

1H21 RESULTS

22 February 2021

Aidan Williams – Chief Executive Officer
Rob Goss – Chief Financial Officer

Authorisation: This document was approved by the Board of Audinate Group Limited

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Overview of Audinate today

World-leading supplier of digital media networking for the Professional AV industry

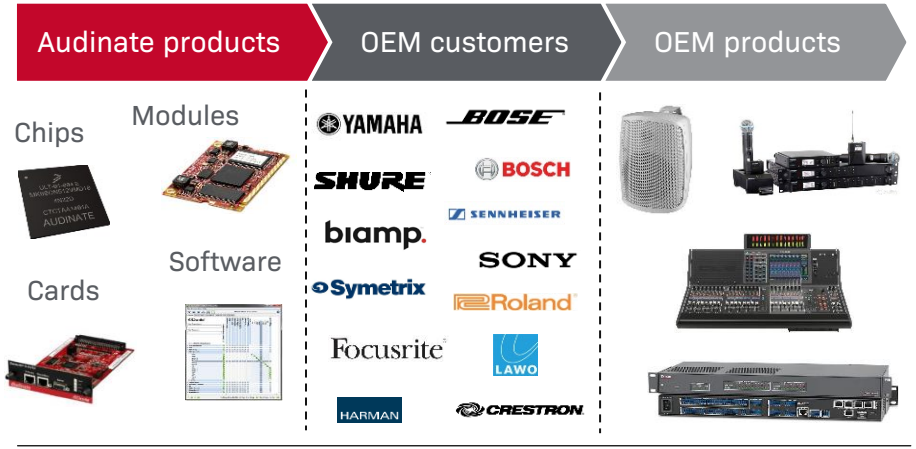
Growing network effect of Dante-enabled products in market – now **3,008**



Products

Dante comprises software and hardware that resides inside the audio and video products of Audinate's Original Equipment Manufacturer (OEM) customers

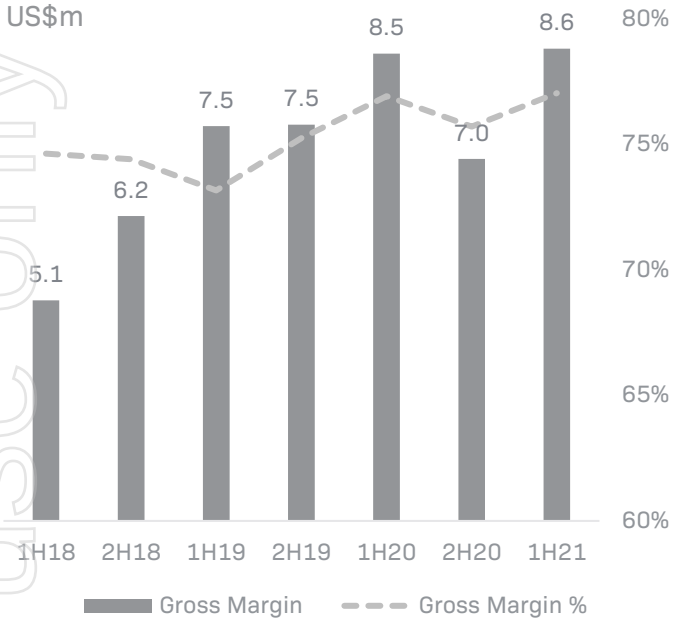
[For further information on Dante: https://www.audinate.com/meet-dante/what-is-dante]



ASX Listed on the Australian Stock Exchange (ASX:AD8) in June 2017

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Audinate returns to pre-COVID levels in 1H21



Financial Highlights

- **US$ revenue growth** of 19% from 2H20
- **US$ gross margin growth** of 23% from 2H20
- **76.9% gross margin**, up from 75.9% in 2H20
- **A$1.8m EBITDA**, consistent with pcp
- **A$3.2m operating cash flow**, consistent with pcp

Operational Highlights

- **OEM product growth** of 27% to 3,008 (pcp)
- **51 design wins**, a new record
- **Growth in Dante software units** of 61% to 158k (pcp)
- **360 OEMs shipping products,** up 23% (pcp)
- **Bluetooth & USB-C AVIO Adapters launched**

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Delivering on medium-term priorities

In August 2019 when Aidan Williams commenced as CEO the following medium-term priorities were set and published for the business.

Medium-term Priorities	Achievements
Investing to double Audinate's engineering and R&D functions over the next two years	• Recruitment of Cambridge team put the business on track for 75% achievement at year end. Full achievement likely pushed back by six months post COVID hiring freeze
Putting in place the business infrastructure platform to support long term growth	• New merchant of record payment infrastructure implemented 1H21 • Billing platform and Information Security Framework to be completed in FY21
Developing next generation Dante audio and video software implementations	• Audio largely complete with DEP and IP Core generating material royalties • Video software a priority for the new Cambridge team
Making Dante video the technology of choice for OEMs	• Release of first OEM Dante video products expected in FY21 • Ongoing progress with further design wins in 1H21 & growing pipeline
Expanding Total Addressable Market with the addition of video & software products	• New Bluetooth & USB C AVIO adaptors released in 1H21 • Encouraging signs that COVID has accelerated transition to networked audio in a number of segments

