RNS Number : 8055N
Focusrite PLC
27 November 2024

Strictly embargoed until: 07.00, 27 November 2024

Focusrite plc

("Focusrite" or "the Company" or "the Group")

Final Results for the Year Ended 31 August 2024

Focusrite plc (AIM: TUNE), the global music and audio products group supplying hardware and software used by professional and amateur musicians and the entertainment industry, announces its Final Results for the year ended 31 August 2024 (FY24).

Commenting on the final year results Tim Carroll CEO, said:

"FY24 presented both challenges and opportunities. We experienced softness in the Content Creation market, primarily due to inflation impacting consumer confidence and channel de-stocking. However, we took proactive steps to address these issues and launched significant new products which will drive future growth when market conditions improve. Within Content Creation our underlying end-user registrations were stable over the prior year, indicating ongoing robust demand for our products across all channels. Our Audio Reproduction segment delivered strong results. Recent acquisitions, combined with a focus on innovative product development, have strengthened our Audio Reproduction division, driving notable growth despite the broader market conditions.

The Group has new product launches planned for the coming year, which will further strengthen our brand positioning. Additionally, the Group has once again demonstrated its ability to execute on its proactive M&A strategy and we continue to carefully consider acquisitions that not only enhance earnings but also expand our market potential, boost our R&D capabilities, and add both scale and dynamism to our business.

We remain mindful of the significant global economic and political challenges, as well as ongoing cost pressures, particularly in logistics and the supply chain. Consequently, we continue to manage costs carefully, whilst making appropriate investment, and focus on improving gross margins where there is the opportunity to do so.

Trading in the first three months of the current financial period is in line with expectations. We will continue to execute on our strategy and, in doing so, we remain optimistic about the Group's future growth prospects."

Financial and operational highlights

	FY24	**FY23**	**Change**
Revenue (£ million)	158.5	178.5	-11.2%
Gross margin %	44.5%	47.5%	-3.0ppts
Adjusted[1] EBITDA[2] (£ million)	25.2	38.6	-34.6%
Operating profit (£ million)	5.7	24.3	-76.5%
Adjusted[1] operating profit (£ million)	16.6	30.4	-45.4%
Basic earnings per share (p)	4.5	30.4	-85.2%
Adjusted[1] diluted earnings per share (p)	18.0	38.4	-53.1%
Total dividend per share (p)	6.6	6.6	-
Net debt[3] (£ million)	(12.5)	(1.3)	+£11.2m

- Group revenue decreased by 11.2%, (-10.0% organic, after adjusting for acquisitions and currency[4]) primarily driven by challenges in the Content Creation division, which experienced a drop in demand, partially offset by growth in Audio Reproduction.
    - Content Creation: Revenue fell by 19.1% (-17.4% organic constant currency), as the market continued to de-stock post-pandemic. Focusrite maintained its market leadership despite this challenging environment, and ADAM Audio saw 22.6% growth (+25.5% organic constant currency).
    - Audio Reproduction: Strong revenue growth of 14.9% (+14.4% organic constant currency), supported by demand for live events post-pandemic, acquisitions and product launches, particularly in immersive audio technologies.
- Gross margin decreased by 3.0 percentage points, of which 1.3 percentage point was as a result of a write-down and

- Gross margin decreased by [illegible] percentage points, of which [illegible] percentage point was as a result of a write-down and sale of Vocaster stock as previously reported. The remaining decrease was due to increased freight costs and promotional activity, and supply chain challenges but freight costs are beginning to stabilise at this elevated level.
- Adjusted EBITDA declined by 34.7%, with profitability impacted by the lower sales and cost inflation, though proactive cost management helped mitigate the downturn.
- Operating profit decreased by 76.5% impacted by a £5.4 million non-cash impairment of Sequential assets reflecting the current difficulties for premium synthesizers in this market.
- Net debt increased by £11.2 million to £12.5 million, primarily due to investments in product development and acquisitions. The Group has £50 million of committed credit facilities which provide strong liquidity for ongoing operations and any potential M&A activity.
- Innovation: launched 35 new products and made 53 updates, including Novation's Launchkey MK4 and Sequential's TEO-5 synthesizer, enhancing the Group's competitive position.
- M&A: the acquisitions of Sheriff Technology and panLab have bolstered the Group's position in the immersive sound segment.

[1] *Adjusted for amortisation of acquired intangible assets, acquisition and restructuring costs and other adjusting items*

[2] *Comprising operating profit adjusted for interest, taxation, depreciation and amortisation see note 2 Alternative Performance Measures*

[3] *Net debt defined as cash and cash equivalents, overdrafts and amounts drawn against the RCF including the costs of arranging the RCF see note 2 Alternative Performance Measures*

[4] *This is calculated by comparing FY24 revenue to FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions.*

Availability of Annual Report and Notice of AGM

The Annual Report and Accounts for the financial year ended 31 August 2024 and notice of the Annual General Meeting ("AGM") of Focusrite will be posted to shareholders by Friday 13 December and will be available on Focusrite's website at www.focusriteplc.com.

Dividend timetable

The final dividend is subject to shareholder approval, which will be sought at Focusrite's AGM on 31 January 2025.

The timetable for the final dividend is as follows:

31 January 2025	AGM to approve the recommended final dividend
24 December 2024	Ex-dividend Date
27 December 2024	Record Date
7 February 2025	Dividend payment date

-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 / Nick Prowting	
Peel Hunt LLP (Joint Broker)	+44 (0) 20 7418 8900
Ben Cryer / Adam Telling	
Rosewood (Financial PR)	+44 (0) 20 7653 8702
John West / Llew 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 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

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.

Chairman's Report

Following outstanding performance during the pandemic in the Content Creation division that includes the Focusrite, Novation and ADAM Audio as well as the more recently acquired Sequential, Oberheim and Sonnox brands, we have experienced a significant market contraction which is reflected in a reduction in Group revenues and profit. That said, ADAM Audio is recovering, with very positive growth of established models in FY24 and has recently added new desktop-size speakers and the first of a new headphone range. The emergence of Dolby Atmos for Music is also creating a renewed interest in new multiple-speaker solutions for recording studios large and small. We also experienced excellent growth in the Audio Reproduction division that contains Martin Audio, Linea Research and the recently acquired TiMax and OutBoard brands from Sheriff Technology Ltd.

Notwithstanding the market contraction that has affected all brands that address the content creation market globally, it has to be noted that our brands, most notably Focusrite, are still leading in their product categories with Focusrite believed to be the dominant brand globally in Audio Interfaces priced below 500, with significant market share. To support this leading position, the Group has consistently invested in long-term manufacturing commitments with its manufacturing partners in China and Malaysia. This has enabled us to meet peaks in demand, notably during the pandemic, but has resulted in larger than desired inventories in the sales channel of our most popular products during the year as pandemic-related demand subsided. These are being reduced over time. There is a determined policy by the Board to ensure that the Group maintains a strong balance sheet and positive cash generation.

The great success story for 2024 has been Martin Audio and the Audio Reproduction Division. Having last year acquired Linea Research, its amplifier supplier based in Letchworth, Hertfordshire, Martin has gone from strength to strength. During the pandemic Martin pivoted to supplying permanent installations of loudspeakers in venues that took advantage of being "dark" to refurbish and re-equip. Once touring and festivals resumed, the traditional Martin customers that provide sound systems for such events needed to re-equip having in many cases sold off their inventories to maintain cashflow during their dark period, Linea has since doubled its monthly output levels to meet Martin and third-party demand. Installation continues to be an important market globally, from auditoria to houses-of-worship, nightclubs and bars. Importantly Martin Audio systems are the preferred solutions for BST Hyde Park and Glastonbury having long-term proven superiority in both reproduction and control (i.e. avoiding sound reaching sensitive, residential areas). The recent acquisition of TiMax enables Martin to offer a complete solution for Immersive Audio. This is a relatively new but important branch of Audio Reproduction that features in Opera, Drama and Experience events.

At the heart of our strategy is the commitment to removing barriers to creativity, enabling artists and professionals alike to deliver high-quality audio. This year, we launched 35 new products, further strengthening our market position across key categories. Our continued focus on research and development, coupled with targeted M&A activity, has ensured that we remain at the forefront of the rapidly growing immersive audio market. The acquisitions of Sheriff Technology and panLab have expanded our Audio Reproduction portfolio, enhancing our offerings in immersive sound technologies, which we believe will be a significant growth driver in the coming years.

Our financial position remains strong, despite the challenging environment. We have maintained low gearing, and a robust balance sheet, supported by our long-term bank facilities. We are confident that the investments we have made this year will lay the groundwork for sustained growth, particularly as market conditions stabilise in the Content Creation sector.

Despite the current challenges, we are excited and positive about the outlook for the Group, each division is well-managed with strong brands and excellent products, the executive team are well on top of the challenges at both Group and operating levels, and investment for the future, i.e. in product development and systems (IT and financial), is robust, all of which we are confident will lead to growth and financial success when market conditions permit.

Phil Dudderidge
Non-Executive Chairman and Founder

CEO Statement

Introduction

I am pleased to report on our results for the year ended 31 August 2024 and to share with you some commentary on the Group's experiences over this year.

In summary, FY24 presented both challenges and opportunities. We experienced softness in the Content Creation market, primarily due to ongoing inflation impacting consumer confidence and channel de-stocking. However, we took proactive steps to address these issues and launched significant new products which will drive future growth. Our Audio Reproduction segment delivered strong results, reflecting our strategic focus on immersive audio technologies. Our acquisitions, combined with a focus on innovative product development, have strengthened that division, driving notable growth despite the broader market conditions.

Our two divisions, Content Creation and Audio Reproduction, have both had a highly productive year, with numerous new product launches and updates leading to increased market share in key product groups. Continued macroeconomic trends, including cost-of-living pressures, rising freight charges, and component price increases, have remained a challenge throughout the year, most notably impacting Content Creation. The industry is now just beginning to see some stabilisation after two years of uncertainty as a consequence of a significant retraction from the post-pandemic spike.

The Group is dedicated to gaining valuable insights from our customers, actively collecting data during their onboarding and user journeys as they engage with our products. We closely monitor Net Promoter Scores ('NPS'), which serves as a key performance indicator ('KPI') across all our businesses. Additionally, we combine our proprietary data with industry market sources to ensure that we consistently stay attuned to our customers' evolving needs and purchasing behaviours. These efforts have enabled our products to outperform the market, with increased share in key categories.

Our Audio Reproduction division has continued to grow this year, seizing more opportunities with our expanded and diversified product portfolio, against a backdrop of strong demand for live and installed sound systems. Both acquisitions made during FY24 were in the Audio Reproduction space and have performed well.

The Group's R&D efforts resulted in the launch of 35 new products, alongside 53 updates to existing products and 53 content releases during the fiscal year.

Additionally, we have continued to refine our go-to-market approach. Most notably, this past year we took our Linea Research and Optimal Audio business from distributor to direct-to-retailer in the US and established a local team in Japan for our Content Creation business.

