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WithSecure Corp. (FSC1V.FI)

Q1 2023 Earnings Call

CORPORATE PARTICIPANTS

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

OTHER PARTICIPANTS

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Atte Riikola

Analyst, Inderes Oyj (Research Firm)

Jaakko Tyrväinen

Analyst, Skandinaviska Enskilda Banken AB (Finland)

MANAGEMENT DISCUSSION SECTION

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Good afternoon from WithSecure, Finland. My name is Laura Viitala. I am the Investor Relations Director of WithSecure. I want to wish you a very welcome to this Quarter One 2023 Result Release. Today as usual, we will have our CEO, Juhani Hintikka, talking about the business, how it was in the first quarter. And after that, Tom Jansson, CFO, talking us through the numbers. We will have questions and answers at the end of the session. If you are following us on the webcast, you can put in questions anytime. We will take them up at the end.

So welcome, all. And with this, I'm handing over to Juhani.

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

Thank you, Laura. Good afternoon, everybody on the line and here in the room. So let's dig into first quarter of 2023 for WithSecure. As the headline says, we grew our cloud revenue according to plans pretty much 31%. But our consulting business was impacted by the stormy waters in the financial sector and as you could see from the numbers.

So moving forward, key takeaways. And if I look at – come back to the cloud portfolio, cloud portfolio performed well. We had our ARR grew 27% year-on-year to the level of €81.5 million. We're just looking at a little bit earlier that there has been actually quite a market increase in this ARR over the past three years. So it continues on that trajectory that we are pleased to report.

Our NRR, which we now report, was at the level of 110%. That basically tells us how many of our current customers are buying more. And of course, this is a figure that you want to have well above 100% level. As said, cloud revenue grew by 31% year-on-year and underneath we have the endpoint detection and response where

we saw expansions and acquisition of new customers. That is very much driven by our Elements portfolio that we launched into the market a few years ago. And the progress has been very positive there.

Our MDR market where we operate is a high growth market. At the same time, it has remained very competitive. And what we have concluded is that this really requires well-focused sales efforts, good packaging of our solution, good collaboration, also sometimes with the channel as we have seen in that in Germany where we have a strong partner channel and those of course then resulting in good cases and growth. But we have also recognized that this requires more effort, which we are putting in there. So we will increase the level of productization and we will increase our marketing efforts during Q2 to support this specifically.

For cloud protection, for Salesforce that we have talked about previously, we now saw some of the first cases emerging in APAC where we have established a beachhead in Australia, which is one of the key markets for Salesforce itself. And we saw some new customer acquisitions there and we're very happy about this progress. For the on-premise products, our revenue declined as expected by €11 million (sic) [11%] (00:03:41) to the level of €6.4 million in the quarter. And as we have said previously, this base of customer, of course, provides one opportunity for us to upgrade these customers into the Elements portfolio and that work has continued.

And yes, the consulting revenue declined. And you may recall when we talked about it last autumn, we were building up capacity. We did have actually a very strong Q4 in terms of our revenue in consulting. Now we were hit by the turbulence in the financial sector. There were many large customers that decided pretty much last minute that they're going to delay or cancel and that that had an adverse impact in our numbers. Good news is that some of those have bounced back. We have already secured now orders from some of these customers now during Q2. But of course, we can't work on this. And also, I think an important thing which we need to make happen is to continue acquiring completely new customers, to broaden the customer base that we have and maybe decrease the impact of this volatility that we see in this sometimes in this segment. But as said, we expect this to be a temporary decline.

On the profitability side, adjusted EBITDA of minus €6.2 million. And of course, the key thing impacting future profitability, where the restructuring activities that we conducted during Q1. The outcome being that there was a decrease of 84 people from our payroll. And in addition, we saw some attrition. So the global impact maybe was about 100 people on an annual level. And we are on track with the estimated savings on an annual level of €14 million. And that, of course, this is part of our plan that we have communicated earlier of hitting profitability by the fourth quarter of this year. And we did record a one-off restructuring cost regarding this process.

