



Inside Secure

FY2017 financial results

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February 22, 2018

www.insidesecondure.com

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2017: Successful year as a pure software security player

Strong core business revenue and operating leverage
Investing in long term growth with 2 acquisitions

+9%

year-on-year revenue growth of core business to \$38.8M in 2017

+37%

year-on-year growth in license revenue

23%

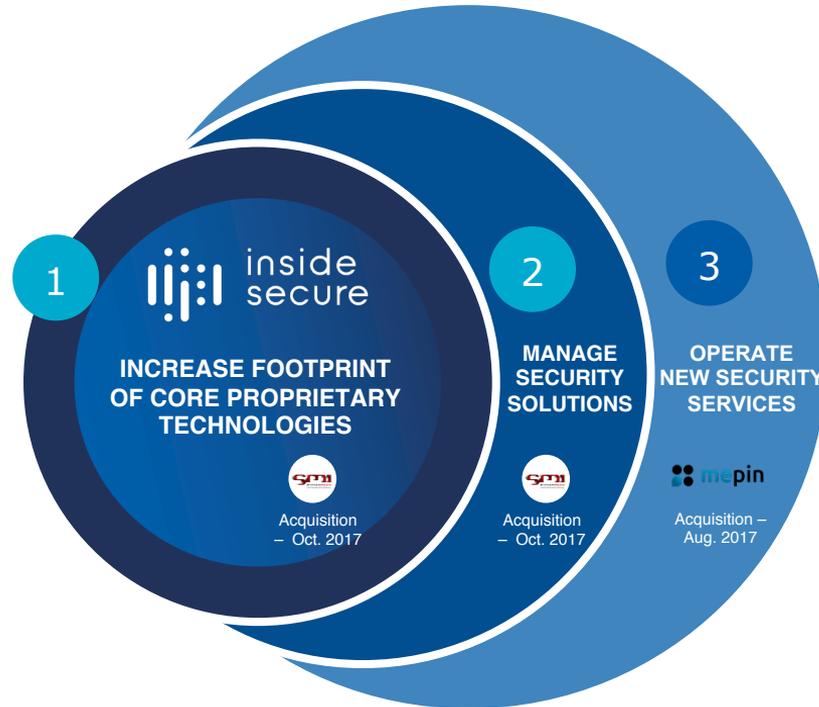
EBITDA margin of core business in 2017 vs. 6% in 2016

+20%

year-on-year revenue growth excluding royalties from a U.S. customer

- Strong liquidity position with \$46 million in cash
- 2018 accelerating investments to leverage strong market dynamics and support long-term growth

Accelerated execution of company strategy to bring embedded security, from chips to apps



COMBINING ORGANIC INITIATIVES AND
BOLT ON ACQUISITIONS

INCREASE FOOTPRINT OF CORE PROPRIETARY TECHNOLOGIES

Reinforced portfolio of proprietary core technologies organically



Silicon IPs

Security at the heart of chips



The largest silicon-proven security IP portfolio to protect System-on-Chip (SOC) and Application Specific Integrated Circuits (ASIC)

Embedded secure element (**Root-of-Trust**) to enable **highest level** of security of chip

True Random Number Generator: critical technology **x50 more efficient** than current offering



Data & communication

Security of communication



Secure communication and cryptographic modules certified with high interoperability & portability

Release of the very first MACsec engine offering more than **400Gbps high-speed** network to secure the cloud.

The industry smallest memory footprint running on a very small processor with very little memory (GuardTLS_Tiny™)



Application protection

Security of application



Comprehensive package of software protection tools and vertical solutions

Release of the industry's only complete and fully-certified cloud-based mobile payment solution

Inside Secure HCE payment platform achieves full certification by both MasterCard and Visa



Content protection

Security of content



Hollywood studios-approved, market leading solution (Secure Multimedia Players, DRM Solutions)

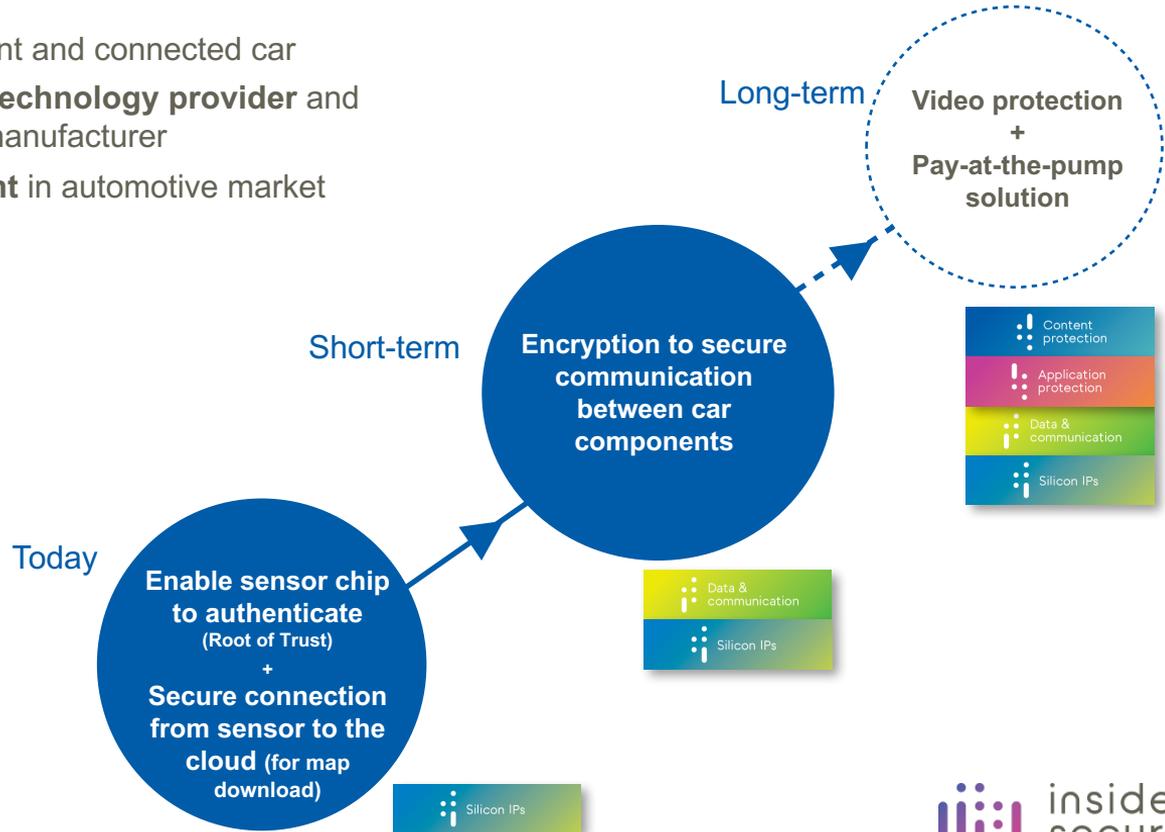
Next-generation Content Protection Solutions Extending Leadership in Device Coverage and **Early-window Premium Video**

