

Focusrite Plc

Results for the year ending
31 August 2020

November 2020

Disclaimer

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, Panmure Gordon (UK) Limited 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.

Panmure Gordon (UK) Limited is regulated by the Financial Conduct Authority and is acting exclusively for the Company and is not acting on behalf of any recipient or reader of the Presentation and will not be responsible to anyone other than the Company for providing the protections afforded to the customers of Panmure Gordon (UK) Limited or advising any other person in relation to the matters contained in the Presentation.

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 or to Panmure Gordon (UK) Limited 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

Customers and Markets

Product Sectors

Financial Review

Growth Strategy

Conclusions



Tim Carroll
Chief Executive
Officer



Jeremy Wilson
Chief Financial
Officer

Introduction

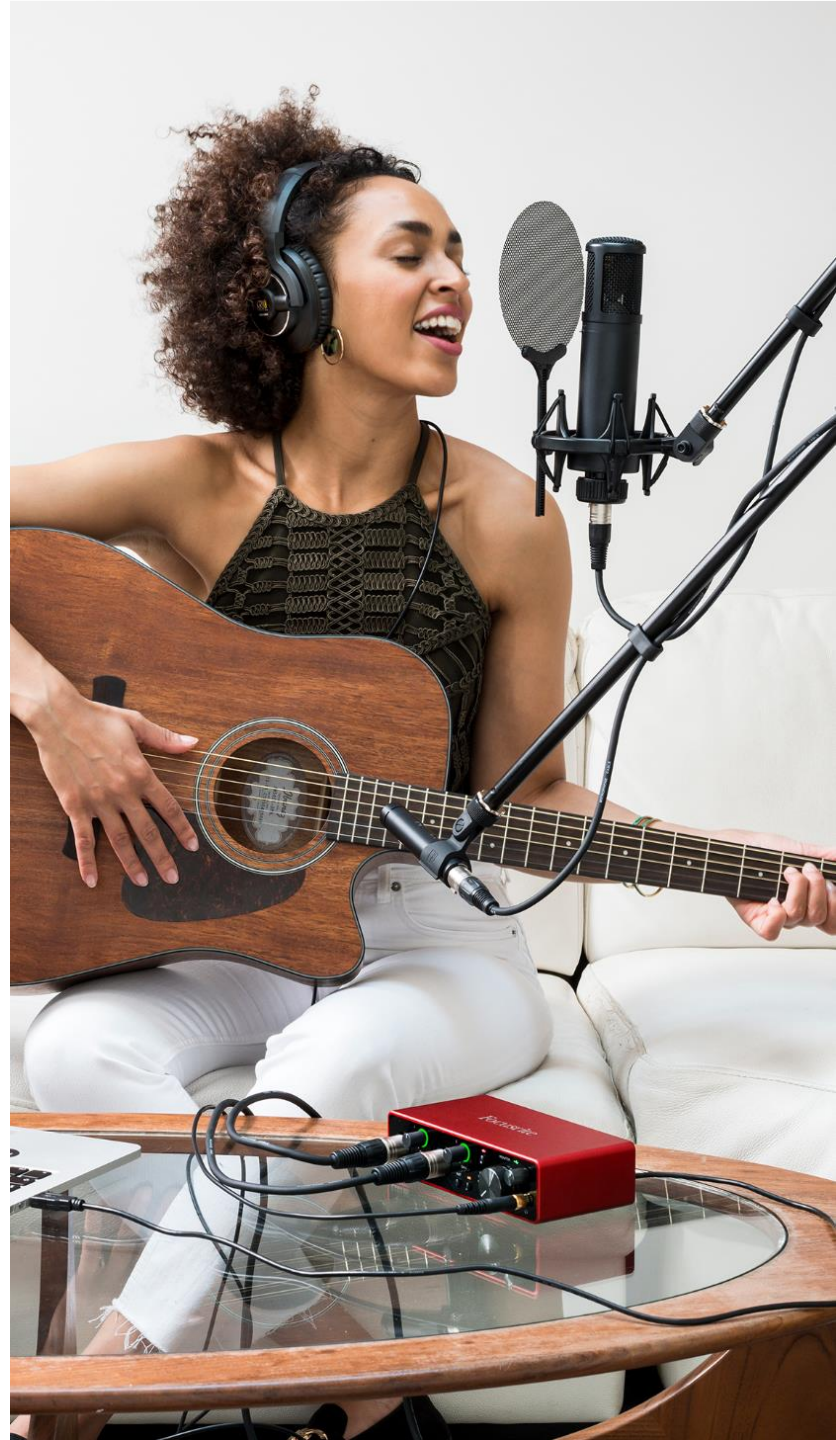
Focusrite plc is a global music and audio products group that develops and markets proprietary hardware and software products. Used by audio professionals and amateur musicians alike, its solutions facilitate the high-quality production of recorded and live sound.

