

Paris, 24 September 2019

FINANCIAL RESULTS FIRST SEMESTER 2019:

GROSS MARGIN UP FROM 52% TO 56%

INCREASE IN NET CASH

In € millions	H1 2018	H1 2019	Variation
Revenues	25.2	24.6	-2%
Cost of goods and third-party services resold	3.0	1.6	-46%
Commercial gross profit	22.2	23.0	+4%
Other cost of revenues	9.0	9.3	+3%
Gross profit	13.2	13.7	+4%
Gross margin	52%	56%	
Research and development	6.4	6.9	+7%
Selling and marketing	4.8	5.4	+12%
General and administrative	2.7	2.9	+9%
Current operating income	(0.7)	(1.5)	-
Operating income	(0.7)	(1.5)	-
Net income, Group share	(0.9)	(1.9)	-

DALET, a leading provider of software solutions for the creation, management and distribution of multimedia content for broadcasters, operators and content producers, has published its financial results for its first half-year ended June 30, 2019.

DALET achieved a turnover of €24.6 million in H1-2019, down -2% compared to H1-2018. This decrease is due primarily to declining hardware resale (-46%), which is a low margin, non-strategic and volatile revenue stream. Excluding hardware resale, revenues were up close to 6%. The commercial gross margin (defined as sales minus cost of goods and third-party services resold) rose by 4% to €23 million, driven by growth in Maintenance (+14%) and Services (+22%).

Gains in gross margin, sustained R&D and marketing efforts

Gross Profit, which includes the cost of services, was up 4% at €13.7 million. The resulting Gross Margin was 55.8%, up 330 basis points year-over-year, largely driven by the improvement in service margins.

Operating expenses increased over the first half of the year, but in line with the budget. In particular, DALET increased its Research and Development expenses (+7%) in order to accelerate the market launch of its innovative Artificial Intelligence offers and the continued transformation of its products towards SaaS and virtualization. The increase in sales and marketing expenses is mainly due to a one-off effort in the first half of the year, particularly on tradeshow expenses, which will be lower in the second half, and to an unfavorable year-over-year differential of €0.2 million in provisions for doubtful accounts. The increased seasonality on expenses impacted operating income, resulting in a half-year loss of €1.5m compared with €0.7m in H1-2018. After financial expenses and tax, net income for the semester amounted to a net loss of -€1.9 million compared with -€0.9 million for the first semester of 2018.



Strong cash generation in H1-2019

Cash flow from operations before cost of debt and income tax was €1 million (of which €0.5 million was related to the application of the new IFRS16 norm on the recognition of leases), and operating cash flow increased from €0.6 million to €4.2 million, thanks to a significant improvement in working capital over the period related to successful collection of receivables balances. The company continues to enjoy a strong capital position, with a net cash balance of €3.4 million at June 30, 2019 (out of €7.8 million total cash), as compared to a net cash balance of €2.1 million at December 31, 2018 (out of €6.5 million total cash).

Acquisition of Ooyala's Flex Media business in July

Subsequent to the end of the first half of the year, DALET announced the acquisition of the assets of Ooyala (Ooyala Flex Media platform) for a total amount of €4.3 million, including €1.7 million in cash and the balance in existing and new shares, representing a dilution of approximately 5%.

This strategic acquisition offers multiple synergies and opportunities:

- Subscription/Recurring Revenue Models: Technological synergies with a flexible platform that will facilitate the development and migration of DALET solutions to subscription models, and the expansion of existing Ooyala product lines;
- Re-invigorate Sports & Corporate Channels: Commercial synergies with access to sports and corporate customers, as well as new customer tiers;
- Staffing & Human Talent: Team synergies with the integration of highly experienced international profiles;
- Expands Total Addressable Market: The Ooyala offering allows Dalet to expand its market opportunity to properly address Tier 2 and OTT customers.

Outlook for 2019

Given normal seasonality, DALET expects revenues to be higher in the second half of the year, with, a significant positive leverage effect on results. In addition, Ooyala's assets will contribute to revenue growth from the third quarter onwards. DALET is well underway with an integration plan that over the next 18 months will restore the profitability of the Ooyala business and limit the expected short-term losses (which losses were fully taken into account in the purchase price). We continue to expect Dalet's performance for 2019 (excluding Ooyala) to be in-line with our prior guidance of continued improvements in commercial gross profits and operating margins. Assuming the continuation of the sales efforts and operational efficiency initiatives underway for the acquired Ooyala business, Dalet targets, on a consolidated basis, break-even operating profitability in 2019 and a return to positive operating profitability in 2020.

Next publication

Q3 revenues on November 5, 2019 after the close of trading



About Dalet Digital Media Systems

Dalet solutions and services enable media organisations to create, manage and distribute content faster and more efficiently, fully maximising the value of assets. Based on an agile foundation, Dalet offers rich collaborative tools empowering end-to-end workflows for news, sports, program preparation, post-production, archives and enterprise content management, radio, education, governments and institutions.

Dalet platforms are scalable and modular. They offer targeted applications with key capabilities to address critical functions of small to large media operations - such as planning, workflow orchestration, ingest, cataloguing, editing, chat & notifications, transcoding, play out automation, multi-platform distribution and analytics.

