

ASX announcement

20 August 2020

Audinate strongly positioned to deliver on its strategy

Key FY20 highlights:

- Revenue of A\$30.3million, up 7.1% (US\$20.4 million)
- Gross profit (GP) of A\$23.2 million, up 10.1% – improved GP margin of 76.6%
- EBITDA of A\$2.0 million
- Net loss after tax of A\$4.1 million, includes A\$3.6 million tax losses written off
- Operating cashflow of A\$4.8 million, up from A\$3.6 million in FY19
- Cash on hand at 30 June of A\$29.3 million, plus A\$40 million gross proceeds from equity raised since year end
- Dante enabled products up 31% to 2,804 – 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 year ended 30 June 2020 (FY20).

Gross profit increased over FY20 by 10.1% to A\$23.2 million, due to an improved gross profit margin of 76.6% (FY19: 74.4%) and a 7.1% increase in revenue primarily due to USD/AUD exchange rate benefits. In USD, revenue was US\$20.4 million compared to US\$20.3 million in the prior year, reflecting the Q4 FY20 impact of COVID-19.

As customers transition to new software-based Dante implementations, Audinate expects to see margin improvement. Accordingly, growth in gross profit dollars is becoming a more significant measure of performance than revenue growth alone.

Commenting on the Company's performance in FY20, Audinate CEO Aidan Williams said: "We were pleased with the resilience of our repeat revenue base through the unprecedented Q4 impact of COVID-19. We remain prudently focussed on delivering our medium-term strategic priorities whilst positioning Audinate to capitalise on economic recovery when it occurs. The recent A\$40 million equity raising is a strong endorsement of this approach and we are very grateful for the support received from existing and new shareholders."

Financial results

Whilst US\$ revenue remained relatively stable year on year, product mix varied with a 30% increase in software revenue during FY20 driven by increased royalties, Dante Domain Manager, and retail software sales. The effect of COVID-19 varied by market segment, with negative impacts on live sound equipment sales and corresponding softness in Brooklyn module revenue. This decrease was partially offset by increased demand in higher education & conferencing applications using products like Broadway chips and Dante AVIO® adaptors.



Operating costs, which consist primarily of staff costs, marketing expenses and administration & other operating expenses, increased to A\$21.2 million (from \$18.3 million in FY19). The increase was primarily due to a \$3.1 million increase in employee costs as headcount increased from 94 to 123 at 30 June 2020 as well as \$0.6 million of one-off costs associated with retirement of former CEO Lee Ellison. The overall impact of these factors led to a decline in EBITDA to approximately A\$2.0 million (FY19: A\$2.8 million).

COVID-19 also necessitated a review of tax losses that the Group had recorded as an asset on its balance sheet. Given the adverse impact on revenue in FY20 and the ongoing uncertainty in FY21, the Board considered it appropriate to write-off tax losses of approximately A\$3.6 million at year end. The Group retains access to these tax losses to apply against taxable income in future periods and may re-recognise them as an asset when greater certainty returns. This was the main reason that Audinate recorded a net loss after tax of A\$4.1 million (FY19: net profit after tax of A\$0.7 million).

Balance sheet further strengthened by A\$40 million equity raising

At year end Audinate had cash on hand of A\$29.3 million reflecting an increase in operating cash flows of A\$4.8m, investing cash outflows of A\$8.8 million primarily related to software development costs and financing cash inflows associated with the July 2019 Share Purchase Plan. Post year end, Audinate raised A\$40.0 million via an oversubscribed placement (July 2020) and associated Share Purchase Plan (August 2020). Following the equity raising, Audinate is well-positioned to deliver on its strategy and weather further potential COVID-19 impacts.

Primed for acceleration post COVID-19

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. The Company has achieved 31% growth in this metric and finished FY20 with 2,804 Dante-enabled products on the market.

The large number of AV professionals working from home during COVID-19 has presented an opportunity for Audinate to ramp up webinars and its Dante Certification training program. Market research has found that this training is a key leading indicator of professionals' propensity to use and adopt Dante technology. During H2 FY20:

- Audinate conducted 77 webinars, including 25 in Chinese and 23 in five other non-English languages;
- almost 120,000 people attended these webinars or participated in online training; and,
- approximately 40,000 AV professional undertook Dante certification.

Despite COVID-19 headwinds, the progress of early Dante video licensees has been encouraging, suggesting that the first Dante video products will be available during FY21 – in keeping with Audinate’s original expectations. Shipping of the newly released Bluetooth and USB-C Dante AVIO® adapters is expected this half and should provide a further revenue boost.

Outlook

Since a marked decline in revenue in the month of May, the business has delivered consistent revenue in June & July and is placed to generate similar revenue for August. Whilst this performance is encouraging, it is currently below the level required to generate revenue growth in FY21. The impacts of COVID-19 are difficult to predict with any reasonable degree of certainty and a wide variety of potential revenue outcomes for FY21 are possible. Accordingly, Audinate plans to update the market through FY21 in response to changes in the trading environment.

In Audinate’s trading update of 16 July 2020, the Company indicated that in FY21 it expected cash operating costs (including office leases) and capex to be in line with FY20, assuming an AUD:USD exchange rate of 0.72. Further updates on changes to the expected level of cash expenditure during FY21 will be provided as a part of trading updates described above.

Commenting on the outlook for Audinate, Mr Williams said: “Whilst we remain wary of the potential near term impacts of COVID-19 on revenue, we are encouraged by recent market research showing the audio over IP market tripling over the next five years. This further strengthens our conviction in the pursuit of Audinate’s medium-term strategic objectives.”

Investor briefing

The Company will host a webinar via Zoom to discuss its FY20 results at 10:00am AEST today (20 August 2020). The webinar is expected to last approximately 45 minutes inclusive of question time. Register in advance using the following link: https://us02web.zoom.us/webinar/register/WN_xSN7C61IQ5CXu1jKXwEkXw.

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.