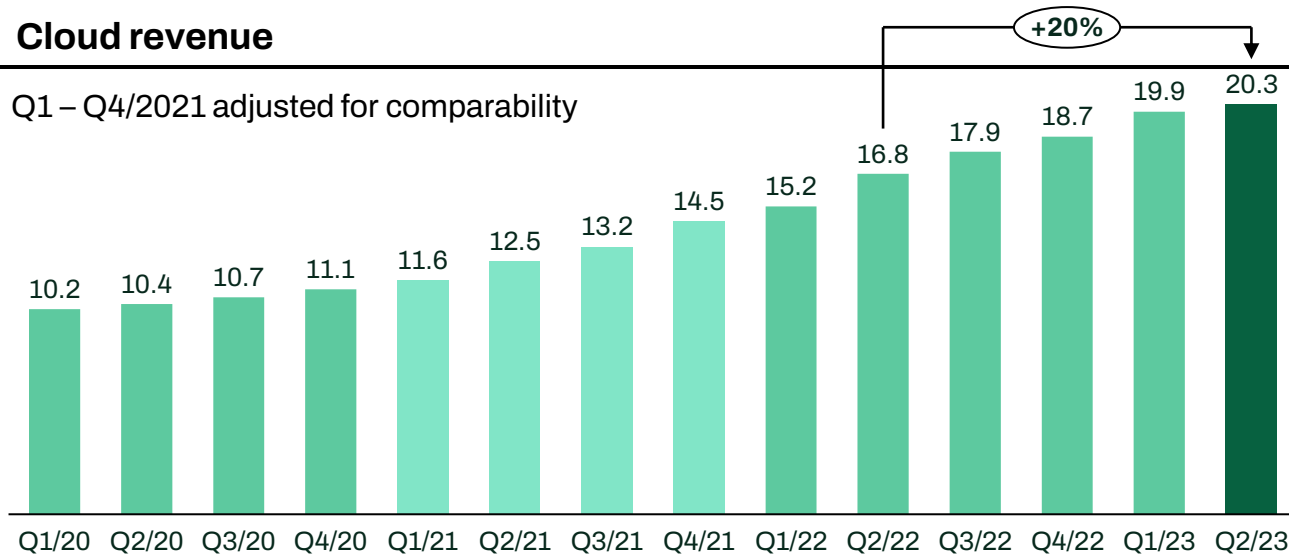
(EUR million)

Cloud ARR



Cloud revenue

Q1 – Q4/2021 adjusted for comparability



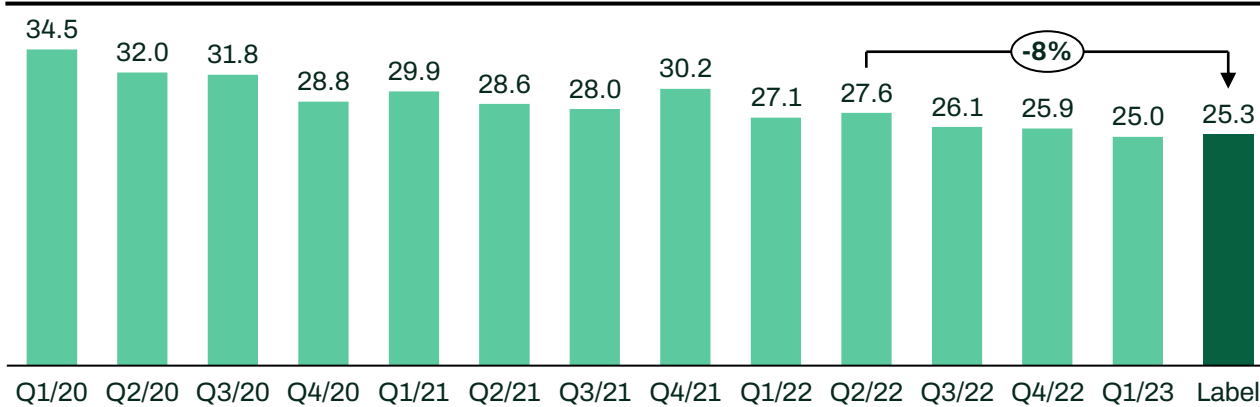
Cloud revenue and ARR

- Cloud revenue impacted by market slowness and competition
- UK, US and Japan markets fell below growth expectations
- Good performance in DACH and France

