

12-Feb-2025

WithSecure Corp. (WITH.FI)

Q4 2024 Earnings Call

CORPORATE PARTICIPANTS

Laura Viita

*Vice President Controlling, Investor Relations & Sustainability,
WithSecure Corp.*

Tom Jansson

Chief Financial Officer, WithSecure Corp.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

OTHER PARTICIPANTS

Atte Riikola

Analyst, Inderes Oyj

Waltteri Rossi

Analyst, Danske Bank A/S (Finland)

MANAGEMENT DISCUSSION SECTION

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A very good afternoon from Helsinki, Finland. We are WithSecure, and this is our quarter four 2024 results release. My name is Laura Viita. I am responsible for the Investor Relations of WithSecure. We've had a very eventful quarter four as well as the months after the quarter-end, and we are happy to be here today sharing all our news and figures with our investors and analysts. So, welcome to everybody, also those of you who are following us online today.

Today's speakers will be our President and CEO, Antti Koskela, who will go through the business, what happened, and how that looks like going forward. After Antti, Tom Jansson, the CFO, will present our numbers and results and also share some insights regarding the consulting divestment and what to expect going forward. We will have questions-and-answers at the end. If you are watching us over the live webcast, you can put in questions at any time. I will take them up with the presenters at the end.

So, now with that, I am handing over to the President and CEO of WithSecure, Antti Koskela.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

So, thank you, Laura, so much. And so truly been busy quarter and maybe I'll just maybe say to Laura is that, in addition to all this, we did sustainability report as one of the first ones – as the first one in the Helsinki Stock Exchange. So, that really proud on that one.

So, looking at the highlights of the 2024, so I'll first go through the Elements Company segment and I'll talk about the underlying strategic drivers and then touch base on the Cloud Protection for Salesforce and then move over to Tom like Laura said.

So, the key metric that we measure is the ARR growth. So, we grew 6% year-on-year and that was impacted by the timing of the discounts. And we indicated in our report that without those timing matters, it would have been 3% points higher and Cloud NRR was 99%, and obviously the same discount topic affected here as well. Following this same logic, Elements Cloud revenue growth was 9%. So, the growth in Elements Cloud software continued, and it's very much driven by the full portfolio. So, we have launched many things this year in SPHERE. They are all now all in general availability. The growth is not driven by the old products; it's driven by the full portfolio. So, I think that it's important to be noticed.

And managed services, like we reported in the Investor Day, so we are in the transition towards the mid-market. The managed service is slightly below previous year level and due to churn of larger customers, but we have notable progress here also in the mid-market like the recently launched WithSecure MDR is picking up here underneath quite nicely. So, when we look at the whole segment then, together with the On-premise, so we grew 4% year-on-year and we are really proud that we clocked in €1.5 million adjusted EBITDA for the quarter and we're on €4 million full year and delivered on the promise that we have given to the market on the profitability. So, that's very important.

But when I look at the strategy, WithSecure strategy going forward is about focus. It's about focus to the mid-market. It's about understanding that the mid-market needs a different playbook than the large enterprises. So, that's number one. Number two, is that we work with our partners to increase our addressable market and we reach these mid-market customers in all the segments. And thirdly, it's about proudly becoming a European cybersecurity leader and leading the way there. It calls for a good cybersecurity research and the progress there, adherence to our values in Europe, and also making sure that we cover the regulatory aspects that we have in the society over here.

So, all these points that are here – so all the offerings we launched in SPHERE are now in general availability. Identity Security is the last one. It's a big – it's a main attack vector. It's through identities in the mid-market. We have now solutions for that one. And we have been working with the partners quite a lot during the quarter, and we are quite proud to say also that the full Elements is available in AWS Marketplace currently to be purchased digitally. And we also launched our intent to launch with the AWS Sovereign Cloud together with the AWS launch.

And what is the mid-market focus and what's the security specific to them? So, if you look at the recent Gartner Magic Quadrant that came in the quarter, we have an improved position. We improved significantly the position there and we got recommendations. The MITRE is an important evaluation body that evaluates the effectiveness of certain cybersecurity products. And this time, they also reported this signal-to-noise ratio that how laborious it is to work with the tooling. So, we really set records in this one. So, our products are known to be easy to use. They are very effective, like we have said all the time, what the mid-market needs. And that's exactly the proof point we got from MITRE. We are way more effective than the large companies that we compete with, and we are a lot more effective than companies like, for instance, like Sophos.