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Audinate response to COVID-19

Recap on 2H20 Response

- Additional contract manufacturing established in Malaysia just prior to outbreak
- Q4 US$ revenue ↓25%
- Qualified for JobKeeper in May – circa $0.2m per month
- Prudent response measures undertaken

  - Downsized headcount and paused near-term recruitment

  - FY20 cash bonuses forfeited and pay freeze implemented
- Ramped up webinars (77) and certification training (40k people)
- Record growth in products & all operational metrics

1H21 Strong Recovery

- $40m capital raise completed in July & August
- Revenue returns to pre-COVID levels
- Hiring for growth restored
- Cambridge team recruited & other opportunities emerge
- Growing pressure on global chip supplies as demand surges across many industries
- Move to subscription pricing drives a record 51 design wins
- Higher education & corporate conferencing markets experience tailwinds but live sound remains challenging
- Financial metrics restored to pre COVID levels & record levels achieved in operational metrics

"We remain prudently focused on delivering our medium-term strategic priorities whilst positioning Audinate to capitalise on economic recovery when it occurs" ***CEO Aidan Williams (20th August 2020)***

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Leading global supplier of digital media networking

Highlights

>A$1bn Total addressable market(1)

360 OEM brands shipping Dante enabled products

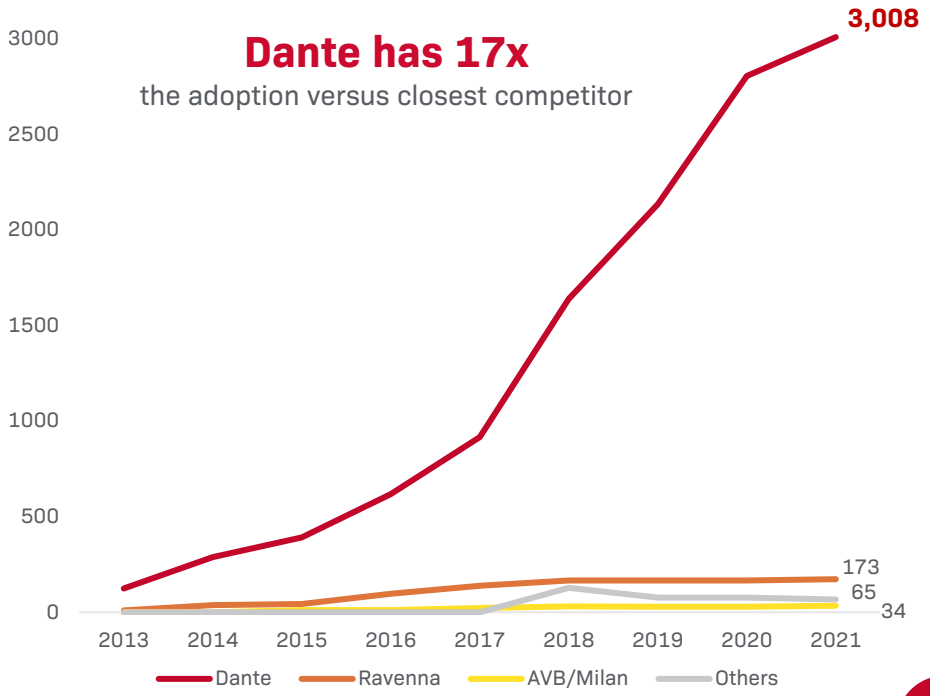
3,008 Dante enabled products available on the market

17x Market adoption of closest competitor

17,000 Professionals trained on Dante in 1H21

1) Management estimate of total addressable market of audio, video and Pro-AV software products

Total audio products per protocol



1) RH Consulting, Networked Audio Products 2021 and Audinate company data
2) RH Consulting stopped counting Cobranet products in 2020 and noted that it is impossible to get reliable data on available products, with only a small number of manufacturers selling some equipment

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New Cambridge team to accelerate Dante video

Acceleration of existing video strategy

- Video development team of 11 staff recruited in Cambridge, more to come
- Team leaders were known to Audinate and have pre-existing relationships
- Unique opportunity to put a senior team in place with > 165 years of video expertise
- Initial focus Dante video software implementation
- Dedicated business development resource recruited
- 1H21 cost $1.3m - $1.5m (opex & capex)
- Office to open in Cambridge

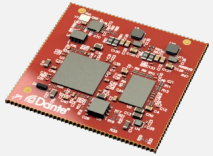


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Three OEM Dante Video products to be released

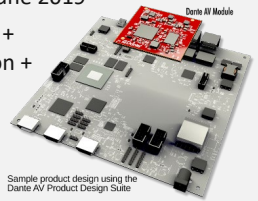
Dante AV Module

- "AV-over-IP" *networking module*, OEM business model
- V+A+Network (1 video + 8 audio)
- Commercial launch June 2019
- First design win July 2019
- OEM products expected on the market FY21



Dante AV Product Design Suite

- Full HDMI-over-IP *product design*
- Accelerate OEM time to market & enable ODM business model
- Launched June 2019
- AV Module + Compression + HDMI + HDCP + USB + …

