

Vizrt reports Q4 and FY 2013 results



February 2014

Martin Burkhalter, CEO

2013 in a nutshell

2013 in a nutshell

- Revenues of MUSD 122.4, up 5% compared to 2012 in line with our guidance.
- Encouraging 16% revenue growth in the second half of the year compared to the first half of the year, led by 25% growth in EMEA.
- BG backlog is at all time high at MUSD 35.4, up 39% compared to the same time LY.
- We have reengineered our MAM software over the last 3 years. All new MAM sales in 2013 were based on the new software - Viz One. The new platform will be easier to deploy and provides better margins.
- The expected acquisition of Mosart is an extremely good fit with our core strategy, and we expect will enable us to enter into a new business segments of the broadcast market.
- The divestment of Escenic sharpens our focus on core markets.
- Continued product developments further strengthen our product portfolio and future proofed our offering.

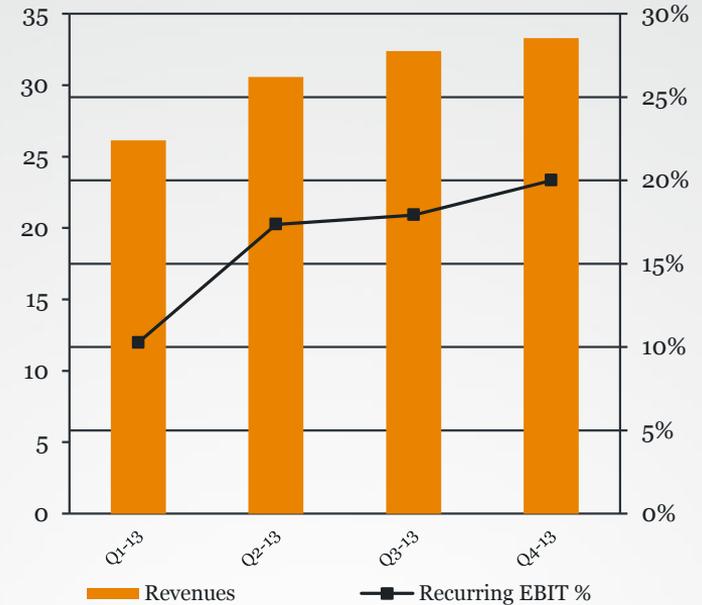
Product offering main achievements in 2013

2013 saw several significant results of product development which strengthened our innovative leadership position:

- New workflow for faster live productions with fewer resources for live studio productions from video production to multiplatform distribution.
- Introduction of a complete IP (stream) production chain. IP production further increases the return on investment as hardware costs are lower than for regular productions.
- First 4K (4 x higher resolution than High definition) productions done with our BG tools.
- Sports breakthrough with new products that enhance sports production and analytics. LiberoVision completely integrated into Vizrt.
- A successful launch of Viz Social TV platform which allows broadcasters to harvest relevant social media interactions and display this content on air by using a simple plug-in to any existing Vizrt platform.

2013 quarterly financial performance

In MUSD	Q1 13	Q2 13	Q3 13	Q4 13
% of Revenues				
Revenues	26.1 100	30.6 100	32.4 100	33.3 100
Gross Profit	17.1 66	20.5 67	22.0 68	23.1 69
R&D	4.5 17	4.3 14	4.7 14	5.5 17
G&A	2.6 10	2.7 9	2.6 8	3.0 9
S&M	7.3 28	8.2 27	8.9 28	8.0 24
Recurring EBIT**	2.7 10	5.3 17	5.8 18	6.6 20
EBITDA	3.8 14	6.4 21	6.7 21	7.9 24



* Excluding non cash amortizations of acquired technologies.

** Q4 13 excluding MUSD 4.9 non cash goodwill impairment related to MAM cash generating unit.
Q4 12 Excludes MUSD 1.4 revaluation of contingent consideration related to Liberovision acquisition.

Dividend pay-out

- Following the expected Mosart cash based acquisition of approximately MUSD 17.5 which will contribute to future revenue growth and improved profitability as well as value creation, the Board of Directors resolved to approve a gross dividend pay-out of approximately MUSD 3.6.
- The dividend distribution is in line with our dividend pay-out policy of 1/3-2/3 payout of the annual normalized net profit.
- Details relating to payout will be released shortly.

