

The Vitec Group plc

Half year results 2016



- > **Stephen Bird**, Group Chief Executive
- > **Paul Hayes**, Group Finance Director
- > 4 August 2016

Revenue and operating profit* growth



Important notice



Forward-looking statements

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Agenda



- > **Overview**
 - > **Stephen Bird, Group Chief Executive**

- > **Financial Review**
 - > **Paul Hayes, Group Finance Director**

- > **Strategic and Operational Review**
 - > **Stephen Bird, Group Chief Executive**

Overview



> Stephen Bird Group Chief Executive



Overview



- > First half results in line with our expectations
- > Growth in Group revenue and operating profit*
 - > Broadcast Division increased revenue
 - > Photographic Division grew both revenue and profit*
- > Strong free cash flow⁺ of £22.6m (H1 2015: £3.3m), improved working capital management
- > Full year outlook unchanged
- > Delivering on strategy to drive sales in new technologies and APAC

* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.

⁺ Free cash flow: cash generated from operations in the period after net capital expenditure, net interest and tax paid.

Financial Review



> **Paul Hayes**
Group Finance
Director



Half year results in line with expectations



	H1 2016 £m	H1 2015 £m	Better / (worse) Δ %	Δ % at Constant FX
Revenue	171.1	155.9	9.7%	3.1%
Gross profit *	67.4	64.3	4.8%	(1.7%)
<i>Gross margin % *</i>	39.4%	41.2%		
Operating expenses *	(50.0)	(47.9)	(4.4%)	0.5%
Operating profit *	17.4	16.4	6.1%	(5.2%)
<i>Operating margin % *</i>	10.2%	10.5%	-30 bps	-90 bps
Net finance expense	(1.9)	(1.8)		
PBT *	15.5	14.6	6.2%	(6.4%)
Adjusted EPS *	24.5	23.0	6.5%	
Dividend per share	9.9p	9.5p	4.2%	

- > Growth in sales of higher technology products and services
- > Gross margin reflects growth of lower margin broadcast services and non-repeat of higher margin antennas revenue
- > Underlying operating expenses £0.6m lower** with investments in technology partially offsetting restructuring savings
- > Interim dividend increased by 4.2% to 9.9p

* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.
Restructuring costs in H1 2016 were £2.8 million (H1 2015: £nil).

** Before increase of £2.4 million from foreign exchange and £0.3 million from acquisitions.

Divisional performance

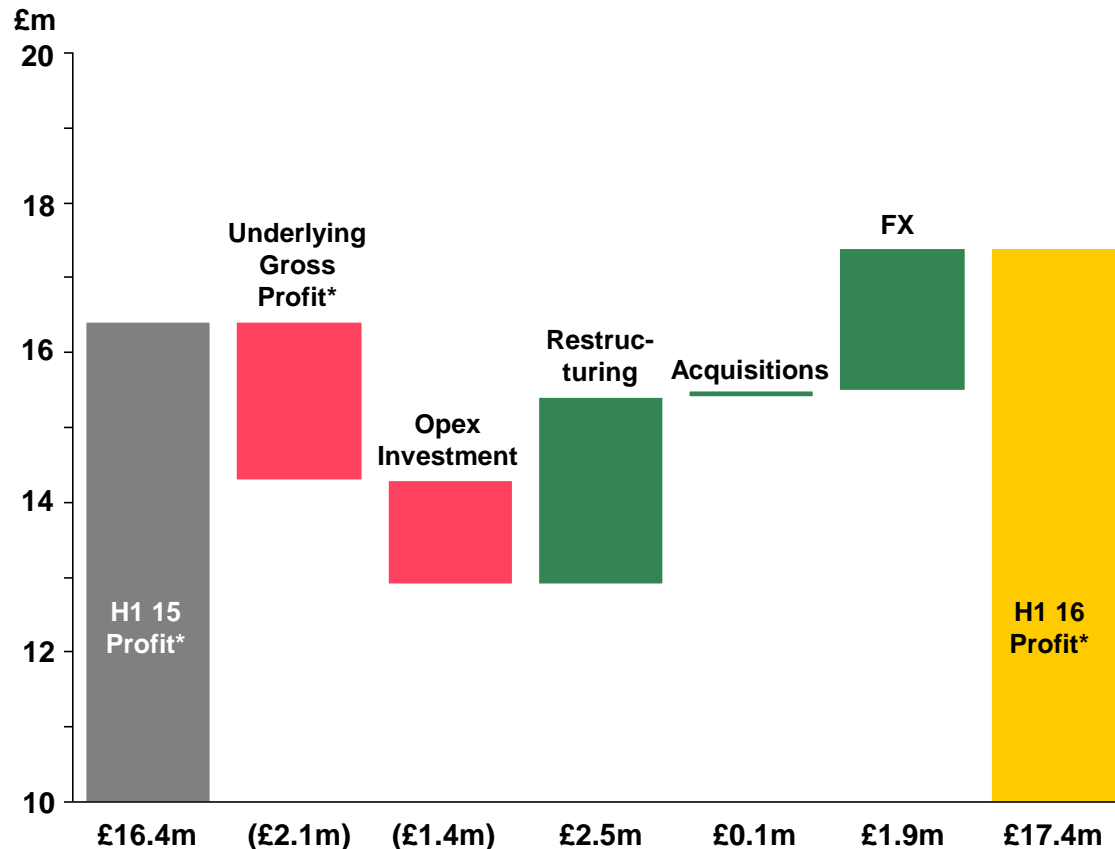


	Revenue				Operating Profit*			
	H1 2016	H1 2015	Δ	Δ at Constant FX	H1 2016	H1 2015	Δ	Δ at Constant FX
	£m	£m	£m	£m	£m	£m	£m	£m
Broadcast	102.3	92.5	+9.8	+3.9	8.5	9.7	(1.2)	(1.2)
Photographic	68.8	63.4	+5.4	+1.1	8.9	6.7	+2.2	+0.3
	171.1	155.9	+15.2	+5.0	17.4	16.4	+1.0	(0.9)

* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.