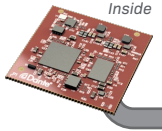


Sample product design using the Dante AV Product Design Suite

"We are excited about all the new possibilities Audinate's new Dante AV Module opens for developing the sort of products the pro-AV market craves," Buddy Oliver, VP product Management at Patton



FiberPlex FPX6000R AVoIP Gateway from Patton





- **Three OEM Dante video products announced**: PTZ Camera, AVoIP Gateway & Network AV Decoder
- Products expected to ship in FY21
- Enables all-Dante A&V systems to be deployed
- Dante video software implementation represents next product iteration
- More background & videos on Dante video: https://www.audinate.com/products/manufacturer-products/dante-av-video



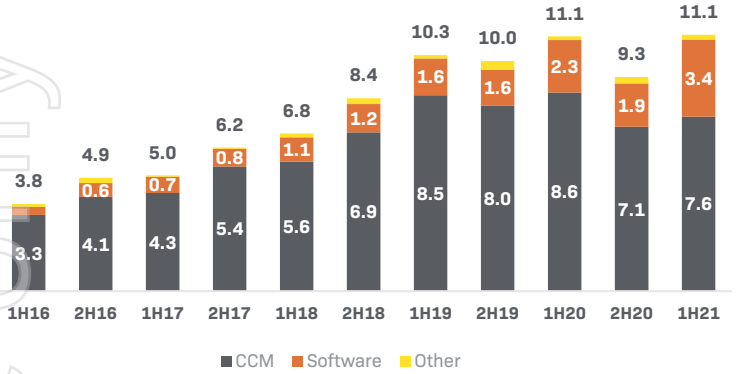


FINANCIAL PERFORMANCE

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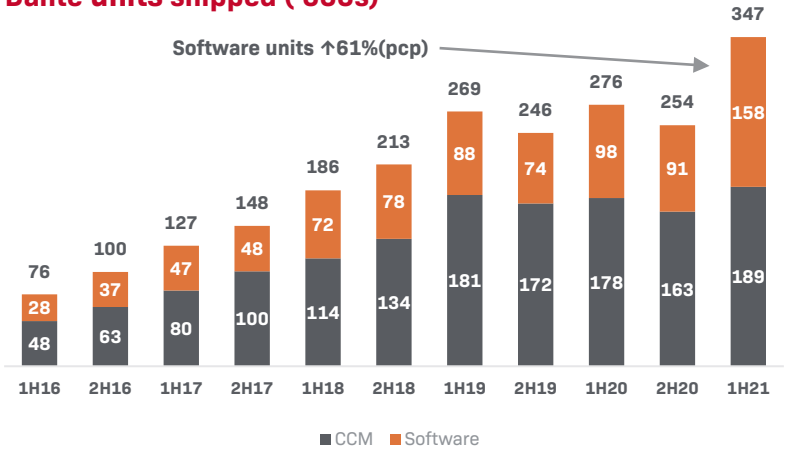
Increased software sales drives growth in units shipped

Revenue (US$M)



- US$ Revenue growth of >19% from 2H20 with GP margin growing from 75% historically to > 77% due to software growth
- Chips, cards & modules (CCM) includes AVIO adapters
- Software includes royalties, retail software, Dante Embedded Platform, Dante Application Library, Dante Domain Manger (DDM) & IP core
- Audinate invoices customers & pays COGs in USD

Dante units shipped ('000s)



- Software revenue growth driven by royalties including DEP & IP Core (>50%) & to a lesser degree retail software sales (40%) and DDM (>50%)
- Significant growth in AVIO adapters (>50%) and good performance from Broadway (>50%) & Ultimo (28%) have partially offset COVID impacted Brooklyn sales
- Trends in units shipped broadly consistent with sales trends

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Income statement

- Revenue flat in US$ – decline driven by currency impacts
- Gross margin remained consistent at 77%
- Employee expenses was consistent with prior year with headcount increasing from 106 to 116, offset by the prior CEO exit costs ($0.6m) incurred in 1H20
- Operating expenses decreased due to savings on travel, trade shows and currency impacts
- Depreciation and amortisation increase due to increasing development costs capitalised reflecting expansion of the engineering team
- Income tax expense includes write-off of Australian tax losses

