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# Third quarter 2016 revenue and 2017 outlook

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# 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.

Philippe VALLEE - CEO

# Overview

# Third quarter 2016 highlights and 2017 outlook

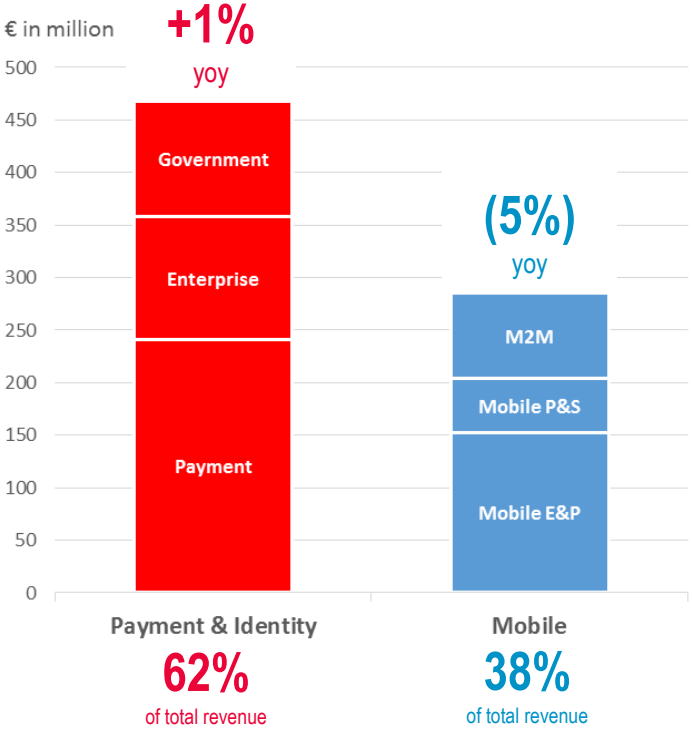
- Q3 revenue at €753 million, (1%) at constant exchange rates
- Trends are positive for Machine-to-Machine, Government Programs, Enterprise and in line with third quarter expectations for Payment and Mobile
- For 2016 Gemalto expects to generate a +1.5 percentage point gross margin increase
- 2017 profit from operations outlook expected to be between €500 million and €520 million

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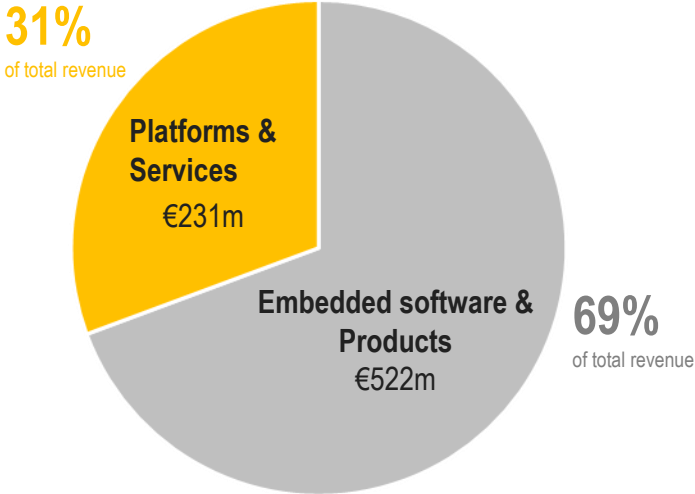
Revenue variations at constant exchange rate except where otherwise noted

