

Full-year 2022 earnings: the year of UNICORN 25 plan investments Profitable growth from 2024

- Acceleration of turnover growth in the second half (up 19% excluding Russia) after a first half impacted by geopolitical tensions;
- Continued increase in full-year recurring business, up 22% to €14.8 million in 2022;
- Reduction in operating loss in the second half;
- Gross cash and cash equivalents of €13.6 million in 2022, in line with the plan's organic financing requirements;
- Determination to step up the UNICORN 25 plan through targeted acquisitions;
- Financial ambitions for 2023: faster organic growth and gradual improvement in results to reach breakeven at operating level in 2024.

Paris, March 23, 2023 - WALLIX (Euronext ALLIX), a European cybersecurity software developer and expert in privileged access management (PAM), announces its 2022 full-year earnings¹.

€000 French GAAP	2021	H1 2022	H2 2022	2022
Turnover	23,169	11,029	14,150	25,179
Other operating income (capitalized production, subsidies, etc.)	6,759	3,037	2,740	5,777
Total operating income	29,928	14,066	16,890	30,956
Total operating expenses	(32,842)	(18,228)	(19,861)	(38,089)
o/w Other operating expenses	(7,986)	(4,963)	(5,107)	(10,070)
o/w Payroll	(20,925)	(11,214)	(12,591)	(23,805)
o/w Depreciation, amortization and provisions	(3,931)	(2,051)	(2,163)	(4,214)
Operating profit/(loss)	(2,914)	(4,162)	(2,971)	(7,133)
Adjusted operating profit/(loss)²	(2,914)	(3,953)	(2,476)	(6,429)
Net financial income/(expense)	82	(290)	5	(285)
Non-recurring income/(expense)	(107)	34	384	418
Tax	(10)	782	216	998
Net profit/(loss)	(2,949)	(3,636)	(2,366)	(6,002)
Adjusted net profit/(loss)²	(2,949)	(4,209)	(2,616)	(6,825)

Jean-Noël de Galzain, Chairman and Chief Executive Officer of the WALLIX GROUP, said: "2022 was a year devoted to making the necessary investments for the successful execution of our UNICORN 25 strategic plan – and we stayed on course

¹ The full-year consolidated financial statements were approved by the Board of Directors on March 23, 2023. The statutory auditors performed a limited review on the consolidated financial statements and the financial report will be published by April 28, 2023.

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 2021, CIR research tax credit was recognized for €587,000 in operating profit/(loss) and for €1,016,000 spread over 5 years in prepayments, whereas in 2022 the CIR research tax credit of €1,527,000 is recognized entirely in corporate income tax.

On a comparable basis, the operating loss would have been €6.4 million in 2022.

despite short-term macroeconomic uncertainties. We notably rolled out our business in North America, a strategic region that represents nearly 50% of the global Privileged Access Management (PAM) market. Our teams are now in place there, with the aim of growing sales by leveraging the network of partners and alliances formed in 2022. In conjunction with its international expansion, WALLIX GROUP has strengthened its technological leadership with the launch of PAM4ALL, a software suite already recognized as one of the market's best solutions, and OT.security, its dedicated cybersecurity solution for connected industrial environments and systems. The development of our offer has been acclaimed by countless experts including world-renowned analysis firms Gartner and KuppingerCole, which rank us among the "Leaders" in the PAM market and experts in industrial cybersecurity.

This builds upon a dynamic client base in 2022, particularly regarding major projects and the middle market segment. WALLIX's business model is more recurring than ever, which will allow the Company to increase cross-selling by boosting the number of users among its clients and expanding to new scopes thanks to our offering of additional features.

