

## Vecima reports Q2 fiscal 2009 results

*- Revenue up 33%, operating income more than triples from the first half of last fiscal year -*

**VICTORIA, BC** – (February 12, 2009) – Vecima Networks Inc. (“Vecima” or “the Company”) (TSX:VCM), today reported its second quarter and six-month financial results for the period ended December 31, 2008. (All dollar amounts are in Canadian funds unless otherwise stated.)

### Highlights:

- 34% increase in second quarter revenue to \$36.9 million compared with \$27.4 million in fiscal 2008; six month sales up 37% over the same period last fiscal year;
- second quarter gross margin 47% compared to 40% last year; first half gross margin of 49% in fiscal 2009 compared with gross margin of 40% in prior year period;
- 172% increase in operating income in second quarter to \$7.1 million from \$2.6 million last year; 226% increase in operating income to \$17.8 million in the six month period ended December 31, 2008 compared with \$5.4 million in the same period last fiscal year;
- 33% year-over-year growth in converged wired products for the second quarter reflecting rising worldwide demand for broadband access; 47% increase year-to-date compared to the first six months of last fiscal year;
- 46% year-over-year increase in broadband wireless sales from the second quarter last year;
- YourLink sales increased 26% to \$2.8 million in the second quarter compared to \$2.2 million in the three months ended December 31, 2007; year-to-date YourLink revenue is up 25% to \$5.2 million compared to \$4.1 million for the first half of last fiscal year;
- announced a multi-year engineering, supply and maintenance contract with a leading, US-based Cable multiple system operator (MSO) for a new product for all-digital cable networks;
- launched VistaMAX, an FCC-certified, 3.65 GHz, WiMAX-compliant base and subscriber stations;
- signed supply agreement with Cisco for next generation upconverter module for use in the CMTS products; and
- subsequent to quarter end, announced partnership between Spectrum Signal Processing and LiveTV LLC to supply next generation radios for LiveTV’s connectivity system permitting sending and receiving of email from aircraft while in-flight.

“Strong continued demand from bandwidth infrastructure partners like Cisco and Motorola combined with the ongoing need for major cable companies to provide customers with additional bandwidth led to significant growth in the second quarter,” said Dr. Surinder Kumar, Chairman and CEO. “While not immune to worsening macroeconomic conditions, we have been able to effectively manage our operations and generate solid improvements in revenue and gross margin, in excess of historical

February 12, 2009

levels, as we focused on some key opportunities in our converged wired business. Looking ahead, we will focus on executing our multi-prong growth strategy and working closely with key customers in an effort to mitigate volatility in the near-term and generate continued meaningful improvements in our financial performance over the longer-term.”

## **Financial Review**

Total revenue for the second quarter was \$36.9 million, an increase of 34% over sales in the second quarter of the previous fiscal year. Total sales for the first half of fiscal 2009 increased by 37%, to \$73.6 million, up from \$53.8 million for the six months ended December 31, 2007.

Sales in the Converged Wired Solutions market increased 33%, to \$26.9 million for the three months ended December 31, 2008, compared with \$20.3 million in the second quarter of fiscal 2008. Sales in this market increased 47% to \$56.2 million for the six months ended December 31, 2008, compared with \$38.2 million last fiscal year. The increases came from strong demand for edge decoders from Cable MSOs and solid sales of data-over-cable internet transmitters to original equipment manufacturers (OEMs).

Broadband Wireless sales increased 26% to \$2.8 million for the second quarter of this fiscal year, compared with \$2.2 million for the three months ended December 31, 2007. Wireless sales increased 7% to \$12.3 million for the six months ended December 31, 2008 compared with \$11.5 million for the first half of fiscal 2008. The increase in the second quarter was driven by an increase in WiMAX sales and growth in shipment of Broadband Wireless Internet Network (BWIN) equipment.

YourLink revenue increased 26% to \$2.8 million for the three months ended December 31, 2008, compared with \$2.2 million in the second quarter of fiscal 2008; and increased 25%, to \$5.2 million, for the six-month period, compared with \$4.1 million in the same period last fiscal year. Much of the YourLink revenue increase resulted from new enterprise installations.

Gross margin was 47% in the second quarter, providing a gross profit of \$17.3 million, compared with a gross margin of 40% for the second quarter of fiscal 2008 that provided a gross profit of \$11.0 million. Gross margin was 49%, providing a gross profit of \$36.0 million for the first six months of the 2009 fiscal year, compared with a gross margin of 40% that provided a gross profit of \$21.6 million for the six months ended December 31, 2007. Product mix and manufacturing efficiencies contributed to the increased gross margin.

Operating expenses for the second quarter this year increased 22% to \$10.2 million, compared with \$8.3 million, for the same period in the prior year. The increase included a 3% increase in research

and development and a 15% increase in sales and marketing expenses. Operating expenses increased 13% to \$18.2 million for the six months ended December 31, 2008, compared with \$16.1 million for the first six months of the prior fiscal year. The change in operating expenses included a 5% decrease in research and development reported on a GAAP basis, from the significant increase in M-DTA development cost deferred until commercial production commences, and an 8% increase in sales and marketing expenses.

The operating expense margin for the second quarter of fiscal 2009 was 28% of revenue, compared with 30% of sales in the second quarter last year. Strategic plans implemented in prior periods were successful in delivering increased sales and reduced the operating expense margin. Operating expenses for the first half of the 2009 fiscal year increased to \$18.2 million, or 25% of sales, compared with \$16.1 million, or 30% of sales, for the six months ended December 31, 2007.

