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The Vitec Group plc Half Year Results 2018

Record H1 profit and improved margins

10 August 2018





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Adjusted performance measures

In addition to statutory reporting, Vitec reports alternative performance measures (“APMs”) which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). The Group uses these APMs to improve the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group’s businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A definition of the APMs used in this presentation and a reconciliation from adjusted operating profit to statutory operating profit is included in the Appendix.



Agenda

- > **Highlights**

- > Stephen Bird, Group Chief Executive

- > **Financial Review**

- > Kath Kearney-Croft, Group Finance Director

- > **Market and Strategy Update**

- > Stephen Bird, Group Chief Executive

- > **Q&A**



Highlights: record Group performance

1. Record Group performance in profit before tax and EPS

- > Further underlying profit growth across the portfolio
- > Improvement in adjusted operating margin* to 13.9% on a reported basis
- > ROCE⁺ increased to 21.7% (H1 2017: 19.4%)

2. Continued progress in driving further growth and efficiency

- > Acquisitions: JOBY and Lowepro performing in line with expectations with both businesses gaining market share; Adeal expanded APAC distribution in Australia
- > New product development: significant number of market-leading new products launched at end of 2017 are selling well
- > Manufacturing operations: further improvements across the Group including move to new Bury St Edmunds, UK site; transfer from Shelton, US to our facility in Costa Rica on track

3. Strong balance sheet to support organic investment and M&A

4. Full year expectations remain unchanged, with material EPS growth

Transformed portfolio delivering record performance and improved margins

* Before charges associated with acquisition of businesses and material non-operating events, as described in the Appendix.

+ Return on capital employed (ROCE) is calculated as adjusted operating profit* for the last twelve months divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings.



Financial Review





Record H1 profit and improved Group margins

	H1 2018	H1 2017	Better / (worse)	Better / (worse) at Constant FX	
Continuing operations	£m	£m			
Revenue	183.3	164.9	11.2%	16.0%	> Record operating profit, PBT and EPS
Gross profit	83.7	73.7	13.6%	15.8%	> Strong revenue growth
<i>Gross margin %</i>	45.7%	44.7%	+100 bps	-10 bps	> 2017 acquisition of JOBY and Lowepro
Operating expenses *	(58.2)	(52.1)	(11.7%)	(15.5%)	> Partly offset by impact of fire at SmallHD
Operating profit *	25.5	21.6	18.1%	16.7%	> Improvement in adjusted operating margin*
<i>Operating margin % *</i>	13.9%	13.1%	+80 bps	+10 bps	> H1 17 total operations: 11.3%
Net finance expense	(1.0)	(1.9)			> H1 18 gross and operating profit margins benefit from £4.7m SmallHD insurance claim with no adjustment for lost revenue
PBT *	24.5	19.7	24.4%	19.2%	> Reduction in net finance expense due to repayment of private placement in May 2017 and FX benefit
Adjusted basic EPS *	39.5p	34.2p	15.5%		> Interim dividend increased by 10.6% to 11.5p
Interim dividend per share	11.5p	10.4p	10.6%		
ROCE ⁺	21.7%	19.4%	+230 bps		

* Before charges associated with acquisition of businesses and material non-operating events, as described in the Appendix.

+ Return on capital employed (ROCE) is calculated as adjusted operating profit* for the last twelve months divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings.



Divisional performance

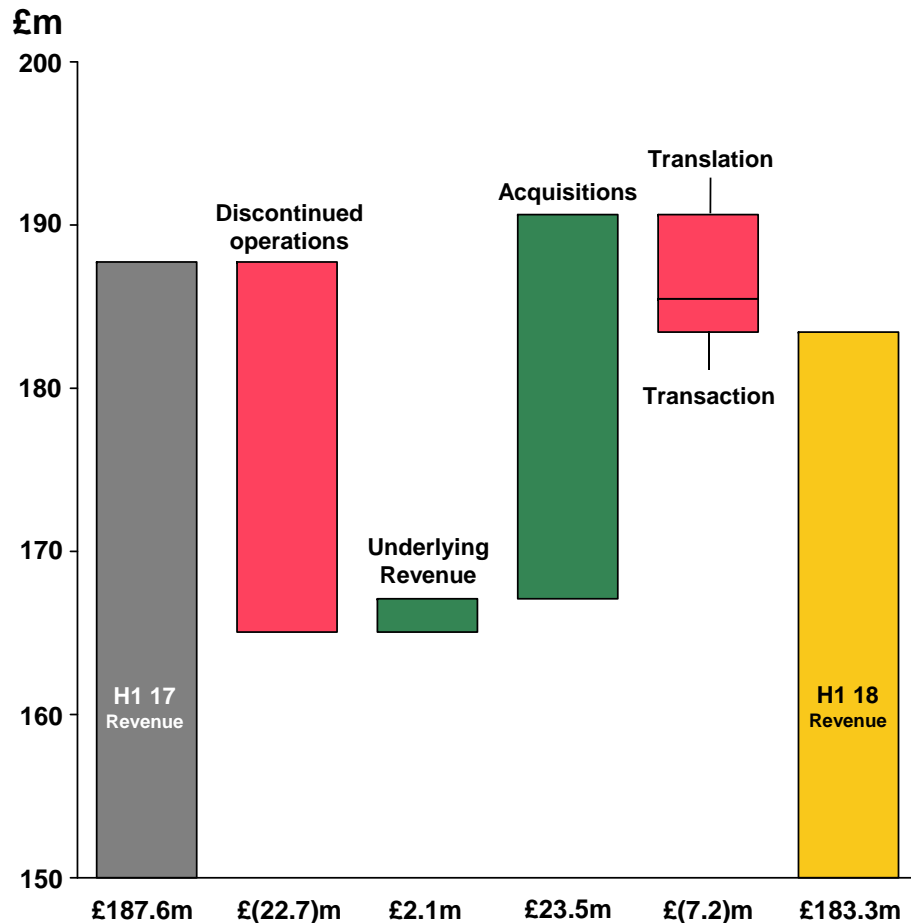
	Revenue				Adjusted operating profit*			
	H1 2018 £m	H1 2017 £m	Better / (worse) %	Better / (worse) at Constant FX %	H1 2018 £m	H1 2017 £m	Better / (worse) %	Better / (worse) at Constant FX %
Continuing operations								
Imaging Solutions	98.5	78.4	25.6%	29.1%	14.9	13.5	10.4%	13.7%
Production Solutions	57.1	55.7	2.5%	6.9%	9.9	6.6	50.0%	31.8%
Creative Solutions	27.7	30.8	(10.1%)	(2.5%)	7.0	6.5	7.7%	16.7%
	183.3	164.9	11.2%	16.0%	31.8	26.6	19.5%	18.9%
Corporate & unallocated	-	-	-	-	(6.3)	(5.0)	(26.0%)	(26.0%)
	183.3	164.9	11.2%	16.0%	25.5	21.6	18.1%	16.7%

