KIT digital Reports Record Q3 2011 Results

Revenue Up 124% Y-o-Y and 29% Sequentially to $62.3 Million and Op. EBITDA Up 223% Y-o-Y and 49% Sequentially to $14.3 Million, Delivering Net Income of $4.8 Million or $0.11 per Share

PRAGUE, Czech Republic and NEW YORK, New York – November 9, 2011 – KIT digital, Inc. (NASDAQ: KITD), a premium software solutions and technology services provider for multi-screen, multi-platform video management and delivery, reported third quarter results for the period ended September 30, 2011. All figures are listed in U.S. dollars.

Q3 2011 & Outlook Highlights

- Revenue up 29% sequentially to record $62.3 million and up 124% over Q3 2010;
- On an organic basis, revenue was up 11% sequentially (off of pro forma Q2 revenues of approximately $56 million), implying an annualized organic growth pace of over 40%;
- GAAP net income totaled $4.8 million or $0.11 per basic and diluted share, compared to net losses in all comparable periods;
- Operating EBITDA up 49% sequentially to record $14.3 million and up 223% over Q3 2010;
- Integration expenses from previous acquisitions totaled $2.6 million during Q3, with no such expenses expected for Q4;
- Added more than 30 net new clients during the quarter, with over $35,000 per month in average revenue;
- Q4 2011 guidance of at least $67 million in revenue and $17.5 million in EBITDA;
- Reaffirmation of revenue guidance of at least $300 million in 2012, with a “positive bias;” projected to reach EBITDA margin in the vicinity of 30% by the end of 2012;
- Non-GAAP adjusted EPS guidance of at least $0.33 per basic share in Q4 2011 and at least $1.45 per basic share in FY 2012.

Q3 2011 Financial Results

Revenue in the third quarter of 2011 increased 29% sequentially to a record $62.3 million from $48.2 million in the previous quarter, and increased 124% from $27.7 million in the same quarter a year ago. Excluding the effect of acquired companies during the comparable periods, the company estimates organic growth in Q3 was 11% sequentially and over 35% versus the same year-ago quarter.

The company estimates approximately 71% of the revenues in Q3 were related to video platform fees, and approximately 29% were derived from fees related to broadcast systems integration, solutions and interface design, content transformation and other professional services.

GAAP net income was $4.8 million or $0.11 per basic and diluted share in the quarter, an improvement from a net loss of $19.8 million or $(0.49) per basic and diluted share in the previous quarter, and an improvement from a net loss of $8.0 million or $(0.34) per basic and diluted share in the third quarter of 2010.

Operating EBITDA, a non-GAAP metric that management has historically used as a proxy for operating cash flow, increased 49% to a record $14.3 million or $0.34 per basic and diluted share from $9.6 million or $0.24 per basic and diluted share in the previous quarter, and increased 223% from $4.4 million or $0.19 per basic and diluted share in the third quarter of 2010 (see important discussion of operating EBITDA in "About the Presentation of Operating EBITDA," below).

Research and development (R&D) expenses for the third quarter of 2011 were estimated at approximately 7% of total revenue. While the company will continue to expense rather than capitalize R&D as an accounting policy, it plans to formally break out R&D expenses in the reporting of overall general and administrative expenses starting in 2012.

Cash and cash equivalents at September 30, 2011 totaled $60.0 million, as compared to $37.8 million at June 30, 2011. The increase in Q3 was primarily due to the public offering completed on September 20, 2011, which was offset by cash outlays in Q3 related to integration of prior acquisitions and residual payments of consideration for acquisitions closed in Q2.

Common shares outstanding at September 30, 2011 were 46.2 million. The company estimates that approximately 3.5 million shares may be issued related to acquisition-related non-cash employee incentive compensation and existing earn-out provisions from previous acquisitions over the next several years, contingent upon superlative financial and operational performance.

The company's client base totaled approximately 2,400 customers at September 30, 2011.

Selected Q3 2011 Commercial Wins

- Liberty Global, a leading international multi-systems cable operator, has selected KIT to design, build and host the platform driving its new Internet Protocol (IP)-based video-on-demand and live streaming over-the-top (OTT) service;
- LG Electronics chose KIT to provide IP video platform technology, content and professional services to the company's Home Entertainment Division for its Smart TV platform;
- British Sky Broadcasting (Sky), the most comprehensive multichannel, multi-platform television service in the UK and Ireland, selected KIT digital to support and manage its new

multiplatform TV service, Sky Go. Sky Go allows Sky pay TV subscribers to access their standard service via PCs and iPad devices, including additional movies and sports on-demand as well as live streaming of top-tier sporting events;

