TOUMAZ GROUP

2015 Half year results

Anthony Sethill, CEO

Jonathan Apps, CFO

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Headlines

- Frontier Silicon (Digital Audio) performing well
  - H1 revenues up 34% year on year
  - EBITDA positive since April
- Sensium Healthcare – Progress slower than expected
  - product is robust
  - focus on reference sites to deliver clinical and health economic evidence
  - Board reviewing options on how best to exploit SensiumVitals® and related IP
- Group expected to be cash generating from mid-2016 – no need for equity raise
  - Frontier Silicon trading well
  - Group R&D spend to decline
  - Healthcare options being reviewed
  - Group in advanced discussions to secure modest debt facility

Highlights (H1 2015)

Financials

- Revenues: £14.0m (H1 2014: £10.8m) up 30%
- EBITDA loss: £5.5m (H1 2014 loss: £5.6m)
- Cash: £5.5m (30 Jun 2015)

Digital Audio

- 4th generation digital radio chip shipping in volumes since Q1
- Connected audio revenues up 80% year on year
- In June, agreement to include Google Cast in next generation connected audio solution – due to ship mid-2016

Healthcare

- US distribution rights for SensiumVitals® regained (February)
- Enhancements to system robustness and usability completed (March)
- Two major NHS trials under way at St James's University Hospital Leeds and Queen Elizabeth Hospital Birmingham
- Commercial uptake slower than anticipated; focused on reference sites delivering clinical / healthcare economics data to prove system's benefits

First half 2015 Income statement

	2015 £m	2014 £m
Revenue	**14.0**	**10.8**
Cost of Sales	(7.7)	(6.2)
Gross margin	6.3	4.6
Research & development costs	(6.2)	(5.1)
Sales & administrative costs	(5.6)	(5.1)
EBITDA	**(5.5)**	**(5.6)**
Depreciation and amortisation	(1.6)	(1.5)
Other non trading costs	(3.2)	(0.4)
Loss for the period	(10.3)	(7.5)
Unit volumes shipped (m)	**2.6**	**1.8**

- Revenues up 30% (units up 44%)
- Gross margin up 40%
- R&D costs up 22% (on completion of Kino 4) – now set to decline across the Group
- Sales and administrative costs up 10%, due to full year impact of 2014 Healthcare recruitment in sales / sales support
- Other non-trading costs relate primarily to impairment of £3.0m against licensed IP due to move away from Danube connected audio IC development (non-cash item)

Balance sheet

£m	30 Jun 15	31 Dec 14	30 Jun 14
Non-current assets			
Goodwill	19.1	19.1	19.1
Other intangible assets	14.3	17.3	18.0
Property, plant and equipment	0.7	0.6	0.6
	34.1	**37.0**	**37.7**
Current assets			
Inventory	2.9	1.6	3.0
Tax receivable	-	1.5	1.7
Trade and other receivables	4.8	4.1	3.7
Cash and cash equivalents	5.5	12.5	13.2
	13.2	**19.7**	**21.6**
Total assets	**47.3**	**56.7**	**59.3**
Current liabilities			
Trade and other payables	**9.0**	**8.9**	**7.3**
Equity			
Share capital	4.3	4.2	4.1
Contingent consideration	-	-	0.1
Share premium	115.3	115.3	115.1
Share based payment reserve	4.0	3.3	2.9
Foreign exchange	(0.1)	(0.1)	(0.1)
Retained earnings	(85.2)	(74.9)	(70.1)
	38.3	**47.8**	**52.0**
Total equity and liabilities	**47.3**	**56.7**	**59.3**

- Cash position at end of June: £5.5m. Historically, cash burn is significantly higher in H1 than in H2.
- Group expects to secure debt facility in near future – no need for equity raise

