

VITEC CREATIVE SOLUTIONS

Operational review

The Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for ICCs, 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, Wooden Camera and RTMotion. Products include wireless video transmission and lens control systems, monitors, camera accessories, live streaming and IP video devices, and software applications.

Revenue

£53.7m

↓ Down 20.7%

Adjusted operating profit*

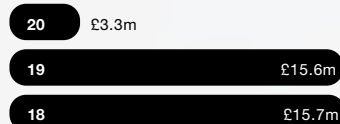
£3.3m

↓ Down 78.9%

Revenue



Adjusted operating profit*



Statutory operating (loss)/profit



* For Creative Solutions, before charges associated with acquisition of businesses and other adjusting items of £8.1m (2019: £10.3m).



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

Nicol Verheem
Divisional Chief Executive, Vitec Creative Solutions



Addressable market

Pre-pandemic, we estimated that the camera accessories market, focusing on content creators for products and services supplied by Vitec’s Creative Solutions Division, was worth around £0.5bn annually and growing at 6% CAGR over the 2019-2022 period. This included film, scripted television series, independent video and enterprise video production. During the pandemic, we believe the market temporarily reduced but that it will recover shortly. On top of this traditional TAM, we have identified a growth opportunity in the mid to high end, hardware-enabled live streaming market, for those companies looking for better quality, secure streaming with low latency (corporates, churches, medical, police, education, governments, etc.). We believe the addressable market to be c.£0.2bn in 2020 (c.£0.1bn in 2019 pre-pandemic) and growing fast. Vitec has a strong position due to its premium brands, market-leading technology and dedicated team of innovative product specialists with extensive experience in shooting both professional and amateur video content.

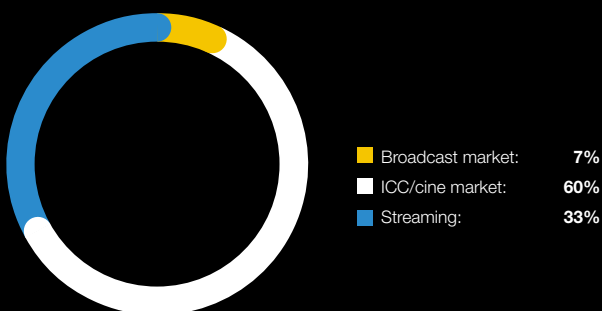
Market position

Vitec is the market leader in most of its product categories, providing leading products through our brands to the independent content creator, enterprise and filmmaker markets.

Operational review

Of our three Divisions, Creative Solutions has the greatest market opportunity, fastest area of growth and potentially the highest margins. We continue to expect a strong bounce back from the increasing spend on original content, although the exact timing is uncertain. Also, we are focusing on the 4K/HDR replacement cycle and the significant new streaming opportunity in both the cine and enterprise markets.

Target audience



Our brands

| Product category | Brand | Market position† |
|----------------------------|---------------|------------------|
| Video transmission systems | Teradek | 1 |
| Monitors | SmallHD | 1 |
| Lens control systems | Teradek | 3 |
| Live streaming | Teradek | 1 (in our niche) |
| IP video | Teradek | 3 |
| Camera accessories | Wooden Camera | 3 |

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

Vitec Creative Solutions (continued)



Operational review (continued)

Creative Solutions' revenue decreased by 20% to £53.7 million. While scripted TV shows and feature film productions were initially paused in response to COVID-19 and some have remained on hold, the revenue decline was less than in the other Divisions owing to revenue growth in the streaming market.

H2 2020 revenue was in line with H2 2019 at constant currency, which was significantly better than the 38% decline seen in H1. The improvement was driven by growth in streaming solutions, and cine production starting to recover.

The enterprise and independent content creator markets turned to Teradek as a trusted supplier to help them live stream news and information. Streaming solutions grew by c.50% compared to 2019. R&D investment is now underway to further improve the product range.

The cine market is estimated to be about 50% open and the scripted TV market is starting to recover, though feature films production is recovering more slowly. In California, productions remained open throughout the lockdown in Q4, with film and television production designated as "essential" businesses.

SmallHD 4K/HDR monitors began shipping in H2, to complete Creative Solutions' full range of 4K/HDR wireless video products. A lower end 4K Bolt was also launched in September to take advantage of opportunities in that segment of the market.

