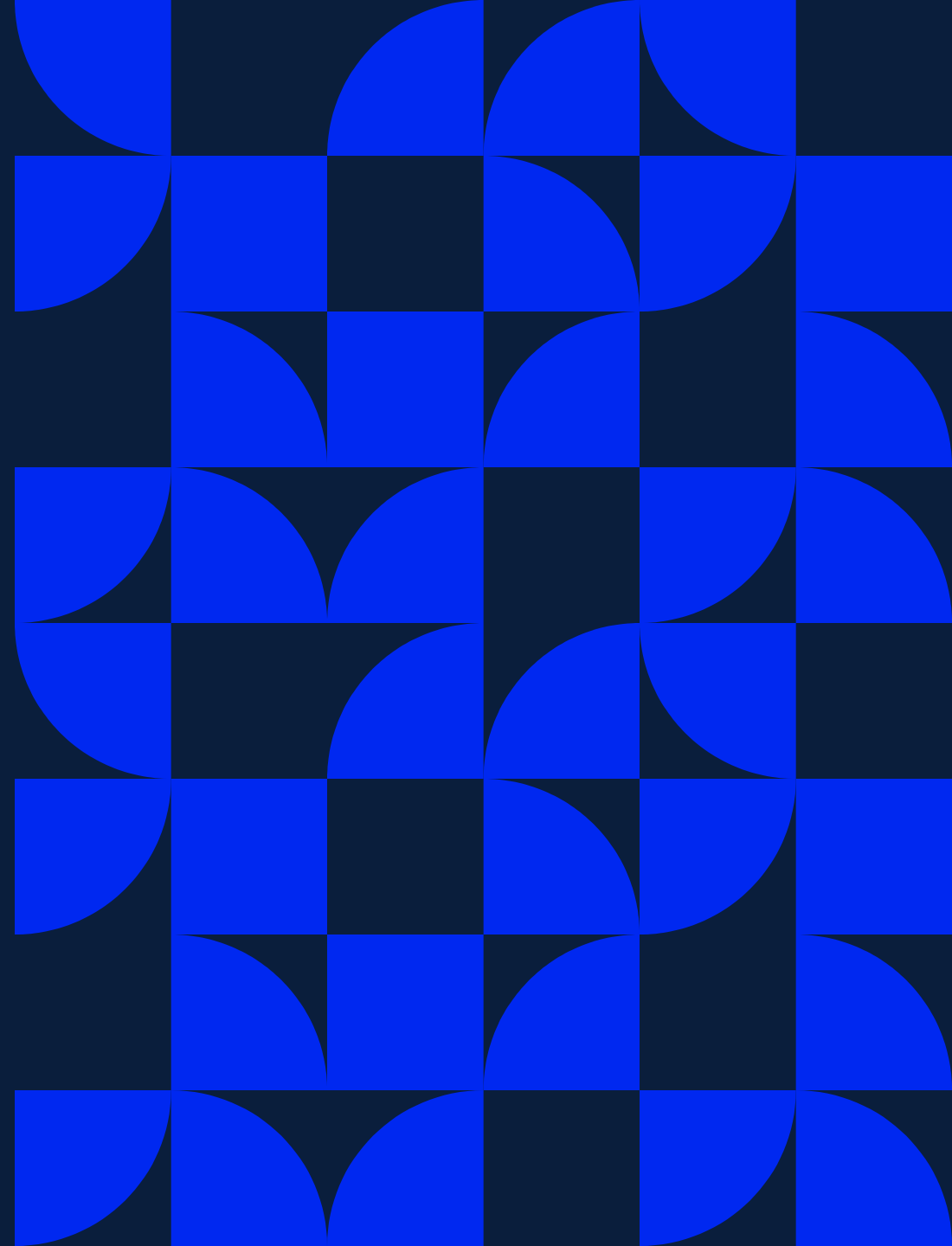


# Scam Protection takes off

Interim Report

1 January–30 September 2024

Timo Laaksonen CEO  
Sari Somerkallio CFO



# Q3/2024: Scam Protection takes off

Revenue growth **3.5%**, growth supported by good performance in the **Direct Business** while **Partner Business** continued to develop at a similar pace as in the previous quarter.

**Strong profitability** in the third quarter, benefiting from the typically lower cost levels associated with this period.

Strong emphasis on product and service development; a new version of Total with an upgraded user experience and the new **Scam Protection** module.

**Transformation process** initiated, to reflect the increased focus on serving specific partner segment needs and establishing carrier grade product and service operations.

Several changes in the **F-Secure Leadership Team** during the quarter.

