

2009 Half Year Results

vitecgroup

Stephen Bird
Group Chief Executive

Richard Cotton
Group Finance Director

26 August, 2009



Agenda



Highlights

Stephen Bird, Group Chief Executive



Financial Review

Richard Cotton, Group Finance Director



Operational Review & Outlook

Stephen Bird, Group Chief Executive



Highlights

Stephen Bird
Group Chief Executive

First half highlights

Robust position in challenging markets

- ▶ Very challenging markets
- ▶ Decisive management action to restructure business and reduce costs delivering total annualised savings of £22m, while protecting ability to benefit from an economic recovery
- ▶ Good operating cash flow generation of £9.2m
- ▶ Balance sheet remains healthy with net debt virtually constant at £52.6m
- ▶ Debt facility of £125m until 2013, with significant facility and covenant headroom
- ▶ Interim dividend maintained at 7.4p.



Financial Review

Richard Cotton
Group Finance Director

Income statement

	H1 2009 £m	H1 2008 £m	Δ %	Δ CER** %
Revenue	160.8	159.1	1.1%	(19.2%)
<i>Gross margin %</i>	39.4%	41.4%	-2.0 pts	
Operating profit*	11.0	18.8	(41.5%)	(61.9%)
<i>Operating margin %</i>	6.8%	11.8%	-5.0 pts	
PBT*	10.2	17.3	(41.0%)	(62.9%)
<i>Headline tax charge %</i>	32.0%	34.0%	-2.0 pts	
Adjusted basic earnings per share*	16.3p	27.5p	(40.7%)	(62.5%)

* Pre amortisation of acquired intangibles, restructuring charges/provisions, loss on disposal and gains relating to volatile financial instruments (significant items)

** CER: Constant Exchange Rate

- ▶ Revenue flat in reported terms, but down 19% in constant currency
- ▶ Gross margin held up well from cost actions on capacity and pricing management
- ▶ Operating margin down 500 bps, reflecting volume decline partly mitigated by restructuring benefits
- ▶ Headline tax charge reduced by a further 2% to 32%

Revenue decline of 19% (constant currency)

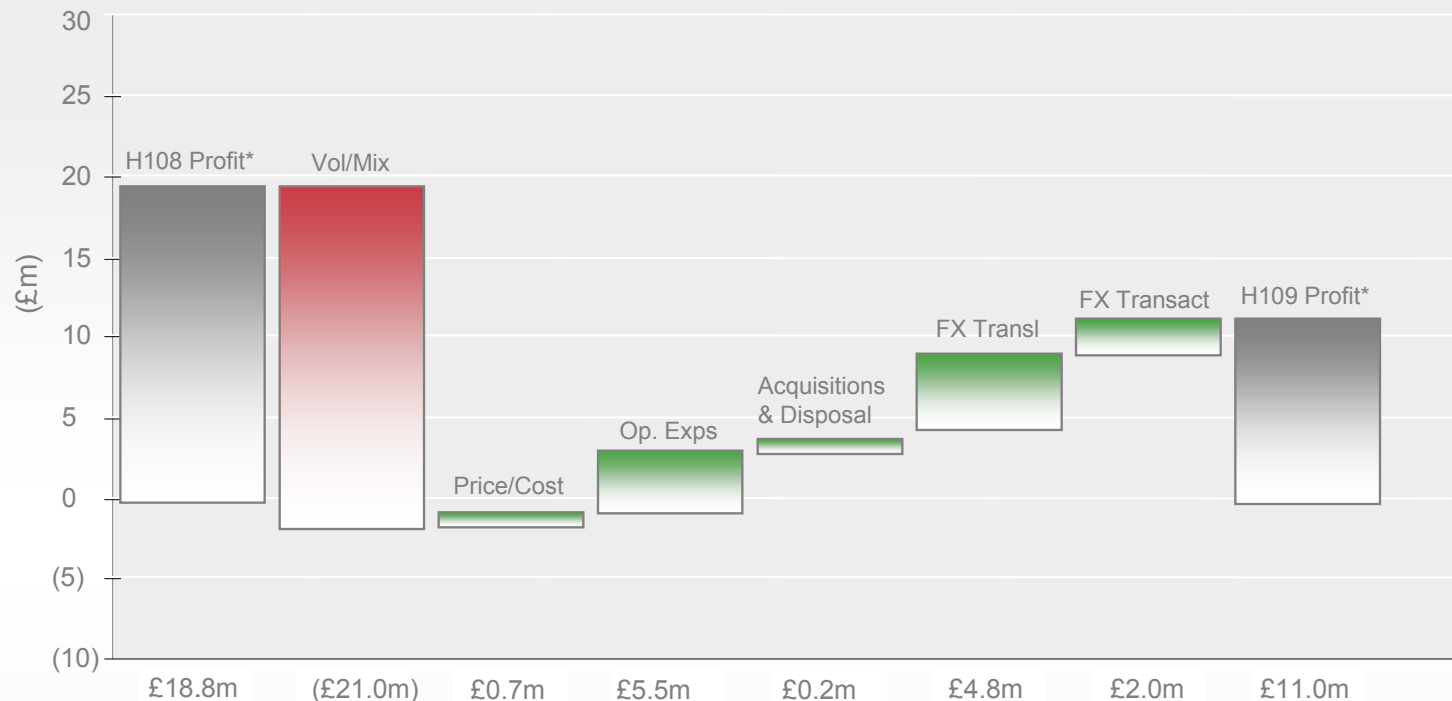
	H1 2008 £m	FX £m	Restated H1 H1 2008* £m	H1 2009 £m	%	Organic £m	Δ %	Acquisition £m	%
Divisional revenue									
Imaging & Staging	65.5	15.5	81.0	74.2	(8.4%)	(6.4)	(7.9%)	(0.4)	(0.5%)
Broadcast Systems	81.8	19.9	101.7	73.9	(27.3%)	(30.0)	(29.5%)	2.2	2.2%
Broadcast Services	11.8	3.9	15.7	12.7	(19.1%)	(3.0)	(19.1%)	-	-
Total Revenue	159.1	39.3	198.4	160.8	(19.0%)	(39.4)	(19.9%)	1.8	0.9%