# Third quarter revenue composition

### Main segment revenues



### Activity revenues



Jacques TIERNY - CFO

# Segment information

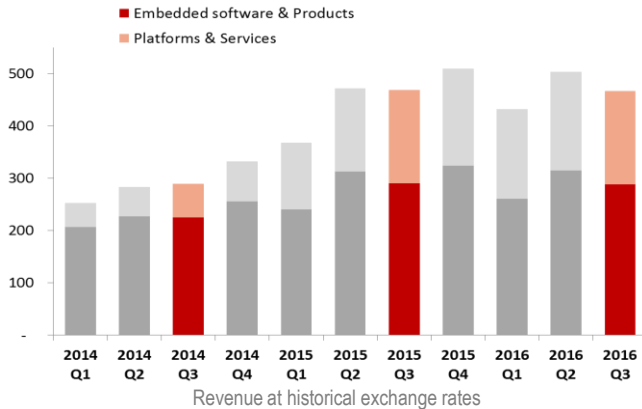
# Payment & Identity – key financial information

Revenue

€ 467m

+1%

(2015 Q3: € 469m)

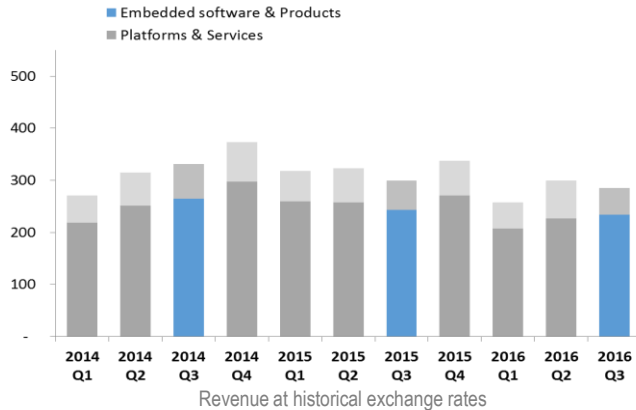


- Embedded software & Products revenue was stable at €288 million. Platforms & Services revenue came in at €179 million, up +2% compared to the same period last year
- Payment revenue came in at €241 million, reduced by (3%) year-on-year
  - The Americas revenue was lower due to soft market environment in Brazil and to the high comparison basis in United States related to the EMV liability shift deadline a year ago
- Enterprise revenue came in at €117 million, up +4% year-on-year
  - The trend in revenue mix within the Authentication business line continues to move towards a higher proportion of software and services
- Government Programs revenue came in at €109 million, up +9% year-on-year
  - Gemalto also finalized the transformation of a production site in order to accompany the increase in project deliveries anticipated over the coming quarters



# Mobile – key financial information

Revenue  
(5%) | € 285m  
(2015 Q3: € 299m)





- Embedded software & Products came in at €234 million
  - SIM sales were lower by (11%) at €152 million year-on-year, compared to the (16%) in Q2 2016, with the improvement coming from slightly better conditions in Latin America and Asia. Regulators of some countries in Africa also started to apply stricter subscription registration processes
  - The Machine-to-Machine business grew by +11% year-on-year, at €81 million and accelerating sequentially, coming from supported by the expanding global demand of connected devices and embedded secure elements for the Internet of Things (IoT)
- Platforms & Services revenue for the segment came in at €52 million, reduced by (9%) year-on-year with client delays in project commencements
  - Gemalto partners Dai Nippon Printing (DNP) in Japan to offer issuers digital card provisioning and tokenization services for Apple Pay, which is transforming mobile payments with an easy, secure and private way to pay.
  - Gemalto Trusted Service Hub has also been selected by Market Pay for loading Carrefour payment and loyalty cards, by Valeo for provisioning virtual car keys
  - The Company continues to progress on the GSMA specifications for embedded SIMs (eSIMs) and remote provisioning to best align and set up the ecosystem

