The Vitec Group plc
Half year results 2013

> **Stephen Bird,** Group Chief Executive
> **Paul Hayes,** Group Finance Director
> 22 August 2013

A further improvement in operating margins in challenging markets

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VITEC GROUP

Agenda

- > **Overview**
  - > **Stephen Bird,** Group Chief Executive
- > **Financial Review**
  - > **Paul Hayes,** Group Finance Director
- > **Strategic and Operational Review**
  - > **Stephen Bird,** Group Chief Executive

Overview

> **Stephen Bird,**
> Group Chief Executive

VITEC GROUP

Overview

- Half year results in line with expectations with a 4.8% increase in operating profit*
- Further improvement in margins with a 190 bps increase in operating margin* to 12.6%
- First half sales in line with the second half of 2012 (excluding London Olympics)
- Videocom Division performed well in a challenging Broadcast & Video market; MAG activities benefited from contract awards
- Imaging Division delivered a good profit in a challenging market
- Restructuring and cost management to deliver increased savings
- On track to meet our full year expectations

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

Financial Review

> **Paul Hayes,**
> Group Finance Director

Continued growth in profit and margins in challenging markets

	H1 2013 £m	H1 2012 £m	Δ %	Δ Organic CER ** %
Revenue	157.6	176.5	(10.7%)	(9.0%)
Gross profit *	71.0	76.0	(6.6%)	
*Gross margin % **	*45.1%*	*43.1%*	*+200 bps*	
Operating expenses *	(51.2)	(57.1)	(10.3%)	(10.0%)
Operating profit *	19.8	18.9	4.8%	0.0%
*Operating margin % **	*12.6%*	*10.7%*	*+190 bps*	
Net finance expense	(2.2)	(1.4)		
PBT *	17.6	17.5	0.6%	(1.6%)
Adjusted EPS *	27.4p	27.0p	1.5%	
Dividend per share	8.9p	8.5p	4.7%	

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

** *Organic CER at Constant Exchange Rates excluding year on year effect of acquisition and disposal.*

- Revenue for H1 2013 broadly in line with H2 2012, excluding Olympics
- Focus on improving margins and controlling costs
- £5.9m lower operating expenses* through strong cost control and initial benefit of restructuring activities
- 4.8% increase in operating profit* and 190 bps improvement in operating margin*
- Finance costs in line with expectations
- Adjusted EPS* up 1.5% to 27.4p
- Interim dividend increased by 4.7%

Operating margin improvement in all three divisions

	Revenue			Operating Profit*			Operating Margin %		
	H1 2013 £m	H1 2012 £m	Δ £m	H1 2013 £m	H1 2012 £m	Δ £m	H1 2013 %	H1 2012 %	Δ % pts
Videocom	70.2	74.0	-3.8	8.7	8.4	+0.3	12.4%	11.4%	+1.0pts
Imaging *(excl. Staging)*	73.6	81.6	-8.0	10.9	11.1	-0.2	14.8%	13.6%	+1.2pts
*Staging ***	-	*7.0*	*-7.0*	-	*(0.7)*	*+0.7*	-	*n/m*	*n/m*
Services	13.8	13.9	-0.1	0.2	0.1	+0.1	1.4%	0.7%	+0.7pts
	157.6	**176.5**	**-18.9**	**19.8**	**18.9**	**+0.9**	**12.6%**	**10.7%**	**+1.9pts**

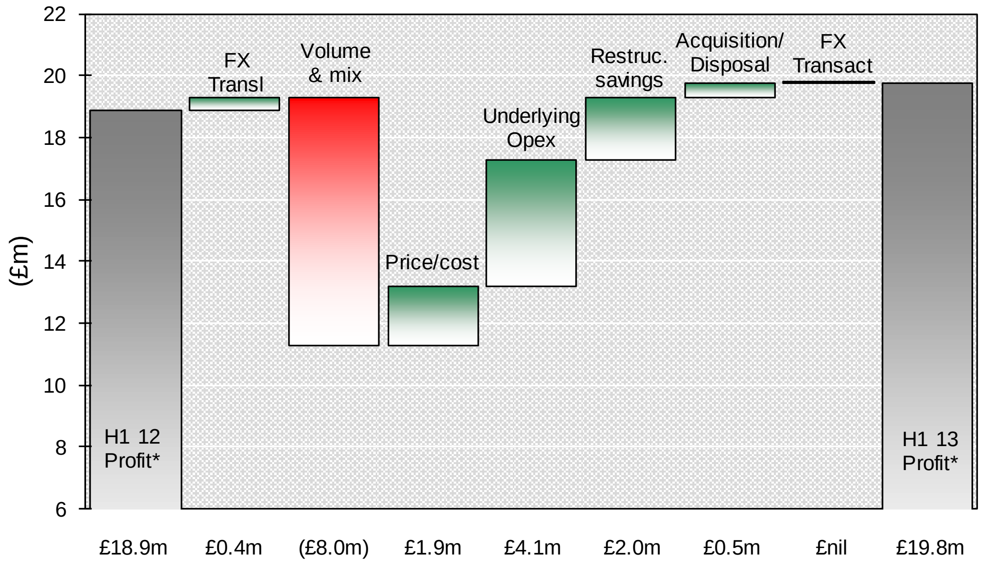
** Before restructuring costs and charges associated with acquired businesses. ** Staging disposed August 2012.*

