

## Strong growth of the subscription revenue, stabilisation of total revenue and improvement in EBITDA in 2023

- Growth in recurring revenue from subscriptions of 69%, in line with the Group's forecasts, which were revised upwards during the half-year results (>+60% vs. >+40%)
- ARR<sup>1</sup> represents 50% of annual revenue
- Improvement in EBITDA at \$1.3m or +18%

## Growth in recurring revenue a good sign for profitability growth in 2024

### Revenue growth in Q4 2023: \$17m, +6%

- Growth in sales from subscriptions of 32%
- Growth in annual recurring revenue (ARR) from subscriptions of 34%
- Non-recurring revenue +5%, after three quarters of decline

### Stabilisation of 2023 revenue: \$61.6m, +1%

- Total stabilised revenue: \$61.6m, +1%, after three years of decline
- Recurring revenue: \$30.7m, +16%, representing half of total revenue, with strong momentum in recurring revenue from subscriptions at \$13.8m, +69%
- ARR from strong growth in subscriptions: \$14.8m, +34%, despite a deferral of contract signatures to the first quarter of 2024
- Non-recurring revenue: \$31.0m, -11%

### 2023 financial results: improvement in EBITDA

- Growth in adjusted Ebitda at \$1.3m, +18%
- Strict control of expenses during the year
- Cash at end of the period of \$22.6m at the period-end

### Outlook for 2024: the transformation of offers and the marketing model over the last three years to show results

- Continued strong growth in new offerings in the Extended Threat Defense business (XTD)<sup>2</sup>
- Stabilisation of the Anti-Piracy business given two trends under way: anticipation of a continued decline in the broadcasting market, partially offset by growth in OTT services, and transformation of the sales model to one of recurring revenues
- Continuous improvement expected in EBITDA thanks to growth in recurring revenue in the Group's two business activities
- ARR from subscriptions up more than 20%

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<sup>1</sup> ARR: Annual Recurring Revenue

<sup>2</sup> Extended Threat Defense, previously Threat Defense

**Aix-en-Provence, France and San Diego, US, 14 March 2024** — VERIMATRIX (Euronext Paris: VMX), is reporting its Q4 2023 revenue and financial results for the year ended 31 December 2023.

*“2023 marked an important milestone for VERIMATRIX. The transformation initiated three years ago on both the offers and the revenue model has enabled a stabilisation of revenue and an improvement in EBITDA. Due to changes in market conditions over the past two years, the ambitions for 2025 will take more time to achieve. In 2024, the teams remain focused on increasing recurring revenues to above 50% of total revenue, and on profitability. The cost structure will largely ensure future growth, which will be driven in particular by Extended Threat Defense and by an expansion of customers in the banking, insurance and automotive sectors,” says Amedeo D’Angelo, Executive Chairman of VERIMATRIX.*

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**Amedeo D’Angelo, Chairman and CEO, and Jean-François Labadie, Chief Financial Officer, will host a webcast today at 6.00 p.m. to present the 2023 results and the outlook for 2024.**

To join the webcast, click on the following link: [Webcast - Verimatrix 2023 annual results](#) To join the webcast in audio only, call the following number:  
 France: +33 (0) 4 88 80 09 30  
 Phone Conference ID: 748 635 38#

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- **Revenue growth in the fourth quarter of 2023: \$17m, +6%**

(US\$ million)	Q4 23	Q4 22	Var.
<b>Recurring revenue</b>	<b>7.7</b>	<b>7.2</b>	<b>+7%</b>
<i>Of which subscriptions</i>	3.7	2.8	+32%
<i>Of which maintenance</i>	4.0	4.4	-9%
<b>Non-recurring revenue</b>	<b>9.3</b>	<b>8.9</b>	<b>+5%</b>
<b>Total Revenue</b>	<b>17.0</b>	<b>16.1</b>	<b>+6%</b>

In the fourth quarter of 2023, VERIMATRIX posted consolidated revenue of \$17.0 million, compared with \$16.1 million in Q4 2022, an increase of 6%.

**Recurring revenue**

Recurring revenue in the fourth-quarter came to \$7.7 million, up 7% compared to Q4 2022. Revenue from subscriptions increased by 32% to \$3.7 million. Maintenance revenue was down 9% to \$4.0 million.

**Non-recurring revenue**

After three quarters of decline, non-recurring revenue rose by 5% to \$9.3 million despite a decline having also been expected for the fourth quarter. This performance can be attributed to good momentum in perpetual license sales to historical customers in the Latin America region.

