Inside / regulated information

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Management discussion and analysis

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.

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).

In order to enable this revenue growth in 2023, we have been hiring and growing our team size quite considerably with over 70 new colleagues in H1 2022. In order to increase efficiency and keep our operational costs under control, we ended H1 2023 at 607 team members (FTEs) which represents an increase of a limited 13 team members or 2% of our global team size compared to H1 2022. We expect 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 attractivity 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 attractivity 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, (excl. Big Event Rentals) LSP represented 56% (59% in 1H22) of the revenue, 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 (excl. big event rentals) are distributed in 1H23 as follows:

- **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 temporarily 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.

Team members

At the end of June 2023, EVS employed 607 team members (FTE). This is an increase by 13 team members compared to the end of June 2022. The average FTE grew by 36 comparing 1H23 to 1H22. The increase in team members reflects our continued investments in the growth of EVS, though we will make limited additional investments in 2023.

Balance sheet and cash flow statement

EVS continues to have a strong balance sheet with net cash position of EUR 35.9 million with low debt level (of which EUR 12.0 million related to IFRS 16) resulting in a total equity representing 77% of the total balance sheet as of the end of June 2023.

Other intangible assets demonstrate the continued investments of EVS in 2 specific projects that are scheduled to contribute to our topline as from 2024. The investments are according to the budgeted spend and the progress of both projects is on track.

Lands and building mainly include the headquarters in Liège as well as the right of use assets for the offices abroad (IFRS16). Six months depreciations on intangible assets, lands and buildings (including the right of use assets) and other tangible assets reached EUR 3.6 million. Liabilities include EUR 14.3 million of financial debt (including long term and short-term portions), mainly related to the lease liabilities for EUR 12.0 million and borrowings for EUR 2.3 million.

Inventories amount to EUR 30.2 million and include around EUR 5.7 million value of Axon equipment.

In the liabilities, long-term provisions include the provision for technical warranty on EVS products for labor and parts. The other amounts payables include mainly customer advances received and accruals (accrued charges and deferred income).

The net cash from operating activities amounts to EUR 23.6 million during 1H23 compared to EUR 9.4 million during 1H22. On June 30, 2023, cash and cash equivalents total EUR 50.2 million. This is a decrease compared to June 2022 mainly explained by the increase of the net cash used in financing activities mainly due to the higher amount of final dividends distributed during 2023, together with the increase of the net cash used in investing activities mainly due to the investments in tangible and intangible assets (specifically in the internal development of intangible assets).

At the end of June 2023, there were 14,327,024 EVS shares outstanding, of which 893,820 were owned by the company. At the same date, 149,250 warrants were outstanding with an average exercise price of EUR 13.69 and a maturity of October 2026 together with 152,100 warrants with an average exercise price of EUR 18.21 and a maturity of June 2027 and 183,375 stock options with an average exercise price of EUR 18.62 and a maturity of September 2028.

Corporate governance

During last annual Ordinary General Assembly on May 16th, the shareholders have renewed the mandate of Anne Cambier, independent director (representing Accompany You SRL) for a period of 4 years and have appointed two new directors, Serge Van Herck, our CEO, as executive director (representing InnoVision BV) and Soumya Chandramouli as independent director (representing FRINSO SRL), both for a period of 4 years. The Board of Directors is currently composed of nine directors:

- **Johan Deschuyffeleer**, independent director & President (representing The House of Value BVBA);
- **Michel Counson**, managing director;
- **Martin De Prycker**, independent director (representing InnoConsult BVBA);
- **Chantal De Vrieze**, independent director (representing 7 Capital SRL);
- **Frédéric Vincent**, independent director;
- **Marco Miserez**, independent director;
- **Anne Cambier**, independent director (representing Accompany You SRL);
- **Serge Van Herck**, managing director (representing InnoVision BV); and
- **Soumya Chandramouli**, independent director (representing FRINSO SRL)

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, 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.

