

# EVS BROADCAST EQUIPMENT

## RESULTS 4Q 2018

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*Dr. Pierre DE MUELENAERE, Chairman of the Board & Interim CEO*

*Yvan ABSIL, CFO*

*Geoffroy d'OULTREMONT, VP Investor Relations & Corporate Communication*



# AGENDA

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- ▶ Business update
  - ▶ Dr. Pierre De Muelenaere, Chairman of the Board and Interim CEO
- ▶ Financial update
  - ▶ Yvan Absil, CFO
- ▶ Guidance
  - ▶ Dr. Pierre De Muelenaere
  - ▶ Yvan Absil
- ▶ Conclusions
  - ▶ Dr. Pierre De Muelenaere
- ▶ Questions & Answers

## BUSINESS UPDATE - TOPICS

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- ▶ EVS – Key facts
- ▶ Special situation in H1-2018
- ▶ Action plan for H2-2018
- ▶ 4Q and FY18 Results
- ▶ Guidance



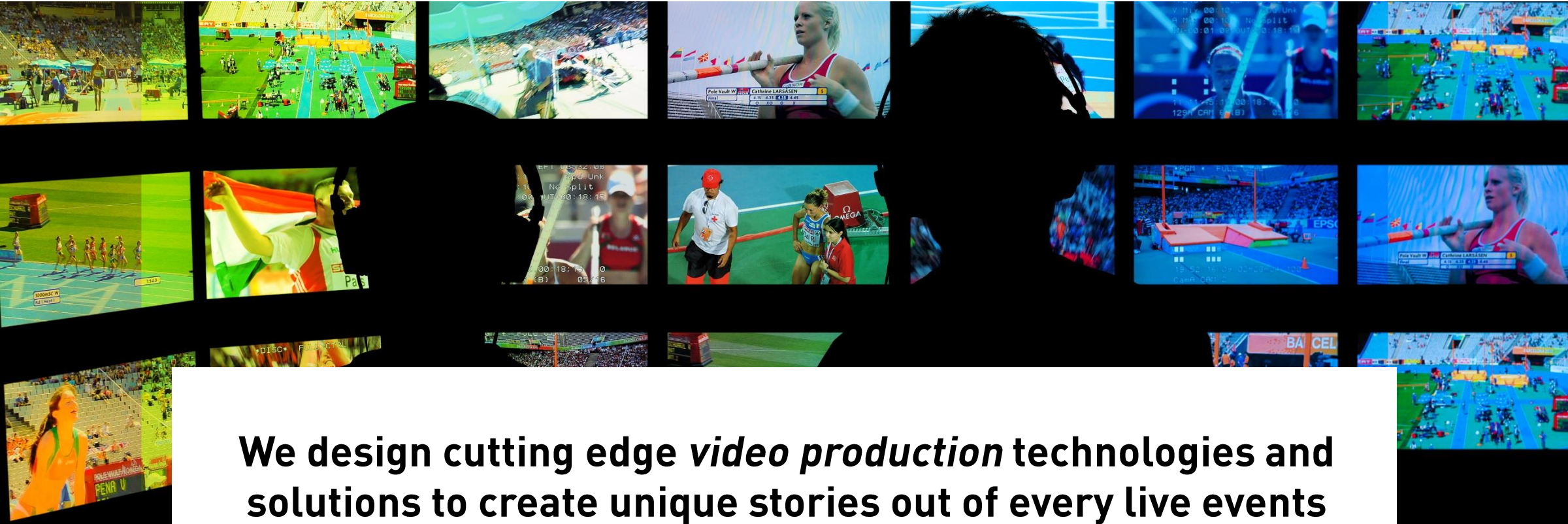
EVS

## KEY FACTS

- ✓ Founded in 1994 (Pierre Lhoest, Laurent Minguet, Michel Counson)
- ✓ Profitable since more than 20 years
- ✓ Listed since 1998
- ✓ A World-wide Leader in Live Slow Motion
- ✓ A *Grow and Maintain* Strategy
- ✓ A Big Events (e.g. Olympic games) impact every 2 years
- ✓ A highly profitable company (EBIT Margin >20%)
- ✓ A strong net cash position
- ✓ A regular distribution of dividends (€1/Share in 2018)



# EVS LIVE FOCUS MISSION



We design cutting edge *video production* technologies and solutions to create unique stories out of every live events

