The Vitec Group plc
Half year results 2014

> **Stephen Bird,** Group Chief Executive
> **Paul Hayes,** Group Finance Director
> 14 August 2014

Revenue 3.8% higher and operating profit* up 6.3% at constant exchange rates

** Before restructuring costs and charges associated with acquired businesses.*

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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

- Good performance considering challenging markets and currency headwinds
- Revenue 3.8% higher and operating profit* up 6.3% at constant exchange rates
- Operating margin* maintained on lower revenue
- Decision to focus Videocom on core broadcast activities and exit IMT
- Continued market outperformance in Photographic business
- Interim dividend increased 4.5% to 9.3 pence per share

** Before restructuring costs and charges associated with acquired businesses.*

Financial Review

> **Paul Hayes**
> Group Finance Director

First half results in line with our expectations

	H1 2014 £m	H1 2013 £m	Δ %	Δ Organic CER ** %
Revenue	152.9	157.6	(3.0%)	(1.5%)
Gross profit *	65.8	71.0	(7.3%)	
*Gross margin % **	*43.0%*	*45.1%*	*-210 bps*	
Operating expenses *	(46.6)	(51.2)	(9.0%)	(9.9%)
Operating profit *	19.2	19.8	(3.0%)	(2.1%)
*Operating margin % **	*12.6%*	*12.6%*	*0 bps*	
Net finance expense	(1.7)	(2.2)		
PBT *	17.5	17.6	(0.6%)	-
Adjusted EPS *	27.4	27.4	-	
Dividend per share	9.3p	8.9p	4.5%	

** Before restructuring costs and charges associated with acquired businesses.*
*** Organic CER: at Constant Exchange Rates excluding year on year effect of acquisitions.*

[1] Includes £0.9 million benefit in gross margin

> Operating margin* and PBT* maintained despite lower revenue

> Revenue up 3.8% and operating profit* up 6.3% in constant currency

> £2.5m incremental benefit from 2013 restructuring activities [1]

> £2.8m further reduction in operating expenses*

> Adjusted EPS* in line at 27.4p

> Interim dividend increased by 4.5%

Divisions performing well in challenging markets

	Revenue			Operating Profit*			Operating Margin* %		
	H1 2014 £m	H1 2013 £m	Δ £m	H1 2014 £m	H1 2013 £m	Δ £m	H1 2014 %	H1 2013 %	Δ % pts
Videocom	69.5	70.2	-0.7	8.5	8.7	-0.2	12.2%	12.4%	-0.2pts
Imaging	64.1	73.6	-9.5	8.6	10.9	-2.3	13.4%	14.8%	-1.4pts
Services	19.3	13.8	+5.5	2.1	0.2	+1.9	10.9%	1.4%	+9.5pts
	152.9	**157.6**	**-4.7**	**19.2**	**19.8**	**-0.6**	**12.6%**	**12.6%**	**0.0pts**

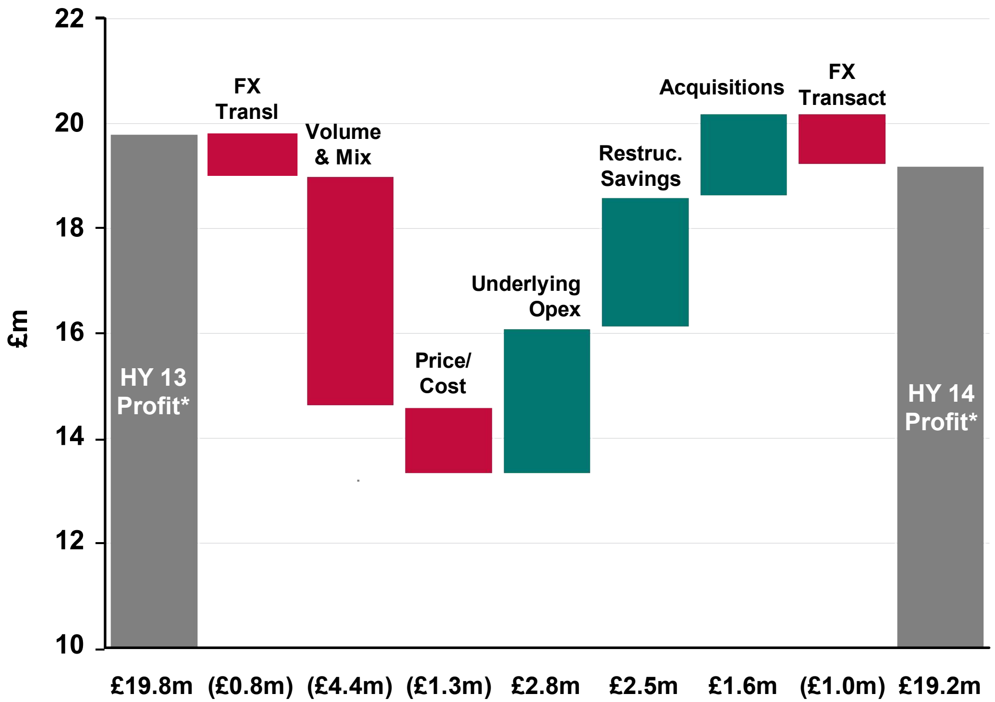
** Before restructuring costs and charges associated with acquired businesses.*

