FY20 Results Presentation

20 August 2020

Aidan Williams – Chief Executive Officer

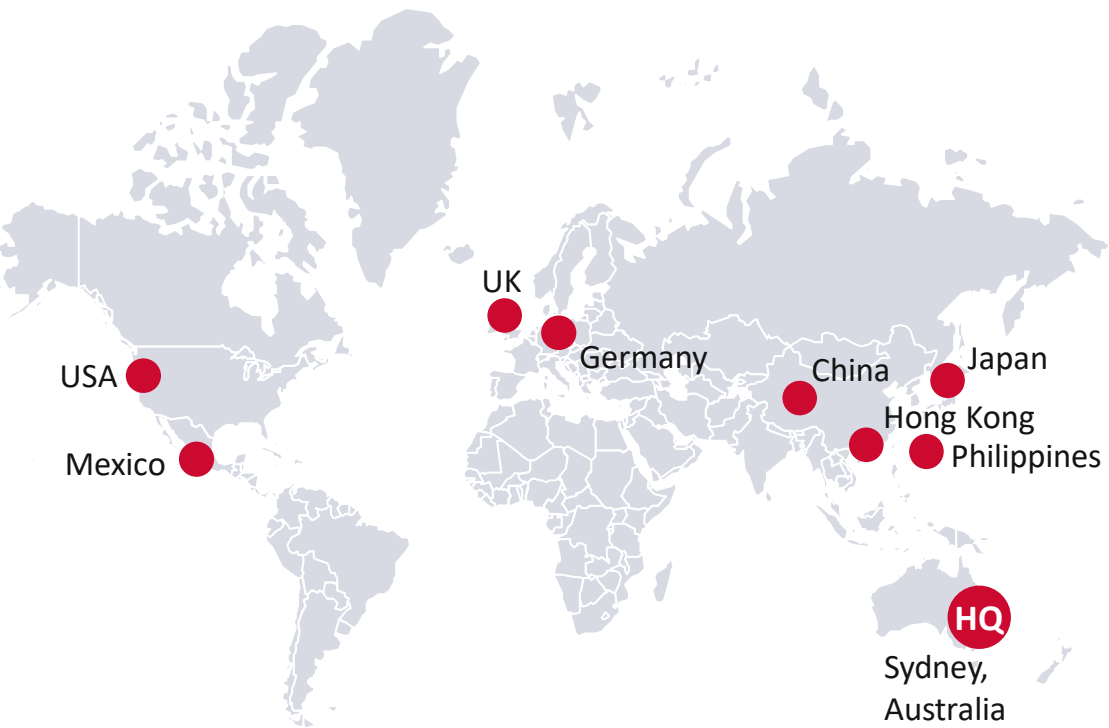Rob Goss – Chief Financial Officer

Overview of Audinate today

World-leading supplier of digital media networking for the Professional AV industry

Growing network effect with number of Dante-enabled products in market
2,804

USA
Mexico
UK
Germany
China
Japan
Hong Kong
Philippines
HQ
Sydney, Australia

Products

Dante comprises software and hardware that resides inside the audio and video products of Audinate's Original Equipment Manufacturer (OEM) customers

[More background on Dante: https://www.audinate.com/meet-dante/what-is-dante]

Audinate products	Customers (OEM Brands)	OEM Products
Chips Modules	YAMAHA BOSE	
	SHURE BOSCH	
	biamp. SENNHEISER	
Cards Software	Symetrix SONY	
	Focusrite Roland	
	HARMAN CRESTRON LAWO	

Listed on the Australian Stock Exchange (ASX:AD8) in June 2017

ASX

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Delivering on medium-term priorities

Audinate has the foundations in place to accelerate our product development and support the software transition of the AV industry over the medium term

Medium-term strategic priorities

Investing to double Audinate's engineering and R&D functions over the next two years

Putting in place the business infrastructure platform to support long term growth

Developing next generation Dante audio and video software implementations

Making Dante video the technology of choice for OEMs

Expanding Total Addressable Market with the addition of video & software products

Achievements in FY20

Team increased 30% with significant bench-strength & industry expertise added – hiring paused during COVID-19

Malaysian manufacturing opened, Philippines office established, Scaled Agile Framework (SAFe) adopted, Initial steps on licensing & code protection, manufacturers rep network for DDM

Dante video shipped April, next generation Dante products from QSC, Shure & Zoom, Bluetooth & USB-C AVIO® Adapters launched

Several design wins including Yamaha, Bolin and Patton. First demo of Dante video Camera, white label program launched

Ongoing – initial video and software design wins (20 in total)

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FY20 Highlights

Financial

A$30.3m	A$2.0m	76.6%	A$29.3m
Revenue (US$20.4m)	EBITDA	Gross profit margin	Cash on hand at 30 June 2020

Operational

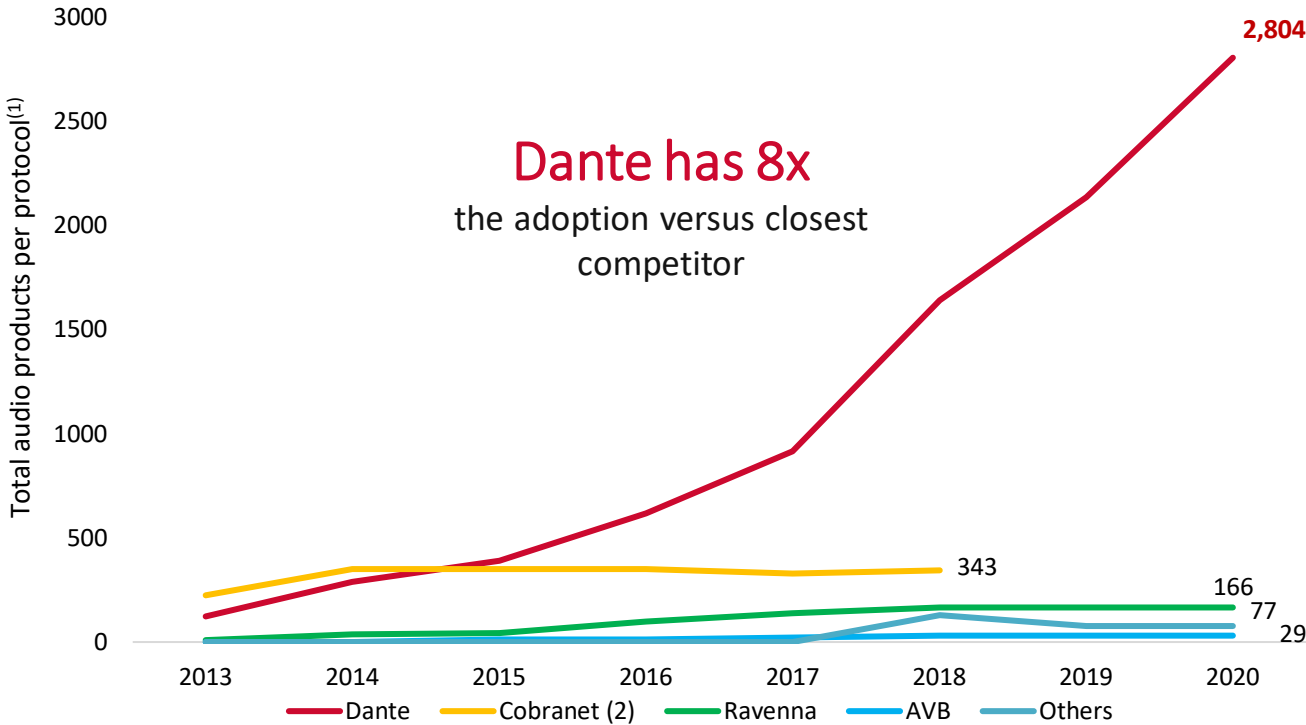| 2,804	57,000	21%	A$40.0m
Dante-enabled products on the market	Professionals trained on Dante during FY20	Increase in OEMs shipping Dante product	Capital raised via placement & SPP post year end

