

23 August 2021

## **Audinate recovers from COVID to deliver strong revenue growth**

### **Key FY21 financial highlights:**

- Revenue of US\$25.0 million, up 22.5% (A\$33.4 million)
- Gross profit (GP) of US\$19.2 million, up 23.1% – steady GP margin of 76%
- EBITDA of A\$3.0 million, up 50.1% on FY20
- Net loss after tax of A\$3.4 million, 17% better than FY20
- Operating cashflow of A\$6.7 million, up from A\$4.8 million in FY20
- Cash and term deposits of A\$65.4 million at year end

**Audinate Group Limited** (ASX:AD8), developer of the professional AV-industry leading Dante® media networking solution, announces its results for the financial year ended 30 June 2021 (FY21).

Gross profit increased 23.1% to US\$19.2million at a gross margin of 76.4% (FY20: 76.6%), primarily due to 43% growth in units shipped. Revenue increased 22.5% to US\$25.0 million, compared to US\$20.4 million in the prior year. AUD revenue grew 10.1% to A\$33.4 million and was adversely impacted by the AUD/USD exchange rate.

As customers adopt new software-based Dante implementations, Audinate expects to see further long-term margin improvement. As the mix of hardware and software products shifts, growth in gross profit dollars becomes a more appropriate measure of performance than revenue growth alone.

### **Audinate Co-founder and CEO Aidan Williams commented:**

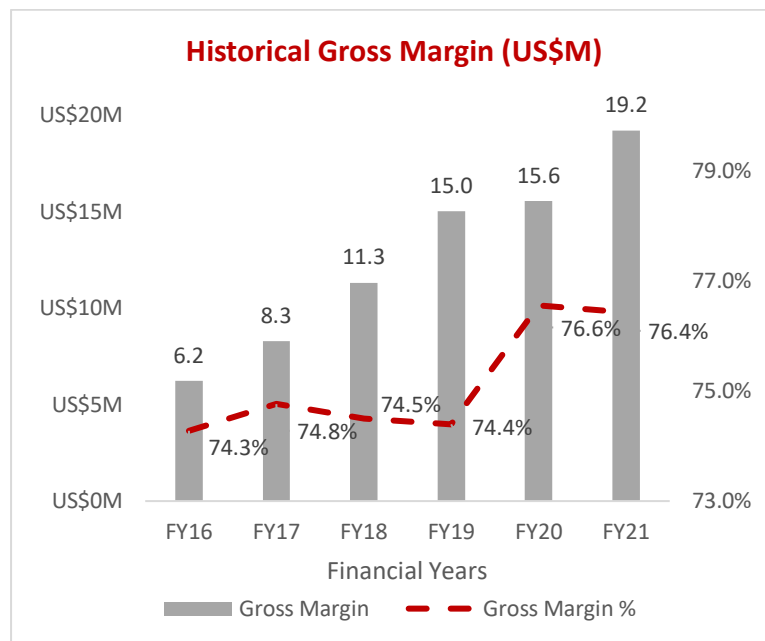
*“We are very pleased with the FY21 financial performance and resilience of the business in the face of COVID related challenges over the last 15 months. Our core audio business continues to grow strongly, and we are particularly satisfied with the performance of next-generation Dante software products such as Dante Embedded Platform (DEP) and IP Core which delivered strong revenue growth. Our focus going into the year was delivering design wins to drive future revenue growth, so it was particularly pleasing to see the change to a subscription pricing model drive record numbers of design wins in FY21. The launch of the first Dante video products from our manufacturing customers (OEMs) in June was a major milestone and provides us with strong momentum for our video offering heading into FY22.”*

## Financial results

Growth in Dante units (43%) outstripped US\$ revenue growth (22.5%) reflecting a shift in revenue mix toward software products. Software revenue grew 61.9% driven by >50% growth in Dante software royalties (for DEP, IP Core and reference designs) and by revenue growth in retail software (>30%) and to a lesser degree, Dante Domain Manager (>30%).

Chips, cards & module revenue grew 13.3%, whilst the number of units shipped grew 26% reflecting mix shift toward lower channel count products and offsetting a decline in revenue from our high channel count Brooklyn modules (16% decline). AVIO adapters delivered significant revenue growth (>50%), with good revenue contributions also made by Ultimo chips (>35%) and Broadway chips (>35%).

Geographically, revenue grew in the Americas, and Europe and the Middle East to a lesser degree. Revenue from Asia was impacted by customer concentration in live sound and large events (revenue generated in Australia is negligible). Consistent with the previous commentary, vertical markets driving revenue growth were corporate conferencing and higher education.



*Note: gross margin % calculated using AUD*

Operating expenses increased by 6.1% to A\$22.5 million during FY21 (up from A\$21.2 million in the prior year). The major change being a A\$2.0 million increase in employee costs mainly from additional headcount, offset by A\$0.8 million savings arising from reduced travel and trade show expenses. The establishment of a video development team in Cambridge (UK) was the main driver of increased employment costs (A\$1.1 million). Consequently, FY21 EBITDA was A\$3.0 million compared to A\$2.0 million in the prior year.

