

Enabling the capture and sharing  
of exceptional content.



# The Vitec Group plc Full Year Results 2020

25 February 2021

Capture. Share.



# Important notice

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## **Forward-looking statements**

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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

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## **Full Year 2020 Summary**

- > Stephen Bird, Group Chief Executive

## **Market and Strategy Update**

- > Stephen Bird, Group Chief Executive

## **Financial Review**

- > Martin Green, Group Finance Director

## **Summary**

- > Stephen Bird, Group Chief Executive

## **Q&A**



# Summary

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- 1. FY 2020 results as expected; H2 significantly outperformed H1 as markets started to recover**
- 2. Many areas saw revenue growth vs 2019, including JOBY smartphonography accessories (+c.70%) and streaming products (+c.50%) with recurring revenue doubling**
- 3. Strong cash performance, with high operating cash conversion leading to net debt reduction**
- 4. £22.6 million FY 2020 cost reductions delivered vs 2019; completed the expanded restructuring in Imaging Solutions and delivered further operating efficiencies in Production Solutions**
- 5. Intend to repay CCFF early and to repay UK furlough proceeds**
- 6. Strong start to 2021, with a record order book, even though markets only about 70% open**
- 7. Resuming dividend payments; proposed final dividend of 4.5p per share**
- 8. Starting to benefit from the structural market changes that have occurred over the last 12 months as more video content is being created, consumed and shared than ever before**

**FY 2020 results as expected**  
**Strong start to 2021 – markets recovering well with new growth opportunities**



# Market & Strategy Update





## Well placed to benefit from structural market changes

### Key market driver

1. Video communication has grown exponentially
2. More content has been consumed on subscription channels like Netflix and Amazon Prime
3. Further automation in TV studios to ensure safe distancing
4. Vlogging, social media usage and home-working have increased

### How Vitec benefits

- > Increasing demand for our streaming solutions
- > When production sets fully reopen we expect original content creation to grow dramatically driving demand for our video transmission and monitoring systems
- > Will benefit our robotic camera systems and our voice-activated prompting solutions
- > More people are using smartphones and compact system cameras to create content and communicate via video using our JOBY products

**Investing in substantial opportunities  
arising as a result of the structural changes to our market**



# Vitec's addressable market has expanded, driven by substantial growth in streaming

## Photographic market\*

TAM  
£1.1bn

Market CAGR  
c. +1%

Market trend



## Broadcast market

TAM  
£0.4bn

Market CAGR  
Flat

Market trend



## ICC/Cine/Streaming market

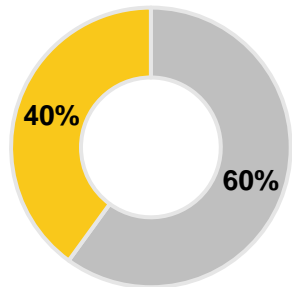
TAM  
£0.7bn

Market CAGR  
c. +17%\*\*

Market trend

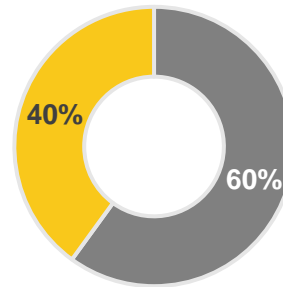


## Imaging Solutions



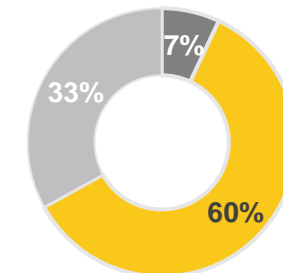
■ Photographic Market  
■ ICC/Cine Market

## Production Solutions



■ Broadcast Market  
■ ICC/Cine Market

## Creative Solutions



■ Broadcast Market  
■ ICC/Cine Market  
■ Streaming (Broadcast/ICC/Enterprises)

**Creative Solutions will be the main beneficiary from growth in streaming**

\* Includes microphones for video market

Note: TAM and CAGR are management estimates as of early 2021 for the period 2019-2022.

\*\* Includes streaming

# Imaging Solutions

- > Professional/B2B high end segment resilient (c.65% Imaging revenue)
  - > Professional expected to recover well
  - > B2B grew 12% YoY
- > Entry-level, hobbyist segment (c.20%) declining as smartphones continue to replace lower value cameras
- > JOBY, audio and motion control products expected to offset decline in hobbyist segment
- > Consumer segment (c.15%) growing with JOBY
- > Transition to the higher margin e-commerce channel will continue; e-commerce a strategic strength and we have restructured our business to benefit from this change



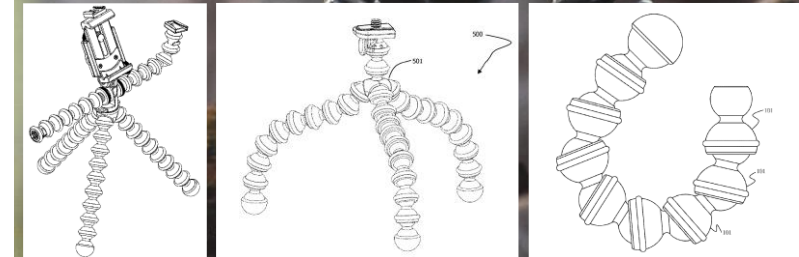
**We expect to recover well with continued growth in e-commerce, JOBY, audio and motion control products**



