



# Annual Report 2016

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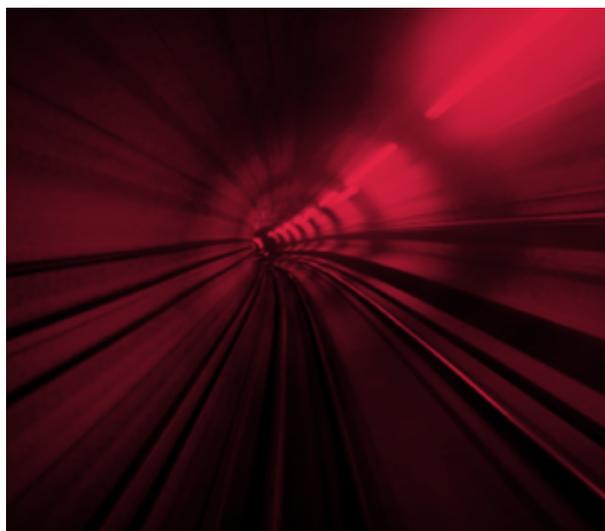
# We're creating the future of media

Net Insight is an innovator in the TV technology of tomorrow. Our offering stretches from the TV camera lens to the studio, right through to the TV viewer. The result is an improved viewing experience and cost-efficient complete solutions for our customers. Net Insight delivers products, software and services for effective, high-quality media transport coupled with effective resource management. We have 500 customers around the world and our customer portfolio includes network operators, TV and production companies. The Net Insight share is listed on Nasdaq Stockholm.

[www.netinsight.net](http://www.netinsight.net)

# The year in brief

2016 was one of Net Insight's most successful years, and we're now bigger and stronger than ever. Our growth is derived from a sharper customer focus and a broader product portfolio in combination with a more efficient organization.



## SIGNIFICANT EVENTS BY QUARTER

Q1

- Net Insight wins major order for nationwide DTT network in central Asia.
- Net Insight awarded Career Company 2016, one of Sweden's top-100 most exciting employers.

Q2

- Sye, the company's solution for true live OTT, is launched commercially.
- Launch of Nimbra Media Gateway, a new media transport solution that supports migration to IP.

Q3

- SIS orders Sye for cost-efficient delivery of video content over the Internet.
- Net Insight wins major order from a leading network operator for a European sporting league.

Q4

- Sye receives several new awards.
- Net Insight receives major order from North American service provider.
- Net Insight moves up to Nasdaq's Mid Cap segment on January 2, 2017.

Key figures	2016	2015	2014
Net sales, SEK millions	503.5	375.8	379.1
Western Europe	231.4	193.1	173.7
Americas	163.2	115.1	168.4
Rest of World	108.9	67.6	36.9
Net sales, adjusted, SEK millions	510.1	379.4	379.1
Operating earnings, SEK millions	52.4	19.2	53.6
Operating earnings, adjusted, SEK millions	61.7	27.6	53.6
Net income, SEK millions	37.4	1.9	41.5
Earnings per share, SEK	0.10	0.00	0.11
Total cash flow, SEK millions	20.9	-101.1	90.4
Equity/assets ratio, percent	77	79	86
Shareholders' equity per share, SEK	1.47	1.37	1.38
Average number of employees	208	155	137

THIS IS NET INSIGHT

## **An innovator in a time of technological transformation**

Net Insight's world-leading technology creates new TV market solutions that benefit producers and viewers alike. This generates new revenue streams on a market undergoing extensive transformation, with old consumption patterns being replaced by new behaviors. Our offering enables us to be a true partner to our customers, and our ambition is to become the market leader based on the new technology.

## SOLUTIONS THROUGHOUT THE VALUE CHAIN

### Offering

Net Insight's operations focus on three key offerings: Nimbra, ScheduALL and Sye. Nimbra is a solution for transport of professional media content over media networks. ScheduALL is a planning tool for automated scheduling, management, planning and booking of all types of resources required for production and distribution of TV content. Sye is the world's only solution to date for live and synchronized TV content distributed over the internet, live OTT. Our solutions stretch from the TV camera lens to the studio, right through to the TV viewer.

### Customers

Net Insight's customer base consists of broadcasters and production companies, telecom, satellite, digital TV, cable TV and IPTV operators. The highest sales share is sourced from network capacity service providers. Net Insight gained several new customers in 2016, reaching over 500 customers in more than 60 countries by the end of the year. Net Insight's strategy is to expand its customer base efficiently by combining the company's salesforce with Net Insight's partner network.

