

# EVS Broadcast Equipment

## 3Q13 results

November 14, 2013

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[www.evs.com](http://www.evs.com)



**EVS**

## FORWARD LOOKING INFORMATION

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The statements made in this presentation that are not historical facts contain forward-looking information that involves risks and uncertainties. All statements, other than statements of historical fact, which address EVS Group's ("EVS", "dcinex" or the "Company") expectations, should be considered as forward-looking statements. Such statements made by EVS are based on knowledge of the environment in which it currently operates, but because of factors beyond its control, actual results may differ materially from the expectations expressed in the forward-looking statements. Important factors that may cause actual results to differ from anticipated results include, but are not limited to, financing risk, acquisition risk, changes in technology, and other risks as outlined in the filings with securities regulators and can also be found at [www.evs.com](http://www.evs.com).

## HIGHLIGHTS

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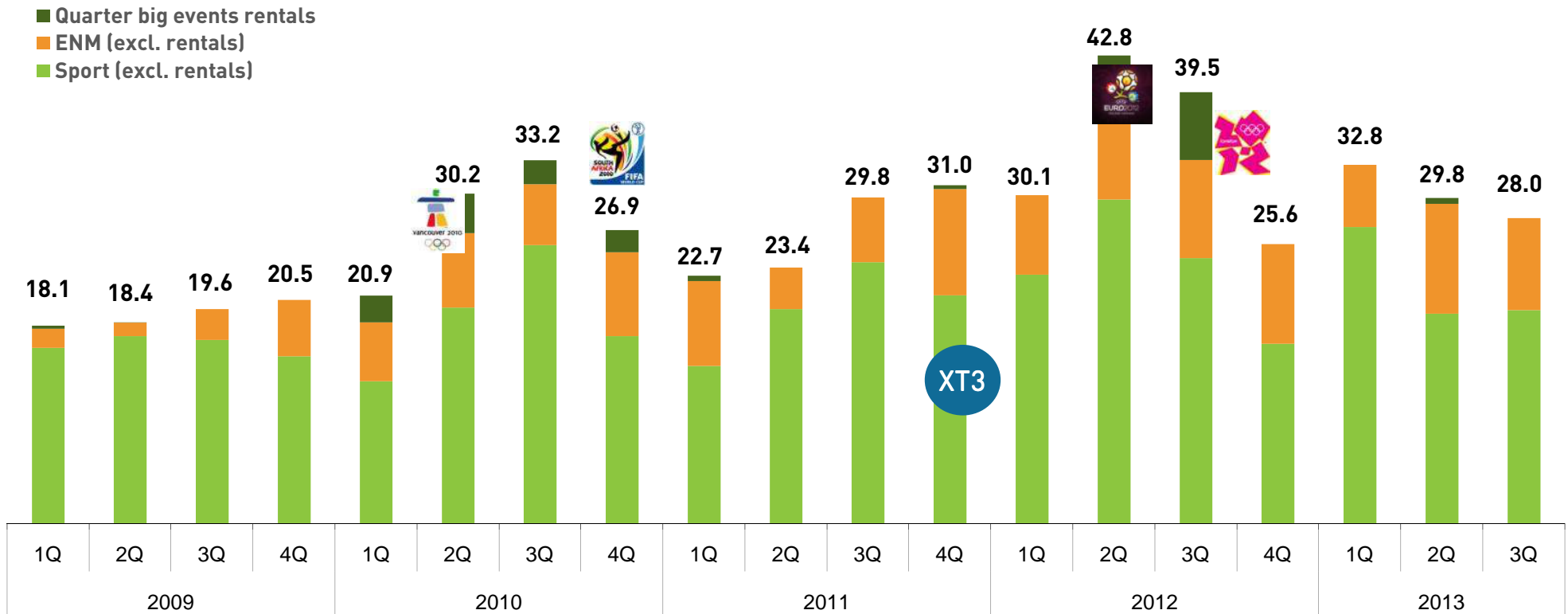
- ▶ 3Q13 fully in line with management expectations
- ▶ APAC remains strong; Americas continues to recover
- ▶ Repositioning plan on track
- ▶ Lower revenues and higher costs leads to 30.0% EBIT margin
- ▶ Global Order book : record EUR 61.0 million (EUR 29.1 million for 2013)
  
- ▶ Guidance:
  - 2013: stable revenues compared to 2012, excl. big events rentals (assuming expected rebound in Americas), i.e. slightly below EUR 130 million
  - 2014: prudence on sales, higher than 10% opex growth due to more investments in R&D in new promising technologies

## AGENDA

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- ▶ Financial update
- ▶ Business update
- ▶ 2013 outlook
- ▶ Corporate update

