

# **CORPORATE SECURITY REVENUE GREW 10% ORGANICALLY IN FOURTH QUARTER**

**Q4/2019**

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# KEY TAKEAWAYS FROM Q4

## Corporate cyber security continued to grow

- Corporate security products revenue grew 5%
  - Managed Detection and Response (MDR) solutions continued to win new deals, but delay in closing of some large MDR deals
  - Endpoint protection on slight and steady growth track while good renewal performance continued
- Cyber security consulting grew strongly, by 16%
- Consumer security revenue at the previous year's level
- Adjusted EBITDA according to our expectations – margin 12%
- In December F-Secure completed restructuring and MWR InfoSecurity integration – improved focus on serving different customer segments

# KEY FINANCIAL HIGHLIGHTS

EUR million	10-12/2019	10-12/2018	Change	1-12/2019	1-12/2018	Change
<b>Revenue</b>	<b>56.1</b>	<b>53.7</b>	<b>4 %</b>	<b>217.3</b>	<b>190.7</b>	<b>14 %</b>
Consumer security	23.4	24.0	-2 %	94.8	94.9	0 %
Corporate security	32.7	29.8	10 %	122.5	95.9	28 %
<b>Adjusted EBITDA<sup>1</sup></b>	<b>6.6</b>	<b>4.9</b>	<b>36 %</b>	<b>23.2</b>	<b>17.4</b>	<b>34 %</b>
% of revenue	12 %	9 %		11 %	9 %	
Adjustment to operating income				12.5		
M & A expenses		-0.3			-3.6	
<b>EBITDA<sup>1</sup></b>	<b>5.4</b>	<b>4.5</b>	<b>19 %</b>	<b>31.1</b>	<b>13.8</b>	<b>126 %</b>
Depreciation & amortization <sup>1</sup>	-3.5	-2.0	74 %	-13.6	-6.8	96 %
Impairment	-0.3			-6.3		
PPA amortization	-0.9	-1.2	-22 %	-4.1	-2.5	63 %
<b>EBIT<sup>1</sup></b>	<b>0.8</b>	<b>1.4</b>	<b>-46 %</b>	<b>7.2</b>	<b>4.5</b>	<b>58 %</b>
Earnings per share (EUR) <sup>2</sup>	0.00	0.00	-235 %	0.02	0.01	298 %
Deferred revenue				73.9	72.9	1 %
Cash flow from operations before financial items and taxes <sup>1</sup>	8.7 <sup>1</sup>	10.5	-18 %	19.0 <sup>1</sup>	13.8	38 %
Personnel, end of period				1,696	1,666	2 %

<sup>1</sup>IFRS 16 increased Adjusted EBITDA and EBITDA by EUR 1.7 million during Q4 and EUR 6.6 million during January-December. Impact on adjusted EBIT and EBIT was EUR 0.1 million during Q4 and EUR 0.3 million during January-December. Depreciation and amortization increased by EUR 1.6 million during Q4 and by EUR 6.3 million during January-December. Positive impact on cash flow from operations before financial items and taxes was EUR 1.5 million during fourth quarter and EUR 6.0 million during January-December.

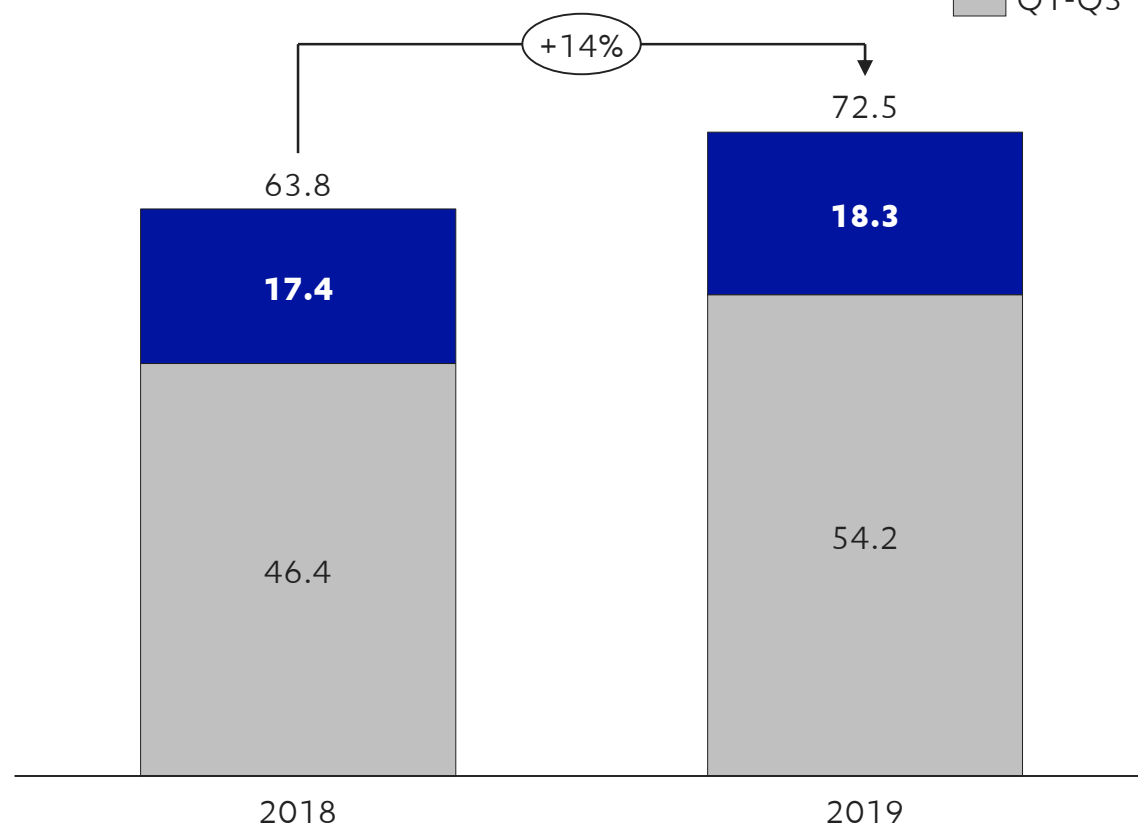
<sup>2</sup>Based on the weighted average number of outstanding shares during the period 157,719,368 (1-12/2019)

