



Verimatrix Announces Revenue for Nine Months of 2019

- **9-month 2019 IFRS consolidated revenue¹ up 369% vs. 2018 at \$65.5 million**
- **9-month 2019 pro forma² adjusted³ revenue¹ up 5% vs. 2018 at \$74.1 million**
- **Completion of the sale of the Silicon IP business unit expected in Q4 2019**
- **2019 upgraded objective confirmed: strong focus on integrating Verimatrix, Inc. and delivering higher cost synergies**

Aix-en-Provence, France and San Diego, USA, October 15, 2019 – Verimatrix (Euronext Paris: VMX), a global provider of security and analytics solutions that protect devices, services and applications, is today reporting its unaudited revenue for the third quarter and nine-month periods ended September 30, 2019.

(in thousands of US\$)	9-month 2019	9-month 2018	9-month 2019 vs. 9-month 2018	Q3-2019	Q3-2018	Q3 2019 vs. Q3 2018
Consolidated revenue (IFRS)	65 494	13 973	369%	22 995	3 857	496%
Pro forma adjusted revenue	74 109	70 857	5%	23 692	23 963	-1%

Amedeo D'Angelo, chairman and chief executive officer of Verimatrix, commented: *“The third quarter of 2019 was another intense quarter, which included with the sale of our Silicon IP business unit to Rambus Inc. aimed at increasing Verimatrix’ focus as a pure player in software-based security and business intelligence solutions, which should close in the fourth quarter of the year.*”

At the same time, in the third quarter of 2019, we delivered revenue comparable, overall, to last year and in line with the historical seasonality of the new company, while supporting a 5% revenue growth in the first nine months of the year and ahead of a strong fourth quarter. Operating expenses continued to decrease as expected, following the completion of the streamlining of operations and the implementation of the cost synergy plan in the second quarter.

In the fourth quarter, we anticipate strong business activity in line with historical seasonality and business pipeline. With our scalable, flexible, cost-effective and easy to deploy video protection software solutions, we focus more than ever our investments on our product offering to deliver the best software solutions to our customers – such as the award winning solutions ProtectMyApp and nTitleMe while delivering future growth.”

¹ Excluding the revenue from the Company’s Silicon IP business unit, in accordance with IFRS 5 (see “basis of preparation” hereinafter)

² As if the acquisition of Verimatrix, Inc. had been completed on January 1st

³ Verimatrix uses performance indicators that are not strictly accounting measures in accordance with IFRS (see “Supplementary non-IFRS financial information” hereinafter)

Basis of preparation

Consistent with prior communication in 2019, Verimatrix (the "Company") has prepared its revenue in accordance with IFRS (which account for 7 months of activity of Verimatrix, Inc. in 2019 year to date and nil in 2018). The Company has also prepared unaudited pro forma revenue as if the acquisition of Verimatrix, Inc. had been completed on January 1st to enable year-on-year comparison of the combined businesses. Pro forma are deemed "adjusted" compared with IFRS since, consistent with the Company's prior financial communications, they exclude non-recurring adjustments on revenue due to purchase accounting (deferred revenue); definitions of adjusted measures are provided hereinafter.

Following Verimatrix announcement on September 11, 2019 of the execution of a binding agreement to sell its **Silicon IP business** unit to Rambus Inc., the completion of the sale being considered highly probable and in accordance with IFRS 5, **revenue from this discontinued operation is no longer recognized in Verimatrix consolidated revenue**. Figures for the previous periods, including 2018, have been restated in a similar manner to allow for comparisons with the corresponding third-quarter and first nine months figures. Pro forma revenue have been prepared in a similar manner. Silicon IP business had generated a revenue of \$24.0 million in fiscal year 2018.

In that context, core business corresponds to the Company's Software business unit and comprises (a) Inside Secure Content and Application Protection product lines, (b) Verimatrix Conditional Access product line, 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. It excludes the Company's NFC patent licensing program remains managed at corporate level.

Pro forma revenue

Q3 2019 and 9-month 2019 pro forma adjusted revenue

(in thousands of US\$)	9-month 2019	9-month 2018	9-month 2019 vs. 9-month 2018	Q3-2019	Q3-2018	Q3 2019 vs. Q3 2018
Software business	70 562	69 051	2%	23 692	23 963	-1%
NFC patent licensing program	3 548	1 806	96%	-	-	-
Total pro forma adjusted revenue	74 109	70 857	5%	23 692	23 963	-1%

Q3 2019 pro forma adjusted revenue

In the third quarter of 2019, pro forma adjusted revenue was \$23.7 million, down 1% compared with the third quarter 2018 in line with historical seasonality of the new company (see last page), amplified by the shift of three significant orders. Recurring revenues from royalties, maintenance and subscription fees accounted for 62% of the revenue, compared with 50% in Q3 2018, thanks to strong customer loyalty.

License revenue from existing and new customers was driven in particular by the Company's IPTV and OTT solutions, addressing market demand for high-capacity, low-latency network connections to support streaming video on ultra-high-definition TV screens, virtual reality applications, real-time online gaming, and smart homes. In parallel, the Company markets its award winning, cloud-based software-as-a-service (SaaS), solutions ProtectMyApp and nTitleMe. ProtectMyApp is designed to bring cost-effective mobile application security to app developers. nTitleMe enables content providers to offer subscribers a seamless TV Everywhere experience; it securely streamlines content provider-operator relationships, safeguards content and associated revenues, and scales to any audience size.

