The Vitec Group plc

Full year results 2011

> **Stephen Bird,** Group Chief Executive

> **Paul Hayes,** Group Finance Director

> 1 March 2012

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Agenda

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

Highlights

> **Stephen Bird,** Group Chief Executive

Highlights

- Revenue up 13.4%; operating profit* up 24.5%
- Broadcast and Video markets continue to grow
  - *Growth in core and new products*
  - *Geographically diverse contract wins*
- Photographic market expansion
  - *Manfrotto Powerbrand launch ahead of expectations*
  - *Lastolite trading in line with expectations and successfully integrated*
- Acquisition of Haigh-Farr to complement our MAG activities
- Recommended final dividend increase of 9.6% to 12.5 pence per share. Full year total dividend increased to 20.5 pence per share

** Before significant items*

Financial Review

> **Paul Hayes,** Group Finance Director

VITEC GROUP

Income statement

	2011 £m	2010 £m	Δ %	Δ Organic CER ** %
Revenue	351.0	309.6	13.4%	15.0%
Gross margin %	*41.6%*	*40.9%*	*+0.7 pts*	
Operating profit *	34.5	27.7	24.5%	18.0%
*Operating margin % **	*9.8%*	*8.9%*	*+0.9 pts*	
Net finance expense*	(1.5)	(1.0)	50.0%	
PBT *	33.0	26.7	23.6%	16.8%
Basic EPS *	51.4p	41.9p	22.7%	15.9%
Dividend per share	20.5p	19.0p	7.9%	

- Revenue up 13.4% in reported terms and 15.0% in organic constant currency
- Gross margin* improved from 40.9% to 41.6%
- Operating margin* increased by 90bpts to 9.8%
- Net finance expense of £1.5m up £0.5m on the prior year
- EPS up 22.7% to 51.4p
- Total dividend increased by 7.9% and is covered 2.5x by earnings per share*

* *Before significant items*

** *Organic CER: at Constant Exchange Rates excluding year on year effect of acquisitions and disposals*

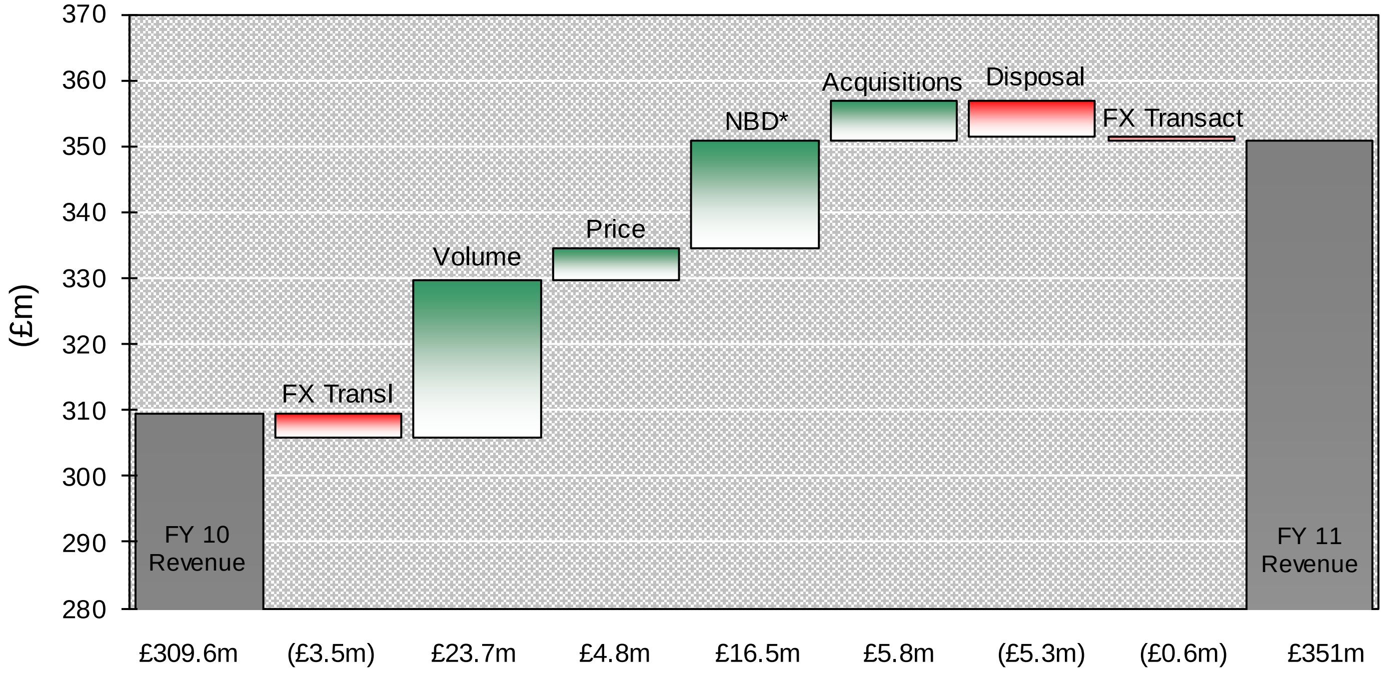
Organic revenue up 15.0% in constant currency terms

