

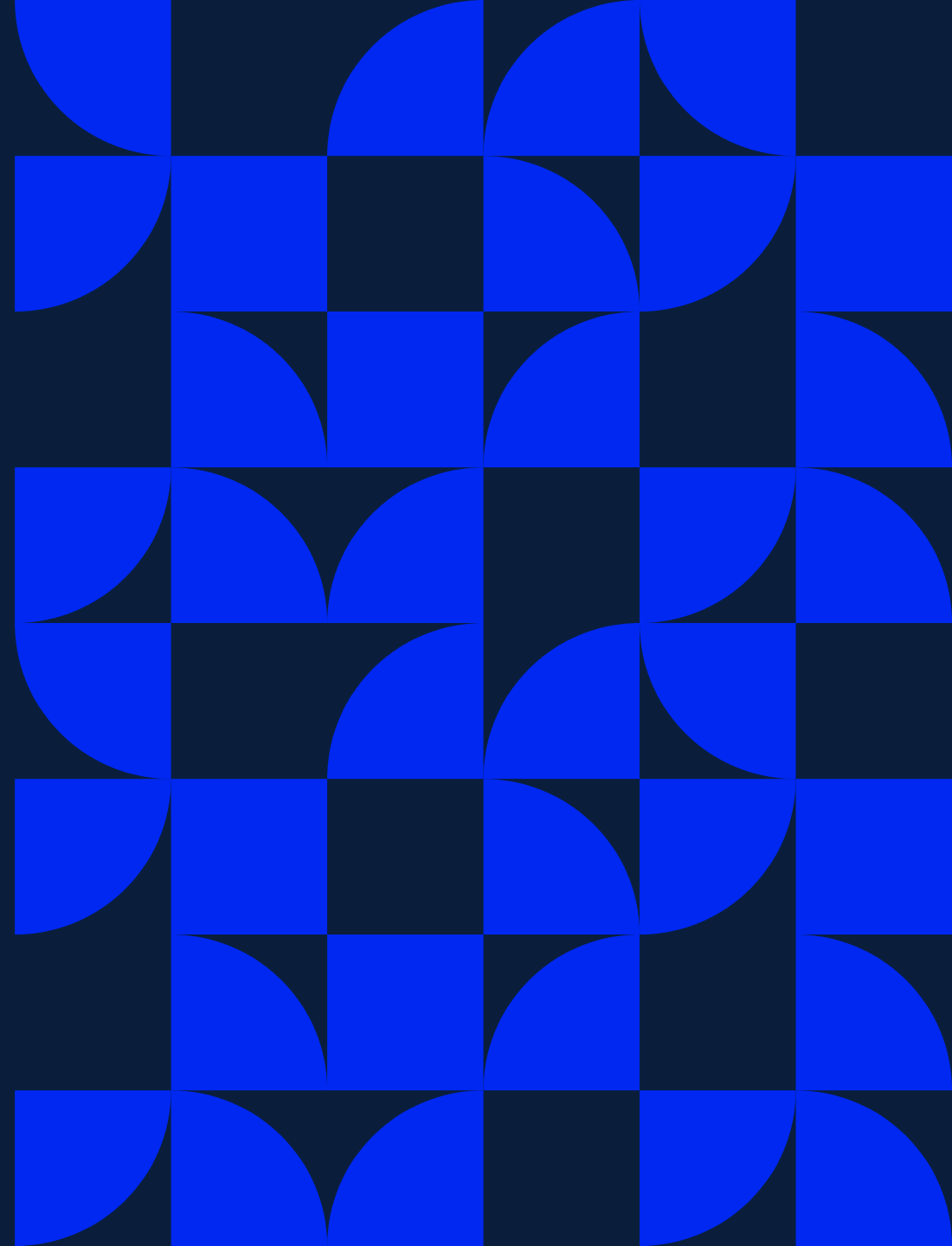


Focus on integration of people, technology and product convergence

Interim Report

1 January–30 September 2023

Timo Laaksonen CEO
Sari Somerkallio CFO



Q3: Acquisition integration and strategy execution

Performance still burdened by low consumer confidence

Revenue growth of **25.8%**, organic growth **0.3%** – Direct Business organic growth decline continued whereas Partner Business grew marginally

Strategy execution continued: new **Total** sign-ups and launches as well as growth initiatives with both existing and new **partners**

Revised **outlook for 2023**; slower than anticipated conversion to F-Secure Total offering and postponed deliveries in partner business

Some **early signs of demand recovery** and slightly increased market activity in Direct Business starting from September

Change negotiations initiated to restructure operating model and personnel



F-Secure initiates change negotiations

Announced on 25 October 2023

- F-Secure and its subsidiaries initiate group-wide statutory change negotiations to restructure its global operating model and personnel to align with the strategic priorities and financial targets of the company.
- Concerns the entire personnel globally, could result in a reduction of a maximum of **70 positions** globally, of which maximum of 50 are expected to be in Finland.
- Estimated to generate annual cost savings of around **EUR 9 million** versus current run rate. Mid-term guidance remains unchanged.
- Change negotiations will begin on October 30, 2023 and last an estimated **six weeks** unless otherwise agreed.