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Leading global supplier of digital media networking

Highlights

>A\$1bn	Total addressable market[1]
328	OEM customers shipping Dante enabled products
2,804	Dante enabled products available on the market
8x	Market adoption of closest competitor
120,000	Dante trained and certified individuals globally

1) Management estimate of total addressable market of audio, video and Pro-AV software products

Increasing market awareness and adoption of Dante

Dante has 8x
the adoption versus closest competitor

Total audio products per protocol[1]

3000
2,804
2500
2000
1500
1000
500
343
166
77
29
0

2013 2014 2015 2016 2017 2018 2019 2020

— Dante — Cobranet (2) — Ravenna — AVB — Others

1) RH Consulting, Networked Audio Products 2020 and Audinate company data
2) RH Consulting stopped counting Cobranet products in 2020 and noted that it is impossible to get reliable data on available products, with only a small number of manufacturers selling some equipment. RH Consulting further noted that Cobranet is not a consideration in forward looking statements about the audio industry

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COVID-19 impact and response

Audinate is well positioned to capitalise on medium-term growth objectives, despite taking prudent measures during COVID-19

COVID-19 impact and measures adopted

- Addition of contract manufacturing in Malaysia and internal auditing of component suppliers have made our supply chain more robust, minimising the impact caused by disruptions to Chinese manufacturing activity in Q3 FY20
- 2H FY20 revenue adversely impacted by COVID-19. The continued impact is unknown and result in a wide variety of potential revenue outcomes in FY21
- Prudent measures taken in response to COVID-19 disruption:
  - downsized headcount and paused near-term recruitment plans to reflect reduced staffing requirements
  - FY20 cash bonuses forgone for all staff and pay freeze implemented
  - centralised back office functions and standardised processes
  - curtailed marketing and travel expenditure and actively monitoring other discretionary expenditure
- Revenue and sales orders recovered in June & July (as compared to April and May) demonstrating business model resilience
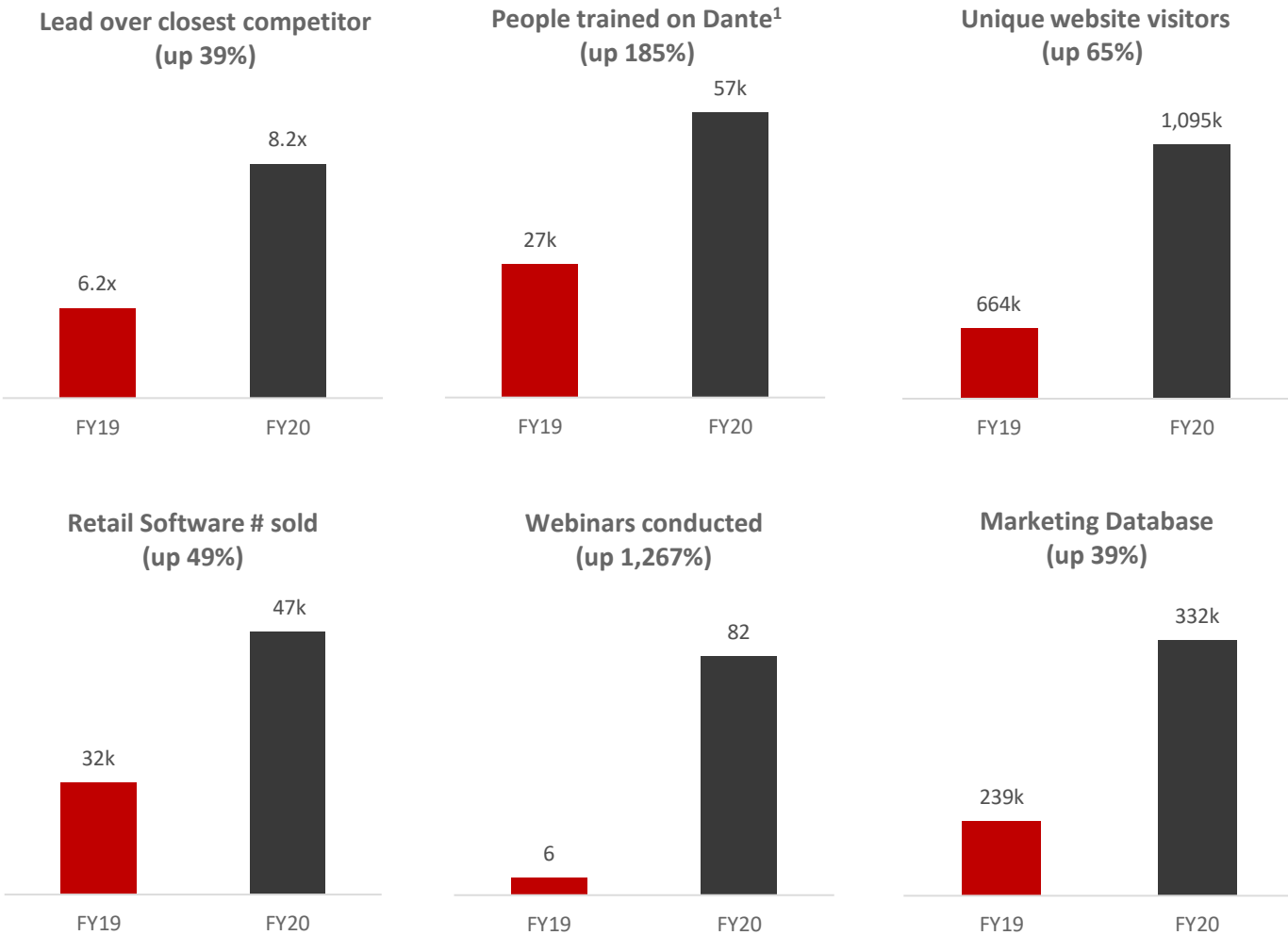- Qualified for JobKeeper program in May 2020 and received c. A$0.2 million for both May and June

Continued conviction for medium-term priorities

✓ **Focused on delivering on medium-term strategic priorities** to ensure Audinate is best placed to benefit from an economic recovery

✓ **Manufacturing facilities have returned to full operations** since temporary Government mandated closures

✓ **Successful product expansion** at the InfoComm tradeshow in June
  - InfoComm platform assisted with increasing number of Dante enable products available to 2,804, up 31% from FY19
  - launched new Dante AVIO® bluetooth and USB-C adapters and early orders have been encouraging

✓ **Ramped up webinars and Dante Certification training program** to enhance propensity of Dante technology adoption
  - ~120,000 AV professionals attended 77 webinars or participated in online training and ~40,000 professionals undertook Dante certification in 2H FY20

Audinate®

Laying the foundation for accelerated adoption

Dante Certification Training

- Free training for industry professionals – including designers, system integrators & end users
- Conducted online, via webinar & in person
- Three levels of certification from introductory thru to advanced network trouble-shooting
- Industry accredited for CPD
- Training now offered in 9 languages
- 8 Audinate trainers based in 5 countries
- Our research shows training = more Dante purchases
- Training content also applies to Dante video

Lead over closest competitor (up 39%)

FY19: 6.2x
FY20: 8.2x

People trained on Dante[1] (up 185%)

FY19: 27k
FY20: 57k

Unique website visitors (up 65%)

FY19: 664k
FY20: 1,095k

Retail Software # sold (up 49%)

FY19: 32k
FY20: 47k

Webinars conducted (up 1,267%)

