

ViXS Reports Fourth Quarter and Annual Fiscal 2017 Results

TORONTO, ONTARIO--(Marketwired – April 12, 2017) - ViXS Systems Inc. (TSX:VXS) a pioneer and leader in advanced media processing solutions, reported today its fourth quarter and fiscal 2017 results for the period ending January 31, 2017. All results are reported under International Financial Reporting Standards ("IFRS") and in U.S. dollars, unless otherwise specified.

Q4FY17 Financial Summary

- Revenues for the fourth quarter of fiscal 2017 were \$7.7 million and grew 47% year-over-year, or \$2.5 million, from the \$5.2 million a year ago; and had a seasonal decline from \$8.3 million in the third quarter of fiscal 2017. The year-over-year increase was primarily due to significant growth across all major product lines, including, higher demand for XCode5 products, due in part to the release of new Over-the-Air (OTA) products, new sales from the XCode 6800 released during the year, higher XConnex sales, NRE revenue, plus continued demand for certain legacy products. The sequential decline was primarily due a combination of higher seasonal sales of XCode5 products in the third quarter plus lower unit sales of XConnex units during the fourth quarter, partially offset by increased demand of certain legacy products.
- Gross margin for the fourth quarter of fiscal 2017 was 30.8%, a 3.4% point increase from the previous quarter's level of 27.4%, and a 6.5% point increase from the fourth quarter of fiscal 2016 gross margin of 24.3%. The sequential increase in margin was primarily due to a better product mix of XCode and XConnex products plus contribution from higher NRE revenue. New XCode designs introduced in the fourth quarter have also helped improve the gross margin. Product margin in the fourth quarter of fiscal 2017 was 36.3%, an increase from the 35.3% level in the third quarter and the 26.8% level in the fourth quarter last year.
- IFRS Comprehensive loss of \$(1.9) million, or \$(0.03) per share basic and diluted, compared to a loss of \$(3.1) million or \$(0.05) per share in the previous quarter and a \$1.8 million improvement from \$(3.7) million or \$(0.07) in the fourth quarter of fiscal 2016.
- Non-IFRS loss of \$(2.6) million, or \$(0.04) per share, improved from the \$(3.0) million loss in the third quarter, or \$(0.05) per share; and, a \$0.8 million improvement versus the \$(3.3) million loss, or \$(0.07) per share, in the same quarter last year.

FY17 Financial Summary

- Revenue of \$29.5 million, a 12% increase compared to \$26.3 million in the prior year. This increase in revenue in fiscal 2017 was mainly due to higher unit sales and pricing for XConnex product, the introduction of new products in the XCode 5 and XCode 6 families addressing the Ultra HD Blu-ray and OTA markets, as part of the company's turnaround strategy, as well as continued demand for legacy XCode products.
- Gross margin for the fiscal year ended January 31, 2017 was 30.0%, which represents a 9.0% point decrease from the 39.0% level over the same period last year, mainly due to the impact of higher sales, as a proportion of the total, from lower margin XConnex product sales and

the incremental impact of amortizing mask sets from our new XCode 6800 SoC (System-on-Chip) which lowered margins by roughly 590 basis points.

- IFRS comprehensive loss for the fiscal year ended January 31, 2017 totaled \$10.9 million, or \$(0.17) per share basic and diluted, a \$0.7 million improvement as compared to the \$11.6 million loss, or \$(0.23) per share basic and diluted, over the same period the previous year. The continued year-over-year decrease in comprehensive loss reflects higher revenue, ongoing cost efficiencies to our operations that resulted in \$1.2 million of lower operating expenses, in addition to a favourable realized and unrealized currency impacts this year compared to fiscal 2016.
- Non-IFRS loss for fiscal 2017 totaled \$(10.7) million, or \$(0.16) per share, a \$1.3 million improvement from the \$(12.0) million, or \$(0.24) per share, in fiscal 2016.