Videocom
- Sochi Winter Olympics and strong performance from Teradek
- £1.1m operating loss at IMT, with non-repeat of $5.8m US Dept of Justice contract

Imaging
- Good tripod and accessories sales, with new products selling well
- Bags market largely driven by camera sales and remains challenging

Services
- Benefit from Sochi Winter Olympics & World Cup and underlying rentals market

Strong cost management and benefits from restructuring



Before restructuring costs and charges associated with acquired businesses.

- £1.8m adverse currency impact
- Volume and mix reflects challenging markets
- Operating expenditure controlled while investing in product development
- Incremental savings from successful restructuring in 2013
- Benefit from acquisition of Teradek in August 2013 & SIS assets in March 2014

Cash Flow

	H1 2014 £m	H1 2013 £m	Δ £m
Operating profit *	19.2	19.8	(0.6)
Depreciation (1)	7.8	7.2	0.6
Working capital	(13.6)	(4.5)	(9.1)
Restructuring costs (2013 plan)	(2.1)	(3.5)	1.4
Other (2)	(2.0)	(1.2)	(0.8)
Cash generated from operations	**9.3**	**17.8**	**(8.5)**
Capital expenditure (3)	(7.8)	(7.1)	(0.7)
Proceeds from asset sales	2.6	1.3	1.3
Net interest and tax paid	(0.3)	(4.1)	3.8
Free cash flow	**3.8**	**7.9**	**(4.1)**

> Free cash flow for the first half reflects seasonal phasing and £2.1m of restructuring outflows

> Working capital increase reflects:

  > Inventory up £5.9m; seasonal increase with inventory £4.4m lower than at H1 2013

  > Trade receivables up £5.6m on June sales. Good ageing maintained

  > Other working capital up £2.1m (H1 2013: £1.1m lower)

> Net capital expenditure in line with expectations

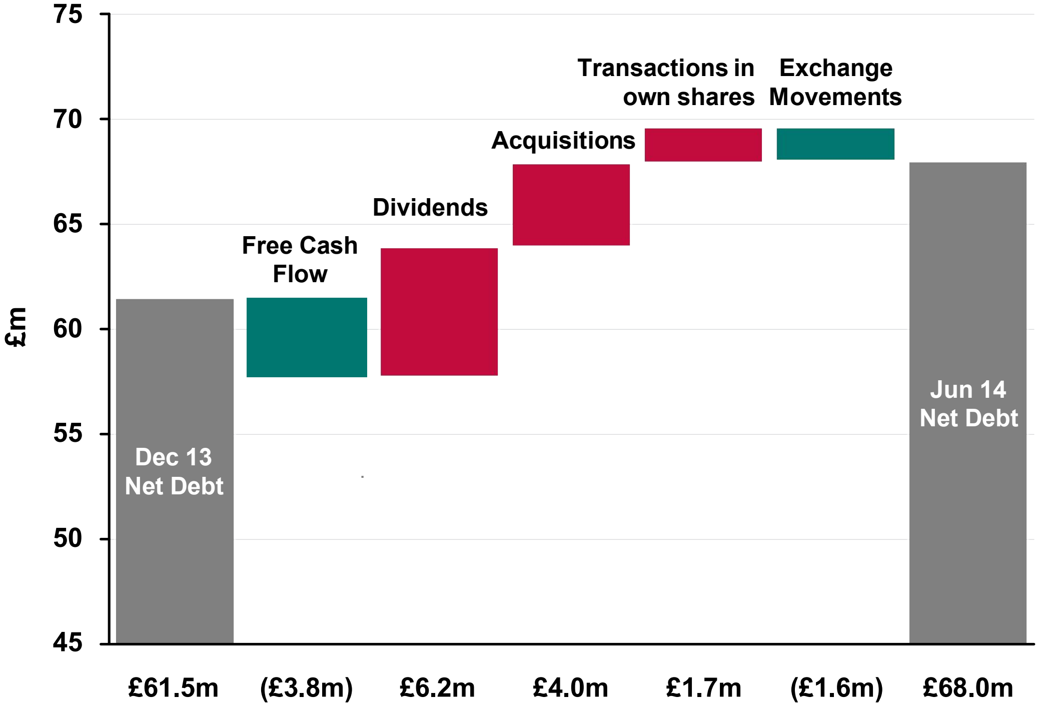
Before restructuring costs and charges associated with acquired businesses.