I think one example LockBit attack in our system. When we detect that, it's 17 alerts. In one of these competitors, it's 8,052. So, it's a question whether you work minutes and hours or whether you work weeks or months. Nobody can go through those list. So, that's a lot of noise here. And this large company playbook has been historically about getting visibility in everything they have tons of people mid-market doesn't have and that's the problem we

are solving. So, that's the highlight on the Element Company. So, looking quite positive for the next year because of the growth being driven by the full portfolio.

So, then hard work pays off. So, when you look at our journey with the Cloud Protection, we were hit by [ph] churn (00:07:20) earlier as you remember in some of the reports. We have been getting our customer success in place here. So, land-and-expand strategy is successful. So, we are able to expand on the installed base quite significantly. We have won also significant new customer logos. Due to the nature of security, we don't disclose them, but they are really good. And the addressable market in Salesforce ecosystem is not limiting our growth. And we brought in 52% year-on-year growth here in ARR terms, and this is a quite meaningful part now of WithSecure with €12.8 million.

And you know we have been having strategic review on this business as well. So, we are developing this, some independent business inside WithSecure. We are really patient with it. And the question for us is that how can we accelerate further? So, that's the question when we think about strategic options, so how can we scale it still faster? And that's why we keep it open. But otherwise, there is no rush and we enjoy the moment and very good learnings also for the Element strategy. Many of the things we have done here in this business are exactly the ones that we talked with you in the Investor Day that we put a focus on the partners, put a focus on the portfolio, and then we put focus on customer success. Those are the things we are doing now as we speak in the Elements, and here we have done them and are really happy on the result.

So, maybe with this one, Tom?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

Thank you, Antti, and good afternoon from my part as well. So, if we share a little bit more further detail on the different numbers, and we start with the Elements Company. As you can see, and Antti mentioned, the key metric Cloud ARR grew 6%. We had some timing issues that we will correct in 2025 and that would have probably been about 3% higher at the end of Q4. As said, we have had, during the year and we discussed it many times also in the previous quarters, some churn with our existing managed services offering specifically related to large customers who then have chosen a different direction than what we offer.

At the same time, our new offerings like the WithSecure MDR has been quite nicely starting, and we are also winning new customers with our Countercept traditional solution, but that didn't fully yet compensate the churn that we had experienced during the year. This is mainly, in terms of geographical impact, is mainly in the UK and US and so on. As said, 99% NRR. We were hit a little bit there also by the discount timings, but that, of course, then will be corrected going forward. And our On-premise revenue declined as was expected and has been in the trend and so on that we had been seeing many quarters already. And as I said, we are quite pleased with our EBITDA performance at the end of the year and full year for the Elements Company reaching €1.5 million in Q4 and then €4 million on a full year basis.

Then I said Cloud Protection for Salesforce, a lot of work has been done there. Great turnaround from back to growth, and we have seen during the year a great – a lot of work but then also a good focus and results. And, therefore, we ended up with over 50% growth. We also – our NRR here is back up over 120%, which is also what we are expecting. And as I said, this is a business where the typical land-and-expand strategy really has demonstrated its strength. So, in many cases, as these are large customers, we go in with a smaller part of the customer and offer there, and then it expands throughout the organization. And we've seen many, many good examples of this during 2024 and are, of course, very pleased about that. And we can see that the chosen strategy works.

Then for the last time, we still going to go through the Cyber security consulting as a segment as it has been. And from a revenue perspective, of course, it was a bit disappointing, reaching only €8.6 million in Q4 2024. Mainly if you look at the comparison to previous year, in Q4 2023, US was going very strong for us then. A significant customer there had a lot of work, less this year though. So, there are some seasonality also in that. And also in Denmark, we have experienced some lower revenue during 2024.

However, we have also done a lot of kind of transformative initiatives also in our consulting during 2024 and made sure, for instance, that our sales transformation and as well as looking at our cost structure and trying to manage our cost closer to the business levels, and therefore really happy also to see that, despite the lower revenue in Q4, our EBITDA was about €900,000 positive. So, clearly, you can see that the trend is right. And I think I believe we built a good foundation for the future for consulting also for the next owner and so on.

