

ASX announcement

14 February 2022

Audinate navigates supply chain challenges to deliver strong revenue growth

Key 1H22 financial highlights:

- **Revenue increased 33.3% on 1H21 to US\$14.8 million (A\$20.2 million)**
- **Gross profit (GP) of US\$11.2 million, up 30.2% – gross margin of 75.6%**
- **EBITDA of A\$2.0 million, up 11% on 1H21**
- **Net loss after tax of A\$2.1 million**
- **Strong cash and term deposits balance of A\$60.3million at 31 December 2021**
- **Acquisition of Silex video business completed in January**
- **Strong operational metrics including designs wins, new Original Equipment Manufacturers (OEMs) and new Dante-enabled products**

Audinate Group Limited (ASX:AD8), developer of the professional AV-industry-leading Dante® media networking solution, announces its results for the financial half-year ended 31 December 2021 (1H22).

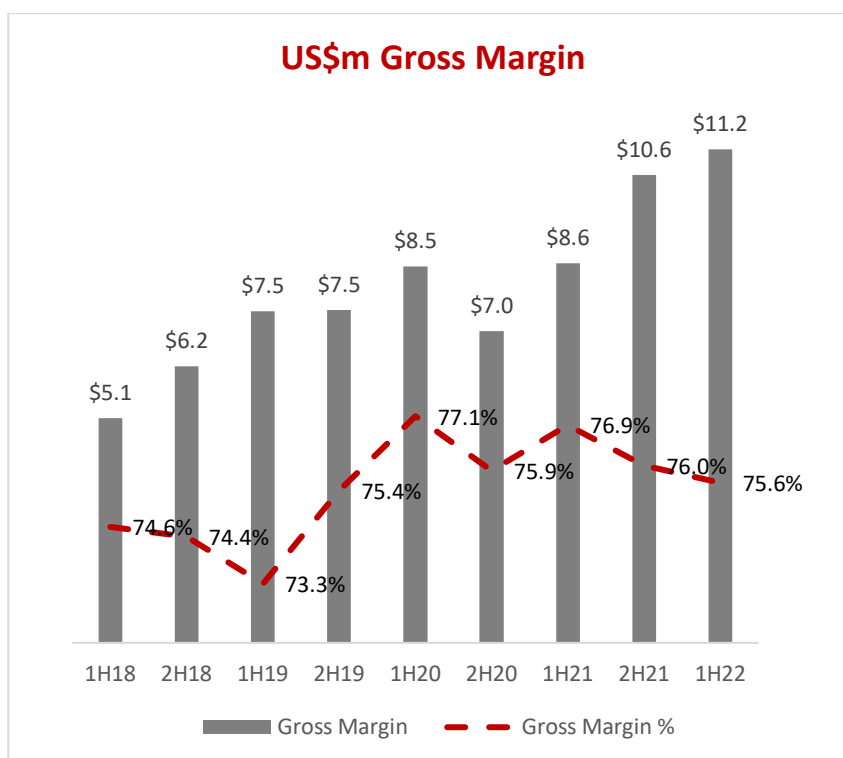
Gross profit increased by 30.2% to US\$11.2 million at a gross margin of 75.6% (1H21: 76.9%), primarily due to a 42% growth in sales of chips, cards and modules. Revenue increased by 33.3% to US\$14.8 million, compared to US\$11.1 million in the previous corresponding period (1H21). AUD revenue grew 31.6% to A\$20.2 million as the AUD/USD exchange rate was relatively consistent with 1H21.

Audinate Co-founder and CEO Aidan Williams commented:

“The business performed strongly during the first half in a very challenging operating environment and delivered revenue growth exceeding 30%. Further supply chain tightness is expected in 2H22 but we are pleased to have received indicative additional commitments from chip suppliers. Consequently we now anticipate satisfying demand for our Brooklyn and Broadway products in the second half.”

Financial Results

Revenue growth for the half (compared to 1H21) primarily came from chips, cards and modules, Dante AVIO adaptors (>50%), Brooklyn (>30%) and Ultimo (>30%). There was also strong growth in a range of software products including IP Core (>50%), Dante Application Library (DAL) (>50%), Dante Embedded Platform (DEP) (>40%) and Dante Domain Manager (DDM) (>30%). Growth across the product range compensated for a decline in revenue from design wins of \$0.4m (relative to 1H22) as the business moved away from up-front license fees and adopted a subscription model to successfully drive more design wins.