Interim condensed consolidated financial information

Interim condensed consolidated income statement

(EUR thousands)	Notes	1H23 Reviewed	1H22 Reviewed
Revenue	3	87,418	67,672
Cost of sales		-26,180	-21,841
Gross profit		**61,238**	**45,831**
Gross margin %		**70,1%**	**67,7%**
Selling and administrative expenses		-21,321	-17,283
Research and development expenses		-14,472	-11,899
Other income		106	50
Other expenses		-64	-486
Profit-sharing plan and warrants		-530	-474
Operating profit (EBIT)		**24,957**	**15,739**
Operating margin (EBIT) %		**28,5%**	**23,3%**
Interest revenue on loans and deposits		81	30
Interest charges		-429	-473
Other net financial income	4	101	1,939
Share in the result of the enterprise accounted for using the equity method		157	77
Profit before taxes (PBT)		**24,867**	**17,312**
Income taxes	5	-3,679	-1,864
Net profit		**21,188**	**15,448**
Attributable to :			
Non-controlling interest		-	-
Share of the group		**21,188**	**15,448**

EARNINGS PER SHARE *(in number of shares and in EUR)*	1H23 Reviewed	1H22 Reviewed
Weighted average number of subscribed shares for the period less treasury shares	13,422,539	13,404,817
Weighted average fully diluted number of shares	13,909,789	13,479,081
Basic earnings – share of the group	**1.58**	**1.15**
Fully diluted earnings – share of the group (1)	**1.52**	**1.15**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR thousands)	1H23 Reviewed	1H22 Reviewed
Net profit	**21,188**	**15,448**
Other comprehensive income of the period		
Currency translation differences	-199	555
Total of recyclable elements	**-199**	**555**
Gains / (losses) on remeasurement of defined benefit obligations, net of tax	0	933
Total of non-recyclable elements, net of tax	**0**	**933**
Total other comprehensive income of the period, net of tax		
Total comprehensive income for the period	**20,989**	**16,936**
Attributable to :		
Non controlling interest	-	-
Share of the group	**20,989**	**16,936**

(1) The diluted earnings per share does include:

a. 187,000 warrants attributed in October 2020, of which 149,250 are outstanding at the end of the semester with an exercise price below the share price and with maturity in October 2026;
b. 158,600 warrants attributed in June 2021, of which 152,100 are outstanding at the end of the semester with an exercise price below the share price and maturity in June 2027;
c. 183,375 stock options attributed in September 2022, all outstanding and with a maturity in September 2028.

Interim condensed statement of financial position (balance sheet)

ASSETS (EUR thousands)	Notes	June 30, 2023 Reviewed	Dec 31, 2022 Audited
Non-current assets :			
Goodwill		2,832	2,832
Other intangible assets	6	15,652	13,215
Lands and buildings		49,089	50,543
Other tangible assets		6,272	4,691
Investment accounted for using equity method		2,079	1,922
Other financial assets		509	512
Other amounts receivables		2,212	3,647
Deferred tax assets		4,322	4,622
Total non-current assets		**82,967**	**81,984**
Current assets :			
Inventories		30,212	28,786
Trade receivables		60,821	58,856
Other amounts receivable, deferred charges and accrued income		13,659	14,365
Other financial assets		242	174
Cash and cash equivalents		50,182	49,051
Total current assets		**155,116**	**151,232**
Total assets		**238,083**	**233,216**

EQUITY AND LIABILITIES (EUR thousands)	Notes	June 30, 2023 Reviewed	Dec 31, 2022 Audited
Equity :			
Capital		**8,772**	**8,772**
Reserves		190,055	183,390
Treasury shares		-17,174	-17,447
Total consolidated reserves		**172,881**	**165,943**
Translation differences		876	1,075
Equity, attributable to the owners of the parent		**182,529**	**175,790**
Non-controlling interest		**-**	**-**
Total equity		**182,529**	**175,790**
Provisions		1,737	1,637
Deferred taxes liabilities		11	10
Financial debts	7	10,566	11,528
Other debts		255	120
Non-current liabilities		**12,569**	**13,295**
Financial debts	7	3,696	3,750
Trade payables	8	12,120	9,207
Amounts payable regarding remuneration and social security		8,339	11,219
Income tax payable		1,768	1,959
Other amounts payable, advances received, accrued charges and deferred income		17,062	17,996
Current liabilities		**42,985**	**44,131**
Total equity and liabilities		**238,083**	**233,216**

