ATOMOS



FY19 Results Presentation

Rec Play Mon Edit

Atomos unlocks creativity and profit for video content creators
Advanced technology allows faster, higher quality, more flexible productions

29 August 2019



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Presenting:

Jeromy Young
Managing Director & CEO

James Cody
CFO

“Our vision is to invent and deliver ground breaking and disruptive technologies that enhance, simplify and ultimately democratise video content creation”



Content Creation Workflow

CAPTURE

From the sensor of
all major camera manufacturers



JVC Nikon Panasonic ARRI
Canon SONY RED

PROCESS & ENHANCE

Atomos products enhance content creation, quality and creativity





Atomos' devices are compatible with all levels of content creation & equipment



FINISH & DELIVERY

Edit, Colour Grade, Titles, Graphics
Finish in Post



Adobe Microsoft

Target Markets – Current & Future

Atomos' growing product portfolio will address a **US$10B** camera equipment market[1]

	Social	Pro Video	Entertainment
Content Creation			
Camera Equipment	Phone & Photo Cameras	Pro Video Cameras	Broadcast, TV & Cinema
Atomos Products	SHINOBI, NINJA	SHOGUN	SUMO, NEON
Future Markets	23% CAGR NEW MARKETS Social	18% CAGR	35% CAGR NEW MARKETS Entertainment







Expansion into growing **Social & Entertainment** video content markets

[1] *CIPA Report, 2017*



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FY19 Financial Summary* (Full year ending, 30 June 2019)

Sales

- Revenue up 51% year on year to $54.0m
- Exceeded FY19 Prospectus revenue forecast of $42.2m by 28%
- Driven by strong sales of new products Ninja V and Shinobi, coupled with existing flagship product Shogun Inferno

Gross Profit / Expenses

- Gross profit up 39% to $24.0m year on year and above Prospectus forecast by 21%
- Gross profit margin of 45%, 2H19 improved over 1H19 driven in part by improved component costs for Ninja V as flagged at the interim results
- Invested in marketing to support Atomos' entry into the emerging Social segment in FY19 and to support further growth

Earnings

- EBITDA up $1.4m year on year to $1.6m
- Exceeded FY19 Prospectus EBITDA forecast of $0.3m by $1.3m

Cash Flow

- Strong cash position of $5.1m at year end. Raised a further $7.5m (before costs) via placement in July 2019
- Continued disciplined working capital management as sales growth accelerated – inventory levels reduced versus 1H19
- Capex of $3.1m in line with Prospectus

* All numbers are Pro forma and exclude items outside the ordinary course of business, a full reconciliation is contained in slide 14.
All figures are based on the consolidated financial statements that are in the process of final auditor review.

FY19 Operational Summary

New Products

- Completed development of Ninja Platform, the core technology platform underpinning current product range
- Ninja V (5” monitor recorder) released in September 2018, first product powered by Ninja platform
- Released two versions of Shinobi (5” monitor), catering to different users
- Shogun 7 (7” monitor recorder) – upgrading current Shogun Inferno
- Neon series of HDR Cinema monitors - four sizes announced in June 2019 and shipping late Q1 FY20

Partnerships

- Strengthened partnership with Nikon allowing RAW video output over HDMI and Apple ProRes RAW video capture
- Finalised license agreement with RED.com LLC
- Announced license agreement with Dolby Vision

Corporate

- 94.8 million shares released from 6-month escrow on 28 June 2019
- Successfully raised $7.5m (before costs) via Institutional Placement
- Concurrent with the Institutional Placement, 27 million shares (of the 94.8m released from escrow) were placed with institutional investors



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Pro Forma Income Statement*

Income Statement - Pro Forma (A$m)	FY18	FY19	Variance	FY19 Prospectus
Revenue	35.6	54.0	51%	42.2
COGS	(18.3)	(29.9)	(63%)	(22.4)
Gross Profit	**17.3**	**24.0**	**39%**	**19.9**
Gross profit margin %	*48.5%*	*44.6%*		*47.1%*
Other Income	0.3	(0.0)	(108%)	0.2
Distribution expenses	(1.2)	(1.6)	(29%)	(1.6)
Wages & Salaries	(6.5)	(7.7)	(19%)	(7.6)
Marketing	(2.3)	(5.6)	(141%)	(3.3)
General & Administration	(3.6)	(3.4)	7%	(3.2)
Operating Expenses	**(13.3)**	**(18.3)**	**(37%)**	**(15.5)**
EBITDA (pre R&D)	**4.0**	**5.8**	**45%**	**4.4**
R&D Expenses	(3.8)	(4.1)	(10%)	(4.1)
EBITDA	**0.2**	**1.6**	**642%**	**0.3**
Depreciation & Amortisation	(0.3)	(1.5)	(428%)	(1.2)
EBIT	**(0.1)**	**0.2**	**413%**	**(1.0)**

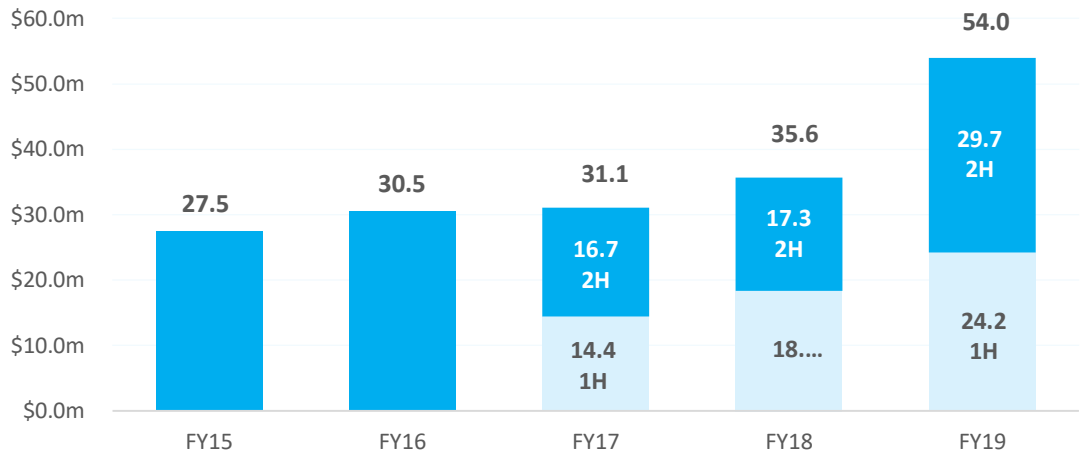
Key Insights:

