

ASX announcement

21 August 2023

Audinate delivers record revenue growth and profit

Key FY23 financial highlights:

- Revenue increased 40.0% on FY22 to US\$46.7 million (A\$69.7 million)
- Gross profit (GP) of US\$33.4 million, up 34.4% – gross margin of 72.1%
- EBITDA of A\$11.0 million, up 156.4% on FY22
- Milestone net profit before tax of A\$1.4 million (vs \$4.4m loss in FY22)
- Positive free cashflow of \$2.5m in 2H23
- Achieved video FY23 objectives of >US\$3 million revenue & 10,000+ endpoints

Audinate Group Limited (ASX:AD8), developer of the professional AV-industry-leading Dante® media networking solution, announces its results for the financial year ended 30 June 2023 (FY23).

Gross profit increased by 34.4% to US\$33.4 million at a gross margin of 72.1% (FY22: 74.7%), due to a 42.0% growth in sales of chips, cards & modules (CCM), and 34.0% growth in software sales. Revenue increased by 40.0% to US\$46.7 million, compared to US\$33.4 million in FY22. Australian dollar revenue grew 50.6% to A\$69.7 million aided by favourable A\$/US\$ currency impacts.

Audinate Co-founder and CEO Aidan Williams commented:

"I'm delighted to present an outstanding set of financial results for FY23, with record revenue growth delivering significant profit and 2H positive free cashflow for the company. FY23 closes the chapter on a challenging 3-year period in which we delivered US\$ revenue growth CAGR over 31% despite COVID induced downturns and chip shortages. Long strides have been made this year in video, with new product releases, design wins, endpoint sales and revenue. We are well positioned for further video traction in FY24."

Success in Video

Audinate had an outstanding year in video and established the foundation for ongoing success in the year ahead. Notable achievements in FY23 included:

- Release of Dante AV-H (using the H.264 codec)
- Launch and release of Dante AV-A (using the ASPEED codec)
- Release of Dante Studio software for AV professionals
- 26 design wins for Dante video products
- 34 OEM brands have now licensed Dante video products
- 48 Dante video products launched by customers (up from seven products at 30 June 2022)
- >10,000 video endpoints shipped
- >US\$3m in revenue from video products

Positive free cashflow in 2H23

The Company recorded positive operating cashflows of \$12.4 million for the year ended 30 June 2023 compared to \$1.0 million for the previous corresponding period. Audinate had negative \$4.3m cashflow for FY23 compared to negative \$11.7m cashflow in FY22. Notably, Audinate generated positive free cashflow of \$2.5m in the second half.

Audinate remains well capitalised with cash and term deposits of \$40.0 million at 30 June 2023.

Financial Results

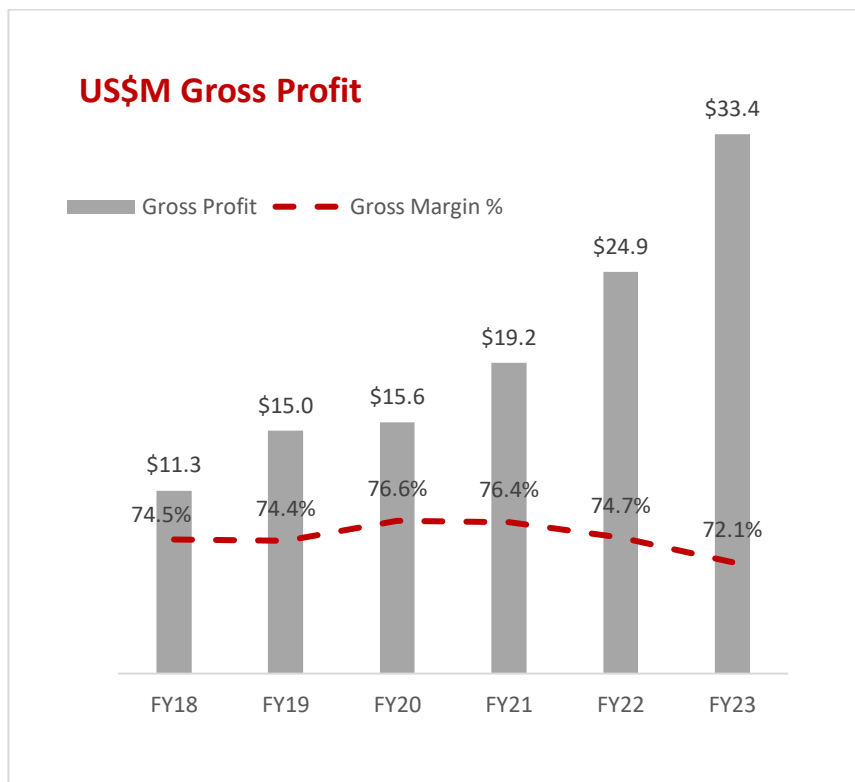
Growth in US\$ revenue (40%) outstripped growth in Dante units shipped (30%), reflecting the impact of FY22 price increases, strong growth in Brooklyn and Viper boards and first-half supply chain impacts on Ultimo and Reference Designs. The overall gross margin % increased to 72.1% for FY23, improving from 71.2% in the first half affected by supply chain impacts.

Chips, cards & modules (CCM) revenue grew at 42.0% compared to growth in CCM units shipped of 22.3%, reflecting a combination of impacts:

- Growth in units shipped primarily driven by Ultimo recovery in the second half; and
- Revenue growth driven by Brooklyn (>30%), Viper boards and Ultimo (>50%).