- Broadcast**
- > Higher broadcast services revenue including significant NFL contract
 - > Non-repeat of strong performance of Haigh-Farr antennas in prior period
 - > Growth of higher technology products offsetting lower sales of large supports
- Photographic**
- > Manfrotto continuing to outperform Photographic market
 - > Growth through owned distribution channels
 - > Benefit from recently launched products

Operating profit* bridge



- > Underlying gross profit* reflects:
 - > Revenue growth in Photographic and new technologies
 - > Growth in lower margin services revenue including NFL contract
 - > Non-repeat of higher margin Haigh-Farr sales
- > Targeted investment in new and higher technology businesses
- > Restructuring substantially complete

* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.

Cash flow



	H1 2016 £m	H1 2015 £m	Δ £m
Operating profit *	17.4	16.4	1.0
Depreciation ⁽¹⁾	8.6	7.9	0.7
Working capital	8.6	(8.9)	17.5
Restructuring cash outflow	(3.9)	(1.4)	(2.5)
Other ⁽²⁾	0.5	(0.6)	1.1
Cash generated from operations	31.2	13.4	17.8
Capital expenditure ⁽³⁾	(10.0)	(9.9)	(0.1)
Proceeds from asset sales	5.7	1.9	3.8
Net interest and tax paid	(4.3)	(2.1)	(2.2)
Free cash flow	22.6	3.3	19.3

* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.

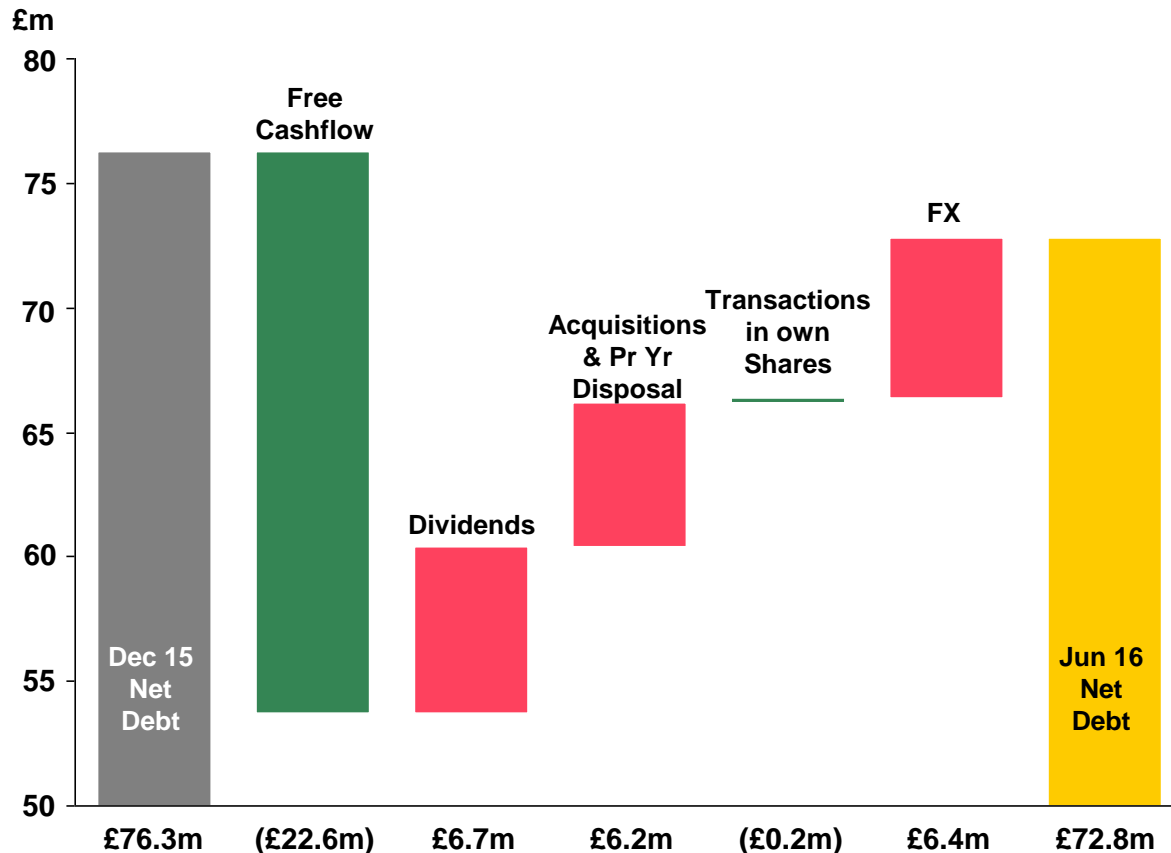
⁽¹⁾ Includes depreciation and amortisation of software and capitalised development costs.

⁽²⁾ Includes change in provisions, share based payments charge, gain on disposal of PPE, fair value derivatives and transaction costs relating to acquisition of businesses.

⁽³⁾ Purchase of PPE and capitalisation of software and development costs.

- > Strong cash generation in H1 2016
- > Focussed working capital management initiatives including:
 - > £4.1 million inventory reduction
 - > Good ageing on receivables
- > £3.9 million cash outflow on restructuring
- > Proceeds from asset sales includes £3.9 million from sale of Bury site
- > Net capital expenditure in line with depreciation
- > Higher tax paid during first half

Strong balance sheet



- > Net debt of £72.8m
- > Net outflow on acquisitions includes:
 - > £2.5 million on Provak & Offhollywood
 - > £2.8 million of earnouts on Teradek
- > Net Debt to EBITDA ratio of 1.3x (Dec 2015: 1.5x)
- > New £125 million multi-currency revolving credit facility implemented

Other financial developments



- > Potential forex benefit if exchange rates remain at current rates in H2
- > Effective tax rate maintained at 30%
- > Amortisation of acquired intangibles: £5.8m for FY 16
- > Plan to relocate Bury broadcast business to local, more efficient site in 2017

Financial Review: Summary



- > Half year results in line with our expectations
- > Growth in revenue and operating profit*
- > Good cash flow generation and a strong balance sheet
- > Streamlining substantially complete and delivering savings
- > Interim dividend increased by 4.2% to 9.9 pence per share
- > On track and, potentially, benefit from weaker Sterling

* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.

