

Vizrt Group AS Reports
Q4 and full year 2017 Results

Bergen, Norway, February 26, 2018. Vizrt Group AS.

Vizrt today reported its financial results for the fourth quarter and the full year of 2017.

Q4 2017 HIGHLIGHTS

- Successful operational investments during 2017 are showing promising momentum during the latter part of the year. Order intake continued the positive trend from earlier quarters in all regions.
- Revenue in Q4 was up 22% compared to last year adjusted for exchange rates effects and 6% compared to last quarter.
- Double digit growth across all three business regions during Q4.
- 2017 OPEX includes MUSD 2.2 of one-off expenses related to the centralization of the R&D activities compared to MUSD 0,9 in Q4 2016.
- Non-GAAP recurring (excluding one-off items) EBITA was MUSD 8.6, corresponding to a 25% margin, an increase of 6% points compared to last year.
- Earnings improved significantly with Recurring EBITDA being up 69% in Q4 2017 compared to same period in 2016.
- Adjusted cash flow from operating activities was MUSD -0.3 compared to MUSD 7.3 in Q4 2016. The cash flow from operating activities for 2017 is adjusted for MUSD 2.1 (MUSD 2.4 in 2016) bond interest.

Full year 2017 highlights

- 2017 shows a positive development in order intake in all regions compared to last year. The order intake comprises an increase in orders with recurring revenue, as well as some other larger projects where delivery is planned in future periods.
- 2017 revenue increased to MUSD 122,2 equal to an increase of 1,7 compared to last year adjusted for exchange rates effects.
- 2017 OPEX includes MUSD 6.9 of one-off expenses related to the centralization of the R&D activities compared to MUSD 3,3 in 2016.
- Non-GAAP recurring (excluding one-off items) EBITA was MUSD 26.0, corresponding to a 21% margin, down 2 points compared to the same period last year.
- Recurring EBITDA decreased from MUSD 29,4 in 2016 to MUSD 27,9 but did show good momentum in Q4.
- Adjusted cash flow from operating activities was MUSD 12.0 compared to MUSD 25,6 in 2016. The cash flow from operating activities for 2017 is adjusted for MUSD 8.8 (MUSD 9.2 in 2016) bond interest.
- R&D expenses exclude MUSD 4.4 (MUSD 4.4 in 2016): attributed to intangible assets arising from certain development projects. In accordance with IFRS the Group started capitalizing development costs in Q2 2016 and will continue this practice going forward.

SELECTED FINANCIAL INFORMATION

RESULTS OVERVIEW

In KUSD	Q4 2017	Q4 2016	Change in %	Q3 2017	Change in %	FY2017 YTD	FY2016 YTD	Change in %
Revenue	33 793	26 282	29%	31 852	6%	122 216	119 537	2%
Non-GAAP gross profit *	23 949	18 350	31%	21 763	10%	85 044	84 968	0%
Non-GAAP gross margin	71%	70%		68%		70%	71%	
Recurring EBITA **	8 671	5 132	69%	7 604	14%	26 034	27 540	-5%
Recurring EBITA-margin	26%	20%		24%		21%	23%	
Recurring EBITDA **	9 206	5 623	64%	8 009	15%	27 941	29 428	-5%
Recurring EBITDA-margin	27%	21%		25%		23%	25%	
Adjusted cash flow from operating activities***	(393)	7 322	-105%	6 253	-106%	12 011	25 649	-53%

* Non-GAAP: Excluding amortization of intangibles relating to the acquisition of Vizrt Ltd.

** Recurring measurements excluding on-off items

*** Adjusted cash flow from operating activities is adjusted for MUSD 2.1 Interest on bond in Q4 2017, MUSD 2.3 in Q3 2017 and MSUD 2.4 in Q4 2016. For FY 2017 and FY 2016 the adjustment is MUSD 8.8 and MUSD 9.2 respectively.

Geographic breakdown of revenues

In KUSD	Q4 2017	Q4 2016	Change in %	Q3 2017	Change in %	FY2017 YTD	FY2016 YTD	Change in %
EMEA	15 405	11 188	38%	15 722	-2%	58 498	54 561	7%
AMECS	8 960	7 752	16%	7 908	13%	30 282	34 487	-12%
APAC	9 428	7 342	28%	8 222	15%	33 436	30 489	10%
Total revenues	33 793	26 282	29%	31 852	6%	122 216	119 537	2%

Revenues in EMEA, AMECS and APAC, accounted for 46%, 27% and 228% of Q4 2017 total revenues, respectively, as compared to 43%, 29% and 28% respectively in Q4 2016.

