

ANNUAL RESULTS 2022

HIGHLIGHTS:

- USD 715.9 million of total revenues and other operating income, USD 33.2 million of EBITDA and USD 0.9 million of operating income
- Revenue growth in 2022 for Cybersecurity, IoT and Public Access in constant currency
- Lower-than-expected sales for Digital TV in Europe with global revenues of USD 300.6 million and EBITDA of USD 65.1 million
- Cybersecurity revenue progression, double-digit growth in gross profit and EBITDA improvement
- IoT doubled total revenues to USD 15.7 million with deployments of RecovR in the US and expansion of security labs activities
- Public Access revenues, in constant currency, reverted to growth with a 7.5% increase from 2021
- Positive momentum of Cybersecurity and IoT confirms the importance of the Group's investment strategy
- Outlook for 2023: revenue growth and EBITDA between USD 40 and 60 million

KEY FIGURES 2022:

(In million USD)	2022	2021
Revenues and Other Operating Income	715.9	778.8
EBITDA	33.2	72.4
Operating income	0.9	30.2

Cheseaux-sur-Lausanne, Switzerland, and Phoenix (AZ), USA – February 23, 2023 –
The Kudelski Group (SIX: KUD.S), the world leader in digital security, announced today its 2022 annual results.

In 2022, three of the Group's four business segments delivered increased revenues in constant currency. The Cybersecurity segment saw double-digit growth in margin after cost of material and a reduction of USD 3.8 million in EBITDA loss. Meanwhile, the IoT segment more than doubled its revenues from the previous year, with a reduction of USD 2.2 million in EBITDA loss. The Public Access segment reverted to positive revenue growth, recovering after two years of COVID-19 related revenue contraction, with a 7.5% growth in constant currency. However, increased operating expenses in local currencies were incurred to ensure the delivery of its growing backlog, resulting in a USD 1.9 million decline in EBITDA compared to the prior year. The Digital TV business delivered lower-than-expected sales, mainly in European markets. Revenues in constant currency decreased by 11.0% compared to the previous year, and EBITDA reached USD 65.1 million.

The Group's total revenues and other operating income decreased to USD 715.9 million from USD 778.8 million in 2021, while net revenues were USD 705.9 million, a marginal decrease of 0.6% in constant currency. The Group generated EBITDA of USD 33.2 million.

DIGITAL TV: DRIVING CHANGE IN A DYNAMIC MARKET

Digital TV revenues reached USD 300.6 million, a 11.0% decrease in constant currency compared to 2021. This decline can be attributed to the relatively strong performance of Digital TV revenues in 2021, particularly in Europe, which had a base effect on this year's results.

A key area of focus for 2022 was the Latin American market, where Nagravision is successfully transitioning several customers and a large portion of the market to its security platform and services, setting the path for future growth opportunities in this region.

Over the past years, the Digital TV business has shifted to a resilient software and service-oriented model, from a legacy-hardware-based model that is heavily reliant on smart cards. In 2022, Nagravision supported the deployment of a cutting-edge streaming service for GTPL Hathway in India, while Claro Colombia implemented the Open TV Video Platform solution from the Group, which harmonizes the administration of content, subscription packages, and accounts, resulting in a novel SaaS-based video aggregation service. In Peru, Hispasat empowered local video distributors to offer a superior over-the-top user experience through the utilization of the Group's video platform, and in the Netherlands, United Group capitalized on the Group's NexGuard forensic watermarking technology to eliminate piracy at its root, effectively safeguarding rightsholders' intellectual property.

The shift from hardware to a software and service-oriented model is reflected in the sales figures for the Digital TV business, with smart card sales declining from USD 61.4 million in 2019 to USD 30.0 million in 2021 and USD 12.8 million in 2022. Hardware sales also followed a similar pattern, peaking at USD 52.2 million in 2021 and declining to USD 39.0 million in 2022, similar to the level in 2019. On the other hand, service, royalties, and software sales were more resilient, reflecting the positive momentum of emerging product lines.

Nagravision continued to gain traction for its emerging solutions, such as NAGRA Scout, which provides connected lifestyle security for consumers, and NAGRA Insight Smart Pricing, which simulates subscriber behaviors based on pricing and content changes using AI-based digital twins. Digital TV is also working to leverage promising development opportunities in attractive new markets, using artificial intelligence to improve subscriber profitability and providing comprehensive all-in-one streaming solutions for sports and e-sports.

CYBERSECURITY: STRENGTHENED SERVICES AND EXPANDED ACTIVITIES

In 2022, the Group's cybersecurity business reached net revenues of USD 109.3 million. The European region exhibited robust growth, with net revenues rising to USD 43.3 million, representing an impressive year-on-year increase of 44.2% in constant currency.

The growth of European revenue has resulted in a notable year-on-year increase of USD 6.8 million in margin after cost of material for the region. Kudelski Security's expansion strategy in 2022 saw the business extending its presence outside the Swiss market, with a particular focus on Germany, France, and the UK. This strategic move lays the foundation for sustained growth in the coming years. On the other hand, revenues from the US experienced a year-on-year decline, primarily due to lower technology resell activities, while high added-value solutions and services continue to grow, resulting in substantially improved revenue quality. This improvement was reflected in the USD 6.2 million year-on-year growth in gross profit. The steady expansion of the Group's managed security business in the US contributed positively to the overall momentum of Kudelski Security's operations in the US. Additionally, the advisory business, which included significant engagements in the blockchain space, more than doubled in 2022 compared to the previous year.

