



Verimatrix Announces Third Quarter 2021 Revenue

Solid progress in the transition toward recurring subscription and SaaS model

- **\$15.7 million revenue in Q3 2021**
 - Core software revenue slightly up vs. Q2 2021, down year-over-year
 - Recurring subscription and SaaS revenue of \$1.4 million: up 17% vs. Q2 2021 and up 28% vs. Q3 2020
 - Recurring revenues¹ of maintenance and subscription down 25% year-on-year at \$6.1 million due to the decrease in new perpetual and term licenses
 - Non-recurring revenues of licenses down significantly year-on-year due to unfavorable base effect (strong one-time license revenues in Q3 2020) while the Covid-19 pandemic impact continues to weigh on BtoB spending and the ability to launch new infrastructure projects
- **\$67.9 million revenue for 9-month 2021**
 - Consolidated revenue (IFRS) down 4% year-over-year: core software business down 27% year-over-year balanced by \$16.6 million revenue from the NFC patent licensing program
 - Recurring revenues representing 36% of revenue vs. 34% for the first 9 months of 2020
 - Recurring subscription and SaaS revenue (\$4.0 million) up 8% year-on-year
- **Annual Recurring Revenue (ARR)² of SaaS up 35% year-on-year** to \$6.5 million and up 15% vs. second quarter, confirming continuous progress in deploying SaaS and subscription-based offerings
- **Business outlook**
 - Ongoing transformation of the company's operations to adapt to the new business and revenue model
 - Ongoing investments in engineering to expand SaaS offerings
 - Continuously growing recurring revenues and subscription-based and SaaS business
 - Objectives:
 - \$90 million revenue for 2021
 - Generating 70% of recurring revenues in 2024 compared with 36% in the first 9 months of 2021 (and 33% in the first half of the year)

Aix-en-Provence, France and San Diego, USA, October 20, 2021 - Verimatrix (Euronext Paris: VMX) today announced its revenue for the third quarter ended September 30, 2021.

Amedeo D'Angelo, Chairman and CEO, commented: *"During the third quarter, we executed the implementation of our accelerated shift toward a subscription-based business, including through SaaS offerings. It included further developing the go-to-market strategy as well as reviewing organization and expenses to ensure we are spending and investing in alignment with our strategy. At the same time, we continue to expand our cloud-based offerings, as illustrated with the release of the Verimatrix Multi-DRM Core service earlier in 2021. Verimatrix is experiencing continuous growth of its SaaS business, as illustrated with the sequential growth of the ARR, even though products and offerings have not yet been changed to be subscription-only and "cloud first." This growth should be further supported by new SaaS products going live throughout 2022. Additionally, the shift in our contract models toward full on-premises subscriptions starting beginning of 2022 will add to this positive trend and is expected to positively impact our ARR in 2022 and beyond."*

Amedeo D'Angelo continued, *"Verimatrix reaffirms that this ongoing shift to a recurring revenue model, despite how it mechanically affects recognition of revenues for the rest of 2021 and in 2022, stands as*

¹ Recurring revenues comprise maintenance and support fees and subscription fees (of SaaS and non-SaaS implementations); they exclude revenue from royalties.

² For definition, see "Supplementary non-IFRS financial information" at the end of the press release.

an opportunity to significantly expand the combined use of our core technologies and subscription-based services that offer unmatched security, speed, scalability and efficiency. It will put us, in the mid-term, on the right path toward an improved ability to generate recurring revenues and sound profitability.”

(en milliers de dollars)	Q3-2021	Q3-2020	Q3 2021 vs. Q3 2020	9 months 2021	9 months 2020	2021 vs. 2020
Recurring revenue	6 149	8 244	-25%	18 489	23 679	-22%
including subscriptions	1 426	1 116	28%	4 050	3 814	6%
including maintenance	4 723	7 128	-34%	14 439	19 865	-27%
Non-recurring revenue	9 523	18 035	-47%	32 732	46 770	-30%
Software revenue	15 672	26 279	-40%	51 221	70 449	-27%
NFC patent licensing program	-	-		16 645	-	
Revenue	15 672	26 279	-40%	67 866	70 449	-4%

Third quarter 2021 revenue

Verimatrix revenue was \$15.7 million in the third quarter of 2021. While the revenue was significantly down year-on-year due to unfavorable base effect (strong one-time license revenues in Q3 2020) and as Covid-19 continues to impact BtoB spending and the ability to launch new infrastructure projects, it is up 1% compared with the second quarter of 2021.

