

# 2011 Interim Results

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Group Chief Executive

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# Agenda



## Highlights

Stephen Bird,  
Group Chief Executive



## Financial Review

Paul Hayes,  
Group Finance Director



## Operational Review & Outlook

Stephen Bird,  
Group Chief Executive



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# Highlights

Stephen Bird  
Group Chief Executive



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# Highlights

- ▶ **Revenue up 12.7%; Operating profit\* up 18.2%**
- ▶ **Broadcast sales continue to grow**
  - *Strong performance from the supports business*
  - *Good sales growth in Litepanels*
- ▶ **Photographic market expansion**
  - *Manfrotto Powerbrand range well received in consumer channels*
  - *Lastolite acquisition trading above expectations*
- ▶ **MAG strategy is on track**
  - *Auction 66 contract task orders 1 and 2 fully delivered*
- ▶ **Interim dividend increased 5.3% to 8.0 pence per share**

\* Before amortisation of acquired intangibles, profit on disposal, acquisition costs and gains relating to volatile financial instruments (significant items)

**Continued growth in Broadcast and Photographic markets**



# Financial Review

Paul Hayes  
Group Finance Director



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# Income statement

	H1 2011 £m	H1 2010 £m	Δ %	Δ Organic CER ** %
Revenue	171.8	152.5	12.7%	18.4%
<i>Gross margin %</i>	41.9%	41.2%	+0.7 pts	
Operating profit *	15.6	13.2	18.2%	19.5%
<i>Operating margin % *</i>	9.1%	8.7%	+0.4 pts	
PBT *	15.2	12.6	20.6%	22.0%
Basic EPS *	23.6	19.5	21.0%	22.3%
Dividend per share	8.0p	7.6p	5.3%	

\* Before amortisation of acquired intangibles, profit on disposal, acquisition costs and gains relating to volatile financial instruments (significant items)

\*\* Organic CER: at Constant Exchange Rates excluding year on year effect of an acquisition and disposal

- ▶ Revenue 18.4% up in organic constant currency with strong growth in Broadcast and Photographic markets
- ▶ Improvement in gross and operating margins\* in first half
- ▶ Adjusted Basic EPS up 21.0% to 23.6p
- ▶ Interim dividend increased by 5.3% to 8.0p and covered 3.0x by earnings per share\*



## Organic revenue up 18.4% in constant currency terms

Division	H1 2010	FX	Adjusted H1 2010*	H1 2011	% **	Δ	Δ		
	£m	£m	£m	£m		Organic £m	% **	Acqns/Disps £m	%
Videocom	60.6	(1.7)	58.9	65.9	11.8%	12.3	22.8%	(5.3)	(11.0%)
Imaging & Staging	73.5	(1.7)	71.8	91.7	27.6%	17.6	24.4%	2.3	3.2%
Services	18.4	(0.8)	17.6	14.2	(19.3%)	(3.4)	(19.3%)	0.0	0.0%
<b>Total Revenue</b>	<b>152.5</b>	<b>(4.2)</b>	<b>148.3</b>	<b>171.8</b>	15.8%	<b>26.5</b>	18.4%	<b>(3.0)</b>	(2.6%)