* Restated at H1 2009 average rates

Note: This analysis is provided as guidance. It is management's estimate and is not intended to be a statutory presentation.

- ▶ Imaging & Staging: resilient Supports and Bags, weak live event Staging
- ▶ Broadcast Systems: Camera Dynamics & Comms suffered from weak markets; RF Extreme resilient and Litepanels growth
- ▶ Broadcast Services: less new programme making and non Olympic year

Operating profit bridge



* Operating profit before significant items

Variations are based on management's best estimates and are not a statutory presentation

- ▶ Volume/mix decline contributes (£21.0m)
- ▶ Operating Expenses benefits of restructuring £5.5m
- ▶ Acquisitions/Disposal include additional contribution from Litepanels, The Camera Store and Clear-Com Research and the removal of IFF from reported H1 08 and 09
- ▶ Total impact of favourable FX movements was £6.8m (H1 08: £1.4m unfavourable)

Operating cash flow

Focussed working capital management

	2009 £m	2008 £m	Δ £m
Operating profit*	11.0	18.8	(7.8)
Depreciation**	7.9	6.1	1.8
Working capital	(3.1)	(18.0)	14.9
Provisions made / (utilised)	0.1	(0.2)	0.3
Restructuring costs	(2.5)	-	(2.5)
Other	0.1	0.4	(0.3)
Cash generated from operations	13.5	7.1	6.4

* Pre amortisation of intangibles, restructuring charges/provisions, loss on disposal and gains relating to volatile financial instruments (significant items)

** Includes depreciation and amortisation of capitalised software

- ▶ Tight focus on working capital to flex with decline in volume
- ▶ Inventory days decreased from 139 days to 119 days
- ▶ Debtor days decreased from 54 days to 43 days
- ▶ Further unfavourable unwind of Other creditors at RF Systems under BAS, as expected
- ▶ First part of restructuring costs charged in the first half of £2.5m.

