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6 August 2020

# The Vitec Group plc

## 2020 Interim Results

The Vitec Group plc ("Vitec" or "the Group"), the international provider of premium branded products and solutions to the fast changing and growing "image capture and content creation" market, announces its results for the half year ended 30 June 2020.

| **Results**[1] | **H1 2020** | **H1 2019** |
|---|---|---|
| Revenue | £118.9m | £184.2m |
| Adjusted operating (loss)/profit* | £(4.4)m | £25.8m |
| *Adjusted operating margin** | *(3.7)%* | *14.0%* |
| Adjusted (loss)/profit before tax* | £(7.0)m | £23.5m |
| Adjusted basic (loss)/earnings per share* | (9.9)p | 39.9p |
| Free cash flow* | £(5.8)m | £16.0m |
| Net debt | £107.4m | £108.4m |
| **Statutory results** | | |
| Operating (loss)/profit | £(11.2)m | £18.9m |
| *Operating margin* | *(9.4)%* | *10.3%* |
| (Loss)/profit before tax | £(13.8)m | £16.6m |
| Basic (loss)/earnings per share | (20.9)p | 27.0p |

### Summary

- COVID-19 significantly impacted customer demand from March, with film and scripted TV productions suspended, sporting events postponed, professional photographers impacted by lack of travel and events, and many retail outlets closed
- During the pandemic, more video content has been consumed, captured and shared than ever before, and some Vitec market segments grew despite the industry shut down; Vitec well placed to benefit over time from structural market changes
- £20.0 – £25.0 million FY 2020 cost reductions on track; c.£13 million achieved in H1
- Strong cash performance, with positive operating cashflow*
    - Reinforced Group's liquidity position; net debt lower than at June 2019
    - Net debt at end FY 2020 expected to be broadly similar to end FY 2019
- No interim dividend declared; continue to plan to resume dividend payments as soon as is practicable
- Increasing restructuring in Imaging Solutions to take advantage of growing higher margin e-commerce channel
- Trading conditions have improved since April and we are confident that markets will recover well, although difficult to predict the pace and shape of such recovery

** 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 summary of APMs used and their closest equivalent statutory measures is given in the Glossary.*

Commenting on the results, Stephen Bird, Group Chief Executive, said:

*"COVID-19 impacted Vitec early in the pandemic and our main focus was to protect our people and our business – the response of our teams has been outstanding. We acted quickly to significantly reduce our costs, manage cash and reinforce our liquidity, and this has enabled us to preserve the long-term capabilities of the business.*

*"Although the pandemic has had a significant short-term impact on customer demand, and the structure of our markets will change, we have seen some areas of growth. We are confident that our end market drivers are just as relevant, or potentially even more relevant, as people are consuming, capturing and sharing more content than ever before. More people have become accustomed to communicating via video on smartphones and watching more scripted series on online platforms. In addition, new social distancing guidelines are expected to drive demand for near-set and remote monitoring, robotic cameras and voice-activated prompting. Vitec is well placed to benefit over time from these structural market changes, for example with continued growth in JOBY smartphonography accessories and the launch of our 4K eco-system of wireless video products in the cine market.*

*"We expect our end markets to recover and for us to come through this period with an enhanced competitive position, well placed to return to growth. Although the pace and shape of the recovery in our markets is hard to predict, and it remains difficult to provide financial guidance for the full year, we currently expect trading conditions to continue to significantly improve."*

For further information please contact:

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|---|---|
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A video webcast and Q&A for Analysts and Investors will be held today, starting at 9.30am UK time. The presentation slides will be available on our website at 7.00am.

Users can pre-register to access the webcast and slides using the following link:
www.vitecgroup.com/investors/results-reports-and-presentations/

**Notes to Editors**:

Vitec is a leading global provider of premium branded products and solutions to the fast changing and growing "image capture and content creation" market.

Vitec's customers include broadcasters, independent content creators, photographers and enterprises, and our activities comprise: design, manufacture and distribution of high performance products and solutions including camera supports and accessories, wired and wireless video transmission systems, robotic camera systems, prompters, LED lighting, mobile power, monitors, bags, motion control, smartphone accessories, audio capture and noise reduction equipment.

We employ around 1,600 people across the world in 11 different countries and are organised in three Divisions: Imaging Solutions, Production Solutions and Creative Solutions.

The Vitec Group plc is listed on the London Stock Exchange with 2019 revenue of £376.1 million.

More information can be found at: www.vitecgroup.com
LEI number: 2138007H5DQ4X8YOCF14

**Notes**

1. This statement is based on information sourced from management estimates and includes comparing performance at constant exchange rates to assist in understanding the underlying performance of the Group.
2. H1 2020 average exchange rates: £1 = $1.27, £1 = €1.15, €1 = $1.11, £1 = Yen138.
3. H1 2019 average exchange rates: £1 = $1.29, £1 = €1.15, €1 = $1.12, £1 = Yen143.

## Response to COVID-19

Vitec felt the first effects of COVID-19 on its supply chain at the end of February, earlier than many others, with half of the Group's revenue coming either from products sourced from China or made in Italy. Customer demand was significantly impacted from March onwards with film and scripted TV productions shut down, sporting events postponed, professional photographers impacted, and many retail outlets closed. April was the worst month with revenue down 57% in the month versus the prior year. Trading conditions have improved, with May down 50% and June down 42%. July has shown further improvement and, combined with our latest view for August, we expect that the combined revenue for the two months will be down approximately 10% on last year which is quite encouraging, even though it is only a short period of time and not our biggest months.

Our logistics hubs have remained open throughout the pandemic and all of our manufacturing sites are now operational, albeit we are flexing production with demand and carefully managing inventory levels.

The response of our teams has been outstanding. We have worked hard to safeguard our people while ensuring that our operations have been able to continue. We developed and executed comprehensive operating guidelines and internal communications plans to inform, reassure and retain the trust of our employees. The Group has worked with its manufacturing teams and followed government guidelines to put stringent health & safety and social distancing measures in place.

We implemented significant and far-reaching mitigating actions to cut costs and manage cash; and did so rapidly. The year-on-year benefit of these cost actions is expected to be between £20.0 – £25.0 million. We delivered c.£13.0 million of these savings in the first half. Savings in the second half are expected to be lower, reflecting reduced utilisation of government support and increased expenses at Creative Solutions to support sales. The Group has sought to protect R&D investment and continues to develop world leading products to maximise our future growth potential. Gross R&D spend in H1 was £10.0 million vs £11.4 million in H1 2019.

We are using government support globally where possible to limit making permanent headcount reductions. We utilised £1.7 million from these schemes in H1 (£0.7 million from the UK furlough scheme) and were granted deferral of tax payments of c.£3.0 million.

We will come through this period with a healthy organisation ready to return to growth.

## H1 2020 management and financial overview

| | **Adjusted*** | | | | **Statutory** | |
|---|---|---|---|---|---|---|
| | **H1 2020** | **H1 2019** | **% Change** | ***% Change at constant FX*** | **H1 2020** | **H1 2019** |
| Revenue | £118.9m | £184.2m | -35% | *-37%* | £118.9m | £184.2m |
| Operating (loss)/profit | £(4.4)m | £25.8m | -117% | *-117%* | £(11.2)m | £18.9m |
| (Loss)/profit before tax | £(7.0)m | £23.5m | -130% | *-129%* | £(13.8)m | £16.6m |
| Earnings per share | (9.9)p | 39.9p | -125% | | (20.9)p | 27.0p |

### Half year financial performance

Revenue was significantly impacted by COVID-19 and decreased by 35% to £118.9 million (H1 2019: £184.2 million), resulting in an adjusted operating loss* of £4.4 million (H1 2019: £25.8 million profit*).

Group adjusted gross margin* of 37.3% fell from 47.6% in H1 2019. This reflects the impact of lower volumes, offset in part by the cost actions outlined above. Adjusting for SmallHD insurance proceeds, which were included in profit but not revenue, the adjusted gross margin* in H1 2019 was 44.5%.

Adjusted operating expenses* were £13.1 million lower than H1 2019 at £48.8 million, reflecting the management actions taken. Adjusted loss before tax* of £7.0 million was £30.5 million lower than the prior year (H1 2019: £23.5 million profit*). Net finance expense was £2.6 million including £1.6 million of interest on loans, £0.5 million of amortisation of upfront fees on the RCF and CCFF, and £0.4 million of interest expense on lease liabilities.

The Group's effective tax rate ("ETR") on adjusted loss before tax* was 36% in 2020 (H1 2019: 23%). The higher rate is due to the phasing of benefits during the first half, which included COVID-19 tax reliefs. Our expectation for the full year ETR on adjusted profit before tax* is unchanged at c.25%.

Adjusted basic loss per share* was 9.9 pence per share (H1 2019: 39.9 pence earnings per share). Statutory basic loss per share was 20.9 pence per share (H1 2019: 27.0 pence earnings per share).

