

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

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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

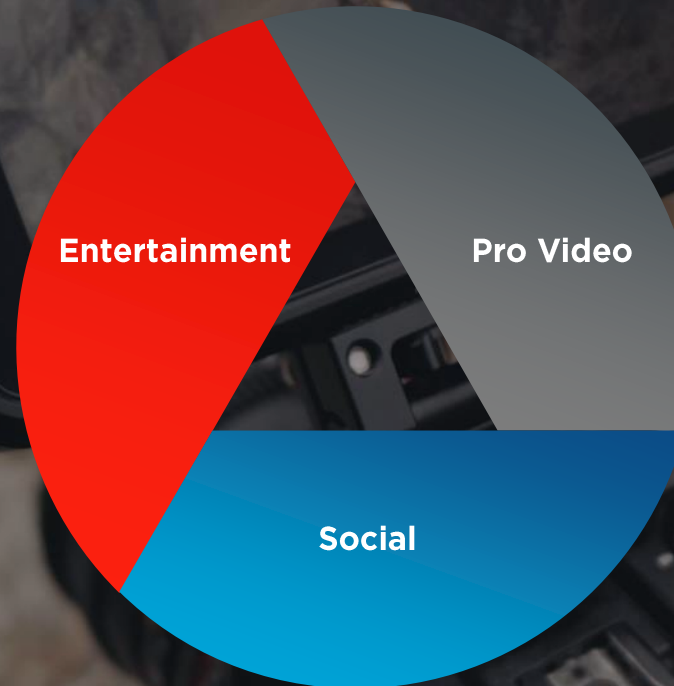


Allows video content creators to improve recording quality, save time and maintain greater flexibility and control over the content creation process



Advanced proprietary technologies underpin the current product suite and will be used to drive future growth into new markets

Key market segments



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



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

Target Markets – Current & Future

Atomos' growing product portfolio addresses a US\$10B camera equipment market¹

Content Creation	Social		Pro Video		Entertainment	
Camera Equipment	Phone & Photo Cameras		Pro Video Cameras		Broadcast, TV & Cinema	
Atomos Products	 SHINOBI		 NINJA		 SHOGUN	
			 SUMO		 NEON	
Future Markets	NEW MARKETS <i>Social</i>		STREAMING		NEW MARKETS <i>Entertainment</i>	

¹ CIPA Report, 2017

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FY20 Financial Summary¹ (For the 12 months ending, 30 June 2020)

Sales	• FY20 revenue of \$44.4m, down 17% on pcp² (1H'20: \$32.6m; 2H'20: \$11.8m) • 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 • 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

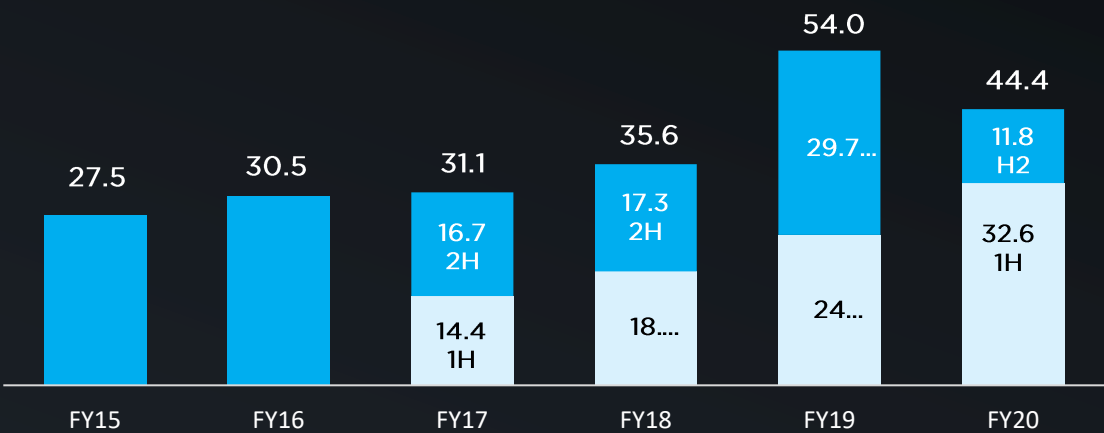
1. All numbers are Pro forma and exclude items outside the ordinary course of business, a full reconciliation is contained in Appendix 4E – Preliminary Final Report. All figures are based on the consolidated financial statements that are in the process of final audit completion. The independent audit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