# QUARTERLY REVENUE SPLIT BY SEGMENTS



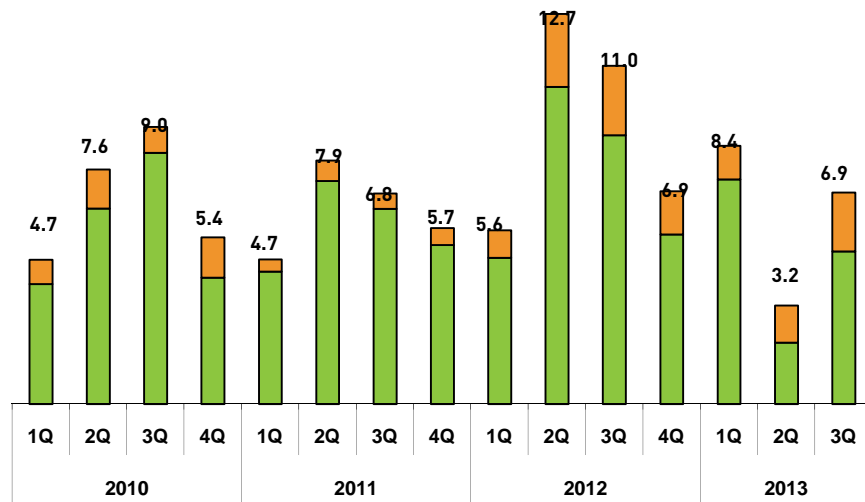
# GEOGRAPHICAL SPLIT

Good 3Q13 performance in all regions while Americas is recovering

?: 9M13 vs 9M12 variation, at constant exchange rate, excluding big events rentals

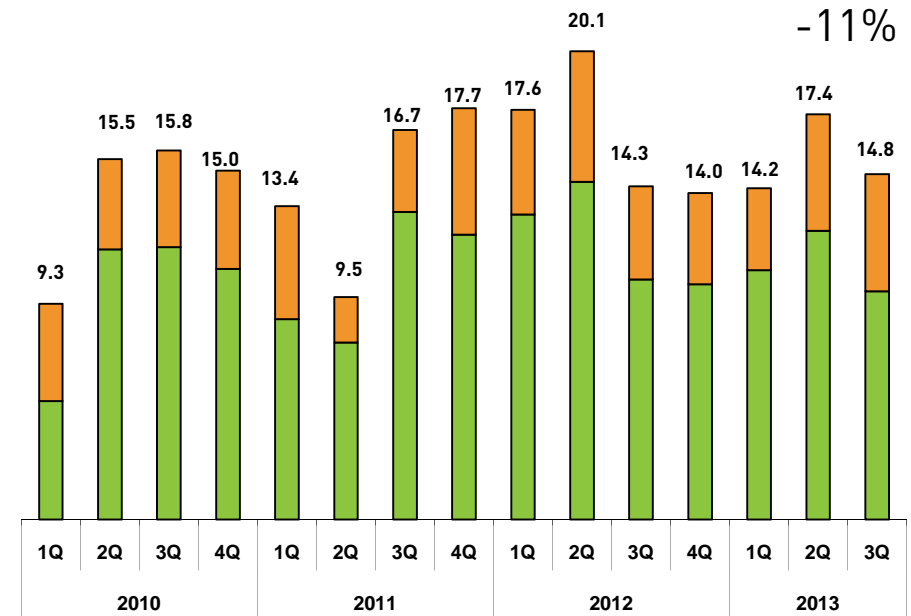
## Americas (excl. events)

