

FY21 RESULTS

23 August 2021

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



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 **3,255**



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



Leading Global Supplier of Digital Media Networking

Highlights

>A\$1bn Total addressable market⁽¹⁾

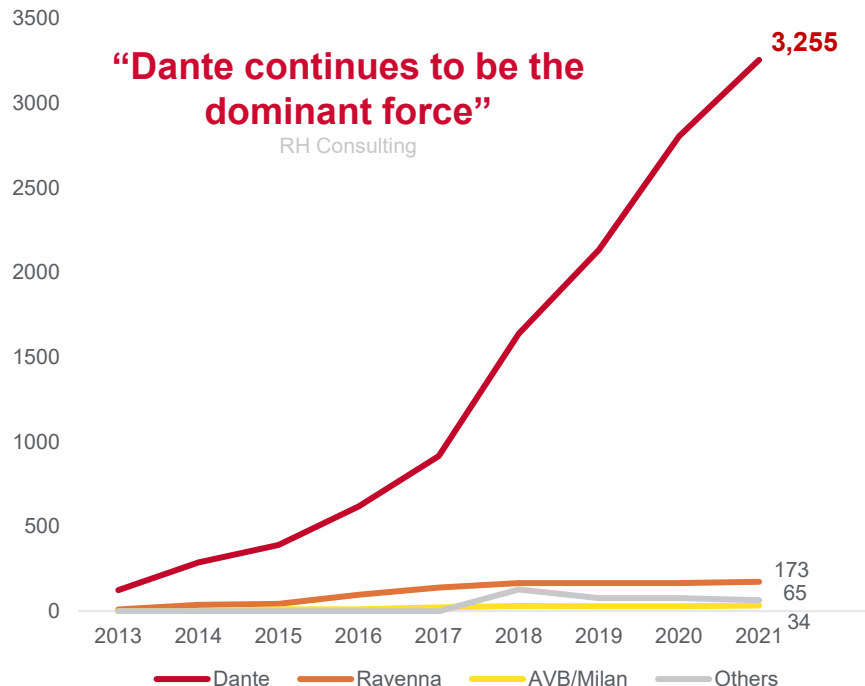
371 OEM brands shipping Dante enabled products

3,255 Dante enabled products available on the market

19x Market adoption of closest competitor

33,000 Professionals trained on Dante in FY21

Total audio products per protocol



1) RH Consulting, Networked Audio Products 2021 and Audinate company data

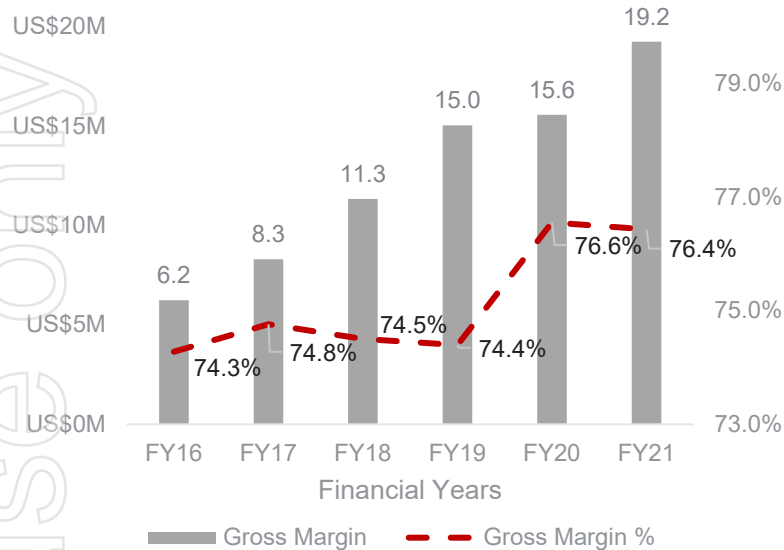
2) RH Consulting stopped counting Cobranet products in 2020 and noted that it is impossible to get reliable data on available products, with only a small number of manufacturers selling some equipment

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



Audinate growth continues

Historical Gross Margin (US\$M)



Note: gross margin % calculated using AUD

Financial Highlights

Financial Highlights		Variance PCP %	
A\$33.4M	Revenue	10.1%	✓
US\$25M	US\$ Revenue	22.5%	✓
76.4%	Gross Margin	(0.2%)	-
A\$3.0M	EBITDA	50.1%	✓
A\$65.4M	Cash & Term Deposits	\$36.1M	✓



Another year of consistent execution

FY21 Objectives

Drive designs wins during economic downturn & prime the pump for economic recovery

Actions

- Upfront fees replaced by annual subscription pricing model
- Record number of design wins for FY21 (#105)
- 66 new OEMs added during FY21

