


ATOMOS

# FY 2020 Results

27 August 2020

## Atomos unlocks creativity and profit for video content creators

**Inventing and delivering ground-breaking and disruptive technologies that enhance, simplify & ultimately democratise video content creation**

**Presenters**

Chris Tait, Executive Chairman

Jeromy Young, Chief Executive Officer

James Cody, Chief Financial Officer



## Agenda


| | |
|---|---|
| About Atomos | 3 |
| FY20 Results | 6 |
| Operational Update | 13 |
| Strategy & Outlook | 19 |
| Appendices | 22 |

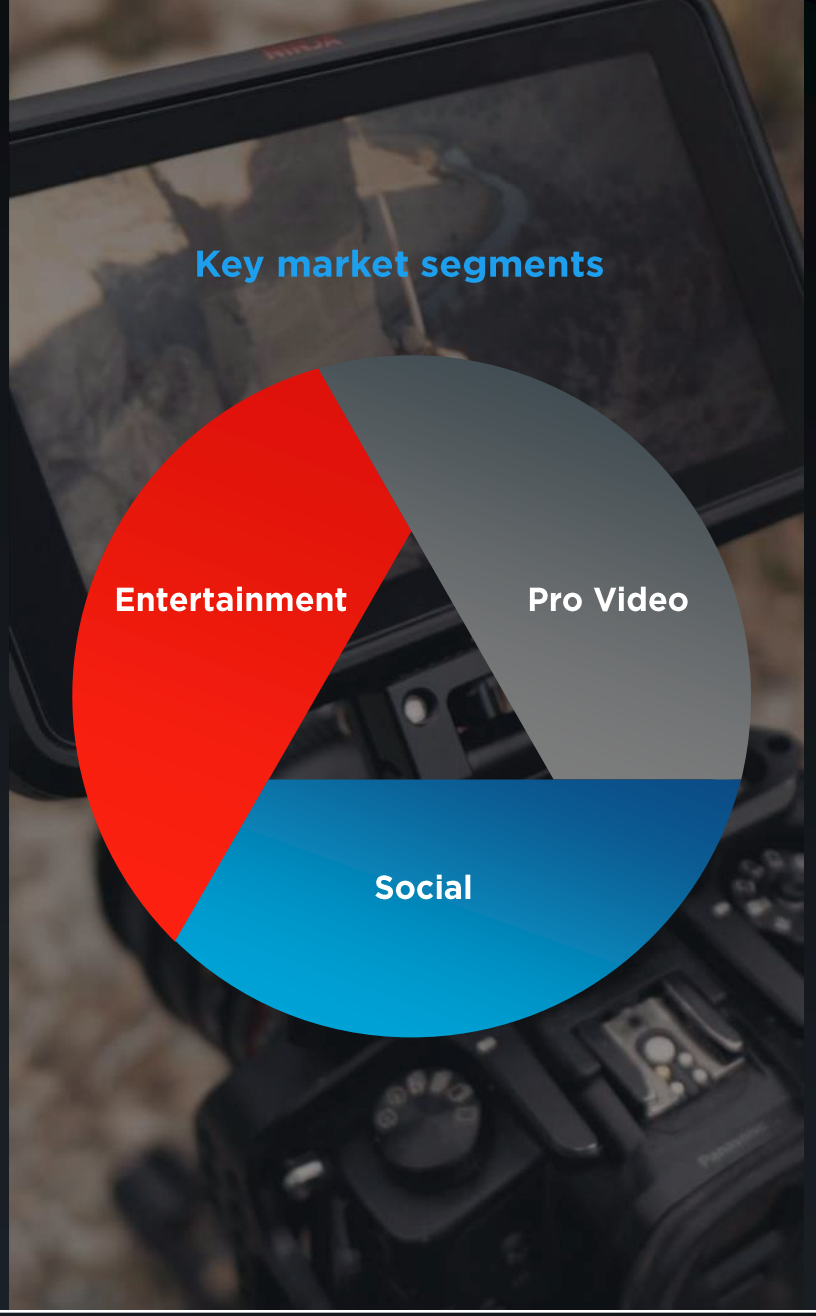
# Atomos – Snapshot

Global video technology company that enhances video content creation with products that connect the imaging and computer worlds together

Strategic relationships with leading tech companies such as: Apple, Adobe & camera makers: Sony, Canon, Panasonic, RED & JVC Kenwood

