



# INSIDE Secure

## First Half 2015 Earnings Presentation

Remy de Tonnac, CEO

Richard Vacher Detournière, GM & CFO



[www.insidesecond.com](http://www.insidesecond.com)

July 31, 2015



# DISCLAIMER

*This communication does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of INSIDE Secure.*

*This communication may contain certain statements that are neither reported financial results nor other historical information and other statements concerning INSIDE Secure. These statements may include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, events, products and services and future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions. These and other information and statements contained in this communication constitute forward-looking statements for purposes of applicable securities laws. Although management of the company believes that the expectations reflected in the forward looking statements are reasonable, investors and security holders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the company, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements, and the company cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this communication include, but are not limited to: trends in semiconductor and wireless communication markets; the company's ability to develop new technology and the effects of competing technologies developed and expected intense competition generally in the companies' main markets; profitability of expansion strategy; challenges to or loss of intellectual property rights; ability to establish and maintain strategic relationships in its major businesses; ability to develop and take advantage of new products and software; future acquisitions and investments; the ability of the company's to integrate acquired businesses, activities and companies according to expectations; the ability of the company to achieve the expected synergies from acquisitions; and changes in global, political, economic, business, competitive, market and regulatory forces. Moreover, neither the company nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. The forward-looking statements contained in this communication speak only as of the date of this communication and the company are under no duty, and do not undertake, to update any of the forward-looking statements after this date to conform such statements to actual results, to reflect the occurrence of anticipated results or otherwise except as otherwise required by applicable law or regulations.*

*The INSIDE Secure products identified and/or described herein may be protected by one or more of the patents and/or patent applications listed in related datasheets, such document being available on request under specific conditions. Additional patents or patent applications may also apply depending on geographic regions. Brand and product names may be registered trademarks or trademarks of their respective holders.*

*The photographs, information and other content included in this document are not contractual and not intended to be legally binding. Inside Secure may change or remove any information or content included in this document without notice.*

*©Inside Secure 2015. All Rights Reserved. Inside Secure,® Inside Secure logo and combinations thereof, and others are registered ® trademarks or tradenames of Inside Secure or its subsidiaries. Other terms, logos and product names may be trademarks of others.*

# AGENDA



H1 2015 Key Highlights

Q2 Revenue and Half Year Financial Overview

Outlook for 2015

Q & A

Appendix



# AGENDA



H1 2015 Key Highlights

Q2 Revenue and Half Year Financial Overview

Outlook for 2015

Q & A

Appendix



# H1 2015 KEY HIGHLIGHTS



- Consolidated revenue of \$35.0 million in H1 2015, with Q2 revenue reaching \$18.6 million, up 14% compared with low point of the previous quarter
- Adjusted\* gross profit of \$16.4 million (47.0% of revenue) in H1 2015
- Adjusted operating loss of \$10.8 million in H1 2015 (vs +\$3.2 million in H1 2014)
- EBITDA at -\$8.6 million in H1 2015 (vs +\$5.6 million in H1 2014)
- Proactive cost structure management (closed agreement with Presto Engineering), as part of the company's strategic shift towards a lower capital intensive business model
- First significant contracts in software protection products, core to the company's strategy

\* Definitions of adjusted measures in Appendix





H1 2015 Key Highlights

Q2 Revenue and Half Year Financial Overview

Outlook for 2015

Q & A

Appendix



# Q2 2015 REVENUE

in thousands of US\$	Q2-2015 consolidated	Q2-2014 consolidated	Q1-2015 consolidated	% Change annual	% Change sequential
Mobile Security	6 138	25 677	5 014	-76%	22%
Secure Transactions	12 499	13 658	10 665	-8%	17%
Unallocated	-	1 513	650	-	-100%
<b>Total Revenue</b>	<b>18 637</b>	<b>40 848</b>	<b>16 329</b>	<b>-54%</b>	<b>14%</b>

Unallocated: non recurring revenues

## Mobile Security

- Embedded security solutions revenue below expectations, but promising contract wins which will materialize into revenue in second half of this year
- Strong business momentum with products from Metaforic (significant licensing agreement with leading US health insurer in Q2)

