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F-Secure

Equity Research Division

Target Price: € 4.76

Current Price: € 3.94

Upside/Downside Potential: 20.87%

Recommendation: BUY

Investment Horizon: 1 Year

Vienna, January 29th, 2021

Team Overview

Equity Research



**Thomas
Führer**

**Head of
Equity Research**

- Task distribution
- Valuation
- Story Guideline



- BSc. (WU)
- MSc. (WU) 3rd Sem.



**Robert
Triulzi**

Associate

- Macro research
- Risk analysis
- Story Guideline



- BSc. (WU) 5th Sem.



**Dariya
Malakhova**

Associate

- Business Description
- Industry Analysis
- Market Analysis



- BSc. (Uni Wien)
- MSc. (WU) 1st Sem.



**Leon
Janowski**

Analyst

- Business Description
- Industry Analysis
- Market Analysis



- BSc. (WU) – 3rd Sem.



**Patrick
Pötzi**

Analyst

- Peer Group Analysis
- Transaction Analysis
- Benchmarking

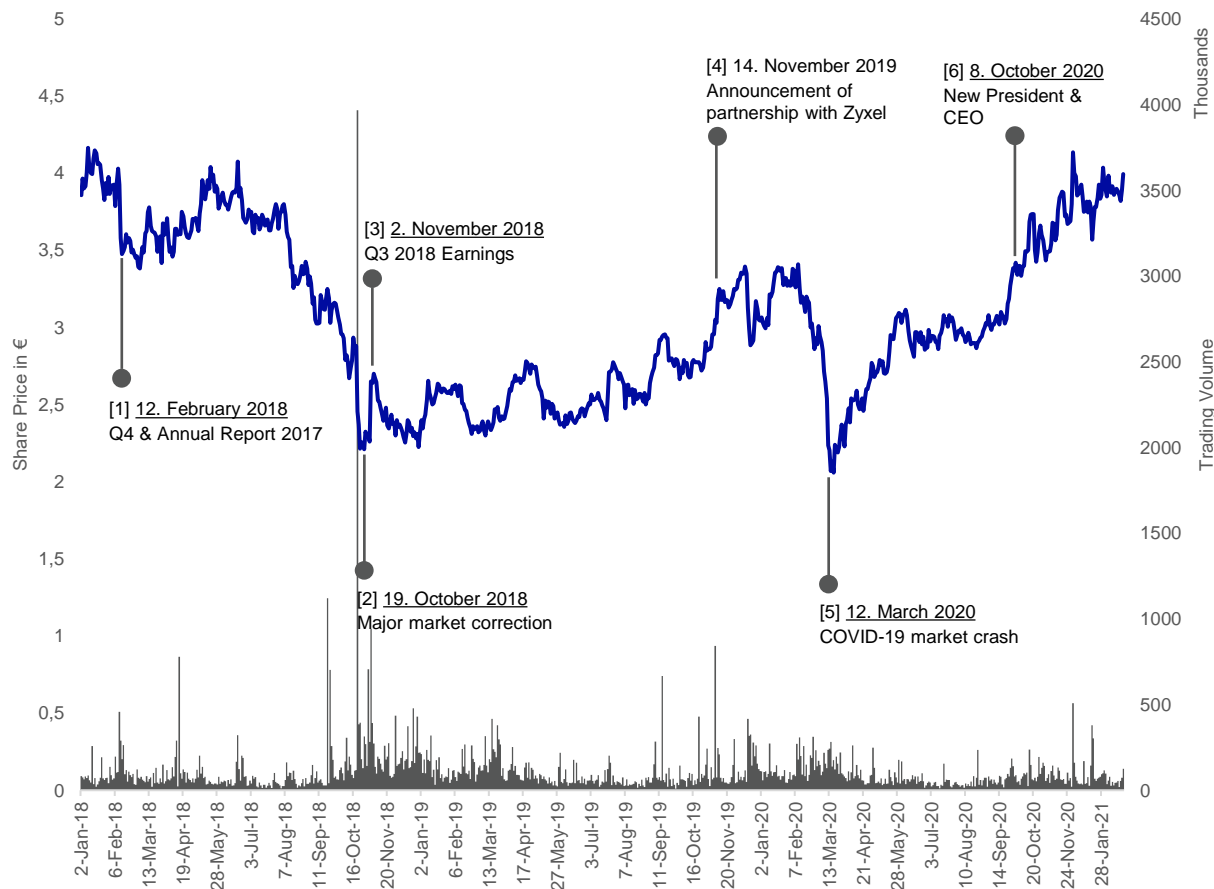


- BSc. (WU)

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Share Price Performance

F-Secure flies under the radar of cybersecurity investors

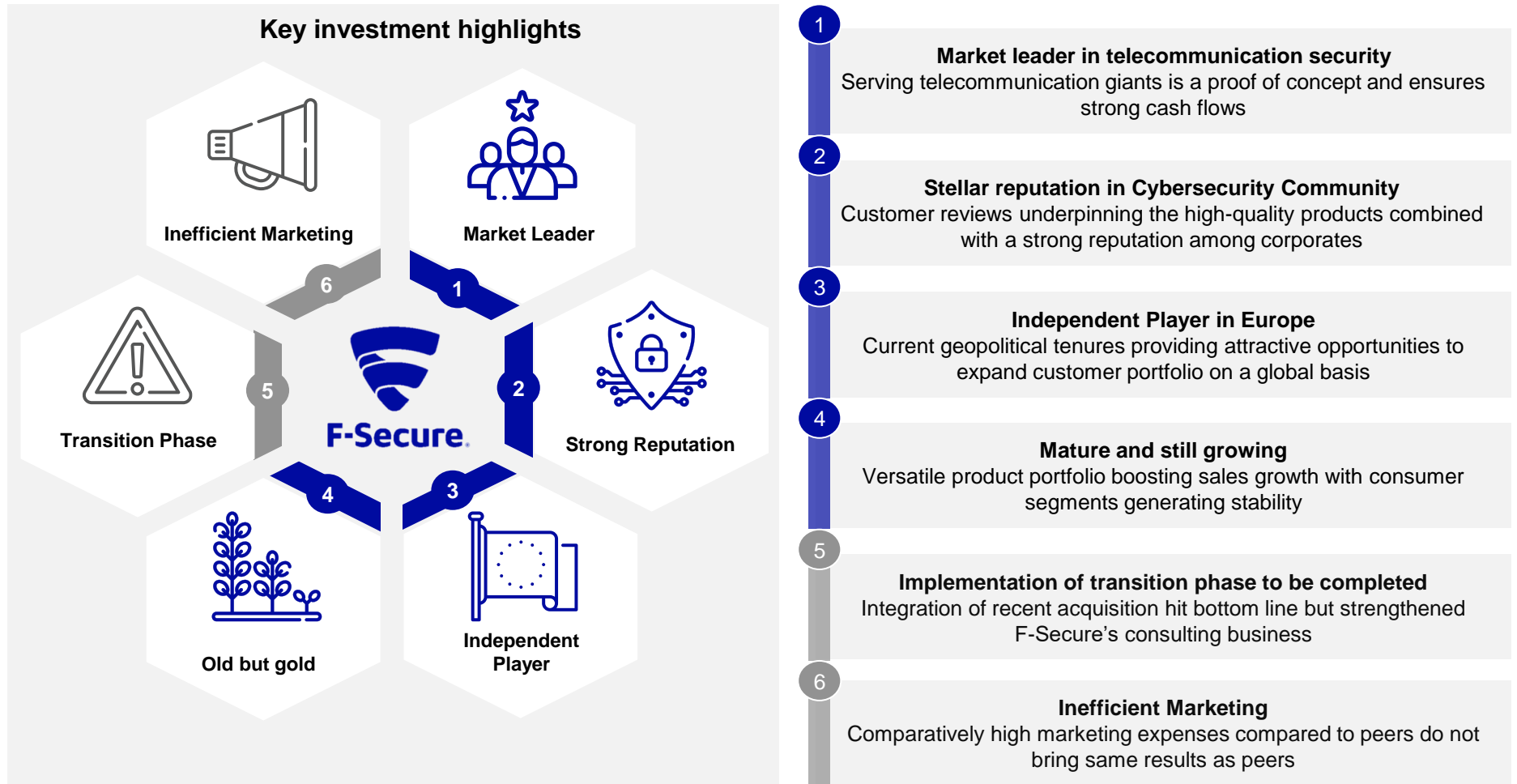


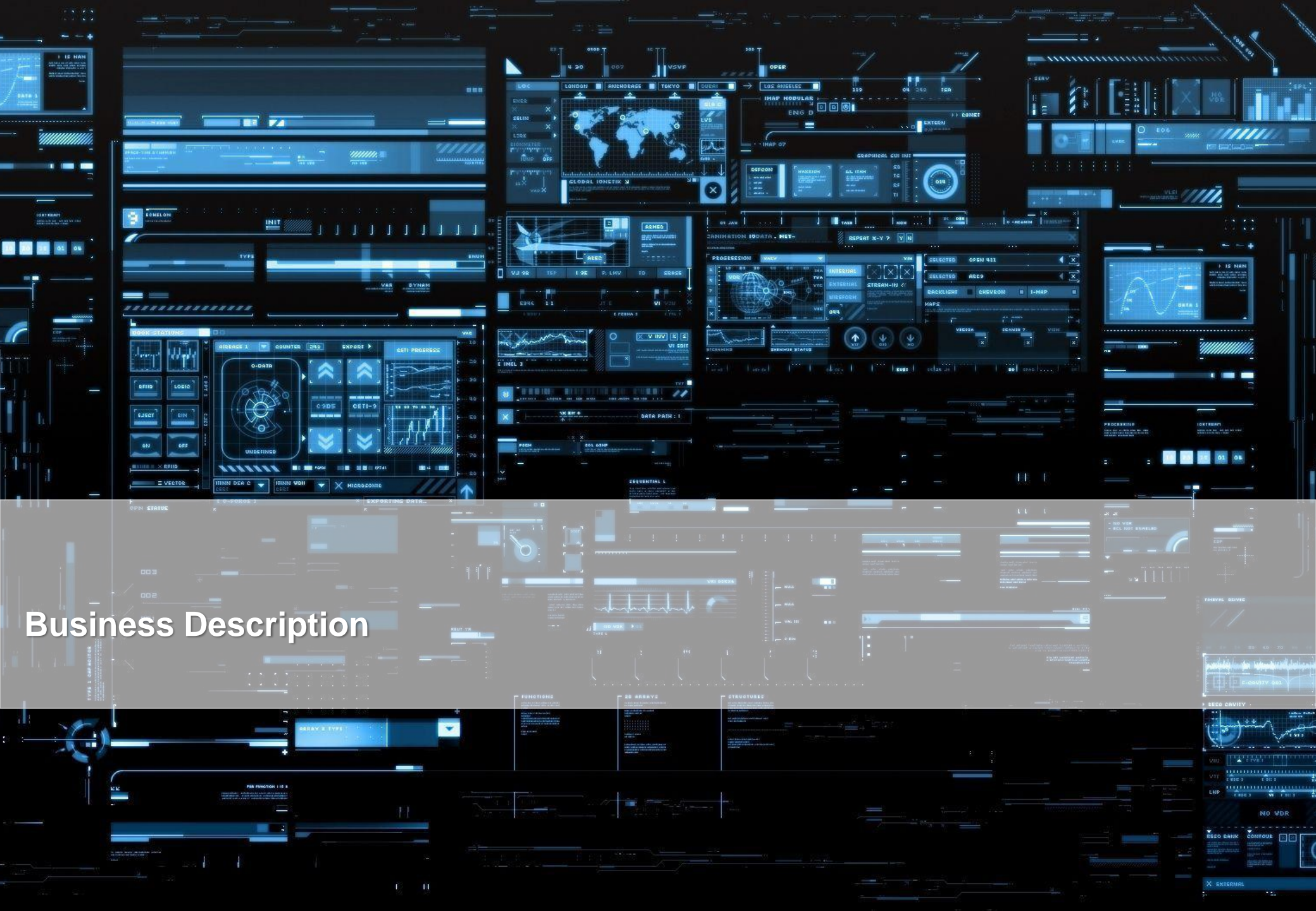
Share price – Major Events

- [1] 12.02.2018 (-8,82%) – Published Q4 Earnings and Annual Report 2017
- [2] 19.10.2018 (-14,76%) – Market correction 2018: S&P 500 is down 6,9%
- [3] 02.11.2018 (+17,26%) – Published Q3 Earnings Report 2018: acquisition of MWR
- [4] 14.11.2019 (+5,12%) – F-Secure integrates its cyber security software into Zyxel's residential gateways and devices
- [5] 12.03.2020 (-12,01%) – COVID-19 market crash
- [6] 08.10.2020 (+5,29%) – Juhani Hintikka appointed President and CEO of F-Secure Corporation

Investment Thesis

A Boomer play on a Zoomer industry





Business Description


Company Overview I


Well established cybersecurity company with experienced management

Business description

- Finnish cybersecurity company with focus on the Nordics and the rest of Europe
- Currently comprises developing, offering and selling of corporate security products and services (consulting), as well as consumer security products

 **Headquarters:** Helsinki, Finland

 **Established:** 1988, originally under the name "Data Fellows"

 **Employees:** approx. 1,700 employees as of the end of 2020

 **IPO:** 1999

Financials

EUR mn	2016	2017	2018	2019
Revenue	158,289	169,754	190,731	217,338
Revenue Growth (%)	7,2%	7,2%	12,4%	13,9%
Sales&Marketing	(95,487)	(86,697)	(95,037)	(105,988)
(%) of Revenue	60,4%	51,2%	49,8%	48,4%
R&D Expenses	(28,396)	(34,091)	(35,741)	(39,568)
(%) of Revenue	17,7%	20,1%	18,8%	18,4%
EBIT	19,231	11,549	4,539	7,160
Net Income	24,284	10,233	3,656	6,280

Note: Only Excerpt of F-Secure's Management Team and Board of Directors

Management team



Juhani Hintikka, President and CEO

- Since October 2020
- Previously investor and advisor for F-Secure
- Prev. CEO at Comptel, an international software company



Eriikka Söderström, CFO

- 4 years at F-Secure
- Significant CFO experience in other leading telecommunication firms



Mikko Hyppönen, Chief Research Officer

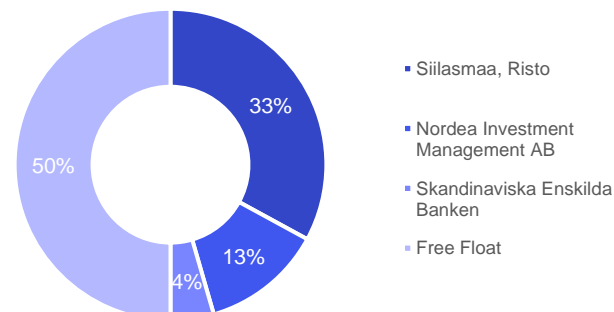
- Finland's best known cyber security expert with stellar reputation for his expertise on a global level
- Face of F-Secure

Founder, chairman of the board and major shareholder



Risto Siilasmaa, Founder & Chairman

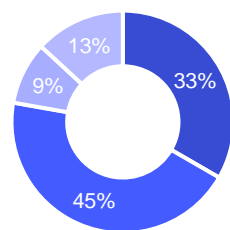
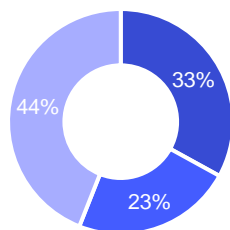
- CEO until 2006, had other leadership positions
- Business angel, investing in tech companies
- Still a major shareholder in F-Secure



Company Overview II

Offers a broad product portfolio that is up to date with the current demand

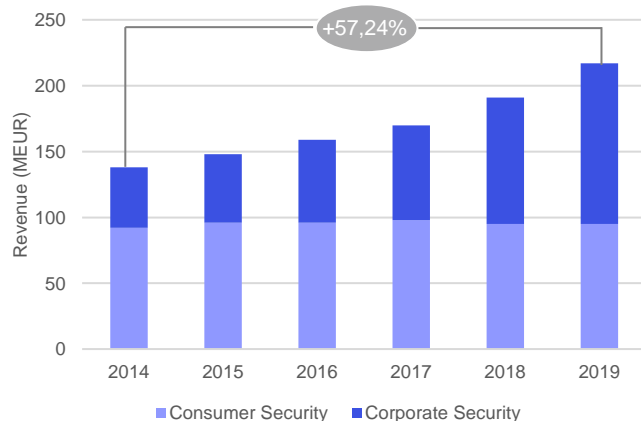
Revenue split per segment and geographic footprint



