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MANAGEMENT DISCUSSION SECTION

Henri Kiili  
Investor Relations and Treasury Director, F-Secure Oyj

Hello, everyone, and welcome to F-Secure’s Q3 Result Presentation. I’m Henri Kiili, responsible for Investor Relations at F-Secure. To start off, we’ll go through some practicalities. So, first, our CEO, Samu Konttinen, will give the presentation, after which we’ll have a Q&A session. We’ll first take the questions from the room, after which, I will read out loud the questions from the webcast portal. Remember that you can submit the questions in the portal at any time throughout the presentation.

But without further ado, Samu, stage is yours.

Samu Konttinen  
President & Chief Executive Officer, F-Secure Oyj

Thank you, Henry, and welcome on my behalf as well. So, looking at the F-Secure Q3 performance of 2020. So, overall, we delivered very much according to our own expectations. Some areas where we are, we are very happy, and some areas where there’s room to improve, and I will now walk through our results for Q3.

So key takeaways definitely will be that we are very happy with the profitability. We delivered EBITDA margin of 20%, so we are extremely happy with that on that note, so that definitely was supported in some areas with the lower activity levels because of COVID-19 pandemic. So, we continue seeing obviously areas like traveling cost and some marketing events-related cost being abnormally low, and that is helping with the profitability. But there are also normal operational factors impacting to our good profitability. As an example, the most profitable business area within F-Secure, consumer security growing by 7%, which I will talk more in detail further on at the presentation. So, that is one example that is helping with the good profitability now in Q3.
On the corporate security products, also that area grew slightly. MDR, the big investment area for us, continued growing very nicely. I'll give some highlights from that business separately. Further on, endpoint security, revenue wise, grew slightly but there are a lot of positive momentum kind of behind the scenes in that line of business that we are reasonably happy with. Cyber security consulting revenue decreased by 8%, and this is definitely an area that continues being somewhat challenged with the pandemic; and very significant regional variations, we continue seeing a very healthy or even fast growth in some countries, whereas in some countries with some clients the circumstances are more challenging.

And the consumer security, definitely one of the highlights in this business in this quarter for F-Secure, so the 7% growth, and it talks about also the potential in consumer security that we see. And we issued a financial outlook for 2020 couple of weeks ago, so we're not going to be changing that today as we go. And then, a leadership change at F-Secure as I'm leaving the company. Actually, tomorrow is going to be my last day and Juhani Hintikka appointed as the new President and CEO starting on Monday.

So, here, recapping the numbers. So, the revenue growth for the group, 1% compared to year ago; consumer security, very good, 7%; corporate security, overall, minus 3%. And again, now, this corporate security includes all three B2B business areas, endpoint security, Managed Detection and Response, and consulting, and [ph] instead (00:03:42) that's the consulting that is dragging that number to a negative growth. Adjusted EBITDA and EBIT, both a very significant improvement to a year ago and landing adjusted EBITDA of 20% and EBIT, 13% of revenue. So, very good performance on that front.

Cash flow from operations before financial items and taxes, almost €8 million. So, very happy with the cash flow as well and I will talk a bit more about details on that items as well.

So, now, looking at the corporate security. So, I'm starting with the Endpoint Protection solution, so an area that is increasing revenue-wise slightly, excluding the effect from some discontinued products. And we discontinued those products from the beginning of this year, so we're going to be seeing a couple of percentage points impact because of the discontinued products also in Q4, but then going into 2021, the numbers should be fully comparable.

A main positive there is that the growth of new orders clearly outpaced the revenue growth, and this is now, I believe, the third quarter in a row, all quarters in this year. So, the orders have outpaced the revenue growth quite significantly. And furthermore, reflecting on the positives, kind of the underlying momentum we see in this business at the sales performance is very good across all our main markets. It's very often to have good things happening in some of your regions, and then in some other regions, you are solving some challenges. But currently, it looks that all our main markets into Europe, that would be Germany, France, Finland, UK, and also Japan, which always traditionally has been a good market for F-Secure, so we are seeing a very steady, good, improving performance across all these main markets.

Renewals are staying on a very good level, which is kind of the backbone of this business. And then, one of the highlights is a deal that we published a while ago, a Cloud Protection for Salesforce solution with Yahoo! in Japan. But there are many other great examples of Cloud Protection for Salesforce really having a good momentum. So, just using Yahoo! there as one example, as in this industry, you very rarely get to talk about references, so this is one nice exception, and therefore, we are raising that here.