Division	2010 £m	*FX £m*	*Adjusted 2010* £m*	2011 £m	*Δ %*	Δ Organic CER £m	*Δ %*
Videocom	121.6	*(1.3)*	*120.3*	136.2	*13.2%*	21.1	*18.4%*
Imaging & Staging	153.7	*(2.0)*	*151.7*	183.2	*20.7%*	25.8	*16.9%*
Services	34.3	*(0.8)*	*33.5*	31.6	*(5.7%)*	(1.9)	*(5.7%)*
Total Revenue	**309.6**	***(4.1)***	**305.5**	**351.0**	*14.9%*	**45.0**	*15.0%*

* *Restated at 2011 average rates and eliminating FX transaction effects.* *Note: Clear-Com disposed in 2010, revenue £5.3m*

- Videocom:
  - Continued growth in broadcast market for supports, mobile power and LED lights
  - Haigh-Farr to complement our MAG activities
- Imaging & Staging:
  - Powerbrand products are selling well
  - Good sales of supports and bags
  - Successful integration of Lastolite lighting accessories business adding £5.7m of external revenue
- Services:
  - An improved performance in a non-Olympic year partly as a result of one-off asset sales

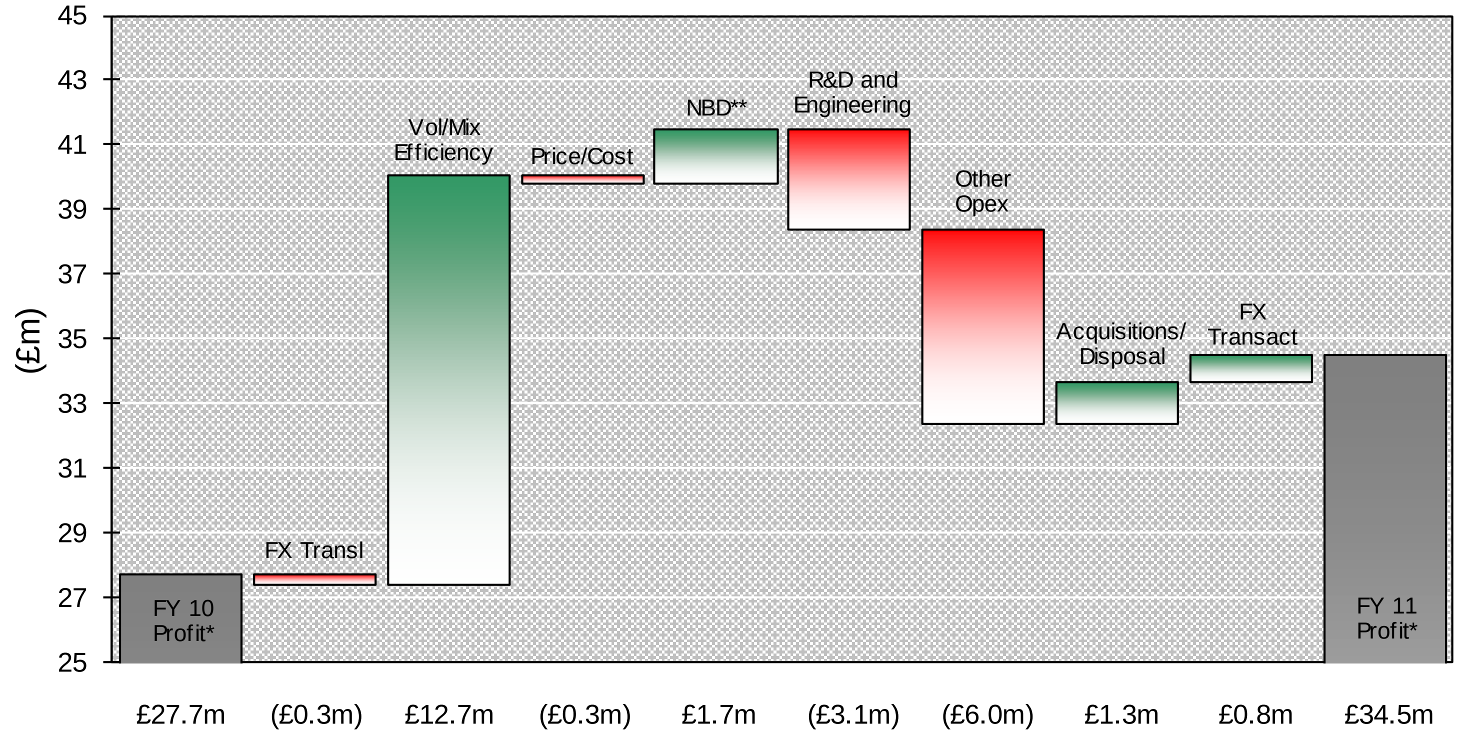
Revenue bridge



*NBD: new business development

- Volume growth added £23.7m with price increases generating £4.8m
- £16.5m from the launch of new product families
- Acquisition of Lastolite on 4th March 2011 and Haigh-Farr on 15th December 2011
