

*Ad hoc announcement pursuant to Art. 53 LR*

## 2024 HALF YEAR RESULTS

### Highlights:

- The Group has decided to focus on its core business of digital security going forward with Digital Television, Cybersecurity and Internet of Things.
- To strengthen its balance sheet and reduce operational complexity and risks, the Group is divesting SKIDATA.
- Post SKIDATA transaction, the Group will have fully repaid the outstanding CHF 145.9 million bond and will have a net cash position close to USD 100 million.
- For continuing activities, total Group revenues have reached USD 198.2 million.
- Digital Television had a challenging first half, with revenues of USD 109.8 million representing a decline of 7.4% compared with the prior year period.
- Cybersecurity remained stable with USD 58.6 million of revenues and focused on improving revenue quality and reducing its EBITDA loss by 59.3% down to USD -2.7 million.
- Internet of Things experienced another remarkable first half, with revenues reaching USD 23.6 million, driven by the continued momentum of its RecovR asset tracking solution.
- With the pending divestiture of SKIDATA, Public Access activities are presented as discontinued operations.

### KEY FIGURES HALF YEAR 2024

(in million USD)	1H2024	1H2023
Revenues & Other Operating Income	198.2	195.0
EBITDA	- 11.7	-9.8

**Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA – August 22<sup>nd</sup>, 2024** – The Kudelski Group (SIX: KUD.S), the world leader in digital security, announced today its results for the first half of 2024.

The first half of 2024 marks a significant shift in the Group's activities with the expected sale of SKIDATA. This transaction fundamentally changes the scope of the Group's operations, with SKIDATA now presented as discontinued operations in the financial statements. The sale, based on an enterprise value of EUR 340 million, is expected to generate net cash of over EUR 300 million after settling SKIDATA loans of around EUR 30 million and accounting for transaction costs and other adjustments.

The proceeds of this transaction will be used by the Group to repay its outstanding CHF 145.9 million bond and all remaining bank debt, resulting in a net cash position close to USD 100 million. The transaction remains subject to regulatory approval and customary closing conditions, and while the closing is anticipated prior to the bond's maturity date, the Group has secured a CHF 150 million credit line from Farallon as a contingency measure.

Following this divestiture, the Group will consist of three business segments - Digital Television, Cybersecurity and Internet of Things. During the first half of 2024, the Digital Television segment faced headwinds, experiencing a decline in revenue and margins after cost of material, which resulted in diminished profitability. In Cybersecurity, top line growth remained modest as the focus shifted towards improving its gross margin to minimize segment losses and approach the break-even point. Meanwhile, the Internet of Things segment maintained strong momentum with solid growth, albeit with increased EBITDA losses due to accelerated investments.

In the first half of 2024, the Group's net revenues remained relatively stable, showing a slight increase of 0.4% to USD 192.0 million. Other operating income increased by USD 2.5 million to reach USD 6.1 million.

## **DIGITAL TELEVISION: INCREASING OUR MARKET REACH WHILE FOCUSING ON CUSTOMER ENGAGEMENT**

Digital Television revenues declined by 7.4% to USD 109.8 million in the first half of 2024. Digital Television margins after cost of material decreased from 94.1% to 89.5%, reflecting a revenue mix that included more CAMs and hardware than in the previous first half. Operating expenses in the Digital Television segment were USD 2.4 million lower compared to last year, mainly due to headcount reductions driven by lower business volumes. This segment's operating expenses include USD 4.5 million of restructuring costs. Digital Television generated USD 3.8 million of EBITDA (USD 8.3 million net of restructuring costs), compared to USD 14.7 million in the first half of 2023.

In an environment characterized by piracy concerns, cybersecurity risks and rapidly advancing AI solutions, NagraVision focused efforts on the promotion of solutions such as Active Streaming Protection, which addresses security vulnerabilities in OTT streaming, NAGRA Scout, which safeguards consumers from cyber threats to smart homes, and OpenTV Platform, which creates consumer value through a user-centric optimized streaming experience. NAGRA Insight Negotiation Agent, NagraVision's autonomous customer care agent powered by controlled generative AI and digital twin

technology, is also drawing interest from major telecommunications operators who are looking to reduce churn and optimize revenue.

In a challenging market, the Digital Television division has demonstrated its continuing capability to extend existing partnerships and won new contracts with operators and institutions worldwide during first half of the year:

- Nagra Sport and the European Broadcasting Union (EBU) partnered to launch Eurovision Sport, a new worldwide direct-to-consumer sports streaming service providing free-to-air access to major sporting events;
- India's GTPL Hathway Limited launched linear television content on connected TVs through TVKey Cloud, a joint solution developed by Nagravision and Samsung;
- Nagravision and content distributor Eluvio extended their collaboration with the industry-first integration of forensic watermarking for live streaming of sports and live events;
- In India, sports broadcaster and aggregator Fancode implemented Nagravision's multi-DRM and watermarking solutions for its service; and
- Entel, the largest telecommunications company operating in Chile and Peru, has selected Nagravision's OpenTV Platform for its OTT service.