Founded in 1989. Six 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

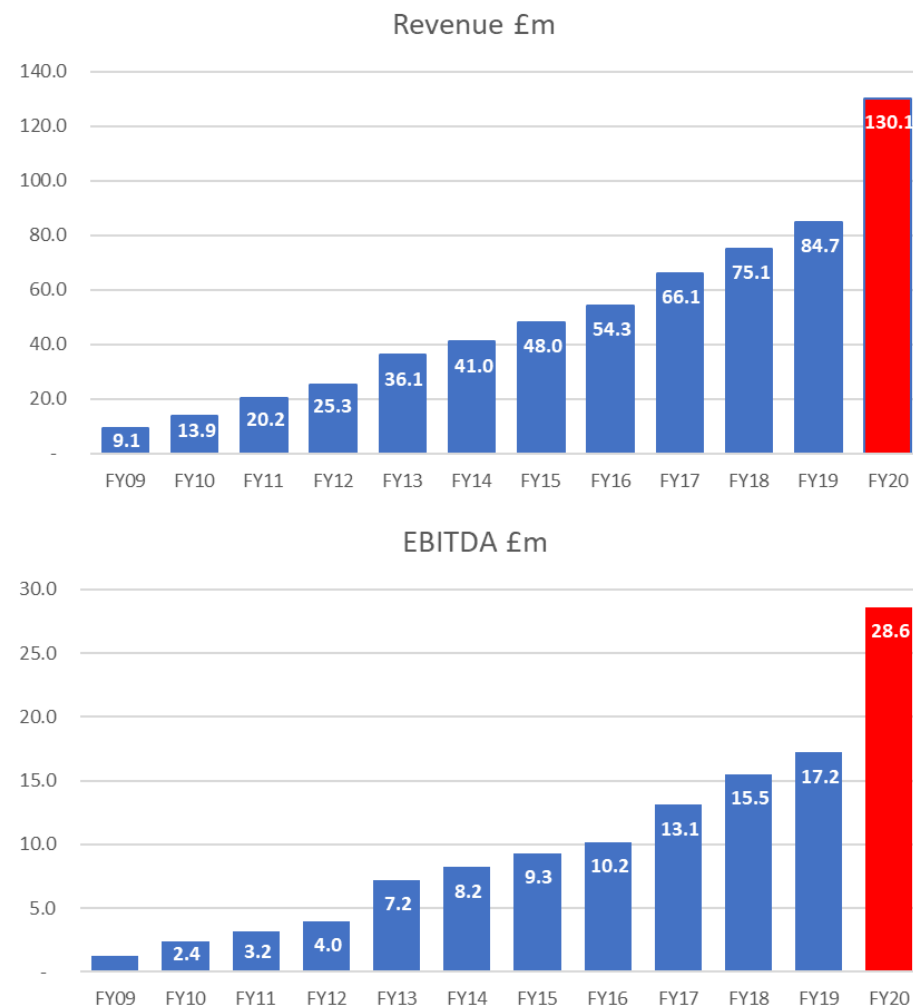
Global customer base: 160 territories

Over 400 employees



Highlights for the year ended 31 August 2020

- Revenue up 53.7%¹ (57.1% at constant exchange rates²)
- EBITDA³ up 66.1% to £28.6 million
- Year end net cash £3.3m after paying off the loan taken to buy Martin Audio.
- Final dividend of 2.9 pence, resulting in full year dividend of 4.2 pence, an increase of 10.5%
- Completed the acquisition of Martin Audio in December 2019 for £35.3 million net + advisers' fees.



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

² The constant currency revenue growth rate is calculated by dividing the sum of all transactions in FY20, translated at the average exchange rate for the relevant currency in FY19, by the sum of all transactions in FY19, translated at the same average exchange rate.

