

The background of the slide is a long-exposure photograph of a city skyline at night. The sky is a deep, dark blue with some light clouds. The city lights are a mix of warm yellow and orange, and cooler blues and purples. In the foreground, there are dark silhouettes of trees and buildings, with some light trails from cars on a road. The overall mood is urban and dynamic.

SSH Communications Security Corporation Business Review July–September 2024

Net sales increased by 1.5%, EBIT positive

July–September 2024:

- Net sales totaled EUR 5.2 million (5.2 million)
- EBITDA was EUR 1.0 million (1.0 million)
- Operating profit was EUR 0.1 million (0.1 million)
- Loss for the period was EUR -0.1 million (0.0 million)
- Earnings per share was EUR -0.06 (EUR -0.01)

Operating cash flow was EUR -0.7 million (EUR 0.8 million). The equity ratio was 50.6% (52.4%).
Liquid assets were EUR 0.8 million (EUR 2.6 million).

Key Figures

EUR million	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Net sales	5.2	5.2	1.5	15.4	14.8	3.8	20.3
EBITDA	1.0	1.0	-0.1	1.7	1.3	32.4	1.8
% of net sales	18.9	19.2	-1.6	11.1	8.7	27.6	8.9
Operating profit/loss	0.1	0.1	-50.8	-1.1	-1.3	14.1	-1.6
% of net sales	1.2	2.4	-51.6	-7.1	-8.6	17.3	-8.1
Profit/loss before taxes	-0.2	0.0	-496.9	-1.6	-1.9	16.4	-2.4
Profit/loss	-0.1	0.0	-810.8	-1.5	-1.8	18.0	-2.3
Return on equity, %				-16.9%	-17.8%	5.0	-22.8
Return on investment, %				-14.4%	-15.4%	-6.9	-19.1
Liquid assets				0.8	2.6	-70.4	2.2
Short-term liquid investments							1.5
Gearing (%)				19.2%	-6.6%	389.9	3.0
Equity ratio (%)				50.6%	52.4%	-3.4	49.2
Earnings per share, EUR	-0.06	-0.01	-664.6	-0.10	-0.07	-35.3	-0.10
Shareholders' equity per share, EUR	0.21	0.23	-6.2	0.21	0.23	-6.2	0.25
Recurring revenue, ARR				19.2	19.4	-0.7	19.3
Subscription revenue, ARR				11.8	11.5	1.8	11.5
Invoicing ¹	5.7	4.7	20.5	14.1	12.7	10.8	18.3
Operating Cash Flow	-0.7	0.8	-193.6	-0.5	1.3	-137.1	3.2
Deferred revenue				11.5	12.5	-7.8	12.6
Current				10.0	8.9	12.2	10.2
Non-current				1.5	3.6	-57.5	2.4

1) Invoicing numbers for comparison period 1-9/2023 have been corrected

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.

Consolidated net sales

EUR million	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
By segment							
AMERICAS	1.9	1.9	-1.8	5.7	5.6	1.9	7.8
APAC	0.5	0.5	3.5	1.4	1.1	26.7	1.5
EMEA	2.9	2.8	3.5	8.3	8.1	2.0	11.0
Total	5.2	5.2	1.5	15.4	14.8	3.8	20.3
By operation							
Subscription sales	3.0	2.9	2.4	8.9	8.1	9.0	11.1
License sales	0.1	0.2	-31.2	0.4	0.5	-24.1	0.9
Maintenance sales	2.0	2.0	-1.2	5.7	5.9	-2.1	7.8
Professional services & others	0.2	0.1	138.6	0.4	0.3	22.7	0.6
Total	5.2	5.2	1.5	15.4	14.8	3.8	20.3

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

In Q3, we saw modest revenue growth as some key customer deals were delayed. The macroeconomic headwinds in several markets continue to impact decision making speed among customers.

We made progress in expanding our partner network, achieving NATO and NCSA certifications, and launching solution updates. We are pleased to see increased customer engagement, both with end customers and through our growing partner network.

In the third quarter, our revenue grew by 1.5% year-on-year, totaling EUR 5.2 million. Subscription sales increased 2.4%, with PrivX subscription sales growing by 15.6% (25.7% YTD). EBITDA remained stable at EUR 1.0 million (1.0 million). Cash flow from operations totaled EUR -0.7 million (0.8 million). Our quarter-end cash balance was EUR 0.8 million (2.6 million).

The cash position has improved since the end of the third quarter and improvement is expected to continue during Q4 with renewals seasonally increasing towards the end of the year.

License and maintenance sales, mainly consisting of support contracts for sold licenses, declined. Professional services revenue grew compared to last year.

Subscription ARR grew 1.8% totaling EUR 11.8 million (11.5 million) and total annual recurring revenue (ARR) declined 0.7% to EUR 19.2 million (19.4 million). The slight decline in ARR was driven by churn in legacy products but partially offset by an increase in subscription sales. The recurring revenue accounted for 94.6% (95.2%) of revenue in Q3.



In August, we were approved as a supplier for NATO Communications and Information Agency (NCI Agency). The purpose of the NCI Agency is to protect NATO, its communications, and networks against cyber threats. The registration allows SSH and its solutions to be part of NCI Agency's competitive procurements, opening new market opportunities and a wider visibility for the company.

We continued to secure new business with SalaX Secure Collaboration, for instance in finance, legal services and health care. SalaX Secure Messaging solution is using both the Element communications platform and the decentralized Matrix open standard for secure and interoperable communications. It is the same technology stack as used by the French government, the German Armed Forces (Bundeswehr), NATO ACT, Sweden's Försäkringskassan, German National Agency for Digital Medicine and Healthcare, United Nations International Computing Centre and the US Department of Defense.

We continued strengthening our partner network and signed further significant partnerships with Onaware (Ireland), Bechtle (Belgium, Central Europe), Epical Group (Nordics), EBINC (South Korea), OrangeRed (Taiwan), and TracThai (Thailand). These complement our partner network expansion

on top of the earlier announced new onboardings of Cancom (DACH) and Deloitte (Finland, Europe). Our partner management is yielding results – we had several joint events, certified some 50 new engineers in the partner network, and witnessed increased sales opportunities.

We released version 3.0 of the quantum-safe NQX communications solution for network security. The new version includes NIST standardized Post Quantum safe algorithms (PQC), which allow customers to easily configure their quantum-safe connections. NQX is amongst the first solutions supporting 100Gbps connections and is up to 6 times faster than existing enterprise tunnelling solutions. Efficient future-proof encryption is needed e.g. in official communications between governmental authorities and secure payment transfers and to manage large numbers of connections between networks, data centers, and factories. NQX received security classification TL III, for three years by the NCSA (Finnish National Communications Security Authority).

Manufacturing continues to be the top attacked industry for the third year in a row, according to IBM Security X-force threat intelligence index. We continued to expand Operational Technology (OT) opportunities in manufacturing and critical infrastructure, recognizing them as key strategic growth areas for SSH. During the quarter, we have participated in OT industry events, such as the Smart Digital Ports of the Future Conference in Rotterdam and just after the quarter-end in ManuSec USA, a premier conference for cybersecurity in manufacturing in Chicago.

With a more effective organization and stronger partner network driving a growing pipeline, we are focused on growth and profitability going forward.

SSH Communications Security will publish its Q4 and full-year 2024 financial results on February 14, 2025.

Helsinki, October 24, 2024

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