- Corporate products
- Corporate services
- Consumer
- Nordics
- North America
- Other Europe
- Other countries

€ 217 Mio. in 2019

Corporate security fuels growth & solid consumer business



CAGR

'14 - '19

21,54%

0,64%

Product portfolio

Consumer security

Products

- Endpoint Protection (Safe)
- Privacy Protection VPN (Freedom)
- Password Management (Key)
- Cyber security router (Sense)
- Identity Protection (ID Protection)

Operators

200+ globally

Retail & Online



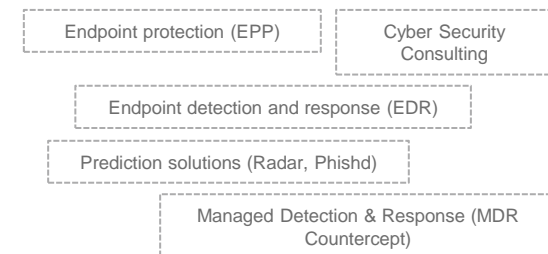
Reference customers:



Corporate security

Products

Services



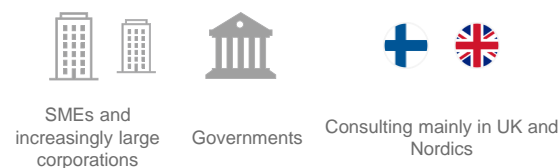
Corporate Security Products

Channel Partners
6,000+ globally

Direct Sales

Cyber Security Consulting

Direct Sales
300+ consultants



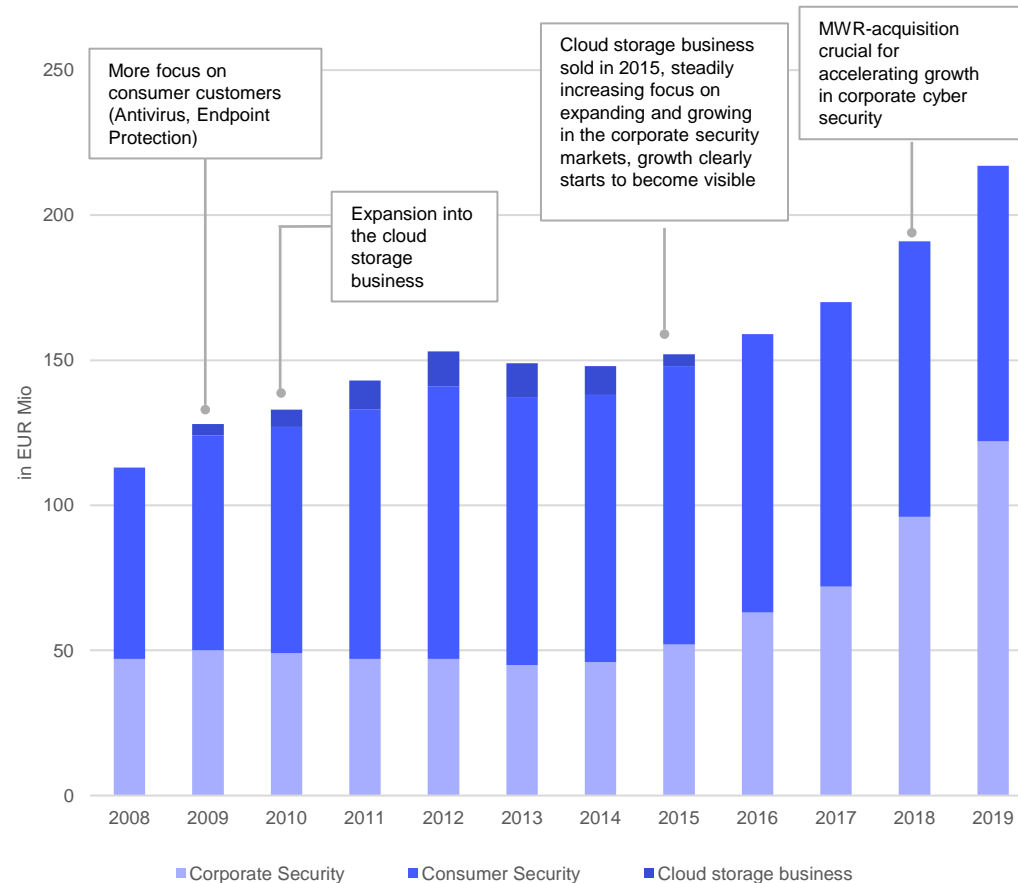
Served industries:



Ongoing transition phase to high growth markets

F-Secure enlarges product portfolio and responds to changes in the market environment

Historic development



Strategic roadmap

Implemented strategy and current state of F-Secure

- Market leader in telecommunication technologies by serving A1, Swisscom, Vodafone etc.
- Strong distribution channel with more than 6,000 partners worldwide
- Acquisition of UK-based MWR accelerated shift to consulting, signaling a strong shift in F-Secure's strategy

Mid-term strategy

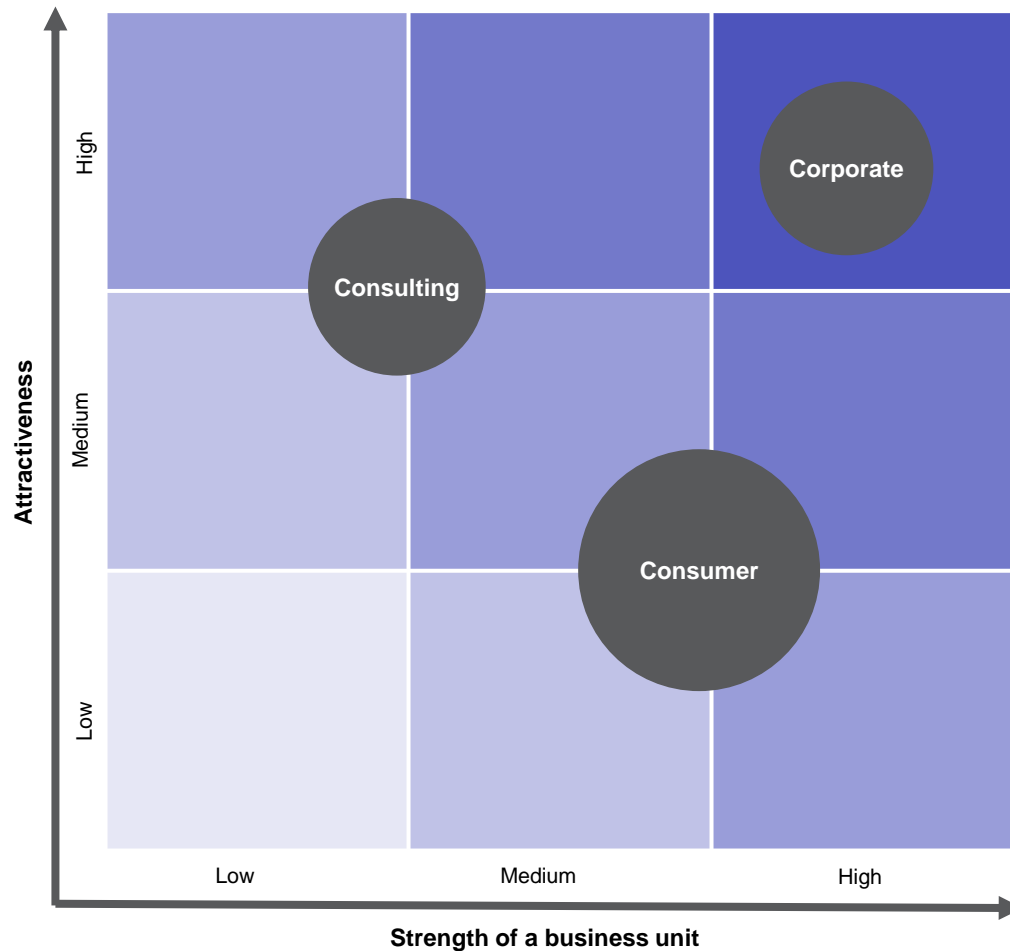
- Integration of a recent M&A transaction
- Sacrifice of margins for growth development in MDR solutions and consulting business
- Maintain R&D spending constantly high in order to ensure competitiveness with peers

Long-term strategy

- Become European market leader in MDR solutions
- Foster strong position in consumer business

Product Segments

F-Secure's corporate sector shows a promising future while consumer remains stable



Consumer	
+	-

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Good profitability and stable growth supports focus towards corporate security expansion ▪ Excellent product reviews | <ul style="list-style-type: none"> ▪ Often sold only under operators brand name → no brand recognition among consumers ▪ Marketing efforts need to be improved |
|---|--|

Corporate (incl. MDR)	
+	-




























- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Products, especially MDR highly attractive with attractive potential to grow ▪ Well established products ▪ More experience compared to peers | <ul style="list-style-type: none"> ▪ Fierce competition ▪ Cyber security breaches could damage reputation ▪ Less media coverage than younger peers |
|--|---|

Consulting	
+	-

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ F-Secure very well positioned in the market due to little amount of competitors ▪ Offers cross-selling opportunities with products | <ul style="list-style-type: none"> ▪ Project-driven business → suffered slightly during Covid-19 |
|---|---|

Product Overview

Product reviews underpin F-Secure's expertise in the industry

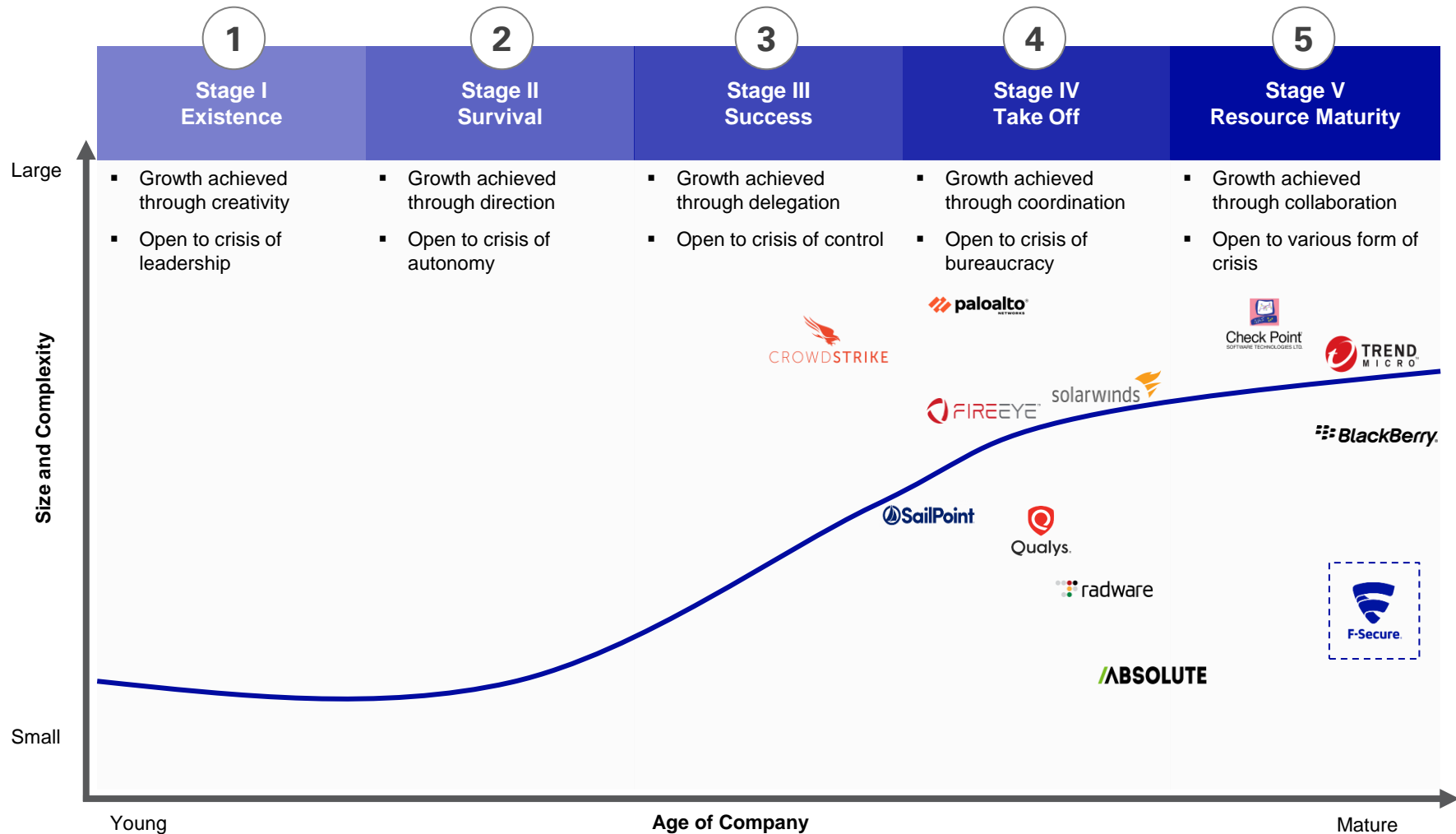
Consumer 					Corporate 			
Product Name	TOTAL	SAFE	FREEDOME	ID PROTECTION	EPP & EDR	Radar	MDR (Countercept)	Consulting
Description	Bundle consists of SAFE internet security, Freedom VPN and ID protection	Endpoint protection (antivirus, browsing- and ransomware protection)	Secure and private browsing with privacy protection VPN	Password storage and status, breach alerts, online identity monitoring to prevent identity theft	Monitors company's network and detects cyber attacks, AI-driven technology	Vulnerability management	Detects attacks and responds 24/7, used by large banks, airlines, enterprises with more than 1,000 employees	Offers critical IT systems consulting to large corporations and other parties
Price/ Year	\$99.99 for 5 devices	\$59.90 for 3 devices	\$39.90 for 3 devices	\$39.90 for 5 devices	Depending on the size and demands of corporates			
# of devices (max. included)	7	7	7	10	Starting from 250 sensors			
Customer Reviews								N/A
Peers	 	  	 		  	  	 	 
Peer Pricing	€	€	€€	€€€	NortonLifeLock EPP costs around \$750	N/A		



Note: Price Positioning compared to selected Peers if available per 28/01/2021. Pricing for Corporates not allowed to disclose from Webinar Call with F-Secure

Peer Benchmark

Considering F-Secure's age the company is very small



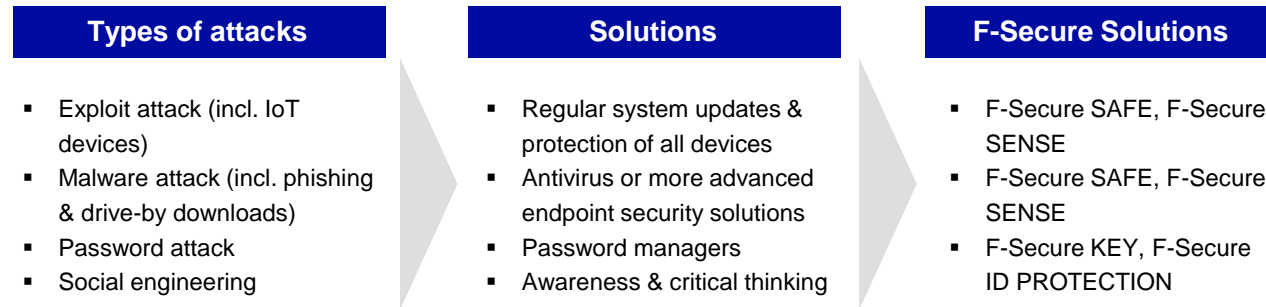


Market and Industry Overview

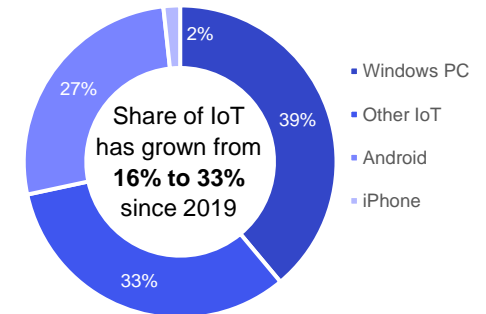
Industry Overview I – Consumer Cybersecurity Products