Interim condensed statement of cash flows

	Notes	1H23 Reviewed	1H22 Reviewed
Cash flows from operating activities			
Net profit, share of the group		**21,188**	**15,448**
Adjustment for:			
- Depreciation and write-offs on fixed assets		3,568	3,362
- Profit-sharing plan and warrants	12	530	474
- Provisions		100	134
- Income tax expense		3,679	1,864
- Net financial expense (+) / income (-)		247	-1,496
- Share of the result of entities accounted for under the equity method		-157	-77
Adjustment for changes in working capital items:			
- Inventories		-1,425	-4,281
- Trade receivables		-530	-4,984
- Other amounts receivable, deferred charges and accrued income		-918	-1,064
- Trade payables		2,913	598
- Amounts payable regarding remuneration and social security		-3,028	-3,155
- Other amounts payable, advances received, accrued charges and deferred income		-314	2,866
- Conversion differences		-1,036	1,473
Cash generated from operations		*24,817*	*11,162*
Income taxes paid	5	-1,224	-1,725
Net cash from operating activities		**23,593**	**9,437**
Cash flows from investing activities			
Purchase of intangible assets	6	-3,025	-4,462
Purchase of tangible assets (lands and building and other tangible assets)		-2,103	-1,250
Other financial assets		-	-97
Net cash used in investing activities		**-5,128**	**-5,809**
Cash flows from financing activities			
Reimbursement of borrowings	7	-551	-546
Payment of lease liabilities	7	-1,460	-1,357
Interests paid	7	-273	-377
Interests received		81	6
Dividend received from investee		-	32
Dividend paid		-14,780	-13,402
Net cash used in financing activities		**-16,983**	**-15,644**
Net increase (+) / decrease (-) in cash and cash equivalents		**1,482**	**-12,016**
Net foreign exchange difference		-351	818
Cash and cash equivalents at beginning of period		**49,051**	**72,144**
Cash and cash equivalents at end of period		**50,182**	**60,946**

Interim condensed statement of change in equity

(EUR thousands)	Capital	Reserves	Treasury shares	Currency translation differences	Equity, group share	Non-controlling interest	Total equity
Balance as at January 1, 2022	**8,772**	**170,570**	**-17,776**	**751**	**162,317**		**162,317**
Profit or loss		15,448			15,448		**15,448**
Other comprehensive income		933		555	1,488		**1,488**
Total comprehensive income for the period		**16,381**		**555**	**16,936**		**16,936**
Share-based payments		474			474		474
Operations with treasury shares		-329	329				
Final dividend		-13,402			-13,402		-13,402
Balance as per June 30, 2022	**8,772**	**173,694**	**-17,447**	**1,306**	**166,325**		**166,325**

(EUR thousands)	Capital	Reserves	Treasury shares	Currency translation differences	Equity, group share	Non-controlling interest	Total equity
Balance as at January 1, 2023	**8,772**	**183,390**	**-17,447**	**1,075**	**175,790**		**175,790**
Profit or loss		21,188			21,188		**21,188**
Other comprehensive income							
Total comprehensive income for the period		**21,188**		**-199**	**20,989**		**20,989**
Share-based payments		530*			530		530
Operations with treasury shares		-273	273				
Final dividend		-14,780			-14,780		-14,780
Balance as per June 30, 2023	**8,772**	**190,055**	**-17,174**	**876**	**182,529**		**182,529**

* Total amount includes EUR 549 granted and EUR -19 forfeited

Notes to the consolidated financial statements

NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of EVS Group for the 6 month-period ended June 30, 2023, are established and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union. The condensed interim financial statements of the Group for the 6 month-period ending June 30, 2023, were authorized for issue by the Board of Directors on August 17, 2023. This interim report provides an explanation of events and transactions that are significant to an understanding of the changes in financial position and reporting since the last annual reporting period and should therefore be read in conjunction with the consolidated financial statements for the financial year ending on December 31, 2022. The interim condensed financial statements are prepared on a going concern basis.

NOTE 2.1: SIGNIFICANT ACCOUNTING POLICIES AND METHODS

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the IASB, and as adopted by the EU. The accounting policies and methods adopted for the preparation of the Company's IFRS consolidated financial statements are consistent with those applied in the 2022 annual consolidated financial statements. Under amendments of IAS 1 and IFRS Practice Statement 2, a review of accounting policy will be performed for year-end 2023 financials as part of the 2023 annual report. There are no other IFRS standards issued but not yet effective which are expected to have an impact on EVS financials.

NOTE 2.2: JUDGMENTS AND ESTIMATES

In preparing the Company's interim condensed consolidated financial statements, management makes judgments in applying various accounting policies. The areas of policy judgment are consistent with those followed in the preparation of EVS annual consolidated financial statements as of and for the year ended 31 December 2022.

