

2021 Financial Results

A solid performance driven by the Group's transformation to a SaaS model

Consolidated 2021 revenues of \$88.5 M (IFRS)

- Growth in recurring subscription-related revenues¹ over 1 year: +11% (+26% in Q4 compared to Q4 2020)
- Strong growth of subscription and SaaS Annual Recurring Revenue (ARR)²: +43.1%
- Recurring revenues now representing 35% of total software business
- \$71.8 million corresponding to software revenues and \$16.6 million to proceeds from the sale of the NFC patents
- Sales volumes down 7% compared with fiscal year 2020 (\$94.9 M)

Consolidated 2021 EBITDA³ at \$19M corresponding to 21.5% of revenues

- Excluding the NFC patent licensing program, EBITDA for the software business is \$5.5 million, or 7.6% of revenues.
- In the second half of 2021, EBITDA of the software business increased by over \$6M.

Net income of \$3.7 M (IFRS) versus a loss of \$1.4 M in 2020 (+\$5.1 M)

\$45.3 M in available cash at 31/12/2021 to accelerate the Group's transformation

- \$45.3 M in cash and cash equivalents compared to \$48.6 M as of December 31, 2020
- Reduction of gross debt by \$15 M in the course of 2021
- Net debt amounting to \$0.7 M

The Group's ambition and the details of the strategic plan are specified in a dedicated press release which will be issued today at 6 pm. A full presentation will be shared with professional investors on Thursday, March 10, starting at 9:30 a.m. and will be accessible to all via the Verimatrix website at the following address

<https://investors.verimatrix.com/governance/presentation-to-investors/>

¹As of Q2 2021, recurring revenues exclude royalty income, which has become more unpredictable and less regular. Recurring revenues consist exclusively of maintenance and support contracts and subscriptions. The figures for previous periods have been restated to take account of this change and to allow comparison with the figures on December 31, 2021.

²ARR: see definition in the "Supplementary non-IFRS financial information" section at the end of the press release. The Company has updated its definition to better reflect generation of committed recurring revenues.

³Verimatrix uses performance indicators that are not accounting aggregates in the strict sense of IFRS definitions of adjusted financial measures are presented in Appendix 2 hereof.

Aix-en-Provence, France and San Diego, USA, March 9, 2022 - Verimatrix (Euronext Paris: VMX), today reported its unaudited consolidated IFRS results⁴ and its unaudited adjusted results for the year ended December 31, 2021.

Commenting on these results, Amedeo D'Angelo, chairman and chief executive officer of Verimatrix, stated: *"I am pleased that we met our revenue objective from the software business in Q4. We have accelerated our transformation becoming a key provider of Cloud-Based security solution and increasing our subscription revenue. The overall 2021 has been a difficult year due to the Covid Pandemic and the decision to transform the business model from Perpetual License to Subscription and SaaS. These decisions have increased the complexity of running our business, forcing us to start a deep organizational transformation adding the C.O.O. position with Asaf Ashkenazi and a new CFO with extended SaaS experience. In December 2021 we have announced our new Anti-Piracy solutions StreamKeeper to answer to the growing content protection needs for streaming media, mobile use and OTT entertainment. Our new Verimatrix Platform is ready and will become the entry point for all our customers to have access to our portfolio of Cloud Based solutions."*

1. Financial Results - Key figures

2021 Income statement – key figures

(in thousands of US\$)	2021	2020
Revenue	88 465	94 893
EBITDA	19 016	24 000
Revenue software business	71 820	94 893
EBITDA software business	5 462	24 000
Consolidated revenue (IFRS)	88 465	94 893
Operating income (IFRS)	8 029	11 778
Net income from continuing operations (IFRS)	3 673	(1 356)

