

F-Secure Q4 / 2018

**BUSINESS IN STRATEGIC GROWTH
AREAS PERFORMED WELL
CORPORATE SECURITY UP BY 48%**

AGENDA

Key takeaways from Q4

Key figures

Business updates

Outlook

Financials

KEY TAKEAWAYS FROM Q4

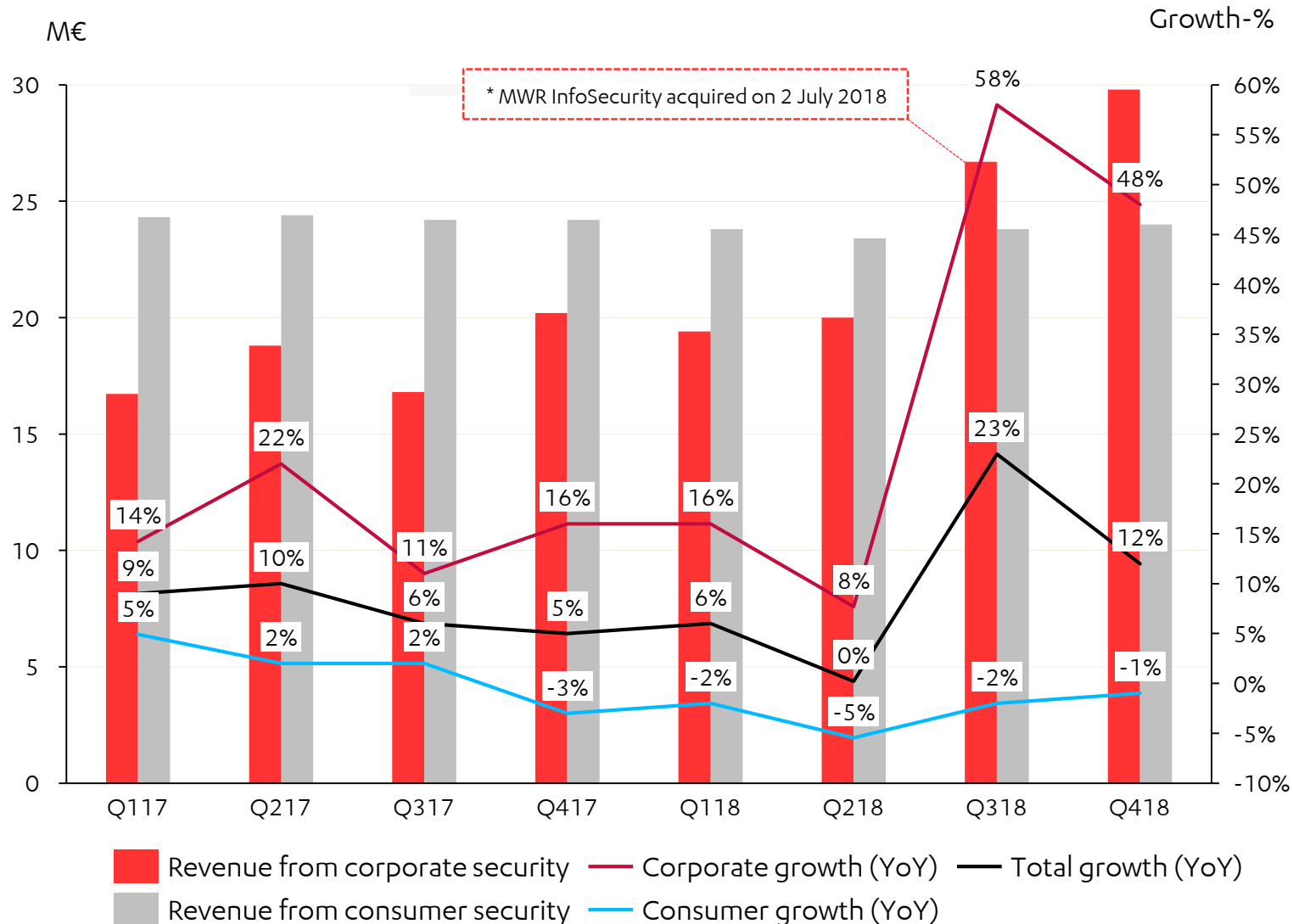
- **In corporate security, progress was made with our strategic growth businesses**
 - Very strong progress with MDR solutions with a large amount of deals closed in several countries
 - Integration of MWR InfoSecurity proceeding well, consulting business is performing well
 - Successful launch of the new EDR solution with first deals signed in eight countries, well-received by partners and customers alike
- Consumer security continued stable progress, as expected
- Adjusted EBITDA at the higher end of our expectations

KEY FIGURES

EUR m	10-12/2018	10-12/2017	Change	1-12/2018	1-12/2017	Change
Revenue	53.7	44.4	21 %	190.7	169.8	12 %
of which corporate security	29.8	20.1	48 %	95.9	72.2	33 %
of which consumer security	24.0	24.3	-1 %	94.9	97.5	-3 %
Adjusted EBITDA¹⁾	4.9	5.4	-11 %	17.4	18.2	-4 %
% of revenue	9.0 %	12.2 %		9.1 %	10.7 %	
M & A expenses	-0.3			-3.6	-0.4	
EBITDA	4.5	5.4	-16 %	13.8	17.8	-22 %
Depreciation & amortization	-2.0	-1.6		-6.8	-5.9	
PPA amortization	-1.2	-0.1		-2.5	-0.4	
EBIT	1.4	3.7	-62 %	4.5	11.5	-61 %
Earnings per share (EUR)	0.00	0.02	-112 %	0.01	0.07	-92 %
Deferred revenue				72.9	65.7	11 %
Cash and financial assets at fair value through P&L				27.9	90.2	-69 %
Personnel, end of period				1,666	1,104	51 %