Broaden Dante video product offerings

- Recruitment of Cambridge (UK) team to accelerate product roll-out
- 6 new OEM Dante video products launched
- New software video product expected in FY22

Validate new business models

- Completed infrastructure for in-field activation via audinate.com
- Successful completion of Blue Note project to showcase audio & video
- 3 R&D projects in progress with new flagship customers

Expand training offerings to include Dante video and a wider range of languages

- 12,000 people trained on Dante video
- 59 non-English webinars & >13,000 non-English speaking professionals trained
- 47% increase in non-English speakers in contact database

Build business systems & development capability

- Merchant of record payment facility complete
- New billing platform well advanced for delivery in Q1
- Information Security Framework: Phase 1 complete – further roll out CY21

Explore M&A opportunities to accelerate growth

- Potential to supplement Cambridge (UK) team to build out video business
- Dedicated resource for range of corporate development opportunities
- Some opportunities have not passed due diligence but pipeline remains full

Drive short term revenue opportunities

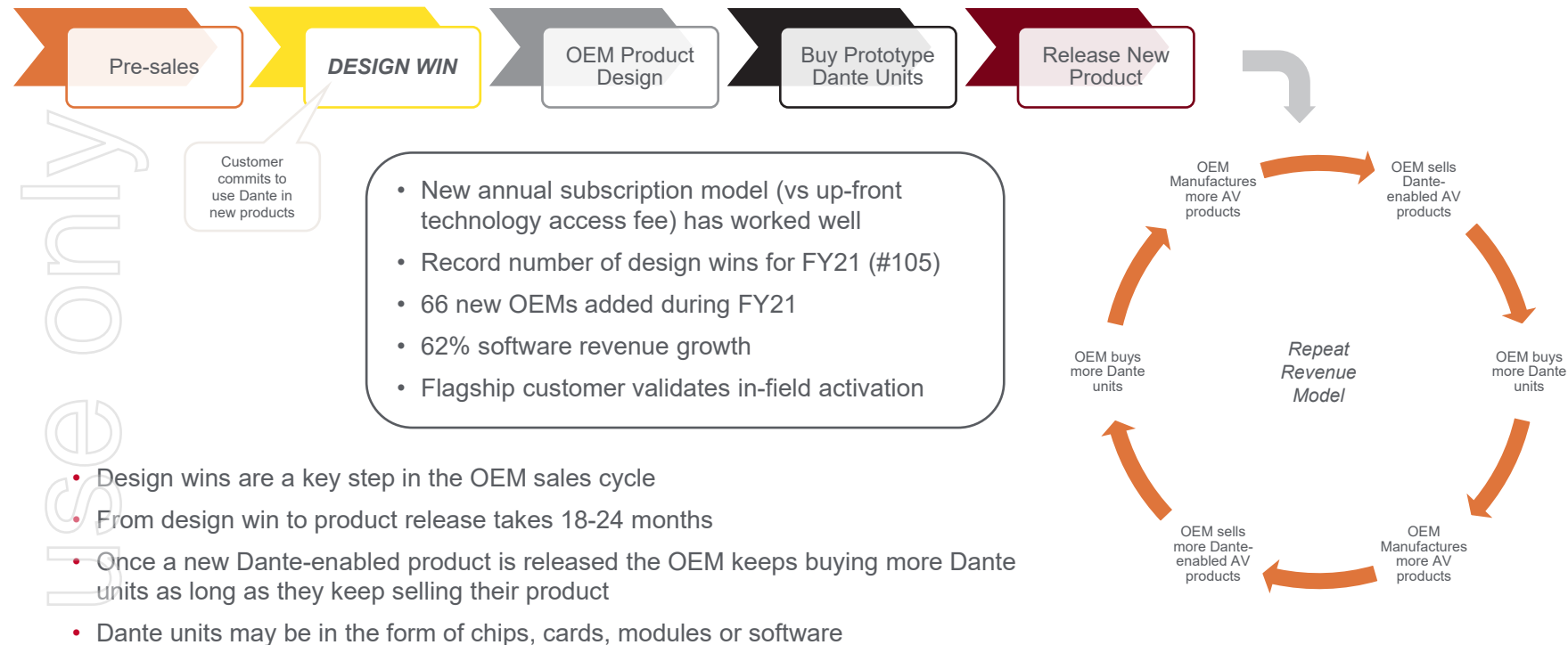
- Modest price increases implemented for AVIO adapters, retail software (DVS & Via) and Ultimo chips

Manage total net cash expenditure

- Strong financial performance resulted in positive operating cash-flow and negative free cash-flow



OEM Design Wins drive future revenue growth



- Design wins are a key step in the OEM sales cycle
- From design win to product release takes 18-24 months
- Once a new Dante-enabled product is released the OEM keeps buying more Dante units as long as they keep selling their product
- Dante units may be in the form of chips, cards, modules or software