FY20 Operational + Outlook

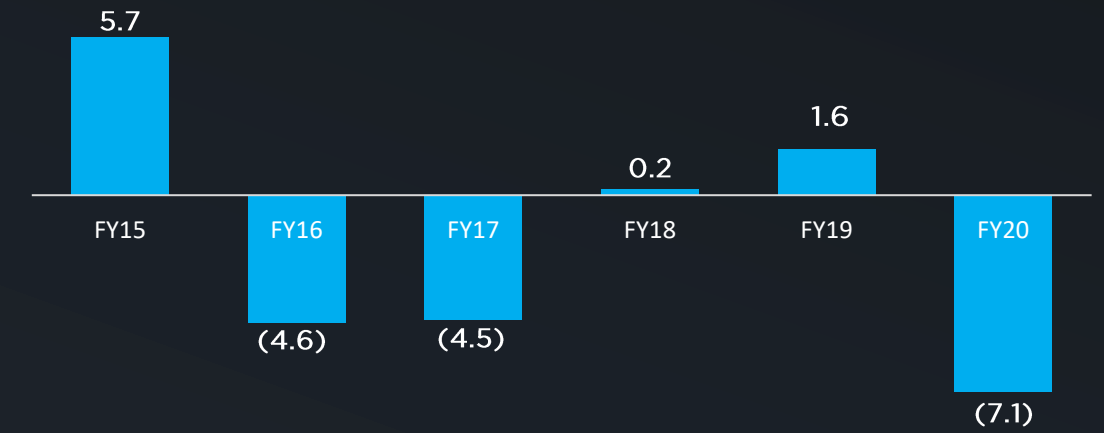
Products	• Despite COVID-19, Ninja V demand remained strong in FY20 increasing sales on FY19 and Shinobi (monitor only) continues to sell well appealing to the Social market • Completed TCS acquisition in December 2020, a technology enabling multi-device wireless timecode synchronisation • Shipped AtomX SYNC module in Q4'20, bringing wireless timecode, sync and control technology to the Ninja V • 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) • 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 • July and August revenue up 50%+ and 60%+, respectively, on 2H FY20 run rate of ~\$2m • Product roadmap on schedule with several new releases targeted for early 2Q'21 • Expect to return to pre-COVID-19 revenue levels by start of CY21, with a more cost-effective operating base

