



## MARKET ANNOUNCEMENT

28 May 2020, Vista Group International Ltd, Auckland, New Zealand

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### **Chair's Address and Group CEO's Address - 2020 Annual Meeting of Shareholders**

#### **Chair's Address (Kirk Senior)**

##### 2019

Whilst it seems like an eternity ago, I thought I would comment briefly on how we ended up in 2019, before moving on to where we are at today and then, most importantly, where we are heading.

We completed 2019 with a resilient set of results as the Group continued to expand its geographic, market and customer reach – continuing our purpose of 'Enhancing the Moviegoer Experience'. With revenue up 11% for the year to \$144.5m, the Group has tripled in size since listing in 2014. We continued to be profitable and maintained a strong balance sheet. Importantly, we maintained strong customer loyalty and support.

This result was achieved whilst we commenced a number of important initiatives that we expect will deliver value over the medium and longer term. The most significant of these initiatives is the commitment to accelerate the transition of Vista Cinema to a SaaS future – building the Vista software to operate in a SaaS Cloud based environment. This is a transformative project for the future of the Group that will continue our innovation leadership and customer centricity.

In addition, we have initiatives under way to simplify and scale our core businesses, to increase our Target Addressable Markets by entering into new countries and expanding our product portfolio, to push faster in our commitments to innovation, and to better understand moviegoers. Each of these initiatives is underpinned by a focus on growing recurring revenue.

Let's not forget, the global box office had a good year in 2019, with US attendance only slightly down on a record 2018, and Europe numbers up 4.5% to a historical high, with record numbers also in France, the UK and Russia.

Off the back of a strong global film industry, our two core businesses of Vista Cinema and Movio in combination grew by 16% in 2019, with Vista Cinema up 17% and Movio up 13%. The focus on recurring and SaaS revenue continues to deliver benefits and we have made this an important theme going forward.

That was 2019.

## 2020 – our response to the pandemic

Now I'd like to focus my comments on our response to the Covid-19 pandemic that has had such an impact on our world, and caused significant disruption in the film industry. For the past two months, almost all cinemas around the world have been closed. With no revenue flowing to cinema operators, the flow on effect to us, from a revenue and collection of receivables perspective, has been significant.

However, we acted swiftly.

- We've actively engaged with all our customers and are working with them to get through this closure period, but also to ensure that they are adequately equipped to reopen strongly at the appropriate time;
- We undertook an immediate round of cost cutting measures to preserve cash and will ensure we are appropriately structured to operate an efficient and effective business going forward;
- We cancelled our China transaction and cancelled our final dividend;
- We've engaged with governments in multiple jurisdictions on support initiatives;
- We've engaged with our bank (the ASB), who have been very supportive in flexing up our debt facilities and covenants; and more recently
- We completed a successful equity raise of \$65m via an institutional placement and pro-rata accelerated non-renounceable entitlement offer. The capital raise was overwhelming supported by our institutional and retail shareholders alike – we were particularly pleased with the 90% effective take up by our retail shareholders. A tremendous result which reflected well on the confidence, strength and future potential of our business – Thank you.

## The Future

By acting swiftly and decisively, we have put the company in a very strong position once cinemas reopen. So, when will that be, and how quickly will cinemas recover?

Our liquidity planning for the capital raise assumed a downside scenario where global cinemas would remain closed for the rest of 2020, reopening throughout 2021 but with a slow ramp up. It was responsible to plan for that scenario – anything better than that will be a significant benefit.

We simply don't know how and when governments will ease lockdown restrictions; we don't know if there'll be further outbreaks; we don't know how consumers will behave in a new social distancing world.

However, I am cautiously optimistic – we are already seeing governments gradually easing restrictions, we are already seeing cinemas opening in some parts of the world, including New Zealand, and we know there is a strong pipeline of great new movies ready for consumption when a critical mass of cinemas is up and running. We are all social beings and there is enormous pent up demand from people of all ages to socialise – watch sports, go to restaurants and escape to their favourite cinema to watch the latest blockbuster or sophisticated upscale Oscar contender.

But of course, it is highly likely that cinema going will be different, at least for a while. Vista Group has taken a lead role in helping the cinema industry adapt to the “new normal” and enabling us to further enhance the moviegoing experience and help our customers get people back into their cinemas. Kimbal will take you through some of these specific great initiatives.

We expect our customers are going to adapt and change the way they approach their business so we likewise are also taking the opportunity to rethink and challenge all aspects of our business and how we can be better in the future.

- How we are structured and how we work;
- How we interact with our customers and better support them in their new challenges;
- How we prioritize development spend and how we can maximize returns; and
- Most importantly - How we deliver superior shareholder return - these are not just words; they will be backed up by actions and I'm personally excited by what the future holds.

