

# ALL BUSINESSES CONTINUED TO GROW – REVENUE UP BY 25% IN Q2

**Q2/2019**

Samu Konttinen, President & CEO



# KEY TAKEAWAYS FROM Q2

## All businesses continued to grow – revenue up by 25 % in Q2

- Corporate security grew 50% from previous year
  - Endpoint protection continued to perform well, new sales improving and strong renewals
  - MDR with good revenue growth, several new deals in very demanding customer verticals
  - Consulting business had strong revenue growth especially in our largest markets
  - Consumer security revenue continued to grow driven by operator channel
- Adjusted EBITDA according to our expectations
- EBIT includes positive net impact of EUR 3.1 million related to MWR InfoSecurity acquisition valuation revision

# KEY FINANCIAL HIGHLIGHTS

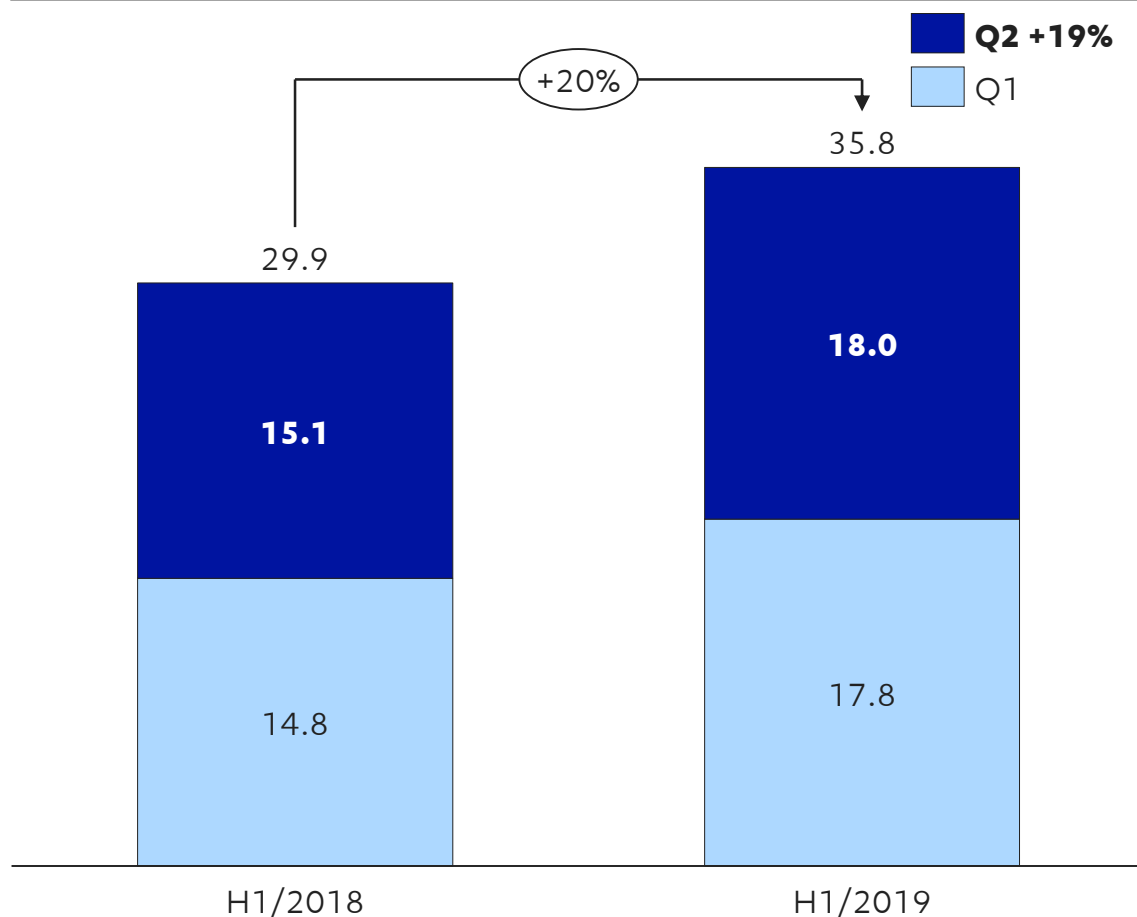
EUR m	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	1-12/2018
<b>Revenue</b>	<b>54.1</b>	<b>43.4</b>	<b>25 %</b>	<b>107.5</b>	<b>86.5</b>	<b>24 %</b>	<b>190.7</b>
Consumer security	24.0	23.4	3 %	48.0	47.1	2 %	94.9
Corporate security	30.1	20.0	50 %	59.5	39.4	51 %	95.9
Products	18.0	15.1	19 %	35.8	29.9	20 %	63.8
Consulting	12.1	4.9	146 %	23.7	9.5	148 %	32.0
<b>Adjusted EBITDA<sup>1</sup></b>	<b>4.8</b>	<b>2.7</b>	<b>94 %</b>	<b>9.8</b>	<b>6.6</b>	<b>52 %</b>	<b>17.4</b>
% of revenue	8.9 %	6.3 %		9.1 %	7.6 %		9.1 %
Adjustment to operating income	9.1			9.1			
M & A expenses		-0.6			-0.6		-3.6
<b>EBITDA<sup>1</sup></b>	<b>13.9</b>	<b>2.1</b>	<b>574 %</b>	<b>18.9</b>	<b>6.0</b>	<b>213 %</b>	<b>13.8</b>
Depreciation & amortization <sup>1</sup>	-3.4	-1.5	131 %	-6.7	-3.0	125 %	-6.8
Impairment	-6.0			-6.0			
PPA amortization	-1.1	-0.1		-2.3	-0.2		-2.5
<b>EBIT<sup>1</sup></b>	<b>3.3</b>	<b>0.5</b>		<b>3.9</b>	<b>2.7</b>	<b>41 %</b>	<b>4.6</b>
Earnings per share (EUR)	0.02	-0.00		0.01	0.00		0.01
Deferred revenue				71.0	66.7	6%	72.9
Cash and financial assets at fair value through P&L				25.5	79.8	-68 %	27.8
Personnel, end of period				1,710	1,201	42%	1,666

<sup>1</sup>IFRS 16 increased Adjusted EBITDA and EBITDA by EUR 1.7 million during Q2 and EUR 3.2 million during first half. Impact on adjusted EBIT and EBIT was EUR 0.1 million during Q2 and EUR 0.1 million during first half. Depreciation and amortization increased by EUR 1.6 million during Q2 and by EUR 3.1 million during first half.