FY20 Financial Snapshot

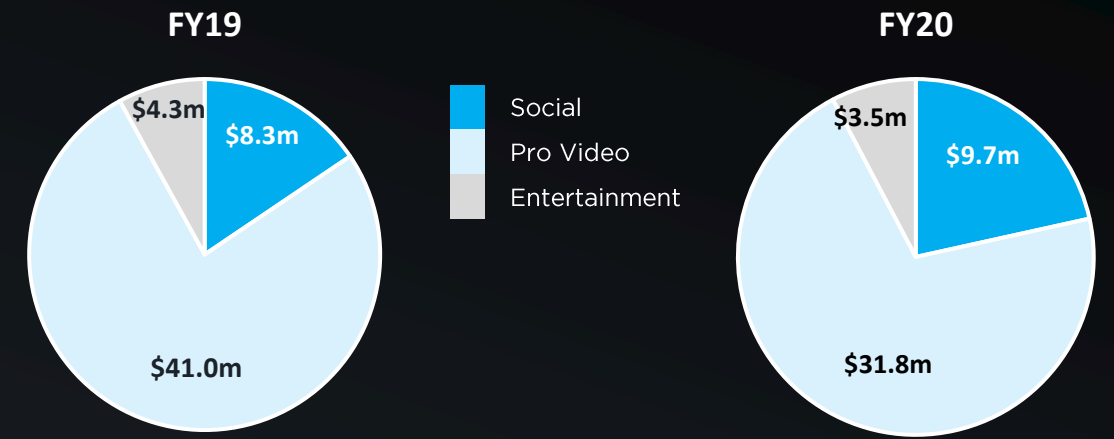
Pro Forma Revenue (\$m)¹



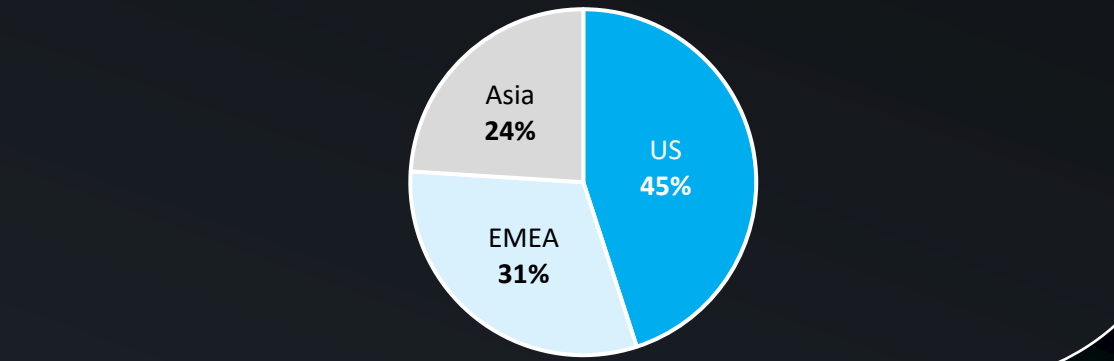
Pro Forma EBITDA (\$m)¹



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%)
<i>Gross Profit Margin %</i>	<i>44.3%</i>	<i>39.8%</i>	
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

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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:



- 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



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



Atomos has High Quality Multi Camera Technology



- 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

- 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

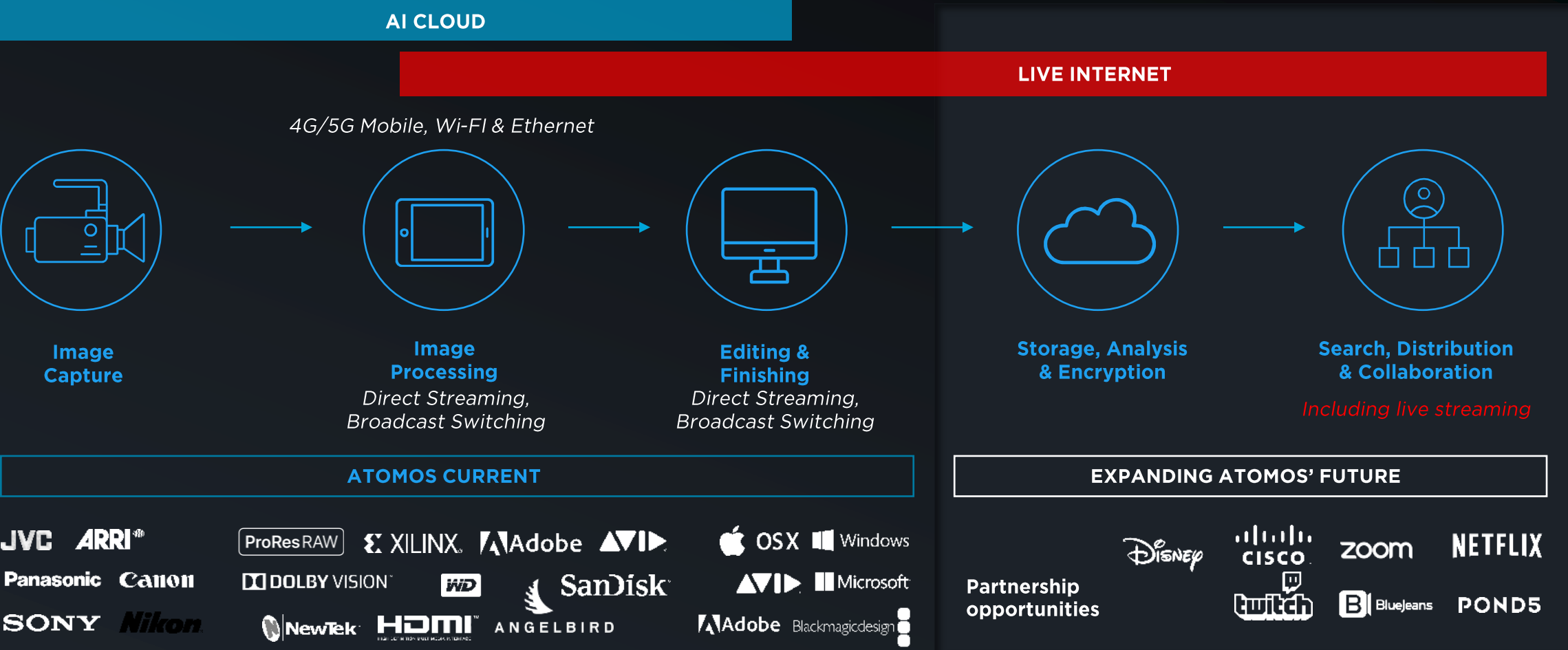
- AMS have dynamic touch switching technology included in the current Sumo and Shogun products
- AMS' product pricing allows a wider customer base to utilise professional live production techniques
- Accelerate Roadmap on existing Ninja Platform
 - Add High quality internet streaming formats in HD or 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