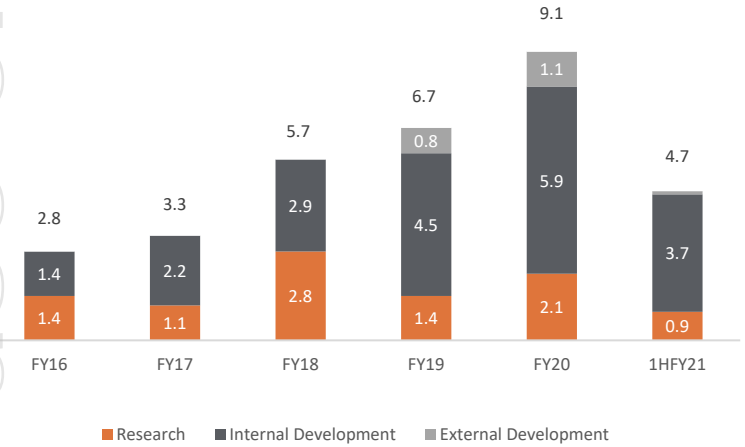
(AU$'000s)	1H21	1H20	Change
Revenue	15,372	16,147	(5%)
Gross margin	**11,825**	**12,453**	**(5%)**
Gross margin %	76.9%	77.1%	
Employee expenses	(7,831)	(7,803)	-
Sales & marketing expenses	(849)	(1,287)	34%
Other operating expenses	(1,307)	(1,490)	12%
Operating expenses	**(9,987)**	**(10,580)**	**6%**
EBITDA	**1,838**	**1,873**	**(2%)**
Depreciation & amortisation	(3,095)	(1,877)	(65%)
Government grants	828	-	N/A
Foreign currency loss	(535)	(1)	N/A
Finance costs	(55)	(60)	8%
Interest income	145	194	(25%)
Profit/(Loss) before tax	**(874)**	**129**	
Income tax (expense)/benefit	(335)	212	
Profit	**(1,209)**	**341**	

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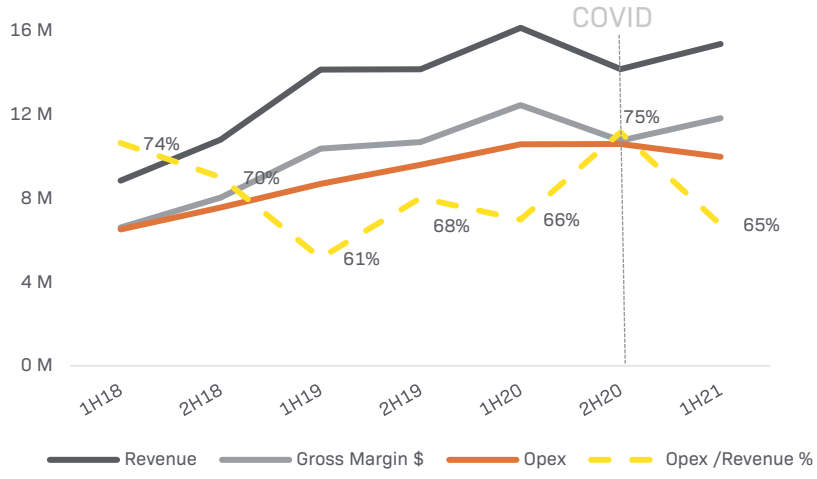
Operating leverage supports increasing investment in R&D

- Operating leverage in the cost base is once again evident as additional revenue drives EBITDA
- Business growth and the recent capital raise allows continued investment
- Ongoing focus on innovation and R&D to maximise future growth opportunities

Research & Development (A$M)



Revenue, cost trends (AUD)



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Cash-flow statement

- Operating cash receipts & payments are consistent with the income statement and movement in working capital
- Government grants relate to COVID, mainly JobKeeper
- EBITDA converts to cash – Cash Conversion Ratio of >100%
- Payments for intangibles primarily represent internal employment and overhead expenses capitalised to development costs. Prior period included $0.7m of external spend
- $27m of excess cash in Term Deposits does not meet the definition of cash and is therefore disclosed as an investing activity
- Financing activities includes $40m from 1H21 capital raise. Prior period distorted by cash in transit from sale of ex-CEO shares $3m

(AU$'000s)	1H21	1H20	Change
Receipts from customers	14,918	16,367	(9%)
Payments to suppliers & employees	(12,473)	(13,581)	(8%)
Interest received	127	121	5%
Interest & finance costs paid	(55)	(60)	(8%)
Government grants	1,048	0	N/A
Income taxes (paid) / refunded	(325)	48	(>100%)
Operating Activities	**3,240**	**2,895**	**12%**
Payments for PP&E	(269)	(686)	(61%)
Payments for intangibles	(3,791)	(3,854)	(2%)
Payments for term deposits	(27,000)	(444)	>100%
Investing Activities	**(31,060)**	**(4,984)**	**>100%**
Proceeds from issue of shares	40,028	4,041	>100%
Share issue transaction costs	(1,254)	(294)	>100%
Repayment of lease liabilities	(307)	(339)	(9%)
Sale of employee shares	0	2,986	(100%)
Financing Activities	**38,467**	**6,394**	**502%**
Net increase in cash	**10,647**	**4,305**	**147%**

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Balance sheet

- Cash and term deposits of $66.3m
- Trade debtors up $0.8m consistent with the improved sales performance
- Inventory balance more than 6x turns as demand for CCM products has increased
- Intangibles primarily represent internal development costs capitalised, includes $3.7m of development costs in 1H21
- Contributed capital includes $40m proceeds from 1H21 capital raise
- Accumulated losses substantially due to fair value of preference shares at IPO