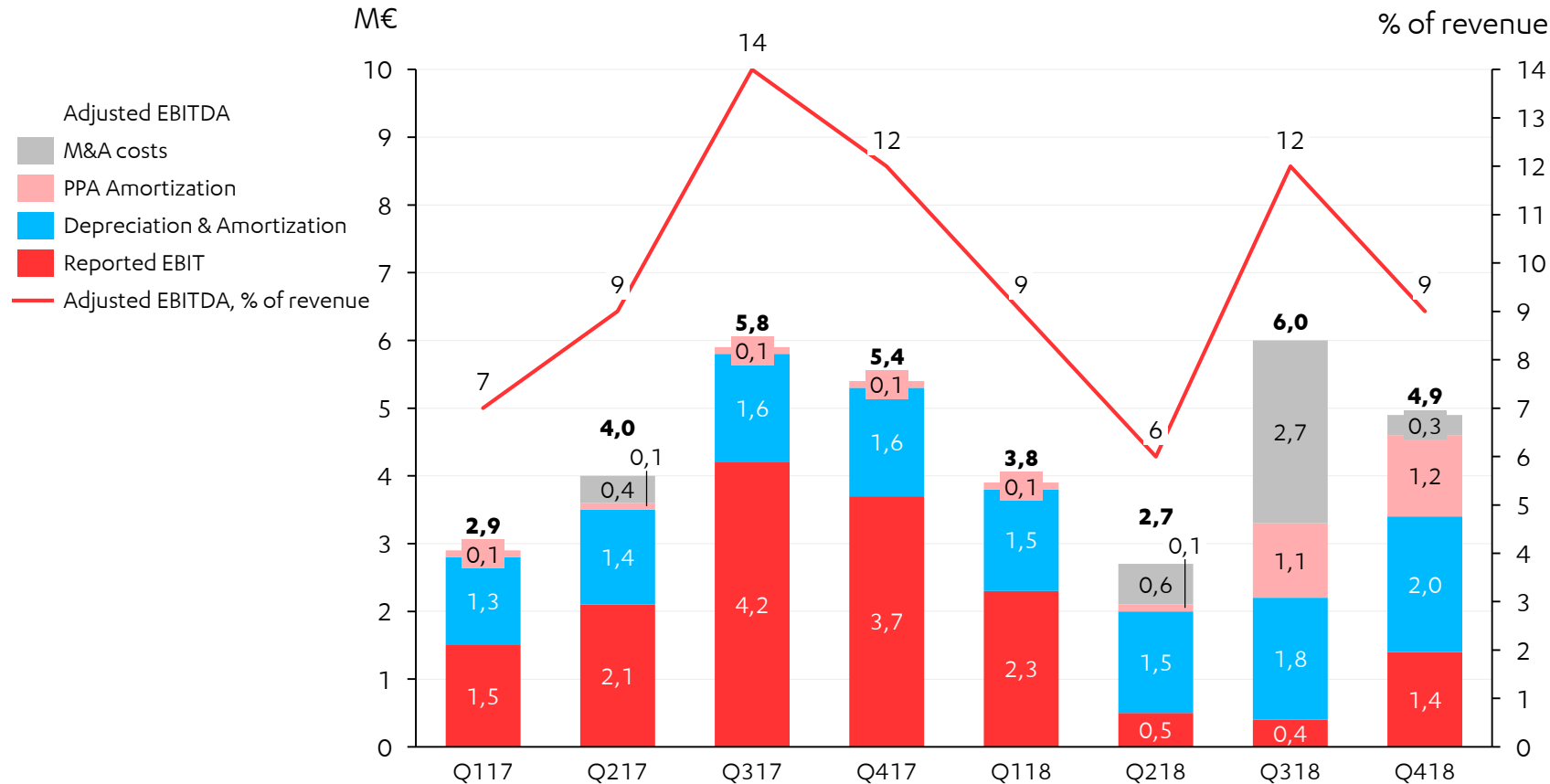
¹⁾Adjustments are material items outside normal course of business associated with acquisitions, integration, gains or losses from sales of businesses, and other items affecting comparability.

CORPORATE SECURITY DRIVING GROWTH



- Corporate security revenue is our largest business (55% in Q4/2018), and grew by 48% in Q4/2018
- The majority of our corporate security order intake comes from new products and solutions addressing growth markets
- The market for detection and response solutions is growing the fastest

ADJUSTED EBITDA AT THE HIGHER END OF EXPECTATIONS



- F-Secure continues to focus on growth, and is investing in product development as well as sales and marketing, and cyber security consulting expansion
- We have managed our operating expenses well

Adjustments are material items outside normal course of business associated with acquisitions, integration, gains or losses from sales of businesses and other items affecting comparability.

CORPORATE SECURITY REVENUE GREW BY +48% IN Q4

CORPORATE SECURITY PRODUCTS

- MDR order intake in strong growth, increased significantly from the previous quarter
 - A large number of deals in several countries, in several industry verticals, including finance and defense
 - Customer satisfaction and renewal rates very high
- Endpoint security at previous year's level
 - Renewals at a high level, new customer acquisition slightly improved, but was lower than during previous year
 - Customers are supplementing their EPP solutions with new EDR functionalities
- F-Secure's new **EDR solution** launched in November, first sales in eight countries, well-received by partners and customers alike
 - Unique "Elevate to F-Secure" feature appreciated

F-Secure EDR's unique "Elevate to F-Secure" functionality



F-Secure Partner



1. DETECTED ANOMALY

A potential targeted attack was detected but it cannot be confirmed by the F-Secure Partner