Q4 and FY 2013 results

Adjusted financial data

In KUSD	Q4 2013	Q4 2012	Change in %	Adjusted Q4 2012	Change in %
Revenue	33,325	29,064	15%	29,064	15%
Gross Profit	23,099	20,860	11%	20,467***	13%
Gross Margin	69%	72%		70%	
Recurring EBIT	6,641*	7,375**	-10%	5,560***	19%
Recurring EBIT %	20%	25%		19%	

Management believes that presenting numbers adjusted for non-recurring items provides a better understanding of Vizrt's operational performance.

* Q4 2013 excludes MUSD 4.9 goodwill amortization.

** Q4 2012 excludes MUSD 1.4 revaluation of contingent liability related to the LiberoVision acquisition.

*** Adjusted Q4 2012 excludes MUSD 0.4 and MUSD 1.4 recorded in COGS and OPEX, respectively, due to reversal of compensation based on annual targets.

Q4 2013 non-recurring items

The following non-recurring items were recorded in Q4 2013:

- Revenue reversal- reversal of MUSD 1.4 revenue related to the discontinuation of a large MAM project, while seeking ways to deliver similar functionalities in a different scope.
- Goodwill impairment- MUSD 4.9 goodwill impairment charge was recorded following annual valuation study related to MAM. Our MAM solutions are as fundamental as ever in maintaining our market leadership position.
- Compensation based on annual targets- The strong Q4 revenue growth triggered additional MUSD 1.2 accrual for target based compensation, as opposed to the MUSD 1.8 accrual reversal in Q4 2012, resulted in an accumulated effect of MUSD 3.0.
- Investment in Stergen - MUSD 1.3, fully written-off.

Q4 2013 Financial Highlights

- Revenues of MUS\$ 33.3, up 15% compared to Q4 2012.
- Management believes that presenting numbers adjusted for non-recurring items, as detailed below, provides a better understanding of Vizrt's operational performance.
- Gross profit of MUS\$ 23.1, corresponding to a 69% margin, up 11% compared to MUS\$ 20.9 (72%) in Q4 2012 and up 13% compared to MUS\$ 20.5 (70%) in an adjusted* Q4 2012.
- EBITDA of MUS\$ 7.9, corresponding to a 24% margin, down 10% compared to MUS\$ 8.8 (30%) in Q4 2012 and up 13% compared to MUS\$ 7.0 (24%) in an adjusted* Q4 2012.
- Recurring EBIT** of MUS\$ 6.6, corresponding to a 20% margin, down 10% compared to MUS\$ 7.4 (25%) in Q4 2012 and up 19% compared to MUS\$ 5.6 (19%) in an adjusted* Q4 2012.
- Cash flow from operating activities was MUS\$ 5.8, up 54% compared to MUS\$ 3.8 for Q4 2012.
- BG backlog is at all time high with MUS\$ 35.4, up 39% compared to the same time LY.

* See slide # 6 for recurring EBIT calculation

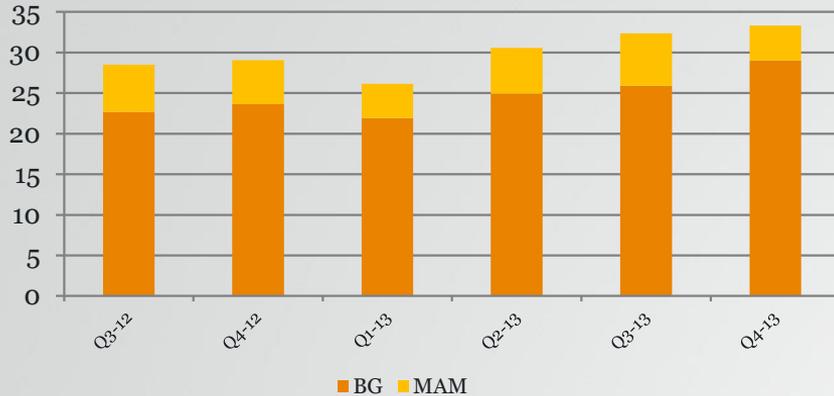
2013 Financial Highlights

- Revenues of MUSD 122.4, up 5% compared to 2012.
- Gross profit of MUSD 82.8, corresponding to a 68% margin, up 3% compared to MUSD 80.2 (69%) in 2012.
- EBITDA of MUSD 24.7, corresponding to a 20% margin, compared to MUSD 26.7 (23%) in 2012.
- Recurring EBIT* of MUSD 20.4, corresponding to a 17% margin, compared to MUSD 21.8 (19%) in 2012.
- Cash flow from operating activities was MUSD 19.7, compared to MUSD 17.1 for 2012.