FY19: 6
FY20: 82

Marketing Database (up 39%)

FY19: 239k
FY20: 332k

Audio Networking in Higher Education
Transforming Facilities, Workflows and the Student Experience with Dante

[1]*Represents people trained on Dante during the year, total people trained on Dante now 120,000*
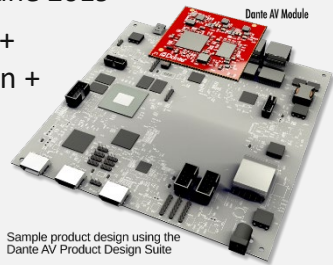
Dante Video

*Indicative video products

Dante AV Module

- "AV-over-IP" *networking module*, OEM business model
- V+A+Network (1 video + 8 audio)
- Commercial launch June 2019
- First design win July 2019
- OEM products expected on the market late CY20
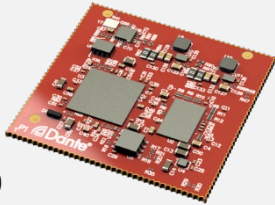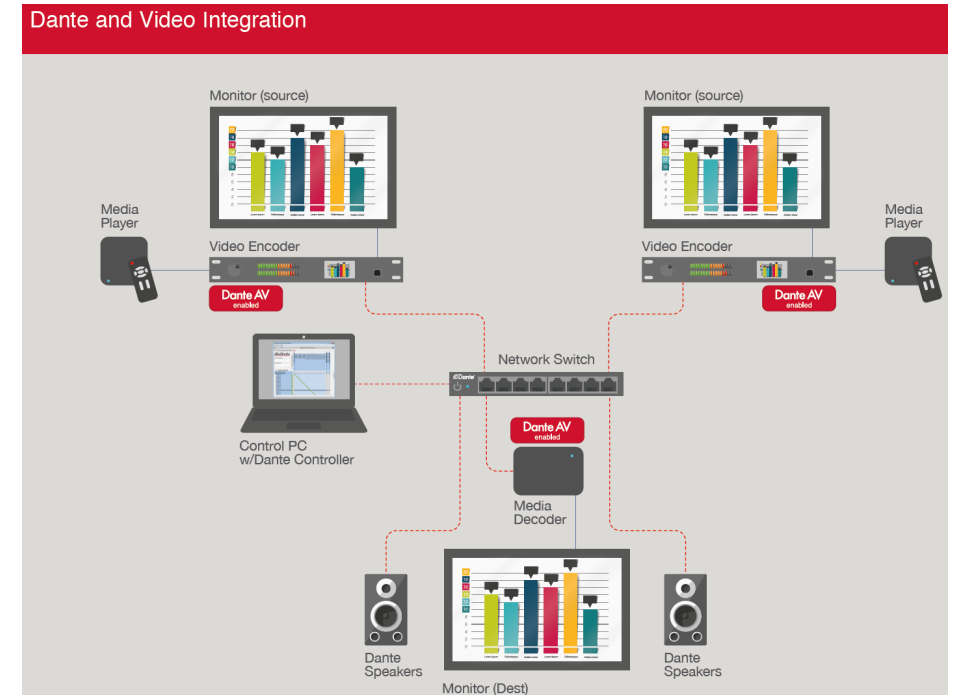
Dante AV Product Design Suite

- Full HDMI-over-IP *product design*
- Accelerate OEM time to market & enable ODM business model
- Launched June 2019
- AV Module + Compression + HDMI + HDCP + USB + ...

Sample product design using the Dante AV Product Design Suite

- Several design wins, with Yamaha, Bolin and Patton publicly announced

- Dante AV Product Design Suite shipped in April 2020

- Bolin camera demo at ISE represents first Dante video product proto-type

- Authorised implementer program launched June 2020

- Strong pipeline, industry interest & recognition

- Dante video software implementation represents next product iteration

- More background & videos on Dante video: https://www.audinate.com/products/manufacturer-products/dante-av-video

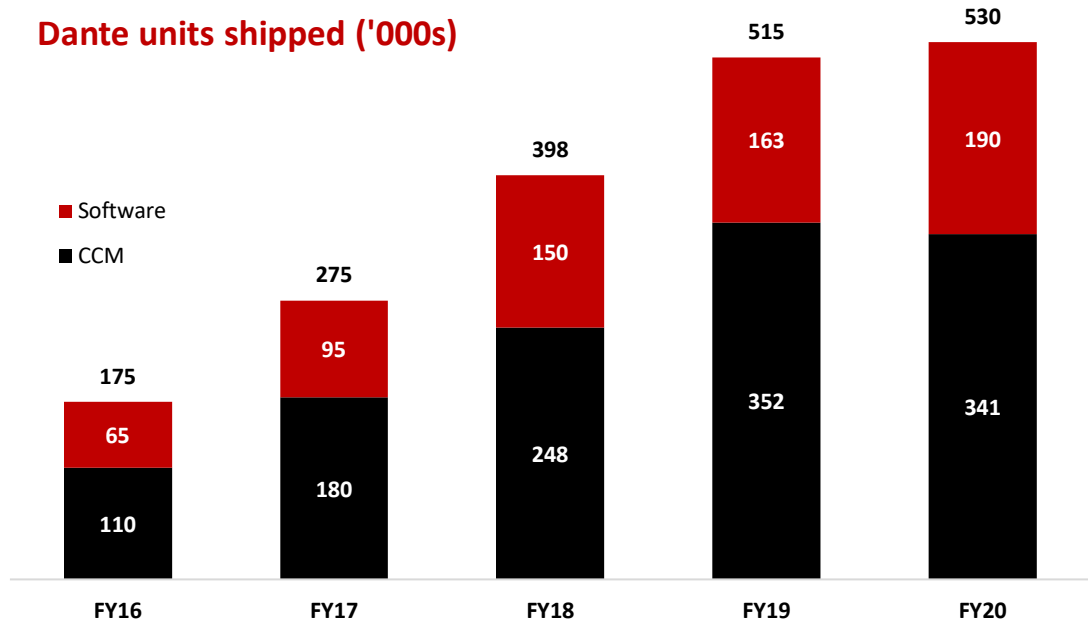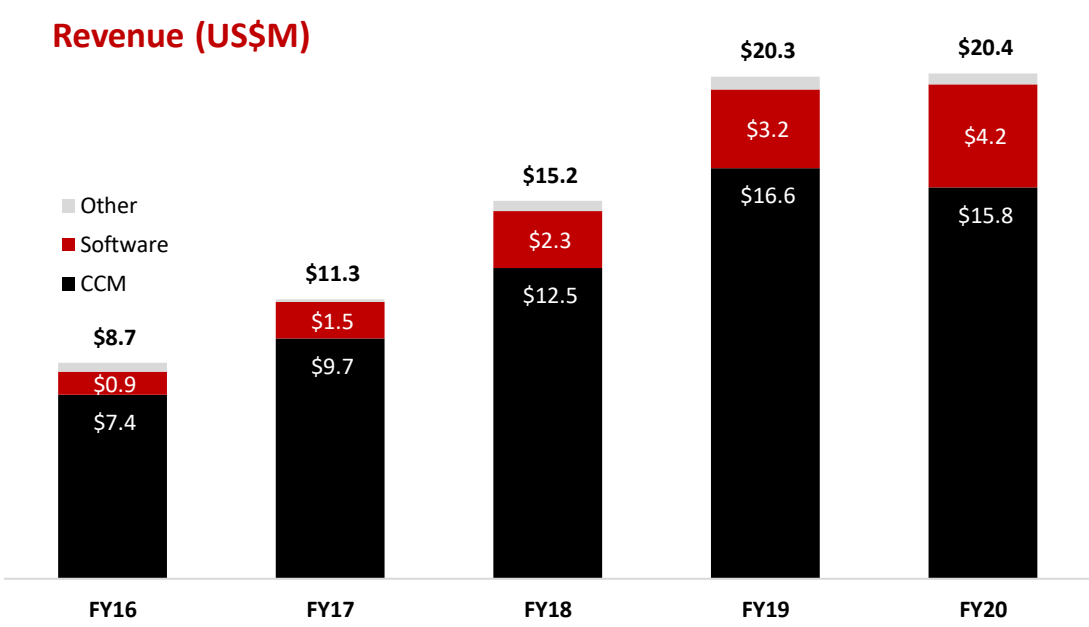Dante and Video Integration