- Revenue up 51% year on year to $54.0m
- Exceeded FY19 pro forma Prospectus revenue forecast by 28%
- Gross profit up 39% year on year and $4.1m ahead of Prospectus forecast
- Gross profit margin lower than Prospectus forecast due to higher than anticipated initial component costs for Ninja V in 1H19
- Gross profit margin improved in 2H19 compared to 1H19
- Invested in marketing to support Atomos' entry into the emerging Social segment in FY19 and to support further growth
- Pro forma EBITDA of $1.6m, up $1.4m on prior year and ahead of Prospectus forecast of $0.3m
- D&A increased on FY18 reflecting the initial commercialisation of the Ninja platform during FY19
- The Company anticipates continued momentum which will be reflected through solid growth in sales and earnings and continued investment in market development

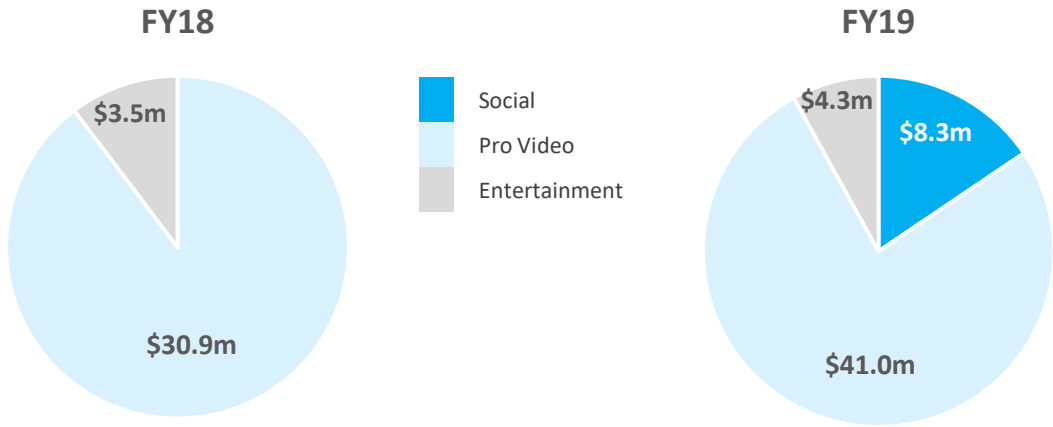
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Atomos – A financial snapshot

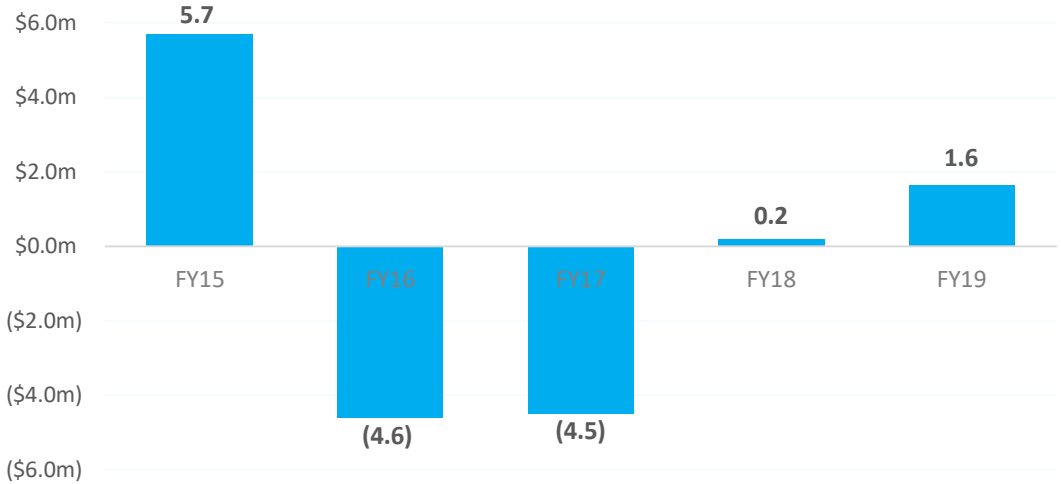
Pro Forma Revenue ($m)[1]



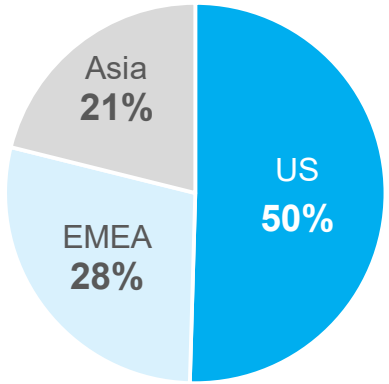
Revenue by Market Segment (FY18 vs. FY19)



Pro Forma EBITDA ($m)[1]



FY19 Revenue by Region



[1] FY15, 1H17, 2H17, 1H18 & 2H18 Unaudited

Pro Forma Balance Sheet

Pro Forma (A$m)	H119	FY19
Cash and cash equivalents	5.2	5.1
Trade and other receivables	6.1	8.0
Inventories	11.1	7.9
Other assets	2.6	3.0
Plant and equipment	0.9	1.7
Intangible assets	8.2	8.5
Total assets	**34.1**	**34.2**
Trade and other payables	(10.9)	(8.8)
Current provisions	(0.6)	(0.6)
Borrowings	0.0	(1.5)
Non-current provisions	0.0	(0.0)
Total liabilities	**(11.5)**	**(11.0)**
Net assets	**22.6**	**23.2**
Issued capital	44.3	44.1
Reserves	1.9	2.2
Accumulated losses	(23.6)	(23.0)
Equity	**22.6**	**23.2**

Key Insights:

- Strong balance sheet with $5.1m cash as at 30 June 2019
  - Raised additional $7.5m (before costs) in July 2019 via Placement
- Inventory levels reduced versus 1H19 as a result of:
  - Sell-through of components and finished goods that had been built-up ahead of Chinese New Year
  - Disciplined inventory management
- Trade and other payables also reduced by ~$2.1m compared to 1H19 reflecting sale of built up stock pre Chinese New year
- Utilised $1.5m EFIC working capital facility during 2H19 as sales increased above Prospectus forecast
- $17.6m of tax losses and R&D tax credits available to offset future tax payable (off balance sheet)