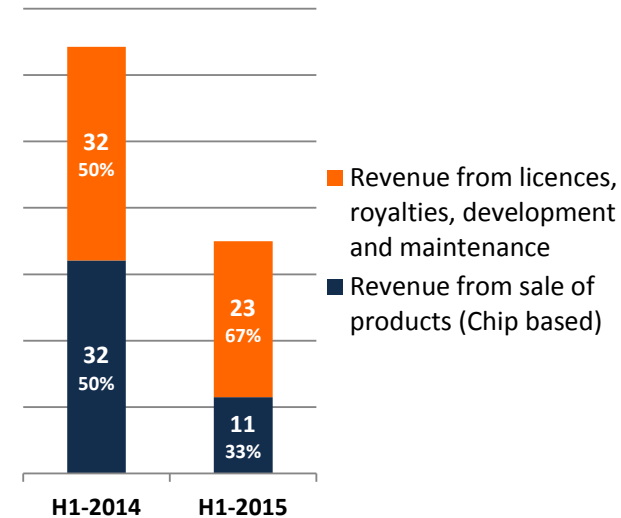
## Secure Transactions

- EMV chip and module sales in the US well below expectations
- New agreements and design-ins addressing needs of Internet of Things, brand protection and anti-counterfeiting solutions (partnership with Selinko for Rémy Martin group)

# H1 2015 REVENUE



in thousands of US\$	H1-2015 consolidated	H1-2014 consolidated	% Change annual
Mobile Security	11 152	32 750	-66%
Secure Transactions	23 163	29 984	-23%
Unallocated	650	1 513	-
<b>Total Revenue</b>	<b>34 965</b>	<b>64 247</b>	<b>-46%</b>



- Further decline, as expected, of INSIDE Secure's legacy businesses revenue
- Gradual build-up of embedded security solutions for mobile applications and connected devices
- Strong commercial push leading to decisive wins for software and IP solutions, fuelling revenue potential for H2 and beyond
- Continued revenue shift towards strategic product segments





# ADJUSTED\* INCOME STATEMENT



in thousands of US\$	H1-2015 consolidated	H1-2014 consolidated
<b>Revenue</b>	<b>34 966</b>	<b>64 247</b>
<b>Cost of sales (adjusted)</b>	<b>(18 546)</b>	<b>(26 425)</b>
<b>Adjusted Gross profit</b>	<b>16 420</b>	<b>37 822</b>
<i>in % of revenue</i>	<b>47,0%</b>	<b>58,9%</b>
<b>R&amp;D expenses (adjusted)</b>	<b>(12 375)</b>	<b>(18 133)</b>
<i>in % of revenue</i>	<b>-35%</b>	<b>-28%</b>
<b>Selling &amp; marketing expenses (adjusted)</b>	<b>(8 377)</b>	<b>(10 569)</b>
<i>in % of revenue</i>	<b>-24%</b>	<b>-16%</b>
<b>General &amp; administrative expenses (adjusted)</b>	<b>(5 036)</b>	<b>(6 363)</b>
<i>in % of revenue</i>	<b>-14%</b>	<b>-10%</b>
<b>Other (losses)/gains, net (adjusted)</b>	<b>(1 445)</b>	<b>482</b>
<b>Total adjusted operating expenses</b>	<b>(27 233)</b>	<b>(34 582)</b>
<b>Adjusted operating income</b>	<b>(10 813)</b>	<b>3 240</b>
<i>in % of revenue</i>	<b>-30,9%</b>	<b>5,0%</b>
<b>EBITDA</b>	<b>(8 602)</b>	<b>5 627</b>
<i>in % of revenue</i>	<b>-24,6%</b>	<b>8,8%</b>

