

# A SOLID END TO AN UNUSUAL YEAR

## Q4/2020 Highlights

Juhani Hintikka, President & CEO



# KEY TAKEAWAYS FROM 2020

**The past year was characterized by the COVID-19 pandemic, which disrupted the lives and operations of both people and organizations alike**

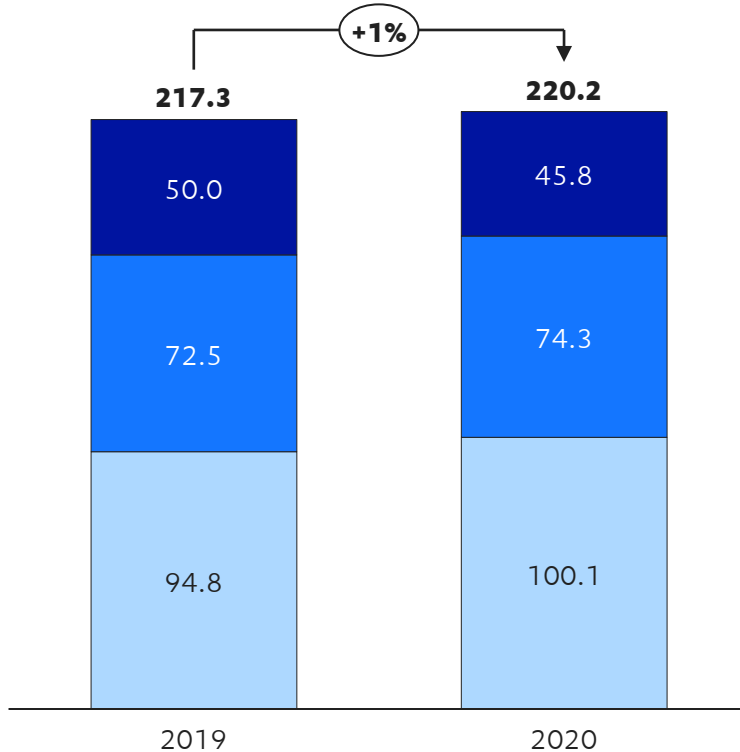
- First priority was to ensure the health and safety of our employees
- Ensuring full business continuity to our customers
- During the pandemic our software businesses for both corporate customers and consumers showed their resilience
  - Consulting business experienced a clear negative impact
- Cyber criminals took advantage of the increased attack surface after the COVID-19 outbreak
- All businesses are set for a successful year 2021 to come

# F-SECURE'S 2020 IN BRIEF

(1-12/2020, EUR million)

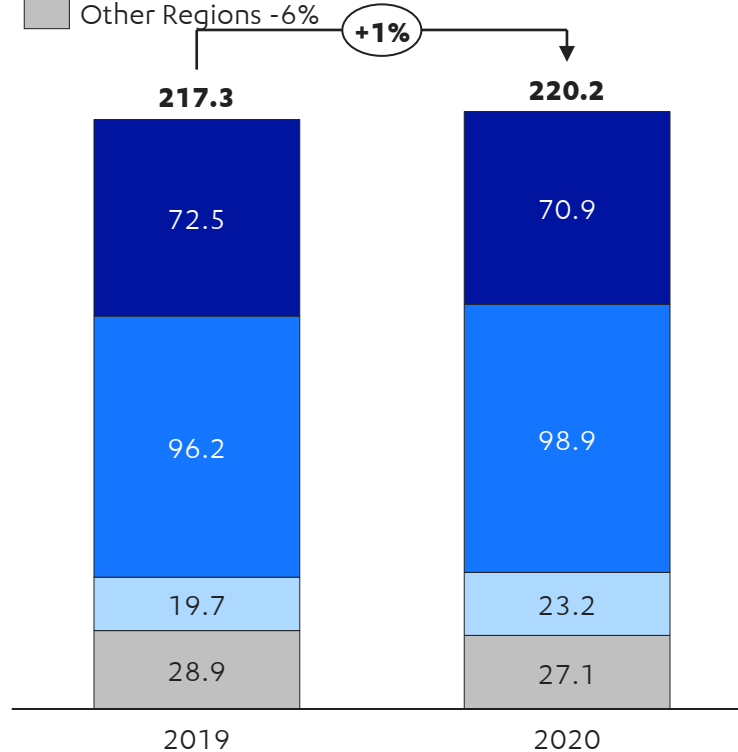
## Revenue split & growth by business

- Cyber Security Consulting -8%
- Corporate Products +2%
- Consumer Security +6%



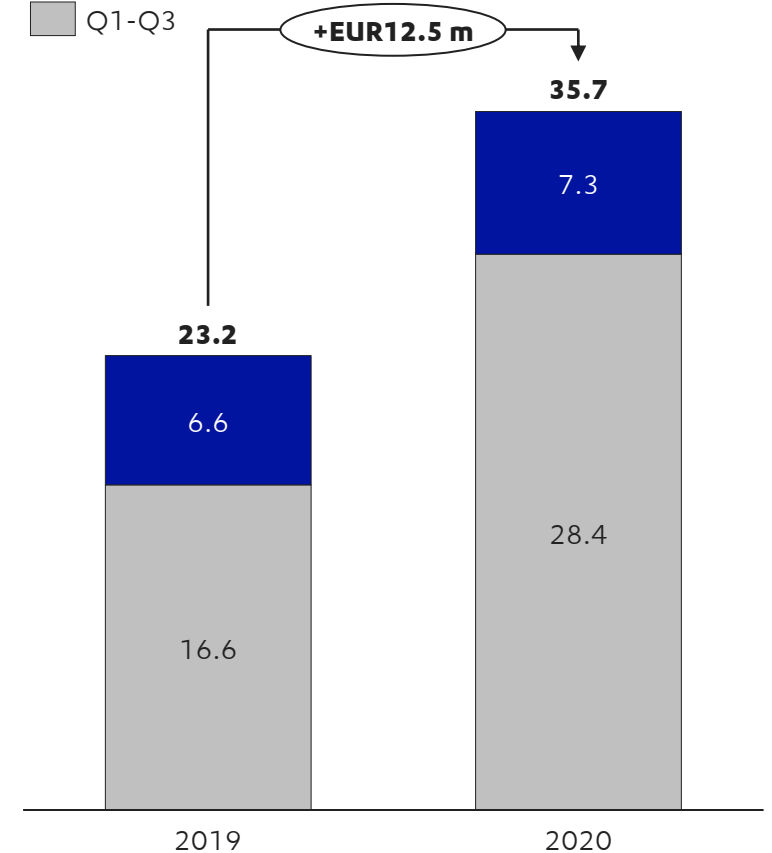
## Revenue split & growth by geography

- Nordics -2%
- Europe (excl. Nordics) +3%
- North America +18%
- Other Regions -6%



