

VITEC CREATIVE SOLUTIONS



Operational review

The Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for independent content creators, enterprises, broadcasters, and film and video production companies. It is made up of a number of brands that Vitec has acquired and includes Teradek, SmallHD, Amimon, Wooden Camera and RTMotion. Products include wireless video transmission and lens control systems, monitors, camera accessories and software applications.

Revenue

£67.7m

↑ Up 4.0%

Adjusted operating profit*

£15.6m

↓ Down 0.6%

Revenue

19	£67.7m
18	£65.1m
17	£63.2m

Adjusted operating profit*

19	£15.6m
18	£15.7m
17	£13.0m

Statutory operating profit

19	£5.3m
18	£6.3m
17	£2.9m

* For Creative Solutions, before charges associated with acquisition of businesses and other adjusting items of £10.3 million (2018: £9.4 million).

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The demand for camera accessories continues to grow as daily screen time increases and original content production expands.

Nicol Verheem

Divisional Chief Executive, Vitec Creative Solutions



Addressable market

We estimate that the camera accessories market, focusing on content creators for products and services supplied by Vitec's Creative Solutions Division, is worth around £500 million annually. This includes film, scripted television series, independent video and enterprise video production. Vitec has a strong position due to its premium brands, market-leading technology and dedicated team of innovative product specialists with extensive experience in shooting both professional and amateur video content.

Market position

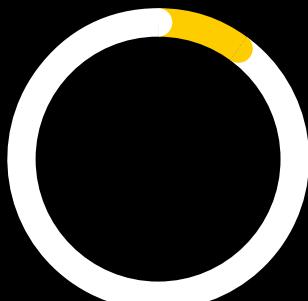
Vitec is the market leader in most of its product categories, providing leading products through our brands to the independent content creator and filmmaker markets.

Operational review

Creative Solutions' revenue grew by 4.0% to £67.7 million and was broadly flat at constant exchange rates. Reported revenue growth included a benefit from the acquisition of Amimon and was 9.4% lower than the prior year after adjusting for currency and the acquisition. Growth at Teradek and RTMotion was more than offset by lower sales at SmallHD, driven by increased competition in the low end of the market. Adjusted operating profit* was broadly in line with prior year at £15.6 million and declined by 4.9% at constant exchange rates.

SmallHD trading has been slow to recover following the fire in April 2018 as the business has continued to experience delays in launching new products. The low end of the monitor market, which was a key driver of sales in 2018, has seen a significant increase in competition. We expect to launch a range of higher end 4K field monitors later this year. The SmallHD insurance claim is now settled with proceeds of £6.5 million (2018: £7.8 million) received in 2019.

Target audience



■ Broadcast market: 10%
■ ICC/cine market: 90%

Our brands

Product category	Brand	Market position [†]
Wireless video transmission systems	Teradek	1
Monitors	SmallHD	1
Lens control	Teradek RT	3
Camera accessories	Wooden Camera	3

[†] Management estimates by sales value in the market segments in which these products are sold.

Vitec Creative Solutions (continued)

Operational review (continued)

During the year we launched a number of market-leading new products, including Teradek Bolt 4K wireless cine products, the SmallHD Cine 7 monitor, and wireless lens control from RTMotion that integrates with other Creative Solutions brands.

The Division has continued to execute its strategy of integrated, 4K zero delay wireless video products, which it is uniquely able to deliver using Amimon's technology. The integration of Amimon in Creative Solutions is complete and the business is performing in line with expectations.

Statutory operating profit decreased by £1.0 million to £5.3 million, which included £10.3 million of charges associated with acquisition of businesses and other adjusting items (2018: £9.4 million).

Adjusted operating margin* decreased by 100 bps to 23.1% on a reported basis, which included a benefit from the accounting treatment of the SmallHD insurance proceeds in 2019 and the prior year. Excluding SmallHD and the insurance income, adjusted operating margin* was slightly lower in 2019, including the initial impact of Amimon and investment for future growth, although margins remain higher than the Group average.

We expect further growth for Creative Solutions including the benefit from the Amimon acquisition. We expect to maintain higher margins in line with the three-year strategy.



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M&A

Integration of the Amimon acquisition

The integration of this 2018 acquisition is now complete and the business is performing in line with our expectations. Strategically, owning Amimon's unique, patented technology has transformed Vitec's wireless video capabilities and given us a great platform to grow.

The Amimon technology enables users to wirelessly monitor multiple video signals, in many locations, all at once, with no delay. This gives content creators much more creative freedom with camera angles and movement, and saves tremendous cost on set. We used Amimon technology to strengthen our position in the cine market, with the launch of the world's first 4K zero delay wireless video transmission products from Teradek in 2019. And the development of a complete 4K ecosystem as well as new wireless products for the adjacent live production market are on track for launch in 2020.

Organic growth

Lightweight SmallHD Cine 7 Touchscreen On-Camera Monitor

SmallHD launched a range of new products at NAB in April, a little later than planned, after the disruption in 2018. The Cine 7 on-camera monitor with cinema camera control has been incredibly well received. It is the first monitor which allows users to control different manufacturers' cameras from the actual monitor. It can also plug in to any wireless set with built-in Teradek Bolt transmitter and receiver models, as well as being able to integrate with Teradek RT wireless lens control.

Teradek Bolt 4K – the future of wireless video

The desire to deliver only the highest quality video has driven companies like Netflix and Amazon to demand that their production crews only capture high resolution, high dynamic range ("HDR") video on sets. In order to accomplish this effectively, content creators need 4K tools to help them monitor their shots. Vitec is uniquely positioned to deliver 4K products with our exclusive Amimon technology. Towards the end of the first half of the year, we launched the Teradek Bolt 4K, the world's first 4K zero delay wireless video transmission system, with unique Amimon technology. This product has been well received in the market. But the transmission is only half of the solution. In 2020, Creative Solutions will be launching a complete 4K ecosystem which includes SmallHD 4K monitors.



We spent 2019 becoming part of the Creative Solutions Division at Vitec

– we unified activities, streamlined our processes and discovered how to jointly utilise our strengths and expertise. Working together, many new business opportunities have opened up for us to bring exciting new technologies and products to market.

Uri Kanonich

Amimon GM & SVP, Sales & Marketing, Wireless Products, Vitec Creative Solutions



The Cine 7 is simply a game changer! Being able to consolidate a Teradek transmitter, a RED monitor, and a daylight viewable screen has allowed us to streamline our rigs from three accessories to just one. That means fewer cords, less troubleshooting, and more time nailing the shot.

Kevin Kelleher

Ironclad



4K delivery is now standard, so it is crucial to monitor an image that matches the final look of the film, while on set.

That's why Teradek's Bolt 4K is key. It is the only solution to monitor a true 4K image, completely wirelessly. On this feature it has been a game-changer for camera movement, last-minute lighting tweaks and even VFX (Visual Effects).

Graham Ehlers Sheldon

Director of Photography