In addition, management is required to make estimates that affect amounts included in the financial statements. The estimates carried out on each reporting date reflect the conditions in force on these dates (for example: market price, interest rates and exchange rates). Although these estimates are based on the best knowledge of management of the existing events and of the actions that the group could undertake, the real results may differ from these estimates.

As disclosed in the Company's 2022 annual consolidated financial statements, the use of estimates is particularly applicable when performing goodwill impairment tests and evaluating any additions to the purchase price of past business combinations, the determination of the contingent consideration, determining the fair value of share-based payments, the evaluation of the deferred tax position and the determination of the percentage of completion of projects in progress.

NOTE 3: SEGMENT REPORTING

From an operational point of view, the company is vertically integrated with the majority of its staff located in the headquarters in Belgium, including the R&D, production, marketing and administration departments. This explains why the majority of the investments and costs are located at the level of the Belgian parent company. Resources securing the customer facing interactions, like sales, operations and support profiles, are primarily hired within the respective regions. The foreign subsidiaries are primarily sales and representative offices. The Chief Operating Decision Maker, being the Executive Committee, reviews the operating results, operating plans, and makes resource allocation decisions on a company-wide basis. Revenue related to products of the same nature (digital broadcast production equipment) are realized by commercial polyvalent teams. The company's internal reporting is the reflection of the above-mentioned operational organization and is characterized by the strong integration of the activities of the company.

By consequence, the company is composed of one segment according to the IFRS 8 definition, and the consolidated income statement of the group reflects this unique segment. All long-term assets are located in the parent company EVS Broadcast Equipment SA in Belgium.

The company provides one class of business defined as solutions based on tapeless workflows with a consistent modular architecture. There are no other significant classes of business, either singularly or in aggregate. Identical modules can meet the needs of different markets, and our customers themselves are often multi-markets. Providing information for each module is therefore not relevant for EVS.

At the geographical level, our activities are divided into the following regions: Asia-Pacific (“APAC”), Europe, Middle East and Africa (“EMEA”), and America (“NALA”). This division follows the organization of the commercial and support services within the group, which operate worldwide. A fourth region is dedicated to the worldwide events (“big event rentals”).

The company provides additional information with a presentation of the revenue by market pillar: “Live Service provider”, “Live Audience Business” and “Big Event Rentals” for rental contracts relating to the big sporting events.

Finally, sales are presented by nature: sale of equipment and other services.

3.1. Information on revenue by destination

Revenue can be presented by Market Pillar: “Live Service provider”, “Live Audience Business” and “Big event rentals”. Maintenance and after sale service are included in the complete solution proposed to the clients.

Revenue (EUR thousands)	**1H23**	**1H22**	**% 1H23/ 1H22**
Live Audience Business	38,706	26,291	47.2%
Live Service Provider	48,628	35,718	36.1%
Big event rentals	84	5,663	-98.5%
Total Revenue	**87,418**	**67,672**	**29.2%**

3.2. Information on revenue by geographical area

Activities are divided by three regions: Asia-Pacific (“APAC”), Europe, Middle East and Africa (“EMEA”), and “Americas”. Aside of them, we make separate distinction for the category “Big Event Rentals” which is not attributed to specific region.

Revenue for the YTD period (EUR thousands)	**APAC excl. events**	**EMEA excl. events**	**Americas excl. events**	**Big event rentals**	**TOTAL**
1H23 revenue	**16,956**	**41,787**	**28,591**	**84**	**87,418**
Evolution versus 1H22 (%)	121.0%	45.8%	11.3%	-98.5%	29.2%
Variation versus 1H22 (%) at constant currency	121.0%	45.8%	9.7%	-98.5%	28.7%
1H22 revenue	**7,674**	**28,657**	**25,678**	**5,663**	**67,672**

Revenue realized in Belgium (the country of origin of the company) with external clients represents less than 5% of the total revenue for the period. In the last 6 months, the group realized significant revenue with external clients (according to the definition of IFRS 8) in the United States (EUR 26.1 million) and the United Kingdom (EUR 9.9 million).

3.3. Information on revenue by nature

Revenue can be presented by nature: sale of equipment and other services.

Revenue (EUR thousands)	1H23	1H22	% 1H23/ 1H22
Sale of Equipment	77,902	53,789	44.8%
Other services	9,516	13,883	-31.5%
Total Revenue	**87,418**	**67,672**	**29.2%**

Other services include the advice, installations, project management, rentals, training, maintenance, and distant support. Work in progress ("WIP") contracts are included in both categories.

