ATOMOS LTD
ACN 139 730 500
ASX: AMS

Appendix 4E – Preliminary Final Report

Reporting period

Reporting period: for the year ended 30 June 2021
Previous corresponding period: for the year ended 30 June 2020

Results for announcement to the market

Atomos Ltd and its controlled entities is referred to as "Atomos", "the Group" or "the Company" within this report.

Revenue and profit/(loss) after tax for the year ended 30 June 2021	2021	Restated 2020	% Change
	$'000	$'000	
Revenue from ordinary activities	78,611	44,740	76%
Profit/(Loss) from ordinary activities after tax attributable to members	4,218	(22,340)	(119%)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,175	(17,426)	(147%)
Earnings before interest, tax, depreciation, amortisation and items not in the ordinary course of business[1]	8,175	(7,355)	(211%)
Profit/(Loss) from ordinary activities after tax attributable to members before items not in the ordinary course of business[1]	4,218	(12,269)	(134%)

[1]Results have been presented to exclude the impact of items outside the ordinary course of business to allow shareholders to make a meaningful comparison with prior year comparatives. Further details on the material items have been provided in the notes below.

Dividends

No dividends have been paid during the period and it is not proposed that any dividends be paid.
No dividends were paid during the previous corresponding period.

Overview of operating results

Revenue from ordinary activities in 2021 was up $33.9 million, or 76%, from $44.7 million primarily due to the strong adoption of Apple's ProRes RAW video format by consumers, the launch of several new products and recovery from COVID-19.

Net profit after tax for the year was at $4.2 million as compared to a loss of $22.3 million in 2020, up $26.5 million.
This was primarily driven by:

- A 76% increase in revenue to $78.6 million;
- Improvement in gross margin from 36% to 48% drove an increase in gross profit of $21.3 million;
- Strong cost control; and
- No one-off impairment of assets which in 2020 was $6.9 million.

Annual General Meeting

In accordance with ASX Listing Rule 3.13.1, the Company advises that its annual general meeting (AGM) will be held on or about **Tuesday, 23 November 2021**. The time and other details relating to the AGM will be advised in the notice of meeting to be sent to all shareholders and released to ASX immediately after despatch.

An item of business at the AGM will be the re-election of directors. In accordance with clause 60.2(b) of the Company's Constitution, the closing date for receipt of nominations from persons wishing to be considered for election as a director is **Monday, 20 September 2021**. Valid nominations for the position of director are required to be lodged at the registered office of the Company by **5:00pm (AEST) Monday, 20 September 2021**.

Appendix 4E – Preliminary Final Report (continued)

Net tangible assets per security

	30-Jun-21	30-Jun-20
Net tangible assets per security	$0.18	$0.16
Total number of shares on issue at period end	218,482,912	217,665,489

For the purposes of calculating net tangible assets per security, the carrying values of the Right-of-use assets and the related lease liabilities have been excluded from the calculations.

Entities over which control has been gained or lost during the period

There are no entities over which control has been gained or lost during the period.

Associates and joint venture entities

There are no associates and joint venture entities.

Dividend reinvestment plans

The Company currently does not have a dividend reinvestment plan.

Independent audit report

This report is 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.

Accounting standards

This report has been compiled using Australian Accounting Standards and International Financial Reporting Standards.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2021 Annual Report (which includes the Directors' Report) which has not been lodged with this Appendix 4E.

