

# EVS TRADING UPDATE – 1Q 2020

## Trading update & Axon acquisition impacts

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Investors call May 14, 2020

EVS – 1.0

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# /// AGENDA ///

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- / EVS trading update – former EVS perimeter
- / Impacts of AXON acquisition
- / New EVS perimeter Trading update

## OUTLOOK & GUIDANCE 2020

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- / Our 3 market pillars of revenues (Live Service Providers – LSP, Live Audience Business – LAB and Big Event Rental – BER) are impacted by the pandemic.
  - Major summer sport events are being postponed to 2021, which should postpone related EVS revenues from 2020 to 2021. EVS had announced earlier this year that its order backlog as of Dec 31<sup>st</sup> 2019 included EUR 12.3 millions of Big Event Rental orders to be recognized in 2020. It has to be noted that these events are postponed and not cancelled. Product developments that have already been performed are expected to be reused and planned revenues will in principle shift from 2020 to 2021.
  - Due to the cancellation and postponement of various live events (sport, concerts, entertainment shows), various LSP customers have heavily reduced their level of activity and their priority is to keep their staff ready for the recovery period. Their spending for buying new equipment is in many cases postponed to a later date.
  - Some of our LAB customers are suffering as well. Many stadiums, universities and colleges are currently not allowed to organize any live event in their premises. On the positive side, many news related broadcast centers see their news audience peak at this moment in time which translates in continued ordering of certain of our solutions, even if their advertising revenues are challenged.
  - Considering the potential future concurrence (e.g. 8 months cycling season compressed on 3 months with the new calendar) of various live events when the confinement measures will be relaxed, the possibility exists that both LAB customers and LSP customers will need to acquire more equipment.
  - Traction for remote production workflows has significantly increased by obligations, with EVS offering several options to ease the work of operational teams.
- / At this stage and given the above dynamics an uncertainty about how this crisis might unfold and how long it may last, EVS has decided at this stage not to provide revenue guidance for the year 2020.
- / Given the circumstances, operational expenses continue to be closely managed and EVS expects those costs to slightly decrease compared to 2019.

## IMPACT ON DIVIDEND POLICY ANNOUNCED IN 2018

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- / Considering the exceptional market conditions, the board of directors of EVS decided to cancel the payment of the final 2019 gross dividend of EUR 0.50 foreseen for May 2020. This decision will be submitted to the approval of the ordinary shareholders meeting scheduled on 19 May 2020.
- / An interim gross dividend of EUR 0.50 has already been paid in November 2019.
- / The plan is still to deliver a total gross dividend of EUR 1.00 related to the fiscal year 2020 and 2021, subject to market conditions.

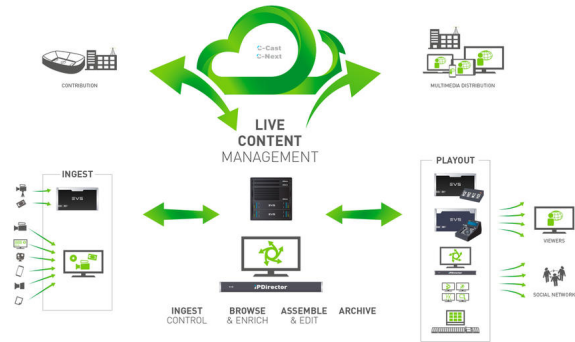
## NAB CANCELLED ... BUT MANY RICH REMOTE INTERACTIONS ONGOING

NAB has been cancelled but replaced by hundreds of private interactions with customers all over the world being calls, video conference sessions, remote demonstrations and interactive & personalized training sessions.





## KEY WINS & ACHIEVEMENTS



Large modernization contracts based on XT-VIA & VIA platform for PAM, ingest & playout servers, fully leveraging IP 2110 in:

- 2 APAC large broadcast centers in APAC
- One major broadcast center in Northern Europe
- Studios of a large production company in WEU



Important renewal project (5MUSD+) of a large US sport federation's media center based on XT-VIA.



DYVI selected for an eSport center in WEU and for news studio production in a Swedish newspaper.