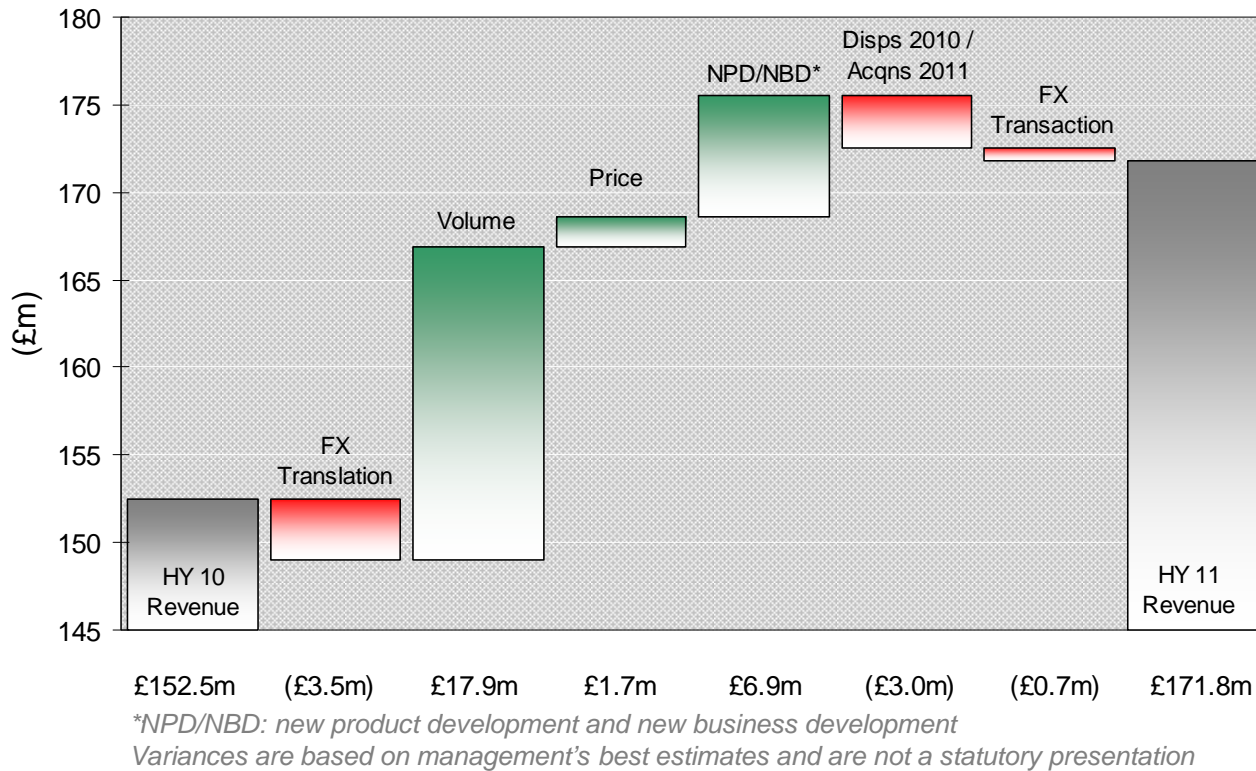
\* Restated at 2011 average rates (for illustration purposes, including FX translation and transaction effects) \*\* 2010 adjusted for translation, 2011 for transaction  
 Note: This analysis is provided as guidance. It is management's estimate and is not intended to be a statutory presentation.

- ▶ Videocom:
  - Continued growth in broadcast market for supports and lights
  - Wins in IMT microwave systems in broadcast and military markets
- ▶ Imaging & Staging:
  - Good sales of supports and bags
  - Initial sales of Powerbrand products into retail stores progressing well
  - First 4 months trading from Lastolite above our initial expectations
- ▶ Services:
  - H1 2010 included the Winter Olympics