F-Secure's experts respond 24/7 to the Elevate to F-Secure requests by analyzing the threat and providing actionable advice on attack containment and remediation

2. ELEVATED TO F-SECURE

The Partner choose "Elevate to F Secure" to request F-Secure's assistance

3. RESOLVED WITH EXPERT'S GUIDANCE

Actionable response guidance from cyber security experts helps to respond fast

TESTIMONIALS OF OUR COMPETITIVENESS

WINNING MOST DEMANDING CUSTOMERS

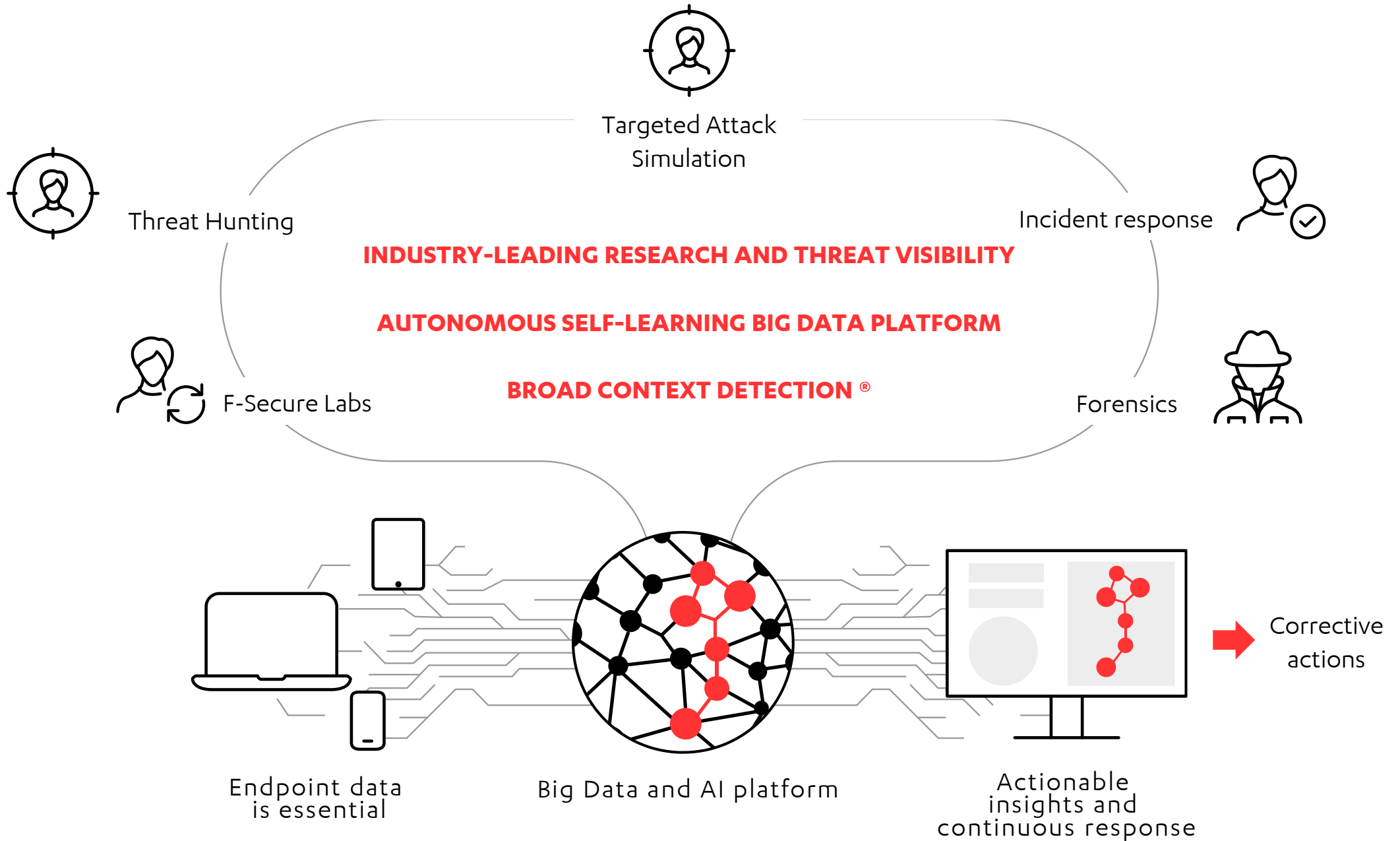
A very demanding **defense contractor** expanded their protection with sophisticated detection and response capabilities (MDR)

WINNING MDR DEALS THROUGH CONSULTING

A large **financial institution** who had been our consulting customer in the past, added our MDR solution.

EXPANDING CROSS-SELL OPPORTUNITIES

An **accounting company** supplemented their existing EPP subscription with our MDR solution.



CORPORATE SECURITY REVENUE GREW BY +48% IN Q4

CYBER SECURITY CONSULTING

- Order intake in strong growth driven by the increased contribution from MWR InfoSecurity
- Continued strong demand in the market, and successful recruitment, F-Secure particularly strong in the finance industry serving several of the largest banks in the world
- Consultancy business in the UK bounced back to an all-time high level, the impact of integration activities started to wear off
- In the US, Singapore and South Africa consultancy business in good growth
- In the Nordics, order intake lower than during the previous year, tough comparison period including large deal

Our global presence in cyber security consulting is a real strength when serving international customers



CAPABILITY

250+







Technical consultants

CLIENTS

250+

Clients

ADDRESSING SEVERAL GROWTH MARKETS

PREDICT		PREVENT		DETECT & RESPOND	
Cyber security consulting					
					
2016	2018		2018	2016	2018
Vulnerability management	Anti-phishing behavioral management	Endpoint protection	Endpoint detection and response	Managed Detection & Response	Managed Threat Hunting
Radar	Phishd	Protection Service for Business	Rapid Detection & Response (EDR)	Countercept (MDR)*	