Free cash flow

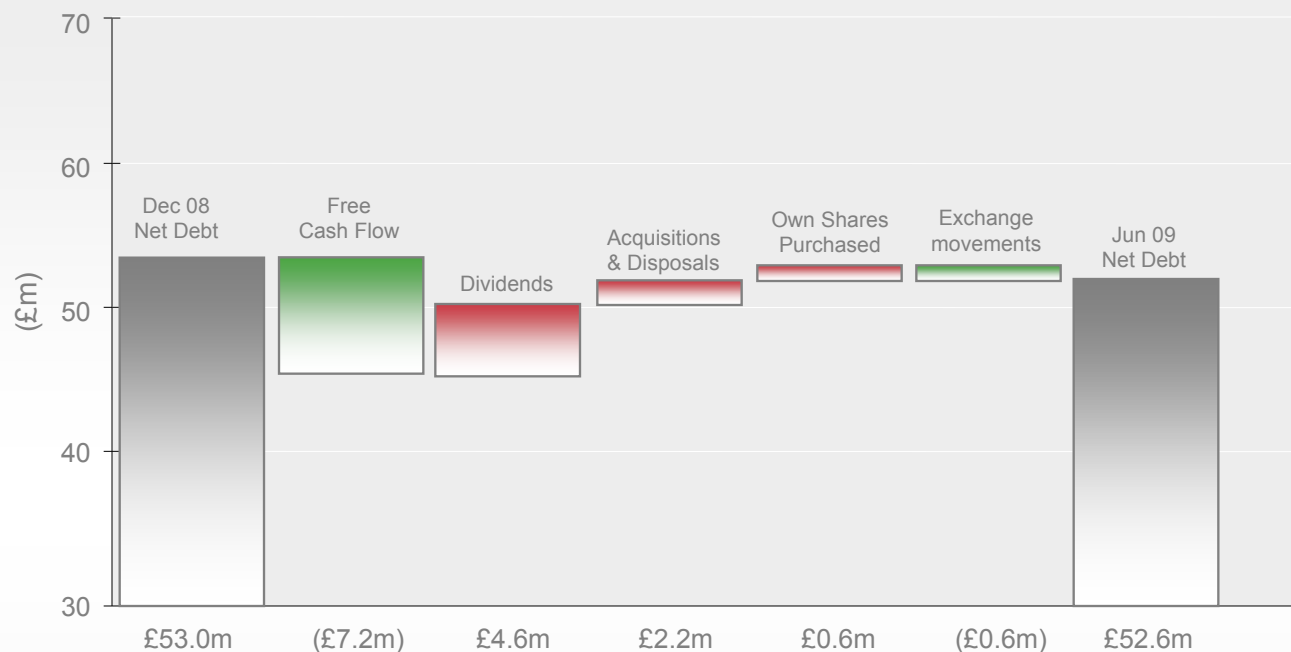
Cash control and generation

	2009 £m	2008 £m	Δ £m
Cash generated from operations	13.5	7.1	6.4
Capital expenditure	(5.1)	(9.0)	3.9
Proceeds of asset sales	0.8	1.0	(0.2)
Net interest paid	(1.0)	(1.7)	0.7
Tax paid	(1.0)	(1.5)	0.5
Free cash flow	7.2	(4.1)	11.3
Net debt	(52.6)	(50.3)	(2.3)

- ▶ Capital expenditure £3.9m lower
- ▶ £0.5m lower tax payments
- ▶ Earn out payments of £2.9m on Autoscript and Litepanels; IFF disposal proceeds of £0.7m
- ▶ Net debt of £52.6m consistent with year end (2008: £53.0m)

Net debt bridge

£0.4m lower than at 2008 year-end



* Operating profit before significant items

- ▶ Continued strong free cash flow
- ▶ Acquisition earn outs and dividend covered
- ▶ Due to sterling weakness in H1 2009, the sterling denominated loans have been increased to c.50% of the total

Banking and cash management

- ▶ Loan facility of £125m
 - Committed until 2013
 - 5 banks
 - Current interest at 0.95% over LIBOR*

- ▶ Utilisation as at 30 June 2009 £60.4m (Dec. 2008 £64.9m)
 - H1 net debt of £52.6m after
 - net cash in the businesses of £12.6m
 - Anton/Bauer property mortgage of £2.6m

* At current levels of net debt to EBIDTA of less than or equal to 1.5:1

Other financial points

- ▶ Foreign exchange effects on profit
 - H1 2009 £6.8m better than H1 2008
 - FY 2009 estimate > £10m favourable impact (at current rates)* vs FY 2008
- ▶ Tax
 - 32% headline charge (H1 2008: 34%)
 - FY 2009 guidance: 32%
 - c.2% less for cash taxes
- ▶ UK pensions
 - IAS 19 deficit £6.7m (Dec 2008, deficit £0.4m)
 - bond yields