- Disposal of Clear-Com in April 2010

Operating profit bridge



** Operating profit before significant items ** NBD: new business development*

> Volume/mix contributed £12.7m of margin

> NBD mainly reflected progress with Powerbrand compared to some initial costs in 2010

> Continued underlying investment in NPD at 4% of product sales after adjusting for capitalised costs in 2010

> Other operating expenses increased with volume and £1.1m of inflation

> Net £1.3m from Lastolite (£0.9m); sale of Clear-Com (+£0.4m) and two weeks of Haigh-Farr

> Favourable £0.5m total impact from FX after £1.8m in net hedging benefit year-on-year.

Cash generated from operations

	2011 £m	2010 £m	Δ £m
Operating profit *	34.5	27.7	6.8
Depreciation **	14.9	15.0	(0.1)
Working Capital ***	(6.3)	(2.7)	(3.6)
Restructuring costs	(0.6)	(4.4)	3.8
UK pension funding	(0.6)	(0.6)	-
Provisions / Other	(2.0)	(0.4)	(1.6)
Cash generated from operations	39.9	34.6	5.3

- Continued focus on working capital at 15.9% of sales (Dec 10: 15.8%)
- Inventory days increased to 109 days (Dec 10: 104 days)
- Trade receivable days improved to 38 days (Dec 10: 39 days)
- Provisions/other includes adjustments for one-off profits on asset disposals