Recurring revenue from subscription and maintenance fees were \$6.1 million in the third quarter of 2021, representing 39% of reported revenue (compared with 31% a year ago).

Growth of subscription revenue (of SaaS and non-SaaS implementations) in the third quarter (which had temporarily decreased in the second quarter of 2021 as a consequence of some customers delaying their launch of services) was not sufficient to balance the expected decrease of maintenance revenue.

Recurring subscription revenue stood at \$1.4 million in Q3 2021, compared with \$1.1 million in Q3 2020 (+ 28%) and \$1.2 million in Q2 2021 (+17%). In the third quarter of 2021, Verimatrix put in production five new SaaS implementations, bringing the number of completed implementations during the first nine months of 2021 to twelve.

As in the second quarter, maintenance revenue decreased year-over-year, while it was stabilized compared with the second quarter of 2021. The decrease in maintenance revenue was primarily a consequence of the decrease in new perpetual and term licenses that typically include renewable maintenance arrangements. Also, during the second half of 2020 and first quarter of 2021, Verimatrix had signed new term-license deals with existing customers converting them from a yearly maintenance-only relationship with perpetual license ownership to a multi-year license agreement delivering new versions of its conditional access and DRM software. The aim is to move them to a subscription-based contract at the renewal of their new licenses, thus supporting the Company's strategy. This transition, which will ultimately increase ARR and continue to improve the Company's revenue mix, caused maintenance revenue to decrease in 2021 vs. 2020.

ARR (Annual Recurring Revenue - see definition at the end of this press release) of subscription and SaaS was \$6.5 million as of September 30, 2021, up 35% year-on-year and up 15% sequentially.

ARR of subscription/SaaS combined with maintenance grew to \$25.6 million as of September 30, 2021, up 2% sequentially; it is nevertheless mechanically down year-over-year, due to the decrease of maintenance up to Q2 2021 and despite growth in subscription/SaaS ARR.

Non-recurring revenues from licenses, royalties and professional services was \$9.5 million in the third quarter of 2021, globally flat compared with the second quarter of 2021 and down significantly vs. Q3 2020 when the company had generated strong one-time licences.

Royalties were \$4.4 million in Q3 2021. These reoccurring revenues were stable compared with both Q3 2020 and Q2 2021.

9-month 2021 revenue

Revenue for the company in the first nine months of 2021 was \$67.9 million, down 4% year-over-year. Nine-month 2021 revenue included \$16.6 million revenue generated by the company's NFC patent licensing program managed by France Brevets in Q2 2021, compared with nil in 2020.

Revenue for the sole core software business was \$51.2 million in the first nine months of 2021, down 27% year-over-year. Recurring revenues from maintenance and subscription fee were \$18.5 million (36% of core software business revenue). These recurring revenues were down year-over-year, with the growth of subscription revenue being offset by weaker maintenance revenue as explained above.

Non-recurring revenue from software licenses and non-recurring services was \$32.7 million in the first nine months of 2021, down 30% year-over-year, as Covid-19 continues to impact BtoB spending and the ability to launch new infrastructure projects.

Liquidity

As of September 30, 2021, the company's consolidated cash position was \$39.8 million, up \$6 million compared with June 30, 2021, mostly due to cash collection from customers. Net debt³ stood at \$6.1 million at September 30, 2021, compared with \$13.7 million at June 30, 2021 and \$11.5 million at December 31, 2020. Verimatrix has a solid financial position to continue its ongoing transformation.

Governance and other information

Governance

During its meeting of October 19, 2021, the Board of directors appointed Mr. Jacopo Meneguzzo as an observer to the Board. In accordance with the company's bylaws this nomination will then have to be ratified by the next general shareholders' meeting. Mr. Meneguzzo is Head of Strategy at private equity firm Palladio Holding S.p.A.. Prior to joining Palladio Holding, Mr. Meneguzzo was a principal at the Boston Consulting Group and an investment banker at Citigroup. Palladio Holding S.p.A., which invests in listed and unlisted companies, has been a shareholder of Verimatrix since 2014 and currently holds 8.3% of the company's capital.

