

The Vitec Group plc

Full year results 2015



- > **Stephen Bird**, Group Chief Executive
- > **Paul Hayes**, Group Finance Director
- > 23 February 2016

Investing for growth in a
focused Broadcast &
Photographic business



Important notice



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Agenda



- > **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



- > Full year performance in line with the Board's expectations
- > Benefits from new products, acquisitions and IMT exit offset by anticipated headwinds 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 major sporting events
- > Investments in higher technology products and related markets generating good growth
- > Streamlining of activities with lower growth prospects on track and further actions planned

Financial Review



> **Paul Hayes**
Group Finance
Director



Full year results in line with our expectations



	2015 £m	2014 £m	Δ %	Δ % at Constant FX
Revenue	317.8	309.6	2.6%	1.3%
Gross profit *	129.8	128.8	0.8%	3.0%
<i>Gross margin % *</i>	40.8%	41.6%	-80 bps	+70 bps
Operating expenses *	(94.4)	(90.0)		
Operating profit *	35.4	38.8		
<i>Operating margin % *</i>	11.1%	12.5%	-140 bps	-40 bps
Net finance expense	(3.9)	(3.5)		
PBT *	31.5	35.3	(10.8%)	(3.7%)
Adjusted EPS *	49.4p	55.9p	(11.6%)	
Dividend per share	24.6p	24.0p	2.5%	

- > Sales growth despite non-repeat of Sochi Winter Olympics and FIFA World Cup
- > Growth in operating profit* excluding FX and major sporting events
- > Improved gross margin* at constant exchange rates
- > Operating margin* reflects targeted investments in R&D and sales & marketing initiatives
- > Full year dividend increased by 2.5%

* Before restructuring costs and charges associated with acquired businesses. Profit before tax and adjusted earnings per share are also before disposal of business. Restructuring costs in 2015 were £4.9 million (2014: £2.7 million).

Divisional performance

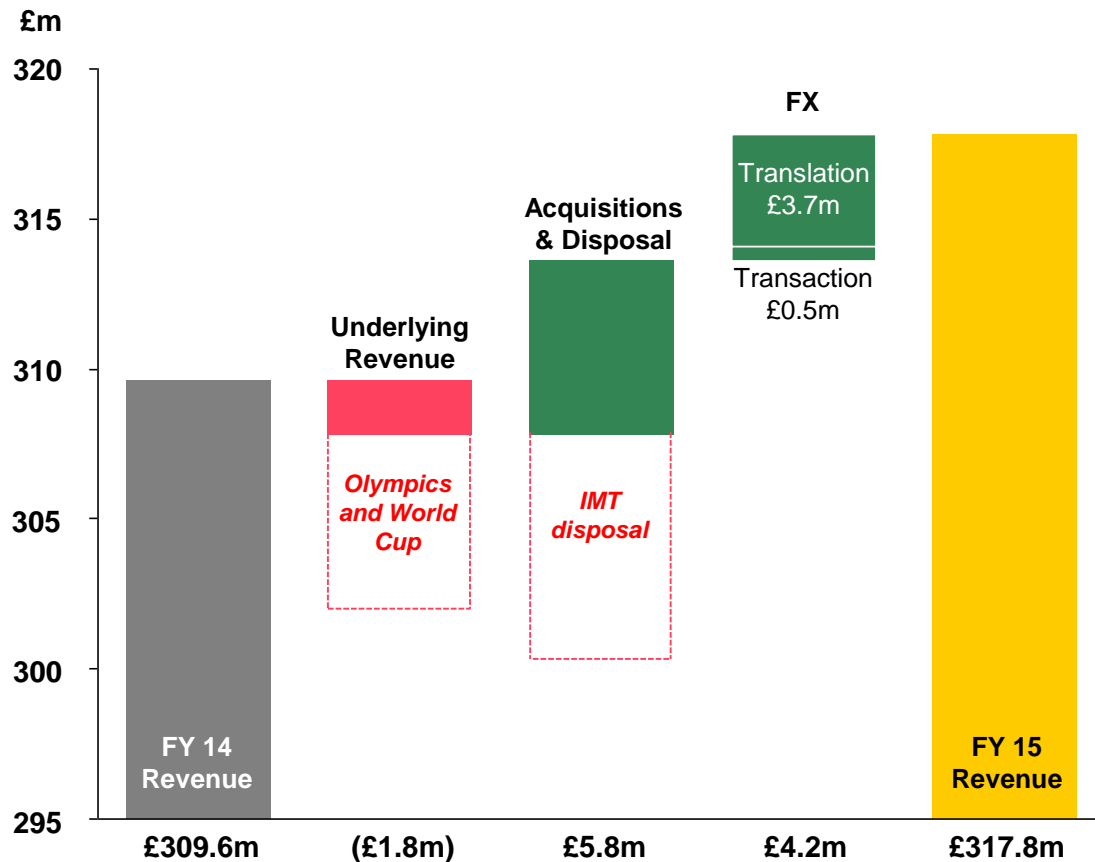


	Revenue				Operating Profit*			
	2015	2014	Δ	Δ at Constant FX	2015	2014	Δ	Δ at Constant FX
	£m	£m	£m	£m	£m	£m	£m	£m
Broadcast	189.0	171.1	17.9	12.6	20.3	21.2	(0.9)	(0.3)
<i>IMT **</i>	-	7.6	(7.6)	(7.6)	-	(1.3)	1.3	1.3
Photographic	128.8	130.9	(2.1)	(1.0)	15.1	18.9	(3.8)	(1.7)
	317.8	309.6	8.2	4.0	35.4	38.8	(3.4)	(0.7)