(AU$'000s)	31 Dec 20	30 Jun 20	Change ($)
Cash	39,326	29,286	10,040
Term deposits	27,000	-	27,000
Trade and other receivables	2,692	1,849	843
Inventories	1,190	1,645	(455)
Property, plant and equipment	1,466	1,455	11
Right-of-use assets	2,228	2,481	(253)
Intangibles	13,235	12,050	1,185
Tax assets	152	100	52
Other current & non-current assets	1,405	1,437	(32)
Total assets	**88,694**	**50,303**	**38,391**
Trade and other payables	2,821	3,034	(213)
Other current & non-current liabilities	200	220	(20)
Contract liabilities	426	512	(86)
Income tax payable	-	258	(258)
Employee benefits & other provisions	2,429	1,724	705
Lease liabilities	2,379	2,588	(209)
Total liabilities	**8,255**	**8,336**	**(81)**
Net assets	**80,439**	**41,967**	**38,472**
Contributed capital	126,943	87,526	39,417
Reserves	1,617	1,353	264
Accumulated losses	(48,121)	(46,912)	(1,209)
Total equity	**80,439**	**41,967**	**38,472**

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OUTLOOK

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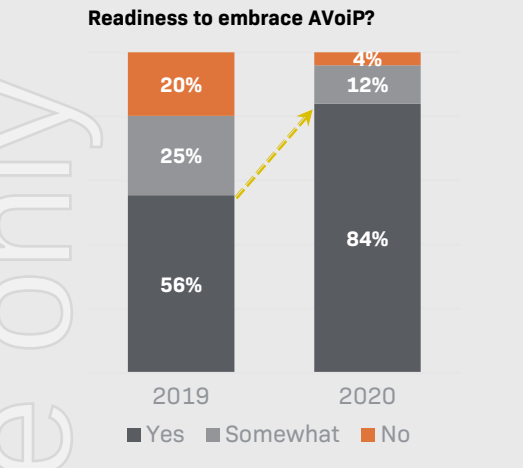
Ongoing focus areas

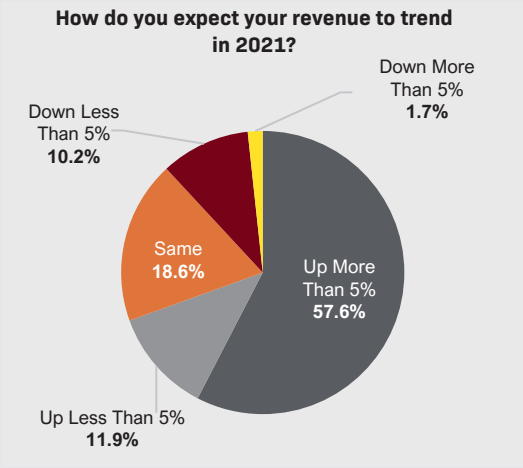
FY21 Objectives	Actions
Drive designs wins during economic downturn & prime the pump for economic recovery	• New products and subscription pricing model expected to drive more design wins off the back of a record in 1H21 (#51) • Release of OEM Dante video products in 2H21 will also drive wins
Broaden Dante video product offerings	• Activity to ramp up with new Cambridge team • Software is the next priority
Validate new business models	• In-field activation is an ongoing focus • R&D team mid-stream on other product initiatives
Expand training offerings to include Dante video and a wider range of languages	• Complete – revamped training released in multiple languages • Renewed training push in 2H21 mindful of “Zoom fatigue”
Build business systems & development capability	• New merchant of record payment infrastructure implemented 1H21 • Billing platform and Information Security Framework are next
Explore M&A opportunities to accelerate growth	• Potential to supplement Cambridge team to build out video business • Dedicated resource for range of corporate development opportunities
Drive short term revenue opportunities	• Strong demand has enabled a modest price increase for adaptors • Further product and pricing initiatives under consideration in 2H21
Manage total net cash expenditure	• Capital raise plus better than expected 1H21 performance allows for continued investing for growth in 2H21

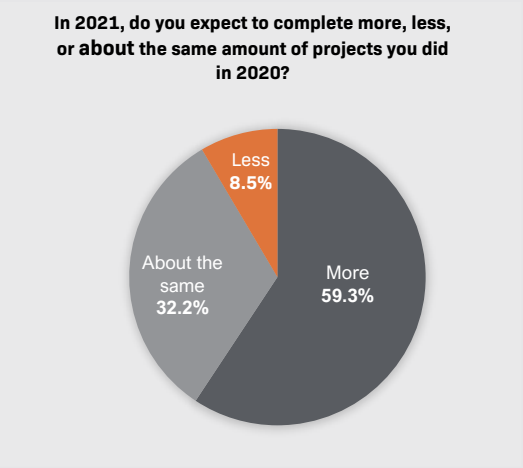
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Improved outlook for industry adoption

50% increase in propensity to adopt AV over IP







- *System integrators* are a key part of the AV industry - designing, specifying and installing AV systems for end-users
- Industry surveys show an *increasing propensity to adopt* AVoIP and *more positive business sentiment* for CY21
- Encouraging signs that COVID has accelerated transition to networked audio

Source: Commercial Integrator Magazine, August 2019, September 2020 & January 2021

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Improved outlook as confidence returns

Audinate: Pioneering the future of AV

- Confidence returning amongst OEMs, system integrators and end-users resulting in an improved overall industry outlook for CY21
- COVID related risks remain (including to global supply chains), abating with vaccine roll-out
- Good trading conditions have continued into the beginning of 2H21, albeit that we expect Brooklyn revenue to continue to be impacted by the downturn in live events and live sound
- Accelerated investing for growth, sees a target of headcount of >140 staff (inclusive of Cambridge) by the end of FY21 and a resulting increase in operating costs of between $2m - $3m in the second half
- Further trading updates will continue to be provided throughout FY21 given the nature of the trading environment