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

Customers and markets

New Creator

Market size: £400-450m

- 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
- Wants to get better

Aligned brands: Ampify

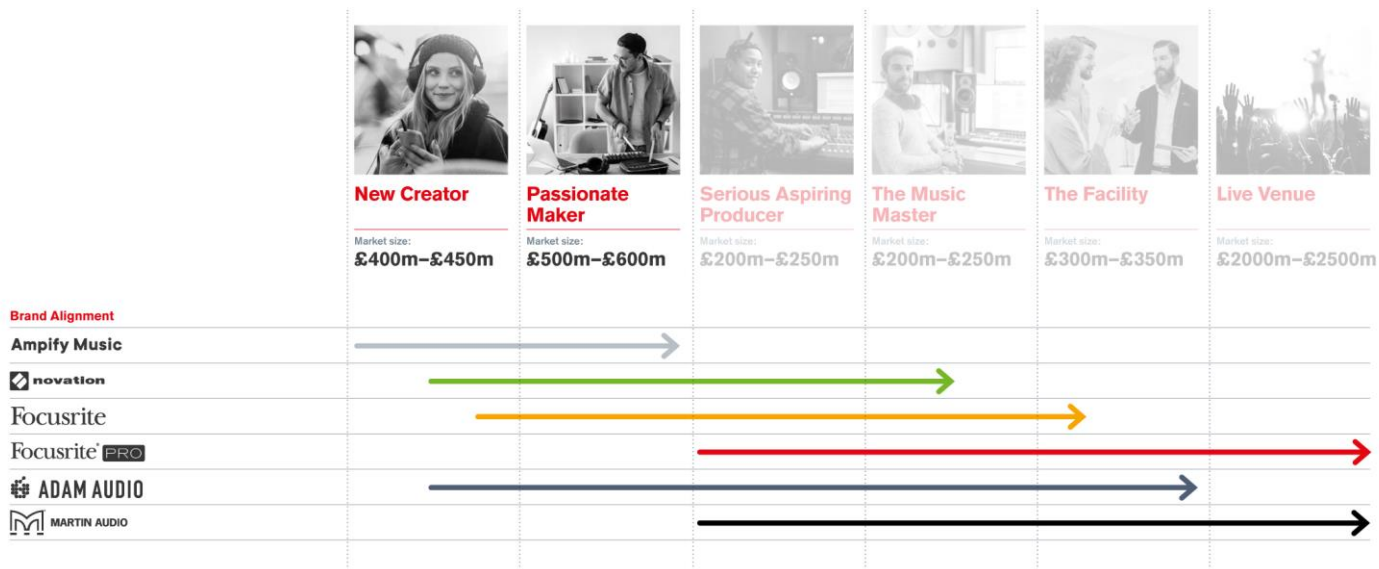
Gateway brands: Novation, Focusrite, ADAM Audio

Passionate Maker

Market size: £500-600m

- 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

Aligned brands: Novation, Focusrite, Ampify, ADAM Audio



Customers and markets

Serious Aspiring Producer

Market size: £200-250m

- More than just a hobby
- Strong demands on gear/technology to achieve professional-level results
- Deeply into technical data/features
- Willing to pay for solutions that can achieve results

