

VITEC CREATIVE SOLUTIONS

Vitec's Creative Solutions Division develops, manufactures and distributes products to equip, educate and support independent content creators and cinematographers, improving the workflow and giving them the freedom and confidence to create content in multiple ways. Products for this fast growing market include video transmission systems, monitors, lens control systems, camera accessories, noise reduction equipment as well as software applications.

Addressable market

We estimate that the camera accessories market, focusing on content creators for products and services supplied by Vitec's Creative Solutions Division, is worth around £500 million annually. This includes film, scripted television series, independent video and enterprise video production. Vitec has a strong position due to its premium brands, market-leading technology and

dedicated team of innovative product specialists with extensive experience in shooting both professional and amateur video content.

Market position

Vitec is the market leader in most of its product categories, providing leading products through our brands to the independent content creator and filmmaker markets.

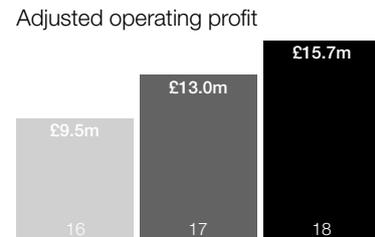
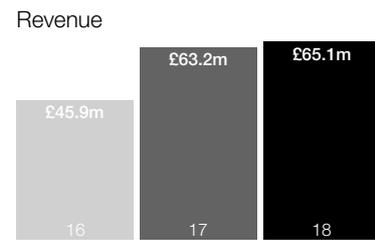


Revenue
£65.1m

↑ Up 3.0%

Adjusted operating profit*
£15.7m

↑ Up 20.8%



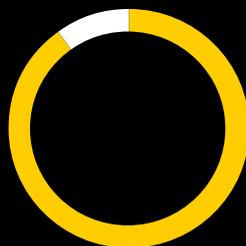
Product category	Video transmission systems	Monitors	Lens control	Camera accessories	Audio capture
Brand	Teradek, Paralinx	SmallHD	Teradek RT	Wooden Camera	Rycote
Market position†	1	1	3	3	New

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

Our brands

- Rycote
- SmallHD
- Teradek
- Wooden Camera

Target audience



■ ICC/Cine market: 90%
■ Broadcast market: 10%



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The demand for camera accessories continues to grow as daily screen time increases and original content production expands. 2018 was a pivotal year for Creative Solutions, establishing the new Division and acquiring Amimon and Rycote. Owning Amimon's core technology allows us to develop more integrated products, fully optimised for professional users. Rycote enables us to enter the adjacent audio capture market. Our ambition with both is to completely rethink how people set up and manage their camera/audio eco-systems.

Nicol Verheem

Divisional Chief Executive,
Vitec Creative Solutions

Operational review

Creative Solutions' revenue grew by 3.0% to £65.1 million and increased by 6.2% at constant exchange rates. This includes the benefit from the acquisitions of Rycote in September 2018, Amimon in November 2018 and the year-on-year incremental benefit from RTMotion. At constant exchange rates and after excluding the impact from acquisitions, revenue grew by 2.3% despite the adverse impact of the disruption at SmallHD. On a like-for-like basis, adjusting for the estimated SmallHD lost revenue, the Division outperformed the market in 2018, which we continue to estimate is growing at 6%.

The transformational acquisition of Amimon, which owns the wireless technology that interconnects devices on-set, is a crucial element in the next stage of growth for Teradek and other Creative Solutions brands that use this core technology. In acquiring Rycote, we have enabled expansion into the fast growing adjacent audio capture market with cross-selling opportunities from all three Divisions. We are making good progress with the integration of these two businesses.

SmallHD delivered good year-on-year growth despite disruption and launched new products that have been very well received, including the Focus OLED and Focus SDI which expand the range of our hugely successful Focus on-camera monitor. Increased collaboration between our brands resulted in the 703 Director's Monitor, which combines a SmallHD monitor with Teradek's wireless video capability, while a recently launched version also includes an integrated RTMotion lens control.

