

ASX Announcement

29 February 2024

H1 FY24 Results + Trading Update

Melbourne, Australia - Atomos Limited ('ASX:AMS', 'Atomos' or the 'Company') is pleased to release the Company's half year results and Appendix 4D for the six month period ending 31 December 2023 (H1'24) along with notable events that have occurred subsequently.

Highlights:

- Refreshed Board and Management team as of January 2024
 - Return of Atomos co-founder, Jeromy Young, appointed Managing Director and CEO
 - Peter Barber, successful video entrepreneur (co-founder Blackmagic Design), appointed Executive Director and COO
- H1'24 revenue of \$17.4m, down ~18% on pcg
 - Bottom-up review of business with clear product roadmap
 - New management have met with all staff members, suppliers and distributors who are all supportive of the new plan
 - Expect new products to be launched in Q4'24
- Reduction in cost base in H1, with further cost savings to be implemented throughout H2
 - ~45% reduction in fixed operating costs in H1'24 compared to pcg
 - H1'24 EBITDA loss of \$5.8m, improvement from \$12.7m loss in pcg
 - Debt facility reduced from \$12.0m (Jul-22) to \$5.0m (Dec-23) on materially better terms
- Improved outlook
 - H2'24 sales expected to exceed H1'24
 - Ongoing restructure (expected to be finalised by April-24) resulting in annualised fixed operating costs decreasing a further 20%+ compared to 1H'24 annualised costs of ~\$20m
 - EBITDA breakeven at ~\$45m sales upon completion of restructure; revised position follows bottom-up review of financials by new management
- To execute on strategic initiatives, Atomos will require additional funding and has successfully increased the limit of the current Debt Facility from \$5.0m to \$8.0m and extended the maturity date to 31 March 2025
 - In addition, the Company is well progressed on an equity capital raise
 - Atomos is seeking to return to trading on the ASX as part of the capital raise process and is currently working with the ASX around the timing of this process

Atomos Managing Director and CEO, Jeromy Young, said: "It is a great pleasure to be back leading Atomos with the expertise and support of a new and refreshed Board and senior leadership team."

"Without a doubt, driven by a mix of both internal and external factors, the last 18 months have been a challenging period for the Company, however significant steps have been taken to ensure we have a re-aligned and re-focused business to deliver sustainable and profitable growth in the near future."

Atomos Chair, Paul Greenberg added, "It is very pleasing that after a difficult trading period, we have developed a viable plan to move forward. The new leadership, being Jeromy and Peter, and their renewed support team, will bring extensive operational and industry experience to the Company. This will revitalise the Atomos brand and will bring forward many new product opportunities. From these initiatives, I am confident, and enthused, that shareholders will be rewarded from the recapitalisation plan."

Refreshed Board and Management

In early January 2024 Atomos implemented several Board and management changes to provide capability and industry knowledge to deliver upon a clear and defined growth strategy moving forward.

Driving the refreshed Board and Management is the return of Atomos Co-founder, Jeromy Young, who was appointed Managing Director and Chief Executive Officer on 4 January 2024.

Jeromy, who previously held the CEO title at Atomos for 10+ years, retired from Atomos executive duties in November 2021 to pursue other business and personal interests related to the creative video and technology industries. Jeromy now returns to Atomos, with several new products and creative workflows (at varying stages of development) which will be incorporated into the Atomos roadmap moving forward.

Supporting Jeromy in the role of Chief Operating Officer and Executive Director (refer announcement on 14 February 2024) is experienced and highly successful video technology entrepreneur, Peter Barber. Peter is a co-founder and remains a material shareholder in Blackmagic Design, one of the world's leading video technology and colour grading software businesses.

Peter left Blackmagic Design as an executive ~7 years ago to spend more time with family and pursue other business interests in Singapore. Peter brings a wealth of experience that will be invaluable as the Company seeks to rebuild following a challenging period.

Financial Update

A\$m 31 December Half Year End	1H'23 Audit reviewed	1H'24 Audit reviewed
Revenue	21.1	17.4
COGS	(16.4)	(12.0)
Gross Margin	4.8	5.5
<i>Gross Margin %</i>	22.5%	31.3%
Variable operating costs	(2.2)	(1.7)
Fixed operating costs	(15.7)	(10.1)
Other income / forex	0.4	0.5
EBITDA	(12.7)	(5.8)
Depreciation & amortisation ¹	(2.1)	(0.8)
Finance costs	(1.3)	(0.8)
Impairments	(32.5)	-
Profit (Loss) before income tax	(48.6)	(7.4)
Capitalised R&D costs (not incl in P&L)	(2.5)	-

1. In line with AASB 16 accounting standards, rent expense of ~\$1m per annum is captured within depreciation and amortisation.