1

INCREASE FOOTPRINT OF CORE PROPRIETARY TECHNOLOGIES

Started to provide core technologies to secure automotive with great potential ahead

- **Multiple design wins** to secure intelligent and connected car
- Inside is increasingly seen as a **critical technology provider** and moving to **direct relationship** with car manufacturer
- Major Opportunities to **increase footprint** in automotive market



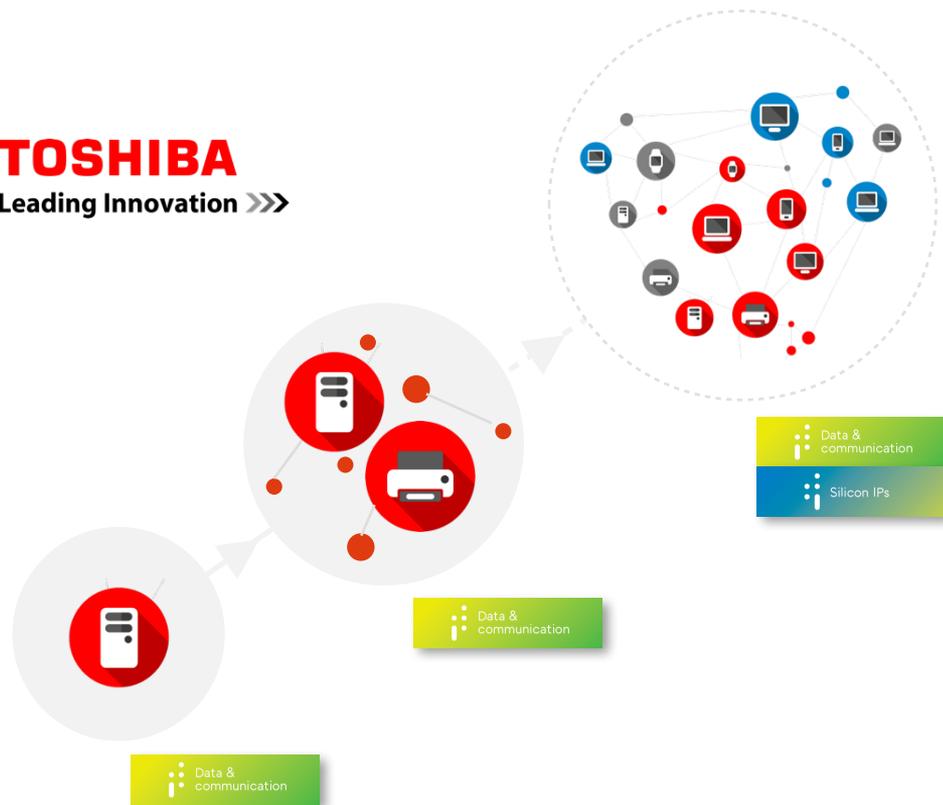
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INCREASE FOOTPRINT OF CORE PROPRIETARY TECHNOLOGIES

Demonstrated capability to leverage long-term relationship to address IoT security challenges

TOSHIBA

Leading Innovation >>>

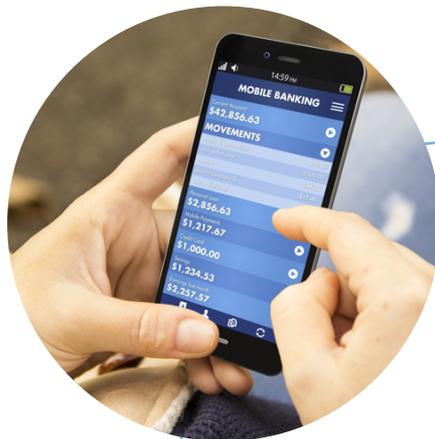


- **Strong history** on securing communications, from servers to CPU- and-memory-constrained environments
- **FIPS-certified cryptography** (the U.S. government computer security standard)
- **Enlarging partnership** to other Consumer Electronics Manufacturers

1

INCREASE FOOTPRINT OF CORE PROPRIETARY TECHNOLOGIES

Enabling a leading US bank to bring increased security in mobile banking, over time



2015

First set of technology to secure mobile banking

(Anti-Tamper & Obfuscation)

2017

Providing additional technology

Strong authentication

- **50** mobile banking apps
- Strong **local support**
- Increased security does not impact **user experience**