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

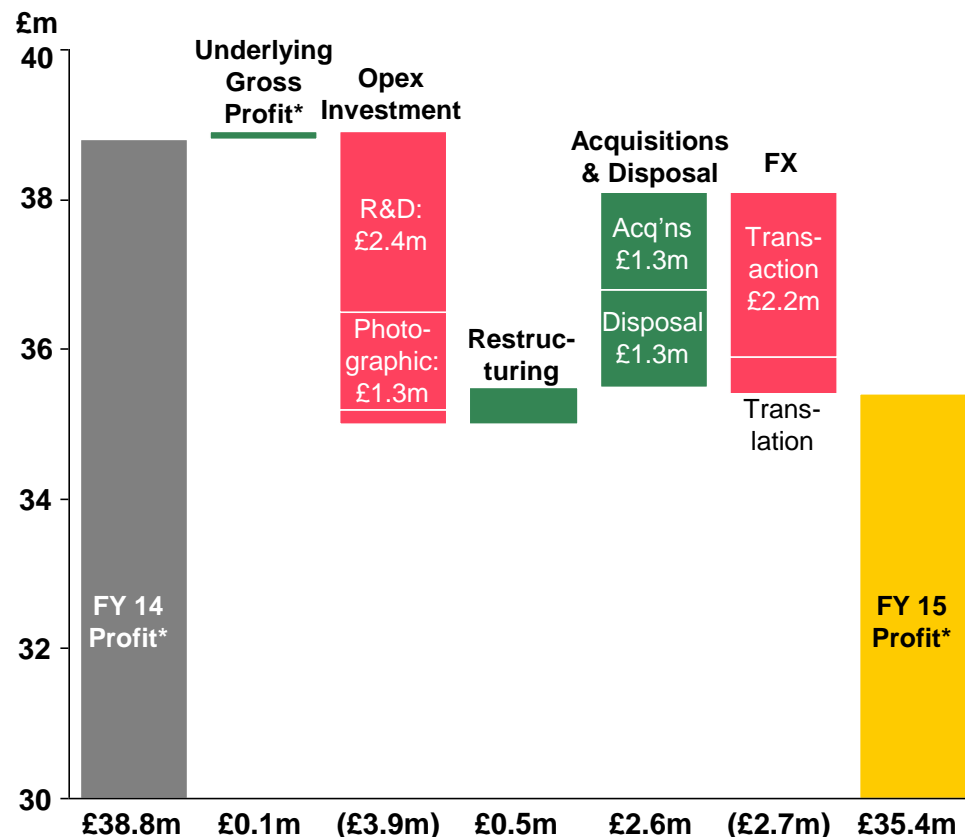
- Broadcast**
- > Non-repeat of Sochi Winter Olympics and FIFA World Cup
 - > Growth in higher technology products and lower sales of large camera supports
 - > SmallHD monitors growing strongly and impacting margins in the short-term
- Photographic**
- > Sales broadly similar to prior year in challenging markets
 - > Investment in new products and targeted investment in sales & marketing
 - > Development of distribution channels including e-commerce & China

Revenue bridge



- > Targeted activity to drive sales growth
- > Growth in sales of higher technology products
- > Non-repeat of major sporting events
- > Acquisitions performing in line with expectations
- > Disposal of IMT in 2014

Operating profit* bridge



- > Maintained underlying gross profit*
- > Building a strong platform for growth:
 - > Targeted investment in product development & innovation; R&D at 4.5% of product sales (FY14: 4.1%)
 - > Sales & marketing initiatives in Photographic, to develop distribution channels and grow sales
- > Initial benefit from restructuring
- > Acquisitions and IMT disposal offset by anticipated adverse FX

* Before restructuring costs and charges associated with acquired businesses.

Cash flow



	2015 £m	2014 £m	Δ £m
Operating profit *	35.4	38.8	(3.4)
Depreciation ⁽¹⁾	16.2	16.1	0.1
Working capital	(5.2)	(6.9)	1.7
Restructuring costs	(3.5)	(3.2)	(0.3)
Other ⁽²⁾	(1.2)	(2.8)	1.6
Cash generated from operations	41.7	42.0	(0.3)
Capital expenditure ⁽³⁾	(20.6)	(22.2)	1.6
Proceeds from asset sales	4.7	5.2	(0.5)
Net interest and tax paid	(9.6)	(6.8)	(2.8)
Free cash flow	16.2	18.2	(2.0)

* Before restructuring costs and charges associated with acquired businesses.

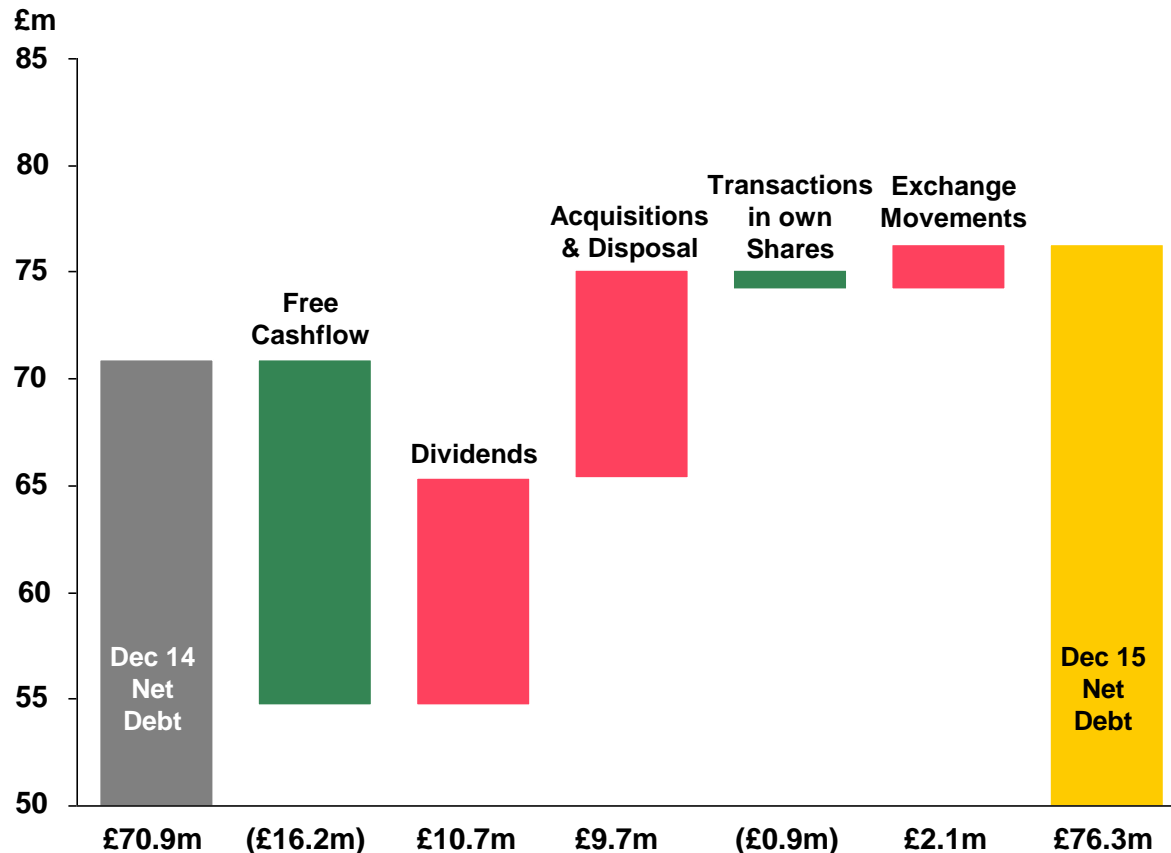
⁽¹⁾ Includes depreciation and amortisation of software and capitalised development costs.

