

1H 2020 Results

26 February 2020

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



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





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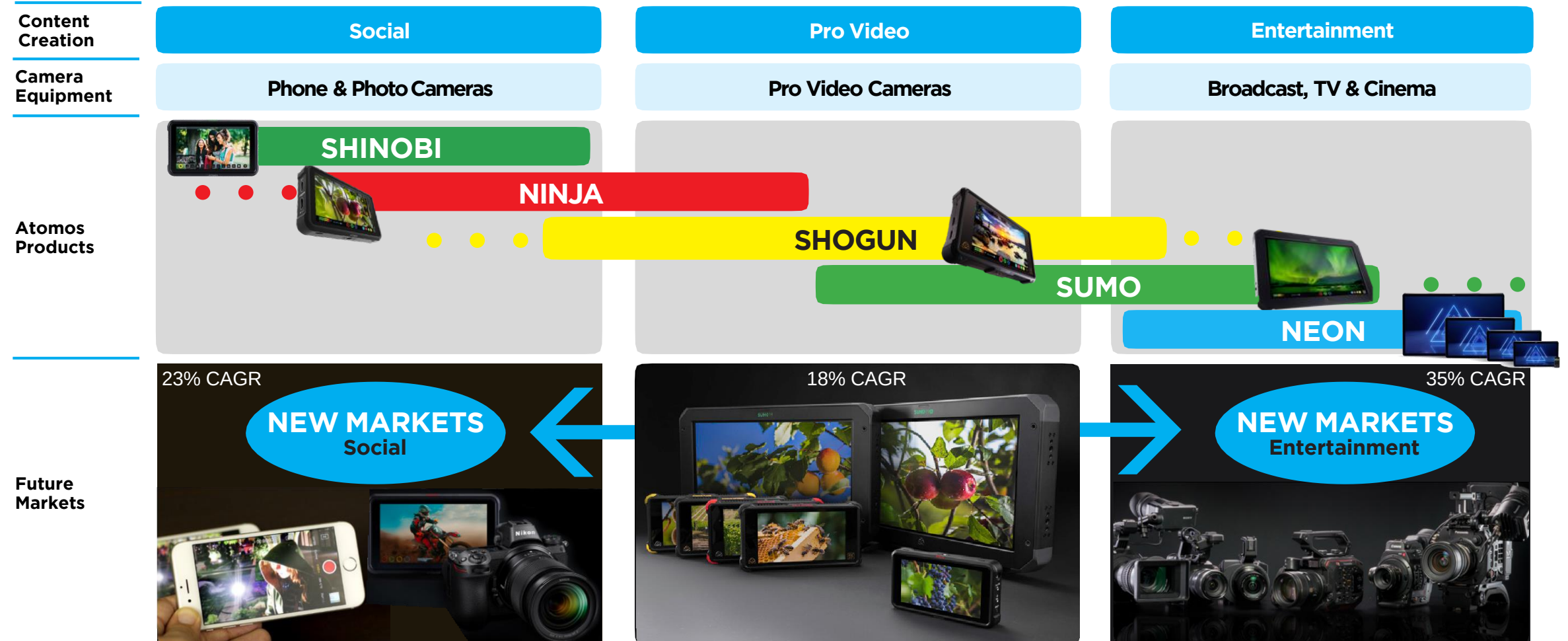
Presenting:

Jeremy Young
Managing Director & CEO

James Cody
CFO

Target Markets – Current & Future

Atomos' growing product portfolio will address a **US\$10B** camera equipment market¹



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

Atomos – A Snapshot

- Global video technology company that enhances video content creation with products that connect the imaging and computer worlds together
- Allows video content creators to improve recording quality, save time and maintain greater flexibility and control over the content creation process
- Advanced proprietary technologies underpin the current product suite and will be used to drive future growth into new markets
- Strategic relationships with leading tech companies such as: Apple, Adobe & camera makers: Sony, Canon, Panasonic, RED & JVC Kenwood
- Three key market segments:

– **Social:** consumers / prosumers who create and share on free, advertisement driven platforms



– **Pro Video:** advertising, events, corporate, broadcast and education

– **Entertainment:** production companies producing high-quality content for TV and cinema usually viewed on subscription streaming platforms



Capital Structure (as of 25 Feb. 2020)

Ticker	AMS
Share Price	\$1.20
Shares on Issue (m)	186.7
Market Capitalisation (m)	\$224.0
Net Cash (\$m) ¹	\$14.5

Enterprise Value (\$m) **\$209.5**

¹Calculated from 1H'20 Balance Sheet (\$16.0m cash less \$1.5m WC facility)