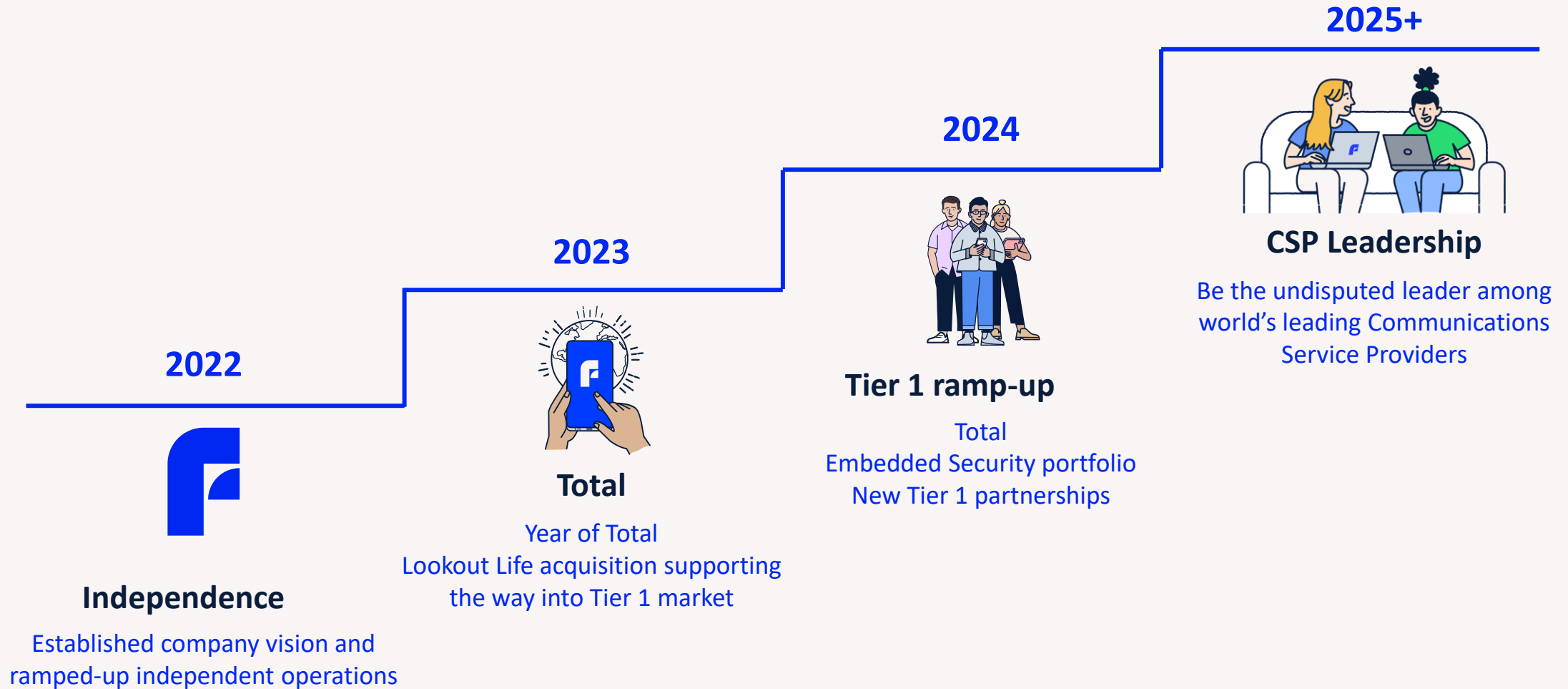


# Q3/2024: Partner Business focus continued

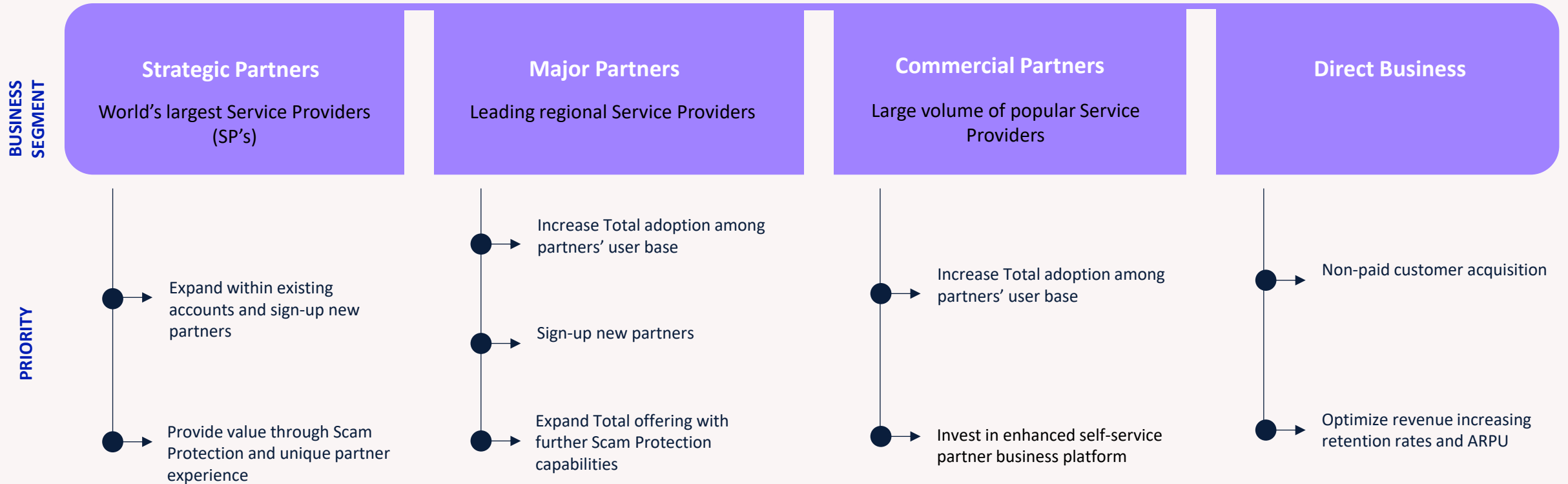
	Increase average revenue per user (ARPU)	Developing current offering and new products	Expand into new channels and partners
Strategic focus:	Accelerate the roll-out of F-Secure Total	Compelling portfolio expanding market coverage and accessible market	Replicate our proven business model and deliver concrete outcomes
Progress:	<ul style="list-style-type: none"> <li>• Latest version of Total with an upgraded user experience and the new Scam Protection module – overwhelmingly positive feedback</li> <li>• Strong growth in the overall number of partners who adopted multi-module Total</li> <li>• ARPU developed positively thanks to upsell to multi-module Total</li> <li>• Direct Business: Growth driven by positive billings performance during the past year</li> </ul>	<ul style="list-style-type: none"> <li>• Latest version of Total incorporating the best of F-Secure and Lookout Life product propositions</li> <li>• Partnership with one of the largest and most respected mobile service providers in Asia signed in September</li> <li>• Significant extensions finalized to our Embedded Security portfolio, which performed well in partner beta launch</li> <li>• Increased investments in Tier 1 sales and service capabilities               <ul style="list-style-type: none"> <li>• Production operations</li> <li>• Developer experience</li> <li>• Partner care and overall service maturity</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Tier 1 partnerships have primary focus in channel expansion resulting in robust pipeline of prospects</li> <li>• New verticals pipeline development continues in Europe and starts in Americas</li> </ul>

# F-Secure strategy journey

To become the #1 security experience company in the world



# Transforming to a customer centric business model





## Shopping Protection

Shopping Protection works in the browser showing trust rating of online stores while browsing. Available on all platforms, now also in [native mobile browsers](#).

Mobile

Desktop



## Banking Protection

Banking Protection works in the browser showing the user when entering a safe banking site. Available on all platforms, now in [native mobile browsers](#).

Mobile

Desktop



## Native Browsing Protection

Browsing Protection works in the browser preventing access to known malware and phishing sites. Support for [Safari](#) and [Chrome](#) enhance protection on mobile.

Mobile

Desktop



## Ad Blocker

Ad Blocker improves browsing experience by preventing loading of advertisements from common advertising servers.

Mobile

Desktop

iOS Q4



## WiFi Protection

WiFi Protection proposes use of VPN or changing network when connected to a risky WiFi network.

Mobile



## SMS Protection

SMS Scam Protection utilizes AI to analyze received text messages for potentially harmful intents. Bad messages are removed before costly mistakes.

