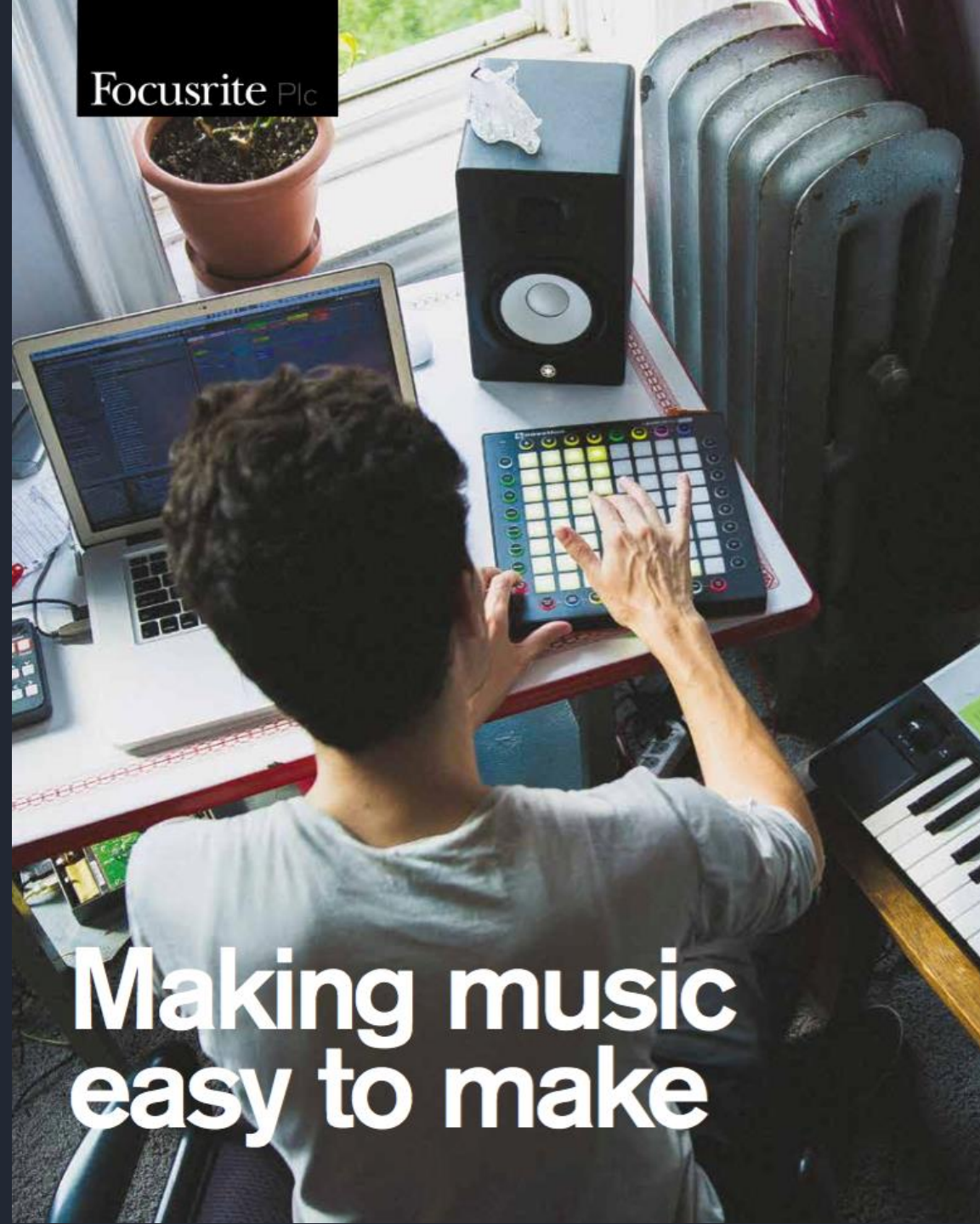


Focusrite Plc



**Focusrite plc**

December 2015

**Making music  
easy to make**

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# Agenda

# Presentation Team

- **Highlights**
- **Refresher**
- **Markets and Products**  
Dave Froker
- **Financial Review**  
Jeremy Wilson
- **Outlook and Summary**  
Dave Froker