Major Shareholders

	%
Perennial Value Mgmt	14%
Ms Claire Louise Young ²	9%
Domazet FT3 P/L	9%
Ellerston Capital Ltd	8%
Top 20	73%

² Related Party to Board Member (Jeromy Young)

Share Price History



1H'20 Summary (Half year ending, 31 December 2019)

Financial

- Revenue up 35% on previous corresponding period (pcp) to **\$32.6m** (\$24.2m in 1H'19)
- Gross profit up 32% pcp to **\$13.9m** (\$10.5m in 1H'19)
- EBITDA¹ up 35% pcp to **\$1.0m** (\$0.7m in 1H'19)
- Strong cash position of **\$16.0m**, supporting working capital and capex requirements as sales increase

Operational

- 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
- Shinobi (monitor only) continues to sell well appealing to the Social market, a key new market for Atomos
- Neon product launch delayed due to challenges with new suppliers/manufacturer and the impact on factory production due to COVID-19 – now expected to ship Q4 FY20
- TCS technology already being marketed to AMS customers with new licensing discussions gaining traction

Corporate

- In July, raised \$7.5m² to strengthen the balance sheet
- Completed the acquisition of Timecode Systems Ltd (TCS)
- In October, raised \$22.6m² via a placement, with proceeds used to fund TCS acquisition and provide growth capital

1. All numbers are Pro forma and exclude transaction costs (\$1.2m) and other (\$0.1m)

2. Before costs of the offer.

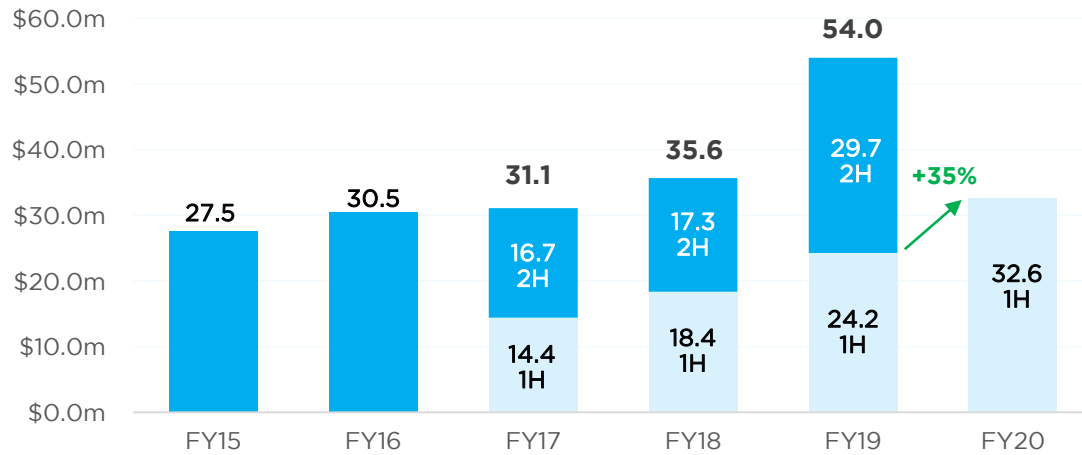


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1H'20 – Financial Snapshot (Half year ending, 31 December 2019)