Mature market with minimal growth potential

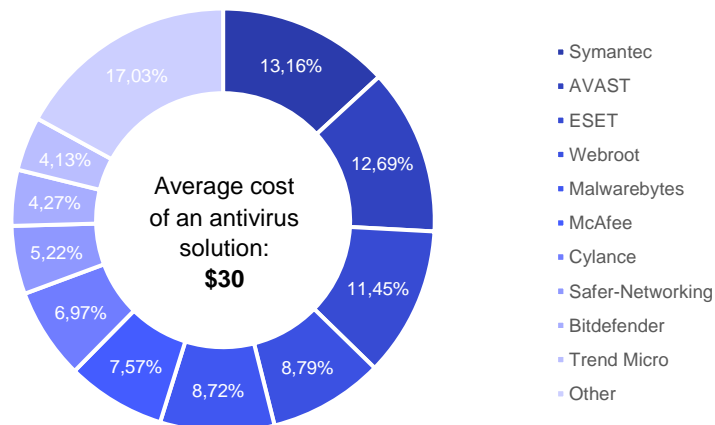
Types of malicious attacks directed at individual consumers & solutions for each type of attack



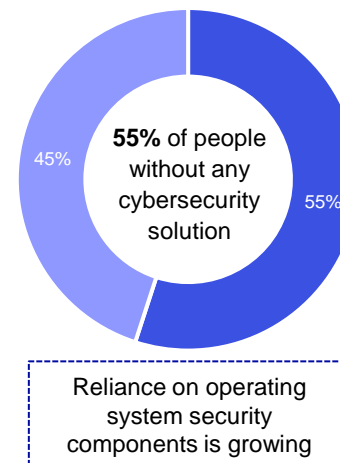
Breakdown of most attacked devices



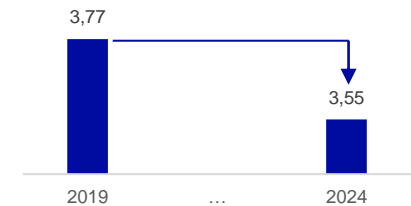
Antimalware vendors by market share



Consumer cybersecurity market size & potential



Antivirus market size (USD bn)

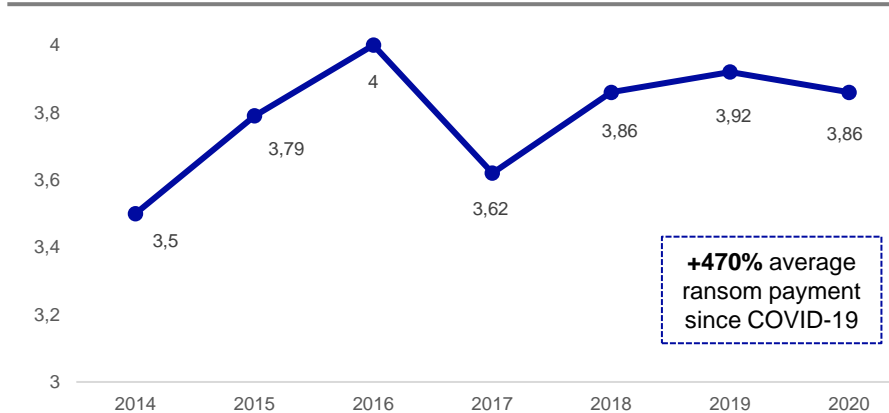


Forecasted growth rate of the general consumer cybersecurity market: 3%

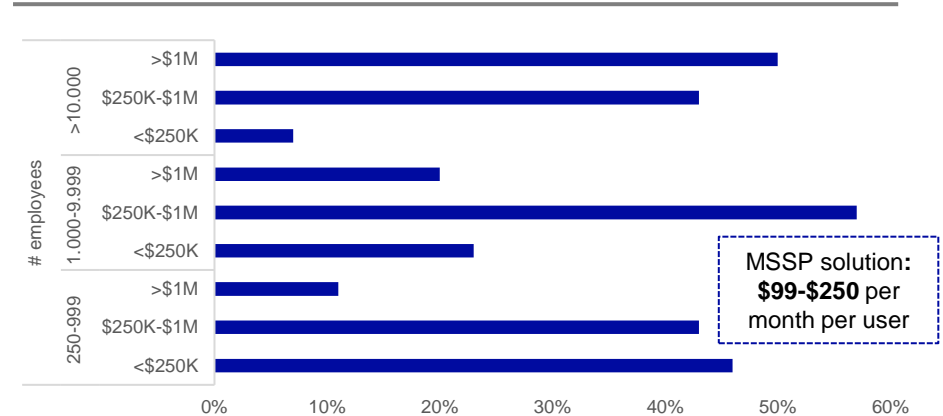
Industry Overview I - Corporate Cybersecurity Products

Cybersecurity is expensive - No cybersecurity is more expensive

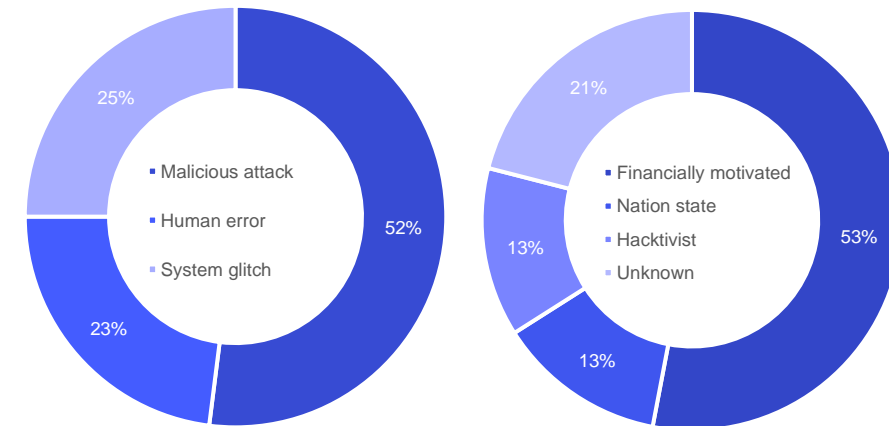
Average total cost of a security breach (USD mio)



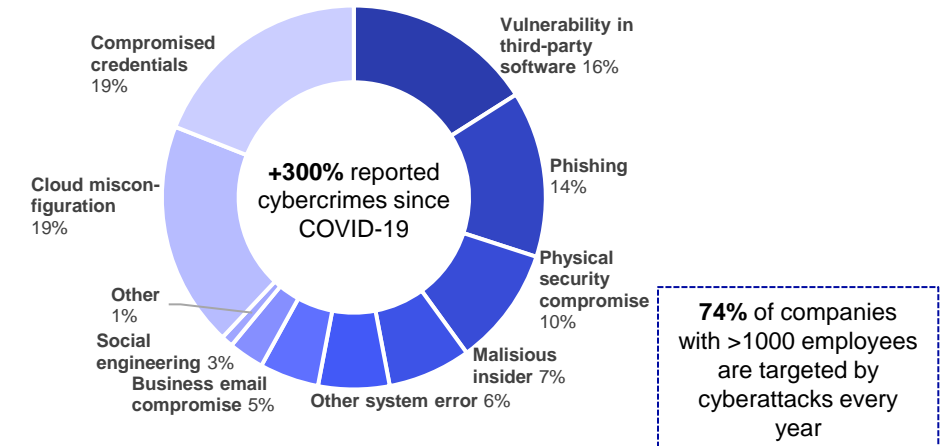
Average annual cybersecurity spending



Corporate cybersecurity breaches by root cause & actor type



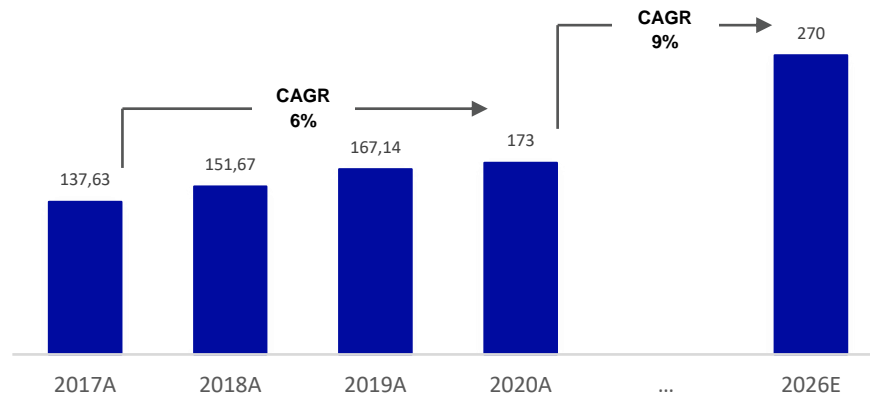
Malicious breach root causes by threat vector



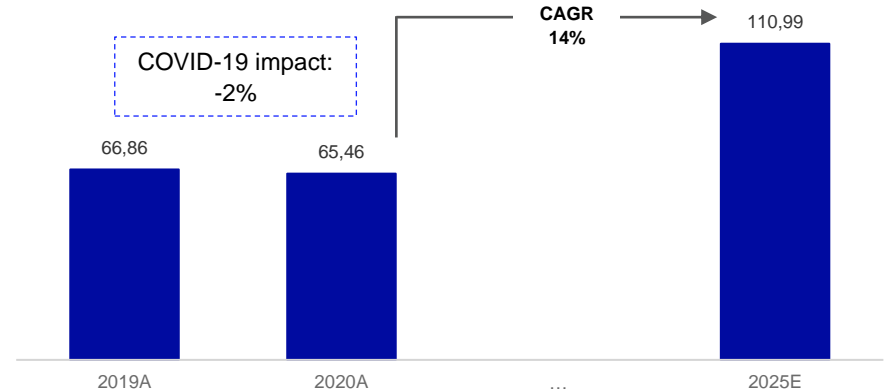
Industry Overview II

Corporate segment pushing market growth

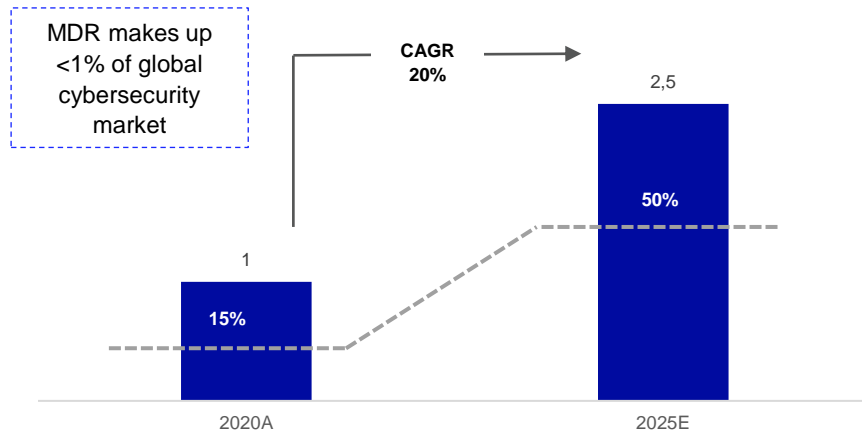
Global cybersecurity market size (USD bn)



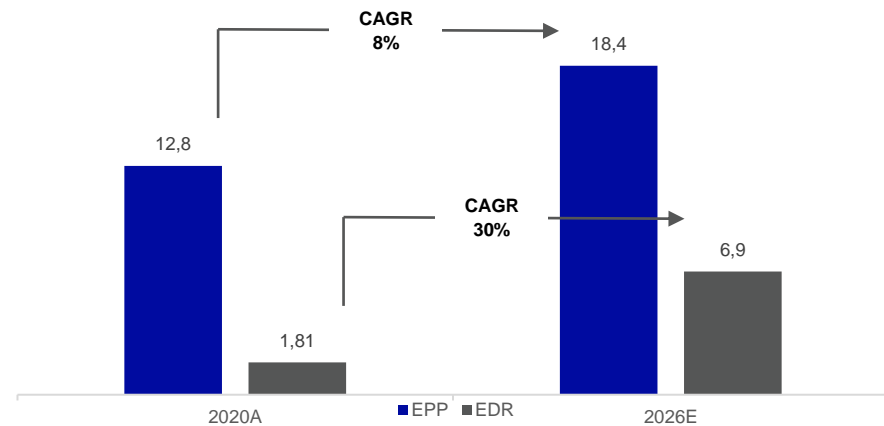
Global cybersecurity services market (USD bn)



Global MDR market (USD bn) VS % of organizations using MDR



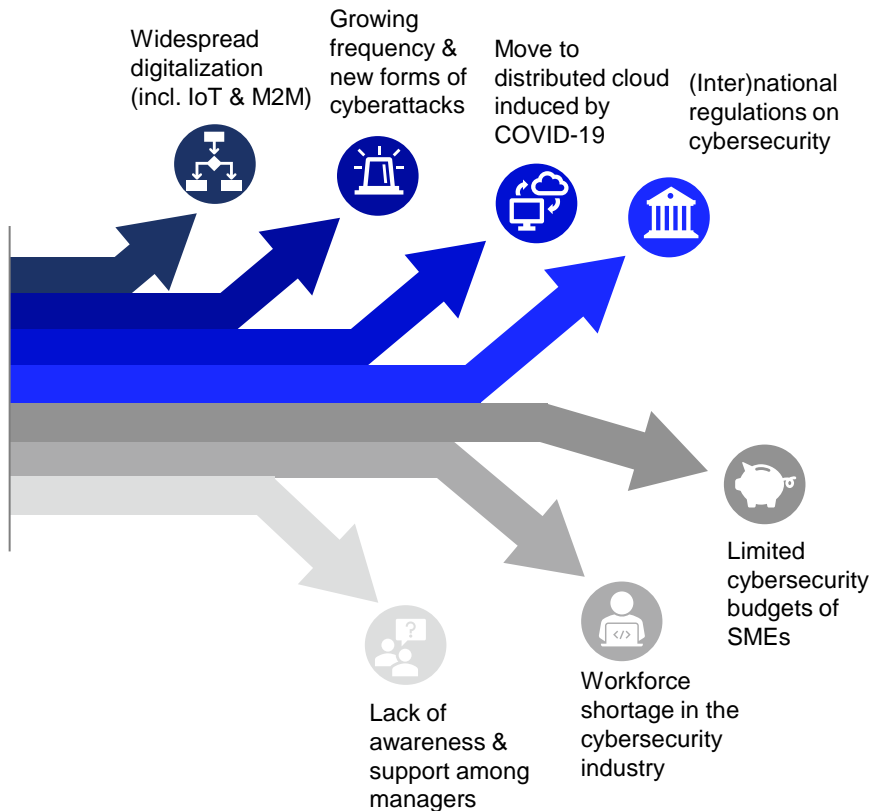
Global EPP & EDR market (USD bn)