Q3/2023: Cornerstones of our strategy

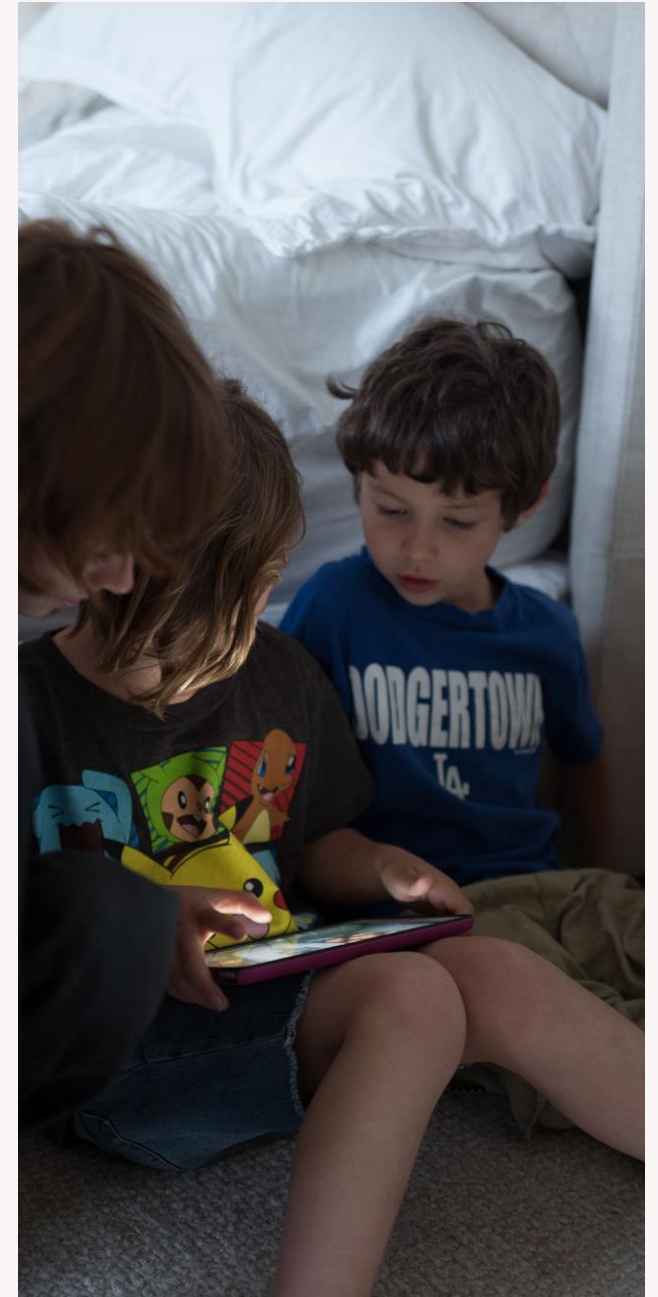
	Increase average revenue per user (ARPU)	Developing current offering and new products	Expand into new channels
Strategic focus:	Accelerate the roll-out of F-Secure Total	Expand market coverage and the accessible market	Replicate our proven business model
Progress in Q3:	<ul style="list-style-type: none"> Signed up 3 new partners for F-Secure Total 3 existing partners signed up for F-Secure Total upgrade In total 6 new Total launches were made with partners during the quarter. 	<ul style="list-style-type: none"> Embedded Security: My CyberShield service with Touch'n Go Digital, an eWallet provider, in Malaysia. Launch of Sense 4.0 to partners – the first fully packaged and industrialized version of the solution DNS (Domain Name System) Security service launched with a European CSP, another one signed Continued actively working on new Tier1 partnerships with a solid pipeline of prospects. 	<ul style="list-style-type: none"> Active pipeline development: Insurance companies, banks, payment providers. Allianz launched F-Secure Total service Touch'n Go Digital launched MyCyberShield

Integration of Lookout consumer business

Integration has been progressing mainly as planned

Integration of the mobile consumer security business unit from Lookout Inc.

- Transaction completed and integration process ongoing: Figures consolidated with F-Secure started from 1 June 2023. No attrition among ex-Lookout Life personnel.
- Lookout Life growth has been delayed due to longer sales cycles and challenges in our own execution capability in the first months after the acquisition.
- Our teams and fellows have worked together to plan and kick off a program to combine the best of F-Secure and Lookout Life into a strong, differentiated product portfolio
- We have enhanced our partner business strategy to aim for leadership also in the Tier 1 service provider segment on the back of the acquisition.



Journey to becoming the security experience leader

2023

2024

2025

2026



Total

Growth through Total and replacing stand-alone products

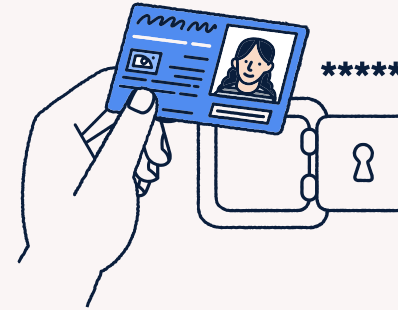
- 16% of billings generated from multi-module Total in partner business
- 8% of users are subscribed to multi-module Total in partner business
- 83% of Security Suite users on Total technology generation (EPP-only or multi-module)



Agility

2x Customer base with service that talks to people

- Enhanced set of F-Secured digital moments protecting from scams
- Enhanced market reach through major service provider partners
- 70% increase in number of served customers post Lookout consumer business acquisition



No.1 Security Experience

Double-digit revenue growth

- Value proposition: Sense of security on the internet
- Converged product represents next evolution phase in security experience
- Data-driven, context-aware user experience that guides users → Trusted companion



Tier 1 Partner Excellence

Leader among Tier 1 partners

- Tier 1 partnerships in North America, Europe, Japan and Asia-Pacific
- Holistic scam protection services available through Total and Embedded
- 1B+ addressable consumers through service provider partners