Philippe VALLEE - CEO

# Moving forward



# Market trends of Enterprise business lines we address

## DATA PROTECTION

-  Data Encryption
-  Crypto Management & Keys Protection



Continue to expand technology partnerships

## AUTHENTICATION

-  Authentication Management
-  Hardware & Software Authenticators

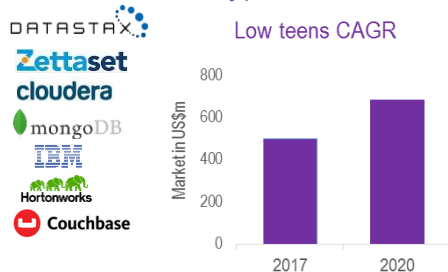
Moving towards software and services

## SOFTWARE MONETIZATION

-  Licensing & Entitlement Management
-  Software Security & Protection

Reinforce Investment

### Broadest support for big data encryption



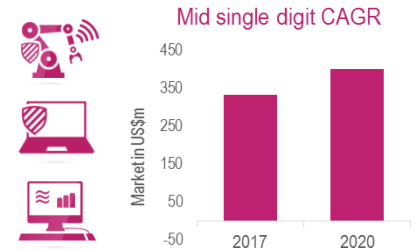
Key Management Infrastructure

### Ezio Mobile with more than 40 bank references



Total Number of Online Banking Users

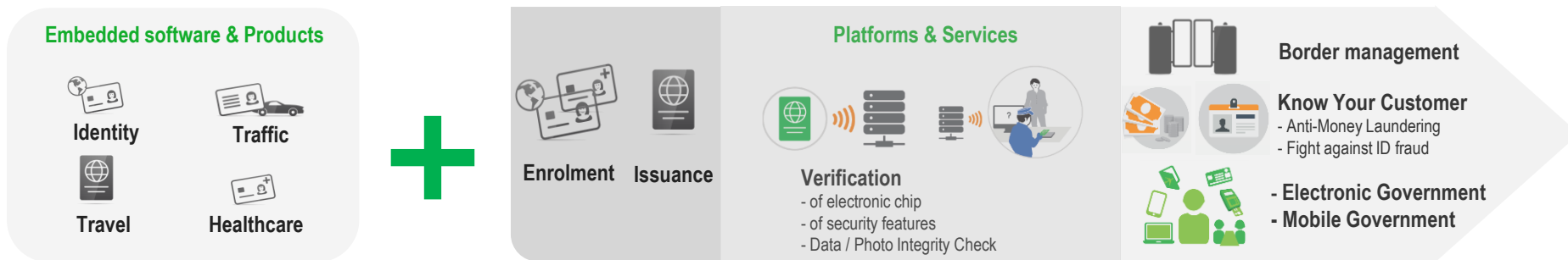
### Expand Software Monetization solution to intelligent devices



Software Licensing and Monetization market

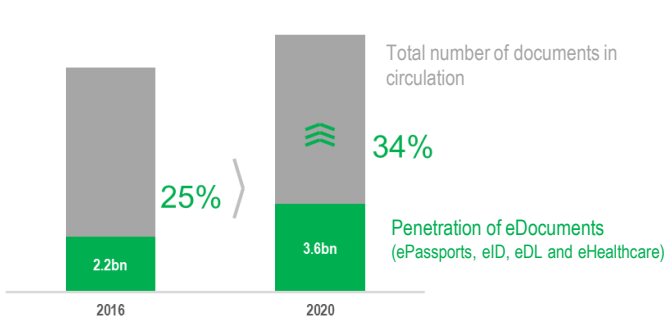
# Market trends of Government Programs

Charts not to scale

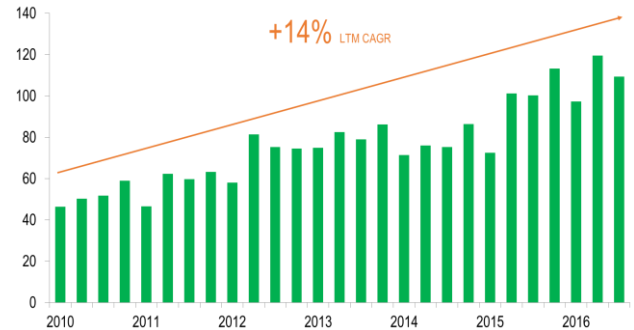


Leverage the increasing secure document base to trigger Platforms & Services opportunities