# OUR CUSTOMERS



## PRODUCTION COMPANIES



## SPORT FEDERATION & LEAGUES



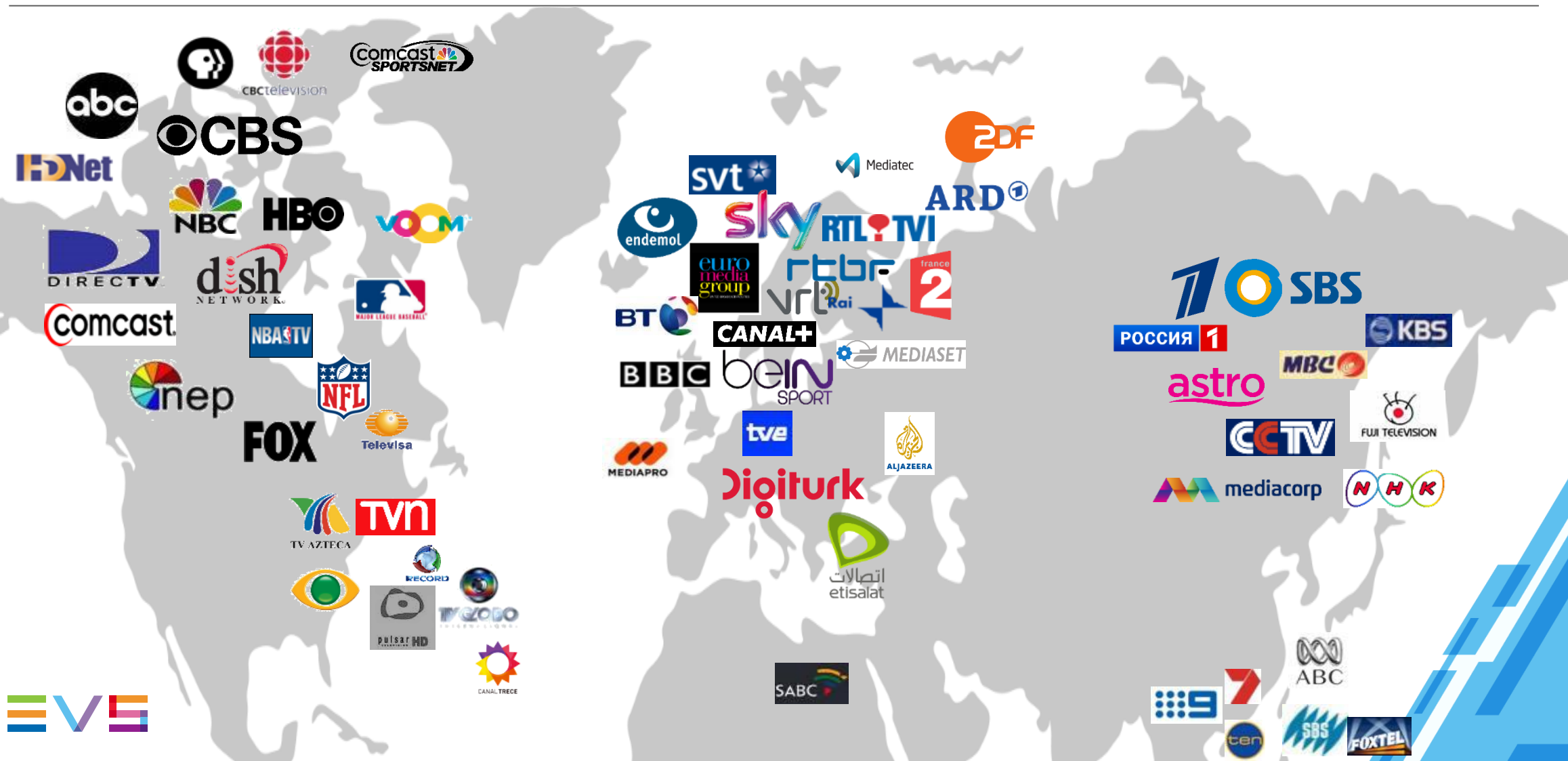
## STUDIO & TV STATIONS



## OTHER

Teams stadiums,  
e-Sports, etc.

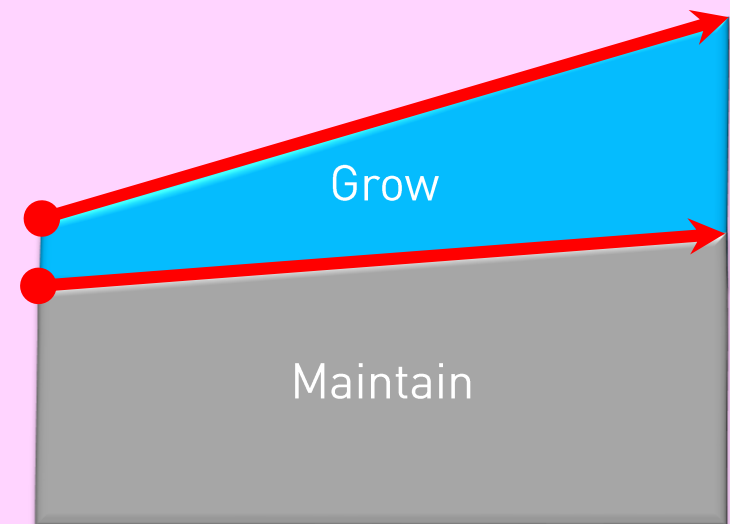
# GLOBAL FOOTPRINT IN HIGH-END LIVE PRODUCTIONS





# EVS BUSINESS

## EVS Business



### ■ A *Grow and Maintain* Strategy

- XT ecosystem for OB vans and broadcast centers
- New products and solutions
- New markets



# MAINTAIN: EVS IS A STRONG LEADER IN LIVE VIDEO PRODUCTION AND WORKS HARD TO MAINTAIN ITS MARKET SHARE AND REVENUE



- ▶ Maintain a strong ecosystem around the XT platform
- ▶ Adapt to support latest technology evolutions
  - IP – smtp2110
  - 4K
  - Remote production
  - Etc
- ▶ Maintain presence in OB Vans (outside Broadcast) and BC (Broadcast Centers) markets.
- ▶ Develop new business models and partnerships



/ 6CH UHD-4K (2160p)

/ +12 CHANNELS OF FHD (1080p)

/ +12 CHANNELS OF HD (720p/1080i)

/ HDR SUPPORT

/ NEW PROXY H.264



HDR



## BOOSTED DENSITY



EVS

# GROW: EVS IS DEVELOPING A RANGE OF NEW SOLUTIONS FOR NEW APPLICATIONS



**DVI**

Live Video Production  
Switcher

2016

- Find new growth opportunities by leveraging the IP technologies
- Extend the product portfolio leading to a larger customer reach



**XEEBRA**

Live Video Assistance  
for Referees

2017

- E-sports
- IT corporates
- Referee – leagues
- Smaller productions
- Infrastructure



**X-ONE**

All-in-one Simplified  
Production System

2018

2018



**S-CORE**

Live IP Workflow  
Infrastructure

50% growth of  
the new products  
revenue in 2018

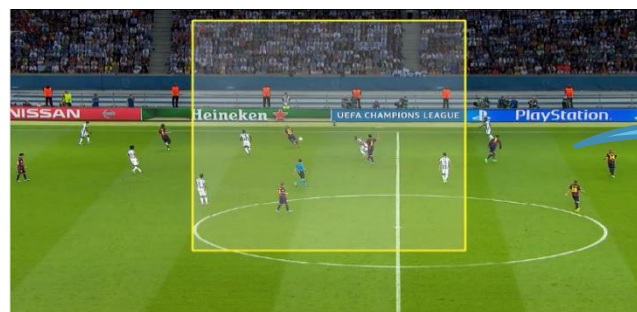


# EVS PRODUCTS POWERED BY ARTIFICIAL INTELLIGENCE PROVIDE UNIQUE BENEFITS TO CUSTOMERS AND REDUCE COST

- ▶ Artificial intelligence used by EVS innovation and development teams to empower and simplify live productions
  - ▶ Off-side-line through automatic player and pitch detection  
=> no calibration needed
  - ▶ Automatic framing  
=> multi-delivery of same content to reach broader audience
  - ▶ Assisted camera selection  
=> speed up and simplify the job of TV directors



