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The Vitec Group plc

Acquisitions and Trading Update

The Vitec Group plc ("Vitec" or "the Group"), the international provider of premium branded hardware products and software solutions to the growing content creation market, announces two acquisitions and a brief update on the Group's Q1 2021 trading and outlook.

- Agreed the acquisition of Lightstream, for an expected total cost of \$35.9 million (£26.0 million) in cash and shares. Completion is expected shortly. Lightstream develops cloud-based live production software to enable content creators, particularly gamers, to enrich their live video streams.
- Acquisition of Quasar, for up to \$6.1 million (£4.4 million) in cash. Quasar designs and develops a range of market-leading, innovative linear LED lighting solutions for cine-style applications.
- The Group also provides a brief trading update regarding its existing operations and, despite some uncertainty about when markets will fully reopen and foreign exchange fluctuations, is increasingly confident about delivering a strong recovery in 2021.

Stephen Bird, Group Chief Executive of Vitec, commented:

"Lightstream is a world-leading live streaming software business. This acquisition enables Vitec to enter the substantial and fast-growing adjacent gaming market, adding innovative and complementary software for our live streaming customers and significantly expanding our customer reach. With Lightstream as part of the Group, we will be able to address the growing demand for cloud-based content creation as well as more than doubling our recurring revenue stream."

"Quasar products are highly complementary to our Litepanels brand and this acquisition will enhance our position as a leading player in the growing LED lighting market."

"These acquisitions are an excellent strategic and technological fit, have great medium-term prospects and are expected to increase our underlying revenue CAGR."

"This is an exciting time for Vitec as we continue to increase our higher technology capabilities and expand our total addressable market. I am delighted to welcome both talented teams to the Group."

Acquisition of Infiniscene, INC trading as Lightstream ("Lightstream")

Lightstream is a US-based technology company that provides a cloud-based video production and editing Software-as-a-Service ("SaaS") platform to enable content creators to enrich their live video streams. Lightstream is a world leader in live streaming technology for the fast-growing gaming market and has strong strategic partnerships and technology integrations with the leading streaming and gaming platforms, including with Microsoft's Xbox and Amazon's Twitch.

Lightstream will become part of Vitec's Creative Solutions Division. The business has 22 employees, the majority of whom are highly skilled software engineers. The four co-founders, including the CEO Stu Grubbs, will also join Vitec.

Strategic rationale for the acquisition

This acquisition is driven by Vitec's long-standing strategy to increase our higher technology capabilities and expand our addressable markets. Live streaming across all industries has grown exponentially during the pandemic and it has become a significant growth opportunity for the Group with our Teradek brand. The gaming market is a logical extension to our live streaming strategy; it has an estimated 13 million content creators and more than two billion viewer hours per month. Of the 13 million, management estimates c.300,000 currently pay monthly subscriptions to gaming-based streaming services, and that revenue generated from these gamers has grown at c.100% CAGR in recent years.

Lightstream brings leading technology and highly skilled software engineers as well as a subscription-based business model. The technology and brand are established and well-respected, and subscriptions have grown by c.11% each month year to date. As of 31 March 2021, Lightstream had over 16,000 paying subscribers. Of these, around 90% are gamers and the other 10% are content creators using Lightstream technology for non-gaming video applications. Sales to date have been predominately driven by word of mouth. We plan to use Vitec's extensive digital marketing capabilities to grow Lightstream's customer base in the major global gaming markets.

Creative Solutions' current Teradek cloud-based live streaming software is focused on distributing video content; Lightstream's software is focused on producing and editing the video content. We believe that combining Teradek's leading video encoding and cloud distribution capabilities with the Lightstream cloud editing platform will greatly improve the experience of both the gamer and the viewer, leading to further growth in demand. We also plan to apply Lightstream's technology to our enterprise customer base.

In addition, the acquisition opens up growth opportunities to sell Lightstream's software into Vitec's

growing JOBY vlogger and social media influencer customer base, and to bundle Lightstream subscriptions and Vitec hardware accessories for gamers.

