



# FY18 Results Presentation

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# Record results & successful launch of new products

- Global leader in audio networking, distributing top quality digital audio signals over computer networks
- Exceeded prospectus forecasts for revenue, new product revenue, cash-flows, EBITDA & NPAT
- Strong growth in Dante enabled products, OEM customers, revenue and unit shipments
- Dante Domain Manager, Dante AVIO adapters, and Dante Core IP introduced
- Well positioned to capitalise on market growth and increased penetration

*Melbourne Convention Centre  
Melbourne, Australia*







# FY18 exceeded Prospectus forecasts



# 35% growth delivers revenue of USD \$15.2m

A\$19.7m

Revenue

75%

Gross Margin

A\$0.6m

EBITDA

A\$2.5m

NPAT up from a  
loss FY17 (\$20.2m)

A\$1.0m

Net cash from  
operating activities

Sydney Trains  
Sydney, Australia



# Operational results above plan

39%

OEM product  
growth to 1,639

38%

growth in  
chips, cards &  
modules

58%

growth in Dante  
software units

438

OEMs  
licensed Dante

18,000+

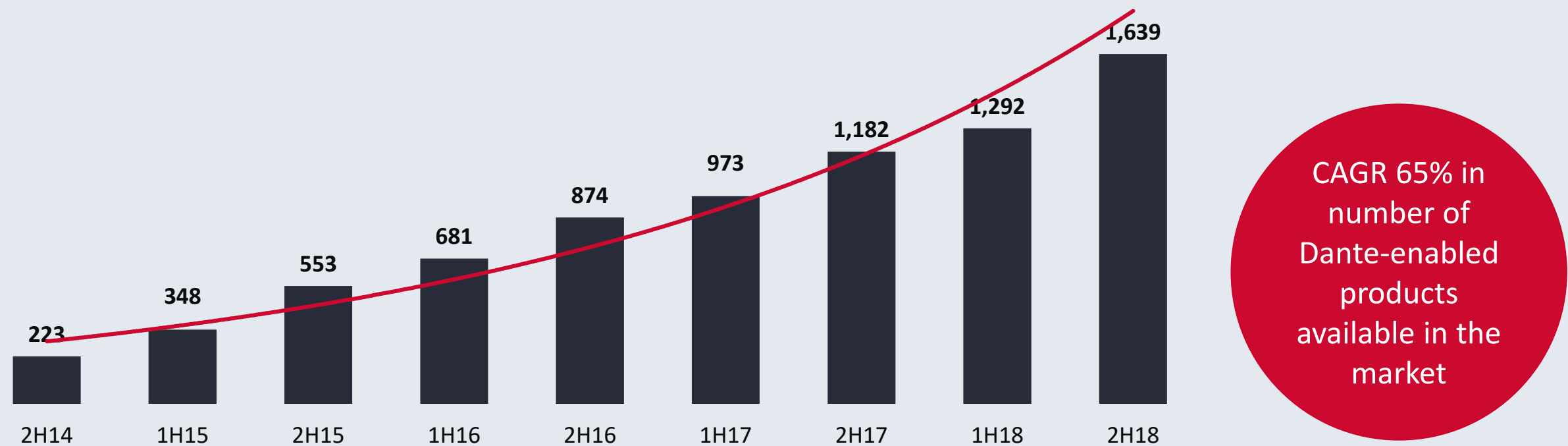
people trained  
on Dante this year

*Westfield Mall Shopping Centre  
London, England*



# Growing network effect

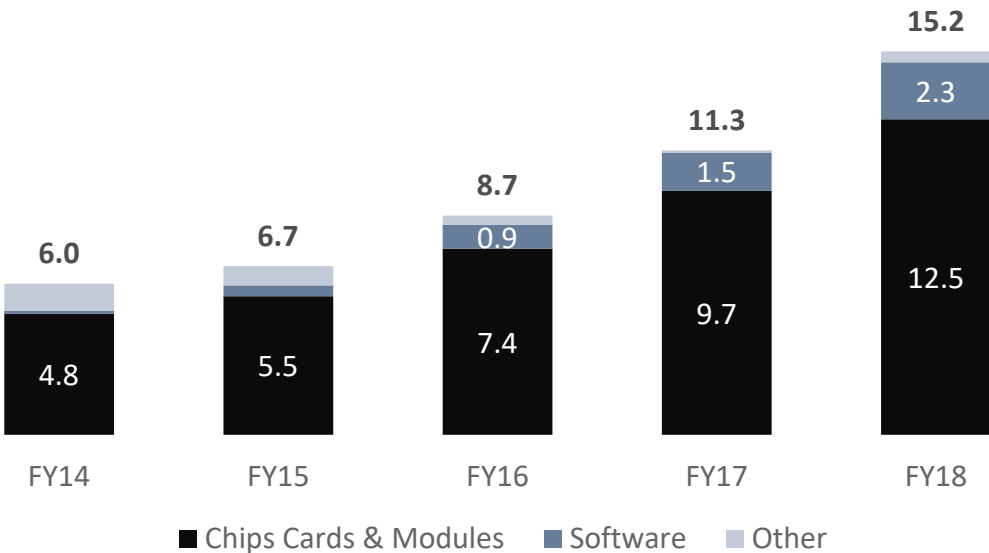
Number of Dante-enabled products drives economic network effect



Note: per financial half-year

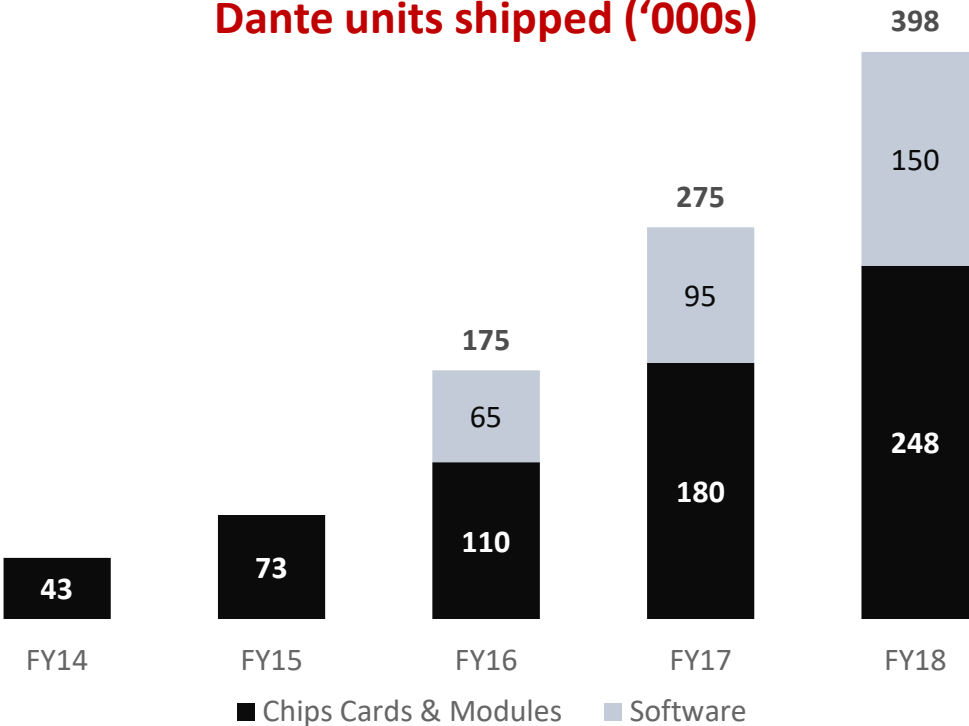
# Strong growth in revenue and Dante units shipped

Revenue (US\$M)



- Revenue CAGR: 26% (4yrs) – 31% (3yrs) at 75% GP margin
- Chips, cards & modules includes AVIO adapters
- Software includes royalties, retail software & Dante Domain Manager
- Audinate invoices customers & pays COGS in USD

