Major progress through an acquisition while business continues to operate amid adverse conditions

Half Year Financial Report
1 January–30 June 2023

Timo Laaksonen CEO
Sari Somerkallio CFO
Q2: Completed acquisition and strategy execution
The business continues to operate amid adverse conditions

Revenue growth of **11.1%**, organic growth **2.2%** – challenging market reflected in revenue, especially in our eCommerce business

**Acquisition of Lookout consumer security business** – a significant step in expanding our business in the US and within major partners

Weakened consumer confidence resulted in a decline in **global device spending** – volatility in demand

Updated **mid-term financial targets** and **outlook for 2023**

Announced changes in the executive **leadership team**
## Q2/2023: Cornerstones of our strategy developing well

<table>
<thead>
<tr>
<th>Strategic focus: Increase average revenue per user (ARPU)</th>
<th>Developing current offering and new products</th>
<th>Expand into new channels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accelerate the roll-out of F-Secure Total</strong></td>
<td><strong>Expand market coverage and the accessible market</strong></td>
<td><strong>Replicate our proven business model</strong></td>
</tr>
<tr>
<td>• Signed up 3 new partners for F-Secure Total</td>
<td>• Good progress in platform initiatives: Tech autonomy and SDK/Cloud API deliverables</td>
<td>• New vertical partners; Total launch with an insurance company and two banks, all signed in previous quarters.</td>
</tr>
<tr>
<td>• 5 existing partners signed up for F-Secure Total upgrade</td>
<td>• Asian CSP for F-Secure Sense, expected to go-live beginning of 2024 – all in all eight CSP partners for Sense.</td>
<td>• Active pipeline development: Insurance companies, banks, payment providers.</td>
</tr>
<tr>
<td>• 12 new Total launches with partners that had been signed up for the service in previous quarters</td>
<td>• Three new router partners for Sense, one to provide service also to retail customers from the end of 2023.</td>
<td></td>
</tr>
<tr>
<td>• New generation F-Secure Total launched in Direct Channel in Q1 – lower new sales than anticipated.</td>
<td>• First deal within Network Security with a new European CSP partner, based on our DNS (Domain Name System) security technology partnership.</td>
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</table>
Acquisition of Lookout consumer business

Significant step in expanding F-Secure business in the US

Acquisition of the mobile consumer security business unit from Lookout Inc.:

- Enterprise value USD 223 million (approx. EUR 202 million), financed with debt
- Increased presence in the US cybersecurity software market
- Highly complementary product portfolio, with mobile-first solutions used by millions of customers across the world
- Transaction expected to deliver at least EUR 12 million of revenue synergies and incremental EBITA level synergies of EUR 10 million per annum in 2027
- Transaction completed and integration process ongoing: figures consolidated with F-Secure figures starting from 1 June 2023
- In the transaction, 65 employees were transferred to F-Secure.
Multiple value creation drivers that deliver topline synergies

**1. PARTNER BUSINESS**

- **1.1** CROSS-SELL DESKTOP APPS
- **1.2** CROSS-SELL ROUTER SECURITY
- **1.3** ADDRESS TIER 1 PARTNER NEEDS
- **1.4** CHURN REDUCTION
- **1.5** OFFERING FOR MOBILE-FIRST MARKETS

**Enhanced revenue growth potential**

**TOWARDS 12M€ ADDITIONAL REVENUE 2027**

**2. DIRECT BUSINESS**

- **2.1** CROSS-SELL DESKTOP AND VPN APPS
- **2.2** CONVERT FREE USERS INTO PAID
- **2.3** ACCELERATE CREATING ENGAGING SECURITY EXPERIENCES
- **2.4** ADDRESS MOBILE-FIRST MARKET NEEDS
Cost synergies incremental and mid-term

**OPPORTUNITIES**

- Harmonize suppliers
- Hosting and security cloud
- F-Secure and Lookout Life R&D new hires vs. long-term plan

**IMPACT**

- Cost savings on overlapping partner contracts and scale
- Optimize hosting and security cloud costs, including benefits from scale
- Less new hires needed mid to long term due to harmonizing technology platforms and apps

**Reasons to believe in creating synergies**

- Expertise demerging from WithSecure
- Larger end-user base provides economies of scale in production (unit cost) as well as supplier contracts
High confidence to realize EUR 10 million EBITA synergies
Integration work proceeding according to plan

