Audinate 2017 Annual Results

August 2017

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Audio is everywhere and so is Audinate

Dante®

Dante distributes high quality digital audio signals over computer networks

Leading the digital transformation of the AV industry

Audinate

Audinate products

Chips

Modules

Cards

Software

Global leader in audio networking technology

- Used by the market leading AV brands (OEMs)
- 369 OEM brands as customers, with 1,182 Dante enabled products available
- More than 5x OEM products on the market than any competitor

Attractive financial profile

- High gross margins of 75%, reflecting strong IP position and software/firmware focus
- Revenue growth of 30% CAGR (USD) in FY 2017

Significant market opportunity

- Investing in growth initiatives to drive future revenue
- Market in early stages of penetration, with market opportunity in excess of $400 million
- New product initiatives (software, adapters and video) expected to increase overall market opportunity to over $800 million

Customers (OEM Brands)

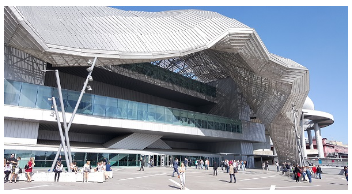
YAMAHA
SHURE
Solid State Logic SOUND | | VISION
Symetrix
Focusrite
HARMAN
BOSE
BOSCH
SENNHEISER
SONY
Roland
CRESTRON
LAWO

OEM Products

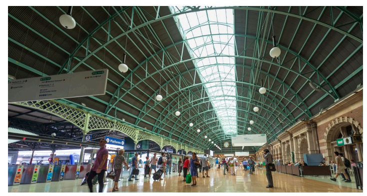
Dante
SPOKEN HERE

Audinate®

Commercial installation | **Broadcast** | **Transport** | **Stadiums** | **Live sound**

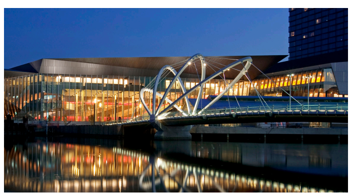

Milano Congress Centre


Microsoft Production Studios


Sydney Trains


ANZ Stadium (Olympic Park)

Ministry of Sound London


Melbourne Convention and Exhibition Centre


NBC USA


Sydney Trains


Lords Cricket Ground


Foo Fighters

The Dante platform is used in thousands of installations for professional AV verticals globally

Section 1

FY17 Highlights

FY17 Financial highlights

30% growth in revenue to $11.3m (USD)

$0.8m* statutory EBITDA compared to $0.1M loss pcp

$0.4m Pro forma EBITDA loss was $0.3m better than prospectus forecast

1.2m in positive operating cashflow

$14m in primary capital raised

*Statutory EBITDA excludes the one-off impact of IPO costs and the expense for conversion of preference shares

FY17 Operational highlights

35% growth in Dante-enabled products to 1182

48% growth in units shipped to 180k

369 OEM brands have adopted Dante, up from 310 a year ago

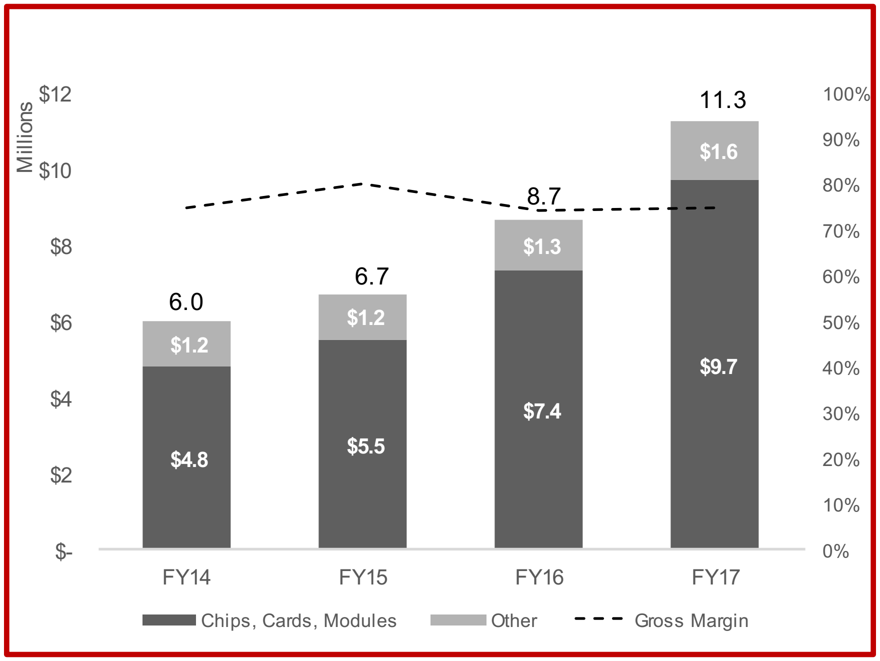
2 new products launched

Dante Broadway chip and Dante adaptors

39,000+ online certification training courses delivered

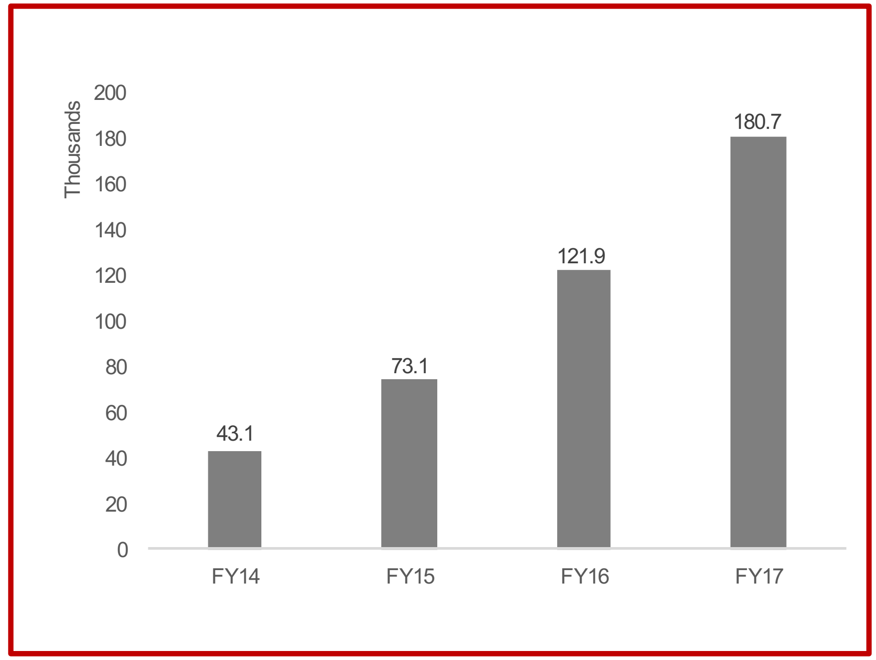
Strong growth in revenue and units shipped