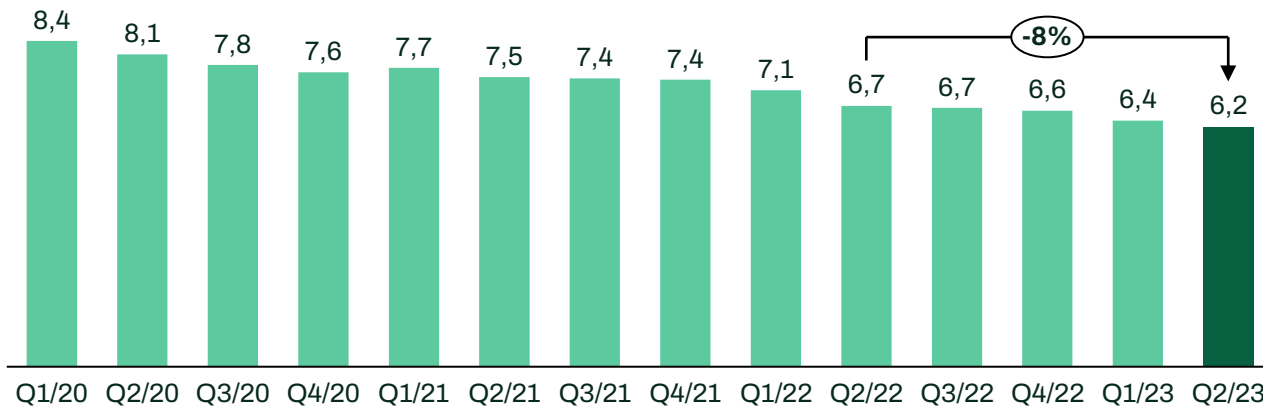
On-premise revenue and ARR

(EUR million)