** See slide # 6 for recurring EBIT calculation*

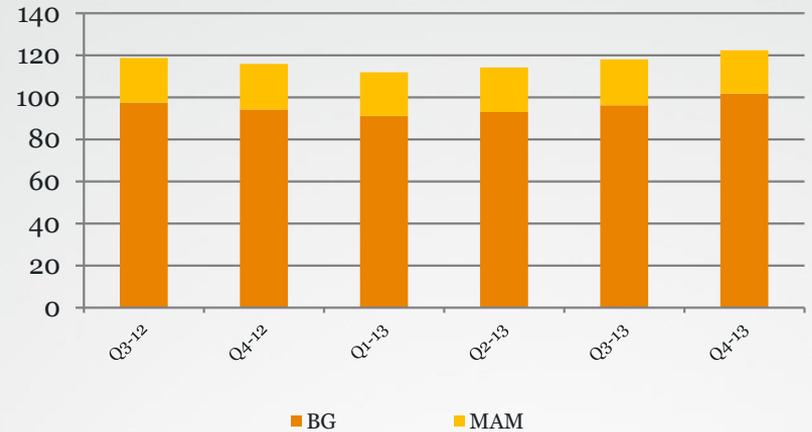
Revenues by Product Line – Q4 2013

Quarterly development



- BG revenues: MUSD 29.0 compared to MUSD 23.6 in Q4 12 - up 23%. Up 12% compared to Q3 13.
- MAM revenues: MUSD 4.3 compared to MUSD 5.4 in Q4 12 - down 21%. Down 34% compared to Q3 13.

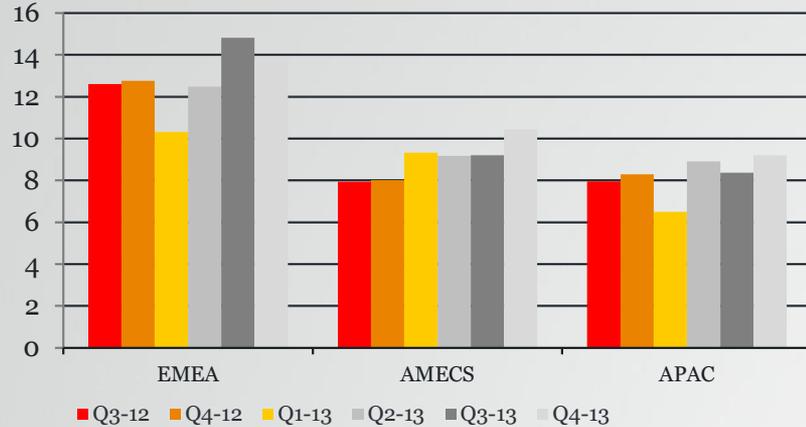
Rolling 12 months



- Adjusted for a MUSD 1.4 reversal of MAM revenue recorded in Q4 13 due to the discontinuation of one project, MAM revenues in Q4 13 were MUSD 5.7.

