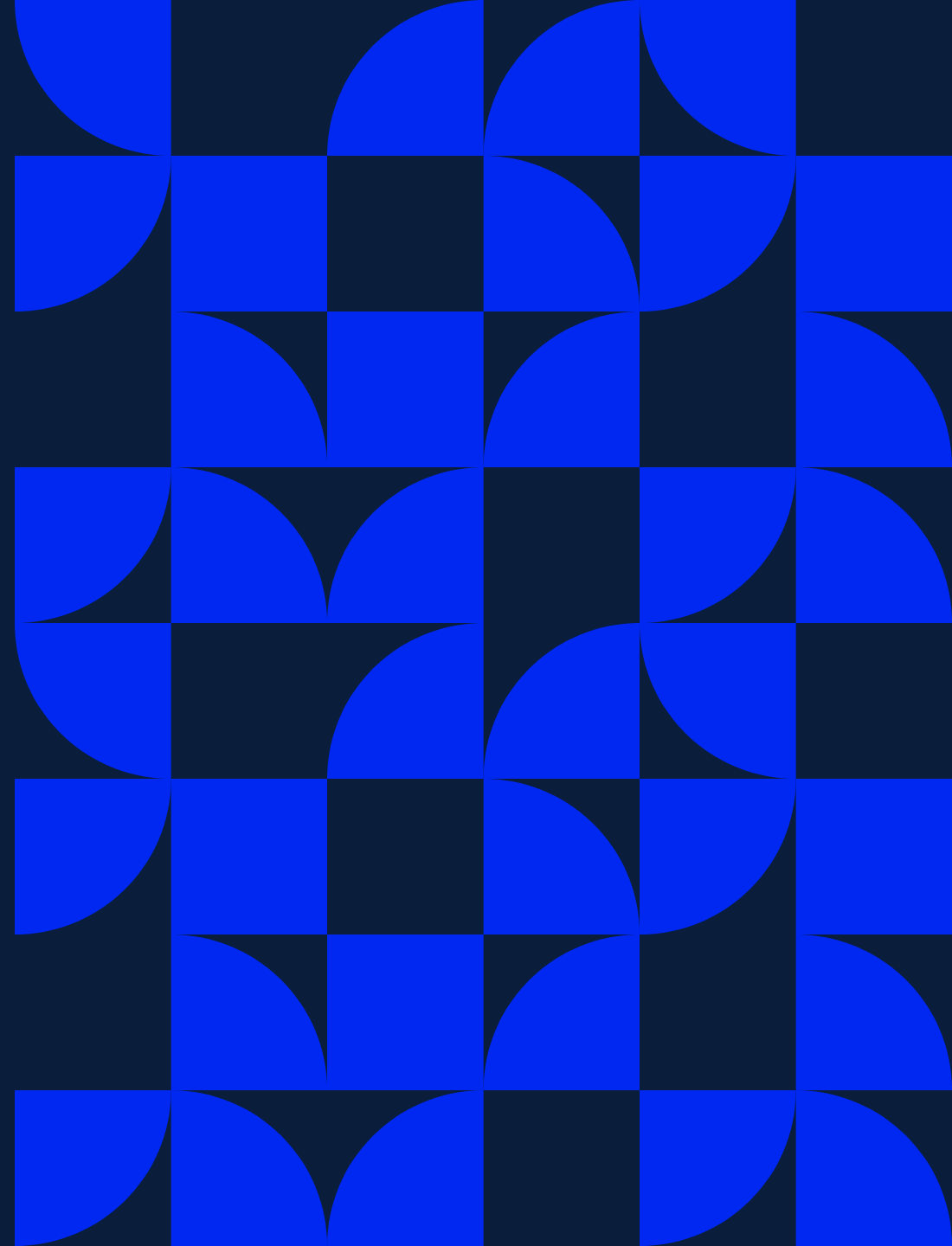




# F-Secure as an investment

**Timo Laaksonen, President & CEO**  
**Sari Somerkallio, CFO**

Investor Presentation August 2024



# F-Secure in 2023

Revenue  
**130.4**  
MEUR  
(+17.4%)

Subscribers  
**~30**  
million across  
channels

Number of  
Service Provider  
Partners  
**~200**

Adjusted EBITA  
**44.6**  
MEUR  
(34.2% margin)

Sales from  
**over 100**  
countries

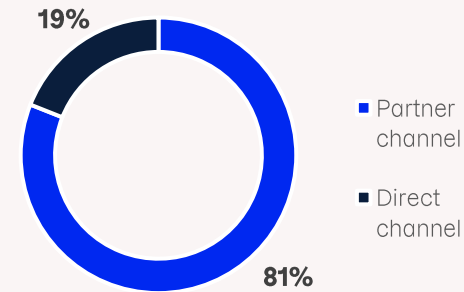
Fellows  
**~520**

Earnings per share  
**0.13**  
EUR

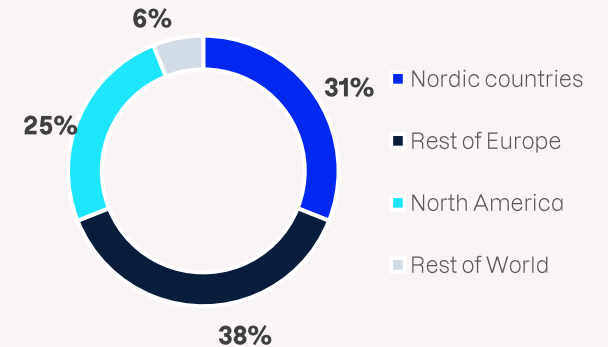
Dividend per share  
**0.07**  
EUR\*

**47**  
nationalities

Revenue by channel, %\*



Revenue by geography, %\*



Lookout consumer business is included for June to December (7 months) in 2023.

# Our purpose

We exist to make **every digital moment more secure**, for everyone

# Our vision

To become the **#1 security experience** company in the world

# Our mission

Continuously deliver brilliantly **simple, frictionless security experiences** to our customers and partners



# What are the problems we solve?

## Consumers



## Partners



How do we drive adoption?

Can we create strategic value?

Complex

Confined

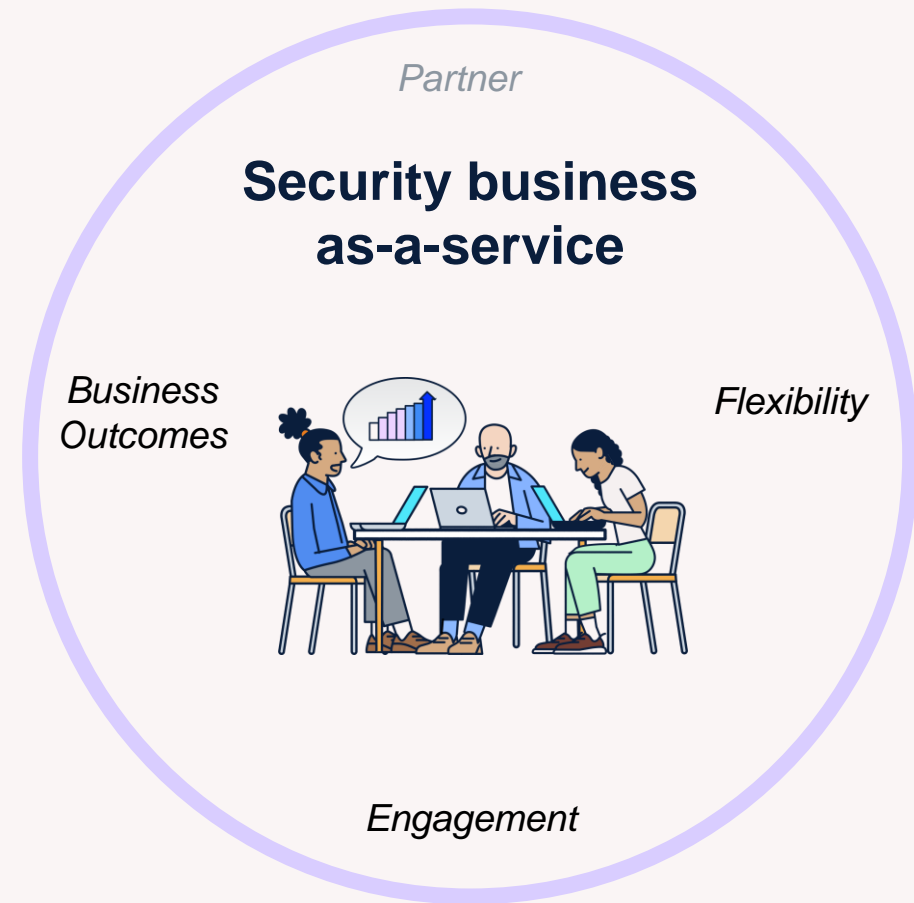
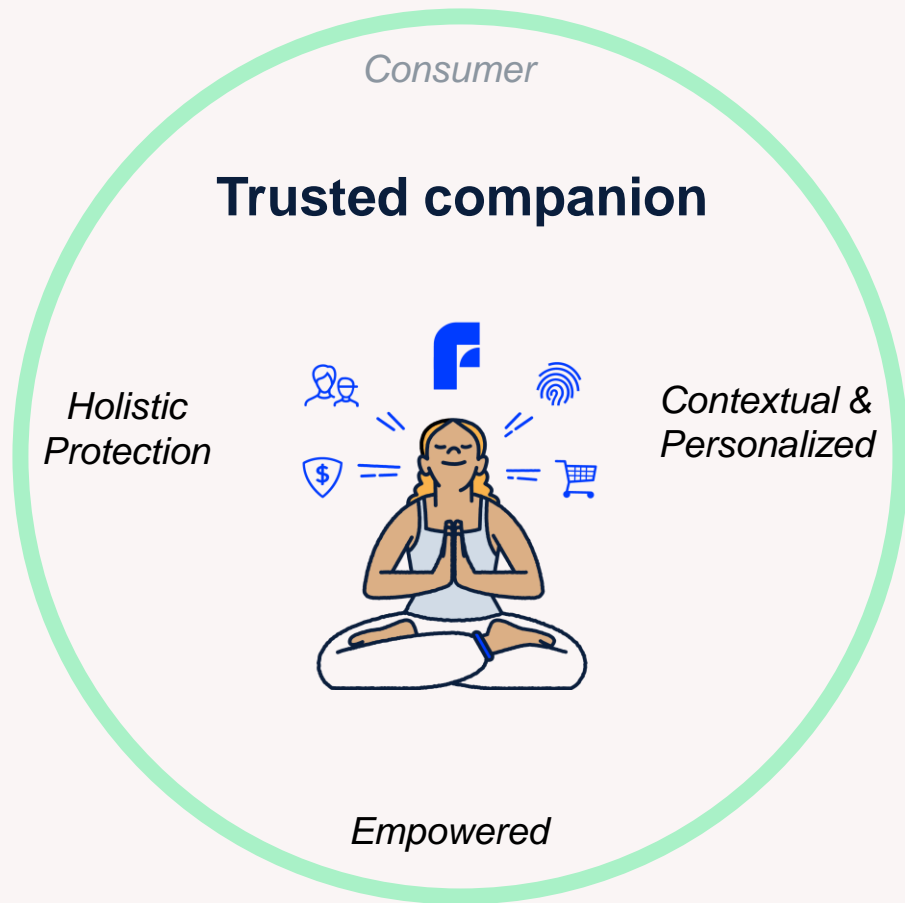
Impersonal