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

⁽³⁾ Purchase of PPE & software and capitalisation of development costs.

- > Strong cash generation in H2 2015
- > Operating profit* into operating cash conversion of 83% (FY 2014: 73%)
- > Working capital reflects:
 - > Investment in inventory for new product launches
 - > Lower levels of receivables with good ageing maintained
 - > Timing on accruals and payables
- > Net capital expenditure in line with depreciation
- > Timing impact on tax paid during year

Strong balance sheet



- > Net debt of £76.3m in line with our expectations
- > Net outflow on acquisitions & disposal including:
 - > £4.0m on Paralinx
 - > £5.2m of earnouts on previous acquisitions
- > Net Debt to EBITDA ratio of 1.5x (Dec 2014: 1.2x)
- > Significant headroom with £134m of banking facilities

Other financial developments



- > Streamlining actions to drive profitable growth in a challenging market
 - > Initial restructuring in Broadcast on track
 - > Expanded to include Photographic and further actions in Broadcast
 - > Overall one-off costs of £10 million over 2015/16 with target two year payback
 - > Sale of Bury site for proceeds of £3.9 million and plan to relocate business to smaller, more efficient facility
- > Other
 - > Forex benefit at current rates in 2016 from translation and net favourable hedging
 - > Effective tax rate maintained at 30%; targeting 30% for 2016
 - > Amortisation of acquired intangibles: £5.4m per annum

Financial Review: Summary



- > Full 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
- > Targeted investments in R&D and sales & marketing initiatives
- > Strong balance sheet
- > Full year dividend increased by 2.5% to 24.6 pence per share

* Before restructuring costs and charges associated with acquired businesses.

Strategic & Operational Review



> **Stephen Bird** Group Chief Executive



Market Conditions



> Broadcast Division

- > Variability in demand throughout the year
- > 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

> Photographic Division

- > Some signs of stabilisation as decrease in global shipments of interchangeable lens cameras flattens
- > Increase in revenue through owned distribution channels outside US
- > New expanded range of product lines performing well and Manfrotto bags gaining share



Signs of market stabilisation

Broadcast Division (excluding IMT)



Growth in revenue in variable market conditions

	2015	2014	Δ	Δ % at
	£m	£m	%	Constant FX
Revenue	189.0	171.1	10.5%	7.0%
Operating profit *	20.3	21.2	(4.2%)	(1.3%)
Operating margin % *	10.7%	12.4%	-170 bps	-100 bps

* Before restructuring costs and charges associated with acquired businesses

- > Growth in higher technology sales offset lower large camera supports and major sporting events
- > Growth in Teradek business and integration of Paralinx
- > Significant new product and R&D investment
- > Short term impact on margins from growth in SmallHD
- > Record performance by Haigh-Farr
- > Restructuring actions progressing to plan and expanded

Broadcast

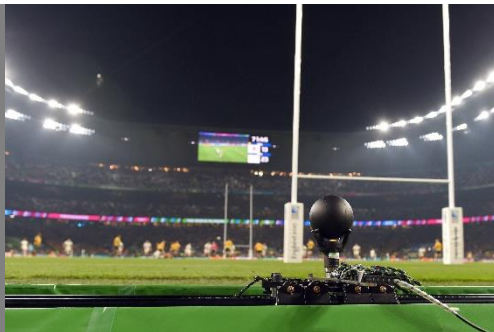


Photo: Camera Corps Q3 tracking system at Twickenham, Rugby World Cup 2015

Photographic Division



Performance reflects investment in growth

	2015	2014	Δ	Δ % at
	£m	£m	%	Constant FX
Revenue	128.8	130.9	(1.6%)	(0.8%)
Operating profit *	15.1	18.9	(20.1%)	(10.0%)
Operating margin % *	11.7%	14.4%	-270 bps	-120 bps

* Before restructuring costs and charges associated with acquired businesses.

- > Similar sales to prior year at constant exchange rates
- > Broader range of innovative products performing well
- > Increased revenue in owned distribution channels outside US
- > Investment in distribution channels and targeted sales & marketing initiatives
- > Streamlining actions underway, continued implementation of lean processes

Photographic



Good progress in continuing to deliver our strategy



Improving the core

- > Building strong platform of higher technology products
- > Continued investment in new product development & innovation
- > Focus on independent content creators & enterprise video



Expanding in APAC

- > Continued to strengthen our teams in Asia-Pacific region
- > Strong sales in Japan and China
- > Direct distribution model implemented in China for Photographic, including investment in e-commerce



Good progress in continuing to deliver our strategy (cont.)



Strategic acquisitions

- > Disciplined approach to acquisitions, with clear strategic and financial criteria
- > Acquisitions performing well
- > Continue to identify potential opportunities



Financial discipline & cost control

- > Streamlining activities progressing to plan with additional actions identified
- > Targeted investment in R&D, new product development and sales growth initiatives
- > Continued focus on cost control & cash



Summary



- > Good progress in delivering our strategy
- > Growth in revenue and profit at constant exchange rates excluding non-repeat of major sporting events
- > Building a strong platform and making investments in high technology
- > Targeted investments to drive new product sales
- > Streamlining of activities with lower growth prospects

Outlook



- > Vitec remains in a sound financial position and the Board remains confident about the future growth prospects of the Group
- > Although challenging market conditions look likely to continue in 2016, we have taken actions to streamline our lower growth businesses while building a strong platform and making investments in higher technology products that will position us to grow sales and margins in the future

Questions



Appendices



Broadcast products



Autocue

autoscript
a clearer picture

sachtler



**ANTON
BAUER**



Vinten

* Clockwise from left: **Autocue**: PSP17 teleprompter; **Autoscript**: E.P.I.C. prompter; **Sachtler**: Video 25 Plus Fluid Head, Ace L TT 75/2 CF; **Vinten**: FPR-210 + APS + Autoscript; **Anton/Bauer**: Elora Medical battery, V90 Digital battery; **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



oconnor



Litepanels



smallHD.com



sachtler



ANTON BAUER



TERADEK



* Clockwise from top left: **OConnor**: Ultimate 2560 Fluid Head; **Litepanels**: Astra 1X E Daylight; Brick Bi-Colour; Caliber; **Camera Corps**: Q Compact Robotic Camera and Mini Tracking System; **Anton/Bauer**: L Battery; V90 & G90 Cine Batteries; **Sachtler**: Camera Shoulder Bag; **SmallHD**: 702 Bright monitor; **Teradek**: VidiU Pro; **OConnor**: O-Rig.