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Financial Performance and Metrics

Resilient repeat revenue base

- US$ Revenue CAGR of 24%
- Gross Profit margin approaching 77%
- Chips, cards & modules ('CCM') includes AVIO adapters
- Software includes royalties, retail software, Dante Domain Manager & IP core
- Audinate invoices customers & pays COGs in USD

- 30% increase in software revenue driven by Dante Domain Manager, royalties, and retail software sales
- CCM revenue impacted by COVID-19, especially Brooklyn modules – partly compensated for by Broadway & adapters
- First sales of Dante Video, Dante Embedded Platform and Dante Application Library in 2H FY20

Revenue (US$M)

	FY16	FY17	FY18	FY19	FY20
Total	$8.7	$11.3	$15.2	$20.3	$20.4
Software	$0.9	$1.5	$2.3	$3.2	$4.2
CCM	$7.4	$9.7	$12.5	$16.6	$15.8

Legend: Other, Software, CCM

Dante units shipped ('000s)

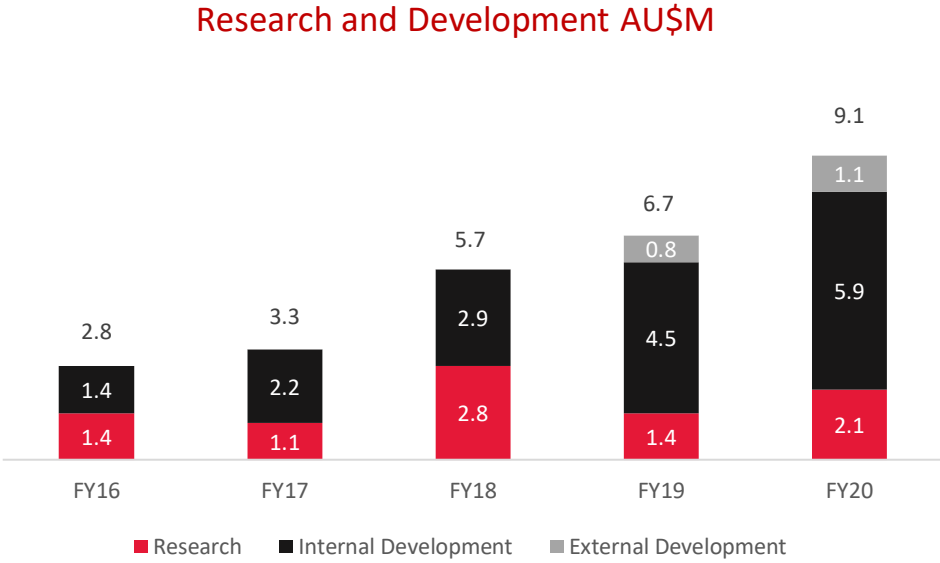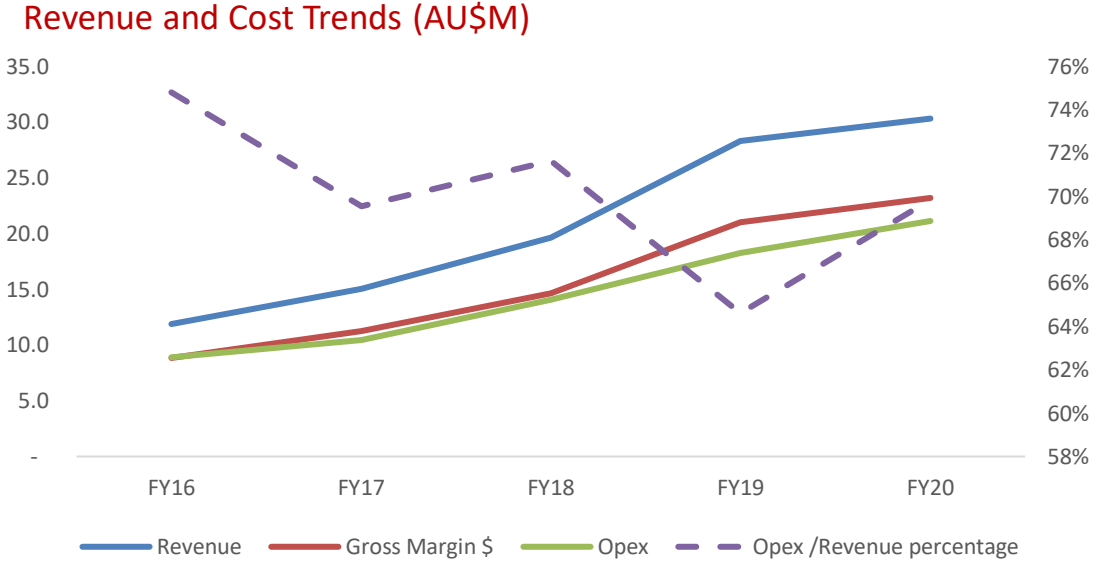|	FY16	FY17	FY18	FY19	FY20
Total	175	275	398	515	530
Software	65	95	150	163	190
CCM	110	180	248	352	341

Legend: Software, CCM

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Income Statement

- A$2m revenue growth (including FX benefit) despite COVID-19 and US Tariff impacts

- Gross profit margin percent improved from 74.4% to 76.6%

- Employee expenses increased mainly due to an additional 30 FTEs (123 FTEs at year end) and an extra year expense for the prior CEO's exit ($0.6m) in FY20

- Headcount of 116 entering FY21 following cost containment measures (redundancy costs of $0.1m in FY20)

- Included in employee expenses are $1.1m of non-cash costs related to the LTI program (FY19: $0.7m)

- EBITDA decrease from $2.8m in FY19 to $2.0m in FY20

- Other income includes $0.5m from COVID-19 related government grants & interest income

- Depreciation and Amortisation up due to increasing capitalisation of development costs ($1.5m) and new lease accounting ($0.7m). (refer to slide 29 for more detail)

- Income tax expense includes write-off of $3.6m of Australian tax losses due to COVID-19

(AU$'000)	FY20	FY19	Change
Revenue	30,317	28,313	2,004
Gross profit	**23,208**	**21,063**	**2,145**
Gross Margin %	76.6%	74.4%	2.2%
Employee benefit expenses	(15,797)	(12,700)	(3,097)
Marketing expenses	(2,484)	(2,633)	149
Administration and other operating expenses	(2,895)	(2,967)	72
EBITDA	**2,032**	**2,763**	**(731)**
Depreciation and amortisation	(4,422)	(2,419)	(2,003)
Other income	834	295	539
Interest expense	(117)	0	(117)
(Loss)/profit before tax	**(1,673)**	**639**	**(2,312)**
Income tax (expense)/benefit	(2,465)	21	(2,486)
(Loss)/profit for the year	**(4,138)**	**660**	**(4,798)**

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Continued investment in R&D

- Growth in gross margin is used to fund new product initiatives

- Ongoing focus on R&D spend, as innovation is core to the business

- Increased spend on R&D due to focus on Dante video, Dante Embedded Platform & Dante Application Library