Tactical service

Low corporate impact

Poor time to value

# Our #1 security experience vision



# F-Secure consumer security portfolio

Holistic protection of consumers' digital moments

## Internet Security

Browsing & Phishing Protection



Privacy Protection

## Privacy Protection

Device Protection



Identity Monitoring & Breach alerts

## Identity Protection

Family Rules



Password Vault

## Scam Protection

Messaging Protection



Breach Report

## Home Protection

Shopping Protection



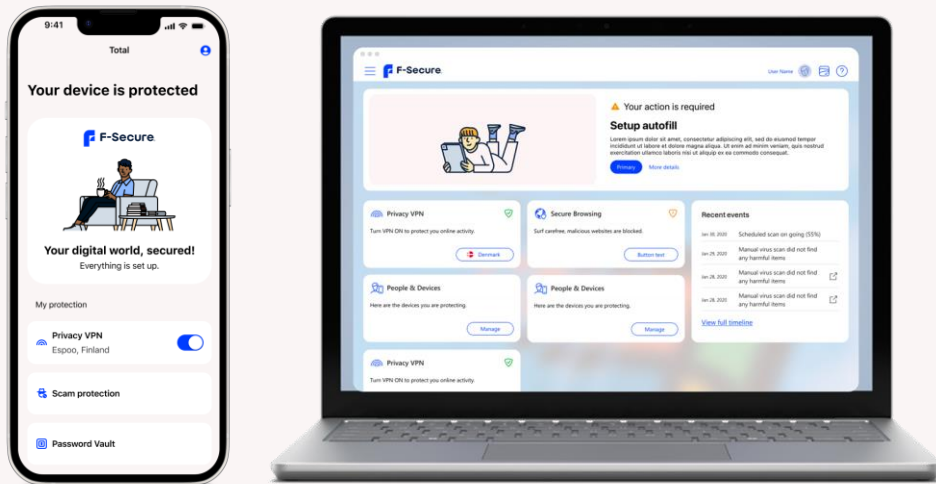
Cyber Help



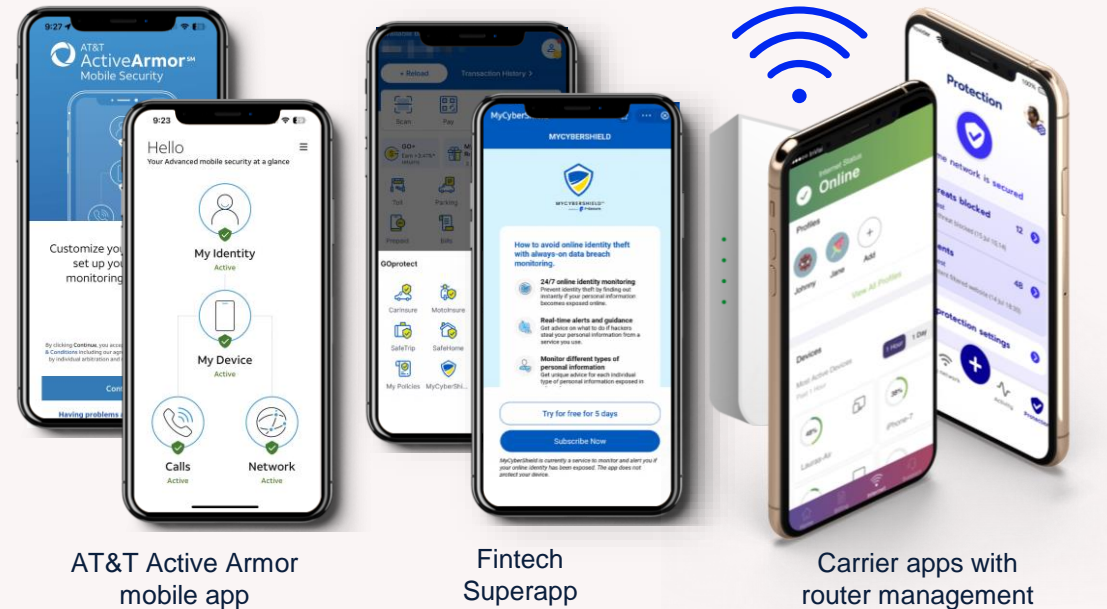
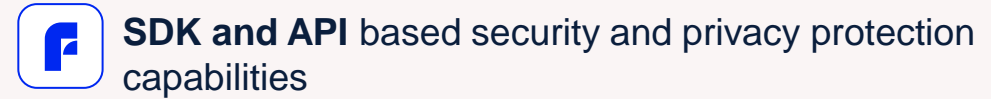
Smart Home Protection

# Comprehensive portfolio across platforms, devices & networks

## All-in-one security and privacy app



## Embedded security



AT&T Active Armor mobile app

Fintech Superapp

Carrier apps with router management



Device Security



Scam Protection



Identity Protection



Privacy Protection






Home Protection



Network Security

# Our target partner channels

Go-to-market and value proposition focus



	Focus growth areas		Additional growth areas			
Channel	Tier 1s	Communication Service Providers	Insurance	Banks	Fintech & Superapps	Router & WiFi providers
Value proposition focus	Differentiation vs. competitors with unique proposition	Increasing revenue & profitability, improving loyalty	Improving customer experience & loyalty		New revenue streams	
Portfolio offering focus	<div> <b>Embedded Security</b> – Offering co-created to fit Tier 1 partner's strategy</div>	<div><div><b>F-Secure Total</b> – All-in-one security and privacy app</div><div><b>Embedded Security</b> – Standardized SDKs and APIs</div></div>				



# Monthly, per user based subscription business model

## Security Suite

## Embedded Security

Offering	 <b>F-Secure Total –</b> All-in-one security and privacy app		 F-Secure <b>security assets embedded in partner applications</b> , routers and networks as SDKs and/or APIs	
F-Secure services and set-up fees (NREs)	Low		<div>Tier 1s</div> <div>Tier 2+</div> <div>Medium to Large</div> <div>Low to Medium</div>	
Partner go-to-market model	Core Service ( <i>bundle</i> )	Value-Added Service	Core or Value-Added Service	Core or Value-Added Service
Expected volume	Large	Medium	Large+	Medium to Large
F-Secure unit price <sup>i)</sup>	Low	Medium	Low to Medium <sup>ii)</sup>	Low to Medium

# Expanding market reach



## Partner Business

### Communication Service Providers

NEW!

Tier 1

Tier 2 +

### New Verticals

NEW!