Regarding profitability, I would still add that what I said previously about the competition and our need to make more marketing efforts, this will be reflected in Q2 spending. One of our largest events will take place in May called Sphere, and that of course is part of that marketing effort. But overall, we will make dedicated marketing efforts that will be reflected then.

The market continues to grow. That is very good news. And the demand overall is strong, not at the same time, especially in the larger enterprise segment, we see some customer decision making that is sometimes slower or delayed, and we see some of this impacting our business as well.

Regarding new products, new solutions, Q2 will be really important for us. We will be launching four new products and solutions as part of the Elements portfolio of both services and software products. And that integrated portfolio will become even stronger. And we see excellent opportunities now, especially in focusing our efforts in the mid-market, which clearly is our sweet spot in terms of the overall customer base that we have. And this will be one of the main topics that we will be talking about at Sphere at the end of May. And of course, we expect this

to contribute positively to our growth and strengthen our positioning and make us more attractive also for the partner channel.

With that, I would actually like to hand over to our CFO, Tom, who will talk more about the numbers in detail.

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

Thank you, Juhani, and good afternoon from my part as well to everybody online and in the room. So if we run through the numbers here. So first of all, the cloud ARR grew 27% year-over-year and Juhani mentioned already many of the items that kind of drove the demand. Of course, then quarter-over-quarter was a bit less. I mean there is, of course, also a seasonality element in Q4 that usually plays into the growth between Q4 and Q1. As said the EDR was one of our main growth drivers here as well and so on. And some new openings in Asia-Pac in cloud protection and so on.

Revenue grew 31%, so a bit more modest growth in our actual revenue number, but still quite strong growth on our cloud part of the business. On-premise is declining as expected. And of course, here we are continuing to work to convert our on-premise customers to cloud solutions and that we see also going forward to be continued and so on. And I think there is no new news here in terms of trend or activity that we have seen before in previous quarters.

And then, as said, consulting was a bit challenging part of this quarter for us. A lot of our as we are a strong player in cyber consulting in banking sector some of our largest banks, they put to certain degree breaks on in Q1 and that, of course, had directly flexion on our revenue performance in Q1. And even though we have quite good or very good delivery capabilities these days, that of course then impacted our top line negatively as well as then of course, we also need to make sure that in the future, we have a broader customer base in this and new logos and so on are key focus for us also in this area.

Deferred revenue pretty as before and there's no big changes here for those who maybe are new to our company and following it. So this is a deferred revenue. So we sell a lot of longer-term contracts. And also then of course, our reflected as deferred revenue in our balance sheet and so on. So there is nothing big news here even though over the longer term, we probably see a little bit of decline here because I think our – we see some trend in customers to move more to a monthly or shorter term duration in their contracts with us.

To cover the profitability a little bit. So 9% overall growth in the revenue for the first quarter, of course, a little bit on the lower side than we were hoping for, but that was mainly driven by our consulting performance this year. And of course, that had also an impact on our adjusted EBITDA to a certain degree. So for Q1, we posted then a minus €6.2 million EBITDA for the company. And maybe just to mention that the comparability to last year is, of course, a little bit impacted by the IFRS 5 rules and so on that we had to follow when we were in the middle of the demerger process last year.

Guidance, we are not changing our guidance. So our ARR, cloud products growth is still guided to be growth for the full year between 28% to 34%. Same range for our revenue in cloud products and total revenue, we are still expecting to grow between 12% and 20% this year compared to previous year. And we are navigating through against a being positive EBITDA in Q4 and that is still are very much our target.

So that was a very quick run through the numbers and maybe Juhani, I would invite you back here and then, we would move on to our Q&A section for this.

QUESTION AND ANSWER SECTION

Laura Viitala

Director-Investor Relations, WithSecure Corp.

A

All right. Thanks, Juhani and Tom. We will start with questions from the audience in the room. I think maybe Matti was the first one to raise his hand.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

Hi, good afternoon. It's Matti Riikonen, Carnegie. A couple of questions. And if I start with the consulting, when did you realize that there was weakening demand in consulting? Was it immediately after the kind of bad news from the banking sector were surfacing or already earlier?

