

VITEC IMAGING SOLUTIONS

Operational review

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, ICCs, professional influencers, vloggers and enterprises. This includes camera supports and heads, camera bags, smartphone accessories, lighting supports, LED lights, lighting controls, motion control, audio capture and noise reduction equipment marketed under the most recognised accessories brands in the industry.

Revenue

£156.7m

↓ Down 20.3%

Adjusted operating profit*

£9.7m

↓ Down 64.2%

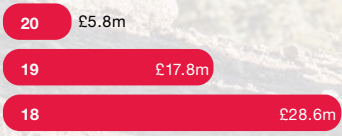
Revenue



Adjusted operating profit*



Statutory operating profit



* For Imaging Solutions, before charges associated with acquisition of businesses and other adjusting items of £3.9m (2019: £9.3m).



Image: Renan Ozturk



We are passionate about helping content creators elevate the quality of their portfolios to stand out in an industry where more still and video content is being produced and shared than ever before.

Marco Pezzana
Divisional Chief Executive, Vitec Imaging Solutions



Addressable market

Pre-pandemic, we estimated the addressable market for products manufactured by Vitec’s Imaging Solutions Division to be worth around £1.1 billion annually and growing at c.1% CAGR over the 2019-2022 period. During the pandemic, we believe the market temporarily reduced but that it will recover to 2019 levels in the near future. The photographic market represents 60% of this and ICCs make up the remainder. CSCs and smartphones have also been adopted by professionals and advanced consumers as the distribution of images via social media continues to grow. Vitec is focusing on the opportunity to develop and commercialise innovative, high end accessories for CSCs and smartphones, as well as its more traditional DSLR market. We sell our products globally via multiple distribution channels and increasingly online via our own direct e-commerce capability and third party platforms.

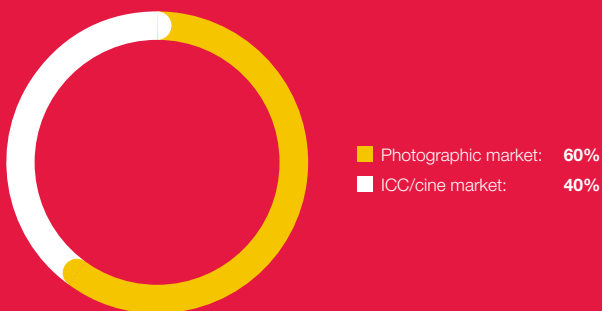
Market position

Vitec has leading premier brands in camera supports and heads, camera bags, smartphone accessories, motion control, lighting, audio capture and noise reduction equipment for the professional and enthusiast photographer, videographer, professional influencer and vlogger.

Operational review

We expect Imaging Solutions to recover well and we are focusing on the continued growth in the higher margin e-commerce channel and JOBY smartphone and compact system camera accessories, as well as new audio and motion control products.

Target audience



Our brands

Product category	Brand	Market position†
Supports	Avenger JOBY Gitzo Manfrotto	1
Bags	Lowepro Manfrotto National Geographic#	1
Lighting & controls	Colorama JOBY Lastolite by Manfrotto	2
Motion control & stabilisers	JOBY Syrp	New
Smartphonography	JOBY	1
Audio capture	JOBY Rycote	New

Manufactured under licence.

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

Vitec Imaging Solutions (continued)

Operational review (continued)

Imaging Solutions' revenue declined by 20% to £156.7 million and by 21% at constant exchange rates compared with 2020. Revenue in H2 declined by 9% at constant currency compared with 2020, as markets started to recover from the severe disruption in Q2 2020.

In the consumer segment (c.15% of Divisional revenue), there was strong growth in JOBY smartphone and compact system camera accessories, driven in part by the new vlogging kit launched at the start of 2020. JOBY smartphonography revenue grew by c.70% compared to 2019.

B2B revenue (c.10% of Divisional revenue) increased by 12% compared to 2019 due to demand for a variety of supports for thermal cameras, portable audio/video recording, distance learning, in-house photo studios and portable medical equipment.