Dante video and audio together is now reality

- **Six OEM Dante video products released:-**
2 x PTZ Cameras, 4 Encoders/Decoders
- Enables all-Dante A&V systems to be deployed
- Good number of design wins, with pipeline growing – but COVID has been a headwind
- Recruited experienced video development team (12 staff) in Cambridge (UK) to accelerate video strategy
- Cambridge (UK) team signed first commercial technology in June – key component for first product
- Video software product to be released in FY22 & other partnership opportunities in progress
- **12,000 professionals trained on Dante video**
- Live Blue Note concert across 3 venues (New York, Washington DC and Nashville) – showcase of Dante audio and video
- Blue Note Article [<https://www.mixonline.com/live-sound/blue-note-audinate-peltrix-latency-danteav>]



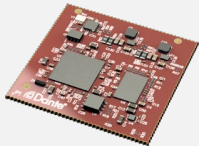
**See the power of Dante across 3 locations,
750 miles, multiple audio streams & Dante
AV video links**



First Dante Video products released

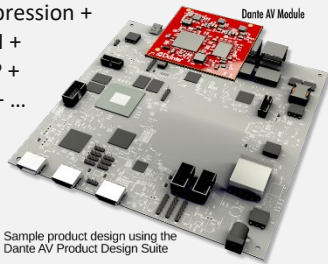
Dante AV Module

- “AV-over-IP” *networking module*, OEM business model
- V+A+Network (1 video + 8 audio)
- First design win FY20
- OEM products released FY21



Dante AV Product Design Suite

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



Sample product design using the Dante AV Product Design Suite

Dante AV™

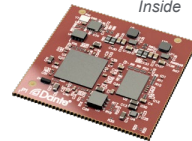


PATTON
Let's Connect!™



BOLIN
TECHNOLOGY

Dante AV
Module
Inside



More background & videos on Dante video: <https://www.audinate.com/products/manufacture-products/dante-av-video>

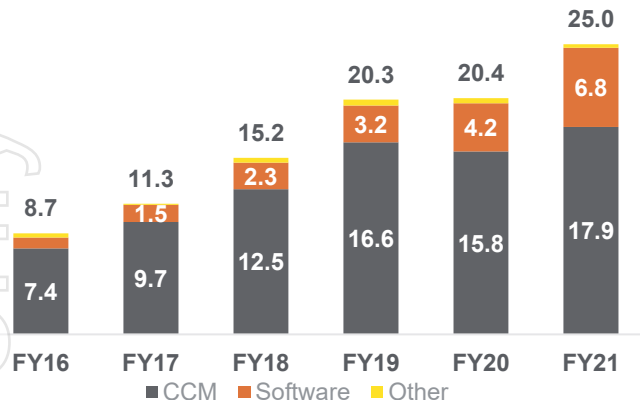


FINANCIAL PERFORMANCE

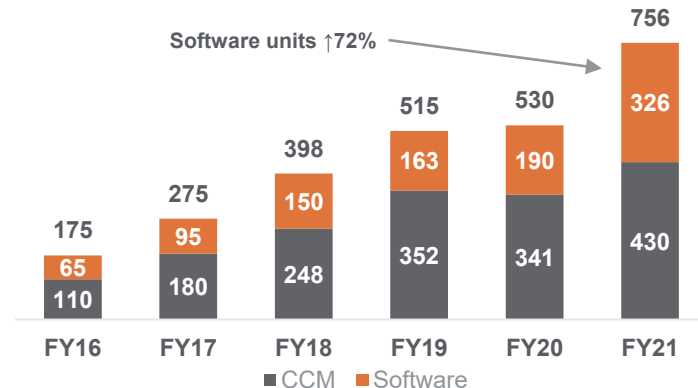


Software & adapter sales drive revenue growth

Revenue (US\$M)



Dante units shipped ('000s)



- US\$ Revenue increased 22.5% from FY20 with GP margin consistent at 76.4%
- Chips, cards & modules (CCM) includes AVIO adapters
- Software includes Royalties, Dante Embedded Platform, Dante Application Library, Dante Domain Manager (DDM), Dante IP Core & retail sales
- Audinate invoices customers & pays COGs in USD
- During FY21 Audinate introduced annual subscription pricing as an alternate to upfront design win licence fees

- Strong growth in units shipped which were up 43% overall, and included a 72% increase in software units
- Significant growth in AVIO adapters (>50%) and good performance from Ultimo (>35%) and Broadway (>35%) have partially offset COVID impacted Brooklyn sales (16% decline)
- Software revenue growth driven by growth in DEP, Dante IP Core & Reference Design royalties (>50%), retail software (>30%) and to a lesser extent DDM sales (>30%)