Financials

Sari Somerkallio, CFO

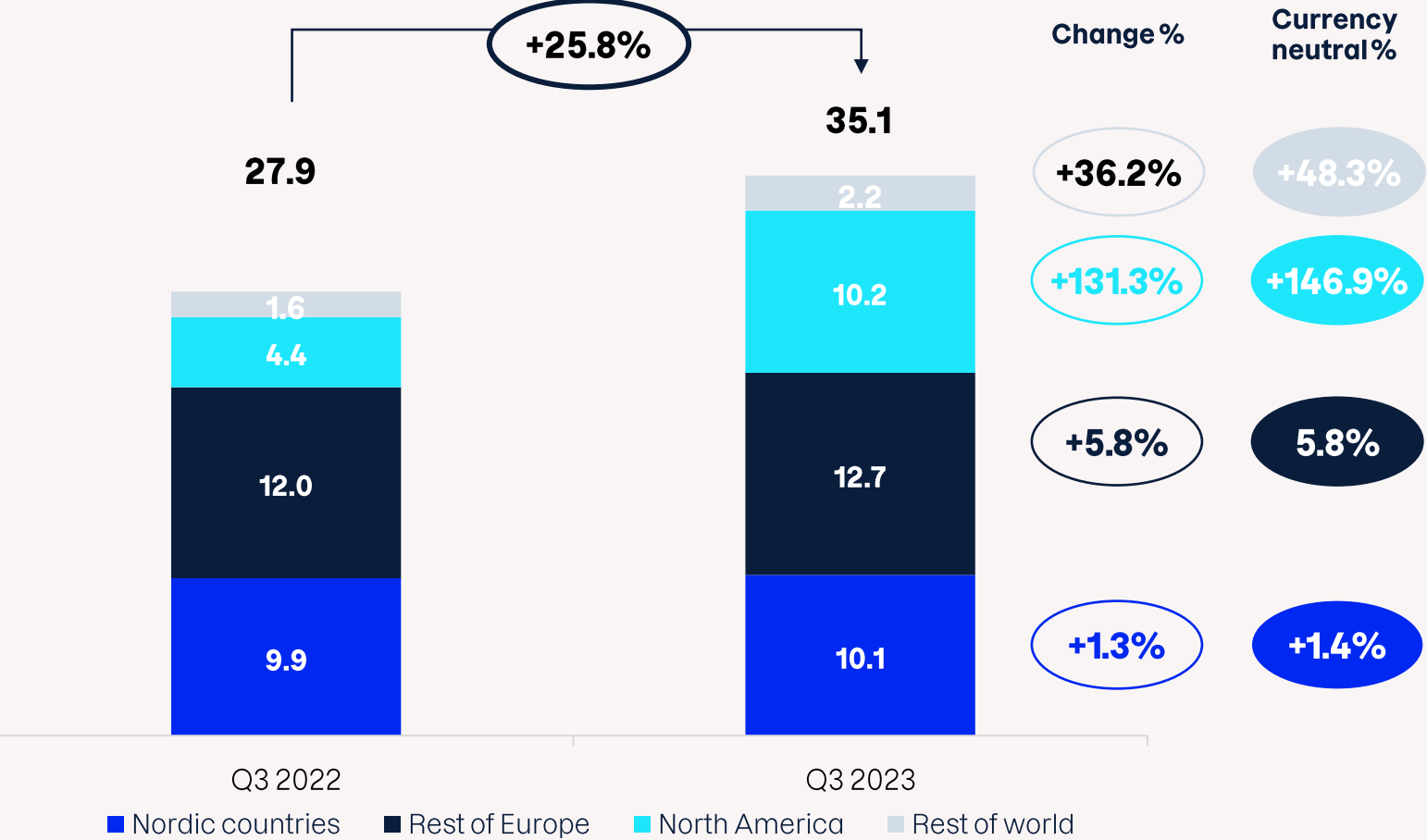


Q3: Revenue up by 25.8%, organic growth 0.3%

Currency neutral organic growth 1.8%

Revenue by geography

EURm

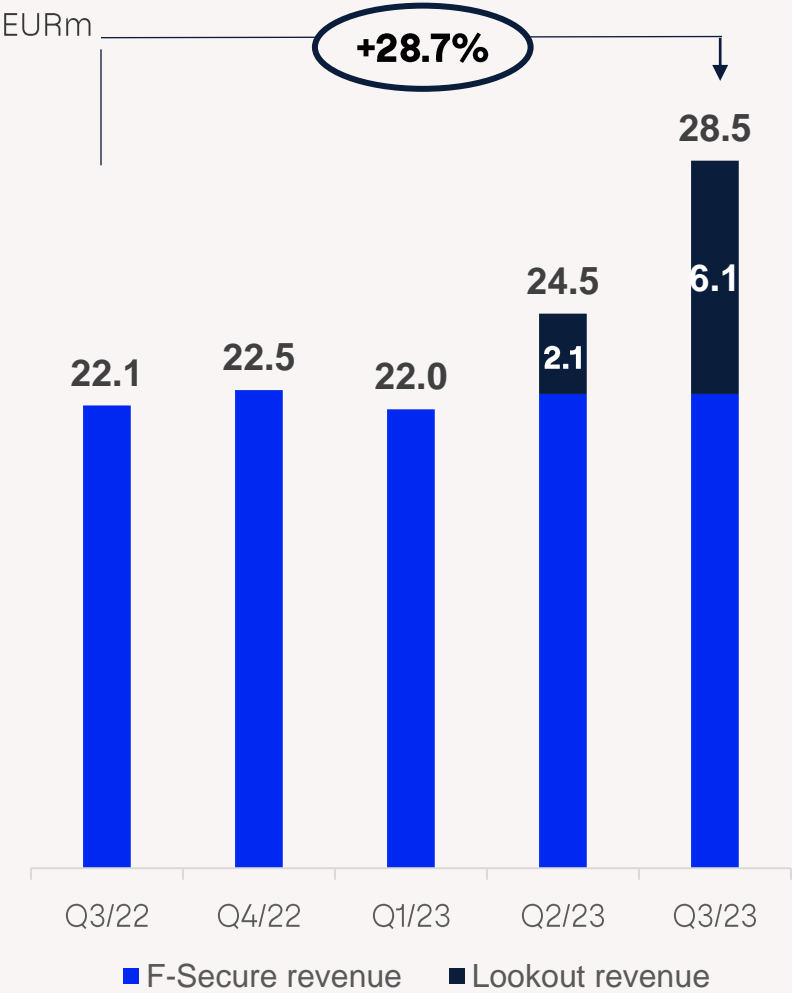


- Figures of the acquired business consolidated with F-Secure starting from 1 June 2023.
- Partner Channel: revenue increased by 28.7%, organic growth 1.4%
 - Revenue increased in the Netherlands, where activity and partners' interest in F-Secure solutions is good.
 - Revenue increased in the APAC area, positive development in Japan and Singapore.
 - Revenue decreased in Poland and Germany, due to weaker business performance during the quarter.
- Direct Channel: revenue increased by 14.6%, organically revenue declined by 3.8%.
 - Weak performance especially in new sales.
 - Also, the renewal performance weakened during the third quarter.