- KIT was also engaged to deliver the new over-the-top pay TV capability of Sky Deutschland (Sky DE), available in Germany and Austria;
- Harmonic and KIT digital expanded their traditional reseller relationship to form a strategic alliance focused on jointly delivered solutions, transforming tier 1 global broadcasters and network operators into providers of cloud-based, multi-screen/multi-platform next generation video experiences;
- Airbus, one of the world's leading aircraft manufacturers, chose the KIT Video Platform to facilitate communicate with its employees globally, as well as publish and distribute content to an expanded audience of corporate stakeholders;
- Maasranga, a part of the Bangladesh-based communications, IT and healthcare conglomerate, Square Group, selected KIT to help it launch the first fully IP-based digital, HD and 3G-enabled rich media network in Bangladesh;
- Celvision Technologies and imcube labs chose KIT to co-develop an end-to-end solution that joins content services and the KIT Video Platform technology to enable any media company, device manufacturer, network operator or enterprise to produce, manage and deliver 3D video over IP across multiple screens;
- KIT was engaged by The Associated Press to implement a next generation, HD-capable upgrade of its global master control rooms for news bureaus in Paris, Rome, Johannesburg, Moscow, Jerusalem, Ramallah and Gaza, including all systems integration and training of APTN staff;
- Volkswagen Group extended its contract with KIT in order to roll out external communications using IP video internationally. Volkswagen is launching a media campaign on connected TVs using an HBBTV application, which will stream video content using the KIT Video Platform and allow users to interact with advertising;
- A large European media group chose KIT to deliver a full multiplatform OTT solution using the KIT Video Platform, including both linear and on-demand TV-to-PC and hybrid set-top box environments; and
- A major cable operator in the Americas chose KIT to launch one of the most comprehensive multi-platform OTT premium content services to date.

Management Commentary
“These record results, particularly in what has historically been a seasonally weak quarter, reflect our ability to drive strong organic revenue growth while increasing the operating leverage and margin profile of our business,” said KIT digital’s chairman and CEO, Kaleil Isaza Tuzman. “The third quarter marked an important milestone for the company, as we crossed over to GAAP net profitability and recognized the last remaining restructuring and integration charges related to

the acquisitions we completed in the first half of the year. This will allow us to take advantage of strong free cash flow generation going forward, which we expect to be at least $2.5 million per month by the end of Q4.

"We are supported by the growth of our sector, driven by the ongoing proliferation of connected devices, enhanced broadband connectivity, and global 4G and LTE introduction. Our KIT Video Platform is rapidly becoming a 'core vendor' solution set for large MSOs, telcos and major broadcasters taking advantage of these trends."

Gavin Campion, KIT digital's president, commented: "This industry-wide evolution from traditional broadcast television to multi-screen OTT and multi-platform premium VoD solutions is evidenced by many large commercial wins and upsells we have recently announced, including Sky, Liberty Global, LG Electronics and AT&T. The $32 million funding we completed in September and the resulting stronger balance sheet have been instrumental in facilitating the establishment or expansion of these large-scale deployments. We estimate this has already translated into more than $25 million in annualized contract extensions and new client wins for 2012.

"We also delivered a defining quarter from a technology perspective. We released the KIT Video Platform, our next generation cloud-based video asset management system, in both the tier 1-oriented KIT Cosmos edition and the mid-tier KIT Cloud edition. This release represents the culmination of more than a year of internal development and innovation, as well as the integration of 'best-of-breed' elements from recently acquired companies."

The company launched three further components of the KIT Video Platform in Q3: the KIT Connected Device Framework, KIT Social TV and the KIT Operations Manager.

- The KIT Connected Device Framework addresses a lack of common industry standards for video delivery across device platforms, providing a unified consumer experience and single editorial workflow for high quality content delivery across many of the industry's leading smartphones, tablets, game consoles, Smart TV's and OTT retail STBs.
- The KIT Social TV solution, based on technologies acquired from KickApps, Kyte and Polymedia at the beginning of 2011, allows multi-channel video service providers to offer socially enabled experiences around the TV viewing experience with second-screen companion content and interactivity.
- The KIT Operations Manager is an underlying operational support system for the KIT Video Platform's broadband head-end deployments, ensuring broadcast-grade levels of reliability with lower cost and time to market than traditional hardware and labor-intensive solutions. The KIT Operations Manager, initially developed within ioko, represents years of development and monitors and manages systems and signal uptime, content delivery network and storage calls and adaptors with clients' billing, identity management and CRM Systems.