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




**Entertainment**

Production companies producing high-quality content for TV and cinema usually viewed on subscription streaming platforms

**Pro Video**

Advertising, events, corporate, broadcast and education

**Social**

Consumers / prosumers who create and share on free, advertisement driven platforms

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# Atomos Product Suite

## 4K Monitor Recorders





## Production / Studio





## Broadcast & Accessories



| NINJA + SHINOBI Ranges | SHOGUN Range | SUMO Range | NEON Cinema Series | Shogun Studio + Converters + Accessories |
|---|---|---|---|---|
| • Ninja HDMI only – includes AtomX adaptor range<br>• Broad market application due to portability<br>• Both 5” and 7” screen options<br>• Record ProRes®, DNxHR at 60p frame rates<br>• AtomHDR monitoring<br>• Includes recently released 5” Shinobi monitor only<br>• Shinobi available in both HDMI & SDI capability | • HDMI & Quad SDI inputs<br>• Broad market application due to portability<br>• 7” high brightness screen<br>• Record ProRes, DNxHR at 60p frame rates<br>• ProRes RAW capability<br>• AtomHDR monitoring<br>• Touch Screen Switching | • Larger format 19” monitor recorder<br>– targeting studio usage<br>• Quad SDI & HDMI in/out<br>• Record ProRes/ProRes RAW, DNxHR, among others | • HDR Professional monitor-recorder range for on-set and in-studio usage<br>• Four screen size options – 17”, 24”, 31” and 55”<br>• Bluetooth controlled by using Atomos iOS App | *Shogun Studio*<br>• Rack mount 4K monitor recorder solution<br>• Dual 7” screens with touchscreen interface<br>*Converters*<br>• SDI to HDMI or vice versa<br>*Accessories*<br>• Cables, Caddies & Adaptors |
| **Social / Pro-Video Segment** | **Pro-Video / Entertainment** | **Pro-Video / Entertainment** | **Entertainment** | **Various** |
| **Streaming** | | | | |

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# Target Markets – Current & Future

**Atomos' growing product portfolio addresses 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 | NEW MARKETS *Social* | STREAMING | NEW MARKETS *Entertainment* |




[1] *CIPA Report, 2017*

# Agenda


| | |
|---|---|
| About Atomos | 3 |
| FY20 Results | 6 |
| Operational Update | 13 |
| Strategy & Outlook | 19 |
| Appendices | 22 |

# FY20 Financial Summary[1] (For the 12 months ending, 30 June 2020)

| | |
|---|---|
| **Sales** | • FY20 revenue of $44.4m, down 17% on pcp[2] (1H'20: $32.6m; 2H'20: $11.8m)<br>• Significant 2H'20 revenue reduction driven by global market impacts of COVID-19 |
| **Gross Profit / Expenses** | • Gross profit of $17.7m, down 26% on pcp<br>• Operating expenses of $24.8m (up 12% on pcp), however in swift response to COVID-19 overall fixed cost base was reduced by ~60% to approx. $1.0m per month, including both temporary and permanent reductions as at April 2020 |
| **Earnings** | • EBITDA loss of $7.1m (1H'20: $1.0m; 2H'20: $8.1m loss) |
| **Cash Flow** | • $18.8m cash at 30 June 2020 plus access to working capital facility of $5m (currently undrawn) gives AMS substantial runway as cost reductions ease |

