

Vizrt Group AS Reports 9 months and Q3 2015 Results

Bergen, Norway, November 11, 2015. Vizrt Group AS.

Vizrt today reported its financial results for the third quarter of 2015 and the first nine months of 2015.

BUSINESS OVERVIEW

On March 19, 2015, Vizrt Group AS (formerly "Aksjeselskapet av 17. Oktober 2014 AS") ("the Company") through its wholly owned subsidiary, Vizrt AG (formerly "24 October Holding AG") signed a Share Purchase Agreement (the "SPA") with Vizrt Ltd. and its shareholders to purchase all issued and outstanding share capital of Vizrt Ltd. for a consideration of MNOK 2,538.5 (MUSD 313.9).

On March 13, 2015 the Company issued Bonds ("the Bonds") amounts to MUSD 113.3. The Bonds are securities which give the bondholders right to interest during the tenor of the Bonds and repayment of principal on the dates set forth in the bond agreement.

The Bonds are the senior liabilities of the issuer and only subordinated to claims preferred by law. The summary below describes the principal terms of the Bonds. Certain terms and conditions described below are subject to important limitations and exceptions. The bond agreement contains the complete terms and conditions of the Bonds.

- The nominal interest rate is three months LIBOR plus a margin of 7.125% which is equal to the yield for the bondholders.
- Interest accrues as of the issue date of the Bonds (13 March, 2015) and is payable quarterly in arrears on 30 March, 30 June, 30 September and 30 December each year (subject to adjustment of business days if the interest payment date falls on a date which is not a business day).
- The maturity date of the Bonds is 13 March 2021.
- The representative of the bondholders is Nordic Trustee ASA.

In order to finance the merger consideration payable in connection with the acquisition of Vizrt Ltd. MUSD 178.3 was contributed to the shareholders' equity by the parent company Vizrt Group Holding AS (formerly "Aksjeselskapet av 16. Oktober 2014 AS"). The necessary additional fund was provided by unsecured inter-company loans.

FINANCIAL OVERVIEW

The financial statements of the Company consolidate the financial statements of Vizrt Ltd. and its operational results from the date of acquisition, March 19, 2015.

The main differences between the financial statements of Vizrt Group AS and Vizrt Ltd. are driven from the following:

- Provisional purchase price allocation for the acquisition of Vizrt Ltd.
- Financing of the acquisitions (bond and intercompany group's loans).
- Consolidation of Vizrt Ltd. starting from the acquisition date (March 19, 2015).

The Vizrt Ltd. report is accompanied to this report to provide relevant operational analysis and comparison to last year figures. Vizrt Ltd. is in liquidation process following shareholders' resolution from October 21, 2015 to liquidate the company. The Vizrt Ltd. report includes Non-GAAP measurements as detailed hereunder. A comparison between the Q3 2015 statements of income of Vizrt Group AS and Vizrt Ltd. is included in the notes.

VIZRT LTD Q3 2015 FINANCIAL HIGHLIGHTS

- Quarterly revenue of MUS\$ 34.4, down 2% compared to Q3 2014 and up 4% on a dollar neutral basis.
- Recurring EBITDA of MUS\$ 9.4, corresponding to 27% margin, up 12% compared to MUS\$ 8.4 (24%) in Q3 2014. Recurring EBITDA margin is on a similar level compared to Q3 2014 on a dollar neutral basis.
- Adjusted cash generation from operating activities** of MUS\$ 6.3, down 58% compared to adjusted MUS\$ 15.0 in Q3 2014.