Mobile



## Cookie Popup Blocker

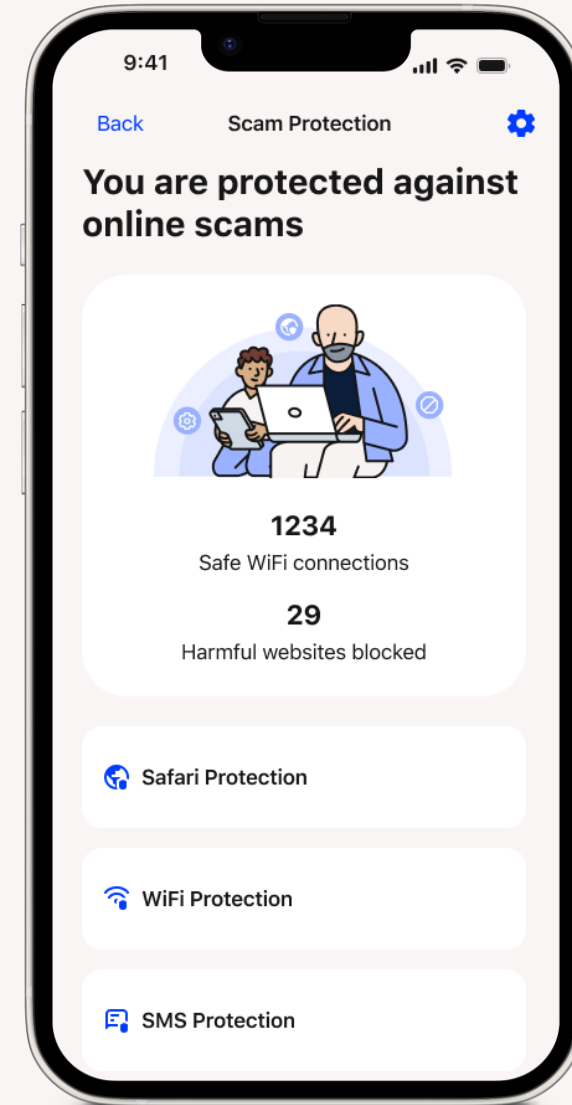
Cookie Blocker improves browsing experience by automatically rejecting cookie consent prompt when entering a page for the first time.

Mobile

Desktop

iOS Q4

# Scam Protection module



# SMS Scam Protection

Supported on both iOS and Android

Press release Oct 23, 2024

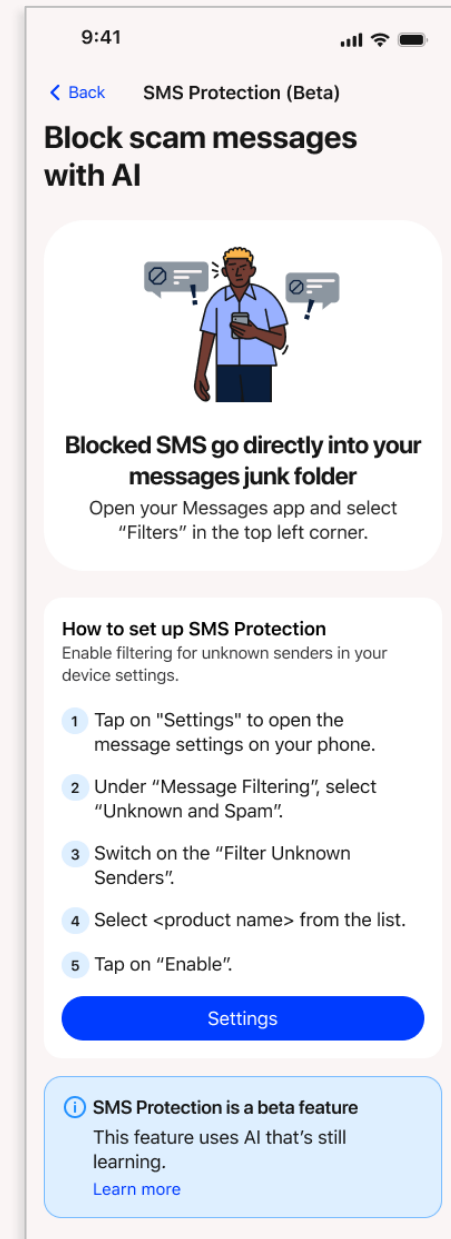
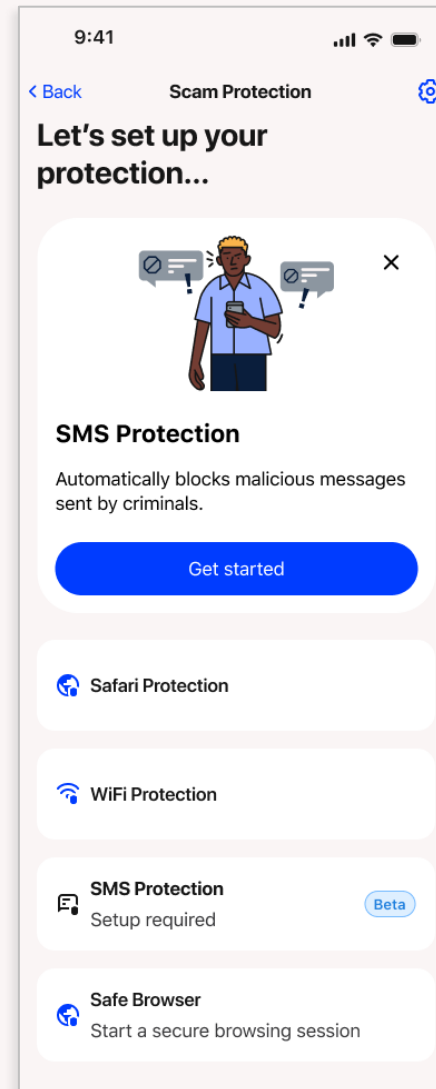
## PRESS RELEASE

### F-Secure's AI-based SMS Protection wins customer experience award at prestigious AI Gala

 F-SECURE | OCT 23, 2024 | 3 MIN READ



**Helsinki, Finland – October 23, 2024:** F-Secure, a global leader in consumer cyber security and scam protection, is delighted to have won best use case of AI for customer experience for its leading AI-based SMS Protection at Finland's AI Gala. The feature makes up part of F-Secure's recently launched [scam protection capabilities](#). The award celebrates an innovation that has significantly improved the customer experience with the help of artificial intelligence.