And as you all hopefully know, and if you don't, we signed a agreement to divest it with a new owner called Neqst from Sweden. And, therefore, also, of course, we have now in this annual report and Q4 are treating this segment as discontinued operations, which makes the numbers a bit more challenging than normal to follow, but hopefully we have been able to present them so that you can make sense out of them.

But if I just very quickly go through the divestment, so we signed the agreement on the 23rd of January with a Swedish investment company called Neqst. The enterprise value was €22.5 million, and thus the basis for how we made a decision. Then within that, there was a segregation between a fixed fee that became payable at closing, which we expect to happen in Q2, and then 40% will be paid on different metrics then during the first two years where, of course, we have a mutual interest to make sure that the business continues under a favorable trend that it at least, at the end of 2024, showed. And we are confident that we built a good foundation for that as well.

So, at this point, then, of course, then looking at the EV, then we also valued our balance sheet based on that, and we did a further €30 million impairment of the goodwill at the end of Q4. And here we also, in the table below, tried to demonstrate how this kind of impacts our P&L also for Elements Company. And one of the things, of course, to note here is that there is a €1.5 million of costs that our group functions that will be allocated back to Elements Company. We don't see this as a big issue and we will review and make decisions to and being prepared for this already. So, among many things, we will look at our – and already have decided today also some actions around, for instance, our facilities globally that will help and reduce this cost going forward. And we further review on what we can do and we have pretty good plans already ready for that. So, we don't expect this to have a major impact on the Elements Company this year either.

Then if you look at the overall profitability, and now this is the continued operations P&L, so that means that this is the Elements Company plus the Cloud Protection for Salesforce. And the revenue of that was about 116% for the full year. So, 6% growth. Then if you look at from that perspective, gross margin pretty much on the same level. Then as you can see on the cost side, of course, quite a bit of reductions as we have restructured the company in 2023 and found a new – we reset our cost structure levels, I would say, in 2023.

And, therefore, maybe to point out on the last line, combined operations, adjusted EBITDA, so we did almost a €20 million improvement year-over-year in EBITDA, which, of course, for this sizable company, is quite a significant change. But this is the kind of the overall situation with our finances after – for 2024.

Then if we look at our new outlook for this year, so one of the things that, of course, has changed now, we are – with consulting going out from the company, we are a subscription company and, therefore, also moving our

outlook to more that direction as well as we are doing now a separate guidance for our CPSF and Elements Company. For the Elements Company, we expect our ARR to grow 10% to 20% from the end of this year, 2024, which was €83.3 million as a starting point. And then on the EBITDA, we expect to be between 3% and 7% of revenue during 2025. Then for the ARR, for Cloud Protection ARR, we are guiding that we will grow by 20% to 35% from end of 2024, and that is what we expect for CPSF at this point. And as mentioned, Cyber security consulting will be divested during 2025.

Then as a last reminder, for those who may not have seen our Investors Day for the next two years, we set our medium-term financial targets to be a Rule of 30+ company. So, we expect us to be over 30% in that respect in 2027. And then to remind what the components of this is the percentage revenue growth combined with the adjusted EBITDA percentage of revenue, and that combination we expect to be over 30% in a couple of years' time, and that's what we are determined driving the company forward in the next two years or so.

So, this was a brief overview of the numbers, and I will call back Laura to talk a little bit about our reporting. And then we go to Q&A.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

All right. Thank you, Tom. So, for the IR Director, this is always a happy and proud moment. We have this morning, with the Q4 results, also published our annual report for 2024 and it includes obviously the financial statements, the Board of Directors' report, remuneration report, and corporate governance statement, and the two last ones are according to the Finnish Corporate Governance Code. And our remuneration report and the financial statements include additional information of the remuneration. So, we are basically providing more transparency than we would have to provide.

And then like Antti said, we have, as the first listed company in Finland, today issued a fully compliant sustainability report under the CSRD, Corporate Sustainability Reporting Directive of the EU, which has, of course, been an enormous project for the team. So, very happy to be here today introducing that as well. It's a heavy set, very transparent data about the ESG matters and cybersecurity, how we do it ourselves. So, I hope you will have a good time reading our annual report.

