



Inside Secure 2018 financial results

Amedeo D'Angelo, Chairman & CEO

Richard Vacher Detournière, GM & CFO

March 6, 2019

www.insidesecondure.com

Disclaimer

This presentation and the information it contains are not intended to constitute, and should not be construed as an offer to sell or a solicitation to buy or subscribe to any Inside Secure securities, in any jurisdiction. Any public offering of Inside Secure securities would be made by means of a prospectus previously approved by the AMF that contains detailed information about Inside Secure. The disclosure, distribution and publication of this presentation may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein comes should inform themselves about and comply with any such restrictions. Inside Secure takes no responsibility for any violation of any restrictions by any person.

This presentation contains certain forward-looking statements relating to the business of Inside Secure, which shall not be considered per se as historical facts, including the ability to manufacture, market, commercialize and achieve market acceptance for specific projects developed by Inside Secure, estimates for future performance and estimates regarding anticipated operating losses, future revenues, capital requirements, needs for additional financing. In addition, even if the actual results or development of Inside Secure are consistent with the forward-looking statements contained in this press release, those results or developments of Inside Secure may not be indicative of their in the future. In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "anticipates," "believes," "intends," "estimates," "aims," "targets," or similar words. Although the management of Inside Secure believes that these forward-looking statements are reasonably made, they are based largely on the current expectations of Inside Secure as of the date of this communication and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the expectations of Inside Secure could be affected by, among other things, uncertainties involved in unexpected regulatory actions or delays related notably to building and operating permits and renewable support policies, competition in general or any other risk and uncertainties developed or identified in any public documents filed by Inside Secure with the AMF, included those listed in chapter 4 "Risk factors" of the 2017 registration document ("document de référence") filed with the French financial market authority (the Autorité des marchés financiers – the "AMF") on April, 2018 under number D.18-0307. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this communication will in fact be realized. Notwithstanding the compliance with article 223-1 of the General Regulation of the AMF (the information disclosed must be "accurate, precise and fairly presented"), Inside Secure is providing the information in these materials as of this communication, and disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

©Inside Secure 2018. 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.

2018 results: strong operational & financial performance

- **Robust top line growth more than offsetting expected unfavourable base effect**
 - +8% to \$42.1 million
 - Core business revenue +35% excluding historical US customer
- **Confirmed software business model**
 - EBITDA of \$6.6 million (15.6% of revenue)
 - Cash flow from operating activities of \$4.5 million in 2018*
- **Acquisition of Verimatrix closed on February 28 to scale to a new business dimension**
- **2019 objectives: focus on integrating Verimatrix and delivering first cost synergies**
- **2021 target confirmed: revenue of \$150 million and EBITDA margin of 25%**

(*) excluding payment of fees and other expenses in relation with the project to acquire of Verimatrix

2018: leveraged our assets
more than off setting expected unfavorable base effect

**Our core
security
solutions**

+41%: core business
revenue growth (excluding
historical US customer)

**Our
customers**

*New significant agreements
with existing customers*

**Our NFC
Patent
Portfolio**

\$1.8M revenue

+8%: consolidated 2018 revenue to \$42.1M

2018 - Continued significant progress in tackling high potential markets such as data centers, mobile networking, IoT and connected cars

From embedded security into chips...

Multiple design wins to embed security functions into general purpose chips dedicated to home automation, and virtual and augmented reality applications

... to secure communications...

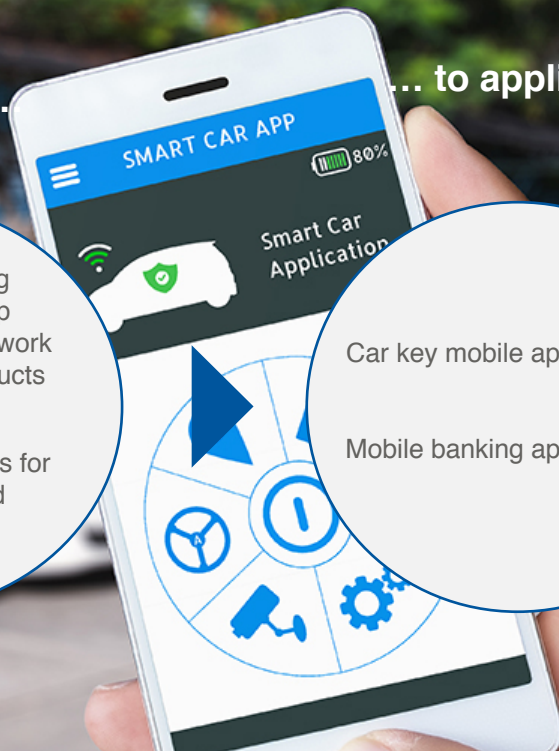
signed a leading company to help securing its 5G network infrastructure products

intelligent processors for data centers and connected cars

... to applications

Car key mobile applications

Mobile banking applications



2018 - Entertainment: Leveraging leadership in content protection to enable our customers to address new security challenges

