

# The Vitec Group plc

## Half year results 2015



- > **Stephen Bird**, Group Chief Executive
- > **Paul Hayes**, Group Finance Director
- > 6 August 2015

Investing for growth in a focused Broadcast & Photographic business

vitec

# Important notice



## **Forward-looking statements**

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# Agenda

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- > **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
- > Benefits from new products, acquisitions and IMT disposal offset by anticipated headwind from FX and non-repeat of Sochi Winter Olympics and FIFA World Cup
- > Growth in revenue and operating profit\* at constant exchange rates excluding prior year impact of large events
- > Broadcast Division performing satisfactorily in variable market conditions. Sales of higher technology products growing well and offsetting lower large camera supports sales
- > Photographic Division outperforming a challenging market which is showing signs of stabilisation
- > Net debt reflects Paralinx acquisition and Teradek earnout payment

\* Before restructuring costs and charges associated with acquired businesses.

# Financial Review



> **Paul Hayes**  
Group Finance  
Director



# Half year results in line with our expectations



	H1 2015 £m	H1 2014 £m	Δ %	Δ % at Constant FX
Revenue	155.9	152.9	2.0%	0.3%
Gross profit *	64.3	65.8		
<i>Gross margin % *</i>	41.2%	43.0%	-180 bps	-20 bps
Operating expenses *	(47.9)	(46.6)		
Operating profit *	16.4	19.2		
<i>Operating margin % *</i>	10.5%	12.6%	-210 bps	-90 bps
Net finance expense	(1.8)	(1.7)		
PBT *	14.6	17.5	(16.6%)	(9.1%)
Adjusted EPS *	23.0	27.4	(16.1%)	
Dividend per share	9.5p	9.3p	2.2%	

- > Non-repeat of Sochi Winter Olympics and FIFA World Cup
- > Adverse FX of £1.5m on operating profit\*
- > Benefit from new products, acquisitions and IMT disposal
- > Investing in driving new product sales; R&D at 4.6% of product sales (FY 14: 4.1%)
- > Interim dividend increased

\* Before restructuring costs and charges associated with acquired businesses

# Divisional performance

	Revenue				Operating Profit*			
	H1 2015	H1 2014	Δ	Δ at Constant FX	H1 2015	H1 2014	Δ	Δ at Constant FX
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Broadcast</b>	<b>92.5</b>	<b>83.0</b>	<b>+9.5</b>	<b>+6.6</b>	<b>9.7</b>	<b>11.7</b>	<b>(2.0)</b>	<b>(1.4)</b>
<i>IMT **</i>	-	5.8	(5.8)	(5.8)	-	(1.1)	+1.1	+1.1
<b>Photographic</b>	<b>63.4</b>	<b>64.1</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>6.7</b>	<b>8.6</b>	<b>(1.9)</b>	<b>(1.0)</b>
	<b>155.9</b>	<b>152.9</b>	<b>+3.0</b>	<b>+0.4</b>	<b>16.4</b>	<b>19.2</b>	<b>(2.8)</b>	<b>(1.3)</b>

\* Before restructuring costs and charges associated with acquired businesses; \*\* IMT disposed of in November 2014

## Broadcast

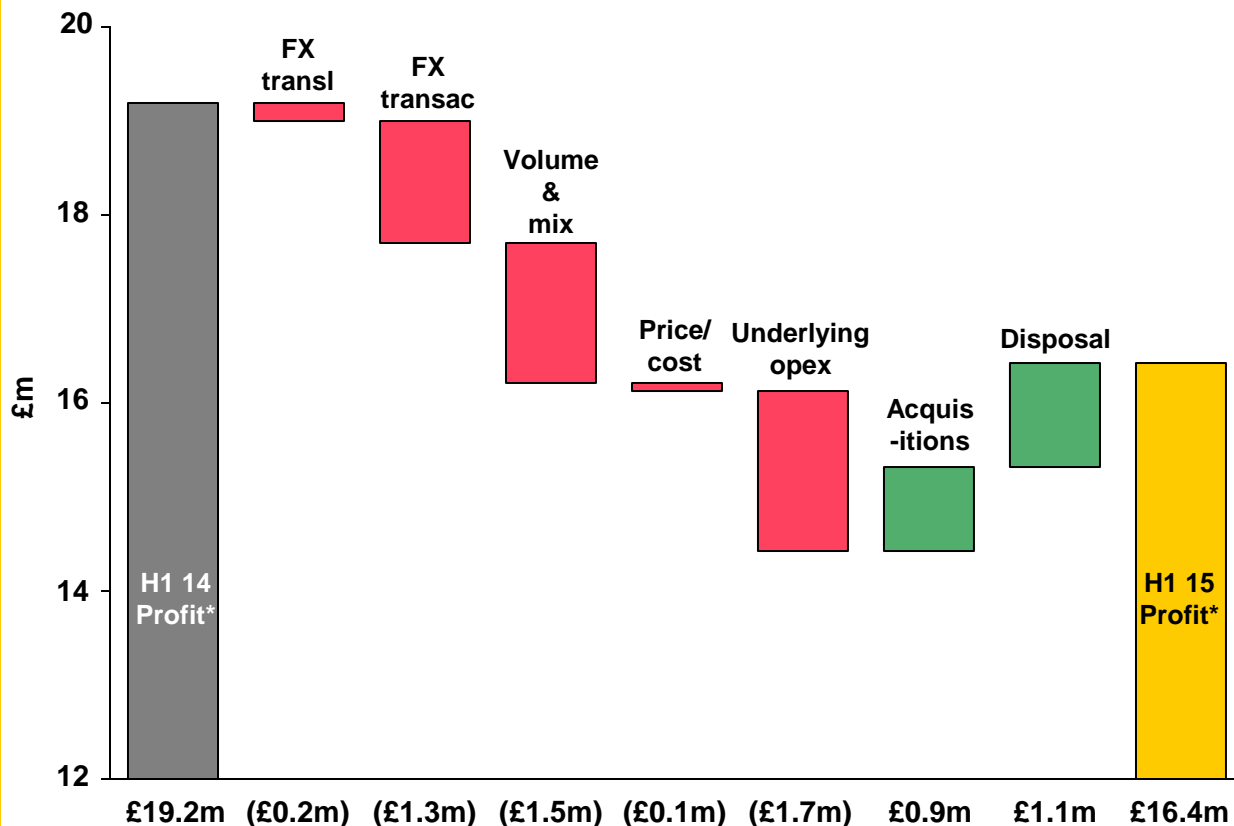
- > Non-repeat of Sochi Winter Olympics and FIFA World Cup
- > Benefit from new product sales and acquisitions, including Paralinx
- > Strong sales of higher technology products; lower large camera supports

