

Listen-only live audio webcast available from [www.gemalto.com/investors](http://www.gemalto.com/investors)

# Gemalto to acquire 3M's Identity Management Business

Transaction includes 3M Cogent Inc., Document Reader and Secure Materials Businesses

December 9, 2016



Philippe Vallée, CEO

Jacques Tierny, CFO

# Disclaimer

This communication does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Gemalto.

This communication contains certain statements that are neither reported financial results nor other historical information and other statements concerning Gemalto. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, events, products and services and future performance. Forward-looking statements are generally identified by the words “will”, “expects”, “anticipates”, “believes”, “intends”, “estimates”, “target”, and similar expressions. These and other information and statements contained in this communication constitute forward-looking statements for purposes of applicable securities laws. Although management of the Company believes that the expectations reflected in the forward-looking statements are reasonable, investors and security holders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by the forward-looking information and statements, and the Company cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this communication include, but are not limited to: trends in wireless communication and mobile commerce markets; the Company's ability to develop new technology and the effects of competing technologies developed; effects of the intense competition in the Company's main markets; challenges to or loss of intellectual property rights; ability to establish and maintain strategic relationships in its major businesses; ability to develop and take advantage of new software, platforms and services; profitability of the expansion strategy; effects of acquisitions and investments; ability of the Company's to integrate acquired businesses, activities and companies according to expectations; ability of the Company to achieve the expected synergies from acquisitions; and changes in global, political, economic, business, competitive, market and regulatory forces. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. The forward-looking statements contained in this communication speak only as of the date of this communication and the Company or its representatives are under no duty, and do not undertake, to update any of the forward-looking statements after this date to conform such statements to actual results, to reflect the occurrence of anticipated results or otherwise except as otherwise required by applicable law or regulations.

# Basis of preparation

## Segment information

The Mobile segment reports on businesses associated with mobile cellular technologies including Machine-to-Machine, mobile secure elements (SIM, embedded secure element) and mobile Platform & Services. The Payment & Identity segment reports on businesses associated with secure personal interactions including Payment, Government Programs and Enterprise. The SafeNet acquisition is part of the Enterprise business.

In addition to this segment information the Company also reports revenues of Mobile and Payment & Identity by type of activity: Embedded software & Products (E&P) and Platforms & Services (P&S).

## Adjusted income statement and profit from operations (PFO)

PFO is a non-GAAP measure defined as IFRS operating profit adjusted for (i) the amortization and depreciation of intangibles resulting from acquisitions, (ii) restructuring and acquisition-related expenses, (iii) all equity-based compensation charges and associated costs; and (iv) fair value adjustments upon business acquisitions.

In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering, Sales and Marketing, General and Administrative expenses, and Other income (expense) net.

Return on capital employed (ROCE) is defined as after-tax PFO divided by capital employed.

## Currency exchange rates

In this presentation, revenue variations are at constant exchange rates, and all other figures are at historical exchange rates, except where otherwise noted.

Gemalto announces  
an agreement to acquire  
3M's Identity Management Business,  
leader in biometric solutions for civil  
identifications, border control and law  
enforcement

# Strategic Rationale

- Integrating 3M's Identity Management Business, Gemalto takes a leading position in biometric identification
- Uniquely positioned to accelerate its offerings in public services and expand the use of trusted identities in the commercial realm
  - **Public services:** End-to-end offer to manage the enrolment, identification of individuals, flow of passengers and border control
  - **Commercial services:** As online and mobile transactions grow, new forms of multi-factor authentication and identification are needed to complement physical ID documents.

# 3M's Identity Management Business offers end-to-end Identity Management solutions to enable identity verification and authentication

3M's Identity Management business is headquartered in the United States with approximately 450 employees worldwide

Businesses include 3M Cogent Inc., Document Reader and Secure Materials

Trusted partner to governments and law enforcement agencies for 30+ years

Experienced technical and business leadership team

Proven **biometrics matching algorithms** (finger, face, iris, etc.)  
At the forefront of innovation with the latest **multi-modal biometric solutions**

# 3M's Identity Management Business Lines

## BIOMETRICS

Full spectrum of biometric solutions with a focus in law enforcement, border control and civil identification

- Large scale identification system
- Biometric algorithms: finger, face, iris matching
- Biometric scanners and mobile devices

61%  
of sales

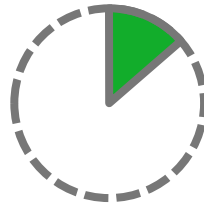


## DOCUMENT READERS

End-to-end suite of solutions to capture and authenticate various types of civil IDs and documents

- Kiosk and desktop readers
- Document authentication software
- Swipe readers / full page readers

13%  
of sales

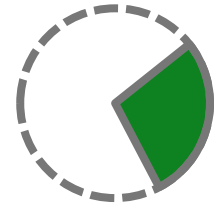


## SECURE MATERIALS

High security documents and components, related proprietary software that are difficult to forge/counterfeit

- Passport and cards laminates
- Security features for cards and passports

26%  
of sales



# Example of Biometric Identification

## DATA CAPTURE



- Images are captured with specialized scanners, cameras, or other equipment
- Data is provided to a centralized database, stored locally or discarded after feature extraction

## FEATURE EXTRACTION



- Biometric features are extracted from the captured images
- Stored in proprietary or standardized templates in verification or identification systems

## COMPARISON & MATCHING



- New records are searched and compared against databases
- Biometric images are matched using proprietary algorithms with unparalleled speed and accuracy

