

## Q2 2022 revenue and half-year 2022 results<sup>1</sup>

- **A solid Q2 2022: revenue up 4.3% at \$16.2 million<sup>1</sup>, compared to Q2 2021, showing further encouraging business signals in relation to ongoing transformation**
  - 30.7% growth in subscription revenue and 42.1% growth in subscription ARR<sup>2</sup>
  - Stable maintenance revenue
  - Recurring revenue up 6.5%
  - Non-recurring revenue increasing 3.0% quarter-on-quarter, compared to -51% in Q1 2022<sup>1</sup>
  - Total revenue increasing 26.8% compared to Q1 2022
- **H1 2022 revenue of \$28.9 million:**
  - Half-year subscription revenue up 20.3%
  - Stable total recurring revenue while Q1 2022 was (6.1%)
  - Recurring revenue now 43% of total revenue, compared to 35% in H1 2021
- **Positive EBITDA of \$0.2 million, vs. \$(0.9) million on a like-for-like basis<sup>1</sup>**
- **Strong cash position at \$19.5 million after convertible bond repayment**
- **Expected strong full-year subscription revenue growth**

**Aix-en-Provence, France and San Diego, USA, July 28, 2022 – Verimatrix** (Euronext Paris: VMX), reports its revenue for the second quarter 2022 and its financial results for the first half, ended June 30, 2022.

*“Q2 figures are encouraging! Growth in subscriptions and ARR, stabilization of maintenance, slight growth in non-recurring, and most of all, a new sales dynamic – all positive indicators that support our confidence in the success of our strategy. In the second quarter, we have continued to deploy our new solutions in the domain of Anti Piracy and Threat Defense spurred by initial success in the cross-selling of these new solutions to our existing customer base. Furthermore, we have streamlined our operational cost structure in order to protect our profitability. I’m convinced our teams are on the right track.”*, comments Amedeo D’Angelo, Chairman and Chief Executive Officer of Verimatrix.

*Jean-François Labadie, Chief Financial Officer will hold an audio webcast today at 6:00pm to discuss the Company’s half-year results and outlook.*

*To register and join the webcast, click on the following link: [Inscription webcast audio 1H22](https://channel.royalcast.com/verimatrix-fr/#!/verimatrix-fr/20220728_2) or copy-paste the following URL: [https://channel.royalcast.com/verimatrix-fr/#!/verimatrix-fr/20220728\\_2](https://channel.royalcast.com/verimatrix-fr/#!/verimatrix-fr/20220728_2)*

*To join the webcast, audio only, call the following numbers:*

*France: +33 (0) 1 70 75 00 04*

*UK: +44 (0) 20 7019 0812*

*Password: Verimatrix*

<sup>1</sup> Revenue, operational profitability and EBITDA numbers are presented excluding NFC licensing program.

<sup>2</sup> Annual Recurring Revenue. Includes SaaS and non-SaaS subscription revenue. See definition in the “Supplementary non-IFRS financial information” section at the end of this press release.

(in US\$ million)	2Q22	2Q21	2Q22 vs. 2Q21	1H22	1H21	1H22 vs. 1H21
<b>Recurring revenue</b>	<b>6.1</b>	<b>5.7</b>	<b>6.5%</b>	<b>12.3</b>	<b>12.4</b>	<b>-0.3%</b>
<i>of which subscriptions</i>	1.6	1.2	30.7%	3.2	2.6	20.3%
<i>of which maintenance</i>	4.5	4.5	0.0%	9.2	9.7	-5.8%
<b>Non-recurring revenue</b>	<b>10.0</b>	<b>9.7</b>	<b>3.0%</b>	<b>16.6</b>	<b>23.2</b>	<b>-28.6%</b>
<b>Total software revenue</b>	<b>16.2</b>	<b>15.5</b>	<b>4.3%</b>	<b>28.9</b>	<b>35.5</b>	<b>-18.7%</b>
NFC licensing program	-	16.6	-	-	16.6	-
<b>Total revenue</b>	<b>16.2</b>	<b>32.1</b>	<b>-49.7%</b>	<b>28.9</b>	<b>52.2</b>	<b>-44.7%</b>
<b>ARR<sup>3</sup></b>				<b>26.1</b>	<b>25.0</b>	<b>4.4%</b>
<i>of which subscriptions</i>				8.0	5.7	42.1%
<i>of which maintenance</i>				18.1	19.4	-6.6%

