ASX Announcement

12 February 2024

Audinate delivers record revenue and EBITDA in 1H24

Key 1H24 financial highlights:

- Revenue increased 47.7% on 1H23 to US\$30.4 million (A\$46.6 million)
- Gross profit (GP) of US\$21.8 million, up 50.1% gross margin of 71.8%
- EBITDA of A\$10.1 million, up 137% on 1H23
- Net profit after tax of A\$4.7 million, improved from A\$0.4 million loss in 1H23
- Operating cash flow A\$11.8 million, improved from A\$1.8 million in 1H23
- Strong cash and term deposits balance of A\$111.7 million

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 2023 (1H24).

Gross profit increased by 50.1% to US\$21.8 million at a gross margin of 71.8% due to 45.6% growth in sales of chips, cards & modules (CCM) and 56.2% growth in software sales. Revenue increased by 47.7% to US\$30.4 million, compared to US\$20.6 million in 1H23. AUD revenue grew 51.1% to A\$46.6 million, aided by AUD/USD currency tailwinds.

Audinate Co-founder and CEO Aidan Williams commented:

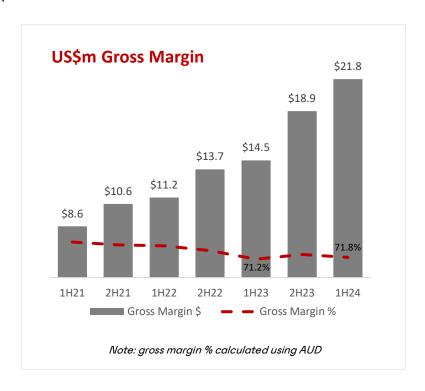
"We are pleased that Audinate continues to create new revenue, EBITDA and operating cash flow milestones. The operating leverage inherent in the business model is again evident in another positive set of financial results."

Financial results

Revenue from Chips, Cards and Modules (CCM) grew 45.6% to US\$22.7 million, from US\$15.6 million in the previous corresponding period (pcp). The products primarily responsible for the revenue increase were Brooklyn modules (up 50%), Ultimo chips (up >200%) and, to a lesser extent, AVIO adaptors. Ultimo chips were supply-constrained in 1H23, but these pressures have gradually eased, and the backlog of pent-up demand was satisfied over the second half of FY23 and the current period. Therefore, it is expected Ultimo revenue will revert to (lower) run-rate demand in the second half.

Software revenue grew 56.2% to US\$7.3 million from US\$4.7 million in the previous corresponding period. The products primarily responsible were IP Core (up ~100%), Dante Embedded Platform (up ~75%) and retail software sales (up ~60%).

The overall gross margin percentage increased to 71.8% from 71.2% in the previous corresponding period, held back by the fulfillment of pent-up Ultimo demand. Further improvements in margin are expected in the second half due to cost-down initiatives and favourable product mix shift.



EBITDA was a record \$10.1 million in the half-year ended 31 December 2023, compared to \$4.3 million in the previous corresponding period. Operating expenses increased by 32% to \$23.4 million in the half-year ended 31 December 2023. The key movement was a \$3.6 million increase in employee costs as headcount grew from 186 to 204 at 31 December 2023, salary increases and the annualisation impact of new headcount over the period. Administration and other operating expenses increased by \$1.4 million from the previous corresponding period due to increased software subscriptions, travel, and professional costs.

Audinate recognised an income tax expense of \$0.8 million during the half-year ended 31 December 2023 compared to a nominal amount in the previous corresponding period. Due to the movements described above, the net profit after tax was \$4.7 million for the half-year ended 31 December 2023, compared to a \$0.4 million net loss after tax in the corresponding prior period.

Growth in cashflow

The Company recorded positive operating cashflow of \$11.8 million for the half-year ended 31 December 2023 compared to \$1.8 million for the previous corresponding period. At 31 December 2023, Audinate held over \$111 million in cash and term deposits following a \$70 million capital raise in the first half.

Video momentum increases

Momentum continues to build in our OEM customers' adoption of Dante video solutions, with 50 manufacturers now licensing Dante video offerings (up from 30 manufacturers a year ago). Following the recent Integrated Systems Europe (ISE) tradeshow, there are now 66 video products released by our customers, representing a three-fold increase in the number of products available at 31 December 2022. We have also achieved our FY24 objective to double the video ecosystem to greater than 30,000 video units in field or shipped six months earlier than planned.

During the first half, we released our next-generation Dante AV Ultra product, which built upon the initial product combined with elements of the Viper board. The first OEM video product using the next-generation Dante AV Ultra was released at the recent ISE tradeshow.

New product innovation continues

Audinate achieved significant new product milestones during the first half. Dante Connect delivers in-sync audio directly from Dante networks to cloud services for seamless online production anywhere, reducing the need for mobile studios and trucks full of broadcast equipment. Since its launch at the end of FY23, we have licensed several global tier-one media and consumer product customers, completed nine proofs of concept during the period and have a larger pipeline of other opportunities to address.

Audinate also announced the launch of the Dante Pro S1, which is our next generation Ultimostyle chip for low channel count audio products. Dante Pro S1 delivers an upgraded feature set, including media encryption, will be sold in both chip and image (software) form and is now available for OEMs.

Dante Director is a SaaS solution for remote Dante network administration and management and is now available as a pre-release Beta. This product is an evolution of Dante Domain Manager and enables remote management of Dante networks via a simple, convenient web dashboard accessible from anywhere. There are currently 50 participants in the beta trial, and the finished product is expected to be released before the end of FY24.

Ongoing strength in core business metrics

The Audinate sale cycle involves an OEM design win followed by a period of 12 – 24 months for completion of product design, followed by a repeat revenue model from the point of manufacture. During the period, the number of OEMs in the process of developing their first Dante product increased to 153 from 129 in the previous corresponding period. Furthermore, the number of OEMs shipping Dante products increased to 430 from 391 in the previous corresponding period.

As a result, the number of Dante-enabled OEM products increased to 4,008, reflecting a net increase in products of 155 for the six months ended 31 December 2023 compared to 78 net products added during the previous corresponding period. This growth is important to continue to drive revenue in future periods.

Outlook

The outlook for the remainder of FY24 remains consistent with the statements made at the release of our FY23 results.

The Company continues to be watchful of potential softening global economic conditions over the rest of FY24. Improving supply chain conditions and shorter lead times for our customers result in a reduced sales order backlog, complicating management of any softening in economic conditions. The Company continues to explore several M&A opportunities, buoyed by a stronger balance sheet from the capital raise.

The Company maintains its focus on improved profitability and operating cash flow and still expects growth in US\$ gross profit dollars for FY24 consistent with historical performance. Financial results for FY24 are expected to be consistent with current market expectations.

Audinate Co-founder and CEO Aidan Williams commented:

"Our first half results have again been excellent as the business was able to fully satisfy the demand for Dante products free from recent constraints. It was an outstanding result to achieve our aim of a cumulative ecosystem of >30,000 video products ahead of schedule, and I look forward to further successes over the remainder of FY24."

Investor briefing

The Company will host a webinar via Zoom to discuss its 1H24 results at 9.30 am (AEDT) on 12 February 2024. The webinar is expected to last approximately 45 minutes, including question time.

Please register in advance for this webinar:

https://us02web.zoom.us/webinar/register/WN_CYMStF00Ti6y8kA6rcz-8w

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 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 cables by transmitting perfectly synchronised AV 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, Belgium, and Hong Kong. Dante technology powers products available from hundreds of leading audio and video partners around the world. The Company's ordinary shares are traded on the Australian Securities Exchange (ASX) under the ticker code AD8.