QUESTION AND ANSWER SECTION

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

Then I think we are done with the presentations. We'll do like this and then go through the questions. And I think we can take first the questions from the room.

Atte Riikola

Analyst, Inderes Oyj

Q

Hi. It's Atte Riikola from Inderes. First, about the Elements Company ARR guidance. If you look at the history, sometimes your ARR growth has been tilted towards H2 of the year. So, can you say anything about your expectation for this year? Is it again like that we can see, for example, in Q4 the highest growth or do you already expect the growth pick up in the first half of the year?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

I think we attempt that to be more balanced. I think what then happens always and the reality is that what we find in the markets, but I think there will be some [ph] synergies (00:20:59) towards the end. I think that's why I'm thinking, but I think we try to keep it more balanced. Antti, anything?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

No. I think typical seasonality is that Q4 in this business is strong. I don't think we can break that too much. But, of course, we are – our ambition is to make it more balanced.

Atte Riikola

Analyst, Inderes Oyj

Q

If you look at the market situation in Europe, do you see any improvement here compared to the last couple of quarters, for example?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Of course, the focus that we have on working with the partners. Cybersecurity market is really about understanding the threat landscape. It's not getting easier with the geopolitical climate we are having in. So, many companies are being attacked. And also it's this regulatory pressure. I think I see, in my dealings with customers and partners, increased understanding in the C-suite and the board level is that there's a necessity to make cybersecurity investment. And some of the deals we have won are won because of that. And it's in a way it's a positive because it's not always the specialists sale and it's a C-level sale, and usually you will get access to different levels of funding. So, I think – so that I have seen.

Then in terms of the market, I think we talked earlier about the softness of some of the economies. I think the situation in France and Germany is challenging politically as well and in the economy so that – and while the companies need to do these decisions, there's some slowdown on that one. Anything you want to add, Tom?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

No, I think it's – I would say it's fair to say it's – the market direction is not that clear at the moment, but there's maybe some nuggets of positive news, but we'll see.

Atte Riikola

Analyst, Inderes Oyj

Q

All right. Then about the Elements Company profitability guidance. If you look at your H2 performance already last year, you were doing like 5% to 7% adjusted EBITDA and now you're guiding almost like 3% to 7%. So, what is likely – you are still planning to grow on that business. So, what is like burdening the profitability this year even though you're growing with the high gross margin?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

I think we want to be a Rule of 30 company, 30+ company. And it happens with two ways, either by making the profitability now or growing. I think some of the investments next year, of course, we have growth investments that we need to cater for. But then I think we target for this 10% to 20% ARR growth as well. And that takes some focus investments and that's reflected in the EBITDA guidance as well.

Atte Riikola

Analyst, Inderes Oyj

Q

All right. Can you give us some examples on what areas you're planning to increase your investments this year?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

I think we covered very much those in the Investor Day like that we are doubling down on the top, top partners. I think with the high touch partners, customer success is a key investment area that we are doing and then, of course, the continued investment in the product. But I'm not expecting that much more in the product side, but I think the sales and marketing, that we need to look.

Atte Riikola

Analyst, Inderes Oyj

Q

All right. Then I can see that Cloud Production for Salesforce is growing pretty nicely at the moment. So, can you say anything about the profitability of that business for this year?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Yeah. I think we are in a heavy growth phase and I think our primary target is growth. What that means from a profitability perspective, we'll see. We are at the breakeven point at this point, but we will not limit the investments in that business. We want to grow. So, we'll see where it takes us.

Atte Riikola

Analyst, Inderes Oyj

Q

All right. And on that business, if you think about your typical customer contracts, are those like annual contracts or do you sign like multi-year contracts there?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

In the CP...

A

Tom Jansson

Chief Financial Officer, WithSecure Corp.

Cloud Protection.

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

Well, there's a variety of durations on the contract.

A

Atte Riikola

Analyst, Inderes Oyj

Annual or multi-year up to three years?

Q

Tom Jansson

Chief Financial Officer, WithSecure Corp.

