

## Vizrt Reports Q4 and 2012 Results

Growth in APAC and The Americas  
partially offsetting  
continued market softness in Europe

Continued margin growth



Bergen, Norway, February 14, 2013. Vizrt Ltd. (Oslo Main List: VIZ)

Revenues of MUSD 121.8 for 2012, flat on a dollar neutral basis, compared to MUSD 125.3 in 2011, despite the challenging market conditions for most of 2012. Gross margin and recurring EBIT<sup>1</sup> improved compared to 2011. The MAM product line continued to grow, despite the economic uncertainties. Geographically, APAC and the Americas posted 9% growth each, partially offsetting slowdown in Europe. Vizrt posted a recurring EBIT of MUSD 19.3 (16% margin) for FY 2012 and MUSD 7.0 (23% margin) in Q4 2012.

## HIGHLIGHTS

- Revenues for FY 2012 came in at MUSD 121.8, on a dollar neutral basis, compared to MUSD 125.3 in 2011. Revenues for Q4 2012 were MUSD 30.3, down 9% compared to the same period LY.
- Recurring EBIT was MUSD 19.3 for FY 2012 and MUSD 7.0 for Q4 2012, corresponding to a 16% and 23% margin respectively, compared to MUSD 18.5 (15%) and MUSD 7.2 (21%) for the same periods LY.
- EBITDA<sup>2</sup> reached MUSD 25.8 for FY 2012 and MUSD 8.9 for Q4 2012, corresponding to a 21% and 29% margin respectively, compared to MUSD 24.9 (20%) and 8.9 (27%) for the same periods LY.
- The Company posted a net profit of MUSD 4.7 (4%) for FY2012 and MUSD 3.9 (13%) for Q4 2012, compared to MUSD 16.0 (13%) and MUSD 6.0 (18%) for the same periods LY. Net income was impacted by a MUSD 7.8 non-cash impairment charge recorded in Q2 2012 and MUSD 1.4 revaluation of contingent consideration related to the LiberoVision acquisition.
- Backlog to date is MUSD 47.1, up 2% compared to the same period LY.
- Cash flow from operating activities FY 2012 was MUSD 17.1, compared to MUSD 24.6 for FY 2011. Cash flow from operating activities in Q4 2012 was MUSD 3.8, compared to MUSD 12.4 for Q4 2011. As of December 31, 2012 the cash position amounted to MUSD 78.9, up from September 30, 2012 by MUSD 3.6.
- Third and final closing for the acquisition of the remaining 20% of LiberoVision is to be concluded no later than February 28, 2013. The consideration, based on LiberoVision adjusted EBIT for 2012 is MCHF 2.2 (app. MUSD 2.4), to be paid 80% in cash and 20% in Vizrt's shares. MUSD 1.4 was recorded in Q4 2012 to adjust the contingent liability to the final consideration.
- The 2012 annual impairment test for Escenic's intangible assets is currently being performed, and will be completed by the time the audited financial statements will be submitted. As of December 31, 2012, such intangible assets amounted to MUSD 3.0. If the Company determines that any portion of intangible assets is to be impaired, it will recognize a non-cash charge that would impact earnings and earnings per share for the fourth quarter of 2012, as well as for the full financial year ended December 31, 2012.
- The board of directors is to resolve on dividend distribution in its next meeting, scheduled to be held April 18, 2013.

<sup>1</sup> Excluding MUSD 7.8 non cash goodwill and other assets impairments related to Escenic recorded in Q2 2012 and MUSD 1.4 revaluation of contingent liability related to LiberoVision acquisition recorded in Q4 2012.

<sup>2</sup> EBITDA: Earnings before interest, tax, depreciation and amortization.



## Management summary and outlook

Martin Burkhalter, Vizrt CEO, commented on the results: “Despite tough market conditions in Europe in 2012, we were able to conclude the year with nearly flat revenues compared to last year, as well as improving our margins. The decline in revenues was due to the continued market weakness in Europe, where macro-economic related uncertainties resulted in substantially longer investment decision cycles, especially with regards to larger projects. Although these effects weigh on the global business environment, we managed to increase our sales in APAC and The Americas.”

