

First half 2022 earnings: successful launch of UNICORN 25 plan with priority given to deployment in North America and industrial cybersecurity

- Solid growth in turnover, up 7% (up 10% excluding Russia) despite an uncertain environment;
- MRR up 21%;
- €4.2 million operating loss in line with the investment phases of previous plans;
- Gross cash and cash equivalents of €17 million at June 30, 2022;
- Implementation of the UNICORN 25 plan: consolidation of leadership in Europe, deployment in North America, strengthening of the industrial cybersecurity offering with WALLIX [OT.security](#) solution;
- Growth expected to accelerate in the second half of 2022.

Paris, October 13, 2022 - WALLIX (Euronext ALLIX), a European cybersecurity software developer and expert in privileged access management (PAM), announces its first half 2022 earnings¹.

€000	H1 2021	H1 2022
French GAAP		
Turnover	10,321	11,029
Other operating income (capitalized production, subsidies, etc.)	3,426	3,037
Total operating income	13,747	14,066
Total operating expenses	(16,414)	(18,228)
o/w Other operating expenses	(4,028)	(4,963)
o/w Payroll	(10,505)	(11,214)
o/w Depreciation, amortization and provisions	(1,881)	(2,051)
Operating profit/(loss)	(2,667)	(4,162)
Adjusted operating profit/(loss)²	(2,667)	(3,953)
Net financial income/(expense)	74	(290)
Non-recurring income/(expense)	(115)	34
Tax	(2)	782
Net profit/(loss)	(2,710)	(3,636)
Adjusted net profit/(loss)²	(2,710)	(4,209)

¹ The first half consolidated financial statements were approved by the Board of Directors on October 13, 2022. The statutory auditors performed a limited review on the first half consolidated financial statements and the financial report will be published by October 31, 2022.

² As from January 1, 2022, research tax credit (CIR), previously recognized under subsidies in operating profit/(loss) for the non-capitalized portion and spread over 5 years for the capitalized portion, is now fully recognized as a reduction in corporate income tax.

In H1 2021, CIR research tax credit was recognized for €257,000 in operating profit/(loss) and for €555,000 spread over 5 years in prepayments, whereas in H1 2022 the CIR research tax credit of €783,000 is recognized entirely in corporate income tax.

On a comparable basis, the operating loss would have been €3.95 million in H1 2022.

Jean-Noël de Galzain, Chairman and Chief Executive Officer of the WALLIX GROUP, said: “2022 marks the launch of the UNICORN 25 development plan with an investment phase that is crucial to achieving our 2025 goals. This plan has made a start with WALLIX entering the “Leaders” category of the Magic Quadrant™ published by Gartner®. This remarkable recognition by a world-renowned consulting firm confirms our position as a key player in the field of access and identity cybersecurity. It will serve as a springboard for our international development.

In line with our plan, in the first half of 2022 we launched our WALLIX PAM4ALL solution, which has been recognized by Frost & Sullivan and Gartner for its broad functional scope and capacity for innovation. We have also adapted our management structure to drive the Company’s development, by adopting a single governance structure with a Board of Directors and strengthening our operational management team.

We continue to lay the groundwork for the Company’s growth by strengthening the sales teams in North America, where two experienced cybersecurity industry executive directors have joined WALLIX. Their task is to structure the organization to increase sales in the region, which represents 50% of the global Privileged Access Management market, in particular by developing a “Channel” model and setting up new alliances.

Finally, WALLIX has confirmed its intention to make industrial cybersecurity its key focus with the launch of OT.security, an unrivaled offering designed for this strategic market worth over \$15 billion.

It goes without saying that the current economic environment calls for caution among key accounts. However, we are buoyed by the growth of the cyber sector, against a backdrop of accelerating digitization as companies face a surge in cyberattacks, regulatory pressure and the boom in the Internet of Things. More than ever, the Group continues to focus on rolling out its development plan, which will enable it to increase its global market share while contributing to the creation of an ambitious sovereign cybersecurity offering in Europe.”