So, a good quarter there and we will later on in the presentation see how this growth of new orders, especially on the multi-year deals that customers are committing not only for one years, but for two years, three years,
sometimes even for five years, that is also now yielding very positively in our non-current deferred revenue that in Q3, I believe, grew by 15%, but I will get back to that. So, that is visible there.

And then, moving on to Managed Detection and Response. So, that line of business continues – continue growing for us. We won several deals in Europe in healthcare, media, defense, as some of the industry verticals to mention, but we still see that the pandemic is causing challenges in the sales and marketing operations. And giving some additional color to that, so we saw previously before the pandemic, as an example, for what comes to marketing mix, organizing events with customers, kind of a customer briefings talking about the threats, talking how to detect them, how to organize the cyber poster and how to conduct the incident response. These events, as one example, have worked really well for F-Secure for what comes to lead generation and, obviously, these events with customers, we have not been able to organize those during pandemic same times as before.

Well, it's definitely moving towards using video, towards collaboration using modern technologies. So, we are doing a lot of that as well, but the impact is not yet – I would say the effectiveness of those marketing operation is not yet on the same level as it was with the kind of old ways of working. But we see that we are gradually getting better and better grip how to conduct go-to-market access in these changed circumstances, so we are quite positive with the future.

New deals-wise, this was the best quarter of the year, so very, very happy with that one. So, we signed more new Managed Detection and Response deals than at any previous quarter this year so far. And renewals, we are, I would say, currently practically perfecting the renewals performance, so it could have not been any better than it was in Q3. So, quite happy with the MDR, and the reason of saying quite is the fact that we still see that the pandemic is casting a bit of a challenge for sales and marketing operations, but we are getting there and improving our capabilities in this new environment.

A little bit as a recap, looking just the corporate security solutions. So, looking at the offering we have. So, we continue believing that this is the right business mix for us going forward, having the capabilities for the pre-attacked (sic) [pre-attack] (00:10:03) predict states, having capabilities to prevent the attack, and having the capabilities for the compromised situation for what comes to detecting and especially responding. And this responding is quickly now becoming, I would say that the most sought capability amongst our customers. So, the customers are increasingly understanding that even if they would somehow be able to detect the attacks, but what happens after you detect it? Can you have the right countermeasures, the right response in place quickly? So, that is an area that continues being very, very important for our clients and very strategic for F-Secure.

Then, I thought that I'll talk a bit more about the new cloud security solutions that we've taken to the market. So, the Cloud Protection for Salesforce is something that we've been pushing for quite some time now, whereas the Cloud Protection for Microsoft O365 (sic) [Microsoft Office 365] (00:11:08) is something that we launched very recently. There's couple of examples about the Cloud Protection for Salesforce as we are seeing very good traction there, as an example, the case with Yahoo!, but I'll give some additional color how that solution area works.

So, in short, we are there protecting the content. We are not technically protecting the cloud environment. So, we are not protecting the Salesforce platform per se, but we are protecting the content that goes through that platform. And examples could be that one of the biggest carmakers in the world is our customer there and how they use the Salesforce platform is that they have thousands of dealers who are selling their cars, so those dealers have access to the carmaker's system through kind of an extranet solution. And that extranet solution is provided by Salesforce. So, it's kind of a collaboration cloud solution from Salesforce.
And once you have partners accessing that solution, there's always a risk that some partner, either by intent or accidentally, would play some malicious content in the portal. And then, once you are able to do that, there's a risk that that would be infecting all other users of that extranet, all other car dealers, and even the car manufacturers themselves. So, we are providing that extra layer of protection, so we are scanning and securing all the content that goes into that portal.

So, that's one example. A very similar example is one of the biggest technology companies in the world is using Salesforce technology to collaborate with their customers, to collaborate with their resellers. And, again, the use case is very similar, so their customers and resellers have access to the company system using this collaboration cloud. And again, we are making sure that no malicious content can be kind of put into that system, and we are scanning and protecting the content. So, not technically protecting the technology, not protecting Salesforce, but protecting the content there.