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

(2) *Includes change in provisions, share based charges, 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 Balance Sheet



- Net debt in line with our expectations at £68.0m (June 2013: £67.5m)
- £4.0m acquisitions outflow:
  - £1.8m on SIS acquisition
  - £2.2m of earn-outs on prior acquisitions
- Net debt to EBITDA of 1.3x (Dec 2013: 1.1x; Jun 2013: 1.2x)
- Seasonally stronger cash generation in second half of the year
- Significant headroom with £129m of committed banking facilities

Other financial points

- Forex
  - Sterling has continued to strengthen against the US Dollar and Euro
- Tax
  - Effective tax rate of 31% (2013: 31%) reflecting the mix of territories where profits arise
  - Targeting a similar tax rate for the full year 2014
- Decision to exit from IMT
  - Assessing options of sale or closure
  - Preliminary assessment of one-off pre-tax charge of c.£5.5m and c.£5.0m cash outflow if we close the business
- Amortisation of acquired intangibles
  - £3.1m to be amortised in 2014 and similar charge thereafter

Financial Review: Summary

- H1 2014 performance in line with expectations
- Maintained operating margin* and PBT* in challenging markets and currency headwinds
- Revenue 3.8% higher and operating profit* up 6.3% at constant exchange rates
- 2013 streamlining delivering savings
- Strong balance sheet
- Interim dividend increased by 4.5% to 9.3 pence per share

** Before restructuring costs and charges associated with acquired businesses.*

Strategic & Operational Review

> **Stephen Bird**
> Group Chief Executive

Market Conditions

- Videocom Division
  - Variable demand reflecting timing of larger opportunities
  - Good opportunities supporting larger sporting events
  - Continue to strengthen product portfolio
  - Lower sales to MAG market and decision to exit IMT

  - *Market expected to grow*
  - *Holding share*

- Imaging Division
  - Continued slowdown of interchangeable lens camera sales
  - Further reduction of inventory carried by our customers
  - New product lines performing well
  - Camera bags market particularly challenging

  - *Market will stabilise*
  - *Taking share*

- Services Division
  - Benefit from the Winter Olympics & FIFA World Cup
  - Good demand for high quality live broadcasting of major sporting events

  - *Market growing*
  - *Taking share*

Videocom

Maintained profit* and operating margin* despite lower volumes

	H1 2014 £m	H1 2013 £m	Δ %	Δ Organic CER ** %
Revenue	69.5	70.2	(1.0%)	(5.7%)
Operating profit *	8.5	8.7	(2.3%)	(17.4%)
Operating margin % *	12.2%	12.4%	-20 bps	-160 bps

* *Before restructuring costs and charges associated with acquired businesses*

** *Organic CER: at Constant Exchange Rates excluding year on year effect of acquisitions*

- Revenue up 6.0% and operating profit* up 1.2% on constant exchange rate basis
- Benefit from Sochi Olympics and premium robotics products, offset by lower sales and operating loss at IMT
- Teradek acquisition performing strongly
- Continue to strengthen product portfolio, including SIS acquisition
- Focus on core Broadcast activities and exit from IMT

Imaging

Good performance in a challenging market

	H1 2014 £m	H1 2013 £m	Δ %	Δ Organic CER ** %
Revenue	64.1	73.6	(12.9%)	(7.2%)
Operating profit *	8.6	10.9	(21.1%)	(8.7%)
Operating margin % *	13.4%	14.8%	-140 bps	-20 bps

** Before restructuring costs and charges associated with acquired businesses*

*** Organic CER: at Constant Exchange Rates*

Imaging

From L to R: 190 series; XPRO fluid head; Manfrotto Pro Bag

> Operating margin* broadly consistent with prior year at constant currency

> Benefit of 2013 streamlining activities and strong cost control

> Tripod and accessories sales outperforming market

> Taking share

> Camera bag market remains challenging

Developments in the Imaging market




- End markets have seen a continued slowdown in interchangeable lens camera sales
- Our sell-in is exacerbated by:
  - Retailers destocking following high levels of inventory in 2012
  - Lower inventory in retail supply chain as mix of online sales continues to increase
- Large installed base of interchangeable lens cameras
- Medium and longer term prospects remain positive

Services

Benefit from major sporting events and focus on margins

	H1 2014 £m	H1 2013 £m	Δ %	Δ Organic CER ** %
Revenue	19.3	13.8	39.9%	52.0%
Operating profit *	2.1	0.2	+£1.9m	+£2.0m
Operating margin % *	10.9%	1.4%	+9.5% pts	+10.1% pts

* *Before restructuring costs and charges associated with acquired businesses*

** *Organic CER: at Constant Exchange Rates*

Services

- Working closely with our other Broadcast activities
- Strong contribution from Sochi Winter Olympics and FIFA World Cup
- Growth in major projects
- Focus on events where higher levels of service are most needed, with healthy pipeline
- Continued to improve asset utilisation in a competitive market

