

**Focusrite plc ("Focusrite" or "the Group")**  
**Half year results for the six months ended 29 February 2024**

Focusrite plc, the global music and audio products company supplying hardware and software used by professional and amateur musicians and the entertainment industry, today announces its half year results for the six months ended 29 February 2024 ('HY24').

Commenting on the results and outlook, Tim Carroll CEO said:

*"Focusrite plc has evolved into a global business, encompassing 13 distinct yet synergistic brands, operating across varied markets. This diversification strategy has proved successful, as seen by the near doubling of revenue from £40 million in HY19, the half-year preceding the global COVID-19 pandemic, to £77 million in the first half of this year. Demand for our flagship Scarlett product range is 50% higher than FY19 levels with end user registrations in line with the previous half year, such that we believe we are continuing to take market share.*

*The Content Creation division has faced a particular set of challenges in HY24, with both macro-economic weakness and an oversupply in the channel, particularly as we navigate the transition of our Scarlett range from the 3<sup>rd</sup> to the 4<sup>th</sup> generation. Conversely, our Audio Reproduction division has seen significant growth, bolstered by successful product launches in the previous year and the inclusion of new brands within its portfolio.*

*Though the industry outlook, particularly for Content Creation, remains tough, we remain encouraged by our product registration data which is comfortably outperforming the market. The sustained robust performance of our expanding Audio Reproduction division offers a positive counterbalance to the ongoing headwinds in Content Creation. With a series of planned product launches in the coming months and a continued emphasis on our strategic growth initiatives, which will lead to a greater weighting of sales in the second half, we remain confident of meeting our full-year expectations."*

**Key financial metrics**

	<b>HY24</b>	<b>HY23</b>
Revenue (£ million)	76.9	86.2
Gross Margin	45.8%	47.1%
Adjusted <sup>1</sup> EBITDA <sup>2</sup> (£ million)	12.1	18.1
Operating profit (£ million)	4.7	11.5
Adjusted <sup>1</sup> operating profit (£ million)	7.5	14.2
Basic earnings per share (p)	4.2	14.4
Adjusted <sup>1</sup> diluted earnings per share (p)	7.7	18.0
Interim dividend per share (p)	2.1	2.1
Net debt <sup>3</sup> (£ million)	(27.3)	(13.2)

**Financial and Operating Highlights**

- Revenue decreased by 10.9% or 8.4% on an organic constant currency<sup>4</sup> (OCC) basis, with ongoing challenges in the Content Creation market, outweighing the strength seen in our Audio Reproduction division.
  - Content Creation brands' revenue was down by 19.8% (17.3% on an OCC<sup>4</sup> basis) to £54.1 million (HY23: £67.4 million) with Focusrite impacted by an ongoing soft market and oversupply in the sales channel. However, the ADAM brand has shown growth helped by leveraging the Focusrite routes to market.
  - Audio Reproduction brands' revenue was up by 21.4% (23.6% on an OCC<sup>4</sup> basis) to £22.8 million (HY23: £18.8 million) benefitting from strong end-user demand and an improved supply chain following the acquisition of Linea Research in March 2022.

- Gross margin at 45.8% (HY23: 47.1%) is 1.3% points lower than HY23, but with underlying margins flat and a one-off impact relating to provisions mainly for excess Vocaster stock reducing the reported gross margin. Margins in H2 are predicted to remain broadly stable with the underlying margin achieved in HY24 in H2.
- Adjusted<sup>1</sup> EBITDA<sup>2</sup> at £12.1 million, down from £18.1 million in HY23, reflecting lower sales, and the excess stock provision within margin, with costs under control and savings offsetting inflationary impacts.
- Operating profit of £4.7 million (HY23: £11.5 million) reflects the reduced EBITDA and increased amortisation from acquisitions and new product launches.
- Net debt<sup>3</sup> of £27.3 million (HY23: net debt £13.2 million) has increased due to higher working capital levels, with higher stock in Audio Reproduction to support growth and higher debtors in Content Creation both of which are expected to largely reverse in the second half of the year.
- Interim dividend of 2.1 pence, unchanged on HY23.
- Sheriff Technology acquired on 19 December 2023 for cash consideration of £2.3 million (net of cash acquired of £0.1 million) has performed to plan and is contributing positively to the Audio Reproduction division.
- Global end-user registrations for the Scarlett range remain in line with prior year and are 50% higher than pre pandemic levels.
- Launch of 11 new products across the Group.

1 Adjusted for amortisation of acquired intangible assets and other adjusting items detailed in note 4 to the Interim Statement.

2 Comprising earnings adjusted for interest, taxation, depreciation and amortisation.

3 Net debt/cash defined as cash and cash equivalents, overdrafts and amounts drawn against the RCF including the costs of arranging the RCF.

4 Organic constant currency growth. This is calculated by comparing HY24 revenue to HY23 revenue adjusted for HY24 exchange rates and the impact of acquisitions.

- ends -

#### Enquiries:

**Focusrite plc** +44 (0) 1494 462246

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 (0) 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.

## **Business and operating review**

### **Overview**

We are pleased to report our financial results and summary of operations for the six months ended 29 February 2024. Despite the challenging macroeconomic environment affecting the Content Creation sector at large, demand for the Group's products within our Content Creation and Audio Reproduction divisions remains at levels comfortably surpassing those of the pre-pandemic period. However, despite this, the current adverse macroeconomic conditions and oversupply in the sales channel have necessitated a revision to our original full-year expectations.

Our Content Creation brands experienced a 19.8% revenue decline, yet they continue to demonstrate strong end-user registrations, comparable to last year and a 50% increase over pre-pandemic figures (FY19). Furthermore, various reports on sales rankings<sup>1</sup> and market share indicate that our strategic category shares have either been maintained or expanded in the past six months. The Audio Reproduction product portfolio has seen significant growth, bolstered by new product introductions and the addition of Sheriff Technology with the TiMax and OutBoard brands, with a 21.4% revenue increase compared to HY23. Diversifying across these two divisions has proven to be a successful strategy over the past four years, providing stability amid the differing economic pressures each division faces.

Total Group revenue for HY24 declined by 10.9% compared to HY23. On an organic constant currency basis, the Audio Reproduction division grew by 23.6%, while the Content Creation division saw a 17.3% decrease, resulting in an 8.4% drop in overall Group revenue.

The Group's gross margin for HY24 was 45.8% (HY23: 47.1%), with a one-off stock provision relating to the Vocaster range causing the 1.3 percentage point decline from the prior year. Excluding this provision, gross margins have remained in line with HY23. This is despite aggressive promotional campaigns by competitors and a challenging period for the Content Creation business together with increased freight costs across both divisions.

In December 2023, the Group announced that it had acquired Sheriff Technology, a UK-based company specialising in innovative entertainment technologies for a global client base. Operating under two brands, TiMax and OutBoard, Sheriff's products are vital to many professionals in the audiovisual industry, particularly in live performance, event management, and the rapidly expanding sector of immersive sound experiences. This acquisition broadens the Audio Reproduction division's reach to deliver exceptional audio experiences within live environments and the acquired technology will be further integrated into our many diverse offerings for live sound.

### **Operating review**

Our Group's portfolio consists of thirteen leading brands, which are categorised into two divisions, Content Creation and Audio Reproduction.

Content Creation consists of:

- Focusrite Audio Engineering (FAEL): Focusrite, Focusrite Pro, Novation and Ampify
- ADAM Audio
- Sequential: Sequential and Oberheim
- Sonnox

Audio Reproduction consists of:

- Martin Audio: Martin Audio, Optimal Audio
- Linea Research: Linea Power amplification
- Sheriff Technologies: OutBoard and TiMax brands

<sup>1</sup> See Music Trades Annual Census 2023 and sales rankings on key reseller websites (Thomann and Sweetwater)

	Six months to 29 February 2024	Six months to 28 February 2023	Reported Growth	OCC Growth <sup>1</sup>	Year to 31 August 2023
Revenue from external customers	£'000	£'000	%	%	£'000
Focusrite	29,360	40,084	(26.8)%	(23.6)%	86,317
Novation	7,859	8,241	(4.6)%	0.0%	16,565
ADAM Audio	11,296	10,161	11.2%	15.3%	18,449
Sequential	4,539	8,679	(47.7)%	(44.4)%	14,480
Sonnox <sup>2</sup>	1,047	306	242.2%	0.0%	1,139
<b>Content Creation</b>	<b>54,101</b>	<b>67,471</b>	<b>(19.8)%</b>	<b>(17.3)%</b>	<b>136,950</b>
Audio Reproduction	22,783	18,772	21.4%	23.6%	41,515
<b>Total</b>	<b>76,884</b>	<b>86,243</b>	<b>(10.9)%</b>	<b>(8.4)%</b>	<b>178,465</b>

1 Organic constant currency (OCC) growth rate is calculated by comparing HY24 revenue to HY23 revenue adjusted for HY24 exchange rates and the impact of acquisitions

2 Revenue from date of acquisition

### Content Creation

	Six months to 29 February 2024	Six months to 28 February 2023	Reported Growth £'000	OCC Growth <sup>1</sup> £'000	Year to 31 August 2023 £'000
<b>Content Creation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
North America	24,518	31,112	(21.2)%	(17.1)%	64,979
EMEA	24,021	28,224	(14.9)%	(14.7)%	52,918
ROW	5,562	8,135	(31.6)%	(27.6)%	19,053
<b>Total</b>	<b>54,101</b>	<b>67,471</b>	<b>(19.8)%</b>	<b>(17.3)%</b>	<b>136,950</b>

1 Organic constant currency (OCC) growth rate is calculated by comparing HY24 revenue to HY23 revenue adjusted for HY24 exchange rates and the impact of acquisitions

Our Content Creation brands bring best in class audio recording hardware technology, software, electronic music instruments and controllers, and studio reference monitors to content creators at all levels.

Our products are showcased in the finest recording and post-production studios in the world, as well as in the homes of millions of hobbyists and aspiring professionals. During the financial years 2020 and 2021, the pandemic drove unparalleled growth for our Focusrite, Novation, and ADAM brands as individuals sought advanced home content creation and streaming solutions. However, the subsequent period presented numerous hurdles, such as component shortages, price hikes, increased shipping costs, worldwide inflation, and geopolitical tensions, affecting all aspects of recording technology. Despite a stabilisation in prices and availability, these challenges, coupled with a softer macroeconomic landscape, have led to the current excessive inventory levels across various product segments in FY24.

During the HY24 the market's ongoing adjustment to macroeconomic conditions and global inventory rebalancing has continued, with Focusrite and Sequential facing the brunt of the impact. Nevertheless, ADAM and Sonnox have performed as anticipated in line with original expectations. Despite a 19.8% decline in revenue compared to the first half of the previous year, demand from end-users has significantly exceeded pre-pandemic levels, with an average 50% increase in external customer registrations in key product areas compared to the same period in 2019, maintaining consistency with last year's figures.

