

ASX ANNOUNCEMENT

27 February 2023

Ai-Media continues to increase SaaS revenue, gross margins and profitability

Melbourne, Australia, 27 February 2023: Ai-Media Technologies Limited (**Ai-Media or Company**) (**ASX: AIM**), a global provider of technology-driven captioning, transcription and translation services, is pleased to present its financial results for the six months to 31 December 2022.

Highlights

- **Revenue of \$29.7 million for H1 FY23, up by \$0.1 million compared to the prior comparative period (pcp) of H1 FY22**
- **Gross profit of \$17.7 million, up 13% on pcp with gross margin of 60%, up from 53% on the pcp**
- **EBITDA of \$1.4 million, compared to EBITDA breakeven on the pcp**
- **Revenue share of technology sales (including devices and SaaS & support sales) increased to 38% of total revenue, compared to 28% on the pcp**
- **Total SaaS LEXI (LEXI includes Lexi, Smart Lexi, Lexi Translate and Lexi Recorded) captioned minutes up 105% on the pcp, with revenue up 120%, and total iCap Cloud platform captioned minutes up 15% on the pcp**
- **Continued growth of new iCap customers using LEXI, new premium services customers, continued transition of key existing iCap customers to LEXI, and new strategic partnerships**
- **Positive operating cashflow of \$0.6 million for the period and strong cash balance at 31 December 2022 of \$14.6 million**

Ai-Media Co-Founder and CEO Tony Abrahams said:

“Our H1 FY23 results demonstrate the shift in our business towards higher quality revenue streams of technology sales, which delivered 38% of total revenue, up from 28% on the pcp. Our gross margin of 60% is a solid increase from 53% in H1 FY22, (and 38% in H1 FY21), driving improved EBITDA and positive operating cashflow, despite revenue growth being flat during this transformation period.

“Our technology sales cycle begins with the state-of-the-art iCap Encoder series that for over 25 years has been the market leader in US Broadcast, delivering audio and caption encoding in a single reliable device. There are over 3,000 iCap Encoders online in high-end broadcast facilities with 99.9 uptime.

“The Encoders provide direct access to the iCap Cloud platform which powers delivery of LEXI for customers, and importantly is the source of sustainable competitive advantage for Ai-Media. Once purchased and installed, churn is very low.

“Our strategic acquisition of EEG Enterprises and the iCap product suite in 2021 has put Ai-Media in a unique position to benefit from the in AI-driven revolution and its impact on captioning, transcription and translation through our breakthrough LEXI products including Lexi, Smart Lexi, Lexi Translate and Lexi Recorded. Further product updates are slated for coming months.

“The breakout success of ChatGPT, which is, according to *The Economist*,¹ the fastest consumer application of all time to hit 100 million monthly active users, demonstrates the power of AI-driven technologies to transform industries and lives.

“Ai-Media’s technology architecture seeks to benefit from continued improvements driven by the tens of billions of dollars being invested annually by industry in improving AI-based algorithms.

“Specifically, Ai-Media’s LEXI product range benefits from improvements in ASR, which in turn are derived from improvements in four interlocking AI-based disciplines: (a) Generative Pre-trained Transformative (GPT); (b) Bidirectional Encoder Representations from Transformers (BERT), (c) Natural Language Processing (NLP); and (d) Acoustic and Pronunciation Modelling (APM).

“Ai-Media’s competitive moat is underpinned by the iCap Encoders installed in customer workflows, ensuring the best possible audio and caption encoding is connected to the most appropriate ASR engine via LEXI. We then apply AIM’s proprietary AI-layer to further improve contextual accuracy from the out-of-the-box solution.

“We were delighted to be recognised as leaders in the field, winning the CreativeTech Award at the AusInnovation Awards in November 2022, and the APAC Insider Award for Best Captioning and Translation Provider 2023.”

Financial performance

Through the half, Ai-Media continued to implement its growth strategy to improve gross margin and increase the portion of revenue coming from its SaaS products, which represents higher quality and higher margin recurring revenue.

The Company recorded total revenue of \$29.7 million in H1 FY23, compared to \$29.6 million in H1 FY22. Although total revenue was flat, Ai-Media’s gross profit increased by 13% on the pcp, from \$15.7 million in H1 FY22 to \$17.7 million in H1 FY23 and continued to improve its gross margin to reach 60% for the half, compared to 53% on the pcp.

Ai-Media’s total portion of technology sales, including sales from devices and SaaS & support, grew to 38% of its total revenue, compared to 28% of total revenue on the pcp. This was driven by an increase in revenue from SaaS & support which accounted for 24% of total revenue in H1 FY23, compared to 14% in H1 FY22.

The Company’s total captioned minutes for its automated SaaS LEXI products were up 105% on the pcp, with revenue increasing by 120% demonstrating the value to customers of the flagship product. iCap Cloud platform minutes grew by 15% on the pcp.

Ai-Media delivered operating cashflow of \$0.6 million for the half and ended the half year to 31 December 2022 with a cash balance of \$14.6 million, representing a strong position for the Company to fund future growth opportunities.

¹ <https://www.economist.com/business/2023/02/08/is-googles-20-year-search-dominance-about-to-end>

Key business activities

Ai-Media is well positioned as a leading global captioning, transcription, and translation solutions provider with a sticky and growing customer base, solving a broad spectrum of customer needs. This has been reflected through H1 FY23 with key global sales wins and partnerships in APAC, North America, and rest of world markets.

The Company continued transitioning key existing iCap customers to its SaaS product suite including CBS Sports and Snap Inc. New iCap customers using LEXI included Major League Soccer, Racing Victoria and the Cities of Austin, Baltimore and San Francisco; while long-term customer Seven Network renewed its contract for a fresh five-year term.

In addition to growing SaaS revenue, Ai-Media signed new premium services contracts with giant tech Google and SBS, as well as renewed agreements with Foxtel and Al Jazeera.

Ai-Media's partnership program welcomed new participants including Brightcove, Speechmatics, Cvent, Dynamic Captioning and Grass Valley, and the Company's sales pipeline remains strong.

Webinar details

Event: Ai-Media Technologies H1 FY23 Results Webinar
Presenters: Tony Abrahams (CEO & Co-Founder) and John Bird (CFO)
Date/time: Monday, 27th February 2023 at 11:00am (AEDT)
Registration: https://us02web.zoom.us/webinar/register/WN_bNXoTkyfRcel-XpZEq-zJw

Investors will be able to use the Q&A function on Zoom during the webinar, or can submit their questions ahead of the webinar to maude@nwrcommunications.com.au

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Authorised for release by the Ai-Media Board.

Further Information

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About Ai-Media

Founded in Australia in 2003, technology company Ai-Media has become a global leader in the provision of high-quality live and recorded captioning, transcription and translation services. Its technology platform combines artificial intelligence and human expertise to deliver speech-to-text accuracy in three price points: automated (Lexi), semi-automated (Smart Lexi), and premium (Ai-Live). The company is the biggest captioning provider in the Australian market, with clients including major free-to-air and pay television networks, and has a growing international footprint, with offices in Australia, the US, UK and Canada. Globally, Ai-Media technology delivers 7 million minutes of live and recorded media content, and online events and web streams every month. Ai-Media (ASX: AIM) commenced trading on the ASX on 15 September 2020. For more information on Ai-Media please visit <https://www.ai-media.tv/>