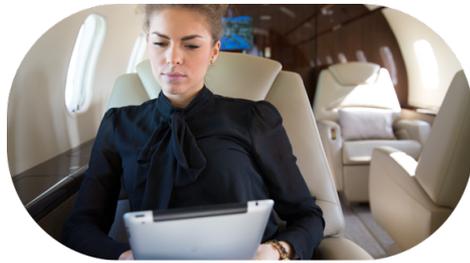
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INCREASE FOOTPRINT OF CORE PROPRIETARY TECHNOLOGIES

Leveraging our leadership in content protection to enable our customers to address new security challenges



Inside Secure protects **Lufthansa Technik's** inflight entertainment on passenger devices



Inside Secure selected by **Neopost** to protect online postage transactions



Inside Secure selected by **HTC** to protect its virtual reality mobile game



End-to-end secure solutions to safely distribute video premium content

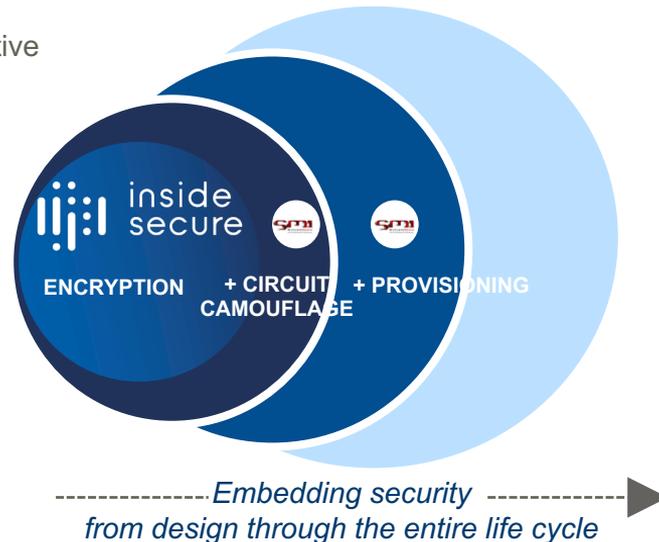


Endorsed by all Hollywood movie studios
Great local support and compelling roadmap

More than 100 deployments to date

- SypherMedia: a key player in Silicon IP security and provisioning solutions
- Important addition of unique anti-counterfeiting technologies in embedded security
- Leveraging largely deployed and scalable provisioning platform
- Access to multiple tier 1 OEMs
- Upselling opportunities
- Untap new markets: IoT, automotive

Acquired in November 2017
 Los-Angeles based company, 11 employees
 Strong recurring revenue
 Consideration: Up to \$10M in cash (\$7M upfront)



Integrating strong security
 in general-purpose chips
 through Root of Trust

OPERATE NEW SECURITY SERVICES

Leveraging the acquisition of Meontrust to build a strong authentication service offering

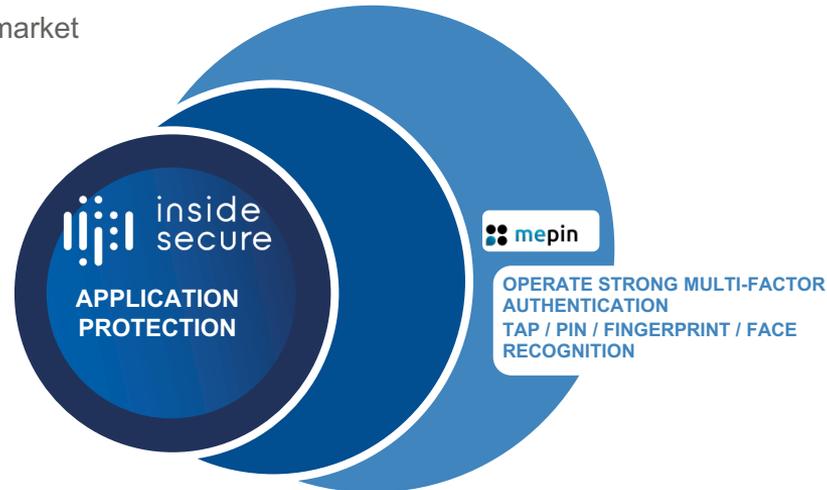
- Meontrust develops security solutions to facilitate deployment of strong customer two-factor authentication
- Addition of a plug-and-play solution (MePin) for dynamic authentication – anywhere, anytime, any device - and running on all major OS
- Strong addition to address mobile banking, PSD2 (payment services directive) and digital content protection
- Upselling opportunities
- Entering Security-as-a-Service market

Acquired in August 2017

A Finnish emerging growth company

Member of FIDO alliance

Consideration: Up to €5M in cash (€4M€ upfront)



Stronger / Faster / Secure authentication

for on-line payment, mobile banking and digital content protection

Increasingly supporting world top companies in managing new security challenges

Silicon IPs

Security at the heart of chips



Major Semiconductor Companies



Data & communication

Security of communication



Top IT Companies



Application protection

Security of application



Banks and payment systems



Content protection

Security of content



Content distributors



2017 in a nutshell

- Inside Secure as a pure play in security software, after 2016 transformation year
- Growing traction in IoT and Automotive markets
- Expanding from product development to service deployment
- Hired key managers and sales and build stronger sales and marketing force
- Built a strong balance-sheet to fund growth and in particular acquisitions
- Acquired two businesses to add key technologies while entering new markets and improving Inside Secure market position



