

Audinate delivers record gross profit and EBITDA

Key FY24 financial highlights:

- Revenue increased 28.4% on FY23 to US\$60.0 million (A\$91.5 million)
- Gross profit (GP) of US\$44.5 million, up 33.2% on FY23
- Gross margin of 74.3%, compared to 72.1% for FY23
- EBITDA¹ of A\$20.4 million, up 85% on FY23
- Net profit before tax of \$12.1 million, up from \$1.4 million in FY23
- Positive free cashflow of \$6.9 million (\$11.2 million better than FY23)
- Cash and term deposits of \$117 million

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 2024 (FY24).

Gross profit increased by 33.2% to US\$44.5 million at a gross margin of 74.3% (FY23: 72.1%), due to 32.6% growth in software sales and 26.4% growth in sales of chips, cards & modules (CCM). Revenue increased by 28.4% to US\$60.0 million, compared to US\$46.7 million in FY23. Australian dollar revenue grew 31.3% to A\$91.5 million aided by A\$/US\$ currency impacts.

Audinate Co-founder and CEO Aidan Williams commented:

"I am incredibly proud of the exceptional financial results that our entire team at Audinate has worked so diligently to achieve. The operating leverage in the cost base continues to be evident in the percentage of incremental revenue that converts into EBITDA. On the technology front, we've made significant strides in video, and I'm thrilled about the strategic opportunities we've unlocked with the launch of Dante Director."

¹ EBITDA is a non-statutory measure and a reconciliation to profit after income tax expense is set out in the Directors Report on page 3 of the financial statements for the year ended 30 June 2024

Financial Results

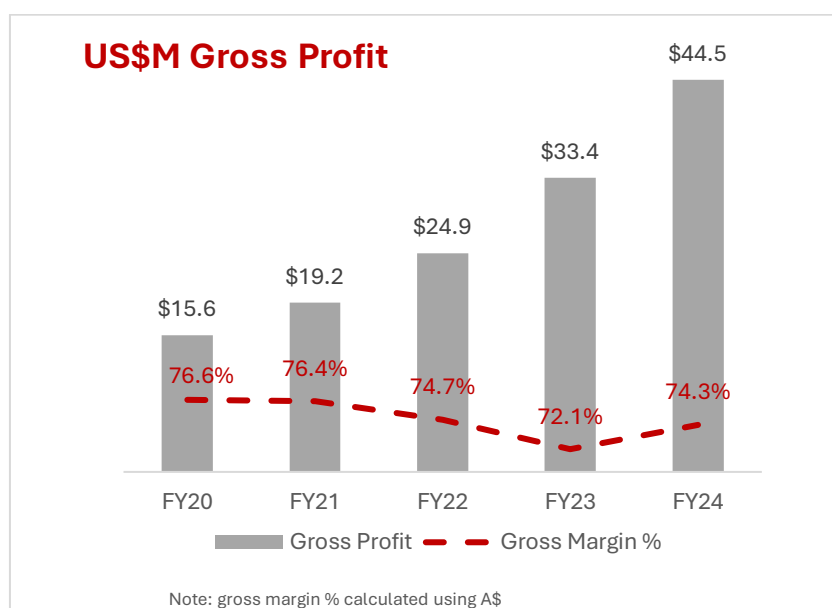
Growth in US\$ revenue (28.4%) was driven by growth in Dante units delivered (34.1%), with the recovery in shipments of Ultimo chips (up 70%) being particularly notable. The overall gross margin % increased to 74.3% for FY24, improving from 71.8% in the first half due to a favourable product mix shift and cost down achieved on Brooklyn modules.

Software revenue increased by 32.6% compared to 17.4% growth in software units shipped, reflecting:

- Revenue growth from Dante IP Core & Dante Embedded Platform software (both up >75%) and sales of Dante Via & Dante Virtual Sound Card to AV professionals (up >45%); and
- Unit growth from these same products, together with a strong initial contribution from Dante video offerings, tempered by a 21.2% decrease in high-volume, lower-priced Reference Designs.

Chips, cards & modules (CCM) revenue grew at 26.4% compared to growth in CCM units shipped of 34%, reflecting a combination of impacts:

- Growth in units shipped primarily driven by deliveries of lower priced Ultimo chips representing unfulfilled demand carried into FY24; and
- Revenue growth driven by Brooklyn (>45%), Ultimo (up nearly 75%) and adapters (>25%).



Operating expenses increased by 21.2% to \$47.5 million in the year ended 30 June 2024. The key movement was a \$5.0 million increase in employment costs as headcount grew from 197 to 225 as of 30 June 2024. Sales and marketing expenses increased to \$6.0 million from the prior year ended 30 June 2023 due to increased spend on advertising, re-branding, trade shows and travel. Administration and other expenses increased by \$1.8 million to \$7.2 million due to additional spend on software subscriptions, travel, and general administration for the expanding business.