## Second-quarter revenue 2022

Over the second quarter, Verimatrix recorded total software revenue of \$16.2 million, vs. \$15.5 million in Q2 2021, i.e. +4.3%, and vs. \$12.7 million in Q1 2022, driven by continued growth in recurring revenue and slight 3.0% growth in non-recurring revenue (vs. a decrease of approximately 51% in Q1).

### Recurring revenue

Overall, recurring revenue was up 6.5% to \$6.1 million in Q2 2022, when compared to Q2 2021, a growth explained by continued growth in subscriptions and stability in maintenance revenue.

Mostly linked to continued success in the deployment of recently launched Threat Defense and Streamkeeper, subscription revenue has soared 30.7% to \$1.6 million, contributing to 10% of total revenue (vs. under 8% in Q2 2021).

At \$4.5 million, in line with past quarters' trend, maintenance revenue remained stable over the quarter (\$4.5 million in Q2 2021 and \$4.6 million in Q1 2022).

### Non-recurring revenue

Following a 51% dip in the first quarter, non-recurring revenue is back to growth, 3.0% to \$10.0 million, driven by increased sales momentum in perpetual licensing and the absence of the unfavorable base effect that had impact the figures for the first quarter.

## First-half revenue 2022

Thanks to a much stronger second quarter in all respects, revenue for the first half of 2022 reached \$28.9 million, down 18.7% from last year, compared to approximately -37% as at the end of the first quarter.

<sup>3</sup> As at end of period.

The first half well illustrated Verimatrix' new strategic focus: double-digit growth in subscription revenue (i.e. +20.3%), also evidenced by ARR growing \$1.1 million to \$26.1 million, and further stabilization of maintenance and non-recurring revenue.

## First-half results 2022

### Adjusted operating income

(in US\$ million)	1H22 reported	1H21 excl. NFC <sup>4</sup>	1H22 reported vs. 1H21 excl. NFC	1H21 reported
<b>Revenue</b>	<b>28.9</b>	<b>35.5</b>	<b>-18.7%</b>	<b>52.2</b>
<b>Gross profit</b>	<b>20.8</b>	<b>26.4</b>	<b>-21,4%</b>	<b>38.5</b>
<i>As a % of revenue</i>	<i>71.9%</i>	<i>74.3%</i>	<i>-2.4pts</i>	<i>73.9%</i>
Research & development expenses	(9.8)	(9.7)	0.9%	(9.9)
Selling & marketing expenses	(7.1)	(12.2)	-42.2%	(12.2)
General & administrative expenses	(6.2)	(7.2)	-13.6%	(7.2)
Other gains / (losses), net	0.4	(0.0)	-	(0.0)
<b>Total adjusted operating expenses</b>	<b>(22.6)</b>	<b>(29.1)</b>	<b>-22.3%</b>	<b>(29.3)</b>
<i>As a % of revenue</i>	<i>-78.3%</i>	<i>-81.8%</i>	<i>+3.5pts</i>	<i>-56.1%</i>
<b>EBITDA</b>	<b>0.2</b>	<b>(0.9)</b>	<b>-</b>	<b>11.4</b>
<i>As a % of revenue</i>	<i>0.8%</i>	<i>-2.5%</i>	<i>-</i>	<i>21.8%</i>
<b>Adjusted operating income</b>	<b>(1.8)</b>	<b>(2.7)</b>	<b>-</b>	<b>9.3</b>

In the first half of 2022, Verimatrix recorded gross profit of \$20.8 million, compared to \$26.4 million in the first half of 2021, i.e. a gross margin of 71.9% vs. 74.3% - an evolution explained by lower revenue partially compensated by lower cost-of-sales-related expenses.

