

First half 2023 earnings: growth, innovation and optimization geared to achieving profitable growth target in 2024

- Acceleration of turnover growth (up 29.2% excluding Russia) and recurring business (up 26.2%);
- Enhancement of SaaS offering and acquisition of Kleverware in IAG;
- Organizational streamlining generating non-recurring expenses;
- Strong financial position: gross cash and cash equivalents of €20.6 million at June 30, 2023, up €7.1 million since January 1;
- Trajectory towards profitable growth in 2024 confirmed.

Paris, October 12, 2023 - WALLIX (Euronext ALLIX), a European cybersecurity software developer and expert in privileged access management (PAM), announces its first half 2023 earnings¹.

€000 French GAAP	H1 2022	H1 2023
Turnover	11,029	13,943
Total operating income	14,066	16,241
Operating profit/(loss) excluding non-recurring items	(4,162)	(4,552)
Non-recurring expenses	-	(1,548)
Operating profit/(loss)	(4,162)	(6,100)
Net financial income/(expense)	(290)	(20)
Non-recurring income/(expense)	34	60
Tax income/(expense)	782	625
Net profit/(loss)	(3,636)	(5,435)

Jean-Noël de Galzain, Chairman and Chief Executive Officer of the WALLIX GROUP, said: “Three highlights stand out from the first half of 2023: (i) strong growth in line with targets, driven by subscription offerings, (ii) the enhancement of our solutions through innovation and acquisitions, and (iii) organizational streamlining to raise our Company to a new level and achieve profitable growth in 2024.

WALLIX proved its ability to return to hyper-growth rates during the period. This brisk sales momentum clearly reflects structural growth in the cybersecurity sector boosted by the opening up of information systems, the ever-present threat of cybercrime and tightening regulations. However, it also testifies to the ideal positioning that WALLIX has built up through continuous intelligent enhancement of its offering, which is now recognized by world-renowned analytics firms such as Gartner, KuppingerCole and Frost & Sullivan.

Sales organization, which is also key to sustaining our growth model, was restructured and optimized during the period. The new system pools and streamlines skills by rallying the sales force around shared targets, thereby triggering a new spurt of momentum

¹ The first half consolidated financial statements were approved by the Board of Directors on October 12, 2023. The statutory auditors performed a limited review on the consolidated financial statements and the financial report will be published by October 31, 2023.

that will contribute to future growth.

While these structural measures generate costs in the short term, they will undoubtedly raise our Company to a new level and boost our confidence in our ability to continue gaining market share, improve our operating performance considerably from the second half of 2023 onwards and reach breakeven in 2024.”

Acceleration of business in the first half

Business growth accelerated in the first half of 2023, with turnover up 26.4% to €13.9 million, up 29.2% excluding Russia. Consolidated since May 16, 2023, Kleverware contributed turnover of €0.2 million for the first half.

Over the period as a whole, contract acquisitions kept up a sustained pace with 225 new contracts signed, bringing the total number of active contracts to 2,525 at June 30, 2023, up 25% over 12 months.

This return to high growth rates is taking place amid a controlled shift towards a subscription model that will guarantee a constant flow of recurring business and better long-term financial visibility.

Monthly recurring revenue (MRR) for the first half totaled €1.4 million, up 26.2% versus H1 2022, representing €17.0 million in recurring business on an annual basis.

Improvement in the operating expenses/turnover ratio before non-recurring expenses

During the first half, WALLIX implemented a new sales organization, thereby generating restructuring costs, and incurred non-recurring expenses mainly related to its acquisition and financing policy. These expenses totaled €1.5 million and are not likely to be repeated in the future.

Excluding non-recurring items, structural operating expenses remained under control, as a result of which the operating expenses/turnover ratio improved 17 percentage points versus H1 2022.

This improvement was achieved despite the Company’s ongoing active hiring policy, as a result of which the average headcount increased 14% year-on-year from 214 FTEs in H1 2022 to 244 in H1 2023.

The Company posted an operating loss of €6.1 million. Excluding non-recurring items, the operating loss amounted to €4.6 million compared to €4.2 million in H1 2022.

After a tax credit of €0.6 million, net loss Group share amounted to €5.4 million.