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Investment highlights

Global Market Leader

- Dominant position as de-facto standard in audio networking
- **17x** market adoption of its closest competitor

Attractive Financial Profile

- Gross margins **>75%** supported by strong IP
- Consistent historical revenue growth from repeat orders
- **$66m** cash & equivalents

Innovative Products

- Broad intellectual property portfolio developed in Australia
- Extensive investment in R&D

Large Market Opportunity

- AV just starting digital networking conversion
- Audinate is just entering a fragmented video market
- Balance sheet capacity for strategic M&A

Strong Customer Base

- Existing customer base of leading global AV companies
- Customer base is broad and expanding

Experienced Management

- Strong executive team with extensive industry experience
- Built Audinate into a market leadership position

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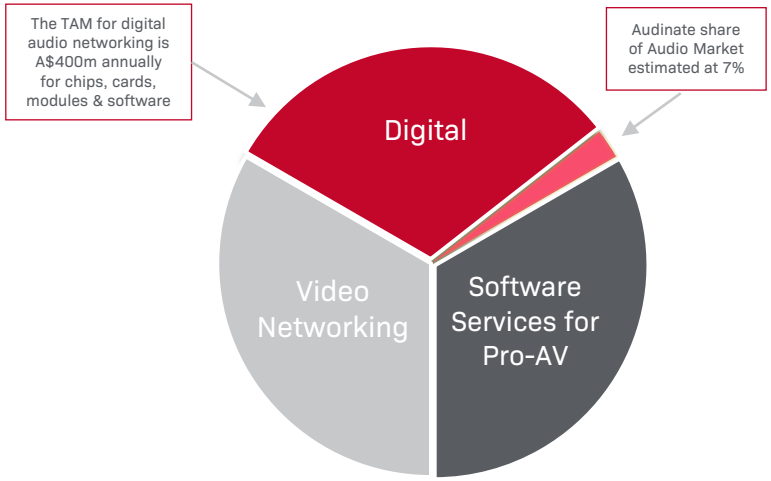
Appendices

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Audinate is driving the transformation of the AV industry

- Networked digital connectivity is replacing traditional, point-to-point analogue cabling in the AV industry
- Software-based AV systems are replacing hardware AV systems, in the next wave of industry transformation
- Transformation analogous to the impact of VOIP on the telecom industry

Audinate Total Addressable Market ('TAM')*



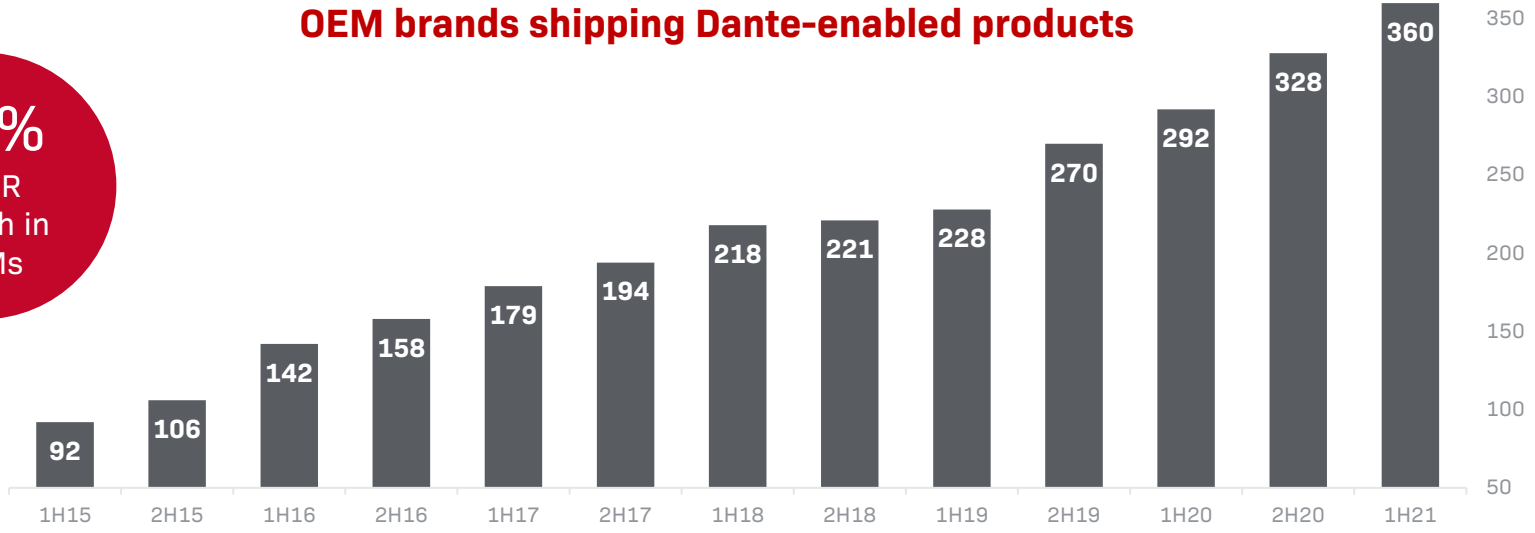
** Management estimate total addressable market exceeds A$1bn*