# CORPORATE SECURITY PRODUCTS REVENUE GREW 19% IN Q2

(H1/2019, EUR m)

## Revenue comparison<sup>1</sup>



## Revenue from endpoint security increased from previous year

- New customer acquisition improved supported by large deal with significant service provider
- EPP renewal rate remains high
- EDR in its early days as partner onboarding continues

## Revenue from MDR solutions grew well in Q2

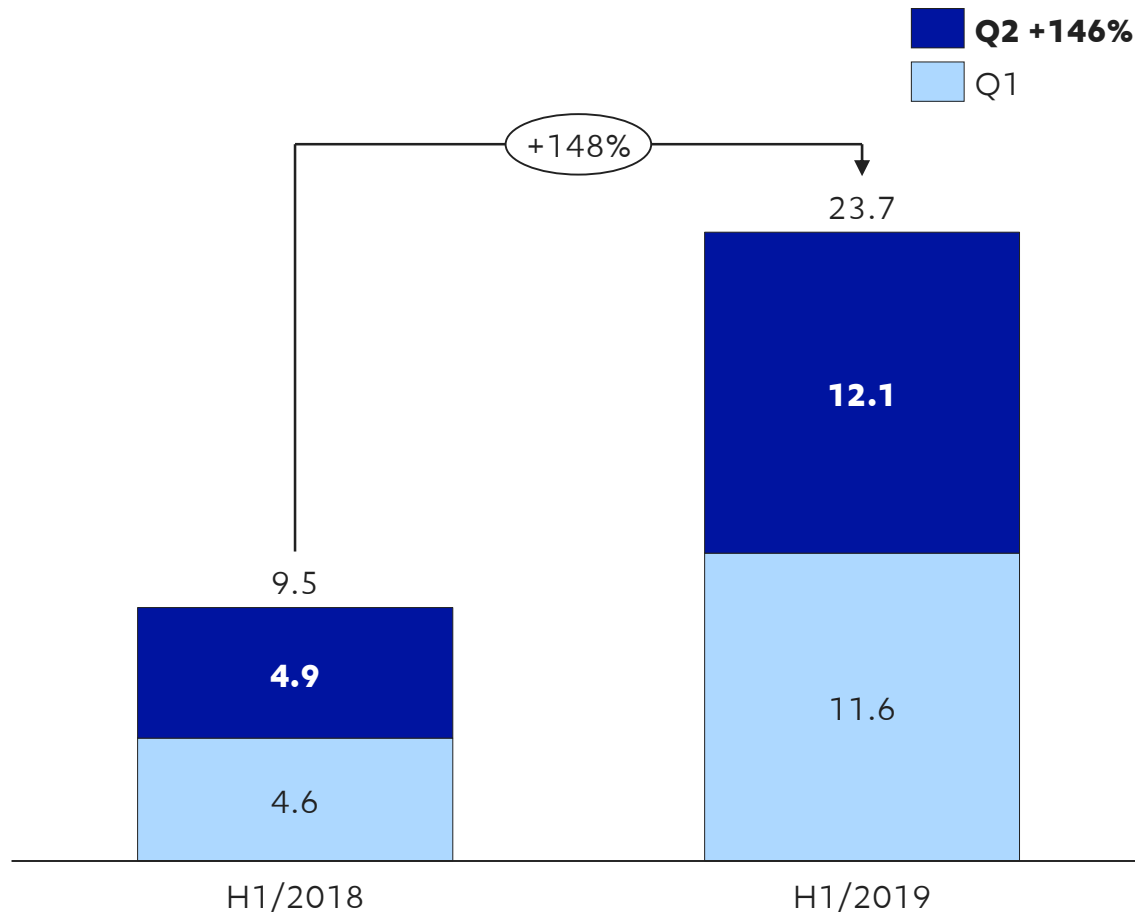
- We won several new MDR customers including companies in very demanding verticals such as finance, technology and critical infrastructure
- Winning MDR customers in our main markets UK, Germany, Finland and France

<sup>1</sup>Increased revenue driven by both the contribution from the acquired MWR InfoSecurity as well as continuing organic growth

# CYBER SECURITY CONSULTING REVENUE GREW BY EUR 7.2M YOY IN Q2

(H1/2019, EUR m)

## Revenue comparison



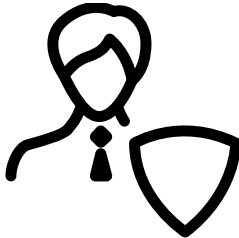
## Cyber security consulting revenue continued grow well

- Our largest markets, UK and Nordics, performing well
- Achieved growth arises from customer expansions and successful new customer acquisition
- Many customer chose F-Secure in Incident Response assignments – highlights our capabilities in one of the most demanding cyber security practices

# DIRECTION AFTER MWR ACQUISITION

## What did we acquire?

### Cyber security consulting



“Truly global technical cyber security advisory”

## Combination of MWR and F-Secure technologies

**CAPABILITY** Cyber Security Consultants  
**300+**

**RESEARCH** Publications & Research articles annually  
**250+**

### CUSTOMER VERTICAL: LARGEST BANKS

**5/5**  
UK

**5/5**  
NORDICS

**4/5**  
SINGAPORE

## What are we working on?

- Expanding Incident Response practice
- Further integrate the consulting units of F-Secure and MWR to fully leverage the combined capabilities
- For mature countries focus on improving profitability further
- In growth-driven markets reach sufficient scale