MANAGEMENT OVERVIEW

Revenue for the quarter increased 22% adjusted for currency effects compared to last year. Revenue also increased 14% compared to Q3 2017. Non-GAAP gross margin for Q4 was 71 or 1 point above the same quarter last year.

The activity level in the fourth quarter continued to be healthy and the order intake was higher than during the same period last year. However, the higher order intake is not fully reflected in the revenue yet due to a higher degree of orders with recurring elements, and received orders with delivery in future periods. Management is pleased to note the continued positive trend for order intake which is viewed as a vote of confidence on Vizrt as a long-term partner from the large customer base. It is also encouraging to note that all regions grew healthy in the 4th quarter. Particularly inspiring for the future is the positive development in AMECS during Q4 2017 following the strengthening of the management team and other investments made in AMECS mid-year.

A significant number of major internal changes and investments has been carried out during 2017, all with the objective to ensure an agile and well performing Vizrt with our customers current and future challenges in focus. Among the many improvements completed or initiated is the centralization of the R&D activities from 7 to 4 sites that was announced late March and was finalized during Q3. Focusing product development to 4 main sites is expected to reduce complexity and give a faster, more efficient product development; the number of employees in the remaining sites has increased. Additionally, a significantly strengthened global support organization has been put in place to improve service levels globally. Dedicated product management teams has been built up for our targeted industry segments; Broadcast, Sports/eSports and Digital Publishing. Further has the global marketing organization been significantly strengthened and a newly recruited CMO has joined the management team.

During 2H, a number of strategic deals have been finalized with customers both within the eSports and Digital Publishing segments which is satisfactory following the build-up of the focused industry teams mentioned.

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.

