

Q4 revenue and 2022 full-year results

**A Continued growth in both Sales and Annual Recurring Revenue of
subscription products, particularly in the second half of the year.
A 2022 full-year performance in line with the Group's strategy.**

Q4 2022 revenue

- Growth in subscription revenue of 79.1% compared with Q4 2021
- Decrease in maintenance revenue of -11.1% compared to Q4 2021, correlated with perpetual license replacement by subscriptions
- Total recurring revenue growth up 10.2% to \$7.2 million
- Non-recurring revenue trend in line with the Group's shift to more subscriptions and fewer perpetual license sales (-36.8% to \$8.9 million)
- Total revenue of \$16.1 million (-21.9%)

2022 full-year revenue

- 45.9% growth in revenue from subscriptions compared with 2021
- 47.3% growth in Annual Recurring Revenue (ARR) from subscriptions compared with 2021
- Total recurring revenue growth to \$26.4 million (+5.4%)
- Recurring revenue accounting for 43% of the total revenue vs. 35% in 2021
- Expected decline of the non-recurring down to \$34.6 million (-26%)
- Total revenue of \$61 million (-15%)

2022 financial results

- EBITDA remains positive at \$1.1 million despite lower business volume
- Cash position strengthened to \$30 million after convertible bond redemption

Outlook for 2023

- Continued growth in subscription revenues driven by on-board recurring revenue of over \$11 million
- Minimum of 40% of growth target for both revenue and ARR from subscriptions

Aix-en-Provence, France and San Diego, United States, March 9, 2023 - Verimatrix (Euronext Paris: VMX), is reporting its Q4 2022 revenue and financial results for FY 2022 ending December 31, 2022.

"2022 was a pivotal year for Verimatrix in which we initiated the execution of a transformation plan which should lead the Group towards a profitable recurring revenues structure. In this respect, the trend in our results stands as an initial source of satisfaction and reflects the Group's ongoing transformation. Driven by the success of the new Anti-Piracy and Threat Defense offers, revenue generation from subscription sales has grown steadily, with ARR showing a fifth consecutive quarter of growth at the end of the year. With demand for scalable cybersecurity and data protection solutions on the rise, our new offer provides solutions adapted to the needs of existing and future customers. With a new commercial dynamic, an operational structure that allows us to maintain our profitability and a cash position of over 30 million dollars, the Group is equipped with the resources necessary for its development. The transformation is

under way and I know that I can count once again in 2023 on the full involvement of the Group's employees." said Amedeo D'Angelo, Executive Chairman of VERIMATRIX.

Amedeo D'Angelo, Executive Chairman, and Jean-François Labadie, Chief Financial Officer, will hold a webcast today at 6:00pm to discuss the Company's 2022 results and outlook.

To register and join the webcast, click on the following link: https://channel.royalcast.com/verimatrix-fr/#!/verimatrix-fr/20230309_1

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

France : +33 (0) 1 70 37 71 66

UK-Wide: +44 (0) 33 0551 0200

Password : Verimatrix

(US\$ million)	4Q22	4Q21	4Q22 vs. 4Q21	FY22	FY21 ¹	FY22 vs. FY21
Recurring revenue	7.2	6.5	10.2%	26.4	25.0	5.4%
<i>of which subscriptions</i>	2.8	1.5	79.1%	8.2	5.6	45.9%
<i>of which maintenance</i>	4.4	5.0	-11.1%	18.2	19.4	-6.3%
Non-recurring revenue	8.9	14.1	-36.8%	34.6	46.8	-26.0%
Total software revenue	16.1	20.6	-21.9%	61.0	71.8	-15.0%
Total revenue	16.1	20.6	-21.9%	61.0	71.8	-15.0%
ARR²				27,5	26,8	2,6 %
<i>of which subscriptions</i>				11,1	7,5	47.3 %
<i>of which maintenance</i>				16,5	19,3	-14.7 %

Q4 2022 revenue

Verimatrix Q4 2022 revenue was down 21,9% compared with Q4 2021, in line with the planned effects of the transformation of one-off license sales to SAAS revenue.