Fintech and  
Insurtech

Banking and  
Insurance

## Direct Business

eCom

AppStores

**1 Billion+**  
*Addressable  
Consumers by 2026*



# Journey to becoming the security experience leader

2023

2024

2025

2026



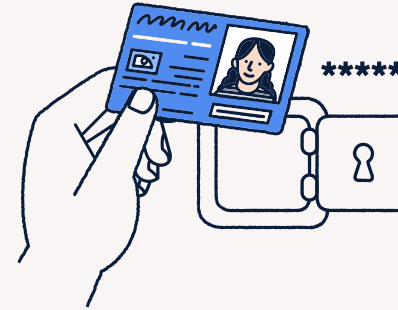
**Total**

Growth through Total and replacing stand-alone products



**Agility**

2x Customer base with service that talks to people



**No.1 Security Experience**

Double-digit revenue growth



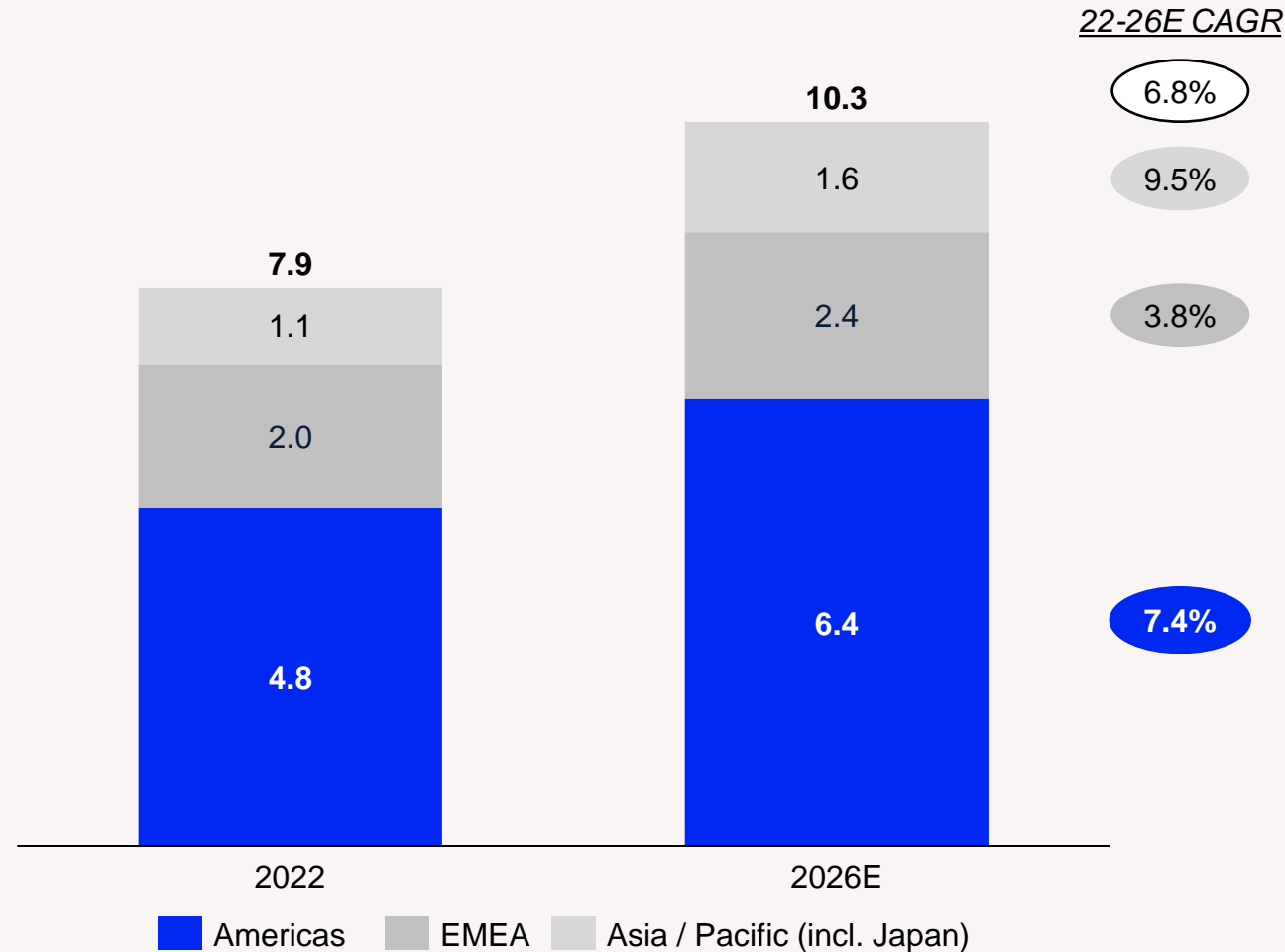
**Tier 1 Partner Excellence**

Leader among Tier 1 partners

# Consumer cyber security is a large, growing market

Several market drivers accelerating growth

Global cyber security market (EURbn)\*

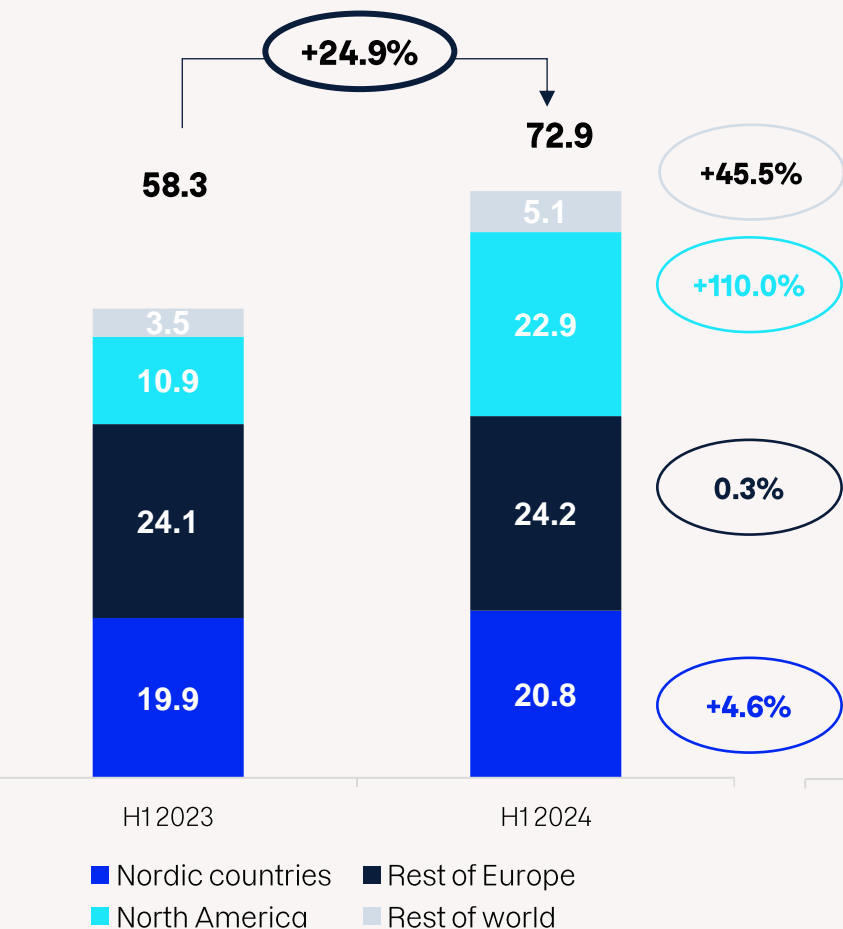


- Increasing digitalization affects consumer behavior
- Consumers' increasing willingness to pay is increasing
- Cyber security concerns have increased
- Cyber security remains complex for consumers

# H1/2024 in brief: revenue +24.9%, organic growth +2.6%

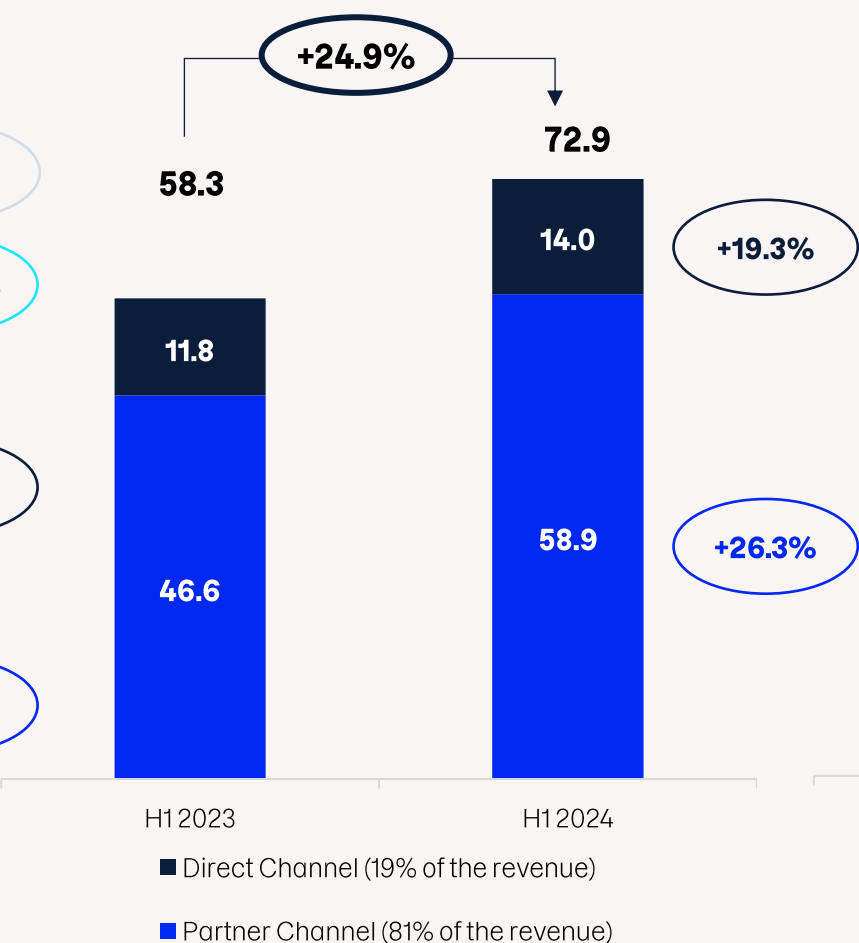
## Revenue by geography\*

EURm



## Revenue by channel

EURm



## Adjusted EBITA

EURm



# Towards medium-term financial targets 2026

## Key growth levers

1. Total conversion

2. Evolving go-to-market channels and offering

3. Best partner experience

### Financial targets 2026

Revenue of more than  
**EUR 200 million.**

After initial growth  
investments, adjusted  
EBITA margin of above  
**42%.**

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.

### 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%)

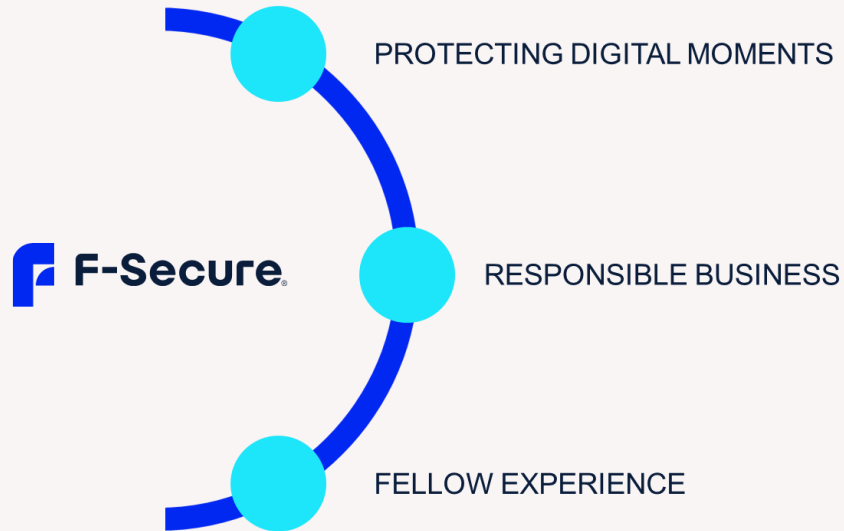
Adjusted EBITA  
**EUR 44.6 million,**  
**34.2% margin**

Dividend proposal  
**0.07 per share**  
**55% of net profit**

Leverage  
**3.6x**

# Delivering sustainable security experiences

## Our ESG Commitments



## 2024 sustainability priorities

- 1 Legislative compliance
- 2 Transparency and value to stakeholders
- 3 Talent development, retention and acquisition
- 4 DEI and Fellow wellbeing

# Focus areas in 2024

A leading security experience



**Accelerate profitable growth to fund further growth investments**

**Deliver on #1 Security Experience vision on product and service offering**

**Stronger focus on Partner Business and Tier 1 partnerships as a new focus area**

**Optimize Direct Business revenue and profit**



# Financial calendar

**Interim Report January–September:**  
Thursday 24 October 2024

**Save the date – Investor Day:**  
Wednesday 20 November 2024



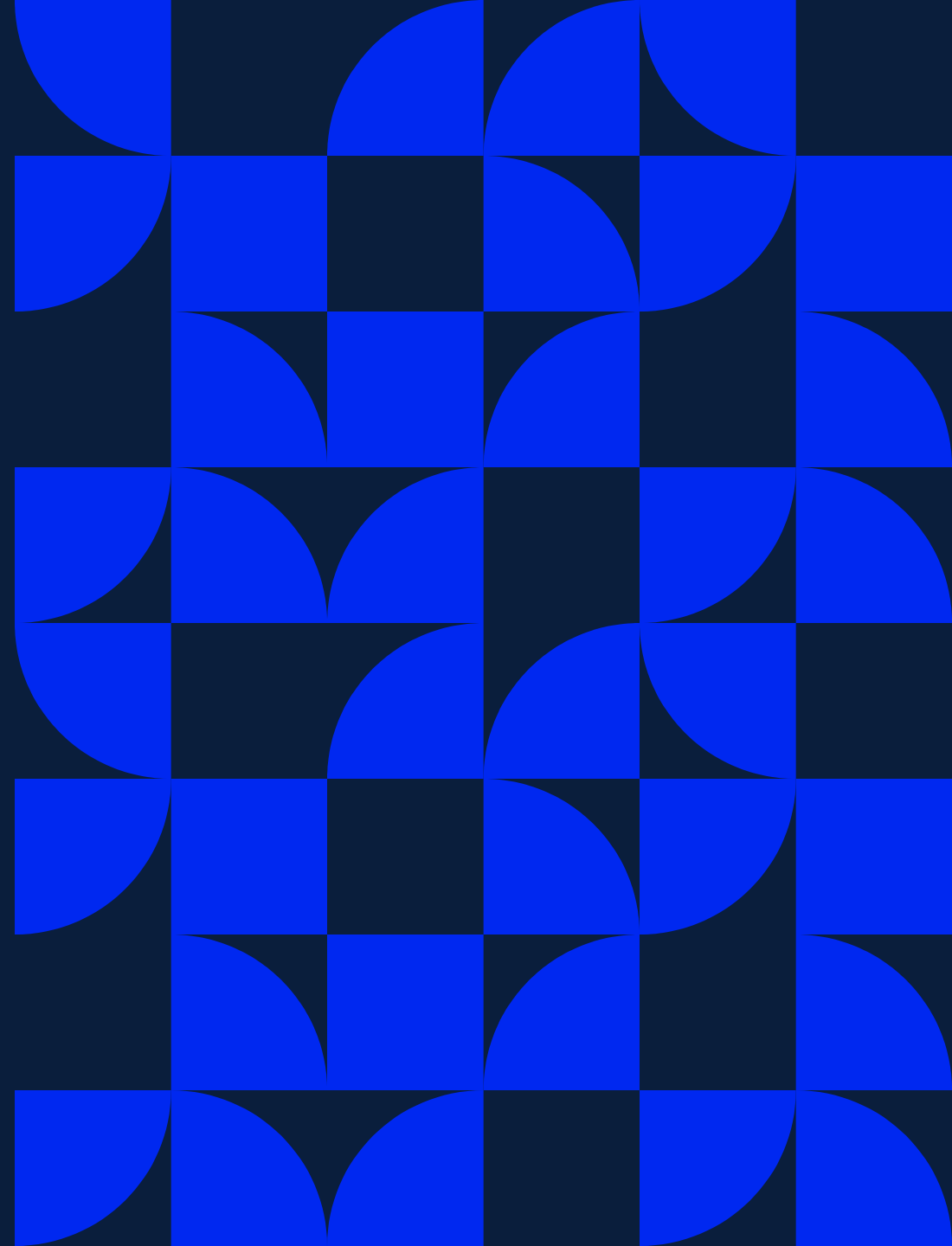


**Appendix H1/2024:**

# **Taking strides in product, service and technology development**

Half-Year Financial Report  
1 January–30 June 2024

Timo Laaksonen CEO  
Sari Somerkallio CFO



# Q2/2024: Taking strides in product, service and technology development

Revenue growth **19.6%**, driven by Lookout Life acquisition – organic growth remained modest **1.9%**

