



ASX Announcement

ATOMOS LIMITED (ASX:AMS)

25 October 2019

Acquisition of Timecode Systems & Institutional Placement

Highlights:

- Agreement signed for the strategic acquisition of Timecode Systems Ltd (TCS), a UK-based company that has developed unique and patented technology that enables multiple audio and video capture devices to **wirelessly** synchronise together
- The acquisition furthers Atomos' vision to enhance and democratise video content creation where traditionally multiple device synchronisation, which represents a key aspect of the overall control of such distributed systems, has been difficult, expensive and time consuming
- Atomos has been a licensee of the TCS technology which is already integrated in Atomos' latest products
- Like Atomos, TCS also licenses or has key relationships with other global audio and video companies including Panasonic, JVC Kenwood, Nikon, GoPro, Zoom, Sound Devices, Tascam, Apple, Adobe, Apogee and ARRI
- Leveraging Atomos' distribution channels, customer relationships and supplier arrangements, material revenue growth and cost synergies are expected resulting in the acquisition being earnings accretive in FY21
- Acquisition consideration of GBP £3.02 million (equivalent to A\$5.68 million) in cash and 9,237,309 Atomos fully paid ordinary shares (**Shares**)
- Raised approximately \$22.56 million via a two-tranche institutional placement (**Placement**) at \$1.30 per Share
- Placement proceeds will be used to fund the acquisition and provide growth capital to maximise sales and margin (building an inventory buffer & improving supply chain management) and take advantage of emerging market development opportunities

Atomos Limited (ASX:AMS, '**Atomos**' or the '**Company**') is pleased to announce that it has signed an agreement for the strategic acquisition of 100% of the share capital of UK-based Timecode Systems Ltd ("**TCS**"), a global leader in enabling accurate wireless synchronisation of multiple video and audio devices, e.g. phone, camera or audio recorder. The Company has also received commitments from institutional and sophisticated investors for a capital raising of approximately \$22.56 million.

Strategic Rationale

Traditionally, the accurate timecode synchronisation of video and audio footage from multiple devices (i.e. camera) has only been possible by using cables linked to each

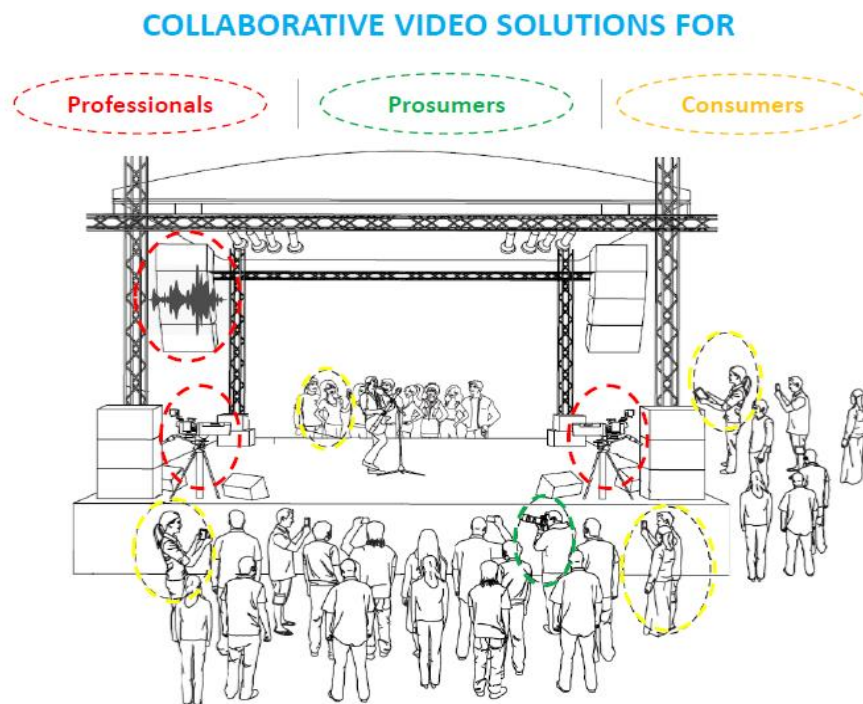




separate device (referred to as genlock or generator locking) – a process that required considerable time, equipment and know-how to set up.

