



Focusrite Plc Interim Results Presentation

Six months ended
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Overview

- Global music company supplying hardware and software products used by musicians, which enable high quality production of music
- Two established and rapidly growing brands:
 - Focusrite: Audio recording equipment
 - Novation: Hardware and software for creating and playing electronic music
- Products manufactured in China
- Global customer base with a distribution network covering 160 territories
- Headcount of 152 employees, with 1/3 focused on R&D



Scarlett 2i2



LaunchPad App



RedNet



LaunchKey

Executive Summary

- Successful IPO in December 2014
- Markets continue to grow as does our share of those markets, demonstrated by US market share growth to 13.4%
- Positive financial performance: Revenue up 17.5% and Adjusted EBITDA up 20.5%
- Important new products announced and further new product releases planned in H2
- Named as one of the Sunday Times “ Best 100 Small Companies to Work For” for the fourth year running

Financial Highlights

- Group revenue is up by 17.5% to £23.8 million (H1 FY14: £20.3 million)
- Adjusted EBITDA is up by 20.5% to £4.7 million (H1 FY14: £3.9 million)
- Adjusted operating profit is up by 23.3% to £3.7 million (H1 FY14: £3.0 million)
- Net cash up by 24.2% to £4.7 million (31 August 2014 £3.8 million)
- Adjusted diluted earnings per share up 48.1% to 6.0p (H1 FY14: 4.0p)
- Interim dividend of 0.6p per share

H1 2015 Operational Highlights
Dave Froker



Markets and Products

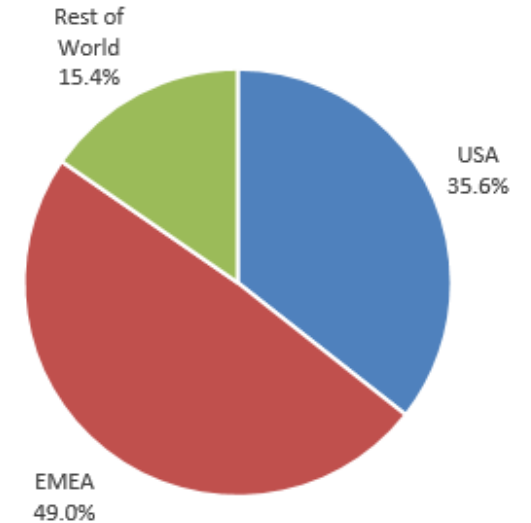
All major regions growing

- USA: up 23.4% to £8.5m from £6.9m last year, despite some major dealers reducing stocks
- EMEA: up 11.6% to £11.7m from £10.4m last year...affected by the weaker Euro
- Rest of World (mainly Asia): up 24.4% to £3.7m from £2.9m last year

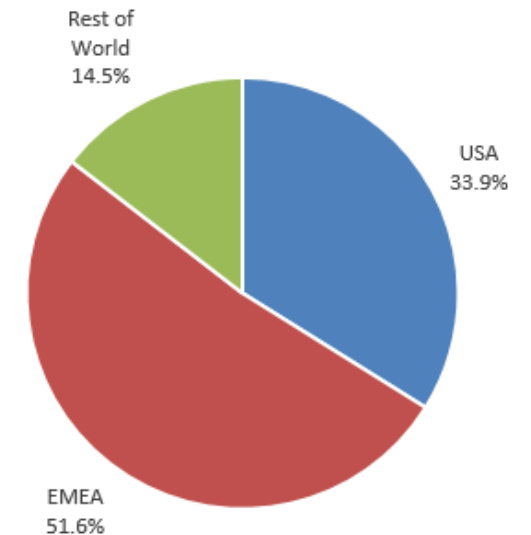
Products

- 5 new products in H1 FY15. Pace accelerates in H2.
- Planned programme to deliver 10 - 20 new products each financial year.

H1 FY15



H1 FY14



Products: Focusrite

Focusrite

- Revenue up 21.5% to £15.3m
- Increased penetration in core interface market, especially 'Scarlett'
- Rednet adoption growing; eg used for Usher's US and Europe tour
- Rednet also opening new vertical markets
 - Microsoft, US religion and Red Bull.
- Clarett announced at NAMM in January 2015



iTrack Pocket



Scarlett 2i2

RedNet



Clarett

Products: Novation

Novation

- Revenue up 11.4% to £6.8m
- Refocused marketing strategy and brand re-launch in April 2015 to positive acclaim
- LaunchPad Pro (advanced grid-based controller) announced at NAMM in January 2015
- LaunchPad App for iOS devices has now passed 2.8 million downloads.
- Significant LaunchKey and LaunchPad product introductions planned for H2

Bass Station II



Launchpad for iOS

Launchkey



Launchpad Pro



People and processes

- Our people are a critical success factor for us
 - Average age 30
 - Vast majority play musical instruments
- Management intention to invest in training for all.
- Won ‘Pro-Tools Expert’ People’s Choice awards for customer service and product innovation April 2015
- Focusrite included in the “Best 100 Small Companies To Work for” (Sunday Times) in March 2015 for the fourth year