Income Statement

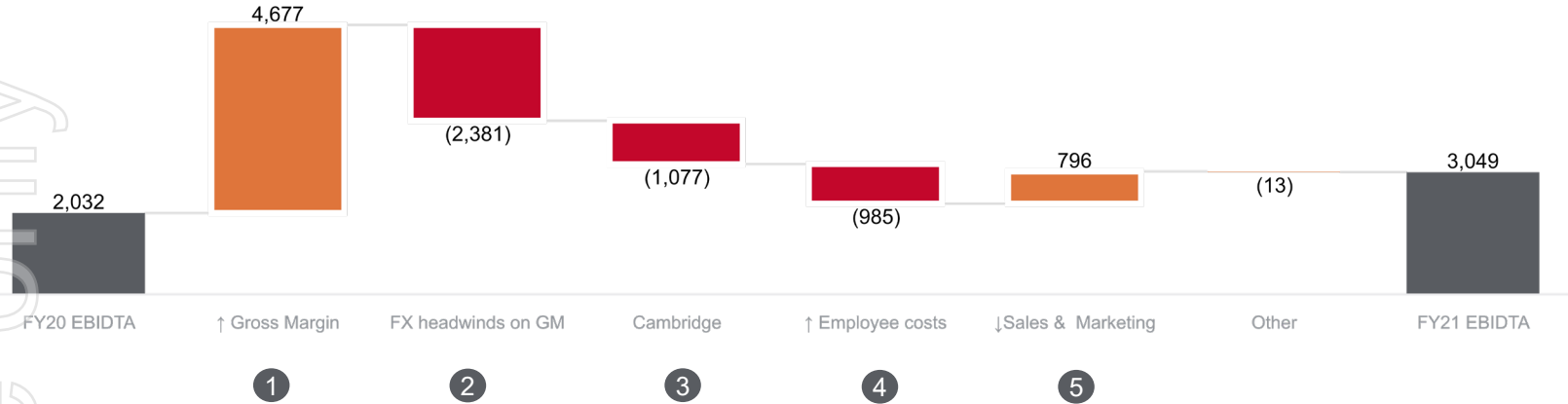
- US\$ revenue increased 22.5% to U\$25M with A\$ revenue negatively impacted by currency impacts
- Gross margin remained consistent at 76.4%
- Employee expenses increased from prior year with headcount increasing from 123 to 135 due to the hiring of 12 employees for the Cambridge (UK) team and the company returning to paying staff bonuses in FY21
- Sales & Marketing expenses decreased due to savings on travel & trade shows as a result of COVID-19 restrictions
- Other income includes \$0.8M (2020: \$0.5M) from COVID-19 related government grants & interest income
- Depreciation and amortisation is higher than prior year due to increasing development costs capitalised reflecting the expansion of the engineering team
- Income tax expense reflects non-recognition of an asset for Australian tax losses (and prior year write-off)

(A\$'000s)	FY21	FY20	Change
Revenue	33,369	30,317	10%
Gross profit	25,504	23,208	10%
Gross Margin %	76.4%	76.6%	(0%)
Employee expenses	(17,811)	(15,797)	(13%)
Sales & marketing expenses	(1,688)	(2,484)	32%
Other operating expenses	(2,956)	(2,895)	(2%)
Operating expenses	(22,455)	(21,177)	(6%)
EBITDA	3,049	2,032	50%
Depreciation & amortisation	(6,534)	(4,422)	(48%)
Interest expense	(105)	(117)	10%
Foreign currency loss	(590)	11	
Other income	1,094	823	33%
(Loss)/Profit before tax	(3,086)	(1,673)	(84%)
Income tax	(355)	(2,465)	86%
(Loss)/Profit for the year	(3,441)	(4,138)	17%



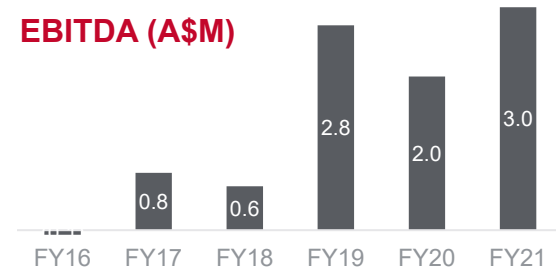
Additional revenue drives EBITDA growth

EBITDA Waterfall (A\$'000)



- 1 Gross Margin dollars improved due to extra US\$4.6M revenue
- 2 A\$ strengthening against US\$ (FY21: 75.0c v FY20: 67.2c)
- 3 Recruitment of video development team in Cambridge (UK)
- 4 Return to paying staff bonuses in FY21
- 5 Lower spend on travel & tradeshows due to COVID-19

