

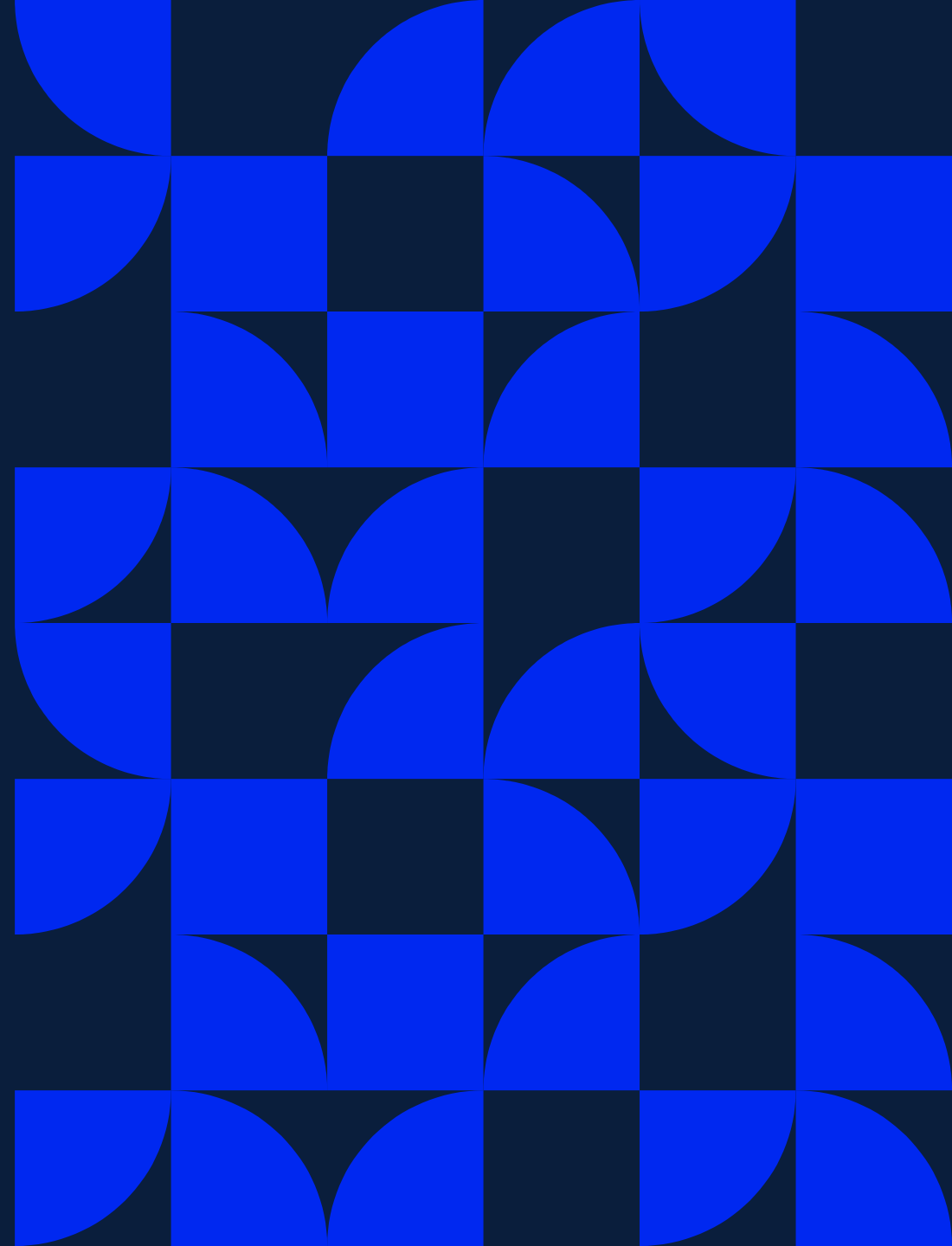


# Solid start to the year

Interim Report

1 January–31 March 2024

Timo Laaksonen CEO  
Sari Somerkallio CFO



# Q1/ 2024: Solid start to the year

## Market cautiously recovering

Revenue growth **30.8%**, thanks to Lookout Life acquisition – organic growth in Partner Business, strong renewal performance and increased ARPU in Direct Business.

**Gross margin** burdened by some additional costs related to lost synergies post-TSA period.

**Partner focused strategy execution:** Signed a major deal with one of the world's leading Communication Service Providers (CSP).

- Reiterates the importance of the acquisition of Lookout consumer security business.
- Continued investments in Embedded Security capabilities, including Tier 1 capabilities to boost growth in mid-term.

**Direct Business focus** on consumer experience, retention and upsell.

**New organization** fully up and running, **renewed corporate culture** in roll-out phase.



# Q1/2024: Focus on Partner Business

**Increase average revenue per user (ARPU)**

**Developing current offering and new products**

**Expand into new channels**

**Strategic focus:**

**Accelerate the roll-out of F-Secure Total**

**Expand market coverage and the accessible market**

**Replicate our proven business model**

**Progress:**







- Signing of three Total deals: One new partner, the other two were existing partner expansions
- Significant growth in Total, quarterly billings almost tripling from Q1/2023
- Direct Business: Improved renewal performance supported by high customer satisfaction scores and subscription experience improvements
  - Total NPS 50 – on a strong level, helping to drive growth and increase retention
- Positive ARPU development powered by pricing measures and Total full feature offering upsell.

