

Focusrite Plc

Results for the year ending
31 August 2021

November 2021

The content of this document (the “Presentation”) has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 (“FSMA”), as amended. Reliance on this document for the purpose of engaging in any investment activity may expose an individual or organisation to a significant risk of losing all of their investment. If you are in any doubt about the investment to which this Presentation relates, you should consult a person authorised by the Financial Conduct Authority who specialises in advising on securities of the kind described in this Presentation or your stockbroker, bank manager, solicitor, accountant or other financial adviser.

This presentation has been issued by Focusrite Plc (the “Company”) a Company trading on AIM, a market operated by the London Stock Exchange. This part of and does not constitute or form of, not be construed as an offer or invitation to sell or issue or any solicitation of, any offer to purchase or subscribe for any securities in the Company in any jurisdiction. Neither the Presentation, nor any part of it nor anything contained or referred to in it, nor the fact of its distribution, should form the basis of or be relied on in any connection with or act as an inducement in relation to a decision to purchase or subscribe for or enter into any contract or make any other commitment whatsoever in relation to any such securities. In particular, details included in this Presentation are subject to updating, revision, verification and amendment and refer to events as having occurred which have not occurred at the date of this Presentation but which are expected to happen in the future. This Presentation does not constitute a recommendation regarding the securities of the Company.

The contents of this Presentation are confidential and may not be copied, distributed, published or reproduced in whole or in part, or disclosed or distributed by recipients to any other person. No reliance may be placed for any purpose whatsoever on the information or opinions contained in the Presentation or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of their respective directors, officers, employees, agents or advisers as to the accuracy, completeness, or fairness of the information or opinions contained in the Presentation and no responsibility or liability is accepted by any of them for any such information or opinions. In particular, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on any projections, targets, estimates or forecasts and nothing in this Presentation is or should be relied on as an undertaking or representation as to the future.

This Presentation is exempt from the general restrictions in section 21 of FSMA on the communication of invitations or inducements to engage in investment activity on the ground that it is only being distributed to and directed at (i) persons who fall within the exemption contained in article 19(1) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); (ii) persons who are otherwise permitted by law to receive it (together “relevant persons”). This document must not be acted on or relied on by persons who are not relevant persons. Any recipient of this Presentation who is not a relevant person should return this Presentation to the Company immediately and take no other action.

It is a condition of you receiving this Presentation that (a) you fall within, and you warrant to the Company that you fall within, one of the categories of persons described in (i) to (ii) above.

Neither this Presentation nor any copy of it may published, taken, circulated or transmitted to or into the United States, Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa, New Zealand or into any other jurisdiction where it would be unlawful to do so, or to any person in any of those jurisdictions. Any failure to comply with this restriction may constitute a violation of relevant local securities laws. The distribution of this Presentation in any other jurisdictions may be restricted by law and persons into whose possession this Presentation comes should inform themselves about, and observe such restrictions. The securities referred to have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or under the applicable securities laws of Canada, Australia, Japan, the Republic of Ireland, the Republic of South Africa or New Zealand, and, subject to certain exceptions, will not be offered or sold directly or indirectly within such jurisdictions or to any national, resident or citizen thereof.

Agenda

Introduction and Highlights

Operational Review

Financial Review

Growth Strategy

Summary and Outlook



Tim Carroll
Chief Executive
Officer



Sally McKone
Chief Financial
Officer

Introduction

Focusrite plc is a global music and audio products group that develops and markets proprietary hardware and software products. Used by audio professionals and amateur musicians alike, its solutions facilitate the high-quality production of recorded and live sound.

Founded in 1989. Eight brands

- **Focusrite:** audio recording equipment
- **Focusrite Pro:** audio recording and broadcasting equipment for commercial operations
- **Novation:** hardware and software for creating and playing electronic music
- **Ampify:** Software and content for creating music
- **ADAM Audio:** studio monitors
- **Martin Audio:** live and installed sound
- **Optimal Audio:** Commercial Audio: launched April 2021
- **Sequential:** High end synthesisers, acquired April 2021