**Partner Channel** performance mixed; subscriber numbers and average revenue per user (ARPU) increased, but challenges continued with some long-time partners

**Direct Channel** focused successfully on retention and improving ARPU

**High profitability** during the quarter

**Operational improvement** and substantial progress on core technology platform and product development front, technological independence achieved from Lookout

**New Total release** a major milestone in scam protection, now available for partners and consumers



# Q2/2024: Partner Business focus continued

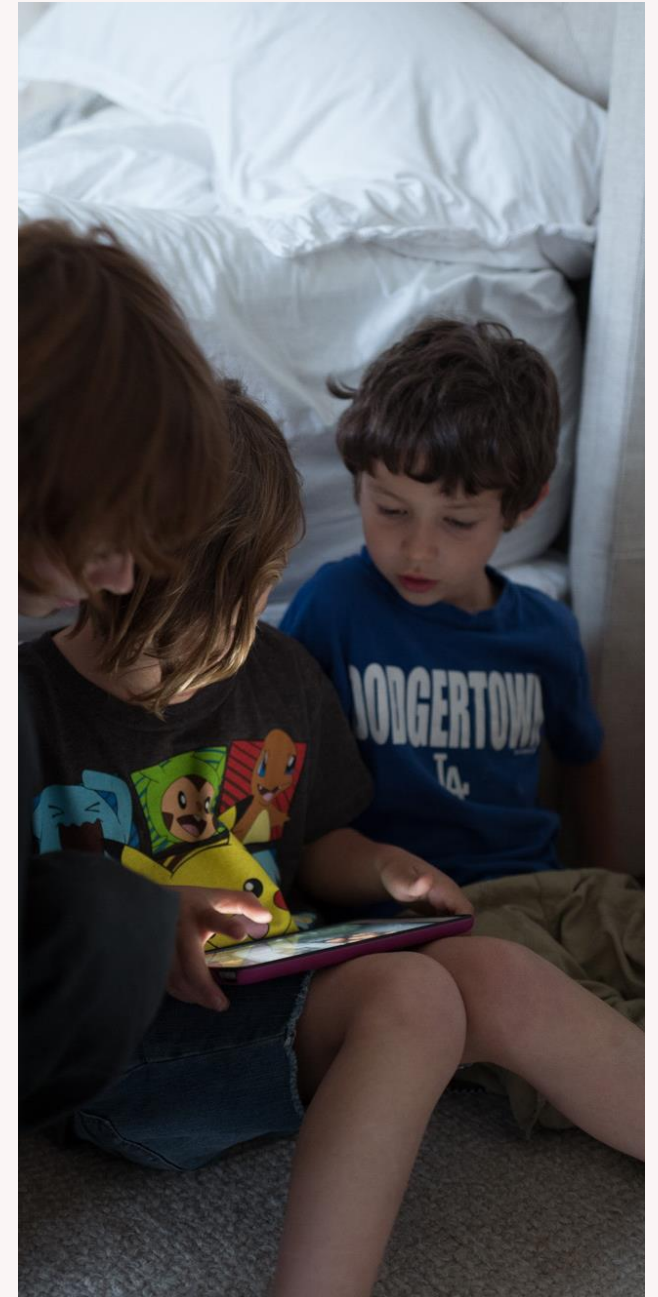
	Increase average revenue per user (ARPU)	Developing current offering and new products	Expand into new channels and partners
Strategic focus:	Accelerate the roll-out of F-Secure Total	Compelling portfolio expanding market coverage and accessible market	Replicate our proven business model and deliver concrete outcomes
Progress:	<ul style="list-style-type: none"> <li>New Total release, a major milestone in terms of design, feature improvements and launch of entirely new features</li> <li>Healthy growth in Total revenue and billings thanks to increasing ARPU</li> <li>Several sizeable Service Providers upgrade existing customer base to multi-module Total, e.g. Elisa, Vodafone Ziggo, Telia SE</li> <li>Direct Business: Billings growth through good renewal rates, increasing ARPU and easy upsell</li> </ul>	<ul style="list-style-type: none"> <li>Scam protection continues to resonate with partners, driving sales pipeline for Total and Embedded Security</li> <li>Initiatives to further improve Tier 1 capabilities <ul style="list-style-type: none"> <li>Improvements in production operations</li> <li>Developer experience</li> <li>Partner care and overall service maturity</li> </ul> </li> <li>Delivering enhanced security experiences to Tier 1 partners, strong AT&amp;T Active Armor app store ratings</li> <li>Total release at end Q3 combines the best of F-Secure and Lookout Life product programs</li> </ul>	<ul style="list-style-type: none"> <li>Tier 1 partnerships have primary focus in channel expansion resulting in a solid pipeline of prospects</li> <li>New verticals pipeline development continues yet matures relatively slowly: Insurance companies, banks, payment providers</li> </ul>

# Acquisition of Lookout consumer business

Integration completed and technology independence achieved

## One year since the acquisition of Lookout Life, Lookout consumer security business:

- Integration completed at the end of 2023 and technology independence from Lookout fully achieved at the end of May 2024
- The majority of TSAs with Lookout have been terminated, with remaining agreements similar to those with WithSecure
- Net debt (30 June 2024) amounted to EUR 166.6 million, the term loan was repaid by EUR 15 million in Q2 2024
- The Tier 1 deal announced in Q1 reiterated the importance of the acquisition and confirmed effectiveness of Tier 1 partner strategy
- Combining cloud services and royalties/suppliers have resulted in volume discounts
- Forecast indicates that we will meet planned revenue and cost synergies for 2024
- Combined product offering will be released at the end of Q3/24, on schedule





# F-Secure consumer security portfolio

Holistic protection of consumers' digital moments

## Internet Security

Browsing & Phishing Protection



Privacy Protection

## Privacy Protection

Device Protection



Identity Monitoring & Breach alerts

## Identity Protection

Family Rules



Password Vault

## Scam Protection

Messaging Protection



Breach Report

## Home Protection

Shopping Protection



Cyber Help



Smart Home Protection

# Scam Protection – highlight of Total release in June



## 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](#).



## 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](#).



## 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.



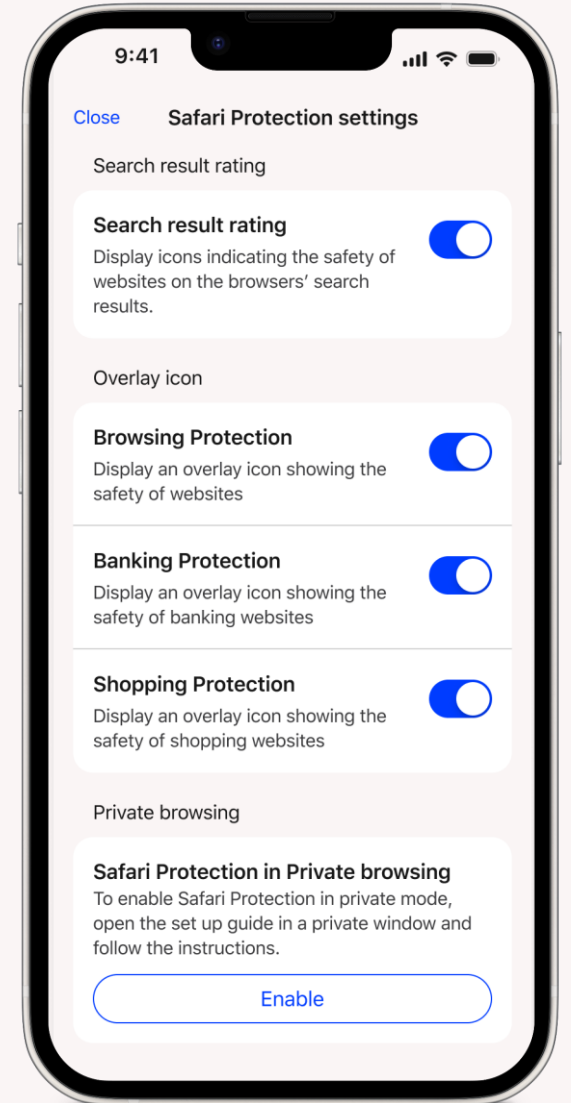
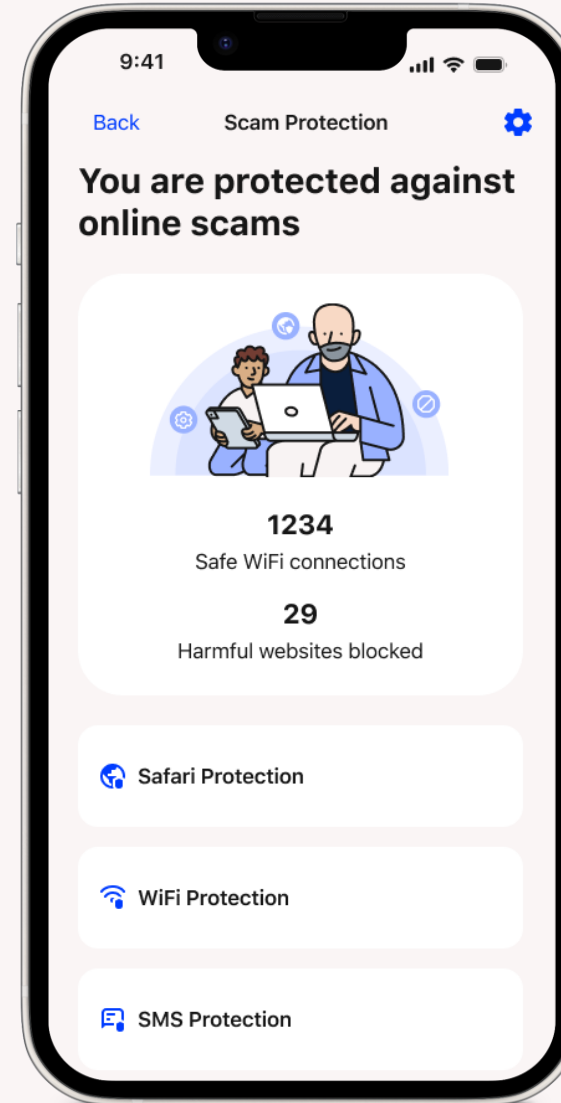
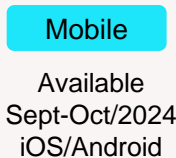
## WiFi Protection

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



## SMS Scam Protection with AI

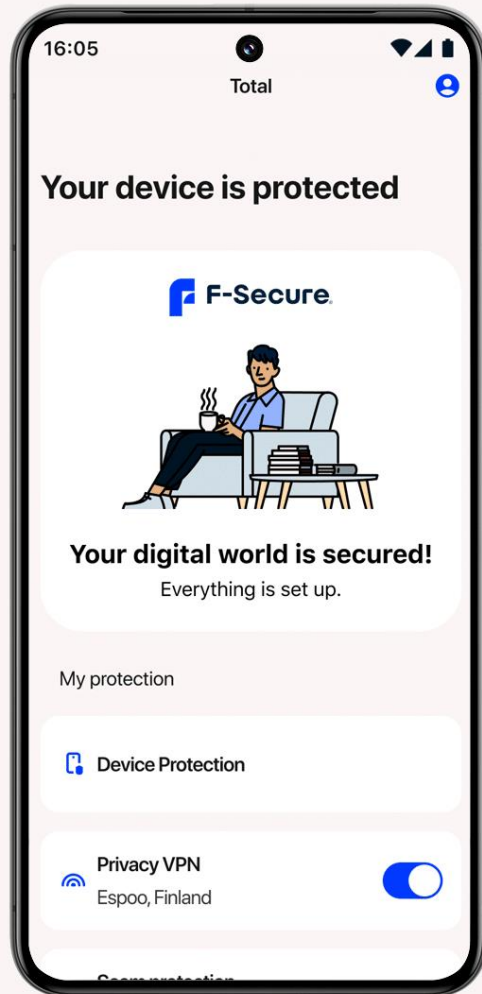
SMS Scam Protection utilizes AI to analyze received text messages for potentially harmful intents. Bad messages are removed before costly mistakes.