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Statutory Cash Flows

Statement of Cash Flows (A$m)	FY19	FY18
Operating activities		
Receipts from customers	52.9	34.9
Payments to suppliers and employees	(57.0)	(37.8)
Interest received	0.0	0.0
Income taxes paid	-	-
Net cash used in operating activities	**(4.1)**	**(2.9)**
Investing activities		
Payments for property, plant and equipment	(1.3)	(0.7)
Payments for intangible assets	(1.8)	(3.6)
Net cash used in investing activities	**(3.1)**	**(4.4)**
Financing activities		
Proceeds from issue of equity instruments in the Company	6.0	7.0
Proceeds from issue of convertible notes	7.0	1.1
Interest paid	(0.1)	(0.4)
Payment for equity raise costs	(1.5)	(0.4)
Proceeds from borrowings	1.5	-
Repayments of borrowings	(2.0)	(0.1)
Net cash inflow from financing activities	**10.9**	**7.2**
Net change in cash and cash equivalents	**3.7**	**(0.1)**
Cash and cash equivalents, beginning of year	1.4	1.5
Exchange differences on cash and cash equivalents	-	(0.0)
Cash and cash equivalents, end of year	**5.1**	**1.4**

Key Insights:

- Operating cash outflow reflects growth in working capital driven by successful product launches of Ninja V, Shinobi and Shogun 7:
  - Higher inventory to satisfy demand, coupled with;
  - Growing debtor balance from strong sales
- Negative cash conversion (operating cash flow: EBITDA) reflects build in working capital, particularly debtors ($3.2m) from stronger sales and inventory investment ($1.9m) to support the growth
- Capex (net cash used in investing activities) relates to payments to external parties for new product/technology projects

Income Statement Reconciliation – Statutory to Pro forma

$'000	2019 Reported		Items not in the ordinary course of	Underlying Result
Revenue	55,681	❶	(1,720)	53,961
Cost of sales	(29,782)	❷	(130)	(29,912)
Gross profit	**25,899**		**(1,850)**	**24,049**
Gross profit margin %	*47.0%*			*45.0%*
Operating Expenses – ongoing	(22,404)			(22,404)
Operating Expenses – one-off	(1,715)	❸	1,715	0
EBITDA	**1,780**		**(135)**	**1,645**
Depreciation and amortisation	(1,469)		0	(1,469)
Finance costs	(1,443)	❹	1,442	(1)
Loss before income tax	**(1,132)**		**1,307**	**175**
Income tax (expense) / benefit	(827)		0	(827)
Loss for the year	**(1,959)**		**1,307**	**(652)**

Items not in the ordinary course of business (2019)	$'000
❶ **Revenue**	
Sales to suppliers: supplier pass through sales at no margin	(1,720)
Revenue	**(1,720)**
❷ **Cost of sales**	
Sales to suppliers: supplier pass through sales at no margin	1,720
One off Inventory write-off/ clearance	1,277
Resolution of European Customs duty dispute	(3,127)
Cost of sales	**(130)**
❸ **Operating Expenses**	
Revaluation of embedded derivative and other financial instrum	(1,018)
IPO & other transaction costs	2,033
Accelerated vesting of pre IPO share options	535
Costs associated with resolving European customs dispute	165
Operating Expenses	**1,715**
❹ Interest on convertible notes	1,442
Total Items not in the ordinary course of business	**1,307**



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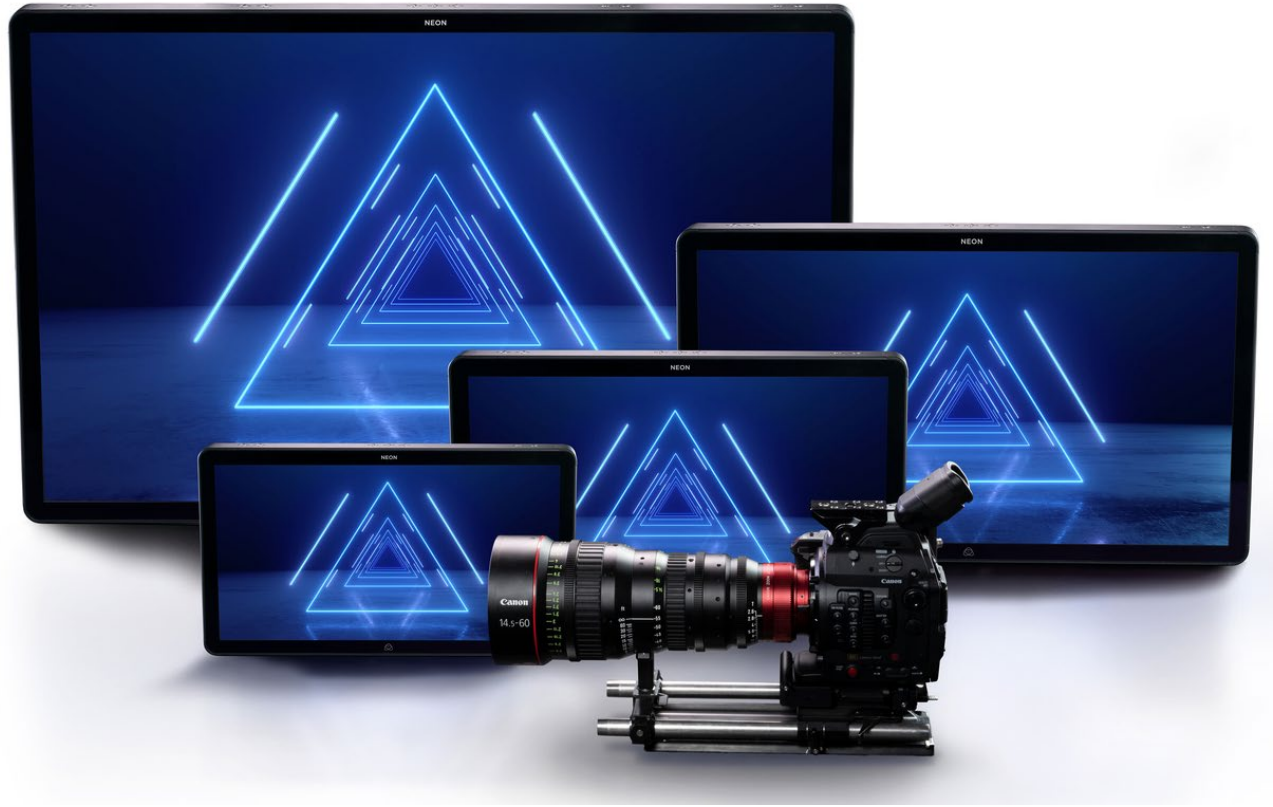
Products – Social & Pro Video

