

Operational review Creative Solutions



The demand for original content continues to grow globally, as daily screen time and video consumption expand across several platforms. We make the tools to help tell the stories, share the news, engage an audience, or spread the word.

Marco Vidali
Divisional Chief Executive,
Vitec Creative Solutions

The Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for film and video production companies, ICCs, gamers, enterprises and broadcasters. Products include wireless video transmission and lens control systems, monitors, camera accessories, live streaming and IP video devices, and software applications.

Addressable market*

Creative Solutions' TAM has increased from £0.5 billion to £1.0 billion, particularly due to the increase in streaming, spend on original content creation, and Vitec's Lightstream acquisition enabling us to serve the gaming market. We estimate that the market CAGR (2022-24) will be c.20% (previous mid-term forecast of c.17%). Creative Solutions is expected to grow in line with the market thanks to its exposure to growth areas such as gaming, live streaming, enterprises and scripted TV. 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. We sell our products globally via multiple distribution channels and increasingly online via our own direct e-commerce capability and third-party platforms.

Strategy

We are focused on delivering the 4K/HDR replacement cycle and growing our remote monitoring/streaming capabilities in the cine, enterprise, medical, industrial and gaming markets.

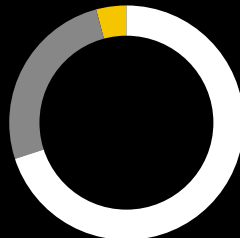
Market position

Vitec is the market leader in most of its product categories, providing premium products for film and video production companies, ICCs, enterprises and gamers.

Our brands

Product category	Brand	Market position*
Video transmission systems	Teradek	1
Monitors	SmallHD	1**
Lens control systems	Teradek	3
Live streaming	Teradek, Lightstream	1**
IP video	Teradek	3
Camera accessories	Wooden Camera	3

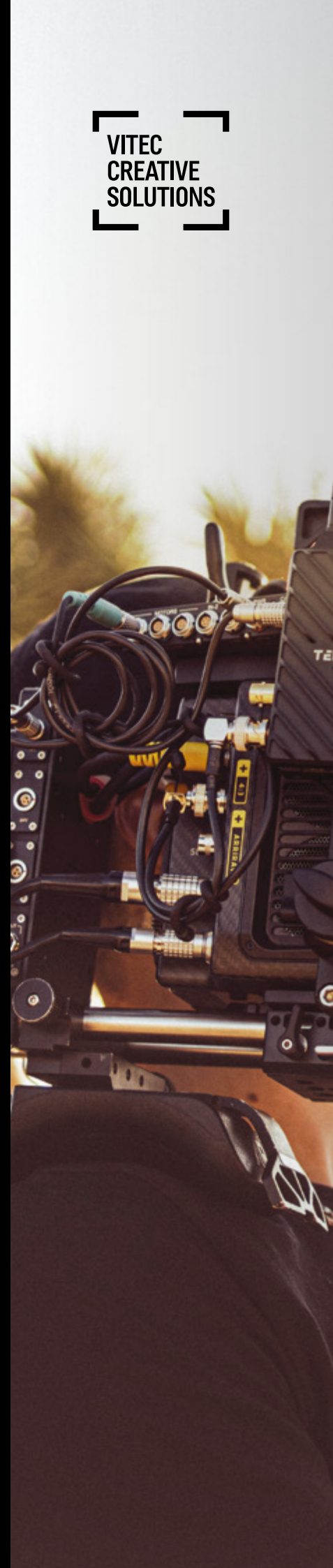
Target audience



- Cine/scripted TV/ICC market: **70%**
- Enterprise market: **26%**
- Gaming market: **4%**

* Management estimates by sales value in the market segments in which these products are sold.

** In our niche



Operational review

Creative Solutions' revenue was a record £77.8 million. On an organic, constant currency basis this was 22% ahead of 2019, despite the cine/scripted TV market not being fully open until H2, and the impact of component shortages in H2. Order intake was 45% ahead of 2019 on an organic, constant currency basis.

Sales to the cine/scripted TV market grew materially versus 2019. The overwhelming majority of Bolt sales are now 4K/HDR, and there were \$4.0 million sales of the SmallHD 4K/HDR monitors that were launched last year. Total 4K/HDR sales were \$34.0 million. Wooden Camera revenue grew materially compared to 2019.