Videocom
> Sales reflect a good performance in a challenging Broadcast & Video market and the benefit of a $5.8m US Department of Justice order
> Operating margins improved despite lower volumes through pricing initiatives, tight cost management and the initial benefit of restructuring

Imaging
> Delivered a good level of profitability through the benefits of cost control and restructuring in a challenging market

Services
> Focus on higher margin larger rentals and cost control

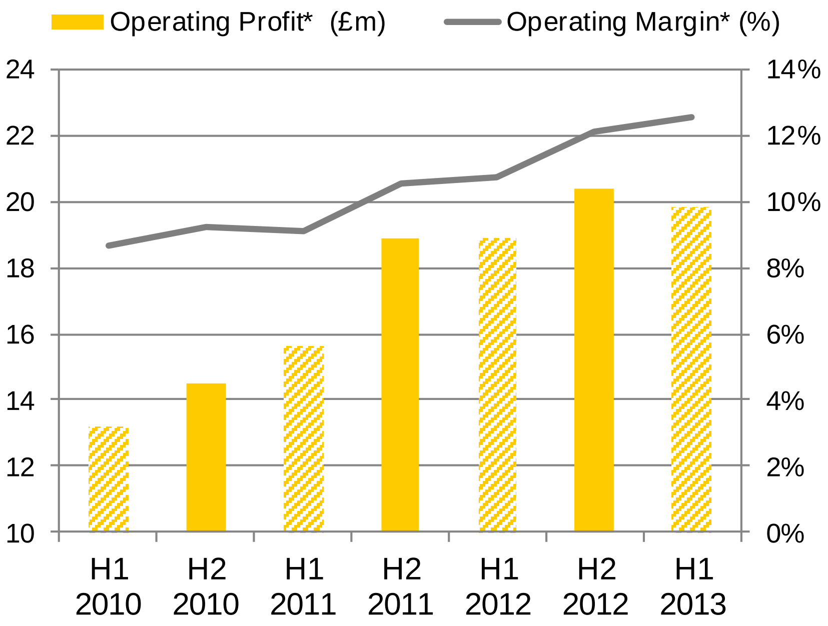
Operating profit reflects strong cost management and restructuring



** Operating profit before restructuring costs and charges associated with acquired businesses.*

- Volume and mix reflects challenging markets
- Price initiatives more than offset higher commodity costs
- Lower operating expenses delivered £4.1m benefit
- £2.0m of savings from the initial benefit of restructuring plans
- Net upside from disposal of loss making Staging business in August 2012

Restructuring activities progressing to plan, and to be supplemented



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

- The restructuring activities are on track including:
  - Expanding manufacturing in Costa Rica
  - Downsizing selected activities in UK, Israel and US
- Additional projects in Imaging and Services supplementing original plans
- £2m initial savings delivered in H1 2013 with around £5m forecast for the full year
- One-off costs expected to be approximately £12m of which £11m will be cash

Good cash flow generation

	H1 2013 £m	H1 2012 £m	Δ £m
Operating profit *	19.8	18.9	0.9
Depreciation [(1)]	7.2	7.0	0.2
Working capital	(4.5)	(16.8)	12.3
Restructuring costs	(3.5)	(0.3)	(3.2)
Other [(2)]	(1.2)	(0.2)	(1.0)
Cash generated from operations	**17.8**	**8.6**	**9.2**
Capital expenditure [(3)]	(7.1)	(8.6)	1.5
Proceeds from asset sales	1.3	0.5	0.8
Net interest and tax paid	(4.1)	(3.4)	(0.7)
Free cash flow	**7.9**	**(2.9)**	**10.8**