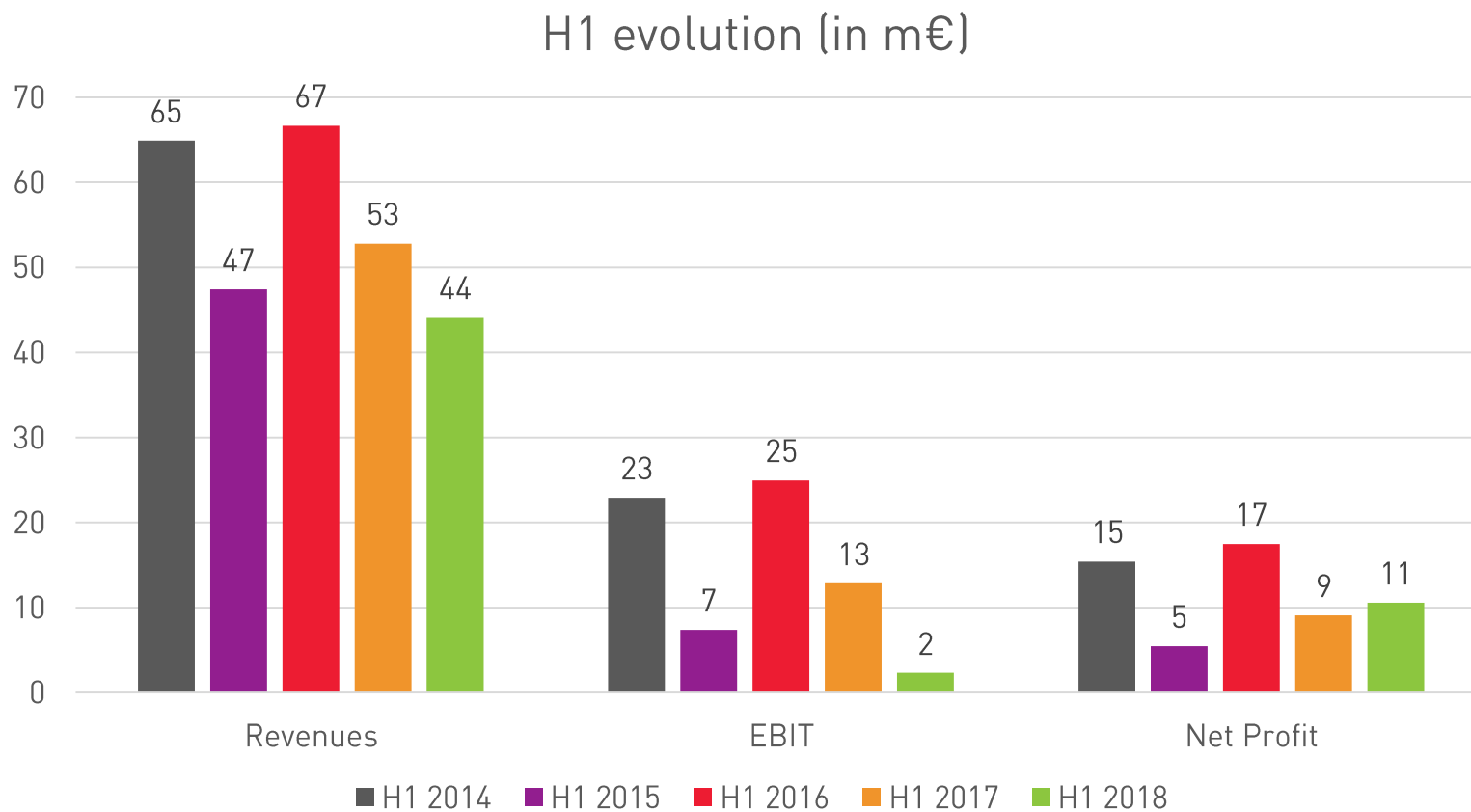
HD screen



Small devices



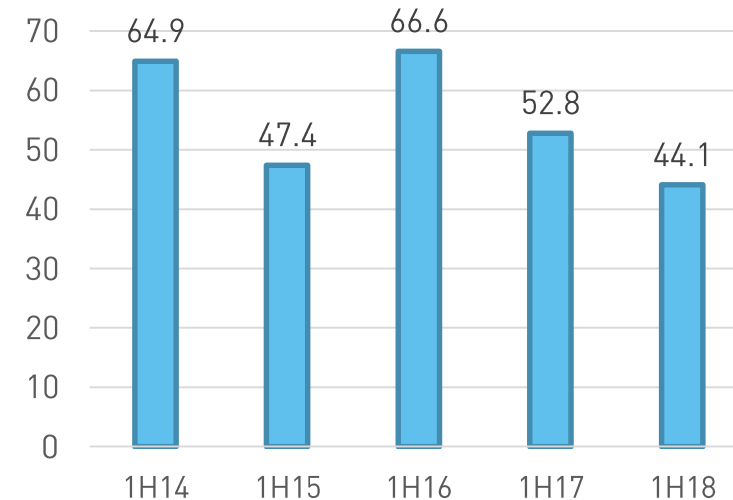
# 1H18 WAS THE WEAKEST FIRST HALF OF THE LAST 5 YEARS



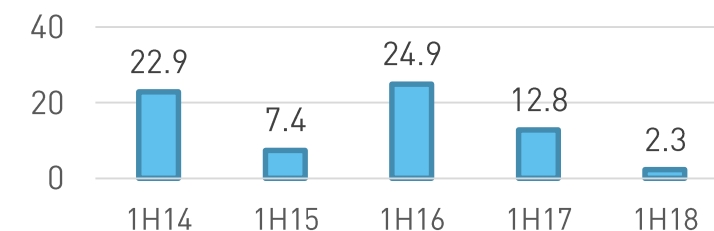
## EVS WAS FACING A SPECIAL SITUATION IN H1-2018