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Full solution to existing and new markets

New Live individual broadcast/streaming, Market Strategy



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

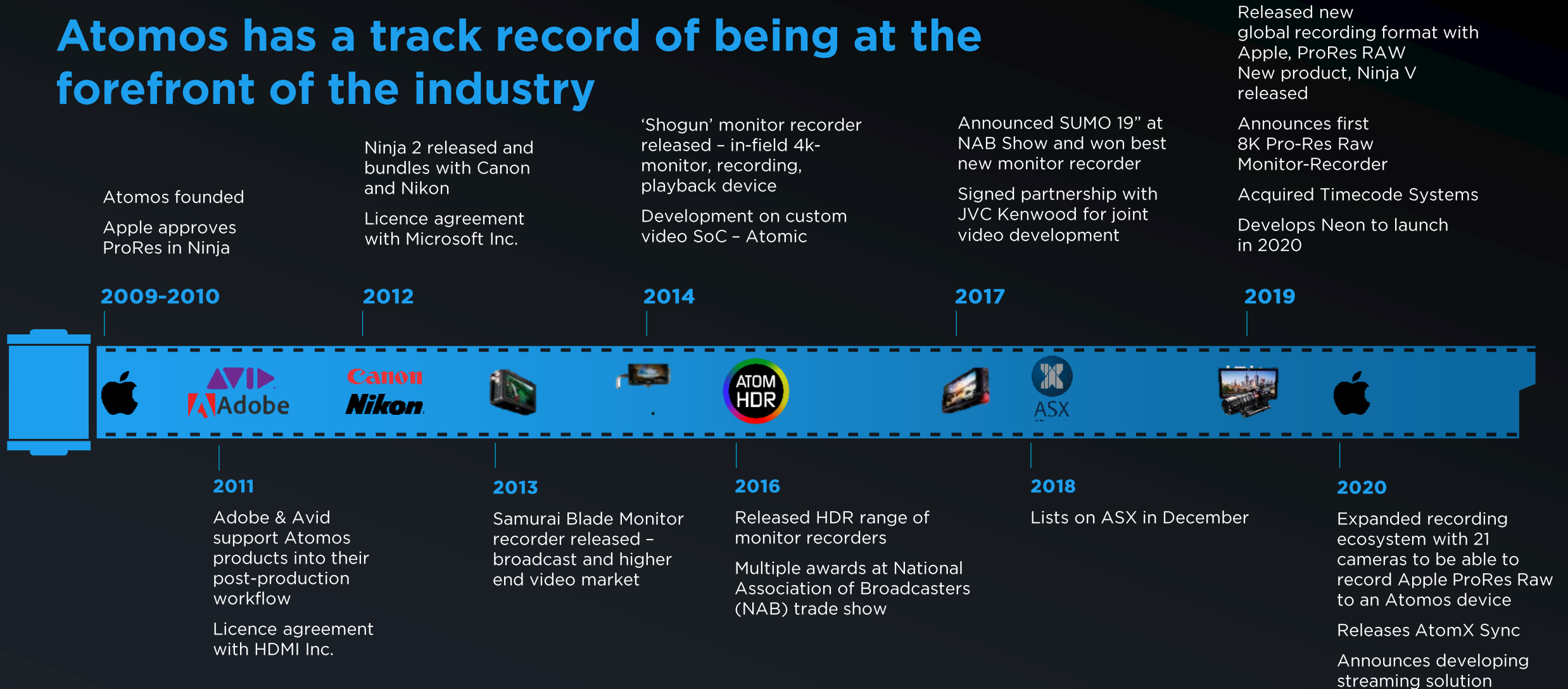
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Content Creation Workflow



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



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





Contacts

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For more information please visit www.atomos.com