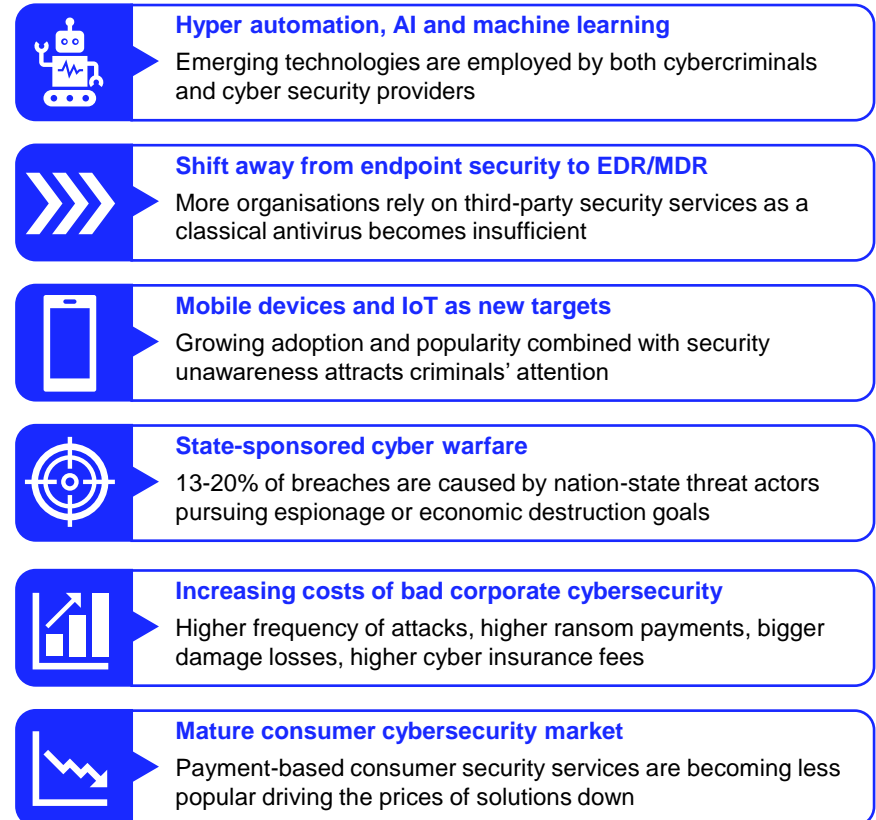
Market Drivers & Trends

New opportunities driven by technological improvements

Market drivers & inhibitors



Industry trends

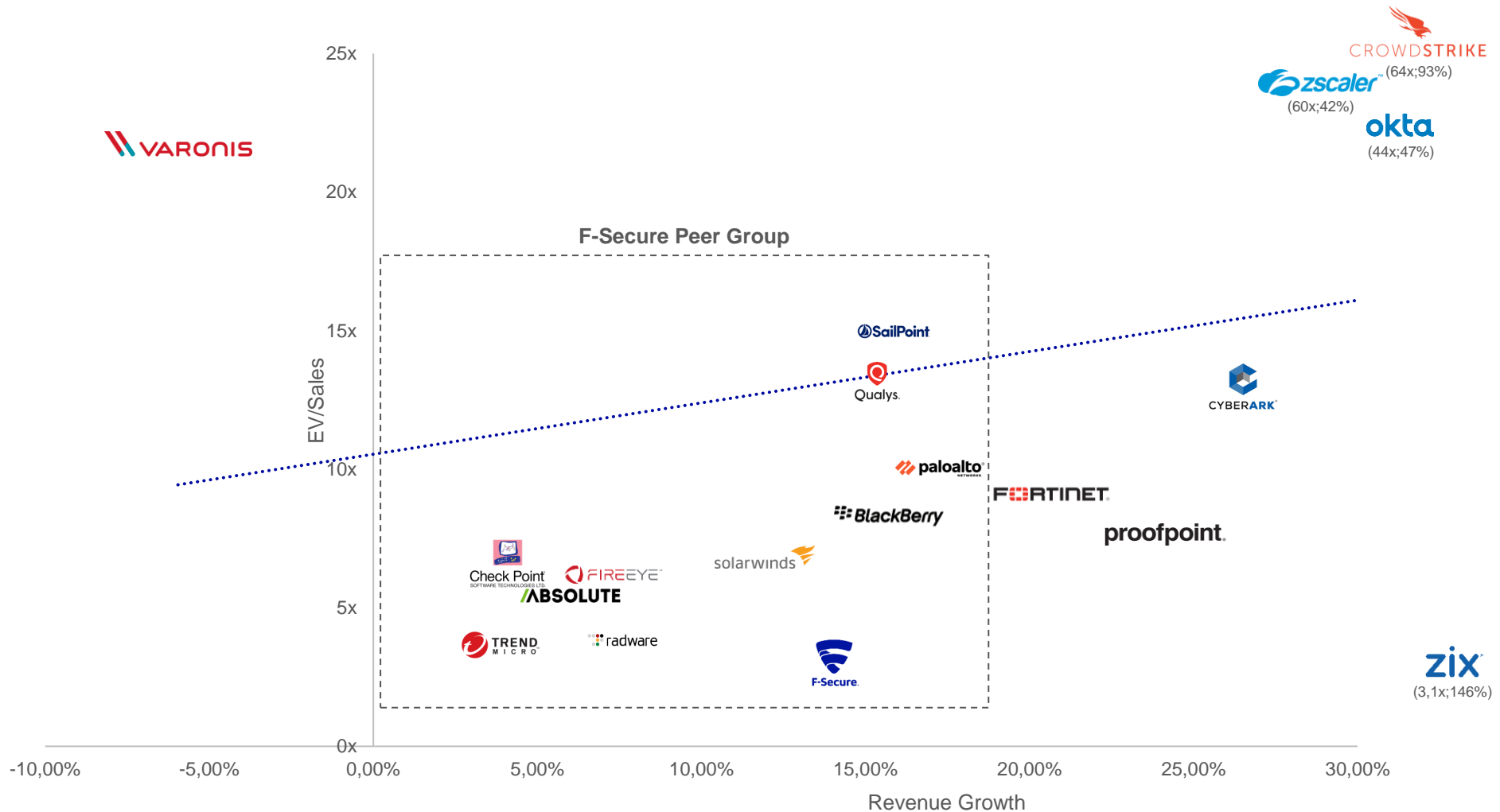




Financial Analysis

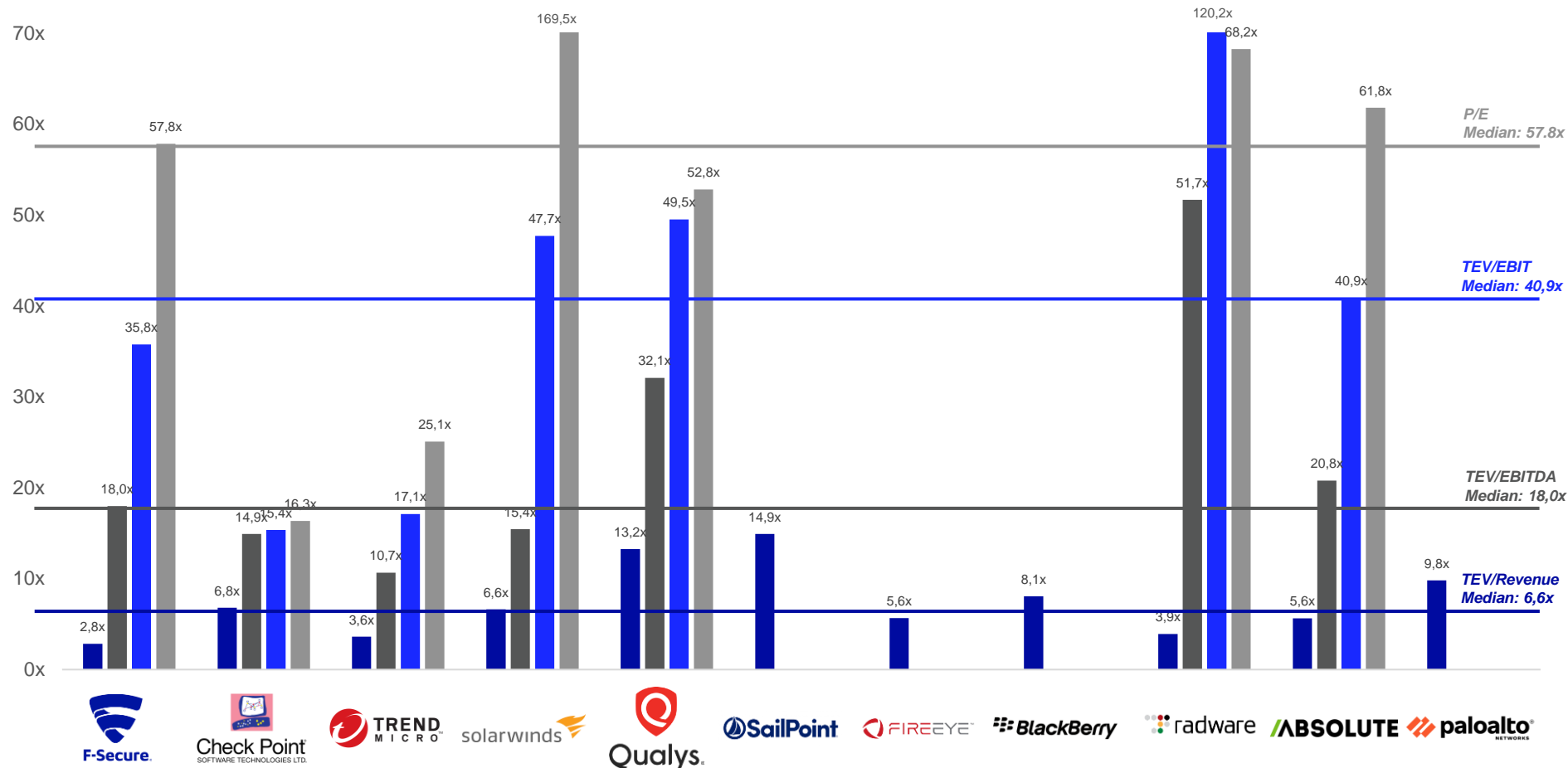
Cyber Security Benchmarking Framework

By measuring EV/Sales and revenue growth F-Secure's peers are determined



Comparable Company Analysis

Multiple comparison within peer group shows F-Secure at or below median

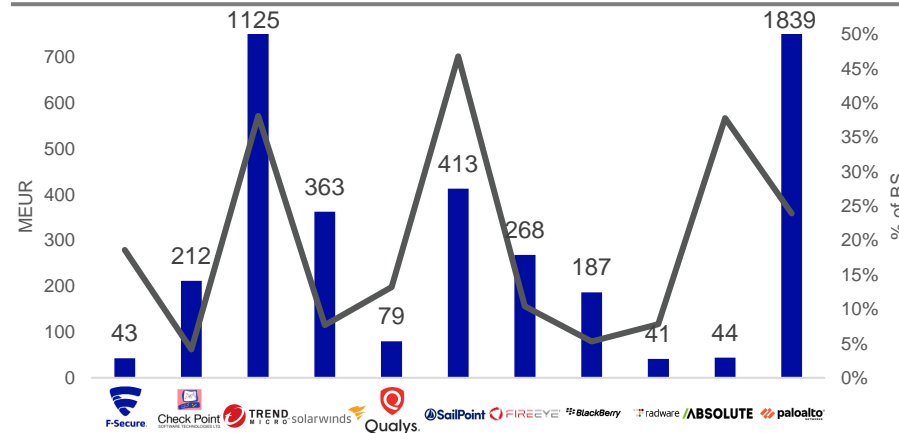


Note: Data available per 22.01.2021

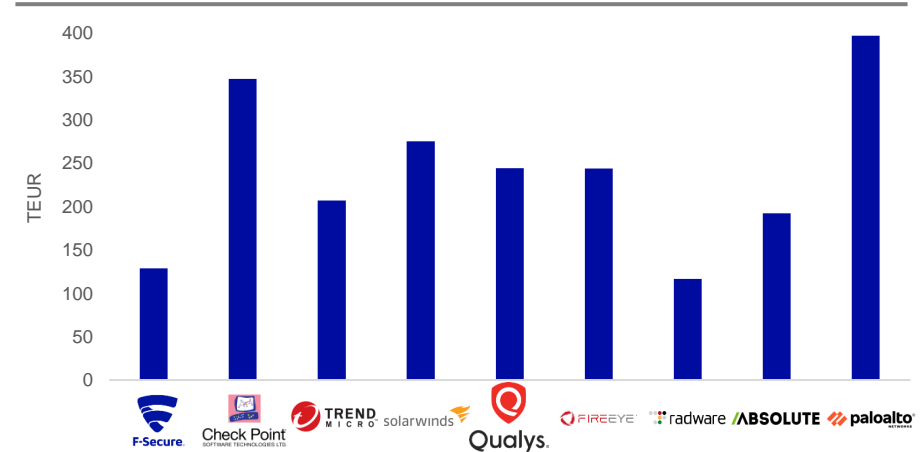
Key Performance Indicators in the Industry I

Constraint in size but outperforming peers in the most important aspect – product quality

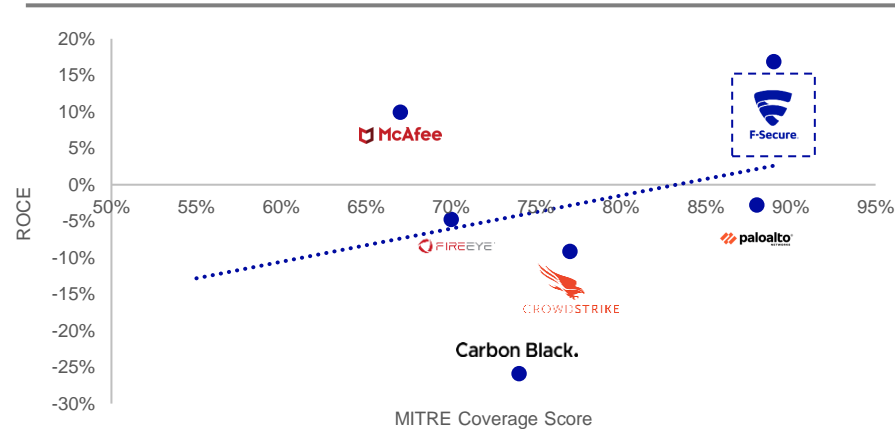
Due to their size F-Secure has rather low cash & cash equivalents



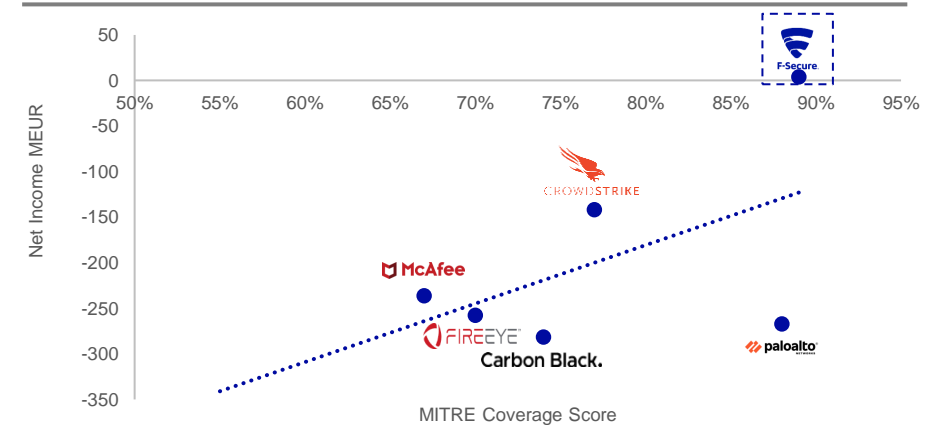
F-Secure ranks low in revenue / employee compared to peers



F-Secure outperforms competitors in both ROCE & MITRE Scores



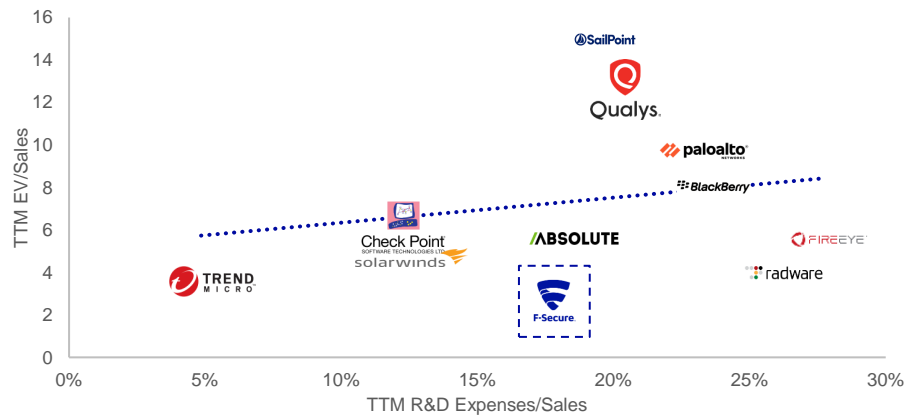
Comparing quality and financial performance F-Secure stands out



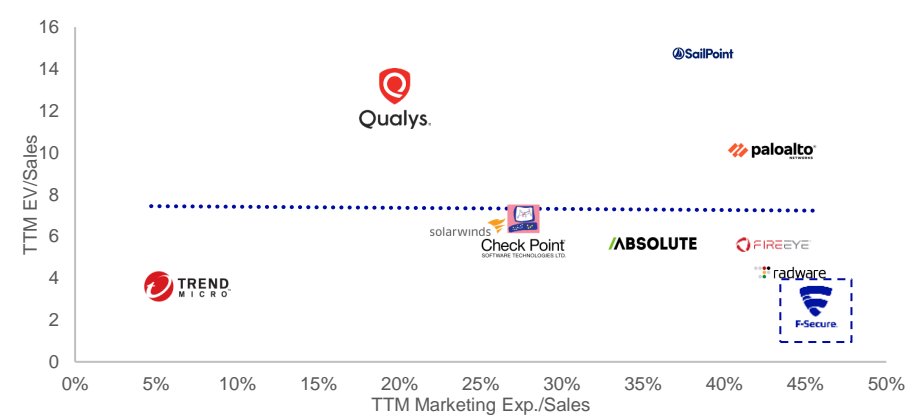
Key Performance Indicators in the Industry II