In 2023, we are now focusing entirely on accelerating business growth as we did in the second half of 2022 and making our existing assets profitable. The North American region, SaaS solutions and the industrial cybersecurity segment will be strategic pillars, making considerable contributions towards increasing growth, turnover, and Group earnings. In addition to organic growth, WALLIX is looking to leverage the external growth driver featured in the UNICORN 25 strategic plan. Our aim is to step up across certain strategic segments of Identity and Access Management (IAM) and strengthen our positions in industrial cybersecurity – OT Security – through targeted acquisitions. We have reviewed numerous targets in the French and European cybersecurity ecosystem. We intend to reap the first benefits and increase our capabilities by offering more value to our clients and our strategic partners..

The backdrop of digitization of economic activity and the increase in cyberattacks fosters a long-term, necessary boom in the cybersecurity market. Investing in PAM is a priority to allow organizations to achieve controlled modernization of their IT architectures, provide remote access to their digital resources for users, service providers or subcontractors, and adapt them for the future in compliance with resilience and data protection regulations. This is especially the case in industry, health care, cloud and sensitive sectors where our solutions are becoming key success factors in companies' digital transformations. WALLIX GROUP wants to pool talents to facilitate the adoption of PAM within information systems and industrial network and aims to become a medium-sized European Champion company within the cybersecurity of Identity and digital Access industry."

Full-year 2022 turnover up 15% excluding Russia

After a first half disrupted by the conflict in Ukraine (up 6.9%), business growth accelerated in the second half of the year, with turnover up 10.1% overall and up 19.2% excluding Russia. Full-year turnover was €25.2 million, up 8.7% overall and up 14.8% excluding Russia.

Momentum remained strong among small and medium-sized companies, with sales activity from the partner network rising sharply. Conversely, key accounts remained cautious and were hampered by a shortage of labor, which slowed the deployment of their cybersecurity projects. Overall, the pace of contract acquisition remained brisk, with a 20% increase in the number of active contracts. At December 31, 2022, the Group had a portfolio of nearly 2,300 active contracts.

In 2022, monthly recurring revenue (MRR) totaled €1.2 million, up 21.7% versus 2021, representing €14.8 million in recurring business on an annual basis. WALLIX accordingly starts 2023 with annual recurring revenue accounting for 58.9% of 2022 consolidated turnover. This represents an increase of 6.3 percentage points from 52.6% in 2021.

Investment plan under control

The investment phase of the UNICORN 25 plan was focused on 2022 and resulted in a 17% increase in operating expenses to €33.9 million. The ratio of operating expenses² to turnover is slightly better than in the investment phases of the previous plans initiated in 2015 and 2018 (1.35 versus 1.41 under the Ambition plan and 1.43 under the IPO plan), despite business being hampered by the geopolitical environment in the first half.

² Excluding depreciation, amortization and provisions

The dynamic recruitment drive, particularly in North America, was focused on the second half and resulted in a 13.8% increase in payroll over the year. WALLIX GROUP had an average of 233 employees in 2022, versus 204 in 2021. Other operating expenses surged 26% as a result of particularly buoyant sales and marketing development, which will help boost the Group's growth, the strengthening of client support, the launch of two flagship solutions, WALLIX PAM4ALL and OT.security, and lastly, the consolidation of the organization to support future growth. As a result, the Group posted an operating loss of €7.1 million, versus a €2.2 million loss in 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 €6.4 million, with a significant improvement between the first half (€4.0 million loss) and the second half (€2.5 million loss).

Net loss Group share amounted to €6.0 million.

Cash and cash equivalents of €14 million covering the organic plan financing requirements

Against the backdrop of accelerated expenditure necessary for the proper execution of the new strategic plan, and with a first half slowed by the conflict in Ukraine, operating cash flow amounted to a €2.3 million outflow. Cash flows from investing activities, primarily related to capitalized development costs, amounted to a €5.8 million outflow. As a result, free cash flow amounted to a €8.1 million outflow.

As of December 31, 2022, gross cash and cash equivalents amounted to €13.6 million, versus €22.7 million as of December 31, 2021. With net cash and cash equivalents of €11.5 million and shareholders' equity of €17.5 million, the Group's financial capacity is in line with the organic requirements of the strategic plan.