* Before charges associated with acquisition of businesses and material non-operating events, as described in the Appendix.

- Imaging Solutions**
- > Revenue driven by JOBY / Lowepro acquisition which is performing in line with expectations
 - > Margin dilution due to change in product mix; underlying margin increased by +80 bps
- Production Solutions**
- > Good performance of new products including Flowtech tripod and Litepanels Gemini lights
 - > Improvement in margin includes benefit from Winter Olympics
- Creative Solutions**
- > Growth at c. 9% at constant FX prior to fire at SmallHD
 - > Margins in line with prior year after excluding impact of the fire at SmallHD



Group revenue bridge

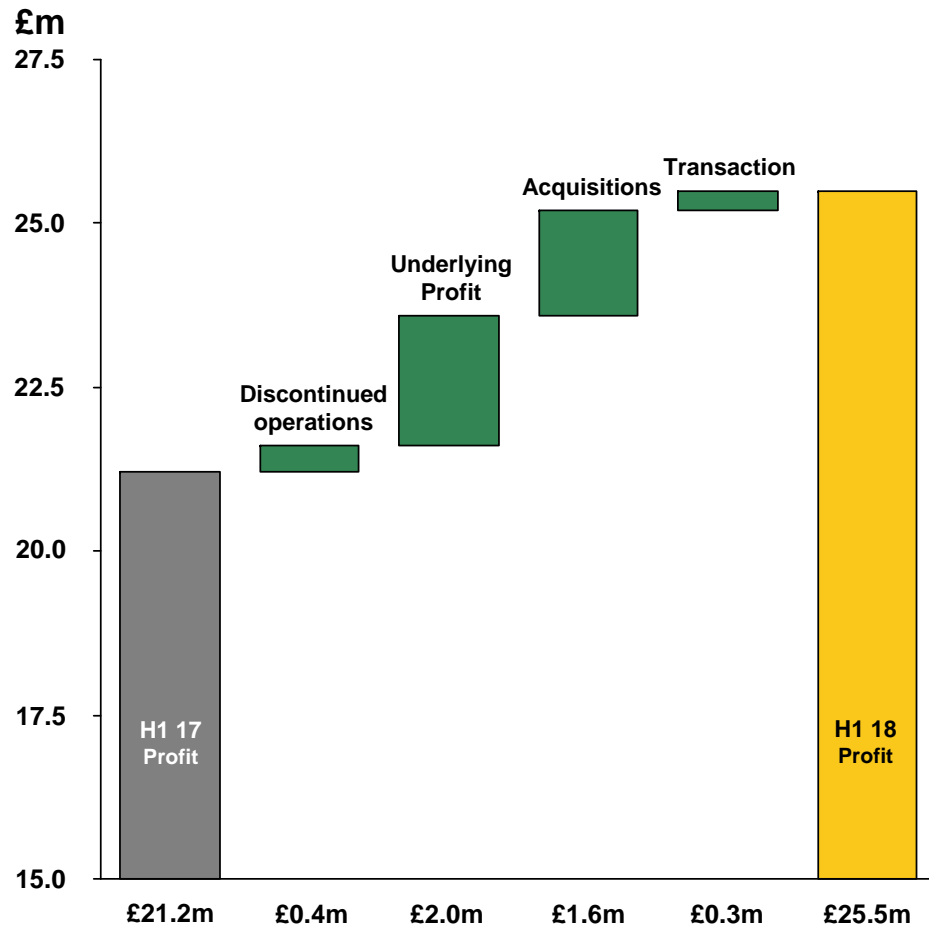


H1 17 includes continuing and discontinued operations.

- > Underlying revenue growth:
 - > Sales grew despite SmallHD fire curtailing revenue growth
 - > Benefit from Winter Olympics and strong sales of new products
 - > Slower start in Imaging Solutions in Q1; strengthening in Q2
- > Translational headwind from strengthening of Sterling



Group adjusted operating profit* bridge



- > Underlying profit growth driven by:
 - > Higher sales and an improvement in operating margin %
 - > Benefit from Winter Olympics in Production Solutions
 - > Partly offset by higher corporate costs
- > Benefit from acquisitions including JOBY/Lowepro replaces loss making discontinued operations
- > JOBY/Lowepro performance in line with plan and H2 weighted as expected

* Before charges associated with acquisition of businesses and material non-operating events, as described in the Appendix.