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

That's difficult to say. I think there's no precise date, but I think it was during the quarter...

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

Yeah.

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

...that we saw several customers that were even some under a frame agreement that simply said that we're going to delay our purchasing. And it will happen later, which it did. I mean, some of those we have recovered, as said.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

And in which countries did that take place?

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

This was mostly UK and US, I would say. Yeah.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

Because if we look at your geographic split, the US market still grew, but then it was not the consulting which did that.

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

Yeah.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Okay.

Q

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

And of course, good to note that we do other consulting as well than just the financial sector.

A

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Yeah. And when you say that the in the managed detection and response services that generating sales has become tougher or that you need more focused sales efforts, what does actually mean?

Q

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

So we've been little bit analyzing where we have been really successful and where it's been harder. And I think where we have been quite successful has been in the German speaking region, the DACH region that we call it, where we have won a lot of business. It's clearly been a little bit smaller customer sizes. On average there'd be maybe 1,500 seats or so and I think what we have experienced is that there's been first of all, we have had a very strong partner channel in the country. So that has actually helped us in finding leads and working collaboratively with the channel. That seems to be a good model for us. And in those cases where we have faced more difficult conditions, I think it's been a combination of not having maybe those partner capabilities that at present that we could have used. And also in some cases, what we offer is quite specific, precise, and it's a kind of a high-end solution for MDR. And in some cases, of course, that hasn't really matched where the biggest demand has been. So the situation is not really universal, so that there are variations between the countries.

A

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Okay. But since you are flagging that the competition has become more fierce, does it mean that you are expecting perhaps lower top line growth from that product going forward? I mean...

Q

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

So we maintain our overall growth projections for cloud solutions and MDR is part of that that that hasn't changed. But also we are flagging it partly because we see that we're going to have to increase our efforts to sustain our position and grow the business in the marketplace. So that's one reason and one thing which is a little bit longer term is that we will bring certain MDR capabilities also as part of the Elements portfolio. So it's a more integrated part of Elements which is primarily serving our channel. And we foresee an opportunity also to start working closer with the channel to take MDR forward. So we have quite good experiences from that as well.

A

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Okay. Thank you. Then finally now that consulting was soft in Q1. Probably the softness does not fully stop here so that it can still be continuing at least during Q2, maybe a bit longer. If consulting doesn't grow this year, can you still make the Q4 profitability target?

Q

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

Yeah. So like we said, we expect this to be temporary. So we think it will bounce back. But at the same time, to offset the volatility that there is in a very large segment like financial sector, we're also now focusing very much on new customer acquisition, new logos in different areas than finance, and that will give us a little bit of a cushion against the volatility. We're very focused on the profitability target, both in terms of the company and, of course, all the underlying elements that go with it. So that that hasn't really materially changed.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

And if your plans to increase top line growth from consulting customers other than the current ones, are you basically willing to take more cost cuts to meet the Q4 profitability on EBITDA level?

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

Like I said, I think we will take necessary measures in terms of managing our cost prudently to hit our profitability targets, overall.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Q

All right. Thank you. That's all from me.

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

Thanks.

Laura Viitala

Director-Investor Relations, WithSecure Corp.

A

Thanks, Matti.

Atte Riikola

Analyst, Inderes Oyj (Research Firm)

Q

Hi, it's Atte Riikola from Inderes. First, about your cost savings. You mentioned that you're targeting like €14 million annual cost savings. So how much of those will be realized already in Q2?

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

A

Yeah. So a lot of the savings will be coming in Q2 already. Not all but a lion share of that. But that's also, Juhani, you mentioned we will also increase in Q2 specifically our marketing and demand activities and then there's also some salary increase activities that are more onetime than – and an ongoing intern, for instance, in Finland, union agreements and so on. So overall, we expect to see the savings really kicking in more in Q3 and onwards.