Geographically, all regions have reported softer than expected results, with our Rest of World region (comprising APAC and Latin America) showing the largest declines compared to the prior year. Our sales into China faced particular challenges due to diminished consumer confidence and consumers choosing, following prolonged lockdowns, to allocate their spending from home-based to outdoor activities.

Our direct to customer E-commerce business, covering all Content Creation brands, but predominantly the Focusrite brand, has grown year over year. It is now over 5% of total Group turnover and is continuing to grow. The Group continues to invest more into this channel as it sees this becoming an increasingly important route to market.

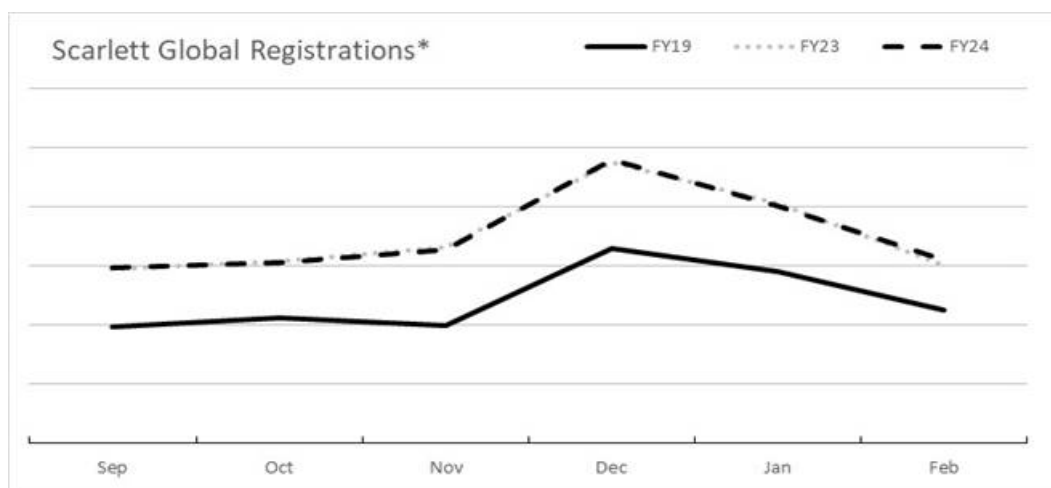
**Focusrite** audio interfaces, comprised of our Scarlett, Clarett and Vocaster ranges, are a suite of audio interfaces designed to allow both beginners and professionals alike to create the best quality audio possible. These products are core to home recording and audio streaming.

This past half year, the Group debuted the 4<sup>th</sup> generation of the lower input/output (IO) Scarletts, those with 1, 2 or 4 inputs

(Scarlett Solo, 2i2 and 4i4) interfaces. These new interfaces are a completely re-engineered range, with many new features designed to deliver unprecedented ease of use while offering professional studio level technical specifications. This new range has received numerous accolades from the press and our global channel, including winning the prestigious Sound on Sound annual award for Best Audio Interface.

These 4<sup>th</sup> generation Scarletts became available for public sale at the beginning of this fiscal year, coinciding with ongoing efforts alongside our global channel partners to phase out the remaining stock of the 3<sup>rd</sup> generation models. This overlap was strategic, aiming to cater to our most price-sensitive customers during the Christmas holiday season—a period traditionally known for heightened sales activity. This strategy paid off, yielding a robust sell-through of the 3<sup>rd</sup> generation stock. Nonetheless, the transition to the 4<sup>th</sup> generation encountered a slower-than-anticipated uptake and a delay in reorder activity leading to a dampened sales performance in the second quarter, a trend we anticipate may extend into the latter half of the year. However, as the market continues to absorb the remaining 3<sup>rd</sup> generation inventory, we are observing an encouraging increase in 4<sup>th</sup> generation sales across all regions, signalling a positive shift in consumer purchasing patterns.

As further evidence of this trend, we track sales to our end user customers through our registration data, with the vast majority of purchases being registered in order to utilise our easy start process and bundle of free software tools. This data reveals that the overall registrations of Scarlett interfaces have closely mirrored those of the previous year over the first six months. This is in stark contrast to industry data, which shows a 10% to 15% decline in this product category overall compared to 2023. Additionally, our registration data verifies that units sold have consistently stayed around 50% above the levels seen in the last pre-pandemic reporting period of FY19, highlighting the enduring appeal and resilience of our products in a fluctuating market.



*\*FY23 and FY24 lines are close to each other but have different markers*

Vocaster sales have followed the industry reported slowdown of new podcasts post-pandemic. As a result the Group has carried more stock than necessary to meet demand and has recently decided to reduce the pricing on Vocaster products to appeal to more entry level users to help move through the balance of overstock carried over the past few years. This has resulted in a one-off inventory provision of just over £1 million in the period.

Clarett, our mid-range interface offering, has performed in line with expectations for the first half and continues to be a sought-after solution for more experienced musicians and recording engineers.

**Focusrite Pro** offers a suite of solutions for professionals that employ "audio over internet protocol" (AOIP) technology for scale in enterprise solutions, both in live events and in permanent installations such as recording and post-production studios. Some of the most prestigious events across the world, including the US Superbowl and the Grammys utilise our Pro products as the backbone of the audio systems deployed. Additionally, many recording and post-production studios have adopted our products to produce and deliver content in enhanced formats, such as Dolby ATMOS. As noted previously, a wide scale re-engineering effort took place over 2022 and 2023 as a result of the AKM chip factory fire, which curtailed the supply of key components across the industry. The re-engineering of these products was finally completed at the end of 2023 and sales are starting to recover from a long lull due to low product availability.

Our **Novation** brand is dedicated to the art of the electronic musician, and offers a range of solutions including groove boxes, controllers, synthesizers and desktop and iOS creation apps. These segments are also seeing overall weaker demand in the market, driven by similar macroeconomic factors referred to above. However, the Group did not have to deal with any

material channel destocking issues with Novation, resulting in overall sales of Novation products being down 4.6% versus the prior year, which is slightly ahead of industry-wide levels for this product category.

**ADAM Audio**, based in Berlin and acquired in July 2019, is a globally recognised brand with a passionate team focused on delivering world-class monitor speakers for audio content creators. ADAM Audio's portfolio of reference monitors encompasses the T-Series, A-Series, and S-Series. The T-Series speakers are award winning reference monitors designed for the home studio market. The A-Series are used in both high-end home studios and professional facilities alike, and the enterprise level S-Series are installed in some of the most prestigious audio production facilities in the world. Both the A-series and S-Series speakers are seeing wide adoption in upgraded facilities to integrate immersive mixing. ADAM has had a strong first half, due to increased market share for the lower priced T-series and the benefits of aligning ADAM with the Focusrite distribution channel in the US.

**Sequential**, based in San Francisco, was acquired in April 2021. The Sequential brand is legendary in the industry and is synonymous with iconic analogue synthesizers. It has been at the forefront of electronic music innovation for over 40 years. Additionally, in May 2023, the Group acquired the exclusive rights to another prestigious synthesizer brand, **Oberheim**, which now operates under the Sequential entity as a separate brand.

The majority of products from Sequential and Oberheim are positioned at the US\$3,000 price point and above, catering primarily to aspiring and professional musicians and composers. This segment has faced significant challenges this year, as part of the overall industry decline exacerbated by global cost-of-living pressures, and strong trading in HY23 which included the impact of the launch of the OBX8 synthesizer in the summer of 2022. Despite these challenges, Sequential's more affordably priced products, aimed at home studios and hobbyists, have performed relatively close to initial expectations. Anticipating continued strong demand at these lower price points, we are preparing to launch new products in the second half of the year, aiming to meet the robust demand in this more resilient segment.

**Sonnox**, based outside of Oxford and acquired in December 2022, creates software plug-ins for audio production. These plug-ins, normally residing inside a DAW (Digital Audio Workstation) allow the user to refine their audio to create professional sounding recordings.

Sonnox had a strong first half, its legacy offerings performing well and augmented by the release of Voca, a vocal enhancement tool, designed for both professionals and home recordists alike. Additionally, the Group has been actively promoting Sonnox solutions to the entire Content Creation userbase, which has also benefitted its performance during the first half.

#### **Audio Reproduction**

	Six months to 29 February 2024 £'000	Six months to 28 February 2023 £'000	Reported Growth £'000	OCC Growth <sup>1</sup> £'000	Year to 31 August 2023 £'000
<b>Audio Reproduction</b>					
North America	4,284	5,197	(17.6)%	(12.2)%	12,684
EMEA	10,447	8,420	24.1%	20.2%	16,601
ROW	8,052	5,155	56.2%	65.3%	12,230
<b>Total</b>	<b>22,783</b>	<b>18,772</b>	<b>21.4%</b>	<b>23.6%</b>	<b>41,515</b>

<sup>1</sup> Organic constant currency (OCC) growth rate is calculated by comparing HY24 revenue to HY23 revenue adjusted for HY24 exchange rates and the impact of acquisitions

The Audio Reproduction brands provide high quality, professional solutions for both permanent installations and live sound events. The Group started its investment in this segment with the acquisition of Martin Audio in December 2019. Since then, the portfolio has grown significantly, both organically and through strategic acquisitions, resulting in a strong lineup of solutions tailored for the touring, theatre, and installation markets. The first half of the year has demonstrated continued growth across these segments, supported by a strong project pipeline which is expected to continue throughout the year.

In December 2023, the division's capabilities were further enhanced by acquiring Sheriff Technology, building on the previous acquisition of Linea Research in March 2022. These strategic moves have strengthened the division's position and expanded the offerings in the dynamic field of audio reproduction and immersive sound.

**Martin Audio** was founded in 1972 to deliver world class touring systems for the supergroups of the day. The ethos of "Uniting the Audience" has remained core to the company's mission and success. Martin's stature in the market is earned

from the extreme detail in its loudspeakers sonic performance, further enhanced through software and digital signal processing (DSP) which allows further shaping and control of the overall sound. When considering Martin's portfolio, the easiest way to think of the various solutions is by how much space needs to be covered (known as throw) to provide an ideal listening experience. Martin offers solutions across its Flexpoint, TORUS, Wavefront Precision, Blackline X and CDD Live ranges to address any size requirement for either a permanent installation or live event.

**Optimal Audio**, the commercial audio brand, also saw growth year over year as it began shipping completed systems after a period of unavailability due to component shortages late last year.

**Linea Research**, founded in 2003 and acquired by the Group in 2023, has established itself as a trusted and innovative industry leader in high quality power amplification. Linea Research's portfolio includes integrated digital signal processing, a unique combination of high-quality sound and power that professional installations and events require. Linea Research has integrated well into the wider Group, providing a consistent supply of power amplification technology for Martin Audio's solutions as well as continuing to offer its own product line to a range of OEM customers. Additionally, Linea Research was the proud recipient of a King's Award for innovation this year.