Dave Froker  
Chief Executive  
Officer



Jeremy Wilson  
Chief Financial  
Officer



International Track 200  
Fast Track, 2012



Two Queen's Awards  
Innovation, 2008 and  
International Trade, 2012



100 Best Small Co's to Work For  
Four years running  
through 2015



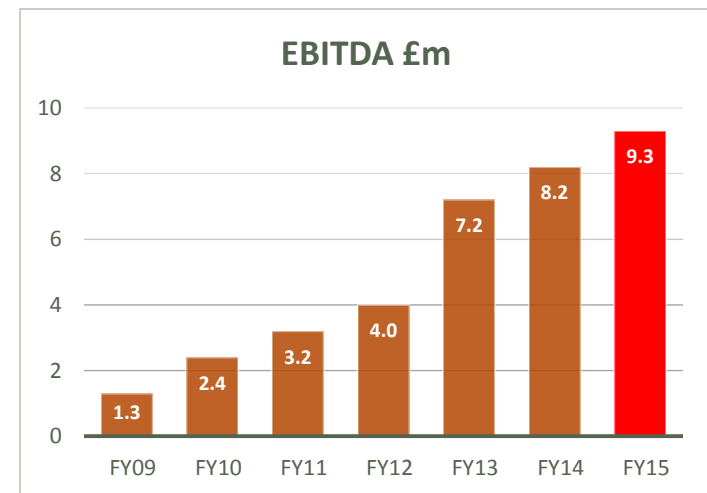
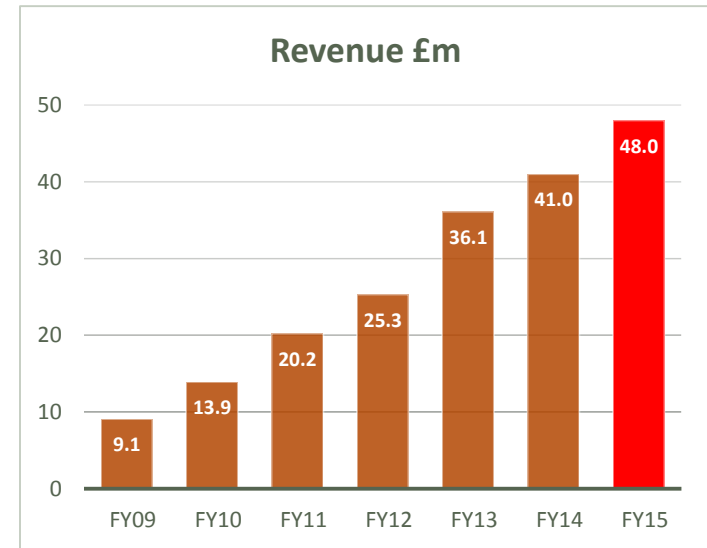
Profit Track 100  
Fast Track, 2013



Hot 100  
Investec, 2013

# Highlights

- Successful first year of trading since **IPO** in December 2014
- **19 new products** launched including higher priced segments (LaunchPad Pro and Clarett) and live / broadcast segment (Rednet)
- Rated, for fourth consecutive year, as one of the “**100 Best Small Companies To Work For**” by The Sunday Times
- **The Result: Key Financials** growing as expected, including both brands -- Focusrite and Novation -- and in all major territories.



# Refresher: Leading Brands



**Studio reputation brought to the wider market**

Mic

Headphones



**Scarlett 2i2**

**Plug-ins**

Headphones, mic and interface make up Focusrite's "Scarlett Studio"; Red software is for sound shaping, named "Scarlett Plugins"



**Positioned in fastest\* growing segment of music**

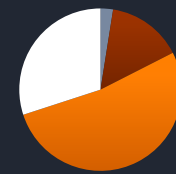


Grid and knobs are Novation's "LaunchPad" and "LaunchControl"; Software is Novation Partner Ableton's "Live"

\* Source: IMS Business Report, 2014

# Refresher: Five Key Product Teams

£48m FY15 = 1.8% of £2.7B Market<sup>(1)</sup>



**Focusrite**

65% of FY15 group revenue<sup>(2)</sup>

## 1 RedNet/COMMERCIAL



**Will Hout**  
Product Manager

£2m

- Ethernet-based audio networking for live performance, educational facilities, large recording studios, post production and broadcast markets. Typical price \$2,500
- Market size £100m<sup>(3)</sup>, growing 10%<sup>(4)</sup>
- No. Products 12
- End-user examples:  
*University of West London*  
*Usher's North America Tour*  
*BBC*  
*Steve Winwood*

## 2 PRO & PROJECT



**Rob Jenkins**  
Product Manager

£6m

- Computer audio interfaces, mic pres and other analogue gear for pro recording studios and for-profit "project" room. Typical price \$1,000
- Market size £82m<sup>(1)</sup>, declining 5%<sup>(4)</sup>
- No. Products 20
- End-user examples:  
*Pete Townshend*  
*Sting*  
*Aphex Twin*  
*Brian Eno*

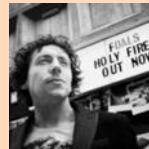
## 3 HOBBYIST



**Rob Jenkins**  
Product Manager

£23m

- Computer audio interfaces and iOS device docks & software for hobbyists, and pros on the run. Typical price \$200
- Market size £165m<sup>(1)</sup>, growing 5%<sup>(4)</sup>
- No. Products 14



**Matt Derbyshire**  
Product Manager

£0.2m



**novation**

30% of FY14 group revenue<sup>(2)</sup>

## 4 EDM Producer Performers



**Olly Burke**  
Product Manager

£14m

- Keyboard & grid controllers, synths & software for Electronic Dance Music producers on Mac, PC and tablets. Typical price \$200
- Market size £97m<sup>(1)</sup>, growing 6%<sup>(4)</sup>
- No. Products 23

## 5 Mobile/Tablet Software: New Segment

- iOS and Android apps for Hobbyists & Producer Performers
- Dedicated team in London
- LaunchPad App > 3m downloads; £0.2m upsell



RedNet



ISA One



Scarlett 2i2



LaunchPad App



MiniNova

(1) Music Trades Magazine, 2013 Market and management estimates; assumed \$/£ exchange rate of \$1.60  
(2) 5% of FY15 revenue is UK distribution of external products such as KRK studio monitors