“Our margin improvement is the direct result of a strong focus on cost control, as well as an improvement of our gross margins. Despite our focus on cost control, we have not compromised our capabilities to implement our strategic objectives and further development of the company, maintaining our innovative edge, and offering prime products and services enabling our clients in achieving high quality and workflow efficient content distribution and channel differentiation.”

“As to our product lines, BG has been relatively stable. Notwithstanding the difficult market conditions we recorded further growth in MAM. We feel that broadcasters and other content owners are recognizing the importance of a file based workflow and the value of extending and expanding the economic life and usability of media assets. We expect broadcasters to continue to invest in this area and we therefore see an even stronger upside for this product line once there is a more sustainable global economic recovery. Performance of our Online business was below expectations. This product line is strongly affected by the uncertainties in the macroeconomic environment.”

“We see ourselves returning to our earlier communicated 13% target revenue growth, mid- to long-term. For 2013 we anticipate growth, though in the mid to high single digit range. Growth will come predominantly from The Americas and APAC, with Europe expected to show a modest recovery in the second half of the year. For 2013 we will maintain our focus on cost control, though as said, without compromising the strength of our organization, and we will continue to invest in expanding our product and market leadership position.”

### Results Overview

In KUSD	Q42012	Q42011	Change in%	Q32012	Change in %
<b>Revenue</b>	30,333	33,483	-9%	29,595	3%
<b>Gross Profit</b>	21,293	23,156	-8%	19,607	9%
<b>Gross Margin</b>	70%	69%		66%	
<b>Recurring EBIT*</b>	7,014	7,193	-2%	4,341	62%
<b>Recurring EBIT-Margin</b>	23%	21%		15%	
<b>EBITDA</b>	8,874	8,891	0%	5,882	51%
<b>EBITDA-Margin</b>	29%	27%		20%	
<b>Net Profit (loss)</b>	3,900	6,000	-35%	2,990	30%
<b>Net Profit-Margin</b>	13%	18%		10%	
<b>EPS</b>	0.06	0.09	-33%	0.04	50%
<b>Backlog</b>	47,093	46,389	2%	47,758	-1%
<b>Cash Position</b>	78,933	73,062	8%	75,355	5%

\*Excluding MUSD 1.4 revaluation of contingent liability related to LiberoVision acquisition.



## Vizrt product lines and geographical overview

### Broadcast Graphics (BG)

BG revenues for FY 2012 of MUSD 94.3 showed a slight decrease of 3% compared to FY 2011 and a 12% decrease comparing Q4 2012 to Q4 2011. Compared to Q3 2012, BG revenues were up 4%. BG revenues accounted for 77% of total revenues.

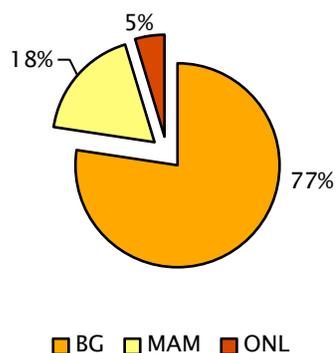
### Media Asset Management (MAM)

MAM revenues FY 2012 came in at MUSD 21.9, a 7% increase Y-o-Y and a 12% increase comparing Q4 2012 to Q4 2011. Compared to Q3 2012, MAM revenues were down by 7%. MAM revenues FY 2012 accounted for 18% of total revenues.