Our employee base, which now totals 565, consists of a remarkable group of passionate professionals, including musicians, DJs, audio engineers, live sound experts, and podcasters/streamers. We are fortunate to have employees who actively use our solutions in real-world scenarios, contributing their experiences, feedback and technical expertise. We continue to invest in our people and, wherever possible, promote from within, which resulted in several employees stepping into larger roles this year. Additionally, we continue to seek and attract top global talent to further enhance the Group.

Our Group Structure

The Group is structured into two core divisions with 13 brands, supported by dedicated regional sales teams and common Group functions.

Our primary locations are in the UK (High Wycombe, Letchworth, Oxford, and London), Germany (Berlin), Hong Kong, Australia (Melbourne) and the US (Los Angeles, Nashville, and San Francisco).

Additionally, the Group maintains a proactive approach to M&A, carefully evaluating potential acquisitions that not only enhance earnings but also expand our reach into existing and new markets, while boosting our R&D capabilities. This past year saw two strategic additions to the Group through M&A: Sheriff Technologies, which includes TiMax and OutBoard, and Innovate Audio, which includes panILab software. Both of these acquisitions have expanded the Group's opportunity base within the growing immersive sound segment.

Operating Review

Revenue	**12 months to 31 August 2024 £'000**	12 months to 31 August 2023 £'000	**Reported Growth %**	**OCC Growth[1] %**
Focusrite	**60.3**	86.3	-30.2	-28.2
Novation	**16.2**	16.6	-1.9	0.6
ADAM Audio	**22.6**	18.4	22.6	25.5
Sequential	**9.7**	14.5	-33.0	-31.2
Sonnox[2]	**2.0**	1.1	72.8	8.6
Content Creation	**110.8**	137.0	-19.1	-17.4
Audio Reproduction	**47.7**	41.5	14.9	14.4
Total	**158.5**	178.5	-11.2	-10.0

[1] 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.

[2] Sonnox included for 8 months from acquisition in FY23 from December 2022.

FY24 continued to be a challenging period for our industry, with many sources reporting significant declines across several of the Group's categories. The diversity of the Group's portfolio, along with strong product introductions and market-leading brands, helped mitigate many of these headwinds. The Content Creation segment has struggled to stabilise post-pandemic, facing numerous macroeconomic challenges. Inflation, price increases in freight and components, and a bloated channel across all categories created a difficult backdrop throughout the year. However, our brands remain market leaders, maintaining relative market share levels which stands us in good stead when markets improve.

In contrast to the Content Creation environment, Audio Reproduction experienced growth as the industry continued to recover from the years of depressed demand during the pandemic. Thanks to the Group's investments in Audio Reproduction over the past four years, our offerings in this space are now the most comprehensive they have ever been, enabling us to capitalise on and win many more opportunities than in previous years.

Content Creation

	12 months to 31 August 2024 £m	12 months to 31 August 2023 £m	Reported Growth %	OCC Growth[1] %
North America	**49.3**	65.0	-24.1	-21.7
EMEA	**47.7**	52.9	-9.9	-9.3
ROW	**13.8**	19.1	-27.6	-26.1
Total	**110.8**	137.0	-19.1	-17.4

[1] 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.

We describe Content Creation as the process and technologies used to create audio. Our Content Creation brands are utilised by artists to produce professional-sounding audio for individual enjoyment through to professional content created for a wider audience across a variety of mediums. The brands in this category had mixed performances over the year: Focusrite and Sequential faced challenges, but this was partially offset by strong performances from ADAM Audio and Sonnox, resulting in a 19.1% decline (17.4% on an organic constant currency basis) year over year.

Content Creation top-line revenue declined year over year in all regions. North America and APAC witnessed the biggest declines. The decline in APAC was primarily due to ongoing softness in China, as reported across trade publications and other companies within this space. In North America, while sell-through to end-customers remained in-line with the previous year, the decline was driven by industry-wide channel de-stocking, which persisted throughout the year.

In contrast, Europe, Middle East and Africa ('EMEA') experienced a relatively low decline compared to the prior year, with most regions and partners performing well. The exception was one continent-wide reseller who negatively changed their inventory holding policy very late in Q4 affecting the entire category.

Focusrite, being the largest business unit in this category, continued to be impacted by this high level of channel de-stocking and lower market demand, largely attributed to cost of living pressures and inflation as well as resellers and distributors seeking to reduce working capital. Revenue was further impacted by a targeted reduction of stock in our US sales channel and a decision made close to year end by one of our major global distributors to reduce stocking levels. However, Focusrite's end user sales rankings and market share with top resellers remained strong and, in some cases, even increased throughout the year, highlighting the overall strength of the Focusrite brand, even in a difficult market.

Focusrite/Focusrite Pro branded products and solutions include the Scarlett, Clarett, Vocaster, Red, and RedNet range of audio interfaces.

The Scarlett range, focused primarily on the home studio customer, continues to dominate the market, maintaining its leading global market share. As previously reported, the Scarlett range underwent a major product transition late in the second half of FY23, at a time when the global channel was still heavily overstocked across almost all categories. The launch of the 4th Generation Scarlett Solo, 2i2, 4i4, and related bundles was announced at the end of August 2023 to industry-wide acclaim for the new features and specifications. However, due to the industry-wide slowdown and channel overstock mentioned earlier, the Group had to undertake additional promotions on the older 3rd generation stock to reduce inventory levels, much of which occurred in the first half of FY24, particularly over the Thanksgiving and Christmas holiday periods.

The Group has now successfully wound down the majority of channel and Group inventory of 3rd generation products, although this did impact the sell-through of 4th generation products in the first half of the year, especially during the holiday season when more price-conscious customers tend to dominate. Currently, there is minimal channel inventory remaining of 3rd generation products, with the Group holding a small amount, as planned, to sell as B stock through our direct-to-customer website.

Focusrite's Red and RedNet solutions continue to be industry standards for professionals and facilities that require reliability and quality in complex workflows. These solutions are used in live and on-air broadcasts, including the US Super Bowl and Presidential debates, as well as in many professional studios, especially for post-production and music production rooms with immersive mixing capabilities.

Novation/Ampify branded products are a collection of hardware and software solutions dedicated to the art of electronic music. These products, like Focusrite's, cater to a wide range of customers, from beginners to professional electronic music makers. This category continued to experience softer demand across the industry, however Novation revenue grew on an organic constant currency basis, due to a revitalised marketing programme across social media and the launch of new products. At the end of this past year, we debuted the new Launchkey MK4 controllers, setting a new benchmark for MIDI controllers and integration capabilities with any software.

Ampify, our freemium software, continues to be an excellent vehicle for attracting new customers.

ADAM Audio had a strong year of growth, with revenue increasing 22.6% (25.5% OCC basis) compared to the prior year, bucking the industry-wide trend of declines in this category. This success is primarily attributable to the Group's execution of our route-to-market strategy, with ADAM moving to the same distribution network as Focusrite/Novation in many regions. This shift brought increased focus and awareness to the brand, and we believe ADAM has increased its market share compared to the prior year, despite the challenging environment.

Whilst a larger portion of the revenue came from the lower-priced T Series this past year, the new A Series solutions have been well received in the professional market. Many customers are choosing these products for upgrading their rooms to new immersive mixing formats, such as Dolby Atmos. Towards the end of the year the launch of a new range of desktop speakers and the first of a new headphone range further supported sales growth in the year.

Sequential and Oberheim faced another very challenging year. Global industry reports indicated the synthesizer category was down significantly this past year, particularly for higher-priced products, such as those offered by Sequential and Oberheim. This has resulted in a £5.4 million impairment of the Sequential acquired assets, as a result of the lower base from which future growth is planned. The brand remains profitable and much of the focus this past year has been on innovation in lower-priced synthesizers, which are showing much more stable demand. To that end, Sequential debuted the TEO-5 in April 2024, with shipments occurring in the final months of the year. This new synthesizer has become an instant hit, and demand remains strong.

Sonnox was acquired by the Group in December 2022, and the group has benefitted from a full year in FY24, as well as from greater product awareness due to cross-promotional activities with Focusrite.

Sonnox's suite of plug-ins is designed for both hobbyists and professionals, greatly enhancing audio recordings and delivering a highly professional result. As a pure software business, the portfolio is sold through a select group of global resellers, as well as direct to end users. Additionally, the Sonnox development team has been working closely with both the Focusrite and ADAM Audio development teams on a number of new products, including the headphones launched in the final quarter of the year.

Content Creation Summary

The Content Creation market has faced a very challenging few years post-pandemic, however signs of stabilisation are now just beginning to emerge. The Group has met these challenges head-on, making significant progress in reducing both channel and internal inventories, introducing a number of product refreshes and major new offerings, and maintaining top sales rankings in our major categories.

In parallel, we continue to refine our routes to market and invest in our own e-commerce platform, which has demonstrated solid growth over the past year. Whilst the economic outlook remains uncertain, particularly concerning key factors such as inflation and the cost of living pressures, we are confident that our brands will continue to outperform the market with product registrations remaining stable. As these conditions improve, we expect to capture a large share of the market upturn.

Audio Reproduction

	12 months to 31 August 2024 £m	12 months to 31 August 2023 £m	**Reported Growth %**	**OCC Growth[1] %**
North America	**11.4**	12.7	-10.1	-6.8
EMEA	**19.2**	16.6	15.9	10.8
ROW	**17.1**	12.2	39.6	40.6
Total	**47.7**	**41.5**	**14.9**	**14.4**

[1]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.

The Group's **Audio Reproduction brands - Martin Audio, Optimal Audio, Linea Research, TiMax, panlab**, and **OutBoard -** are focused on delivering state-of-the-art audio to audiences across a wide spectrum of venues.

The largest music festivals, renowned theatres, music halls, nightclubs, houses of worship, universities and stadia rely on our solutions to ensure a rich and memorable experience.

An example of this includes another successful festival season, notably at BST Hyde Park and Glastonbury, which rely on Martin's class-leading optimisation of audience coverage. This technology allows for maximum coverage within the audience space while minimising noise outside the event. With the inclusion of TiMax, panlab and OutBoard this year, the Group now has the most complete portfolio of solutions in its history for events of any size, including state-of-the-art immersive experiences.

To support the new brands and the expanded portfolio, the Group has grown its sales teams to cover all targeted verticals . This, along with the continued post-pandemic industry recovery, resulted in another strong year of sales growth. Revenue for the Group's Audio Reproduction brands finished the year up 14.9% year over year and this has carried over into the new year with a healthy order book.

Our **Martin Audio** products are seen and heard at some of the world's largest music festivals and tours, as well as many of the most prestigious music halls and theatres globally. After a major release year in FY23, Martin Audio introduced two new offerings in FY24: the TH series of loudspeakers and the iK41 power amplifier.

The TH series is a high-performance line of loudspeakers, ideal for clubs and medium to large-scale installations, while the iK41 expands Martin's amplifier range for larger venue speaker ranges, and other select systems.