The background image shows a person driving a car, viewed from the passenger side. They are holding a tablet. Overlaid on the image are three white circular callouts with blue borders. The car's interior and the road ahead are visible, with some digital, futuristic elements like glowing lines and icons overlaid on the scene, particularly around the driver and the road.

Video-on-demand applications

Renewal of several agreements with existing customers

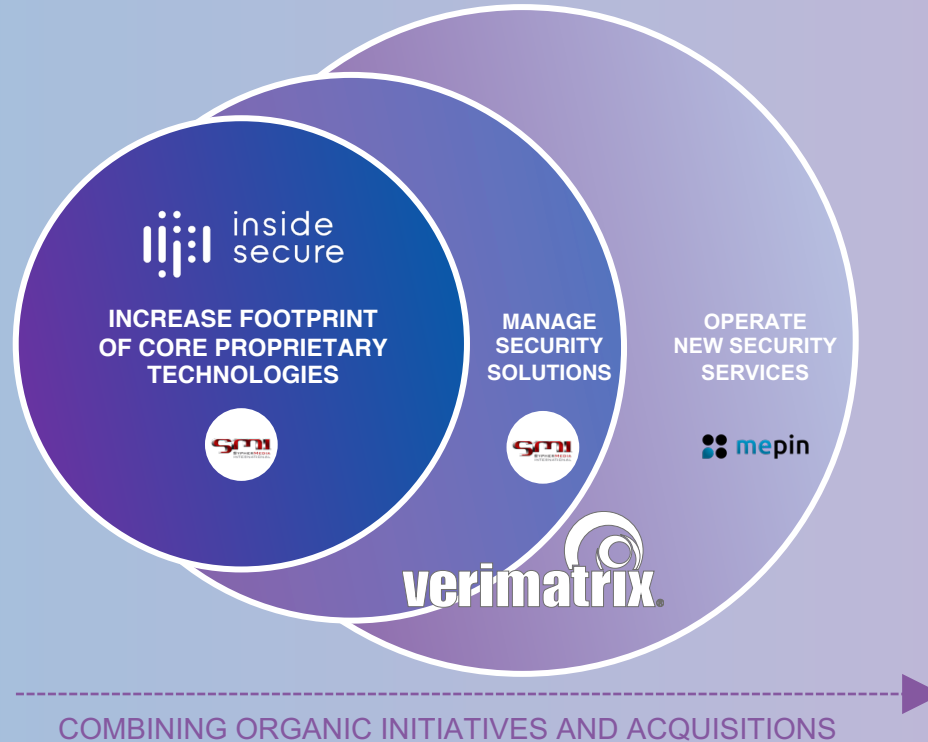
New simpler, user-friendly and modern solutions to highly secure content protection