- The EVS board has been reshuffled with two leavers and two newcomers (Dr. Pierre De Muelenaere and Vincent Werbrouck)
- Pierre mission was to improve stability and efficiency of the Board
- The H1-2018 is the worst of last 5 years (revenue, EBIT)
- There were significant tensions in the Top management of the company
- A change of CEO was decided to improve on the situation
- Pierre stepped in as Interim CEO, assisted by Vincent Werbrouck

First half revenue



First half EBIT





## THE BOARDS DECIDED THAT A SPECIAL ACTION PLAN WAS NEEDED

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- ▶ With the help of EVS Management, a Fight-Back Plan has been designed for 2H2018:
  - ▶ Improve OPEX
  - ▶ Maximize the impact of commercial actions
  - ▶ Maximize EBIT
- ▶ With Strong support of the Board and the management, the Fight-Back plan has been implemented:
  - ▶ OPEX reductions have been quickly activated
  - ▶ Significant efforts have been done to maximize the impact of the IBC tradeshow
  - ▶ Significant efforts to maximize the impact of the new products releases
- ▶ 2019 plans and budget have been prepared by an aligned management team

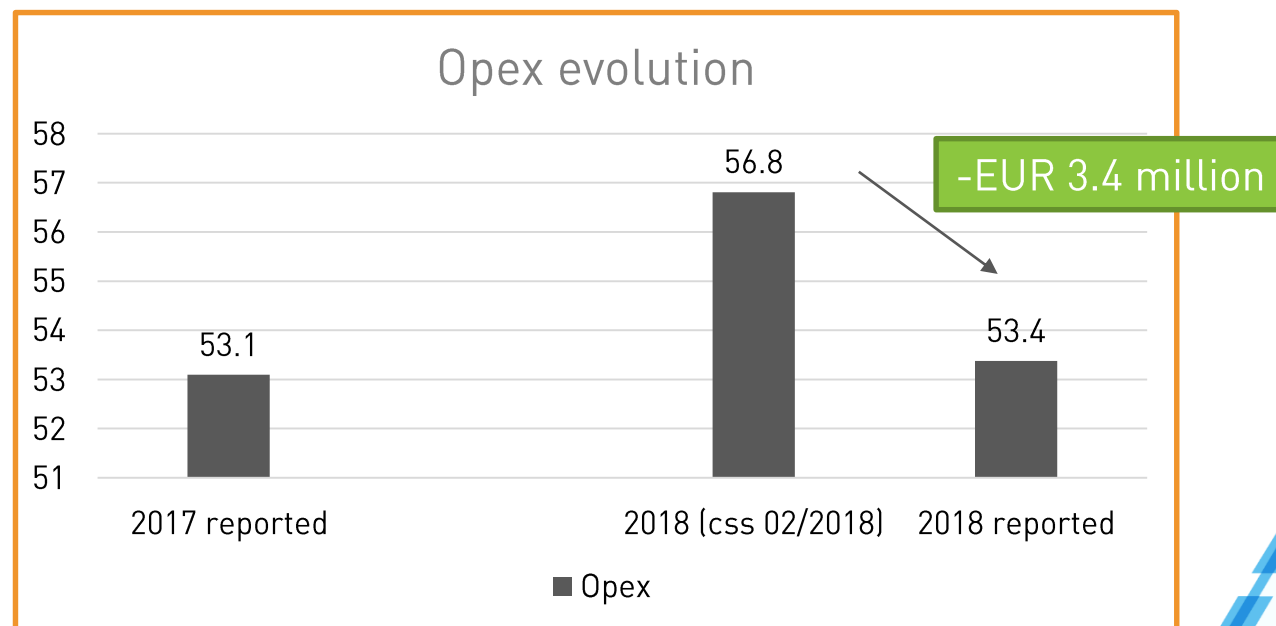
# THANKS TO STRONG ACTIONS, EVS HAS BEATEN THE OPEX GUIDANCE

## Original OPEX Guidance:

moderate growth on top of the structural salary increase ( $\pm 2\%$ ) in Belgium  
(analyst consensus in Feb. 2018: + 6-8%)

## Reported 2018 OPEX :

+0.5%



# THANKS TO THE COMMITMENT OF ALL EVS TEAMS, NEW KEY PRODUCTS HAVE BEEN RELEASED AND SIGNIFICANT DEALS HAVE BEEN WON!

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## Products

- ▶ **Shipping of XT-Via (August 2018)**
- ▶ Launch of Xeebra 2.0, including the AI-enabled off-side indicator (August 2018)
- ▶ Launch of X-One 1.1, all-in-one simplified production system (August 2018)
- ▶ Launch of latest version of operating system driving EVS production servers: Multicam 16.00 (September 2018)

## Some customer wins

- ▶ XT-Via: NHK (Japan), Gravity Media Group (with Multicam upgrades), CSM (China), Nascar Productions (US), Western Mobile TV (US) ... and many more
- ▶ Dyvi: Clique TV (France), tpc (Switzerland), Kanal 2 (Estonia), etc.



More info on products and releases on [www.evs.com](http://www.evs.com)



# GRAVITY MEDIA GROUP MEETS GROWING UHD-4K CONTENT DEMAND WITH MAJOR EVS TECHNOLOGY INVESTMENT

- Scope:
  - Upgrade of its entire EVS fleet to Multicam 16.0 operating system
  - New XT-VIA servers
- Advantage:
  - Deliver expanded capabilities for its customers
  - Better meet the demands of today's production environments: 1.5G, 3G, UHD-4K, HDR, etc
  - Multicam 16.00 will boost the capacity of Gravity Media's servers and allow them to run on the same XNet-VIA network
- Delivered partially in 2018, 2019 and 2020

