Vizrt Reports Q1 2011 Results

Revenues up 18% compared to Q1 2010
EBIT of MUSD 2.4 up significantly compared to MUSD 0.2 for Q1 2010

Bergen, Norway, May 19, 2011. Vizrt Ltd. (Oslo Main List: VIZ)

Revenues of MUSD 28.0, up 18% in Q1 2011 as compared to Q1 2010. Having recorded the highest ever Q1 and the second highest quarterly revenues ever, is a strong indication of the Company's leading position in the media industry. It is also a clear validation of Vizrt's strategy to offer integrated solutions, combining all product lines to address broadcasters' needs.

HIGHLIGHTS

- **Revenues**: MUSD 28.0, up 18% compared to MUSD 23.7 in Q1 2010.
- **EBIT**: MUSD 2.4 corresponding to an 8% margin, up significantly compared to MUSD 0.2 (1%) in Q1 2010.
- **EBITDA**[1]: MUSD 4.0 corresponding to a 14% margin, up 124% compared to MUSD 1.8 (7%) in Q1 2010.
- **Net profit**: MUSD 2.1 (8%) compared to a net loss of MUSD -0.4 in Q1 2010.
- **Cash** generation of MUSD 2.5 in Q1 2011.
- **Backlog** to date amounts to MUSD 40.0, up 11% compared to the same period LY.
- On May 9th the company announced the signing of a definitive Share purchase agreement for the acquisition of LiberoVision AG. Closing of the transaction will take place one month following signing.

Martin Burkhalter, Vizrt CEO, commented on the results, "The past quarter has seen a continuing line in how the market responds to our strategic direction of offering integrated solutions, expanding operational capabilities in the regions and providing innovative technology addressing both current and future needs and economic realities. As in previous quarters, we have achieved substantial growth, and were able to post a record level for Q1 revenues, traditionally a weaker quarter for the entire sector.

"It is further more pleasing that all the regions and all three product lines contributed to the growth. This past quarter, the strongest growth rate in product terms was from our ONL & MOB business, which was in part due to the acquisition and consolidation of Adactus with Mobile contributing MUSD 0.4. Geographically the Americas posted the strongest growth rate, which was in line with expectations as this is the area where, outside of Europe, we are furthest with the implementation of our regionalization program."

1 EBITDA: Earnings before interest, tax, amortization and depreciation

Results Overview

In KUSD	Q1 2011	Q1 2010	Change	Q4 2010	Change
Revenue	28,001	23,708	18%	31,771	-12%
Gross Profit	17,439	13,843	26%	20,057	-13%
Gross Margin	*62%*	*58%*		*63%*	
EBITDA[1][1]	3,977	1,776	125%	6,157	-35%
EBITDA-Margin	*14%*	*7%*		*19%*	
Recurring Operating Income[2]	2,369	168	1,310%	4,221	-44%
Recurring Operating Income-Margin[2][2]	*8%*	*1%*		*13%*	
Net Profit (loss)	2,141	(448)	NA	(193)	NA
Net Profit-Margin	*8%*	*(2%)*		*13%*	
Recurring Earnings Per Share[2]	0.03	(0.01)	NA	0.05	-40%
Backlog	40,000	36,148	11%	40,225	-1%
Cash Position	59,938	51,693	16%	57,473	4%

Vizrt Product Line and Geographical Overview

Broadcast Graphics (BG)

BG revenues accounted for 71% of total revenues, or MUSD 20.0, a 13% growth Y-o-Y. Compared to Q4 2010, BG revenues were down 14%, which is typical for the first quarter of the financial year compared to a traditionally strong fourth quarter. BG remains the largest revenue contributor.

Media Asset Management (MAM)

MAM continued on the growth path. Q1 2011 Revenues came in at MUSD 5.0, a 13% growth Y-o-Y. Compared to Q4 2010, MAM revenues were down 12%. MAM is the second largest contributor to revenues with a share in total revenues of 18% in Q1 2011.