Aligned brands: Novation, Focusrite, Focusrite Pro, ADAM Audio, Martin Audio

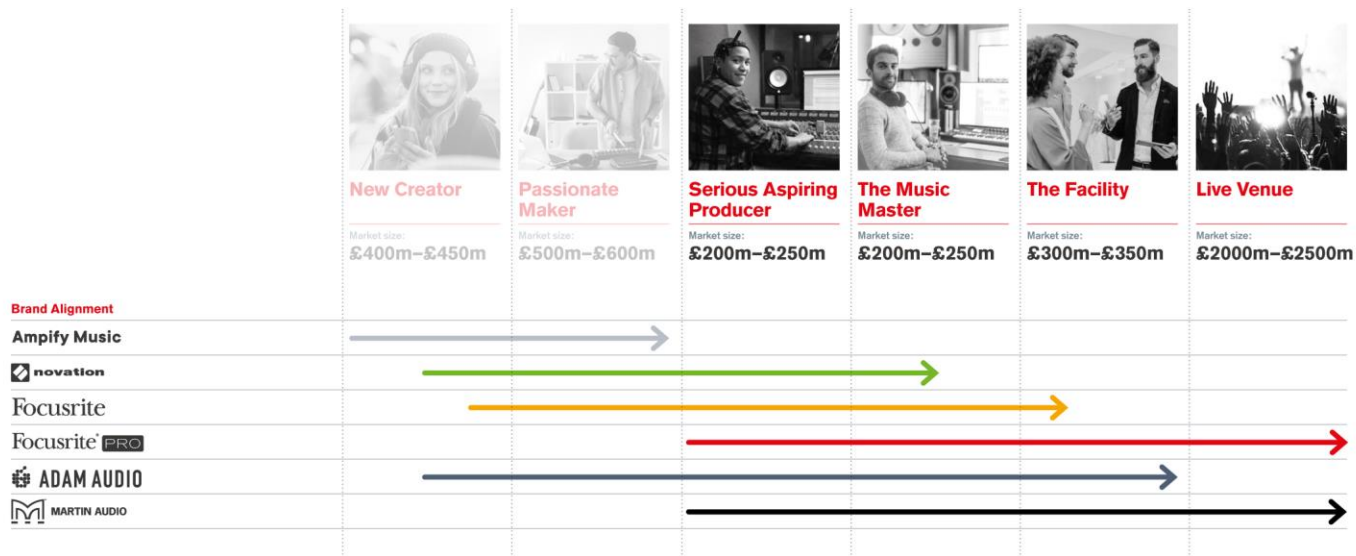
The Master/Facility

Market size: £500-600m

- 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

Aligned brands: Focusrite, Focusrite Pro, ADAM Audio, Martin Audio

Gateway brands: Novation



Customers and markets: Live venues

Market size: £2,000m – £2,500m



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



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



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



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

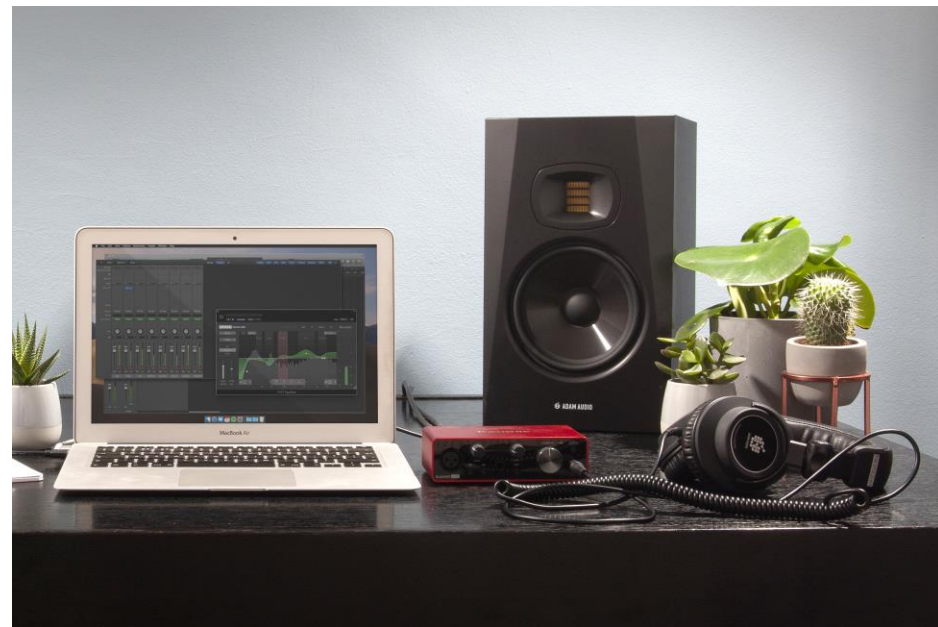


Nightclubs: From Beijing, London to LA, nightclubs of all sizes, including Ministry of Sound

Product sectors: Focusrite

Focusrite	FY20	FY19
	£m	£m
Revenue	76.2	57.7

- Segment growth of 32.2% driven by strong demand for Scarlett.
- Demand strengthened during lockdown.
 - Customers reverting to their passion for making music
 - Also wider uses including podcasting, streaming and video conferencing
- Since lockdown, demand has receded but the residual base still higher than pre COVID.



Product sectors: Focusrite Pro

Focusrite Pro	FY20	FY19
	£m	£m
Revenue	3.5	4.7

- Overall segment decline of 25.8%
- Live events postponed, theatres and universities closed, post-production slowed
- Since year end, back to growth:
 - New products introduced and shipping
 - Recovery has begun in post-production and installed sound



Product sectors: Novation

including Ampify

Novation	FY20	FY19
	£m	£m
Revenue	19.3	17.7

- Novation up 9.4% on prior year.
- New generation Launchpad and Launchkey products doing well.
- Flagship synth, Summit, launched late last year...many industry accolades
- Ampify. London innovation software division.
 - Music creation apps...iOS, Mac and Windows
 - >12.5m downloads cumulatively -> 900k purchases
 - Ampify Studio launched. Also offers subscription to content library. Early traction.