# CORPORATE SECURITY PRODUCTS REVENUE GREW 5% IN Q4

(1-12/2019, EUR million)

## Revenue comparison

■ Q4 +5%  
■ Q1-Q3



## Revenue from endpoint security continued slight and steady growth

- Good renewal performance with existing installations
- New customer acquisition was soft in Finland and Japan partly due to termination of some non-strategic products
- Channel Sales Program of the Year by SiriusDecisions

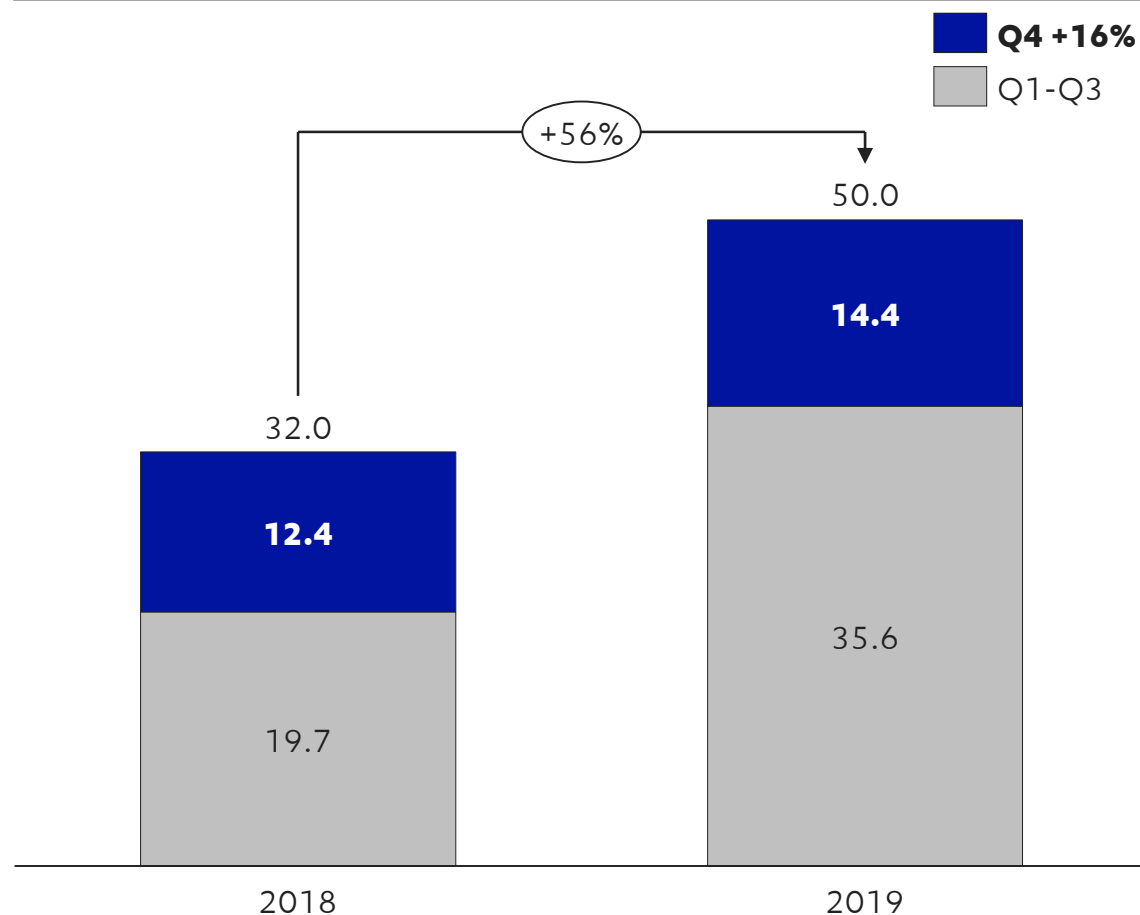
## Revenue from Managed Detection and Response solutions (Countercept & RDS) increased well

- Several new F-Secure Countercept deals in customer verticals such as finance, logistics, critical infrastructure and professional services
- MDR deals were won countries such as Belgium, Germany, Finland and France
- Good renewal performance continued globally during Q4

# CYBER SECURITY CONSULTING REVENUE GREW 16% IN Q4

(1-12/2019, EUR million)