1 EBITDA: Earnings before interest, tax, amortization and depreciation

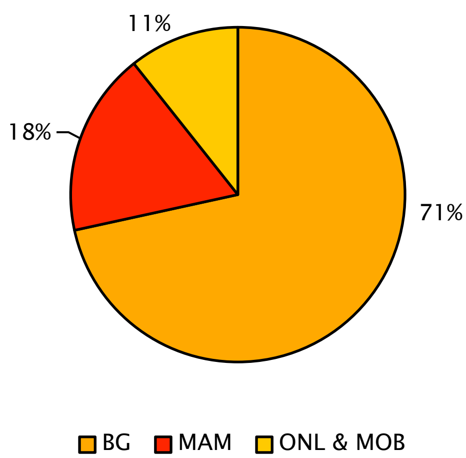
2 Excluding non cash goodwill impairments related to Esenic purchase recorded in Q4 2010 in the amount of MUSD 3.5

Online & Mobile (ONL & MOB)

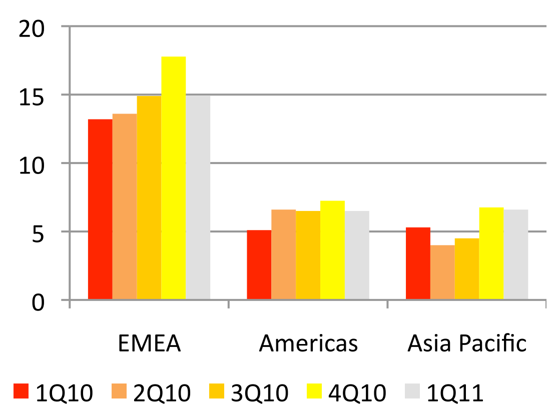
Of all Vizrt product lines, ONL & MOB posted the strongest growth rate of 82% Y-o-Y. Q1 2011 revenues came in at MUSD 3.0, compared to MUSD 1.6 in Q1 2010. As compared to Q4 2010, revenues were up 6%. The strong growth for the product line includes a transaction with a large existing broadcast customer in Northern Europe on the supply of Vizrt's online product suite and a positive effect due to the acquisition and consolidation of Adactus from Q3 2010. The product line contributed 11% to total revenues in Q1 2011.

As revenues for ONL & MOB are as yet relatively low, minor influences will continue to contribute to disproportionate volatility. This volatility is expected to reduce in line with the expected revenue growth for this product line.

Q1 2011 Revenue Breakdown by Product Line



Quarterly Revenues by Regions



Geographical Overview

Better reach and further penetration in the regions contributed to revenue growth in all regions as compared to Q1 2010. The strongest growth was recorded in The Americas, with revenues up by 26% to MUSD 6.5, as compared to MUSD 5.1 for Q1 2010. Revenues in the APAC region were up 24%, from MUSD 5.3 to MUSD 6.6. Revenues in the EMEA region were up 13%, from MUSD 13.2 to MUSD 14.9.

FINANCIALS

Gross profit and gross margin

The gross margin for Q1 2011 was 62% as compared to 58% for the same period LY. The gross profit in Q1 2011 as well as in Q1 2010 was affected by a MUSD 0.8 amortization of intangible assets resulting from acquisitions. Adjusted for these amortization effects, the gross margin was 65%, compared to 62% LY.

Operating expenses

Total operating expenses in Q1 2011 totaled MUSD 15.1, up 10% compared to the same period LY. The increase was mainly due to an increase in headcount following the Adactus' acquisition and the ongoing implementation of the regionalization program, as well as a general salary increase implemented throughout the company in 2011 and currency effects due to volatile exchange rates.

Recurring Operating Expenses Summary

In KUSD	Q111	Q110	Q410
R&D	4,609	3,860	4,493
S&M	7,859	7,299	8,379
G&A	2,602	2,516	2,964
OPEX	15,070	13,675	15,836

Order backlog

The order backlog as of May 19, 2011 was MUSD 40.0, up 11%, compared to last year MUSD 36.1, and down 1% compared to the Q4 2010 results release date. BG backlog was at MUSD 23.2, MAM backlog at MUSD 11.0 and ONL & MOB backlog at MUSD 5.8. For BG and ONL & MOB the backlog was up 37% and 29% respectively compared to the same period LY, whereas for MAM the backlog was down 25%, comparing to the same period LY.

Cash Flow, Liquidity and Equity

Net cash provided by operating activities in Q1 2011 was MUSD 2.4 and at the same level as in Q1 2010.