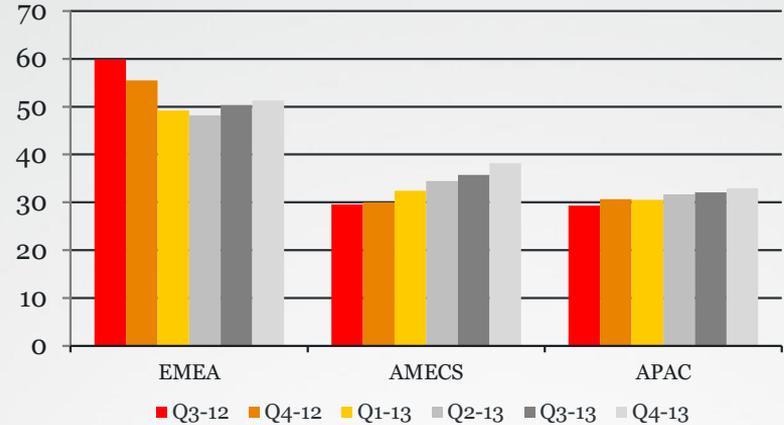
Revenues by Region – Q4 2013

Quarterly development



- EMEA: MUSD 13.7 compared to MUSD 12.8 in Q4 12; up 7% and down 8% compared to Q3 13.
- AMECS: MUSD 10.4, up 30% compared to MUSD 8.0 in Q4 12; and up 13% compared to Q3 13.
- APAC: MUSD 9.2, up 11% compared to MUSD 8.3 in Q4 12 ; and up 10% compared to Q3 13.

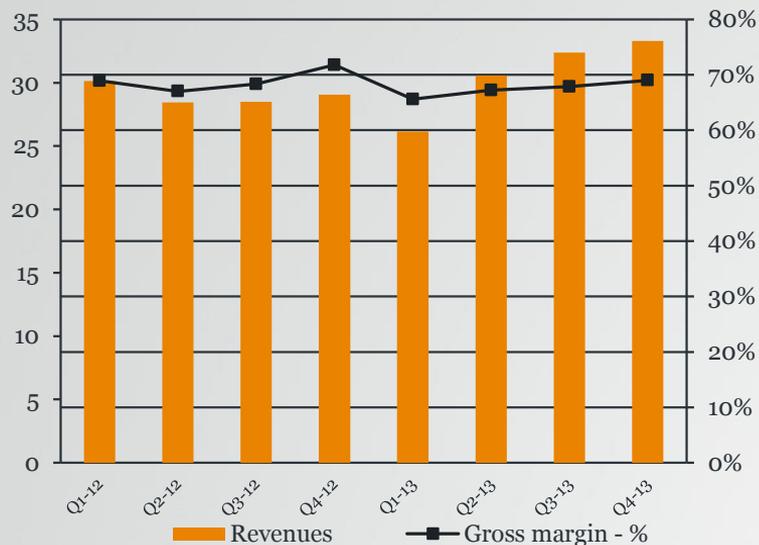
Rolling 12 months



- AMECS performed strongly, achieving 28% annual growth, EMEA turned from revenue decrease in the first half of the year to double digit growth in the second half of the year, while APAC performed in-line with our expectations with a 7% Y-o-Y growth.

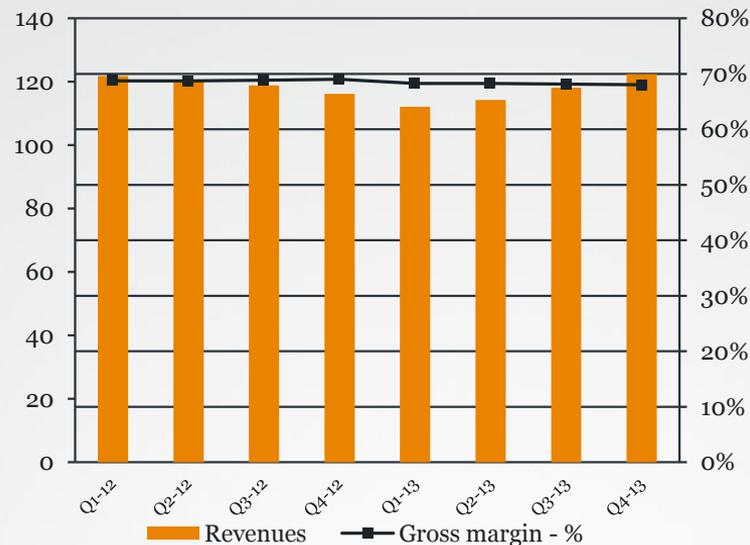
Gross Profit and Margin – Q4 2013

Quarterly development



- Gross profit of MUSD 23.1 compared to MUSD 20.9 in Q4 12, up 11%; Up 5% compared to Q3 13.
- Gross margin including amortization of intangible assets from acquisitions came in at 69%; down from 72% in Q4 12 and up from 68% in Q3 13.