Detailed net income

(in thousands of US\$)	Software business (adjusted)		Company (adjusted)		Consolidated IFRS	
	2021	2020	2021	2020	2021	2020
Revenue	71 820	94 893	88 465	94 893	88 465	94 893
Gross profit	54 895	78 681	66 729	78 105	64 993	76 329
<i>As a % of revenue</i>	76,4%	82,9%	75,4%	82,3%	73,5%	80,4%
Operating expenses	(52 960)	(58 409)	(51 816)	(58 409)	(56 964)	(64 551)
Operating income	1 935	20 272	14 913	19 696	8 029	11 778
<i>As a % of revenue</i>	2,7%	21,4%	16,9%	20,8%	9,1%	12,4%
Net income/(loss) from continuing operations (i)	-	-	-	-	3 673	(1 356)
Net income/(loss) from discontinued operations (ii)	-	-	-	-	5	(9 051)
Net income/(loss) (i) + (ii)	-	-	-	-	3 678	(10 407)
EBITDA	5 462	24 000	19 016	24 000	-	-
<i>As a % of revenue</i>	7,6%	25,3%	21,5%	25,3%	-	-

⁴The consolidated financial statements as of December 31, 2021 were reviewed by the board of directors on March 9, 2022; the statutory auditors have substantially completed their audit scope.

2. Revenues for the 4th quarter of 2021 and the fiscal year 2021

(in thousands of US\$)	Q4-2021	Q4-2020	Q4 2021 vs. Q4 2020	FY 2021	FY 2020	FY 2021 vs. FY 2020
Recurring revenue	6 516	7 671	-15%	25 020	31 350	-20%
of which subscriptions	1 540	1 222	26%	5 595	5 036	11%
of which maintenance	4 976	6 448	-23%	19 425	26 313	-26%
Non-recurring revenue	14 083	16 773	-16%	46 800	63 543	-26%
Total software business revenue	20 599	24 444	-16%	71 820	94 893	-24%
NFC patent licensing program	-	-		16 645	-	
Total revenue	20 599	24 444	-16%	88 465	94 893	-7%

In Q4 2021, business volume in line with the Group's transformation strategy

During the quarter, the Group continued to deploy its strategy focused on subscription and SaaS sales. Verimatrix's total revenue for the quarter amounted to \$20.6 million, down 16% compared to 2020, in line with the Group's expectations and its ambition to develop its Subscription and SaaS business model.

As expected, non-recurring revenues from licenses, royalties and professional services amounted to \$14.1 million, down 16% year-on-year. This is a combination of the effects of reallocation of sales resources to subscription-based sales, royalties still affected by the semiconductor shortage and the continued impact of the Covid-19 crisis on customer investment levels.

Above all, the fourth quarter was characterized by:

- The 26% increase in subscription revenue compared to the same quarter of 2020
- A 15.7% increase in Subscription and SaaS ARR compared to Q3 2021, to \$7.5M
- The stabilization of maintenance revenue at \$5M since Q2 2021
- Total ARR, including maintenance, is \$26.8M as of 31/12/2021

For the full year 2021, recurring revenues of the software business represents 35% of sales

Revenues for 2021 amounted to \$88.5 M, compared with \$94.9 M in 2020, representing a 7% year-on-year decline. Excluding non-recurring revenues from sales based on NFC products, divested in December 2021, and corresponding to \$16.6 M, Group revenues for the core software business decreased by 24% year-on-year.

In line with the Group's expectations and its ambition to move towards a SaaS model, recurring revenues from SaaS and subscription amounted to \$5.6 M for the full year 2021, up 11% compared to 2020.

NFC patent licensing program

In 2021, France Brevets, Verimatrix's NFC patent licensing partner, signed four licensing agreements with major OEMs that generated \$16.6 M in revenue for Verimatrix. In December 2021, Verimatrix sold its historical NFC patent portfolio to semiconductor company Infineon Technologies AG for nearly \$2 M, ending the participation of Verimatrix' patents in the NFC patent licensing program.

3. 2021 Adjusted Income statement

(in thousands of US\$)	2021 (adjusted, reported)	2020 (adjusted, reported)
Revenue	88 465	94 893
Gross profit	66 729	78 105
<i>As a % of revenue</i>	<i>75,4%</i>	<i>82,3%</i>
Research and development expenses	(18 032)	(20 458)
Selling and marketing expenses	(20 925)	(24 554)
General and administrative expenses	(13 981)	(13 222)
Other gains / (losses), net	1 122	(175)
Total adjusted operating expenses	(51 816)	(58 409)
Operating Income	14 913	19 696
EBITDA	19 016	24 000

Gross margin of 75.4% of adjusted sales

The gross margin for 2021 is \$66.7 M, compared with \$78.1 M for 2020. This decrease in gross margin is due to the nature of the business mix including the NFC licensing program, which generates a margin of around 71%, and a lower absorption of fixed costs. Excluding the contribution of the NFC licensing program from the 2020 gross margin, the gross margin would be 76.4% of revenues, compared to a 2021 gross margin of 75.4% of revenues.