## JOBY – an important new engine for growth

- > **Strategically important growth engine to offset decline in hobbyist segment**
- > **Benefitting from increase in vlogging, social media usage and video communication during the pandemic**
  - > JOBY smartphonography accessories grew c.70% YoY
  - > Entered the fast-growing LED and on-camera audio categories
  - > JOBY is No 2 supports brand in US (Manfrotto is No 1)
- > **High end, premium-priced product aimed at professional influencers**
  - > Average retail price c.\$150
  - > 50% of JOBY revenue from Compact System Camera accessories
- > **Unique technology with defensible IP**
  - > Enforceable patents successfully defending our market share in key geographic markets
  - > Major online platforms, including Amazon and Walmart, facilitate enforcement
- > **Control of design and manufacturing process, and margin improvement with GorillaPod production moving to Feltre, Italy**

**JOBY is an important strategic growth engine with premium products and defensible IP**





# Production Solutions

- > Investing in faster growing on-location markets, including LED lighting and mobile power products due to growing demand for 24-hour news
- > Safe distancing and continuing cost pressures in TV studios benefit our robotic camera systems and voice-activated prompting
- > Benefit from rescheduled major global sports events
- > Driving further margin improvements through operational productivity efficiencies



**Expect strong recovery with on-location news and rescheduled sporting events, as well as robotics and voice-activated prompting**

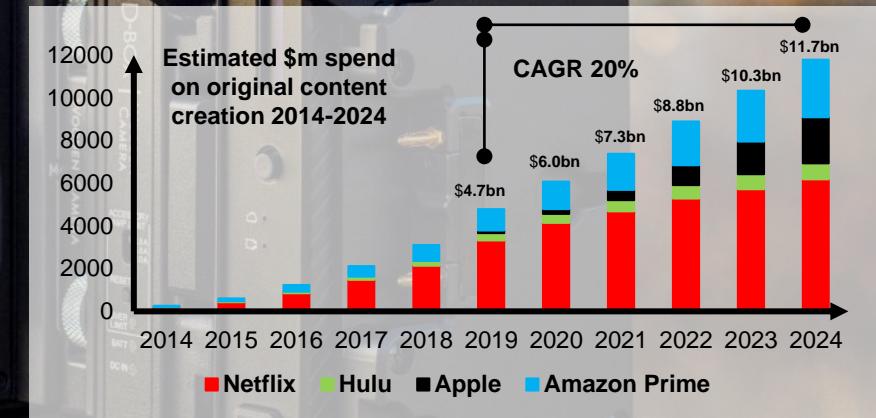
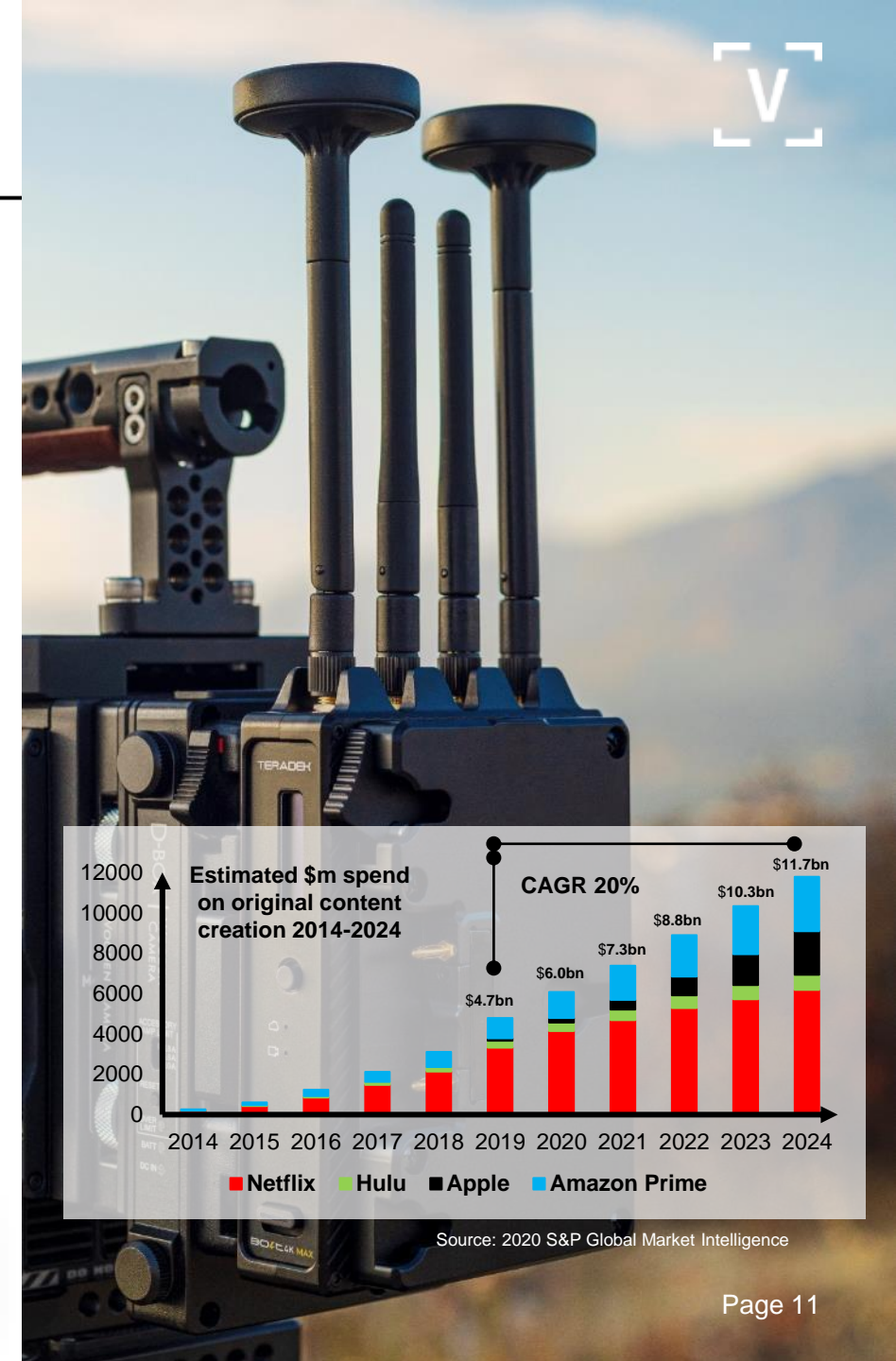
# Creative Solutions