Strategic & Operational Review



> **Stephen Bird** Group Chief Executive



Market Conditions



> Broadcast Division

- > Rapidly changing technology and customer needs
- > Positive US offset by more challenging EMEA
- > Strong demand for high technology products & services including enterprise video opportunities
- > Continue to launch new, innovative products



Opportunities in new technologies and services

> Photographic Division

- > Growth driven by new products and applications
- > Increased sales in owned distribution channels
- > Good performance from core supports products



Outperforming the market

Broadcast Division



Growth in revenue despite anticipated non-repeat of higher margin antennas contracts

	H1 2016 £m	H1 2015 £m	Δ %	Δ % at Constant FX
Revenue	102.3	92.5	10.6%	4.0%
Operating profit *	8.5	9.7	(12.4%)	(11.7%)
Operating margin % *	8.3%	10.5%	-220 bps	-160 bps

* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.

- > Increase in sales of higher technology products offset lower large camera supports
- > Margins impacted by significant NFL broadcast services contract and lower volumes at Haigh-Farr
- > Restructuring savings partially re-invested in growing technology business
- > Offhollywood acquired in April 2016 for £1.6 million
- > Olympics benefit in H2

Broadcast



Photo: Sachtler FSB 6 with Speedlock 75 on Mt Everest, June 2016

Photographic Division



Growth in revenue and profit* at constant exchange rates

	H1 2016 £m	H1 2015 £m	Δ %	Δ % at Constant FX
Revenue	68.8	63.4	8.5%	1.6%
Operating profit *	8.9	6.7	32.8%	4.1%
Operating margin % *	12.9%	10.6%	+230 bps	+30 bps

* Before restructuring costs and charges associated with acquisition of businesses.

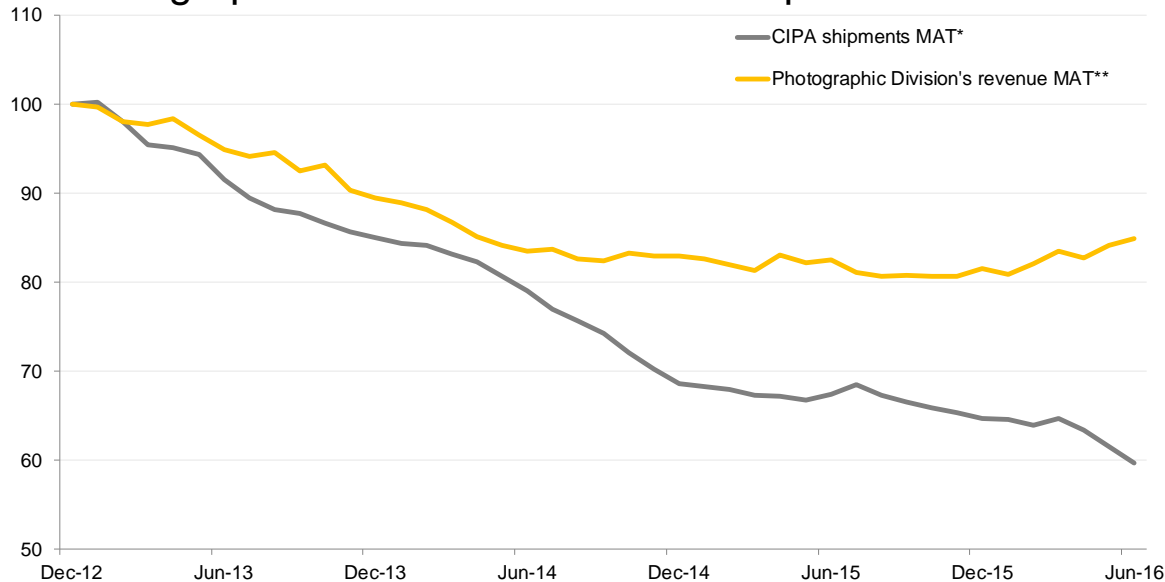
- > Outperforming Photographic market by launching innovative new products
- > Growth in owned distribution channels including successful Provak acquisition
- > Investment in e-commerce and new products performing to plan
- > Margin improvement from restructuring and continued implementation of lean processes

Photographic



Vitec outperforming camera sales

Photographic revenue versus CIPA shipments



- > Vitec's Photographic sales are starting to return to growth
- > Market driven by new products and innovation
- > Sales initiatives include:
 - > Enhancing e-commerce activities
 - > Growth in APAC
 - > Smartphone accessories in Apple stores

* Quantity of global shipments on a moving annual trend basis as published by Camera and Imaging Products Association (CIPA)

** Photographic Division revenue as reported in GBP on a moving annual trend basis

Good progress in continuing to deliver our strategy



Improving the core

- > Growth in higher technology sales
- > Continued investment in new product development & innovation
- > Focus on independent content creators & enterprise video



Expanding in APAC

- > Continued to strengthen our teams in Asia-Pacific region
- > Strong sales growth in Japan
- > Direct distribution model in China performing well



Good progress in continuing to deliver our strategy (cont.)



Strategic acquisitions

- > Disciplined approach to acquisitions
- > Successful completion of two acquisitions in H1 2016
- > Acquisitions performing well



Offhollywood acquired for an initial consideration of \$2.2 million



Provak acquired for a net consideration of €1.2 million

Financial discipline & cost control

- > Streamlining activities substantially complete
- > Targeted investment, new product and sales growth initiatives
- > Focus on working capital to deliver strong cash flow



Strategic Summary



- > Good progress in continuing to deliver Vitec's strategy
- > Continuing to improve the core
- > Investing in new technology and growing APAC
- > Streamlined, stronger, healthier business

Outlook



“The Board’s expectations for the full year are unchanged. We anticipate that the Group’s performance in the second half of the year will benefit from the Rio 2016 Olympics, full year savings from the previously announced restructuring plans, and, potentially, from weaker Sterling.”