H1 17 includes continuing and discontinued operations



Cash generation

Total performance for continuing and discontinued operations	H1 2018 £m	H1 2017 £m	Better / (worse) £m
Operating profit *	25.5	21.2	4.3
Depreciation ⁽¹⁾	5.5	8.5	(3.0)
Working capital	(2.1)	(2.0)	(0.1)
Restructuring cash outflow	-	(1.2)	1.2
Integration cash outflow	(1.5)	-	(1.5)
Other ⁽²⁾	(2.0)	0.2	(2.2)
Cash generated from operations	25.4	26.7	(1.3)
Capital expenditure ⁽³⁾	(6.7)	(6.0)	(0.7)
Proceeds from asset sales	0.1	2.4	(2.3)
Net interest and tax paid	(2.4)	(3.7)	1.3
Free cash flow	16.4	19.4	(3.0)

- > Lower depreciation and asset sales following disposal of Bexel in 2017
- > H1 cash performance better than previously expected:
 - > Balanced JOBY/Lowe pro inventory earlier than expected
 - > Lower working capital investment at SmallHD
 - > Strong cash collection
- > £1.5m integration cash outflow related to JOBY/Lowe pro

* Before charges associated with acquisition of businesses and material non-operating events

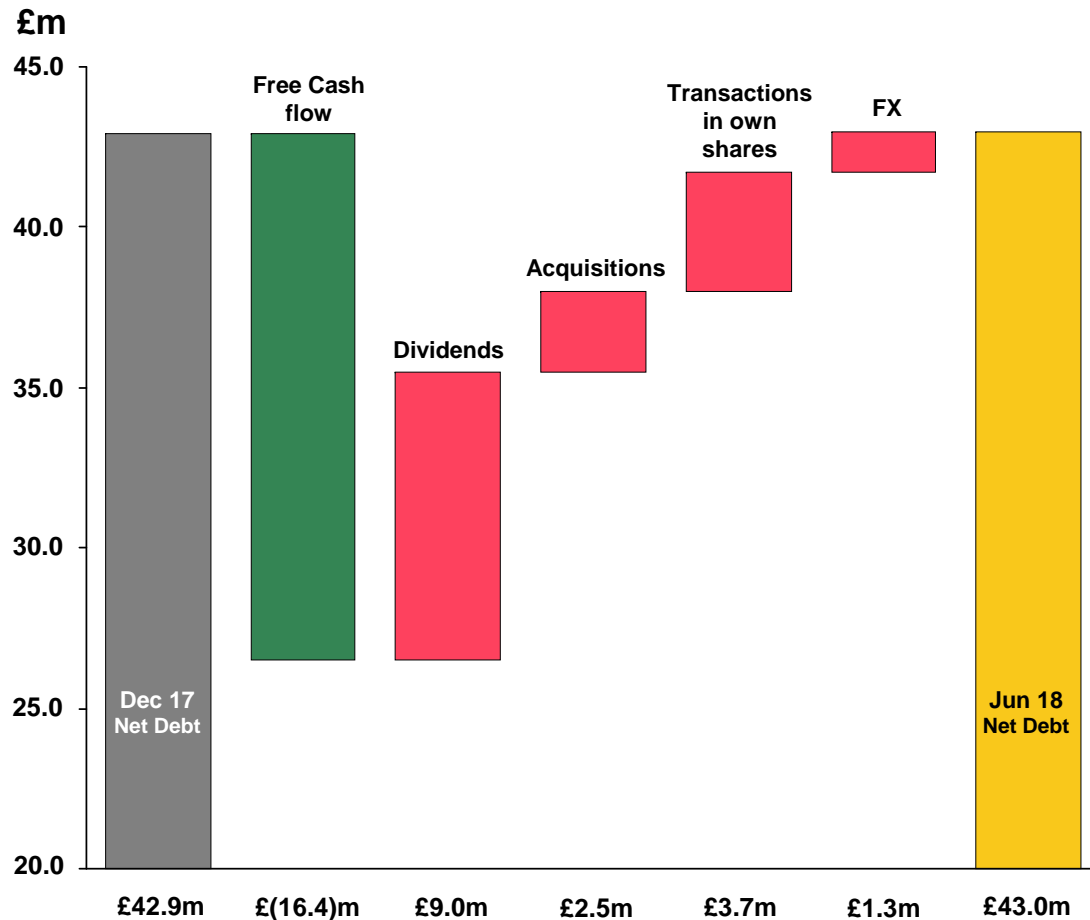
⁽¹⁾ Includes depreciation, amortisation of software and capitalised development costs and impairment losses on property, plant and equipment.

⁽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.



Net debt



- > Increase in interim dividend of 10.6%
- > Cash outflow on acquisitions due to Adeal
- > Transactions in own shares relates to funding of employee incentive plan
- > Net Debt to EBITDA ratio of 0.7x (Dec 17: 0.7x)

Strong balance sheet



H2 guidance

> 2018 H1/H2 phasing

- > Profit expected to be slightly H2 weighted in line with historical performance, including stronger performance from JOBY/Lowe pro
- > H2 cash expected to be broadly in line with H1 with further working capital investment

> Expect further underlying growth in H2

> Effective Tax Rate of 25% for full year

> Impact of FX on operating profit is expected to be broadly neutral for H2



Market & Strategy Update





Executing on the Group's strategy

1. Organic growth

2. Margin improvement

3. Further M&A activity

The right strategy for continued growth and value creation



Imaging Solutions

Market

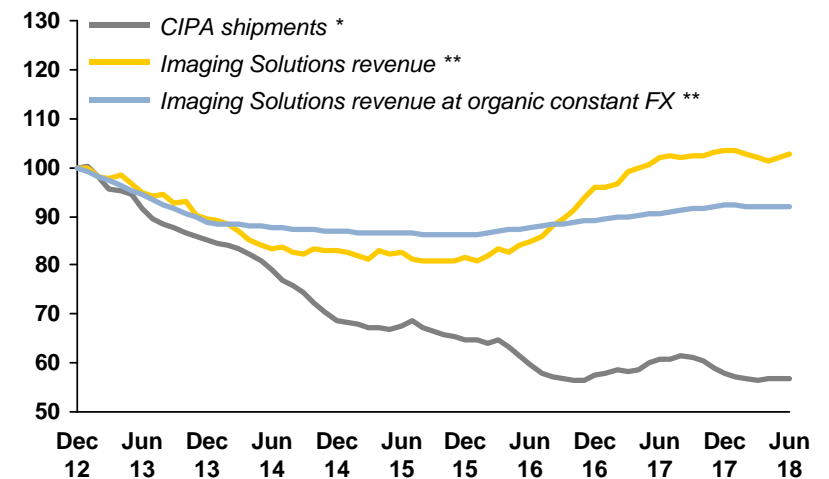
- > ILC market stabilised
- > Smartphone and vlogging accessories market growing