* Including RDS

CONSUMER SECURITY REVENUE AT THE PREVIOUS YEAR'S LEVEL IN Q4

OPERATOR CHANNEL

- Order intake at previous year's level
- Signed first F-Secure SENSE SDK deals, and negotiations on-going with several operators and leading router manufacturers
- Signed new or extended operator contracts in Europe, United States and Latin America
- Continued to successfully work with partners globally to increase product activation rates

In 2018 we continued to win new accounts



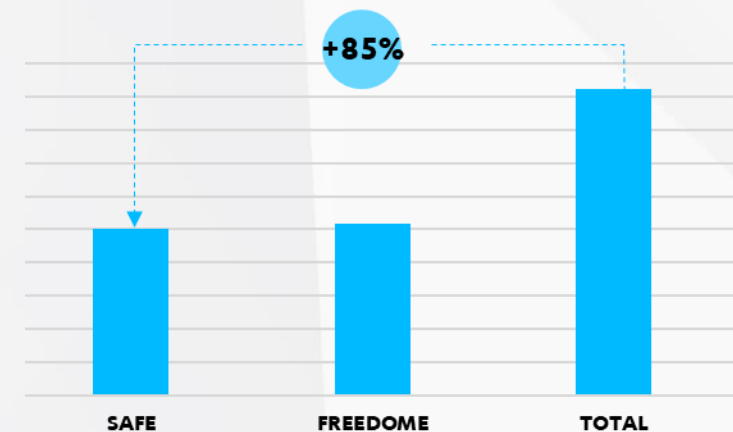
CONSUMER SECURITY REVENUE AT THE PREVIOUS YEAR'S LEVEL IN Q4

DIRECT SALES

- Order intake at previous year's level
- Renewals at a good level
- Continued focus on selling broad consumer portfolio to increase average revenue per customer (ARPU)



AARPU* uplift with F-Secure TOTAL



AARPU = Annualized Average Revenue per User

OUTLOOK FOR 2019

- Revenue from corporate security is expected to grow by over 30% compared to 2018
- Revenue from consumer security is expected to stay approximately at the same level as in 2018
- Adjusted EBITDA is expected to be above EUR 15 million excluding the impact of IFRS 16

OUTLOOK FOR 2018-2021 UNCHANGED

- The demand for corporate cyber security products and services is expected to grow strongly. F-Secure aims to grow faster than the market, with revenue from corporate security expected to grow above 15% annually during our strategy period 2018-2021.
- Driven by the anticipated revenue growth and scalable business model, the company's profitability is expected to improve significantly in the long-term. The board and the management continuously seek to balance growth investments and profitability to optimize long-term value creation for the shareholders.

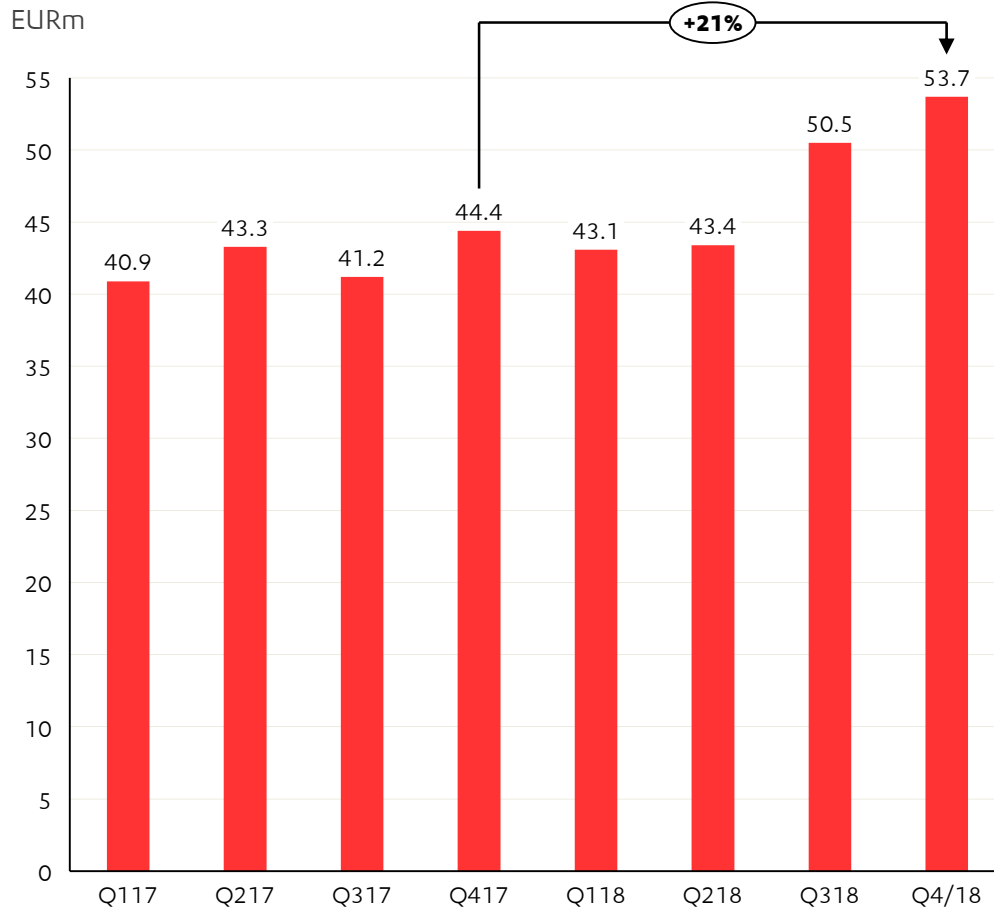
FINANCIALS

Q4 2018

All income statement figures refer to continuing operations, and figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.