Questions



Appendices



Broadcast products



* Clockwise from top left: **Teradek:** VidiU Pro; **SmallHD:** 3203 HDR Monitor; **Anton/Bauer:** V90 & G90 Cine Batteries; **Litepanels:** Caliber; Brick Bi-Colour; Astra Soft 1x1 Bi-Color; **Offhollywood:** OMOD; **Paralinx:** Triton.

Broadcast products



* Clockwise from left: **Autocue**: PSP17 teleprompter; **Autoscript**: E.P.I.C. prompter; **Sachtler**: Video 18S2; **Camera Corps**: Q Compact Robot Camera and Mini Tracking System; **Vinten**: Vector 750 Pan and Tilt Head; **OConnor**: Ultimate 2560 Fluid Head.

Photographic products



Manfrotto
Imagine More



Lastolite™
Professional



* Clockwise from top left: **Manfrotto:** Digital Director for iPad Air 2; Befree; Compact Xtreme; Off road ThrillLED; **Avenger:** Wind Up stand; **Gitzo:** Mountaineer tripod; **Lastolite:** TriFlip kit contents and TriGrip silver; **Manfrotto:** Lykos; Street Medium Backpack; Off road Tripod.

Photographic – New Products



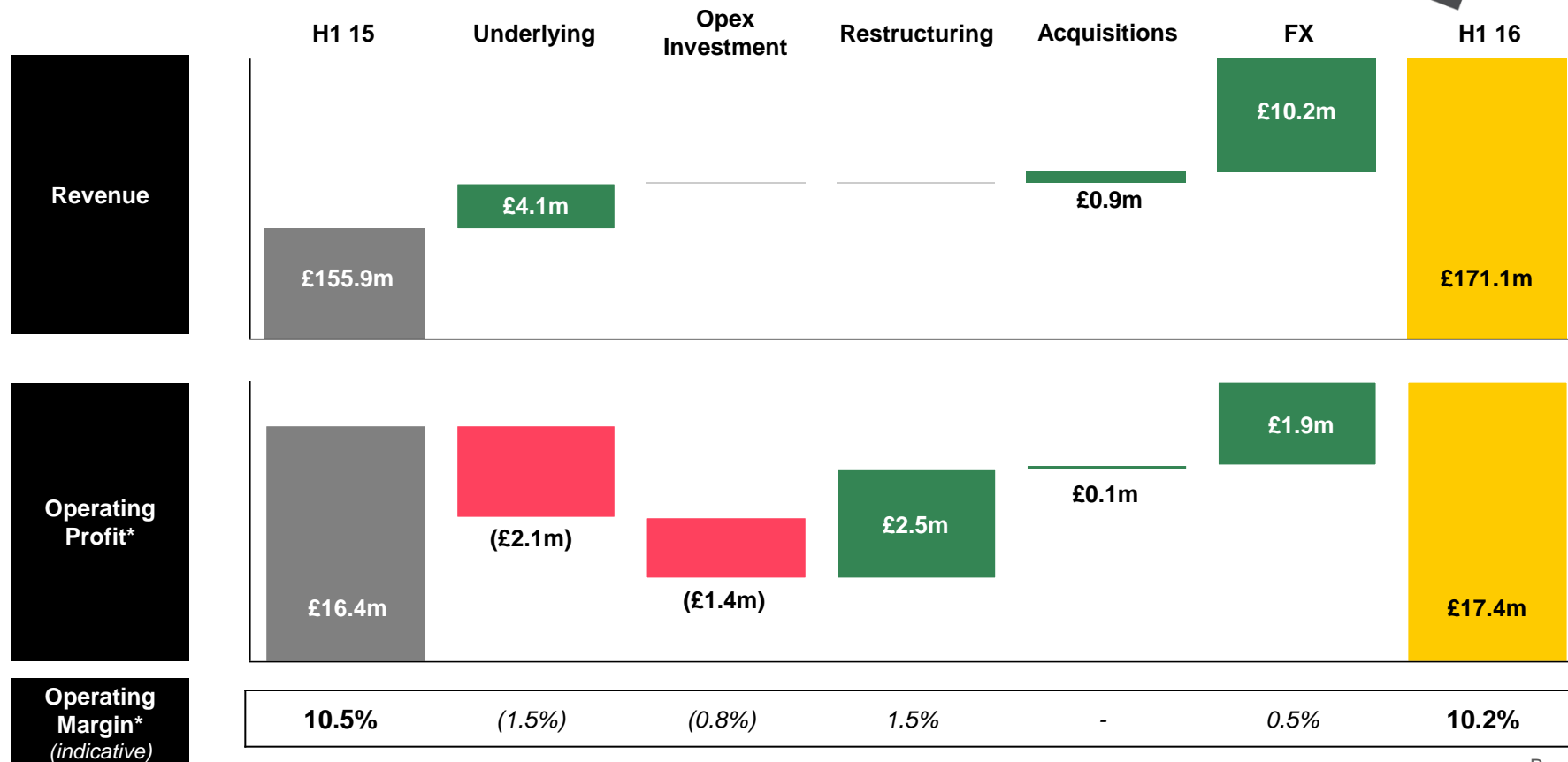
Products also available in the Apple store



* Clockwise from top left: **Gitzo:** Traveller Tripod and Centre Ball Head; **Manfrotto:** Advanced Rear Backpack; Essential Collection Medium Holster; XPRO Monopod; Off road Stunt Backpack; TwistGrip; Pro Light Video Bag.