VIZRT LTD FINANCIAL REVIEW Q3 AND 9 months 2015

RESULTS OVERVIEW (INCLUDING NON-GAAP MEASUREMENTS)-

In KUSD	Q3 2015	Q3 2014	Change in %	Q2 2015	Change in %	Q3 2015 YTD	Q3 2014 YTD	Change in %
Revenue	34,400	35,193	-2%	32,086	7%	98,018	105,305	-7%
Gross Profit	24,730	25,160	-2%	23,040	7%	68,768	73,076	-6%
Gross Margin	72%	71%		72%		70%	69%	
EBIT	8,885	7,223	23%	5,998	48%	16,450	19,862	-17%
EBIT-Margin	26%	21%		19%		17%	19%	
Recurring EBIT*	8,885	7,223	23%	7,065	26%	21,171	19,862	7%
Recurring EBIT-Margin	26%	21%		22%		22%	19%	
EBITDA	9,355	8,437		6,490		18,561	23,448	
EBITDA-Margin	27%	24%		20%		19%	22%	
Recurring EBITDA*	9,355	8,437	11%	7,557	24%	23,282	23,448	-1%
Recurring EBITDA Margin	27%	24%		24%		24%	22%	
Cash flow from operating activities	(20,747)	14,961	-239%	945	-2295%	(20,704)	10,076	-305%
Adjusted cash flow from operating activities**	6,331	14,961	-58%	945	570%	10,028	28,044	-64%
Number of employees	595	585	2%	595	0%	595	585	2%

* Following the acquisition of Vizrt Ltd by Nordic Capital on March 19, 2015 (the "Merger"), a new Purchase Price Allocation ("PPA") was established for the acquiring entity. Vizrt Ltd stopped amortizing intangible assets derived from former acquisitions it has done before the Merger. The Q3 2014 amortization of intangible assets was MUS\$ 0.7 included in COGS and selling and marketing costs.

For convenience purposes the goodwill and intangible assets are presented in the September 30, 2015 balance sheet in their value as of March 19, 2015 (the acquisition date).

These non-GAAP measures reflect how Vizrt management views its operations internally. The parent companies of Vizrt Ltd. established a new PPA as described above.

** Q3 2015 adjusted cashflow from operating activities excludes MUS\$ 27.2 related to the restructuring and settlement with the Israeli tax authorities. The Q3 2015 YTD figures are also adjusted for MUS\$ 3.6 transaction's cost related to the acquisition by Nordic Capital and restructuring costs.

*** 2015 YTD recurring EBIT and recurring EBITDA (above and hereunder) exclude oneoff transaction's costs related to the acquisition by Nordic Capital and restructuring costs. of MUS\$ 4.7.

Vizrt Ltd. Geographic breakdown of revenues

In KUSD	Q3 2015	Q3 2014	Change in %	Q2 2015	Change in %	Q3 2015 YTD	Q3 2014 YTD	Change in %
EMEA	13,068	16,726	-22%	15,674	-17%	43,284	50,479	-14%
AMECS	12,593	10,294	22%	9,717	30%	30,100	28,362	6%
APAC	8,739	8,173	7%	6,695	31%	24,634	26,464	-7%
Revenues	34,400	35,193	-2%	32,086	7%	98,018	105,305	-7%

Revenues in EMEA, AMECS and APAC, accounted for 38%, 37% and 25% of Q3 2015 total revenues, respectively, as compared to 48%, 29% and 23% respectively, in Q3 2014.

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.