Linea Research, one of the Group's 2022 acquisitions, manufactures professional-grade amplification for a variety of live sound settings. Linea Research had another strong year, with production ramped up to double the output of amplifiers compared to previous years. This success contributed significantly to Martin Audio's success, as many of their powered compared to previous years. This success contributed significantly to Martin Audio's success, as many of their powered offerings use Linea Research amplification. Linea Research also continued to sell its amplifiers as OEM products to external customers worldwide.

Optimal Audio, the Group's commercial audio brand, focuses on delivering high-quality sound to a wide range of commercial installations. Optimal Audio has become popular with system integrators for installations in restaurants, gyms, smaller clubs and universities. With 18 new releases this past year and a suite of products to fit commercial audio requirements of any size, Optimal Audio experienced a strong year of growth, with the pipeline expanding as system integrators globally began specifying Optimal Audio in their bids.

Audio Reproduction Summary

The Audio Reproduction market continues to flourish post-pandemic, a testament to the global appreciation for live music and events with pristine audio quality. All industry data points to the market normalising over the coming year, as the large pent-up demand that built up during the lockdown begins to unwind. While many sources predict flat demand for the upcoming year, we believe that with the expanded scale and reach of the Group's audio reproduction portfolio, we will outperform these forecasts.

Routes to Market

Content Creation

Our Content Creation brands are sold worldwide through a network of distributors and resellers which specialise in music technologies, as well as through our own direct-to-customer websites. The global route-to-market footprint for our Content Creation brands has changed dramatically over the past few years. Our efforts to form consolidated sales and marketing teams across the Americas, EMEA, and APAC regions have had a profound impact on the leverage and focus we receive from our global partners.

For our acquired brands, such as ADAM Audio and Sequential, the Group has been transitioning distribution in some markets to align all of our Content Creation brands with top distributors in those areas. Additionally, we have seen significant growth in our reseller-direct and key accounts across both EMEA and APAC. As mentioned previously, our direct-to-end-user segment has experienced solid growth, driven by the investments the Group has made in IT infrastructure and the integration of brands and e-commerce websites.

Audio Reproduction

Our Audio Reproduction brands operate globally through system integrators, rental companies and pro-audio specific resellers. As with our Content Creation division, the route-to-market for the Audio Reproduction division has also undergone changes. Most notably, this past year we have taken our Linea and Optimal Audio business on to a direct-to-dealer model in the US, bringing us closer to our end users and improving gross margins.

Summary and Outlook

FY24 presented both challenges and opportunities. We experienced softness in the Content Creation market, primarily due to inflation impacting consumer confidence and channel de-stocking. However, we took proactive steps to address these issues and launched significant new products which will drive future growth when market conditions improve. Within Content Creation our underlying end-user registrations were stable over the prior year, indicating ongoing robust demand for our products across all channels. Our Audio Reproduction segment delivered strong results. Recent acquisitions, combined with a focus on innovative product development, have strengthened our Audio Reproduction division, driving notable growth despite the broader market conditions.

The Group has new product launches planned for the coming year, which will further strengthen our brand positioning. Additionally, the Group has once again demonstrated its ability to execute on its proactive M&A strategy and we continue to carefully consider acquisitions that not only enhance earnings but also expand our market potential, boost our R&D capabilities, and add both scale and dynamism to our business.

We remain mindful of the significant global economic and political challenges, as well as ongoing cost pressures, particularly in logistics and the supply chain. Consequently, we continue to manage costs carefully, whilst making appropriate investment, and focus on improving gross margins where there is the opportunity to do so.

Trading in the first three months of the current financial period is in line with expectations. We will continue to execute on our strategy and, in doing so, we remain optimistic about the Group's future growth prospects.

Tim Carroll
Chief Executive Officer
27 November 2024

Financial Review

Overview

With ongoing challenges in the global Content Creation market, the Group has experienced a revenue decline of 11.2%. Additionally, gross margin was impacted by a one-off provision and heightened freight rates, leading to a 34.6% reduction in adjusted EBITDA. This resulted in a decline of 53.1% in adjusted diluted earnings per share (EPS).

Income statement

	2024 £m Adjusted	**2024 £m Non-underlying[1]**	**2024 £m Reported**	2023 £m Adjusted	2023 £m Non-underlying[1]	2023 £m Reported
Revenue	158.5	-	158.5	178.5	-	178.5
Cost of sales	(88.0)	-	(88.0)	(93.7)	-	(93.7)
Gross profit	70.5	-	70.5	84.8	-	84.8
Administrative expenses	(45.3)	(0.1)	(45.4)	(46.2)	(1.7)	(47.9)
EBITDA	**25.2**	**(0.1)**	**25.1**	**38.6**	**(1.7)**	**36.9**
Amortisation of intangible assets	(5.7)	(10.8)	(16.5)	(5.5)	(4.4)	(9.9)
Depreciation of tangible assets	(2.9)	-	(2.9)	(2.7)	-	(2.7)
Operating profit	**16.6**	**(10.9)**	**5.7**	**30.4**	**(6.1)**	**24.3**
Net finance expense	(3.2)	-	(3.2)	(1.6)	-	(1.6)
Profit before tax	13.4	(10.9)	2.5	28.8	(6.1)	22.7
Income tax expense	(2.7)	2.8	0.1	(6.2)	1.3	(4.9)
Profit for the period	**10.7**	**(8.1)**	**2.6**	**22.6**	**(4.8)**	**17.8**

[1] Non-underlying costs and income as defined in note 2 and note 5 to the financial statements.

Revenue

Revenue for the Group decreased by 11.2%, from £178.5 million to £158.5 million. Adjusting for acquisitions and at constant currency, this represents an organic decline of 10.0%. Sheriff was acquired in December 2023, and FY24 included eight months of revenue from this acquisition. Sonnox was acquired in December 2022, with FY23 including eight months of revenue.

The average Euro exchange rate was €1.16 (FY23: €1.15). Sterling strengthened against the US dollar, moving from an average of 1.21 in FY23 to 1.26 in FY24. This reduced reported revenue, but the currency impact was broadly neutral at the gross profit level, as the majority of cost of sales are also incurred in US dollars.

Revenue by brand:

	FY24 Revenue £m	**FY24 Acquisition £m**	**FY24 Organic £m**	FY23 Revenue £m	FY23 Exchange £m	FY23 Constant Currency £m	**FY24 Reported Growth**	**FY24 OCC Growth[1]**
Focusrite	**60.3**	**-**	**60.3**	86.3	(2.4)	83.9	**-30.2%**	**-28.2%**
Novation	**16.2**	**-**	**16.2**	16.6	(0.4)	16.2	**-1.9%**	**0.6%**
ADAM Audio	**22.6**	**-**	**22.6**	18.5	(0.5)	18.0	**22.6%**	**25.5%**
Sequential	**9.7**	**-**	**9.7**	14.5	(0.4)	14.1	**-33.0%**	**-31.2%**
Sonnox	**2.0**	**(0.8)**	**1.2**	1.1	-	1.1	**72.8%**	**8.6%**
Content Creation	**110.8**	**(0.8)**	**110.0**	137.0	(3.7)	133.3	**-19.1%**	**-17.4%**
Audio Reproduction - Martin Audio	**47.7**	**(0.9)**	**46.8**	41.5	(0.6)	40.9	**14.9%**	**14.4%**
Total	**158.5**	**(1.7)**	**156.8**	178.5	(4.3)	174.2	**-11.2%**	**-10.0%**

[1] OCC (organic constant currency growth). This is calculated by comparing FY24 revenue with FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions.

The reported decline in organic constant currency revenue for the year of 10.0% reflects similar trends to those seen in the first half of the year. Our Content Creation brands continued to face difficult markets, with ongoing cost-of-living pressures impacting end-consumer demand. Additionally, a reduction of stock in the US reseller channel for Focusrite offset improvements across our other Content Creation brands. Meanwhile, our Audio Reproduction brands benefitted from an expanded product offering and the tail end of increased demand for experiences following the end of COVID-19.

Within Content Creation, our biggest business unit, the Focusrite brand, declined by 30.2% (28.2% on an organic constant currency basis) to £60.3 million (FY23: £86.3 million). As referenced at the half-year mark, actions were taken to reduce stock in the US, which impacted sales to this region in particular. In addition, delays to the launch of the higher-end Scarlett range products, due to engineering team constraints, further affected revenue in FY24, along with the ongoing difficult market conditions.

In contrast, the second half of the year saw positive signs across all other Content Creation brands. Our Novation synthesizer brand declined by 1.9% in FY24 (organic constant currency growth of 0.6%), significantly better than the overall market, supported by a refreshed marketing focus and the introduction of the Launchkey MK4 range. ADAM Audio grew by 22.6% (organic constant currency 25.5%), benefiting from a new route to market in the US, now aligned with Focusrite and Novation, and the strong performance of the entry-level T Series range.

Sequential revenue declined by 33.0% (organic constant currency 31.2%) compared to the prior year, though the second half saw a smaller decline of 11.1% compared to 47.6% in the first half, as revenue levels stabilised. This was helped by the introduction of a new, lower-priced synthesizer, the Teo-5, in May 2024. FY24 was also the first full year of revenue from Sonnox, delivering growth of 8.6% and total revenue of £2.0 million (FY23: £1.1 million).

Our Audio Reproduction division grew from £31.9 million in FY22 to £41.5 million in FY23, and has now grown to £47.7 million in FY24, driven by strong demand since the lifting of COVID-19 restrictions and a strengthened range through new product development and targeted acquisitions. Linea Research continued to grow ahead of its record-breaking FY23 production levels and, with the addition of Sheriff Technology and Innovate Audio this year, the division now has a complete spatial audio offering. A further 20 new products were introduced this year across Martin and Optimal, in addition to major releases in FY23. This enabled the division to continue delivering strong growth, with a 9.6% increase in the second half as the market began to normalise, and 14.9% growth for the full year (14.4% organic constant currency).

Revenue by region:

	FY24 Revenue £m	**FY24 Acquisition £m**	**FY24 Organic £m**	FY23 Revenue £m	FY23 Exchange £m	FY23 Constant Currency £m	**FY24 Growth**	**FY24 OCC Growth[1]**
North America	**60.7**	**(0.3)**	**60.4**	77.7	(2.8)	74.9	**-21.8%**	**-19.2%**
EMEA	**66.9**	**(1.2)**	**65.7**	69.5	(0.8)	68.7	**-3.7%**	**-4.5%**
Rest of the World	**30.9**	**(0.2)**	**30.7**	31.3	(0.7)	30.6	**-1.3%**	**0.4%**
Total	**158.5**	**(1.7)**	**156.8**	178.5	(4.3)	174.2	**-11.7%**	**-10.0%**

[1]OCC (organic constant currency growth). This is calculated by comparing FY24 revenue with FY23 revenue adjusted for FY24 exchange rates and the impact of acquisitions.

North America represents 38% of the Group's revenue and saw a 19.2% decline on an organic constant currency basis, impacted by de-stocking in the reseller channel of Focusrite particularly in the second half of the year, compared to the initial sell-in of Scarlett Gen 4 in the prior year, together with a weaker market hit by cost-of-living issues. Content Creation brands in North America reported a year-on-year decline of 24.1% (-21.7% organic constant currency). Audio Reproduction's strong growth elsewhere was hampered in the US by supply chain process issues, resulting in a decline of 10.1% (reported) and -6.8% (organic constant currency). These issues have now been addressed with increased stock levels in the US.

