

Vizrt Group AS Reports Q4 and Full Year 2015 Results

Bergen, Norway, February 25, 2015. Vizrt Group AS.

Vizrt today reported its financial results for the fourth quarter and the full year 2015.

Vizrt Group AS (the "Company") acquired Vizrt Ltd. (through its wholly owned subsidiary Vizrt AG) on March 19, 2015 (the "Acquisition").

To provide a meaningful comparison and to measure the operational results of the Company the following adjustments have been made:

- The Q4 and FY 2014 results are the results of Vizrt Ltd which was liquidated during Q4 2015, excluding amortization of intangible assets.
- To provide sequential operational results for full year 2015, the Company included the results of Vizrt Ltd from January 1, 2015 until the Acquisition date, excluding amortization of intangible assets.

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.

Q4 2015 HIGHLIGHTS

- Non-GAAP revenue of MUSD 30.2, down 17% compared to Q4 2014 and down 12% on a dollar neutral basis.
- Non-GAAP recurring EBITA of MUSD 5.9, corresponding to a 20% margin, down 30% compared to MUSD 8.5 (23%) in Q4 2014.
- Non-GAAP recurring EBITDA of MUSD 6.4, corresponding to a 21% margin, down 29% compared to MUSD 9.0 (25%) in Q4 2014.
- Adjusted cash generation from operating activities** of MUSD 9.6, up 32% compared to MUSD 7.3 in Q4 2014.

FULL YEAR 2015 HIGHLIGHTS

- Non-GAAP revenue of MUSD 128.3, down 9% compared to FY 2014 and down 4% on a dollar neutral basis.
- Non-GAAP recurring EBITA of MUSD 27.5, corresponding to a 21% margin, down 9% compared to MUSD 30.3 (21%) in FY 2014.
- Non-GAAP recurring EBITDA of MUSD 29.5, corresponding to a 23% margin, down 9% compared to MUSD 32.4 (23%) in FY 2014.
- Adjusted cash generation from operating activities** of MUSD 20.8, down 41% compared to adjusted MUSD 35.3 in FY 2014.

SELECTED FINANCIAL INFORMATION

RESULTS OVERVIEW (INCLUDING NON-GAAP MEASUREMENTS)-

In KUSD	Q4 2015	Q4 2014	Change in %	Q3 2015	Change in %	FY 2015	FY 2014	Change in %
Non-GAAP revenue	30,243	36,229	-17%	34,400	-12%	128,261	141,534	-9%
Non-GAAP revenue on a dollar neutral basis*	30,243	34,508	-12%	34,400	-12%	128,261	133,304	-4%
Non-GAAP gross profit	21,041	26,217	-20%	24,730	-15%	90,221	100,606	-10%
Non-GAAP gross Margin	70%	72%		72%		70%	71%	
Non-GAAP recurring EBITA	5,938	8,502	-30%	8,728	-32%	27,527	30,340	-9%
Non-GAAP recurring EBITA-Margin	20%	23%		25%		21%	21%	
Non-GAAP recurring EBITDA	6,358	8,976	-29%	9,198	-31%	29,480	32,422	-9%
Non-GAAP recurring EBITDA-Margin	21%	25%		27%		23%	23%	
Adjusted cash flow from operating activities**	9,607	7,278	32%	4,991	92%	20,789	35,321	-41%

* FX adjustment was made to present the 2014 revenue based on the relevant 2015 FX and to provide a dollar neutral comparison.