## Revenue comparison



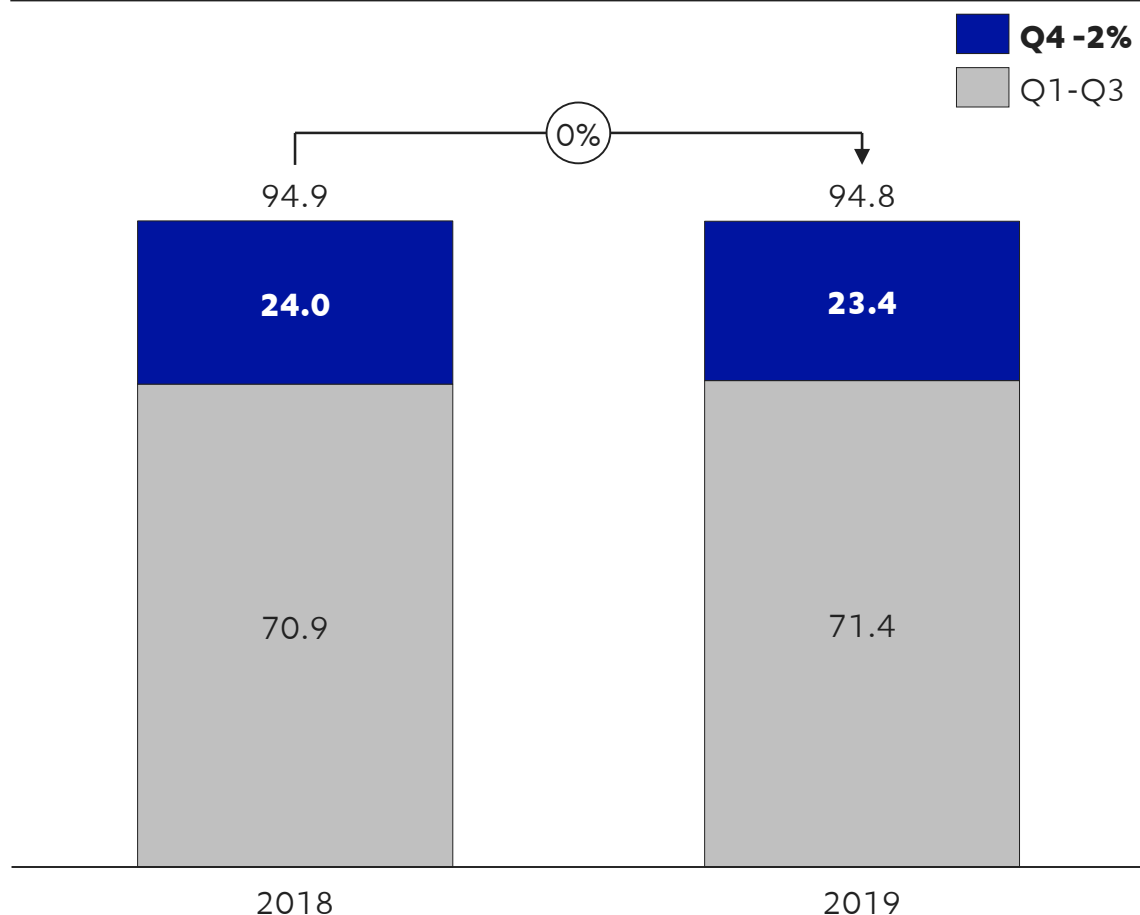
## Cyber security consulting revenue continued to grow strongly

- Cyber security consulting revenues continued to grow well in our largest markets UK and Nordics
- Singapore once again performed exceptionally well in Q4
- Utilization rates were soft in some regions during the last quarter of 2019

# CONSUMER SECURITY – AT THE PREVIOUS YEAR’S LEVEL

(1-12/2019, EUR million)

## Revenue comparison



## Revenue from the operator channel declined slightly from the previous year’s level

- Positive sentiment around ID PROTECTION - we closed first deals with operator partners in Asia, Europe and US
- To highlight F-Secure’s traction among operators, we replaced a large international competitor’s endpoint offering on top of ID PROTECTION deal

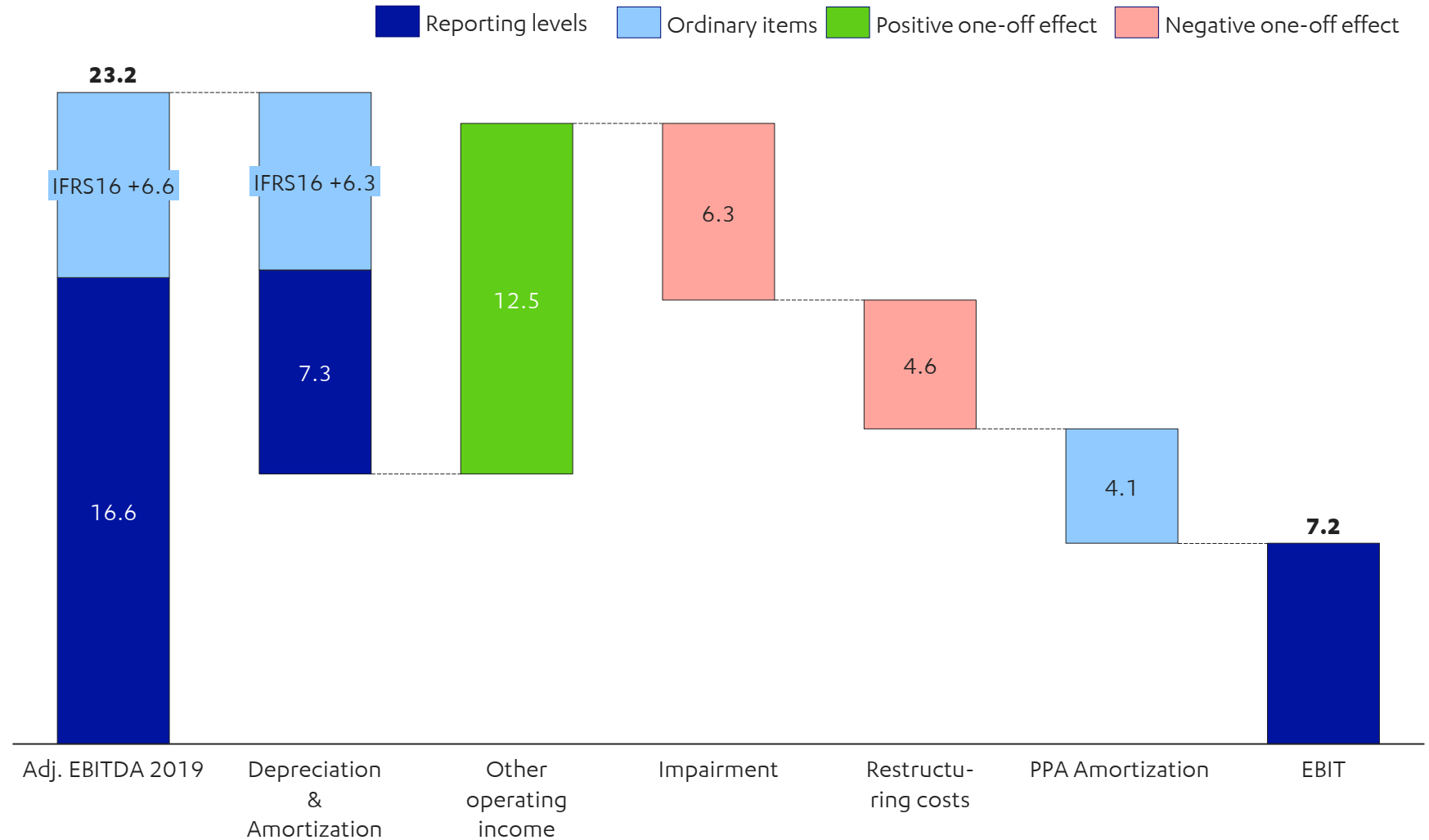
## Revenue from direct sales increased from the previous year