So, very, very exciting area for F-Secure and we currently don't see practically any other, in our opinion, credible cyber security company offering seminar solutions. So, we are cautiously excited about the opportunity, but have to remind all of you that this is still very small in the bigger scheme of F-Secure, but the momentum looks very good.

And then, little bit recapping on the F-Secure Countercept, our MDR solutions. So, a little bit of the value delivery there. So, helping customers to detect their advanced persistent attacks, helping them with the response, analyzing malware, doing threat hunting. And then, couple of these items like improving security posture and threat research; and these two areas, what we have previously often categorized as peace time value. And this is very important in this Managed Detection and Response service, as it's not that often that customers are going through an attack that we are detecting and then responding to that. So, there is a lot of peace time.

And what we have focused quite a lot over the last few quarters is that how can we improve that peace time value. So, as we are scanning customer operations, we are looking for threats, we are doing threat hunting. We are learning more and more about customer IT environment. And then we are capable of giving customer an advice how should they improve their cyber resilience, how did they improve their cyber posture overall. And these are a couple of examples for that peace time value is all about.

And why this peace time value is also very important? Because through that successful peace time value delivery, we are seeing how well it resonates with the customers. And the financial impact obviously is a very strong renewal rates. So, that is very, very important line there to keep in mind.

Then moving on to cyber security consulting. So, this area of business decreased by 8%. And a couple of viewpoints there. So, about a year ago we started to work on a very significant size project in the Nordics that we have not disclosed in more details. But similarly, as was the case already in Q2, this now continues in Q3, that this very significant project is coming to a finalization phase, meaning that the revenue coming from that project is clearly [ph] more (00:16:24) than it was year ago in the same period.

Pandemic obviously has changed the way we operate. So, practically, all deliveries are done remotely. And we are very much innovating for new services and new delivery models. And we're actually quite happy how we see us taking the right steps there. And although you cannot be happy with the business performance if it's minus 8% compared to year ago, but I think it's always also very important to understand that as cyber security consulting for us is predominantly project business, there are some continuous services like incident response retainers that has that recurring revenue flavor to it, but predominantly this is project business.
And in project business, as you don't have the recurring revenue business model, so sometimes the more important comparison point is the previous quarter than the same quarter a year ago. And now, through that lens, we see that Q3 was significantly better than Q2. And our outlook for Q4 is also kind of a same flavor. So, we see that this business is improving. So, definitely moving to a right direction, but, at the same note, have to be very clear that the pandemic situation is [ph] leaving, (00:17:59) it's changing, will definitely cast a shadow on the short-term predictability of the business. So, the visibility on the business performance doesn't currently go as well beyond next couple of months as one would hope.

But if I just analyze Q3, so Q3 was a clear improvement from Q2. And through that lens, we are rather optimistic about the future. Long term, this continues being a very attractive area for profitable growth. And the world is increasingly digitalizing, pandemic is impacting to that digitalization trend positively. And that is one of the main drivers that this is then kind of helping cyber security consulting companies and creates demand for cyber assurance as companies are digitalizing their business models and their services.

And a few more kind of a viewpoints on the consulting. So, we continue working on global customers with critical data, customers who don't want to take any chances with their cyber security. So, there is just a handful of examples of cases that we delivered in Q3. And these examples I think are very important. So, although we see that the pandemic is impacting negatively to this business, but a lot is still happening. So, we are delivering, [ph] redeeming (00:19:40) assignment for customers. We are doing telematics audit for automotive industry. We are working with some of the largest aviation companies, which is quite interesting. Although you would thought that the aviation companies are not having the cyber topics top of mind for them currently, but lot of things are happening there, in the IoT and mobile security doing targeted attack simulations, so a lot of activities.

So, we continue liking this business also for the fact that it gives us that frontline exposure to attacks. And that insight we are capable of delivering detection and response technology capability to do, so there is that kind of a know-how synergy that we see very important between these two business areas.

Then moving on to consumer security, so very happy with the 7% growth. Have to remind there [ph] a notion (00:20:51) that the 7% growth was helped slightly with some positive one-offs. But even if we are excluding those one-offs, which are not part of the kind of a normalized run rate pace of the business, this business is still growing faster than it has grown for many years for F-Secure. And I think it talks about the potential and the resilience of the operator channel specifically.