Sales to the enterprise market were up double-digit versus 2019. Within this, revenue to the medical market more than doubled compared to 2019, with high demand for Amimon products within the operating room ("OR") and moving more medical procedures from the OR to treatment rooms. Recurring revenue excluding Lightstream more than doubled compared to 2019. Recurring revenue including Lightstream was c.£3.0 million.

Adjusted operating expenses* grew compared to 2019 as Creative Solutions invested in sales and marketing to serve new verticals, R&D to drive future growth, and due to higher amortisation of capitalised R&D.

Adjusted operating profit* of £8.3 million represents an adjusted operating margin* of 10.7%. Excluding 2019 SmallHD insurance proceeds (£6.5 million), which were included in profit but not revenue, the adjusted operating margin* in 2019 was 14.9%. On an organic, constant currency basis, adjusted operating profit* was 12% up on 2019 (excluding insurance proceeds). We expect Creative Solutions' margins to improve as our investment in growth drives further higher revenues, and we sell more Amimon-enabled 4K/HDR products.

Statutory operating loss was £0.5 million (2020: £4.8 million loss), which reflects £8.8 million of charges associated with acquisition of businesses and other adjusting items (2020: £8.1 million).

Revenue

£77.8m

↑ Up 44.9%

Adjusted operating profit*

£8.3m

↑ Up 151.5%

Revenue

2021	£77.8m
2020	£53.7m
2019	£67.7m

Adjusted operating profit*

2021	£8.3m
2020	£3.3m
2019	£15.6m

Statutory operating profit

2021	-£0.5m
2020	-£4.8m
2019	£5.3m

Operational review

Creative Solutions/continued

Image: Craig Parry

Case studies

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Innovere provides an entertainment solution for MRI scanners to relieve the anxiety of patients. Using Teradek wireless technology, we were able to make this product operate wirelessly so it is easily retrofittable in existing MRI sites.

Garry Liu PhD
CEO, Innovere Medical Inc.

Wireless video transmission in the medical market

Specifically designed for the medical industry, Vitec's Falco wireless video transmission and monitoring solutions deliver high quality 4K video with less than 1ms latency. Evolved from Teradek's Bolt 4K technology, Falco already has a foothold in the minimally invasive surgery space, providing solutions to endoscopy providers. Clinicians depend on medical devices and imaging modalities to provide real-time video during patient treatment, diagnosis and surgical procedures. The need to wirelessly connect video sources to display monitors is becoming standard as it improves clinical workflow efficiency and patient outcomes.



“And the Oscar goes to....”

In February 2021, Teradek received two Technical Academy Awards – “Oscars” – from the Academy of Motion Picture Arts and Sciences for the Teradek Bolt 4K. One award recognised the development of the Teradek Bolt wireless video transmission system for on-set monitoring and the second was for the development of the Amimon wireless chipset.

In October 2021, the Teradek Bolt 4K was again recognised, this time as one of only eight technologies to win a 2021 Engineering Emmy® Award from the Television Academy, for developments in broadcast technology.

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Engineers, scientists and technologists are a vital part of our industry and are key to the continuing evolution of television.

Frank Scherma
Chairman and CEO of the Television Academy





4K/HDR Monitoring

2021 saw 4K/HDR monitoring embraced on sets around the world. This transition is being catalysed by Vitec's pioneering solutions: ultra long-range 4K/HDR video transmitters and multiple 4K and HDR-capable SmallHD field-ready production monitors.



4K monitoring increases your overall pixel density while future proofing your investment in gear.

Brian Aichlmayr
1st AC Local 600



Lightstream acquisition

In April 2021, Vitec acquired Lightstream, enhancing its premium live streaming technology for the global content creator community. Lightstream is a world leader in live streaming technology for the fast-growing gaming market.



In 2022 we will continue building state-of-the-art cloud-based video production and audience activation tools. This will enable Lightstream to expand its impact in its existing markets – individual creator, video application developer and live video audience activation.

Stu Grubbs
Lightstream founder



Live production

Vitec launched Teradek WAVE, a 5-in-1 smart streaming monitor for encoding, smart event creation, network bonding, multi-streaming and recording – all on a 7" daylight-viewable touchscreen display. It is designed to prep multiple events ahead of time, bond several internet connections together and send live streams to multiple destinations at once via Sharelink, Teradek's cloud platform that is available as a paid subscription through sharelink.tv.



Wave is truly an innovative product. Combining on-camera monitoring with Live Streaming, less the extra wires, is a great solution!

Darren Sager
DMS Video Productions