- Completed development of Ninja Platform - core technology platform underpinning current product range
- Ninja V (5” monitor recorder) - first product powered by Ninja platform launched in September 2018
  - Caters to both Social and Pro Video customers, enabling improved quality video productions at minimal cost
  - AtomX modules allow for ongoing feature enhancement
- Released 2 versions of Shinobi (5” monitor only), each catering to different video users in the Social market
- Shogun 7 (7” monitor recorder) – upgrading current Shogun Inferno
  - Flagship product continuing to build on competitive position in Pro Video market



Products - Entertainment (Neon Cinema Series)

- Announced Neon series of **HDR Cinema monitors**
- Designed for on-set and in-studio
  - Film & Episodic TV
  - Live on-set TV
  - Live Event Production
  - Indie Filmmaking
- **Four sizes** – 17”, 24”, 31” and 55”
- High quality 4Kp60 / HDp240 Apple ProRes Raw recording
- Bluetooth controlled by Atomos iOS App

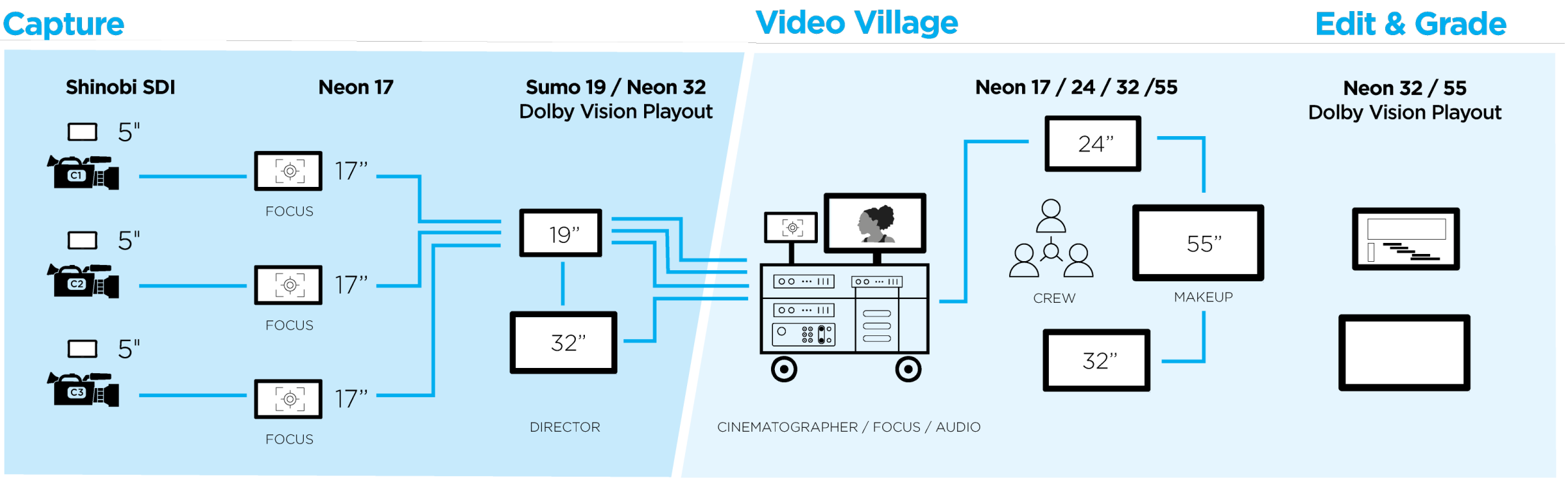


ProRes RAW

DOLBY VISION™

Products – Neon Cinema Series Product Workflow

- The overarching purpose of our products is to enhance the workflow of video professionals
- We believe the Neon series achieves this across multiple roles both on-set and in-studio



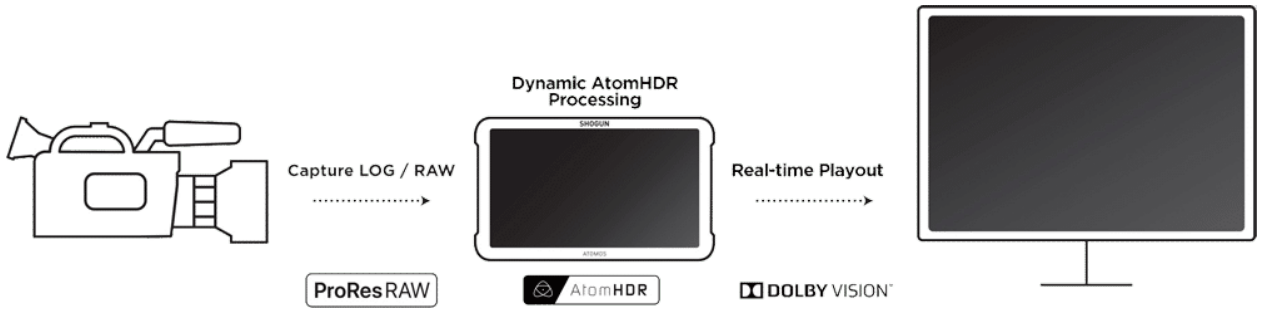
Partnerships – Continuing to build a global **ecosystem of partners**