The growth currently comes almost entirely from the established solutions like F-Secure SAFE that is sold increasingly together with F-Secure KEY kind of a creating a bundle of internet security and password manager. And also, in F-Secure direct business we are even throwing F-Secure FREEDOME into the mix, thus creating the F-Secure total package. So, the growth is predominantly coming from subscription growth from the established solutions. And then these newer solutions they we are very excited about, F-Secure SENSE and ID PROTECTION. They don't yet contribute much to the revenue, and we don't believe that, in the short term, the impact will be very significant from these new solutions. But they are future growth opportunities and future bets that we continue being very excited about. But short-term impact, you should not expect too much of them.

And I think in the identity protection, so looking at the strength we have with our operators channel, partnering with roughly 200 operator channels partners. So, the reception from the operator partners for our ID PROTECTION has been very positive. So, it's a double-digit volume of operator deals that we have already for ID PROTECTION. So, that channel is responding to that very well. It will take some time before they get to [ph] productize it (00:23:13), and the launch for their consumer customers. But the first critical step to get the channel excited and about [indiscernible] (00:23:22), that is clearly happening.
And then I guess we wanted to share a little bit about the router security. We’ve been talking about that quite a long time. So, we still see that the consumers are very much worrying about the overall security and privacy of all the household digital devices. And placing that protection layer to the router, it helps you or enables you practically to reach the entire user base of the operator. So, the take-up volumes can be very significantly higher than with the endpoint solution.

If we are looking at our top 40 operator partners, so more than half of them are currently engaged in router security discussions. So, we see that the operator channel is starting to awaken for this opportunity more than before. And we believe that this has a good possibility to deliver increasing average revenue per user.

Then on the challenging side, what is causing some delays is that there is a great diversity of router models. So, whenever we place our software to that router, very often different operators they are cooperating with different router manufacturers. So, that that prolongs the sales and delivery cycles. And also, very often the operators are seeing the router as part of their network. And then once it's part of their network, it's an very critical area for them, which makes practically the contract negotiations, for what comes to warranties and liabilities, often very long. [ph] So, do you have (00:25:19) these two factors of the long contract negotiations and the diversity of router models that is kind of making this business to move a little bit slower than what we would want. But we continue liking this opportunity. And we think that it fits to the F-Secure overall portfolio in our consumer business very, very nicely.

Then few words about the financial performance in the profitability lens. So, as mentioned earlier, 20% adjusted EBITDA. Very happy with that one and partially helped with the lowered activity because of COVID-19, but also because of scalable and high leveraging consumer security business.

Looking forward we believe that the marketing and R&D costs are start to increase towards the end of the year as we are becoming more and more confident that the COVID currently doesn't impact our product business much at all. So, the only area where we really see COVID impacting clear and negatively is consulting. And in the other business areas, we don't see any reason that we should be extra cautious with cost and with new investments. So, through that lens we are starting to look this more as a normalized circumstances rather than something extraordinary where you want to be extra careful with cost.

And then this is something that we talked about earlier, so how the deferred revenue graphs are looking. And here I think on your right-hand side, you see the non-current and current deferred revenue growth graphs. So, the current is the deferred revenue of 12 months and the non-current is a deferred revenue of more than 12 months. And here you practically see that the strong order in the growth that we have had in the endpoint security and also in MDR, that is not going through in revenue immediately. And here you see that this year, from Q1 onwards, we have seen 10%, 5%, and 15% growth in long-term deferred revenue. So, that talks about the strength of the business model and how we are definitely laying a very solid foundation for years to come although revenue is not recognized immediately.

And perhaps one last point to make about the deferred revenue. So, we also see an increasing demand from our corporate customers moving into monthly subscriptions. And obviously, this is kind of [indiscernible] (00:28:28) for us as customers are moving to monthly subscription there's no deferred revenue at all whatsoever. But, overall, I think, looking at this current and especially the non-current deferred revenue is practically the financial evidence of the good performance in the orders in endpoint security, especially also in MDR as, in that line of business, we are very often signing customers for more than a year. We are very often signing them for two years or three years.
And then looking at the cash flow, so, definitely, a very, very good quarter there. So, cash flow from operating activities €7.9 million, a very clear improvement from the same quarter a year ago and helped by many things. So, helped with the strong orders as most of the cases, not always, but most of the cases customers are paying upfront. The multiyear deal, so that helps with the cash flow, but also looking at the trade and other receivables. So, our debt collection is going pretty nicely there, so receivables collection, so helping also with the cash flow. So, very solid financial performance from cash flow perspective.