Revenue (USD$M)



- 30% USD revenue growth in FY17
- 4% better than FY17 forecast
- Audinate bills customers & pays COGS in USD

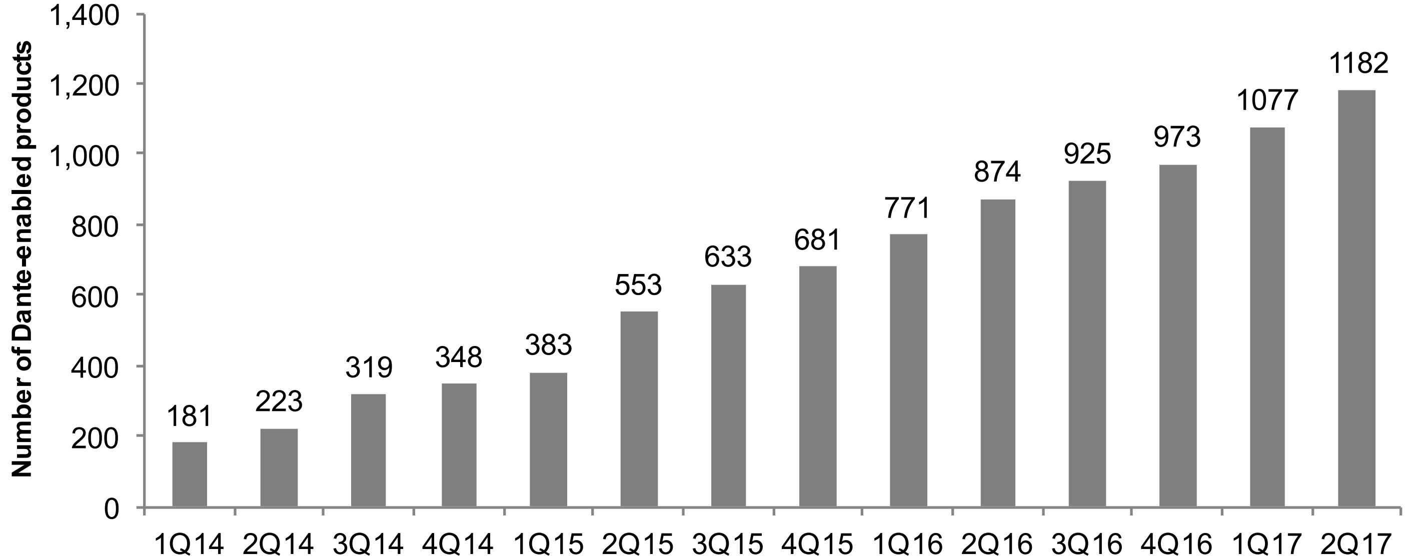
Dante units shipped
Chips Modules and Cards



- 48% growth in units shipped in FY17
- 5% better than FY17 forecast
- > 70% growth in Ultimo, ~ 30% growth in Brooklyn