Global customer base: over 240 territories. Over 475 employees



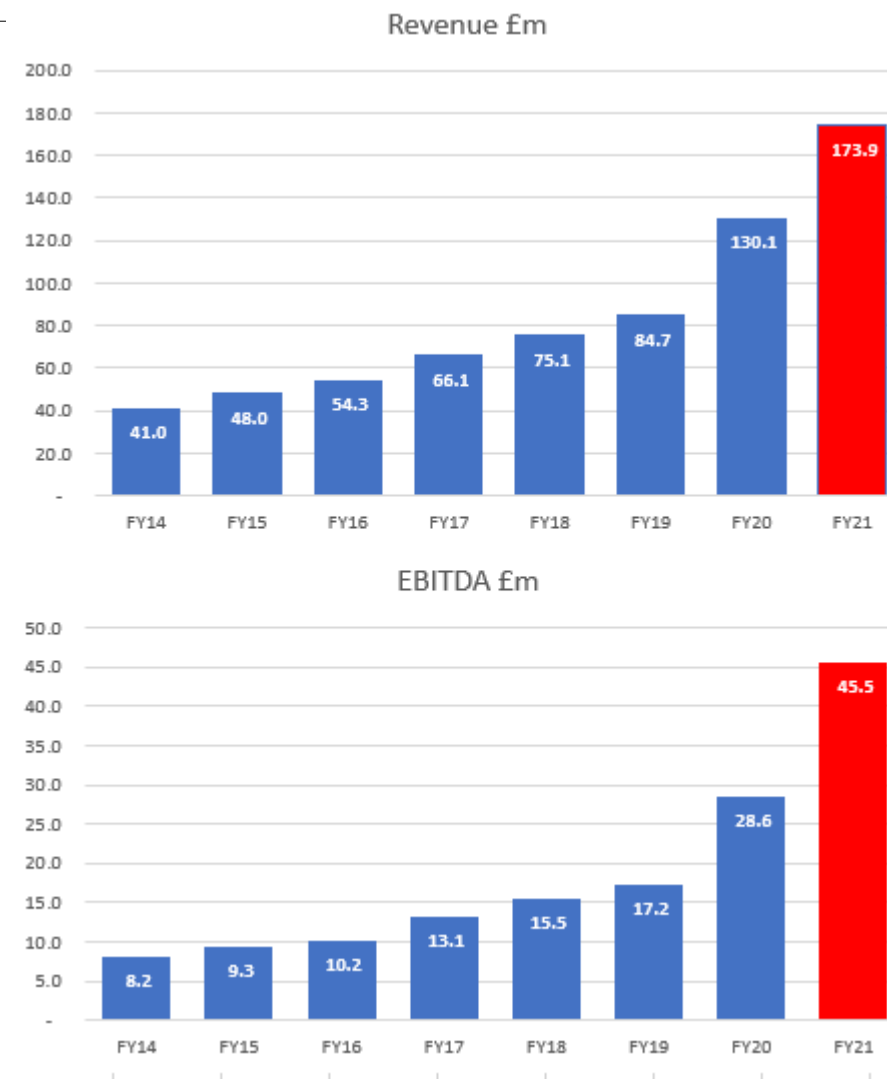
Highlights for the year ended 31 August 2021

- Revenue up 34%¹ (28% organic constant currency growth²)
- Growth across all geographic regions and brands
- EBITDA ³ up 67% to £47.5 million
- Completed the acquisition of Sequential in April 2021 for \$20 million net + advisers' fees
- Launch of Optimal Audio in April 2021
- 13 new products launched during the year
- Investment in people, technology, IT and management
- Year end net cash £17.6m after paying off the loan drawn down to buy Sequential
- Final dividend of 3.7 pence, resulting in full year dividend of 5.2 pence, an increase of 24%

¹ Calculated as the percentage difference in the reported numbers in £ thousands.

² The organic constant currency (OCC) growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for exchange rates and the impact of acquisitions.

³ Comprising earnings adjusted for interest, taxation, depreciation, amortisation, goodwill impairment and non-underlying items



Product sectors: Focusrite

Focusrite	FY21	FY20	% growth	% organic
	£m	£m		
Revenue	97.2	76.2	28%	32%

- Segment growth of 28% driven by strong demand for Scarlett
- Growth in customer base during lockdowns and maintained post-COVID
 - Customers reverting to their passion for making music
 - Wider uses including podcasting, streaming and video conferencing
 - Higher customer base maintained post COVID
- Second half impacted by global component shortages and logistics challenges



Product sectors: Focusrite Pro

Focusrite Pro	FY21	FY20	% growth	% organic
	£m	£m		
Revenue	4.9	3.5	40%	44%

- Overall segment increase of 40%
- Initial slowdown due to pandemic lockdowns but quickly returned to growth supported by
 - New products and updates introduced and well received
 - Ongoing strong demand in post-production and installed sound
- Industry leading solutions used at flagship events – Presidential Inauguration