Kudelski Security continues to build momentum by addressing the security needs across a broad range of industries. In 2022, the cybersecurity business won significant new contracts in the luxury goods and healthcare industries, as well as in the energy and critical infrastructure sectors.

In the context of its European expansion, the Group launched a new cyber fusion center in Spain, staffed with an experienced team of threat detection specialists and cyber response consultants to complement existing centers in Switzerland and the US. In addition, the Group continues to expand its cybersecurity offering portfolio, launching MDR ONE, a new all-in-one solution that provides cloud-native managed detection and response services based on the Group's proprietary technologies.

The Group's cybersecurity business continued to earn recognitions in the industry in 2022, achieving top 25 MSSP status from 'MSSP Alert', as well as industry leader status from UK-based Bloor Research. Working collectively with the Group's media and entertainment division, Nagravision, Kudelski Security won the 2022 award for best cybersecurity product or service from CSI at the IBC.

INTERNET OF THINGS (IOT): BUILDING ON RECOVR'S SUCCESS

In 2022, the IoT segment more than doubled its sales, generating USD 15.7 million of revenues, compared to USD 7.4 million in 2021.

The main driver of this growth was RecovR, a comprehensive asset tracking solution combining lot management and theft recovery that has expanded its presence across car dealerships throughout the United States. The adoption of RecovR by 250 car dealerships in the United States as of the end of 2022 indicates a promising trajectory for this business. Furthermore, the signing of significant contracts at the start of 2023 is expected to drive further growth of the RecovR business in 2023.

In addition to RecovR, IoT's Lab and Design business delivered a double-digit percentage increase in revenue in 2022, demonstrating continued favorable momentum of this business. Kudelski IoT Labs is approved to serve as certification labs for top-tier customers amid increased demand for these services. Kudelski IoT also expanded its Secure IP portfolio and signed additional semiconductor manufacturers, enabling them to achieve important industry security certifications and extend new services to their customers. Lastly, the company launched a Device Authentication Certificate service for device manufacturers implementing the new Matter smart home standard, which is being embraced by these companies to create a more interoperable and secure connected home.

PUBLIC ACCESS: “MOBILE FIRST” AND SUSTAINABILITY

In 2022, Public Access benefitted from a recovery in customer investments in access control infrastructure for parking, ski, and events, following two years of COVID-19-related declines. Revenues in constant currency increased by 7.5% in 2022, but a weaker Euro negatively affected its reported USD-denominated revenues. In 2022, revenues in US Dollars for Public Access declined by 1.4% to USD 280.2 million compared to the prior year.

SKIDATA leveraged its digital management platform to provide mobile and e-commerce solutions for ski resorts, event venues and parking facilities. It also developed and provided smart and sustainable cloud-based city management solutions that combine digital car park access, e-payment and EV-charging, helping cities optimize their traffic flow while reducing their climate footprint.

Touchless and mobile solutions are becoming the new norm for the post-pandemic and climate-conscious world, and SKIDATA is well-positioned to lead the market in this area. Moreover, as SKIDATA's overall business mix evolves, the share of software and services in the revenue mix continues to increase. For example, the Swedish city of Linköping, in close collaboration with SKIDATA, is spearheading a series of initiatives that seek to modernize their parking infrastructure. These efforts encompass the deployment of a comprehensive digital parking guidance system, an automated ticketless access system and the widespread incorporation of electric vehicle charging stations across 14 parking facilities throughout the city, all using SKIDATA's unified platform, which is accessible via mobile devices.

OUTLOOK FOR 2023

For the Digital TV segment, the Group forecasts a small single-digit percentage decline in revenue for 2023, accompanied by a further reduction in operating costs. Overall, the Group expects a moderate decrease in Digital TV EBITDA in comparison to 2022.

The Group expects a continued expansion in revenue and a double-digit percentage growth in profit after cost of material for the cybersecurity segment. As the growth rate of operating expenses is anticipated to be lower than in previous periods, the Group expects to reduce the segment's EBITDA loss to an amount in the single-digit millions for the full year.

The growth of IoT services and the keySTREAM platform will serve as a driver for long-term growth in the IoT segment. In 2023, IoT revenues are predicted to roughly double, driven by the strong momentum of RecovR sales, but lower margins after cost of material from asset tracking will result in less-than-proportional growth in gross profits for the segment. A moderate increase in operating expenses is anticipated, with the aim of achieving a significant reduction in operating loss in 2023 compared to the prior year.

For the full year 2023, the Group expects a mid-single-digit percentage increase in both Public Access revenue and profit after cost of material. Assuming stable operating expenses, Public Access' EBITDA is expected to improve materially in comparison to 2022.

Overall, the Group expects to achieve revenue growth in 2023 with an EBITDA in the range of USD 40 million to USD 60 million.

Taking into account the Group's 2022 results and the current global economic uncertainty, the Board of Directors has decided not to propose a distribution or dividend payment this year.

Note to the editors:

The 2022 Financial Statements and MD&A are available in PDF format under:

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About the Kudelski Group

The Kudelski Group (SIX: KUD.S) is a world leader in digital business enablement technologies that are built to enable innovation and deliver trust. The four main business divisions of the Group cover end-to-end convergent media solutions to the digital entertainment industry, cybersecurity services for enterprise and government bodies, public access solutions and end-to-end IoT design solutions and full-lifecycle services.

The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA with offices in 32 countries around the world. For more information, please visit www.nagra.com.

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