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VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended <u>September 30,</u> <u>2015</u> <u>Unaudited</u>	Nine months ended <u>September 30,</u> <u>2015</u> <u>Unaudited</u>	Year ended <u>December 31,</u> <u>2014</u> <u>Audited</u>
Revenues	\$ 32,909	\$ 75,490	\$ -
Cost of revenues	<u>14,102</u>	<u>31,787</u>	<u>-</u>
Gross profit	<u>18,807</u>	<u>43,703</u>	<u>-</u>
Operating expenses:			
Research and development	5,007	10,855	-
General and administrative	2,771	5,891	-
Selling and marketing	11,750	24,351	-
One-off transaction fees	<u>-</u>	<u>1,334</u>	<u>-</u>
<u>Total operating expenses</u>	<u>19,528</u>	<u>42,431</u>	<u>-</u>
Operating income (loss)	(721)	1,272	-
Financial expenses	<u>1,898</u>	<u>8,117</u>	<u>3</u>
Loss before taxes	2,619	6,845	-
Taxes on income	<u>1,073</u>	<u>2,043</u>	<u>-</u>
Net loss	<u>\$ 3,692</u>	<u>\$ 8,888</u>	<u>\$ 3</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	September 30, 2015	December 31, 2014
	Unaudited	Audited
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 35,006	\$ 105
Restricted cash	388	-
Trade receivables, net	32,329	-
Other accounts receivable and prepaid expenses	4,765	-
Inventories	6,763	-
TOTAL CURRENT ASSETS	79,251	105
NON-CURRENT ASSETS:		
Deferred taxes	4,657	-
Other non-current assets	1,264	-
TOTAL NON-CURRENT ASSETS	5,921	-
PROPERTY AND EQUIPMENT, NET	4,126	-
GOODWILL AND INTANGIBLE ASSETS, NET	274,321	-
TOTAL ASSETS	\$ 363,619	\$ 105

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	September 30, 2015	December 31, 2014
	<u>Unaudited</u>	<u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term loans	\$ 4,818	\$ -
Trade payables	3,338	-
Deferred revenues	10,718	-
Employees and payroll accruals	5,130	-
Tax accruals	6,419	-
Other accounts payable and accrued expenses	5,308	-
	<u>35,731</u>	<u>-</u>
NON-CURRENT LIABILITIES:		
Deferred Taxes	16,539	-
Other non- current liabilities	3,882	-
Bond	108,363	-
Loan from related party	29,537	103
	<u>158,321</u>	<u>103</u>
SHAREHOLDERS' EQUITY:		
Share capital	9	5
Additional paid-in capital	4,922	-
Grand parent contribution	173,959	-
Accumulated other comprehensive loss	(432)	-
Accumulated deficit	(8,891)	(3)
	<u>169,567</u>	<u>2</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 363,619</u>	<u>\$ 105</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months Ended September 30, 2015 Unaudited	Nine months ended September 30, 2015 Unaudited	Year Ended December 31, 2014 Audited
Net loss	\$ 3,692	\$ 8,888	\$ 3
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and loss from disposal of property and equipment	479	1,067	-
Amortization of intangible assets	7,957	17,063	-
Amortization of debenture discount and issuance costs	179	390	-
Financial income, net	1,453	3,444	-
Cash paid and received during the year for:			
Interest paid, net	(2,118)	(4,654)	-
Income tax paid, net	(27,171)	(28,239)	-
Changes in assets and liabilities:			
Accounts receivable and other receivables	(577)	(13,243)	-
Inventories	(1,314)	1,619	-
Deferred tax	(633)	(2,239)	-
Accounts payable and other liabilities	846	9,140	103
Cash flows from (used in) operating activities:	<u>(24,591)</u>	<u>(24,540)</u>	<u>100</u>
Cash flows from (used in) investing activities:	<u>(516)</u>	<u>(259,162)</u>	<u>5</u>
Cash flows from financing activities:	<u>3,047</u>	<u>319,036</u>	<u>-</u>
Effect of exchange rate changes on cash and short term deposits	<u>(807)</u>	<u>(433)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalent	(22,867)	34,901	105
Cash and short-term deposits at the beginning of the period	<u>57,873</u>	<u>105</u>	<u>-</u>
Cash and short-term deposits at the end of the period from continuing operations	<u>\$ 35,006</u>	<u>\$ 35,006</u>	<u>\$ 105</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Ordinary shares	Share capital	Additional paid- in capital	Other reserve	Accumulated other comprehensive loss	Accumulated deficit	Total Equity
Balance as of January 1, 2014	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of shares	30,000	5	-	-	-	-	5
Net income	-	-	-	-	-	(3)	(3)
Balance as of December 31, 2014	30,000	5	-	-	-	(3)	2
Net income	-	-	-	-	-	(8,888)	(8,888)
Other comprehensive income	-	-	-	-	(432)	-	(432)
Total comprehensive income	-	-	-	-	(432)	(8,891)	(9,323)
Investment on account of shares*	30,000	4	4,922	-	-	-	4,926
Contribution from controlling shareholder	-	-	-	173,959	-	-	173,959
Balance as of September 30, 2015	60,000	\$ 9	\$ 4,922	\$ 173,959	\$ (432)	\$ (8,891)	\$ 169,567

