

## **BUSINESS UPDATE**

**Accelerating transformation and launching restructuring program at SKIDATA to increase profitability and cash flow generation, with overall positive outlook for 2020.**

- **Digital TV, Kudelski Security and Internet of Things performing as planned in 2019**
- **SKIDATA revenues in 2019 are expected to be USD 15–20 million lower than forecasted as a result of project delays in the US market**
- **SKIDATA will accelerate its transformation and launch a restructuring program with an overall expected reduction of 10% of SKIDATA positions in 2020 and one-off costs of USD 20–25 million in 2019**
- **Negative impact from SKIDATA will lead to a lower than forecasted EBITDA for the Kudelski Group in 2019**
- **Positive outlook for 2020 with USD 40 million EBITDA improvement expected at SKIDATA and positive net income for the Kudelski Group**

**Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA, December 19, 2019** – The Kudelski Group is providing a business update regarding its 2019 performance. The Digital TV division has successfully completed its transformation plan, repositioning its business to benefit from market opportunities in the growing digital video domains. Kudelski Security continues to shift its focus to high value-added business lines, while Kudelski IoT continues to develop its secure IoT platform as planned and partner with key players in the industry, including with Microsoft to secure devices connecting to Azure IoT.

Historically, SKIDATA has generated 40% of its annual revenues during the months of November and December. During the fourth quarter 2019, several key customer projects in the US market were impacted by operational delays that will push delivery into 2020. As a result, SKIDATA's 2019 revenues are expected to be approximately USD 15–20 million lower than previously forecasted. As of mid-December, SKIDATA US backlog of bookings expected to be recognized as revenues in the following year increased from USD 6 million in 2018 to USD 29 million in 2019.

Following the appointment of David Luken as CEO of SKIDATA in June 2019, a transformation of SKIDATA was launched, targeting strong improvements of profitability and cash flow generation. The Group has decided to accelerate the transformation by launching a restructuring program with the target of improving SKIDATA EBITDA by USD 40 million in 2020.

A first wave of measures was completed with a focus on SKIDATA's US organization, including, in particular, the simplification of corporate entities and management structure, integration with the Group's ERP and supply chain tools, stronger management of the project portfolio and streamlining of overhead functions.

Planned structural changes are expected to result in an overall reduction of 10% of SKIDATA positions during the first half 2020. Such changes include the consolidation of local functions into regional units, the re-engineering of selected core processes, the reduction of overhead positions and the rationalization of low-yield activities.

SKIDATA will streamline its R&D portfolio and improve the alignment of its project portfolio with business needs. SKIDATA will also benefit from the tighter integration of relevant functions in the Kudelski Group. In particular, the Group will drive operating synergies in core operating and support functions.

For 2019, SKIDATA's structural changes to improve efficiencies and lower its cost structure will result in USD 20-25 million of one-time costs mainly related to the rationalization of SKIDATA operations and the consolidation of regional entities, as well as asset impairments, including in particular inventory, receivables and contract assets.

The Group is undertaking these actions to enable SKIDATA to further expand its global market leadership in the parking, ski and event segments, continue gaining market share, and maintain its innovation leadership while leveraging its superior product and service portfolio to win new opportunities in the market.

The ongoing top-line and profitability improvements at SKIDATA, together with the combined positive momentum of the Group's Digital TV, cybersecurity and IoT segments, are expected to result in a positive net income for the Kudelski Group in 2020.

### **About the Kudelski Group**

The Kudelski Group (SIX: KUD.S) is a world leader in digital security and a provider of end-to-end convergent media solutions, including services and applications requiring access control and rights management to secure the revenue in digital television, internet, mobile and interactive applications. The Group also offers cybersecurity solutions and services focused on helping companies assess risks and vulnerabilities and protect their data and systems. It also supplies integrated solutions to manage access control of people and vehicles to sites and events. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA. For more information, please visit [www.nagra.com](http://www.nagra.com).

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