Dalet solutions and services are used around the world at hundreds of content producers and distributors, including public broadcasters (BBC, CBC, France TV, RAI, RFI, Russia Today, RT Malaysia, SBS Australia, VOA), commercial networks and operators (Canal+, FOX, MBC Dubai, Mediacorp, Mediaset, Orange, Charter Spectrum, Warner Bros, Sirius XM Radio) and government organisations (UK Parliament, NATO, United Nations, Veterans Affairs, NASA).

Dalet is traded on the NYSE-EURONEXT stock exchange (Eurolist C): ISIN: FR0011026749, Bloomberg DLT:FP, Reuters: DALE.PA. For more information on Dalet, visit www.dalet.com

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APPENDIX: DETAILED FINANCIAL INFORMATION H1 2019

INCOME STATEMENT BY FUNCTION (in € thousands)	30 june 2018 6 months	30 june 2019 6 months
Revenues	25 166	24 613
Cost of revenues	-11 965	-10 884
Gross Profit	13 201	13 728
Research and development	-6 423	-6 895
Selling and marketing	-4 839	-5 427
General and administrative	-2 674	-2 909
Current operating income	-734	-1 502
Other income and expenses from operations	16	
Operating income	-718	-1 502
Net financial income (expense)	110	-201
Pre-tax income	-608	-1 703
Income tax	-246	-229
Net consolidated income	-854	-1 932
Net income, Group share	-854	-1 932



BALANCE SHEET	31 dec 2018	30 june 2019
(in euro thousand)		
Goodwill	5 447	5 439
Intangible assets	5 076	5 342
Right-of-use assets (leases)		3 189
Property, plant and equipment	1 176	1 121
Long-term financial assets	390	470
Long-term restricted cash	81	81
Other non-current assets	2 053	2 242
Deferred tax assets	179	208
NON-CURRENT ASSETS	14 401	18 091
Inventories	277	154
Trade receivables	19 746	18 819
Sundry debtors	2 890	4 176
Cash and cash equivalents	6 407	7 771
Current tax assets	1 119	510
CURRENT ASSETS	30 439	31 431
TOTAL ASSETS	44 840	49 521
Capital	7 189	7 189
Premiums	9 682	9 682
Consolidated reserves	-3 146	-1 152
Consolidated income, Group share	2 387	-1 932
Translation reserves	1 480	1 835
Shareholder's equity (attributable to the Group)	17 591	15 622
Non-controlling interests	10	11
SHAREHOLDER'S EQUITY	17 602	15 633
Long-term financial debt	2 747	2 751
Non-current lease debt		2 230
Long-term provisions	683	860
Deferred tax liabilities	486	553
Other non-current liabilities	1 049	1 060
NON-CURRENT LIABILITIES	4 965	7 453
Short-term provisions	9	86
Short-term financial debt	1 618	1 711
Current lease debt		965
Current tax liabilities	144	43
Suppliers	3 882	3 729
Tax and social security liabilities	4 572	4 943
Other creditors	12 049	14 959
CURRENT LIABILITIES	22 273	26 435
TOTAL LIABILITIES	44 840	49 521



STATEMENT OF NET CASH FLOWS	30 june 2018	30 june 2019
(in € thousand)	6 months	6 months
Consolidated net income (including non-controlling interests)	-854	-1 932
+/- Depreciation, amortisation and provisions (except on current assets)	1 619	2 771
+/- Income and expense linked to stock options and similar	29	29
-/+ Gains and losses on disposals	-8	0
Cash flow after cost of net financial debt and tax	786	869
+ Cost of net financial debt	-68	-96
+/- Tax expense (including deferred taxes)	246	229
Cash flow before cost of net financial debt and tax (A)	964	1 001
- Tax paid (B)	-236	-351
+/- Change in working capital requirement from operating activities (including liabilities for employee benefits) (C)	-102	3 547
= NET CASH FLOW FROM OPERATING ACTIVITIES (D) = (A + B + C)	626	4 197
- Cash outflow for acquisitions of property, plant and equipment and intangible assets	-2 000	-2 320
+ Cash from disposals of property, plant and equipment and intangible assets	28	0
+/- Change in loans and advances made	-30	-1
= NET CASH FLOW FROM INVESTMENT ACTIVITIES (E)	-2 002	-2 321
-/+ Repurchase and resale of treasury shares	-28	-268
+ Cash from new borrowings	800	800
- Loan repayments (including finance leases)	-614	-603
- Lease liability repayments	0	-504
- Net financial interest paid (including finance leases)	67	101
+/- Other cash flows from financing activities	-905	3
= NET CASH FLOW FROM FINANCING ACTIVITIES (F)	-679	-470
+/- Impact of changes in exchanges rates (G)	-28	65
= CHANGE IN NET CASH POSITION (D + E + F + G)	-2 083	1 472
<u>Cash at end of period</u>		
Cash and cash equivalents - Bank overdrafts	4 284	7 396
<u>Cash at opening</u>		
Cash and cash equivalents - Bank overdrafts	6 367	5 924