Dante units shipped ('000s)



- 38% growth in chips cards & modules units
  - Brooklyn growth continues >30% & Ultimo ≈ 40%
- 58% growth in software units
  - Royalties growth ≈ 50%

*Note: software units not tracked prior to FY16*





# FY18 Financials



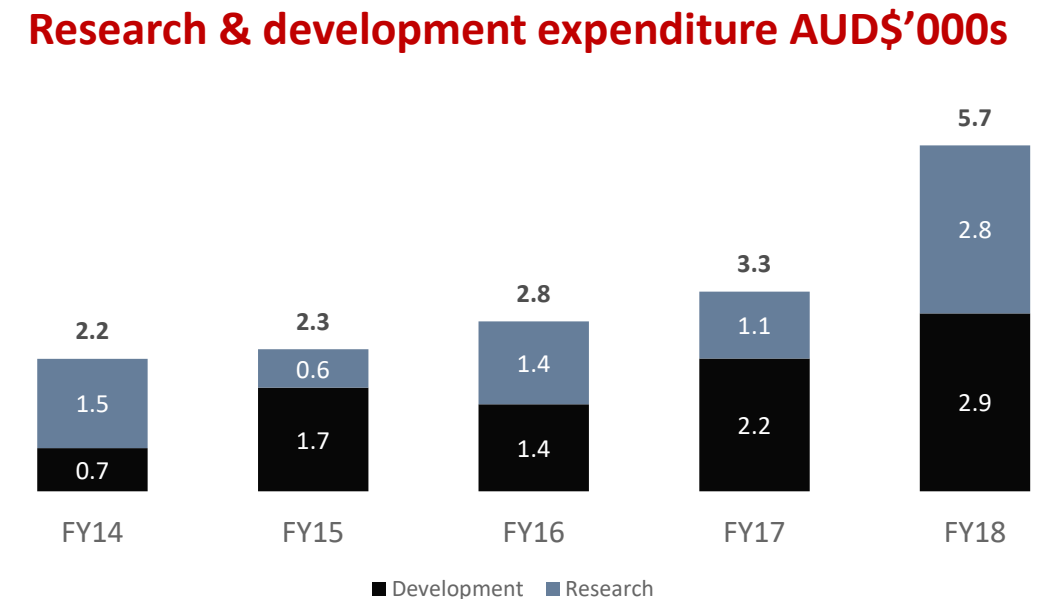
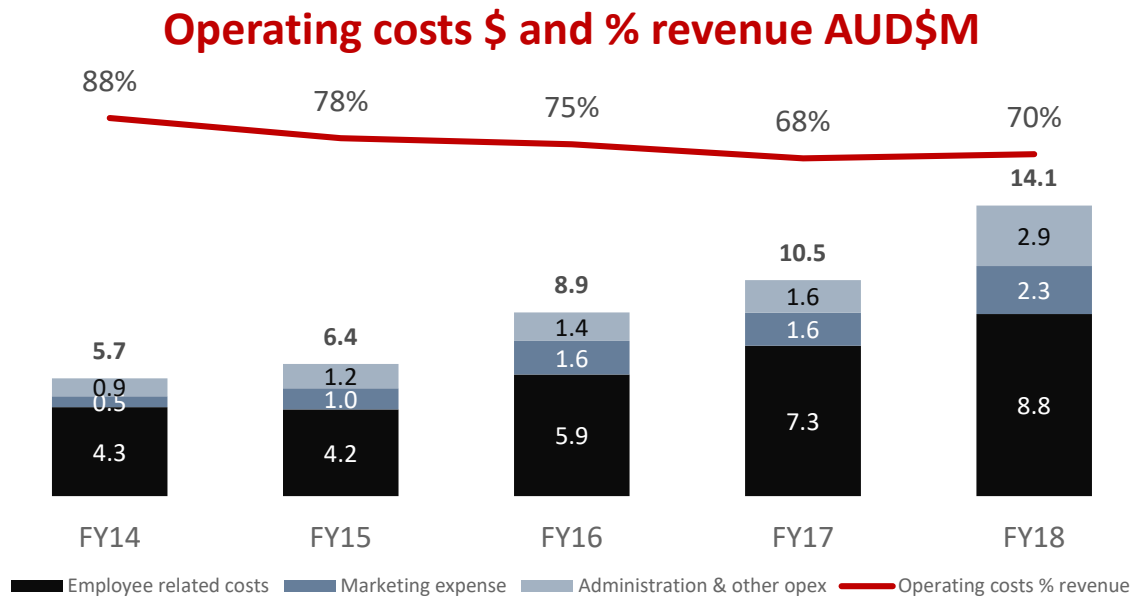
# FY18 income statement