The Company delivered H1'24 sales of \$17.4m, down ~18% on the prior corresponding period (pcp) last year. As part of the refocused strategy the Company has identified several opportunities and is confident of improving sales growth in future periods.

Gross profit margin increased materially to 31.3% compared to 22.5% in pcp. The improvement reflects the launch of several new Ninja and Shogun products coupled with the completion of market campaigns to clear old stock in pcp.

The gross profit margin presented is based on statutory accounts which includes a \$1.2m stock obsolescence provision (a one-off item). Therefore, the underlying gross profit margin for H1 FY24 was 38.2%, a position the Company would expect to further improve upon in future periods.

Underlying Gross Profit	1H'23	1H'24
Revenue	21.1	17.4
Statutory gross profit	4.8	5.5
Obsolesce provision	1.2	1.2
Underlying gross profit	5.9	6.7

Statutory gross profit margin	22.5%	31.3%
Underlying gross profit margin	28.1%	38.2%

Variable costs are expected to remain at approximately 10% of sales moving forward.

The Company reduced its fixed operating costs (including capitalised Research & Development costs) by approximately 45% in H1 FY24 (\$10.1m) compared to H1 FY23 (\$18.2m). This was primarily driven by a material headcount reduction from ~150 (at its peak during FY22) to 90 at the end of December 2023. Additionally, to improve transparency, as of H1 FY24, all R&D costs will be expensed through the P&L moving forward.

Atomos delivered an EBITDA loss of \$5.8m in H1 FY24, which while not an acceptable outcome, is a material improvement compared to the loss of \$12.7m in the prior period.

Additionally, the Company has continued to improve its overall financial position, noting:

- Reduced inventory by ~62% from a peak of \$28.8m (Jun-22) to \$10.8m (Dec-23); and
- Reduced debt facility from \$12m (Jun-22) to \$5.0m (Dec-23), coupled with improved financial terms and minimal covenants.

Outlook²

H2'24 sales are expected to exceed H1'24 revenue of \$17.4m, driven by new Management implementing proven sales strategies, coupled with the launch of new products.

Atomos is continuing to review its operating cost structure, which is expected to be completed by April 2024. As a result of the review, further cost initiatives will be implemented, which is anticipated to result in annualised fixed operating costs decreasing by more than 20% (less than \$16m annually) compared to annualised operating fixed costs incurred in H1'24 of ~\$20m.

The Company has revised the EBITDA breakeven to ~\$45m of sales (excluding one-off items), the level of which is expected to be achieved upon completion of the restructuring. The revised position follows a detailed bottom-up review of the financials by the new management team.

Funding and Release from ASX Suspension

To execute on the strategic initiatives outlined above, Atomos will require additional funding.

As part of this process, the Company has successfully increased the limit of the current debt facility with Domazet FT3 Pty Ltd as trustee for The Domazet Family Trust (**Debt Facility**) from \$5.0m to \$8.0m along with extending the maturity date to 31 March 2025.

In addition, the Company is well progressed on an equity capital raise which will be well supported by new Management and the current largest shareholder, Doma.

The timing of the equity capital raise is subject to further discussions with the ASX. Atomos' expectation is to return to trading on the ASX as part of, or completion of, the capital raise process.

The Company will release a separate announcement providing further details once it gains further clarification around its ability to be released from suspension and resume normal trading on the ASX.

This announcement has been authorised for lodgement with ASX by the 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 & other news <https://announcements.atomos.com>.

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

² Forward Looking Statements

The statements relating to anticipated revenue and cost savings involve known and unknown risks, uncertainties and other factors that may cause the Company's actual performance, and achievements to differ materially from any performance or achievements expressed or implied by these statements. Relevant factors may include, but are not limited to, technological resourcing, foreign exchange fluctuations and general economic conditions, increased costs, geopolitical and social risks, supplier delivery issues, changes to the regulatory framework within which the Company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation. For further information as to the risks which may impact the Company's results and performance, please see the risk factors included in the Prospectus lodged with ASX on 29 February 2024.