## Adjusted EBITDA

- Q4
- Q1-Q3



# KEY TAKEAWAYS FROM Q4/2020

## A solid end to an unusual year

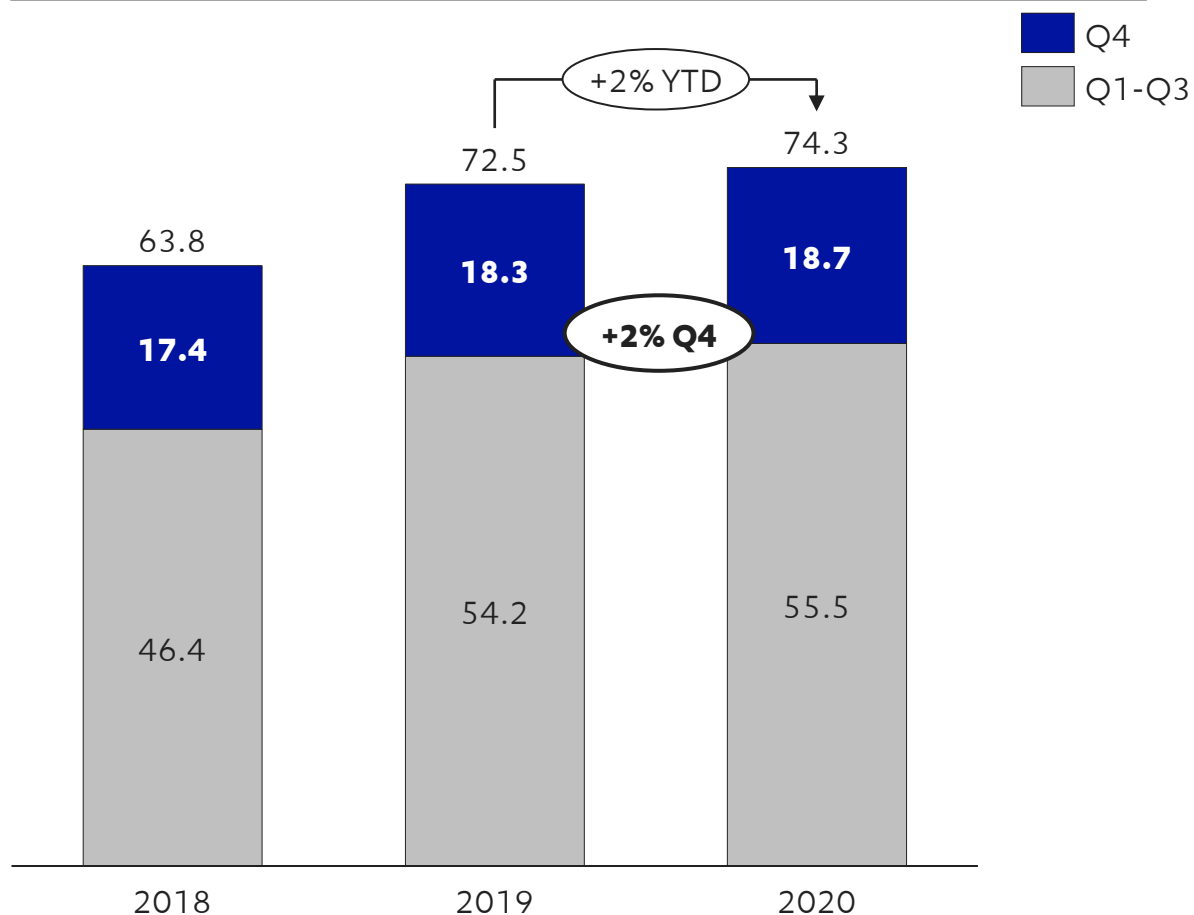
- Strong orders in corporate security products visible in deferred revenue
  - Revenue from both Managed Detection and Response (MDR) and endpoint security grew
  - Customers committing to multi-year deals
- Cyber security consulting revenue decreased by 8%
  - Positive development compared to previous quarters
- Consumer security revenue grew by 11%<sup>1</sup>
- Business activity levels started to normalize to pre-COVID-19 levels, resulting especially in adjusted EBITDA margin of 13%
- Board of Directors is proposing a dividend of EUR 0.04 per share

<sup>1</sup>The reported revenue growth of 11% contains a slight positive impact related to one-off items

# CORPORATE SECURITY PRODUCTS REVENUE GREW

(Q1-Q4/2020, EUR million)

## Revenue comparison



## Revenue from Endpoint Protection (EPP) solutions increased

- Strong new sales especially in cloud-based products
- Increase in orders clearly outpaced revenue growth
- Rise in contract duration - the revenue impact of new orders is spread over a longer time period
- Good traction among the focus channel partners, across our main markets in Europe and Japan

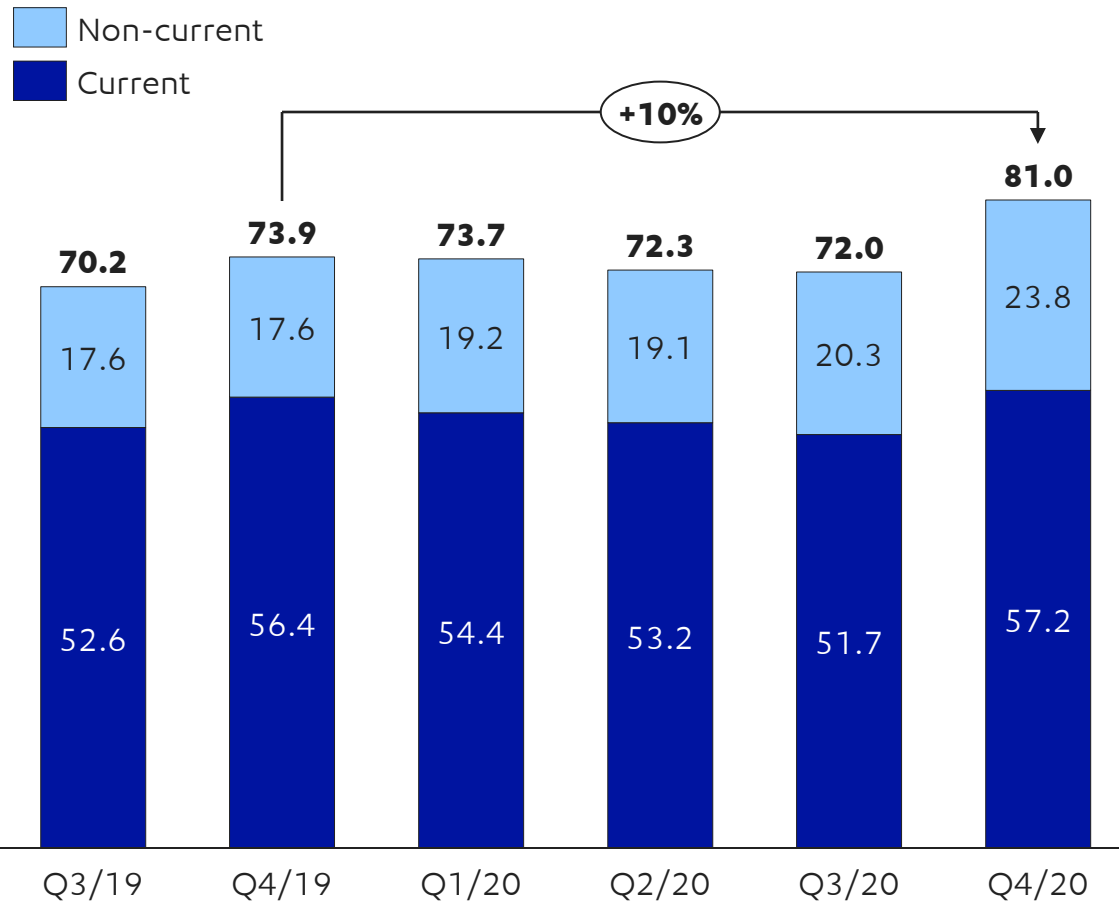
## Revenue from Managed Detection and Response (MDR) solutions (F-Secure Countercept) increased

- New deals won in demanding customer verticals, such as technical trade, critical infrastructure and finance
- Multi-year deals in e.g. UK, Germany and South Africa
- Good renewal performance