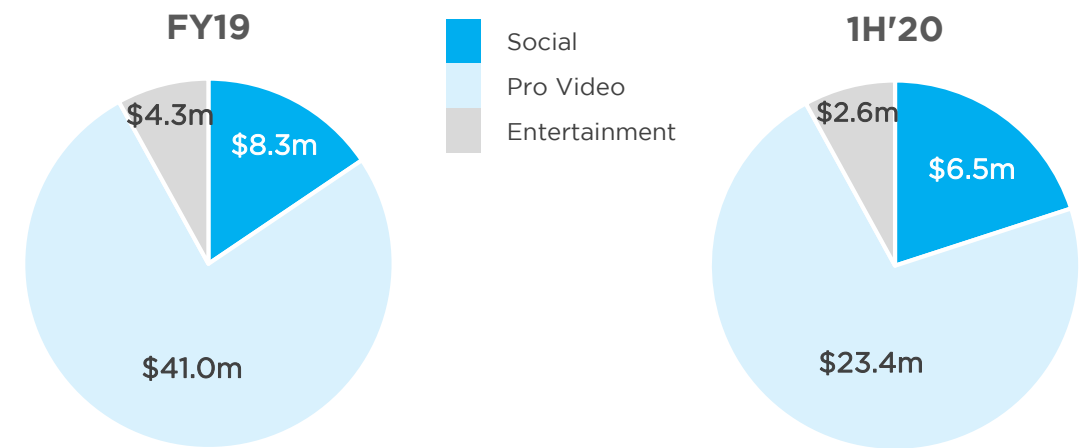
Pro Forma Revenue (\$m)¹



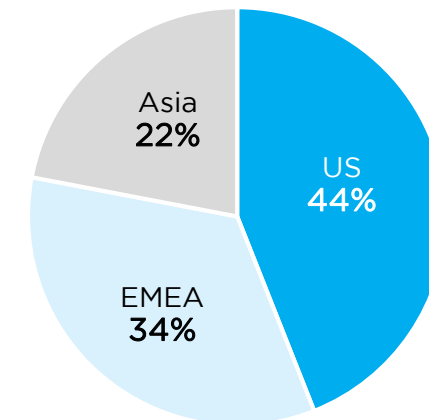
Pro Forma EBITDA (\$m)¹



Revenue by Market Segment (FY19 vs. 1H'20)



H1'20 Revenue by Geography



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

Pro Forma Income Statement

Pro Forma (A\$m)	1H'19	1H'20	Δ pcp
Revenue	24.2	32.6	35%
COGS	(13.7)	(18.7)	(36%)
Gross Profit	10.5	13.9	32%
Gross Profit Margin	43.4%	42.7%	(2%)
Wages & Salaries	(3.5)	(4.0)	(13%)
Marketing	(1.8)	(2.7)	(55%)
General & Administration	(2.1)	(2.7)	(32%)
Other	(0.7)	(1.0)	(44%)
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%

Note: All numbers are Pro forma and exclude transaction costs (\$1.2m) and other (\$0.1m)

Key Insights:

- 1H'20 sales of \$32.6m, up 35% pcp, driven by:
 - Continued strong sales of Ninja V and Shinobi devices
 - Launched Shogun 7 (next evolution of the Shogun Inferno)
- Gross Profit of \$13.9m, up 32% pcp
- GP margin of 42.7% was slightly lower than last year due to:
 - impact of tariffs on imports to the US; and
 - discounting required to maintain momentum following disruption to production in FYQ2'20
- Increased Marketing and R&D spend reflecting continued investment in future products and technology development
- EBITDA of \$1.0m, up 35% pcp

Balance Sheet

Balance Sheet (A\$m)	30-Jun-19	31-Dec-19
Cash and cash equivalents	5.1	16.0
Trade and other receivables	8.0	13.1
Inventories	9.6	14.9
Other assets	3.0	4.1
Plant and equipment	1.7	4.1
Right of use asset	0.0	9.4
Intangible assets	8.5	30.1
Total assets	35.9	91.7
Trade and other payables	(10.5)	(15.1)
Borrowings	(1.5)	(1.5)
Provisions	(0.7)	(0.7)
Lease liabilities	0.0	(9.6)
Deferred tax liability	0.0	(1.0)
Total liabilities	(12.7)	(27.9)
Net assets	23.2	63.8
Issued capital	44.1	87.0
Reserves	2.2	2.3
Accumulated losses	(23.0)	(25.4)
Equity	23.2	63.8

Key Insights:

- Balance sheet strengthened through capital raise, \$16m cash
 - Access to a \$5.0m Export Finance Australia working capital facility in place and available to be drawn
- Inventory levels increased reflecting:
 - Inventory buffer to minimise risk of stock outs
 - Commencement of transition to ocean freight (requires greater inventory holding)
- Initial adoption of new accounting standard for leases (right of use asset offset by lease liabilities)
- Increase in intangibles principally due to TCS acquisition
- \$25.2m of tax losses and R&D tax credits unrecognised and available to offset future tax payable

Cash Flow Statement

Cash Flow Statement (A\$m)	1H'19	1H'20
Operating activities		
Receipts from customers	23.2	27.8
Payments to suppliers and employees	(27.6)	(34.5)
Interest received	0.0	0.0
Income taxes paid	(0.1)	(0.1)
Net cash used in operating activities	(4.5)	(6.7)
Investing activities		
Payment for PP&E	(0.2)	(2.9)
Payments for intangible assets	(1.0)	(1.8)
Payment for acquisition of subsidiary	0.0	(5.6)
Net cash used in investing activities	(1.2)	(10.3)
Financing activities		
Proceeds from issue of equity instruments in the company	6.0	30.1
Payment for equity raise costs	(1.0)	(1.5)
Proceeds from issue of convertible notes	6.5	0.0
Interest paid	(0.0)	(0.2)
Repayment of lease liabilities	0.0	(0.4)
Repayments of borrowings	(1.6)	0.0
Net cash inflow from financing activities	9.8	27.9
Net change in cash and cash equivalents	4.1	10.9
Cash and cash equivalents, beginning of period	1.4	5.1
Cash and cash equivalents, end of period	5.6	16.0