## Photographic

- > Manfrotto outperforming a challenging market
- > Successful launch of new products supported by marketing activity
- > Moved to direct distribution in China



# Operating profit



- > £1.5m adverse FX as anticipated
- > New product sales offset by non-repeat of large events
- > Strategic investment in new product development
- > Benefit from acquisitions and IMT disposal

\* Before restructuring costs and charges associated with acquired businesses.

# Cash flow



	H1 2015 £m	H1 2014 £m	Δ £m
Operating profit *	16.4	19.2	(2.8)
Depreciation <sup>(1)</sup>	7.9	7.8	0.1
Working capital	(8.9)	(13.6)	4.7
Restructuring costs	(1.4)	(2.1)	0.7
Other <sup>(2)</sup>	(0.6)	(2.0)	1.4
<b>Cash generated from operations</b>	<b>13.4</b>	<b>9.3</b>	<b>4.1</b>
Capital expenditure <sup>(3)</sup>	(9.9)	(7.8)	(2.1)
Proceeds from asset sales	1.9	2.6	(0.7)
Net interest and tax paid	(2.1)	(0.3)	(1.8)
<b>Free cash flow</b>	<b>3.3</b>	<b>3.8</b>	<b>(0.5)</b>

\* Before restructuring costs and charges associated with acquired businesses.

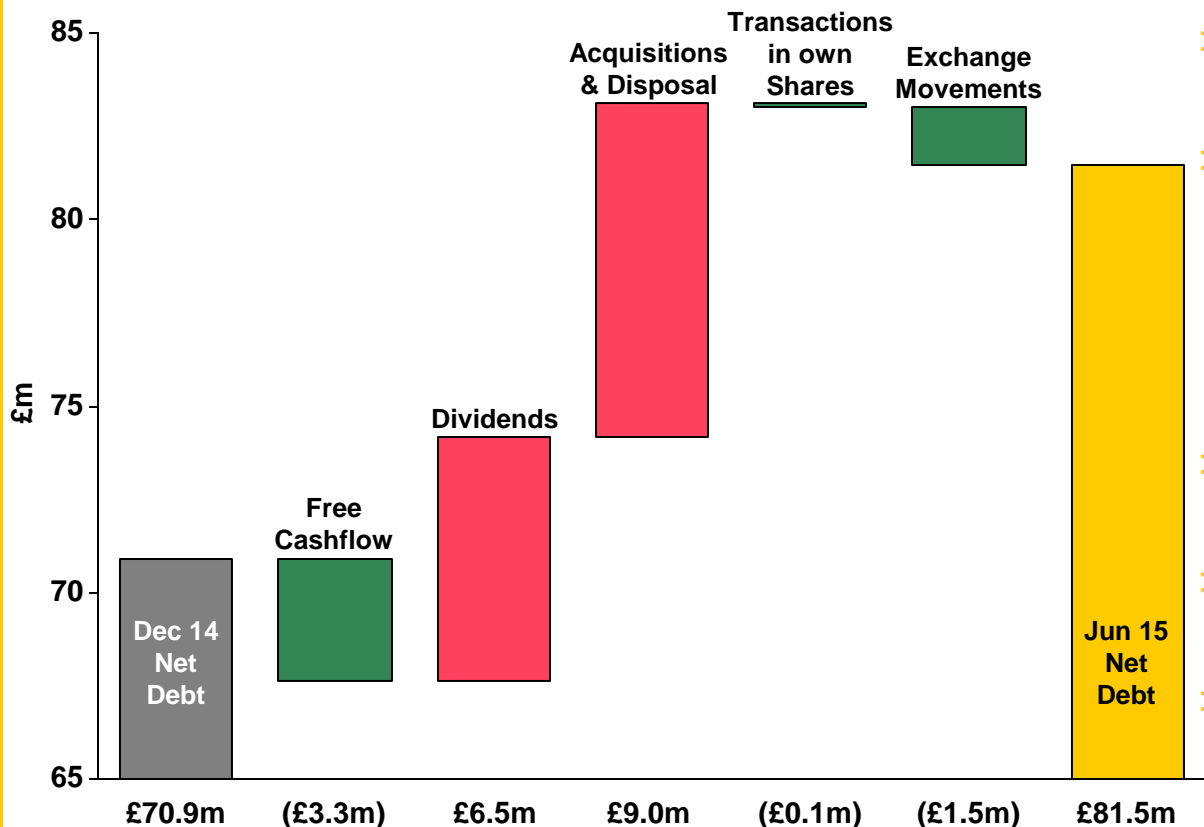
<sup>(1)</sup> Includes depreciation and amortisation of software and capitalised development costs.

<sup>(2)</sup> Includes change in provisions, share based charge, gain on disposal of PPE, fair value derivatives and transaction costs relating to acquisitions.

<sup>(3)</sup> Purchase of PPE & software and capitalisation of development costs.

