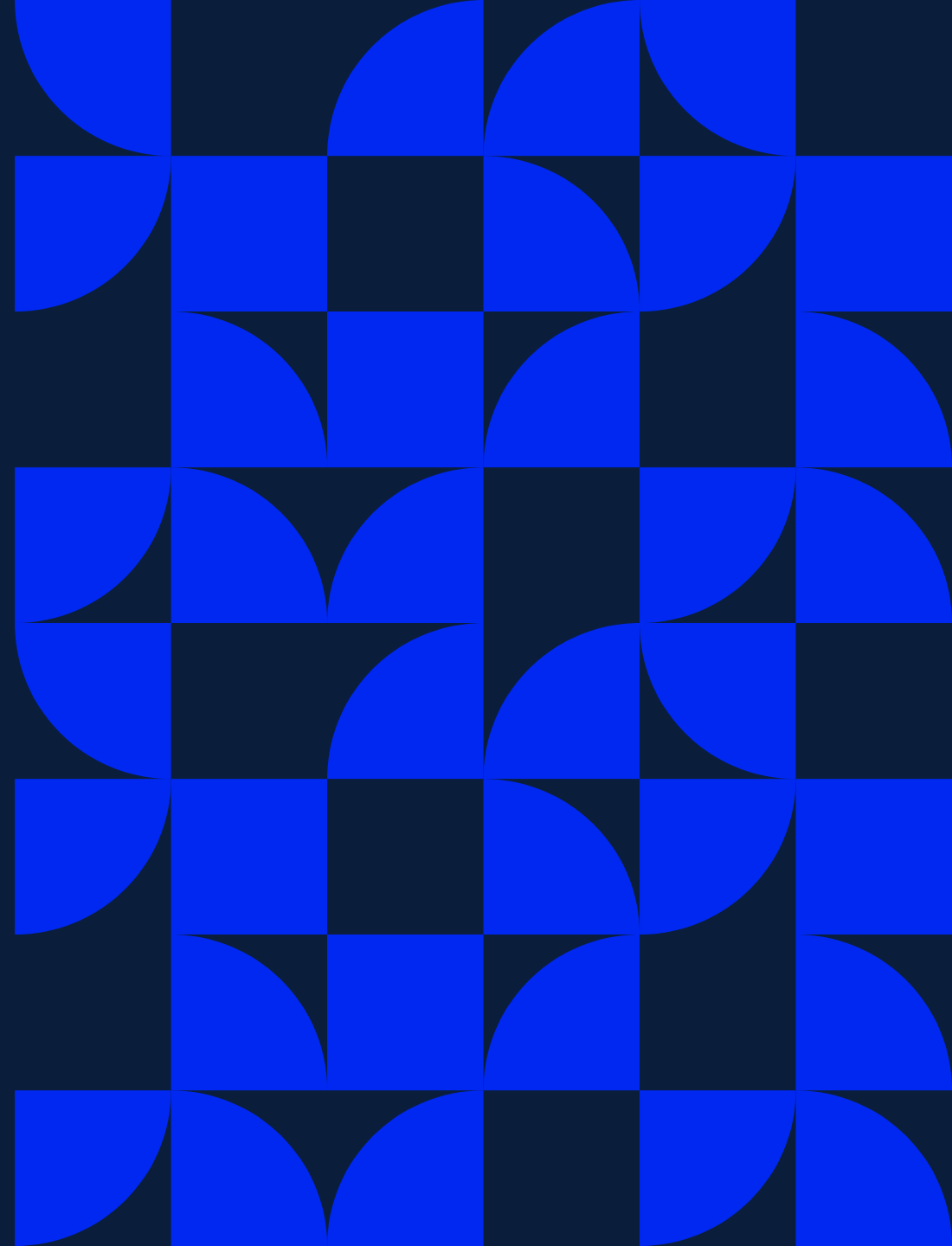




Taking strides in product, service and technology development

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:

- New Total release, a major milestone in terms of design, feature improvements and launch of entirely new features
- Healthy growth in Total revenue and billings thanks to increasing ARPU
- Several sizeable Service Providers upgrade existing customer base to multi-module Total, e.g. Elisa, Vodafone Ziggo, Telia SE
- Direct Business: Billings growth through good renewal rates, increasing ARPU and easy upsell

- Scam protection continues to resonate with partners, driving sales pipeline for Total and Embedded Security
- Initiatives to further improve Tier 1 capabilities
 - Improvements in production operations
 - Developer experience
 - Partner care and overall service maturity
- Delivering enhanced security experiences to Tier 1 partners, strong AT&T Active Armor app store ratings
- Total release at end Q3 combines the best of F-Secure and Lookout Life product programs

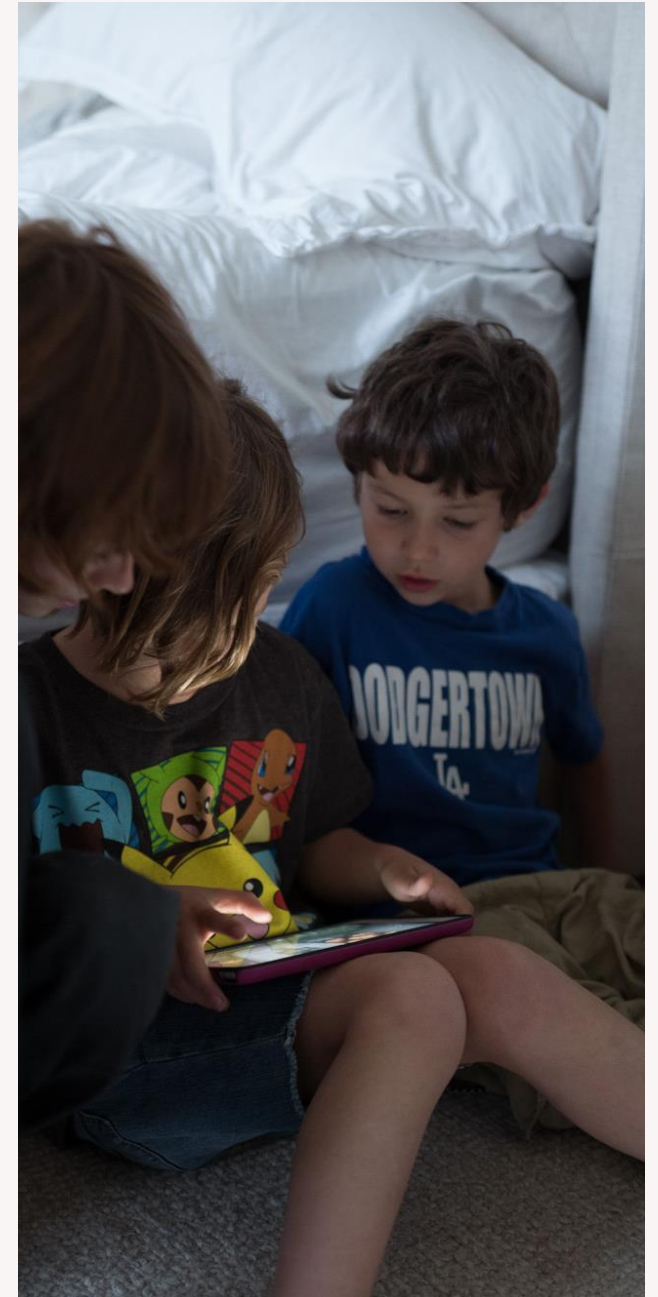
- Tier 1 partnerships have primary focus in channel expansion resulting in a solid pipeline of prospects
- New verticals pipeline development continues yet matures relatively slowly: Insurance companies, banks, payment providers