* *Operating profit before significant items*

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

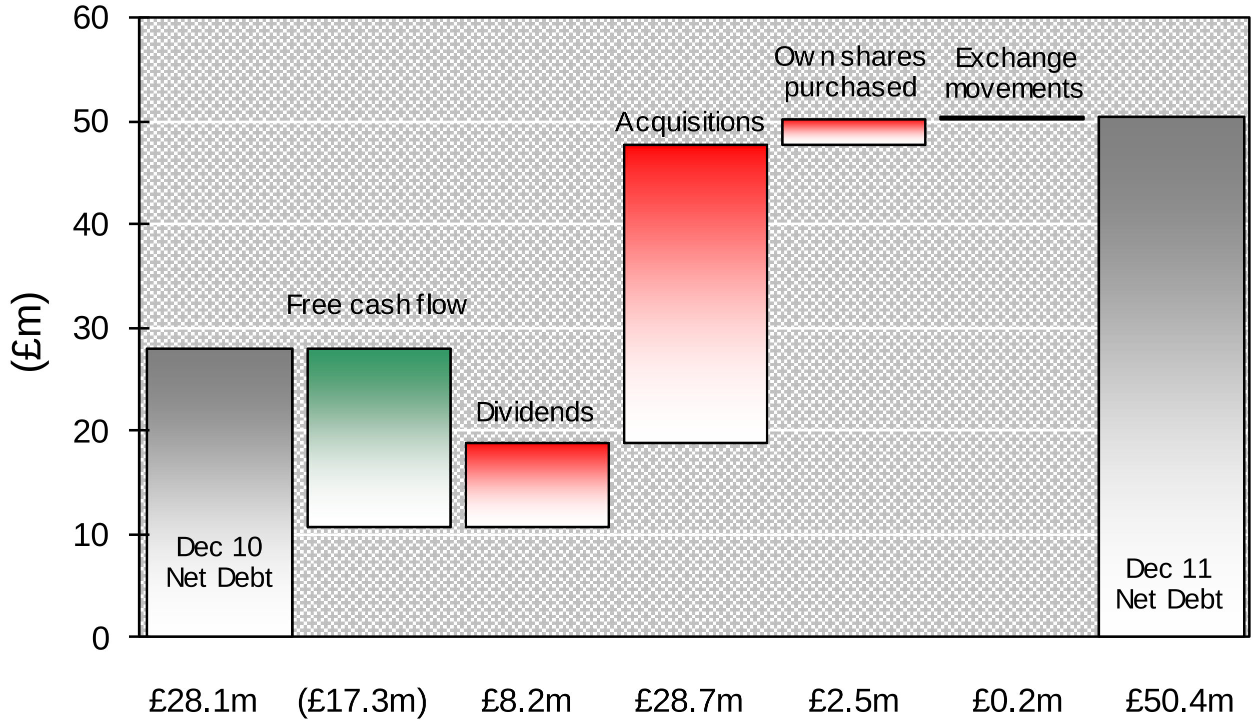
*** *Change in working capital before significant items. Working capital ratio and metrics above exclude Haigh-Farr which was acquired in December 2011*

Free cash flow

	2011 £m	2010 £m	∆ £m
Cash generated from operations	39.9	34.6	5.3
Capital expenditure	(16.0)	(15.0)	(1.0)
Capitalised development costs	(0.1)	(1.5)	1.4
Proceeds from asset sales	6.4	2.0	4.4
Net interest paid	(1.8)	(1.2)	(0.6)
Net tax paid	(11.1)	(0.9)	(10.2)
Free cash flow	17.3	18.0	(0.7)

- Increase in capital expenditure is primarily investment in IT systems
- 2010 capitalised development costs reflect the investment in Powerbrand and MAG
- Proceeds from asset sales include the disposal of three buildings in 2011. Minimal profits from property transactions
- Higher net interest paid is due to increase in net debt and higher average net cost of borrowings at 2.3% (2010: 1.3%)
- Increase in 2011 tax paid reflecting higher profits and payments on account in Italy and the UK. The prior year included the benefit of £4.3m of refunds for Germany and the USA

Net debt bridge



- Net debt increased to £50.4m after £28.7m of acquisitions
- Net debt to EBITDA of 1.0x (Dec 2010: 0.7x)
- Significant headroom against banking covenants

Other financial points

- Interest
  - *A full year of the $50m Private Placement shelf facility*
  - *Potential increase in interest cost in 2012 reflecting expected new revolving credit facility*
- Tax – Effective tax rate
  - *33% headline charge (FY 10: 33%)*
  - *FY 12 guidance: 33%*
- Amortisation of acquired intangibles
  - *Acquired intangibles balance at Dec 11 was £12.9m (2010: £2.7m) comprising £2.6m from the Lastolite acquisition and £10.3m from the Haigh-Farr acquisition.*
  - *Acquired intangibles relating to all previous acquisitions have been fully amortised.*
  - *Current balance to be amortised over 6 years on average.*
- Goodwill fully impaired in Staging
  - *There was a one-off, non-cash, £5.2m impairment charge against the investment in Staging.*

Financial Review: Summary

- Strong performance in 2011
- Two value adding acquisitions
- Good free cash flow and a continued focus on working capital management
- Strong balance sheet

