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Vecima Networks Inc.

TSX : VCM



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Vecima Reports Q4 and Fiscal 2013 Year End Results and Adjusted EBITDA Growth of 65%

VICTORIA, BRITISH COLUMBIA--(Marketwired - Sept. 26, 2013) - Vecima Networks Inc. (TSX:VCM), an experienced designer and manufacturer of innovative technology in the broadband equipment market, today reported financial results for the three months and twelve months ended June 30, 2013. All figures are in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS") unless otherwise stated.

"Vecima had a strong year where newer, higher margin products resulted in over 65% growth in adjusted EBITDA along with 43% gross margin. Our business services products are world leading and have garnered widespread market acceptance at the largest cable MSOs. Through this excellent performance and ongoing monetization of non-core assets, our cash balance has grown to almost \$32.0 million after we returned \$22.3 million of capital to shareholders in March," said Sumit Kumar, President and CEO.

QUARTERLY AND YEARLY FINANCIAL HIGHLIGHTS

<i>(CAD dollars in millions except percentages, headcount, and per share data)</i>	Q4FY13	Q3FY13	FY13	FY12
Revenue	\$21.8	\$21.6	\$91.9	\$95.7
Gross Margin	45%	44%	43%	37%
EBITDA ¹	\$5.4	\$4.6	\$31.3	\$25.8
Adjusted EBITDA ¹ (removes gains on sale of assets and stock-based compensation)	\$5.3	\$4.5	\$18.3	\$11.1
Net Income	\$2.7	\$2.0	\$19.2	\$13.3
Earnings per share (based on weighted average number shares outstanding)	\$0.12	\$0.09	\$0.86	\$0.59
Cash and marketable securities	\$31.8	\$25.0 ²	\$31.8	\$19.5
Headcount	571	596	571	624

¹EBITDA and adjusted EBITDA do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures provided by other issuers. Accordingly, investors are cautioned that EBITDA and adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of our financial performance or as a measure of our liquidity and cash flows. For a reconciliation of EBITDA and adjusted EBITDA, investors should refer to Management's Discussion and Analysis for the current quarter. EBITDA and adjusted EBITDA are provided because they provide investors with an alternative measure of Vecima's financial performance.

²Cash and marketable securities totaled \$25.0 million at March 31, 2013. The Company completed a special cash distribution on March 27, 2013 of approximately \$22.3 million.

MSO BUSINESS SERVICES

Terrace Family

- Sales increased to \$5.3 million from \$5.0 million in Q3 FY13.
- As additional MSOs initiate their conversions to all digital, we expect Terrace Family sales to track to the proportionate size of these new customers. As demonstrated by leaders in the industry, all digital conversion has proven itself to be a key driver of network evolution as MSOs prepare for next generation services. We are seeing additional MSOs begin the conversion.

Terrace QAM

- Sales decreased from \$7.3 million in Q3 FY13 to \$6.6 million this quarter. Sales in Q3 were enhanced by the addition of another major MSO customer whose demand is more variable quarter to quarter as compared to our lead MSO customer.

CABLE HEADEND

OEM QAM Modules, OEM Return Path Demodulator and CableVista

- Sales for our OEM QAM Modules were \$0.9 million in Q4 versus \$0.4 million in Q3. We expect low but lumpy sales numbers as the product nears end of life.
- Sales for our OEM return path demodulator decreased from \$1.5 million to \$1.1 million; while CableVista sales decreased from \$1.1 million to \$1.0 million from Q3 to Q4 FY13. As announced previously, we expect to gradually transition to end of life.

Digital Video Access Platform

- The first commercial shipment of our new digital video access platform was to ship in the fourth quarter but was delayed due to shipping logistics to the first week of Q1 FY14. The product has been well received by our OEM partner's customers and we expect a strong launch through FY14. In addition to its new features, our digital video access platform affords our OEM partner's customers both power and space savings over legacy solutions. Power consumption of our platform will be reduced by more than 60% and it will occupy less than 10% of the space of a comparable legacy solution.

FLEET MANAGEMENT - FLEETLYNX

- Sales cycles in the telematics market have been longer than anticipated. While Vecima's market presence has been slow to materialize into significant revenues, prospects remain strong through multiple channels including wireless carriers and vehicle manufacturers. The market itself continues to be very large and customer response indicates that Vecima's FleetLynx solution is price and feature competitive with the largest players in the market.