* Assuming current exchange rates remain the same until the end of 2009, businesses' current estimates of expected levels of sales volumes and profit activity and at the current level of Group hedging in place

Operational Review

Stephen Bird
Group Chief Executive



Market conditions

- ▶ Broadcast down – estimated market decline c.35%* (c.40% of sales)
 - *Impacts on Camera Dynamics, Communications, and Mobile Power*
 - *RF Extreme insulated by BAS*
 - *Litepanels driving increased LED market penetration*
 - *Broadcast Services impacted by reduced programme making*
- ▶ Photographic down – estimated market decline c.10%* (c.33% of sales)
 - *Impact on Camera Supports*
 - *though Gitzo growing; new Bogen UK growing*
 - *Kata outperforming market – Growth over 40%*
- ▶ Other (c.27% of sales)
 - *Corporate events down – estimated market decline c.30%**
 - *Impact on Staging business*
 - *Military Aerospace & Government (“MAG”) buoyant*
 - *Benefiting RF Extreme*

* *Based on management estimates*

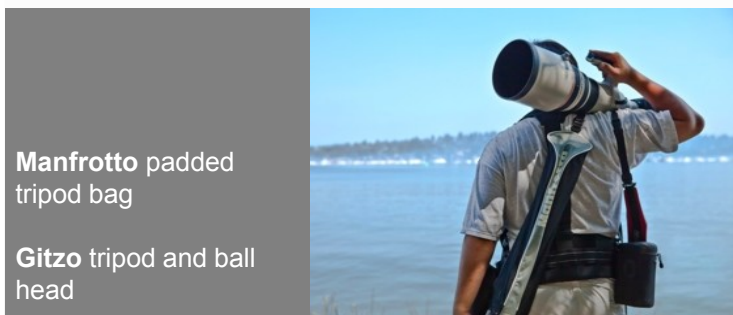
Imaging & Staging

Resilience in camera accessories

	H1 2009 £m	H1 2008 £m	Δ %	Δ CER %
Revenue	74.2	65.5	13.3%	(8.5%)
Operating profit*	8.1	7.7	5.2%	(27.3%)
Operating margin %*	10.9%	11.8%	(0.9 pts)	

* Pre amortisation of intangibles, restructuring charges/provisions and loss on disposal

- ▶ Camera Supports resilient
 - Growth in premium Gitzo
- ▶ Bags business grew > 40%
 - Taking market share
 - New Kata DPS & National Geographic ranges
- ▶ Distribution business
 - ▶ UK strong
 - ▶ New products added
- ▶ Staging Systems – tough market conditions
- ▶ IFF disposal
- ▶ Significant cost reductions



Manfrotto padded tripod bag

Gitzo tripod and ball head



Broadcast Systems

Broadcast markets particularly weak

	H1 2009 £m	H1 2008 £m	Δ %	Δ CER %
Revenue	73.9	81.8	(9.7%)	(27.9%)
Operating profit*	3.5	11.0	(68.2%)	(82.4%)
Operating margin %*	4.7%	13.4%	(8.7 pts)	

* Pre amortisation of intangibles, restructuring charges/provisions

- ▶ Tough market conditions
- ▶ Weakest markets for Camera Dynamics
- ▶ RF Extreme
 - Current US BAS contract market share is >50% (BAS contract product deliveries end H2 2009)
 - Important new business secured in Sports and MAG markets
- ▶ Prompt cost actions taken
- ▶ Clear – Comm
 - Tempest launched successfully
 - VOIP integrated
- ▶ Litepanels full-year pro-forma H1 2009 sales up over 5%
 - Awarded prestigious Emmy

Sachtler and Litepanels™ in use during a CNN interview

Clear-Com equipment in use by Walter Cronkite's School of Journalism



Broadcast Services

Weak programme making in US market

	H1 2009 £m	H1 2008 £m	Δ %	Δ CER %
Revenue	12.7	11.8	7.6%	(19.1%)
Operating profit	(0.6)	0.1	n/m	n/m
Operating margin %*	(4.7%)	0.8%	(5.5 pts)	