- **2023 revenue stabilised, in a context of transformation at many levels**

(US\$ million)	2023	2022	Var.
<b>Recurring revenue</b>	<b>30.7</b>	<b>26.4</b>	<b>+16.0%</b>
<i>Of which subscriptions</i>	<i>13.8</i>	<i>8.2</i>	<i>+69%</i>
<i>Of which maintenance</i>	<i>16.9</i>	<i>18.2</i>	<i>-7%</i>
<b>Non-recurring revenue</b>	<b>31.0</b>	<b>34.6</b>	<b>-11%</b>
<b>Total Revenue</b>	<b>61.6</b>	<b>61.0</b>	<b>+1%</b>
<b>ARR</b>	<b>31.2</b>	<b>27.6</b>	<b>+13%</b>
<i>Of which subscriptions</i>	<i>14.8</i>	<i>11.1</i>	<i>+34%</i>
<i>Of which maintenance</i>	<i>16.4</i>	<i>16.5</i>	<i>-1%</i>

Revenue for 2023 came to \$61.6 million, up 1%.

#### - **Revenue by business model**

##### **Recurring revenue**

Recurring revenue, which reached \$30.7 million, now accounts for half of VERIMATRIX's total revenue. This can be attributed to growth of 69% in subscriptions to \$13.8 million, in line with the Group's strategy and the growth target communicated during the half-year results of more than 60%, following an upward revision (>+40% initially).

Growth was driven by embedded revenues at the end of December 2022, combined with the activation of new contracts signed during 2023, particularly in new sectors such as financial services and automotive.

##### **Non-recurring revenue**

In accordance with the strategy to transform the model of direct license sales to one of recurring revenue, non-recurring revenue continued to decline to \$31.0 million. Non-recurring revenue was penalised by a drop in royalties from set-top boxes, while revenue from video content protection licenses was up slightly. During 2023, VERIMATRIX won a tender in Brazil and continued to sell perpetual licenses to its existing customers (India, Europe and Latin America).

##### **ARR**

ARR at the year-end amounted to \$31.1 million, 51% of total revenue, an increase of 13%, ensuring visibility on revenue and an improvement in future profitability.

ARR from subscriptions amounted to \$14.8 million, up by a strong 34%, despite the deferral of contract signatures to the first quarter of 2024.

#### - **Revenue by activity**

##### **Anti-Piracy revenue**

The Anti-Piracy activity (93% of VERIMATRIX's total revenue in 2023), which covers telecoms, broadcasting, streaming media and pay TV operators, offers security solutions for the protection of content that detect and prevent piracy at each stage of a broadcast, even before the content reaches the customer's device. As an ISO-certified company (9001 and 27001), VERIMATRIX's security solutions help companies comply with and meet regulatory standards in the most demanding industries, such as media and entertainment, telecommunications, finance and healthcare.

In 2023, revenue fell slightly by 1%, mainly due to the fall in royalties on set-top boxes, given the market shift from broadcast to OTT and from a direct license sales model to a recurring sales model.

During 2023, VERIMATRIX developed its activities in the broadcasting market in Brazil through a gain in market share and continued to support its customers in the shift towards OTT via its SaaS offers<sup>3</sup>.

#### **Extended Threat defence revenue (XTD)<sup>4</sup>**

The Extended Threat Defense business (7% of VERIMATRIX's total revenue in 2023) aims to protect applications and connected objects<sup>5</sup> before they can compromise the company.

VERIMATRIX XTD is a mobile cybersecurity solution that continuously monitors extended terminals and detects suspicious activity or anomalies that could indicate a potential attack. VERIMATRIX XTD assists security and information system teams by monitoring and controlling data access, identifying data exfiltration attempts, and providing obfuscation, encryption, and other safeguards.

VERIMATRIX's XTD solutions are aimed at new market segments such as fintech, healthtech and automotive.

Last September, VERIMATRIX announced that it had been selected by GTPL Hathway Limited, India's leading mobile service and internet service provider, to strengthen the defence of its mobile applications and websites.

During 2023, VERIMATRIX signed several major contracts in the fintech and automotive sectors.

It was also recognised in independent ratings as a major player and a leader in the provision of solutions for the protection of applications and connected objects: VERIMATRIX XTD received the Gold TITAN Business Award for cybersecurity in the mobile application ecosystem and won a Top Infosec Innovator 2023 award. VERIMATRIX was named a leader in the Quadrant Knowledge Solutions 2023 SPARK Matrix™ report for In App protection.