- > Greatest market opportunity, fastest area of growth, highest margin potential

## Cine market

- > Teradek Bolt and SmallHD monitors powered by Amimon's proprietary technology in cine market
- > Expect strong bounce back in original content production once sets reopen; structural change to the cine market
- > Significant multi-year growth opportunity from technology upgrade to 4K/HDR; products well received but the pandemic impacted short-term sales
- > SmallHD monitors will benefit from "back to work" legislation mandating more monitors on set and near set
- > Teradek's current streaming products used for the first time by cine customers during the pandemic for remote production where off-set personnel need to collaborate on a film or TV production for remote monitoring, post-production, colour correction etc.

**Strong bounce back in cine market from increasing spend in original content and a greater opportunity in streaming**



Source: 2020 S&P Global Market Intelligence

# Creative Solutions cont.

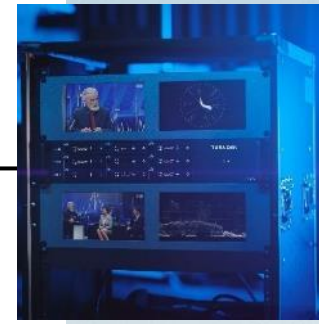
## Enterprise market

- > Teradek's high end streaming products are used by corporates, governments, schools; these products do not incorporate Amimon technology
- > High quality, zero-latency wireless video for medical market uses Amimon
- > Video communication has grown exponentially and many forms of remote working will remain post-pandemic
- > Streaming revenue grew significantly in 2020

## Expanded streaming opportunity in enterprise and cine markets

- > Vitec is investing to upgrade its streaming products for the high end enterprise and cine markets, using Amimon's proprietary technology for low delay, high image quality, reliability and security
- > Significant growth opportunity for Teradek streaming products incorporating Amimon technology in both enterprise and cine markets
- > Bolt and Amimon awarded Oscars

**Amimon acquisition has cemented Vitec's leading position in the cine market and gives us significant differentiation in the growing streaming market**





# Socially responsible business: building our ESG credentials

## Environmental

- > Engaged specialist independent company to enhance the monitoring and reporting of our sustainability initiatives
- > Setting new targets, including being carbon neutral by 2050
- > Focus on reducing energy usage, water consumption, waste, packaging and travel, and recycling initiatives, within Vitec and our supply chain

## Social

- > Remain committed to positively impacting one disadvantaged young person for every Vitec employee in the communities we operate in
- > Employee health, safety and wellbeing prioritised; high employee survey rating and new Employee Assistance Programme
- > Focus on diversity and inclusion

## Governance

- > ESG Committee established to set objectives, monitor progress and deliver continuing improvement
- > Robust Code of Conduct is key to how we do business and how we behave

**Committed to being a socially responsible company with a sustainable business model**



# Financial Review





# Full year 2020 results

	FY 20	FY 19	Better / (worse)	Better / (worse) organic at constant FX
	£m	£m		
Revenue	<b>290.5</b>	376.1	(23)%	(23)%
Gross profit *	<b>113.4</b>	170.1	(33)%	(33)%
<i>Gross margin % *</i>	<b>39.0%</b>	45.2%	(6.2)%pts	(6.1)%pts
Operating expenses *	<b>(103.5)</b>	(117.7)	12%	12%
Operating profit *	<b>9.9</b>	52.4	(81)%	(81)%
<i>Operating margin % *</i>	<b>3.4%</b>	13.9%	(10.5)%pts	(10.5)%pts
Net finance expense	<b>(4.4)</b>	(4.4)		
PBT *	<b>5.5</b>	48.0	(89)%	(88)%
Adjusted EPS * (p)	<b>9.0</b>	80.6	(89)%	
Dividend per share (p)	<b>4.5</b>	12.3	(63)%	
ROCE <sup>+</sup>	<b>3.7%</b>	19.0%	(15.2)%pts	

\* Before charges associated with acquisition of businesses and other adjusting items.

+ Return on capital employed ("ROCE") is calculated as adjusted operating profit\* for the last twelve months divided by the average total assets, current liabilities excluding the current portion of interest-bearing borrowings, and non-current lease liabilities. 2019 has been restated to include the non-current lease liabilities, which were not included in the 2019 calculation.