“We pride ourselves in investing in the best-sounding and highest quality product in a given category...We have not been disappointed with our Rednet Investment”

Maryland Sounds International

The organic constant currency (OCC) growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for exchange rates and the impact of acquisitions



Product sectors: Novation

Novation	FY21	FY20	% growth	% organic
	£m	£m		
Revenue	22.3	19.4	15%	19%

- Novation up 15% on prior year
- New generation Launchpad and Launchkey products doing well
- Two new products Circuit Tracks and Circuit Rhythm launched to great industry acclaim
- Introduced AFX station update to award winning Bass Station synth

The organic constant currency (OCC) growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for exchange rates and the impact of acquisitions



Product sectors: Ampify

- Bundled with all Focusrite and Novation hardware
- Expands Group's offering into iOS and cross platform desktop solutions
- 1.4 million downloads of iOS apps
- Introduction of new annual subscription service
- 565,000 in app purchases
- 5,700 active subscribers at the end of the year and growing every month



Product sectors: ADAM Audio

ADAM Audio	FY21	FY20	% growth	% organic
	£m	£m		
Revenue	23.9	17.4	37%	36%

- Revenue up 37% on the prior year
- Comfortably ahead of plans made at time of acquisition and successfully integrated into the Group
- ADAM now distributor of Focusrite in Germany & Austria – and vice versa in the UK delivering strong growth in both markets
- ADAM Audio Academic Program has expanded to new regions
- Women in Music Initiative progressing strongly
- New product launches planned for FY22

The organic constant currency (OCC) growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for exchange rates and the impact of acquisitions