In 2023, revenue jumped 43%, mainly thanks to subscription and SaaS sales.

#### **- Revenue by region**

**Revenue in Latin America** (35% of VERIMATRIX's total revenue in 2023) increased by 9% thanks to the capture of new customers in Brazil and good sales of perpetual licenses to existing customers.

**Revenue in the United States and Canada** (15% of VERIMATRIX's total revenue in 2023) was up 13%, mainly relating to subscription offers.

**Revenue in Asia** (14% of VERIMATRIX's total revenue in 2023) rose by a sharp 29%, mainly driven by new contracts in India.

**Revenue in the EMEA region** (37% of VERIMATRIX's total revenue in 2023) fell by 15%, bearing in mind that licence sales in the region in 2022 were particularly robust, creating a high comparison base for 2023.

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<sup>3</sup> SaaS: Software as a Service

<sup>4</sup> Extended Threat Defense, previously Threat Defense

<sup>5</sup> Computers, smartphones, smart TVs

○ **2023 financial results, an improvement in EBITDA**

(US\$ million)	<b>2023</b>	<b>2022</b>	<b>Var.</b>
<b>Revenue</b>	<b>61.6</b>	<b>61.0</b>	<b>+1%</b>
<b>Gross profit</b>	<b>43.4</b>	<b>43.6</b>	<b>+0%</b>
<i>As % of revenue</i>	70.4%	71.4%	
Research and development expenses	(18.4)	(19.3)	-5%
Selling and marketing expenses	(17.0)	(15.2)	+12%
General and administrative expenses	(12.2)	(12.8)	-4%
Other gains / (losses), net	0.1	0.2	NS
<b>Total adjusted operating expenses</b>	<b>(47.5)</b>	<b>(47.1)</b>	<b>+1%</b>
<i>As % of revenue</i>	77.1%	77.2%	
<b>Adjusted EBITDA</b>	<b>1.3</b>	<b>1.1</b>	<b>+18%</b>
<i>As % of revenue</i>	<b>2.2%</b>	<b>1.8%</b>	
<b>Adjusted operating income</b>	<b>(4.1)</b>	<b>(3.5)</b>	<b>-17%</b>
<i>As % of revenue</i>	-6.7%	-5.7%	
Finance income/(loss), net	(3.9)	(4.1)	-
Income tax expenses	(2.1)	(1.9)	+10%
<b>Adjusted Net income</b>	<b>(10.1)</b>	<b>(9.6)</b>	<b>-5%</b>

Verimatrix reported a gross margin of \$43.4 million in full-year 2023 versus \$43.6 million a year earlier, giving a margin of 70.6% of revenue (71.4% the previous year). This difference is solely due to an increase in the amortisation expense on developments in subscription offers in 2021 and 2022. Excluding depreciation and amortisation, gross margin improved in percentage and value terms between 2023 and 2022.

Operating expenses were kept under control, rising by only 1%, in line with the increase in revenue and representing 77.1% thereof.

VERIMATRIX continued to adapt the cost structure to allocate more resources to its sales and marketing functions.

EBITDA was up 18% to \$1.3 million over the year, after \$0.4 million for the first half of the year.

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

(US\$ million)	2023	2022
<b>Adjusted operating income</b>	<b>(4.1)</b>	<b>(3.5)</b>
Amortization and depreciation of assets acquired through business combinations (Items without cash impact)	(2.3)	(5.1)
Acquisition related expenses	-	-
Non recurring costs related to restructurations	(1.2)	(2.6)
Share based payments	(0.7)	(0.4)
<b>Operating income</b>	<b>(8.3)</b>	<b>(11.5)</b>
Finance income/(loss), net	(3.9)	(4.1)
Income tax expenses	(2.1)	(1.9)
<b>Net income/(loss) from continuing operations</b>	<b>(14.3)</b>	<b>(17.6)</b>

### ○ **Financial position and cash flow**

Net debt, excluding lease commitments under IFRS 16, amounted to \$9.9 million at 31 December 2023, compared with \$3.8 million at 31 December 2022

The debt includes private debt at a fair value of \$24.4 million and the newly contracted business recovery loan (PPR) for a total amount of \$8.1 million. At closing the covenant in place are not met, the group is currently in talks to define new covenants related to private debt of €24.4 million for application until the end of the 2025 financial year.