# Recent changes in the F-Secure leadership team



**Bruno Rodriguez**  
**Chief Revenue Officer**



**Nina Lehto**  
**Senior Vice President, Services**



**Kaisa Tikka-Mustonen**  
**Chief People Officer**



# Financials

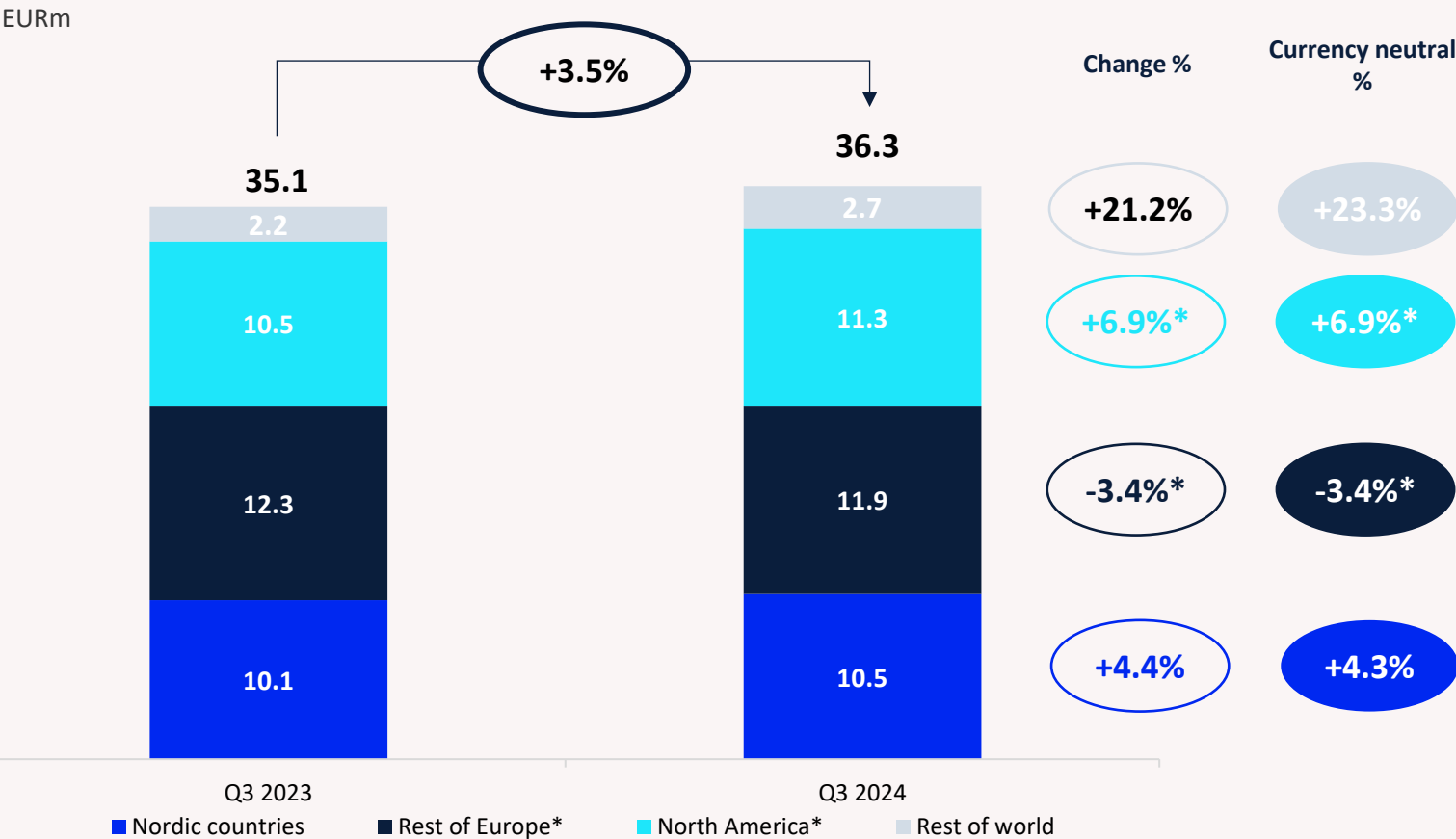
Sari Somerkallio, CFO



# Revenue up by 3.5%, organic growth 1.9%

Currency neutral organic growth 3.6%

## Revenue by geography



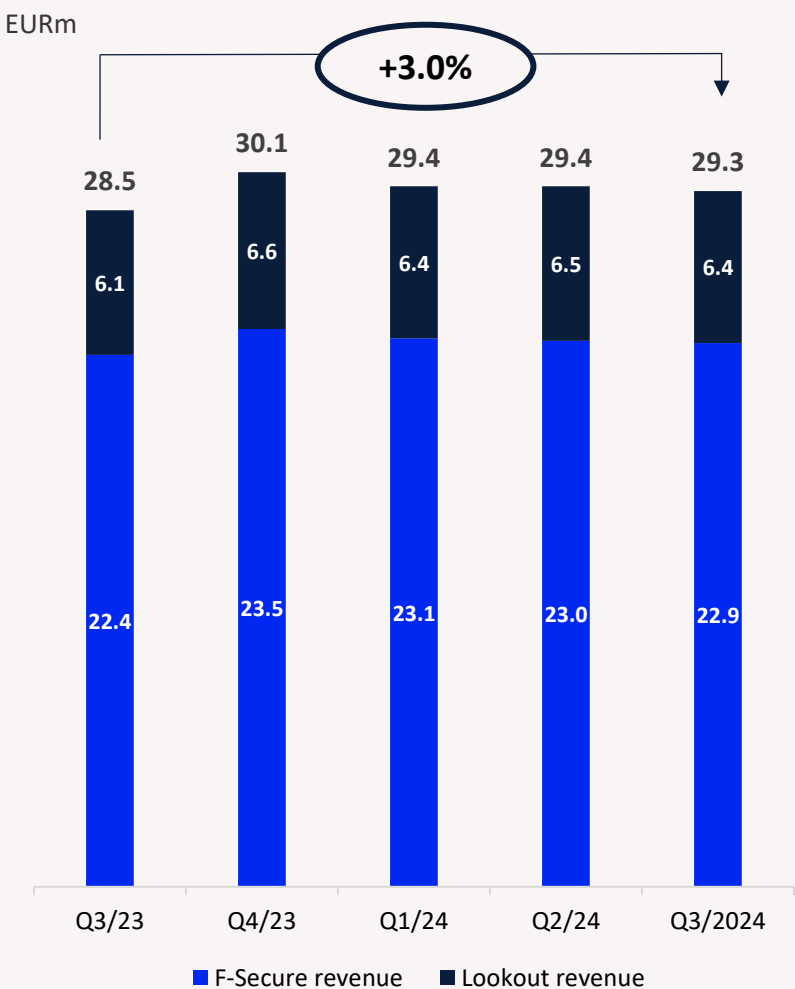
- Partner Channel: Revenue increased by 3.0% to EUR 29.3 million (EUR 28.5 million). Organic revenue growth 2.3%.
  - Subscriber numbers and average revenue per user (ARPU) increased.
  - Revenue of some long-time F-Secure partners continues to decline as they are addressing challenges in their core business.
- Direct Channel: Revenue increased by 5.2% to EUR 7.0 million (EUR 6.7 million). Organically revenue increased by 0.5%.
  - Direct channel revenue was supported by strong F-Secure eCommerce billings in the previous quarters.
  - Renewals on a good level, ARPU increased.
  - Lower level of paid customer acquisition investments is reflected in Direct Business new sales as planned.