Key Insights:

- Targeted growth in working capital:
 - Build inventory buffer; and
 - Debtors growth resulting from strong sales
- Payments to suppliers includes \$1.2m of transaction costs
- Investment in inventory to continue over 2H'20
- Payments for PP&E relate to development of Neon, new HQ office fit-out
- Payments for intangibles predominantly relate to development costs for future software platform

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Timecode Systems Ltd (TCS) Acquisition

Overview

- Completed acquisition of 100% share capital of TCS on 2 December 2019
- Share consideration subject to voluntary escrow restrictions of between 6 & 24 months

Recent Activities

- 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
- 12 New Partners have signed implementation agreements through both Hardware and Software SDK's.

Patent Growth

- 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

Outlook

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

Contacts

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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	Dates
Photography Show	Birmingham	14 - 17 March
Games Developer Conference	San Francisco	16 - 20 March
NAB Show 2020	Las Vegas	18 - 22 April
Media Production Show	London	13 - 14 May
KOBA	Seoul	13 - 15 May
Cine Gear	Los Angeles	04 - 07 June
Electronic Entertainment Expo (E3)	Los Angeles	09 - 11 June
Broadcast Asia	Singapore	09 - 11 June
IBC	Amsterdam	11 - 15 September

 Key Tradeshows



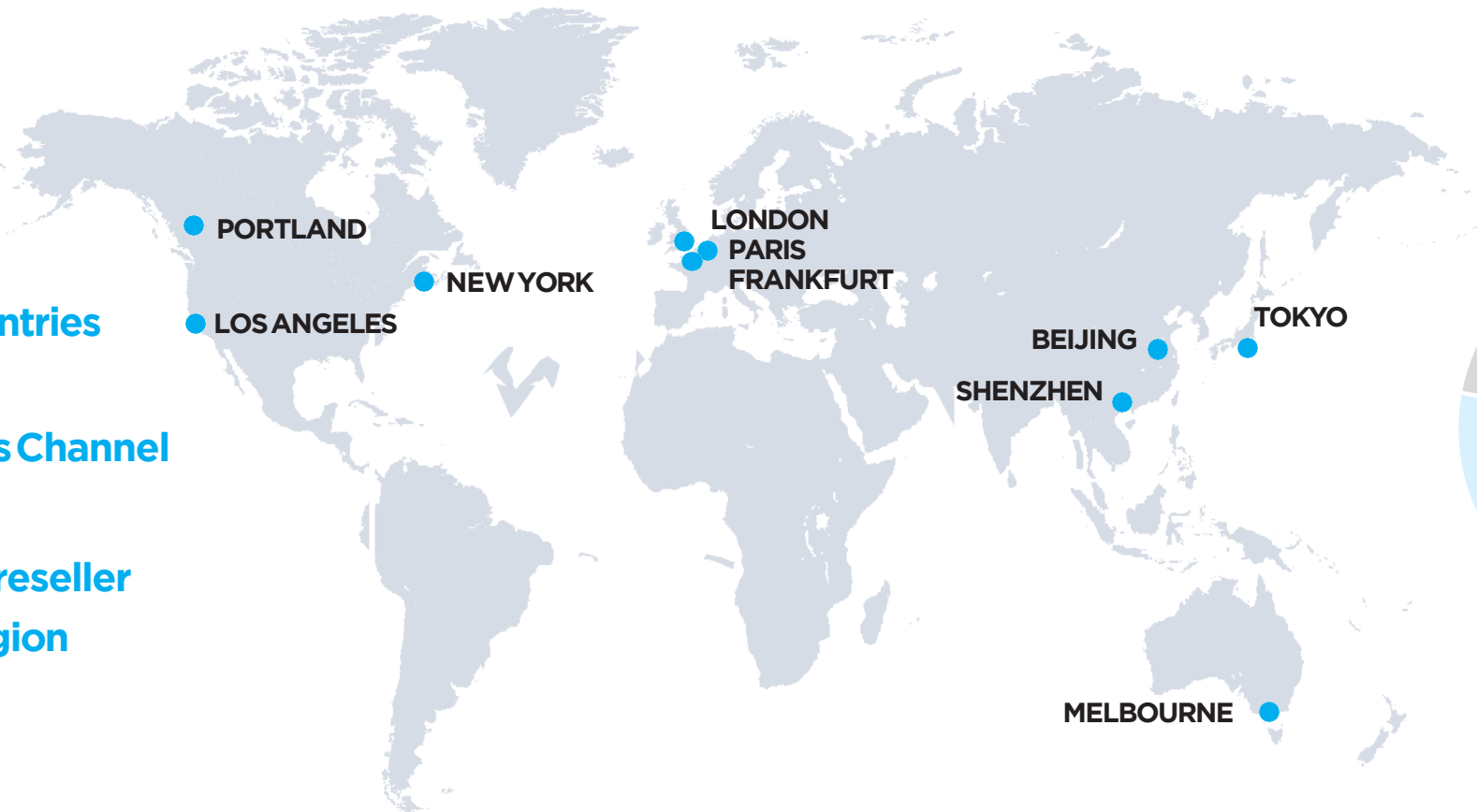
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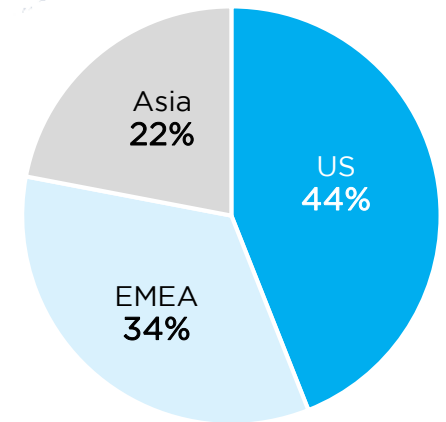
Global Operations