Atomos Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

	2021 $'000	Restated 2020 $'000
Revenue	78,611	44,740
Cost of sales	(41,173)	(28,640)
Gross profit	**37,438**	**16,100**
Other income	1,400	366
Other losses	(487)	(10)
Employee benefits expense	(12,867)	(9,002)
Research and development expense	(4,973)	(3,761)
Advertising and marketing expense	(2,530)	(4,635)
Finance costs	(237)	(384)
Administration and other expense	(2,098)	(2,883)
Distribution expense	(2,860)	(1,786)
Warranty and royalty expense	(2,965)	(1,731)
Occupancy expense	(161)	(471)
Legal and professional services	(1,722)	(1,453)
Transaction costs	-	(1,226)
Depreciation and amortisation	(3,174)	(3,773)
Impairment of assets	-	(6,934)
Profit/(Loss) before income tax	**4,764**	**(21,583)**
Income tax expense	(546)	(757)
Profit/(Loss) for the period	**4,218**	**(22,340)**
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss:	-	-
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences on translating foreign operations	(155)	(97)
Other comprehensive loss for the period	**(155)**	**(97)**
Total comprehensive profit/(loss) for the period	**4,063**	**(22,437)**
Earnings per share		
Basic profit/(loss) per share	0.02	(0.12)
Diluted profit/(loss) per share	0.02	(0.12)

Atomos Limited
Consolidated Statement of Financial Position
As at 30 June 2021

	2021 $'000	Restated 2020 $'000
Assets		
Current assets		
Cash and cash equivalents	25,984	18,768
Trade and other receivables	12,757	4,668
Inventories	16,654	16,808
Other current assets	5,233	2,371
Total current assets	**60,628**	**42,615**
Non-current assets		
Property, plant and equipment	2,421	2,663
Right-of-use assets	2,998	8,963
Intangible assets	25,152	25,096
Total non-current assets	**30,571**	**36,722**
Total assets	**91,199**	**79,337**
Liabilities		
Current liabilities		
Trade and other payables	21,893	10,708
Borrowings	-	139
Provisions	1,245	755
Lease liabilities	579	1,107
Total current liabilities	**23,717**	**12,709**
Non-current Liabilities		
Provisions	284	130
Lease liabilities	2,614	8,288
Deferred tax liability	870	1,043
Non-current Liabilities	**3,768**	**9,461**
Total liabilities	**27,485**	**22,170**
Net assets	**63,714**	**57,167**
Equity		
Issued capital	101,749	101,538
Foreign currency translation reserve	(105)	50
Share based payments reserve	3,217	944
Accumulated losses	(41,147)	(45,365)
Total equity	**63,714**	**57,167**

Atomos Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Issued capital (Ordinary shares)	Accumulated losses	Foreign currency translation reserve	Share based payments reserve	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	44,057	(23,025)	147	2,030	23,209
Transactions with owners					
Share-based payments	-	-	-	263	263
Issue of new share capital	58,362	-	-	-	58,362
Transaction costs relating to issue of share capital	(2,230)	-	-	-	(2,230)
Transfer to issued capital on issuance of shares for services, exercised options, settled performance rights	1,349	-	-	(1,349)	-
Total transactions with owners	**57,481**	**-**	**-**	**(1,086)**	**56,395**
Comprehensive income					
Loss for the period (Restated)	-	(22,340)	-	-	(22,340)
Other comprehensive income	-	-	(97)	-	(97)
Total comprehensive income	**-**	**(22,340)**	**(97)**	**-**	**(22,437)**
Balance at 30 June 2020	**101,538**	**(45,365)**	**50**	**944**	**57,167**
Balance at 1 July 2020	101,538	(45,365)	50	944	57,167
Transactions with owners					
Share-based payments	-	-	-	2,273	2,273
Issue of new share capital	221	-	-	-	221
Transaction costs relating to issue of share capital	(10)	-	-	-	(10)
Total transactions with owners	**211**	**-**	**-**	**2,273**	**2,484**
Comprehensive income					
Profit for the period	-	4,218	-	-	4,218
Other comprehensive income	-	-	(155)	-	(155)
Total comprehensive income	**-**	**4,218**	**(155)**	**-**	**4,063**
Balance at 30 June 2021	**101,749**	**(41,147)**	**(105)**	**3,217**	**63,714**