(3) Management estimate of £100 million for RedNet/Commercial market segment  
(4) represents FY14, last year-on year growth FY2013 – 14

# Refresher: Over 800,000 Products Sold Last Year

## From Artists and Institutions to Hobbyists

### Professional Musicians & Artists



### Institutions & Events



### Amateur Musicians



### References



*"I put faith in Focusrite, as they have a track record of over 20 years of making high-quality, bulletproof audio products."*

Chris Lord-Alge (Multi-GRAMMY® Award-winning producer/mixer – Muse, Pink, Foo Fighters, Avril Lavigne, Green Day, Daughtry, Paramore and Black Eyed Peas)



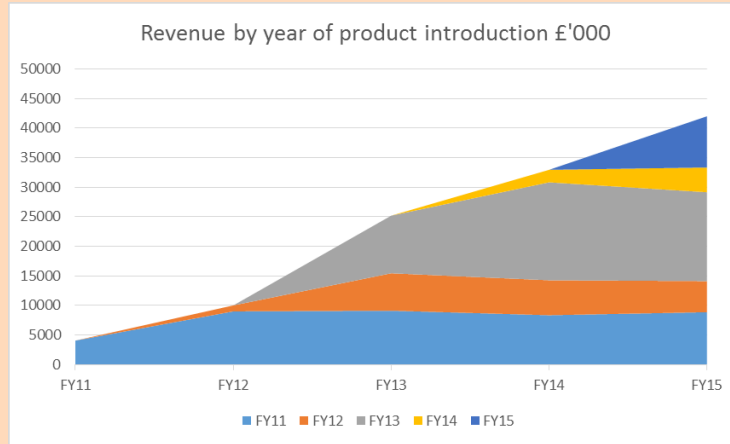
*"I love Novation gear. In my studio, I have the Impulse and SL MkII controllers, plus the MiniNova. They are an irreplaceable part of my powerhouse."*

Keith Harris (MD – Will.I.Am, Backstreet Boys)

# Refresher: Growth Drivers To-Date

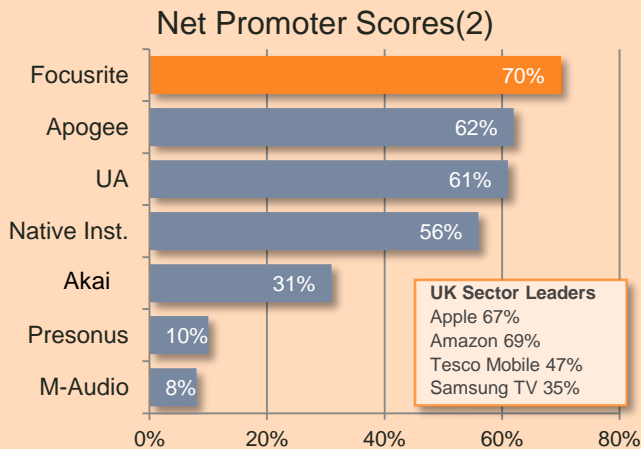
## Product-Driven Innovation

- c.1/3 staff in R&D
- Aspire to have best products at all prices
- Aim to enter new segments
- 64 new products since September 2011



Focusrite Studio Console 1990

## High Levels of End-User Satisfaction



## Vision

We make music  
**easy** to make

## Strong Brand Differentiation

- Focusrite sound quality
- Novation EDM focus
- Established distribution network

## Experienced Team

- 9 management executives
- Combined experience of > 100 years
- Average service with Focusrite of 12 years