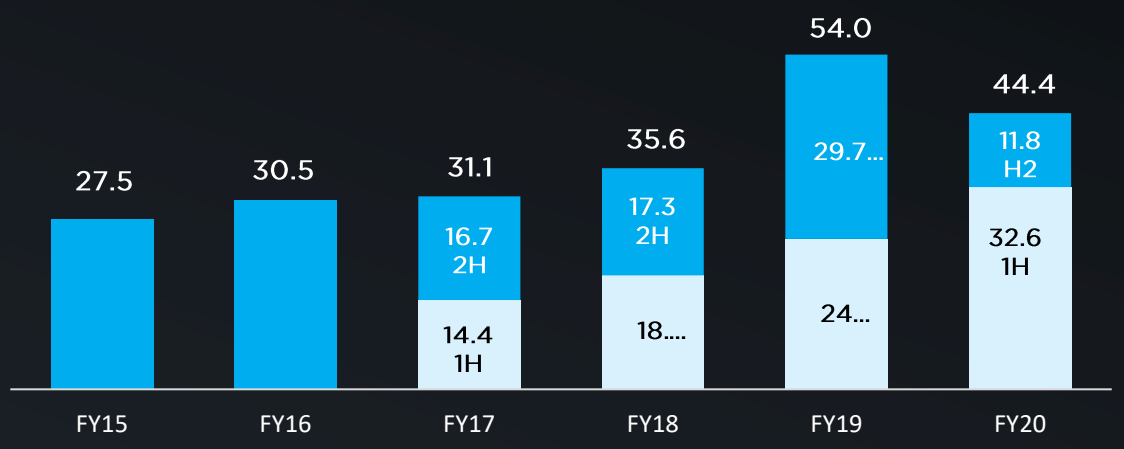
1. All numbers are Pro forma and exclude items outside the ordinary course of business, a full reconciliation is contained in Appendix 4E – Preliminary Final Report. All figures are based on the consolidated financial statements that are in the process of final audit completion. The independent audit report will be included within the Company's Annual Report.
2. Previous corresponding period

# FY20 Operational + Outlook

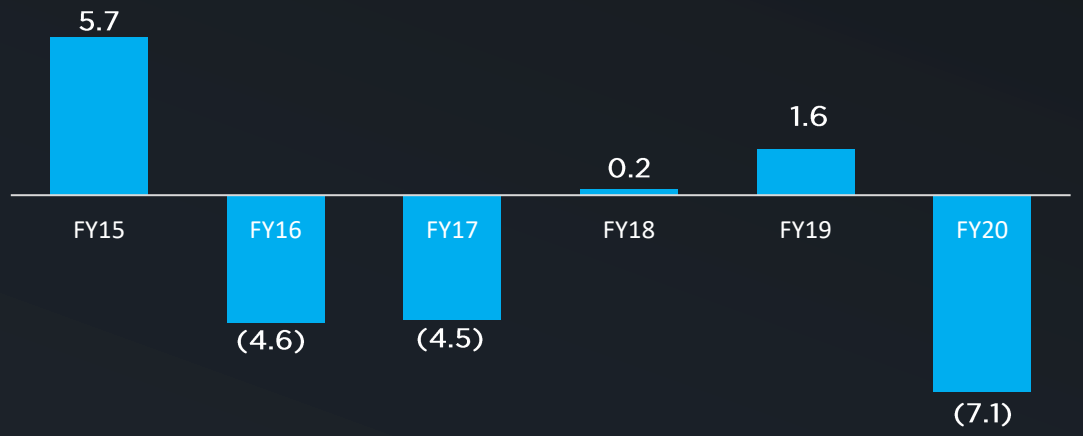
| | |
|---|---|
| **Products** | • Despite COVID-19, Ninja V demand remained strong in FY20 increasing sales on FY19 and Shinobi (monitor only) continues to sell well appealing to the Social market<br>• Completed TCS acquisition in December 2020, a technology enabling multi-device wireless timecode synchronisation<br>• Shipped AtomX SYNC module in Q4'20, bringing wireless timecode, sync and control technology to the Ninja V<br>• NEON Cinema Series now in the final phase of engineering sign-off and first units expected to ship in Q2'21 |
| **Partnerships** | • Apple ProRes RAW now established as new standard for RAW video capture with most major global video companies announcing support (21 cameras; 18 shipping and 3 announced)<br>• AMS is the only company with monitor/recorders that can record to Apple ProRes RAW (from enabled cameras) |
| **Outlook** | • Ninja V demand remains strong in early FY21 following recent Sony Alpha™, Z CAM and Panasonic announcements<br>• July and August revenue up 50%+ and 60%+, respectively, on 2H FY20 run rate of ~$2m<br>• Product roadmap on schedule with several new releases targeted for early 2Q'21<br>• Expect to return to pre-COVID-19 revenue levels by start of CY21, with a more cost-effective operating base |

