

# EVS BROADCAST EQUIPMENT

## RESULTS 3Q 2018

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November 15, 2018

*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
  
- ▶ Outlook
  - ▶ Yvan Absil, CFO
  
- ▶ Conclusions
  - ▶ Dr. Pierre De Muelenaere
  
- ▶ Questions & Answers

## BUSINESS UPDATE - TOPICS

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- ▶ CEO ad Interim
- ▶ EVS – Facts & Figures
- ▶ Special situation in H1-2018
- ▶ Action plan for H2-2018
- ▶ Q3 Results and outlook

## DR. PIERRE DE MUELENAERE

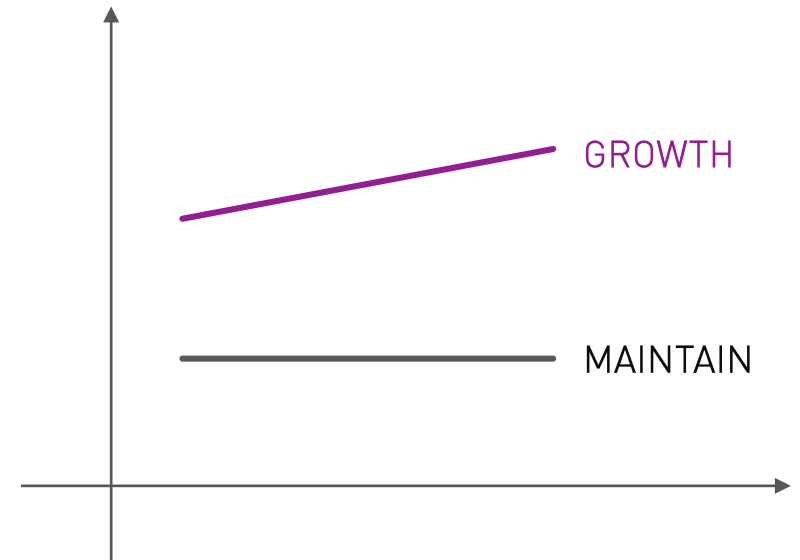
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- ▶ 60 years, married with Jocelyne, 3 children (Julie, Guillaume, Olivier)
- ▶ Engineer in microelectronics, PhD in Artificial Intelligence and OCR
- ▶ Founder of IRIS Group and CEO for 33 years
- ▶ EVS Chairman of the Board, since January 15, 2018
- ▶ EVS Interim CEO, since July 15, 2018
- ▶ *Note : Pierre is also on the board of Proximus and Guberna and active in a number of Entrepreneurship projects*