Atomos Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	2021 $'000	2020 $'000
Operating activities		
Receipts from customers	73,333	49,541
Payments to suppliers and employees	(63,391)	(63,129)
Interest received	35	26
Income taxes paid	(161)	(124)
Net cash generated by / (used in) operating activities	**9,816**	**(13,686)**
Investing activities		
Payments for property, plant and equipment	(845)	(3,127)
Payments for right-of-use assets	(33)	(64)
Payments for intangible assets	(1,085)	(3,196)
Payment for acquisition of subsidiary	-	(5,617)
Net cash used in investing activities	**(1,963)**	**(12,004)**
Financing activities		
Proceeds from issue of equity instruments in the compar	221	44,010
Payment for equity raise costs	(10)	(2,230)
Interest paid on borrowings and lease liabilities	(237)	(384)
Repayment of lease liabilities	(762)	(664)
Repayments of borrowings (net)	-	(1,361)
Net cash (outflow) / inflow from financing activities	**(788)**	**39,371**
Net change in cash and cash equivalents	7,065	13,681
Cash and cash equivalents, beginning of period	18,768	5,112
Exchange differences on cash and cash equivalents	151	(25)
Cash and cash equivalents, end of period	**25,984**	**18,768**

Notes to the Consolidated Financial Statements

Review of Operations

FY21 started slowly with weak, but improving, sales from the continued impact of the COVID pandemic. However, Atomos recovered quickly in the second quarter and reported sales at pre-COVID levels by the end of the second quarter and record revenue for the first half. This momentum continued through the second half and was helped by the strong adoption of the Apple ProRes RAW video format as well as the launch of several new products. Strong cost control ensured that the record revenue and gross profit translated to record earnings for the year.

Summary of results for 2021 compared to prior period

Consolidated Statement of Profit or Loss and Other Comprehensive Income	2021 $'000	Restated 2020 $'000	Change $ $'000	Change %
Revenue	**78,611**	**44,740**	**33,871**	**76%**
Cost of sales	(41,173)	(28,640)	(12,533)	44%
Gross profit	**37,438**	**16,100**	**21,338**	**133%**
Gross Margin %	**48%**	**36%**		**12%**
Operating expenses	(29,263)	(26,592)	(2,671)	10%
Impairment of assets	-	(6,934)	6,934	(100%)
EBITDA	**8,175**	**(17,426)**	**25,601**	**(147%)**
Finance costs	(237)	(384)	147	(38%)
Depreciation and amortisation	(3,174)	(3,773)	599	(16%)
Profit/(Loss) before income tax	**4,764**	**(21,583)**	**26,347**	**(122%)**
Income tax expense	(546)	(757)	211	(28%)
Profit/(Loss) for the year	**4,218**	**(22,340)**	**26,558**	**(119%)**

Included in the 2020 results above are certain items which were significant and/or not incurred in the ordinary course of business and are fully detailed in the normalised earnings section overleaf. The impact of excluding these items from the Consolidated Statement of Profit or Loss and Other Comprehensive Income is as follows:

Normalised Consolidated Statement of Profit or Loss and Other Comprehensive Income	2021 $'000	Restated 2020 $'000	Change $ $'000	Change %
Revenue	**78,611**	**44,447**	**34,164**	**77%**
Gross profit	**37,438**	**17,683**	**19,755**	**112%**
Gross Margin %	48%	40%		8%
Operating expenses	(29,263)	(25,038)	(4,225)	17%
EBITDA	**8,175**	**(7,355)**	**15,530**	**(211%)**

Review of Operations (continued)

Revenue

Revenue of $78.6 million was 77% higher than 2020 normalised Revenue due to the strong adoption of Apple's ProRes RAW video format by consumers, the launch of several new products and recovery from COVID-19.

Gross Profit

Gross Profit margin has improved significantly to well above pre COVID levels. The margin in 2020 was impacted by higher than normal levels of discounting and product promotions to continue to drive sales during COVID-19. The improvement in 2021 was amplified by stronger margins on new products introduced during 2021.