Adjusted operating expenses down sharply

Operating expenses decreased in 2021 to \$51.8 M from \$58.4 M a year earlier. This change reflects :

- Lower expenses concomitant with lower perpetual license sales
- Higher capitalization of research and development expenses (\$1.5 M). The company has focused its resources on the development of the new cloud-based platform and its new anti-piracy solutions for streaming, including "Streamkeeper".
- Maintaining strict control of expenses in the uncertain global context
- An unfavorable parity of the euro against the U.S. dollar, weighing on operating expenses and profits for approximately \$1.1 M.

Adjusted operating income and EBITDA

The 2021 adjusted operating profit is \$14.9 M, compared to \$19.7 M achieved in 2020. Excluding the contribution of the NFC licensing program, which generated \$13.0 M of operating profit in 2021, adjusted operating profit was \$1.9 M.

EBITDA for the full year reached \$19 M, or 21.5% of revenue, compared to \$24 M in 2020 and 25.3% of revenue. Excluding the contribution of the NFC patent licensing program, which generated \$13.6 M in EBITDA in 2021, EBITDA remained positive at \$5.4 M.

Operating income and IFRS net income from continuing operations⁵

(in thousands of US\$)	2021	2020
Adjusted operating income	14 913	19 696
Amortization and depreciation of assets acquired through business combinations (Items without cash impact)	(5 087)	(5 087)
Acquisition related expenses	1 724	(1 307)
Non recurring costs related to restructurations	(3 438)	(1 097)
Share based payments	(83)	(427)
Operating income	8 029	11 778
Finance income/(loss), net	(1 397)	(10 288)
Income tax expenses	(2 959)	(2 846)
Net income/(loss) from continuing operations (i)	3 673	(1 356)
Net income/(loss) from discontinued operations (ii)	5	(9 051)
Net income/(loss) (i) + (ii)	3 678	(10 407)

In 2021, the company generated operating income of \$8 M compared to \$11.8 M realized in 2020, characterized by:

- The termination in April 2021 of a lease agreement for a building that has been vacant since September 2019 in San Diego; as a result, the company reversed a provision in the amount of \$2.5 M corresponding to rent savings and associated costs over the next 4 years.
- The signature in June 2021 of a settlement agreement with the selling shareholders of Verimatrix, Inc. regarding the final purchase price of Verimatrix, Inc. In this context, Verimatrix received an amount of \$8.8 M in cash, significantly higher than the expected amount of \$6.9 M, which led to the recording of a non-recurring profit in the results of \$1.9 M.
- The Group's decision in September 2021 to write down 45% of its U.S. headquarters based in San Diego (CA), for \$4.5 M, following the reduction of workspace.

Financial loss amounted to \$1.4 M in 2021, mainly due to interest paid in relation to debt for \$4.0 M (bullet loan bill maturing in 2026, convertible bonds maturing in June 2022 and lease commitments under IFRS16) as well as net foreign exchange loss and non-cash charges (positive impact of the change in fair value of convertible bonds for \$3.2 M).

In 2021, the Group generated a consolidated net income of \$3.7 M compared to a net loss of \$11.4 M in 2020. This corresponds to the sum of operating income from continuing operations (\$8 M), net financial expenses (\$1.4 M) and income tax (\$3.0 M).

⁵ Continuing operations correspond to the Software strategic division and the NFC patent licensing program. They exclude the contribution of the Silicon IP division, divested in December 2019, and which is reported under "Net income from discontinued operations".