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

Device Protection



Identity Monitoring & Breach alerts

Family Rules



Password Vault

Messaging Protection



Breach Report

Scam Protection

Shopping Protection



Cyber Help

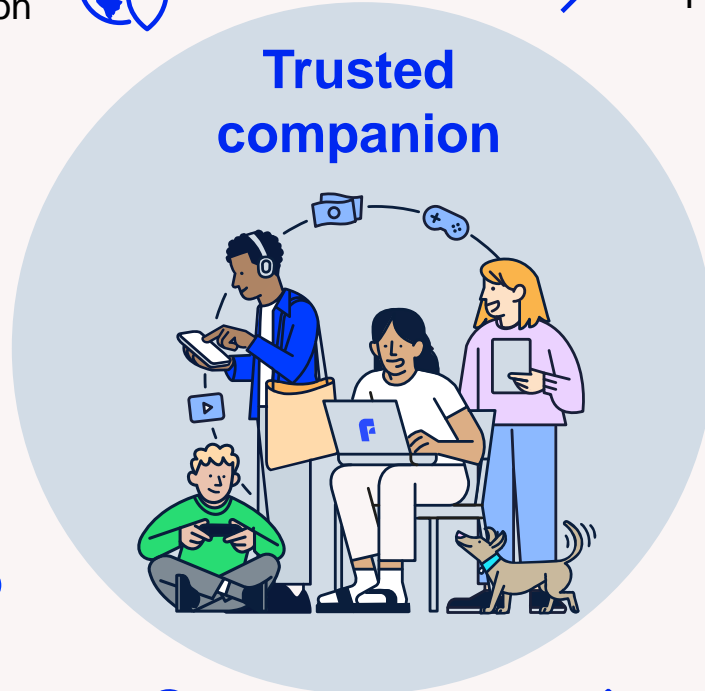


Smart Home Protection

Privacy Protection

Identity Protection

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](#).

NEW!
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](#).

NEW!
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.

NEW!
Mobile Desktop



WiFi Protection

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

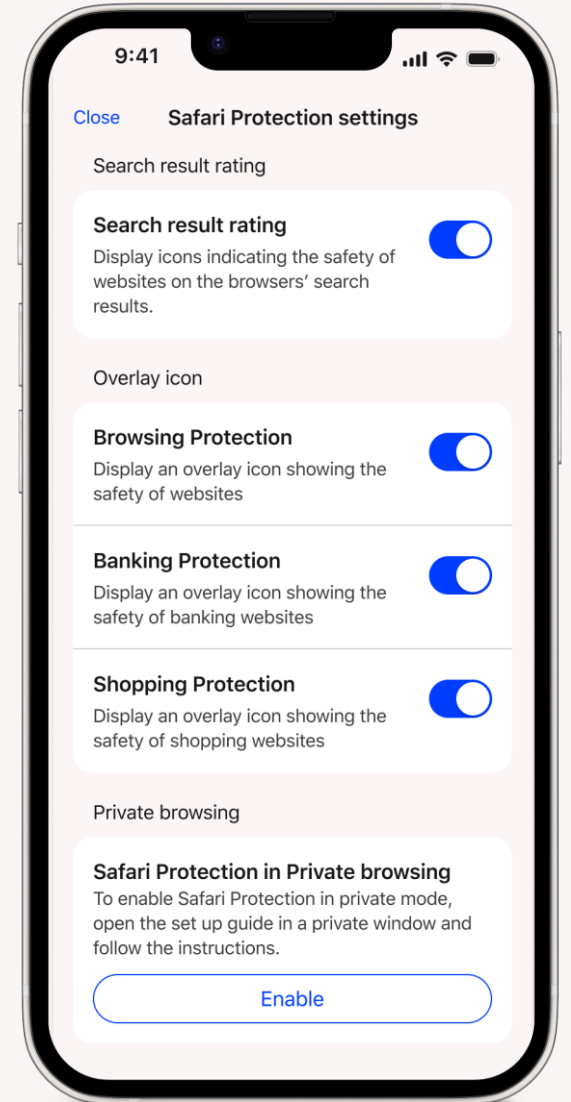
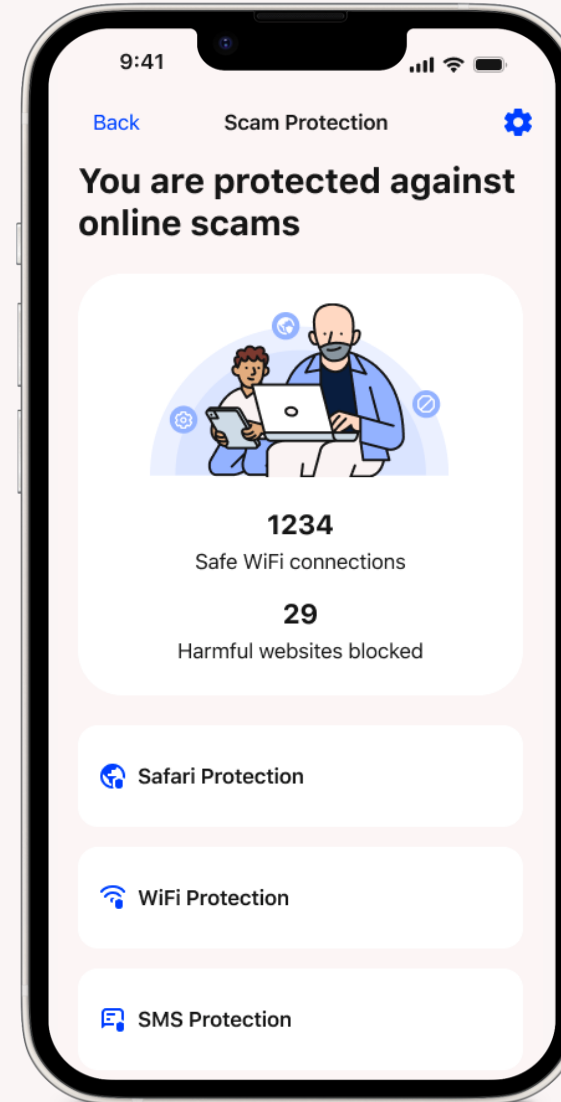
NEW!
Mobile Roadmap



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.

