



# Q3 2016 – EXTERNAL PRESENTATION

## SSH COMMUNICATIONS SECURITY

20.10.2016

**Trusted Access Innovation**



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- 1 The Business We Are In
- 2 Q2/16 Highlights / Financial Performance
- 3 Going Forward

## EXECUTIVE SUMMARY: WHAT ARE WE ABOUT

*SSH Communications Security* (NASDAQ OMX: SSH1V) is an emerging leader in enterprise cybersecurity solutions. Our solutions enable, control, and audit **trusted access** in critical environments.

Our technology secures the infrastructure of our digital lives. Technology invented by us is present in over 90% of all data centers in the world – on-premise and in the cloud. With over 20 years of history and dozens of relevant patents, we understand access and security like no other.

# STRATEGY: BECOME THE PREFERRED VENDOR FOR TRUSTED ACCESS

## START BY WINNING THE SSH KEY MANAGEMENT MARKET

Technology, IPR, leading products

Reference customers, experience

Financials, then others

Market creation: IT auditors, consulting houses

## COMPLEMENT WITH A WIDER OFFERING

Become more strategic vendor to customers & governments

Offer a holistic platform

Develop or acquire required complementary assets

Firewall expands offering to government, telecom

## LEVERAGE OUR POSITION WITH PARTNERSHIPS

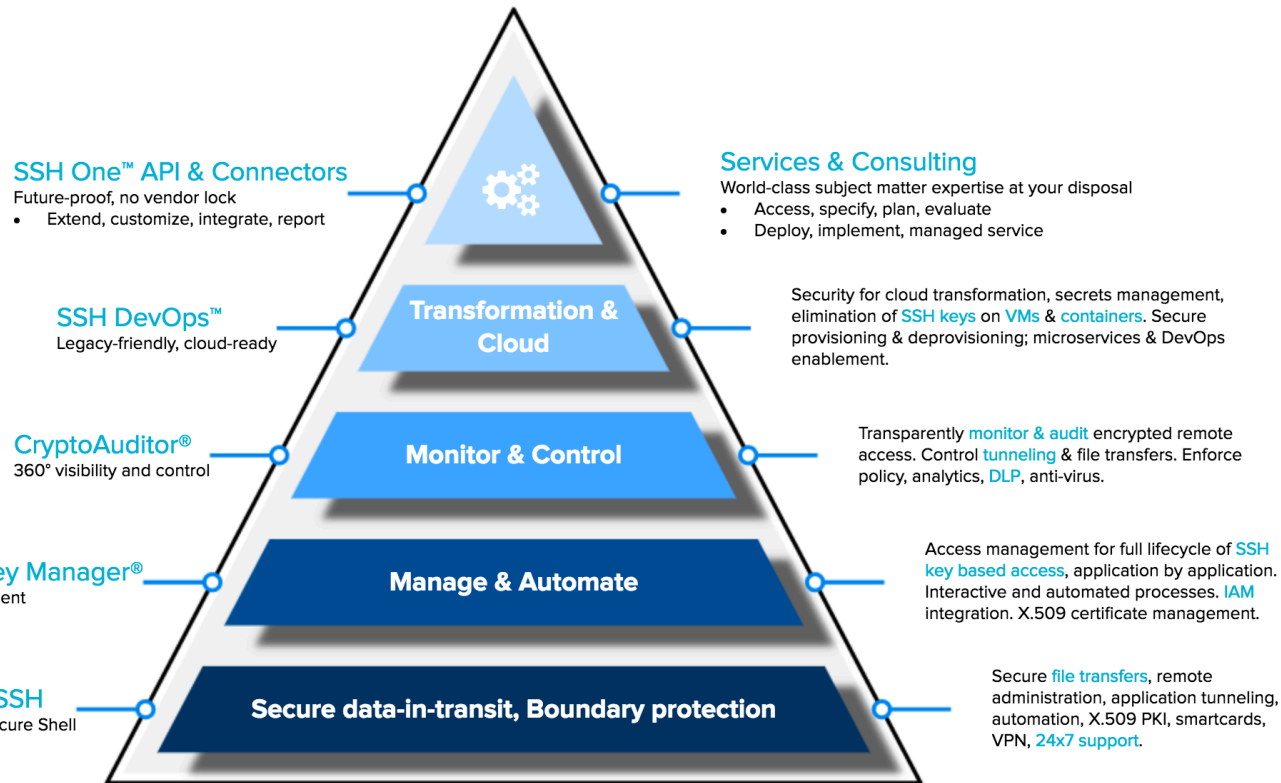
Expand market reach

Partner with consulting companies

Partner with various other technology vendors

# SSH OFFERING: SECURING TRUSTED ACCESS

## SSH One™ Trusted Access Security and Automation Platform



### FIREWALL



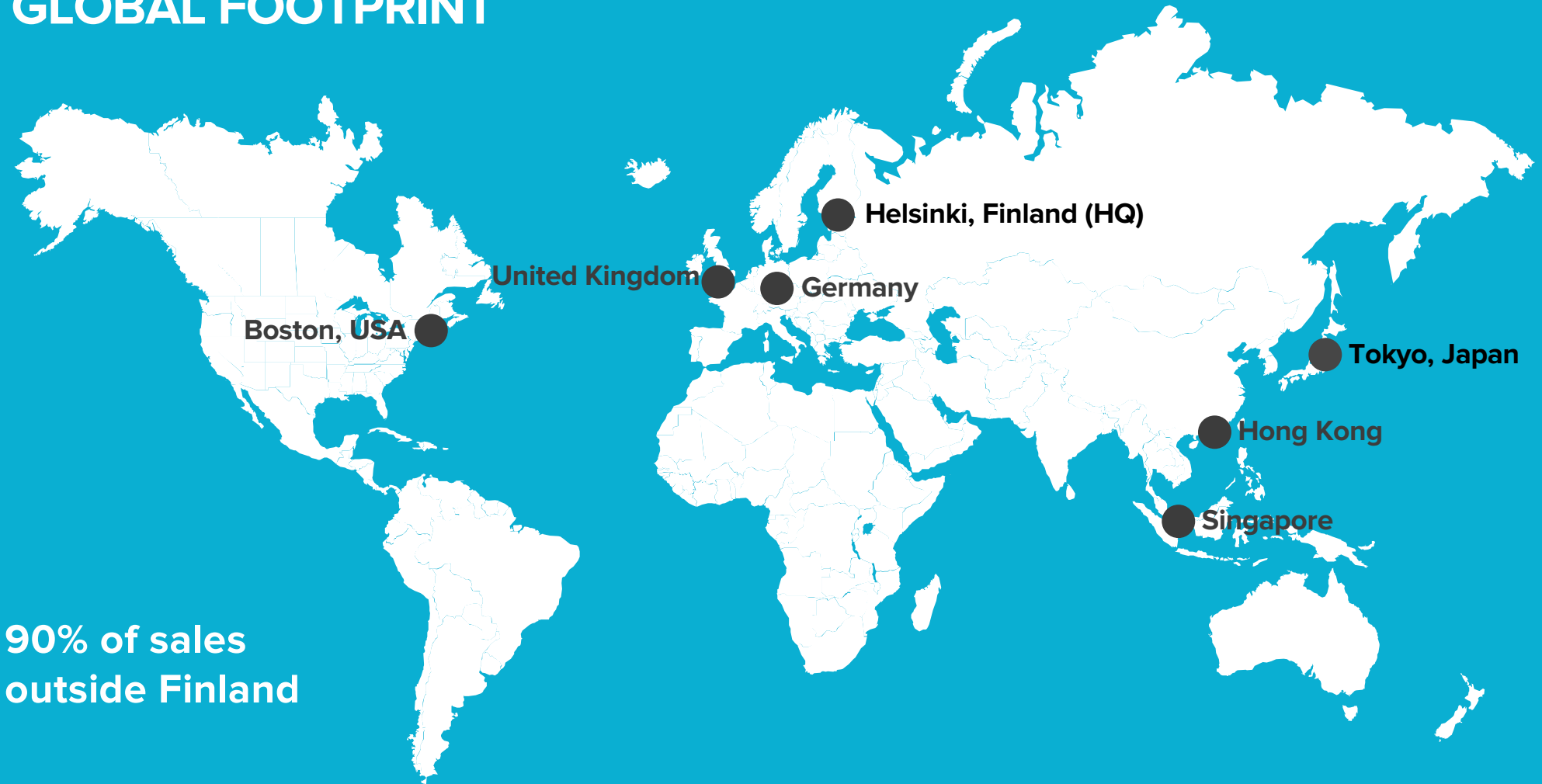
High performance firewall for critical applications in governments, telcos, etc.