Finishing off with the outlook that we are not changing today as we issued an outlook only a couple of weeks ago.

So, going to questions now.

**QUESTION AND ANSWER SECTION**

**Matti Riikonen**  
*Analyst, Carnegie Investment Bank AB (Finland)*

**Q**  
Hi. It's Matti Riikonen, Carnegie; a couple of questions. First, regarding EPP, you said that orders have been growing faster than revenue. But has the guide of annual revenue recognition of these orders also increased, or is it just that the time for the orders extends to a longer period, but it doesn't increase the annual revenue?

**Samu Konttinen**  
*President & Chief Executive Officer, F-Secure Oyj*

**A**  
A lot of that fast orders growth come from multiyear deals, which we see is very positive. So, although we have been quite vocal that we believe us having quite good renewables performance, but renewables performance is never ever 100%.

So, especially in the endpoint security business, which is small- and medium-sized companies, mid-market and below, so the deal volumes are very significant. So, we have number of customers is not hundreds but its thousands or tens of thousands. And through that volume, if you make more than ever before multiyear deals, it practically secures you 100% renewing rate in practice for upcoming years. So, that is the biggest driver. We see customers increasingly committing for longer periods of time. And that is driving orders, less so short-term revenue, but it gives the financial stability and also talks about the customers kind of a trust to F-Secure.

And I think another point why we like this trend quite a bit is the fact that today our portfolio starts to have more ammunition than perhaps three, four years ago. It's not just the Endpoint Protection, we have Detection and Response technology. We have Radar, the vulnerability management. We are adding these Cloud Protection stuff. So, as we are locking the customers for multiyear deals, that gives a very good cross-sell opportunity to the existing customer as you have the relationship kind of a guaranteed for three years. So, there is a many reasons to continue visiting that customer.

So, there's a lot of things that we like in this business, but short-term revenue impact, as we see, it's very modest.

**Matti Riikonen**  
*Analyst, Carnegie Investment Bank AB (Finland)*

**Q**
Okay. Thank you. Then secondly, you didn’t talk much about EDR. You have said earlier that EDR is sold together with EPP offering, so basically difficult to separate. But how would you see that the EDR contribution to the EPP sales? Is it still kind of positive compared to your own expectations and it’s supporting the EPP sales?

Samu Konttinen  
President & Chief Executive Officer, F-Secure Oyj

Good question and absolutely yes. So, we see EDR increasingly an integral part of the whole portfolio. And as we have explained earlier, so we see more and more customers looking to buy both EPP and EDR solution from the same source. And this trend is definitely there and we don't foresee that trend to go away.

The main positive from the EDR for us is we see a very clear price premium. So, when customer goes and buys EDR, together with EPP, the price point of that combo package is significantly higher than EPP alone. So, that's definitely a positive.

And perhaps to your second question is that if we would somehow, I would say, partially, artificially try to isolate the EDR performance from the EPP/EDR combo, just looking at the EDR alone, so that is going slightly better than what we planned ourselves. So, we believe it's tracking nicely, but it's more part of the suite rather than an independent stand-alone solution.

Matti Riikonen  
Analyst, Carnegie Investment Bank AB (Finland)

Okay. Then in the consulting business you have mentioned earlier that the large contract that is ending or remains of the contract are still generating some revenue. But if we kind of exclude that big contract also on the comparable numbers, how is your consulting business faring revenue-wise? [indiscernible] (00:34:54)

Samu Konttinen  
President & Chief Executive Officer, F-Secure Oyj

It still would be slightly declining. So, point is it would be declining, but not as much as it's declining with that reported minus 8%.

Matti Riikonen  
Analyst, Carnegie Investment Bank AB (Finland)

Okay. And then finally, you mentioned in the report that there was some positive element in the consumer business growth, which is nonrecurring or one-off. Could you give rough idea how much that contributed to the fairly good 7% growth?

Samu Konttinen  
President & Chief Executive Officer, F-Secure Oyj

It's perhaps in the ballpark of few percentages. So, we are not talking about many percentage points, so a few. And few perhaps is less than three in this case.