Leveraging the network effect

Total Dante-enabled products available

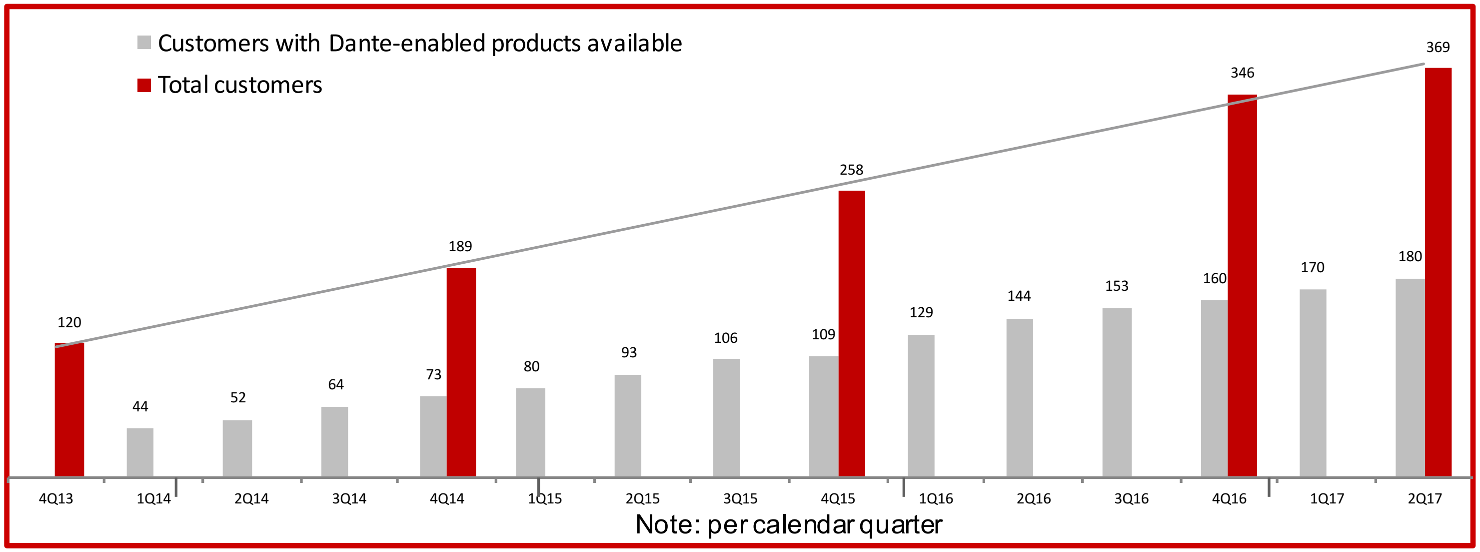


Note: per calendar quarter

Consistent growth in number of Dante-enabled products available in the market

Increasing customer adoption: Pipeline for growth

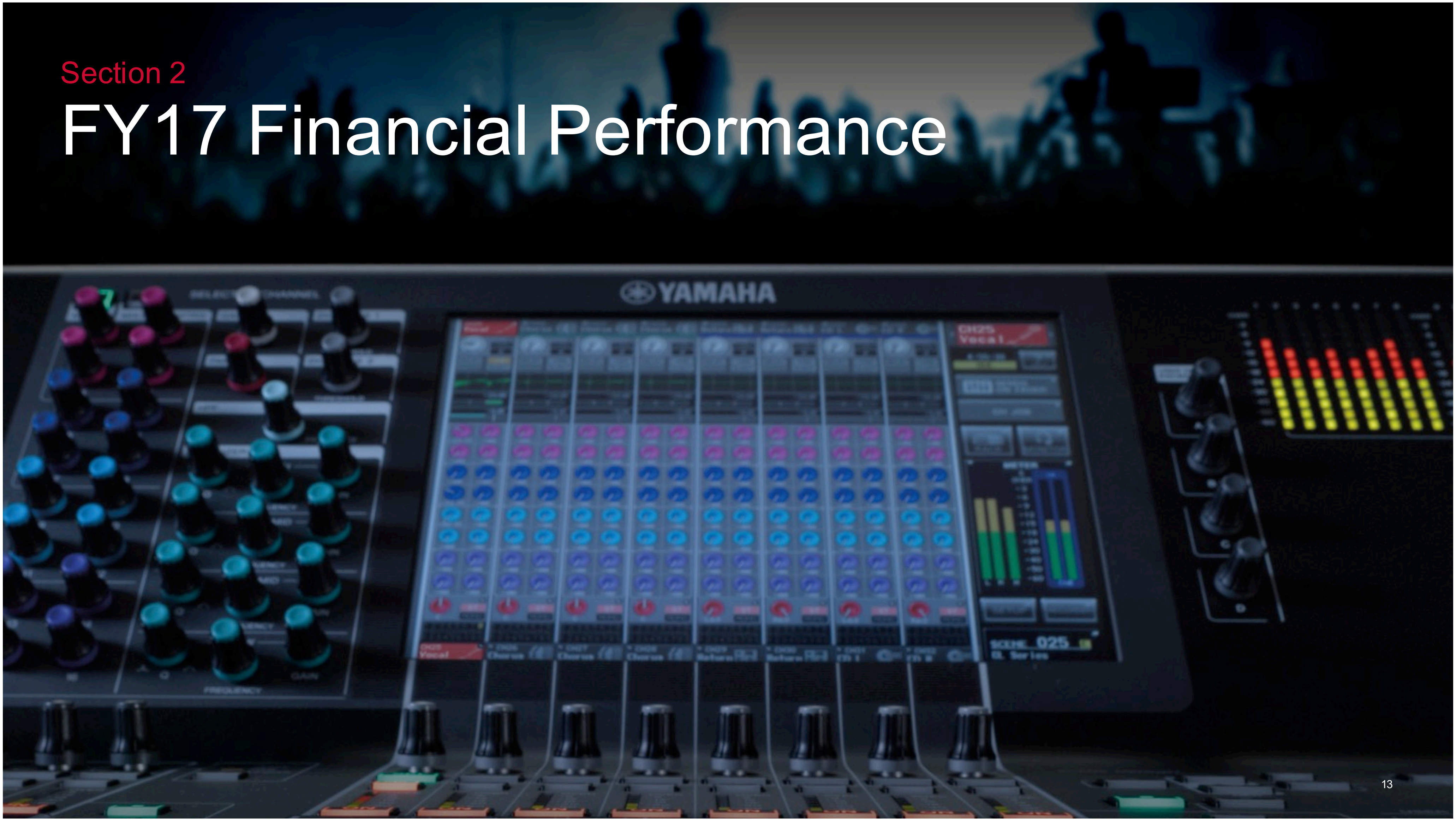
Total customers and customers with Dante-enabled products available



- Audinate has grown to 369 OEM customer brands as at 30 June 2017
- 180 OEM brands have announced products in the market
- Number of customers with Dante-enabled products available lags total customers due to OEM product development cycle

Section 2

FY17 Financial Performance



2017 Pro Forma Income Statement

A$('000) Year Ended 30 June	Pro Forma Forecast FY17	$Δ	%Δ	Pro Forma Actual FY17
Sales Revenue	**14,596**	**467**	**3%**	**15,063**
COGS	(3,568)	234	(7%)	(3,802)
Gross Profit	**11,028**	**233**	**2%**	**11,261**
Employee related costs	(7,692)	(198)	3%	(7,494)
Marketing expense	(1,619)	(16)	1%	(1,603)
Administration and other operating expenses	(2,393)	134	(6%)	(2,527)
Total operating expenses	**(11,704)**	**(80)**	**1%**	**(11,624)**
EBITDA	**(676)**	**313**	**(46%)**	**(363)**
Depreciation and amortisation expense	(920)	(169)	18%	(1,089)
EBIT	**(1,596)**	**144**	**(9%)**	**(1,452)**
Net interest income	255	29	11%	284
R&D tax incentive	318	2	1%	320
FX gains & losses	(181)	(37)	20%	(218)
Other Income	**136**	**(34)**	**(25%)**	**102**
Profit before taxation	**(1,205)**	**139**	**(12%)**	**(1,066)**
Income tax expense	(17)	(31)	181%	(48)
NPAT	**(1,222)**	**108**	**(9%)**	**(1,114)**

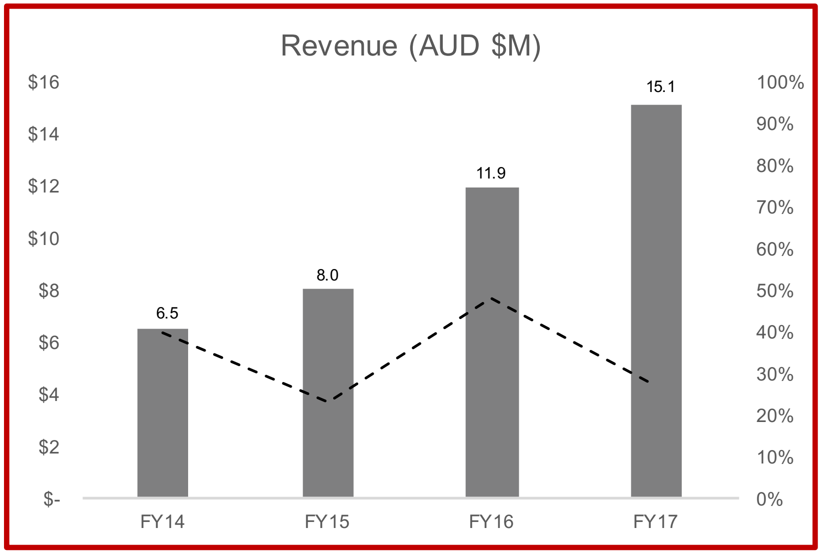
- Overall 2017 Pro Forma Actual EBITDA is $0.3m favourable to 2017 Pro Forma Forecast
- Pro Forma operating costs include additional listed company costs of $1.1m (see Appendix 1)
- Revenue outperformance primarily due to additional sales of Ultimo product
- Additional Ultimo sales impacted Gross Margin given the lower product margin
- Favourable operating cost variance was primarily due to delays in hiring versus budgeted headcount and as well as additional capitalisation of development costs
- 2017 Pro Forma Actual NPAT is $0.1m favourable to forecast, reflecting a favourable gross margin variance net of additional depreciation and FX impacts