Strategic & Operational Review

> **Stephen Bird,** Group Chief Executive

Market conditions and update

- Broadcast and Video market growing
  - *Drivers of technology change and proliferation of video capture remain strong*
  - *Broadcasters continuing to invest*
  - *2012 Olympics and US Presidential elections*
- Photographic market continues to grow
  - *Core professional segment remains robust*
  - *The launch of Powerbrand products to consumers is ahead of expectations*
  - *We are well positioned to take advantage of the shift to CE and internet retailers*
- MAG making good progress
  - *Intelligence, surveillance and reconnaissance sector of MAG market continues to show long-term opportunity*
  - *First success in UAV market*
  - *Timing of orders difficult to predict*

3 market strategy

Videocom

Broadcast customers continue to invest

	2011 £m	2010 £m	Δ %	Δ Organic CER ** %
Revenue	136.2	121.6	12.0%	18.4%
Operating profit *	12.7	8.4	51.2%	31.0%
Operating margin % *	9.3%	6.9%	2.4 pts	0.8 pts

* *Operating profit before significant items*

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

Litepanels and Autoscript at Nova TV

- Strong growth particularly in Asia Pacific
- Litepanels revenue growth up c.20% at CER with benefit of full enhanced product range
- Anton/Bauer batteries grew strongly with growth in broadcast and film markets
- IMT has supplied products to US DoJ and Army for unmanned applications
- Acquisition of Haigh-Farr in December 2011 will complement our other MAG activities

Haigh-Farr: Acquired on 15th December 2011

The Haigh-Farr Wraparound™ Antenna

- Market leading position in conformal antennae
- Strong management. Strong brand
- Good breadth of programmes and customers on which it is specified including Lockheed Martin, Raytheon and Saab
- Synergies with customer base and technology for unmanned applications
- Good progress on business integration

Imaging & Staging

Good growth in photographic products

	2011 £m	2010 £m	Δ %	Δ Organic CER ** %
Revenue	183.2	153.7	19.2%	16.9%
Operating profit *	21.2	18.9	12.2%	11.2%
Operating margin % *	11.6%	12.3%	(0.7) pts	(0.6) pts

*   *Operating profit before significant items*

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

Manfrotto Powerbrand

- Significant investment in launch of Manfrotto Powerbrand which has gone well
- We are taking market share and sales are ahead of expectations.
- Bags business grew with sales of Kata, Manfrotto and National Geographic product up approximately 40% at CER
- Lastolite added £5.7m of revenue and £0.9m of profit
- Staging continued to experience weak markets but boosted by one-off orders

Manfrotto Powerband

- Major global launch events in: New York, Beijing, Hong-Kong, Berlin, London and Venice
- Major distributors hosted similar events worldwide
- Very encouraging response from CE channels and internet retailers in particular
- Sell-in ahead of expectations
- Independent research on sell-out confirms we are taking share in both the US and Europe
- Customers pleased with sell-out despite uncertainty in the CE sector

Services

Should benefit from major entertainment and political events

	2011 £m	2010 £m	Δ %	Δ CER* %
Revenue	31.6	34.3	(7.9%)	(5.7%)
Operating profit	0.6	0.4	n/m	n/m
Operating margin %	1.9%	1.2%	0.7 pts	0.7 pts

* *CER: at Constant Exchange Rates*

> New contracts with ESPN in US

> One off sales of equipment to a major customer in H2 2011

> Focus on larger customers and events

> Prepared for 2012 Olympics in London

> Important role in driving sales of other divisions' products

Bexel 3D

Geographic reach

- Wide geographic spread
- Sites in 14 countries; sell into 100+ countries
- Sales: UK accounts for only 7% of revenue
- Growth in Asia/Pacific to 17% of revenue

	% of revenue		
Destination	*2011*	*2010*	*2009*
N America	45	47	50
Europe	33	31	31
Asia-Pacific	17	16	13
RoW	5	6	6

Summary and outlook

- > *The strategy and its execution have delivered another year of profitable growth*
- > *Strong sales growth in Broadcast market aided by global presence and market leading products*
- > *Investment in NPD continues and launch of Powerbrand ahead of expectations*
- > *Addition of market leading products and technologies through Lastolite and Haigh-Farr acquisitions*
- > *Good initial progress into the MAG market*

