

## “Kudelski, a reinvention in the red”

The technology group published Thursday results in progress, but remains in deficit. Created around recorders, it has moved to television, then cybersecurity. Its director says that its strategy will eventually pay off.

Kudelski is a strange animal. Constantly changing, with a rich history and solid roots in the Vaud countryside, and now rapidly expanding across the Atlantic. Difficult to pin down, the company is a typical example of those Swiss companies capable of reinventing themselves. Between its historical headquarters in Cheseaux-sur-Lausanne and its second headquarters in Phoenix, Arizona, opened five years ago, between its activities in television and those in cybersecurity, the Internet of Things and public access, Kudelski is difficult to grasp. The company released its half-year results on Thursday, with revenues of \$340 million (+6.4%) and a loss of \$3 million (compared to a loss of \$27 million a year ago).

But don't tell André Kudelski that the company he runs and owns changes its business like a weathervane. "The group has decided on several occasions to reinvent itself and to project itself into new activities. But there has always been a common thread and a link between the activities. We went from analog recorders to digital devices, to activities in video, to set-top boxes, and then to cybersecurity and securing the Internet of Things. Each business is consistent with the previous one, either in terms of the market or the technology."

### *Nearby recorders*

And none have been abandoned. The original devices, those high-quality recorders used by Nicolas Bouvier, music lovers, radio journalists and the film industry, among others, have descendants. A few kilometers from Cheseaux, Audio Technology Switzerland continues to design recorders and hi-fi systems in Romanel-sur-Lausanne. High-end devices, sold for several thousand francs. This company, which has a few dozen employees, is managed by the Kudelski family, but is no longer part of the group itself.

### *A Nagra Kudelski recorder*

The legacy of Stefan Kudelski, André's father, is still present. The man founded the company 70 years ago, and his son took over the management about 30 years ago. For him, making his company evolve was a condition of survival. "Look at our original competitors, like the Swiss Stellavox or Studer Revox, or even the Japanese Sony. Some have disappeared, others are in difficulty. We have been able to adapt, even if it was sometimes painful." Today, Kudelski is in a delicate phase. Four years in a row in the red, a turnover that fell by 25% between 2016 and 2020 to \$742 million, a share price at its lowest point: the group is in a difficult situation.

### *"Huge potential"*

But André Kudelski is optimistic. "Our strategy is well thought out and will pay off. We were right to enter the cybersecurity market five years ago, by establishing a massive

presence in the United States. The expertise we've gained through our mastery of the TV content access market has been invaluable. And cybersecurity is a sector with immense potential."

The fact remains that today this area is still loss-making for Kudelski, and it only represents around 13% of its revenues. Video content access management still accounts for 40% of the group's revenues. "It's still important, and that's a good thing," says André Kudelski. We should not think that this is a sector in decline, far from it: we have many telecom groups, cable operators or groups active via satellite who ask us to secure their video content and who, in parallel, also have projects in cybersecurity and in the Internet of Things."

But won't the explosion of streaming offerings, from Netflix to Disney+, kill traditional access to TV content? "I don't think so. Many people will always want to have access to a television that, like CANAL+ in its early days, is not like the others. Just because McDonald's is a giant in the fast food market doesn't mean that breweries or Asian restaurants will be empty. Even the best customers won't just eat at McDonald's year-round," says the manager. We also see our offerings mixing with video-on-demand offerings. And we are active in all these areas, with extremely loyal customers such as Echostar or Altice. Our innovative streaming solutions are also increasingly successful."

### *Phone analysis*

Kudelski sometimes operates on the border between several worlds. Last autumn, the group helped Canal+ put together a case for the French group to bring charges against several people, based in the canton of Vaud, who were selling a box considered to be pirate, the Kbox. Arrested by the police, the sellers of this box had sold more than 20,000 devices in Switzerland and abroad. At the same time, Kudelski continues to analyze criminals' telephones and computers, on behalf of several police forces, both in Switzerland and abroad. "Whether it's for cybersecurity or access to video content, there is one essential point in common: the level of expertise of our engineers. This is a very valuable asset that we can apply to several markets," continues the director.

Today, the group has about 3,200 employees, including about 700 in Switzerland and as many in the United States. André Kudelski spends half his time on the other side of the Atlantic. "I have never stopped going back and forth, even at the height of the health crisis. It's very important for me to understand the American mentality in order to sell our services there. In Switzerland and Europe, when we have a problem, we look for technical solutions. Americans, on the other hand, always think that a commercial contract will be the key."

On American soil, is Kudelski's 70-year history also a selling point? "In any case, our clients know that we are extremely reliable, just like Switzerland, with loyal employees and deep historical roots. This may seem a little outdated in today's world. But these values are true and speak to our customers. They know they can count on us," says André Kudelski.