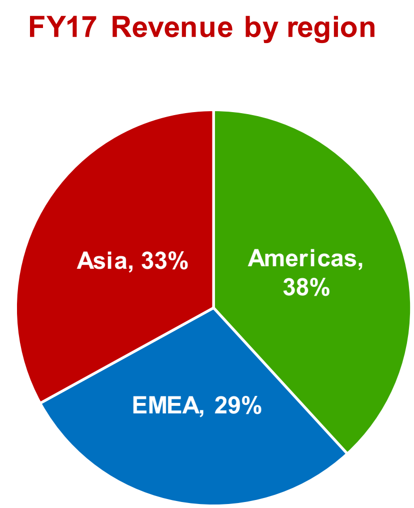
2017 Statutory Income Statement

A$('000) Year Ended 30 June	Statutory FY16	$Δ	%Δ	Statutory FY17
Sales Revenue	**11,903**	**3,160**	**27%**	**15,063**
COGS	(3,062)	(740)	24%	(3,802)
Gross Profit	**8,841**	**2,420**	**27%**	**11,261**
Employee related costs	(5,885)	(1,405)	24%	(7,290)
Marketing expense	(1,639)	36	(2%)	(1,603)
Administration and other operating expenses	(1,382)	(202)	15%	(1,584)
IPO costs	-	N/A	N/A	(1,694)
Total operating expenses	**(8,906)**	**(3,265)**	**37%**	**(12,171)**
EBITDA	**(65)**	**(845)**	**1300%**	**(910)**
Depreciation and amortisation expense	(627)	(462)	74%	(1,089)
EBIT	**(692)**	**(1,307)**	**189%**	**(1,999)**
Net interest income	39	11	28%	50
Conversion of preference shares	-	N/A	N/A	(18,548)
R&D tax incentive	573	(253)	(44%)	320
FX gains & losses	146	(364)	(249%)	(218)
Other Income	**719**	**(617)**	**(86%)**	**102**
Profit before taxation	**66**	**(20,461)**	**(>1000%)**	**(20,395)**
Income tax expense	(12)	(36)	300%	(48)
NPAT	**54**	**(20,497)**	**(>1000%)**	**(20,443)**

- Revenue growth of 30% in USD, currency impacts reduced the growth rate in AUD to 27%
- Slight improvement in gross margin
- One-off IPO costs of $1.7m were in line with forecast
- Excluding IPO costs EBITDA is $0.8m (rather than $0.9m loss)
- $18.5m non cash charge for conversion of preference shares at IPO
- In total $20.2m charge for both items resulting in a net statutory loss of $20.4m

Revenue

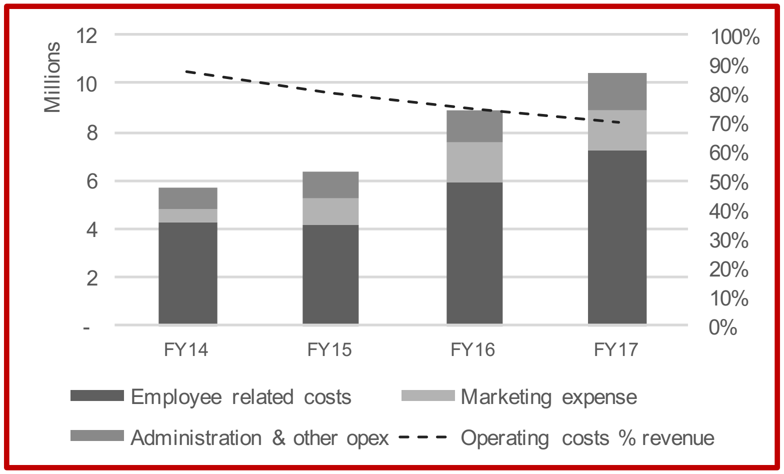




- Audinate bills its customers in USD, therefore revenue is sensitive to FX fluctuations
- Consistent record of strong revenue growth, with FX impact evident in FY16
- Diversified global customer base, with no significant geographic concentration

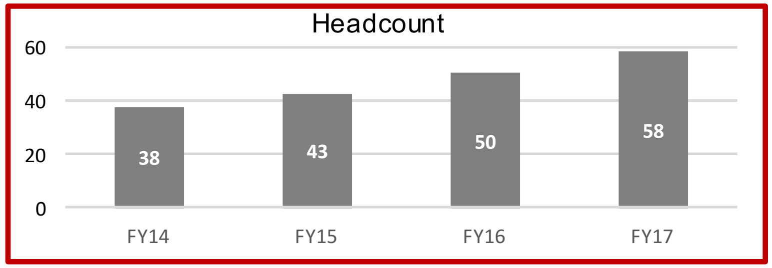
Operating Costs

Operating costs $ and % revenue



Statutory operating costs

AUD $'000s	FY14	FY15	FY16	FY17
Employee related costs	4,311	4,206	5,885	7,290
Marketing expense	525	1,015	1,639	1,603
Administration & other opex	875	1,188	1,382	1,584
Total Operating Costs	**5,712**	**6,409**	**8,906**	**10,477**



- Audinate has demonstrated leverage in cost base as operating costs as % of revenue continues to decline over time
- Increase in employee related costs includes headcount added to focus on new growth initiatives of Dante Domain Manager and launch of adaptor products
- The expansion of Audinate offices in Sydney and Portland was the main reason for the increase in Administration & other Opex
- Amounts above include research element of R&D expenditure – FY17:$1.3m (FY16: $1.4m)

2017 Pro Forma Cash-flow Statement

A$('000)	Pro Forma Forecast Cash Flows			Pro-forma Actual Cash Flows
Year Ended 30 June	**FY17**	**$Δ**	**%Δ**	**FY17**
EBITDA	**(676)**	**313**	**(46%)**	**(363)**
Non-cash items in EBITDA	271	-	0%	271
Changes in Working Capital	4	684	>1000%	688
Operating Cash Flow	**(401)**	**997**	**(249%)**	**596**
Capitalised development costs	(975)	(629)	65%	(1,604)
Capital expenditure	(133)	(128)	96%	(261)
Free Cash Flow	**(1,509)**	**240**	**(16%)**	**(1,269)**

- Overall Pro Forma free cashflow was better than prospectus forecast by $0.2m
- Increases in provisions and payables resulted in a positive increase in working capital
- Variance on capitalised development costs due split of R&D incentive cash - $0.4m less applied against capex, extra $0.4m in opex relating to research activities
- Capital expenditure includes additional spending on patents