EMEA, which represents 43% of Group revenue, declined by 3.7% (-4.5% organic constant currency) to £66.9 million. Audio Reproduction was strong, delivering 15.9% growth (10.8% organic constant currency), marking the second consecutive year of double-digit growth, with significant gains in both live and installed sound. Content Creation brands declined by 9.9% (-9.3% organic constant currency). With ADAM Audio and Novation returning to growth, the decline was driven by weakness in the market impacting Sequential and Focusrite, exacerbated by a change in stocking policy by a key reseller which impacted sales in the final quarter.

The Rest of the World (ROW), comprising mainly APAC and LATAM, represents the remaining 19% of Group revenue. Overall, the region was down 1.3% (reported) compared with FY23, though it posted 0.4% growth on an organic constant currency basis. This result included very strong growth in Audio Reproduction of 39.6% across the year, offset by a 27.6% decline in Content Creation, indicative of the global pattern. Within Audio Reproduction, China was particularly strong due to the delayed removal of COVID-19 restrictions, while in Content Creation the consumer electronics market remained weak.

Segment Profit

Segment profit is disclosed in more detail in note 5 to the financial statements under 'Business Segments'. The revenue is compared with the directly attributable costs to calculate profit by segment. There have been no additional segments this year, as Sheriff and Innovate are managed as part of the Martin brand segment.

Gross Profit

Gross margin decreased in FY24 to 44.5% from 47.5% in FY23 as a result of a one-off stock clearance, increasing freight rates, and ongoing promotional activity. As noted in the first half, a £1 million provision was made to reduce the net realisable value of Vocaster stock, which was subsequently sold to a European distribution partner. This significantly improved the working capital position and reduced stock to normalised levels but had a negative 1.3 percentage point impact on the full-year margin. Despite its positive reception, Vocaster faced 12-month launch delays due to component availability issues during the pandemic. This resulted in initial launch quantities exceeding market demand as the market for podcasts softened unexpectedly.

After adjusting for the Vocaster write-down, underlying margins decreased by 1.7% from the prior year, with the biggest impact coming from freight rates, which increased by 2 percentage points (as a percentage of sales) year on year. Logistical issues in the Red Sea and congested ports worldwide ensured that rates continued to escalate. Across our two divisions underlying product margins differed. Content Creation margins reduced compared to the prior year as promotions continued at an elevated level in order to partially mitigate the impact of channel de-stocking and cost of living issues, whereas Audio Reproduction margins increased due to an increase in sales to China which are at a higher margin.

For the next financial period, we expect freight rates to remain at their current elevated levels, reflecting ongoing global geo-political instability. While promotional activity in the Content Creation division may reduce somewhat as stock levels in the channel hopefully normalise, offsetting this we expect the mix of sales for Audio Reproduction to return to previous levels as sales strengthen in other regions compared with China where, as noted, sales are at a higher margin. As a result, we expect the underlying gross margin to remain broadly flat next year.

Administrative Expenses

Administrative expenses consist of sales, marketing, operations, the uncapitalised element of research and development, and central functions such as legal, finance, and the Group Board. These expenses totalled £64.8 million, up from £60.5 million last year. This includes depreciation and amortisation of £8.6 million (FY23: £8.1 million), amortisation of acquired intangible assets of £5.5 million (FY23: £4.5 million), and non-underlying items of £5.5 million (FY23: £1.7 million), which are discussed in more detail below. Excluding non-underlying items, depreciation, and amortisation, administrative costs were £45.3 million (FY23: £46.2 million), a decrease of £0.9 million compared to the prior year.

In such a difficult market, costs have been tightly controlled across the Group, and bonus and share-based payment costs reduced to £1.5 million below the prior year. and £2.0 million normalised "on-target" levels. In addition, £0.4 million of one-off costs related to office site moves and refurbishments in FY23 did not repeat in FY24.

Offsetting these savings, new acquisitions added £0.8 million to the cost base, with the annualisation of Sonnox contributing £0.4 million, and the addition of Sheriff adding a further £0.4 million, which will fully annualise in the following financial period. While average headcount reduced slightly across the Group this year, the largest cost increases were related to inflation, with pay rises implemented during the peak of cost-of-living impacts, resulting in an increase of £1.4 million. We have continued to invest in our people and strengthen our innovation teams in particular this year, which will result in a similar inflationary uplift in the following financial period.

Adjusted EBITDA

EBITDA is a non-GAAP measure widely recognised in the financial markets. It is used (as adjusted for non-underlying items) as a key performance measure and forms the basis for some of the senior management incentivisation within the Group. Adjusted EBITDA decreased from £38.6 million in FY23 to £25.2 million in FY24. This reduction was primarily due to the lower sales and lower gross margin described earlier.

Depreciation and Amortisation

Depreciation of £2.9 million (FY23: £2.7 million) was charged on tangible fixed assets on a straight-line basis over the assets' estimated useful lives. This figure remained stable compared to the prior year, following the investment in new offices in FY23.

Amortisation on non-acquired intangibles is mainly charged on capitalised development costs, writing off the development costs over the lifespan of the resultant product. Development costs related to individual products are written off over periods ranging from two to ten years, reflecting the differing lifespans of products across our brands. Normally, capitalised development costs exceed amortisation, reflecting the Group's continued investment in product development. During FY24, capitalised development costs amounted to £8.8 million (FY23: £8.6 million), compared with amortisation of £5.7 million (FY23: £5.5 million). We expect development costs to remain at this level as we continue to invest in further product refreshes and develop new products. Additionally, this year saw the completion of our acquisition of licences to utilise certain technologies, adding £3.0 million to intangible assets during the year, with plans to incorporate these technologies into our future product roadmap.

The amortisation of acquired intangible assets totalled £5.5 million during the period (FY23: £4.4 million) and has been disclosed within adjusted items. Underlying amortisation in FY24 was £5.7 million (FY23: £5.5 million), increasing slightly as more products were launched during year.

Non-underlying Items

In FY24, the Group acquired Sheriff Technology and Innovate Audio, with associated acquisition costs amounting to £0.1 million (FY23: £0.4 million related to the Sonnox acquisition). There were no earn-out payments in FY24 whereas in FY23 earn-outs related to the Linea Research and Sequential acquisitions were completed and paid out, resulting in a cost of £0.8 million.

Non-underlying items also include amortisation of intangible assets from acquisitions, amounting to £5.5 million (FY23: £4.4 million). This increase is due to the inclusion of Sheriff Technology and the annualisation of Sonnox amortisation for brands and technology. Additionally, FY23 included the benefit of a one-off adjustment for £1.0 million of amortisation that was incorrectly charged in prior years on assets not yet brought into use. For further details, see notes 2 and 7 of the financial statements.

The Sequential and Oberheim syntheziser brands were purchased in 2021 and 2022 for £14.5 million and £4.5 million respectively. The acquired assets have a net book value of £15.9 million at 31 August 2024 including £2.5 million of goodwill. Both brands are iconic within the industry and since acquisition have had a good track record of launching critically acclaimed new products. However, this sector of the market has been particularly hard hit by cost-of-living issues, particularly for the higher price point products, and the industry has seen year on year contractions in demand. This has resulted in a lower starting point for future forecasts and greater risk to forecasts. Consequently, the Board, based on management's estimate of recoverability (see note 7 to the financial statements), have decided to recognise a one-off, non-cash impairment of £5.4 million.

Notwithstanding this impairment, Sequential remains profitable with plans to extend the range of both brands further with the introduction of lower price point products, which is expected to bring the brands back to growth.

Foreign exchange and hedging

Sterling has remained relatively stable compared with the Euro between years, but the average rate has weakened against the US dollar.

Exchange rates	**2024**	2023
Average		
USD:GBP	**1.26**	1.21
EUR:GBP	**1.17**	1.15
Year end		
USD:GBP	**1.31**	1.27
EUR:GBP	**1.19**	1.17

During the year, Sterling strengthened against the average US dollar rate, moving from 1.21 to 1.26. The US dollar accounts for 40% of Group revenue but over 80% of the cost of sales so, while this resulted in increased revenue, the impact on gross profit was neutral. The Euro comprises approximately a quarter of revenue but incurs little cost. The policy adopted by the

Group is to hedge approximately 75% of Euro flows for the next 12 months and approximately 50% for the year thereafter. Currently we are reviewing the scope and levels of currency of the policy and aim to have updated hedges in place before the end of the 2025 calendar year.

Finance costs

Finance costs of £3.2 million (FY23: £1.6 million) primarily arose on interest on the Group's revolving credit facility (RCF) drawdowns. This increase is due to higher interest rates throughout the year and increased drawdowns to fund working capital.

Corporation Tax

In FY24, the corporation tax credit totalled £0.1 million on reported profit before tax of £2.5 million, an effective tax rate of (4)% (FY23: 21.8%). The lower tax rate is the result of a number of adjustments upon finalisation of the group's prior year tax returns, none of which are in isolation significant, combined with tax reliefs gained through patent box claims. Adjusting for non-underlying items and prior year adjustments, the effective tax rate is 23.9% (FY23: 21.7%) on adjusted profit before tax of £13.4 million. Going forward, we expect the effective tax rate to remain broadly in line with the UK corporate tax rate.

Earnings Per Share (EPS)

The basic EPS for the year was 4.5 pence, down 85.2% from 30.4 pence in FY23. This decrease is primarily due to a combination of factors, including the reduction in operating profits, the non-cash impairment of intangible acquired assets and the increase in the UK corporate tax rate from 19% to 25% in April 2023. The adjusted diluted EPS, which accounts for the dilutive effect of share options, decreased by 53.1%, from 38.4 pence in FY23 to 18.0 pence in FY24.

	2024 pence	2023 pence	Change %
Basic	**4.5**	30.4	(85.2)
Diluted	**4.4**	30.2	(85.4)
Adjusted[1] basic	**18.3**	38.7	(52.7)
Adjusted[1] diluted	**18.0**	38.4	(53.1)

[1] Adjusted for amortisation of acquired intangible assets and other adjusting items (see notes 7 and 11).

Balance sheet	**2024 £m**	2023 £m
Non-current assets	**94.0**	95.9
Current assets		
Inventories	**49.3**	55.3
Trade and other receivables	**37.6**	32.9
Cash	**22.0**	26.8
Bank loan	**(34.5)**	(28.1)
Current liabilities	**(34.8)**	(45.4)
Non-current liabilities	**(17.6)**	(18.9)
Net assets	**116.0**	118.5

Non-current Assets

The non-current assets comprise goodwill of £14.2 million, other intangible assets of £66.1 million, property, plant, and equipment of £11.1 million, and a deferred tax asset of £2.7 million. The goodwill of £14.2 million (FY23: £16.1 million) decreased due to the impairment of Sequential (see note 7 for assumptions), slightly offset by the acquisition of Sheriff Technology this year, for a total consideration of £2.9 million, including goodwill of £0.7 million.