Fair valuation of deferred revenue for the third quarter had a negative impact on revenue EUR 0.2 million (EUR 1.4 million) and for January-September 2024 EUR 1.3 million (EUR 2.0 million).

# Q3 2024: Group revenue up by 3.5%

Growth supported by Direct Business while Partner Business on a similar pace as in the previous quarter

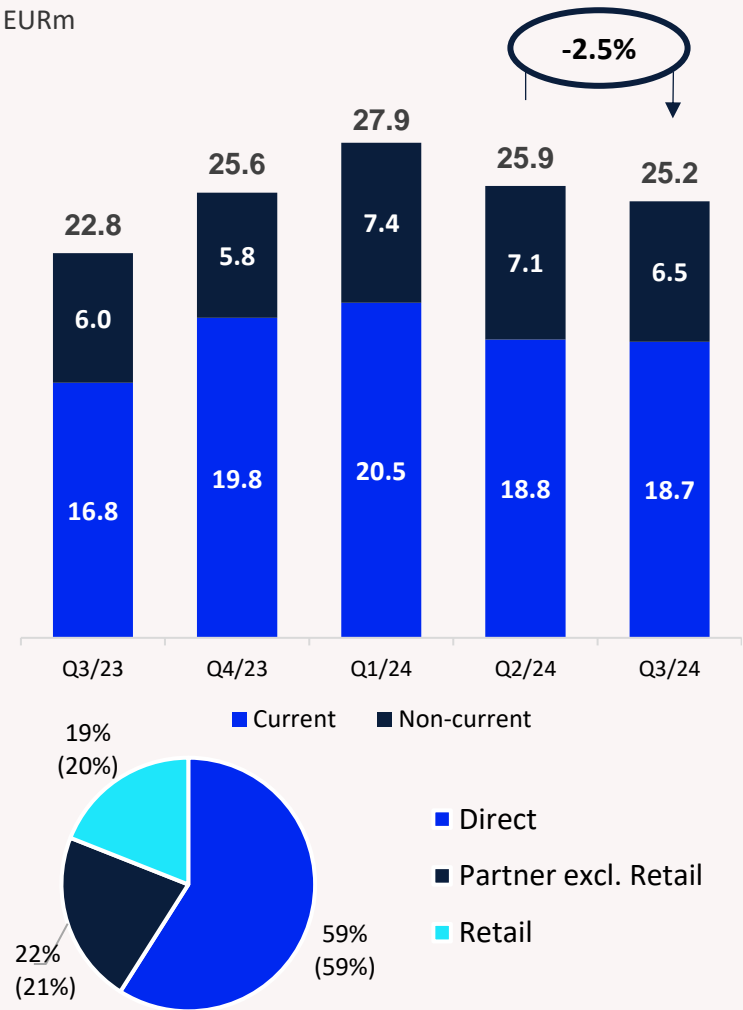
## Partner channel revenue



## Direct channel revenue



## Deferred revenue\*



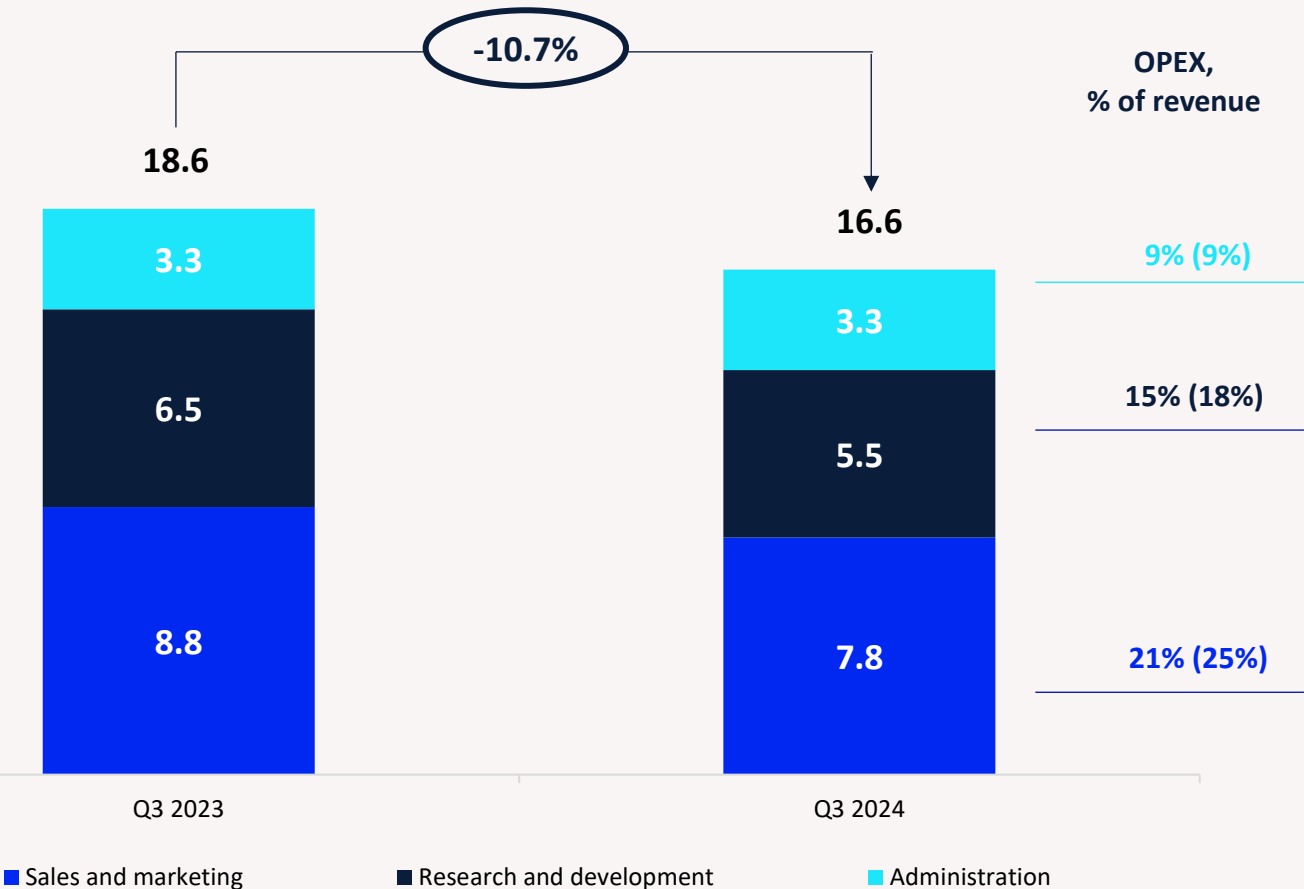
Fair valuation of deferred revenue for the third quarter had a negative impact on revenue EUR 0.2 million (EUR 1.4 million) and for January-September 2024 EUR 1.3 million (EUR 2.0 million).