The implementation of the plan – focused on gaining recurring contracts at the expense of the direct sale of perpetual licenses – enabled the Group to post a 10.2% increase in recurring revenue. The total includes a substantial 79.1% increase in the sale of subscriptions together with a relative decrease of 11.1% in maintenance revenue which includes the migration of some of our customers to Cloud solutions.

In the fourth quarter, recurring revenue represented 45% of total revenue, and in that quarter alone, Annualised Recurring Revenue (ARR) for subscription grew by 23%.

This performance is part of a solid momentum in the development of subscriptions, with a fifth consecutive quarter of growth in recurring revenue from subscriptions, illustrating the quality of the commercial signatures under way at the Group.

Non-recurring revenue of \$8.9 million was down 36.8% in Q4 2022 compared with Q4 2021, which benefited from the exceptional sale of a few significant contracts at the very end of the year.

¹ Including revenues from NFC activity sold in 2021.

² At the end of the period.

Annual revenue

For full-year 2022, the sales mix between recurring revenue and the direct sales of licenses trended favourably and in accordance with the strategic plan. Revenue from subscriptions grew continuously and steadily, with revenue up 45.9% and Annual Recurring Revenue (ARR) up 47.3% at the end of December to reach \$11.1 million. The share of recurring revenue now represents more than 43% of total revenue compared to 35% for the year 2021.

Total non-recurring revenue, generated by the direct sale of licenses, was down 26.0% for an overall contraction of the Group revenue by 15% to \$61 million.

2022 financial results

(US\$ million)	2022	2021 Core Business	2021 Company ³
Revenue	61.0	71.8	88.5
Gross profit	43.6	54.9	66.7
<i>As a % of revenue</i>	<i>71,4%</i>	<i>76,4%</i>	<i>75,4%</i>
Research and development expenses	(19.3)	(17.9)	(18.0)
Selling and marketing expenses	(15.2)	(20.9)	(20.9)
General and administrative expenses	(12.8)	(14.0)	(14.0)
Other gains / (losses), net	0.2	(0.2)	1.1
Total adjusted operating expenses	(47.1)	(53.0)	(51.8)
<i>As a % of revenue</i>	<i>77.2%</i>	<i>73.8%</i>	<i>58.5%</i>
EBITDA	1.1	5.5	19.0
<i>As a % of revenue</i>	<i>1.8%</i>	<i>7.7%</i>	<i>21.5%</i>
Adjusted operating income	(3.5)	1.9	14.9

Verimatrix reported a gross profit of \$43.6 million for full-year 2022, compared with \$54.9 million for FY 2021, for a margin of 71.4% of revenue (76.4% in 2021). This change can be attributed to both the decrease of the non-recurring revenue and higher amortisation costs. These negative effects have been partially offset by the optimization of our support organisation based in Mexico and Hungary.

To prepare for a decline in revenues linked to the implementation of the transformation plan, Verimatrix tightened all of its expenses in 2022 and optimized the efficiency of international production tools.

In terms of operating costs, Verimatrix adapted its costs structure across the company to minimize the short-term impact of the transformation plan. A strong focus has been given on deploying synergies within the organisation while at the same time re-built its sales organisation to align with to the new solutions and to the new business models. As a result of these efforts, and a positive currency effect of \$2.5 million for the year, adjusted operating expenses were down 11.1% to \$47.1million, compared with \$53 million, representing 77.2% of total revenue for 2022.

Overall, the tightening of expenditure limited the impact of the decline in revenue on the Group's operating profitability. This is reflected in positive EBITDA of \$1.1 million for FY 2022 after \$0.2 million in the first half of the year, compared with \$5.5 million in FY 2021.

³ Including revenues from NFC activity sold in 2021.