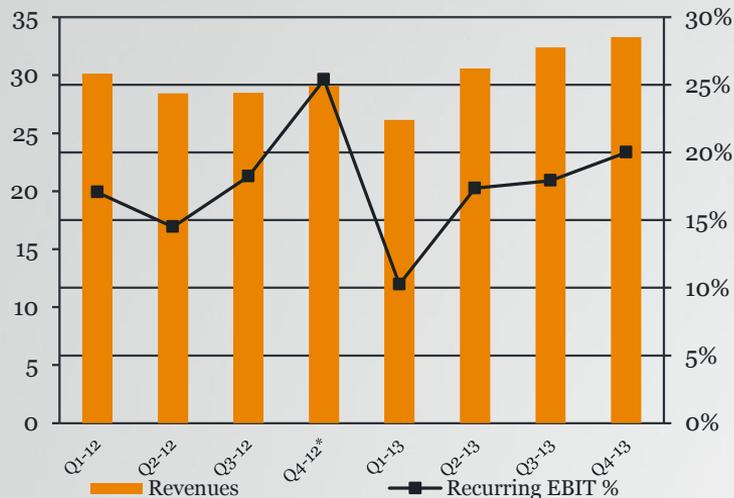
Rolling 12 months



- Gross profit, excluding MUSD 0.2 amortization of intangible assets from acquisitions, amounted to MUSD 23.3, corresponding to 70% margin.

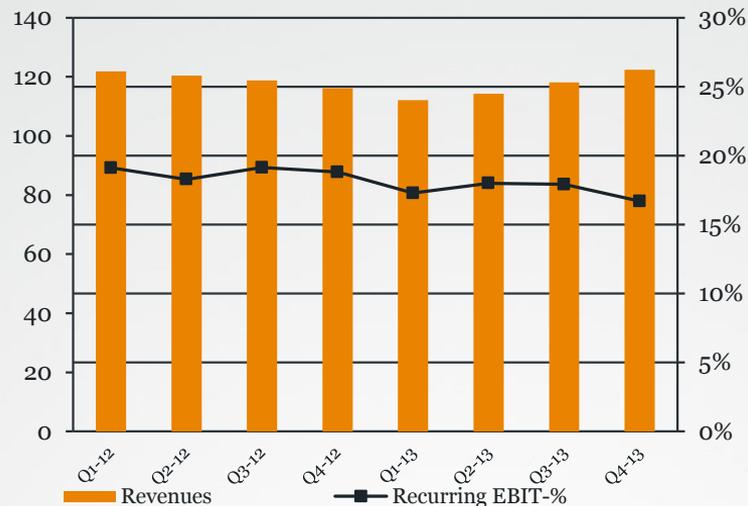
Recurring EBIT* – Q4 2013

Quarterly development



- Recurring EBIT was MUSD 6.6, down 10% compared to MUSD 7.4 in Q4 12 and up 22% compared to MUSD 5.6 in adjusted Q4 2012.
- Recurring EBIT margin was 20%, down from 25% in Q4 12 and up from 19% compared to recurring EBIT margin in adjusted Q4 2012.

Rolling 12 months

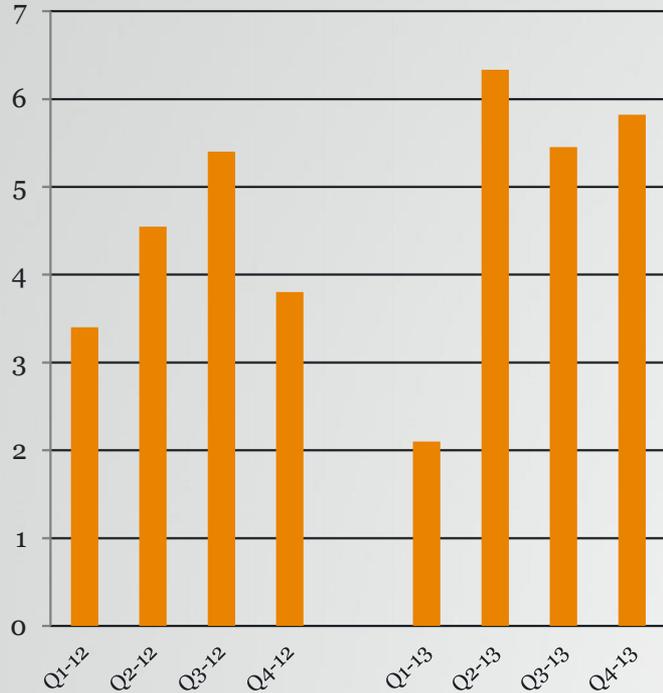


- In Q4 13, total amortization of intangible assets related to acquisitions was MUSD 0.4, down compared to MUSD 0.5 in Q4 12 and the same as in Q3 13.