## **CYBERSECURITY: ACCELERATING TRANSFORMATION AND GROWTH WITH DIFFERENTIATED SERVICES AND STRONG PERFORMANCE**

The Group's Cybersecurity segment continues its path towards scalability and profitable growth. In the first half 2024, net revenues remained stable at USD 58.6 million compared to the first half of 2023. The managed security business maintained its impressive growth trajectory, with revenues increasing by USD 4.1 million to reach USD 28.5 million in the first half of the year. Segment margins after cost of material persistently improved over the last year, rising from 66.4% to 71.7%. In absolute terms, margins after cost of material increased by 7.9% to reach USD 42.0 million. The business reduced its operating loss before depreciation and amortization by 59.3% to USD 2.7 million from USD 6.7 million in the first half 2023.

A major highlight of the first half of 2024 was the successful market launch of Kudelski Security's new service, MDR ONE Resolute, in December 2023. The service has already been adopted by over 50 clients, demonstrating strong market demand and reinforcing Kudelski Security's position as a leader in the MDR space. Additionally, the segment's growing portfolio of multi-year Advisory-as-a-Service contracts, particularly in the Threat Exposure Management field, has expanded its revenue backlog.

Kudelski Security's expansion into critical infrastructure such as energy, healthcare, and utilities, as well as the consumer packaged goods industry, has been a key factor in its sustained growth. The segment's expertise in Operational Technology (OT) networks has driven large security assessments and opened up new opportunities in managed OT services. Consistent recognition by leading market analyst firms such as Gartner and Forrester further underscores Kudelski Security's reputation as a top service provider in the MDR and Digital Forensics & Incident Response markets, driving increased awareness and growth.

## **INTERNET OF THINGS (IoT): EXPANDING ASSET TRACKING AND SEMICONDUCTOR BUSINESS**

In the first half 2024, the IoT segment demonstrated robust performance, with net sales reaching USD 23.6 million, a remarkable 66.8% increase over the previous year. The driver of this growth continues to be RecovR, a comprehensive asset tracking solution that combines lot management for car dealers and theft recovery for their customers. In the current first half, RecovR sales were nearly double the sales of the previous first half. During this period, IoT successfully deployed 122 new rooftops and secured deals with larger automotive dealerships and additional industry leaders in the automotive financial services market who function as a sales channel for RecovR.

Furthermore, the RecovR asset tracking solution entered new market segments, now serving companies across the waste services, construction, and agriculture equipment verticals, and RecovR for Keys, the newest addition to the RecovR solutions portfolio, was deployed across 23 existing U.S. RecovR dealerships. RecovR started its international expansion into Canada and was selected by the Canadian Automotive Dealers Association as their official theft recovery partner for the Canadian market. These initiatives have led to a robust backlog for the second half of the year. Due to market dynamics, the other product and services of this business segment saw a decrease in revenue during the first half, but in the longer term, growth is expected in these product categories.

The impressive traction gained by the asset tracking business prompted a decision to increase investments in this segment. This strategic move led to a corresponding increase of USD 6.0 million in the IoT operating expenditure base. Consequently, the segment's operating loss before depreciation and amortization widened by USD 2.1 million to USD 11.1 million, as the Group positions itself for continued growth in this promising market.

Kudelski IoT has been selected by industry-leading semiconductor providers to deliver secure enclaves for integration, with an interesting business outlook for these partnerships due to regulatory and standards-based requirements for robust IoT security. In addition, keySTREAM, the Group's end-to-end IoT security platform, is increasingly available through partnerships with semiconductor companies to provide provisioning services for their customers.

## **FULL YEAR 2024 OUTLOOK**

Following the trend of recent years, the Group anticipates that second half Digital Television revenues in 2024 will be higher than in the first half, with a more favorable revenue mix translating into a higher margin after cost of material. Operating expenses for the second half are expected to substantially align with those of the first half, thereby leading to a higher EBITDA for the second half when compared to the first half of the year. Overall, the Group expects a decrease in Digital Television EBITDA for the full year in comparison to 2023.

With the appointment of David Chétrit as the new CEO of Kudelski Security, a renewed focus on profitable growth is expected. While revenues in the first half were short of target, the segment is in line with its objective to cut the EBITDA loss in half compared to the previous year. For the full year 2024, overall revenues are likely to be at about the same level as last year, with continued improvement in margins after cost of material and an operating expense level approximately in line with the prior year.

Driven by the strong momentum of RecovR sales, the Internet of Things business is expected to continue its long-term trajectory of doubling year-on-year revenues. However, given that 2023 was an exceptionally strong year, a lower year-on-year revenue growth rate is anticipated for 2024 due to this base effect. Margins after cost of material are forecasted to recover to a level exceeding 50%, in line with the first half's margins. As the Group is increasing its investments in this segment to sustain growth beyond 2024, operating expenses for the second half are projected to be in the same range as in this first half. Consequently, the segment's EBITDA loss for the full year is expected to be moderately higher than last year's, reflecting the increased investments to support the highly promising growth momentum of this business.

### **Note to the editors:**

The 2024 first half Financial Statements and MD&A are available in PDF format under: [www.nagra.com](http://www.nagra.com)  
[>> Investors](#) [>> Publications](#)

### **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, 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](http://www.nagra.com)

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