Financial aspects of the acquisition

Lightstream reported unaudited results for the year to 31 December 2020 of \$1.8 million (£1.4 million) revenue and an EBITDA loss of \$2.6 million (£2.0 million). Gross assets were \$1.5 million (£1.1 million) at 31 December 2020. A small operating loss is expected in H1 2021.

The consideration payable at completion is \$21.9 million (£15.9 million) on a cash/debt free basis and comprises:

- (i) \$17.1 million (£12.4 million) including deal related costs paid in cash on completion, drawn from the Group's committed revolving credit facility; and
- (ii) \$4.8 million (£3.5 million) satisfied through the issue of 309,753 new ordinary shares of 20 pence each in the capital of the Company ("Ordinary Shares") at an issue price of £11.225 per new Ordinary Share (based on the average share price for the 20 working days prior to completion) to certain employees of Lightstream, which are subject to listing and then certain lock up periods.

Vitec has also agreed to pay certain additional amounts to certain key individuals who will be employed by the Group post-completion, comprising:

- (i) retention awards totalling \$9.0 million (£6.5 million). These will be payable in equal parts for each of the three years 2021-3 to the eligible participants on the anniversary of completion. Each \$3.0 million (£2.2 million) per year will comprise \$1.0 million (£0.7 million) in cash and \$2.0 million (£1.4 million) in Vitec ordinary shares (based on the average share price for the 20 working days prior to completion);
- (ii) a further cash payment of \$5.0 million (£3.6 million) payable not earlier than 30 June 2021 and not later than the third anniversary of completion. The aggregate cash payment will increase proportionately if the Creative Solutions Division has increased in value at the time of the payment.

The financial impacts of the acquisition and the benefits to Vitec include:

- (i) revenue synergies from our two high-growth markets (live streaming for gamers and content creators) and technology;
- (ii) EBITDA (including synergies): de-minimis for FY 2021 as a whole with an H2 benefit weighting, at least \$1.5 million (£1.1 million) benefit in FY 2022 and at least \$4.2 million (£3.0 million) benefit in FY 2023;
- (iii) The return on investment is expected to exceed Group WACC from FY 2023 onwards;
- (iv) Proforma 2021 year end net debt to EBITDA is expected to increase by 0.2x and decline materially during FY 2022.

Acquisition of Quasar Science ("Quasar")

Based in Los Angeles, Quasar products are used in professional, large-scale film and scripted TV production as well as small scale new media markets and are highly sought after for their industry-leading colour quality and versatility. The products are highly complementary to Vitec's existing Litepanels brand and there are growth opportunities to sell them through Vitec's global sales and distribution network as well as using Quasar's expertise and network to grow our Litepanels brand in the cine market. Quasar's revenue for the years to 31 December 2019 and 2020 was \$7.7 million (£6.0 million) and \$3.5 million (£2.7 million) respectively. A small loss and working capital outflow is expected in H1 2021.

The acquisition is driven by Vitec's strategy to expand our higher technology capabilities in strategic growth markets. When production sets reopen fully, we expect original content creation to grow dramatically, driving demand for LED lighting.

Quasar will become part of Vitec's Production Solutions Division. The business has 18 employees, the majority of whom work in sales, R&D and product design and development in Los Angeles. The four co-founders will also work with Vitec.

The acquisition completed on 5 April 2021 and the initial cash consideration was \$2.3 million (£1.7 million) on a cash/debt free basis, including deal costs. Up to a further \$3.8 million (£2.7 million) in cash will be payable dependent on retention and post-acquisition performance. The initial consideration will be funded from Vitec's committed bank facilities.

Trading update

Q1 2021 saw a continued good trading performance, with order intake and revenue broadly in line with the same period in 2019, despite our markets not being fully open. We continue to achieve high cash conversion and, while there will be some inventory build in H1 2021, we remain confident about delivering a strong cash performance for the year.

Although there remains some uncertainty about when our markets will fully reopen, particularly production sets in the US, and we are mindful of foreign exchange fluctuations and the shortages in electronic components, we are increasingly confident about delivering a strong recovery in 2021.

While 2021 will be a year of recovery and investment, we believe our markets will grow faster longer-term than we previously expected, and that we will deliver strong margin recovery.