Statutory loss before tax of £13.8 million (H1 2019: £16.6 million profit) decreased due to the factors referred to above. Charges associated with acquisition of businesses and other previously highlighted adjusting items were £6.8 million (H1 2019: £6.9 million).

### Cash flow and net debt

Despite an operating loss, there was a £2.5 million operating cash inflow as set out below.

| | **2020 H1** | 2019 H1 | Variance |
|---|---|---|---|
| | **£m** | £m | £m |
| Adjusted operating (loss)/profit* | **(4.4)** | 25.8 | (30.2) |
| Depreciation(1) | **9.4** | 9.1 | 0.3 |
| Working capital dec/(inc) | **5.4** | (8.7) | 14.1 |
| Capital expenditure(2) | **(8.5)** | (7.9) | (0.6) |
| Other(3) | **0.6** | 1.4 | (0.8) |
| **Operating cashflow*** | **2.5** | **19.7** | **(17.2)** |
| Interest and tax paid | **(4.8)** | (3.3) | (1.5) |
| Earnout and retention bonuses | **(2.1)** | - | 2.1 |
| Restructuring cash outflow | **(1.4)** | (0.4) | (1.0) |
| **Free cash flow*** | **(5.8)** | **16.0** | **(21.8)** |

(1) Includes depreciation, amortisation of software and capitalised development costs
(2) Purchase of Property, Plant & Equipment ("PP&E") and capitalisation of software and development costs
(3) Includes change in provisions, share based payments charge, proceeds from the sale of PP&E, gain on disposal of PP&E, fair value derivatives, and foreign exchange movements

Working capital decreased by £5.4 million in H1 2020, driven by the reduction in trade receivables (£15.1 million) due to reduced activity levels and tight control on customer collections; partly offset by the decrease in trade payables (£9.9 million) due to lower purchases. Despite the lower sales, H1 2020 benefitted from a slight decrease in inventory from year end (£0.5 million at constant FX) compared with an increase in H1 2019. Inventory at H1 2020 was £5.7 million lower than at H1 2019 driven by actions taken by management to flex purchases and production to match the reduced demand.

Capital expenditure included £2.8 million of property, plant and equipment (of which £1.4 million was on assets for the postponed Tokyo Olympics which will be used in 2021 and beyond) compared with £2.6 million in H1 2019.

Interest paid increased by £1.4 million mainly due to the payment of the RCF upfront and arrangement fees.

Restructuring cash outflow reflects mainly the restructuring in the Imaging Solutions Division.

| | |
|---|---|
| **December 2019 closing net debt** | **(96.0)** |
| Free cash flow* | (5.8) |
| Upfront fees on RCF | 1.9 |
| Employee incentive shares | (1.5) |
| Lease additions | (1.7) |
| FX | (4.3) |
| **June 2020 closing net debt** | **(107.4)** |

Net debt at 30 June 2020 was £11.4 million higher than at 31 December 2019 (£96.0 million) but £1.0 million lower than 30 June 2019 (£108.4 million).

On 4 May 2020, the Group announced revised covenants for 2020 under its committed £165.0 million five-year RCF and that we had further reinforced our liquidity position by accessing the CCFF scheme. As anticipated, the Group has now drawn down £50.0 million of the CCFF. Liquidity at 30 June 2020 totalled £128.4 million; comprising £108.7 million unutilised RCF, £16.1 million of cash and £3.6 million unused overdraft facility.

ROCE* for the twelve months to June 2020 of 7.4% was lower than the prior year (12 months to June 2019: 20.1%), which reflects lower adjusted operating profit*.

### Charges associated with acquisition of businesses and other adjusting items

Charges associated with acquisition of businesses and other adjusting items in profit before tax were £6.8 million versus £6.9 million in H1 2019.

| | **2020 H1** | 2019 H1 |
|---|---|---|
| | **£m** | £m |
| Amortisation of acquired intangible assets | **4.5** | 4.8 |
| Effect of fair valuation of acquired inventory | **0.6** | 0.7 |
| Transaction costs relating to acquisition of businesses | **-** | 0.1 |
| Earnout charges and retention bonuses | **1.1** | 1.0 |
| Restructuring costs | **0.6** | 0.3 |
| **Charges associated with acquisition of businesses and other adjusting items** | **6.8** | **6.9** |

## Strategy and market update, and medium-term prospects

We are confident that our end markets will recover well once the pandemic is over as we believe that the demand for, and investment in, original content (e.g. films, scripted TV shows, live news, sport, videos and photos) will continue to grow. During the pandemic, more people have become accustomed to communicating via video, using their smartphones to capture and share content and watching more scripted series on online platforms. In addition, new social distancing guidelines are driving demand for near-set and remote monitoring, IP streaming, robotic cameras and voice-activated prompting. These are positive structural changes to our market drivers which benefit Vitec as our technology enables people to capture and share content.

Our strategic priorities remain unchanged and we will come through this period with an enhanced competitive position, well placed to return to growth once our markets fully reopen.

**Organic growth:** we have broadly maintained our R&D investment to leverage our premium brands in the faster growing market segments.

*Imaging Solutions – we expect a gradual recovery with continued growth in JOBY smartphonography accessories*.

We expect a progressive recovery of the professional, high end photographic segment (c.60% of our Imaging Division's sales), driven by the re-opening of studios and rental houses. In addition, recent releases of higher value compact system cameras (e.g. Canon R5/R6 and Sony A7S III) target the professional market, thus benefiting Vitec's premium brands versus lower quality competitors. The entry-level (hobbyist) camera segment is declining, and this impacts our low-end photo supports and bags (c.20% of our Imaging Division's sales). However, we expect the continued growth from JOBY, along with growth in our motion control and audio capture products, to offset this decline. We do, however, anticipate further disruption to the traditional photographic retail channel and that the transition to the higher margin e-commerce channel will accelerate. We have previously announced the restructure of the Division to benefit from this continued change and we will continue to target further operational improvements.

*Production Solutions – we expect a solid recovery with a benefit in 2021 from rescheduled sporting events.*

Physical distancing and continuing cost pressures in studios and at live events should benefit remote controlled products such as robotic cameras and voice-activated prompting, although short-term equipment budgets could be constrained. We also expect to benefit from growth in LED lighting and mobile power for the broadcast, cine and independent content creator segments, as well as the rescheduling of major sporting events to 2021. 2021 and 2022 should be strong years for sporting events. We will also continue to target further operational efficiencies.

*Creative Solutions – we expect a strong bounce back from the increasing spend in original content, 4K growth and a new opportunity in remote monitoring, although the exact timing is uncertain.*

We expect the volume of new cine productions and scripted TV shows to increase once production sets reopen, and therefore spending on equipment should recover quickly, although short-term equipment budgets could be constrained. We remain focused on the significant multi-year growth potential from the launch of our 4K eco-system of wireless video products in the cine market which will replace the installed base of HD transmitters and receivers, as well as the introduction of SmallHD 4K monitors. As a result of COVID-19, we are seeing some fundamental structural changes to the cine market such as IP streaming and more monitors on set, as well as new opportunities for near-set and remote monitoring, and remote post-production, all to facilitate safe working and to reduce the number of people on set. This is expected to drive increased demand for wireless video transmission systems and monitors which Vitec is uniquely able to benefit from with our 4K eco-system of products. The Live Event market (e.g. broadcast sports) is taking longer to recover, and although we still plan to leverage Amimon technology in this market, our launch plans are currently on hold. We are continuing to explore how to monetise the Amimon intellectual property in other vertical markets and to grow our recurring revenue streams. We will continue to target product and Divisional integration to unlock synergies.

**Margin improvement:** we will continue to optimise our manufacturing and assembly portfolio, improve productivity, grow our higher margin e-commerce channel, and capture synergies from acquisitions.

**M&A activity:** although we do not expect to complete any major acquisition opportunities in H2 2020, we will continue to review opportunities which could expand our addressable markets and further increase our technology capabilities.

## Imaging Solutions

The Imaging Solutions Division designs, manufactures and distributes premium branded equipment for photographic and video cameras and smartphones, and provides dedicated solutions to professional and amateur image makers, independent content creators, vloggers and enterprises. This includes camera supports and heads, camera bags, smartphone accessories, lighting supports, LED lights, lighting controls, motion control, lens filters, audio capture and noise reduction equipment marketed under the most recognised accessories brands in the industry.

| | **Adjusted*** | | | | **Statutory** | |
|---|---|---|---|---|---|---|
| **Imaging Solutions** | **2020** | **2019** | **% Change** | ***% Change at constant FX*** | **2020** | **2019** |
| Revenue | £63.8m | £95.5m | -33% | *-34%* | £63.8m | £95.5m |
| Operating (loss)/profit | £(1.2)m | £13.4m | -109% | *-111%* | £(3.0)m | £11.4m |
| Operating margin | (1.9)% | 14.0% | -15.9%pts | *-16.2%pts* | (4.7)% | 11.9% |

** For Imaging Solutions, before charges associated with acquisition of businesses and other adjusting items of £1.8 million (H1 2019: £2.0 million).*

Imaging Solutions' revenue declined by 33% to £63.8 million and by 34% at constant exchange rates compared with H1 2019, mainly due to the impact of COVID-19.

