

ASX announcement

22 February 2021

Audinate returns to pre-COVID revenue levels

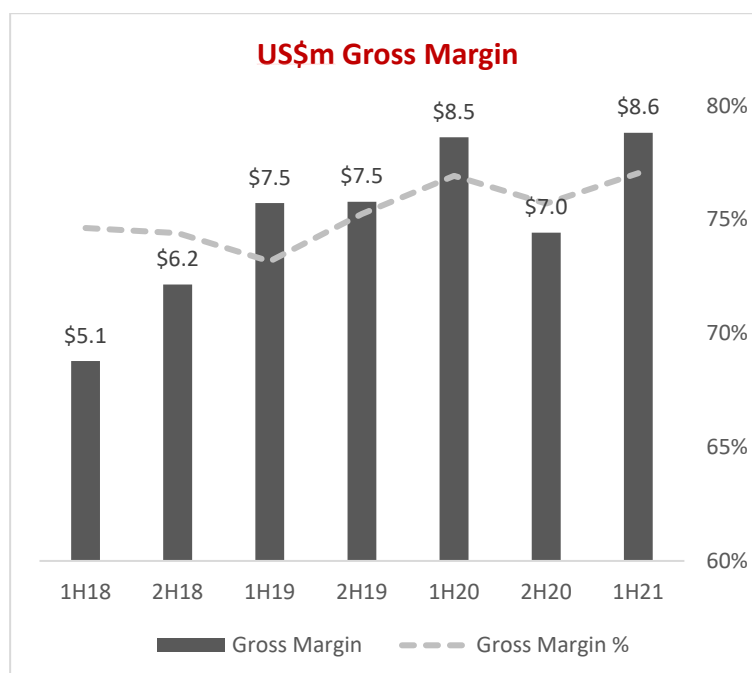
Key 1H21 highlights:

- Revenue of US\$11.1 million (1H20: US\$11.1 million; 2H20: US\$9.3 million)
- Gross margin of US\$8.6 million (1H20: US\$8.5 million; 2H20: US\$7.0 million)
- EBITDA of A\$1.8 million (1H20: A\$1.9 million)
- Net loss after tax of A\$1.2 million (1H20: \$0.3 million net profit)
- Operating cashflow of A\$3.2 million (1H20: A\$2.9 million)
- Cash including term deposits of A\$66.3 million
- Dante enabled products up 27% to 3,008 – a key leading indicator of future growth

Audinate Group Limited (ASX:AD8), developer of the professional AV-industry leading Dante® media networking solution, today announced its results for the financial half-year ended 31 December 2020 (1H21).

Revenue grew 19.3% in US dollar terms to US\$11.1 million over 2H20, putting the business back on its pre-COVID footing (1H20 revenue: US\$11.1 million). Pleasingly a gross margin of almost 77% was maintained due to a material shift toward software revenue.

Commenting on the Company's 1H21 performance, Audinate CEO & Co-founder Aidan Williams said: "We were very pleased with the FY21 first half revenue result and the overall financial performance of the business. It is encouraging to see business confidence returning to the AV industry, reflected in good demand for Dante products heading into the second half."



Financial results

Overall US\$ revenue in 1H21 was comparable to the previous corresponding period (half-year ended 31 December 2019), but with a considerable positive shift to software revenue in the product mix. Software revenue grew nearly 48% relative to 1H20 primarily due to significant growth in royalties including IP core and Dante Embedded Platform (>50%), and to a lesser degree growth in retail software sales (>40%) and Dante Domain Manager (>50%).

Chips, cards & modules revenue benefitted from strong growth in Dante AVIO® adaptors (>50%) and good growth in Broadway (>50%) and Ultimo chips (28%) – partially offsetting a material decline in Brooklyn revenue. The Brooklyn product is often sold into mixing consoles and is consequently most impacted by the decline in live sound and live events due to COVID.

Operating costs, defined as staff costs, marketing expenses, administration and other operating expenses, decreased approximately 6% from the previous corresponding period to \$10.0 million. The cost of additional headcount amounted to \$0.6 million for the period but was offset by travel savings, foreign-exchange impacts and the one-off CEO exit costs incurred in the prior period.

The Group received COVID related government grants of approximately \$0.8 million during 1H21, including JobKeeper, which were accounted for as Other Income and excluded from the calculation of EBITDA. Consistent with the prior period the Group is not recognising tax losses as an asset, resulting in an income tax expenses for the period of approximately \$0.3 million.

Positive Operating Cash-flow

Operating cashflow increased to \$3.2 million (1H20: \$2.9 million), primarily as a result of cash from the above mentioned COVID related grants. Investing activities include investment in term deposits of \$27 million with maturities of greater than three months which are accordingly not classified as cash.

Foundations in place for ongoing growth

The number of Dante enabled products manufactured by Audinate's Original Equipment Manufacturer (OEM) customers is a key measure of the Company's technology proliferation and traditionally a leading indicator of future revenue growth. At period end there were 3,008 Dante-enabled products on the market, up 27% from 31 December 2019. The number of OEM customers with Dante-enabled products also grew 23% to 360 over the same period.

The introduction of an annual subscription fee in place of larger one-off up front license payments has assisted in a delivering a record 51 design wins during the period, with ongoing strong demand for recently launched Dante products. These design wins included 36 new OEM customers added during 1H21.

The Group still expects the release of the first commercially available Dante video products by its OEM customers in 2H21, which will aid in the closing of additional Dante video design wins. The establishment of a video development team of 11 staff in Cambridge UK is another key achievement in 1H21 and this should accelerate the product strategy execution.

Dante AVIO Bluetooth and USB-C adaptors were launched and commenced shipping with strong early orders in January 2021. Combined with growing demand for the existing Dante AVIO product set, this has allowed for modest price increases to take effect in the fourth quarter of this financial year.

Outlook

Audinate is seeing confidence return amongst OEMs, system integrators and end-users resulting in an overall improved industry outlook for CY21. Whilst COVID related risks remain (including to global supply chains), they are abating as vaccines roll-out. Good trading conditions have continued into the beginning of 2H21, albeit we expect Brooklyn revenue to continue to be impacted by the downturn in live events and live sound.

The Group has accelerated investing for growth, with a target headcount of >140 staff (inclusive of Cambridge) by the end of FY21 and a resulting increase in operating costs of between \$2 - \$3 million in the second half.

Commenting on the outlook for Audinate, Mr Williams said: "Whilst we remain wary of the potential near-term impacts of COVID, we are cautiously optimistic that the pandemic may serve as a catalyst for an acceleration of the transition from old school analogue cabling to networked audio and video. This bodes well for Audinate's long term growth opportunities, and we are excited by the path we see ahead for our business."

Further trading updates will continue to be provided throughout FY21 given the nature of the trading environment.

Investor briefing

The Company will host a 1H21 results webinar via Zoom at 9.30am AEDT today (22 February 2021). The webinar is expected to last approximately 45 minutes inclusive of question time. Please register in advance using the following link:

https://us02web.zoom.us/webinar/register/WN_Qq22fdfvQwGjIN2prD4uCA

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 pioneering the future of AV. Audinate's award winning Dante audio over 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 audio cables by transmitting perfectly synchronized audio 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 and Hong Kong. Dante technology powers products available from hundreds of leading audio partners around the world. The company's ordinary shares are traded on the Australian Securities Exchange (ASX) under the ticker code AD8.

Further information can be found at <https://www.audinate.com/>.