* 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

	<u>Three months ended</u> <u>September 30,</u> <u>2015</u> <u>Unaudited</u>	<u>Nine months ended</u> <u>September 30,</u> <u>2015</u> <u>Unaudited</u>
Financial expenses breakdown		
Amortization of bond fees	179	390
Merger related financing fees	-	1,868
Exchange rate differences	(1,956)	(2,064)
Interest on bonds	2,174	4,681
Interest on RCF	69	114
Interest on intercompany loans	1,432	3,128
<u>Total financial expenses</u>	<u>1,898</u>	<u>8,117</u>

VIZRT GROUP AS

Notes to the financial statements

U.S. dollars in thousands

Q3 2015 Statement of income comparison- Vizrt Group AS - Vizrt Ltd.

U.S. Dollars in Thousands

	<u>Vizrt Group AS</u>	<u>Vizrt Ltd.</u>	<u>Difference</u>	<u>Explanation</u>
Revenues	\$32,909	\$34,400	(1,491)	Deferred revenue associated with the purchase price allocation
Cost of revenues	<u>14,102</u>	<u>9,670</u>	<u>4,432</u>	Intangible assets amortization
Gross profit	<u>18,807</u>	<u>24,730</u>	<u>(5,923)</u>	
Operating expenses:				
Research and development	5,007	4,984	23	
Selling and marketing	11,750	8,185	3,565	Mainly intangible assets amortization
General and administrative	<u>2,771</u>	<u>2,676</u>	<u>95</u>	
<u>Total operating expenses</u>	<u>19,528</u>	<u>15,845</u>	<u>3,683</u>	
Operating income (loss)	(721)	8,885	(9,606)	
Financial income (expenses)	<u>(1,898)</u>	<u>251</u>	<u>(2,149)</u>	Financing of Vizrt Ltd acquisition
Income (loss) before taxes	(2,619)	8,634	(11,253)	
Taxes on income	<u>1,073</u>	<u>1,379</u>	<u>(306)</u>	Mainly related to deferred tax liabilities associated with the intangible assets
Net loss	<u>(\$3,692)</u>	<u>\$7,255</u>	<u>(\$10,947)</u>	

Vizrt Ltd. 9 months and Q3 2015 Financial Statements

VIZRT LTD
CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<u>Continuing Operations</u>					
Revenues	\$ 34,400	\$ 35,193	\$ 98,018	\$ 105,305	\$ 141,534
Cost of revenues	<u>9,670</u>	<u>10,035</u>	<u>29,250</u>	<u>32,229</u>	<u>42,695</u>
Gross profit	<u>24,730</u>	<u>25,158</u>	<u>68,768</u>	<u>73,076</u>	<u>98,839</u>
Operating expenses:					
Research and development	4,984	5,692	15,423	16,980	22,466
Selling and marketing	8,185	8,965	23,887	26,712	35,255
General and administrative	2,676	3,280	8,287	9,522	13,384
One-off transaction fees	<u>-</u>	<u>-</u>	<u>4,721</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>15,845</u>	<u>17,937</u>	<u>52,318</u>	<u>53,214</u>	<u>71,105</u>
Operating income	8,885	7,221	16,450	19,862	27,734
Financial expenses	<u>251</u>	<u>220</u>	<u>1,528</u>	<u>272</u>	<u>898</u>
Income before taxes	8,634	7,001	14,922	19,590	26,836
Taxes on income	<u>1,379</u>	<u>1,851</u>	<u>24,803</u>	<u>8,132</u>	<u>10,877</u>
Net income (loss) from continuing operations	<u>7,255</u>	<u>5,150</u>	<u>(9,881)</u>	<u>11,458</u>	<u>15,959</u>
<u>Discontinued Operations</u>					
Net loss from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>409</u>	<u>409</u>
Net income (loss)	<u>\$ 7,255</u>	<u>\$ 5,150</u>	<u>\$ (9,881)</u>	<u>\$ 11,049</u>	<u>\$ 15,550</u>

