Inside Secure Enters into an Exclusive Agreement to Acquire Verimatrix, Inc.
Creating a Software-based Security Powerhouse

Combining two experts in cloud-based security solutions with leading position in Entertainment

Fully financed transaction with strengthened capital base at completion

The combination accelerates Inside Secure's strategic roadmap offering an improved value proposition for its shareholders who will benefit from:

- Leading the entertainment security market with a unique value proposition
- Bringing end-to-end security solutions to the IoT and Connected cars markets
- Deploying Verimatrix data analytics capabilities across all Inside Secure end markets
- Scaling to a new business dimension with $119 million of adjusted revenue[1] and $21.5 million of EBITDA[1] (2017 pro forma IFRS[2])
- Ready to capture opportunities to up-sell and cross-sell customers while benefiting from economies of scale estimated at $10 million
- Acquisition expected to be accretive[3] to Inside Secure's earnings from 2019 prior to full implementation of anticipated synergies
- 2021 objective to drive profitable growth: revenue of $150 million and EBITDA margin of 25%

A fully financed transaction

- All-cash transaction consideration of approximately $143 million at closing (including assumption of $18 million estimated net cash) and an estimated contingent earn-out of $9 million payable in Q2 2019
- Transaction fully funded through a combination of available cash (approximately $38 million), a private debt ($54 million) provided by Apera Capital, and equity (EUR 52 million, approximately $60 million), out of which a rights issue (EUR 22 million) with preferential subscription rights to existing shareholders, supported by management and Jolt Capital and backstopped by One Equity Partners ("OEP")
- Transaction expected to close in the first quarter of 2019, subject to vote of Inside Secure's shareholders on the equity financing and customary conditions precedent

A new cornerstone investor

- One Equity Partners - a private equity firm focused on technology - to support future development and strategy
- OEP will invest in equity through mandatory redeemable bonds and an irrevocable commitment to backstop the rights issue, by subscribing to any new shares not subscribed, as described hereafter

[1] Inside Secure uses supplementary non-IFRS financial measures (adjusted revenue and EBITDA) which are defined in Appendix
[2] Unaudited consolidated pro forma financial information; preliminary pro forma figures, based on available information
[3] On an EBITDA and adjusted operating income basis, excluding purchase price allocation and restructuring charges

Aix-en-Provence, France, December 5, 2018 – Inside Secure (Euronext Paris: INSD), at the heart of security solutions for mobile and connected devices, today announced it has entered into an exclusivity agreement to acquire Verimatrix, Inc. ("Verimatrix"), a privately-held company headquartered in San Diego, California, USA.

Verimatrix which employs more than 300 people in 20 countries, with most significant operations in California and in Germany, is a global independent leading software security provider for video services, trusted by all major content owners in Entertainment. Their security solutions are recognized for comprehensive multi-network support and maintaining end-to-end service integrity. Verimatrix helps to reduce the cost and complexity in the current content delivery processes. The company extends its technical innovation for video providers by offering a comprehensive data collection and analysis platform for automated real-time quality of experience (QoE) optimization that drives security performance monitoring, user engagement and content monetization.

Verimatrix generated mid-single digit growth to $78.7 million revenue[4] and $14.5 million EBITDA[4] in the twelve-month period ended September 30, 2018.

Commenting on the proposed transaction, Amedeo D'Angelo, Chairman and CEO of Inside Secure, said: "*Over the years, we have built a unique position to bring security at the heart of connected devices and apps with a leading position in the OTT video services market.*
Verimatrix has become a key player in software-based security for Entertainment content management through its scalable and comprehensive platform with a deep expertise in cloud-based data analytics and intelligence on security performance and video users' behaviours.
In this context, I'm very pleased to move ahead with the project to acquire Verimatrix which is the perfect fit to strengthen scale and reach of our value proposition in end markets that are fast shifting towards software and cloud-based security solutions while video content consumption is becoming multi-device and multi-format.
We are looking forward to combining both businesses to offer our clients the best value proposition in security, starting with entertainment and moving towards Internet of Things and Connected Cars, and to continue to create value for our shareholders."

