



# Parthenon Research

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New Coverage

Kit Digital

(KDGL.OB, \$7.24)

**Company Description** KIT digital provides an “end-to-end” technology and services platform for the management and delivery of Internet Protocol (“IP”) based video. KIT digital’s primary product is its VX content management system, which provides comprehensive video solutions with marketing services expertise aimed growing clients’ businesses. The company is headquartered in Dubai, and has offices in 13 cities around the globe.

- KIT digital provides a proprietary technology and services platform for the management and delivery of Internet Protocol (“IP”)-based video. Its proprietary VX platform is a digital content management system that enables its customers to upload, customize, and publish their videos to any and/or all of the “three screens” on which people consume video today (the computer, the mobile phone, and the television through IPTV set top boxes). The VX platform and related marketing services provide a complete “end-to-end” solution for the delivery of video over the Internet.
- KIT’s clients use the VX content management and distribution platforms to connect corporate brands to their target audiences. The VX system is used to manage the storage and distribution of the video libraries, and gives clients the ability to customize and localize videos for greater impact with the target audiences. These comprehensive video solutions are part of a strategy designed to grow its clients’ businesses. This contrasts with firms that only supply technology or only supply marketing services.
- In early 2008, new management changed focus and restructured the company. Its name was changed, new division leaders were brought in, and the company’s offerings were refined. Acquisitions were made to strengthen some areas, while others were eliminated.
- The new approach allowed the company to offer its clients a way use video assets to build revenues, rather than simply to replace the cost of handling video enablement internally.
- Although the primary source of revenues is the software and video management platforms, KIT’s marketing services are also a strength that helps the company win new business. KIT’s solutions emphasize generating revenue for the clients, and allow its clients’ videos to be distinguished by their appearance and viewer’s ease of use.
- KIT has a global presence, with offices in 13 cities around the world. Over 90% of KIT digital’s revenue is generated from customers outside of North America. These territories are less developed, have less competition, greater opportunity, and the potential for higher margins. The company’s revenue results have shown strong growth in spite of global recessionary trends.
- Financial Turnaround: The changes in the company’s strategy have included an emphasis on building revenues and increasing profitability. KIT reported FY2008 revenues of \$23.4 million and has generated two consecutive quarters (Q4 2008 and Q1 2009) of positive operating EBITDA. This compares with FY07 revenues \$13.9 million with a net loss of \$34.6 million. We believe the strong revenue growth reported throughout 2008 and Q1 09 and put the company on track to meet or exceed its publicly stated guidance of revenues in the \$40 million range with 10% EBITDA.
- Our Price target is \$20 per share.