



1H18 Results Presentation

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22 February 2018

Table of contents

1H18 Operational Highlights

1H18 Financial Highlights

Growth Strategy & Product Initiatives

2H18 Outlook

Appendices:

- Financial Tables
 - Company Overview
-

Audinate is bringing the IT revolution to the AV industry



- Dante technology distributes audio signals across computer networks
- Audinate is the leading supplier of digital audio networking for the Professional AV industry

The Dante platform is used in thousands of installations globally



Melbourne Convention Centre- Melbourne, Australia

**Delivering strong first half performance,
on track to meet prospectus forecasts**

Operational Highlights

Operational highlights – 1H18

33%
OEM
product
growth to
1,292*

42%
growth in
shipments
to 114k*

392
OEMs
licensed
Dante

3
new Dante
products
launched

8,000+
people
trained on
Dante

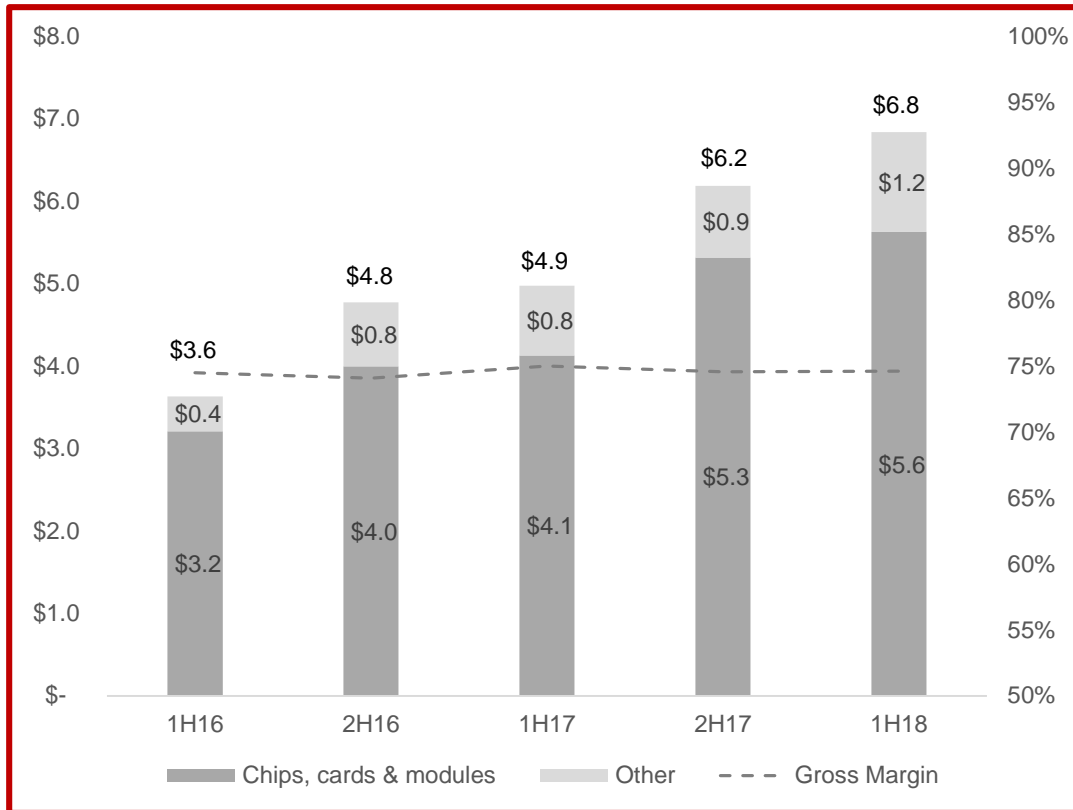
* PCP (1H17)



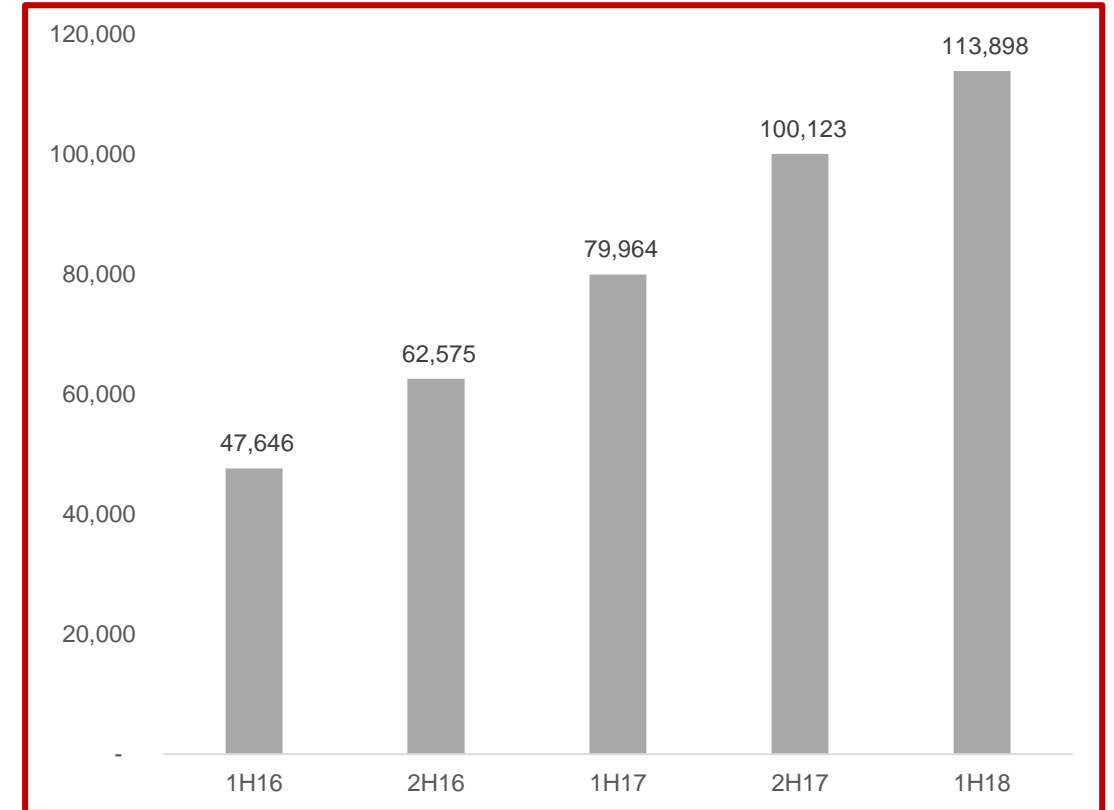
Westfield Mall Shopping Centre- London, England