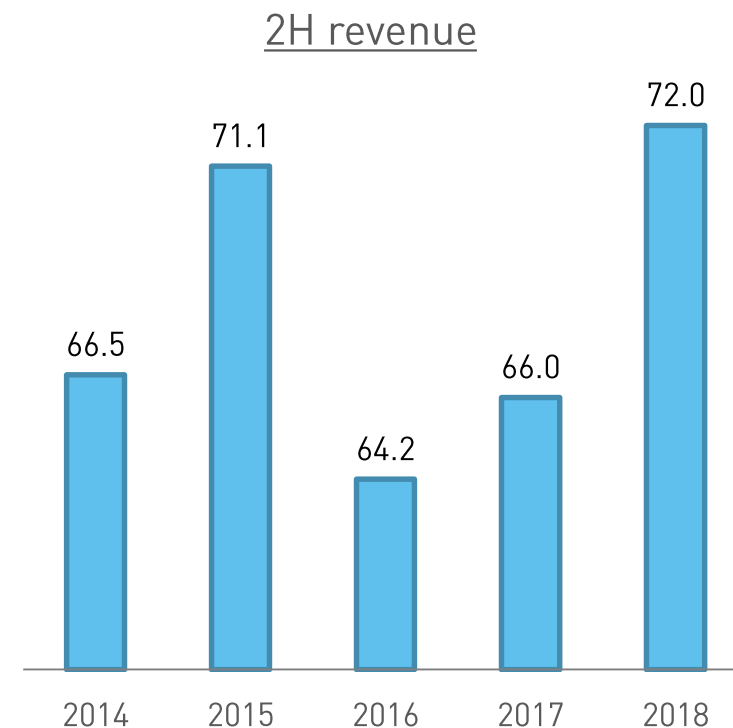


Gravity Media Group

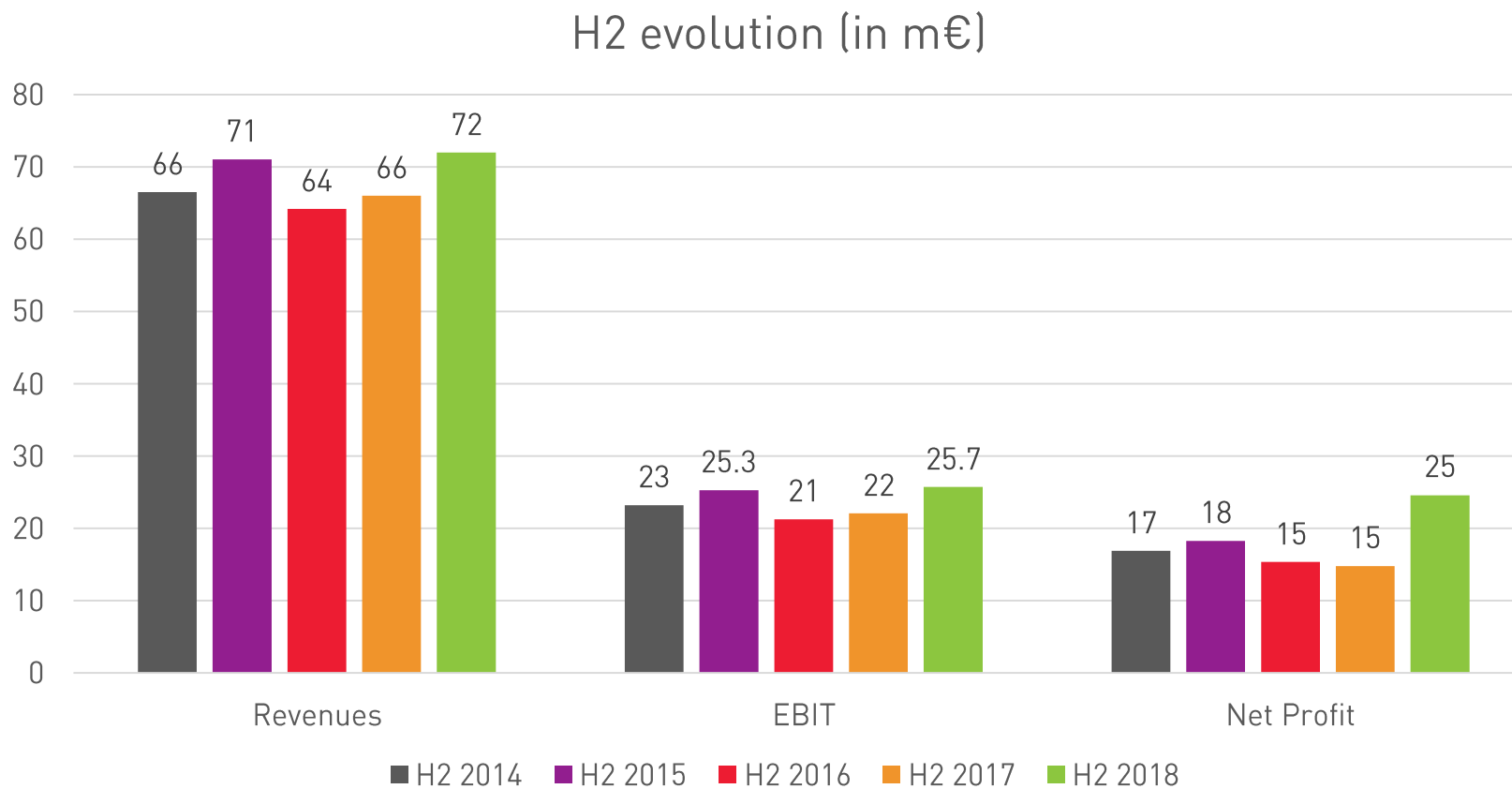


## WITH STRONG ACTIONS, THE BUSINESS OF EVS IN 2H18 WAS MUCH BETTER

- H2 is record compared to previous years \*
- EVS team worked hard to make a strong H2
- The XT-Via platform is ready for 4K, IP, 1080p, HDR and future proof for new projects
- The DYVI switcher is based on breakthrough technology and new features are constantly added. There are already more than 60 customers in all geographies (USA, Europe, Asia)
- Xeebra is a strong contender in the VAR market and is constantly enhanced. Prestigious customers have been won, including LaLiga (Spanish soccer)



## CONCLUSION: 2H18 WAS RECORD COMPARED TO THE LAST 5 YEARS





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# FY18 HIGHLIGHTS

## BETTER MOMENTUM IN 2H18 AFTER WEAK 1H18

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### ■ FY Revenue

- In line with guidance
- Traction from XT-Via platform and maximization of the impact of commercial actions in 2H18
- Continued challenging market conditions