| (AU\$'000s)                       |                 |                 |            |
|-----------------------------------|-----------------|-----------------|------------|
| Year Ended 30 June                | FY18            | FY17            | Change (%) |
| Sales                             | 19,653          | 15,063          | 30%        |
| Cost of goods sold                | (5,011)         | (3,802)         | 32%        |
| <b>Gross margin</b>               | <b>14,642</b>   | <b>11,261</b>   | <b>30%</b> |
| Employee expenses                 | (8,838)         | (7,290)         | 15%        |
| Marketing expenses                | (2,338)         | (1,603)         | 46%        |
| Admin & other opex                | (2,907)         | (1,584)         | 84%        |
| <b>Total Expenses</b>             | <b>(14,083)</b> | <b>(10,477)</b> | <b>34%</b> |
| <b>EBITDA</b>                     | <b>559</b>      | <b>784</b>      |            |
| Initial public offering expenses  | -               | (1,695)         | -100%      |
| Depreciation and amortisation     | (1,452)         | (1,089)         | 33%        |
| Other Income                      | 157             | 153             | 3%         |
| Change in fair value of CRPS      | -               | (18,548)        | -100%      |
| <b>Profit / (Loss) before tax</b> | <b>736</b>      | <b>(20,395)</b> |            |
| Income tax benefit/(expense)      | 3,280           | (48)            |            |
| <b>Profit/(Loss) for the year</b> | <b>2,544</b>    | <b>(20,443)</b> |            |

## Investing for growth in FY18

- Sales driven by 38% growth in shipments & 58% growth in software units
- Strong gross profit margin (75%)
- Employee expenses increased due to additional 18 FTEs (favourable cost variance to prospectus)
- Marketing spend is weighted to second half tradeshows and new product spend
- Increased admin costs due to public company costs (\$0.9m) and system & process initiatives (\$0.3m)
- Income tax benefit mainly due to one-time tax benefit \$2.4m of entering tax consolidation

# Investing in new product initiatives



- Administration & other opex impacted by one time step up in public company costs (\$0.9m) and system & process initiatives (\$0.3m)
- Research & development expenditure ('R&D') represents amounts claimable with Australian Tax Office, which is allocated between research and development based on timesheets
- Capitalised development costs are amortised over three years
- Investment in R&D represents approximately two thirds (\$2.4m) of the remaining increase in operating costs



# FY18 cash-flow summary

| (AU\$'000s)                                       | FY18           | FY17           | Change (\$)     |
|---|----------------|----------------|-----------------|
| <b>Cash flows from operating activities</b>       |                |                |                 |
| - net IPO impacts                                 | (897)          | (797)          | (100)           |
| - underlying cash flows from operating activities | 1,933          | 2,037          | (104)           |
| <b>Net cash from operating activities</b>         | <b>1,036</b>   | <b>1,240</b>   | <b>(204)</b>    |
| <b>Net cash used in investing activities</b>      | <b>(2,976)</b> | <b>(1,865)</b> | <b>(1,111)</b>  |
| <b>Cash flows from financing activities</b>       |                |                |                 |
| - net IPO impacts                                 | (3,083)        | 16,191         | (19,274)        |
| - underlying cash flows from financing activities | 24             | 20             | 4               |
| <b>Net cash used in financing activities</b>      | <b>(3,059)</b> | <b>16,211</b>  | <b>(19,270)</b> |
| Opening cash                                      | 18,694         | 3,108          | 15,586          |
| Net IPO impacts                                   | (3,980)        | 15,394         | (19,374)        |
| <b>Net underlying cashflow</b>                    | <b>(1,018)</b> | <b>192</b>     | <b>(1,210)</b>  |
| FX impacts  | (65)           | 0              | (65)            |
| <b>Cash at the end of the financial year</b>      | <b>13,631</b>  | <b>18,694</b>  | <b>(5,063)</b>  |