Strategy

1. Invest selectively in core business to take share
2. Accelerate growth in smartphone accessories via JOBY
3. Develop new and deepen existing strategic partnerships
4. Continue to strengthen our presence in APAC, currently 25% of sales
5. Drive further productivity improvements

Imaging Solutions** Division revenue versus CIPA shipments

Moving annual totals at constant currency, indexed to 100 at December 2012



* Quantity of global shipments of interchangeable lens cameras as published by the Camera and Imaging Products Association (CIPA)

** Excludes the impact of JOBY/Lowe pro

Imaging Solutions 3-year strategy – increase revenue and maintain margins



Imaging Solutions

H1 2018: strong performance

1. **Core business:** JOBY and Lowepro growing share; maintained leading share in tripods and bags
2. **Smartphone accessories:** enhanced relationship with Apple
3. **Strategic partnerships:** marketing alliance with Sony delivered co-branded accessories for Sony Alpha
4. **APAC:** strengthened our presence in APAC through Adeal acquisition; distributing other Group products
5. **Margins:** achieved 3% productivity improvement goal



**JOBY
GripTight TelePod
developed with
Apple**



**Manfrotto
Befree Advanced
designed for
Sony Alpha**



**JOBY GorillaPod
Mobile Rig**



Production Solutions

Market

- > Broadcast market stable, although cost pressures in studios
- > Growth in on-location production: news and sports

Strategy

1. Invest in growth areas with new products aimed at:
 - > On-location news and sports, e.g. lights, batteries and Flowtech
 - > Reducing broadcaster costs in studios, e.g. robotics
2. Grow in APAC: goal to grow from 17% of sales
3. Drive further margin improvements: particularly productivity



Production Solutions 3-year strategy – maintain revenue and improve margins



Production Solutions

H1 2018: good performance, benefitted from the Winter Olympics

1. On-location news and sports:

- > Sachtler/Vinten Flowtech 75 tripod; launching new Flowtech 100 tripod in September to expand addressable market
- > Litepanels Gemini lights selling well; launch of Anton/Bauer Dionic battery
- > Record Winter Olympics

2. APAC: Focus on China, Korea, Australia and India

3. Margins:

- > Increased production capacity in new Bury St Edmunds site in 40% less space
- > Transfer of charger assembly from Shelton to Costa Rica on track



Sachtler/Vinten
Flowtech tripod



Litepanels
Gemini light



Anton/Bauer
Dionic XT battery





Creative Solutions

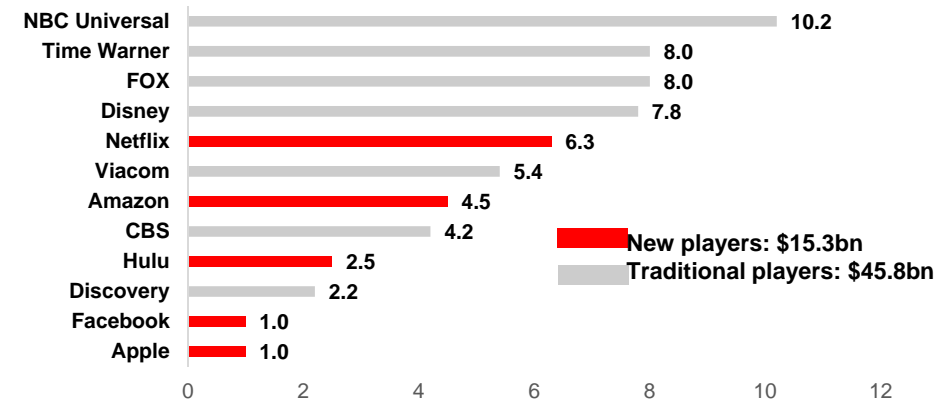
Market

- > Production spend continues to grow, especially in scripted series on newer platforms

Strategy

1. Maintain and expand presence in scripted series and films with core and integrated products
2. Develop high-end streaming
3. Grow in APAC: goal to grow from 10% of sales
4. Strengthen Divisional structure to leverage synergies

Estimated US Company programming spend in 2017, \$bn, excl sport



Source: MoffettNathanson Via Recode

Creative Solutions 3-year strategy – increase revenue and maintain higher margins



Creative Solutions

H1 2018: continued strong growth prior to fire at SmallHD

1. Maintain and expand share:

- > **Core products:** SmallHD grew 70% Q1 2018, with Focus monitors highly successful; record June in Teradek following launch of refreshed Bolt products; Wooden Camera Power Plate for Anton/Bauer batteries
- > **Integrated products:** 703 Bolt integrated Director's Monitor selling well; 5-inch cameraman version now available including RTMotion lens control

2. High end streaming: launched VidiU Go, a livestreaming device

3. APAC: recruited resources to develop future sales channel using Imaging Solutions distribution network

4. Divisional structure: promoted Divisional CFO and SVP Sales and Marketing



Teradek Bolt XT
Wireless
Transmitters



Photo credit: The Camera Department

Wooden Camera
Power Plate for
Anton/Bauer
batteries



Teradek VidiU Go
Livestreaming
device



Summary

- 1. Record Group performance in profit before tax and EPS**
- 2. Continued M&A activity**
- 3. Strong cash generation and a robust balance sheet**
- 4. Full year expectations unchanged**
- 5. Well-positioned with a clear growth strategy**

