

Sharp improvement in first half earnings, second half profitability target confirmed

- Continued strong revenue growth (28%) with 265 new accounts in the first half;
- Operating loss reduced by 48% versus H1 2020 to €2.7 million;
- Positive first half free cash flow, gross cash and cash equivalents maintained at €23 million as of June 30, 2021;
- Sustained growth and profitability forecast for H2 2021;
- New medium-term strategic plan to be unveiled in November.

Paris, October 14, 2021 - WALLIX (Euronext ALLIX), a European cybersecurity software developer and expert in privileged access management (PAM), announces its first half 2021 earnings¹.

€000 French GAAP	H1 2020	H1 2021
Turnover	8,091	10,321
Other operating income (capitalized production, subsidies, etc.)	2,456	3,426
Total operating income	10,547	13,747
Total operating expenses	(15,675)	(16,414)
o/w Other operating expenses	(3,671)	(3,538)
o/w Payroll	(9,945)	(10,505)
o/w Depreciation, amortization and provisions	(1,689)	(1,881)
Operating profit/(loss)	(5,128)	(2,667)
Net financial income/(expense)	(13)	74
Non-recurring income/(expense)	33	(115)
Tax	(18)	(2)
Net profit/(loss)	(5,126)	(2,710)

Jean-Noël de Galzain, Chairman of the WALLIX GROUP Management Board, said: “First half 2021 earnings fit in with the strong growth in business observed since the second half of 2020. Our markets are buoyed by a permanent, currently booming trend among companies and organizations to carry out that essential digital transformation, as well as a pressing need for the associated cybersecurity in order to protect organizations’ information systems and access to cloud-hosted infrastructures, services and data and, lastly, to protect companies’ industrial equipment and networks from cyberattack. This movement is reflected in the record increase in new client projects during the first half and in our company’s international reach, particularly throughout the Europe-Middle East-Africa region.

After a major investment phase designed to consolidate our technological leadership in access and identity protection solutions besides expanding our sales network, the WALLIX Group is currently reaping the benefits of this strategy of conquest, as evidenced by the sharp improvement in first half operating earnings and the expectation of generating a profit in the second half of 2021.

¹ The first half consolidated financial statements were approved by the Management Board and reviewed by the Supervisory Board on October 13, 2021. The statutory auditors performed a limited review on the first half consolidated financial statements and the financial report will be published by October 31, 2021.

In only a few years WALLIX has become a go-to cybersecurity supplier and European leader recognized by top industry analysts such as Kuppingercole and Gartner, with a global footprint underpinned by a powerful ecosystem of integrator partners and trained and certified resellers. As a result, the Group possesses major technological and strategic advantages in order to continue to grow and contribute to the emergence of an independent European cybersecurity offer that meets new regulatory requirements in terms of information risk management. These solid foundations will act as a powerful catalyst for the new strategic plan we plan to unveil by the end of the year.”

Continued strong growth: +51% for international turnover and 50% recurring business

WALLIX maintained its growth trajectory in H1 2021 with turnover up 28% to €10.3 million. This strong growth reflects the positive impact of investments made over the last 18 months in the product catalog and business verticals (particularly healthcare and manufacturing), regional expansion, and the development of a distributor partner network (channel). The new WALLIX BestSafe offer brought to market in H2 2020 also contributed to business growth during the period.

International turnover rose 51% in the first half to €4.2 million, accounting for 40% of total business. The Group has seen a marked acceleration in the commercial opportunities offered by its partners. WALLIX doubled its first half turnover in the European Union and posted strong growth in the UK (where the Group signed its first major contract worth over €1 million outside France in 2020) and Africa-Middle East. The Group is signing a growing number of major contracts (billing > €100,000) in the international market, which generated invoices totaling €1.5 million over the first half. WALLIX estimates potential turnover of €7.9 million from equipment contracts over the next three years (2021-2023).

Amid a gradual economic recovery, France continued to grow with turnover up 16% to €6.2 million. The Group is enjoying positive sales momentum in the healthcare sector, where WALLIX Bastion is one of ten families of “priority” cybersecurity solutions recommended by the French National Cybersecurity Agency (ANSSI). Major contracts previously signed in France generated invoices totaling €3.1 million over the first half. WALLIX estimates potential turnover of €20.7 million from these key account equipment contracts over the next three years (2021-2023).

First half license sales were up 22%. Turnover generated by subscription contracts (SaaS licenses and managed services) doubled to €850,000, reflecting the growing success of this contract model. At June 30, 2021, the Group estimates that the future value of subscription contracts billed in the first half of 2021 will amount to €3.6 million over a 3-year period.

Combined with the impact of the increase in clients served on maintenance revenues, recurring business rose 33% in H1 2021 to 50% of total business compared to 48% in H1 2020, thereby improving visibility of the Group’s business.