launch of the first software-only HDPC 2.3 solution

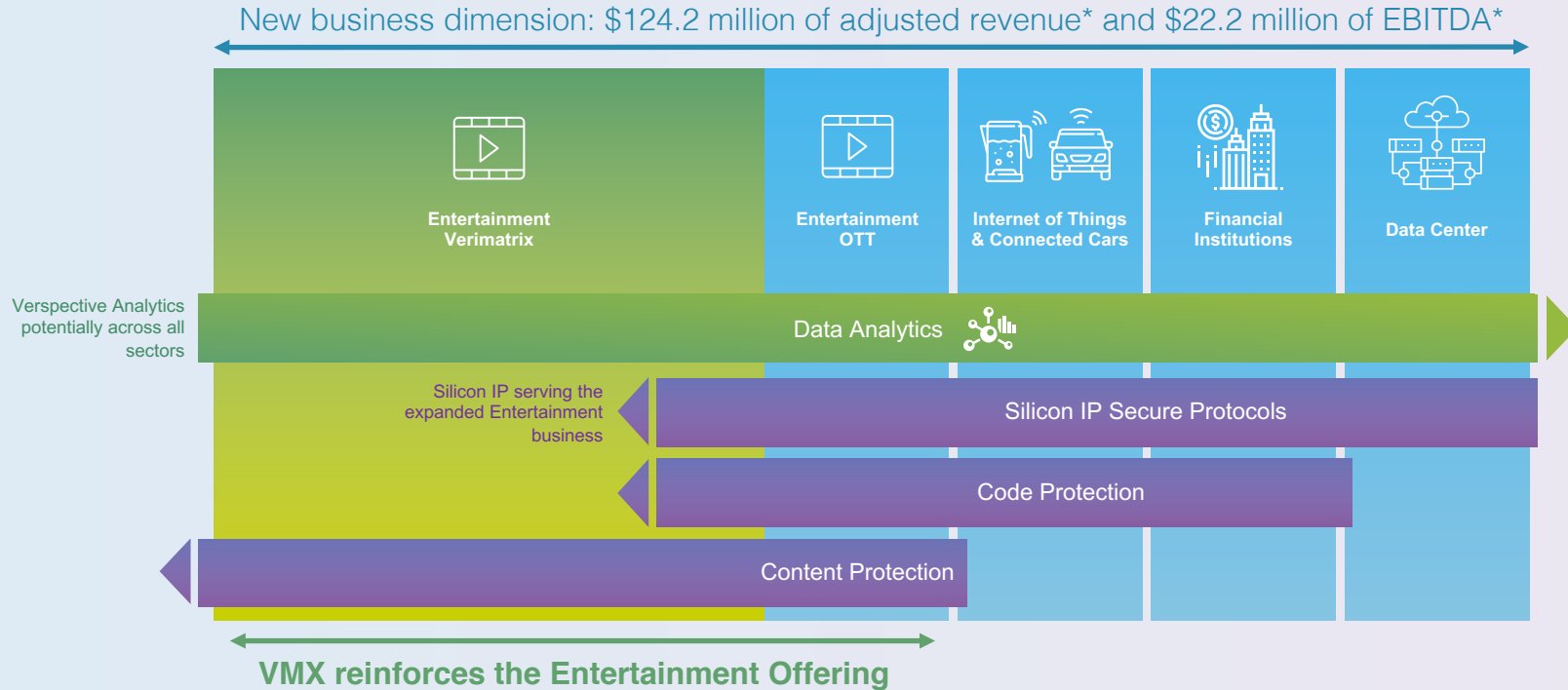
Tackle new content protection needs to further secure customers' revenue (eg. in-car infotainment)

(*) High-Bandwidth Digital Content Protection

2018: Accelerating clear strategy to increase footprint of embedded security



Verimatrix: Adding on Inside Secure's offering, by building synergies in a broader marketplace



(*) 2018 unaudited preliminary IFRS pro forma accounts, definitions in Appendix hereof



Inside Secure

2018 financials

March, 2019

www.insidesecondure.com

Basis of presentation of 2018 financials

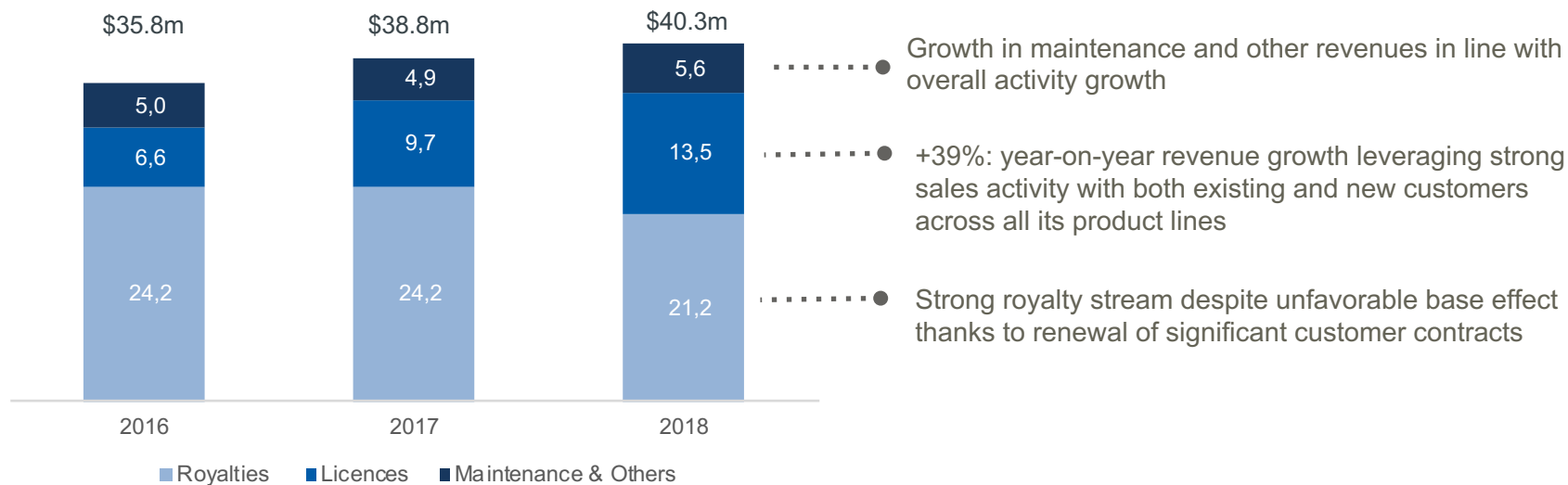
Forenote: Final revenue for 2018 unchanged compared with the estimate communicated on January 15, 2019. EBITDA of \$6.6 million slightly higher than the unaudited \$6.2 million communicated at that time due to lower operating expense.