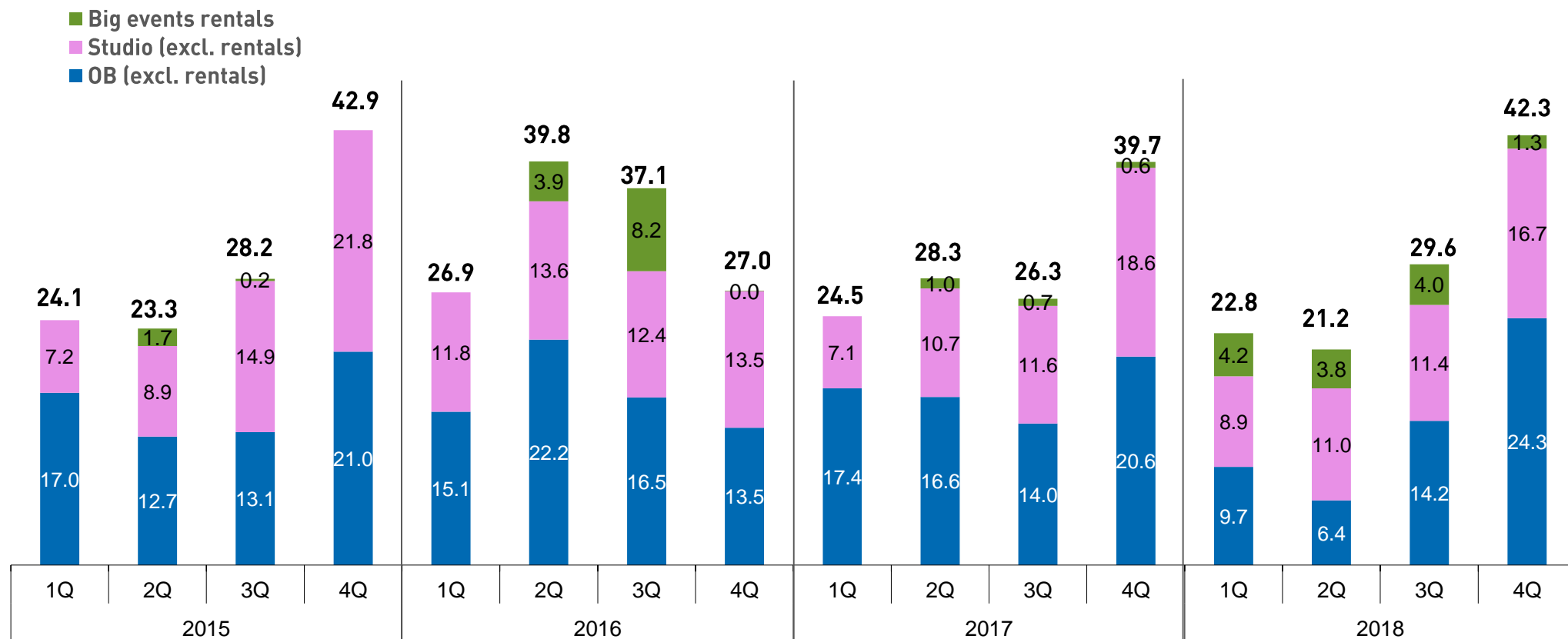
### ■ FY Profitability

- Steady gross margin
- Opex control (+0.5% yoy), thanks to disciplined cost management and cost reduction initiatives
- Net profit benefits from one-time tax deductions (innovation box regime implementation in Belgium)

### ■ FY19 outlook

- Revenue: EUR 100-120 million range
- Good momentum around new products, including XT-VIA, in an industry remaining under pressure
- Opex: max +2%

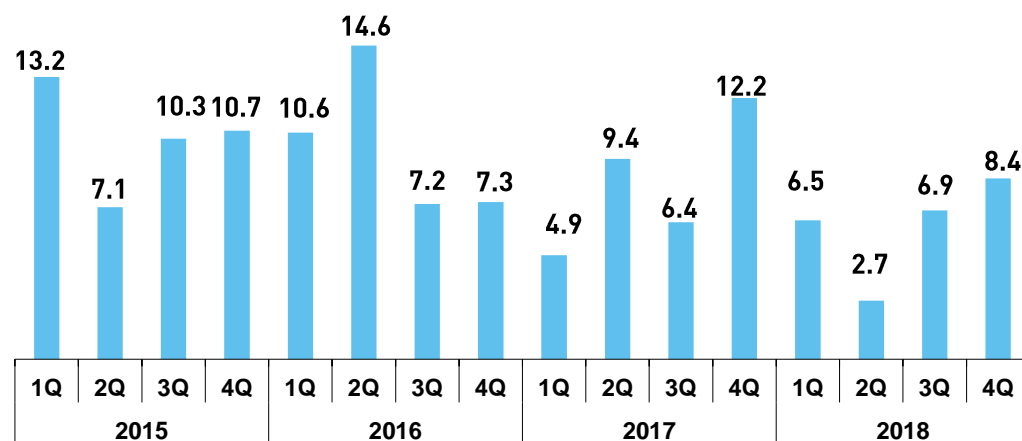
# NEAR RECORD Q4 REVENUES THANKS TO STRONG Q4 OB REVENUES PUSHED BY XT-VIA SALES



# Q4 REVENUE: GEOGRAPHICAL SPLIT

## THE AMERICAS

(excl. events)



REVENUES: FY18 EUR 24.7 million



## EMEA

(excl. events)