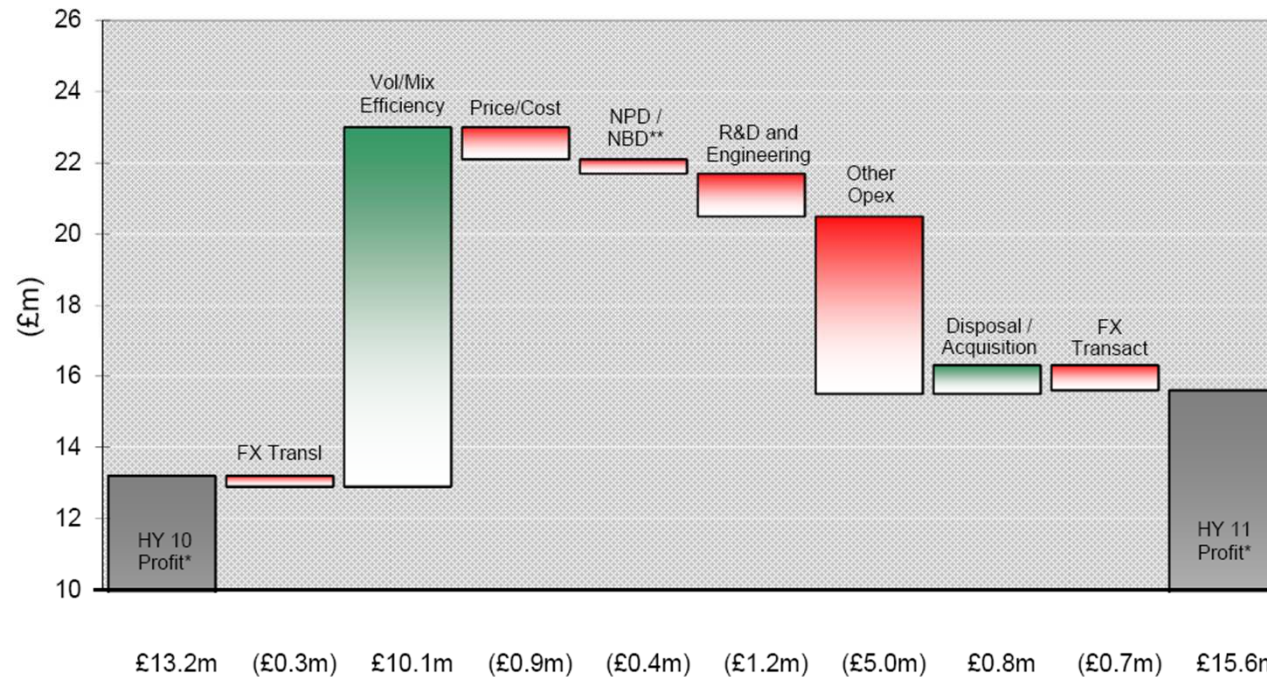
# Revenue bridge



- ▶ Volume growth and price increases added £19.6m
- ▶ £6.9m of sales from NPD/NBD\* from Powerbrand and camera accessories at Videocom
- ▶ Acquisition of Lastolite on 4th March 2011
- ▶ Disposal of Clear-Com in April 2010



# Operating profit bridge



\* Operating profit before significant items \*\* NPD/NBD: new product development and new business development  
 Variances are based on management's best estimates and are not a statutory presentation

- ▶ Volume/mix contributes £10.1m of margin
- ▶ Cost price net impact in H1 of £0.9m
- ▶ NPD mainly reflects the launch of Powerbrand through CE channels worldwide
- ▶ £1.2 million higher investment in R&D (H1 10: £0.8m R&D capitalised)
- ▶ Operating expenses increased with volume, £0.7m of inflation and some one off expenses
- ▶ Adverse total impact of FX movements of £1.0m



# Cash generated from operations

	H1 2011 £m	H1 2010 £m	Δ £m
Operating profit *	15.6	13.2	2.4
Depreciation **	7.5	7.5	0.0
Working Capital ***	(13.0)	(4.9)	(8.1)
Restructuring costs	(0.4)	(2.3)	1.9
UK pension funding	(0.6)	-	(0.6)
Provisions *** / Other	(1.2)	0.2	(1.4)
Cash generated from operations	7.9	13.7	(5.8)

\* Operating profit before significant items

\*\* Includes depreciation and amortisation of capitalised software and development costs

\*\*\* Change in working capital and provisions before significant items and pension

- ▶ Inventory days decreased to 114 days (June 10: 119 days) with an increase of £9.6m in net inventory (H1 2010: £7.8m increase)
- ▶ Trade receivable days increased to 44 days (June 10: 40 days) with a £6.9m increase in receivables (H1 2010: £1.0m increase)
- ▶ Working capital to sales ratio <sup>(1)</sup> at 18.2% (June 10: 17.7%)
- ▶ Funding of UK defined benefit pension scheme contribution of £0.6m

<sup>(1)</sup> Working capital to sales ratio refined to include: Inventory, Receivables and Payables only for both periods. It excludes provisions and financial instruments previously included in the calculation.



