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EVS Broadcast Equipment S.A.: Euronext Brussels (EVS.BR), Bloomberg (EVS BB), Reuters (EVS.BR)

EVS reports first half 2023 results

Liège, Belgium, August 18th, 2023 – Today EVS (Euronext Brussels: EVS.BR; Bloomberg: EVS BB; Reuters: EVS.BR) announced results for the six-month period ended 30 June 2023¹.

Strong first half results confirm profitable growth ambition for 2023

The strong financial performance of the first semester of 2023 underpins the growth trajectory of EVS and leads to an upgrade in the guidance.

First half financial performance highlights

- Strong order intake of EUR 84.0 million.
- Revenue in the first six months of the year, amounts to EUR 87.4 million, growing +29% YoY, in a context where no Big Event Rental revenue is realised as we are operating in an uneven year.
- Gross margin performance is strong demonstrating a growth of 2.4Pts compared to the same period last year, a consequence of our margin optimization plan for each solution.
- Net profit amounts to EUR 21.2 million, leading to a diluted earnings per share of EUR 1.52 (an improvement of EUR 0.37 compared to 1H22 results).

Outlook

- The secured revenue for 2023 is at EUR 158.7 million at the end of June, confirming our growth ambition for the year 2023.
- Based on the secured revenue at end of June 2023, the revenue guidance for the full year is upgraded from EUR 150-160 million to EUR 160-170 million. This upgrade assumes a normal final production cycle of the year, without any impact of shortage in components nor any important changes linked to the pricing of components.
- The long-term order book - beyond 2023 - is growing to EUR 61.7 million, an increase of EUR 5.8 million compared to the beginning of the year 2023.
- The gross margin percentage is expected to be marginally negatively impacted in 2H23 compared to the results of 1H23, as a consequence of the projected cost of BOM.
- As a consequence of the upgrade in revenue guidance and the strong profit performance, the full year EBIT guidance is being upgraded from an initial range of EUR 27.5-32.5 million to a new range of EUR 32.5-38.5 million, clearly demonstrating our sustainable and profitable growth ambition.

¹ Please refer to our Half-Year Financial Report for detailed financials and auditor's review report

Key figures

EUR millions, except earnings per share expressed in EUR	Reviewed		
	1H23	1H22	Variance
Revenue	87.4	67.7	19.7
Gross profit	61.2	45.8	15.4
Gross margin %	70.1%	67.7%	+2.4 Pts
Operating profit – EBIT	25.0	15.7	9.3
Operating margin – EBIT %	28.6%	23.3%	+5.3 Pts
Net profit (Group share)	21.2	15.5	5.7
Fully diluted earnings per share (Group share)	1.52	1.15	0.37

Comments

Serge Van Herck, CEO, comments:

“I continue to be very grateful to our customers, our team members and our channel partners for further supporting and enabling our growth mode, especially during this uneven year 2023. With fewer major sport events scheduled during uneven years, EVS typically suffered from a slowdown in revenue and profitability compared to even years. With H1 revenue of EUR 87.4 million at its highest level ever and with a Net Profit of EUR 21.2 million, I am proud to say that our PlayForward strategy is producing the expected sustainable and profitable growth. Based on this strong H1 revenue result, it is safe to say that our revenues for the whole year will achieve a new record level. While we are still facing challenges in our electronic component supply chain, we are now sufficiently confident to increase our earlier revenue guidance for 2023 of EUR 150 million to EUR 160 million to a new guidance of EUR 160 million to EUR 170 million.

Our 2 main Market Pillars (Live Service Providers and Live Audience Business) show strong revenue growth compared to H1 2022. As expected in an uneven year, our third Market Pillar (Big Event Rental) generated close to no revenues in H1. The growth of our 2 main Market Pillars largely outperforms the absence of Big Event Rental revenues in H1. Geographically we see a strong growth performance of all regions (EMEA, NALA and APAC).

This revenue growth in 2023 is only possible thanks to the hirings done in 2022. In order to increase efficiency and keep our operational costs under control, we had no further additions to our team member base in 2023. We do expect though to increase our hiring efforts in H2 2023 in order to sustain and enable our profitable growth into 2024.

The high and global inflation has clearly a negative impact on our BOM (bill of material) cost and on our remuneration costs. We have started compensating the impact of those increased costs by applying price adaptations in 2022. Those price adaptations are contributing to an improved profitability in H1 2023. We expect that we will need to continue adapting our pricing to compensate for the raising inflation.