This process is a critical element in video and audio capture as any sync/frame timing issue can lead to multiple device footage drifting apart over time, leading to inconsistencies in post-production editing. As a result, the synchronisation of multiple video and audio sources, which is a key aspect of the overall control of such systems, has traditionally been left to the higher-end professional video market.

TCS' technology is the next evolution for the industry, enabling multiple devices to be **wirelessly** synced together using precise timecode and metadata information. This provides content creators with greater flexibility and improved workflow whilst delivering cost savings. The result being the increasing democratisation of compelling content creation, helping bring multi device productions to the mainstream.

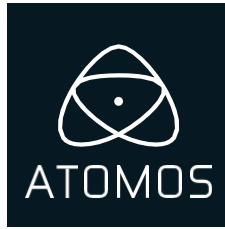


The TCS technology, protected by a patent portfolio, is highly complementary to the Company, as Atomos is an existing licensee, offering a separate synchronisation module as part of the AtomX range. Through the acquisition, Atomos will be able to fully integrate the TCS synchronisation technology into its product suite.

Although still relatively early in the commercialisation phase, TCS has achieved early traction with a number of Original Equipment Manufacturers (OEMs) across both video and audio with either hardware module adoption or (software) SDK adoption for its patented Bluetooth protocol.

TCS solutions have been widely adopted by major broadcasters including BBC, ITV and NBC Universal. They have been used on major feature films such as The Avengers, James Bond Spectre and Mary Poppins along with being used on NASCAR / Red Bull on action sport events.





Financial Rationale

The TCS acquisition is expected to deliver financial benefits in three distinct areas:

1. **Product commercialisation** through new and enhanced existing products;
2. **Increased sales** of the existing TCS product range via rebranding to Atomos and utilising Atomos' sales and distribution channels;
3. **Cost synergies** from transitioning to Atomos supplier arrangements and manufacturing processes.

TCS current revenue is growing as the technology continues to be commercialised, with the business expected to be earnings accretive in FY21, following significant revenue growth.

Acquisition Integration

Following completion of the acquisition, TCS co-founders Paul Scurrall (CEO) and Paul Bannister (CTO) will join Atomos, managing the integration process whilst continuing to drive revenue growth. TCS has 10 existing employees who will all join Atomos after the acquisition.

The acquisition is expected to be completed in December 2019.

Further details of the acquisition are set out in the investor presentation that accompanies this announcement.

Atomos CEO, Jeromy Young, said: "The primary rationale for the acquisition is the value Atomos can realise from acquiring the TCS IP and effectively accelerating and increasing the commercialisation of that IP. The IP has very significant disruptive implications for the future of content creation and therefore such an acquisition is very much on-strategy with Atomos' vision.

Amongst other IP, TCS has a patent over data synchronisation between personal and professional devices. This means that only TCS can provide media synchronisation between multiple smart phones and professional content as well as social media platform sharing and editing. It is management's view that to own this patent (and associated patents) would help transform Atomos as it continues to push into the social market segment," he said.

"A focus for us is providing customers with a seamless user experience, which benefits Atomos by creating a sticky customer base, and the acquisition of TCS will feed into this dynamic."





Timecode Systems CEO, Paul Scurrell said: “The world’s leading camera manufacturers and software editing providers have been demanding an integrated Sync solution to satisfy the unmet needs of both professional and consumer users. Not only is the Atomos-TCS relationship already perfectly aligned, but by coming together, we will enable consumers and professionals to do more of what they love to do, be creative and engaging with high-quality videos, but without the annoying time-consuming activities.

We look forward to working more closely with Jeromy and the Atomos team and believe in their vision of bringing professional quality video content tools to the masses. This was a large factor in our decision around the structure of consideration, choosing to receive the majority in Atomos shares, an outcome we believe will best maximise value for TCS shareholders”.