Tom Munro, CEO of Verimatrix, Inc., declared*: "This transaction allows a great combination of technologies and expertise, bringing two well-respected market players together. It's exciting to create a company with such a clear focus, a global presence, and a depth of expertise in the applications of security and analytics across critical market segments."*

A powerful combination with strong strategic rationale

Entertainment: creating a software-based security powerhouse with leading position

The transaction leads to the creation of a trusted global powerhouse in software-based security with significant penetration of the Entertainment market, positioned to capture a well-established, but still fast-growing, demand for security solutions in the context of:

- A major shift towards software and cloud-based security solutions;
- Growth of demand for big data analytics solutions in a landscape of multi-device and multi-format video consumption; and
- Content owners' and service operators' increasing anxiety to protect their digital revenue and profit margins (a total of $37bn revenue is estimated to be lost to piracy in 2018[5]).

[4] US GAAP, unaudited
[5] Source: Statista Research – *Global online TV and movie revenue lost through piracy,* 2018

The combination offers Inside Secure a unique value proposition within the Entertainment security market, enabling content providers and service operators to manage the most complex video security challenges leveraging:

- A robust platform addressing the entire ecosystem's multi-network requirements;
- A proven software-centric position in the fastest growing segments within the digital content protection market;
- A broad-based solution architecture that stretches from silicon IP through rights arbitration and tracking;
- A strong and highly diversified client portfolio with Verimatrix solutions deeply entrenched and trusted by Hollywood studios and other content owners globally; and
- A unique opportunity to expand value in customers deploying integrated multi-device video solutions.

Internet of Things ("IoT") and Connected Cars markets: reinforcing a strong position in software security

Beyond the Entertainment market, the combination provides firm foundations to accelerate penetration of other growth verticals that face a critical security challenge, notably IoT and Connected Cars, by leveraging a high-integrity device credential management platform and enabling comprehensive, end-to-end security technology and services offerings in such application verticals.

Big data and analytics business application: tackling new growth opportunities

Additionally, the transaction will enable Inside Secure to tackle opportunities in advanced cloud-based analytics beyond the Entertainment market. The company will maximize the value of data analytics technologies across all its markets to provide its customers with real-time visibility over security performance (e.g.,threat and attack detection and analysis) and user behaviour.

Increased scale with compelling value creation potential

The contemplated transaction affords Inside Secure the ability to take advantage of significantly greater reach and scale.

The combined entities would have generated $119 million in adjusted revenue and $21.5 million in EBITDA in 2017 on an IFRS pro forma basis. The new group will benefit from its new scale and leverage the Verimatrix resilient revenue base and from the mix of both recurring and repeat revenue from both companies.

Leveraging a strong technology and product portfolio as well as a complementary customer base, the combination of both companies will generate multiple up-selling and cross-selling opportunities while benefiting from economies of scale.

In addition, Inside Secure anticipates $10 million cost synergies per year on a run rate basis, once fully implemented, representing 10% of combined operating expenses base due to:

- Economies of scale with development teams, suppliers, ecosystem partners and device-provisioning costs; and
- General & Administrative optimization that takes full advantage of the combined scale, rationalization and streamlining of the organization.

The transaction is expected to be accretive[3] to Inside Secure's earnings from 2019, primarily due to the incremental earnings brought by Verimatrix and the generation of $4 million synergies in 2019 prior to full implementation of anticipated synergies.

2021 Objectives

Moving forward, Inside Secure expects to reach revenues of $150 million while generating an EBITDA margin of 25% in 2021 for the combined entities and at constant perimeter.

Fully funded transaction, strengthened shareholder base and sound financial structure at closing

Under the terms of the acquisition agreement, the transaction consideration consists of an up-front consideration for the enterprise value estimated at $125 million, plus an agreed-upon payment for transferred net cash estimated at $18 million, plus as the case may be a working-capita adjustment a closing, and, finally, an earn-out of up to $15 million subject to Verimatrix achieving a certain EBITDA target for calendar year 2018.

Based on current information, Inside Secure estimates that it will have to pay an aggregate consideration of approximately $143 million at closing plus an estimated $9 million earn-out in the second quarter of 2019.

