

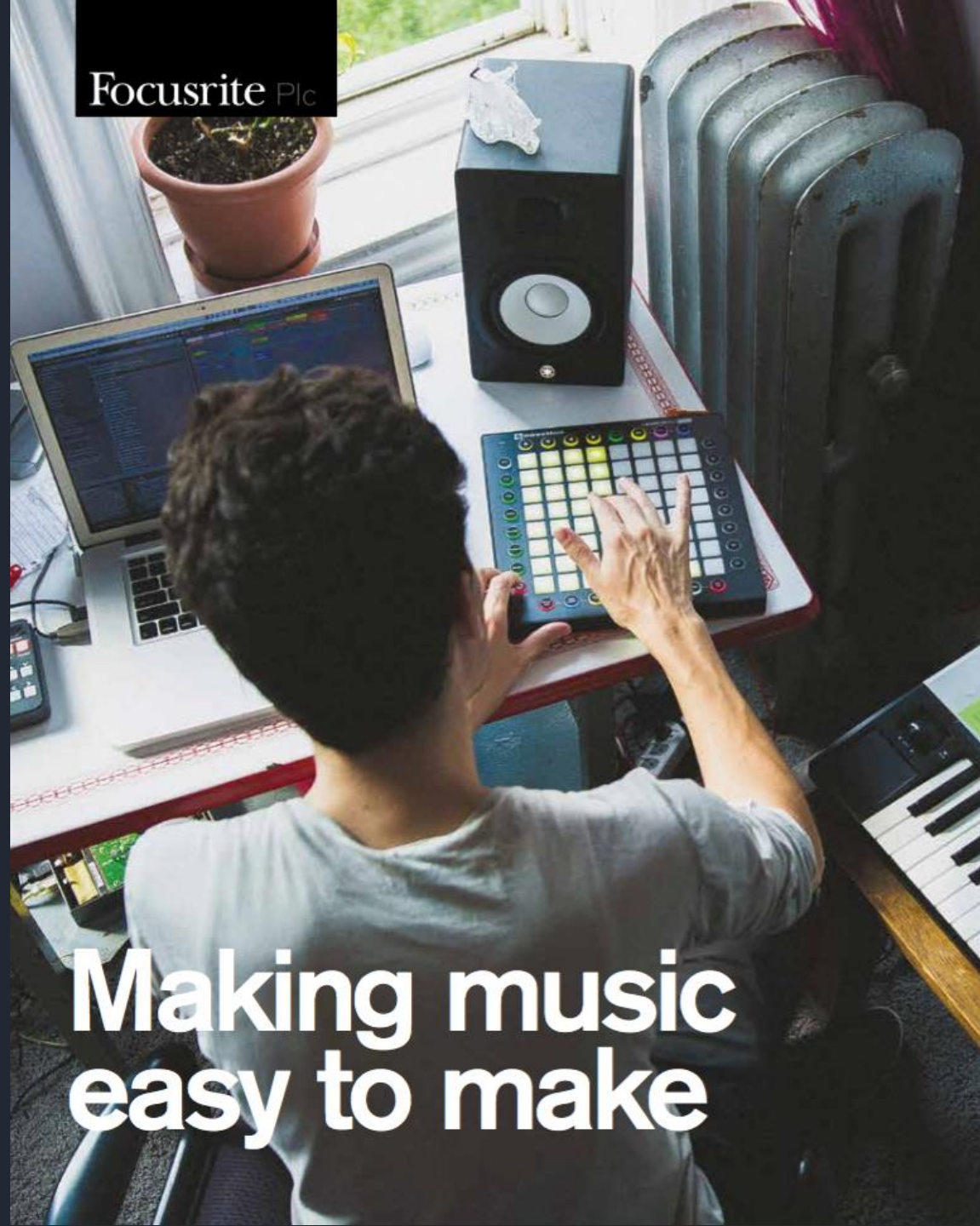
Focusrite Plc

Focusrite plc

Interim results for the half
year ending 29 February 2016

April 2016

Making music
easy to make



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Agenda

- **Introduction**

Phil Dudderidge

- **Highlights**

- **Markets and Products**

- **Financial Review**

Jeremy Wilson

- **Outlook and Summary**

Phil Dudderidge



Phil Dudderidge
Executive Chairman



Jeremy Wilson
Chief Financial
Officer

Introduction

- Global music and audio products company supplying hardware and software products used by professional and amateur musicians, enabling high quality production of music.
- Founded in 1989