Transformed portfolio delivering record performance and improved margins



Q&A





Appendices





Results for total operations

Total performance for continuing and discontinued operations	H1 2018 £m	H1 2017 £m	Better / (worse)	Better / (worse) at Constant FX
Revenue	183.3	187.6	(2.3%)	1.6%
Gross profit	83.7	79.0	5.9%	7.9%
<i>Gross margin %</i>	45.7%	42.1%	+360 bps	+260bps
Operating expenses *	(58.2)	(57.8)	(0.7%)	(3.7%)
Operating profit *	25.5	21.2	20.3%	18.9%
<i>Operating margin % *</i>	13.9%	11.3%	+260 bps	+200 bps
Net finance expense	(1.0)	(1.9)		
PBT *	24.5	19.3	26.9%	21.6%
Adjusted basic EPS *	39.5p	31.7p	24.6%	
Interim dividend per share	11.5	10.4p	10.6%	

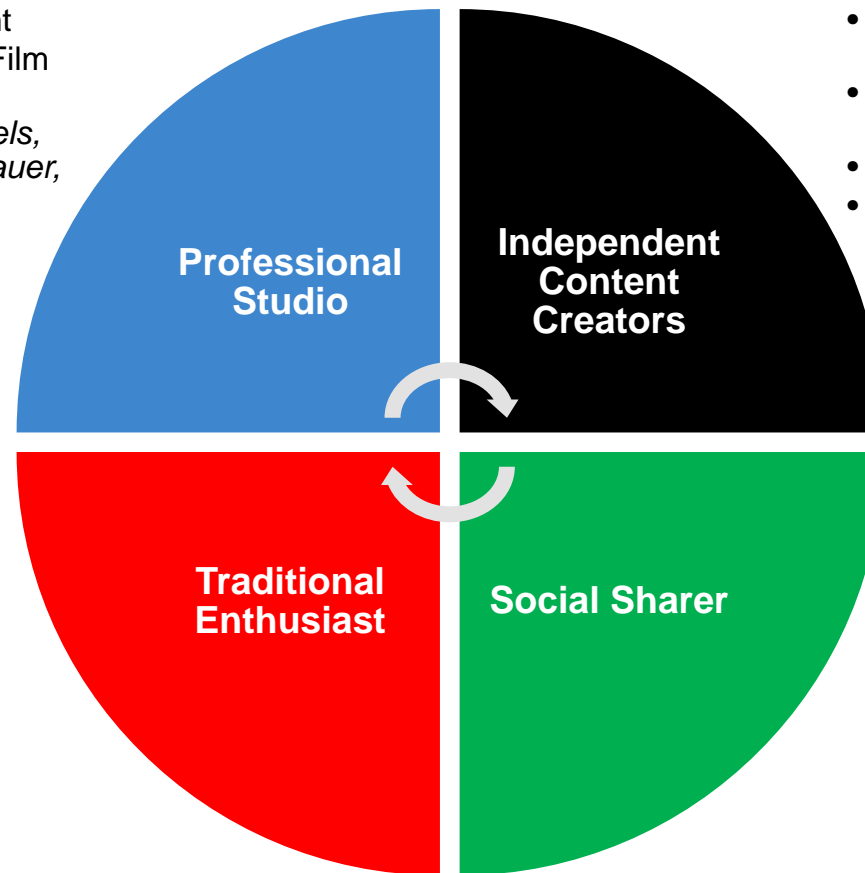
* Before charges associated with acquisition of businesses and material non-operating events, as described in the Appendix.



Consumers in the “image capture and sharing market”

- **Professional companies**

- Producing commercial content
- Broadcasters, TV Networks, Film Production Companies
- e.g. *Vinten, Sachtler, Litepanels, Autoscript, Autocue, Anton/Bauer, Camera Corps*



- **Independent professionals**

- Producing content for their own platform and/or partner needs
- Cameraman, Cinematographer, Videographer, Photographer,
- Lighting Specialist
- e.g. *Teradek, SmallHD, Wooden Camera, Manfrotto, Sachtler*

- **Advanced enthusiasts**

- Pursuing specific genre development
- Portrait, Outdoor, Urban
- e.g. *Manfrotto, Gitzo, Lowepro*

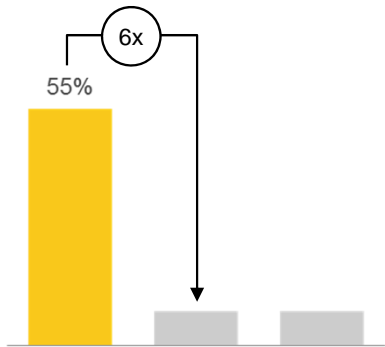
- **Active hobbyist**

- Shooting stills and videos
- Sharing with friends on social media
- e.g. *JOBY, Manfrotto, Lowepro*