## Support of LIV SuperBowl operated by Fox Sports



- 1080p HDR
- XNET-VIA to accelerate content transfer
- Pylon cams from 60fps to 180fps thanks to AI



## EVS TRADING UPDATE FIGURES – APRIL 30<sup>TH</sup> PERIMETER

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- / Order book as of April 30th - excluding Axon - (including revenues YTD and open orders on hand that will be recognized as revenues in 2020)
  - EUR 39.6 M (-7.5% vs versus EUR 42.8 million) at the same date last year excl big event rentals
  - There is an additional EUR 1.1 millions revenues to be recognized for the big event that took place early 2020



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- / EVS trading update – former EVS perimeter
- / Impacts of AXON acquisition
  - Transaction
  - Who is AXON
  - Why the transaction
  - Expected synergies
  - Integration
- / New EVS perimeter Trading update

# AXON PRODUCT PORTFOLIO

## Synapse

Modular signal processing  
Modular multiviewer system



## Cerebrum

Broadcast monitoring and control  
IP network management

## Neuron

Network attached processing  
IP ↔ SDI gateway



# WHO ARE THE CUSTOMERS

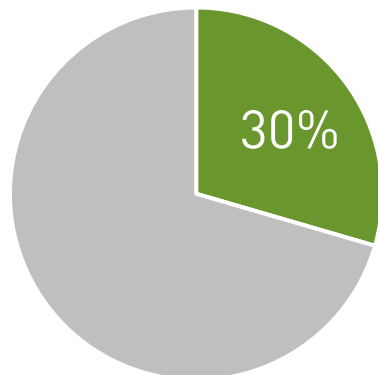
- / Most significant presence in EU & APAC
- / Live Audience Business & Live Service Providers
- / More sales through sales channels (integrators, resellers, etc...)



## AXON MARKET SHARE FOR LIVE SERVICE PROVIDERS

### Axon presence in large OBVans Multiviewer OR Stream Processing (12+ cams)

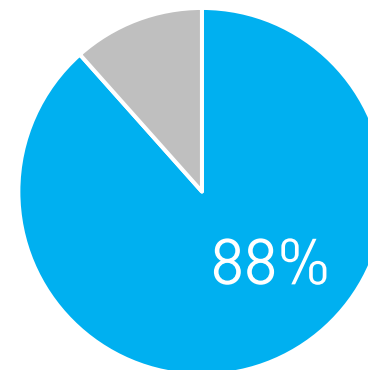
*A few percents behind Evertz & GV, mainly due to limited geographical coverage.*



■ NB OBVans with Axon   ■ NB OBVans without Axon

According to our internal data  
*(consolidating internal & external sources – March2020)*,  
Axon is present in 30% of large OBVans (LAB & LSP),  
for Multiviewer or Stream Processing  
with more than 12 cameras.

### EVS presence in large OBVans Replay Servers (12+ cams)



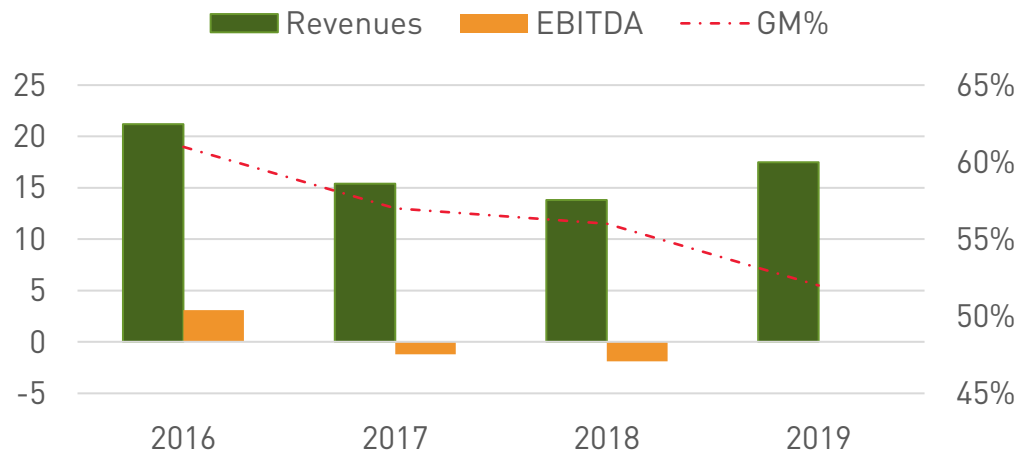
■ NB OBVans with EVS   ■ NB OBVans without EVS

According to our internal data  
*(consolidating internal & external sources – March2020)*,  
EVS is present in 88% of large OBVans (LAB & LSP),  
for Replay servers  
with more than 12 cameras.