The Group's latest acquisition, **Sheriff Technologies**, is comprised of two different brands that service the Audio Reproduction market: TiMax and OutBoard. TiMax are pioneers in the rapidly expanding sector of immersive sound experiences, specialising in innovative audio and show control techniques through their SoundHub and TrackerD4 products. These solutions cater to a wide range of applications including entertainment, events, branding, themed environments, and exhibition spaces. Formulated from exhaustive experience of touring and event rigging professionals, OutBoard offers a comprehensive range of compact and robust chain-host motor controllers, alongside enterprise-level safety test, preparation and quality management for global rental companies and venues. Although only acquired in December of this financial year, the Sheriff brands have integrated well and are on track to deliver incremental value to the Group over the long term.

The cumulative impact of the above has led to a 23.6% increase in overall revenue for the Audio Reproduction division on an organic constant currency basis year-over-year. Regionally, there has been strong performance in the APAC and EMEA regions, buoyed by a resurgence in live events across recent festival and tour seasons, alongside numerous permanent installation venues upgrading for new immersive audio experiences. The US region has seen a decline, aligning with industry insights that highlight the effects of cost-of-living increases, political uncertainties due to upcoming elections, and the resumption of student loan payments affecting a significant portion of our target audience. With a strong sales pipeline across all sectors the Group is confident that performance will continue in line with expectations for the second half.

#### **Research and development**

R&D remains a cornerstone of our Group's strategy. In this period, the Group launched 11 new products to market as well as a host of software and hardware upgrades. Across many of the Brands, the Group has product introductions scheduled for the second half of this financial year, being a combination of refreshes and new products.

### **Financial Review**

#### **Overview**

As referenced above, in a period characterised by challenging market conditions, the Group reported revenues of £76.9 million, a decrease of 10.9% compared to the six months ending on 28 February 2023. When adjusted for organic constant currency ("OCC") effects, the underlying decrease is 8.4%.

The adjusted<sup>1</sup> EBITDA<sup>2</sup> of £12.1million was 33% lower than in the corresponding period, attributed to reduced sales volumes and gross profits, notably influenced by a one-off stock provision of £1 million associated with our Vocaster product line.

The reported operating profit also saw a reduction to £4.7 million (HY23: £11.5 million) due to similar factors affecting the overall financial performance. Similarly, adjusted<sup>1</sup> diluted EPS of 7.7 pence is lower than the prior year's of 18.0 pence.

#### **Income statement**

HY24	HY24	HY24	HY23	HY23	HY23
------	------	------	------	------	------

	£m Adjusted	£m Adjusting items <sup>1</sup>	£m Reported	£m Adjusted	£m Adjusting items <sup>1</sup>	£m Reported
Revenue	76.9	-	76.9	86.2	-	86.2
Cost of sales	(41.7)	-	(41.7)	(45.6)	-	(45.6)
Gross profit	35.2	-	35.2	40.6	-	40.6
Administrative overheads	(23.1)	(0.1)	(23.2)	(22.5)	(1.2)	(23.7)
EBITDA <sup>2</sup>	12.1	(0.1)	12.0	18.1	(1.2)	16.9
Amortisation of intangible assets	(3.1)	(2.7)	(5.8)	(2.9)	(1.5)	(4.4)
Depreciation of tangible assets	(1.5)	-	(1.5)	(1.0)	-	(1.0)
Operating profit	7.5	(2.8)	4.7	14.2	(2.7)	11.5
Net finance expense	(1.3)	-	(1.3)	(0.6)	-	(0.6)
Profit before tax	6.2	(2.8)	3.4	13.6	(2.7)	10.9
Income tax expense	(1.6)	0.7	(0.9)	(3.0)	0.6	(2.4)
Profit for the period	4.6	2.1	2.5	10.6	(2.1)	8.5
Memo: Total administrative expenses	(27.7)	(2.8)	(30.5)	(26.5)	(2.7)	(29.2)

1 Adjusted for amortisation of acquired intangible assets and other adjusting items detailed in note 4 to the Interim Financial Statements

2 Earnings Before Interest, Tax, Depreciation and Amortisation

### Revenue analysis

	HY24 Reported	HY24 Acquisitions <sup>2</sup>	HY24 As adjusted	HY23 Reported	HY23 Exchange <sup>1</sup>	HY23 As adjusted	Reported Growth	OCC Growth <sup>1</sup>
Focusrite	29.4	-	29.4	40.1	(1.6)	38.5	(26.8)%	(23.6)%
Novation	7.9	-	7.9	8.2	(0.3)	7.9	(4.6)%	0.0%
ADAM	11.3	-	11.3	10.2	(0.4)	9.8	11.2%	15.3%
Sequential	4.5	-	4.5	8.6	(0.5)	8.2	(47.7)%	(44.4)%
Sonnox	1.0	(0.7)	0.3	0.3	-	0.3	242.2%	0.0%
Content Creation	54.1	(0.7)	53.4	67.4	(2.8)	64.6	(19.8)%	(17.3)%
Audio Reproduction	22.8	(0.3)	22.5	18.8	(0.6)	18.2	21.4%	23.6%
<b>Total</b>	<b>76.9</b>	<b>(1.0)</b>	<b>75.9</b>	<b>86.2</b>	<b>(3.4)</b>	<b>82.8</b>	<b>(10.9)%</b>	<b>(8.4)%</b>

<sup>1</sup> Organic constant currency (OCC) growth rate is calculated by comparing FY24 revenue to FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions

<sup>2</sup> Sonnox acquired in December 2022, Sheriff Technologies acquired December 2023

Revenue for the Group declined by 10.9% to £76.9 million (HY23: £86.2 million) which, adjusting for acquisitions and constant currency, represents an organic constant currency (OCC) decline of 8.4%. Sheriff Technology was acquired in December 2023 and contributed £0.3 million of revenue in line with expectation. Sonnox was acquired in December 2022 and contributed £1.0 million in HY23 compared to £0.3 million in the prior period. Currency was a headwind, reducing reported revenue by £3.4 million mainly due to the weakening of the US dollar.

This period has been marked by challenges, especially within the Content Creation division, which saw a decline in revenue not fully counterbalanced by the strength in Audio Reproduction. Specifically, Focusrite witnessed a 26.8% drop compared to HY23 (23.6% on an OCC basis).

This was primarily due to high channel stock levels, despite stable sell-out rates to end users of our key products compared to the previous year and a consistent 50% improvement over pre-pandemic FY19 levels. The planned continuation of lower-cost 3rd generation Scarlett models in the channel, and the strategic decision to offer both generations during a price-sensitive holiday period, helped Focusrite maintain market leadership and compete effectively at lower price points, including offering a \$99 product through selected resellers. Initially, this strategy reduced the demand for the newer 4th generation models, with sales now picking up for the newer models as 3<sup>rd</sup> generation products sell out of the channel. Inventory of the 3<sup>rd</sup> generation has reduced significantly during the first half of the year, and we expect sales in the second half to be predominantly of the 4<sup>th</sup> generation. We do not expect markets to improve in the second half, but we expect a greater weighting of sales in this period compared with HY24 due to the introduction of new products later in the year as well as in HY25.



ADAM had a successful first half, with the entry-level T-series seeing strong growth supported by the brand moving to the same route to market in the US as the Focusrite brands. Sequential continues to suffer in a weak market, with higher price point synthesizers being particularly hard hit.

Audio Reproduction continues to perform well with growth supported by stock availability and a range of new product launches in FY23. Growth was particularly strong in APAC, where demand for live and installed sound is benefitting from the bounce back from COVID.

#### ***Currency impact***

The US Dollar weakened during the period (with detail of rate movements provided on the following pages). This has resulted in the majority of the £3.4 million negative translation impact on revenue for the Group for HY24 relative to HY23. However, at the profit level the USD effect is mitigated by the purchases of inventory in USD from the manufacturers in China and Malaysia and the Euro effect on profit is largely mitigated by the Group's hedging policy, such that the translation impact between periods is not material.

#### ***Segment Profit***

Segment profit is disclosed in more detail in note 3 to the Interim Financial Statements named, 'Operating Segments'. These segments compare the revenue of the products of the relevant brands with the directly attributable costs to create segment profit.

#### ***Gross Profit Analysis***

The gross margin decreased to 45.8% in HY24, down from 47.1% in HY23. This reduction in gross margin was primarily due to a one-off stock provision associated with the Vocaster range, with underlying margins remaining stable.

Underlying margins reflected a 0.7 percentage point increase in product margins with a reduced level of promotions compared to the prior year. This positive impact was somewhat counterbalanced, however, by a negative 0.6 percentage point impact due to higher freight costs, attributed to logistical challenges in the Red Sea that escalated freight rates. The adverse stock provision impact of £1 million (1.3 percentage points) was necessitated by slower than expected market demand for the Vocaster range. This product, despite its positive reception, faced launch delays of 12 months due to component availability issues during the pandemic, leading to initial launch quantities that exceeded market demand, as the market for podcasts unexpectedly significantly softened. Consequently, measures have been taken to adjust the stock holding to its realisable value.

Looking ahead, we anticipate the continuation of promotional activities throughout the year and are assuming that freight costs will stabilise. Therefore, we project that underlying margins will remain broadly stable for the remainder of the fiscal year, underpinning our financial health and operational resilience amidst fluctuating market conditions.

#### ***Administrative expenses***

Administrative expenses consist of sales, marketing, operations, the uncapitalised element of research and development (partially offset by the Research and Development Expenditure Credit regime ('RDEC') tax credit of £0.4 million) and central functions such as legal, finance and the Group Board. These expenses were £23.2 million, down from £23.7 million last year. Excluding adjusting costs of £0.1 million (HY23: £1.2 million) (see Adjusting items below), the operating costs were £23.1 million (HY23: £22.5 million).

The increase in adjusted administrative expenses of £0.6 million resulted from the annualisation impacts of the two recent acquisitions, Sonnox and Sheriff Technology, of £0.4 million, inflationary impacts, primarily labour costs, of £0.6 million and increased share options costs of £0.5 million offset by cost reductions from the prior year reorganisation and reduced bonus costs.

#### ***Adjusted EBITDA***

Adjusted EBITDA is an alternative performance measure which is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. It is also used within the Group as the basis for some of the incentivisation of senior management at both the operating company level and the Group level. Adjusted EBITDA decreased from £18.1 million in HY23 to £12.1 million in HY24, a decrease of 33%. The decrease of £6.0 million was due to lower sales volumes and the impact of the Vocaster provision with underlying operating costs remaining relatively stable. A reconciliation of adjusted EBITDA to operating profit can be found in Note 4 to the Interim Financial Statements.

### **Depreciation and amortisation**

Depreciation is charged on tangible fixed assets on a straight-line basis over the assets' estimated useful lives, normally ranging between two and five years.