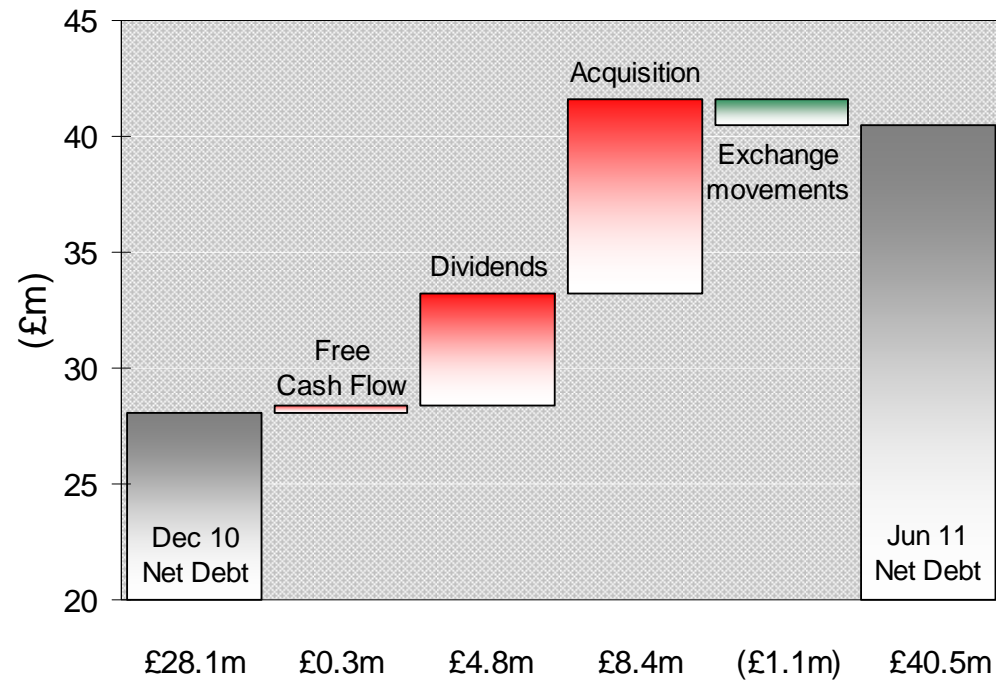
## Free cash flow

	H1 2011 £m	H1 2010 £m	Δ £m
Cash generated from operations	7.9	13.7	(5.8)
Capital expenditure	(6.7)	(5.5)	(1.2)
Proceeds from asset sales	1.4	1.0	0.4
Net interest paid	(0.6)	(0.6)	0.0
Tax paid	(2.3)	1.1	(3.4)
Free cash flow	(0.3)	9.7	(10.0)

- ▶ Capital expenditure higher mainly as a result of software investment
- ▶ Net interest paid was in line with last year as average net debt levels were consistent
- ▶ Tax payments increased due to payments in UK while last year's cash flow benefited from refunds in Germany and the US



# Net debt bridge



- ▶ Net debt increased to £40.5m from £28.1m at end of 2010
- ▶ Net debt to EBITDA of 0.9x (December 2010: 0.7x)
- ▶ New \$75m Private placement shelf facility - \$25m drawn on 6 year term
- ▶ Revolving Credit Facility reduced to £100m (from £125m) reducing commitment fees
- ▶ £115.7m of committed facilities and a further \$50m undrawn shelf facility



## Other financial points

- ▶ Tax – Effective tax rate
  - 33% headline charge (FY 10: 33%)
  - FY 11 guidance: 33%
- ▶ Foreign exchange effects on operating profit:
  - H1 11 £1.0m adverse impact from translation and transaction losses
  - H1 11 average rates: £1=\$1.61 and €1=\$1.40 (H1 2010:£1=\$1.53 and €1=\$1.33)
- ▶ Amortisation of acquired intangibles reduced
  - H1 11 amortisation reduced to £2.0m from £3.7m in H1 10 as a result of completion of amortisation of IMT and Staging intangibles.
  - Acquired intangibles balance at Jun 11 was £3.7m (Jun 10: £6.8m) including £2.7m from Lastolite acquisition.