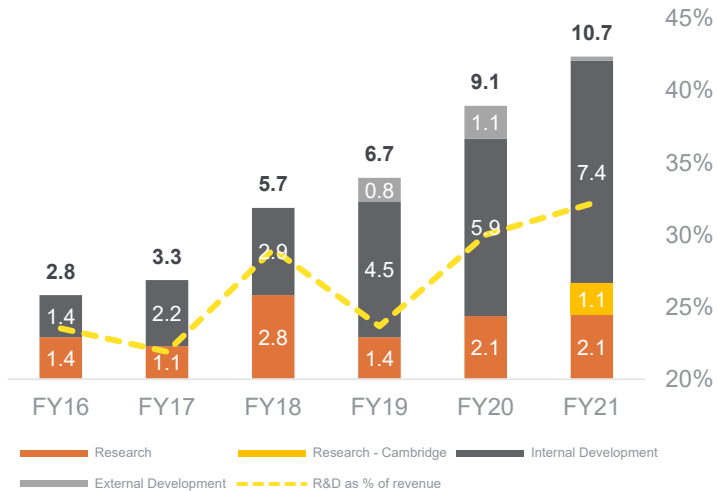
EBITDA (A\$M)



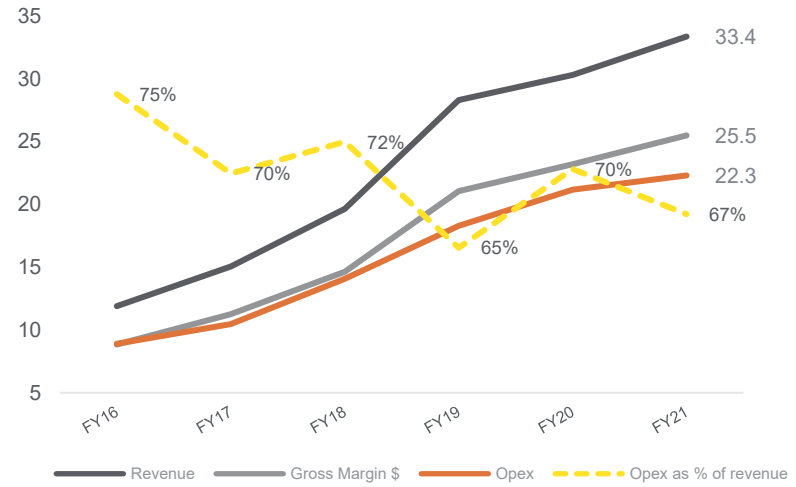
Operating leverage supports ongoing R&D

- Ongoing focus on innovation and R&D to maximise future growth opportunities
- A\$1.1m in research costs incurred in FY21 by the new Cambridge (UK) team
- Operating leverage in the cost base is once again evident as additional revenue drives EBITDA growth

Research and Development (A\$M)



Revenue, Cost Trends (A\$M)



Cash-flow Statement

- Operating cash receipts & payments are consistent with the income statement and movement in working capital
- Government subsidies relate to COVID (mainly JobKeeper)
- **EBITDA converts to cash – Cash Conversion Ratio of >100%**
- Payments for intangible assets primarily represent internal employment and overhead expenses capitalised to development costs. Prior period included \$0.7M of external spend
- \$27M cash invested in Term Deposits over 3 months is included in investing activities as it does not meet the definition of cash
- Financing activities includes \$40M from FY21 capital raise
- Adjusting for the impact of the capital raise free cash out-flow was \$2.9M (FY20: \$4.6M)

(A\$'000)	FY21	FY20
Receipts from Customers *	33,484	31,635
Payments to suppliers and employees *	(27,677)	(27,258)
Interest received	291	251
Interest paid	(105)	(117)
Government subsidies	1,048	285
Income Tax Refund	-	85
Income Tax Paid	(298)	(46)
Operation activities	6,743	4,835
Payments for property, plant and equipment *	(552)	(914)
Payment for intangible assets *	(7,478)	(7,392)
Investment in Term Deposits	(27,000)	(444)
Investing activities	(35,030)	(8,750)
Proceeds from the issue of shares	40,032	4,074
Share issue transaction costs	(1,256)	(299)
Principal elements of lease payments *	(635)	(642)
Financing activities	38,141	3,133
Net increase in cash	9,854	(782)
Free Cash Flow (sum of *)	(2,858)	(4,571)



Balance Sheet

- **Cash & term deposits of \$65.4M, with no debt**
- Trade receivables up \$1.3M consistent with the improved sales performance
- Inventory balance more than 5x turns impacted by supply chain constraints and increase in demand for CCM products
- Intangibles primarily represent internal development costs capitalised, including \$7.4M of development costs capitalised in FY21
- Contract liabilities includes prepaid customer deposits of \$1.5M up from \$0.2M in FY20
- Increase in employee benefits mainly due to accrual of FY21 staff bonuses
- Contributed capital includes \$40M proceeds from FY21 capital raise
- Accumulated losses substantially due to fair value of preference shares at IPO