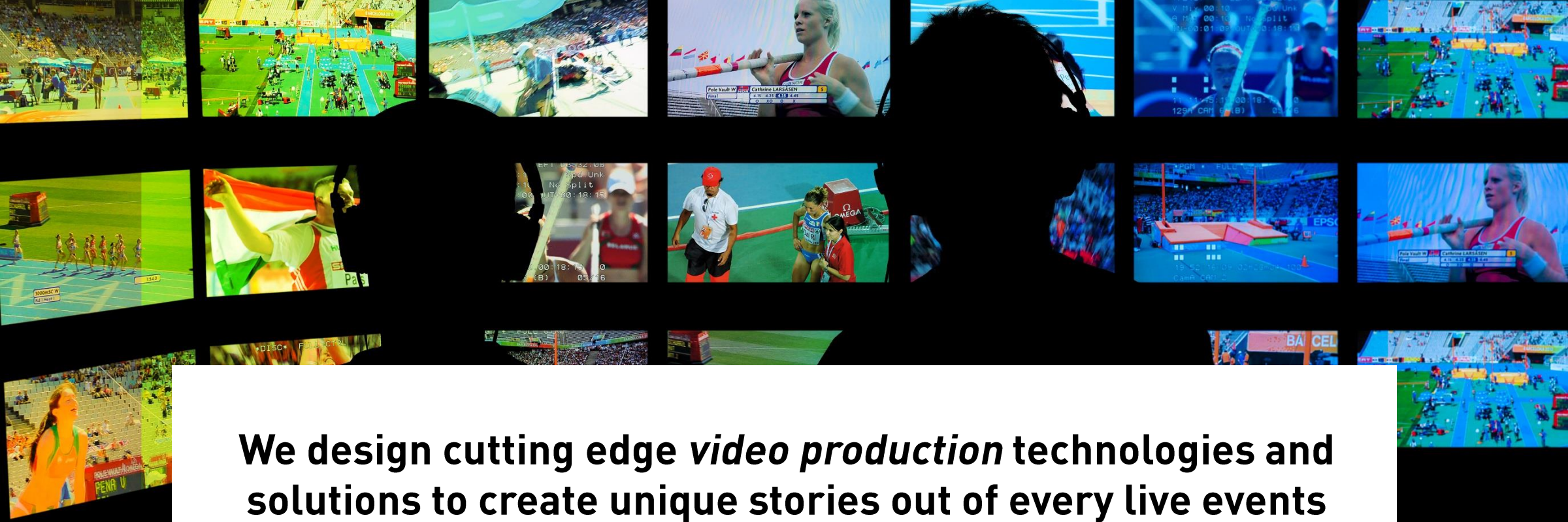
# EVS FACTS & FIGURES

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- 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 Growth and Maintain Strategy
- A Big Events (e.g. Olympic games) impact every 2 years
- A highly profitable company (EBIT Margin >25%)
- A regular distribution of dividends (€1/Share in 2017)



# EVS LIVE FOCUS MISSION



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

# 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

**XT** 

/ 6CH UHD-4K (2160p)

/ +12 CHANNELS OF FHD (1080p)