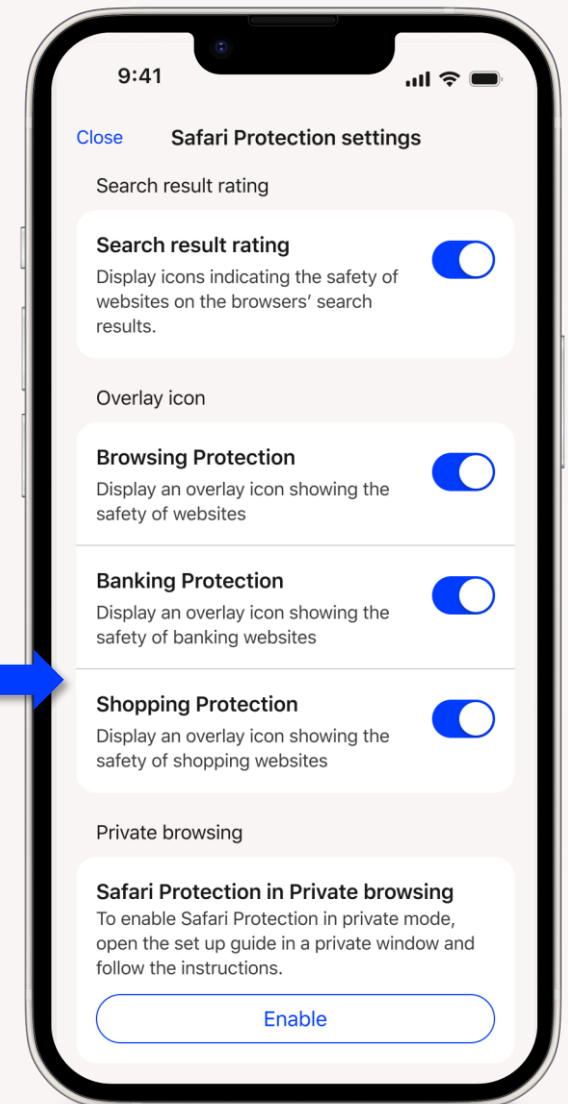
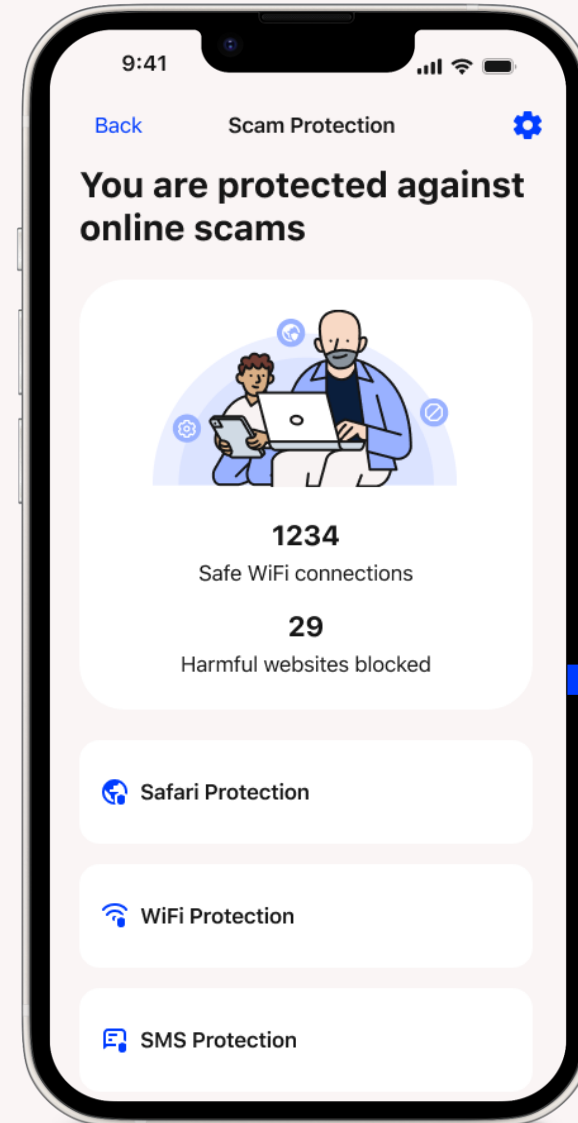
- Embedded Security: Signed a major Tier 1 deal with one of the world's leading Communication Service Providers (CSP), also expanding Embedded portfolio width
- Initiatives to further improve Tier 1 competitiveness: Product offering, services and delivery capabilities to fit even the most demanding partner requirements
- Continued active work on new Tier 1 partnerships with a solid pipeline of prospects.
- F-Secure Trusted Shopping well received by the market
- Launched AI powered protection against messaging scams ("smishing"), deliveries starting in Q2

- Continued focus on winning new vertical partnerships, proceeded according to plan
- Active pipeline development: Insurance companies, banks, payment providers
- Signed one new deal while converted one existing new verticals partner to Total in Denmark (Tryg insurance)

# Scam Protection module launched

Comprehensive set of scam protection capabilities

-  SMS Scam Protection with AI
-  Shopping Protection
-  Banking Protection
-  Browsing and Phishing Protection
-  WiFi Protection
-  Ad Blocker



# F-Secure corporate culture – launched in March 2024

The values of Fellowship we live by every day, in every interaction and every decision

We exist to make every digital moment secure, for everyone. Our vision is to be the number one security experience company on earth.

The pace of change in the world is constantly picking up speed. Shared values, beliefs and ways of working are the cornerstones of trust pushing us towards our goal.

Our renewed culture, founded on Fellowship, creates speed.



# Financials

Sari Somerkallio, CFO

F-Secure changed the calculation method for gross margin in its income statement as of 1 January 2024. Comparative figures for 2023 are also revised.