9M13  
-36%



## EMEA (excl. events)

9M13  
-11%



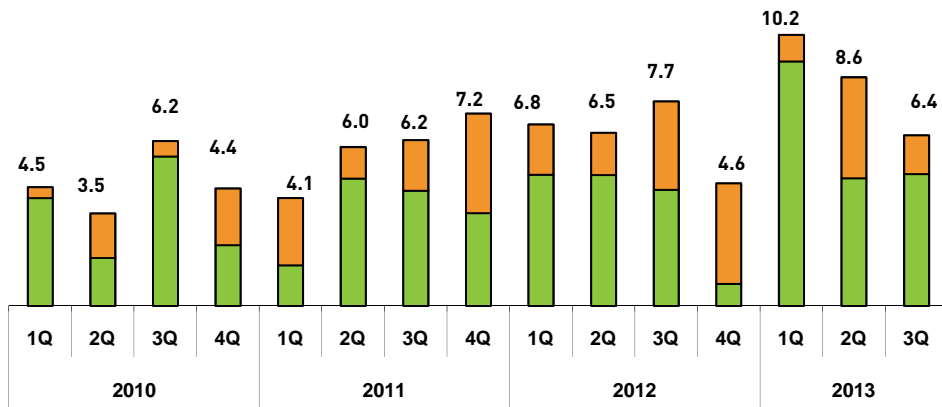
■ ENM  
■ Sports

# GEOGRAPHICAL SPLIT

Very strong APAC and Big event rentals

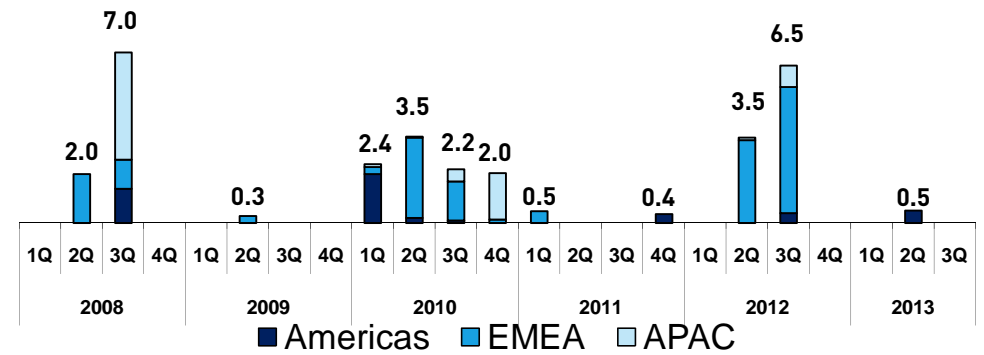
## APAC (excl. Events)

9M13  
+20%



■ ENM  
■ Sports

## Big event rentals



■ Americas ■ EMEA ■ APAC

## 3Q13: REVENUE DOWN BY 29.2%

Reported

In millions of EUR	3Q12	2Q13	3Q13
<b>REVENUE</b>	<b>39.5</b>	<b>29.8</b>	<b>28.0</b>
Cost of sales	(8.1)	(7.1)	(7.4)
Gross margin	31.4	22.7	20.5
Gross margin %	79.4%	76.3%	73.4%
S&A	(6.2)	(6.6)	(6.5)
R&D - gross	(5.9)	(6.0)	(5.5)
R&D - tax credit	0.2	0.4	0.2
<b>EBIT</b>	<b>19.3</b>	<b>9.7</b>	<b>8.4</b>
<b>EBIT MARGIN</b>	<b>48.8%</b>	<b>32.4%</b>	<b>30.0%</b>
Financial result	(0.5)	0.0	0.1
dcinex & mecalec at equity	0.0	0.2	0.3
Taxes	(6.1)	(3.1)	(2.7)
<b>NET PROFIT</b>	<b>12.7</b>	<b>6.9</b>	<b>6.3</b>
<b>NET PROFIT FROM OPS</b>	<b>13.2</b>	<b>7.7</b>	<b>6.4</b>
<b>BASICS EPS FROM OPS <sup>1)</sup></b>	<b>0.98</b>	<b>0.57</b>	<b>0.48</b>

1) Basic EPS is computed on the adjusted number of shares, i.e. less own shares

### 3Q13

- ▶ Gross margin impacted by lower sales, reclassifications from R&D and some hires
- ▶ Opex generally stable in 3Q13:
  - SG&A up on management change and reinforcement
  - R&D down after reclass.
  - Investment in start-up: EUR +0.6m in 3Q13 in opex
- ▶ EBIT margin of 30.0%
- ▶ EPS : EUR 0.48



## 9M13: REVENUE DOWN BY 19.4%

Reported

In millions of EUR	9M12	9M13
<b>REVENUE</b>	<b>112.3</b>	<b>90.6</b>
Cost of sales	(22.9)	(21.3)
Gross margin	89.4	69.3
Gross margin %	79.6%	76.5%
S&A	(16.3)	(18.6)
R&D - gross	(16.7)	(17.6)
R&D - tax credit	0.8	0.9
<b>EBIT</b>	<b>56.0</b>	<b>32.5</b>
<b>EBIT MARGIN</b>	<b>49.9%</b>	<b>35.9%</b>
Financial result	(1.5)	0.3
dcinex & mecalec at equity	0.1	0.4
Taxes	(17.2)	(10.3)
<b>NET PROFIT</b>	<b>37.4</b>	<b>23.3</b>
<b>NET PROFIT FROM OPS</b>	<b>38.8</b>	<b>24.5</b>
<b>BASICS EPS FROM OPS <sup>1)</sup></b>	<b>2.89</b>	<b>1.82</b>

