Verimatrix Announces Resilient First-Half 2020 Results

Successfully transitioning towards recurring subscription and SaaS model

- **$44.2 million revenue[1]**
  - Recurring revenues up 13% year-over-year[2] at $29.5 million (67% of revenue)
  - Strong growth of subscription-based business (ARR x 2.2 in 6 months at $8.5m)
  - Core software business down by 6% year-over-year[2] impacted by transition towards recurring subscription and SaaS model and to a lesser extent COVID-19 pandemic
  - Consolidated revenue (IFRS) up 4% year-over-year
- **$7.4 million EBITDA[3] (17% of revenue)**
  - Core business EBITDA up 54% year-over-year
  - Tight control of expenses to preserve profitability and cash flow while continuously investing in innovation, marketing and sales
  - $46.5m in cash and cash equivalents; solid financial position to face the global pandemic situation
- **Business outlook**
  - Due to continuing lack of visibility induced by Covid-19 pandemic, 2020 and 2021 objectives remain suspended

Aix-en-Provence, France and San Diego, USA, July 29, 2020 – Verimatrix (Euronext Paris: VMX), a global provider of security and analytics solutions that protect devices, services and applications, is today reporting its IFRS unaudited[4] consolidated results and unaudited adjusted results, for the six-month period ended June 30, 2020.

(in thousands of US$)	**First-half 2020**	First-half 2019
Revenue pro forma	**44 170**	50 418
EBITDA	**7 393**	7 229
Revenue pro forma software business	**44 170**	46 870
EBITDA software business	**7 679**	4 890
Consolidated revenue (IFRS)	**44 170**	42 499
Net income (IFRS)	**(1 923)**	(5 561)

Commenting on these results, Amedeo D'Angelo, chairman and chief executive officer of Verimatrix, stated: "*Verimatrix has continued to show a strong resilience in the current crisis with a steady increase of its subscription-based business, leading to a solid growth of recurring revenues in the business mix, and down the road a more sustained profitability of its software business. During the quarter, we closed significant cross-selling and up-selling customer contracts, combining Verimatrix products with former Inside Secure application shielding products.*

The safety and well being of our employees remain our priority during this pandemic. I am very proud to see how committed they are. Together with our partners, they have shown creativity, passion and engagement, adapting to the situation to better serve our customers worldwide. Moving forward, the short-term effects of the current crisis on some of our clients' spending is clearly offset by the positive shift towards increased demand for cloud hosted services for scalable and secure digital contents worldwide. Our company is ideally positioned to benefit from these new underlying trends, with its range of expertise and cybersecurity solutions that protect video content, endpoint devices, software and applications.

1 Revenues for 2019 and 2020 exclude the Silicon IP business unit divested in December 2019 (see Basis of Preparation)
2 2020 reported compared with 2019 por forma (as if Verimatrix, Inc. had been acquired on January 1, 2019)
3 Verimatrix uses performance indicators that are not strictly accounting measures in accordance with IFRS; definitions of adjusted financial measures are presented in Appendix 3 hereof
4 The consolidated financial statements as of June 30, 2020 were reviewed by the board of directors on July 28, 2020; the statutory auditors have substantially completed their imited scope audit

With our solid financial and liquidity position, we will continue to invest selectively to develop our position and expand our commercial reach, and we remain confident in the growth opportunities and long-term prospects for our company."