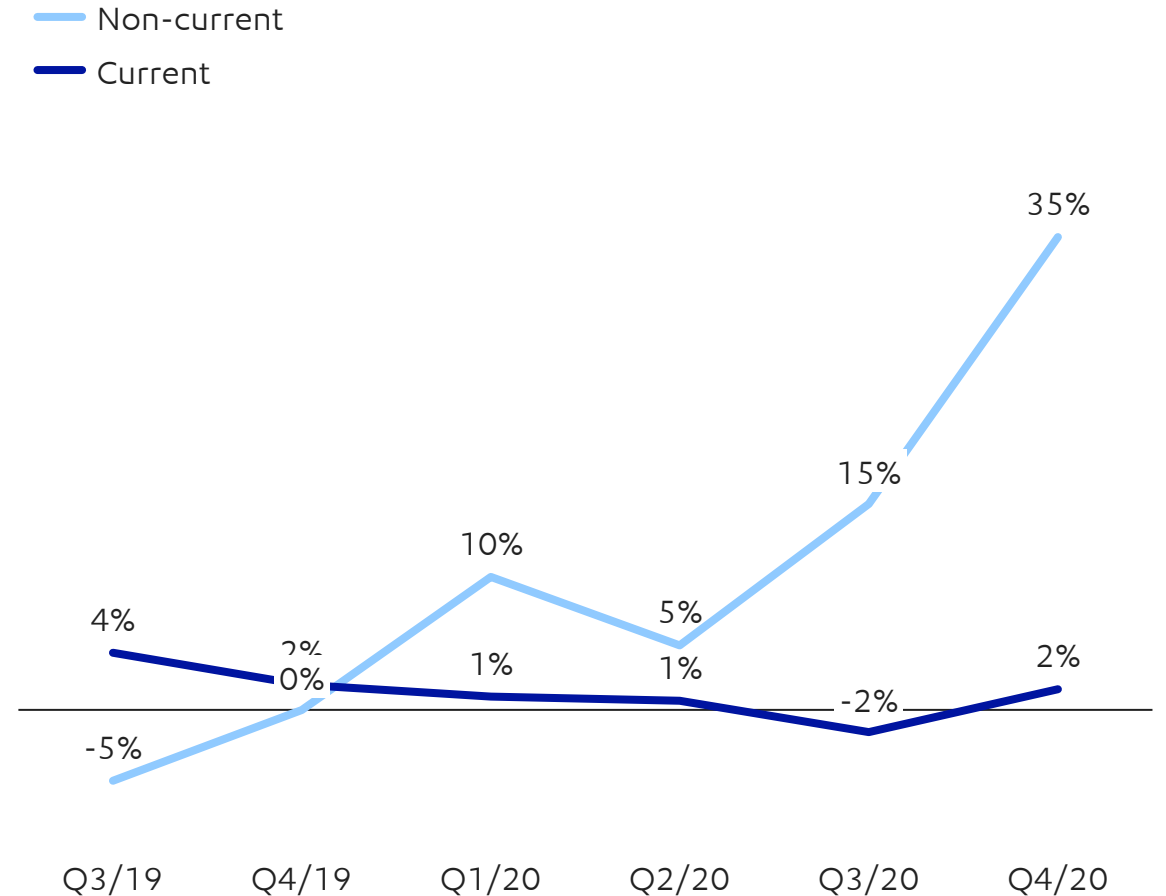
# DEFERRED REVENUE GROWTH DRIVEN BY MULTI-YEAR DEALS FROM CORPORATE SECURITY PRODUCTS

(Q3/2019 – Q4/2020, EUR million)

Deferred Revenue<sup>1</sup>



Deferred Revenue growth

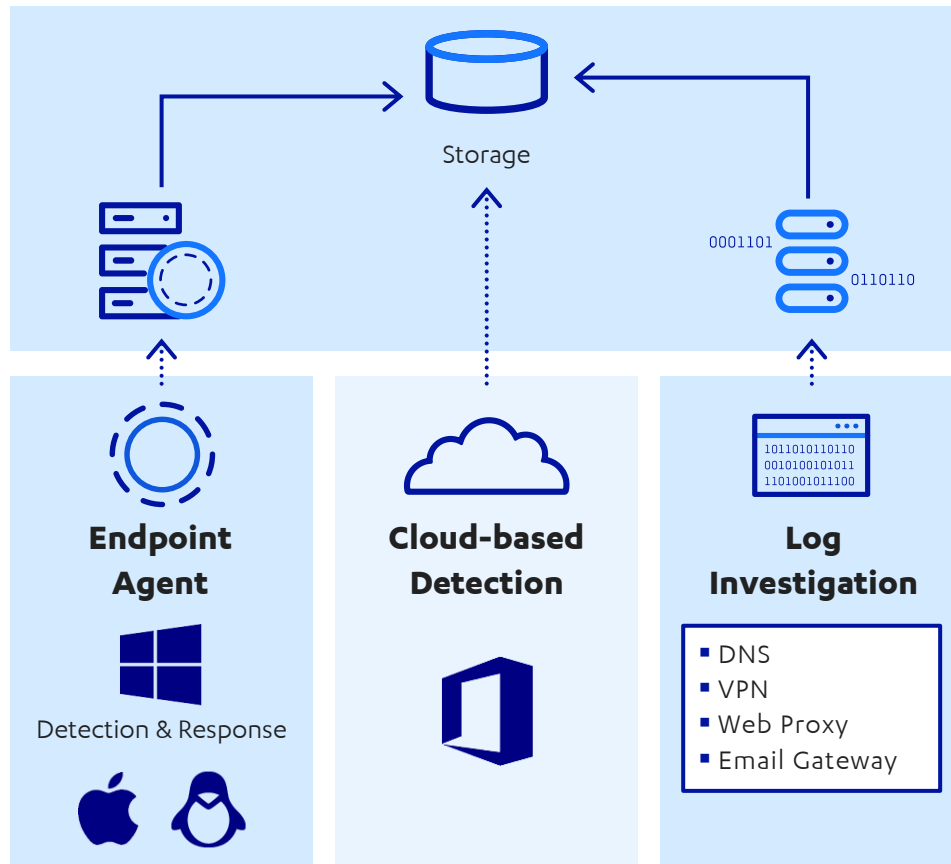


<sup>1</sup>Non-current deferred revenue = recognized as revenue after the next 12 months onwards  
Current deferred revenue = recognized as revenue within the next 12 months

# CLIENTS CHOOSE F-SECURE COUNTERCEPT FOR THE COMBINATION OF PEOPLE, TECHNOLOGY AND PROCESS

Rationale for choosing F-Secure Countercept

## **F-Secure Countercept deployment**



## **Customer problem and previous ways to mitigate**

- Detection and response capabilities need to be enhanced
- No budget, time or IT staff to build capability in-house
- Previously a hybrid solution of an MSSP, 3<sup>rd</sup> party security solution and a large internal security team

## **Why did the customer choose F-Secure Countercept?**

*Extension of the client's security team*

*Ability to respond to attacks superior to competition*

*F-Secure's own technology stack*

*High-fidelity data sources giving extensive threat coverage*

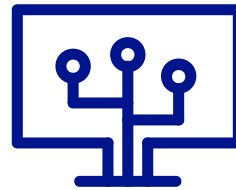
# GROWTH IN BUSINESS SECURITY FROM CLOUD-NATIVE PRODUCTS

F-Secure Endpoint Protection for businesses

## Solutions sold by F-Secure Business Security



Endpoint protection



Endpoint detection  
and response



Collaboration  
protection



Vulnerability  
management

**ORDERING AND CONTINUOUS SUBSCRIPTIONS**

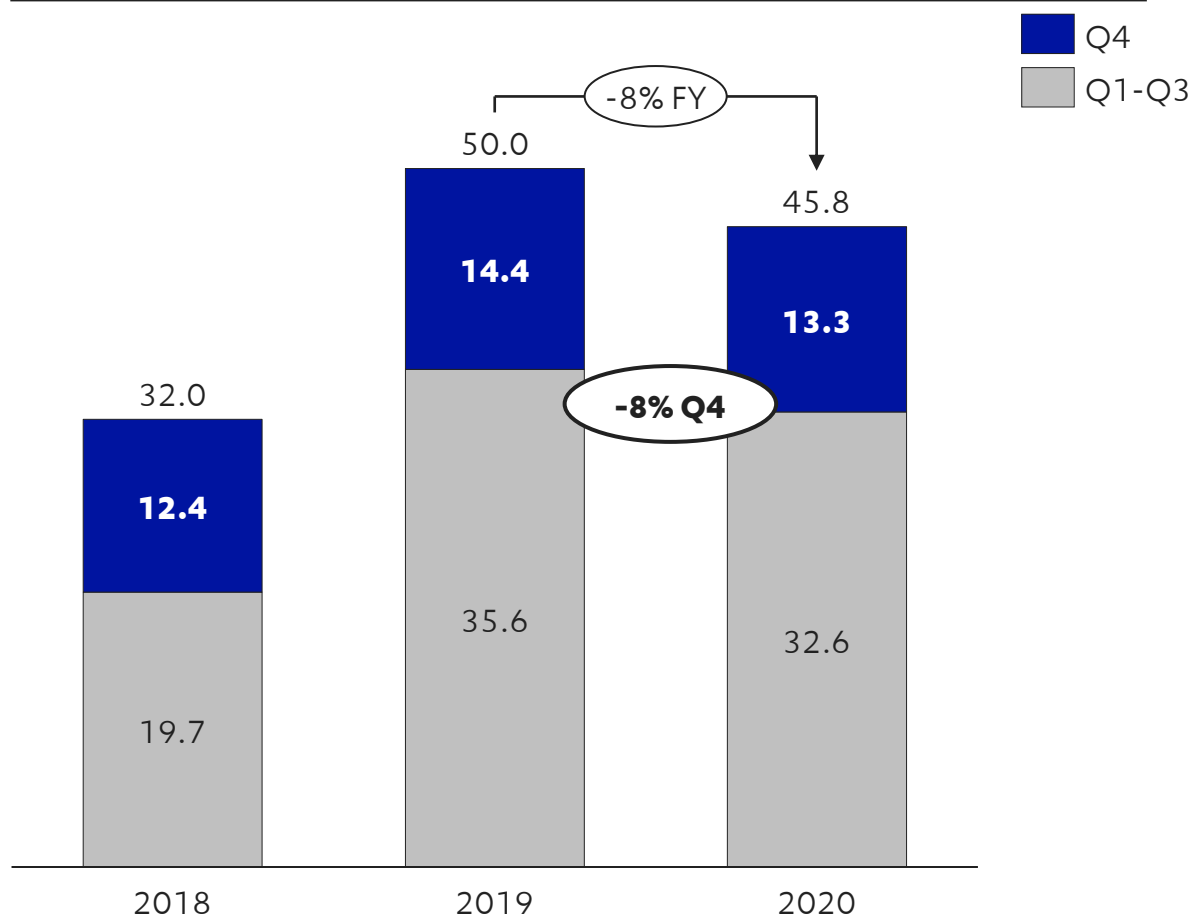
- The increasing demand for the holistic endpoint security suite continues with especially EDR (Endpoint Detection and Response) orders growing
- The adjacent Cloud Protection products had a solid quarter while traditional EPP accounts for the majority of the business
- New sales especially strong in all cloud-native products - not just cloud platform protection products



