



BUSINESS REVIEW JANUARY - MARCH 2022 (unaudited)

NET SALES INCREASED 64% AND EBITDA IMPROVED 160%

January–March 2022 in brief

- Net sales totaled EUR 4.4 million (EUR 2.6 million)
- EBITDA was EUR 0.5 million (EUR -0.9 million)
- Operating profit was EUR -0.2 million (EUR -1.4 million)
- Cash flow from Operations was EUR 0.8 (EUR 0.0 million)
- Subscription revenue, ARR was EUR 8.1 million (EUR 1.2 million)
- Recurring revenue, ARR was EUR 16.4 million (EUR 8.9 million)

Liquid assets remained stable at EUR 7.6 million (EUR 7.5 million).

KEY FIGURES

EUR million	1–3/2022	1–3/2021	Change %	1–12/2021
Net sales	4.4	2.6	64.3	15.9
EBITDA	0.5	-0.9	159.7	1.1
% of net sales	12.3	-33.9	136.2	7.0
Operating profit/loss	-0.2	-1.4	84.1	-1.5
% of net sales	-5.2	-53.5	90.3	-9.6
Profit/loss before taxes	-0.2	-1.5	87.2	-1.8
Profit/loss	-0.1	-1.5	90.1	-2.3
Return on equity, %	-1.5	-20.9	92.8	-22.6
Return on investment, %	-1.4	-17.8	92.1	-14.2
Liquid assets	7.6	7.5	0.9	8.2
Gearing (%)	-38.7	-109.4	64.6	-39.8
Equity ratio (%)	43.8	60.6	27.8	44.6
Earnings per share, EUR	-0.01	-0.05	73.6	-0.10
Shareholders' equity per share, EUR	0.28	0.15	87.6	0.31
Recurring revenue, ARR	16.4	8.9	83.6	15.4
Subscription revenue, ARR	8.1	1.2	586.8	7.3

CONSOLIDATED NET SALES

EUR million	1–3/2022	1–3/2021	Change %	1–12/2021
BY SEGMENT				
AMERICAS	1.7	1.7	-2.4	6.6
APAC	0.4	0.3	16.7	1.7
EMEA	2.3	0.6	263.5	7.7

Total	4.4	2.6	64.3	15.9
BY OPERATION				
Subscription sales	2.0	0.2	746.8	4.7
License sales	0.3	0.5	-42.7	3.1
Maintenance sales	1.9	1.8	6.4	7.6
Professional services & others	0.1	0.0	101.8	0.6
Total	4.4	2.6	64.3	15.9

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.

Subscription ARR (Annual Recurring Revenue): Subscription revenue in the last month of a reported quarter multiplied by 12.

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

BUSINESS OUTLOOK FOR 2022 (unchanged)

We continue our business transition from a license and support to a recurring-revenue model, which we foresee will provide more stable revenue in longer term, while reducing our short-term annual growth rate compared to a perpetual license business model. At the end of 2021, our 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,

The year started broadly on a positive note for SSH. We continued our growth, significantly improving profitability and cash flow from operations.

Net sales amounted to EUR 4.4 million, increasing by EUR 1.8 million vs. Q1 2021. EBITDA was EUR 0.5 million, improving by EUR 1.4 million from the comparison period. Q1 was the fourth consecutive quarter with positive EBITDA. During the first quarter cash flow from operations totaled EUR 0.8 million improving EUR 0.7 million to the comparison period.

Recurring revenue accounted for 90.6% of total revenues in Q1 and our Annual Recurring Revenue (ARR) was EUR 16.4 million out of which EUR 8.1 million was subscription-based revenue. During Q1 our subscription revenue surpassed our maintenance revenue. Our Annually Recurring Revenue surpassed our 2021 full year reported revenue.

During the first quarter we acquired over 90 new customers showing increasing interest in defensive cybersecurity services.

PrivX Grew Significantly

PrivX revenue grew 225% in Q1 compared to the comparison period. Both PrivX OT and MSP Editions have been received well in the market and our land-and-expand approach has good traction.

Our three spearhead solutions which help our customers to defend their critical data are Zero Trust (ZT), Operational Technology (OT) and Quantum Safe (QS).

OT

War in Europe and incidents related to cyber-attacks affecting critical physical infrastructure have increased the interest in our solutions to protect critical operational data within factories, energy generation, airports and harbors. We believe that our achieved success with PrivX OT edition helps us to leverage our first-mover position in critical infrastructure protection, including health care, in protecting our customers' critical data management at rest, in transit and in use.

Zero Trust

Zero Trust means passwordless user access and real-time control for application-to-application communications. SSH has developed Zero Trust solutions for privileged access management since 2017 with our largest ever development investment in PrivX – a lean cloud native solution for Just-In-Time (JIT) and Just-Enough access (JEA) supported with Role Based Access Control (RBAC). PrivX technology is integrated into our existing products with our Zero Trust Editions to ensure our customers' safe migration to the passwordless, PINless and dongle-less operation. We believe that in the future the aforementioned will increasingly be replaced by biometric identification methods which PrivX architecture supports already now.

Quantum Safe

Post Quantum Cryptography is a technology we have focused on for several years. Global interest in Post Quantum Cryptography has increased significantly lately. Thanks to determined investments, we have one of the strongest development teams in Post Quantum Cryptography in Europe today.

NQX and Encryption Business

A significant part of our pipeline is pending the Finnish NCSA certification of the newest software version and we expect to receive the certification during the first half of Q2.

Most of our encryption solutions will be delivered as a subscription, and we expect that receiving the certification will have a positive impact on our subscription revenue. We expect our encryption business to be a significant medium to long term growth driver.

Going Forward

We see three megatrends emerging in the cybersecurity landscape – Zero Trust (ZT), Operational Technology (OT) and Quantum Safe (QS). During the past year we have focused on improving our customer intimacy and our portfolio from point products to value-adding solutions. Our proven-in-use products and future proof technologies in cryptography and privileged access management have created a solid platform for future growth building on our several lighthouse customers acquired over the last year.

Teemu Tunkelo

CEO