* Pre restructuring charges/provisions

- ▶ In US\$, revenue was down 19%
 - Non Olympic year
- ▶ US broadcasters impacted by advertising spend
 - Programme making contracted
- ▶ Cost base consolidated, including closure of Orlando and Las Vegas
- ▶ Won contract to manage Sony demonstration equipment
- ▶ Won Emmy for Beijing NBC 'Water Cube' coverage

Bexel rental equipment in use at the 2008 Beijing Olympics and the 2009 NFL Super Bowl

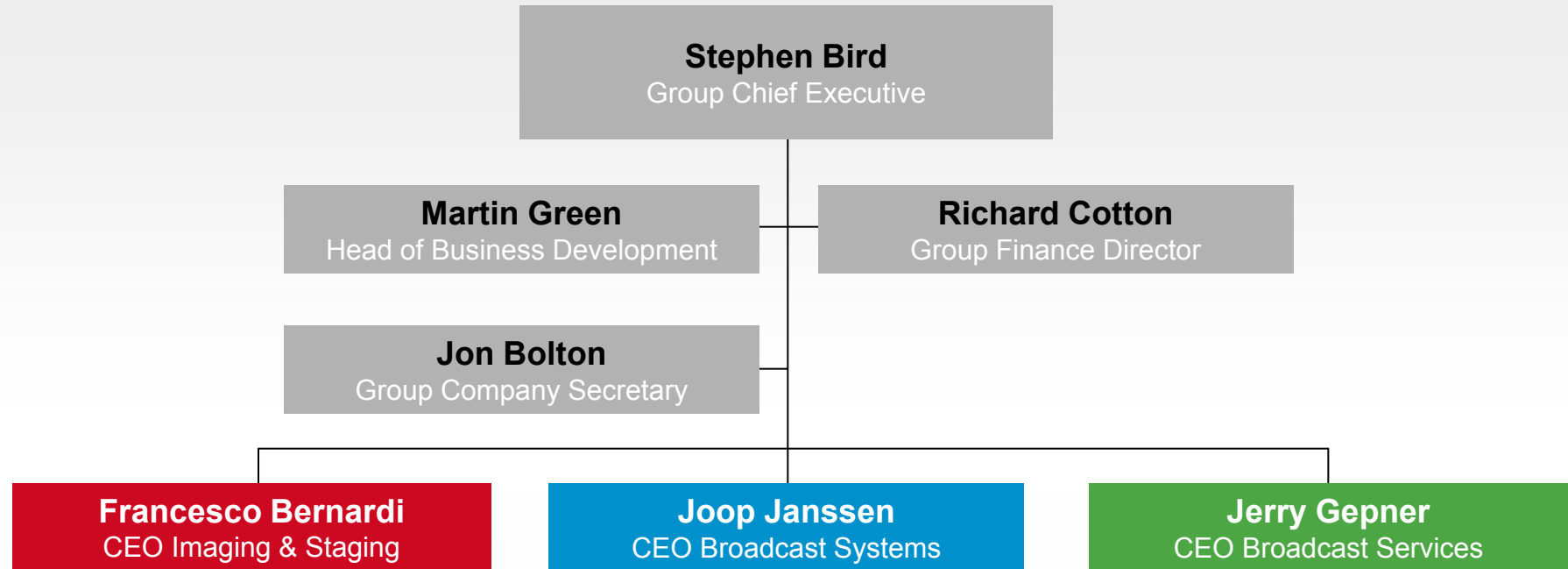


Management focus

- ▶ Managing the present
 - *Management structure*
 - *Cash management*
 - *Cost reduction actions*

- ▶ Development of strategy
 - *Review of businesses*
 - *Review of opportunities*
 - *Development of growth strategy and vision*

Management structure



- ▶ Operations Executive – closer integration and cooperation
 - *Driving operational improvements*
 - *Developing shared growth strategy and vision*
 - *Harness business opportunities through greater cooperation*
- ▶ Reworked performance reporting and management processes
 - *Increased accountability and responsibility*
- ▶ Exciting new products & opportunities in development

Cash management

- ▶ Priority to maintain Vitec's strong balance sheet
- ▶ Enhanced focus on working capital ratios to ensure flexing of working capital with volume changes
- ▶ Weekly cash reporting and forecasting to ensure granular focus on current and future cash generation
- ▶ Benefits already evident in first half
- ▶ £125 m Bank facilities in place until 2013