### PATENT PORTFOLIO



Several patents critical to Internet security – for laptops, smart-phones and network elements.

# GLOBAL FOOTPRINT



**90% of sales  
outside Finland**



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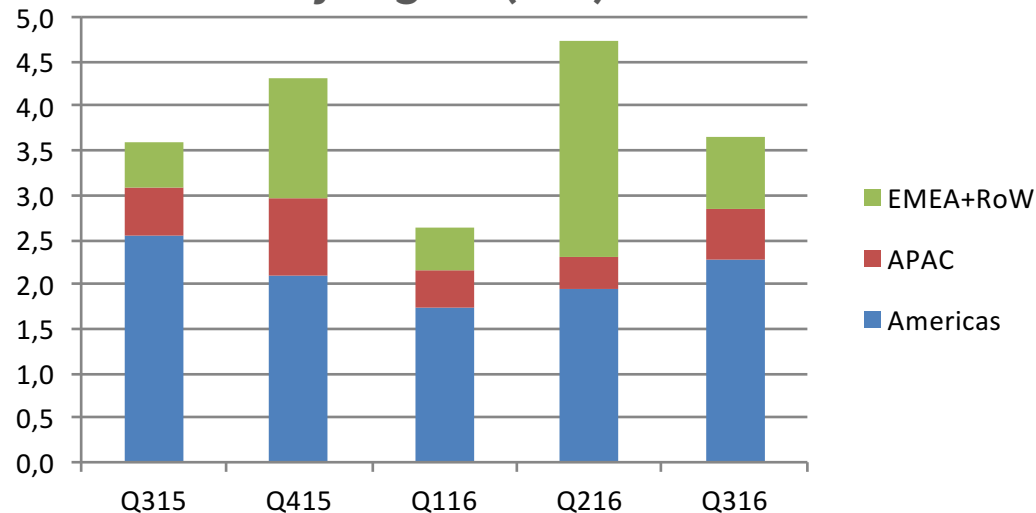
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# Q3/16 – KEY FINANCIALS

## Key financials

		3Q15	4Q15	1Q16	2Q16	3Q16
<b>Sales</b>	M€	3,6	4,2	2,6	4,7	3,7
<b>OPEX</b>	M€	3,8	4,9	4,8	5,8	5,5
<b>EBIT</b>	M€	-1,0	-1,3	-2,2	-1,6	-2,3
<b>% EBIT</b>	%	-27,6	-29,5	-84,0	-33,1	-63,8
<b>Personnel</b>	eop	109	109	112	114	115

## Sales by region (M€)



## Comments

### 3Q sales grew by +2%

- License sales Q1-Q3: +37%
- Gross margin Q1-Q3: +15%
- Improvement in US and APAC
- Customer slowness due to Brexit
- Slight negative effect from GBP



