

ATOMOS LTD
ACN 139 730 500
ASX: AMS

Appendix 4E – Preliminary Final Report

Reporting period

Reporting period: for the year ended 30 June 2024

Previous corresponding period ('PCP'): for the year ended 30 June 2023

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 2024	2024	2023	% Change	
	\$'000	\$'000		
Revenue from ordinary activities	35,721	42,763	(16%)	declined
Loss from ordinary activities after tax attributable to members	(22,362)	(61,061)	63%	improved
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(17,336)	(25,519)	32%	improved
Earnings before interest, tax, depreciation, amortisation and items not in the ordinary course of business ¹	(11,840)	(19,474)	39%	improved
Profit/(Loss) from ordinary activities after tax attributable to members before items not in the ordinary course of business ¹	(15,068)	(24,340)	38%	improved

¹Results 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

The Group's revenue declined by \$7.0 million in FY24, or 16%, compared to the PCP. However, EBITDA (excluding impairments in the current and PCP), was significantly improved with better margins and tighter expense control. Key highlights were as follows:

- Revenue of \$35.7m, 16% lower than the PCP.
 - Revenue in the second half (H2) of FY24 revenue was \$18.3m, 5.1% higher than the first half (H1) FY24.
- Gross Profit of \$11.2m, \$6.5m higher than the PCP. FY24 GP% was 31% compared to 11% for PCP. On an underlying basis (i.e. excluding non-recurring costs), FY24 gross profit was \$12.0m and GP% was 34%.
 - On an underlying basis, further margin improvements in second half of the year were achieved, with H2 FY24 GP% at 36% compared to H1 FY24 GP of 31%.

- Reported earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) a loss of \$17.3m (FY23: \$25.5m loss)
- Underlying EBITDA a loss of \$11.8m (FY23: \$19.5m loss) which excludes non-recurring costs.
- FY24 had non-recurring costs of \$7.3m, consisting of a (\$0.8m) provision for inventory obsolescence; (\$2.1m) provision for legacy purchase orders for component inventory, surplus to requirements; (\$1.1m) provision for ex-CEO separation and legal claim; employee restructure costs (\$0.8m); bad debts (\$0.3m); debt facility novation and legal fees (\$0.3m); fees related to strategic review (\$0.1m) and impairment of investment in an associate (\$1.8m). Non-recurring costs amounted to \$36.7m in the PCP including \$30.7m for impairment of goodwill and other intangible assets.

For a further explanation of the results above please refer to the accompanying Review of Operations.

Annual General Meeting

In accordance with ASX Listing Rule 3.13.1, the Company advises that its Annual General Meeting will be a physical meeting held on 28 November 2024 and the closing date for receipt of nominations from persons wishing to be considered for election as a director, is 24 September 2024. 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 dispatch.

Appendix 4E – Preliminary Final Report (continued)

Net tangible assets per security

Net tangible assets per security	30-Jun-24	30-Jun-23
Net tangible assets per security	0.3 cents	2.7 cents
Total number of shares on issue at period end	1,213,662,308	401,821,079

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 entities over which control has been gained or lost during the period.

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 and an unmodified audit opinion is expected with attention drawn to material uncertainty related to going concern.

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 2024 Annual Report (including 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 2024

	2024	2023
	\$'000	\$'000
Revenue	35,721	42,763
Cost of sales	(24,517)	(38,050)
Gross profit	11,204	4,713
	31%	11%
Other income	349	365
Net foreign exchange gain/(loss)	302	219
Employee benefits expense	(10,326)	(9,979)
Research and development expense	(2,348)	(4,161)
Advertising and marketing expense	(3,543)	(5,443)
Finance costs	(1,224)	(2,120)
Administration and other expense	(6,702)	(3,433)
Distribution expense	(2,258)	(2,739)
Warranty and royalty expense	(936)	(1,245)
Occupancy expense	(343)	(346)
Legal and professional services	(2,114)	(3,362)
Transaction costs	(621)	(108)
Depreciation and amortisation	(1,610)	(2,973)
Impairment of non-financial assets	0	(30,676)
Impairment of associate	(1,798)	-
Loss before income tax	(21,968)	(61,288)
Income tax benefit/(expense)	(394)	227
Loss for the year	(22,362)	(61,061)
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	(349)	155
Other comprehensive (loss)/profit for the year	(349)	155
Total comprehensive loss for the year	(22,711)	(60,906)
Earnings per share		
Basic loss per share	(0.06)	(0.18)
Diluted loss per share	(0.06)	(0.18)

