

1H 2019 Results

28 February 2019

Atomos unlocks creativity and profit for video content creators
Advanced technology allows faster, higher quality, more flexible productions





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Half Year Results

“Our **VISION** is to invent and deliver ground breaking products and disruptive technologies that enhance, simplify and ultimately democratise video content creation”



Atomos – A Snapshot

- Global video technology company that enhances video content creation with products that connect the imaging and computer world together
- 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
- Global strategic relationships with leading global tech companies such as: Apple, Adobe and camera makers: Sony, Canon, Panasonic, RED and JVC Kenwood
- Three key market segments:
 - **Social:** consumers / prosumers who create and share on free, advertisement driven platforms

 - **Pro Video:** advertising, events, corporate, broadcast and education
 - **Entertainment:** production companies producing high-quality content for TV and cinema usually viewed on subscription streaming platforms



Capital Structure (as of 27 Feb. 2019)

Ticker	AMS
Share Price	\$0.80
Shares on Issue (m)	152.0
Market Capitalisation (m)	\$121.6
Cash Balance (\$m) ¹	\$5.2
Enterprise Value (\$m)	\$116.4

¹Calculated from 1H'19 Balance Sheet

Major Shareholders

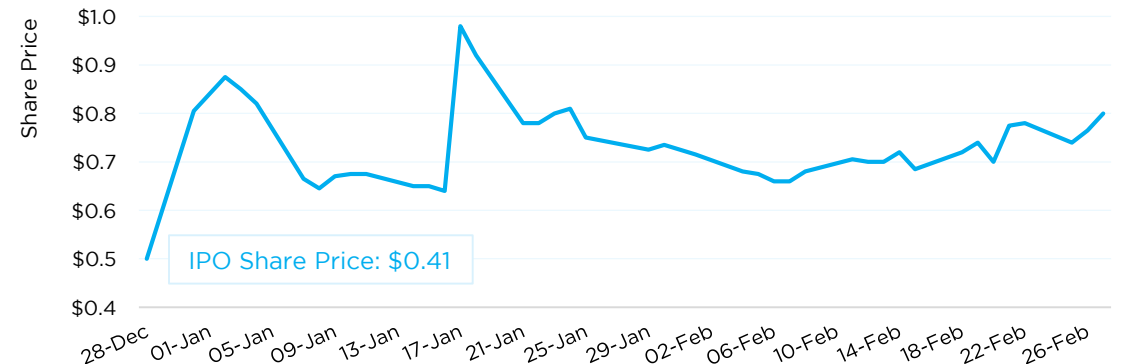
	%
Ms Claire Louise Young ²	12%
Ellerston Capital Ltd	11%
Domazet FT3 P/L	11%
Common Sense Computing P/L	8%
Imagination Technologies Ltd	7%
Top 20	79%

Board & Management

22%

² Related Party to Board Member (Jeromy Young)