Vizrt has a strong financial position with no interest-bearing debt and a net cash position of MUSD 59.9 as of March 31, 2011 (including MUSD 0.5 restricted cash), compared to MUSD 57.5 as of December 31, 2010. Furthermore shareholders' equity as of March 31, 2011 was MUSD 115.7, which is equivalent to an equity ratio[3] of 77%.

Organization

As of March 31, 2011, the Company had 546 employees, compared to 498 at the end of Q1 2010. This increase is mainly due to increased staffing in low cost countries as well as an additional 16 employees following the acquisition of Adactus in Q3 2010.

3 equity divided to Total liabilities and Equity

OUTLOOK

Martin Burkhalter, CEO of Vizrt, stated, “Over the past few quarters, the Company has entered a phase of strong and stable growth. This growth is on the one hand caused by the continued recovery of the general economic climate but on the other hand very much the result of our strategy execution.”

“Although part of our customers’ revenues derives from subscriptions, the simple underlying economic truth for the media sector is that income is related to a content owner’s ability to attract advertising revenues. To protect margins, operations should be as efficient as possible. This all translates into investments in technology that help to differentiate by ‘telling a story differently, implement more efficient workflows, maximize the economic life and value of digital media assets and allow for addressing multiple audiences over different platforms and on widely varying content access devices.”

“What we have achieved over the past years is to build a company that is positioned to assist our clients in addressing all the above objectives through a comprehensive and integrated offering of products and solutions. BG helps to tell and improve the story, MAM helps to optimize the handling of the content and ONL & MOB help to deliver the content to the various audiences. Each business segment in itself has efficient work flows that can be enhanced further through integration. That is what customers appreciate about Vizrt and what has allowed us to grow above industry average.

“Obviously there are other factors in our customers’ environment that drive sales, such as technology changes. Although it has been around for some time, the migration to HD, for instance, is far from complete. Devoncroft, a research firm, estimates that around 40% of broadcasters are yet to start this migration, with some planning to start as late as 2013 and only 22% of broadcasters finished the migration. The next big shift the industry anticipates is that of 3D. As we speak, over 50 channels are now on air or are scheduled to go live in the next few months. These technology shifts create additional opportunities for Vizrt and we are well positioned to benefit from them.”

“The number of visitors and the positive customer feed-back at our booth at this year’s NAB, strongly supports our own perception of being well positioned with our product offering. Broadcasters recognize that our product portfolio offers the solutions they are looking for to help them solve some of their biggest challenges such as gaining workflow efficiencies and multiplatform distribution.”

“Although it is too early to make a prediction for the remainder of this year, for the immediate future we anticipate further stable growth.

Shareholders Events

An analyst conference will be held at 9:00 a.m. (CEST)
at theDnBNor Head Offices, Aker Brygge, Stranden 21 in Oslo

An international Conference Call will be held at 11:00 a.m. (CEST)
Please use one of the following dial-in-numbers:
+47 24 159 585 (Norway)
+49 69 247 501 891 (Germany)
+44 203 147 48 61 (UK)

A replay of the call will be available until May 26, 2011. Please use the following dial-in-number:
+49 30 868 75 7010 (Germany)
+44 203 024 54 07 (UK)
passcode: 9418547#

The Q2 2011 results will be released on August 11, 2011.

Contacts

Martin Burkhalter	Ofra Brown	SCHWARZ Financial Communication
CEO	CFO	Frank Schwarz
+41 79 795 24 48	+47 5351 8040	+49 611 1745 398 11
mbu@vizrt.com	ofra@vizrt.com	schwarz@schwarzfinancial.com

This press release contains forward-looking statements with respect to the business, financial condition and results of operations of Vizrt 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.

SHAREHOLDER related Information

As of March 31, 2011, the Company had a total of 65,548,533 shares outstanding.

Shareholders as of March 31, 2011

Shareholder	No. of shares	% of shares
FSN Capital III *)	10,664,003	16.27%
Orkla	6,511,748	9.93%
Ferd AS Invest	4,667,630	7.12%
Odin	4,468,059	6.82%
Holberg Fund AS	4,122,346	6.29%
Alfred Berg Group NO	3,958,446	6.04%
Employees	1,849,921	2.82%
Directors & Officers	593,307	0.91%
Public	28,713,073	43.80%
Total	65,548,533	100.00%

*) Company controlled by a member of the Board.