With gross margin up, and operating expense margin down, operating income for the second quarter of fiscal 2009 increased 172% to \$7.1 million, or \$0.31 per share, compared with \$2.6 million, or \$0.11 per share for the three months ended December 31, 2007. Operating income for the six months ended December 31, 2008 increased 226% to \$17.8 million, or \$0.77 per share, compared with \$5.4 million, or \$0.23 per share, for the first six months of fiscal 2008.

Deteriorating global economic conditions in recent months have brought high levels of volatility to the currency market, which has made managing foreign exchange very challenging. Vecima previously entered into forward foreign exchange transactions to lock-in the value of United States dollars it would be receiving on expected US dollar receipts at rates available in its first fiscal quarter. Those rates were much lower than at exercise and foreign exchange losses resulted in a significant decrease in net income before taxes. The foreign exchange loss for the six months ended December 31, 2008 was \$5.3 million compared to a gain of \$0.3 million in the same period last fiscal year. Of the total loss, \$3.7 million resulted from the mark-to-market of forward hedges falling due in the third and fourth quarters of fiscal 2009. Since we have marked-to-market our foreign exchange contracts maturing from January to June, 2009, bottom-line impacts of foreign exchange movements should be substantially reduced in upcoming quarters.

For the three months ended December 31, 2008, management's disciplined focus on expense containment translated into net income of \$1.0 million, or \$0.04 per share, down from \$2.0 million, or \$0.09 per share, in the second quarter last year. Vecima's net income increased 106% to \$8.8 million, or \$0.38 per share, for the six months ended December 31, 2008 compared with \$4.3 million, or \$0.18 per share, for the same period last fiscal year.

February 12, 2009

Working capital remained strong at \$59.8 million at December 31, 2008, up from \$51.7 million as at June 30, 2008. Total assets increased 6% to \$153.7 million at December 31, 2008 compared to \$144.4 million at June 30, 2008

As at December 31, 2008, the Company had outstanding a total of 22,964,000 common shares.

#### Outlook:

Vecima generated outstanding results for the first half of the 2009 fiscal year. Consumer appetite for bandwidth and digital video streaming has caused increased demand for infrastructure products for digital television and data-over-cable services. The Company has implemented process improvements and increased production staff levels in Saskatoon and Victoria. Dedicated efforts by employees allowed Vecima to deliver record production in the first half of fiscal 2009 while laying a solid foundation for continued growth in the future periods.

New product introductions, greater success within its acquired business units and growing demand for existing products have allowed Vecima to generate 30% growth in revenue compounded annually over the past five fiscal years. The compound annual growth rate of ordinary profit over the same time period has been 33%.

Vecima is not immune to current macroeconomic conditions and is seeing signs of softening demand as end customers conserve cash by reducing capital purchases. Market conditions have affected visibility and shipment requirements forecasting by our major customers, which will add even more 'lumpiness' to quarterly results than the Company has experienced in the past. However, based on contracted and expected sales to major customers and the introduction of the new M-DTA product, the Company expects it will continue to grow revenue in fiscal 2009 at historical levels of 20% to 30% on an annual basis.

Vecima continues to strengthen its balance sheet by increasing capital assets, growing retained earnings and reducing the draw on its bank line of credit. In the first half of the 2008 fiscal year, the Company generated \$13.9 million in cash from operations that improved its cash position by \$5.2 million, in addition to investing \$5.4 million in capital assets, paying \$4.6 million in deferred development costs and repurchasing \$0.1 million in shares through a Normal Course Issuer Bid. These investments will allow Vecima to continue to improve manufacturing capacity, fuel the research and development and sales pipelines and provide increased benefit to shareholders.

The Company's full consolidated financial statements and management's discussion and analysis for the three months and six months ended December 31, 2008 is posted on [www.SEDAR.com](http://www.SEDAR.com).

Vecima's consolidated financial statements and accompanying notes for the three months and six months ended December 31, 2008 are available at [http://www.vecima.com/financials\\_ir.php](http://www.vecima.com/financials_ir.php). A conference call and live audio webcast will be held on February 12, 2009 at 11 a.m. EST to discuss the results. To participate in the teleconference, dial 617-213-8892 or 866-271-0675 and enter the code 69685997. The second quarter fiscal 2009 earnings call webcast is available at [http://www.vecima.com/events\\_ir.php](http://www.vecima.com/events_ir.php).

All dollar amounts are in Canadian dollars.

#### **About Vecima Networks**

Vecima Networks Inc. (TSX:VCM) designs, manufactures and sells products that enable broadband access to cable, wireless, fibre 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. [www.vecima.com](http://www.vecima.com)

#### **Forward-Looking Statements**

Certain statements in this news release may constitute forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this news release, such statements are generally identified by the use of such words as "may", "will", "expect", "believe", "plan", "intend" and other similar terminology. These statements reflect Vecima's current expectations regarding future events and operating performance and speak only as of the date of this news release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors including, but not limited to, the factors discussed under "Risk Factors" in the Company's Annual Report dated September 25, 2008 available on SEDAR ([www.sedar.com](http://www.sedar.com)), could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the

February 12, 2009

forward-looking statements contained in this news release are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this news release, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

**Vecima Networks**

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