Paralinx



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

Photographic products



Manfrotto
Imagine More

Lastolite™
Professional



SYMPLA™
SYSTEM MOVING PLATFORM



* Clockwise from top left: **Manfrotto:** 190 go! tripod; XPRO 3-Way Geared Head; PIXI; Pro Bags; KLYP+; Compact Action tripod; **Sympla:** rig; **Avenger:** Wind Up stand; **Gitzo:** Mountaineer tripod; **Lastolite:** TriFlip kit contents and TriGrip silver.

Photographic – New Products



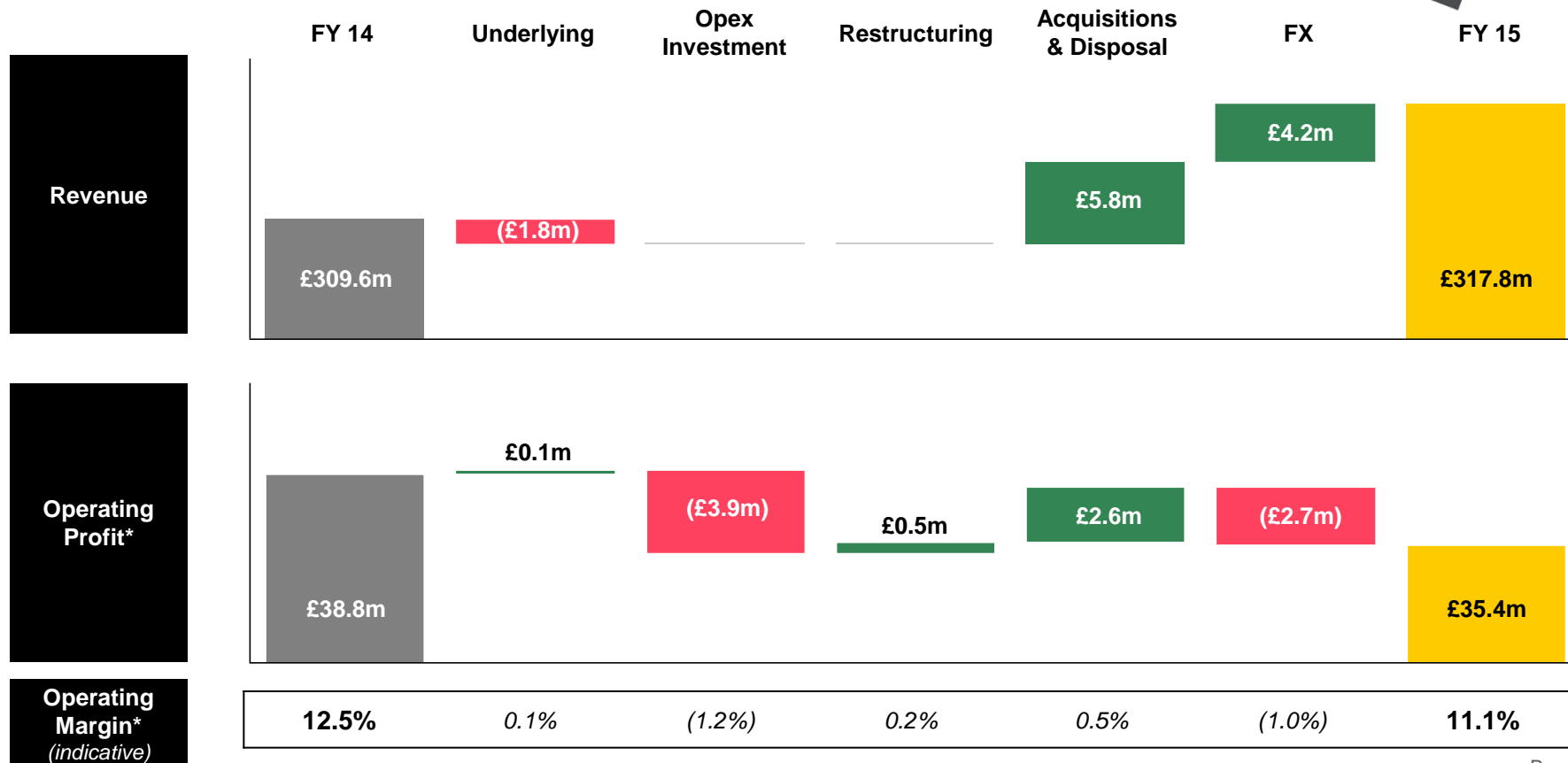
Products also available in the Apple store



* Clockwise from left: **Gitzo**: Traveller Tripod and Centre Ball Head; **Manfrotto**: Digital Director, winner of Videomaker Best of NAB award; Lykos; Off road Tripod; Street Medium Backpack; D1 Drone Backpack; Compact Xtreme; Off road ThrillLED; Slider system with 500 fluid video head.

