Ending the year on a positive note

Financial Statement Release
1 January–31 December 2023

Timo Laaksonen CEO
Sari Somerkallio CFO
Q4: Ending the year on a positive note

Market recovery in Direct business

Revenue growth of 30.6%, organic growth 2.9% – Partner Business on a steady path, Direct Business supported by strong renewal performance.

**Strategy execution continued:** 3 new Total sign-ups and nine agreements with existing partners – the total number of existing partners who have signed for Total deployment during 2022 and 2023 is ~70.

**Lookout Life integration completed:** Unified organization, product programs and business support systems. Technology TSA remains in place with Lookout.

Dividend proposal of **EUR 0.07** per share, to be paid in two instalments.

The **market sentiment remains volatile**, with variation across geographies.
### Q4/2023: Focus on profitable strategy execution

<table>
<thead>
<tr>
<th>Strategic focus:</th>
<th>Accelerate the roll-out of F-Secure Total</th>
<th>Expand market coverage and the accessible market</th>
<th>Expand into new channels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase average revenue per user (ARPU)</strong></td>
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<tr>
<td><strong>Developing current offering and new products</strong></td>
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<tr>
<td><strong>Expand into new channels</strong></td>
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#### Progress:

- **In Q4, three new F-Secure Total partner signings and nine agreements with existing partners.**
- **Among others, two Nordic Communications Service Providers (CSP) signed up for Total conversion, as well as two Central European CSPs.**
- **All in all, 34 existing partners signed up for F-Secure Total upgrade and 38 Total launches were made during the year 2023.**
- **F-Secure Total enhanced with Trusted Shopping to protect consumers against shopping scams.**
- **Launched flexible Total client: Enhanced business model flexibility allows cross/up-selling any combination of Total protection capabilities.**
- **DNS (Domain Name System) Security service launched with two CSP’s and signed two new agreements.**
- **Continued active work on new Tier1 partnerships with a solid pipeline of prospects.**
- **Active pipeline development: Insurance companies, banks, payment providers.**
- **Focused on developing Sense router partners into resellers.**
Change negotiations


• Concluded group-wide statutory change negotiations to restructure the global operating model and personnel to align with the strategic priorities and financial targets of F-Secure.

• As a result of the change negotiations and other measures, 56 roles in F-Secure to be terminated, of which 39 in Finland.

• Estimated annual cost savings of around EUR 9 million, to be achieved through personnel reductions, as well as savings in operating costs like marketing, subcontracting and other external purchases.

• One-off costs related to the changes amounts to a maximum of EUR 1.8 million, recorded as items affecting comparability (IAC) in the fourth quarter of 2023.
Progress of Total conversion

Total conversion within Partner Business

- 34 existing partners signed up for F-Secure Total upgrade in 2023
- 38 Total launches were made in 2023
- The total amount of existing partners who have signed for multi-module Total deployment during 2022 and 2023 is ~70.
- Seven (7) DNS wins in 2023, two (2) of the wins in Q4/2023
2024: Focus on Partner Business

**TOP PRIORITIES**

- Accelerate profitable growth to fund further growth investments
- Deliver on #1 Security Experience vision
- Enhance Partner Business focus to Tier 1s
- Optimize Direct Business revenue and profit

**STRATEGIC INITIATIVES**

- Total conversion, boosted by fast FS-Lookout Life product convergence
- Trusted Companion CX, Scam protection in digital moments, Embedded portfolio enhancements
- Extend service level with Tier 1 specific capabilities
- Direct Business focused on consumer experience, retention and upsell
Financials

Sari Somerkallio, CFO
Q4: Revenue up by 30.6%, organic growth 2.9%
Currency neutral organic growth 4.2%

Revenue by geography

<table>
<thead>
<tr>
<th>Region</th>
<th>EURm</th>
<th>Change %</th>
<th>Currency neutral %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic countries</td>
<td>12.2</td>
<td>+8.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>10.9</td>
<td>+139.8%</td>
<td>+154.5%</td>
</tr>
<tr>
<td>North America</td>
<td>2.7</td>
<td>+79.3%</td>
<td>+93.1%</td>
</tr>
<tr>
<td>Rest of world</td>
<td>10.1</td>
<td>+0.7%</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Total</td>
<td>36.9</td>
<td></td>
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</tbody>
</table>