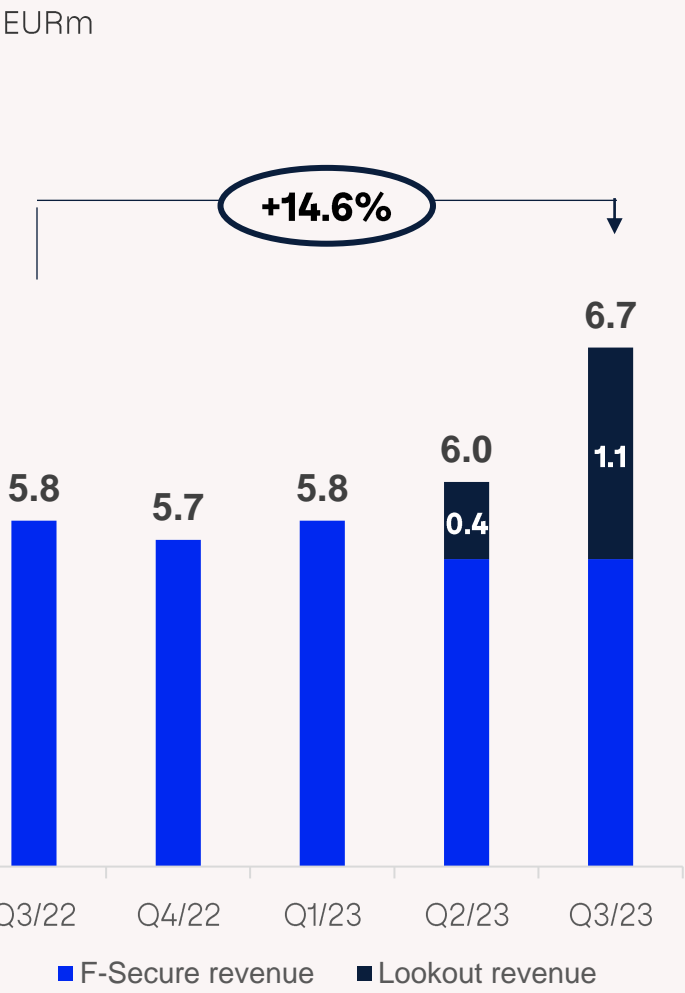
Q3 2023: Group revenue up by 25.8%

Revenue growth attributable to the acquisition of Lookout Life consumer business

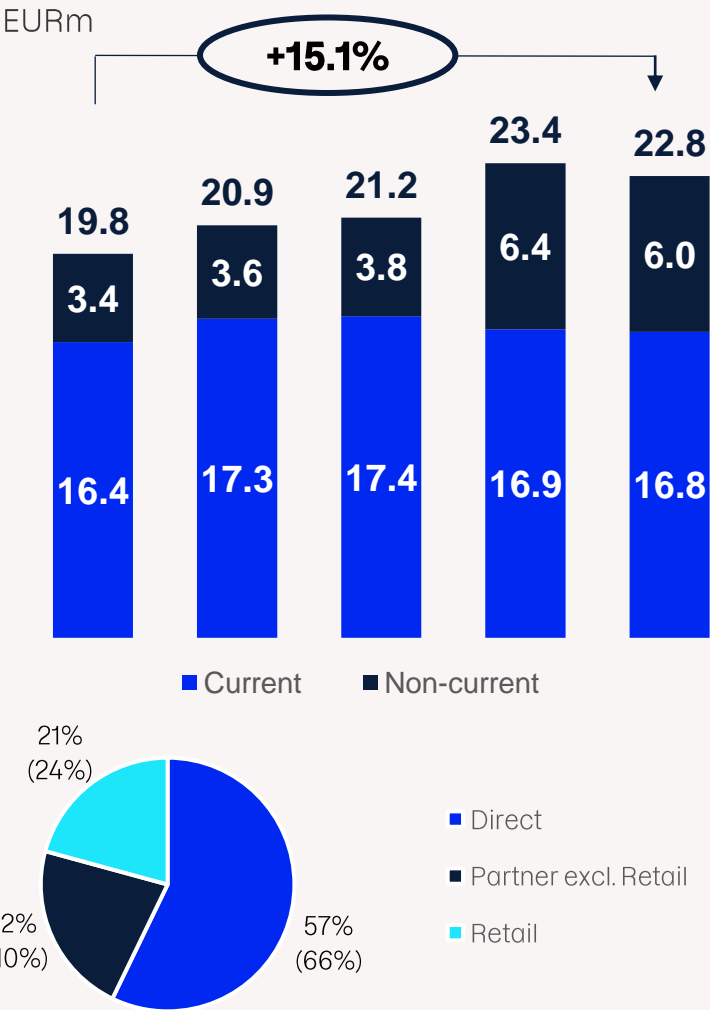
Partner channel revenue



Direct channel revenue



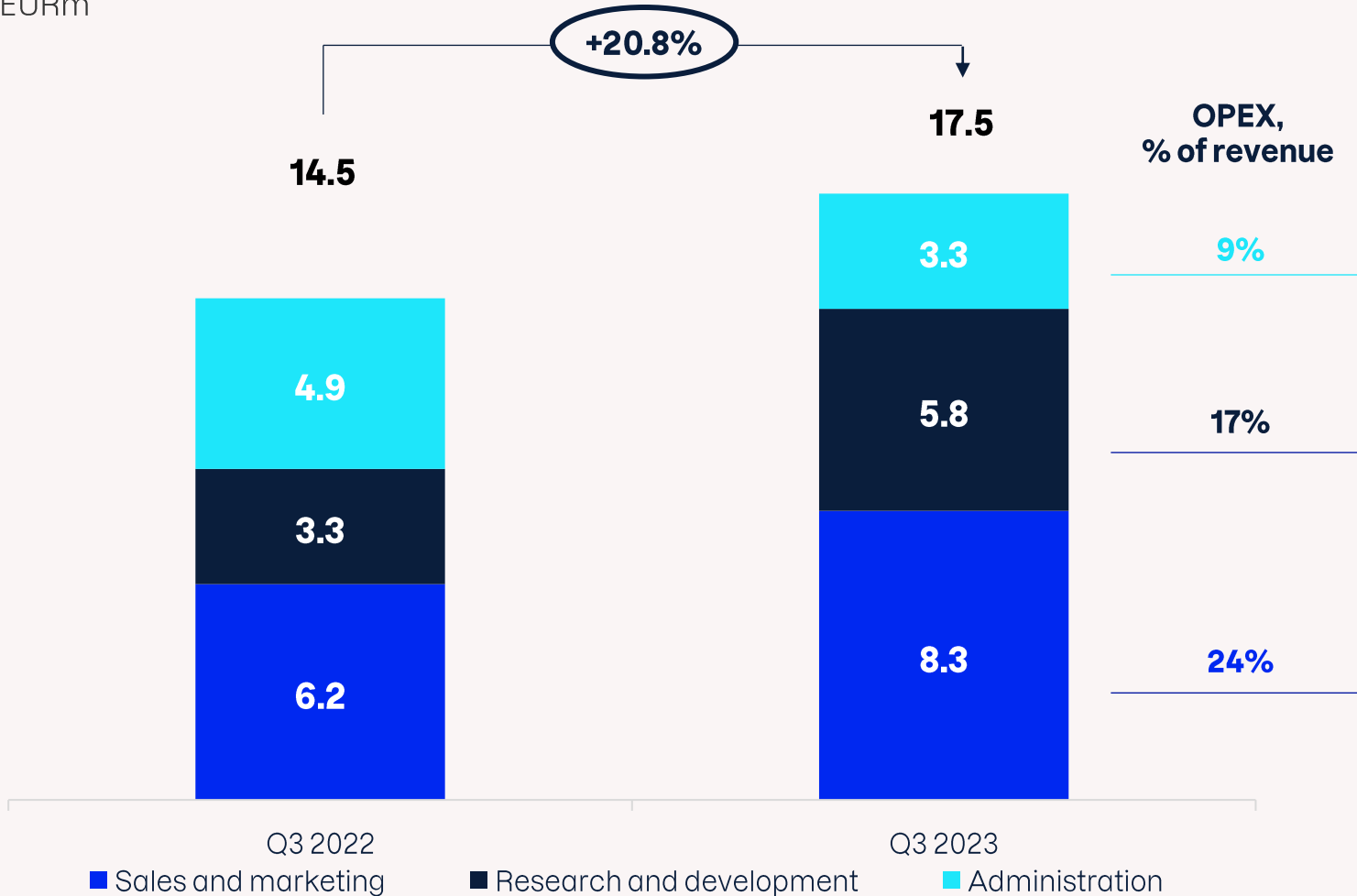
Deferred revenue*



Operating expenses in Q3 2023

OPEX* development Q3

EURm



- R&D expenses increased as planned due to 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.
- Figures for comparison period fully comparable due to similar allocation method

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
 - 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

EURm	7-9/2023 Total ¹⁾	7-9/2023 WithSecure TSA	7-9/2023 Lookout TSA	7-9/2023 total TSA	7-9/2022 TSA	7-12/2022 TSA ²⁾
Cost of revenue	4.8	0.8	1.7	2.5	1.0	1.8
Operating expenses						
R&D	5.8	0.5	0.2	0.8	1.0	1.9
Administration	3.3	0.2	0.2	0.4	2.6	5.3
Total		1.5	2.1	3.6	4.6	9.0