### Countercept

Managed detection & response



“Unrivaled detection and response offering when combined with F-Secure capabilities”



**Unique combination of**  
Countercept threat hunters and RDS experts



**Pre-planned methodology**  
against most sophisticated attacks



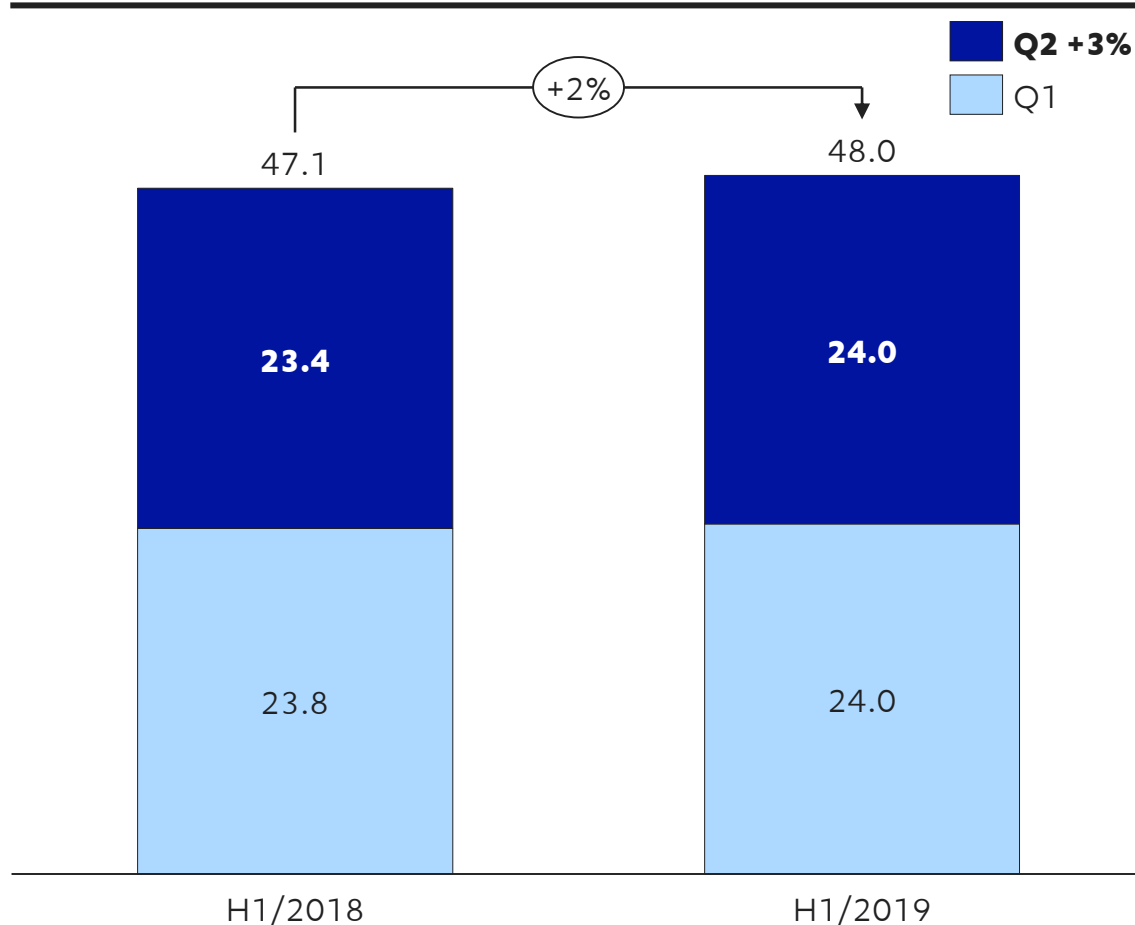
**Powerful technology stack**  
in detection and response

- Continue to sell Countercept and RDS as separate products
- Develop new F-Secure Countercept combining complementary detection and response capabilities
- Enable Threat Hunting platform access for customers and partners for differentiation
- Finetune go-to-market approach

# CONSUMER SECURITY - GOOD PERFORMANCE IN Q2

(H1/2019, EUR m)

## Revenue comparison



## Revenue from the operator channel continued to grow

- In North America a significant new operator deal was won. Customer broadened offering into router security via F-Secure SENSE and replaced competitor's endpoint solution with F-Secure SAFE
- Newly introduced Identity Protection has been well received and complements consumer security portfolio