Over the period, Verimatrix kept operational costs under control, mainly through lower personnel expenses across the whole company. Thanks to this and a positive \$2.3 million exchange rate impact, adjusted operating expenses are down 22.3% to \$22.6 million, vs. \$29.1 million and down 3.5 percentage points to 78.3%, expressed as a percentage of total revenue.

Overall, in the first half, tightened expenses more than offset lower revenue, as reflected by positive EBITDA of \$0.2 million (vs. \$(0.9) million in H1 2021) and improved adjusted operating income of \$(1.8) million (vs. \$(2.7) million in H1 2021). In line with the current quarterly dynamic, the second quarter contributed significantly to the Group's profitability.

<sup>4</sup> In 2021, France Brevets, Verimatrix's NFC patent licensing partner, signed four licensing agreements with major OEMs that generated \$16.6m in revenue for Verimatrix. In December 2021, Verimatrix sold its historical NFC patent portfolio to semiconductor company Infineon Technologies AG for nearly \$2m, ending the participation of Verimatrix' patents in the NFC patent licensing program.

## Reconciliation of adjusted operating income to IFRS operating income and net income

(in US\$ million)	1H22 reported	1H21 reported
<b>Adjusted operating income</b>	<b>(1.8)</b>	<b>9.3</b>
Amortization and depreciation of assets acquired through business combinations	(2.6)	(2.5)
Acquisition-related expenses	(0.1)	1.8
Non-recurring costs related to restructurings	(0.8)	2.1
Share-based payments	(0.1)	(0.0)
<b>Operating income / (loss)</b>	<b>(5.4)</b>	<b>10.6</b>
Financial income / (loss), net	(1.6)	(0.2)
Income tax expenses	(0.2)	(2.2)
<b>Net income / (loss)<sup>5</sup> from continuing operations</b>	<b>(7.3)</b>	<b>8.2</b>

Amortization and depreciation of assets acquired through business combinations remained stable at \$2.6 million, compared to \$2.5 million in H1 2021.

There were close to no acquisition-related expenses in H1 2022 (\$0.1 million), vs. a positive \$1.8 million in the first half of 2021, which was driven by price adjustments related to the acquisition of Verimatrix.

In the period, restructuring costs amounted to \$(0.8) million, mainly due to the streamlining of our organization and non-cash items related to IT tool optimization. Last year was a positive \$2.1 million, mainly linked to the termination of a lease in San Diego for \$1.8 million.

Verimatrix recorded operating loss of \$5.4 million in the first half of 2022, compared to operating income of \$10.6 million in the first half of 2021. Overall, after accounting for financial income and tax expense, net loss from continuing operations amounted to \$7.3 million, vs. an income of \$8.2 million.

<sup>5</sup> Verimatrix did not record any items relevant to discontinued operations over the first half of 2022. Those items in the first half of 2021 amounted to \$27k.

## Financial position and cash flows

(in US\$ million)	1H22 reported	1H21 reported
<b>Income / (loss) from continuing operations</b>	<b>(7.3)</b>	<b>8.2</b>
Non-cash items from continuing operations	7.0	3.9
Changes in working capital from continuing operations	(2.2)	(5.9)
<b>Cash generated by / (used in) operating activities<sup>6</sup></b>	<b>(2.6)</b>	<b>6.1</b>
Taxes paid	(0.7)	(0.6)
Interests paid	(2.1)	(2.1)
<b>Net cash generated by / (used in) operating activities</b>	<b>(5.4)</b>	<b>3.4</b>
<b>Cash flows from / (used in) investing activities, net</b>	<b>(2.0)</b>	<b>(4.1)</b>
<b>Cash flows from / (used in) financing activities, net</b>	<b>(18.2)</b>	<b>(15.8)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(25.7)</b>	<b>(16.5)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>45.3</b>	<b>48.6</b>
Foreign exchange impact	(0.1)	(0.1)
<b>Cash and cash equivalents at end of period</b>	<b>19.5</b>	<b>32.0</b>