### Market

Net Insight has divided its sales organization into three geographical regions: Western Europe, Americas and Rest of World. Net Insight addresses the market in different ways depending on business segment and customer group. The company operates according to the principle that all business is local. This means that Net Insight's partner network is important, and mainly consists of system integrators and distributors. The company's global partner network has about 50 members. Revenues from Net Insight's partners were 30 percent of total revenue in 2016.

## KEY FIGURES

### Net sales by product group



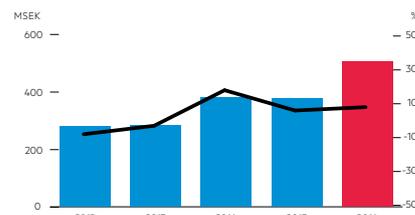
- **Hardware** 45% (55)
- **Software licenses** 24% (19)
- **Support and services** 31% (26)

### Sales share by region



- Americas** 32% (31)
- Western Europe** 46% (59)
- Rest of World** 22% (10)

### Net sales & Operating margins



- **Net sales** — **Operating margins**

## VALUE DRIVERS

The value drivers that affect Net Insight's progress can be divided into the following groups:

### Market transformation

- Increased video traffic
- Increased live streaming
- Demand for increased productivity of content creation
- Expansion of file-based workflows
- Centralized production requires more network capacity
- TV distribution over the internet (OTT) driving more production of TV content

### Innovative technology

- Reduced total cost of ownership (TCO)
- End-to-end orchestration
- Optimized broadband usage
- Enhanced the quality of services over IP networks
- Patents relating to QoS
- Synchronization, scalability

### Global reach

- 500 customers
- 60 countries
- 50 resellers
- International brand recognition of 44%
- Loyal customers – cNPS 48

## AWARDS THIS YEAR

### ★ Fierce Innovation Awards 2016

- **Sye:** Winner in the category "Multiscreen Delivery"
- **Sye:** "Best in Show" for "Best Service Agility Solution"

### ★ TV Technology 2016 NAB Best of Show

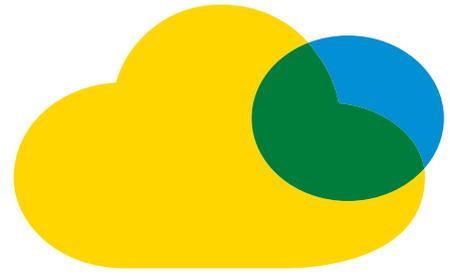
- **Sye:** Winner
- **ScheduALL Portal™:** Winner

### ★ Streaming Media European Readers' Choice Awards 2016

- **Sye:** Winner

## CEO'S STATEMENT

# A year of strategic growth and strong profit



The global TV market is undergoing a major transformation that requires entirely new technology solutions. Traditional market operators are being challenged by new consumer behavior, migration to IP networks, increased costs for broadcasting rights and alternative production and distribution channels.

Net Insight is at the center of this changeable media market. We sat down with the company's CEO, Fredrik Tumegård, to talk about the past year and what can be expected looking ahead.

### **The media landscape is changing and many traditional players are being pressured by changing consumer behavior. What role does Net Insight play in this transformation?**

Overall, our role is to create better and more interesting TV alongside new and profitable business opportunities for our customers. To succeed, three main building blocks are needed: more effective utilization of existing resources, high quality video transmission regardless of distribution channel, and new business models that generate revenue streams.

Our three product lines Nimbra, ScheduALL and Sye provide solutions that meet these demands. Nimbra and ScheduALL allow our customers to control the production process and provide access to the right transmission capacity at the right time. I like to compare it to booking a flight, where the traveler can reserve a seat, add extra comfort options, choose different foods etc. online. It's just as easy to book video capacity with Nimbra and ScheduALL.

Sye, our solution for live OTT, was launched in April 2016. Sye provides TV consumers with entirely new opportunities for viewer participation, aimed at consumers that are already used to accessing simultaneous content on multiple screens. More viewer participation will generate increased revenue for content owners and operators in the future. Sye also effectively opens the door to sales of other Net Insight products.

### **What does Sye offer that isn't already available?**

Sye offers live OTT content in an entirely new way. Traditional technology for live-streamed video content doesn't have the capacity to transmit content on multiple screens and with minimal delay – Sye solves this problem. This means that Sye doesn't only contribute to improving existing technology, it's an entirely new, innovative solution for delivering content that increases the interaction of today's consumers in a way that traditional TV doesn't.

I like to draw the comparison with when smartphones first came on the scene, because the technology behind Sye isn't just revolutionary, it consolidates new behavioral patterns that are already in the process of becoming established.

### **You used the word "revolutionary" – is that accurate?**

Absolutely. Today, many people are turning into "digital loners" who watch content alone, also termed TV 2.0. This means that viewing figures for traditional TV have fallen dramatically for several years, and are continuing to fall.