Revenue and Cost Trends (AU$M)

Legend: Revenue — Gross Margin $ — Opex — Opex /Revenue percentage

Research and Development AU$M

Legend: Research — Internal Development — External Development

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Cash-flow statement

- Operating cash receipts & payments are consistent with the income statement and improvements in working capital balances

- Government grants primarily relates to JobKeeper & other COVID-19 related grants

- Tax refund/paid relates to overseas subsidiaries

- New Sydney office impacted payments for PP&E ($0.5m) and long-term deposits ($0.4m) - $0.9m of one-off payments in Investing Activities

- Payments for intangibles primarily represent development costs but also includes software ($0.5m) & IP costs ($0.2m)

- FY20 proceeds from issue of shares relates to Share Purchase Plan completed in July 2019 (noting that all proceeds from the recent $40m equity raise will be received in FY21)

- Lease payments ($0.6m) are now included in Financing Activities under the new accounting standard (refer slide 29 for further detail)

- Cash at bank $29.3m at 30 June 2020

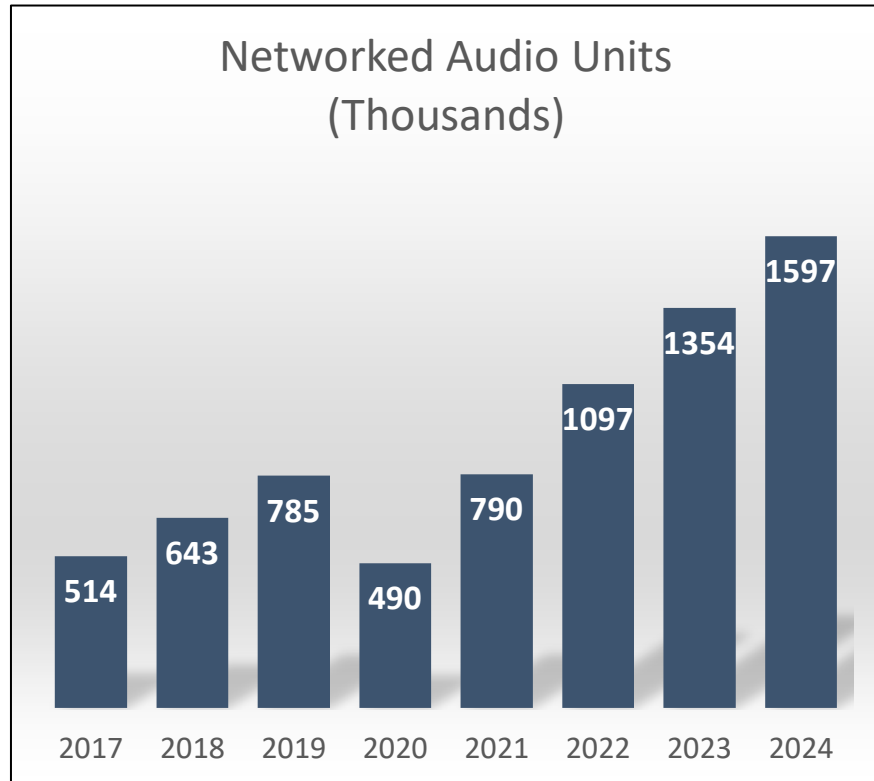| (AU$'000)	FY20	FY19
Receipts from Customers	31,635	27,747
Payments to suppliers and employees	(27,258)	(25,510)
Interest received	251	205
Interest paid	(117)	-
Government grants	285	-
Research and development incentive received	-	1,327
Income Tax Refund	85	-
Income Tax Paid	(46)	(153)
Operating activities	**4,835**	**3,616**
Payments for property, plant and equipment	(914)	(669)
Payment for intangible assets	(7,392)	(5,782)
Payments for Long Term Secured Term Deposit	(443)	-
Investing activities	**(8,749)**	**(6,451)**
Proceeds from the issue of shares	4,074	20,037
Share issue transaction costs	(299)	(790)
Principal elements of lease payments	(642)	0
Financing activities	**3,132**	**19,247**
Net (decrease)/increase in cash	**(783)**	**16,412**

Balance sheet

- Cash to increase subsequent to year end due to $40m equity raise

- Inventory levels now around target of 4 turns – improved from FY19

- New lease accounting resulted in the recognition of a right of use asset & offsetting lease liabilities (see slide 29 for more details)

- Intangibles primarily represent development costs but also includes software ($0.5m) & IP costs ($0.2m)

- Deferred tax asset reflects write-off of $3.6m of tax losses due to COVID-19 uncertainty

- Decrease in employee benefits reflects no bonus accrual for FY20 net of increases in leave liabilities and deferred payroll tax

- Contributed capital includes net proceeds from SPP in July 2019

(AU$'000s)	FY20	FY19	Change
Cash	29,286	30,069	(783)
Trade and other receivables	1,849	2,872	(1,023)
Inventories	1,645	1,803	(158)
Other	993	812	181
Current assets	**33,773**	**35,556**	**(1,783)**
Property, plant and equipment	1,455	1,013	442
Right of use assets	2,481	-	2,481
Intangibles	12,050	7,691	4,359
Deferred tax asset	100	2,278	(2,178)
Other	444	-	444
Non-current assets	**16,530**	**10,982**	**5,548**
Total assets	**50,303**	**46,538**	**3,765**
Trade and other payables	3,034	2,413	621
Employee benefits	1,600	2,474	(874)
Lease liabilities	585	-	585
Income tax payable	258	19	239
Contract liabilities	512	308	204
Provisions	-	47	(47)
Other	108	-	108
Current liabilities	**6,097**	**5,261**	**836**
Lease liabilities	2,003	-	2,003
Employee benefits	124	133	(9)
Other	112	-	112
Total liabilities	**8,336**	**5,394**	**2,942**
Net assets	**41,967**	**41,144**	**823**
Contributed capital	87,526	83,143	4,383
Reserves	1,353	775	578
Accumulated losses	(46,912)	(42,774)	(4,138)
Total equity	**41,967**	**41,144**	**823**

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Outlook

Independent Forecast of Audio over IP growth

Networked Audio Units (Thousands)

Year	Units
2017	514
2018	643
2019	785
2020	490
2021	790
2022	1097
2023	1354
2024	1597

Source: FutureSource Consulting – Audio Over Ethernet Research

- Market data forecasts Audio over IP volume to triple over the five-year period between 2020 – 2024

- During COVID-19 the biggest impact is on expensive higher end products (which reflects Audinate's experience with Brooklyn revenue)

- Penetration of audio networking
  - estimated <1% for speakers & microphones
  - other product penetration estimated at 17%
  - fastest growing categories forecast to be speakers & amplifiers

- The "installed commercial" vertical (corporate, education, retail, etc) is the fastest growing vertical for adoption of AoIP.