Allocation of performance shares

Making use of a delegation from the shareholders' general meeting of June 10, 2021, the Board of directors granted 1,020,000 free performance shares to certain employees and executives of the Company (including Mr. Amedeo D'Angelo, Chairman and Chief Executive Officer, for 500,000 performance shares). The definitive acquisition of the shares will be made on the double condition of presence in the Company on December 31, 2024 and the achievement of a demanding performance criterion in accordance with the strategy and ambitions of the Company (minimum level of ARR judged between December 31, 2021 and December 31, 2024); the grant may be accelerated in certain cases such as a change of control of the Company.

Business outlook

As presented in July 2021, the Company is engaged in an ongoing transformation of its operations to adapt to the new business and revenue models, focused on continuously growing recurring revenues and subscription-based business and developing the SaaS offering. At the same time, the Company continues to expand its cloud-based offering, as illustrated with the release of the Verimatrix Multi-DRM Core service earlier in 2021. Verimatrix is experiencing continuous growth of its SaaS business, as illustrated with the sequential growth of the ARR even though products and offerings have not yet been

³ Net 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 loan (\$29 million unitranche bullet private loan maturing in February 2026), and the debt component of the "OCEANE" convertible bonds due June 2022 (see reconciliation with IFRS at the end of this press release).

changed to be subscription-only and sales policy moved to “cloud first.” This growth should be further supported by new SaaS products going live throughout 2022. Additionally, the shift in contract models toward full on-premises subscriptions starting beginning of 2022 will add to this positive trend and is expected to positively impact the ARR in 2022 and beyond.

In that context, the Company confirms the objectives communicated in July 2021:

- 2021 revenue of \$90 million
- Improvement of the quality of the revenue mix in the mid term with 70% recurring revenues in 2024 (compared with 36% today)

Financial calendar

- Fiscal year 2021 results: March 10, 2022 (after market close)

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About Verimatrix

Verimatrix (Euronext Paris: VMX) helps power the modern connected world with security made for people. We protect digital content, applications, and devices with intuitive, people-centered and frictionless security. Leading brands turn to Verimatrix to secure everything from premium movies and live streaming sports, to sensitive financial and healthcare data, to mission-critical mobile applications. We enable the trusted connections our customers depend on to deliver compelling content and experiences to millions of consumers around the world. Verimatrix helps partners get to market faster, scale easily, protect valuable revenue streams, and win new business. 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 2020 universal registration document filed with the French financial market authority (the Autorité des marchés financiers – the “AMF”) on April 30, 2021, available on investors.verimatrix.com.

Supplementary non-IFRS financial information

This press release contains certain financial measures and performance indicators are not defined under IFRS. They do not constitute accounting elements used to measure the company’s financial performance. They should be considered as additional information, which cannot replace any other strictly accounting-based operating or financial performance measure, as presented in the company’s 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.

Annual Recurring Revenue, or **ARR**, corresponds annualized value of all recurring revenues from current contracts at the time of measurement. ARR includes all contract types that are recurring in nature, such as maintenance & support, SaaS and non-SaaS subscriptions, and for which revenue is currently being recognized. The ARR is a rolling number that accumulates over time whereas the Total Contract Value (or TCV) metric also used by the Company, is typically used to measure (new or

incremental) sales bookings within a period. The Company computes an ARR for SaaS and non-SaaS subscriptions and another combining subscriptions and maintenance.

Net debt reconciliation

(in thousands of US\$, unaudited)	September 30, 2021	June 30, 2021	December 31, 2020
Cash and cash equivalents	39 843	32 010	48 608
Private loan note due 2026, at fair value	(28 076)	(28 076)	(42 491)
Convertible bonds due 2022 (OCEANE), at fair value	(17 811)	(17 594)	(17 542)
Other loans	(56)	(56)	(117)
Net cash/(debt)	(6 100)	(13 716)	(11 542)
Financial lease commitments under IFRS16	(11 271)	(11 353)	(13 773)
Net cash/(debt) including IFRS 16	(17 371)	(25 069)	(25 315)