Like many of our customers, we want people to share the TV experience again. Sye provides the right opportunities for creating the next generation of TV experience, or TV 3.0, where viewing on traditional TV screens is supplemented by content on secondary screens such as smartphones or tablets.

This enables a shared TV experience where viewers are also participants, by interacting on social media, betting, live chatting and using other time-sensitive applications. This generates entirely new revenue streams for our customers.

### **Apart from Sye, what other events stood out in 2016?**

Off the cuff, I'm thinking sports. 2016 was a big year for sporting events, with the European Soccer Championship and summer Olympics. Many of our customers chose to upgrade their technology for these large-scale sporting events, which made a positive contribution to our sales growth. Many customers are now broadcasting TV in 4K Ultra HD. But I also want to emphasize the boost our solution for media over the internet received from Sky News Arabia, who used it to link news agencies around the world, and from France Télévisions, which replaced its satellite-based backup network with our solution.

Otherwise, 2016 was mainly characterized by the integration of ScheduALL which we acquired in October 2015. We've now completed the integration of the company with the Net Insight brand for our customer and product portfolio, and ScheduALL is now one of our three product brands. We consider the acquisition to be of strategic significance, and that the integration was successful. The process was very exciting, and many highly skilled professionals have joined Net Insight as a result.

**Investors showed considerable interest in the acquisition when it was announced in 2015. What were the business results in 2016?**

The acquisition has been very significant. ScheduALL is now an independent product line within Net Insight, providing efficient resource planning solutions for TV equipment, network capacity and staffing. One example is provided by NBC Olympics' broadcasts from the Olympic Games in Brazil. This involved several thousand people and many football fields of equipment, and the ScheduALL software allowed NBC to plan its resources for all aspects of production and distribution.

In 2016, we saw a huge increase in the number of transactions in the ScheduALL Connector Community. The Connector Community is an online market place where different players buy and sell services.

We have also gained access to ScheduALL's customer portfolio, and cross-sales have increased sharply. We're now more relevant to our customers and the Nimbra business wouldn't have grown as much without ScheduALL. Our strong core business provides the foundation of our operations and enables us to continue to focus on product development.

**How would you describe the changes to Net Insight's position in 2016?**

I would begin by stating our global market leadership. We now have global coverage, with more than 500 customers in over 60 countries. Since 2016, we divided our markets into three geographical regions: Western Europe, North and South America and Rest of World. All regions posted a strong year, and we can continue to build on a stable foundation.

The launch of Sye has allowed us to enter the expansive OTT market, which is experiencing high growth of over 17 percent. A broader customer offering means that we're now able to offer an integrated and automated flow all the way from camera lens to TV screen. We're extremely pleased with Sye's results to date, and progress is set to continue in 2017.

We've also recruited many new members of staff, close to 25 percent, mainly in sales and tech development. In conclusion, Net Insight has strengthened its position significantly in 2016.

**What are the consequences of this strengthened position?**

The clearest results can be seen in our high growth rate, with group operating earnings up by SEK 33.1 million and organic growth of 20 percent.

Growth has taken place across the board and throughout all product lines and market segments, and we've seen increased interest in the company generally. Some 80 percent of our customers are repeat customers, which is evidence of high customer satisfaction, something which is also clear from our annual customer survey. This provides us with a stable financial base and reduces risk in the company. The challenge is to raise awareness of what we do, and to continue to win market share globally. Although we've doubled brand awareness in five years, from 22 to 44 percent, we're maintaining that focus to show that Net Insight shapes the media of tomorrow.

**For the second year running, Net Insight was awarded Career Company in Sweden. What does this mean to you?**

On a personal level, it makes me happy and proud, but it's also strategically important for the company. It means that we're one of 100 select employers in Sweden that are seen as secure and attractive. Our staff are obviously critical to our success. The degree of innovation that Net Insight has shown in recent years wouldn't be possible without highly skilled professional staff who enjoy their work.

**In conclusion, could you tell us something about Net Insight's main goals for 2017?**

Without a doubt, our main objective is to put live OTT on the map by continuing the commercial rollout of Sye. This is a revolutionary technology that we're pioneering, and which we believe strongly in – not just for Net Insight's benefit but for the entire TV and entertainment industry. We obviously want this to happen as quickly as possible. At the same time, we also need to be humble and understand that technological change takes time. Even though we're already there in terms of the technology, time is also needed for other parts of the value chain to realign their business models, program formats and content.

The transformation of the media market is a journey we're making alongside our customers and partners. We see ourselves as educators and advisors to market operators who are looking to navigate the new landscape effectively. Although this might seem like bewildering times to many people, at Net Insight we see a future full of opportunities.

Stockholm, Sweden, March 2017

**Fredrik Tumegård  
CEO**