* Clockwise from left: **Manfrotto**: Compact Action Tripod; PIXI Mini

Operating margin*

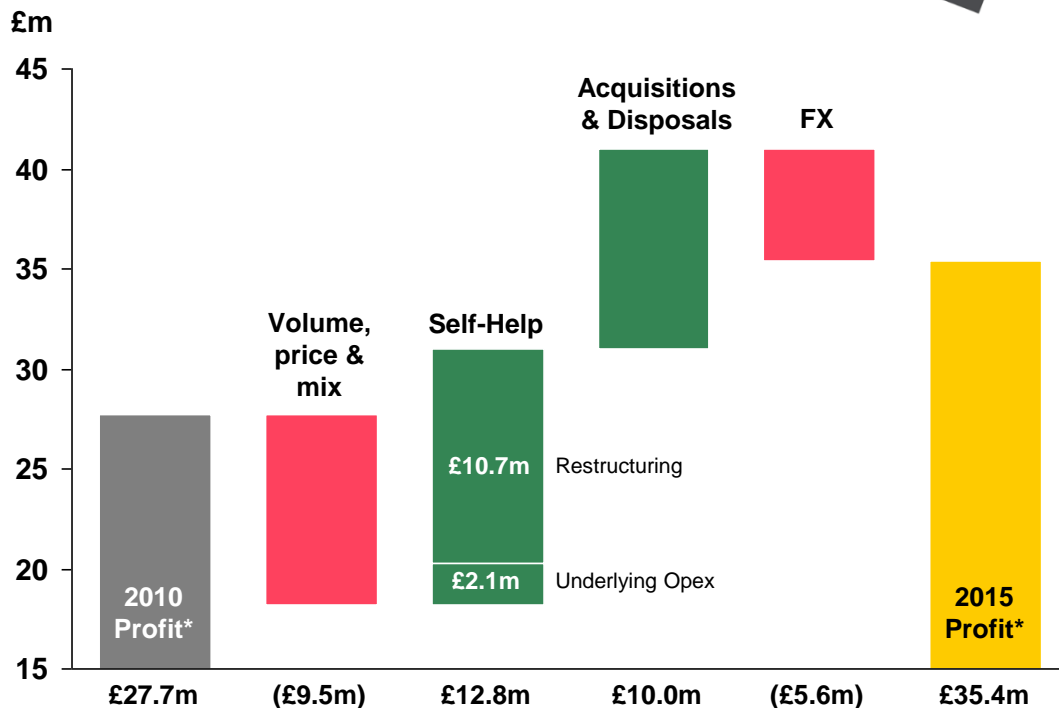


* Before restructuring costs and charges associated with acquired businesses.

Five year performance reflects self-help & acquisitions



- > Profit* and margin* growth since 2010 despite market and currency headwinds
- > Self-help initiatives have delivered £12.8m of profit
- > Acquisitions have performed well with a 15% return after funding costs
- > Foreign exchange has been against us, but at current rates this would reverse



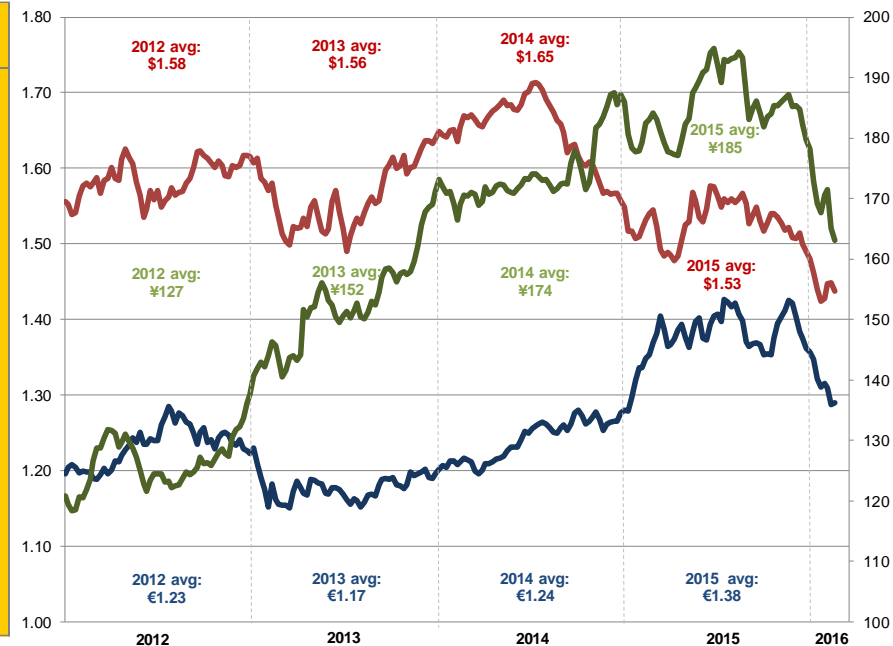
* Before restructuring costs and charges associated with acquired businesses.

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 FY15	1.53	1.11	1.38	(0.5)	(2.2)	(2.7)

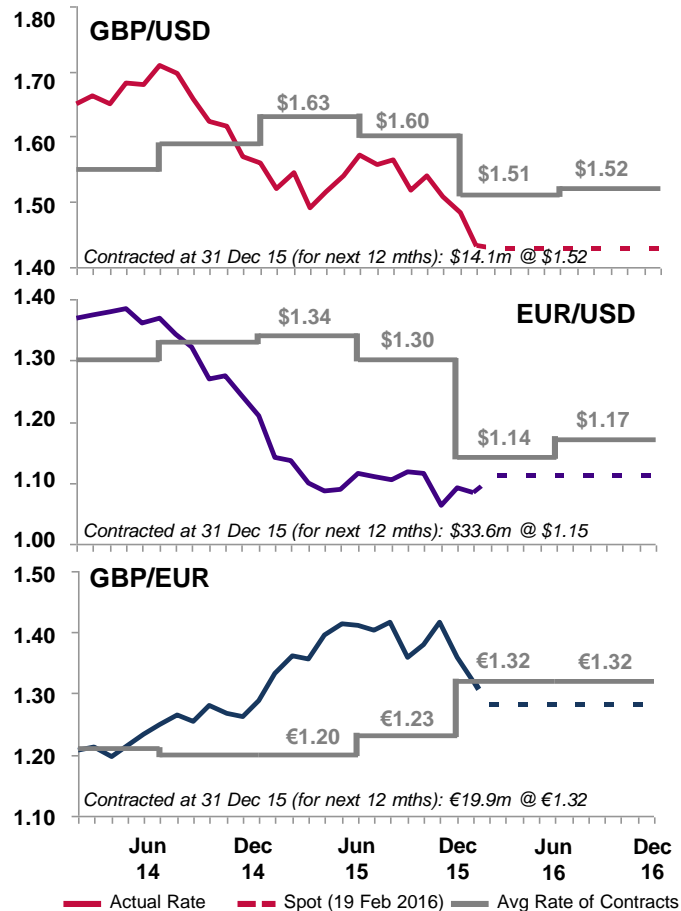
Negatives indicate an adverse effect



Spot * **£1 = \$1.43** **£1 = €1.28** **£1 = Yen161**

* As at 19 February 2016

Foreign Exchange – Key Impacts on Vitec



a) Translation

- > Translational impact is unhedged
- > FY 2015 benefited from stronger USD, offset by weaker EUR
- > At current rates, there is favourable year-on-year impact on USD, EUR and JPY as they have strengthened vs GBP

b) Transaction

- > Vitec hedges c.75% of its transactional exposures to reduce volatility
- > The biggest effect in FY 2015 was on unfavourable USD hedges in Photographic (EUR/USD) and to a lesser degree in Broadcast (GBP/USD)
- > The Broadcast Division had EUR (GBP/EUR) and JPY (GBP/JPY) hedges that delayed the impact from the weaker EUR and JPY in 2015
- > At current rates there would be a net favourable impact in 2016 from the weaker GBP, partly offset by the average rate of our hedges