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

/ HDR SUPPORT

/ NEW PROXY H.264

**4K**  
UHD

*Full* HD  
1080p

HDR

H.264

**BOOSTED DENSITY**



**EV5**



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



**DYVI** // // //

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 Live Production System

2018



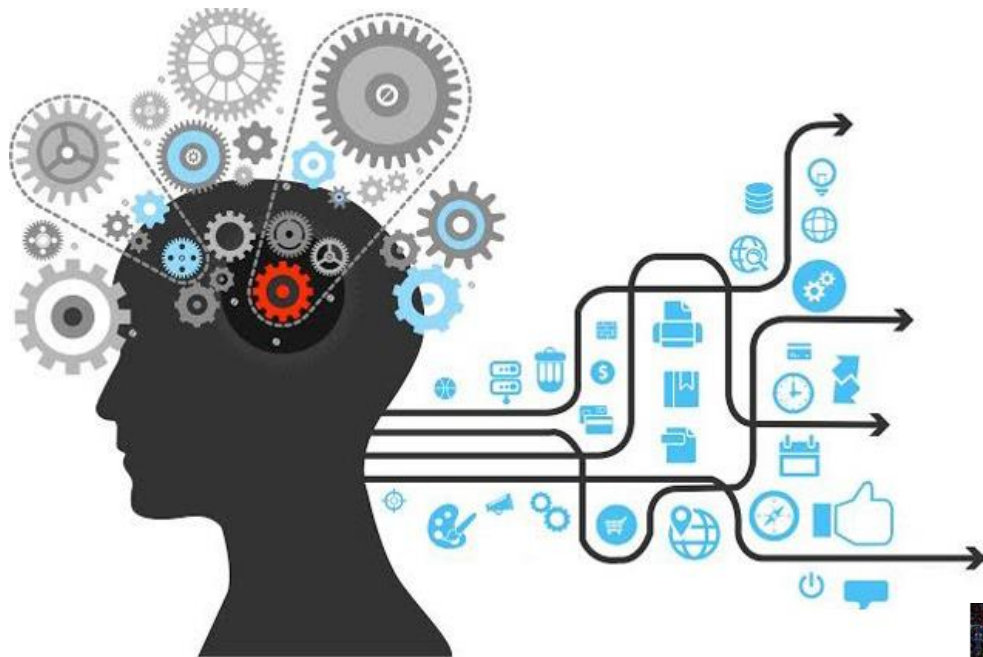
**S-CORE** // // //

Live IP Workflow Infrastructure

2018

We target a >40% growth of the new products revenue in 2018

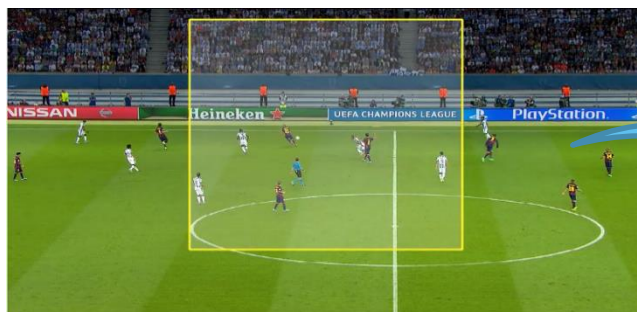
# INNOVATION: PIONEERING WORK ON ARTIFICIAL INTELLIGENCE TO BOOST EVS PRODUCTS



## Use cases



A.I. DRIVEN PRODUCT  
Player and Pitch detection –  
off-side detection

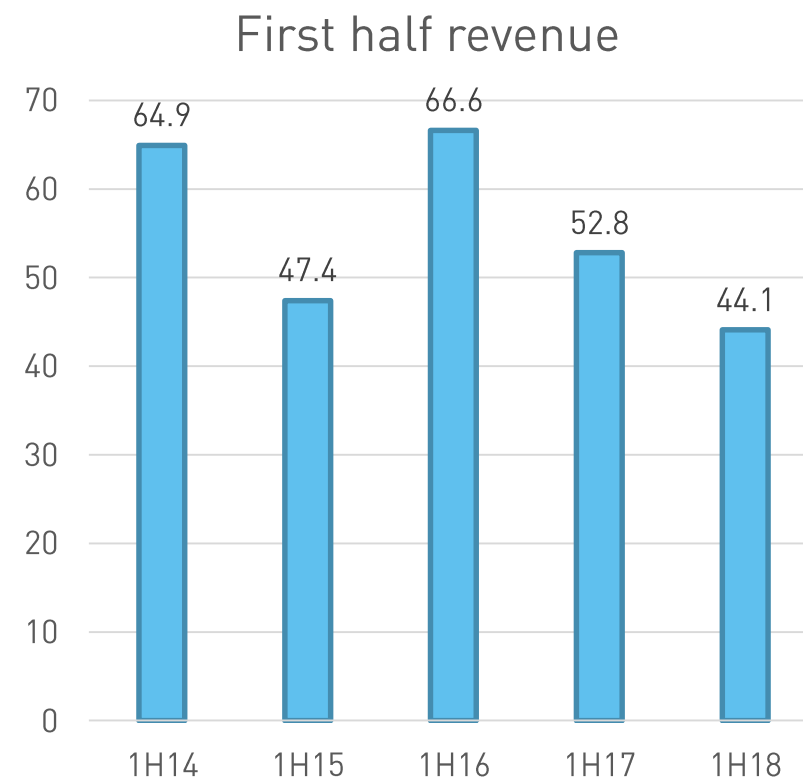


AI DRIVEN CONCEPT 2  
Automatic framing



## 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 => Good progress so far
- 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



## THE BOARDS DECIDES THAT A SPECIAL ACTION PLAN IS 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 is being 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
  
- ▶ A teamwork is on-going to prepare 2019

# THANKS TO STRONG ACTIONS, EVS IMPROVES THE OPEX GUIDANCE

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Original OPEX Guidance:

moderate growth on top of the structural salary increase ( $\pm 2\%$ ) in Belgium

