



**SSH Communications Security
Corporation Business Review
July–September 2023**

Net sales increased by 12%, EBIT positive

July–September 2023:

- Net sales totaled EUR 5.2 million (4.6 million)
- EBITDA was EUR 1.0 million (0.4 million)
- Operating profit was EUR 0.1 million (-0.4 million)
- Profit for the period was EUR 0.0 million (-0.4 million)
- Earnings per share was EUR -0.01 (EUR -0.02)

Operating cash flow was EUR 0.8 million (EUR -0.5 million). The equity ratio was 52.4% (47.2%). Liquid assets were EUR 2.6 million (EUR 2.7 million).

Key Figures

EUR million	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Net sales	5.2	4.6	11.9	14.8	13.4	10.2	19.3
EBITDA	1.0	0.4	151.5	1.3	1.5	-12.0	2.7
% of net sales	19.2	8.6	124.7	8.7	10.9	-20.1	13.9
Operating profit/loss	0.1	-0.4	130.5	-1.3	-0.9	-49.3	-0.4
% of net sales	2.4	-8.7	127.3	-8.6	-6.3	-35.5	-2.3
Profit/loss before taxes	0.0	-0.4	92.8	-1.9	-0.7	-183.2	-0.7
Profit/loss	0.0	-0.4	104.0	-1.8	-0.8	-132.1	-0.6
Return on equity, %				-17.8	-7.0	-154.3	-5.2
Return on investment, %				-15.4	-4.9	-214.3	-4.7
Liquid assets				2.6	2.7	-3.7	5.7
Gearing (%)				-6.6	-3.8	-73.7	-27.9
Equity ratio (%)				52.4	47.2	11.0	46.1
Earnings per share, EUR	-0.01	-0.02	50.0	-0.07	-0.04	-75.0	-0.05
Shareholders' equity per share, EUR	0.23	0.26	-11.5	0.23	0.26	-11.5	0.28
Recurring revenue, ARR				19.4	17.6	10.2	18.4
Subscription revenue, ARR				11.5	9.2	25.0	9.9
Invoicing	4.7	5.9	-20.3	12.4	13.0	-4.6	24.2
Deferred revenue				12.5	9.2	35.9	14.1
Current				8.9	6.5	36.9	10.6
Non-current				3.6	2.7	33.3	3.5

Consolidated net sales

EUR million	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
By segment							
AMERICAS	1.9	1.8	9.0	5.6	5.2	8.3	7.0
APAC	0.5	0.4	18.8	1.1	1.2	-9.0	1.5
EMEA	2.8	2.4	13.0	8.1	7.1	14.7	10.8
Total	5.2	4.6	12.0	14.8	13.4	10.2	19.3
By operation							
Subscription sales	2.9	2.2	32.8	8.1	6.2	31.2	8.7
License sales	0.2	0.2	-24.2	0.5	0.8	-38.6	1.9
Maintenance sales	2.0	2.1	-4.3	5.9	6.1	-4.2	8.2
Professional services & others	0.1	0.1	-21.1	0.3	0.3	1.0	0.4
Total	5.2	4.6	12.0	14.8	13.4	10.2	19.3

SSH Communications Security provides alternative performance measures which are not defined by IFRS standards. Alternative performance measures should not be considered substitutes for performance measures in accordance with the IFRS. The alternative performance measures are:

EBITDA = Operating profit/loss + depreciation and amortization.

Recurring Revenue, ARR: Subscription + maintenance revenue at the end of the last month of the reported period multiplied by 12.

Subscription ARR: Subscription revenue in the last month of a reported period multiplied by 12.

Deferred Revenue: Non-recognized revenue from invoiced maintenance and subscription sales.

Business outlook for 2023 (unchanged)

Our business transition from license and support to a recurring-revenue model has continued providing a more stable revenue base. At the end of 2022, our Annual Recurring Revenue was EUR 18.4 million (EUR 15.4 million in 2021). Our net sales grew by 21% to EUR 19.3 million in 2022. Going into 2023, we will continue to focus on increasing the average deal size. We expect net sales to grow during 2023 compared to 2022. We estimate EBITDA and cash flow from operating activities to be positive for 2023.