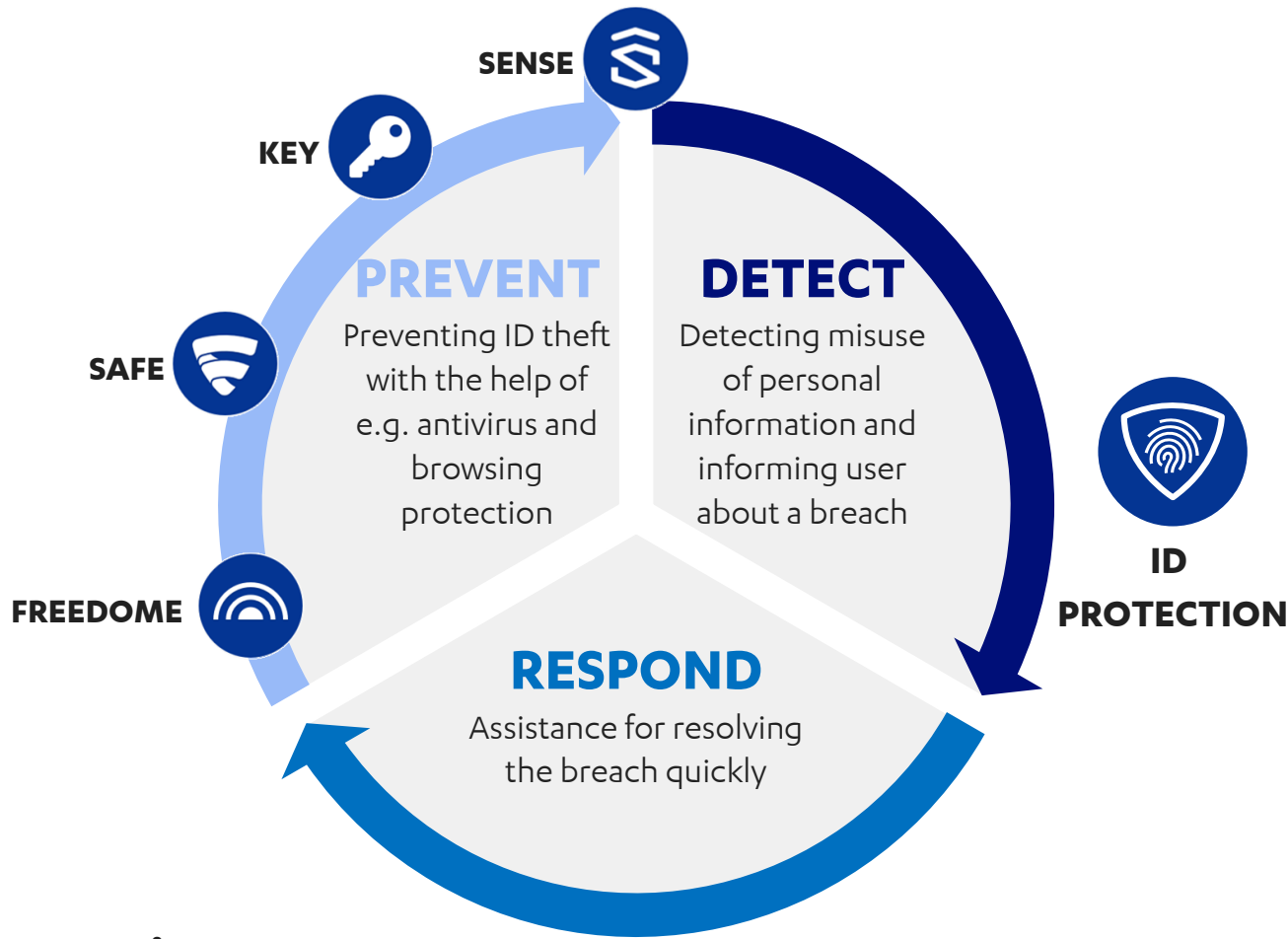
## Direct Sales revenue on the previous year level

- Renewal performance remained at a good level
- Strategic shift from retail to ecommerce is succeeding in several key countries such as UK and Germany
- Customers increasingly choose F-Secure TOTAL which drives improvement of average revenue per customer

# ANNOUNCED F-SECURE ID PROTECTION

*Comprehensive protection for consumers*

*Market demand for ID protection*



- Meet consumer concerns on data breaches
- Meet demand of first moving operator customers
- Create a high ARPU security offering combined with EPP, or a new revenue stream when sold stand-alone