- Two established brands:
 - Focusrite: audio recording equipment
 - Novation: hardware and software for creating and playing electronic dance music
- Global customer base: 160 territories
- Approximately 160 employees



International Track 200
Fast Track, 2012



Three Queen's Awards
Innovation, 2008 and
International Trade, 2012 and
2016



100 Best Small Co's to Work For
Five years running
through 2016



Profit Track 100
Fast Track, 2013



Hot 100
Investec, 2013

Key points to remember

- **Focusrite is a market leader**
 - Best quality product at each price point.
 - Good quality, high performing people.
- **Our culture is entrepreneurial and opportunistic.**
 - Recording studio console company -> No. 1 audio interface company in the world.
 - Plus Novation, RedNet and iOS software.
- **We are growing steadily with room to progress further.**
 - Only a ten percent share of our addressable market.
 - Entering new segments driven by R&D spend.
 - Plus market growth through making music easy to make.
- **Focusrite is a diversified company**
 - Several market segments and worldwide sales.

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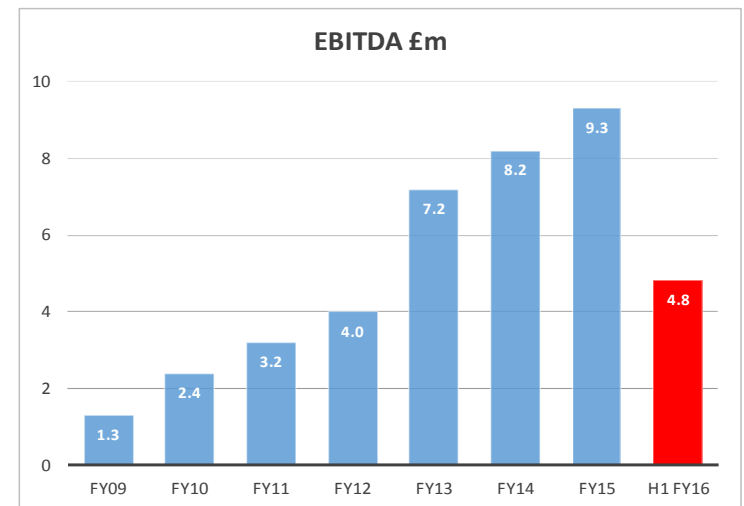
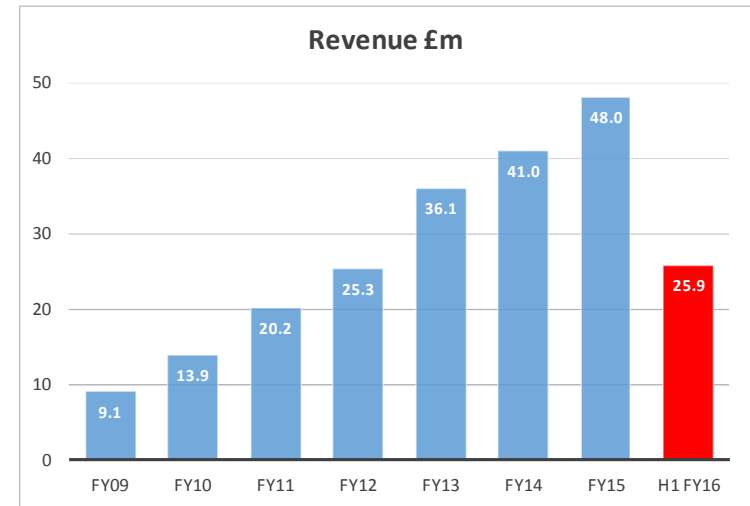
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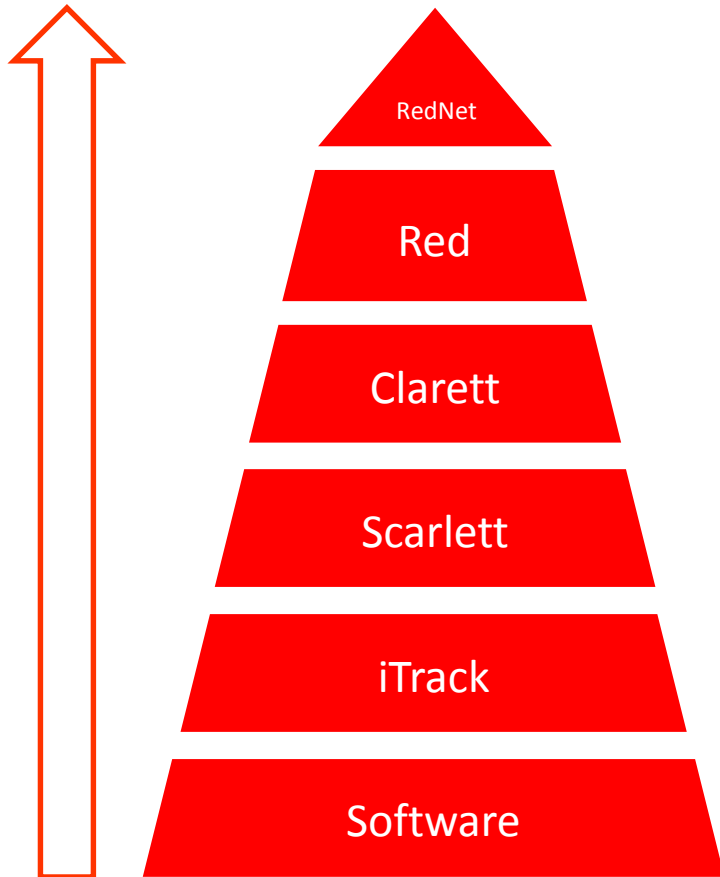
Highlights