- Seasonal net increase in working capital of £4.5m is significantly lower than prior year (H1 2012: £16.8m):
  - Inventory up £1.2m (H1 2012: £6.9m increase)
  - Trade receivables up £4.4m (H1 2012: £8.5m increase) with continued good ageing position
- Capital expenditure in line with plans
- Good free cash flow for the first half after £3.5m of restructuring outflows

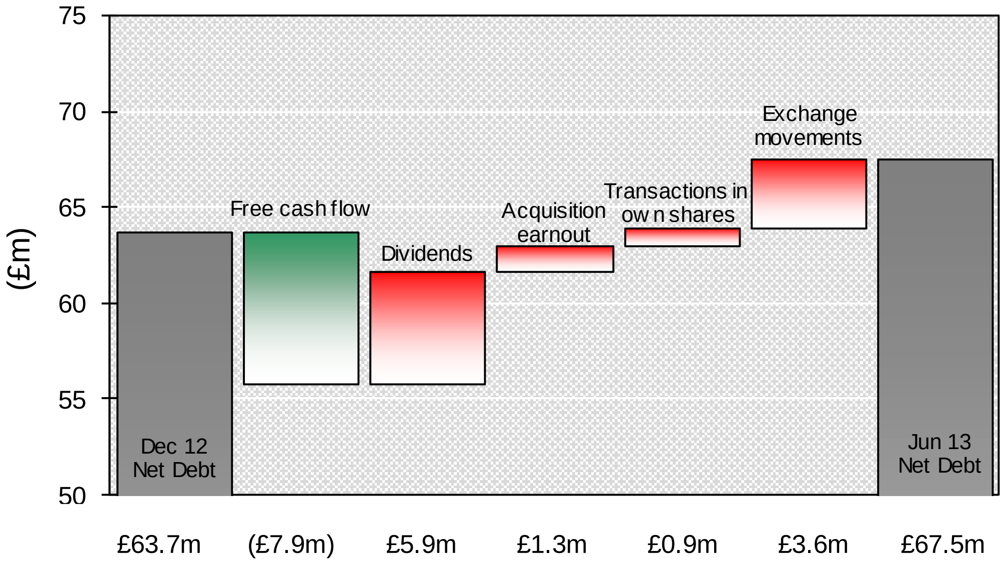
** Before restructuring costs and charges associated with acquired businesses .*

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

[(2)] Includes change in provisions, share based charges, gain on disposal of PPE, fair value derivatives and transaction costs relating to acquisitions.

[(3)] Purchase of PPE and capitalisation of software and development costs.

Strong balance sheet



- Net debt remains steady before £3.6m of adverse exchange rate movements
- Exchange rate movements predominantly reflect impact of strengthening of US$ on borrowings
- £1.3m acquisition outflow relates to the payment of Haigh-Farr's earn-out for 2012
- Net debt : EBITDA of 1.2x (Dec 2012: 1.2x)
- Significant headroom with £133m of banking facilities

Other financial points

- Tax
  - Our tax rate reflects the geographic split of our operations
  - The effective tax rate is now expected to be 32% in 2013 (2012: 33%)

- Amortisation of acquired intangibles
  - There were £12.0m of acquired intangibles on the balance sheet at 31 December 2012
  - £2.1m of acquired intangibles to be amortised in 2013; thereafter the remaining £9.9m to be amortised over six years on average

- Factors affecting net debt in the second half
  - Approximately £7.5m of further cash outflows in addition to the £3.5m spent to date from streamlining of certain operations in H2 2013

Financial Review: Summary

- H1 2013 performance in line with expectations
- Streamlining of operations in 2013 progressing well
- Continued improvement in margins
- Good cash flows
- Interim dividend increased by 4.7% to 8.9 pence per share
- Well positioned to benefit from any upturn in our markets

Strategic & Operational Review

> **Stephen Bird,** Group Chief Executive

Market Conditions

- Videocom Division
  - Flat demand in a challenging Broadcast & Video market
  - Business is well positioned with a broad geographic reach in the premium end of the market
  - MAG market reflects subdued investment by US government agencies
  - Benefit of $5.8m contract from US Department of Justice (DoJ) in first half
- Imaging Division
  - Reduction in shipment of interchangeable lens cameras during H1 2013
  - Outlook for interchangeable lens camera sales to recover in late 2013
  - Products performing well with market share gains
- Services Division
  - Remains at the forefront of developments in the Broadcast rental market