- > H2 significantly outperformed H1 as markets started to recover (10% revenue decline vs 37% in H1)
- > Reduced gross margin due to lower revenue
  - > 2019 included 2%pts benefit from SmallHD insurance
- > Operating profit
  - > Cost reductions: £22.6m including Government support (£2.8m globally)
  - > Incremental efficiencies from restructuring at Imaging Solutions (£3.4m)
- > Resuming dividend payments; proposed final dividend of 4.5p per share

**Revenue decline partly offset by £22.6m of management cost actions**



# Cash generation

£m	FY 20	FY 19	Better / (worse)	
Operating profit*	<b>9.9</b>	52.4	(42.5)	> Focus on cash generation
Depreciation <sup>(1)</sup>	<b>19.0</b>	18.6	0.4	> £8.0m decrease in working capital
Dec / (inc) in working capital	<b>8.0</b>	(7.2)	15.2	> Driven by sustainable £10.6m reduction in inventory
Capital expenditure <sup>(2)</sup>	<b>(15.7)</b>	(18.6)	2.9	
Other <sup>(3)</sup>	<b>4.2</b>	(0.7)	4.9	> £2.9m decrease in capital expenditure vs 2019
<b>Operating cashflow*</b>	<b>25.4</b>	<b>44.5</b>	<b>(19.1)</b>	> Despite £1.4m on assets for Olympics/Euros
Interest and tax paid	<b>(9.0)</b>	(10.6)	1.6	> R&D investment largely protected
Earnout and retention bonuses	<b>(2.7)</b>	(0.1)	(2.6)	
Restructuring cash outflow	<b>(4.2)</b>	(3.3)	(0.9)	
<b>Free cash flow*</b>	<b>9.5</b>	<b>30.5</b>	<b>(21.0)</b>	> £4.2m restructuring cash primarily in Imaging Solutions

\* Before charges associated with acquisition of businesses and other adjusting items.

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

<sup>(2)</sup> Purchase of property, plant and equipment ("PP&E") and capitalisation of software and development costs.

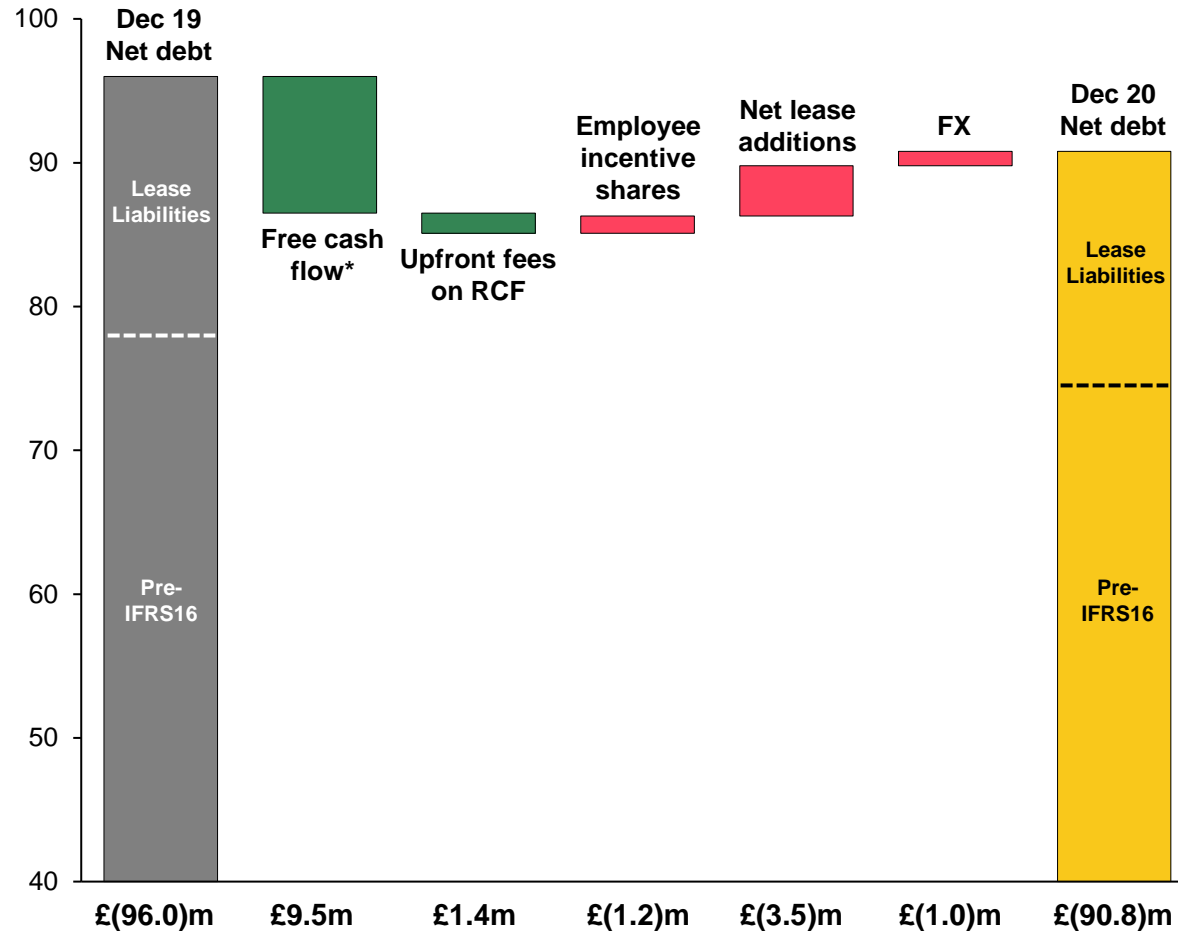
<sup>(3)</sup> Includes change in provisions, share based payments charge, proceeds from the sale of PP&E, gain on disposal of PP&E, fair value derivatives, impairment losses on PP&E, and foreign exchange movements