EBITDA was \$20.4 million in the year ended 30 June 2024 compared to \$11.0 million in the prior year ended 30 June 2023.

Depreciation and amortisation increased by \$1.6 million in the current year, reflecting an increase in the total value of capitalised development costs being expensed.

Audinate recognised an income tax expense of \$1.8 million during the year ended 30 June 2024 compared to an income tax benefit of \$9.3 million in the prior year (prior year benefit mainly related to the recognition of tax losses). Due to the movements described above net profit after tax was \$10.2 million for the year ended 30 June 2024, compared to \$10.6 million net profit after tax in FY23.

Strong cashflow and cash position

The Company recorded positive operating cashflows of \$25.6 million for the year ended 30 June 2024, up 105.6% from \$12.4 million for the previous corresponding period.

Audinate also recorded positive free cashflow of \$6.9 million for FY24, representing an \$11.2 million improvement from negative cashflow in FY23.

The Company remains well capitalised with cash and term deposits of \$117.0 million at 30 June 2024, and no debt.

Ongoing strength in core business metrics

A variety of metrics indicate continued strong interest in Dante from AV professionals. Our Dante certification training programs play a crucial role in expanding knowledge about our technology and, consequently, driving demand for Dante-enabled products. This year, the number of individuals trained grew by 22%, resulting in a total of over 270,000 AV professionals trained since the program's inception.

Other metrics were as follows:

- Marketing database of AV professionals grew by 20% and is now nearing 750,000
- Unique website visitors reached 1.5 million marking a 22% increase
- Cumulative downloads of Dante Controller set up tool also grew 13%
- Audio market adoption of 12 times that of our nearest competitor, based on customer product catalogue size

The Audinate sales cycle involves an OEM design win, followed by a period of 12-24 months for product design, and then a repeat revenue model from the point of manufacture. Over the past year the number of OEMs developing their first Dante product rose to 161, up from 138 in FY23. Additionally, the number of OEMs shipping Dante products increased to 460 compared to 400 in FY23.

As a result, the number of Dante-enabled OEM products increased to 4,176, reflecting a net increase in products of 323 for year ended 30 June 2024 compared to 3,853 net products as of 30 June 2023. This growth is crucial for sustaining revenue and driving continued success in future years.

Ongoing momentum in Video

The strong momentum that began in FY23 continued in FY24 as reflected in impressive growth in key metrics. The number of Dante video licensees increased 59% during FY24 reaching 54 customers by year end. Additionally, the number of video products announced grew by 75% totalling 84 products over the same period. As a result, we substantially over-achieved our objective to double the video ecosystem in FY24.

Product features continue to expand with the next-generation Dante AV Ultra now incorporating video wall functionality, logo insertion, video thumbnails and colour bar generation. Additionally, Dante Studio has been enhanced with lower latency and improved picture quality to further elevate the user experience.

Outlook

As outlined in our ASX Release dated 6 August 2024 the Company faces a combination of revenue headwinds in FY25, including:

- The preference for software-based Dante implementations is expected to continue during FY25, driving the business's overall margin towards 80%. Dante software implementations drive adoption via hardware cost savings for equipment manufacturers, however per-unit revenue is lower.
- Shortening order lead times, re-balancing of inventory holdings across the industry and the rate at which our manufacturing customers clear raw material inventory will influence our FY25 result.
- Expected end-of-life of Viper and MY16 products.

Audinate expects to generate US\$ gross profit marginally lower than FY24, and there will likely be a decline in revenue in FY25, before a return to anticipated growth and more predictable order patterns in FY26.

In FY25 we will continue our disciplined examination of M+A opportunities that can deliver strategic benefit and shareholder value. There are a number of opportunities on foot, with the potential for another transaction to occur this year

Given the outlook, we have implemented a range of measures across marketing, sales and product development to manage costs while continuing to invest in new products like Dante Director and Dante Connect. This approach allows for incremental spending in sales and marketing activities to enhance business momentum. Consequently, we expect cost growth to be in the range of 7% - 9% in FY25² (compared to historical annual cost growth of 28.5% over the last three years). Our goal is to carefully balance cost management with ongoing investment to capitalise on Audinate's long-term opportunities.

² Based on a USD exchange rate of 68c

Audinate Co-founder and CEO Aidan Williams commented:

“Whilst we expect FY25 to be a transitional year, the long-term strategic thesis for Audinate remains unchanged. With the challenges of the last few years behind us, we will redouble our efforts to drive audio & video unit growth, a key building block in our long-term strategy. I am delighted by the launch of Dante Director and more generally demand for Dante software implementations which could drive overall gross margins towards 85% over the longer term.”

Investor briefing

The Company will host a webinar via Zoom to discuss its FY24 results at **9.30am (AEST) on 19 August 2024**. The webinar is expected to last approximately 45 minutes, including question time.

[Register here in advance for this webinar](#)

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 – <https://investor.audinate.com/investor-centre/>

Website – www.audinate.com

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.

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.