ViXS Reports Second Quarter Fiscal 2017 Results

38% Sequential Revenue Growth; Narrowing IFRS Loss

TORONTO, ONTARIO--(Marketwired – September 14, 2016) - ViXS Systems Inc. (TSX:VXS) a pioneer and leader in advanced media processing solutions, reported today its second quarter fiscal 2017 results for the period ending July 31, 2016. All results are reported under International Financial Reporting Standards ("IFRS") and in U.S. dollars, unless otherwise specified.

Customer, Product and Corporate Announcements:

- Continued solid demand for XConnex products with the completion of MoCA 2.0 acceptance placement testing for deployment by the largest, global broadcast company into their network;
- Continued growth in the ViXS' Cloud & Video Delivery segment, XCode and XCode Pro professional transcoder/decoder products, with production designs and orders from Vecima Networks, Sichuan Desai Technology Company and Inca Networks;
- Multiple product demonstrations at IBC 2016:
  - ViXS' new Golden Reference Decoder (GRD3) featuring 12-bit HEVC UHD, including partnership programs with Rambus CRI, DTS and Harmonic;
  - the next generation of ViXS' CordCutterTV product with WiFi capabilities;
- Strengthened balance sheet and general corporate and working capital needs with two non-brokered private placement financings, closing the first tranche of these private placements for C$6.64 million (US$5.1 million) which included strategic investments from Vecima Networks, Morega Systems and Suncore Photovoltaics.

"This quarter ViXS reported improved revenue, driven by growth across multiple XConnex, XCode and XCodePro family of products. We continue to focus on extending our technology leadership by working with innovative companies that can build upon our technology to deliver a better video experience," stated Sohail Khan, President and CEO of ViXS. "For the remainder of the fiscal year, we look to continue to deliver increased growth from a strong customer backlog and our continued design and customer activity."

Q2FY17 Financial Summary:

- Revenue for the second quarter of fiscal 2017 totalled $7.9 million, a 38% sequential increase from $5.7 million recognized in the first quarter of fiscal 2017. This sequential increase was driven by sales across multiple product lines, including XConnex products coupled with higher sales for XCodePro and XCode5 products. Revenue increased by 32%, or $1.9 million, from the $6.0 million recognized in the second quarter a year ago, due to double-digit growth across several product families, including XConnex, XCode5, XCode4 and XCodePro products.
- Gross margin for the second quarter of fiscal 2017 was 31.3%, a slight 0.1% point increase from the previous quarter's level of 31.2%, and a 3.0% point decrease from the

second quarter of fiscal 2017 gross margin of 34.3%. This year-over-year decrease in margin in the second quarter of fiscal 2016 was due to product mix change including end of life of high margin product for legacy business.

- IFRS comprehensive loss for the second quarter of fiscal 2017 was $(2.7) million, or a loss of $(0.04) per share basic and diluted. This is compared to a loss of $(3.2) million in the previous quarter, and an improvement of $0.3 million from the $(3.0) million loss in the second quarter of fiscal 2016.
- Non-IFRS net loss for the current quarter (as defined in the Non-IFRS Financial Measures section) totalled $(2.9) million, a $0.8 million change compared to the $(2.1) million loss in the previous quarter, and a $0.7 million improvement from the $(3.6) million loss in the second quarter of fiscal 2016. This continued year-over-year improvement is a result of higher revenues, cost controls and operation efficiencies.
- As at July 31, 2016, the Company's cash and equivalents finished at $2.2 million, with $3.5 million in working capital spent with our foundries and back-end partners to support the ramp of our revenue backlog which now exceeds $7.8 million.

Following the release of the results, management of the Company will host a conference call to discuss the financial results.

FISCAL 2Q17 CONFERENCE CALL DETAILS:

DATE:	September 14, 2016
TIME:	5:00 P.M. EST
DIAL IN NUMBER:	North American Toll: Free: 1-(866)-215-5508 International: (514) 841-2157 Passcode: 4329 5296#
REPLAY NUMBER:	North American Toll: Free: 1-(888)-843-7419 International: (630) 652-3042 Passcode: 4329 5296#
WEBSITE:	To view the press release or any additional financial information, please visit the Investor Relations section of the ViXS website at: http://investor.vixs.com/investor-relations/

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected financial information derived from the Company's unaudited interim consolidated financial statements for the three months ended July 31, 2016 and April 30, 2016, as well as for the three months ended July 31, 2015. The selected financial information was prepared in accordance with IAS 34 in a manner consistent with the Company's annual financial statements. The following information should be read in conjunction with these statements and the accompanying notes.

