

# ODDO BHF - TMT FORUM

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 **verimatrix.**  
DRIVING TRUST

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## Resilient 2020 annual performance in a challenging context

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- ✓ Transition to subscription-based and SaaS business accelerating
- ✓ \$95 million revenue in 2020 - Consolidated revenue (IFRS) down only 3% year-over-year
- ✓ Recurring revenue: 58% of revenues (55% in 2019).
- ✓ Strong growth of subscription-based business: \$5 million in revenue, up 24% year-over-year and ARR\* x 2.4 times in one year at \$9 million
- ✓ Demonstrated resilience to Covid-19 pandemic with core software business down only 8% year-over-year

(\*) see definition in Appendix hereof

# Resilient 2020 annual performance in a challenging context

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- ✓ \$24 million EBITDA\* in 2020 (25.3% of revenue), up vs. 2019
- ✓ Operating margins at a record high
  - ✓ Core business EBITDA up 16% year-over-year\*
  - ✓ Operating income (IFRS) of 11.8 million (12.4% of revenue) x 3.9 year-over-year
- ✓ Continuous investment in innovation, marketing and sales alongside tight control of expenses
- ✓ Solid financial position: \$48.6 million in cash and cash equivalents and no short-term debt

(\*) see basis of preparation and definitions in Appendix hereof

# Verimatrix Safeguards An Unprotected World

## Video Content

Live Stream

Broadcast



## Internet of Things

Connected Devices

Keyless Entry



## Application & Software

Healthcare

Financial Services



# Flexible deployment options

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We support our customer's legacy on-prem operations with an easy migration path toward and innovative, cost-effective SaaS model.



## Verimatrix On-Premise

Verimatrix turnkey installation, with 24/7 global support to quickly address any technical problem.

License/maintenance or subscription business models



## Verimatrix SaaS

From video operators, OTT service providers, to banks and mobile app developers, AWS-based Verimatrix Secure Cloud at your service.

Subscription business model





# Security Made for People

## Financials

# Q4 2020 revenue

(in thousands of US\$)	Q4-2020	Q4-2019 (IFRS)	Q42020 vs. Q42019
Software business	24 444	32 342	-24%
NFC patent licensing program	-	323	-
Revenue	24 444	32 665	-25%

- Q4 2019: high comparison basis (one license for \$5.4m with an operator in Asia).
- Q4 2020:
  - Customers' decisions to push back orders to 2021 for budgetary reasons in the context of the global pandemic
  - set-top box market conditions as the result of shortage of semiconductors and disrupted supply-chains



# Full-year 2020 revenue

(in thousands of US\$)	FY2020	FY2019 (IFRS)	FY2019 (pro forma adjusted)	FY2020 vs. FY2019 (IFRS)	FY2020 vs. FY2019 (pro forma adjusted)
Software business	94 893	94 289	102 904	1%	-8%
NFC patent licensing program	-	3 870	3 870	-	-
<b>Revenue</b>	<b>94 893</b>	<b>98 159</b>	<b>106 774</b>	<b>-3%</b>	<b>-11%</b>

- Core software business down 8% year-over-year only
- Transition to subscription-based and SaaS business accelerating (c. \$9 million of revenues shifting from upfront revenue to multi-year subscription)
- Recurring revenue: 58% of revenues (55% in 2019).
- Strong growth of subscription-based business: \$5 million in revenue, up 24% year-over-year; ARR\* x 2.4 in one year at \$9M (TCV\*: \$20 million)
- Strong increase in emerging SaaS & subscription offering (+43% Y-o-Y at \$4 million)

(\*) ARR, TVC, « Pro forma » and « Adjusted », see basis of preparation and definitions in Appendix hereof

# FY 2020: All-time record EBITDA thanks to tight control of Opex and full year impact of 2019 cost synergy plan

(in million US\$)

	2020	2019 (*)
Revenue	94,9	106,8
<b>Adjusted gross profit</b>	<b>78,1</b>	<b>85,7</b>
<i>As a % of revenue</i>	<i>82,3%</i>	<i>80,2%</i>
Research and development expenses	(20,5)	(23,3)
Selling and marketing expenses	(24,6)	(25,3)
General and administrative expenses	(13,2)	(17,6)
Other gains / (losses), net	(0,1)	(0,5)
<b>Total adjusted operating expenses</b>	<b>(58,4)</b>	<b>(66,7)</b>
<b>Adjusted operating income from continuing operations</b>	<b>19,7</b>	<b>19,0</b>
<i>As a % of revenue</i>	<i>20,8%</i>	<i>17,8%</i>
<b>EBITDA</b>	<b>24,0</b>	<b>23,4</b>
<i>As a % of revenue</i>	<i>25,3%</i>	<i>21,9%</i>