Atomos Limited
Consolidated Statement of Financial Position
As at 30 June 2024

	2024	2023
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	2,900	2,943
Trade and other receivables	4,970	5,166
Inventories	8,714	15,366
Other current assets	3,346	5,274
Total current assets	19,930	28,749
Non-current assets		
Property, plant and equipment	876	1,359
Right-of-use assets	4,158	5,269
Financial assets	-	1,798
Total non-current assets	5,034	8,426
Total assets	24,964	37,175
Liabilities		
Current liabilities		
Trade and other payables	11,306	12,990
Borrowings	136	3,359
Provisions	4,603	2,538
Lease liabilities	916	1,011
Income taxes payable	1,456	929
Total current liabilities	18,417	20,827
Non-current Liabilities		
Provisions	83	91
Lease liabilities	4,114	5,167
Income taxes payable	-	1,320
Non-current Liabilities	4,197	6,578
Total liabilities	22,614	27,405
Net assets	2,350	9,770
Equity		
Issued capital	134,037	119,301
Foreign currency translation reserve	(645)	(296)
Share based payments reserve	3,627	3,072
Options reserve	264	264
Accumulated losses	(134,933)	(112,571)
Total equity	2,350	9,770

Atomos Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2024

	Issued capital (Ordinary shares)	Accumulated losses	Foreign currency translation reserve	Share based payments reserve	Options reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	102,492	(51,510)	(451)	3,447	264	54,242
Transactions with owners						
Share-based payments	-	-	-	(375)	-	(375)
Issue of new share capital	17,947	-	-	-	-	17,947
Transaction costs relating to issue of share capital	(1,138)	-	-	-	-	(1,138)
Total transactions with owners	16,809	-	-	(375)	-	16,434
Comprehensive income						
Loss for the period	-	(61,061)	-	-	-	(61,061)
Other comprehensive income	-	-	155	-	-	155
Total comprehensive income/(loss)	-	(61,061)	155	-	-	(60,906)
Balance at 30 June 2023	119,301	(112,571)	(296)	3,072	264	9,770
Balance at 1 July 2023	119,301	(112,571)	(296)	3,072	264	9,770
Transactions with owners						
Share-based payments	-	-	-	555	-	555
Issue of new share capital	16,215	-	-	-	-	16,215
Transaction costs relating to issue of share capital	(1,479)	-	-	-	-	(1,479)
Total transactions with owners	14,736	-	-	555	-	15,291
Comprehensive income						
Loss for the period	-	(22,362)	-	-	-	(22,362)
Other comprehensive income	-	-	(349)	-	-	(349)
Total comprehensive income/(loss)	-	(22,362)	(349)	-	-	(22,711)
Balance at 30 June 2024	134,037	(134,933)	(645)	3,627	264	2,350

Atomos Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2024

	2024	2023
	\$'000	\$'000
Operating activities		
Receipts from customers	37,554	59,049
Payments to suppliers and employees	(45,551)	(61,079)
Interest received	17	2
Income taxes paid	(1,139)	(534)
Net cash used in operating activities	(9,119)	(2,562)
Investing activities		
Payments for property, plant and equipment	(41)	(692)
Payments for intangible assets	0	(2,431)
Payments for investments	0	(1,798)
Net cash used in investing activities	(41)	(4,921)
Financing activities		
Proceeds from issue of equity instruments in the company	16,215	17,947
Payment for equity raise costs	(1,479)	(1,138)
Interest paid on borrowings and lease liabilities	(1,224)	(1,361)
Repayment of lease liabilities	(1,145)	(682)
Proceeds of borrowings	5,100	-
Repayment of borrowings	(8,323)	(9,421)
Net cash generated by financing activities	9,144	5,345
Net change in cash and cash equivalents	(16)	(2,138)
Cash and cash equivalents, beginning of period	2,943	5,001
Exchange differences on cash and cash equivalents	(27)	80
Cash and cash equivalents, end of period	2,900	2,943

Notes to the Consolidated Financial Statements

Review of Operations

FY24 revenue of \$35.7 million was \$7.0m or 16% lower compared to revenue of \$42.8m in the PCP. Revenue was lower in FY24 due to the ongoing deterioration in economic conditions, working capital constraints prior to the capital raising in May 2024 impacting finished goods availability, supply chain challenges and disruptions from the Writers Guild of America strike.

