



Inside Secure announces Q1 2019 revenue

- **\$20.4 million: Q1 2019 IFRS consolidated revenue¹ with Verimatrix contributing \$7.2 million (one month of revenue)**
 - +30%: year-on-year growth for Inside Secure's business activity excluding revenue from Verimatrix
 - +61%: year-on-year growth in Inside Secure license revenue to \$4.6 million
- **Objectives confirmed:**
 - 2019: strong focus on integrating Verimatrix and delivering first cost synergies
 - 2021: revenue of \$150 million and EBITDA margin of 25%

Aix-en-Provence, France, San Diego, CA, USA, April 17, 2019 - Inside Secure (Euronext Paris: INSD) is today reporting its revenue for the first quarter period ended March 31, 2019.

| (in \$ million) | Q1-2019 | Q1-2018 | Q1-2019 vs. Q1-2018 |
|--------------------------------|---------|---------|------------------------|
| Consolidated revenue (IFRS) | 20.40 | 10.12 | 102% |
| Adjusted pro forma revenue (*) | 27.50 | 26.70 | 3% |

(*) Pro forma revenue as if the acquisition of Verimatrix had been completed on January 1, 2019, adjusted for Verimatrix deferred revenues (see definition in section "Supplementary non-IFRS financial information" at the end of the press release)

Commenting on these results, Amedeo D'Angelo, chairman and chief executive officer of Inside Secure, stated:

"This quarter was an exceptionally busy quarter. Inside Secure continued to deliver strong organic growth while closing the acquisition of Verimatrix to strengthen scale and reach of our value proposition in end markets that are fast shifting towards software and cloud-based security solutions.

Once again, we have leveraged both very positive market dynamics and our portfolio of proven software security products and solutions, to grow revenue organically with existing and new customers. We continued to grow significantly license revenue. We signed with five deals in the connected car market and kept on making progress in tackling high potential markets such as data centers, mobile networking and IoT while addressing new security challenges in the Entertainment market.

At the same time, we closed the acquisition of Verimatrix on February 28, and immediately implemented our combined leadership team leveraging the strengths and capabilities of both companies, with the objective to support a smooth and efficient cultural and business integration and grow the business. We have also designed, and implemented on April 1, a new combined business organization around two business units - Software and Silicon IP and Secure Protocols - to reap the benefit of business specificities and opportunities while bringing the best value proposition for our customers.

Today, we are more than ever ready to reap the benefit of the combined businesses and teams to deliver first cost synergies in 2019 while building a major player in software-based security solutions."

¹ On an IFRS basis; Verimatrix is consolidated since March 1, 2019, thus contributing for one month to the first quarter 2019 revenue

First quarter 2019 revenue

Consolidated revenue (IFRS)

In the first quarter of 2019, consolidated revenue was \$20.4 million, up 102% compared with 2018, primarily due to the incremental revenue from Verimatrix business, consolidated starting March 1, 2019 and contributing for \$7.2 million (one month of revenue). In the first quarter of 2019, Inside Secure generated consolidated revenue of \$13.2 million on a like-for-like basis, up 30% year-on-year.

Inside Secure revenue on a like-for like basis

| (like-for-like basis, in \$ million) | Q1-2019 | Q1-2018 | Q1-2019 vs. Q1-2018 |
|---------------------------------------|--------------|--------------|------------------------|
| Licenses | 4.58 | 2.85 | 61% |
| Royalties | 3.72 | 6.00 | -38% |
| Maintenance and other | 1.33 | 1.26 | 5% |
| Total revenue of core business | 9.63 | 10.12 | -5% |
| Unallocated revenue (*) | 3.55 | - | - |
| Total revenue | 13.17 | 10.12 | 30% |

(*) unallocated amounts correspond to non-recurring revenue from the company's NFC patent licenses.

Sums may not equal totals due to rounding

Inside Secure generated \$13.2 million in revenue for the first quarter on a like-for-like basis, including \$3.5 million revenue from the Company's NFC patent licensing program managed by France Brevets.