REVENUE

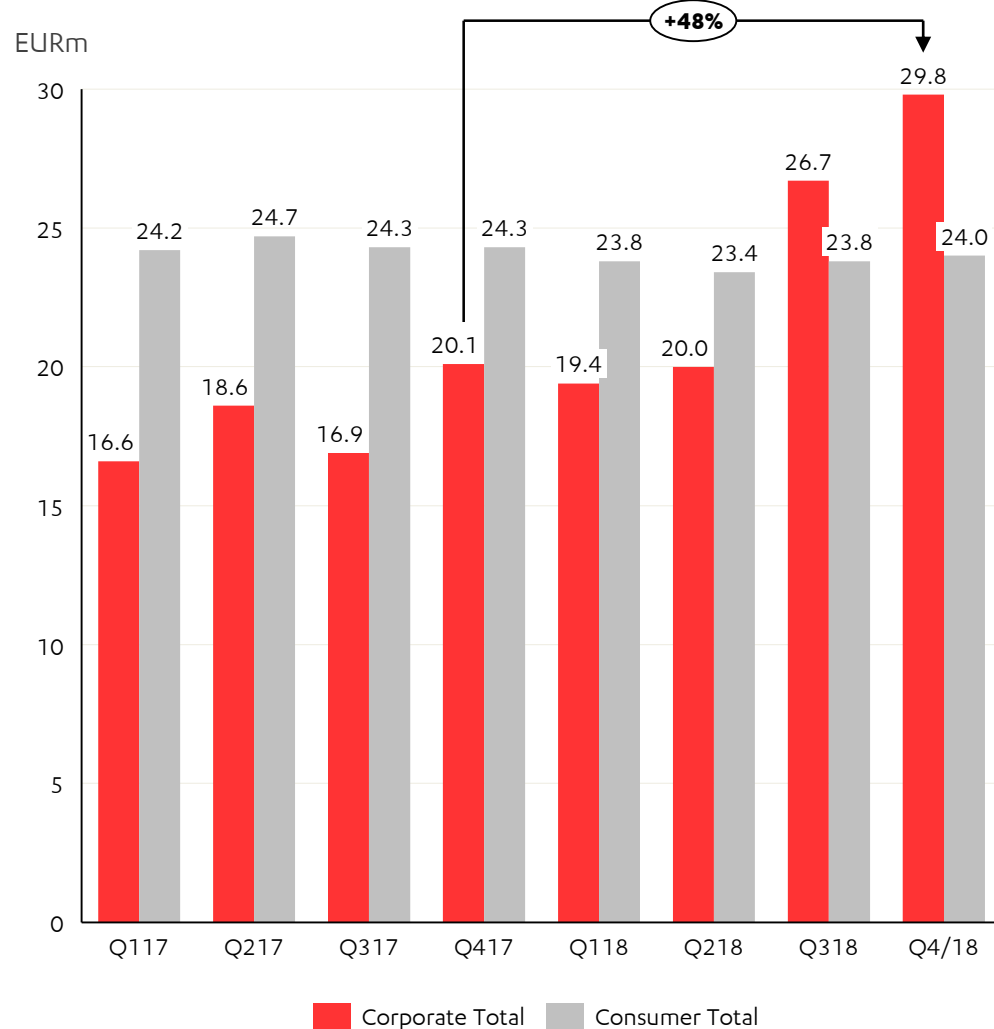


October-December

- Revenue increased by 21% y-o-y
- Total quarterly revenue 53.7m (Q417: 44.4m)