Inside Secure

FY2017 financials

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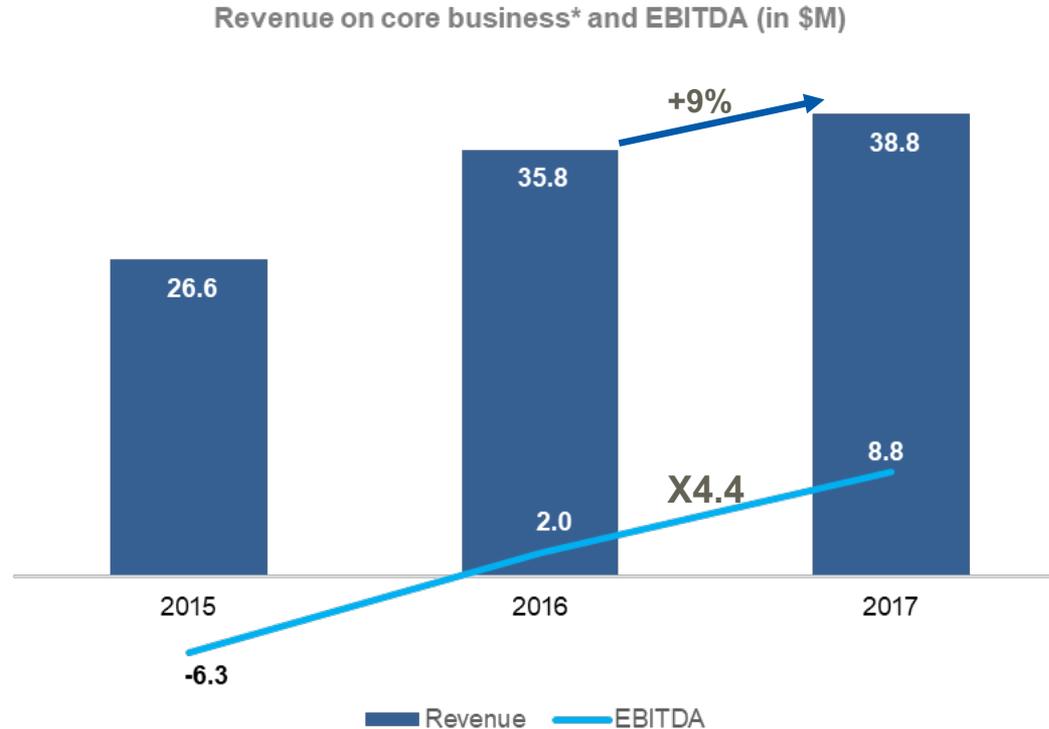
Basis of presentation of FY17 financials

The revenue and results for the fiscal year 2017 have been prepared in accordance with **IFRS 15** "Revenue from Contracts with Customers", which is mandatory from January 1, 2018. The Company has chosen to anticipate the implementation of the standard, in particular to be able to present a 2018 year directly comparable to 2017.

For a better understanding of the company's performance, operating performance and income statements in this presentation are primarily presented:

- On an **adjusted basis**, i.e. IFRS excluding amortization of acquired intangible assets; or share-based payment charges, of non-recurring expenses (restructuring charge, cost of acquisition of companies)
- On **continuing operations**, i.e. historical data excluding contribution of semi-conductor activities sold in 2016
- On **core business**, i.e. excluding historical contribution of revenues derived from NFC patent license agreement signed by France Brevets (no revenue derived from NFC in 2017 as compared to 14.2M\$ in 2016)

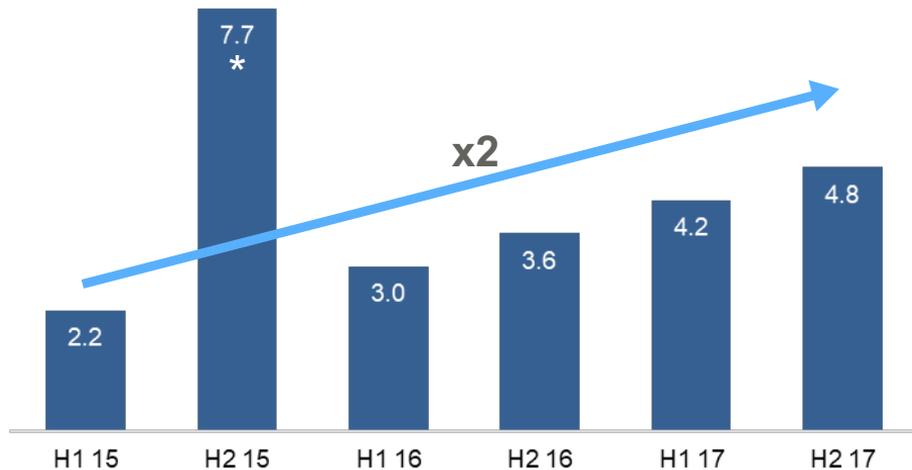
2017: Software-based activity driving strong operating leverage