100 Best Small Companies to Work For  
Four years running through 2014

## Financially Robust

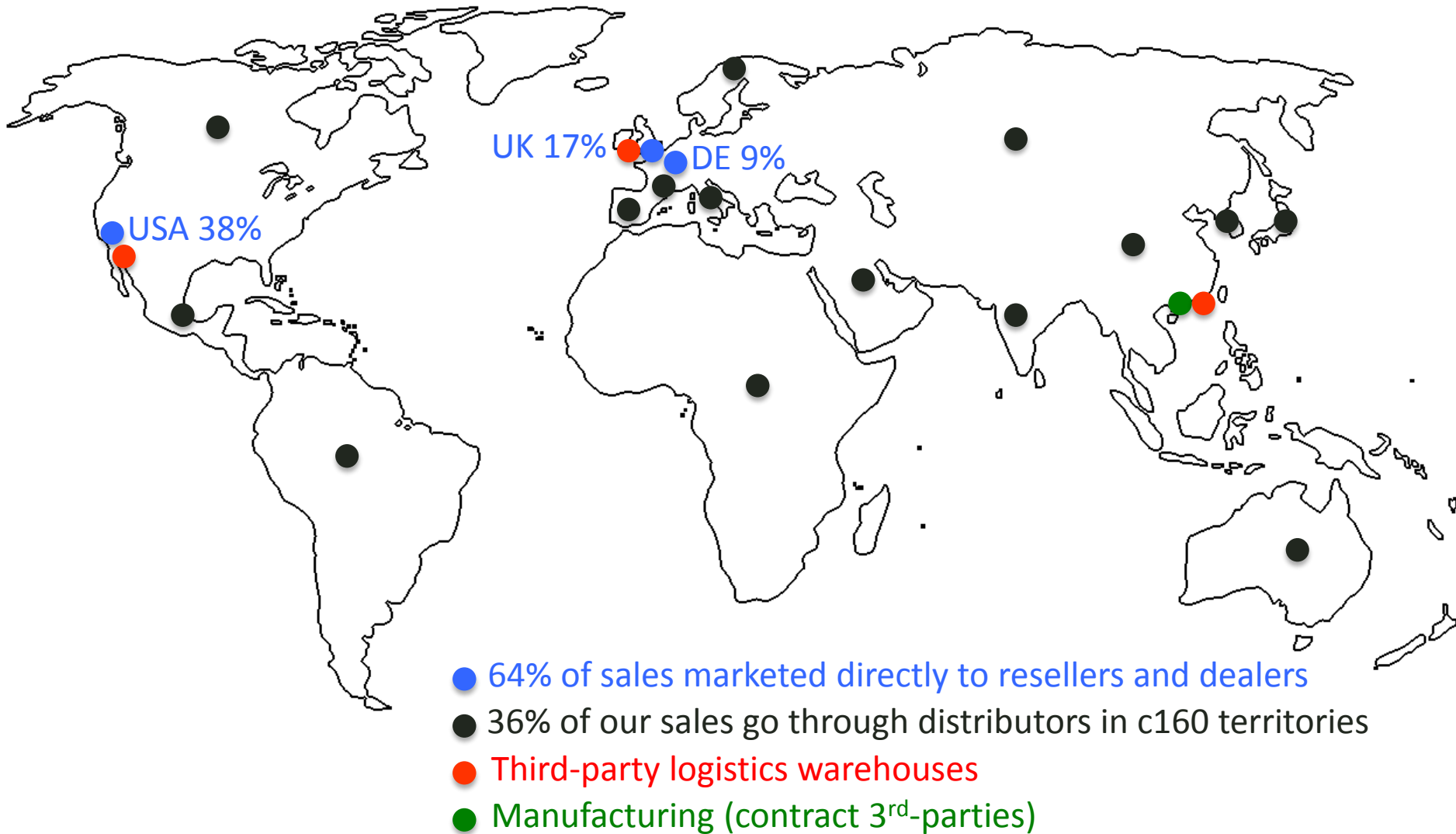
- No external debt
- Self-funded growth

(1) NPI stands for "new product introductions"

(2) Focusrite market research, April 2013; based on "Would you recommend Company X to a friend or colleague?"



# Refresher: Established Distribution & Supply Channel



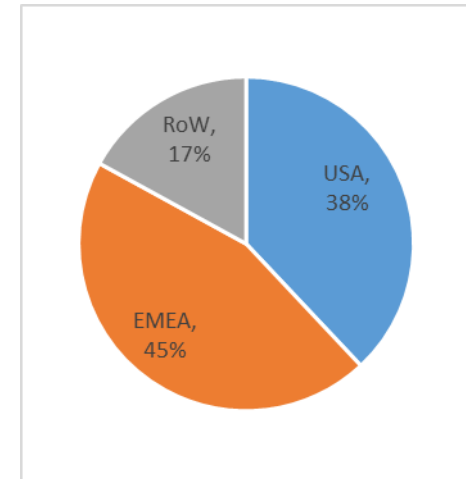
# 2015: Markets

Segmental revenue	FY15	FY14	Growth
	£m	£m	%
USA	18.5	14.3	29.3%
EMEA	21.5	19.6	9.4%
RoW	8.1	7.0	14.5%
Total	48.0	41.0	17.2%

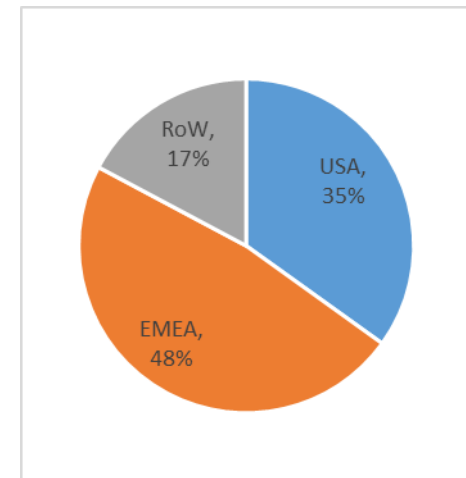
- All major regions growing
- USA: up 29.3% to £18.5m
  - Economy & Amazon growth
- EMEA: up 9.4% to £21.5m
  - Affected by the weaker Euro
  - Some poor economies (Russia, Greece, Italy)
  - Some distribution changes in September 2015 (France, Benelux, Scandinavia, Austria)
- Rest of World (mainly Asia): up 14.5% to £8.1m
  - Mixed performance
    - Strong (Japan, Australia, India, Indonesia)
    - Weak (China, HK, Singapore, Thailand)
  - A greater business focus moving forward

## Regional split of revenue

FY15



FY14



# Sectors: Focusrite

Focusrite	FY15	FY14	Growth
	£m	£m	%
Revenue	31.2	26.8	16.3%

- Major products launched
  - iTrack Pocket: new channel & refresh
  - Scarlett Solo (first time under \$100)
  - Clarett (moving above \$500)
  - RedNet versions for Live and Broadcast