## AXON KEY FINANCIALS\*

In MEUR	2016	2017	2018	2019
Revenues	21.2	15.4	13.8	17.5
GM%	61%	57%	56%	52%
EBITDA	3.1	-1.2	-1.9	0.0



\*As per annual accounts filed at KvK – Kamer van Koophandel and before any IFRS adjustments or EVS policy alignment

## AN ACQUISITION IN LINE WITH PLAYFORWARD

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### / Profile of EVS acquisition targets

- ✓ • The objective is to **complement** the solution blueprint, with minimal overlap.
- ✓ • Companies selling other products to **same customers**.
- ✓ • In the first years, the size should **not exceed 100 persons**.
- ✓ • **Profitability after synergies** is the priority. Current low or negative profitability is not a blocking factor.
- ✓ • Technical or product **expertise** onboard

### / Nature of expected synergies

- ✓ • **Geographical synergies** : EVS offering the opportunity to sell products in regions not necessarily commercially well covered by the target.
- ✓ • **Portfolio synergies** : Products, technologies or solution components complementing the blueprint and supporting re-invention of broadcast
- ✓ • **Expertise synergies** : The team in the target complement or strengthens the technical expertise of EVS staff.

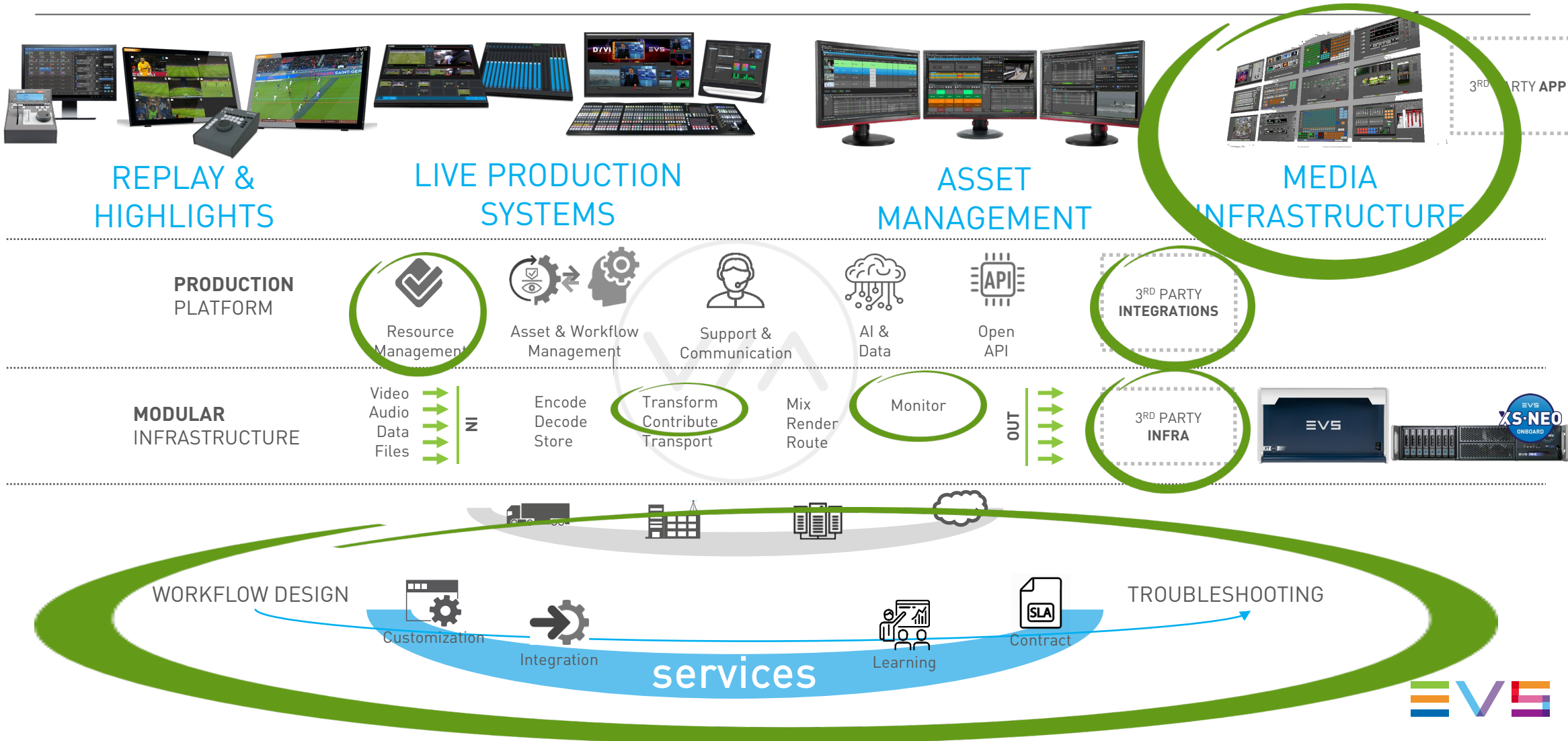


## AXON STRENGTHENS EVS ANSWER TO MARKET TRENDS

EVS CUSTOMERS ISSUE NEW REQUIREMENTS TOWARDS VENDORS	Devoncroft ranking 2017 - 2019		EVS EVOLVES TO COPE WITH MARKET EVOLUTIONS
IP networking & content delivery	2	1 ↗	XT-VIA x NEURON IP stream processing x CEREBRUM x Score Master SDN
Multiplatform delivery	1	2 ↘	IPD-VIA & VIA Flow to better value more content
4K/UHD	3	3 →	XT-VIA - the most powerful 4K server
Artificial Intelligence / ML		4 ↗	EVS started to invest in 2016 - Xeebra & Overcam
Move to Automated workflows	7	5 ↗	VIA Flow at the core of VIA platform x CEREBRUM central control
5G		6 ↗	EVS ready thanks to Remote Production compatible UX
Cloud computing & virtualization	4	7 ↘	Most of EVS products available in virtualized mode, including a SW server XS-NEO.
Multi-channel & immersive audio	17	8 ↗	EVS support x NEURON audio routing & processing
File-based/tapeless workflows	11	9 ↗	XSquare & XT Access continue to evolve to become VIA Xsquare
Video compression efficiency	5	10 ↘	EVS integrates new codecs as they appear - new SW server
HDR	9	11 ↘	XT-VIA & NEURON treats HDR & VIA Flow comes with HDR conversions
