



## Inside Secure announces Q3 2017 revenue

- **\$11.4 million: Q3 2017 revenue**
- **+296%: growth in license revenue in Q3 2017 vs. Q3 2016 to \$2.7 million**
- **\$26.1 million: 9 months 2017 revenue**
- **+24%: year-on-year growth of core secure software and silicon IP business revenue for the first 9 months of 2017 excluding contribution of a U.S. customer driving significant royalties**
- **Completed acquisition of Meontrust, providing strong authentication technology and presence in security-as-a-service market**
- **2017 objective reiterated: continued profitability while investing in sustainable growth on software and silicon intellectual property**

**Aix-en-Provence, France, October 20, 2017 – Inside Secure** (Euronext Paris: INSD), at the heart of security solutions for mobile and connected devices, is today reporting its revenue<sup>1</sup> for the third quarter period ended September 30, 2017.

(in thousands of US\$)	Q3-2017	Q3-2016	Q2-2017	Q3-2017 vs. Q3-2016	Q3-2017 vs. Q2-2017	9-month 2017	9-month 2016	2017 vs. 2016
Licences	2 717	686	2 040	296%	33%	6 940	3 720	87%
Royalties	7 136	10 084	4 164	-29%	71%	14 715	18 178	-19%
Maintenance, development agreements, and other	1 519	1 144	1 551	33%	-2%	4 417	3 847	15%
<b>Total revenue from software and silicon IP</b>	<b>11 373</b>	<b>11 913</b>	<b>7 755</b>	<b>-5%</b>	<b>47%</b>	<b>26 072</b>	<b>25 745</b>	<b>1%</b>
Unallocated (*)	-	-	-	-	-	-	13 867	-
<b>Total</b>	<b>11 373</b>	<b>11 913</b>	<b>7 755</b>	<b>-5%</b>	<b>47%</b>	<b>26 072</b>	<b>39 612</b>	<b>-34%</b>

(\*) unallocated amounts correspond mainly to non-recurring NFC patent license revenue

Commenting on these results, Amedeo D'Angelo, president and chief executive officer of Inside Secure, stated: *"We are very pleased with our strong license revenue growth both sequentially and year-on-year, reaping the benefit of investing in sales development, up-selling our customers while leveraging strong market dynamics in most segments.*

*At the same time, we continued to leverage our expertise in enabling our customers to embed security at the heart of their products to seed future growth, notably in silicon IP to help customers bring security to the growing IoT and automotive markets, as illustrated by our partnership with Toshiba in Japan.*

*Thanks to the successful convertible bond issue completed in September, we have the flexibility to accelerate the execution of our strategy through selective acquisitions to strengthen our solutions, as seen with the acquisition of Meontrust in strong authentication.*

*All in all, we remain focused on delivering continued profitability while investing in sustainable growth on software and silicon intellectual property."*

<sup>1</sup> Consolidated revenue prepared in accordance with IFRS

### Q3 2017 revenue

Revenue in Q3 2017 was \$11.4 million, up 47 percent compared with the second quarter of 2017 and down by 5 percent from the third quarter of 2016 when the Company benefited from exceptionally high royalties, in particular from a historical U.S. customer of silicon IP technology in the defence industry.

License revenue in Q3 2017 was \$2.7 million, up 33 percent compared with second quarter of 2017 and up 296 percent compared with third quarter 2016. This quarter, the Company has continued to reap the benefit of investing in sales development, up-selling its customers, while leveraging strong market dynamics in most segments.

During the quarter, Inside Secure continued to close new design wins both on networking, IoT and automotive markets. On network security, its high-performance MACsec products, enabling data confidentiality and integrity while drastically limiting latency in encryption/decryption, saw continued traction, indicating a growing maturity in the market as MACsec chips are progressively incorporated into networking equipment.

Inside Secure's silicon IP root of trust<sup>2</sup> is also gaining momentum as devices shrink in markets like IoT with security embedded early in general purpose chips, as seen in Japan through the partnership with Toshiba, and, in automotive, where security starts to be embedded directly into chips going into connected cars.

On content protection, the Company has continued to expand its core protection solution to virtual reality use cases. As an example, Inside Secure closed a license to an existing smartphone maker customer, to be used to protect games developed on Android and available on its smartphones.

In the mobile banking and payment market, the Company notably expanded in Latin America, through its HCE mobile payment software solution. The Company also released in October a complete and fully-certified cloud-based mobile payment solution for banks and service providers.

Revenue from maintenance and development agreements in Q3 2017 was \$1.5 million, in line with expectations and the Company's revenue growth.