## STRONG BALANCE SHEET ALLOWS INVESTING IN GROWTH

		2013	2014	2015	3Q2016
<b>Balance Sheet</b>	M€	13,5	17,5	21,8	21,2
<b>Cash and cash equivalents</b>	M€	6,0	6,1	11,3	11,4
<b>Cash flow from operations</b>	M€	0,4	1,8	0,3	-5,2
<b>ROE</b>	%	2	4	-40	-55
<b>Equity ratio</b>	%	77	63	67	83
<b>Gearing</b>	%	-80	-77	-99	-89
<b>Profit/loss per share</b>	EUR	-0,00	-0,00	-0,15	-0,23
<b>Equity per share</b>	EUR	0,24	0,25	0,36	0,37

- Negative cash flow
- Good cash position remaining

# HIGHLIGHTS FROM Q3

## Key deals closed:

- A cloud transformation deal with a global Top-20 bank
- Large UKM add-on order from a Fortune 500 financial services co.
- A significant subscription deal with a US government agency
- CrA to MIT Lincoln Laboratory

## Firewall

- Breakthrough price/performance demonstrated
- Moving towards first deals

## Cloud Transformation

- Deal and projects with major bank
- Increasing customer interest

## UKM & CrA

- Integration work started, going towards a holistic platform

## z/OS:

- Strong sales
- An independent product line

# PATENT LICENSING UPDATE

## First instance decision from UK

- Sony was found to infringe multiple patent claims
- However, patent was found invalid by the court
- SSH seeking permission to appeal
- Only (potentially) affects one patent, only in UK

## German Infringement Case

- Decision expected in Oct-Nov
- We believe we have a strong case

## German Validity Case

- Decision expected in H2/17
- Separate from infringement case
- UK case has no direct impact

## Other licensing negotiations ongoing

# UPDATED GUIDANCE

## Change of guidance on October 10

- Old guidance “significant growth”
- New guidance “slight growth”

## Patent licensing revenue delay

- Unlikely to get significant patent licensing revenue in 2016

## Uncertainty in timing of large deals

- Regulatory pressure and need for key management unchanged
- Decision time lines lengthened due to continuing uncertainty in the financial sector



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- Going Forward: Cloud Transformation