Key terms of the Acquisition

Atomos has signed a binding agreement to acquire 100% of the share capital of TCS for consideration, comprising GBP £3.02 million (equivalent to A\$5.68 million) in cash and the issue of 9,237,309 Atomos Shares.

Completion of the acquisition is subject to shareholder approval for the issue of the consideration Shares to the vendors at Atomos’ Annual General Meeting which is scheduled for 29 November 2019. The consideration Shares are subject to escrow restrictions for between 6 and 24 months.

The key terms and conditions of the Share Purchase Agreement for the acquisition are set out in the Appendix.

Placement

In conjunction with the acquisition, Atomos has received binding commitments for a ~\$22.56 million placement to sophisticated and professional investors of 17,358,000 Shares at \$1.30 per share.

The issue price represents an 8.1% discount to the last traded price and a 12.1% discount to the previous 5-day VWAP.

Approximately 15.3 million Shares will be issued under Atomos’ existing placement capacity under Listing Rule 7.1 (**First Tranche**) and the issue of the balance of approximately 2.06 million Shares is conditional upon Shareholder approval being obtained at the Company’s AGM (**Second Tranche**).

The First Tranche Shares are expected to be issued on 31 October 2019 and the Second Tranche are expected to be issued on 4 December 2019.

The Shares issued under the Placement will rank equally with the existing Shares on issue in the Company.





Use of Funds

Description	A\$ Value
Acquisition of TCS and associated costs	\$6.0m
Growth capital to provide balance sheet flexibility:	
- For the growing core business to maximise sales opportunities and optimise margin through adequate provisions for inventory buffer and optimal supply-chain management	\$10.0m
- To pursue growth opportunities through strategic organic options and/or M&A	\$5.56m
Capital raising costs	\$1.0m
Total	\$22.56m

Morgans Corporate Limited is the lead manager to the Placement with Henslow Pty Ltd as joint bookrunner.

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About Atomos:

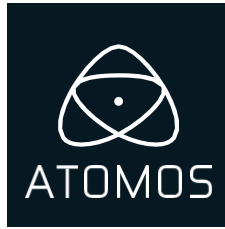
Atomos is a global video technology company delivering award-winning, simple to use monitor-recorder content creation products. These products give content creators across the rapidly growing social, pro-video and entertainment markets a faster, higher quality and more affordable production system.

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**



**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.





APPENDIX

KEY TERMS AND CONDITIONS OF THE ACQUISITION

Term	Details
Acquisition	Acquisition of the entire issued share capital of Timecode Systems Ltd (TCS)
Parties	Purchaser: Atomos Limited (Atomos) Vendors: The existing shareholders of TCS
Consideration	GBP £3.02 million (equivalent to A\$5.68 million) in cash plus 9,237,309 fully paid ordinary shares in Atomos (Consideration Shares). The Consideration Shares will rank pari passu with the existing Shares from the date of issue.
Escrow	2,726,970 Consideration Shares to be issued to the two founders of TCS: • 100% of Consideration Shares for six months from completion of the Acquisition; and • 75% of the Consideration Shares for 24 months from completion of the Acquisition. 6,510,339 Consideration Shares to be issued to the remaining vendors will be escrowed for six months from completion of the Acquisition.
Condition precedent	Completion of the Acquisition is conditional upon Atomos shareholders approving the issue of Consideration Shares to the Vendors at the AGM on 29 November 2019.
Founders/key management of TCS	The founders will enter new Executive Services Agreements with TCS to remain with the business post-completion of the Acquisition. If the founders leave the Atomos group as a “bad leaver” within 24 months following completion, they will forfeit 25% of their escrowed Consideration Shares, which will be sold for the benefit of Atomos. At Completion, the founders will be offered an aggregate of 46,000 performance rights and 402,132 options under the Atomos Equity Incentive Plan subject to employment based vesting conditions and performance hurdles determined by the Atomos Board.
Warranties/indemnities	The Share Sale Agreement contains warranties, indemnities and associated limitations which are customary for transactions of this nature.