Videocom

Improved operating margins despite lower volumes

	H1 2013 £m	H1 2012 £m	Δ %
Revenue	70.2	74.0	(5.1%)
Operating profit *	8.7	8.4	3.6%
Operating margin % *	12.4%	11.4%	+1.0pts

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

Vitec Videocom

- Order intake modestly behind prior year
- Core supports business performing well
- Litepanels LED lights maintained market leading position
- MAG benefited from $5.8m DoJ contract
- Streamlining of UK and US operations
- Transfer of manufacturing to Costa Rica on plan
- Operating margin* improving to 12.4%

Imaging (excluding Staging)

Improved margins

	H1 2013 £m	H1 2012 £m	Δ %
Revenue	73.6	81.6	(9.8%)
Operating profit *	10.9	11.1	(1.8%)
Operating margin % *	14.8%	13.6%	+1.2pts

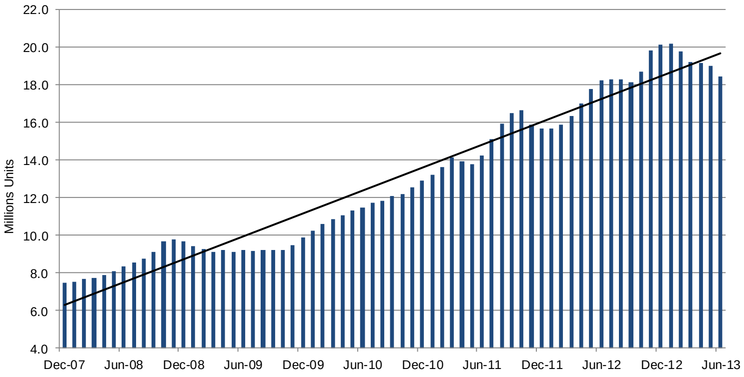
* *Before restructuring costs and charges associated with acquired businesses.*

Manfrotto Befree

- Improved operating margin* to 14.8% through management of pricing and costs
- Increasing market share in a challenging market
- Sales of Powerbrand range continues to grow
- Further new product launches underway including products for our professional and hobbyist customers
- Restructuring initiatives in Europe and Israel progressing well

Developments in the Imaging market

Shipments of interchangeable lens cameras – moving 12 month totals (millions)



Source: CIPA

- Sales of new cameras is a key driver in the photographic market
- Reduction in the shipment of interchangeable lens cameras since last year
- Large installed base of interchangeable lens cameras following many years of sales growth
- Market research* indicates an increase in interchangeable lens camera sales in late 2013
- Imaging is well positioned, with increased market share supported by new product launches
- New cameras being launched including wirelessly enabled mirrorless or compact system cameras

** Source: GFK*

Services

Focus on margins and cash

	H1 2013 £m	H1 2012 £m	Δ %
Revenue	13.8	13.9	(0.7%)
Operating profit *	0.2	0.1	100.0%
Operating margin % *	1.4%	0.7%	+0.7pts

* *Before restructuring costs.*

- Important role in driving sales of other divisions' products
- Focus on pricing and improving asset utilisation in a competitive market
- Cost base reduced