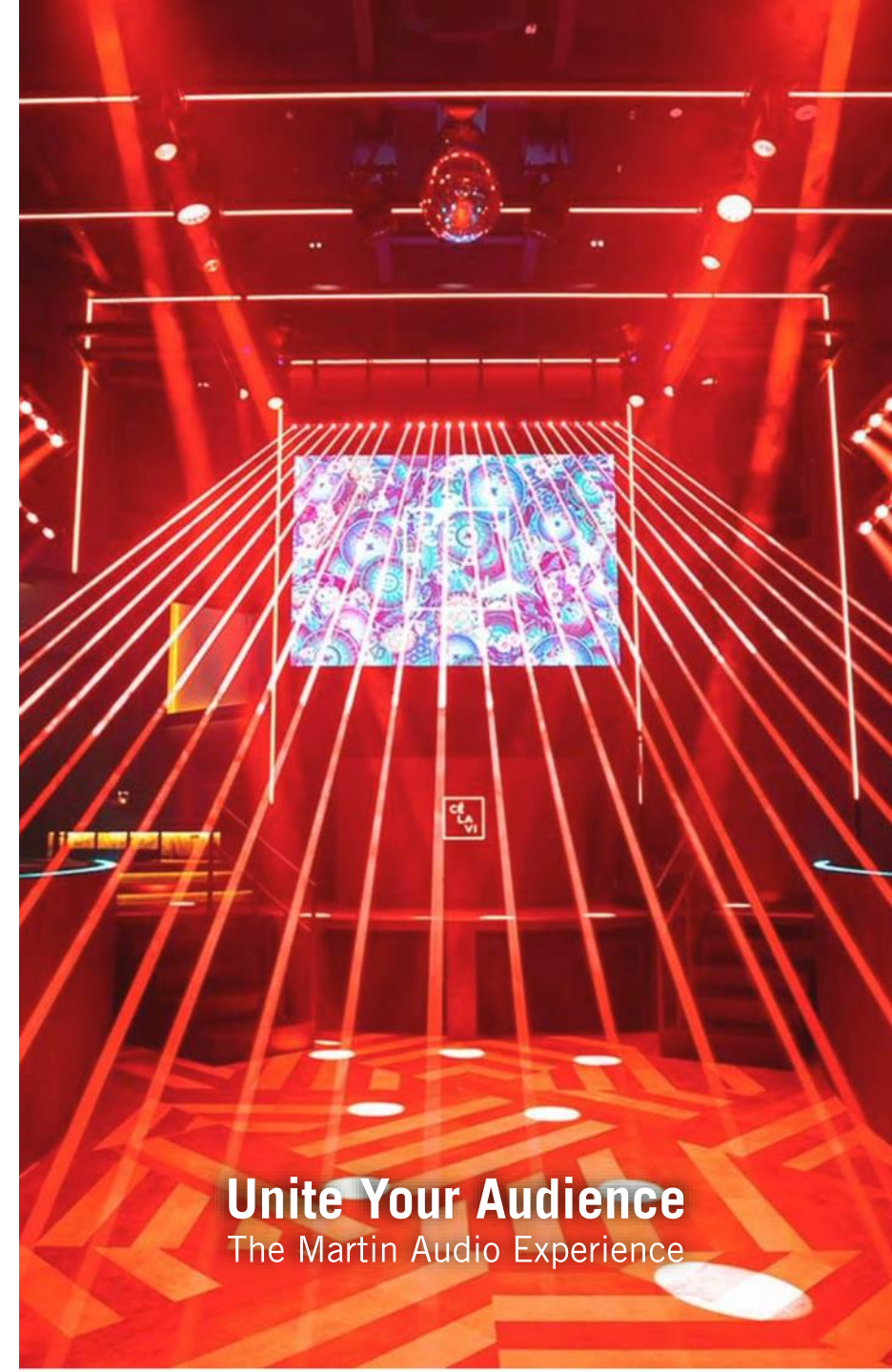


Product sectors: Martin Audio

Martin Audio	FY21	FY20	% growth	% organic
	£m	£m		
Revenue	20.4	12.0	70%	23%

- First full year in FY21 compared to eight months in PY
- Revenue up 70% compared to PY (23% organic)
- With live music impacted by lockdowns the team refocussed on installed sound with delivery of new products – Torus
- Launch of Optimal Audio brand
- Working industrywide to support #WeMakeEvents
- Returned to growth in H2 and delivered £3.8m of EBITDA in the year

The organic constant currency (OCC) growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for exchange rates and the impact of acquisitions



Unite Your Audience
The Martin Audio Experience

Product sectors: Sequential

Sequential	FY21
	£m
Revenue	5.3

- Leading American synthesiser company and iconic brand headquartered in San Francisco
- Purchased in April 2021, \$20m on completion with up to \$4m future potential earn out
- New CEO, David Gibbons, recruited to support business growth
- New product – Take 5 launched in July 2021 and well received
- Growth ahead of acquisition plan and integration into Group progressing well



Financial highlights for the year ended 31 August 2021

- Group revenue up by 34% to £173.9 million (FY20: £130.1 million)
- Organic revenue growth 28% - adjusted for acquisitions and foreign currency
- Adjusted EBITDA¹ up by 67% to £47.5 million (FY20: £28.6 million)
- Adjusted diluted earnings per share 57.5p, up by 75% (FY20: 32.8p)
- Reported diluted earnings per share 48.2p, up by 589% (FY20: 7.2p)
- Adjusted free cash flow² £31.5 million (FY20: £28.2 million) : 18.1% of revenue (FY20: 21.6%)
- Net cash of £17.6 million (FY20: £3.3 million) after the purchase of Sequential for \$20 million
- Final dividend of 3.7 pence, resulting in 5.2 pence for the year, up 24% on prior year

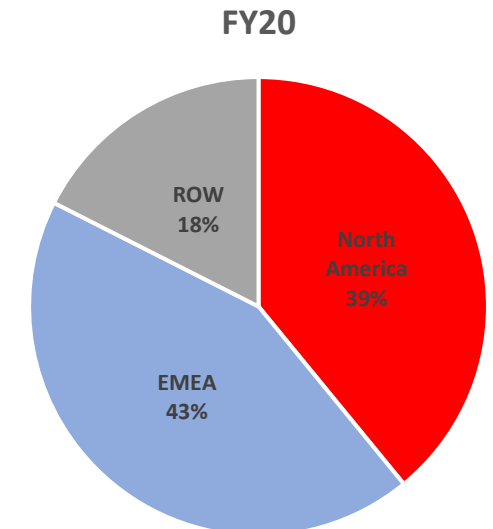
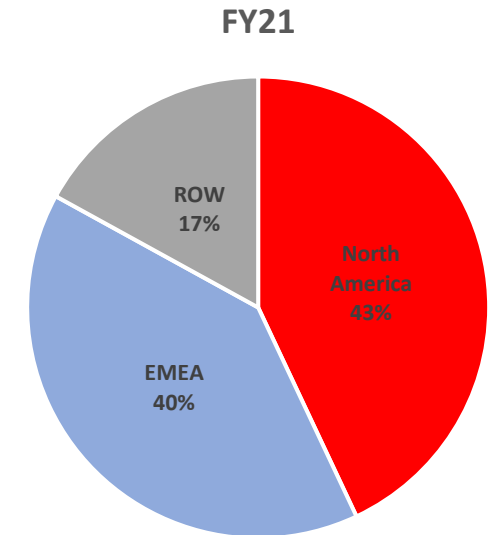
¹ Comprising earnings adjusted for interest, taxation, depreciation, amortisation, goodwill impairment and non-underlying items