Dollar amounts in U.S. dollars Amounts in thousands, except loss per share	Three-month Period Ended July 31, 2016	 April 30, 2016	 July 31, 2015	Six-month Period Ended July 31, 2016	 July 31, 2015
Revenue	**$7,875**	**$5,702**	**$5,974**	**$13,577**	**$15,936**
Cost of sales	**5,413**	3,925	3,927	9,338	9,200
Gross margin	**2,462**	**1,777**	**2,047**	**4,239**	**6,736**
Operating expenses					
Research and development	3,256	2,972	2,698	6,228	6,802
Selling, general and administrative	1,947	2,038	1,923	3,985	4,508
Total operating expenses (1)	5,203	5,010	4,621	10,213	11,310
Loss before finance costs and income and currency gains	(2,741)	(3,233)	(2,574)	(5,974)	(4,574)
Other income (expenses):					
Finance costs	153	(154)	(155)	(1)	(247)
Finance income	-	1	8	1	30
Currency gains	(28)	141	(274)	113	40
Total other income (expenses)	125	(12)	(421)	113	(177)
Loss before income taxes	**($2,616)**	**($3,245)**	**($2,995)**	**($5,861)**	**($4,751)**
Income tax expense	-	(9)	(5)	(9)	(15)
Net loss for the period	**(2,616)**	**(3,254)**	**(3,000)**	**(5,870)**	**(4,766)**
Other comprehensive income (loss)					
Item subject to reclassification					
Exchange difference on translating foreign operations	(60)	67	(13)	7	(18)
Comprehensive loss for the period	**($2,676)**	**($3,187)**	**($3,013)**	**($5,863)**	**($4,784)**
Loss per share attributed to common equity holders					
Basic	($0.04)	($0.04)	($0.06)	($0.10)	($0.09)
Diluted	($0.04)	($0.04)	($0.06)	($0.10)	($0.09)
Weighted average number of common shares outstanding					
Basic	60,530	60,452	50,377	60,606	50,377
Diluted	60,530	60,452	50,377	60,606	50,377
(1) Includes share-based transaction expense (recovery) of:					
Research and development	14	257	(130)	271	33
Selling, general and administrative	96	273	55	369	(159)
	$110	$530	($75)	$640	($126)

BALANCE SHEET SUMMARY

in thousands of US Dollars	As at July 31, 2016	As at April 30, 2016	As at July 31, 2015
Cash and cash equivalents	$2,182	$2,850	$6,582
Trade accounts receivable	1,936	3,441	2,853
Inventories	2,928	2,809	4,281
Prepayments	2,495	5,469	4,406
Total assets	$21,061	$23,820	$26,242
Trade payables	$2,935	$3,339	$3,932
Accrued liabilities	2,140	1,617	3,013
Revolving bank loan payable	6,285	6,285	2,500
Deferred revenues	345	247	72
Total liabilities	15,840	16,107	11,833
Total liabilities and shareholders' equity	$21,061	$23,820	$26,242

NON-IFRS FINANCIAL MEASURES

In addition to disclosing results in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), the Company also provides supplementary non-IFRS financial measures as a method of evaluating the Company's performance. These non-IFRS measures are disclosed as a supplement to financial results prepared in accordance with IFRS in order to provide a further understanding of ViXS' results of operations from management's perspective. In particular, ViXS uses non-IFRS measures to provide investors with supplemental measures of its operating performance and highlight trends in its core business that may not otherwise be readily apparent solely from IFRS measures. ViXS management uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess ViXS' ability to meet its future capital expenditure and working capital requirements. ViXS believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Non-IFRS net loss is defined as total comprehensive loss before share-based transaction expense, exchange difference related to translating foreign operations, unrealized currency gains/losses and non-recurring or one-time items such as: share offering costs, listing fees, convertible preferred share revaluation adjustment, fair value adjustment on warrant liability convertible debt and provision for repayable government assistance. Non-IFRS net loss does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Non-IFRS net loss from operations should not be considered in isolation or as a substitute for comprehensive loss prepared in accordance with IFRS.