Amortisation is mainly charged on capitalised development costs, writing-off the development cost over the life of the resultant product. The life spans of the products vary across our brands, from three years for Focusrite and Novation, up to eleven years for Martin Audio and fifteen for Sequential. Across the Group, £4.5 million of development costs were capitalised (HY23: £4.3 million) and the amortisation of capitalised development costs was £3.1 million (HY23: £2.3 million). This increase was due to the acceleration of £0.8 million of amortisation on capitalised development costs relating to the Vocaster range, £0.5m of which would have been amortised in the second half of this year. Further details are shown in note 8, with disclosure to highlight the movement from technology, products and patents in development to those now in use.

The amortisation of the acquired intangible assets totalled £2.7 million during the period (HY23: £1.5 million) and has been disclosed within adjusting items. The prior year amount included a reversal of £1.0 million due to the impact of an amendment to our accounting policy relating to the commencement of amortisation of acquired intangibles under development. Adjusting for this the underlying increase in amortisation of acquired intangibles is £0.2 million and relates to the full period impact of Sonnox, acquired in FY23 and the commencement of amortisation relating to Sheriff Technology.

### **Adjusting items**

In HY24 adjusting items totalled £0.1 million (HY23 £1.2 million), comprising £0.1 million which related to the due diligence costs for the acquisition of Sheriff Technology that was completed on 19 December 2023. £2.7 million related to amortisation of acquired intangible assets is also shown as an adjusting item.

In HY23, the adjusting items of £1.2 million included £0.3 million which related to the due diligence costs for the acquisition of Sonnox that was completed on 19 December 2022, £0.5 million related to earn-outs put in place after the acquisitions of Sequential and Linea Research in prior years and £0.4 million related to restructuring activities in the half year. £1.5 million related to amortisation of acquired intangible assets was also disclosed as an adjusting item.

### **Foreign exchange and hedging**

The exchange rates were as follows:

Exchange rates	HY24	HY23	FY23
Average			
USD:GBP	1.25	1.19	1.21
EUR:GBP	1.16	1.15	1.15
Period end			
USD:GBP	1.26	1.21	1.16
EUR:GBP	1.17	1.14	1.16

The average USD rate has weakened to \$1.25 for HY24 (HY23: \$1.19). The USD accounts for over half of Group revenue but nearly all of the cost of sales, so there is a useful natural hedge.

The Group enters into forward contracts to convert Euro to GBP. The policy adopted by the Group is to hedge approximately 75% of the Euro flows for the current financial year (year ending August 2024) and approximately 50% of the Euro flows for the following financial year (year ending August 2025).

In HY24, approximately three-quarters of Euro flows were hedged at €1.12, and the average transaction rate was €1.16, thereby creating a blended exchange rate of approximately €1.14. In HY23, the equivalent hedging contracts were at €1.17, versus the transactional rate of €1.15 so creating a blended exchange rate of €1.16. Hedge accounting is used, meaning that the hedging contracts have been matched to income flows and, providing the hedging contracts remain effective, movements in fair value are shown in a hedging reserve in the balance sheet, until the hedge transaction occurs.

### **Corporation tax**

The effective tax rate for the period has increased to 27.7% (HY23: 22.4%). This is largely due to the increases in the UK corporate tax rate from 19% to 25% in April 2023. In addition, there has been a prior year adjustment which has increased the tax rate relating to the reduction in patent box claims in the prior year. The effective tax rate excluding the prior year adjustments is 23.5%. The headline effective tax rate is expected to return to the UK corporate tax rate in future years.

#### **Earnings per share ('EPS')**

The basic EPS for the half year was 4.2 pence, down 71% from 14.4 pence in HY23. This decrease has largely resulted from the change in reported profit after tax, which was impacted by lower EBITDA and increased amortisation due to the accelerated amortisation relating to Vocaster and the higher tax charge noted above. The weighted average number of shares used for the calculation has increased marginally compared to the prior year at 58,872,000 shares (HY23: 58,494,000 shares). The more comparable measure, excluding adjusting items and including the dilutive effect of share options, is the adjusted diluted EPS. This decreased to 7.7 pence, from 18.0 pence in HY23, a decrease of 57%.

	<b>HY24</b>	<b>HY23</b>	<b>FY23</b>
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Basic	<b>4.2</b>	14.4	30.4
Diluted	<b>4.1</b>	14.3	30.2
Adjusted basic	<b>7.8</b>	18.2	38.7
Adjusted diluted	<b>7.7</b>	18.0	38.4

#### **Balance sheet**

	<b>HY24</b>	<b>HY23</b>	<b>FY23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Non-current assets	<b>98.9</b>	95.2	95.9
Current assets			
Inventories	<b>55.3</b>	50.7	55.3
Trade and other receivables	<b>37.5</b>	27.5	33.4
Cash	<b>8.9</b>	13.5	26.8
Current liabilities			
Trade, other payables and provisions	<b>(30.2)</b>	(30.3)	(45.4)
Bank loan or overdraft	<b>(36.2)</b>	(26.8)	(28.1)
Non-current liabilities			
Deferred tax	<b>(10.3)</b>	(10.6)	(10.8)
Other non-current liabilities	<b>(5.6)</b>	(8.6)	(8.1)
Net assets	<b>118.3</b>	110.6	118.5
Working capital <sup>1</sup>	<b>62.6</b>	47.9	42.8

<sup>1</sup> Working capital is defined as Inventories plus trade and other receivables less trade and other payables and provisions

#### **Non-current assets**

The non-current assets comprise: goodwill, brands, patents and capitalised development costs; property, plant and equipment; and software.

The goodwill totals £16.9 million (HY23: £16.4 million). The increase is due to the addition of Sheriff Technology at £0.7 million, together with foreign exchange movements on the existing items.

The total cost of the brands is £25.7 million (HY23: £26.4 million). The majority of brands are being amortised over 10 and 15 years with Martin over 20 years. At 29 February 2024 the brands had carrying value, net of amortisation, of £19.2 million compared to £21.6 million as at 28 February 2023.

Acquired technology and patent costs comprise developments now in use and brought into the Group as part of an acquisition. These are amortised over similar periods to internally generated assets and as at 29 February 2024 comprised £37.3 million at cost, increasing by £2.0 million due to the acquisition of Sheriff Technology. The net book value of these assets at the period end was £24.9 million (FY23: £24.2 million).

The internally generated technology and patent costs comprise capitalised research and development costs for products currently in use. The amortisation periods range from three years to fifteen years depending on the expected life of the products. The shorter amortisation periods are more usual for Focusrite and Novation products and the longer periods for the ADAM Audio monitors. Martin Audio live speakers and Sequential synthesisers. The capitalised technology and patent

the normal spare inventory, material spare inventory and sequential engineering experiences technology, and patent costs as at 29 February 2024 had a carrying value, net of amortisation, of £10.7 million (HY23: £9.2 million).

Capitalised technology and patent costs still under development comprise acquired and internally generated technology and patent costs for products currently still in development. The cost of these items has increased from £8.5 million at 1 September 2023 to £9.4 million as at 29 February 2024, as a result of our £2.8 million ongoing investment in new products, net of the transfer of £2.0 million of costs to products now in use.

Overall, amortisation of the intangible assets totals £5.8 million (HY23: £4.4 million). This is split between amortisation of intangible assets acquired as part of the acquisitions of £2.7 million (HY23: £1.5 million), and other amortisation of £3.1 million (HY23: £2.9 million). This has increased due to the accelerated amortisation relating to Vocaster of £0.8m, £0.5m of which would have been included in H2. The amortisation of acquired intangible assets has been treated as an adjusting item. The difference in the period between ongoing amortisation of development costs and capitalised development costs is £1.4 million (HY23: £2.0 million).

Based on current trading and management forecasts, we have conducted impairment reviews for those subsidiaries impacted by difficult markets with no impairments to the carrying value of the intangible assets being deemed necessary. This will be reassessed at the year-end for any evidence of any permanent diminution in value.

The remaining £6.0 million net book value of intangible assets (HY23: £3.0 million) is in respect of software and trademarks. This has increased due to the further stage payments relating to investment in licencing and acquired technology to enhance our future product functionality.

Tangible non-current assets consist mainly of right of use assets relating to the Group's leased offices and warehouses, and tooling equipment for the manufacture of products. This has increased since February 2023 due to inception of a new lease and fit out costs as Focusrite has moved to a new headquarters in High Wycombe.

#### Working Capital Analysis

As of 29 February 2024, working capital represented 37.0% of the last 12 months' revenue, a significant increase from 27.0% in the comparable period of the previous year (HY23). This uptick in working capital at the half-year can be attributed to several factors.

**Inventory Increase in Audio Reproduction** A notable inventory buildup occurred within the Audio Reproduction segment, particularly for Linea Research. This increase was strategic, aimed at supporting growth and ensuring a stable component supply amidst industry-wide shortages. This inventory expansion is anticipated to reverse in the latter half of the year as the stock is deployed to meet the demands of the current order book.

**Rise in Debtors:** There has been a £4.7 million increase in debtors since the end of the previous fiscal year, which included significant balances from the sell-in to the sales channel for holiday season. This increase primarily stems from a delayed payment from a significant US customer, in accordance with a distribution agreement that postpones payments until the distributor's stock levels decrease. This situation is anticipated to improve significantly in the second half of the year as we actively manage and reduce stock levels with our distribution partners.

**Creditor Payments:** There has been a £17.4 million outflow in H1, relating to seasonal payments for stock purchased for the winter holiday season. This is usually offset by large debtor inflows which have been delayed this year as noted above. Consistent with our financial management practices, we have continued to pay creditors promptly and efficiently. There have been no significant changes in this area, underscoring our commitment to maintaining strong relationships with our suppliers.

**Stock Levels and Scarlett Transition:** Stock levels have remained elevated, particularly due to managing the transition within the Scarlett range. We expect a significant reduction as we streamline the stock position with our distribution partners.

Overall, the increase in working capital in HY24 is viewed as a temporary phase. We anticipate a significant improvement in the second half of the year as the actions outlined above take effect.

#### Cash Flow Analysis

	HY24	HY23	FY23
	£m	£m	£m
Cash and cash equivalents at the beginning of the year	26.8	12.8	12.8
Foreign exchange movements	(0.2)	0.1	(1.0)

Cash and cash equivalents at the end of the year	8.9	13.5	26.8
Net(decrease)/ increase in cash and cash equivalents (per Cash Flow Statement)	(17.7)	0.6	15.0
Change in bank loan	(8.1)	(13.7)	(15.2)
Increase in net debt	(25.8)	(13.1)	(0.2)
Add back equity dividend paid	2.6	2.4	3.6
Add back acquisition of subsidiary (net of cash acquired)	2.3	7.2	7.2
<b>Free cash (outflow)/inflow</b>	<b>(20.9)</b>	<b>(3.5)</b>	<b>10.6</b>
Add back non underlying items (cash outflow)	0.1	1.2	1.7
<b>Underlying free cash (outflow)/inflow <sup>1</sup></b>	<b>(20.8)</b>	<b>(2.3)</b>	<b>12.3</b>

<sup>1</sup>Defined as cashflow before equity dividends, acquisition of subsidiary (net of cash acquired) and adjusting items.