# Operational Review

Stephen Bird  
Group Chief Executive



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# Market conditions and update

- ▶ Broadcast and Video market recovery
  - *Continued growth in global TV advertising markets*
  - *Buoyant NAB in April 2011*
  - *Business and Industry market robust*
  - *Transition to HD TV products continues to boost investment*
- ▶ Photographic showed good signs of growth
  - *Core professional segment remains strong*
  - *Fast growing hobbyist and consumer segments targeted by Powerbrand products*
  - *2011 investment in support of consumer electronics and e-tail channels*
- ▶ MAG markets
  - *Continued good activity in the Intelligence, Surveillance and Reconnaissance (ISR) segment of the MAG market*
  - *First orders for UAVs.*
  - *Lumpy order intake with orders subject to delay*





# Videocom

## Broadcast customers continue to invest

	H1 2011 £m	H1 2010 £m	Δ %	Δ Organic CER ** %
Revenue	65.9	60.6	8.7%	22.8%
Operating profit *	6.0	3.7	62.2%	42.5%
Operating margin % *	9.1%	6.1%	3.0 pts	1.2 pts

\* Operating profit before significant items

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

- ▶ Improved broadcast market especially in Asia and Middle East
- ▶ Litepanels revenue growth up 34% in CER
  - *Eco benefits of LED lighting gaining acceptance*
  - *Increased sales of new Sola products*
- ▶ Anton/Bauer good progress in Broadcast and Film battery sales helped sales up 17%
- ▶ IMT:
  - *Auction 66 task order 1 and 2 fully delivered and awaiting follow on orders*
  - *Broadcast orders from Turkey, Russia and Brazil*
  - *Initial success with products for the UAV market*



# Imaging & Staging

Good growth in camera accessories

	H1 2011 £m	H1 2010 £m	Δ %	Δ Organic CER ** %
Revenue	91.7	73.5	24.8%	24.4%
Operating profit *	9.6	9.3	3.2%	12.1%
Operating margin % *	10.5%	12.7%	(2.2) pts	(1.2) pts

\* Operating profit before significant items

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

- ▶ Photographic markets continue to be strong with good growth in Supports for cameras and lighting
- ▶ Significant investment in launch of Manfrotto Powerbrand depressed overall margins to date
- ▶ Bags business enjoyed strong growth
- ▶ Staging markets generally flat but boosted by Take That and Cirque Du Soleil orders
- ▶ Acquired Lastolite 4<sup>th</sup> March 2011



Manfrotto Apparel



# Lastolite – Acquired 4<sup>th</sup> March 2011



**Soft boxes**



**Reflectors/ Diffusors**



**Background Paper**



**Backgrounds**



**Umbrellas**



**Lighting supports**

- ▶ Located in: Coalville, near Leicester
- ▶ Products include:
  - Lighting controls (umbrellas, reflectors)
  - Kits comprising studio lights, lighting supports and lighting controls
  - Branded background paper
- ▶ Product range complements Manfrotto's lighting supports and LED lights
- ▶ 2010 sales of £8.0m (including £1.5m to Vitec) and EBIT of £1.4m
- ▶ Lastolite is trading ahead of expectations

**Lighting controls business with 2 brands: Lastolite and Colorama**



# Powerband Global retail launch

- ▶ Sell in ahead of expectations:
  - ▶ Best Buy (US)
  - ▶ Amazon
  - ▶ MediaMarkt (Germany, Italy)
  - ▶ Sam's Club (US)
  - ▶ Fnac (France)
  - ▶ Darty (France)
  - ▶ Yodobashi (Japan)
  
- ▶ Awareness building ahead of expectations
  - ▶ 2.2 million visits to Manfrotto web-site (June YTD)
  - ▶ Over 700 articles (June YTD)
  - ▶ 13,000 Facebook fans
  - ▶ 460 opinion leaders / bloggers attended May New York event
  
- ▶ Independent research on sell out is encouraging although very early to draw conclusions
  - ▶ Initial research data for UK, France, Germany and the US indicates share gain and market stimulation
  