Contacts

Michael Hallén
CEO
+47 46 93 46 08
Mhallen@vizrt.com

Esben Ravn Olesen
CFO
+46 73 327 87 36
ERavnOlesen@vizrt.com

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended December 31, 2017 Unaudited	Three months ended December 31, 2016 Unaudited	Year ended December 31, 2017 Unaudited	Year ended December 31, 2016 Audited
Revenues	33 793	26 237	122 216	119 357
Cost of revenues	<u>(14 522)</u>	<u>(12 138)</u>	<u>(54 641)</u>	<u>(51 393)</u>
Gross profit	<u>19 272</u>	<u>14 099</u>	<u>67 575</u>	<u>67 964</u>
Operating expenses:				
Research and development	(4 002)	(3 956)	(17 466)	(17 782)
Selling and marketing	(9 413)	(7 139)	(34 849)	(33 684)
General and administrative	(2 944)	(3 234)	(11 495)	(11 534)
One-off expenses	<u>(2 166)</u>	<u>(948)</u>	<u>(6 925)</u>	<u>(3 250)</u>
<u>Total</u> operating expenses	<u>(18 524)</u>	<u>(15 277)</u>	<u>(70 736)</u>	<u>(66 249)</u>
Operating income (loss)	747	(1 178)	(3 161)	1 715
Financial expenses	<u>(5 277)</u>	<u>(5 526)</u>	<u>(19 779)</u>	<u>(20 334)</u>
Income (loss) before taxes	(4 529)	(6 704)	(22 941)	(18 619)
Taxes on income (benefit)	<u>7 595</u>	<u>1 412</u>	<u>7 039</u>	<u>2 966</u>
Net income (loss)	<u>3 066</u>	<u>(5 292)</u>	<u>(15 902)</u>	<u>(15 653)</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	31 811	47 570
Restricted cash	668	235
Trade receivables, net	33 400	25 184
Other accounts receivable and prepaid expenses	8 794	5 704
Inventories	4 128	3 977
TOTAL CURRENT ASSETS	<u>78 801</u>	<u>82 670</u>
NON-CURRENT ASSETS:		
Deferred taxes	13 242	6 013
Other non-current assets	3 365	1 730
TOTAL NON-CURRENT ASSETS	<u>16 607</u>	<u>7 743</u>
PROPERTY AND EQUIPMENT, NET	<u>4 947</u>	<u>3 845</u>
GOODWILL AND INTANGIBLE ASSETS, NET	<u>231 325</u>	<u>248 760</u>
TOTAL ASSETS	<u>331 680</u>	<u>343 018</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	December 31, 2017	December 31, 2016
	<u>Unaudited</u>	<u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	2 791	3 001
Deferred revenues	12 631	9 415
Employees and payroll accruals	6 413	5 622
Tax accruals	5 333	5 594
Other accounts payable and accrued expenses	<u>5 403</u>	<u>4 652</u>
TOTAL CURRENT LIABILITIES	<u>32 571</u>	<u>28 284</u>
NON-CURRENT LIABILITIES:		
Deferred Taxes	7 456	9 519
Other non- current liabilities	4 410	5 449
Bond	98 706	109 297
Loan from related party	<u>98 151</u>	<u>87 519</u>
TOTAL NON-CURRENT LIABILITIES	<u>208 723</u>	<u>211 784</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	1 460	(1 878)
Accumulated deficit	<u>(89 964)</u>	<u>(74 062)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>90 386</u>	<u>102 950</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>331 680</u>	<u>343 018</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months ended Dec 31, 2017 <u>Unaudited</u>	Three months ended Dec 31, 2016 <u>Unaudited</u>	Year ended December 31, 2017 <u>Unaudited</u>	Year ended December 31, 2016 <u>Audited</u>
Net income (loss)	3 066	(5 292)	(15 902)	(15 653)
Adjustments required to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and loss from disposal of property and equipment	1 400	491	2 960	1 888
Amortization of intangible assets	5 286	5 317	21 175	22 395
Amortization of R&D expenditures	59	23	645	32
Amortization of debenture discount and issuance costs	203	193	748	755
Financial income, net	4 821	4 766	19 433	18 690
Cash paid and received during the year for:				
Interest paid, net	(2 137)	(2 372)	(8 808)	(9 165)
Income tax paid, net	(762)	(441)	(1 932)	(2 675)
Changes in assets and liabilities:				
Accounts receivable and other receivables	433	6 273	(8 320)	(1 090)
Inventories	102	(46)	5	1 102
Deferred tax	(8 651)	(2 274)	(10 663)	(6 446)
Accounts payable and other liabilities	(6 350)	(1 688)	3 862	6 651
Cash flows from (used in) operating activities:	<u>(2 530)</u>	<u>4 950</u>	<u>3 203</u>	<u>16 484</u>
Cash flows used in investing activities:	<u>(2 861)</u>	<u>(1 954)</u>	<u>(8 546)</u>	<u>(6 081)</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>	<u>(11 330)</u>	<u>-</u>
Effect of exchange rate changes on cash and short term deposits	<u>(516)</u>	<u>139</u>	<u>915</u>	<u>(260)</u>
Increase (Decrease) in cash and cash equivalent	(5 907)	3 135	(15 758)	10 143
Cash and short-term deposits at the beginning of the period	<u>37 718</u>	<u>44 435</u>	<u>47 570</u>	<u>37 427</u>
Cash and short-term deposits at the end of the period from continuing operations	<u>31 811</u>	<u>47 570</u>	<u>31 811</u>	<u>47 570</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, 2016	60 000	9	4 922	173 959	(813)	(58 409)	119 668
Net loss	-	-	-	-	-	(15 653)	(15 653)
Other comprehensive loss	-	-	-	-	(1 065)	-	(1 065)
Total comprehensive loss	-	-	-	-	(1 065)	(15 653)	(16 718)
Balance as of December 31, 2016	60 000	9	4 922	173 959	(1 878)	(74 062)	102 950
Net loss	-	-	-	-	-	(15 902)	(15 902)
Other comprehensive income	-	-	-	-	3 338	-	3 338
Total comprehensive loss	-	-	-	-	3 338	(15 902)	(12 564)
Balance as of December 31, 2017	60 000	9	4 922	173 959	1 460	(89 964)	90 386

* 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 <u>December 31,</u> <u>2017</u> <u>Unaudited</u>	Three months ended <u>December 31,</u> <u>2016</u> <u>Unaudited</u>	Year ended <u>December 31,</u> <u>2017</u> <u>Unaudited</u>	Year ended <u>December 31,</u> <u>2016</u> <u>Unaudited</u>
<u>Financial expenses breakdown</u>				
Amortization of bond fees	(195)	(192)	(740)	(754)
Exchange rate differences and other financial charges	98	(554)	(11)	(820)
Interest on bonds	(2 449)	(2 326)	(8 220)	(9 031)
Fee Rolling Credit Facility	(44)	(59)	(177)	(203)
Interest on intercompany loans	(2 687)	(2 395)	(10 631)	(9 526)
Total financial expenses	<u>(5 277)</u>	<u>(5 526)</u>	<u>(19 779)</u>	<u>(20 334)</u>

Vizrt Group AS

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed financial statements for full year of 2017 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 year 2017 and their impact on the financial statements, any major related parties' transactions, and a description of the principal risks and uncertainties.

Bergen, February 26, 2018

Michael Hallén

(Chairman of the Board of Directors and CEO)

Esben Ravn Olesen

(Board Member and CFO)