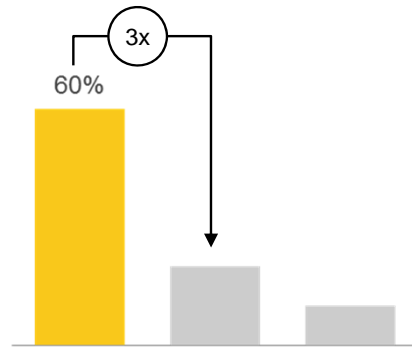


Competitive landscape

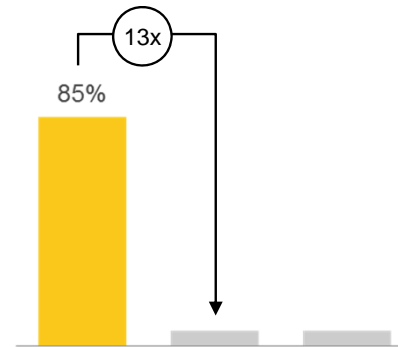
Broadcast Camera Supports



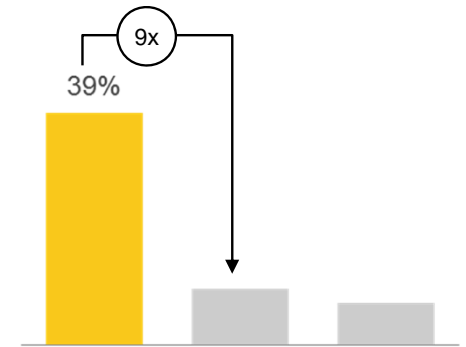
Cine Camera Supports



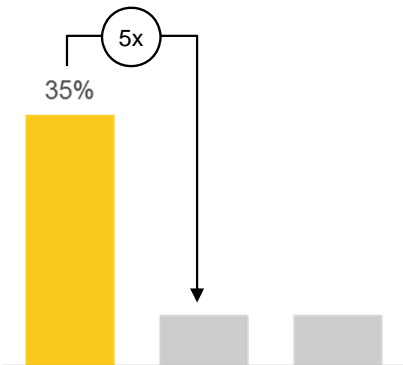
On Set Wireless



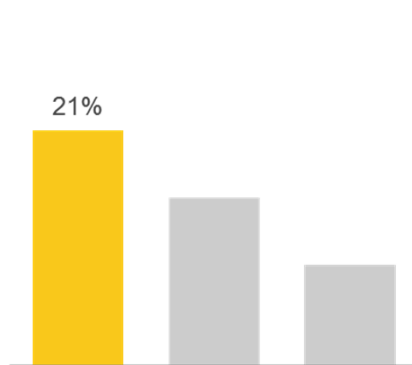
Prompters



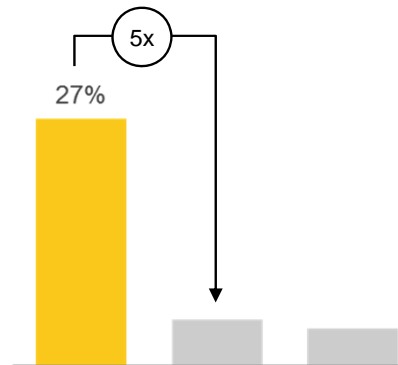
Photographic Tripods



Batteries



Photographic Bags



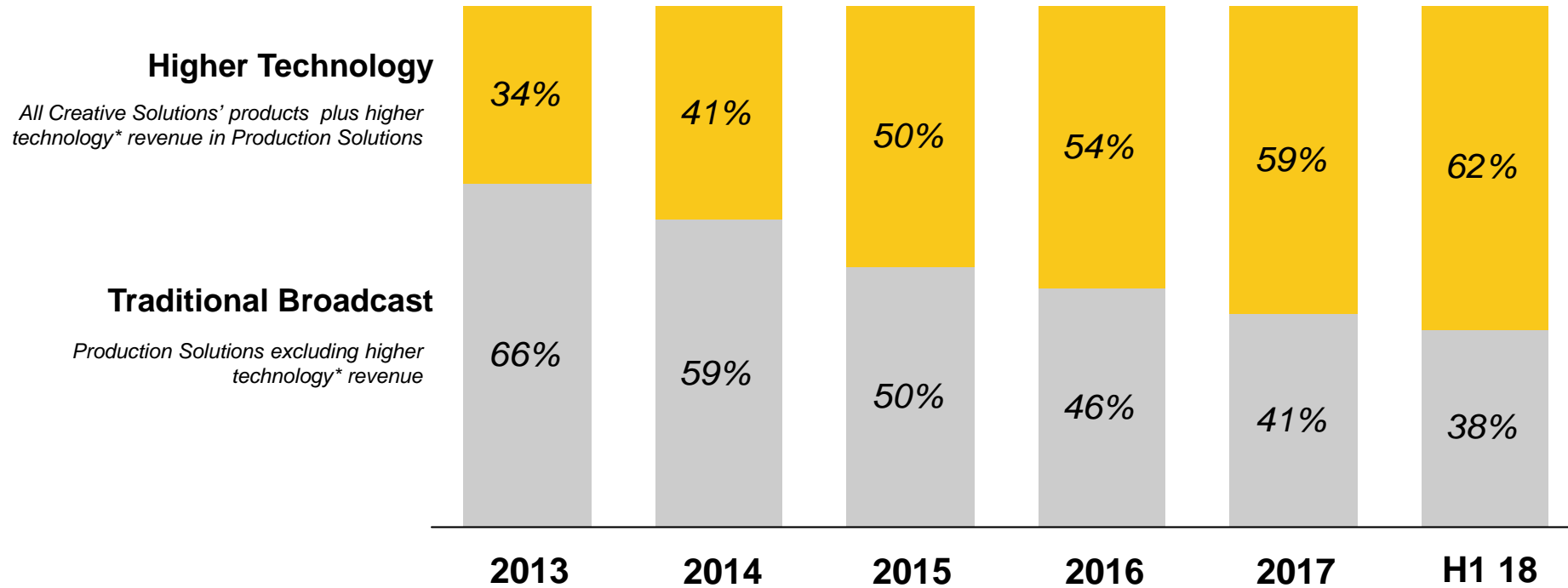
Key

- Vitec market share
- Competition market share



A higher technology focused Broadcast business

Revenue from Production Solutions and Creative Solutions



- > Higher technology products generally have a higher margin than other broadcast products
- > Growth in revenue from higher technology products is mainly driven by acquisitions