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Accelerating OEM adoption: pipeline for growth

26%
CAGR growth in OEMs

OEM brands shipping Dante-enabled products



Note: per financial year

Audinate has grown to 518 OEM brands

360 OEM brands have announced products in the market

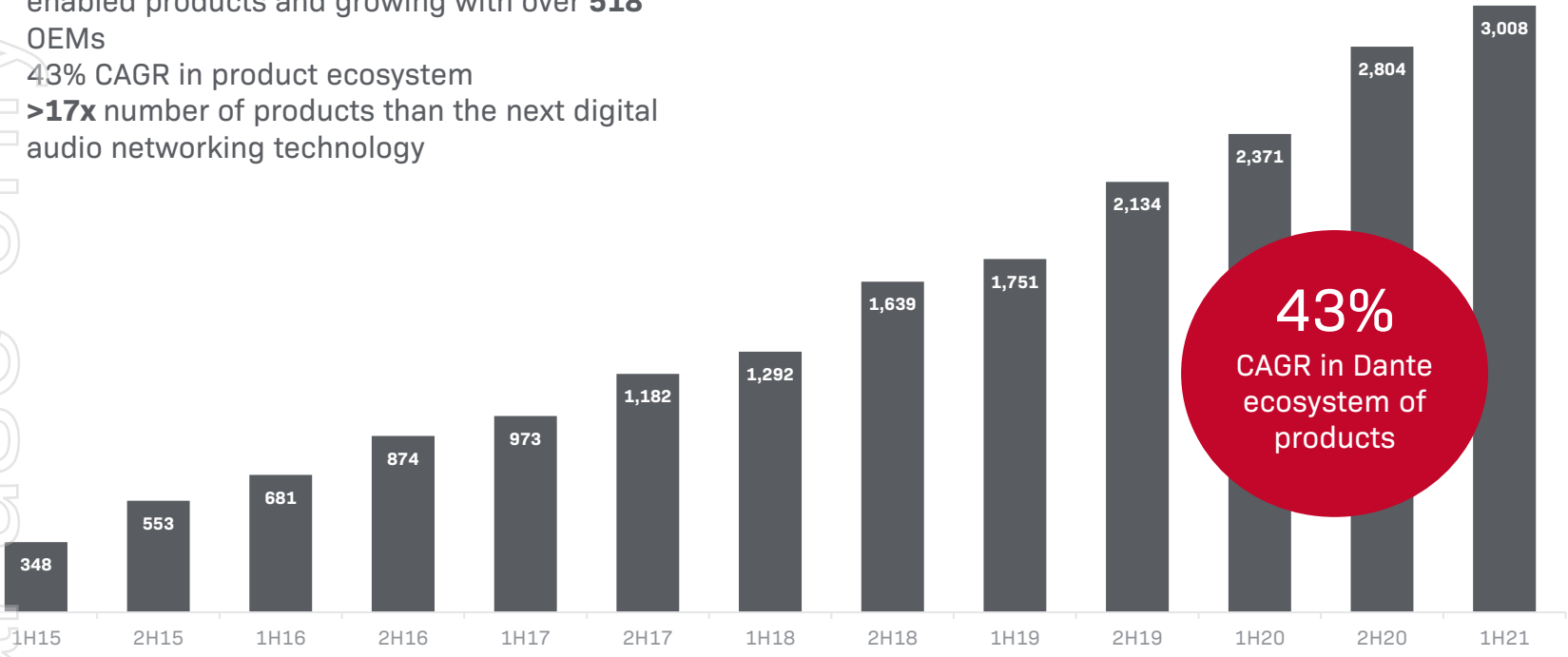
133 OEM brands are currently developing their first Dante-enabled products

During the period the Group added 36 new OEMs brands who are currently developing their first Dante products. A periodic review removed 45 OEM brands who are no longer considered likely to develop a Dante product for a variety of reasons including COVID, acquisition, bankruptcy, cancelled projects etc.

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Consistent growth in product ecosystem

- Product ecosystem with over **3,000** Dante-enabled products and growing with over **518** OEMs
- 43% CAGR in product ecosystem
- **>17x** number of products than the next digital audio networking technology



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Dante Audio and Adaptors

Dante Audio

- Hardware based implementations for a range of product counts and price points
- Transports uncompressed audio signals across standard computer networks

Dante Adaptors

- Connects legacy equipment to Dante (mostly analogue)
- Adds Dante to existing audio products (analogue, USB and AES3)
- Pulls through other Dante products and software
- Established a global distribution channel of online retailers and country distributors
  - 80 resellers and growing
  - Strong initial demand with sales performance and repeat orders
- Adapter modules sold direct to OEMS

Brooklyn



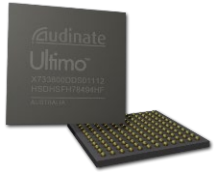
- 32 & 64 audio channel counts
- Used in Mixing Consoles & Signal Processors