Working capital overview



Movement in Working Capital *

	FY 2015 £m	FY 2014 £m	Δ £m
(Increase) in inventories	(3.0)	(2.1)	(0.9)
Decrease / (increase) in receivables	0.8	(2.7)	3.5
(Decrease) in payables	(3.0)	(2.1)	(0.9)
Total	(5.2)	(6.9)	1.7

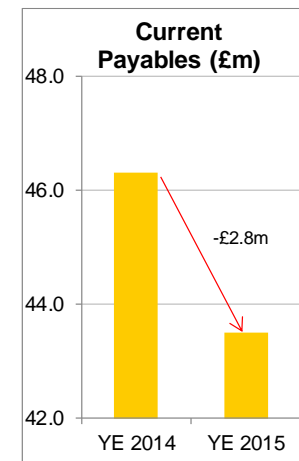
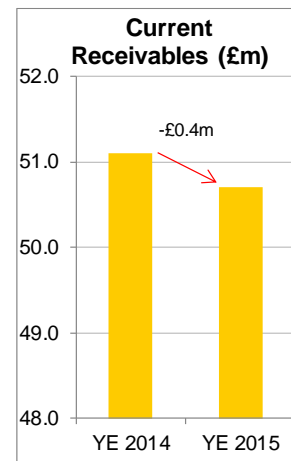
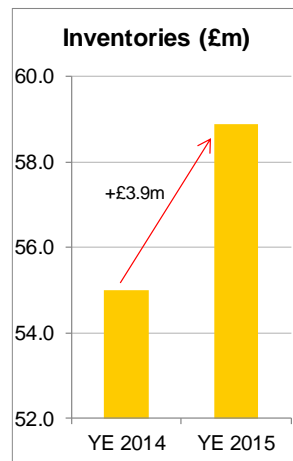
Gross Trade Receivables - Days Overdue**

	YE 2015		YE 2014		Δ £m
	£m	%	£m	%	
Current	33.6	84%	31.2	78%	2.4
1-30 Days	4.1	10%	5.7	14%	(1.6)
31-60 Days	1.3	3%	1.4	4%	(0.1)
> 60 days	1.3	3%	1.7	4%	(0.4)
Total	40.3		40.0		0.3

* Before restructuring costs

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

Balance Sheet



Working Capital Days

	2015	2014‡
Inventory Days	105	100
Trade Receivable Days	40	41
Trade Payable Days	44	49

‡ Excludes IMT

Borrowings



- > Revolving credit loan facility of £100m negotiated in July 2012
 - > Committed until July 2017 with 5 relationship banks
 - > Margin at 200 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 Dec 2015 (Dec 2014: \$50m)
 - > Blended interest rate of 4.77%
- > Dec 2015 Net Debt of £76.3m (Dec 2014: £70.9m)
 - > Net Debt to EBITDA ratio* of 1.5x (Dec 2014: 1.2x)

* *Covenant basis*

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



	2015 £m	2014 £m	Δ £m		2015 £m	2014 £m	Δ £m
Profit before tax*	31.5	35.3	(3.8)	Profit after tax*	21.9	24.7	(2.8)
Restructuring costs ⁽¹⁾	(4.9)	(2.7)	(2.2)	Restructuring costs and charges associated with acquired businesses	(13.0)	(11.2)	(1.8)
Charges associated with acquired businesses:				Disposal of business	0.0	(4.0)	4.0
Fair value adjustment to contingent consideration since date of acquisition ⁽²⁾	(2.6)	(4.2)	1.6	Tax on restructuring costs, charges associated with acquired businesses and disposal of business	4.1	3.5	0.6
Transaction costs relating to acquisitions ⁽³⁾	(0.1)	(0.9)	0.8	Profit after tax	13.0	13.0	0.0
Amortisation of acquired intangible assets	(5.4)	(3.4)	(2.0)	Weighted average number of shares ('000)	44,364	44,190	
Loss on disposal of business	-	(4.0)	4.0	Adjusted EPS * (pence)	49.4	55.9	(6.5)
Profit before tax	18.5	20.1	(1.6)	Basic EPS (pence)	29.3	29.4	(0.1)

* Before restructuring costs, charges associated with acquired businesses and disposal of business. Adjusted earnings per share is also before disposal of IMT.

(1) Restructuring costs in FY15 of £4.9 million primarily relate to the Group streamlining certain operations by restructuring selected activities mainly in the UK, US and Europe.

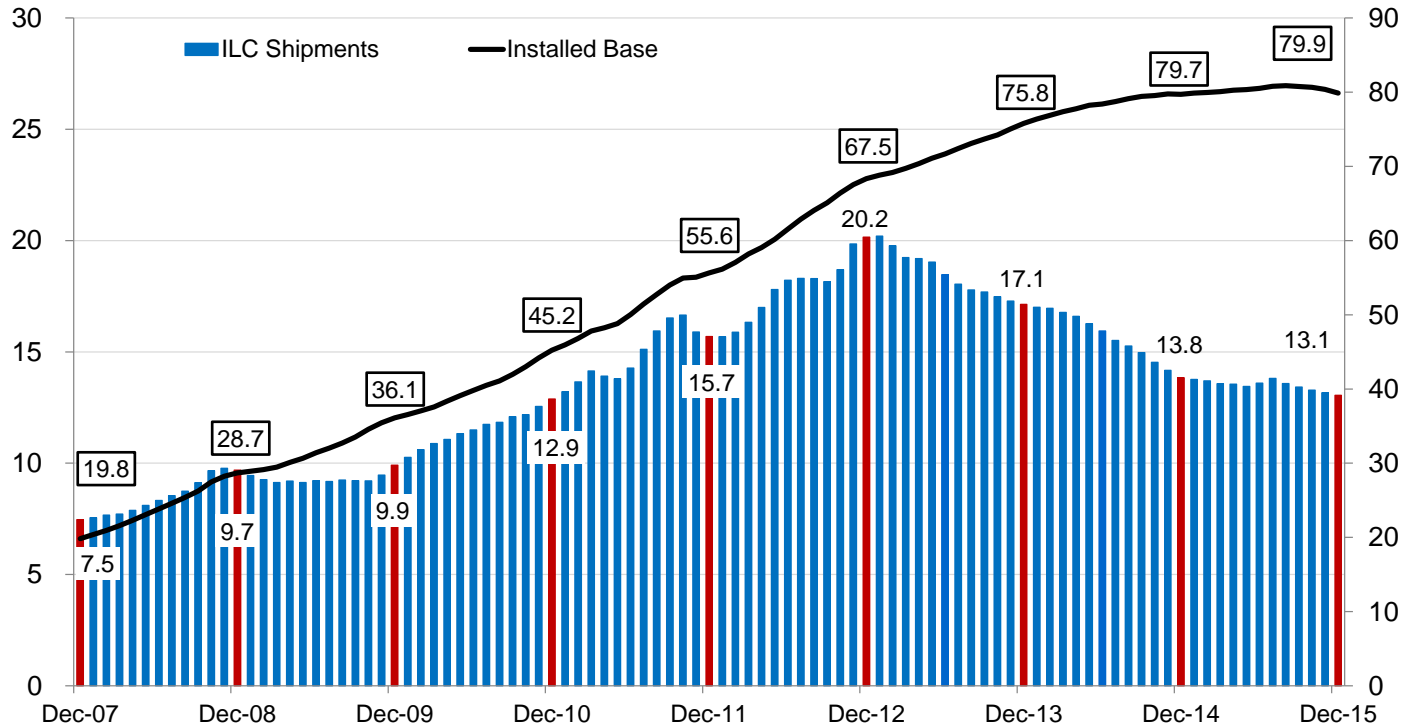
(2) A charge of £2.6 million (\$4.0 million) has been recorded in respect of contingent consideration at Teradek, a prior period acquisition.