# CYBER SECURITY CONSULTING REVENUE DECREASED

(Q1-Q4/2020, EUR million)

## Revenue comparison

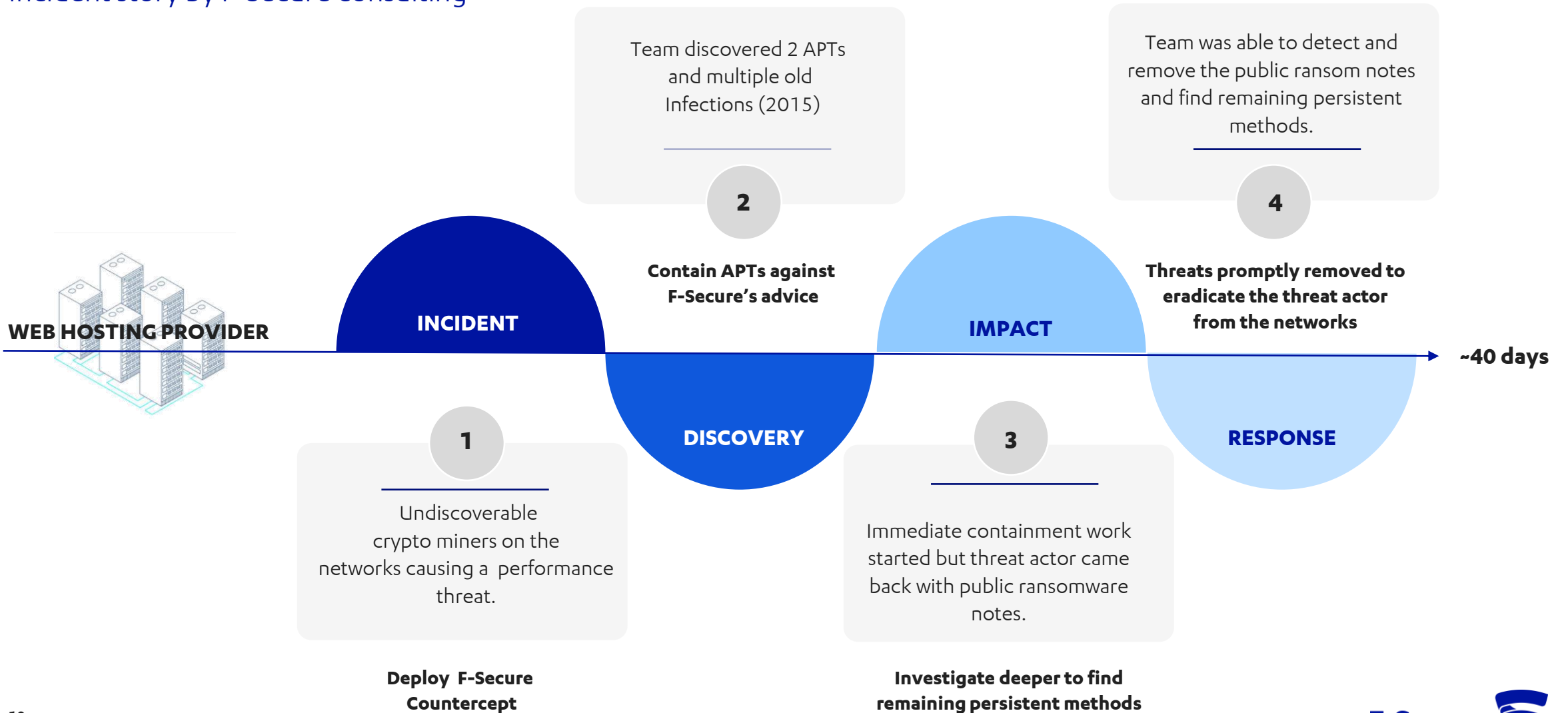


## Revenue from cyber security consulting decreased by 8%

- Best quarter since the COVID-19 outbreak despite some of the lockdown measures tightening in numerous locations
- Several Incident Response assignments
- The overall sentiment has improved from the previous quarters, although the business is expected to be negatively affected if the pandemic extends
- Substantial regional variations, good performance in our largest markets, the UK and Nordics
- In the Nordics, a particularly large project in its finalization phase

# INCIDENT RESPONSE TEAM AND F-SECURE COUNTERCEPT ELIMINATING ADVANCED PERSISTENT THREATS

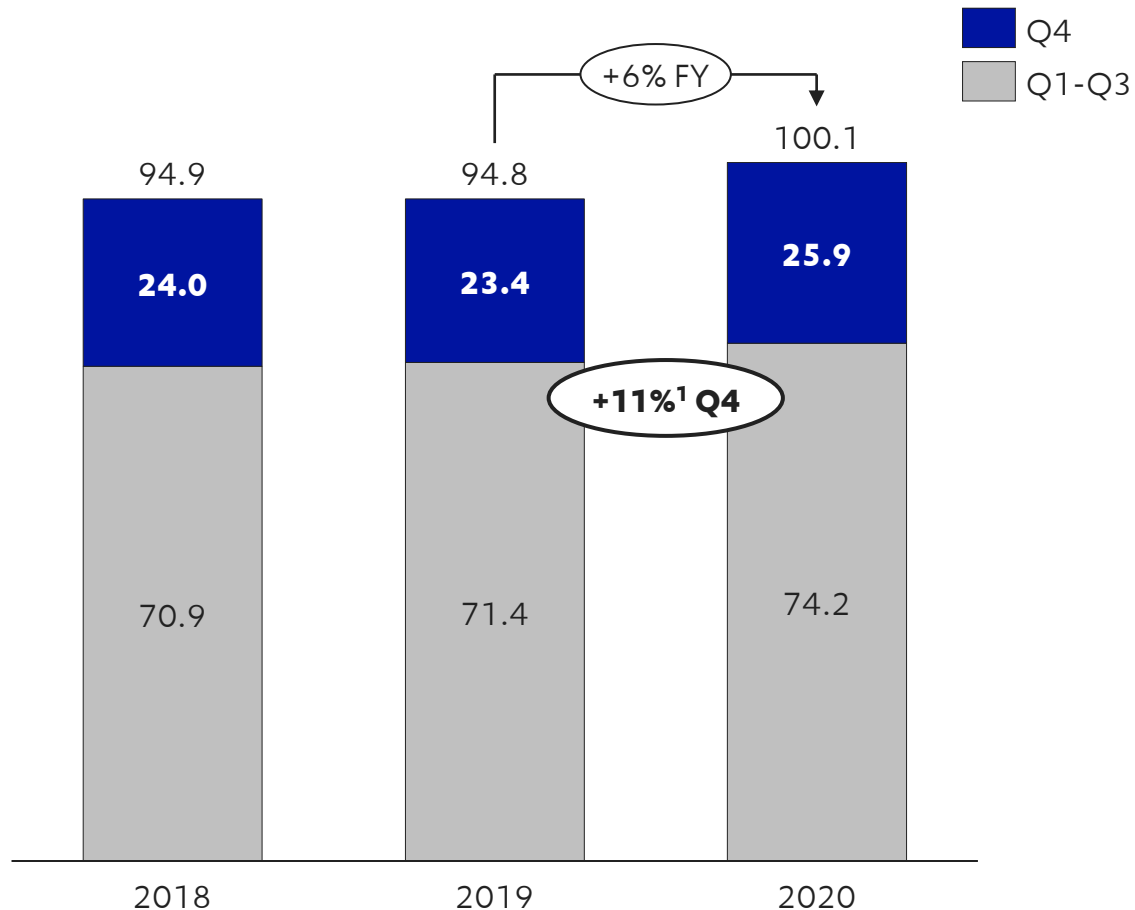
Incident story by F-Secure consulting



# CONSUMER SECURITY REVENUE GREW BY 11%<sup>1</sup>

(Q1-Q4/2020, EUR million)