Both the professional and hobbyist photographic segments saw significant declines in demand due to the global restrictions on travel and events such as weddings and the closure of retail outlets. This had a severe impact on the sales of supports (excluding JOBY) and bags.

However, there has been growth in JOBY smartphonography accessories, albeit from a relatively small base and with a phased distribution strategy, initially launching exclusively online in the first half. This was driven in part by the new vlogging kit which incorporates the Beamo LED light and the Wavo microphone into the GorillaPod stand, which were launched just a few weeks before the lockdown. For the first time, in April JOBY became the number two photographic support brand in the US (Vitec's Manfrotto brand is number one).

COVID-19 has also resulted in a number of B2B opportunities (c.10% of Imaging's sales) where revenue was up 5% compared to H1 2019, driven by a variety of supports for thermal cameras, portable audio/video recording, distance learning, inhouse photo studios and portable medical equipment.

In 2019 we announced a restructure in our Imaging Division to benefit from the move to the higher margin e-commerce channel, with an expected total investment of £9.0 million and annual savings from 2021 of £3.7 million. In H1 2020, we incurred £0.2 million of expense and £1.3 million of cash costs; and delivered £2.1 million of savings. We continue to monitor where further operational efficiencies can be made and intend to expand the scope of this project. The pandemic has accelerated the shift to e-commerce and in June our sales via Amazon exceeded June last year. Retailer destocking has been impacted by COVID-19 and although it will be worse than anticipated in 2020, the full year impact is expected to be less than in 2019.

Imaging Solutions made an adjusted operating loss* of £1.2 million due to lower volumes, partly offset by the mitigating actions taken. Adjusted operating margin* was -1.9%.

Statutory operating loss was £3.0 million (H1 2019: profit of £11.4 million), which included £1.8 million of charges associated with acquisition of businesses and other adjusting items (H1 2019: £2.0 million).

## Production Solutions

The Production Solutions Division designs, manufactures and distributes premium branded and technically advanced products and solutions for broadcasters, film and video production companies, independent content creators and enterprises. Products include video heads, tripods, lights, batteries, prompters and speciality camera systems. It also supplies premium services including equipment rental and technical solutions.

| | Adjusted* | | | | Statutory | |
|---|---|---|---|---|---|---|
| **Production Solutions** | **2020** | **2019** | **% Change** | ***% Change at constant FX*** | **2020** | **2019** |
| Revenue | £33.7m | £54.8m | -39% | *-39%* | £33.7m | £54.8m |
| Operating profit | £1.4m | £8.4m | -83% | *-79%* | £1.4m | £8.4m |
| Operating margin | 4.2% | 15.3% | -11.1%pts | *-9.8%pts* | 4.2% | 15.3% |

** For Production Solutions, before charges associated with acquisition of businesses and other adjusting items of £nil million (H1 2019 nil).*

Production Solutions' revenue decreased by 39% to £33.7 million and by 39% at constant exchange rates. This was driven by the slowdown in broadcast scripted content production and on-location news, as well as the postponement of live sporting events as a result of COVID-19. Revenue was also down due to exiting from the low margin medical batteries sector; offset by Litepanels royalties from new licensees of its intellectual property, which were not in 2019.

As a result of COVID-19 broadcasters have faced continued cost pressures, as well as needing to adapt to social distancing. This resulted in some of our segments being more resilient to the overall drop in demand. For example, customers are using our lights and prompting to help create content from home, work remotely and keep their physical distance.

The transition to the same third-party logistics provider in the US as used by Imaging Solutions was completed in H1 2020 and will deliver operational efficiencies in the second half of the year.

Adjusted operating profit* decreased to £1.4 million, driven by lower volumes, partly offset by the mitigating actions taken (H1 2019: £8.4 million). Adjusted operating margin* decreased to 4.2%.

Statutory operating profit was the same as adjusted operating profit* as no adjusting items in H1 2020 nor H1 2019.

## Creative Solutions

The Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for independent content creators, enterprises, broadcasters, and film and video production companies. It is made up of a number of brands that Vitec has acquired and includes Teradek, SmallHD, Amimon and Wooden Camera. Products include wired and wireless video transmission and lens control systems, monitors, camera accessories and software applications.

Creative Solutions is potentially our greatest market opportunity and area of growth. We expect a strong bounce back from the increasing spend in original content, 4K growth and a new opportunity in remote monitoring, although the exact timing is uncertain.

| | **Adjusted*** | | | | **Statutory** | |
|---|---|---|---|---|---|---|
| **Creative Solutions** | **2020** | **2019** | **% Change** | ***% Change at constant FX*** | **2020** | **2019** |
| Revenue | £21.4m | £33.9m | -37% | *-38%* | £21.4m | £33.9m |
| Operating (loss)/profit | £(0.8)m | £10.2m | -108% | *-108%* | £(5.4)m | £5.3m |
| Operating margin | (3.7)% | 30.1% | -33.8%pts | *-33.8%pts* | (25.2)% | 15.6% |

** For Creative Solutions, before charges associated with acquisition of businesses and other adjusting items of £4.6 million (H1 2019: £4.9 million).*

Creative Solutions' revenue decreased by 37% to £21.4 million and by 38% at constant exchange rates. COVID-19 had a significant impact on sales, with scripted TV shows and cinema productions paused in response to the global pandemic.

The second quarter saw growth in IP products in the enterprise and independent content creator markets who turned to Teradek as a trusted supplier to help them live stream news and information from home or physically distanced. R&D investment is now underway to improve the IP product range, with opportunities in near-set and remote monitoring when productions start to commence in the second half of the year.

R&D activity has been maintained to be able to take advantage of growth opportunities from the cine market and in IP streaming. We have launched our range of 4K wireless video products, including SmallHD 4K monitors, which will be shipping in the forthcoming months.

Adjusted operating loss* was £0.8 million driven by lower volumes, with an adjusted operating margin* of -3.7%. Adjusting for SmallHD insurance proceeds, which were included in profit but not revenue, the adjusted operating margin* in H1 2019 was 13.0%.

Statutory operating loss was £5.4 million (H1 2019: profit of £5.3 million), which included £4.6 million of charges associated with acquisition of businesses and other adjusting items (H1 2019: £4.9 million).

## Corporate costs

Corporate costs include payroll and bonus costs for the Directors and head office team, Long Term Incentive Plan costs for key individuals across the Group, professional fees, property costs and travel costs.

| | Adjusted* | | | | Statutory | |
|---|---|---|---|---|---|---|
| **Corporate costs** | **2020** | **2019** | **% Change** | ***% Change at constant FX*** | **2020** | **2019** |
| Operating (loss) | £(3.8)m | £(6.2)m | -39% | *-39%* | £(4.2)m | £(6.2)m |

** For corporate costs, before charges associated with acquisition of businesses and other adjusting items of £0.4 million (H1 2019: £nil).*

The decrease in corporate costs reflects tight control of discretionary expenditure as well as lower Long Term Incentive Plan and bonus accruals linked to financial performance.

## Dividends

Given the current circumstances, no interim dividend has been declared; the Board remains mindful of the importance of dividends to the Group's shareholders and intends resuming dividend payments as soon as is practicable.

## Outlook

Although the pandemic has had a significant short-term impact on customer demand, and the structure of our markets will change, we have seen some areas of growth. We are confident that our end market drivers are just as relevant, or potentially even more relevant, as people are consuming, capturing and sharing more content than ever before. More people have become accustomed to communicating via video on smartphones and watching more scripted series on online platforms. In addition, new social distancing guidelines are expected to drive demand for near-set and remote monitoring, robotic cameras and voice-activated prompting. Vitec is well placed to benefit over time from these structural market changes:

- In Imaging Solutions, we expect to benefit from the continued growth in JOBY smartphonography accessories, motion control and audio capture products, which will offset the continued decline in the hobbyist segment (c.20% of Imaging's revenue). Although there will be further disruption to the traditional photographic channel, the transition to the higher margin e-commerce channel will accelerate and we have restructured our business to benefit from this change;
- In Production Solutions, we expect to benefit from the growth in LED lighting and mobile power, and remote-controlled products like robotic cameras and voice-activated prompting, targeting further operational efficiencies, as well as the rescheduling of major sporting events to 2021; and
- In Creative Solutions, we are focused on the multi-year growth potential from the launch of our 4K eco-system of wireless video products including monitors in the cine market, as well as the new opportunities for near-set and remote monitoring and IP streaming to facilitate safe working.