- Figures of the acquired business consolidated with F-Secure starting from 1 June 2023.
- Partner Channel: Revenue increased by 33.6% to EUR 30.1 million (EUR 22.5 million), organic growth was 4.2%
  - Revenue growth continued in the Netherlands, where activity and partners’ interest in F-Secure solutions is good.
  - Revenue increased in the APAC area, positive development in Japan and Singapore and Hong Kong.
  - Revenue decreased in Poland following continued strong headwinds. Revenue decreased also in Germany, due to continued weaker business performance.
- Direct Channel: Revenue increased by 19.1% to EUR 6.8 million (EUR 5.7 million), organic growth was -2.6%
  - Direct channel deferred revenue developed positively due to better billings during the fourth quarter as well as Lookout Life impact.
  - Strong renewal performance.
Q4 2023: Group revenue up by 30.6%

Revenue growth attributable to the acquisition of Lookout Life consumer business

Partner channel revenue

<table>
<thead>
<tr>
<th>Quarter</th>
<th>F-Secure revenue</th>
<th>Lookout revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/22</td>
<td>22.5</td>
<td>22.0</td>
</tr>
<tr>
<td>Q1/23</td>
<td>24.5</td>
<td>21.9</td>
</tr>
<tr>
<td>Q2/23</td>
<td>28.5</td>
<td>6.1</td>
</tr>
<tr>
<td>Q3/23</td>
<td>30.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Q4/23</td>
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</tbody>
</table>

Direct channel revenue

<table>
<thead>
<tr>
<th>Quarter</th>
<th>F-Secure revenue</th>
<th>Lookout revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/22</td>
<td>5.7</td>
<td>17.3</td>
</tr>
<tr>
<td>Q1/23</td>
<td>5.8</td>
<td>17.4</td>
</tr>
<tr>
<td>Q2/23</td>
<td>6.0</td>
<td>16.9</td>
</tr>
<tr>
<td>Q3/23</td>
<td>6.7</td>
<td>16.8</td>
</tr>
<tr>
<td>Q4/23</td>
<td>6.8</td>
<td>19.8</td>
</tr>
</tbody>
</table>

Deferred revenue*

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Current</th>
<th>Non-current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/22</td>
<td>20.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Q1/23</td>
<td>21.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Q2/23</td>
<td>23.4</td>
<td>6.4</td>
</tr>
<tr>
<td>Q3/23</td>
<td>22.8</td>
<td>6.0</td>
</tr>
<tr>
<td>Q4/23</td>
<td>25.6</td>
<td>5.8</td>
</tr>
</tbody>
</table>

* Deferred revenue breakdown is indicative, figures in brackets refer to Q3/2023
Operating expenses in Q4 2023

OPEX* development Q4

<table>
<thead>
<tr>
<th>EURm</th>
<th>OPEX, % of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.1</td>
<td>20.0</td>
</tr>
<tr>
<td>5.7</td>
<td>10%</td>
</tr>
<tr>
<td>3.5</td>
<td>19%</td>
</tr>
<tr>
<td>6.9</td>
<td>25%</td>
</tr>
</tbody>
</table>

• R&D expenses increased as planned due to the acquisition and increased personnel investments in technology.

• Administration costs decreased, as the comparison period contains overlapping administration costs due to WithSecure TSA and our own costs.

• All in all, the acquisition of Lookout consumer security business had an impact on operational expenses, mainly in sales and technology.

* Excluding Items Affecting Comparability (IAC) and depreciation and amortization.
Transitional services agreements rolling with WithSecure and Lookout

- Transitional services agreements (“TSA”) between F-Secure and WithSecure incurred in connection with the demerger from WithSecure:
  - All TSA costs were terminated by 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 terminated 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>10-12/23 Total(1)</th>
<th>10-12/2023 WithSecure TSA</th>
<th>10-12/2023 Lookout TSA</th>
<th>10-12/2023 total TSA</th>
<th>10-12/2022 TSA</th>
<th>7-12/2022 TSA(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>5.1</td>
<td>0.7</td>
<td>1.7</td>
<td>2.4</td>
<td>0.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>7.1</td>
<td>0.5</td>
<td>0.2</td>
<td>0.7</td>
<td>0.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Administration</td>
<td>3.6</td>
<td>0.2</td>
<td>0.1</td>
<td>0.3</td>
<td>2.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td>14.3</td>
<td>2.0</td>
<td>3.4</td>
<td>4.3</td>
<td>9.0</td>
<td></td>
</tr>
</tbody>
</table>

(1) Excluding IAC and depreciation and amortization.
(2) In 2022, TSA costs incurred only in the second half.
Gross margin and adjusted EBITA development

Lookout consumer security business integration burdened profitability

Gross margin

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Gross Margin (EURm)</th>
<th>Gross margin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/22</td>
<td>25.9</td>
<td>91.6%</td>
</tr>
<tr>
<td>Q1/23</td>
<td>25.3</td>
<td>90.9%</td>
</tr>
<tr>
<td>Q2/23</td>
<td>27.0</td>
<td>88.4%</td>
</tr>
<tr>
<td>Q3/23</td>
<td>30.3</td>
<td>86.2%</td>
</tr>
<tr>
<td>Q4/23</td>
<td>31.8</td>
<td>86.2%</td>
</tr>
</tbody>
</table>