Dynamic growth in the SME segment and successful commercial launch in the United States

Despite the uncertain economic and geopolitical environment combined with the adverse impact of the migration to a subscription model, WALLIX continued its growth trajectory during the first half of 2022, posting turnover of €11.0 million, up 7% (up 10% excluding Russia). Growth was driven by sustained business with small and medium-sized companies and a promising start to commercial operations in the United States.

France continued to grow with turnover up 9% to €6.7 million in H1 2022. Sales momentum remained positive, particularly with WALLIX Bastion, listed among the ten “priority” cybersecurity solutions recommended by the French National Agency for Information Systems Security (ANSSI).

Turnover in the EMEA region (excluding France) was down 4% at €3.8 million, due to the dramatic slowdown in Russia (down 39%) and significant migration to a subscription model, which automatically impacts short-term turnover in exchange for more recurring business. These factors, which are temporarily curbing growth, do not call into question the robustness of the business model or the quality of the WALLIX partner network.

In the United States, turnover more than doubled to €0.5 million. The partnership signed with Arrow Electronics and the inclusion of WALLIX among the PAM leaders by Gartner® last July are powerful catalysts for the Group’s future growth and development in North America.

Recurring business (including licenses and managed services sold in subscription mode and maintenance) is up significantly by 27%. First half 2022 monthly recurring revenue (MRR) totaled €1.1 million, up 21% versus the previous year, representing €13.5 million in recurring business on an annual basis.

Investment plan under control

The investment phase of the UNICORN 25 plan, which began in the first half of 2022, resulted in an 11% increase in operating expenses to €18.2 million. The increase was kept under control, with a lower ratio of operating expenses to turnover than in the investment phases of the two previous plans initiated in 2015 and 2018.

As a result of the dynamic recruitment drive carried out at the end of the first half and beginning of the second (particularly in the United States), payroll rose 7% in line with the revenue growth. Other operating expenses surged 23%, reflecting business development and the broadening of internal expertise through the increased use of innovation consultants. As a result, the Group posted an operating loss of €4.2 million compared to a €2.7 million loss for first half 2021. Adjusting for the accounting treatment of the research tax credit (CIR) in accordance with the method applied until the end of 2021, the adjusted operating loss was €3.95 million.

Net loss Group share amounted to €3.6 million, including a non-recurring financial expense of €0.3 million on cash transactions.

Cash and cash equivalents of €17 million covering the plan financing requirements

Against a backdrop of investment and caution on the part of key accounts, resulting in the postponement of certain major contracts, operating cash flow amounted to a €1.9 million outflow. Cash flows from investing activities, primarily related to capitalized development costs, amounted to a €2.9 million outflow. As a result, free cash flow amounted to a €4.7 million outflow compared to a €0.15 million inflow in first half 2021.

As of June 30, 2022, gross cash and cash equivalents amounted to €17.3 million versus €22.7 million as of December 31, 2021. With net cash and cash equivalents of €15.4 million and shareholders' equity of €18.8 million, the Group's financial capacity remains very solid, enabling it to embark on the next stages of its development plan with confidence.

Development priorities: consolidation in Europe, deployment in North America, positioning in industrial cybersecurity

WALLIX has realized its vision of "PAM for all" through WALLIX PAM4ALL, a holistic solution protecting all types of digital access and combining all WALLIX technologies. After being named among the global leaders in privileged account management by the prestigious consulting firms KuppingerCole and Frost & Sullivan, WALLIX PAM4ALL now ranks among the Leaders in Privileged Access Management (PAM) in the [Magic Quadrant™](#) published by Gartner.

The GARTNER Magic Quadrant is a valuable decision-making support tool for companies. This recognition demonstrates the added value of WALLIX PAM4ALL and constitutes a firm springboard for WALLIX's development worldwide, particularly in North America.

