

Vizrt Reports H1 and Q2 2014 Results

All time high quarterly revenue
Annual revenue growth target raised to
15%-18%



Bergen, Norway, August 14, 2014. Vizrt Ltd. (Oslo Main List: VIZ)

Vizrt today reported its financial results for the second quarter of 2014 and the first six months of 2014.

SECOND QUARTER HIGHLIGHTS

- Record quarterly revenues of MUSD 36.4, up 19% compared to Q2 2013.
- EBITDA of MUSD 8.0, corresponding to a 22% margin, up 26% compared to MUSD 6.4 (21%) in Q2 2013.
- Cash generation from operating activities of MUSD 4.1 (adjusted for MUSD 18.0 tax payment as detailed below), down 35% compared to MUSD 6.3 in Q2 2013.

FIRST HALF 2014 HIGHLIGHTS

- Revenues of MUSD 70.1, up 24% compared to H1 2013.
- EBITDA of MUSD 15.0, corresponding to a 21% margin, up 48% compared to MUSD 10.1 (18%) in H1 2013.
- Cash generation from operating activities of MUSD 13.1 (adjusted for MUSD 18.0 tax payment as detailed below), up 56%, as compared to MUSD 8.4 in H1 2013.

BUSINESS HIGHLIGHTS

- Annual revenue growth target is raised to 15%-18% on a full year basis.
- Revenue growth attributable mainly to organic growth.
- Additional contribution to revenue growth from Mosart, which was consolidated starting March 11, 2014.
- EMEA achieved strong 42% revenue growth Q-o-Q.
- Backlog of MUSD 51.7 is at all-time high, mainly due to Mosart's first time inclusion in the backlog.
- On June 26, 2014 the Company announced it had reached a settlement with the Israeli Tax Authorities ("ITA") for all open and disputed years 2006-2012. The settlement included a cash payment of MUSD 18.0, which was paid on June 30, 2014.

MANAGEMENT SUMMARY AND OUTLOOK

Martin Burkhalter, Vizrt's CEO, stated: "We are extremely pleased with our development for the first half of 2014, having achieved record quarterly revenues in both Q1 and Q2. Revenue growth for H1 of 2014 was a significant 24%, as compared to the same period last year. The 19% growth we recorded for Q2 2014 was driven by the continued improvement in the EMEA business climate, as well as a strong performance in APAC. Revenues for the AMERICAS came in at the same level as last year, fully in line with our expectations."

"BG revenues continued to drive our overall performance and were up 26% compared to Q2 of last year. Mosart, which is part of BG, performed in line with expectations, while MAM revenues were down 11%. The



decline in MAM revenues was attributable mainly to delayed delivery of projects in Thailand due to the political situation in that country during parts of Q2.

“Our strong growth during for the first six months of the year also resulted in an improved profitability, with a gross margin of 68%, up from 66%, and EBITDA up three percentage points to 21% as compared to H1 2013. Overall, we believe our strong performance was due to improved market conditions, predominantly in EMEA, the positioning of our product offering, as well as the excellent work of our teams across the globe.”

“Net profit in Q2 2014 was negatively impacted by MUS\$ 3.7 taxes on income related to the tax settlement with the ITA, as we announced on June 26. We are very pleased to have successfully reached an agreement for all years under dispute 2006-2012. Considering that we were looking at a potential liability of MUS\$ 72.5 as per the originally issued tax orders, we are very satisfied with the outcome of our negotiations and the final settlement of MUS\$ 18.0, which removes any uncertainty in the market related to the final outcome of the tax dispute with the ITA.”

Mr. Burkhalter concluded: “We anticipate that the strength we are currently witnessing in the market will continue for the remainder of 2014. Our product offering is stronger than ever and we believe that the acquisition of Mosart creates further opportunities. Mosart’s contribution to the record backlog is a solid ground to our future growth. Based on the solid performance in the first half of the year and the short term outlook of the market, we raise the expected consolidated revenue growth rate to 15%-18% on a full year basis.”

FINANCIAL REVIEW Q2 AND H1 2014

RESULTS OVERVIEW

In KUSD	Q2 2014	Q2 2013	Change in %	Q1 2014	Change in %	H1 2014	H1 2013	Change in %
Revenue	36,388	30,569	19%	33,723	8%	70,111	56,707	24%
Gross Profit	24,765	20,545	21%	23,150	7%	47,915	37,686	27%
<i>Gross Margin</i>	68%	67%		69%		68%	66%	
EBIT	6,644	5,304	25%	5,995	11%	12,639	7,985	58%
<i>EBIT Margin</i>	18%	17%		18%		18%	14%	
EBITDA	7,996	6,360	26%	7,014	14%	15,009	10,139	48%
<i>EBITDA Margin</i>	22%	21%		21%		21%	18%	
Cash Flow from operating activities	(13,863)	6,334	N/A	8,978	N/A	(4,885)	8,395	N/A
Adjusted cash Flow from operating activities*	4,105	6,334	-35%	8,978	-54%	13,087	8,395	56%

* Q2 2014 adjusted for MUS\$ 18.0 taxes on income paid as part of the settlement with the Israeli tax authorities.