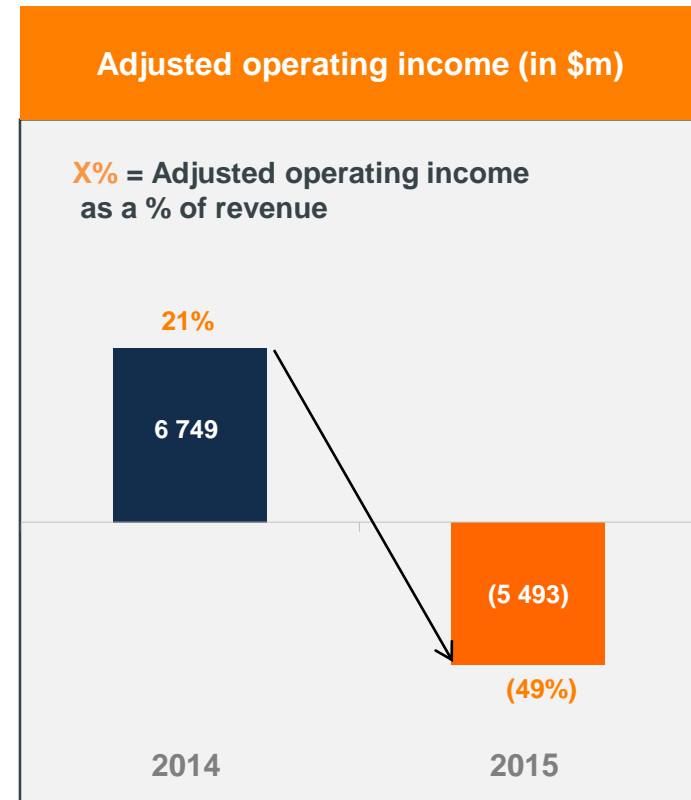
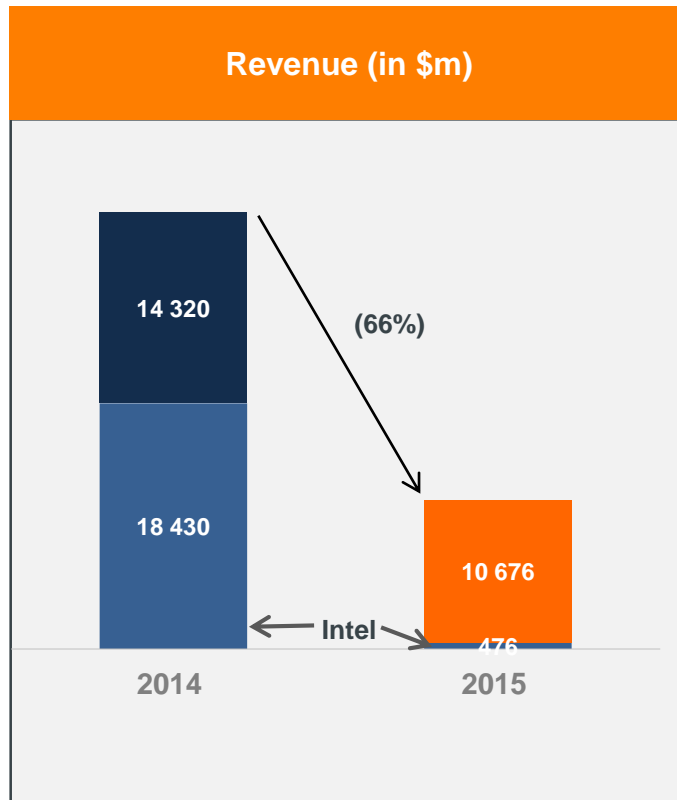
Change essentially explained by Intel licenses deal in 2014 (10 pts)

Lower headcount further to Intel agreement (R&D team transferred to Intel in June 2014)

All departments favourably impacted by positive FX effect in 2015 (\$3.3 million) and cost savings

