



Press release

Date: March 21, 2018

IAR Systems acquires Secure Thingz

Uppsala, Sweden—March 21, 2018—The Swedish company IAR Systems Group AB (“IAR Systems”) has today entered into a share sale and purchase agreement to acquire 100 percent of the shares in Secure Thingz, Inc. (“Secure Thingz”), a provider of advanced security solutions for embedded systems in the Internet of Things (IoT). With the acquisition, IAR Systems secures its position as a frontrunner in offering solutions for security in embedded systems.

The transaction

Previously, IAR Systems has acquired approximately 20 percent of the shares in Secure Thingz. With today’s acquisition, IAR Systems will, at completion of the transaction, own 100 percent of the shares in Secure Thingz. The purchase price for the remaining 80 percent amount to approximately 230 MSEK. The purchase price includes a share issue in kind of 125,000 class B shares to Secure Thingz’ founder and newly appointed CEO, Haydn Povey, and a rollover of an existing stock option program for the employees in Secure Thingz. The share issue in kind to Haydn Povey will be resolved by the board pursuant to the authorization granted at the Annual General Meeting held in 2017. The rollover of the existing stock option program is conditional upon approval by the shareholders of IAR Systems, and the company intends to invite shareholders to an extraordinary general meeting within a short time period.

Completion of the transaction is expected to occur on April 11, 2018.

IAR Systems Group intends to finance the acquisition either with support from a credit facility or by a directed share issue. Both these options, as well as a combination of them, are at the board’s disposal for financing the acquisition. In the third quarter of 2017, IAR Systems Group expanded its credit limit by SEK 200 million for the purpose of increasing the flexibility to act in connection with acquisitions. The board has engaged a financial advisor to evaluate the possibility of conducting a directed share issue of class B shares.

Secure Thingz

Secure Thingz was founded in 2016 by staff with extensive experience from Arm®, the leading processor architecture provider. The company is headquartered in Cambridge, UK, and has an office in San José, California. Secure Thingz develops and sells products and services for implementation of embedded security in connected devices. The company has provided security solutions for the development platform Renesas Synergy™ Platform through its Secure Deploy™ platform offerings,

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which is developed in order to solve the major security challenges faced by companies developing for the IoT.

A renowned security expert and an Executive Board Member of the IoT Security Foundation, the company's founder Haydn Povey has held senior management roles at leading global technology companies for over 20 years, including more than 10 years within marketing and business development at Arm. He most recently headed Arm's strategy for security across mobile, enterprise and IoT domains, where he among other things worked with groups within the US and UK governments responsible for the development and deployment of security frameworks. Previously, Haydn Povey led the development and introduction of the Arm Cortex®-M microprocessor family, which now dominates the embedded and IoT-markets and whose large market impact enabled the rapid adoption of 32-bit microcontroller technology around the globe. Haydn Povey will continue to operate Secure Thingz as CEO.

Secure Thingz is in an early phase and so far shows a limited historic turn-over. For 2017, the company declared net sales of 0.5 MUSD and an operating loss of 1.8 MUSD.

Background and acquisition rationale

According to the report "IoT Global Forecast & Analysis 2015-2025" from Machina Research, there will be 27 billion IoT connections in 2025. This rapidly growing market is facing major security challenges, enabling attacks such as IP theft, counterfeiting and overproduction, as well as data theft and potentially life threatening sabotage. Despite these threats, secure products today constitute only 4 percent of the total number of IoT products available on the market, according to ABI Research ([IoT Perspective - From Design to Life Cycle Management](#)). According to ABI Research, the total market for secure microcontrollers for IoT can reach 1.2 billion dollars in value in 2022. The same year, secure IoT products are predicted to represent almost 20 percent of new IoT units. The supply of secure microcontrollers is so far limited, but the processor manufacturers have acknowledged this demand and for example Renesas Electronics, NXP and STMicroelectronics have recently launched secure microcontrollers. These microcontrollers are characterized by for example cryptographic accelerators and protected memory areas for key and certificate storage, and the product launches will multiply during the next few years. To fully leverage these features to minimize the risk of security breaches, and to protect information and intellectual property, companies need to ensure that security is implemented throughout the development and manufacturing process.

In April 2017, IAR Systems announced that it was taking an initial 10 percent equity stake in Secure Thingz, and the stake subsequently has been expanded to approximately 20 percent. The company has noted that security is becoming a crucial success factor for many of its customers, whether it is protecting intellectual property and managing the product lifecycle, or ensuring critical infrastructure. This investment was instigated because IAR Systems has a strong belief that Secure Thingz' solutions can create the necessary security in a world of connected devices and products.

In February 2018, the product Embedded Trust™ was launched. Developed in partnership between IAR Systems and Secure Thingz, Embedded Trust enables secure development and makes security part of the development workflow. Embedded Trust enables companies to safeguard intellectual property against overproduction and counterfeiting, manage software updates in a robust way, and protect end users from malware intrusion and theft or loss of data. IAR Systems is receiving a large number of requests from customers interested in getting access to the technology and the product will be available for selected customers in Q2 2018.

“With the increasing number of connected devices, our customers are facing new challenges. One of the major challenges is how to deliver secure products in a world where even minor failures can lead to major consequences,” comments Stefan Skarin, CEO, IAR Systems. “As a first step, our customers need help mainly protecting themselves against overproduction and IP theft, and we are responding to this need with a new offering that provides possibilities to create modern workflow where security is included from start. The acquisition of Secure Thingz is a step in our increased ambition for future growth through new technology, new markets, new business models, and new relationships. It also secures our position as a frontrunner in a changing industry.”

“We are very excited to become a part of the highly competent IAR Systems team,” says Haydn Povey, CEO, Secure Thingz. “We have already established a smooth collaboration with the development of Embedded Trust, and our combined resources within technology, sales and customer support will enable us to accelerate the development of the innovative security solutions that the digital products market so desperately needs.”

“The acquisition of Secure Thingz enables us to provide new solutions for security in embedded systems and help our customers make security part of an integrated workflow,” says Anders Holmberg, Director of Corporate Development, IAR Systems. “Our joint technical capacity and skillset will be unprecedented in the industry and we are building a strong foundation for future growth in the security segment.”

The combined company

IAR Systems is a world-leading provider of development tools for embedded systems. The company has customers all over the world within segments such as automotive, industrial automation, medical, consumer electronics and the Internet of Things.

Over the last several years, IAR Systems has delivered solutions to ensure functional safety in embedded systems. With the investment in Secure Thingz, IAR Systems extends its offering to also include security, a field which is currently the focus of the digital products market and is expected to grow substantially in the years to come. The acquisition provides the companies with a strong combined capacity for creating future products and services.

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Editor's Note: IAR Systems, IAR Embedded Workbench, IAR Connect, C-SPY, C-RUN, C-STAT, IAR Visual State, IAR KickStart Kit, I-jet, I-jet Trace, I-scope, IAR Academy, IAR, and the logotype of IAR Systems are trademarks or registered trademarks owned by IAR Systems AB. All other products names are trademarks of their respective owners.

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This information is information that IAR Systems Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 CET on March 21, 2018.

About IAR Systems

IAR Systems supplies future-proof software tools and services for embedded development, enabling companies worldwide to create the products of today and the innovations of tomorrow. Since 1983, IAR Systems' solutions have ensured quality, reliability and efficiency in the development of over one million embedded applications. The company is headquartered in Uppsala, Sweden and has sales and support offices all over the world. IAR Systems Group AB is listed on NASDAQ OMX Stockholm, Mid Cap. Learn more at www.iar.com.