Summary and Outlook

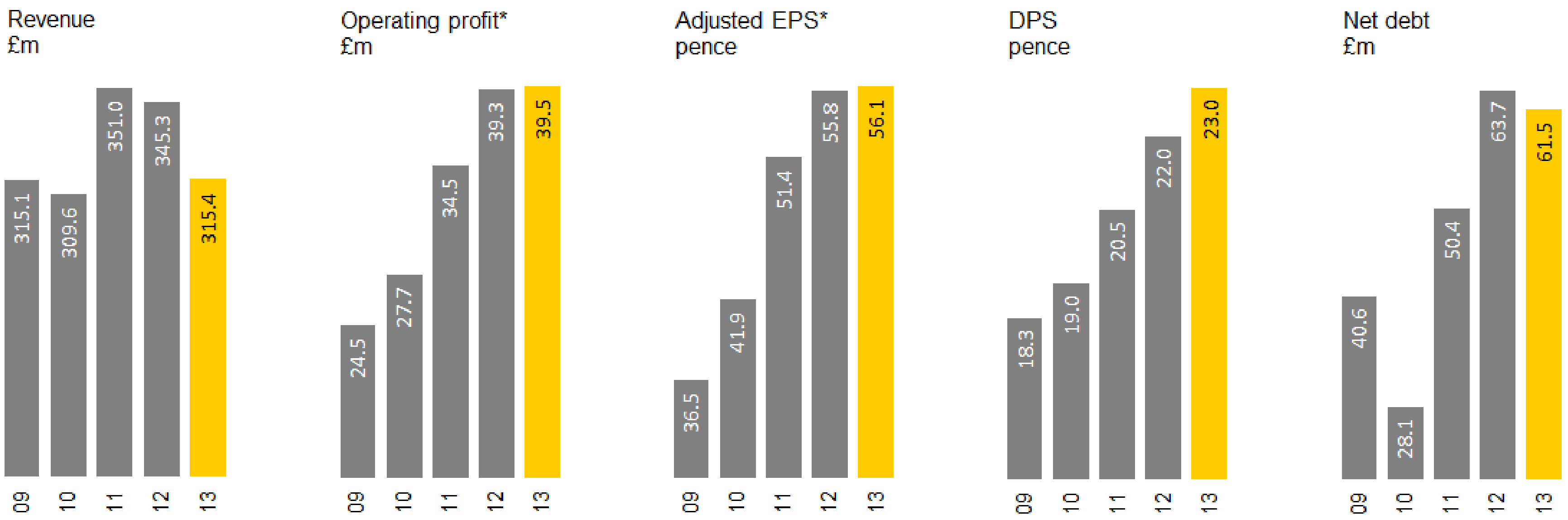
- Good performance in challenging markets despite currency headwinds
- Growth in revenue and operating profit* at constant exchange rates
- Continuing to develop and launch new products to consolidate our leading position
- Full year expectation remains unchanged

** Before restructuring costs and charges associated with acquired businesses.*

Questions

Appendices

Key financial measures – Full year



* Before restructuring costs and charges associated with acquired businesses in 2013, 2012 and 2011; and before significant items in 2010 and 2009. Adjusted earnings per share is also before disposal of business.

Vitec at a glance

Videocom

Premium Broadcast Equipment — *Supports, LED Lighting, Mobile Power, Bags, Prompters, Robotic Camera Systems*

Integrated Microwave Solutions (MAG) — *Video Transmission Devices, Receive Systems, Speciality Antennas*

	FY 2013
Revenue	£143.1m
Operating Profit*	£17.9m
Operating Margin* %	12.5%

Imaging

Premium Photographic Equipment — *Supports, Bags, LED Lighting & Lighting Accessories*

	FY 2013
Revenue	£141.2m
Operating Profit*	£20.1m
Operating Margin* %	14.2%

Services

Broadcast Production Support — *Equipment Rental and Used Equipment Sales, Fibre Optic Integration and Installation*

	FY 2013
Revenue	£31.1m
Operating Profit*	£1.5m
Operating Margin* %	4.8%

* Before restructuring costs and charges associated with acquired businesses

** Manufactured and distributed under licence

Geographic reach

- Wide geographic spread
- Sites in 12 countries; sell into 100+ countries
- Sales: UK accounts for only 9% of revenue

Destination	% of revenue		
	HY 2014	*FY 2013*	*FY 2012*
UK	9	8	10
Rest of Europe	24	23	23
North America	43	45	45
Asia Pacific	18	18	17
RoW	6	6	5

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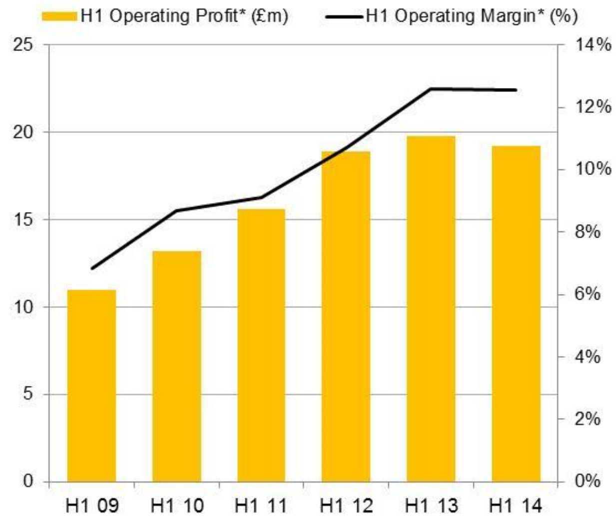
A clear strategy to drive shareholder value