- Revenue up 8.7% including **continued growth in all regions.**
- Important **new products** launched including Focusrite's Red range and Novation's Circuit.
- Fifth year as one of the **“100 Best Small Companies To Work For”** by The Sunday Times.
- **Queen's Award** for Enterprise in the category of International Trade
- New **Blocs Wave** app.



Sectors: Focusrite

Price



- Live, Broadcast, Education & Pro Studio c2% market share
- Best quality interfaces. New range
- Thunderbolt range. Now c10% market share
- Mass market interfaces. c40% market share
- Mobile recording. New market
- Low cost, highly mobile.

Sectors: Focusrite

Focusrite	H1 FY16	H1 FY15	Growth
	£m	£m	%
Revenue	16.9	15.3	10.5%

- Major products launched
 - Scarlett still continues to gain share four years after its launch
 - Clarett picking up speed. Market share in US now 10%.
 - Red launched March 2016. The best of the best in our interface range
 - Rednet still growing, targeting education, pro studio, live sound and broadcast B2B markets
 - iTrack range now marketed via our new eCommerce channel launched in March 2016



Sectors: Novation



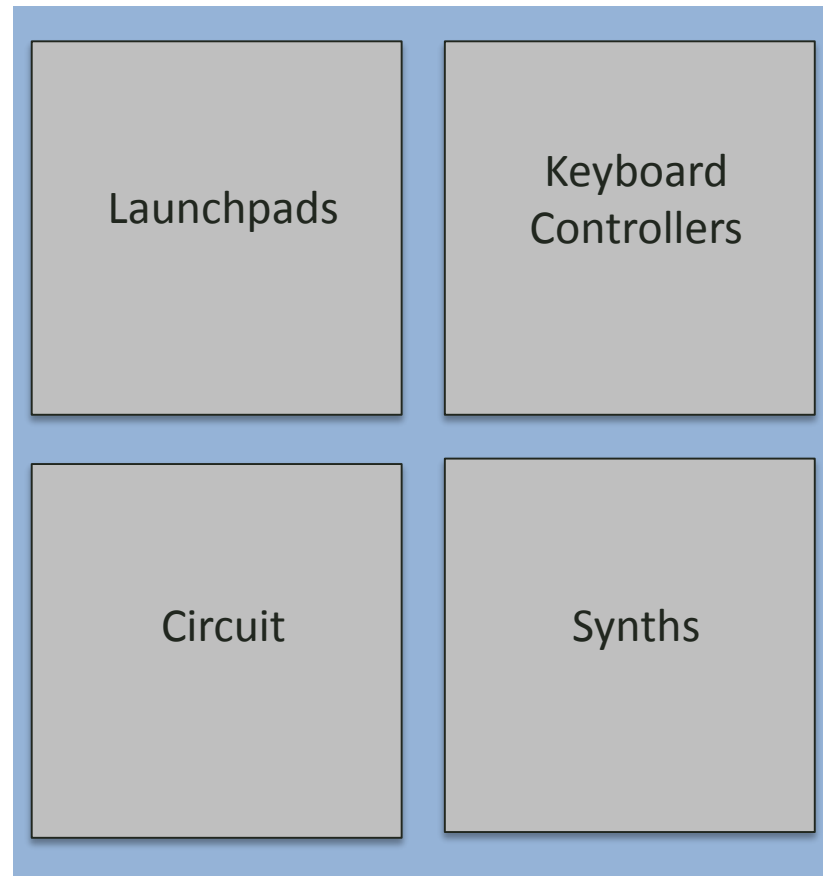
With Ableton
(Controllers)



Stand Alone
(Groove)

