ATOMOS LTD
ACN 139 730 500
ASX: AMS

Appendix 4E – Preliminary Final Report

Reporting period

Reporting period: for the year ended 30 June 2022
Previous corresponding period: for the year ended 30 June 2021

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 2022	2022	2021	% Change
	$'000	$'000	
Revenue from ordinary activities	81,971	78,611	4%
Profit/(Loss) from ordinary activities after tax attributable to members	(6,048)	4,218	(243%)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,198)	8,175	(115%)
Earnings before interest, tax, depreciation, amortisation and items not in the ordinary course of business[1]	4,464	8,175	(45%)
Profit/(Loss) from ordinary activities after tax attributable to members before items not in the ordinary course of business[1]	(386)	4,218	(109%)

[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 2022 of $82 million was up $3.4 million, or 4%, from $78.6 million, despite the challenging conditions faced in Q3. Atomos released the first of its Series 2 'connected' products in June 2022 (Shogun Connect, Atomos Connect and Zato Connect), which have each been well-received.

Net loss after tax for the year was at $6.0 million as compared to a profit of $4.2 million in 2021.This was primarily driven by:

- Drop in gross profit of $4.8 million due to several one-off items, including temporary price drops/promotions on Ninja V / V+ to drive yearend sales, clearance of discontinued products, increased input costs and downward pressure on selling prices;
- Increase in operating costs of $3.1 million primarily due to resumption of tradeshows;
- No jobkeeper subsidy or gain on modification of lease aggregating to $1.3 million; and
- Increase in depreciation and amortisation and finance costs aggregating to $1 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, 22 November 2022**. 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 **Friday, 16 September 2022**. Valid nominations for the position of director are required to be lodged at the registered office of the Company by **5:00pm (AEST) Friday, 16 September 2022**.

Appendix 4E – Preliminary Final Report (continued)

Net tangible assets per security

	30-Jun-22	30-Jun-21
Net tangible assets per security	$0.14	$0.18
Total number of shares on issue at period end	222,267,766	218,482,912

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 2022 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 2022

	2022 $'000	2021 $'000
Revenue	81,971	78,611
Cost of sales	(49,311)	(41,173)
Gross profit	**32,660**	**37,438**
Other income	72	1,400
Net foreign exchange loss	(480)	(487)
Employee benefits expense	(12,088)	(12,867)
Research and development expense	(4,624)	(4,973)
Advertising and marketing expense	(5,449)	(2,530)
Finance costs	(527)	(237)
Administration and other expense	(2,749)	(2,098)
Distribution expense	(4,155)	(2,860)
Warranty and royalty expense	(1,586)	(2,965)
Occupancy expense	(293)	(161)
Legal and professional services	(2,365)	(1,722)
Transaction costs	(141)	-
Depreciation and amortisation	(3,874)	(3,174)
Profit/(Loss) before income tax	**(5,599)**	**4,764**
Income tax expense	(449)	(546)
Profit/(Loss) for the period	**(6,048)**	**4,218**
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	(342)	(155)
Other comprehensive loss for the period	**(342)**	**(155)**
Total comprehensive profit/(loss) for the period	**(6,390)**	**4,063**
Earnings per share		
Basic profit/(loss) per share	(0.03)	0.02
Diluted profit/(loss) per share	(0.03)	0.02

Atomos Limited
Consolidated Statement of Financial Position
As at 30 June 2022

	2022 $'000	2021 $'000
Assets		
Current assets		
Cash and cash equivalents	5,001	25,984
Trade and other receivables	29,343	12,757
Inventories	24,022	16,654
Other current assets	8,710	5,233
Total current assets	**67,076**	**60,628**
Non-current assets		
Property, plant and equipment	1,725	2,421
Right-of-use assets	6,177	2,998
Intangible assets	28,939	25,152
Investment	28	-
Total non-current assets	**36,869**	**30,571**
Total assets	**103,945**	**91,199**
Liabilities		
Current liabilities		
Trade and other payables	23,227	20,751
Borrowings	2,750	-
Provisions	1,878	1,423
Lease liabilities	1,062	579
Total current liabilities	**28,917**	**22,753**
Non-current Liabilities		
Trade and other payables	1,036	1,142
Borrowings	9,022	-
Provisions	135	106
Lease liabilities	5,513	2,614
Deferred tax liability	761	870
Non-current Liabilities	**16,467**	**4,732**
Total liabilities	**45,384**	**27,485**
Net assets	**58,561**	**63,714**
Equity		
Issued capital	102,492	101,749
Foreign currency translation reserve	(447)	(105)
Share based payments reserve	3,711	3,217
Accumulated losses	(47,195)	(41,147)
Total equity	**58,561**	**63,714**

Atomos Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2022

	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 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**
Balance at 1 July 2021	101,749	(41,147)	(105)	3,217	63,714
Transactions with owners					
Share-based payments	-	-	-	494	494
Issue of new share capital	758	-	-	-	758
Transaction costs relating to issue of share capital	(15)	-	-	-	(15)
Total transactions with owners	**743**	**-**	**-**	**494**	**1,237**
Comprehensive income					
Loss for the period	-	(6,048)	-	-	(6,048)
Other comprehensive income	-	-	(342)	-	(342)
Total comprehensive income	**-**	**(6,048)**	**(342)**	**-**	**(6,390)**
Balance at 30 June 2022	**102,492**	**(47,195)**	**(447)**	**3,711**	**58,561**