Atte Riikola

Analyst, Inderes Oyj (Research Firm)

Q

Okay. Then about the gross margins, Q1 gross margin improved pretty nicely compared to last quarters, even though the consulting was pretty soft. And before you have mentioned typically that the consulting has been burdening the gross margin. So can you say something about the improvement?

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

A

Of course. So first of all, of course, the software portion of the revenue then grew. So that would be one thing. But then we have also made quite good progress, for instance, in our Countercept gross margin work with data usage and also in terms of the, the labor part of that from compared to Q1 last year. So we've been doing quite well on that front over the last nine months.

Atte Riikola

Analyst, Inderes Oyj (Research Firm)

Q

And maybe last question about the growth outlook. So now you're a little bit behind the range that you're guiding, but especially if you look at the upper range, it looks quite ambitious. So what kind of visibility do you have for like the end of the year?

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

So we have some visibility also to certain items that are more out there in the future. But we know that they will happen and that of course gives some confidence there. But overall, I think we like I said, we see demand existing in the marketplace. And I think this more of a question of us staying fairly focused so that we can execute and differentiate in this very, very crowded and noisy market.

One additional item where we have put in a kind of a lot of focus during Q1 has been to train all our people on cross-selling because we are coming at 2023 in a – from an organizational mode, which was more separate business units. Now we have integrated sales, integrated R&D, integrated delivery. Now we are asking at the moment all of our salespeople to cover the entire portfolio on a superficial level. And that training has been a major undertaking in Q1. So we expect that to yield more opportunities because there are quite a few customers who actually have more than one solution from our portfolio. So we think there is there is a certain upside related to that.

Atte Riikola

Analyst, Inderes Oyj (Research Firm)

Q

All right. Thank you.

Laura Viitala

Director-Investor Relations, WithSecure Corp.

A

Thanks, Atte.

Jaakko Tyrväinen

Analyst, Skandinaviska Enskilda Banken AB (Finland)

Q

Hi. Jaakko Tyrväinen from SEB. You mentioned that the financial sector had the most of the – mostly impact on the consulting performance during the quarter. How did the other client verticals perform? Did you see a decline in other customer segments as well?

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

I think in general the demand continued to be there. There is nothing particular that we would be able to report on any other segment.

Jaakko Tyrväinen

Analyst, Skandinaviska Enskilda Banken AB (Finland)

Q

Okay. And then just to kind of confirm and follow up from Matti's question, did you see a faster decline in sales in March when the kind of the financial sector problems emerged? Or was it throughout the quarter evenly?

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

A

I would maybe more say that we had more softness in the beginning of the quarter than at the end of the quarter. So we as we said, we have seen some early signs of some improvement, but we'll see how the quarter develops.

Jaakko Tyrväinen

Analyst, Skandinaviska Enskilda Banken AB (Finland)

Q

Good. Thanks. And then on the cloud ARR growth, which was rather limited compared to the previous quarter, could you bit talk more about the factors behind here? Did you experience more than normal churn during the quarter or did you see longer sales cycles or what was impacting? Or was it just because of the seasonality?

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

So first of all, of course, as a point of comparison, we had a very strong Q4 and this is very typical in our industry. So it tends to be so that Q1 is challenging after a strong Q4 and we saw some of that as well. And then I think it's fair to say that we had a slow start of the year in certain areas and capturing orders in Q1 and that was also visible in the ARR number.

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

A

May I – maybe complement. We did not see any exceptional churn rate.

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

Yes, that's a good addition.

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

A

So that's not the reason.

Jaakko Tyrväinen

Analyst, Skandinaviska Enskilda Banken AB (Finland)

Q

Okay. So you must have just had a very strong year-end then?

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

Well, we had a very strong December.

A

Jaakko Tyrväinen

Analyst, Skandinaviska Enskilda Banken AB (Finland)

All right, good. That's all from me.

Q

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Thank you, Jaakko. So I'm moving on...

A

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

There's one more question. Matti...

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Sorry. Okay.