100 Best Small Companies to Work For: 2011



100 Best Small Companies to Work For: 2012



100 Best Small Companies to Work For: 2013



100 Best Small Companies to Work For: 2014



Financial Performance

Jeremy Wilson

Income Statement

£ million	IFRS	IFRS	IFRS	Growth
	H1 FY15	H1 FY14	FY14	
Revenue	23.8	20.3	41.0	17.5%
Cost of sales	-14.4	-12.2	-25.1	
Gross profit	9.4	8.1	15.9	15.6%
Operating expenses before exceptional items	-5.7	-5.1	-9.5	
Operating profit before exceptional items	3.7	3.0	6.4	23.3%
Exceptional items	-0.7	0.0	-0.7	
Operating profit	3.0	3.0	5.7	(0.4%)
Net financing charges	0.5	-0.1	0.1	
Profit before tax	3.5	2.9	5.8	21.6%
Tax	-0.6	-0.4	-0.8	
Profit after tax	2.9	2.5	5.0	
Operating profit before exceptional items	3.7	3.0	6.4	
Add back depn and amort'n	1.0	0.9	1.8	
Adjusted EBITDA	4.7	3.9	8.2	20.5%

- Revenue up 17.5%.
 - Both major brands and all major territories increasing
- Gross margin 39.4% (from 40.0% last year)
- Operating expenses 24.0% of revenue (H1 FY14, 25.4%).
- Adjusted EBITDA up 20.5% to £4.7m
- Exceptional item in H1 FY15 is the IPO cost.
- Net Financing Charges: movement in fair value of hedging.
- Tax 14.8% of profit before tax and IPO costs, similar to H1 FY14
- 0.6p per share dividend announced in H1 FY15.

Balance Sheet

£ million	IFRS	IFRS	IFRS
	H1 FY15	H1 FY14	FY14
Intangible assets	3.6	2.7	3.0
Tangible assets	1.2	0.6	1.0
Total non current assets	4.8	3.3	4.0
Stock	7.8	6.4	6.6
Debtors	7.1	5.4	6.5
Cash	4.7	4.4	3.8
Total current assets	19.6	16.2	16.9
Total assets	24.4	19.5	20.9
Capital and reserves			
Share capital/share premium	0.4	0.2	0.4
Capital redemption reserve	1.1	1.1	1.1
P+L account	14.3	13.3	11.7
Total equity	15.8	14.6	13.2
Current liabilities	7.9	4.4	7.1
Deferred tax	0.7	0.5	0.6
Total liabilities	8.6	4.9	7.7
Total Equity and liabilities	24.4	19.5	20.9

- Intangible fixed assets include £3.0m of capitalised R&D and £0.4m of goodwill
- Tangible assets: largely tooling for new products and office refurbishment
- Stock turn of 3.5 times in H1 FY15 (H1 FY14, 3.6 times)
- Debtor days 44 days, up from 35 days in prior year.
 - 48 days at Aug 2014.
 - Feb 2014 incl one big customer paying just before period end.
- Current liabilities up to £7.9m due to higher more recent purchases of stock, provisions and dividend.
- Deferred tax due largely to the capitalised R&D.

Cash flow statement

£ million	IFRS H1 FY15	IFRS H1 FY14	IFRS FY14
Adjusted EBITDA	4.7	3.9	8.2
Movement in wc (ex -exceptional items)	-0.5	0.4	0.5
Operating cash flow (ex-exceptional items)	4.2	4.3	8.7
Interest received (paid)	0.0	0.0	0.1
Tax received (paid)	-0.5	-0.5	-0.8
Foreign exchange movement	0.1	0.0	-0.1
Net cash from operating activities (ex-exceptional items)	3.8	3.8	7.9
Investing	-1.8	-1.0	-2.6
Free cash flow	2.0	2.8	5.3
Proceeds from share issue	0.0	0.0	0.2
Dividends	0.0	0.0	-4.2
Other movements	0.0	0.0	1.1
Exceptional items	-1.1	0.0	-0.2
Net inc/dec in cash	0.9	2.8	2.2
Opening cash	3.8	1.6	1.6
Closing cash	4.7	4.4	3.8

- Working capital remains tightly controlled (16.7% of revenue)
- Operating cash flow before exceptional items 90% of Adjusted EBITDA (H1 FY14, 111%)
- Investing £1.8m, (H1 FY14, £1.0m)
 - Capitalised R&D £1.25m (H1 FY14, £0.84m). More products being developed.
 - Other capital expenditure £0.6m (H1 FY14, £0.2m): office refurbishment and tooling.
- Exceptional items = payment of IPO costs
- Closing cash £4.7m, up from £4.4m in Feb 2014 and £3.8m in August 2014.

Dividend

- Progressive dividend policy
- Initial annual dividend yield of between 1% and 2%
- Annual dividend weighted towards the final dividend
- First step: Interim dividend of 0.6p per share announced
- Based on interim statement date of 29 April, 'ex div' date 28 May, record date 29 May and payment date of 26 June.



Outlook
Dave Froker

Outlook

The Board continues to target strong revenue growth driven by an ambitious programme of product introductions and strict operational discipline.

Our goal to “Make Music Easy to Make” drives us forward, bringing more and more musicians into recording, performing and producing their music. The Group is exploiting disruptive transitions in music: in instruments, as more and more musicians play EDM with grids like LaunchPad; in recording platforms, as the industry adopts tablet platforms; and in playback, as streaming services such as Spotify and YouTube dominate music consumption.

In short, we continue to execute against our stated plan at IPO and we remain confident in the prospects for Focusrite in the second half of this financial year.

Summary

- Markets continue to grow, as does our share of those markets
- Both Focusrite and Novation brands growing
- Revenue up 17.5%, Adjusted EBITDA up 20.5%
- Sunday Times “Best 100 Small Companies to Work For” for the fourth year
- Cash balance £4.7 million
- Interim dividend of 0.6p announced
- Important new products to be launched in H2 driving both Focusrite and Novation growth in the future.