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Focus areas for the year ahead

Medium-term strategic priorities

Investing to double Audinate's engineering and R&D functions over the next two years

Putting in place the business infrastructure platform to support long term growth

Developing next generation Dante audio and video software implementations

Make Dante video the technology of choice for OEMs

Expand its Total Addressable Market with the addition of video & software products

FY21 objectives

- Drive designs wins during economic downturn & prime the pump for economic recovery

- Broaden Dante video product offerings

- Validate new business models, e.g. in-field activation

- Expand training offerings to include Dante video and a wider range of languages

- Build business systems & development capability

- Explore M&A opportunities to accelerate growth

- Drive short term revenue opportunities

- Manage total net cash expenditure

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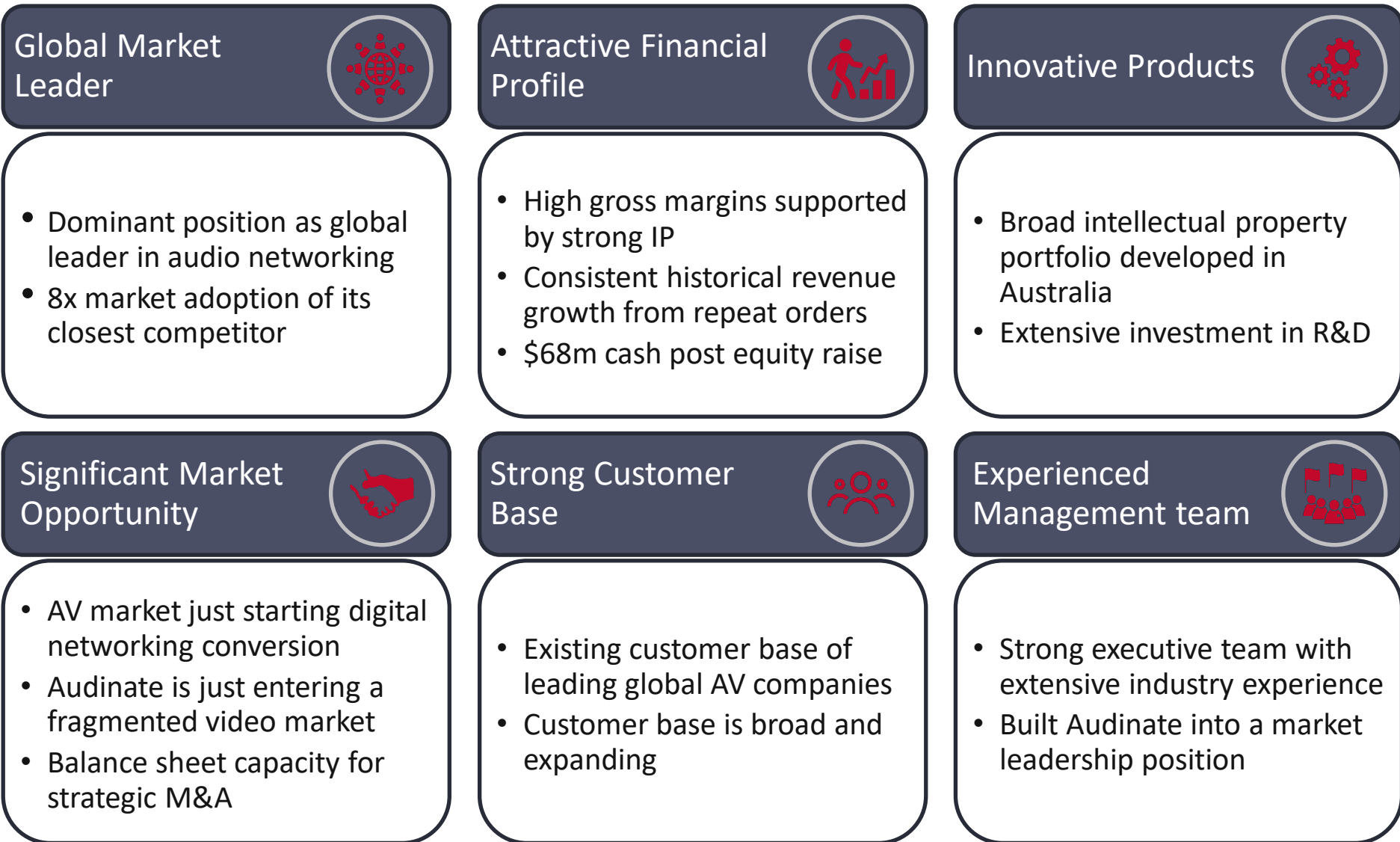# Audinate strongly positioned to delivery on its strategy

- Cash at bank approximately $68 million[1] to pursue growth agenda and potential M&A

- Recent monthly revenue run-rate improved from May but currently below the level required to generate revenue growth in FY21 – we remain cautious about the impact of COVID-19

- Cost containment measures implemented, with additional prudent investment to come

- Further trading updates to be provided throughout FY21 given highly dynamic nature of the trading environment

Audinate: Pioneering the future of AV

[1]*Post equity raise*

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Summary

Global Market Leader

- Dominant position as global leader in audio networking
- 8x market adoption of its closest competitor

Attractive Financial Profile

- High gross margins supported by strong IP
- Consistent historical revenue growth from repeat orders
- $68m cash post equity raise

Innovative Products

- Broad intellectual property portfolio developed in Australia
- Extensive investment in R&D

Significant Market Opportunity

- AV market just starting digital networking conversion
- Audinate is just entering a fragmented video market
- Balance sheet capacity for strategic M&A

Strong Customer Base

- Existing customer base of leading global AV companies
- Customer base is broad and expanding

Experienced Management team

- Strong executive team with extensive industry experience
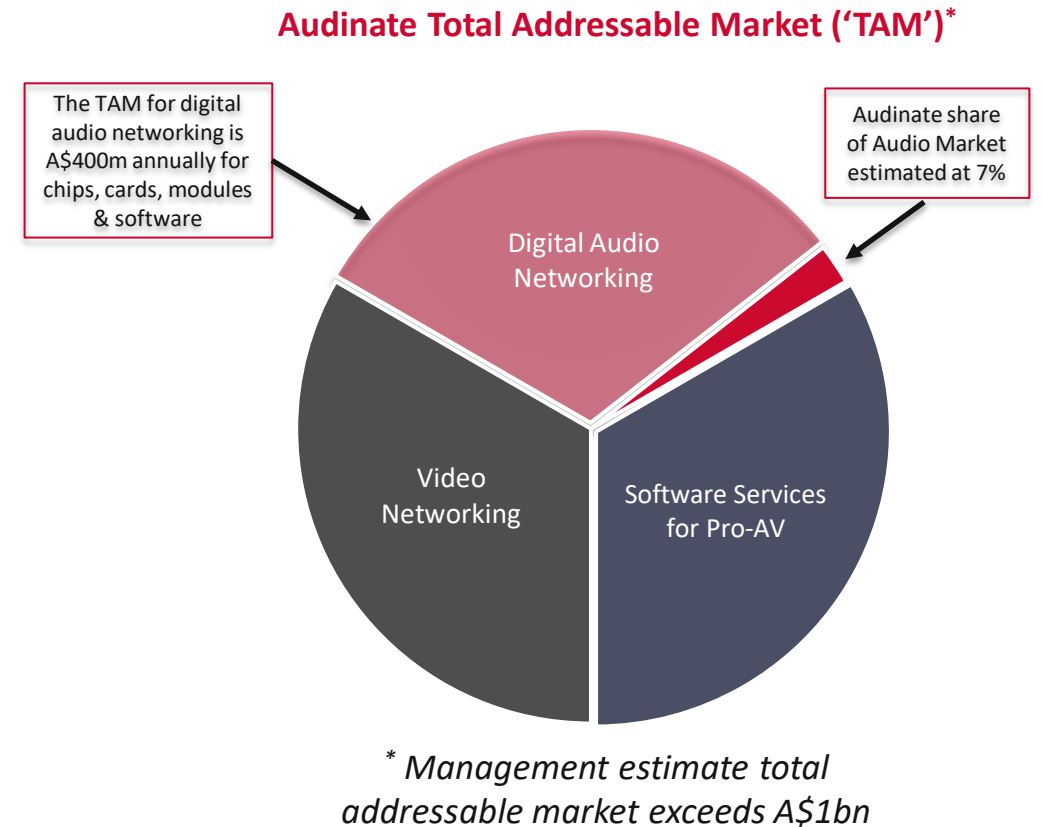- Built Audinate into a market leadership position