We continue to take significant actions to optimise cash and, based on current expectations, and subject to FX fluctuations, we expect net debt at the end of FY 2020 to be broadly similar to the end of FY 2019. We expect net debt to be higher at the end of September than at the end of June, in line with normal seasonality. We have strengthened our liquidity position to ensure long-term financing and short-term flexibility, and to position ourselves well for the recovery.

We expect our end markets to recover and for us to come through this period with an enhanced competitive position, well placed to return to growth. Although the pace and shape of the recovery in our markets is hard to predict, and it remains difficult to provide financial guidance for the full year, we currently expect trading conditions to continue to significantly improve.

## Risks and Uncertainties

Vitec is exposed to a number of risk factors which may affect its performance. The Group has a well-established framework for reviewing and assessing these risks on a regular basis; and has put in place appropriate processes and procedures to mitigate against them. However, no system of control or mitigation can completely eliminate all risks.

The principal risks and uncertainties that may affect our performance are unchanged from those set out on pages 20 to 23 of the Annual Report & Accounts 2019. In summary, the principal risks facing the Group are around:

- Demand for Vitec's products
- New markets and channels of distribution
- Acquisitions
- Pricing pressure
- Dependence on key suppliers
- Dependence on key customers
- People (including health and safety)
- Laws and regulations
- Reputation of the Group
- Exchange rates
- Business continuity including cyber security
- Effectiveness and impact of restructuring projects

We believe that the risks relating to "Demand for Vitec's products" have increased overall due to COVID-19. This is primarily a short-term issue regarding the timing of recovery in specific sectors which Vitec is dependent on (e.g. sports broadcasting, cine). We believe that Vitec's long-term market drivers are positive and demand for original content will continue to grow.

At the same time, Vitec is adapting to market shifts which are exacerbated by COVID-19, in particular the disruption to traditional photographic retail channels which is offset by increasing investment in our e-commerce capabilities and focusing on several growth opportunities which the Group is capitalising on in areas such as: smartphonography, IP streaming and remote monitoring solutions. This therefore increases the principal risk "New markets and Channels of Distribution".

We are managing the above risks by investing in those growth areas, reorienting our research and development activity where appropriate, and protecting our investment in e-commerce channels. In the short term we mitigate the impact of reduced demand by reducing our cost base.

## Forward-looking statements

This announcement contains forward-looking statements with respect to the financial condition, performance, position, strategy, results and plans of the Group based on Management's current expectations or beliefs as well as assumptions about future events. These forward-looking statements are not guarantees of future performance. Undue reliance should not be placed on forward-looking statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. The Company undertakes no obligation to publicly revise or update any forward-looking statements or adjust them for future events or developments. Nothing in this announcement should be construed as a profit forecast.

The information in this announcement does not constitute an offer to sell or an invitation to buy shares in the Company in any jurisdiction or an invitation or inducement to engage in any other investment activities. The release or publication of this announcement in certain jurisdictions may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.

This announcement contains brands and products that are protected in accordance with applicable trademark and patent laws by virtue of their registration.

**Responsibility statement of the Directors in respect of the Half Year Results to 30 June 2020**

We confirm that, to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

**Going concern and viability**

The Directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have considered the potential risk of continued suppression of demand and, while monitoring developments as the Group implements contingency plans, they currently consider there to be minimal risk of breaching covenants. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements. Further detail on the assessment of going concern can be found within note 1 to the condensed financial statements.

For and on behalf of the Board

Stephen Bird
Group Chief Executive

Martin Green
Group Finance Director

## Condensed Consolidated Income Statement

**For the half year ended 30 June 2020**

| | Notes | **Half year to 30 June 2020 Unaudited £m** | Half year to 30 June 2019 Unaudited £m | Year to 31 December 2019 Audited £m |
|---|---|---|---|---|
| **Revenue** | 2 | **118.9** | 184.2 | 376.1 |
| Cost of sales | | **(75.1)** | (103.0) | (214.3) |
| Other income | 3 | **-** | 5.8 | 6.5 |
| **Gross profit** | | **43.8** | 87.0 | 168.3 |
| Operating expenses | 4 | **(55.0)** | (68.1) | (136.3) |
| **Operating (loss)/profit** | | **(11.2)** | 18.9 | 32.0 |
| Comprising | | | | |
| - Adjusted operating (loss)/profit | | **(4.4)** | 25.8 | 52.4 |
| - Charges associated with acquisition of businesses and other adjusting items | 5 | **(6.8)** | (6.9) | (20.4) |
| | | **(11.2)** | 18.9 | 32.0 |
| Net finance expense | 6 | **(2.6)** | (2.3) | (4.4) |
| **(Loss)/profit before tax** | | **(13.8)** | 16.6 | 27.6 |
| Comprising | | | | |
| - Adjusted (loss)/profit before tax | | **(7.0)** | 23.5 | 48.0 |
| - Charges associated with acquisition of businesses and other adjusting items | 5 | **(6.8)** | (6.9) | (20.4) |
| | | **(13.8)** | 16.6 | 27.6 |
| **Taxation** | | **4.3** | (4.4) | (7.4) |
| Comprising taxation on | | | | |
| - Adjusted (loss)/profit | 7 | **2.5** | (5.5) | (11.7) |
| - Charges associated with acquisition of businesses and other adjusting items | 7 | **1.8** | 1.1 | 4.3 |
| | | **4.3** | (4.4) | (7.4) |
| **(Loss)/profit for the period attributable to owners of the parent** | | **(9.5)** | 12.2 | 20.2 |

| | | | | |
|---|---|---|---|---|
| **Earnings per share** | 8 | | | |
| Basic earnings per share | | **(20.9)p** | 27.0p | 44.9p |
| Diluted earnings per share | | **(20.9)p** | 26.5p | 44.5p |
| | | | | |
| **Average exchange rates** | | | | |
| Euro | | **1.15** | 1.15 | 1.14 |
| US$ | | **1.27** | 1.29 | 1.28 |

## Condensed Consolidated Statement of Comprehensive Income

**For the half year ended 30 June 2020**

| | **Half year to 30 June 2020 Unaudited £m** | Half year to 30 June 2019 Unaudited £m | Year to 31 December 2019 Audited £m |
|---|---|---|---|
| **(Loss)/profit for the period** | **(9.5)** | 12.2 | 20.2 |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Remeasurements of defined benefit obligation | **(4.0)** | 0.4 | 0.7 |
| Related tax | **0.9** | (0.1) | (0.2) |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | |
| Currency translation differences on foreign currency subsidiaries | **15.7** | 0.2 | (10.0) |
| Net investment hedges - net (loss)/gain | **(4.8)** | (0.2) | 2.8 |
| Cash flow hedges - reclassified to the Income Statement, net of tax | **0.9** | 0.5 | 1.4 |
| Cash flow hedges - effective portion of changes in fair value, net of tax | **(1.5)** | (0.9) | (0.4) |
| Other comprehensive income/(expense), net of tax | **7.2** | (0.1) | (5.7) |
| **Total comprehensive (loss)/income for the period attributable to owners of the parent** | **(2.3)** | 12.1 | 14.5 |

## Condensed Consolidated Balance Sheet

**As at 30 June 2020**

| | **30 June 2020 Unaudited £m** | 30 June 2019 Unaudited £m | 31 December 2019 Audited £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | **133.1** | 131.9 | 127.7 |
| Property, plant and equipment | **46.5** | 52.8 | 46.7 |
| Trade and other receivables | **2.1** | 2.0 | 1.7 |
| Deferred tax assets | **23.7** | 27.6 | 21.0 |
| | **205.4** | 214.3 | 197.1 |
| **Current assets** | | | |
| Inventories | **80.0** | 85.7 | 76.0 |
| Trade and other receivables | **46.0** | 67.3 | 59.4 |
| Derivative financial instruments | **-** | 0.2 | 0.6 |
| Current tax assets | **10.8** | 4.5 | 8.6 |
| Cash and cash equivalents | **16.1** | 23.9 | 18.9 |
| | **152.9** | 181.6 | 163.5 |
| **Total assets** | **358.3** | 395.9 | 360.6 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | **50.5** | 0.6 | 0.2 |
| Lease Liabilities | **6.6** | 6.1 | 5.8 |
| Trade and other payables | **48.0** | 65.1 | 55.9 |
| Derivative financial instruments | **0.6** | 1.4 | 0.3 |
| Current tax liabilities | **8.8** | 10.9 | 10.6 |
| Provisions | **3.1** | 4.8 | 5.0 |
| | **117.6** | 88.9 | 77.8 |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | **54.9** | 110.1 | 96.5 |
| Lease Liabilities | **11.5** | 15.5 | 12.4 |
| Derivative financial instruments | **-** | 0.3 | - |

| | | | |
|---|---|---|---|
| Other payables | **-** | 0.6 | 0.1 |
| Post-employment obligations | **12.4** | 8.8 | 8.3 |
| Provisions | **0.8** | 1.3 | 1.2 |
| Deferred tax liabilities | **6.9** | 11.2 | 7.6 |
| | **86.5** | 147.8 | 126.1 |
| **Total liabilities** | **204.1** | 236.7 | 203.9 |
| **Net assets** | **154.2** | 159.2 | 156.7 |
| | | | |
| **Equity** | | | |
| Share capital | **9.1** | 9.1 | 9.1 |
| Share premium | **20.8** | 18.8 | 20.7 |
| Translation reserve | **(1.0)** | (4.7) | (11.9) |
| Capital redemption reserve | **1.6** | 1.6 | 1.6 |
| Cash flow hedging reserve | **(0.3)** | (1.1) | 0.3 |
| Retained earnings | **124.0** | 135.5 | 136.9 |
| **Total equity** | **154.2** | 159.2 | 156.7 |
| | | | |
| **Balance Sheet exchange rates** | | | |
| Euro | **1.10** | 1.12 | 1.18 |
| US$ | **1.24** | 1.27 | 1.32 |