Cost reduction actions

- ▶ Adapting business to weaker market conditions
- ▶ 3 areas of savings:
 - *Capacity reduction*
 - *Deferral of discretionary expenditure*
 - *Review of cost structure*
- ▶ May 2009 IMS: £15m of savings in 2009 costing £4m
- ▶ Further review has generated further opportunities
 - *Approximately £7m annualised savings costing approximately £7m*
- ▶ Total cost actions taken cost approximately £11m, saving approximately £22m

Outlook

Our financial position remains strong and we have identified and committed to further efficiency measures which will enhance our performance in the second half. Based on this, and Vitec's outstanding products and brands and strong market position, the Board is confident in the Group's ability to weather the current challenges and take full advantage of conditions when its markets recover.

Questions

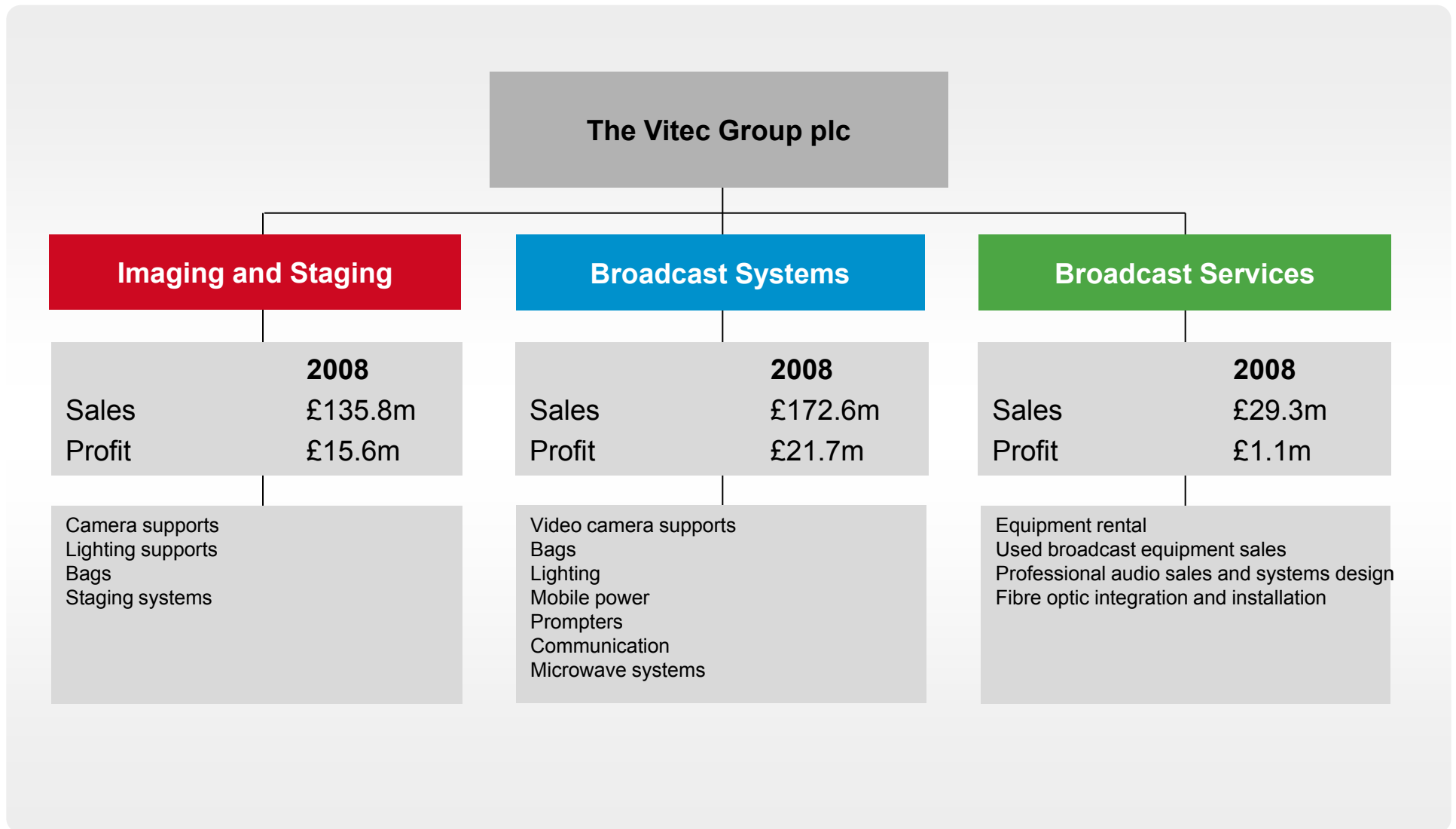
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Appendices