The underlying free cash outflow in HY24 was £20.8 million, compared to a cash outflow of £2.3 million in HY23. We expect underlying free cashflow for FY24 to be a small outflow, with the temporary impacts on working capital outlined above expected to largely reverse in the second half of the year. The Group remains inherently cash generative, and the aim is to return to the historic norm of strong free cashflow generation in future years.

Free cash outflow in HY24 is £20.9 million compared to cash outflow of £3.5 million in HY23 and is impacted by similar issues as underlying free cashflow. In the current first half year adjusting items relate to the due diligence costs of the acquisition of Sheriff Technology as outlined in Note 4 to the Interim Financial Statements. In the prior year they related to payment of the of the Sequential earn out and the due diligence costs relating to the acquisition of Sonnox.

The net debt balance at the period end was £27.3 million (HY23: net debt of £13.2 million and FY23: net debt of £1.3 million). The net debt includes the arrangement fee for the revolving credit facility (RCF) of £0.6 million which is being amortised across the period of the facility. The increase in net debt since the beginning of HY24 principally reflects the increase in working capital noted above and the acquisition of Sheriff Technology for £2.3 million in December 2023. The Group has a £50 million RCF facility split evenly between HSBC and NatWest which was renewed in September 2023 and is due to expire at September 2028, with an optional one year extension, together with an uncommitted facility for a further £50 million. As at the balance sheet date £36.2 million was drawn down from the facility (HY23: £26.9 million, FY23 £26.8 million).

#### Dividend

The Board has approved an interim dividend of 2.1p (HY23: 2.1p) which is in line with the previous year, despite the reduction in profits and reflects the Board's confidence in the future profit and cash generation prospects of the Group.

#### Summary and Outlook

Focusrite plc has evolved into a global business, encompassing 13 distinct yet synergistic brands, operating across varied markets. This diversification strategy has proved successful, as seen by the near-doubling of Group revenue from £40 million in HY19, the half-year preceding the global COVID-19 pandemic, to £77 million in the first half of this year. Demand for our flagship Scarlett product range is 50% higher than FY19 levels with end user registrations in line with the previous half year, such that we believe we are continuing to take market share.

The Content Creation division has faced a particular set of challenges in HY24, with both macro-economic weakness and an oversupply in the channel, particularly as we navigate the transition of our Scarlett range from the 3<sup>rd</sup> to the 4<sup>th</sup> generation. Conversely, our Audio Reproduction division has seen significant growth, bolstered by successful product launches in the previous year and the inclusion of new brands within its portfolio.

Though the industry outlook, particularly for Content Creation, remains tough, we remain encouraged by our product registration data which is comfortably outperforming the market. The sustained robust performance of our expanding Audio Reproduction division offers a positive counterbalance to the ongoing headwinds in Content Creation. With a series of planned product launches in the coming months and a continued emphasis on our strategic growth initiatives, which will lead to a greater weighting of sales in the second half, we remain confident of meeting our full-year expectations.

J. P. E  
J. McKane

**Tim Carroll**  
**Chief Executive Officer**

**Sally McKone**  
**Chief Financial Officer**

## **Risks and Uncertainties**

The Board has considered the principal risks and uncertainties as presented in the 2023 Annual Report and has determined that they broadly remain relevant to the rest of this financial year, with the updates as set out below. Such risks and uncertainties could have a material impact on the Group's performance although they are not expected to cause the Group's actual results to differ materially from the expected results.

## **ESG and our sustainability strategy**

Our aim is to become industry leaders in environmental sustainability. Alongside our 2023 Annual Report we also published our first Environment and Climate Report, providing a deep dive into our climate-related risks and opportunities identified as part of the UK's Climate-related Financial Disclosures (CFD) framework. In the year to date since publication, we do not expect to see any significant shifts in risk levels, with Climate Change broadly a low-medium risk to the Group in the short term (up to 2030). More information about our CFD report can be seen across pages 16-35 of our 2023 Environment and Climate Report.

In the first half of this year, we have made good progress incorporating more recycled materials into our products, with Martin Audio making notable progress switching an initial set of 10 products across to recycled plastic to be completed by the end of this financial year, with more to follow subsequently.

We are also pleased to share that we have submitted our commitment letter to the Science Based Targets Initiative, starting our 24-month target setting process to define Near-term and Net Zero targets for the Group.

## **Macro-economic/Geopolitical conditions**

Developments in politics, laws and regulations affect our supply chains and operations. Currently many countries are facing economic and fiscal challenges and growing pressure on cost-of-living standards, though these have started to ease somewhat in recent months. These issues impact our business as governments, in response to political and social pressures, pursue policies that could have a material adverse effect on our operations and subsequently our earnings, cash flows and financial condition.

The world continues to face geopolitical instability. The broader consequences of the conflict in Gaza remain uncertain and a wider regional escalation could have greater impacts on our operations.

We continually monitor geopolitical developments and societal issues relevant to our interests. With regard to the current threat to the Red Sea shipping route, we have made adjustments to our freight paths to reduce our exposure and are closely monitoring the risk of a wider regional escalation.

## **Cost inflation**

Cost inflation continues to be widely reported and remains prevalent in most of our major markets, although easing somewhat in recent months. Indications of how cost inflation is impacting the discretionary income available to customers has been felt across all industries and revenue growth has been impacted by macro-economic uncertainty. By remaining competitive in the market and offering premium and desirable products we aim to mitigate this by continuing to be the first choice for customers.

The Group's customers continue to operate in a range of different sectors which reduces the risk of a downturn in a particular sector. As a global Group we operate in different countries and therefore are less exposed if particular countries are impacted.

## **Forward looking statements**

The risks and uncertainties facing the Group were reported in detail in the 2023 Annual Report and are monitored closely

by the Group. The forward-looking statements in this 2024 Half Year Report cannot be relied upon as a guarantee or prediction of future performance. We, like all businesses, continue to face known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may mean our actual results differ from those expressed in this first half year report.

## Condensed Consolidated Income Statement

For the six months ended 29 February 2024

	Note	Six months to 29 February 2024 £'000	Six months to 28 February 2023 £'000	Year to 31 August 2023 £'000
Revenue	2	76,884	86,243	178,465
Cost of sales		(41,683)	(45,619)	(93,616)
<b>Gross profit</b>		<b>35,201</b>	<b>40,624</b>	<b>84,849</b>
Administrative expenses		(30,544)	(29,163)	(60,506)
<b>Adjusted EBITDA (non-GAAP measure)</b>		<b>12,098</b>	<b>18,053</b>	<b>38,568</b>
Depreciation and amortisation		(4,609)	(3,858)	(8,087)
Adjusting items for Adjusted EBITDA:				
Amortisation of acquired intangible assets		(2,734)	(1,504)	(4,451)
Adjusting items	4	(98)	(1,230)	(1,687)
<b>Operating profit</b>		<b>4,657</b>	<b>11,461</b>	<b>24,343</b>
Finance income		83	712	770
Finance costs		(1,318)	(1,290)	(2,365)
<b>Profit before tax</b>		<b>3,422</b>	<b>10,883</b>	<b>22,748</b>
Income tax expense	5	(949)	(2,434)	(4,951)
<b>Profit for the period from continuing operations</b>		<b>2,473</b>	<b>8,449</b>	<b>17,797</b>
<b>Earnings per share</b>				
From continuing operations				
Basic (pence per share)	7	4.2	14.4	30.4
Diluted (pence per share)	7	4.1	14.3	30.2

## Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 29 February 2024

	Six months to 29 February 2024 £'000	Six months to 28 February 2023 £'000	Year to 31 August 2023 £'000
<b>Profit for the period</b>	<b>2,473</b>	<b>8,449</b>	<b>17,797</b>
<i>Items that may be reclassified subsequently to the income statement</i>			
Exchange differences on translation of foreign operations	(77)	(999)	(1,742)
(Loss)/gain on forward foreign exchange contracts designated and effective as a hedging instrument	(190)	194	784
Exchange loss on acquired amortisation	-	-	(18)
Tax on hedging instrument	47	(38)	(186)
<b>Total comprehensive income for the period</b>	<b>2,253</b>	<b>7,606</b>	<b>16,635</b>
<b>Profit attributable to:</b>			
Equity holders of the Company	<b>2,253</b>	<b>7,606</b>	<b>16,635</b>

## Condensed Consolidated Statement of Financial Position

29 February 28 February 31 August

	Note	2024 £'000	2023 £'000	2022 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		16,888	16,377	16,138
Other intangible assets	8	70,169	67,909	66,709
Property, plant and equipment		11,375	10,865	12,495
Deferred tax assets		452	-	533
<b>Total non-current assets</b>	3	<b>98,884</b>	<b>95,151</b>	<b>95,875</b>
<b>Current assets</b>				
Inventories		55,298	50,681	55,256
Trade and other receivables		37,186	27,470	32,384
Derivative financial instruments	9	301	-	491
Cash and cash equivalents	9	8,924	13,527	26,787
<b>Total current assets</b>		<b>101,709</b>	<b>91,678</b>	<b>114,918</b>
<b>Current liabilities</b>				
Trade and other payables		(25,299)	(26,451)	(39,703)
Other liabilities		(956)	(1,448)	(1,761)
Current tax liabilities		(2,681)	(990)	(2,619)
Provisions		(1,270)	(1,327)	(1,270)
Bank loans and arrangement fee	9	(36,228)	(26,760)	(28,093)
Derivative financial instruments	9	-	(99)	-
<b>Total current liabilities</b>		<b>(66,434)</b>	<b>(57,075)</b>	<b>(73,446)</b>
<b>Net current assets</b>		<b>35,275</b>	<b>34,603</b>	<b>41,472</b>
<b>Total assets less current liabilities</b>		<b>134,159</b>	<b>129,754</b>	<b>137,347</b>
<b>Non-current liabilities</b>				
Deferred tax		(10,213)	(10,561)	(10,824)
Other liabilities		(5,639)	(8,550)	(8,071)
<b>Total non-current liabilities</b>		<b>(15,852)</b>	<b>(19,111)</b>	<b>(18,895)</b>
<b>Total liabilities</b>		<b>(82,286)</b>	<b>(76,186)</b>	<b>(92,341)</b>
<b>Net assets</b>		<b>118,307</b>	<b>110,643</b>	<b>118,452</b>
<b>Capital and reserves</b>				
Share capital		59	59	59
Share premium		115	115	115
Merger reserve		14,595	14,595	14,595
Merger difference reserve		(13,147)	(13,147)	(13,147)
Translation reserve		(2,834)	(2,014)	(2,757)
Hedging reserve		301	(99)	491
EBT reserve		(1)	(1)	(1)
Retained earnings		119,219	111,135	119,097
<b>Equity attributable to owners of the Company</b>		<b>118,307</b>	<b>110,643</b>	<b>118,452</b>
<b>Total equity</b>		<b>118,307</b>	<b>110,643</b>	<b>118,452</b>