## Condensed Consolidated Statement of Changes in Equity

**For the half year ended 30 June 2020 (Unaudited)**

| | Notes | Share capital £m | Share premium £m | Translation reserve £m | Capital redemption reserve £m | Cash flow hedging reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | | **9.1** | **20.7** | **(11.9)** | **1.6** | **0.3** | **136.9** | **156.7** |
| **Total comprehensive income for the period** | | | | | | | | |
| Loss for the period | | **-** | **-** | **-** | **-** | **-** | **(9.5)** | **(9.5)** |
| Other comprehensive income/ (expense) for the period | | **-** | **-** | **10.9** | **-** | **(0.6)** | **(3.1)** | **7.2** |
| **Contributions by and distributions to owners** | | | | | | | | |
| Own shares purchased | | **-** | **-** | **-** | **-** | **-** | **(1.6)** | **(1.6)** |
| New shares issued | | **-** | **0.1** | **-** | **-** | **-** | **-** | **0.1** |
| Share-based payment charge, net of tax | | **-** | **-** | **-** | **-** | **-** | **1.3** | **1.3** |
| **Balance at 30 June 2020** | | **9.1** | **20.8** | **(1.0)** | **1.6** | **(0.3)** | **124.0** | **154.2** |

| | Share capital £m | Share premium £m | Translation reserve £m | Capital redemption reserve £m | Cash flow hedging reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 9.1 | 18.6 | (4.7) | 1.6 | (0.7) | 138.4 | 162.3 |
| Adoption of IFRS 16 | - | - | - | - | - | (1.2) | (1.2) |
| Balance at 1 January 2019 (adjusted) | 9.1 | 18.6 | (4.7) | 1.6 | (0.7) | 137.2 | 161.1 |
| **Total comprehensive income for the period** | | | | | | | |
| Profit for the period | - | - | - | - | - | 12.2 | 12.2 |
| Other comprehensive income/(expense) for the period | - | - | - | - | (0.4) | 0.3 | (0.1) |
| **Contributions by and distributions to owners** | | | | | | | |
| Dividends paid | - | - | - | - | - | (11.5) | (11.5) |
| Own shares purchased | - | - | - | - | - | (4.7) | (4.7) |
| New shares issued | - | 0.2 | - | - | - | - | 0.2 |
| Share-based payment charge, net of tax | - | - | - | - | - | 2.0 | 2.0 |
| **Balance at 30 June 2019** | 9.1 | 18.8 | (4.7) | 1.6 | (1.1) | 135.5 | 159.2 |

## Condensed Consolidated Statement of Cash Flows

**For the half year ended 30 June 2020**

| | Notes | **Half year to 30 June 2020 Unaudited £m** | Half year to 30 June 2019 Unaudited £m | Year to 31 December 2019 Audited £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit for the period | | **(9.5)** | 12.2 | 20.2 |
| Adjustments for: | | | | |
| Taxation | | **(4.3)** | 4.4 | 7.4 |
| Depreciation | | **6.6** | 6.9 | 14.1 |
| Impairment losses on property, plant and equipment | | **-** | - | 0.6 |
| Amortisation of intangible assets | | **7.3** | 7.0 | 13.9 |
| Net (profit)/loss on disposal of property, plant and equipment and software | | **(0.1)** | - | 0.2 |
| Fair value losses/(gains) on derivative financial instruments | | **0.2** | 0.1 | (0.1) |
| Foreign exchange losses/(gains) | | **0.4** | (0.1) | (0.4) |
| Share-based payments | | **1.3** | 2.0 | 2.3 |
| Earn-out charges and retention bonuses | | **1.1** | 1.0 | 2.5 |
| Loss on disposal of businesses, before tax | | **-** | - | 0.4 |
| Net finance expense | | **2.6** | 2.3 | 4.4 |
| Operating profit before changes in working capital and provisions | | **5.6** | 35.8 | 65.5 |
| Decrease/(increase) in inventories | | **1.1** | (4.6) | 1.0 |
| Decrease in receivables | | **15.9** | 1.1 | 6.3 |
| Decrease in payables | | **(11.0)** | (4.5) | (12.6) |
| Decrease in provisions | | **(4.2)** | (0.7) | (1.0) |
| Cash generated from operating activities | | **7.4** | 27.1 | 59.2 |
| Interest paid | | **(3.6)** | (2.2) | (4.3) |
| Tax paid | | **(1.2)** | (1.1) | (6.3) |
| **Net cash from operating activities** | | **2.6** | 23.8 | 48.6 |

| | | | | |
|---|---|---|---|---|
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant and equipment | | **0.1** | 0.1 | 0.5 |
| Purchase of property, plant and equipment | | **(2.8)** | (2.6) | (6.2) |
| Capitalisation of software and development costs | | **(5.7)** | (5.3) | (12.4) |
| Acquisition of businesses, net of cash acquired | | **-** | (2.7) | (3.1) |
| Disposal of businesses | | **-** | - | 0.9 |
| **Net cash used in investing activities** | | **(8.4)** | (10.5) | (20.3) |
| **Cash flows from financing activities** | | | | |
| Proceeds from the issue of shares | | **0.1** | 0.2 | 2.1 |
| Own shares purchased | | **(1.6)** | (4.7) | (6.4) |
| Principal lease repayments | | **(2.4)** | (3.2) | (6.4) |
| Repayment of interest-bearing loans and borrowings | | **(61.4)** | (18.6) | (57.8) |
| Borrowings from interest-bearing loans and borrowings | | **67.1** | 33.0 | 61.4 |
| Dividends paid | | **-** | (11.5) | (17.1) |
| **Net cash from financing activities** | | **1.8** | (4.8) | (24.2) |
| **Increase in cash and cash equivalents** | 9 | **(4.0)** | 8.5 | 4.1 |
| Cash and cash equivalents at 1 January | | **18.9** | 15.1 | 15.1 |
| Effect of exchange rate fluctuations on cash held | | **1.2** | 0.3 | (0.3) |
| **Cash and cash equivalents at the end of the period** | **9** | **16.1** | 23.9 | 18.9 |

## 1 Accounting policies

### Reporting entity

The Vitec Group plc (the "Company") is a company domiciled and incorporated under the Companies Act in the United Kingdom. These condensed consolidated interim financial statements as at and for the half year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

### Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. This report does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The comparative figures for the year ended 31 December 2019 do not constitute statutory accounts for the purpose of section 434 of the Companies Act 2006. The auditors have reported on the 2019 accounts, and these have been filed with the Registrar of Companies; their report was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The half year amounts as at and for the half years ending 30 June presented in these condensed consolidated interim financial statements have been reviewed in accordance with International Standard on Review Engagements (UK and Ireland) 2410 but have not been audited.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

In reporting financial information, the Group presents alternative performance measures (“APMs”) which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information to better reflect the underlying business and enable a more meaningful comparison over time. A glossary on the last page provides a comprehensive list of APMs that the Group uses, including an explanation of how they are calculated, why they are used and how they can be reconciled to a statutory measure where relevant.

These condensed consolidated interim financial statements were approved by the Board of Directors on 5 August 2020.

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and the corresponding interim period.

### New accounting policy from 1 January 2020

The Group has received Government assistance as a result of the COVID-19 pandemic in the form of contributions towards employee costs. For Government assistance which meets the definition of a Government grant, under IAS 20 the Group applies the income approach to account for the grants received. Under the income approach, the grant is recognised in profit or loss as a reduction of the related costs incurred. In the period ending 30 June 2020, Government assistance of £1.7 million was received.

There are no unfulfilled conditions or other contingencies attached to the Government assistance that has been recognised.

## Critical judgements involving estimates

*Useful lives of acquired intangible assets*

Following the impact of COVID-19 and its effect on current trading of the Group, impairment reviews of the Group's material acquired intangible assets were performed which resulted in no impairment being required. At the same time, in accordance with IAS 38 "Intangible assets" the remaining useful lives of certain acquired intangible assets have been reassessed as detailed below:

- **Wooden Camera** – the remaining useful life for brand and technology was increased from 1.2 years to 2.5 years.
- **Rycote** - the remaining useful life for the trade name and know how was increased from 1.2 years to 5.0 years.
- **Syrp** - The remaining useful life for brand and technology was increased from 3.6 years and 1.6 years respectively to 5.0 years for both.