Growth Strategy	▸ Leading branded products ▸ Strong customer relationships ▸ Global reach ▸ Markets with long-term growth
Enhancing Margins	▸ Clearly defined sales initiatives and opportunities ▸ Potential to improve margins to reflect premium brands ▸ Proactive management of cost base
Corporate Development	▸ Track record in acquiring and integrating businesses ▸ Acquisitions into adjacent markets & technologies ▸ Exit from non-core businesses
Strong Cash Flow	▸ Disciplined working capital management ▸ Focus on cash generation ▸ Progressive dividend policy

Established track record in improving Group margins

- Targeting the medium term improvement in Group margins through:
  - Sales initiatives delivering longer-term margin growth
  - Control over operating expenditure
  - Further shift to lower cost manufacturing
  - Benefit from higher margin acquisitions



	HY 2009 £m	HY 2010 £m	HY 2011 £m	HY 2012 £m	HY 2013 £m	HY 2014 £m	FY 2009 £m	FY 2010 £m	FY 2011 £m	FY 2012 £m	FY 2013 £m
Revenue	160.8	152.5	171.8	176.5	157.6	152.9	315.1	309.6	351.0	345.3	315.4
Operating profit*	11.0	13.2	15.6	18.9	19.8	19.2	24.5	27.7	34.5	39.3	39.5
Operating margin*	6.8%	8.7%	9.1%	10.7%	12.6%	12.6%	7.8%	8.9%	9.8%	11.4%	12.5%

** Before restructuring costs and charges associated with acquired businesses in 2014, 2013, 2012 and 2011; and before significant items in 2010 and 2009.*

Vitec's acquisitions have delivered a 14% return after funding costs

Lastolite

Haigh-Farr

Camera Corps

Teradek

SIS*

Acquisition

Disposal

2010 2011 2012 2013 2014

April 2010 Clear-Com

March 2011 Lastolite

December 2011 Haigh-Farr

April 2012 Camera Corps

August 2012 Staging

August 2013 Teradek

March 2014 SIS*

* Speciality camera assets of SIS Outside Broadcasts Ltd

> Over the last four and a half years Vitec has invested £51.2m in five earnings-enhancing acquisitions. It has disposed of two non-core businesses

> The acquisitions were made at an average of 6x forecast EBITDA and post-acquisition operating profits have exceeded expectations

> Cumulatively, they have provided a 14% return after funding costs

> We will continue to make appropriate value-adding acquisitions

Decision to exit from IMT

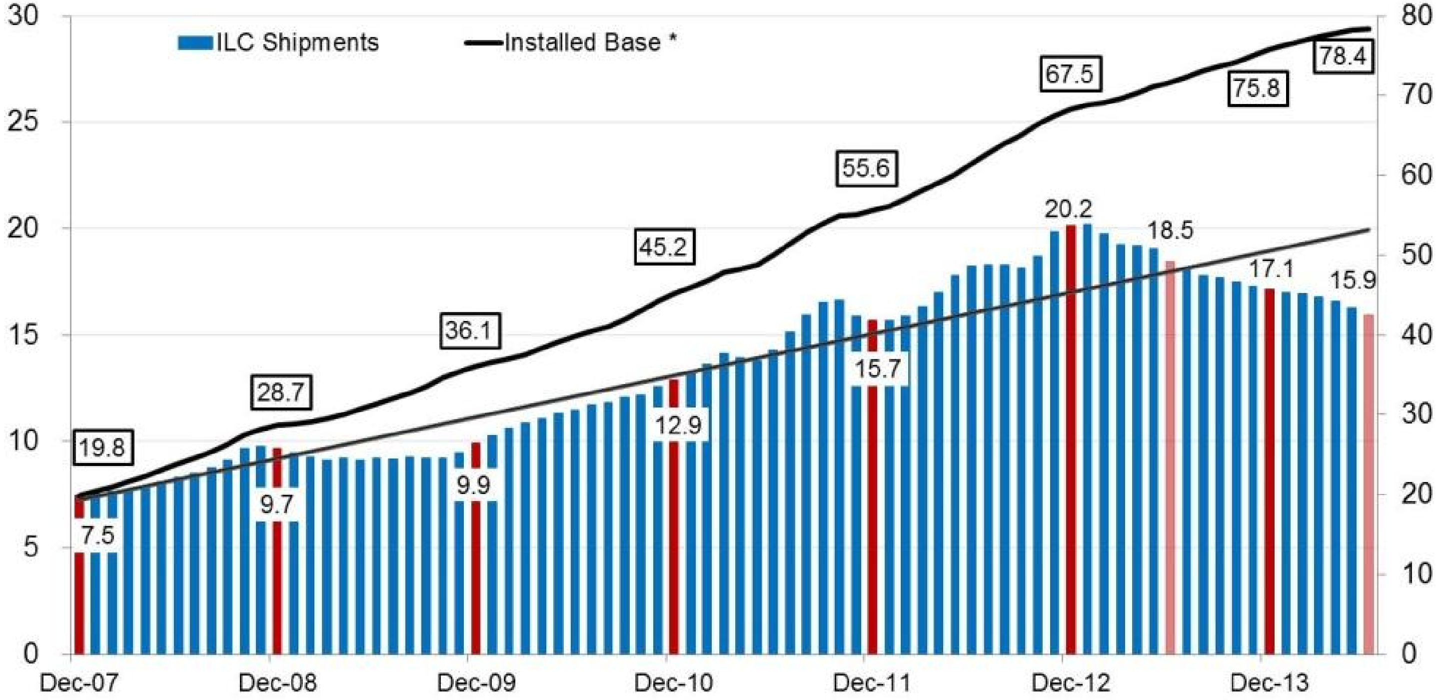
- IMT supplies wireless transmitters and receivers for video transmission to MAG customers
- A challenging market, driven by large contracts that have become overly price driven
- H1 2014 loss of £1.1m (H1 2013: profit £1.4m) on revenue of £5.8m (H1 2013: £9.0m)
- Adverse impact of 120 bps on Group operating margin*
- Limited synergies with other Group activities
- Decided to exit from this business & focus Videocom on its core Broadcast activities
- Initial expectations of exit costs in the event of closure to be in the region of a £5.0m cash outflow