Despite the persistently challenging economic market conditions marked by high inflation, component shortages, and the ongoing war in Ukraine, I maintain a sense of cautious optimism about our future. The growing recognition among our customers for the reliability, performance, and innovative nature of our solutions and services provides us with a solid foundation for what lies ahead.”

Commenting on the results and the outlook, Veerle De Wit, CFO, said:

“The results of the 1st half of 2023 demonstrate our growth trajectory. We will realize growth in 2023, even in a year with no Big Event Rental revenue. This is a turning point for EVS. Next to a strong topline performance, we also see the positive effects of our pricing strategy: our gross profit is demonstrating that we can balance price increases, taking into account macro-economic challenges. Whilst keeping our costs under control, this performance results in a net profit margin of 24.2%, demonstrating our ability to realize sustainable and profitable growth. Finally, our balance sheet remains strong with a solid cash position and open receivables that restored well compared to end of December 2022, clearly demonstrated by an improvement in our days of sales outstanding. All these promising results lead to an upgrade of our

guidance both in revenue and EBIT, and this clearly underpins the sustainable and profitable growth ambition that we have set for ourselves.”

EVS Market Dynamics and customer wins

In the LiveCeption domain, EVS now proposes a MultiReview experience driven by the LSM-VIA, very well appreciated for the fast conception of multi-angle highlights. EVS did also optimize the XNET-VIA internal network protocol to further reduce the delay between replays when content is hosted on different servers. Inline with “Balanced computing” concept, XtraMotion now supports different deployment models (in the cloud and in an OBVAN) to cope with the respective constraints of the production (budget and “delay to live”).

The upgrade of the XT3 continues at the right pace thanks to the compelling upgrade offers and the continuously broader feature set now covered by XT-VIA and XT-GO, as described above. Not all XT3s will be migrated to XT-VIA since one single large capacity XT-VIA can replace 2 early version XT3s. Moreover, not all customers will proceed with an upgrade of their large capacity XT3 to XT-VIA before the pre-announced end of life. It all depends on their investment lifecycles driven by their customer contracts, including number of events and the size of the contracted productions.

About MediaCeption solutions, EVS continues the deployment of IPD-VIA create, the new editing tool focused on speed and creativity to create valuable content during live productions. Besides XT-VIA and XS-VIA, EVS also deploys more and more software versions of the server with XS-NEO as part of the LAB modernization projects.

As every year, EVS supported its customers (facility companies and broadcasters) delivering the NFL Superbowl: one of the most watched events on earth. EVS also supports more and more events with MediaHub, allowing “Rights owners” to share valuable sports content with “Rights holders” disseminated on the planet. The same platform that is running the major events is now offered in SAAS and used every month on events with multi-country audiences.

Neuron product family is welcoming a new software “Neuron View” as a multiviewer that can be virtualized on Neuron platform, thus strengthening the competitiveness of the overall Media Infrastructure solution. Cerebrum Software Defined Network control has also been improved in terms of user experience to support the transition of our customers towards centralized IP backbones across different control rooms and studios.

For the 2023 first semester, both LAB and LSP market pillars beat a record in terms of revenues. For LAB, the shape of the revenue trend is also depending on the speed of the transformation project and the related revenue recognition. If LSP market pillar is higher in revenue, LAB is significantly higher in the order intake, beating another record.

Yet as another record, the order intake for Media Infrastructure during this semester is higher than the Media Infrastructure revenues for the full 2020 year, demonstrating the attractiveness of our solutions in this new domain for EVS.

The traction for EVS solutions has been impressive at NAB. Our customers and channel partners are better understanding the value of our portfolio of solutions. The channel partner event was a great success with more and more partners preferring to attend EVS event than the ones organised by other larger vendors at the same time. Another event - co-organised with an IP vendor – was also overbooked, demonstrating the attractiveness of the IP migration approach proposed by EVS. And, cherry on the cake, EVS did receive the “Best of Show award” for XTRAMOTION 2.0 Edge, proving the values of “Balanced Computing” concept with smooth and smart adoption of cloud technology. EVS now prepares the IBC mid-September.

Supply chain of electronic components remains a point of attention for the company, considering the evolutions of the economy and the current geo-political tensions.