A

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

Hi. Matti Riikonen. One additional question related to the plan to spread the consulting business into a larger pool of customers. Do you think that, that plan is credible? I mean, now that you have focused on the banking sector and the large customers, and I'm not saying that it would be a bad decision to kind of leverage more towards other customers. But is it really the remedy that is possible to make in such a short while if you haven't approached those customers earlier? So if it's so simple, why didn't your consulting business do it already much, much earlier?

Q

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

So first of all, we have had customers in other segments. And I think if we go back into last year, we actually kind of were selling non-availability because we didn't have the capacity and many of those customers were actually in a different area than banking sector. And some of those, of course, have taken in other suppliers, while we have had to ramp up our capacity in that area. And then of course, we are on one hand also kind of reacquiring other customers than just the financial sector customer. So that's one thing.

A

Generally, the sales cycles in consulting are the shortest currently, and the value propositions are often fairly straightforward and don't take necessarily such a long time; our long lead time to sell as compared to some technology sales. So in that sense, I think it's quite credible. And maybe finally, what drives the demand for our services. We are a high end consulting company, so our day rates reflect that and we do very complex things. We are known for that and it's not so specific. I would say to a particular vertical. The fact that we have banking customers as one vertical has been more driven by the fact that they need to have external validation for certain things and they are required by the regulators. But us in general, I think we find same technologies and same environments in multiple verticals. So in that sense, it's quite easy to migrate.

And may I just say one more thing about consulting still, since that's, of course, topical here. We've gotten the question every now and then that why do you actually have consulting in the business? Because you're primarily a software house and your plans are very much around software. And my answer is very simple. Our consulting is very much about offensive capabilities. We have people who know how to attack systems. This knowledge is very important for the rest of the company because we are basically able to say that our systems are built by attackers. So we take in the understanding these guys have when they go and rent a certain company and then we build our defense capabilities in the software based on this. And that is quite strategic and differentiating compared to others.

Having said this, we of course expect consulting to make money and contribute. It [ph] can't be a drain (00:28:12). So having a profitable consulting is also important. But the real growth drivers and maybe value drivers as well, of course, are very much software-driven going forward.

Matti Riikonen

Analyst, Carnegie Investment Bank AB (Finland)

All right. Thank you.

Q

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Thank you, Matti. So I will take the questions from the chat next. First of all, there is [ph] Walter (00:28:40), who is the latest joiner of our analyst team. He asks, how do you see the outlook for consulting in the coming quarters, expecting more decline or growth in this segment or a bounce back already this year?

A

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

I think we have said that we expect it to bounce back.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

All right. Then there is David our other analyst. So, first of all, new ARR only reached €1.3 million in the first quarter. Could you provide some details on the reasons behind that slowdown, given that your NRR was 110%? I would assume that it is mostly difficulties in gaining new customers. Which parts of the offering were most affected?

A

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

So maybe a little bit repeating my earlier answer to the same question. I think we see two things. One of them is simply the fact that we had a very strong December and very strong Q4 as a result of that. And in comparison, Q1 is usually quite challenging as a quarter. And secondly, frankly, we had a slow start of the year in terms of capturing new customers, but there is no particular reason or area, I would say, for that.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Good. The second part of the question is your gross margin improved significantly? Could you help us understand how much of an impact each of the reasons you talked about had? For example, how much of the improvement was driven by hosting cost decreasing due to Forex and how much due optimization efforts?

A

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

A

So if I try to elaborate a little bit on repeat what I said before, so I think the main improvement has happened in the Countercept Arena over the year. And that has been both hosting as well as the kind of labor part of the gross margin there. But we have also seen overall an improvement in all of our products in terms of how much data processing capability, which is the key for the hosting cost we use. And we have various R&D projects around that and have had for some time already. So a portion of the other businesses also, even though less done than maybe Countercept in proportion contributed to this.

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

Maybe just to add to that, that we are a forerunner in the use of machine learning and AI. We have invested as a company for 15 years into this space. And one of the concrete manifestations of this has actually been our edge processing capability where we're processing information and do deductions before we actually send information through the cloud to be processed. And this, of course, in addition to helping us with better results, is also positively contributing to the cost load.