Mobile
Available
Sept-Oct/2024
iOS/Android

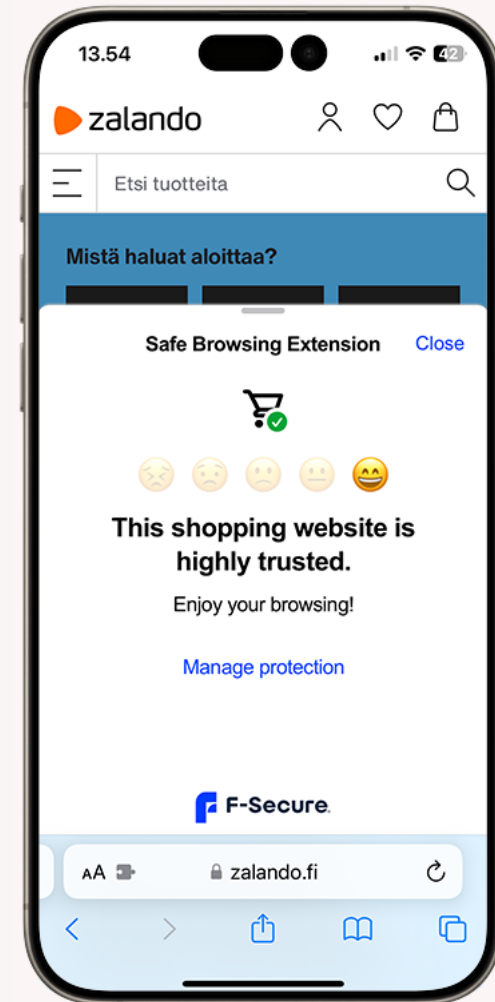
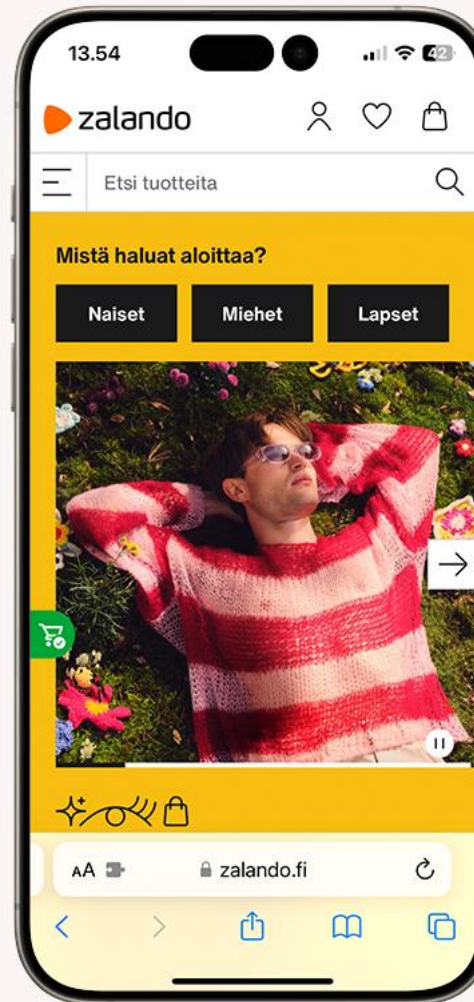


New protection capabilities driving engagement

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.

