

2020 RESULTS: ACCELERATED GROWTH AND SIGNIFICANT REDUCTION IN OPERATING LOSS IN THE SECOND HALF

- *Second half 2020 turnover soars 33%, major international successes with the first €1m-plus foreign contract;*
- *H2 2020 operating loss half that of H1, thereby confirming the turning point in the Group's trajectory towards operational profitability, expected in H2 2021;*
- *€23m cash and cash equivalents at December 31, 2020, thanks to efficient cost management while continuing to invest strategically in the Group's offering and sales network;*
- *Sustained revenue growth buoyed by investments in the partner network and development of high-potential business solutions in healthcare and manufacturing.*

Paris, March 25, 2021 - WALLIX (Euronext ALLIX), a European cybersecurity software developer and expert in privileged access management (PAM), announces its 2020 full-year earnings¹.

€000 French GAAP	2019	H1 2020	H2 2020	2020
Turnover	16,335	8,091	11,981	20,072
Other operating income (capitalized production, subsidies, etc.)	4,196	2,456	3,073	5,529
Total operating income	20,531	10,547	15,054	25,601
Total operating expenses	(27,369)	(15,675)	(17,238)	(32,913)
o/w Other operating expenses	(7,158)	(3,671)	(4,171)	(7,842)
o/w Payroll	(16,304)	(9,945)	(10,996)	(20,941)
o/w Depreciation, amortization and provisions	(3,117)	(1,689)	(1,548)	(3,237)
Operating profit/(loss)	(6,837)	(5,128)	(2,184)	(7,312)
Net financial income/(expense)	(5)	(13)	(15)	(28)
Non-recurring income/(expense)	(2)	33	7	40
Tax	0	(18)	(2)	(20)
Net profit/(loss)	(6,845)	(5,126)	(2,194)	(7,319)

Jean-Noël de Galzain, Chairman of the WALLIX GROUP Management Board, said: "2020 results, especially the second half trend, have vindicated the merits of our market positioning and the strategic decisions we took under the Ambition 2021 plan. Although the pandemic has temporarily slowed revenue growth, we managed to stay on course and pursue our roadmap in terms of the solutions portfolio and rolling out a top-class sales and partner network destined to cover 80% of the world market.

Our strategy is certainly paying off, as borne out by countless contract wins in key sectors including essential services, healthcare, manufacturing and telecoms, as well as the cybersecurity market's highly promising underlying trend. The COVID crisis has given

¹ The 2020 consolidated financial statements were approved by the Management Board and Supervisory Board on March 24, 2021. The statutory auditors have audited the financial statements and the financial report will be published by April 30, 2021.

an unprecedented boost to the digital transition among private individuals and businesses alike. This surge in new online habits has ushered in more cyberattacks, which quadrupled in 2020 with sometimes devastating consequences for victims.

The switch to “all digital” also raises sovereignty issues given our high dependence on non-European tech providers. The €1 billion plan announced by President Macron on February 18 is supposed to bolster France’s cybersecurity and make our industry a top priority European investment sector over the coming decade. This will foster the emergence of new tech champions to guide us through this new era of trusted digital solutions underpinning IoT and big data. WALLIX will have a leading and driving role when it comes to building an alternative European cybersecurity offering aimed at helping users take back control of access and data in a digital world.”

2020 turnover surged 23% to €20.1 million, including a growth upswing in the second half

WALLIX posted 2020 turnover of €20.1 million, up 23% year-on-year. This robust performance amid an environment still impacted by the health crisis reflects dynamic momentum in the second half (up 33%), driven by international operations and key sectors such as healthcare and manufacturing.

France continued to grow with turnover leaping 20% to €13.2 million. The Group was boosted by growing demand from SMEs. Key accounts, which had adopted a wait-and-see approach when COVID peaked, gradually gained momentum towards year-end as projects were launched under major previously signed contracts representing €6.9 million in 2020 billings. WALLIX estimates the potential turnover from these key account equipment contracts to be worth €18.1 million over the next three years (2021-2023).

International turnover surged 29% to €6.9 million. WALLIX started to reap the rewards of the investments made under the strategic plan (developing the office network in Germany, UK and Spain and expanding the partner network in target markets). The UK won the first €1 million-plus contract outside France.

A key strategic source of growth for WALLIX, 2020 recurring business soared 33% to €8.5 million. Recurring business accounted for 42% of 2020 turnover, up from 39% in 2019. In addition to the impact of the expanding client base on maintenance revenues, WALLIX posted an 80% increase in subscription revenues (SaaS mode license subscriptions), while managed services revenues doubled. At December 31, 2020, the Group estimates the future value of the subscription contracts billed in 2020 to be €3.9 million over three years.

