



Q4 2016 – EXTERNAL PRESENTATION

SSH COMMUNICATIONS SECURITY

09.02.2017

Trusted Access Innovation



CONTENTS

1

• Q4/16 and FY16 Financial Performance

2

• New Leadership: First 100 Days

FY 2016: A YEAR OF STARK CONTRASTS

Poor overall performance

- Significantly reduced revenue
- Unacceptable Operating loss
- Setbacks in patent licensing

Confidence for the future

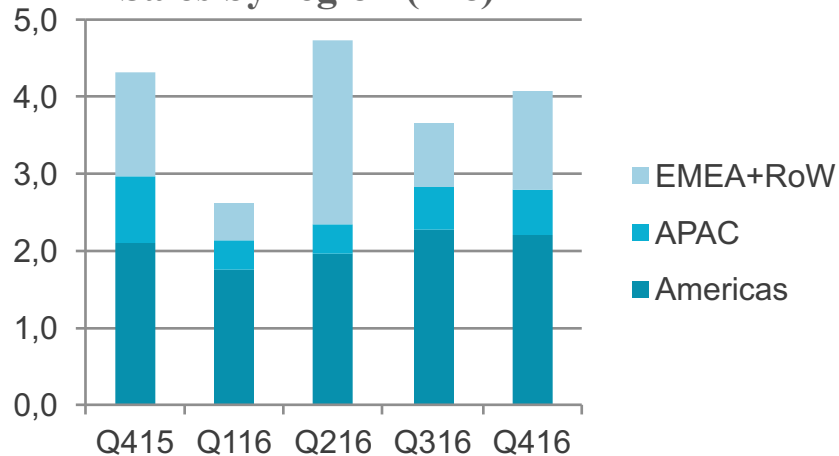
- Several new key customers won
- Good feedback from existing customers
- Powerful existing products and exciting roadmap
- Increase in license sales
- Subscription sales complementing license sales
- Highly competent technical teams
- Decisive restructuring and cost-cutting
- New leadership and management team
- Customer needs remain, urgency increasing due to compliance

Q4/16 KEY FINANCIALS

Key financials

		4Q15	1Q16	2Q16	3Q16	4Q16
Sales	M€	4,2	2,6	4,7	3,7	4,1
OPEX	M€	4,9	4,8	5,8	5,5	7,8
EBIT	M€	-1,3	-2,2	-1,6	-2,3	-4,6
% EBIT	%	-29,5	-84,0	-33,1	-63,8	-113,7
Personnel		109	112	114	115	84

Sales by region (M€)



Comments

4Q revenue decreased by -5% YOY

- Two large subscription deals -> little recognizable 2016 revenue

Exceptionally large cost:

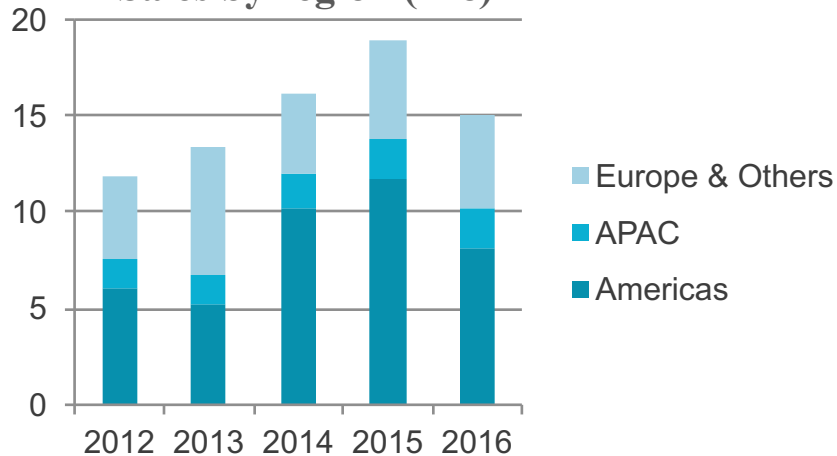
- Patent litigation costs
- Restructuring costs

FY16 KEY FINANCIALS

Key financials

		FY13	FY14	FY15	FY16
Sales	M€	13.3	16.2	18.9	15.1
OPEX	M€	11.4	12.7	16.7	23.9
EBIT	M€	0.2	0.2	-4.4	-10.8
% EBIT	%	1.3	1.3	-23.2	-71.1
Personnel		99	95	109	84