Note: gross margin % calculated using AUD

Operating expenses, which consist of employee benefit expenses, sales and marketing expenses, and administration and other operating expenses increased by approximately 33% to \$13.3 million in the half-year ended 31 December 2021 from \$10.0 million in the prior half-year. The key movement was a \$2.8 million increase in employee costs as headcount grew from 116 to 166 at 31 December 2021. Operating costs also include \$0.2 million incurred on transaction costs related to the acquisition of the Silex Insight video business. Consequently, EBITDA was \$2.0 million in the half-year ended 31 December 2021 compared to \$1.8 million in the prior half-year.

During the half-year ended 31 December 2021, the Group received no government subsidies related to COVID-19 compared to \$0.8 million for the previous corresponding period. Depreciation and amortisation increased by \$1.0 million in the current period reflecting a higher balance of capitalised development costs being expensed. Due to the movements described above the net loss after tax was \$2.1 million for the half-year ended 31 December 2021 compared to a \$1.2 million net loss after tax in the six-month period ended 31 December 2020.

Ongoing strength in core business metrics

During the period Audinate secured 57 designs wins with OEMs, up 23.9% from 1H21 and with 16 of these design wins related to next generation Dante software products. The Group has also grown the number of OEM customers shipping Dante enabled products to 403 OEMs at 31 December 2021, up 12% from 360 at 31 December 2020. During the half our OEM customers released another 211 Dante enabled products, which was consistent with 204 Dante enabled OEM products released in the previous corresponding period. The business metrics for 1H22 are particularly pleasing in the context of significant supply chain headwinds faced by our OEM customers.

Acquisition of Silex Video business

On 31 January 2022, Audinate completed the acquisition of the video business of Silex Insight SA (“Silex”), based in Belgium. The Silex video business provides video compression and networking technology to manufacturers of AV equipment. The acquisition 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 acquisition will increase video hardware engineering capacity, enables acceleration of the video product roadmap, and gives Audinate access to engineering talent pools in the UK and Europe.

Component shortages are expected to curtail revenue for the first half of calendar year 2022, however Silex has a strong order book which is ultimately expected to translate into revenue as supply chain pressures ease.

Supply chain uncertainty to continue into 2H22

Consistent with previous commentary, chip shortages are expected to continue throughout FY22 causing supply chain pressure for both Audinate and its OEM customers. Risks around non-delivery of raw materials and COVID-related supplier shutdowns materialised during the first half and are expected to remain throughout the financial year. There will continue to be related risks of sales-order delay and/or cancellation in the event that OEM customer supply chains are disrupted. There may also be further temporary delays to new product launches by our customers because of current part shortages. Audinate is proactively managing the challenging operating environment through product redesign, sourcing of alternative parts and passing through price increases and expects to be able to continue to meet demand for most flagship products.

Audinate’s committed sales orders continue to grow to all-time highs, which we believe positions the business strongly for a future supply chain easing, fulfillment of orders and associated revenue.

Outlook

Having successfully navigated a challenging operating environment over the last 18 months, we continue to take a long-term perspective on running and growing the business to deliver shareholder value. Given the Silex acquisition and the desire to support ongoing growth and drive development of video and cloud services, we are targeting headcount of 185 staff at 30 June 2022 (up from 135 staff at 30 June 2021).

Revenue for 2H22 will be driven by chip availability for both Audinate and our OEM customers. At this stage we expect US\$ revenue growth for FY22 overall, albeit not at historical rates.

Priorities for the second half include managing ongoing supply chain challenges and the integration of the Silex video business. There will continue to be an ongoing focus on product innovation with the roll-out of new video and cloud products over the course of CY22.

Audinate Co-founder and CEO Aidan Williams commented:

“The acquisition of the Silex video business is another exciting chapter for Audinate. With the establishment of the Cambridge (UK) video software team, the acquisition completes a significant transformation of our video capabilities over the last twelve months. Whilst supply chain disruption is likely to linger through CY22, we look to fulfilling increasing demand for our products and services. We also look forward to the release of future video and cloud products that complement our existing revenue streams.”

Investor briefing

The Company will host a webinar via Zoom to discuss its 1H22 results at 9.30am (AEST) on 14 February 2022. The webinar is expected to last approximately 45 minutes, inclusive of question time.

Please register in advance for this webinar:

https://us02web.zoom.us/webinar/register/WN_oAnNO3ZITACZBjsTzgV9w

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

- ENDS -

Investor and media enquiries:

Rob Goss
CFO & Company Secretary
P: +61 2 8090 1000

For more information on Audinate, please visit:

Investor Centre – investor.audinate.com Website – 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 pioneer the future of AV. Audinate's award-winning Dante 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 synchronised 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.