



RealNetworks Announces Fourth Quarter and Full-Year 2011 Results

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SEATTLE – February 15, 2012 – RealNetworks, Inc. (Nasdaq: RNWK) today announced results for the fourth quarter and fiscal year ended Dec. 31, 2011.

Quarterly Highlights:

- Revenue of \$80.2 million
- Net loss of \$(2.8) million or \$(0.08) per share
- Adjusted EBITDA of \$3.8 million
- Operating cash flow of \$6.7 million

Full Year Highlights:

- Revenue of \$335.7 million
- Net loss of \$(27.1) million or \$(0.79) per share
- Adjusted EBITDA of \$17.7 million
- Cash and short term investments of \$185.1 million as of December 31, 2011

"We are clearly not satisfied with the company's 2011 performance and, as a result, we have an increased sense of urgency to refocus RealNetworks for growth and profitability," said Thomas Nielsen, President and CEO of RealNetworks. "We are already taking steps to simplify our existing businesses, restructure our company and unlock shareholder value. At the same time, we are developing and will acquire businesses that target large and fast growing addressable markets."

Fourth Quarter Results

For the fourth quarter of 2011, revenue was \$80.2 million, a sequential decrease of 5% from the third quarter, and a decrease of 18% compared with the fourth quarter of 2010. Foreign currency exchange rate fluctuations positively affected 2011 fourth quarter revenue by approximately \$0.3 million compared with the year-ago quarter. Revenue trends in each of RealNetworks' businesses in the fourth quarter of 2011 compared with the year-earlier quarter were: a 5% decrease in Emerging Products revenue to \$12.0 million, a 20% decrease in Core Products revenue to \$46.7 million and a 21% decrease in Games revenue to \$21.6 million.

Net loss for the fourth quarter of 2011 was \$(2.8) million, or \$(0.08) per share, compared with net income of \$3.2 million, or \$0.09 per share, in the fourth quarter of 2010. The loss for the quarter was affected by a \$20.0 million impairment for deferred SaaS costs and a tax benefit of \$22.7 million resulting from an expectation that we will generate taxable income in 2012 as a result of the sale of patents and other assets we announced in January 2012.

Adjusted EBITDA for the fourth quarter of 2011 was \$3.8 million, compared with \$13.3 million for the fourth quarter of 2010. A reconciliation of GAAP operating income (loss) to adjusted EBITDA is provided in the financial tables that accompany this release.

As of Dec. 31, 2011, RealNetworks had \$185.1 million in unrestricted cash, cash equivalents and short-term investments compared with \$334.3 million at Dec. 31, 2010, of which approximately \$48.9 million is held in foreign jurisdictions. The decline in cash was largely due to a \$136.8 million special dividend paid to shareholders in August 2011. In addition, RealNetworks had \$47.4 million in restricted cash and available-for-sale securities at the end of the year.

Segment Operating Results

Full Year Results

For 2011, revenue from RealNetworks' Core Products, Emerging Products and Games businesses was \$335.7 million, a decrease of 8% compared with \$366.0 million for 2010. Total revenue for 2010 was \$401.7 million, including first-quarter revenue from RealNetworks' music business of \$35.7 million. Beginning in the second quarter of 2010, revenue and other operating results of RealNetworks' music business from its Rhapsody joint venture are not consolidated in RealNetworks' financial statements as a result of the restructuring of Rhapsody completed on March 31, 2010. Foreign currency exchange rate fluctuations positively affected 2011 revenue by approximately \$8.0 million compared with 2010. Revenue trends in each of RealNetworks' businesses for the full year 2011 compared with 2010 were: a 12% increase in Emerging Products revenue to \$46.6 million, a 10% decrease in Core Products revenue to \$191.2 million and a 12% decrease in Games revenue to \$97.9 million.

Net loss for the year was \$(27.1) million, or \$(0.79) per share, compared with net income of \$5.0 million, or \$0.26 per share, in 2010. Net loss in 2011 included restructuring charges of \$(8.0) million, the \$(20.0) million impairment for deferred SaaS costs in the fourth quarter and an income tax benefit of \$17.3 million. Net income in 2010 included a gain from the deconsolidation of Rhapsody of \$10.9 million, an income tax benefit of \$36.5 million resulting primarily from a \$30.0 million cash refund from the IRS and restructuring charges of \$(19.8) million.