As announced in our 2022 annual report, the Group has decided early March 2023 to call the end-of-life of certain activities linked to our operations in Darmstadt. This within the context of our strategy to focus on sustainable and profitable growth. Several months after the announcement, we can confirm that impacts on the financial statements have been limited and immaterial, thanks to the pro-active conversations with our customers.

The company continues to progress as well in terms of ESG and received a “low risk” Environmental, Social, and Governance (ESG) rating from Morningstar Sustainalytics. With a risk score of 13.5, EVS is ranked in the 7th percentile in Sustainalytics’ global universe of more than 15,000 rated companies, indicating a significant improvement from the previous year, with a decrease of 9.2 points.

First half revenue

Revenue reached EUR 87.4 million in 1H23, representing an increase of EUR 19.7 million or 29.2% compared to 1H22.

The impact of exchange rate conversions was minimal, resulting in a growth of revenue at constant currency of 28.7% YoY. Finally, taking out the seasonal impact of the Big Event Rental, the growth of 1H23 was of 40.3%.

Revenue – EUR millions	1H23	1H22	Variance
Total reported	87.4	67.7	29.2%
Total at constant currency	87.1	67.7	28.7%
Total at constant currency and excluding Big Event Rentals	87.0	62.0	40.3%

Currency fluctuations primarily impact EVS revenues by the EUR/USD conversion, which can have a significant impact on our results even if EUR/USD fluctuations also impact the cost of our US operations and partially our cost of goods sold.

In the first half of the year, excluding Big Event Rentals, LSP represented 56% of the revenue (59% in 1H22) and LAB 44% (41% in 1H22). The trend demonstrated by this performance is reflecting the long-term growth patterns laid out in our PLAYForward strategic plan.

Geographically, revenues are distributed as follows in 1H23 (excl. Big Event Rentals):

- **Europe, Middle East and Africa (EMEA):** EUR 41.8 million (EUR 28.7 million in 1H22), growing 45.8% and demonstrating a strong recovery compared to 1H22 in that region.
- **Americas (NALA):** EUR 28.6 million (EUR 25.6 million in 1H22), growing 11.3% continuing the strong performance since multiple quarters.
- **Asia & Pacific (APAC):** EUR 17.0 million (EUR 7.7 million in 1H22), growing 120.9%, despite a slow recovery in China, demonstrating strong growth in several countries.

First half earnings

Consolidated gross margin was 70.1% for 1H23, compared to 67.7% in 1H22. The Bill Of Material cost is increasing compared to 1H22 (+0.7Pts), though is at a very sound level of 15.7% thanks to the success of our pricing strategy and our ability to model macro-economic events. Every solution is improving marginally the profitability, demonstrating the balanced approach. The investments over the past quarters in the operations & support teams is being diluted, given the strong revenue performance.

Operating expenses increased by 21% YoY as a consequence of investments in resources (+54 FTE on average) made in the past 12 months as well as some transformation projects we are running as a company. All these investments are done to support our long term ambition. Next to an impact linked to team members, the operating expenses are growing mainly following increased energy prices and increased travel spend.

In terms of intangible assets, EVS continues to invest in 2 specific projects that should fuel our future growth. The investments (a total of EUR 3.0 million in 1H23) are in line with the budgeted spend and are assumed to start contributing to our topline as of 2024.

The 1H23 EBIT margin was strong at 28.5%, compared to 23.3% in 1H22: a demonstration that the past investments are supporting our growth trajectory and are positioning us for the future.

Income taxes are at EUR 3.7 million, compared to EUR 1.9 million last year: this increase is linked to the higher profit before taxes in 1H23 (EUR +7.6 million compared to 1H22) and to the limitation on the deduction of tax latencies from previous years in Belgium (the threshold has been reduced from 70% to 40% of the taxable profit exceeding the amount of EUR 1 million since January 2023).

The group net profit amounted to EUR 21.2 million in 1H23, compared to EUR 15.5 million in 1H22. Fully diluted earnings per share amounted to EUR 1.52 in 1H23, compared to EUR 1.15 in 1H22.

Second half outlook

Based on the secured revenue on June 30, 2023 at EUR 158.7 million (+35.8% growth compared to EUR 116.9 million of last year at the same date), and based on the strong profit performance, we are confident to achieve our ambitions of profitable growth for the year 2023.

