Q3 2023 revenue
Continued strong growth in subscription sales

- **Q3 2023 revenue:**
  - **Growth in subscription-based sales (+59%)**
  - **Growth in annualised recurring revenue (ARR) from subscriptions (+54%)**
  - **Decrease in non-recurring revenue, as expected, linked to the decline in perpetual license sales**
- **Revenue for the first nine months of 2023:**
  - **Consolidated revenue stable**
  - **Substantial increase in subscription-based sales (+85%)**
- **2023 guidance confirmed:**
  - **60% growth in recurring revenue from subscriptions**
  - **40% growth in ARR from subscriptions**

Aix-en-Provence, France and San Diego, USA, October 19, 2023 – Verimatrix (Euronext Paris: VMX) is reporting its revenue for third-quarter 2023, ended 30 September 2023.

"The third quarter results bear out our strategy geared towards the systematisation of subscription-based sales and recurring revenue. This strategy has proved a success and promises much for the future growth of VERIMATRIX. Over the period, the Group continued to grow its business portfolio, attesting to the quality and relevance of our products for the cybersecurity market. This is reflected in continued growth in recurring subscription-based revenue, enabling us to maintain our growth targets for 2023," said Amedeo D'Angelo, Executive Chairman of VERIMATRIX.

Jean-François Labadie, Chief Financial Officer will hold an audio webcast today at 6:00pm to discuss the Company's Q3 Revenue

To join the webcast, click on the following link: Webcast - Résultats Verimatrix du CA T3
To join the webcast, audio only, call the following number:
France : +33 (0) 4 88 80 09 30
Password : 333 001 822 #

(in US$ million)	Q3 23	Q3 22	Chg.	YTD 23	YTD 22	Chg.
Recurring revenue	**8.0**	**6.8**	**16.8%**	**23.0**	**19.1**	**20.1%**
of which subscriptions	*3.6*	*2.2*	*59.4%*	*10.1*	*5.4*	*85.1%*
of which maintenance	*4.4*	*4.6*	*-3.9%*	*12.9*	*13.7*	*-5.7%*
Non-recurring revenue	**6.0**	**9.2**	**-34.6%**	**21.6**	**25.8**	**-16.2%**
Total revenue	**14.0**	**16.0**	**-12.7%**	**44.6**	**44.9**	**-0.7%**
ARR				**29.9**	**26.5**	**12.8%**
of which subscriptions				*13.9*	*9.0*	*54.4%*
of which maintenance				*16.0*	*17.5*	*-8.6%*

Q3 2023 revenue

VERIMATRIX posted consolidated revenue of $14 million in Q3 2023, compared with $16 million in Q3 2022, down 12.7%. The company posted strong growth in revenue from subscriptions, on which the sales teams are currently fully focused. However, this level of activity includes the planned and structural decline in non-recurring revenue corresponding to perpetual licence sales and royalties on the production of set-top boxes.

- **Recurring revenue**

Recurring revenue came out at $8 million overall in Q3 2023, up 16.8% from Q3 2022. This growth was driven by the continued increase in subscriptions as well as a limited decrease in maintenance-based revenue.

Subscription sales grew 59.4% in Q3 2023 to $3.57 million, compared with $2.24 million in Q3 2022. Annualised revenue (ARR) from subscriptions increased 54.4% to $13.9 million. ARR has risen in steady and linear fashion over the last nine quarters, driven by the activation of new customers in the last few quarters.

Maintenance-based revenue dipped 3.9% to $4.43 million from $4.61 million in Q3 2022. Having slowed slightly over the past three quarters, annualised revenue from maintenance totalled $16 million in Q3 2023, compared with $17.5 million in Q3 2022. The decrease in maintenance sales was fully expected by the Group as they are linked to non-recurring revenue.

- **Non-recurring revenue**

Non-recurring revenue amounted to $6 million in Q3 2023, down 34.6% from Q3 2022. The performance resulted primarily from fewer royalties from set-top boxes, the production of which is currently at a low level. Perpetual license sales were also down over the quarter, consistent with the Group's strategy to transform the business model in favour of embedded recurring revenue and to the detriment of one-off license sales.

Nine-month revenue

VERIMATRIX posted stable growth of $44.6 million in the first nine months of the year, down 0.7%.