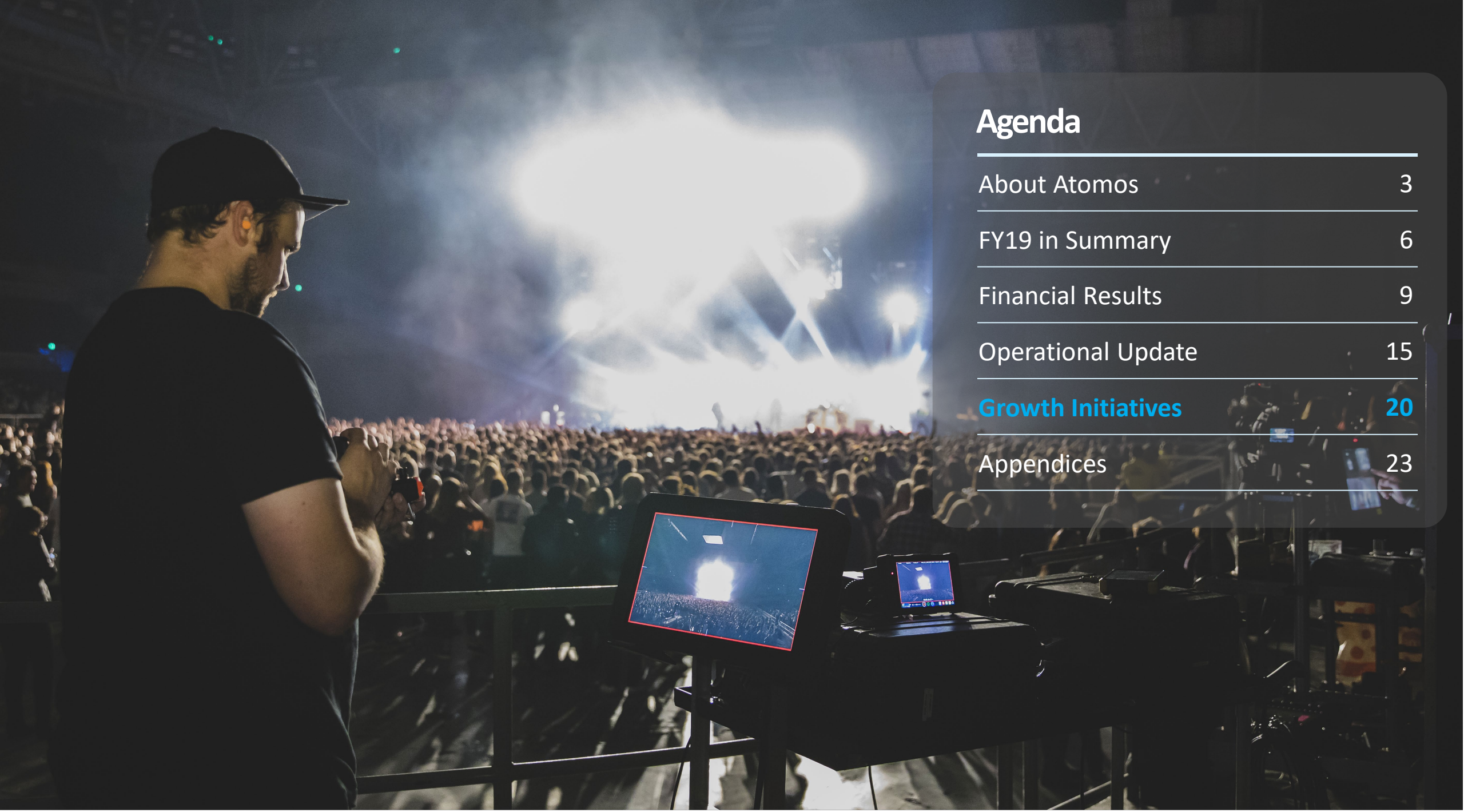
- Further strengthened partnership with Nikon allowing RAW video output and Apple ProRes RAW video capture
- Established license agreement with Dolby Vision
  - 1st globally with access to Dolby algorithm for incorporating into recording and playback device
  - Atomos users can see at point of capture what viewer will see at home
- Finalised license agreement with RED.com LLC











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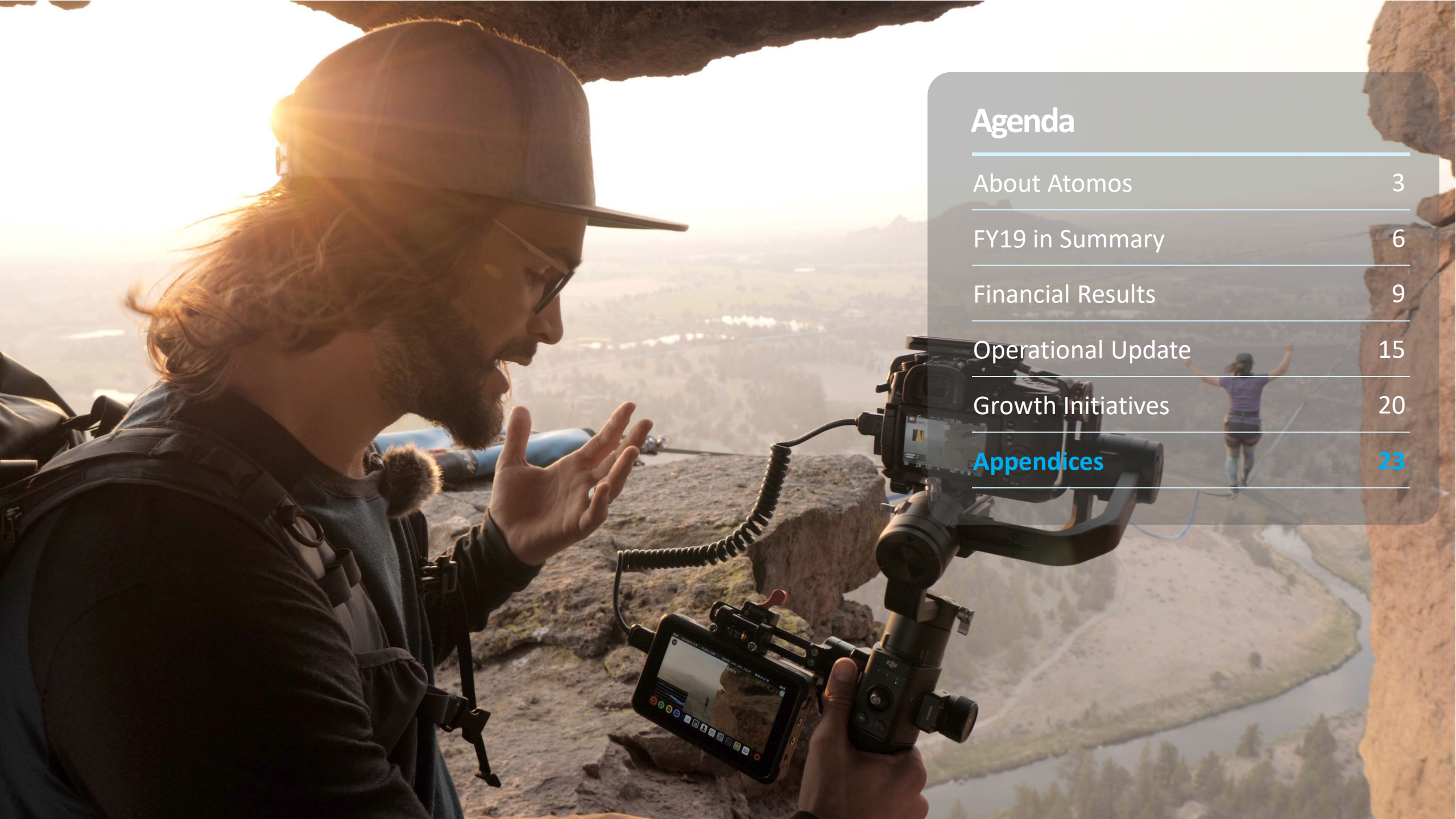
Growth Pathways

