



# First-Half 2020 Financial Results

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## Successfully transitioning towards recurring subscription and SaaS model

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- ✓ \$44.2 million revenue in first-half 2020
- ✓ Recurring revenues up 13% year-over-year<sup>1</sup> at \$29.5 million (67% of revenue)
- ✓ Strong growth of subscription-based business (ARR\* x 2.2 in 6 months at \$8.5m)
- ✓ Core software business down by 6% year-over-year<sup>1</sup> impacted by transition towards recurring subscription and SaaS model and to a lesser extent COVID-19 pandemic
- ✓ Closed significant cross-selling and up-selling customer contracts, combining Verimatrix products with former Inside Secure application shielding products.
- ✓ Consolidated revenue (IFRS) up 4% year-over-year

1. see Definitions and Basis of preparation in Appendix hereof

\* Annual recurring revenue

## Resilient First-Half 2020 Results

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- ✓ \$7.4 million EBITDA in first-half 2020 (17% of revenue)
- ✓ Core software business EBITDA up 54% year-over-year
- ✓ \$46.5m in cash and cash equivalents
- ✓ Solid financial position to face the global pandemic situation

# Financials

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# H1 2020 revenue: Core software business down by 6% year over year (pro forma<sup>1</sup>)

(in thousands of US\$)	Q2-2020	Q2-2019	Q2 2020 vs. Q2 2019	H1 2020	H1 2019	2020 vs. 2019
Software business	24 151	27 475	-12%	44 170	46 870	-6%
NFC patent licensing program	-	-	-	-	3 548	-
<b>Pro forma adjusted revenue</b>	<b>24 151</b>	<b>27 475</b>	<b>-12%</b>	<b>44 170</b>	<b>50 418</b>	<b>-12%</b>

*Sums may not equal totals due to rounding*

- Continuing transition of the revenue model from perpetual licenses to subscriptions (both for SaaS and on-premise implementations)
- Moderate impact of short-term effects of the Covid-19 pandemic, with good resilience overall

(1) see Definitions and Basis of preparation in Appendix hereof

# First-half 2020: Growing EBITDA thanks to tight control on Opex and positive impact of 2019 cost synergy plan

(in million US\$)	H1 2020	H1 2019
Revenue	44,2	50,4
<b>Adjusted gross profit</b>	<b>37,0</b>	<b>40,4</b>
<i>As a % of revenue</i>	<b>83,9%</b>	<b>80,2%</b>
Research and development expenses	(11,5)	(12,8)
Selling and marketing expenses	(12,6)	(12,5)
General and administrative expenses	(7,6)	(10,4)
Other gains / (losses), net	(0,1)	(0,3)
<b>Total adjusted operating expenses</b>	<b>(31,8)</b>	<b>(36,0)</b>
<b>Adjusted operating income from continuing operations</b>	<b>5,2</b>	<b>4,4</b>
<i>As a % of revenue</i>	<b>11,8%</b>	<b>8,8%</b>
<b>EBITDA</b>	<b>7,4</b>	<b>7,2</b>
<i>As a % of revenue</i>	<b>16,7%</b>	<b>14,3%</b>

# H1 2020: Improving IFRS operating income and net income

(in million US\$)	H1 2020	H1 2019 (*)
Adjusted operating income/(loss)	5,2	9,5
Fair value adjustment on deferred revenue (**)	-	(1,0)
Amortization and depreciation of assets acquired through business combinations (**)	(2,5)	(2,0)
Acquisition related expenses	(0,1)	(2,8)
Restructuring costs	(0,0)	(10,7)
Share based payments	(0,2)	(0,5)
Operating income/(loss)	2,3	(7,4)
Finance income/(loss), net	(3,9)	(2,0)
Income tax expense	(0,2)	0,2
Net income/(loss) from continuing operations (i)	(1,8)	(9,2)
Net income/(loss) from discontinued operations (ii)	(0,2)	3,6
Net income/(loss) (i) + (ii)	(1,9)	(5,6)

(\*) 4 months of Verimatrix, Inc. (from March to June)

(\*\*) Item without cash impact

Sums may not equal totals due to rounding



# H1 2020: Cash flows reflecting operating performance and seasonality

(in million \$)	H1 2020	H1 2019
Cash generated by / (used in) continuing operations before changes in working capital	6,7	3,4
Cash generated by / (used in) changes in working capital from continuing operations	(5,8)	(13,7)
<b>Cash generated by / (used in) continuing operations</b>	<b>0,8</b>	<b>(10,3)</b>
<b>Cash generated by / (used in) discontinued operations</b>	<b>(0,2)</b>	<b>0,4</b>
Taxes paid	(0,7)	(1,6)
Interests paid	(3,9)	(0,4)
<b>Net cash generated by / (used in) operating activities</b>	<b>(3,9)</b>	<b>(12,0)</b>
Cash flows used in investing activities, net	(2,4)	(129,8)
Cash flows from financing of discontinued activities, net	-	(0,2)
Cash flows from / (used in) financing activities, net	(1,2)	108,6
<b>Net increase in cash and cash equivalents</b>	<b>(7,5)</b>	<b>(33,3)</b>
Cash and cash equivalents at beginning of the period	54,0	47,4
Foreign exchange impact	(0,0)	0,1
<b>Cash and cash equivalents at end of the period</b>	<b>46,5</b>	<b>14,1</b>