- Positive underlying operating cashflow of \$1.9m for FY18
- Total underlying cashflow for FY18 was (\$1.0m)
- Cash used in investing activities primarily represents development costs
- FY18 IPO impacts of \$4m consists of a net payment to selling shareholders of \$3m (due to 30 June 17 completion date) and \$1m of transaction cost paid in current year
- Refer to statutory cash-flow statement for further detail (slide 23).

# Statutory balance sheet

| (AU\$'000s)                       | 30 June 18    | 30 June 17    | Change (\$)    |
|-----------------------------------|---------------|---------------|----------------|
| Cash and cash equivalents         | 13,631        | 18,694        | (5,063)        |
| Trade and other receivables       | 1,819         | 2,030         | (211)          |
| Receivable from issue of shares   | 0             | 4,062         | (4,062)        |
| Current tax asset                 | 1,344         | 902           | 442            |
| Inventory                         | 1,225         | 767           | 458            |
| Other assets                      | 276           | 246           | 30             |
| <b>Current assets</b>             | <b>18,295</b> | <b>26,702</b> | <b>(8,407)</b> |
| Property, plant and equipment     | 691           | 365           | 326            |
| Intangibles                       | 3,879         | 2,001         | 1,878          |
| Deferred tax asset                | 1,874         | 0             | 1,874          |
| <b>Non-current assets</b>         | <b>6,444</b>  | <b>2,366</b>  | <b>4,078</b>   |
| <b>Total assets</b>               | <b>24,740</b> | <b>29,068</b> | <b>(4,328)</b> |
| Trade and other payables          | 2,165         | 2,558         | (393)          |
| Payable to selling shareholders   | N/A           | 7,030         | (7,030)        |
| Provision for income tax          | 23            | 34            | (11)           |
| Other liabilities                 | 1,869         | 1,557         | 312            |
| <b>Current liabilities</b>        | <b>4,057</b>  | <b>11,179</b> | <b>(7,122)</b> |
| Employee benefits                 | 309           | 305           | 4              |
| <b>Total liabilities</b>          | <b>4,366</b>  | <b>11,484</b> | <b>(7,118)</b> |
| <b>Net assets</b>                 | <b>20,374</b> | <b>17,584</b> | <b>2,789</b>   |
| Ordinary shares - fully paid      | 63,288        | 63,262        | 26             |
| Reserves                          | 522           | 302           | 219            |
| Retained profits/losses - opening | (43,435)      | (45,980)      | 2,544          |
| <b>Total equity</b>               | <b>20,374</b> | <b>17,584</b> | <b>2,789</b>   |

- Cash movement mainly due to \$4.0m IPO related impacts (refer slide 11)
- Receivables declined despite sales growth
- Current tax asset is estimated net receivable from ATO for R&D activities
- Inventory growth in finished goods
- Intangibles assets increased due to capitalised development costs
- Deferred tax asset due to tax consolidation including reset of tax cost base of intangibles
- Reserves increased mainly due to LTI amortisation expense (\$0.2m)



# Robust core business + new products



# Growth Drivers

- **Robust core audio networking business**

- Strong historic growth in revenue and units shipped (see slide 7)
- 1639 products shipping from 221 manufacturers, and growing
- Strong pipeline of 217 manufacturers yet to ship first product (see slide 21)
- Plenty of runway for growth – management estimate digital conversion is **7%**