Product sectors: ADAM Audio

ADAM Audio	FY20	FY19
	£m	£m
Revenue	17.4	1.8

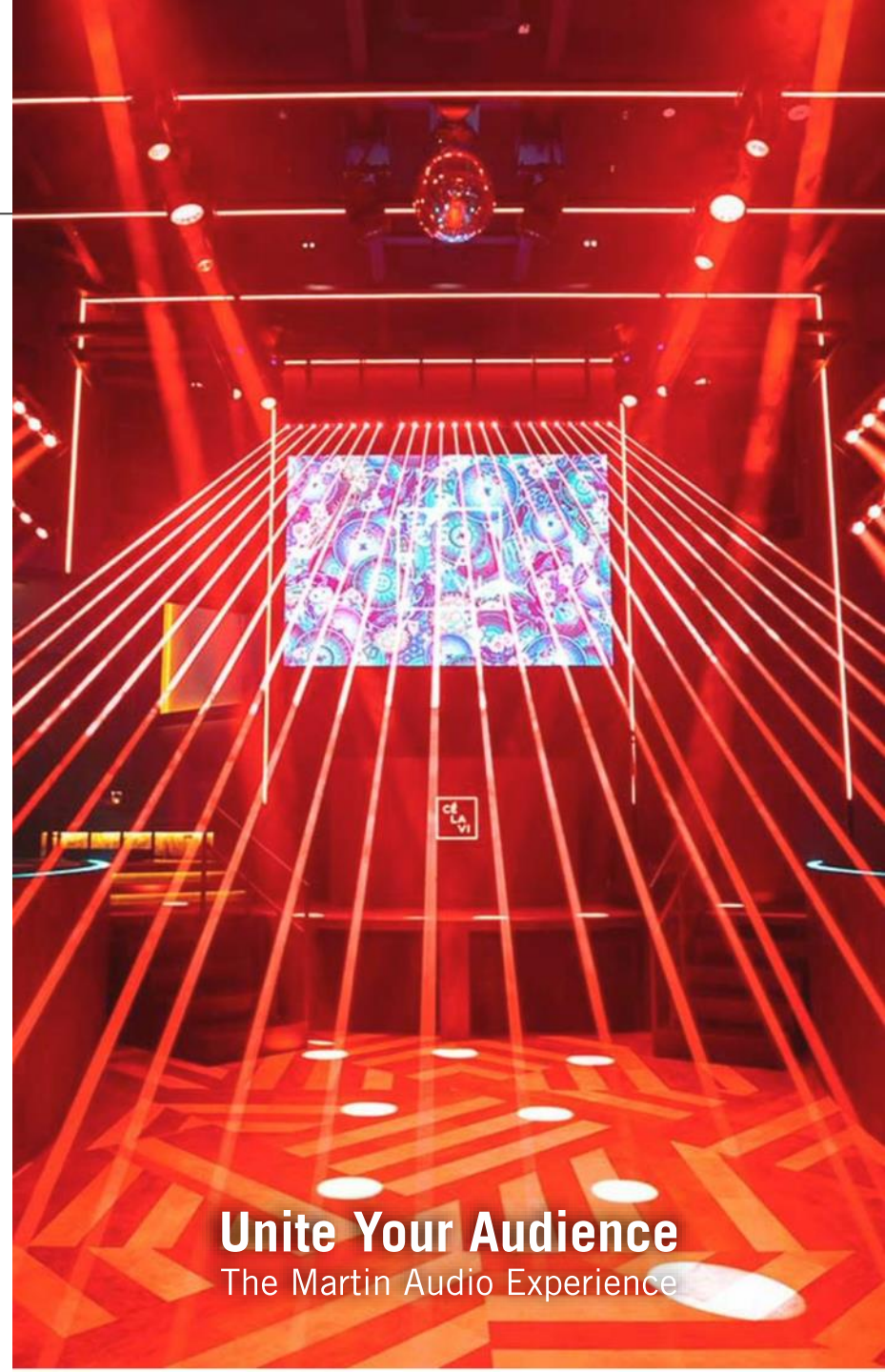
- FY20, full year. FY19, only six weeks
- Revenue up 42% on the pre-acquisition prior year
- Comfortably ahead of plans made at time of acquisition
- ADAM now distributor of Focusrite in Germany & Austria - and vice versa in the UK
- Some useful distributor alignment with Focusrite
- Exciting new products planned for next year
- E-Comm & dealer direct expansion planned for next year



Product sectors: Martin Audio

Martin Audio	FY20	FY19
	£m	£m
Revenue	12.0	-

- Purchased December 2019, so eight months performance included
- Up 22% YoY at half year (pre-COVID-19)
- H2 down c41% due to lockdowns
 - tight control of costs
 - positive EBITDA
 - sales increasing steadily during the half year
- Re-focused on the growing product segments and geographical markets.



Unite Your Audience
The Martin Audio Experience

Financial highlights for the year ended 31 August 2020

- Group revenue up by 53.7% to £130.1 million (FY19: £84.7 million)
- Adjusted EBITDA¹ up by 66.1% to £28.6 million (FY19: £17.2 million)
- Adjusted diluted earnings per share 32.8p, up by 53.3% (FY19: 21.4p)
- Adjusted free cash flow² £28.2 million (FY19: £10.2 million)
 - 21.6% of revenue (FY19: 12.0%)
- Net cash of £3.3 million (FY19: £14.9 million) after the purchase of Martin Audio for £35.3 million.
- Final dividend of 2.9 pence, resulting in 4.2 pence for the year, up 10.5% 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

COVID-19

- COVID 19 impact overall positive for the Group
 - Revenue
 - Significant boost in Focusrite & ADAM products geared to home recording
 - Significant reduction in Martin Audio & Focusrite Pro
 - Post lockdown: broader base
 - Routes to market
 - Normal balance of online vs bricks and mortar changed almost overnight
 - Group was prepared with our strong relationships with continental/global e-commerce resellers and our own webstores
 - Manufacturing
 - Group had an advantage with multiple contract manufacturer facilities
 - Malaysia open when China closed and vice versa.
 - Regional diversification of manufacture helped greatly.
 - Also helped when the Group needed to ramp up product manufacturing on Focusrite products quickly
 - People
 - Group was able to move quickly to working at home with very little disruption
 - Heavily supported by investments in systems and infrastructure
 - All offices reorganised and updated to include safety measures for eventual return to offices