- ▶ Customers pleased with sell out



# Services

## Benefits from new focus on large jobs

	H1 2011 £m	H1 2010 £m	Δ %	Δ CER* %
Revenue	14.2	18.4	(22.8%)	(19.3%)
Operating profit	-	0.2	n/m	n/m
Operating margin %	-%	1.1%	(1.1) pts	(1.1) pts

\* CER: at Constant Exchange Rates

- ▶ Important new contracts with ESPN in US
- ▶ Continue to rationalise number of distribution hubs with closure of Seattle
- ▶ 2010 benefitted from largest provision to Winter Olympics in company history
- ▶ Ambassador programme for Litepanels and IMT continues



**bexel**



## Summary and outlook

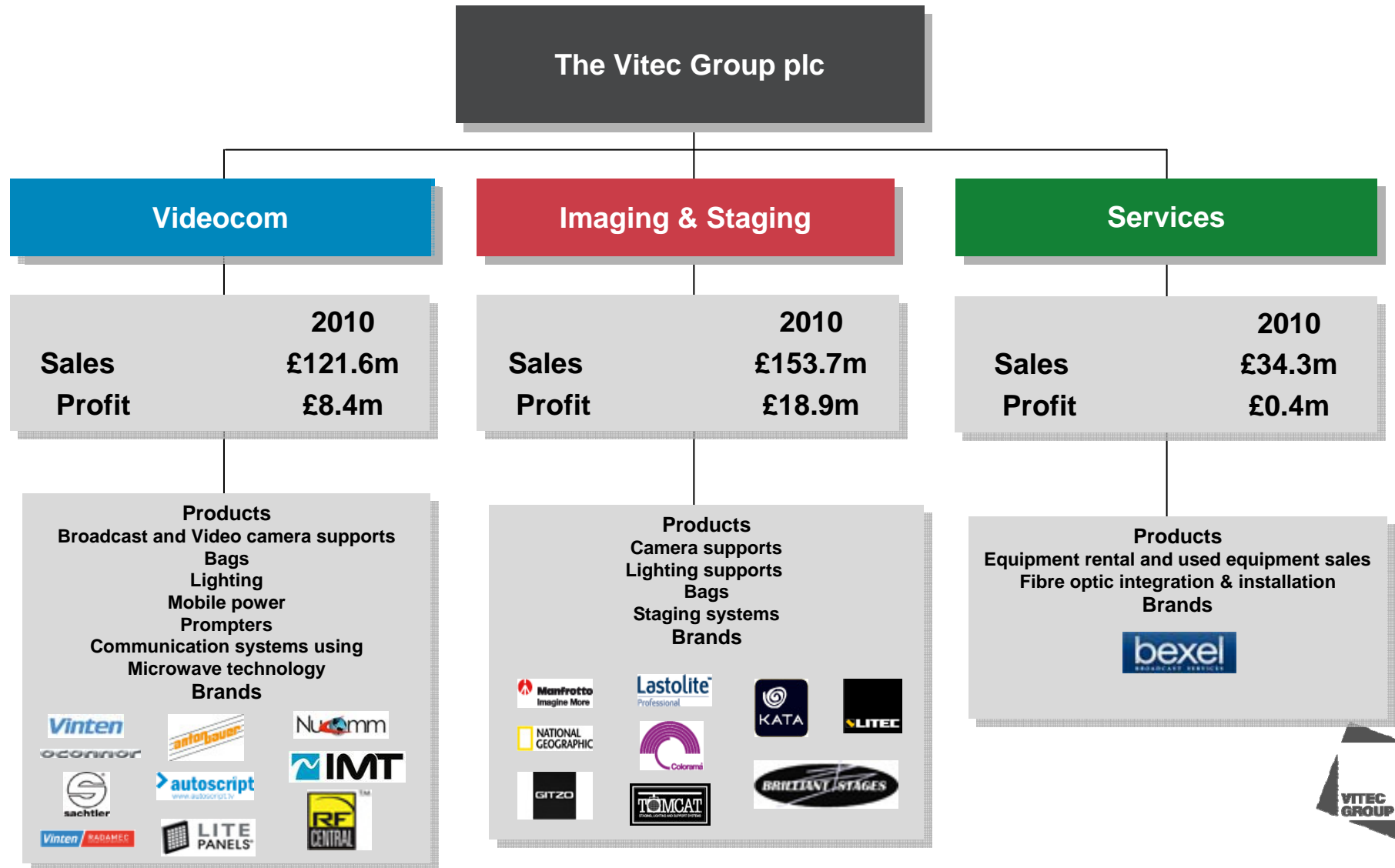
- ▶ *The strategy and its execution in 2011 are on track*
- ▶ *Strengthening of business in Photographic and Broadcast and Video markets*
- ▶ *Encouraging sales performance in Russia, Middle East and Asia*
- ▶ *Good initial response from customers to our new range of Manfrotto Powerbrand supports and bags products*
- ▶ *Auction 66 contract task orders 1 and 2 completed*
- ▶ *Business environment remains uncertain*
- ▶ *Continuing to make good strategic progress and benefit from stronger demand across our operations*
- ▶ *Board confident in the prospects for future growth of the business*