- Direct channel had the strongest quarter of the year with renewals continuing at a good level
- Ecommerce sales performed well especially in the UK and Scandinavia
- The sales performance of our strategic retail partners was also good in Q4

# POSITIVE ONE-OFF IMPACT OF EUR 1,6M IN FY2019 EBIT

(FY2019, EUR million)

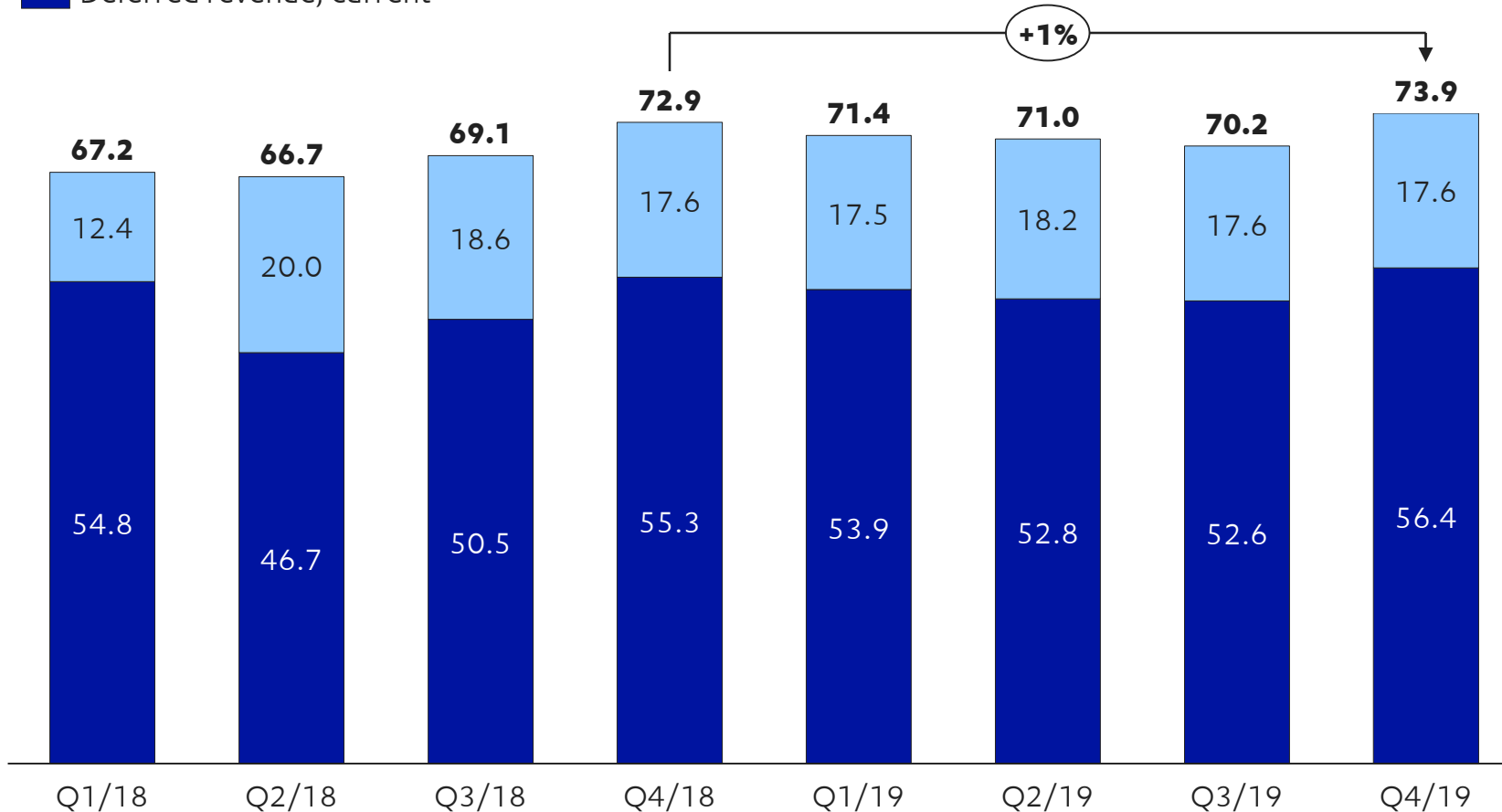
- The earnout period ended at the end of 2019 and resulted in additional EUR 3.7 million to be paid during first quarter of 2020
- The acquisition of MWR resulted final purchase price of GBP 85million
- Adjusted EBITDA excluding IFRS16 at the same level as previous year



# DEFERRED REVENUE AT THE PREVIOUS YEAR'S LEVEL

(EUR million)