- **New products to more than *double* addressable market to AUD \$1bn**

- Dante AVIO Adapters – connect legacy equipment to Dante
- Dante System Management software
- Video Solution



# Dante AVIO Adaptors – Network Everything



Dante for  
“brown-field” installations

Introduced 6 new  
Dante AVIO products

“Problem solver” for  
System Integrators

Shipped Q4

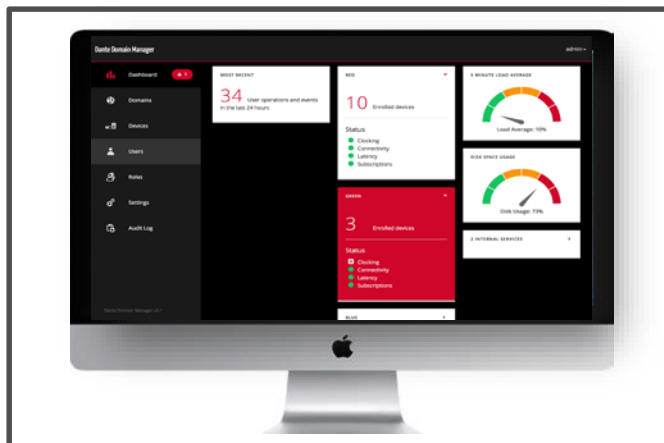
Online retail &  
country distributors

Pull through  
Dante products

- Rationale
  - Add Dante to *brown-field AV installations* (mostly analogue)
  - Add Dante to *existing audio products* (analogue, USB and AES3)
  - Pull through Dante products and software
- Established a global distribution channel of online retailers and country distributors
  - 50 resellers and growing
  - Strong initial demand with sales performance exceeding FY18 expectations
- Marketing campaign to be rolled out in FY19



# Dante Domain Manager – System Management Software



Secure Control

Scale beyond a LAN

Logging & Auditing

Shipped Q3

Sales Channel Established  
(System Integrators)

Sold to Installed Base

- Commercial launch Feb 2018 at Integrated Systems Europe (ISE) tradeshow
  - Approaching 100 resellers (System Integrators) signed to date
- DDM depends upon new Dante firmware features
  - Top 25 manufacturers by volume are rolling out firmware (existing and new products)
- Offered in Silver, Gold and Platinum Editions
  - Majority of DDM installs are Platinum and Gold Edition
  - Management software *more than doubles* the revenue opportunity associated with the core business



# Dante Video: Distribute video signals across an IT network



Common management for  
audio and video

Lower installation and  
cabling costs

Independent routing of  
Audio and Video signals

Prototype Demonstrated  
June 2018

Displaces expensive  
matrix switches

Integration with Dante  
Domain Manager

- Dante AV – audio *and* video signal distribution
  - E.g. HDMI video across an IP network
  - Same familiar Dante management tools for audio and video
- Audinate Video Prototype shown at Infocomm tradeshow June, 2018
- Solution targeted for OEMs (step/repeat audio business model)
- Expected product launch to OEMS targeted end of FY19





# Key Priorities to drive ongoing growth in FY19



- Geographically expand of sales and support teams



- Broaden our suite of core Dante products to accelerate penetration within OEMs



- Invest in the development of our Dante video solution by end of FY19



- Continue the roll-out of Dante Domain Manager and Dante AVIO adapters



- **Audinate will continue to invest in growth initiatives to drive future revenue**
  - Reliable ongoing execution of the Group's strategy
  - Revenue growth in a range consistent with historical performance
  - Further investment in R&D and expanding the sales footprint