The other intangible assets of £66.1 million (FY23: £66.7 million) consist primarily of capitalised research and development costs and acquired intangible assets related to product development and branding. The capitalised development costs in use have a carrying value of £15.0 million (FY23: £10.0 million), which increased with the launch of 35 products this year. Products and technology under development amount to £7.1 million (FY23: £8.5 million), of which £2.0 million relates to acquired assets under development (FY23: £2.0 million). During the year, £8.8 million of costs were capitalised (FY23: £8.6 million), and underlying amortisation was £5.7 million (FY23: £5.5 million). Approximately 65% of development costs are capitalised, and they are amortised over the life of the relevant products.

Acquired capitalised development costs had a carrying value of £22.0 million (FY23: £24.3 million) at year-end. This has reduced due to the annual amortisation charge of £3.6 million, and the impairment of Sequential of £1.1 million, offset by the inclusion of Sheriff's development costs of £2.0 million.

The remaining intangible assets, totalling £22.8 million (FY23: £23.9 million), include brands of £16.1 million (FY23: £20.1 million) acquired as part of acquisitions, which are amortised over 10 years for ADAM Audio, 20 years for Martin Audio, 15 years for Sequential and Linea Research, and 10 years for Sonnox. The Sequential brand asset has been impaired by £1.3 million as part of the overall impairment. Intellectual property, licence and trademarks of £5.9 million (FY23: £3.4 million) have increased by £2.5 million, due to the final stage payments relating to a platform technology development which will be used in later iterations of several major product ranges.

Tangible assets comprising property, plant and equipment decreased from £12.5 million at the end of FY23 to £11.1 million at the end of FY24, due to the annual depreciation charge. There were no significant capital additions or lease renewals during the year, following the office move and refurbishments in FY23.

Working capital

At the end of the year, working capital was 32.8% of revenue (FY23: 23.9%). This reflects a phasing of working capital towards year-end, driven by the launch of several new products, including the Scarlett Gen 4 higher range products, ADAM Audio desktop speakers and headphones, and the Sequential Teo-5, which were sold to sales channel partners in the final quarter. As a result, debtor and creditor balances were high in the final quarter, but effective credit management ensured minimal issues with collections or bad debts during the year. Issues noted at the half year have improved, with stock and therefore debtor holdback reducing with our US distributor by 6 million during the second half of the year. However, overall debtors increased at year end due to sales phasing in the final quarter of the year.

Creditors continue to be paid on time. Inventory overall has reduced by £5 million to £49.3 million from the £55.3 million at August 2023 and February 2024. This is due to the ongoing reduction in Scarlett stock as the remaining Generation 3 inventory is sold. Martin Audio stock has remained at elevated levels as stock is brought into the US to provide greater stock availability and mitigate any potential tariff increases.

Cash flow	**2024** **£m**	2023 £m
Cash and cash equivalents at beginning of year	**26.8**	12.8
Foreign exchange movements	**(0.4)**	(1.0)
Cash and cash equivalents at end of year	**22.0**	26.8
Net (decrease)/increase in cash and cash equivalents (per Cash Flow Statement)	**(4.4)**	15.0
Change in bank loan	**(6.6)**	(15.2)
Increase in net debt (before foreign exchange movements)	**(11.0)**	(0.2)
Add back: equity dividend paid	**3.9**	3.6
Add back: acquisition of business (net of cash acquired)	**2.5**	7.2
Free cash (outflow)/inflow	**(4.6)**	10.6
Add back: non-underlying items	**0.1**	1.7
Underlying free cash outflow/inflow[1]	**(4.5)**	12.3

[1]*Defined as cash flow before equity dividends, acquisition of subsidiary (net of cash acquired) and adjusting items.*

Debt

The net debt balance at the year-end was £12.5 million (FY23: net debt £1.3 million). In October 2024, the Group extended the £50 million RCF facility, along with an uncommitted facility with HSBC and NatWest, for an additional year, with a new expiry date of September 2028. At year-end, the Group had drawn down £35.1 million of the RCF (FY23: £28.2 million) to support our working capital requirements.

The underlying free cash flow for the full year was a cash outflow of £4.5 million (FY23: cash inflow of £12.3 million), leading to a year-end net debt position of £12.5 million. Within this, the movement in working capital included an outflow of £8.9 million (FY23: outflow of £7.6 million), largely driven by debtor and creditor phasing, as explained above. Capital investment for the year totalled £14.2 million (FY23: £14.4 million), of which £9.7 million (FY23: £9.2 million) related to capitalised R&D gross of any attributable tax credits, reflecting the Group's ongoing commitment to product development. We expect this level of investment to continue to support the Group's product roadmap.

Historically the Group has converted around 45% to 50% of EBITDA to free cashflow. Given the ongoing tough markets and our commitment to investment in product development we expect this to be lower over the next 12 months, with the Group nevertheless remaining inherently cash generative.

Dividend

The Board is proposing a final dividend of 4.5 pence per share (FY23 final dividend: 4.5 pence), which would result in a total of 6.6 pence per share for the year, in line with the prior year (FY23: 6.6 pence). This represents an adjusted earnings dividend cover of 2.7 times (FY23: 5.8 times).

Change in Accounting Reference Date

As announced on 30 October, the Group will be changing its accounting reference date from 31 August to 28 February, with the next audited results being presented for the 18 months to 28 February 2026. Interim results will be presented for the 6 months to 28 February 2025 and for the 12 months to 31 August 2025.

Summary

FY24 brought continued challenges, with market weakness in Content Creation due to cost-of-living pressures and channel de-stocking. However, the diversity of the Group's portfolio helped offset these challenges, with strong growth in Audio Reproduction and the successful launch of new products, maintaining our leadership in key categories.

Our balance sheet remains robust, despite the challenges of the year, with net debt at a level of less than half EBITDA providing the Group with the stability to weather these markets and we remain confident in our ability to navigate uncertain markets whilst continuing to focus on innovation and product development in order to deliver long-term value.

Sally McKone
Chief Financial Officer
27 November 2024

Principal Risks and Uncertainties

Overview

Effective risk management is intrinsic to enabling and supporting our business strategy and our commitments to customers, community, climate and environment.

We are committed to conducting our business responsibly, safely and legally, while making risk-informed decisions when responding to opportunities or threats that present themselves. The Board is responsible for risk management and the General Executive Committee is responsible for setting and monitoring the appetite for risks and the effective management of risk across the Focusrite Group.

The table below sets out our principal risks. Please note, this list does not include all of our risks. Risks which change or are not presently known, or are currently considered to be less material, may also have adverse effects. The table below includes a description of the risk, notes on any changes since the previous year and the residual risk, the impact on the business and risk mitigation.

Principal risk/uncertainty	Mitigation
Business strategy development and implementation *(No risk movement)* The risk of not identifying and reacting to changing market conditions, not being able to implement our acquisition strategy or bring efficiencies to our route to market strategy can impact our growth. The risk remains relatively stable as we monitor drivers for macroeconomic changes and implement appropriate response strategies to manage their impact on the Focusrite Group's performance. This has enabled us to ensure	***Impact on the business*** Failing to develop products which engage and inspire our customers will mean that our investors lose confidence in our business. ***Risk Mitigation*** The Group has a multi-stranded resilience plan with an increasingly diverse range of products which ensures there are various revenue streams to enable Group growth and undertakes rigorous customer testing which helps ensure that new products and next generation products will be well received by customers. We also have an increasing number of direct-to-market routes which enables us to reach more customers.

that the risk is managed appropriately in line with any changes to external conditions.

Principal risk/uncertainty	Mitigation
Product Innovation *(Risk increasing)* Risks associated with our ability to design, manufacture and position our products to generate returns and value for stakeholders in a fast changing industry. We have increased our user testing and influencer endorsements to test and exalt our products to ensure that they meet the current market expectations.	***Impact on the business*** A design strategy that does not result in innovative products may lead to a lower demand for our products which will impact our ability to deliver returns to stakeholders and fund our investment and growth opportunities. It may also result in our product portfolio being less resilient to climate-related risks or movements in commodity prices or inflationary pressures and other macroeconomic factors. In the short term, these may reduce our cash flow and in the long term could adversely affect the results of our operations and performance. ***Risk mitigation*** The Group has developed resilient strategies, processes and frameworks to grow and protect our product portfolio. Our business development strategy focuses on enhancing our product portfolio to ensure the Group retains its competitive advantage and identifies threats to or opportunities for our products.
Product supply *(Risk increasing)* Risks associated with market demand, including the availability of materials to manufacture products and our ability to sell and deliver products into new and existing key markets. Exposure to risks associated with our product supply increased in FY24 due to external changes over which we have little influence.	***Impact on the business*** Multiple ongoing global conflicts and rising geopolitical tensions as well as increased volatility and uncertainty in the international trading environment could cause disruption of global supply chains and affect macroeconomic conditions and our ability to sell to our products. ***Risk mitigation*** We continually monitor and assess: • our ability to access key markets; • product demand and our sales plans; • relationships with our sales partners; and • geopolitical and macroeconomic developments and trends, etc. Identifying weather and/or climate-related vulnerabilities is also one of our considerations as we seek to mitigate disruptions to our ability to physically access materials. We also continue to explore and increase the level of interchangeability in our supply chain to reduce the risk presented by single-source materials, namely electronic components. Continuing to diversify our product portfolio will also reduce exposure to product supply risks. Leveraging the longstanding relationships we have with our logistics partners to minimise impact of freight disruptions.
People *(Risk decreasing)* People are critical to the Group's ability to meet the needs of its customers and end users and achieve its goals as a business. Not only do we need to have the right talent, we also need to be agile and innovative to drive business change and results. Leading from that we also need to make sure that we always have the right leaders in place in terms of succession planning. Failure to attract, retain and develop senior managers and technical personnel, and to embed our values in our culture, could impact on the delivery of our purpose and business performance.	***Impact on the business*** We continue to rely on key individuals to contribute to the success of the Group. We need our people to develop their skills in order to future-proof the Group's business whilst being able to attract, retain and motive people. ***Risk Mitigation*** We are promoting work-life balance and improving our training and development programmes. Succession planning for key roles and the identification of any new skillsets are reviewed by the Board.
Climate change *(Risk increasing)* Climate change is a multifaceted risk to the business at many levels. Failure to deliver on climate change initiatives, particularly around the reduction in the use of energy and carbon within required timescales, will have short, medium and long term climate change risks to residents, businesses and infrastructure.	***Impact on the business*** Reduced availability of raw materials could have several effects from fluctuating and rising prices to uncertainty in the supply chain to our having to use lower quality raw materials in our products. We expect regulation and the possibility taxes on less sustainable materials or processes to increase. We are also aware that climate change is a concern for our customers and stakeholders who expect us to lead the way in running a sustainable business and it will have an impact on our reputation if we fail to adequately address these concerns. ***Risk Mitigation*** Managing our operations towards a low-carbon future e.g. through the use of recycled materials in order to sustain the longevity and prosperity of the business remains one of our key mitigation efforts.