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

(US\$ million)	2022	2021
Adjusted operating income	(3.5)	14.9
Amortisation of assets acquired by business combination	(5.1)	(5.1)
Acquisition expenses	-	1.7
Exceptional restructuring costs	(2.6)	(3.4)
Stock-based payment	(0.4)	(0.1)
Operating income/(loss)	(11.5)	8.0
Finance income/(loss), net	(4.1)	(1.4)
Income tax expenses	(2.0)	(2.9)
Net income/(expense)⁴ from continuing operations	(17.6)	3.7

Amortization and depreciation of assets acquired through business combinations remained stable at \$5.1 million, compared to 2021.

There were no acquisition-related expenses in 2022 vs. a positive \$1.7 million in 2021, which was driven by price adjustments related to the acquisition of Verimatrix.

In the period, restructuring costs amounted to \$(2.6) million, mainly due to the streamlining of our organization and non-cash items related to IT tool optimization.

Verimatrix recorded operating loss of \$11.5 million in 2022, compared to operating income of \$8.0 million in 2021. Overall, after accounting for financial income and tax expense, net loss from continuing operations amounted to \$17.6 million, vs. an income of \$3.7 million in 2021.

Financial position and cash flow

The net debt excluding lease commitments under IFRS 16 amounted to \$3.8 million as at 31 December 2022, vs. \$0.7 million as at 31 December 2021 (*see reconciliation with IFRS in Appendix 1 of this document*).

The debt includes private debt for a carried fair value amount of \$26.0 million and newly contracted “Prêt Participatif Relance” (PPR) for a total amount of \$7.6million.

In order to better align with the Group’s transformation, a new set of covenants has been finalized over the 2nd half of 2022.

Cash and cash equivalent amounted to \$30.0 millions as at December 2022.

⁴ Verimatrix did not record any items relevant to discontinued operations over 2022. Those items in 2021 amounted to \$5k.

(US\$ million)	2022	2021
Income/(expense) from continuing operations	(17.6)	3.7
Non-cash items from continuing operations	18.0	13.7
Changes in working capital from continuing operations	7.7	9.5
Cash generated by/(used in) operational activities⁵	8.1	26.9
Taxes paid	(1.7)	(1.4)
Interest paid	(3.6)	(4.0)
Net cash generated by/(used in) operating activities	2.9	21.5
Cash flows from/(used in) investment activities, net	(3.4)	(8.3)
Cash flows from/(used in) financing activities, net	(14.7)	(16.5)
Net increase/(decrease) in cash and cash equivalents	(15.2)	(3.3)
Cash and cash equivalents at the beginning of the period	45.3	48.6
Impact of foreign exchange	(0.1)	(0.1)
Cash and cash equivalents at the end of the period	30.0	45.3

Cash and cash equivalent declined by \$15.2 million over the period. Main variation comes from the reduction of debt for an amount of \$14,7 million, including the full repayment of convertible bond for \$17.5 million, partial private placement down payment for \$3.0 million and the proceeds of new PPR loans for \$7.4 million.

Over the period net cash flow generated by operations amounted to \$2.9 million with \$7.7 million of working capital reduction.

Capitalized expenses amounted to \$3.4 million compared to \$8.3 millions in 2021. Over the period \$2.6 millions have been allocated to the development of additional functionalities on our new solutions.

2023 Outlook

Based on the amount of annualised subscription revenues at the end of the fourth quarter of 2022, the Group expects a minimum growth of 40% of its subscription revenues for the year 2023. The business momentum allows the Group to expect a growth of the annualised recurring revenue (ARR) for subscription of more than 40%.

Financial calendar

- Q1 2023 revenue: April 19, 2023 (after market close)

⁵ Verimatrix did not record any items relevant to discontinued operations over 2022. Those items in 2021 amounted to \$5k.

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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.