\* Definitions of adjusted measures in Appendix

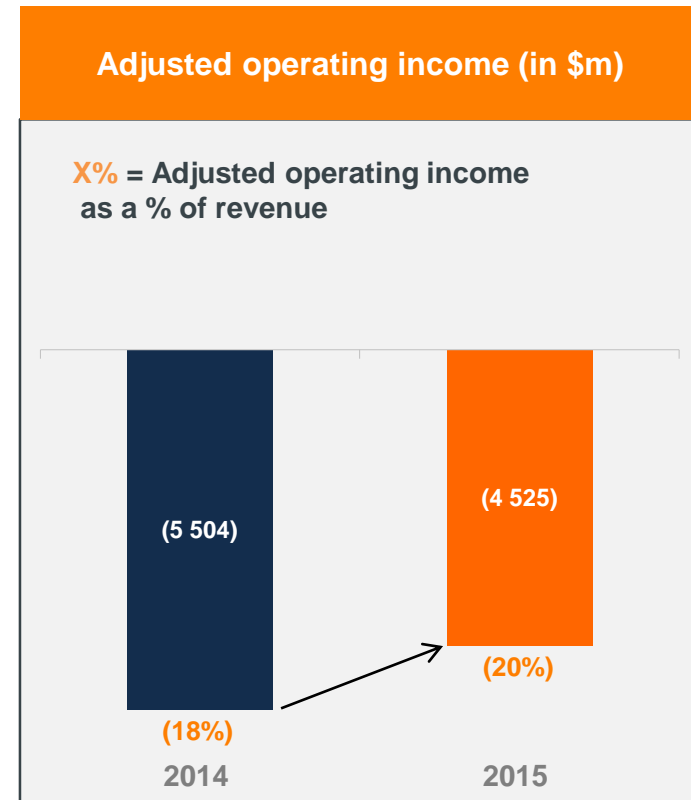
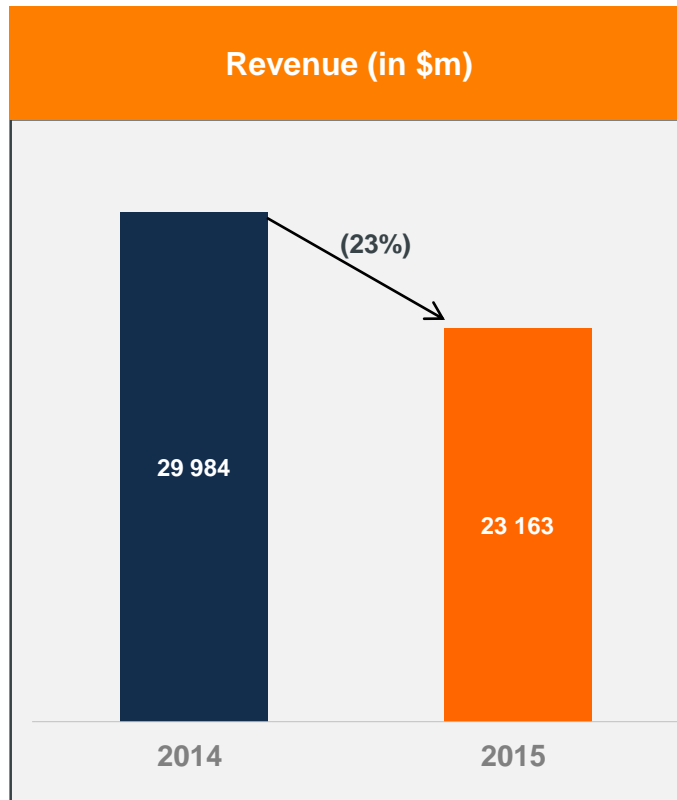
# MOBILE SECURITY – H1 2015



- 2014 Intel license agreement explaining most of the change in revenue Y-o-Y
- Very encouraging Metaforic (SW protection and HCE) projects
- NFC licensing program very active but no revenue generated in H1 2015