Product lines breakdown of revenues

In KUSD	Q2 2014	Q2 2013	Change in %	Q1 2014	Change in %	H1 2014	H1 2013	Change in %
BG	31,356	24,903	26%	29,345	7%	60,701	46,841	30%
MAM	5,032	5,666	-11%	4,378	15%	9,410	9,866	-5%
Revenues	36,388	30,569	19%	33,723	8%	70,111	56,707	24%

BG and MAM revenues in Q2 2014, accounted for 86% and 14% of total revenues, respectively, as compared to 81% and 19%, respectively, in Q2 2013.

Revenue growth compared to Q2 2013 is attributable mainly to organic growth. An additional contribution came from Mosart, which is consolidated starting March 11, 2014.

Geographic breakdown of revenues

In KUSD	Q2 2014	Q2 2013	Change in %	Q1 2014	Change in %	H1 2014	H1 2013	Change in %
EMEA	17,695	12,480	42%	16,060	10%	33,754	22,791	48%
AMECS	8,986	9,176	-2%	9,070	-1%	18,056	18,498	-2%
APAC	9,707	8,913	9%	8,593	13%	18,301	15,418	19%
Revenues	36,388	30,569	19%	33,723	8%	70,111	56,707	24%

Revenues in EMEA, AMECS and APAC, accounted for 49%, 25% and 27% of Q2 2014 total revenues, respectively, as compared to 41%, 30% and 29%, respectively, in Q2 2013.

Operating expenses

In KUSD	Q2 2014	Q2 2013	Change in %	Q1 2014	Change in %	H1 2014	H1 2013	Change in %
R&D	5,779	4,321	34%	5,509	5%	11,288	8,843	28%
S&M	9,152	8,249	11%	8,595	6%	17,747	15,548	14%
G&A	3,190	2,671	19%	3,051	5%	6,241	5,310	18%
OPEX	18,121	15,241	19%	17,155	6%	35,276	29,701	19%

The increase in OPEX for Q2 2014, as compared to Q2 2013, is attributable mainly to the consolidation of Mosart starting from March 11, 2014, as well as to the variable compensation component based on annual targets and headcount related costs. The increase compared to Q1 14 is explained mainly by the consolidation of Mosart.

Currency effects

Exchange rate fluctuations in the USD versus the other main currencies Vizrt deals with (Euro, NOK, SEK, THB, AUD) did not materially affect revenues as compared to the revenues reported for Q2 2013.

Order backlog

Order backlog as of August 12, 2014, reached a record level of MUSD 51.7, up 12%, compared to MUSD 46.1 at same time LY, and up 6% compared to the Q1 2014 results release date. BG backlog was at MUSD 38.2 and MAM backlog at MUSD 13.5. BG backlog was up 36% compared to the same time LY, and MAM backlog was down 25%, compared to the same time LY. The increase in the BG backlog is mainly attributed to the first time inclusion of Mosart in the backlog starting from the Q2 2014 results announcement.

Balance sheet, cash flow and liquidity

Adjusted cash flow generation from operating activities in Q2 2014 was MUSD 4.1 (adjusted for MUSD 18.0 tax payments as detailed below), down 35% compared to MUSD 6.3 in Q2 2013.

Vizrt has a strong financial position with no interest-bearing debt and a net cash position of MUSD 37.1 as of June 30, 2014 (including MUSD 0.2 restricted cash), compared to MUSD 61.1 as of December 31, 2013 (including MUSD 0.2 restricted cash).

The Company's cash position increased by MUSD 12.3, as compared to December 31, 2013, adjusted for the ITA cash settlement of MUSD 18.0, the net cash consideration for the Mosart acquisition of MUSD 16.8, the gross dividend pay-out of MUSD 3.6, and offset by MUSD 2.0 consideration received for Escenic.

Shareholders' equity as of June 30, 2014 was MUSD 95.8, which is equivalent to an equity ratio of 71%.

Taxes

The settlement with the ITA resulted in additional taxes on income of MUSD 3.7 in the statement of income for Q2 2014, whereas the tax provision was reduced by MUSD 14.3. Taxes on income for Q2 2014 amounted to MUSD 5.2. Adjusted for the one-off ITA related tax expense of MUSD 3.7, taxes on income were MUSD 1.6, reflecting an effective tax rate of 24%, as compared to MUSD 1.5 (28%) for Q2 2013.

Organization

At the end of Q2 2014, the Company had 580 employees compared to 532 at the end of Q2 2013. 24 employees were added following Mosart acquisition during Q1 2014.