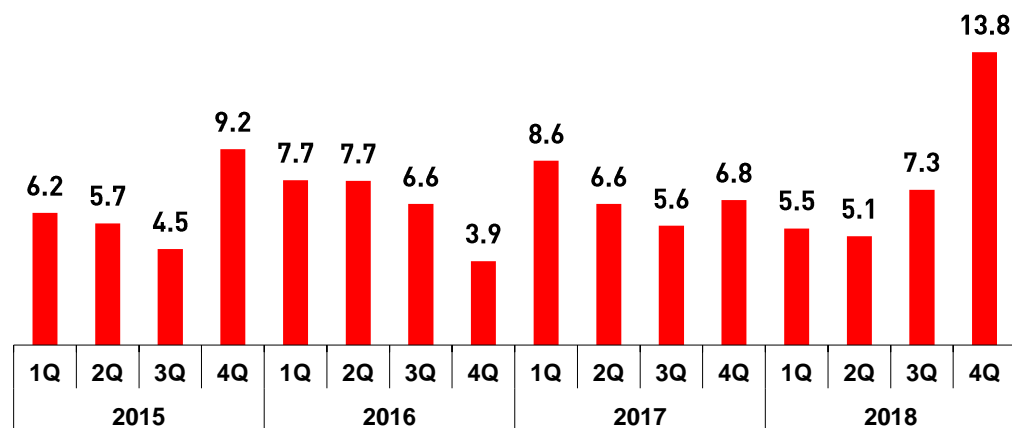


REVENUES: FY18: EUR 46.5 million

# Q4 REVENUE: GEOGRAPHICAL SPLIT

## APAC

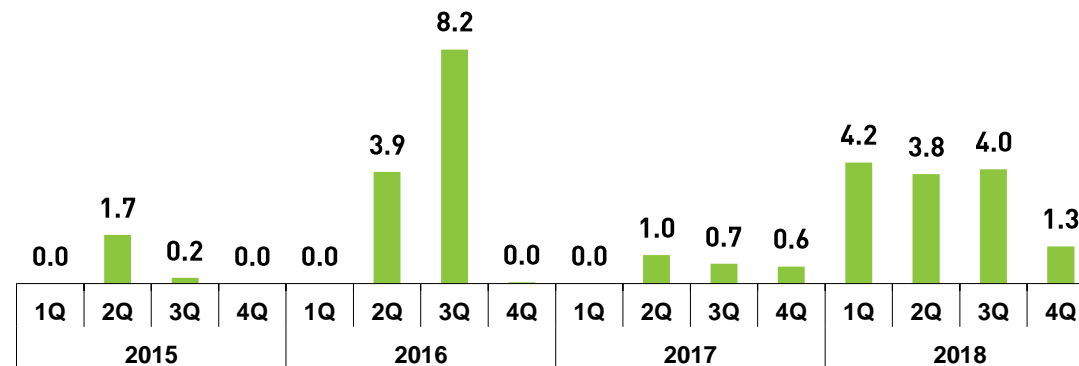
(excl. Events)



REVENUES: FY18: EUR 31.6m



## BIG EVENT RENTALS



REVENUES: FY18 EUR 13.4 m



# CONSOLIDATED INCOME STATEMENT 4Q 2018

In millions of EUR	4Q18	4Q17
<b>REVENUE</b>	<b>42.3</b>	<b>39.7</b>
Cost of sales	-9.7	-9.0
Gross profit	32.6	30.8
Gross margin	77.1%	77.4%
S&A	-7.8	-7.8
R&D	-6.4	-6.6
EBIT	18.2	16.5
<b>EBIT MARGIN</b>	<b>42.9%</b>	<b>41.6%</b>
Financial result	0.1	-0.9
Taxes	-1.3	-4.7
<b>NET PROFIT</b>	<b>17.2</b>	<b>11.0</b>
<b>BASICS EPS <sup>1)</sup></b>	<b>1.27</b>	<b>0.82</b>

- ▶ Revenue: +6.6% yoy
- ▶ Gross margin: -0.3ppt yoy
  - Better product mix
  - Write-offs
- ▶ OPEX: -0.9% yoy
  - Lower consulting costs, partially offset by some one-offs
- ▶ EBIT margin: 42.9%
- ▶ Taxes
  - Innovation Box impact: EUR 2.5 million
- ▶ EPS: 1.27€

# CONSOLIDATED INCOME STATEMENT FY 2018

In millions of EUR	FY18	FY17
<b>REVENUE</b>	<b>116.1</b>	<b>118.8</b>
Cost of sales	-33.5	-31.2
Gross profit	82.5	87.6
Gross margin %	71.1%	73.7%
S&A	-27.9	-28.1
R&D	-25.4	-25.0
EBIT	28.1	34.9
<b>EBIT MARGIN</b>	<b>24.2%</b>	<b>29.4%</b>
Financial result	-0.2	-1.5
Taxes	7.0	-9.6
<b>NET PROFIT</b>	<b>35.2</b>	<b>23.9</b>
<b>BASICS EPS <sup>1)</sup></b>	<b>2.60</b>	<b>1.77</b>

- Revenue: -2.3% yoy
- Gross margin: -2.6ppt yoy
  - Product mix
- OPEX: +0.5% yoy
  - Strict cost management and recruitment
- EBIT margin: 24.2%
- Taxes (EUR 7.0 million vs EUR -9.6 million last year)
  - Innovation Box impact: EUR 11.3 million
  - Geographical mix
  - Changes in local tax rate in Belgium and US
- EPS: 2.60€

## STRONG BALANCE SHEET

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- ▶ EUR 32.0 million net cash from operating activities in 2018 (compared to EUR 11.6 million in 2017)
- ▶ Total equity of EUR 141.3 million (+EUR 36.0 million since the end of 2017)
- ▶ EUR 58.5 million net cash position at the end of 2018
- ▶ Capital increase on December 26, 2018: EUR 14.9 million
- ▶ Share buyback in 2018: EUR 1.2 million (58,580 shares)
- ▶ Total gross dividend of EUR 1.00 per share, equal to 2017 total dividend

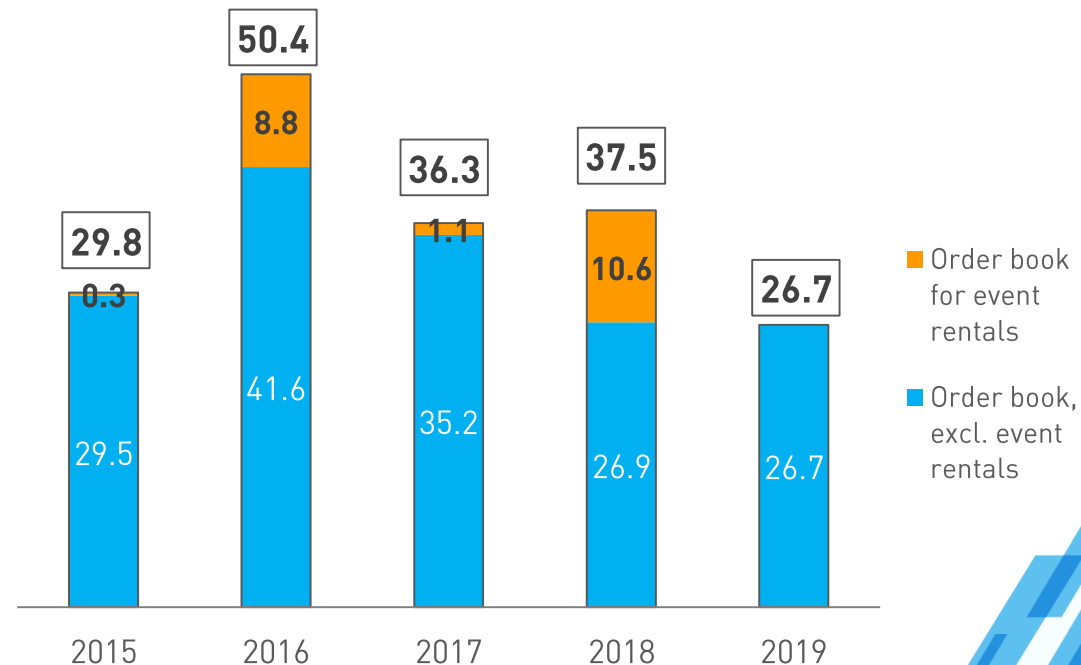
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## ORDER BOOK @ FEBRUARY 15: EUR 26.7 MILLION

