

## Vizrt Group AS Reports H1 and Q2 2016 Results

**Bergen, Norway, August 9, 2016. Vizrt Group AS.**

**Vizrt today reported its financial results for the second quarter and the first six months of 2016.**

Vizrt Group AS (the "Company") acquired Vizrt Ltd. on March 19, 2015 ("the Acquisition date"). To provide a meaningful operational comparison H1 2015 the results of Vizrt Ltd. from January 1, 2015 until the Acquisition date, excluding amortization of intangible assets which were included in the results of the Company.

The analysis and tables below are based on non-GAAP measurements which are considered by management as the most relevant to measure the Company's performance. This press release includes reconciliations between GAAP and Non-GAAP measurements. Additionally it includes GAAP reports of the Company, as well as non-GAAP pro-forma reports.

## **Q2 2016 HIGHLIGHTS**

- Non-GAAP revenue of MUSD 34.2, up 6% compared to Q2 2015.
- Non-GAAP recurring EBITA of MUSD 10.8, corresponding to a 32% margin, up 54% compared to MUSD 7.1 (22%) in Q2 2015.
- Adjusted cash generation from operating activities of MUSD 5.6, up 134% compared to MUSD 2.4 in Q2 2015. Q2 2016 cash generation from operating activities is adjusted for MUSD 2.3 interest on bond.
- Backlog to date is at MUSD 56.0, down 4% compared to the same period LY.
- Q2 2016 OPEX include MUSD 1.8 one-off expenses related to compensation to former CEO, recruitment of a successor and legal costs related to the bonds. These one-off expenses are excluded from the recurring measurements.
- Q2 2016 R&D expenses exclude MUSD 1.7 attributed to an intangible asset arising from certain development projects. The Company expects continuation of such development costs capitalization onward.
- To understand the effect of the abovementioned development cost capitalization, the following figures are adjusted for such capitalization:
  - Non-GAAP recurring EBITA of MUSD 9.1, corresponding to a 27% margin, up 29% compared to MUSD 7.1 (22%) in Q2 2015.
  - Adjusted cash generation from operating activities of MUSD 3.8, up 61% compared to MUSD 2.4 in Q2 2015.

## **H1 2016 HIGHLIGHTS**

- Non-GAAP revenue of MUSD 62.4, down 2% compared to H1 2015.
- Non-GAAP recurring EBITA of MUSD 15.2, corresponding to a 24% margin, up 18% compared to MUSD 12.9 (20%) in H1 2015.
- Adjusted cash generation from operating activities of MUSD 7.4, up 187% compared to MUSD 2.6 in H1 2015. H1 2016 cash generation from operating activities is adjusted for MUSD 4.5 interest on bond.
- The H1 2016 effect of the development cost capitalization is adjusted hereunder:
  - Non-GAAP recurring EBITA of MUSD 13.4, corresponding to a 22% margin, up 4% compared to MUSD 12.9 (20%) in H1 2015.
  - Adjusted cash generation from operating activities of MUSD 5.7, up 120% compared to MUSD 2.6 in H1 2015.

## SELECTED FINANCIAL INFORMATION

### RESULTS OVERVIEW (INCLUDING NON-GAAP MEASUREMENTS)\*-

In KUSD	Q2 2016	Q2 2015	Change in %	Q1 2016	Change in %	H1 2016	H1 2015	Change in %
Non-GAAP revenue	34,171	32,086	6%	28,211	21%	62,382	63,617	-2%
Non-GAAP gross profit	24,816	23,041	8%	19,868	25%	44,684	44,450	1%
Non-GAAP gross Margin	73%	72%		70%		72%	70%	
Non-GAAP recurring EBITA	10,846	7,063	54%	4,320	151%	15,166	12,861	18%
Non-GAAP recurring EBITA-Margin	32%	22%		15%		24%	20%	
Non-GAAP recurring EBITDA	11,334	7,572	50%	4,781	137%	16,115	13,926	16%
Non-GAAP recurring EBITDA-Margin	33%	24%		17%		26%	22%	
Adjusted cash flow from operating activities**	5,576	2,385	134%	1,848	202%	7,424	2,588	187%

\* Reconciliation of GAAP to Non-GAAP selected financial information appears hereunder.