SmallHD completed its move to a new facility in November 2018, which has increased our capability for product development and enables us to meet higher demand as the business continues to grow. We opened a new showroom in Los Angeles that offers products from all the Division's brands and gives customers access to training and advice.

Adjusted operating profit margin* increased by 3.5% pts to 24.1% on a reported basis, which includes a benefit from the accounting treatment of the SmallHD insurance claim. Higher margins also reflect higher volumes partly offset by increased investment to develop new products which has positioned us well for the future.

Statutory operating profit increased by £3.4 million to £6.3 million.



Image: Nila Hansen

M&A:



Rycote acquisition expands addressable market

Vitec entered the adjacent audio capture market with the acquisition of Rycote, a UK-based manufacturer of advanced noise reduction equipment.

Quality audio capture is an integral element in the creation of high quality videos and Vitec's existing customers, whether broadcasters, videographers or ICCs, already buy audio products. There are opportunities across all three of Vitec's Divisions to sell Rycote products in conjunction with JOBY GorillaPods, Manfrotto tripods, SmallHD monitors, Teradek transmitters, Flowtech tripods and Anton/Bauer batteries.

Vitec operates primarily in the video production market and this acquisition has opened up the opportunity for us to enter the growing audio capture market, adding innovative and complementary audio devices for our customers, and creating additional value for our shareholders.

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Vitec's portfolio of brands is the envy of the broadcast and cinema industries, so it was a real honour for Rycote to join the Group. The challenge now is to deliver broadcast-quality sound to the dynamic and growing ICC market – this represents a huge opportunity, and one that we're truly excited about.

Simon Davies

Former owner and Managing Director, Rycote

Organic growth:

Innovating to maintain and expand market share

2018 was a transformational year for Creative Solutions with the addition of Amimon technology and the Rycote brand to our portfolio. We also continued to innovate quickly and create high quality products with regular upgrades. Our emphasis is on product design, quality and customer experience.

New products in 2018 included: an upgraded Teradek Bolt, our zero delay wireless video product line; Teradek VidiU Go, a livestreaming device with built-in cellular

bonding; a new line of Wooden Camera accessories for Blackmagic; and Teradek RT equipment for RED.

The SmallHD 703 Bolt Director's Monitor, with integrated zero-delay wireless video, launched in January 2018 is selling well. Due to its success, we have developed more integrated solutions, like the SmallHD Focus Bolt, which includes an integration with Teradek RT (formerly RTMotion) wireless lens control.

M&A:



Wireless video capabilities transformed by margin enhancing acquisition of Amimon

Amimon brings extensive software, chipset design and electronics hardware development expertise to Vitec, and their Israel facility has primarily become an R&D centre of excellence.

The acquisition is in line with Vitec's strategy to develop and grow in the wireless video market and will give Vitec access to patented core technology as well as new intellectual property. Amimon is the technology of choice for wireless equipment used in the cine market. Being part of the Group has opened up the exciting opportunity for Vitec to further develop underlying technology to create a wireless communications platform onto which multiple cameras/monitors can attach, giving our customers greater flexibility in image capture and content creation.

Vitec and Amimon have had a strong customer/supplier relationship since 2012, having worked together to build a new market for professional wireless video. Amimon is the key supplier to Teradek, having developed a market-leading, exclusive and patented technology

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Having worked with Teradek and SmallHD for many years, joining together to vertically integrate is very exciting. It will allow us to leverage our advanced and unique technology with Vitec's market knowledge, premium brands and distribution channels to develop exciting new products for existing and new markets.

Tal Keren-Zvi

General Manager,
VP Operations & R&D, Amimon

which is recognised as the industry-standard for zero delay wireless video. Amimon's technology is used in many of our Creative Solutions products, enabling very high quality, zero delay video, to be transmitted wirelessly between cameras and monitors. This connects a director and crew to the camera in a real-time, cable-free environment, and allows fast changes on set, saving time and money.