* See slide # 6 for recurring EBIT calculation

Cash Flow – Q4 2013

Cash flow from operating activities

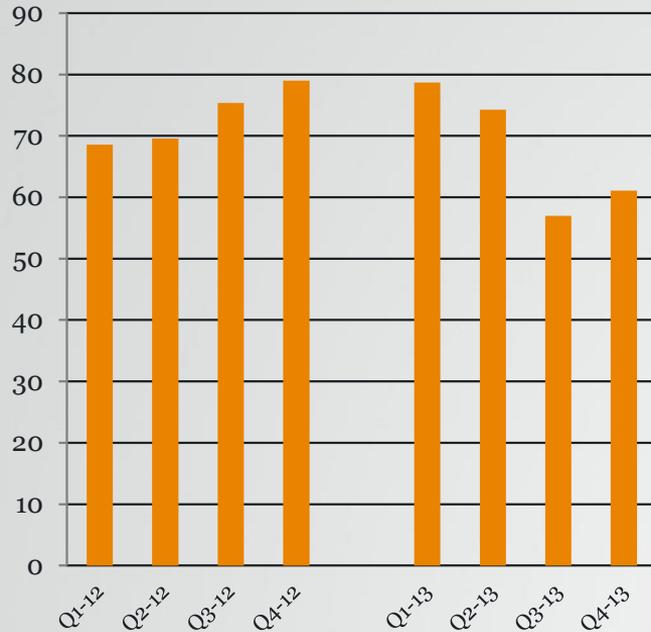


Highlights

- Cash generation from operating activities was MUSD 5.8, up 54% compared to MUSD 3.8 in Q4 12 and up 7% MUSD 5.5 in Q3 13.
- DSO at 78 compared to 82 in Q4 12 and 80 in Q3 13.

Strong Financial Position as of 31.12.2013

Cash position



Highlights

- No interest-bearing debt.
- Cash position of MUSD 61.1.
- Cash decreased by MUSD 17.8 compared to 31.12.2012, due to MUSD 34.0 ordinary and special dividends distributions during 2013. Adjusted for these dividend distributions, cash is up MUSD 16.2 in 2013.
- Shareholders' equity at MUSD 91.0, equivalent to an equity ratio of 67%.

Performance Matrix by Quarter

In MUSD % of Revenues	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q4 13 Operational Matrix*
Revenues	29.1 100	26.1 100	30.6 100	32.4 100	33.3 100	33.3 100
Gross Profit	20.9 72	17.1 66	20.5 67	22.0 68	23.1 69	23.3 70
R&D	3.6 12	4.5 17	4.3 14	4.7 14	5.5 17	5.5 17
G&A	2.6 9	2.6 10	2.7 9	2.6 8	3.0 9	3.0 9
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Recurring EBIT**	7.4 25	2.7 10	5.3 17	5.8 18	6.6 20	7.0 21
EBITDA	8.8 30	3.8 14	6.4 21	6.7 21	7.9 24	

* Excluding non cash amortizations of acquired technologies.

** Q4 13 excluding MUSD 4.9 non cash goodwill impairment related to MAM cash generating unit.
Q4 12 Excludes MUSD 1.4 revaluation of contingent consideration related to Liberovision acquisition.

Performance Matrix 2013 vs. 2012

In MUSD % of Revenues	2012	2013	2013 Operational Matrix*
Revenues	116.1 100	122.4 100	122.4 100
Gross Profit	80.2 69	82.8 68	83.8 68
R&D	16.4 14	19.0 16	19.0 16
G&A	10.8 9	10.9 9	10.9 9
S&M	31.2 27	32.5 27	31.6 26
Recurring EBIT**	21.8 19	20.4 17	22.3 18
EBITDA	26.7 23	24.7 20	

*Excluding non cash amortizations of acquired technologies.

** 2013 excluding MUSD 4.9 non cash goodwill impairment related to MAM cash generating unit.
2012 Excludes MUSD 1.4 revaluation of contingent consideration related to Liberovision acquisition.