(\*) *pro forma for 2019*

# FY 2020: Strong growth of IFRS operating income

(in million US\$)	2020	2019 (*)
Adjusted operating income/(loss)	19,7	23,9
Fair value adjustment on deferred revenue (**)	-	(1,5)
Amortization and depreciation of assets acquired through business combinations (**)	(5,1)	(4,5)
Acquisition related expenses	(1,3)	(4,1)
Restructuring costs	(1,1)	(9,9)
Share based payments	(0,4)	(0,9)
Operating income/(loss)	11,8	3,0
Finance income/(loss), net	(10,3)	(6,9)
Income tax expense	(2,8)	(2,0)
Net income/(loss) from continuing operations (i)	(1,4)	(5,9)
Net income/(loss) from discontinued operations (ii)	(9,1)	33,1
Net income/(loss) (i) + (ii)	(10,4)	27,2

(\*) 10 months of Verimatrix, Inc. (from March to December)

(\*\*) Item without cash impact

Sums may not equal totals due to rounding

# FY 2020: Cash flows reflecting operating performance and financing structure

(in million \$)	2020	2019
Cash generated by / (used in) continuing operations before changes in working capital	22,2	18,3
Cash generated by / (used in) changes in working capital from continuing operations	(9,7)	(13,9)
<b>Cash generated by continuing operations</b>	<b>12,6</b>	<b>4,4</b>
Taxes paid	(3,3)	(3,0)
Interests paid	(5,7)	(5,2)
<b>Net cash generated by / (used in) operating activities</b>	<b>3,5</b>	<b>(3,7)</b>
Cash flows used in investing activities, net	(6,6)	(131,4)
Cash flows from / (used in) financing activities, net	(1,9)	97,3
<b>Net increase / (decrease) in cash and cash equivalents from continuing activities</b>	<b>(5,0)</b>	<b>(37,9)</b>
Net increase / (decrease) in cash and cash equivalents from discontinued activities	(0,2)	44,8
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(5,2)</b>	<b>6,9</b>
Cash and cash equivalents at beginning of the period	54,0	47,4
Foreign exchange impact	(0,2)	(0,3)
<b>Cash and cash equivalents at end of the period</b>	<b>48,6</b>	<b>54,0</b>

# FY 2020: Strong balance sheet – no short-term debt

(in million \$)	December 31, 2020	December 31, 2019
Goodwill and intangible assets	136,6	136,9
Property and equipment	12,6	15,5
Other receivables	6,2	18,7
<b>Non-current assets</b>	<b>155,4</b>	<b>171,1</b>
Inventories	0,5	0,4
Trade receivables	41,0	36,7
Other receivables	15,2	13,8
Cash and cash equivalents	48,6	54,0
<b>Current assets</b>	<b>105,2</b>	<b>104,9</b>
<b>Total assets</b>	<b>260,6</b>	<b>276,0</b>

(in million \$)	December 31, 2020	December 31, 2019
<b>Equity and retained earnings</b>	<b>147,4</b>	<b>156,4</b>
Borrowings	55,1	56,6
Convertible bonds	17,5	14,9
Derivative financial instruments	3,3	1,6
Provisions	1,0	0,9
Deferred tax liabilities	1,8	2,2
<b>Non-current liabilities</b>	<b>78,6</b>	<b>76,3</b>
Borrowings	1,2	2,0
Trade and other payables	22,6	24,9
Provisions for other liabilities and charges - Current portion	1,3	1,6
Unearned revenues	9,4	14,9
<b>Current liabilities</b>	<b>34,5</b>	<b>43,3</b>
<b>Total equity and liabilities</b>	<b>260,6</b>	<b>276,0</b>

December 31, 2020:  
\$25.3m net debt\* and  
\$6m net cash excluding convertible bonds (OCEANE)  
and IFRS 16 leases  
No short-term debts

(\*) see Definition in Appendix hereof



# Security Made for People

## Business Outlook & Objectives

## Business Outlook and Objectives for 2021

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- ✓ Focused on executing strategy, and, in particular:
  - Support OTT market poised for significant growth
  - Expand application shielding business (in particular for Fintech, Healthtech, and industrial shift to Digital applications)
  - Increase cross-selling and up-selling revenue synergies and gain market shares on video conditional access
  - Support continued growth of the SaaS/Subscription business
- ✓ Objectives for 2021: (i) mid-single digit core business revenue growth, including double-digit growth of recurring revenues, (ii) flat EBITDA vs. 2019\*

(\*) in the context of combination of investments to fuel the growth subscription and SaaS business and strong EUR vs. USD (\$2.2m impact)



# Appendix

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**Verimatrix** protects digital content, applications, and devices with intuitive, people-centered and frictionless security.