The change in useful life has been determined at 30 June 2020 and will be accounted for prospectively as a change in estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

## Going concern

COVID-19 impacted Vitec early in the pandemic, with half of the Group's revenue coming from products sourced from China and made in Italy. We responded quickly, implementing significant and far-reaching mitigating actions to cut costs and manage cash. We applied for government support where possible to preserve the long-term capabilities of the business. The Group worked with its manufacturing teams and followed government guidelines to put stringent health & safety and social distancing measures in place.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the interim financial statements, a range of scenarios have been modelled through to the end of 2021. While trading performance continues to improve following the easing of restrictions imposed by governments around the world in response to COVID-19, the rate of recovery is difficult to predict. Modelling of a recovery is impacted by a number of factors including assumptions around the overall global economic environment, how long it takes for our end markets to resume creation of original content, and continued actions that governments might take in relation to controlling the pandemic such as the closure of retail stores.

The Directors have reviewed the actual trading results in H1 2020, as well as forecast scenarios as set out below:

- The Group's latest forecast, which projects an improvement in trading performance in H2 2020 and 2021, following the deterioration in H1 2020 due to COVID-19;
- Three downside scenarios which primarily vary the speed and length of recovery with the key changes to estimates being as follows:
    - Extending the time period and reducing the rate at which forecast sales would recover;
    - Considering the possibility of a second wave in the USA along with reversal of the easing of restrictions by governments.

The downside scenarios are considered possible but not probable and factor in cost savings from management actions in 2021 which would be taken to partly offset a decline in trading performance. These are proportionate and do not take into account all discretionary actions which could be taken.

Revenue in H1 2020 declined by 35% versus H1 2019. Revenue would need to decline by 35% in H2 2020 versus H2 2019, or, assuming current expectations are met for H2 2020, by 38% in H1 2021 versus H1 2019, to result in a breach of the covenants. Although the pace and shape of the recovery in our markets is hard to predict, the Directors currently consider both of these scenarios remote.

As detailed in note 9, on 14 February 2020, the Group signed a new committed £165 million Multicurrency Revolving Credit Facility ("RCF") with an initial five year term and a two year extension option with covenants relating to Net Debt: EBITDA and EBITA: Interest cost at June and December each year (the "Existing Covenants"). In May 2020, the Group signed an amendment agreement which replaced those covenants for 2020 with new covenants of Minimum EBITDA and Maximum Net Debt tested at June, September and December 2020 ("New Covenants"). The covenants will revert to the Existing Covenants in 2021. The Group also utilised the Bank of England's COVID Corporate Financing Facility ("CCFF") in an amount of £50 million. The Group currently expects to drawdown on the committed RCF to repay the amounts owed under the CCFF in 2021.

Neither the Group's latest forecast nor the downside scenarios modelled result in a breach of the New Covenants in respect of 2020 nor the Existing Covenants in respect of 2021 under the terms of the RCF. All scenarios show sufficient cash headroom to continue in operational existence for the foreseeable future. Under the most severe scenario modelled, Net Debt headroom under the New Covenants would be £26.9 million at December 2020, and the lowest point of cash headroom would be at May 2021 when cash headroom under the RCF would be £30.6 million. As such, the Directors are satisfied that it is appropriate for the Group to continue to adopt the going concern basis for preparing these interim financial statements.

**New standards and interpretations not yet adopted**

Amended standards and interpretations not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

## 2 Segment reporting

**Reportable segments**

**For the half year ended 30 June 2020**

The Group has three reportable segments which are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance.

| | **For the half year to 30 June** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Imaging Solutions** | | **Production Solutions** | | **Creative Solutions** | | **Corporate and unallocated** | | **Consolidated** | |
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m | **£m** | £m | **£m** | £m | **£m** | £m |
| **Total revenue from external customers** | **63.8** | 95.5 | **33.7** | 54.8 | **21.4** | 33.9 | **-** | - | **118.9** | 184.2 |
| Inter-segment revenue [1] | **0.1** | 0.2 | **0.1** | 0.2 | **0.2** | - | **(0.4)** | (0.4) | **-** | - |
| Total revenue | **63.9** | 95.7 | **33.8** | 55.0 | **21.6** | 33.9 | **(0.4)** | (0.4) | **118.9** | 184.2 |
| **Adjusted operating (loss)/profit** | **(1.2)** | 13.4 | **1.4** | 8.4 | **(0.8)** | 10.2 | **(3.8)** | (6.2) | **(4.4)** | 25.8 |
| Amortisation of acquired intangible assets | **(1.0)** | (1.1) | **-** | - | **(3.5)** | (3.7) | **-** | - | **(4.5)** | (4.8) |
| Effect of fair valuation of acquired inventory | **-** | - | **-** | - | **(0.6)** | (0.7) | **-** | - | **(0.6)** | (0.7) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Transaction costs relating to acquisition of businesses | **-** | (0.1) | **-** | - | **-** | - | **-** | - | **-** | (0.1) |
| Earnout charges and retention bonuses | **(0.6)** | (0.5) | **-** | - | **(0.5)** | (0.5) | **-** | - | **(1.1)** | (1.0) |
| Restructuring costs | **(0.2)** | (0.3) | **-** | - | **-** | - | **(0.4)** | - | **(0.6)** | (0.3) |
| **Operating profit** | **(3.0)** | 11.4 | **1.4** | 8.4 | **(5.4)** | 5.3 | **(4.2)** | (6.2) | **(11.2)** | 18.9 |
| Net finance expense | | | | | | | | | **(2.6)** | (2.3) |
| Taxation | | | | | | | | | **4.3** | (4.4) |
| **Profit for the period** | | | | | | | | | **(9.5)** | 12.2 |
| | | | | | | | | | | |
| Segment assets | **132.9** | 148.3 | **95.1** | 100.0 | **79.1** | 90.3 | **0.6** | 1.3 | **307.7** | 339.9 |
| Unallocated assets | | | | | | | | | | |
| Cash and cash equivalents | | | | | | | **16.1** | 23.9 | **16.1** | 23.9 |
| Current tax assets | | | | | | | **10.8** | 4.5 | **10.8** | 4.5 |
| Deferred tax assets | | | | | | | **23.7** | 27.6 | **23.7** | 27.6 |
| **Total assets** | | | | | | | | | **358.3** | 395.9 |
| | | | | | | | | | | |
| Segment liabilities | **35.1** | 47.7 | **33.0** | 34.6 | **11.8** | 15.9 | **3.1** | 5.7 | **83.0** | 103.9 |
| Unallocated liabilities | | | | | | | | | | |
| Interest-bearing loans and borrowings | | | | | | | **105.4** | 110.7 | **105.4** | 110.7 |
| Current tax liabilities | | | | | | | **8.8** | 10.9 | **8.8** | 10.9 |
| Deferred tax liabilities | | | | | | | **6.9** | 11.2 | **6.9** | 11.2 |
| **Total liabilities** | | | | | | | | | **204.1** | 236.7 |

(1) Inter-segment pricing is determined on an arm's length basis. These are eliminated in the corporate and unallocated column.

**Geographical information**

**For the half year ended 30 June 2020**

| | **Half year to 30 June 2020 £m** | Half year to 30 June 2019 £m | Year to 31 December 2019 £m |
|---|---|---|---|
| **Analysis of revenue from external customers, by location of customer** | | | |
| United Kingdom | **8.5** | 22.8 | 41.4 |
| The rest of Europe | **32.6** | 43.7 | 91.8 |
| North America | **50.2** | 75.6 | 156.9 |
| Asia Pacific | **24.5** | 36.9 | 76.1 |
| The rest of the World | **3.1** | 5.2 | 9.9 |
| Total revenue from external customers | **118.9** | 184.2 | 376.1 |

The Group's operations are located in several geographic locations, and sell products and services to external customers in all parts of the world.

**3 Other income**

On 26 April 2018, the offices and warehouse of SmallHD LLC ("SmallHD") in North Carolina, US (part of the Creative Solutions Division) were damaged as a result of a fire in an adjacent office. An evacuation was conducted successfully with no injuries to our team. The Group made a claim under its insurance policy which covers both damage to assets and business interruption.

At June 2019, £5.8 million was recognised in other income of which £4.2 million of staged cash payments had been received. The insurance claim was finalised in 2019 with all cash being received by 31 December 2019.