# Appendices

# Core business growth strategy



## 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



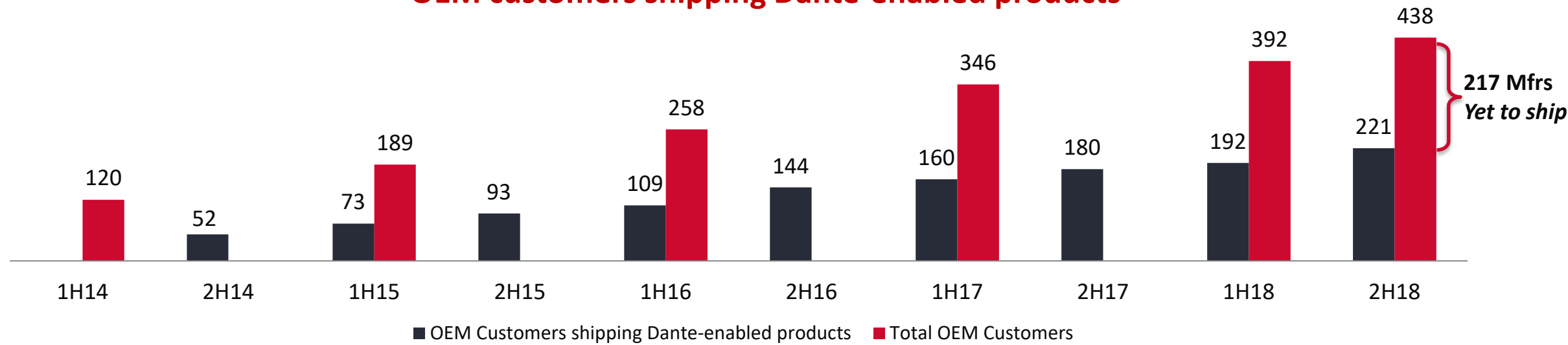
## Increase the number of OEMs adopting Dante