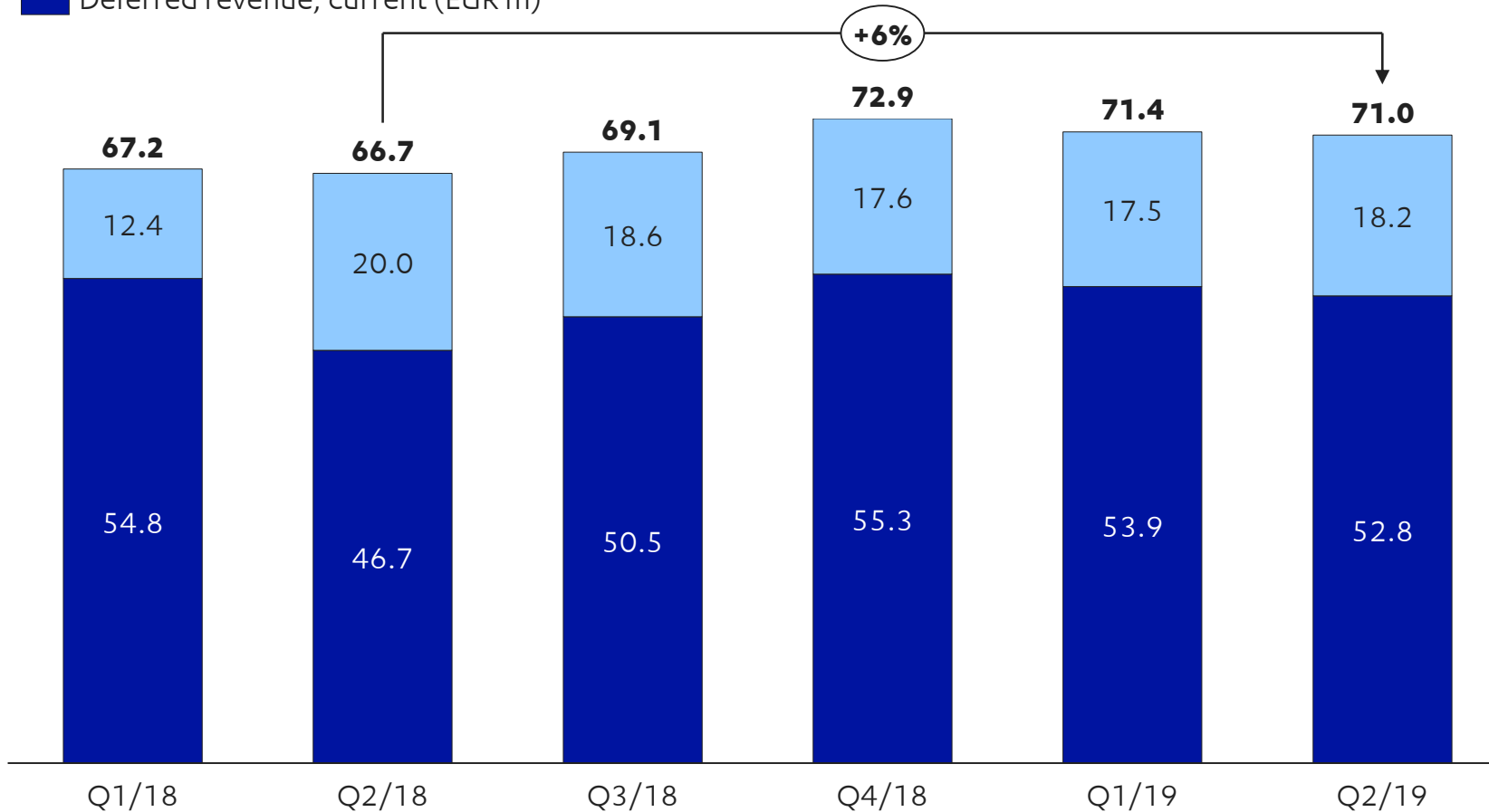


# DEFERRED REVENUE GREW BY 6%

(EUR m)

Deferred revenue, non-current (EUR m)

Deferred revenue, current (EUR m)



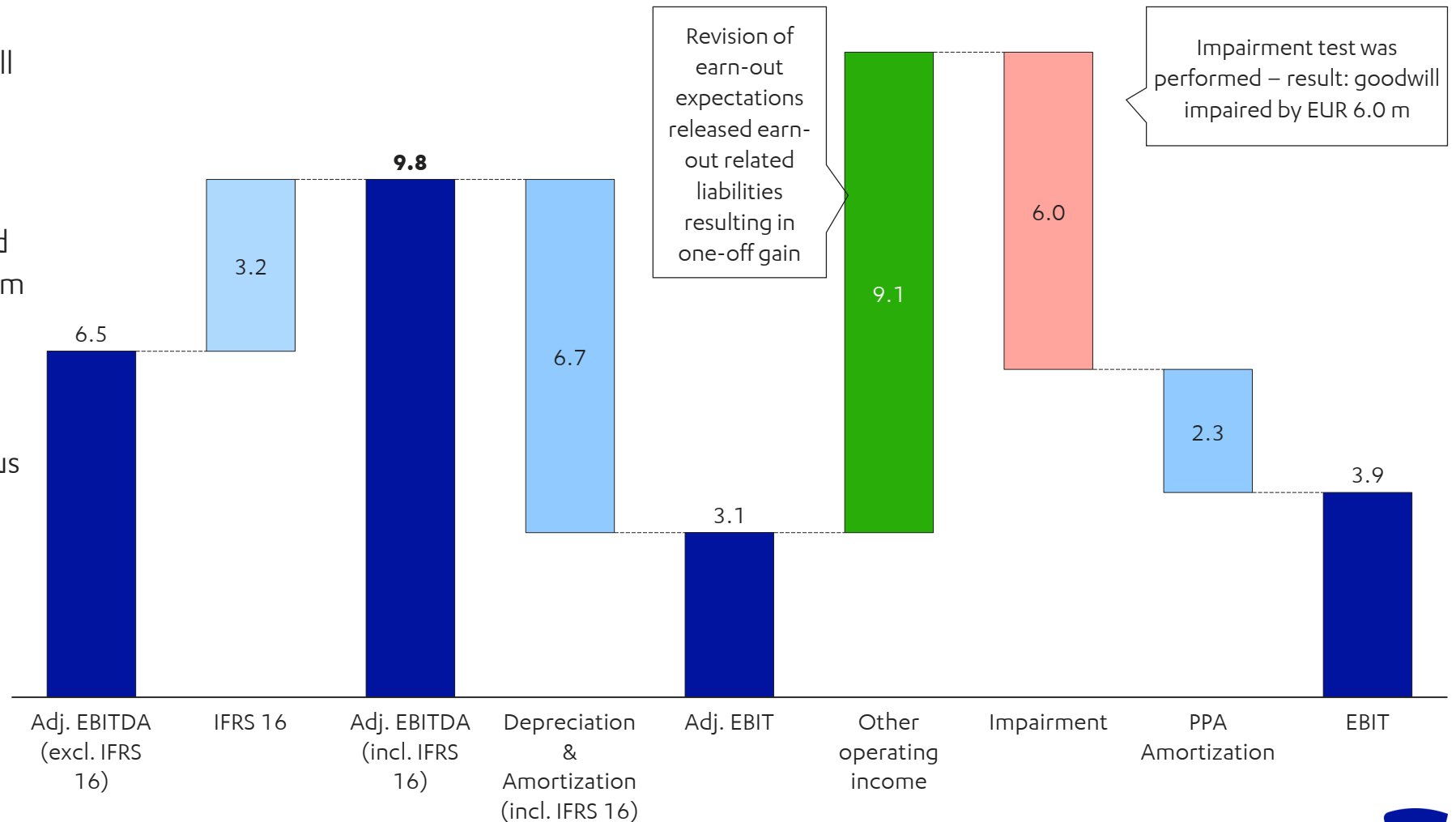
- Deferred revenue grew by 6% from Q2-2018 driven by the inclusion of MWR InfoSecurity
- In corporate product business shorter average contract duration and renewed discount policy
- Increased demand for SaaS
- Impacted by slower growth of endpoint protection during past year

# POSITIVE EBIT IMPACT EUR 3.1M FROM REVISION OF ACQUISITION VALUATION

(H1/2019, EUR m)

■ Reporting levels   
 ■ Ordinary items   
 ■ Positive one-off effect   
 ■ Negative one-off effect

- For the first 12 months period MWR has been performing well as part of F-Secure
- The acquisition of MWR consisted of the initial cash consideration of GBP 80 m and earn-out maximum of GBP 25 m subject to reaching financial milestones
- Acquired consulting business did not reach all very ambitious milestones, thus, earn-out outcome was revised accordingly



# FUTURE OUTLOOK UNCHANGED

## Outlook for 2019

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- 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 21 million including the impact of IFRS 16

## Outlook for 2018-2021

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- 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.