(3) Transaction costs of £0.1 million were incurred in relation to acquisitions in the year.

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

The Vitec Group plc

Overview



vitec

What we do

Broadcast Division

- > Equipment and Services

	FY 2015
Revenue	£189.0m
Operating Profit*	£20.3m
Operating Margin*	10.7%



Photographic Division

- > Equipment

	FY 2015
Revenue	£128.8m
Operating Profit*	£15.1m
Operating Margin*	11.7%



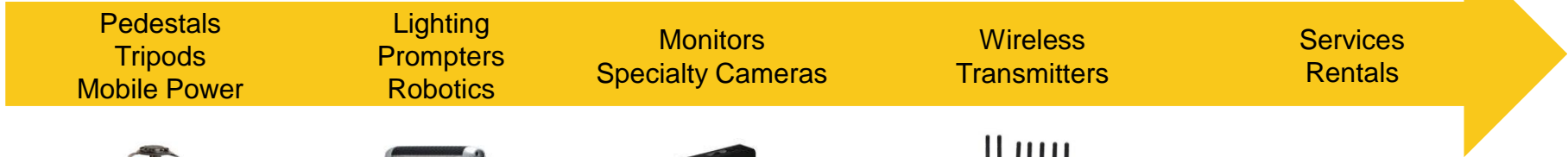
Our ultimate customer is primarily a camera operator

* Before restructuring costs and charges associated with acquired businesses

Our Divisions



Broadcast Division



Our Divisions



Photographic Division



Our key brand portfolio



Broadcast Division



Photographic Division

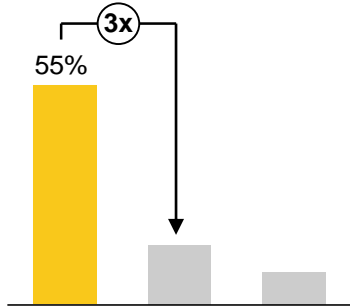


Vitec has a portfolio of market leading world class brands

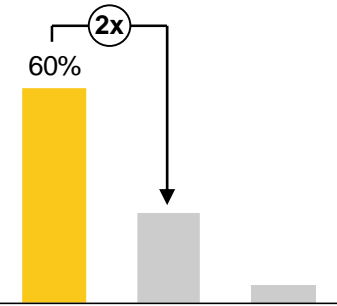
Competitive landscape



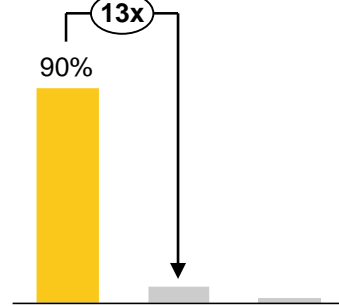
Broadcast Camera Supports



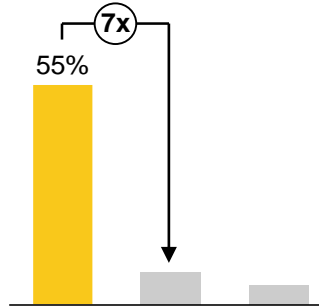
Cine Camera Supports



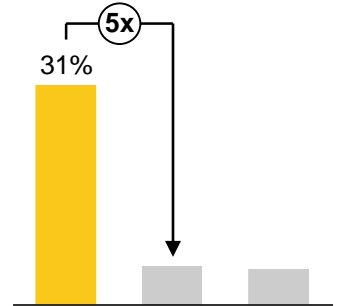
On Set Wireless



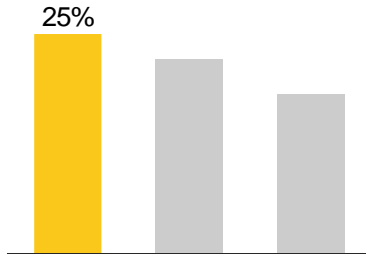
Prompters



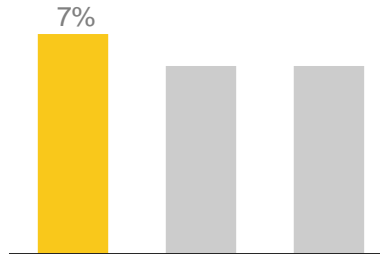
Photographic Tripods



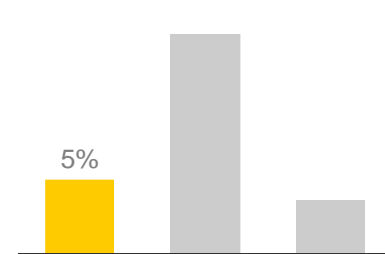
Batteries



LED Lights



Photographic Bags

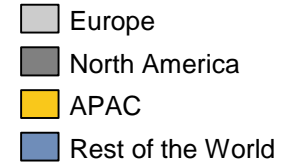
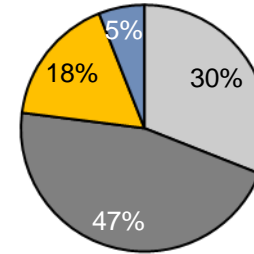


