



2001 Preliminary Results

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Agenda

- ◆ Introduction and Overview - Gareth Rhys Williams
- ◆ Preliminary Results and Review - Richard Green
- ◆ First Thoughts - Gareth Rhys Williams

Key Market Drivers

Record demand of 2000 sharply reduced

- ◆ Significant downturn in USA
 - Starting in April
 - Exacerbated by September 11th
- ◆ Partially offset by relative strength of European and Asian markets
- ◆ Reduced advertising negatively impacted our key customers
- ◆ Trend to lighter and cheaper cameras puts pressure on margins

Financial Overview

Margins still healthy, cash conversion excellent

	<u>2001</u>	<u>2000</u>	<u>Δ</u>
◆ Turnover	£190.4m	£200.0m	-4.8%
◆ Pre-tax profit *	£28.0m	£37.2m	-24.7%
◆ Operating Margin	16.1%	20.1%	-4.0pts
◆ Headline EPS *	46.4p	62.8p	-26.1%
◆ Cash Conversion * *	138%	114%	+24 pts
◆ Dividend	22.7p	21.2p	+7.1%

**pre goodwill amortisation and exceptional items*

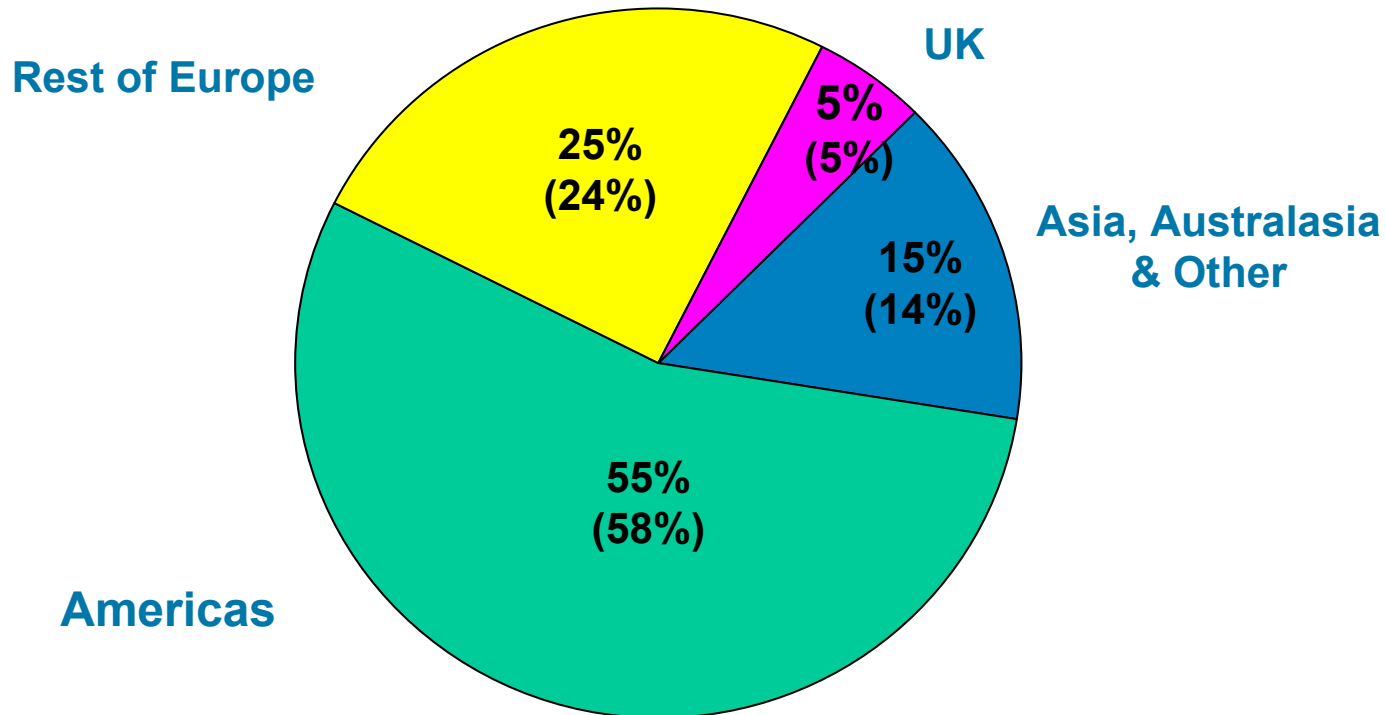
** * of operating profit into operating cash flow*