**High cash conversion of 257%**



# Net debt

£m



- > Net debt £5.2m lower than Dec-19 and £16.6m lower than June 2020
- > Total liquidity of £143.2m:
  - > £122.3m unutilised RCF
  - > £17.3m cash
  - > £3.6m unused overdraft
- > £50m of CCFF to be repaid in March; earlier than planned given our strong financial position

**Reduction in net debt performance despite lower profits**



# Divisional performance

	Revenue				Operating profit*			
	FY 20	FY 19	Better / (worse)	Better / (worse) organic at constant FX	FY 20	FY 19	Better / (worse)	Better / (worse) organic at constant FX
	£m	£m	%	%	£m	£m	%	%
Imaging Solutions	156.7	196.6	(20)%	(21)%	9.7	27.1	(64)%	(66)%
Production Solutions	80.1	111.8	(28)%	(28)%	7.6	19.6	(61)%	(57)%
Creative Solutions	53.7	67.7	(21)%	(20)%	3.3	15.6	(79)%	(79)%
	290.5	376.1	(23)%	(23)%	20.6	62.3	(67)%	(67)%
Corporate & unallocated	-	-	-	-	(10.7)	(9.9)	(8)%	(8)%
	290.5	376.1	(23)%	(23)%	9.9	52.4	(81)%	(81)%

\* Before charges associated with acquisition of businesses and other adjusting items.

## Imaging Solutions

- > Travel and events restrictions; retail outlets closed; retailer destocking impacted H1
- > Growth in JOBY smartphonography products, B2B channel and Lastolite backgrounds

## Production Solutions

- > Fewer broadcast productions; postponement of live sporting events
- > New Sachtler aktiv fluid head; continued operating efficiencies

## Creative Solutions

- > Scripted TV shows and cinema productions paused
- > Completion of 4K/HDR wireless video eco-system products; growth in streaming and medical

**All Divisions significantly improved in H2**



## FY21 financial considerations

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### Profit before tax\*

- > H2 weighted (full recovery by H2 and Olympics)
- > Repayment of UK furlough proceeds: c.£1m
- > Higher amortisation charge vs PY: c.£2m
- > Net finance expense: c.£4m
- > FX headwind vs PY: £4m at current spot rates
- > ETR: 25%

### Capex

- > JOBY brought in-house (c.£3m capex )
- > Increased R&D (c.£6m increase on FY20)

### Cash/Net Debt

- > Restructuring payments: c.£4m
- > Cash tax: c.£9m including EU State Aid payment
- > Lease additions: c.£14m



# Summary





# Summary

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- 1. Full year 2020 results as expected – strong recovery in H2**
- 2. Markets drivers remain intact with many areas of growth**
- 3. Investing to benefit from opportunities as a result of structural market changes**
- 4. Strong start to 2021 – increased confidence that trading conditions will continue to improve**
- 5. 2021 will be a year of recovery and investment**
- 6. Believe our markets will grow faster longer-term than we previously expected**

**We believe that our markets will grow faster than we previously expected  
and that we will deliver strong margin recovery**



***“We have had a strong start to 2021. Although there remains some uncertainty about the duration of the impact of COVID-19 and FX is an increasing headwind, our confidence that underlying trading conditions will continue to improve has increased. 2021 will be a year of recovery and investment, and we believe our markets will grow faster longer-term than we previously expected, and that we will deliver strong margin recovery.”***



**Q&A**  
**Phone number: 0800 640 6441**  
**Confirmation code: 785927**





# Appendices





# Investment proposition

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- 1. Content creation market will return to growth**
- 2. Robust financial position, long-term financing and short-term flexibility**
- 3. Well positioned for medium-term organic growth post COVID-19**
- 4. Market-leading brands with premium pricing, increasing technology capability**
- 5. M&A opportunities**

**Our strategy for long-term growth and value creation remains just as relevant as it was before the crisis**



## Medium-term prospects

### Creative Solutions

- > Expect strong bounce back in content production, when sets reopen
- > Significant growth from 4K/HDR proprietary integrated eco-system replacing the installed base of HD equipment
- > COVID-19 driven a fundamental structural change to the cine market – on set, near-set and remote monitoring and distributed production
- > Growth opportunity for Amimon and streaming in enterprises and other verticals, including medical, governments, education, churches

### Production Solutions

- > Growth in on-location lights and mobile power, robotic camera systems and voice activated prompting
- > 2021 & 2022 expected to be strong years for major sporting events
- > Further operational efficiencies

### Imaging Solutions

- > Professional, high end segment (c. 65% Imaging revenue) resilient and transitioning to higher value compact system cameras; B2B growing
- > Hobbyist segment (c. 20% Imaging revenue) declining but offset by growth in JOBY, an important new growth engine with premium-priced products and defensible IP
- > Transition to the higher margin e-commerce channel will continue