Questions

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Appendices

# Audinate is driving the transformation of the AV industry

- Networked digital connectivity is replacing traditional, point-to-point analogue cabling in the AV industry

- Software-based AV systems are replacing hardware AV systems, in the next wave of industry transformation

- Transformation analogous to the impact of VOIP on the telecom industry

Audinate Total Addressable Market ('TAM')*

The TAM for digital audio networking is A$400m annually for chips, cards, modules & software

Audinate share of Audio Market estimated at 7%

Digital Audio Networking

Video Networking

Software Services for Pro-AV

Management estimate total addressable market exceeds A$1bn

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Solid growth in product ecosystem

- Product ecosystem with over 2,804 Dante-enabled products and growing with over 524 OEMs
- 38% 5 year CAGR in product ecosystem
- More than 8x number of products than the next digital audio networking technology

38%
5 year CAGR in Dante Dante Ecosystem of products

FY15	FY16	FY17	FY18	FY19	FY20
553	874	1,182	1,639	2,134	2,804
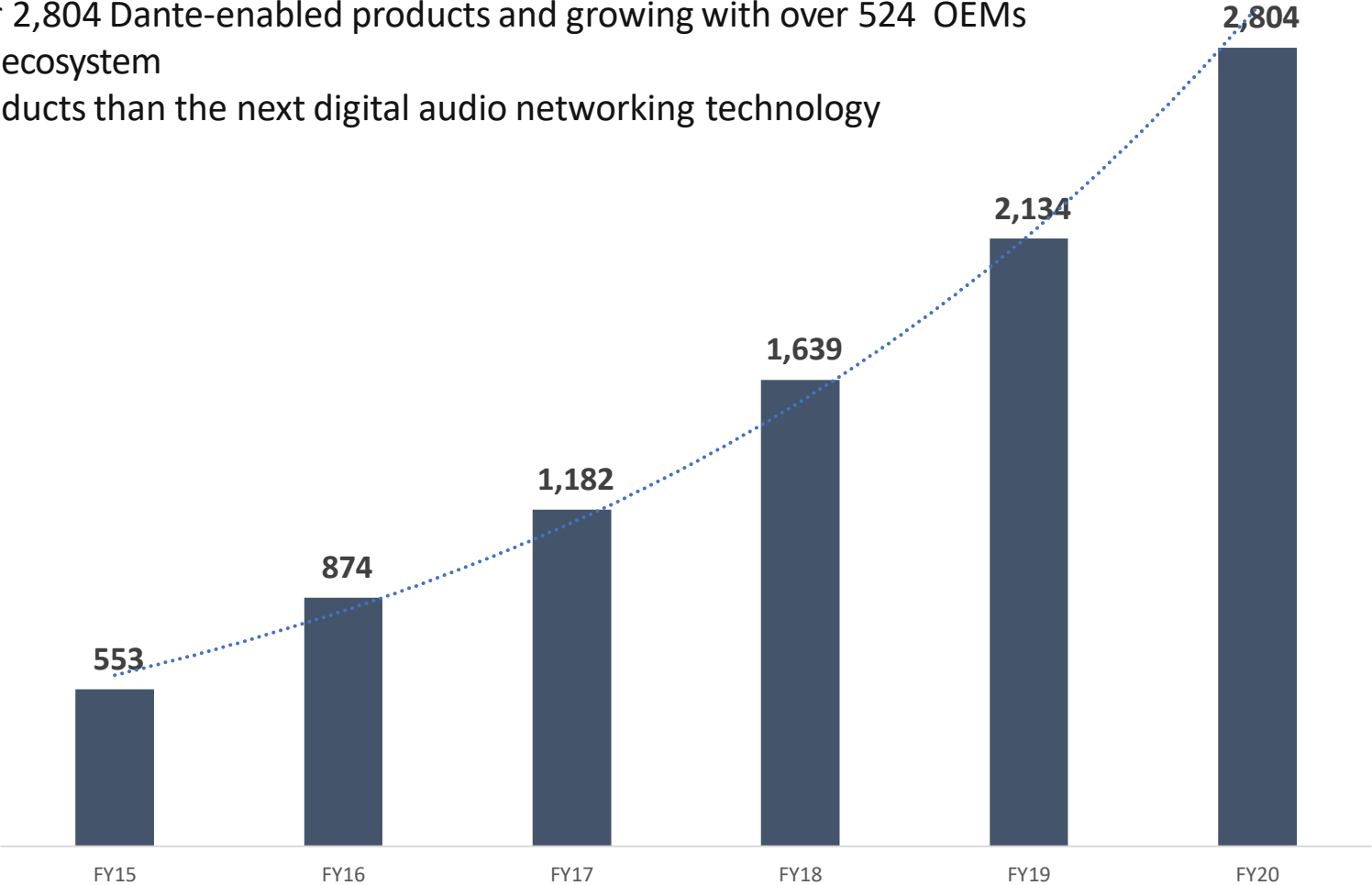
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Increasing OEM customer adoption: pipeline for growth

25%
5 year CAGR in OEMs shipping Dante enabled products

OEM customers shipping Dante-enabled products

FY15	FY16	FY17	FY18	FY19	FY20
106	158	194	221	270	328

Note: per financial year
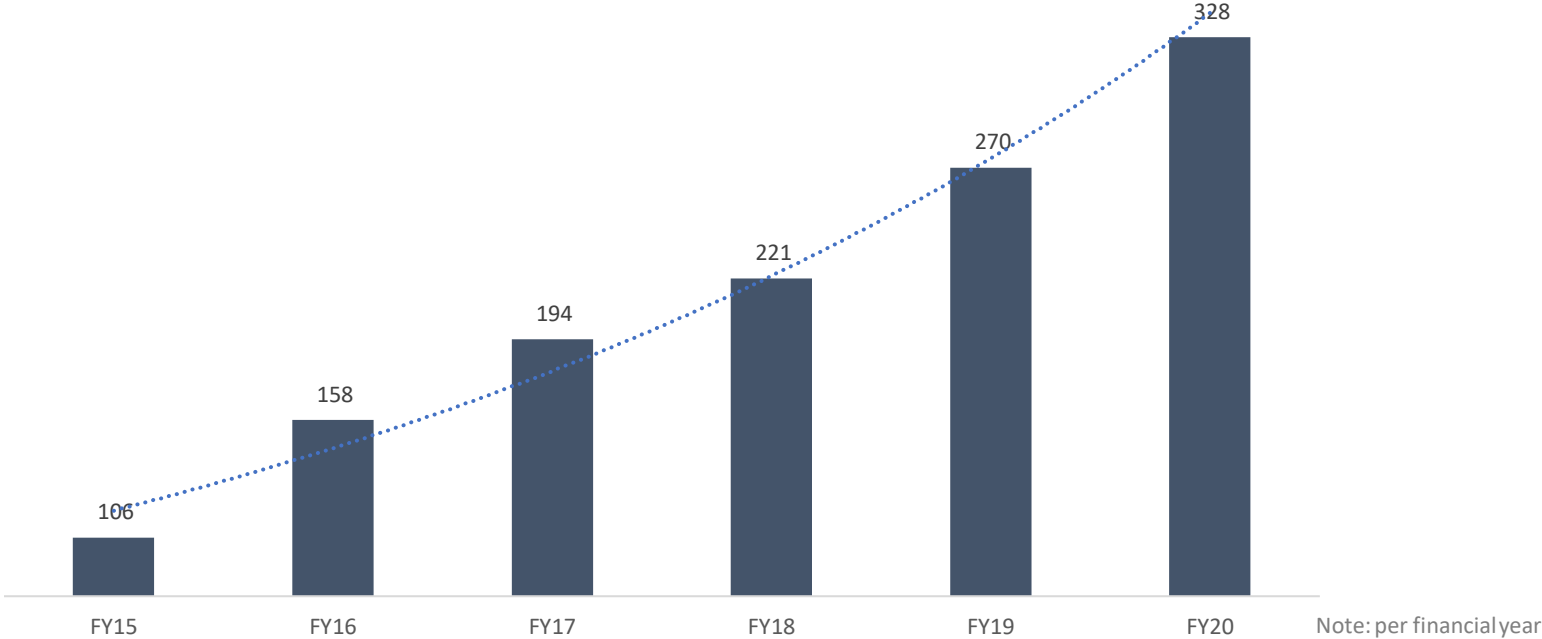
Audinate has grown to 524 OEM customers