- > Although the macroeconomic environment is uncertain, Vitec is investing in three core markets that we believe have good underlying growth drivers. We therefore anticipate another year of progress in 2012

Questions

Appendices

Foreign exchange update

Year on year effect on profit	£/$	€/$	£/€	Translation £m	Transaction £m	Total £m
Average FY03	1.63	1.13	1.45	1.2	(2.3)	(1.1)
Average FY04	1.82	1.24	1.47	(0.9)	(3.9)	(4.8)
Average FY05	1.82	1.24	1.46	0.1	(1.0)	(0.9)
Average FY06	1.84	1.25	1.47	(0.2)	(0.5)	(0.7)
Average FY07	2.00	1.37	1.47	(1.3)	(2.4)	(3.7)
Average FY08	1.85	1.46	1.26	3.8	(1.7)	2.1
Average FY09	1.56	1.40	1.12	6.6	3.9	10.5
Average FY10	1.55	1.33	1.17	(0.3)	2.0	1.7
Average FY11	1.60	1.39	1.15	(0.3)	0.8	0.5

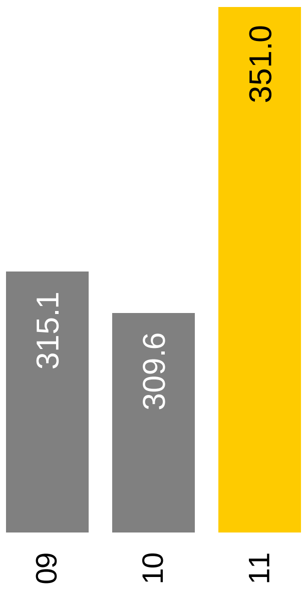
Negatives indicate an adverse effect

Borrowings

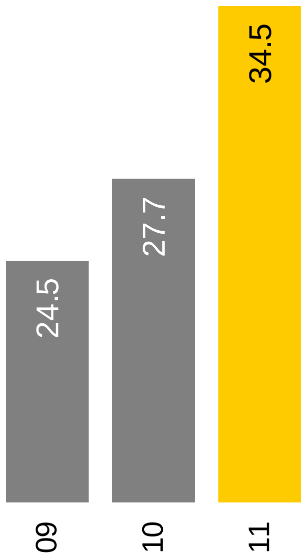
- Revolving credit loan facility of £100m
  - *Committed until August 2013*
  - *5 banks*
  - *Current interest at 0.95% over LIBOR*
  - *Utilisation as at 31 December 2011 £24.4m (Dec 10: £34.8 m)*
  - *Significant covenant headroom*
- New $75m Private Placement shelf facility established in 2011 to fund potential acquisitions. $50m (£32.2m) drawn (Dec 2010: £nil).
  - *Blended interest rate of 4.77%*
- December 2011 net debt of £50.4m (Dec 2010: £28.1m)
  - *Net debt to EBITDA ratio of 1.0x (Dec 2010: 0.7x)*