The sales of equipment are recognized at a point in time while other services are recognized over time.

3.4. Information on important clients

Over the last 6 months, no external client of the company represented more than 10% of the revenue (similar for the same period in 2022).

NOTE 4: OTHER NET FINANCIAL INCOME / (EXPENSE)

(EUR thousands)	1H23	1H22
- Exchange results	-332	1,955
- Fair value variation of financial instruments	-71	-169
- Other financial results	504	153
Other net financial income	**101**	**1,939**

The functional currency of EVS Broadcast Equipment SA as well as all subsidiaries is the Euro, except for EVS Inc. subsidiary whose functional currency is the US dollar. The presentation currency of the consolidated financial statements of EVS Group is the Euro. For more information on exchange rates, see also the note 10. The decrease of the exchange result in 1H23 is mainly explained by the depreciation of USD vs. EUR in the period, resulting in a negative currency transactional impact on USD assets at the EVS Belgian entity.

EVS systematically measures the group's anticipated exposure to transactional exchange risk, mainly relating to the EUR/USD risk. Given the group has a "long" position in USD and based on revenue forecasts, EVS hedges future USD net in-flows by forward or option foreign exchange contracts. The change in the fair value of the foreign exchange contracts is recorded directly to the income statement (other financial results) since the Group does not apply hedge accounting on these transactions. The valuation techniques used are mainly based on spot rates, forward rates and interest rate curves.

On June 30, 2023, the group holds EUR/USD FX forward and option contracts for a total notional amount of USD 42.8 million with monthly maturities between July 2023 and May 2025. The fair value of those financial instruments on June 30, 2023, amounts to EUR 0.3 million. See also note 9 – Fair value of the financial instruments.

NOTE 5: INCOME TAX EXPENSE

(EUR thousands)	1H23	1H22
- Current tax expense	-3.179	-722
- Deferred tax expense	-500	-1.142
Income tax expense	**-3.679**	**-1.864**

Income taxes expense increased during the first half of 2023 compared to the same period of 2022 primarily following the increase of profit before taxes (+EUR 7.6 million compared to 1H22).

The effective tax rate for the period ended June 30, 2023 is 14.9% (+4.1% vs. 1H22).

The evolution of the effective tax rate is mainly explained by:

- The increase of the current tax mainly due to the rise in the taxable profits compared to 1H22; and
- The limitation on the deduction of tax latencies from previous years in Belgium which leads to a lower amount of deferred tax asset used during the period.

NOTE 6: INTANGIBLE ASSETS

Intangible assets increased by EUR 2.4 million during the first half of 2023 as a result of the capitalization of internal development costs of EUR 3.0 million, partially offset by six months depreciation expenses of EUR 0.6 million.

The intangible capitalized costs include mainly the internal personnel costs and external consultants' costs related to the development phase of two important projects that should secure future growth for EVS. These projects consist in software that will be commercialized at the end of the development period with expected return on investment scheduled for 2024, complementing the PLAYForward strategy of the Group. The progress of these internal developments is monitored frequently as to ensure the future economic benefit remains assured.

NOTE 7: FINANCIAL LIABILITIES

(EUR thousands)	June 30, 2023	December 31, 2022
Long term financial debts		
Bank loans	1,119	1,675
Long term lease liabilities	9,447	9,853
Amount due within 12 months (shown under current liabilities)		
Bank loans	1,109	1,105
Short term lease liabilities	2,587	2,645
Total financial debt (short and long-term)	**14,262**	**15,278**
The total financial debt is repayable as follows:		
- within one year	3,696	3,750
- after one year but no more than five	8,296	11,528
- more than five years	2,270	-

In June 2020, a loan of EUR 5.5 million and 0.84% fixed interest rate was put in place with BNP Paribas Fortis to partially finance the acquisition of Axon. In June 2023, EVS reimbursed EUR 0.6 million including interest. The repayment schedule foresees a first repayment of EUR 0.6 million in 2020, annual installments of EUR 1.1 million between 2021 and 2024 and final repayment of EUR 0.6 million in 2025 at loan maturity.

During the first six months of 2023, lease liabilities variation includes repayment of EUR 1.5 million (EUR 1.4 million for the same period in 2022), excluding interest of EUR 0.3 million (EUR 0.3 million for the same period in 2022).