2017: Significant growth in licenses to seed future organic growth

x2

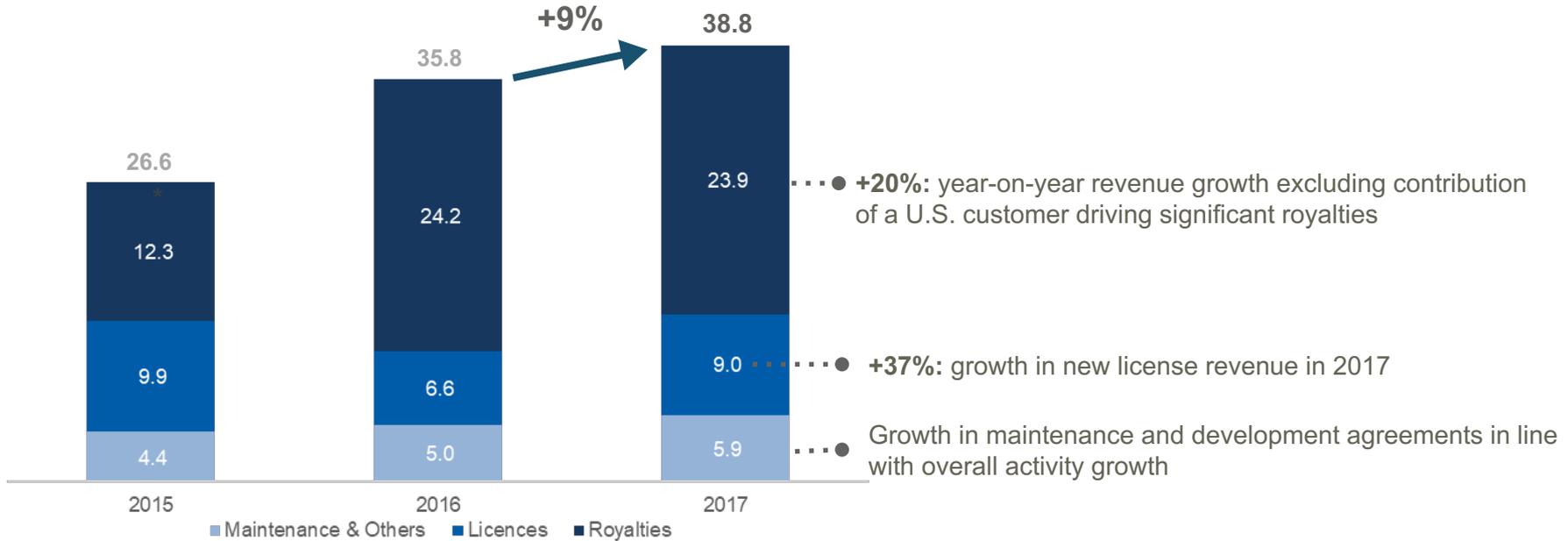
HALF-YEAR LICENSE REVENUE RUN
RATE OVER 2 YEARS (IN M\$)



* including a multi-million \$ software license with a major U.S. bank

- Reaping the benefit of investing in sales development
- Addressing new security challenges to up-sell customers (ex: content protection / virtual reality)
- Leveraging strong market dynamics, notably in in Automotive and IoT with increased design wins; security starting to be embedded directly into chips going into connected cars and IoT devices

2017 Core business revenue growing by +9% vs. 2016



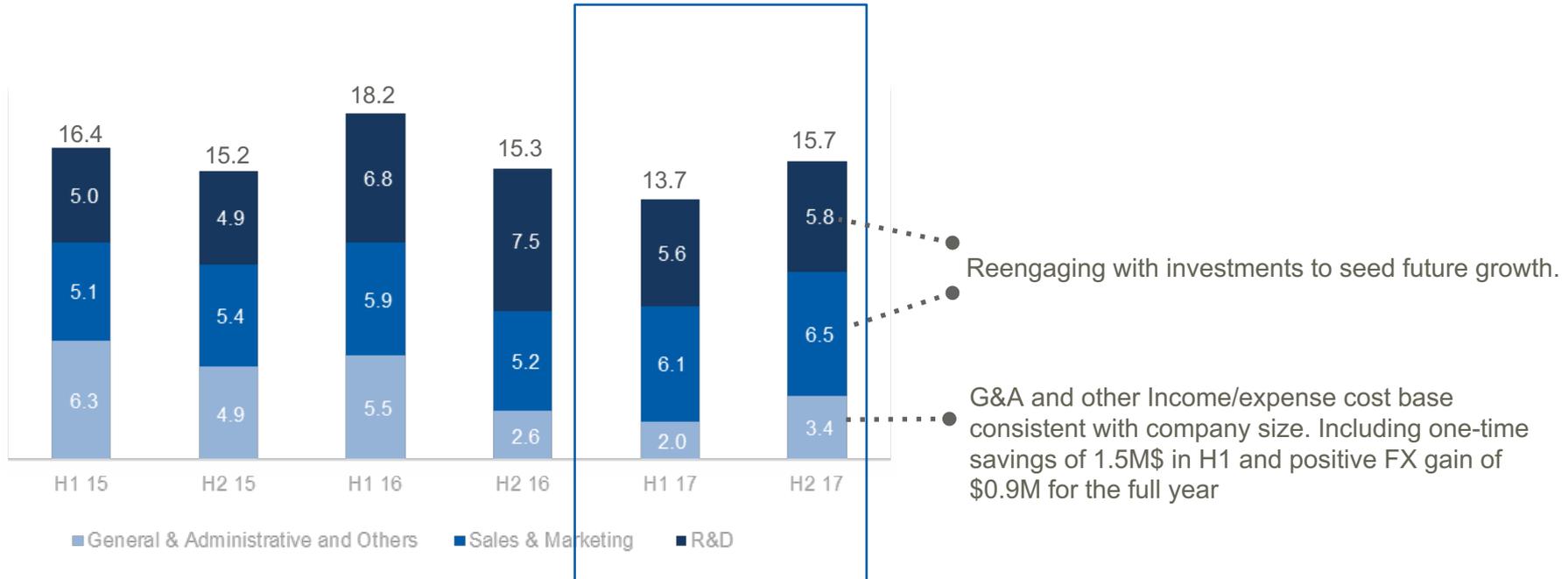
* 2015 licence revenue include a multi-million \$ software license with a major U.S. bank

Demonstrated software business model driving strong operating leverage

in million \$	2016	2017
Core business revenue	35.7	38.8
Gross profit	34.7	37.6
as % of revenue	97%	97%
Operating expenses	(33.5)	(29.3)
as % of revenue	94%	76%
Operating income	1.2	8.3
as % of revenue	3.4%	21.4%
EBITDA of core business	2.0	8.8
as % of revenue	6%	23%