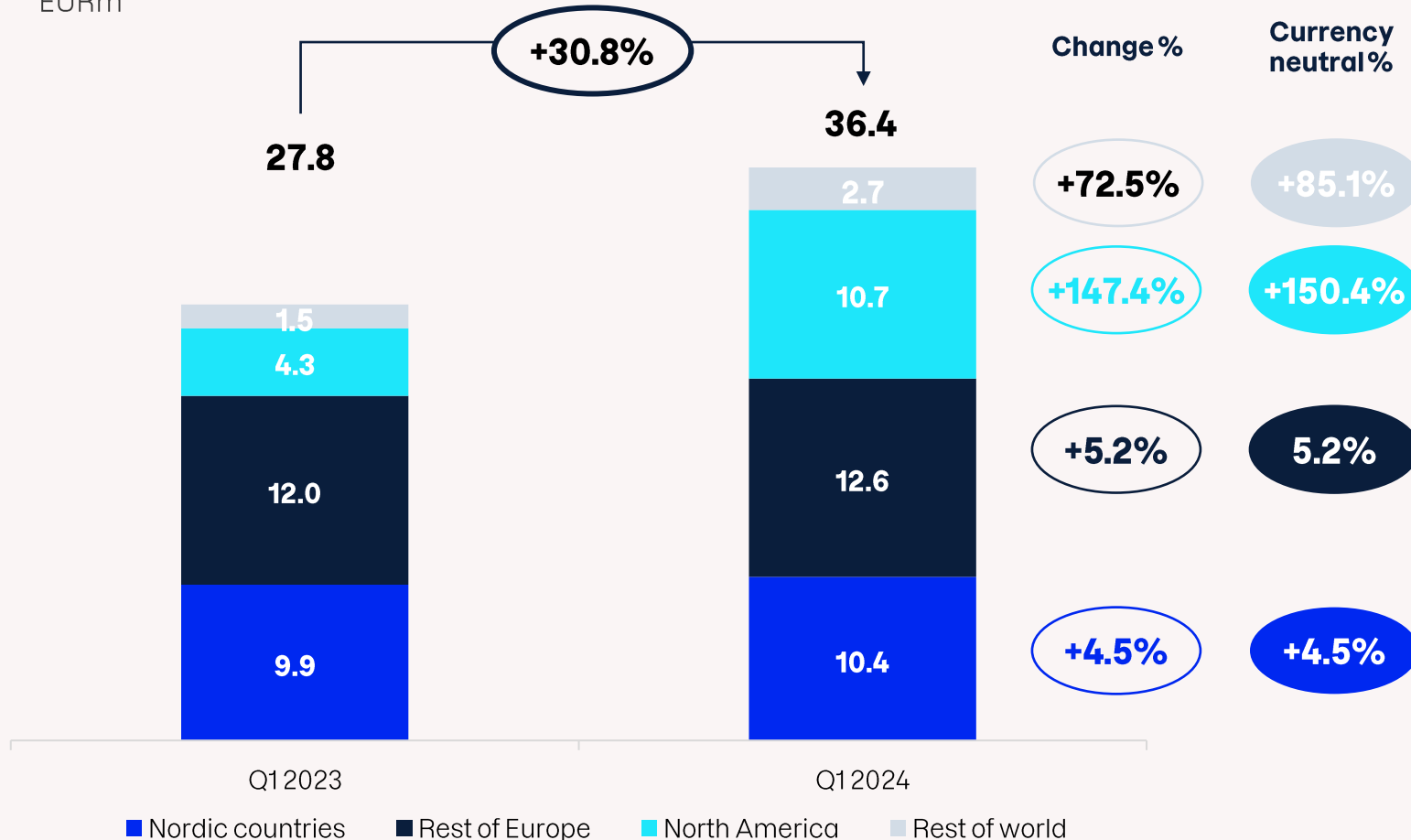


# Revenue up by 30.8%, organic growth 3.2%

Currency neutral organic growth 3.8%

## Revenue by geography

EURm

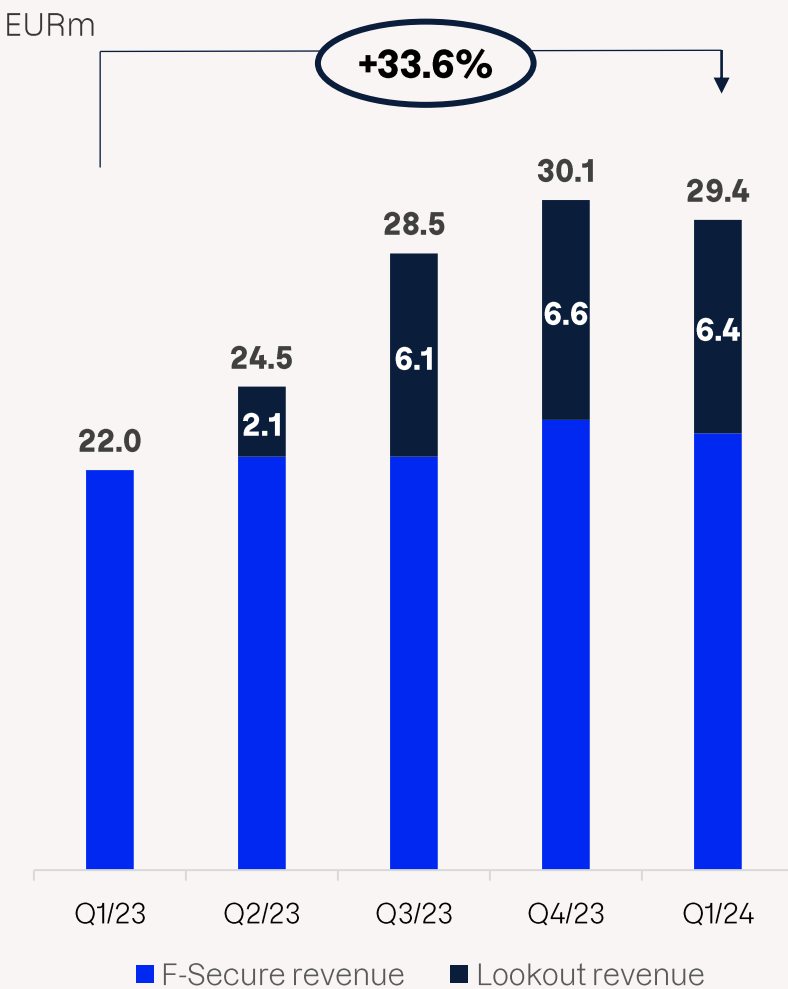


- Partner Channel: Revenue increased by 33.6% to EUR 29.4 million (EUR 22.0 million), organic growth was 4.7%.
  - Revenue increased in Japan, Singapore and Hong Kong.
  - Growth continued in the Netherlands, activity and partners' interest in F-Secure solutions is strong.
  - Revenue decreased in Poland following continued headwinds. Revenue decreased also in Germany, due to continued weaker business performance.
- Direct Channel: Revenue increased by 20.3% to EUR 6.9 million (EUR 5.8 million), thanks to Lookout Life impact
  - Direct Channel organic growth was -2.3%. However positive billings trend continued after Q4, which is visible in deferred revenue growth.
  - Because of no paid acquisition, new sales volume significantly lower – offset by higher prices and higher retention.