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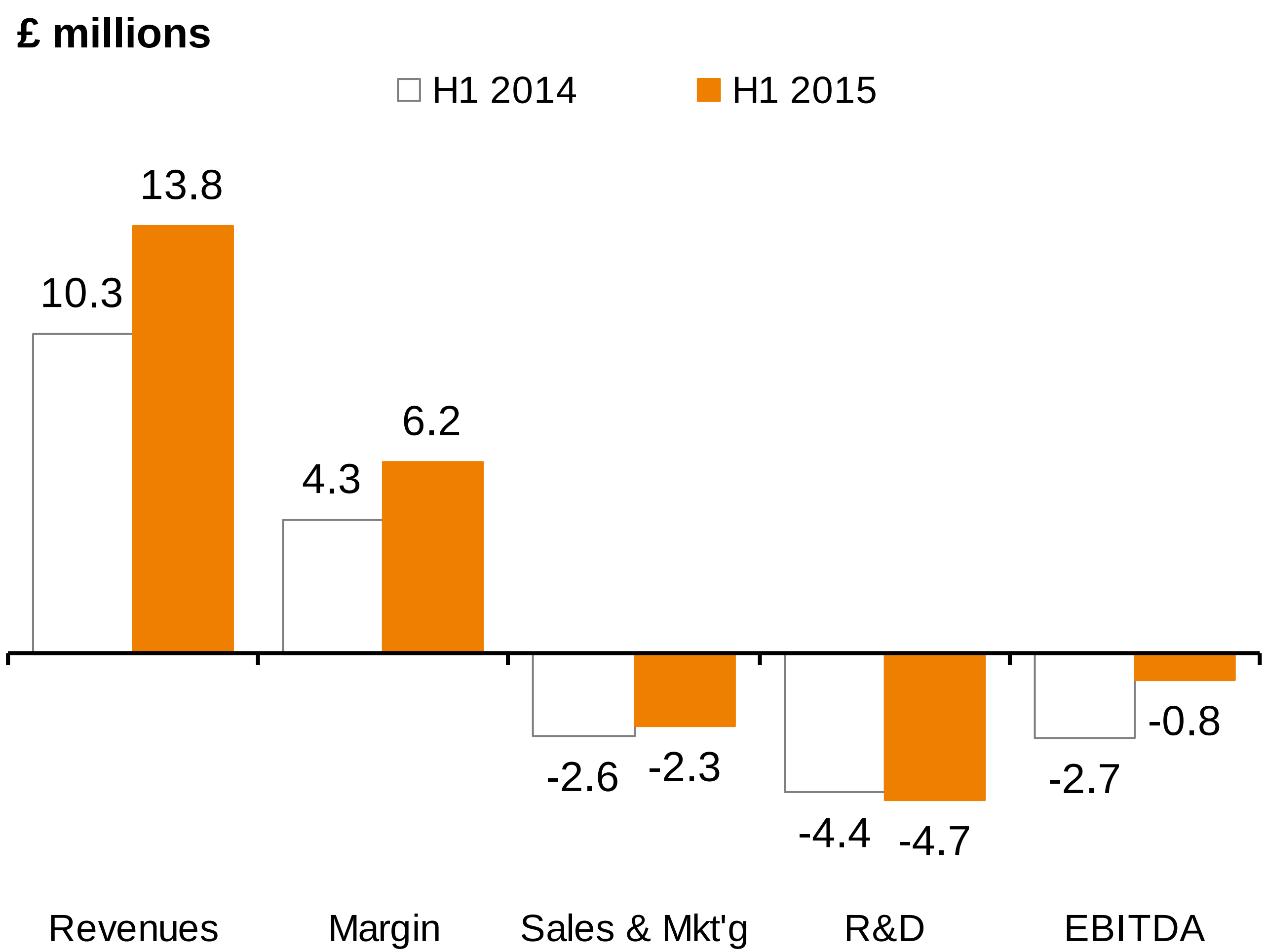