Restarting investments in H2 2017 to support future growth

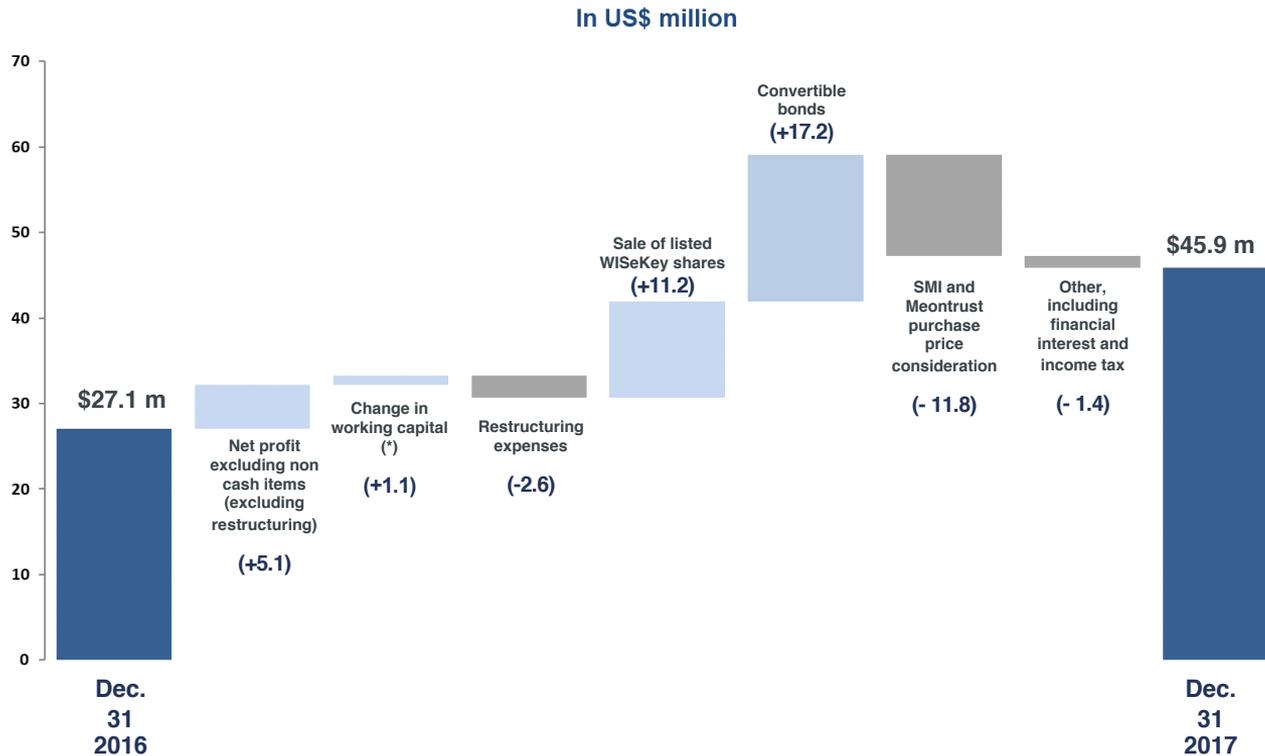
EVOLUTION OF OPERATING EXPENSES FOR CORE BUSINESS (in \$M)



From adjusted income to IFRS net income

in million \$	2016	2017	
Adjusted operating income Core business	1.2	8.3	
Adjusted operating income "NFC"	9.7	(0.6)● 3 NFC licenses in 2016 vs. nil in 2017
Adjusted consolidated operating income	10.9	7.7	
- Adjustments to IFRS	(8.8)	(6.1)● Amortization of intangible assets from acquired businesses (2.4M\$), non recurring expense (restructuring and expense related to acquisitions - \$2.9M), share-based payment expense
Consolidated IFRS operating income	2.1	1.6	
Finance income / (loss), net	(0.7)	(1.9)	
Consolidated profit (loss) before income tax	1.4	(0.2)	
Income tax expense	(1.7)	(0.6)	
Net income/(loss) from continuing operations	(0.3)	(0.8)	
Net income/(loss) from discontinued operations	12.6	(0.3)● Profit from sale of the semiconductor business in 2016
Net income/(loss)	12.3	(1.1)	

2017: Strong cash generation by core business and strong increase in cash position