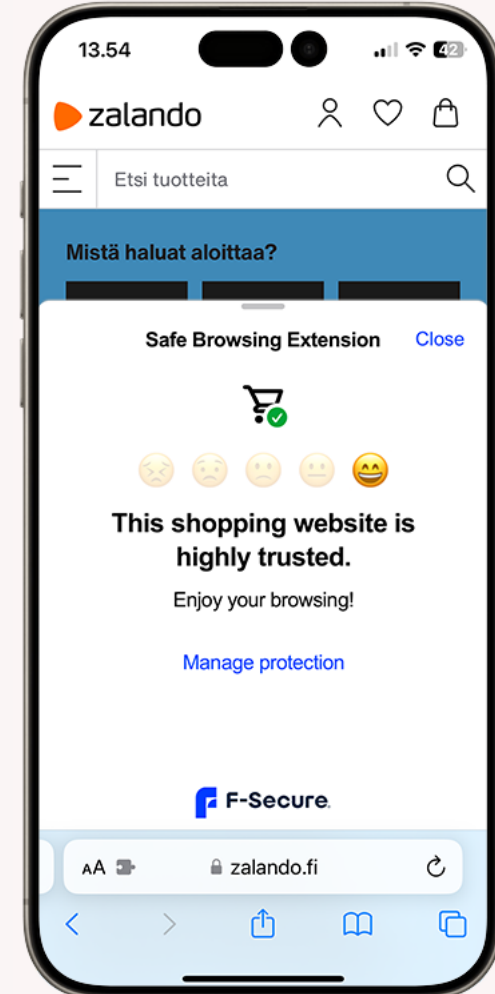
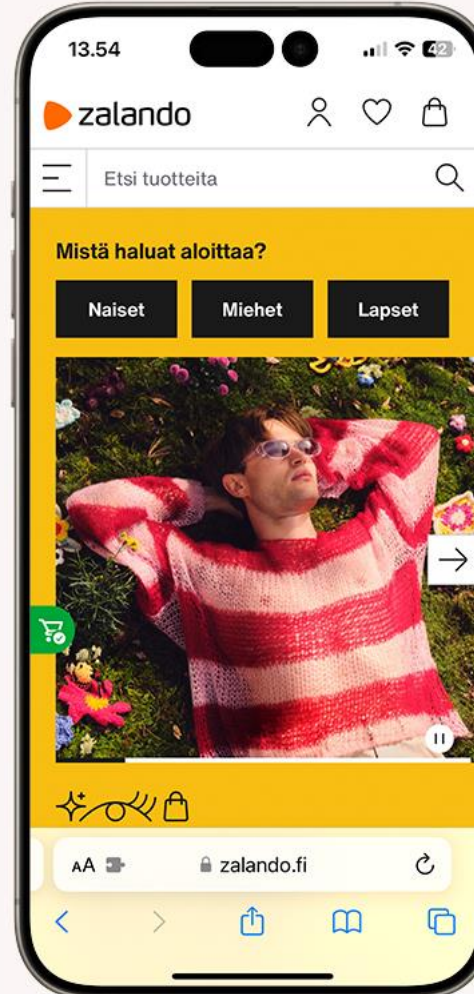


# New protection capabilities driving engagement

## Privacy Advisor for Android



## Shopping Protection for Native Mobile Browsers



# Financials

Sari Somerkallio, CFO

F-Secure changed the calculation method for gross margin in its income statement as of 1 January 2024. Comparative figures for 2023 are also revised.

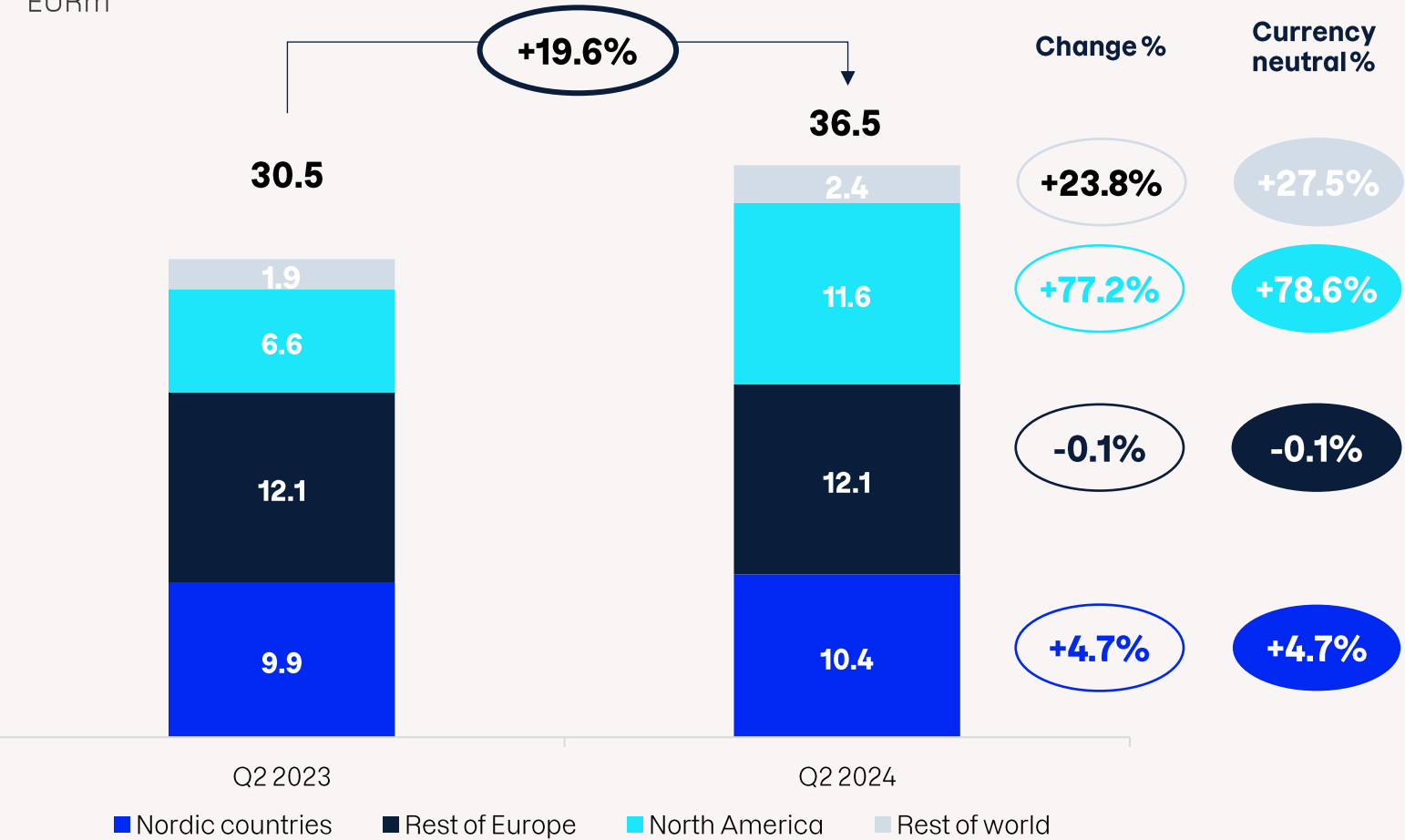


# Revenue up by 19.6%, organic growth 1.9%

Currency neutral organic growth 2.3%

## Revenue by geography

EURm

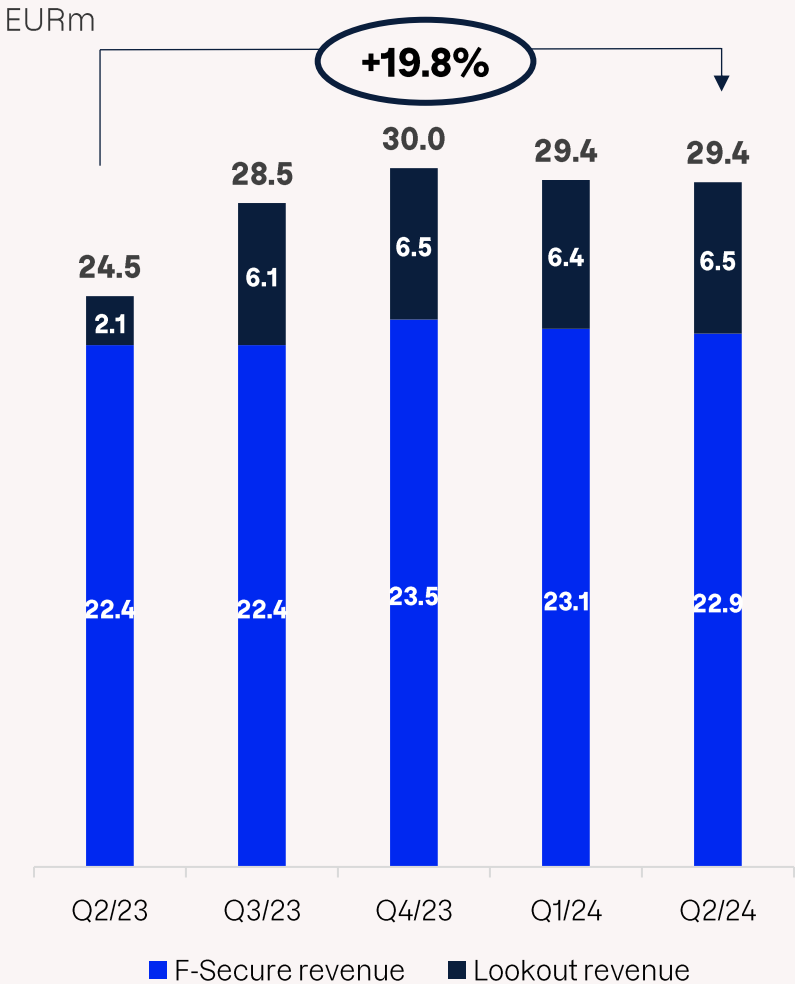


- Partner Channel: Revenue increased by 19.8% to EUR 29.4 million (EUR 24.5 million). Organic revenue growth 2.4%.
  - Subscriber numbers and average revenue per user (ARPU) increased.
  - Revenue of some long-time F-Secure partners is declining as they are addressing challenges in their core business, which was reflected in the Partner Channel development.
- Direct Channel: Revenue increased by 18.4% to EUR 7.1 million (EUR 6.0 million) thanks to Lookout Life impact. Organic revenue growth flat.
  - Deferred revenue positively supported by growing F-Secure eCommerce billings.
  - Renewals on a strong level and average revenue per user (ARPU) increased.
  - The decrease in paid customer acquisition investments continues to be reflected in Direct Business new sales as planned.