Laura Viitala

Director-Investor Relations, WithSecure Corp.

A

Good. Then the third question. Are you planning on taking further steps towards reducing cash consumption in the next few quarters, especially if macro headwinds continue to have an impact on top line growth?

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

A

I think, Juhani, you also kind of answered that already. So we are still targeting to be profitable positive EBTIDA in Q4. So EBITDA will go with the cash as well so that – we are working towards that.

Laura Viitala

Director-Investor Relations, WithSecure Corp.

A

Okay. Thank you, David. Then we move on to Felix, our analyst, who's also on the line. First, can you provide some more color on the four elements, four new elements products? Is the elevated sales and marketing spend you mentioned for Q2 mainly related to the new product launches?

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

A

Yes, it is partly, but not totally. It is also a quarter where we have a lot of marketing activity. We have our main event Sphere. We have some other events around that, and they contribute to the increased spend in marketing. The four products that we will be launching are, there are software products, there's cloud security posture management. That is a software addition to the Elements portfolio, which takes us and helps us with cloud capabilities for our customers. Then there are a couple of other things which are a combination of services and software. There's a call monitoring, which essentially is kind of a service, which we provide to our partners who don't necessarily have 24/7 monitoring capability. And we have big amount of those.

There's incident response readiness, which is a packaged version, a light version of our incident response, also aimed at the partner channel. And there's cloud detection and response. So we will talk more about those and probably this was a kind of a spoiler...

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

Yeah.

A

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

...for anybody expecting this to be a launched at Sphere. So, sorry about that. But this is what's coming out and we are, of course, really excited about those because they will take this unified company unified portfolio strategy forward in a major way.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Great. Then given what you mentioned on sales and marketing in Q2, is it fair to assume that EBITDA losses will not narrow down sequentially despite your cost savings program?

A

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

It is safe to assume that the improvement will not be as significant, if at all Q2.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

All right. What gives you confidence to reiterate your 2023 ARR growth target, given that your cloud growth was only 27% in Q1?

A

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

Well, we have, based, of course, our – our guidance, our numbers and our outlook statements on the plans that we made for 2023. And we see continue to see that trajectory being executable. And that is the reason.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Then what is the biggest uncertainty you see for achieving positive EBITDA in Q4?

A

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

Of course, always is uncertainty around market, but I think we as Juhani said, we have pretty good plans and we see how to get there. But if there's something disruptive on the market, that could be something that impacts us, but that will impact everybody.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Very good. Then I'm moving on. There's a question from [ph] Eric (00:35:45) one of our investors. How are forward-looking indicators such as quotations for the cloud business developing?

A

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

We continue to be building our pipeline and we are continuously, of course, adding stuff into the pipeline, so to say.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Then [ph] Eric (00:36:10) continues, you talked about tough competition, especially in MDR. Who do you most often meet in tenders there? I'll stop here.

A

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

So this is a crowded market. There are many players and it varies from market-to-market. That's kind of hard to name one single, single competitor in this space.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

Then who do you meet most often as competitors on the Elements platform?

A

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

There are two types of competitors with that, specifically maybe naming any of those. I think there are those competitors who are more traditional. They have been in the endpoint business and those we of course continue to see in this market. Then we have the larger players who have other offerings where they have expanded to cover cybersecurity as part of the overall portfolio and offering. And those are the two primary ones that we see.

A

Laura Viitala

Director-Investor Relations, WithSecure Corp.

All right. Then there's Simon, our analyst asking about the ARR quarter-on-quarter growth. I hope we have already answered that question. If not, Simon, drop me another line. And after that we have no questions currently in the chat. Do we have anything else in the room? If not, I think we are ready to wrap up.

A

Juhani Hintikka

President & Chief Executive Officer, WithSecure Corp.

Thank you very much.

Thomas Jansson

Chief Financial Officer, WithSecure Corp.

Thank you very much. We'll be back in July.

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