Half-Year 2021 Earnings Presentation

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First-half 2021 highlights

- $52.2 million revenue (up 18% year-on-year) but mixed second quarter
- $16.6 million revenue from the NFC patent licensing program
- Core software business down 20% YoY, at $35.5 million, with weaker second quarter
- Non-recurring revenues of licenses and royalties down YoY as Covid-19 continues to impact BtoB spending and ability to launch new infrastructure projects
- Recurring revenues of maintenance and subscription down YoY at $12.4 million due to the decrease in new perpetual and term licenses as well as delays in launching SaaS services
- Continuous progress in deploying SaaS and subscription-based offerings with ARR of $5.7 million, up 40% YoY

(*) see basis of preparation and definitions in Appendix hereof

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Need for accelerating the transformation

- Core value of offerings intact despite mixed Q2
- Deeper impact of the pandemic showed the need to adapt faster
- Recent customer trends and behavior pattern of historical customer base continue to shift, with an accelerated swing toward mobile use, streaming media, OTT entertainment consumption and to cloud-based systems
- Need to respond more quickly to those changes and accelerate transformation into a provider of more flexible and recurring offerings that better serve the content protection needs of today.
- Shift to a subscription-based business, including through SaaS offerings, needs to be more radical. Stepping up this transformation toward a more recurring revenue model will also require a sharper commercial approach

(*) see basis of preparation and definitions in Appendix hereof

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Financials

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Q2 2021 Revenue

(in thousands of US$)	Q2-2021	Q2-2020	H12021 vs. H12020
Software business	15 492	24 151	-36%
NFC patent licensing program	16 645	-	-
Revenue	32 137	24 151	33%

- $16.6 million revenue from the NFC patent licensing program with four major OEMs
- Recurring revenue from maintenance and subscription fees down year-over-year:
  - Maintenance revenue decreased year-over-year, mostly as a consequence of the decrease in new perpetual and term licenses to which renewable maintenance arrangements are typically part of
  - Subscription revenue temporarily decreased in the second quarter of 2021 as a consequence of customers delaying their launch of services
  - Continuing progress in deploying SaaS and subscription-based offering. ARR at $5.7 million, up 40% YoY. Combined with maintenance, total company ARR was $25 million as of June 30, 2021
- Non-recurring revenues from licenses, royalties and professional services, significantly lower than in the second quarter of 2020. Continuing impact of Covid-19 on BtoB spending

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Half-year 2021 revenue

(in thousands of US$)	H1-2021	H1-2020	H12021 vs. H12020
Software business	35 549	44 170	-20%
NFC patent licensing program	16 645	-	-
Revenue	52 194	44 170	18%

- Revenue for the sole core software business was $35.5 million, down 20% vs. first-half 2020, due to a weaker second quarter as explained above
- Recurring revenues from maintenance and subscription fees were $12.4 million in the first-half of 2020, down 20% YoY
- Covid-19 impact on BtoB spending. In Latin America in particular, revenue decreased by $3.6 million in first-half 2021 compared with first-half 2020

(*) ARR, TVC, « Pro forma » and « Adjusted », see basis of preparation and definitions in Appendix hereof

H1 2020 Earnings

(in million US$)	H1 2021	H1 2020
Revenue	52,2	44,2
Adjusted gross profit	38,6	37,0
As a % of revenue	*73,9%*	*83,9%*
Research and development expenses	(9,9)	(11,5)
Selling and marketing expenses	(12,2)	(12,6)
General and administrative expenses	(7,2)	(7,6)
Other gains / (losses), net	(0,0)	(0,1)
Total adjusted operating expenses	(29,3)	(31,8)
Adjusted operating income from continuing operations	9,3	5,2
As a % of revenue	*17,8%*	*11,8%*
EBITDA	11,4	7,4
As a % of revenue	*21,8%*	*16,7%*

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H1 2021: Strong growth of IFRS operating and net income