CEO review

Valued shareholders, customers, partners, and colleagues,

We closed yet another quarter of stable growth, led by subscription sales growth of 33%. We saw continued momentum across our business, and several new customer wins, especially in the manufacturing, financial, and MSP sectors.

Our net sales increased by 12% to EUR 5.2 million, owing primarily to the recurring business. EBITDA increased to EUR 1.0 million (EUR 0.4 million). Cash flow from operations improved from the previous quarter, being 0.8 million (EUR -0.5 million). Recurring revenue accounted for 95% of total revenue in Q3, and Annual Recurring Revenue (ARR) reached EUR 19.4 million, of which EUR 11.5 million is from subscription-based revenue.

PrivX as the Core of Zero Trust Suite and the Profitable Growth of SSH

Based on PrivX technology, the Zero Trust Suite launched in June 2023 combines our product portfolio into a single comprehensive solution. The suite offers state-of-the-art capabilities for securing communications between humans, applications, systems, sites, machines, and data centers. During Q3/23, we started cooperation with Beyond Identity, a world-leading identity access provider, strengthening the passwordless and keyless authentication approach of the Suite even more. The cooperation will boost new customer acquisition for both companies and make Suite a unique solution in the cybersecurity market.

We also expanded the Suite to include identity verification, redefining traditional multi-factor authentication (MFA). Traditional MFA, such as receiving SMS security codes, is becoming obsolete, and we expect this transformation to open even more doors and new opportunities for us.

Tackling future needs for secure business communications between humans

During the quarter, we launched Secure Collaboration 2024 for secure human-to-human secure communications and interaction. We extended SSH Zero Trust Suite to a modern, real-time, secure, and audited (who did what when?) human-to-human communications solution. It consists of multiple modules helping people to share private and sensitive data in semi-interactive (email) mode and in real-time (calls, video calls, and instant messaging) and on-demand (sharing data) inside and across organizational and country borders.

Upgrading the Secure Collaboration 2024 offering was essential to be able to provide a state-of-the-art solution for our current clients and to attract new ones, especially from financial institutions, which face new compliance requirements and regulations for corporate and customer communications. This will serve the modern needs of corporate real-time communications and collaboration for existing and new customers, in line with our land and expand strategy.

Building thought leadership in the quantum-safe area and secure communications

During the quarter, SSH became part of the US National Institute of Standards and Technology (NIST) Post-Quantum Cryptography Building Block Consortium, other members being major technology companies. The consortium improves our opportunities to connect with new prospective customers, especially within banks and financial institutions that are at the forefront of implementing quantum-safe solutions.

We have strengthened our partnerships across all market segments and systematized upstream and downstream partnerships to create more revenue and value for both parties. We also continued major investments in our R&D as well as sales and marketing efforts, growing spend by 12 % and 7% YTD, respectively.

SSH Communications Security will release its financial reporting calendar for 2024 during Q4.

Helsinki, October 25, 2023

SSH COMMUNICATIONS SECURITY

Board of Directors

Dr. Teemu Tunkelo

CEO

For further information, please contact:

Teemu Tunkelo, CEO, tel. +41 79 227 8362

Michael Kommonen, CFO, tel. +358 40 183 5836

Distribution:

NASDAQ Helsinki Ltd.

Major media

www.SSH.com

Disclaimer

The contents of this report are provided by SSH Communications Security and its third-party content providers for your personal information only and do not constitute an offer or invitation to purchase any securities nor does this report provide any form of advice (investment, tax, legal) amounting to investment advice nor make any recommendations regarding particular investments or products. SSH Communications Security does not provide investment advice or recommendations to buy or sell its shares or the shares of others. If you are interested in investing in SSH Communications Security, please contact your financial adviser for further details and information. Past performance of SSH Communications Security shares is not indicative of future results. EXCEPT AS PROVIDED BY APPLICABLE COMPULSORY LAW SSH COMMUNICATIONS SECURITY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED. AS TO THE AVAILABILITY, ACCURACY, OR RELIABILITY OF ANY OF THE CONTENT PROVIDED, OR AS TO THE FITNESS OF THE INFORMATION FOR ANY PURPOSED, OR AS TO THE FITNESS OF THE INFORMATION FOR ANY PURPOSE.