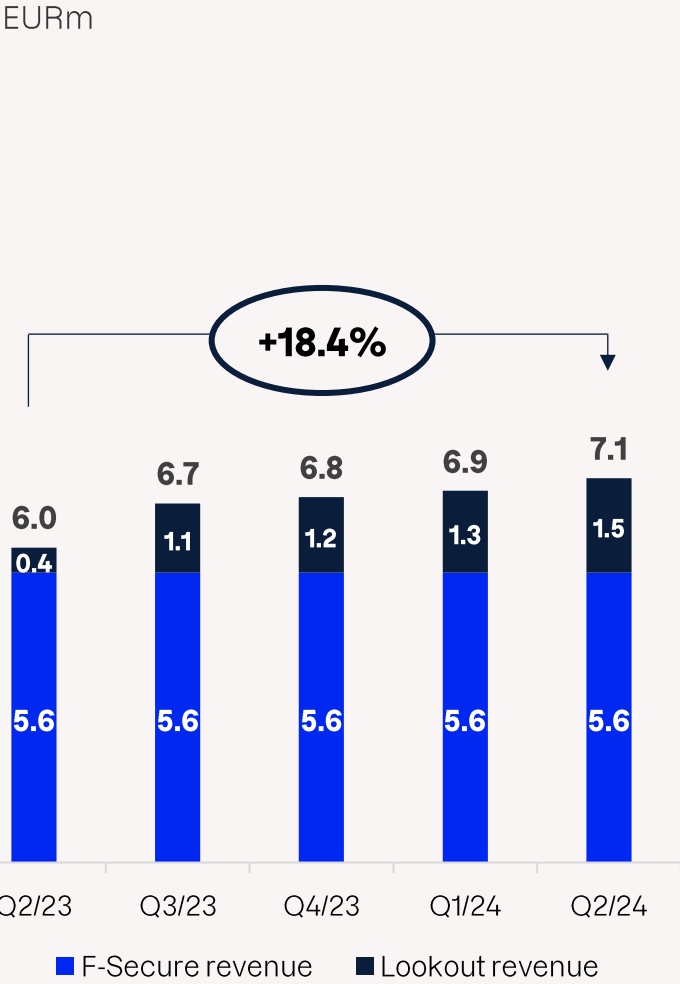
# Q2 2024: Group revenue up by 19.6%

Growth driven by Lookout Life consumer business acquisition

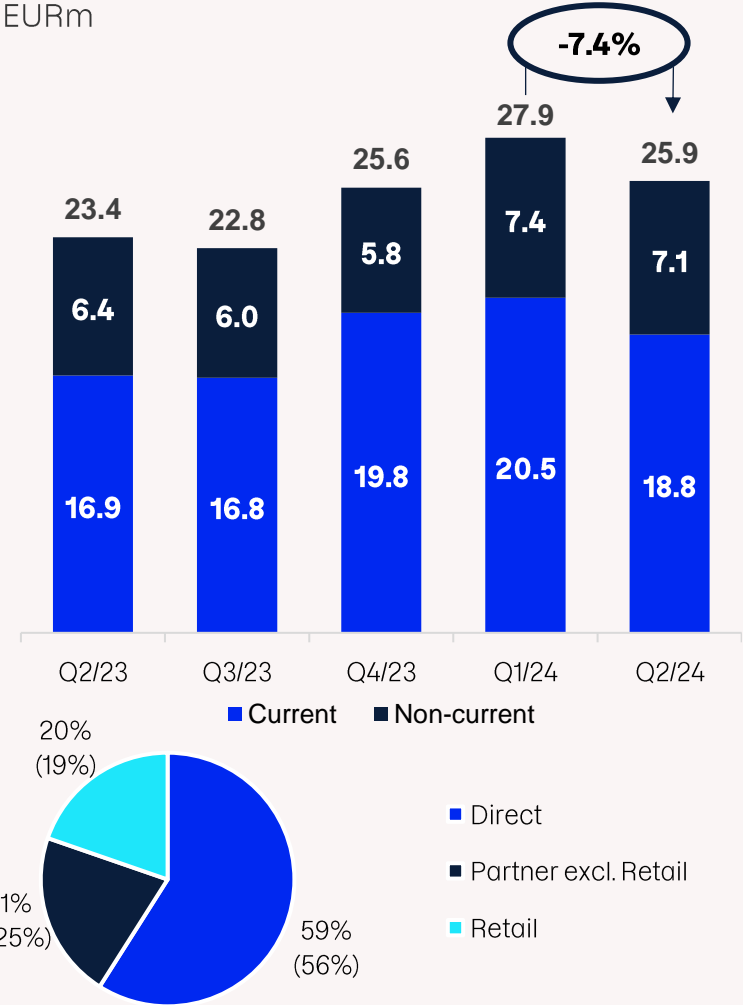
## Partner channel revenue



## Direct channel revenue






## Deferred revenue\*



# Different payment models in channels

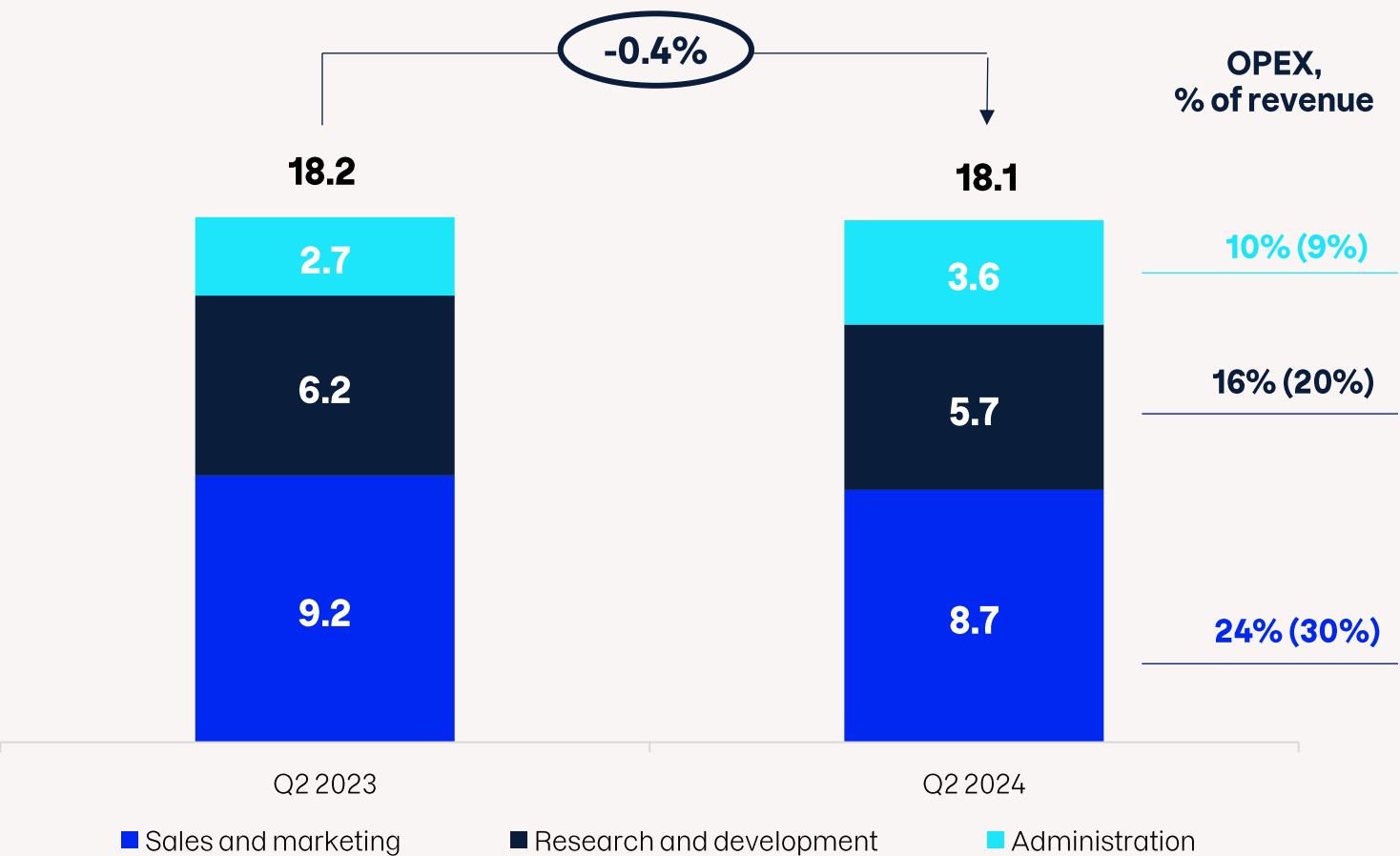
## Key dynamics of revenue recognition

Share of annual revenue	Payment	Channel	Deferred revenue (recognized over contract period)	
20–30%	Pre-payment	Direct Business & Retail <sup>1)</sup>	Yes	 Direct Business ~1 year Retail typically 1–3 years
<5%	NRE <sup>2)</sup> & Start-up fee	Partner, excl. Retail	Mainly yes	 Compensation for initial service build
<5%	Annual	Partner (typically Tier1)	Yes	 Revenue fixed amount per month
70–80%	Monthly (subscriber based)	Partner	No	Standard model

# Operating expenses in Q2/2024

## OPEX\* development in Q2

EURm



- Operating expenses decreased slightly
- Sales and marketing expenses decreased following lower marketing costs
- The increase in administration costs is related to building maturity specific to Tier1 partner business.
- The continuation of technology investments is visible in increased capital expenditure for the review period.

# Continued transitional services agreements with Lookout

- Transitional services agreements (“TSA”) between F-Secure and **WithSecure** terminated at the end of 2023.
- TSAs entered between F-Secure and **Lookout** consumer security business started in June 2023.
  - TSAs in R&D and cost of revenue are planned to last several years, although some of these TSAs terminated during the second quarter of 2024.
  - The last TSAs in administration terminated during the second quarter of 2024.