² Net cash from operating activities less net cash used in investing activities, excluding acquisitions, movement in bank loan and non-underlying costs

FY20: Regional performance

Revenue	FY21	FY20	% growth	% organic
	£m	£m		
North America	74.6	50.9	47%	46%
Europe, Middle East and Africa	69.3	56.4	23%	15%
Rest of World	30.0	22.8	32%	25%
Consolidated revenue	173.9	130.1	34%	28%

- North America: up 47% to £74.6m (organic growth 46%)
 - FAEL up 43% and Martin markets reopen with 50% growth in H2
 - US reorganised to one entity across all brands
- EMEA: up 23% to £69.3m (organic growth 15%)
 - Growth led by ADAM products at 35%
 - FAEL up 12%
- Rest of World: up 34% to £30.0m (organic growth 28%)
 - Comprises APAC and LATAM
 - LATAM performing particularly well at 58% increase



Income Statement

	FY21	FY20
	£m	£m
Revenue	173.9	130.1
Cost of sales	(89.8)	(70.2)
Gross profit	84.1	59.9
Operating expenses before non-underlying items	(42.7)	(36.9)
Operating profit before non-underlying items	41.4	23.0
Non-underlying items	(5.6)	(15.1)
Operating profit	35.8	7.9
Net financing charges	(0.8)	(0.9)
Profit before tax	35.0	7.0
Tax	(6.7)	(2.9)
Profit after tax	28.3	4.1
Operating profit before non-underlying items	41.4	23.0
Add back depreciation and amortisation	6.1	5.6
EBITDA	47.5	28.6

- Revenue up 34% (organic 28%)
- Gross margin 48.5% (FY20: 46.0%)
 - One off duty benefit £1.5 million – underlying 47.5%
- Costs increase of £5.8m, impacted by acquisitions, offset by COVID savings of £2m which are non-recurring
- EBITDA up 67% to £47.5m (FY20: £28.6m)
- Tax £6.7m (FY20: £2.9m): Underlying tax rate 17% (FY20:13%)
 - Higher due to change of R&D tax regime and profits in higher rate territories

Balance Sheet

	FY21	FY20
	£m	£m
Intangible assets	59.2	48.2
Tangible assets	3.6	4.1
Total non current assets	62.8	52.3
Inventories	20.8	19.4
Debtors and other investments	16.3	18.0
Cash	17.3	15.0
Total current assets	54.4	52.4
Current liabilities	(25.5)	(26.0)
Net current assets	28.9	26.4
Total assets less current liabilities	91.7	78.7
Non current liabilities	(7.4)	(21.8)
Net assets	84.3	56.9
Capital and reserves		
Share capital and other reserves	2.4	1.6
Retained earnings	81.9	55.3
Total Equity	84.3	56.9

- Intangible fixed assets
 - £14m increase due to Sequential acquisition, £12m of brand and technology, £2.4m of goodwill
- Working capital 5.5% of revenue
 - Inventories now include Sequential £1.7m
 - Working capital remains at low levels due to supply issues. Expected to recalibrate to historic levels of ~20% of revenue in FY22
- Non-current liabilities £7.4m (FY20 £21.8m)
 - Bank loan has been repaid (FY20: £11.6m)

Cash flow

	FY21 £m	FY20 £m
EBITDA	47.5	28.6
Movement in working capital	1.6	12.3
Operating cash flow	49.1	40.9
Interest paid	(0.9)	(0.8)
Tax paid	(9.7)	(3.5)
Net cash from operating activities	38.5	36.6
Investing	(20.6)	(44.9)
Payment of right-of-use leases	(1.1)	(0.9)
Bank loan	(11.9)	12.0
Loan arrangement fee	-	(0.4)
Free cash flow	4.9	2.4
Dividends	(2.6)	(2.3)
Net change in cash	2.3	0.1
FX movement	-	-
Opening cash	15.0	14.9
Closing cash net of overdraft	17.3	15.0
Free cash flow	4.9	2.4
Acquisition of subsidiary (net of cash acquired)	13.9	35.3
Bank Loan	11.9	(11.6)
Non-underlying items	0.8	2.1
Underlying free cash flow	31.5	28.2