**4 Operating expenses**

| | **Half year to 30 June 2020 £m** | Half year to 30 June 2019 £m | Year to 31 December 2019 £m |
|---|---|---|---|
| **Analysis of operating expenses** | | | |
| Charges associated with acquisition of businesses and other adjusting items(1) | **(6.2)** | (6.2) | (18.6) |
| Other administrative expenses | **(21.7)** | (26.1) | (49.1) |
| Administrative expenses | **(27.9)** | (32.3) | (67.7) |
| Marketing, selling and distribution costs | **(20.4)** | (27.4) | (53.3) |
| Research, development and engineering costs | **(6.7)** | (8.4) | (15.3) |
| **Total operating expenses** | **(55.0)** | (68.1) | (136.3) |

(1) Total charges associated with acquisition of businesses and other adjusting items are £6.8 million of which £6.2 million are recognised in operating expenses and £0.6 million in cost of sales.

### 5 Charges associated with acquisition of businesses and other adjusting items

Charges associated with acquisition of businesses and other adjusting items are excluded from key performance measures by virtue of their size and nature in order to more accurately show the underlying business performance of the Group in a consistent manner. This also reflects how the business is managed and measured on a day-to-day basis. Non-cash charges associated with acquisition of businesses include amortisation of acquired intangible assets and the effect of fair valuation of acquired inventory. Cash charges include transaction costs, earnout charges and retention bonuses agreed as part of the acquisition, and significant costs relating to the integration of acquired businesses.

| | **Half year to 30 June 2020 £m** | Half year to 30 June 2019 £m | Year to 31 December 2019 £m |
|---|---|---|---|
| Amortisation of acquired intangible assets | **(4.5)** | (4.8) | (9.4) |
| Effect of fair valuation of acquired inventory | **(0.6)** | (0.7) | (1.8) |
| Transaction costs relating to acquisition of businesses | **-** | (0.1) | (0.1) |
| Earnout charges and retention bonuses | **(1.1)** | (1.0) | (2.5) |
| Restructuring costs | **(0.6)** | (0.3) | (6.2) |
| Loss on disposal of business | **-** | - | (0.4) |
| **Charges associated with acquisition of businesses and other adjusting items** | **(6.8)** | (6.9) | (20.4) |

### 6 Net finance expense

| | **Half year to 30 June 2020 £m** | Half year to 30 June 2019 £m | Year to 31 December 2019 £m |
|---|---|---|---|
| **Finance income** | | | |
| Net currency translation gains | **-** | 0.2 | 0.5 |
| **Finance expense** | | | |
| Unwind of discount on liabilities | **(0.1)** | - | (0.1) |
| Interest payable on interest-bearing loans and borrowings | **(2.1)** | (1.9) | (3.7) |
| Interest expense on lease liabilities | **(0.4)** | (0.5) | (0.9) |
| Interest expense on net defined benefit pension scheme | **-** | (0.1) | (0.2) |
| | **(2.6)** | (2.5) | (4.9) |
| **Net finance expense** | **(2.6)** | (2.3) | (4.4) |

### 7 Taxation

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

| | **Half year to 30 June 2020 £m** | Half year to 30 June 2019 £m | Year to 31 December 2019 £m |
|---|---|---|---|
| **The total taxation credit/(charge) in the Income Statement is analysed as follows:** | | | |
| **Summarised in the Income Statement** | | | |
| Current tax | **2.8** | (3.9) | (4.5) |
| Deferred tax | **1.5** | (0.5) | (2.9) |
| | **4.3** | (4.4) | (7.4) |
| **Charges associated with acquisition of businesses and material non-operating events** | | | |
| Current tax | **0.1** | 0.1 | 1.5 |
| Deferred tax | **1.7** | 1.0 | 2.8 |
| | **1.8** | 1.1 | 4.3 |
| **Before charges associated with acquisition of businesses and material non-operating events** | | | |
| Current tax | **2.7** | (4.0) | (6.0) |
| Deferred tax | **(0.2)** | (1.5) | (5.7) |
| | **2.5** | (5.5) | (11.7) |

In October 2017, the European Commission ("EC") opened a State Aid investigation into the Group Financing Exemption in the UK controlled foreign company ("CFC") rules (an exemption introduced into the UK tax legislation in 2013). While the Group has complied with all the requirements of UK tax law, in April 2019 the EC confirmed its view that some (but not all) of the UK exemptions constituted State Aid and that they would therefore require the UK to assess and recover the amount of State Aid that each affected taxpayer had received. In common with other UK-based international companies whose intra-group finance arrangements are in line with current controlled foreign company rules, Vitec is affected by this decision. Vitec calculates its maximum potential liability to be £8.5 million (including interest).

In June 2019, the UK government submitted an appeal to the EC against its decision. In common with a number of other affected taxpayers, Vitec has also filed its own annulment application. HMRC communication with taxpayers indicates that there is significant uncertainty as to how any amounts will be assessed under this decision, and therefore the liability arising in the event the decision is upheld. No provision for any amounts in connection with this decision has been made on the basis that, given the strength of the technical position set out in the annulment applications, it is expected to be more likely than not that any payment that the Group makes under the decision will ultimately be repaid.

**8 Earnings per share**

Earnings per share ("EPS") is the amount of post-tax (loss)/profit attributable to each share.

Basic EPS is calculated on the (loss)/profit for the period divided by the weighted average number of ordinary shares in issue during the period.

Diluted EPS is calculated on the (loss)/profit for the period divided by the weighted average number of ordinary shares in issue during the period, but adjusted for the effects of dilutive share options.

The adjusted EPS measure is used by management to assess the underlying performance of the ongoing businesses, and therefore excludes charges associated with acquisition of businesses and other adjusting items, all net of tax.

The calculation of basic, diluted and adjusted EPS is set out below:

| | **Half year to 30 June 2020 £m** | Half year to 30 June 2019 £m |
|---|---|---|
| (Loss)/profit for the financial period | **(9.5)** | 12.2 |
| Add back charges associated with acquisition of businesses and other adjusting items, all net of tax | **5.0** | 5.8 |
| **Adjusted (loss)/profit after tax** | **(4.5)** | 18.0 |

| | Weighted average number of shares '000 | | Adjusted earnings per share | | Earnings per share | |
|---|---|---|---|---|---|---|
| | Half year to 30 June | | Half year to 30 June | | Half year to 30 June | |
| | **2020 Number** | 2019 Number | **2020 pence** | 2019 pence | **2020 pence** | 2019 pence |
| Basic | **45,444** | 45,104 | **(9.9)** | 39.9 | **(20.9)** | 27.0 |
| Dilutive potential ordinary shares | **-** | 895 | **-** | (0.8) | **-** | (0.5) |
| Diluted | **45,444** | 45,999 | **(9.9)** | 39.1 | **(20.9)** | 26.5 |

## 9 Analysis of net debt

The table below analyses the Group's components of net debt and their movements in the period:

| | **Interest bearing loans and borrowings** | **Leases** | **Liabilities from financing sub-total** | **Other cash and cash equivalents** | **Half year to 30 June 2020** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Opening at 1 Jan 2020 | **(96.7)** | **(18.2)** | **(114.9)** | **18.9** | **(96.0)** |
| Repayments | **61.4** | **2.4** | **63.8** | **(4.0)** | **59.8** |
| Borrowings | **(67.1)** | **-** | **(67.1)** | **-** | **(67.1)** |
| Leases entered into during the year | **-** | **(1.7)** | **(1.7)** | **-** | **(1.7)** |
| Fees paid | **1.5** | **-** | **1.5** | **-** | **1.5** |
| Other non-cash movements | **0.4** | **-** | **0.4** | **-** | **0.4** |
| Foreign currency | **(4.9)** | **(0.6)** | **(5.5)** | **1.2** | **(4.3)** |
| **Closing at 30 June 2020** | **(105.4)** | **(18.1)** | **(123.5)** | **16.1** | **(107.4)** |

| | Interest bearing loans and borrowings | Leases | Liabilities from financing sub-total | Other cash and cash equivalents | Year to 31 December 2019 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Opening at 1 Jan 2019 | (96.1) | - | (96.1) | 15.1 | (81.0) |
| Adoption of IFRS 16 | - | (22.4) | (22.4) | - | (22.4) |
| Repayments | 57.8 | 6.4 | 64.2 | 4.1 | 68.3 |
| Borrowings | (61.4) | - | (61.4) | - | (61.4) |
| Acquisitions | - | (0.9) | (0.9) | - | (0.9) |
| Leases entered into during the year | - | (2.2) | (2.2) | - | (2.2) |
| Leases – early termination | - | 0.5 | 0.5 | - | 0.5 |
| Foreign currency | 3.0 | 0.4 | 3.4 | (0.3) | 3.1 |
| Closing at 31 December 2019 | (96.7) | (18.2) | (114.9) | 18.9 | (96.0) |

| | Interest bearing loans and borrowings | Leases | Liabilities from financing sub-total | Other cash and cash equivalents | Half year to 30 June 2019 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Opening at 1 Jan 2019 | (96.1) | - | (96.1) | 15.1 | (81.0) |
| Adoption of IFRS 16 | - | (22.4) | (22.4) | - | (22.4) |
| Repayments | 18.6 | 3.2 | 21.8 | 8.5 | 30.3 |
| Borrowings | (33.0) | - | (33.0) | - | (33.0) |
| Acquisitions | - | (0.9) | (0.9) | - | (0.9) |
| Leases entered into during the year | - | (1.5) | (1.5) | - | (1.5) |
| Foreign currency | (0.2) | - | (0.2) | 0.3 | 0.1 |
| Closing at 30 June 2019 | (110.7) | (21.6) | (132.3) | 23.9 | (108.4) |

On 14 February 2020, the Group signed a new £165.0 million five-year (with two optional one year extensions) Multicurrency Revolving Credit Facility (“RCF”) with a syndicate of five banks. This facility will expire on 14 February 2025 without the utilisation of the extensions. The Group was utilising 34% of the RCF as at 30 June 2020. On 30 April 2020 the Group agreed revised covenants for 2020 under the RCF in response to the COVID-19 pandemic; the covenants will return to previous levels from 2021.