Grids

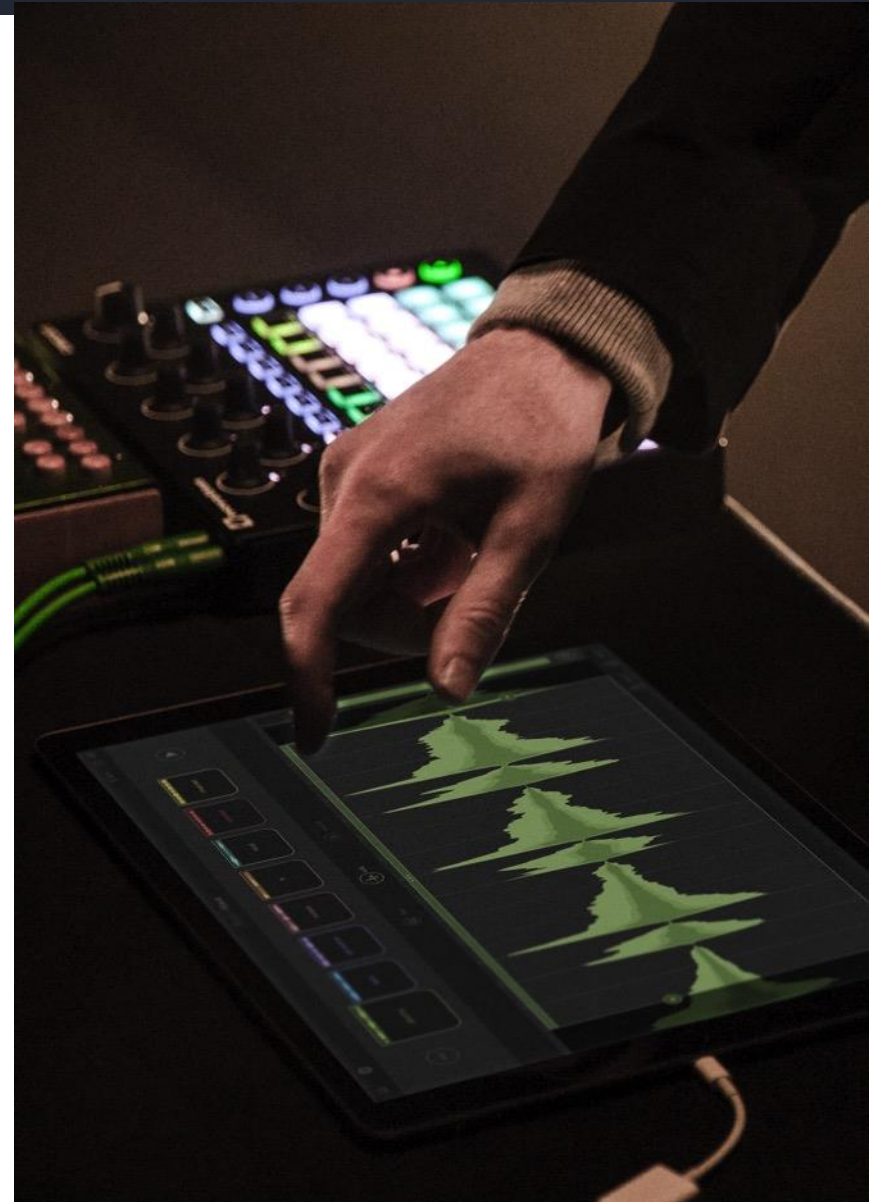
Keys



Sectors: Novation

Novation	H1 FY16	H1 FY15	Growth
	£m	£m	%
Revenue	7.3	6.8	6.7%

- Circuit launched Sep 2015: Make music in seconds
- Blocs Wave app launched March 2016
- Second app from London software team, following Launchpad app which has now had over 4 million downloads



Sectors: UK Distribution

Distribution	H1 FY16	H1 FY15	Growth
	£m	£m	%
Revenue	1.6	1.6	0.6%

- KRK studio monitors
- New distributorship of sE Electronics microphones
- Strategic interest



Financial Highlights

Financial Highlights for the six months ended 29 February 2016

- Group revenue up by 8.7% to £25.9 million (HY15: £23.8 million)
- Adjusted EBITDA¹ up by 3.1% to £4.8 million (HY15: £4.7 million)
- Operating profit up by 6.7% to £3.2 million (HY15: £3.0 million)
- Adjusted diluted earnings² per share 4.6p (HY15: 6.0p)
- Net cash of £4.0 million (HY15: £4.7 million)
- Interim dividend of 0.65p recommended, up from 0.6p in HY15.

¹Adjusted EBITDA is adjusted for non-underlying items, which, in the current period, comprises one-off legal costs

² Adjusted for non-underlying items comprising £0.7m IPO costs in HY15 and £0.5m legal costs in HY16.

Income statement

£ million	H1 FY16	H1 FY15	Growth
Revenue	25.9	23.8	8.7%
Cost of sales	-15.6	-14.4	
Gross profit	10.3	9.4	10.0%
Operating expenses before non-underlying items	-6.6	-5.7	15.9%
Operating profit before non-underlying items	3.7	3.7	0.8%
Non-underlying items	-0.5	-0.7	
Operating profit	3.2	3.0	6.7%
Net financing charges	-0.8	0.5	
Profit before tax	2.4	3.5	-30.3%
Tax	-0.3	-0.6	
Profit after tax	2.1	2.9	-25.3%
Adjusted operating profit before non-underlying items	3.7	3.7	0.8%
Add back depreciation and amortisation	1.1	1.0	
Adjusted EBITDA	4.8	4.7	3.1%

Revenue up 8.7%.

- Both major brands and all major territories increasing.
- 5.6% at constant exchange rates (Stronger \$, weaker €).