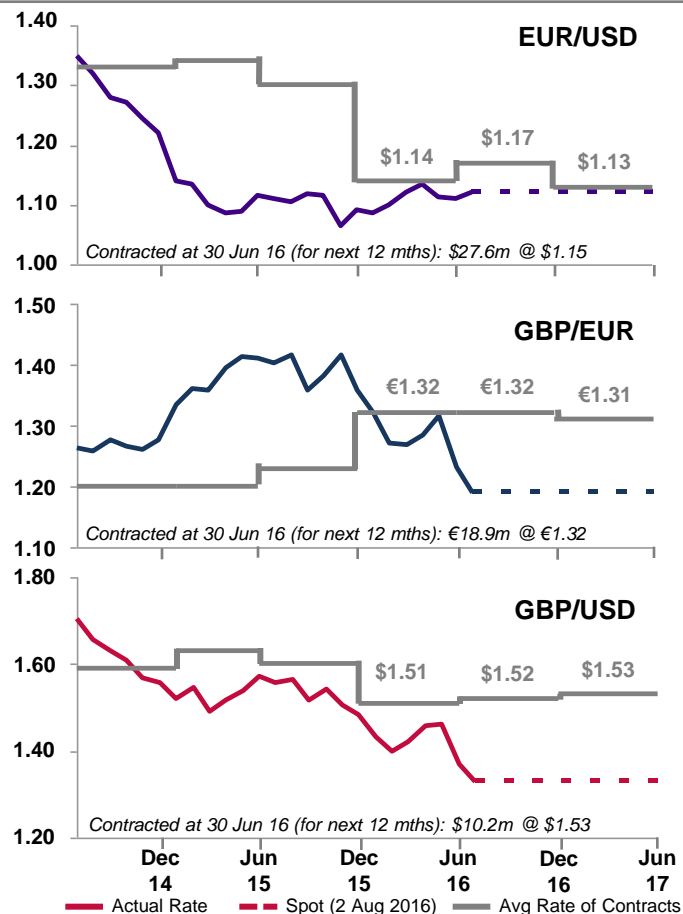
* Clockwise from top left: **Manfrotto:** Compact Action Tripod; PIXI Mini Lumimuse; TwistGrip.

Operating margin*



* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.

Foreign Exchange – Key Impacts on Vitec



a) Translation

- > Translational impact is unhedged
- > The majority of the Group's profit is in USD and EUR
- > Weakening of Sterling led to a year-on-year favourable impact in H1 16

b) Transaction

- > Vitec typically hedges c. 75% of its transactional exposures over the following 12-24 months to reduce volatility
- > The largest volume is USD earnings at Photographic (EUR/USD)
- > The Broadcast Division has USD (GBP/USD) and EUR (GBP/EUR) hedges that are delaying the impact of a weaker GBP in 2016 and into 2017

c) Outlook for H2 2016

- > At current rates we anticipate a further benefit in H2 16 with translation effects more than offsetting the average rate of our cash flow hedges

Year on year effect on operating profit	£/\$	€/£	£/€	Translation £m	Transaction £m	Total £m
Average H1 15	1.53	1.12	1.37	(0.2)	(1.3)	(1.5)
Average FY 15	1.53	1.11	1.38	(0.5)	(2.2)	(2.7)
Average H1 16	1.43	1.11	1.29	1.3	0.6	1.9

Working capital overview



Movement in Working Capital

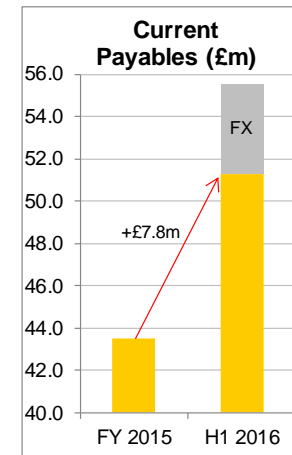
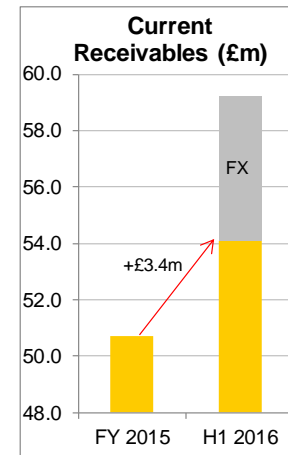
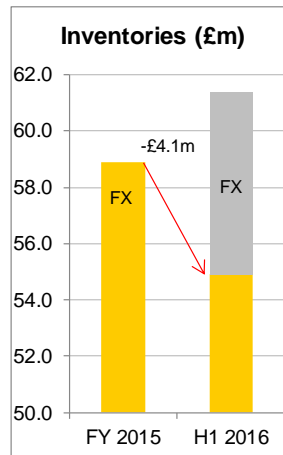
	H1 2016 £m	H1 2015 £m	Δ £m
Decrease / (increase) in inventories	4.1	(5.8)	9.9
(Increase) in receivables	(2.8)	(1.9)	(0.9)
Increase / (decrease) in payables	7.3	(1.2)	8.5
Total	8.6	(8.9)	17.5

Gross Trade Receivables - Days Overdue*

	H1 2016		H1 2015		Δ £m
	£m	%	£m	%	
Current	38.4	83%	34.8	83%	3.6
1-30 Days	5.1	11%	4.5	11%	0.6
31-60 Days	0.9	2%	0.9	2%	-
> 60 days	1.9	4%	1.5	4%	0.4
Total	46.3		41.7		4.6

* Days overdue are measured from the date an invoice was due to be paid.

