

FIRST HALF 2020 EARNINGS: STRATEGIC INVESTMENTS FINALIZED DURING HEALTH CRISIS

- 10% organic revenue growth, 168 new clients;
- Final half-year of major investment under the strategic plan;
- Solutions portfolio and international channel now mature;
- Financial stability with gross cash of €27 million at June 30, 2020;
- Ramp-up of growth in the second half, first major international contracts.

Paris, October 15, 2020 - WALLIX (Euronext ALLIX), a European cybersecurity software developer and expert in privileged access management (PAM), announces its first half 2020 earnings¹.

€000 French GAAP	H1 2019	H1 2020
Turnover	7,329	8,091
Other operating income (capitalized production, subsidies, etc.)	1,995	2,456
Total operating income	9,324	10,547
Total operating expenses	(13,027)	(15,675)
o/w Other operating expenses	(3,374)	(3,671)
o/w Payroll	(7,801)	(9,945)
o/w Depreciation, amortization and provisions	(1,539)	(1,689)
Operating profit/(loss)	(3,702)	(5,128)
Net financial income/(expense)	3	(13)
Non-recurring income/(expense)	(5)	33
Tax	(1)	(18)
Net profit/(loss)	(3,705)	(5,126)

Jean-Noël de Galzain, Chairman of the WALLIX GROUP Management Board, said: *“The first half results were undoubtedly marked by the impact of the health crisis, which hindered growth during the period with the postponement of project deployments. However, this period highlighted the vital need to safeguard access to organizations’ applications and sensitive data, with the proliferation of remote access in strategic sectors such as industry, telecoms and healthcare, in which WALLIX has a major presence. During this period of uncertainty, underpinned by a solid financial position, we decided to stay focused on our growth plan by pursuing investment related to our offerings and international presence. Now that most of this investment has been carried out, growth drivers are in place and we will focus our efforts on the outcome, with the aim of achieving profitability within 18 months. We are starting to see signs of recovery with encouraging sales momentum and the signing of new large-scale contracts in numerous industries such as automotive and healthcare, as well as with providers of essential services in France and abroad.*”

¹ The first half consolidated financial statements were approved by the Management Board and reviewed by the Supervisory Board on October 14, 2020. The statutory auditors performed a limited review on the first half consolidated financial statements and the financial report will be published by October 31, 2020.

Although the health crisis slowed the growth initially forecast in our strategic plan, we now firmly believe that we will gradually get back on track from the second half onwards.

Following the establishment of the GDPR in 2018 and the strengthening of requirements surrounding the protection of data, the 'black gold' of the 21st century, European cybersecurity and trust-related industries are entering an exciting and unprecedented new phase of development. This is a key aspect of the recovery plan in France and Europe to cultivate trusted digital solutions across the continent, strong indicators for the development of our markets in the years ahead. Through the challenges addressed by our teams in designing a portfolio of premium cybersecurity solutions in access and identity protection, and making this available through a network of certified top rated international partners, WALLIX is ideally placed to secure the digital future of companies and play a leading role in the emergence of a world-class European cybersecurity offering."

Booming growth temporarily slowed by the public health crisis

WALLIX maintained its growth trajectory in H1 2020 with turnover up 10% to €8.1 million. The Group started the year in line with the 2019 growth trend (turnover up 29% between 2018 and 2019) but had to extend deadlines towards the end of the period under the impact of the public health crisis and lockdown.

Amid an economic downturn, France continued to grow with turnover up 10% to €5.3 million. In France, the Group has noted a growing interest in its solutions on the middle market and in certain sectors such as healthcare in recent months, while key accounts showed a certain reticence in view of the current situation, which led to postponement of the deployment of projects under previously signed master agreements.

International turnover rose 11% to €2.8 million, accounting for 34% of total business. WALLIX continued to implement the strategic plan capital expenditure program by developing the office network (Germany, UK and Spain) and expanding the partner network in target markets (Italy). While the public health crisis impacted business more severely in North America, leading to a decline in sales, Europe recorded sustained growth in H1 2020, including significant progress in the DACH/Eastern Europe region and the UK.

Revenue growth for the period was driven by the increase in recurring business, which was boosted by additional maintenance revenue generated by the increase in the number of clients equipped, and by the increase in subscription revenue driven by the growing appeal of subscription solutions (licenses in SaaS mode and managed services). Recurring business grew 34% in H1 2020, resulting in a recurrent portion of revenue of 48% in H1 2020 compared to 41% in H1 2019, providing greater visibility of the Group's business.