Gross margin 39.8% (H1 FY15, 39.4%).

Operating expenses up 15.9%.

- Increased marketing campaign costs
- Full 6 months as a plc in this half year.

Adjusted EBITDA up 3.1% to £4.8m.

Non-underlying legal costs of £0.5 million.

- Legacy claims + claims related to changes of distributors.
- No material effect on ongoing trading.

Net financing charges due to fair value of FX hedging.

Tax 12% of profit before tax.

- R&D tax credits.

Balance Sheet

£ million	H1 FY16	H1 FY15
Intangible assets	4.4	3.6
Tangible assets	1.4	1.2
Total non current assets	5.8	4.8
Inventories	10.7	7.8
Debtors and other investments	9.8	7.1
Cash	4.0	4.7
Total current assets	24.5	19.6
Total assets	30.3	24.4
Capital and reserves		
Share capital and other reserves	1.5	1.5
P+L account	18.7	14.3
Total Equity	20.2	15.8
Current liabilities	9.3	7.9
Deferred tax	0.8	0.7
Total liabilities	10.1	8.6
Total equity and liabilities	30.3	24.4

Intangible fixed assets include £4.0m of capitalised R&D and £0.4m of goodwill

- R&D spend is 6.4% of revenue.
- Prudent capitalisation (c80%) and aggressive amortisation (3 years)

Stock turn of 2.8 times in H1 FY16 (H1 FY15, 3.5 times).

- New products did not sell as expected in late 2015, coupled with six month lead time.
- Higher revenue

Debtor days 60 days, up from 44 days in H1 FY15.

- Increased terms for US distributor

Current liabilities up to £9.3m due to higher, more recent purchases of stock.

Deferred tax due largely to the capitalised R&D.

Cash flow

£ million	H1 FY16	H1 FY15
Adjusted EBITDA	4.8	4.7
Movement in wc (ex non-underlying items)	-4.1	-0.5
Operating cash flow (ex non-underlying items)	0.7	4.2
Interest (paid)	-0.1	0.0
Tax (paid)	-0.7	-0.5
Foreign exchange movement	0.2	0.1
Net cash from operating activities (ex non-underlying items)	0.1	3.8
Investing	-1.7	-1.8
Free cash flow	-1.6	2.0
Proceeds from share issue	0.1	0.0
Dividends	-0.6	0.0
Non-underlying items	-0.1	-1.1
Net inc/dec in cash	-2.2	0.9
Opening cash	6.2	3.8
Closing cash	4.0	4.7

Working capital higher due to higher stock (new products) and debtors (increase terms for US distributor).

Investing £1.7m, (H1 FY15, £1.8m)

- Capitalised R&D £1.4m (H1 FY15, £1.3m).
- Other capital expenditure £0.3m (H1 FY15, £0.5m: included some office refurbishment).

Non-underlying items: H1 FY16 payment of legal costs.

- FY15 payment of IPO costs.

Closing cash £4.0m, down from £6.2m in Aug '15.

Dividend

Progressive dividend policy although major focus remains business growth.

Proposed interim dividend 0.65p up 8.3% on H1 FY15 (0.6p)

Important dates

- Ex div date 5 May 2016
- Record date 6 May 2016
- Payment date 3 June 2016

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Current Trading

Since the half year end, March and April have been busy, productive months and revenue has continued to grow in line with expectations.

The new Focusrite Red product range has started shipping, existing products continue to sell well and we are excited about further significant new products due for release in the second half of the financial year.

Summary

Revenue up 8.7% with growth in both the Focusrite and Novation divisions and in all major territories

Adjusted EBITDA up by 3.1% to £4.8 million (H1 FY15: £4.7 million)

Significant new products launched (including further Clarett interfaces, Circuit groove-box and the best Red interface range)

New Blocs Wave app launched following the very successful Launchpad App

First eCommerce site launched

Queen's Award for Enterprise

Interim dividend of 0.65p recommended

**Making
Music Easy to
Make**