Pleasingly, revenue of 18.3m in H2 FY24 was 5.1% higher than revenue of \$17.4m in H1 FY24. The improved H2 sales included only ~\$0.5m of sales from the Ninja Phone and no new sales from SunDragon (compared to our forecast of \$2.5m based on launch of both products in June), highlighting strong H2 FY24 sales in the core existing product line. Management is focused on delivering the new products to market and further educating the Group's customer base on the benefits of these new products in being able to enhance their creative offering whilst speeding up the workflow process.

The Company experienced higher gross margins in FY24 attributed to improvements in the mix of margin across its product range, including higher margins from new products. Gross margin percentage improved by 20% points in FY24 from 11% in FY23 to 31% in FY24.

On an underlying basis, gross margin percentage improved by 14% points in FY24 from 20% in FY23 to 34% in FY24. Further underlying margin improvements were achieved in the second half of FY24 with gross margin percentage of 36% in H2 FY24 compared to 31% in H1 FY24.

Summary of results for 2024 compared to prior period

Consolidated Statement of Profit or Loss and Other Comprehensive Income	2024	2023	Change \$	Change %
	\$'000	\$'000	\$'000	
Revenue	35,721	42,763	(7,042)	(16%)
Cost of sales	(24,517)	(38,050)	13,533	(36%)
Gross profit	11,204	4,713	6,491	138%
Gross Margin %	31%	11%		20%
Operating expenses	(28,889)	(30,597)	1,708	(6%)
Other income	349	365	(16)	(4%)
EBITDA	(17,336)	(25,519)	8,183	(32%)
Depreciation and amortisation	(1,610)	(2,973)	1,363	(46%)
Impairment of non-financial assets	0	(30,676)	30,676	(100%)
Impairment of associate	(1,798)	0	(1,798)	N/A
Finance costs	(1,224)	(2,120)	896	(42%)
Loss before income tax	(21,968)	(61,288)	39,320	(64%)
Income tax benefit / (expense)	(394)	227	(621)	(274%)
Loss for the year	(22,362)	(61,061)	38,699	(63%)

Gross Profit compared to prior period – Underlying basis

Underlying Gross Profit - excluding non-recurring inventory write-downs	2024	2023	Change \$	Change %
	\$'000	\$'000	\$'000	
Revenue	35,721	42,763	(7,042)	(16%)
Cost of sales	(23,680)	(34,106)	10,426	(31%)
Gross profit	12,041	8,657	3,384	39%
Gross Margin %	34%	20%		13%

Review of Operations (continued)

Revenue, Gross Profit and Gross Margin H2 FY24 compared to H1 FY24 – Underlying basis

Underlying Basis

Revenue, Gross Profit and Gross Margin	2HFY24 \$'000	1HFY24 \$'000	Change \$ \$'000	Change %	FY24 Total \$'000
Revenue	18,308	17,413	895	5%	35,721
Cost of sales	(11,724)	(11,956)	232	(2%)	(23,680)
Gross profit	6,584	5,457	1,127	21%	12,041
Gross Margin %	36%	31%		5%	34%

Included in the 2024 and 2023 results were certain items which were significant and/or not incurred in the ordinary course of business and are fully detailed in the normalised earnings section on pages 12 and 13. 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	2024 \$'000	2023 \$'000	Change \$ \$'000	Change %
Revenue	35,721	42,763	(7,042)	(16%)
Gross profit	12,041	8,657	3,384	39%
Gross Margin %	34%	20%		13%
Operating expenses	(24,230)	(28,496)	4,266	(15%)
Other income	349	365	(16)	(4%)
Normalised EBITDA	(11,840)	(19,474)	7,634	(39%)

Revenue

FY24 revenue of \$35.7 million was \$7.0m or 16% lower compared to revenue of \$42.8m in the PCP. Revenue was lower in FY24 due to the ongoing deterioration in economic conditions, working capital constraints prior to the capital raising in May 2024 impacting finished goods availability, supply chain challenges and disruptions from the Writers Guild of America strike.