## Revenue comparison



## Revenue from the operator channel grew

- Growth stems from the sales of our core endpoint protection solution
- Since the COVID-19 outbreak an increase in product activation and usage rates
- Positive traction around F-Secure ID PROTECTION continued - new deals with operator partners in Asia and Europe

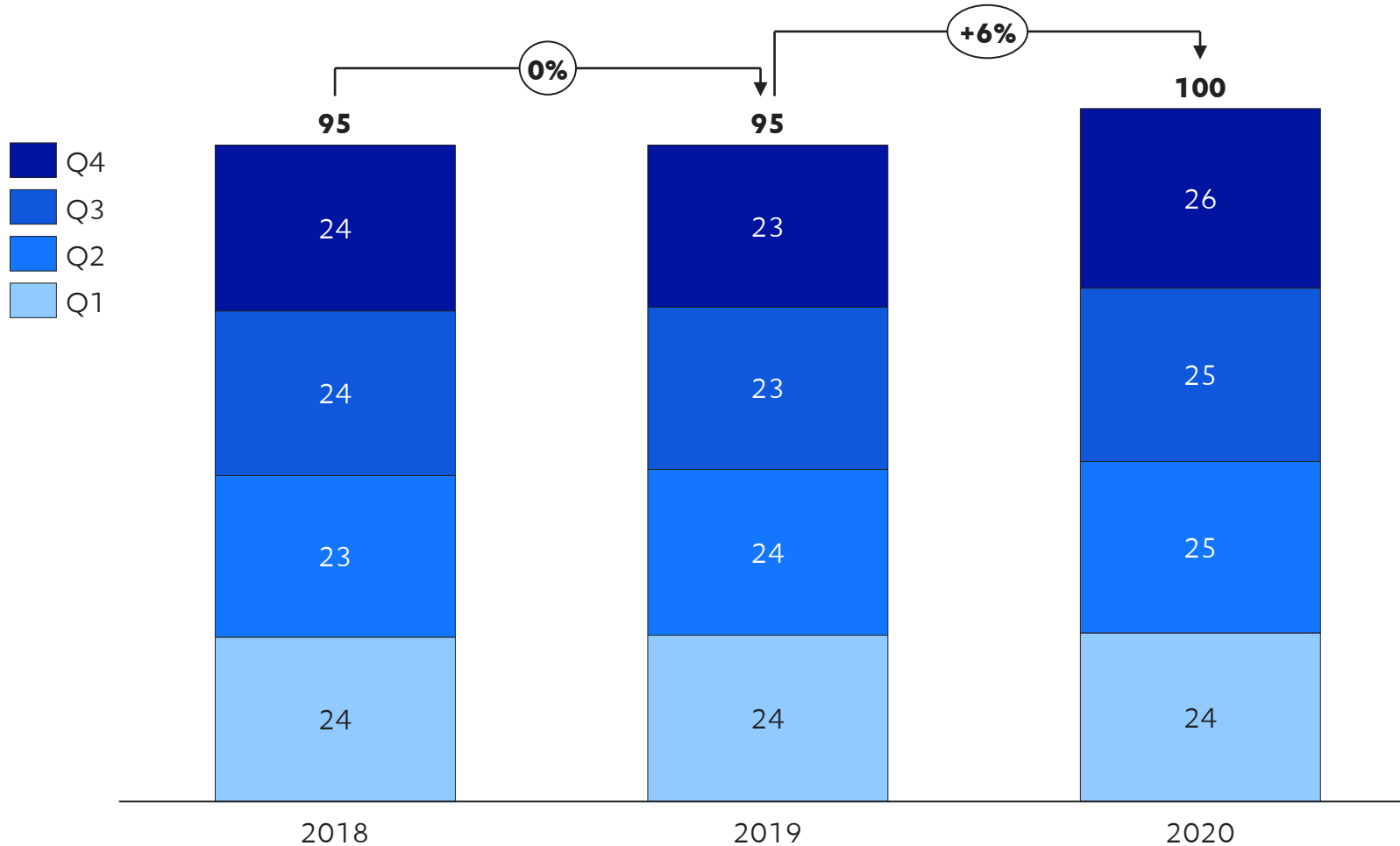
## Revenue from direct sales to consumers grew

- Positive performance with F-Secure TOTAL
- The renewal performance continued on a good level
- Sales in both ecommerce and retail channel grew

<sup>1</sup>The reported revenue growth of 11% contains a positive impact related to one-off items

# CONSUMER SECURITY SET FOR GROWTH ALSO IN THE FUTURE

Consumer security revenue (EUR million)



- COVID-19 impact mainly delaying some new launches or slowing operator decision making while underlying F-Secure SAFE usage grew +10%<sup>1</sup> during the year
- Four new F-Secure ID PROTECTION deals signed in Q4/20 making - 19 deals in total
- New solutions provide a growth opportunity in the long term even though currently the revenue impact is small
- New product growth offset by lengthy negotiations, or slow progress in launch
- The reported revenue growth in 2020 includes a slight positive impact related to one-off items

<sup>1</sup>Defined as total number of devices with F-Secure SAFE (Endpoint Protection) active

# **GROWTH AND NORMALIZING ACTIVITY LEVELS RESULTED IN ADJUSTED EBITDA OF 13%**

## **Q4/2020 Financial review**

Eriikka Söderström, CFO



# GROWTH AND NORMALIZING ACTIVITY LEVELS RESULTED IN ADJUSTED EBITDA OF 13% IN Q4

(Financial Highlights Q1-Q4/2020)

EUR million	10-12/2020	10-12/2019	Change %	1-12/2020	1-12/2019	Change %
<b>Revenue</b>	<b>57.9</b>	<b>56.1</b>	<b>3 %</b>	<b>220.2</b>	<b>217.3</b>	<b>1 %</b>
Consumer security <sup>1</sup>	25.9	23.4	11 %	100.1	94.8	6 %
Corporate security products	18.7	18.3	2 %	74.3	72.5	2 %
Cyber security consulting	13.3	14.4	-8 %	45.8	50.0	-8 %
<b>Adjusted EBITDA<sup>2</sup></b>	<b>7.3</b>	<b>6.6</b>	<b>11 %</b>	<b>35.7</b>	<b>23.2</b>	<b>54 %</b>
% of revenue	13 %	12 %		16 %	11 %	
<b>EBIT</b>	<b>3.1</b>	<b>0.8</b>	<b>291 %</b>	<b>19.7</b>	<b>7.2</b>	<b>172 %</b>
% of revenue	5 %	1 %		9 %	3 %	
Net Debt <sup>3</sup>				-11.6	15.8	
Cash flow from operations before financial items and taxes	19.4	8.7	124 %	48.3	19.0	154 %
Earnings per share (EUR) <sup>4</sup>	0.02	0.00		0.08	0.02	
Personnel, end of period				1,678	1,696	-1 %

<sup>1</sup>The reported revenue growth contains a slight positive impact related to one-off items

<sup>2</sup>Excluding Items Affecting Comparability (IAC) and depreciation and amortization. Adjustments are material items outside normal course of business associated with acquisitions, integration, restructuring, gains or losses from sales of businesses and other items affecting comparability