(*) Including financing of 2015 R&D tax credit and restructuring expenses



Inside Secure

Looking ahead

Amedeo D'Angelo, President & CEO

February 22, 2018

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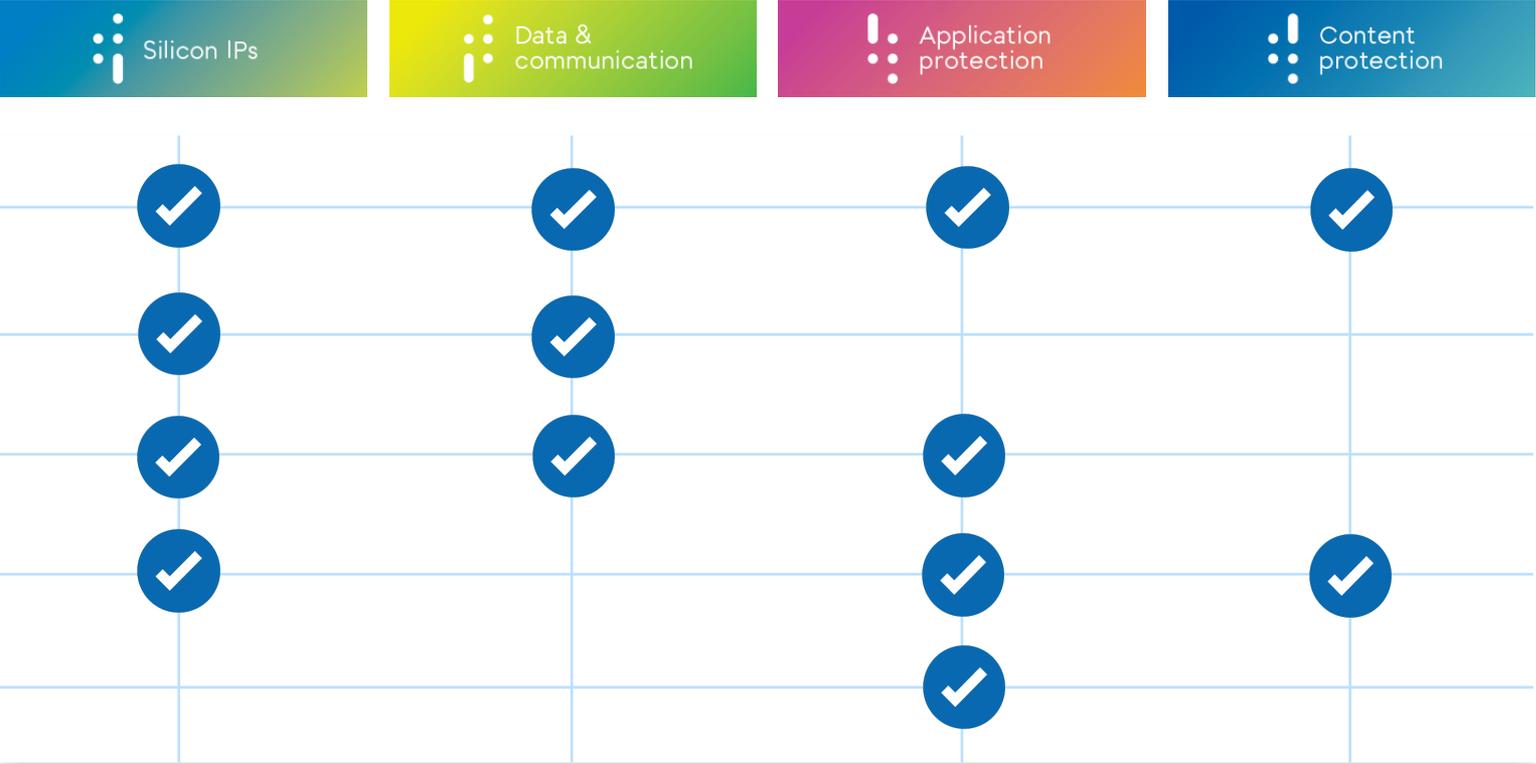
In 2017, Inside Secure accelerated its roadmap to build a unique and strategic position at the heart of connected devices and apps



Over billions of connected devices & apps with increased intelligence and sophistication

- We are positioned **on security at the heart** of billions of **connected devices and apps**
- We leverage the right **proprietary technologies** to enable service providers to **have more control** of the end point
- We provide the **broadest portfolio of endpoint solutions** (including Silicon IP and Software)

Focusing on selected markets with high growth potential



2018: investing to capture strong market dynamics and support future growth

- **Continue to sustain strong top line revenue growth with accelerated growth of its core business revenue** excluding contribution of a U.S. customer driving significant royalties
- **Accelerating investments before getting back to a normative EBITDA >20%**
 - Focus on product development with bundled offers across the portfolio
 - Increased focus on selected markets (Automotive, IoT, Finance)
- **2018 operating expenses between \$38.5 and \$40 million**
 - Accelerated investments in R&D and S&M
 - Operating expenses derived from the two 2017 acquisitions (\$3.5m)
 - Stronger euro vs. dollar (estimated \$2m of incremental cost)
- **Continue scouting acquisitions to accelerate execution of strategic roadmap**

Inside Secure: Investment Case

A PURE PLAYER IN SECURITY

- A **pure player** player in software and core technologies to secure connected devices and apps
- **Secured >2bn** devices to date
- Building a unique and strategic position at the heart of connected devices and apps

SOLID ADVANTAGES

- Addressing security needs of billions of connected devices and apps
- Comprehensive and leading portfolio of proprietary core technologies
- **25 years** know how and experience as high barriers to entry
- Breadth of customer base / world top companies

SUCCESSFULLY TRANSFORMED COMPANY TOWARDS PURE SOFTWARE PLAYER

- 2016: first year of **profitable growth**, ever following sale of loss making semi conductor business
- 2017: **+37%** growth in **license revenues**
- Half-year license revenue **x2** since 2015 to seed future growth
- Demonstrated **operating leverage** of software business model with EBITDA >20% in 2017

POSITIONED ON SELECTED NICHE GROWING MARKETS

- Emerging IoT and automotive markets requiring security
- Regulation driving stronger demand in authentication and data protection

LONG TERM GROWTH & OPERATING LEVERAGE OPPORTUNITIES

- **Clear strategy** to enrich core security technologies with solution and service offering
- **Increasing footprint** of core security technologies
- Leveraging **tactical and value creative acquisitions** to accelerate strategic roadmap. Acquisitions of Meontrust and SypherMedia in 2017: increasing portfolio of core technologies while building a solution and service offering
- **Sound balance sheet** with disciplined cash management to execute strategy



Appendix

February 22, 2018

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Basis of preparation

Implementation of IFRS 15

- The revenue and results of the Company of the fiscal year 2017 have been prepared in accordance with IFRS 15 "Revenue from Contracts with Customers", which is mandatory from January 1, 2018. The Company has chosen to anticipate the implementation of the standard, in particular to be able to present a 2018 year directly comparable to 2017. As IFRS 15 permits, fiscal year 2016 revenue and results have not been restated and remain as previously disclosed. The impact of the new standard on the revenue and the results of the year 2017 is considered immaterial. Had the Company continued to apply the previous standard (IAS 18), revenue in 2017 would have been \$ 38.6 million, consolidated operating income \$ 1.2 million, and EBITDA \$ 8,4 million. The Company believes that the implementation of IFRS 15 will nevertheless result in variations in recognition of quarterly revenues.

