Atomos AGM – Chairman's Address

Highlights:

- First Half 2021 revenue expected to exceed $28m which is ahead of forecast, with current quarter back to pre-COVID run rates
- Shipped first units of NEON 17" in November with the 24" shipping in December (~$1.0m sales in 1H'21); early feedback from customers is positive

Following the formal part of the Atomos AGM which concluded a short time ago, we wanted to provide shareholders with an update recapping briefly on FY20 along with our progress for the first half of FY21.

I will then hand over to Atomos' founder and CEO, Jeromy Young, to provide some deeper insights into our technology portfolio and its application within various target markets.

Slide 4 – AGM Presentation

FY20 for Atomos, as it has been for many companies, was a tale of two halves.

We began the financial year with an established track record of revenue growth, which we were able to maintain throughout the first half of FY20, delivering sales of $32.6m, a 34% uplift on the same period last year. Whilst continuing to invest in sales and marketing initiatives to capture the growth opportunities available to us, particularly within the Social market, we were still able to deliver positive EBITDA of $1.0m for the half.

Our sales momentum was driven by the continued strong demand for our flagship 5 inch monitor recorder, Ninja V. Assisting sales of the Ninja V was the growing adoption of RAW recording over HDMI from major global camera makers, with Atomos being the only monitor recorder able to record Apple's ProRes Raw format.

In October 2019, we announced the acquisition of UK-based Timecode Systems or TCS, a global leader in technology that enables multi-device wireless timecode synchronisation. Atomos had been an existing licensee of the TCS technology, with the acquisition being a natural fit to expand our capability as we started looking at product development around streaming and gaming. Over time, as we work to democratise high quality productions, we see the TCS technology as being a key part of that ecosystem.

Concurrent to the acquisition, we undertook an institutional placement raising $22.6m, with the proceeds being used to fund the cash component of the acquisition along with provide growth capital to allow us to take advantage of the opportunities that were available to us within Social and Entertainment.

It is at this point that we enter the second half of FY20, with COVID-19 taking us all by surprise and throwing businesses and industries globally into crisis.

Given our products, particularly in the Pro Video market, are used primarily by content creators engaged in outdoor activities, events, social gatherings and sporting activities, all of which were heavily affected by the global lockdowns, we suffered a significant drop in sales in 2H'20 to $11.8m. This was further compounded by the uncertainty held by channel partners who were destocking existing inventory and holding onto that cash rather than reinvesting it back into new inventory.

In light of the situation, we as a Board and senior management acted swiftly, reducing our fixed cost base by circa 60% to approximately $1.0m per month, which included both temporary and permanent reductions. These costs reductions were fully implemented as at the end of April 2020.

Despite the significant reduction in sales, one of the positives to come out of the COVID lockdown for us was the resulting global move to online video conferencing and streaming with the use of communication tools such as Microsoft Teams and Zoom skyrocketing. While this trend was already underway, in our view it has been accelerated by 3-5 years, with the most evident example of this being the growth in daily users of Zoom which went from 10 million in December 2019 to 300 million by April 2020, a 30 fold increase over a 5 month period.

For many however, the issue with Zoom and other video platforms is the lack of video quality and the often 'grainy' or pixelated picture that is presented. As a company who has for the past 10+ years been working to democratise the improvement of image and video quality, this presents a significant opportunity for us.

Streaming products were already on our roadmap, which Jeromy will touch on shortly, however COVID presented us with the opportunity to accelerate that development. It was with this thinking in mind that we decided to raised capital in May. Additionally, although we had reduced our cost based sufficiently to maintain the business at reduced sales levels, the extra capital provided us with balance sheet strength and flexibility creating a buffer against any further COVID shocks should they lie ahead.

Despite facing some challenging times during 2H'20, the financial and operational measures that we implemented positioned the business in a great way to emerge as a more streamlined, cost efficient and dynamic organisation as global markets were showing signs of reopening in July 2020.

Slide 5 - AGM Presentation

Pleasingly, the first half of FY21 has so far been a period of continued sales momentum building back to where we were pre-COVID. As we have consistently advised the market, our sales have improved each of the past four months and despite the growing COVID cases and recent lockdown measures in some of our key markets, they have not had any impact on our November sales.

In assessing our sales to date, we are currently on track to deliver a first half sales result in excess of $28m and pleasingly our Q2 quarter is back to pre-COVID levels, well ahead of our original guidance earlier in the year.

Largely, we have achieved this result through our existing products, with the only new products released during the first five months of 1H'21 being some initial sales of NEON in November and the Atomos Connect streaming stick. The sales momentum validates our focus on building the ProRes RAW ecosystem through integrations with major global camera makers with 28 cameras (23 currently shipping and 5 announced) now supporting ProRes RAW from an Atomos device.

Our cost controls measures continue to be in place with fixed costs remaining substantially below pre-COVID levels, with any future increases being carefully balanced against revenue.

Sales momentum along with controlled cost measures have ensured we maintain a strong cash position with $18.9m as at the end of November 2020.

Looking forward to the second half of FY21, it is still too early for us to give any formal guidance, however we remain optimistic that the current monthly sales run-rate can continue with the existing product range and improve as new products come to market, which I will now touch on.

Slide 6 – AGM Presentation

While it's fair to say we have had some challenges, many of which were outside our control, this month we shipped the first units of our NEON 17 inch monitor recorder with further units of both the 17 inch and 24 inch expected to be shipped in December, which collectively will amount to circa $1m in sales. Given the larger form screen size of the NEON's, they are aimed at the Entertainment end of the video market typically being used on larger budget, multi-camera productions. Initial feedback from customers has been very positive which gives us comfort that sales traction will only continue to build over the course of the second half.

As Jeromy will talk to shortly, one of our unique strengths as a company is the deep relationships we hold with a multitude of global players within the video ecosystem, whether it be camera makers, hardware suppliers, software providers or production houses.

One of the most notable of our deep relationships is with Apple, and our decision to partner with them on ProRes RAW several years ago and to build out an ecosystem, is now really starting to pay dividends. This is clearly evidenced by the 28 cameras now supporting ProRes RAW from an Atomos device, leading to the ProRes RAW format now being embraced by nearly all major camera makers as the new standard for video recording.

Before I hand over to Jeromy to speak in further detail on the depth and breadth of our relationships and technology, I first wanted to take an opportunity make a few general comments.

While we are still mindful that the COVID environment will continue to provide challenges, particularly in the US and Europe which are now entering a further wave, we take some comfort that businesses and consumers alike are becoming more adept at dealing with the pandemic, and thus it is not having the same effect on resourcing and decision making as we initially observed.

I would like to acknowledge our founder and CEO, Jeromy Young for his passion and innovation in driving the Atomos product road map forward. I would also like to acknowledge the entire Atomos team for the hard work and sacrifice that has been made in a very difficult year. The COVID crisis has, out of necessity, resulted in considerable and rapid advancement in organisational efficiency and personnel development throughout our business.

To my fellow Board members, a team who have all been very active in steering and supporting the Company, I want to personally thank you for your commitment to Atomos and your contribution to our success now and in the future.

And finally, to our shareholders, we thank you for your ongoing support, and for buying into our long-term vision. We look forward to sharing further updates with you as we continue onto the next stage of our journey.

Jeromy over to you.

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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 and Germany and has a worldwide distribution partner network.

For more information please visit **www.atomos.com**