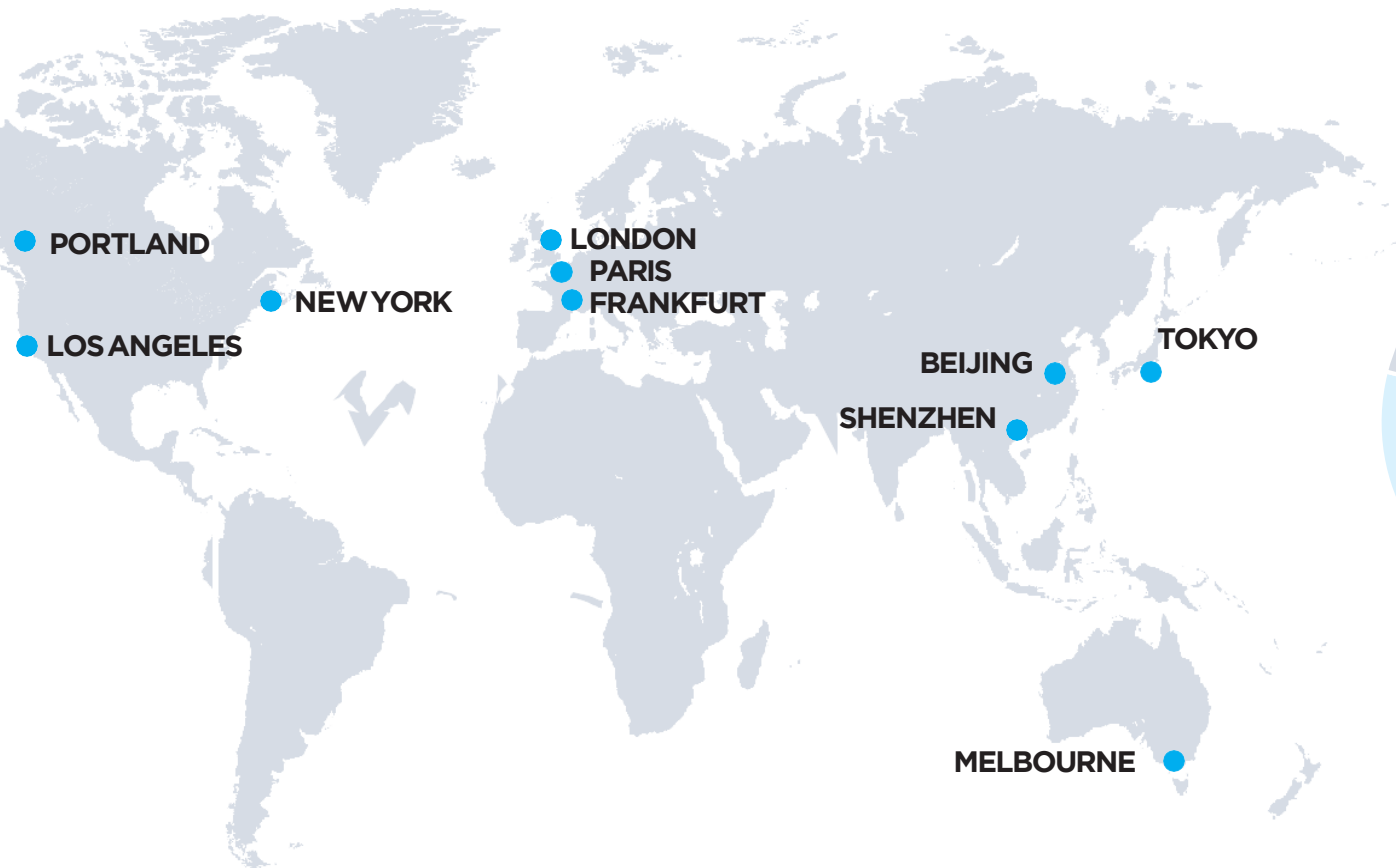
Share Price History



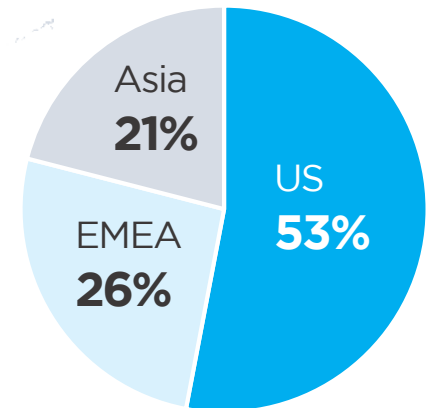
Global Operations

Offices in major global locations and strong sales channels

- **77 Staff Globally***
- **10 Offices in 7 Countries**
- **Strong Global Sales Channel**
- **Broad retailer and reseller network in each region**