Matti Riikonen  
Analyst, Carnegie Investment Bank AB (Finland)

Okay. Thank you.
Atte Riikola
Analyst, Inderes Oy

Atte Riikola from Inderes. You have seen quite impressive profitability improvement during the last few quarters. Could you give us any ballpark how much do you have to sacrifice that profitability when you are trying to get back on the growth track in corporate security in the next quarters?

Samu Konttinen
President & Chief Executive Officer, F-Secure Oyj

It's a good question. So, how we see this that as I explained, so, definitely, partially the good profitability last two quarters is helped because of some of the lower activity levels due to pandemic. But then if you try to model how that outlook will be going forward, so most probably some of the lower activity levels because of pandemic will continue being the case also Q4, Q1, Q2, as an example, traveling, so us carrying operations in almost 30 countries around the world. So, that type of a organization generates easily quite much traveling cost. And I think that is a good example that we don't believe that the traveling cost will be returning to normalized level anytime soon. So, it's almost that, to some extent, you can start taking that as a new normal. So, I don't see that it's a sacrifice then you have to make, because we currently see that the business is tracking quite nicely even if you can't travel. So, I think that's there.

The other point that you are perhaps referring to is that what I tried to little bit explain is that when the pandemic started there was no way any of us really knowing what the impact in our industry would be. The general line of thought always was that we believe that our industry is very resilient. We feared that it would impact consulting negatively as we see this happen. But we felt that most probably the scalable software business is very resilient, but we didn't know. And because of that, on certain cost items, we were somewhat cautious not to place future growth driving investments as aggressively as we planned.

And now, as we see, that there's no reason for us to fear about the resilience of the vast majority of F-Secure business. We are gradually starting to return to normalized cost levels in many areas. And many areas obviously exclude things like traveling. We're not going to be starting to travel. And we don't think that the saved money from traveling should now be invested into some other activity. So, I think that is causing not only a short-term but perhaps a midterm profitability improvement.

And I believe that the third area definitely is that everybody is more and more learning how to live with the pandemic, and then you start to also normalize your marketing activities and stuff like that.

So, world is changing and the comparable EBITDA number from a year ago, it's very difficult to say precisely how much of that is because of pandemic changes versus how much is there to stay. I believe traveling is a good example, so I think it's not only us, but many other companies as well who believe that maybe the business can run quite nicely with less traveling.

Atte Riikola
Analyst, Inderes Oy

All right. Thank you. And next question about the MDR sales. You have said that the pandemic is affecting them, so have you been able to develop the remote sales models during the...
Yeah. So, I think it’s a good question and it really is a mixed bag. So, we are getting signals that the sales teams are struggling that – how you establish and build new customer relationships as there is not old-fashioned ways of meeting and handshaking and building that relationship, and you somehow have to do all of that remotely. So, people are struggling and the customers are a little bit like, I would say, trying to find their own new way of buying solutions like this. So, everybody is like learning.

But then, on the other hand, on the positives that I mentioned, so in Q3, we landed more MDR deals, deal volume-wise than ever before. So, it's a big mixed bag. I think we are learning. I think we are feeling that it's slowing us down, but at the same time, the business is improving as we wanted to improve. Our outlook for MDR this year was definitely that the growth would clearly accelerate. And we are – the growth is accelerating, but we wanted it to accelerate more. And we believe that it is growing less because of pandemic, but it's growing,

Atte Riikola
Analyst, Inderes Oy
Okay. Thank you.

Henri Kiili
Investor Relations and Treasury Director, F-Secure Oyj
All right. Next, we’ll have the questions from the portal. So, first, we have Mr. Olli Eloranta from Danske Bank, and he has a question. Do you expect or have already seen any tailwind from the Vastaamo data breach in your Finnish operations?

Samu Konttinen
President & Chief Executive Officer, F-Secure Oyj
I think the Vastaamo case is a good example how critical cyber is becoming and we are definitely seeing that the customers are more and more now looking into their systems and asking questions that could this be happening for us. So, I think it will create positive momentum for us as well.

Henri Kiili
Investor Relations and Treasury Director, F-Secure Oyj
All right.

Samu Konttinen
President & Chief Executive Officer, F-Secure Oyj
Difficult to say how quickly and at what magnitude that will materialize, say, short term. But it's a good example that the awareness for need for cyber capabilities is now becoming more and more talk of the day for more and more organizations than ever before.