Yeah. We probably don't do more than three years, but that depends on the customer. Many customers, and this is, of course, large customers, so they typically then – this is not something you change very easily.

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

But the important thing is, like Tom mentioned, that you start usually with the large customer in a certain department. Then you do that really well and then you are able to land. And with that landing, you're able to expand into other part of the organization. And I think we saw that one happening this year quite a lot.

A

Atte Riikola

Analyst, Inderes Oyj

And we know that there has been some customer churn in managed services business, those some large customers. So, can you say anything about what kind of impact is happening from those for this year's growth?

Q

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

For this year growth on the – I would say that the key things we do with the customer success, I would hope that we are able to contain. I think some of the transition I don't get yet declare full victory on this managed service churn, but I think we are working towards that one. And then the key part of that one is also that the full Elements services portfolio, the cloud security, start when it picks up more, it starts to compensate for that. And we didn't open up now how the different portfolio items are doing. We are considering that one for next year. But we wanted to say in this report that this growth is driven by the full portfolio, not just old.

A

Atte Riikola

Analyst, Inderes Oyj

Q

And then about the consulting divestment, we know that there is that 40% part like earn-out, earn-out, and it's based on was it like a realistic business assumption? So, should we like expect – or is your expectation that you're expecting to get the full sum back in couple of years?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Like I said, we did quite a bit of good transformation items, built the foundation, I would say climbed even to a new level. So, we are confident at this point and we expect to get the full earn-out. And in fact, we could even get more on the second one. It's not capped or anything. So, that's our today's expectation.

Atte Riikola

Analyst, Inderes Oyj

Q

All right. And last question from me. If you look at your history a couple of years now, there has been lots of changes and restructuring and different kind of non-recurring items in your earnings. So, should we expect that those non-recurring items will be coming down in the coming years or is there anymore any specific stuff happening this year, for example?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Too early to say on that one, but obviously – so we need to continue say like with the development of AI and AI-based automation. Of course, we want to drive efficiency in the company and that will be an ongoing – that's one of our strategic themes to drive efficiency with the use of AI and then working with the customers and partners. I think those are the key tenets for the growth. But then any company needs to look at the balance sheet and operations and optimize it continuously. I see that's a continuous work and a duty for management.

Atte Riikola

Analyst, Inderes Oyj

Q

All right. Thank you.

Walteri Rossi

Analyst, Danske Bank A/S (Finland)

Q

Hi. Walteri Rossi from Danske Bank. Few questions as well. You said in the report that December revenues included a higher than customary volume of discounts. Can you just explain what do you mean by this?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

So, we have many discount programs with our partners. And then for December, we did have a unexpected large amount of those that, from a timing perspective, of course, should have then been maybe recorded earlier. But they came in December and that's why it impacted in the ARR specifically in the end of the year.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

And for next year, we are working towards reducing all volatility in the ARR because there has been some volatility with some of these items.

Walteri Rossi

Analyst, Danske Bank A/S (Finland)

Q

All right. Yeah. So, next may be about Cloud Protection for Salesforce. So, that development looks really good at the moment. Can you open up like what is driving that performance right now and why are you so confident with it in 2025? Have you ever gained any new customers there or have been able to sell more to existing ones?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Both. I think we have gained many new customers and we have been able to expand. I think why I'm confident is that we have a good product market fit. We have a good ecosystem partnership with Salesforce, and through the Salesforce ecosystem, we have a reach to the prospective customers so that you are already in the club when you are in the Salesforce ecosystem, and there's a less brand building in that one required. So, that seems to work really well.

The work we have done with the customer success has worked really, really well this year. And then I think just operationally it has been well run this year, I think in all aspects. So, that kudos to you, Tom. You have been leading it.

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Maybe I can complement also, we can clearly see that, in this specific area, we are clearly the market leader and continue to be that. So, from that perspective also, as Antti said, we are winning new, really nice customers and then expanding within them.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Yeah. But we have only got started with that one in a way so that – in that one, so that there are so many Salesforce users out there, and from that lot, we have just a handful yet.