Financial Results - Key figures

(in thousands of US$)	Software business (adjusted) H1 2020	Software business (adjusted) H1 2019	Company (adjusted, 2019 pro forma) H1 2020	Company (adjusted, 2019 pro forma) H1 2019	Consolidated IFRS H1 2020	Consolidated IFRS H1 2019
Revenue	**44 170**	46 870	**44 170**	50 418	**44 170**	42 499
Gross profit	**37 323**	38 250	**37 037**	40 427	**36 128**	35 476
As a % of revenue	***84,5%***	*81,6%*	***83,9%***	*80,2%*	***81,8%***	*83,5%*
Operating expenses	**(31 815)**	(35 875)	**(31 815)**	(35 999)	**(33 779)**	(42 923)
Operating income	**5 508**	2 375	**5 222**	4 428	**2 349**	(7 447)
As a % of revenue	***12,5%***	*5,1%*	***11,8%***	*8,8%*	***5,3%***	*-17,5%*
Net income/(loss) from continuing operations (i)	-	-	-	-	**(1 766)**	(9 178)
Net income/(loss) from discontinued operations (ii)	-	-	-	-	**(157)**	3 617
Net income/(loss) (i) + (ii)	-	-	-	-	**(1 923)**	(5 561)
EBITDA	**7 679**	4 890	**7 393**	7 229	**-**	-
As a % of revenue	***17,4%***	*10,4%*	***16,7%***	*14,3%*	**-**	-

1. Financial results: from revenue to EBITDA – 2020 reported compared with pro forma for 2019

Q2 2020 and H1 2020 revenue

(in thousands of US$)	Q2-2020	Q2-2019 (IFRS)	Q2-2019 (pro forma adjusted)	Q2 2020 vs. Q2 2019 IFRS	Q2-2020 vs. Q2-2019 pro forma adjusted
Software business	24 151	26 624	27 475	-9%	-12%
NFC patent licensing program	-	-	-	-	-
Total revenue	**24 151**	**26 624**	**27 475**	**-9%**	**-12%**

(in thousands of US$)	H1-2020	H1-2019 (IFRS)	H1-2019 (pro forma adjusted)	H1-2020 vs. H1-2019 IFRS	H1-2020 vs. H1-2019 pro forma adjusted
Software business	44 170	38 951	46 870	13%	-6%
NFC patent licensing program	-	3 548	3 548	-	-
Total revenue	**44 170**	**42 499**	**50 418**	**4%**	**-12%**

IFRS : 4 months of VMX, Inc in H1 2019
Pro forma adjusted: 6 months of VMX, Inc in H1 2019

Second quarter 2020 revenue

Verimatrix revenue was $24.2 million in the second quarter of 2020. Revenue was down 12% year-over-year on a pro forma basis (accounting for 6 months on Verimatrix, Inc. business in 2019). Recurring revenues from royalties, maintenance and subscription fee were $15.5 million in the second quarter of 2020, representing 64% of revenue. These recurring revenues grew by 8% year-over-year in the second quarter of 2020.

During the quarter, the Company continued to make firm progress in deploying its SaaS and subscription-based offering consistently with its strategy. The corresponding ARR (Annual Recurring Revenue) grew from $3.8 million as of December 31, 2019, $6.2 million as of March 31, 2020 to $8.5 million as of June 30, 2020.

The momentum experienced by Verimatrix is further supported by the preference of content distributors to off-load their infrastructure to managed cloud services and subscription model. This transition provides them budgetary and investment flexibility, as it moves "Capex" (capital expenditure) to an "Opex" (operating expense). In the context of the global pandemic, where some companies face investment budget constraints and limitations to accessing their premises due to lock-down policies implemented in many countries, this transition is amplified.

During the second quarter, the Company signed 17 additional subscription deals (compared with 10 in the first quarter). Notably, Verimatrix closed the migration of several of its customers from IPTV on-premise contracts to Verimatrix managed cloud service, which includes support and maintenance, access to the latest version and ability to easily expand their subscribers' base.

As expected, revenue is impacted, in the short term, by the transition of the revenue model from perpetual licenses to subscriptions (both for SaaS and on-premises implementations). It is estimated that approximately $2.5m of revenue in the second quarter 2020 shifted from licenses (that would have been recognized upfront) to subscriptions (to be recognized ratably of the term of the agreement).

During the quarter, the Company closed two significant cross-selling opportunities, bundling Verimatrix application shielding products (from Inside Secure) with the Company's video conditional access products (VCAS) and two significant up-selling opportunities, selling application shielding products to historical VCAS customers.