Deferred revenue, non-current  
Deferred revenue, current

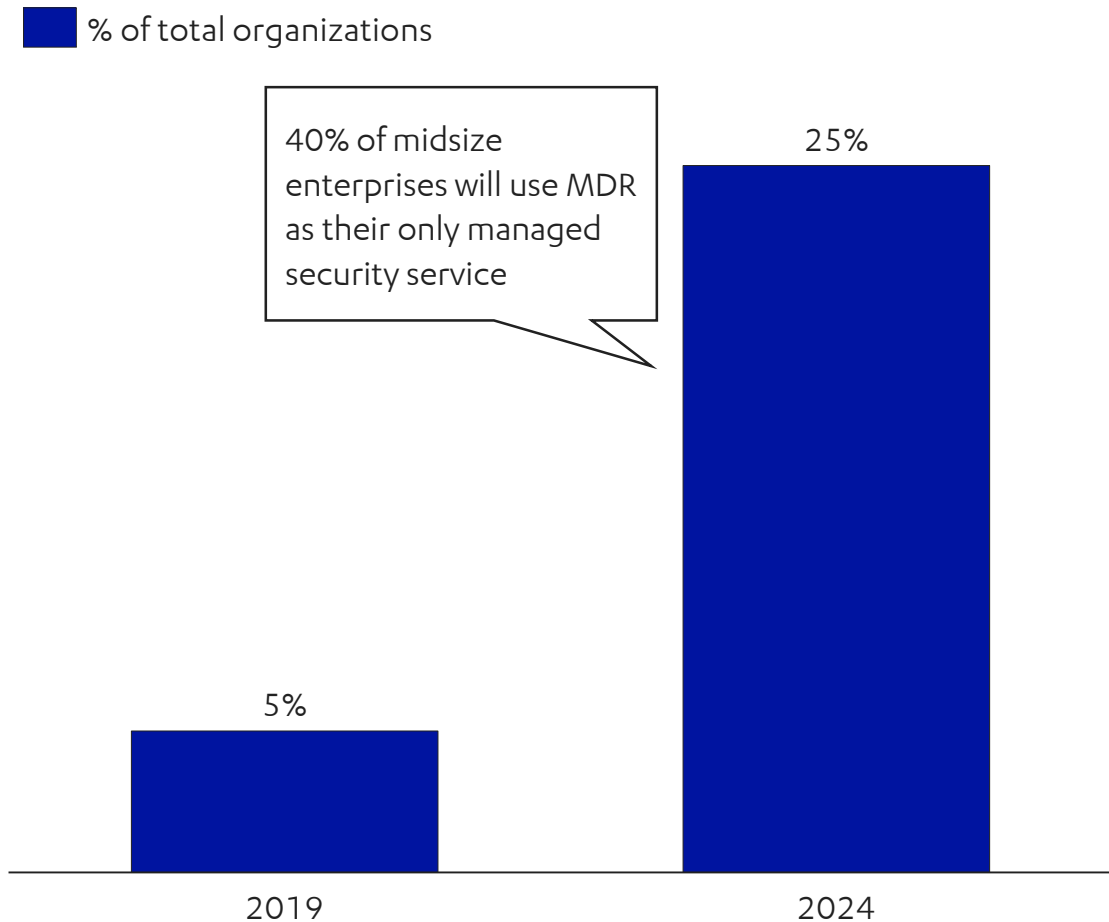


- Deferred revenue at the previous year's level
- In corporate endpoint solutions shorter average contract duration and renewed discount policy
- Increased demand for monthly subscriptions
- Impacted by slower growth of endpoint protection order intake during past year
- The growth of deferred revenue has decelerated also due to increased share of consulting business



# F-SECURE COUNTERCEPT WINNING NEW CUSTOMERS IN THE EMERGING MDR MARKET

## MDR services adoption<sup>1</sup>



**F-SECURE COUNTERCEPT** earns multi-year contract from global logistics and engineering firm based in Belgium among other won deals

**CONTINUOUS RESPONSE** to put the right people, in the right place at the right time

**1 MILLION DOLLARS** average cyber attack cost<sup>2</sup>

1) Gartner, Market Guide for Managed Detection and Response Services on 15<sup>th</sup> July 2019