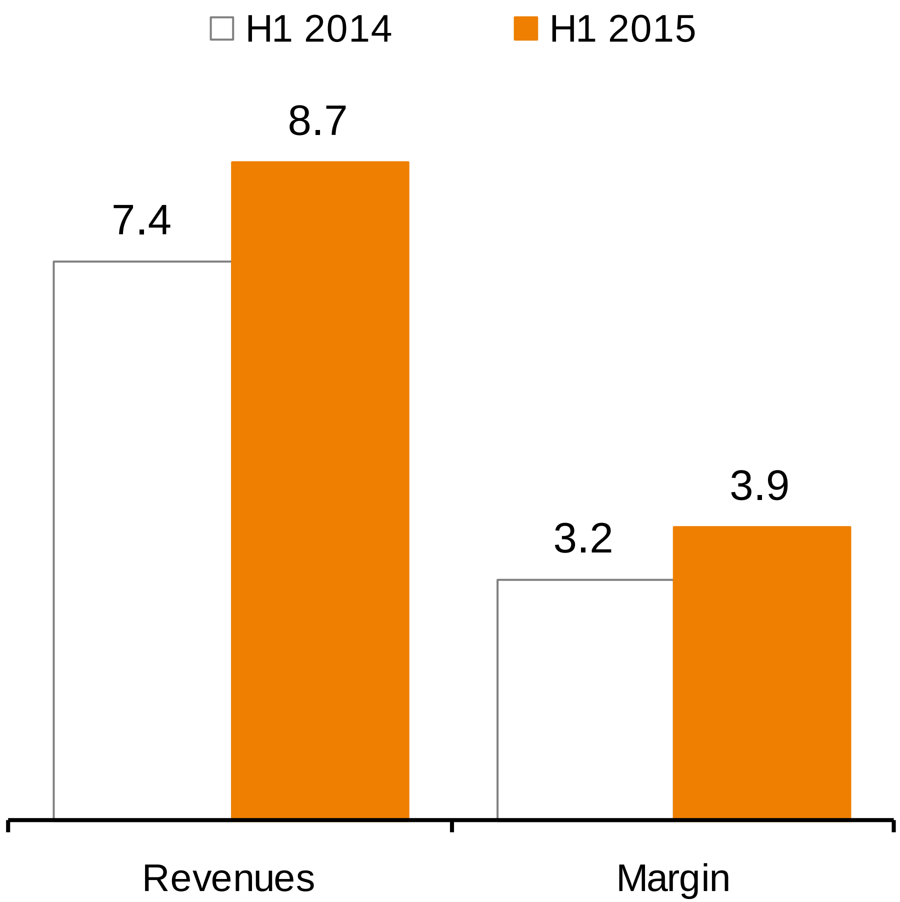
Frontier Silicon – financial summary – H1 financial summary