Excluding the contribution of the NFC patent licensing program, revenue from core secure software and silicon IP business amounted to \$9.6 million for the first quarter of 2019, down 5% year-on-year, and up 12% excluding contribution of the U.S. customer in the defense industry, which had generated royalty in the first quarter of 2018,

In the first quarter of 2019, license revenue was \$4.6 million, up 61% from the previous year and revenue from royalties was \$3.7 million (-38% year-on-year primarily due to an unfavourable base effect from the absence of royalties from the company's historical U.S. customer). Revenue from maintenance and other agreements was \$1.3 million, up 5% from the previous year and in line with Company's revenue growth and expectations.

This quarter, the company continued to reap the benefit of strong sales activity, and signed new licenses with both existing and new customers, leveraging its portfolio of products to enable its customers to manage new demanding security challenges.

In the entertainment space, Inside Secure continued to leverage its strong position in content protection and signed new licenses with existing customers to help them to protect the content they deliver under new access forms and operating systems, such as iOS, Android, Amazon FireTV, Tablet and Apple TV.

In the connected-car market, the Company continued to be very active and successfully closed five new deals, across the different product lines, with customers in the U.S., Asia and Israel. Inside Secure was particularly active to sell and implement its DTCP content protection software for mobile and in-car applications, such as infotainment system.

In the networking market, the Company maintained a good momentum, notably thanks to its differentiated and advanced portfolio of Silicon IP products, including the delivery of a new MACSec engine license to a top chipmaker in Asia.

Adjusted pro forma revenue

In the first quarter of 2019, adjusted pro forma revenue of the Company (including Verimatrix for the full quarter) was \$27.5 million, up 3 percent year-on-year, with Inside Secure contributing \$13.2 million (see above) and Verimatrix contributing \$14.3 million.

The Verimatrix business is very seasonal with the first quarter revenues being historically a low point and the fourth quarter a high point, in line with industry practice.

Revenue from existing customers remained solid in the first quarter of 2019, with larger customers ordering additional licenses as they continue to build out their subscriber base, and several implementing upgrades to Ultra 4K. However, revenue for the quarter was temporarily an unusually low this quarter, notably in the context of the trade sale process, which created some distraction, including delay in delivering backlog for instance. As a result, Verimatrix quarterly revenue decreased by 14% year-on-year (but only -3% on a trailing twelve-month basis). Bookings as of the end of the first quarter 2019 are significantly up year-on-year and backlog is strong.

In more detail, Verimatrix revenue comprises licenses generated when the customers implement the company's conditional access software solution on their head ends and client licenses based on the number of subscriber devices. Customers order additional licenses as their subscriber base grows and the subscriber client devices increase. Verimatrix also charges fees for maintenance and support, professional services, client integrations and training. In addition, Verimatrix collects royalties from set-top box manufacturers, generally reported on a quarterly basis, for using the company's embedded software. The company's solutions are also offered to customers as software as a service (SaaS) on a subscription basis that includes maintenance and support.

Business activities organized in two business units

Following on the implementation of an integrated leadership immediately after the completion of the acquisition of Verimatrix on February 28, 2019, the Company is organized around two business units effective April 1, 2019: (i) Software and (ii) Silicon IP and Secure Protocols, each with their own research and development resources, product marketing and sales force; support functions being shared between the two business units.

The Software business unit comprises (a) Inside Secure Content and Application Protection product lines, (b) Verimatrix Conditional Access solutions, offered to customers as a license for on premise use and as a service (SaaS), with Verimatrix in some cases managing the hosted service, and (c) Verimatrix SaaS big data analytics offering.

The Silicon IP and Secure Protocols business unit provides silicon IP (intellectual property components), software toolkits and provisioning solutions, to enable semiconductor manufacturers and fabless companies, device manufacturers and security software integrators to meet the critical needs for authentication, secure communication, information protection and user privacy for the Internet of things and network security markets.

Business outlook for 2019

In the first quarter of 2019, Inside Secure achieved significant organic growth, leveraging both strong traction in licenses and its portfolio of NFC patents while Verimatrix generated temporally lower than usual revenue.

The Company expects Verimatrix to recoup growth in the second quarter. It also remains focused on implementing first cost synergies of \$4 million (out of the targeted \$10 million per year on a run rate basis) and leveraging key assets - a strong technology and product portfolio as well as a complementary customer base – to build the best value proposition in security for the Company's customers, starting with entertainment and moving towards Internet of Things and Connected Cars.

Adding Verimatrix to its core business, Inside Secure should deliver in 2019 higher reported EBITDA, primarily due to the incremental earnings brought by Verimatrix and the generation of first cost synergies.

