Gemalto to acquire SafeNet, the world leader in data protection and software monetization

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Jacques Tierny, CFO
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For a better understanding of the current and future evolution of its business, the Company prepares an adjusted income statement where the key metric used to evaluate the business and take operating decisions is the profit from operations. This adjusted income statement is provided for all operations and for ongoing operations.

Adjusted income statement and Profit from operations

Profit from operations (PFO) is a non-GAAP measure defined as the IFRS operating result adjusted for the amortization and depreciation of intangibles resulting from acquisitions, for share-based compensation charges, and for restructuring and acquisition-related expenses. EBITDA is defined as PFO plus depreciation and amortization expenses, excluding the above amortization and depreciation of intangibles resulting from acquisitions.

Segment information

From January 1, 2014, segment information is modified to report on progress towards the objectives set as part of the Company’s new development plan covering the years 2014 to 2017, publicly announced on September 5, 2013. The Mobile segment reports on businesses associated with mobile cellular technologies. The former Mobile Communication and Machine-to-Machine segments are part of Mobile. The security evaluation business for third parties, whose contribution to Mobile Communication was minor, is now managed together with the Patents business and is as of 2014 reported in the Patents & Others segment. The Payment & Identity segment reports on businesses associated with secure personal interactions. The former Secure Transactions and Security segments are part of Payment & Identity.

In addition to this segment information, the Company also reports as of 2014 revenue of Mobile and Payment & Identity by type of activity: Embedded software & Products (E&P) and Platforms & Services (P&S).
Today, Gemalto announces an agreement to acquire SafeNet, the worldwide leader in data protection and software monetization.
Strategic Rationale

- Nearly 3 billion people will be connected to the internet and will have access to its massive catalog of services by the end of 2014.

- 375 million data records lost or stolen already in 2014 – recurring and increasingly sophisticated security breaches have created global awareness for the need to improve digital security and trust online.

- Gemalto and SafeNet together are combining the best technologies, expertise and reach for securing a complete infrastructure, its data, its network, its software and its users, both at its core and at its edge.
SafeNet is a private company founded in 1983, headquartered in Belcamp, Maryland, USA, with 1,500 employees worldwide.

It is one of the most successful companies in the cloud security sector with a reputation for delivering security at an immense scale, for example:

- Protecting over 80% of the world’s intra-bank fund transfers.
- Root of trust through 86,000 digital key managers protecting 750 million keys.
- Protecting most high-value software with 100 million license keys.

Customers include cloud service providers, financial institutions, healthcare organizations, retailers, governments and corporations served both directly and through a world-class indirect channel.
SafeNet is present worldwide and is trusted by 25,000 customers and partners in 100 countries, including blue-chip organizations for its online security technology.

Key management for payment data storage and processing, HSMs, Server-side data protection, PCI-DSS Server Encryption, User Authentication, Security as a Service
### SafeNet technology covers three aspects of security

<table>
<thead>
<tr>
<th>Security at the core</th>
<th>Security in the code</th>
<th>Security at the edge</th>
</tr>
</thead>
<tbody>
<tr>
<td>protecting cloud data</td>
<td>protecting software licenses and intellectual property</td>
<td>authenticating users for the enterprise</td>
</tr>
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</table>

**Co-world leader in Cloud Secure Elements**
- HSMs (cloud secure elements)
- Security key management
- Authentication servers
- Virtual machine protection

**World leader in Software Rights Management**
- Licensing management and software copy protection for both installed/embedded and Software as a Service usage

**Technology innovator, leader in the Gartner Magic Quadrant**
- Authentication as a service
- Authentication applications

[50% of sales](#) [30% of sales](#) [20% of sales](#)
Gemalto and SafeNet are complementary because protection of digital services always relies on a two-sided trust chain.

Encryption of “data at rest” and “data in motion” within the network for exposure to authorized users only.

Reliable authentication to validate users and their access requests and to initiate a secure channel.

Database of authentication keys

Security software and appliances

Authentication key

Security software and portable objects

Security at the core

Security at the edge
SafeNet already has a solid financial profile

<table>
<thead>
<tr>
<th>2013 Profit &amp; Loss</th>
<th>Sales by region</th>
<th>Sales by channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$337m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$230m 67%</td>
<td>46% Americas</td>
<td>44% Direct</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>($195m)</td>
<td></td>
</tr>
<tr>
<td>Profit from operations</td>
<td>$35m 10%</td>
<td>38% EMEA</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td>56% Indirect</td>
</tr>
<tr>
<td>$43m</td>
<td></td>
<td></td>
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and will contribute nicely to Gemalto’s future growth

<table>
<thead>
<tr>
<th>SafeNet’s expected revenue growth</th>
<th>2014 Profit &amp; Loss (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>is in line with Gemalto’s anticipated double-digit 2014-2017 CAGR</td>
<td>€/$ rate on August 8, 2014</td>
</tr>
<tr>
<td>Revenue</td>
<td>$370m (+10% year-on-year)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$255m 69%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>($204m) (€153m)</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>$51m 14%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$59m</td>
</tr>
</tbody>
</table>
Integration with Gemalto and reporting

- SafeNet will be integrated with Gemalto’s existing Identity & Access Management activities, protecting access and resources for enterprises.

- Revenue will
  - be included in the Payment & Identity segment
  - be part of the Platforms & Services activity.

**Balanced revenue between Gemalto Payment & Identity and Mobile segments**

<table>
<thead>
<tr>
<th>SafeNet</th>
<th>Payment &amp; Identity</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1076</td>
<td>1291</td>
</tr>
<tr>
<td>Pro-forma 2013 revenue, € in million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**27% of Gemalto revenue from Platforms & Services activity**

<table>
<thead>
<tr>
<th>SafeNet</th>
<th>Platforms &amp; Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payment &amp; Identity</td>
</tr>
<tr>
<td></td>
<td>Mobile</td>
</tr>
<tr>
<td></td>
<td>462</td>
</tr>
<tr>
<td></td>
<td>247</td>
</tr>
<tr>
<td>Pro-forma 2013 revenue, € in million</td>
<td></td>
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Impact on the company’s objectives

- Accretive to adjusted EPS upon completion (before purchase price allocation)
- In 2014, contribution to financials expected to be limited to a part of the fourth quarter
- 2017 PFO objective of €600 million is expected to be surpassed by approximately +10%
Transaction details

- Definitive agreement signed
- Enterprise value of US$890 million
- Subject to anti-trust and government approvals
- Deal expected to close in Q4 2014
Acquisition financing

- The US$890 million (~€670 million) will be provided by:
  - US$440 million from surplus cash
  - US$450 million from existing long-term credit facilities
- Depending on market conditions, Gemalto may refinance the credit facilities through a bond issuance or other means at a later date
Gemalto’s strong financial structure is preserved

- **As of 2014**, assuming transaction closes
  - Net debt/EBITDA ratio < 1
  - Under current market conditions, incremental interest cost < €20 million per annum
  - Strong liquidity profile maintained

- **Through 2017**: Unchanged financial policies
  - Annual dividend stable or growing
  - On average, capex below 5% of sales
  - Additional selective bolt-on acquisitions will be considered
  - Shareholder return complemented by share buy-back
Takeaways

- Gemalto becomes the global leader in cloud data protection, software monetization, user and transaction security
- Perfect fit of complementary technologies, expertise and distribution channels expands our opportunities
- 2017 profit from operations objective of €600 million is expected to be surpassed by around +10%
- Solid financial structure maintained
- Closing projected in Q4 2014
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