2017 Statutory Balance Sheet

AUD $'000s	30 June 2017
Assets	
Cash & cash equivalents	18,694
Receivables	2,030
Receivable from issue of shares	4,062
Inventory	767
R&D incentive	902
Other current assets	247
Total current assets	**26,702**
Property, plant and equipment	365
Intangibles	2,001
Total non-current assets	**2,366**
Total assets	**29,068**
Liabilities	
Payables	2,558
Payable to selling shareholders	7,030
Income tax payable	34
Provisions	1,393
Other current liabilities	164
Total current liabilities	**11,179**
Provisions	305
Total non-current liabilities	**305**
Total liabilities	**11,484**
Net assets	**17,584**
Equity	
Issued capital	63,262
Reserves	302
Retained earnings	(45,980)
Total equity	**17,584**

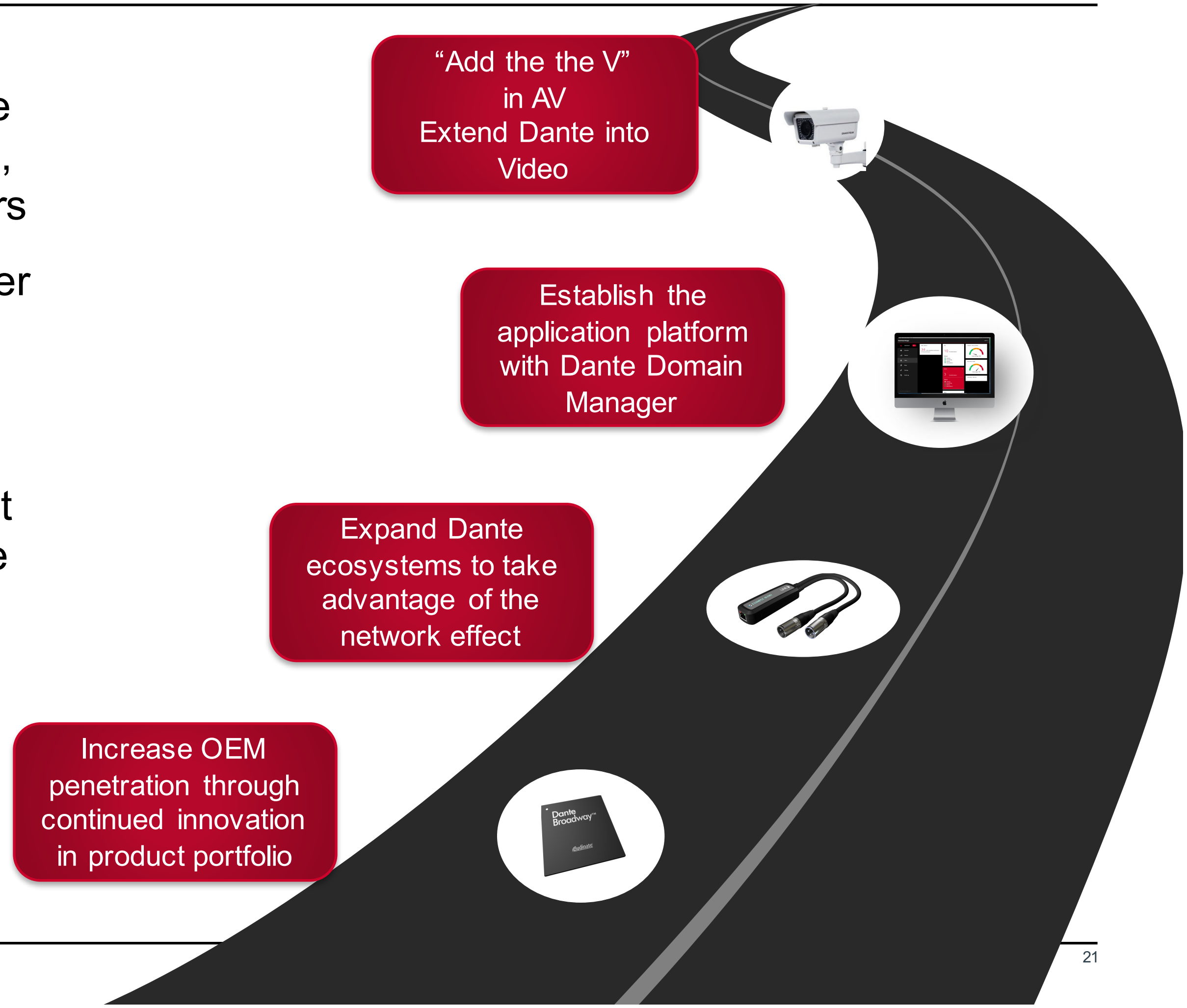
- Balance sheet reflect completion of IPO on 30 June 2017
  - Cash includes $3m paid to selling shareholders in July
  - Receivable from issue of shares ($4.1m) was received in July
  - Payable to selling shareholders ($7.0m) was paid in July
- Receivables increase reflects strong end of year sales in debtors (current), rise in GST receivable and loan for employee options
- R&D incentive is receivable from the ATO upon lodgement of the corporate tax return
- Increase in intangibles reflect net capex of R&D activities ($1.6m) & current period amortization
- Increase in payables primarily due to accrued IPO costs
- Equity balance reconstructed due to Top Hat structure

Section 3

Growth Strategy & FY18 Outlook

Growth initiatives

- Drive market awareness and increase adoption of Dante among consultants, system integrators, and end customers
- Expand sales, marketing and customer service to support new product introductions which leverage the existing installed base
- Investing in new product development initiatives to increase the addressable market size
- Improve operational efficiencies by investing in new back-end systems



Dante Domain Manager™

SECURITY

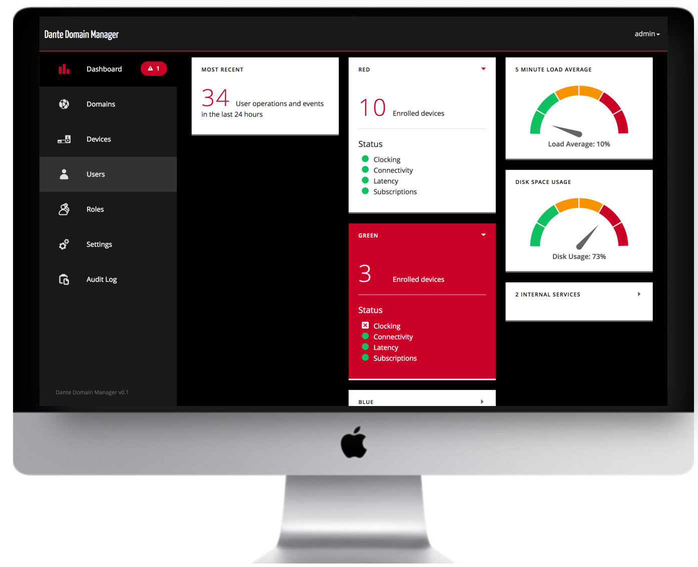
- Usernames/passwords identify users
- Roles control access to the system