We have put the Group in the best possible position of not only making it through this pandemic but emerging from it in a very strong position.

- A strong balance sheet;
- A structure focused heavily on margin growth;
- Advanced investment in our critical SaaS project;
- A very focused and strong customer relationship;
- Great opportunities to grow our market share; and
- A first-class management team.

The Board is very pleased with the effort of our CEO, Kimbal Riley, and his Executive Leadership Team – they have performed outstandingly well in these very difficult times. So, thank you Kimbal, Matt, Kelvin, Leon, Will, Grant, Evan, and the many others that make this such a great place to work and with such an exciting future.

I'll now handover to Kimbal, who will take you through some more of the detail.

### **Group CEO's Address (Kimbal Riley)**

Thank you, Kirk

2019 was a solid year for Vista Group - a year in which we took decisions of consequence for our long-term future – decisions which continue to be at the core of our strategies.

Before I talk about 2020, I want to run through some of the highlights of 2019.

As we noted in announcing our 2019 results in February, a solid second half performance underpinned a result for the 2019 year in line with our guidance. Revenue growth was highlighted by the 16% growth achieved by the core businesses – Vista Cinema and Movio – and market share in the Enterprise cinema space excluding China broached the 50% mark for Vista Cinema.

Our Additional Group Companies segment also showed solid revenue growth and a turnaround in profit in 2019.

The Group exited 2019 with a solid balance sheet and a strong cash position.

This is the slide we used in the 2019 results announcement, highlighting the key financial metrics the Group achieved. Good recurring revenue percentages and very satisfactory EBITDA and operating cashflow were the key aspects of the result.

We achieved some important operating metrics in the core businesses in 2019. It was really pleasing to see Vista Cinema get to over 8,000 cinema sites – and when you add in the nearly

1100 cinemas using Veezi you arrive at a total including China of just over 9,000 sites. It's a pretty substantial footprint of customer adoption.

Movio Cinema and Movio Research both had strong years in 2019, with the launch of Movio Media into a second country – the UK – also noteworthy.

And it was pleasing to see the revenues from the ecosystem surrounding the Vista Group moving past \$6million, a strong indication of the halo effect of our customer relationships.

I will now discuss 2020, in particular the COVID-19 pandemic – the impact, our response, and our positioning to move on post COVID.

As Kirk mentioned, we had a solid first quarter result for 2020, with results ahead of the same period in 2019 and on track for the guidance we had provided for 2020. This was despite the latter part of the quarter beginning to feel the impacts of the COVID pandemic.

It was the first week of March, during our investor roadshow in New Zealand and Australia, that we first experienced peoples' anxiety about handshaking and having to preface all our comments with 'depending on the trajectory of the COVID pandemic'. The following week we were undertaking a one-day Group-wide test of our ability to work from home (this went extremely well). Roll forward another week and we were running daily video calls with the global executive team assessing the trajectory of the pandemic in different countries, the impact on our customers, and the actions and initiatives we needed to execute. And a week later we were all working from home across our worldwide operations.

I think it's fair to say that it was a rapid and intense learning experience for our company – in common no doubt with most other companies and communities.

Cinemas worldwide closed as a result of the COVID-19 pandemic, either on their own initiative or as a result of government restrictions. This has caused significant financial stress in the cinema segment of the industry, and as a result many cinema customers are unable to pay their accounts on time – or in fact be able to indicate when or if they might be able to pay.

To this point the studio and distributor segments of the market have been less impacted by the pandemic. This has enabled Additional Group Companies businesses MACCS and Powster to continue to trade satisfactorily, albeit at slightly subdued levels.

Our people have – in common with many others – all been working from home as a I mentioned earlier, and the vast majority have volunteered to work less hours for less pay. This combined with government wage subsidies and the salary sacrifices from the Board and the executive team has helped to offset our labour costs significantly.

Our guiding principles in dealing with the impacts of the COVID pandemic have been to focus on three priorities:

- Number one: to ensure we look after our people in New Zealand and around the world;
- Number two: to engage with our customers and to actively support them; and
- Number three: to undertake a series of actions to ensure we as a company would come through this pandemic stronger and more agile.

I'm very pleased to say that we feel that we are achieving well on all three priorities.

Our people have been outstanding. They have taken to working from home quickly and painlessly, and we have seen little evidence of any productivity issues. In fact, in some cases the reverse, the Cinema Re-opening Kit created by Vista Cinema has been imagined, designed, promoted, and built with great speed – genuinely 'Better Software Faster'.