2) Ponemon 2018 Cost of data breach study

# F-SECURE ID PROTECTION LAUNCHING WITH 7 PARTNERS

## CONSUMER CONCERNS

**81%**

WORRY ABOUT  
LOSS OF PERSONAL  
INFORMATION  
IN A BREACH

**52%**

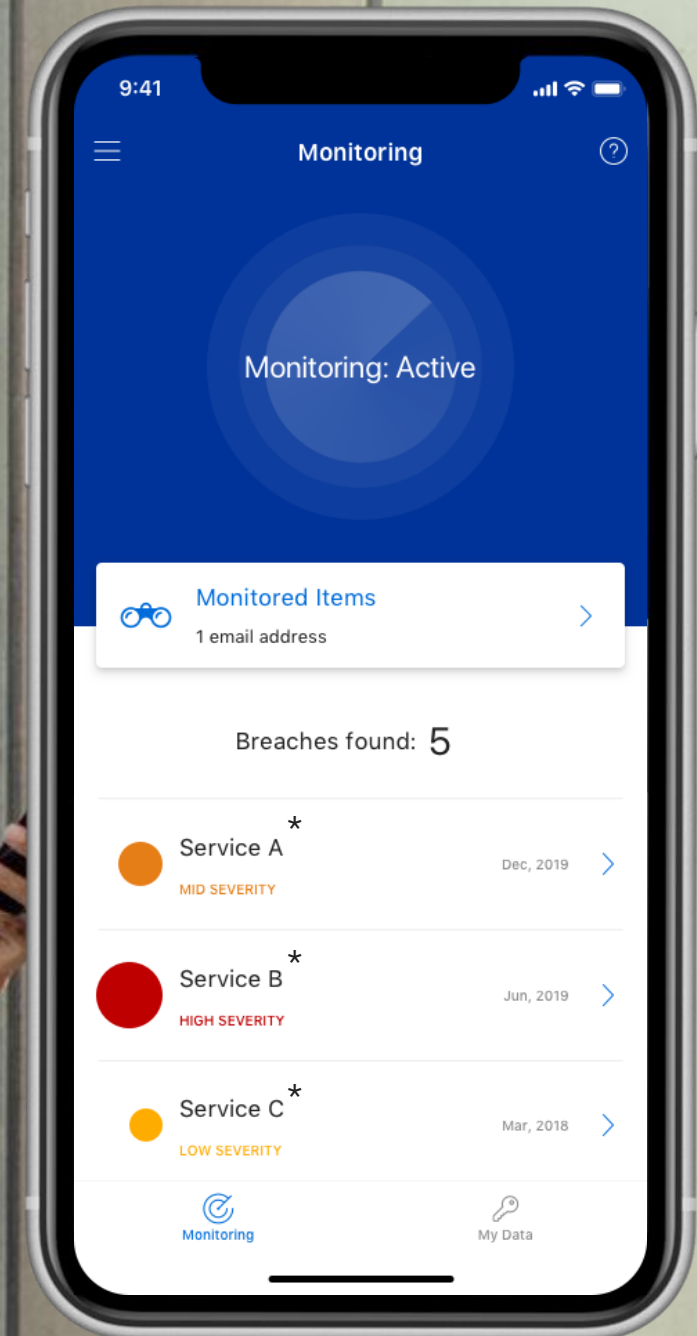
FIND ALERTS ON  
LEAKED OR STOLEN  
PERSONAL  
INFORMATION  
ATTRACTIVE

## F-SECURE ID PROTECTION

COMBINES PERSONAL  
INFORMATION MONITORING  
AGAINST DATA BREACHES

WITH

PASSWORD MANAGER TO  
CREATE STRONG  
PASSWORDS



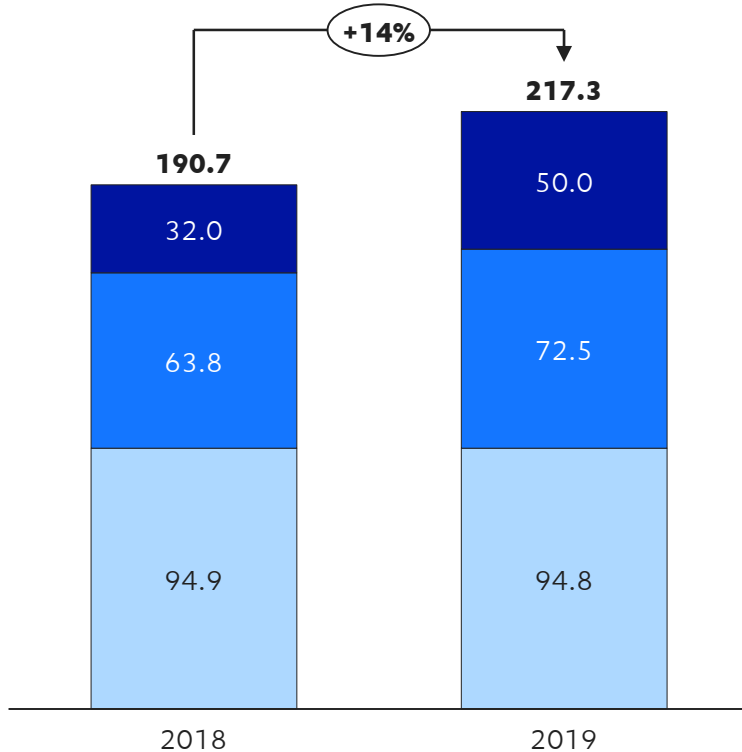
\*Names of the breached companies in the UI have been anonymized

# F-SECURE'S 2019 IN BRIEF

(EUR million)

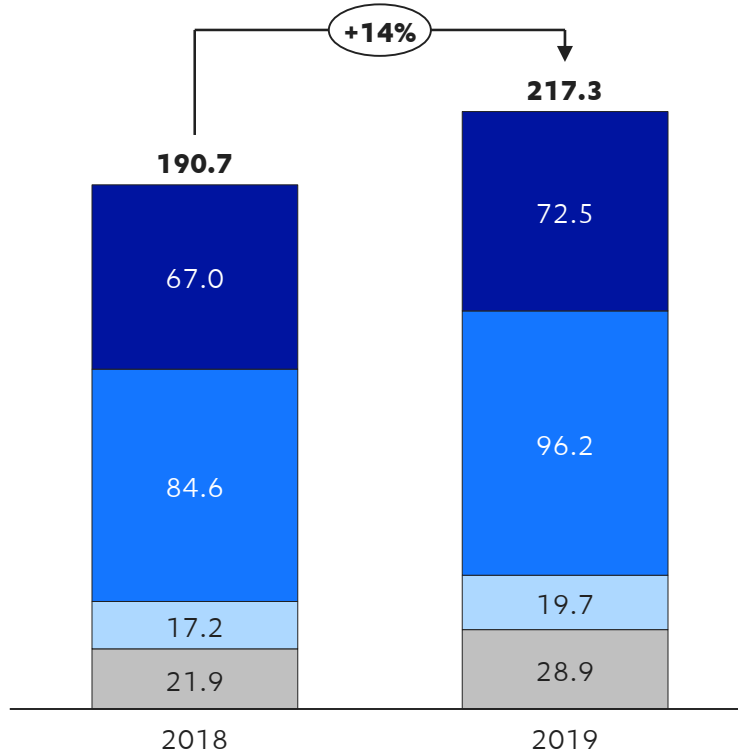
## Revenue split & growth by business

- Cyber Security Consulting +56%
- Corporate Products +14%
- Consumer Security 0%