Strong growth in revenue and units shipped

Revenue (US\$M)



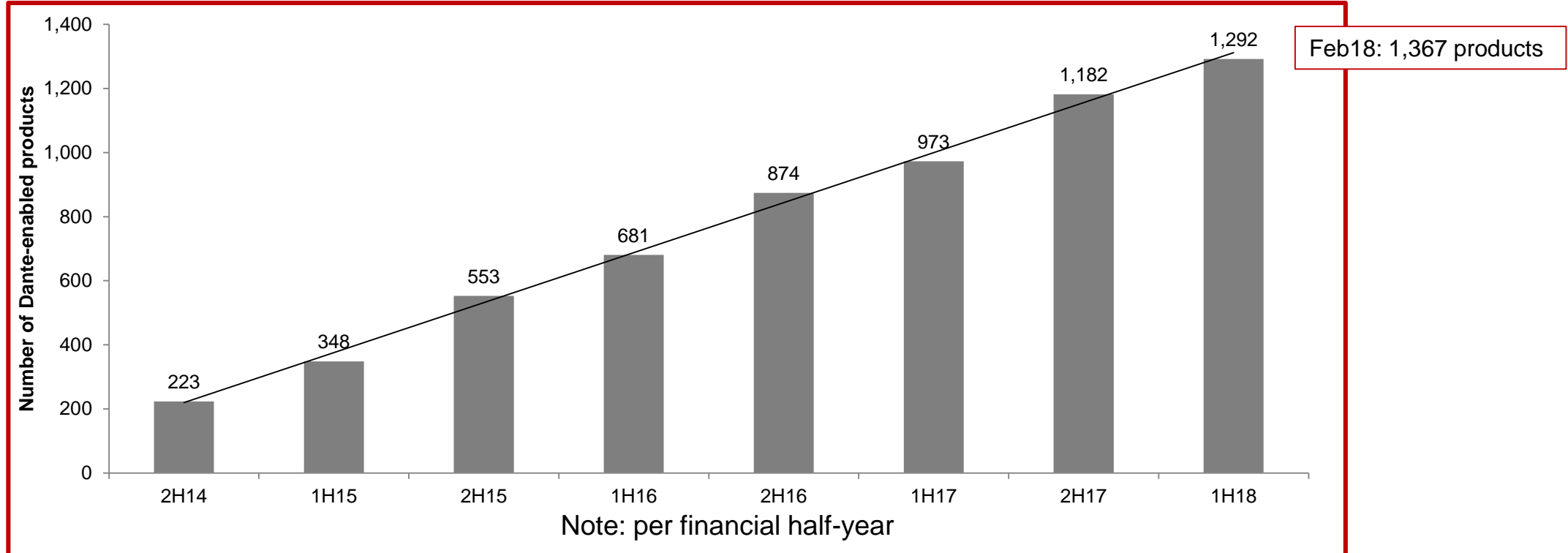
Dante units shipped Chips Modules and Cards



- 39% USD revenue growth in 1H18 (PCP)
- Growth in other revenue from software & royalties
- Audinate bills customers & pays COGS in USD

- 42% growth in units shipped in 1H18 (PCP)
- On track to meet FY18 forecast units

Total available products drives economic network effect



CAGR >65% in number of Dante-enabled products available in the market

**Continued strong revenue growth with
high gross margins**

Financial Highlights

Financial highlights – 1H18

39%
growth in
revenue to
US\$6.8m
(PCP)

\$2.2m
NPAT up
from a loss
1H17
(\$16.0m)

\$0.1m
EBITDA ↓
from \$0.2m
at 1H17

\$0.1m
Pro forma
EBITDA
↑ from 1H17
(\$0.4m)*

(\$0.2m)
operating
cashflow
*inc \$0.9m
IPO costs*

*1H17 EBITDA of \$0.2m less public company costs \$0.5 and LTI \$0.1m (Prospectus p53)