On-Premise ARR



On-premise Revenue



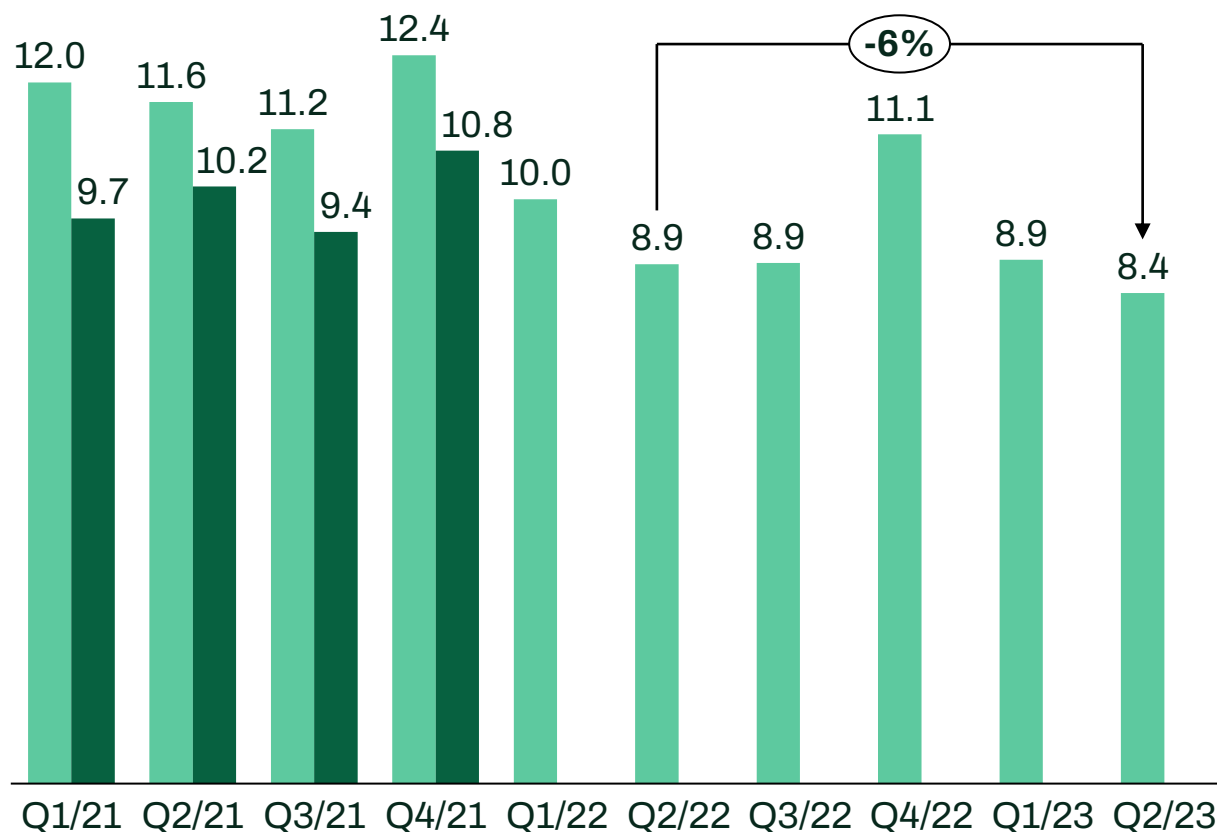
On-premise revenue and ARR

- Revenue and ARR declining
- Customers are transferring to cloud-based environments

Cyber Security Consulting – not yet recovered from the Q1 financial sector slowdown

(EUR million)