* *Before restructuring costs and charges associated with acquired businesses*

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*

Source: CIPA

Working capital overview

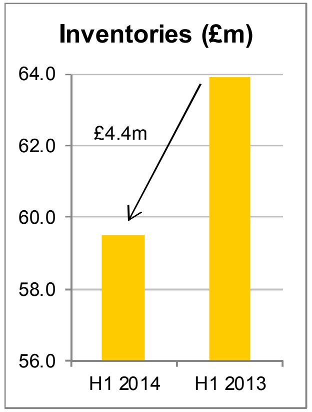
Movement in Working Capital

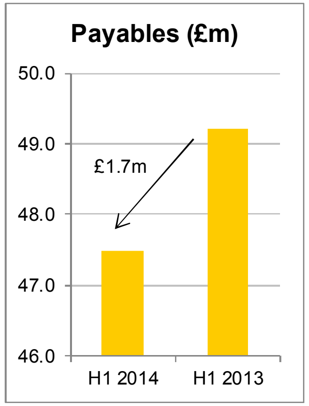
	H1 2014 £m	H1 2013 £m	Δ £m
Decrease / (increase) in inventories	(5.9)	(1.2)	(4.7)
Decrease / (increase) in receivables	(7.3)	(5.6)	(1.7)
(Decrease) / increase in payables	(0.4)	2.3	(2.7)
Total	**(13.6)**	**(4.5)**	**(9.1)**

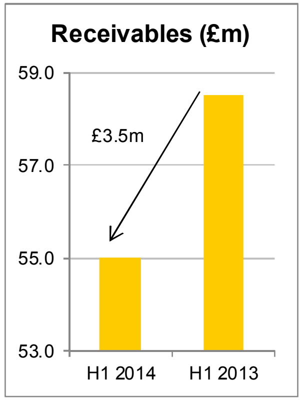
Gross Trade Receivables - Days Overdue*

	H1 2014 £m	H1 2014 %	H1 2013 £m	H1 2013 %	Δ £m
Current	35.8	*82%*	38.9	*82%*	(3.1)
1-30 Days	4.7	*11%*	5.6	*12%*	(0.9)
31-60 Days	1.2	*3%*	1.4	*3%*	(0.2)
> 60 days	1.9	*4%*	1.8	*4%*	+0.1
Total	**43.6**		**47.7**		**(4.1)**

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







Borrowings

- Revolving credit loan facility of £100m negotiated in July 2012
  - Committed until July 2017 with 5 relationship banks
  - Margin at 187 bps over LIBOR
  - Significant covenant headroom
  - Average income statement charge of borrowing 4.4% of utilised facility
- Private Placement shelf facility established in 2011
  - $50m drawn down at June 2014 (Dec 2013: $50m)
  - Blended interest rate of 4.77%
- June 2014 Net Debt of £68.0m (Dec 2013: £61.5m; Jun 2013: £67.5m)
  - Net Debt to EBITDA ratio of 1.3x (Jun 2013: 1.2x; Dec 2013: 1.1x)