Sydney Trains - Sydney, Australia

1H18 Income Statement

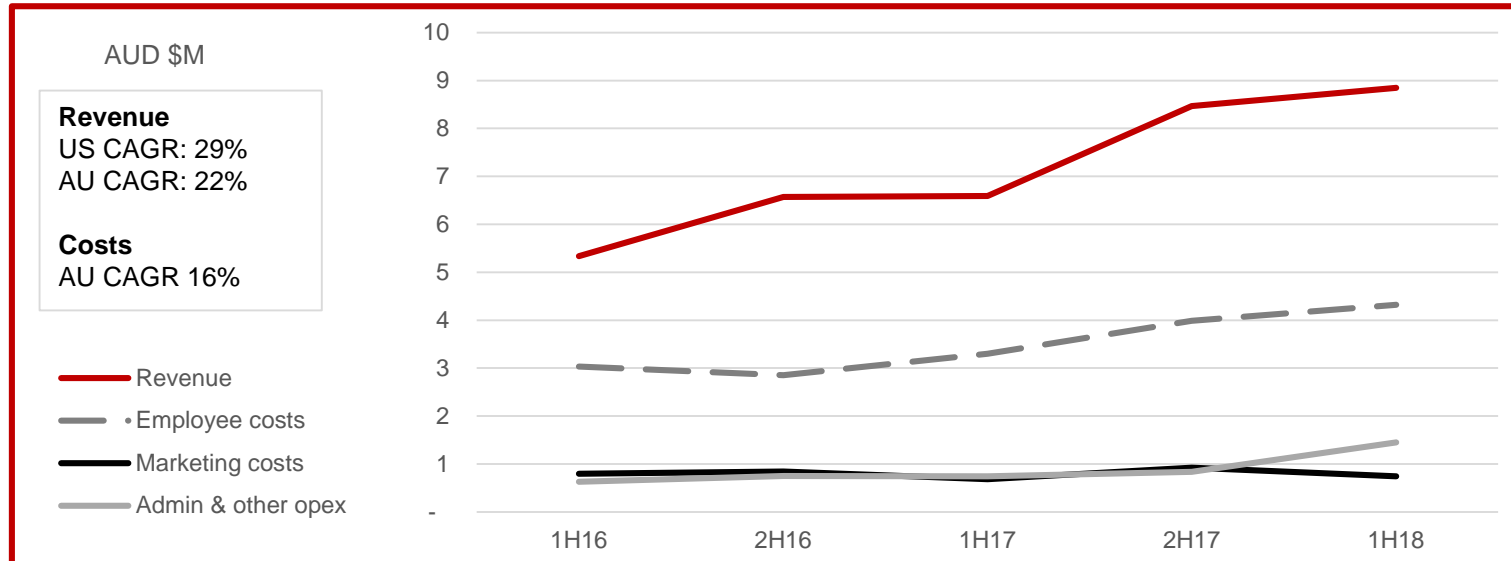


(AU\$'000s)	1H18	1H17	Change
Sales	8,848	6,594	34%
Cost of goods sold	(2,245)	(1,648)	36%
Gross profit	6,603	4,946	34%
<i>Gross margin</i>	<i>75%</i>	<i>75%</i>	
Employee expenses	(4,323)	(3,303)	31%
Marketing expenses	(740)	(680)	9%
Admin & other opex	(1,454)	(745)	95%
Total Expenses	(6,518)	(4,729)	38%
EBITDA	86	217	(61%)
Depreciation and amortisation	(685)	(419)	63%
Other Income	143	48	198%
Change in fair value of pref shares	0	(15,863)	-
Loss before tax	(457)	(16,018)	
Income tax benefit/(expense)	2,644	(2)	
Profit/(Loss) for the year	2,187	(16,020)	

- 1H18 NPAT of \$2.2m primarily due to favourable impact of tax consolidation: \$2.4m (refer additional detail in Appendix 1)
- Prior period net loss of (\$16.0m) driven by fair value of pref shares (\$15.9m)
- Current period includes incremental costs: public company \$0.5m and LTI \$0.1m
- Adjusting for these items EBITDA increased to \$0.1m (1H18) from a loss of (\$0.4m) (1H17)
- R&D expenditure of \$1.8m, includes \$0.5m research
- Admin & other opex reflects forecast increase due to public company cost and system & process initiatives
- Formation of tax consolidated group resulted in \$2.4m impact as an income tax benefit

Revenue growth outstripping operating costs

AUD Revenue & Cost trends



AUD \$'000s	1H16	2H16	1H17	2H17	1H18
Revenue	5,333	6,571	6,594	8,469	8,848
Employee costs	3,031	2,854	3,303	3,987	4,323
Marketing costs	798	842	680	923	740
Admin & other opex	633	749	745	839	1,454
Total operating costs	4,461	4,445	4,729	5,749	6,518

- Audinate invoices its customers in USD, therefore revenue is sensitive to FX fluctuations
- Revenue growth exceeding operating costs, even allowing for public company costs in 1H18

1H18 Cash-flow Statement



(AU\$'000s)	1H18	1H17	Change
Cash flows from operating activities			
Receipts from customers	9,304	7,182	30%
Payments to suppliers and employees	(9,947)	(6,848)	45%
Interest received	142	21	587%
Interest and other finance costs paid	0	0	(100%)
R&D incentive (research activities)	335	701	(52%)
Income taxes paid	(45)	(1)	-
Net cash from operating activities	(212)	1,056	(120%)
Cash flows from investing activities			
Payments for PP&E	(198)	(82)	140%
Payments for intangibles	(1,377)	(1,096)	26%
R&D incentive (development activities)	680	478	42%
Net cash used in investing activities	(895)	(700)	28%
Cash flows from financing activities			
Proceeds from issue of shares	4,083	1	
Payments to selling shareholders	(7,030)	0	
Payments for capital raising costs	(115)	0	
Net cash used in financing activities	(3,062)	1	
Net increase in cash	(4,168)	356	
Opening cash	18,694	3,108	
FX impacts	(71)	0	
Cash at the end of the financial year	14,455	3,465	317%

- 1H18 payments to suppliers includes \$0.9m of IPO costs (with a further \$0.1m in financing activities)
- Adjusting for this item operating cashflow is positive \$0.7m
- In the prior period a higher % of the R&D incentive related to research activities which boosted operating cash
- Prior period excludes public company costs which are circa \$0.5m in 1H18
- Financing activities reflect balance of IPO proceeds (\$4.1m) and payment to selling shareholders (\$7.0m).
- Excluding IPO related cash flows (described above) cash outflow for the period was negative \$0.2m