Cyber security consulting revenue



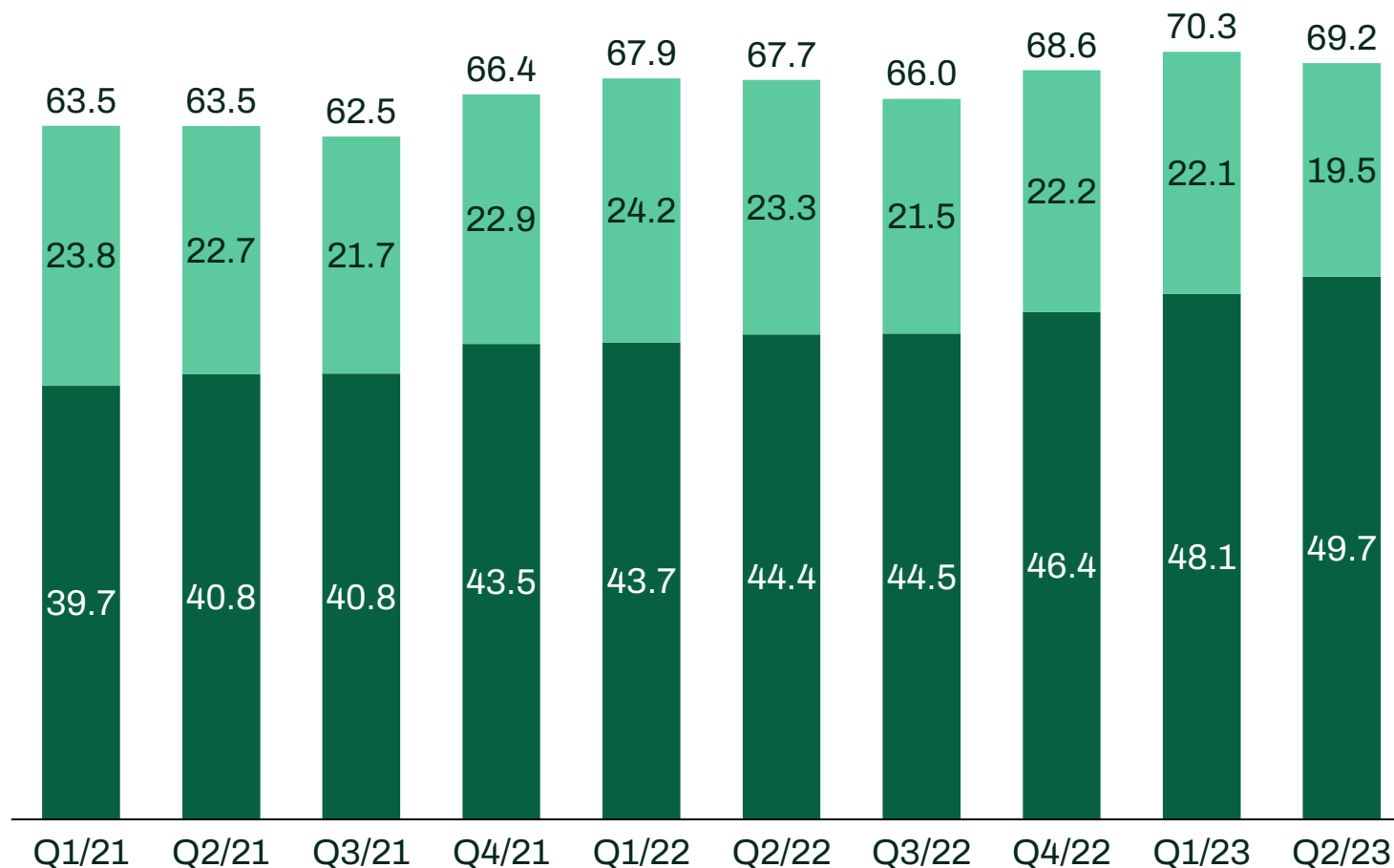
Cyber security consulting revenue

- Many WithSecure customers operate in financial / banking sector, going through economic uncertainty
- Some large customers reduced or completely deferred their spending in Q1 2023
- Demand of some large customers did not pick up as expected in Q2

Revenue
Comparable revenue

Deferred Revenue declining slightly for lower revenue and increasing share of SaaS contracts

(WithSecure, Deferred Revenue¹, EUR million)



- Orders are recognized after customer commitment, while deferred revenue is recognized according to invoicing schedule
- Some large multi-year contracts are split into several installments. The associated deferred revenue gets recognized according to the invoicing schedule
- Monthly payment subscriptions do not create deferred revenue
- Transition to subscriptions will start impacting deferred revenue over time

Non-current
Current

¹ Non-current deferred revenue = recognized as revenue after the next 12 months onwards
Current deferred revenue = recognized as revenue within the next 12 months

Q2 profitability

(mEUR)	4-6/2023	4-6/2022	Change %	1-6/2023
Revenue	34.8	32.5	7 %	70.1
Gross Margin	24.0	20.7	16 %	48.4
of revenue, %	68.9 %	63.9 %		69.1 %
Other operating income ¹⁾	0.1	0.5	-74 %	0.6
Operating expenses ¹⁾	-32.0	-30.9	4 %	-63.3
Sales & Marketing	-19.9	-20.5	3 %	-37.3
Research & Development	-9.2	-8.0	16 %	-20.9
Administration	-2.9	-2.5	16 %	-5.1
Adjusted EBITDA ²⁾	-7.9	-9.7	19 %	-14.1
of revenue, %	-22.6 %	-29.9 %		-20.1 %
Estimated comparable EBITDA	-7.9	-8.0	2 %	-14.1
of revenue, %	-22.6 %	-24.7 %		-20.1 %

1) Excluding Items Affecting Comparability (IAC), depreciation and amortization. From Q3 22 excluding also costs of services provided to F-Secure under TSA and equivalent income charged for TSA services.

2) For comparable figures year on year, see Estimated comparable EBITDA

Medium-term financial targets

Medium term financial targets (unchanged)

Growth Target: To double revenue organically by the end of 2025
(from year 2021 comparable revenue of EUR 122.8 million)

Profitability Target: Adjusted EBITDA break-even by the end of 2023
and adjusted EBITDA margin of some 20% by 2025

Medium-term targets to be reviewed as part of the annual strategy
process in Q3.

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