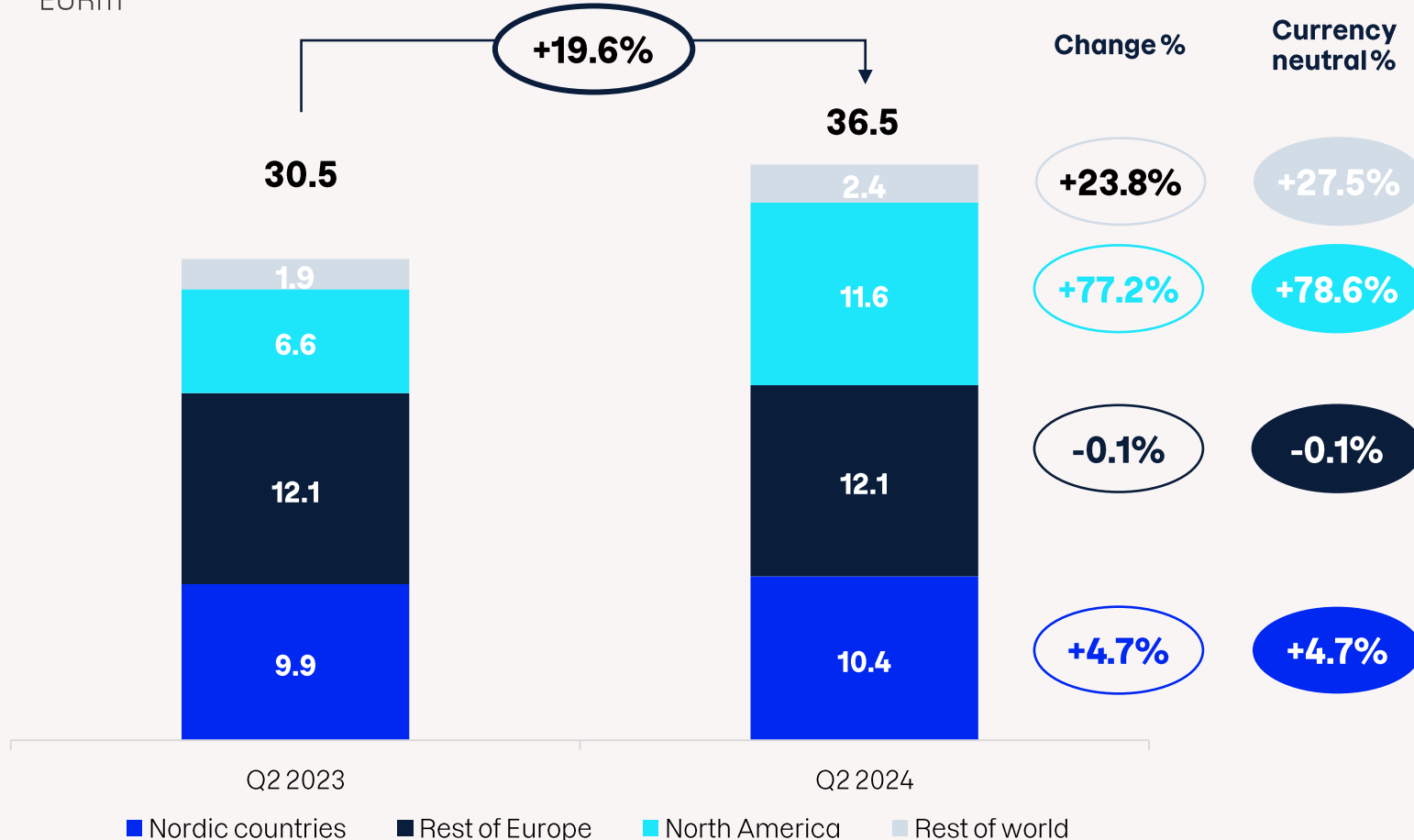


Revenue up by 19.6%, organic growth 1.9%

Currency neutral organic growth 2.3%

Revenue by geography

EURm

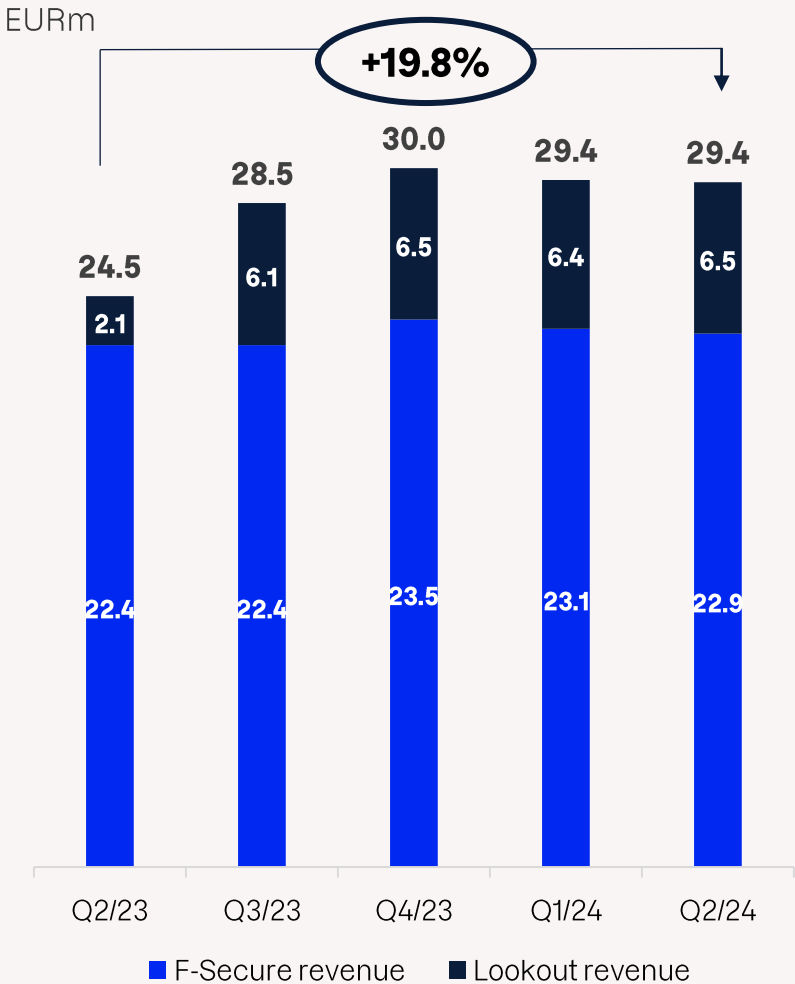


- Partner Channel: Revenue increased by 19.8% to EUR 29.4 million (EUR 24.5 million). Organic revenue growth 2.4%.
 - Subscriber numbers and average revenue per user (ARPU) increased.
 - Revenue of some long-time F-Secure partners is declining as they are addressing challenges in their core business, 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.