Comparatively high marketing spending and is not reflected in multiples

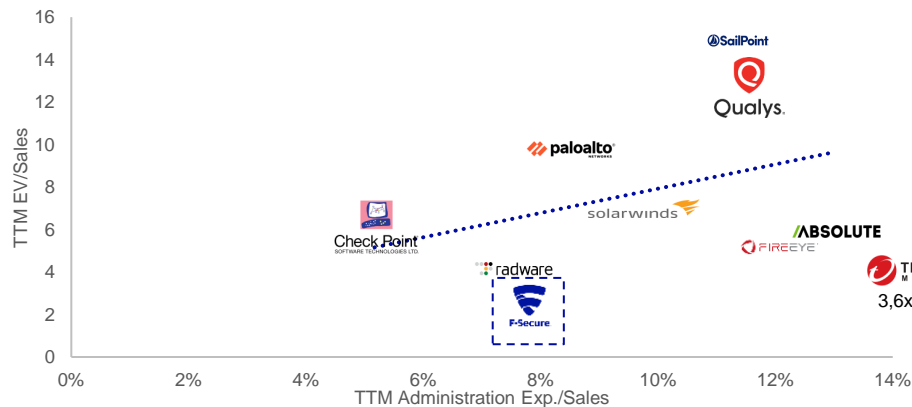
Peers spend comparatively more on R&D



F-Secure occur high marketing expenses yet rank lowest in EV/Sales



Administration costs only play a subordinate role compared to peers



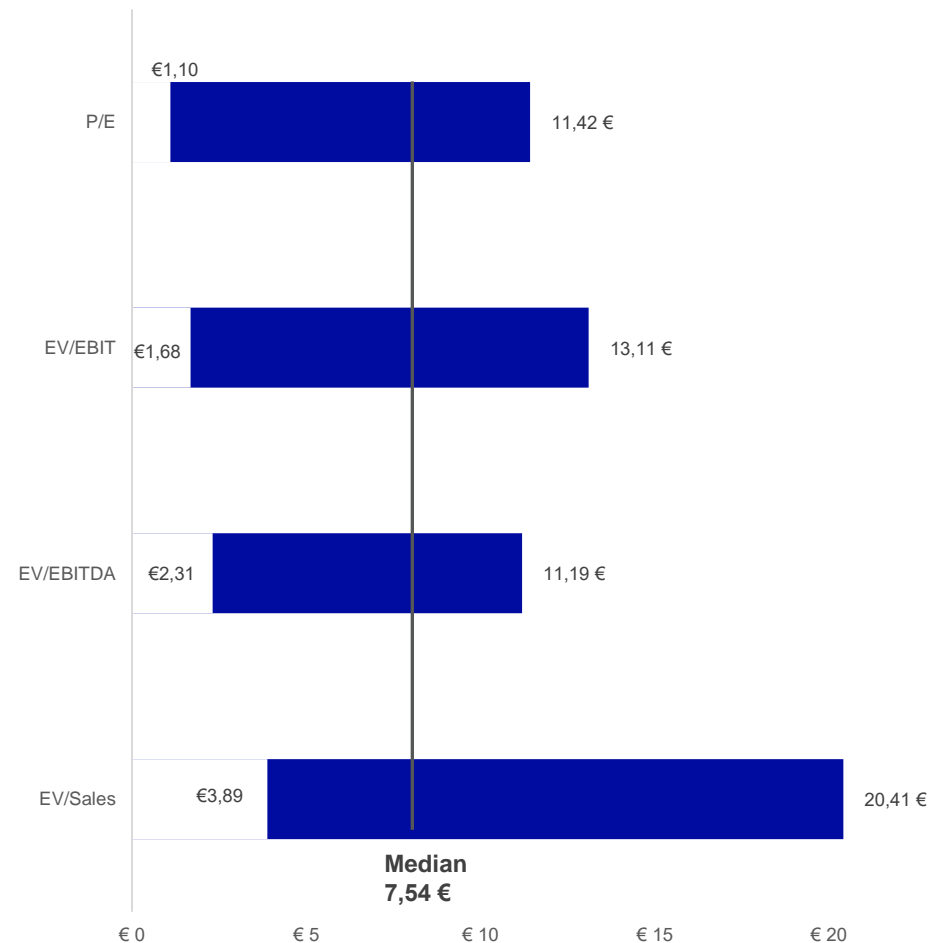
Key Performance Indicator Overview

Company	TTM Sales	R&D %	Marketing %	Admin. %	EV/Sales
F-SECURE	218,4	17,77%	45,52%	7,79%	2,83x
Check Point	1827,1	12,16%	27,03%	5,17%	6,77x
Trend Micro	1419,3	4,85%	4,68%	45,55%	3,60x
SolarWinds	894,8	12,16%	26,15%	9,74%	6,60x
Qualys	315,2	20,33%	20,07%	11,55%	13,23x
SailPoint	313,5	19,54%	38,90%	11,35%	14,91x
FireEye	829,3	27,72%	42,75%	12,05%	5,65x
Blackberry	853,1	23,52%	N/A	N/A	8,06x
Radware	221,9	26,25%	44,11%	7,48%	3,89x
Absolute Softw.	96,1	18,25%	35,78%	12,91%	5,62x
Palo Alto Networks	3184,3	23,31%	43,10%	8,49%	9,79x

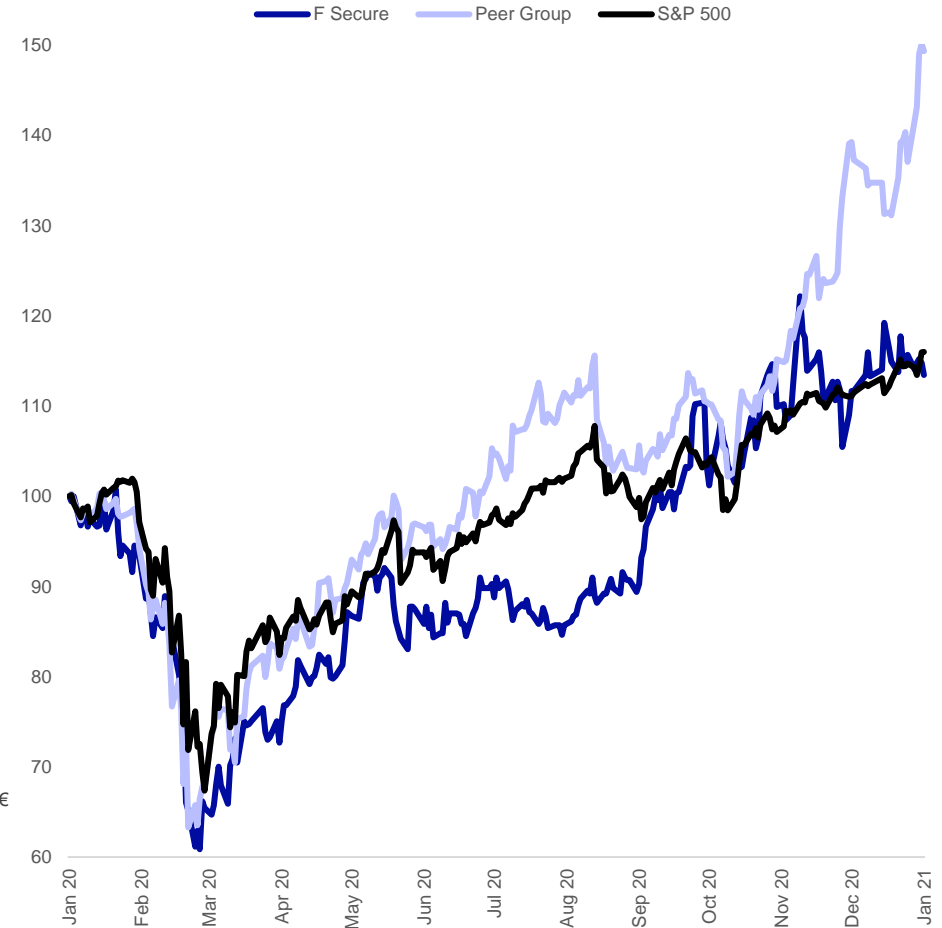
Comparable Company Analysis

F-Secure's CCA underlines the strong upside potential in comparison to their peer group