# SECURE TRANSACTIONS – H1 2015



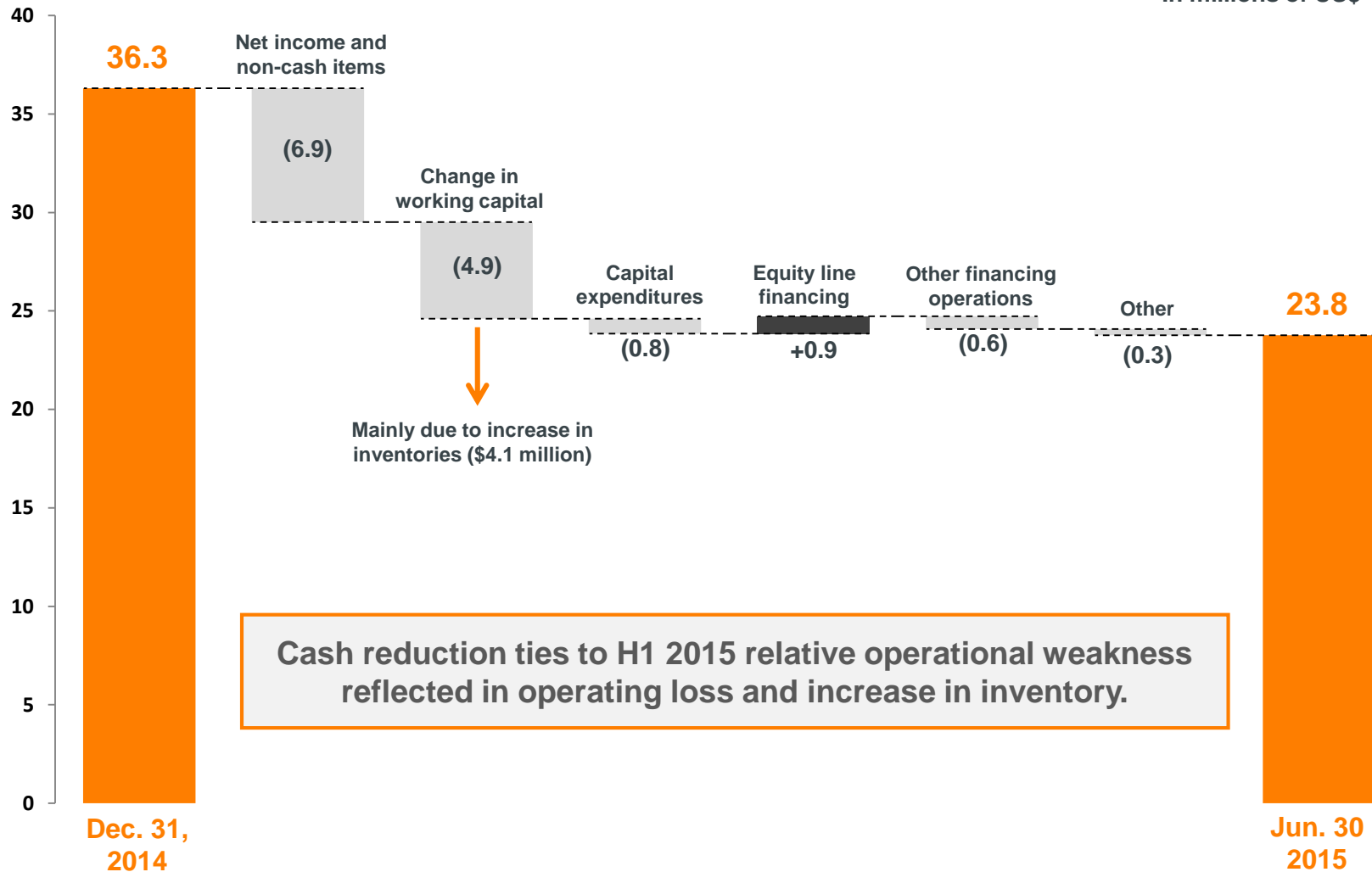
- EMV sales in the US Market below
- H1 2015 design-wins in Brand Protection and IoT to fuel future revenues in these segments
- Lower operating expenses more than off-set gross profit decrease leading to improved operating income