- Revenues (up 34%) and margin (up 44% in £) – driven by market growth, especially in connected audio
- R&D expenditure flat in first half – reduces in H2
- Business EBITDA positive since April

Digital radio H1 revenues up 17% year on year

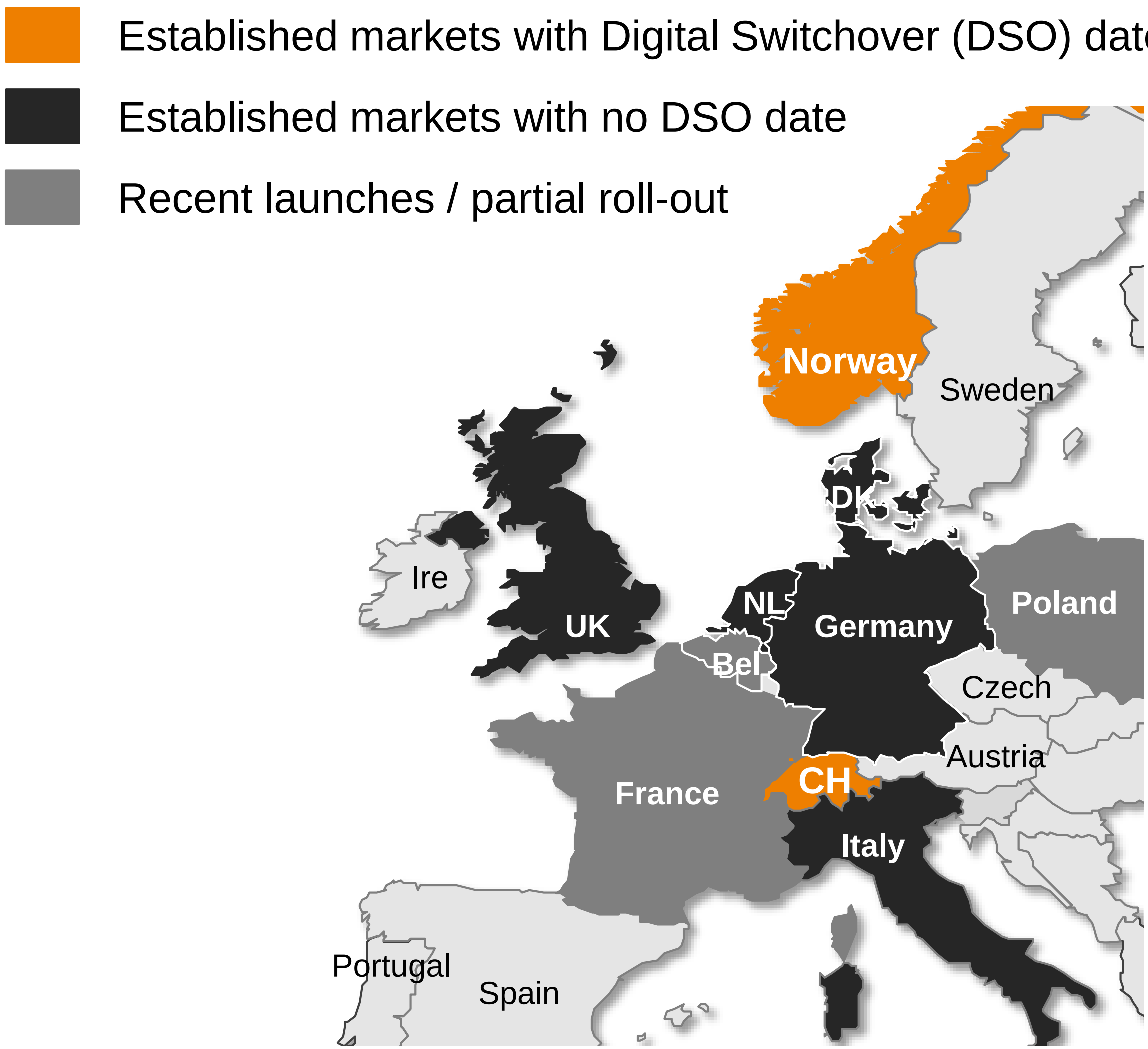
£ millions



- Revenues (up 17%) and margins (up 22%)
  - international market growth
  - retains over 80% market share[1]
  - margin improved from 43.2% to 44.8%
- 4th generation IC, Kino 4, commenced volume shipments in Q1
- Strategic focus
  - retain leadership position / optimise margin
  - support market development
  - exploit new opportunities

(1) DAB / DAB+ domestic and automotive aftermarket devices

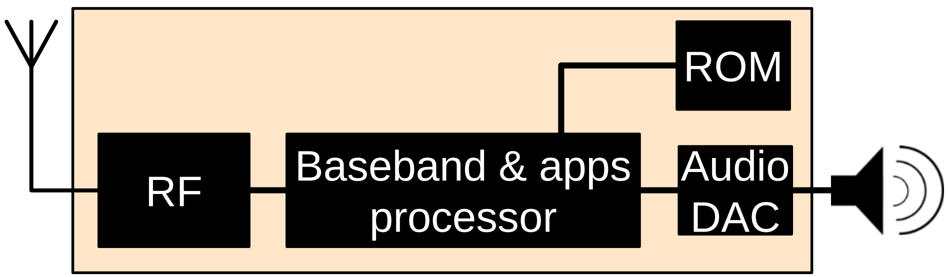
Digital radio making strong progress in Europe



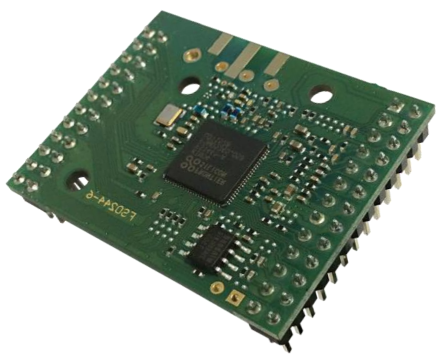
- Seven established markets – global volumes growing at ~20%
- First DSO announcements:
  - Norway (2017)
  - Switzerland (2020-24)
- German market volumes growing strongly: H1 up 50% year on year
- France: key emerging market

Kino 4 development completed – shipping in volumes

Kino 4 – "4th generation digital radio chip"



Verona 2 module[1] (based on Kino 4 chip)