(A\$'000s)	30 Jun 21	30 Jun 20	Change (\$)
Cash	38,429	29,285	9,144
Term deposits	27,000	-	27,000
Trade and other receivables	3,199	1,850	1,349
Inventories	1,855	1,645	210
Property, plant and equipment	1,482	1,455	27
Right-of-use assets	1,919	2,481	(562)
Intangibles	14,094	12,051	2,043
Deferred tax asset	68	100	(32)
Other current & non-current assets	1,719	1,437	282
Total assets	89,765	50,304	39,461
Trade and other payables	2,524	2,821	(297)
Other liabilities	102	220	(118)
Contract liabilities	2,278	726	1,552
Income tax (receivable)/payable	(41)	258	(299)
Employee benefits & other provisions	3,959	1,724	2,235
Lease liabilities	2,088	2,588	(500)
Total liabilities	10,910	8,337	5,334
Net assets	78,855	41,967	4,910
Contributed capital	126,947	87,526	39,421
Reserves	2,261	1,353	908
Accumulated losses	(50,353)	(46,912)	(3,441)
Total equity	78,855	41,967	4,910



OUTLOOK

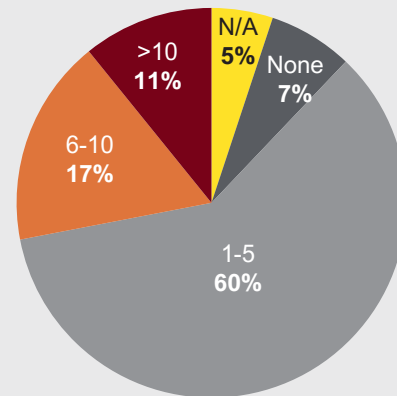


Increasing demand v global supply uncertainty



- Record backlog of sales orders for future months
- Industry sales sentiment at all time high in July (AVIXA Survey)
- Strong pipeline of new products (based on survey of ~150 manufacturer customers)
 - 45% of customers said supply chain issues had a significant impact, including redesign of new products
 - 56% had experienced significant impacts due to key component shortages
- Strong July result but Malaysia factory closure pushed fulfillment of some orders to future months

Audinate survey of Dante -enabled products in development by OEM customers



FY22: driving adoption & improving ease of use

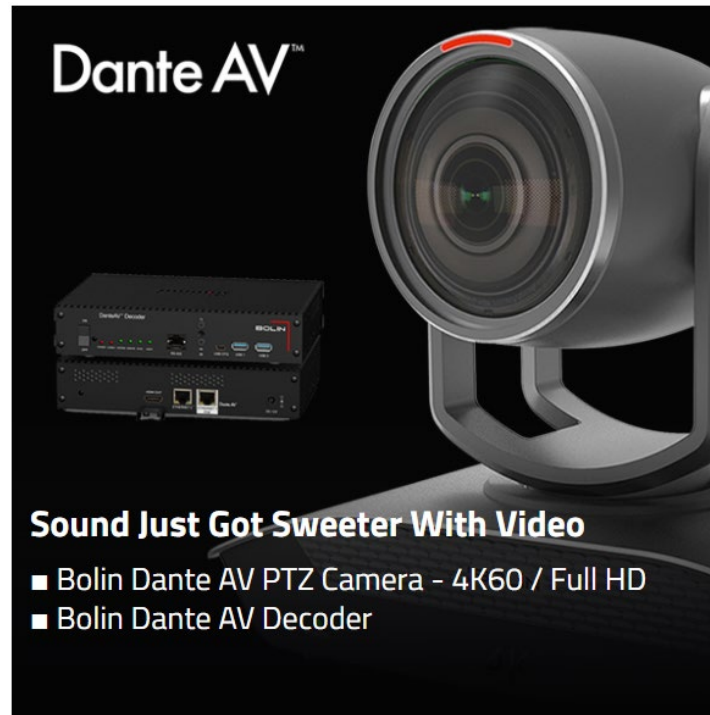
FY22 Priorities

1. Drive design wins for Dante video and next generation software products
2. Launch new Dante video software and cloud services products
3. Pursue initiatives to reduce adoption friction, including in-field activation
4. Improve adoption of Dante by non-English speakers
5. Strengthen our products, services & systems against cyber-risk
6. Implement business scalability initiatives



Return to historical revenue growth in FY22

- Record levels of demand as the AV industry recovers from the impact of earlier COVID lock-downs
- Good trading conditions experienced during the start of FY22
- COVID related risks now relate to global supply chain uncertainty and are impacting both Audinate and our customers in 1H22
- Continued long-term perspective sees a target headcount of >170 staff (up from 135 staff at 30 June 2021) to support ongoing growth and drive development of video and cloud services
- US\$ revenue growth expected to return to the historical range in FY22