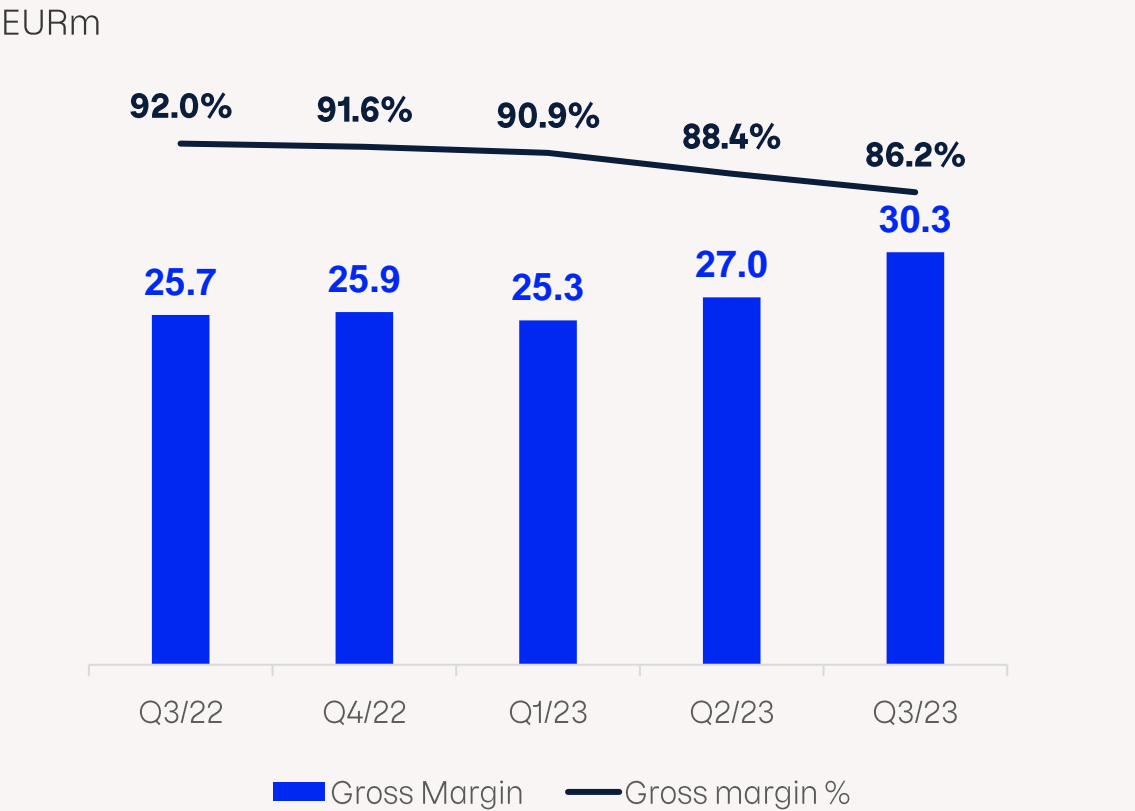
¹⁾ Excluding IAC and depreciation and amortization

²⁾ TSA costs incurred only in the second half of 2022

Gross margin and adjusted EBITA development

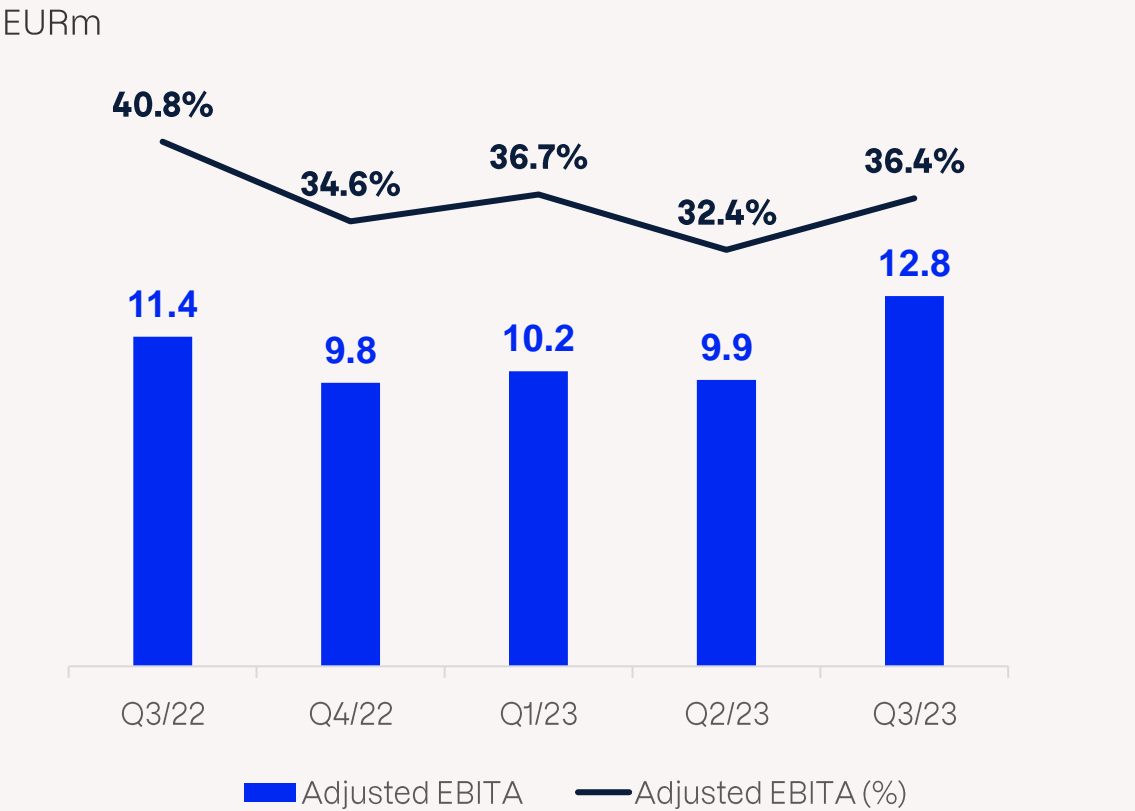
Lookout consumer security business integration burdened profitability

Gross margin



- 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.