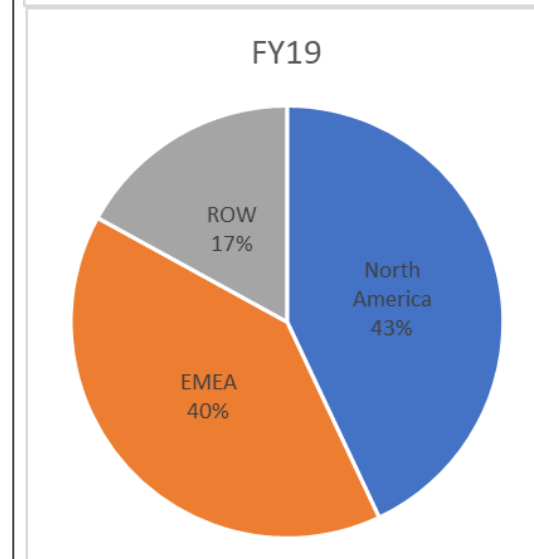
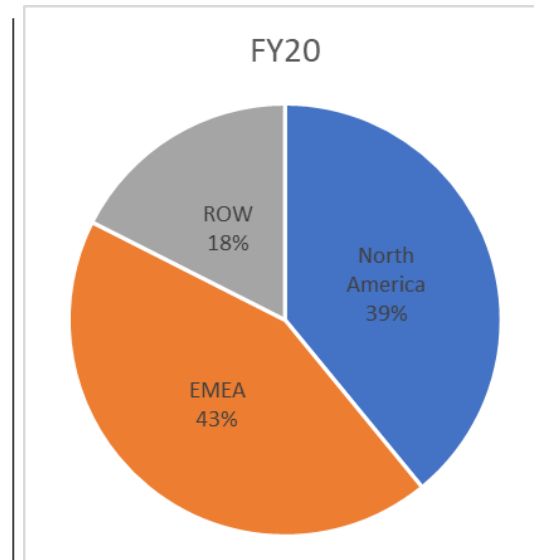
FY20: Regional performance

Revenue	FY20	FY19
	£m	£m
North America	50.9	36.4
Europe, Middle East and Africa	56.4	34.0
Rest of World	22.8	14.3
Consolidated revenue	130.1	84.7

- North America: up 39.9% to £50.9m (constant currency growth 40.4%)
 - FAEL up 16%. Rest is ADAM and Martin
 - Strong boost in Scarlett and ADAM.
 - Now three teams of people in US so much more developed sales organisation.

- EMEA: up 65.9% to £56.4m (constant currency growth 69.8%)
 - FAEL up 30%.
 - Pronounced shift to on-line retailers with a continental reach.
 - Post lockdown, bricks and mortar business recovering.

- Rest of World: up 59.4% to £22.8m (constant currency growth 64.1%)
 - Comprises APAC and LATAM
 - FAEL up 15%.
 - Relative strength for Martin
 - Both are areas of investment for the Group.



Income Statement

	FY20	FY19
	£m	£m
Revenue	130.1	84.7
Cost of sales	(70.2)	(48.9)
Gross profit	59.9	35.8
Operating expenses before non-underlying items	(36.9)	(22.3)
Operating profit before non-underlying items	23.0	13.5
Non-underlying items	(15.1)	(0.7)
Operating profit	7.9	12.8
Net financing income/ (charges)	(0.9)	0.2
Profit before tax	7.0	13.0
Tax	(2.9)	(1.3)
Profit after tax	4.1	11.7
Operating profit before non-underlying items	9.8	13.5
Add back depreciation and amortisation	18.8	3.7
EBITDA	28.6	17.2

- Revenue up 53.7%
 - Constant currency growth 57.1%
 - FAEL up 21.5% helped by COVID boost.
 - Rest is ADAM and Martin
- Gross margin 46.0% (FY19: 42.2%)
 - Business mix (ADAM higher margin)
 - Route to market (more direct to dealer)
 - Lower duty
 - Lower royalties
- EBITDA up 66.1% to £28.6m (FY19: £17.2m)
- Martin goodwill impairment £10.2m.
- Tax £2.9m
 - Underlying tax rate 13%
 - Higher next year due to RDEC

Balance Sheet

	FY20	FY19
	£m	£m
Intangible assets	48.2	24.1
Tangible assets	4.1	1.6
Total non current assets	52.3	25.7
Inventories	19.4	15.2
Debtors and other investments	18.0	18.2
Cash	15.0	15.5
Total current assets	52.4	48.9
Total assets	104.7	74.6
Capital and reserves		
Share capital and other reserves	1.6	1.6
Retained earnings	55.3	51.8
Total Equity	56.9	53.4
Current liabilities	26.0	16.9
Non current liabilities	21.8	4.3
Total liabilities	47.8	21.2
Total equity and liabilities	104.7	74.6