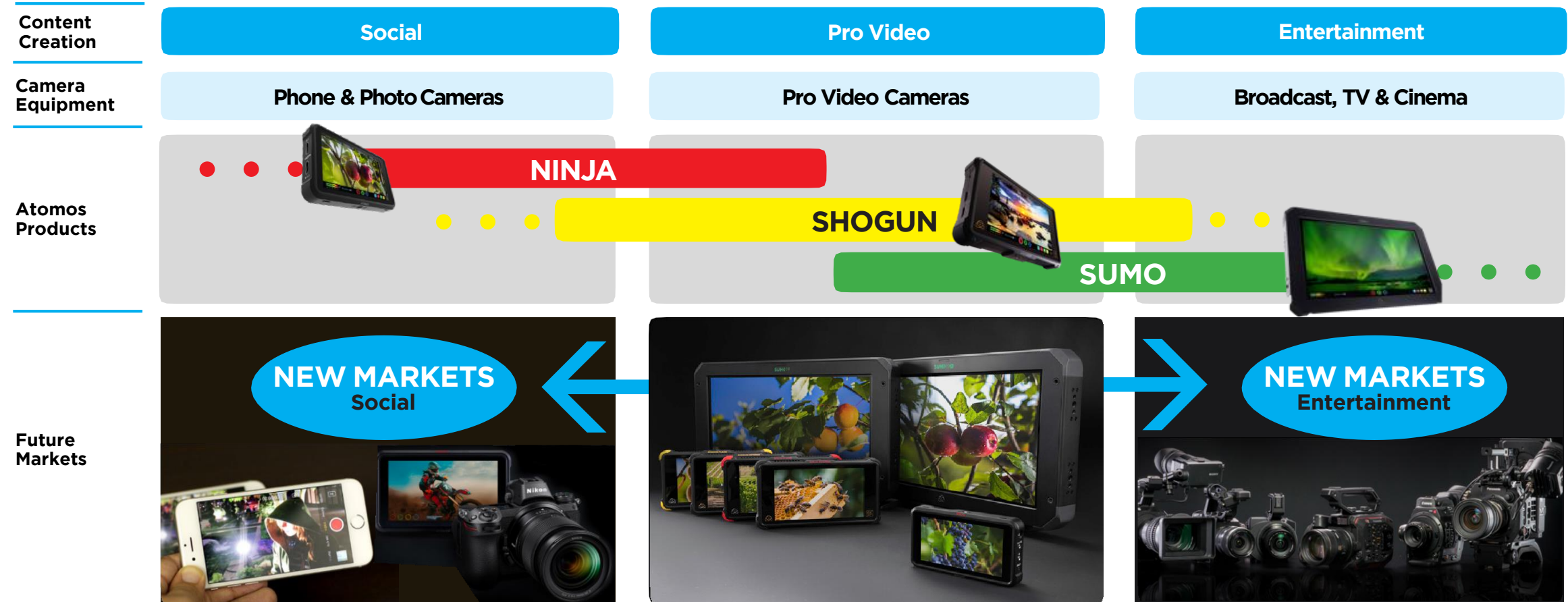


1H'19 Sales
by Region



Target Markets – Current & Future

Atomos' growing product portfolio will address a **US\$10B** camera equipment market¹



Expansion into growing **Social & Entertainment** video content markets – **Double** core product range in 2 years

Rapidly Growing Markets

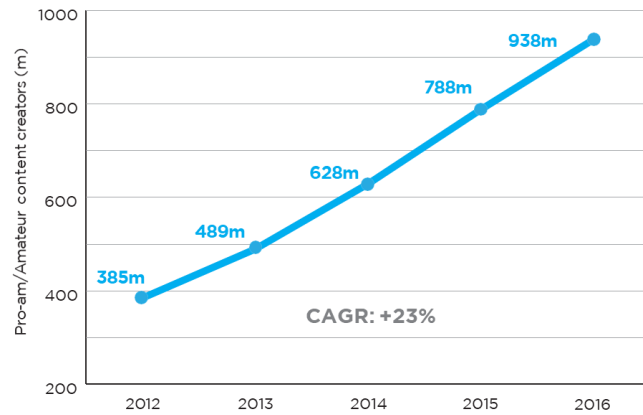
Social Content

Accessibility of new social media platform allows individuals to produce, share & monetise their content

- New Technology is allowing **Everybody** to create quality video content
- Growing advert driven video capable platforms allow instant mass sharing of video
- Content creators have platforms to build significant followings & monetise their content
 - DanTDM (YouTube) - **US\$16.5m** earnings in FY17



Professional Amateurs & Amateur Content Creators¹



¹ Boston Consulting Group, "The Future of Television", 20 September 2016

Pro Video Content

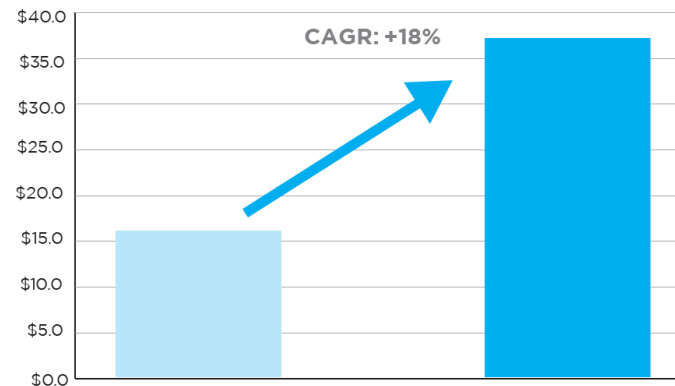
Market wide increase in video-focused corporate marketing, advertising, event and content creation

- **US\$135B¹** 2017 spend on US digital video marketing
- Advertisers and publishers now 'pivoting to video' for brand exposure and marketing
- ~\$20k ave. estimated spend in 2017 by US businesses on video marketing¹



- Redefined Video Marketing
- Create great, exciting content that audiences actively seek (Stratos Jump)
- Redbull use Atomos products