- Core development completed March 2015
  - continuing programme of incremental development, e.g. low cost colour screens[2]
- Market acceptance very positive
  - Kino 4 based products on shelves this year from Sony, Denon, Pure, Pioneer and Yamaha
  - customer base will transition new models to Kino 4 in 2016
- No major IC development expected in next three years; R&D expenditure minimised

(1) Verona 2 module comprises the Kino 4 chip and successive versions of software
(2) Launched at IFA consumer electronics show in Berlin (Sept 2015)

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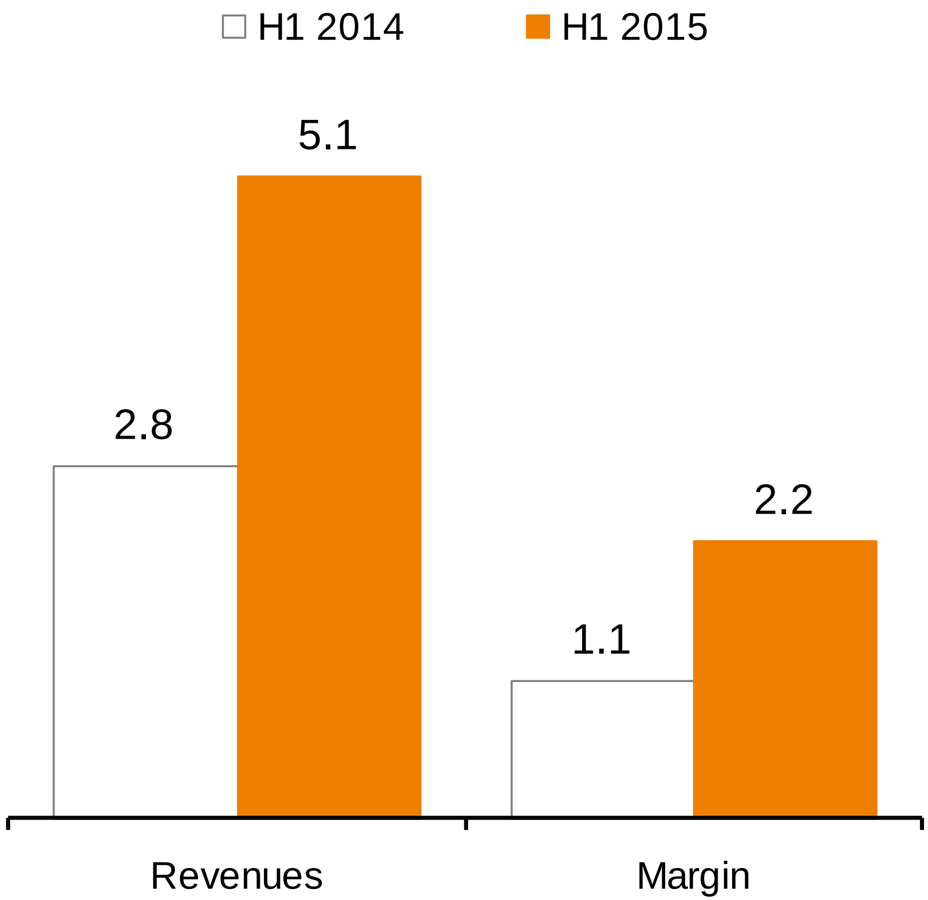
Connected audio H1 revenues up 80%