Statutory Balance Sheet

(AU\$'000s)	31 Dec 17	30 Jun 17	Change
Cash and cash equivalents	14,455 ¹	18,694	(23%)
Trade and other receivables	1,834	2,030	(10%)
Receivable form issue of shares	0 ¹	4,062	(100%)
R&D incentive	0 ²	902	(100%)
Inventory	1,080	767	41%
Other assets	298	246	21%
Current assets	17,667	26,702	(32%)
Property, plant and equipment	467	365	28%
Intangibles	2,778 ³	2,001	39%
Deferred tax asset	2,655 ²	0	100%
Non-current assets	5,901	2,366	125%
Total assets	23,567	29,068	(19%)
Trade and other payables	1,790 ⁴	2,558	(30%)
Payable to selling shareholders	0 ¹	7,030	(100%)
Provision for income tax	0 ²	34	(100%)
Other liabilities	1,256	1,557	(19%)
Current liabilities	3,046	11,179	(73%)
Long service leave	300	305	(2%)
Total liabilities	3,346	11,484	(71%)
Net assets	20,221	17,584	15%
Ordinary shares - fully paid	63,283	63,262	0%
Reserves	732	303	142%
Retained profits/losses - opening	(43,793)	(45,980)	(5%)
Total equity	20,221	17,584	15%

1. At the beginning of July the Group received the balance of IPO proceeds (\$4.0m) and paid the entire \$7.0m owing to selling shareholders
2. The Group entered into a tax consolidated group, recognising a Deferred Tax Asset (\$2.1m) and now accounts for the R&D incentive as Deferred Tax Asset
3. Capitalised development costs no longer include an offset as this is accounted for as an income tax benefit in P&L
4. Trade & other payables have decreased due the payment of accrued IPO costs

Growth Strategy and Product Initiatives





- **Increase market awareness of Dante products**

Educate end users, system designers and integrators so that they install more Dante products in their AV systems – driving growth in chips/modules sales



- **Increase penetration of Dante throughout each OEM brand's product portfolio**

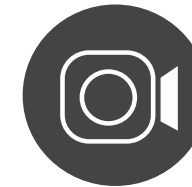
Encourage existing OEM customers to Dante-enable more of their product range – some manufacturers make many hundreds of products



- **Increase the number of OEMs adopting Dante**

Continue to sign new OEM partner brands and help them to get Dante enabled products to market

Audinate aims to double its addressable market by developing new products and applications



STRATEGY

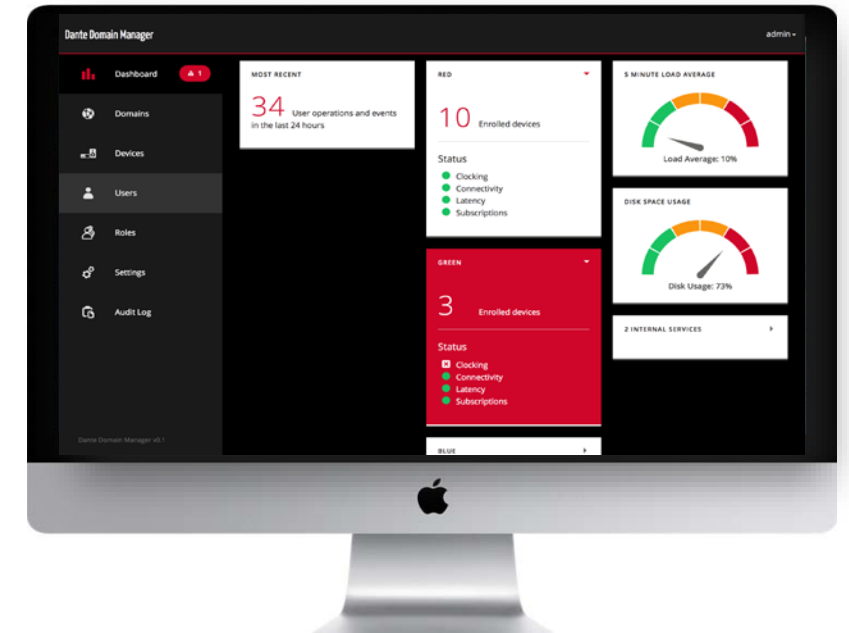
OVERVIEW

	1. Dante software & applications	2. Adapter products	3. Video products
STRATEGY	Provide Software to better manage and maintain Dante-enabled networks	Profilerate Dante by enabling connection of analogue end-points	Use Dante to transport video with audio (Add the "V" in "AV")
OVERVIEW	<ul style="list-style-type: none"> • Immediate opportunity with Dante Domain Manager <ul style="list-style-type: none"> - Establish a revenue channel from existing Dante end customers - Leverage installed base of Dante products 	<ul style="list-style-type: none"> • Single customer product available today • Develop a family of adapter products and solutions 	<ul style="list-style-type: none"> • Use cases displacing HDMI cables with IP networking infrastructure • Significant market potential of approximately A\$400 million¹

Dante Domain Manager

Dante Domain Manager (DDM) is network management software that enables user authentication, role-based security and audit capabilities for Dante networks.

- Updated firmware delivered to OEMs for release to their customers in 2Q18
- Commercial product launch at Integrated Systems Europe (ISE) tradeshow in February 2018
- Good initial interest and market response to product launch
- Established a reseller network: 44 system integrators signed up to date
- DDM requires upgraded firmware in installed AV equipment
 - Several key OEMs have released updated firmware, including Yamaha, Symetrix, and Allen & Heath
 - OEMs roll-out of updated firmware slower than expected
- 2H18 DDM revenue will be determined by the speed of adoption of firmware by OEMs



Dante AVIO is a cost-effective family of adaptors to connect legacy analogue equipment, USB and AES3 digital audio equipment to Dante networks.