ANALYST CONFERENCE

An analyst conference will be held on August 14, 2014 at 09:30 a.m. (CET) at the DNB Markets Head Office, Dronning Eufemias gate 30, Bjørvika, 0191 Oslo, Norway.

Management will furthermore discuss the results in a conference call at 13:15 p.m. (CET). Call details are as follows:

+ 47 24 159584 (Norway)

+ 44 203 3679216 (UK)

+49 69 247501895 (Germany)

A recording of the call will be available at the Company's website:

<http://www.vizrt.com/company/presentations/>



COMPANY CALENDAR

Vizrt will hold this year's *Capital Markets Day* during the IBC broadcast conference and exhibition in Amsterdam, The Netherlands, on Friday, September 12, 2014.

The results for the third quarter of 2014 will be published on November 13, 2014.

Contacts

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SHAREHOLDER related Information

20 largest shareholders as of July 31, 2014

Shareholders	No. of shares	% of shares	Country	Account
DOROTHY HOLDING AB*	10,664,003	15.76	SWE	
HOME CAPITAL AS	5,128,429	7.58	NOR	
ODIN NORGE	4,032,513	5.96	NOR	
CLEARSTREAM BANKING	3,862,275	5.71	LUX	NOM
NORDEA NORDIC SMALL	3,457,547	5.11	FIN	
KLP AKSJE NORGE VPF	2,062,049	3.05	NOR	
VPF NORDEA KAPITAL C/O JPMORGAN EUROPE	1,693,094	2.50	NOR	
KOMMUNAL LANDSPENSJO	1,459,849	2.16	NOR	
VPF NORDEA NORGE VER C/O JPMORGAN EUROPE	1,442,906	2.13	NOR	
THREAD - EUROPEAN SM C/O CITIBANK NA	1,409,318	2.08	GBR	
PICTET & CIE BANQUIE	1,357,391	2.01	CHE	NOM
J.P. Morgan Chase Ba NORDEA TREATY ACCOUN	1,300,062	1.92	GBR	NOM
ARCTIC FUNDS PLC BNY MELLON SA/NV	1,262,110	1.87	IRL	
VERDIPAPIRFONDET ALF	1,244,635	1.84	NOR	
STATE STREET BANK AN A/C CLIENT OMNIBUS F	1,221,772	1.81	USA	NOM
JP Morgan Chase Bank HANDELSBANKEN NORDIC	1,100,000	1.63	SWE	NOM
VERDIPAPIRFONDET DNB	1,003,175	1.48	NOR	
FID. FUNDS-EUR. SM.	1,001,834	1.48	LUX	
VERDIPAPIRFONDET ALF	926,000	1.37	NOR	
Skandinaviska Enskil A/C	914,911	1.35	SWE	NOM
Sum of 20 largest shareholdings	47,056,720	69.5		
Total	67,661,785	100.00		

* Company controlled by a member of the Board.

Directors & Officers	859,759	1.27
Employees	1,455,754	2.15

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)

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited		Unaudited		Audited
<u>Continuing Operations</u>					
Revenues	\$70,111	\$56,707	\$36,388	\$30,569	\$122,412
Cost of revenues	22,196	19,021	11,623	10,024	39,654
Gross profit	47,915	37,686	24,765	20,545	82,758
Operating expenses:					
Research and development	11,288	8,843	5,779	4,321	19,017
General and administrative	6,241	5,310	3,190	2,671	10,859
Selling and marketing	17,747	15,548	9,152	8,249	32,457
Impairment of goodwill	-	-	-	-	4,918
Total operating expenses	35,276	29,701	18,121	15,241	67,251
Operating income	12,639	7,985	6,644	5,304	15,507
Financial income (expenses), net	(48)	(106)	(204)	129	(430)
Income before taxes	12,591	7,879	6,440	5,433	15,077
Taxes on income	6,281	2,567	5,211	1,507	9,607
Income before equity in losses of an affiliate company	6,310	5,312	1,229	3,926	5,470
Equity in losses of an affiliated company	-	37	-	17	1,315
Net income from continuing operations	\$6,310	\$ 5,275	\$1,229	\$ 3,909	\$4,155
<u>Discontinued Operations</u>					
Net loss from discontinued operations	409	495	-	311	580
Net income	\$5,901	\$4,780	\$1,229	\$3,598	\$3,575

VIZRT LTD.
CONSOLIDATED STATEMENTS OF INCOME

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

Six months ended June 30,		Three months ended June 30,		Year ended December 31,
2014	2013	2014	2013	2013
Unaudited		Unaudited		Audited