Walteri Rossi

Analyst, Danske Bank A/S (Finland)

Q

All right. Thank you. Then regarding the consulting divestment, do you have any TSA contracts now with the buyer?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

There will be some TSAs, of course, like in any of these situations and we have working the carve-out activities together with them. And once we close, depends a little bit on how much they will be able to implement before that and so on. But there will be some TSA or things during part of this year.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

But not like in F-Secure demerger, this will be a shorter period.

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

And the goal is very much that they will be independent quite fast.

Walteri Rossi

Analyst, Danske Bank A/S (Finland)

Q

All right. Thank you. Then maybe one last question. You now have quite a lot of cash in your balance sheet. What do you plan to do with it going forward?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

I wouldn't maybe say that we have so much cash yet, but, of course, the cash situation is improving, which we are very happy about and, of course, worked very hard to get there.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Both with the Q4 execution. By the way, that wasn't in the slides, but the cash situation improved quite a lot and from a business as well. And then this will – of course, it will give us a lot more flexibility. Our capital structure is in a – it's in a better shape, I think. And I think we are a growth company. We invest to grow. I think that's how we are thinking about it.

Walteri Rossi

Analyst, Danske Bank A/S (Finland)

Q

Okay. Thank you. That's it from me.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

All right. Thank you. I'm moving on to the audience online. So, first, there's Jaakko Tyrväinen, our analyst, with a couple of questions. Elements Cloud ARR increased quarter-on-quarter by some €1.5 million. Did you see still some of the large legacy clients leaving during the quarter? And what was the impact of decline in managed services in ARR? Second part, also could you give some additional color on the mentioned discounting impacts and what was the reason for the discounting? So, maybe the ARR question first.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Yeah. I think just on the ARR, I think we commented on the ARR is that the new services did not fully compensate the old one. So, we are not opening up the number specifically. It's a good question. But in terms of the ARR growth, I think this one-off timing event that Tom will talk about, I think it impacted on the ARR growth quarter-to-quarter.

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Yeah. Of course, that, and as we said, the estimated value was about 3%. So, that's kind of the impact that there was from the discount perspective.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

All right. Then Jaakko again. Regarding the consulting divestment earn-out of 40%, could you open up a bit on the performance criteria set on this?

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

Well, they are normal KPIs that we have agreed on. We have agreed also not to open them. But they are – like we have said in different announcements, that they are realistic goals. They are different for different years and that we agreed as part of the agreement with the buyer.

A

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

All right. Then there's [ph] Sami Huttunen (00:35:04). Thanks for the question. NIS2 adoption has been slow. Does your guidance reflect a full NIS2 directive implementation international law in your core markets in Europe in 2025 or should such a scenario mean high end of the range and slow adoption low end of the range?

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

I would say that all these regulations on cybersecurity, whether it's DORA for finance or whether it's Cyber Resilience Act, whether it's AI Act, Data Act, whether it's NIS2, these are all having one impact. These have become board-level topics. It's like this sustainability [ph] CSRD (00:35:47) reporting, so we can't avoid it. And so, NIS2, almost independent when it will be implemented, it's already on the top of mind of the decision makers and we are reaching the right audiences and we get to the proper security discussions.

A

That is anyway as a part of the board's duty of care with or without NIS2. But I think the positive impact it's doing, it's opening up C-level conversations for cybersecurity. And this domain has been very techy historically so that the techy sale but is now moving more towards C-level sale, which is different. And I think that impact the NIS2 is already doing despite a few months differences in country-specific implementations.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

Very good. Then [ph] Sami (00:36:39) asks, in December, you mentioned that about 500-plus customers had implemented your high ARPU product exposure management. Where do you see your current penetration rate compared to potential existing clients?

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

I don't know the reference on the – I don't think we have disclosed the exposure management customer number, but we have a nice pick up on the exposure management, which is one of the items with the new portfolio. And for next year, we are looking how we open up the new portfolio ramp up. But, hey, thanks for the question. But I can't relate the link – link where we have said that.