Net loss after tax was A\$3.4 million compared to A\$4.1 million net loss after tax in FY20. The main components of the movement in the net loss after tax were: a) increased revenue in FY21; b) a lower income tax expense in FY21 (income tax losses were written off in the prior year); and, c) a A\$2.1 million increase in depreciation and amortisation in FY21.

## **Strong operating cash flows and balance sheet**

Operating cashflows increased 39.4% to A\$6.7 million from A\$4.8 million in the prior year, mainly due to increased sales and to a lesser degree COVID related government grants (A\$0.8 million). Financing activities include A\$40 million in gross proceeds from an institutional placement and associated share purchase plan at the beginning of the financial year. Part of these proceeds (A\$27 million) was invested in term deposits with maturities greater than three months and was recorded as an investing cashflow. Total cash and term deposits on hand at 30 June 2021 amounted to A\$65.4 million. After adjusting for the impact of the capital raise, the Company recorded negative free cash-flow of A\$2.9 million in FY21.

## **Dante Video product launches**

The successful June launch of the first Dante video products by Bolin Technology (Bolin) and Patton Electronics (Patton) was a major milestone for the company as we open up a new addressable market for Dante networking technologies. Bolin launched two camera models (4k and Full-HD with pan/tilt/zoom) and two video decoders (HDMI and SDI), while Patton launched an HDMI video encoder and decoder. These six products enable a system integrator to design an AV installation using only Dante networking for video and audio distribution. The market response since launch has been encouraging, and we expect positive sales momentum into FY22.

In January, we boosted our video development capabilities by recruiting a team in Cambridge (UK) focussed on video software and system products. As the first substantial development team located outside the Sydney office, the establishment of this group is a significant organisational milestone and will help us to accelerate our video strategy. The Cambridge (UK) team has recently signed its first commercial technology agreement and will release our first video software product shortly.

## **Ongoing strength in core business metrics**

Over the last twelve months the number of Dante-enabled products has increased to 3,255, which is now 19x the number of products of the next closest digital audio networking technology. Even though supply chain pressures slowed new product releases in the second half of the year, the number of OEMs shipping products increased to 371, up from 328 a year ago. The Company achieved a record 105 design wins, including an impressive 66 new OEMs facilitated by the introduction of an annual subscription (vs up-front technology access fee), new software options and video products.

Dante certification & training continues to be an important way to educate the market and drive end-user demand for Dante networking technologies. In FY21, there were 112 webinars conducted, up from 82 in the prior year, which helped train approximately 33,000 professionals on Dante. This number includes about 13,000 people trained in languages other than English and 12,000 professionals who received training on Dante video.

## Supply chain uncertainty impacting 1H22

The record backlog at 30 June 2021 has translated into strong trading performance in July, however some orders were deferred to later months due to the temporary shutdown of our manufacturing line in Malaysia caused by local COVID cases. August demand remains similarly strong, however we are now allocating our Ultimo product to customers due to global chip supply constraints. Although there is currently record demand for our products, we expect chip shortages and COVID disruptions to manufacturing to continue to impact our ability to supply during 1H22.

Global supply chain pressures are causing our OEM customers to focus internal resources on product redesign to address part shortages, potentially deferring the launch of new Dante products. The diversion of engineering resources may also adversely impact new design wins for the next six months, including Dante video. In the near term, we do not expect OEM new product delays or a slow-down in design wins to impact revenue given the ongoing strong demand from end-users and high backlog of unfulfilled orders.

## Outlook

Having successfully navigated a challenging operating environment over the last twelve months, we continue to take a long-term perspective on running and growing the business to deliver shareholder value. To support ongoing growth and drive development of video and cloud services we are targeting headcount of over 170 staff over the course of FY22 (up from 135 staff at 30 June 2021).

The key focus areas for the year ahead are:

- Driving further design wins for Dante video and next generation software products
- Launching new Dante video software and cloud services products
- Pursuing initiatives to reduce adoption friction, including in-field activation
- Improving adoption of Dante by non-English speakers
- Strengthening our products, services, and systems against cyber-risk
- Implementing business scalability initiatives

### **Audinate Co-founder and CEO Aidan Williams commented:**

*“The strong demand for our technology as the AV industry recovers from COVID is particularly encouraging for Audinate’s longer-term outlook. In the short term, we expect continued supply chain uncertainty throughout the remainder of CY21 and whilst this may limit revenue growth in the near term, we remain confident that Audinate can deliver US\$ revenue growth in the historical range for FY22. The launch of Dante video products, record numbers of design wins and the establishment of an engineering team in Cambridge, UK are significant milestones as we execute our strategy to revolutionise the AV industry.”*

## **Investor briefing**

The Company will host a webinar via Zoom to discuss its FY21 results at 9.30am (AEST) on 23 August 2021. The webinar is expected to last approximately 60 minutes, inclusive of question time.

Please register in advance for this webinar:

[https://us02web.zoom.us/webinar/register/WN\\_HYNiaGQ6QYWs4G3EkRRBiA](https://us02web.zoom.us/webinar/register/WN_HYNiaGQ6QYWs4G3EkRRBiA)

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

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

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