Growth in Online Video Advertising Spend (US\$B)²



¹ Magisto Report, Oct 2017 - The Modern Marketing Dilemma and the State of Business Video
² Juniper Research, Future Digital Advertising AI, Ad Fraud & Ad Blocking

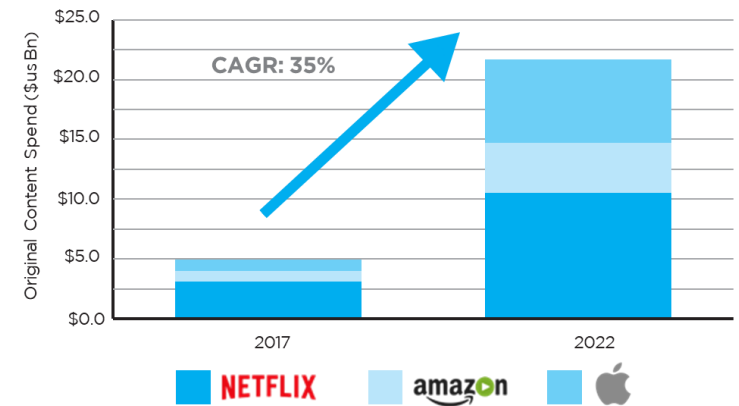
Entertainment Content

Increased original content by new online streaming platforms is driving demand for enhanced content

- Growth of on demand streaming has driven investment in original content
- Netflix, Amazon and Apple are expected to grow their combined spend for original content from US\$5B in 2017 to >US\$23B in 2022¹
- Massive growth in production of scripted TV Shows²



Forecast growth in original content spend¹



¹ Loup Ventures - Research, Gene Munster, Nov 21 2017

² FX Network Research - Adweek.com article "There's No Stopping Peak TV..."

1H'19 Executive Summary (ending 31 December 2018)

1H'19 Revenue

\$24.2m

↑ 32% pcp

1H'19 Gross Profit

\$10.5m

↑ 26% pcp

1H'19 EBITDA

\$0.7m

↑ 194% pcp

Achievements during 1H'19

- Completed development of Ninja Platform, launched first monitor recorder product (Ninja V) in September 2018
- Growth drivers:
 - On time new product launch (Ninja V)
 - Higher than forecast camera bundle sales across multiple products (Ninja V, Shogun Inferno)
- Ninja V continues Atomos' push into the rapidly growing 'Social' segment of the video market

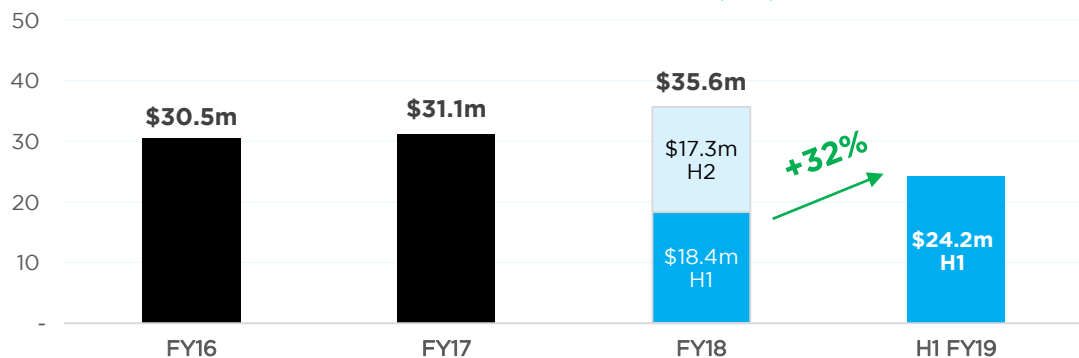
Pro Forma Income Statement

Pro Forma (A\$m)	1H'18	1H'19	Δ pcp
Revenue	18.4	24.2	32%
COGS	(10.0)	(13.7)	(38%)
Gross Profit	8.4	10.5	26%
Gross Profit Margin	45.6%	43.4%	
Wages & Salaries	(3.1)	(3.5)	(12%)
Marketing	(1.2)	(1.8)	(50%)
General & Administration	(1.3)	(2.1)	(56%)
Other	(0.6)	(0.7)	(9%)
Operating Expenses	(6.3)	(8.0)	(28%)
EBITDA (pre R&D)	2.1	2.5	18%
R&D Expenses	(1.8)	(1.7)	5%
EBITDA	0.2	0.7	194%

Key Insights:

- 1H'19 sales of \$24.2m, up 32% pcp, driven by:
 - Strong sales of Ninja V which was released in September 2018
 - Product bundling with major camera manufacturers
- Gross Profit of \$10.5m, up 26% pcp
- GP margin lower due to higher than anticipated component costs associated with the Ninja V which was accentuated by strong sales of Ninja V
 - Management have addressed these component costs and envisage monthly run-rate GP margin in line with prospectus forecast by May/June 2019, however full year FY19 GP margin expected to be lower than FY19 prospectus forecast
- EBITDA of \$0.7m, up 194% pcp

Pro Forma Revenue Growth (\$m)



Pro Forma Balance Sheet

Pro Forma (A\$m)	1H'19
Cash and cash equivalents	5.2
Trade and other receivables	6.1
Inventories	11.1
Other assets	2.6
Plant and equipment	0.9
Intangible assets	8.2
Total assets	34.1
Trade and other payables	(10.9)
Provisions	(0.6)
Borrowings	0.0
Total liabilities	(11.5)
Net assets	22.6
Issued capital	44.3
Reserves	1.9
Accumulated losses	(23.6)
Equity	22.6

Key Insights:

- Strong balance sheet with \$5.2m cash and zero debt
 - Access to a \$1.5m EFIC working capital facility if required
- Inventory levels increased reflecting:
 - Stronger than anticipated Ninja V sales
 - Stock build up of components ahead of Chinese New Year (given various lead times)
- Trade payables also reflects a build up of components (given various lead times) ahead of the Chinese New Year
- \$14.4m of tax losses and R&D tax credits available to offset future tax payable (off balance sheet)

Statutory Cash Flows

Statutory Cash Flows (A\$m)	1H'19
Operating activities	
Receipts from Customers	23.2
Payments to suppliers and employees	(27.6)
Income taxes paid	(0.1)
Net cash used in operating activities	(4.5)
Investing activities	
Payments for PP&E	(0.2)
Payments for intangible assets	(1.0)
Net cash used in investing activities	(1.2)
Financing activities	
Proceeds from issue of ordinary shares	6.0
Payment for equity raising costs	(1.0)
Proceeds from issue of convertible notes	6.5
Repayments of borrowings	(1.6)
Net cash inflow from financing activities	9.8
Net change in cash and cash equivalents	4.1
Cash and cash equivalents, beginning of period	1.4
Cash and cash equivalents, end of period	5.6

Key Insights:

- Net cash flows in line with prospectus forecast
- Growth in working capital driven by successful launch of Ninja V:
 - Build in inventory to satisfy demand; and
 - Debtors growth resulting from strong sales
- Working capital to reduce over 2H'19
- Payments for intangibles relate to completion of the Ninja Platform development



Outlook & Board Update

“At \$399 it won’t break the bank either. It’s bright, very, very light, and has incredibly good battery life. Yep, I like it”

- [Redshark News](#) on new [Shinobi monitor](#)

Outlook - Achievements Post End 1H'19 + Full Year FY19

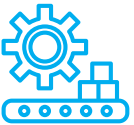



Achievements post end 1H'19

- Finalised licence agreement with RED.com LLC
- Released 5" Shinobi monitor-only product in February 2019 - continuing drive into the 'Social' market
- Appointed Stephen Stanley and Bradley Whitcomb as Non-Executive Directors

Full Year FY19 Outlook

- Expect stronger sales than forecast in prospectus lodged 30 November 2018
- Improving GP margin in 2H'19 vs 1H'19, however overall FY19 GP margin expected to be lower than FY19 prospectus forecast
- Comfortable with forecast FY19 Pro Forma EBITDA guidance of \$0.3m given in the prospectus

Outlook – Growth Initiatives for 2H’19 and beyond

Growth Drivers	Description	Progress
	Growing Product Portfolio <ul style="list-style-type: none"> • Leverage tech portfolio to develop new future products with goal to double range over next two years 	<ul style="list-style-type: none"> ✓ Released flagship 5” Ninja V recorder/monitor ✓ Released Shinobi 5” monitor only in Feb. ’18
	Expand into New Adjacent Growth Segments <ul style="list-style-type: none"> • Expand further into adjacent high growth market segments (leveraging existing sales channels) - Social & Entertainment 	<ul style="list-style-type: none"> ✓ Released 2 new products targeting the growing ‘Social’ segment with strong market acceptance
	Evolve Strategic Relationships <ul style="list-style-type: none"> • Continued relationships / partnerships with global camera makers and software video editing providers 	<ul style="list-style-type: none"> ✓ Announced ProRes Raw recording on Ninja V and bundled offering with Nikon camera ✓ Licence agreement entered into with RED
	Continue to Seek exceptional Management & Talent <ul style="list-style-type: none"> • Seek out exceptional talent globally to enable continued development of leading content creation products 	<ul style="list-style-type: none"> ✓ Hired two former Apple Final Cut Pro X software engineers ✓ Announced two new Board members, Stephen Stanley & Bradley Whitcomb