Annual General Meeting ("AGM")

The 2021 AGM will be held at the Company's registered office at 11.00 am (UK time) on Thursday, 6 May 2021. Due to COVID-19 restrictions, shareholders will not be permitted to attend the AGM in person. Shareholders are therefore encouraged to submit a proxy form voting their shares and may also submit questions in advance of the meeting by email to info@vitecgroup.com.

Total Voting Rights

Applications have been made (i) to the Financial Conduct Authority (the "FCA") for the 309,753 new Ordinary Shares to be admitted to the premium listing segment of the Official List of the FCA and (ii) to the London Stock Exchange plc (the "London Stock Exchange") for the admission of the 309,753 new Ordinary Shares to trading on its main market for listed securities (together "Admission"). It is expected that Admission will take place at or around 8.00 a.m. (London time) on 14 April 2021. The new Ordinary Shares, when issued, will be fully paid and will rank pari passu in all respects with the existing issued Ordinary Shares of the Company, including, without limitation, the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares after Admission.

Following Admission, the Company will have 46,246,535 Ordinary Shares in issue, of which 133,600 Ordinary Shares are held in treasury. Therefore, the Company hereby confirms that, following Admission, the total number of voting rights in the Company will be 46,112,935. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure Guidance and Transparency Rules.

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Notes

1. Average foreign exchange rates in the period from 1 January to 31 December 2019: £1 = \$1.28
2. Average foreign exchange rates in the period from 1 January to 31 December 2020: £1 = \$1.29
3. Estimated foreign exchange rate at completion: £1 = \$1.38
4. Nothing in this announcement should be construed as a profit forecast
5. Current Analyst consensus forecasts: FY 2021 Adjusted PBT range is £28.5 - £32.7 million; FY 2022 Adjusted PBT range is £32.8 - £43.1 million
6. This statement is based on information sourced from management estimates
7. This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of The Vitec Group plc is Jon Bolton, Group Company Secretary.

A snapshot of The Vitec Group plc

Vitec is a leading global provider of premium branded hardware products and software solutions to the growing content creation market.

Vitec's customers include broadcasters, film studios, production and rental companies, photographers, independent content creators and enterprises. Our product portfolio includes camera supports, video transmission systems and monitors, live streaming solutions, smartphone accessories, robotic camera systems, prompters, LED lighting, mobile power, bags and motion control, audio capture and noise reduction equipment.

We employ around 1,600 people across the world in 11 different countries and are organised in three Divisions: Imaging Solutions, Production Solutions and Creative Solutions.

The Vitec Group plc is listed on the London Stock Exchange.

More information can be found at: www.vitecgroup.com

About Lightstream

Lightstream builds cloud-native live production technology to empower more storytellers and grow the communities in which they tell them.

The first to deploy browser-based broadcast software, Lightstream continues to innovate, offering a full creative suite to support the entire creator journey.

Lightstream Studio and Rainmaker.gg empower creators to easily create unique content, understand and grow their audience, and engage their community from any device.

- Their authoring products allow gamers to enrich their game video with multiple video feeds, graphic overlays, scoreboards and chat rooms before streaming to viewer platforms like Twitch, Facebook and YouTube. This drives up viewer engagement and increases viewing hours.
- Their analytics platform then measures and tracks this engagement, allowing gamers to respond to the audience in real time and to monetise the viewership with branding.

Their pioneering cloud video architecture is also available to developers as Lightstream Cloud -

powering a growing number of live streaming platforms and products.

More information can be found at: www.golightstream.com

About Quasar Science

Quasar Science is a motion picture LED lighting manufacturer that was founded in Los Angeles in 2012 by a group of I.A.T.S.E. Local 728 Studio Electrical Lighting Technicians with over 100 years combined expertise in lighting movie sets.

The creative LED lighting products developed by Quasar Science are highly sought after on motion picture productions for their industry-leading colour quality and versatility. Quasar Science is an innovator of custom LED technology and its unique products are available from cine equipment specialists and the Quasar Science website.

More information can be found at: www.quasarscience.com

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