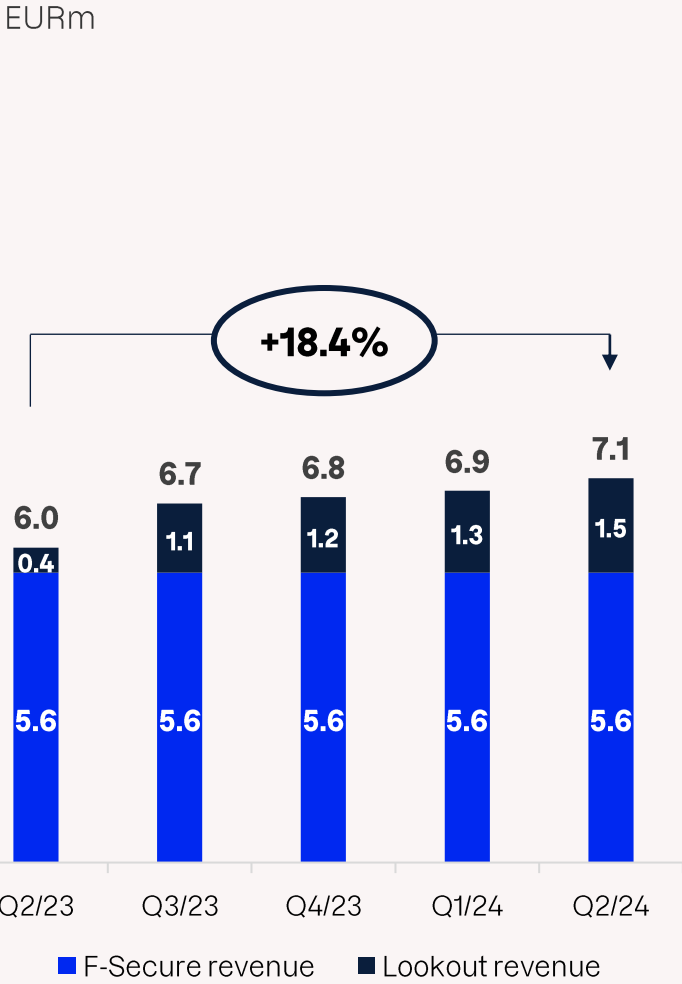
Q2 2024: Group revenue up by 19.6%

Growth driven by Lookout Life consumer business acquisition

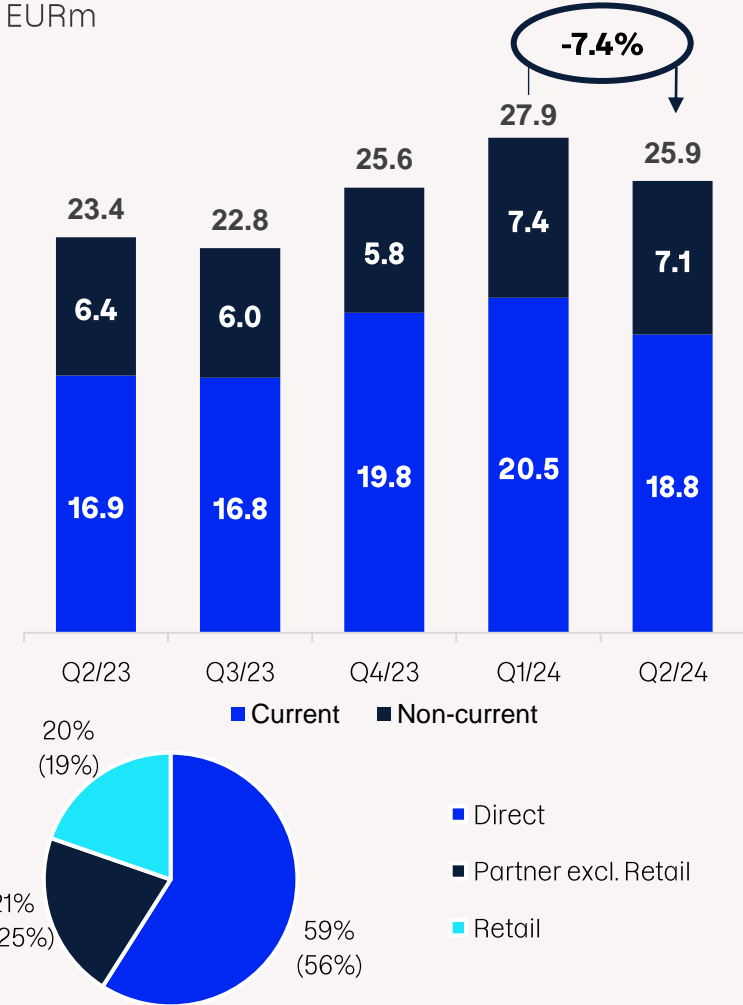
Partner channel revenue



Direct channel revenue






Deferred revenue*



Different payment models in channels

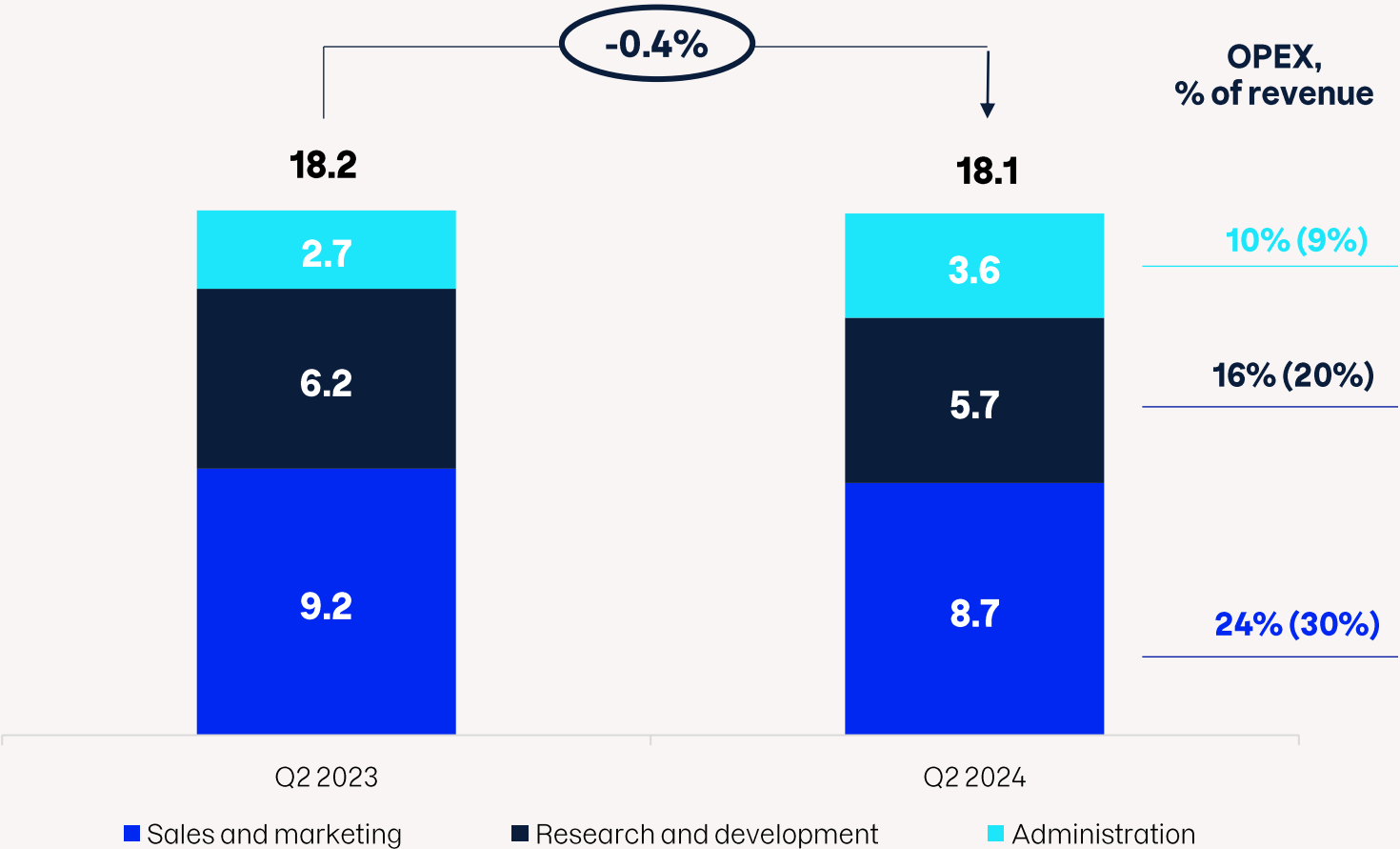
Key dynamics of revenue recognition

Share of annual revenue	Payment	Channel	Deferred revenue (recognized over contract period)	
20–30%	Pre-payment	Direct Business & Retail ¹⁾	Yes	 <p>Direct Business ~1 year Retail typically 1–3 years</p>
<5%	NRE ²⁾ & Start-up fee	Partner, excl. Retail	Mainly yes	 <p>Compensation for initial service build</p>
<5%	Annual	Partner (typically Tier1)	Yes	 <p>Revenue fixed amount per month</p>
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.

EURm	4-6/2024 total ¹⁾	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
Cost of revenue	5.1	1.1	0.4	0.7	1.1	5.4
Operating expenses						
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
Total		1.8	0.7	1.8	2.5	11.8

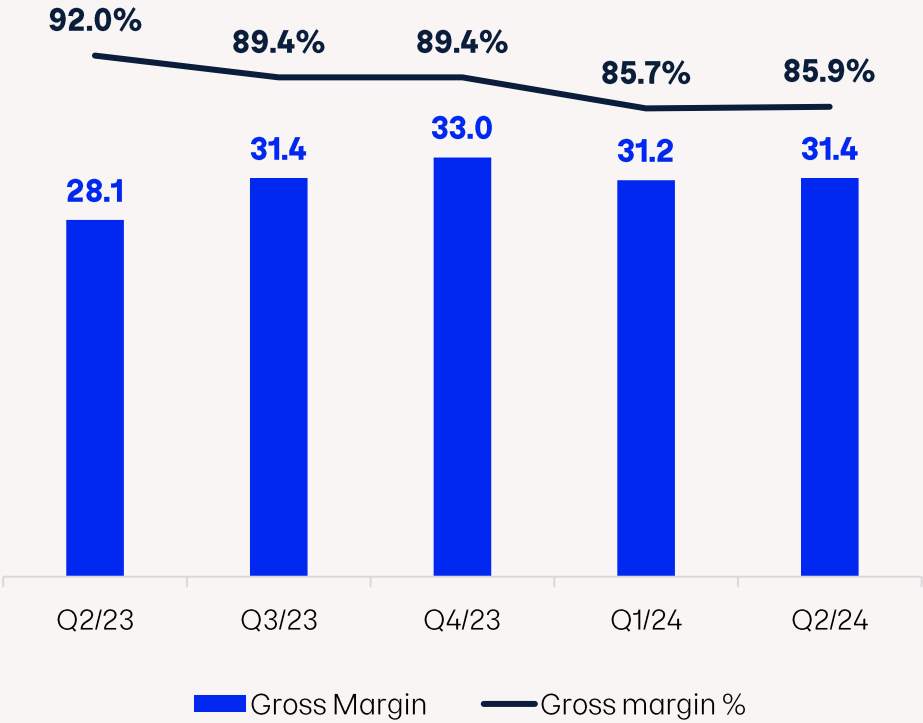
¹⁾ Excluding IAC and depreciation and amortization.

