Q2 2023 revenue and H1 2023 results

A second quarter of growth
Strong growth in sales and annualised recurring revenue (ARR) from subscriptions
Subscription revenue growth targets revised up

Q2 2023 revenue

- Strong growth in subscription revenue, up 108% on Q2 2022
- Total recurring revenue growth of 22% to $7.48 million
- Total revenue of $16.6 million, up 3% on Q2 2022
- Non-recurring revenue down 9% compared with Q2 2022, in line with the Group's transformation to a SaaS model

H1 2023 revenue

- Strong growth in subscription revenue of 107% compared with H1 2022
- Total recurring revenue growth of +22% to $15 million, now representing 50% of consolidated revenue
- Total revenue of $30.6 million, up 6% on H1 2022
- Growth in ARR from subscriptions of +67% vs. H1 2022
- Fall in non-recurring revenue of 6% to $15.6 million

H1 2023 financial results

- Positive EBITDA of $0.4 million compared with $0.2 million in the first half of 2022
- A solid cash position of $25.7 million compared with $19.5 million at 30 June 2022

Outlook for 2023

- Target for recurring revenue growth from subscriptions over the full year revised up to 60% from 40% previously
- Confirmation of target ARR from subscriptions of 40% for the full financial year

Aix-en-Provence, France and San Diego, USA, 24 July 2023 — VERIMATRIX (Euronext Paris: VMX) has released its second-quarter revenue for 2023 and its financial results for H1-2023 to 30 June 2023.

"VERIMATRIX turned in a satisfactory first-half, with revenue growth driven by strong growth in revenue from subscriptions. These results reflect the quality of the ongoing transformation of VERIMATRIX to an economic model driven mainly by recurring revenues. A positioning underpinned by our offering of smart cybersecurity and content protection solutions tailored to the needs of our customers. Thanks to this favourable environment and the support of the sales teams for our strategic plan, we are raising our growth target for subscription revenue to 60% for 2023 versus 40% previously," says Amedeo D'Angelo, Executive Chairman of VERIMATRIX.

Amedeo d'Angelo, Executive Chairman and 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 join the webcast, click on the following link: Webcast - Résultats Verimatrix CA T2 - S1
To join the webcast, audio only, call the following number:
France: +33 (0) 4 88 80 09 30
Password: 405 098 907#

(in US$ million)	Q2 23	Q2 22	Var.	H1 23	H1 22	Var.
Recurring turnover	**7,5**	**6,1**	**22 %**	**15,0**	**12,3**	**22 %**
of which subscriptions	*3,3*	*1,6*	*108 %*	*6,5*	*3,2*	*107 %*
of which maintenance	*4,2*	*4,5*	*-8 %*	*8,5*	*9,1*	*-8 %*
Non-recurring turnover	**9,1**	**10,0**	**-9 %**	**15,6**	**16,6**	**-6 %**
Total turnover	**16,6**	**16,2**	**3 %**	**30,6**	**28,9**	**6 %**
ARR[1]	**29,8**	**26,1**	**14%**	**29,8**	**26,1**	**14%**
of which subscriptions	*13,4*	*8,0*	*67%*	*13,4*	*8,0*	*67%*
of which maintenance	*16,4*	*18,1*	*-9%*	*16,4*	*18,1*	*-9%*

Q2 2023 revenue

VERIMATRIX reported total revenue of $16.6 million in Q2, up from $16.2 million in Q2 2022, an increase of 3%. This increase was mainly due to strong growth in recurring revenue from subscriptions.

Recurring revenue

Total recurring revenue in Q2 2023 came to $7.5 million, up 22% on Q2 2022, attributable to a sharp increase in subscriptions and an anticipated and controlled decrease in maintenance revenue.

Subscription sales rose by 108% in Q2 2023 to $3.3 million compared with $1.6 million in Q2 2022. On a trend basis, compared with the end of 2022, annualised recurring revenue (ARR) from subscriptions rose by 21% to $13.4 million, showing a steady sequential increase over the past three quarters.

Maintenance revenue fell by 8% to $4.2 million compared with $4.5 million in Q2 2022. This decline was expected and controlled by the Group. It can be attributed to the strategy in place to transform the business model into an approach involving the conversion of one-off licence sales into recurring revenue. ARR from maintenance has remained stable over the last three quarters, reaching $16.4 million in the second quarter.