Campion continued: “As we advance into Q4 and plan for 2012, our product offering is stronger than ever and we have a strong client pipeline in all the client verticals that are undergoing major transitions to multiscreen IP video. This includes telcos, cable and satellite pay TV operators looking to deliver competitive ‘TV Everywhere’ initiatives, as well as device manufacturers acting as virtual network operators, and non-media enterprises shifting to IP video for internal communications and training.”

Growth Outlook
KIT digital expects revenues in Q4 2011 of at least $67 million, representing a prospective 8% sequential and organic increase over Q3, and up 74% from $38.4 million in the same year-ago period. This Q4 guidance implies a revenue expectation for the full year of 2011 of approximately $212 million, representing an increase over 2010 of approximately 100% overall and more than 35% organically.

KIT digital expects record operating EBITDA in Q4 2011 of approximately $17.5 million, representing an increase of over 20% sequentially, and up over 150% from $6.7 million in the same period a year ago.

In Q4 2011, the company plans to include the reporting of a new non-GAAP metric, “adjusted EPS,” which is defined as cash EPS after adding back direct acquisition fees. The company will not add back acquisition-related restructuring and integration expenses in calculating this adjusted EPS metric. Management believes adjusted EPS will provide a more transparent measure of its financial performance than the historical operating EBITDA metric, and is more appropriate to the company’s current net income-positive and cash-generative phase of development.

Management expects to report adjusted EPS in Q4 2011 of at least $0.33 per share, and adjusted EPS of at least $1.45 per share for the full year of 2012.

Although KIT digital management expresses an upward revision bias to its previously stated 2012 revenue guidance, for now it reaffirms the expectation of at least $300 million of revenues next year, with an organic growth rate for 2012 of approximately 25-30% (given expected pro forma revenues of approximately $238 million for 2011 when back-dating acquisitions completed during the year to January 1, 2011).

In terms of M&A outlook, in the normal course of business the company continues to evaluate regional competitors and complementary product-focused acquisitions, with a bias towards funding such acquisitions out of future operating cash flow.

Conference Call
KIT digital’s executive management team will host an online video broadcast to discuss its third quarter 2011 results today (November 9, 2011) at 10:30 a.m. Eastern time (4:30 p.m. Central European time). The presentation will be followed by a question and answer period.

The video broadcast of the presentation will be streamed online via a link provided in the Investor Relations section of the company's website. Please go to the website at least a few minutes before the call in order to register your name and access the video player page.

The Q&A session will not be video webcasted. For participants who wish to listen to and participate in the Q&A session, or access the call via telephone only, please dial the conference telephone number below at least 5-10 minutes prior to the scheduled start time:

Date: Wednesday, November 9, 2011
Time: 10:30 a.m. Eastern time (4:30 p.m. Central European time)
Dial-in # (North America): + 1-877-941-8418
Dial-in # (outside of North America): + 1-480-629-9809
Conference ID: 4483447

If you are planning to watch the video broadcast, but will also dial in to participate in the Q&A session following management's presentation, please remember to place your telephone handset down until the Q&A session begins and listen to management's presentation through your computer speakers. This will help avoid the necessary audio lag time between the phone line and the Internet audio streaming.

If you have any difficulty connecting with the conference call, please contact Liolios Group at +1-949-574-3860.

An online replay of the entire broadcast and Q&A will be available via the Investor Relations section of the company's website later today. A telephone replay of the call will also be available after 1:30 p.m. Eastern time and until December 9, 2011:

Toll-free replay # (North America): + 1-877-870-5176
International replay # (outside of North America): + 1-858-384-5517
Replay pin number: 4483447

About KIT digital, Inc.
KIT digital (NASDAQ: KITD) is a premium provider of end-to-end video management software and related services. The KIT Video Platform, the company's cloud-based video asset management system, enables enterprise, media & entertainment and network operator clients to produce, manage and deliver multiscreen socially-enabled video experiences to audiences wherever they are. KIT digital services more than 2,400 clients in 50+ countries including some of the world's biggest brands, such as Airbus, The Associated Press, AT&T, BBC, Bristol-Myers Squibb, BSkyB, Disney-ABC, FedEx, Google, HP, Mediaset, MTV, News Corp, Telecom Argentina, Telefonica O2, Universal Studios, Verizon, Vodafone and Volkswagen. KIT digital maintains executive offices in New York and its operational headquarters in Prague, Czech Republic, with offices in 21 countries around the world. Visit the company at www.kitd.com or follow on Twitter at www.twitter.com/KITdigital.