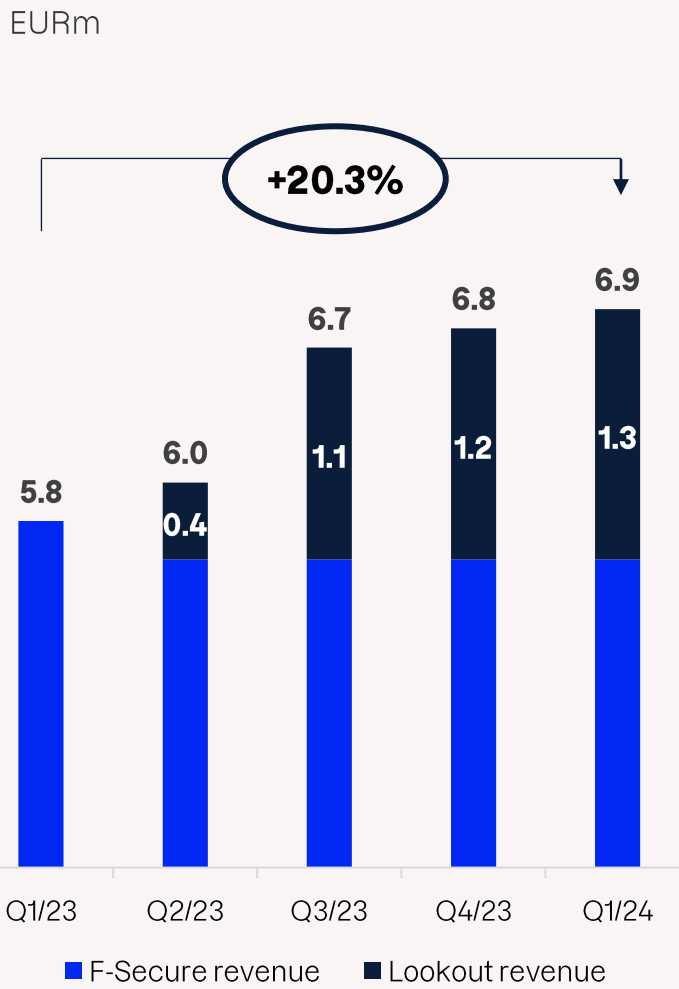
# Q1 2024: Group revenue up by 30.8%

Revenue growth attributable to the acquisition of Lookout Life consumer business

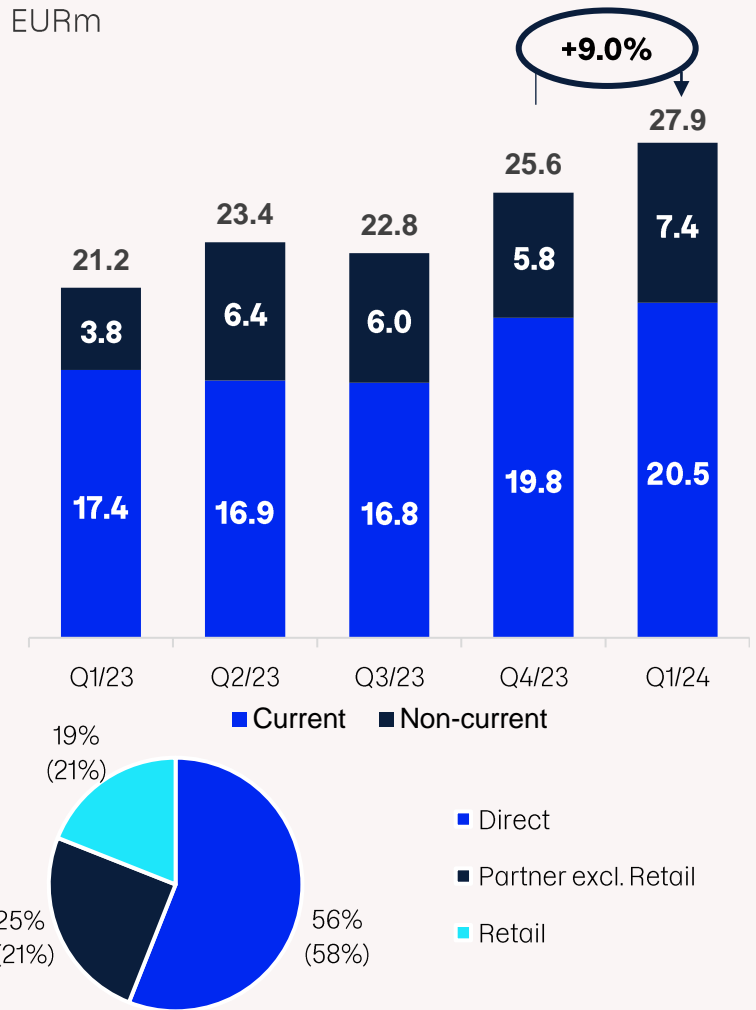
## Partner channel revenue



## Direct channel revenue



## Deferred revenue\*



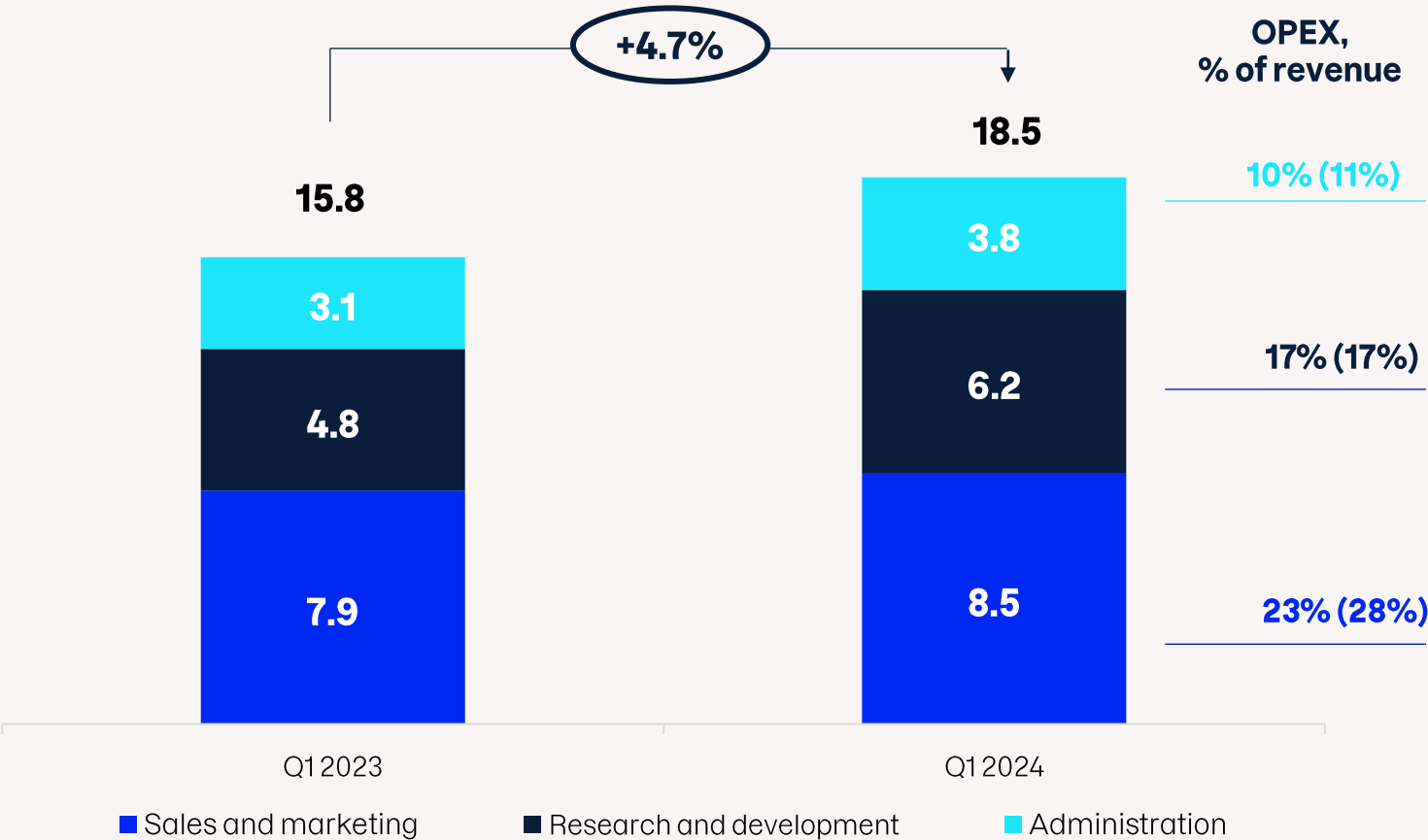
\* Deferred revenue breakdown is indicative, figures in brackets refer to Q4/2023 8



# Operating expenses in Q12024

## OPEX\* development Q1

EURm



- R&D costs increased mainly as Lookout consumer security business R&D expenses have been included.
- Sales and marketing costs increased also due to actions for stronger sales operations and excellence.
- Operating expenses have increased less than revenue