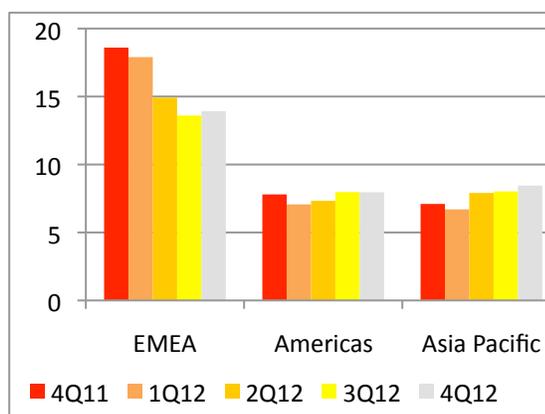
### Online (ONL)

ONL revenues for FY 2012 came in at MUSD 5.7, compared to MUSD 8.3 for 2011, a decrease of 32%. Comparing Q4 2012 to Q4 2011 revenues decreased by 29%. Compared to Q3 2012 ONL revenues were up by 15%. ONL revenues for FY 2012 accounted for 5% of total revenues.

### 2012 Revenue breakdown by product line



### Quarterly revenues by regions



### Geographical Overview

Both, The Americas and APAC posted 9% growth as compared to 2011. The Americas revenues totaled MUSD 30.3, as compared to MUSD 27.8 in 2011, and APAC came in with MUSD 31.1, as compared to MUSD 28.5 in 2011. Revenues in the EMEA region were affected by the ongoing weakness in the macro-economic environment, and were down by 13% from MUSD 69.1 to MUSD 60.4.

## FINANCIALS

### Gross profit and gross margin

The gross margin for 2012 was 67%, as compared to 66% for the same period LY. The increase is mainly due to improved delivery of MAM projects and continued improved margins for the MAM product line. The gross profit for 2012 was affected by a MUSD 2.6 amortization of intangible assets from acquisitions, com-

pared to MUSD 2.8 for FY 2011. Adjusted for these amortization effects, the gross margin was 69%, compared to 68% LY.

The gross margin for Q4 2012 was 70%, as compared to 69% for the same period LY. The gross profit was affected by MUSD 0.7 in Q4 2012, compared to MUSD 0.7 in Q4 2011, in relation to the amortization of intangible assets resulting from acquisitions. Adjusted for these amortization effects, the gross margin was 72%, compared to 71% for FY 2011.

### Recurring operating expenses summary

In KUSD	2012	2011	Q412	Q411	Q312
R&D	18,076	19,154	3,837	4,729	4,482
S&M	33,356	33,829	7,762	7,993	8,064
G&A	11,180	11,369	2,680	3,241	2,719
OPEX	62,612	64,352	14,279	15,963	15,265

### Recurring operating expenses

Total recurring operating expenses for FY 2012 and Q4 2012 were MUSD 62.6 and MUSD 14.3, down 3% compared to FY 2011, and significantly lower as compared to each of the first three quarters of 2012. The decrease is mainly due to an annualized adjustment of the variable compensation component, included mainly in OPEX, and based on annual target achievements as well as a lower headcount resulting from our policy not immediately to fill non-mission critical vacancies. The quarterly average recurring OPEX of MUSD 15.7 better reflects the recurring OPEX cost base.

### Currency effects

Adjusted on a dollar neutral basis, revenues for 2012 came in at the same level as 2011. The effect of currency fluctuations in the second half of the year, offset the effects as reported for the first half of 2012. The net currency effect, both on OPEX and revenues, was near to neutral and of no material influence on a full-year basis.

### Order backlog

The order backlog to date is MUSD 47.1, up 2%, compared to LY MUSD 46.4, and down 1% compared to the Q3 2012 results release date. BG backlog was at MUSD 25.3, MAM backlog at MUSD 18.3 and ONL backlog at MUSD 3.5. For BG and MAM backlog was up 1% and 9%, respectively, compared to the same period LY, whereas for ONL the backlog was down 24% comparing to the same period LY.

### Balance sheet, cash flow and liquidity

Cash flow generation from operating activities in 2012 was MUSD 17.1, compared to MUSD 24.6 in 2011. Cash flow generation from operating activities in Q4 2012 was MUSD 3.8, compared to MUSD 12.4 in Q4 2011. A cash dividend of MUSD 10.0 was paid in Q1 2012.