The decline in revenue was stymied, with H2 FY24 revenue of \$18.3m being 5.1% higher than revenue of \$17.4m in the H1 FY24; due to higher demand of the Group's core existing product line, management's focus on delivering new products to market and management further educating the Group's customer base on the benefits of ATOMOS products in being able to enhance their creative offering whilst speeding up the workflow process.

Gross Profit and Gross Margin

FY24 gross profit of \$11.2m was \$6.5m or 138% favourable to gross profit of \$4.7m in FY23. FY23 gross profit was impacted by de-stocking and significant provisioning against finished goods inventory which was slow-moving and provisioning against excessive levels of component inventory which was a result of component stockpiling during the COVID induced period of semi-conductor component scarcity and the resultant expansion in lead times.

The Company experienced higher gross margins in FY24 attributed to improvements in the mix of margin across its product range, including higher margins from new products. Gross margin percentage

improved by 20% points in FY24 from 11% in FY23 to 31% in FY24. On an underlying basis, gross margin percentage improved by 14% points in FY24 from 20% in FY23 to 34% in FY24.

Further underlying margin improvements were achieved in the second half of FY24 with gross margin percentage of 36% in H2 FY24 compared to 31% in H1 FY24.

Operating Costs

Operating costs were \$1.7m or 6% lower in FY24 compared to FY23 on a reported basis. Excluding non-recurring costs, operating costs were \$4.3m or 15% lower in FY24 compared to FY23. The Company is well progressed on its detailed cost restructure having already significantly reduced staff costs to under 70 permanent staff from 90 permanent staff in December 2023. The restructure is expected to be complete by the end of the first quarter in FY25, with the full financial benefit being realised from 2H25.

EBITDA

FY24 EBITDA loss of \$17.3m was \$8.2m or 32% favourable to EBITDA loss of \$25.5m in FY23. The FY24 underlying EBITDA loss after adjusting for one-off/non-recurring items was \$11.8m which was \$7.6m or 39% favourable compared to FY23.

Finance Costs

Finance costs decreased by \$0.9m to \$1.2m in FY24 primarily due to the debt facility repayments and no debt remaining as at 30 June 2024, except for \$0.1m related to credit card facilities.

Total debt as at 30 June 2024 was \$136k (credit cards) compared to \$3,359k as at 30 June 2023. \$3,223k of principal was repaid in FY24 as noted in the cash flow statement:

<i>Extract from Cash flow statement – FY24</i>	<i>\$'000</i>
Proceeds of borrowings	\$5,100
Repayment of borrowings	<u>(\$8,323)</u>
Principal repayments	<u>(\$3,223)</u>

Depreciation, Amortisation and Impairment

Depreciation and amortisation decreased by \$1.4m in FY24 due to all intangibles being fully amortised as at 30 June 2023, reducing amortisation by \$0.8m; and lower fixed asset acquisitions in FY24 further reduced depreciation by \$0.6m.

Impairment

In 2022 the Company acquired a 10% interest in UK based Mavis Broadcast Limited. Mavis technology underpins the Atomos Cloud Studio suite of products.

Whilst there has been an upward trajectory in Atomos Cloud Studio Subscription Revenue since launching in May 2023, the overall result has been below expectation. Costs to deliver revenues have exceeded \$1.0m, and almost all this amount was paid to Mavis for development and delivery services. These payments represent a major component of Mavis revenue.

The Company has been advised that Mavis will undertake a capital raising in early 2025, which may result in substantial dilution of the Company's interest in Mavis.

On this basis, management have assessed that the Group's investment of \$1.8m in Mavis Broadcast Limited was potentially fully impaired as at 30 June 2024. A resulting impairment of investment in associate was recognised in FY24.

Income Tax Expense

Income tax expense of \$0.4m in FY24 relates to non-Australian 100% owned subsidiaries where a taxable profit was reported.

Net Loss After Tax

The consolidated loss of the Group for the financial year after providing for income tax amounted to \$22.4 million (2023: loss \$61.1 million).