# Sectors: Novation

Novation	FY15	FY14	Growth
	£m	£m	%
Revenue	14.2	11.5	22.7%



- LaunchPad Pro
- Circuit
- Mark II versions of existing products
- Rebrand successful



# Sectors: UK Distribution

Distribution	FY15	FY14	Growth
	£m	£m	%
Revenue	2.7	2.6	2.8%

- KRK Studio Monitors holding steady
- Strategic interest



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# Financial Highlights

- Group revenue up by 17.2% to £48.0 million (FY14: £41.0 million)
- Adjusted EBITDA up by 13.1% to £9.3 million (FY14: £8.2 million)
- Operating profit up by 10.7% to £6.3 million (FY14: £5.7 million)
- Adjusted diluted earnings per share up by 4.3% to 10.5p (FY14: 10.1p)
- Net cash up by 62.3% to £6.2 million (FY14: £3.8 million)
- Maiden final dividend recommended of 1.2p bringing the total dividend to 1.8p for the year

# Income statement

£ million	IFRS FY15	IFRS FY14	Growth
<b>Revenue</b>	<b>48.0</b>	<b>41.0</b>	<b>17.2%</b>
Cost of sales	-29.4	-25.1	
<b>Gross profit</b>	<b>18.6</b>	<b>15.9</b>	<b>17.3%</b>
Operating expenses before non-underlying items	-11.6	-9.5	
<b>Operating profit before non-underlying items</b>	<b>7.0</b>	<b>6.4</b>	<b>9.2%</b>
Non-underlying items	-0.7	-0.7	
<b>Operating profit</b>	<b>6.3</b>	<b>5.7</b>	<b>10.7%</b>
Net financing charges	0.2	0.1	
<b>Profit before tax</b>	<b>6.5</b>	<b>5.8</b>	<b>11.6%</b>
Tax	-1.0	-0.8	
<b>Profit after tax</b>	<b>5.5</b>	<b>5.0</b>	<b>8.2%</b>
<b>Operating profit before non-underlying items</b>	<b>7.0</b>	<b>6.4</b>	
Add back depreciation and amortisation	2.3	1.8	
<b>Adjusted EBITDA</b>	<b>9.3</b>	<b>8.2</b>	<b>13.1%</b>

Revenue up 17.2%.

- Both major brands and all major territories increasing.
- 14.9% at constant exchange rates (Stronger US\$ outweighs weaker €).

Gross margin maintained at 38.8%.

- Would have been 40.1% at constant exchange rates.

Operating expenses excluding non-underlying items 24.2% of revenue (FY14, 23.1%).

- Includes additional 'plc' costs of £0.5 million. Excluding this, operating expenses would have increased by 17%

Adjusted EBITDA up 13.1% to £9.3m.

Exceptional item in FY15 is the final IPO cost.

Tax 14.2% of profit before tax and IPO costs.

- We take advantage of favourable R&D tax credits.



# Balance Sheet

£ million	IFRS FY15	IFRS FY14
Intangible assets	3.9	3.0
Tangible assets	1.3	1.0
<b>Total non current assets</b>	<b>5.2</b>	<b>4.0</b>
Stock	8.6	6.6
Debtors and other investments	8.0	6.5
Cash	6.2	3.8
<b>Total current assets</b>	<b>22.8</b>	<b>16.9</b>
<b>Total assets</b>	<b>28.0</b>	<b>20.9</b>
<b>Capital and reserves</b>		
Share capital and other reserves	1.5	1.5
P+L account	17.0	11.7
<b>Total equity</b>	<b>18.5</b>	<b>13.2</b>
Current liabilities	8.8	7.1
Deferred tax	0.7	0.6
<b>Total liabilities</b>	<b>9.5</b>	<b>7.7</b>
<b>Total equity and liabilities</b>	<b>28.0</b>	<b>20.9</b>

Intangible fixed assets include £3.5m of capitalised R&D and £0.4m of goodwill

- Greater R&D spend. Prudent capitalisation (c80%) and aggressive amortisation (3 years)

Tangible assets: largely tooling for new products and office refurbishment

Stock turn of 3.4 times in FY15 (FY14, 3.8 times).

- Several new products near to year end = higher stock

Debtor days 49 days, down from 53 days in prior year.

Current liabilities up to £8.8m due to higher, more recent purchases of stock.

Deferred tax due largely to the capitalised R&D.

# Cash flow

£ million	IFRS FY15	IFRS FY14
<b>Adjusted EBITDA</b>	<b>9.3</b>	<b>8.2</b>
Movement in wc (ex non-underlying items)	-1.1	0.5
<b>Operating cash flow ( ex non-underlying items)</b>	<b>8.2</b>	<b>8.7</b>
Interest received (paid)	0.0	0.1
Tax received (paid)	-0.8	-0.8
Foreign exchange movement	0.0	-0.1
<b>Net cash from operating activities (ex non-underlying items)</b>	<b>7.4</b>	<b>7.9</b>
Investing	-3.5	-2.6
<b>Free cash flow</b>	<b>3.9</b>	<b>5.3</b>
Proceeds from share issue	0.0	0.2
Dividends	-0.3	-4.2
Other movements	0.0	1.1
Non-underlying items	-1.2	-0.2
<b>Net inc/dec in cash</b>	<b>2.4</b>	<b>2.2</b>
Opening cash	3.8	1.6
<b>Closing cash</b>	<b>6.2</b>	<b>3.8</b>

Working capital remains controlled (16.6% of revenue)

Operating cash flow before non-underlying items 88% of Adjusted EBITDA (FY14, 107%)

Investing £3.5m, (FY14, £2.6m)

- Capitalised R&D £2.7m (FY14, £1.8m). More products being developed with greater predictability.
- Other capital expenditure (tooling) £0.8m (FY14, £0.8m: office refurbishment and tooling).