Growth Drivers	Description
Promoting Existing Products whilst driving New Product Development	• Continue to drive sales of current product portfolio building upon momentum in FY19 • Leverage technology portfolio to develop products consistent with roll-out strategy
Continue Expansion into Social and Entertainment Markets	• Build on strong base in Pro Video • Expand further into adjacent high growth market segments of Social & Entertainment
Evolve Strategic Relationships	• Continue to strengthen relationships and partnerships with global camera makers and software video editing providers
Continue to Seek exceptional Management & Talent	• Seek out exceptional talent globally to enable continued development of leading content creation products

Outlook for FY20

- Atomos is well placed to capitalise on existing market positions through:
  - continued growth in traditional Pro Video segment;
  - building on initial base in Social; and
  - penetration and growth of presence in Entertainment
- This will be reflected through continued:
  - solid growth in sales and earnings
  - deployment of new products
  - investment in market development





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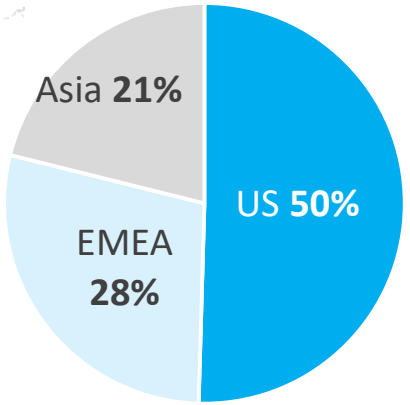
Global Operations

Offices in major global locations and strong sales channels

- 95 Staff Globally*
- 10 Offices in 7 Countries
- Strong Global Sales Channel
- Broad retailer and reseller network in each region



FY19 Sales by Region



*As of August 2019

Growth in Atomos' Markets

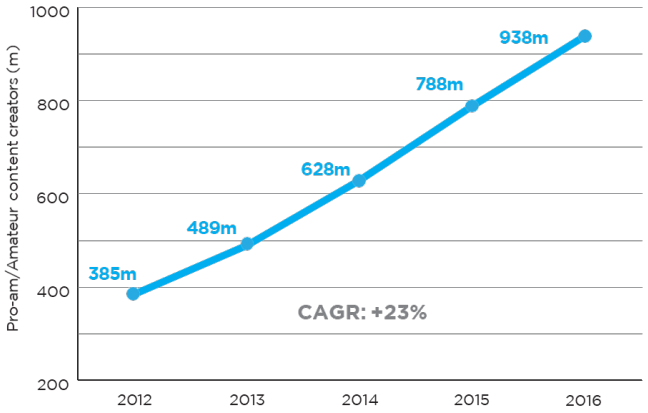
Social Content

Accessibility of new social media platform allows individuals to produce, share & monetise their content

- New Technology is allowing Everybody to create quality video content
- Growing advert driven video capable platforms allow instant mass sharing of video
- Content creators have platforms to build significant followings & monetise their content
  - DanTDM (YouTube) – US$16.5m earnings in FY17

YouTube vimeo twitch LIVE

Professional Amateurs & Amateur Content Creators[1]



[1] Boston Consulting Group, "The Future of Television", 20 September 2016

Pro Video Content

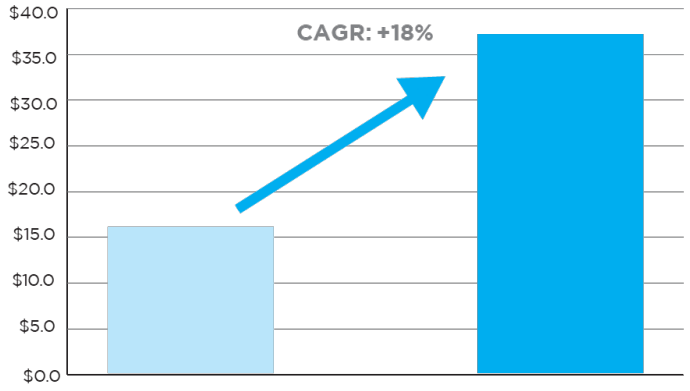
Market wide increase in video-focused corporate marketing, advertising, event and content creation

- US$135B[1] 2017 spend on US digital video marketing
- Advertisers and publishers now 'pivoting to video' for brand exposure and marketing
- ~$20k ave. estimated spend in 2017 by US businesses on video marketing[1]

Red Bull

- Redefined Video Marketing
- Create great, exciting content that audiences actively seek (Stratos Jump)
- Redbull use Atomos products

Growth in Online Video Advertising Spend (US$B)[2]

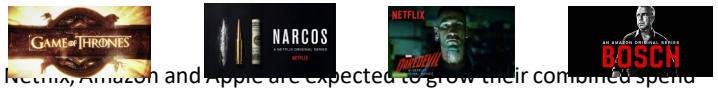


[1] Magisto Report, Oct 2017 – The Modern Marketing Dilemma and the State of Business Video
[2] Juniper Research, Future Digital Advertising AI, Ad Fraud & Ad Blocking