\*\* Adjusted cash flow from operation activities is adjusted for MUSD 2.3 Interest on bond in Q2 2016, MUSD 2.5 in Q2 2015 and MUSD 2.2 in Q1 2016. For H1 2016 and H1 2015, adjusted cash flow from operation activities is adjusted for MUSD 4.5 and MUSD 2.5, respectively.

### Geographic breakdown of Non-GAAP revenues

In KUSD	Q2 2016	Q2 2015	Change in %	Q1 2016	Change in %	H1 2016	H1 2015	Change in %
EMEA	16,277	15,674	4%	12,783	27%	29,060	30,217	-4%
AMECS	9,355	9,717	-4%	9,074	3%	18,430	17,506	5%
APAC	8,539	6,695	28%	6,354	34%	14,892	15,894	-6%
Total revenues	34,171	32,086	6%	28,211	21%	62,382	63,617	-2%

Revenues in EMEA, AMECS and APAC, accounted for 48%, 27% and 25% of Q2 2016 total revenues, respectively, as compared to 49%, 30% and 21% respectively, in Q2 2015.

## MANAGEMENT OVERVIEW

- APAC bounced back after a slow start of the year, achieving 28% revenue growth Q-o-Q and contributed to the consolidated revenue growth.
- Q2 2016 Non-GAAP gross margin improved by one percentage point to 73% compared to the same quarter last year mainly due to favorable product mix.
- The recurring Non-GAAP EBITA margin increase of 10 percentage points is mainly attributed to the Q2 2016 capitalization of development costs (5 percentage points), lower OPEX (2 percentage points) and the above-mentioned gross margin improvement.

Vizrt's management stated: "Q2 2016 has delivered on the potential that we have seen building up during the last few quarters. Importantly, several strategic projects have been signed. These projects implement the work-flow changes and benefit from the full efficiency gains that our solutions offer. As our annual customer event, the Vizrt days, has further confirmed, we believe that this is an indication of the increased focus on production efficiency of our market and that Vizrt can offer the best solutions to meet this growing demand."

"In general, the market remains cautious with large infrastructure investments prioritized to meet future IP and 4K demands. However, we remain confident that the second half of 2016 will deliver growth for Vizrt as our backlog remains healthy and our customers understand the need to implement efficiency gains while reaching all their viewers regardless of the platform or of the method of consumption."

This press release contains forward-looking statements with respect to the business, financial condition and results of operations of Vizrt Group AS and its affiliates. These statements are based on the current expectations or beliefs of Vizrt's management and are subject to a number of risks and uncertainties that could cause actual results or performance of the Company to differ materially from those contemplated in such forward-looking statements. These risks and uncertainties relate to changes in technology and market requirements, the company's concentration on one industry, decline in demand for the company's products and those of its affiliates, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on pricing resulting from competition, which could cause the actual results or performance of the company to differ materially from those contemplated in such forward-looking statements. Vizrt undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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VIZRT GROUP AS  
RECONCILIATION OF GAAP TO NON-GAAP SELECTED FINANCIAL INFORMATION

U.S. dollars in thousands

	Three months ended June 30, 2016 GAAP	Amortization (a)	Vizrt Ltd Pro- forma	Three months ended June 30, 2016 Non-GAAP
<b>Selected financial information</b>				
Revenue	34,126	45	-	34,171
Gross profit	20,565	4,251	-	24,816
Recurring EBITA	5,484 (c)	5,362	-	10,846
Recurring EBITDA	5,972 (c)	5,362	-	11,334