(in million US$)	H1 2021	H1 2020
Adjusted operating income/(loss)	9,3	5,2
Amortization and depreciation of assets acquired through business combinations (*)	(2,5)	(2,5)
Acquisition related expenses	1,8	(0,1)
Restructuring costs	2,1	(0,0)
Share based payments	(0,0)	(0,2)
Operating income/(loss)	10,6	2,3
Finance income/(loss), net	(0,2)	(3,9)
Income tax expense	(2,2)	(0,2)
Net income/(loss) from continuing operations (i)	8,2	(1,8)
Net income/(loss) from discontinued operations (ii)	(0,0)	(0,2)
Net income/(loss) (i) + (ii)	8,1	(1,9)

(*) Item without cash impact

Sums may not equal totals due to rounding

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H1 2021: Cash flows reflecting operating performance and financing structure

(in million $)	H1 2021	H1 2020
Cash generated by continuing operations before changes in working capital	12,0	6,7
Cash generated used in changes in working capital from continuing operations	(5,9)	(5,8)
Cash generated by continuing operations	**6,1**	**0,8**
Taxes paid	(0,6)	(0,7)
Interests paid	(2,1)	(3,9)
Net cash generated by / (used in) operating activities	3,4	(3,7)
Cash flows used in investing activities, net	(4,1)	(2,4)
Cash flows from used in financing activities, net	(15,8)	(1,2)
Net decrease in cash and cash equivalents from continuing activities	(16,5)	(7,4)
Net decrease in cash and cash equivalents from discontinued activities	(0,0)	(0,2)
Net decrease in cash and cash equivalents	(16,5)	(7,5)
Cash and cash equivalents at beginning of the period	48,6	54,0
Foreign exchange impact	(0,1)	(0,0)
Cash and cash equivalents at end of the period	32,0	46,4

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H1 2021: Strong balance sheet

(in million $)	June 30, 2021	December 31 2020
Goodwill and intagible assets	137,2	136,6
Property and equipment	12,0	12,6
Other receivables	7,0	6,2
Non-current assets	156,3	155,4
Inventories	0,4	0,5
Trade receivables	52,4	41,0
Other receivables	4,0	15,2
Cash and cash equivalents	32,0	48,6
Current assets	88,8	105,2
Total assets	245,1	260,6

(in million $)	June 30, 2021	December 31 2020
Equity and retained earnings	155,7	147,4
Borrowings	38,0	55,1
Convertible bonds	-	17,5
Derivative financial instruments	-	3,3
Provisions	1,2	1,0
Deferred tax liabilities	0,3	1,8
Non-current liabilities	39,5	78,6
Borrowings	1,5	1,2
Convertible bonds	17,6	-
Trade and other payables	20,3	22,6
Derivative and financial instruments	0,9	-
Provisions for other liabilities and charges - Current portion	0,5	1,3
Unearned revenues	9,1	9,4
Current liabilities	49,9	34,5
Total equity and liabilities	245,1	260,6

June 30, 2021:
$13.7m net debt* excluding IFRS 16 leases

(*) see Definition in Appendix hereof

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Business Outlook and Objectives

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Business Outlook and Objectives

- Continued impact of Covid-19 and the accelerated trends in customers' behavior in recent months triggered further strategic decisions and a priorities refocus toward a more recurring revenue model.

- New objectives:

  - Revised 2021 revenue target: above $90 million (including c. $75 million for the core software business)

  - Improvement of the quality of the revenue mix in the mid term with 70% recurring revenues in 2024 (compared with 33% today)

Appendix

Supplementary non-IFRS financial information

Verimatrix uses performance indicators that are not strictly accounting measures in accordance with IFRS. 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.

- **Adjusted gross profit** is defined as gross profit before (i) the amortization of intangible assets, (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, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with business combinations and divestiture undertaken by the Company.
- **EBITDA** is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.
- **Annual Recurring Revenue**, or ARR, is defined as the 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 cash/(debt)** is defined as cash on hand, cash equivalents and short-term investments, less bank overdrafts, financial debt (excluding obligations under IFRS 16 for finance leases), bank loans, private loans, and the debt component of the OCEANE convertible bonds.

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Financial Calendar

Q3 2021 Revenue: October 20, 2021 (after market)

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