On 30 April 2020, the Group was confirmed as eligible to issue Commercial Paper under the Bank of England’s Covid Corporate Financing Facility (“CCFF”) scheme. The Group has issued a total of £50.0 million in Commercial Paper under the scheme and the proceeds used to repay £50.0 million RCF drawings.

Under the terms of the RCF the Group expects to and has the discretion to roll over the obligation for at least 12 months from the balance sheet date, and as a result, these amounts are reported as non-current liabilities in the balance sheet. The terms of the CCFF do not provide the Group with discretion to roll over its obligation and the full amount drawn under the CCFF is due for settlement in less than one year and as such is reported as a current liability in the balance sheet.

## 10 Forward exchange contracts

The fair value of forward exchange contracts is determined by estimating the market value of that contract at the reporting date. Derivatives with a positive fair value are recorded as assets and negative fair values as liabilities, and presented as current or non-current based on their contracted maturity dates.

The following table shows the forward exchange contracts in place at the Balance Sheet date. These contracts mature in the next six months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next six months.

| | Currency | **As at 30 June 2020 millions** | **Average exchange rate of contracts** | As at 30 June 2019 millions | Average exchange rate of contracts |
|---|---|---|---|---|---|
| **Cash flow hedging contracts** | | | | | |
| USD/GBP forward exchange contracts | USD | **6.5** | **1.30** | 10.3 | 1.32 |
| USD/EUR forward exchange contracts | USD | **3.0** | **1.15** | 25.8 | 1.18 |
| EUR/GBP forward exchange contracts | EUR | **7.1** | **1.14** | 17.4 | 1.12 |
| JPY/GBP forward exchange contracts | JPY | **255.0** | **137.4** | 674.8 | 143.0 |
| JPY/EUR forward exchange contracts | JPY | **310.0** | **121.4** | 840.0 | 127.2 |

During the period to 30 June 2020 a net loss of £0.9 million (2019: loss of £0.6 million) relating to forward exchange contracts was reclassified to the Income Statement, to match the crystallisation of the hedged forecast cash flows which affect the Income Statement.

### Fair value hierarchy

The carrying values of the Group's financial instruments approximate their fair values.

The Group's financial instruments measured at fair value are Level 2.

## 11 Subsequent events

There were no events after the Balance Sheet date that require disclosure.

### Interim dividend

No interim dividend has been declared by the Directors (2019: 12.3 pence per share totalling £5.6 million).

## 12 Glossary - Alternative Performance Measures ("APMs")

In reporting financial information, the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information to better reflect the underlying business and enable more meaningful comparison over time. This note provides a comprehensive list of APMs that the Group uses, including an explanation of how they are calculated, why they are used and how they can be reconciled to a statutory measure where relevant.

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Definition & purpose</th></tr>
<tr><td colspan="3">Income Statement Measures</td></tr>
<tr><td>Adjusted gross profit</td><td>Gross profit</td><td>Calculated as gross profit before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner.<br><br>The table below shows the reconciliation:<br>
<table>
<tr><th></th><th>Half year to 30 June 2020 £m</th><th>Half year to 30 June 2019 £m</th><th>Year to 31 December 2019 £m</th></tr>
<tr><td>Gross profit</td><td>43.8</td><td>87.0</td><td>168.3</td></tr>
<tr><td>Charges associated with acquisition of businesses and other adjusting items</td><td>0.6</td><td>0.7</td><td>1.8</td></tr>
<tr><td>Adjusted gross profit</td><td>44.4</td><td>87.7</td><td>170.1</td></tr>
</table></td></tr>
<tr><td>Adjusted gross profit margin</td><td>None</td><td>Calculated as adjusted gross profit divided by revenue</td></tr>
<tr><td>Adjusted operating profit</td><td>Operating profit</td><td>Calculated as operating profit before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. This is a key management incentive metric.<br><br>Charges associated with acquisition of businesses include non-cash charges such as amortisation of acquired intangible assets and effect of fair valuation of acquired inventory. Cash charges include items such as transaction costs, earnout and deferred payments and significant costs relating to the integration of acquired businesses.</td></tr>
</table>

<table>
<tr><td></td><td></td><td>See Condensed Consolidated Income Statement for a reconciliation.</td></tr>
<tr><td>Adjusted operating profit margin</td><td>None</td><td>Calculated as adjusted operating profit divided by revenue. Progression in adjusted operating margin in an indicator of the Group's operating efficiency.</td></tr>
<tr><td>Adjusted operating expenses</td><td>Operating expenses</td><td>Calculated as operating expenses before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner.<br><br>The table below shows the reconciliation:<br>
<table>
<tr><th></th><th>Half year to 30 June 2020 £m</th><th>Half year to 30 June 2019 £m</th><th>Year to 31 December 2019 £m</th></tr>
<tr><td>Operating expenses</td><td>55.0</td><td>68.1</td><td>136.3</td></tr>
<tr><td>Charges associated with acquisition of businesses and other adjusting items</td><td>(6.2)</td><td>(6.2)</td><td>(18.6)</td></tr>
<tr><td>Adjusted operating expenses</td><td>48.8</td><td>61.9</td><td>117.7</td></tr>
</table></td></tr>
<tr><td>Adjusted profit before tax</td><td>Profit before tax</td><td>Calculated as profit before tax, before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. This is a key management incentive metric.<br><br>See the Condensed Consolidated Income Statement for a reconciliation.</td></tr>
<tr><td>Adjusted profit after tax</td><td>Profit after tax</td><td>Calculated as profit after tax, before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. This is a key management incentive metric.<br><br>See the Condensed Consolidated Income Statement for a reconciliation.</td></tr>
<tr><td>Adjusted basic earnings per share</td><td>Basic earnings per share</td><td>Calculated as adjusted profit after tax divided by the weighted average number of ordinary shares in issue during the period. This is a key management incentive metric.<br><br>See note 8 "Earnings per share".</td></tr>
<tr><td colspan="3">Cash Flow Measures</td></tr>
<tr><td>Free cash flow</td><td>Net cash from operating activities</td><td>Net cash from operating activities after proceeds from property, plant and equipment and software, purchase of property, plant and equipment, and capitalisation of software and development costs. This measure reflects the cash generated in the period that is available to invest in accordance with the Group's capital allocation policy.</td></tr>
</table>

| | | |
|---|---|---|
| Operating cash flow | Net cash from operating activities | Free cash flow before payment of interest, tax, restructuring costs, transaction costs relating to acquisition of businesses and integration costs. This is a measure of the cash generation and working capital efficiency of the Group's operations. Operating cash flow as a percentage of adjusted operating profit is a key management incentive metric. |

| | **Half year to 30 June 2020 £m** | Half year to 30 June 2019 £m | Year to 31 December 2019 £m |
|---|---|---|---|
| Net cash from operating activities | **2.6** | 23.8 | 48.6 |
| Proceeds from sale of property, plant, equipment and software | **0.1** | 0.1 | 0.5 |
| Purchase of property, plant and equipment | **(2.8)** | (2.6) | (6.2) |
| Capitalisation of software and development costs | **(5.7)** | (5.3) | (12.4) |
| **Free cash flow** | **(5.8)** | 16.0 | 30.5 |
| Add back: | | | |
| Interest paid | **3.6** | 2.2 | 4.3 |
| Tax paid | **1.2** | 1.1 | 6.3 |
| Payment of transaction costs relating to acquisition of businesses, earnout and retention bonuses, restructuring costs and integration costs | **3.5** | 0.4 | 3.4 |
| **Operating cash flow** | **2.5** | 19.7 | 44.5 |

| | | |
|---|---|---|
| **Other Measures** | | |
| Return on capital employed (ROCE) | None | Calculated as adjusted operating profit for the last twelve months divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings. This is a measure of the efficiency of the Group's asset base. |
| Adjusted EBITDA | Operating profit | Calculated as adjusted operating profit for the last twelve months before depreciation of tangible fixed assets and amortisation of intangibles (other than those already excluded from adjusted operating profit). |