4. Financial position and cash flows

A solid financial position to drive the Group's ongoing transformation

(in thousands of \$)	2021	2020
Cash generated by / (used in) continuing operations before changes in working capital	17 379	22 236
Cash generated by / (used in) changes in working capital from continuing operations	9 495	(9 676)
Cash generated by / (used in) continuing operations	26 874	12 560
Cash generated by / (used in) discontinued operations	5	(205)
Taxes paid	(1 379)	(3 329)
Interests paid	(4 010)	(5 705)
Net cash generated by / (used in) operating activities	21 490	3 321
Cash flows used in investing activities, net	(8 291)	(6 639)
Cash flows from / (used in) financing activities, net	(16 474)	(1 894)
Net increase / (decrease) in cash and cash equivalents	(3 274)	(5 212)
Cash and cash equivalents at beginning of the period	48 608	53 975
Foreign exchange impact	(64)	(156)
Cash and cash equivalents at end of the period	45 269	48 608

Net debt amounts to \$0.7 M as of December 31, 2021, compared to \$11.5 M as of December 31, 2020.

Net debt comprises cash, cash equivalents and short-term investments, less bank overdrafts, financial debt (excluding obligations under IFRS 16 for finance leases), bank loans, private loans (Apera debt maturing in 2026) and the debt component of the "OCEANE" convertible bonds maturing in 2022 (see *reconciliation with IFRS in Appendix 2 of this document*)

On December 31, 2021, the Group's consolidated cash position was \$45.3 M compared with \$48.6 M on December 31, 2020, marked by the partial early repayment of the \$15 M unitranche bullet loan in March 2021.

Cash flow

Operating activities generated \$26.9 M of cash flow in 2021, compared to \$12.6 M in 2020.

Interest expense used \$4 M of cash in 2021, compared to \$5.7 M in 2020, due to the impact of the partial repayment of the unitranche loan bill combined with a lower interest rate in accordance with the loan bill agreement.

Investing activities used \$8.3 M, including capitalized R&D for \$5.9 million and IT infrastructure and application projects for \$1.8 M.

Financing activities used \$16.7 M of cash in 2021, primarily due to the partial prepayment of the unitranche bond for \$15 M in March 2021.

Financial calendar

- Investor Day : 10th March 2022
- 2022 first quarter revenue : 28th april 2022 (post market)

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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.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements concerning Verimatrix. Although the Company believes that these statements are based on reasonable assumptions, they are not guarantees of Verimatrix's future performance and actual results may differ materially from those anticipated due 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 Autorité des marchés financiers on April 30, 2021 and available on the company's website investors.verimatrix.com.

Supplementary non-IFRS financial information

Verimatrix uses performance indicators that are not strictly accounting measures in accordance with IFRS. They are defined in Appendix 2 of this press release. 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, including the income statement set out in Appendix 1 hereof.

Appendix 1 - Consolidated income statement, balance sheet and cash flow statement (IFRS)

The following tables are an integral part of the consolidated financial statements prepared in accordance with IFRS.

Consolidated income statement

(In thousands of US\$)	As at December 31,	
	2021	2020
Revenue	88 465	94 893
Cost of sales	(23 472)	(18 564)
Gross profit	64 993	76 329
Research and development expenses	(19 636)	(22 173)
Selling and marketing expenses	(22 833)	(26 663)
General and administrative expenses	(14 050)	(13 385)
Other gains / (losses), net	(445)	(2 330)
Operating profit (loss)	8 029	11 778
Cost of financial debt, net	(6 361)	(7 197)
Other financial income/(loss), net	4 964	(3 091)
Profit (loss) before income tax	6 632	1 490
Income tax expenses	(2 959)	(2 846)
Net income/(loss) from continuing operations (i)	3 673	(1 356)
Net income/(loss) from discontinued operations (ii)	5	(9 051)
Net income/(loss) (i) + (ii)	3 678	(10 407)