A three-step fully funded financing package

The transaction consideration will be financed through a combination of:

- Inside Secure's cash-on-hand for approximately $38 million[6];
- Fully committed private debt of $54 million, based on the estimated earn-out, provided by Apera Capital, an independent European private debt manager providing private capital solutions to mid-market companies in Western Europe.
    - Commitment to make available a bond financing through the subscription of notes for $45 million, plus an additional amount of up to $10 million to contribute to the financing of the earn-out. The commitment of Apera Capital is conditional upon the preparation, execution and delivery of the subscription agreement in respect of the notes and other relevant finance documents and the satisfaction of customary conditions of issuance;
    - Term 7 years, full-bullet;
    - Interest: LIBOR (subject to a 2% floor) plus a margin of initially 7%, that could potentially be reduced, after twelve months, subject to a net leverage-based determination. Certain upfront and commitment fees will also be payable in respect of the financing;
    - Customary financial covenants (net leverage ratio and interest cover test);
    - Security package in line with market practices;
    - Early redemption at par possible after expiry of 24 months, whereas for the first year customary non-call/make-whole provisions and for the second year customary soft-call provisions will apply (subject to certain exceptions). Mandatory early redemption events, positive and negative undertakings as well as events of default (including a cross-default) and acceleration rights for the benefit of the noteholders, in each case as customary for this type of financing.

[6] Excluding payment of transaction cost and fees

- Two fully-underwritten equity transactions with a combined amount of EUR 52 million ($60 million), to be recommended for approval by Inside Secure's shareholders in a general meeting to be held on January 21, 2019:

  - A EUR 30 million mandatory redeemable bond issuance reserved for OEP, fully redeemable into newly issued shares of Inside Secure (*obligations remboursables en actions*) valued at the lower of:
    (i) EUR 1.66 (i.e., 90% of the arithmetic average of the daily volume-weighted average trading price of Inside Secure's shares on Euronext Paris during a 7-trading day period from 26 November to 4 December 2018 (both inclusive)) and
    (ii) the higher of (x) 7-day arithmetic average of daily volume-weighted-average prices of Inside Secure's shares on Euronext Paris, starting on the seventh trading day preceding the day the redemption is being requested (or the date for redemption at maturity (5.5 years after the bonds issue date)) and (y) EUR 1.38 (i.e. 75% of the arithmetic average of daily volume-weighted average trading prices of Inside Secure's shares on Euronext Paris during a 7-trading day period from 26 November to 4 December 2018 (both inclusive)).

    These redeemable bonds will bear annual interest of 2.5% payable semi-annually and will be treated as equity for the company.

    The mandatory redeemable bond would result in an estimated dilution of 29%[7] based of the current share capital of Inside Secure.

  - An approximate EUR 22 million rights issue with preferential subscription rights to existing shareholders which:
    (i) the Management and Jolt Capital (together holding 8.2% of the Company capital and voting rights, at the date hereof) have already committed to subscribe to on an irreducible basis, and

    (ii) OEP[8] has irrevocably committed to backstop by subscribing to any new shares not subscribed[9].

    The indicative price per new share issued in the rights issue shall be equal to approximately 75% of the latest closing trading price of the shares of Inside Secure (issue premium included) on Euronext Paris before the launch of the rights issue.

    For indicative purpose a shareholder who decided not to participate in the rights issue would bear additional estimated dilution of 15% based on share capital of Inside Secure after redemption into shares of the mandatory redeemable bonds at a price of EUR 1.66.

A sound financial structure at closing

[7] Assuming a redemption price equal to EUR 1.66

[8] OEP has agreed vis-à-vis the Company to a one-year lock-up on the bonds and any shares they would own, subject to limited customary exceptions

[9] Upon completion of the rights issue and redemption of the redeemable bonds, assuming (i) a redemption price equal to EUR 1.66, (ii) that the trading share price of the company remains equal to the arithmetic average of daily volume-weighted average trading prices of Inside Secure's shares on Euronext Paris during a 7-trading day period from 26 November to 4 December 2018 until the pricing of the rights issue (EUR 1.84) and (iii) that OEP does not subscribe any shares in the rights issue, OEP will likely own approximately 24% of the share capital of Inside Secure (note that this percentage may vary given that both the redemption price of the redeemable bonds and the rights issue price will depend on the future trading price of the shares of the Company and does not take into account any potential adjustments in existing dilutive instruments).

Consolidated pro forma net debt[10] would have been $39.1 million as of June 30, 2018, representing 1.6x pro forma EBITDA for the twelve months ended June 2018, prior to implementation of anticipated synergies, or 1.1x including the full implementation of expected synergies estimated at $10 million.