TTM Football field chart share price highlights potential upside

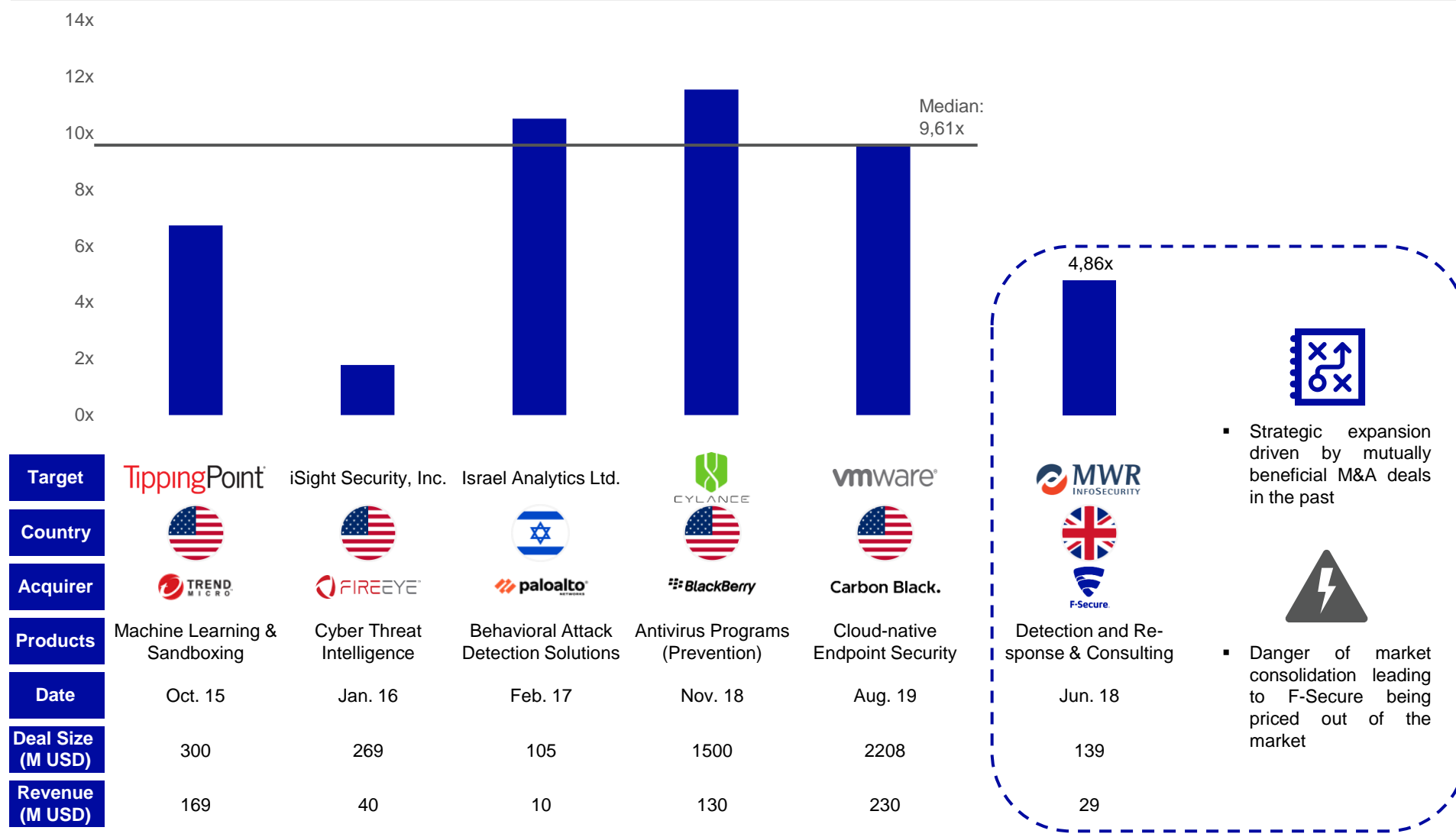


Share price development shows peer group outgrow F-Secure



M&A Activity

High prices prevail recent transactions in the industry

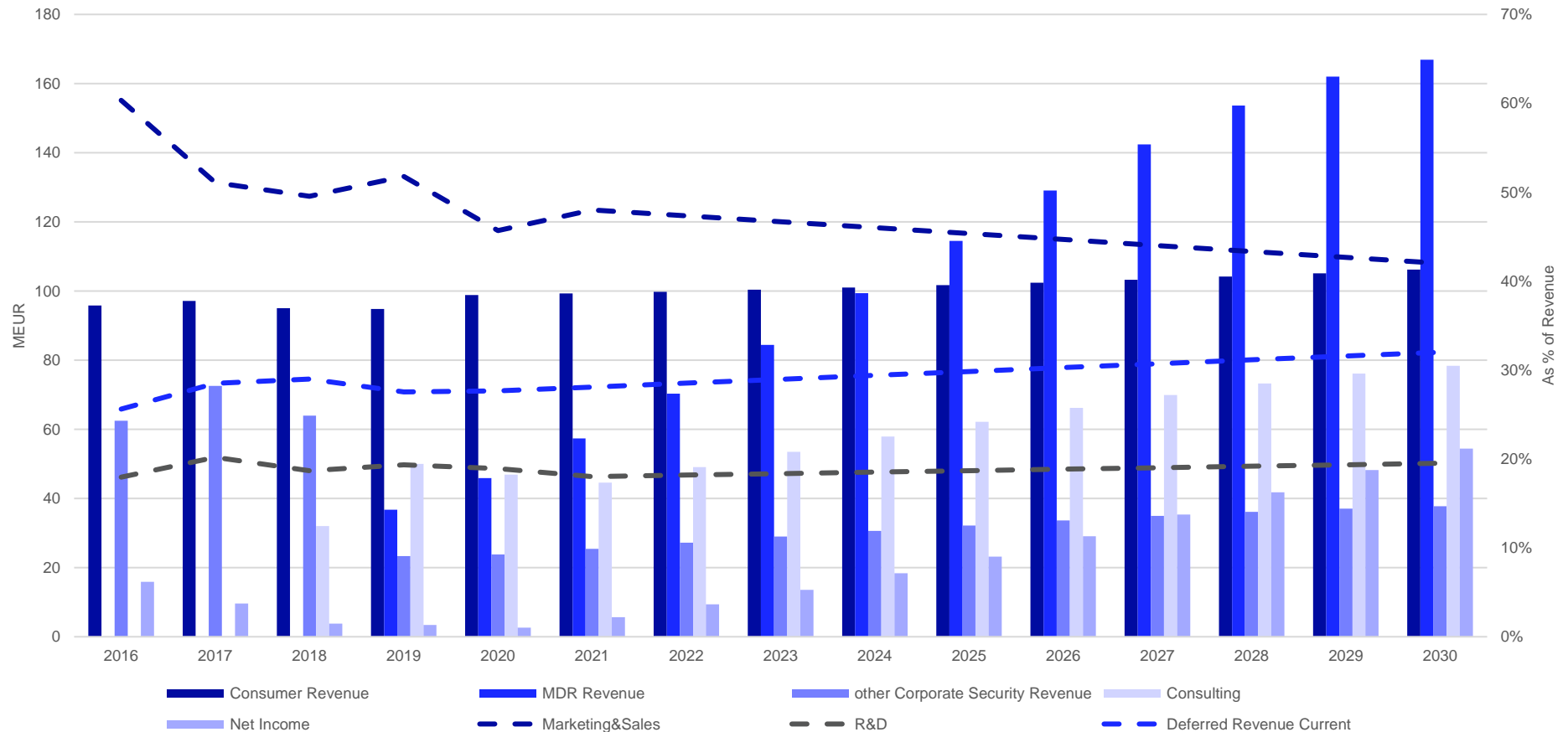




Valuation Analysis

DCF Analysis – Sacrificing profitability for growth

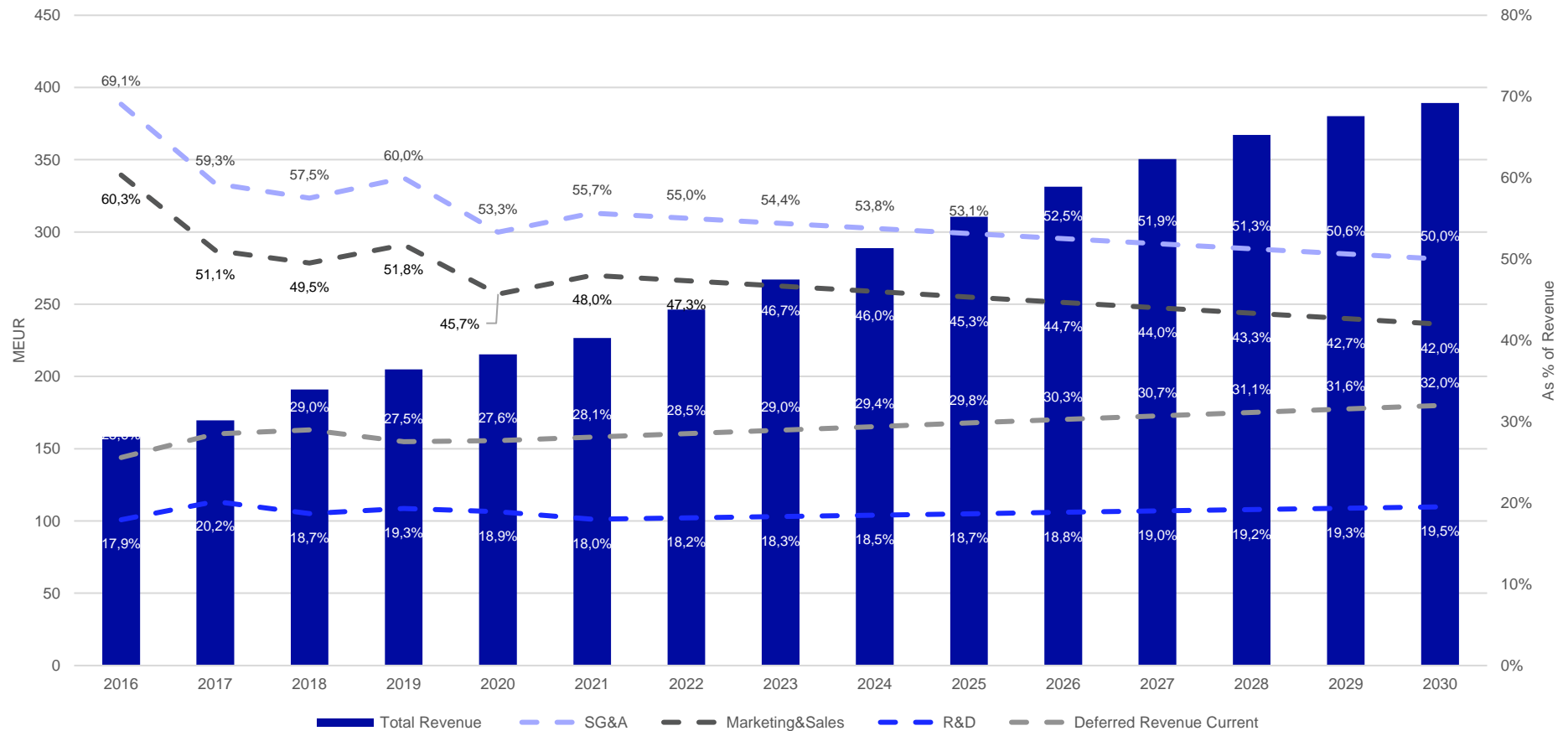
MDR Revenue boosts sales underlined by stable margin development



Note: Reclassification for MDR Revenue in 2019

DCF Analysis – Subscription model boosts deferred sales

Constant high marketing and R&D expenses ensure competitiveness





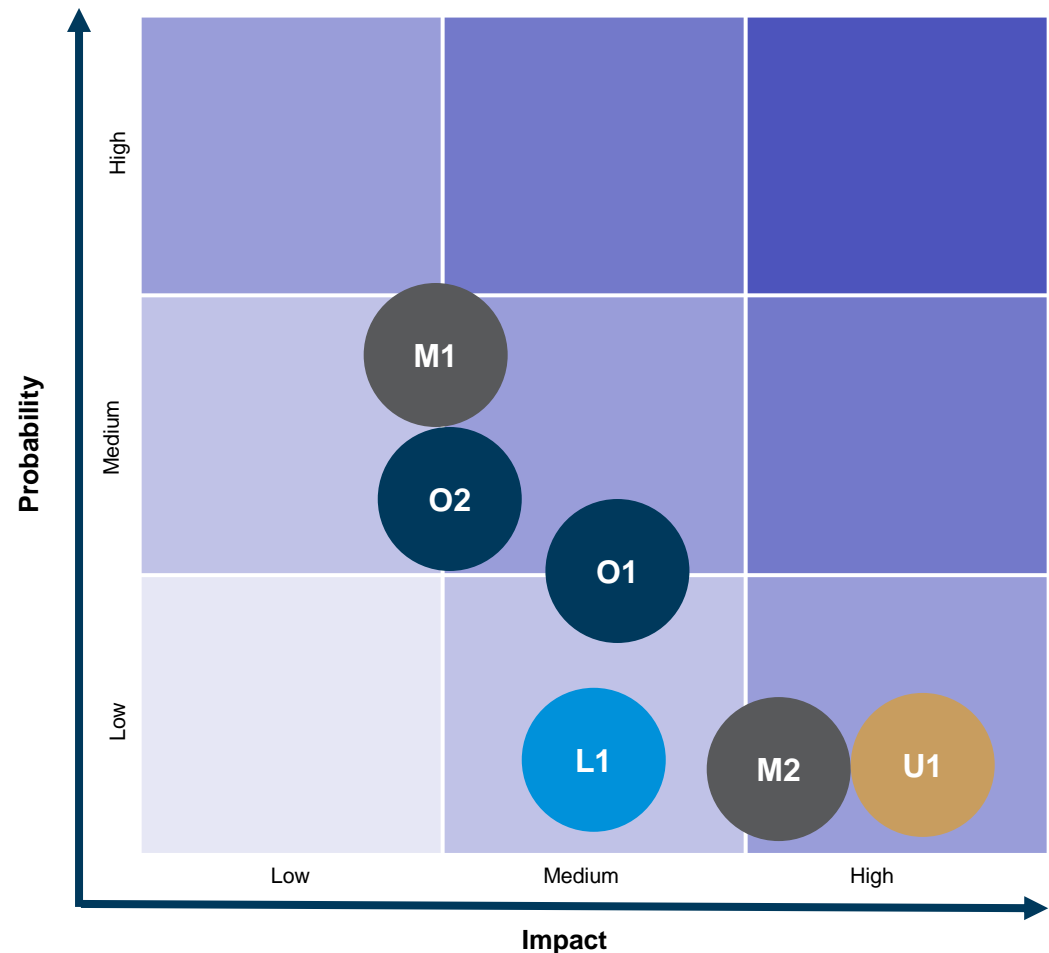
Risk Analysis

Company Specific Risks

F-Secure is highly dependent on its strong reputation

- O1** A failed rollout of a new product or service could severely damage F-Secure's high reputation
- O2** A failure of F-Secure to acquire new talent would result in decreased R&D and failure to adequately service new clients
- M1** A consolidation of the retail cyber security market by the competition could put F-Secure under further price pressure
- M2** A failure of F-Secure to stay up to date with their product offering could lead to drastic decreases in sales
- L1** A change in the geopolitical environment could force F-Secure's customers to switch to different providers
- U1** A failure of F-Secure to detect a breach of a client would lead to massive investor distrust and decreased reputation

Operations (O) – Market (M) – Legislation (L) – Uncategorized (U)



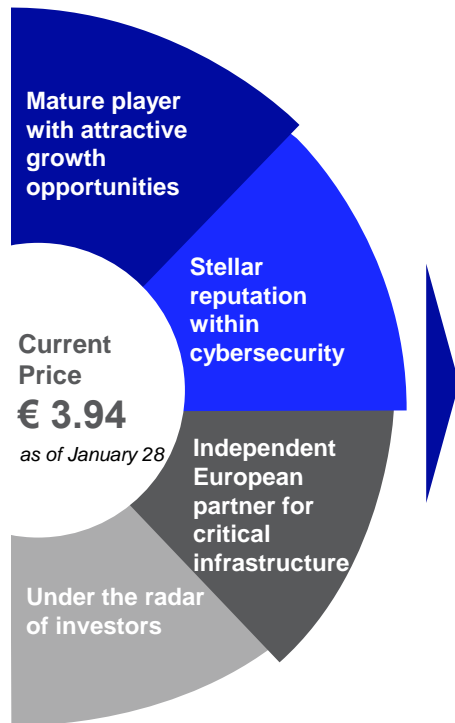
Catalysts

A variety of events could influence F-Secure's share price

Catalyst	Type	Influenced factor	Estimated impact on share price
10 th of February 2021 – Fourth Quarter 2020 Results – meeting internal guidelines	Hard	Gain of investors trust	Strong – F-Secure meeting their guidelines in Q4 would proof to investors that their transition towards corporate business is working
29 th of April 2021 – First Quarter 2021 Results – meeting internal guidelines	Hard	Gain of investors trust	Strong – F-Secure meeting their guidelines in Q1 would proof to investors that recent M&A activity has been fully integrated
F-Secure advising on corporate or government hack	Soft	Increased Brand Reputation	Strong – The involvement of F-Secure in the advisory of a large scale corporate or governmental hack would increase the reputation of F-Secure
Large scale cybersecurity attack	Soft	Increased sector inflows	Modest – A large scale cyber attack has shown to increase raise investments into the cyber security sector
Geopolitical changes	Soft	Increase in Marketshare	Modest – Geopolitical changes like the Schrems II decision could lead to competitors being restricted from operating in the EU growing market share

Conclusion – Buy

Hidden cybersecurity expert undiscovered by investors



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Transformation Stage

- From antivirus company with more priority on consumer security → more focus on rapidly growing corporate security market
- Sale of cloud storage business and acquisition of nSense (expanded F-Secure's corporate security portfolio)

Significant Acquisition

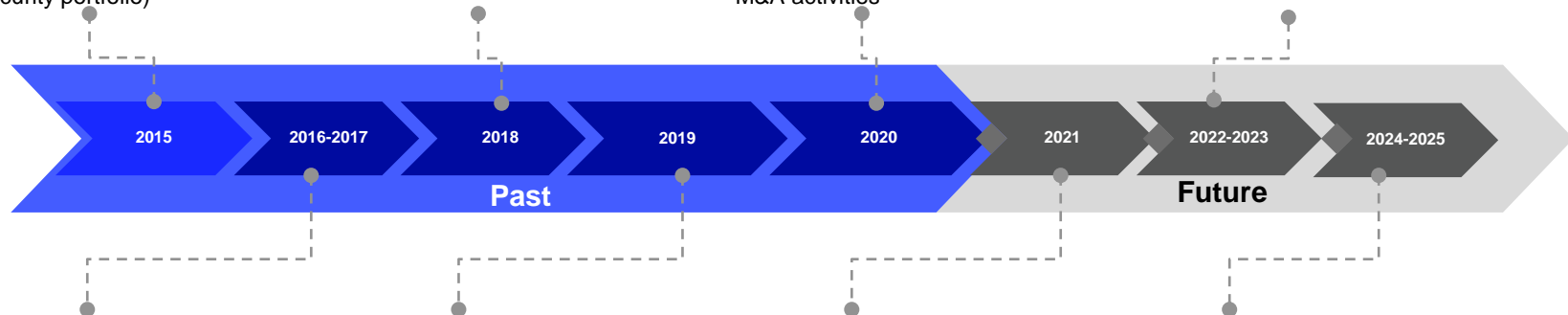
- Acquisition of MWR → huge step for corporate security part of the business
- Weight of consulting grew immensely
- Countercept product was also part of acquisition → strengthened F-Secure's position in detection and response solutions

COVID-19 Pandemic

- Corporate security growth expected to continue → though slower than previously expected because of global pandemic
- In Consumer security, aim → good profitability and stable growth for possible further acquisitions or payments related to former M&A activities

Finding the Right Balance

- Necessary to find the balance between further growth investments and profitability to not endanger long-term growth and value creation for shareholders
- Profitability expected to improve significantly in the long-term
- Strengthening the brand image through better marketing



New CEO

- Samu Kontinen joined as CEO → shift to more focus on developing detection & response solutions
- Consulting also strengthened with 2 smaller acquisitions
- Growing retailer channel

Focus on Growth

- Continued focus on growth investments in corporate security
- Growing network of partners: key to strategic expansion

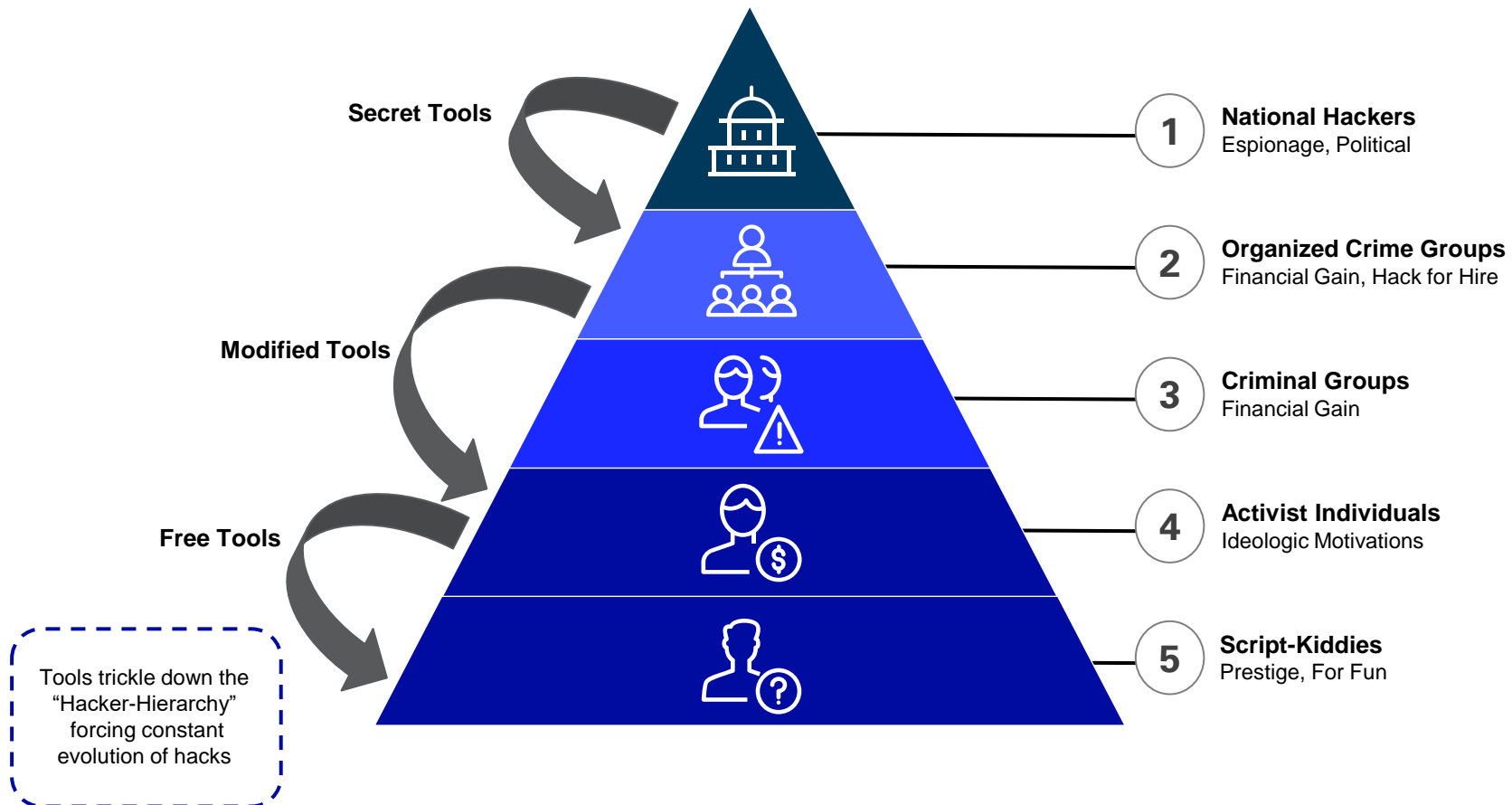
“Faster than the Market”

- Attracting and retaining talent through own talent and knowledge pools
- « Aim to grow faster than the market in corporate security » → above 15% annually
- More and more focus on larger companies

Continuous Improvement

- Absolutely vital for F-Secure to continuously expand and improve their product and service portfolio to stay competitive in the cyber security industry