Principal risk/uncertainty	Mitigation
	Sustainability criteria is embedded throughout the product design process in order to mitigate risks and identify opportunities to deliver our Environment and Climate objectives. Systems to monitor and reduce the environmental impact of our operations and ensure compliance with environmental legislation are in place.
Information security, data privacy, business continuity and cyber risks *(Risk increasing)* Protecting the availability, confidentiality and integrity of Group's information assets is critical to successful trading. The threat of an information security breach or an unauthorised attack is an ongoing and increasingly sophisticated risk that the Group believes would negatively impact its reputation. Similarly, the inadvertent processing of customer or employee data in a manner deemed unethical or unlawful could result in significant financial penalties, remediation costs, reputational damage and/or restrictions on our ability to operate.	***Impact on the business*** Disruption to our information systems may have a significant impact on our sales, cash flows and profits. An information security breach could lead to unauthorised access to, or loss of, personal information, financial data or intellectual property. ***Risk Mitigation*** The Group's business continuity plan is reviewed and tested on a regular basis. Existing systems will be hardened to ensure we are following industry best practice. Regular system and application patching is in place including the use of vulnerability scanning and penetration testing to identify security weaknesses across our attack surface. Security awareness training and phishing simulation frequency will be further embedded, to help manage human risk. Investment in our security controls will continue as we look to continuously improve our current posture. AI Governance has been set and we will aim to both manage the security and privacy risks of using AI, and leverage the technology to defend against emerging threats.
Macroeconomic/Geopolitical conditions *(Risk increasing)* In a world where geopolitical relations are being strained by episodic upheaval, many major economic countries have or could have changes of government and financial turbulence, there is a sense of global destabilisation which is causing an uncertain outlook and is making it harder to predict customer demand and undertake long-term planning.	***Impact on the business*** We recognise that the smallest economic or geopolitical event can cause any company to edge past the tipping point of resilience, and we have seen the effect that less predictable and harder-to-handle inflation has had on our sales patterns. ***Risk mitigation*** The Group has developed resilient strategies, processes and frameworks to grow and protect our product portfolio. Our business development strategy focuses on enhancing our product portfolio to ensure the Group retains its competitive advantage and identifies threats to or opportunities for our products.

Changes to Risk Scores vs Prior Year

Information security, data privacy, business continuity and cyber risks *Risk increasing*

Organisations are becoming more vulnerable to cyber threats due to the increasing reliance on computers, networks, programs, social media and data globally. A relatively small data breach or a common cyber attack has a massive negative business impact. The level of cyber attacks from 'bad actors' has increased alongside increased geo-political uncertainty. Whilst the measures we are taking ensure our cyber security programme increases each year, we, along with many other businesses, are finding that the frequency and sophistication of cyber security incidents is increasing.

Product innovation, Product supply and Macro-economic/Geopolitical conditions *Risks increasing*

There is a heightened level of macroeconomic uncertainty relating to cost-inflation leading to rising prices which has been exacerbated by the wars in Ukraine and the Middle East. These are impacting our customers' disposable income, thereby changing the products they buy and increasing our operational costs which, together, affects several of our principal risks. The supply chain risks facing the Group have again changed shape over the last year. In addition short term supply issues can impact our ability to launch new products in an increasingly competitive environment. The global business climate is increasingly uncertain with manufacturers facing a myriad of challenges, including high energy prices and unexpected fluctuations in raw material costs as well as rising geopolitical tensions disrupting global supply chains. Many raw materials are becoming harder to secure and their fluctuating costs can have a significant impact on the profitability and pricing of products. As the various factors are not expected to be alleviated in the short term, this will remain a significant risk for the Group.

We understand the short-term risks and impacts, and we have the right teams, governance, innovative products and strategies in place to be able to ride out the current storm. The longer-term impacts remain uncertain, and we continue to monitor the associated risks closely and respond accordingly.

Escalating geo-political tensions

Global risk reports indicate a predominantly negative outlook for the world over the next two years that is expected to worsen over the next decade through a combination of instability, global catastrophes and turbulent conditions which will have unknown consequences on customers and businesses.

Group's view: Geopolitical risks are not new. We review the effect trade tariffs or trade embargos being imposed between countries where we trade and manufacture and market recovery being slower than previously anticipated. The impending change in government in the US, a key market for the Group, has increased the level of uncertainty for the Group, particularly with regard to the threatened increase in import tariffs for goods from overseas, particularly those from China.

Actions we will take: We recognise that risks are interconnected and have the potential to be influenced by other risks, and as such there is no single solution. We have continued to diversify our strategies to help build a safety net, boosting our manufacturing capabilities in order to ensure we can quickly scale up production should a location become unviable, and using inventory buffers to give us time to react to global challenges.

Emerging Risk Themes

Emerging risk themes are reported alongside our principal risks. We conduct horizon scanning to enable a medium- and longer-term view of potential disruptors to our business. As part of our risk assessment process, we analyse internal and external sources of emerging risk themes through review of leading external publications including attending industry seminars and forums, gathering insights via top-down and bottom-up risk workshops with internal stakeholders, and seeking professional consultation where required. We are currently tracking several emerging risk themes such as political, economic, technological, environment and talent. Examples of those emerging themes that have a potential impact and require a response are set out below:

Identified Risk	**Group's view**	**Actions we will take**
AI Generative AI is viewed as a strategic risk	For the Group it is seen not only as a risk, but also as an opportunity that can offer great potential for product development automation which could lead to competitive advantages	We continue to harness AI to drive operational and cost efficiencies, as well as strategic business trans-formation programmes where the opportunity arises whilst being aware of the growing amount of harmful misinformation, increasingly sophisticated privacy breaches and cyber-security threats.

FORWARD-LOOKING STATEMENTS

Certain statements in this announcement are forward-looking. Although the Directors believe that their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Consolidated Income Statement

For the year ended 31 August 2024

	Note	**2024** **£000**	2023 £000
Revenue	4	**158,524**	178,465
Cost of Sales		**(88,031)**	(93,616)
Gross Profit		**70,493**	84,849
Administrative Expenses		**(64,797)**	(60,506)
Adjusted EBITDA (non-GAAP measure)		**25,219**	38,568
Depreciation and Amortisation		**(8,574)**	(8,087)

Adjusting items:			
Amortisation of acquired intangible assets		**(5,510)**	(4,451)
Impairment of intangible assets	7	**(5,355)**	-
Other adjusting items	7	**(84)**	(1,687)
Operating profit		**5,696**	24,343
Finance income		**100**	770
Finance costs		**(3,292)**	(2,365)
Profit before tax		**2,504**	22,748
Income tax (credit)/charge	8	**104**	(4,951)
Profit for the period from continuing operations		**2,608**	17,797
Earnings per share			
Basic (pence per share)	10	4.5	30.4
Diluted (pence per share)	10	4.4	30.2

The accompanying notes on pages 26 to 37 form part of these abbreviated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2024

	Note	2024 £000	2023 £000
Profit for the period (attributable to equity shareholders)		**2,608**	17,797
Items that may be subsequently reclassified to the income statement			
Exchange losses on translation of foreign operations		**(923)**	(1,742)
(Loss)/gain on forward exchange contracts		**(491)**	784
Tax on hedging instrument		**67**	(186)
Exchange gain/(loss) on acquired amortisation		**123**	(18)
Total comprehensive income for the period		**1,384**	16,635

Consolidated Statement of Financial Position

As at 31 August 2024

	Note	**2024 £000**	2023 £000
Assets			
Non-current assets			
Goodwill		**14,194**	16,138
Other intangible assets	11	**66,065**	66,709
Property, plant and equipment		**11,096**	12,495
Deferred tax assets		**2,666**	533
Total non-current assets		**94,021**	95,875
Current assets			
Inventories		**49,267**	55,256
Trade and other receivables		**37,391**	32,384
Cash and cash equivalents		**22,040**	26,787
Current tax asset		**226**	-
Derivative financial instruments		**-**	491
Total current assets		**108,924**	114,918
Current liabilities			
Trade and other payables		**(30,745)**	(39,703)
Other liabilities		**(1,527)**	(1,761)
Current tax liabilities		**(2,022)**	(2,619)
Provisions		**(522)**	(1,270)
Bank loan		**(34,565)**	(28,093)
Total current liabilities		**(69,381)**	(73,446)
Net current assets		**39,543**	41,472
Total assets less current liabilities		**133,564**	137,347
Non-current liabilities			
Deferred tax		**(10,815)**	(10,824)
Other liabilities		**(6,793)**	(8,071)
Total non-current liabilities		**(17,608)**	(18,895)
Total liabilities		**(86,989)**	(92,341)
Net assets		**115,956**	118,452
Capital and Reserves			
Share capital		**59**	59
Share premium		**115**	115

Merger reserve	**14,595**	14,595
Merger difference reserve	**(13,147)**	(13,147)
Translation reserve	**(3,680)**	(2,757)
Hedging reserve	**-**	491
EBT reserve	**(1)**	(1)
Retained earnings	**118,015**	119,097
Equity attributable to the owners of the Company	**115,956**	84,347
Total Equity	**115,956**	118,452

The financial statements were approved by the Board of Directors and authorised for issue on 27 November 2024. They were signed on its behalf by:

Tim Carroll	**Sally McKone**
Chief Executive Officer	Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 August 2024

	Share capital £000	**Share premium £000**	**Merger reserve £000**	**Merger difference reserve £000**	**Translation reserve £000**	**Hedging reserve £000**	**EBT reserve £000**	**Retained earnings £000**	**Total £000**
Balance at 31 August 2022	59	115	14,595	(13,147)	(1,015)	(293)	(1)	105,003	105,316
Profit for the period	-	-	-	-	-	-	-	17,797	17,797
Other comprehensive income	-	-	-	-	(1,742)	784	-	(204)	(1,162)
Total comprehensive income	-	-	-	-	(1,765)	784	-	17,593	16,635
Share based payments deferred tax deduction	-	-	-	-	-	-	-	5	5
Share based payments current tax deduction	-	-	-	-	-	-	-	(123)	(123)
EBT shares issued	-	-	-	-	-	-	1	584	585
Share-based payments	-	-	-	-	-	-	(1)	(246)	(247)
Shares withheld to settle tax obligations	-	-	-	-	-	-	-	(216)	(216)
Premium on shares in lieu of bonuses	-	-	-	-	-	-	-	106	106
Dividends paid	-	-	-	-	-	-	-	(3,609)	(3,609)
Balance at 31 August 2023	59	115	14,595	(13,147)	(2,757)	491	(1)	119,097	118,452
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,608**	**2,608**
Other comprehensive (loss)/income	**-**	**-**	**-**	**-**	**(923)**	**(491)**	**-**	**190**	**(1,224)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(923)**	**(491)**	**-**	**2,798**	**1,384**
Share based payments deferred tax deduction	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(84)**	**(84)**
EBT shares issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22**	**22**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**158**	**158**
Shares withheld to settle tax obligations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(106)**	**(106)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,870)**	**(3,870)**
Balance at 31 August 2024	**59**	**115**	**14,595**	**(13,147)**	**(3,680)**	**-**	**(1)**	**118,015**	**115,956**

