ASX Announcement

ATOMOS LIMITED (ASX:AMS)

25 February 2020

Atomos delivers very strong growth in 1H'20

1H'20 Highlights (for the six months to 31 December 2019):

- Revenue up 35% (pcp) to $32.6m;
- Gross profit up 32% to $13.9m;
- Pro Forma EBITDA up 35% to $1.0m;
- Demand for Ninja V remains very strong, bolstered by major Global camera companies that are choosing to implement RAW over HDMI capability or higher quality video to Atomos in their product lines; thereby favoring Atomos' products supporting Apple ProRes and ProRes RAW professional formats. Additionally, Apple ProRes RAW support was announced for Adobe and Avid software;
- Completed the acquisition of Timecode Systems (TCS), a UK company that has developed unique and patented technology enabling multiple audio and video capture devices used by professionals and consumers to wirelessly link together for synchronization and control, enabling faster and more accurate editing and finishing of end to end productions;
- Raised $30m (before costs) via two institutional placements to support working capital, capex and the TCS acquisition.

Atomos Limited ('**AMS**', '**Atomos**' or the '**Company**') is pleased to report its half year results ending 31 December 2019 (1H'20)

The Company has continued to build on its track record of strong revenue growth with a 35% increase on the prior corresponding period (pcp) to reach $32.6m (1H'19: $24.2m). Gross profit increased 32% to $13.9m (1H'19: $10.5m) while pro forma EBITDA increased 35% on the pcp to $1.0m (1H'19: $0.7m).

Pro Forma (A$m)	1H'19	1H'20	Δ pcp
Revenue	24.2	32.6	35%
Gross Profit	**10.5**	**13.9**	**32%**
Gross Profit Margin	*43.4%*	*42.7%*	*(2%)*
Operating Expenses	**(8.0)**	**(10.5)**	**(30%)**
EBITDA (pre R&D)	**2.5**	**3.5**	**40%**
R&D Expenses	(1.7)	(2.5)	(42%)
EBITDA	**0.7**	**1.0**	**35%**

1H'20 Overview

Sales from the existing Atomos product range performed strongly ahead of the company's expectations in 1H'20. Total product sales however were in-line with expectations as a result of the timing of new product (NEON) launches.

Market development in the Company's core sectors:

- **Social** – continued growth in the Shinobi product lines.
- **Pro Video** – continued uptake of Ninja V and Shogun 7 with touch screen multicamera switching. Apple ProRes RAW software expansion was bolstered with Adobe and Avid editing software natively supporting the new ProRes RAW format, adding to Apple's existing Final Cut Pro X support.
- **Entertainment** – continued growth in this attractive market segment with increased Sumo uptake and we expect to further expand the market penetration with the new NEON products post launch.

Gross margin mix at 42.7% was affected by a short-term component shortage in FYQ2'20 causing delays in production of core product lines. Post the shortage, an opportunity to capitalise and penetrate the Pro Video segment resulted in short-term promotional discounting of Ninja and Shogun products, in the holiday buying season, which maintained and expanded our market presence.

Timecode Systems (TCS) Update

Following the completion of the Timecode Systems acquisition in December 2019, the Company has focused on the integration of the TCS technology into the Atomos ecosystem of products. The patented TCS technology allows content creators to wirelessly lock/synchronise multiple video and audio sources together at the point of shooting, a critical element in video and audio capture to enable faster and more accurate professional creative finishing.

TCS management and engineers have already started integrating with the Atomos teams. Distribution integration and sales promotion will follow post the important US tradeshow, NAB as we migrate TCS partners and sales channels to Atomos management.

The TCS patent portfolio was significantly expanded to include the actual method of Radio frequency (RF) transmission developed by TCS. In addition, the implementation of the TCS RF protocol into a "System on Chip (SoC)" or Camera Sensor System has also been granted in the US and Europe.

Supply chain – COVID-19 impact

Existing Products

To date there has been minimal impact to the core selling product range as a result of COVID-19 as the Company invested in sufficient stock levels prior to the Chinese New Year to meet forecast demand.

Assuming all factories return to normal production in the near term, and normal market trading resumes, Atomos does not expect any significant impact to the core product lines.

New Products

The completion and release of new products has seen some delays. The principal factory reopened 10 days ago, albeit at a reduced worker capacity. Atomos expects the two other factories will start coming back on-line shortly and are fully operational in FYQ4'20.

Outlook

Based on factory production returning to normal, timely new product releases and no ongoing adverse market conditions from COVID-19, the Company expects to maintain strong revenue growth in FY'20, compared to FY'19.

Management believes that the short-term supply chain disruptions do not reflect the underlying long-term demand for Atomos' products and have no bearing on the strategy and outlook for the Company.

CEO Commentary

Commenting on the 1H'20 result and FY20 Outlook, Atomos CEO Jeromy Young said, "We are pleased with the continued growth in revenue in the first half, particularly as there were no new product launches during the period. The growth in our existing range demonstrates the continued demand for our technology ecosystem. We are excited to enable growth through increased deployment into video and audio devices with TCS. We are also very pleased to see Apple ProRes RAW support announced for Adobe and Avid software this half."

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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**

Forward looking statements:

This announcement contains forward looking statements. All statements that address events or developments that Atomos expects or anticipate will or may occur in the future and guidance on financial performance are forward looking statements. These forward looking statements are based on the Board or management's beliefs and expectations based on information currently available to the Board and management. The Company believes that these forward looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward looking statements which are inherently uncertain. Atomos does not undertake any obligation to publicly update or revise any forward looking statements whether as a result of new information, future events or otherwise except as required by law or the ASX Listing Rules. Forward looking statements are subject to certain risks and uncertainties, many of which are outside its control that could cause actual results, events and developments to differ materially from Atomos' historical experience, or its present expectations or projections.