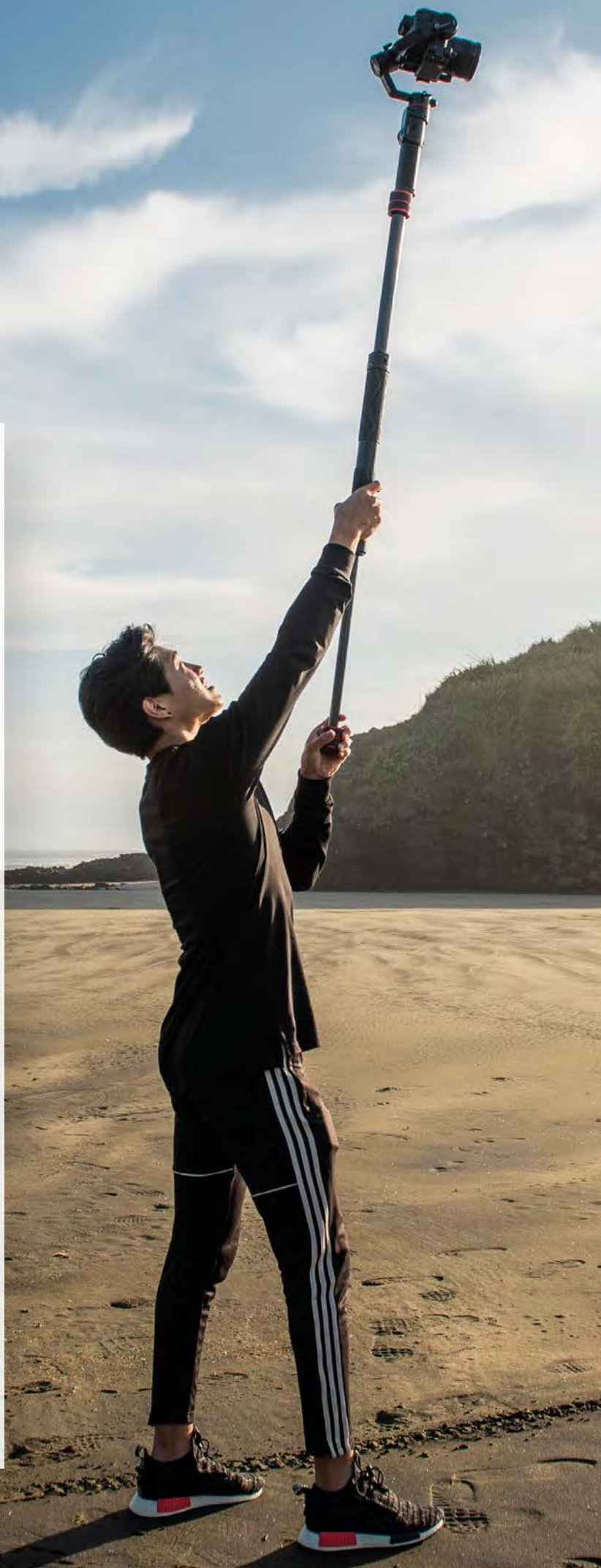
Lastolite Chroma Key Backgrounds revenue grew by c.90% compared to 2019. The backgrounds offered a low-cost, re-usable solution to enable production to continue by keying in location backgrounds in a strict COVID-controlled studio environment.

The professional (c.55% of Divisional revenue) and hobbyist (c.20% of Divisional revenue) segments saw significant declines in demand due to the global restrictions on travel and events, such as weddings, and the closure of physical retail outlets. While the markets started to recover in H2, they are estimated to still only be at 80% of the level they were pre-COVID. The destocking trend that occurred in 2019 continued into the first half of 2020 but now has ended.

In 2019, Imaging Solutions announced a restructure to benefit from the move to the higher margin e-commerce channel. As previously announced, this has been expanded following the accelerated shift to e-commerce as a result of the pandemic. The expected total investment is now £9.7 million and annual savings from 2021 of £7.0 million. In 2020, £1.6 million of expense was incurred and £3.0 million of cash cost, with £3.5 million incremental savings delivered. Cumulatively by the end of 2020, £7.4 million of expense and £5.9 million of cash cost has been incurred, with £4.9 million of savings delivered.