	Three months ended June 30, 2015 GAAP	Amortization (a)	Vizrt Ltd Pro- forma	Three months ended June 30, 2015 Non-GAAP
<b>Selected financial information</b>				
Revenue	30,595	1,491	-	32,086
Gross profit	17,057	5,984	-	23,041
Recurring EBITA	(2,388) (c)	9,451	-	7,063
Recurring EBITDA	(1,879) (c)	9,451	-	7,572

	Six months ended June 30, 2016 GAAP	Amortization (a)	Vizrt Ltd Pro- forma	Six months ended June 30, 2016 Non-GAAP
<b>Selected financial information</b>				
Revenue	62,292	90	-	62,382
Gross profit	36,182	8,502	-	44,684
Recurring EBITA	3,316 (c)	11,850	-	15,166
Recurring EBITDA	4,265 (c)	11,850	-	16,115

VIZRT GROUP AS  
RECONCILIATION OF GAAP TO NON-GAAP SELECTED FINANCIAL INFORMATION

U.S. dollars in thousands

	Six months ended June 30, 2015 GAAP	Amortization (a)	Vizrt Ltd Pro- forma (b)	Six months ended June 30, 2015 Non-GAAP
<b>Selected financial information</b>				
Revenue	42,581	1,491	19,545	63,617
Gross profit	24,896	6,562	12,992	44,450
Recurring EBITA	3,327 (c)	10,597	(1,063)	12,861
Recurring EBITDA	3,915 (c)	10,597	(586)	13,926

(a) Numbers represent amortization of intangible assets and deferred revenues resulting from a purchase price allocation related to the Acquisition.

(b) To provide relevant comparable for H1 2015, the Company included the results of Vizrt Ltd from January 1, 2015 until the Acquisition date.

(c) Recurring EBITA and EBITDA exclude one-off transaction's fees related to the Acquisition and restructuring cost

**VIZRT GROUP AS**  
**CONSOLIDATED STATEMENTS OF INCOME**

U.S. dollars in thousands

	Three months ended June 30, <u>2016</u> Unaudited	Three months ended June 30, <u>2015</u> Unaudited	Six months ended June 30, <u>2016</u> Unaudited	Six months ended (*) June 30, <u>2015</u> Unaudited	Year ended December 31, <u>2015</u> Audited
Revenues	\$ 34,126	\$ 30,595	\$ 62,292	\$ 42,581	\$ 104,243
Cost of revenues	<u>13,561</u>	<u>13,538</u>	<u>26,110</u>	<u>17,685</u>	<u>44,712</u>
Gross profit	<u>20,565</u>	<u>17,057</u>	<u>36,182</u>	<u>24,896</u>	<u>59,531</u>
Operating expenses:					
Research and development	3,904	5,198	9,362	5,848	15,837
Selling and marketing	8,501	11,396	17,934	12,601	34,995
General and administrative	2,676	2,851	5,570	3,120	8,957
One-off expenses	<u>1,838</u>	<u>1,310</u>	<u>2,188</u>	<u>1,334</u>	<u>1,684</u>
<u>Total operating expenses</u>	<u>16,919</u>	<u>20,755</u>	<u>35,054</u>	<u>22,903</u>	<u>61,473</u>
Operating income (loss)	3,646	(3,698)	1,128	1,993	(1,942)
Financial expenses	<u>454</u>	<u>4,926</u>	<u>9,626</u>	<u>6,219</u>	<u>8,006</u>
Income (Loss) before taxes	3,192	(8,624)	(8,498)	(4,226)	(9,948)
Taxes on income (benefit)	<u>(3,078)</u>	<u>75</u>	<u>(2,186)</u>	<u>970</u>	<u>(216)</u>
Net income (loss)	<u>\$ 6,270</u>	<u>\$ (8,699)</u>	<u>\$ (6,312)</u>	<u>\$ (5,196)</u>	<u>\$ (9,732)</u>

(\*) Vizrt Ltd was acquired on March 19, 2015 and its results are consolidated from this date.