Organisation



Imaging & Staging Product launches in 2009



Manfrotto's M-Y tripod family designed for lightweight Digital SLR cameras



Gitzo's Ocean Traveler tripod (with stainless steel components) designed to perform in extreme conditions



Kata's 3N1 versatile camera bag that allows great flexibility of use



Manfrotto's Baby Lightweight lighting stands with patented Quick Stand Systems that allows for easy transport and storage for on-location purposes



Broadcast Systems Product launches in 2009



Vinten Radamec's Fusion Legislative Control System



Autoscript's LED TFT Displays and MiniScript portable on-camera TFT monitor



Litepanels 1x1 Bi-Colour



Sachtler's Artemis EFP HD SE



Vision AS Range (Vision 3AS, Vision 5AS, Vision 8AS and Vision 10AS) of Pan and Tilt Heads



Clear-Com's Tempest 2400 Wireless Intercom System



Product awards won in 2009



Nucomm's ProQ Digital IFB System



Litepanels' Micro Portable LED camera light



Litepanels' 1 x 1 Bi-Focus



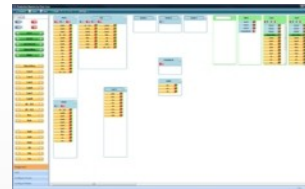
Kata's 3N1-20



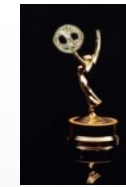
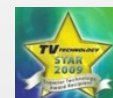
Anton/Bauer's Solar Charger



Vinten's Vision AS Pan and Tilt Head Range



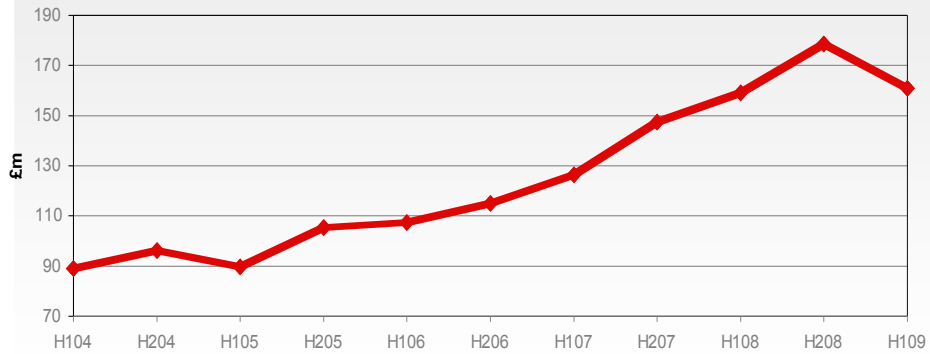
Clear-Com's I.V. Core technology



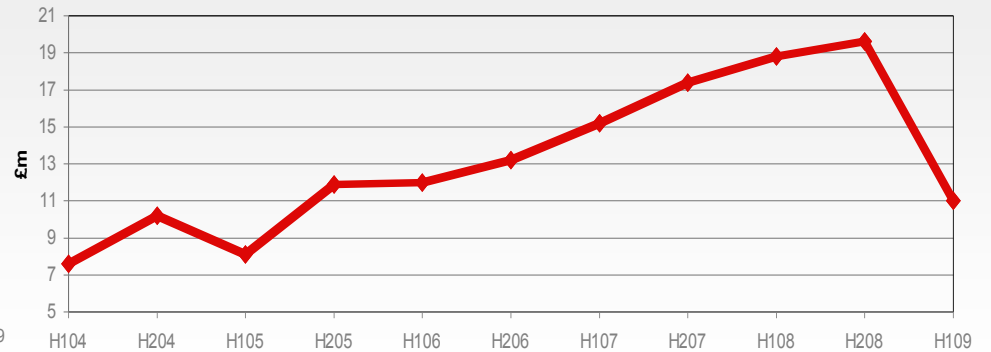
Emmy Award given to members of Bexel Broadcast Services for Outstanding Team Technical Remote – 2008 Summer Olympics and to Litepanels for its proprietary lighting systems