Vitec holds strong positions in its niche product categories

Where we operate

- > Sites in 10 countries; sell into 100+ countries
- > Sales: UK accounts for only 10% 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

2015 Revenue



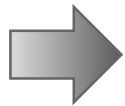
Vitec has strong global distribution

A solid platform for growth

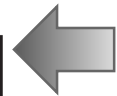


Strategy themes

- 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



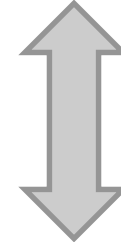
Broadcast must
focus on News &
Live Sports
Events



Independent
content creators
a.k.a. "shooters"



Broadcasters
outsourcing to stay
competitive



Shorter
equipment
life-cycles

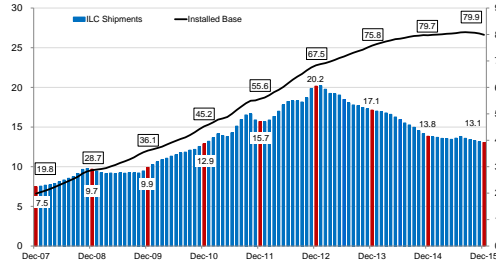


New Tools

Photographic market: Favourable drivers



Market showing signs of stabilisation



DSLRs c.80m
installed

New format
Cameras



CSCs



SZoom



Action



Smart

Consumer
Dynamics



Demand up
for 2nd portable device



More Photos
Taken & Loaded



More Videos
Taken & Loaded



Women
now 33% of total

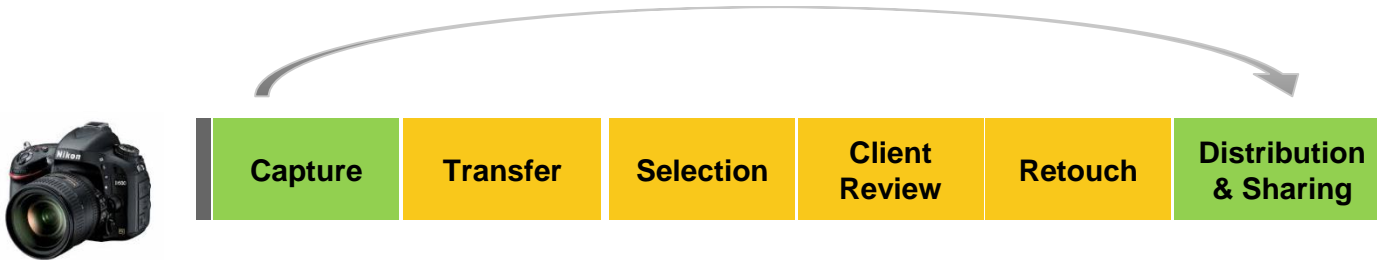
Acquisition rationale



> The Broadcast workflow

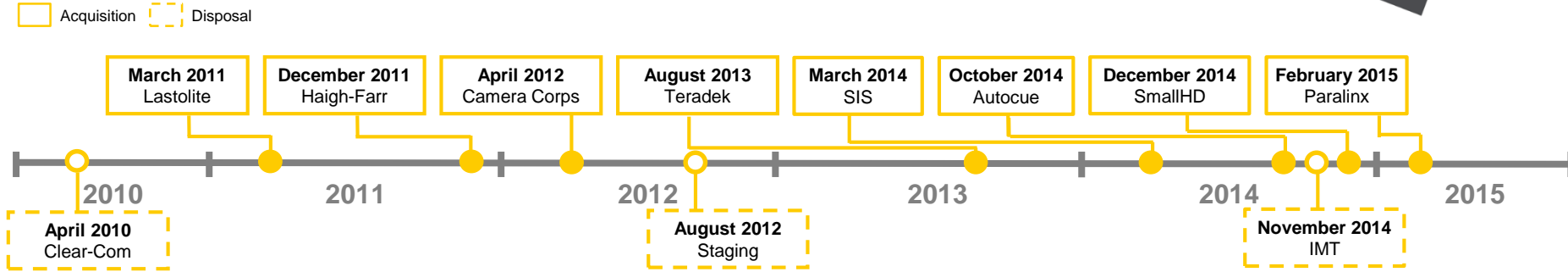


> The Photographic workflow



We will look for acquisitions primarily in Capture and Sharing

Acquisition track record



Acquisitions (to 31 Dec 2015):

- > 8 completed
- > £70m invested
- > 15% return after funding costs

Disposed of non-core businesses



Strong track record in making and integrating acquisitions successfully

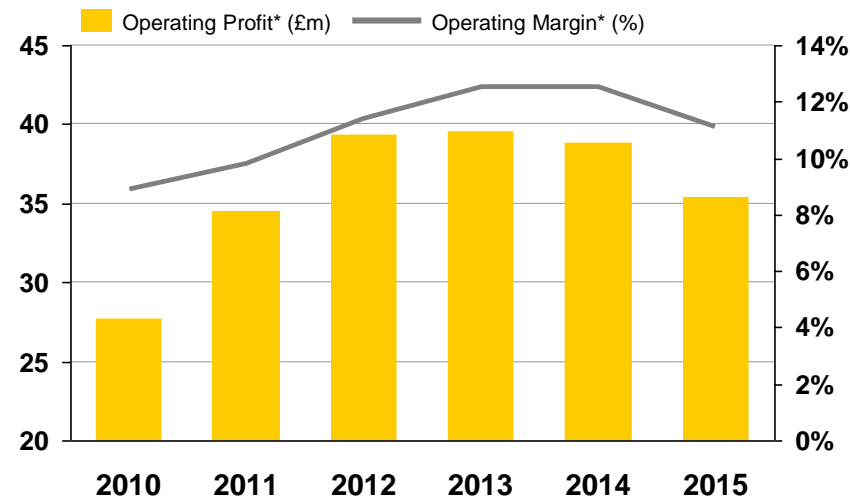
Financial Overview



- > Vitec has been strengthened through a number of self-help initiatives
 - > Exited from non-core businesses
 - > Streamlining & restructuring
 - > 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 1.5x



	£m	£m	£m	£m	£m	£m
Revenue	309.6	351.0	345.3	315.4	309.6	317.8
Operating profit*	27.7	34.5	39.3	39.5	38.8	35.4
Operating margin*	8.9%	9.8%	11.4%	12.5%	12.5%	11.1%

* 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 2.0x dividend cover

3. Disciplined approach to acquisitions

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



Capture the moment™

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