VIZRT LTD.

CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended March 31,		Year ended December 31,
	2011	2010	2010
	Unaudited		Audited
Revenues	$ 28,001	$ 23,708	$ 105,613
Cost of revenues	10,562	9,865	39,784
Gross profit	17,439	13,843	65,829
Operating expenses:			
Research and development	4,609	3,860	15,728
General and administrative	2,602	2,516	10,097
Selling and marketing	7,859	7,299	30,531
Write-off of goodwill	-	-	3,507
Total operating expenses	15,070	13,675	59,863
Operating income	2,369	168	5,966
Financial expenses (income), net	(349)	455	893
Other expenses (income)	-	-	(1,105)
Income (loss) before taxes	2,718	(287)	6,178
Taxes on income (tax benefit)	577	161	1,719
Net income (loss)	$ 2,141	$ (448)	$ 4,459
Basic net income (loss) per share	$ 0.03	$ (0.01)	$ 0.07
Diluted net income (loss) per share	$ 0.03	$ (0.01)	$ 0.07
Weighted average number of shares used in computing basic net income per share	65,540,528	65,075,633	65,141,693
Weighted average number of shares used in computing diluted net income per share	67,391,259	65,075,633	67,083,539

VIZRT LTD.

CONSOLIDATED STATMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	March 31, 2011	December 31, 2010*
	Unaudited	Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 59,463	$ 57,005
Restricted cash	69	60
Trade receivables, net	28,223	27,111
Other accounts receivable and prepaid expenses	4,469	3,588
Inventories	3,535	3,140
TOTAL CURRENT ASSETS	95,759	90,904
RESTRICTED CASH	406	408
LONG-TERM ASSETS	3,273	3,344
PROPERTY AND EQUIPMENT, NET	4,327	4,169
OTHER ASSET	898	913
INTANGIBLE ASSETS, NET	11,630	11,966
GOODWILL	33,256	31,482
TOTAL ASSETS	$ 149,549	$ 143,186

*Reclassified

VIZRT LTD.
CONSOLIDATED STATMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	March 31, 2011	December 31, 2010
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 4,290	$ 4,323
Deferred revenues	9,172	8,079
Employees and payroll accruals	6,710	6,103
Tax accruals	6,549	6,862
Other accounts payable and accrued expenses	3,736	4,295
TOTAL CURRENT LIABILITIES	30,457	29,662
LONG-TERM LIABILITIES:		
Deferred Taxes	2,733	2,978
Other non- current liabilities	625	599
	3,358	3,577
SHAREHOLDERS' EQUITY:		
Share capital	156	156
Additional paid-in capital	152,186	152,183
Accumulated other comprehensive loss	3,192	(451)
Accumulated deficit	(39,800)	(41,941)
TOTAL SHAREHOLDERS' EQUITY	115,734	109,947
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 149,549	$ 143,186

VIZRT LTD.

CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months ended March 31,		Year Ended December 31,
	2011	2010	2010
	Unaudited		Audited
Net Income (loss)	$ 2,141	$ (448)	$ 4,459
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation	583	564	2,251
Amortization of intangible assets	1,026	1,038	4,122
Write off of goodwill and impairment of an investment	-	-	3,507
Changes in assets and liabilities;			
Accounts receivables and other receivables	(953)	710	(3,454)
Inventories	(282)	(196)	671
Deferred tax	(396)	(537)	(913)
Revaluation gain from gaining control in Adactus	-	-	(1,138)
Account payables and other liabilities	265	1,317	3,380
Cash flows from operating activities:	2,384	2,448	12,885
Cash flows from investing activities:	(648)	(1,602)	(6,880)
Cash flows from financing activities:	3	-	997
Effect of exchange rate changes on cash and short term deposits	719	24	347
Increase in cash and short-term deposits	2,458	870	7,349
Cash and short-term deposits at the beginning of the period	57,005	49,656	49,656
Cash and short-term deposits at the end of the period	$ 59,463	$ 50,526	$ 57,005