** Adjusted cash flow from operation activities is adjusted as follows:

- Interest on bond adjustment: Q4 2015, Q3 2015 and FY 2015 adjusted for MUSD 2.2, MUSD 2.1 and MUSD 6.9, respectively.
- Settlement with the Israeli tax authorities: FY 2015 and FY 2014 are adjusted for MUSD 26.0 and MUSD 18.0, respectively.
- Transaction's cost related to the acquisition by Nordic Capital: Q4 2014 and FY 2015 are adjusted for MUSD 0.4 and MUSD 5.3, respectively

Geographic breakdown of revenues

In KUSD	Q4 2015	Q4 2014	Change in %	Q3 2015	Change in %	Q4 2015 YTD	Q4 2014 YTD	Change in %
EMEA	14,983	17,110	-12%	13,068	15%	58,268	67,591	-14%
AMECS	8,920	8,989	-1%	12,593	-29%	39,020	37,340	4%
APAC	6,340	10,130	-37%	8,739	-27%	30,973	36,603	-15%
Total revenues	30,243	36,229	-17%	34,400	-12%	128,261	141,534	-9%

Revenues in EMEA, AMECS and APAC, accounted for 49%, 30% and 21% of Q4 2015 total revenues, respectively, as compared to 47%, 25% and 28% respectively, in Q4 2014.

MANAGEMENT OVERVIEW

- The decrease in profitability margins is mainly attributed to revenue mix which consists a higher portion of projects' related revenue together with lower revenue level. This decrease was offset by a favorable currency environment.
- The decrease in revenue compared to the same quarter LY on a dollar neutral basis is mainly due to APAC and EMEA, whereas revenue in the Americas is on a similar level as LY.
- Backlog decreased by MUS\$ 2.3 (5% change) compared to both similar period last quarter and similar period last year.
- Adjusted cash generation from operating activities improved significantly in the second half of the year compared to the first half.

Martin Burkhalter, Vizrt's CEO, stated: "In Q4 we saw a continuation of the trends experienced in the first three quarters of 2015. Many local currencies were still considerably weaker towards the USD compared to one year ago. The strong USD significantly impacted the buying power and investment capability for many customers, especially in Latin America, Russia and APAC. In addition, our revenue in EMEA, was negatively impacted by the geopolitical situation in parts of this region.

Despite the market softness we are, under the circumstances, satisfied with the EBITA margin level for the whole year, which was on the same level as last year."

"In 2015 we have continued to improve all our existing products substantially and we have continued to invest in developing completely new products. This will help our existing customers in addressing their requirements to adapt to the changes they need to make in this dynamic media market. We are convinced that our current product offering, combined with products in our pipeline, is highly relevant for all digital media companies, independent on what platform they need to distribute their content to."

"Our product offering is stronger than ever, 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."

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		Vizrt Ltd Pro- forma (b)	Three months ended	
	December 31,			December 31,	
	2015			2015	
	GAAP	Amortization (a)		Non-GAAP	
Selected financial information					
Revenue	28,753	1,490	-	30,243	
Gross profit	15,828	5,213	-	21,041	
Recurring EBITA	(2,864) (c)	8,802	-	5,938	
Recurring EBITDA	(2,444) (c)	8,802	-	6,358	

	Year ended		Vizrt Ltd Pro- forma (b)	Year ended	
	December 31,			December 31,	
	2015			2015	
	GAAP	Amortization (a)		Non-GAAP	
Selected financial information					
Revenue	104,243	4,473	19,545	128,261	
Gross profit	59,531	17,698	12,992	90,221	
Recurring EBITA	(258) (c)	28,848	(1,063) (d)	27,527	
Recurring EBITDA	1,216 (c)	28,848	(584) (d)	29,480	

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

(b) To provide sequential operational results for 2015 full year, the Company included the results of Vizrt Ltd from January 1, 2015 until the Acquisition date.

(c) Q4 and FY 2015 GAAP recurring EBITA and EBITDA exclude one-off transaction's fees related to the Acquisition and restructuring cost of MUSD 0.4 and MUSD 1.7, respectively.