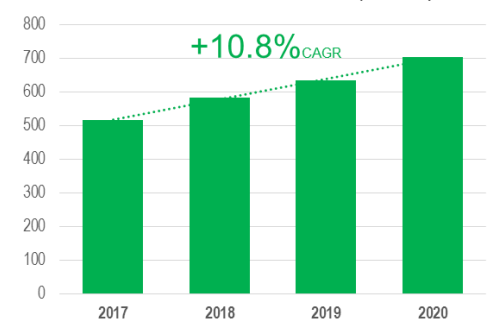
Penetration rate of eDocuments



Gemalto historical revenue at constant rate



eGovernment market issuances (m Units)



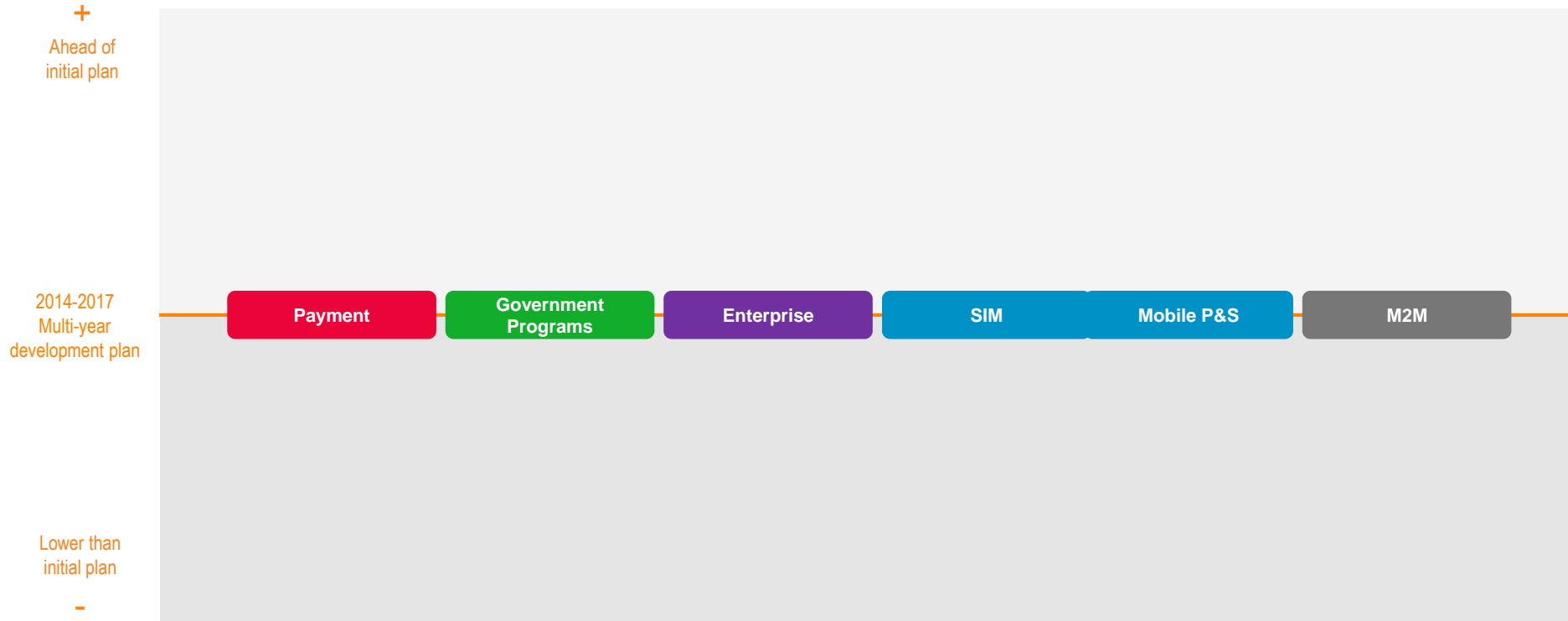
## Key trends for Q4 2016

- Soft mobile environment in Latin America and Africa
- High comparison basis for US EMV with strong deliveries in the previous year and soft market environment in Brazil
- Timing of dual interface cards take-up in the US yet to be confirmed
- Continuing expansion for the Internet of Things
- Growth acceleration in Government Programs
- Increasing demand for data protection, software monetization and cybersecurity solutions