	4-6/2024 total <sup>1)</sup>	4-6/2024 TSA (Lookout)	4-6/2023 TSA (Lookout)	4-6/2023 TSA (WithSecure)	4-6/2023 total TSA	1-12/2023 total TSA
EURm						
<b>Cost of revenue</b>	5.1	1.1	0.4	0.7	1.1	5.4
<b>Operating expenses</b>						
R&D	5.7	0.6	0.3	0.8	1.0	4.8
Administration	3.6	0.1	0.1	0.3	0.4	1.6
<b>Total</b>		<b>1.8</b>	<b>0.7</b>	<b>1.8</b>	<b>2.5</b>	<b>11.8</b>

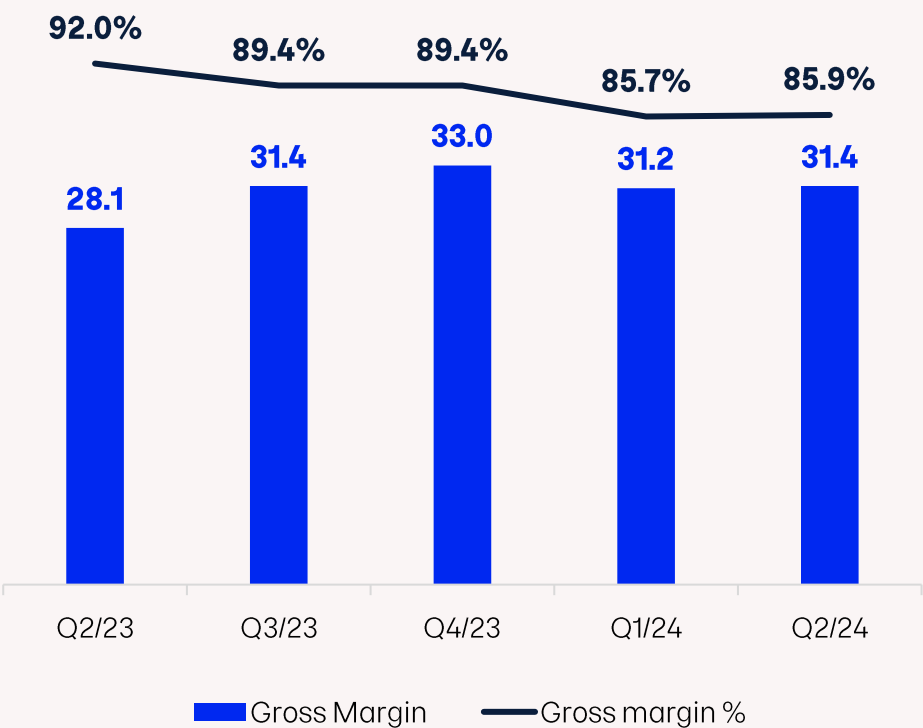
<sup>1)</sup> Excluding IAC and depreciation and amortization.

# Gross margin and adjusted EBITA development

Profitability improvement in Q2

## Gross margin

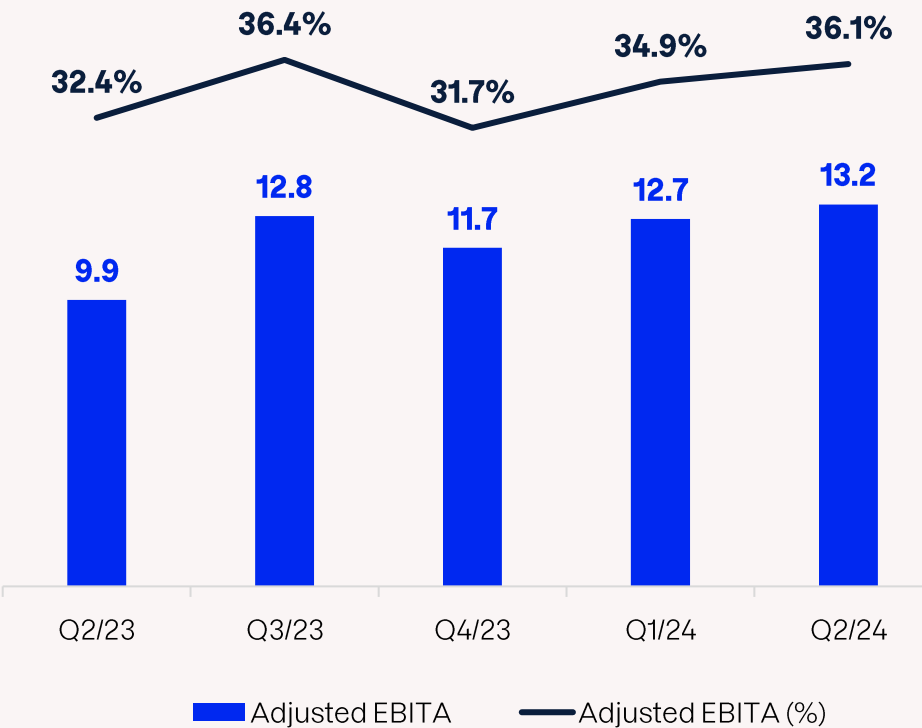
EURm



- Lookout Life business has a lower gross margin level than F-Secure traditionally.
- Gross margin impacted by fair valuation adjustments of deferred revenue made in purchase price allocation. In addition, the gross margin was still burdened by some additional costs related to lost synergies post-TSA period.

## Adjusted EBITA and adjusted EBITA margin

EURm



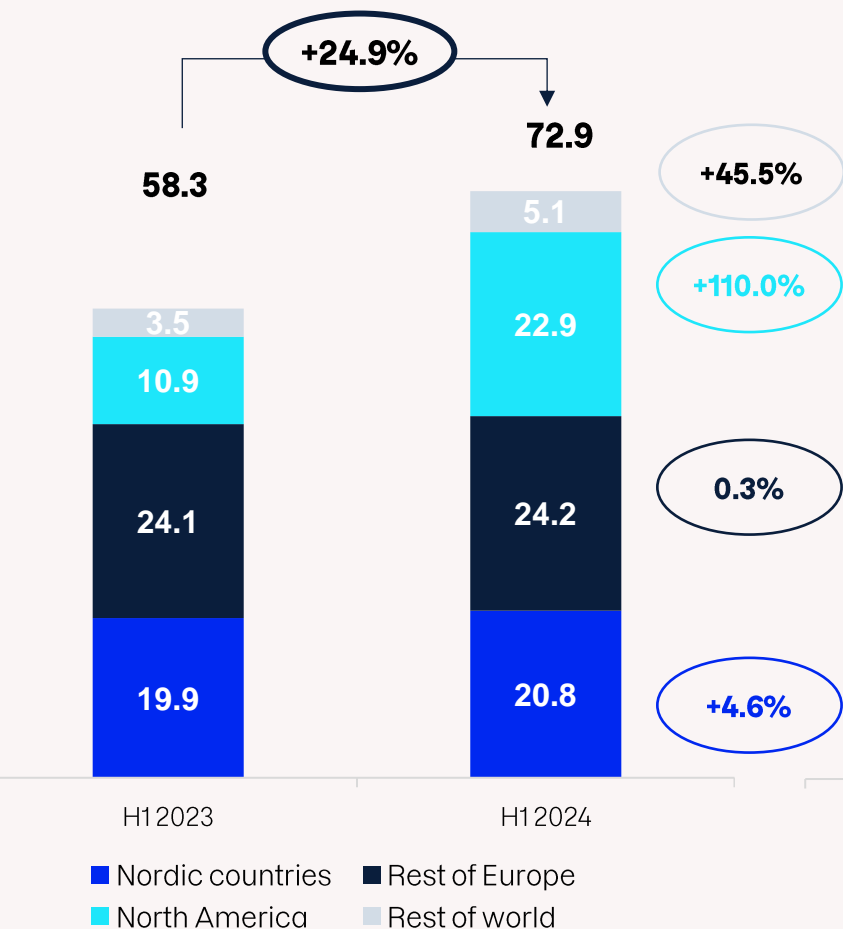
- Profitability improvement was driven by lower marketing costs and the recording of more long-term technology investments as capital expenditure.