# H1 2020: Strong balance sheet

(in million \$)	June 30, 2020	December 31, 2019
Goodwill and intangible assets	136,0	136,9
Property and equipment	14,1	15,5
Other receivables	20,7	18,7
<b>Non-current assets</b>	<b>170,9</b>	<b>171,1</b>
Inventories	0,6	0,4
Trade receivables	32,5	36,7
Other receivables	14,0	13,8
Cash and cash equivalents	46,5	54,0
<b>Current assets</b>	<b>93,5</b>	<b>104,9</b>
<b>Total assets</b>	<b>264,4</b>	<b>276,0</b>

(in million \$)	June 30, 2020	December 31, 2019
<b>Equity and retained earnings</b>	<b>154,7</b>	<b>156,4</b>
Borrowings	55,8	56,6
Convertible bonds	15,4	14,9
Derivative financial instruments	2,0	1,6
Provisions	0,8	0,9
Deferred tax liabilities	1,3	2,2
<b>Non-current liabilities</b>	<b>75,3</b>	<b>76,3</b>
Borrowings	2,1	2,0
Trade and other payables	18,2	24,9
Provisions for other liabilities and charges - Current portion	1,5	1,6
Unearned revenues	12,6	14,9
<b>Current liabilities</b>	<b>34,3</b>	<b>43,3</b>
<b>Total equity and liabilities</b>	<b>264,4</b>	<b>276,0</b>

June 30, 2020:  
\$11.3m net debt\*  
(including convertible bonds - OCEANE - and  
excluding IFRS 16 leases)

(1) see Definition in Appendix hereof

# Business Outlook & Objectives

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# Business Outlook

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- ✓ Confident in the resilience of the business
- ✓ Take benefit from the momentum created by the unprecedented demand for remote access, cloud services and content worldwide, requiring simple, scalable, standardized and secure content protection solutions - momentum boosted by the Covid-19 situation
- ✓ Focused on executing strategy, and, in particular:
  - Keep on growing recurring revenues
  - Develop the code and application protection solutions business
  - Increase cross-selling and up-selling revenue synergies

## Business Outlook and Objectives

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- ✔ Maintain tight control of expense to preserve profitability and cash flow
- ✔ While investing in products and services and market presence to address markets which long term potential remains intact
- ✔ Due to continuing lack of visibility induced by Covid-19 pandemic, 2020 and 2021 objectives remain suspended

# Appendix

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# Basis of preparation

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Inside Secure (renamed Verimatrix following shareholders' vote on June 24, 2019) completed the acquisition of Verimatrix, Inc., on February 28, 2019.

Verimatrix (the "Company") has prepared its results in accordance with IFRS (which accounted for 4 months of activity of Verimatrix, Inc. in first-half 2019, compared to 6 months in 2020). The Company has also prepared unaudited pro forma results as if the acquisition of Verimatrix, Inc. had been completed on January 1, 2019 to enable comparison with 2020. Pro forma are deemed "adjusted" compared with IFRS since, consistent with the Company's prior financial communications, they exclude (i) non-recurring adjustments on revenue due to purchase accounting (deferred revenue), (ii) the amortization of intangible assets related to business combinations, (iii) any potential goodwill impairment, (iv) share-based payment expense and (v) non-recurring costs associated with restructuring and business combinations. Definitions of adjusted measures are provided hereinafter.

On December 6, 2019, the Company completed the sale of its Silicon IP business unit to Rambus Inc. (NASDAQ: RMBS) in an all-cash transaction. Since the Silicon IP business unit was a separate major line of business within the meaning of IFRS 5, the revenue and results of this activity have been isolated on a separated line item of the consolidated income statement "Net income from discontinued operations" both for 2019 and 2020. Silicon IP business unit revenue and results are excluded from the adjusted performance indicators.

## Supplementary non-IFRS financial information (adjusted measures)

Certain financial measures and performance indicators are presented on an adjusted basis. These indicators are not defined under IFRS; they should be considered to be supplementary information, not substitutable for any other indicators of operating and financial performance that are strictly accounting measures, such as those presented in the Company's consolidated financial statements

- **Adjusted revenue** is defined as revenue before non-recurring adjustments related to business combinations (deferred revenue that can't be recognized following the acquisition date). It enables comparable revenue for 2019 and 2020.
- **Adjusted gross profit** is defined as gross profit before (i) the amortization of intangible assets, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with restructuring and business combinations and divestiture undertaken by the Company.
- **Adjusted operating income/(loss)** is defined as operating income/(loss) before (i) the amortization of intangible assets, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with business combinations and divestiture undertaken by the Company.
- **EBITDA** is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.
- **Net cash/(debt)** is defined as cash on hand, cash equivalents and short-term investments, less bank overdrafts, financial debt (excluding obligations under IFRS 16 for finance leases), bank loans, private loans, and the debt component of the OCEANE convertible bonds.

(in thousands of US\$)	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents	46 450	53 975	14 098
Private loan due 2026	(42 307)	(42 123)	(51 624)
Convertible bonds due 2022 (OCEANE)	(15 431)	(14 936)	(14 593)
Other loans	(55)	(267)	(371)
<b>Net debt</b>	<b>(11 343)</b>	<b>(3 351)</b>	<b>(52 490)</b>
Financial lease commitments under IFRS16	(15 505)	(16 278)	(8 653)
<b>Net debt including IFRS 16</b>	<b>(26 848)</b>	<b>(19 629)</b>	<b>(61 143)</b>





# Investor information

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Financial Calendar

Q3 2020 Revenue: October 22, 2020