

ASX announcement

13 December 2021

Audinate to acquire Silex Insight video business

Audinate Group Limited (ASX:AD8), developer of the professional AV-industry leading Dante® media networking solution, is pleased to announce that it has signed an agreement to acquire the video business of Silex Insight SA (“Silex”), based in Belgium. The Silex video business produces video networking products for manufacturers of AV equipment.

The acquisition will include:

- An existing team of 8 engineers with extensive video implementation expertise and average tenure of 16 years;
- An existing revenue base of approximately US\$2.5 million from a range of products including video codec IP Cores, Viper Board, Video ASSP and design services;
- Three video compression technologies (“video codecs”): Colibri, together with their own implementations of JPEG 2000 and VC-2 HQ; and,
- The intellectual property related to the video business.

Audinate Co-founder and CEO Aidan Williams commented:

“We are very excited to acquire a team with widely recognised video hardware expertise and an existing revenue base. The video codecs and deep product expertise in the team, in combination with our Dante networking technology, will enable us to go to market with a variety of full-service video offerings. This acquisition complements the video software skills in the Cambridge (UK) team we established earlier in the year. Together these two deals significantly enhance our video capabilities and know-how – outcomes that have been achieved in only twelve months, notwithstanding the challenges presented by COVID.”

Strategic rationale

The acquisition of the Silex video business is strategically compelling because it complements Audinate’s existing video capabilities in Cambridge UK and aligns with Audinate’s strategic vision for video over IP. In particular, the transaction will increase video FPGA expertise, enable acceleration of the video product roadmap, and cement critical mass for video engineering in Europe.

Acquisition consideration

The acquisition consideration comprises:

- An up-front cash payment of US\$6.5m, representing approximately 2.3 times expected revenue for the financial year ending 31 December 2021.
- Revenue earn-out of up to US\$1.5 million may be payable based on the uplift in revenue for the twelve-month period from acquisition date.

If the maximum consideration is payable, the acquired business would achieve improved EBITDA (EBITDA currently nominal) at a lower purchase price revenue multiple. All consideration is payable in cash and will be funded from existing cash reserves.

The transaction consideration reflects the challenging supply chain environment which has currently impacted the Silex video business, like most of the AV industry. Component shortages are expected to curtail revenue for the first half of calendar year 2022, albeit a strong order book is ultimately expected to translate into revenue as supply chain pressures ease.

The proposed transaction is expected to complete on 31 January 2022, subject to the achievement of conditions precedent standard for this type of transaction, including relevant Belgian regulatory confirmations and assignment of contracts.

Transaction detail

The proposed transaction is a carve-out of the video business from Silex, which will retain its existing security business. Jean-Marie Cloquet, currently the Chief Technology Officer of Silex Insight, will join Audinate as a part of the deal reporting directly to Chris Ware, Senior Vice-President of Product Development.

Audinate will enter into a Transition Services Agreement with Silex for a period of up to six months from completion. The agreement will enable Audinate to establish its own office in Belgium during this time.

Silex Insight Chief Technology Officer Jean-Marie Cloquet commented:

"I am delighted that the Silex Insight video team will be joining Audinate with this transaction. The Silex team brings significant expertise in video compression, hardware, and AV system design that will complement the software expertise already in place with the Cambridge, UK team. In combining Audinate's dominant position in Audio over IP with the Silex video heritage we are strengthening the foundation that will enable us to build the future of the AV industry."

Delivering on Audinate's growth strategy

Since raising additional capital in the middle of last year it is pleasing that the Company has been able to execute two deals to add significant video expertise to the business and accelerate its video strategy. Audinate looks forward to providing an update on the transaction post close with the release of its half year results in February 2022.

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

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For more information on Audinate, please visit:

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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 Silex Insights

Silex was founded in 1991 as an ASIC/FPGA design house in Belgium. It was acquired by Barco in 1995 and then renamed as Silex Insight in 2018 as a part of an MBO. Silex Insight is recognised as a market-leading independent supplier of Security IP solutions for embedded systems and custom OEM solutions for AVoIP/Video IP codec. Custom OEM solutions for AVoIP/Video codec from Silex provide high-end image and video compression solutions for distributing low latency, 4K HDR video over IP. The security platforms and solutions include flexible and high-performance crypto engines which are easy to integrate and an eSecure IP module that provides a complete security solution for all platforms. Development takes place at their headquarters near Brussels, Belgium.

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.