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



# Increasing OEM customer adoption: pipeline for growth

## OEM customers shipping Dante-enabled products



  
Audinate has grown to 438 OEM customers at end of FY18

  
221 OEM customers have announced products in the market

  
Built in revenue growth as new OEM customers bring products to market

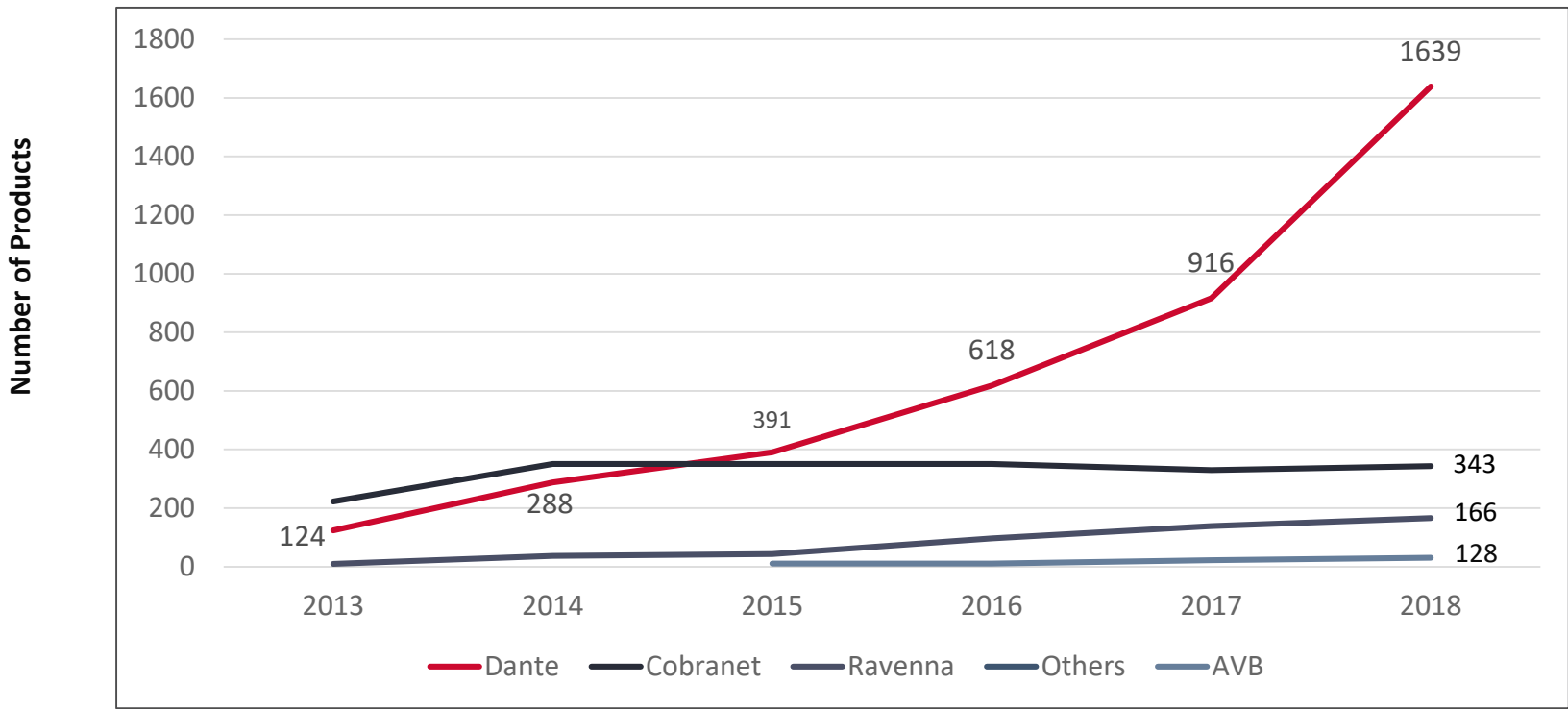
Note: per financial year quarter

# Competitive landscape – Networked Audio Products

Audinate is the clear global market leader compared to competing audio networking solution providers.

Dante has nearly five times the adoption of its closest competitor

Total products per protocol<sup>(1)</sup>



1) RH Consulting, Networked Audio Products 2018 and Audinate company data

# Statutory cash-flow statement

| (AU\$'000s)                                  | FY18           | FY17           | Change (\$)     |
|--|----------------|----------------|-----------------|
| <b>Cash flows from operating activities</b>  |                |                |                 |
| Receipts from customers                      | 19,679         | 15,079         | 4,600           |
| Payments to suppliers and employees          | (19,166)       | (14,407)       | (4,759)         |
| Interest received                            | 251            | 52             | 200             |
| Interest and other finance costs paid        | -              | (2)            | 2               |
| R&D incentive (research activities)          | 334            | 599            | (265)           |
| Income taxes paid                            | (62)           | (80)           | 18              |
| <b>Net cash from operating activities</b>    | <b>1,036</b>   | <b>1,240</b>   | <b>(204)</b>    |
| <b>Cash flows from investing activities</b>  |                |                |                 |
| Payments for PP&E                            | (627)          | (139)          | (488)           |
| Payments for intangibles                     | (3,029)        | (2,308)        | (721)           |
| R&D incentive (development activities)       | 680            | 581            | 99              |
| <b>Net cash used in investing activities</b> | <b>(2,976)</b> | <b>(1,865)</b> | <b>(1,110)</b>  |
| <b>Cash flows from financing activities</b>  |                |                |                 |
| Proceeds from issue of shares                | 4,086          | 16,988         | (12,902)        |
| Payments to selling shareholders             | (7,030)        | -              | (7,030)         |
| Payments for capital raising costs           | (115)          | (777)          | 662             |
| <b>Net cash used in financing activities</b> | <b>(3,059)</b> | <b>16,211</b>  | <b>(19,270)</b> |
| <b>Net increase in cash</b>                  | <b>(4,998)</b> | <b>15,586</b>  | <b>(20,584)</b> |
| Opening cash                                 | 18,694         | 3,108          | 15,586          |
| FX impacts                                   | (65)           | -              | (65)            |
| <b>Cash at the end of the financial year</b> | <b>13,631</b>  | <b>18,694</b>  | <b>(5,063)</b>  |



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