CyberSecurity		12	EVS invests on CyberSecurity - Axon future products are planned to contribute
Remote Production	10	13 ↘	EVS supports various models of remote production, strengthen by Axon products
Virtual Reality	12	14 ↘	EVS products integrate with various AR graphics system (VOL)
NG Broadcasting (ATSC 3.0 & DVB-T2)	13	15 ↘	N.R.

Big Broadcast survey is a survey orchestrated by Devoncroft asking Big Broadcasters to order a list of topics that are important in their business.

# EVS SIMPLIFIED BLUEPRINT: STANDARD SOLUTIONS – CUSTOM WORKFLOWS



## AXON ACQUISITION PRICE

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- / Price paid: EUR 10.5M (Cash free, Debt free basis) (0.6x 2019 revenues)
- / Earn-out : up to EUR 2.5M based financial metrics limited to early 2021
- / Prior to the acquisition, EVS had EUR 64 millions of cash available as of End April
- / Base price financed through debt, leveraging our balance sheet while maintaining really attractive ratios and liquidity position
  - Less than 1x Debt/Ebitda\* for EVS group
  - Low Debt /Equity ratio (<0.5)
  - EUR 36M Net Cash position\*

\* Based on FY2019 published results



## PRIORITIES

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- / Ensure business continuity on both sides despite Covid-19
- / Prepare to leverage synergies from 2021 onwards
- / Accelerate all features related to remote production to better serve our customers in these specific conditions

# REVENUE SYNERGIES

**01**

## EXPAND GEOGRAPHIC FOOTPRINT

Quickly develop internal skills over existing Axon products and quickly expand market footprint leveraging EVS global sales network.

**02**

## SHORT TERMS JOINT VALUE PROPOSITION

Cerebrum product will be reinforced with IP orchestration capabilities coming from EVS Score Master

**03**

## ENGAGE KEY CLIENTS ON FUTURE IP & REMOTE INFRA

Starts engaging selected key customers involving EVS Media & Infra Solutions team to reflect about future IP Infra needs, build PoCs and early bird programs.

## COST SYNERGIES – NOT THE DRIVER FOR THE ACQUISITION (BUT PRESENT ANYWAY)

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- / Cost synergies around MEUR 1 on recurring basis from 2021 onwards:
  - Marketing : e.g. only one booth at NAB & IBC while initially 2 large booths
  - SG&A : miscellaneous synergies in terms of facilities, infrastructure, logistics, etc...
  