New OPEX Guidance:

less than 2%

# 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 simple live production solution (August 2018)
- ▶ Launch of latest version of operating system driving EVS production servers: Multicam 16.00 (September 2018)

## Customer wins

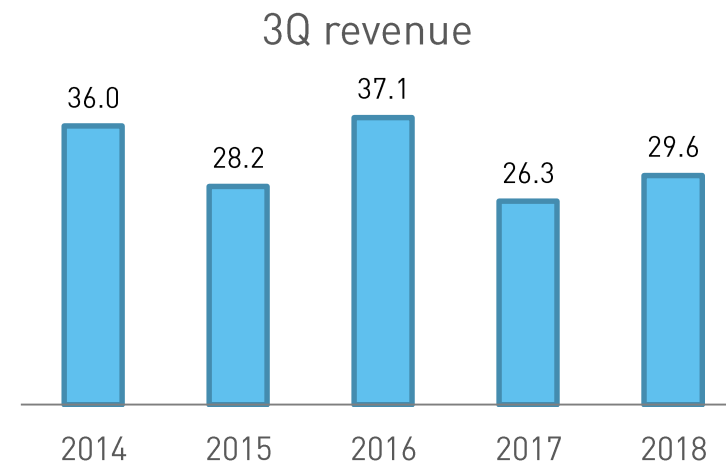
- ▶ XT-Via: NEP (Australia), ORF (Australia), Live Park (Poland)
- ▶ XT4K: Dallas Cowboys stadium (US)
- ▶ Xeebra: LaLiga (Spain), Copa do Brasil playoffs
- ▶ Dyvi: VPK (Croatia) for 5 new live sport channels, TPC/SRF (Switzerland) for a new news and sports IP-based studio
- ▶ University of Miami (US)
- ▶ X-One: ORF (Austria)



## WITH STRONG ACTIONS THE OUTLOOK OF EVS IN H2-2018 IS IMPROVED

- ▶ Q3 is a strong quarter compared to previous years
- ▶ The Order Book is higher than previous years!
- ▶ EVS team is working hard to make a strong H2
- ▶ The XT-Via platform is ready for 4K, IP, 1080p 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

=> *The guidance (115-130) is confirmed*



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# 9M18 HIGHLIGHTS

## ACCELERATION AFTER WEAK 1H18

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### 9M Revenue

- Still 6.7% behind 9M17, but acceleration in 3Q18 with +12.9% yoy
- Traction from XT-Via platform and maximization of the impact of commercial actions
- Continued challenging market conditions