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



Complete network management for Dante systems

Dante Domain Manager Opportunity

Dante Domain Manager is
- A software product
- A system management tool
- For system integrators and end users
- Sold into Dante installations

Builds upon the OEM product ecosystem
- Addresses customers felt needs
- Additive revenue opportunity
- New channel
- Complements existing OEM offerings

Opens the way for future software and service offerings

Section 4

FY18 Outlook

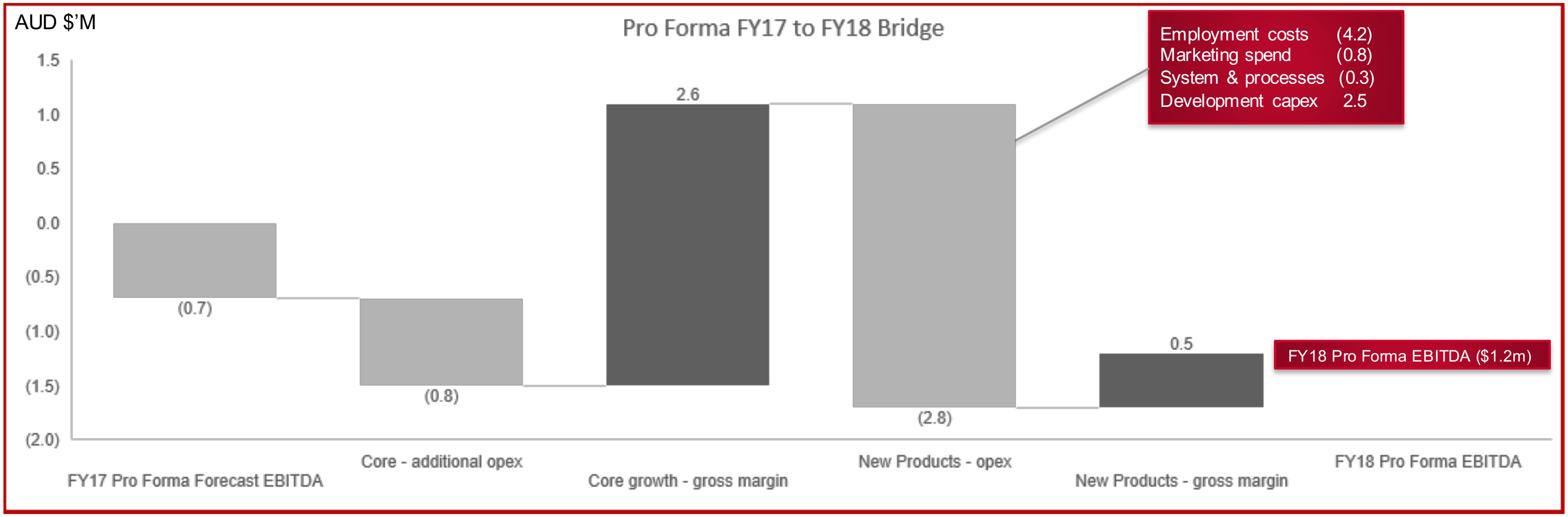
2018 Forecast

A$('000)	Forecast
Year Ended 30 June	**FY18**
Sales Revenue	**18,552**
COGS	(4,428)
Gross Profit	**14,125**
Employee related costs	(10,342)
Marketing expense	(2,006)
Admin and other operating expenses	(2,965)
Total operating expenses	**(15,313)**
EBITDA	**(1,188)**

- FY18 prospectus forecast was calculated using an AUD/USD exchange rate of 77c. The sensitivity to changes in exchange rates is summarised in the table below (per page 79 of the prospectus)

A$('000)		**FY18 EBITDA**		**FY18 NPAT**	
Assumption	*Variance*	*Negative*	*Positive*	*Negative*	*Positive*
Foreign exchange rate (AUD/USD)	-/+ 1c	105	(102)	104	(101)
Foreign exchange rate (AUD/USD)	-/+ 5c	554	(486)	549	(482)

2018 Forecast



- New initiatives include DDM, Video & Adaptors – more than doubles the current addressable market
- Expenditure relates to FTEs primarily focused on new products, dedicated marketing spend and system & process expenditure to support growth – net of development capex
- New initiatives are largely funded by Core business growth of $2.6m in gross margin

Summary

Global market leader
- Dominant position as global leader in audio networking
- Five times the market adoption of its closest competitor

Significant market opportunity
- AV market currently in the early stages of transformation to digital networking
- Audinate is perfectly positioned to capitalise on market growth and increased penetration

Attractive financial profile
- High gross margins supported by strong IP
- Revenue growth supported by repeat product orders

Strong customer base
- Existing customer base includes leading global AV equipment companies
- Customer base is broad and expanding