# FY20 Financial Snapshot

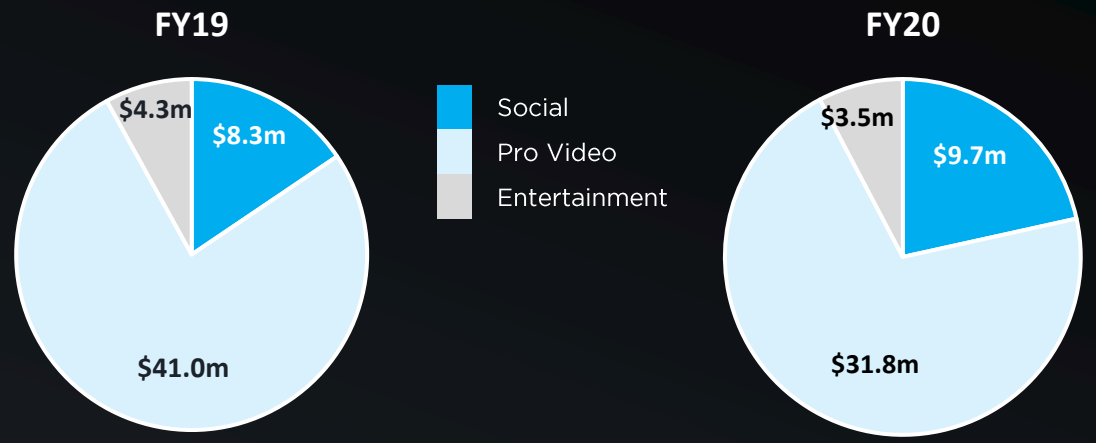
## Pro Forma Revenue ($m)[1]



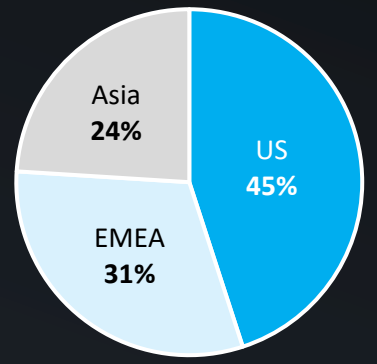

## Pro Forma EBITDA ($m)[1]




## Revenue by Market Segment (FY19 vs. FY20)




## FY20 Revenue by Region




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

# Pro Forma Income Statement

| Pro Forma (A$m) | FY19 | FY20 | Δ pcp |
|---|---|---|---|
| Revenue | 53.7 | 44.4 | (17%) |
| COGS | (29.9) | (26.8) | (11%) |
| **Gross Profit** | **23.8** | **17.7** | **(26%)** |
| *Gross Profit Margin %* | *44.3%* | *39.8%* | |
| Wages & Salaries | (7.5) | (8.7) | 15% |
| Marketing | (5.6) | (4.6) | (17%) |
| General & Administration | (3.6) | (4.6) | 28% |
| Warranty & Royalty | 0.0 | (1.7) | |
| Other | (1.3) | (1.4) | 7% |
| **Operating Expenses** | **(18.0)** | **(21.0)** | **17%** |
| **EBITDA (pre R&D)** | **5.8** | **(3.4)** | |
| R&D Expenses | (4.1) | (3.8) | (9%) |
| **EBITDA** | **1.6** | **(7.1)** | |
| Depreciation & Amortisation | (1.5) | (3.8) | 157% |
| **EBIT** | **0.2** | **(10.9)** | |

**Key Insights:**

- 1H'20 revenue $32.6m (up 34% pcp); 2H'20 revenue $11.8m (down 60% pcp)
- Pre COVID-19, AMS on track to achieve similar growth rates for full year FY20 as it achieved in 1H'20
- Lower gross profit margin, driven by:
  - Full year impact of US import tariffs
  - Stock protection provided to clear channel inventory
  - Sales mix & increased promotional activity
  - Stock obsolescence & provisioning
  - Offset by reclassification of warranty/royalty expenses to operating expenses
- Wages & Salaries increased due to TCS acquisition and several new hires in late 1H'20 on anticipated growth
- Marketing spend reduced given cancellation of several trade shows in 2H'20, most notably NAB 2020 (Las Vegas) in April 2020
- Pro forma EBITDA loss of $7.1m, driven by material revenue decline
- D&A increase reflecting AASB16, TCS acquisition

