Verimatrix announces Q1 2022 revenue

- **Double-digit growth in subscription-based[1] revenue and ARR, consistent with the revenue model transition**
- **Near-stabilization of maintenance revenue vs. previous quarters**
- **Decrease in non-recurring revenue in a particularly challenging context**

Aix-en-Provence, France and San Diego, USA, April 28, 2022 – Verimatrix (Euronext Paris: VMX), reports its revenue for the first quarter period ended March 31, 2021.

(in US$ million)	Q1-2022	Q1-2021	Q1 2022 vs. Q1 2021
Recurring revenue	**6,2**	**6,6**	**-6%**
of which subscriptions	*1,6*	*1,4*	12%
of which maintenance	*4,6*	*5,2*	-11%
Non-recurring revenue	**6,5**	**13,4**	**-51%**
Total revenue	**12,7**	**20,1**	**-37%**
Annual Recurring Revenue[1] (end of period)	**27,0**	**26,0**	**4%**
of which subscriptions	7,8	5,6	39%
of which maintenance	19,2	20,4	-6%

Note: since Q2 2021, royalty revenue has been reclassified as non-recurring revenue, as opposed to recurring revenue prior to Q2 2021. As a consequence, Q1 2021 figures may not match with those previously released.

Amedeo d'Angelo, chairman and chief executive officer of Verimatrix, commented on the release: *"With these first-quarter numbers, we're seeing contrast in our performance. On one hand, there is much cause for satisfaction: 12% and 39% growth in subscription-based revenue and ARR respectively, along with the near-stabilization of maintenance revenue to $4.6 million. And on the other hand, a decrease in non-recurring revenue above our expectations – although it is a delineated situation we can expect to progressively resolve as we further our transition to a recurring revenue model. Overall, while there is still much road to be travelled, most indicators are encouraging signs that Verimatrix can successfully complete its transition and achieve its objective for 2022 and beyond."*

[1] Includes SaaS and non-SaaS subscription revenue

First-quarter revenue 2022

Over the period, Verimatrix recorded total revenue of $12.7 million (vs. $20.1 million the year before), driven by double-digit growth in subscriptions, near-stabilization in maintenance, and a non-recurring revenue decrease above that expected.

Recurring revenue

Thanks to continued momentum of its subscription-based offer, in particular with the ramp-up of recently launched products, Threat Defense and Streamkeeper, recurring revenue from subscriptions rose 12% to $1.6 million, vs. $1.4 million in the same period in 2021. It accounted for close to 13% of total revenue over the period, vs. 7% the year before.

Maintenance revenue reached $4.6 million in Q1 2022, down 11% year-on-year, but well on its way to stabilization if compared sequentially - $4.7 million in Q3 2021 and $5.0 million in Q4 2021 – another encouraging trend favoring the enhanced reliance of Verimatrix on recurring revenue.

Core elements of the new strategic approach, subscriptions and maintenance form the basis for recurring revenue, which amounted to $6.2 million, logically down 6% over the quarter. Together, they represented over half of total revenue, when they accounted for only a third in Q1 2021. As a reminder, the Group had set an objective for over 70% of total revenue to be generated from recurring revenue sources by 2025.

The accelerated transition to the new revenue model is further evidenced by a 39% growth in subscription ARR, underpinning a 4% growth in overall Annual Recurring Revenue (ARR) over the quarter. As at 31 March 2022, ARR stood at $27.0 million, vs. $26.0 million as at the end of Q1 2021.

Non-recurring revenue

Non-recurring revenue fell 51% to $6.5 million, driven mainly by a decrease in perpetual licenses sales. The decrease in licensing is explained by unfavorable base effect – licensing sales had increased 41% in Q1 2021 due to the partial carryover of orders from the previous quarter in particular – a challenging context notably in the Latam region, and impact of the change in commercial approach related to the revenue model transition overall.

Reinforcement of the sales organization

Further advancing on its new strategic orientation, Verimatrix has reinforced its sales structure in order to best adjust it to its new SaaS approach. Over the quarter, it has welcomed two additions to its senior managers: a global Chief Revenue Officer, bringing SaaS transformation expertise, and a Senior Director Global Channels & Alliances overseeing the global channel program and the expansion of the Group's strategic partnership network.

The two new key hires will be instrumental to strengthening sales performance with a laser focus on subscription-based business, therefore further delivering on the transition.

Annual objective maintained

With an encouraging start of the year, underpinned by healthy growth in subscription revenue and ARR, and the positive impacts from the reinforced sales organization and further marketing efforts on Threat Defense and Streamkeeper product launches, all backed by a robust financial structure, Verimatrix approaches the next quarters with confidence and reiterates its objective for the full year, ie. double-digit growth in total recurring revenue.

With execution of the new 2025 strategic plan already well under way, the Group ambition of consolidating its position as a trusted leader for securing content & devices of the connected future is intact.

Financial calendar

- First-half 2022 results: July 28, 2022 (after market)

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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. Visit www.verimatrix.com.

Supplementary non-IFRS financial information

Verimatrix uses performance indicators that are not strictly accounting measures in accordance with IFRS. They are defined in Appendix 1 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 1 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.

Appendix 1 - Supplementary non-IFRS financial information - 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 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.

Annual Recurring Revenue, or **ARR**, corresponds annualized value of all recurring revenues from current contracts at the time of measurement. ARR includes all contract types that are recurring in nature, such as maintenance & support, SaaS and non-SaaS subscriptions, and for which revenue is currently being recognized. The ARR is a rolling number that accumulates over time whereas the Total Contract Value (or TCV) metric also used by the Company, is typically used to measure (new or incremental) sales bookings within a period. The Company computes an ARR for SaaS and non-SaaS subscriptions and another combining subscriptions and maintenance.