Gross margin and adjusted EBITA development

Profitability improvement in Q2

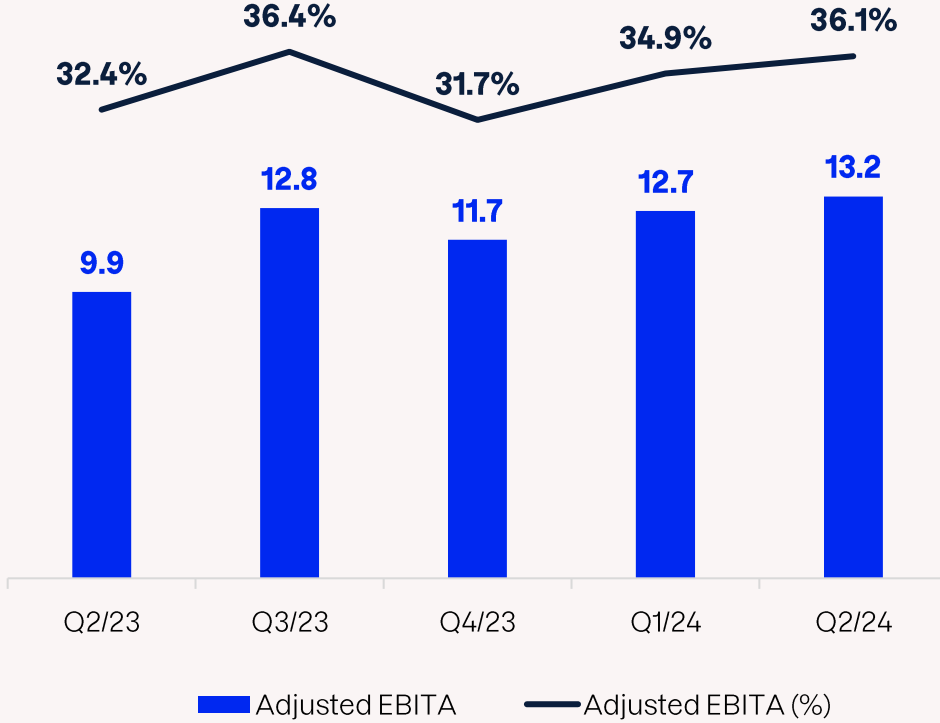
Gross margin

EURm



Adjusted EBITA and adjusted EBITA margin

EURm



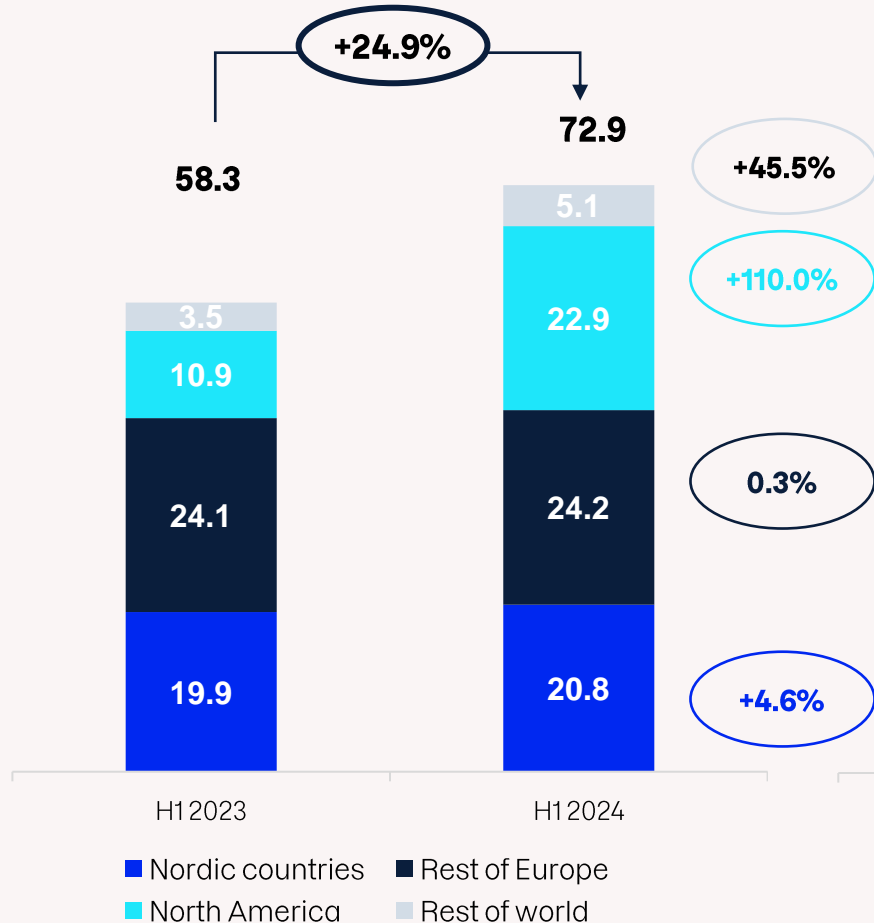
- Lookout Life business has a lower gross margin level than F-Secure traditionally.
- Gross margin impacted by fair valuation adjustments of deferred revenue made in purchase price allocation. In addition, the gross margin was still burdened by some additional costs related to lost synergies post-TSA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