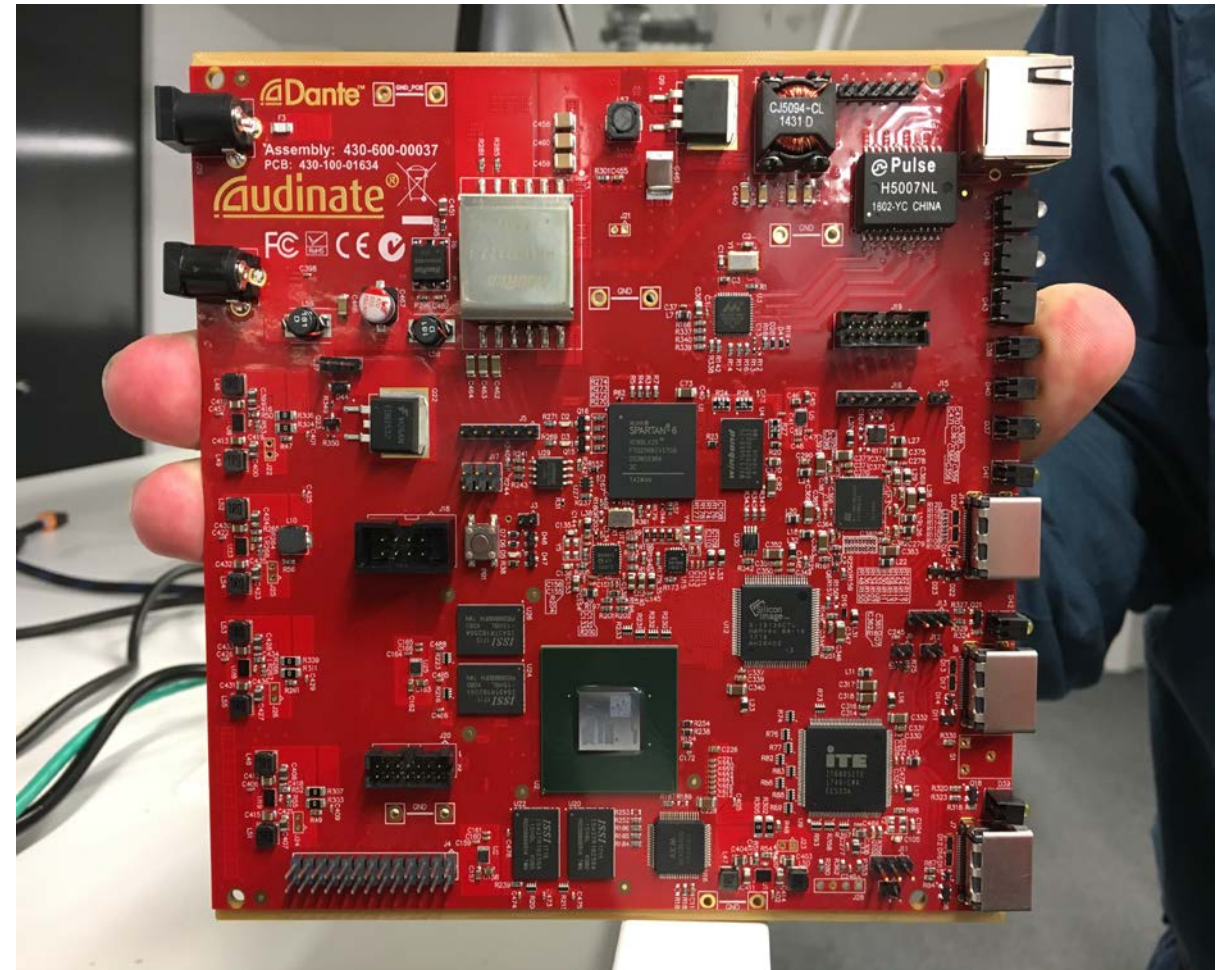
- Product design, testing and QA completed in 1H18
- Commercial product launch at National Association of Music Merchant (NAMM) tradeshow in January 2018
- Positive reception from system integrators and end-users
- Distribution via online retailers and reseller network
- Expect to ship product from 4Q18



*Dante AVIO adaptors enable proliferation of Dante technology
in a cost effective manner for existing AV equipment*

Audinate is developing a video solution to distribute video signals from HDMI connections across a network.

- Prototype hardware complete and functional
- Software and firmware development on track
- On schedule to demonstrate product at InfoComm tradeshow in June 2018



FY18 Outlook



- On track to meet FY18 prospectus forecasts
- Continue to drive growth in core Dante products
- New product initiatives will continue in 2H18 to broaden addressable market
 - Continued rollout of DDM (although take up of DDM is ultimately determined by ongoing firmware adoption rate OEMs)
 - Implementation of our distribution strategy for Dante AVIO adaptors
 - Ongoing development of video solution
- Target to reach EBITDA positive position in FY19