Adjusted EBITA and adjusted EBITA margin

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Adjusted EBITA (EURm)</th>
<th>Adjusted EBITA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/22</td>
<td>9.8</td>
<td>34.6%</td>
</tr>
<tr>
<td>Q1/23</td>
<td>10.2</td>
<td>36.7%</td>
</tr>
<tr>
<td>Q2/23</td>
<td>9.9</td>
<td>32.4%</td>
</tr>
<tr>
<td>Q3/23</td>
<td>12.8</td>
<td>36.4%</td>
</tr>
<tr>
<td>Q4/23</td>
<td>11.7</td>
<td>31.7%</td>
</tr>
</tbody>
</table>

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

- Because of the lower gross margin, profitability for the fourth quarter was lower than in the comparison period.
- Year to date, strategic investments in growth and technology as well as Lookout consumer security business integration had a negative impact on profitability.
Q4: Strong cash flow generation

Operating cash flow and cash conversion (QTD)

- Cash flow from operations was EUR 30.1 million (EUR 36.4 million) in FY 2023.
- Cash conversion rate was 81.2% (96.2%) in FY 2023, following the increase in capital expenditure.
- Cash at the end of December 2023 amounted to EUR 15.9 million.
- Challenges related to receivables experienced earlier this year have been recovered.
Proposed dividend of EUR 0.07 per share
Board of Directors’ proposal for the distribution of profit

- **Dividend policy:** payment of around or above 50% of net profit as dividend on an annual basis.

- **Distributable funds:** EUR 15.9 million.

- **Dividend proposal:** EUR 0.07 per share, to be paid in two instalments.

- **Earnings per share** (EPS) for the period 1–12/2023 0.13 and the proposed dividend is 54.7% of the January–December earnings.
Net debt to adjusted EBITDA above mid-term target level

Net Debt / Net cash and Leverage\(^1\)

Leverage target: 2.5x

3.5
3.6
3.6

-0.4
-0.6


Equity ratio, %

32.4 % 39.6 % 26.5 % 9.3 % 11.7 % 12.0 %

Earnings per share\(^0\) and Dividend, EUR

Q4/22 Q1/23 Q2/23 Q3/23 Q4/23

0.17 0.09 0.07\(^3\) 0.13 0.15 0.07\(^2\)

\(^1\) 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.

\(^0\) Based on the average number of shares during the reporting period.

\(^2\) Board of Director’s proposal to the annual general meeting 2024.

\(^3\) Dividend for the period 7-12/2022.
FY2023 in brief: revenue +17.4%, organic growth +1.7%

**Revenue by geography**
- EURm: 82.8
  - Nordic countries: 39.4 (+1.4%)
  - Rest of Europe: 48.7 (+2.8%)
  - North America: 17.1 (+14.0%)
  - Rest of world: 5.9 (+42.9%)

**Revenue by channel**
- EURm: 111.0
  - Direct Channel (Q4/23: 19% of the revenue): 23.0 (+1.4%)
  - Rest of Europe: 50.0 (+87.3%)
  - North America: 32.0 (+42.9%)
  - Rest of world: 8.4 (+87.3%)
  - Partner Channel (Q4/23: 81% of the revenue): 88.1 (+2.8%)

**Adjusted EBITA**
- EURm: 43.9
  - Q1: 9.8
  - Q2: 11.4
  - Q3: 12.7
  - Q4: 10.2
- 39.6% (1.5%)
- 34.2% (19.4%)
- 10.1
- 9.9
- 12.8
- 11.7

Outlook for 2024

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.

* Industry analyst views such as Gartner and IDC, and F-Secure management estimates.
Towards medium-term financial targets 2026

Key growth levers

1. Total conversion
   - Revenue of more than EUR 200 million.

2. Evolving go-to-market channels and offering
   - After initial growth investments, adjusted EBITA margin of above 42%.

3. Best partner experience
   - Dividend yield around or above 50% of net profit on an annual basis.
   - Net debt / adjusted EBITDA ratio below 2.5x, excluding temporary impact from acquisitions.

Targets 2026

Outlook 2024

Revenue in the range of EUR 142–152 million.
Adjusted EBITA in the range of EUR 48–54 million.

Delivered 2023

Total revenue EUR 130.4 million (+17.4%)
Adjusted EBITA EUR 44.6 million, 34.2% margin
Dividend proposal 0.07 per share 55% of net profit
Leverage 3.6x