Basic EPS

Basic net income per share from continuing operations	\$0.09	\$0.08	\$0.02	\$0.06	\$0.06
Basic net loss per share from discontinued operations	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.01)
Basic net income per share	\$0.09	\$0.07	\$0.02	\$0.05	\$0.05
Weighted average number of shares used in computing basic net income per share	67,543,855	66,886,462	67,601,806	66,969,264	67,116,043

Diluted EPS

Diluted net income per share from continuing operations	\$0.09	\$0.08	\$0.02	\$0.06	\$0.06
Diluted net loss per share from discontinued operations	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.01)
Diluted net income loss per share	\$0.09	\$0.07	\$0.02	\$0.05	\$0.05
Weighted average number of shares used in computing diluted net income per share	68,244,263	68,007,579	68,276,447	68,082,471	68,374,137

VIZRT LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. dollars in thousands

	June 30, 2014 Unaudited	December 31, 2013 Audited
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$36,826	\$60,866
Restricted cash	227	219
Trade receivables, net	33,346	29,824
Other accounts receivable and prepaid expenses	5,865	3,411
Inventories	4,555	4,283
Current assets held for sale	1,228	1,041
TOTAL CURRENT ASSETS	80,819	99,644
NON-CURRENT ASSETS:		
Deferred taxes	2,068	1,582
Other non-current assets	1,251	600
TOTAL NON-CURRENT ASSETS	3,319	2,182
PROPERTY AND EQUIPMENT, NET	4,655	4,556
INTANGIBLE ASSETS, NET	10,710	3,205
GOODWILL	36,388	25,718
TOTAL ASSETS	\$135,891	\$135,305

VIZRT LTD.
CONSOLIDATED STATMENTS OF FINANCIAL POSITION
U.S. dollars in thousands

	June 30, 2014 <u>Unaudited</u>	December 31, 2013 <u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$4,169	\$3,978
Deferred revenues	13,342	9,323
Employees and payroll accruals	6,541	5,166
Tax accruals	2,375	16,211
Other accounts payable and accrued expenses	4,455	4,020
Current liabilities held for sale	-	1,015
TOTAL CURRENT LIABILITIES	<u>30,882</u>	<u>39,713</u>
NON-CURRENT LIABILITIES:		
Deferred Taxes	7,062	2,767
Other non- current liabilities	2,117	1,870
TOTAL NON-CURRENT LIABILITIES	<u>9,179</u>	<u>4,637</u>
SHAREHOLDERS' EQUITY:		
Share capital	162	162
Additional paid-in capital	155,993	155,646
Accumulated other comprehensive loss	205	(2,004)
Accumulated deficit	(60,530)	(62,849)
TOTAL SHAREHOLDERS' EQUITY	<u>95,830</u>	<u>90,955</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$135,891</u></u>	<u><u>\$135,305</u></u>

VIZRT LTD.
CONSOLIDATED STATEMENTS OF CASH FLOW
U.S. dollars in thousands

	Six months ended June 30,		Year Ended December 31,
	2014	2013	2013
	Unaudited		Audited
Net Income	\$5,901	\$4,780	\$3,575
Adjustments required to reconcile net income to net cash provided by operating activities:			
Stock-based compensation related to options and restricted shares	-	-	178
Depreciation and loss from disposal of property and equipment	1,111	1,167	2,442
Loss from sale of Escenic	409	-	-
Share of loss of an associate	-	37	1,315
Amortization of intangible assets	1,289	1,037	1,855
Impairment of goodwill and other assets	-	-	4,918
Changes in assets and liabilities:			
Accounts receivable and other receivables	(4,315)	174	(749)
Inventories	(330)	(1,314)	(1,028)
Deferred tax	1,552	(461)	(917)
Accounts payable and other liabilities	(10,502)	2,975	8,058
Cash flows from (used in) operating activities:	(4,885)	8,395	19,647
Cash flows used in investing activities:	(15,789)	(2,879)	(4,788)
Cash flows from used in financing activities:	(3,235)	(9,036)	(31,855)
Effect of exchange rate changes on cash and short term deposits	(131)	(799)	(184)
Decrease in cash and cash equivalent	(24,040)	(4,319)	(17,180)
Cash and short-term deposits at the beginning of the period	60,866	78,297	78,297
Cash and short-term deposits at the end of the period from continuing operations	\$36,826	\$73,978	\$61,117
Cash included in current assets held for sale	-	-	\$251
Cash and short-term deposits at the end of the period	\$38,826	\$73,978	\$60,866

Vizrt Ltd. RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed financial statements for the first half of 2014 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 first half of 2014 and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Bergen, August 13, 2014

Dag J. Opedal
(Chairman of the Board of Directors)

Thomas Falck
(Vice chairman of the Board of Directors)

Tali Aben
(Board member)

Janne T. Morstol
(Board member)

Frode Strand Nielsen
(Board member)

Bjorn Olafsson
(Board member)

Odd Johnny Winge
(Board member)

Martin Burkhalter
(CEO)