Healthy Backlog to Date

Backlog by product lines



Highlights

- Total backlog to date of MUSD 46.5, up 20% compared to MUSD 38.7 at the same time LY; up 14% compared to the LQ.
- *BG backlog is at all time high:* MUSD 35.4, up 40% compared to MUSD 25.3 the same time LY; up 29% compared to the LQ.
- MAM backlog : MUSD 11.0 , down 18% compared to MUSD 13.4 at the same time LY; down 17% compared to the LQ.

* Backlog comparable numbers are adjusted to exclude the discontinuation of a MAM project as explained before.

Taxes

- Vizrt Ltd. is undergoing a tax assessment for the years 2006 through 2010.
- The company received tax assessments from the Israeli Tax Authorities (the "ITA") for 2008 (approximately MUSD 70.2), and an alternative assessment for 2009 (approximately MUSD 16.1).
- On January 28, 2014, the company filed an objection detailing its positions. The company believes it has a solid case opposing the ITA claims, and intends to challenge the ITA's assessment vigorously.
- The Q4 2013 tax on income includes ongoing tax provisions, as well as accruals for certain tax positions in all jurisdictions, including Israel.
- The company reiterates the guidance provided on Q1 2012 for the expected normalized annual effective tax rate to be in the range of 25-30%.

Effective tax rate

The following adjustments should be made to understand the effective tax rate guidance:

- Earnings before taxes should be adjusted for MUSD 4.9 goodwill impairment.
- Taxes on income should be adjusted for:
- MUSD 1.9 tax provisions reflecting the company's tax positions in all jurisdictions, recorded in Q4 2013.
- MUSD 1.8 one-off corporate tax payment related to the special dividend distribution, recorded in Q3 2013.

In KUSD	FY 2013
Earnings before taxes	15,077
Taxes on income	9,607
Effective tax rate	64%
<i>Earnings adjustments:</i>	
Goodwill impairment charge	4,918
Adjusted earning before taxes	19,995
<i>Taxes on income adjustments:</i>	
Q4 2013 tax provisions	(1,940)
Q3 2013 taxes on special dividend	(1,804)
Adjusted taxes on income	5,863
Adjusted effective tax rate	29%

Summary and outlook

Q4 2013 Summary

- Strong Q4 2013 revenue growth while maintaining solid operational margins.
- Results negatively impacted by a number of non-recurring items.
- Encouraging signs of recovery in EMEA which still is the company's biggest market.
- Strong revenue growth in the AMERICAS.
- Revenue growth in APAC in-line with expectations.
- Cash generation from operating activities of MUSD 5.8, up 54% compared to MUSD 3.8 in Q4 2012.

Management's Outlook

- We saw a general improvement in the global business environment in the last six months of the year and we expect this trend to continue in 2014. Yet, we expect that the coming months could still show some weakness in certain European markets.
- Based on our current performance and backlog, we expect to achieve low double digit organic revenue growth.
- We will continue to execute our strategy of delivering innovative solutions to improve TV production in every aspect, and to invest in go to market efforts, especially in emerging markets where we see significant growth opportunities. At the same time we will maintain our financial prudence.

Vizrt position at the beginning of 2014

Vizrt position at the beginning of 2014

Product offering and technology

- Vizrt's technology platform and customer offering is very well positioned to address both current and future needs in the dynamic media industry.
- Our products offering provides our customers' need to deliver more content faster with greater efficiency to multiple media platforms.

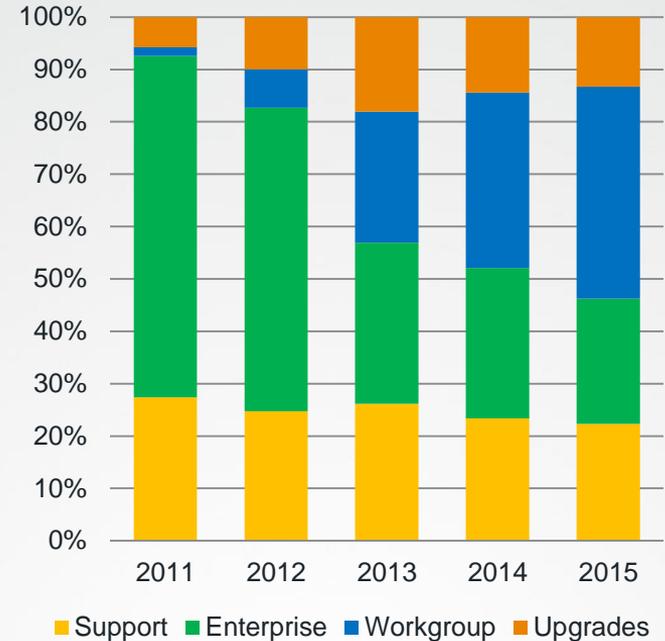
Broadcast Graphics:

- Our BG products and workflow solutions continue to be the industry's forefront runner This will lead to continuous revenue growth and adding additional new customers which will further strengthen our market position.

Vizrt position at the beginning of 2014- Cont.

Media Asset Management

- The MAM transition from the old Ardome to the innovative Viz One takes time, but is progressing.
- Once we have less migration projects from Ardome to Viz One, margins will improve.
- Viz One is a scalable solution that can address small MAM and Production Asset Management (PAM) as well as large MAM installations.
- Our strong belief in Viz One is supported by a recent market survey, indicating that Vizrt is seen as the “brand improvement leader” among workflow vendors in the MAM category.



Vizrt position at the beginning of 2014- Cont.

M&A - refocus on core strategy and new growth opportunities

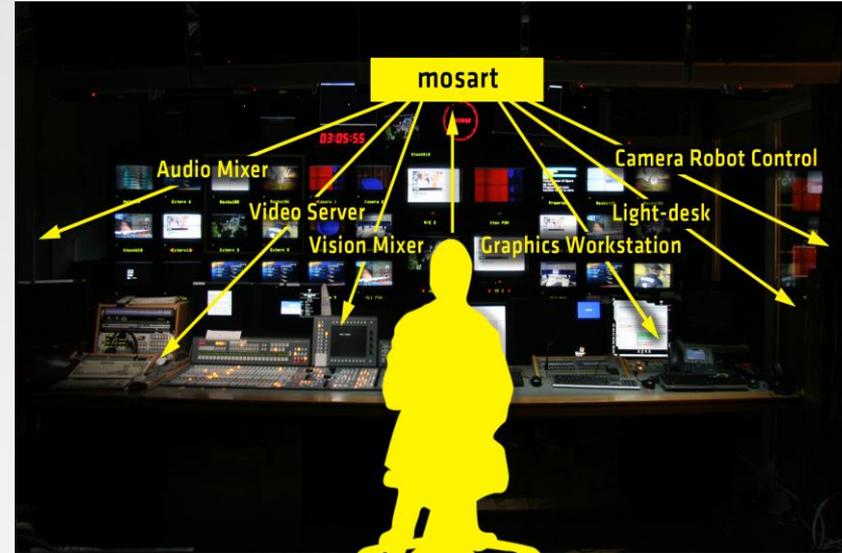
- The expected acquisition of Mosart is an extremely good fit with our core strategy, and it will enable us to grow in a new business segment in the broadcast market. The acquisition of Mosart will further enable us to deliver new products and functionalities to the market which do not yet exist today.

Acquisition of Mosart

Mosart Medialab develops a product for automating the studio production of live news.

Mosart offers customers a **clear ROI** from lower production costs, but also enables:

- Higher efficiencies
- Less on-air errors
- More complex productions



Vizrt's gain from the Mosart acquisition will mainly include:

- Important addition of automated workflow solutions to the product offering.
- Acceleration of Mosart sales and penetration to new markets utilizing Vizrt's sales force.
- Improvement of margins and profitability.
- New, innovative and unique products to the market in the years to come.

Questions?

Thank you!

Major Shareholders - as of December 31, 2013

Shareholder	No. of shares	% of shares
FSN Capital III *	10,664,003	15.81%
NORDEA Fondene Norge	9,086,265	13.47%
HOME CAPITAL AS	4,699,310	6.97%
Odin	4,103,759	6.08%
DNB Asset Management	3,673,895	5.45%
Fidelity Funds	3,373,272	5.00%
Employees	1,372,596	2.04%
D&O	819,785	1.22%
Public	29,653,579	43.96%
Total	67,446,464	100.00%

*Company controlled by a member of the Board.