VIZRT LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 34,459	\$ 57,653
Restricted cash	388	214
Trade receivables, net	32,329	28,695
Other accounts receivable and prepaid expenses	5,044	4,785
Inventories	<u>6,763</u>	<u>3,458</u>
TOTAL CURRENT ASSETS	<u>78,983</u>	<u>94,805</u>
NON-CURRENT ASSETS:		
Deferred taxes	1,981	1,742
Other non-current assets	<u>1,198</u>	<u>1,149</u>
TOTAL NON-CURRENT ASSETS	<u>3,179</u>	<u>2,891</u>
PROPERTY AND EQUIPMENT, NET	<u>4,126</u>	<u>4,694</u>
INTANGIBLE ASSETS, NET	<u>6,704</u>	<u>7,743</u>
GOODWILL	<u>29,953</u>	<u>31,581</u>
TOTAL ASSETS	<u>\$ 122,945</u>	<u>\$ 141,714</u>

VIZRT LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	September 30, 2015	December 31, 2014
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 3,306	\$ 5,088
Deferred revenues	12,389	10,095
Employees and payroll accruals	5,130	8,029
Tax accruals	5,890	3,619
Other accounts payable and accrued expenses	<u>5,268</u>	<u>5,528</u>
TOTAL CURRENT LIABILITIES	<u>31,983</u>	<u>32,359</u>
NON-CURRENT LIABILITIES:		
Deferred Taxes	2,073	7,564
Other non- current liabilities	<u>3,882</u>	<u>3,996</u>
TOTAL NON-CURRENT LIABILITIES	<u>5,955</u>	<u>11,560</u>
SHAREHOLDERS' EQUITY:		
Share capital	163	163
Additional paid-in capital	157,193	157,193
Accumulated other comprehensive loss	(11,587)	(8,680)
Accumulated deficit	<u>(60,762)</u>	<u>(50,881)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>85,007</u>	<u>97,795</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 122,945</u>	<u>\$ 141,714</u>

VIZRT LTD
CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months Ended September 30,		Nine months Ended September 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	Unaudited		Unaudited		Audited
Net Income	\$ 7,255	\$ 5,150	\$ (9,881)	\$ 11,049	\$ 15,550
Adjustments required to reconcile net income to net cash provided by operating activities:					
Depreciation and loss from disposal of property and equipment	478	569	1,543	1,680	2,148
Share of loss of an associate	-	-	-	409	409
Amortization of intangible assets	-	689	576	1,978	2,609
Changes in assets and liabilities:					
Accounts receivable and other receivables	(815)	5,961	(4,319)	1,646	(947)
Inventories	(1,314)	216	(3,566)	(114)	673
Deferred tax	215	358	(6,625)	1,910	3,037
Accounts payable and other liabilities	(26,566)	2,018	1,568	(8,482)	(6,126)
Cash flows from operating activities:	(20,747)	14,961	-20,704	10,076	17,353
Cash flows used in investing activities:	(516)	(496)	(1,364)	(16,285)	(17,078)
Cash flows used in financing activities:	-	71	-	(3,164)	(2,034)
Effect of exchange rate changes on cash and short term deposits	(807)	(801)	(1,126)	(932)	(1,454)
Decrease in cash and cash equivalent	(22,070)	13,735	(23,194)	(10,305)	(3,213)
Cash and short-term deposits at the beginning of the period	56,529	36,826	57,653	60,866	60,866
Cash and short-term deposits at the end of the period from continuing operations	\$ 34,459	\$ 50,561	\$ 34,459	\$ 50,561	\$ 57,653