Board Update



Chris Tait

Non-Executive Director

Chairman

Director since 2017

- 25+ years experience advising local and multinational companies both private & public
- Co-Founder and Managing Director of Henslow
- Previously, Director of Strategy for WH Smith PLC and CFO of WH Smith's APAC operations
- Chairman of The BlueRock and Neo Products



Jeromy Young

Executive Director

Co-Founder & CEO

Director since 2009

- 20+ years technology & management experience
- Previously global BDM for Blackmagic growing sales from \$7m to \$30m in two years
- Prior to Blackmagic, global BDM Director for Canopus (GV) Japan growing sales from \$5m to \$60m in four years



Sir Hossein Yassaie

Non-Executive Director

Director since 2016

- 35 years in specialised R&D and semiconductors
- Founder & CEO of Imagination Technologies Plc for 18 years, growing the company from £15m to £1bn+
- Received knighthood at 2013 New Year Honours for services to UK Technology

Recent Board Appointments – 1 February 2019



Stephen Stanley

Non-Executive Director

Director since 2019

- 25+ years experience across a number of senior management roles at leading global organisations
- Previously CEO of Mayne Logistics
- Previously, Director for Corp. Development for Toll Holdings, overseeing its development into a leading international logistics player



Bradley Whitcomb

Non-Executive Director


Director since 2019

- 25+ years experience in the telecommunications and technology sectors across North America, Japan and Australia
- Spent five years in senior Marketing, Corporate Development and Board roles in Vodafone's Japanese operations
- Chief Customer Officer of NBN Australia

Neil Chatfield

Advisor to the Board

Stepped down as a NED on 1 February 2019 (as outlined in the Prospectus), however will remain as an Advisor to the Board



**“If you need an HDR monitor that
works both on set and in post-production,
you should consider the Atomos Sumo19”**

- [Videomaker.com](#) on SUMO19

Questions
& Answers



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

For more information please visit www.atomos.com

Key upcoming Tradeshows / Conferences:

Name	Location	Dates
Photography Show	Birmingham	16 - 19 March
Games Developer Conference	San Francisco	18 - 22 March
NAB Show 2019	Las Vegas	8 - 11 April
KOBA	Seoul	22 - 25 May
Cine Gear	Los Angeles	31 May - 1 June
Media Production Show	London	11 - 12 June
Electronic Entertainment Expo (E3)	Los Angeles	11 - 13 June
Broadcast Asia	Singapore	18 - 20 June
IBC	Amsterdam	12 - 17 September

 Key Trideshow

Appendix

“This is how you can supercharge any camera... You definitely want to check out the Ninja V. I was thoroughly impressed and I’m definitely going to be using this a lot more from now on.”

– YouTube star [Matti Haapoja](#) on Ninja V



What We Improve

Atomos unlocks the creative and commercial potential of digital cameras

Despite the advanced technology of modern digital cameras, users are limited by:

- Heavily compressed recorded data
- Not designed for computer workflows
- Short record times
- Expensive media
- Small lower resolution monitors
- Complex menus and buttons



How We Do It

Atomos devices take images **directly from the camera's sensor**, then enhance, record and distribute them for content creation



Content Creation Workflow

CAPTURE

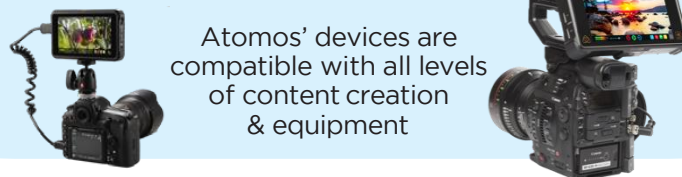
From the sensor of
all major camera manufacturers