ViXS has provided a comparison of comprehensive loss to non-IFRS net loss in the following table:

	Three Month Period Ended			Six Month Period Ended	
	July 31, 2016	April 30, 2016	July 31, 2015	July 31, 2016	July 31, 2015
Comprehensive loss for the period	**($2,676)**	**($3,187)**	**($3,013)**	**($5,863)**	**($4,784)**
R&D adjustments					
Stock-based compensation expense	$14	$257	(130)	271	33
Provision for repayment of government assistance	*(54)*	*238*	*(854)*	183	*(854)*
Selling, general and administrative					-
Stock based compensation expense	96	273	55	369	(159)
Legal fee settlement				0	
Other Income/Expense adjustments					
Listing Fees	-	15	-	15	-
Unrealized currency loss (gain)	*20*	*148*	*290*	168	*(129)*
Other adjustments					-
Fair value adjustment on convertible debt and warrant liability	(276)	46	-	(230)	-
Exchange differences on translating foreign operations	(60)	67	13	7	18
Non-IFRS net loss	**($2,936)**	**($2,143)**	**($3,639)**	**($5,080)**	**($5,875)**
Non-IFRS EPS basic	**($0.05)**	**($0.04)**	**($0.07)**	**($0.08)**	**($0.17)**
Non-IFRS EPS Diluted	**($0.05)**	**($0.04)**	**($0.07)**	**($0.08)**	**($0.17)**

FORWARD LOOKING STATEMENTS

Certain statements in this press release which are not historical facts constitute forward-looking statements or information within the meaning of applicable securities laws (“forward-looking statements”). Such statements include, but are not limited to, statements regarding ViXS’ projected revenues, gross margins, earnings, growth rates, the impact of new product design wins, market penetration and product plans. The use of terms such as “may”, “anticipated”, “expected”, “projected”, “targeting”, “estimate”, “intend” and similar terms are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause ViXS’ actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Accordingly, there can be no assurance that forward-looking statements will prove to be accurate and readers are therefore cautioned not to place undue reliance upon any such forward-looking statements.

Factors that could cause results or events to differ materially from current expectations expressed or implied by forward looking statements contained herein include, but are not limited to: our history of losses and the risks associated with not achieving or sustaining profitability; the Company’s dependence on a limited number of customers for a substantial portion of revenues; fluctuating revenue and expense levels arising from changes in customer demand, sales cycles, product mix, average selling prices, manufacturing costs and timing of product introductions; risks associated with competing against larger and more established companies; competitive risks and pressures from further consoldiation amongst competitors, customers, and suppliers; market share risks and timing of revenue recognition associated with product transitions; risks associated with changing industry standards such as HEVC (High Efficiency Video Codec), HDR (High Dynamic Range) and Ultra HD resolution; risks related to intellectual property, including third party licensing or patent infringement claims; the loss of any of the Company’s key personnel could seriously harm its business; risks associated with adverse economic conditions; delays in the launch of customer products; price re-negotiations by existing customers; the Company’s dependence on a limited number of supply chain partners for the manufacture of its products, legal proceedings arising from the ordinary course of business; ability to raise needed capital; ongoing liquidity requirements;and other factors discussed in the “Risk Factors” section of the Company’s Annual Information Form dated March 31, 2016, a copy of which is available under the Company’s profile on SEDAR at www.sedar.com. All forward-looking statements are qualified in their entirety by this cautionary statement. ViXS is providing this information as of the current date and does not undertake any obligation to update any forward-looking statements contained herein as a result of new information, future events or otherwise except as may be required by applicable securities laws.

About ViXS Systems Inc.

ViXS is a pioneer and market leader in designing revolutionary media processing semiconductor solutions for video over IP streaming solutions, with over 511 patents issued and pending worldwide, numerous industry awards for innovation, and over 33 million media processor shipped to date. ViXS is driving the transition to Ultra HD 4K across the entire content value chain by providing professional and consumer grade chipsets that support the new High Efficiency Video Coding (HEVC) standard up to Main 12 Profile, reducing bandwidth consumption by 50% while providing the depth of color and image clarity needed to take advantage of higher-resolution content. ViXS' XCodePro 300 family is ideal for Ultra HD 4K infrastructure equipment, and the XCode 6000 family of system-on-chip (SoC) products achieve unprecedented levels of integration that enable manufacturers to create cost-effective consumer entertainment devices.

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