Appendix B: Trickle Down Effect



Appendix B: Porter's Five Forces

Highly competitive industry

- Low switching costs in consumer segment
 - Long-term contracts & higher switching costs in corporate segment
 - High costs of in-house corporate cybersecurity system implementation
 - Other products do not necessarily offer the same security levels
- Low switching costs in consumer segment
 - Established big international players & numerous smaller regional competitors
 - Limited market share of F-Secure in both corporate and consumer segments
 - Price competition
 - F-Secure not known on the market despite relatively high service quality

High rivalry among competitors



- Entrants attracted by market growth (corporate segment) and increasing demand for new services
- Contract basis of business and well-developed relationships with existing customers
- Entry requires substantial capital investment
- Complexity of new technology development
- Limited professional workforce availability
- Economies of scale in process development

Moderate threat of new entrants

- Low switching costs in consumer segment
- High price sensitivity in consumer segment
- High costs of in-house corporate cybersecurity system implementation
- Several corporate customers of large size / governmental bodies and customers

Moderate bargaining power of buyers

Moderate threat of substitutes

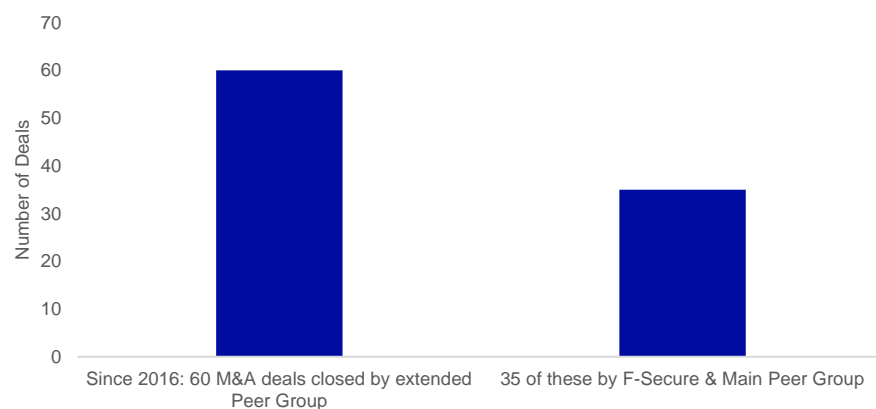
Low bargaining power of suppliers

- Very low & insignificant number of suppliers for physical products

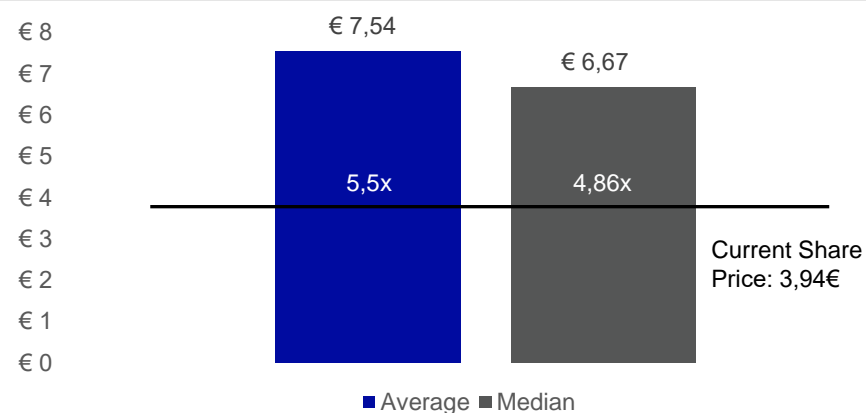
Appendix C: Comparable Company Analysis

Ongoing consolidation in cybersecurity industry

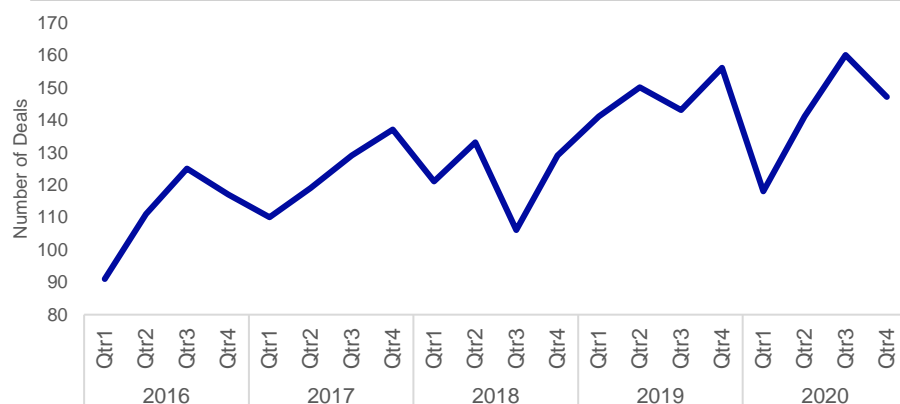
Peer group M&A activity over the past years was strong



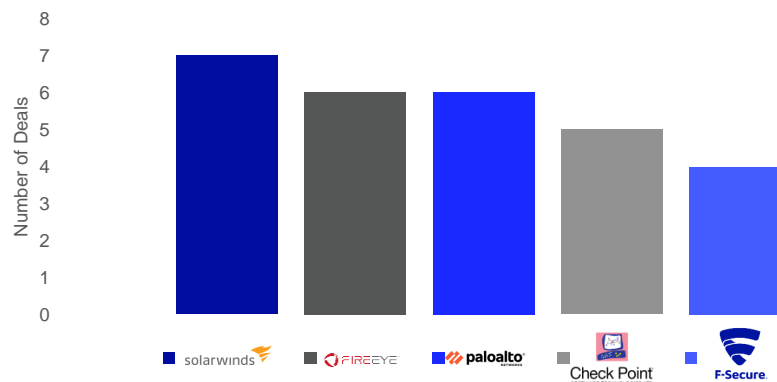
EV/Sales multiple resulting share price from CTA highlights upside



Total security software closed transactions increased over the past



F-Secure belongs to the most active players in M&A since 2016



Appendix D: Equity Bridge & Sensitivity Analysis

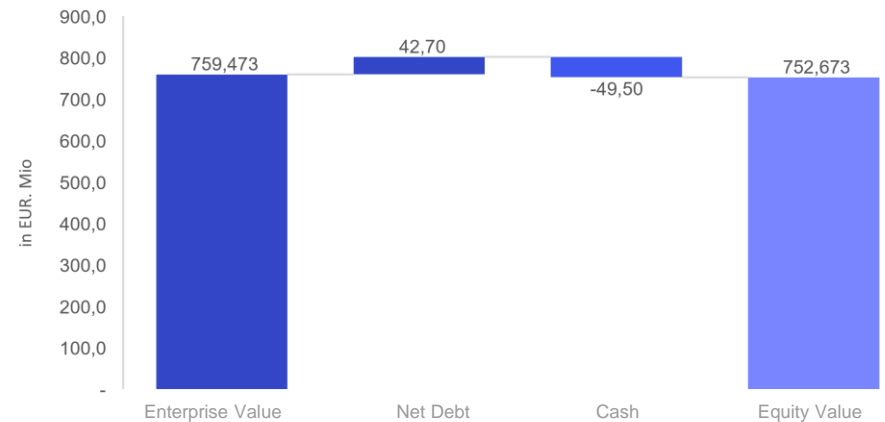
R&D expenses

	Terminal Growth Rate						
	0.25%	0.75%	1.25%	1.50%	2.00%	2.50%	3.00%
16.50%	4.26	4.45	4.67	4.79	5.07	5.39	5.79
17.00%	4.25	4.44	4.66	4.78	5.06	5.39	5.78
17.50%	4.25	4.44	4.66	4.78	5.06	5.38	5.78
R&D Expenses 19.50%	4.23	4.42	4.64	4.76	5.04	5.36	5.76
21.50%	4.21	4.40	4.62	4.74	5.02	5.34	5.74
23.50%	4.19	4.38	4.60	4.72	5.00	5.33	5.72
25.50%	4.17	4.36	4.58	4.70	4.98	5.31	5.70

Impact of deferred revenue

	Terminal Growth Rate						
	0.25%	0.75%	1.25%	1.50%	2.00%	2.50%	3.00%
29.00%	4.13	4.32	4.53	4.65	4.92	5.24	5.63
29.50%	4.15	4.33	4.55	4.67	4.94	5.26	5.65
30.00%	4.16	4.35	4.57	4.69	4.96	5.28	5.67
Deferred Revenue 32.00%	4.23	4.42	4.64	4.76	5.04	5.37	5.76
34.00%	4.30	4.49	4.71	4.84	5.12	5.45	5.85
36.00%	4.37	4.56	4.79	4.91	5.20	5.53	5.94
38.00%	4.43	4.63	4.86	4.99	5.27	5.61	6.03

Equity Bridge



Costs of capital

	Terminal Growth Rate						
	0.25%	0.75%	1.25%	1.50%	2.00%	2.50%	3.00%
6.36%	5.48	5.82	6.23	6.46	7.01	7.71	8.61
6.86%	5.00	5.27	5.60	5.79	6.22	6.74	7.41
7.36%	4.59	4.81	5.08	5.23	5.57	5.98	6.49
WACC 7.86%	4.23	4.42	4.64	4.76	5.03	5.36	5.75
8.36%	3.92	4.08	4.26	4.36	4.58	4.85	5.16
8.86%	3.64	3.78	3.93	4.02	4.20	4.42	4.67
9.36%	3.40	3.52	3.65	3.72	3.87	4.05	4.26

Appendix D: WACC

Company Name	Share Price	Shares Out.	Market Capitalization	LTM Total Debt	LTM Net Debt	LTM Total Pref. Equity	LTM Minority Interest	Total Enterprise Value Latest	5 Y Levered Beta	5 Y Unl. Beta	Debt to Equity	LTM Eff. Tax Rate
Check Point Software Technologies Ltd.	€ 110.1	140.2	€ 15,441.6	€ 24.1	€ 3,221.2	€ -	€ -	€ 12,220.4	0.66	0.66	0.16%	12.96%
Radware Ltd. (NasdaqGS:RDWR)	23.6	46.2	1,092.2	15.8	279.3	-	-	811.7	0.97	0.96	1.45%	22.12%
Qualys, Inc. (NasdaqGS:QLYS)	120.1	39.0	4,684.7	42.9	323.9	-	-	4,362.8	0.79	0.78	0.92%	10.00%
BlackBerry Limited (TSX:BB)	20.4	562.9	11,471.9	626.6	70.3	-	-	11,399.2	1.28	1.21	5.46%	0.00%
Trend Micro Incorporated (TSE:4704)	44.8	138.7	6,213.8	-	1,507.7	-	7.5	4,713.1	0.35	0.35	0.00%	32.48%
Absolute Software Corporation (TSX:ABST)	10.6	49.0	521.4	8.4	40.0	-	-	479.6	0.78	0.77	1.61%	32.52%
SolarWinds Corporation (NYSE:SWI)	14.6	314.0	4,575.0	1,670.3	1,328.1	-	-	5,905.2	1.07	0.84	36.51%	26.74%
Palo Alto Networks, Inc. (NYSE:PANW)	277.1	314.0	87,006.3	2,875.8	186.4	-	-	27,015.4	1.5	1.45	3.31%	0.00%
FireEye, Inc. (NasdaqGS:FEYE)	17.7	226.0	3,991.2	908.9	72.3	-	-	4,062.5	1.26	1.03	22.77%	0.00%
SailPoint Technologies Holdings, Inc. (NYSE:SAIL)	43.5	90.9	3,956.0	290.2	101.7	-	-	3,854.6	2.01	1.87	7.34%	0.00%
F-Secure Oyj (HLSF:FSC1V)												
Summary Statistics	€ 4.00	158.2	€ 632.00	€ 41.3	€ 6.40	€ -	€ -	€ 638.40	1.09	1.04	6.53%	25.14%
High	Day Close Price Latest	Shares Outstanding Latest	Market Capitalization Latest	LTM Net Debt	LTM Total Pref. Equity	LTM Minority Interest	Total Enterprise Value Latest	5 Year Beta	LTM Effective Tax Rate			
Mean	€ 4.0	39.0	€ 521.4	€ 3,221.2	€ -	€ -	€ 479.6	0.35	0.35	0.00%	0.00%	
Average	62.4	189.0	12,689.6	(359.2)	-	-	6,860.3	1.07	1.0	7.82%	14.72%	
Median	23.6	140.2	4,575.0	(70.3)	-	-	4,362.8	1.07	0.96	3.31%	12.96%	
Low	277.1	562.9	87,006.3	1,328.1	-	7.5	27,015.4	2.01	1.87	36.51%	32.52%	
Equity Ratio (%)		Debt Ratio (%)	Effective Tax Rate	5Y Unlevered	5Y Relevered							
Current Capital Structure	93.53%	8%	25.14%	1.04	1.09							
Capital Structure of Peer Group	95%	5%	12.96%	0.96	0.99							
Normalized Risk Free Rate	2.50%											
Weighted Equity Risk Premium	Revenue Split	Equity Risk Premia										
	33%	5.10%	Finland									
	45%	5.91%	Average Europe									
	9%	4.72%	North America									
	13%	7.89%	Rest (Asia, Australia)									
	100%	5.79%	F-Secure Risk Premia									
Costs of Equity Current Capital Structure	8.80%											
Costs of Equity Peer Group Structure	8.21%											
WACC Current Capital Structure	7.83%											
WACC Peer Group	7.88%											
Weighted WACC	7.86%											

Appendix D: Discounted Cash Flow Analysis

DCF	Historical Period					Forecasting Period									
					2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue	158.29	169.60	190.90	204.80	215.31	226.59	246.26	267.16	288.78	310.43	331.30	350.50	367.09	380.22	389.15
Consumer Revenue	95.80	97.10	95.00	94.80	98.77	99.26	99.76	100.32	100.95	101.64	102.40	103.24	104.14	105.12	106.17
as % of Revenue	0.00%	57.25%	49.76%	46.29%	45.87%	43.81%	40.51%	37.55%	34.96%	32.74%	30.91%	29.45%	28.37%	27.65%	27.28%
Corporate Security Revenue	62.49	72.50	95.90	110.00	116.54	127.33	146.50	166.84	187.83	208.79	228.90	247.26	262.95	275.10	282.99
MDR Revenue	0.00	0.00	0.00	36.70	45.88	57.34	70.28	84.41	99.32	114.44	129.07	142.40	153.64	162.00	166.86
as % of Revenue	0.00%	0.00%	0.00%	17.92%	21.31%	25.31%	28.54%	31.60%	34.39%	36.87%	38.96%	40.63%	41.85%	42.61%	42.88%
other Corporate Security Revenue	62.49	72.50	63.90	23.30	23.77	25.43	27.21	28.94	30.61	32.18	33.63	34.93	36.06	37.01	37.75
Consulting	0.00	0.00	32.00	50.00	46.90	44.56	49.01	53.48	57.90	62.16	66.21	69.93	73.25	76.09	78.37
	0.00%	0.00%	0.00%	24.41%	21.78%	19.66%	19.90%	20.02%	20.05%	20.03%	19.98%	19.95%	19.95%	20.01%	20.14%
COGS	5.76	24.99	39.25	50.55	48.76	50.53	53.19	55.84	58.33	60.53	62.28	63.44	63.87	63.50	62.26
Gross Profit	152.53	144.61	151.65	154.25	166.55	176.06	193.07	211.32	230.44	249.89	269.02	287.06	303.22	316.72	326.89
Gross Margin %	96.36%	85.26%	79.44%	75.32%	77.35%	77.70%	78.40%	79.10%	79.80%	80.50%	81.20%	81.90%	82.60%	83.30%	84.00%
Selling General & Admin Exp.	109.31	100.52	109.76	122.81	114.78	126.13	135.52	145.35	155.29	164.98	173.99	181.87	188.17	192.50	194.58
Selling and Marketing Exp.	95.49	86.60	94.54	105.99	98.36	108.76	116.56	124.67	132.84	140.73	147.98	154.22	159.07	162.23	163.44
General and Administrative Exp.	13.82	13.92	15.22	16.82	16.42	17.36	18.96	20.67	22.45	24.25	26.01	27.65	29.09	30.28	31.13
R & D Exp.	28.40	34.19	35.64	39.57	40.70	40.79	44.74	48.98	53.42	57.95	62.40	66.59	70.36	73.51	75.88
Depreciation & Amort.	3.40	3.10	4.20	11.80	10.50	5.66	5.88	6.09	6.26	6.38	6.44	6.43	6.32	6.13	5.84
Other Operating Expense/(Income)	-4.30	-1.90	-2.10	-1.60	-2.32	-2.38	-2.59	-2.81	-3.04	-3.27	-3.48	-3.69	-3.86	-4.00	-4.09
Other Operating Exp., Total	136.80	135.91	147.50	172.57	163.66	170.20	183.55	197.60	211.93	226.04	239.34	251.20	260.99	268.14	272.21
Operating Income	15.72	8.70	4.15	-18.32	2.89	5.87	9.51	13.72	18.51	23.85	29.68	35.86	42.23	48.59	54.68
NOPAT	12.22	7.00	3.64	-18.75	2.31	-2.71	7.61	10.98	14.81	19.08	23.74	28.69	33.79	38.87	43.75
D&A	0.00	1.40	1.90	1.50	5.38	5.66	5.88	6.09	6.26	6.38	6.44	6.43	6.32	6.13	5.84
Changes in WC	6.94	11.42	5.27	3.45	0.00	-13.90	-4.86	-8.25	-8.98	-9.56	-9.91	-9.96	-9.67	-8.99	-7.94
CAPEX	0.00	-2.10	-2.60	-2.40	-4.31	-4.53	-4.93	-5.34	-5.78	-6.21	-6.63	-7.01	-7.34	-7.60	-7.78
FCF	5.28	-0.91	2.87	-18.30	12.00	21.39	23.28	30.66	35.82	41.23	46.72	52.09	57.12	61.59	65.31
as % of Revenue	3.34%	-0.54%	1.50%	-8.93%	5.57%	9.44%	9.45%	11.48%	12.41%	13.28%	14.10%	14.86%	15.56%	16.20%	16.78%
Discount Factor					0.98	0.91	0.84	0.78	0.73	0.67	0.62	0.58	0.54	0.50	0.46
Discounted Cash Flows					11.77	19.46	19.63	23.98	25.98	27.72	29.12	30.10	30.61	30.60	30.08
FCF															
Terminal Value	€ 1,042.96														
Sum of FCF	279.06														
Discounted TV	480.41														
Enterprise Value	759.47														
Cash	42.70														
Debt	49.50														
Equity Value	752.67														
Shares Outstanding	158.05														
Share Price	€ 4.76														
Current Share Price	€ 3.94														
Upside/Downside	20.87%														

