

ASX announcement

6 April 2020

COVID-19 update and withdrawal of FY20 growth commentary

Audinate Group Limited (ASX:AD8), developer of the professional AV-industry leading Dante® media networking solution, provides the following update regarding the impact of the global COVID-19 coronavirus pandemic.

The Company remains well-positioned with a strong balance sheet and recent revenue growth. However, in light of the increasing rate of COVID-19 transmissions across the globe and the rapid escalation in Government responses, the Board of Audinate believes it is prudent to withdraw its previous FY20 growth commentary.

Audinate remains cautious of the near-term impacts from further lockdowns in key countries. Government decisions have the potential to delay projects and reduce the near-term demand for Audinate's technology. The effects of government decisions vary widely across market segments – for example, segments associated with large gatherings (e.g. live concerts, theatre, sports) have been greatly impacted and may take time to recover. In commercial installed AV (e.g. corporate, education), the effects may be less, and recovery may be faster. In some high-use facilities, closure has brought forward upgrade projects.

Q3 update and strong cash position

Unaudited revenue for the quarter ending 31 March 2020 (Q3 FY20) was up 14% to US\$5.3 million (Q3 FY19: US\$4.7 million), however customers could revise their ordering patterns during Q4 in light of reduced demand and world events. As it stands, the backlog of committed but unfulfilled sales orders from April onward is higher than the average month end backlog for the previous eight months of FY20.

Audinate is strongly positioned to withstand significant changes in sector and economic conditions, with over A\$30.9 million cash on hand at 31 March 2020, and no debt.

Operational response to COVID-19 challenges

Over the past six weeks Audinate's main focus has been the safety and wellbeing of employees, contractors and customers. Reflecting the potential for knock-on economic downturn, the Company has acted to reduce costs, moderating its near term recruitment plans. Marketing and travel expenditure have been curtailed and the Company is actively monitoring all other discretionary expenditure.

Audinate uses a Hong Kong listed contract manufacturer for the Company's module and adapter products with factories in mainland China and Malaysia. Manufacturing in Malaysia was initiated to minimise the impact of US trade tariffs on Chinese goods and to provide business continuity. Audinate's manufacturing facilities in China returned to full operations at the end of February and will compensate for shortfalls resulting from the temporary Government mandated closure of Malaysian operations. Management believes that these arrangements and current inventory are likely to be sufficient to meet customer demand.

Whilst it is very challenging to predict the potential impact of COVID-19 on the day-to-day chips, cards and modules business, we continue to make progress toward strategic and longer term milestones. Notably, Audinate achieved an important video milestone last month, delivering the Dante AV Product Design Suite to Yamaha. This product is a turn-key networked video product design, enabling manufacturers to rapidly develop and release Dante video products.

The Board and Management are committed to providing updates to the market as events progress and recognise the need to ensure shareholders remain informed of potential impacts on business performance due to the current economic conditions.

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

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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.