**VIZRT GROUP AS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

U.S. dollars in thousands

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 37,227	\$ 37,427
Restricted cash	332	459
Trade receivables, net	35,141	27,405
Other accounts receivable and prepaid expenses	5,644	4,660
Inventories	4,550	5,235
<b>TOTAL CURRENT ASSETS</b>	<b>82,894</b>	<b>75,186</b>
NON-CURRENT ASSETS:		
Deferred taxes	5,758	6,009
Other non-current assets	1,238	1,322
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,996</b>	<b>7,331</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>4,248</b>	<b>3,929</b>
<b>GOODWILL AND INTANGIBLE ASSETS, NET</b>	<b>256,706</b>	<b>266,738</b>
<b>TOTAL ASSETS</b>	<b>\$ 350,844</b>	<b>\$ 353,184</b>



VIZRT GROUP AS  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	June 30, 2016	December 31, 2015
	<u>Unaudited</u>	<u>Audited</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Trade payables	\$ 3,560	\$ 2,487
Deferred revenues	11,356	8,841
Employees and payroll accruals	5,319	4,793
Tax accruals	5,330	6,458
Other accounts payable and accrued expenses	<u>4,975</u>	<u>4,864</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>30,540</u>	<u>27,443</u>
NON-CURRENT LIABILITIES:		
Deferred Taxes	10,746	14,999
Other non- current liabilities	4,832	4,538
Bond	108,912	108,542
Loan from related party	<u>82,730</u>	<u>77,994</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>207,220</u>	<u>206,073</u>
SHAREHOLDERS' EQUITY:		
Share capital	9	9
Additional paid-in capital	4,922	4,922
Grand parent contribution	173,959	173,959
Accumulated other comprehensive loss	(1,085)	(813)
Accumulated deficit	<u>(64,721)</u>	<u>(58,409)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>113,084</u>	<u>119,668</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 350,844</u>	<u>\$ 353,184</u>

**VIZRT GROUP AS**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

U.S. dollars in thousands

	Three months Ended June 30, 2016 <u>Unaudited</u>	Three months ended June 30, 2015 <u>Unaudited</u>	Six months ended June 30, 2016 <u>Unaudited</u>	Six months ended (*) June 30, 2015 <u>Unaudited</u>	Year ended December 31, 2015 <u>Audited</u>
Net income (loss)	\$ 6,270	\$ (8,699)	\$ (6,312)	\$ (5,196)	\$ (9,732)
<b>Adjustments required to reconcile net income to net cash provided by (used in) operating activities:</b>					
Depreciation and loss from disposal of property and equipment	488	509	949	588	1,634
Amortization of intangible assets	5,317	7,962	11,760	9,106	24,375
Amortization of debenture discount and issuance costs	188	167	370	211	569
Financial income, net	59	1,991	9,240	1,991	11,726
Cash paid and received during the year for:					
Interest paid, net	(2,291)	(2,537)	(4,504)	(2,537)	(6,948)
Income tax paid, net	(66)	(1,038)	(2,297)	(1,038)	(28,846)
<b>Changes in assets and liabilities:</b>					
Accounts receivable and other receivables	(5,533)	(1,752)	(9,605)	(12,666)	(8,015)
Inventories	503	(155)	670	2,933	3,058
Deferred tax	(2,965)	(1,266)	(3,972)	(1,606)	(4,863)
Accounts payable and other liabilities	1,315	4,666	6,621	8,265	(485)
Cash flows from (used in) operating activities:	<u>3,285</u>	<u>(152)</u>	<u>2,920</u>	<u>51</u>	<u>(17,527)</u>
Cash flows used in investing activities:	<u>(1,982)</u>	<u>(496)</u>	<u>(2,829)</u>	<u>(258,646)</u>	<u>(308,293)</u>
Cash flows from financing activities:	<u>-</u>	<u>779</u>	<u>-</u>	<u>315,989</u>	<u>362,750</u>
Effect of exchange rate changes on cash and short term deposits	<u>(715)</u>	<u>374</u>	<u>(291)</u>	<u>374</u>	<u>392</u>
Increase in cash and cash equivalent	588	505	(200)	57,768	37,322
Cash and short-term deposits at the beginning of the period	<u>36,639</u>	<u>57,368</u>	<u>37,427</u>	<u>105</u>	<u>105</u>
Cash and short-term deposits at the end of the period from continuing operations	<u>\$ 37,227</u>	<u>\$ 57,873</u>	<u>\$ 37,227</u>	<u>\$ 57,873</u>	<u>\$ 37,427</u>