<table>
<thead>
<tr>
<th>SYNERGY AREA</th>
<th>DRIVERS AND RATIONALE</th>
<th>IMPACT</th>
<th>P&amp;L EFFECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology synergies</td>
<td>Lowered recruitment requirements in R&amp;D, contracting and product management</td>
<td></td>
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<tr>
<td>Partner business growth</td>
<td>Upselling to new customer base, reduction in churn and ARPU growth</td>
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<tr>
<td>Direct business growth</td>
<td>Upselling to new customer base, new product sales and ARPU growth</td>
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<tr>
<td>Embedded Security acceleration</td>
<td>Accelerating Embedded Security plans with new sellable capabilities and increased credibility</td>
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<td></td>
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<tr>
<td>Royalty payments</td>
<td>Cost-of-revenue optimization and harmonization of overlapping licensing and hosting contracts</td>
<td></td>
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</table>

60% achieved by 2025
+80% by 2027
Towards our strategic targets

2022

Establish F-Secure as an agile and empowered organization
- Demerger completed June 30, 2022
- Ramp-up of own business operations and building up capabilities as an independent company

2023

Growth through Total and replacing stand-alone products
- Strong focus on 12 roll-outs of F-Secure Total, incl. important new vertical partnerships
- Busy launch schedule for July

2024

2x Customer base with service that talks to people
- In-app communication
- Enhanced set of F-Secure digital moments
- Enhanced market reach through major service provider partners
- 70% increase in number of served customers post Lookout consumer business acquisition

2025

No.1 Security experience
- Double-digit revenue growth
  - Value proposition: Sense of Security on the internet
  - Data-driven, context-aware user experience that guides users
  - Service that educates users to get safer and savvier on the internet
  - Lookout’s product launch due in Q4/23 represents next evolution phase in security experience
Short-term performance drivers impacting our business

**Growth drivers**
- New and existing partners deploying Total – revenue growth slightly lower than expected due to some delayed launches – and cross-sell opportunities to Lookout Life partners.
- Solid pipeline of major opportunities, incl. DNS security, to existing and new partners.
- Growing demand and traction in Asia-Pacific region.
- Weakened consumer confidence resulted in a decline in global device spend, which has an adverse effect on the Direct Channel and especially within new sales.
- Measures to combat eCommerce challenges implemented during Q2 and will continue in Q3.

**Other drivers**
- Strategic investments in growth, technology investments to strengthen our independence as well as Lookout consumer security business integration burden our profitability.
- All in all, the acquisition of Lookout consumer security business has an impact on operational expenses.
- WithSecure TSA costs to terminate by the end of 2023, Lookout TSA costs to run for a couple of years.
Global F-Secure partner event SPECIES 2023

~94 Guests from 42 Service Providers
(33 in 2022)

from 20 Countries
(17 in 2022)

Representing ~60 MEUR
(~15 M more than 2022)

9 partner cases presented

100+ meetings in three days

SPECIES promoter score: 100%
Financials
Sari Somerkallio, CFO
Q2: Revenue up by 11.1%, organic growth 2.2%
Currency neutral organic growth 2.6%

Revenue by geography

<table>
<thead>
<tr>
<th>Region</th>
<th>Q2 2022</th>
<th>Change %</th>
<th>Currency neutral organic growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic countries</td>
<td>12.1</td>
<td>+0.2%</td>
<td>+0.2%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>9.9</td>
<td>+0.4%</td>
<td>+0.5%</td>
</tr>
<tr>
<td>North America</td>
<td>1.4</td>
<td>+42.1%</td>
<td>+4.0%</td>
</tr>
<tr>
<td>Rest of world</td>
<td>6.6</td>
<td>+58.6%</td>
<td>+5.7%</td>
</tr>
</tbody>
</table>

- Figures of the acquired business consolidated with F-Secure starting from 1 June 2023.
- US increased significantly due to the acquisition of Lookout consumer business.
- Partner Channel: revenue increased by 12.8%, organic growth 3.1%
  - Revenue increased especially in the Netherlands and in the DACH region
  - Strong revenue growth in the APAC area, especially Japan and Hong Kong
  - Weaker performance in the UK and in Poland
- Direct Channel: revenue increased by 4.8%, organic growth was -1.4%.
  - Headwinds and market uncertainty reflected especially within new business
- F-Secure Total launched in Q1, but challenges in eCommerce optimization and weaker than expected demand resulted in declining revenue development.
Q2 2023: Group revenue up by 11.1%

Challenging market reflected in revenue performance, especially in eCommerce business

**Partner channel revenue**
- Q2/22: 21.7 EURm
- Q3/22: 22.1 EURm
- Q4/22: 22.5 EURm
- Q1/23: 22.0 EURm
- Q2/23: 2.1 EURm