Consolidated Cash Flow Statement

For the year ended 31 August 2024

	Note	**2024 £000**	2023 £000

Operating activities			
Profit for the financial year		**2,608**	17,797
Income tax (credit)/expense	8	**(104)**	4,951
Net interest expense		**3,192**	1,595
Loss on disposal of property, plant and equipment		**13**	187
Loss on disposal of intangible assets		**75**	27
Amortisation of intangibles		**11,198**	9,861
Impairment of goodwill and acquired intangibles		**5,355**	-
Depreciation of property, plant and equipment		**2,887**	2,677
Other non-cash items		**(625)**	(229)
Share-based payments credit/(charge)		**158**	(246)
Operating cashflow before movements in working capital		**24,757**	36,620
Increase in trade and other receivables		**(4,909)**	(3,599)
Decrease/(increase) in inventories		**6,362**	(6,916)
(Decrease)/increase in trade and other payables		**(10,367)**	2,922
Operating cash flows before interest and tax		**15,843**	29,027
Net interest		**(2,403)**	(1,699)
Income tax paid		**(1,781)**	(1,856)
Cash generated by operations		**11,659**	25,472
Net foreign exchange movements		**(563)**	860
Net cash from operating activities		**11,096**	26,332
Investing activities			
Purchase of property, plant and equipment		**(1,540)**	(3,204)
Purchase of intangible assets		**(3,040)**	(2,024)
Capitalised R&D costs		**(9,660)**	(9,163)
Proceeds from disposal of intangible assets		**-**	5
Acquisition of business, net of cash acquired		**(2,494)**	(7,153)
Net cash used in investing activities		**(16,734)**	(21,539)
Financing activities			
Proceeds from loans and borrowings		**9,355**	15,226
Repayments of loans and borrowings		**(2,750)**	-
Payment of lease liabilities		**(1,423)**	(1,427)
Equity dividends paid		**(3,870)**	(3,609)
Net cash used in financing activities		**1,312**	10,190
Net (decrease)/increase in cash and cash equivalents		**(4,326)**	14,983
Cash and cash equivalents at the beginning of the year		**26,787**	12,758
Foreign exchange movements		**(421)**	(954)
Cash and cash equivalents at the end of the year		**22,040**	26,787

Notes to the Final Results

For the year ended 31 August 2024

1. BASIS OF PREPARATION

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 August 2024 or 2023 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the registrar of companies, and those for 2024 will be delivered in due course. The auditor has reported on those accounts; their reports were (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.

The Board of Directors has 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 approval of these financial statements ('the going concern period'). Accordingly, the financial 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 million, of which £35 million was drawn at the Balance Sheet date, which was extended in September 2024 for a further year to a maturity date of September 2028. The availability of the revolving credit facility is subject to continued compliance with certain covenants.

The Directors have prepared projected cash flow forecasts for the going concern period. These forecasts include the base case, along with three discrete severe but plausible downside scenarios, which include potential impacts from risks identified from the business including

- Loss of our largest customer, our distributor for Focusrite, Novation and ADAM Audio in the US
- Loss of a key contract manufacturer, potentially due to increased storm intensity, as flagged in our climate risk analysis
- Reduction in gross margin due to ongoing pricing pressures and the potential impact of import tariffs for goods imported into the US

Whilst climate change is considered to bring both risks and opportunities to the Group, as outlined in our Environmental, Social, Governance ('ESG') section in the Annual Report, we consider the quantifiable risk in the short term to relate to increased storm intensity, resulting in the potential loss of a distributor or contract manufacturer and this is included within our scenarios.

The increased geopolitical risk which could impact our manufacturing partners in China has also been considered, but has not been modelled, given the considered likelihood and scale of global sanctions would not deem this a plausible scenario. The base case covers a period of at least 12 months from the date of signing and includes demanding but achievable forecast growth. The forecast has been extracted from the Group's FY25 budget and three-year plan for the remainder of the going concern period.

Key assumptions include:

- Future growth assumptions consistent with those assumed in the Group's internal plans for market growth and new product introductions and adjusted for the annualisation of recent acquisitions.
- Working capital requirements in line with historic trends
- Continued investment in research and development in all areas of the Group.
- Dividends consistent with the Group's dividend policy
- No additional investment in acquisitions in the forecast period
- Foreign exchange rates in line with those prevailing as at 31 August 2024

Throughout the period, the forecast cash flow information indicates that the Group will have sufficient cash reserves and headroom on the revolving credit facility to continue to meet its liabilities throughout the forecast period as well as continuing to maintain covenant compliance.

The Directors have modelled three severe but plausible downside scenarios to take account of the risks identified above. These models assume that purchases of stock will, in time, reduce to reflect reduced sales, if they occurred. The Group would respond to a revenue or gross margin shortfall by taking reasonable steps to reduce dividends, overheads and capital expenditure within its control. These mitigants have been included in each of the downside scenarios. Across these scenarios, the most significant impact expected would be a draw down from the revolving credit facility of an average of around £40 million for a period of 7 months, however 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 reduction in revenue expectations of greater than 30% compared to the base case, permanently from the start of the forecast period, leverage could rise to the upper limits allowed by the banking covenants by October 2025. This scenario includes consequential reductions in the purchases of stock and dividends as well as other mitigating cost reductions. 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 is still currently experiencing stable levels of consumer registrations and underlying customer demand, and therefore the revenue levels have been maintained at expected levels since year end. The Group is increasing working capital, as is usual in the period prior to the Thanksgiving and Christmas holiday season, with the Group's net debt balance reducing from a net position of £12.5 million reported at year end to approximately net debt of £17.8 million at 25 November 2024, which is expected to improve by the end of the following financial period.

As a result, the Directors are confident that the Group and Company 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.

2. ALTERNATIVE PERFORMANCE MEASURES ('APMS')

The Group has applied certain alternative performance measures ('APMs') within these financial results. A reconciliation to GAAP measures is provided in the table below or are cross referenced to tables within the Financial review section. 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 consider that the term 'Adjusted' together with an adjusting items category, best reflects the trading performance of the Group.

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, impairment of goodwill and acquired intangible assets and restructuring costs

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.
- Adjusted earnings per share ('EPS') - earnings per share excluding adjusting items.
- Free cash flow - net increase/(decrease) in cash and cash equivalents excluding net cash used acquisitions, movements on the bank loan and dividends paid.
- Underlying free cash flow - as free cash flow but adding back adjusting items.
- Net debt - comprised of cash and cash equivalents, overdrafts and amounts drawn against the RCF including the costs of arranging the RCF.

A reconciliation of all items is provided in the table below

Profit definitions	**FY24 Adjusted EBITDA £000**	**FY24 Adjusted Operating Profit £000**	**FY24 Adjusted Diluted Earnings Per Share £000**	FY23 Adjusted EBITDA £000	FY23 Adjusted Operating Profit £000	FY23 Adjusted Diluted Earnings Per Share £000
Reported:						
Operating Profit	**5,696**	**5,696**		24,343	24,343	
Profit after tax			**2,608**			17,797
Add back/(deduct)						
Underlying depreciation and amortisation	**8,574**	-	-	8,087		
Amortisation on acquired intangibles	**5,510**	**5,510**	**5,510**	4,451	4,451	4,451
Acquisition costs	**98**	**98**	**98**	367	367	367
Impairment of goodwill and intangibles	**5,355**	**5,355**	**5,355**	-	-	-
Earnout in relation to acquisitions	**-**	**-**	**-**	786	786	786
Restructuring	**(14)**	**(14)**	**(14)**	534	534	534
Tax on adjusting items			**(2,842)**			(1,319)
Adjusted	**25,219**	**16,645**	**10,715**	38,568	30,481	22,616
Weighted average number of total ordinary shares including dilutive impact (000's)			**59,400**			58,953
Adjusted diluted EPS (p)			**18.0**			38.4

Cashflow definitions	**FY24 Free cash flow £000**	**FY24 Adjusted free cash flow £000**	**FY23 Free cash flow** £000	**FY23 Adjusted free cash flow** £000
Net (decrease)/increase in cash and cash equivalents during the year	**(4,326)**	**(4,326)**	14,983	14,983
Add back dividends paid	**3,870**	**3,870**	3,609	3,609
Add back cash outflow in relation to acquisition of business	**2,494**	**2,494**	7,153	7,153

Change in bank loan	**(6,605)**	**(6,605)**	(15,226)	(15,226)
Add back; adjusting items	-	**84**	-	1,687
Free cashflow/Adjusted free cashflow	**(4,567)**	**(4,483)**	10,519	12,206

Definition of net debt	**FY24 Net debt**	**FY23 Net debt**
Cash and cash equivalents	**22,040**	26,787
Bank loan	**(35,101)**	(28,192)
RCF arrangement fee	**536**	99
Net debt	**(12,525)**	**(1,306)**

3. 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 at 28 August 2024. 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 £0.1 million 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 31 August 2024, Sheriff contributed revenue of £0.9 million and a profit before tax of £0.2 million to the Group. If the acquisition had occurred on 1 September 2023, management estimates that OutBoard's revenue would have been £1.4 million and profit before tax for the period would have been £0.3 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:

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

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.

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. 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.

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

In June 2024, the Group purchased 100% of the share capital of Innovate Audio Ltd for £217,000, net of cash of £17,000, this resulted in acquired intangible asset additions of developed technology of £200,000.

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.

4. REVENUE

An analysis of the Group's revenue by reportable segment and by location of customer is as follows:

	Year ended 31 August 2024				Year ended 31 August 2023			
	North America	**EMEA**	**Rest of World**	**Total**	North America	EMEA	Rest of World	Total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Focusrite	28,672	24,492	7,114	60,278	45,724	29,334	11,259	86,317
Novation	6,649	6,544	3,064	16,257	6,078	6,711	3,776	16,565
ADAM Audio	8,565	11,646	2,399	22,610	5,657	10,072	2,720	18,449
Sequential	4,737	4,172	73796	9,705	7,115	6,309	1,056	14,480
Sonnox	722	829	417	1,968	405	492	242	1,139
Content Creation	**49,345**	**47,683**	**13,790**	**110,818**	64,979	52,918	19,053	136,950
Audio Reproduction	11,397	19,236	17,073	47,706	12,684	16,601	12,230	41,515
Total	**60,742**	**66,919**	**30,863**	**158,524**	77,663	69,519	31,283	178,465

The amount of revenue sold to external customers in the UK was £11,759,000 (2023: £20,782,000).

5. BUSINESS SEGMENTS

Information reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance is focused on the main product groups which the Group sells. Similarly, the results of Novation and Ampify also meet the aggregation criteria set out in IFRS 8 Segmental Reporting. 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 or Ampify branded products
ADAM Audio - Sales of ADAM Audio branded products
Martin Audio - Sales of Martin Audio, Optimal Audio, Linea Research, panLab, Timax & OutBoard products
Sequential - Sales of Sequential branded products
Sonnox - Sales of Sonnox branded products

Segment revenues and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 of the Annual Report. Segment profit represents the profit earned by each segment without allocation of the share of central administration costs, including Directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Board of Directors 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 the expense relating to the share option scheme of £158,000 for the year ended 31 August 2024 (2023: credit of £282,000).