- Investing £20.6m, (FY20: £44.9m)
 - Acquisition of Sequential (£13.9m)
 - Capitalised R&D £4.9m (FY20: £4.6m). Total R&D spend of 4.5% of revenue is lower than 6%-7% historic average
- Free cash flow before acquisition 18.1% of revenue
 - Long term average 10-12%
- Closing net cash £17.6m after acquisition, compared to £3.3m at FY20
 - Debt taken to buy Sequential paid off in four months.
 - HSBC/NatWest revolving credit facility of £40m until December 2024
- Full year dividend of 5.2p
 - Cash dividend cover of 12.1 on underlying cashflows
 - Adjusted diluted EPS dividend cover of 11.1x

Ongoing challenges have been well managed

- **COVID 19**
 - Lockdowns led to increased demand, with the Group expanding manufacturing and purchasing
 - Return to work protocols now in place at all sites, supported by a robust infrastructure to enable remote working
- **Component supply issues**
 - Ongoing challenges constraining supply
 - Well managed by the Operations teams working closely across the supply chain but not expected to improve until at least H2 FY22
- **Freight and logistics challenges**
 - Global issues well documented in the news
 - Freight costs remain high and are expected to do so throughout next year
 - Managed through strong supply chain relationships and extensive long-term planning

Embedding best practice within our strategy



People: Building a great place to work and engaging with our broader communities

Health and Safety
Talent attraction and retention
Diversity & Inclusion
Community Engagement



Planet: Designing each generation of products to have a smaller carbon footprint

Climate change
GHG emissions
Supplier sustainability



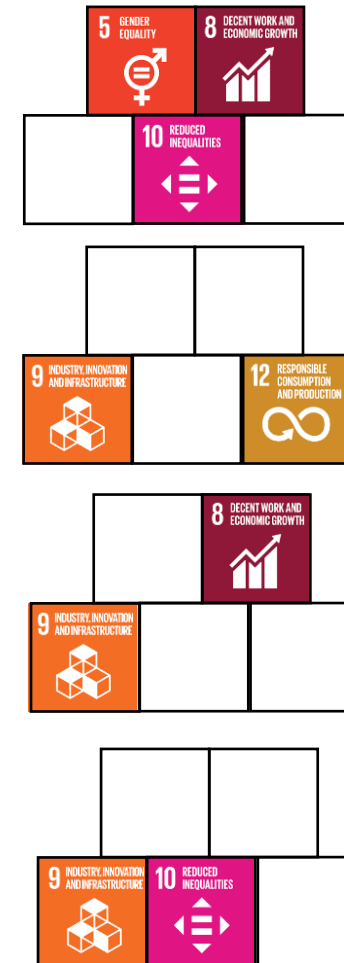
Partners: Long term supplier relationships recognising the importance of our values

Waste and recycling
Partnerships
Human rights and modern slavery



Passion: Meaningful engagement with our customers to deliver industry leading products

Customer support
Diversity and inclusion
Localisation



Materiality assessment of key areas complete and aligned with UN Sustainable Development Goals

Focusrite Growth Strategy



Creating a great place to work

We embrace the diverse foundations of the world of audio and nurture our talent to build a culture of equity and inclusion. We now have a full time Head of Sustainability as well as numerous working groups focussed on Diversity and Inclusion.



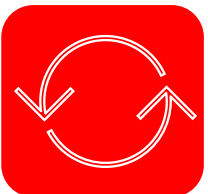
Grow the core customer base

The number of musicians not yet using technology to sculpt, perform or capture sound outnumbers those who do by as many as 14:1. We invest in R&D to ensure our products are constantly evolving to meet this challenge, as seen this year with the launch of over 30 products.



Expand into new market opportunities

We consistently review our go to market strategy, investing in local people and resources, Latin America has been a recent shining example of this. We also look to expand organically and through acquisition, as seen this year with the acquisition of Sequential and launch of Optimal Audio.