On top of the structuring consequences of the Company's evolving revenue model, the revenue performance in the quarter was also moderately impacted by the short-term effects of the Covid-19 pandemic, with good resilience overall.

Covid-19 impacted customers' ability to deploy new systems and services as they have been cautious with their capital expenditures and faced limitations to deploy new infrastructure due to lockdown measures. It limited the ability to close new licenses and to a lesser extent generate professional services, which are both down year-on-year. In parallel, with respect to royalties, due to delays in manufacturing of set-top boxes and the delays in shipping due to restrictions and customs delays, volumes in the second quarter were down year-on-year (while royalty collection from OTT customers remained steady in the quarter).

As a consequence of both transition to subscription and SaaS model and Covid-19, non-recurring revenue from licenses and professional services was $8.7 million in the second quarter of 2020, down year-on-year.

First-half 2020 revenue

Revenue for the first half of 2020 was down 12% compared with first-half 2019 on a pro forma basis (accounting for 6 months on Verimatrix, Inc. business in 2019). Revenue in first-half 2019 included $3.5 million revenue from its NFC patent licensing program managed by France Brevets compared with nil in the first half of 2020. Revenue for the core software business was $44.2 million, down 6% vs. first-half 2019.

Recurring revenues from royalties, maintenance and subscription fee were $29.3 million in the first-half of 2020. These recurring revenues grew by 13% year-over-year and stood at 66% of revenue.

It is estimated that during the first half of 2020, approximately $4 million perpetual licenses shifted to multi-year subscription agreements, thus impacting immediate revenue recognition but generating long-term recurring revenue for the company.

From gross profit to net income

(in thousands of US$)	H1 2020 (adjusted, reported)	H1 2019 (adjusted, pro forma)
Revenue	44 170	50 418
Gross profit	**37 037**	**40 427**
As a % of revenue	*83,9%*	*80,2%*
Research and development expenses	(11 525)	(12 801)
Selling and marketing expenses	(12 584)	(12 460)
General and administrative expenses	(7 587)	(10 438)
Other gains / (losses), net	(119)	(299)
Total adjusted operating expenses	**(31 815)**	**(35 999)**
Operating Income	**5 222**	**4 428**
EBITDA	**7 393**	**7 229**

Adjusted gross profit

Adjusted gross profit for first-half 2020 was $37.0 million, compared with $40.4 million in first-half 2019 (on a pro forma basis).

Excluding the contribution of the Company's NFC licensing program, core business adjusted gross profit was slightly down at $37.3 million compared with 38.3 million for first-half 2019. Increase in gross margin to 84.5% in first-half 2020 (vs. 81.6% in first-half 2019) thanks to tighter cost management almost balanced the 5% decrease in revenue year-on-year.

Adjusted operating expenses

Operating expenses decreased from $36.0 million for the first half of 2019 (on a pro forma basis) to $31.8 million for the first half of 2020 as:

- Verimatrix reaped as expected the benefits from the cost synergies plan implemented in the second quarter of 2019 in the context of the integration of Verimatrix, Inc.;
- the Company benefited from cost savings as a consequence of lockdown measures worldwide (practically no travel expense, physical trade shows cancelled, some internal project delayed to due lock down measures) and more generally tighter control of expense.

Nevertheless, during the first half of 2020 the Company did not proceed to lay-off nor implement partial unemployment as a consequence of Covid-19 pandemic. The company kept on investing in innovation, sales and marketing to address markets which long term potential remains intact despite short-term challenges.

Adjusted operating income and EBITDA

Adjusted operating income for the first half of 2020 was $5.2 million, representing 12% of revenue compared with $4.4 million in first-half 2019. Excluding contribution of the NFC patent licensing program which had generated $2.1 million in operating income in first-half 2019, adjusted operating income increase by 110% year-over-year.

EBITDA for the first half of 2020 was $7.4 million, representing 17% of revenue. Excluding contribution of the NFC patent licensing program wich had generated $2.3 million in EBITDA in first-half 2019, EBITDA of core software business ($7.7 million i.e. 17.4% of revenue) increased by 54% year-on-year, since lower operating expenses more than offset the slight decrease in gross profit.