# APPENDIX

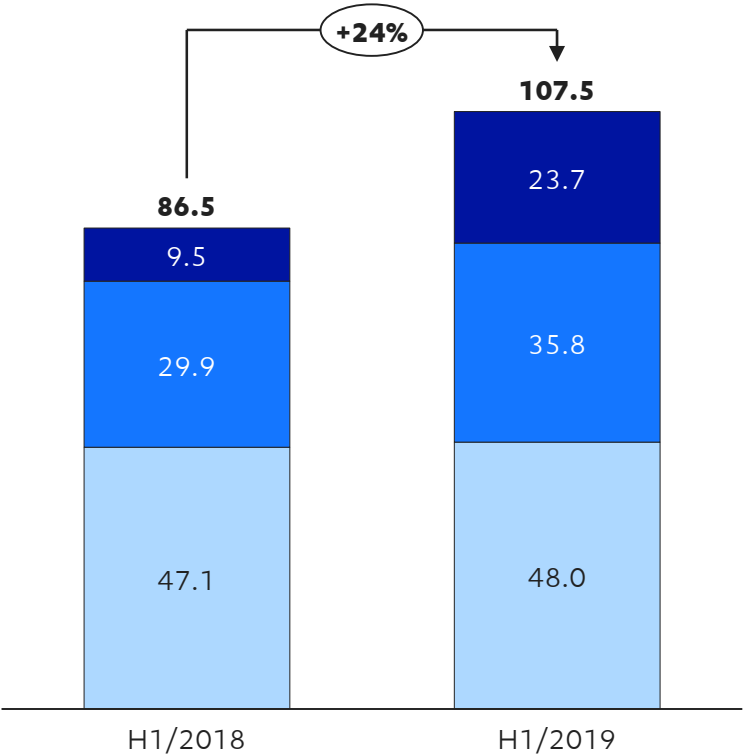


# F-SECURE'S H1/2019 IN BRIEF

(H1/2019, EUR m)

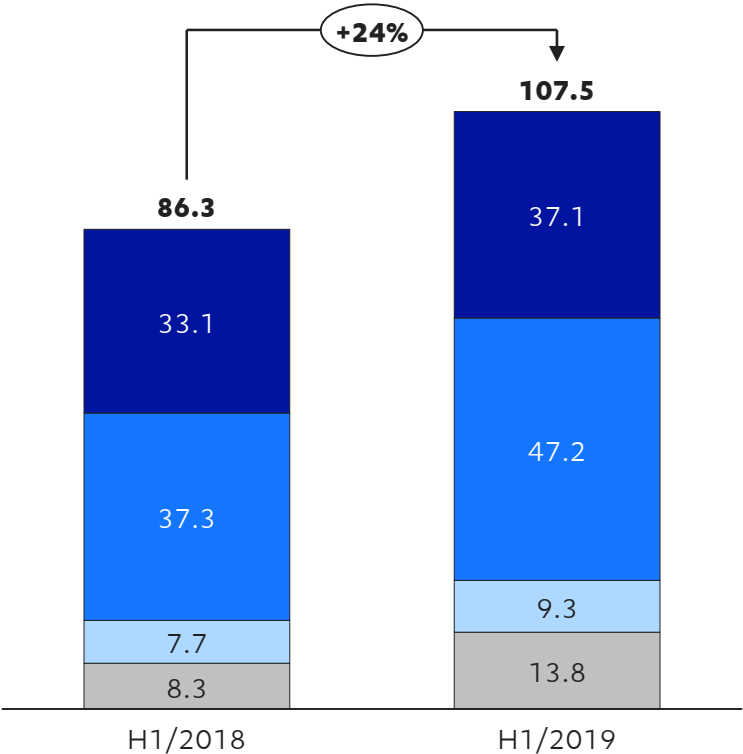
## Revenue split by business

- Cyber Security Consulting +148%
- Corporate Products +20%
- Consumer Security +2%