- / Offset by increased OPEX to enable revenue growth:
  - Reinforcement of EVS consultancy team to support growth of solution sales
  - Reinforcement of Score-Master development team under the control of Cerebrum team to ensure product synergies



## OUTLOOK OF SYNERGIES AND FINANCIAL IMPACT

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- / Axon results will be consolidated within EVS financials as of May 1<sup>st</sup> 2020
- / A significant transformation of EVS activity leading to a size increase of c.+20%.\*
- / Significant revenue synergies with the objectives to reach between EUR 6 - 10 millions additional EBITDA by 2023, leading to an accretive earnings\*\* transaction as soon as 2021

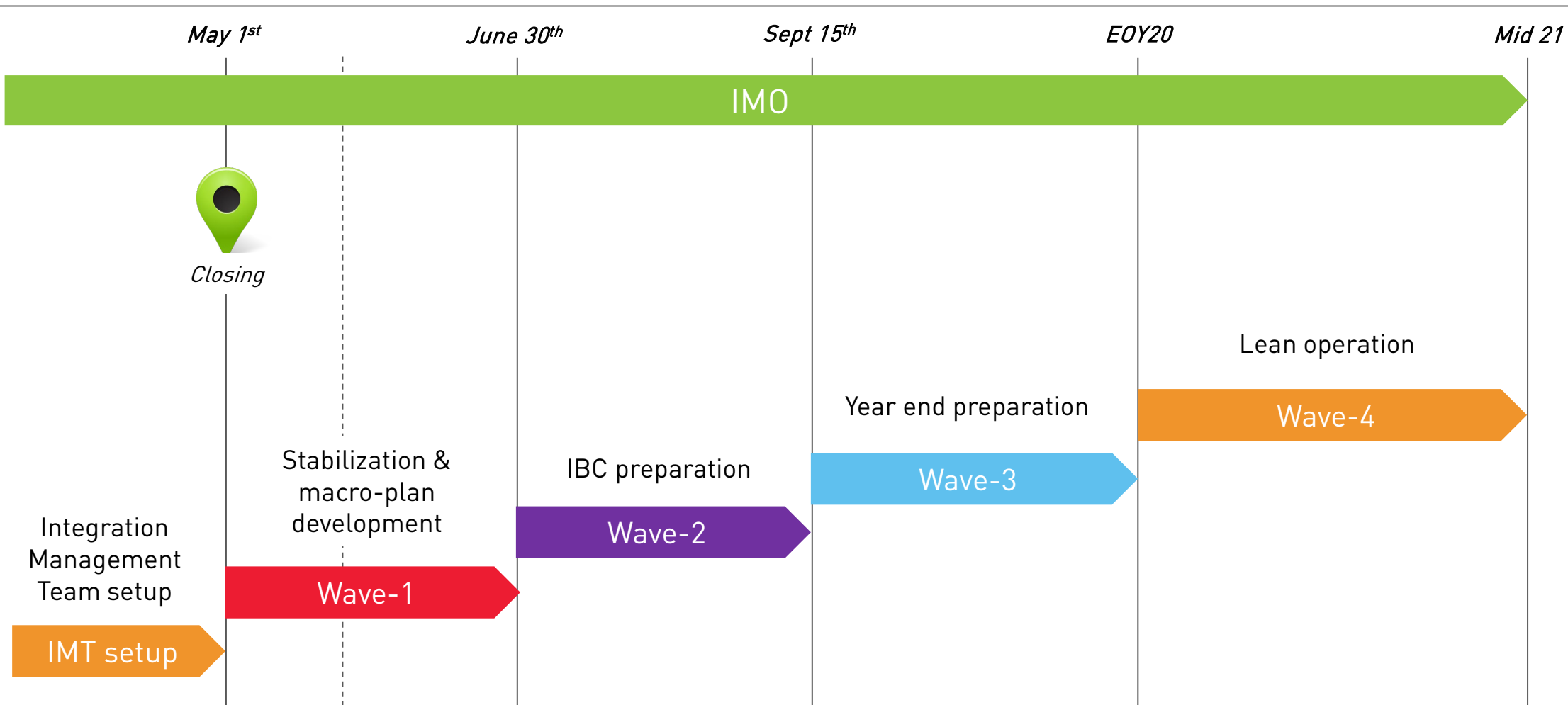
\*: based on 2019 revenues and number of employees

\*\* : Earnings per share, after synergy implementation revenues and before amortization derived from PPA.



# INTEGRATION CALENDAR

## DIFFERENT WAVES OF CO-DESIGNED INTEGRATION



# INTEGRATION MANAGEMENT OFFICE



## Workstreams



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## NEW EVS TRADING UPDATE - CONSOLIDATION

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- / Due to Covid-19 situation, EVS does not provide revenue guidance for 2020.
- / OPEX – excluding extraordinary integration costs & excluding Axon – to decline slightly YoY

# THANK YOU

To learn more about EVS go to [www.evs.com](http://www.evs.com)  
Search for EVS Broadcast Equipment on