Financial Review

Turnover – destination

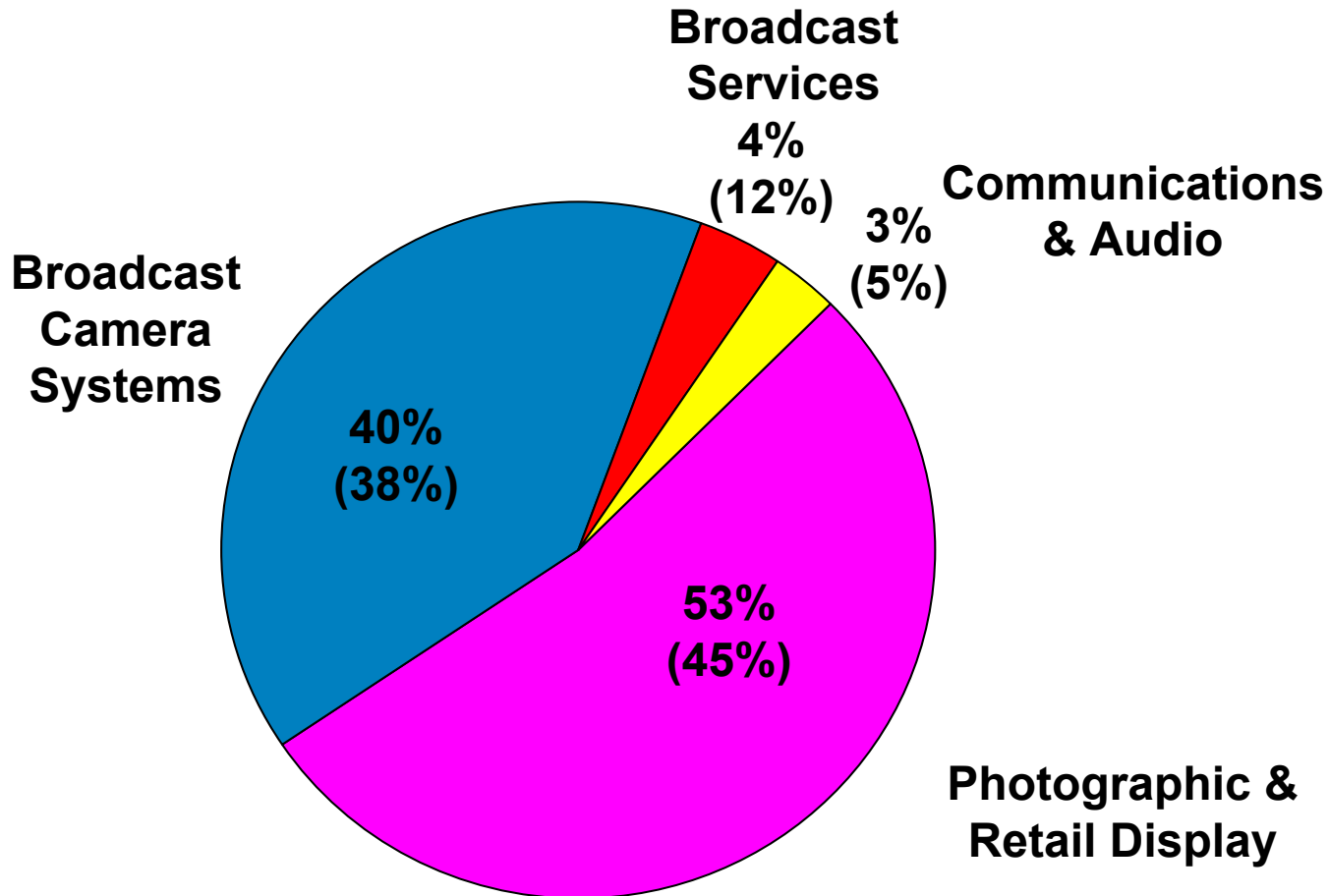
International spread of group mitigates, but not completely, downturn in USA



