

Vizrt Group AS Reports Q1 2016 Results

Bergen, Norway, May 13, 2016. Vizrt Group AS.

Vizrt today reported its financial results for the first quarter 2016.

Vizrt Group AS (the "Company") acquired Vizrt Ltd. on March 19, 2015. To provide a meaningful operational comparison to Q1 2015 the results of Vizrt Ltd. from January 1, 2015 until March 19, 2015, excluding amortization of intangible assets 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.

Q1 2016 HIGHLIGHTS

- Non-GAAP revenue of MUSD 28.2, down 11% compared to Q1 2015.
- Non-GAAP recurring EBITA of MUSD 4.3, corresponding to a 15% margin, down 25% compared to MUSD 5.8 (18%) in Q1 2015.
- Adjusted cash generation from operating activities of MUSD 1.8, on a similar level compared to Q1 2015. Q1 2016 cash generation from operating activities is adjusted for MUSD 2.2 interest on bond.
- Backlog to date is at MUSD 56.6, up 8% compared to Q1 2015.
- Martin Burkhalter, CEO, will step down as CEO of the company effective as of June 1, 2016. The new CEO is expected to be announced within few weeks.

SELECTED FINANCIAL INFORMATION

RESULTS OVERVIEW (INCLUDING NON-GAAP MEASUREMENTS)-

In KUSD	Q1 2016	Q1 2015	Change in %	Q4 2015	Change in %
Non-GAAP revenue	28,211	31,531	-11%	30,243	-7%

Non-GAAP gross profit	19,868	21,409	-7%	21,041	-6%
Non-GAAP gross Margin	70%	68%		70%	

Non-GAAP recurring EBITA	4,320	5,794	-25%	5,938	-27%
Non-GAAP recurring EBITA-Margin	15%	18%		20%	

Non-GAAP recurring EBITDA	4,781	6,350	-25%	6,358	-25%
Non-GAAP recurring EBITDA-Margin	17%	20%		21%	

Adjusted cash flow from operating activities*	1,848	1,766	5%	9,607	-81%
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* Adjusted cash flow from operation activities is adjusted for MUSD 2.2 in Interest on bond in Q1 2016 as well as in Q4 2015.

Geographic breakdown of Non-GAAP revenues

In KUSD	Q1 2016	Q1 2015	Change in %	Q4 2015	Change in %
EMEA	12,783	14,541	-12%	14,983	-15%
AMECS	9,074	7,790	16%	8,920	2%
APAC	6,354	9,200	-31%	6,340	0%
Total revenues	28,211	31,531	-11%	30,243	-7%

Revenues in EMEA, AMECS and APAC, accounted for 45%, 32% and 23% of Q1 2016 total revenues, respectively, as compared to 46%, 25% and 29% respectively, in Q1 2015.

MANAGEMENT OVERVIEW

- The decrease in profitability margins is mainly attributed to the revenue decrease while recurring OPEX was on a similar level at MUSD 15.7.
- Q1 2016 Non-GAAP gross margin improved by two percentage points to 70% comparing to the same quarter last year.
- The decrease in revenue compared to the same quarter LY is mainly due to APAC and certain markets in EMEA, whereas revenue in the Americas increased by 16% compared to same quarter last year.
- Adjusted cash generation from operating activities slightly improved in Q1 2016 compared to the same quarter last year.

Vizrt's management stated: "Though Q1 2016 revenue is below our expectation we are encouraged by the MUSD 56.6 high level of backlog which represents 11% increase sequentially and 8% increase Q-o-Q. In Q1 we saw a continuation of the trends experienced in 2015 in APAC and in some part of Europe where macro-economic uncertainties have delayed investments. Unlike 2015 however, we have also been highly engaged with customers finalizing their strategy by seeking more efficient workflows, reaching more platforms, updating their infrastructure to IP, while not compromising production quality. We have witnessed initial investments in IP infrastructure and we believe that the trend should continue throughout 2016. These decision cycles are typically longer as they require workflow and organizational changes. We are, however, starting Q2 with a healthy backlog and several strategic wins."

"Underlining the relevance of our product offering, the NAB show was our best ever with record leads generation and a Best of the Show award for our new Viz Story product launch. Our product offering is providing our customers with seamless and highly efficient workflows, which is what they need in order to achieve their objectives in terms of profitability and providing high quality content to their audiences. Further, we have over the last few months, witnessed strong interest from new media players for our products and best in class workflow platform. This is a clear confirmation that our product offering is stronger than ever and that we have a compelling future oriented product offering, meeting the needs for the changing requirements the media industry faces in addressing it's audience on any digital platform."