### 9M Profitability

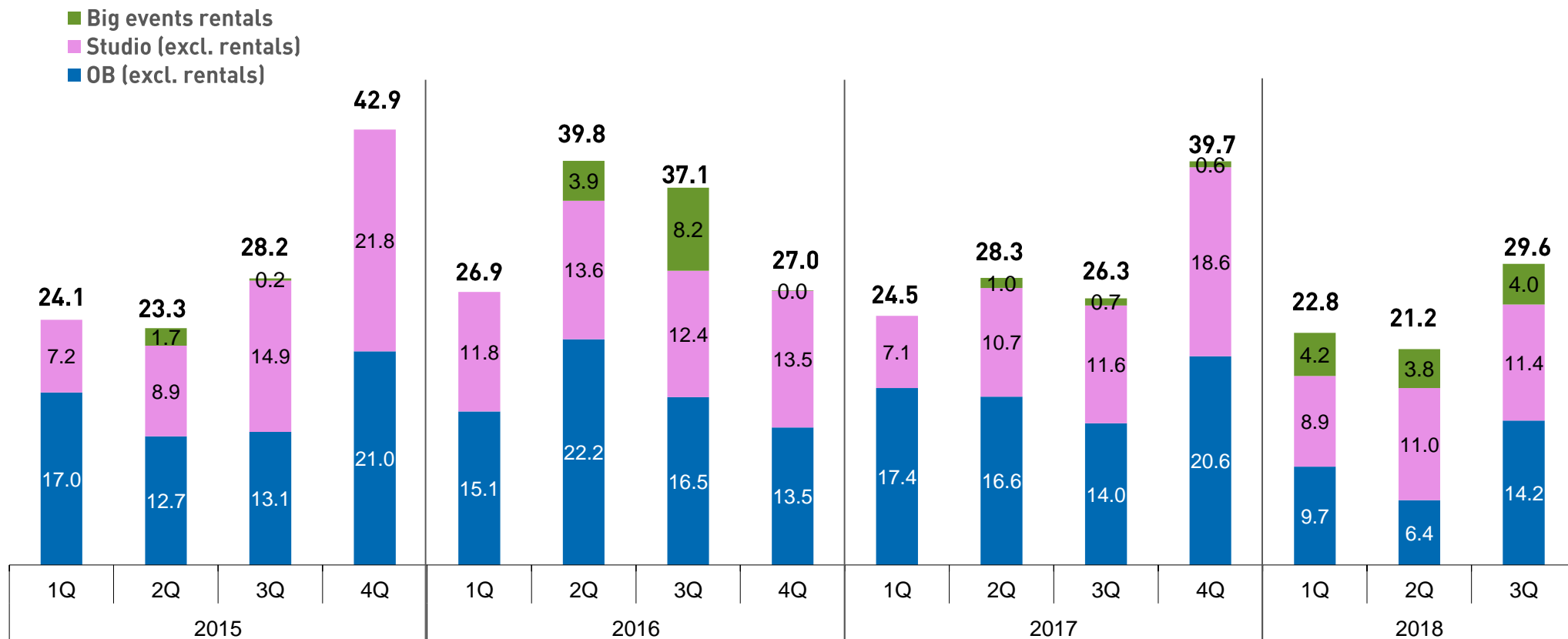
- Gross margin impacted by lower sales, product mix and write-offs
- Opex control (+1.1% yoy), thanks to cost reduction initiatives
- 9M net profit benefits from one-time tax deductions (innovation box regime implementation in Belgium)

### FY18 outlook

- Order book and pipeline give us confidence to confirm the 115-130 range
- Good momentum around new products, including XT-VIA
- Improvement of the previous guidance: slight opex growth (less than +2%) thanks to cost reduction initiatives



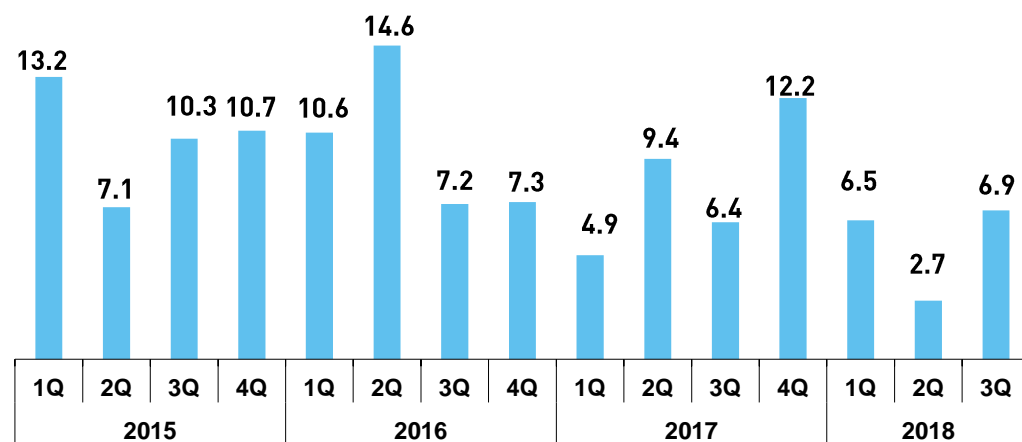
# EXPECTED ACCELERATION OF REVENUE IN 3Q 2018



# Q3 REVENUE: GEOGRAPHICAL SPLIT

## THE AMERICAS

(excl. events)