- > Free cash flow reflects seasonal phasing
- > Working capital reflects:
  - > Inventory £5.8m higher (up £5.9m in H1 2014) due to new products and seasonality
  - > Trade Receivables up £3.1m. Good ageing maintained
- > Net capital expenditure in line with expectations
- > Net tax receipt in H1 2014

# Strong balance sheet



- > Net debt of £81.5m in line with our expectations
- > £9.0m net outflow on acquisitions & disposal including:
  - > £4.0m Paralinx acquisition
  - > £4.6m of earnouts on previous acquisitions
- > Net Debt to EBITDA ratio of 1.5x (June 2014: 1.3x)
- > Significant headroom with £132m banking facilities
- > Seasonally stronger cash generation in second half

## Other financial developments



- > Driving profitable growth in a challenging market
  - > Continuing to invest in higher technology product businesses
  - > Streamlining certain activities with lower growth prospects; one-off cash costs of up to £6m over 2015 & 2016, with 2 year payback
- > Forex
  - > Euro and Yen have weakened significantly; US Dollar is stronger than a year ago
  - > At current rates:
    - > Continued adverse impact for 2015 after hedges, as previously advised
    - > Benefit from 2016 onwards from a stronger US Dollar, partially offset by a weaker Euro and Yen
- > Effective tax rate maintained at 30% for 2015 (2014: 30%)
- > Amortisation of acquired intangibles: £5.1m per annum

# Financial Review: Summary



- > Half year results in line with our expectations
- > Growth in revenue and operating profit\* at constant exchange rates after excluding non-repeat of Sochi Winter Olympics and FIFA World Cup
- > Investment in product development and additional resources to drive product sales
- > Strong balance sheet

\* Before restructuring costs and charges associated with acquired businesses.

# Strategic & Operational Review



## > **Stephen Bird** Group Chief Executive



# Market Conditions



## > Broadcast Division

- > Variability in demand in first half
- > More positive US offset by challenging EMEA
- > Independent content creator segment continues to grow
- > Strong demand for high technology products
- > Strengthened product portfolio



- > *Changing market conditions with pockets of growth*
- > *Holding share*

## > Photographic Division

- > Signs of stabilisation as decrease in global shipments of interchangeable lens cameras flattens after several challenging years
- > New product lines performing well e.g. Manfrotto Off road range of tripods
- > Manfrotto camera bags gaining share

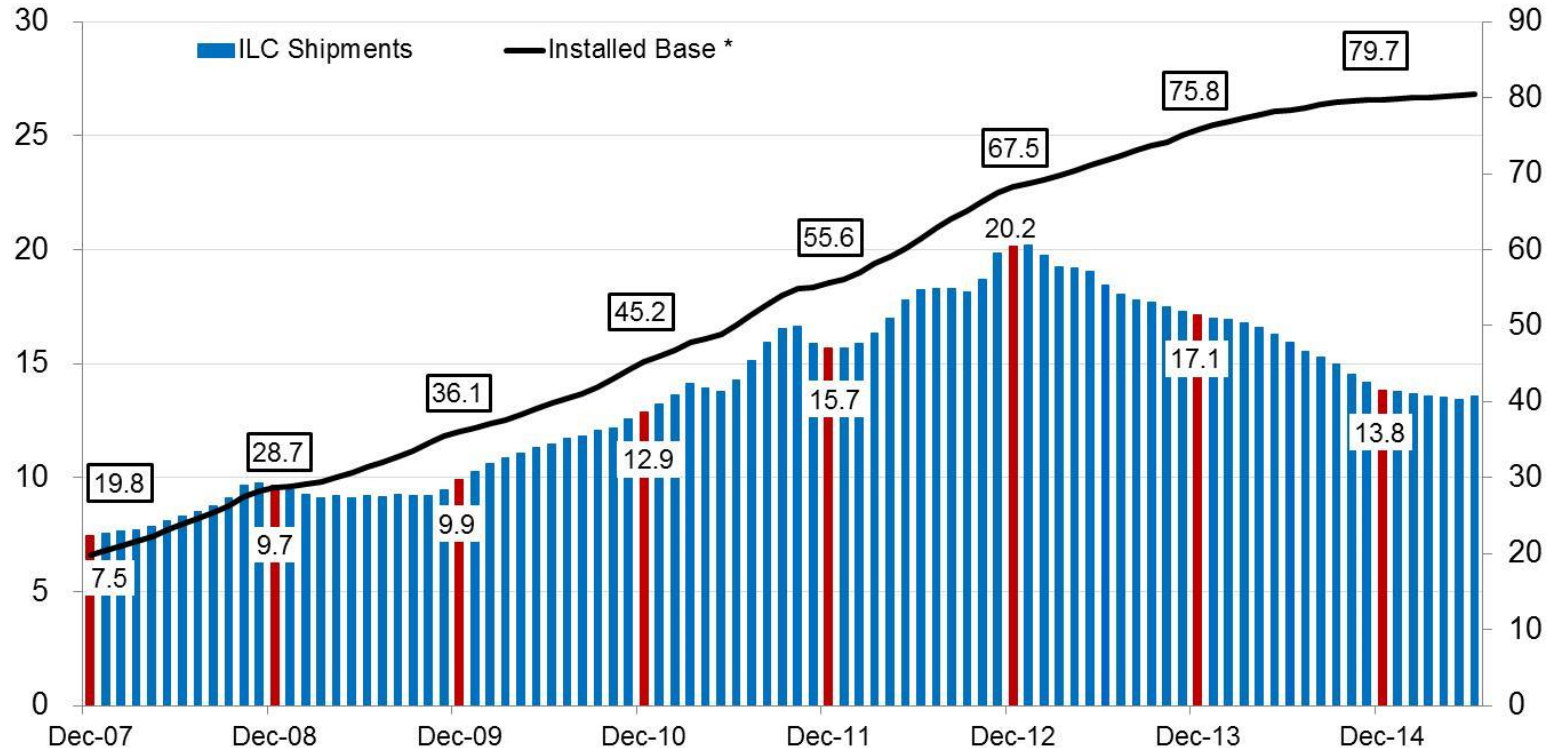


- > *Signs of market stabilisation*
- > *Taking share*

# Shipments of Interchangeable Lens Cameras



**Shipments of interchangeable lens cameras (moving 12 month totals) and growth in installed base \***  
(millions of units)



