

BUSINESS UPDATE

Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA, January 22, 2021 – The Kudelski Group is providing a business update regarding its 2020 performance. A better-than-expected resilience of the Group's business segments in the COVID-19 environment combined with the favorable impact of proactive cost control measures resulted in its 2020 EBITDA exceeding the USD 45 to 55 million range of its latest guidance and strong full-year cash flows.

The Digital TV business in the second half 2020 was more resilient than anticipated, benefitting from a robust recurring business and in spite of the negative impact of COVID-19 on the project side of the business. Digital TV benefitted from a comprehensive cost reduction program and a positive one-off pension accounting effect and performed better than expected as potential risks impacting the segment's profitability did not materialize. The recurring European Digital TV business, in particular, overperformed compared to expectations with a strong momentum in the last quarter. Furthermore, growth areas such the Group's analytics business benefitted from new customer wins.

The COVID-19 impact on Public Access' business was less pronounced than previously anticipated, resulting in a year-on-year EBITDA improvement. While SKIDATA's top line suffered from the negative effect of lockdowns on the usage of parking infrastructure and the level of activities in the ski domain, the cost reduction measures initiated at the onset of the COVID-19 crisis partially mitigated the impact on profitability, resulting in better-than-planned results. In particular, Public Access' gross margins increased compared both to last year and last expectations. In addition, SKIDATA reduced expenses in spite of one-off negative effects related to the impairment of select assets, inventory clean-up, and other restructuring measures.

In the Cybersecurity segment, the positive momentum of the European business accelerated in the fourth quarter. In the US, the Group continues to actively migrate from lower value-added technology reselling activities to higher-value business lines, including in particular managed security services. The successful ongoing transformation of the US business mix led to an improvement of regional gross margins. Segment's gross profit in 2020 materially improved compared to 2019, benefitting from the continued favorable shift of the revenues mix, with overall substantially stable revenues. Strong gross profit momentum allowed Cybersecurity to materially tighten the segment's loss in 2020 compared to prior year.

IoT performed in line with expectations, delivering higher revenues and reducing its operating loss compared to the prior year.

The updated guidance provided in this press release is based on the Group's preliminary 2020 results, which are subject to change in connection with the completion of the company's final closing procedures, final adjustments and other developments that may arise in the course of the preparation or audit of its financial statements. The Kudelski Group will host a conference call to discuss the company's full year 2020 results on February 25, 2021.

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 to the digital entertainment industry, 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.

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