Customer, Product and Corporate Announcements

- Earlier today, ViXS announced it had sold its legacy MoCA business to Maxlinear, Inc. for US\$5 million in cash, which included a non-exclusive patent license, limited to the manufacturing and implementation of the XConnex MoCA business line. This sale is also expected to free up valuable working capital previously needed to support MoCA customers. As part of this exit strategy, ViXS also recently closed its Austin office that had been primarily focused on MoCA and networking chips.
- ViXS experienced over 25% annual growth during fiscal 2017 in video-based revenues from its XCode 5 and XCode 6 product families, with recent design wins yet to contribute to sales. These XCode products are the core revenue growth drivers post sale of the XConnex business.
- In March 2017, Sharp announced three new BD Recorder products for Ultra HD Blu-ray based on the XCode 6800 and XCode 5190 System on Chips, with initial products already hitting retail shelves with volume revenue ramp expected in second half of this year.
- Successful Consumer Electronics Show during the quarter, with strong interest in new ViXS XCode products from companies across the globe, including Ultra HD Blu-Ray Players and ViXS' CordCutterTV Stick.
- Initial production shipments of the OTA single and dual streaming components, XCode™ 5505/5516, delivered to leading ODMs for multiple retail launches expected this summer.
- On November 21, 2016, ViXS closed on \$0.4M (\$CAD 0.5 million) of proceeds from the second tranche of its two non-brokered private placements announced on September 12, 2016, raising aggregate gross proceeds of approximately \$5.9 million (\$CAD 7.7 million).

"ViXS made progress during fiscal 2017 by delivery year-over-year revenue growth, including 47% annual growth in the fourth quarter. This is a result of our focused strategy towards targeted applications and key customers" stated Sohail Khan, President and CEO of ViXS.

"Going forward, ViXS will focus all its resources on the core video business where it can provide differentiated solutions to its customers, which will help achieve growth and profitability we can deliver to our investors. Sharp UHD/BD, OTA /cord-cutter, and best-in-class UltraHD / HDR 12-bit professional decoder and transcoder products as the testament of ViXS leadership in video technology."

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

FISCAL Q4-2017 AND ANNUAL CONFERENCE CALL DETAILS:

DATE: Wednesday April 12, 2017

TIME: 5:00 P.M. EST

DIAL IN North American Toll: Free: 1-(866)-215-5508
NUMBER: International: (514) 841-2157

Passcode: 44694544#

REPLAY North American Toll: Free: 1-(888)-843-7419
NUMBER: International: (630) 652-3042

Passcode: 44694544#

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 audited annual consolidated financial statements for the three months and fiscal years ended January 31, 2017 and January 31, 2016, as well as the Company's unaudited interim consolidated financial statements for the three months ended October 31, 2016. 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 the Financial Statements and MD&A.

Dollar amounts in U.S. dollars

Amounts in thousands, except loss per share

	Three-month Period Ended			Fiscal Years Ended	
	January 31, 2017	October 31, 2016	January 31, 2016	January 31, 2017	2016
Revenue	\$7,668	\$8,268	\$5,212	\$29,513	\$26,286
Cost of sales	5,306	6,005	3,946	20,649	16,030
Gross margin	2,362	2,263	1,266	8,864	10,256
Operating expenses					
Research and development	3,094	2,655	3,211	11,977	13,228
Selling, general and administrative	1,992	2,093	1,450	8,070	7,928
Total operating expenses	5,086	4,748	4,661	20,047	21,156
Loss before finance costs and income and currency losses	(2,724)	(2,485)	(3,395)	(11,183)	(10,900)
Other income (expenses):					
Finance costs (income)	684	(371)	(198)	313	(501)
Currency gain (loss)	47	(144)	(71)	16	(204)
Total other income (expenses)	731	(515)	(269)	329	(705)
Loss before income taxes	(\$1,993)	(\$3,000)	(\$3,664)	(\$10,854)	(\$11,605)
Income tax expense	(84)	(9)	(10)	(102)	(29)
Net loss for the year	(2,077)	(3,009)	(3,674)	(10,956)	(11,634)
Other comprehensive income (loss)					
Item subject to reclassification					
Exchange difference on translating foreign operations	157	(132)	(3)	32	(10)
Comprehensive loss for the year	(\$1,920)	(\$3,141)	(\$3,677)	(\$10,924)	(\$11,644)
Loss per share attributed to common equity holders					
Basic	(\$0.03)	(\$0.05)	(\$0.07)	(\$0.17)	(\$0.23)
Diluted	(\$0.03)	(\$0.05)	(\$0.07)	(\$0.17)	(\$0.23)
Weighted average number of common shares outstanding					
Basic	72,860	61,253	50,961	62,285	50,961
Diluted	72,860	61,253	50,961	62,285	50,961
(1) Includes share-based transaction expense of:					
Research and development	81	\$29	100	381	225
Selling and administrative	248	159	124	776	76
	\$329	\$188	\$224	\$1,157	\$301