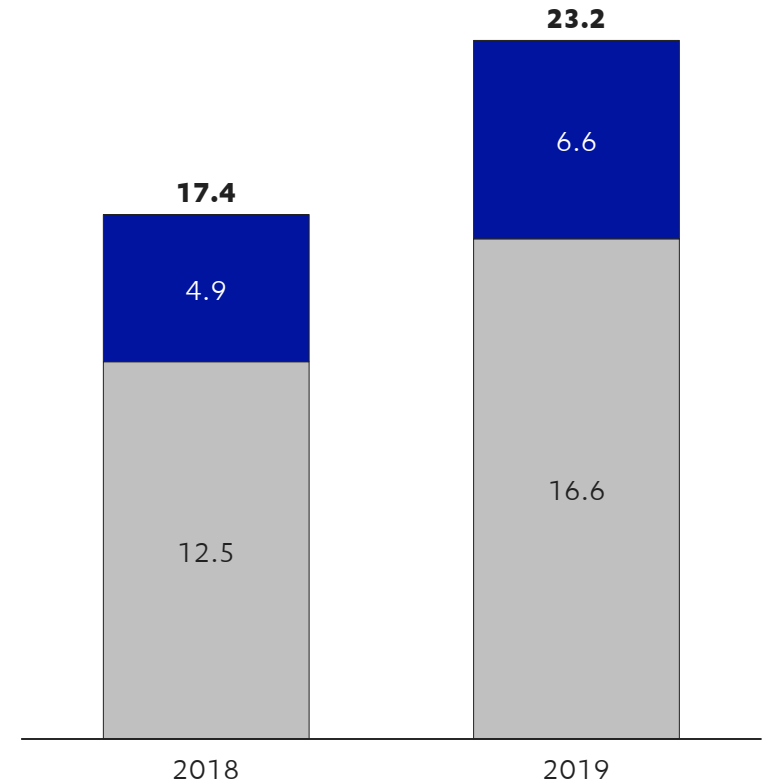
## Revenue split & growth by geography

- Nordics +8%
- Rest of Europe +14%
- North America +15%
- Other Regions +32%



## Adj. EBITDA (incl. IFRS 16 in 2019)

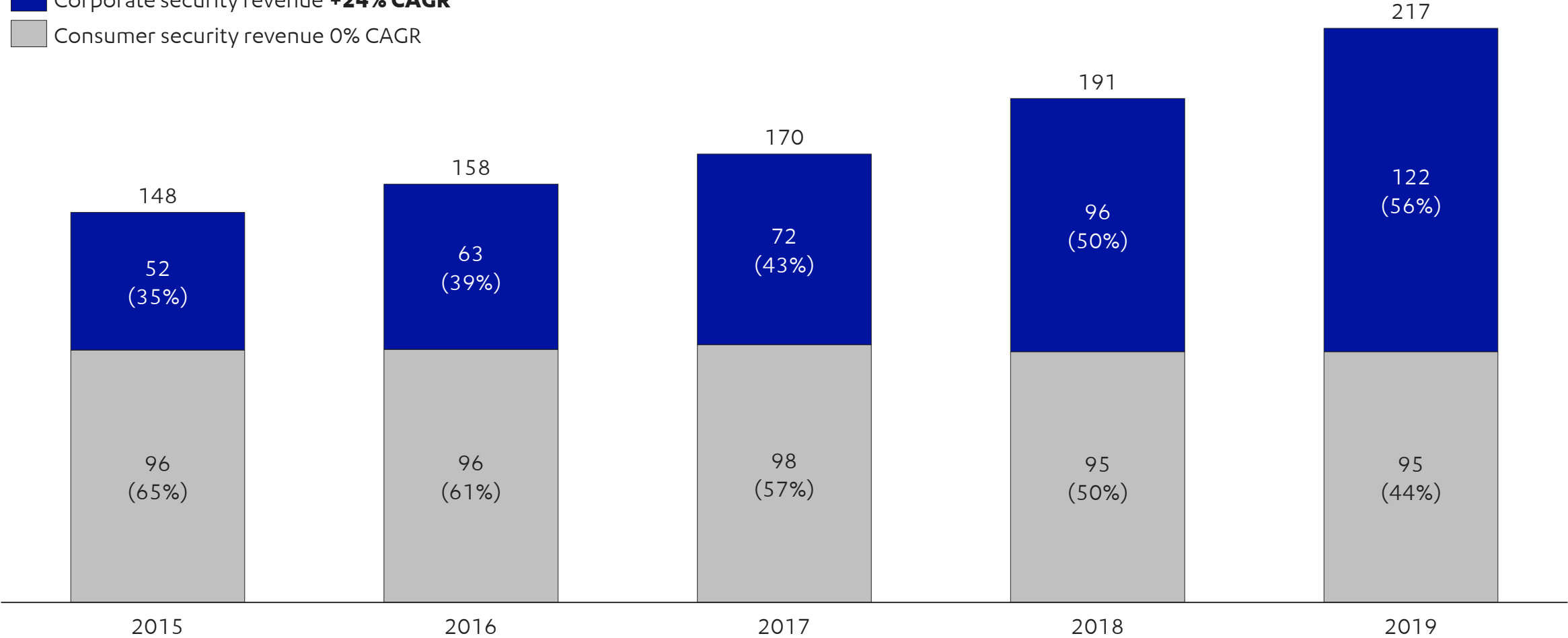
- Q4
- Q1-Q3



# CORPORATE SECURITY GROWN BY 24% CAGR SINCE 2015

(EUR million)

- Corporate security revenue **+24% CAGR**
- Consumer security revenue **0% CAGR**



# OUTLOOK 2020

## **The company's outlook for 2020 is:**

- Organic revenue growth in corporate security is expected to continue in 2020 although slower than in 2019. The negative impact of terminated non-strategic products in growth rate is estimated to be a few percentage points in 2020.
- Revenue from consumer security is expected to be approximately at the same level as in 2019.
- Adjusted EBITDA is expected to clearly increase compared to 2019.

This outlook disclosed on the 12<sup>th</sup> of December 2019 replaced previously disclosed forecasts and forward-looking statements.

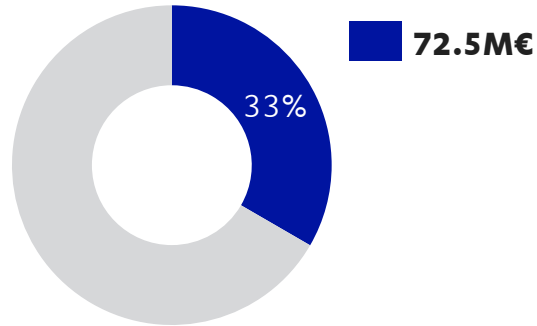
# APPENDIX



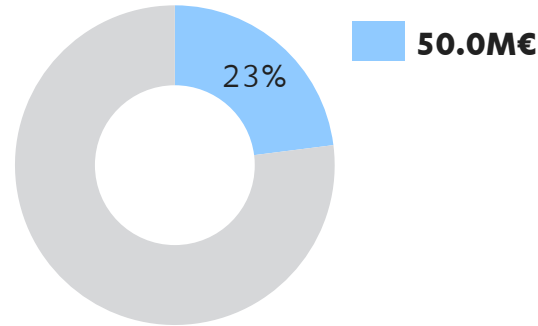
# AFTER RESTRUCTURING BETTER FOCUS ON SERVING DIFFERENT CUSTOMERS

(1-12/2019 Revenue, EUR million)

