Verimatrix announces Q3 2022 revenue

- **Accelerated growth momentum in subscription-based[1] revenue (+57.7%)**
- **Strong growth in subscription-based ARR (+38.8%)**
- **Total recurring revenue growth of 11.6%**
- **Total revenue up 2.3% compared to Q3 2021**

Aix-en-Provence, France and San Diego, USA, October 26, 2022 – Verimatrix (Euronext Paris: VMX), reports its revenue for the third quarter period ended September 30, 2022.

(in US$ million)	3Q22	3Q21	3Q22 vs. 3Q21	YTD 9M22	YTD 9M21	9M22 vs. 9M21
Recurring revenue	**6.9**	**6.1**	**11.6%**	**19.2**	**18.6**	**3.1%**
of which subscriptions	*2.2*	*1.4*	*57.7%*	*5.4*	*4.2*	*29.8%*
of which maintenance	*4.6*	*4.7*	*-2.3%*	*13.8*	*14.4*	*-4.6%*
Non-recurring revenue	**9.2**	**9.5**	**-3.6%**	**25.7**	**32.7**	**-21.3%**
Total software revenue	**16.0**	**15.6**	**2.3%**	**44.9**	**51.2**	**-12.3%**
NFC licensing program	**-**	**-**	**-**	**-**	**16.6**	**-**
Total revenue	**16.0**	**15.7**	**2.3%**	**44.9**	**67.7**	**-33.7%**
ARR[2]				**26.5**	**25.6**	**3.5%**
of which subscriptions				*9.0*	*6.5*	*38.8%*
of which maintenance				*17.5*	*19.1*	*-8.4%*

Asaf Ashkenazi, chief executive officer of Verimatrix, commented on the release: *"We are very pleased with these quarterly numbers. Acceleration in our subscription revenue and subscription ARR is core to the execution of our strategy. We have also managed to achieve overall stability in both maintenance and non-recurring revenue. This quarter we closed significant deals on Threat Defense, including one of the biggest Banks in Europe, which is another proof that our products are key for the cybersecurity market. I am confident in our ability to continue transforming Verimatrix according to our strategic plan, generating value for our shareholders."*

[1] Includes SaaS and non-SaaS subscription revenue
[2] As at end of period.

Third-quarter and year-to-date revenue 2022

In the third quarter, Verimatrix posted revenue of $16.0 million, up 2.3% from last year's $15.7 million. Consistent with Verimatrix' transformation, this evolution is explained by stability in maintenance revenue, in line expectedly with previous quarters, while subscription-based revenue growth accelerates. Performance is driven by major deals such as the contract with the Mexican telco company Izzi Telecom, encompassing all Group solutions.

Year-to-date, revenue amounted to $44.9 million, down 12.3% from $51.2 million (excluding $16.6 million revenue from the NFC licensing program in 2021), showing gradual improvement from -36.5% at the end of March and -18.6% at the end of June.

Total ARR reached $26.5 million, up 3.5% year-on-year and 1.5% when compared to that at the end of the first half.

Recurring revenue

Over the period, recurring revenue from subscriptions jumps 57.7% to $2.2 million, compared to the 3rd quarter of 2021, gaining momentum from previous quarters (14.3% in Q1 and +33.3% in Q2). This performance is underpinned by strong growth in Extended Threat Defense in particular and Streamkeeper. On a year-to-date basis, subscriptions have generated revenue of $5.4 million, up 29.8% from last year. On that same basis, its contribution to total revenue now reaches 12% vs. 11% in H1.

Fueled by sales momentum in subscriptions, subscription ARR rose 38.8% over the 3rd quarter, compared to 2021. It stood at $9.0 million, vs. $8.0 million as of end of June 2022.

Showing further signs of stabilization, maintenance revenue is close to unchanged (-2.3%), at $4.6 million. It was $4.6 million in Q1 and $4.5 million in Q2. On a year-to-date basis, Verimatrix recorded maintenance revenue of $13.8 million, vs $14.4 million in the first 9 months of 2021. Due to end-of-period cancellations by legacy customers, maintenance ARR however dropped $0.6 million to $17.5 million, from $18.1 million in H1.

As a result, recurring revenue is up 11.6% over the quarter, to $6.9 million and up 3.1% to $19.2 million since the beginning of the year. Core to the Group's strategy, acceleration in recurring revenue is a very encouraging sign. As of October 31, it contributed 43% to total revenue, vs. 36% at the same time last year (on a constant scope basis), on is way towards reaching the 2025 objective of 70%.

Non-recurring revenue

Over the 3rd quarter, non-recurring revenue is slightly down 3.6% to $9.2 million. With year-to-date revenue of $25.7 million, situation continues to sequentially improve since the beginning of the year, with a 51.5% fall in Q1, mainly due to largely unfavorable comparables, -28.4% in H1 and now -21.3%, when compared to the first nine months of 2021.

A solid financial structure, further strengthened by additional financing

During the quarter, Verimatrix secured additional financing under the form of "Prêt Participatif Relance" (PPR – State-sponsored equity loan for economic stimulus) for an amount of €2.8 million (approximately the same amount in US dollars). Added to the €4.5 million (c. $4.7 million) PPR already collected in the first half, it further strengthens the Group's balance sheet and cash position, allowing even more flexibility in the execution of the new strategic approach.

Annual guidance reiterated

With a solid cash position and financial structure adequately supporting growth, healthy sales momentum in subscription-based revenue, Verimatrix is well under way to deliver as announced for the full year, and on its 2025 strategic plan.

Verimatrix reiterates its full-year objectives, i.e., 5% growth in recurring revenue, driven by 25% growth in subscription, assuming further stability in maintenance revenue. Such continued success in executing its transformation plan based on recurring revenue will improve the profitability of Verimatrix overall.

Financial calendar

- 2022 full year results: March 9, 2023 (after 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.

Supplementary non-IFRS financial information

Verimatrix uses performance indicators that are not strictly accounting measures in accordance with IFRS. They are defined in Appendix 1 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.

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.

Appendix 1 - Supplementary non-IFRS financial information - Reconciliation of IFRS results with adjusted results

The performance indicators presented in this press release that are not strictly accounting measures are defined below. 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 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.

Adjusted gross profit is defined as gross profit 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.

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 depreciation, amortization and impairment expenses not related to business combinations.

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.