- Intangible fixed assets:
 - £40.3m of intangibles + £7.9m goodwill
- Working capital 8.8% of revenue
 - Inventories now include Martin £5.7m but still low at the year end.
 - Debtors down slightly when revenue much higher. Good payment performance.
 - Current liabilities up to £26.0m (FY19: £16.9m)
 - Greater purchases of stock closer to FY20 year end.
 - No change in supplier payment terms or our aim to pay suppliers according to their terms.
- Non-current liabilities £21.8m (FY19 £4.3m)
 - includes deferred tax on acquisition of £7.8m
 - Bank loan £11.6m

Cash flow

	FY20	FY19
	£m	£m
EBITDA	28.6	17.2
Movement in working capital	12.3	(2.6)
Operating cash flow	40.9	14.6
Interest received/(paid)	(0.8)	0.2
Tax paid	(3.5)	(0.8)
Net cash from operating activities	36.6	14.0
Investing	(44.9)	(19.9)
Payment of right-of-use leases	(0.9)	-
Bank loan	12.0	-
Loan arrangement fee	(0.4)	-
Free cash flow	2.4	(5.9)
Dividends	(2.3)	(2.0)
Net change in cash	0.1	(7.9)
FX movement	-	-
Opening cash	14.9	22.8
Closing cash net of overdraft	15.0	14.9

Free cash flow	2.4	(5.9)
Acquisition of subsidiary (net of cash acquired)	35.3	15.3
Bank Loan	(11.6)	-
Non-underlying items	2.1	0.8
Underlying free cash flow	28.2	10.2

- Strong positive movement in working capital.
 - Assume some reversal in FY21
- Investing £44.9m, (FY19: £19.9m)
 - Acquisition of Martin (£35.3m)
 - Capitalised R&D £4.6m (FY19: £3.8m)
- Free cash flow before acquisition 21.6% of revenue
 - Long term average 10-12%
- Closing net cash £3.3m after acquisition, compared to £14.9m at FY19
 - Net debt taken to buy Martin paid off in eight months.
 - HSBC/NatWest revolving credit facility of £40m until December 2024

Focusrite Growth Strategy



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. Through innovation, disruptive technology and an unfaltering focus on our customers' needs, we can change this. Our more accessible and rewarding music-making experience will enable anyone to join the growing community of music makers.



Expand into new markets

There are places in the world where the barriers to creativity are greater. Equally, there are creative minds that we've yet to support. We aim to remove the barriers to creativity for a whole new audience.



Increase lifetime value for our customers

We will increase the lifetime value for our customers by maximising the value they get from making music.

We believe in the positive impact of being immersed in making music. Through a deeper understanding of our customers, our refined, integrated and augmented solutions will help to create the most immersive and rewarding music-making experience.

Conclusions

- Revenue up 53.7% to £130.1 million (FY19: £84.7 million)
 - FAEL up 21.5%
 - Benefit from ADAM and Martin acquisitions
 - All regions grew
- Gross margin up from 42.2% to 46.0%
- EBITDA up by 66.1% to £28.6 million (FY19: £17.2 million)
- Free cash flow 21.6% of revenue. Net debt taken to buy Martin paid off in eight months
- Consumer demand still high
- Trading since the year end substantially ahead of the prior year.

Focusrite Plc

Additional Information

November 2020

Product sectors: Focusrite

- Focusrite Pro



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



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

- Focusrite



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



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



ADORN



Small Sound Systems

For up to 250 people. From \$500

TH Series



Medium Format Systems

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



Large Format Systems

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

Foreign exchange

Exchange rates	FY20	FY19
Average		
US\$:£	1.27	1.29
€:£	1.14	1.13
Average rate of forward contracts		
€:£	1.11	1.10
Weighted average applicable rate		
US\$:£	1.27	1.29
€:£	1.12	1.11
Year end rate		
US\$:£	1.34	1.22
€:£	1.12	1.11

- Average US\$ strengthened by 2%.
 - US and ROW. Total c60% 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%.
- Constant exchange rate revenue growth 57.1%.

Number of shares

Shares	FY20	FY19
Shares in issue	58,111,639	58,111,639
Less shares held by EBT	-359,483	-782,652
Weighting through year	-72,437	-108,081
Weighted average shares for EPS	57,679,719	57,220,906

- Shares in issue currently 58,111,639
- But required to deduct EBT shares for EPS calculation

Share options	FY20	FY19
Directors	352,614	392,907
Staff	1,360,584	1,576,207
Total options o/s at start of year	1,713,198	1,969,114
New options issued	318,026	381,982
Options exercised	-409,418	-392,935
Options cancelled	-98,259	-244,963
Total options o/s at end of year	1,523,547	1,713,198
Less shares held by EBT	-359,483	-782,652
Potential dilution	1,164,064	930,546