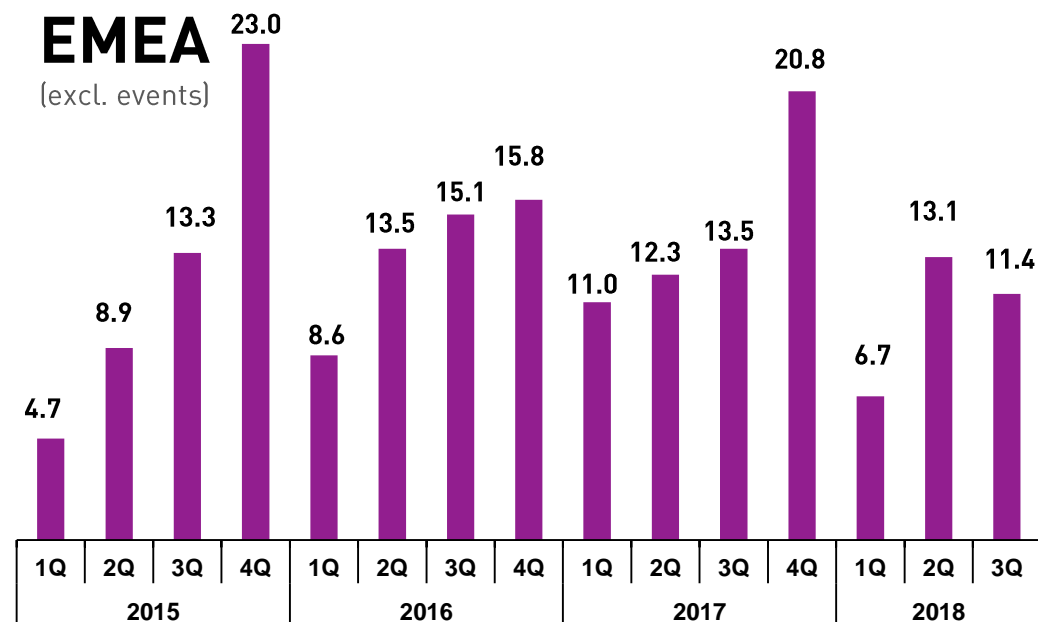


REVENUES: 9M18 EUR 16.1 million



## EMEA

(excl. events)