### 9 months 2017 revenue

Revenue from the core secure software and silicon IP business amounted to \$26.1 million for the nine months of 2017, up one percent compared with 2016. As anticipated, the strong increase in license revenue, and, to a lesser extent, in maintenance and other services, was offset by lower royalty collection following exceptionally high level of royalty revenues in 2016 driven by a U.S. customer in the defence industry. Excluding the contribution of this U.S. customer, year-on-year revenue growth from the core secure software and silicon IP business would have been 24% for the period.

License revenue for the first nine months of 2017, was \$6.9 million, up 87 percent from the previous year, demonstrating strong sales activity and market trends, notably in network equipment, IoT and mobile banking & payment.

Revenue from maintenance and development agreements for the first nine months of 2017 was \$4.4 million, up 15% from the previous year.

In the first nine months of 2017, total revenue of the Company was down compared with 2016 as it did not record any revenue from its NFC patent licensing program, while in 2016, NFC patent revenue amounted to \$13.9 million with three licences signed by France Brevets.

---

<sup>2</sup> Root of trust (or RoT) is the foundation for the trustworthiness of a device or a system. Roots of trust are hardware/software components that are inherently trusted. RoT a set of functions that constitutes a common trust anchor recognized by operating systems and applications of a device. It is ensuring authentication, confidentiality and integrity of data and transactions.

## Acquisition of Meontrust

On August 28, 2017, Inside Secure completed the acquisition of Meontrust, a Finland-based cybersecurity emerging-growth company. Meontrust provides a strong authentication technology and complements Inside Secure's comprehensive solutions in mobile banking & payment and digital content protection.

The integration process is well underway. Inside Secure has already engaged with its banking customers on its expanded portfolio to support the more stringent authentication requirements imposed by PSD2 (Payment Services Directive) and GDPR (General Data Protection Regulation).

## Successful convertible bond issue

On September 5, 2017, Inside Secure successfully completed the fundraising initiated in June for a global amount of €16 million through the issuance of bonds convertible into new shares and/or exchangeable for existing shares ("OCEANE") due in 2022 through a private placement among institutional investors.

This convertible bond issue provides Inside Secure with enhanced financial capacity and flexibility to contemplate additional acquisitions to further enrich the company's security solutions offering while optimizing the cost of financing and the shareholders' dilution.

## Outlook for second-half 2017

In the first nine months of 2017, the Company has achieved significant growth in new licences while revenues from royalties were impacted by a high comparison base. As a reminder, the Company recorded exceptionally high level of revenue from royalties due largely to a historical customer of silicon intellectual property products in the U.S. in the defence industry.

In Q4 2017, the Company expects license revenue to remain strong while revenues from royalties will largely depend on collection from the company's U.S. defence contractor customer of its silicon intellectual property technology.

The Company now anticipates operating expenses between \$16 million to \$16.5 million for the second-half of 2017, as compared with the \$17 million to 17.5 million range communicated in July 2017, as it continues to benefit from savings program, while sustaining investments in sales and in research and development. The Company should therefore sustain profitability<sup>3</sup> in its core security software and technology licensing business<sup>4</sup> on a full-year basis.

Looking further ahead, Inside Secure is well positioned with its products and technology and roadmap, to continue to expand in growing and important areas such as IoT, banking and payment markets while being profitable<sup>4</sup>.

## Financial calendar

Full year 2017 financials: February 22, 2018 (after market close)

## Press and investor contacts

**Inside Secure**  
**Corporate communications**  
Loic Hamon  
EVP, Corporate Development and Communication  
+33 (0) 4 42 905 905  
[communication@insidesecond.com](mailto:communication@insidesecond.com)

**Inside Secure**  
**Investor relations**  
Richard Vacher Detournière  
General Manager & CFO  
+33 (0) 4 42 905 905  
[contactinvestisseurs@insidesecond.com](mailto:contactinvestisseurs@insidesecond.com)

<sup>3</sup> on an EBITDA and adjusted operating income basis.

<sup>4</sup> ie. even excluding any additional potential revenue from the Company's NFC patent licensing program.

## **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.insidesecondure.com](http://www.insidesecondure.com)

## **Forward-looking statements**

This press release contains certain forward-looking statements concerning the Inside Secure group. Although Inside Secure 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 2016 registration document filed with the French financial market authority (the Autorité des marchés financiers – the "AMF") on March 28, 2017 under number D.17-0244, available on [www.insidesecondure-finance.com/en](http://www.insidesecondure-finance.com/en)