Free cash flow 8% of revenue (FY14: 13%)

- Longer term average 7%

Non-underlying items: FY15 payment of IPO costs.

- FY14 IPO costs + repayment of related party loan

Closing cash £6.2m, up from £3.8m in Aug '14.

# Dividend

Proposed final dividend 1.2p, making 1.8p for the full year.

- Full year cost c£1.0m
- Leading to free cash flow cover of nearly 4 times.

Important dates

- Ex div date 17 December 2015
- Record date 18 December 2015
- Payment date 3 February 2016

# Agenda

- **Highlights**
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# Our Growth Strategy

## Innovate

- *19 products launched*
- *Innovative, high-quality and attractive*
- *Aim for 1/3 of our revenue from new products*

### Innovate

We have grown quickly while we've invested heavily in R&D to turn out innovative, high-quality and attractive products for musicians and audio professionals. We spend around 7% of revenue on product development and seek to achieve about a third of our revenue from products launched within the last year. The result: in FY15 we launched 19 new products.

## Disrupt

- *Music making profoundly changing*
- *Performed, recorded and distributed in new ways.*
- *Focusrite is at the forefront*

### Disrupt

Music making is going through a profound time of change: it's performed, recorded and distributed in new ways. Focusrite is at the forefront of these changes: creating new instruments, disrupting how music is recorded, and helping musicians find new paths to listeners.

## Make Easy

- *Only 1/15 musicians buy technology*
- *Ease of Use is primary reason*
- *Making music easy to make can change this ratio.*

### Make Easy

Technology has been a double-edged sword for musicians: it's created inexpensive ways to make, record and distribute music but it's also made giant demands on them. In the past, for example, a musician went into a studio where an audio engineer recorded them. Now the musician IS the engineer. Focusrite develops transparent technology to liberate the musician, to make music easy to make, at all levels of expertise.

## Expand

- *We have organically expanded into new segments*
- *Carefully considering acquisitions*

### Expand

Focusrite's addressable market currently represents only 16% of the larger market for musical instruments and pro audio products. We are actively moving into new segments organically and are carefully considering acquisitions. RedNet, our audio networking over IP product line, for example, is taking us into Live Sound, Broadcast and other new segments.

# Current Trading

Products launched at the end of the financial year have been well received by the market, with excellent reviews across the industry. Revenue in the first quarter of the current year was ahead of that for FY15, itself a record quarter, in spite of slower than expected initial sales of new products. Pleasingly, existing products continue to perform as expected.

Notwithstanding the weaker Euro, our continued significant investment in R&D and an exciting new launch schedule for the current year give us confidence that FY16 will be a further year of revenue growth.

# A Good Year

Revenue up 17% with growth in both the Focusrite and Novation divisions and in all major territories

