



## SSH COMMUNICATIONS SECURITY CORPORATION BUSINESS REVIEW JULY - SEPTEMBER 2022

SSH COMMUNICATIONS SECURITY CORPORATION, STOCK EXCHANGE RELEASE, OCTOBER 27, 2022, AT 9:00 A.M EEST

### NET SALES INCREASED 17 %, EBITDA POSITIVE

#### July–September 2022 in brief

- Net sales totaled EUR 4.6 million (EUR 3.9 million)
- EBITDA was EUR 0.4 million (EUR 0.6 million)
- Operating loss was EUR -0.4 million (EUR -0.3 million)
- Loss for the period was EUR -0.4 million (EUR -0.3 million)
- Earnings per share was EUR -0.02 (EUR -0.02)

Operating cash flow was EUR -0.5 million (EUR 0.0 million). The equity ratio was 47.2 % (46.3 %). Liquid assets were EUR 2.7 million (EUR 4.2 million).

#### KEY FIGURES

EUR million	7–9/2022	7–9/2021	Change %	1–9/2022	1–9/2021	Change %	1–12/2021
Net sales	<b>4.6</b>	3.9	17.2	<b>13.4</b>	9.9	35.3	15.9
EBITDA	<b>0.4</b>	0.6	-28.3	<b>1.5</b>	-0.3	624.2	1.1
% of net sales	<b>8.6</b>	14.0	-38.8	<b>10.9</b>	-2.8	487.3	7.0
Operating profit/loss	<b>-0.4</b>	-0.3	-23.0	<b>-0.9</b>	-2.2	61.1	-1.5
% of net sales	<b>-8.7</b>	-8.3	-5.0	<b>-6.3</b>	-22.0	71.3	-9.6
Profit/loss before taxes	<b>-0.4</b>	-0.4	3.7	<b>-0.7</b>	-2.5	72.7	-1.8
Profit/loss	<b>-0.4</b>	-0.3	-33.4	<b>-0.8</b>	-2.7	71.1	-2.3
Return on equity, %				<b>-7.0</b>	-27.0	73.9	-22.6
Return on investment, %				<b>-4.9</b>	-18.0	72.8	-14.2
Liquid assets				<b>2.7</b>	4.2	-35.3	8.2
Gearing (%)				<b>-3.8</b>	-25.8	85.2	-39.8
Equity ratio (%)				<b>47.2</b>	46.3	2.0	44.6
Earnings per share, EUR	<b>-0.02</b>	-0.02	-13.5	<b>-0.04</b>	-0.10	61.3	-0.10
Shareholders' equity per share, EUR	<b>0.28</b>	0.30	-5.2	<b>0.26</b>	0.30	-13.1	0.31
Recurring revenue, ARR				<b>17.6</b>	14.5	21.0	15.4
Subscription revenue, ARR				<b>9.2</b>	6.3	46.3	7.3

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

EBITDA = Operating profit/loss + depreciation and amortization

Annual Recurring Revenue: Subscription + maintenance revenue at the end of the last month of the reported quarter multiplied by 12.

Subscription ARR (Annual Recurring Revenue): Subscription revenue in the last month of a reported quarter multiplied by 12. For an exhaustive list of alternative performance measures and formulas used, refer to SSH's Annual Report.

## **Outlook**

Our current year 2022 guidance remains unchanged:

We continue our business transition from a license and support model to a recurring-revenue model, which we foresee will provide more stable revenue in the longer term while reducing our short-term annual growth rate compared to a perpetual license business model. At the end of 2021, Annual Recurring Revenue was EUR 15.4 million (EUR 8.0 million), which positions us well for continued growth. We expect net sales to grow during 2022 compared to 2021. We estimate EBITDA and cash flow from operating activities to be positive for 2022.

## **CEO REVIEW**

Valued shareholders, customers, partners, and colleagues,

Our growth continued during the third quarter. Net sales increased by 17 %, and EBITDA reached EUR 0.4 million. The slightly lower EBITDA vs. the comparison period is mainly due to the hardware component in NQX deliveries recorded as cost of goods sold. We have successfully transitioned a number of our customers into the subscription model through the introduction of innovative editions and future-proof technologies to our portfolio. Consequently, over 90% of Q3 revenue is subscription-based.