Revenue

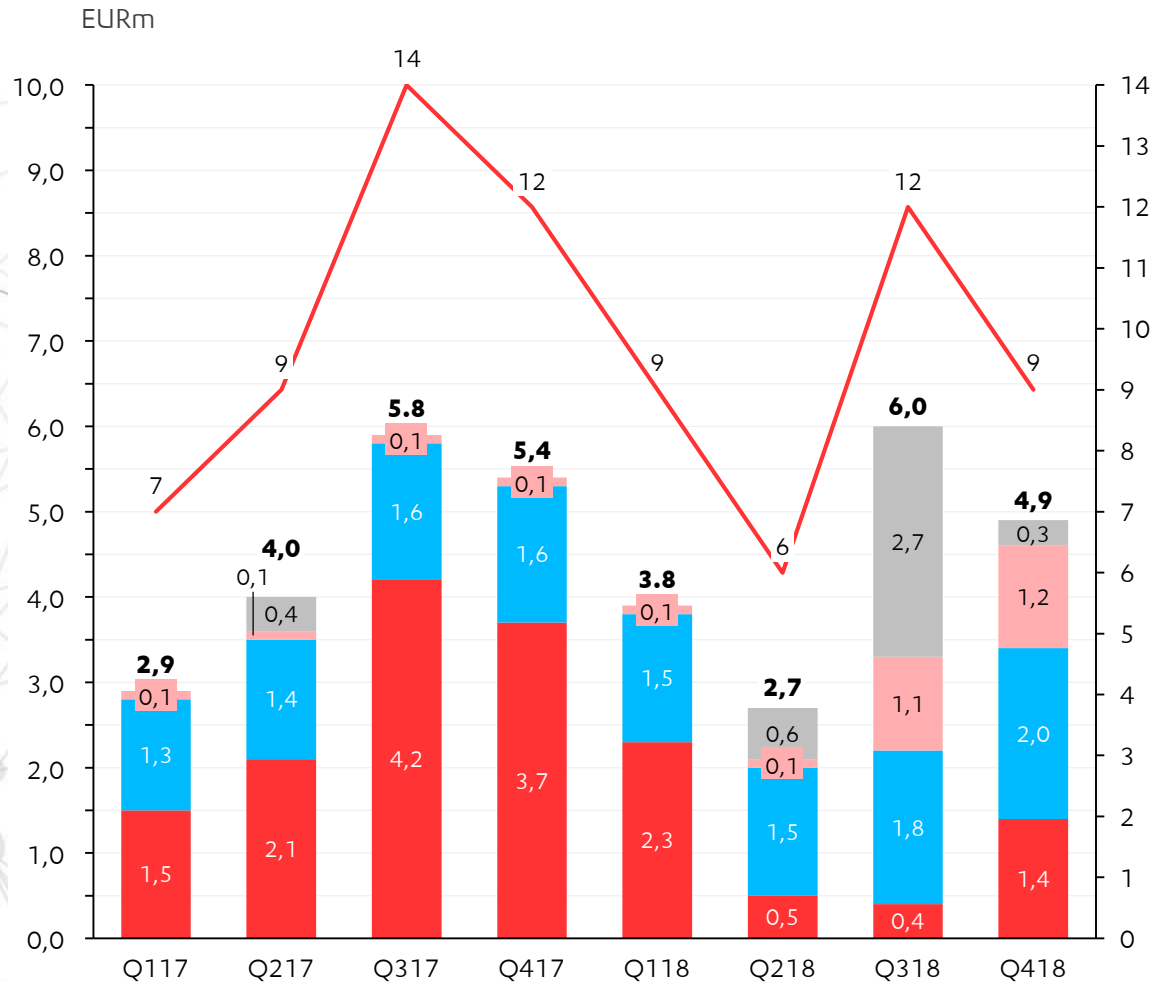
REVENUE SPLIT



October-December

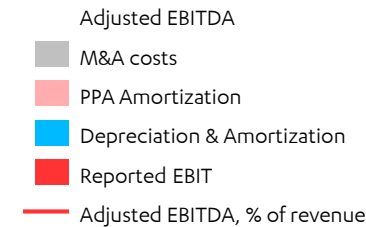
- Revenue from corporate security increased by 48% totalling EUR 29.8 million (20.1m)
- Revenue from consumer security was at the previous year's level at EUR 24.0 million (24.3m)
- Corporate security represented 55% (45%) and consumer security 45% (55%) of total revenue

PROFITABILITY

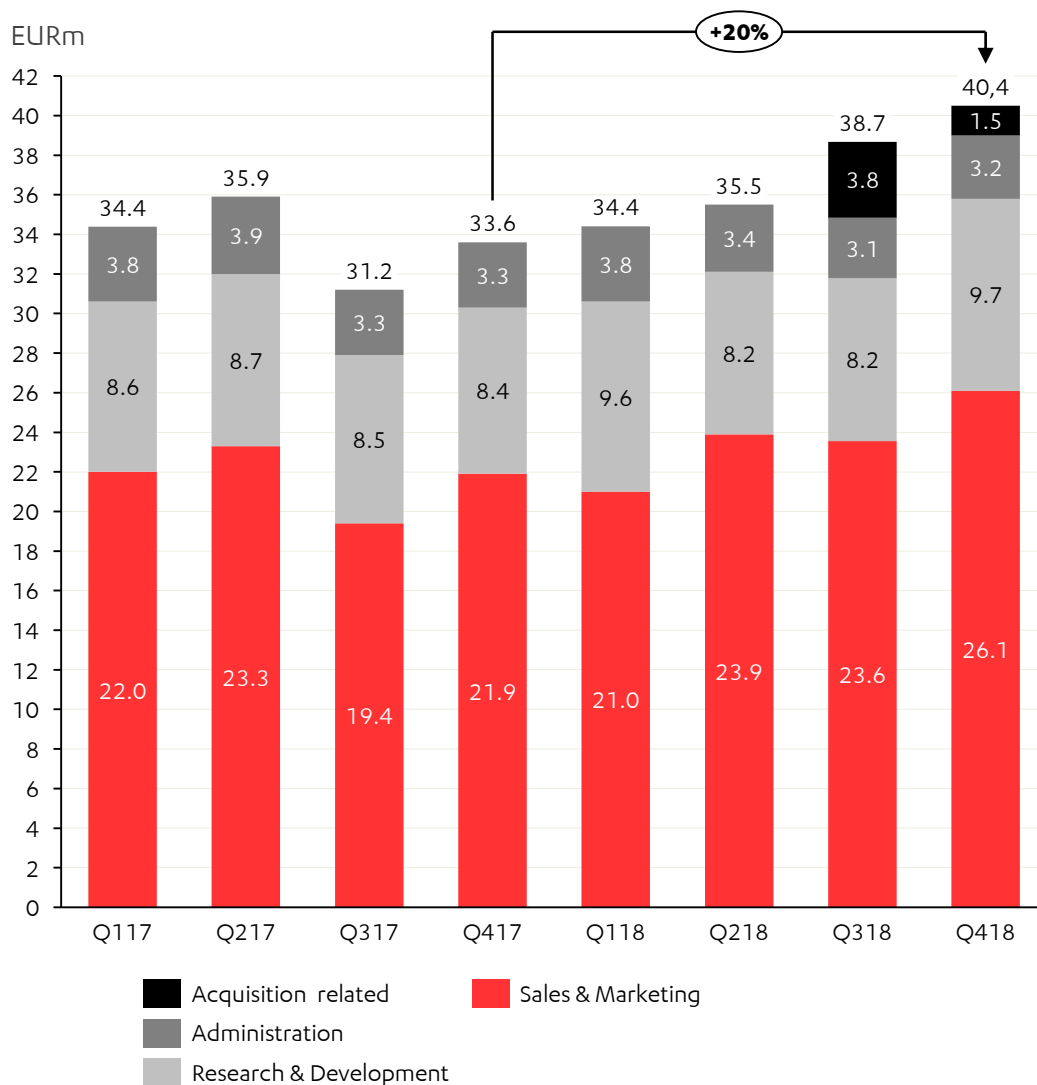


October-December

- Adjusted EBITDA 4.9m, 9.0% of revenue (5.4m, 12.2%), excluding EUR 0.3 million of costs related to the acquisition of MWR InfoSecurity
- Earnings per share (EPS) EUR 0.00 (EUR 0.02)