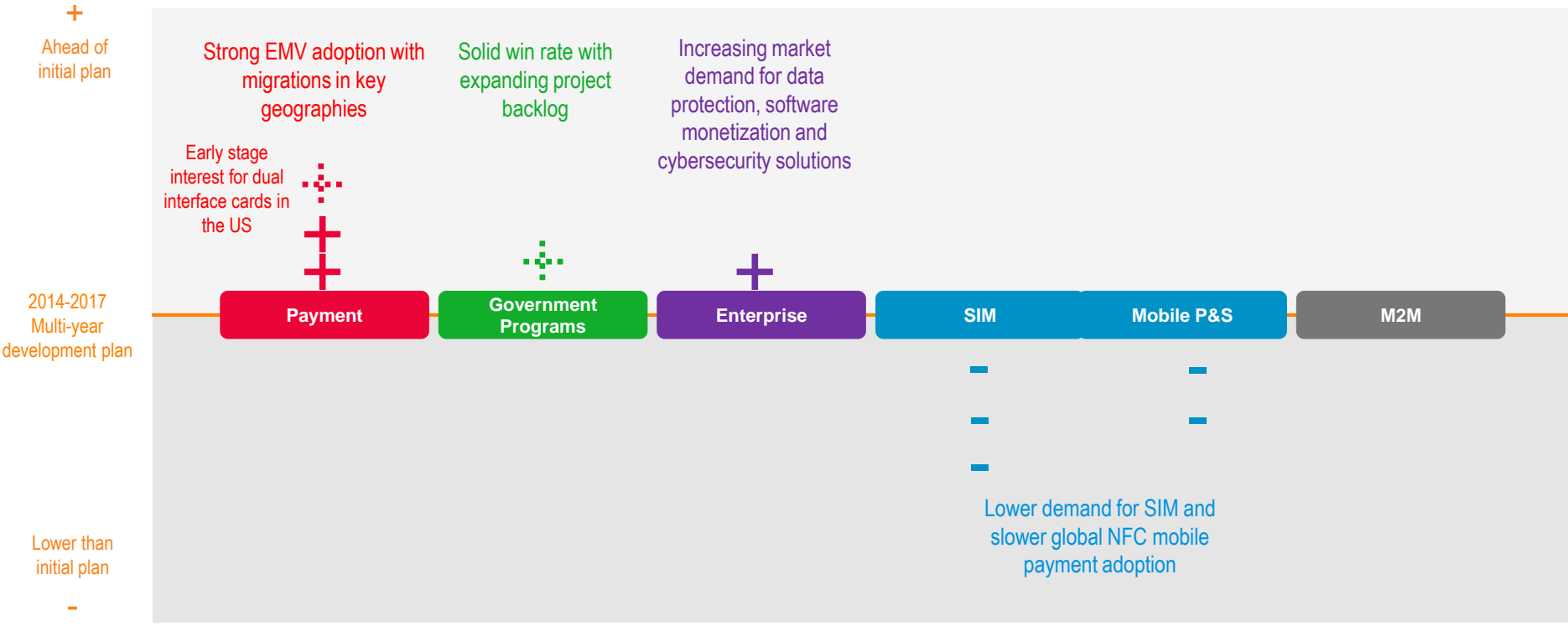
# Outlook for 2016

For 2016, Gemalto expects to generate a +1.5 percentage point gross margin increase through an acceleration of revenue growth in the fourth quarter.