9-month 2019 pro forma adjusted revenue

On a pro forma adjusted basis, revenue for the first nine months of 2019 was \$74.1 million, up 5% compared with 9-month 2018

In the first nine months of 2019, the Software business unit generated a pro forma adjusted revenue of \$70.6 million, up 2% vs. 2018. Revenue in the first nine months of 2019 included \$3.5 million revenue from the Company's NFC patent licensing program managed by France Brevets (compared with \$1.8 million in the first half of 2018).

Recurring revenues from royalties, maintenance and subscription fees accounted for 57.4% of the revenue, compared with 49.5% in Q3 2018.

Q3 2019 and 9-month 2019 consolidated (IFRS) revenue

(in thousands of US\$)	9-month 2019	9-month 2018	9-month 2019 vs. 9-month 2018	Q3-2019	Q3-2018	Q3 2019 vs. Q3 2018
Software business	61 946	12 167	409%	22 995	3 857	496%
NFC patent licensing program	3 548	1 806	96%	-	-	-
Total consolidated revenue IFRS	65 494	13 973	369%	22 995	3 857	496%

In the third quarter of 2019, consolidated revenue was \$23.0 million, up 496% compared with 2018, primarily due to the incremental revenue from Verimatrix business, consolidated starting March 1, 2019.

In the first nine months of 2019, consolidated revenue was \$65.5 million as compared to \$14.0 million in the first nine months of 2018, driven primarily by the addition of the Verimatrix business consolidated representing \$48.9 million of revenue for the period.

Sale of the Silicon IP business unit

On September 11, 2019, the Company announced that it had executed a binding agreement related to the sale of its Silicon IP and Secure Protocols business unit to Rambus Inc. (NASDAQ: RMBS), for a transaction consideration of \$65 million in cash. In the first nine months of 2019, Silicon IP business unit generated revenue of \$13.8 million as compared to \$17.6 million in the first nine months of 2018. The transaction is expected to close in the fourth quarter of 2019 subject to customary closing conditions.

Business outlook for 2019

In the first nine months, Verimatrix delivered 5% growth, based on the growth of its Software business and the contribution of the NFC patent program, while executing its cost synergy plan ahead of expectations. The Company expects that the cost synergies would have a positive impact of \$12.5 million per year on a run rate basis and starting 2020 and of \$7.0 million in 2019 overall. These cost synergies are net of the expenses implied by new hires currently planned for 2019.

In the fourth quarter, Verimatrix anticipates strong business activity in line with historical seasonality of the new company and business pipeline, while focusing its investments and efforts on the product offering to deliver future revenue growth with innovative and award winning solutions such as ProtectMyApp or nTitleMe. In parallel, the Company shall complete the sale of its Silicon IP and Secure Protocols business unit.

Financial calendar

- Fiscal year 2019 earnings: March 3, 2020

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About Verimatrix

Verimatrix (Euronext Paris - VMX) is a global provider of security and analytics solutions that protect devices, services and applications across multiple markets. Many of the world's largest service providers and leading innovators trust Verimatrix to protect systems that people depend on every day for mobile apps, entertainment, banking, healthcare, communications and transportation. Verimatrix offers easy-to-use software solutions, cloud services and silicon IP that provide unparalleled security and business intelligence. Proud to empower and protect its customers for more than two decades, Verimatrix serves IoT software developers, device makers, semiconductor manufacturers, service providers and content distributors. For more information, visit www.verimatrix.com.

Forward-looking statements

This press release contains certain forward-looking statements concerning Verimatrix. Although Verimatrix 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 2018 annual financial report filed with the French financial market authority (the Autorité des marchés financiers – the "AMF") on April 30, 2019, available on www.verimatrix-finance.com.

Supplementary non-IFRS financial information

Some financial measures and performance indicators used in the press release are presented on an adjusted basis. They should be considered as additional information, which cannot replace any other strictly accounting-based operating or financial performance measure, as presented in the consolidated financial statements and their related notes. The company uses these indicators because it believes they are useful measures of its recurring operating performance and its operating cash flows. 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 than 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 2018 and 2019. In 2018, the combined entities would have generated a pro forma adjusted revenue (including Verimatrix Inc. business and excluding Inside Secure's discontinued Silicon IP business) of \$100,1 million and a pro forma revenue of \$97,9 million as Verimatrix recorded \$2.2 million of deferred revenue as at December 31, 2017 which, in accordance with IFRS, cannot be recognized in the year following the acquisition.

(in thousands of US\$)	Q1-2018	Q2-2018	Q3-2018	Q4-2018	FY 2018	Q1-2019	Q2-2019	Q3-2019
Inside Secure (excluding Silicon IP)	4 019	6 097	3 857	4 151	18 124	8 654	4 523	3 493
Verimatrix adjusted	16 620	20 158	20 106	25 087	81 972	14 288	22 952	20 199
Total Pro forma adjusted revenue (unaudited)	20 639	26 255	23 963	29 239	100 096	22 942	27 475	23 692