Balance Sheet



Working Capital Days

	H1 2016	H1 2015
Inventory Days	95	107
Trade Receivable Days	41	40
Trade Payable Days	46	47

Borrowings



- > New revolving credit loan facility of £125m
 - > Committed until July 2021 with 5 relationship banks
 - > Margin at 125 bps over LIBOR (previously 200 bps over LIBOR)
 - > Significant covenant headroom
- > Private Placement shelf facility established in 2011
 - > Matures in May 2017
 - > \$50m drawn down at June 2016 (Dec 2015: \$50m)
 - > Blended interest rate of 4.77%
- > June 2016 Net Debt of £72.8m (Dec 2015: £76.3m)
 - > Net Debt to EBITDA ratio of 1.3x (Dec 2015: 1.5x)

GAAP reconciliation: Profit before tax and earnings per share (EPS)



	H1 2016 £m	H1 2015 £m	Δ £m		H1 2016 £m	H1 2015 £m	Δ £m
Profit before tax*	15.5	14.6	0.9	Profit after tax*	10.9	10.2	0.7
Gain on disposal of property ⁽¹⁾	0.7	-	0.7	Gain on disposal of property, restructuring costs and charges associated with acquisition of businesses	(4.8)	(2.6)	(2.2)
Restructuring costs ⁽²⁾	(2.8)	-	(2.8)	Tax on gain on disposal of property, restructuring costs and charges associated with acquisition of businesses	1.5	0.8	0.7
Charges associated with acquisition of businesses:				Profit after tax	7.6	8.4	(0.8)
Fair value adjustment to contingent consideration since date of acquisition ⁽³⁾	0.2	-	0.2	Weighted average number of shares ('000)	44,511	44,331	
Transaction costs relating to acquisition of businesses	(0.2)	(0.1)	(0.1)	Adjusted EPS * (pence)	24.5	23.0	1.5
Amortisation of acquired intangible assets	(2.7)	(2.5)	(0.2)	Basic EPS (pence)	17.1	18.9	(1.8)
Profit before tax	10.7	12.0	(1.3)				

* Before gain on disposal of property, restructuring costs and charges associated with acquisition of businesses.

(1) In 2016, the Group made a gain of £0.7 million on disposal of property.

(2) In 2016, restructuring costs of £2.8 million relate to the Group streamlining certain operations by downsizing selected activities in the UK, US and Europe and are primarily employment termination costs.

(3) £0.2 million was received in relation to the purchase price adjustment to the contingent consideration payable to Autocue (acquired in 2014), which was agreed with the vendors during the period.

The Vitec Group plc
Overview



vitec

What we do

Broadcast Division

- > Equipment and Services

	FY 2015
Revenue	£189.0m
Operating Profit*	£20.3m
Operating Margin*	10.7%



Photographic Division

- > Equipment

	FY 2015
Revenue	£128.8m
Operating Profit*	£15.1m
Operating Margin*	11.7%



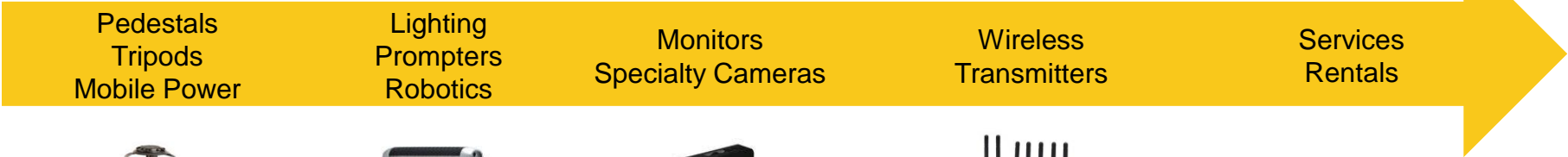
Our ultimate customer is primarily a camera operator

* Before restructuring costs and charges associated with acquisition of businesses