Backed by a reputed all-inclusive PAM offering and a network of over 300 partners, WALLIX will capitalize on these growth pillars to strengthen its leadership in Europe and ramp up its development in North America.

Although WALLIX is already well positioned in Europe, the increase in cyberattacks, technological innovation and tightening regulations are major growth drivers.

The NIS 2 directive will compel Essential Service Operators (ESOs) to increase their level of IT security and will apply to 10 times more organizations than the NIS directive by doubling the number of sectors concerned. With an easily adaptable solution, a network of around 300 partners and a client base of around 2,000 clients in Europe, WALLIX is ideally positioned to capitalize on these developments.

North America is a strategic priority for WALLIX. This region represents 50% of the global PAM market but only 5% of Group turnover. By leveraging an experienced and expanding team as well as a PAM solution recognized as one of the best, WALLIX intends to significantly ramp up its sales in the region.

The go-to-market approach is being structured with the creation of one Channel per region targeting medium-sized resellers, integrators and MSPs specializing in cybersecurity, identity and OT and with significant exposure to ESOs. The partnership with Arrow Electronics, the second largest electronics distributor in North America, is also making an increasingly significant contribution towards developing the Group partner network. Around 50 partners will have joined the Channel by the end of 2022.

Meanwhile, the recruitment policy is being stepped up through constant expansion of the sales teams and management structuring, in particular with the recent arrival of the Sales Director and the Alliances and Channel Director responsible for North America.

WALLIX is actively pursuing its innovation strategy and has recently reaffirmed its intention to establish a position in the industrial cybersecurity market. As the No. 2 sector affected by cyberattacks, industry has become a priority target for hackers. The acceleration of the digital transformation of industry, existing regulations and the increasing willingness of governments to establish a security-by-design requirement for manufacturers of critical connected objects are powerful growth vectors and WALLIX has a clear intention to support the development of Industry 4.0.

In this regard, the Group has launched [OT.security](#), a comprehensive solution offering both access and identity security for industrial companies (PAM4OT) and security-by-design for industrial engineering players (WALLIX Inside). WALLIX will leverage the strength of its network by increasing its partners' OT expertise and developing strategic OT alliances and partnerships with distributors, resellers and integrators specializing in OT.

In view of its undeniable technological assets and commercial strength, WALLIX is embarking on its UNICORN 25 development plan with confidence. WALLIX has a sales network of over 300 certified integrator partners and distributors in key regions of Europe, the Middle East and Africa, and is the only European company to have succeeded in becoming a PAM Leader. Underpinned by these fundamentals, WALLIX is expanding globally and developing its model on the North American market while consolidating its position in the Europe-Middle East-Africa region.

Despite a worsening macroeconomic environment, cybersecurity remains a strategic priority for businesses. In this context, WALLIX expects growth to accelerate in the second half of the year.

Next publication: Full-year 2022 turnover, February 9, 2023

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ABOUT WALLIX

A software company providing cybersecurity solutions, WALLIX is the European specialist in digital Identity and Access Security Solutions. WALLIX PAM4ALL, the unified privilege management solution, enables companies to respond to today's data protection challenges. It guarantees detection of and resilience to cyberattacks, which enables business continuity. The solution also ensures compliance with regulatory requirements regarding access to IT infrastructures and critical data. WALLIX PAM4ALL is distributed through a network of more than 300 resellers and integrators worldwide. Listed on the Euronext (ALLIX), WALLIX supports more than 2000 organizations in securing their digital transformation. WALLIX 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.

WALLIX affirms its digital responsibility and is committed to contributing to the construction of a trusted European digital space, guaranteeing the security and confidentiality of data for organizations as well as for individuals concerned about the protection of their digital identity and privacy. Digital technology, whether for professional or personal use, must be ethical and responsible in order to pursue a secure societal digital transformation that respects individual freedoms.

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