Net debt reconciliation

(in US\$ million)	December 31, 2022	December 31, 2021
Cash and cash equivalents	30,0	45,3
Private loan due 2026	(26,0)	(28,4)
Convertible bonds due 2022 (OCEANE), at fair value	-	(17,5)
Other loans	(7,9)	(0,1)
Net cash/(debt)	(3,8)	(0,7)
Financial lease commitments under IFRS16	(9,7)	(10,9)
Net cash/(debt) including IFRS 16	(13,5)	(11,5)

Appendix 2 – Consolidated financial statements (IFRS)

Consolidated income statement

(in US\$ million)	As at December 31,	
	2022	2021
Revenue	61,0	88,5
Cost of sales	(19,2)	(23,5)
Gross profit	41,8	65,0
Research and development expenses	(20,9)	(19,6)
Selling and marketing expenses	(17,3)	(22,8)
General and administrative expenses	(13,0)	(14,1)
Other gains / (losses), net	(2,3)	(0,4)
Operating profit (loss)	(11,5)	8,0
Cost of financial debt, net	(4,9)	(6,4)
Other financial income/(loss), net	0,8	5,0
Profit (loss) before income tax	(15,6)	6,6
Income tax expenses	(2,0)	(3,0)
Net income/(loss) from continuing operations (i)	(17,6)	3,7
Net income/(loss) from discontinued operations (ii)	-	0,0
Net income/(loss) (i) + (ii)	(17,6)	3,7

Balance sheet

Assets		
(in US\$ million)	December 31, 2022	December 31, 2021
Goodwill	115,2	115,2
Intangible assets	16,5	22,3
Property and equipment	7,0	8,0
Other receivables	1,4	3,0
Non-current assets	140,1	148,6
Inventories	0,3	0,4
Trade receivables	32,9	39,7
Other receivables	6,1	5,2
Derivative financial instruments	0,4	0,0
Cash and cash equivalents	30,0	45,3
Current assets	69,8	90,6
Total assets	209,9	239,2
Equity and liabilities		
(in US\$ million)	December 31, 2022	December 31, 2021
Ordinary shares	41,5	41,5
Share premium	94,7	94,7
Retained earnings	17,2	11,6
Income / (loss) for the period	(17,6)	3,7
Equity attributable to equity holders of the Company	135,9	151,5
Non-controlling interests	-	-
Total equity	135,9	151,5
Borrowings	39,8	37,6
Provisions	1,7	1,3
Deferred tax liabilities	0,9	1,4
Non-current liabilities	42,5	40,3
Borrowings	3,7	1,6
Convertible notes	-	17,5
Trade payables	5,4	5,1
Other liabilities	10,3	12,2
Financial instruments	0,0	0,1
Provisions	0,2	0,5
Unearned revenues	12,1	10,3
Current liabilities	31,6	47,4
Total liabilities	74,0	87,7
Total equity and liabilities	209,9	239,2

Cash flow statement

(in US\$ million)	December 31, 2022	December 31, 2021
Income / (loss) for the period	(17,6)	3,7
Non cash income statement items from continuing activities	18,0	13,7
Changes in working capital from continuing operations	7,7	9,5
Cash generated by / (used in) discontinued operations	-	0,0
Cash generated by / (used in) operating activities	8,1	26,9
Taxes paid	(1,7)	(1,4)
Interests paid	(3,6)	(4,0)
Net cash generated by / (used in) operating activities	2,9	21,5
Purchases of property and equipment	(0,2)	(0,6)
Purchases of intangible assets	(3,2)	(7,7)
Cash flows from investing activities	(3,5)	(8,3)
Proceeds from issuance of ordinary shares, net of issuance costs	-	0,1
Loan repayments	(3,0)	(15,1)
Loan subscriptions	7,4	-
Repayment of convertible bonds (OCEANE)	(17,5)	-
Reimbursement of lease commitments under IFRS16	(1,5)	(1,5)
Cash flows from financing activities	(14,7)	(16,5)
Effect of exchange rate fluctuation	(0,1)	(0,1)
Net increase in cash and cash equivalents	(15,2)	(3,3)
Cash and cash equivalents at beginning of the period	45,3	48,6
Cash and cash equivalents at end of the period	30,0	45,3