# Transitional services agreements ended with WithSecure

- Transitional services agreements (“TSA”) between F-Secure and **WithSecure** terminated at the end of 2023.
- TSAs entered between F-Secure and **Lookout** consumer security business started in June 2023.
  - TSAs in R&D and cost of revenue are planned to last several years, although some of these TSAs will terminate during the second quarter of 2024.

EURm	1-3/24 Total <sup>1)</sup>	1-3/24 Lookout TSA	1-3/2023 TSA (WithSecure)	1-12/2023 TSA
<b>Cost of revenue</b>	5.2	1.2	0.7	5.4
<b>Operating expenses</b>				
R&D	6.2	0.7	1.0	4.8
Administration	3.8	0.1	0.5	1.6
<b>Total</b>		<b>2.0</b>	<b>2.2</b>	<b>11.8</b>

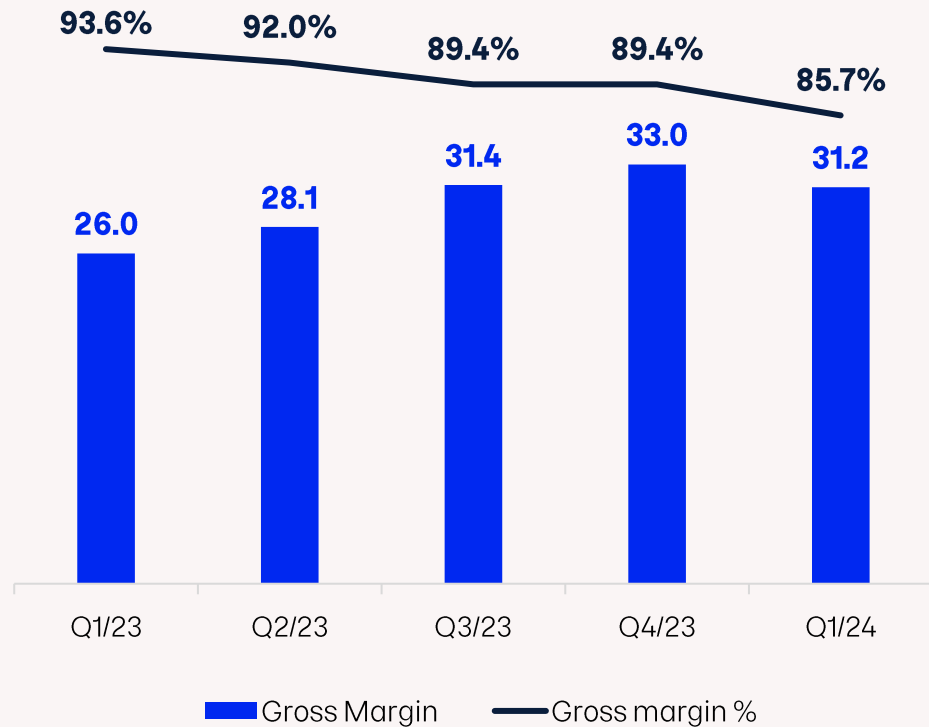
<sup>1)</sup> Excluding IAC and depreciation and amortization.