\* Deferred revenue breakdown is indicative, figures in brackets refer to Q2/2024

# Operating expenses in Q3/2024

## OPEX\* development in Q3

EURm



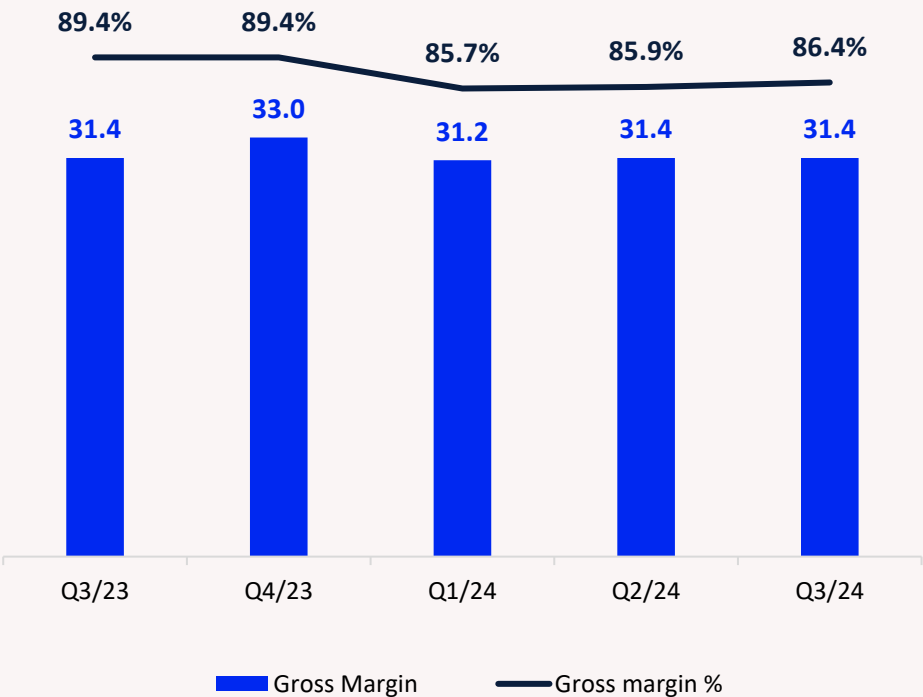
- Operating expenses decreased – the lower cost structure typical for the third quarter was reflected in the operating expenses.
- Sales and marketing expenses decreased following lower marketing costs as planned.
- The continuation of technology investments is visible in increased capital expenditure for the review period.

# Gross margin and adjusted EBITA development

Q3 profitability strong, benefiting from the typically lower cost levels associated with this period

## Gross margin

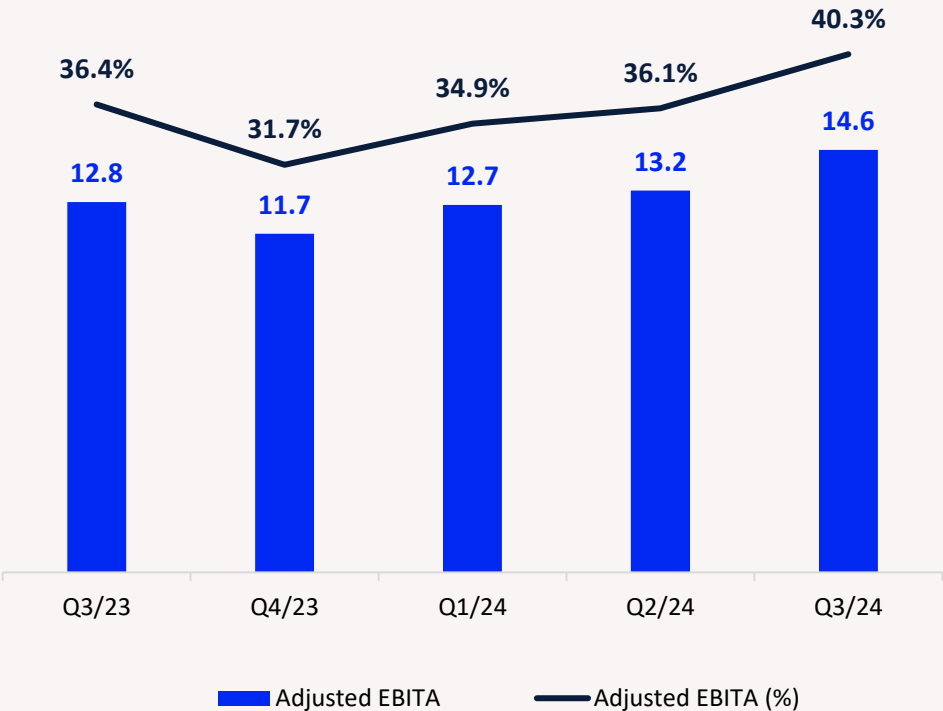
EURm



- Gross margin still burdened by some additional costs related to lost synergies post-TSA period. This impact materialized already in the first half of 2024, and this cost profile has continued to gradually improve.