Recurring revenue growth was driven by subscription-based sales, which rose 85.1% over the period to $10.07 million. Despite the slight decrease in maintenance revenue (-5.7% to $12.93 million), recurring revenue increased 20.1% to $23 million.

Non-recurring revenue for the first 9 months fell 16.2% to $21.6 million. The decline in fees on set-top boxes over the period has adversely impacted non-recurring revenues since the beginning of the year and has not been fully offset by perpetual license sales.

For the year as a whole, the Group's sales momentum is in line with its development objectives, i.e. growth in revenue and ARR from subscriptions and growth in total recurring revenue. A number of deals were activated during the period. Major contracts since the beginning of the year include those with Swisscom, Little Cinema Digital, Telus, Agama, GTPL Hathway, United Cloud and Scalstrm. VERIMATRIX recently won "Best Security Solution of the Year for Application Protection" at the Cybersecurity Breakthrough Awards. VERIMATRIX was also ranked as a technology leader in the 2023 SPARK Matrix™: In-App Protection report by Quadrant Knowledge Solutions.

Annual growth targets confirmed

The Group is confident for the rest of the financial year, largely thanks to its solid financial structure and revenue-generating business model. Following a third quarter in line with the Group's forecasts, with a positive performance on recurring revenue and strong growth in subscription-based revenue, VERIMATRIX is confirming its growth targets for 2023.

Given the decrease in royalties – the impact of which may linger in the coming months – and based on a normal level of perpetual license sales, VERIMATRIX expects overall revenue to be stable for full-year 2023.

The Group expects subscription-based recurring revenue to grow 60% and subscription-based ARR to grow 40%. VERIMATRIX is forecasting double-digit growth in recurring revenue, from subscriptions and maintenance alike, for the financial year as a whole.

Investor and media contacts

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About VERIMATRIX

VERIMATRIX (Euronext Paris: VMX) helps make today's connected world safer by offering user-centred security solutions. VERIMATRIX protects digital content, applications and devices with intuitive, people-centred and frictionless security. Leading brands turn to VERIMATRIX to protect their content, from premium films and live-streaming sports to sensitive financial and medical data and mission-critical mobile applications. We enable the trusted connections our customers depend on to deliver quality content and services to millions of consumers around the world. VERIMATRIX helps partners get to market faster, scale easily, protect valuable revenue streams, and win new business. For more information, visit www.verimatrix.com.

Supplementary non-IFRS financial information

In this press release, VERIMATRIX uses financial aggregates and performance indicators which are not accounting metrics strictly defined by IFRS standards. They are defined in Appendix 2 of this press release. They must be considered supplemental information which is not a substitute for any operational and financial metric of a strictly accounting nature, as presented in the company's consolidated financial statements, particularly in the profit and loss statement contained in Appendix 1 of this press release.

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 metrics are defined below. These indicators are not aggregates defined under IFRS and do not constitute accounting metrics used to measure the company's financial performance. They must be considered supplemental information which is not a substitute for any operational and financial metric of a strictly accounting nature, as presented in the company's consolidated financial statements and accompanying notes. The company uses these indicators because it believes they are relevant measures of its current operating profitability and operating cash flow generation. Although generally used by companies in the same sector around the world, these indicators may not be strictly comparable to those of other companies as they may be defined or calculated differently even though similarly labelled.

Adjusted gross profit is defined as gross profit before (i) the amortisation of intangible assets related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expenses and (iv) non-recurring costs associated with restructuring and acquisitions and disposals carried out by the company.

Adjusted operating profit is defined as operating profit before (i) the amortisation of intangible assets related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expenses and (iv) non-recurring costs associated with restructuring and acquisitions and disposals carried out by the company.

EBITDA is defined as adjusted operating profit before depreciation, amortisation and impairment expenses not related to business combinations.

Annual recurring revenue (ARR) corresponds to the annualised value of all recurring revenue from contracts in place at the time of measurement. ARR includes all types of contracts that generate recurring revenue and for which revenue is currently recognised. ARR is a rolling number that accumulates over time whereas the total contract value (TCV) metric also used by the company is typically used to measure (new or incremental) orders made within a period. The company computes an ARR for SaaS and non-SaaS subscriptions and ARR combining subscriptions and maintenance.