*Figures in parentheses are 2001 percentages

Operating Profit - division

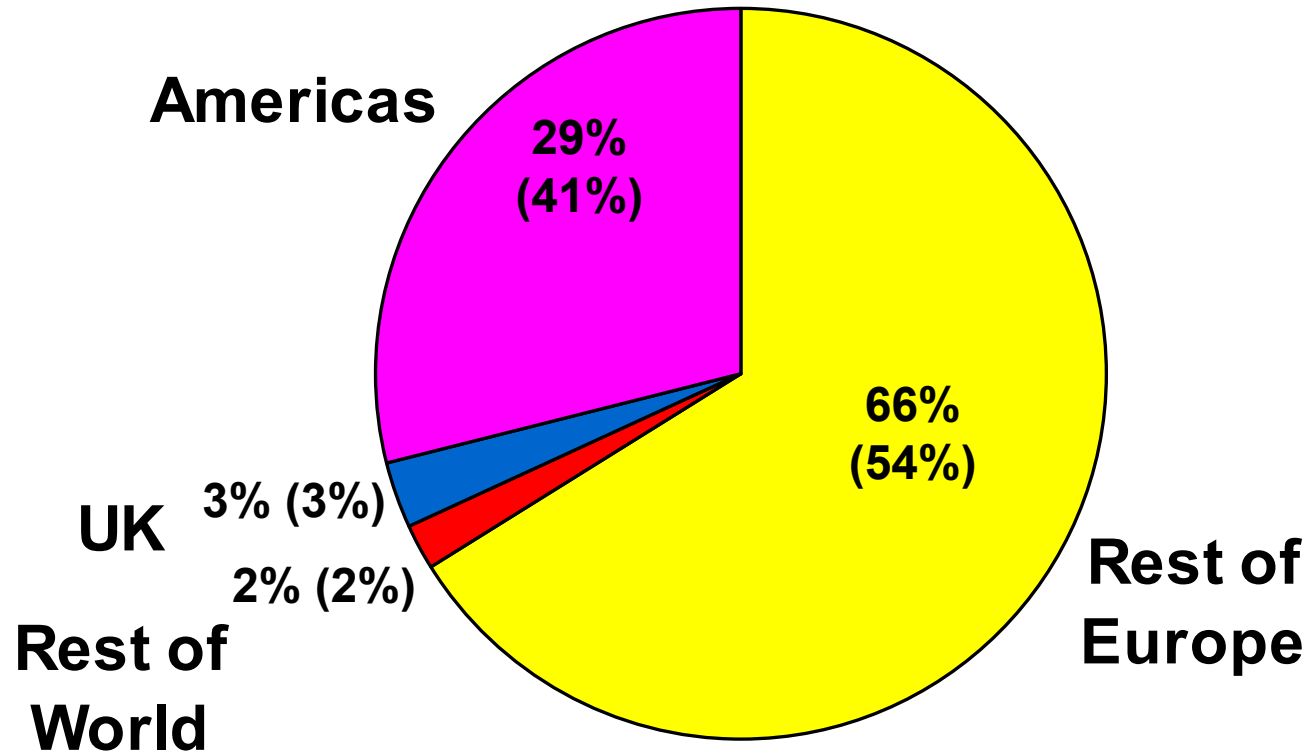
Relative strength in photographic markets



*Figures in parentheses are 2001 percentages

Operating Profit - origin

Decline in USA driven by Broadcast Services



*Figures in parentheses are 2001 percentages

Profit and Loss

Profit reduced by lower volume, mix & one off costs

	<u>2001</u> <u>£m</u>	<u>2000</u> <u>£m</u>	<u>Δ</u>
◆ Turnover	190.4	200.0	-4.8%
➤ <i>Gross profit %</i>	50.6%	53.3%	-2.7 pts
◆ Operating expenses	(65.8)	(66.5)	-1.1%
◆ Operating profit*	30.6	40.1	-23.7%
➤ <i>Operating margin %</i>	16.1%	20.1%	-4.0 pts
◆ PBT*	£28.0m	£37.2m	-24.7%
◆ Tax charge	32.1%	30.9%	+1.2 pts
◆ Headline earnings per share	46.4p	62.8p	-26.1%
◆ Profit on property, net of tax	£0.5m	-	
◆ Impairment of Intersense	-£3.7m	-	

*pre goodwill amortisation and exceptional items

Operating Cash Flow

Strong cash flow conversion of operating profit

	<u>2001</u> <u>£m</u>	<u>2000</u> <u>£m</u>	<u>Δ</u> <u>£m</u>
◆ Operating profit*	30.6	40.1	-£9.5
◆ Depreciation	12.3	11.4	+£0.9
◆ Working capital change	0.4	(5.9)	+£6.3
◆ Provisions	(1.3)	2.1	-£3.4
◆ Operating cash flow	42.1	45.8	-£3.7
➤ <i>Conversion % of profit</i>	138%	114%	+24 pts

**pre goodwill amortisation and exceptional items*

- ◆ Improvements in stocks and debtors
- ◆ Payments for Gitzo & Vega relocations £1.2m
- ◆ Cash flow per share 103p

Free Cash Flow Highlights

High free cash flow helped by lower tax paid

	<u>2001</u> <u>£m</u>	<u>2000</u> <u>£m</u>	<u>Δ</u> <u>£m</u>
◆ Capital expenditure	15.4	14.4	-1.0
◆ Tax	8.4	12.4	+4.0
◆ Free cash flow	18.0	17.6	+0.4
◆ Net debt	22.5	31.0	+8.5