JVC **Nikon** **Panasonic** **ARRI®**
Canon **SONY** **RED**

PROCESS & ENHANCE

Atomos products enhance content creation,
quality and creativity






Atomos' devices are
compatible with all levels
of content creation
& equipment

FINISH & DELIVERY

Edit, Colour Grade, Titles,
Graphics Finish in Post



Product Suite

4K Monitor Recorders		Production / Studio	Broadcast, Pro AV, Accessories & O
 			
Ninja Range	Shogun Range	SUMO Range	Shogun Studio + Converters + Accessories
<ul style="list-style-type: none"> • HDMI only • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Larger format 19" monitor recorder <ul style="list-style-type: none"> – targeting studio usage • Quad SDI & HDMI in/out • Record ProRes/ProRes RAW, DNxHR, among others 	<p><u>Shogun Studio</u></p> <ul style="list-style-type: none"> • Rack mount 4K monitor recorder solution • Dual 7" screens with touchscreen interface <p><u>Converters</u></p> <ul style="list-style-type: none"> • Range of 4K converters • SDI to HDMI or vice versa <p><u>Accessories (Cables, Caddies & Adaptors)</u></p> <ul style="list-style-type: none"> • Range of accessories to compliment monitor recorder range • Media caddies (SSD)
Social / Pro-Video Segment	Pro-Video / Entertainment	Pro-Video / Entertainment	Various

Senior Management



Jeromy Young

Co-Founder & CEO

Location: Australia

- 20+ years technology & management experience
- Previously global BDM for Blackmagic growing sales from \$7m to \$30m in two years
- Prior to Blackmagic, global BDM Director for Canopus (GV) Japan growing sales from \$5m to \$60m in four years



James Cody

Chief Financial Officer

Location: Australia

- 20+ years financial & accounting experience in both private & public businesses
- Previously CFO and Principal at Henslow, a corporate advisory firm in Melbourne
- Prior to Henslow, CFO at Funtastic, an ASX listed supplier of children's products with revenue of \$200m+



Trevor Elbourne

Chief Technology Officer

Location: Australia

- 23+ years experience as a hardware engineer with particular focus on IC and ASIC design
- At Atomos Trevor started as a Senior Hardware Engineer before moving to Director of Systems Engineering
- Previously, Engineering and Hardware manager at Canon and various electronic firms



Stephan Kexel

Global Sales Director

Location: Germany

- 25+ years experience in business development and sales primarily focused in the video and electronics industry
- Previously, Senior Manager of EMEA channel sales for Grass Valley
- Prior to Grass Valley, General Manager of Canopus GmbH



Naofumi Yoneda

Chief Design Officer

Location: Japan

- 20+ years industrial design experience in consumer electronics, professional cameras & broadcast equipment
- Previously, acting Chief Art Director at Sony Corporation developing products for the Professional Solution Business Division
- Prior to that role, Naofumi was Art Director designing consumer products (cameras, portable & home audio, TV, laptop)



Frankie Liu

Global Production Manager

Location: China

- 23+ years experience in electronics production and quality control – currently leads Atomos' production operation in China
- Previously, General Manager for a high-tech electronics manufacturer based in China
- Worked at both Mobile Tech & Seiko Instruments in senior positions responsible for production & process control

A Few Key Terms Explained

“4k60p”

Refers to: **Resolution / Frame Rates**

- **Resolution** refers to the number of pixels displayed within each frame - simplistically, greater pixels (higher resolution) results in a sharper, clearer and more detailed image (video)

Standard	Resolution (W x H)
Standard Definition (SD)	720 x 480
Full High Definition (HD)	1920 x 1080
4K (UHD)	3840 x 2160
8K	7680 x 4320

- 4K contains 8 million pixels compared to 2 million pixels for Full HD
- The ‘p’ stands for progressive scanning and is increasingly become the standard over ‘i’ (or interlaced) which was popular in the early TV era
- **Frame Rates** refers to the frequency (no. of frames) that an image is recorded per second - the higher the frame rate the smoother the video appears
- There is a often a trade off between resolution & frame rate depending on application, setting, budget and editing software

Frame rates p/s (fps)	Usage
24 / 30	Standard for home movies
60	Suited for faster paced video, e.g. sports
240	Slow motion video

“ProRes recording”

Refers to: **Recording Format**

- **Recording Format** or “**Codec**” refers to how a video is captured & recorded by the camera or recording device
- The codec (abbreviation for Coder/Decoder) describes the type of compression used to record a video - the codec encodes a video stream thereby making the video file smaller & easier to manage/transport to editing software
- The editing software (assuming the codec is supported) is then able to decode (unpack) the video file based on the rules set by that codec, providing the user access to all the video information during post production (editing)
- For professionals some of the main codec’s include:
 - ProRes or ProRes RAW → Apple
 - DNxHR → Avid
 - CinemaDNG → Adobe
- For simplicity, we are only referring to codec’s typically used by video professionals – that is users who require video to be edited via an editing suite in post production
- For ‘amateur’ video requiring only minimal editing with the aim of uploading to a video streaming site other codec’s may be more applicable (e.g. H.264)
- RAW refers to uncompressed video footage taken directly from a camera’s sensor. Although it provides the highest level of colour and image detail, it requires huge data capability and therefore is impractical for most users