**Direct channel revenue**
- Q2/22: 5.7 EURm
- Q3/22: 5.8 EURm
- Q4/22: 5.7 EURm
- Q1/23: 5.8 EURm
- Q2/23: 6.0 EURm

**Deferred revenue**
- Current: 20.6 EURm
- Non-current: 6.4 EURm

Deferred revenue breakdown is indicative, figures in brackets refer to Q1/2023.
Operating expenses in Q2

<table>
<thead>
<tr>
<th>OPEX* development Q2</th>
<th>EURm</th>
<th>OPEX, % of revenue</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
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<tr>
<td>Q2 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14.9</td>
<td></td>
</tr>
<tr>
<td>Q2 2023</td>
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<td></td>
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<td>5.7</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17.0</td>
<td></td>
</tr>
</tbody>
</table>

+14.4%

- R&D expenses grew as planned due to increased investments in product development and people.
- All in all, the acquisition of Lookout consumer security business had an impact on operational expenses.
- Additionally, figures for comparison period are not fully comparable as the classification and allocation method used in carve-out vary from actuals.

* Excluding Items Affecting Comparability (IAC) and depreciation and amortization.
Transitional services agreements support independence

- Transitional services agreements ("TSA") between F-Secure and **WithSecure** incurred in connection with the demerger from WithSecure
  - These TSA costs in cost of revenue are planned to terminate latest by the end of 2023.
  - Majority of the administration TSAs terminated at the end of 2022, and the rest of administration and all of R&D planned to terminate by the end of 2023.

- TSAs entered between F-Secure and **Lookout** consumer security business incurred in June 2023.
  - These TSAs in cost of revenue are planned to last several years.
  - Majority of the administration TSAs are planned to terminate during 2023 and the rest of administration and all of R&D are planned to terminate during 2024

<table>
<thead>
<tr>
<th>EURm</th>
<th>4-6/2023 Total</th>
<th>4-6/2023 WithSecure TSA</th>
<th>4-6/2023 Lookout TSA</th>
<th>4-6/2023 total TSA</th>
<th>7-12/2022 TSA*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>3.6</td>
<td>0.9</td>
<td>0.6</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>5.7</td>
<td>0.6</td>
<td>0.1</td>
<td>0.7</td>
<td>1.9</td>
</tr>
<tr>
<td>Administration</td>
<td>2.7</td>
<td>0.3</td>
<td>0.1</td>
<td>0.4</td>
<td>5.2</td>
</tr>
<tr>
<td>Total</td>
<td><strong>1.8</strong></td>
<td><strong>0.8</strong></td>
<td><strong>2.5</strong></td>
<td></td>
<td><strong>9.0</strong></td>
</tr>
</tbody>
</table>

*TSA costs incurred only in the second half of 2022*
Gross margin and adjusted EBITA development

Lookout consumer security business integration burdened profitability

**Gross margin**

<table>
<thead>
<tr>
<th>EURm</th>
<th>Q2/22</th>
<th>Q3/22</th>
<th>Q4/22</th>
<th>Q1/23</th>
<th>Q2/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>90.5%</td>
<td>92.0%</td>
<td>91.6%</td>
<td>90.9%</td>
<td>88.4%</td>
<td></td>
</tr>
</tbody>
</table>

**Adjusted EBITA and adjusted EBITA margin**

<table>
<thead>
<tr>
<th>EURm</th>
<th>Q2/22</th>
<th>Q3/22</th>
<th>Q4/22</th>
<th>Q1/23</th>
<th>Q2/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.7%</td>
<td>40.8%</td>
<td>34.6%</td>
<td>36.7%</td>
<td>32.4%</td>
<td></td>
</tr>
</tbody>
</table>

**Key Points**

- The gross margin impacted by fair valuation adjustments of deferred revenue made in purchase price allocation and increased costs in hosting.
- Some double cost due to finalization of WithSecure TSAs and product mix changes have an effect on hosting costs.
- Lookout business has lower gross margin level than F-Secure traditionally.