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

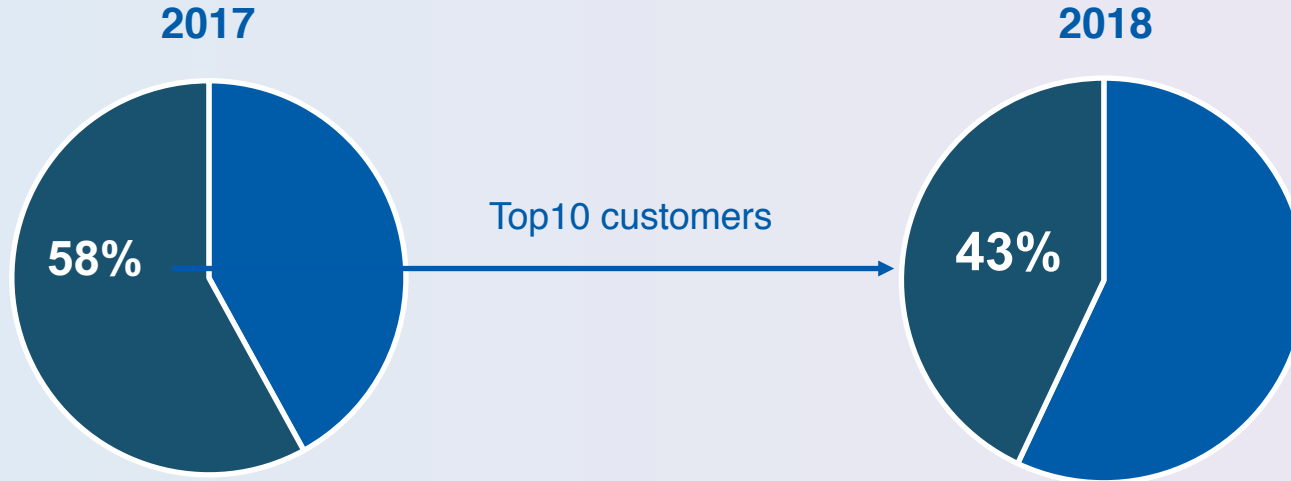
For a better understanding of the company's performance, operating performance and income statements in this presentation are primarily presented:

- On an **adjusted basis**, i.e. IFRS excluding amortization of acquired intangible assets; or share-based payment charges, of non-recurring expenses (cost of acquisition of companies, restructuring charge) – definitions in Appendix hereof
- On **core business**, i.e. the company's software and silicon intellectual property product offering; excluding contribution of revenues derived from NFC patent license agreement signed by France Brevets