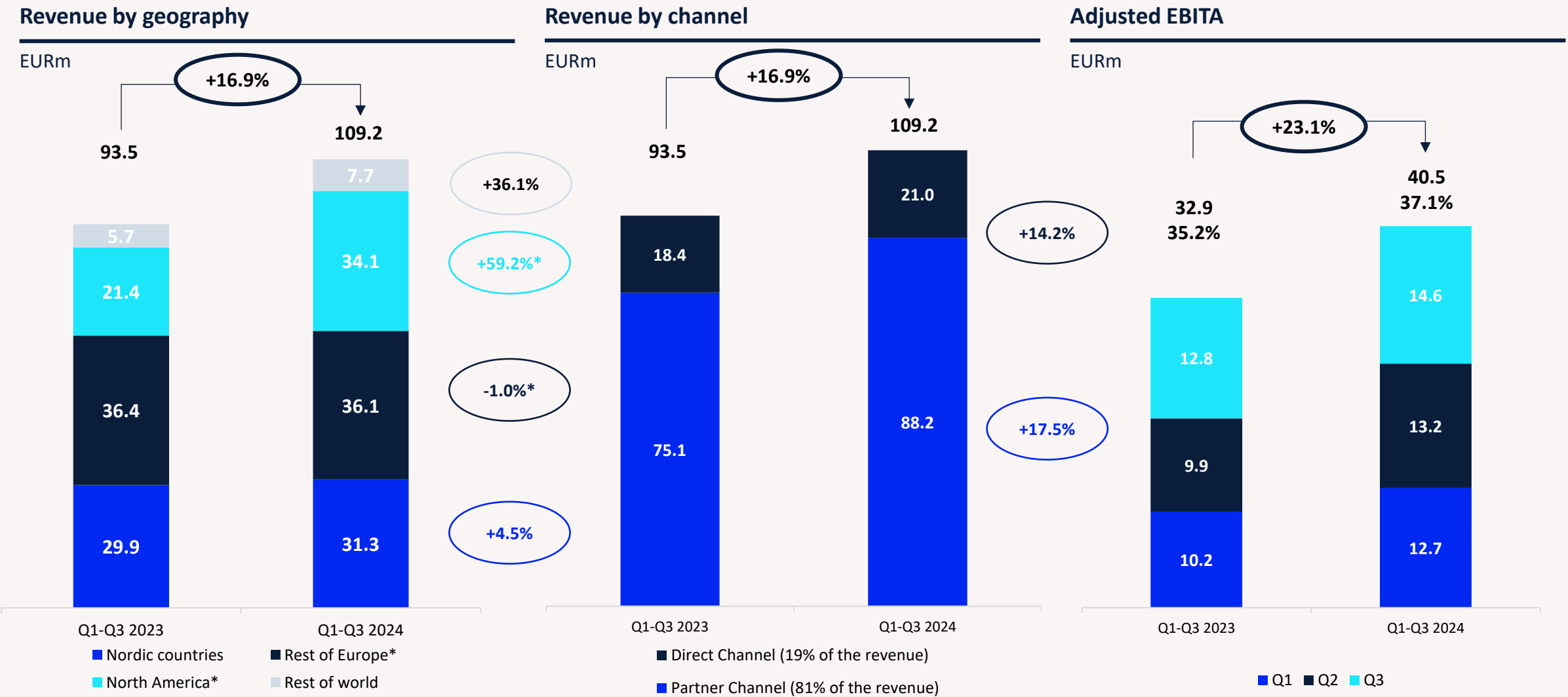
## Adjusted EBITA and adjusted EBITA margin

EURm



- Profitability for the review period reflects the lower cost structure typical for the third quarter.
- Sales and marketing expenses decreased following lower marketing costs as planned.
- Recording of more long-term technology investments as capital expenditure had a positive impact on profitability.

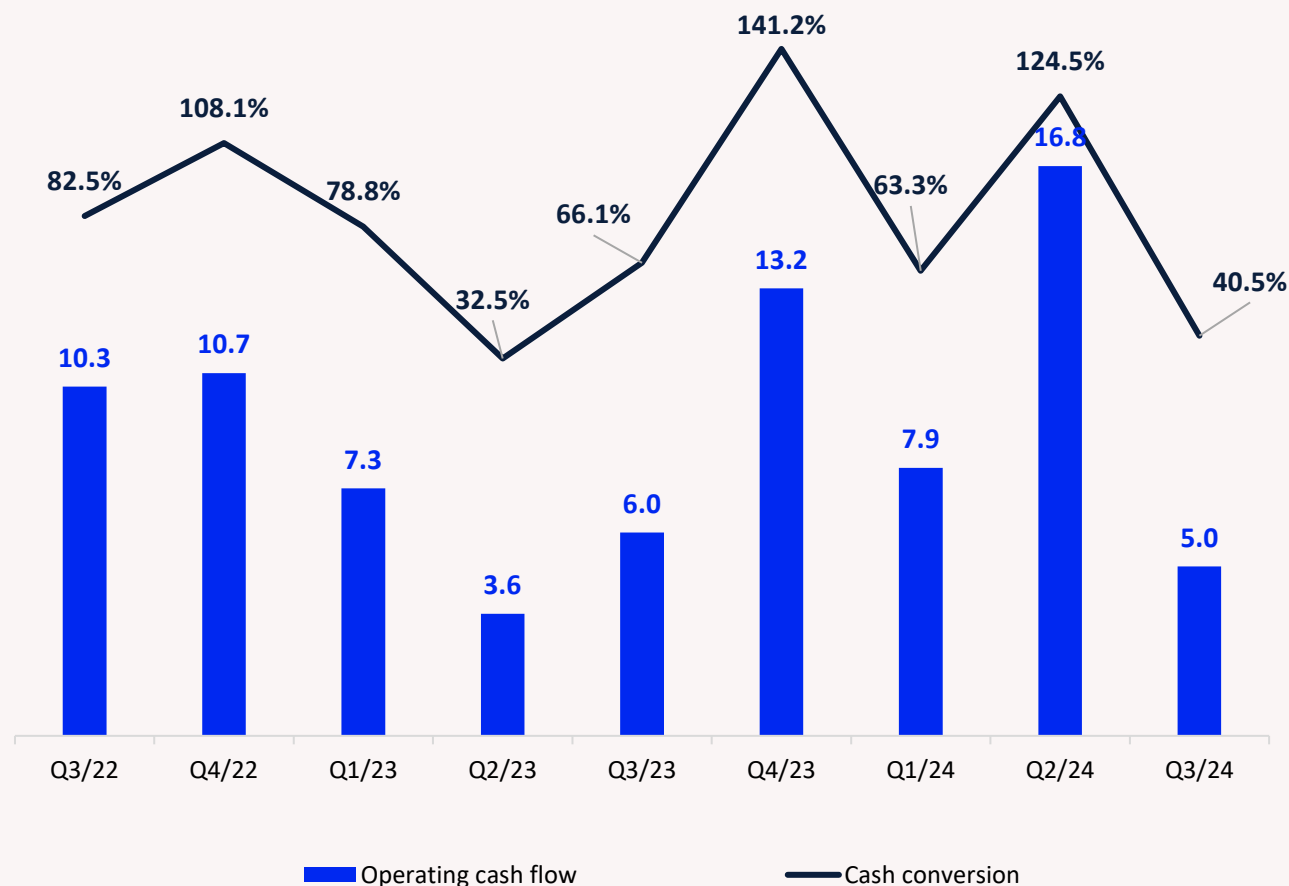
# January–September 2024: Revenue +16.9%, organic growth +2.4%



\* F-Secure has adjusted the geographical split of revenues from Q3/2023 to Q1/2024 between Rest of Europe and North America. This adjustment impacts also the change percentages. The adjustment did not have a material impact to the reported figures. Comparative periods have been adjusted accordingly.