**325+** employees across  
**12 global offices**



**1,000+** customers in  
**120 countries**



Protects **500M+** clients across devices

**Secures more set-top boxes** than any another content security firm

**Trusted** by leading studios, broadcasters, fintech, streaming & more



“Unambiguous momentum leader in content security.”<sup>2</sup>



**25+**

years of security innovation



Pioneer of studio-compliant video software security



**99%**

Customer Satisfaction<sup>1</sup>

# Market Focus

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**MEDIA &  
ENTERTAINMENT**



**VIDEO SERVICE  
PROVIDER**



**GAMING  
& ESPORTS**



**HEALTHCARE**



**MOBILE APP  
SECURITY**



**AUTOMOTIVE**



**FINANCIAL**



**INTERNET  
OF THINGS**

# Portfolio: Content Protection

Protect and maximize the value of your content everywhere



VCAS



Multi-DRM



Embedded DRM



Content  
Monetizer



TV Everywhere  
Authentication



Watermarking

- Protect your valuable content to increase revenue.
- Get to market faster.
- Design your ideal solution.
- Scale easily to new users and services.
- Manage subscriber access while winning new customers.

# Portfolio: Application Shielding

Secure your software and transactions across devices



Code Protection



Whitebox



App Shield



Mobile Payment

- Shield your business from loss and exposure.
- Integrate with your current development practices.
- Provide a compelling customer experience.
- Deploy intelligent and adaptive protection.
- Keep your customers safe.

# Our Digital World is Expanding Rapidly

More video, more apps, accessed on more connected devices

**\$73B**

GLOBAL OTT MARKET  
BY 2023\*

**7M+**

APPS ON  
GOOGLE PLAY &  
APPLE APP STORE

**3X**

CONNECTED DEVICES  
THAN PEOPLE BY 2023



# Digital Experiences Have No Boundaries

All of those digital experiences are at risk – security matters more than ever

**\$12.5B**

LOST REVENUE FROM  
VIDEO PIRACY BY 2024\*

**75%**

OF APPS  
ARE UNPROTECTED

**94%**

EXPERTS PREDICT ELEVATED  
SECURITY THREATS ON  
5G NETWORKS\*



# Basis of preparation

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Inside Secure (renamed Verimatrix following shareholders' vote on June 24, 2019) completed the acquisition of Verimatrix, Inc, on February 28, 2019.

Verimatrix (the "Company") has prepared its results in accordance with IFRS which accounted for 10 months of activity of Verimatrix, Inc. in 2019, compared to 12 months in 2020.

To enable better comparison with 2020, the Company has also prepared unaudited pro forma results for 2019 as if the acquisition of Verimatrix, Inc. had been completed on January 1, 2019. Pro forma are deemed "adjusted" compared with IFRS since, consistent with the Company's prior financial communications, they exclude (i) non-recurring adjustments on revenue due to purchase accounting (deferred revenue), (ii) the 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. Definitions of adjusted measures are provided in Appendix 3 hereof.

On December 6, 2019, the Company completed the sale of its Silicon IP business unit to Rambus Inc. in an all-cash transaction. Since the Silicon IP business unit was a separate major line of business within the meaning of IFRS 5, the revenue and results of this activity have been isolated on a separated line item of the consolidated income statement "Net income from discontinued operations" both for 2019 and 2020. Silicon IP business unit revenue and results are excluded from the adjusted performance indicators.

## Supplementary non-IFRS financial information

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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 Company's consolidated financial statements

- **Adjusted revenue** is defined as revenue before non-recurring adjustments related to business combinations (deferred revenue). It enables comparable revenues for 2019 and 2020.
- **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 and divestiture 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 and divestiture undertaken by the Company.
- **EBITDA** is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.
- **Net cash/(debt)** is defined as cash on hand, cash equivalents and short-term investments, less bank overdrafts, financial debt (excluding obligations under IFRS 16 for finance leases), bank loans, private loans, and the debt component of the OCEANE convertible bonds.

**Annual Recurring Revenue, or ARR**, is the value of the recurring revenue of a business's term subscriptions normalized for a single 12-month period. It is calculated by dividing the total contract value by the number of relative years of the contract. Verimatrix uses this subscription-economy metric as it useful for measuring business momentum and prediction of future growth.

**Total Contract Value, or TCV** = ARR x contract term length



# Investor information

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## Financial Calendar

Q1 2021 Revenue: April 28, 2021 (after market)

Visit:  
<https://investors.verimatrix.com/>