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**ASX announcement**

24 February 2020

**Audinate remains well positioned to deliver long term growth**

**Financial results (1H20 vs 1H19):**

- **Revenue up 14% to A\$16.1 million (1H19: A\$14.2 million)**
  - In US\$ terms, revenue was US\$11.1 million (1H19: US\$10.3 million)
- **Gross profit up 20% to A\$12.5 million (1H19: A\$10.4 million)**
  - In US\$ terms, gross profit was US\$8.5 million (1H19: \$US7.5 million)
- **Gross profit margin 77.1% (1H19: 73.3%)**
- **Operating cashflow up 425% to A\$2.9 million (1H19: A\$0.6 million)**
- **Total Dante-enabled products increased 35% to 2,371 (1H19: 1,639)**

**Audinate Group Limited** (ASX:AD8), developer of the professional AV-industry leading Dante® media networking solution, today announced its results for the financial half-year ended 31 December 2019 (1H20).

Over the half, the Company delivered solid results with a 14% increase in revenue. The result achieved was below historical USD growth rates largely due to the impact of US tariffs and overall macro-economic conditions.

Commenting on the Company's performance in 1H20, CEO Aidan Williams said: "Audinate has continued to deliver against its strategic objectives with ongoing revenue and gross profit growth, underpinned by growth in software sales. The Dante ecosystem continues to expand and interest in Dante is stronger than ever with a record 147 new Dante enabled products released at the recent Integrated Systems Europe (ISE) Tradeshow."

"During the half there were transient impacts from US tariffs and other macro-economic conditions on revenues. We view these as temporary headwinds rather than structural changes to the business and remain confident that Audinate will deliver long term growth for shareholders."

**Interest in Dante stronger than ever**

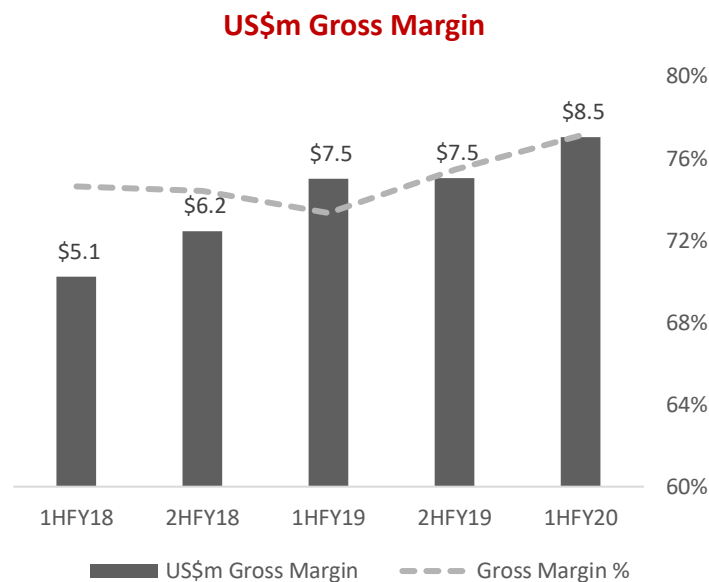
The Company's key operational indicators continued to track strongly. Notably, there was a record of nearly 20,000 Dante professionals trained during the period and continued strong engagement with the Dante brand globally, illustrated by record website traffic and record new user accounts.

The number of Dante enabled products available in the market was up 35% to 2,371 products at 31 December 2019 (1H19: 1,639 products). A further 147 products were launched subsequent to period end at the ISE Tradeshow (up 113% on last year). The number of Original Equipment Manufacturers (OEMs) adopting Dante continues to grow, with the number of OEMs shipping Dante enabled products up 28% to 292 at 31 December 2019.

Interest in Dante AV continues to gather momentum with OEMs and consumers alike. Key design wins during the period included Bolin, a leading Original Design Manufacturer (ODM), who demonstrated the first Dante AV camera prototype at ISE. Interest in Dante software products was also strong, with Shure launching their first product based on the Dante Application Library and adding Dante Domain Manager capability to their entire product range. Notably, Shure launched a *software-based* Digital Signal Processor into a product category that has historically been dominated by hardware products – illustrating the industry shift from hardware to software based AV solutions.