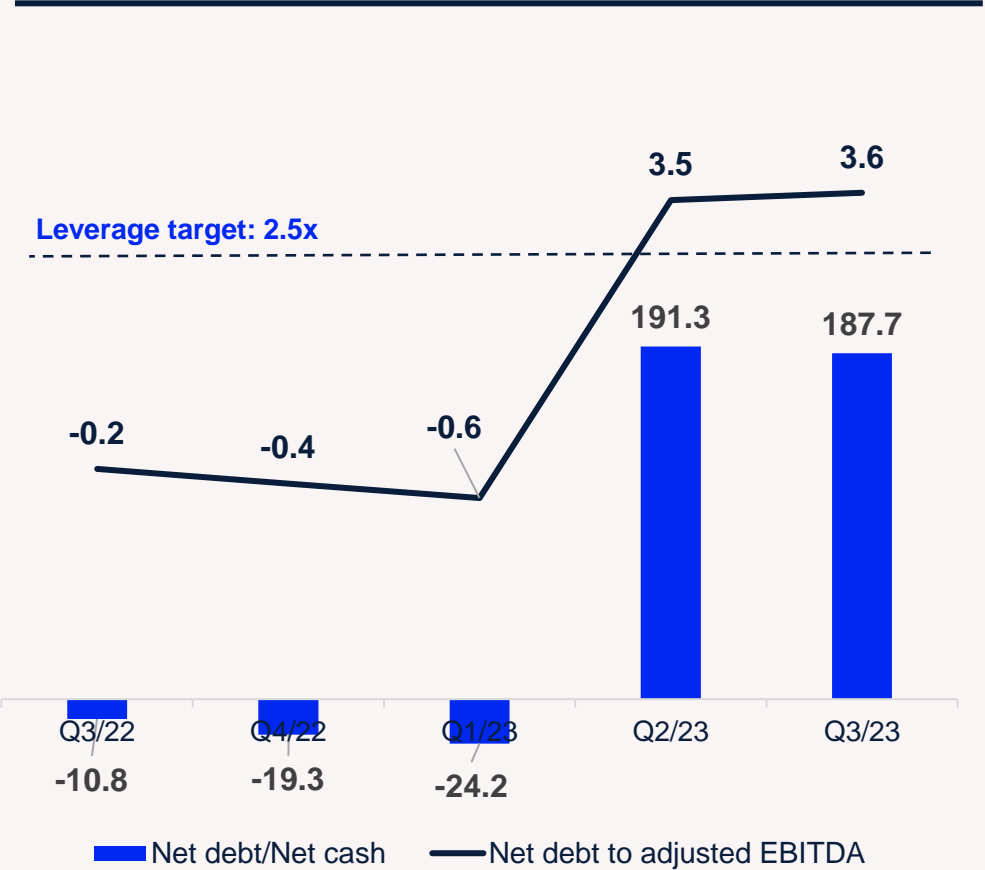
Adjusted EBITA and adjusted EBITA margin



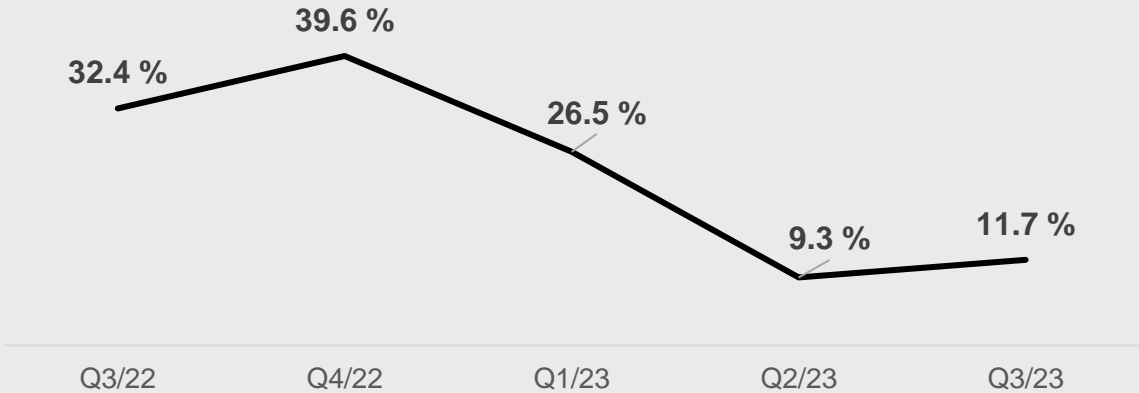
- Profitability for the review period reflects the lower cost structure typical for the third quarter.
- Year to date, strategic investments in growth and technology as well as Lookout consumer security business integration had a negative impact on profitability.