2018 Core business revenue: +4% vs. 2017 +35% excluding historical US customer



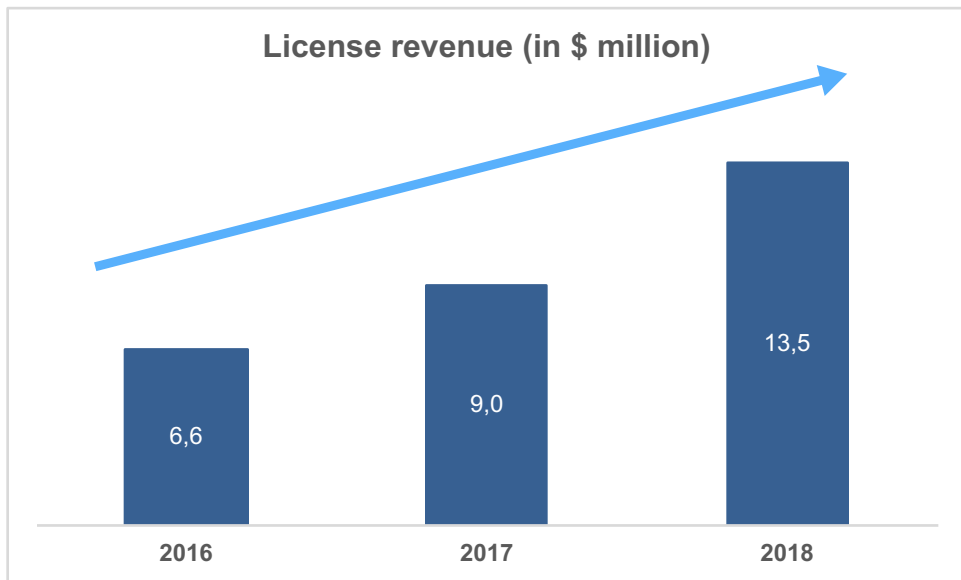
2018: Successfully diversified customer base of core business



2018: continuous Significant growth in licenses

x2

REVENUE RUN RATE OVER 3 YEARS
(IN M\$)



- Reaping the benefit of investing in sales development
- Addressing new security challenges to up-sell customers
- Leveraging strong market dynamics, notably in Datacenters, Mobile infrastructure, IoT and automotive with increased design wins

2018: Demonstrated software business model of core business

in million \$, core business	2018	2017	2016	CAGR
Core business revenue	40,3	38,8	35,8	4%
Gross profit	38,9	37,6	34,7	4%
as % of revenue	97%	97%	97%	-
Operating expense	(34,1)	(29,3)	(33,5)	1%
as % of revenue	85%	76%	93%	
Adjusted operating income	4,9	8,3	1,2	60%
as % of revenue	12%	21%	3%	
EBITDA	5,3	8,8	2,0	38%
as % of revenue	13%	23%	6%	

Disciplined management of operating expense

in million \$	2018	2017
Revenue	42,1	38,8
Gross profit	39,7	37,0
<i>Research and development expenses</i>	<i>(14,3)</i>	<i>(11,4)</i>
<i>Selling and marketing expenses</i>	<i>(13,1)</i>	<i>(12,5)</i>
<i>General and administrative expenses</i>	<i>(7,0)</i>	<i>(6,7)</i>
<i>Other gains / (losses), net</i>	<i>0,3</i>	<i>1,3</i>
Operating expense	(34,1)	(29,3)
Operating income	5,6	7,7
EBITDA	6,6	8,8

2018: Positive IFRS net income

in million \$	2018	2017	Var
Adjusted operating income Core business	4,9	8,3	(3,4)
Adjusted operating income "NFC"	0,7	(0,6)	1,3
Adjusted consolidated operating income	5,6	7,7	(2,1)
- Adjustments to IFRS (*)	(4,4)	(6,1)	1,7
Consolidated IFRS operating income	1,2	1,6	(0,4)
Finance income / (loss), net	3,2	(1,9)	5,1
Consolidated profit (loss) before income tax	4,4	(0,2)	4,6
Income tax expense	(1,0)	(0,6)	(0,4)
Net income/(loss) from continuing operations	3,4	(0,8)	4,2
Net income/(loss) from discontinued operations	-	(0,3)	0,3
Net income/(loss)	3,4	(1,1)	4,5

(*) Adjustments to IFRS: amortization of acquired intangible assets, non-recurring expenses (restructuring charge, cost of acquisition of companies), share-based payment charges – see Appendix for more details)

2018: cash generation reflecting operating performance

in million \$	2018	2017
Cash generated by operations before changes in working capital	3.3	5.1
Cash generated by / (used in) changes in working capital	0.6	(1.6)
Interest received, net and Income tax	(1.1)	(1.1)
Net cash generated by operating activities	2.8	2.5
Cash flows used in investing, net	(0.3)	(0.9)
Cash flows from financing activities, net	(1.0)	17.2
Net increase in cash and cash equivalents	1.5	18.8
Cash and cash equivalents at beginning of the period	45.9	27.1
Foreign exchange impact	0.0	(0.0)
Cash and cash equivalents at end of the period	47.4	45.9