Entertainment Content

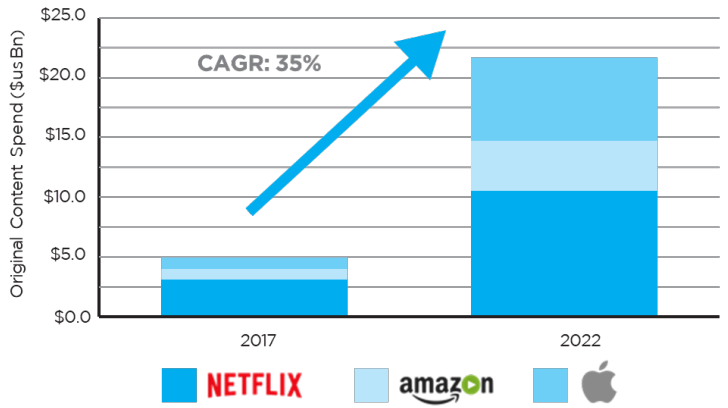
Increased original content by new online streaming platforms is driving demand for enhanced content

- Growth of on demand streaming has driven investment in original content



- Netflix, Amazon and Apple are expected to grow their combined spend for original content from US$5B in 2017 to >US$23B in 2022[1]
- Massive growth in production of scripted TV Shows[2]

Forecast growth in original content spend[1]



[1] Loup Ventures - Research, Gene Munster, Nov 21 2017
[2] FX Network Research – Adweek.com article "There's No Stopping Peak TV…"

Atomos unlocks the **creative** and **commercial potential** of digital cameras

Despite the advanced technology of modern digital cameras, users are limited by:

- **Heavily compressed recorded data**
- **Not designed for computerworkflows**
- **Short record times**
- **Expensive media**
- **Small lower resolution monitors**
- **Complex menus and buttons**



Atomos devices take images **directly from the camera's sensor,** then enhance, record and distribute them for content creation



BYPASS INTERNAL COMPRESSION

EDIT READY + TAGGED FOOTAGE

Camera Sensor

'RAW' sensor image for recording, display and processing

UNLOCK
- 4K resolutions
- Slow motion
- Brightest colours
- Increased data rate
- Increased quality
- Longer record times
- Accurate monitoring

- Faster
- Simpler
- Higher quality
- Edit friendly data

Product Suite

4K Monitor Recorders		Production / Studio		Broadcast & Accessories
				
NINJA + SHINOBI Range	**SHOGUN Range**	**SUMO Range**	**NEON Cinema Series**	**Shogun Studio + Converters + Accessories**
• Ninja HDMI only – includes AtomX adaptor range • Broad market application due to portability • Both 5” and 7” screen options • Record ProRes®, DNxHR at 60p frame rates • AtomHDR monitoring • Includes recently released 5” Shinobi monitor only • Shinobi available in both HDMI & SDI capability	• HDMI & Quad SDI inputs • Broad market application due to portability • 7” high brightness screen • Record ProRes, DNxHR at 60p frame rates • ProRes RAW capability • AtomHDR monitoring	• Larger format 19” monitor recorder – targeting studio usage • Quad SDI & HDMI in/out • Record ProRes/ProRes RAW, DNxHR, among others	• HDR cinema monitor-recorder range for on-set and in-studio usage • Capable of 8K ProRes RAW recording by upgrading with Neon 8K Master Control Unit • Four screen size options – 17”, 24”, 31” and 55” • Bluetooth controlled by using either Atomos iOS App or a physical remote control	*Shogun Studio* • Rack mount 4K monitor recorder solution • Dual 7” screens with touchscreen interface *Converters* • Range of 4K converters • SDI to HDMI or vice versa *Accessories* • Cables, Caddies & Adaptors
Social / Pro-Video Segment	**Pro-Video / Entertainment**	**Pro-Video / Entertainment**	**Entertainment**	**Various**

Key Terms Explained

"4k60p"

Refers to: Resolution / Frame Rates

- **Resolution** refers to the number of pixels displayed within each frame - simplistically, greater pixels (higher resolution) results in a sharper, clearer and more detailed image (video)

Standard	Resolution (W x H)
Standard Definition (SD)	720 x 480
Full High Definition (HD)	1920 x 1080
4K (UHD)	3840 x 2160
8K	7680 x 4320

- 4K contains 8 million pixels compared to 2 million pixels for Full HD
- The 'p' stands for *progressive scanning* and is increasingly become the standard over 'i' (or interlaced) which was popular in the early TV era
- **Frame Rates** refers to the frequency (no. of frames) that an image is recorded per second - the higher the frame rate the smoother the video appears
- There is a often a trade off between resolution & frame rate depending on application, setting, budget and editing software

Frame rates p/s (fps)	Usage
24 / 30	Standard for home movies
60	Suited for faster paced video, e.g. sports
240	Slow motion video

"ProRes recording"

Refers to: Recording Format

- **Recording Format** or **"Codec"** refers to how a video is captured & recorded by the camera or recording device
- The codec (abbreviation for Coder/Decoder) describes the type of compression used to record a video - the codec encodes a video stream thereby making the video file smaller & easier to manage/transport to editing software
- The editing software (assuming the codec is supported) is then able to decode (unpack) the video file based on the rules set by that codec, providing the user access to all the video information during post production (editing)
- For professionals some of the main codec's include:
  - ProRes or ProRes RAW → Apple
  - DNxHR → Avid
  - CinemaDNG → Adobe
- For simplicity, we are only referring to codec's typically used by video professionals – that is users who require video to be edited via an editing suite in post production
- For 'amateur' video requiring only minimal editing with the aim of uploading to a video streaming site other codec's may be more applicable (e.g. H.264)
- RAW refers to uncompressed video footage taken directly from a camera's sensor. Although it provides the highest level of colour and image detail, it requires huge data capability and therefore is impractical for most users

"1,500 Nits brightness & HDR"