# CLOUD: IT IS NOT A QUESTION OF IF, IT IS WHEN

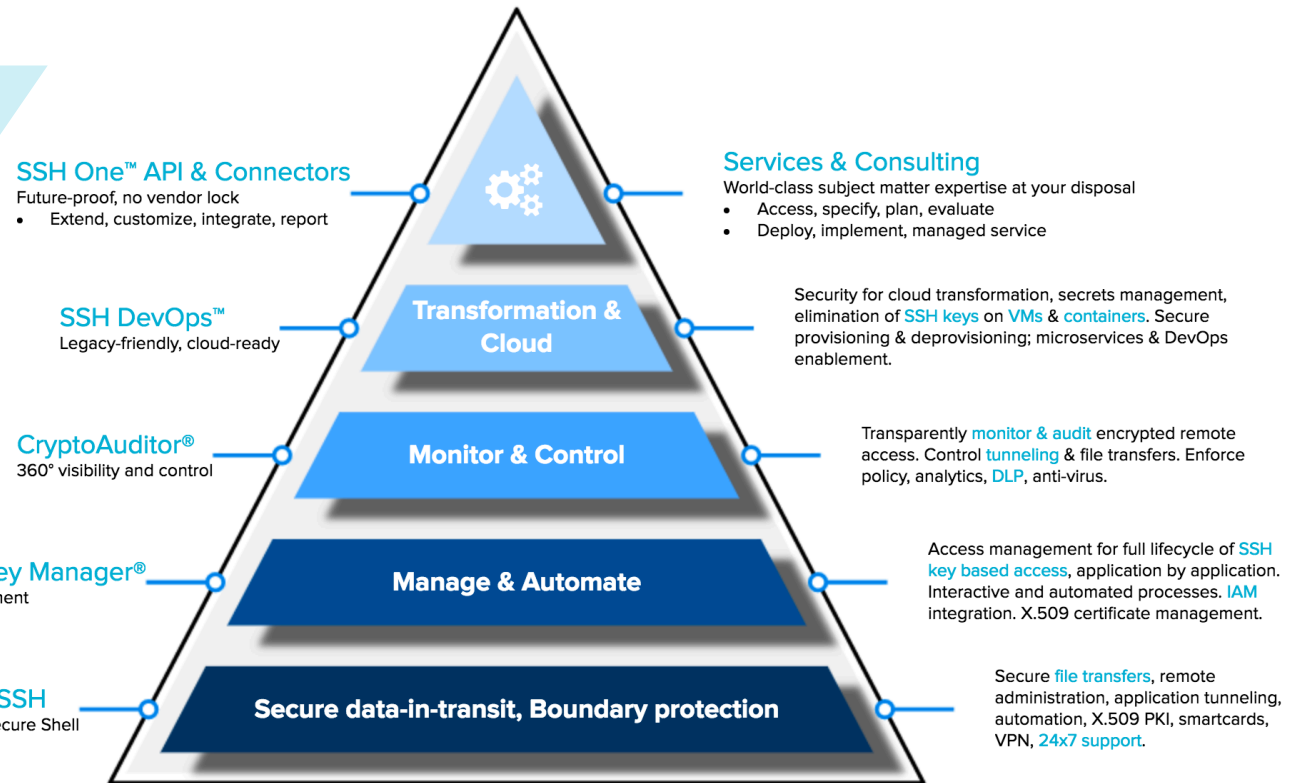
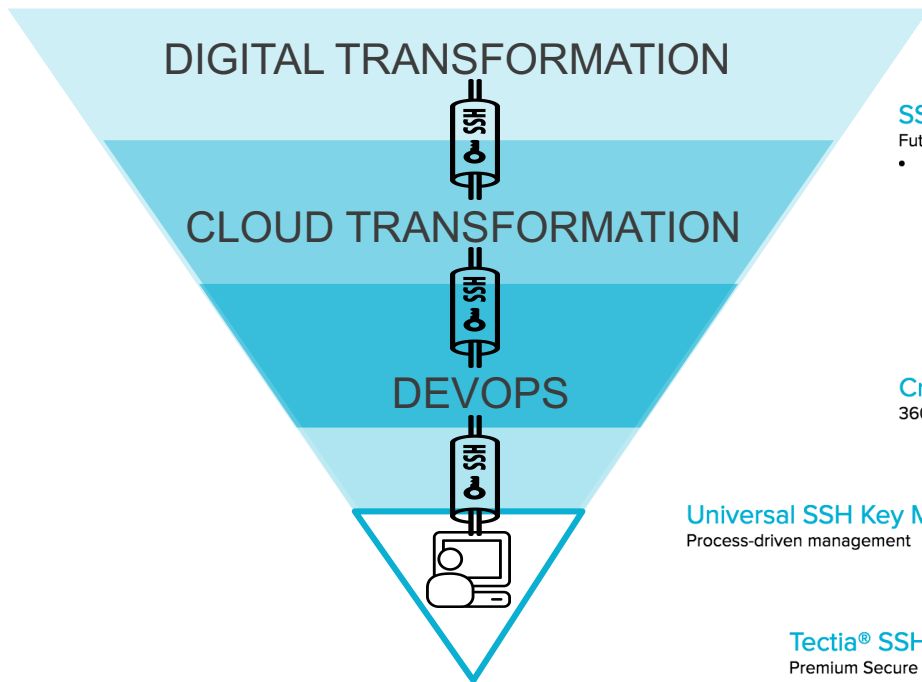
What we heard two years ago:

*"10-20% of our system will move to the cloud by 2020"*

What we are hearing today:

*"65% of our development will be in the cloud by 2018"*

# CLOUD TRANSFORMATION AND THE SSH ONE PLATFORM



ssh.   
communications  
security