



## Corporate Update

August 14, 2019

Dear Vislink Technologies shareholders,

I would like to take this opportunity to report on the progress we made in the second quarter of 2019 and provide an update on our latest developments and future prospects.

### Overview

We undertook a difficult but necessary corporate-wide restructuring of our operations in 2018, with the goal of reducing costs and improving efficiency throughout the organization. We substantially achieved these goals by the end of 2018. The remaining aspects of the restructuring were to realign the company, both internally and externally, to better reflect our renewed corporate and operational focus, and to improve our capital structure.

We successfully completed the first of these in Q1 2019. This was accomplished by way of a comprehensive rebranding initiative, in which we brought our corporate and operating brands together under the single entity of Vislink Technologies. Expressing ourselves as a singular global brand has allowed us to communicate with existing and potential customers more cohesively, while emphasizing the company's core values of innovation and leadership in the markets we serve. The reaction we have received to this initiative from all stakeholders has been overwhelmingly positive.

With respect to the second objective, we anticipated having a revised capital structure in place in Q1 2019. This would have allowed us to meet current working capital requirements, as well as extinguish convertible debt we needed to take on in 2018 to help execute on the corporate restructuring. This process took longer than forecasted and was completed after the end of the second quarter. We announced the closing on a \$12 million public offering on July 17, 2019, which enabled us to deploy part of the proceeds to our working capital requirements. Our delivery schedules were impacted in the second quarter because of the delay, reflected in our Q2 results.

With the additional capital in place, we have now begun seeing improvements in our supply chain and deliveries. Also, the additional capital raised allowed us to pay off early, and in full, the convertible debt we had due in September 2019, resulting in a debt-free company and well-positioned for the future.



## Key Financial Results

Regarding non-GAAP charges, when normalizing earnings, we do take into account non-GAAP one-time charges as well as non-cash stock option expenses and discontinued operations. This is critical as we need to understand the impact of our operational decisions on our business. We use these non-GAAP measures for planning purposes and to allow us to assess the performance of our operations as compared to budgets in our recent actions.

Key non-GAAP financial results in Q2 were as follows: Revenues were \$7.5 million, cost of components and personnel was \$3.5 million, and our gross margins were 53%. G&A expenses were \$4.6 million. R&D expenses were \$846,000. Depreciation and amortization were \$588,000. The net loss was \$2.5 million while EBITDA was a negative \$.8 million for the quarter. All of this excludes stock option expenses, one-time charges, and discontinued operations.

As of June 30, we ended the quarter with \$416,000 in cash. Accounts receivable was \$5.6 million. Inventory was \$12.7 million. Total current assets were \$19.7 million. Current liabilities excluding short-term debt, operating lease obligations, deferred revenue and derivative liabilities was \$11.5 million, so roughly \$8.2 million in working capital. Our debt including short term obligations stood at \$5.8 million.

## Q2 2019 Highlights

Among the key business highlights for Q2 2019 were the following:

- We introduced the INCAM-HS, an integrated 4K UHD wireless camera transmitter unit designed for SONY's HDC-5500 multi-format live camera system.
- We partnered with Grass Valley on an all-in-one broadcast solution that includes the Vislink IN-CAM-HG 4K UHD transmitter and Grass Valley's LDX 86N Series camera.
- We introduced the HCAM+ULRX wireless camera solution, which provides end-to-end, ultra-low latency when working with 4K content for broadcast sports and major entertainment event coverage applications.
- We received \$650,000 in airborne video downlink orders from California and Minnesota law enforcement agencies.
- We deployed its wireless camera equipment to cover events at the OGN Super Arena, the largest es-ports studio arena on the U.S. West Coast, and the first esports venue in North America designed specifically for popular "battle royale" esports games.
- We were awarded a \$2.8 million U.S. Army contract for handheld intelligence, surveillance and reconnaissance (ISR) receiver devices.
- Subsequent to the end of the second quarter, the company also closed on a \$12 million public offering that allowed it to pay off convertible debt incurred during 2018 in full and ahead of schedule.

## Operations Updates

During the second quarter, the company realized an additional \$1.3 million of savings primarily related to facilities consolidation. Our Billerica, MA facility was subleased in May 2019 with expected savings over



the term of the lease of \$0.6 million. In addition, our Sunrise, FL lease expired in May 2019, with annual savings of \$0.2 million. Lastly, the company consolidated its Colchester, UK facilities from two sites into one on May 31, 2019, with savings of \$0.5 million through June 2020.

## **Outlook**

Looking forward, we are optimistic that the difficult steps taken over the last year have put the company in a position to reach our objective of realizing sustainable and profitable growth. We have begun to fulfill the backlog we built up during the first and second quarters and expect to ramp up new bookings during the remainder of the year. Our goal is to return to profitability by the end of the year.

We are actively looking to expand our business along three paths. First, grow revenues organically in the markets we currently serve. Our industry leadership in video communications solutions is a key strength we continue to leverage, particularly in burgeoning live production field. Examples of this were the announcements we made in the second quarter about our new 4K product releases designed for top-tier camera manufacturers SONY and Grass Valley.

Second, we are also actively looking at new applications for our technology in growing sectors within our industries. One example was the recent deployments we have begun in the esports market. In addition, we are pursuing opportunities in areas such as transportation, energy and natural resources, where the kind of robust, reliable, long-range video solutions we specialize in are an excellent fit.

Finally, we are actively exploring potential engagements with organizations involved in applying advanced analytics and recognition, including artificial intelligence (AI), machine learning and other capabilities to video systems. There are exciting developments going on in this area that have the potential to significantly impact security, surveillance and general commerce. We believe that some of these could be complementary to our own technologies and contribute to future product development as well as new market opportunities. These could take the form of partnerships, bolt-on acquisitions or other alliances.

On the financial and capital side of the business, we are pleased to report that the company has debt-free balance sheet for the first time, and this has positive ramifications for our ability to support the future growth of the business.

I want to emphasize that we are committed to managing the business with a long-term focus. We do recognize that this approach can sometimes make it challenging to show progress in the horizons that quarterly earnings reporting provides. However, we firmly believe that making decisions that transcend a quarter-to-quarter perspective is the best way to ensure that the company can sustain, grow, and thrive for the benefit of all Vislink Technologies shareholders.

Sincerely,

Roger Branton

CEO and CFO



### **Note on Forward-looking Statements**

This corporate update may contain projections or other forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are the risk that our reduction in operating expenses may impact our ability to meet our business objectives and achieve our revenue targets and may not result in the expected improvement in our profitability, the fact that our future growth depends in part on further penetrating our addressable market and also growing internationally, and we may not be successful in doing so; our dependence on sales of certain products to generate a significant portion of our revenue; the effect of a decrease in the sales or change in sales mix of these products would harm our business; the risks that an economic downturn or economic uncertainty in our key U.S. and international markets may adversely affect demand for our products; difficulty in accurately predicting our future customers demand; the importance of maintaining the value and reputation of our brand; and other factors detailed in the Risk Factors section of our Registration Statement on Form S-1, as amended (No. 333-225975), which is on file with the Securities and Exchange Commission. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended December 31, 2018. These forward-looking statements speak only as of the date hereof or as of the date otherwise stated herein. The Company dis-claims any obligation to update these forward-looking statements.