2023 roadmap: leverage existing assets and increase the value proposition for clients

2022 was a key phase of the UNICORN 25 plan, during which the Group focused on establishing and strengthening the four pillars of its future growth:

- By offering an end-to-end solution: the Group has developed a concept called "PAM for all" with the launch of WALLIX PAM4ALL, a comprehensive solution that combines all WALLIX technologies to ensure a secure digital transformation for all organizations and users. This offer has enabled the Group to position itself among the global PAM leaders by entering the PAM Leader category of the Gartner Magic Quadrant ranking compiled by one of the world's most prestigious consulting firms;
- By consolidating its leadership in Europe, with a focus on SMEs, "critical" sectors and industrial environments;
- By conquering the North American market: in accordance with the announced plan, WALLIX has significantly strengthened its assets in the North American market with the recruitment of a sales team and the creation of one Channel per region, which now has nearly 30 partners. North America is a strategic priority and is expected to account for 10% of order intake in 2023;
- By positioning itself in the industrial cybersecurity market: WALLIX has launched OT.security, a comprehensive offer that provides both access and identity security for industrial companies via its PAM4OT solution and "by design" security for industrial engineering players via its WALLIX Inside solution. By 2023, WALLIX aims to derive 10% of its order intake from this market segment, which is expected to grow by more than 30% per year to reach €320 million in 2025.

With these markers in place, the 2023 roadmap aims to make existing assets profitable and to increase growth. The Group plans to leverage its network of over 300 partners by strengthening their support in order to maximize sales of its flagship product WALLIX PAM4ALL and its OT.security solution by offering them the chance to increase their skills in industrial cybersecurity, targeting small and medium-sized companies and "critical" sectors.

Innovation and an enhanced offering also form an integral part of the Group's 2023 roadmap, through both internal and external growth. The strategy is to continue to develop and enrich solutions by adding complementary technological building blocks, but also to develop expertise and talents to ensure the future growth of WALLIX.

WALLIX is looking into various acquisition opportunities in France that would bring complementary technologies to WALLIX PAM4ALL, including IAG (Identity and Access Governance), which reduces risk thanks to an identity-based approach, access rights mapping and detection of risky or suspicious authorizations. The aim is to improve the user experience and achieve broader coverage of the Identity and Access Management (IAM) market. This external growth strategy, which is perfectly in line with the UNICORN 25 plan, is also aimed at the industrial cybersecurity market, where WALLIX stands out, according to Gartner, as one of the few players to have developed PAM solutions specifically dedicated to the OT environment. As such, the Group is seeking to strengthen its talent base so as to seize the growth opportunities offered by this segment through its OT.security solution. Priority is being given to profitable start-ups and SMEs that can have a rapid impact on Group prospects.

After a return to sustained growth in the second half of 2022, the Group expects organic growth to increase in 2023. With capital expenditure largely completed during 2022, the ramp-up will come with a significant improvement in earnings as operating expenses gradually return to normal. By pursuing this trajectory, the WALLIX Group expects to break even at operating level in 2024.

Next publication: H1 2023 turnover, July 20, 2023

ABOUT WALLIX

WALLIX is the European specialist in access and digital identity security and the world leader in PAM (Privileged Access Management). Its technologies enable organizations to meet today's challenges in IT network protection and data security. They also provide detection and resilience to cyberattacks and protect organizations' digital assets in addition to maintaining business continuity of IT systems, in the cloud, and in industrial networks. These technologies simplify compliance with regulatory requirements for access to critical IT infrastructure and data. With its PAM4ALL, PAM4OT, and Trustelem solutions, WALLIX helps its customers modernize their information systems and put cybersecurity at the service of their digital transformation. The company relies on a network of certified distributors, resellers, and integrators to support more than 2,000 organizations worldwide in all sectors of the economy. The company is listed on Euronext (ALLIX). The founders and managers, as well as the investment structure T.D.H (Thierry Dassault Holding) are the historical reference shareholders.

OT.security by WALLIX is a brand dedicated to the security of digital access and identities in industrial environments.

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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