The increase in operating expenses reflects the final investments under the strategic plan

Despite the prevailing uncertainty, the Group chose to pursue and finalize its growth investments, particularly at international level by launching sales in Italy and Spain and strengthening its operations in the DACH region, in accordance with the strategic plan. These investments led to a 20% rise in operating expenses during the first half. Payroll expenses rose sharply with the increase in staff (60 new hires compared to June 30, 2019). Increases in other operating expenses were limited to 8%, below the revenue growth rate.

Consequently, the Group posted a first half net operating loss of €5.1 million compared to a €3.7 million loss for the same period last year. Net loss Group share was equal to net operating loss at €5.1 million.

Strategy underpinned by financial strength

Operating cash flow for the period was positive (€0.2 million inflow compared to €1.3 million outflow in H1 2019), due to a favorable €3.7 million increase in working capital. Cash flows from investing activities amounted to a €2.1 million outflow, primarily related to the R&D costs involved in finalizing new offerings.

At June 30, 2020, gross cash and cash equivalents amounted to €27.3 million versus €29.3 million at December 31, 2019. With net cash and cash equivalents of €23.5 million and shareholders' equity of €27.0 million, WALLIX has a robust financial position enabling it to embark on the next steps of its development plan with peace of mind.

Ramp-up in growth in the second half of 2020 and profitability in sight within 18 months

Thanks to the structural investments carried out over the last 18 months, WALLIX has a comprehensive PAM offering expanded into adjacent market segments (WALLIX Bastion, WALLIX BestSafe launched in February 2020, WALLIX Trustelem launched in May 2020) enabling it to address all the threats posed by the implementation of new technologies (IoT, Cloud, etc.) and new digital services (telemedicine, WFH, smart city, predictive maintenance, etc.). In order to ensure viability and productivity, companies across all business sectors are rethinking their channels of communication between employees, customers and suppliers. Now that interactions and exchanges are taking place remotely and instantaneously, protecting access to information and data has become a major challenge in ensuring the success of a now essential digital transformation. WALLIX provides security and control over the identity and access of all parties, in all locations and at any time, and safeguards the digital future of companies and organizations.

Backed by its product portfolio, a significantly strengthened sales network in France and abroad and a base of over 1,200 clients representing outstanding embedded growth potential, WALLIX is entering a new rapid growth phase driven by the initial return on these growth investments. The Group is currently enjoying a period of excellent sales momentum with notable success in the automotive sector (signing of a large-scale contract with a leading European manufacturer outside France), aerospace (first order from a major contractor) and healthcare (private European hospital group).

These contracts are important for the Group in terms of both their scale and the leads they generate. They will contribute to the strong growth forecast for the second half, which will push full-year growth significantly higher than first half growth.

As the Group expects growth investments to slow significantly (no additional recruitment planned for the second half of 2020), operating margins should gradually improve and WALLIX now aims to turn a profit by the second half of 2021, one year later than initially forecast due to the health crisis.

The Group is ideally placed to capitalize on the growth of the sector, which features among the strategic priorities of the digital recovery plan presented by the French government in September. Similarly, the emergence of Europe as a major cybersecurity player, symbolized recently by the creation of a new cooperative network between EU member states, called CyCLONe, reflects the importance of this sector at European level. The only European developer among the 7 global leaders (KuppingerCole PAM survey, 2020), WALLIX reaffirms its desire and capacity to establish itself as one of the key players in European cybersecurity.

Next publication: Full-year 2020 turnover, February 11, 2021

ABOUT WALLIX

A software company providing cybersecurity solutions, WALLIX Group is the European specialist in privileged account governance. In response to recent regulatory changes and the cybersecurity threats affecting all companies today, WALLIX's solutions help users defend against cyber-attacks, theft and data leaks linked to stolen credentials and abused privileges. It is the first market solution to have been awarded first-level security certification (CSPN) by France's National Cybersecurity Agency (ANSSI) and thus meet all of the criteria for regulatory compliance. Listed on the Euronext under ALLIX and distributed by a network of more than 170 resellers and trained and accredited integrators, WALLIX accompanies more than 1000 companies in securing their digital future.

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