\* Management estimate, assuming 5 year replacement cycle

Source: CIPA



# Broadcast Division (excluding IMT)



## Growth in revenue in variable market conditions

	H1 2015 £m	H1 2014 £m	Δ %	Δ % at Constant FX
Revenue	92.5	83.0	11.4%	7.5%
Operating profit *	9.7	11.7	(17.1%)	(11.2%)
Operating margin % *	10.5%	14.1%	-360 bps	-250 bps

\* Before restructuring costs and charges associated with acquired businesses

### Broadcast



Photo: SmallHD 501 monitor

- > Significant benefit of Olympics & World Cup in 2014
- > Higher technology product sales offset lower sales from larger camera supports
- > Paralinx acquisition and integration into Teradek
- > New SmallHD products launched in H1 well received

# Photographic Division



## Good performance in a challenging market

	H1 2015 £m	H1 2014 £m	Δ %	Δ % at Constant FX
Revenue	63.4	64.1	(1.1%)	(0.6%)
Operating profit *	6.7	8.6	(22.1%)	(13.2%)
Operating margin % *	10.6%	13.4%	-280 bps	-150 bps

\* Before restructuring costs and charges associated with acquired businesses.

### Photographic



Photo: Manfrotto Off road series tripod

- > Tripod and accessory sales outperforming market
- > Broadly similar sales to H1 14
- > Significant focus on new product development with successful new product launches

# Good progress in continuing to deliver our strategy



## Improving the core

- > Sales growth from higher technology products
- > Launched new products for the independent content creator

## Expanding in APAC

- > Good progress in APAC including strong sales in Japan
- > Direct distribution model in China for Photographic

## Strategic acquisitions

- > Recent acquisitions continuing to perform strongly
- > Paralinx acquisition has enhanced wireless products offering

## Financial discipline & cost control

- > Targeted cost control while continuing to invest in higher technology products
- > Targeted investment in new product development

# New Products with Higher Technology Elements



## Broadcast: Wireless Transmitters



- > Ultra portable VidiU Mini
- > Paralinx

## Broadcast: Monitors



- > New generation 5" on-camera monitor
- > Innovative highest resolution Sidefinder

## Broadcast: Other



- > New batteries and chargers
- > LED Astra 1 x 1 family

## Photographic: Manfrotto Digital Director



- > iPad enabled interface
- > "Videomaker Best of NAB 2015" award winner

# Summary

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- > Growth in revenue and profit at constant exchange rates excluding non-repeat of large sporting events
- > Progress in continuing to deliver our strategy
- > Good sales performances from our higher technology product businesses
- > Investing additional resources to drive new product sales

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# Outlook

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- > Although we see some signs of stabilisation, our markets are still uncertain. The Board is focused on delivering an acceptable performance for FY 2015 in this challenging environment
- > Looking forward to 2016, we should benefit from further growth in new product sales and major sporting events

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# Questions

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# Appendices





# Broadcast products



\* Clockwise from left: **Autocue:** PSP17 teleprompter; **Autoscript:** E.P.I.C. prompter; **Sachtler:** Video 25 Plus Fluid Head, bag, Ace L TT 75/2 CF; **Vinten Radamec:** FPR-210 + APS + Autoscript; **Anton/Bauer:** Elora Medical, V90 Digital Batteries; **Teradek:** Bolt Pro 300, Cube 155.

# Broadcast products



 **Litepanels®**



**Vinten**



**OConnor**



\* Clockwise from top left: **Litepanels:** Astra 1x1; **Vinten:** Vector 750i, Quattro L; **OConnor:** O-Rig Rod Support System; **SIS:** stump cam; **Meercat** miniature HD broadcast camera; **Camera Corps:** Q-Ball 3; **Litepanels:** Inca 9

# Broadcast – New Products



Litepanels



Sachtler



ANTON BAUER



smallHD 501



\* Clockwise from top left: **Vinten Radamec:** Elevation Units FE-55 / FE-165; **Litepanels:** Caliber 3-Light Kit; **Sachtler:** Ace Shoulder Rig; **Anton/Bauer:** V90 & G90 Digital Batteries; **SmallHD:** 501 monitor; 502 monitor and Sidefinder; **Teradek:** Vidui mini; **Camera Corps:** Q Compact Robotic Camera and Mini Tracking System.

# Latest acquisition – Paralinx



\* From left: Arrow X; Crossbow; Triton; Tomahawk

# Photographic products



 **Manfrotto**  
Imagine More



  
**AVENGER**

**Lastolite™**  
Professional

**SYMPLA™**  
SYSTEM MOVING PLATFORM

\* Clockwise from top left: **Manfrotto:** 190X PRO tripod; MHX PRO 3-Way Geared Head; Compact Action tripod; Pro Bags; PIXY; KLYP+; **Sympla:** rig; **Avenger:** Wind Up stand; **Lastolite:** TriGrip silver and TriFlip kit contents; **Gitzo:** Systematic tripod.