Inside Secure confirms its objective to achieve a revenue of \$150 million in 2021 while generating an EBITDA margin of 25% of revenue.

Issuance of shares to One Equity Partners resulting from the redemption of all mandatory redeemable bonds

OEP Inside B.V. (an affiliate to One Equity Partners), received the clearance of the Austrian antitrust authorities on March 16, 2019. The issuance of 21,651,191 new shares of Inside Secure will thus be completed in the coming days.

Financial calendar

First-half 2019 results: July 29, 2019 before market opening

Press and investor contacts

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About Inside Secure

Inside Secure (Euronext Paris – INSD) is at the heart of security solutions for mobile and connected devices, providing software, silicon IP, tools, services, and know-how needed to protect customers' transactions, ID, content, applications, and communications. With its deep security expertise and experience, the company delivers products having advanced and differentiated technical capabilities that span the entire range of security requirement levels to serve the demanding markets of network security, IoT and System-on-Chip security, video content and entertainment, mobile payment and banking, enterprise and telecom. Inside Secure's technology protects solutions for a broad range of customers including service providers, operators, content distributors, security system integrators, device makers and semiconductor manufacturers. For more information, visit www.insidesecure.com

About Verimatrix

Verimatrix specializes in enhancing and securing revenue for connected devices and IP-based services around the world. Recognizing the need to improve digital exchange between content providers and video service operators, Verimatrix offers Viewthority™, a connected content distribution platform that leverages its award-winning VCAS™ security and Verspective® Analytics solutions, and unmatched partner ecosystem to reduce the costs and complexities associated with legacy distribution workflows. For more information, visit www.verimatrix.com.

Forward-looking statements

This press release contains certain forward-looking statements concerning the Inside Secure group. Although Inside Secure believes its expectations to be based on reasonable assumptions, they do not constitute guarantees of future performance. Accordingly, the company's actual results may differ materially from those anticipated in these forward-looking statements owing to a number of risks and uncertainties. For a more detailed description of these risks and uncertainties, please refer to the "Risk factors" section of the 2017 registration document filed with the French financial market authority (the Autorité des marchés financiers – the "AMF") on April 10, 2018 under number D.18-0307, available on www.insidesecure-finance.com/

Supplementary non-IFRS financial information

Inside Secure uses supplementary non-IFRS financial measures. These indicators are not defined under IFRS, and do not constitute accounting elements used to measure the Company's financial performance. They should be considered in addition to, and not as a substitute for, any other operating and financial performance indicator of a strictly accounting nature, as presented in the Company's consolidated financial statements and the corresponding notes. The Company uses these indicators because it believes they are useful measures of its activity. Although they are widely used by companies operating in the same industry around the world, these indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently to the Company, even though they use similar terms.

Adjusted revenue is defined as revenue before non-recurring adjustments related to business combinations. It enables comparable revenue for future fiscal years. In the first quarter of 2019, the combined entities would have generated an adjusted pro forma revenue of \$27.5 million and a pro forma revenue of \$26.9 million as deferred revenue recorded by Verimatrix as at December 31, 2018 and that are recognized in the first quarter of 2019 have been adjusted to fair value as required by IFRS. As a reminder, for the full fiscal year 2018, the combined entities would have generated an adjusted pro forma revenue of \$124 million and a pro forma revenue of \$122 million as the adjustment of deferred revenue to fair value at Verimatrix amounted to \$2 million as at December 31, 2017.

| (in thousands of US\$) | Q1-2018 | Q2-2018 | Q3-2018 | Q4-2018 | FY 2018 |
|---|---------------|---------------|---------------|---------------|----------------|
| Inside Secure | 10 116 | 12 376 | 9 076 | 10 511 | 42 080 |
| Verimatrix adjusted (preliminary, unaudited) | 16 620 | 20 171 | 20 129 | 25 225 | 82 145 |
| Adjusted proforma consolidated revenue (unaudited) | 26 736 | 32 547 | 29 205 | 35 737 | 124 225 |

EBITDA is defined as adjusted operating income before depreciation, amortization and impairment expenses not related to business combinations. Adjusted operating income/(loss) is defined as operating income/(loss) before (i) non-recurring adjustments on revenue related to business combinations (ii) 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 and divestiture undertaken by the company.