Strong improvement of IFRS operating and net income

(in thousands of US$)	H1 2020	H1 2019
Adjusted operating income	**5 222**	**9 484**
Fair value adjustment on deferred revenue (Item without cash impact)	-	(1 049)
Amortization and depreciation of assets acquired through business combinations (Items without cash impact)	(2 543)	(1 968)
Acquisition related expenses	(75)	(2 762)
Non recurring costs related to restructurations	(30)	(10 661)
Share based payments	(225)	(490)
Operating income/(loss)	**2 349**	**(7 447)**
Finance income/(loss), net	(3 906)	(1 957)
Income tax expenses	(209)	226
Net income/(loss) from continuing operations (i)	**(1 766)**	**(9 178)**
Net income/(loss) from discontinued operations (ii)	**(157)**	**3 617**
Net income/(loss) (i) + (ii)	**(1 923)**	**(5 561)**

First-half 2019 includes Verimatrix, Inc. for 4 months, compared with 6 months in first-half 2020

Sums may not equal totals due to rounding

Operating income/(loss) from continuing operations

In the first half of 2020, Verimatrix generated a consolidated (IFRS) operating income of $2.3 million, compared to a loss of $7.4 million in first-half 2019 when the company incurred significant one-off expenses in relation with the acquisition of Verimatrix, Inc., the implementation of the cost synergies plan and the restructuring related to the integration of the combined businesses.

Finance income, net

Net financial expense was $3.9 million in the first half of 2020, mainly driven by the interest expense of the $44 million loan related to the financing of Verimatrix acquisition in February 2019 (bullet loan note due 2026) for $2.2 million and of the convertible bonds (“OCEANE”) due 2022 for $0.5 million.

Net income/(loss) from continuing operations

In the first half of 2020, continuing operations generated a net loss (IFRS) of $1.8 million against a net loss of $9.2 million in the first half of 2019. Strong increase in net income is explained by a combination of operating leverage and marginal one-off expenses in 2020 compared with 2019.

Net income/(loss)

In the first half of 2020, the Company generated a consolidated net loss (IFRS) of $1.9 million against a net loss of $5.6 million in the first half of 2019. It is derived from the net loss for the continuing operations for $1.0 million, and a net loss of $0.2 million from discontinued operations (net follow-up expenses from the Silicon IP business unit sold to Rambus in December 2019).

2. Financial position

(in thousands of $)	H1 2020	H1 2019
Cash generated by / (used in) continuing operations before changes in working capital	6 651	3 420
Cash generated by / (used in) changes in working capital from continuing operations	(5 826)	(13 741)
Cash generated by / (used in) continuing operations	**826**	**(10 321)**
Cash generated by / (used in) discontinued operations	**(157)**	**413**
Taxes paid	(720)	(1 639)
Interests paid	(3 854)	(416)
Net cash generated by / (used in) operating activities	**(3 904)**	**(11 963)**
Cash flows used in investing activities, net	(2 383)	(129 762)
Cash flows from financing of discontinued activites, net	-	(178)
Cash flows from / (used in) financing activities, net	(1 227)	108 561
Net increase / (decrease) in cash and cash equivalents	**(7 514)**	**(33 341)**
Cash and cash equivalents at beginning of the period	53 975	47 381
Foreign exchange impact	(11)	58
Cash and cash equivalents at end of the period	**46 450**	**14 098**

Liquidity

As of June 30, 2020, the company's consolidated cash position was $46.5 million, compared with $14.1 million at June 30, 2019 and $54.0 million at December 31, 2019.

Verimatrix has a solid financial position to face the consequences of the Covid-19 epidemic. The Company's financial debt matures in July 2022 (EUR 16 million "OCEANE" convertible bonds) and February 2026 ($44 million bullet private loan).