Consolidated balance sheet

Assets		
(In thousands of US\$)	December 31, 2021	December 31, 2020
Goodwill	115 231	115 231
Intangible assets	22 328	21 344
Property and equipment	8 041	12 626
Other receivables	2 975	6 208
Non-current assets	148 575	155 409
Inventories	363	459
Trade receivables	39 721	40 956
Other receivables	5 250	14 833
Derivative financial instruments	45	341
Cash and cash equivalents	45 269	48 608
Current assets	90 647	105 197
Total assets	239 222	260 606
Equity and liabilities		
(In thousands of US\$)	December 31, 2021	December 31, 2020
Ordinary shares	41 518	41 396
Share premium	94 749	267 067
Retained earnings	11 580	(150 644)
Income / (loss) for the period	3 678	(10 407)
Equity attributable to equity holders of the Company	151 525	147 412
Non-controlling interests	-	-
Total equity	151 525	147 412
Borrowings	37 646	55 134
Convertible bonds	-	17 452
Derivative financial instruments	-	3 256
Provisions	1 299	990
Deferred tax liabilities	1 356	1 831
Non-current liabilities	40 301	78 663
Borrowings	1 640	1 246
Convertible notes	17 519	-
Trade payables	5 141	6 148
Other liabilities	12 160	16 403
Financial instruments	150	4
Provisions	536	1 311
Unearned revenues	10 251	9 418
Current liabilities	47 397	34 530
Total liabilities	87 697	113 193
Total equity and liabilities	239 222	260 606

Consolidated cash flow statement

(In thousands of US\$)	December 31, 2021	December 31, 2020
Income / (loss) for the period	3 678	(1 356)
Non cash income statement items from continuing activities	13 701	23 592
Changes in working capital from continuing operations	9 495	(9 676)
Cash generated by / (used in) discontinued operations	5	(205)
Cash generated by / (used in) operating activities	26 879	12 355
Taxes paid	(1 379)	(3 329)
Interests paid	(4 010)	(5 705)
Net cash generated by / (used in) operating activities	21 490	3 321
Purchases of property and equipment	(641)	(796)
Purchases of intangible assets	(7 650)	(5 843)
Cash flows from investing activities	(8 291)	(6 639)
Proceeds from issuance of ordinary shares, net of issuance costs	74	150
Loan repayments	(15 058)	(140)
Reimbursement of lease commitments under IFRS16	(1 490)	(1 904)
Cash flows from financing activities	(16 474)	(1 894)
Effect of exchange rate fluctuation	(64)	(156)
Net increase in cash and cash equivalents	(3 339)	(5 368)
Cash and cash equivalents at beginning of the period	48 608	53 975
Cash and cash equivalents at end of the period	45 269	48 608

Appendix 2 - Supplementary non-IFRS financial information - Reconciliation of IFRS results to adjusted results

The performance indicators presented in this press release that are not strictly accounting measures are defined below. These indicators are not defined by IFRS and are not accounting measures of the company's financial performance. They should be considered in addition to, and not as a substitute for, other GAAP measures of operating and financial performance as disclosed in the company's consolidated financial statements and related notes. The company uses these indicators because it believes they are useful measures of its recurring operating performance and operating cash flows. Although widely used by companies operating in the same industry worldwide, these indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently from the company, even if they use similar terms.

Adjusted gross profit is defined as gross profit before (i) amortization of intangible assets related to business combinations, (ii) any potential impairment of goodwill, (iii) share-based payment expenses and (iv) non-recurring costs associated with restructuring, business combinations and disposals undertaken by the company.

Adjusted operating income/(loss) is defined as operating income/(loss) before (i) the amortization of intangible assets related to business combinations, (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.

EBITDA is defined as adjusted operating income before amortization and impairment charges not related to business combinations.

Annual Recurring Revenue, or ARR, corresponds to the annualized value of all recurring revenues from contracts in progress at the time of measurement. ARR includes all types of contracts that are recurring in nature, such as maintenance and support, SaaS and non-SaaS subscriptions, and for which revenue is currently being recognized. ARR is a rolling number that accumulates over time, while total contract value (or TCV), also used by the company, is generally used to measure sales (new or incremental) recorded during a period. The company calculates an ARR for both SaaS and non-SaaS subscriptions and another combining subscriptions and maintenance.

Net debt reconciliation

(in thousands of US\$)	December 31, 2021	December 31, 2020
Cash and cash equivalents	45 269	48 608
Private loan due 2026	(28 353)	(42 491)
Convertible bonds due 2022 (OCEANE)	(17 519)	(17 542)
Other loans	(54)	(117)
Net cash/(debt)	(657)	(11 543)
Financial lease commitments under IFRS16	(10 879)	(13 773)
Net cash/(debt) including IFRS 16	(11 536)	(25 316)