About the Presentation of Operating EBITDA

Management uses operating EBITDA for forecasting and budgeting, and as a proxy for operating cash flow. Operating EBITDA is not a financial measure calculated in accordance with U.S. generally accepted accounting principles (GAAP) and should not be considered in isolation, or as an alternative to net income, operating income or other financial measures reported under GAAP. The company defines operating EBITDA as earnings before: non-cash derivative income/loss, non-cash stock based compensation; acquisition-related restructuring costs and integration expenses; impairment of property and equipment; merger and acquisition expenses; and depreciation and amortization. Other companies (including the company's competitors) may define operating EBITDA differently. The company presents operating EBITDA because it believes it to be an important supplemental measure of performance that is commonly used by securities analysts, investors and other interested parties in the evaluation of companies in a similar industry. Management also uses this information internally for forecasting, budgeting and performance-based executive compensation. It may not be indicative of the historical operating results of KIT digital nor is it intended to be predictive of potential future results. See "GAAP to non-GAAP Reconciliation" table below for further information about this non-GAAP measure and reconciliation of operating EBITDA to net loss for the periods indicated. For the second quarter 2011 reconciliation of operating EBITDA, please refer to the table issued in the second quarter 2011 press released on August 9, 2011, which is available online in the company's investor relations section, under "Quarterly Results" at www.kitd.com.

GAAP to non-GAAP Reconciliation (amounts in thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Consolidated Statement of Operations Reconciliation				
Net income (loss) on a GAAP basis	$ 4,788	$ (7,974)	$ (27,516)	$ (26,758)
Non-cash stock-based compensation	5,546	1,273	11,957	2,910
Merger and acquisition and investor relations expenses	498	1,306	16,664	3,411
Depreciation and amortization	3,015	2,407	8,624	6,110
Restructuring charges	-	(93)	3,352	3,481
Integration expenses	2,624	4,535	21,022	10,834
Interest income	(34)	(5)	(175)	(33)
Interest expense	682	223	1,342	563
Amortization of deferred financing costs	104	19	198	33
Derivative (income) expense	(628)	1,451	(3,670)	10,526
Other (income) expense	(1,535)	1,263	(1,009)	475
Income tax (benefit) expense	(788)	10	126	24
Operating EBITDA income	$ 14,272	$ 4,415	$ 30,915	$ 11,576
Consolidated Statement of Operations Reconciliation per Share				
Basic net income (loss) per share on a GAAP basis	$ 0.11	$ (0.34)	$ (0.74)	$ (1.37)
Non-cash stock-based compensation	0.13	0.05	0.32	0.15
Merger and acquisition and investor relations expenses	0.01	0.06	0.45	0.17
Depreciation and amortization	0.07	0.10	0.23	0.31
Restructuring charges	-	-	0.09	0.18
Integration expenses	0.06	0.19	0.57	0.55
Interest income	-	-	-	-
Interest expense	0.02	0.01	0.04	0.03
Amortization of deferred financing costs	-	-	0.01	-
Derivative (income) expense	(0.01)	0.06	(0.10)	0.54
Other (income) expense	(0.03)	0.06	(0.03)	0.03
Income tax (benefit) expense	(0.02)	-	-	-
Operating EBITDA income per share	$ 0.34	$ 0.19	$ 0.84	$ 0.59
Basic weighted average common shares outstanding	42,553,768	23,355,298	36,978,752	19,581,084

Important Cautions Regarding Forward-Looking Statements

This press release contains certain "forward-looking statements" related to the businesses of KIT digital, Inc., which can be identified by the use of forward-looking terminology, such as "believes," "expects," “intends,” “anticipates”, “reaffirms”, “guides” and variations of such words or similar expressions, but their absence does not mean that the statement is not forward-looking. Statements in this announcement that are forward-looking include, but are not limited to, statements made by management regarding the future exposure to acquisition earn-outs, future lock-up release schedules, the attainment of estimated levels of revenues, operating EBITDA and adjusted EPS in Q4 2011 and in the full year 2012, the attainment of estimated operating EBITDA levels for the full year 2011 and EBITDA margins by the end of 2012, and the attainment of monthly free cash-flow levels by the end of Q4 2011. Such forward-looking statements involve known and unknown risks and uncertainties, including uncertainties relating to product development and commercialization, integration of acquired businesses, the ability to obtain or maintain patent and other proprietary intellectual property protection, market acceptance, future capital requirements, regulatory actions or delays, competition in general and other factors that may cause actual results to be materially different from those described herein. Certain of these risks and uncertainties are or will be described in greater detail in our public filings with the U.S. Securities and Exchange Commission. Except as required by U.S. federal securities laws, KIT digital is not under obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

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KIT DIGITAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Share Data)