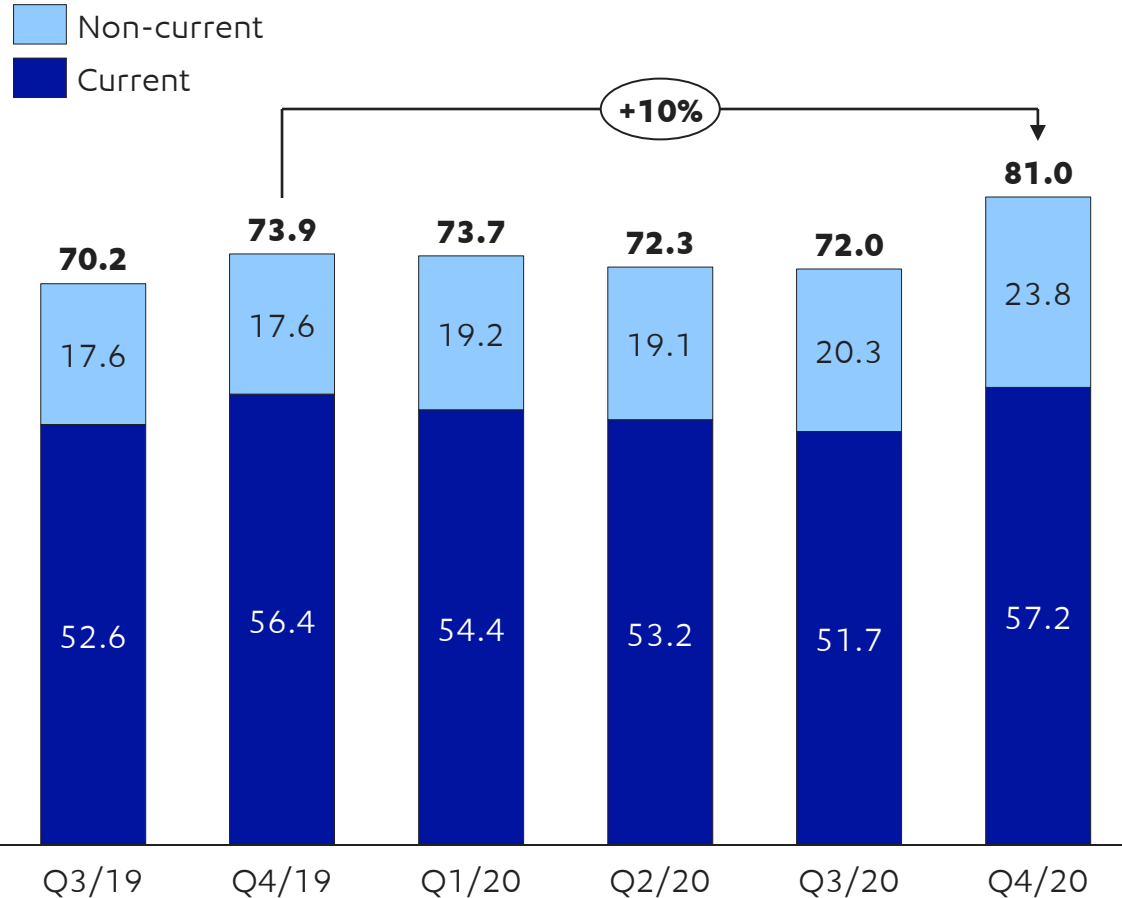
<sup>3</sup>Net Debt = Interest bearing liabilities (including IFRS16 liabilities) - Cash and financial assets at fair value through P&L

<sup>4</sup>Based on the weighted average number of outstanding shares during the period 158,082,324 (1-12/2020)

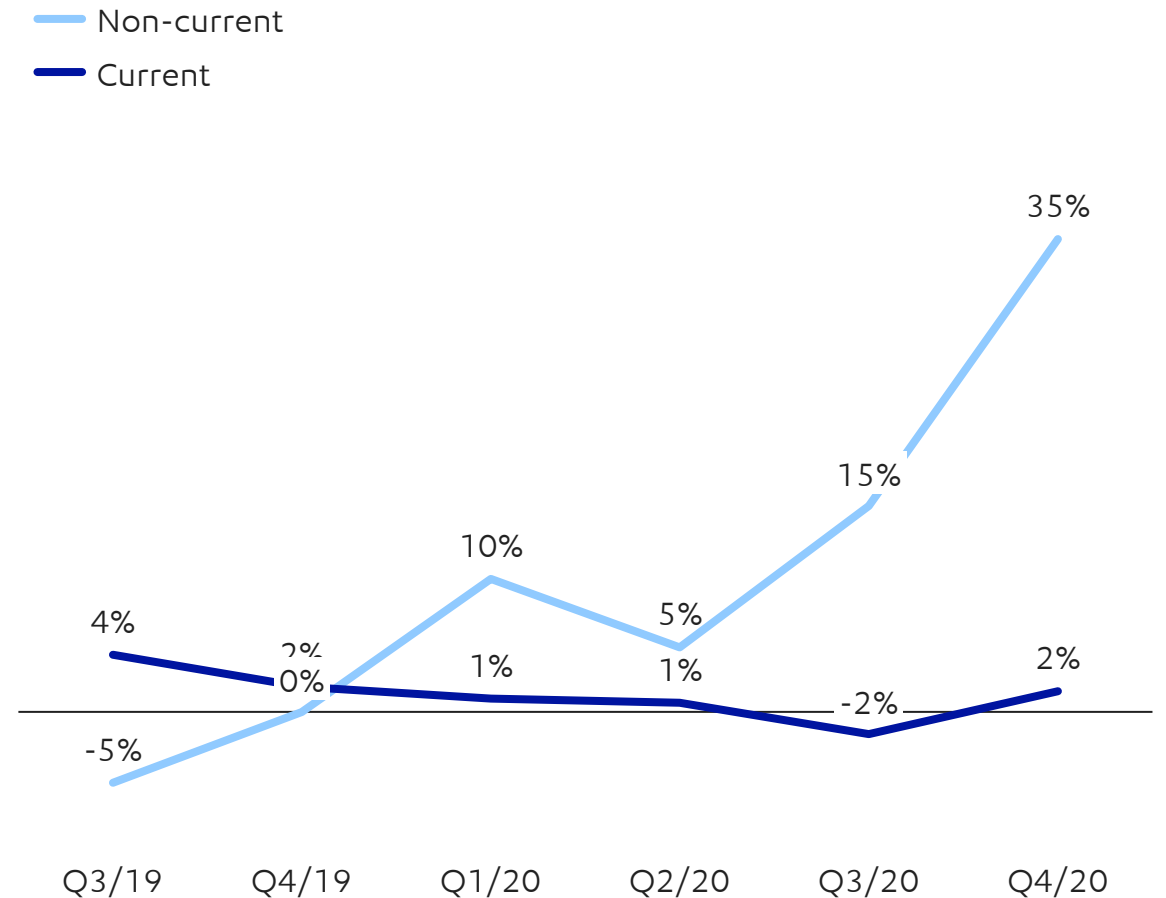
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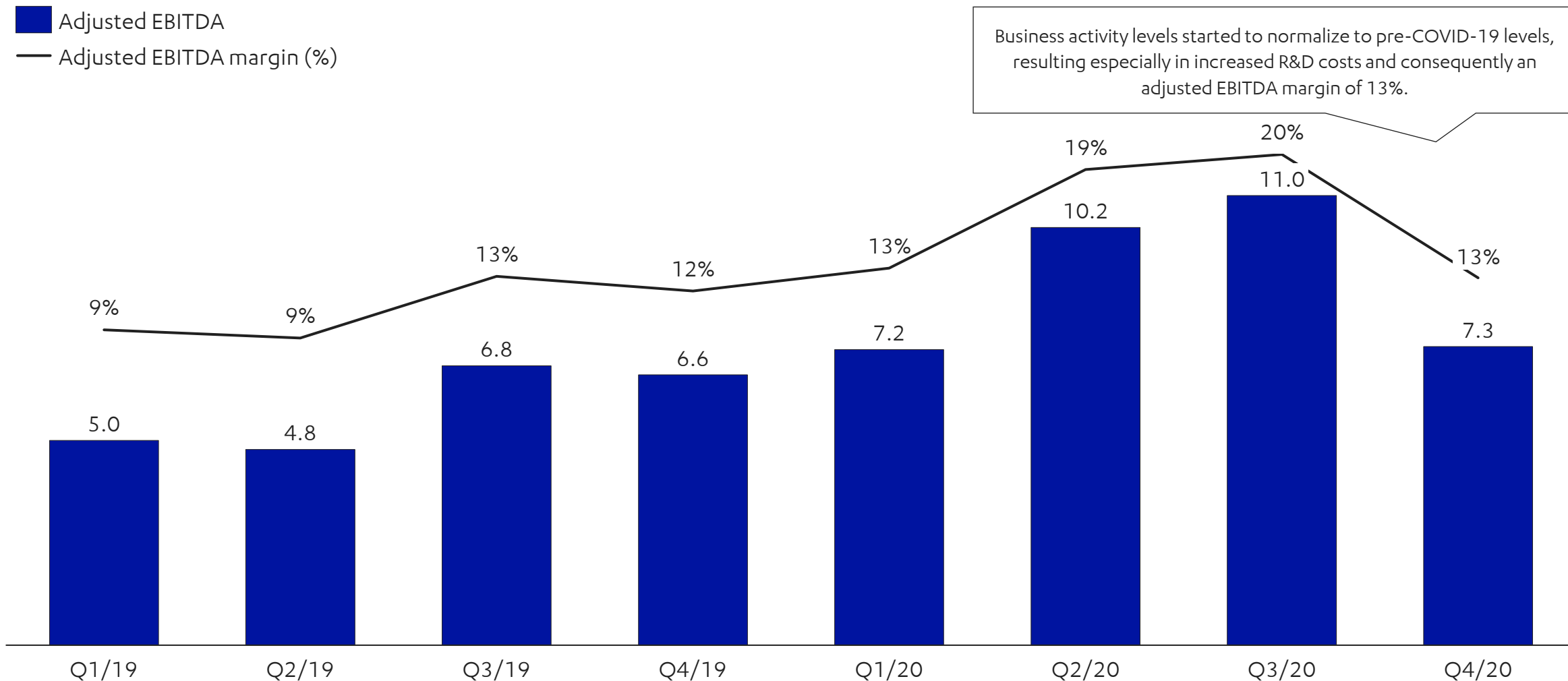