Software revenue grew at 34.0% compared to growth in software units shipped of 42.3% reflecting:

- Unit growth associated with a second-half recovery in Reference Design shipments and, to a lesser extent, ongoing growth in Dante Embedded Platform (DEP); and
- Revenue growth driven by Reference Designs (>50%), DEP (>30%) and Dante IP Core (>45%).



Note: gross margin % calculated using A\$

Operating expenses increased by 29% to \$39.2 million in the year ended 30 June 2023. The key movement was a \$5.6 million increase in employment costs as headcount grew from 178 to 197 at 30 June 2023. As COVID impacts eased, sales and marketing expenses increased to \$4.4 million from the prior year ended 30 June 2022 due to increased spending on trade shows, customer training and travel. Administration and other expenses increased by 42% to \$5.4 million from the prior year ended 30 June 2022 due to increased spend on software subscriptions and travel. EBITDA was \$11.0 million in the year ended 30 June 2023 compared to \$4.3 million in the prior year ended 30 June 2022.

Depreciation and amortisation increased by \$1.9 million in the current year, reflecting an increase in the total value of capitalised development costs being expensed.

The Group now expects sufficient Australian taxable profits in future years to use \$12.3 million of tax losses generated to date. Therefore, Audinate has recognised prior year tax losses resulting in a \$9.3 million income tax benefit in FY23. Due to the movements described above, the net profit after tax was \$10.6 million for the year ended 30 June 2023, compared to a \$4.5 million net loss after tax in the prior year.

Ongoing strength in core business metrics

During the year, Audinate achieved a record 142 design wins with OEMs, up 12.7% from FY22. The total number of OEM brands shipping and developing Dante-enabled products grew to 538 after accounting for some rationalisation in OEM numbers associated with chip shortages & supply chain challenges. Overall, our OEM customers released another 261 Dante-enabled products taking the total to 3,853. The business metrics for FY23 are particularly pleasing in the context of significant supply chain headwinds (including 1H23 Ultimo chip shortages) and indicate returning confidence.

Continued focus on innovation

In FY23, Audinate delivered several product updates, new features for customers and launched Dante Connect and Dante Professional Services. Dante Connect is our first cloud product and is aimed at the broadcast and corporate production market. Dante Connect delivers in-sync audio directly from Dante networks to cloud services for seamless online production anywhere, reducing the need for mobile studios and trucks full of broadcast equipment. The Dante Professional Services team provides design consulting, design review, advanced troubleshooting, deployment support and training to integrators, AV professionals and end users. The Professional Services business has developed a strong pipeline of customers since launch in June 2023.

Covid and supply chain impacts ease – return to BAU

Supply chain challenges gradually eased over the course of the year. The first half was more significantly impacted, as evidenced by lower units of Dante products shipped and some downturn in customer metrics. Chip availability improved over the second half, especially for Ultimo. Supply chain challenges have eased, with FY24 expected to be business-as-usual.

Outlook

In FY24, Audinate continues to focus on profitable growth and improving operating cashflow, inclusive of 15% additional headcount to pursue growth opportunities in video, cloud and professional services.

The Company remains watchful of potentially softening global economic conditions over the course of FY24. We also expect the economic environment to continue to be conducive to bolt-on M&A opportunities to accelerate organic growth plans in video and cloud.

With the worst of COVID and supply chain pressures receding, the Company anticipates audio OEMs will recommence transitioning products using Dante chips, cards and modules to software Dante implementations. This migration is expected to be relatively neutral for gross profit dollars and result in gradual margin improvement and a slight moderation in headline revenue growth. Irrespective of the pace of this migration, the Company expects % growth in US\$ gross profit dollars in FY24 to be consistent with historical performance.

Audinate enters FY24 with demand remaining at near-record levels, as evidenced by the sales backlog, providing good revenue visibility for the first half. In our FY21 Annual Report Chairman, David Krall, said “We expect that Audinate will double revenue in the medium term”, and Audinate anticipates achieving this ambitious goal in FY24.

Audinate Co-founder and CEO Aidan Williams commented:

“With COVID behind us, we look forward to delivering strong gross profit dollar growth in clear air. Growth in combination with the structural operating leverage in our business model should drive improved profitability and positive free cashflow. Whilst continuing to grow the core audio business during FY24, I’m looking forward to further solid gains for our video and cloud products.”

Investor briefing

The Company will host a webinar via Zoom to discuss its FY23 results at 9.30 am (AEST) on 21 August 2023. The webinar is expected to last approximately 45 minutes, including question time.

Please register in advance for this webinar:

https://us02web.zoom.us/webinar/register/WN_zV6CIPS7RUiejdvBrk5B_Q

Authorisation: This announcement was authorised by the Board of Audinate Group Limited

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For more information on Audinate, please visit:

Investor Centre – investor.audinate.com Website – www.audinate.com

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Audinate. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

About Audinate Group Limited

Audinate Group Ltd (ASX:AD8) was founded with a vision to pioneer the future of AV. Audinate's award-winning Dante IP networking solution is the worldwide leader and used extensively in the professional live sound, commercial installation, broadcast, public address, and recording industries. Dante replaces traditional analogue cables by transmitting perfectly synchronised AV signals across large distances to multiple locations at once, using nothing more than an Ethernet cable. Audinate is headquartered in Australia and has regional offices in the United States, United Kingdom, Belgium, and Hong Kong. Dante technology powers products available from hundreds of leading audio and video partners around the world. The Company's ordinary shares are traded on the Australian Securities Exchange (ASX) under the ticker code AD8.