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

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended December 31, 2015 Unaudited	Year ended December 31, 2015 Unaudited	Year ended December 31, 2014 Audited
Revenues	\$ 28,753	\$ 104,243	\$ -
Cost of revenues	<u>12,925</u>	<u>44,712</u>	<u>-</u>
Gross profit	<u>15,828</u>	<u>59,531</u>	<u>-</u>
Operating expenses:			
Research and development	4,982	15,837	-
General and administrative	3,066	8,957	-
Selling and marketing	10,644	34,995	-
One-off transaction fees	<u>350</u>	<u>1,684</u>	<u>-</u>
<u>Total operating expenses</u>	<u>19,042</u>	<u>61,473</u>	<u>-</u>
Operating loss	3,214	1,942	-
Financial expenses (income)	<u>(111)</u>	<u>8,006</u>	<u>3</u>
Loss before taxes	3,103	9,948	3
Taxes on income (benefit)	<u>(2,259)</u>	<u>(216)</u>	<u>-</u>
Net loss	<u>\$ 844</u>	<u>\$ 9,732</u>	<u>\$ 3</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 37,427	\$ 105
Restricted cash	459	-
Trade receivables, net	27,405	-
Other accounts receivable and prepaid expenses	4,660	-
Inventories	5,235	-
TOTAL CURRENT ASSETS	<u>75,186</u>	<u>105</u>
NON-CURRENT ASSETS:		
Deferred taxes	6,009	-
Other non-current assets	1,322	-
TOTAL NON-CURRENT ASSETS	<u>7,331</u>	<u>-</u>
PROPERTY AND EQUIPMENT, NET	<u>3,929</u>	<u>-</u>
GOODWILL AND INTANGIBLE ASSETS, NET	<u>266,738</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 353,184</u>	<u>\$ 105</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	December 31, 2015	December 31, 2014
	<u>Unaudited</u>	<u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 2,487	\$ -
Deferred revenues	8,841	-
Employees and payroll accruals	4,793	-
Tax accruals	6,458	-
Other accounts payable and accrued expenses	<u>4,864</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>27,443</u>	<u>-</u>
NON-CURRENT LIABILITIES:		
Deferred Taxes	14,999	-
Other non- current liabilities	4,538	-
Bond	108,542	-
Loan from related party	<u>77,994</u>	<u>103</u>
TOTAL NON-CURRENT LIABILITIES	<u>206,073</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	(813)	-
Accumulated deficit	<u>(58,409)</u>	<u>(3)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>119,668</u>	<u>2</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 353,184</u>	<u>\$ 105</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months Ended December 31, 2015 <u>Unaudited</u>	Year ended December 31, 2015 <u>Unaudited</u>	Year ended December 31, 2014 <u>Audited</u>
Net loss	\$ 844	\$ 9,732	\$ 3
Adjustments required to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and loss from disposal of property and equipment	567	1,634	-
Amortization of intangible assets	7,312	24,375	-
Amortization of debenture discount and issuance costs	179	569	-
Financial income, net	8,255	11,726	-
Cash paid and received during the year for:			
Interest paid, net	(2,216)	(6,948)	-
Income tax paid, net	(607)	(28,846)	-
Changes in assets and liabilities:			
Accounts receivable and other receivables	5,228	(8,015)	-
Inventories	1,439	3,058	-
Deferred tax	(2,624)	(4,863)	-
Accounts payable and other liabilities	<u>(9,676)</u>	<u>(486)</u>	<u>103</u>
Cash flows from (used in) operating activities:	<u>7,013</u>	<u>(17,527)</u>	<u>100</u>
Cash flows from (used in) investing activities:	<u>(491)</u>	<u>(259,653)</u>	<u>5</u>
Cash flows from (used in) financing activities:	<u>(4,926)</u>	<u>314,110</u>	<u>-</u>
Effect of exchange rate changes on cash and short term deposits	<u>825</u>	<u>392</u>	<u>-</u>
Increase in cash and cash equivalent	2,421	37,322	105
Cash and short-term deposits at the beginning of the period	<u>35,006</u>	<u>105</u>	<u>-</u>
Cash and short-term deposits at the end of the period from continuing operations	<u>\$ 37,427</u>	<u>\$ 37,427</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	Grand parent contribution	Accumulated other comprehensive loss	Accumulated deficit	Total Equity
Balance as of January 1, 2014	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of shares	30,000	5	-	-	-	-	5
Net loss	-	-	-	-	-	(3)	(3)
Balance as of December 31, 2014	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