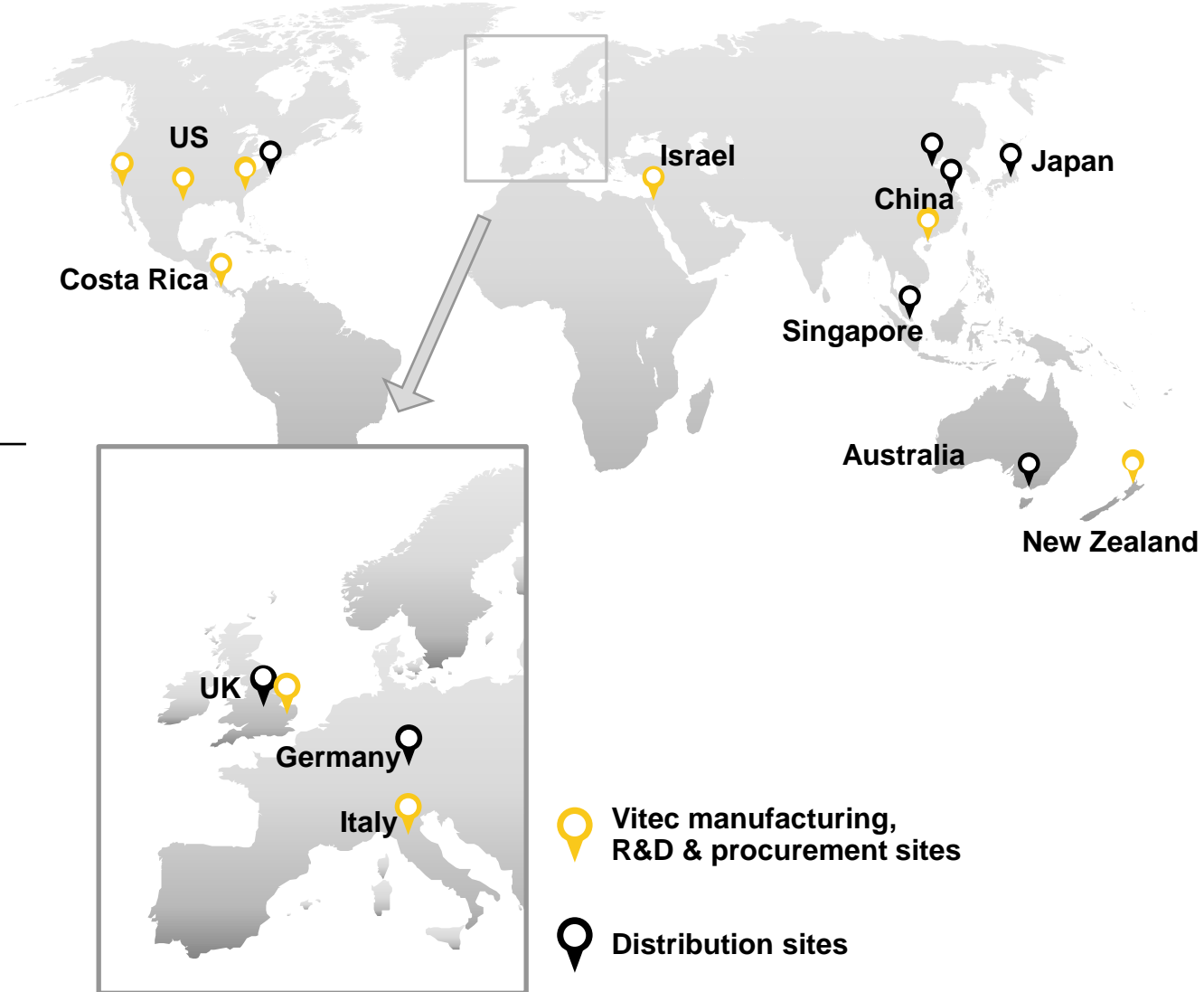
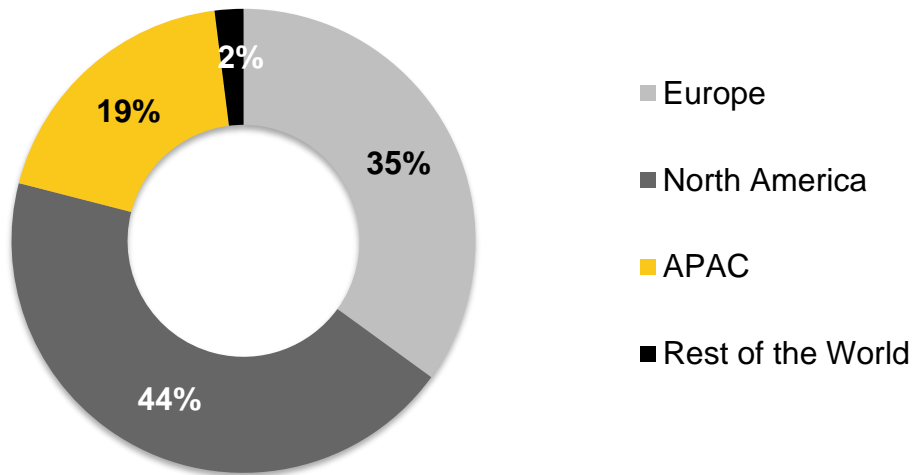
**We believe that our markets will grow faster than we previously expected  
and that we will deliver strong margin recovery**



# Where we operate

- > Sites in 11 countries; sell into 100+ countries
- > Sales: UK accounts for only 7% of revenue
- > Well capitalised, world-class manufacturing facilities in Italy, Costa Rica, UK & US
- > Low cost APAC sourcing, including China & Vietnam
- > R&D centres in Israel, Italy, New Zealand, UK & USA

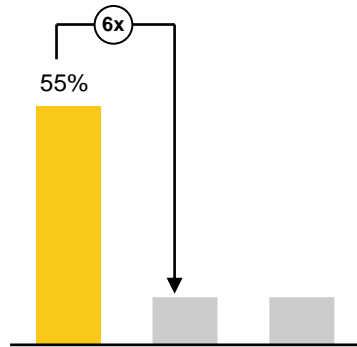
2020 revenue analysis by location of customer