# Gross margin and adjusted EBITA development

Lower gross margin the main driver for lower profitability

## Gross margin

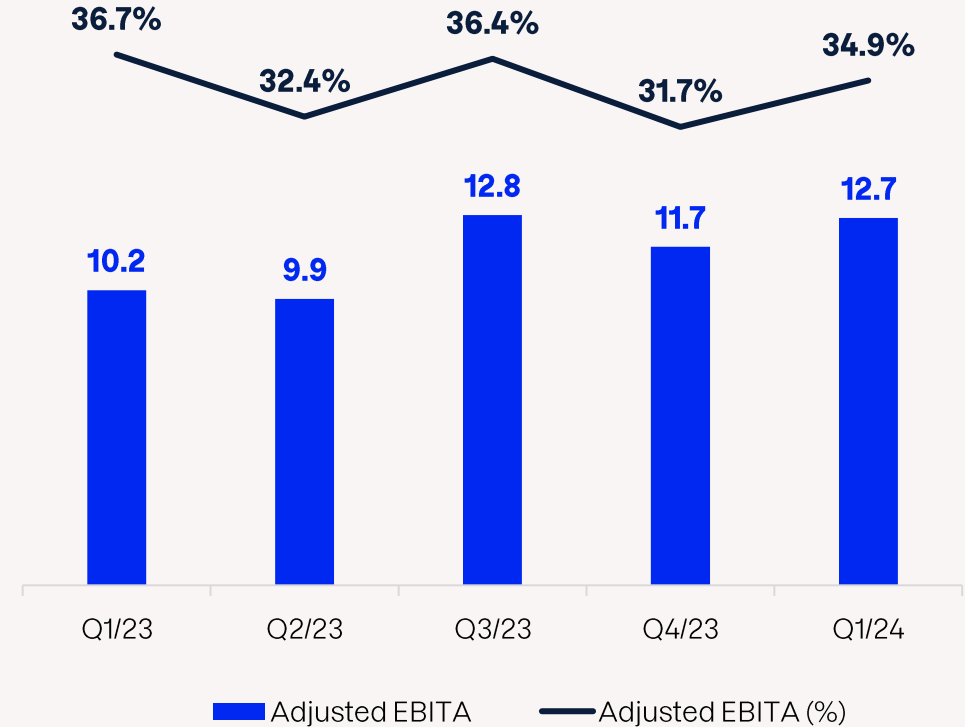
EURm



- Gross margin burdened by some additional costs related to lost synergies post-TSA period.
- Gross margin was also impacted by fair valuation adjustments of deferred revenue made in purchase price allocation, and also the acquisition itself - considering lower level of Lookout Life.