The results of the first semester lead to an upgrade of our revenue guidance to a range of EUR 160-170 million (versus EUR 150-160 million previously). Based on the current production calendar and the preparation of the big events in 2024, we will have limited orders that will still contribute to our topline in 2023. Our full year EBIT range is also upgraded, to a range of EUR 32.5-38.5 million (from an initial range EUR 27.5-32.5 million), benefiting from the strong revenue performance and the positive margin evolution.

Next to our progress on 2023, we also continue to build the future. In addition to secured revenue for 2023, EVS has secured a long-term order book worth EUR 61.7 million (EUR +5.8 million compared to the situation at the beginning of the year).

On top of this order book, we have also secured in June 2023, an important contract for the delivery of integrated solutions and related services linked to major multisport events occurring 2024 and beyond. The associated order intake linked to this contract will get recognized progressively, as soon as the technical requirements for the events are known.

Glossary

Term	Definition
Secured revenue	Revenue already recognized as well as open orders on hand that will be recognized as revenue in the fiscal year.
Order book <date>	Revenues planned to be recognized after the <date> based on current orders.
LAB market pillar	LAB – Live Audience Business Revenue from customers leveraging EVS products and solutions to create content for their own purpose. This market pillar covers the following types of customers: Broadcasters, Stadium, House of Worship, Corporate Media Centers, Sports organizations, Government & institutions, University & Colleges.
LSP market pillar	LSP – Live Service Providers Revenue from customers leveraging EVS products and solutions to serve “LAB customers” This market pillar covers the following types of customers: Rental & facilities companies, Production companies, Freelance operators, Technology partners & system integrators buying for their own purpose.
BER market pillar	BER – Big Events Rental Revenue from major non-yearly big events rental. This market pillar covers the following types of customers: host broadcasters for major events.
Bill of material cost	The bill of material cost includes all components and parts required to produce the revenue. It does not include labor.
Days of sales outstanding	Days sales outstanding (DSO) is the average number of days it takes a company to receive payment for a sale.
Working capital	Working capital, also known as net working capital (NWC), is the difference between a company's current assets—such as cash, accounts receivable/customers' unpaid bills, and inventories of raw materials and finished goods—and its current liabilities, such as accounts payable and debts.

In case of discrepancies between the English and the French Version, the English Version prevails.

Conference call

EVS will hold a conference call in English today at 3.30 pm CET for financial analysts and institutional investors. Other interested parties may join the call in a listen-only mode. The presentation used during the conference call will be available shortly before the call on the EVS website.

Participants must register for the conference using the link provided below. Upon registering, each participant will be provided with Participant Dial In Numbers, Direct Event Passcode and unique Registrant ID.

1. Online registration: <https://register.vevent.com/register/Blabe4416071f644b6a52058174f4da0e3>
2. Webcast Player URL: <https://edge.media-server.com/mmc/p/wkpqu8bb>

Corporate Calendar

November 17th , 2023: 3Q23 Trading update

For more information, please contact:

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Forward Looking Statements

This press release contains forward-looking statements with respect to the business, financial condition, and results of operations of EVS and its affiliates. These statements are based on the current expectations or beliefs of EVS's management and are subject to a number of risks and uncertainties that could cause actual results or performance of the Company to differ materially from those contemplated in such forward-looking statements. These risks and uncertainties relate to changes in technology and market requirements, the company's concentration on one industry, decline in demand for the company's products and those of its affiliates, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on pricing resulting from competition which could cause the actual results or performance of the company to differ materially from those contemplated in such forward-looking statements. EVS undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

About us

We create return on emotion

EVS is globally recognized as the leading provider in live video technology for broadcast and new media productions. Spanning the entire production process, EVS solutions are trusted by production teams worldwide to deliver the most gripping live sports images, buzzing entertainment shows and breaking news to billions of viewers every day – and in real-time. As we continue to expand our footprint, our dedication to sustainable growth for both our business and the industry is clearly demonstrated through our ESG strategy. This commitment is not only reflected in our results, but also in our high ratings from different agencies.

Headquartered in Liège, Belgium, the company has a global presence with offices in Australia, Asia, the Middle East, Europe, North and Latin America, employing over 600 team members and ensuring sales, training and technical support to more than 100 countries.

EVS is a public company traded on Euronext Brussels: EVS, ISIN: BE0003820371.

For more information, please visit www.evs.com.