[1] Previous corresponding period

# Pro Forma Balance Sheet

| Pro Forma (A$m) | 30-Jun-19 | 30-Jun-20 |
|---|---|---|
| Cash and cash equivalents | 5.1 | 18.8 |
| Trade and other receivables | 8.0 | 4.7 |
| Inventories | 9.6 | 16.8 |
| Other assets | 3.0 | 2.6 |
| Plant and equipment | 1.7 | 2.7 |
| Right of use asset | 0.0 | 9.0 |
| Intangible assets | 8.5 | 25.1 |
| **Total assets** | **35.9** | **79.6** |
| Trade and other payables | (10.5) | (10.7) |
| Borrowings | (1.5) | (0.1) |
| Provisions | (0.7) | (0.9) |
| Lease liabilities | 0.0 | (9.4) |
| Deferred tax liability | 0.0 | (1.0) |
| **Total liabilities** | **(12.7)** | **(22.2)** |
| **Net assets** | **23.2** | **57.4** |
| Issued capital | 44.1 | 101.5 |
| Reserves | 2.2 | 1.0 |
| Accumulated losses | (23.0) | (45.1) |
| **Equity** | **23.2** | **57.4** |

**Key Insights:**

- Strong balance sheet with $18.8m cash as at 30 June 2020
  - In May 2020, completed $13.9m (before costs) Placement and SPP
- Receivables reduction a reflection of reduced sales in 2H'20
- Inventories increased to $16.8m, driven by:
  - Forward purchase commitments in early 2H'20 prior to COVID-19 impacts being known
  - Planned growth in inventory to reduce risk of stock-outs and progressive move to ocean freight
- Initial adoption of AASB16 for leases (right of use asset offset by lease liabilities)
- Intangible Assets grew to $25.1m, reflecting:
  - TCS acquisition (+$20.4m)
  - Capital expenditure (+$3.2m)
  - Amortisation charge (-$1.7m)
  - Impairment charge to original chip and certain capitalised development costs (-$5.6m)
- Repaid working capital facility (borrowings); access to an increased limit of $5m with Export Finance Australia in place but currently undrawn
- $37.8m of tax losses and R&D tax credits unrecognized and available to offset future tax payable

# Statutory Cash Flows

| Statutory Cash Flows (A$m) | FY19 | FY20 |
|---|---|---|
| **Operating activities** | | |
| Receipts from customers | 52.9 | 49.5 |
| Payments to suppliers and employees | (56.0) | (63.1) |
| Interest received | 0.0 | 0.0 |
| Income taxes paid | (0.2) | (0.1) |
| **Net cash used in operating activities** | (3.3) | (13.7) |
| **Investing activities** | | |
| Payment for PP&E | (1.3) | (3.2) |
| Payments for intangible assets | (1.8) | (3.2) |
| Payment for acquisition of subsidiary | 0.0 | (5.6) |
| **Net cash used in investing activities** | (3.1) | (12.0) |
| **Financing activities** | | |
| Proceeds from issue of equity instruments in the company | 6.0 | 44.0 |
| Payment for equity raise costs | (2.4) | (2.2) |
| Proceeds from issue of convertible notes | 7.0 | 0.0 |
| Interest paid | 0.0 | (0.4) |
| Repayment of lease liabilities | 0.0 | (0.7) |
| Repayments of borrowings | (0.5) | (1.4) |
| **Net cash inflow from financing activities** | 10.1 | 39.4 |
| **Net change in cash and cash equivalents** | 3.7 | 13.7 |
| Cash and cash equivalents, beginning of period | 1.4 | 5.1 |
| **Cash and cash equivalents, end of period** | 5.1 | 18.8 |

**Key Insights:**

- Operating cash outflow driven by:
  - EBITDA loss; and
  - Inventory growth as outlined in Balance Sheet commentary
- Payments to suppliers includes transaction costs of $1.2m
- Increase in PP&E predominately incurred in 1H'20 and related to development of NEON and new office fit-out
- Acquisition relates to TCS completed in December 2020

# Agenda


| | |
|---|---|
| About Atomos | 3 |
| FY20 Results | 6 |
| Operational Update | 13 |
| Strategy & Outlook | 19 |
| Appendices | 22 |

# Partnerships with global leaders in the camera & editing industries

## Continuing to build a global ecosystem of partners

- In 2018, AMS released new recording format, Apple ProRes RAW
- ProRes RAW firmly established as standard for RAW video capture with 7 major video companies having announced support for RAW over HDMI:

Nikon Panasonic FUJIFILM
SONY Canon SIGMA
Z CAM

- AMS only company with monitor/recorders that can record to Apple ProRes RAW, positioning it to benefit from a larger addressable market
- Announced in July 2020, the new Sony Alpha A7S III is ProRes RAW enabled and expected to generate material sales of Ninja V following launch in September 2020




Dynamic AtomHDR Processing

ProRes RAW DOLBY VISION AtomHDR



# The Timecode Systems 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

# Live Video – the new frontier

**Real-time 'Live' Video is Booming**

## Largely, one camera, single user streaming

- One camera streaming using: Zoom, YouTube Live, Vimeo, Facebook Live
- Simple content created with minimal (or zero) preparation time and made with consumer equipment
- Limited freedom of movement, limited locations
- No reliance on people in the same location

## Atomos can democratise

*Creating low cost 'professional solutions'*

- **Leveraging the Ninja Platform** to create all in one simple, powerful product set – already includes multicamera features
- **Record high quality formats at same time as streaming** formats for ultimate flexibility for live & curated production

Daily Zoom users has grown from **10 million** to **300 million**

December 2019 to April 2020



# AtomoX Stream Opens the Market to High-Quality Interactive Streaming

## Streaming is mainly Single Camera now




- Connected multi camera set ups to: Zoom, Facebook Live, YouTube Live, Cisco WebEx
- Better content to stand out is the next generation
- Need to connect to PC/MAC and Smart Devices for streaming = Software Development & partnerships

## Atomos has High Quality Multi Camera Technology




- Accelerate the Ninja Platform to include AMS existing high quality multicamera tech
- Combine multicamera + live stream in an all-in-one low-cost professional solution
- Simplify high quality live production for single/few users at home or in the office - enabling higher production value and education
- Leveraging AtomOS touch screen and HDR technology for ease of use

# Atomos' streaming product provides a solution to a massive market

**AMS has the technology platforms, partners and relationships to democratise the new live streaming market**

## Market Challenges

- Switching from people to product to presentations, along with inserting graphics and edits in real time is complex and usually requires a computer
- Record in high-quality and Live Stream is expensive and complex – users compromise today
- Produced and edited live content after streaming is currently low quality
- Professional live set ups are difficult for 'normal' customers

## Atomos All-In-One Solutions

- AMS have dynamic touch switching technology included in the current Sumo and Shogun products
- AMS' product pricing allows a wider customer base to utilise professional live production techniques
- Accelerate Roadmap on existing Ninja Platform
  - Add High quality internet streaming formats in HD or 4K
  - Add Internet connectivity – 5G/4G Mobile, WiFi, Ethernet
- AMS' ability to record/process 4x HD processing & 1x HD live streaming simultaneously is the same as 4K RAW processing
- Ease of use and low cost allows AMS to target our core professionals, in our core market segments as they change their production techniques to live – then democratise lower
- Same sales and marketing channels AMS have today

# Agenda


| | |
|---|---|
| About Atomos | 3 |
| FY20 Results | 6 |
| Operational Update | 13 |
| Strategy & Outlook | 19 |
| Appendices | 22 |

# Full solution to existing and new markets

## New Live individual broadcast/streaming, Market Strategy

**AI CLOUD**

**LIVE INTERNET**

*4G/5G Mobile, Wi-FI & Ethernet*



**Image Capture**

**Image Processing**
*Direct Streaming, Broadcast Switching*

**Editing & Finishing**
*Direct Streaming, Broadcast Switching*

**Storage, Analysis & Encryption**

**Search, Distribution & Collaboration**
*Including live streaming*

**ATOMOS CURRENT**

JVC ARRI Panasonic Canon SONY Nikon ProRes RAW XILINX Adobe DOLBY VISION NewTek HDMI SanDisk ANGELBIRD OSX Windows Microsoft Adobe Blackmagicdesign

**EXPANDING ATOMOS' FUTURE**

**Partnership opportunities**

Disney CISCO zoom NETFLIX twitch BlueJeans POND5

# Outlook



- Strong cash position of $18.8m as at 30 June 2020 and access to a $5m working capital facility (currently undrawn)
- Fixed cost base reduced to ~$1.0m per month (including both permanent and temporary reductions), implemented from April 2020
- As cost reductions gradually removed over the coming months, monthly fixed cost base expected to be ~$1.6m per month (currently at ~$1.3m per month)
- Variable costs include freight, warranty and royalty costs which totaled $3.5m in FY20