Net debt stood at $11.3 million at June 30, 2020, compared with $52.5 million at June 30, 2019 and $3.4 million at December 31, 2019. Net debt is a non-IFRS measure defined by Verimatrix 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 due 2022 (see reconciliation with IFRS in Appendix 3 hereof).

Cash flows

Cash position decreased by $7.5 million in the first-half of 2020, consistent with the Company's business seasonality. Historically, Verimatrix generates most of its operating cash flows in the second part of the calendar year. Operating cash flow was balanced by change in working capital, interest expense, income tax, capital investments and repayment of lease obligations.

Cash collection from customers did not show a slow down during the period and the Company did not experience default of payment, even if the company remains vigilant in the context of Covid-19.

Operating activities of continuing operations before changes in working capital generated $6.7 million of cash flow in the first-half of 2020, compared with $3.4 million in the first half of 2019. Changes in working capital used $5.8 million, primarily due to seasonality (typically significant annual payments are made in the first quarter of the year).

Overall, operating activities generated $0.8 million of operating cash flows in the first-half of 2020. They are not comparable to 2019 which was impacted by the integration of Verimatrix, Inc., consolidated starting March 1, 2019.

Interest expense and income tax used respectively $3.9m and $0.7 million in the first half-2020.

Investing activities used $2.4 million, including capitalized R&D for $1.4 million.

3. Business outlook

On the back of first-half 2020 results, Verimatrix remains confident on the resilience of its business and focused on executing its strategy, and, in particular:

- take benefit from the momentum created by the unprecedented demand for remote access, cloud services and content worldwide, requiring simple, scalable, standardized and secure content protection solutions and leverage the Company's expertise and foothold; the company believes that this momentum is boosted by the consequences of the Covid-19 pandemic;
- grow recurring revenues, in particular the subscription business leveraging both its on-premise and SaaS solutions and, as a consequence, grow the Annual Recurring Revenue ("ARR");
- develop the code and application protection solutions business, through product development and increased marketing presence, in particular at a time when cyberattacks are spreading;
- increase cross-selling and up-selling revenue synergies (starting with existing Verimatrix, Inc. VCAS customers signing up to former Inside Secure Code Protection and ProtectMyApp solutions to protect their mobile streaming applications).
- Maintain tight control of expense to preserve profitability and cash flow while investing in products and services and market presence to address markets which long term potential remains intact.

As a reminder, the previous 2020 and 2021 objectives[5] had been suspended last quarter. As the evolution of the Covid-19 crisis remain uncertain at this stage with still limited visibility, it is too early to translate the above strategic roadmap into new objectives and objectives communicated earlier in the year remain suspended.

Live webcast/Conference call

Verimatrix hold an audio webcast conference today July 29 at 6 pm CET (Paris) to comment first-half 2020 results. A live webcast of the conference call will be accessible using the following link: https://channel.royalcast.com/webcast/verimatrix/20200729_1/. The presentation will be available online prior to the conference call on the homepage of Verimatrix's investor website www.verimatrix-finance.com.

The call will also be accessible by dial-in on one of the following numbers: France +33 (0) 1 7099 4740; UK +44 (0) 20 3003 2666; USA +1 212 999 6659; Password: Verimatrix

The replay of the event will be available using the following link: https://channel.royalcast.com/webcast/verimatrix/20200729_1/ or, directly from the Verimatrix website www.verimatrix-finance.com.

Financial calendar

- Third-quarter 2020 revenue: October 22, 2020

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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. To learn more, visit www.verimatrix.com.

[5] On March 4, 2020, the Company communicated the following objectives: (i) In 2020, the Company shall deliver high-single digit core business revenue growth while getting the full benefit of its cost synergy plan to generate an EBITDA margin in a range of 23% to 25% of revenue; (ii) for 2021, the Company targets core business revenue of $125 million and EBITDA margin of 26% of revenue.

Basis of preparation

Inside Secure (renamed Verimatrix following shareholders' vote on June 24, 2019) completed the acquisition of Verimatrix, Inc, on February 28, 2019.