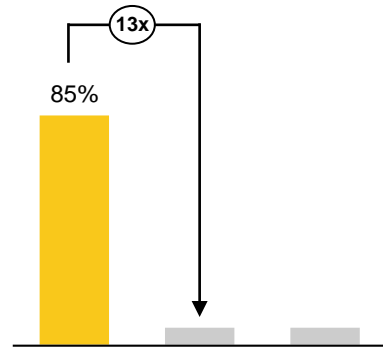


# Competitive landscape (pre-pandemic)

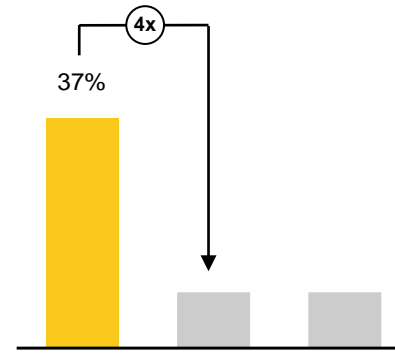
## Manual cine/broadcast Supports



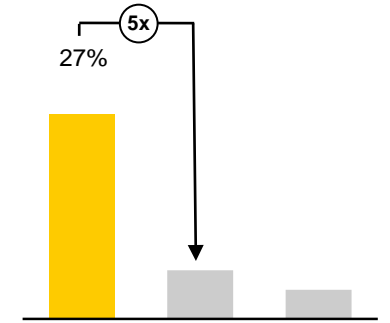
## On Set Wireless



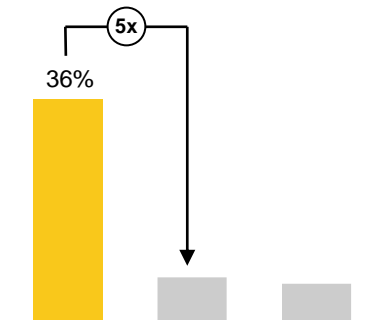
## Prompters



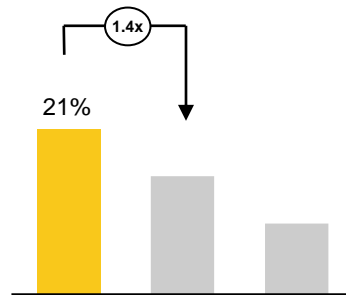
## Photographic Bags



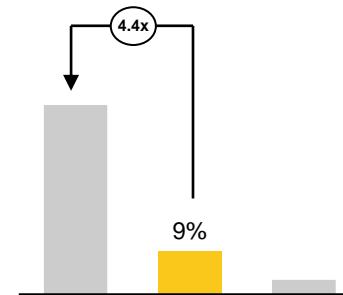
## Photographic Tripods



## Batteries



## LED Lights



## Key

- Vitec market share
- Competition market share

For 85% of its revenue, Vitec is #1 or #2 in its niche market



# Vitec Imaging Solutions products

## Photo & video supports



## Lighting



## Smartphonography



## Audio capture



## Motion control & stabilisers



## Bags



Clockwise from top left: **PHOTO & VIDEO SUPPORTS** - **Manfrotto**: Befree 3 Way Advanced for Sony, Fast Twin Carbon Tripod with Nitrotech 612 head, **Gitzo**: Légende, Ball Head series 4; **LIGHTING** - **Lastolite**: Skylite Rapid Kit; **Avenger**: Wind Up stand; **SMARTPHONOGRAPHY** - **JOBY**: FreeHold, Beamo, Vlogging KIT, StandPoint; **BAGS** - **Lowepro**: Flipside BP 300 AW III; **Manfrotto**: Befree Advanced Backpack; **Gitzo**: Legende Backpack; **MOTION CONTROL & STABILISERS** - **Manfrotto**: GimBoom and Gimball MVG 220; **Syrp**: GenieOne ; **AUDIO CAPTURE** - **Rycote**: Windjammer; **JOBY**: Wavo, Lav.



# Vitec Production Solutions products

## Studio pedestals

Vinten



## On-location supports

OConnor

Sachtler



## Prompters

Autoscript

Autocue



## Mobile power

ANTON BAUER



## Distribution, rental & services



## Robotic camera systems

Vinten



## Lighting & controls

Litepanels



## Bags & camera accessories

Sachtler

OConnor



Clockwise from top left: **STUDIO PEDESTALS** - Vinten: Quartz Two pedestal; **ON-LOCATION SUPPORTS** - OConnor: Ultimate 1040 Flowtech System; Sachtler/Vinten: Flowtech with Sachtler aktiv10 fluid head; **PROMPTERS** - Autoscript: EPIC-IP19 with CLOCKPLUS-IP; Autocue: iPad Pro teleprompter; **MOBILE POWER** - Anton/Bauer: Product Family; **BAGS & CAMERA ACCESSORIES** - OConnor: O-Rig Pro Kit; Sachtler: Comporter; **LIGHTING & CONTROLS** - Litepanels: Gemini 2x1, Gemini 1x1, Astra Soft, Astra 6x; **ROBOTIC CAMERA SYSTEMS** - Vinten: FH-155, FHR155, FP-188 Pedestal; **DISTRIBUTION, RENTAL & SERVICES** - Camera Corps: Q-Ball 3.



# Vitec Creative Solutions products

### Video transmission systems


## TERADEK



Four Teradek video transmission systems are displayed: Bolt 4K, Orbit PTZ, and two Ranger units.

### Camera accessories


## TERADEK WOODEN CAMERA



Two Teradek camera accessories are shown: the Arri Mini LF Unified Accessory Kit and the Director's Monitor Cage v3.

### Monitors

## SMALLHD TERADEK



Two SmallHD monitors are shown: the OLED-22 and the Cine 7 with Teradek integration.