# Questions



# Reporting segments





## Foreign exchange update

Year on year effect on 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 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)

*Negatives indicate an adverse effect*



# Banking

- ▶ Loan facility of £100m (reduced from £125m following Private Placement)
  - *Committed until August 2013*
  - *5 banks*
  - *Current interest at 0.95% over LIBOR*
  - *Utilisation as at 30 June 11 £37.6m (Dec 10: £34.8 m)*
  - *Significant covenant headroom*
- ▶ New \$75 million Private Placement facility established to fund potential acquisitions. \$25 million drawn in May 2011.
- ▶ June 2011 net debt of £40.5m (Dec 10: £28.1m)
  - *Net debt to EBITDA ratio of 0.9x (Dec 2010: 0.7x)*



# Imaging & Staging awards in 2011



Manfrotto Magnesium Centre Ball Head Series



Manfrotto Magnesium Photo-Movie head



Manfrotto Pocket DSLR Support



KATA TLB 600PL Backpack



KATA Ultra-Light Bug- 255-UL Backpack



\*designed in israel



KATA Source-261 PL Video DSLR backpack



Manfrotto Pocket-12LED Light



Manfrotto Compact Photo-Movie Kit



Manfrotto 504HD System



Manfrotto Pro V Messenger



# Imaging & Staging awards in 2011



Brilliant Stages:  
TPI Award:  
Favourite Set Construction Company



Take That  
Set design Es Devlin

## Lastolite™



Lastolite:  
The Queen's Awards for Enterprise:  
International Trade 2011



Litec Truss RL105, Truss RL106,  
Sleeve block 105 and Rotation Platform



Kata:  
Finalist in Innovation of  
Design and Excellence 2011



<b>TST RIB</b>	<b>AERIFORM FOAM</b>	<b>SPINE GUARD</b>	<b>ALUMINIUM SKELETON</b>	<b>TST</b>	<b>GECKO HARNESS</b>
<small>Our bags are built with professional equipment and designed through our only factory in the world... The TST Rib is structurally placed to provide the most protection... when it is needed.</small>	<small>To reduce the weight of the bags but not compromise the protection... The Aeriform Foam is made of... different densities... These bags... are guaranteed to be as light as possible... and minimal weight.</small>	<small>KATA uses a unique steel spring... The Spine Guard is... in the suitable equipment... to protect the spine... and offer a protection level that is... sturdy.</small>	<small>KATA uses a unique steel spring... The Aluminium Skeleton... is... to provide the most protection... and offer a protection level that is... sturdy.</small>	<small>TST is KATA's signature technology... The TST is... to provide the most protection... and offer a protection level that is... sturdy.</small>	<small>Our patent pending Gecko Harness... The Gecko Harness... to provide the most protection... and offer a protection level that is... sturdy.</small>