(in US\$ million)	December 31, 2023	December 31, 2022
<b>Income / (loss) for the period</b>	<b>(14.3)</b>	<b>(17.6)</b>
Non cash income statement items from continuing activities	14.2	18.0
Changes in working capital from continuing operations	4.7	7.7
Cash generated by / (used in) discontinued operations	-	-
<b>Cash generated by / (used in) operating activities</b>	<b>4.7</b>	<b>8.1</b>
Taxes paid	(2.0)	(1.7)
Interests paid	(3.4)	(3.6)
<b>Net cash generated by / (used in) operating activities</b>	<b>(0.8)</b>	<b>2.9</b>
Purchases of property and equipment	(0.3)	(0.2)
Purchases of intangible assets	(2.5)	(3.2)
<b>Cash flows from investing activities</b>	<b>(2.8)</b>	<b>(3.5)</b>
Proceeds from issuance of ordinary shares, net of issuance costs	-	-
Loan repayments	(2.0)	(3.0)
Loan subscriptions	-	7.4
Repayment of convertible bonds (OCEANE)	-	(17.5)
Reimbursement of lease commitments under IFRS16	(1.7)	(1.5)
<b>Cash flows from financing activities</b>	<b>(3.7)</b>	<b>(14.7)</b>
Effect of exchange rate fluctuation	(0.1)	(0.1)
<b>Net increase in cash and cash equivalents</b>	<b>(7.3)</b>	<b>(15.2)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>30.0</b>	<b>45.3</b>
<b>Cash and cash equivalents at end of the period</b>	<b>22.6</b>	<b>30.0</b>

Cash and cash equivalents amounted to \$22.6 million as of December 2023, a decrease of \$7.3 million. The change in cash can be attributed to operating cash flow generation after investment of around \$3.3 million, financial expenses under IFRS of \$7.1 million including €2 million in loan repayments, taxes in the amount of €2 million and restructuring costs of \$1.6 million.

Capital expenditure amounted to \$2.8 million, mainly related to the development of new subscription products.

- **Outlook for 2024: the transformation of offers and the marketing model over the last three years to show results**

Since 2020, the company has been working on the transformation of its revenue model from perpetual licensing to SaaS, which offers visibility through recurring revenues. Recurring revenue now stands at 50% of total revenue and is set to continue growing in 2024. ARR from subscriptions is expected to grow by more than 20%.

VERIMATRIX has also begun to diversify its solutions through the Threat Defense activity, with a strategy to expand the customer base (fintech, automotive). In early 2024, VERIMATRIX announced that it had already been selected to protect and defend the FirstPay mobile application of microfinance bank HBL.

Already in 2023, VERIMATRIX received recognition for its technological innovation, with nearly half of its workforce focused on research and development. In February 2024, VERIMATRIX Streamkeeper won Gold in the 2024 Merit Awards in the "Telecom Innovation" category.

VERIMATRIX expects to see a stabilisation of the Anti-Piracy activity during 2024 given the two trends under way: the continued decline in the broadcasting market, partially offset by growth in OTT, and the transformation of the sales model to one of recurring revenues. It expects the Extended Threat Defense business (XTD) to see another year of strong growth, particularly in new market segments. The company aims to continuously improve EBITDA through growth in recurring revenue in its two business activities, and a primarily fixed expense structure.

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**Next event:**

19 March 2024: Counterspy Webinar: Hacking in live sports  
<https://www.verimatrix.com/fr/webinaires-evenements/counterspy-webinar/>  
Publication of Q1 2024 revenue: 17 April 2024 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](http://www.verimatrix.com).

## **Financial Informations reported**

The Board of Directors led by Amedeo D'Angelo, Chairman, has reviewed the 2023 financial figures on March 13<sup>th</sup> 2024. The financial statements will be completed and approved by the Board of Directors on April 16<sup>th</sup> 2024.

## **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, 2023	December 31, 2022
Cash and cash equivalents	22.6	30.0
Private loan due 2026	(24.4)	(26.0)
Other loans	(8.1)	(7.9)
<b>Net cash/(debt)</b>	<b>(9.9)</b>	<b>(3.8)</b>
Financial lease commitments under IFRS16	(8.0)	(9.7)
<b>Net cash/(debt) including IFRS 16</b>	<b>(17.9)</b>	<b>(13.5)</b>