# Photographic – New Products



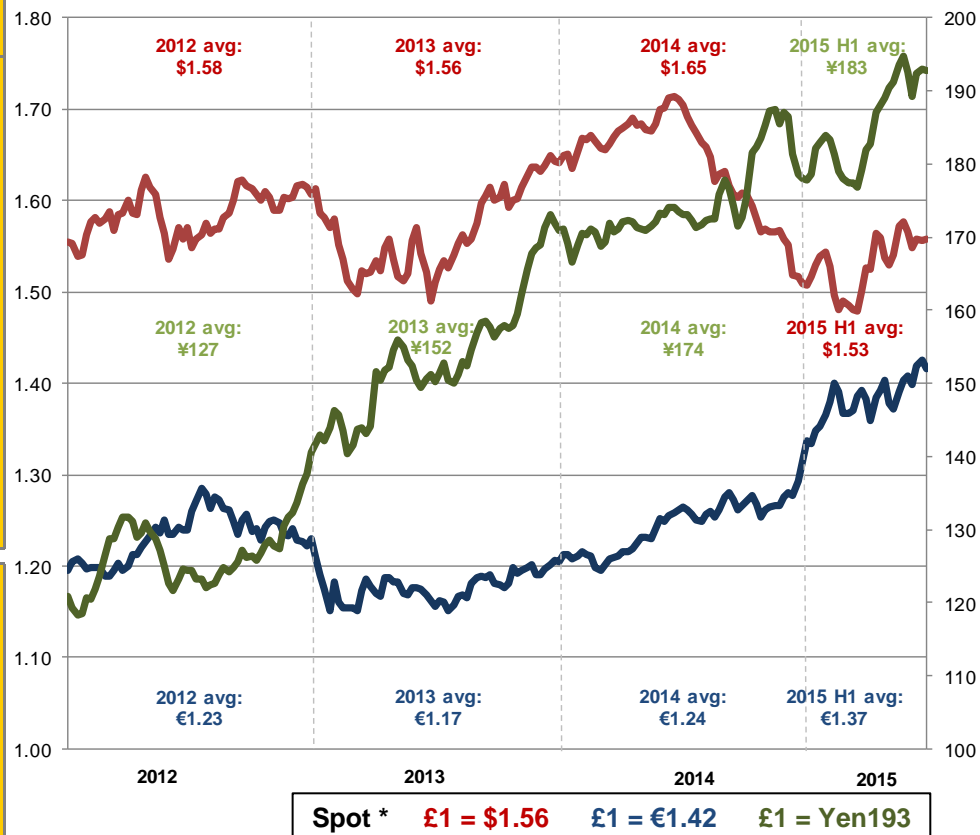
\* Clockwise from left: **Gitzo:** Mountaineer tripod; **Manfrotto:** Digital Director, winner of Videomaker Best of NAB award; Travel backpack; XPRO ball head; Off road tripod; Follow Focus; LUMIMUSE.

# Foreign exchange update



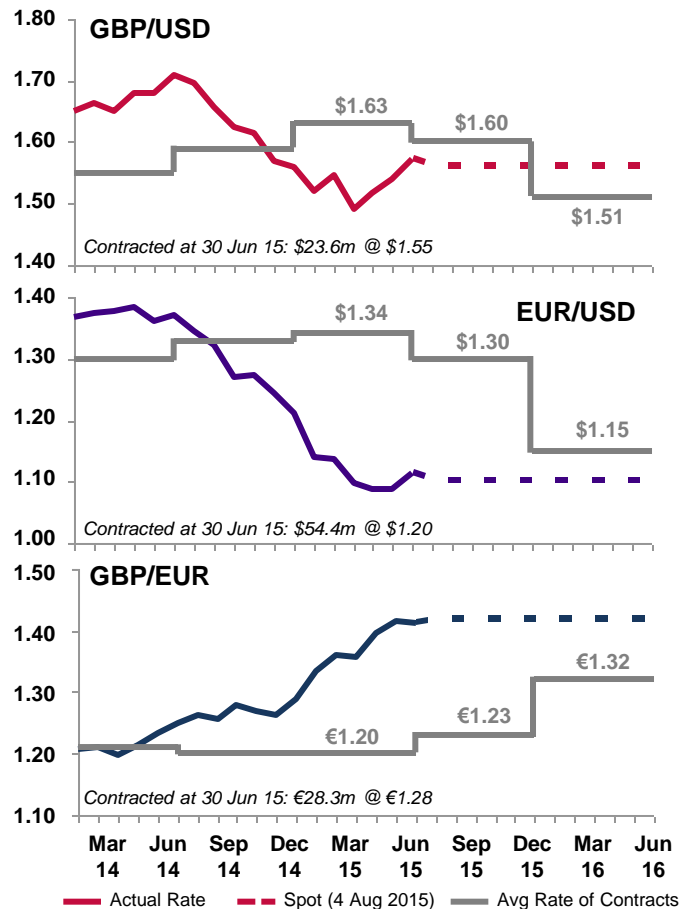
Year on year effect on operating profit	£/\$	€/£	£/€	Translation £m	Transaction £m	Total £m
Average FY03	1.63	1.13	1.45	1.2	(2.3)	(1.1)
Average FY04	1.82	1.24	1.47	(0.9)	(3.9)	(4.8)
Average FY05	1.82	1.24	1.46	0.1	(1.0)	(0.9)
Average FY06	1.84	1.25	1.47	(0.2)	(0.5)	(0.7)
Average FY07	2.00	1.37	1.47	(1.3)	(2.4)	(3.7)
Average FY08	1.85	1.46	1.26	3.8	(1.7)	2.1
Average FY09	1.56	1.40	1.12	6.6	3.9	10.5
Average FY10	1.55	1.33	1.17	(0.3)	2.0	1.7
Average FY11	1.60	1.39	1.15	(0.3)	0.8	0.5
Average FY12	1.58	1.29	1.23	(0.5)	0.1	(0.4)
Average FY13	1.56	1.33	1.17	0.7	(0.2)	0.5
Average FY14	1.65	1.33	1.24	(2.0)	(1.5)	(3.5)
Average H1 09	1.49	1.34	1.11	4.8	2.0	6.8
Average H1 10	1.53	1.33	1.15	(0.3)	1.8	1.5
Average H1 11	1.61	1.40	1.15	(0.3)	(0.7)	(1.0)
Average H1 12	1.58	1.30	1.21	0.0	0.7	0.7
Average H1 13	1.54	1.31	1.17	0.4	0.0	0.4
Average H1 14	1.67	1.37	1.22	(1.0)	(0.8)	(1.8)
Average H1 15	1.53	1.12	1.37	(0.2)	(1.3)	(1.5)