# H1/2024 in brief: revenue +24.9%, organic growth +2.6%

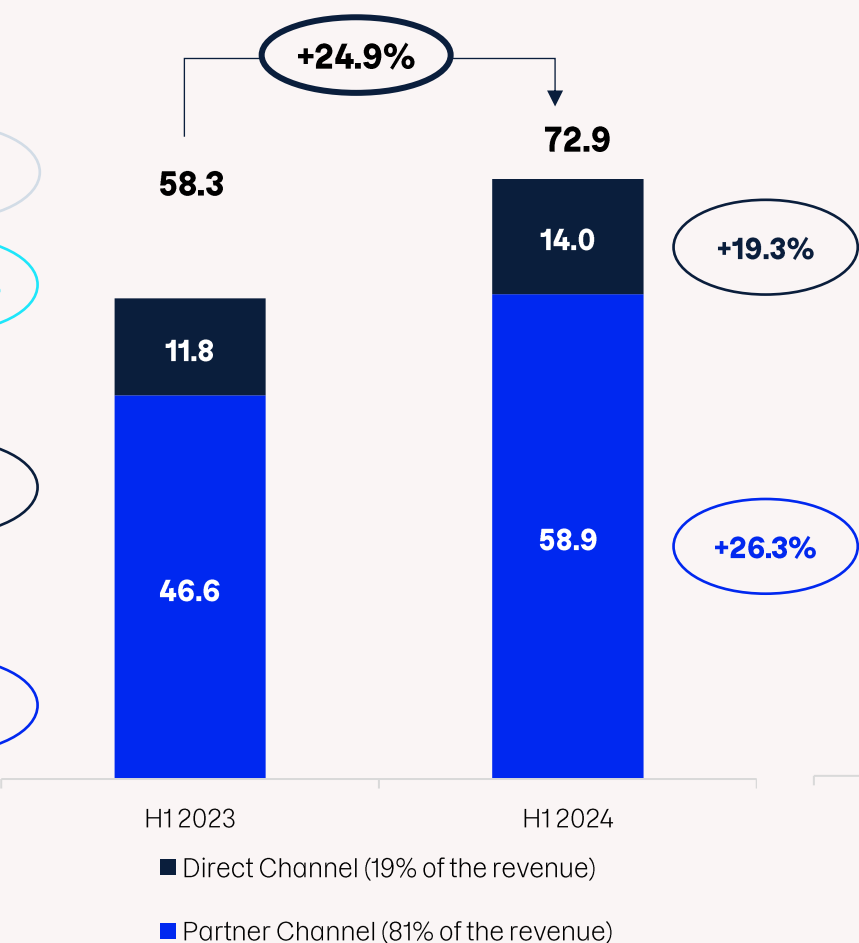
## Revenue by geography\*

EURm



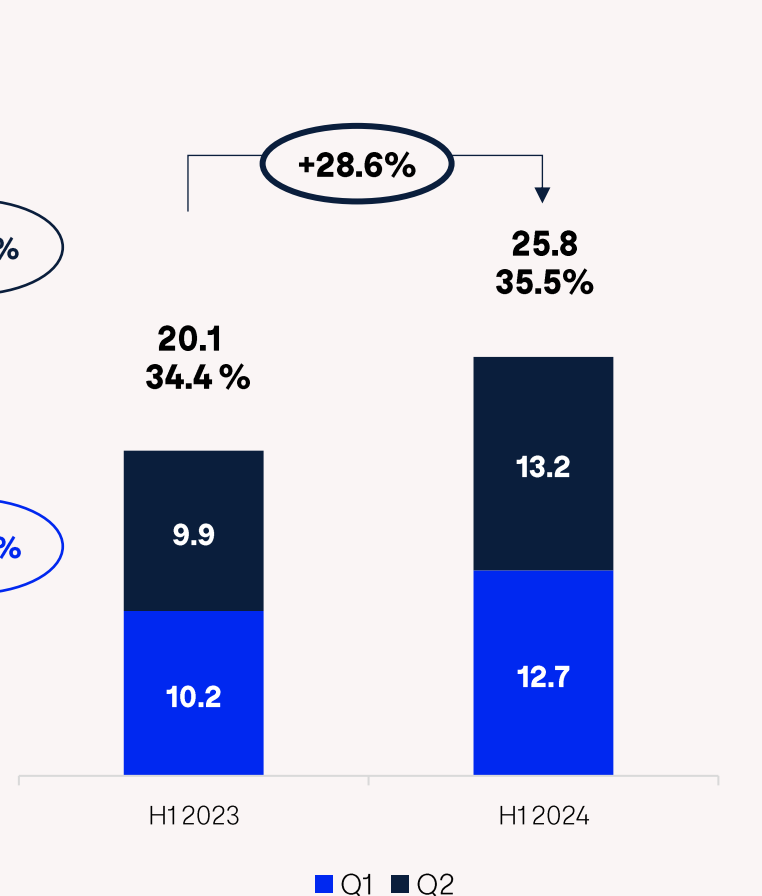
## Revenue by channel

EURm



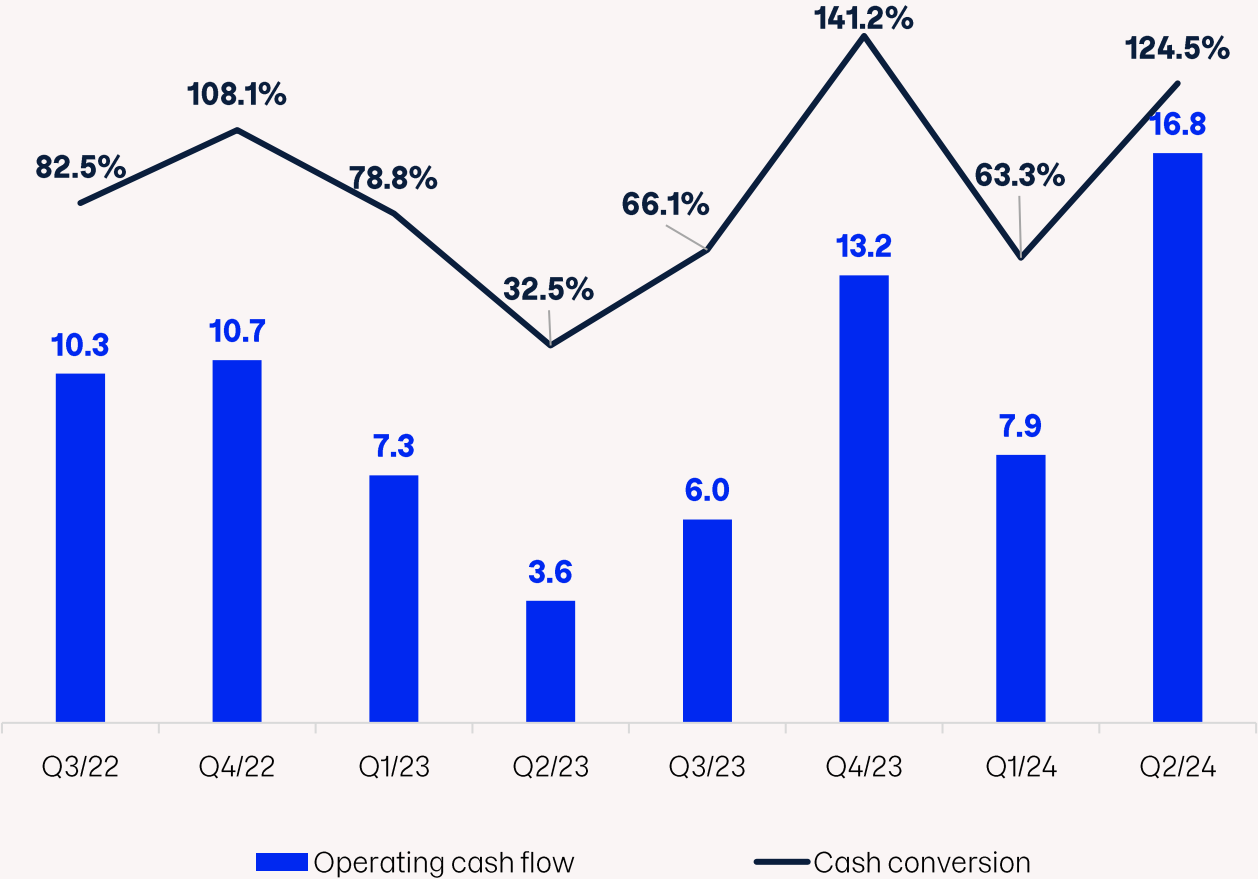
## Adjusted EBITA

EURm



# Q2/2024: Strong cash generation

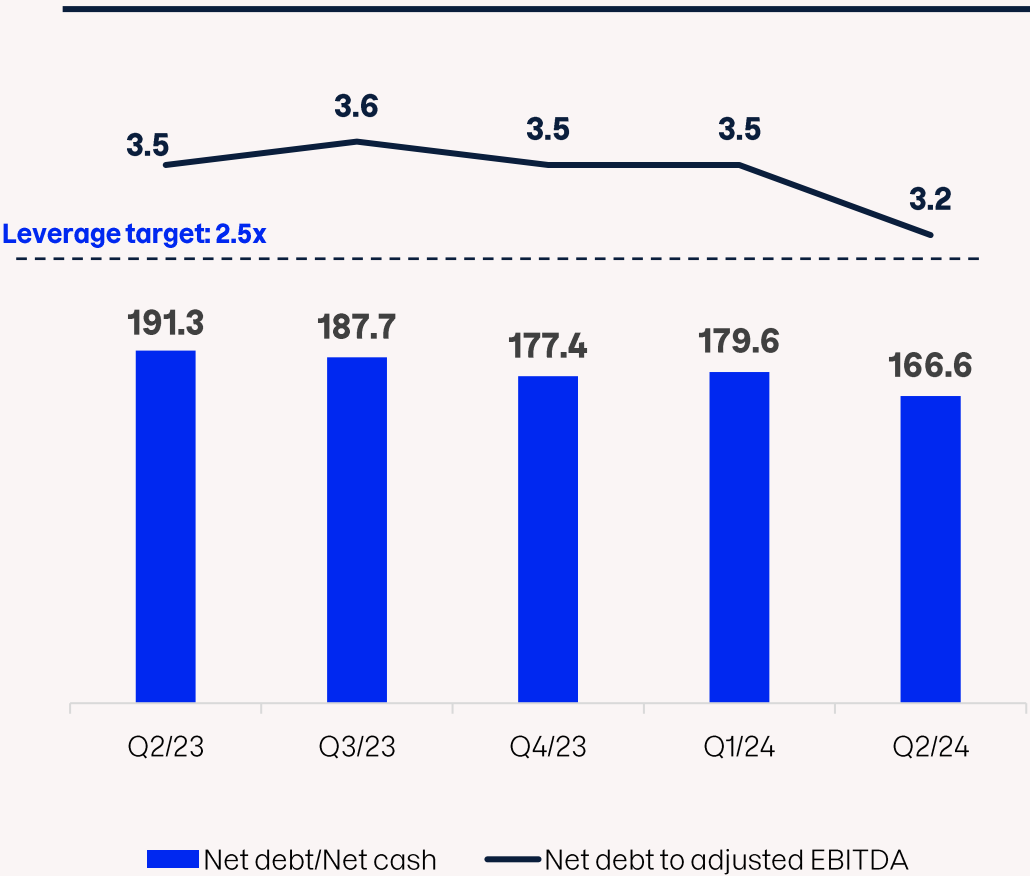
Operating cash flow and cash conversion (QTD)



- Cash generation exceptionally strong against the weak comparison period burdened by temporary invoicing challenges.
- H1/24 cash conversion rate was 94.5% (56.0%).
- EUR 5 million revolving credit facility drawn in Q2 for general cash management purposes.
- Cash at the end of June 2024 amounted to EUR 16.9 million.

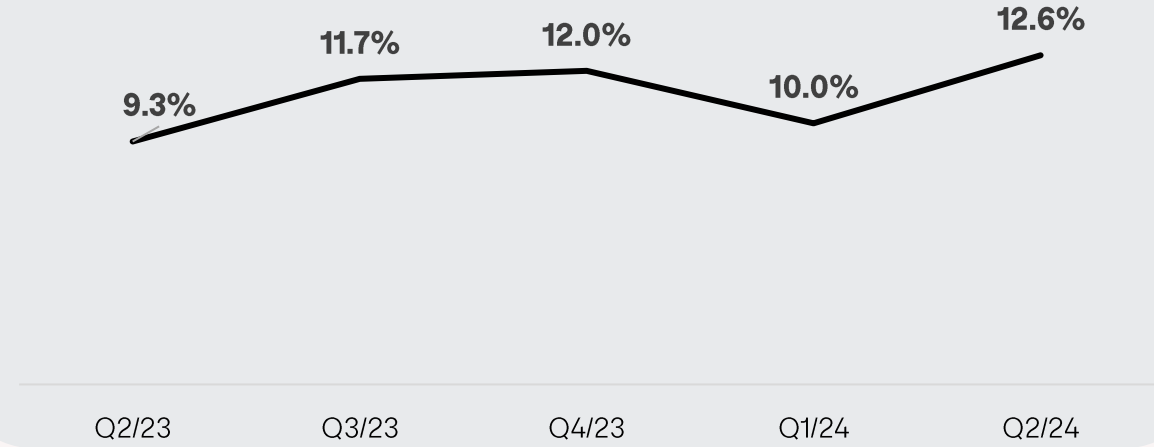
# Leverage lower thanks to good cash generation

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

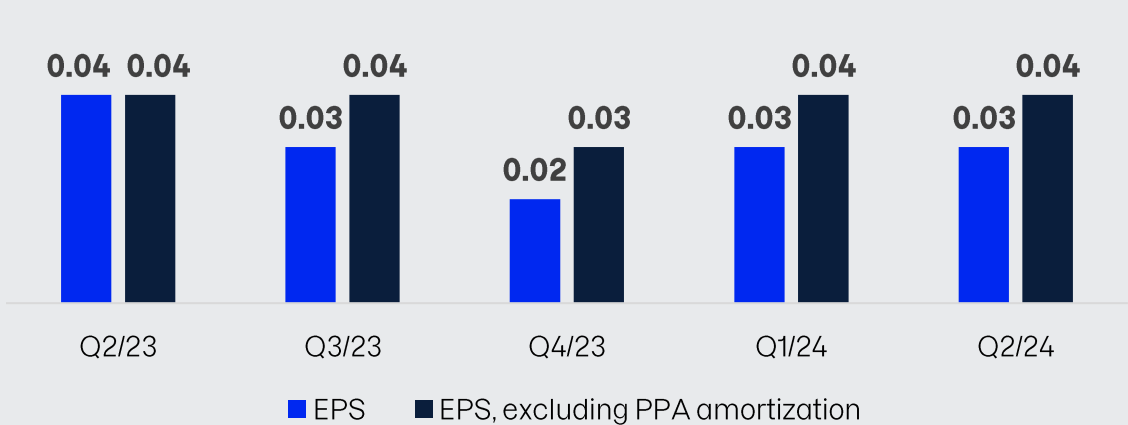


<sup>1)</sup> Leverage for the last 12 months includes Lookout consumer business unit EBITDA on an illustrative basis as if the acquisition had been made on the first day of the period in question.

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 (unchanged)



## 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.

# Q&A