A

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

But we'll keep it in mind and hopefully come back to you. Then there's Matti Riikonen from Carnegie. How have the Elements discounts worked in earlier years? Have they been more evenly split between quarters?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Yes, they have. So, this was a bit summed up very high in December, which we haven't seen before.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

Matti continues. Did you lose more customers in quarter four compared to previous quarters of 2024?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Lose more customers.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

I don't think we give that number. But I think ARR is growing and I think the focus is on the mid-market. I think that's where it matters. So, that new portfolio selling. I leave it, Matti, this time here, we are thinking about next year, how we give more granularity on that one.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

Good. Then Felix Henriksson, our analyst online as well. Do you expect Cloud Protection for Salesforce to be profitable in terms of adjusted EBITDA for 2025? And does the business need further significant investments?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Like, I think I answered earlier, our primary target is growth in Cloud Protection for Salesforce. We probably don't have all the plans exactly ready, but we are ready to invest in that in a way that we secure a good growth rate and hopefully even accelerating that. But we'll see. So, I would leave it that, whether it's breakeven or what it is, that remains to be seen.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

It is. But you see from the Q4 result, it was roughly breakeven with this growth rate. Just to open it up.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

All right. Then, both Jaakko and Felix, you asked about the NIS2. I think we already gave the answers pretty much I hope. If we didn't, just get back to us. And one question about NIS2. Has it already contributed to your Q4 revenues?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Like when whenever we engage with the C level, we get larger deals in and I think I would say, yes. And then – and I would expect that to continue that we can have a better quality decision maker discussions on this as opposed to technical. I think that's a very important change in the dialogue.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

Good. Then I think this goes to you, Tom. Looking back at it, can you elaborate the how consuming the consulting divestment project was for top management? Has this taken a considerable amount of time from focusing on your core business in 2024?

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Of course, our aim was not to direct – or get too much attention, but it is clearly that some of the management, as you have known, we announced the intention already in Q3 or Q4 2023. It's taken a while and had taken a lot of airtime for some people, but mainly within consulting. And it's been...

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

And the staff roles.

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Yes. So, limited more to that a people who are part of M&A activity. So, from that perspective, of course, we have had advisers and so on. So, I wouldn't say that it has had a major thing, but, of course, there's some energy or attention has gone to it before we were able to close it.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

But we organized the work very much so that it was different set of executives involved with this one and the people who are running revenue operations, customer success, and products for Elements. They were less involved in this process because there's no need to.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

Tom was involved in everything.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Tom was involved in everything.

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Yeah. But it is a different segment already. So, from that perspective, it was quite clear.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

Okay. Thanks. Then I think we have both Matti from Carnegie and Kimmo from OP asking about Elements Company. What kind of revenue growth is in your plans for 2025?

A

Tom Jansson

Chief Financial Officer, WithSecure Corp.

So, we haven't guided this time to the revenue growth. So, we're only giving the ARR. So, from that perspective, needs to be calculated based on best estimates from what you think that would be.

A

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

All right. Jaakko asks your SPHERE marketing event, should we expect similar impact in marketing costs of Q2 as in 2024?

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

So, we have look at the SPHERE concept for this year. So, we'll have more focused session here in Finland and there may half of the attendees from the previous year, and then we will have a regional event in the countries, and so that – marketing is one of the areas where it's a duty of management to look at the expenditure prudently. And I think I just want to just highlight that I'm very much of a person who likes profitable growth. And I will not turn any – let any stones to be not turned when it comes to efficiency, and marketing is not excluded from that.

A

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

Okay. Then we'll go back to the churning launch customers in managed services. How much better visibility do you have on the possible churn versus what you had one year ago? What is the level of so-called at-risk customers versus early, I think, 2024?

A

Tom Jansson

Chief Financial Officer, WithSecure Corp.

If I start, so we have a very good view on the customers in managed service and when their contracts, values, and so on. So, that is very – we have that very well in our sights and control. And I guess, as we have said before, we have had some churn there and we'll see how the future goes out, but we serve all our customers very well. And we have this new solutions also underway that is early days, but still performing quite well at this phase.

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

But a key thing, it's about – to prevent churn is that I think customer success like in the case of CPSF, doubling down on that one so that we do that properly. But also understanding is that some of these customers might take this large company playbook, but then we'll focus on the mid-market and the people who buy the mid-market playbook, and we compensate for that one. That's how we look at it. And we gave you an indication what the managed service number is. It's in the Investor Day. I think the – and we are not opening up further today. But that is a topic for next year as well, how we want to guide it.