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 March 31, 2016 GAAP	Amortization (a)	Vizrt Ltd Pro- forma	Three months ended March 31, 2016 Non-GAAP
Selected financial information				
Revenue	28,166	45	-	28,211
Gross profit	15,617	4,251	-	19,868
Recurring EBITA	(2,168) (c)	6,488	-	4,320
Recurring EBITDA	(1,707) (c)	6,488	-	4,781

	Three months ended March 31, 2015 GAAP	Amortization (a)	Vizrt Ltd Pro- forma (b)	Three months ended March 31, 2015 Non-GAAP
Selected financial information				
Revenue	11,986	-	19,545	31,531
Gross profit	7,839	578	12,992	21,409
Recurring EBITA	5,713	1,144	(1,063) (d)	5,794
Recurring EBITDA	5,792	1,144	(586) (d)	6,350

(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 Q1 2015, the Company included the results of Vizrt Ltd from January 1, 2015 until the Acquisition date.

(c) Q1 2016 GAAP recurring EBITA and EBITDA exclude one-off transaction's fees related to the Acquisition and restructuring cost of MUSD 0.4.

(d) Vizrt Ltd pro-forma recurring EBITA and EBITDA exclude one-off transaction's fees related to the Acquisition of MUSD 3.6.

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended March 31, 2016 Unaudited	Three months ended (*) March 31, 2015 Unaudited	Year ended December 31, 2015 Audited
Revenues	\$ 28,166	\$ 11,986	\$ 104,243
Cost of revenues	<u>12,549</u>	<u>4,147</u>	<u>44,712</u>
Gross profit	<u>15,617</u>	<u>7,839</u>	<u>59,531</u>
Operating expenses:			
Research and development	5,458	652	15,837
Selling and marketing	9,433	1,205	34,995
General and administrative	2,894	269	8,957
One-off transaction fees	<u>350</u>	<u>24</u>	<u>1,684</u>
<u>Total operating expenses</u>	<u>18,135</u>	<u>2,150</u>	<u>61,473</u>
Operating income (loss)	(2,518)	5,689	(1,942)
Financial expenses (income)	<u>9,172</u>	<u>1,293</u>	<u>8,006</u>
Income (Loss) before taxes	(11,690)	4,396	(9,948)
Taxes on income (benefit)	<u>892</u>	<u>895</u>	<u>(216)</u>
Net income (loss)	<u>\$ (12,582)</u>	<u>\$ 3,501</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

	March 31, 2016	December 31, 2015
	Unaudited	Audited
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 36,639	\$ 37,427
Restricted cash	724	459
Trade receivables, net	30,229	27,405
Other accounts receivable and prepaid expenses	5,625	4,660
Inventories	5,138	5,235
TOTAL CURRENT ASSETS	78,355	75,186
NON-CURRENT ASSETS:		
Deferred taxes	6,226	6,009
Other non-current assets	1,505	1,322
TOTAL NON-CURRENT ASSETS	7,731	7,331
PROPERTY AND EQUIPMENT, NET	4,148	3,929
GOODWILL AND INTANGIBLE ASSETS, NET	260,295	266,738
TOTAL ASSETS	\$ 350,529	\$ 353,184

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	March 31, 2016	December 31, 2015
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 3,827	\$ 2,487
Deferred revenues	10,384	8,841
Employees and payroll accruals	4,299	4,793
Tax accruals	6,047	6,458
Other accounts payable and accrued expenses	5,910	4,864
TOTAL CURRENT LIABILITIES	30,467	27,443
NON-CURRENT LIABILITIES:		
Deferred Taxes	14,263	14,999
Other non- current liabilities	4,497	4,538
Bond	108,724	108,542
Loan from related party	84,963	77,994
TOTAL NON-CURRENT LIABILITIES	212,447	206,073
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	(284)	(813)
Accumulated deficit	(70,991)	(58,409)
TOTAL SHAREHOLDERS' EQUITY	107,615	119,668
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 350,529	\$ 353,184