## Appendix 2 – Consolidated financial statements (IFRS)

### Consolidated income statement

(in US\$ million)	As at December 31,	
	2023	2022
<b>Revenue</b>	<b>61.6</b>	<b>61.0</b>
Cost of sales	(19.1)	(19.2)
<b>Gross profit</b>	<b>42.5</b>	<b>41.8</b>
Research and development expenses	(19.5)	(20.9)
Selling and marketing expenses	(17.4)	(17.3)
General and administrative expenses	(12.9)	(13.0)
Other gains / (losses), net	(1.1)	(2.3)
<b>Operating profit (loss)</b>	<b>(8.3)</b>	<b>(11.5)</b>
Cost of financial debt, net	(3.9)	(4.9)
Other financial income/(loss), net	-	0.8
<b>Profit (loss) before income tax</b>	<b>(12.2)</b>	<b>(15.6)</b>
Income tax expenses	(2.1)	(2.0)
<b>Net income/(loss) from continuing operations (i)</b>	<b>(14.3)</b>	<b>(17.6)</b>
<b>Net income/(loss) from discontinued operations (ii)</b>	<b>-</b>	<b>-</b>
<b>Net income/(loss) (i) + (ii)</b>	<b>(14.3)</b>	<b>(17.6)</b>

## Balance sheet

### Assets

(in US\$ million)	December 31, 2023	December 31, 2022
Goodwill	115.2	115.2
Intangible assets	13.0	16.5
Property and equipment	5.7	7.0
Other receivables	1.3	1.4
<b>Non-current assets</b>	<b>135.2</b>	<b>140.1</b>
Inventories	0.4	0.3
Trade receivables	28.7	32.9
Other receivables	4.8	6.1
Derivative financial instruments	0.1	0.4
Cash and cash equivalents	22.6	30.0
<b>Current assets</b>	<b>56.6</b>	<b>69.8</b>
<b>Total assets</b>	<b>191.9</b>	<b>209.9</b>

### Equity and liabilities

(in US\$ million)	December 31, 2023	December 31, 2022
Ordinary shares	41.5	41.5
Share premium	94.7	94.7
Retained earnings	(0.2)	17.2
Income / (loss) for the period	(14.3)	(17.6)
<b>Equity attributable to equity holders of the Company</b>	<b>121.8</b>	<b>135.9</b>
Non-controlling interests	-	-
<b>Total equity</b>	<b>121.8</b>	<b>135.9</b>
Borrowings	14.4	39.8
Provisions	1.1	1.7
Deferred tax liabilities	1.0	0.9
<b>Non-current liabilities</b>	<b>16.6</b>	<b>42.5</b>
Borrowings	26.1	3.7
Convertible notes	-	-
Trade payables	4.6	5.4
Other liabilities	9.2	10.3
Financial instruments	0.0	0.0
Provisions	0.2	0.2
Unearned revenues	13.4	12.1
<b>Current liabilities</b>	<b>53.5</b>	<b>31.6</b>
<b>Total liabilities</b>	<b>70.1</b>	<b>74.0</b>
<b>Total equity and liabilities</b>	<b>191.9</b>	<b>209.9</b>

## Cash flow statement

(in US\$ million)	December 31, 2023	December 31, 2022
<b>Income / (loss) for the period</b>	<b>(14.3)</b>	<b>(17.6)</b>
Non cash income statement items from continuing activities	14.2	18.0
Changes in working capital from continuing operations	4.7	7.7
Cash generated by / (used in) discontinued operations	-	-
<b>Cash generated by / (used in) operating activities</b>	<b>4.7</b>	<b>8.1</b>
Taxes paid	(2.0)	(1.7)
Interests paid	(3.4)	(3.6)
<b>Net cash generated by / (used in) operating activities</b>	<b>(0.8)</b>	<b>2.9</b>
Purchases of property and equipment	(0.3)	(0.2)
Purchases of intangible assets	(2.5)	(3.2)
<b>Cash flows from investing activities</b>	<b>(2.8)</b>	<b>(3.5)</b>
Proceeds from issuance of ordinary shares, net of issuance costs	-	-
Loan repayments	(2.0)	(3.0)
Loan subscriptions	-	7.4
Repayment of convertible bonds (OCEANE)	-	(17.5)
Reimbursement of lease commitments under IFRS16	(1.7)	(1.5)
<b>Cash flows from financing activities</b>	<b>(3.7)</b>	<b>(14.7)</b>
Effect of exchange rate fluctuation	(0.1)	(0.1)
<b>Net increase in cash and cash equivalents</b>	<b>(7.3)</b>	<b>(15.2)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>30.0</b>	<b>45.3</b>
<b>Cash and cash equivalents at end of the period</b>	<b>22.6</b>	<b>30.0</b>