- 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%

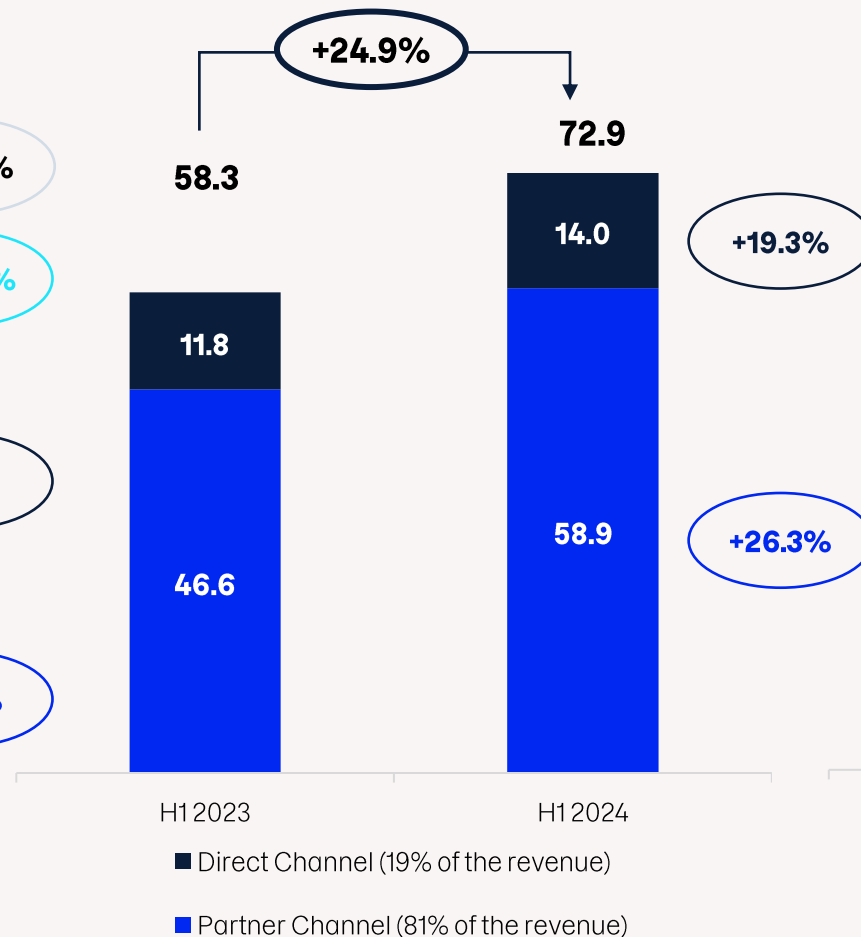
Revenue by geography*

EURm



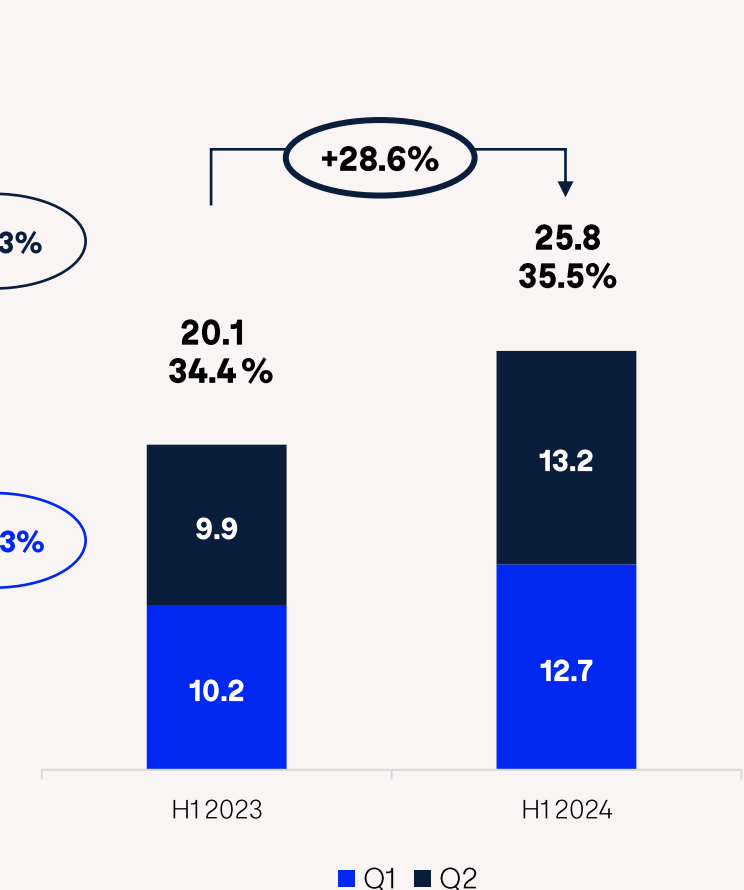
Revenue by channel

EURm



Adjusted EBITA

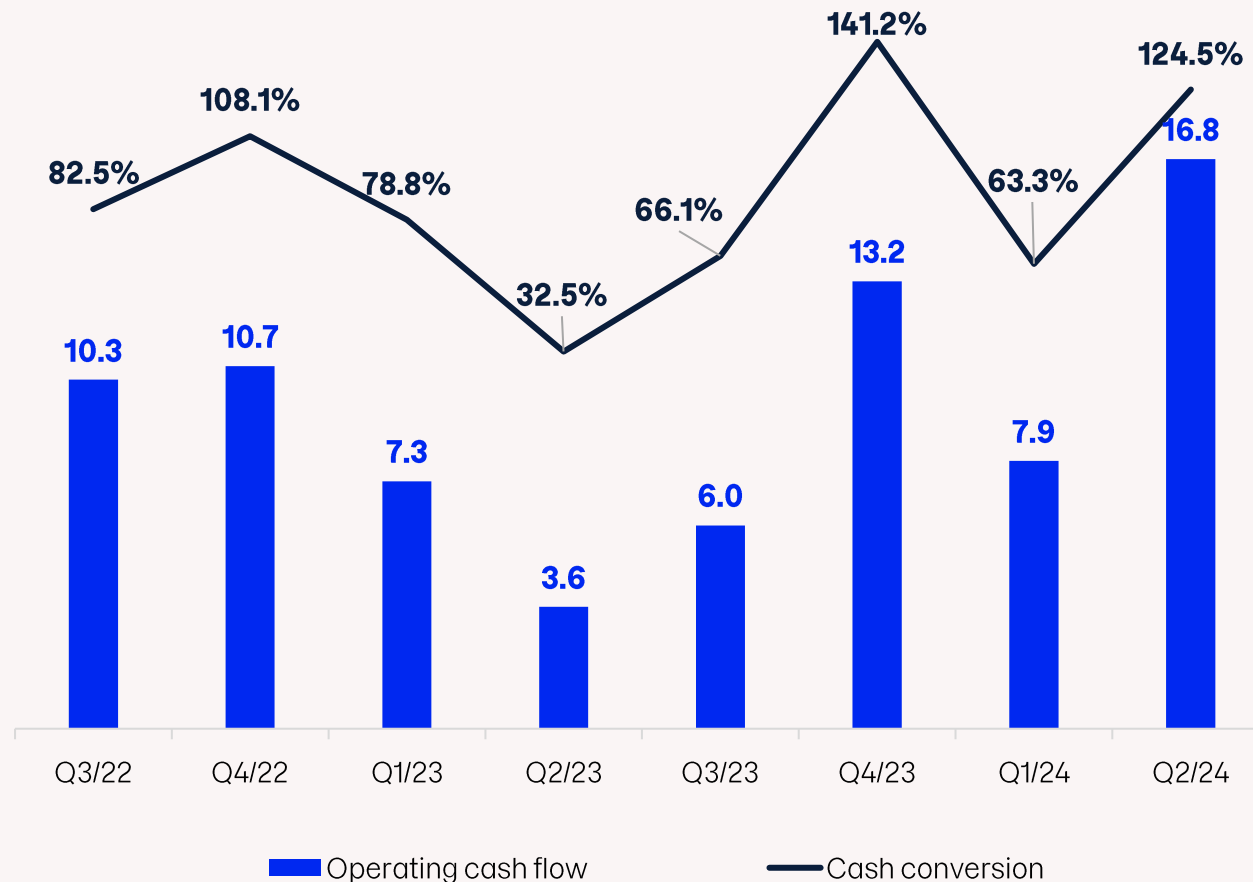
EURm



*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.