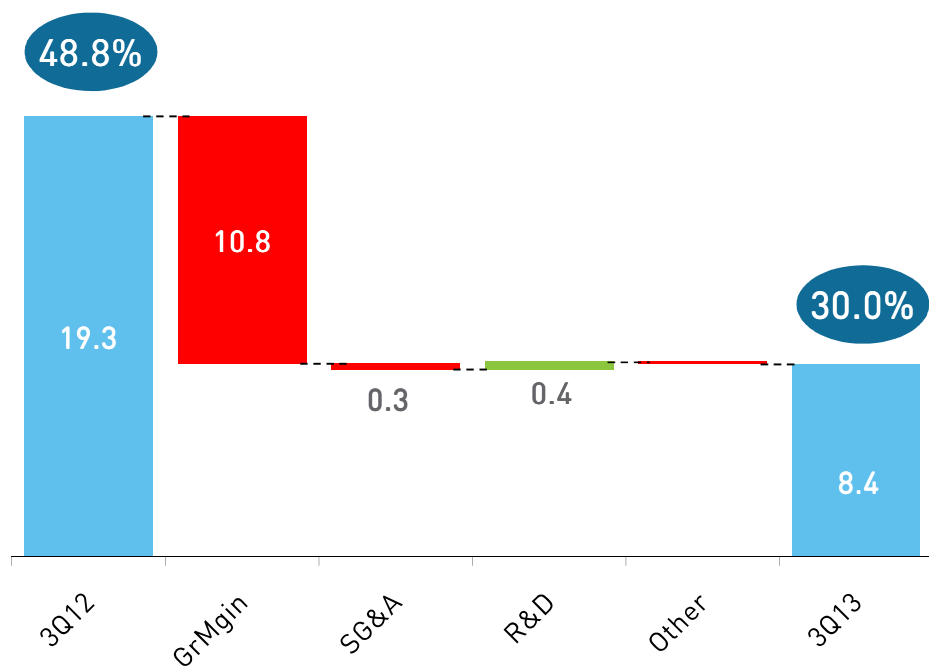
Actual 9M

- ▶ Gross margin impacted by lower sales, reclassifications from R&D and some hires
- ▶ Opex up 9.7% in 9M13:
  - SG&A up on sales reinforcement and mgt changes
  - R&D down after reclass.
  - Investment in start-up: EUR +1.1m in 3Q13 in opex
- ▶ EBIT margin of 35.9%
- ▶ EPS : EUR 1.82

1) Basic EPS is computed on the adjusted number of shares, i.e. less own shares

## 3Q13 EBIT margin at 30.0%, or EUR 8.4 million

EBIT margin decrease is mainly due to deleveraging on lower sales

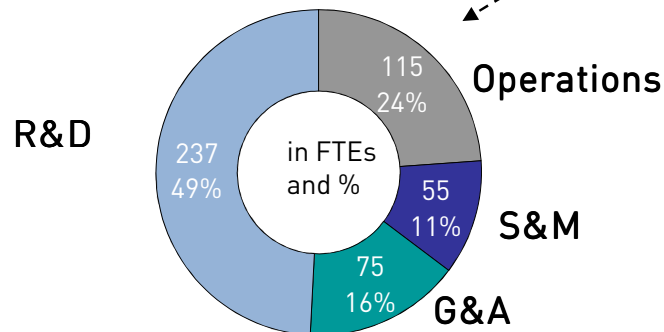
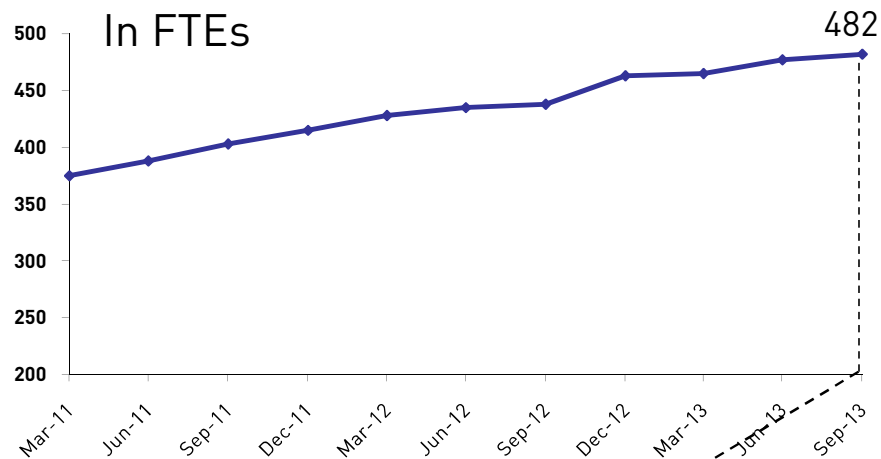


- ▶ 3Q12 incl. London2012 rental contract for EUR 6.5m
- ▶ Gross margin impact mainly from sales deleverage
- ▶ Stable SG&A and R&D opex

# STAFF GROWTH: +19 PEOPLE IN 9M13 (incl. 14 people in start-up)

49% in innovation (R&D)

## Headcount evolution at September 30, 2013



- ▶ Net +44 FTEs in 12 months (+10.0%), incl. 14 people in start-up
- ▶ More new staff to join in 4Q13
  - Headcount is likely to reach 500 FTEs by year-end
- ▶ Investment in
  - Innovation: 49% R&D
  - Expansion: 35% sales & ops
- ▶ Strengthening ENM divisions with specific market experts