Focusing on life time value for our customers

We will increase the lifetime value for our customers by maximising the value they get from making music through world class tech support generating industry leading NPS scores.

Summary and Outlook

- Revenue up 34%¹ (28% organic constant currency growth²)
- EBITDA³ up 67% to £47.5 million
- Completed the acquisition of Sequential in April 2021 for \$20 million net + advisers' fees
- Launch of Optimal Audio in April 2021
- Year end net cash £17.6m after paying off the loan drawn down to buy Sequential
- Final dividend of 3.7 pence, resulting in full year dividend of 5.2 pence, an increase of 24%
- Since the year end demand has remained strong and those sectors negatively impacted by COVID are showing signs of recovery
- Mindful of ongoing supply chain and component availability issues we continue to invest in our people and systems to manage these headwinds
- Cautiously optimistic about the prospects for modest revenue growth in the current year

¹ Calculated as the percentage difference in the reported numbers in £ thousands

² The organic constant currency (OCC) growth rate is calculated by comparing FY21 revenue to FY20 revenue adjusted for exchange rates and the impact of acquisitions

³ Comprising earnings adjusted for interest, taxation, depreciation, amortisation, goodwill impairment and non-underlying items

Focusrite Plc

Additional Information

November 2021

Customers and markets: audio creation



The Aspiring Creator

Market size
£450-£500m

Very likely to have little or no previous musical knowledge

Demands an immediate, joyful experience

Demands ease, accessibility, and convenience

Wants a user interface (UI) / app that speaks his or her language



The Passionate Maker

Market size
£625m-£675m

May or may not play traditional instruments

Little or no songwriting experience

Wants to make “good” music and get better at the craft

Expectation that new gear will yield quick/positive results



The Serious Producer

Market size
£250m-£275m

Strong demands on gear /technology to achieve professional-level results

Deeply into technical data/features

Willing to pay for solutions that can achieve results



The Music Master

Market size
£200-£250m

Highly skilled musician or audio engineer

Depends on technology to do the job

Adopts/refines workflows to optimize efficiency

Money generally not an issue if the product meets requirements



The Facility

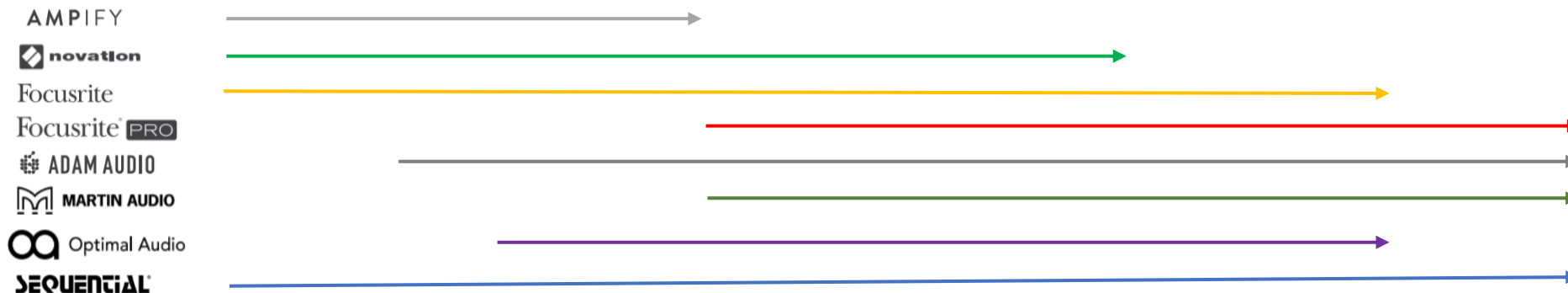
Market size
£300m-£350m

Highly skilled musician or audio engineer

Depends on technology to do the job and make a living

Adopts/refines workflows to optimize efficiency

Money generally not an issue if the product meets requirements



Global market sizes are estimated from Music Trades Industry Consensus and management input

Customers and markets: Live venues



The Live Venue

Market size
£2,000m-£2,500m

Focusrite PRO

M MARTIN AUDIO



Nightclubs: From Beijing, London to LA, nightclubs of all sizes, including Ministry of Sound



Hospitality: Cafes, bars, restaurants and hotels such as Caesar's, W and Marriott



Worship: From 50 seat chapels to 10,000 seat mega churches, including Westminster Abbey and Calvary Church



Auditoria: Education and conference spaces like George Washington or Oslo's Aula - Nobel lecture theatre