A

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

All right. Moving on. So, there's [ph] Erik (00:44:31). Thanks. You have sent a couple of questions. So, first, why was the employee share savings plan postponed?

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

To me, that's a part of the prudence. You may have noticed we had an insider project here with this consulting, which we did so that I think there was an element of being prudent by moving the dates. I, for sure, would like to join that and so that this makes it possible.

A

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

Regarding the strategic review of Cloud Protection for Salesforce, when do you expect that to be concluded?

A

Tom Jansson

Chief Financial Officer, WithSecure Corp.

I think, as I said, that options are open. We are not giving any guidance on when we're going to be closing anything. But, as I said, we have the possibility to do our own focused effort on that also but, of course, longer term, our strategy is to focus on Elements.

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

Exactly. But that's why we are guiding – in a way giving you this visibility is that we have a patience to develop it as a part of the internal business. We are in no rush, and we need to do what's best for the shareholders of WithSecure and what's the best for that to accelerate the business further. I think those are the guiding things so that it's an – it gives us optionality as a business. And I think that's how I would like to view it, but don't expect that we would [ph] manically around (00:46:01) M&A on that one and try to do something rapidly like with the consulting. That's not the case. It's more how we accelerate growth.

A

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

Good. Back to Elements. So, how is the price trend in the Elements business? Are prices declining or increasing for comparable services?

A

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

Yeah. So, it's always a competitive market. And like you, I think many of you know, that if you get to these procurement discussions, you get to quite competitive situations. The fact that we are able to sell solutions that meet the C-level needs, I think that helps a bit, but I think competition is always there. Price competition is always there. We have a good portfolio which is wider. I think that, with that one, we can command larger share of wallet.

A

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

Okay. Then Felix asks one more about the discounts. So, what is the reason for the customer discounts?

A

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Like I said, we have many different kind of discount, the volume discounts and marketing cooperation discounts. And so, there are different programs and the combination of these were the things that impacted us in December.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

Yeah. So, they're linked to the commercial success of the partners in selling Elements.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

But not included in the basic price and that was what led...

Tom Jansson

Chief Financial Officer, WithSecure Corp.

A

Exactly. Not included in the basic price.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

...to the uneven timing. All right. Then there's a question from [indiscernible] (00:47:38). What are your plans for a new CMO hire? Is this a focus for you this year?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

So, in the new organization, we have revenue operations. We don't have a separate executive for marketing. So, we will have a revenue operation. Lasse Gerdt heads that one. Then we have a customer success executive. That's the set up. We are hiring a new VP of Marketing reporting to the revenue ops. In SaaS companies, marketing and sales is typically combined together rather than doing task switching between the functions.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

A

All right. Thank you. Then there's [ph] Frank (00:48:15). He asks WithSecure stock has been under €1 for an extended period and investor confidence remains shaky. What specific, measurable actions will the leadership take to rebuild market trust and demonstrate clear differentiation in an increasingly crowded cybersecurity landscape?

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

A

For us, it's about executing on the strategy that we have shared with you on Investor Day. It's about these three pillars focusing on mid-market and building competitive portfolio, which needs to be different from the large company playbook; working with our partners to get the reach that we reach these customers; and thirdly, being the European alternative. These are the pillars on which we built execution.

And then we will demonstrate it on the way with the ARR growth, profitability improvement, and we do success in the market, the numbers will gradually follow. And 2027 comes fast, and we will be here to tell about the plus 30 - Rule of 30+ at that time. And that's where we are heading. And I think I understand confidence is earned over

time. I was just talking before this session that I voiced belief about Cloud Protection for Salesforce when it was flat in the beginning of the year. Now, we are at 52%. And I'm not asking you to trust me right – and us right now. But we will make sure that we are trustworthy and we get to our results. I think there's no easy way out of that one.

Laura Viita

Vice President Controlling, Investor Relations & Sustainability, WithSecure Corp.

Thanks, Antti. That was a nice recap of our full strategy and quite nicely wraps up our session today. So, if there are no more questions, we will close the webcast. Thank you very much for joining today.

Antti Koskela

President & Chief Executive Officer, WithSecure Corp.

Thank you.

Tom Jansson

Chief Financial Officer, WithSecure Corp.

Thank you.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.