* 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

1. **Financial expenses breakdown**

U.S. Dollars in Thousands

	Three months ended December 31, 2015 Unaudited	Year ended December 31, 2015 Unaudited
Financial expenses breakdown		
Amortization of bond fees	179	569
Acquisition related financing fees	-	1,868
Exchange rate differences	(3,828)	(5,892)
Interest on bonds	2,135	6,816
Interest on RCF	59	173
Interest on intercompany loans	1,344	4,472
Total financial expenses	(111)	8,006

2. In December 2015 the Company has resolved to distribute a non-cash dividend in the amount of NOK 424,354,770 (translated to KUSD 48,674) (the "Dividend") to its sole shareholder Vizrt Group Holding AS. The dividend amount corresponds to the balance of an upstream loan (the "Upstream Loan") which the Company made to Vizrt Group Holding AS in connection with the closing of the acquisition of Vizrt Ltd. The proceeds under the Upstream Loan were subsequently contributed by Vizrt Group Holding AS to the Company's subsidiary Vizrt AG as a grandparent equity contribution. The Company and Vizrt Group Holding AS have also agreed to set off the Dividend against the Upstream Loan. Thus, the Upstream Loan has been fully eliminated. The transactions have been carried out in accordance with the terms of the bond agreement.

Vizrt Group AS Q4 and full year 2015
Financial Statements Pro-forma

VIZRT GROUP AS
CONSOLIDATED PRO-FORMA STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended		Year ended	
	December 31,		December 31,	
	2015 (*)	2014 (**)	2015 (***)	2014 (**)
	Unaudited	Unaudited	Unaudited	Unaudited
<u>Continuing Operations</u>				
Revenues	\$ 30,243	\$ 36,229	\$ 128,261	\$ 141,534
Cost of revenues	<u>9,202</u>	<u>10,012</u>	<u>38,040</u>	<u>40,928</u>
Gross profit	<u>21,041</u>	<u>26,217</u>	<u>90,221</u>	<u>100,606</u>
Operating expenses:				
Research and development	4,982	5,486	20,428	22,466
Selling and marketing	7,055	8,365	30,818	34,416
General and administrative	3,066	3,864	11,448	13,384
One-off transaction fees	<u>350</u>	<u>-</u>	<u>5,338</u>	<u>-</u>
Total operating expenses	<u>15,453</u>	<u>17,715</u>	<u>68,032</u>	<u>70,266</u>
Operating income	5,588	8,502	22,189	30,340
Financial expenses (income)	<u>(111)</u>	<u>624</u>	<u>8,473</u>	<u>898</u>
Income before taxes	5,699	7,878	13,716	29,442
Taxes on income (benefit)	<u>(1,264)</u>	<u>2,924</u>	<u>24,293</u>	<u>11,610</u>
Net income (loss) from continuing operations	<u>6,963</u>	<u>4,954</u>	<u>(10,577)</u>	<u>17,832</u>
<u>Discontinued Operations</u>				
Net loss from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>409</u>
Net income (loss)	<u>\$ 6,963</u>	<u>\$ 4,954</u>	<u>\$ (10,577)</u>	<u>\$ 17,423</u>

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

(**) Vizrt Ltd. Consolidated statement of Income, excluding amortizations.