in thousands of US Dollars

	As January 31, 2017	As at October 31, 2016	As January 31, 2016
Current Assets			
Cash and cash equivalents	\$2,857	\$4,256	\$7,272
Trade accounts receivable	2,626	2,154	2,291
Other amounts receivable	445	817	615
Inventories	3,232	2,688	2,151
Prepayments	951	2,994	6,614
Total Current Assets	10,111	12,909	18,943
Non-Current Assets			
Property, plant and equipment	2,419	2,713	1,759
Intangible assets	6,860	7,333	5,516
Prepayments	203	275	358
Total Non-current Assets	9,482	10,321	7,633
Total assets	\$19,593	\$23,230	\$26,576
Current Liabilities			
Revolving bank loan payable	\$5,685	\$5,755	\$5,285
Current portion of repayable government	159	188	661
Deferred revenue	173	539	390
Trade payables	2,462	3,056	3,378
Accrued liabilities	1,556	1,705	2,261
Total Current Liabilities	10,035	11,243	11,975
Non-Current Liabilities			
Accrued non-current liabilities	126	131	130
Convertible debt	4,685	5,409	2,623
Warrant liability	130	62	60
Repayable government assistance	1,388	1,324	1,418
Total Non-Current Liabilities	6,329	6,926	4,231
Total Liabilities	16,364	18,169	16,206
Shareholder's Equity	3,229	5,061	10,370
Total Liabilities and Shareholders' Equity	\$19,593	\$23,230	\$26,576

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 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			Fiscal Years Ended	
	January 31, 2017	October 31, 2016	January 31, 2016	January 31, 2017	2016
Comprehensive loss for the period	(\$1,920)	(\$3,141)	(\$3,677)	(\$10,924)	(\$11,645)
R&D adjustments					
Stock-based compensation expense	81	29	100	381	225
Provision for repayment of government assistance	64	(157)	(22)	90	(901)
Selling, general and administrative					
Stock based compensation expense	248	159	124	776	76
Legal fee settlement	-	-	-	-	40
Other Income/Expense adjustments					
Listing Fees	(4)	-	53	11	53
Unrealized currency loss (gain)	36	(133)	70	71	175
Other adjustments					
Fair value adjustment on convertible debt and warrant liability	(1,220)	328	-	(1,122)	-
Exchange differences on translating foreign operations	157	(132)	3	32	10
Non-IFRS net loss	(\$2,558)	(\$3,047)	(\$3,349)	(\$10,684)	(\$11,967)
Non-IFRS EPS basic	(0.04)	(\$0.05)	(\$0.07)	(0.16)	(\$0.24)
Non-IFRS EPS Diluted	(0.04)	(\$0.05)	(\$0.07)	(0.16)	(\$0.24)

ViXS’ annual audited financial statements and management’s discussion & analysis (“MD&A”), for the three-month and twelve-month period ended January 31, 2017, are available via ViXS’ website www.ViXS.com and will be available on SEDAR at www.sedar.com.

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 consolidation 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, 2017, 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 approximately 500 patents issued and pending worldwide, numerous industry awards for innovation, and over 33 million media processors 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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