

ASX Announcement

1 March 2023

Atomos Ltd trading update and commencement of strategic review

Summary:

- Unaudited revenue of circa \$21m, down circa 50% on previous corresponding period (pcp)
- Unaudited underlying EBITDA loss of circa \$11m (down circa \$14m on pcp)
- Annualised fixed cost base reduced by around 30% and strong inventory position enabling cash flow positive run-rate, supply and production certainty and substantial debt reduction
- Non cash impairment to carrying value of intangible assets of circa \$28m
- Early take-up of cloud services encouraging with >60% average monthly growth in number of users and connected devices since BETA launched in September 2022
- Requested voluntary suspension from trading pending finalisation of audit review process
- Advisers appointed to undertake strategic review

Atomos Limited (**ASX: AMS**, 'Atomos' or the 'Company') today gives a trading update for the six months to 31 December 2022.

The Company achieved revenue of circa \$21m for the period which was half the sales level for the prior corresponding period. The deterioration in global economic conditions slowed customer demand which was compounded by channel partners reducing inventory levels resulting in an underlying loss of around \$11m for the six month period.

Atomos will recognise a non-cash impairment charge of circa \$28m relating to a reduction in the carrying value of intangible assets. This stems from the uncertainty presented by the global economic conditions which has led Atomos to revise down its growth rate assumptions. The impairment is non-cash in nature and has no impact on debt facilities.

Whilst the subdued economic conditions may well persist, the Atomos view is that the destocking was temporary. Channel sell-through analysis shows higher sales of Atomos product than sell-in, supporting the view that sales will partially recover once channel partner inventory levels are normalised.

Atomos Cloud Studio will launch in full in the coming weeks, bringing a collection of cloud-based video production tools and services to Atomos customers via tiered subscription plans.

This strategic milestone will complete the connected product suite and help drive demand for the devices launched to date. Although the service is currently only available in BETA, Atomos has seen strong interest from an emerging new customer base which includes a range of large media organisations, professional sports clubs/leagues and corporates.

Operations

With the deterioration in performance, management undertook a rationalisation of the business in December 2022 which resulted in a circa 30% lower annualised fixed cost base.

Atomos has accumulated significant inventory through component stockpiling in response to the recent supply chain interruptions and from lower sales.

The combination of a reduced cost base and strong inventory levels provides a basis for the company to remain cashflow positive until it returns to profitability and while the challenging macro-economic circumstances persist.

Despite the challenging circumstances of 1H FY23, Atomos has successfully introduced new Series 2 connected products and cloud services. These new products and services have been positively received by both industry press and a host of new customers, expressing the view that this combination of new products and services will vastly improve the way video content is captured, edited, and distributed to clients and audiences.

The above restructuring of the business combined with the successful introduction of new Series 2 products and cloud-services means that Atomos has laid solid foundations for future growth. With an encouraging early take-up of Atomos Cloud Studio combined with positive reactions from a host of significant customers, including leading global video studios, top-tier US sports leagues and brands such as Ralph Lauren and festivals such as Sundance there is a high level of confidence that Atomos will be able to make significant inroads into the new customer segments it has been targeting.

Debt Management

Management's conservative plans show inventory unwinding through FY23 and FY24 and repaying its external debt, which had been reduced to \$4.9m as at 31st December 2022 (down from \$12m at 30th June, 2022). Whilst Atomos may not return to profitability until FY24, it is forecast to be compliant with all its restructured covenants.

With shareholder approval, the pricing of the warrant issued to the debt provider, Arrowpoint, of the 2.4million options expiring at 30 June 2024 will be reduced from 30c to 10c.

Audit Review Process

Given the challenging circumstances and the company's own resourcing issues across multiple jurisdictions, the finalisation of the audit review has been delayed. Atomos has requested suspension of trading to allow due process to take place. Atomos anticipates the suspension to last until the earlier of the lodgement of the Company's Financial Report with the ASX and 15 March 2023.

Strategic Review

The Atomos Board will appoint Henslow to undertake a strategic review of the business. The objective of the review is to evaluate the various strategic options for the business to ensure shareholder value is maximised. The Board gives no assurances regarding the outcome or timing of the review but intends to conduct the process expeditiously.

Commenting on the result and outlook, Trevor Elbourne, Chief Executive Officer said *Like many companies we have felt the effects of the global economic downturn through reduced sales. In our industry the impact of dampened consumer confidence has been exacerbated by the channel holding less inventory. In response to these pressures, we have reset the cost base of the business to enable us to operate on reduced revenue. Having adjusted the business to weather the current economic environment, we are now focused on executing our strategy through the imminent launch of Atomos Cloud Studio. Despite the current global economic challenges, there are positive signs for the future, and the initial take-up and reaction to our new connected products and cloud services from high-profile customers is very encouraging and is clear validation of our strategy. At the same time, we are conducting a strategic review of the broader options for the business to ensure we pursue those that will deliver the best value for shareholders.*

Authorised for ASX release by the Atomos Board of Directors.

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Atomos' Interactive Investor Hub,

Our investor hub is an interactive location to engage with the Atomos team on our announcements and updates. Please go to the Atomos Investor Hub for all market announcements and other news <https://announcements.atomos.com>.

We welcome investors to ask questions and add comments to which our team can respond where possible.

About Atomos:

ATOMOS designs pioneering products that transform the way film and video content is made around the world. From our range of hardware devices for monitoring and recording, easy-to-use software tools, and intelligent cloud services, we engineer best-in-class technologies and create products for the next generation of filmmakers.

Through relentless innovation, we simplify your workflow. Whether you record cinema-quality footage, monitor a scene with crystal clear colour accuracy, switch between multiple cameras, or stream a live event with a portable studio, ATOMOS empowers anyone to realize the best possible version of their creative potential.

ATOMOS is based in Melbourne, Australia, with a distributed worldwide team and offices in the USA, Japan, China, UK, and Germany and has a worldwide distribution partner network.

For more information, please visit **www.atomos.com**