- 2019 order book is -28.8% compared to last year, but -0.7% excl. Big events rentals
- Around 75% should be recognized as revenue in H1
- 50% of the order book related to OB
- Current 2019 order book does not include any big event rentals
- In addition, EUR 5.4 million for 2020 and beyond





# GUIDANCE

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We made some changes in our financial communication to take into account the feedback received from investors over the last months

- 2019 financial outlook

- Change: guidance given earlier, in February (instead of May)
  - Revenue: EUR 100-120 million
  - Opex: less than +2%

- Dividend

- Change of dividend policy: stable dividend policy
  - Proposition of total gross dividend of EUR 1.00 for 2018, 2019, 2020 and 2021, subject to reasonable market conditions

- Quarterly financial reporting

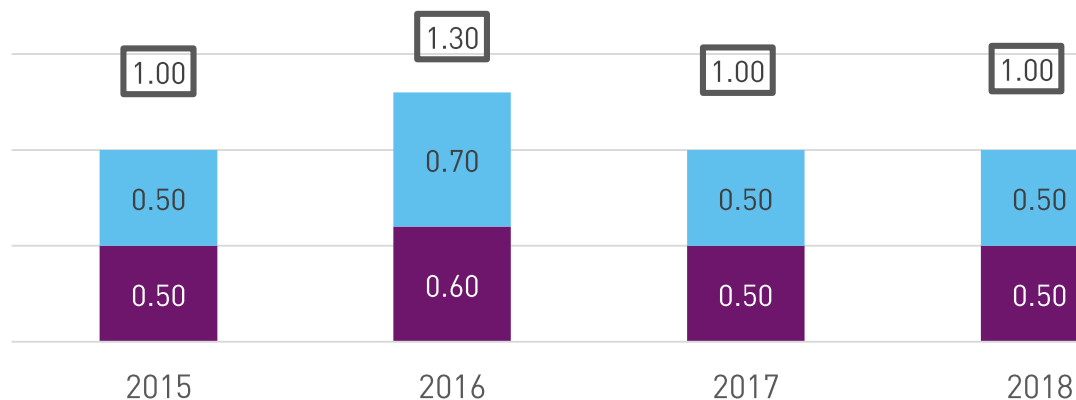
- Change: limit Q1 and Q3 information to trading update
- Full communication twice a year



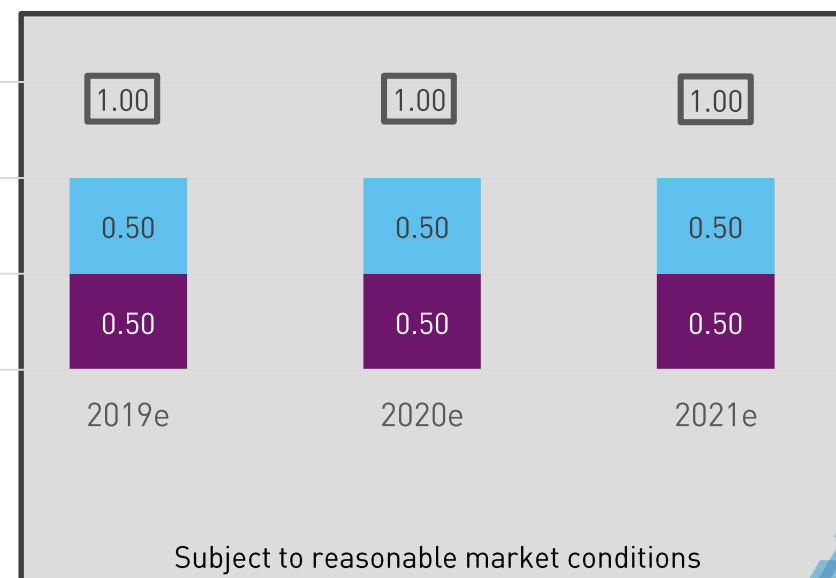
# NEW DIVIDEND POLICY

Evolution of dividend  
in EUR per share

■ Final dividend (May)  
■ Interim Dividend (November)



* Payout	56.8%	53.5%	56.5%	37.9%
** Yield	3.5%	4.2%	3.0%	4.3%



\* defined as total gross dividend divided by net profit, group share

\*\* defined as total gross dividend divided by average share price of the fiscal year

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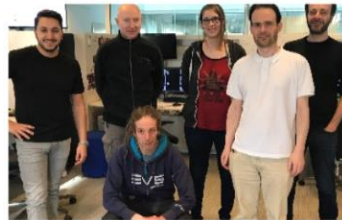
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# CONCLUSIONS

- ▶ A special year for EVS
- ▶ A strong action plan with special commitment from all EVS Teams in H2
- ▶ Great products released by the R&D !
- ▶ Important wins by the sales team !
- ▶ 2018 numbers in line with latest guidance
- ▶ Strongest H2 since 10 years (revenue and EBIT)
- ▶ Improved financial communication
  - ▶ Guidance communicated earlier
  - ▶ New dividend policy: EUR 1.00 stable dividend in 2018-2021 period \*
  - ▶ Change in quarterly financial reporting
- ▶ 2019 financial outlook reflects continued challenging industry









# CONTACT

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