A new cornerstone investor supporting future development and strategy

By investing in the redeemable bonds and committing to backstop the rights issue, OEP will become a new cornertorne investor of Inside Secure.

OEP is a middle-market private equity firm focused on the industrial, healthcare, and technology sectors in North America and Europe. The firm builds market-leading companies by identifying and executing transformative business combinations. OEP is a trusted partner with a differentiated investment process, a broad and senior team, and an established track record of generating long-term value for its partners. Since 2001, the firm has completed more than 170 transactions worldwide. OEP, founded in 2001, spun out of JP Morgan in 2015. The firm has offices in New York, Chicago, and Frankfurt.

Inside Secure business outlook for 2018

The Company confirms its business outlook for 2018 based on performance in the first nine months and current business activity: top line growth in 2018 is expected to more than offsetting the anticipated decline of a U.S. customer which generated an exceptionally high level of revenue from royalties in the second half of 2017. Adjusted operating expenses in 2018 are expected to be in the lower end of the previously communicated $36 million to $37 million range. The Company confirms it will generate positive EBITDA in 2018 before getting back to a normative EBITDA margin greater than 20% (on a stand-alone basis).

Governance

As from the completion of the EUR 30 million bond issue reserved for OEP, OEP will have the right to designate one director (*administrateur*) to the board of directors of Inside Secure and one board observer (*censeur*) for so long as it shall hold, together with its affiliates, a minimum fully-diluted (i.e. assuming the redemption of the redeemable bonds) shareholding in the Company equal to 15%, provided that, upon redemption of the redeemable bonds, OEP will have the right to request that its board observer be appointed as director.

The general shareholders' meeting that will be convened to vote on the above-mentioned equity transactions will be asked to vote on such appointments.

Issuance of performance shares and stock options

In order to align interests of key employees and executives of the future combined group with those of the shareholders over the long term, the board also decided to request that shareholders authorize the grant of additional stock options and performance shares in an aggregate maximum of 1.3 million shares.

Upon recommendation of the nomination, compensation and governance committee and using the authorization given by the general shareholders' meeting of May 16, 2018, the board of directors of the Company granted 220,000 performance shares (*actions gratuites*) to Mr. Amedeo D'Angelo, the

[10] Unaudited consolidated pro forma financial information – Current and non-current financial debt portions, including the 2017 OCEANE convertible bonds, net of cash and cash equivalents

Chairman and CEO of Inside Secure. The acquisition of 100,000 of these performance shares is subject to a service condition with Inside Secure as corporate officer or employee in the coming two years, and the vesting of the remaining 120,000 performance shares is subject to the completion of the contemplated acquisition of Verimatrix, it being specified that the board of directors may relieve Mr. Amedeo D'Angelo of one or more of the aforementioned conditions for all or some of the performance shares if it considers it in the interest of the company.

Next steps

Prior to the signing of the acquisition agreements, Inside Secure's works council in France will be consulted with respect to the debt financing and the equity transactions contemplated in the context of the acquisition of Verimatrix.

The transaction is intended to be signed in January 2019 subject primarily to (i) completion of an "information and consultation" process with Inside Secure's works council in France and, (ii) vote of Inside Secure's shareholders on the equity transactions. It is expected to close in the first quarter of 2019, subject to customary closing conditions.

In the context of the above-mentioned equity transactions, Inside Secure will issue two prospectuses to be cleared (*visés*) by the French financial market authority (the *Autorité des marchés financiers* – the "AMF") in respect of the redeemable bond issue and the rights issue.

Analysts and investors conference call

On December 5, 2018, Inside Secure will hold a conference call in English at 6:30 pm CET - Paris, 5:30 pm UK, in order to comment on the project to acquire Verimatrix. Access to the call will be by dial-in on one of the following numbers: +33 1 72 72 74 03 (France) or +44 20 7194 3759 (UK), PIN 57926006#. A presentation will be available at www.insidesecure-finance.com/en.