£ millions

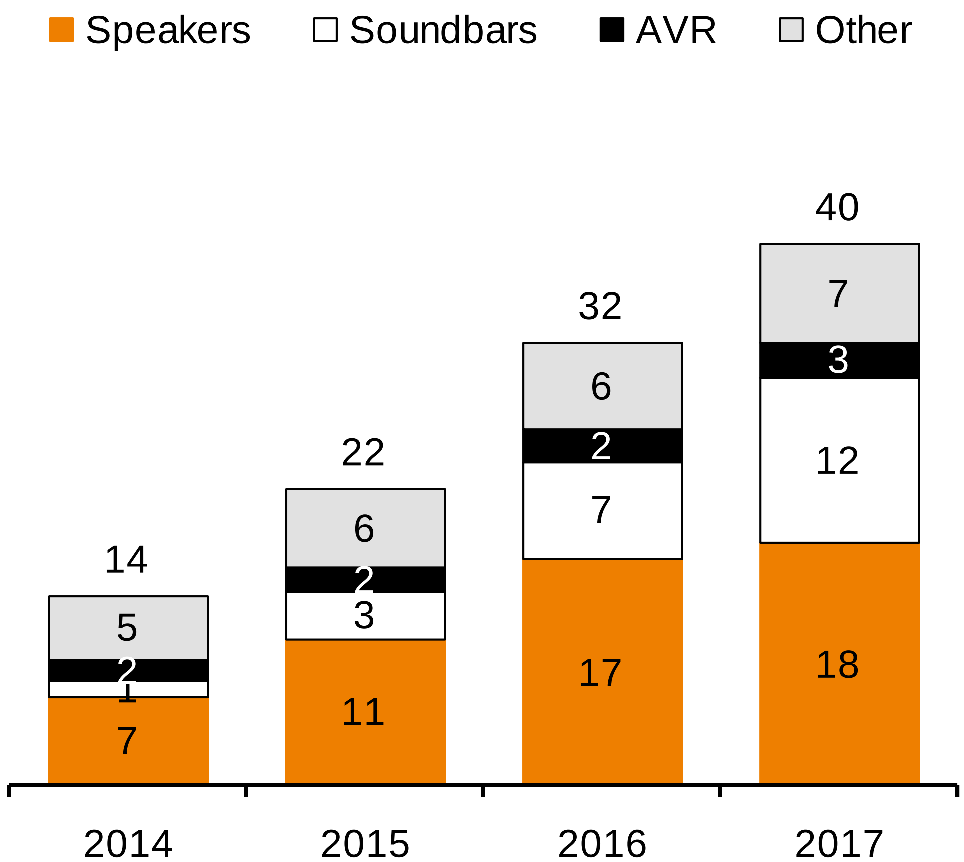


- 80% increase in connected audio revenues:
  - volume growth in line with market
  - higher ASPs due to richer functionality now offered by Venice 6.5 solution
- Margin growth boosted by higher ASPs
- Competitive position strengthened on back of
  - Spotify relationship
  - new functionality, e.g. hybrid radio (combining DAB and Internet radio), multi-room and new smartphone apps

(1) Source: Futuresource (May 15), Frontier Silicon analysis; 'Other' includes Internet radios

Connected audio market expected to grow rapidly

Wi-Fi connected audio volumes[1], m



- Drivers of growth
  - Wi-Fi penetration – over 80% in Europe[2]
  - growing category awareness, e.g. Sonos, followed by Apple, Google, Amazon
  - falling costs of technology
  - integration of smart home / IOT services to traditional audio (e.g. Echo, Dingdong)
- Key sectors are wireless speakers – and the emerging soundbar market

(1) Source: Futuresource (May 15), Frontier Silicon analysis (2) Source: Strategy Analytics (Nov 2014)

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Frontier well positioned to address opportunity

Goal

- To be leading provider of turnkey solutions in connected audio

Frontier strengths

- Established position in DAB and Internet Radio
- Software and system capability – developed over ten years

Key success factors

- Relationships with market makers, e.g. Spotify, Apple and Google
- Competitive functionality and pricing
- Solutions for range of price segments

Frontier products

- Current solution, Venice 6.5, offers Spotify and Apple, but not Google Cast
- Next generation solution will add Google Cast (as announced in June)

Connected audio strategy

New solutions

- Develop two platforms sequentially – for mid / high end and entry level segments
- Google Cast included in mid / high end solution

New silicon

- To maximise profitability / reduce cash burn, shifting silicon strategy from in-house to 3rd party
  - shortens time to market
  - reduces future R&D costs
  - Supports both Google Cast and entry level solutions

Impact

- New platform expected to ship mid-2016
- Writing off £3.0m of capitalised IP costs (non-cash)
- New platform's functionality will extend beyond home audio into broader connected home applications (IoT)

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Highlights

Product development

- Following trials in 2014, we embarked on programme to enhance product robustness and usability
- Completed in March

Territories

- In February, regained North American distribution rights
- Four key territories: UK, France, Germany and US
- Focus on key reference sites