Verimatrix (the "Company") has prepared its results in accordance with IFRS (which accounted for 4 months of activity of Verimatrix, Inc. in first-half 2019, compared to 6 months in 2020). Comments on IFRS results for the first half of 2020 compared with IFRS results for the first-half of 2019 - from revenue to operating income - are presented in Appendix 1 hereof and IFRS consolidated income statement, balance sheet and cash flow statement are presented in Appendix 2.

The Company has also prepared unaudited pro forma results as if the acquisition of Verimatrix, Inc. had been completed on January 1st 2019 to enable comparison with 2020. Pro forma are deemed "adjusted" compared with IFRS since, consistent with the Company's prior financial communications, they exclude (i) non-recurring adjustments on revenue due to purchase accounting (deferred revenue), (ii) the 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. Definitions of adjusted measures are provided in Appendix 3 hereof.

On December 6, 2019, the Company completed the sale of its Silicon IP business unit to Rambus Inc. (NASDAQ: RMBS) in an all-cash transaction. Since the Silicon IP business unit was a separate major line of business within the meaning of IFRS 5, the revenue and results of this activity have been isolated on a separated line item of the consolidated income statement "*Net income from discontinued operations*" both for 2019 and 2020. Silicon IP business unit revenue and results are excluded from the adjusted performance indicators.

Supplementary non-IFRS financial information

Some financial measures and performance indicators used in the press release are presented on an adjusted basis. They are defined in Appendix 3 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 2 hereof. The definitions of adjusted financial measures are presented in Appendix 3 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. For a more detailed description of these risks and uncertainties, please refer to the "Risk factors" section of the 2019 universal registration document filed with the French financial market authority (the Autorité des marchés financiers – the "AMF") on May 11, 2020, available on www.verimatrix-finance.com.

Appendix 1 - IFRS first-half 2020 financial results

Q2 2020 and H1 2020 consolidated revenue

In the second quarter of 2019, consolidated revenue was $24.2 million, down 9% compared with 2019, primarily due to the transition to SaaS and subscription model and to a lesser extent to business consequences of Covid-19.

In the first half of 2020, consolidated revenue was $44.2 million as compared to $42.5 million in the first half of 2019, driven primarily by the addition of the Verimatrix business (which accounted for 4 months of Verimatrix, Inc. activity in first-half 2019 consolidated revenue).

Gross Profit

Gross profit for the first half of 2020 was $36.1 million, compared with $35.5 million in the first half of 2019, primarily due to the incremental revenue from Verimatrix business, consolidated starting March 1, 2019.

Gross margin decreased from 83.5% in the first half of 2019 to 81.8% in the first half of 2020 mainly due to product-mix.

Operating expenses

Operating expenses decreased from $42.9 million in the first half of 2019 to $33.8 million in the first half of 2020 as the company incurred one-off acquisition and restructuring charges in 2019 and in 2020 benefited fully from the cost synergy plan implemented in the second quarter of 2020.

Appendix 2 – Consolidated income statement, balance sheet and cash flow statement (IFRS)

The following tables are an integral part of the condensed consolidated financial statements prepared in accordance with IFRS.

Consolidated income statement

(In thousands of US$)	First-half 2020	First-half 2019
Revenue	**44 170**	**42 499**
Cost of sales	(8 042)	(7 023)
Gross profit	**36 128**	**35 476**
Research and development expenses	(12 421)	(11 801)
Selling and marketing expenses	(13 696)	(11 865)
General and administrative expenses	(7 680)	(5 805)
Other gains / (losses), net	18	(13 452)
Operating profit (loss)	**2 349**	**(7 447)**
Cost of financial debt, net	(3 561)	(2 397)
Other financial income/(loss), net	(345)	440
Profit (loss) before income tax	**(1 557)**	**(9 404)**
Income tax expenses	(209)	226
Net income/(loss) from continuing operations (i)	**(1 766)**	**(9 178)**
Net income/(loss) from discontinued operations (ii)	(157)	3 617
Net income/(loss) (i) + (ii)	**(1 923)**	**(5 561)**