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About Inside Secure

Inside Secure (Euronext Paris – INSD) is at the heart of security solutions for mobile and connected devices, providing software, silicon IP, tools, services, and know-how needed to protect customers' transactions, ID, content, applications, and communications. With its deep security expertise and experience, the company delivers products having advanced and differentiated technical capabilities that span the entire range of security requirement levels to serve the demanding markets of network security, IoT and System-on-Chip security, video content and entertainment, mobile payment and banking, enterprise and telecom. Inside Secure's technology protects solutions for a broad range of customers, including service providers, operators, content distributors, security system integrators, device makers and semiconductor manufacturers. For more information, visit www.insidesecure.com

Forward-looking statements

This press release includes statements that are, or may be deemed to be, “forward-looking statements” and may include projections and estimates and their underlying assumptions, statements regarding plans, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance, including with respect to the anticipated future performance of Inside Secure and/or the combined group of Inside Secure and Verimatrix, Inc. following completion of Inside Secure’s acquisition of Verimatrix, Inc., if completed (the “Transaction”). These forward-looking statements are generally identified by the use of forward-looking terminology, including terms such as “believe,” “estimate,” “anticipate,” “expect,” “intend,” “may,” “will” or “should,” and similar expressions, and include statements that Inside Secure makes concerning the intended results of its strategy and of the completion of the Transaction. Although Inside Secure’s management believes that the expectations reflected in such forward-looking statements are reasonable, Inside Secure cannot assure investors that these expectations will prove to be correct. Investors are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Inside Secure, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, among other things, risks related to Inside Secure’s ability to complete the acquisition on the proposed terms or on the proposed timeline, the inability of Inside Secure to achieve expected synergies or to successfully integrate Verimatrix, Inc., uncertainties inherent in any business combination transaction and in the economic, financial, competitive and regulatory environment. No statement in this press release is intended as a profit forecast or estimate for any period. Persons receiving this document may not and should not rely on forward-looking statements. Past performance is not an indicator of future results and the results of Inside Secure in this document may not be indicative of, and are not an estimate or forecast of, the future results of Inside Secure and/or the combined group of Inside Secure and Verimatrix, Inc. following completion of the Transaction. The forward-looking statements speak only as of the date hereof and, other than as required by applicable law, Inside Secure does not undertake any obligation to update or revise any forward-looking information or statements.

For a more detailed description of the risks and uncertainties with respect to Inside Secure, please refer to the "Risk factors" section of the 2017 registration document filed with the AMF on April 10, 2018 under number D.18-0307, available on www.insidesecure-finance.com/en.

Disclaimer

With respect to Member States of the European Economic Area that have transposed European Directive 2003/71/EC of the European Parliament and European Council of November 4, 2003, as amended (the “Prospectus Directive”), no action has been taken or will be taken to permit a public offering of the securities referred to in this press release requiring the publication of a prospectus in any Member State. Therefore, such securities may not be and shall not be offered in any Member State other than in accordance with the exemptions of Article 3(2) of the Prospective Directive or, otherwise, in cases not requiring the publication of a prospectus under Article 3 of the Prospective Directive and/or the applicable regulations in such Member State.

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Appendix: Supplementary non-IFRS financial information

Inside Secure uses supplementary non-IFRS financial measures. These indicators are not defined under IFRS, and do not constitute accounting elements used to measure its financial performance. They should be considered in addition to, and not as a substitute for, any other operating and financial performance indicator of a strictly accounting nature, as presented in Inside Secure's consolidated financial statements and the corresponding notes. Inside Secure uses these indicators because it believes they are useful measures of its activity. 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 to Inside Secure, even though they use similar terms.

Adjusted Revenue

Adjusted revenue is defined as revenue before non-recurring adjustments related to business combinations. It enables comparable revenue for future fiscal years.

In 2017, the combined entities would have generated a pro forma adjusted revenue of $119 million and a pro forma revenue of $116 million as Verimatrix recorded $3 million of deferred revenue as at December 31, 2016 which, in accordance with IFRS, cannot be recognized in the year following the acquisition.

EBITDA

EBITDA is defined as adjusted operating income before depreciation, amortization and impairment expenses not related to business combinations. Adjusted operating income/(loss) is defined as operating income/(loss) before (i) non-recurring adjustments on revenue related to business combinations (ii) amortization of intangible assets related to business combinations, (iii) any potential goodwill impairment, (iv) share-based payment expense and (v) non-recurring costs associated with restructuring and business combinations and divestiture undertaken by the company.