NOTE 8: TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 45-day terms. The increase in trade payables compared to December 31, 2022 is essentially driven by the bi-monthly vendor payment run that was settled after the June closing on Monday July 3, combined with increased purchases of electronic components to meet the higher sales.

NOTE 9: FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents and short-term investments, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;

- Long term fixed rate and variable rate other assets are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are made to account for the expected losses of these receivables. As at June 30, 2023, the carrying amounts of such receivables, net of allowances, are assumed not to be materially different from their calculated fair values;

- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using the effective interest rates currently available for debt on similar terms, credit risk and remaining maturities. As of June 30, 2023, the effective interest rate is not materially different from the nominal interest rate of the financial obligation;

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward and option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

As at June 30, 2023, the Group held the following financial instruments measured at fair value:

(EUR thousands)	June 30, 2023	December 31, 2022
Assets measured at fair value		
Financial assets at fair value through profit or loss		
Foreign exchange contracts – no hedge accounting	253	324

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques that use inputs having a significant effect on the recorded fair value that are not based on observable market data

All fair values mentioned in the above table relate to Level 2. There were no transfers between Level 1, Level 2 and level 3 fair value measurements during the reporting period.

NOTE 10: EXCHANGE RATES

The main exchange rates that influence the consolidated financial accounts are USD/EUR and GBP/EUR which have been considered as follows:

Exchange rate **USD/EUR**	**Average 1H**	**At June 30**
2023	1.0807	1.0938
2022	1.0937	1.0387
Variation	*-1.2%*	*5.3%*

Exchange rate **GBP/EUR**	**Average 1H**	**At June 30**
2023	0.8764	0.8640
2022	0.8420	0.8582
Variation	*4.1%*	0.7%

NOTE 11: HEADCOUNT

(in full time equivalents)	**At June 30**
2023	607
2022	594
Variation	*+13*

NOTE 12: EQUITY SECURITIES

The number of treasury shares has changed as follows during the period, together with the outstanding warrants:

	2023	**2022**
Number of own shares at January 1	**908,014**	**925,140**
Acquisition of own shares on the market	-	-
Sale of own shares on the market	-	-
Allocation to Employees Profit Sharing Plans	-14,194	-17,126
Sale related to Employee Stock Option Plan (ESOP) and other transactions	-	-
Number of own shares at June 30	**893,820**	**908,014**
Outstanding warrants at June 30	**484,725**	**455,682**

In 1H23, the Group did not repurchase own shares on the stock market. No shares were used to satisfy the exercise of warrants by employees.

The Ordinary General Meeting of shareholders of May 16, 2023, approved the allocation of 14,194 shares to EVS employees (grant of 42 shares to each staff member in proportion to their effective or assimilated time of occupation in 2022) as a reward for their contribution to the group successes.

NOTE 13: DIVIDENDS

The Ordinary General Meeting of May 16, 2023, approved the payment of a total gross dividend of EUR 1.60 per share for the year 2022. The table below summarizes the dividend payments performed in 2022 and year-to-date 2023.

(EUR thousands)	# Coupon	Declaration date	2023	2022
- Final dividend for 2021 (EUR 1.00 per share excl. treasury shares)	32	May 2022	-	13,402
- Interim dividend for 2022 (EUR 0.50 per share excl. treasury shares)	33	Nov.2022	-	6,710
- Final dividend for 2022 (EUR 1.10 per share excl. treasury shares)	34	May 2023	14,780	
Total paid dividends			**14,780**	**20,112**

EVS implemented the dividend policy announced earlier by distributing an interim dividend for 2022 of EUR 0.50 per share in November 2022 and a final dividend of EUR 1.10 per share in May 2023. The total dividend of EUR 1.60 per share included EUR 0.50 exceptional dividend to honor past commitments on dividend payout. The latest dividend guidance issued in 2022 foresees total annual dividend distribution of EUR 1.10 per share in 2023 and 2024, subject to market conditions and to the approval of the Ordinary General Meeting of Shareholders.

NOTE 14: RISKS AND UNCERTAINTIES

Investing in the stock of EVS involves risks and uncertainties. The risks and uncertainties relating to the remainder of the year 2023 are similar to the risks and uncertainties that have been identified by the management of the company and that are listed in the management report of the annual report (available at www.evs.com).

NOTE 15: RELATED PARTIES TRANSACTIONS

During 1H23, the members of the executive management, considered as related parties, received a total amount of EUR 1,030,382 (EUR 905,549 for the same period in 1H22). The increase is mainly explained by the adaptation of the renumeration of the executive management applied in November 2022.