Key financial measures

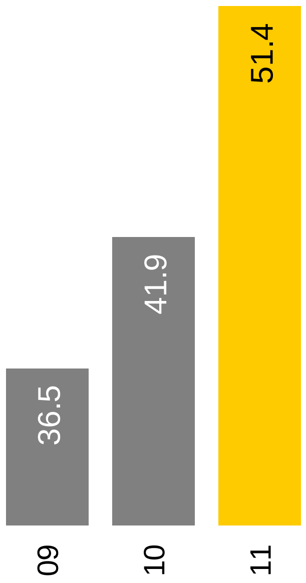
Revenue
£m



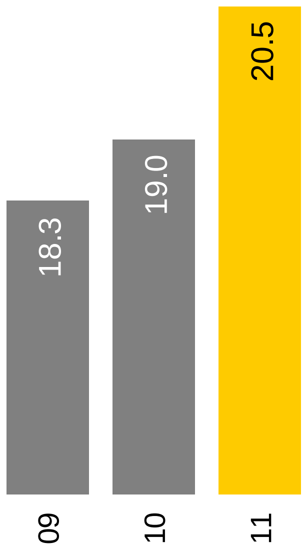
Operating profit*
£m



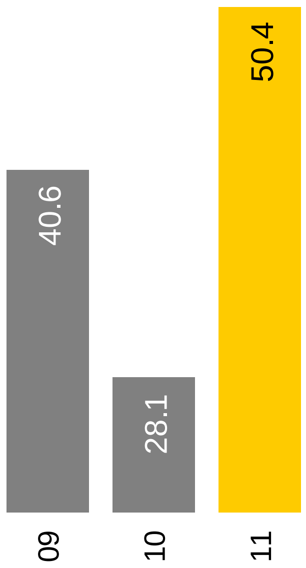
EPS*
pence



DPS
pence



Net debt
£m



* Before significant items

Three market strategy update 2011

Broadcast & Video £750m

- Continue to invest in LED lighting
- Expected growth rate: 7%

Photographic £830m

- Executing on Manfrotto Powerbrand strategy to expand product range and appeal to wider audience
- Expected growth rate: 5%

MAG £400m

- Grow IMT organically and via acquisition
- Expected growth rate: 5%

All three markets growing fast

*Management best estimates, market size as of 2011, market CAGR for 2011-14;

Vitec at a glance

Videocom

			2011
Premium Broadcast Equipment	*Supports, LED Lighting, Mobile power, Bags, Prompters*	Revenue	£136.2m
Integrated Microwave Solutions (MAG)	*Video Transmission Devices*	Operating Profit*	£12.7m
		Operating Margin* %	9.3%

Imaging & Staging

			2011
Premium Photographic equipment	*Supports, Bags, LED Lighting & Lighting Accessories*	Revenue	£183.2m
Staging systems	*Standard & Custom Staging*	Operating Profit*	£21.2m
		Operating Margin* %	11.6%

Services

			2011
Broadcast Production Support	*Events, Equipment & System Rentals, Speciality services, Product Ambassador*	Revenue	£31.6m
		Operating Profit*	£0.6m
		Operating Margin* %	1.9%

* Before significant items ** Under licence

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 ▸ Margin improvement in lower margin businesses
Corporate Development	▸ Track record in acquiring and integrating businesses ▸ Acquisitions into adjacent markets & technologies ▸ Exit from non-core businesses (e.g.) Clear-Com
Strong Cash-flow	▸ Disciplined working capital management ▸ Focus on cash generation ▸ Dividend previously held now increasing

VITEC GROUP

There is potential to improve Group margins

- Targeting the medium term improvement in Group margins through:
  - *The benefit of maturing sales initiatives delivering longer-term margin growth*
  - *Addressing the performance of lower margin businesses*
  - *Control over operating expenditure*
  - *Benefit from higher margin acquisitions*

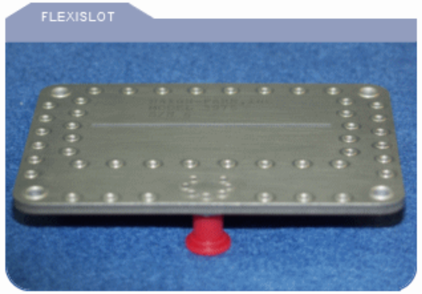
	2009	2010	2011
	£m	£m	£m
Revenue	315.1	309.6	351.0
Operating profit before significant items	24.5	27.7	34.5
Net operating margin* %	7.8%	8.9%	9.8%

*before significant items

Haigh-Farr: a leader in antennae technology

Wraparound™ Antenna

Blade Antennas



Flexislot™ Antenna

Button Antennas

- Based in Bedford, NH
- 22 employees led by David Farr (CEO)
- Products: High–end antennae
  - Wrap-around
  - Conformal
  - Blade and button
- Market position: leading position in wrap-around / conformal antennae
- Customers: military and space
  - Lockheed Martin
  - Raytheon
  - Saab
- 2011 proforma operating profit of $3.2m

Haigh-Farr

- High quality business
  - *Well recognised brand*
  - *Leading technology and IP*
  - *Good breadth of programmes on which it is specified*
  - *Strong management*
- Growth potential
  - *Trend for more sophisticated antennae*
  - *Faster growth from Vitec investment and internationally*
- Synergies
  - *Existing customer base of US primes: to benefit IMT*
  - *Conformal technology to be adapted for unmanned applications*

Capture the moment™