Turning point in the Group’s trajectory towards operating profits

Despite an uncertain market in H1 2020, the Group chose to pursue and finalize its growth investments, particularly abroad, by opening sales offices in Italy and Spain and strengthening its operations in the DACH region, in accordance with the strategic plan. These investments swelled 2020 full-year operating costs by 20%, less than revenue growth. Payroll expenses also rose sharply in line with the increase in staff numbers (38 new employees versus 2019). Other operating expenses rose only by 10%.

Strict cost control in relation to revenue growth resulted in the Group’s operating loss shrinking to €2.2 million in H2 2020 from €3.1 million in H2 2019 and €5.1 million in H1 2020.

Full-year 2020 operating loss came in at €7.3 million, down from €6.8 million in 2019. Net loss Group share was equal to the €7.3 million net operating loss.

Strategy underpinned by financial strength

Operating cash flow improved sharply to a €0.9 million outflow (2019: €3.1m outflow), due to a favorable €3.2 million change in working capital. Cash flows from investing activities amounted to a €5.6 million outflow, primarily related to the R&D costs involved in finalizing new offerings.

At December 31, 2020, gross cash and cash equivalents amounted to €23.2 million versus €29.3 million at December 31, 2019. With €19.4 million net cash and cash equivalents and €25.3 million equity, WALLIX has the financial resources it needs to pursue growth and seize any acquisition opportunities.

2021 ramp-up in growth and H2 profit target

WALLIX is currently faced by a particularly promising market. Due to the health crisis, organizations and individuals have completely transformed their relationship with digital technology and its uses, opening the door to new risks with a proliferation of cyberattacks. To ensure the long-term viability of these new uses, users and companies must make investment in cybersecurity a priority, as underlined by leading market analysts such as KuppingerCole and Gartner, which predict an average annual growth rate of 10.7% for the PAM market over the 2020-2024 period ², leading to a \$2.9 billion global market in 2024.

WALLIX is ideally positioned to take advantage of the growth of the sector, which features among the strategic priorities of the French government's billion-euro recovery plan. Thanks to the structural investments carried out over the last two years, WALLIX has a comprehensive PAM offering ²(WALLIX Bastion) expanded into adjacent market segments (WALLIX BestSafe launched in February 2020 and WALLIX Trustelem launched in May 2020), enabling it to address all the threats posed by new technologies (IoT, Cloud, etc.) and new digital services (telemedicine, WFH, smart city, predictive maintenance, etc.).

To boost growth, WALLIX also plans to tap business verticals in high-potential markets such as healthcare and manufacture and the recognized top-class service provided by its business partner network ("channel"). In healthcare, the Group has a large client base (e.g. public and private hospital groups in France, major NHS contracts in the UK), which it plans to develop. In manufacturing, WALLIX will also offer its WALLIX Inside package comprising all WALLIX access security and identity solutions, which can be integrated by design into client business solutions. Based on an OEM (Original Equipment Manufacturer) sales model, WALLIX Inside benefits from a new partnership with Fives, which has developed an industrial gateway equipped with WALLIX's native security module, thereby offering clients a by-design secured system.

Fueled by sustained market demand and an innovative marketing approach, the Group plans to ramp up business growth throughout 2021 and reaffirms its objective to report a second half 2021 operating profit. In so doing, the Group will follow the trajectory of its two previous strategic plans, both of which turned in profits after an investment phase.

Against the backdrop of the significant challenges at the European level involved in creating a trusted digital territory in Europe, with guarantees of independence and sovereignty, the Group foresees the creation of a standardized regulatory and legislative framework to "process and host Europeans' data in Europe" (Digital Services Act (DSA) and Digital Market Act (DMA), GDPR). This will be supported in the years ahead by the emergence of a trusted digital product and service offering, certified and recognized as such by European states (similar to GAIA X) and the creation of multinational cyber industry players. The only European developer among the 7 global leaders (KuppingerCole PAM survey, 2020), WALLIX reaffirms its desire and capacity to establish itself as one of the key players in European cybersecurity.

Next publication: H1 2021 turnover - July 22, 2021

ABOUT WALLIX

A software company providing cybersecurity solutions, WALLIX is the European specialist in Identity and Access Security Solutions. WALLIX's unified solutions portfolio enables companies to respond to today's data protection challenges. WALLIX solutions guarantee detection of and resilience to cyberattacks, which enables business continuity. The solutions also ensure compliance with regulatory requirements regarding access to IT infrastructures and critical data. The portfolio of unified solutions is distributed through a network of more than 180 resellers and integrators worldwide. Listed on the Euronext (ALLIX), WALLIX supports more than 1,300 organizations in securing their digital transformation. WALLIX is a founding member of the HEXATRUST group and has been included in the Futur40, the first ranking of growth companies on the stock exchange published by Forbes France and is part of the Tech 40 index.

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² Privileged Access Management



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