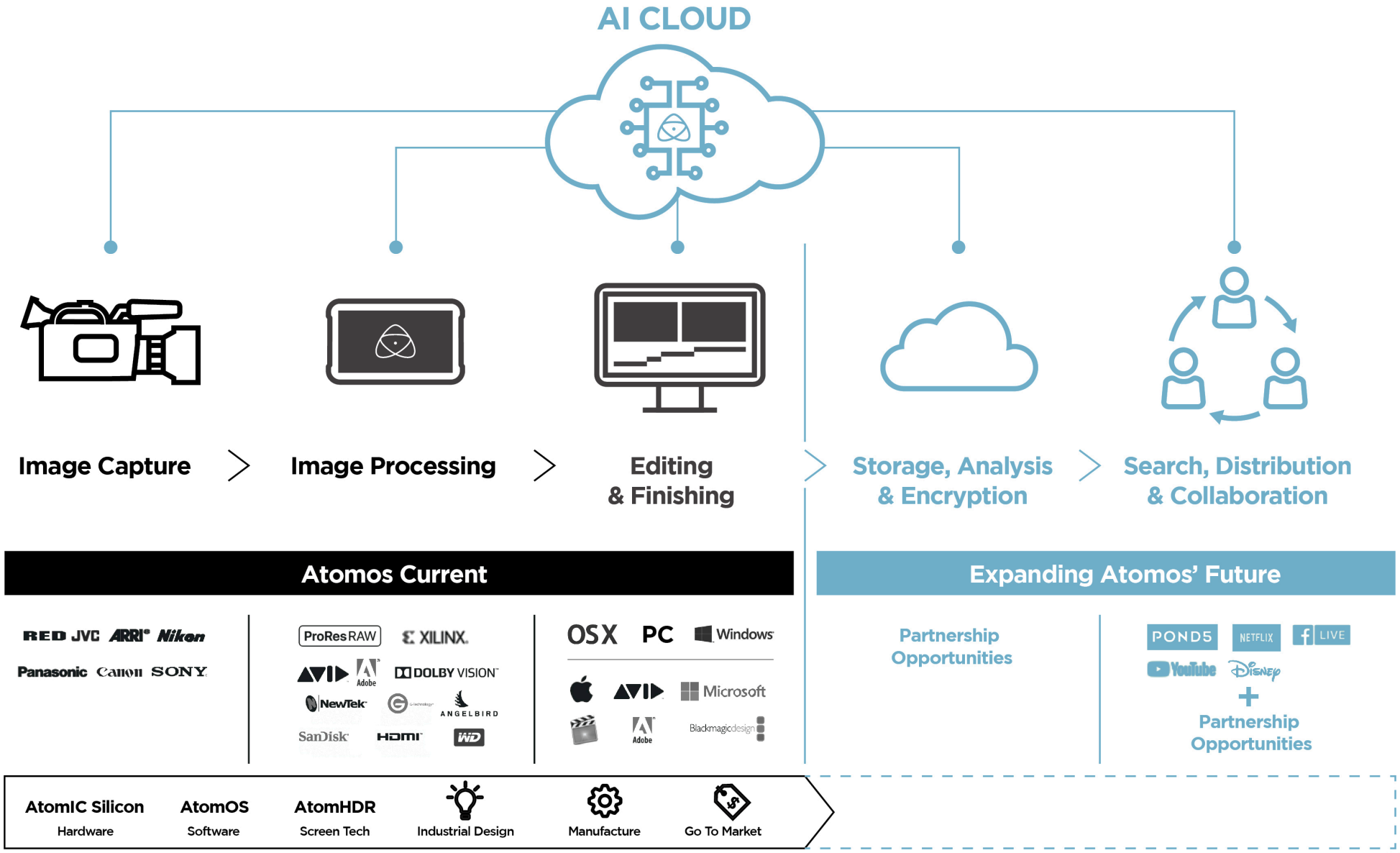
Refers to: Screen Brightness (Nits) / HDR

- **Nits** refers to a measurement of light that a screen sends to your eyes (luminance) within a given area – the greater Nits the more light output the screen can display
- Tabled below are few examples for comparison:

Device	Nits
iPhone X	625
Galaxy Note 8	1,200
Shogun Inferno	1,500
Samsung QLED Q9F TV	Up to 1,800

- **HDR (High Dynamic Range)** refers to the brightness range of an image and aims to present a similar range of colour and brightness to that experienced by the human eye
- In HDR video each pixel can capture a much wider and more granular range of light (whites appear whiter and darks appear darker)
- Atomos invented the ability to view (on an in-field monitor) what HDR video will look like once it has been through post-production
- Prior to Atomos, the only way to 'approximate' HDR while shooting in the field was to apply a LUT (colour style filter) to the video image

Growing the Atomos Ecosystem…



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About Atomos

Atomos is a global video technology company delivering award-winning, simple to use monitor-recorder content creation products. These products give content creators across the rapidly growing social, pro-video and entertainment markets a faster, higher quality and more affordable production system.

Atomos' range of products take images directly from the sensor of all major camera manufacturers, then enhance, record and distribute them in high-quality formats for content creation using the major video editing software programs. Since being founded in 2010, Atomos has established strategic relationships with key technology providers within the ecosystem including Apple, Adobe, Sony, Canon, Panasonic, Nikon and JVC Kenwood.

Atomos is based in Australia with offices in the USA, Japan, China, UK, France and Germany and has a worldwide distribution partner network.

For more information please visit www.atomos.com

Key upcoming Tradeshows / Conferences:

Name	Location	2019 Dates
IBC	**Amsterdam**	**13 - 17 September**
PHOTOPLUS	New York	24 – 26 October
Inter BEE	Tokyo	13 - 15 November
CES 2020	**Las Vegas**	**7 - 10 January 2020**
CABSAT 2020	Dubai	31 March – 2 April

Key Tradeshow

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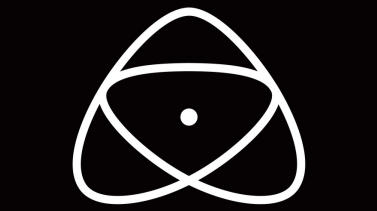
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- EBITDA is earnings before interest, taxation, depreciation, amortisation and impairment charges;
- EBIT is earnings before interest, taxation and impairment charges;
- Working capital is defined by the Company as trade and other receivables, inventory and other current assets less trade and other payables and other current liabilities;
- Net cash flows from operations: the operating cash flows generated by the Company calculated as EBITDA excluding non-cash items and allowing for changes in working capital; and
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