	September 30, 2011 (Unaudited)	December 31, 2010 (A)
Assets:		
Current assets:		
Cash and cash equivalents	$ 60,047	$ 141,233
Restricted cash	595	2,000
Investment	1,709	1,050
Accounts receivable, net	66,069	29,349
Unbilled revenue	12,174	537
Inventory, net	449	301
Loan receivable, current portion	3,641	2,486
Other current assets	12,797	5,104
Total current assets	157,481	182,060
Property and equipment, net	10,841	5,987
Loan receivable, net of current	6,328	8,361
Deferred tax assets	448	-
Intangible assets	35,489	13,248
Goodwill	244,781	89,004
Total assets	$ 455,368	$ 298,660
Liabilities and Stockholders' Equity:		
Current liabilities:		
Capital lease and other obligations, current portion	$ 504	$ 608
Secured notes payable, net of debt discount, current portion	5,035	1,709
Accounts payable	17,857	12,740
Accrued expenses	12,752	6,411
Deferred revenue	4,439	4,223
Income tax payable	4,457	858
Deferred tax liability	11,454	682
Acquisition liabilities, current portion	8,359	2,115
Derivative liability	565	6,096
Other current liabilities	12,478	2,887
Total current liabilities	77,900	38,329
Capital lease and other obligations, net of current	266	175
Secured notes payable, net of current	13,658	4,127
Acquisition liabilities, net of current	11,977	10,405
Total liabilities	103,801	53,036
Equity:		
Stockholders' equity:		
Common stock, $0.0001 par value: authorized 80,000,000 shares; issued and outstanding 46,156,204 and 33,196,952, respectively	5	3
Additional paid-in capital	510,518	375,578
Accumulated deficit	(156,719)	(129,203)
Accumulated other comprehensive income (loss)	(2,237)	(754)
Total stockholders' equity	351,567	245,624
Total liabilities and stockholders' equity	$ 455,368	$ 298,660

(A) - Reference is made to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2010, filed with the U.S. Securities and Exchange Commission on August 3, 2011.

KIT DIGITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Amounts in Thousands, Except Share and Per Share Data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenue	$ 62,276	$ 27,746	$ 144,914	$ 68,165
Variable and direct third party costs:				
Cost of goods and services (exclusive of depreciation shown separately below)	10,210	11,472	33,300	22,190
Hosting, delivery and reporting	3,058	671	6,655	3,035
Content costs	142	262	580	746
Direct third party creative production costs	655	1,074	1,337	2,620
Total variable and direct third party costs	14,065	13,479	41,872	28,591
Gross profit	48,211	14,267	103,042	39,574
General and administrative expenses:				
Compensation, travel and associated costs (including non-cash stock-based compensation of $5,546, $1,273, $11,957 and $2,910, respectively)	33,740	7,359	68,198	21,545
Legal, accounting, audit and other professional service fees	736	425	2,251	1,645
Office, marketing and other corporate costs	5,009	3,341	13,635	7,718
Merger and acquisition and investor relations expenses	498	1,306	16,664	3,411
Depreciation and amortization	3,015	2,407	8,624	6,110
Restructuring charges	-	(93)	3,352	3,481
Integration expenses	2,624	4,535	21,022	10,834
Impairment of intangible assets	-	-	-	-
Total general and administrative expenses	45,622	19,280	133,746	54,744
Income (loss) from operations	2,589	(5,013)	(30,704)	(15,170)
Interest income	34	5	175	33
Interest expense	(682)	(223)	(1,342)	(563)
Amortization of deferred financing costs and debt discount	(104)	(19)	(198)	(33)
Derivative income (expense)	628	(1,451)	3,670	(10,526)
Other (expense) income	1,535	(1,263)	1,009	(475)
Net income (loss) before income taxes	4,000	(7,964)	(27,390)	(26,734)
Income tax benefit (expense)	788	(10)	(126)	(24)
Net income (loss) available to common shareholders	$ 4,788	$ (7,974)	$ (27,516)	$ (26,758)
Basic and diluted net income (loss) per common share	$ 0.11	$ (0.34)	$ (0.74)	$ (1.37)
Basic weighted average common shares outstanding	42,553,768	23,355,298	36,978,752	19,581,084
Diluted weighted average common shares outstanding	43,434,416	23,355,298	36,978,752	19,581,084
Comprehensive income (loss):				
Net income (loss)	$ 4,788	$ (7,974)	$ (27,516)	$ (26,758)
Foreign currency translation	(1,416)	3,022	(1,492)	971
Change in unrealized gain on investments, net	(46)	75	9	91
Comprehensive income (loss):	$ 3,326	$ (4,877)	$ (28,999)	$ (25,696)