- Strategic investments for future growth and technology, as well as Lookout consumer security business integration burdened our profitability in the second quarter.
- Figures for the comparison period do not fully reflect F-Secure’s profitability as a standalone entity.
# Purchase price allocation (PPA)

PPA amortizations of EUR 0.7 million related to the acquisition

## Provisional fair values of acquired identifiable assets at the date of acquisition:

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Years</th>
<th>Fair value</th>
<th>Amortization in June 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology-related intangibles</td>
<td>15</td>
<td>83.0</td>
<td></td>
</tr>
<tr>
<td>Customer-related intangibles (Partner business)</td>
<td>15</td>
<td>31.7</td>
<td></td>
</tr>
<tr>
<td>Customer related intangibles (Direct business)</td>
<td>5</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>

| Total intangible assets | 116.6 | 0.7        |

| Goodwill | 88.2   |
Balance sheet overview

Assets at 30.6.2023 (EURm)

- Intangible assets: 127.5
- Goodwill: 87.9
- Other non-current assets: 32.6
- Trade and other receivables: 11.9
- Cash and cash equivalents: 3.0

Equity and liabilities at 30.6.2023 (EURm)

- Equity: 25.2
- Deferred revenue: 23.4
- Structuring loans: 1.5
- Lease liabilities: 3.7
- Bank loans: 3.9
- Other liabilities: 3.0
- Total liabilities: 15.0
- Total equity and liabilities: 270.4

- Equity ratio was 9.3% (18.8%) as a result of the Lookout consumer business acquisition.
- Net debt was EUR 191.3 million (net cash of EUR 1.8 million).
- New facilities agreement entered into with Danske Bank A/S and OP Corporate Bank plc. The new financing package consists of two facilities:
  1. A EUR 202 million amortizing term loan to finance the acquisition.
  2. A EUR 20 million revolving loan facility to be used for general corporate purposes of the combined group.

Both facilities hold a maturity of 3 years with two 1-year extension options.
- The previous undrawn revolving credit facility cancelled concurrently with closing of the transaction.
- Net debt to adjusted EBITDA ratio was 3.5 following the acquisition.
H1 2023 in brief: revenue +6.4%, organic growth +1.9%

Revenue by geography

<table>
<thead>
<tr>
<th></th>
<th>EURm</th>
<th>+6.4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2022</td>
<td>54.8</td>
<td></td>
</tr>
<tr>
<td>H1 2023</td>
<td>58.3</td>
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</table>

Revenue by channel

<table>
<thead>
<tr>
<th></th>
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<td>58.3</td>
<td></td>
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</tbody>
</table>

Adjusted EBITA

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<tr>
<th></th>
<th>EURm</th>
<th>-11.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2022</td>
<td>22.7</td>
<td>41.5%</td>
</tr>
<tr>
<td>H1 2023</td>
<td>20.1</td>
<td>34.4%</td>
</tr>
</tbody>
</table>
Outlook 2023 (updated June 1, 2023)

**Growth:** In 2023, F-Secure expects revenue to exceed EUR 134 million.

**Profitability:** The group’s adjusted EBITA is expected to exceed EUR 45 million. The adjusted EBITA margin is estimated to temporarily decrease in 2023 due to acquisition related additional OPEX investments of more than EUR 3 million to ensure successful integration and drive revenue synergies.

**Background for the outlook:**

- F-Secure expects the cyber security market to grow in 2023 and the global demand to remain stable, in the face of a challenging operating environment.
- Lookout consumer BU included from June to December (7 months).
- Pro forma revenue growth of Lookout consumer BU expected to be around 10% (previously: above 10%) on a standalone basis and therefore contributing to F-Secure growth positively (FY 1 February 2023 – 31 January 2024).
- Lookout consumer BU has received payments in advance related to part of its revenue. Such payments are recognised as deferred revenue. As part of the acquisition, F-Secure fair values the deferred revenue according to IFRS reporting for the purposes of acquisition balance sheet, thus the revenues recognised post-acquisition related to deferred revenue balances will be lower compared to revenue recognised by Lookout consumer BU for those advance payments. The preliminary negative revenue impact included in the outlook is estimated to be approximately EUR 3.2 million in 2023, and negative EBITA-level impact in the outlook approximately EUR 2.6 million, respectively.
Medium-term financial targets (updated April 26, 2023)

By 2026

**Growth:**
Total revenue of more than EUR 200 million by 2026

**Profitability (unchanged):**
After initial growth investments, adjusted EBITA margin of above 42%

**Dividend Yield (unchanged):**
Around or above 50% of net profit on an annual basis.

**Leverage:**
Net debt / adjusted EBITDA ratio below 2.5x, excluding temporary impact from acquisitions. F-Secure Corporation follows the Rule of 40 metric as internal performance measurement and guiding principle, according to which the combined revenue growth rate and profitability margin should be equal to or greater than 40%.

Target to consistently outperform market growth & Rule of 40