Offices in major global locations and strong sales channels

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



1H'20 Sales by Region



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 - Touch Screen Switching	- Larger format 19” monitor recorder – targeting studio usage - Quad SDI & HDMI in/out - Record ProRes/ProRes RAW, DNxHR, among others	- HDR Professional monitor-recorder range for on-set and in-studio usage - Four screen size options – 17”, 24”, 31” and 55” - Bluetooth controlled by using Atomos iOS App	<u>Shogun Studio</u> - Rack mount 4K monitor recorder solution - Dual 7” screens with touchscreen interface <u>Converters</u> - SDI to HDMI or vice versa <u>Accessories</u> - Cables, Caddies & Adaptors
Social / Pro-Video Segment	Pro-Video / Entertainment	Pro-Video / Entertainment	Entertainment	Various

Acquisition of Timecode Systems Ltd (TCS)

Overview

- Completed acquisition of 100% share capital of TCS on 2 December 2019
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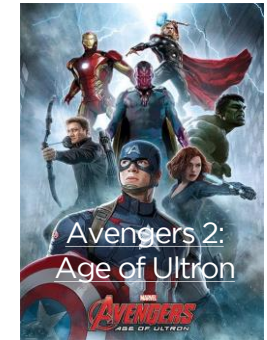
Technology Rationale

- Developed unique and patented technology that 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
- Traditionally, timecode syncing has been achieved by linking cameras and sound recorders via cables - wireless is the new evolution for the industry
- TCS has a proven record of performance, in addition to AMS being a current licensee

Financial Rationale

1. Growing product commercialisation through new & enhanced existing products
 2. Increased sales of existing TCS range via rebranding & utilising AMS' sales channels
 3. Cost synergies by transitioning to AMS supplier & manufacturing arrangements
- Expected to be earnings accretive in FY21 as technology is further commercialised

Case Studies / Customers



The TCS Opportunity...

The Problem

Synchronising footage from multiple video & audio sources is **difficult, expensive, time consuming & you need to be a pro!**

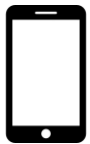
The Opportunity

Democratise multiple capture device productions across all market segments – **Social, Pro Video & Entertainment**

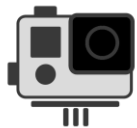
The Solution

Enable multi-device wireless timecode synchronisation capability into **EVERY video and audio capture device**

Expanding the Atomos Ecosystem – Via either direct product sales or licencing



Smartphones



Wearable /
Action cameras



DSLRs



Monitor
recorders



Broadcast &
Cinema cameras



Bodycams



Audio recorders

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

- 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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- EBITDA (before R&D expenditure) is earnings before research and development expenditure, interest, taxation, depreciation, amortisation and impairment charges;
- 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
- Net cash flows before financing activities: being net cash flows from operations less capital expenditure and other investing expenditure.