* Higher technology revenue in Production Solutions is made up of robotics, mobile power, LED lighting, specialty cameras, and IP prompter product sales plus Camera Corps' rentals revenue









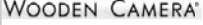



The Vitec Group: M&A track record

From start of 2012
to end of 2017 *

£75m invested

Excluding impact of
acquisitions in 2017

20% return

2012	2013	2014	2015	2016	2017	2018
		 		 	  RTMOTION	

» 1

M&A clearly aligned
with strategic
objectives

» 2

Doing the right deal:
disciplined approach

» 3

Extraction of synergies

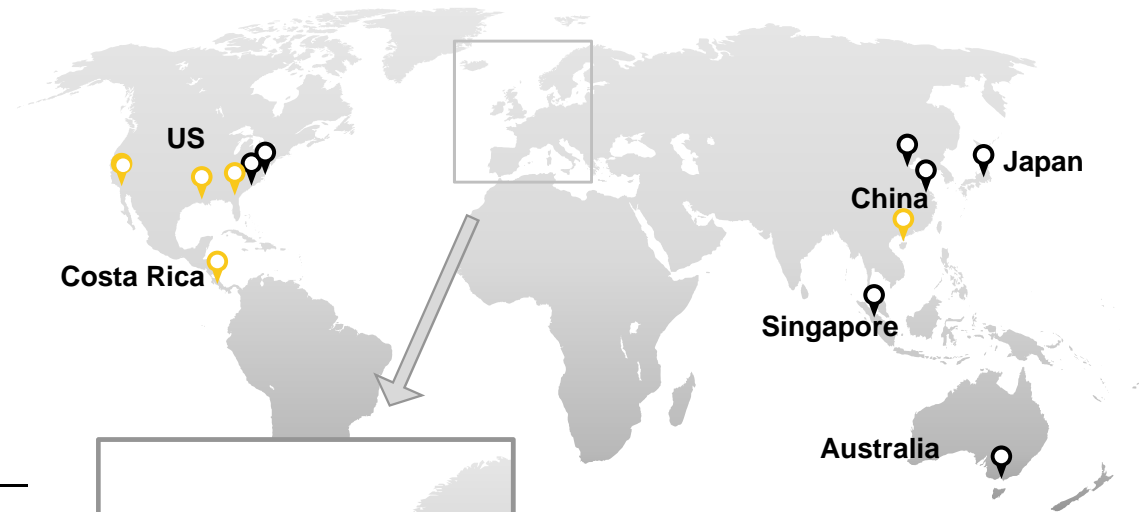
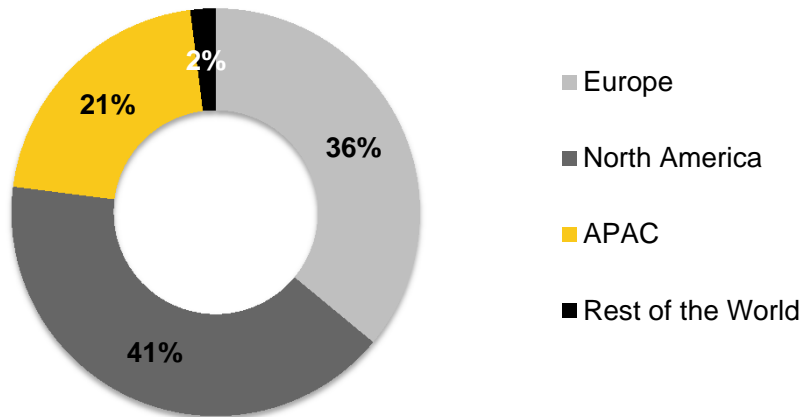
* Excluding impact from integration costs and investment in working capital relating to JOBY/Lowepro acquisition



Where we operate

- > Sites in 11 countries; sell into 100+ countries
- > Sales: UK accounts for only 11% of revenue
- > Well capitalised manufacturing in Italy, Costa Rica, UK & US
- > Low cost APAC sourcing, including China & Vietnam

2017 full year revenue from continuing operations



 Vitec manufacturing & procurement sites

 Distribution sites



Vitec Imaging Solutions products

Bags



Lighting & controls



Camera accessories



Supports



* Clockwise from top left: **Lowepro**: Flipside Trek BP 450 AW; **Manfrotto**: Noreg; **National Geographic**: Australia Collection; **Gitzo**: Adventure; **Lastolite**: Skylite Rapid Kit; **Manfrotto**: Lykos; **JOBY**: GripTight Pro Telepod; GorillaPod Mobile Rig; **Manfrotto**: Befree advanced and PIXI Evo; **Gitzo**: Traveler a tripod; **Avenger**: Wind Up stand; **Manfrotto**: Xume filters.



Vitec Production Solutions products

Bags



Camera accessories



Prompters



Mobile Power



Distribution, rental & services



Robotic camera systems



Lighting & controls



Supports



* Clockwise from top left: **Sachtler**: Comporter; **OConnor**: O-Rig Pro Kit; **Autoscript**: E.P.I.C. prompter; **Autocue**: PSP17 teleprompter; **Anton/Bauer**: Dionic XT Batteries; **Vinten**: Quartz Two pedestal; **Sachtler**: Flowtech; **OConnor**: Ultimate 2560 Fluid Head; **Litepanels**: Gemini; **Vinten**: Vantage; **Camera Corps**: Q-Ball 3.



Vitec Creative Solutions products

Camera accessories



TERADEK RT



Video transmission systems



Monitors



* Clockwise from top left: **Offhollywood:** OMOD; **Wooden Camera:** Unified DSLR Cage; **Teradek RT:** MK3.1 controller; **Teradek:** Serv Pro; **Paralinx:** Dart; **SmallHD and Teradek:** 703 Bolt; **SmallHD:** Focus.



