



SSH Communications Security Corporation Business Review January–March 2024



Net sales increased by 6%, EBITDA remained positive

January–March 2024:

- Net sales totaled EUR 5.0 million (4.8 million)
- EBITDA was EUR 0.2 million (0.2 million)
- Operating profit was EUR -0.7 million (-0.7 million)
- Loss for the period was EUR -0.8 million (-0.9 million)
- Earnings per share was EUR -0.03 (EUR -0.03)

Operating cash flow was EUR 1.0 million (EUR 2.0 million). The equity ratio was 48.0% (46.8%). Liquid assets including short-term liquid investments were EUR 4.1 million (EUR 6.1 million).

Key Figures

EUR million	1-3/2024	1-3/2023	Change %	1-12/2023
Net sales	5.0	4.8	5.8	20.3
EBITDA	0.2	0.2	50.1	1.8
% of net sales	4.7	3.3	41.9	8.9
Operating profit/loss	-0.7	-0.7	-2.6	-1.6
% of net sales	-13.8	-14.2	-3.0	-8.1
Profit/loss before taxes	-0.8	-1.0	14.7	-2.4
Profit/loss	-0.8	-0.9	16.0	-2.3
Return on equity, %	-8.9	-9.2	-3.3	-22.8
Return on investment, %	-7.4	-7.4	0.0	-19.1
Liquid assets	2.1	6.1	-66.2	2.2
Short-term liquid investments	2.0			1.5
Gearing (%)	3.0	-38.2	107.9	3.0
Equity ratio (%)	48.0	46.8	2.6	49.2
Earnings per share, EUR ¹	-0.03	-0.03	0.0	-0.10
Shareholders' equity per share, EUR	0.22	0.25	-10.2	0.25
Recurring revenue, ARR	19.7	18.3	7.4	19.3
Subscription revenue, ARR	12.0	10.3	16.3	11.5
Invoicing	4.7	3.2	48.8	18.3
Deferred revenue	12.5	12.8	-2.3	12.6
Current	10.4	9.7	6.8	10.2
Non-current	2.1	3.1	-30.8	2.4

Consolidated net sales

EUR million	1-3/2024	1-3/2023	Change %	1-12/2023
By segment				
AMERICAS	1.9	1.8	4.1	7.8
APAC	0.4	0.3	45.0	1.5
EMEA	2.7	2.7	2.5	11.0
Total	5.0	4.8	5.8	20.3
By operation				
Subscription sales	2.9	2.6	14.5	11.1
License sales	0.1	0.2	-23.9	0.9
Maintenance sales	1.9	1.9	-2.8	7.8
Professional services & others	0.1	0.1	-4.8	0.6
Total	5.0	4.8	5.8	20.3

SSH Communications Security provides alternative performance measures which are not defined by IFRS standards. Alternative performance measures should not be considered substitutes for performance measures in accordance with the IFRS. The alternative performance measures are:

EBITDA = Operating profit/loss + depreciation and amortization.

Recurring Revenue, ARR: Subscription + maintenance revenue at the end of the last month of the reported period multiplied by 12.

Subscription ARR: Subscription revenue in the last month of a reported period multiplied by 12.

Invoicing: Invoices sent during the reported period without VAT

Deferred Revenue: Non-recognized revenue from invoiced maintenance and subscription sales.

Business outlook for 2024

We expect net sales to grow during 2024 compared to 2023. We estimate EBITDA and cash flow from operating activities to be positive for 2024. At the end of 2023, our Annual Recurring Revenue was EUR 19.3 million (EUR 18.4 million in 2022). Our net sales grew by 5.4% to EUR 20.3 million in 2023, and EBITDA was 1.8 million in 2023.

CEO review

I am excited to take the reins of SSH. One of the first actions was to streamline and simplify the organization with clearer accountabilities, as announced in early Q2. This change will help us to get closer to customers, and better facilitate growth. Looking ahead, I see several areas, such as OT (Operational Technology) business accelerating our growth with new opportunities being developed with manufacturing, logistics companies and critical infrastructure operators.

Our growth continued in the first quarter of 2024. Net sales increased by 5.8% reaching EUR 5.0 million (4.8) and EBITDA remained positive being EUR 0.2 million (0.2). Cash flow from operations totaled EUR 1.0 million (2.0).

The main driver for growth was the 14.5% increase in subscription sales reaching EUR 2.9 million (2.6) and within it the continued strong performance of PrivX which grew 44.5% compared to Q1 of 2023.

License sales continued decreasing as we have converted our business model into subscription.

Maintenance sales mainly relate to continued support contracts for software licenses sold in the past. Maintenance revenues remained stable at EUR 1.9 million during the first quarter (1.9).

Professional services is a support function focused on architectural design and planning at more complex customer cases. The professional services revenues were stable at EUR 0.1 million during the period (0.1).

Subscription ARR totaled 12.0 million (10.3) and total annual recurring revenue (ARR) reached 19.7 million (18.3). Software subscription revenues represented 61% of annualized recurring revenues. Total ARR accounted for 95.7% (94.6%) of revenue in Q1.

We succeeded in winning several new customers and expanding current customers' orders during the first quarter. A new Mainframe Tectia z/OS customer was won in the AMER region. A major existing customer, a Japanese Systems Integrator, expanded their PrivX usage with a new order, with a value of a quarter of a million euros annually.

In February 2024 we were selected as supplier for a cryptographic solution and services. The solution will be an extension to our current product portfolio. The total value of the agreement is approximately EUR 1.8 million and we expect to recognize approximately half of the total contract value as revenue during 2024. No revenue from this contract was recognized during the first quarter.



Secure Messaging 2024, a suite including secure chat, secure video calls, secure rooms and secure file sharing was brought to market, also as SaaS and promotional activities for the solution started. In the first quarter we won the first Secure Mail 2024 customer.

We also announced integration of our SSH Zero Trust Suite with Microsoft Entra which enables tight integration for key users accessing critical and sensitive data. This expands our business opportunities with the market leading IAM solution, and during the first quarter multiple sales opportunities have already been established coming from the announcement.

Changes in Group management team

Teemu Tunkelo left his position as the CEO and the Executive Management Team on February 26th, 2024. The Board of Directors has appointed Rami Raulas as Interim CEO of the company.

CTO Miikka Sainio was appointed as a member of the Executive Management Team starting on 1 March 2024. On March 31, 2024, the Group Management Team consisted of the following members:

Rami Raulas, Interim CEO

Michael Kommonen, Chief Financial Officer

Miikka Sainio, Chief Technology Officer

SSH Communications Security will release its Interim Report for the second quarter of the year on July 18, 2024.

Helsinki, April 24, 2024

SSH COMMUNICATIONS SECURITY

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Interim CEO

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