## Adjusted EBITA and adjusted EBITA margin

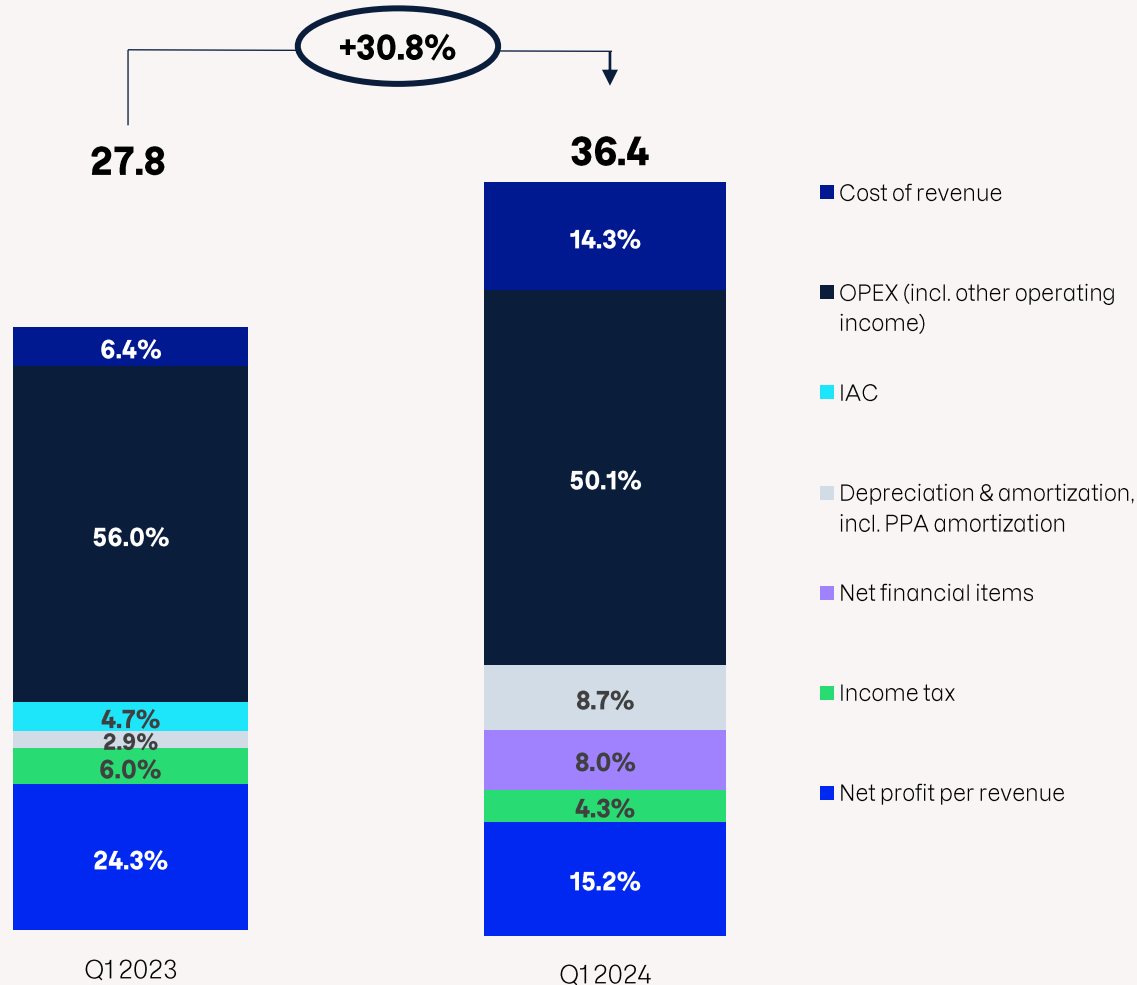
EURm



- Because of the lower gross margin, profitability for the first quarter was lower than in the comparison period.

# Revenue increased by 30.8%, Opex efficiency improving

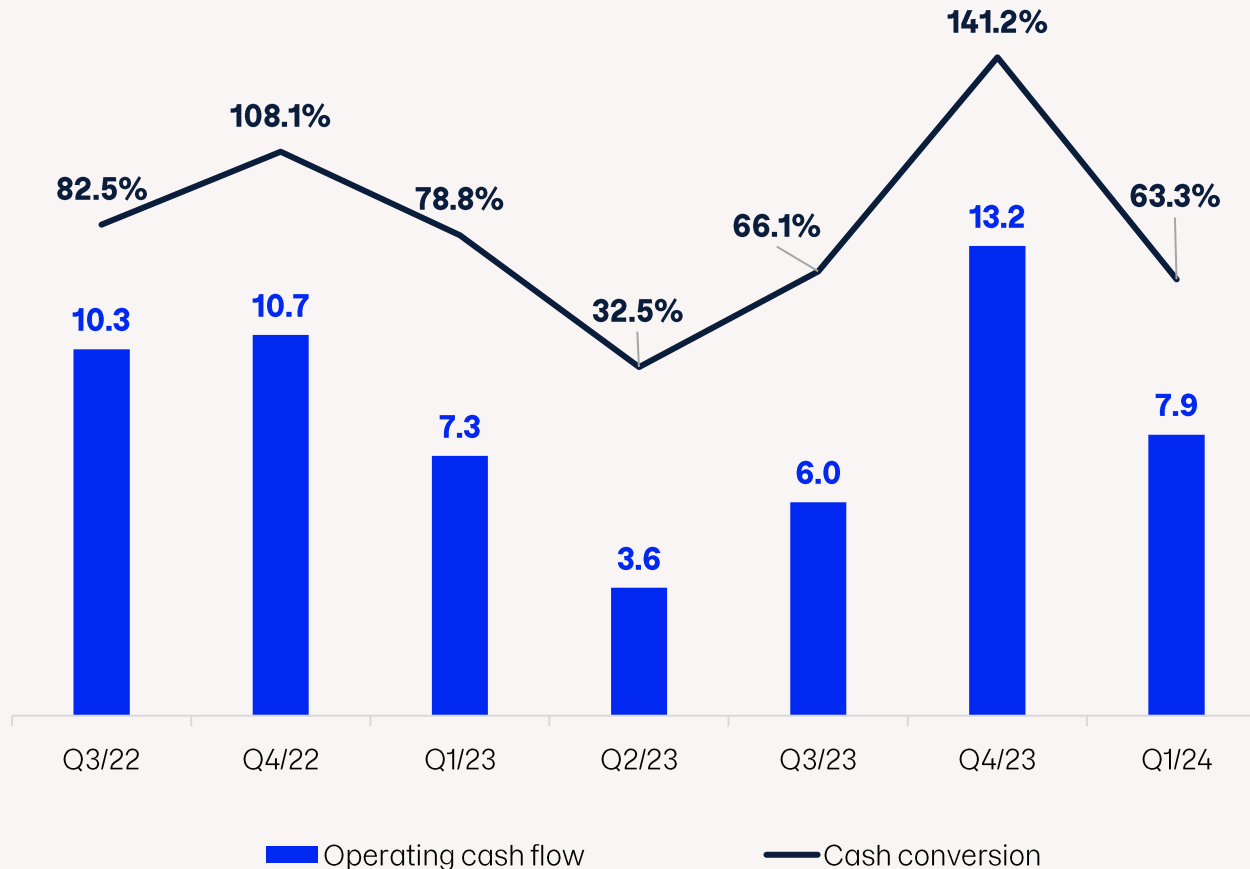
Revenue and cost components (MEUR), share of revenue



- Gross margin burdened by some additional costs related to lost synergies post-TSA period.
- Financial expenses in the first quarter increased to EUR 3.2 million (EUR 0.5 million), due to the interest for the loan.
- Earnings per share (EPS) was EUR 0.03 (EUR 0.04). Earnings per share excluding PPA amortization was EUR 0.04 (EUR 0.04).