Sales by region (M€)



Comments

Revenue decreased by -20%

- Poor 1Q
- Lower service volume (as planned)
- Subscription sales

License revenue grew by +20%

- Plus subscription sales growth

Very large losses

- Increased costs throughout – investment in R&D and sales continued
- Patent litigation costs
- Restructuring costs

BALANCE SHEET STILL STRONG

		2013	2014	2015	2016
Balance Sheet	M€	13,5	17,5	21,8	21,8
Cash and cash equivalents	M€	6,0	6,1	11,3	7,8
Cash flow from operations	M€	0,4	1,8	0,3	-8,1
ROE	%	2	4	-40	-112
Equity ratio	%	77	63	67	63
Gearing	%	-80	-77	-99	-95
Profit/loss per share	EUR	-0,00	-0,00	-0,15	-0,36
Equity per share	EUR	0,24	0,25	0,36	0,24

- Negative cash flow from operations
- Q4 savings program ensuring cash position
- Good cash position remaining

HIGHLIGHTS FROM Q4

Key deals closed

- CryptoAuditor license deal with a Top 30 European bank
- UKM multi-year subscription with a Top 10 Global retailer
- UKM multi-year subscription with a Top 5 Global Financial Services firm
- UKM license deal with a South American central bank
- UKM license extension deal with a leading global credit card network
- UKM extension deal with a Top 10 Global bank

Move towards subscription model

- Two major multi-year subscription deals with leading global customers

UKM & CrA

- Platform integration and cloud transformation development ongoing

Firewall:

- Nearing feature-complete stage (Q1)
- Advanced negotiations for pilot projects

FY16 OVERALL PERFORMANCE – AND COUNTER-MEASURES

Poor financial performance

- Lower than expected revenue
- Higher than expected costs
- Unacceptable operative losses
- Key reasons:
 - Sales execution
 - Continued R&D investment
 - Patent litigation setbacks
 - Shift towards subscription deals

Measures taken and planned

- Significant cost reduction in Q4
- Renewed management team with increased sales focus
- Key sales hires in Q4
- More streamlined R&D organization
- Move towards comprehensive platform offering
- Introduction of new performance culture
- New offerings for 2017

Q4 SAVINGS PROGRAM

Aims and execution

- Aimed for annual savings of 6 to 8 million Euro
- Improved operational and sales focus
- Simplified organization structure
- Mandatory employee consultations from November 9 to December 5

Results

- Estimated 7 million Euro annual savings
- Head count reduction of 20 people
- Significant reduction in use of consultants
- Consolidation of APAC ops to Hong Kong
- Flatter, more streamlined organization

PATENT LICENSING UPDATE

UK Infringement Case

- SSH has sought permission to appeal

German Infringement Case

- German first instance ruling against SSH
- SSH appealed the decision
- Oral hearing scheduled for May 2017

German Validity Case

- Decision expected in H2/17
- Separate from infringement case

USPTO Inter Partes Review

- Oral hearing in January 2017
- Decision expected in April 2017

Other licensing negotiations ongoing

GOING FORWARD

Back to basics

- Sound business with strong customer focus
- Continue growing mind and market share
- Increase SSH thought leadership

Focus on product sales and bookings growth

- Focus on high-margin product sales
- Continuing the shift towards subscription-based deals

Multiple new revenue streams

- New Trusted Access Management solutions to enter the market to increase cloud relevance
- Firewall commercial deliveries to start

Terminating guidance

- SSH Communications Security Corporation has decided to cease giving revenue and earnings guidance.
- This is due to the nature of our business, where a major share of the revenue consists of a few large deals, and the growing share of multi-year subscription agreements.
- Therefore, our revenue can be very volatile and results in significant uncertainties in our ability to give revenue and earnings guidance.



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NEW LEADERSHIP: THE FIRST 100 DAYS

New CEO

- Kaisa Olkkonen became CEO on Jan 1
- Tatu Ylönen continues as SSH Fellow, concentrating on market-making in the US

New Exec Management Team

- Strong senior sales expertise
- Product management stronger in exec team

Initiatives for the transition period

- Design and implement new performance culture
- Improve management processes
- Review strategy and focus on execution capability

Confidence for the future

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