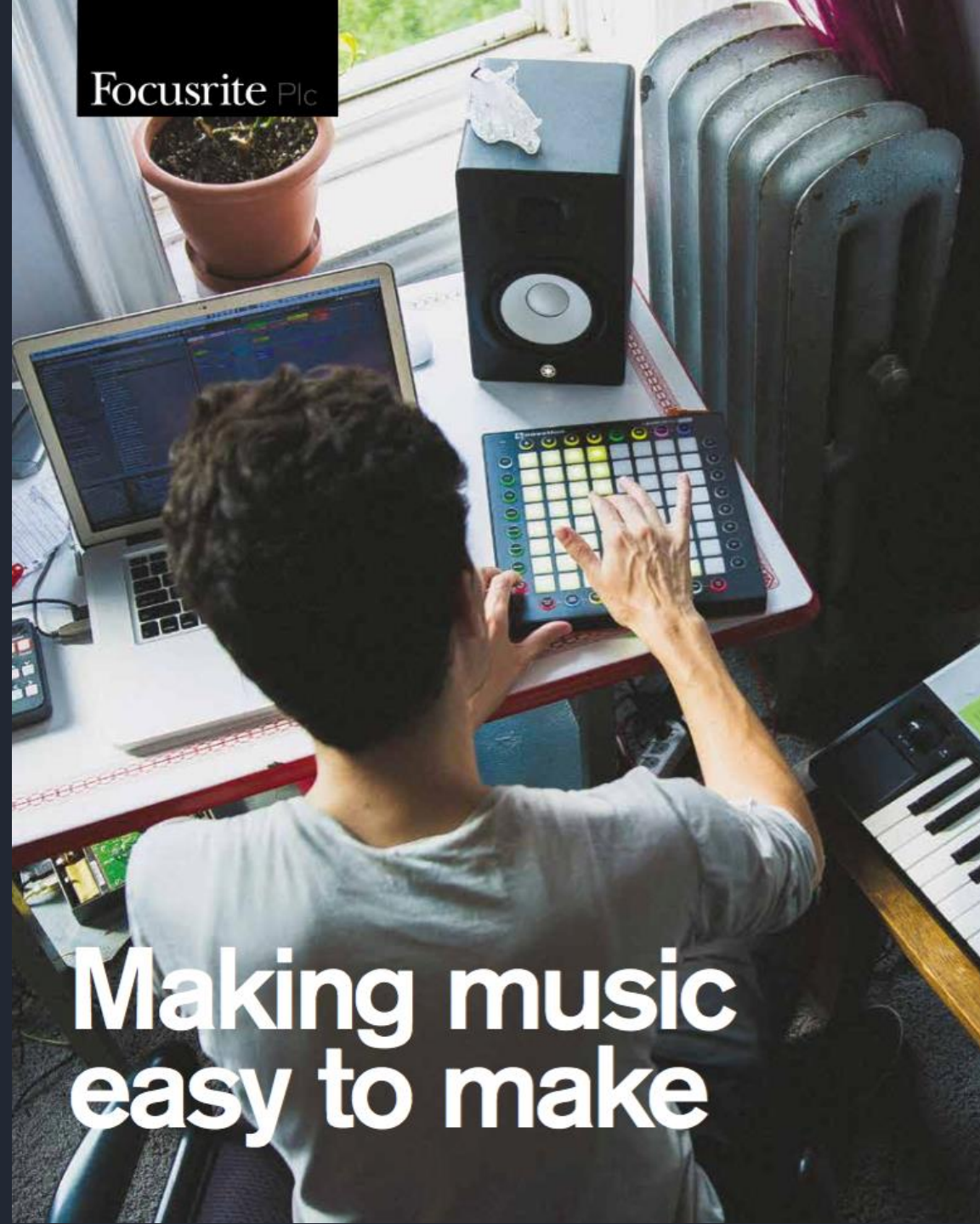
Adjusted EBITDA up by 13.1% to £9.3 million (FY14: £8.2 million)

Significant new products launched (including Clarett, LaunchPad Pro and Circuit) and continued investment in FY16 leave us poised for continued growth

Rated, for fourth consecutive year, as one of the '100 Best Small Companies To Work For' by The Sunday Times

Maiden final dividend of 1.2p recommended bringing the total to 1.8p for the year

Focusrite Plc



Focusrite plc

Back up slides

Making music  
easy to make



# Foreign exchange

Exchange rates	FY15	FY14
Average		
US\$ : £	1.56	1.65
€ : £	1.35	1.21
Year end		
US\$ : £	1.54	1.68
€ : £	1.37	1.26

- Average US\$ strengthened by 5.8%.
  - US and ROW. Total 55% of revenue
- Avg € weakened by 10.4% and average € hedged rate has weakened from €1.275 to €1.39.
  - Europe. Total c27% of revenue
- Hedging and FX gains of £0.8m included in revenue.
- Adjusting for these movements reduces revenue growth from 17.2% to 14.9%.
- Constant exchange rate gross margin 40.0% vs reported 38.8%

# Number of shares

Shares	FY15	FY14
Weighted average shares in issue	58075000	49208000
Less shares held by EBT	-5676000	0
Weighted average shares for EPS	52399000	49208000

- Shares in issue currently 58,075,000
- But required to deduct EBT shares for EPS calculation

Share options	
At IPO: Directors	2297000
At IPO: Staff	5085097
Total options o/s at IPO	7382097
New options issued	138876
Options cancelled	-365642
Total options o/s at 31/8/15	7155331
Less shares held by EBT	-5676000
Potential dilution	1479331

- 7.2m options in issue.
- 5.7m shares held by EBT so vast majority of dilution already taken.

# Earnings per share

Earnings per share	FY15	FY14	Growth
	p	p	%
Basic	10.4	10.3	1.6%
Diluted	9.3	8.8	5.6%
Adjusted basic	11.8	11.7	0.4%
Adjusted diluted	10.5	10.1	4.3%

	%
Increase in Adjusted EBITDA	13.1%
Effect of higher dep'n and amort'n	-3.9%
Effect of net finance charges	0.8%
Effect of tax charge	-3.2%
<b>Inc in profit after tax</b>	<b>6.9%</b>
Effect of share increases	-2.6%
<b>Increase in adjusted diluted EPS</b>	<b>4.3%</b>

Increase in EPS lower than increase in Adjusted EBITDA

- More depreciation and amortisation (R&D)
- Higher effective tax rate
- More shares in issue (pre IPO)

# 19 new products in FY15

- Audiohub 2X4
- Scarlett Solo Studio
- LaunchPad Pro
- Saffire PRO 40 (Dice III variant)
- iTrack Solo (Lightning)
- iTrack Studio (Lightning)
- Rednet D16R
- Rednet HD32R
- Rednet MP8R
- Rednet D64R
- Clarett 8PreX
- Clarett 8Pre
- LaunchPad Mk2
- LaunchKey 25 Mk2
- LaunchKey 49 Mk2
- LaunchKey 61 Mk2
- LaunchPad Mini Mk2
- LaunchKey Mini Mk2
- Morodernova