## STRONG BALANCE SHEET

EUR 17.4 million cash

In millions of EUR	Dec 2012	Sept. 2013
<b>ASSETS</b>		
Goodwill and intangibles	1.6	2.5
Lands, buildings and other tangibles	21.1	32.3
dcinex and Mecalec at equity	8.5	9.9
Inventories	15.9	16.6
Receivables	21.1	19.6
Cash	21.4	17.4
Other assets	5.3	4.7
<b>Total assets</b>	<b>95.0</b>	<b>103.0</b>
<b>EQUITY AND LIABILITIES</b>		
Total equity	67.3	73.6
Non-current liabilities	3.6	2.7
Trade payables	6.6	6.1
Other current liabilities	17.5	20.6
<b>Total equity and liabilities</b>	<b>95.0</b>	<b>103.0</b>

**EUR 2.5 million**

Intangibles and Goodwill

**EUR 32.3 million**

Lands and buildings

**EUR 1.16 per share**

Stable interim dividend

**EUR 73.6 million total equity**

71.4% of balance sheet

## DCINEX CONTRIBUTION TO EVS GROUP

Slightly lower sales due to seasonal effect, high EBITDA margin



### 9M13 key financials

In thousands of EUR	9M12	9M13
<b>REVENUE</b>	<b>62,035</b>	<b>63,997</b>
EBITDA	15,896	22,114
EBITDA margin	25.6%	34.6%
Net result	127	700
<b>EVS share</b>	<b>41.3%</b>	<b>41.3%</b>
<b>Dcinex result, EVS share</b>	<b>52</b>	<b>289</b>

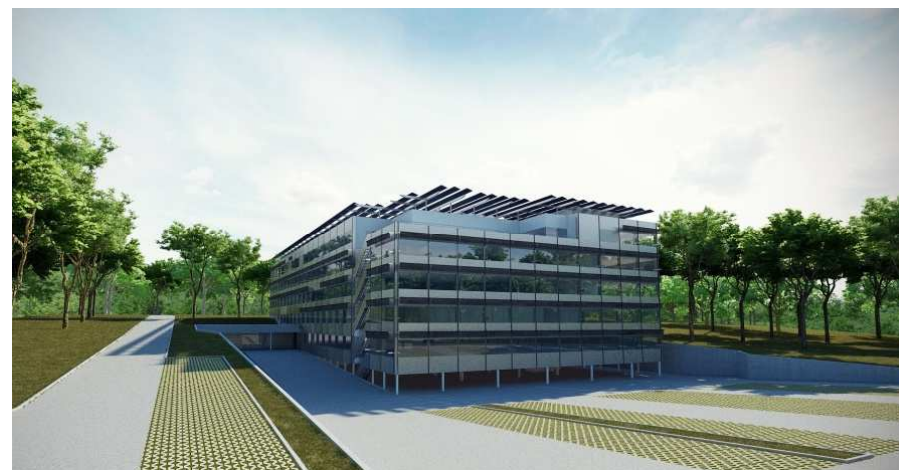
- ▶ Top player in Europe
- ▶ +3.2% sales in 9M13
- ▶ +32.6% higher EBITDA margin
- ▶ Positive Free Cash Flow

# NEW EVS HEADQUARTER AND INNOVATION CENTER IN LIÈGE

## Securing EUR 24 million debt financing over 7 years

- ▶ Gross investment EUR 50 million
  - 50% financed on own cash-flow
  - 50% (EUR 24 million) by senior debt
  - Opening: late 2014
  
- ▶ EUR 24m Senior debt partners:
 

- EIB (50%):	EUR 12 million
- ING Belgium (25%):	EUR 6 million
- BNP Paribas Fortis (25%):	EUR 6 million
  
- ▶ Key terms
  - 7 years - first drawdown in Nov. 2013;
  - first repayment in 2015; last repayment in 2020
  - Euribor6M (0.30% currently) plus reasonable bank margin
  - Usual covenants
    - Usual Net Debt / EBITDA ratios
    - Max 120% pay-out ratio for dividends; ensure dividend upstream from EVS affiliates
    - Let approve standard change of control clause by EVS AGM (standard process for Belgian companies)
    - No penalty for early reimbursement
  
- ▶ Replaces existing EUR 14 million short term credit facility with BNPPF (not used)



# NEW EVS HEADQUARTER AND INNOVATION CENTER IN LIÈGE

Net investment of EUR 45 million over 2011-2014

- EUR 50 million investment, gross (cash-out 2012-2014)
- EUR 5 million subsidies
- = investment net of subsidies = EUR 45 million
- and max EUR 9.0 million resale value of existing buildings (cash-in 2015), IFRS value EUR 8.0m