## STATS OF A DEPLOYED CLIENT SOLUTION

- 200 million records in database
- 200,000 search transactions daily
- 6 second watch list response time
- 99.7% accuracy



# Gemalto and 3M's Identity Management are complementary

Building  
on a  
unique  
asset

## Gemalto Common Core Technologies



Authentication



Data Protection



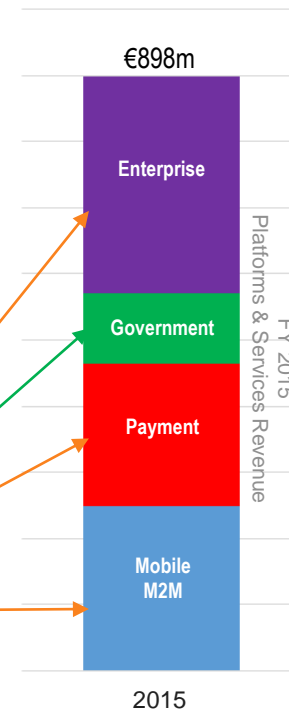
Key Management



Secure Issuance



Biometric Identification



**Authenticating** and **Identifying** individuals in a fast and reliable way through the use of unique biological characteristics will enable consumers to have seamless access to services

# 3M's Identity Management Business financial profile

## Annual Profit & Loss\*

Revenue

**\$215m**

Gross profit

**\$100m**

46%

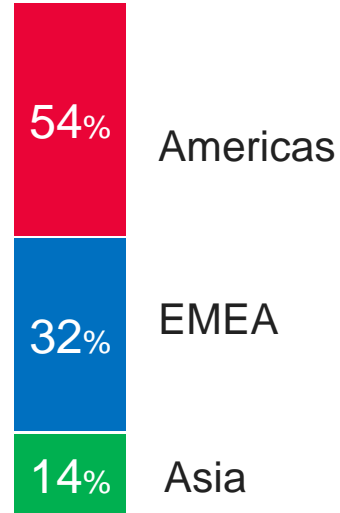
Profit from operations

**\$58m**

27%

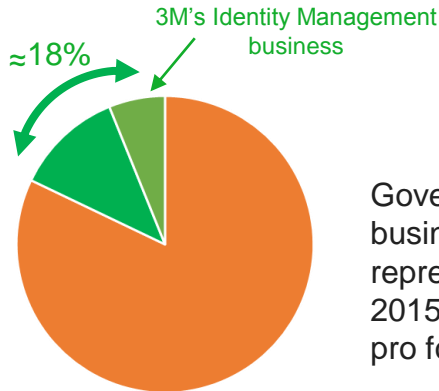
*\*Source: Proforma carve-out unaudited financials based on due diligence - 12 months ending June 2016*

## Sales by region



# Integration with Gemalto and reporting

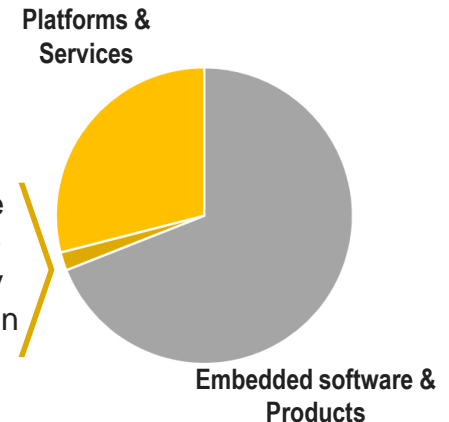
- 3M's Identity Management business will join Gemalto's Government Programs business
- Similar long term contract profiles



Government Programs business would have represented around 18% of 2015 Company revenue on a pro forma basis

- 60% to 65% of 3M's Identity Management business revenue will be reported as Platforms & Services.

Increasing by +2 percentage points the contribution of the Platforms & Services activity in 2015 Company revenue on a pro forma basis



# Impact on the Company financials

- Accretive to adjusted EPS upon completion
- In 2017, contribution to financials expected to be limited to the second semester
- As part of our long term strategy and the development of this core technology across all our businesses,
  - The acquired business revenue is expected to grow at a +10% CAGR
  - With EBITDA margins above 20% by 2020

# Transaction details

- Entered into agreements to acquire 3M's Identity Management Business
- Enterprise value of \$850 million
- Subject to anti-trust, government approvals and employee consultation where necessary
- Deal expected to close in the first half of 2017

# Gemalto's strong financial structure is preserved

- The US\$850 million will be provided by cash and existing long term credit facilities
- **As of 2017**, assuming transaction closes
  - Net debt/adj. EBITDA ratio < 1.5
  - Under current market conditions, incremental interest cost < €10 million per annum
  - Strong liquidity profile maintained
- **Through 2017**: Unchanged financial policies
  - On average, capex below 5% of sales

# Takeaways

- Gemalto takes a leading position in biometric identification
- Perfect fit of complementary technologies, adding biometric identification to Gemalto core technology to develop across all its businesses
- Solid financial structure maintained
- Closing expected in H1 2017



# Gemalto

## Enabling trust in the digital world

- ✧ World Leader in Digital Security ✧
- ✧ Markets in Strong Development ✧
- ✧ Unique Technology Portfolio ✧
  - ✧ Blue Chip Customers ✧
- ✧ Large Free Float and Robust Financials ✧
- ✧ A Business Model with Strong Leverage on Growth ✧