Bexel

bexel

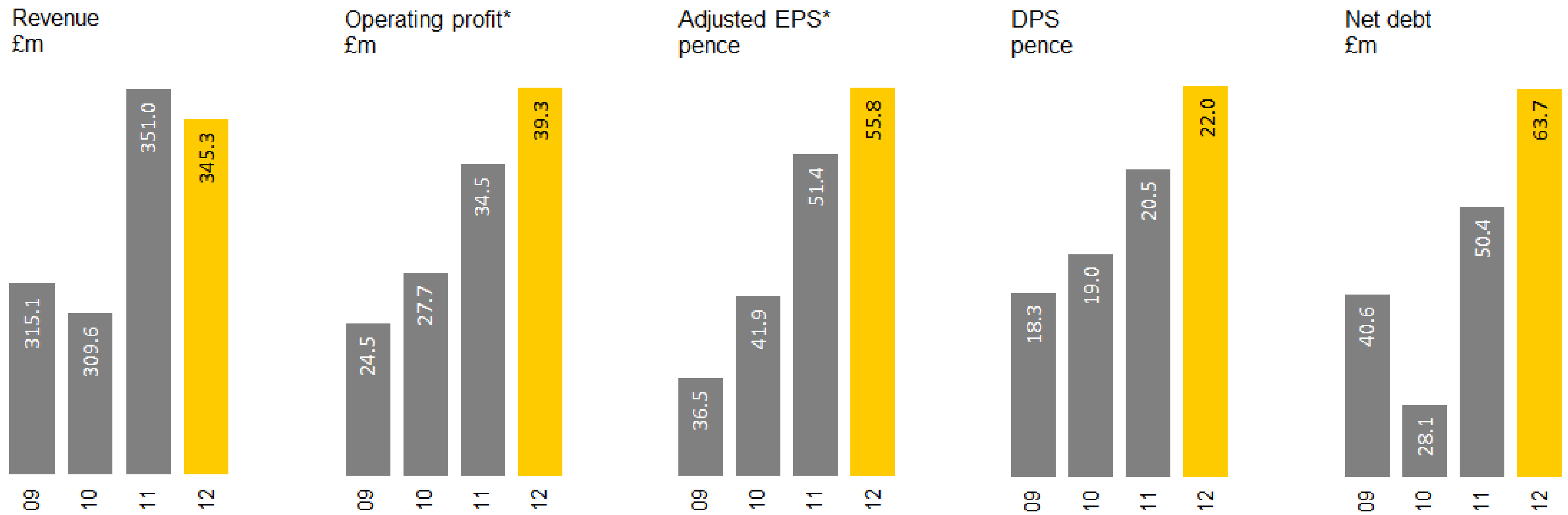
Summary and Outlook

- Operating profit increased by 4.8% in the first half
- Growth in operating margins in all divisions
- Restructuring and cost management delivering increased savings
- Continuing to focus on new product development
- Our acquisitions have performed well and we continue to examine further opportunities
- On track to meet our full year expectations

Questions

Appendices

Key financial measures – Full year



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

Vitec at a glance

Videocom

			FY 2012
Premium Broadcast Equipment	*Supports, LED Lighting, Mobile Power, Bags, Prompters, Robotic Camera Systems*	Revenue	£146.2m
Integrated Microwave Solutions (MAG)	*Video Transmission Devices, Receive Systems, Speciality Antennas*	Operating Profit*	£15.8m
		Operating Margin* %	10.8%

Imaging

Premium Photographic Equipment

Supports, Bags, LED Lighting & Lighting Accessories

FY 2012	*As reported‡*	Exc. Staging‡
Revenue	*£166.1m*	£157.9m
Operating Profit*	*£22.3m*	£22.9m
Operating Margin* %	*13.4%*	14.5%

NATIONAL GEOGRAPHIC **

Services

Broadcast Production Support

Equipment Rental and Used Equipment Sales, Fibre Optic Integration and Installation