328 OEM customers have announced products in the market

176 OEM customers are currently developing their first Dante-enabled products

Dante Audio and Adaptors

Dante Audio

- Hardware based implementations for a range of product counts and price points
- Transports uncompressed audio signals across standard computer networks

Dante Adaptors

- Connects legacy equipment to Dante (mostly analogue)
- Adds Dante to existing audio products (analogue, USB and AES3)
- Pulls through other Dante products and software
- Established a global distribution channel of online retailers and country distributors
  - 80 resellers and growing
  - Strong initial demand with sales performance and repeat orders
- Adapter modules sold direct to OEMS

Brooklyn

- 32 & 64 audio channel counts
- Used in Mixing Consoles & Signal Processors

Broadway

- 8 & 16 audio channel counts
- Used in networked Amplifiers and Ceiling Microphones

Ultimo

- 2 & 4 audio channel counts
- Used in networked Speakers and Microphones

Adaptors

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Dante Controller

- Free system setup tool
  - Downloadable from Audinate homepage
  - Registration required
  - Makes virtual wires
  - > 250,000 downloads
- Simple & easy to use
  - Standard industry matrix view
  - Training provided via Dante Certification
- Devices appear automatically
  - Intuitive device names
  - No magic numbers, MAC or IP addresses
- Devices remember configuration
  - No need for Dante Controller to remain connected to the network
- Provide performance logs
  - Details of each device on the network for trouble-shooting
- More background on Dante Controller: https://www.audinate.com/products/software /dante-controller
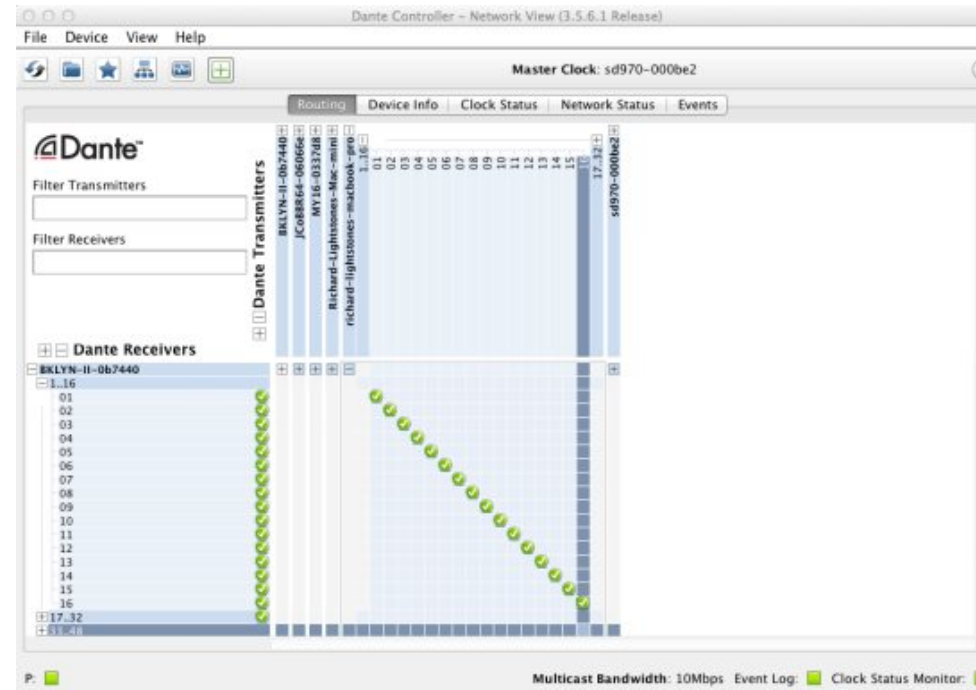
Dante Controller is the free configuration tool integrators use to create the "virtual wiring" between transmitting devices (e.g. microphones) and receiving devices (e.g. speakers)

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Software Products

Dante Application Library (DAL)

- Dante for PC/Mac applications
- Simple way for software developers to add Dante to their products
- Launched June 2019, commercially available
- Initial customer with Zoom, conferencing application
- Continue to drive adoption, revenue expected H2/FY20

Dante Embedded Platform (DEP)

- Dante for Linux OS, targeting manufacturers (OEMs)
- Supports Intel/x86 & ARM processors
- Launched June 2019, commercially available
- Initial customer with QSC (x86)
- Initial partner with Analog Devices, ARM-based DSP chips
- Drive adoption & partnerships, revenue expected H2/FY20

Software products enable:
- **Wider proliferation**, thru lowered marginal cost of adding Dante
- **Retro-fit and upgrade** of products already in the field
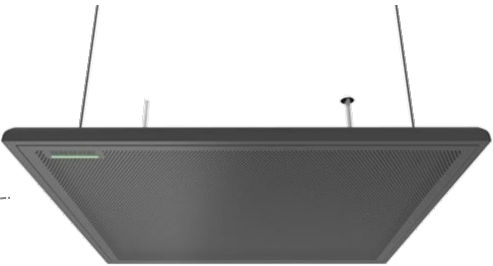
Ceiling Microphone
Dante IP Core (today) / Dante Embedded Platform

Room Processor
Dante Embedded Platform

Conferencing Software
Dante Application Library

Networked Speakers
Ultimo (today) / Dante Embedded Platform

Dante Domain Manager

Dante Domain Manager
Complete Network Management System

- Security
  - Usernames/passwords identify users
  - Roles control access to the system
- Scalability
  - Create Dante systems spanning campus networks
  - Group Dante devices into logical managed systems
- Visibility
  - Centralise Dante system management
  - Monitor system status and changes from anywhere

Management software could more than double the revenue opportunity associated with Audinate's core business

Application of AASB 16 Leases

- Audinate applied the new lease accounting standard with effect from 1 July 2019
- The disclosure on the right is extracted from page 28 of the financial statements to set out the accounting treating in both the income statement and cashflow statement for FY19 and FY20
- Further detail is contained in Note 2 of the financial statements.

	Consolidated	
	2020 $'000	2019 $'000
Amounts recognised in profit or loss in relation to leases		
Administration and other operating expenses		
Minimum lease payments (refer note 6)	-	378
Short-term lease payments (refer note 6)	79	72
Low-value assets lease payments (refer note 6)	15	7
	94	457
Depreciation and amortisation		
Depreciation of right-of-use assets (refer note 6)	682	-
Finance Costs		
Interest expense on lease liabilities (refer note 6)	115	-
	891	457

	Consolidated	
	2020 $'000	2019 $'000
Amounts recognised in the statement of cash flows in relation to leases		
Cash flows from operating activities		
Payments to suppliers and employees	(93)	(457)
Interest and other finance costs paid	(115)	-
	(208)	(457)
Cash flows from financing activities		
Repayment of lease liability	(642)	-
	(850)	(457)

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Currency

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Past performance

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