Non-recurring revenue

Non-recurring revenue came to $9.1 million in Q2 2023, down 9% on Q2 2022. This decline, which is limited and does not hinder the group's growth, is mainly linked to the resilience of the perpetual license market. In fact, the Asia-Pacific region showed particularly strong momentum in the second quarter, with the sale of perpetual licences to one of VERIMATRIX's long-standing telecom operators.

H1 2023 revenue

H1 2023 revenue came to $30.6 million, up 6% on H1 2022, driven by a balanced mix of recurring and non-recurring revenue. Recurring revenue rose by 22% to $15 million, thanks to a sharp increase in subscriptions (+107% to $6.5 million) in H1 2023. Non-recurring revenue fell by 6% to $15.6 million.

This increase in revenue in the first half of 2023 compares with a decrease of 19% in H1 2022 compared with H1 2021. The sales momentum seen across the group throughout the first half of the year is in line with management's business objective to generate growth in revenue and ARR from subscriptions and growth in total recurring revenue.

[1] End of the period.

Recurring revenue accounted for 49% of total revenue compared with 42.5% in the same period in 2022. The share of subscription revenue continues to grow in line with the announced strategic plan. Recurring revenue from subscriptions accounted for 43% of total recurring revenues versus 26% in the first half of 2022.

H1 2023 results

Adjusted operating profit

(in US$ million)	H1 23	H1 22	Var.
Revenue	**30,6**	**28,9**	***+6%***
Gross profit	**22,1**	**20,8**	***+6%***
As a % of revenue	*72,2%*	*71,9%*	*+0,3pt*
Research & development expenses	(10,0)	(9,8)	*+2%*
Selling & marketing expenses	(8,5)	(7,1)	*+20%*
General & administrative expenses	(6,1)	(6,2)	*-2%*
Other gains / (losses), net	0,2	0,4	*-49%*
Total operating expenses	**(24,3)**	**(22,6)**	***+8%***
Adjusted operating income	**(2,2)**	**(1,8)**	***-21%***
As a % of revenue	*-7,5%*	*-6,4%*	*+1,1pt*
EBITDA	**0,4**	**0,2**	***+61%***
As a % of revenue	*1,2%*	*0,8%*	*+0,4pt*

In the first half of 2023, VERIMATRIX reported a gross profit of $22.1 million compared with $20.8 million in the first half of 2022, representing a gross profit of 72.2% versus 71.9%. This improvement in the gross profit is attributable to a volume effect from the increase in revenue combined with good cost control.

Adjusted operating expenses were held in check at $24.3 million, compared with $22.6 million, with a strong focus on investment in sales and marketing. After investing heavily in research and development to build its product offers, at the beginning of 2023 VERIMATRIX focused investment on sales and marketing to speed up its transformation. During the period, sales and marketing expenditure increased by 20% to $8.5 million, linked to specialised sales teams for new SaaS products and higher investment in marketing campaigns to boost VERIMATRIX's visibility.

Overall, in the first half of the year, EBITDA increased to $0.4 million compared with $0.2 million in H1 2022.

There was an adjusted operating loss of $2.2 million (versus a loss of $1.8 million in H1 2022) due to an increase in depreciation expenses of $0.5 million related to the development of past R&D projects.

Reconciliation of adjusted operating income with operating income and net income in IFRS

(in US$ million)	H1 23	H1 22
Adjusted operating income	**(2,2)**	**(1,8)**
Amortization and depreciation of assets acquired through business combinations	(1,5)	(2,6)
Acquisition-related expenses	-	(0,1)
Non-recurring costs related to restructurations	(0,6)	(0,8)
Share-based payments	(0,3)	(0,1)
Operating income / (loss)	**(4,7)**	**(5,4)**
Financial income / (loss), net	(1,6)	(1,6)
Income tax expenses	(1,0)	(0,2)
Net income / (loss) from continuing operations	**(7,3)**	**(7,3)**

Depreciation and amortisation of assets acquired through business combinations decreased of $1.1 millio to $1.5 million, compared with $2.6 million in H1 2022. The depreciation period for part of Inside Secure's acquisition of VERIMATRIX in 2019 is now complete.

During the period, restructuring costs amounted to $0.6 million versus $0.8 million the previous year.

VERIMATRIX recorded an operating loss of $4.7 million in the first half of 2023, compared with an operating loss of $5.4 million in the first half of 2022. Overall, after taking into account financial income and tax expense, the net loss from continuing operations remained level at $7.3 million.