# Experienced PLC board

## Phil Dudderidge

### Executive Chairman & Founder



- Distinguished career in the professional audio industry; live mixer for Led Zeppelin
- Set up RSD in 1971 building bespoke PA systems with custom-built mixing consoles
- Co-founded Soundcraft Electronics in 1973, a company specialising in live audio mixing consoles (sold to Harman International in 1988)
- Acquired the assets of Focusrite Ltd in 1989; created new business, built international distribution, appointed successor CEO 2012

## Dave Froker

### Chief Executive Officer



- CEO of Focusrite since March 2012
- Previously Chief Marketing Officer (CMO) at Line 6 and CEO of the Stanton Group
- Previously GM of digital audio technology company Digidesign (Avid) where he presided over the growth of Pro Tools into the industry's audio workstation standard, as the company's revenue tripled to \$135m
- Lifelong guitarist

## Jeremy Wilson

### Chief Financial Officer



- CFO of Focusrite since September 2014
- Previously CFO at Regeneris Plc and Atex Group Ltd
- Held several senior finance roles at DHL Express (UK) Ltd and Electrocomponents plc
- Qualified as a Chartered Accountant at KPMG

## David Bezem

### Independent Non-executive Director and Chairman of the Remuneration Committee



- Currently NED and Chair of the Remuneration Committee at Harvey Nash Group Plc
- Most recently MD at Altium Corporate Finance and at Close Brothers Corporate Finance
- Qualified as a Chartered Accountant with Arthur Andersen & Co

## Paul Dean

### Independent Non-executive Director and Chairman of the Audit Committee

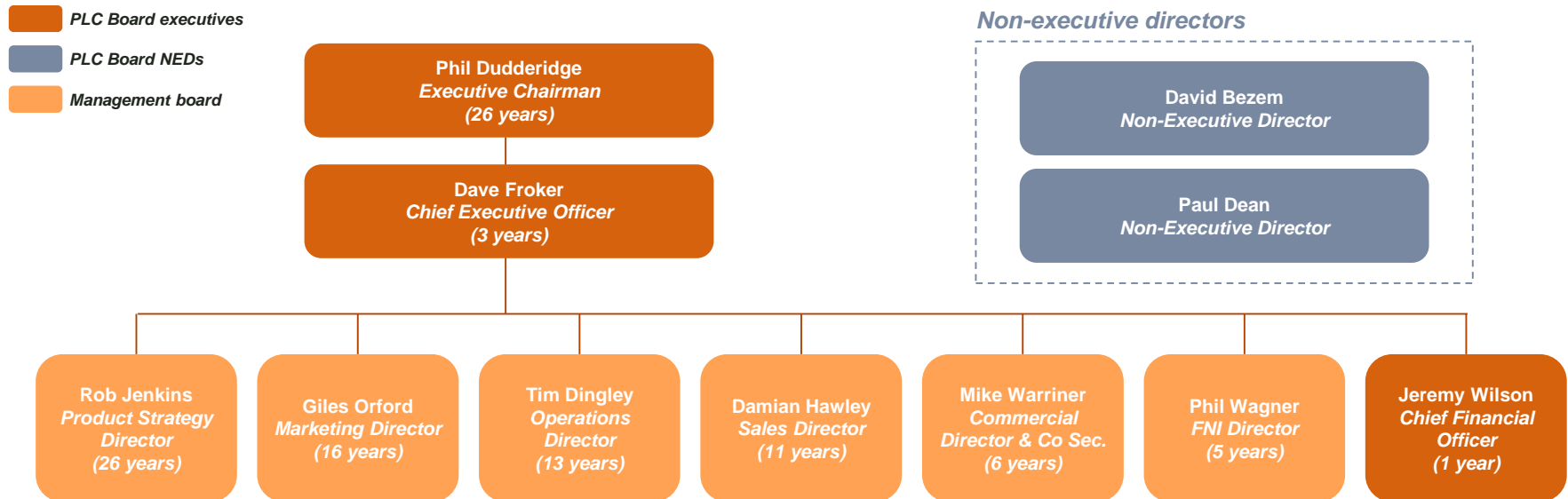


- Currently NED and Chair of the Audit Committee at Polypipe Group Plc, Porvair Plc and Wincanton Plc. Also Senior Independent Director at Polypipe Group Plc and Porvair Plc
- Previously Group FD at Ultra Electronics Holdings Plc and Foseco Plc and held a variety of senior finance roles at Burmah Castrol Plc
- Qualified Chartered Management Accountant

...Supported by a young and dynamic management team

# Management and Corporate Structure

Highly experienced management team with 12 years\* of service on average



# Investment Case

## 1 Proven

- Experienced management team and 25 year operational history
- Established track record of organic and acquisitive growth

## 2 Differentiated

- Leading brands
- Key sales partnerships in place

## 3 Product Innovators

- The heart of our growth
- One third of our people

## 4 Growing, Profitable & Generating Cash

- EBITDA CAGR of 39%\*
- Consistent margins • No bank debt
- Dividend paying

## 5 Pursuing a Compelling Growth Strategy

- Organic growth through penetration in a growing market
- Make music easier to make to grow market
- Potential opportunities in adjacent market segments

...We believe there is significant opportunity for growth

**Making  
Music Easy to  
Make**