Thank you



Appendix 1: Financial Information



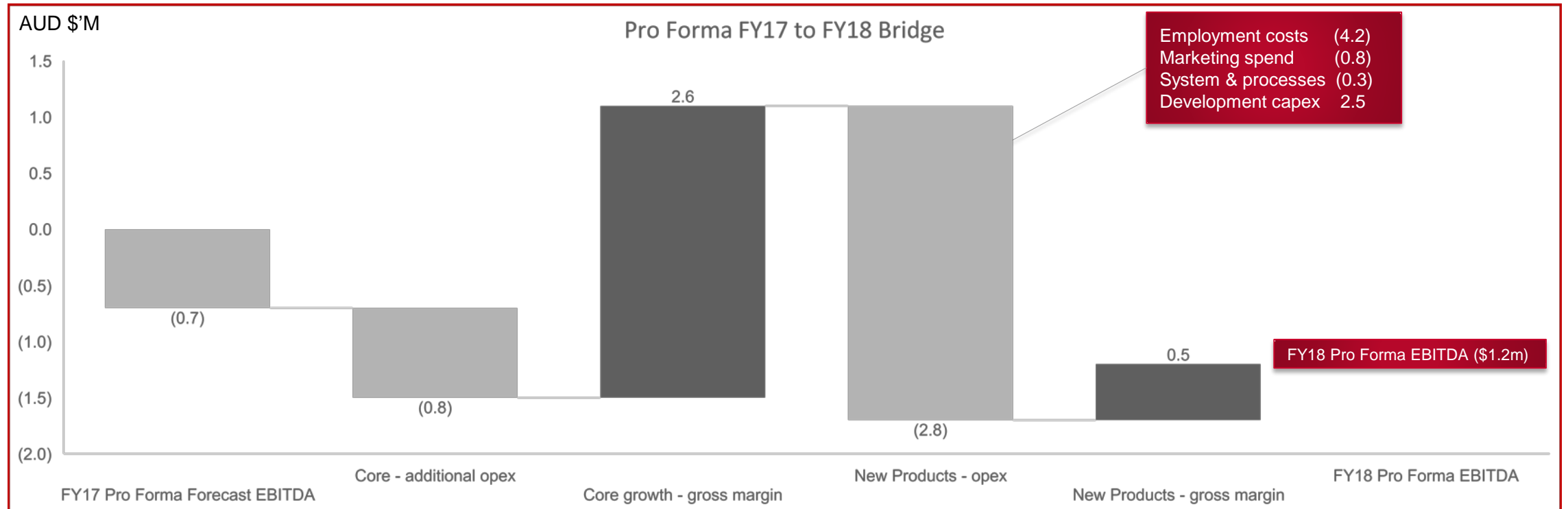
- On 1 July 2017 Audinate formed a tax consolidated group in Australia which required it to reset the tax cost base of assets through an Allocable Cost Amount (ACA) calculation, which takes into account the primary raise undertaken at the IPO.
- As a result of this process Audinate recognised new tax assets for patents and copyrights based on an independent valuation. These assets are not recognised for accounting purposes as they are internally generated but they do represent future tax deductions.
- The Group also recognised some other sundry deferred tax balances, not previously recognised due to the existence of carried forward tax losses. The overall impact of this process was an income tax benefit of \$2.4m and a corresponding deferred tax asset on the balance sheet.
- At this time the Group also revised its treatment of the research and development incentive received from the ATO. Historically this amount had been recognised as a receivable on the balance sheet and then split between other income (P&L) and a contra development cost asset (BS) based on the nature of the underlying activities.
- The incentive is now recognised within the deferred tax asset on the balance sheet (\$0.6m) with a corresponding entry to income tax benefit (P&L). A deferred tax liability must now be recognised for the timing difference represented by capitalised development costs (\$0.2m).
- Overall this treatment does not have any impact on EBITDA, although it does have a favourable impact on current period NPAT of approximately \$0.1m (compared to the previous treatment).

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)	<i>Assumption</i>	<i>Variance</i>	FY18 EBITDA		FY18 NPAT	
			<i>Negative</i>	<i>Positive</i>	<i>Negative</i>	<i>Positive</i>
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

Appendix 2: Company Overview



Dante distributes high quality digital audio signals over computer networks

Global ASX listed business, based in Australia

- Spinout from NICTA (Data61/CSIRO)
- Established international customer base
- Main office in Sydney, offices in the USA, UK, HK

Global leader in audio networking technology

- Used by the market leading AV brands (OEMs)
- 392 OEM brands as customers, with 1,292 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 in excess of 30% CAGR ^(USD) in FY17 & 1H18

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

Audinate products

Chips



Modules



Cards



Software



Customers (OEM Brands)



Solid State Logic
SOUND || VISION



Focusrite



SONY



OEM Products



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

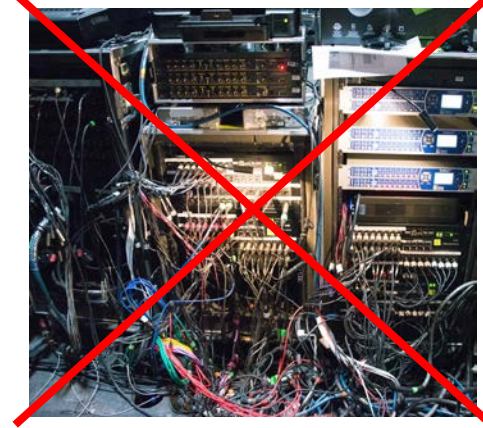
Interoperability between all Dante-enabled devices regardless of manufacturer