FX sensitivities

Currency	Current spot rates (31 Jul 2018)	H1 18 average rate	H1 17 average rate	% change (H1 18 vs H1 17)
USD	1.31	1.38	1.27	(8.7)%
EUR	1.13	1.14	1.16	1.7%
YEN	146	149	142	(4.9)%

> Impact of FX on operating profit is expected to be broadly neutral for H2 at current spot rates

> The expected further incremental impact from subsequent movements in H2 18 from current spot rates is:

Currency	Movement	Impact on operating profit* (£m)
USD	+/- \$0.10	-/+ 1.7
EUR	+/- €0.10	-/+ 0.2
YEN	+/- 10 YEN	-/+ 0.3

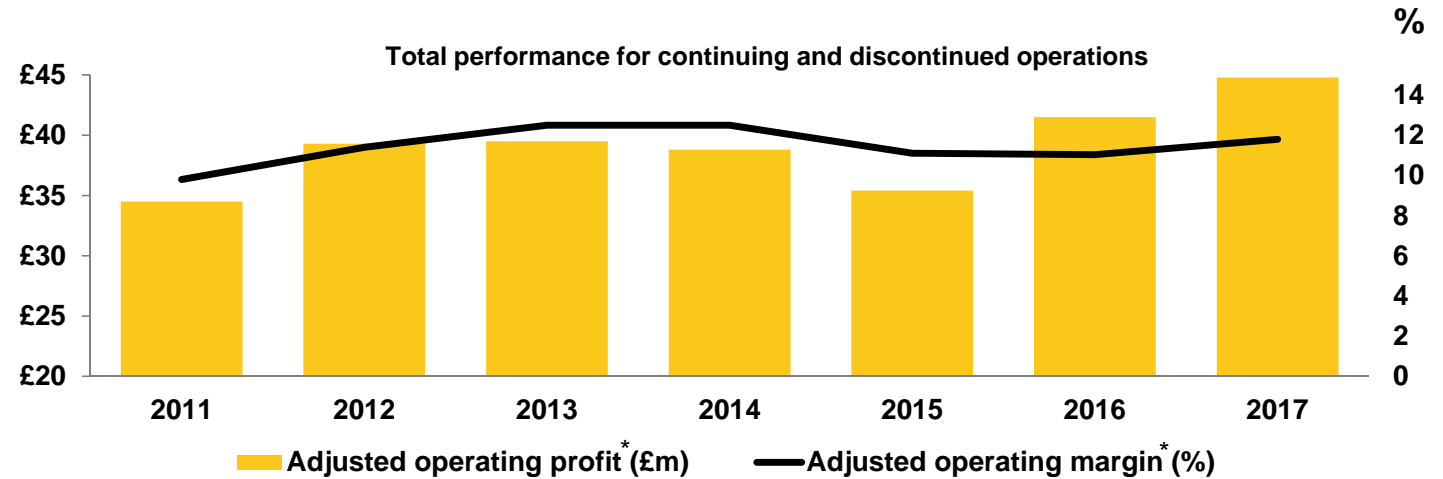
* Before charges associated with acquisition of businesses, restructuring costs and material non-operating events, as described on slide 36



Financial overview

> 2017 improvement in adjusted operating profit * driven by significant transformation of the Group

- > Disposal of non-core businesses
- > Acquisition of businesses with a good strategic fit



	FY13	FY14	FY15	FY16	FY17	HY18
Revenue (£m)	315.4	309.6	317.8	376.2	378.1	183.3
Operating profit* (£m)	39.5	38.8	35.4	41.5	44.8	25.5
Operating margin*	12.5%	12.5%	11.1%	11.0%	11.8%	13.9%
Cash generated from operations (£m)	52.4	42.0	41.7	64.8	48.7	25.4

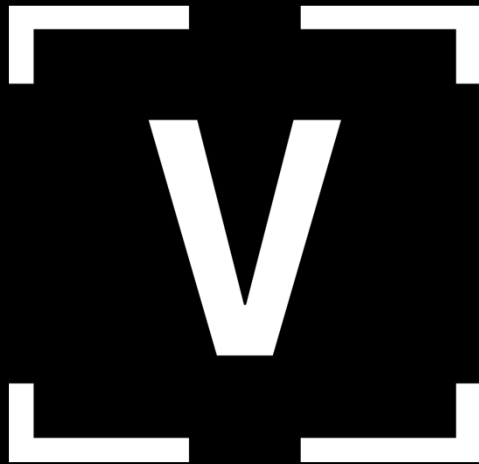
* Before charges associated with acquisition of businesses and material non-operating events, as described on slide 36



Alternative performance measures

APM	Closest equivalent statutory measure	Definition		
Adjusted operating profit	Operating profit	Calculated as operating profit before charges associated with acquisition of businesses and material non-operating events. The table below shows the reconciliation for continuing operations:		
		H1 2018	H1 2017	
		£m	£m	
		Adjusted Operating Profit	25.5	21.6
		Amortisation of acquired intangible assets	(3.1)	(3.3)
		Earnout payments	(0.5)	-
Adjusted operating expenses	Operating expenses	Transaction costs relating to acquisition of businesses	(0.1)	-
		Integration costs	(1.1)	-
		Statutory Operating Profit	20.7	18.3
		Calculated as operating expenses before charges associated with acquisition of businesses and material non-operating events.		
Adjusted profit before tax	Profit before tax	Calculated as profit before tax before charges associated with acquisition of businesses and material non-operating events.		
Adjusted profit after tax	Profit after tax	Calculated as profit after tax before charges associated with acquisition of businesses, profit on disposal of businesses and material non-operating events.		
Adjusted basic earnings per share	Basic earnings per share	Calculated as adjusted profit after tax divided by the weighted average number of ordinary shares in issue during the period.		
Return on capital employed	None	Calculated as adjusted operating profit for the last twelve months divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings.		

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- > A definition of the APMs used in this presentation is given on this slide.



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