Vizrt has a strong financial position with no interest-bearing debt and a net cash position of MUSD 78.9 as of December 31, 2012 (including MUSD 0.6 restricted cash), compared to MUSD 73.1 as of December 31,

2011 (including MUSD 0.6 restricted cash). Furthermore, shareholders' equity as of December 31, 2012 was MUSD 122.5, which is equivalent to an equity ratio<sup>3</sup> of 76%.

### Taxes

As communicated in 2011, Vizrt Ltd. is undergoing a tax assessment for the years 2006 through 2008. A tax order and a tax assessment have been issued for the year 2006 and 2007 respectively, both appealed by the Company. No tax assessment has so far been issued for 2008. Currently, the Company's management is unable to predict the final outcome of the deliberations with the tax authorities on its consolidated financial results, however the company has provisions for the amounts currently deemed likely.

### Organization

As of December 31, 2012, the Company had 575 employees, compared to 585 as of December 31, 2011. This decrease in headcount is due to the company's strict recruitment policy in 2012 limiting both replacements and new recruitments.

## Analyst conference

An Analyst Conference will be held on February 14, 2013 at 09:30 a.m. (CET) at DNB Head Offices, **Dronning Eufemias Gate 30, BJØRVIKA in Oslo.**

Management will furthermore discuss the FY 2012 results in a conference call at 1.15 p.m. (CET) Call details are as follows:

+47 24 159584 (Norway)

+44 203 3679216 (UK)

+49 69 247501895 (Germany)

A replay of the call will be available until February 21, 2013. Please use the following dial-in-numbers:

+49 30 868757040 (Germany); +44 203 024 54 07 (UK), +1 408 9160685 (US)

passcode: 9418547

## Contacts

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<sup>3</sup> Equity divided into Total liabilities and Equity

## SHAREHOLDER related information

As of December 31, 2012, the Company had a total of 66,526,955 shares outstanding.

### Shareholders as of December 31, 2012

Shareholder	No. of shares	% of shares
FSN Capital III *)	10,664,003	16.03%
Ferd AS Invest	6,015,630	9.04%
Orkla	5,009,972	7.53%
NORDEA FONDENE NORGE	4,829,233	7.26%
HOME CAPITAL AS	3,678,587	5.53%
Odin	3,504,759	5.27%
Employees	1,492,425	2.24%
Directors & Officers	644,510	0.97%
Public	<u>30,687,836</u>	<u>46.13%</u>
Total	66,526,955	100.00%

\* Company controlled by a member of the Board.

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

**VIZRT LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME**

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

	Year ended December 31,		Three months ended December 31,	
	2012	2011	2012	2011
	Unaudited	Audi- ted	Unaudited	
Revenues	\$ 121,790	\$ 125,342	\$ 30,333	\$ 33,483
Cost of revenues	39,916	42,501	9,040	10,327
Gross profit	81,874	82,841	21,293	23,156
Operating expenses:				
Research and development	18,076	19,154	3,837	4,729
General and administrative	11,180	11,369	2,680	3,241
Selling and marketing	33,356	33,829	7,762	7,993
Revaluation of contingent consideration	1,385		1,385	
Impairment of goodwill and other assets	7,825	-	-	-
<u>Total operating expenses</u>	<u>71,822</u>	<u>64,352</u>	<u>15,664</u>	<u>15,963</u>
Operating income	10,052	18,489	5,629	7,193
Financial income (expenses), net	235	1,050	(444)	742
Income before taxes	10,287	19,539	5,185	7,935
Taxes on income	5,443	3,231	1,280	1,816
Income before equity in losses of an affilia- te company	4,844	16,308	3,905	6,119
Equity in losses of an affiliated company	192	339	5	119
Net income	<u>\$ 4,652</u>	<u>\$ 15,969</u>	<u>\$ 3,900</u>	<u>\$ 6,000</u>
Basic net income per share	<u>\$ 0.07</u>	<u>\$ 0.24</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>
Diluted net income per share	<u>\$ 0.07</u>	<u>\$ 0.24</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>
Weighted average number of shares used in computing basic net income per share	<u>66,410,010</u>	<u>65,817,876</u>	<u>66,510,511</u>	<u>66,082,034</u>
Weighted average number of shares used in computing diluted net income per share	<u>67,842,918</u>	<u>67,589,677</u>	<u>67,929,934</u>	<u>67,782,400</u>