Tight control of operating expenses and sharp improvement in earnings

After several years of major growth investments (establishing foreign operations, hiring staff), first half operating expenses rose by only 4.7%, well below the revenue growth rate. Payroll expenses edged up 5.6% under the impact of new hires made in 2020. Other operating expenses were stable for the period.

Consequently, the Group posted a first half net operating loss of €2.7 million, an improvement of 48% compared to a €5.1 million loss for the same period last year. Net loss Group share was equal to the €2.7 million net operating loss.

Positive first half free cash flow, €23 million cash and cash equivalents

Operating cash flow for the period was positive and increased strongly for the period (€2.4 million inflow versus €0.2 million in H1 2020) due to the improvement in operating earnings and a favorable change in working capital corresponding to cash savings totaling €3.3 million. Cash flows from investing activities amounted to a €2.2 million outflow, primarily related to R&D costs. Accordingly, H1 2021 free cash flow (before cash flow from financing activities) was positive compared to a €1.9 million outflow in H1 2020.

At June 30, 2021, gross cash and cash equivalents amounted to €22.7 million versus €23.2 million at December 31, 2020. The stable cash position over the period reflects the €1.2 million research tax credit (CIR) received during the first half. With net cash and cash equivalents of €19.5 million (€19.4 million at December 31, 2020) and shareholders' equity of €22.6 million, WALLIX has a robust financial position enabling it to embark on the next steps of its development plan with peace of mind.

Continued strong growth trajectory in 2021, second half operating profit target confirmed

WALLIX operates in a particularly favorable market context: the accelerating impact of new uses on the digital transition calls for growing investment in cybersecurity in response to the proliferation of cyberattacks.

WALLIX is in prime position to take advantage of sector growth. The company was recognized as "Overall Leader" among the international PAM² suppliers identified by Kuppingercole analyst firm. The company was awarded "Challenger" status and is the only European software publisher to feature among Gartner's PAM² Magic Quadrant 2021 global top ten. WALLIX has a comprehensive PAM offering (WALLIX Bastion) that has expanded into adjacent market segments (WALLIX BestSafe and WALLIX Trustelem), enabling it to address all the threats posed by new technologies (IoT, cloud computing, etc.) and new digital services (telemedicine, WFH, smart city, predictive maintenance, etc.).

To boost its growth, WALLIX has developed high-potential business verticals such as healthcare and manufacturing. In the manufacturing sector, WALLIX will also offer its embedded technology for Industry 4.0, WALLIX Inside, which combines WALLIX access and identity security solutions integrated by design into business solutions. Following its first partnership with Fives, WALLIX Inside is now integrated into Schneider Electric's new Harmony P6 "edge box" industrial infrastructure security range. Based on an OEM (Original Equipment Manufacturer) sales model, WALLIX Inside will be a powerful driver of profitable growth over the coming years.

In addition to its strong foothold in Europe, WALLIX can count on the proven efficiency and continued ramp-up of its "channel" partner network. In Europe, the Group recently signed partnerships with TechData in Spain and the UK and with IT2Soft in Scandinavia. In May this year, WALLIX also signed a major partnership agreement with leading electronics distributor Arrow Electronics, giving it access to over 1,000 resellers and integrators supporting millions of US customers spanning all sectors. This partnership will boost the distribution of WALLIX solutions in the United States, thereby offering US companies all the Group's expertise in access and identity security. Thanks to these partnerships, in 2021 WALLIX will achieve its goal to cover 80% of the global digital market, with considerable growth potential on these markets.

Fueled by sustained market demand and an innovative marketing approach, the Group benefits from a base of 1,600 customers equipped with its solutions. WALLIX is particularly confident in its ability to continue business growth throughout the second half of 2021 and confirms its target of posting an operating profit for the period.

Following the successful culmination of the "Ambition 2021" plan, WALLIX's undisputed technological and commercial strengths form a solid base for building a new phase of sustainable growth. On November 16 the Group will unveil the outlines of its new strategic plan for 2022-2025 aimed at consolidating WALLIX's leadership over the long term and ushering in a new era of European digital trust.

Next publication: Presentation of 2022-2025 strategic plan, November 16, 2021



ABOUT WALLIX

A software company providing cybersecurity solutions, WALLIX is the European specialist in Identity and Access Security Solutions. WALLIX's unified solutions portfolio enables companies to respond to today's data protection challenges. WALLIX solutions guarantee detection of and resilience to cyberattacks, which enables business continuity. The solutions also ensure compliance with regulatory requirements regarding access to IT infrastructures and critical data. The portfolio of unified solutions is distributed through a network of more than 180 resellers and integrators worldwide. WALLIX supports more than 1,600 organizations in securing their digital transformation. Listed on the Euronext (ALLIX), WALLIX GROUP, which counts TDH, a company controlled by Mr. Thierry Dassault, among its reference shareholders, is a founding member of the HEXATRUST group and has been included in the Futur40, the first ranking of growth companies on the stock exchange published by Forbes France and is part of the Tech 40 index.

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