Sound balance sheet with disciplined cash management


in million \$	December 31 2018	December 31 2017
Goodwill and intangible assets	35.4	38.0
Property, plant & equipment	1.2	1.3
Other receivables	5.1	1.7
Total non current assets	41.7	41.0
Trade receivables	11.2	15.5
Bonds redeemable in shares	-	-
Other current receivables	4.3	3.8
Cash and cash equivalents	47.4	45.9
Total current assets	62.8	65.2
Total assets	104.5	106.2
Equity and retained earnings	70	67
Derivatives financial instruments	0.8	4.8
Convertible bonds at fair value	14.2	14.0
Other non current liabilities	2.6	3.8
Non current liabilities	17.6	22.6
Trade and other payables	9.0	8.8
Provisions for other liabilities and charges	3.6	4.1
Unearned revenues	3.7	3.5
Other current liabilities	0.2	0.4
Current liabilities	16.5	16.8
Total equity and liabilities	104.5	106.2

Closing of the acquisition of Verimatrix

- Closing of the acquisition of Verimatrix Inc. on February 28, 2019
- \$138.1 million paid at closing, plus an additional amount of \$9.8 million set in escrow to cover potential post-closing adjustments and an earn-out, estimated to \$8 million*
- Unaudited preliminary IFRS pro forma key figures:

in \$ million	2018	2017
Adjusted revenue	124.2	119.0
EBITDA	22.2	21.5

(*) final amount will be known in the second quarter of 2019 following completion of year-end audit of Verimatrix earnings



Inside Secure

Looking ahead

March, 2019

www.insidesecondure.com

Business outlook

2019

Strong focus on integrating Verimatrix and delivering first cost synergies (\$4m)

Higher EBITDA* due to Verimatrix incremental earnings & generation of first cost synergies



2021 Targets confirmed

\$150m revenue

EBITDA >25%

(*) on a like-for-like basis by integrating only Verimatrix, excluding any acquisitions or disposals of businesses or companies. Including the full impact of the \$10 million annual expected cost synergies from the combination of Inside Secure and Verimatrix. Target revenue and operating expenses are based on a dollar/euro exchange rate of \$1.17, i.e. the conversion rate used for the operating budget for the year 2019.



Appendix

www.insidesecondure.com

2018 financials - Basis of preparation

IFRS 15 - Figures for 2018 and 2017 have been prepared in accordance with IFRS 15 "Revenue from Contracts with Customers"

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 revenue** is defined as revenue before non-recurring adjustments related to business combinations. It enables comparable revenue for future fiscal years. In 2018, the combined entities would have generated a pro forma adjusted revenue of \$124 million (\$119 million in 2017) and a pro forma revenue of \$122 million (\$116 million in 2017) as Verimatrix recorded \$2 million of deferred revenue as at December 31, 2017 (\$3 million of deferred revenue as at December 31, 2016) which, in accordance with IFRS, cannot be recognized in the year following the acquisition.
 - **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 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 undertaken by the Company.
 - **EBITDA** is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.

Reconciliation from Adjusted measures to IFRS

in million \$	2018	2017
EBITDA	6,6	8,8
Amortization and depreciation of assets (*)	1,0	1,1
Adjusted operating income/(loss)	5,6	7,7
Business combinations (**)	(1,9)	(2,4)
Other non recurring costs (***)	(1,8)	(3,1)
Share based payments	(0,7)	(0,5)
Operating income/(loss)	1,2	1,6
Finance income/(loss), net	3,2	(1,9)
Income tax expense	(1,0)	(0,6)
Net income/(loss) from discontinued operations	-	(0,3)
Net income/(loss)	3,4	(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

(***) Restructuring and acquisition-related costs

Sums may not equal totals due to rounding

Investor information



Contacts

Inside Secure
Corporate communications

Brigitte Foll
Marcom Director
communication@insidesecure.com

Inside Secure
Investor relations

Richard Vacher Detournière
GM & CFO
contactinvestisseurs@insidesecure.com

Financial calendar

Q1 2019 revenue: April 18, 2019

www.insidesecure.com

www.insidesecure-finance.com