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

	H1 2014 £m	H1 2013 £m	Δ £m
Profit before tax*	17.5	17.6	(0.1)
Restructuring costs [1]	(0.9)	(6.2)	5.3
Charges associated with acquired businesses:			
Amortisation of acquired intangible assets	(1.5)	(1.3)	(0.2)
Transaction costs relating to acquisitions [2]	(0.2)	-	(0.2)
Profit before tax	**14.9**	**10.1**	**4.8**

	H1 2014 £m	H1 2013 £m	Δ £m
Profit after tax*	12.1	12.0	0.1
Restructuring costs and charges associated with acquired businesses [1]	(2.6)	(7.5)	4.9
Tax on restructuring costs and charges associated with acquired businesses	0.7	2.0	(1.3)
Profit after tax	**10.2**	**6.5**	**3.7**
Weighted average number of shares ('000)	44,129	43,762	
Adjusted EPS * (pence)	27.4	27.4	0.0
Basic EPS (pence)	**23.1**	**14.9**	**8.2**

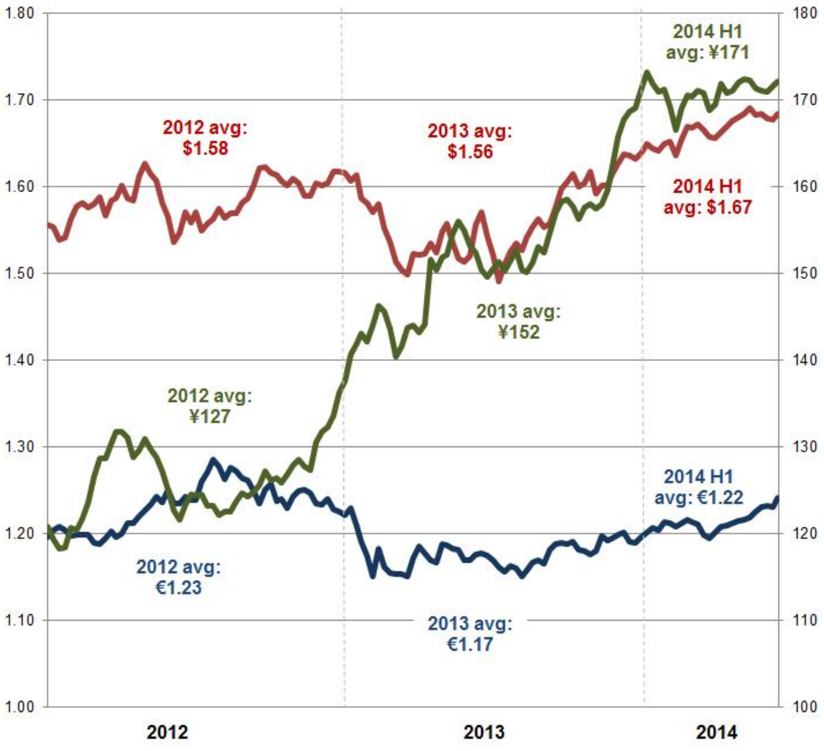
** Before restructuring costs and charges associated with acquired businesses.*

(1) As announced in 2013, the Group undertook a number of restructuring activities that included downsizing selected activities in the UK, Italy, Israel and the US and expanding its capabilities in Costa Rica to further shift to lower cost manufacturing. The costs incurred included employment termination costs, site rationalisation and closure costs. Costs of £0.9m were incurred in the period to 30 June 2014 within the Videocom Division. These actions have better positioned the Group for the future.

(2) £0.2 million transaction costs were incurred in relation to the acquisition of the net assets of the speciality cameras division of SIS Outside Broadcasts Limited in March 2014.

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 H109	1.49	1.34	1.11	4.8	2.0	6.8
Average H110	1.53	1.33	1.15	(0.3)	1.8	1.5
Average H111	1.61	1.40	1.15	(0.3)	(0.7)	(1.0)
Average H112	1.58	1.30	1.21	0.0	0.7	0.7
Average H113	1.54	1.31	1.17	0.4	0.0	0.4
Average H114	1.67	1.37	1.22	(1.0)	(0.8)	(1.8)