Operating Costs

Operating costs of $29.3 million were $4.2 million or 17% up on 2020 normalised operating costs. These include distribution, warranty and royalty expenses which increased due to higher revenue ($2.3 million). The remaining increase is primarily due to higher employee costs. The operating costs are net of one-off income of $0.5 million due to the renegotiation of a lease during the period.

EBITDA

The EBITDA of $8.2 million is $15.5 million higher than the normalised EBITDA loss for 2020 of $7 million. This was primarily due to higher Gross Profit of $19.8 million.

Depreciation and Amortisation

Depreciation and amortisation reduced by $0.6 million primarily driven by lower amortisation of Right-of-use assets due to the lease modification and no amortisation for intangibles impaired in 2020.

Income Tax Expense

Income tax expenses incurred of 0.5 million during the period relate to non-Australian 100% subsidiaries where a taxable profit was reported, offset by unwinding of deferred tax liability.

Net Profit / (Loss) After Tax

The consolidated profit of the Group for the financial year after providing for income tax amounted to $4.2 million (2020: loss $22.3 million).

Change in accounting policy

Following clarifying guidance from the International Financial Reporting Interpretations Committee (IFRIC), Atomos adopted a change in accounting policy in relation to the treatment of configuration and customisation costs related to cloud computing arrangements, commonly referred to as Software as a Service (SaaS). Under the revised accounting policy, costs that would have been previously capitalised are treated as operating expenditure where the entity cannot demonstrate the ability to control the relevant software. In accordance with Australian Accounting Standards the change in accounting policy has been adopted retrospectively and prior comparative periods have been restated. The tables below show the impact of the change in accounting policy on previously reported financial results:

Impact on Consolidated Statement of Financial Position	30-Jun-20 $'000	SaaS Restatement $'000	Restated 30-Jun-20 $'000
Assets			
Other current assets	2,613	(242)	**2,371**
Net assets	57,409	(242)	**57,167**
Equity			
Accumulated losses	(45,123)	(242)	**(45,365)**
Total equity	57,409	(242)	**57,167**

Impact on Consolidated Statement Profit or Loss and Other Comprehensive Income			
Administration and other expense	(2,641)	(242)	**(2,883)**
Profit/(Loss) before income tax	(21,341)	(242)	**(21,583)**
Profit/(Loss) for the period	(22,098)	(242)	**(22,340)**

Reconciliation of normalised earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS term which the Group uses to measure performance. Additionally, the reported 2020 result includes a number of items that were significant and/or not considered to be in the ordinary course of business and the table below quantifies these to provide a view of the underlying trading result.

Reconciliation of normalised earnings (continued)

$'000	Restated 2020	Items that were significant and/or not in the ordinary course of business[1]	Underlying Result
Revenue	44,740	(293)	44,447
Cost of sales	(28,640)	1,876	(26,764)
Gross profit	**16,100**	**1,583**	**17,683**
Gross Margin %	36%		40%
Operating Expenses – ongoing	(25,038)		(25,038)
Operating Expenses – one-off	(8,488)	8,488	-
EBITDA	**(17,426)**	**10,071**	**(7,355)**
Depreciation and amortisation	(3,773)	-	(3,773)
Finance costs	(384)	-	(384)
Loss before income tax	**(21,583)**	**10,071**	**(11,512)**
Income tax expense	(757)	-	(757)
Loss for the year	**(22,340)**	**10,071**	**(12,269)**

[1]Items that were significant and/or not in the ordinary course of business (2020)	$'000
Revenue	
Incremental discounting on inventory clearance	(293)
Revenue	**(293)**
Cost of sales	
One off Inventory write-off / clearance	1,083
Third party production cost write-offs	918
Custom Fees Refund	(125)
Cost of sales	**1,876**
Operating Expenses	
Impairment of assets	6,934
Transaction costs	1,226
Restructuring costs	328
Operating Expenses	**8,488**
Total Items not in the ordinary course of business	**10,071**

-End of Appendix 4E – preliminary final report-