Inventories

Inventories	2024 \$'000	2023 \$'000	Change \$ \$'000	Change %
Inventories on hand at cost	14,336	20,151	(5,815)	(29%)
Provision for obsolescence	(5,622)	(4,785)	(837)	17%
Inventories on hand - written down value	8,714	15,366	(6,652)	(43%)
<i>Movements in provision for obsolescence</i>	\$'000			
Balance at 1 July 2022	(841)			
Increase in inventory obsolescence - FY2023	(3,944)			
Balance at 30 June 2023	(4,785)			
Increase in inventory obsolescence - FY2024	(837)			
Balance at 30 June 2024	(5,622)			

The cost of inventories recognised as an expense for the 2024 financial year was \$24.5m (2023: \$38.1m). The cost of inventories recognised as an expense includes \$0.8m of net inventory write-downs in 2024 (2023: \$3.9m).

Issued Capital – Ordinary Shares

Issued capital

	30-Jun-24 \$'000	30-Jun-23 \$'000
Ordinary shares – fully paid	134,037	119,301

Movements in issued capital

FY2024	Issue Date	Issue Price	Shares	\$'000
Balance at beginning of year, 1 July 2023			401,821,079	119,301
Shares issued on exercise of options	19-Dec-23	N/A	409,772	-
Shares issued on capital raise	20-May-24	\$0.02	810,752,211	16,215
Performance rights exercised	23-May-24	N/A	679,246	-
Equity raising costs		N/A	-	(1,479)
Balance at end of year, 30 June 2024			1,213,662,308	134,037

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at a shareholders' meeting of the Company.

Reconciliation of underlying earnings for 2024 and the prior financial year

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS term which the Group uses to measure performance. Additionally, the reported 2024 and 2023 results included a number of items that were significant and/or not considered to be in the ordinary course of business and the tables below quantify these to provide a view of the underlying trading results.

	2024 \$'000	Significant items 1 \$'000	Underlying Result \$'000
Revenue	35,721	-	35,721
Cost of sales	(24,517)	837	(23,680)
Gross profit	11,204	837	12,041
Gross Margin %	31%		34%
Operating expenses	(28,889)	4,659	(24,230)
Other income	349		349
EBITDA	(17,336)	5,496	(11,840)
Depreciation and amortisation	(1,610)	-	(1,610)
Impairment of associate	(1,798)	1,798	-
Finance costs	(1,224)	-	(1,224)
Loss before income tax	(21,968)	7,294	(14,674)
Income tax expense	(394)		(394)
Loss for the year	(22,362)	7,294	(15,068)

1Items that were significant and/or not in the ordinary course of business (2024)

	\$'000
Inventory Write-downs, Operating Expenses and Impairment Charges	
Employee restructure costs	773
Ex-CEO separation and legal claim	1,145
Debt facility novation and legal fees	259
Fees related to strategic review	134
Bad debts related to prior periods	291
Provision for inventory obsolescence	837
Provision for legacy purchase orders for component inventory	2,057
Impairment of associate	1,798
Inventory Write-downs, Operating Expenses and Impairment Charges	7,294
Total Items not in the ordinary course of business	7,294

	2023	Significant items 1	Underlying Result
\$'000	\$'000	\$'000	\$'000
Revenue	42,763	-	42,763
Cost of sales	(38,050)	3,944	(34,106)
Gross profit	4,713	3,944	8,657
Gross Margin %	11%		20%
Operating expenses	(30,597)	2,101	(28,496)
Other income	365		365
EBITDA	(25,519)	6,045	(19,474)
Depreciation and amortisation	(2,973)	-	(2,973)
Impairment charge	(30,676)	30,676	-
Finance costs	(2,120)	-	(2,120)
Loss before income tax	(61,288)	36,721	(24,567)
Income tax expense	227		227
Loss for the year	(61,061)	36,721	(24,340)

1Items that were significant and/or not in the ordinary course of business (2023)

	\$'000
Inventory Write-downs, Operating Expenses and Impairment Charges	
Employee restructure costs	339
Ex-CEO separation and legal claim	1,762
Provision for inventory obsolescence	3,944
Impairment charge	30,676
Inventory Write-downs, Operating Expenses and Impairment Charges	36,721
Total Items not in the ordinary course of business	36,721

-End of Appendix 4E – preliminary final report-