- Looking to accelerate existing product roadmap to expand into 'live/interactive' video streaming market
- Product roadmap on schedule with several new releases targeted for early 2Q'21, along with RAW over HDMI integrations with large global camera makers



- July & August revenue up +50% and +60% respectively, on 2H FY20 run rate of ~$2m
- As global restrictions ease, expect a continuing improvement in sales, however timing is uncertain
- Expect to return to pre-COVID-19 revenue levels at the start of CY21, with a more streamlined and cost-effective operating base

# Agenda


| | |
|---|---|
| About Atomos | 3 |
| FY20 Results | 6 |
| Operational Update | 13 |
| Strategy & Outlook | 19 |
| Appendices | 22 |

# Content Creation Workflow

**Capture**
From the sensor of
all major camera manufacturers

**Process & enhance**
Atomos products enhance content
creation, quality and creativity

**Finish & delivery**
Edit, Colour Grade,
Titles, Graphics Finish in Post

Atomos




*Via* HDMI/SDI

**ATOMOS MONITOR/ RECORDER**

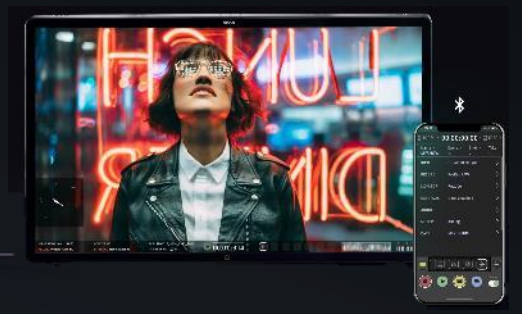


*onboard SSD/HDD*

**MAC/PC**
via dock



**TV/MON**
HDMI/SDI



**Monitor, Record, Playback & Edit**
*Bypass internal compression*

**Edit & Finish**
*Edit ready & tagged footage*

**View + Play**

# Atomos has a track record of being at the forefront of the industry

**2009-2010**

Atomos founded

Apple approves ProRes in Ninja

**2011**

Adobe & Avid support Atomos products into their post-production workflow

Licence agreement with HDMI Inc.

**2012**

Ninja 2 released and bundles with Canon and Nikon

Licence agreement with Microsoft Inc.

**2013**

Samurai Blade Monitor recorder released – broadcast and higher end video market

**2014**

'Shogun' monitor recorder released – in-field 4k-monitor, recording, playback device

Development on custom video SoC – Atomic

**2016**

Released HDR range of monitor recorders

Multiple awards at National Association of Broadcasters (NAB) trade show

**2017**

Announced SUMO 19" at NAB Show and won best new monitor recorder

Signed partnership with JVC Kenwood for joint video development

**2018**

Lists on ASX in December

**2019**

Released new global recording format with Apple, ProRes RAW
New product, Ninja V released

Announces first 8K Pro-Res Raw Monitor-Recorder

Acquired Timecode Systems

Develops Neon to launch in 2020

**2020**

Expanded recording ecosystem with 21 cameras to be able to record Apple ProRes Raw to an Atomos device

Releases AtomX Sync

Announces developing streaming solution

# Corporate Snapshot

## Pricing Snapshot

| | |
|---|---|
| Ticker | AMS |
| Share Price | $0.49 |
| Shares on Issue (m) | 217.85 |
| **Market Capitalisation (m)** | **$106.7m** |

## Board of Directors

| | |
|---|---|
| Chris Tait | Executive Chairman |
| Jeromy Young | Executive Director |
| Sir Hossein Yassaie | Non-Executive Director |
| Stephen Stanley | Non-Executive Director |

## Senior Management Team

| | |
|---|---|
| Jeromy Young | CEO |
| James Cody | CFO |
| Stephan Kexel | Global Sales Director |
| Trevor Elbourne | CTO |
| Naofumi Yoneda | Chief Design Officer |
| Franklie Liu | Global Production Manager |

## Major Shareholders

| | |
|---|---|
| Perennial Value Mgmt | 11.0% |
| Ellerston Capital Ltd | 11.0% |
| Ms Claire Louise Young (Jeromy Young) | 8.2% |
| Domazet FT3 P/L | 6.7% |
| Top 6 shareholders | ~45% |

## Share Price History



ATOMOS



## Contacts


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

For more information please visit www.atomos.com