Our Divisions



Broadcast Division



Pedestals
Tripods
Mobile Power



Lighting
Promoters
Robotics



Monitors
Specialty Cameras



Wireless
Transmitters



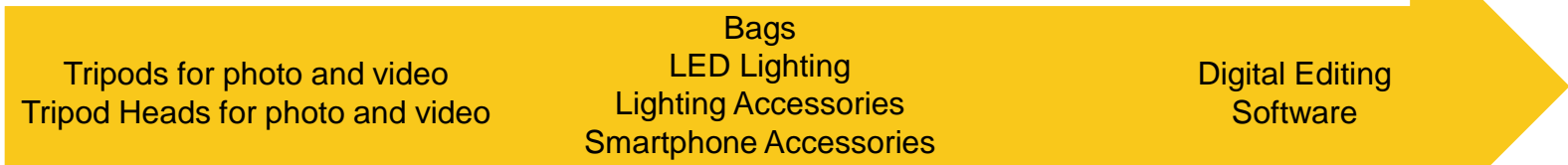
Services
Rentals



Our Divisions



Photographic Division



Our key brand portfolio



Broadcast Division



Photographic Division

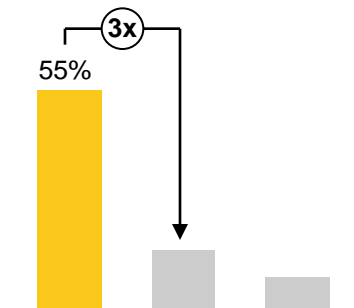


Vitec has a portfolio of market leading world class brands

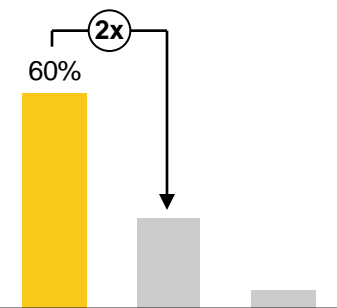


Competitive landscape

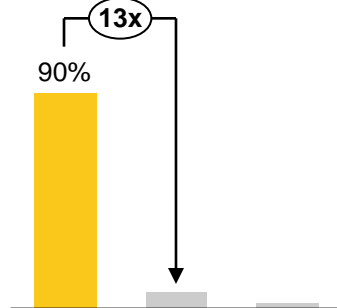
Broadcast Camera Supports



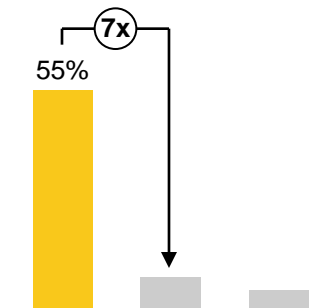
Cine Camera Supports



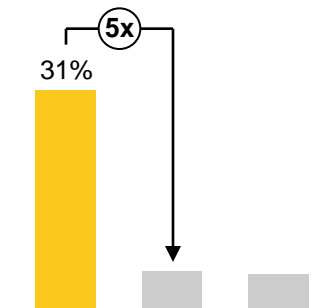
On Set Wireless



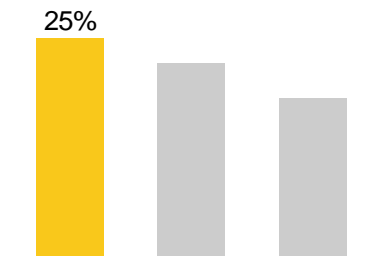
Prompters



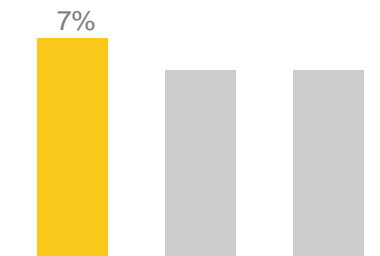
Photographic Tripods



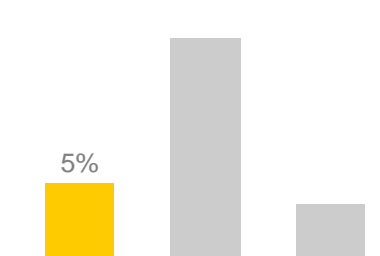
Batteries



LED Lights



Photographic Bags

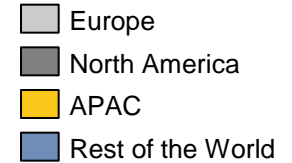
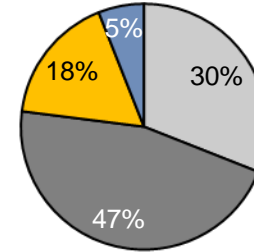


Vitec holds strong positions in its niche product categories

Where we operate

- > Sites in 10 countries; sell into 100+ countries
- > Sales: UK accounts for only 10% of revenue
- > Complex restructuring and streamlining been delivered to plan
- > Well capitalised manufacturing in Italy, Costa Rica, UK & US
- > Low cost APAC sourcing, including China & Vietnam

2015 Revenue



Vitec has strong global distribution

Broadcast Market: Disruption = Change = Opportunity



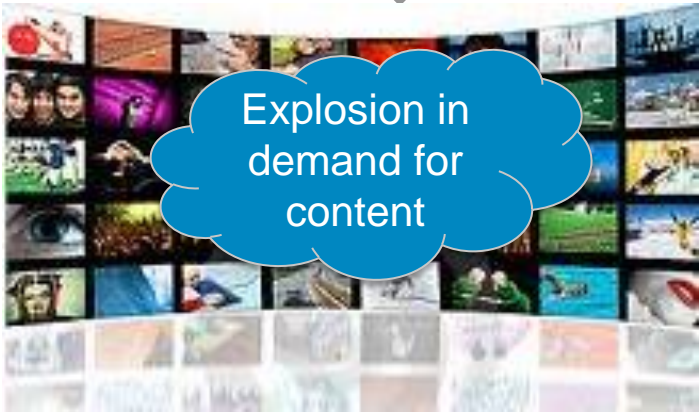
New Screens



Democratisation
of Media



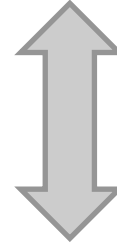
Explosion in
demand for
content



Broadcast must
focus on News &
Live Sports
Events



Broadcasters
outsourcing to stay
competitive



Shorter
equipment
life-cycles



Independent
content creators
a.k.a. "shooters"

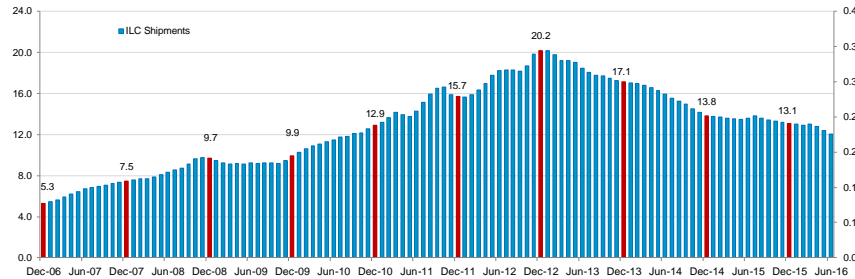


New Tools

Photographic market: Favourable drivers



Market showing signs of stabilisation



DSLRs c.80m installed

New format Cameras



CSCs



SZoom



Action



Smart

Consumer Dynamics



Demand up for 2nd portable device



More Photos Taken & Loaded



More Videos Taken & Loaded

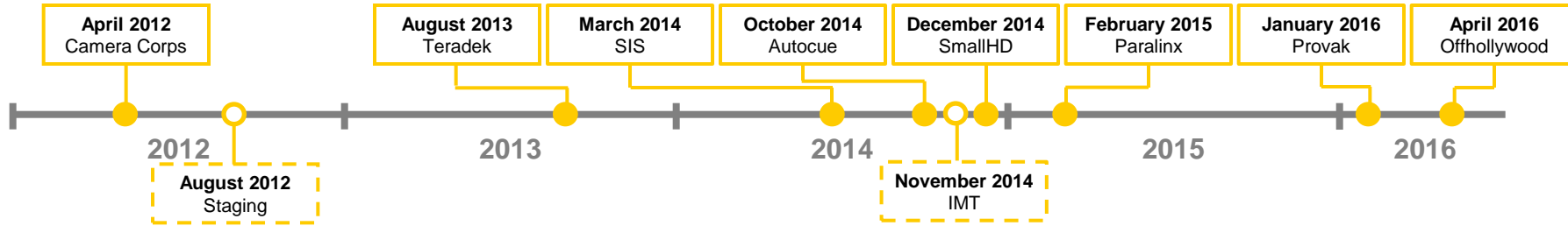


Women now 33% of total

Five year acquisition track record



□ Acquisition □ Disposal



Acquisitions (last 5 years):