Product ecosystem

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

Analogue signal distribution

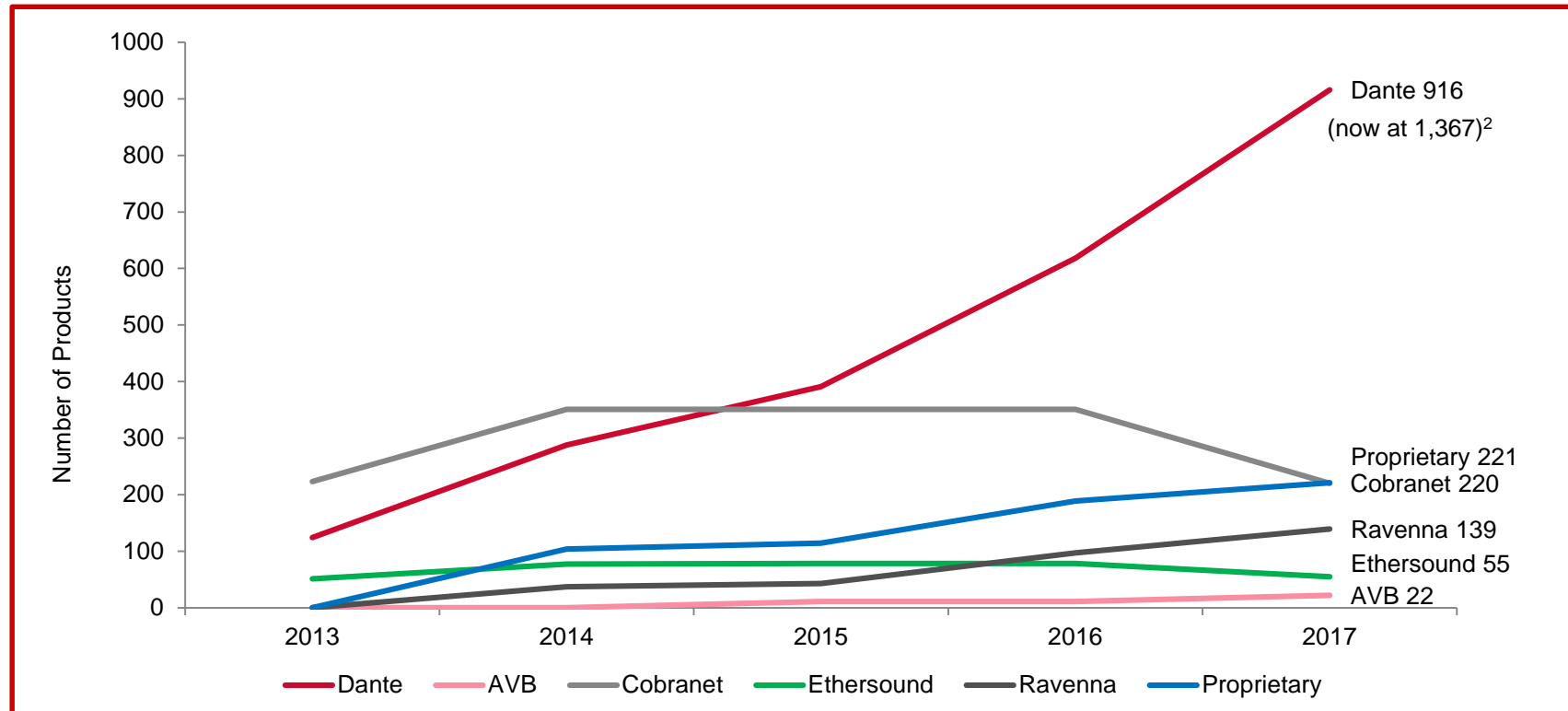


Dante signal distribution



- There are several competing audio networking solution providers; however, Audinate is the clear global market leader
- Dante has over five times the adoption of its closest competitor

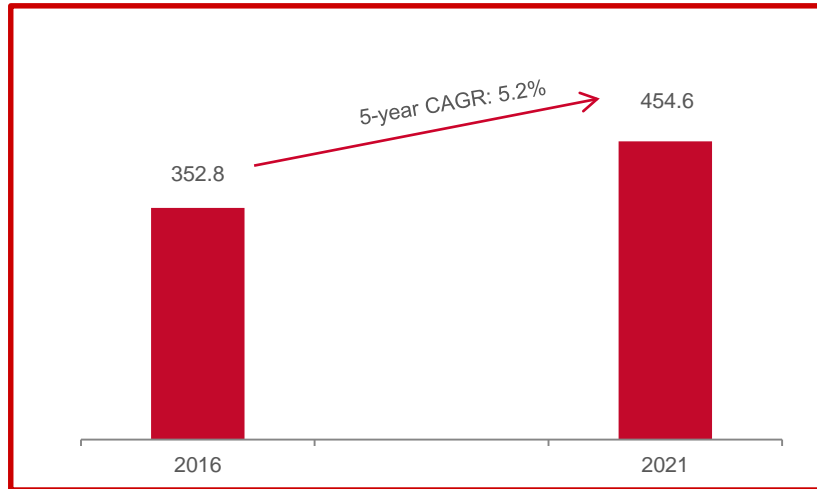
Progression of products supporting audio networking solutions⁽¹⁾



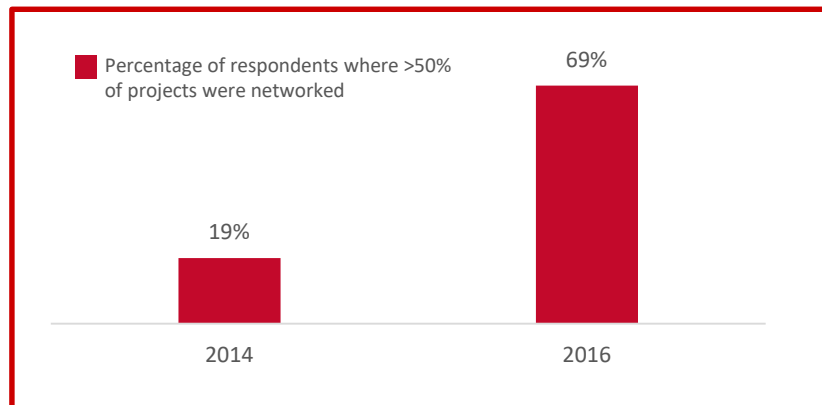
1) Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017 (original source: RH Consulting, Audio Networking 2017)

2) Audinate

Audio networking addressable market (A\$m)⁽¹⁾



Trend in audio networking adoption⁽²⁾



Audio networking addressable market drivers⁽¹⁾

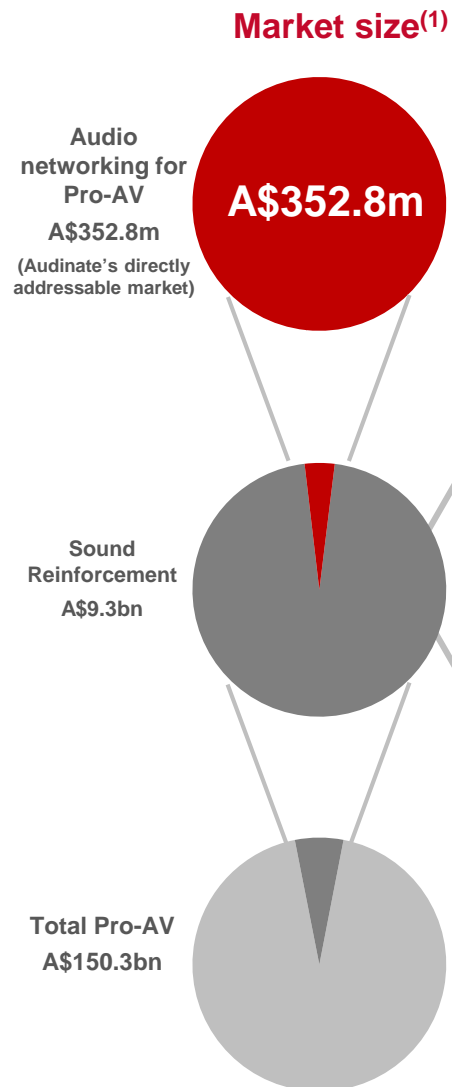
- Collaboration in corporate, government and institutional workplaces
- Strong pipeline of events and meetings
- Growth in the live music market
- Growth in the recording, post-production and broadcasting equipment market
- Smart campuses
- Growth in transport infrastructure investment