### IP Video

## TERADEK



Two Teradek IP video products are shown: the Prism and the Vidu X.

Clockwise from top left: VIDEO TRANSMISSION SYSTEMS - Teradek: Bolt 4K, Orbit PTZ, Ranger; CAMERA ACCESSORIES - Wooden Camera: Arri Mini LF Unified Accessory Kit, Director's Monitor Cage v3; Teradek: RT CTRL.3 Controller; MONITORS - SmallHD: OLED-22, Cine 7 with Teradek integration; IP VIDEO - Teradek: Prism, Vidu X



# FX sensitivities

Currency	Current spot rates (24 Feb 21)	FY 21 average rates	FY 20 average rates
USD	1.41	1.29	1.28
EUR	1.16	1.12	1.14
YEN	148	138	140

> The expected year-on-year impact on 2020 adjusted PBT\* at current spot rates would be a headwind of £4.2m

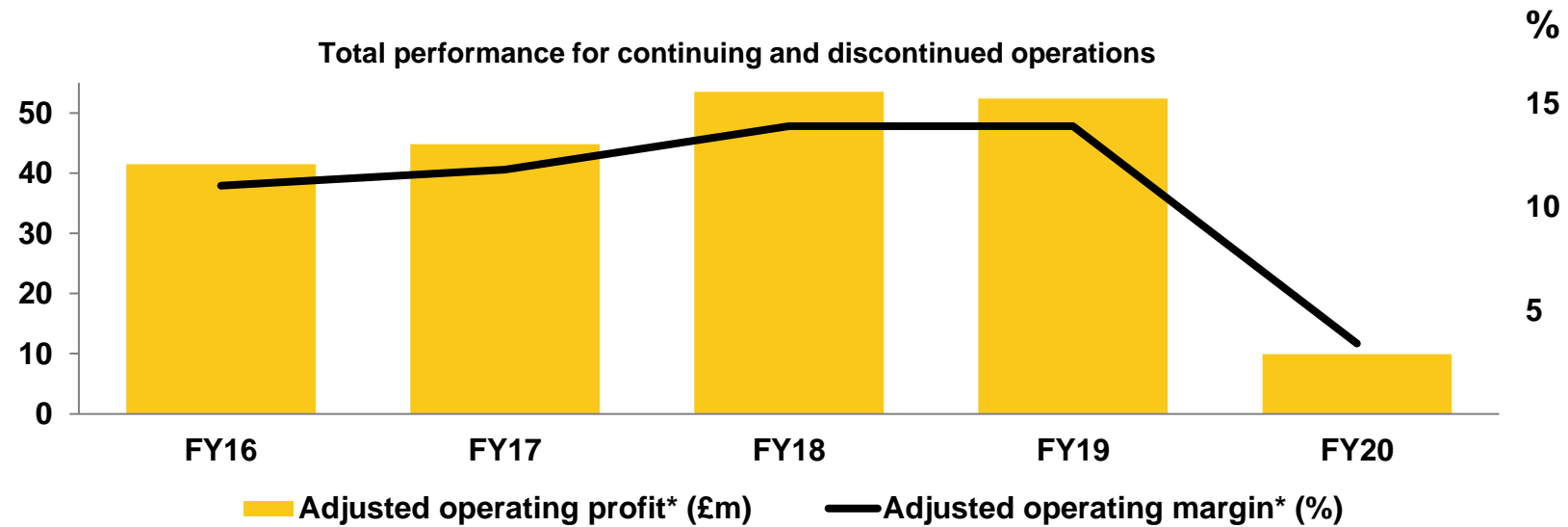
> The expected further impact from subsequent currency movements on adjusted PBT\* in 2021 is:

Currency	Movement	Impact on operating profit* (£m)
USD	+/- \$0.01	-/+ 0.4
EUR	+/- €0.01	-/+ 0.0
YEN	+/- 1 YEN	-/+ 0.1

\* Before charges associated with acquisition of businesses and other adjusting items



# Five year summary



Total continuing and discontinued operations	FY16	FY17	FY18	FY19	FY19
Revenue (£m)	376.2	378.1	385.4	376.1	290.5
Adjusted operating profit* (£m)	41.5	44.8	53.5	52.4	9.9
Adjusted operating margin*	11.0%	11.8%	13.9%	13.9%	3.4%
Operating cashflow* (£m)	64.4	40.4	44.7	44.5	25.4

\* Before charges associated with acquisition of businesses and other adjusting items




# Our leadership team

**Stephen Bird**  
Group Chief Executive



**Appointed:** April 2009  
**Shares:** 317,957

**Martin Green**  
Group Finance Director



**Appointed:** April 2003  
**Shares:** 112,114

**Jennifer Shaw**  
Group Communications Director




**Appointed:** June 2016  
**Shares:** 3,318

**Jon Bolton**  
Group Company Secretary & HR Director




**Appointed:** Sept 2008  
**Shares:** 43,000

**Marco Pezzana**  
Divisional CEO,  
Vitec Imaging Solutions




**Appointed:** Mar 2009  
**Shares:** 92,044

**Nicola Dal Toso**  
Divisional CEO,  
Vitec Production Solutions



**Appointed:** Feb 2015  
**Shares:** 6,621

**Nicol Verheem**  
Divisional CEO,  
Vitec Creative Solutions



**Appointed:** Dec 2013  
**Shares:** 121,019

**Average tenure of senior team is over 9 years; together they hold c. 690,000 shares in the company (1.51%)**



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