# Videocom new products and awards in 2011



IMT RF Central  
MicroLite HD Elite  
System



IMT Nucomm  
NewsCoder 4



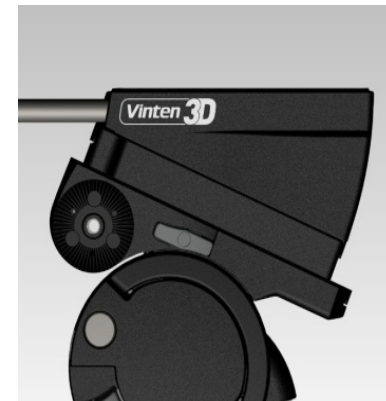
Vinten Vision Blue



Vinten Vector 75



Vinten 3D Wedge Adaptor



# Videocom new products and awards in 2011

**oconnor**

OConnor O-Box  
Mattebox System

**O-Box WM**



**LITE  
PANELS®**



Litepanels H2



**LITE  
PANELS®**



Litepanels Sola4

**LITE  
PANELS®**



Litepanels Hilio



**sachtler.**

Sachtler Cine  
DSLR



**sachtler.**

Sachtler Ace



**LITE  
PANELS®**



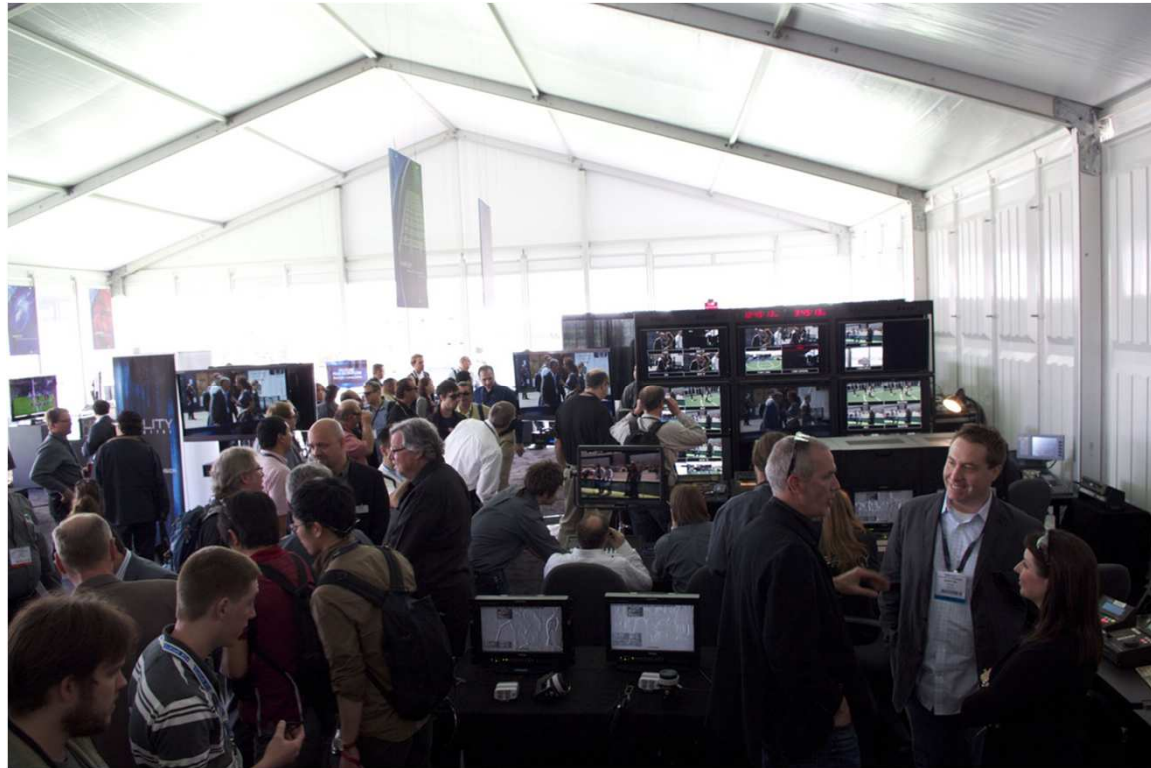
Litepanels Croma



# Vitec Services awards in 2011



Bexel's Hercules System at NAB





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