#### Condensed Consolidated Statements of Changes in Equity

For the six months ended 29 February 2024	Share capital	Share premium	Merger reserve	Merger difference reserve	Translation reserve	Hedging reserve	EBT reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2023	59	115	14,595	(13,147)	(2,757)	491	(1)
Profit for the period							
Other comprehensive income/(expense) for the period					(77)	(190)	
Total comprehensive income/(expense) for the period	-	-	-	-	(77)	(190)	-
Transactions with owners of the Company:							
Share-based payment deferred tax deduction in excess of remuneration expense	-	-	-	-	-	-	-
Shares from EBT exercised	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Shares withheld to settle employees' tax obligations associated with share-based payments	-	-	-	-	-	-	-
Premium on shares awarded in lieu of bonuses	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Balance at 29 February 2024	59	115	14,595	(13,147)	(2,834)	301	(1)



**Condensed Consolidated Statements of Changes in Equity (Continued)**

For the six months ended 28 February 2023	Share capital	Share premium	Merger reserve	Merger difference reserve	Translation reserve	Hedging reserve	EBT reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2022	59	115	14,595	(13,147)	(1,015)	(293)	(1)
Profit for the period	-	-	-	-	-	-	-
Other comprehensive (expense)/income for the period	-	-	-	-	(999)	194	-
Total comprehensive (expense)/income for the period	-	-	-	-	(999)	194	-
<i>Transactions with owners of the Company:</i>							
Share-based payment deferred tax deduction in excess of remuneration expense	-	-	-	-	-	-	-
Share-based payment current tax deduction in excess of remuneration expense	-	-	-	-	-	-	-
Shares from EBT exercised	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Shares withheld to settle employees' tax obligations associated with share-based payments	-	-	-	-	-	-	-
Premium on shares awarded in lieu of bonuses	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Balance at 28 February 2023	59	115	14,595	(13,147)	(2,014)	(99)	(1)

**Condensed Consolidated Statements of Changes in Equity (Continued)**

For the year ended 31 August 2023	Share capital	Share premium	Merger reserve	Merger difference reserve	Translation reserve	Hedging reserve	EBT reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2022	59	115	14,595	(13,147)	(1,015)	(293)	-
Profit for the period	-	-	-	-	-	-	-
Other comprehensive (expense)/ income for the period	-	-	-	-	(1,742)	784	-
Total comprehensive (expense)/ income for the period	-	-	-	-	(1,742)	784	-
Share-based payment deferred tax deduction in excess of remuneration expense	-	-	-	-	-	-	-
Share-based payment current tax deduction	-	-	-	-	-	-	-
EBT shares issued	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Shares withheld to settle employees' tax obligations associated with share-based payments	-	-	-	-	-	-	-
Premium on shares awarded in lieu of bonuses	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Balance at 31 August 2023	59	115	14,595	(13,147)	(2,757)	491	-

## Consolidated Statement of Cash Flow

For the six months ended 29 February 2024

	Note	Six months to 29 February 2024 £'000	Six months to 28 February 2023 £'000	Year to 31 August 2023 £'000
<b>Cash flows from operating activities</b>				
<b>Profit for the period</b>		<b>2,473</b>	<b>8,449</b>	<b>17,797</b>
Adjustments for:				
Income tax expense		949	2,434	4,951
Net interest charge		1,235	578	1,595
Loss on disposal of property, plant and equipment		-	-	187
Loss on disposal of intangible assets		-	27	27
Amortisation of intangibles	8	5,824	4,389	9,861
Depreciation of property, plant and equipment		1,516	1,085	2,677
Other non-cash items		(43)	(377)	(229)
Share-based payments charge		192	(341)	(246)
<b>Operating cash flow before movements in working capital</b>		<b>12,146</b>	<b>16,244</b>	<b>36,620</b>
(Increase)/decrease in trade and other receivables		(4,703)	1,315	(3,599)
Decrease/(increase) in inventories		331	(2,341)	(6,916)
(Decrease)/increase in trade and other payables		(17,362)	(9,421)	2,922
<b>Operating cash flow before interest and tax</b>		<b>(9,588)</b>	<b>5,797</b>	<b>29,027</b>
Net interest paid		(1,250)	(636)	(1,699)
Income tax paid		(1,368)	(915)	(1,856)
<b>Cash flow generated by operations</b>		<b>(12,206)</b>	<b>4,246</b>	<b>25,472</b>
Net foreign exchange movements		(95)	(878)	860
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(12,301)</b>	<b>3,368</b>	<b>26,332</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(398)	(1,078)	(3,204)
Purchases of intangible assets	8	(2,524)	(1,079)	(2,024)
Capitalised R&D costs	8	(5,094)	(4,296)	(9,163)
Proceeds from disposal of intangible assets		-	-	5
Acquisition of subsidiary, net of cash acquired	10	(2,276)	(7,153)	(7,153)
<b>Net cash used in investing activities</b>		<b>(10,292)</b>	<b>(13,606)</b>	<b>(21,539)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans and borrowings		8,136	15,706	15,226
Repayments of loans and borrowings		-	(2,000)	-
Payment of right of use liabilities		(616)	(405)	(1,427)
Equity dividends paid		(2,638)	(2,428)	(3,609)
<b>Net cash generated from financing activities</b>		<b>4,882</b>	<b>10,873</b>	<b>10,190</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17,711)</b>	<b>635</b>	<b>14,983</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>26,787</b>	<b>12,758</b>	<b>12,758</b>
Net foreign exchange movement		(152)	134	(954)
<b>Cash and cash equivalents at end of the period</b>		<b>8,924</b>	<b>13,527</b>	<b>26,787</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 1. Basis of preparation and significant accounting policies

Focusrite plc (the 'Company') is a company incorporated in the UK. The condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 29 February 2024 comprised the Company and its subsidiaries (together referred to as the 'Group').

The Group is a business engaged in the development, manufacture and marketing of professional audio and electronic music products.

### Statement of compliance

The condensed set of financial statements are for the six months ended 29 February 2024 and are presented in Pounds

The condensed set of financial statements are for the six months ended 29 February 2024 and are presented in pounds ('GBP' thousands; £'000). This is the functional currency of the Group.

The condensed set of financial statements has been prepared in accordance with the recognition and measurement requirements of UK-adopted international accounting standards and the AIM rules.

The annual financial statements of the Group for the year ending 31 August 2024 will be prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 August 2023 which were prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

AIM listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption. The condensed financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 August 2023.

These interim financial statements were authorised for issue by the Company's Board of Directors on 24 April 2024.

The comparative figures for the financial year ended 31 August 2023 are the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

## **Significant accounting policies**

### **1.1 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company drawn up to 29 February 2024.

### **1.2 Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

### **1.3 Going concern**

The Board of Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these interim financial statements ("the going concern period"). Accordingly, the interim statements have been prepared on a going concern basis.

The Group meets its day-to-day working capital requirements from cash balances and a revolving credit facility of £50.0 million which was renewed in September 2023. The availability of the revolving credit facility is subject to continued compliance with certain covenants. In addition the Group has agreed a further £50 million uncommitted facility on similar terms.

The Directors have prepared projected cash flow forecasts for the period ending 12 months from the date of their

approval of these financial statements. These forecasts include a severe but plausible downside scenarios, including the impact of a recession, loss of a major distributor and significant decline in a major product category.

The base case covers the period to April 2025 and includes demanding but achievable forecast growth. The forecast has been extracted from the Group's FY24 forecast. Key assumptions include:

- Future growth assumptions in line with market growth assumptions and new product introductions and adjusted for the annualisation of recent acquisitions' results.
- Continued investments in research and development in all areas of the Group.
- No further acquisitions
- Dividends consistent with the Group's dividend policy.

Throughout the period the forecast cash flow information indicates that the Group will have sufficient liquidity and comply with the leverage and interest cover covenants contained within the facility.

The Directors have modelled severe but plausible downside scenarios of the risks identified above. This model assumes that purchases of stock would, in time, reduce to reflect reduced sales, if they occurred. The Group would also respond to a revenue shortfall by taking reasonable steps to reduce overheads within its control. In these scenarios, the Group would be expected to remain well within the terms of its loan facility with the leverage covenant (net debt to adjusted EBITDA) in the period not exceeding the maximum of 2.5x.

Separately, as a reverse stress test, the Directors estimate that if the Group were to experience a shortfall in revenue of greater than 25% than the current expectations permanently from the start of the forecast period, leverage could rise to the upper limits allowed by the banking covenants by April 2025. This scenario includes consequential reductions in the purchases of stock and dividends. However, the Directors' view is that any scenario of a revenue shortfall of greater than the severe yet plausible scenario above is not realistic. In practice, the Group's revenue levels are lower than the prior period but consumer registrations and underlying end-user customer demand remain stable. During the second half of the year the Group expects to see cashflows improve, and net debt has now reduced from a net debt position of £27.3 million reported at the end of H1 to approximately net debt of £25.1 million at 22 April 2024.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **1.4 Earnings per share**

The Group presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted for the dilutive effect of potential ordinary shares arising from the exercise of granted share options.

#### **1.5 Accounting estimates and judgements**

In application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by the Directors in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Group's financial statements for the year ended 31 August 2023.

#### **1.6 Foreign currencies**

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). Sterling is the predominant functional currency of the Group and presentation currency for the consolidated financial information.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the

monetary currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. Exchange differences on revenue are recognised within revenue. Exceptions to this are as follows:

- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under cash flow hedges/financial instruments); and
- For the purpose of presenting consolidated financial information, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in the income statement.

### **1.7 Hedge accounting**

The Group has adopted hedge accounting for qualifying transactions. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities of firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

#### **Cash flow hedges**

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability. For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

### **1.8 Alternative Performance Measures (APMs) and Adjusting items**

The Group has disclosed certain alternative performance measures ('APMs') within these interim results. The APMs presented are used in discussions with the Board, management and investors to aid the understanding of the performance of the Group. The Group considers that the presentation of APMs allows for improved insight to the trading performance of the Group. The Group considers that the term 'Adjusted' together with an adjusting items category, provides a helpful view of the ongoing trading performance of the Group.

Adjusted results will therefore exclude certain significant costs such as amortisation on acquired intangibles, together with some non-recurring costs and benefits and so should not be regarded as a complete picture of the Group's financial performance.

Adjusting items are those items that are unusual because of their size, nature or incidence, and are applied consistently year on year. The Directors consider that these items should be separately identified within their relevant income statement category to enable full understanding of the Group's results. Items included are acquisition costs, earnout payable to employees of acquired businesses, sale of trademark (only in HY23) and restructuring costs, together with amortisation of acquired intangible assets.

