



Verimatrix Announces Q1 2021 Revenue

- \$20.1 million consolidated revenue, stable year-on-year, driven by new licenses and on-going positive momentum on subscription-based and SaaS business
- Subscription revenue up 23% year-on-year, now representing 7% of total revenue
- Annual Recurring Revenue¹ of subscription up 56% year-on-year to \$9.7 million
- Strong license revenue (up 41% year-over-year) included a portion of delayed Q4 2020 orders
- Company on track to achieve annual objectives

Aix-en-Provence, France and San Diego, USA, April 28, 2021 – Verimatrix (Euronext Paris: VMX), is today reporting its consolidated (IFRS) revenue for the first quarter period ended March 31, 2021.

(in US\$ million)	Q1-2021	Q1-2020	Q1 2021 vs. Q1 2020
Recurring revenue	11.4	13.9	-18%
<i>of which subscriptions</i>	1.4	1.1	23%
Non-recurring revenue	8.7	6.1	41%
Total revenue	20.1	20.0	0%
Annual Recurring Revenue¹ (end of period)	9.7	6.2	56%

Commenting on the first quarter, Amedeo D'Angelo, Chairman and Chief Executive Officer of Verimatrix, stated: *"In the first quarter of 2021, Verimatrix delivered stable revenue despite headwinds in royalties in the context of Covid-19 and the short-term impact of the transition to our subscription business including for SaaS implementations. During the quarter, we saw good momentum in signing new licenses in general and were able to regain part of the new licenses that had been delayed in the fourth quarter of 2020 in particular. Although the context remains volatile, we see it improving for our customers, giving us the confidence that we are well on track to achieve our annual objectives. At the same time, we continue to expand our Cloud-based offerings, as exemplified with the release of the Verimatrix Multi-DRM Core service earlier in April 2021."*

First quarter 2021 revenue

Verimatrix revenue was \$20.1 million in the first quarter of 2021, stable overall year-on-year.

During the quarter Verimatrix saw a steady flow of business for its conditional access solutions, in particular its VCAS broadcast security for on-premise implementation. The Company also commercially launched six customers on the new Multi-DRM Core cloud native solution which provides a customizable and scalable Digital Rights Management solution with unmatched onboarding speed and security for streaming OTT² providers.

The Company also demonstrated further the multi-market reach of its Application Shielding product line in the quarter by winning new customers across the Mobile Payment, Media & Entertainment and Automotive markets.

Recurring revenues from royalties, maintenance and subscription fees were \$11.4 million in the first quarter of 2021 (57% of total revenue). These recurring revenues are down year-over-year due to weak royalty collection from set-top boxes makers in the context of on-going Covid-19 supply-chain and

¹ Or "ARR". See "Supplementary non-IFRS financial information" at the end of the press release.

² Over-the-top (OTT) is a media distribution mode where media service is offered directly to viewers via the Internet. OTT bypasses cable, broadcast, and satellite television platforms, which traditionally act as controllers or distributors of such content.

component shortages and retail challenges in certain regions (Latin America notably). However, subscription revenue continued to increase, up 23% vs. Q1 2020, at \$1.4million, a progression underpinned by a growing demand for Verimatrix technology.

The Company continued to experience good momentum on subscription-based and SaaS business by signing six new subscription and SaaS contracts during the quarter for a total contract value (TCV) of \$2.8 million (up 100% year-over-year). The ARR (Annual Recurring Revenue) of subscription increased by 56% year-over-year to \$9.7 million as of March 31, 2021.

Revenue from software licenses and non-recurring services was \$8.7 million in the first quarter of 2021, up 41% year-over-year. During the quarter, the Company was able to regain part of the licence orders which had been delayed in the fourth quarter of 2020.

Also, Verimatrix signed new term-license deals with existing customers converting them from a yearly maintenance-only relationship with perpetual license ownership to a multiyear license agreement delivering new versions of its conditional access and DRM software. The aim is to move them to a subscription-based contract at the renewal of their new licenses. This transition will ultimately increase ARR and continue to improve the Company's revenue mix.

Other events of the period

On March 23, 2021, the Company reimbursed voluntarily by anticipation and without penalty \$15 million of its unitranche debt financing using part of its own cash. Debt outstanding due 2026 is now \$29 million. Verimatrix is working on refinancing it in the second quarter of 2021, with the objective of further lowering the interest expense. As of March 31, 2021, cash position was \$26.1 million.

Business outlook and 2021 objectives

The Company remains focused on executing its strategy to support the streaming OTT market poised for significant growth, expanding its application shielding business, accelerating shielding product sales to media customers in particular, and gaining market share on video conditional access while supporting continued growth of the SaaS subscription business.

Verimatrix confirms its objectives to deliver a mid-single digit core business revenue growth in 2021 year over year and globally flat EBITDA compared with 2019³. It also confirms its objective of double digit growth of recurring revenues, driven primarily by on-going growth of subscriptions, and pick-up of royalties in the coming quarters.

Live webcast/Conference call

Verimatrix CEO and CFO will hold an audio webcast conference today April 28 at 6pm CET (Paris) to comment on the first quarter 2021 revenue. A live webcast of the conference call will be accessible using the following link: https://channel.royalcast.com/landingpage/verimatrix/20210428_1/

The presentation will be available online prior to the conference call on the investor section of Verimatrix website: investors.verimatrix.com. The call will also be accessible by dial-in on one of the following numbers: France: +33 (0) 1 7037 7166; UK +44 (0) 33 0551 0200; USA +1 212 999 6659; Password: Verimatrix. The replay of the event will be available using the following link:

https://channel.royalcast.com/landingpage/verimatrix/20210428_1/ or, directly from the Verimatrix website at investors.verimatrix.com

Financial calendar

- Filing and communication of the 2020 universal registration document (including the annual financial report and the management report to the annual general shareholders' meeting): April 30, 2021;
- Annual general shareholders' meeting: June 10, 2021;
- First-half 2021 earnings: July 29, 2021 (after market).

³ As explained in March 2021, the combination of investments to fuel the growth subscription and SaaS business and a strong euro against the US dollar are expected to weigh on the earnings. These objectives assume in particular a foreign exchange rate of 1.235 \$ for 1 € and no revenue from the non-core NFC patent licensing program nor any acquisitions of businesses or companies. Revenue objectives for 2021 should be read taking into account this gradual shift in revenue mix and profile, which implies lower level of revenues recognized in the short term but more sustainable subscription-based levels on the longer term.

Investor and media contacts

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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: <https://www.verimatrix.com>

Supplementary non-IFRS financial information

Some financial measures and performance indicators used in the press release are presented on an adjusted basis. 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.

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) 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.

Verimatrix also uses subscription-economy metrics as they are useful for measuring business momentum and prediction of future growth.

Annual Recurring Revenue, or ARR, is the value of the recurring revenue of a business's term subscriptions normalized for a single 12-month. It is calculated by dividing the Total Contract Value by the number of relative years of the contract; it corresponds to the revenue that will be recognized on average over a forward 12-month period. Total Contract Value, or TCV, is the total of all fees payable by the customer over the committed, fixed term of a customer contract.

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 investors.verimatrix.com.