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# ADJUSTED EBITDA DEVELOPMENT – ACTIVITY LEVELS NORMALIZING TOWARDS PRE-PANDEMIC LEVELS

(Q1/2019 – Q4/2020, EUR million)

■ Adjusted EBITDA  
— Adjusted EBITDA margin (%)

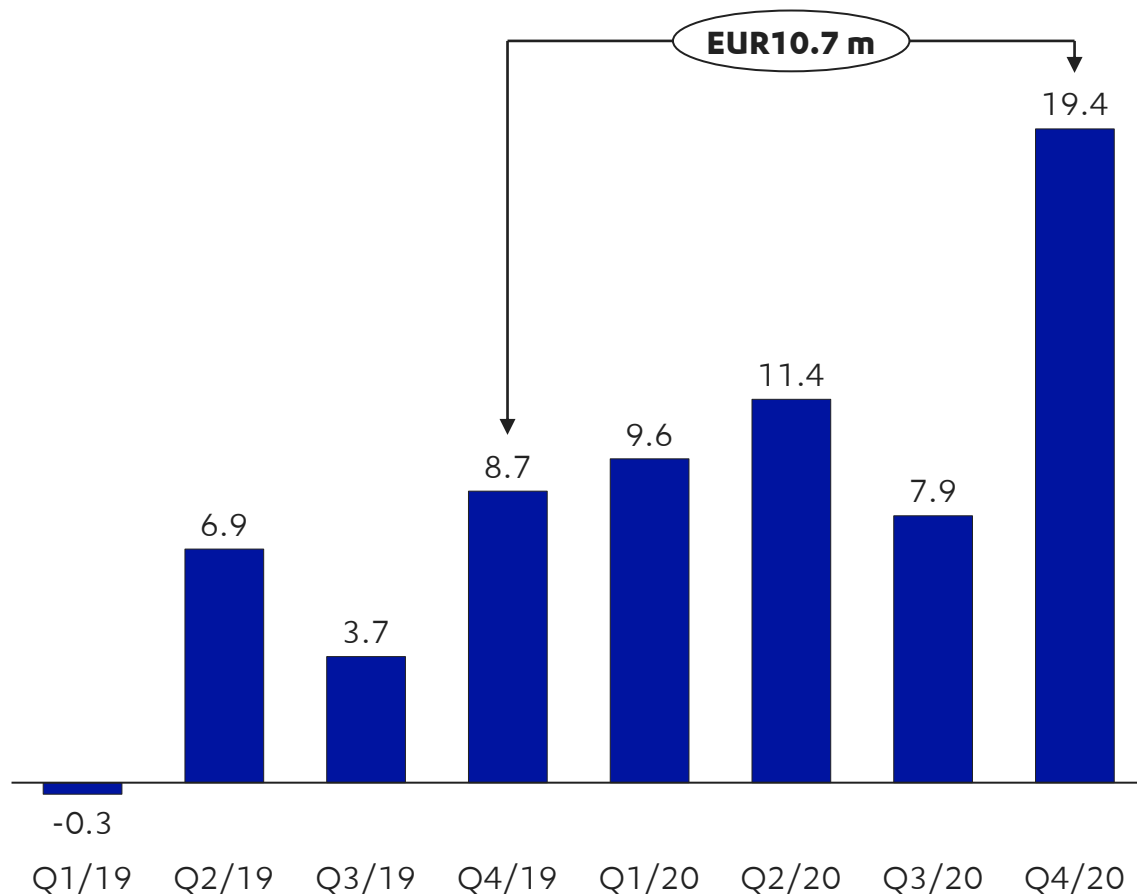




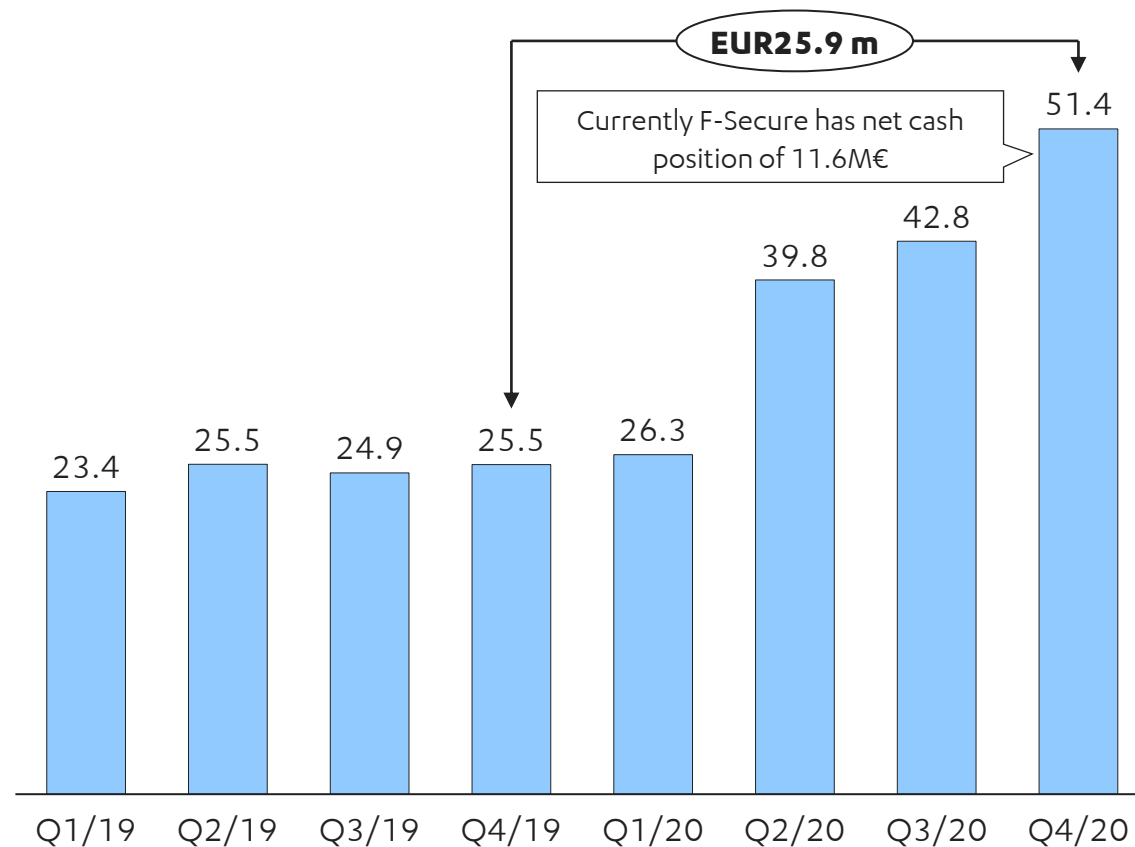
# STRONG OPERATIVE CASH FLOW THROUGHOUT 2020 HAS INCREASED CASH BALANCE

(Q1/2019 – Q4/2020, EUR million)