	2011	2012	2013	2014	2015	Total
Capex	-2.6	-11.1	-18.0	-18.3		-50.0
Loan drawdown	-	-	8.0	16.0		24.0
FEDER Subsidies	-	0.5	3.0	1.5		5.0
Resale existing facilities	-	-	-	2.0	7.0	9.0

## AGENDA

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- ▶ Financial update
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- ▶ 2013 outlook
- ▶ Corporate update



# IBC (International trade-show in September 2013)

## Feedback



### General

- Attendance slightly up
- Mixed views on short-term market conditions
- Confirmation of market long-term growth drivers indicated by growth in Sports Rights, entrance of new IT and Cloud-based and Ultra-HD technologies, more live productions



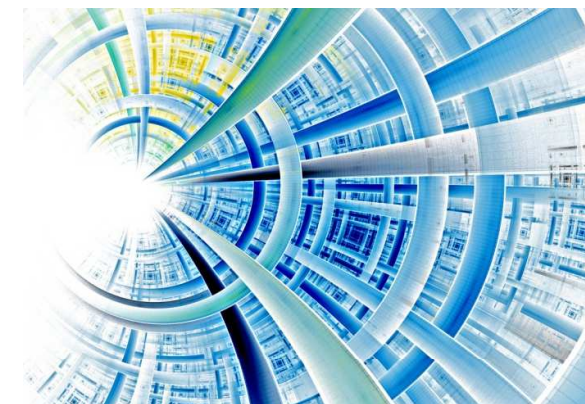
### EVS

- Enthusiasm about new 4-market strategy
- Very positive reactions about the many new product launches:
  - XT3 4K+zooming
  - Integration with Adobe editors
  - Improved LSM user interface
  - EVS OpenCube's leading MXF video file format mastering tools
  - Latest Sport Center IP Director release
  - Play-out controller (Nano-Air) for the Entertainment market



## NEW TECHNOLOGIES ENTERING BROADCAST INDUSTRY

- ▶ **IT-based network technologies**
  - Faster and more flexible workflows with increased efficiency
  - 3 to 7 years horizon
  - EVS investment in start-up and internal R&D resources
- ▶ **Cloud**
  - Private cloud more than anything else
  - Both for B2B and B2C content distribution
  - Explosion of “Second Screens” solutions. EVS’s C-Cast technology was one of the first, but it is just the beginning



## IMPORTANT RECORD ENTERTAINMENT CUSTOMER WIN IN APAC

EUR 10 million+ over three years

- Deal has been announced October 28, 2013
- Unique state-of-the-art production and distribution solution comprised of most aspects of modern broadcasters workflows
- One of the leading and growing international media companies in the region
- EVS replaces an incumbent competitor
- Involves, in addition to a majority of EVS products, an integration of third-party equipment with lower margins and provision of professional maintenance services.

**EVS**  
ENTERTAINMENT

**EVS**

## AGENDA

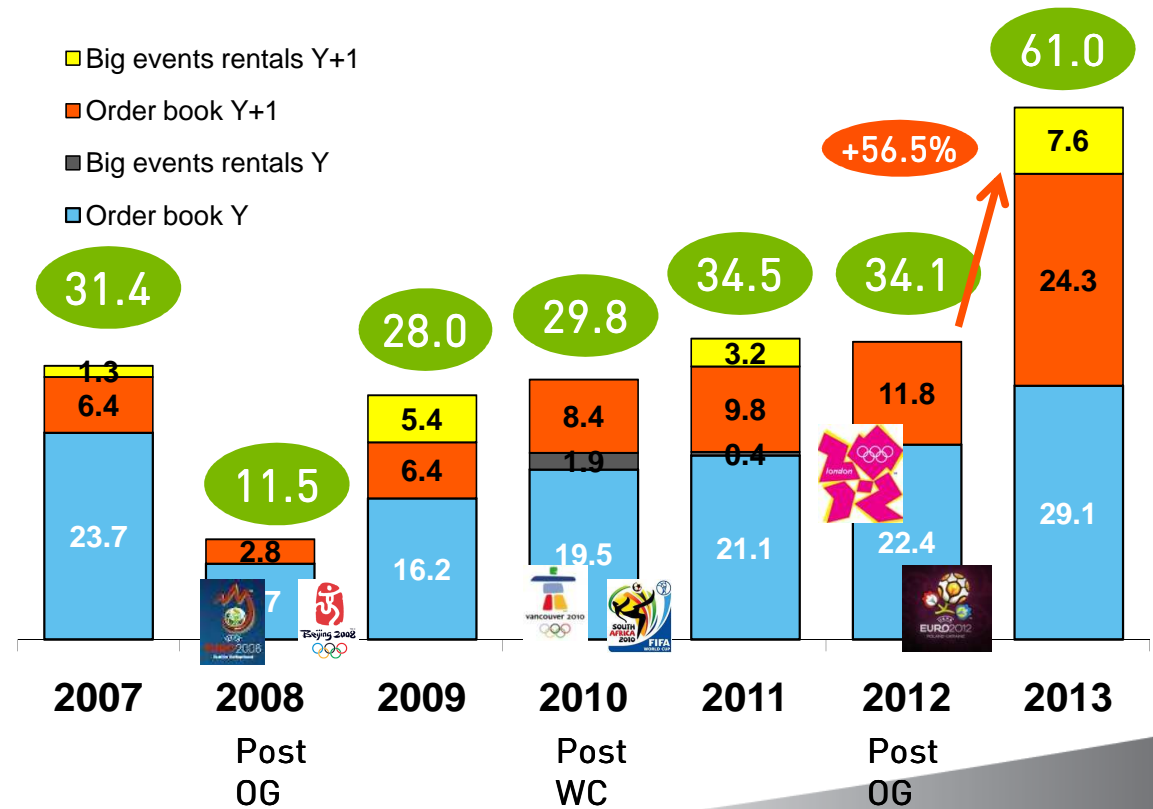
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# GLOBAL AUTUMN ORDER BOOK AT OCTOBER 31