### Strong growth in gross margin

Gross margin dollars (in US\$ terms) grew 11% to US\$8.5 million compared to US\$7.5 million in 1H19. In A\$ terms, gross margin dollars grew 20% over the same period. This equates to a gross margin percentage of 77.1% compared to 73.4% for 1H19. The increase in gross margin was driven by the shift in Audinate’s product mix to a larger proportion of high margin software sales. The Company expects that software sales will continue to become a larger proportion of Audinate’s product mix.



In US\$ terms revenue grew to \$11.1 million from \$10.3 million in 1H19 and in A\$ terms revenue grew to \$16.1 million from \$14.2 million in 1H19. Growth in chips, cards & modules revenue was driven by Brooklyn and Broadway products, while growth in software revenue was driven by royalties, retail software and Dante Domain Manager. The previous corresponding period benefited from the launch of AVIO adapters and the approximately US \$0.5 million of orders pulled forward into 1H19 from 2H19 due to threat of tariffs.

US tariffs and other macro-economic conditions had an impact on sales in China during 1H20, with overall sales in Asia (ex-Japan) down 33% (in US\$). To mitigate the impact of tariffs, Audinate has added production capability in Malaysia and this facility commenced operations in December 2019. Other factors impacting short term revenue growth included OEM delays in launching key products and the launch of Dante AV moving into Q3 to accommodate key customer requirements.

## **Good operating cashflows**

Cashflows from operating activities increased to \$2.9 million from \$0.6 million in 1H19 due to additional revenue from customers. Investing cashflows contained non-recurring items related to the new Sydney office fit-out (\$0.5 million) and the rental deposit on the new office (\$0.4 million).

## **Audinate remains well positioned to pioneer the future of AV**

Macro-economic conditions and US tariffs have affected 1H20 and are expected to remain for 2H20, together with potential Coronavirus impacts. Despite these temporary headwinds the company currently expects to deliver further revenue growth in 2H20, although it is likely to be below the historical range.

Beyond FY20, the increase in Dante enabled products, growing software sales and other leading operational indicators, such as Dante professionals trained, provide confidence that the Company is well-positioned to deliver attractive long-term growth for shareholders.

In 2H20, key aspects of revenue and operational execution include:

- Continued delivery of mature chips, cards & modules products;
- Delivery of new Dante software products to licensed manufacturers;
- Delivery of the Dante AV Product Design Suite to licensed manufacturers;
- Growing and closing Dante Embedded Platform and Dante Application Library design wins; and
- Growing the pipeline of Dante AV design wins and partnerships.

Strategically, Audinate will continue:

- Investing to double the engineering and R&D functions over the next two years;
- Putting in place the business infrastructure platform to support long term growth;
- Developing next generation Dante audio and video software implementations;
- Making Dante AV the technology of choice for OEMs; and
- Expanding its Total Addressable Market with the addition of video & software products.

Commenting on the outlook for Audinate, CEO Aidan Williams said: “We are pleased to have deepened Dante’s position as the de-facto standard in audio networking and remain excited by the growth opportunities presented by Dante AV. We remain confident in Audinate’s position to capitalise on the analogue to digital transition that is gathering pace within the AV industry.”

## **Investor Briefing**

The Company will host an investor briefing to discuss its 1H20 results at 9.30am (AEDT) on 24 February 2020. The briefing is expected to last approximately 30 minutes inclusive of question time. To pre-register for the briefing and avoid a queue while calling, please register at the following:

<https://s1.c-conf.com/diamondpass/10004223-invite.html>

If you are unable to pre-register, at the time of the call please dial the number below and provide the **conference ID: 10004223** to an operator.

**Australia Local/International:** +61 2 9007 3187

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

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**Investor and media enquiries:**

Rob Goss

CFO & Company Secretary

P: +61 2 8090 1000

**For more information on Audinate, please visit:**

Investor Centre – [www.investor.audinate.com](http://www.investor.audinate.com) Website – [www.audinate.com](http://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.