H1 2026 RESULTS

Management's Discussion & Analysis

HIGHLIGHTS

In the first half of 2026, the Group continued to execute its strategic transformation, with all three segments reducing their operating losses and both Core Digital Security and IoT returning to revenue growth. At USD 11.5 million, the operating loss before depreciation and amortization improved by USD 7.6 million compared to the first half of 2025, and was broadly in line with the USD 12.7 million loss net of restructuring costs recorded in the prior-year period. The Group remained debt-free with USD 64.3 million of cash and cash equivalents at the end of the period.

Core Digital Security returned to growth, with net revenues increasing by 0.7% to USD 104.7 million, supported by new business lines and by an expanded scope of business with key European customers. Segment EBITDA reached USD 5.1 million compared to USD 0.6 million in the first half of 2025.

Cybersecurity net revenues declined by 8.9% to USD 45.1 million, while the segment generated strong bookings growth in Managed Detection and Response (MDR) and advisory services and further expanded its gross margin. IoT returned to growth with net revenues increasing by 5.1% to USD 20.3 million and a gross margin recovery to 45.3%. Both segments reduced their EBITDA losses compared to the first half of 2025.

GROUP RESULTS

In the first half of 2026, the Group generated net revenues of USD 170.1 million, a decrease of 1.5% compared to the first half of 2025. In constant currency terms, net revenues decreased by 6.3%. Core Digital Security net revenues increased by 0.7% to USD 104.7 million, representing the first year-on-year growth of the last five years, while in constant currency terms revenues decreased by 4.7%. Cybersecurity net revenues decreased by 8.9% to USD 45.1 million, or 14.1% in constant currency, while IoT revenues increased by 5.1% to USD 20.3 million.

Other operating income amounted to USD 1.7 million, in line with the first half of 2025. Margin after cost of material decreased from 83.6% to 82.4%, reflecting lower gross margins in Core Digital Security.

Personnel expenses were USD 113.8 million, a decrease of USD 12.6 million compared to the first half of 2025. Excluding the USD 6.4 million of restructuring costs recorded in the prior-year period, personnel expenses decreased by USD 6.2 million. The Group reduced headcount by 89 full-time equivalents since year-end to 1,510 FTEs, mostly in Core Digital Security, with the main locations driving the reduction being Switzerland, India and the United States. Other operating expenses increased by USD 0.8 million to USD 39.3 million, reflecting higher sales costs, including a bad debt provision in the IoT segment.

For the first half of 2026, the Group generated USD 11.5 million of operating loss before depreciation and amortization, compared to a loss of USD 19.1 million in the first half of 2025. Net of restructuring costs, the prior-year loss amounted to USD 12.7 million. At USD 5.9 million, depreciation and amortization increased by USD 0.2 million from USD 5.7 million in the prior-year period. At USD 17.4 million, operating loss improved by USD 7.5 million compared to USD 24.8 million in the first half of 2025.

Interest expense amounted to USD 0.9 million, USD 0.3 million lower compared to the first half of 2025. Net finance expense was USD 0.8 million compared to USD 5.1 million in the same period last year, as no material foreign exchange effects affected this year’s financial result. Income tax expense was USD 1.3 million. Overall, the Group recorded a net loss of USD 20.3 million compared to a net loss of USD 32.9 million in the first half of 2025.

CORE DIGITAL SECURITY

Core Digital Security generated revenues of USD 104.7 million, an increase of 0.7% compared to the first half of 2025. In Europe, revenues increased by 12.2% to USD 56.3 million, as the Group expanded the scope of its business with a major pay-TV and media company to include a cybersecurity-related offering and to protect its terrestrial network, and similarly extended the scope of its business with other customers such as 4iG Group in Hungary to include security and OpenTV Platform-related offerings. In the Americas, revenues decreased by USD 7.2 million, as the prior-year period included an agreement with a major technology provider in the streaming domain, and as DISH continued to lose subscribers, though at a lower pace. In Asia Pacific and Africa, revenues increased by 11.3% to USD 18.0 million, supported by higher smart card volumes at Bakhresa in Eastern Africa and higher service-related revenues from Mediacorp in Singapore.

From a product-mix perspective, hardware-related revenues continued to decline, while professional services were a noticeable driver of growth in the first half. After an abnormally strong first half of 2025, margin after cost of material returned to historical levels, decreasing from 93.0% to 89.7%.

New business lines continued to gain traction. In the anti-piracy domain, the segment established new partnerships and introduced AI-enabled piracy monitoring and rights enforcement at the English Football League. In watermarking, the segment extended its partnership with Harmonic with the launch of a watermarking-as-a-service solution, which enables the rapid identification and disruption of illegal restreaming of live events.

Operating expenses in Core Digital Security were USD 7.2 million lower compared to the first half of 2025, mainly reflecting headcount reductions resulting from the restructuring program. As a result, segment EBITDA amounted to USD 5.1 million compared to USD 0.6 million in the first half of 2025. Segment EBIT turned from a loss in the first half of 2025 to a USD 1.1 million profit in the first half of 2026.