# Q12024: Cash flow impacted by dividend payment

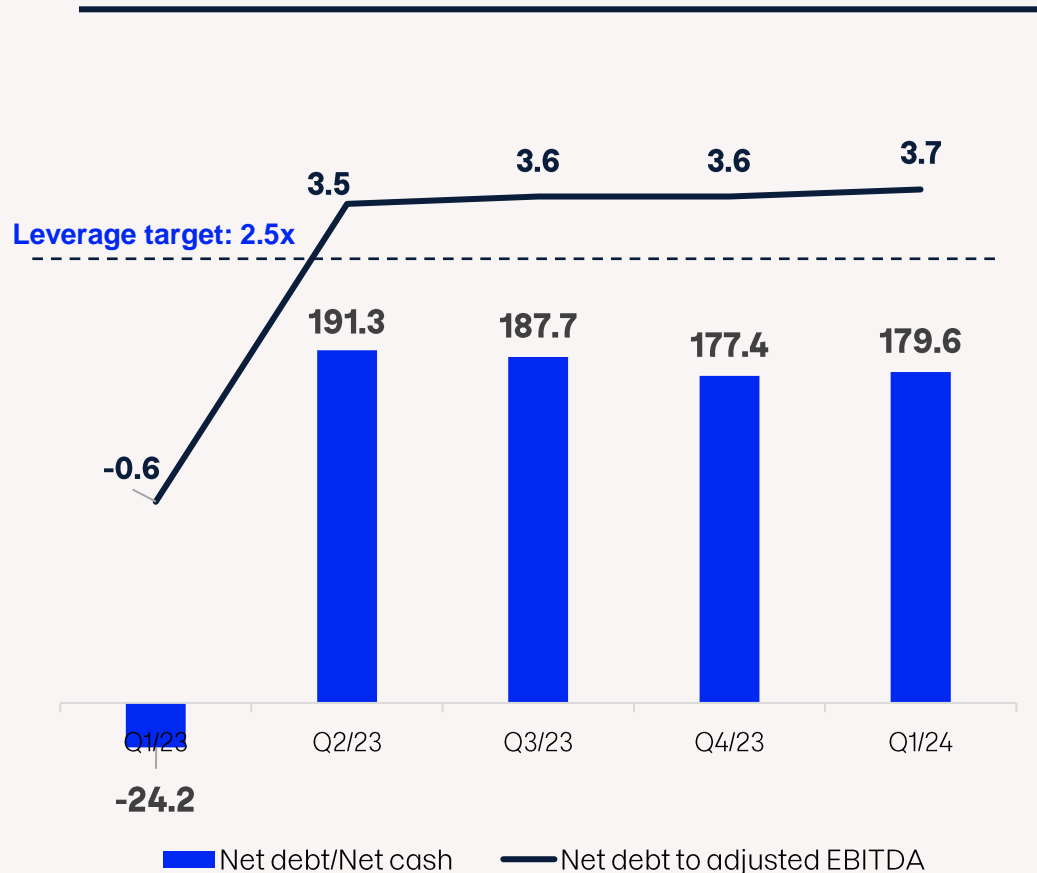
## Operating cash flow and cash conversion (QTD)



- Cash flow from operations was EUR 7.9 million.
- Cash conversion rate decreased to 63.3% (78.8%), following the first dividend payment in March 2024 as well as an increase in capital expenditure. In 2023, the dividend was fully paid in the second quarter.
- Cash at the end of March 2024 amounted to EUR 13.9 million.

# Net debt to adjusted EBITDA above mid-term target level

Net Debt / Net cash and Leverage<sup>1)</sup>

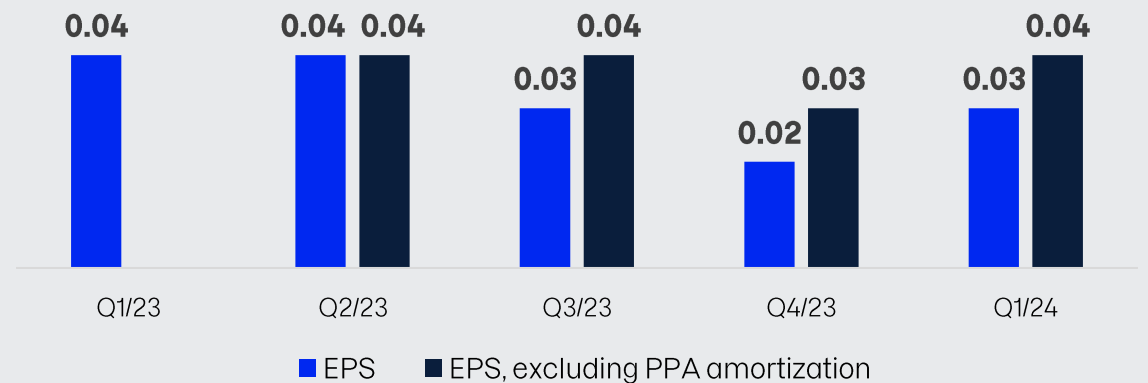


<sup>1)</sup> Leverage for the last 12 months includes Lookout consumer business unit EBITDA on an illustrative basis as if the acquisition had been made on the first day of the period in question.

Equity ratio, %



Earnings per share, EUR <sup>1)</sup>



<sup>1)</sup> Based on the average number of shares during the reporting period.

# Outlook for 2024 (unchanged)



## Growth

F-Secure estimates that revenue for 2024 will be in the range of **EUR 142–152 million.**

## Profitability

The group's adjusted EBITA is expected to be in the range of **EUR 48–54 million.**



## Background for the outlook

- F-Secure expects the consumer cyber security market to grow mid-single digit CAGR between 2024-2026\*. The growth may be moderated due to uncertainties we see around consumer sentiment in certain markets resulting also Service Providers, especially Communication Service Providers being cautious in their investment priorities.
- Biggest organic growth driver is Total and Total conversion within the partner channel; within Direct Business focus will be on retention, and marketing investments for paid customer acquisition will be lower than previously.
- F-Secure continues investing (both OPEX and CAPEX) in Embedded Security capabilities including Tier 1 capabilities and - relationships, which are expected to boost growth in medium term
- Lookout consumer BU is now included for the full year, compared to June to December (7 months) in 2023.
- Lookout consumer BU post-acquisition related deferred revenue is fair valued according to IFRS reporting and will be lower compared to revenue recognised by Lookout consumer BU for those advance payments. The negative revenue impact included in the outlook is estimated to be approximately EUR 1.5 million in 2024, and negative EBITA-level impact in the outlook approximately EUR 0.5 million, respectively.

# Q&A