OUTLOOK FOR FISCAL 2014

- Management expects revenue in FY14 to be between \$85 and \$95 million.
- Gross margin is expected to remain in the 40 to 45% range.
- Adjusted EBITDA range of \$17 to \$22 million.

Vecima's new digital video access platform is expected to ship in commercial volumes through FY14. Vecima plans on converting on opportunities that are emerging for our business services products as additional cable MSOs begin their transition to all digital networks. We expect to substantially complete development of our next generation digital cable broadband transmitter technology and to develop a platform that addresses new, IP centric, hospitality opportunities within the MSO business services market.

Vecima previously indicated that we are working on a next generation digital cable broadband transmitter technology and that the project was expected to start generating revenue in calendar 2014. Through a change in industry standards, the scope of the project has evolved and we now expect revenue for the enhanced technology to start in calendar 2015.

"Through our healthy free cash flow, ongoing monetization of non-core assets, and collection of income tax receivables, we expect to drive our cash balance to greater than \$50 million by the end of calendar year 2013," indicated Sumit Kumar, President and CEO.

CONFERENCE CALL

A conference call and live audio webcast will be held on September 26, 2013 at 1 p.m. ET to discuss the Company's fourth quarter and year end results. Vecima's audited condensed interim consolidated financial statements and management's discussion and analysis for the three months and year ended June 30, 2013 are available under the Company's profile at www.SEDAR.com, and at http://www.vecima.com/financials_ir.php.

To participate in the teleconference, dial 1-800-319-4610 or 1-604-638-5340. The webcast will be available in real time at <http://services.choruscall.ca/links/vecima130926.html> and will be archived on the Vecima website at http://www.vecima.com/events_ir.php.

About Vecima Networks

Vecima Networks Inc. (TSX:VCM) designs, manufactures and sells products that enable broadband access to cable, wireless and telephony networks. Vecima's hardware products incorporate original embedded software to meet the complex requirements of next-generation, high-speed digital networks. Service providers use Vecima's solutions to deliver services to a converging worldwide broadband market, including what are commonly known as "triple play" (voice, video and data) and "quadruple play" (voice, video, data and wireless) services. Vecima's solutions allow service providers to rapidly and cost-effectively bridge the final network segment that connects the system directly to end users, commonly referred to as "the last mile", by overcoming the bottleneck resulting from insufficient carrying capacity in legacy, last mile infrastructures. Vecima's products are directed at two principal markets: Converged Wired Solutions and Broadband Wireless. The Company has also developed and continues to focus on developing products to address emerging markets such as Voice over Internet Protocol, fibre to the home and IP video. More information is available at our website at www.vecima.com.

Forward-Looking Statements

Certain statements in this press release may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's intentions, belief or current expectations with respect to market and general economic conditions, future sales, future shipping volumes, future cash position, revenue expectations, future costs, future operating performance, plans to sell non-core assets, and plans to continue to explore opportunities to maximize shareholder value, including the possibility of future cash dividends and distributions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, and/or are beyond our control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include, but are not limited to, the current significant general economic uncertainty and credit and financial market volatility and the distinctive characteristics of Vecima's operations and industry and customer demand that may have a material impact on, or constitute risk factors in respect of Vecima's future financial performance, as set forth under the heading "Risk Factors" in the Company's Annual Information Form dated September 26, 2013, a copy of which is available at www.sedar.com. In addition, although the forward-looking statements in this press release are based on what management believes are reasonable assumptions, such assumptions may prove to be incorrect. Consequently, readers should not place undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Vecima disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise, except as required by law.

VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of Canadian dollars)

	June 30, 2013	June 30, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 7,148	\$ 19,549
Marketable securities	24,699	-
Accounts receivable	13,442	23,818
Income tax receivable	4,762	13,600
Inventories	28,264	29,663
Prepaid expenses	936	1,076
	79,251	87,706
Non-current assets		
Property, plant and equipment	25,006	28,158
Assets held for resale	342	385
Intangible assets	12,176	10,819
Investment tax credit asset	30,286	30,384
Deferred tax asset	7,729	5,129
	\$ 154,790	\$ 162,581
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,973	\$ 13,653
Provisions	957	974
Income tax payable	281	806
Deferred revenue	1,331	1,311
Current portion of long-term debt	250	250
	12,792	16,994
Non-current liabilities		
Other long-term liabilities	306	342
Provisions	1,314	1,522
Long-term debt	3,229	3,479
	17,641	22,337
Shareholders' equity		
Share capital	12,183	34,482
Reserves	2,803	2,761
Retained earnings	122,163	103,001

		137,149		140,244
	\$	154,790	\$	162,581

VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of Canadian dollars except net income per share data)

	Year ended June 30,			
	2013		2012	
Sales	\$	91,897	\$	95,741
Cost of sales		52,692		60,533
Gross margin		39,205		35,208
Operating expenses				
Research and development		7,663		11,164
Sales and marketing		4,770		5,697
General and administrative		17,964		19,156
Stock-based compensation		42		83
Other (income)		(14,029)		(15,846)
		16,410		20,254
Operating income		22,795		14,954
Finance costs		393		336
Finance income		1,451		1,357
Income before income taxes		23,853		15,975
Income tax expense		4,691		2,709
Net income and total comprehensive income	\$	19,162	\$	13,266
Net income per share				
Basic	\$	0.86	\$	0.59
Diluted	\$	0.86	\$	0.59
Weighted average number of Common				
Shares outstanding - basic		22,322,422		22,316,767
Shares outstanding - diluted		22,390,792		22,332,267

VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of Canadian dollars)

	Share Capital		Reserves		Retained Earnings		Total
Balance as at June 30, 2011	\$	34,482	\$	2,678	\$	89,735	\$ 126,895
Net income and total comprehensive income		-		-		13,266	13,266
Share-based payment expense		-		83		-	83
Balance as at June 30, 2012	\$	34,482	\$	2,761	\$	103,001	\$ 140,244
Net income and total comprehensive income		-		-		19,162	19,162

Shares issued by exercising options	23	-	-	23
Return of capital to shareholders	(22,322)	-	-	(22,322)
Share-based payment expense	-	42	-	42
Balance as at June 30, 2013	\$ 12,183	\$ 2,803	\$ 122,163	\$ 137,149

VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Year ended June 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 19,162	\$ 13,266
Add (deduct) items not requiring cash		
Gain on the sale of property, plant and equipment	(104)	(214)
Gain on the assets held for resale	(3,604)	-
Gain on the sale of intangible assets	(9,694)	(14,618)
Impairment loss on property, plant and equipment	316	-
Depreciation of property, plant and equipment	4,830	5,448
Amortization of deferred development costs	2,271	3,930
Amortization of finite-life intangible assets	148	142
Stock-based compensation	42	83
Income tax expense	7,291	-
Deferred income tax expense	(2,600)	11,608
Interest expense	216	336
Interest income	(410)	(166)
Decrease in other long-term liabilities	(36)	(186)
(Decrease) increase in provisions	(225)	851
Decrease (increase) in investment tax credit asset	2,874	(2,221)
Net change in non-cash working capital relating to operations	3,553	(8,949)
Interest paid	(159)	(317)
Interest received	421	117
Income tax received	7,269	-
Income tax paid	(1,613)	-
	29,948	9,110
Cash flows (used in) provided by investing activities		
Purchase of property, plant and equipment	(2,261)	(3,206)
Proceeds from the sale of property, plant and equipment	293	1,738
Proceeds from the sale of assets held for resale	3,989	-
Proceeds from the sale of intangible assets	10,090	13,647
Purchase of marketable securities	(60,522)	-
Proceeds on sale of marketable securities	35,823	4
Deferred development costs	(7,171)	(6,299)
Purchase of indefinite and finite-life intangible assets	(41)	(311)
	(19,800)	5,573
Cash flows used in financing activities		
Proceeds from shares issued through exercised options	23	-
Return of capital to shareholders	(22,322)	-
Repayment of long-term debt	(250)	(229)
	(22,549)	(229)
(Decrease) increase in cash during the year	(12,401)	14,454
Cash and cash equivalents, beginning of year	19,549	5,095
Cash and cash equivalents, end of year	\$ 7,148	\$ 19,549

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