# 2017 profit from operations initial plan

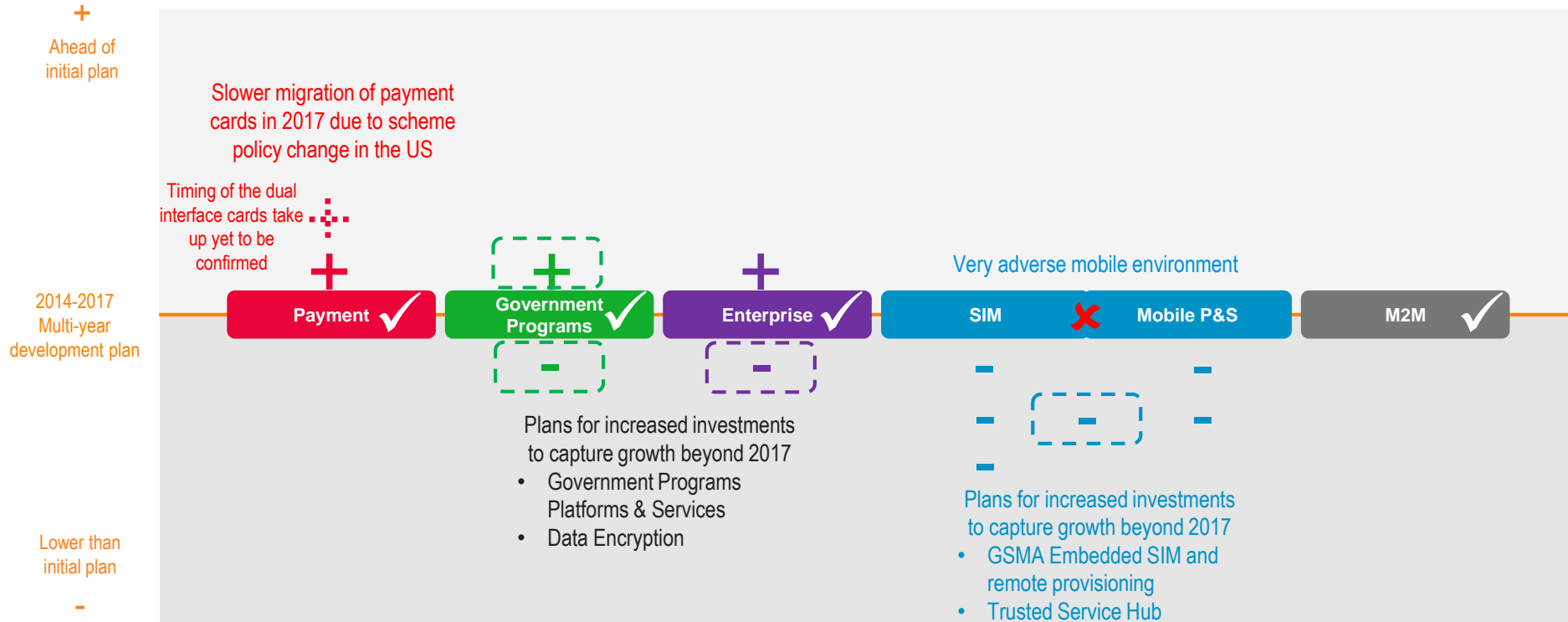


# 2017 profit from operations expectations prior to current planning processes





# 2017 profit from operations outlook from current planning processes and key trends in Q4 2016



## 2017 profit from operations outlook

From the current planning processes, Gemalto's 2017 profit from operations is expected to be between €500 million and €520 million, leading to a compound average growth rate of around +10% since 2013. This outlook reflects a very adverse mobile environment and slower than anticipated migration of payment cards in 2017. It also takes into account plans for increased investments to capture growth beyond 2017 in Mobile Platforms & Services, Enterprise and Government Programs. Gemalto's Platforms & Services revenue objective of €1 billion in 2017 remains unchanged.

# 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 ✧