# Year-to-date cash conversion stronger than previous year

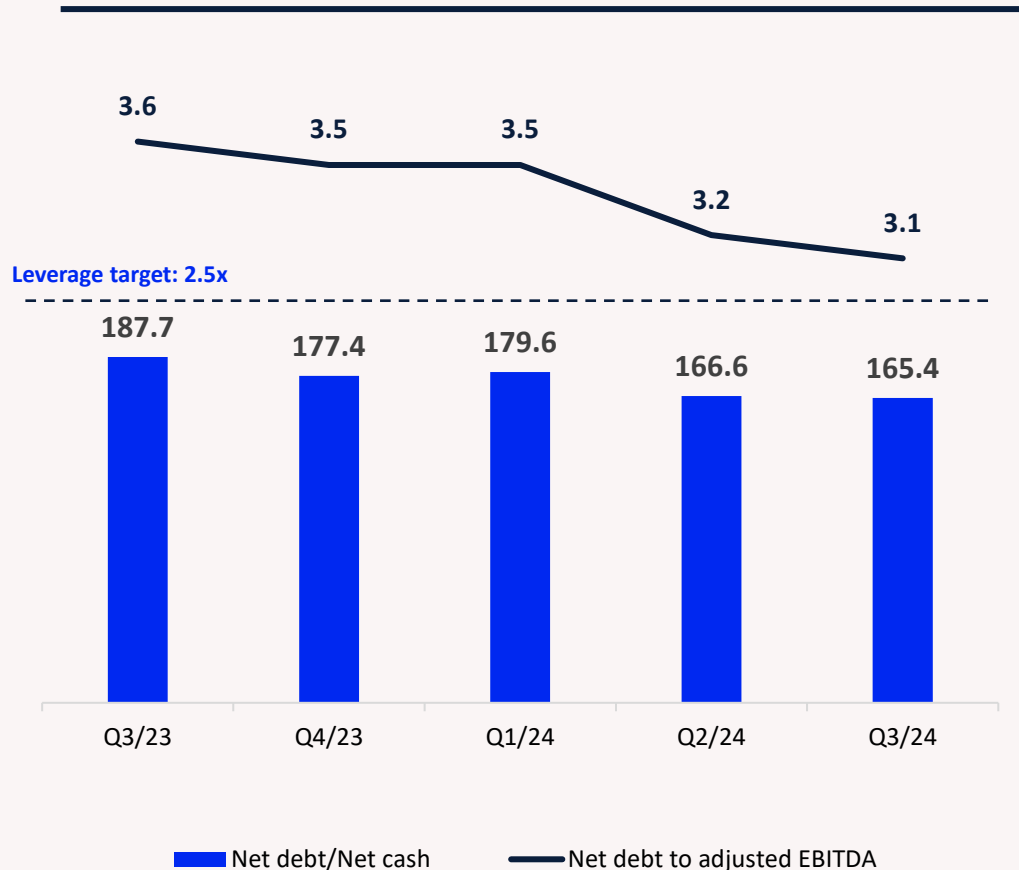
Operating cash flow and cash conversion (QTD)



- Third quarter cash conversion rate was 40.5% (66.1%), mirroring the strong cash conversion in the second quarter of 2024.
- Cash conversion rate in January–September 2024 was to 75.0% (59.9%).
- During the quarter, F-Secure has repaid EUR 5 million revolving credit facility drawn down in second quarter of 2024.
- Cash at the end of September 2024 amounted to EUR 13.5 million.

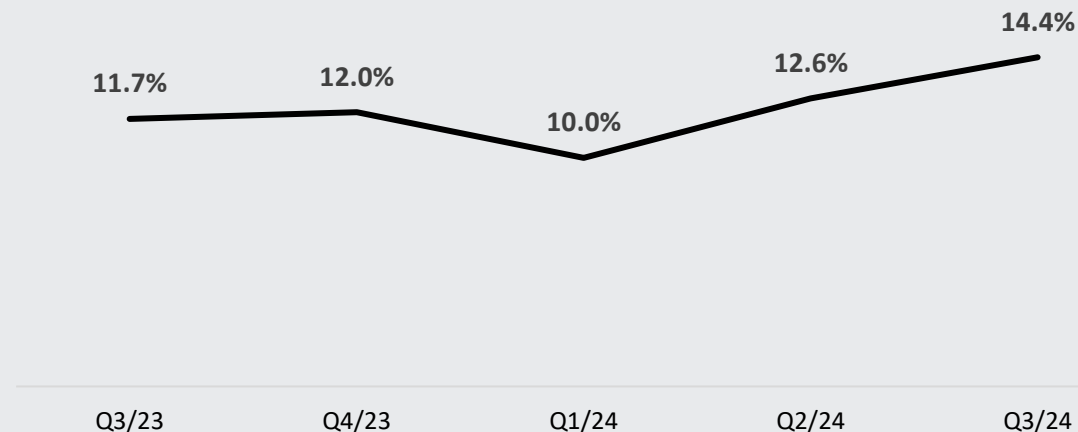
# Deleveraging continues

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

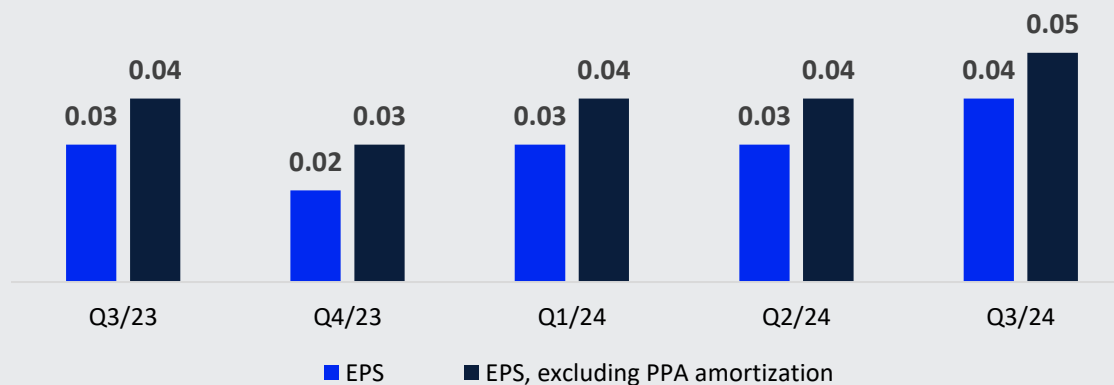


<sup>1)</sup> Leverage Q3/2023-Q2/2024 includes Lookout consumer business unit EBITDA on an illustrative basis as if the acquisition had been made on the first day of the period in question.

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 (specified on October 24, 2024)



## Growth

F-Secure estimates that revenue for 2024 will be in the range of **EUR 144–147 million** (previously EUR 142–152 million).

## Profitability

The group's adjusted EBITA is expected to be in the range of **EUR 50–53 million** (previously EUR 48–54 million).



## Background for the outlook (specified)

- 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. **However, in the fourth quarter, we capitalize a smaller portion of R&D costs compared to previous quarters, which negatively affects our profitability (comment edited).**
- 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 recognized 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.

# Financial calendar

## F-Secure Investor Day 2024:

Wednesday 20 November 2024 at 12:00 EET  
F-Secure headquarters in Helsinki, Finland

**Welcome!**



# Q&A