Negatives indicate an adverse effect



\* As at 4 August 2015

# Foreign Exchange – Key Impacts on Vitec



## a) Translation

- > Translational impact is unhedged
- > H1 2015 benefited from stronger USD, offset by weaker EUR
- > At current rates, there is:
  - Favourable year-on-year impact on USD
  - Adverse impact over 2015 and into 2016 on EUR
  - Adverse impact from weakening JPY

## b) Transaction

- > Vitec hedges c.75% of its transactional exposures to reduce volatility
- > These contracts typically mature over the following 12 months
- > The biggest effect is on USD earnings in Photographic (EUR/USD) and to a lesser degree in Broadcast (GBP/USD)
- > The Broadcast Division has EUR (GBP/EUR) and JPY (GBP/JPY) hedges that are delaying the impact of the weaker EUR and JPY in 2015
- > At current rates, there would be an adverse impact over the remainder of 2015 from the average rate of our GBP/USD and EUR/USD hedges
- > These USD positions start to unwind from 2016 onwards but there will be an adverse impact from the EUR and JPY



# Working capital overview



## Gross Trade Receivables - Days Overdue\*\*

	H1 2015		H1 2014		Δ £m
	£m	%	£m	%	
Current	34.8	83%	35.8	82%	(1.0)
1-30 Days	4.5	11%	4.7	11%	(0.2)
31-60 Days	0.9	2%	1.2	3%	(0.3)
> 60 days	1.5	4%	1.9	4%	(0.4)
<b>Total</b>	<b>41.7</b>		<b>43.6</b>		<b>(1.9)</b>

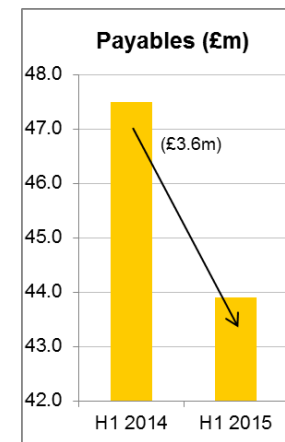
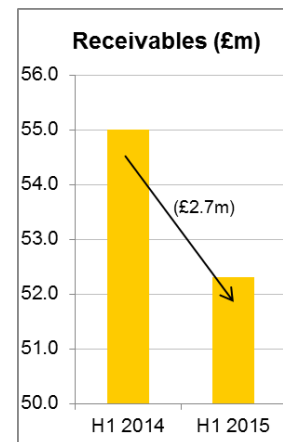
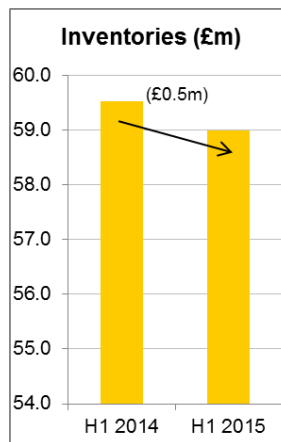
## Movement in Working Capital \*

	H1 2015 £m	H1 2014 £m	Δ £m
Increase in inventories	(5.8)	(5.9)	0.1
Increase in receivables	(1.9)	(7.3)	5.4
Decrease in payables	(1.2)	(0.4)	(0.8)
<b>Total</b>	<b>(8.9)</b>	<b>(13.6)</b>	<b>4.7</b>

\* Before restructuring costs

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

## Balance Sheet



## Working Capital Days

Inventory Days	107	111
Trade Receivable Days	40	43
Trade Payable Days	47	52

‡ Excludes IMT

	H1 2015	H1 2014‡
Inventory Days	107	111
Trade Receivable Days	40	43
Trade Payable Days	47	52

# Borrowings



- > Revolving credit loan facility of £100m negotiated in July 2012
  - > Committed until July 2017 with 5 relationship banks
  - > Margin at 187 bps over LIBOR
  - > Significant covenant headroom
  - > Average income statement charge of borrowing 4.1% of utilised facility
- > Private Placement shelf facility established in 2011
  - > \$50m drawn down at June 2015 (Dec 2014: \$50m)
  - > Blended interest rate of 4.77%
- > June 2015 Net Debt of £81.5m (Dec 2014: £70.9m)
  - > Net Debt to EBITDA ratio of 1.5x (June 2014: 1.3x)

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



	H1 2015 £m	H1 2014 £m	Δ £m		H1 2015 £m	H1 2014 £m	Δ £m
Profit before tax*	14.6	17.5	(2.9)	Profit after tax*	10.2	12.1	(1.9)
Restructuring costs	-	(0.9)	0.9	Restructuring costs and charges associated with acquired businesses	(2.6)	(2.6)	0.0
Charges associated with acquired businesses:				Tax on restructuring costs and charges associated with acquired businesses	0.8	0.7	0.1
Transaction costs relating to acquisitions <sup>(1)</sup>	(0.1)	(0.2)	0.1				
Amortisation of acquired intangible assets	(2.5)	(1.5)	(1.0)				
<b>Profit before tax</b>	<b>12.0</b>	<b>14.9</b>	<b>(2.9)</b>	<b>Profit after tax</b>	<b>8.4</b>	<b>10.2</b>	<b>(1.8)</b>
				Weighted average number of shares ('000)	44,331	44,129	
				Adjusted EPS * (pence)	23.0	27.4	(4.4)
				<b>Basic EPS (pence)</b>	<b>18.9</b>	<b>23.1</b>	<b>(4.2)</b>

\* Before restructuring costs and charges associated with acquired businesses. Restructuring costs in H1 14 of £0.9m primarily relate to the Group streamlining certain operations by downsizing selected activities, mainly in the US.