- > 8 completed
- > £43m invested
- > 19% return on initial investment

Disposed of non-core businesses



Strong track record in making and integrating acquisitions successfully

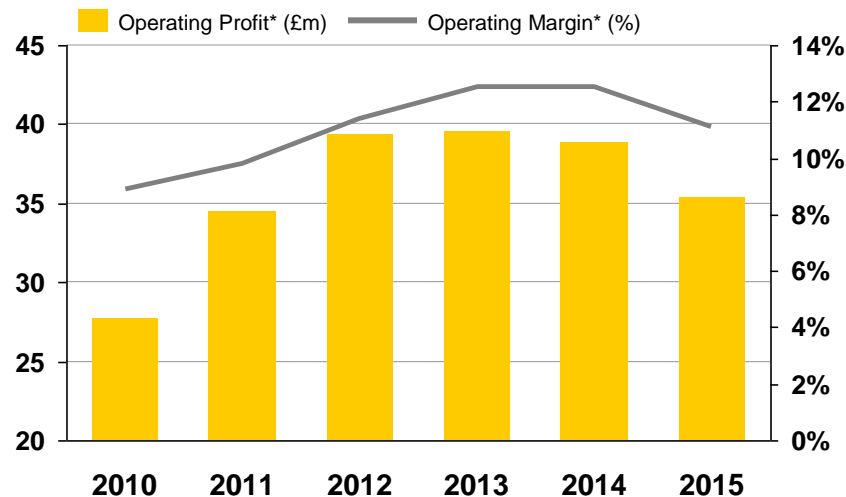
Financial Overview



- > Vitec has been strengthened through a number of self-help initiatives
 - > Exited from non-core businesses
 - > Streamlining & restructuring
 - > Integrated some great acquisitions

- > Significant improvement in margins despite market conditions
 - > Consistent management focus
 - > NPD investment maintained

- > A strong balance sheet with
 - > Good cash generation
 - > Net debt to EBITDA 1.3x



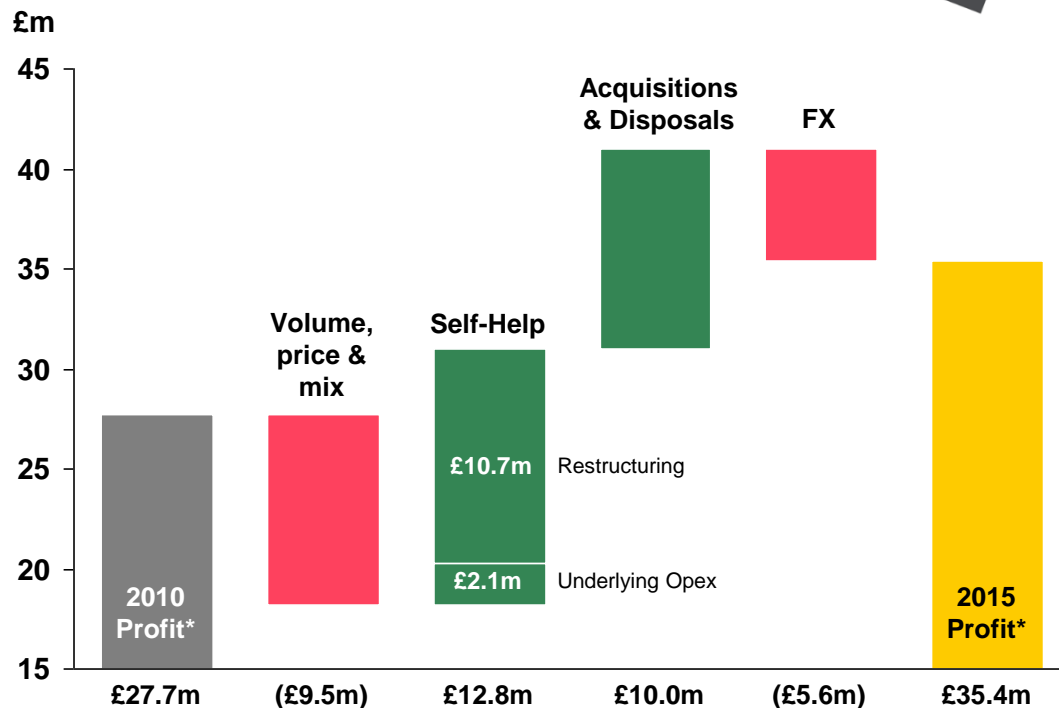
	£m	£m	£m	£m	£m	£m
Revenue	309.6	351.0	345.3	315.4	309.6	317.8
Operating profit*	27.7	34.5	39.3	39.5	38.8	35.4
Operating margin*	8.9%	9.8%	11.4%	12.5%	12.5%	11.1%

* Before restructuring costs and charges associated with acquisition of businesses.

Five year performance reflects self-help & acquisitions



- > Profit* and margin* growth since 2010 despite market and currency headwinds
- > Self-help initiatives have delivered £12.8m of profit
- > Acquisitions have performed well with a 19% return on initial investment
- > Foreign exchange has been against us, but at current rates this would reverse



* Before restructuring costs and charges associated with acquisition of businesses.

Clear Capital Allocation Policy



1. Reinvest to drive organic growth

- > Maintain strong cash generation
- > Continue to invest in capital & new product development

2. Progressive dividend policy

- > Supported by 2.0x dividend cover (FY 15)

3. Disciplined approach to acquisitions

- > Clear strategic and financial criteria
- > Strong track record in integration



Capture the moment™

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