EUR 61.0 million, including EUR 29.1 million to be invoiced in 2013

- ▶ EUR 29.1 million at Oct 31 to be invoiced in 2013
  - Good order diversity
  
- ▶ EUR 31.9 million for 2014 and beyond
  - incl. EUR 7.6 million for big events (Sochi 2014 and World Cup in Rio)
  - Incl. around EUR 9 million for major ENM order in APAC
  - Compared to EUR 11.8 million last year



# OUTLOOK

2013 in line with earlier guidance – Sporting 2014 in weaker markets while investing in R&D

## 2013

- Order book of EUR 29.1 million -> 4Q13 shall be seasonally high (> EUR 34m)
- No big events rentals in 2013 (verus EUR 10m in 2012)
- Strong APAC, rebound in Americas
- FY13 revenue to be slightly below 130m
- Opex increase by low double digit growth rate, incl new start-up, expected around 500 FTE by year-end

Sports  
Leadership

ENM  
Challenger

## 2014

- Strong order book of EUR 31.0 million for 2014 and beyond
  - Includes EUR 7.6 million for big sporting events
- ... but some regions remain weak, and even negative in some areas
- Continued investments in innovation (IP, Cloud) and sales expansion: Opex > +10%
- So, pressure on EBIT margin %

Services  
Development

## AGENDA

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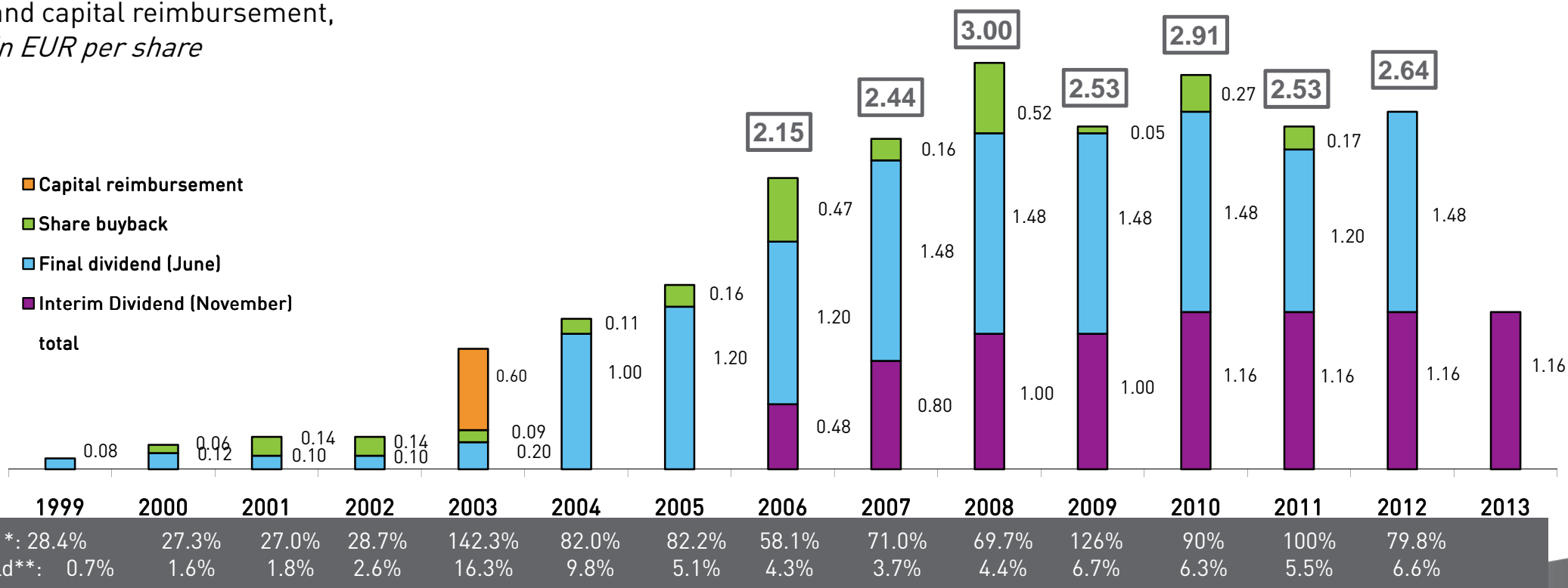
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# 2013 interim dividend of EUR 1.16 – ex-date Nov 25