Creative Solutions continued to expand in the medical market, where Amimon's CONNEX medical solutions enable wireless procedures in operating theatres. Medical sales grew by c.80% compared to 2019, to £2.9 million.

Adjusted operating profit* decreased to £3.3 million driven by lower volumes (2019: £15.6 million, £9.1 million excluding SmallHD insurance proceeds), with an adjusted operating margin* of 6.1%. Adjusting for SmallHD insurance proceeds, which were included in profit but not revenue, the adjusted operating margin* in 2019 was 13.4%.

Statutory operating loss was £4.8 million (2019: £5.3 million profit), which included £8.1 million of charges associated with acquisition of businesses and other adjusting items (2019: £10.3 million).



Case studies

Launch of 4K/HDR – wireless video transmission eco-system

Designed to replace the installed base of HD transmitters and receivers, 2020 saw the launch of our new SmallHD 4K/HDR Production Monitors and the Teradek Bolt 4K LT, which completed the end-to-end 4K/HDR workflow of wireless video products for the cine market. Despite the temporary closure of many film sets during the pandemic, the 4K/HDR products have been well received.

Growth in Teradek live streaming solutions to enable customers to stay connected through the pandemic

2020 saw an exponential growth in the streaming of video across all industries to facilitate remote working. A wide range of customers, including enterprises, governments and schools, used Teradek's market-leading live streaming solutions to maintain communications with their employees, customers and communities during lockdowns. We believe that many forms of remote working will remain post-pandemic and are focusing our resources to invest in incorporating Amimon's unique technology to develop a patented, high quality, low latency, premium video streaming solution.

Teradek and SmallHD remote monitoring solutions promote safe film and television production

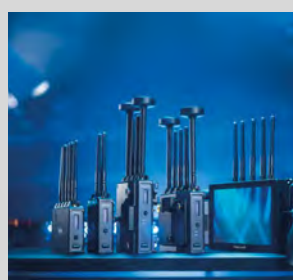
COVID-19 is driving fundamental and lasting structural changes to the cine market to enable safe productions and social distancing on set. This includes live streaming, more remote monitoring and remote production, and "back to work" legislation mandating more monitors on set. Throughout 2020, Teradek and SmallHD provided solutions to get cine customers back to work by enabling the collaboration of off-set personnel, post-production workflows and greater distance between crew on set.

Amimon's CONNEX medical solutions enable wireless procedures in operating theatres

From state-of-the-art endoscopy stations to in-light cameras, operating theatres are moving to wireless connectivity. The CONNEX product line uses Amimon's patented technology to wirelessly link high quality, zero-latency video between operating room cameras and displays to enable surgeons to safely conduct live endoscopy and camera monitoring procedures. Wireless technology removes the risk of tripping over cables during surgery, as well as eliminating the expense and time taken to sterilise cables. Medical sales grew by c.80% compared to 2019.

Creative Solutions awarded two Oscars

In February 2021, Creative Solutions received two Oscars (Scientific and Engineering Awards) from the Motion Picture Academy of Arts and Sciences, for the development of the Teradek Bolt wireless video transmission system and the Amimon wireless chipset technology that is incorporated within the Bolt. These awards reflect the team's technological expertise which has changed the way video content is produced. Amimon's unique technology inside the rugged Teradek Bolt has freed video cameras from the restriction of long and tethered cables, allowing creatives to deploy cameras in an entirely new and dynamic way.



Teradek's wireless 4K eco-system is incredibly dynamic – the same zero-delay wireless signal, but with huge improvements in colour and image detail. This amount of clarity allows me to make confident creative decisions in the field, because I know that what I'm seeing is exactly what the audience will see.

Jason Johnson
Digital Imaging Technician

I'm always on the run, so my gear has to be both lightweight and reliable.

Bolt 4K LT allows me to send perfect 4K/HDR wireless video to clients – it gives me the freedom to go wherever I need to be.

Graham Ehlers Sheldon
Producer and Director of Photography



Our crew learnt new storytelling possibilities with virtual production and collaborated through live streaming with Teradek products.

Greg Ciaccio
ASC Associate Member & Workflow Chair of the Motion Imaging Technology Council