During the third quarter, we delivered a EUR 2.1 million order placed in June, and we are securing the capacity to deliver further orders under the same contract. Due to deliveries late in the quarter, the revenue recognition effect of the order was minor in Q3 with full impact from the start of Q4, extending over a three-year initial contract period.

Our operating cash flow was EUR -0.5 million for the quarter, mainly due to the timing of larger cash receipts by a few days just after quarter end. Operating cash flow and liquid assets are expected to improve during the last quarter as the majority of our renewal payments, and the payment for the delivery of the EUR 2.1 million order will be received during Q4.

### **PrivX achieved significant analyst recognition for the third time**

In August, the leading European market analyst firm, KuppingerCole, named SSH Communications Security an Overall Leader in the Leadership Compass Report 2022. SSH was selected as an overall leader on the Privileged Access Management (PAM) market and as a leader in the Innovation, Product, Market, and Market Champion categories. SSH's fastest-growing product, PrivX, performed alongside global cybersecurity giants, outperforming them, especially in technological development.

### **NQX started to generate meaningful revenues**

The Finnish National Cyber Security Center (NCSA-FI) security certification for encryption solution NQX was granted in June, resulting in several new customer orders. SSH started deliveries of NQX, the value of which

exceeds EUR 2 million in Q3 over three years. The component availability is good for NQX, but the global supply and logistic chain challenges resulting in long lead times may impact future delivery times.

### **SSH Deltagon Suite establishes new international partners**

SSH Deltagon Suite continued its growth during Q3, driven by our partners in the Nordics. We are working with selected international partners to establish and grow the Suite internationally, especially in the regulated business market segment and where SSH already has a strong customer footprint. A new user interface and an improved user experience for the Suite are in development, and we are excited to launch a new version during Q4.

### **Universal SSH Key Manager (UKM) upgraded with new features**

New UKM product release introduced discovery and reporting related to Quantum preparedness for Tectia Secure Shell products. It also adds new options for discovering private SSH keys in custom locations and advanced alerts management to focus on what matters, avoid alert fatigue, and improve data management. Further, SSHerlock - our discovery and audit tool - is now used for self-risk assessment by our customers and prospects. We expect SSHerlock to open more opportunities for new customer acquisitions and additional sales.

### **Going Forward**

Businesses, governments, and federal organizations have realized the importance of the Zero Trust approach to cybersecurity. In addition, ever-increasing attacks on society's critical infrastructure and the weaponization of operational technology create a growing need for solutions like SSH's Privx OT edition. Together with quantum computer-resistant encryption, SSH's products are proven in use and future-proof.

Functionality across all five product lines has been improved, and investment in product development, channel sales, and marketing continues. We have strengthened cooperation with our global partners and increased resources for sales through partner channels. We can respond to customer needs for comprehensive solutions to ensure business continuity and protection from vulnerabilities.

### **Financial Performance**

Net sales for the third quarter were EUR 4.6 million (EUR 3.9 million), an increase of 17 % compared to Q3 2021.

EBITDA for Q3 2022 was EUR 0.4 million (EUR 0.6 million).

The operating loss was EUR -0.4 million (EUR -0.3 million), and the net loss for the quarter was EUR -0.4 million (EUR -0.3 million).

Operating cash flow for the quarter was EUR -0.5 million (EUR 0.0 million).

### **Sales Performance**

Sales in the EMEA region increased 29 % compared to Q3 2021. The APAC region's sales grew by 25 % compared to Q3 2021, and the AMER region's sales were flat.

Subscription revenue grew 35 % compared to Q3 2021. PrivX subscription revenue grew 144 % compared to Q3 2021.

During the quarter, recurring revenue (subscriptions and maintenance) accounted for 93 % of total revenue, giving SSH a solid base from which to build further growth.

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SSH Communications Security will release its financial reporting calendar for 2023 during Q4.

Helsinki, October 27, 2022

SSH COMMUNICATIONS SECURITY

Board of Directors

**Teemu Tunkelo**  
**CEO**

For further information, please contact:  
Teemu Tunkelo, CEO tel. +41 79 227 8362  
Niklas Nordström, CFO tel. +358 50 541 0543

Distribution:  
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