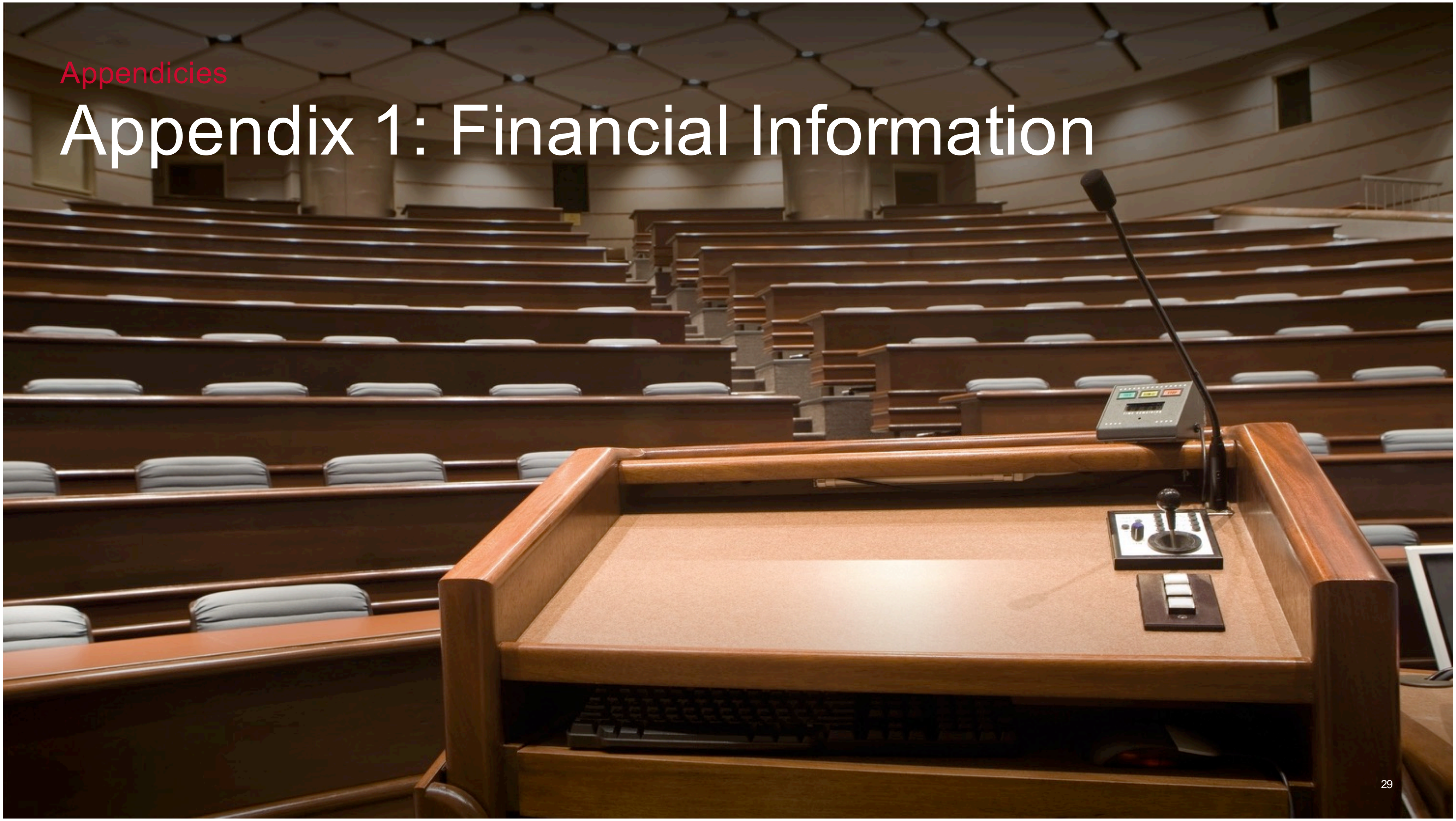
Innovative products
- Strong portfolio of intellectual property developed in Australia
- Significant continued investment in R&D

Experienced management team
- Stable executive team with extensive industry experience
- Built Audinate into a sustainable market leadership position

Thank you

Appendicies

Appendix 1: Financial Information



2017 Statutory Income Statement

A$('000) Year Ended 30 June	Statutory FY16	$Δ	%Δ	Statutory FY17
Sales Revenue	**11,903**	**3,160**	**27%**	**15,063**
COGS	(3,062)	(740)	24%	(3,802)
Gross Profit	**8,841**	**2,420**	**27%**	**11,261**
Employee related costs	(5,885)	(1,405)	24%	(7,290)
Marketing expense	(1,639)	36	(2%)	(1,603)
Administration and other operating expenses	(1,382)	(202)	15%	(1,584)
IPO costs	-	N/A	N/A	(1,694)
Total operating expenses	**(8,906)**	**(3,265)**	**37%**	**(12,171)**
EBITDA	**(65)**	**(845)**	**1300%**	**(910)**
Depreciation and amortisation expense	(627)	(462)	74%	(1,089)
EBIT	**(692)**	**(1,307)**	**189%**	**(1,999)**
Net interest income	39	11	28%	50
Conversion of preference shares	-	N/A	N/A	(18,548)
R&D tax incentive	573	(253)	(44%)	320
FX gains & losses	146	(364)	(249%)	(218)
Other Income	**719**	**(617)**	**(86%)**	**102**
Profit before taxation	**66**	**(20,461)**	**(>1000%)**	**(20,395)**
Income tax expense	(12)	(36)	300%	(48)
NPAT	**54**	**(20,497)**	**(>1000%)**	**(20,443)**

Reconciliation of statutory to pro forma income statements

A$('000) Year Ended 30 June	FY16	Forecast FY17	Actual FY17
Statutory EBITDA	**(64)**	**(1,224)**	**(910)**
Offer costs	-	1,695	1,694
Listed company costs	(1,203)	(943)	(943)
LTI expense	(258)	(204)	(204)
Pro forma EBITDA	**(1,525)**	**(676)**	**(363)**

A$('000) Year Ended 30 June	FY16	Forecast FY17	Actual FY17
Statutory NPAT	**54**	**(20,600)**	**(20,443)**
Offer costs		1,695	1,694
Listed company costs	(1,203)	(943)	(943)
LTI expense	(258)	(204)	(204)
Development cost amortisation	(93)	-	-
Interest income	236	234	234
Change in fair value of preference shares	-	18,596	18,548
Pro forma NPAT	**(1,263)**	**(1,222)**	**(1,114)**

Adjustments set out in the tables above relate to the following categories

A. Items of a non-recurring nature including IPO Offer costs and the change in the fair value of preference shares

B. Items to reflect the post IPO capital structure and cost base including listed company costs, additional LTI expense, extra interest income from IPO proceeds

C. Items to reflect the consistent application of accounting policies, specifically for the amortisation of development costs which only commenced with the adoption of IFRS in FY14

2017 Statutory Balance Sheet

$'000s	2016	$Δ	%Δ	2017
Year Ended 30 June	**2016**	**$Δ**	**%Δ**	**2017**
Assets				
Cash & cash equivalents	3,108	15,586	501%	18,694
Receivables	1,915	115	6%	2,030
Receivable from issue of shares	-	N/A	N/A	4,062
Inventory	455	312	69%	767
R&D incentive	1,149	(247)	(21%)	902
Other current assets	145	102	70%	247
Total current assets	**6,772**	**19,930**	**294%**	**26,702**
Property, plant and equipment	324	41	13%	365
Intangibles	1,269	732	58%	2,001
Total non-current assets	**1,593**	**773**	**49%**	**2,366**
Total assets	**8,365**	**20,703**	**247%**	**29,068**
Liabilities				
Payables	757	1,801	238%	2,558
Payable to selling shareholders	-	N/A	N/A	7,030
Income tax payable	15	19	127%	34
Provisions	912	481	53%	1,393
Redemmable Preference Shares	31,551	N/A	N/A	-
Other current liabilities	164	–	-	164
Total current liabilities	**33,399**	**(22,220)**	**(67%)**	**11,179**
Provisions	231	74	32%	305
Total non-current liabilities	**231**	**74**	**32%**	**305**
Total liabilities	**33,630**	**(22,146)**	**(66%)**	**11,484**
Net assets	**(25,265)**	**42,849**	**(170%)**	**17,584**
Equity				
Issued capital	29	63,233	>1000%	63,262
Reserves	244	58	24%	302
Retained earnings	(25,536)	(20,444)	80%	(45,980)
Total equity	**(25,263)**	**42,847**	**(170%)**	**17,584**