Overall, net debt excluding lease commitments under IFRS 16 amounted to \$8.9 million as at 30 June 2022, vs. \$13.7 million a year before and \$0.7 million as at 31 Décembre 2021. In particular, net debt included private debt (classified under current liabilities as at 30 June 2022) contracted with Apera for a carried fair value amount of \$28.4 million. In order to better align with the Group's transformation, a new set of covenants is being negotiated.

In line with decreased revenue and net income, net cash used by operating activities was \$(5.4) million in the first half of 2022, as opposed to \$3.4 million generated in the comparable period. Cash used in investing activities was reduced to \$2.0 million vs. \$4.1 million a year before. Cash used in financing activities amounted to \$18.2 million, primarily due to the repayment of the OCEANE 2022 convertible bond in June 2022 for a total amount of \$17.5 million, compared to \$15.8 million in H1 2021.

Overall, as at 30 June 2022, Group's cash position stood strong at \$19.5 million, compared to \$32.0 million at the end of June 2021.

Furthermore, in a post-closing event, Verimatrix collected the net proceeds of a "Prêt Participatif Relance" (PPR – Equity loan for economic stimulus) for an amount of €4.5 million (i.e. c. \$4.7 million).

## Outlook

With the intact ambition to consolidate its position as a trusted leader for securing content & devices of the connected future, Verimatrix will further its transformation and efforts to deploy its new SaaS Anti Piracy and Threat Defense solutions.

Given the solid performance in Q2 2022 and encouraging current sales momentum, Verimatrix is confident in its ability to deliver mid single-digit growth in recurring revenue, supported by the core of its

<sup>6</sup> Verimatrix did not record any items relevant to discontinued operations over the first half of 2022. Those items in the first half of 2021 amounted to \$27k.

transformation on one hand, over 25% growth in subscription revenue, given stable maintenance revenue on the other hand.

### **Financial calendar**

- Third-quarter revenue: October 26, 2022 (after market)

### **Investor and media contacts**

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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](http://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.

### **Net debt reconciliation**

(in thousands of US\$)	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Cash and cash equivalents	19 508	45 269	32 010
Private loan note due 2026, at fair value	(28 430)	(28 353)	(28 076)
Convertible bonds due 2022 (OCEANE), at fair value	-	(17 519)	(17 594)
Other loans	-	(54)	(56)
<b>Net cash/(debt)</b>	<b>(8 922)</b>	<b>(657)</b>	<b>(13 716)</b>
Financial lease commitments under IFRS16	(10 186)	(10 879)	(11 353)
<b>Net cash/(debt) including IFRS 16</b>	<b>(19 108)</b>	<b>(11 536)</b>	<b>(25 069)</b>

## Appendix 2 – Consolidated financial statements (IFRS)

### Consolidated income statement

(In thousands of US\$)	<b>First- half 2022</b>	<b>First- half 2021</b>
<b>Revenue</b>	<b>28 889</b>	<b>52 194</b>
Cost of sales	(8 976)	(14 514)
<b>Gross profit</b>	<b>19 913</b>	<b>37 680</b>
Research and development expenses	(10 529)	(10 605)
Selling and marketing expenses	(8 081)	(13 140)
General and administrative expenses	(6 245)	(7 191)
Other gains / (losses), net	(488)	3 874
<b>Operating profit (loss)</b>	<b>(5 430)</b>	<b>10 618</b>
Cost of financial debt, net	(2 841)	(3 390)
Other financial income/(loss), net	1 203	3 177
<b>Profit (loss) before income tax</b>	<b>(7 068)</b>	<b>10 405</b>
Income tax expenses	(235)	(2 236)
<b>Net income/(loss) from continuing operations (i)</b>	<b>(7 303)</b>	<b>8 169</b>
<b>Net income/(loss) from discontinued operations (ii)</b>	<b>-</b>	<b>(27)</b>
<b>Net income/(loss) (i) + (ii)</b>	<b>(7 303)</b>	<b>8 142</b>