The following APMs have been used in these financial results:

- Organic constant currency growth - this is calculated by comparing current period revenue to prior period revenue adjusted for current period exchange rates and the impact of acquisitions, shown within the Financial Review.
- Adjusted EBITDA - comprising earnings (operating profit) adjusted for interest, taxation, depreciation, amortisation and adjusting items. This is shown on the face of the income statement.
- Adjusted operating profit - operating profit adjusted for adjusting items. See reconciliation following
- Adjusted earnings per share ('EPS') - earnings per share excluding adjusting items. See reconciliation following
- Free cash flow - net increase/(decrease) in cash and cash equivalents excluding net cash used acquisitions, movements on the bank loan and dividends paid. See reconciliation following
- Underlying free cash flow - as free cash flow but adding back adjusting items. See reconciliation following
- Net debt - comprised of cash and cash equivalents, overdrafts and amounts drawn against the RCF including the costs of arranging the RCF. See reconciliation following

#### Reconciliation of Alternative Performance Measures to Statutory Reported Measures

	Six months ended 29 February 2024			Six months ended 28 February 2023		
	Adjusted EBITDA £'000	Adjusted Operating Profit £'000	Adjusted Diluted EPS £'000	Adjusted EBITDA £'000	Adjusted Operating Profit £'000	Adjusted Diluted EPS £'000
Reported Operating Profit	4,657	4,657		11,461	11,461	
Reported Profit after tax			2,474			8,449
Add back/(deduct):						
Underlying depreciation and amortisation	4,609			3,858	-	-
Amortisation on acquired intangibles	2,734	2,734	2,734	1,504	1,504	1,504
Acquisition costs	98	98	98	328	328	328
Earnout in relation to acquisition	-	-	-	523	523	523
Restructuring	-	-	-	379	379	379
Tax on adjusting items			(708)	-	-	(565)
<b>Adjusted</b>	<b>12,098</b>	<b>7,489</b>	<b>4,598</b>	<b>18,053</b>	<b>14,195</b>	<b>10,618</b>
Weighted average number of total ordinary shares including dilutive impact			59,749			58,935
Adjusted diluted EPS (p)			7.7			18.0

	Year ended 31 August 2023		
	Adjusted EBITDA £'000	Adjusted Operating Profit £'000	Adjusted Diluted EPS £'000
Reported Operating Profit	24,343	24,343	
Reported Profit after tax			17,797
Add back (deduct):			
Underlying depreciation and amortisation	8,087	-	-
Amortisation on acquired intangibles	4,451	4,451	4,451
Acquisition costs	367	367	367
Earnout in relation to acquisition	786	786	786
Restructuring	534	534	534
Tax on adjusting items	-	-	(1,319)
<b>Adjusted</b>	<b>38,568</b>	<b>30,481</b>	<b>22,616</b>
Weighted average number of total ordinary shares including dilutive impact			58,953
Adjusted diluted EPS (p)			38.4

	Six months ended 29 February 2024		Six months ended 28 February 2023		Year ended 31 August 2023	
	Free cash flow £'000	Adjusted free cash flow £'000	Free cash flow £'000	Adjusted free cash flow £'000	Free cash flow £'000	Adjusted free cash flow £'000
Net (decrease)/increase in cash and cash equivalents during the year	(17,711)	(17,711)	635	635	14,983	14,983
Add back: dividends paid	2,638	2,638	2,428	2,428	3,609	3,609
Add back: cash outflow in relation to acquisition of business	2,276	2,276	7,153	7,153	7,153	7,153
Change in bank loan	(8,136)	(8,136)	(13,706)	(13,706)	(15,226)	(15,226)
Add back: adjusting items	-	98	-	1,230	-	1,687
<b>Free cashflow/Adjusted Free cashflow</b>	<b>(20,933)</b>	<b>(20,835)</b>	<b>(3,490)</b>	<b>(2,260)</b>	<b>10,519</b>	<b>12,206</b>

	29 February 2024 Net debt	28 February 2023 Net debt	31 August 2023 Net debt
Cash and cash equivalents	8,924	13,527	26,787
Bank loan	(36,851)	(26,897)	(28,192)
RCF arrangement fee	623	137	99
<b>Net debt</b>	<b>(27,304)</b>	<b>(13,233)</b>	<b>(1,306)</b>

## 2. Revenue

An analysis of the Group's revenue is as follows:

	Six months to 29 February 2024				Six months to 28 February 2023			
	North America £'000	EMEA £'000	Rest of World £'000	Total £'000	North America £'000	EMEA £'000	Rest of World £'000	Total £'000
Focusrite	14,370	11,633	3,357	29,360	20,669	14,309	5,106	40,084
Novation	2,907	3,789	1,163	7,859	2,838	4,060	1,343	8,241
ADAM Audio	4,743	5,985	568	11,296	3,194	6,087	880	10,161
Sequential	2,062	2,149	328	4,539	4,295	3,638	746	8,679
Sonnox	436	465	146	1,047	116	130	60	306
Content Creation	24,518	24,021	5,562	54,101	31,112	28,224	8,135	67,471
Audio Reproduction - Martin Audio	4,284	10,447	8,052	22,783	5,197	8,420	5,155	18,772
<b>Total</b>	<b>28,802</b>	<b>34,468</b>	<b>13,614</b>	<b>76,884</b>	<b>36,309</b>	<b>36,644</b>	<b>13,290</b>	<b>86,243</b>

	Year to 31 August 2023			
	North America £'000	EMEA £'000	Rest of World £'000	Total £'000
Focusrite	45,724	29,334	11,259	86,317
Novation	6,078	6,711	3,776	16,565
ADAM Audio	5,657	10,072	2,720	18,449
Sequential	7,115	6,309	1,056	14,480
Sonnox	405	492	242	1,139
Content Creation	64,979	52,918	19,053	136,950
Martin Audio	12,684	16,601	12,230	41,515
<b>Total</b>	<b>77,663</b>	<b>69,519</b>	<b>31,283</b>	<b>178,465</b>

## 3. Operating segments

### Products and services from which reportable segments derive their revenue

Information reported to the Group's Chief Executive Officer (who has been determined to be the Group's Chief Operating Decision Maker) for the purposes of resource allocation and assessment of segment performance is focused on the main product groups which the Group sells. While the results of Novation and Ampify are reported separately to the Board, they meet the aggregation criteria set out in IFRS 8 'Operating Segments'. The Group's reportable segments under IFRS 8 are therefore as follows:

Focusrite	-	Sales of Focusrite and Focusrite Pro branded products
Novation	-	Sales of Novation and Ampify branded products
ADAM Audio	-	Sale of ADAM Audio products
Sequential	-	Sale of Sequential products.
Sonnox	-	Sale of Sonnox software plug ins (acquired 19 December 2022)

Martin Audio	-	Sale of Martin Audio, Optimal Audio, Linea Research and Sheriff Technology trading brands TiMax and OutBoard (acquired 19 December 2023) products.
--------------	---	--

The revenue and profit generated by each of the Group's operating segments are summarised as follows:

	Six months to 29 February 2024	Six months to 28 February 2023	Year to 31 August 2023
	£'000	£'000	£'000
<b>Revenue from external customers</b>			
Focusrite	29,360	40,084	86,317
Novation	7,859	8,241	16,565
ADAM Audio	11,296	10,161	18,449
Sequential	4,539	8,679	14,480
Sonnox	1,047	306	1,139
<b>Content Creation</b>	<b>54,101</b>	<b>67,471</b>	<b>136,950</b>
Martin Audio	22,783	18,772	41,515
<b>Audio Reproduction</b>	<b>22,783</b>	<b>18,772</b>	<b>41,515</b>
<b>Total revenue from external customers</b>	<b>76,884</b>	<b>86,243</b>	<b>178,465</b>
<b>Segment profit</b>			
Focusrite	11,273	19,148	40,130
Novation	4,387	4,485	9,133
ADAM Audio	5,505	4,738	9,570
Sequential	1,719	3,779	6,705
Sonnox	994	290	1,125
Martin Audio	11,323	8,184	18,186
Total segment profit	35,201	40,624	84,849
Central sales and administrative expenses	(30,446)	(27,933)	(58,819)
Adjusting items	(98)	(1,230)	(1,687)
Operating profit	4,657	11,461	24,343
Finance income	83	712	770
Finance costs	(1,318)	(1,290)	(2,365)
Profit before tax	3,422	10,883	22,748
Tax	(949)	(2,434)	(4,951)
Profit after tax	2,473	8,449	17,797

Segment profit represents the profit earned by each segment without allocation of the share of central administration costs, other income, finance income and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Central administration costs comprise principally the employment-related costs and other overheads incurred by the Group. Also included within central administration costs is a charge relating to the share option scheme of £192,000 for the six-month period to 29 February 2024 (six months to 28 February 2023: credit of £341,000; year to 31 August 2023: credit of £282,000).

#### Segment net assets and other segment information

Management does not make use of segmental data relating to net assets and other balance sheet information for the purposes of monitoring segment performance and allocating resources between segments. Accordingly, other than the analysis of the Group's non-current assets by region shown below, this information is not available for disclosure in the condensed consolidated financial information.

The Group's non-current assets, analysed by region, were as follows:

	29 February 2024	28 February 2023	31 August 2023
	£'000	£'000	£'000
<b>Non-current assets</b>			
North America	10,242	9,423	8,937
Europe, Middle East and Africa	88,584	85,615	86,725
Rest of World	58	113	213



<b>Total non-current assets</b>	<b>98,884</b>	95,151	95,875
<b>UK</b>	<b>69,759</b>	69,560	68,867

#### 4. Adjusting items

The following adjusting items have been charged/(credited) to the income statement in the period

	<b>Six months to 29 February 2024</b>	Six months to 28 February 2023	Year to 31 August 2023
	<b>£'000</b>	£'000	£'000
<b>Adjusting costs</b>			
Acquisition and due diligence costs	<b>98</b>	328	367
Earnout accrual in relation to acquisitions	-	523	786
Restructuring	-	379	534
<b>Total adjusting items for adjusted EBITDA</b>	<b>98</b>	1,230	1,687
Amortisation of acquired intangible assets	<b>2,734</b>	1,504	4,451
<b>Total adjusting items for adjusted operating profit</b>	<b>2,832</b>	2,734	6,138
Tax on adjusting items	<b>(708)</b>	(565)	(1,319)
<b>Total adjusting items for adjusted profit after tax</b>	<b>2,124</b>	2,169	4,819

Adjusting items charged to the income statement in the six months to 29 February 2024 relate to the work associated with the acquisition of Sheriff Technology Ltd trading under the principal brands of OutBoard and TiMax.

#### 5. Taxation

The tax charge for the six months to 29 February 2024 is based on the estimated tax rate for the full year in each jurisdiction.