Investment Highlights

Global Market Leader



- Dominant position as de-facto standard in audio networking
- **19x** market adoption of its closest competitor

Attractive Financial Profile



- Gross margins **>75%** supported by strong IP
- Consistent historical revenue growth from repeat orders
- **\$65M** cash & term deposits

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



Internal use only

QUESTIONS



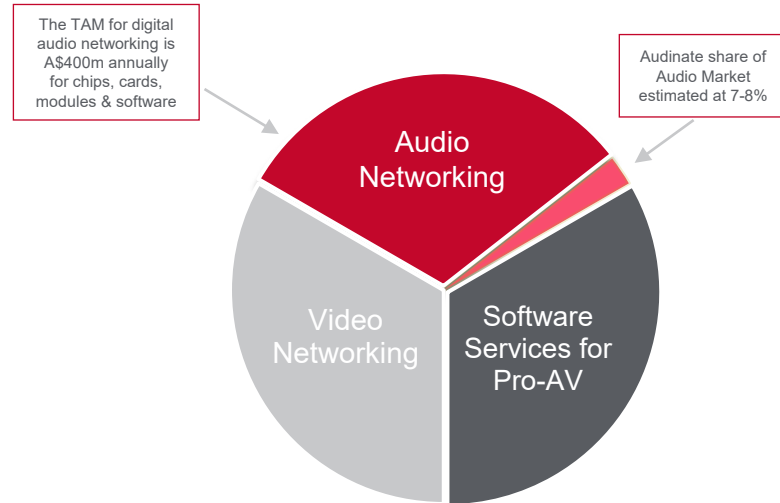
Appendices



Audinate is Driving the Transformation of AV

- 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

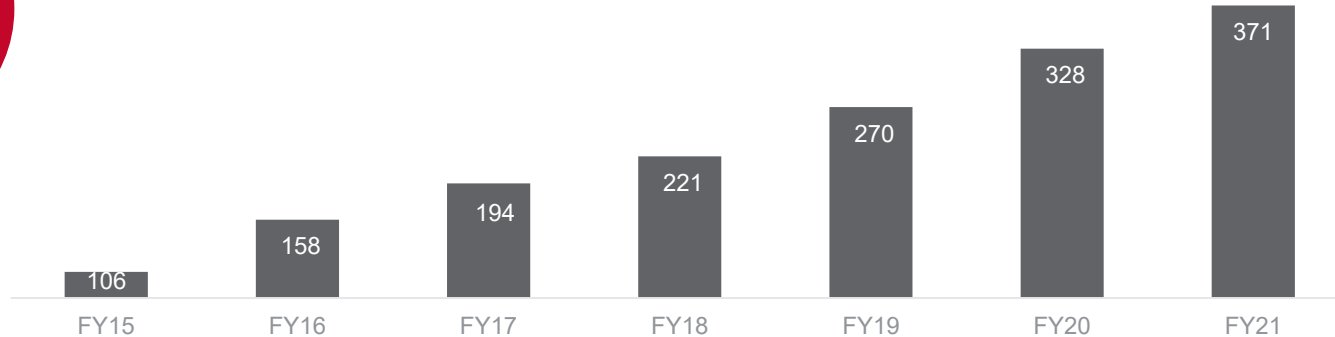


Accelerating OEM Adoption: Pipeline Growth

OEM Brands shipping Dante-enabled Products

23%

CAGR
growth in
OEMs



Audinate has grown to
529 OEM brands



371 OEM brands have
announced products in
the market



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

During the period the Group added 66 new OEMs brands who are currently developing their first Dante products. A periodic review removed 60 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.