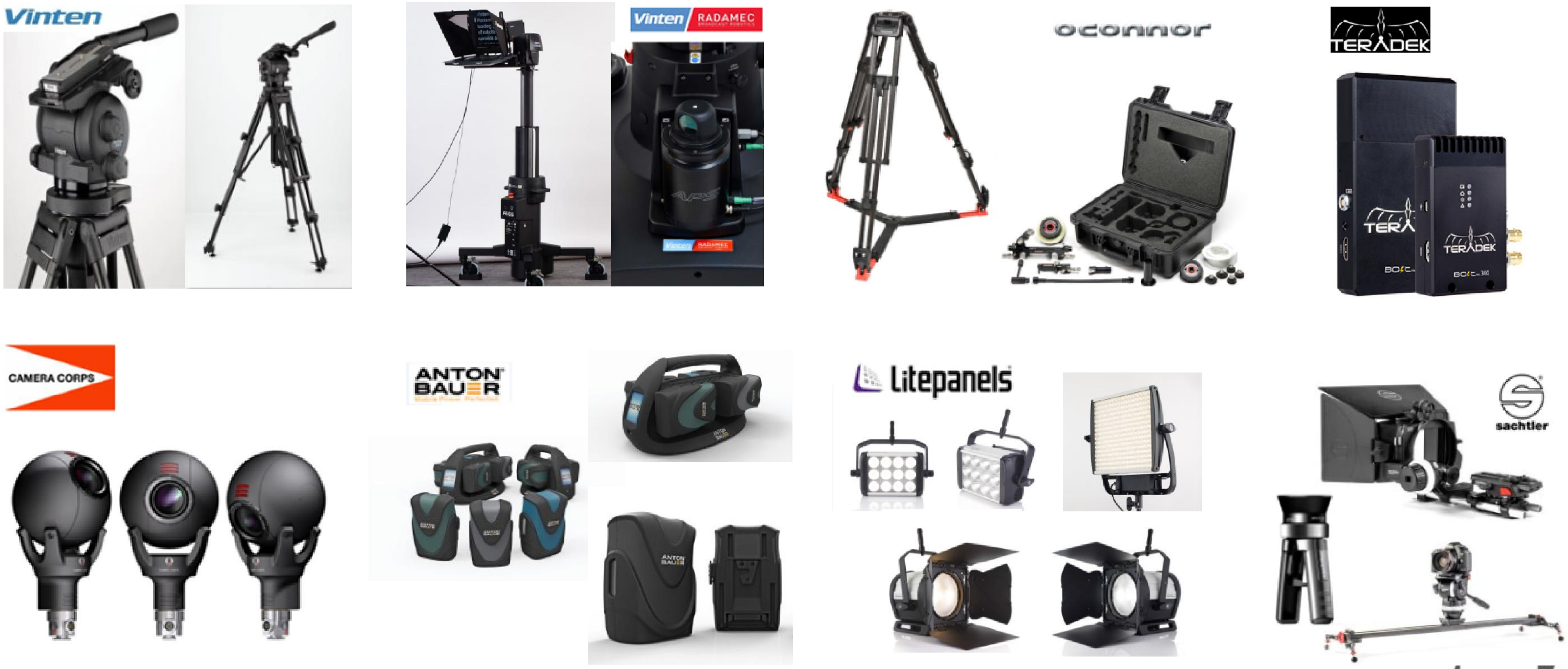
Spot * **£1 = $1.68** **£1 = €1.26** **£1 = Yen172**

** As at 12 August 2014*

Videocom – Broadcast products

** Clockwise from top left: **Vinten:** Vector 750i, Quattro L, Vector 430, Vector 950E; **Vinten Radamec:** Fusion FPH, Robotics Controls; **Autoscript:** Prompter; **Litepanels:** 1x1, Inca 9, Sola 9; **Camera Corps:** QBall 3; **Anton Bauer:** Performance QUAD charger, CINE VCLX battery; Dionic battery; **Teradek:** Bolt Pro 300, Cube; **Petrol:** Airflow Bag, Backpack, Mini Hood for Canon C300/C500; **Sachtler:** Fluid Head, Ace 75/2 CF; **OConnor:** 25l Carbon fiber tripod, Ultimate 2060 HD Fluid Head 2, 2065-2.*

Videocom – Broadcast products – New Products



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** Clockwise from top left: **Vinten** Blue Range Vector Heads; **Vinten Radamec** Elevation Unit & APS (Absolute Positioning System); **OConnor** 60L Mitchell Tripod, CFF 1 Pro Kit; **Teradek** Bolt Pro 300; **Sachtler** Ace Accessories, Ace L Slider, Speed Level Clamp; **Litepanels** Astra 1x1, Hilio D12 & T12, Sola9, Inca 9; **Anton Bauer** Digital battery series & Performance series charger; **Camera Corps** Q-Ball 3*

SIS Speciality Camera Products & Output






* *Clockwise from top left:* Stump Camera; Superbikes; Americas Cup; Plunge Camera; Underwater track camera;

Imaging products

* *Clockwise from top left:* ***Manfrotto:*** *190 X tripod, BeFree Tripod; 500 Head; Top Lock; Compact Series Tripod; Manfrotto Pro Bags; PIXI; KLYP;* ***Sympla*** *rig;* ***Avenger****: Light control;* ***Lastolite:*** *Ezybox, Trigrip;* ***Gitzo:*** *Arca Head; Ocean Tripod*

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Imaging products – New Products

* Clockwise from top left: Manfrotto 190; Manfrotto XPRO 3 way head; Manfrotto BeFree carbpn; Gitzo Mountaineer tripod; Manfrotto BeFree travel backpack; Manfrotto Light Photo Bag; Manfrotto Compact Family*

Capture the moment™