Appendix D: Income Statement

Income Statement in EUR Mio	Historical Period					Forecasting Period									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue	158.3	169.6	190.9	204.8	215.3	226.6	246.3	267.2	288.8	310.4	331.3	350.5	367.1	380.2	389.2
Consumer Revenue	95.8	97.1	95.0	94.8	98.8	99.3	99.8	100.3	100.9	101.6	102.4	103.2	104.1	105.1	106.2
		0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporate Security Revenue	62.5	72.5	95.9	110.0	116.5	127.3	146.5	166.8	187.8	208.8	228.9	247.3	263.0	275.1	283.0
MDR Revenue				36.7	45.9	57.3	70.3	84.4	99.3	114.4	129.1	142.4	153.6	162.0	166.9
as % of Revenue				17.9%	21.3%	25.3%	28.5%	31.6%	34.4%	36.9%	39.0%	40.6%	41.9%	42.6%	42.9%
other Corporate Security Revenue	62.5	72.5	63.9	23.3	23.8	25.4	27.2	28.9	30.6	32.2	33.6	34.9	36.1	37.0	37.8
Consulting			32.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
				50.0	46.9	44.6	49.0	53.5	57.9	62.2	66.2	69.9	73.3	76.1	78.4
				0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Revenue Restated	158.3	169.6	190.9	204.8	215.3	226.6	246.3	267.2	288.8	310.4	331.3	350.5	367.1	380.2	389.2
COGS	5.8	25.0	39.3	50.5	48.8	50.5	53.2	55.8	58.3	60.5	62.3	63.4	63.9	63.5	62.3
Gross Profit	152.5	144.6	151.6	154.3	166.6	176.1	193.1	211.3	230.4	249.9	269.0	287.1	303.2	316.7	326.9
Gross Margin %	96.4%	85.3%	79.4%	75.3%	77.4%	77.7%	78.4%	79.1%	79.8%	80.5%	81.2%	81.9%	82.6%	83.3%	84.0%
Selling General & Admin Exp.	109.3	100.5	109.8	122.8	114.8	126.1	135.5	145.3	155.3	165.0	174.0	181.9	188.2	192.5	194.6
Selling and Marketing Exp.	95.5	86.6	94.5	106.0	98.4	108.8	116.6	124.7	132.8	140.7	148.0	154.2	159.1	162.2	163.4
General and Administrative Exp.	13.8	13.9	15.2	16.8	16.4	17.4	19.0	20.7	22.5	24.3	26.0	27.6	29.1	30.3	31.1
R & D Exp.	28.4	34.2	35.6	39.6	40.7	40.8	44.7	49.0	53.4	57.9	62.4	66.6	70.4	73.5	75.9
Depreciation & Amort.	3.4	3.1	4.2	11.8	10.5	5.7	5.9	6.1	6.3	6.4	6.4	6.4	6.3	6.1	5.8
Other Operating Expense/(Income)	(4.3)	(1.9)	(2.1)	(1.6)	(2.3)	(2.4)	(2.6)	(2.8)	(3.0)	(3.3)	(3.5)	(3.7)	(3.9)	(4.0)	(4.1)
Other Operating Exp., Total	136.8	135.9	147.5	172.6	163.7	170.2	183.6	197.6	211.9	226.0	239.3	251.2	261.0	268.1	272.2
Operating Income	15.7	8.7	4.2	(18.3)	2.9	5.9	9.5	13.7	18.5	23.9	29.7	35.9	42.2	48.6	54.7
as % of Revenue	9.9%	5.1%	2.2%	-8.9%	1.3%	2.6%	3.9%	5.1%	6.4%	7.7%	9.0%	10.2%	11.5%	12.8%	14.1%
Interest Expense	(1.0)	(0.4)	(2.0)	(2.6)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.7)	(0.6)	(0.6)	(0.5)	(0.4)	(0.3)
Interest and Invest. Income	1.1	1.3	1.6	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest Exp.	0.1	0.9	(0.4)	(0.8)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.7)	(0.6)	(0.6)	(0.5)	(0.4)	(0.3)
Currency Exchange Gains (Loss)	0.9	(1.2)	(1.2)	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Non-Operating Inc. (Exp.)	(0.1)	0.2	(0.2)	(0.7)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT Excl. Unusual Items	16.7	8.6	2.4	(20.6)	2.5	5.6	9.3	13.6	18.4	23.1	29.0	35.3	41.8	48.2	54.4
	29.7%	15.3%	37.5%	-3.9%	146.1%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Income Tax Expense	5.0	1.3	0.9	0.8	3.7	1.1	1.9	2.7	3.7	4.6	5.8	7.1	8.4	9.6	10.9
Earnings from Cont. Ops.	12.3	7.7	(3.2)	(21.2)	(1.2)	4.5	7.5	10.8	14.7	18.5	23.2	28.2	33.4	38.5	43.5
		0.0	0.0	0.0	0.0										
Net Income to Company	15.8	9.6	3.8	(19.1)	2.6	5.6	9.3	13.6	18.4	23.1	29.0	35.3	41.8	48.2	54.4
Net Income %	10.0%	5.7%	2.0%	-9.3%	1.2%	2.5%	3.8%	5.1%	6.4%	7.5%	8.8%	10.1%	11.4%	12.7%	14.0%

Appendix D: Balance Sheet

Balance Sheet	Historical Period					Forecasting Period									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
ASSETS															
Cash And Equivalents	29.05	36.30	27.81	25.43	28.66	47.34	60.47	81.02	106.86	177.74	211.51	251.19	296.59	347.29	402.64
Short Term Investments	63.67	53.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trading Asset Securities	0.00	0.00	0.06	0.07	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Total Cash & ST Investments	92.72	90.22	27.86	25.49	28.76	47.44	60.57	81.12	106.96	177.84	211.61	251.29	296.69	347.39	402.74
Accounts Receivable	36.39	41.37	55.33	44.22	49.71	50.18	52.23	54.15	55.82	57.09	57.82	57.88	57.18	55.65	53.31
Other Receivables	5.43	4.23	5.56	7.98	8.39	8.57	9.03	9.48	9.92	10.30	10.61	10.82	10.91	10.86	10.66
Notes Receivable	0.02	0.01	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	41.83	45.60	60.89	52.22	58.10	58.75	61.26	63.64	65.74	67.40	68.43	68.70	68.09	66.51	63.97
Inventory	0.11	0.59	0.61	0.11	0.09	0.00	0.01	0.02	0.03	0.04	0.06	0.07	0.08	0.09	0.10
Prepaid Exp.	4.69	5.90	0.00	7.39	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40
Other Current Assets	1.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Current Assets	140.89	142.31	89.36	85.21	94.34	113.59	129.23	152.18	180.14	252.68	287.50	327.47	372.26	421.39	474.21
Gross Property, Plant & Equipment	30.97	14.48	17.59	35.21	18.28	22.81	22.07	21.53	21.22	21.17	21.42	21.99	22.90	24.18	25.84
Accumulated Depreciation	(27.60)	(11.30)	(12.40)	(19.60)	0.00	5.66	5.88	6.09	6.26	6.38	6.44	6.43	6.32	6.13	5.84
Net Property, Plant & Equipment	3.37	3.21	5.18	15.59	18.28	17.15	16.19	15.45	14.96	14.79	14.98	15.56	16.58	18.06	20.00
Long-term Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Goodwill	7.63	10.07	90.68	88.40	79.30	79.30	79.30	79.30	79.30	79.30	79.30	79.30	79.30	79.30	79.30
Other Intangibles	9.30	12.63	36.24	30.94	34.30	34.30	34.30	34.30	34.30	34.30	34.30	34.30	34.30	34.30	34.30
Deferred Tax Assets	2.37	2.79	(0.13)	0.61	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Other Long-Term Assets	4.18	2.77	2.63	6.15	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Total Assets	167.70	173.78	223.95	226.90	227.12	245.23	259.92	282.13	309.60	381.97	416.98	457.53	503.34	553.95	608.72
LIABILITIES															
Accounts Payable	6.56	6.22	6.48	4.12	22.72	22.29	23.61	24.94	26.21	27.36	28.33	29.03	29.40	29.40	29.00
Accrued Exp.	19.49	18.64	16.47	15.53	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50
Curr. Port. of LT Debt	0.00	0.00	6.06	6.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Curr. Port. of Leases	0.00	0.00	0.00	5.88	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Curr. Income Taxes Payable	2.52	1.95	0.82	1.52	1.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Unearned Revenue, Current	40.51	48.34	55.33	56.37	51.50	66.22	70.23	77.36	84.87	92.58	100.25	107.59	114.28	120.02	124.53
Other Current Liabilities	8.64	6.99	6.59	9.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	77.72	82.14	91.75	98.76	110.22	127.01	132.34	140.79	149.58	158.45	167.08	175.11	182.18	187.92	192.03
Long-Term Debt	0.00	0.00	31.00	25.00	19.00	15.00	13.00	11.00	9.00	47.00	42.00	37.00	32.00	27.00	22.00
Long-Term Leases	0.00	0.00	0.00	4.45	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70
Unearned Revenue, Non-Current	13.74	17.40	17.57	15.56	20.30	20.49	22.53	24.72	27.03	29.39	31.72	33.93	35.93	37.62	38.92
Other Non-Current Liabilities	0.34	3.67	17.35	6.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Liabilities	91.79	103.20	157.67	150.75	156.22	169.20	174.57	183.21	192.31	241.54	247.50	252.74	256.80	259.23	259.64
Common Stock	1.55	1.55	1.55	1.55	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Additional Paid In Capital	0.17	0.17	0.17	0.17	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Retained Earnings	73.37	67.63	63.09	67.17	69.97	75.61	84.93	96.48	116.86	140.01	169.05	204.36	246.11	294.29	348.64
Treasury Stock	(5.70)	(4.60)	(2.80)	(2.10)	(1.40)	(1.40)	(1.40)	(1.40)	(1.40)	(1.40)	(1.40)	(1.40)	(1.40)	(1.40)	(1.40)
Comprehensive Inc. and Other	6.57	5.81	4.24	9.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Common Equity	75.95	70.56	66.25	76.20	70.37	76.01	85.33	98.88	117.26	140.41	169.45	204.76	246.51	294.69	349.04
Total Equity	75.95	70.56	66.25	76.20	70.37	76.01	85.33	98.88	117.26	140.41	169.45	204.76	246.51	294.69	349.04
Total Liabilities And Equity	167.74	173.76	223.92	226.94	226.59	245.21	259.89	282.10	309.57	381.94	416.95	457.50	503.31	553.92	608.69

Appendix D: Cash Flow Statement

Historical Period					Forecasting Period										
Cash Flow															
Net Income		2.46 -	0.40	0.47	2.63	5.64	9.32	13.56	18.38	23.15	29.05	35.30	41.75	48.18	54.35
Depreciation & Amort.		1.40	1.90	1.50	5.38	5.66	5.88	6.09	6.26	6.38	6.44	6.43	6.32	6.13	5.84
Amort. of Goodwill and Intangibles		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amort., Total	-	1.40 -	1.90 -	1.50	5.38	5.66	5.88	6.09	6.26	6.38	6.44	6.43	6.32	6.13	5.84
Other Amortization		3.23	4.92	5.89	-	-	-	-	-	-	-	-	-	-	-
(Gain) Loss From Sale Of Assets		0.05	-	0.06	-	-	-	-	-	-	-	-	-	-	-
Asset Writedown & Restructuring Costs		-	0.14	0.31	-	-	-	-	-	-	-	-	-	-	-
Other Operating Activities	-	6.40 -	0.70 -	0.30	0.48	-	-	-	-	-	-	-	-	-	-
Change in Acc. Receivable		1.28 -	3.20	0.69 -	1.50	0.48	2.04	1.93	1.67	1.27	0.73	0.06 -	0.71 -	1.52 -	2.35
Change in Inventories		0.03 -	0.50	-	0.29 -	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-
Change in Other Net Operating Assets		6.94	11.42	5.27	3.45	-	-	-	-	-	-	-	-	-	-
Change in WC Items		6.94	11.42	5.27	3.45	-	-	-	-	-	-	-	-	-	-
Cash from Ops.		11.44	8.37	7.89	8.02	25.21	20.06	27.90	33.62	39.09	45.40	51.69	57.74	63.30	68.13
Capital Expenditure	-	2.10 -	2.60 -	2.40 -	4.31	4.53 -	4.93 -	5.34 -	5.78 -	6.21 -	6.63 -	7.01 -	7.34 -	7.60 -	7.78
Cash from Investing	-	2.10 -	1.90 -	2.30 -	4.31	4.53 -	4.93 -	5.34 -	5.78 -	6.21 -	6.63 -	7.01 -	7.34 -	7.60 -	7.78
Short Term Debt Issued		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt Issued		-	-	-	-	-	-	-	-	40.00	-	-	-	-	-
Total Debt Issued	-	-	0.50	-	-	-	-	-	-	40.00	-	-	-	-	-
Short Term Debt Repaid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt Repaid		-	-	-	2.00	2.00 -	2.00 -	2.00 -	2.00 -	2.00 -	5.00 -	5.00 -	5.00 -	5.00 -	5.00
Total Debt Repaid	-	-	0.40 -	4.70 -	2.00	2.00 -	2.00 -	2.00 -	2.00 -	2.00 -	5.00 -	5.00 -	5.00 -	5.00 -	5.00
Issuance of Common Stock		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase of Common Stock		-	-	0.10	-	-	-	-	-	-	-	-	-	-	-
Common Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Dividend Paid	-	9.40	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Activities		9.42	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Financing		0.05 -	0.10 -	4.80 -	2.00	2.00 -	2.00 -	2.00 -	2.00	38.00 -	5.00 -	5.00 -	5.00 -	5.00 -	5.00
Foreign Exchange Rate Adj.	-	0.30	0.03	0.10 -	0.50	0.50 -	0.50 -	0.50 -	0.50 -	0.50 -	0.50 -	0.50 -	0.50 -	0.50 -	0.50
Misc. Cash Flow Adj.	-	0.10	0.10	0.10	-	-	-	-	-	-	-	-	-	-	-
Net Change in Cash		8.95	6.31	0.62	1.71	18.68	13.13	20.55	25.84	70.88	33.77	39.68	45.40	50.70	55.35

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