**VIZRT GROUP AS**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

U.S. dollars in thousands (except share data)

	Ordinary shares	Share capital	Additional paid-in capital	Grand parent contribution	Accumulated other comprehensive loss	Accumulated deficit	Total Equity
Balance as of January 1, 2015	30,000	5	-	-	-	(3)	2
Net loss	-	-	-	-	-	(9,732)	(9,732)
Other comprehensive loss	-	-	-	-	(813)	-	(813)
Total comprehensive loss	-	-	-	-	(813)	(9,732)	(10,545)
Investment on account of shares*	30,000	4	4,922	-	-	-	4,926
Dividend paid to the equity holder of the Company	-	-	-	-	-	(48,674)	(48,674)
Contribution from controlling shareholder	-	-	-	173,959	-	-	173,959
Balance as of December 31, 2015	60,000	\$ 9	\$ 4,922	\$ 173,959	\$ (813)	\$ (58,409)	\$ 119,668
Net loss	-	-	-	-	-	(6,312)	(6,312)
Other comprehensive income	-	-	-	-	(272)	-	(272)
Total comprehensive loss	-	-	-	-	(272)	(6,312)	(6,584)
Balance as of June 30, 2016	60,000	\$ 9	\$ 4,922	\$ 173,959	\$ (1,085)	\$ (64,721)	\$ 113,084

\* On March 17, 2015 the par value of the shares was increased from NOK 100 to NOK 200 per share.

VIZRT GROUP AS  
Notes to the financial statements

U.S. dollars in thousands

	Three months ended June 30, <u>2016</u> <u>Unaudited</u>	Three months ended June 30, <u>2015</u> <u>Unaudited</u>	Six months ended June 30, <u>2016</u> <u>Unaudited</u>	Six months ended June 30, <u>2015</u> <u>Unaudited</u>	Year ended December 31, <u>2015</u> <u>Unaudited</u>
<b>Financial expenses breakdown</b>					
Amortization of bond fees	188	211	370	211	569
Acquisition related financing fees	-	1,868	-	1,868	1,868
Exchange rate differences and other financial charges	(4,348)	(1,401)	(38)	(108)	(5,892)
Interest on bonds	2,245	2,507	4,459	2,507	6,816
Interest on RCF	45	45	98	45	173
Interest on intercompany loans	2,324	1,696	4,737	1,696	4,472
<b>Total financial expenses</b>	<b>\$ 454</b>	<b>\$ 4,926</b>	<b>\$ 9,626</b>	<b>\$ 6,219</b>	<b>\$ 8,006</b>