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months Ended March 31, 2016 <u>Unaudited</u>	Three months ended (*) March 31, 2015 <u>Unaudited</u>	Year ended December 31, 2015 <u>Audited</u>
Net income (loss)	\$ (12,582)	\$ 3,501	\$ (9,732)
Adjustments required to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and loss from disposal of property and equipment	461	79	1,634
Amortization of intangible assets	6,443	1,144	24,375
Amortization of debenture discount and issuance costs	182	44	569
Financial income, net	9,181	-	11,726
Cash paid and received during the year for:			
Interest paid, net	(2,213)	-	(6,948)
Income tax paid, net	(2,231)	-	(28,846)
Changes in assets and liabilities:			
Accounts receivable and other receivables	(4,072)	(10,914)	(8,015)
Inventories	167	3,088	3,058
Deferred tax	(1,007)	(340)	(4,863)
Accounts payable and other liabilities	5,306	3,601	(485)
Cash flows from (used in) operating activities:	<u>(365)</u>	<u>203</u>	<u>(17,527)</u>
Cash flows used in investing activities:	<u>(847)</u>	<u>(258,150)</u>	<u>(259,653)</u>
Cash flows from financing activities:	<u>-</u>	<u>315,210</u>	<u>314,110</u>
Effect of exchange rate changes on cash and short term deposits	<u>424</u>	<u>-</u>	<u>392</u>
Increase (Decrease) in cash and cash equivalent	(788)	57,263	37,322
Cash and short-term deposits at the beginning of the period	<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>\$ 36,639</u>	<u>\$ 57,368</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	-	-	-	-	-	(12,582)	(12,582)
Other comprehensive income	-	-	-	-	529	-	529
Total comprehensive loss	-	-	-	-	529	(12,582)	(12,053)
Balance as of March 31, 2016	60,000	\$ 9	\$ 4,922	\$ 173,959	\$ (284)	\$ (70,991)	\$ 107,615

* 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 March 31, 2016 Unaudited	Three months ended March 31, 2015 Unaudited
Financial expenses breakdown		
Amortization of bond fees	182	44
Exchange rate differences and other financial charges	4,311	(619)
Interest on bonds	2,213	-
Interest on RCF	53	-
Interest on intercompany loans	2,413	-
Total financial expenses	9,172	1,293

Vizrt Group AS Q1 2016
Financial Statements Pro-forma

VIZRT GROUP AS
CONSOLIDATED PRO-FORMA STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended March 31,		Year ended December 31,
	2016 (*)	2015 (**)	2015 (**)
	Unaudited	Unaudited	Unaudited
<u>Continuing Operations</u>			
Revenues	\$ 28,211	\$ 31,531	\$ 128,261
Cost of revenues	<u>8,343</u>	<u>10,122</u>	<u>38,040</u>
Gross profit	<u>19,868</u>	<u>21,409</u>	<u>90,221</u>
Operating expenses:			
Research and development	5,458	5,243	20,428
Selling and marketing	7,196	7,612	30,818
General and administrative	2,894	2,760	11,448
One-off transaction fees	<u>350</u>	<u>3,678</u>	<u>5,338</u>
<u>Total</u> operating expenses	<u>15,898</u>	<u>19,293</u>	<u>68,032</u>
Operating income	3,970	2,116	22,189
Financial expenses	<u>9,172</u>	<u>1,760</u>	<u>8,473</u>
Income (loss) before taxes	(5,202)	356	13,716
Taxes on income	<u>1,625</u>	<u>1,581</u>	<u>3,730</u>
Net income (loss)	<u>\$ (6,827)</u>	<u>\$ (1,225)</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		Year ended
	March 31,		December 31,
	2016	2015	2015
	Unaudited	Unaudited	Unaudited
Net income (loss)	\$ (6,827)	\$ (1,225)	\$ 9,986
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and loss from disposal of property and equipment	461	556	1,953
Amortization of debenture discount and issuance costs	182	44	569
Financial income, net	9,181	12	11,726
Cash paid and received during the year for:			
Interest paid, net	(2,213)	(15)	(6,948)
Income tax paid, net	(2,231)	(274)	(28,846)
Changes in assets and liabilities:			
Accounts receivable and other receivables	(4,117)	(1,763)	(6,937)
Inventories	167	(2,097)	3,058
Deferred tax	(1,007)	134	(4,863)
Accounts payable and other liabilities	6,039	6,394	2,775
Cash flows from (used in) operating activities:	<u>(365)</u>	<u>1,766</u>	<u>(17,527)</u>
Cash flows used in investing activities:	<u>(847)</u>	<u>(259,713)</u>	<u>(259,653)</u>
Cash flows from (used in) financing activities:	<u>-</u>	<u>315,210</u>	<u>314,110</u>
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Cash and short-term deposits at the end of the period from continuing operations	<u>\$ 36,639</u>	<u>\$ 57,368</u>	<u>\$ 37,427</u>