Penetration of audio networking

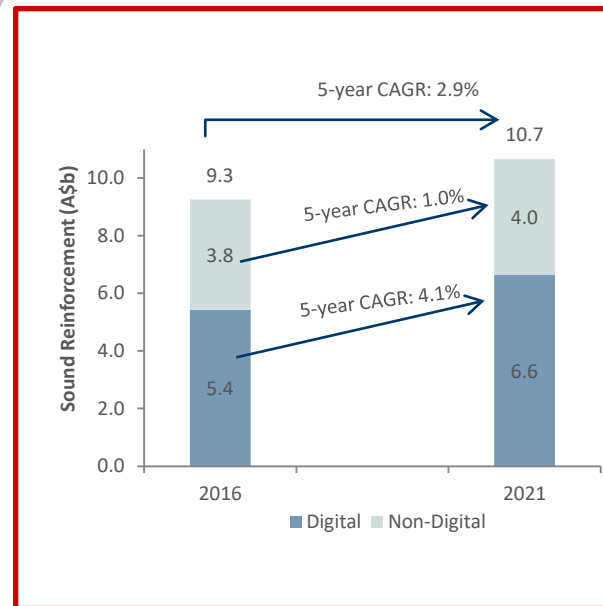
- Audinate is the clear market leader
- Over \$400 million of unpenetrated market potential, which currently represents analogue signal distribution
- Expect ongoing growth in adoption as evidenced by increasing number of networked installations

1) Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

2) Based on Audio Networking Survey by RH Consulting, 2016



Sound Reinforcement market⁽¹⁾

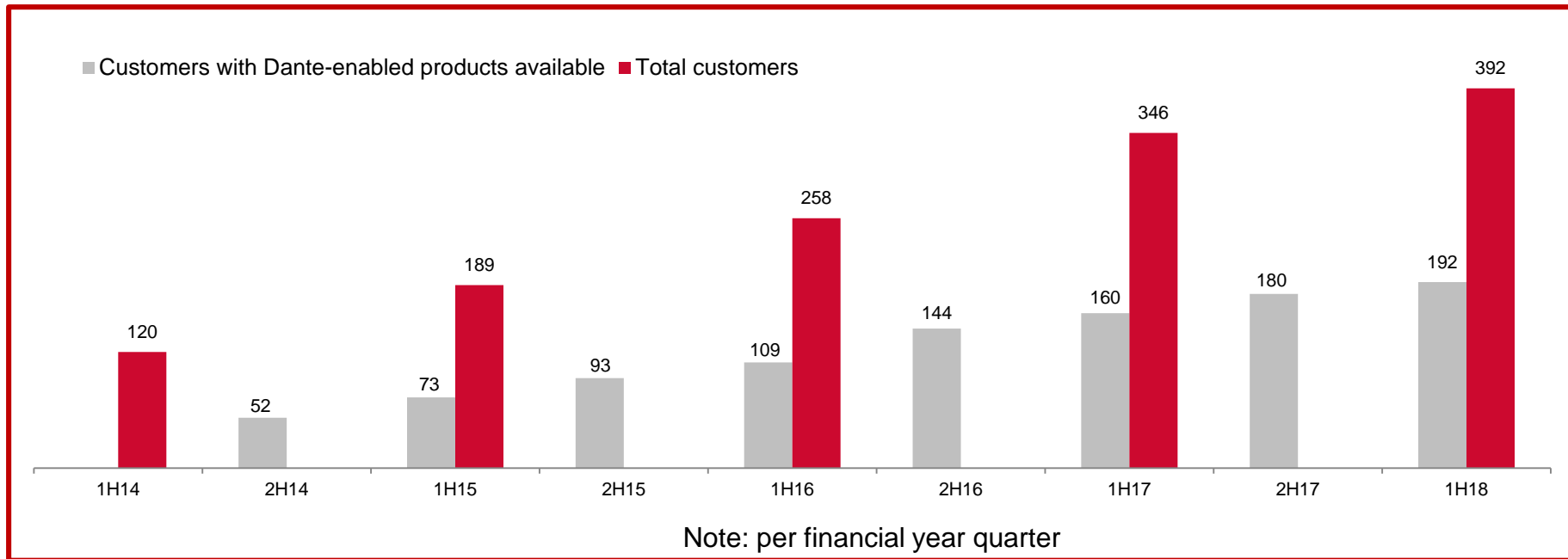


Sound Reinforcement products⁽¹⁾

Product	% of digital	
Microphones	36%	
Mixers	15%	
Processors	8%	
Amplifiers	3%	
Speakers	18%	
Other Products	20%	

1) Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

Total customers and customers with Dante-enabled products available



- Audinate has grown to 392 OEM customer brands at 1H18
- 192 OEM brands have announced products in the market
- Built in revenue growth as new OEMs bring Dante-enabled products to market

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 IP Core/ Dante HC / Brooklyn II / Custom designs

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



Adapter products

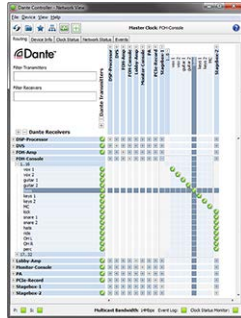
Dante Adapter Module

Enables connection of analogue equipment to a digital Dante network



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



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

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