In 2011, adjusted EBITDA was \$17.7 million compared with \$25.3 million in 2010. A reconciliation of GAAP operating income (loss) to adjusted EBITDA is provided in the financial tables that accompany this release.

Business Outlook

For the first quarter of 2012, RealNetworks expects revenue of \$65 million to \$68 million. The company expects revenue from each of its current segments to decline sequentially and year-over-year. As a result of the decline in revenue, and a seasonal first-quarter sequential increase in expenses, RealNetworks expects adjusted EBITDA for the quarter to be negative, excluding the net effect of the sale of patent and other assets to Intel Corp. The company expects the patent sale to generate \$120 million of cash and to close in the first quarter.

Anticipating significant restructuring activities in 2012, which we expect will include acquisitions and divestitures as well as changes in RealNetworks' operating segments, RealNetworks is not providing full-year guidance for 2012.

The foregoing forward-looking statements reflect RealNetworks' expectations as of Feb. 15, 2012. It is not RealNetworks' general practice to update these forward-looking statements until its next quarterly results announcement.

Webcast and Conference Call Information

The company will host an audio Webcast conference call to review results and discuss the company's operations for the fourth quarter at 5:00 p.m. ET on Feb. 15. The Webcast will be available at: <http://investor.realnetworks.com>.

Webcast participants will need RealPlayer® to hear the webcast, which can be downloaded at www.real.com.

The on-demand Webcast will be available beginning approximately two hours following the conclusion of the live Webcast.

Conference Call Details

5:00 p.m. ET / 2:00 p.m. PT

Dial in:

888-323-9869 Domestic
517-308-9139 International

Passcode:

Fourth Quarter Earnings

Leader:

Thomas Nielsen

Telephonic replay will be available until 8:00 p.m. ET, February 29, 2012.

Replay dial in:

866-415-8412 Domestic
203-369-0705 International

For More Information

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About RealNetworks

RealNetworks creates innovative applications and services that make it easy to connect with and enjoy digital media. RealNetworks invented the streaming media category in 1995 and continues to connect consumers with their digital media both directly and through partners, aiming to support every network, device, media type and social network. RealNetworks corporate information is located at <http://www.relnetworks.com/about-us>

About Non-GAAP Financial Measures

To supplement RealNetworks' condensed consolidated financial statements presented in accordance with GAAP in this press release, the company also discloses certain non-GAAP financial measures, including adjusted EBITDA and adjusted EBITDA by reporting segment, which management believes provide investors with useful information.

In the financial tables of our earnings press release, RealNetworks has included reconciliations of GAAP operating income (loss) to adjusted EBITDA and to adjusted EBITDA by reporting segment.

The rationale for management's use of non-GAAP measures is included in the supplementary materials presented with the fourth quarter earnings materials. Please refer to Exhibit 99.2 ("Information Regarding Non-GAAP Financial Measures") to the company's report on Form 8-K, which is being submitted today to the SEC.

Forward-Looking Statements: This press release contains forward-looking statements that involve risks and uncertainties, including statements relating to RealNetworks' current expectations for future revenue, adjusted EBITDA, plans to undertake, as well as results and benefits from its business restructuring activities, future acquisitions and strategic initiatives, and the completion and financial impacts of the sale of patents and other assets to Intel Corp., which is subject to customary regulatory approval and satisfaction of closing conditions. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements. Actual results may differ materially from the results predicted. Factors that could cause actual results to differ from the results predicted include: fluctuations in foreign currencies; RealNetworks' ability to realize operating efficiencies, growth and other benefits from the implementation of its strategic initiatives; the emergence of new entrants and competition in the market for digital media products and services; other

competitive risks, including the growth of competing technologies, products and services; the potential outcomes and effects of claims and legal proceedings on RealNetworks' business, prospects, financial condition or results of operations; risks associated with key customer or strategic relationships, business acquisitions and the introduction of new products and services; changes in consumer and advertising spending in response to disruptions in the global financial markets; and changes in RealNetworks' effective tax rate. More information about potential risk factors that could affect RealNetworks' business and financial results is included in RealNetworks' annual report on Form 10-K for the most recent year ended December 31, its quarterly reports on Form 10-Q and in other reports and documents filed by RealNetworks from time to time with the Securities and Exchange Commission. The preparation of RealNetworks' financial statements and forward-looking financial guidance requires the company to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results may differ materially from these estimates under different assumptions or conditions. The company assumes no obligation to update any forward-looking statements or information, which are in effect as of their respective dates.

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