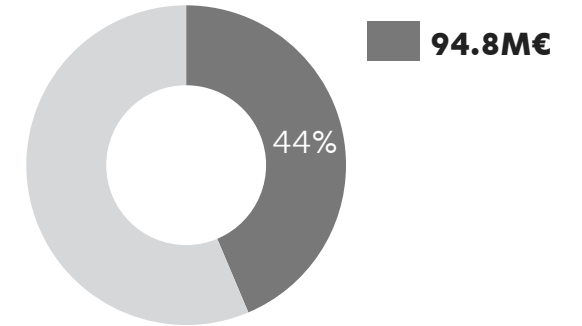
## CORPORATE SECURITY PRODUCTS



## CYBER SECURITY CONSULTING



## CONSUMER SECURITY PRODUCTS



Suite of endpoint products

F-Secure Countercept

Global multi-disciplinary organization

Operator partners

Direct Business

CHANNEL PARTNERS  
6000+ globally

DIRECT SALES

DIRECT SALES  
300+ consultants

OPERATORS  
200+ globally

RETAIL & E-COM

100,000+ COMPANIES



300+ ENTERPRISES

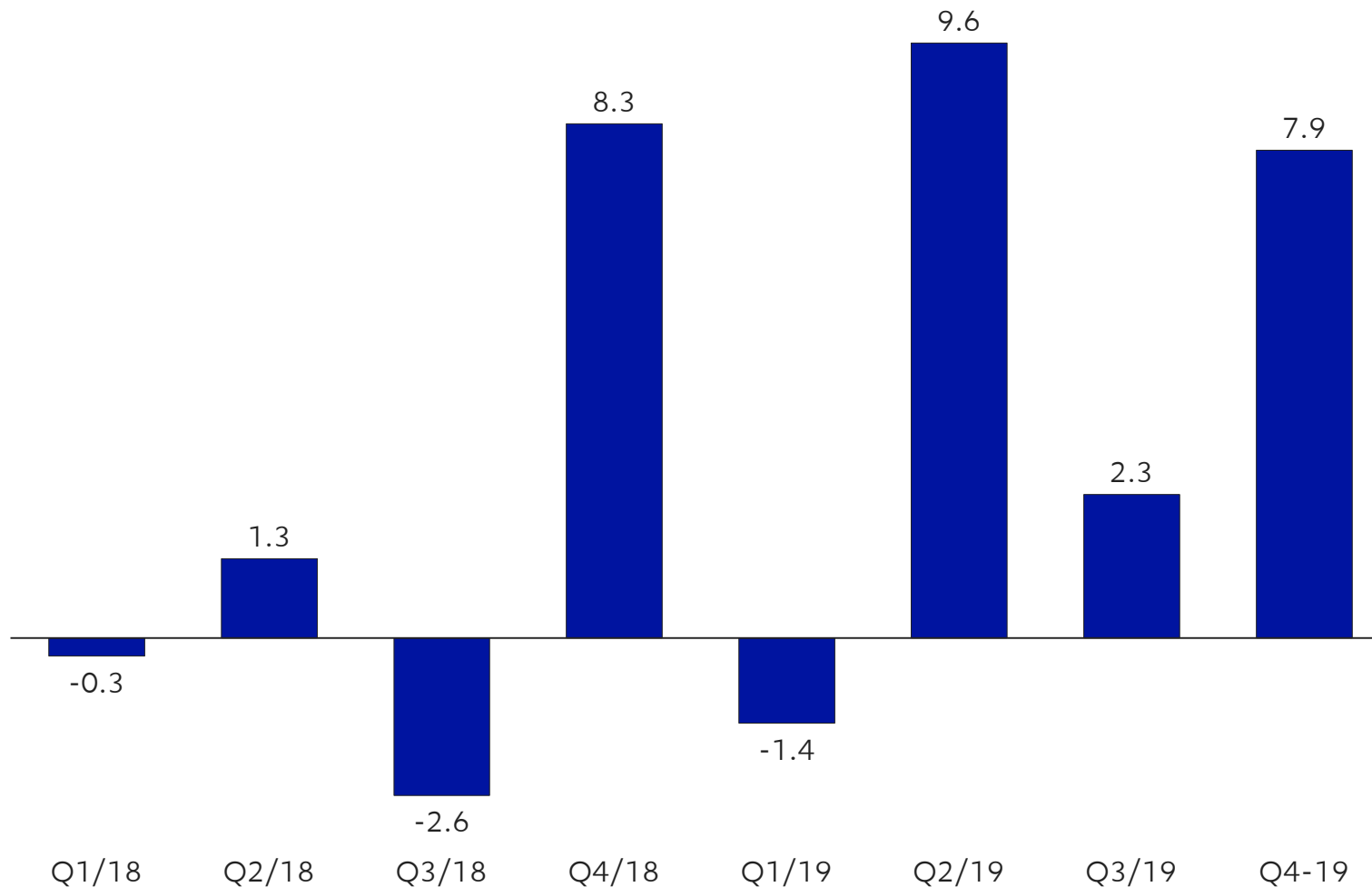


TENS OF MILLIONS OF CONSUMERS



# CASH FLOW FROM OPERATING ACTIVITIES

(EUR million)



- Cash flow from operations for FY 2019 totaled EUR 18.5 million
  - Adoption of IFRS 16 resulted in positive impact to cash flow from operations before financial items
  - The impact was EUR 1.5 million during Q4 and EUR 6.0 million during January-December
- Cash balance at the end of 2019 was EUR 25.5 million





**F-Secure®**