CYBERSECURITY

In the first half, the Cybersecurity segment further strengthened its Managed Detection and Response (MDR) offering with AI and enhanced IT, Operational Technology (OT) and IoT capabilities. It also launched a new AI-powered solution combining exposure management with detection and response, designed to help clients continuously reduce their security risk across IT and OT environments.

These developments translated into strong bookings growth in the first half, led by MDR, where bookings increased by 69% compared to the first half of 2025. Advisory bookings increased by 24% compared to the prior-year period, supported by stronger differentiation and a greater focus on value-added and AI-native cybersecurity services. Both regions contributed, though the comparison benefitted from a relatively low booking base in the first half of 2025.

Cybersecurity net revenues amounted to USD 45.1 million, a decrease of 8.9% compared to the first half of 2025, as bookings translate into revenues only over time. Both main regions accounted for most of the decline, with revenues decreasing by USD 2.1 million in Europe and by USD 2.0 million in the Americas. Sales in Asia and Africa amounted to USD 0.6 million.

Margin after cost of material improved to 85.1% compared to 83.0% in the first half of 2025. The segment also began adjusting its cost base in line with the declining top line, with operating expenses USD 2.9 million lower than in the prior-year period. These effects were largely absorbed by the lower revenue base, leaving the segment EBITDA loss at USD 5.3 million, an improvement of USD 0.2 million compared to the first half of 2025.

INTERNET OF THINGS (IoT)

IoT generated revenues of USD 20.3 million, an increase of 5.1% compared to the first half of 2025, returning to growth. Margin after cost of material recovered to 45.3% from 39.1%, as the prior-year period was affected by one-off cost of material related to the replacement of early generation devices.

In the IoT segment, the Group continued to build distribution partnerships with major providers of car financing, insurance and extended warranty products. These institutional channels are expected to materially expand market reach once fully deployed. At the same time, the segment continued to phase out dealerships with low penetration rates that require significant working capital to maintain inventory. This shift from breadth to quality is expected to improve working capital efficiency and support healthier cash generation over time.

The segment further strengthened its market position by signing Lithia, the world's largest new-car dealer, providing a further foundation for future growth. In addition, the repositioning of RecovR for Keys gained momentum, with sales exceeding 1,000 units per month, four times the run rate of the prior year.

Operating expenses were USD 1.7 million lower as the segment streamlined its cost base. EBITDA loss was USD 3.7 million, an improvement of USD 3.3 million compared to the first half of 2025.

BALANCE SHEET

Following the SKIDATA divestiture and subsequent debt repayments, the Group remains debt-free.

As of June 30, 2026, total non-current assets were USD 341.1 million, broadly in line with USD 347.6 million at year-end 2025. Tangible fixed assets decreased slightly to USD 5.5 million. At USD 219.2 million, intangible assets represent the bulk of non-current assets, with goodwill accounting for most of this amount. Financial assets at fair value amounted to USD 36.2 million and mainly consist of unsettled receivables transferred to the securitization special-purpose entity.

Total current assets were USD 178.7 million. Inventories were USD 13.0 million, which was USD 2.7 million lower compared to year-end, mainly reflecting the optimization of asset tracking inventories. Accounts receivable were USD 25.8 million, which was USD 4.4 million lower due to strong collections. Cash and cash equivalents were USD 64.3 million, which was USD 36.1 million lower compared to year-end.

Total equity was USD 286.4 million, a decrease of USD 23.0 million compared to year-end, mainly driven by the USD 20.3 million net loss for the period. Total non-current liabilities were USD 71.6 million, which was USD 15.1 million lower, and mainly consist of long-term lease obligations. Other long-term liabilities decreased by USD 8.8 million, mainly reflecting a reduction of deferred income. Total current liabilities were USD 161.8 million, which was USD 4.5 million lower than year-end. The remaining short-term debt relates to a liability linked to an operating partner.

CASH FLOWS

Net cash used in operating activities was USD 28.5 million, reflecting the period's net loss. This represents a USD 16.8 million improvement from the first half of 2025. In addition, the reduction of deferred income and of indirect tax payable, both aggregated in the change in other net current working capital, more than offset the positive impact of higher accrued expenses.

Cash used in investing activities was USD 0.8 million, reflecting continued discipline in capital expenditures. Cash used in financing activities was USD 5.4 million and primarily related to lease obligations.

OUTLOOK

For the second half of 2026, management expects a stronger revenue trajectory supported by seasonality in Core Digital Security and a double-digit rate of revenue growth forecasted for IoT. In Cybersecurity, full year revenues are expected to be lower compared to 2025.

Core Digital Security operating expenses are expected to remain broadly in line with the first half. Similarly, Cybersecurity operating expenses are projected to be in the same range as in the first half, while IoT operating expenses in the second half are expected to be somewhat higher than in the first half.

For the full year 2026, management expects positive double-digit million EBITDA in Core Digital Security, broadly in line with 2025. Cybersecurity's full year EBITDA loss is expected to be higher compared to 2025. In IoT, the second half EBITDA loss is expected to further decrease compared to the first half.

Management targets free cash flow for the second half of the year to be at around break-even, reflecting a material improvement in profitability compared to the first half.