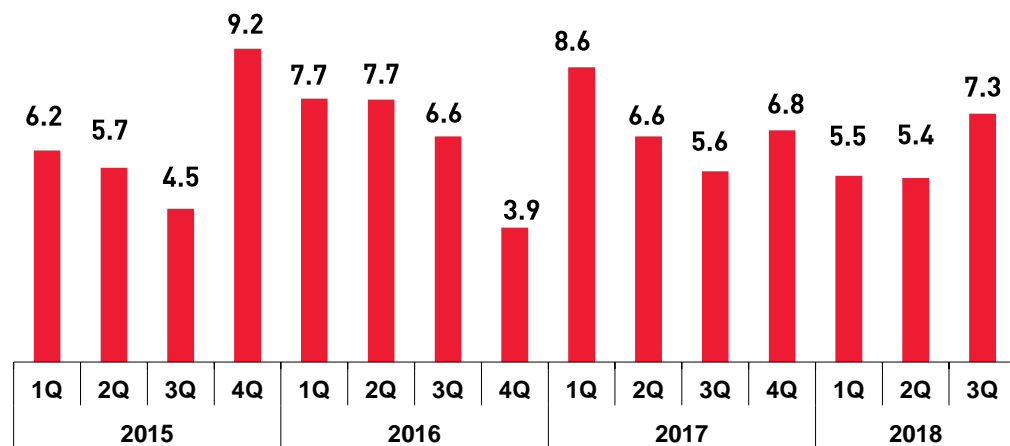


REVENUES: 9M18: EUR 27.7 million

## Q3 REVENUE: GEOGRAPHICAL SPLIT

### APAC

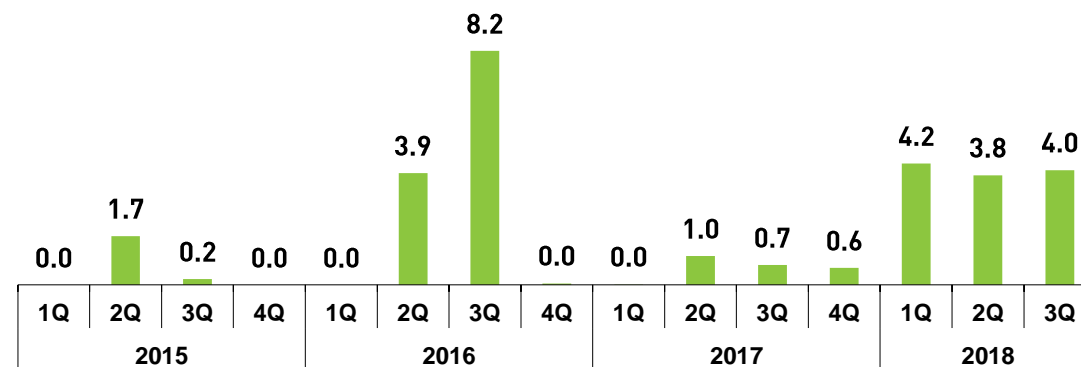
(excl. Events)



REVENUES: 9M18: EUR 17.8m



### BIG EVENT RENTALS



REVENUES: 9M18 EUR 12.1 m

# CONSOLIDATED INCOME STATEMENT 3Q 2018

In millions of EUR	3Q18	3Q17
<b>REVENUE</b>	<b>29.6</b>	<b>26.3</b>
Cost of sales	-9.2	-7.7
Gross profit	20.4	18.5
Gross margin	68.8%	70.5%
S&A	-6.5	-6.6
R&D	-6.1	-6.2
EBIT	7.5	5.6
<b>EBIT MARGIN</b>	<b>25.4%</b>	<b>21.2%</b>
Financial result	0.1	-
Taxes	-0.3	-1.8
<b>NET PROFIT</b>	<b>7.4</b>	<b>3.8</b>
<b>BASICS EPS <sup>1)</sup></b>	<b>0.54</b>	<b>0.28</b>

- ▶ Revenue: +12.9% yoy
- ▶ Gross margin: -1.7ppt yoy
  - Product mix
  - Write-offs
- ▶ OPEX: -1.9% yoy
  - Successful cost reduction initiatives
- ▶ EBIT margin: 25.4%
- ▶ Taxes
  - Innovation Box impact: EUR 1.3 million
- ▶ EPS: 0.54€

# CONSOLIDATED INCOME STATEMENT 9M 2018

In millions of EUR	9M18	9M17
<b>REVENUE</b>	<b>73.7</b>	<b>79.0</b>
Cost of sales	-23.8	-22.2
Gross profit	49.9	56.8
Gross margin %	67.7%	71.9%
S&A	-20.2	-20.3
R&D	-19.30	-18.5
EBIT	9.9	18.4
<b>EBIT MARGIN</b>	<b>13.4%</b>	<b>23.3%</b>
Financial result	-0.3	-0.7
Taxes	8.3	-5.0
<b>NET PROFIT</b>	<b>18.0</b>	<b>12.9</b>
<b>BASICS EPS <sup>1)</sup></b>	<b>1.33</b>	<b>0.95</b>



- ▶ Revenue: -6.5% yoy
- ▶ Gross margin: -4.2ppt yoy
  - Lower revenue
  - Higher write-offs
  - Product mix
- ▶ OPEX: +1.1% yoy
  - Cost reduction initiatives
- ▶ EBIT margin: 13.4%
- ▶ Taxes (EUR 8.3 million vs EUR -5.0 million last year)
  - Innovation Box impact: EUR 8.9 million
  - Loss in 1Q18 on EVS.be (0.8 m€ of DTA on the tax loss)
- ▶ EPS: 1.33€