**Vizrt Group AS Q2 2016**  
**Financial Statements Pro-forma**

**VIZRT GROUP AS**  
**CONSOLIDATED PRO-FORMA STATEMENTS OF INCOME**

U.S. dollars in thousands

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2016 (*)	2015 (**)	2016 (*)	2015 (**)	2015 (**)
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	\$ 34,171	\$ 32,086	\$ 62,382	\$ 63,617	\$ 128,261
Cost of revenues	<u>9,355</u>	<u>9,045</u>	<u>17,698</u>	<u>19,167</u>	<u>38,040</u>
Gross profit	<u>24,816</u>	<u>23,041</u>	<u>44,684</u>	<u>44,450</u>	<u>90,221</u>
Operating expenses:					
Research and development	3,904	5,198	9,362	10,439	20,428
Selling and marketing	7,390	7,929	14,586	15,539	30,818
General and administrative	2,676	2,851	5,570	5,611	11,448
One-off expenses	<u>1,838</u>	<u>1,310</u>	<u>2,188</u>	<u>4,988</u>	<u>5,338</u>
<u>Total</u> operating expenses	<u>15,808</u>	<u>17,288</u>	<u>31,706</u>	<u>36,577</u>	<u>68,032</u>
Operating income	9,008	5,753	12,978	7,873	22,189
Financial expenses	<u>454</u>	<u>4,926</u>	<u>9,626</u>	<u>6,686</u>	<u>8,473</u>
Income before taxes	8,554	827	3,352	1,187	13,716
Taxes on income (benefit)	<u>(2,472)</u>	<u>933</u>	<u>(847)</u>	<u>2,854</u>	<u>3,730</u>
Net income (loss)	<u>\$ 11,026</u>	<u>\$ (106)</u>	<u>\$ 4,199</u>	<u>\$ (1,667)</u>	<u>\$ 9,986</u>

(\*) Excluding amortization of intangible assets and deferred revenues resulted from PPA.

(\*\*) To provide sequential operational results for Q1 and full year 2015, the company included the results of Vizrt Ltd until the Acquisition date, excluding amortizations.

**VIZRT GROUP AS**  
**CONSOLIDATED PRO-FORMA STATEMENTS OF CASH FLOW**

U.S. dollars in thousands

	Three months Ended		Six months ended		Year Ended
	June 30,		June 30,		December 31,
	2016	2015	2016	2015	2015
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Net income (loss)	\$ 11,026	\$ (106)	\$ 4,199	\$ (1,667)	\$ 9,986
Adjustments required to reconcile net income to net cash provided by operating activities:					
Depreciation and loss from disposal of property and equipment	488	509	949	1,065	1,953
Amortization of debenture discount and issuance costs	188	167	370	211	569
Financial income, net	59	1,991	9,240	1,991	11,726
Cash paid and received during the year for:					
Interest paid,net	(2,291)	(2,537)	(4,504)	(2,537)	(6,948)
Income tax paid,net	(66)	(1,038)	(2,297)	(1,038)	(28,846)
Changes in assets and liabilities:					
Accounts receivable and other receivables	(5,578)	(3,243)	(9,695)	(8,764)	(6,937)
Inventories	503	(155)	670	2,933	3,058
Deferred tax	(2,965)	(1,266)	(3,972)	(1,606)	(4,863)
Accounts payable and other liabilities	1,921	5,526	7,960	9,463	2,775
Cash flows from (used in) operating activities:	3,285	(152)	2,920	51	(17,527)
Cash flows used in investing activities:	(1,982)	(496)	(2,829)	(258,646)	(308,293)
Cash flows from financing activities:	-	779	-	315,989	362,750
Effect of exchange rate changes on cash and short term deposits	(715)	374	(291)	374	392
Increase in cash and cash equivalent	588	505	(200)	57,768	37,322
Cash and short-term deposits at the beginning of the period	36,639	57,368	37,427	105	105
Cash and short-term deposits at the end of the period from continuing operations	\$ 37,227	\$ 57,873	\$ 37,227	\$ 57,873	\$ 37,427

**VIZRT GROUP AS**  
**RESPONSIBILITY STATEMENT**

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We confirm that, to the best of our knowledge, the condensed financial statements for the first half of 2016 which have been prepared in accordance with IAS 34 Interim Financial Reporting give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first half of 2016 and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

**Bergen, August 9, 2016**

**Kim Gulstad**  
**(Chairman of the Board of Directors)**

**Henrik Bakken**  
**(Board Member and CEO)**