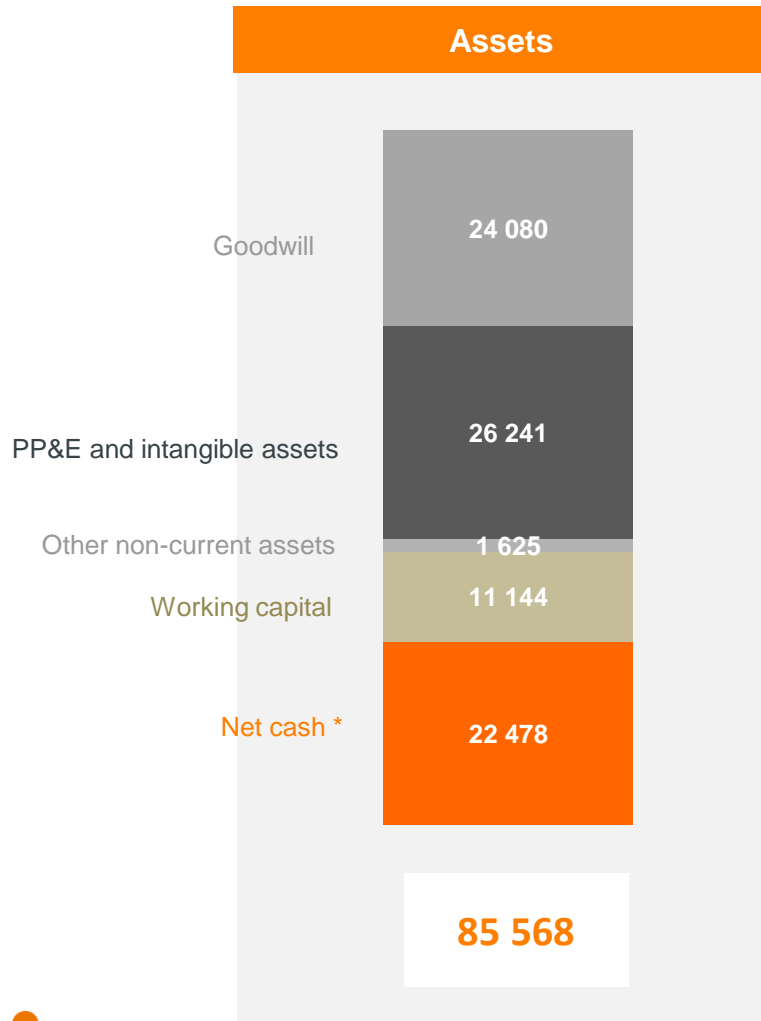
# H1 2015 CASH FLOW



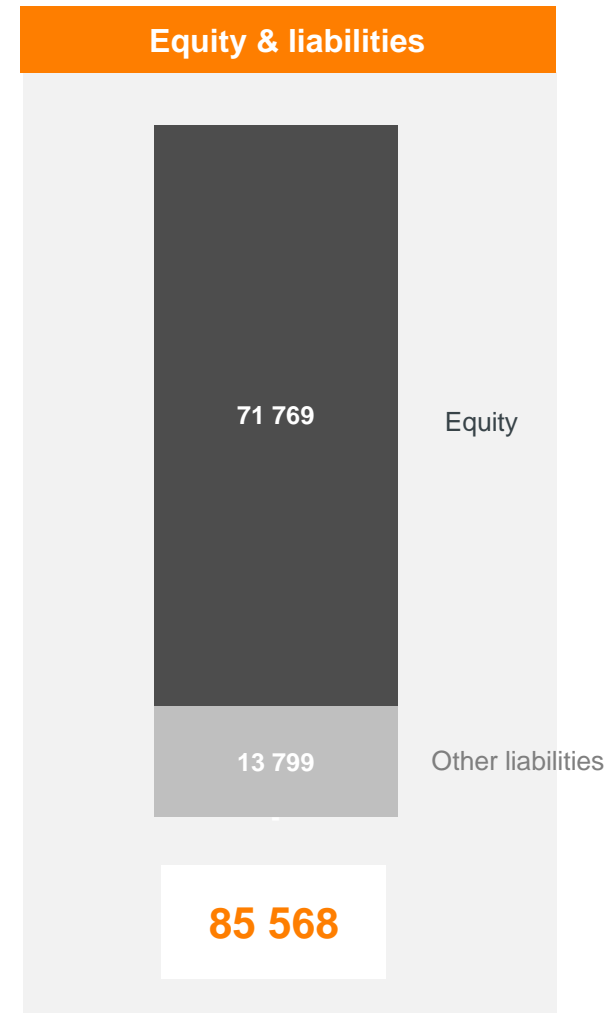
In millions of US\$



# SOLID BALANCE SHEET



In millions of US\$  
As of June 30, 2015



\* Definition in Appendix



H1 2015 Key Highlights

Q2 Revenue and Half Year Financial Overview

Outlook for 2015

Q & A

Appendix



# OUTLOOK 2015 - CONFIRM POSITIVE IMPACT OF STRATEGIC REPOSITIONING



- As announced in the first quarter, INSIDE Secure expects an increase in sales relating to its embedded security offering for mobile platforms and connected devices in the second half of the year, although visibility regarding sequential quarterly performance remains limited.
- Strong momentum on software protection and HCE mobile payment:
  - In July 2015, INSIDE Secure executed a multi-million \$ software protection license agreement with **one of the US three largest banks** (to increase the security of the mobile apps provided by the bank to its customers).
  - Actively marketing HCE mobile payment solution to banks and an expanding ecosystem of **major integrators and specification drivers** :
  - Initial distribution and licensing agreements signed, including one with a **world leader in digital security** in July 2015.
  - **Visa Ready** status granted by Visa in July 2015.