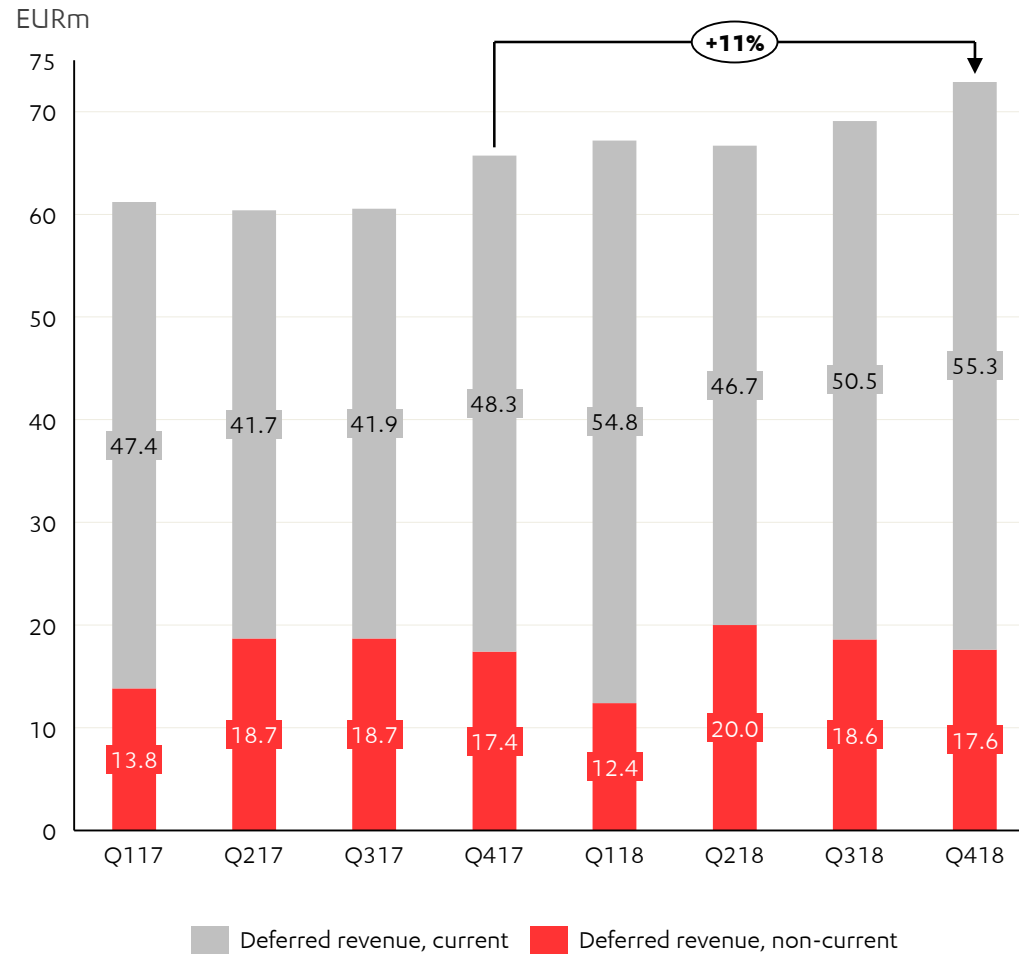
OPERATING EXPENSES



October-December

- Operating expenses 40.4m (33.6m), +20% y-o-y, due to the acquisition of MWR InfoSecurity
- Expenses for the period include EUR 1.5 million of acquisition and integration related costs