(1) Transaction costs of £0.1 million were incurred in relation to the acquisition of Paralinx in February 2015 (H1 14: £0.2m in relation to SIS)

# The Vitec Group plc

## Overview



vitec

# What we do

## Broadcast Division

- > Equipment and Services

	FY 2014‡
Revenue	£171.1m
Operating Profit*	£21.2m
Operating Margin*	12.4%



## Photographic Division

- > Equipment

	FY 2014
Revenue	£130.9m
Operating Profit*	£18.9m
Operating Margin*	14.4%

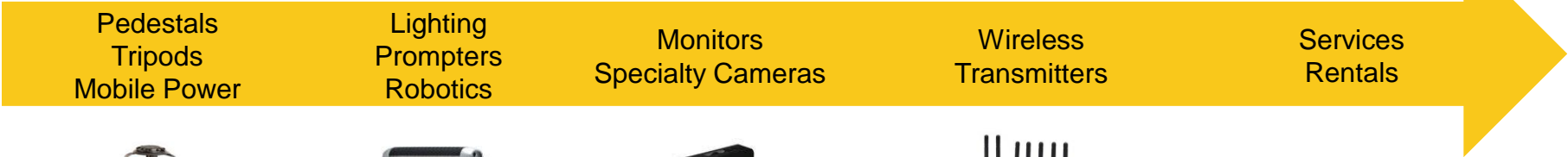


Our ultimate customer is primarily a camera operator

# 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



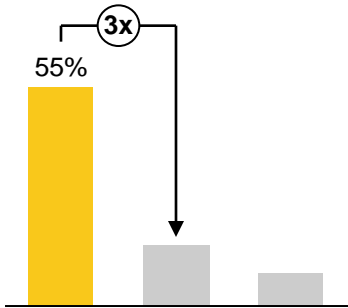
Vitec has a portfolio of market leading world class brands



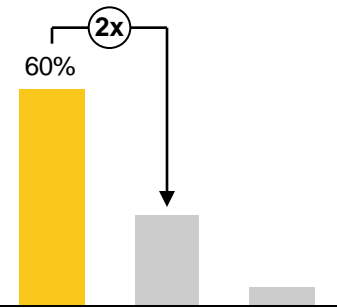
# Competitive landscape



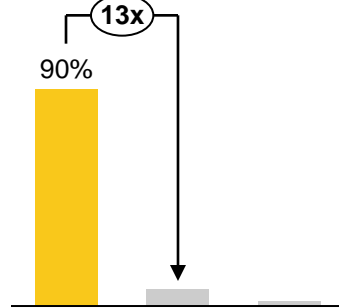
**Broadcast Camera Supports**



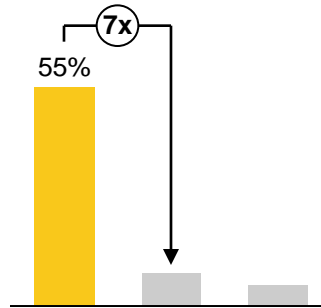
**Cine Camera Supports**



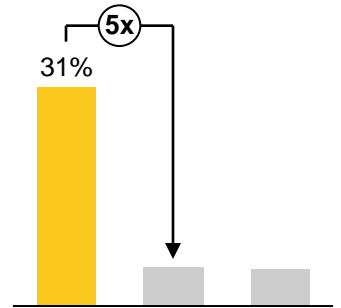
**On Set Wireless**



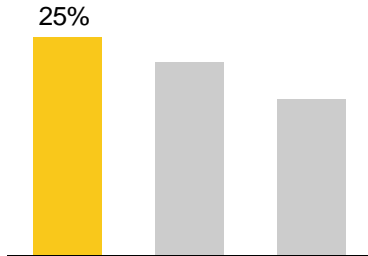
**Prompters**



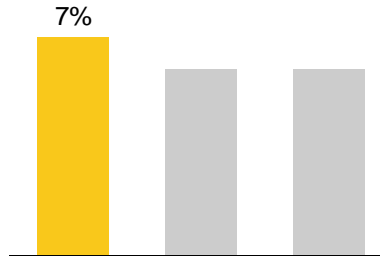
**Photographic Tripods**



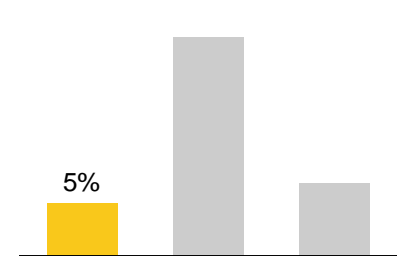
**Batteries**



**LED Lights**



**Photographic Bags**

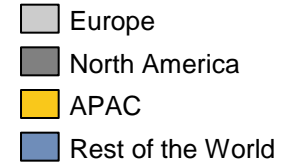
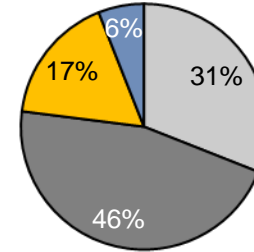


Vitec holds strong positions in its niche product categories

# Where we operate

- > Sites in 11 countries; sell into 100+ countries
- > Sales: UK accounts for only 9% 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

2014 Revenue



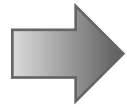
Vitec has strong global distribution

# A solid platform for growth

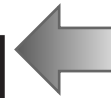


## Strategy themes

- Improve the core
- Grow share in APAC
- Grow through acquisition



**FOCUS ON GROWTH**



## Enablers

- Cross Group Collaboration
- Product Leadership
- Talent Development
- Operational Excellence

Entrepreneurial spirit

Working in teams

Harnessing technology

Winning attitude

# Broadcast Market: Disruption = Change = Opportunity



## New Screens



Democratisation  
of Media



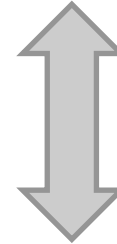
Explosion in  
demand for  
content



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

# Independent Content Creators are increasing across all markets



## Broadcast Division has the affordable, professional tools they require

- > Global Box Office growing 5.4% annually, with big growth in developing markets (PwC, 2014)
- > Netflix, Amazon commissioning independent productions
- > More than 1,000,000 partner channels share revenue with YouTube
- > 345 of the Fortune 500 have a corporate YouTube account