Henri Kiili
Investor Relations and Treasury Director, F-Secure Oyj
So, definitely has raised awareness. Next one from Olli Eloranta also. You discussed that you will increase your marketing spending from Q4 onwards. Do you expect sales and marketing costs relative to revenues to return to pre-COVID-19 levels?

Samu Konttinen
President & Chief Executive Officer, F-Secure Oyj
It little bit depends. I think we are not quite sure yet what the right cost – what the rightsized cost level in the pandemic times would be. But I guess the main sentiment is that we are not looking the marketing spend and sales cost perhaps as cautiously going forward as we wanted to take a very cautious view when the pandemic starts.

The other, I would say, very relevant comment to this question is and which a little bit elaborates the profitability also is that when we started this year, no pandemic. If you look at the F-Secure market guidance, our plan was to clearly improve profitability. So, that line of thought has not disappeared. We believe that our business has leveraged and vast majority of our business is scalable and through volume, the business should deliver better profitability.

**Henri Kiili**  
_Investor Relations and Treasury Director, F-Secure Oyj_

All right. Next up we have Jaakko Tyrväinen from SEB. Regarding the growth in non-current deferred revenue, should we take that as an indicator for the future MDR growth rate?

**Samu Konttinen**  
_President & Chief Executive Officer, F-Secure Oyj_

No, because that the deferred revenue and the non-current deferred revenue that I showed in the slide, where growth in Q3 was 15%, that is combination of MDR and Endpoint Protection. So, that is not an MDR deferred revenue. That is deferred revenue of MDR and EPP business predominantly. But I think you can get an idea on the scalable corporate security business, so that gives you an idea that the orders are growing faster than revenue.

**Henri Kiili**  
_Investor Relations and Treasury Director, F-Secure Oyj_

Yes, definitely. What is your understanding of the market growth currently in corporate EPP and MDR markets?

**Samu Konttinen**  
_President & Chief Executive Officer, F-Secure Oyj_

We believe that the EPP market now looking at the EPP suite, which is the case for us similarly, as with most of the competitors where you combine EDR and some other components, we believe that the market growth perhaps being single digits, but perhaps not low single digit anymore. I think that the market growth has a little bit accelerated over the last few quarters. So, maybe the market growth is in the 5% to 8% growth. Definitely not double digits but not low single digit either.

MDR market growth is very hard to estimate, given that there are so many different actors who approach MDR differently. You have MSSPs who somehow claim that they can include MDR in the MSSP service, and many other variations like that. So, it's very difficult to carve out an MDR market exactly how we operate it. But our best stab at that question perhaps is that the market growth should be around 20%.

**Henri Kiili**  
_Investor Relations and Treasury Director, F-Secure Oyj_

Yes. I guess this one relates to EPP and MDR both. So, new sales has been negatively impacted by COVID. Do you see pent-up demand once the situation eases and in which service areas?
Samu Konttinen  
President & Chief Executive Officer, F-Secure Oyj

We see probably that Endpoint Protection, as we commented that we were quite happy with the sales momentum in EPP space. So, we don't think that the COVID has impacted Endpoint Protection sales much. So, on that front, and also market-wise, it is a very mature market, that there is very rarely a kind of a greenfield sales. Mostly, it is a replacement game. So, I don't believe that in that front, we have much at all pent-up demand.

MDR space, we see that customers are sometimes now taking longer time to decide to figure out what sort of cyber security budgets they should have now in these new circumstances for them, so there are probably some pent-up demand. But in cyber security consulting, which was not part of the question, but we believe that on that front, there could be significant pent-up demand. But jury's still out there. It's difficult to say. We just see much more that our clients are postponing the projects, and the sentiment, the discussions are much more about postponing the projects rather than we shouldn't do them ever. So, we believe that in cyber security consulting, there easily could be quite some pent-up demand coming down.

Henri Kiili  
Investor Relations and Treasury Director, F-Secure Oyj

Thanks for the thorough answer. I guess that's it for the questions this time. So, finally, Samu, on behalf of all fellows, thank you, and all the best.

Samu Konttinen  
President & Chief Executive Officer, F-Secure Oyj

Thank you, Henri, and thanks, everybody. Bye-bye.