“1,500 Nits brightness & HDR”

Refers to: **Screen Brightness (Nits) / HDR**

- **Nits** refers to a measurement of light that a screen sends to your eyes (luminance) within a given area – the greater Nits the more light output the screen can display
- Tabled below are few examples for comparison:

Device	Nits
iPhone X	625
Galaxy Note 8	1,200
Shogun Inferno	1,500
Samsung QLED Q9F TV	Up to 1,800

- **HDR (High Dynamic Range)** refers to the brightness range of an image and aims to present a similar range of colour and brightness to that experienced by the human eye
- In HDR video each pixel can capture a much wider and more granular range of light (whites appear whiter and darks appear darker)
- Atomos invented the ability to view (on an in-field monitor) what HDR video will look like once it has been through post-production
- Prior to Atomos, the only way to ‘approximate’ HDR while shooting in the field was to apply a LUT (colour style filter) to the video image

1H'19 Income Statement – Statutory to Pro Forma

Pro forma adjustments to the statutory consolidated statements of profit or loss and other comprehensive income

\$ thousand	Notes	Actual	Forecast
		HY2019	FY2019
Statutory EBITDA		(146)	(1,932)
Incremental listed company costs	1	(127)	(129)
Financial instruments movements	2	(1,203)	1,770
Employee share plan costs	3	370	131
Transaction costs	4	1,833	448
Pro forma EBITDA		726	288
Statutory loss after tax		(2,292)	(3,849)
Incremental listed company costs	1	(127)	(129)
Financial instruments movements	2	(472)	1,770
Employee share plan costs	3	370	131
Transaction costs	4	1,833	448
Capital structure	5	675	644
Pro forma loss after tax		(13)	(985)

Notes:

1. Incremental listed company costs include ASX listing fees, audit fees, registry costs, board fees and insurance
2. Inclusive of movement in fair value of derivatives and interest attributable to underlying financial liability
3. Accelerated vesting charge
4. Transaction costs - prospectus forecast excluded pre IPO transaction costs (\$545k) and recorded a higher proportion of costs (\$538k) directly in equity
5. Interest on Convertible Notes and unwinding of capitalised borrowing costs

1H'19 Balance Sheet – Statutory to Pro Forma

Statutory historical and pro forma historical consolidated statement of financial position

\$ thousand	Notes	31 December 2018		
		Statutory	Redeemed Notes payable	Pro forma
Current assets				
Cash and cash equivalents	1	5,595	(358)	5,237
Trade and other receivables		6,086	-	6,086
Inventories		11,065	-	11,065
Other assets		2,591	-	2,591
Current assets - total		25,337	(358)	24,979
Non-current assets				
Property, plant & equipment		871	-	871
Intangible assets		8,245	-	8,245
Non-current assets - total		9,116	-	9,116
Assets - total		34,453	(358)	34,095
Current liabilities				
Trade and other payables		(10,889)	-	(10,889)
Borrowings	1	(358)	358	0
Provisions		(544)	-	(544)
Other financial liabilities		0	-	0
Current liabilities - current		(11,791)	358	(11,433)
Non-current liabilities				
Provisions		(64)	-	(64)
Non-current liabilities - total		(64)	-	(64)
Liabilities - total		(11,855)	358	(11,497)
Net assets		22,598	-	22,598
Equity				
Issued capital		44,293	-	44,293
Share issue reserve		1,549	-	1,549
Foreign currency translation reserve		350	-	350
Accumulated losses		(23,594)	-	(23,594)
Equity - total		22,598	-	22,598

Notes:

1. Remaining balance payable on redeemed convertible notes at IPO, paid in January 2019

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Non-IFRS information descriptors:

- EBITDA (before R&D expenditure) is earnings before research and development expenditure, interest, taxation, depreciation, amortisation and impairment charges;
- EBITDA is earnings before interest, taxation, depreciation, amortisation and impairment charges;
- EBIT is earnings before interest, taxation and impairment charges;
- Working capital is defined by the Company as trade and other receivables, inventory and other current assets less trade and other payables and other current liabilities;
- Net cash flows from operations: the operating cash flows generated by the Company calculated as EBITDA excluding non-cash items and allowing for changes in working capital; and
- Net cash flows before financing activities: being net cash flows from operations less capital expenditure and other investing expenditure.