**VIZRT LTD.**



**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

U.S. dollars in thousands

	December 31, 2012	December 31, 2011
	<u>Unaudited</u>	<u>Audited</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 78,297	\$ 72,444
Restricted cash	636	165
Trade receivables, net	29,873	27,088
Other accounts receivable and prepaid expenses	3,553	2,711
Inventories	3,311	3,235
<b>TOTAL CURRENT ASSETS</b>	<u>115,670</u>	<u>105,643</u>
NON-CURRENT ASSETS:		
Long term Restricted Cash	-	453
Deferred taxes	724	571
Other non-current assets	2,303	2,224
<b>TOTAL NON-CURRENT ASSETS</b>	3,027	3,248
PROPERTY AND EQUIPMENT, NET	<u>4,584</u>	<u>5,019</u>
INTANGIBLE ASSETS, NET	<u>8,110</u>	<u>11,409</u>
GOODWILL	<u>30,737</u>	<u>36,849</u>
<b>TOTAL ASSETS</b>	<u>\$ 162,128</u>	<u>\$ 162,168</u>

VIZRT LTD.  
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	December 31, 2012	December 31, 2011
	<u>Unaudited</u>	<u>Audited</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Trade payables	\$ 3,065	\$ 4,302
Deferred revenues	8,496	6,709
Employees and payroll accruals	4,310	8,179
Tax accruals	12,653	10,147
Other accounts payable and accrued expenses	7,297	5,083
<b>TOTAL CURRENT LIABILITIES</b>	<u>35,821</u>	<u>34,420</u>
LONG-TERM LIABILITIES:		
Deferred taxes	2,216	683
Other non- current liabilities	1,597	2,299
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>3,813</u>	<u>2,982</u>
SHAREHOLDERS' EQUITY:		
Share capital	159	158
Additional paid-in capital	154,673	154,228
Accumulated other comprehensive loss	(1,057)	(3,648)
Accumulated deficit	(31,281)	(25,972)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>122,494</u>	<u>124,766</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 162,128</u>	<u>\$ 162,168</u>

VIZRT LTD.  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

U.S. dollars in thousands

	Year ended December 31,	
	2012 Unaudited *)	2011 Audited
Net Income	\$ 4,652	\$ 15,969
<i>Adjustments required to reconcile net income to net cash provided by operating activities:</i>		
Stock-based compensation related to options and restricted shares	120	221
Depreciation and loss from disposal of property and equipment	2,910	2,456
Share of loss of an associate	192	339
Revaluation of contingent consideration	1,385	-
Amortization of intangible assets	3,603	3,751
Impairment of goodwill and other assets	7,825	-
<i>Changes in assets and liabilities:</i>		
Accounts receivables and other receivables	(3,011)	1,096
Inventories	(144)	(136)
Deferred tax	739	(2,020)
Account payables and other liabilities	(1,136)	2,939
Cash flows from operating activities:	17,135	24,615
Cash flows from investing activities:	(2,459)	(8,341)
Cash flows from financing activities:	(9,727)	116
Effect of exchange rate changes on cash and short term deposits	904	(951)
Increase in cash and short-term deposits	5,853	15,439
Cash and short-term deposits at the beginning of the period	72,444	57,005
Cash and short-term deposits at the end of the period	\$ 78,297	\$ 72,444

\*Reclassified