- 1.5m options in issue
- Max potential dilution of 1.2m shares

Earnings per share

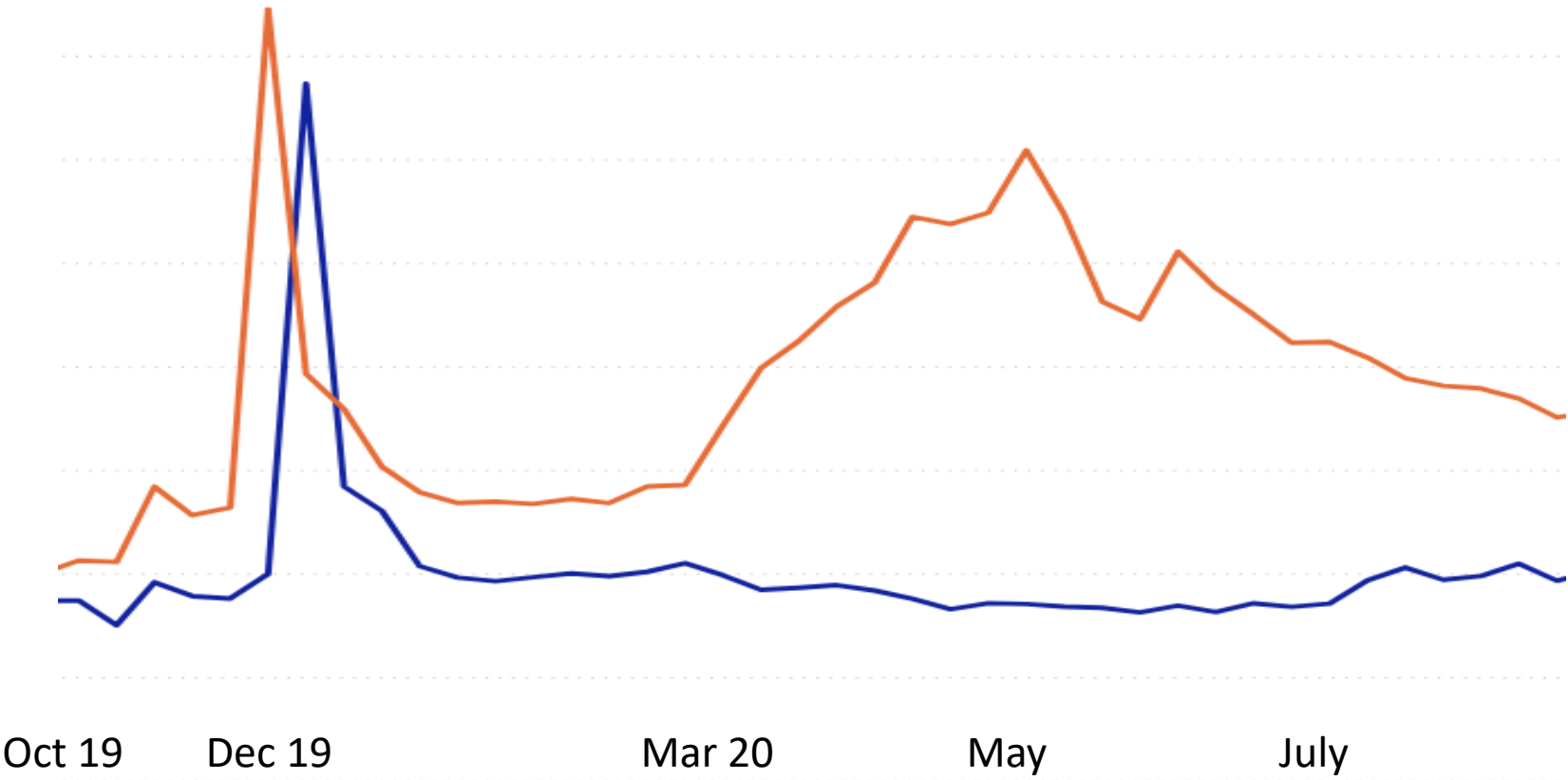
Earnings per share	FY20	FY19	Movement
	p	p	
Basic	7.1	20.4	(65.2)%
Diluted	7.0	20.1	(65.2)%
Adjusted basic	33.2	21.7	53.0%
Adjusted diluted	32.8	21.4	53.3%

Earnings per share	Movement
Increase in EBITDA	66.1%
Effect of change in dep'n and amort'n	4.5%
Effect of change in net finance charges	-10.3%
Effect of change in tax charge	-5.6%
Effect of change in weighted average number of shares	-1.4%
Increase in adjusted diluted EPS	53.3%

Increase in EPS slightly lower than increase in EBITDA

- Higher net finance charge due to interest on revolving credit facility
- Higher tax charge due to acquisition of ADAM in Germany

User registrations for FAEL products



Focusrite Plc

**Enriching Lives Through
Music**