Financial position and cash flows

(in US$ million)	H1 23	H1 22
Income / (loss) from continuing operations	**(7,3)**	**(7,3)**
Non-cash items from continuing operations	7,4	7,0
Changes in working capital from continuing operations	2,6	(2,2)
Cash generated by / (used in) operating activities	**2,7**	**(2,6)**
Taxes paid	(1,0)	(0,7)
Interests paid	(1,5)	(2,1)
Net cash generated by / (used in) operating activities	**0,2**	**(5,4)**
Cash flows from / (used in) investing activities, net	**(1,7)**	**(2,0)**
Cash flows from / (used in) financing activities, net	**(2,8)**	**(18,2)**
Net increase / (decrease) in cash and cash equivalents	**(4,2)**	**(25,7)**
Cash and cash equivalents at beginning of period	**30,0**	**45,3**
Foreign exchange impact	**(0,1)**	(0,1)
Cash and cash equivalents at end of period	**25,7**	**19,5**

VERIMATRIX highlights the strong level of cash flow generated by operating activities, which amounted to $2.7 million in the first half of 2023 compared with -$2.6 million in the first half of 2022. This increase can be used to finance taxes and the debt burden.

Net cash from operating activities amounted to $0.2 million in the first half of 2023, compared with -$5.4 million the previous year. This improvement was mainly due to optimisation of the working capital and to control of operating margin of VERIMATRIX.

The cash used in investment activities, mainly R&D for product development, came to $1.7 million compared with $2.0 million the previous year. The cash used in financing activities amounted to $2.8 million compared with $18.2 million in H1 2022, which included the repayment of a $17.4 million convertible bond.

Net debt excluding lease commitments under IFRS 16 amounted to $6.2 million as at 30 June 2023 versus $8.9 million a year earlier and $3.7 million as at 31 December 2022. A portion of the private debt contracted with Apera was repaid in the amount of $2 million. The next debt repayment due date is scheduled for the beginning of fiscal year 2026.

In total, as at 30 June 2023, VERIMATRIX had a solid cash position of $25.7 million, compared with $19.5 million at the end of June 2022, thanks to moderate consumption of financial resources over the period, enabling it to finance the group's ongoing transformation.

Upward revision of full-year growth targets

On the back of these results, good sales of perpetual licenses in Q2 2023 and good momentum in embedded recurring revenues, VERIMATRIX has revised up its outlook for 2023. It now forecasts growth in recurring revenue from subscriptions of 60% in 2023 (versus 40% previously announced). It is maintaining its target for ARR from subscriptions of 40%.

Finally, given the momentum at play, VERIMATRIX's total recurring revenue, from both subscriptions and maintenance, is expected to show double-digit growth over the full year.

Financial calendar

Q3 revenue: 19 October 2023 (after market close)

Investor and media contacts

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About VERIMATRIX

VERIMATRIX (Euronext Paris: VMX) helps make today's connected world safer by offering user-centred security solutions. VERIMATRIX protects digital content, applications and devices with intuitive, people-centred and frictionless security. Leading brands turn to VERIMATRIX to protect their content, from premium films and live-streaming sports to sensitive financial and medical data and mission-critical mobile applications. We enable the trusted connections our customers depend on to deliver quality content and services to millions of consumers around the world. VERIMATRIX helps partners get to market faster, scale easily, protect valuable revenue streams, and win new business. For more information, visit www.verimatrix.com.

Supplementary non-IFRS financial information

In this press release, VERIMATRIX uses financial aggregates and performance indicators which are not accounting metrics strictly defined by IFRS standards. They are defined in Appendix 2 of this press release. They must be considered supplemental information which is not a substitute for any operational and financial metric of a strictly accounting nature, as presented in the company's consolidated financial statements, particularly in the profit and loss statement contained in Appendix 1 of this press release.

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 metrics are defined below. These indicators are not aggregates defined under IFRS and do not constitute accounting metrics used to measure the company's financial performance. They must be considered supplemental information which is not a substitute for any operational and financial metric of a strictly accounting nature, as presented in the company's consolidated financial statements and accompanying notes. The company uses these indicators because it believes they are relevant measures of its current operating profitability and operating cash flow generation. Although generally used by companies in the same sector around the world, these indicators may not be strictly comparable to those of other companies as they may be defined or calculated differently even though similarly labelled.

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

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

EBITDA is defined as adjusted operating profit before depreciation, amortisation and impairment expenses not related to business combinations.