Adjusted operating profit* decreased to £9.7 million primarily due to lower volumes, partly offset by the mitigating actions taken (2019: £27.1 million). Adjusted operating margin* was 6.2%.

Statutory operating profit was £5.8 million (2019: £17.8 million), which included £3.9 million of charges associated with acquisition of businesses and other adjusting items (2019: £9.3 million).





Case studies

JOBY growth – THE accessory brand for smartphones and compact system cameras

JOBY launched a new brand strategy in early 2020, expanding its accessory product range for consumers and professional influencers to include lights and microphones. We also entered new distribution partnerships with global telecoms companies. Despite being launched just a few weeks before the first lockdown, 2020 sales of smartphonography accessories were up c.70% year-on-year, and in April, JOBY became the number two photographic support brand in the US, second to Vitec's Manfrotto brand at number one.

During 2021, production of some of the flagship JOBY GorillaPod products will be brought back to our automated facility in Italy from China. The “Made in Italy” stamp differentiates us from our competitors, gives us greater control of the design and manufacturing process, improves customer service, has a lower environmental impact, is cost competitive, and enables us to capture the manufacturing margins.

Digital acceleration with scalable direct e-commerce capabilities

2020 saw exponential growth in e-commerce and social media consumption. Vitec expanded the previously announced restructuring to improve our web marketing and e-commerce capabilities across all of Imaging Solutions' brands, where we outperform the competition and enjoy higher margins. The restructuring was completed during the year, rebalancing our sales and marketing competencies by channel. As a result, Imaging is positioned as the largest online community in the industry, and total direct e-commerce revenue grew c.50% year-on-year. We also continued to grow with our key e-commerce partners, and in 2020, approximately half of total Divisional revenue came from online platforms.

Manfrotto's all new Gimbal Collection comes to life

In an era where professional videographers and vloggers are looking to produce smooth and dynamic footage, Manfrotto developed a new line of handheld stabilisers which sold out within two weeks of the October 2020 launch. Manfrotto's gimbals are designed with intuitive LCD touchscreen controls and a quick attach mechanism, ideal for creative and high quality shots. Manfrotto is the first company to launch an integrated eco-system of gimbal supports, including an innovative gimbal-dedicated boom, “GimBoom”.

Rycote professional audio supports

In 2020, Vitec developed the new Rycote-branded quick release connection system (“PCS”) between microphones and a variety of stands and grips to improve the workflow for sound professionals and to enable social distancing, whether in the field, studio, or at live events. Made in Italy, the ergonomic design of the PCS ensures a simple and safe one-handed operation, while the new stands and grips allow sound professionals to flexibly, accurately and quickly position microphones and accessories in unusual settings.

The Manfrotto FAST GimBoom is an essential filmmaking tool that

allows me to elevate my shots and shooting angles. The GimBoom is unique – smaller form factor for travelling, fast set up time, sturdy carbon construction and mounting points for accessories such as monitors or mics.

Alan Stockdale

Filmmaker and producer



We are thrilled to see the PCS system becoming an industry standard, one-stop

solution for all mechanical connections in the audio broadcast world. Rycote's audio knowledge combined with Manfrotto's mechanical experience creates a unique system.

Timo Klinge

Audio Innovation Manager & CTO, Rycote

Lastolite's Panoramic Chroma Key background was a game changer.

A fantastic portable green screen that gave us the environment to produce broadcast quality webinars. We need the right tools to get the job done professionally and Lastolite provides the perfect solution.

Tuhin Dasgupta

CEO, Studio Stream and Toinspire Productions



90% year-on-year sales growth of Lastolite Chroma Key Backgrounds

Severe travel restrictions during the pandemic curtailed on-location filming and photographic shoots. Lastolite's Chroma Key Backgrounds offer a low-cost, re-usable solution to enable production to continue by keying in virtual location backgrounds in a strict COVID-controlled environment. The 2-metre distance rule was easily achievable against the 4-metre wide Panoramic background. In addition, the Panoramic Chroma Key was used extensively by businesses and schools to deliver online training and education.