Live Events: Concerts, festivals, theatre, corporate showcases: The Killers, Glastonbury Jesus Christ Superstar, Apple

Product sectors: Focusrite

Focusrite



Scarlett: Mass market interface. Home user
\$100 to \$500



Clarett: Intermediate / Professional user
\$400 to \$1,200

Focusrite Pro



RedNet: Enterprise, Live, Broadcast, Education.
Networked Audio over IP
\$3,000 upwards



Red: Creative Professional, Music, Post
\$2,000 to \$3,500

Product sectors: Novation *including Ampify*

Novation



CONTROLLERS

Physical interfaces to control music creation software

Grid controllers: **Launchpad** - \$100 to \$300.

Keyboard controllers: **Launchkey** - \$100 to \$250.



STANDALONE

Function on their own as sound generating devices

Grid: **Circuit** - \$330.

Keyboard: **Bass Station II** - \$400.

Ampify



SOFTWARE

iOS apps that allow creation of music on iPhones/iPads

Freemium iOS apps and add-on packs starting from **\$1**

Product sectors: ADAM Audio



T Series

Entry level studio monitor:
\$400-\$500 per pair



AX Series

Mid level studio monitor:
\$700-\$2,000 per pair



S Series

High end studio monitor:
\$1,750-\$20,000 per unit



Subwoofers

\$700-\$8,000 per unit



Headphones

SP-5 headphones: **\$500**



Product sectors: Martin Audio



Small Sound Systems

For up to 250 people. From \$500



Medium Format Systems

From 250-1500 people: prices from \$2,000



Large Format Systems

From 1500 to 10,000+ people. Prices from \$40,000



Product sectors: Optimal Audio



ZonePad wall controllers



Zone processors



SmartAmp DSP amplifiers



Up ceiling speakers



Sub sub-woofers



Cuboid on-wall speakers

Systems start from £2,000

Product sectors: Sequential



Pro 3 / Pro 3 SE
\$1,599 - \$2,099



Prophet 6 Module / Kbd
\$2,299 - \$2,899



OB-6 Module / Kbd
\$2,399 - \$3,099



Prophet 5 (& 10)
\$2,599 - \$4,399



Prophet Rev 2 8/16 Module / Kbd
\$1,399 - \$2,099



Prophet X / XL
\$3,499



NEW! Take 5
\$1,499

Foreign exchange

Exchange rates	FY21	FY20
Average		
US\$:£	1.36	1.27
€:£	1.14	1.14
Average rate of forward contracts		
€:£	1.12	1.11
Weighted average applicable rate		
US\$:£	1.36	1.27
€:£	1.12	1.12
Year end rate		
US\$:£	1.38	1.34
€:£	1.12	1.12

- Average US\$ weakened by 7%.
 - US and ROW. Total c50% of revenue but almost all cost of sales so minor net profit inflow
- Average reported € little changed.
 - c75% of major Euro flows hedged
 - Therefore average blended € rate weakened by 1%

Number of shares in issue

Shares	FY21	FY20
Shares in issue	58,661,639	58,111,639
Less shares held by EBT	(554,712)	(359,483)
Weighting through year	(113,899)	(72,437)
Weighted average shares for EPS	57,993,028	57,679,719

- Shares in issue currently 58,661,639
- But required to deduct EBT shares for EPS calculation

Share options	FY21	FY20
Directors	450,846	352,614
Staff	1,072,701	1,360,584
Total options o/s at start of year	1,523,547	1,713,198
New options issued	112,472	318,026
Options exercised	(432,085)	(409,418)
Options cancelled	(171,082)	(98,259)
Total options o/s at end of year	1,032,852	1,523,547
Less shares held by EBT	(554,712)	(359,483)
Potential dilution	478,140	1,164,064

- 1.0m options in issue
- Max potential dilution of 0.5m shares

Earnings per share

Earnings per share	FY21	FY20	Movement
	p	p	
Basic	48.8	7.1	588%
Diluted	48.2	7.0	589%
Adjusted basic	58.2	33.2	75%
Adjusted diluted	57.5	32.8	75%

Increase in EPS (75%) slightly higher than increase in EBITDA (67%)

- Depreciation and amortisation increase, but at much lower rate
- Finance costs decrease in year due to repayment of loans
- Tax charge increases are offset by items above

Focusrite Plc

**Enriching Lives Through
Music**