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

VIZRT GROUP AS
CONSOLIDATED PRO-FORMA STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	<u>December 31, 2015</u>	<u>December 31, 2014 (*)</u>
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 37,427	\$ 57,653
Restricted cash	459	214
Trade receivables, net	27,405	28,695
Other accounts receivable and prepaid expenses	4,660	4,785
Inventories	<u>5,235</u>	<u>3,458</u>
TOTAL CURRENT ASSETS	<u>75,186</u>	<u>94,805</u>
NON-CURRENT ASSETS:		
Deferred taxes	6,009	1,742
Other non-current assets	<u>1,322</u>	<u>1,149</u>
TOTAL NON-CURRENT ASSETS	<u>7,331</u>	<u>2,891</u>
PROPERTY AND EQUIPMENT, NET	<u>3,929</u>	<u>4,694</u>
GOODWILL AND INTANGIBLE ASSETS, NET	<u>266,738</u>	<u>39,324</u>
TOTAL ASSETS	<u>\$ 353,184</u>	<u>\$ 141,714</u>

(*) Vizrt Ltd. Consolidated statement of Financial position

VIZRT GROUP AS
CONSOLIDATED PRO-FORMA STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	December 31, 2015	December 31, 2014 (*)
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 2,487	\$ 5,088
Deferred revenues	8,841	10,095
Employees and payroll accruals	4,793	8,029
Tax accruals	6,458	3,619
Other accounts payable and accrued expenses	4,864	5,528
TOTAL CURRENT LIABILITIES	27,443	32,359
NON-CURRENT LIABILITIES:		
Deferred Taxes	14,999	7,564
Other non- current liabilities	4,538	3,996
Bond	108,542	-
Loan from related party	77,994	-
TOTAL NON-CURRENT LIABILITIES	206,073	11,560
SHAREHOLDERS' EQUITY:		
Share capital	9	163
Additional paid-in capital	4,922	157,193
Grand parent contribution	173,959	-
Accumulated other comprehensive loss	(813)	(8,680)
Accumulated deficit	(58,409)	(50,881)
TOTAL SHAREHOLDERS' EQUITY	119,668	97,795
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 353,184	\$ 141,714

(*) Vizrt Ltd. Consolidated statement of Financial position

VIZRT GROUP AS
CONSOLIDATED PRO-FORMA STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months Ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Net Income (loss)	\$ 6,963	\$ 4,954	\$ (10,577)	\$ 17,423
Adjustments required to reconcile net income to net cash provided by operating activities:				
Depreciation and loss from disposal of property and equipment	567	468	1,953	2,148
Share of loss of an associate	-	-	-	409
Amortization of intangible assets	-	-	-	-
Amortization of debenture discount and issuance costs	179	-	569	-
Financial income, net	8,255	(136)	11,726	143
Cash paid and received during the year for:				
Interest paid, net	(2,216)	-	(6,948)	-
Income tax paid, net	(607)	(846)	(28,846)	(22,201)
Changes in assets and liabilities:				
Accounts receivable and other receivables	3,738	(2,593)	13,626	(947)
Inventories	1,439	787	3,058	673
Deferred tax	(2,624)	1,127	(4,863)	3,037
Accounts payable and other liabilities	(8,681)	3,517	2,774	16,668
Cash flows from operating activities:	<u>7,013</u>	<u>7,278</u>	<u>(17,527)</u>	<u>17,353</u>
Cash flows used in investing activities:	<u>(491)</u>	<u>(793)</u>	<u>(259,653)</u>	<u>(17,078)</u>
Cash flows from (used in) financing activities:	<u>(4,926)</u>	<u>1,130</u>	<u>314,110</u>	<u>(2,034)</u>
Effect of exchange rate changes on cash and short term deposits	<u>825</u>	<u>(522)</u>	<u>392</u>	<u>(1,454)</u>
Decrease in cash and cash equivalent	2,421	7,093	37,322	(3,213)
Cash and short-term deposits at the beginning of the period	<u>35,006</u>	<u>50,561</u>	<u>105</u>	<u>60,866</u>
Cash and short-term deposits at the end of the period from continuing operations	<u>\$ 37,427</u>	<u>\$ 57,653</u>	<u>\$ 37,427</u>	<u>\$ 57,653</u>