Dividend yield 5.4% on average 2013 for last 12 months 1.48+1.16 dividends

Evolution of dividend, share buyback and capital reimbursement, in EUR per share

Historical average pay out ratio of 85% since 2004



\*: defined as total gross dividend divided by net profit from operations, excl. dcinex (former XDC)

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





## CORPORATE CALENDAR

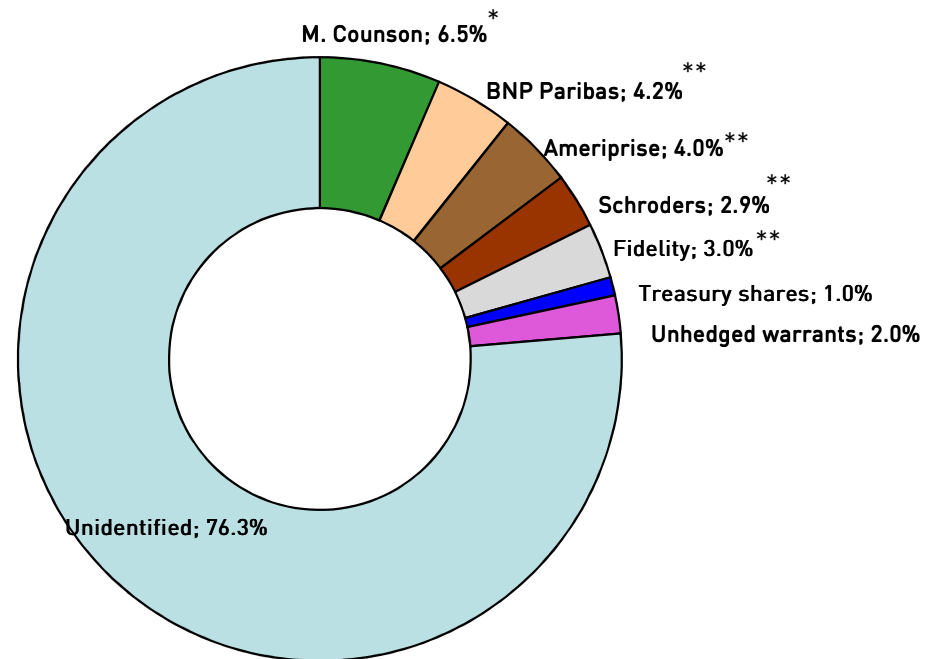
- Monday November 25, 2013: interim dividend: ex-date
- Wednesday November 27, 2013: interim dividend: record date
- Thursday November 28, 2013: interim dividend: payment date
- Thursday February 20, 2014: 4Q13 earnings
- Thursday May 15, 2014: 1Q14 earnings
- Tuesday May 20, 2014: Ordinary General Meeting
- Thursday August 28, 2014: 2Q14 earnings
- Friday November 14, 2014: 3Q14 earnings

# EVS STOCK MARKET DATA

- Stock data (September 30, 2013):
  - Basis: 13,625,000 ordinary shares
  - Outstanding warrants : 410,900 @ 38.58
  - Treasury shares : 133,364 shares (no share buyback in 9M13)
- Market cap (October 31, 2013):
  - EUR 655 million (@ EUR 48.20)
- Liquidity (last 12 months):
  - Standard velocity: 85% (12 months)
  - Average daily volume:
    - 45,000 shares
    - EUR 2.3 million

Source: Fidessa, incl. block trading and transactions out of Euronext Brussels

## Shareholders (September 30, 2013)



\* Board member

\*\* According to shareholders notifications or updates on September 30, 2013

## CONCLUSIONS

## Transformation year

- ▶ 3Q13 in line with EVS expectations
  - FY13 revenue slightly below EUR 130 million and low double digit opex growth
- ▶ Global record order book of EUR 61.0 million
  - Strong seasonal 4Q13 (> EUR 34 million)
  - incl EUR 7.6m for 2014 big events rentals
  - incl major APAC entertainment deal worth EUR 11 million
- ▶ but ... 2014 maybe weaker than earlier expected due to:
  - Continued weak market conditions in some areas
  - Opex growth of more than +10% on the back of investments in promising new technologies
  - Leading to pressure on short term EBIT
- ▶ Repositioning plan is on track

# OUR JOURNEY TO RIO2016