Consolidated balance sheet

Assets

(In thousands of US$)	June 30, 2020	December 31, 2019
Goodwill	115 252	115 239
Intangible assets	20 796	21 637
Property and equipment	14 108	15 491
Other receivables	20 718	18 682
Non-current assets	**170 875**	**171 049**
Inventories	556	440
Trade receivables	32 482	36 731
Other receivables	13 860	13 707
Derivative financial instruments	139	89
Cash and cash equivalents	46 450	53 975
Current assets	**93 487**	**104 942**
Total assets	**264 362**	**275 992**

Equity and liabilities

(In thousands of US$)	June 30, 2020	December 31, 2019
Ordinary shares	41 253	41 252
Share premium	266 952	266 952
Retained earnings	(151 533)	(179 041)
Income / (loss) for the period	(1 924)	27 254
Equity attributable to equity holders of the Company	**154 748**	**156 417**
Non-controlling interests	-	-
Total equity	**154 748**	**156 417**
Borrowings	55 803	56 626
Convertible bonds	15 431	14 936
Derivative financial instruments	1 994	1 626
Provisions	763	859
Deferred tax liabilities	1 313	2 209
Non-current liabilities	**75 305**	**76 256**
Borrowings	2 061	2 042
Trade payables	5 447	8 179
Other liabilities	12 722	16 679
Financial instruments	38	26
Provisions	1 475	1 530
Unearned revenues	12 565	14 863
Current liabilities	**34 309**	**43 319**
Total liabilities	**109 613**	**119 575**
Total equity and liabilities	**264 362**	**275 992**

Consolidated cash flow statement

(In thousands of US$)	June 30, 2020	June 30, 2019
Income / (loss) for the period	**(1 766)**	**(9 178)**
Non cash income statement items from continuing activities	8 419	12 598
Changes in working capital from continuing operations	(5 827)	(13 741)
Changes in working capital from discontinued operations	-	(2 398)
Cash generated by / (used in) discontinued operations	(157)	2 811
Cash generated by / (used in) operating activities	**669**	**(9 908)**
Taxes paid	(720)	(1 639)
Interests paid	(3 854)	(416)
Net cash generated by / (used in) operating activities	**(3 904)**	**(11 963)**
Acquisition of Verimatrix, net of transferred cash	-	(129 122)
Purchases of property and equipment	(192)	(169)
Purchases of intangible assets	(2 191)	(471)
Cash flows from investing activities	**(2 383)**	**(129 762)**
Proceeds from issuance of ordinary shares, net of issuance costs	-	57 808
Proceeds from loans	-	51 492
Loan repayments	(59)	(57)
Reimbursement of lease commitments under IFRS16	(1 168)	(682)
Cash flows from financing activites discontinued operations, net	-	(178)
Cash flows from financing activities	**(1 227)**	**108 383**
Effect of exchange rate fluctuation	(11)	58
Net increase in cash and cash equivalents	**(7 525)**	**(33 283)**
Cash and cash equivalents at beginning of the period	**53 975**	47 381
Cash and cash equivalents at end of the period	**46 450**	**14 098**

Appendix 3 - Non-GAAP measures - 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 revenue is defined as revenue before non-recurring adjustments related to business combinations (deferred revenue). It enables comparable revenues for 2019 and 2020.

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.

Net debt reconciliation

(in thousands of US$)	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents	46 450	53 975	14 098
Private loan due 2026	(42 307)	(42 123)	(51 624)
Convertible bonds due 2022 (OCEANE)	(15 431)	(14 936)	(14 593)
Other loans	(55)	(267)	(371)
Net cash/(debt)	**(11 343)**	**(3 351)**	**(52 490)**
Financial lease commitments under IFRS16	(15 505)	(16 278)	(8 653)
Net cash/(debt) including IFRS 16	**(26 848)**	**(19 629)**	**(61 143)**