Broadway



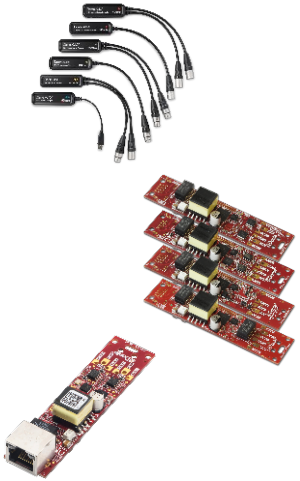
- 8 & 16 audio channel counts
- Used in networked Amplifiers and Ceiling Microphones

Ultimo



- 2 & 4 audio channel counts
- Used in networked Speakers and Microphones

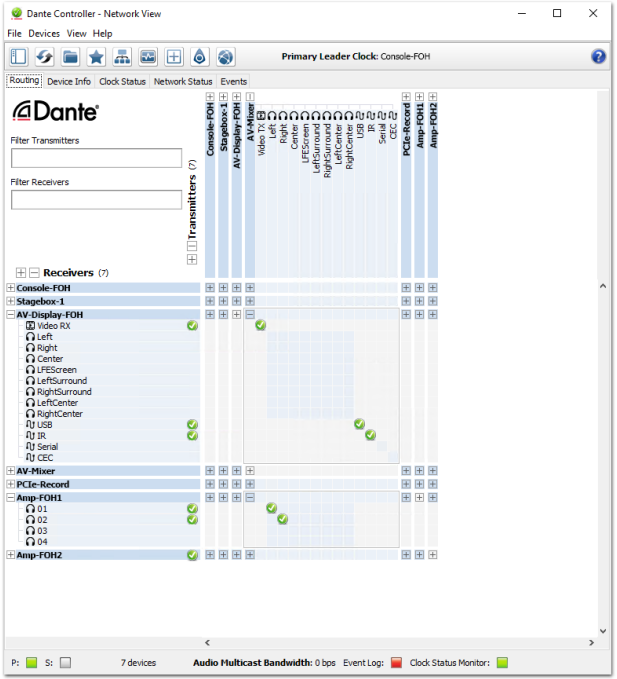
Adaptors



Dante Controller

Dante Controller

- Free system setup tool
  - Downloadable from Audinate homepage
  - Registration required
  - Makes virtual wires
  - > 250,000 downloads
- **Manages audio and video signals**
- Simple & easy to use
  - Standard industry matrix view
  - Training provided via Dante Certification
- Devices appear automatically
  - Intuitive device names
  - No magic numbers, MAC or IP addresses
- Devices remember configuration
  - No need for Dante Controller to remain connected to the network
- Provide performance logs
  - Details of each device on the network for trouble-shooting
- More background on Dante Controller: https://www.audinate.com/products/software/dante-controller



Dante Controller is the free configuration tool integrators use to create the "virtual wiring" between transmitting devices (e.g. microphones) and receiving devices (e.g. speakers)

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Software Products

Dante Application Library (DAL)

- Dante for PC/Mac applications
- Simple way for software developers to add Dante to their products
- Launched June 2019, commercially available
- Initial customer with Zoom, conferencing application
- Continue to drive adoption, revenue commenced 1H21

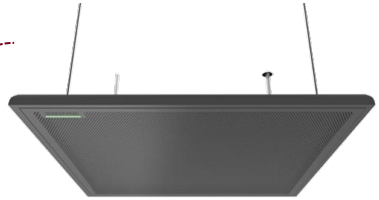
Dante Embedded Platform (DEP)

- Dante for Linux OS, targeting manufacturers (OEMs)
- Supports Intel/x86 & ARM processors
- Launched June 2019, commercially available
- Initial customer with QSC (x86)
- Initial partner with Analog Devices, ARM-based DSP chips
- Drive adoption & partnerships, revenue commenced 1H21

Software products enable:

- **Wider proliferation**, thru lowered marginal cost of adding Dante
- **Retro-fit and upgrade** of products already in the field





Ceiling Microphone
Dante IP Core (today) /
Dante Embedded Platform



Room Processor
Dante Embedded Platform



Conferencing Software
Dante Application Library



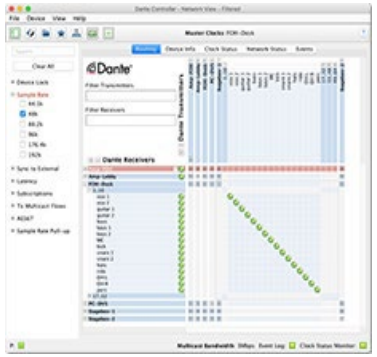
Networked Speakers
Ultimo (today) /
Dante Embedded Platform

Audinate Confidential

Dante Domain Manager

Dante Domain Manager
Complete Network Management System

- Security
  - Usernames/passwords identify users
  - Roles control access to the system
- Scalability
  - Create Dante systems spanning campus networks
  - Group Dante devices into logical managed systems
- Visibility
  - Centralise Dante system management
  - Monitor system status and changes from anywhere





Management software could more than double the revenue opportunity associated with Audinate's core business

Personal use only

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