Annual recurring revenue (ARR) corresponds to the annualised value of all recurring revenue from contracts in place at the time of measurement. ARR includes all types of contracts that generate recurring revenue and for which revenue is currently recognised. ARR is a rolling number that accumulates over time whereas the total contract value (TCV) metric also used by the company is typically used to measure (new or incremental) orders made within a period. The company computes an ARR for SaaS and non-SaaS subscriptions and ARR combining subscriptions and maintenance.

Reconciliation of net debt

(in US$ million)	30 juin 2023	31 décembre 2022	30 juin 2022
Cash and cash equivalents	25,7	30,0	19,5
Private loan note due 2026, at fair value	(24,0)	(26,0)	(28,4)
Other loans	(7,9)	(7,8)	-
Net cash/(debt)	**(6,2)**	**(3,7)**	**(8,9)**
Financial lease commitments under IFRS16	(8,9)	(9,6)	(10,2)
Net cash/(debt) including IFRS 16	**(15,1)**	**(13,4)**	**(19,1)**

Appendix 2 – Consolidated financial statements (IFRS)

Consolidated income statement

(In US$ million)	**End of semester the 30th of June**	
	2023	**2022**
Revenue	**30,6**	**28,9**
Cost of sales	(9,2)	(9,0)
Gross profit	**21,4**	**19,9**
Research and development expenses	(10,5)	(10,5)
Selling and marketing expenses	(9,0)	(8,1)
General and administrative expenses	(6,2)	(6,2)
Other gains / (losses), net	(0,3)	(0,5)
Operating profit (loss)	**(4,7)**	**(5,4)**
Cost of financial debt, net	(1,5)	(2,8)
Other financial income/(loss), net	(0,1)	1,2
Profit (loss) before income tax	**(6,3)**	**(7,1)**
Income tax expenses	(1,0)	(0,2)
Net income/(loss) consolidated	**(7,3)**	**(7,3)**

Balance sheet
Assets

(In US$ million)	June 30, 2023	December 31, 2022
Goodwill	115,2	115,2
Intangible assets	14,7	16,5
Property and equipment	6,4	7,0
Other receivables	2,9	1,4
Non-current assets	**139,2**	**140,1**
Inventories	0,3	0,3
Trade receivables	24,5	32,9
Other receivables	6,2	6,1
Derivative financial instruments	0,1	0,4
Cash and cash equivalents	25,7	30,0
Current assets	**56,8**	**69,8**
Total assets	**196,0**	**209,9**

Equity and liabilities

(In US$ million)	June 30, 2023	December 31, 2022
Ordinary shares	41,5	41,5
Share premium	94,7	94,7
Reserves and retained earnings	(0,4)	17,2
Income / (loss) for the period	(7,3)	(17,6)
Equity attributable to equity holders of the Company	**128,6**	**135,9**
Non-controlling interests		-
Total equity	**128,6**	**135,9**
Borrowings	39,2	39,8
Provisions	1,6	1,7
Deferred tax liabilities	0,9	0,9
Non-current liabilities	**41,7**	**42,5**
Borrowings	1,6	3,7
Convertible bonds		-
Trade payables	3,4	5,4
Other liabilities	8,0	10,3
Derivative and financial instruments	0,0	0,0
Provisions	0,5	0,2
Unearned revenues	12,2	12,1
Current liabilities	**25,7**	**31,6**
Total liabilities	**67,4**	**74,0**
Total equity and liabilities	**196,0**	**209,9**

Cash flow statement

(In US$ million)	June 30, 2023	June 30, 2022
Income / (loss) for the period	**(7,3)**	**(7,3)**
Non cash income statement items from continuing activities	7,4	7,0
Changes in working capital from continuing operations	2,6	(2,2)
Cash generated by operating activities	**2,7**	**(2,6)**
Taxes paid	(1,0)	(0,7)
Interests paid	(1,6)	(2,1)
Net cash generated by / (used in) operating activities	**0,2**	**(5,4)**
Purchases of property and equipment	(0,1)	(0,1)
Purchases of intangible assets	(1,6)	(1,9)
Cash flows from investing activities	**(1,7)**	**(2,0)**
Loan repayments	(2,0)	-
Repayment of convertible bonds into shares	-	(17,5)
Reimbursement of lease commitments under IFRS16	(0,8)	(0,8)
Cash flows from financing activities	**(2,8)**	**(18,2)**
Effect of exchange rate fluctuation	(0,1)	(0,1)
Net increase in cash and cash equivalents	**(4,3)**	**(25,8)**
Cash and cash equivalents at beginning of the period	**30,0**	**45,3**
Cash and cash equivalents at end of the period	**25,7**	**19,5**