	FY 2012
Revenue	£33.0m
Operating Profit	£1.2m
Operating Margin %	3.6%

* Before charges associated with acquired businesses

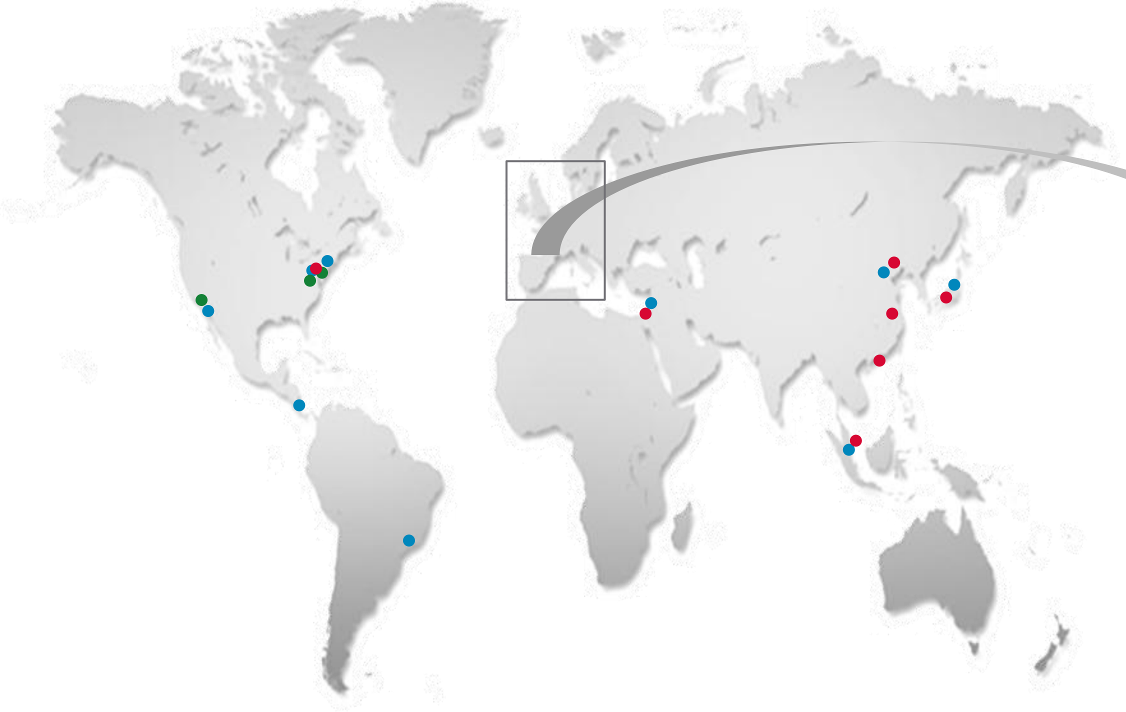
** Manufactured and distributed under licence

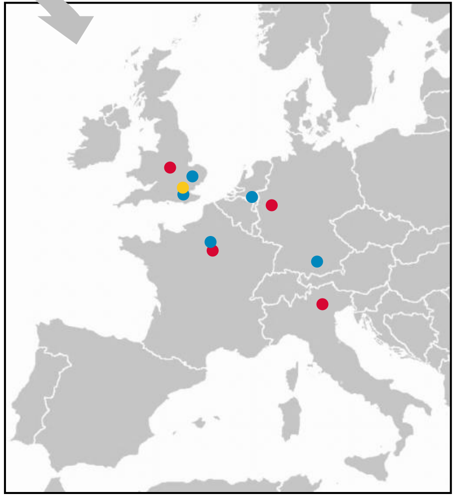
‡ Reported results include the Staging business (disposed in H2 2012)

Geographic reach

- Wide geographic spread
- Sites in 12 countries; sell into 100+ countries
- Sales: UK accounts for only 8% of revenue

Destination	*% of revenue*		
	HY 2013	*FY 2012*	*FY 2011*
UK	8	10	7
Rest of Europe	24	23	26
North America	45	45	45
Asia Pacific	18	17	17
RoW	5	5	5





A clear strategy to drive shareholder value

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

Established track record in improving Group margins

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

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

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

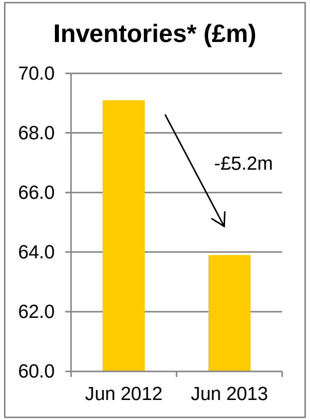
Working capital overview

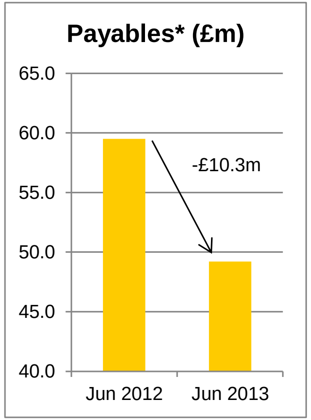
Movement in Working Capital

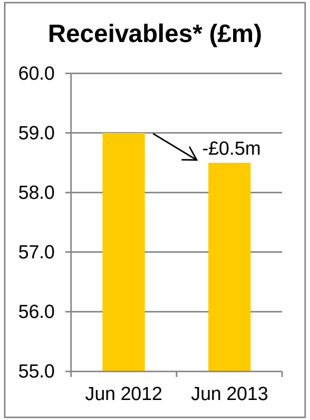
	H1 2013 £m	H1 2012 £m	Δ £m
Decrease / (increase) in inventories	(1.2)	(6.9)	5.7
Decrease / (increase) in receivables	(5.6)	(11.5)	5.9
(Decrease) / increase in payables	2.3	1.6	0.7
Total	**(4.5)**	**(16.8)**	**12.3**