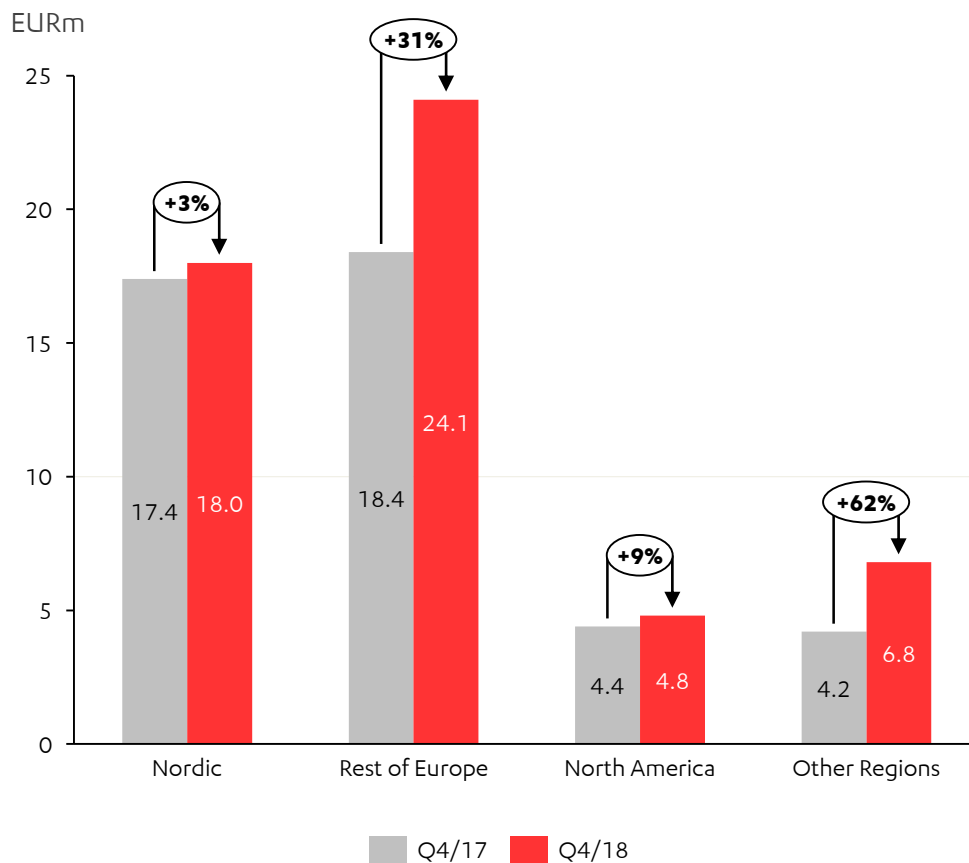
DEFERRED REVENUE



31 December 2018

- Deferred revenue increased by 11% y-o-y to EUR 72.9m (EUR 65.7m), driven by the increased contribution from the acquired MWR InfoSecurity, and increasing order intake from corporate security products and services with long-term contracts

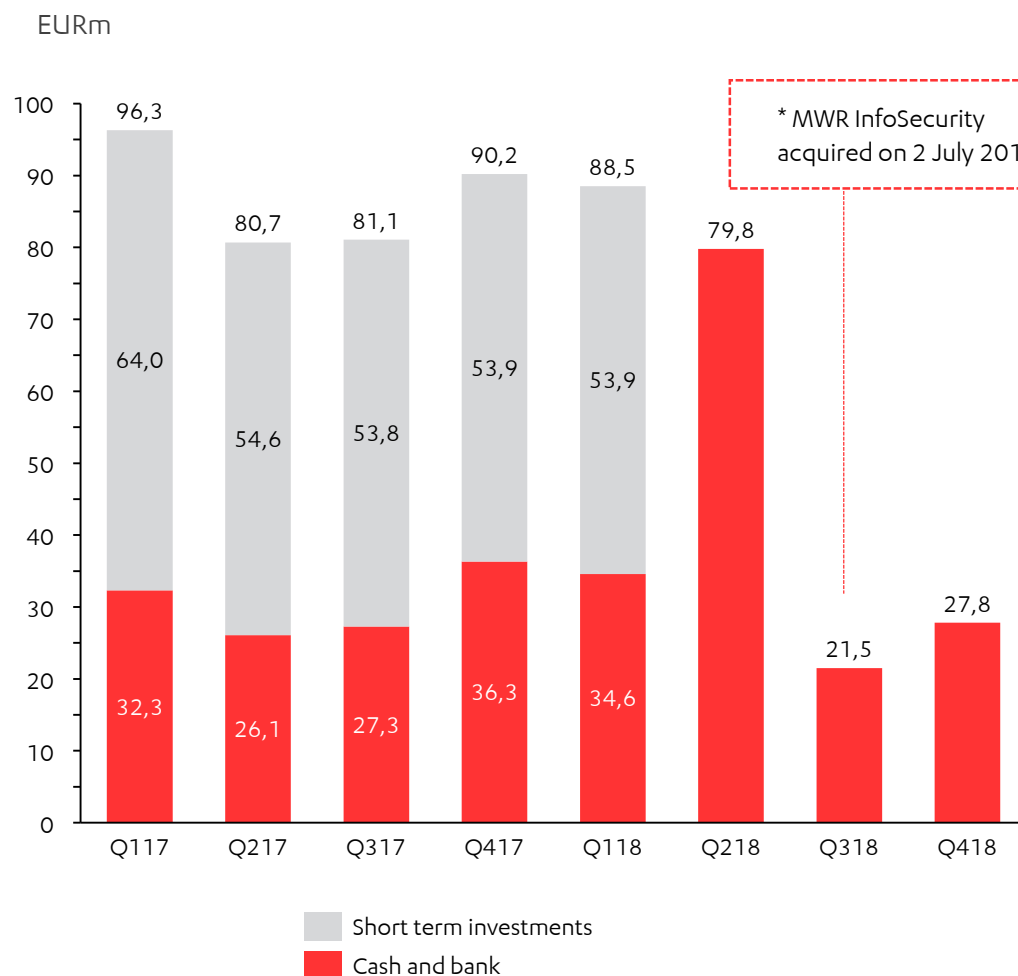
REGIONAL REVENUE



October-December

- Revenue increased in all regions
- In Rest of Europe, North America and in Other regions increases were driven by the increased contribution from MWR InfoSecurity

BALANCE SHEET CHANGE DUE TO THE ACQUISITION



October-December

- The main driver behind the change in cash position was the acquisition of MWR InfoSecurity
- Cash flow from operating activities before financial items and taxes was 10.5m (13.1m).
 - Cash flow decreased due to decline in EBIT and a change in net working capital. Acquisition and integration related costs impacted cash flow negatively in third quarter.
- Cash flow from operations was EUR 8.3 million (11.4m).
- Gearing ratio was 13.9% (127.8% negative)
- F-Secure's financial position remained solid. Short term investments were sold in June 2018 as F-Secure prepared to finance the acquisition of MWR InfoSecurity in the beginning of third quarter.

NUMBER OF PERSONNEL

October-December

- At the end of the quarter, F-Secure had 1,666 employees (1,104)
- In Q3/18, the increase in personnel from the acquisition of MWR InfoSecurity was 391