NHS trials

- Two major trials started in July
  - Queen Elizabeth Hospital, Birmingham
  - St James's University Hospital, Leeds
- Designed to deliver evidence of the system's benefits – proceeding to plan; both trials have strong KOL sponsors

Commercial strategy

Background

- Commercialisation slower than anticipated
- Over 20 hospitals started trials in last 18 months - important learning experience, e.g.
  - identified / fixed bugs
  - better understanding of requirements for nurse training / support
- Key learnings from early trials are the need for:
  - KOL sponsorship
  - full integration of SensiumVitals® into hospital's IT systems
  - well trained nursing teams
  - defined clinical protocols

Commercial strategy

- Primary focus is on securing academic-based trials in leading hospitals
  - delivering clinical and health economic data which demonstrate the efficacy of the system (data to be published in peer-reviewed media)
  - acting as reference sites for other hospitals
- Prioritising UK, France, Germany and US – with direct sales team and distributors (total business development resource of 30)
- Expect to have published data in 2016
- First two major NHS trials under way

Two trials under way – in leading NHS teaching hospitals

	Queen Elizabeth Hospital, Birmingham[1]	St James's University Hospital, Leeds[2]
Wards	• Gastro-intestinal and liver	• Two colorectal wards
Scale of trial	• 100 patients (one group) – results compared to historic data	• 300 patients: two groups of 150: with / without patches
Timings	• Complete by end March 16	• Complete by end March 16
Progress	• Phase 1 (usability) completed • Phase 2 to start October	• 70 patients: 25 patched; 45 non-patched
Initial feedback	• Expanding to two more wards: broken neck of femur, general surgery (at request of clinicians) • Using as showcase for other hospitals	• Case studies ranging from high temperature (paracetamol) to pulmonary embolism • Patient feedback positive • Interest in extending to other wards • Interest in home (post-discharge) trial

(1) Funded by QEHB Charity (2) Funded by National Institute for Health Research

Product development plans have been revised

- R&D expenditure focused on
  - improving user experience and accelerating short term adoption
  - ensuring Group remains within current cash constraints
- Outputs to include: easier installation, more intuitive user interface, greater interoperability with existing hospital EMR systems, automated data collection
- Development work on SpO2 and NiBP has been deprioritised
  - non-critical to securing adoption of the system
  - can be easily restarted; may benefit from experience of field trials
- Continuing background design work on next generation silicon
  - proprietary silicon seen as key source of competitive advantage

Prospects

International pipeline

- Initial feedback from NHS trials encouraging – expect to publish peer-reviewed studies in 2016
- Pursuing similar trials in Germany, France and US

Competitive landscape

- Only SensiumVitals® combines low power (five day life) and roaming capability
- Little evidence of competitor activity in the field

Corporate strategy

- Assessing options to ensure potential value of SensiumVitals is realised

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Progress against objectives set 12 months ago - Frontier

Business	Previous goals for 2014/15	Progress
Digital Radio	• Maintain market share • Successful launch of next generation chip to drive market growth and improve margins	• Strong sales performance – share maintained • Kino 4 now shipping in volumes
Connected Audio	• Drive sales of current solution (through 2014/15) • Launch next generation silicon with Tier 1 global brands (H2 15)	• Sales up 80% in H1 15 • Switching to 3rd party silicon to support both Google Cast & low cost solutions • Launch delayed to mid-2016

Progress against objectives set 12 months ago

Business	Previous goals for 2014/15	Progress
Healthcare	• Create effective global sales and marketing platform • Successful engagement with early adopters	• System is robust; regained US rights • Commercial progress slower than expected • Focused on securing quantitative data
Financial	• Cash-flow positive in H2 2015 • Significant revenue growth over next three years • Improve gross margins	• Cash-flow break-even expected mid-2016 • Strong Digital Audio performance, but Healthcare slower than forecast • Debt facility expected to add resilience

Conclusions

- Frontier Silicon (Digital Audio) performing well
  - H1 revenues up 34% year on year
  - EBITDA positive since April
- Sensium Healthcare – Progress slower than expected
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Thank You

Contact:

anthony.sethill@toumaz.com (CEO)

jonathan.apps@toumaz.com (CFO)