NOTE 16: LITIGATIONS AND COMMITMENTS

No important changes occurred during the first 6 months of 2023 relating to litigations and commitments.

NOTE 17: SUBSEQUENT EVENTS

There were no subsequent events that may have a material impact on the balance sheet or income statement of EVS per 30 June 2023.

Certification of responsible persons

Serge Van Herck, CEO*
Veerle De Wit, CFO*

Certify that, based on their knowledge,

a) the interim condensed consolidated financial statements, established in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, financial position and results of the EVS Group,

b) the Management Discussion and Analysis presents a fair overview of important events and significant transactions with related parties and their impact on the interim condensed consolidated financial statements, as well as a description of the primary risks and uncertainties that the Company faces.

* acting on behalf of a BV

Auditor's Report

Statutory auditor's report to the board of directors of EVS Broadcast Equipment SA on the review of the condensed unaudited consolidated interim financial information as at 30 June 2023 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of EVS Broadcast Equipment SA as at 30 June 2023, the condensed consolidated income statement, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2023 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Diegem, 17 August 2023

EY Réviseurs d'Entreprises SRL
Statutory auditor
represented by

Carlo-Sébastien D'Addario*
Partner
* Acting on behalf of a SRL

Ref: 23CSD0014

Glossary

This glossary contains a description of frequently used Financial Terms, Alternative Performance Measures (APM) and Non-financial KPIs in EVS reporting deliverables.

BER: Big Event Rental

BER market pillar: market pillar covering big event rentals to host broadcasters for major non-yearly 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.

CAPEX: capital expenditures, refers to acquisitions of intangible assets and property, plant and equipment, excluding the Right of Use assets (leasing).

Capital Employed: refers to the amount of capital investment used to operate and provides an indication of how the Company is investing its money. It is derived by subtracting current liabilities from total assets.

Cash flow from operating activities: amount of cash generated from ongoing, regular business activities.

CGU: Cash Generating Unit, is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cost of sales: cost of materials and charges directly related to revenues.

Days of sales outstanding: Days sales outstanding (DSO) is the average number of days it takes a company to receive payment for a sale.

EBIT: Earnings Before Interest & Taxes, corresponds to Revenue minus Cost of Sales, minus operating expenses linked to renumeration of team members and operating expenses not directly linked to remuneration of team members minus Depreciation and Amortizations.

EBITDA: Earnings Before Interest, Taxes, Depreciations & Amortizations, corresponds to Revenue minus Cost of Sales, minus operating expenses linked to renumeration of Team Members and operating expenses not directly linked to remuneration of Team Members

ECL: Expected Credit Loss, is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of a financial instrument.

EGM: Extraordinary General Meeting

Free cash flow: cash flow before financing activities.

Gross margin: result of revenue minus cost of sales, divided by the revenue.

LAB: Live Audience Business

LAB market pillar: 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: Live Service Providers

LSP market pillar: 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

Net cash position: refers to the liquidity position of the company. Net cash is calculated by deducting interest-bearing debt from cash and cash equivalents.

Net profit: amount of money the company earns after deduction of all operating, interest and tax expenses of a given period in time.

Operating Expenses: also known as selling, general and administrative expenses (SG&A), represent the overhead costs incurred to engage in activities that are not directly related to production.

Operating margin: also known as return on sales, is a profitability ratio measuring the revenue after deduction of Cost of Sales and Operating Expenses. It is calculated by dividing the operating income by the revenue.

Other operating income: relates to income from, for example, reimbursements from damages, team members, insurances, gains on disposal, … This income is generated from activities that are not immediately linked to the principal activities of the company.

Order book <date>: revenues planned to be recognized after the <date> based on current orders.

ROCE: Return on Capital Employed, refers to a financial ratio that can be used to assess the Company's profitability and capital efficiency. This ratio helps to understand how well the Company is generating profits from its capital as it is put to use. The ratio is calculated by dividing the Earnings Before Interest & Tax by the Capital Employed.

ROE: Return on Equity, is a measure of financial performance calculated by dividing the net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets.

Secured revenue: revenue already recognized as well as open orders on hand that will be recognized as revenue in the fiscal year.

Working capital requirement: financial metric showing the amount of financial resources needed to cover operating costs. It represents the Company's short-term financing requirements. It is calculated by deducting current liabilities from current assets.