- ◆ Rental assets capex £7.4m, incl. special investments of over £2m in Edit truck, SuperSloMo's and HD gear
- ◆ IT capex £3.2m
- ◆ Dividend payment timing adjusted in 2000

Broadcast Camera Systems

Reduced studio budgets and adverse mix effects

	<u>2001</u>	<u>2000</u>	<u>Δ</u>
	<u>£m</u>	<u>£m</u>	
◆ Turnover	65.8	67.6	-2.7%
◆ Operating profit	12.3	15.2	-19.1%
◆ Operating margin %	18.7%	22.5%	-3.8 pts

- ◆ Sales of automated systems growing, but are lower margin
- ◆ Trend in mid range applications towards lighter cameras
- ◆ Studios budgets focused on digital transmission infrastructure
- ◆ JIT / lean manufacturing programs stepped up

Photographic & Retail Display

USA volume drop offset by Europe and Asia

	<u>2001</u> <u>£m</u>	<u>2000</u> <u>£m</u>	<u>Δ</u>
◆ Turnover	75.2	73.8	+1.9%
◆ Operating profit	16.4	18.0	-8.9%
◆ Operating margin %	21.8%	24.4%	-2.6 pts

- ◆ Worst trading conditions in USA for a decade
- ◆ Sales increase in Japan and China
- ◆ Retailers in the US reducing expenditures sharply
- ◆ Costs reduced through relocation of Gitzo

Communications & Audio

Weak markets after record 2000

	<u>2001</u> <u>£m</u>	<u>2000</u> <u>£m</u>	<u>Δ</u>
◆ Turnover	18.1	21.8	-17.0%
◆ Operating profit	0.8	1.9	-57.9%
◆ Operating margin %	4.4%	8.7%	-4.3 pts

- ◆ Vega integrated into Clear-Com, helping reduce costs by £700k
- ◆ Flow manufacture in place at Drake, increasingly at Clear-Com
- ◆ Drake success with new applications in Air Traffic Control
 - Building on reputation for multi site applications
- ◆ New products launched for Wireless Intercom

Broadcast Services

No major international events and lower US activity

	<u>2001</u> <u>£m</u>	<u>2000</u> <u>£m</u>	<u>Δ</u>
◆ Turnover	31.3	36.8	-14.9%
◆ Operating profit	1.1	5.0	-78.0%
◆ Operating margin %	3.5%	13.6%	-10.1 pts

- ◆ Severe margin erosion in second half on volume over £4m lower
- ◆ Headcount cut 22% as part of overhead control
 - Overhead costs in H2 16% lower than H1
- ◆ HD cameras gaining acceptance in film market
- ◆ New 'Edit truck' a useful tool for broadcasters to reduce costs
- ◆ Rental asset base trimmed by increasing equipment sales



First Thoughts

First Thoughts

Vitec has considerable strengths

- ◆ “Superb Products - Great People - Great Service”
- ◆ Market leading positions
- ◆ Sustained profitability, even in a downturn
- ◆ Good cash flow

But...

- ◆ No recent acquisitions / sales growth
- ◆ Overall margin reducing as product mix has changed
- ◆ A culture of very independent businesses
- ◆ The inevitable upheaval associated with management changes



First Steps

Need for continuous pressure on costs

- ◆ Progress has been made on Operating Expense
 - Continuous Improvement culture is required
 - 'Cost Down' should not damage a business's future
 - Structural costs need to be addressed

- ◆ Manufacturing has been improving
 - JIT / Lean manufacturing programs running in most plants
 - But stock levels still too high
 - Need to maximise performance of Vitec

- ◆ Cost down improvements are necessary to pay for investment in R&D / Growth

First Steps

Vitec needs to be proactive to generate growth

◆ Organic Growth

- Present market shares give limited possibility for share growth
- R&D efforts can be better harmonised
- Proliferating use of cameras gives opportunities
- Vitec's products / services should help customers get more efficient, as well as improve 'production values'

◆ Acquisitions

- Previous filter on 'large scale / very profitable' produced few targets
- Focus should be in related areas where we can add value, through customer relationships / distribution / manufacturing
- Integration mindset required for acquisitions
- Present environment may well produce attractive opportunities

Outlook

2002 will be another tough year

- ◆ The market in 2002 is uncertain
 - No increases in markets or sales built into budget
 - 2002 has key international events that spur demand
 - Europe weakening, and Asia could slow after World Cup
 - No trends will be clear at least until the end of Q1

- ◆ Current actions
 - Costs under continued scrutiny
 - Working Capital controls tightened to preserve resources for key projects
 - Being alert to possible acquisitions at sensible prices



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