

A photograph of a stream flowing over a large, dark rock. The water is clear and blue, with some ripples. The surrounding area is lush with green grass and small yellow flowers. The lighting is soft, suggesting a late afternoon or early morning setting.

Business review
January–March 2023

Net sales increased by 9.3%, and EBITDA remained positive

January–March 2023:

- Net sales increased by 9.3% to EUR 4.8 million (EUR 4.4 million)
- EBITDA was EUR 0.2 million (EUR 0.5 million), 3.3% of net sales
- Operating loss was EUR -0.7 million (EUR -0.2 million), -14.2% of net sales
- Cash flow from operations increased by 158% to EUR 2.0 million (EUR 0.8 million)
- Subscription revenue, ARR increased by 27% to EUR 10.3 million (EUR 8.1 million)
- Recurring revenue, ARR increased by 12% to EUR 18.3 million (EUR 16.4 million)

The equity ratio was 46.8% (43.8%). Liquid assets at quarter-end were EUR 6.1 million (EUR 7.6 million).

Key figures

m EUR	1-3/2023	1-3/2022	Change %	1-12/2022
Net sales	4.8	4.4	9.3	19.3
EBITDA	0.2	0.5	-70.6	2.7
% of net sales	3.3	12.3	-73.2	13.9
Operating profit/loss	-0.7	-0.2		-0.4
% of net sales	-14.2	-5.2		-2.3
Profit/loss before taxes	-1.0	-0.2		-0.7
Profit/loss	-0.9	-0.1		-0.6
Return on equity, %	-9.2	-1.5		-5.2
Return on investment, %	-7.4	-1.4		-4.7
Liquid assets	6.1	7.6	-19.7	5.7
Gearing (%)	-38.2	-38.7	1.3	-27.9
Equity ratio (%)	46.8	43.8	7.0	46.1
Earnings per share, EUR	-0.03	-0.01		-0.05
Shareholders' equity per share, EUR	0.25	0.28	-8.3	0.28
Recurring revenue, ARR	18.3	16.4	12.0	18.4
Subscription revenue, ARR	10.3	8.1	27.4	9.9
Invoicing	3.2	3.9	-19.1	24.2
Deferred Revenue	12.8	8.4	52.5	14.1
Current	9.7	7.2	35.0	10.6
Non-current	3.1	1.2	158.0	3.5

m EUR	1-3/2023	1-3/2022	Change %	1-12/2022
BY SEGMENT				
AMERICAS	1.8	1.7	8.7	7.0
APAC	0.3	0.4	-16.7	1.5
EMEA	2.7	2.3	13.8	10.8
Total	4.8	4.4	9.3	19.3
BY OPERATION				
Subscription sales	2.6	2.0	27.6	8.7
License sales	0.2	0.3	-51.6	1.9
Maintenance sales	1.9	1.9	0.2	8.2
Professional services & others	0.1	0.1	8.7	0.4
Total	4.8	4.4	9.3	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, SSH's first quarter of the year delivered stable development with many activities done for higher future growth. Our net sales increased by 9% compared to Q1 2022, reaching EUR 4.8 million, and EBITDA remained positive at EUR 0.2 million (EUR 0.5 million). Additionally, cash flow from operations increased to EUR 2.0 million (EUR 0.8 million).

Recurring revenue accounted for 95% of total revenue in Q1, and Annual Recurring Revenue (ARR) grew by 12% year-on-year, reaching EUR 18.3 million, of which EUR 10.3 million is from subscription-based revenue. Quarter-on-quarter ARR declined slightly due to negative currency effects. Our transition to a subscription-based revenue model provides greater predictability and stability to our revenue streams, enabling us to better serve our customers with ongoing support and access to the latest features and updates.

Strong Investments in R&D

Our R&D investments in the growth and renovation of our secure email tool Deltagon continued throughout the year's first quarter. The public sector worldwide is under intense pressure to move towards more encrypted and secure communications at all levels. In response to the development of secure human-to-human communications needs, we expanded the focus of our R&D efforts to the entire Deltagon Suite, updating it with secure real-time messaging options and improvements to the usability and user experience.

Our mission to position ourselves as a leading Quantum-Safe solution provider continued to prioritize our research and development efforts to strengthen our quantum-safe solutions portfolio. As a result of these efforts, we launched a new version of Tectia during the quarter that provides quantum-safe communication for the US federal government. The government's role as a transformational leader has led to other actors in both the public and private sectors following their lead. There is a significant increase in global interest in post-quantum cryptography, and financial sector customers have started to purchase our quantum-safe products.

Identity-based access management on the rise

We have successfully updated PrivX with identity base access possibilities and secured our first significant identity-based privileged access management deal in Asia with a managed service provider. This opens a new market opportunity for us in providing real passwordless and keyless privileged access management tools. Identity-based access management helps businesses maintain optimal data security by ensuring the appropriate users get access to only the information essential to their role and can establish secure authentication and authorization methods based purely on unique parts of user's identities.

We are also building a comprehensive family of modular security software solutions called Zero Trust Suite together with our partners. The Zero Trust Suite is being built around PrivX to apply its unique just-in-time, and passwordless access management prowess to all our use cases.

Going forward

Our 2023 guidance remains unchanged. Recognition of three megatrends in the cybersecurity landscape – Zero Trust (ZT), Operational Technology (OT), and Quantum-Safe (QS) has proven to work, and we continue focusing on these with high expertise and solid confidence.

SSH Communications Security will release its Interim Report for the second quarter of the year on July 20, 2023.

Helsinki, April 26, 2023

SSH Communications Security Corp.

Board of Directors

Teemu Tunkelo

CEO

For further information, please contact:

Teemu Tunkelo, CEO, tel. + 358 40 549 9605

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 PURPOSE, OR AS TO THE FITNESS OF THE INFORMATION FOR ANY PURPOSE.