Atomos Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2022

	2022 $'000	2021 $'000
Operating activities		
Receipts from customers	67,638	73,333
Payments to suppliers and employees	(93,848)	(63,391)
Interest received	1	35
Income taxes paid	(245)	(161)
Net cash generated by / (used in) operating activities	**(26,454)**	**9,816**
Investing activities		
Payments for property, plant and equipment	(909)	(845)
Payments for right-of-use assets	-	(33)
Payments for intangible assets	(5,016)	(1,085)
Payments for investments	(28)	-
Net cash used in investing activities	**(5,953)**	**(1,963)**
Financing activities		
Proceeds from issue of equity instruments in the company	758	221
Payment for equity raise costs	(15)	(10)
Interest paid on borrowings and lease liabilities	(484)	(237)
Repayment of lease liabilities	(837)	(762)
Borrowings (net)	11,993	-
Net cash (used in) /generated by financing activities	**11,415**	**(788)**
Net change in cash and cash equivalents	(20,992)	7,065
Cash and cash equivalents, beginning of period	25,984	18,768
Exchange differences on cash and cash equivalents	9	151
Cash and cash equivalents, end of period	**5,001**	**25,984**

Notes to the Consolidated Financial Statements

Review of Operations

FY22 was impacted by several one-offs including temporary price drops/promotions, increases in headcount (not required and since removed), costs to establish cloud services and founder transtion costs.

Revenue of $82 million was up $3.4 million, despite challenging conditions faced in Q3. Atomos also released the first of its Series 2 'connected' products in June 2022 (Shogun Connect, Atomos Connect and Zato Connect), which have each been well-received. These devices have the groundbreaking ability to connect to cloud-based workflows and support live streaming to a range of online services, including Facebook Live, Twitch, and YouTube.

Summary of results for 2022 compared to prior period

Consolidated Statement of Profit or Loss and Other Comprehensive Income	2022	2021	Change $	Change %
	$'000	$'000	$'000	
Revenue	**81,971**	**78,611**	**3,360**	**4%**
Cost of sales	(49,311)	(41,173)	(8,138)	20%
Gross profit	**32,660**	**37,438**	**(4,778)**	**(13%)**
Gross Margin %	**40%**	**48%**		**(8%)**
Operating expenses	(33,858)	(29,263)	(4,595)	16%
EBITDA	**(1,198)**	**8,175**	**(9,373)**	**(115%)**
Finance costs	(527)	(237)	(290)	122%
Depreciation and amortisation	(3,874)	(3,174)	(700)	22%
Profit/(Loss) before income tax	**(5,599)**	**4,764**	**(10,363)**	**(218%)**
Income tax expense	(449)	(546)	97	(18%)
Profit/(Loss) for the year	**(6,048)**	**4,218**	**(10,266)**	**(243%)**

Included in the 2022 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	2022	2021	Change $	Change %
	$'000	$'000	$'000	
Revenue	**81,971**	**78,611**	**3,360**	**4%**
Gross profit	**34,523**	**37,438**	**(2,915)**	**(8%)**
Gross Margin %	42%	48%		(6%)
Operating expenses	(30,059)	(29,263)	(796)	3%
EBITDA	**4,464**	**8,175**	**(3,711)**	**(45%)**

Review of Operations (continued)

Revenue

Revenue of $82 million was 4% higher than 2021 primarily due to growth in demand for the company's products.

Gross Profit

Gross Profit margin dropped by $4.8 million due to several one-off items, including temporary price drops/promotions on Ninja V / V+ to drive yearend sales, clearance of discontinued products, increased input costs and downward pressure on selling prices.

Operating Costs

Operating costs of $33.9 million were $4.6 million or 16% up on 2021 operating costs. These costs included non-recurring items aggregating to $3.8 million. Operating costs adjusted for non-recurring items of $30.1 million compared to $29.3 million in 2021.

EBITDA

The EBITDA loss of $1.2 million is impacted by the factors above. The underlying EBITDA after adjusting for one-off/non-recurring items is $4.5 million which is $3.7 million or 45% lower than 2021.

Finance Costs

Finance costs increased by $0.3 million primarily due to the new debt facility.

Depreciation and Amortisation

Depreciation and amortisation increased by $0.7 million primarily driven by higher depreciation/amortisation on production related assets.

Income Tax Expense

Income tax expenses incurred of $0.4 million during the period relates to non-Australian 100% owned subsidiaries where a taxable profit was reported, offset by unwinding of deferred tax liability.

Net Profit / (Loss) After Tax

The consolidated loss of the Group for the financial year after providing for income tax amounted to $6.0 million (2021: profit $4.2 million).

Reconciliation of underlying earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS term which the Group uses to measure performance. Additionally, the reported 2022 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.

$'000	2022	Items that were significant and/or not in the ordinary course of business[1]	Underlying Result
Revenue	81,971		81,971
Cost of sales	(49,311)	1,863	(47,448)
Gross profit	**32,660**	**1,863**	**34,523**
Gross Margin %	40%		42%
Operating Expenses – ongoing	(30,059)		(30,059)
Operating Expenses – one-off	(3,799)	3,799	-
EBITDA	**(1,198)**	**5,662**	**4,464**
Depreciation and amortisation	(3,874)	-	(3,874)
Finance costs	(527)	-	(527)
Loss before income tax	**(5,599)**	**5,662**	**63**
Income tax expense	(449)	-	(449)
Loss for the year	**(6,048)**	**5,662**	**(386)**

[1]Items that were significant and/or not in the ordinary course of business (2022)	$'000
Cost of sales	
One off Inventory write-off / clearance	1,863
Cost of sales	**1,863**
Operating Expenses	
Restructuring costs	1,920
Cost to establish cloud services	1,117
Founder transition costs	762
Operating Expenses	**3,799**
Total Items not in the ordinary course of business	**5,662**

-End of Appendix 4E – preliminary final report-