Our people have also leant into supporting our customers and our company. We have seen strong multi-level engagement with customers, and the vast majority of our people have volunteered to reduce their hours of work (and therefore their salaries) from the beginning of April. This in combination with support in the form of wage subsidies in New Zealand and the other major jurisdictions in which we operate has added to the salary sacrifices from our Board and exec teams and has made a considerable difference to managing our cash flow.

Our People and Culture team and our leaders have worked diligently to support our people working from home, and ensured we have a frequent and engaging communication strategy. We've also seen some wonderful remote entertainment offerings created by people in all our offices.

Our second priority was to ensure we engaged pro-actively with our customers and cemented our partnership with them. Many of our cinema customers, with their sites closed, have been under financial stress, and we've been working with them to ensure we have clear understandings around cash collection consistent with their financial state. We are in the fortunate position where the solutions the Group offers (in particular Vista Cinema) are essential to the operation of cinemas - this places us high up the priority list when cinemas are reviewing their accounts payable.

Whilst a number of our customers have furloughed significant numbers of their employees, we're still seeing a sustained low-key level of engagement around new initiatives – site roll-outs, new modules implementation, and ongoing professional services work. We've also seen some success in winning business with new customers – primarily in EMEA (Europe, The Middle East & Africa) with both Movio Cinema and Vista Cinema signing new deals. The green shoots are not widespread yet, but they are there in places.

A key indicator of the success of our engagement with customers has been the response to some new initiatives:

- Vista Cinema has worked with cinemas in the USA to re-configure mobile apps to enable their customers to purchase popcorn and other items through kerb-side pickup;
- Vista Cinema has released the Cinema Re-opening Kit to really strong demand – with the Dynamic Social Distance seating capability very popular and already in use in cinemas that have opened in Texas;
- Vista Cinema has partnered with a local NZ company – Shift72 – to enable cinemas to implement their own branded TVOD (Transactional Video on Demand) platforms, with customers already live in the USA and New Zealand;
- Movio has launched 'tea with Movio' – a weekly webinar series around best practice; and
- Movio has launched Movio Research 2.0 – in the USA and the UK and Australia – focused on increased self-service for studios.

We are confident that we have cemented already strong relationships with our customers and that when they open – this is the key question – they will be relying heavily on our solutions and our support to operate in a post-COVID world.

The solutions in the Cinema Reopening Kit from Vista Cinema (Dynamic Social Distancing seating plans, contactless payment options on multiple sales channels, and support for stringent cleaning protocols) are huge value adds for the cinema community.

Our third priority was to ensure we moved into the post-COVID world stronger and more agile.

We have strong fundamentals and we stand ready to emerge from the pandemic well capitalised (as a result of support from all stakeholders – shareholders, Board, exec team,

staff, suppliers, banking partners and customers), with enhanced relationships with our worldwide customer base and positioned as key partners to the global film industry.

Our solutions are critical to the operations of cinemas globally – as evidenced by the ongoing engagement we have at multiple levels with our customers and highlighted by the small green shoots of new customer wins – a terrific vote of confidence in our company.

We are extremely grateful to our shareholders for their support of our recent capital raise – it has helped ensure we will be stronger and more agile for our customers post-COVID. In that regard I'd like to acknowledge the work of the Board, our advisors and key executive staff in executing on this in record time in late April.

I'd also like to acknowledge the support of our banking partners during this time – they have been very pro-active and positive.

We are quietly confident – that when cinemas re-open, and moviegoers become comfortable with social distancing and associated measures - that there will be pent up demand from people wanting to be able to watch top quality content in a theatrical setting – one of the defining entertainment experiences available to us all.

With our balance sheet strengthened and our cash position strong, we have been working hard to review the way we are organized against an expectation that our customers priorities will be different in shape than they were in the pre-COVID world.

This review is ongoing and encompasses the way we are structured globally, the manner in which we engage with our customers, and the priorities we are pursuing in innovation. This latter point includes our project to move Vista Cinema to a SaaS world.

We remain 100% committed to delivering to a SaaS future for Vista Cinema – we are reviewing the sequence and overall timetable of this key project based on our assessment of our customers priorities post-COVID.

We remain in dialogue with our partners in Vista China, however there is no current proposal to revisit our purchase of additional equity in Vista China – which original proposal we terminated in March.

We withdrew our guidance around revenue and EBITDA for the 2020 year earlier in March. Today I re-iterate that position. Until we see the trend of cinema re-opening start to become clear we are unable to provide any medium or long-term guidance.

I believe however that, given the global COVID pandemic situation, we are in an excellent position – with a strong team, outstanding relationships with customers who are valuing us more than ever, the balance sheet to see us through an extended COVID period, and a small but growing sense of momentum across the business.

## **ENDS**

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