## Balance sheet

### Assets

<b>(In thousands of US\$)</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Goodwill	115 231	115 231
Intangible assets	20 133	22 328
Property and equipment	7 416	8 041
Other receivables	1 255	2 975
<b>Non-current assets</b>	<b>144 035</b>	<b>148 575</b>
Inventories	402	363
Trade receivables	41 433	39 721
Other receivables	5 566	5 250
Derivative financial instruments	-	45
Cash and cash equivalents	19 508	45 269
<b>Current assets</b>	<b>66 909</b>	<b>90 647</b>
<b>Total assets</b>	<b>210 944</b>	<b>239 222</b>

### Equity and liabilities

<b>(In thousands of US\$)</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Ordinary shares	41 518	41 518
Share premium	94 749	94 749
Reserves and retained earnings	14 349	11 580
Income / (loss) for the period	(7 303)	3 678
<b>Equity attributable to equity holders of the Company</b>	<b>143 313</b>	<b>151 525</b>
Non-controlling interests	-	-
<b>Total equity</b>	<b>143 313</b>	<b>151 525</b>
Borrowings	8 541	37 646
Convertible bonds	-	-
Derivative financial instruments	-	-
Provisions	1 099	1 299
Deferred tax liabilities	627	1 356
<b>Non-current liabilities</b>	<b>10 266</b>	<b>40 301</b>
Borrowings	30 075	1 640
Convertible bonds	-	17 519
Trade payables	4 229	5 141
Other liabilities	9 541	12 160
Derivative and financial instruments	152	150
Provisions	539	536
Unearned revenues	12 829	10 251
<b>Current liabilities</b>	<b>57 365</b>	<b>47 397</b>
<b>Total liabilities</b>	<b>66 443</b>	<b>87 697</b>
<b>Total equity and liabilities</b>	<b>210 944</b>	<b>239 222</b>

## Cash flow statement

(In thousands of US\$)	June 30, 2022	June 30, 2021
<b>Income / (loss) for the period</b>	<b>(7 303)</b>	<b>8 169</b>
Non cash income statement items from continuing activities	6 965	3 859
Changes in working capital from continuing operations	(2 228)	(5 941)
Cash used in discontinued operations	-	(27)
<b>Cash generated by operating activities</b>	<b>(2 566)</b>	<b>6 060</b>
Taxes paid	(736)	(603)
Interests paid	(2 126)	(2 061)
<b>Net cash generated by / (used in) operating activities</b>	<b>(5 428)</b>	<b>3 396</b>
Purchases of property and equipment	(96)	(177)
Purchases of intangible assets	(1 934)	(3 920)
<b>Cash flows from investing activities</b>	<b>(2 030)</b>	<b>(4 097)</b>
Proceeds from issuance of ordinary shares, net of issuance costs	-	76
Loan repayments	(17 468)	(15 058)
Reimbursement of lease commitments under IFRS16	(777)	(858)
<b>Cash flows from financing activities</b>	<b>(18 245)</b>	<b>(15 840)</b>
Effect of exchange rate fluctuation	(58)	(57)
<b>Net increase in cash and cash equivalents</b>	<b>(25 761)</b>	<b>(16 598)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>45 269</b>	<b>48 608</b>
<b>Cash and cash equivalents at end of the period</b>	<b>19 508</b>	<b>32 010</b>