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Focusrite plc

("Focusrite" or "the Group")

Trading Update

Focusrite plc (AIM: TUNE), the global music and audio products group supplying hardware and software used by professional and amateur musicians and the entertainment industry, provides the following update on trading for the year ending 31 August 2024 ("FY24") based on trading for the six months ended 29 February 2024 ("HY24").

The challenging market conditions highlighted in January's AGM statement have continued throughout February and into March. Consequently, revenues for FY24 are now anticipated to be not less than £155 million. FY24 EBITDA is expected to be in the range of £27 million to £30 million with a heavier weighting towards H2 than in FY23. Revenues for HY24 are anticipated to be not less than £75 million (HY23: revenues of £86.2 million).

HY24 performance has been impacted by similar factors across the Group's geographic regions. The Content Creation market globally continues to struggle due to a number of macroeconomic issues. Content Creation revenue in Asia have shown particular continued weakness with now 18 months of continuous decline, the largest negative impacts being in China and Japan, and no improvement is now assumed for the remainder of the year.

By product brand, Focusrite brand sales have been impacted by the load-in of stock for the transition of the Scarlett range from Generation 3 to Generation 4 at the end of FY23. Industry wide overstocking and general retail weakness is resulting in some softness and volatility in demand which in turn is affecting distributor and reseller reorders. Additionally, the launch of some higher-end Scarlett Generation 4 products, originally planned to begin shipping in April, has now been delayed due to engineering resource constraints until later into 2024 and consequently the related revenues are likely to move into the next financial year. Despite these factors, underlying registrations for Focusrite products reflect solid underlying end user demand, in-line with the prior year and significantly ahead of pre-COVID FY19 levels, albeit registrations this year include a greater proportion of the lower priced Generation 3 products than we had anticipated, reflecting cost-of-living pressures. Overall performance continues to be ahead of competitors in what is currently a very challenging market, indicating that Focusrite products continue to maintain or improve market share.

Sequential has seen sales decrease globally, particularly at the higher price points, impacted by cost-of-living issues coupled with necessary sales price increases resulting from component price rises. This is consistent with industry data for the high-end synth market. The ADAM brand has shown encouraging growth, reflecting increased market awareness, and the benefit and scale from Group-led activities, whilst Novation is trading in line with the market.

The Audio Reproduction division remains robust with strong overall performance in HY24 and with healthy pipeline projections for the full year, building on the strength of the recent acquisitions of Linea Research and the OutBoard and Timax brands.

Group gross margins remain strong and stable, and the Group continues to actively leverage synergies to optimise costs, following last year's investments, although this will not offset the impact of the sales reduction. This is expected to continue to yield benefits in the latter half of FY24 and beyond.

As of 29 February 2024, the Group had net debt of approximately £26.0 million (31 August 2023: net debt £1.3 million), with the increase mainly attributable to the impact of working capital phasing across debtors and stock, and with one-off impacts of approximately £5 million due to investment in future technologies and recent acquisitions. This position is expected to largely unwind in the second half of FY24 as our working capital improves and to be close to net cash by the year end. Our £50 million committed credit facilities provide ample liquidity for ongoing operations.

Notwithstanding the cautious outlook for the current financial year, the Group remains well-positioned for future growth, when market conditions in the Content Creation market improve, with a clear focus on increasing market share, and delivering new products as well as making targeted acquisitions. The Group looks forward to providing a more detailed trading review when it announces its half year results in late April 2024.

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Enquiries:

Tim Carroll (CEO) / Sally McKone (CFO)

Investec Bank plc (Nominated Adviser and Joint Broker)

+44 (0) 20 7597 5970

David Flin / Edward Knight / William Brinkley

Peel Hunt LLP (Joint Broker)

+44 (0) 20 7418 8900

Paul Gillam / Adam Telling

Belvedere Communications (Financial PR)

+44 20 7653 8702

John West / Llewellyn Angus / Lily Pearce

Notes to Editors

Focusrite plc is a global audio products group that develops and markets proprietary hardware and software products. Used by audio professionals and musicians, its solutions facilitate the high-quality production of recorded and live sound. The Focusrite Group trades under thirteen established brands: Focusrite, Focusrite Pro, Novation, Ampify, ADAM Audio, Martin Audio, Optimal Audio, Linea Research Sequential, Oberheim, Sonnox, OutBoard and TiMax.

With a high-quality reputation and a rich heritage spanning decades, its brands are category leaders in the music-making and audio recording industries. Focusrite and Focusrite Pro offer audio interfaces and other products for recording musicians, producers and professional audio facilities. Novation and Ampify products are used in the creation of electronic music, from synthesizers and grooveboxes to industry-shaping controllers and inspirational music-making apps. ADAM Audio studio monitors have earned a worldwide reputation based on technological innovation in the field of studio loudspeaker technology. Martin Audio designs and manufactures performance-ready systems across the spectrum of sound reinforcement applications. Linea designs, develops, manufactures and sells market innovative professional audio equipment globally. Sequential designs and manufactures high end analogue synthesizers under the Sequential and Oberheim brands. Sonnox is a leading designer of innovative, high-quality, award-winning audio processing software plug-ins for professional audio engineers. TiMax specialises in innovative immersive audio and show control technologies. OutBoard manufactures and sells industry standard rigging control products for live events, together with enterprise-level safety test, preparation and quality management for global rental companies and venues.

The Company has offices in four continents and a global customer base with a distribution network covering approximately 240 territories.

Focusrite plc is traded on the AIM market, London Stock Exchange.

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