Cash position strengthened in H1 2023

Following the first half fundraising campaign comprising a €5.5 million capital increase and a €5 million convertible bond issue, gross cash and cash equivalents amounted to €20.6 million at June 30, 2023 compared to €13.5 million at December 31, 2022. Financing requirements remained under control at €2.6 million compared to €4.7 million in H1 2022, mainly related to capitalized development costs.

Net cash and cash equivalents amounted to €13.6 million, putting WALLIX in a strong financial position from which to look ahead confidently to the next stages of its organic development while analyzing acquisition opportunities.

Streamlined sales organization and enhanced offering to reach breakeven in 2024

WALLIX delivered a solid first half in terms of sales, confirming its target to step up organic growth in 2023 with a strong focus on recurring business generated from subscription offers and SaaS solutions.

In order to sustain sales momentum, the organization has been optimized by rallying the various departments involved in revenue generation around shared targets and processes across all regions. Management structure has been streamlined in order to promote a more efficient approach at country level propelled by a uniform and centralized driving force. Combined with the various growth drivers implemented by the Group, the new organizational system will enable it to maintain strong growth.

The first half was also marked by innovation and the enhancement of the Group's offering. Following the Kleverware acquisition announced in May 2023, the combination of Privileged Access Management (WALLIX Bastion) and Identity and Access Governance solutions (WALLIX IAG) provides an all-inclusive IT solution. This new offering enables companies to migrate safely to the cloud, an estimated \$600 billion market expected to grow 20% in 2023, enabling WALLIX to offer an increasingly broad coverage of the Identity and Access Management (IAM) market. In May 2023, WALLIX also launched SaaS Remote Access, a secure remote access service in SaaS mode integrated into the Bastion solution, which will enable any organization to manage remote access, including for external service providers.

Backed by a strong financial position, WALLIX aims to continue developing and enhancing its solutions by adding complementary technological building blocks, either through innovation or acquisitions, while industrial cybersecurity remains a major area of development.

Underpinned by a streamlined, more efficient and more agile sales structure, WALLIX reaffirms its sustained growth targets for 2023 and 2024 while continuously improving its structural profitability in order to reach breakeven in 2024.

Next publication: Q3 2023 revenue, November 16, 2023

ABOUT WALLIX

WALLIX is the European specialist in access and digital identity security and the world leader in PAM (Privileged Access Management). Its technologies enable organizations to meet today's challenges in IT network protection and data security. They also provide detection and resilience to cyberattacks and protect organizations' digital assets in addition to maintaining business continuity of IT systems, in the cloud, and in industrial networks. These technologies simplify compliance with regulatory requirements for access to critical IT infrastructure and data. With its PAM4ALL, PAM4OT, and Trustelem solutions, WALLIX helps its customers modernize their information systems and put cybersecurity at the service of their digital transformation. The company relies on a network of certified distributors, resellers, and integrators to support more than 2,000 organizations worldwide in all sectors of the economy. The company is listed on Euronext (ALLIX). The founders and managers, as well as the investment structure Thierry Dassault Holding are the historical reference shareholders.

OT.security by WALLIX is a brand dedicated to the security of digital access and identities in industrial environments.

WALLIX affirms its digital responsibility and is committed to contributing to the construction of a trusted European digital space, guaranteeing the security and confidentiality of data for organizations as well as for individuals concerned about the protection of their digital identity and privacy. Digital technology, whether for professional or personal use, must be ethical and responsible in order to pursue a secure societal digital transformation that respects individual freedoms.

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APPENDIX

P&L statements

€000 French GAAP	H1 2022	H1 2023
Turnover	11,029	13,943
Other operating income (capitalized production, subsidies, etc.)	3,037	2,298
Total operating income	14,066	16,241
Total operating expenses	(18,228)	(22,341)
o/w Other operating expenses	(4,963)	(5,663)
o/w Payroll	(11,214)	(13,753)
o/w Depreciation, amortization and provisions	(2,051)	(2,925)
Operating profit/(loss)	(4,162)	(6,100)
Net financial income/(expense)	(290)	(20)
Non-recurring income/(expense)	34	60
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