Gross Trade Receivables* - Days Overdue**

	H1 2013 £m	H1 2013 %	H1 2012 £m	H1 2012 %	Δ £m
Current	38.9	*81%*	40.2	*82%*	-1.3
1-30 Days	5.6	*12%*	6.1	*12%*	-0.5
31-60 Days	1.4	*3%*	1.2	*2%*	+0.2
> 60 days	1.8	*4%*	1.8	*4%*	+0.0
Total	**47.7**		**49.3**		**-1.6**







** H1 2012 excludes Staging disposed in August 2012.*

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

Borrowings

- Revolving credit loan facility of £100m negotiated in July 2012
  - Committed until July 2017 with 5 relationship banks
  - Margin at 187 bps over LIBOR
  - Significant covenant headroom
  - Average income statement charge of borrowing 4.2% of utilised facility
- Private Placement shelf facility established in 2011
  - $50m drawn down at June 2013 (Dec 2012: $50m)
  - Blended interest rate of 4.77%
- June 2013 Net Debt of £67.5m (Dec 2012: £63.7m)
  - Net Debt to EBITDA ratio of 1.2x (Dec 2012: 1.2x)

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

	H1 2013 £m	H1 2012 £m	Δ £m
Profit before tax*	17.6	17.5	0.1
Restructuring costs [1]	(6.2)	-	(6.2)
Charges associated with acquired businesses:			
Amortisation of acquired intangibles	(1.3)	(1.6)	0.3
Contingent consideration since date of acquisition [2]	-	0.2	(0.2)
Transaction costs relating to acquisitions [3]	-	(0.3)	0.3
Profit before tax	**10.1**	**15.8**	**(5.7)**

	H1 2013 £m	H1 2012 £m	Δ £m
Profit after tax*	12.0	11.7	0.3
Restructuring costs and charges associated with acquired businesses	(7.5)	(1.7)	(5.8)
Tax on restructuring costs and charges associated with acquired businesses	2.0	0.5	1.5
Profit after tax	**6.5**	**10.5**	**(4.0)**
Weighted average number of shares ('000)	43,762	43,369	
Adjusted EPS * (pence)	27.4	27.0	0.4
Basic EPS (pence)	**14.9**	**24.2**	**(9.4)**

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

(1) One-off restructuring costs of £6.2m relate to the Group streamlining certain operations by downsizing selected activities in the UK, Israel and US and expanding its manufacturing capabilities in Costa Rica to further shift to lower cost manufacturing.

(2) A contingent consideration of £0.7 million provided within goodwill at 31 December 2011 in respect of a prior period acquisition (Manfrotto Lighting, previously Lastolite) was reversed by £0.2 million in H1 2012.

(3) £0.3 million transaction costs were incurred in relation to the acquisition of Camera Corps in April 2012.

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Foreign exchange update

Year on year effect on operating profit	£/$	€/$	£/€	Translation £m	Transaction £m	Total £m
Average FY03	1.63	1.13	1.45	1.2	(2.3)	(1.1)
Average FY04	1.82	1.24	1.47	(0.9)	(3.9)	(4.8)
Average FY05	1.82	1.24	1.46	0.1	(1.0)	(0.9)
Average FY06	1.84	1.25	1.47	(0.2)	(0.5)	(0.7)
Average FY07	2.00	1.37	1.47	(1.3)	(2.4)	(3.7)
Average FY08	1.85	1.46	1.26	3.8	(1.7)	2.1
Average FY09	1.56	1.40	1.12	6.6	3.9	10.5
Average FY10	1.55	1.33	1.17	(0.3)	2.0	1.7
Average FY11	1.60	1.39	1.15	(0.3)	0.8	0.5
Average FY12	1.58	1.29	1.23	(0.5)	0.1	(0.4)
Average H109	1.49	1.34	1.11	4.8	2.0	6.8
Average H110	1.53	1.33	1.15	(0.3)	1.8	1.5
Average H111	1.61	1.40	1.15	(0.3)	(0.7)	(1.0)
Average H112	1.58	1.30	1.21	0.0	0.7	0.7
Average H113	1.54	1.31	1.17	0.4	0.0	0.4

Videocom – Broadcast products

LITE PANELS

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Videocom – MAG products

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