Net debt to adjusted EBITDA above mid-term target level

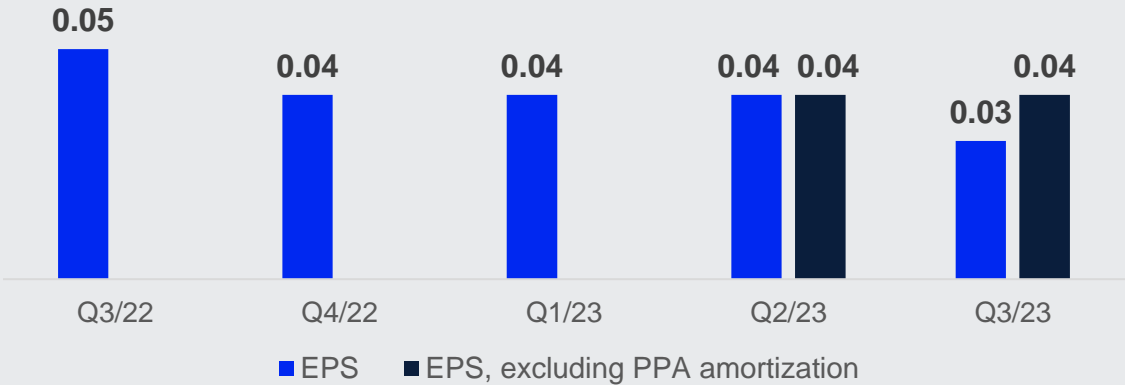
Net Deb / Net cash and Leverage



Equity ratio, %



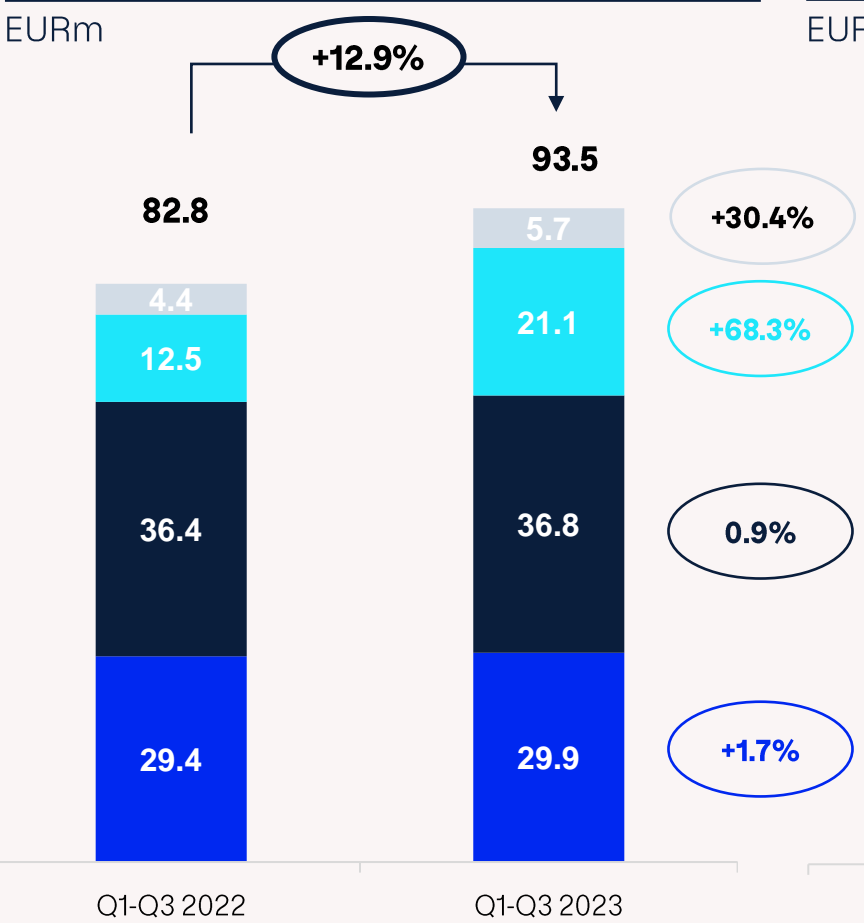
Earnings per share, EUR*



* Based on the average number of shares during the reporting period.

YTD 2023 in brief: revenue +12.9%, organic growth +2.3%

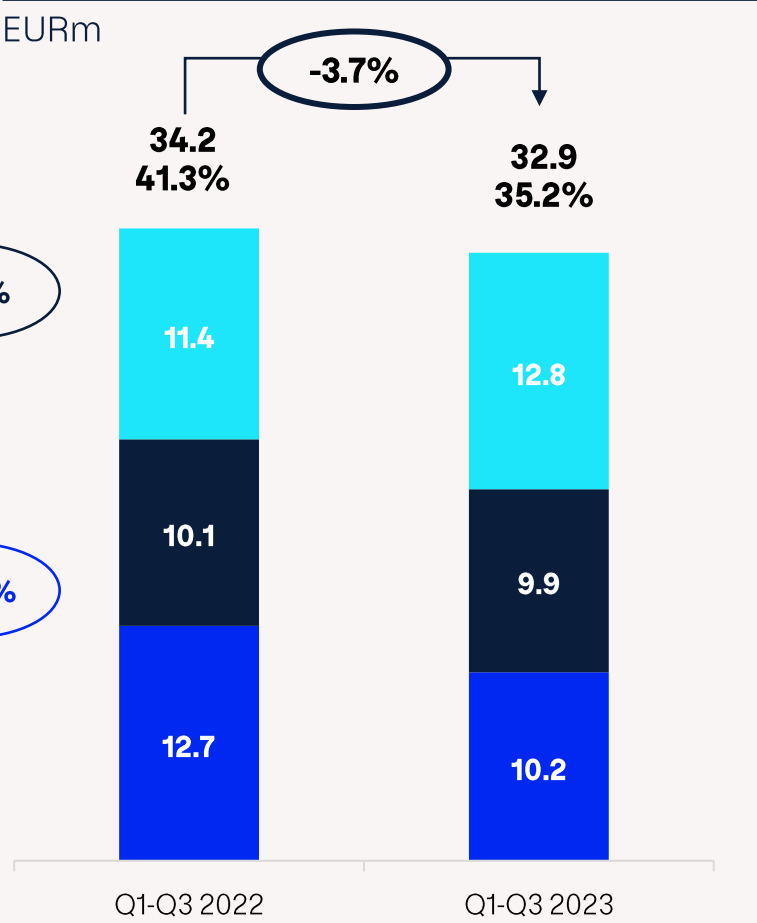
Revenue by geography



Revenue by channel



Adjusted EBITA



■ Nordic countries ■ Rest of Europe
■ North America ■ Rest of world

■ Direct Channel (Q3/23: 20% of the revenue)
■ Partner Channel (Q3/23: 80% of the revenue)

■ Q1 ■ Q2 ■ Q3

Outlook for 2023

Updated September 8, 2023



Growth

F-Secure estimates that revenue for 2023 will be in the range of EUR **128–132** million.

Profitability

The group's adjusted EBITA is expected to be in the range of **EUR 41–45 million**. The adjusted EBITA margin is estimated to temporarily decrease in 2023 due to acquisition related additional OPEX investments of about 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, although we see strong price sensitivity among the consumers, in the face of a challenging operating environment.
- Lookout consumer BU included from June to December (7 months).
- 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.

Q&A