Cash flow from operating activities before financial items and taxes



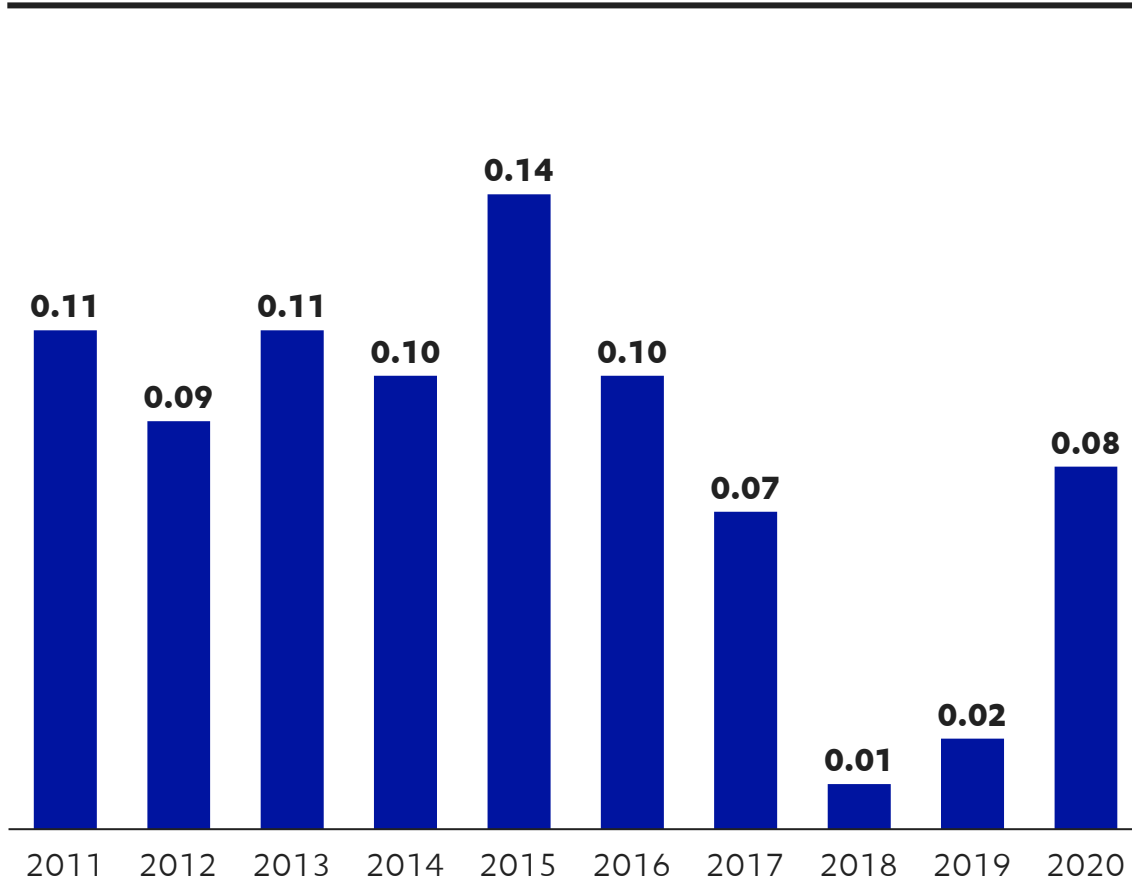
Cash and financial assets at fair value through P&L



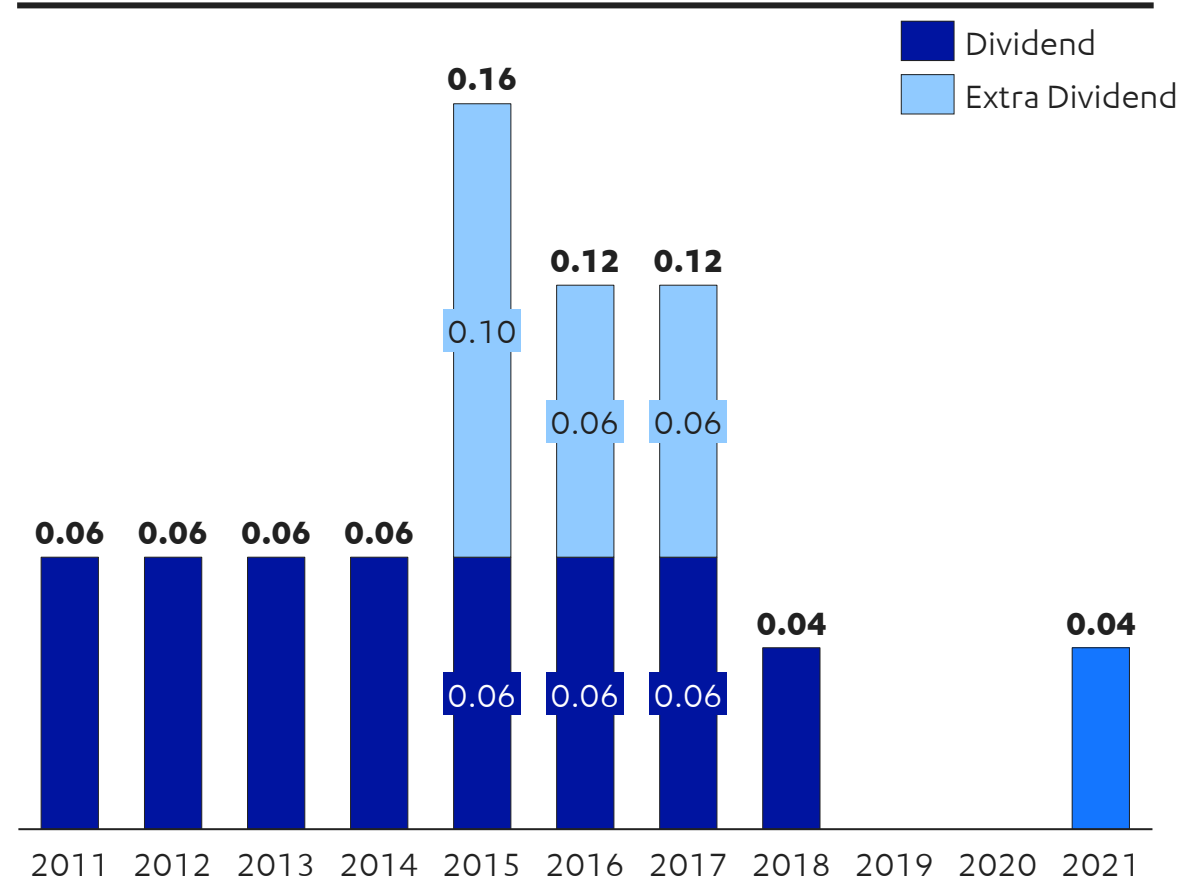
# AFTER INCREASED PROFITABILITY, BOARD PROPOSES A DIVIDEND OF 0.04EUR PER SHARE

(2011-2021, EUR)

### Earnings per Share



### Dividend payments



# OUTLOOK 2021

EUR million	2019	2020	Change %	2021 Outlook
Corporate security products, revenue	72.5	74.3	2 %	Expected to grow at a high single-digit rate.
Cyber security consulting, revenue	50.0	45.8	-8 %	Expected to grow but uncertainty remains due to the COVID-19 pandemic.
Consumer security, revenue	94.8	100.1	6 %	Expected to grow approximately at the same rate as in 2020.
Adjusted EBITDA	23.2	35.7	54 %	Expected to remain approximately at the previous year's level.

# Q&A





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