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 Group's consolidated financial statements
 - 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 carried out 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 carried out by the Company.
 - EBITDA is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.

Basis of preparation

Core business

- Inside Secure operates with a single core business segment which comprise the Company's software and silicon intellectual property product offering. It excludes the contribution of the Company's NFC patent licensing program. It also excludes the semiconductor business which was discontinued starting 2016 and then sold in September 2016 (reported for as "discontinued operations").

Continuing and Discontinued Operations

- Following Inside Secure's announcement on May 19, 2016 of the sale of its semiconductor business to WISeKey and in accordance with IFRS 5, Inside Secure semiconductor activity qualified since then as a discontinued operation. Consequently, Income and expense items for this discontinued operation are recognized directly in "net income from discontinued operations" and thus are excluded from consolidated revenue, adjusted operating income, EBITDA, and operating and net incomes from continuing operations. Accordingly, results from continuing operations reflect the performance of the software and silicon IP business, the NFC patent licensing program.

Sound balance sheet with disciplined cash management to execute the strategy

in million \$	December 31 2016	December 31 2017
Goodwill and intangible assets	25.3	38.0
Property, plant & equipment	1.5	1.3
Other receivables	5.4	1.7
Total non current assets	32.2	41.0
Trade receivables	8.6	15.5
Bonds redeemable in shares	11.6	-
Other current receivables	5.0	3.8
Cash and cash equivalents	27.1	45.9
Total current assets	52.3	65.2
Total assets	84.5	106.2
Equity and retained earnings	64	67
Derivatives financial instruments	-	4.8
Convertible bonds at fair value	-	14.0
Other non current liabilities	0.4	3.8
Non current liabilities	0.4	22.6
Trade and other payables	11.5	8.8
Provisions for other liabilities and charges	4.3	4.1
Unearned revenues	3.7	3.5
Other current liabilities	0.9	0.4
Current liabilities	20.4	16.8
Total equity and liabilities	84.5	106.2

Includes the consolidation of Meontrust and SMI

Conversion of 100% of the WISeKey bonds and sale of the shares on the Swiss stock market in 2017

Split accounting: option value of the bonds accounted for as derivatives

Statement of Cash Flows

in million \$	2016	2017
Net Cash generated by / (used in) operations for continued operations	7.6	5.1
Net Cash generated by / (used in) operations for discontinued operations	(3.6)	-
Cash generated by / (used in) operations before changes in working capital	4.1	5.1
Cash generated by / (used in) changes in working capital (*)	0.5	(4.1)
Cash generated by / (used in) changes in working capital from discontinued operations	0.6	2.5
Cash generated by / (used in) changes in working capital	0.5	(1.6)
Interest received, net and Income tax	(0.3)	(1.1)
Net cash generated by / (used in) operating activities	4.2	2.5
Cash flows used in investing activities from continued operations, net	(0.2)	(0.9)
Cash flows used in investing activities from discontinued operations	2.1	-
Cash flows from financing activities, net	4.6	17.2
Net increase / (decrease) in cash and cash equivalents	10.8	18.8
Cash and cash equivalents at beginning of the period	16.4	27.1
Foreign exchange impact	0.1	(0.0)
Foreign exchange impact on discontinued operations	(0.2)	-
Cash and cash equivalents at end of the period	27.1	45.9

(*) including :

- financing of the R&D tax credit in 2015 and 2016
- restructuring expenses for an amount of \$ 2.6 million in 2017
- acquisitions costs for an amount of \$ 0.8 million in 2017

Core business operating income and EBITDA

in million \$	2016	2017
Revenue	35.8	38.8
Gross profit	34.7	37.6
<i>Research and development expenses</i>	<i>(14.2)</i>	<i>(11.4)</i>
<i>Selling and marketing expenses</i>	<i>(11.2)</i>	<i>(12.5)</i>
<i>General and administrative expenses</i>	<i>(7.8)</i>	<i>(6.7)</i>
<i>Other gains / (losses), net</i>	<i>(0.4)</i>	<i>1.3</i>
Operating income	1.2	8.3
EBITDA	2.0	8.8

Reconciliation from Adjusted to IFRS

in million \$	2016	2017
EBITDA from continuing operations	12.3	8.8
Amortization and depreciation of assets (*)	1.4	1.1
Adjusted operating income/(loss) from continuing operations	10.9	7.7
Business combinations (**)	(3.8)	(2.4)
Other non recurring costs	(4.3)	(3.1)
Share based payments	(0.6)	(0.5)
Operating income/(loss) from continuing operations	2.1	1.6
Finance income/(losses), net	(0.7)	(1.9)
Income tax expense	(1.7)	(0.6)
Net income/(loss) from continuing operations (i)	(0.3)	(0.8)
Net income/(loss) from discontinued operations (ii)	12.6	(0.3)
Net income/(loss) (i) + (ii)	12.3	(1.1)

(*) excluding amortization and depreciation of assets acquired through business combinations. Items without cash impact

(**) amortization and depreciation of assets acquired through business combinations and acquisition related external expenses.

Items without cash impact

Sums may not equal totals due to rounding



Investor information

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Financial calendar
Q1 2018 revenue. **April 19, 2018**

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