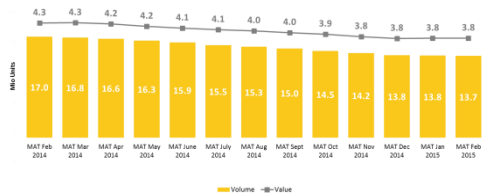


# Photographic market: Favourable drivers



**Market showing signs of stabilization**

2014 vs. 2013



**DSLRs 71m installed**



**Tripods +1% Value Growth**

**New format Cameras**

OUTLOOK 2015



**CSCs +5% Unit Growth**



**SZoom +1% Unit growth**



**Action +42% Unit Growth**



**Smart +22% Unit growth**

**Consumer Dynamics**



**Demand up for 2<sup>nd</sup> portable device**



**More Photos Taken & Loaded**



**More Videos Taken & Loaded**



**Women now 33% of total**

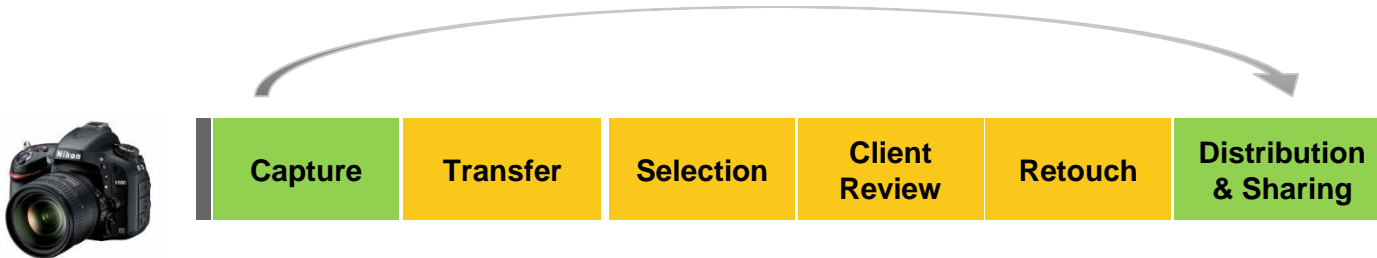
# Acquisition rationale



## > The Broadcast workflow

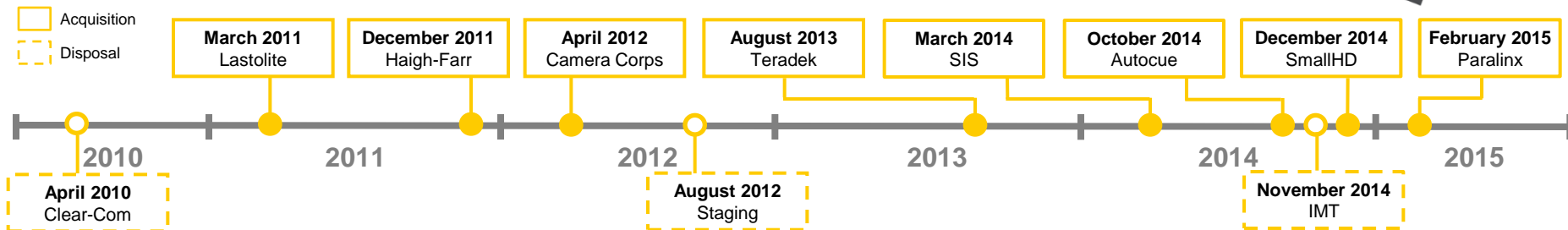


## > The Photographic workflow



We will look for acquisitions primarily in Capture and Sharing

# Acquisition track record



## Acquisitions:

- > 8 completed
- > £70m invested
- > 14% return after funding costs

Disposed of non-core businesses



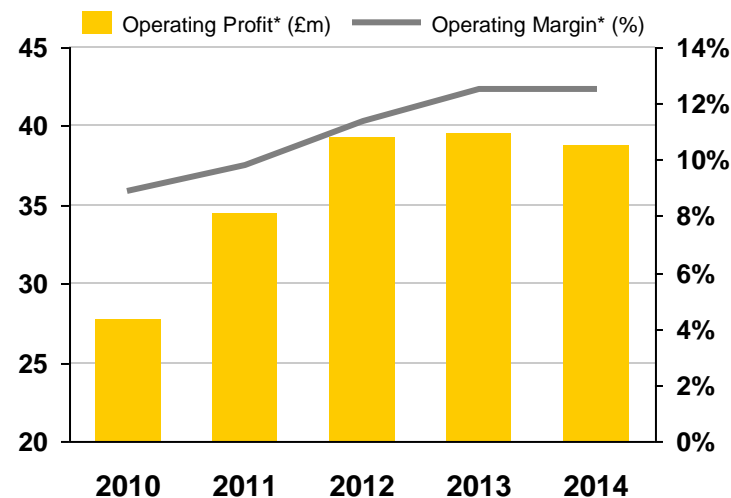
Strong track record in making and integrating acquisitions successfully



# Financial Overview



- > Vitec has been strengthened through a number of self-help initiatives
  - > Exited from non-core businesses
  - > Streamlined & restructured
  - > 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 1.2x (FY2014)



	2010	2011	2012	2013	2014
Revenue	£m 309.6	£m 351.0	£m 345.3	£m 315.4	£m 309.6
Operating profit*	27.7	34.5	39.3	39.5	38.8
Operating margin*	8.9%	9.8%	11.4%	12.5%	12.5%

\* Before restructuring costs and charges associated with acquired 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 2.3x dividend cover

## 3. Disciplined approach to acquisitions

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



Capture the moment™