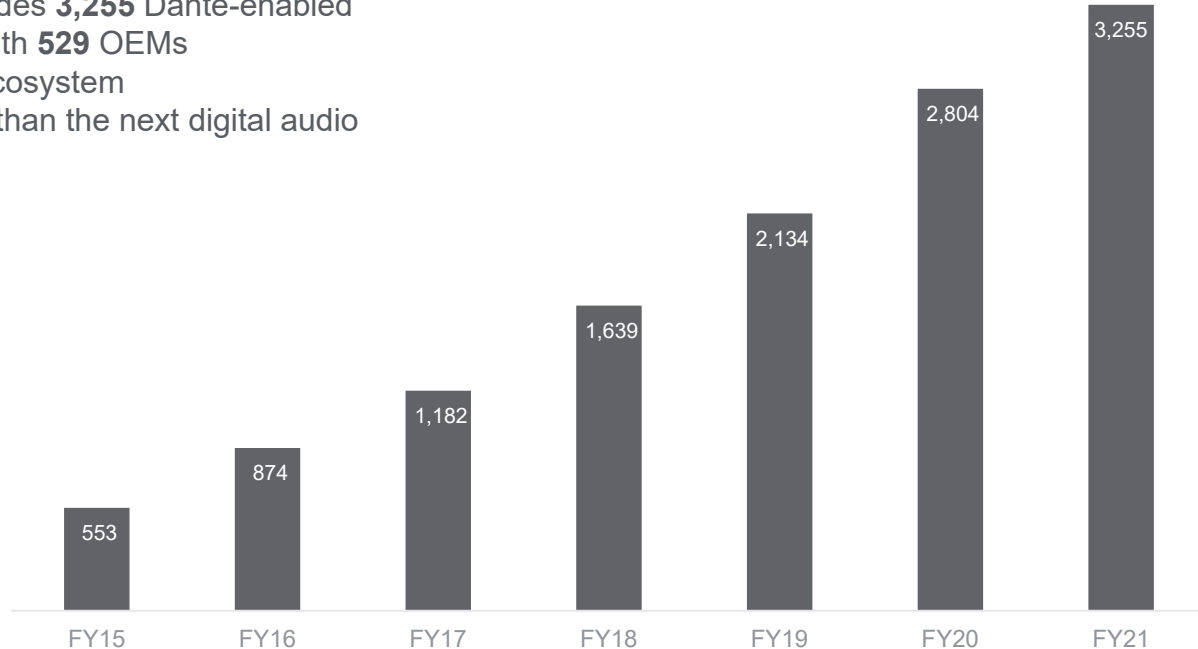


Consistent Growth in Product Ecosystem

- Product ecosystem includes **3,255** Dante-enabled products and growing, with **529** OEMs
- 34% CAGR in product ecosystem
- **19x** number of products than the next digital audio networking technology

34%

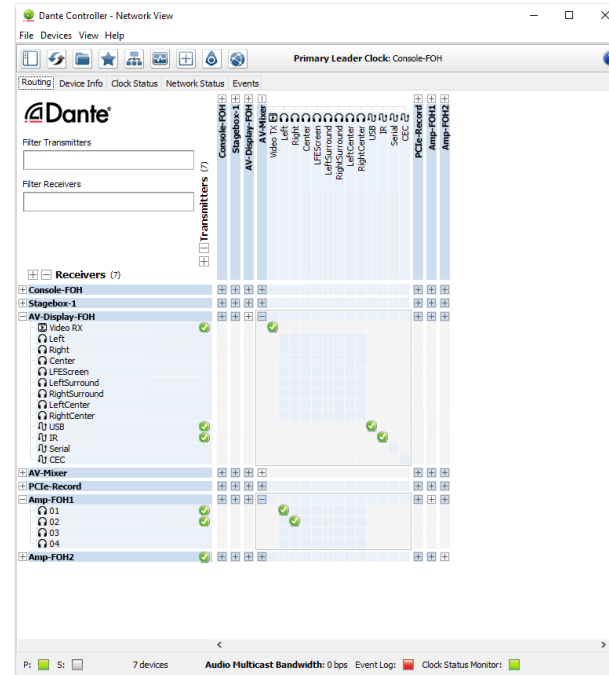
CAGR in Dante ecosystem of products



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)



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



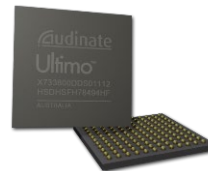
- 32 & 64 audio channel counts
- Used in Mixing Consoles & Signal Processors

Broadway



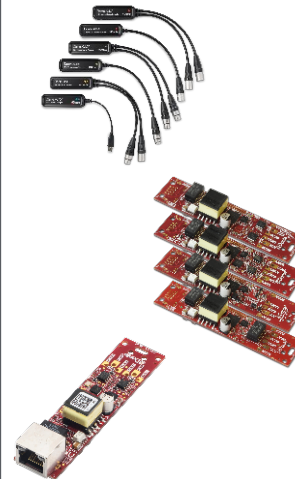
- 8 & 16 audio channel counts
- Used in networked Amplifiers and Ceiling Microphones

Ultimo



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

Adaptors



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



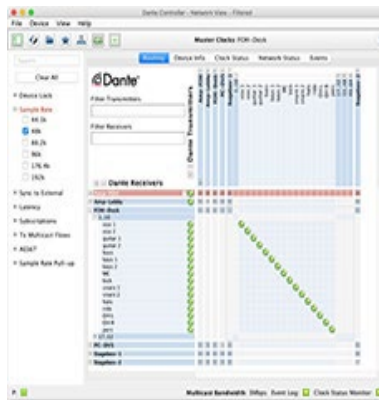
Networked Speakers
**Ultimo (today) /
Dante Embedded Platform**



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 audio business



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