Key financial measures: 5-year trend

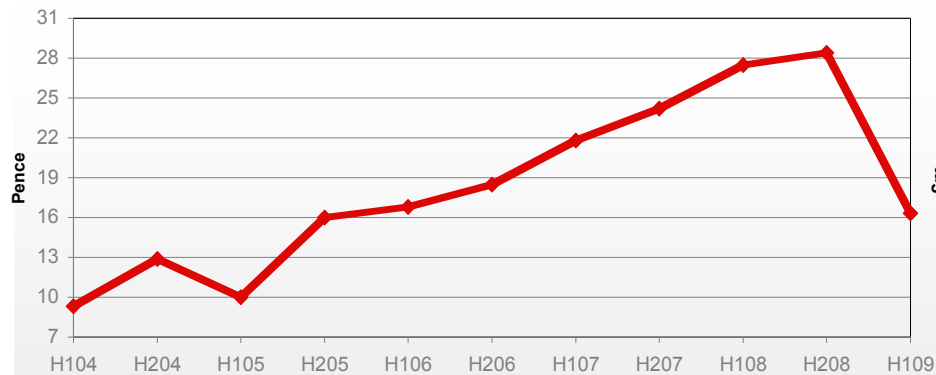
Revenue



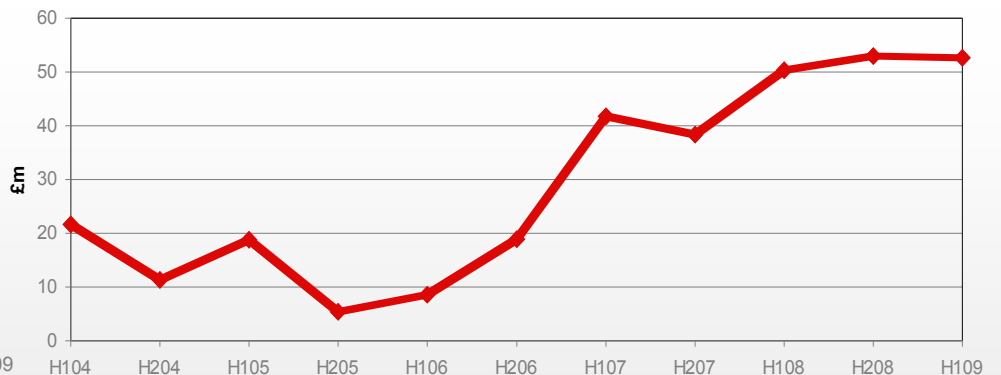
Operating profit*



Basic EPS*



Closing net debt



*Before significant items

FX update

Year on year effect on profit	£/\$	€/£	£/€	Translation £m	Transaction £m	Total £m
<u>Actuals</u>						
Average spot FY03	1.63	1.13	1.45	1.2	(2.3)	(1.1)
Average spot FY04	1.82	1.24	1.47	(0.9)	(3.9)	(4.8)
Average spot FY05	1.82	1.24	1.46	0.1	(1.0)	(0.9)
Average spot FY06	1.84	1.25	1.47	(0.2)	(0.5)	(0.7)
Average spot FY07	2.00	1.37	1.47	(1.3)	(2.4)	(3.7)
Average spot FY08	1.85	1.46	1.26	3.8	(1.7)	2.1
<u>Guidance for FY09</u>						
Average H1 2009	1.49	1.34	1.11	4.8	2.0	6.8
Current view of H2 2009*	1.64	1.43	1.15	1.8	1.6	3.4
Full year 2009 vs 2008*	1.57	1.39	1.13	6.6	3.6	10.2
<u>Guidance for 2010 vs 2009*</u>						
Full year 2010*	1.64	1.43	1.15	(1.1)	0.3	(0.8)

Negatives indicate an adverse effect

* Assuming that exchange rates, current at the date shown, remained the same for the rest of the year, businesses' estimates of expected levels of sales volumes and profit activity and at the level of Group hedging in place at the date shown; average exchange rates for the year shown

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2009 Interim Results

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