Q2/2024: Strong cash generation

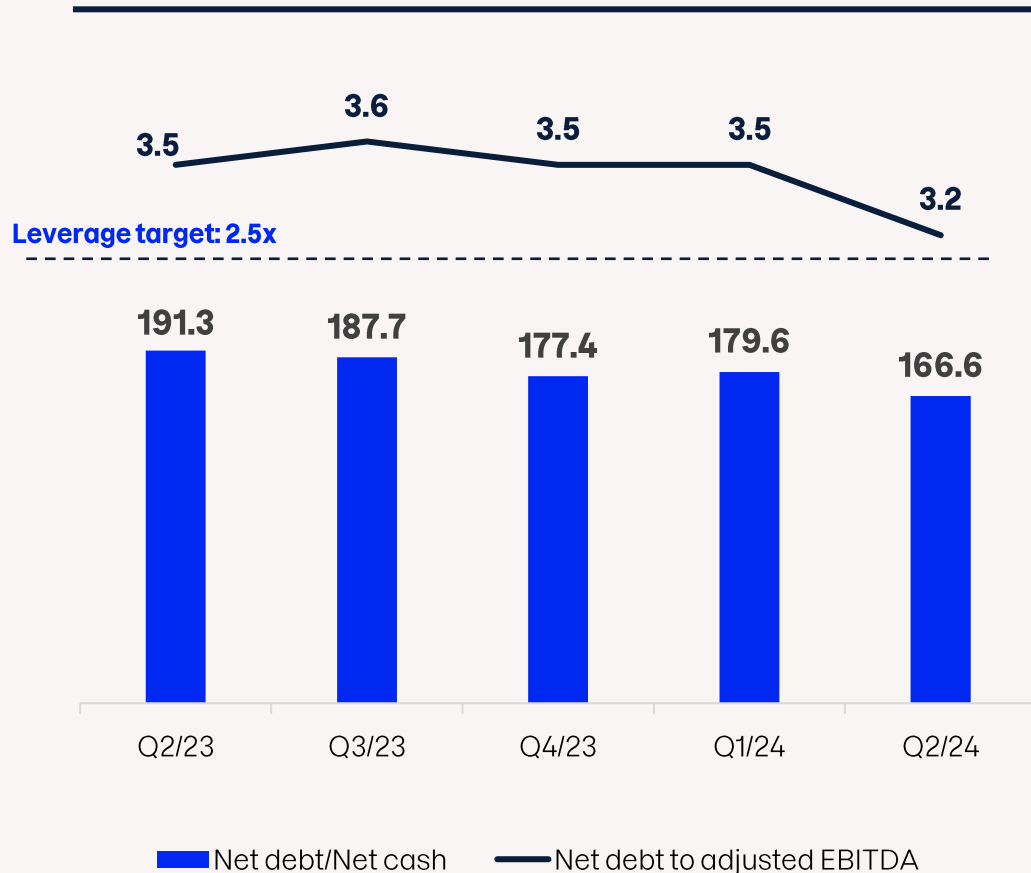
Operating cash flow and cash conversion (QTD)



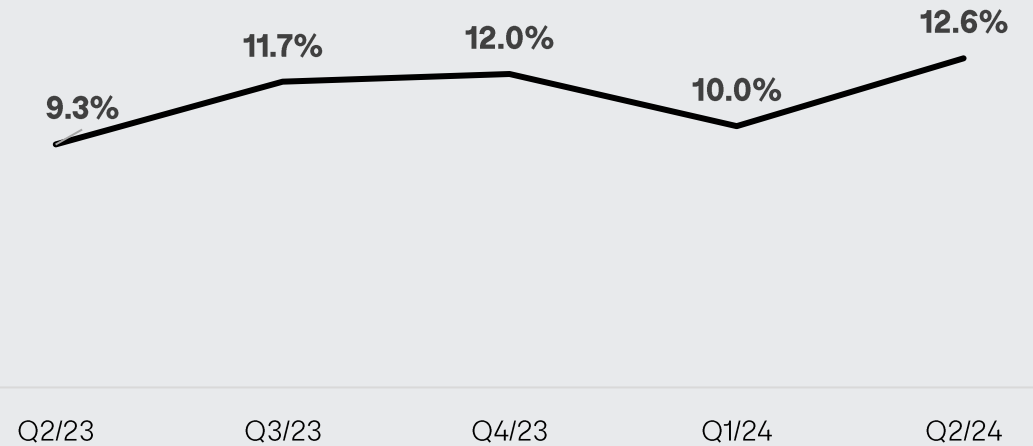
- Cash generation exceptionally strong against the weak comparison period burdened by temporary invoicing challenges.
- H1/24 cash conversion rate was 94.5% (56.0%).
- EUR 5 million revolving credit facility drawn in Q2 for general cash management purposes.
- Cash at the end of June 2024 amounted to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

Leverage lower thanks to good cash generation

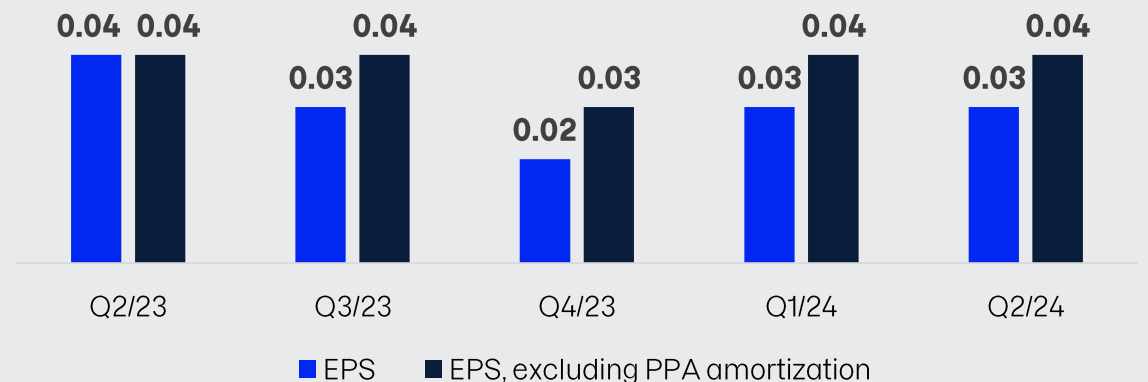
Net Debt / Net cash and Leverage¹⁾



Equity ratio, %



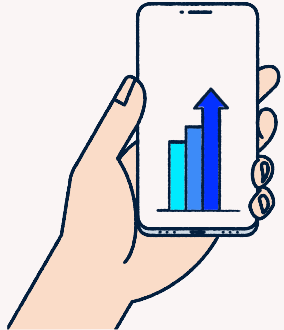
Earnings per share, EUR¹⁾



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.

¹⁾ 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.

Financial calendar

Interim Report January–September:

Thursday 24 October 2024

Save the date – Investor Day:

Wednesday 20 November 2024



Q&A