## STRONG BALANCE SHEET

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- ▶ EUR 12.9 million net cash from operating activities YTD
- ▶ Total equity of EUR 117.2 million (+EUR 11.9 million since the end of 2017)
- ▶ EUR 27.8 million net cash position at the end of September
  
- ▶ Share buyback program announced on October 24
- ▶ Interim gross dividend of EUR 0.50 per share, equal to 2017 interim dividend

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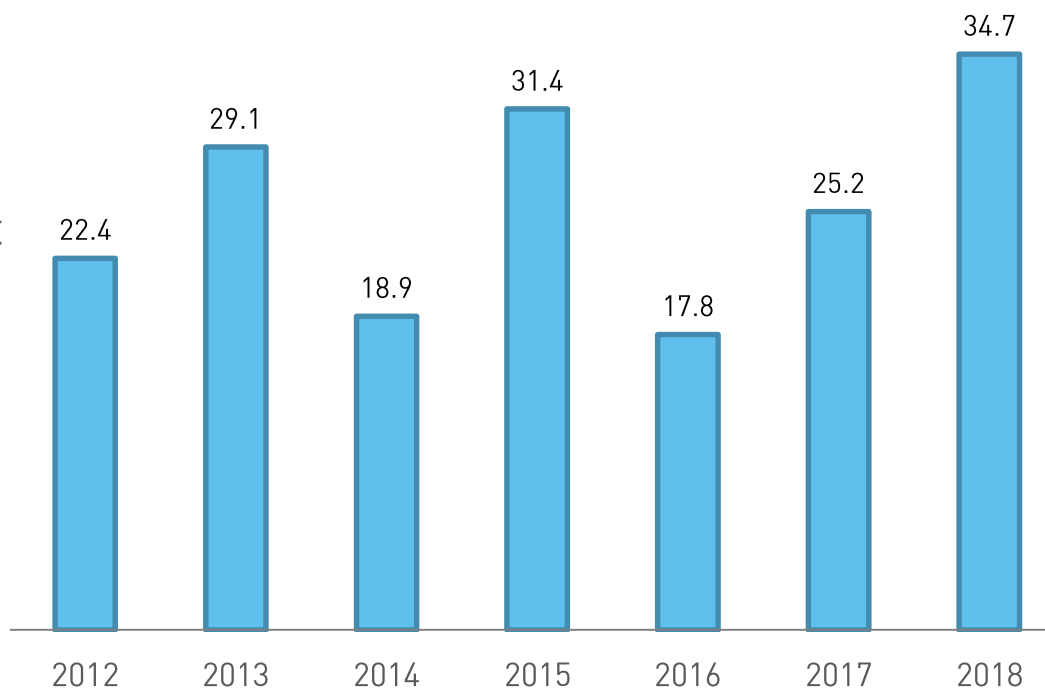
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## RECORD ORDER BOOK @ OCTOBER 31: EUR 34.7 MILLION

- 2018 order book is +37.7% compared to last year
- 60% of order book is OB
- 2018 still includes EUR 1.2 million of big event rentals in 4Q18
- EUR 10.7 million for 2018 and beyond



## 2018 GUIDANCE

### CONFIRMATION OF REVENUE GUIDANCE – IMPROVEMENT OF OPEX GUIDANCE

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- ▶ Given the expected acceleration of the business in 2H, we confirm the revenue guidance of EUR 115 million to EUR 130 million
  - ▶ XT-VIA supporting sales in 2H
  - ▶ Good momentum on the new products
- ▶ We expect opex to grow slightly (1-2%) compared to 2017
- ▶ Innovation box: around EUR 10 million of tax deductions in FY18

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# CONCLUSIONS

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- ▶ 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!
  
- ▶ Opex guidance is improved (less than 2%)
- ▶ Revenue guidance is confirmed (EUR 115-130 million)
- ▶ Interim dividend is maintained (EUR 0,5/share)

# CONTACT

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