H1 2015 Key Highlights

Q2 Revenue and Half Year Financial Overview

Outlook for 2015

Q & A

Appendix







H1 2015 Key Highlights

Q2 Revenue and Half Year Financial Overview

Outlook for 2015

Q & A

Appendix



# DEFINITIONS

## 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 Group's consolidated financial statements
- Adjusted gross profit is defined as gross profit before (i) the amortization of intangible assets and masks related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with restructuring and business combinations carried out by the Group.
- Adjusted operating income/(loss) is defined as operating income/(loss) before (i) the amortization of intangible assets and masks related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with business combinations carried out by the Group.
- EBITDA is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.

## Net cash

is defined as cash at hand, cash equivalents and short-term investments, the net amount of derivatives, less finance lease liabilities, bank overdrafts and bank loans, and deferred payments due in connection with business combinations. Debt related to the financing of research tax credit (CIR) claims with a maturity equivalent to the CIR claims they finance are not taken into account since they are intended to be extinguished upon repayment by tax authorities of CIR claims.

# RECONCILIATION FROM ADJUSTED TO IFRS

## H1 2015



in thousands of US\$	H1-2015 Adjusted	Business combinations	Share-based payment	Other non- recurring costs	H1-2015 IFRS
<b>Revenue</b>	<b>34 966</b>	-	-	-	<b>34 966</b>
Cost of sales	(18 546)	(4 881)	(3)	-	(23 430)
Gross margin	16 420	(4 881)	(3)	-	11 535
<i>in % of revenue</i>	47,0%				33,0%
R&D expenses	(12 375)	(910)	(106)	-	(13 392)
Selling & marketing expenses	(8 377)	-	(119)	-	(8 495)
General & administrative expenses	(5 036)	-	(61)	-	(5 096)
Other (losses)/gains, net	(1 445)	(23)	-	(4 172)	(5 640)
<b>Operating income</b>	<b>(10 813)</b>	<b>(5 815)</b>	<b>(289)</b>	<b>(4 172)</b>	<b>(21 089)</b>
<i>in % of revenue</i>	-30,9%				-60,3%



# RECONCILIATION FROM ADJUSTED TO IFRS

## H1 2014



in thousands of US\$	H1-2014 Adjusted	Business combinations	Share-based payment	Other non- recurring costs	H1-2014 IFRS
<b>Revenue</b>	<b>64 247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64 247</b>
Cost of sales	(26 425)	(5 924)	(38)	-	(32 386)
Gross margin	37 822	(5 924)	(38)	-	31 860
<i>in % of revenue</i>	58,9%				49,6%
R&D expenses	(18 133)	(777)	(51)	-	(18 961)
Selling & marketing expenses	(10 569)	-	(91)	-	(10 659)
General & administrative expenses	(6 363)	-	(59)	-	(6 422)
Other (losses)/gains, net	482	(2 028)		28	(1 517)
<b>Operating income</b>	<b>3 240</b>	<b>(8 729)</b>	<b>(239)</b>	<b>28</b>	<b>(5 699)</b>
<i>in % of revenue</i>	5,0%				-8,9%



# INVESTOR INFORMATION



## CONTACTS

### INSIDE Secure Corporate communication

Géraldine Saunière  
Marcom Director  
+33 (0) 4 42 39 33 01  
[gsauniere@insidefr.com](mailto:gsauniere@insidefr.com)

### Brunswick Financial communications

Jérôme Biscay, Candice Baudet Depierre  
+33 (0) 1 53 96 83 83  
[INSIDE@brunswickgroup.com](mailto:INSIDE@brunswickgroup.com)

### INSIDE Secure Investor relations

Richard Vacher Detournière  
GM & CFO  
[contactinvestisseurs@insideseure.com](mailto:contactinvestisseurs@insideseure.com)

### Financial Calendar

Q3 2015 Revenue **October 22, 2015**

[www.insideseure.com](http://www.insideseure.com)

<http://www.insideseure-finance.com>