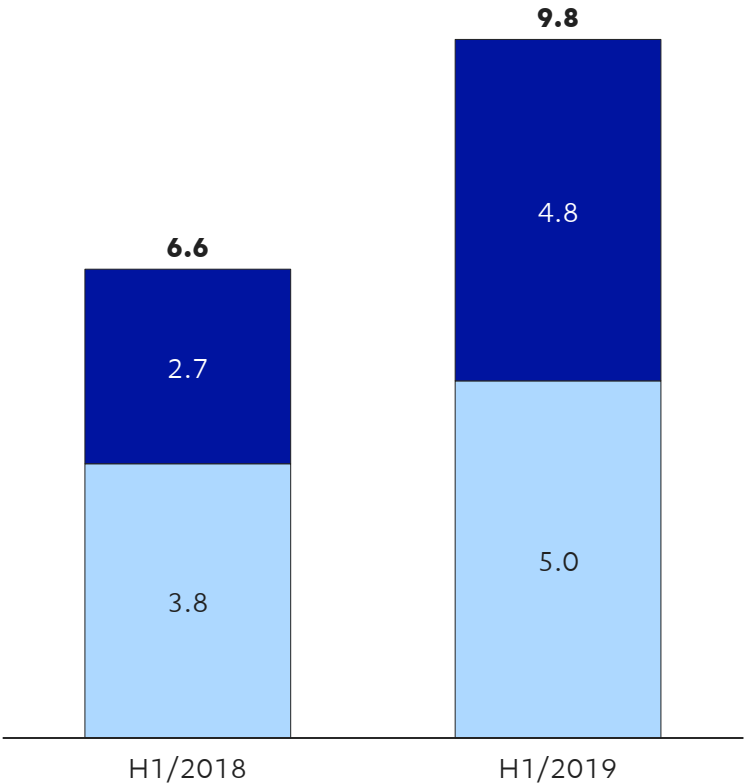
## Revenue split by geography

- Nordics +12%
- Rest of Europe +27%
- North America +22%
- Other Regions +67%



## Adj. EBITDA (incl. IFRS 16)

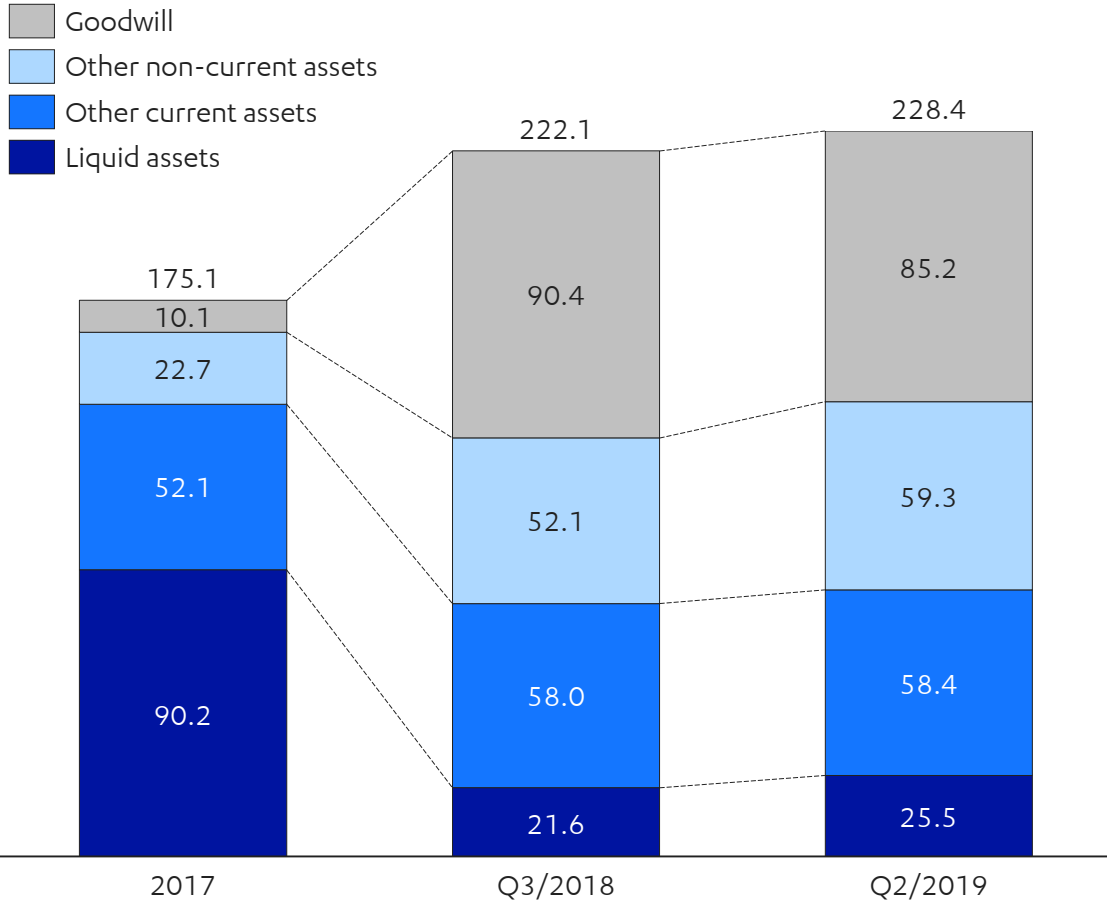
- Q2
- Q1



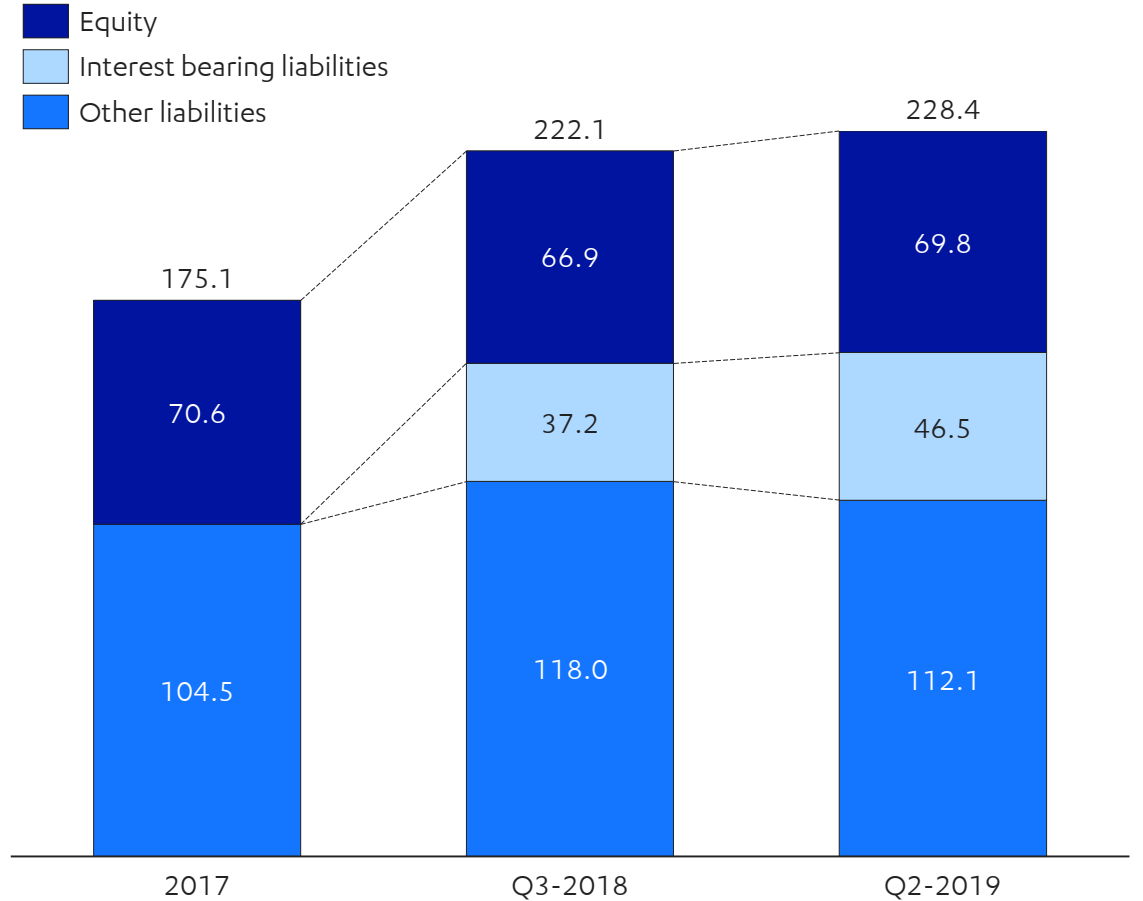
# BALANCE SHEET AFTER IMPAIRMENT

(EUR m)

## Change in Assets

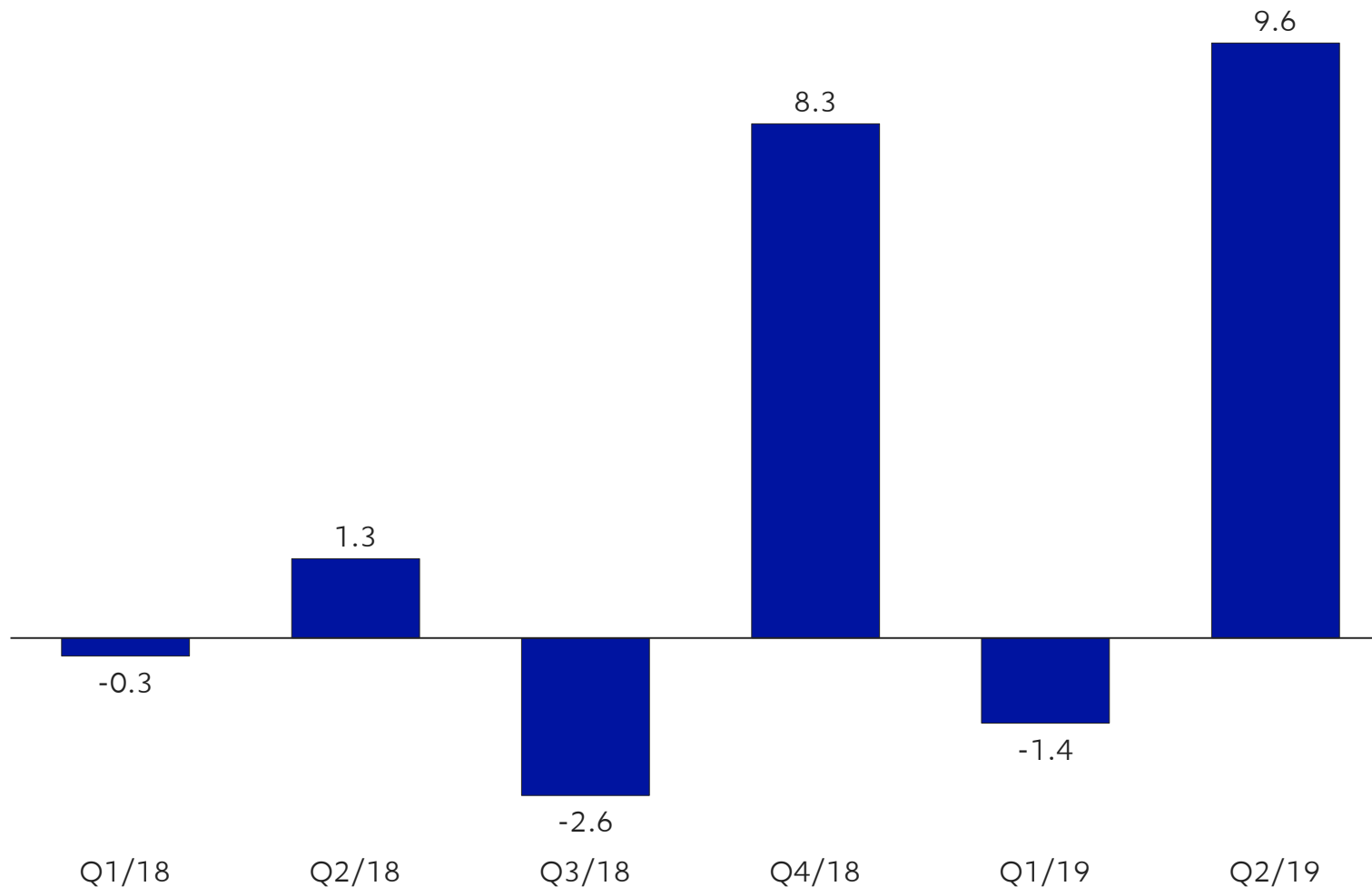


## Change in Equity & Liabilities



# STRONG CASH FLOW FROM OPERATING ACTIVITIES IN Q2/19

(Cash flows from operating activities, EUR m)



- Cash flow from operating activities in Q2 improved significantly
- Changes in NWC and tax refunds had positive impacts on cash flow
- IFRS 16 impact on operative cash flow was positive by EUR 1.5 million
- Cash balance at the end of Q2/19 was EUR 25.5 million



**F-Secure®**