#### 6. Dividends

The following equity dividends have been declared:

	<b>Six months to 29 February 2024</b>	Six months to 28 February 2023	Year to 31 August 2023
Dividend per qualifying ordinary share	<b>2.1p</b>	2.1p	6.6p

During the period, the Company paid a final dividend in respect of the year ended 31 August 2023 of 4.5 pence per share. The Board has approved an interim dividend of 2.1 pence per ordinary share (HY23: 2.1 pence). This will be payable on 10 June 2024 to ordinary shareholders on the register on 10 May 2024. The ex-dividend date will be 9th May 2024.

#### 7. Earnings per share

##### Reported EPS

	<b>Six months to 29 February 2024</b>	Six months to 28 February 2023	Year to 31 August 2023
	<b>£'000</b>	£'000	£'000
The calculation of the basic and diluted EPS is based on the following data:			
Earnings for the purposes of basic and diluted EPS being net profit for the period	<b>2,474</b>	8,449	17,797
Adjusting items (see note 4)	<b>2,832</b>	2,734	6,138
Tax on adjusting items	<b>(708)</b>	(565)	(1,319)
<b>Total adjusted profit for adjusted EPS calculation</b>	<b>4,598</b>	10,618	22,616
<b>Number of shares</b>	<b>Six Months to 29 February 2024</b>	Six months to 28 February 2023	Year to 31 August 2023
Weighted average number of ordinary shares for the purposes of basic EPS calculation	<b>58,872</b>	58,494	58,506
Effect of dilutive potential ordinary shares:			
Employee and Director share option plans	<b>877</b>	441	447
<b>Weighted average number of ordinary shares for the purposes of diluted EPS calculation</b>	<b>59,749</b>	58,936	58,953

EPS	Pence	Pence	Pence
Basic EPS	4.2	14.4	30.4
Diluted EPS	4.1	14.3	30.2
Adjusted basic EPS <sup>1</sup>	7.8	18.2	38.7
Adjusted diluted EPS <sup>1</sup>	7.7	18.0	38.4

At 29 February 2024, the total number of ordinary shares issued and fully paid was 59,211,639. This included shares held by the Employee Benefit Trust ('EBT') to satisfy options vesting in future years. The operation of this EBT is funded by the Group so the EBT is required to be consolidated, with the result that the weighted average number of ordinary shares for the purpose of the basic EPS calculation is the net of the weighted average number of shares in issue less the weighted average number of shares held by the EBT. It should be noted that the only right relinquished by the Trustees of the EBT is the right to receive dividends. In all other respects, the shares held by the EBT have full voting rights.

The effect of dilutive potential ordinary share issues is calculated in accordance with IAS 33 and arises from the employee share options currently outstanding, adjusted by the profit element as a proportion of the average share price during the period.

## 8. Other intangible assets

	Brands	Acquired technology and patents costs	Technology and patents under Development	Internally generated technology and patents costs	Intellectual property, Licences and Trademarks	Computer software	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 September 2022	26,318	30,178	8,310	27,708	3,726	1,384	97,624
Additions - acquired separately	-	-	-	-	1,706	318	2,024
Additions - products developed during the period	-	-	6,085	2,514	-	-	8,599
Additions through business combination	400	4,700	450	-	-	3	5,553
Transfer	-	801	(6,261)	5,600	-	(140)	-
Disposals	-	-	-	(4,108)	-	-	(4,108)
Foreign exchange	(1,010)	(628)	(55)	(183)	(2)	-	(1,878)
<b>At 31 August 2023</b>	<b>25,708</b>	<b>35,051</b>	<b>8,529</b>	<b>31,531</b>	<b>5,430</b>	<b>1,565</b>	<b>107,814</b>
Additions - acquired separately	-	-	-	-	2,523	1	2,524
Additions - products developed during the period	-	-	2,819	1,729	-	-	4,548
Additions through business combination	-	2,025	-	-	-	-	2,025
Transfer	-	250	(1,961)	1,711	-	-	-
Foreign exchange	36	13	(9)	2	-	-	42
<b>At 29 February 2024</b>	<b>25,744</b>	<b>37,339</b>	<b>9,378</b>	<b>34,973</b>	<b>7,953</b>	<b>1,566</b>	<b>116,953</b>
<b>Amortisation</b>							
At 1 September 2022	3,909	7,377	970	20,562	1,683	1,159	35,660
Charge for the period	1,885	3,536	-	4,824	342	244	10,831
Transfer	-	-	-	239	-	(239)	-
Eliminated on disposal	-	-	-	(4,081)	-	-	(4,081)
Reversal of amortisation	-	-	(970)	-	-	-	(970)
Foreign exchange	(196)	(116)	-	(22)	(1)	-	(335)
<b>At 31 August 2023</b>	<b>5,598</b>	<b>10,797</b>	<b>-</b>	<b>21,522</b>	<b>2,024</b>	<b>1,164</b>	<b>41,105</b>
Charge for the year	911	1,823	-	2,779	202	109	5,824
Foreign Exchange	-	(144)	-	(1)	-	-	(145)
<b>At 29 February 2024</b>	<b>6,509</b>	<b>12,476</b>	<b>-</b>	<b>24,300</b>	<b>2,226</b>	<b>1,273</b>	<b>46,784</b>
<b>Carrying amount</b>							
<b>At 29 February 2024</b>	<b>19,235</b>	<b>24,863</b>	<b>9,378</b>	<b>10,673</b>	<b>5,727</b>	<b>293</b>	<b>70,169</b>
At 31 August 2023	20,110	24,254	8,529	10,009	3,406	401	66,709

## 9. Financial instruments

The fair value of the Group's derivative financial instruments is calculated using the quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and an option pricing model for optional derivatives. Foreign currency forward

contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

IFRS 13 'Fair Value Measurements' requires the Group's derivative financial instruments to be disclosed at fair value and categorised in three levels according to the inputs used in the calculation of their fair value.

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments held by the Group that are measured at fair value all related to financial assets/(liabilities) measured using a Level 2 valuation method.

The fair value of financial assets and liabilities held by the Group are:

	29 February 2024 £'000	28 February 2023 £'000	31 August 2023 £'000
<b>Financial assets</b>			
<i><b>Fair value</b></i>			
Cash and cash equivalents	8,924	13,527	26,787
Trade and other receivables	37,186	23,130	28,617
<i><b>Designated cash flow hedge relationships</b></i>			
Derivative financial assets designated and effective as cash flow hedging instruments	301	-	491
	<b>46,411</b>	<b>36,657</b>	<b>55,895</b>
<b>Financial liabilities</b>			
<i><b>Fair value</b></i>			
Trade and other payables	12,080	12,246	26,044
Bank loan and arrangement fee	36,228	26,760	28,093
Amounts payable in relation to staged acquisition payments	2,790	3,486	2,621
<i><b>Designated cash flow hedge relationships</b></i>			
Derivative financial liabilities designated and effective as cash flow hedging instruments	-	99	-
	<b>51,098</b>	<b>42,591</b>	<b>56,758</b>

## 10. Acquisition of a subsidiary

On 19 December 2023, the Group completed the acquisition of 100% of the share capital of Sheriff Technology Limited (Sheriff), which trades principally under the OutBoard and TiMax brands. The total consideration has been calculated as £2.8 million, with £2.4 million paid on completion. An additional amount of up to £1.2 million is due in January 2025 upon the achievement of agreed gross profit targets, with a forecast discounted amount of £0.4 million being included as additional consideration. The acquisition was funded by a drawdown of £2.3 million on the existing revolving credit facility of £50 million with HSBC and Natwest. Sheriff had £0.1m of cash at the acquisition date such that the net cash consideration was £2.3 million.

Sheriff is a UK-based company specialising in innovative entertainment technologies, which it sells globally. Operating under two sub-brands-TiMax and OutBoard-their products are vital for professionals in the audiovisual industry, particularly in live performances, event management, and the rapidly expanding sector of immersive sound experiences.

For the period between the acquisition date and 29 February 2024, Sheriff contributed revenue of £0.3 million and a profit before tax of £0.1 million to the Group. If the acquisition had occurred on 1 September 2023, management estimates that Out Board's revenue would have been £1.8 million and profit before tax for the period would have been £0.6 million.

### Acquisition-related costs

The Group incurred acquisition-related costs of £0.1 million on legal fees and due diligence costs relating to the acquisition of Sheriff. These have been included in adjusting item costs to give investors a better understanding of the costs related to the acquisition of Sheriff. Additionally, because of their size, nature and the fact that they vary from acquisition to acquisition, the Group considers it a better reflection of the trading performance to show these separately.

### Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition:

<b>Recognised values on acquisition</b>	<b>£000</b>
SoundHub technology	1,600
Motor control technology	425
<b>Intangible assets</b>	<b>2,025</b>
Property, plant and equipment	2
Working capital (including cash)	584
Deferred tax liability	(506)
<b>Net identifiable assets and liabilities at fair value</b>	<b>2,105</b>
Goodwill recognised on acquisition	750
<b>Consideration recognised</b>	<b>2,855</b>

The acquired deferred tax liability has been estimated by applying the uplift in asset fair value to the average expected corporate tax rates over the life of the assets.

#### Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	Cost approach
Developed technology	Income approach (multi-period excess earnings method "MEEM") The key assumption used is the forecast revenues attributable to the existing asset.

#### Goodwill

The goodwill recognised is attributable to:

- the skills and technical talent of the Sheriff workforce;
- income growth potential from new products, future relationships;
- alignment to the Group's existing customer base; and
- strong strategic fit.

#### Intangible assets sensitivity analysis

In assessing the estimated useful life of the intangible assets, management considered the sensitivity in the forecast sales on the valuation of the developed technology and brand. The following table details the sensitivity to a 10% increase and decrease in the sales forecast and related cost of sales impact this would have on the valuation of the assets.

Asset	Valuation impact		
	Cost	10% sales increase	10% sales decrease
Developed technology	2,025	292	(262)

In December 2022 the Group purchased Sonnox Ltd for £9,095,000, resulting in acquired intangible assets additions of £5,553,000 and goodwill of £2,683,000 arising due to this business combination.

#### Independent Review Report to Focusrite plc

##### Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 29 February 2024 which comprises the Condensed Consolidated Income Statement, Condensed

Consolidated Statement of Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statements of Changes in Equity, Consolidated Statement of Cash Flow and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 29 February 2024 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of UK-adopted international accounting standards and the AIM Rules.

#### **Basis for conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusions relating to going concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

#### ***Directors' responsibilities***

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly report in accordance with the recognition and measurement requirements of UK-adopted international accounting standards.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

#### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

#### **The purpose of our review work and to whom we owe our responsibilities**

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

**James Tracey**  
**for and on behalf of KPMG LLP**  
**Chartered Accountants**

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
24 April 2024



This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [ms@seg.com](mailto:ms@seg.com) or visit [www.ms.com](http://www.ms.com).

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IR EAALLADLLEAA