The following is an analysis of the Group's revenue and results by reportable segment:

	Year ended 31 August	
	2024	2023
	£'000	£'000
Revenue from external customers		
Focusrite	**60,278**	86,317
Novation	**16,257**	16,565
ADAM Audio	**22,610**	18,449
Sequential	**9,705**	14,480
Sonnox	**1,968**	1,139
Martin Audio	**47,706**	41,515
Total	**158,524**	178,465
Segment profit		
Focusrite	**22,481**	40,130
Novation	**7,654**	9,133
ADAM Audio	**11,217**	9,570
Sequential	**4,044**	6,705
Sonnox	**1,899**	1,125
Martin Audio	**23,198**	18,186
	70,493	84,849
Central distribution costs and administrative expenses	**(59,358)**	(58,819)
Adjusting items (note 7)	**(5,439)**	(1,687)
Operating profit	**5,696**	24,343
Finance income	**100**	770
Finance costs	**(3,292)**	(2,365)
Profit before tax	**2,504**	22,748
Tax	**104**	(4,951)
Profit after tax	**2,608**	17,797

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

	2024	**2023**
	£'000	**£'000**
Non-current assets		
North America	**8,014**	8,937
Europe, Middle East and Africa	**85,981**	86,725
Rest of the World	**26**	213
Total non-current assets	**94,021**	95,875
UK	**67,400**	68,867

Information about major customers

Included in revenues shown for FY24 is £29.8 million (FY23: £48.1 million) attributed to the Group's largest customer, which is located in North America.

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

		Year ended 31 August	
		2024	2023
	Note	**£000**	£000
Net foreign exchange losses		**241**	331
Loss on disposal of property, plant and equipment		**13**	187
Research and development costs		**2,241**	4,873
Depreciation and impairment of property, plant & equipment		**2,887**	2,677
Amortisation and impairment of intangibles	11	**14,030**	9,861
Impairment of goodwill		**2,523**	-
Cost of inventories within cost of sales		**74,147**	75,548
Staff costs		**27,341**	28,235
Movement in expected credit loss		**88**	(292)
Share based payments		**158**	(282)

7. ADJUSTING ITEMS

The following adjusting items have been disclosed in the period because they do not reflect the underlying business activities for the Group:

	Year ended 31 August	
	2024	2023
	£000	£000
Acquisition costs	**98**	367
Earnout accrual in relation to acquisitions	**-**	786
Restructuring	**(14)**	534
Adjusting items	**84**	1,687
[illegible]	[illegible]	

Impairment of goodwill and acquired intangible assets	**5,355**	-
Amortisation of acquired intangible assets	**5,510**	4,451
Total adjusting items for Adjusted EBITDA	**10,949**	6,138
Tax on adjusting items	**(2,842)**	(1,319)
Total adjusting items for Adjusted profit after tax	**8,107**	4,819

Acquisition costs in FY24 relate to the acquisition of Sheriff Technology Ltd in December 2023, and Sonnox in the prior year.

The impairment of goodwill and intangible assets relates to the write down of the goodwill and intangible assets in relation the Sequential CGU. The Sequential CGU comprises the Sequential and Oberheim brands, managed through one management and innovation team. Sequential was acquired in 2021 for £14.5 million, and the Oberheim brand was acquired in 2022 for £4.5 million. The assets of the CGU have a net book value pre impairment of £18.7m at the 31 August 2024 including £2.6 million of goodwill before the impact of any impairment charge.

Since the acquisitions, the broader Musical Instruments industry has suffered, impacted by both lower demand due to cost of living issues and a surplus of stock in the channel post COVID-19 impacting pricing across multiple categories. Sequential operates at the premium semi-professional end of the market, with products priced around 3,000 - 5,000 and as a result have been particularly hard hit by these issues with a reported revenue decline of 33.0% this year and 10.5% in FY23.

The Sequential team have managed this decline well, successfully relaunching the Oberheim brand with the award winning OBX8 synthesizer and introducing the lower cost Teo 5 synthesizer this year, with plans to further extend the lower price point range of both brands. This is expected to bring the brands back to growth, however given the lower base in FY24 and the time needed to bring these products to market, this has resulted in a lower overall cashflow going forward and a resulting impairment of £5.4 million. This impairment has been allocated to goodwill of £2.6 million and the remainder (£2.8 million) to acquired brands and intellectual property and research in development now in use.

Forecasts assumed the release of products in line with the existing product roadmap. A reasonable possible change could be a 6 month delay in the launch of these products, which would result in a further impairment of £2 million. Gross margins are assumed to improve marginally due to production efficiencies. A reasonable possible change would be an assumption that they remain flat due to increased promotional activity which would result in a further impairment of £2 million. The long term growth rate is assumed to be 2% based on IMF estimates. A reasonable possible change would be a drop of 0.5% which would result in a further impairment of £0.8 million. A reasonable possible change in the WACC would reduce the impairment charge.

This impairment was calculated using the Five Year Forecast, calculating a post tax cashflow and using a post tax WACC of 12.1%, with profits taxable in the US in California.

8. TAX

	Year ended 31 August	
	2024	2023
	£000	£000
Corporation tax charges		
Over provision in prior year	**(359)**	(309)
Current year	**3,014**	4,745
	2,655	4,436
Deferred taxation		
(Over)/under provision in prior year	**(140)**	249
Current year	**(2,619)**	266
	(104)	4,951

Corporation tax is calculated at 25% (2023: 21.5%) of the estimated taxable profit for the year. Taxation for the US and German subsidiaries are calculated at the rates prevailing in the respective jurisdiction.

The tax charge for each year can be reconciled to the profit per the income statement as follows:

	Year ended 31 August	
	2024	**2023**
	£000	**£000**
Current taxation		
Profit before tax on continuing operations	**2,504**	22,748

Tax at the UK corporation tax rate of 25% (2023: 21.5%)	**626**	4,894
Effects of:		
Expenses not deductible for tax purposes	**236**	480
Other differences	**200**	(26)
Rate changes	**(177)**	-
Additional UK tax reliefs	**(428)**	(642)
Prior period adjustment	**(499)**	(59)
Effect of change in standard rate of deferred tax	**-**	12
Impact of foreign tax rates	**(62)**	292
Tax (credit)/charge for the year	**(104)**	4,951

Expenses not deductible relate to the costs of acquisition and entertainment expenses.

Tax credited directly to equity

In addition to the amount charged to the income statement and other comprehensive income, the following amounts of tax have been recognised in equity:

	2024 £'000	2023 £'000
Share based payment deferred tax deduction	**84**	5
Share based payment current tax deduction	**-**	(123)
	84	(118)

The net corporation tax creditor is £1,796,000 (2023: £2,619,000).

9. DIVIDENDS

The following equity dividends have been paid or proposed for the period:

	Year to 31 August 2024	Year to 31 August 2023
Total dividend per qualifying ordinary share	**6.6p**	**6.6p**

During the year, the Company paid an interim dividend in respect of the year ended 31 August 2024 of 2.1 pence per share (FY23: 2.1 pence per share).

On 25 November 2024, the Directors proposed a final dividend of 4.5 pence per share (FY23: 4.5 pence per share) making a total of 6.6 pence per share for the year (FY23: 6.6 pence per share).

10 Earnings per share ('EPS')

The calculation of the basic and diluted EPS is based on the following data:

Earnings	**Year ended 31 August** **2024** **£'000**	 2023 £'000
Profit after tax	**2,608**	17,797
Adjusting items (note 2)	**10,949**	6,138
Tax on adjusting items (note 2)	**(2,842)**	(1,319)
Total underlying profit for adjusted EPS calculation	**10,715**	22,616

	Year ended 31 August **2024** **Number** **'000**	 2023 Number '000
Number of shares		
Weighted average number of ordinary shares	**58,612**	58,506
Effect of dilutive potential ordinary shares:		
Share option plans	**788**	447
Weighted average number of ordinary shares including dilutive impact	**59,400**	58,953
EPS	**Pence**	Pence
Basic EPS	**4.5**	30.4
Diluted EPS	**4.4**	30.2
Adjusted basic EPS	**18.3**	38.7
Adjusted diluted EPS	**18.0**	38.4

The Group presents basic and diluted 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.

At 31 August 2024, the total number of ordinary shares issued and fully paid was 59,211,639. This included 588,017 (FY23 624,173) shares held by the 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 of 59,211,639 (59,073,009) less the weighted average number of shares held by the EBT of 599,129 (FY23: 566,408). 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.

11 OTHER INTANGIBLE ASSETS

	Brands	Acquired- in use	Technology, products and patents: Internally generated - in use	Technology, products and patents: Internally generated and acquired - In development	Intellectual property, licences and trademarks
	£000	£000	£000	£000	£000
Cost					
At 31 August 2022	26,318	30,178	27,708	8,310	3,726
Additions: Acquired separately	-	-	-	-	1,706
Additions: Products developed during the year	-	-	2,514	6,085	-
Additions: Business combinations	400	4,700	-	450	-
Transfers	-	801	5,600	(6,261)	-
Disposals	-	-	(4,108)	-	-
Foreign exchange	(1,010)	(628)	(183)	(55)	(2)
At 31 August 2023	**25,708**	**35,051**	**31,531**	**8,529**	**5,430**
Additions: Acquired separately	**-**	**-**	**-**	**-**	**3,037**
Additions: Products developed during the year	**-**	**-**	**1,859**	**6,934**	**-**
Additions: Business combinations	**-**	**2,242**	**-**	**-**	**-**
Transfers	**-**	**-**	**8,306**	**(8,306)**	**-**
Disposals	**-**	**-**	**(2,446)**	**-**	**(55)**
Foreign exchange	**(468)**	**(135)**	**(207)**	**(54)**	**(11)**
At 31 August 2024	**25,240**	**37,158**	**39,043**	**7,103**	**8,401**
Amortisation					
At 31 August 2022	3,909	7,377	20,562	970	1,683
Charge for the year	1,885	3,536	4,824	-	342
Transfer	-	-	239	-	-
Eliminated on disposal	-	-	(4,081)	-	-
Reversal of amortisation	-	-	-	(970)	-
Foreign exchange	(196)	(116)	(22)	-	(1)
At 31 August 2023	**5,598**	**10,797**	**21,522**	**-**	**2,024**
Charge for the year	**1,888**	**3,622**	**4,988**	**-**	**470**
Impairment	**1,303**	**784**	**745**	**-**	**-**
Eliminated on disposal	**-**	**-**	**(2,411)**	**-**	**(15)**
Foreign exchange	**(158)**	**(67)**	**(33)**	**-**	**(5)**
At 31 August 2024	**8,633**	**15,136**	**24,811**	**-**	**2,474**
Carrying amount					
At 31 August 2024	16,607	22,022	14,232	7,103	5,927
At 31 August 2023	20,110	24,254	10,009	8,529	3,406
At 31 August 2022	22,409	22,801	7,146	7,340	2,043

END

FR ZZMZMFNVGDZG