

FY2020 Results

Positive start to FY21, exciting new products in the pipeline & on schedule

FY20 HIGHLIGHTS (12 months ending 30 June 2020)

- Revenue of \$44.4m, down 17% on pcp (previous corresponding period)
- EBITDA loss of \$7.1m; (1H profit \$1.0m, H2 loss of \$8.1m)
- Substantial cost reductions made in 2H'20
- Strong cash position of \$18.8m at 30 June and access to \$5m undrawn working capital facility

FY21 OUTLOOK

- Ninja V demand remains strong in early FY21 following recent Sony Alpha™, Z CAM and Panasonic announcements, expanding recording ecosystem with 21 cameras able to record Apple ProRes RAW to an Atomos device
- July and August revenue up 50%+ and 60%+, respectively, on 2H'20 run rate of ~\$2m
- Product roadmap on schedule with several new releases targeted for early 2Q'FY21, along with RAW over HDMI integrations with leading global camera makers
- Expect to return to pre-COVID-19 revenue levels by start of CY21, with a more cost-effective operating base

Atomos Limited (ASX:AMS, 'Atomos' or the 'Company') today reports its full year results ending 30 June 2020.

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)	

Atomos delivered FY20 revenue of \$44.4m, down 17% on FY19 revenue of \$54.0m. Following strong 1H'20 growth where the Company delivered revenue of \$32.6m (35% increase on pcp), 2H'20 revenue was \$11.8m (60% down on pcp), a clear indication of the impact COVID-19 has had on the business.

Gross profit was \$17.7m down 26% on pcp. Gross profit margin was 39.8% compared to 44.3% on pcp, with the lower margin driven by US import tariffs, stock protection provided to clear slow-moving inventory in channel and generally tighter market environment due to COVID, partly offset by the reclassification of warranty / royalty cost to operating expenses.

Operating expenses (including R&D expenses) of \$24.8m were slightly up on FY19, however the Company took swift action to implement several cost reduction initiatives in response to COVID-19. This resulted in the monthly fixed cost base being reduced by ~60% (compared to 1H'20 run rates) to approximately \$1.0m per month, including both temporary and permanent reductions, fully implemented as at the end of April 2020.

The current fixed cost base is approximately \$1.3m per month. As temporary cost reductions are gradually removed, the monthly fixed cost base is expected to increase to approximately \$1.6m per month, which is sustainable at pre COVID-19 monthly revenue run-rates. Additionally, the operating costs of the business include variable costs of freight, warranty and royalty expenses which totalled \$3.5m in FY20. While Management are confident of revenue improving during FY21, temporary cost savings will only be removed upon appropriate revenue support.

The Company ended FY20 with a strong cash position of \$18.8m, supported by an undrawn \$5.0m working capital facility.

Operations

Throughout FY20, the Ninja V continued to be a flagship product for the Company and despite the COVID-19 interruptions continues to be highly sought-after by content creators.

The Atomos ecosystem of external cameras supporting RAW over HDMI continues to expand with 21 cameras (18 shipping and 3 announced) now able to record Apple ProRes RAW to an Atomos device.

On 29 July 2020, AMS announced that the new Sony Alpha™ 7S III, one of the most anticipated camera releases in the past two years, will be able to record the Apple ProRes Raw format via the Ninja V. This follows similar announcements in respect of six Z CAM cameras, Panasonic's S1H, Sigma's fp and Fujifilm's GFX100 cameras.

Apple ProRes RAW is now firmly established as the new standard for RAW video capture with seven major global video companies (Sony, Canon, Nikon, Fujifilm, Z CAM, Sigma and Panasonic) having announced support for RAW over HDMI. Atomos is the only company with monitor/recorders that can record to Apple ProRes RAW (from enabled cameras), positioning it to benefit from a larger addressable market.

AMS is already in collaboration and expects to add RAW over HDMI implementations with several other major full-frame mirrorless camera makers over the next six months.

While AMS has been expanding the Apple ProRes Raw ecosystem on the recording side, global editing leader Adobe announced in May 2020 that Adobe Premiere Pro will support ProRes RAW, adding to the existing support in Apple Final Cut Pro X and Grass Valley Edius. The announcement by Adobe significantly expanded the editing options for ProRes RAW, further enhancing the Atomos ecosystem.

During the June quarter, AMS started shipping the AtomX SYNC module, which brings wireless timecode, sync and control technology to the Ninja V. The module attaches to the back of the Ninja V and can connect multiple AtomX SYNC-equipped Ninja Vs with cameras and audio recorders using reliable long-range RF wireless technology patented by Timecode Systems, acquired last year.

As advised in the Trading Update (30 July 2020), the NEON Cinema Series is in the final phase of engineering sign-off, with mass production to begin thereafter. The first units are expected to ship in 2Q'FY21.

Outlook

In July and August, revenue is up 50%+ and 60%+, respectively on 2H'20 run rate of ~\$2m.

As global restrictions ease, Atomos expect a continuing improvement in sales, albeit timing is uncertain, and anticipate returning to pre-COVID-19 revenue levels at the start of CY21, with a more streamlined and cost-effective operating base.

The planned product roadmap is currently on schedule with several new releases targeted for early 2Q'FY21, along with RAW over HDMI integrations with large global camera makers. The Company expects these products to be a meaningful contributor to revenue in FY21.

Commenting on the results and outlook, Chris Tait, Executive Chairman said: *"after a challenging and unprecedented period triggered by COVID-19 and with much effort and commitment from the team, I am delighted to see that the business is firmly on path to recovery and is expected to return to pre-COVID-19 revenue levels by the start of CY21"*.

Commenting on the outlook, Jeromy Young, Atomos' Founder and CEO, said: *"the high-quality video and RAW markets continue to bounce back, giving us good signs of recovery. I am extremely pleased to be back on deck with the next frontier of Atomos products in their final phases of development. These will significantly enhance the live, distant online video productions that have exploded during this pandemic – it's an exciting new chapter of growth."*

Authorised for ASX release by the Atomos Board of Directors.

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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, UK, Germany, China and Japan and has a worldwide distribution partner network.

For more information please visit www.atomos.com