2017 Cash-flow statement

A$('000)	Statutory Cash Flows			
Year Ended 30 June	**FY16**	**$Δ**	**%Δ**	**FY17**
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	11,764	3,316	28%	15,079
Payments to suppliers and employees (inclusive of GST)	(11,472)	(2,936)	26%	(14,407)
Interest received	38	14	36%	52
Interest and other finance costs paid	(0)	(1)	289%	(2)
Research and development incentive received for research activities	447	152	34%	599
Income taxes paid	(12)	(69)	585%	(80)
Net cash from operating activities	764	476	62%	1,240
Cash flows from investing activities				
Payment for property, plant and equipment	(212)	73	(35%)	(139)
Payments for intangibles	(1,435)	(872)	61%	(2,307)
Research and development incentive received for development activities	605	(24)	(4%)	581
Net cash from investing activities	(1,042)	(823)	179%	(1,865)
Cash flows from financing activities				
Proceeds from issue of shares	3	16,985	>1000%	16,988
Share issue transaction costs	-	(777)	-	(777)
Net cash flows from financing activities	3	16,208	>1000%	16,211
Net increase/(decrease) in cash and cash equivalents	(275)	15,861	>1000%	15,586
Cash and cash equivalents at the beginning of the financial year	3,383	(275)	(8%)	3,108
Cash and cash equivalents at the end of the financial year	**3,108**	**15,586**	**>1000%**	**18,695**

Appendices

Appendix 2: Background Information

Audinate is the dominant global supplier of digital audio networking technologies

Dante platform distributes high quality digital audio signals over computer networks

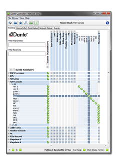
Selected products

Chips

Cards

Modules

Software



Rapid product development

Commercially supported, turnkey solution for OEMs, with unsurpassed networking expertise

Plug and play

Auto discovery with one-click routing and stored network configuration

Simplified connection management

Simple, logical user interface, easy to scale, real-time network monitoring

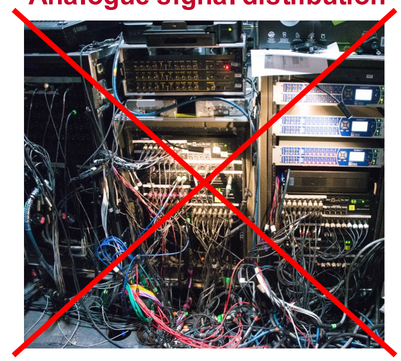
Interoperability

Interoperability between all Dante-enabled devices regardless of manufacturer

Product ecosystem

Large number of available Dante-enabled devices, interoperability, and support services

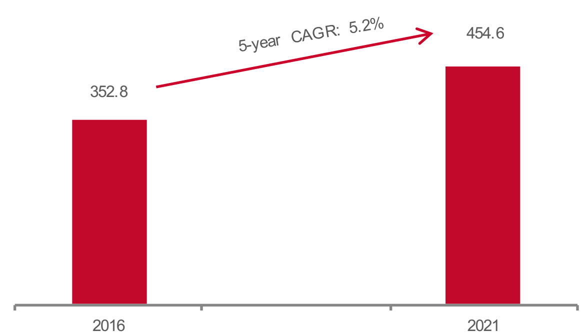
Analogue signal distribution



Dante signal distribution

Audinate's current addressable market

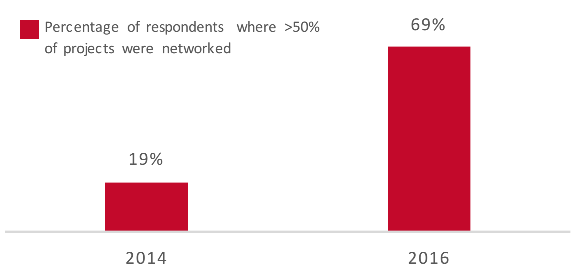
Audio networking addressable market (A$m)[1]



Audio networking addressable market drivers[1]

- Collaboration in corporate, government and institutional workplaces
- Strong pipeline of events and meetings
- Growth in the live music market
- Growth in the recording, post-production and broadcasting equipment market
- Smart campuses
- Growth in transport infrastructure investment

Trend in audio networking adoption[2]



Penetration of audio networking

- Audinate is the clear market leader
- Over $400 million of unpenetrated market potential, which currently represents analogue signal distribution
- Expect ongoing growth in adoption as evidenced by increasing number of networked installations

1) Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017
2) Based on Audio Networking Survey by RH Consulting, 2016

Selected products

Audinate

Chips, Modules and Cards

Dante Ultimo (Chip)

Used in low channel applications
(e.g. speakers and microphones up to 4x4 channels)

Dante Brooklyn II (Module)

Used in medium to high channel applications
(e.g. mixers and amplifiers up to 64x64 channels)

Cards

Peripheral soundcards and network option cards specifically designed for individual OEMs

Dante Broadway (Chip)

Product launched in April 2017

Used in medium channel count applications
(e.g. amplifiers, interfaces, mixers from 4x4 to 16x16 channels)

Reference designs

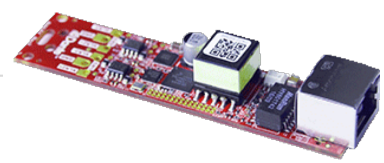
Dante HC / Brooklyn II / Custom designs

Enables OEMs to incorporate Dante software into their own chips
(up to 512x512 channels)

Adapter products

Dante Analog Output Module

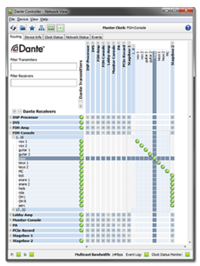
Enables connection of analogue equipment to a digital Dante network



Selected products

Software

Dante Controller



Software to enable the configuration and setup of Dante enabled networks

Dante Virtual Soundcard

Software-only sound card enabling PC and Mac audio applications to connect to Dante-enabled devices on the network

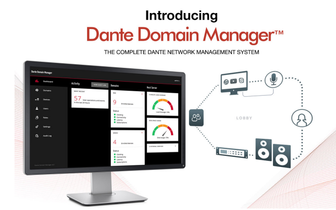
Robust, high channel count application that makes a PC or Mac an audio component in an audio network

Dante Via

Software that turns audio applications and computer audio hardware into Dante channels, that can be connected to Dante-enabled devices on the network

Enables computer-only Dante networks to be created

Dante Domain Manager



Product launch expected in second half FY18

Provides network administrators with the ability to secure their audio networks from unwanted changes and modifications

Provides the ability to scale and segment audio networks regardless of the physical constraints of the network. For example, in a campus setting, different audio groupings can be managed and integrated by room, building and site