



# 2021 Annual General Meeting

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# Chairman's Presentation



## **Audinate Group Limited 2021 ANNUAL GENERAL MEETING**

Wednesday, 20 October 2021 at 9.30am (Sydney time).

### **Chairman's Address**

Before our CEO Aidan Williams addresses us, I would like to welcome our directors that have joined us here virtually today, and would like to make a few comments.

Reflecting on FY21, we were pleased with the resilience of our business which recovered steadily as a result of diverse revenue streams, a broad customer base, and exposure to multiple geographies and a range of vertical markets. As we expected, the shift towards software revenue was evident, and this shift is likely to continue given the improved unit economics for customers adopting new software products such as the Dante Embedded Platform and IP Core. Despite the challenging operating environment, the business continued to produce strong operational metrics, including growth in design wins, customers, Dante-enabled products, market share and training numbers.

Having successfully navigated the worst of the COVID and supply chain disruption to date, it was disappointing to recently experience an unanticipated shortage of a key component which is likely to curtail revenue growth in the second half of FY22. Unfortunately, this occurred at a time where demand for Dante products is at record highs. Aidan will explain this in greater detail later in the meeting and I would also refer you to the trading update lodged with the ASX on Monday.

Whilst Aidan is now comfortably established as CEO, it's worth recognising that COVID emerged relatively early in his tenure. The Board has been very impressed with his calm demeanour and rational decision making through what has of course been an extremely tumultuous period. In particular, Aidan's ability to act both tactically and strategically has been evident as we strive to "pioneer the future of AV". A part of this success is undoubtedly due to the contribution of the experienced and talented executive leadership team that he has fostered.

COVID has impacted our staff in many ways over the last year. Some have contracted the virus themselves, or their loved ones have. There have been economic impacts to families through loss of employment or income. Extended lockdowns, remote working, and home-schooling have presented other challenges. These things all affect staff wellbeing and mental health. Given this environment, we are all the more grateful for all our employees' contribution, drive, and teamwork and recognise this as vital to our ongoing success at Audinate.

The strong financial performance in the current year made it possible to return to paying staff bonuses for FY21 and to award pay rises for the year ahead. We are grateful for the willingness staff demonstrated to accept the importance of financial restraint heading into FY21 and we were impressed by ongoing strong employee engagement results given the challenging circumstances. Given the strong returns for shareholders over the last twelve months, it is great to be able to share this upside with employees through our staff equity plan. We continue to see staff equity as promoting a shared sense of ownership and alignment between staff and shareholders.

In recognition of the increasing investor focus on environmental, social and governance (ESG) matters, we have provided additional disclosure in the Directors Report about how we manage supply chain risks, including Modern Slavery and Conflict Minerals considerations. There is also increased detail on our approach to diversity and inclusion at Audinate. We value the broad diversity we have within the existing team, which we seek to retain as we tackle some ambitious targets to improve our gender diversity. We will continue to keep shareholders informed of our progress in these areas given their importance to Audinate.

Ahead of the meeting we received a shareholder question about whether the JobKeeper benefits the Company received were distributed to relevant staff and about any Board consideration to repaying the money. The details of the amounts received are set out in Note 7 of the Financial Statements which may be found on page 47 of the Annual Report. Audinate received JobKeeper grants amounting to \$434,000 in FY20 and \$759,000 in FY21.

I can confirm that 100% of JobKeeper benefits went to supporting the incomes of staff. The Board did formally consider repaying the money but unanimously reached the view that it was in the best interest of shareholders to keep the grants received. In reaching this view we did take into account a number of factors, including: a) the fact that the Company was loss making in both financial years; b) the revenue decline we experienced exceeded the amount of the benefit received; and, c) that a part of the proceeds were used to extend the employment of staff whose roles were made redundant as a result of COVID.

As we commence the new financial year, we are conscious of the growth journey ahead and recognise the importance of having the people, processes, and systems in place to support the business. We expect that Audinate will double revenue in the medium term, and consequently, it is essential that the company has a scalable cost base to grow profitably. In FY22, this means targeting headcount of more than 170 staff (up from 135 in FY21) to support new product initiatives and build out a layer of management and expertise below the executive leadership team. In terms of systems and processes, it means investing in supply chain management, a new release management process, strengthening cyber security and implementing a range of new support processes in Operations and Finance.

We are encouraged by the record demand for Dante products and the accelerated move to digital networking, particularly in corporate conferencing and higher education. This enables us to retain a strong conviction in our strategy to enable a transformation of the AV industry. Again, I would like to express my gratitude to the Audinate team and all our shareholders for their continued commitment and support throughout another challenging year.

**I would now like to welcome Aidan Williams, our Chief Executive Officer, to address you.**

# CEO's Presentation



# Overview of Audinate Today



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



Growing network effect of Dante enabled products in market – now **3,255**

Dante® uses standard networking technology to distribute audio and video signals in real time throughout buildings, campuses and beyond. Our hardware and software products are built into audio and video products made by Original Equipment Manufacturers (OEMs)

[ For further information on Dante: <https://www.audinate.com/meet-dante/what-is-dante> ]



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



# Leading Global Supplier of Digital Media Networking

## Highlights

**>A\$1bn** Total addressable market<sup>(1)</sup>

**371** OEM brands shipping Dante enabled products

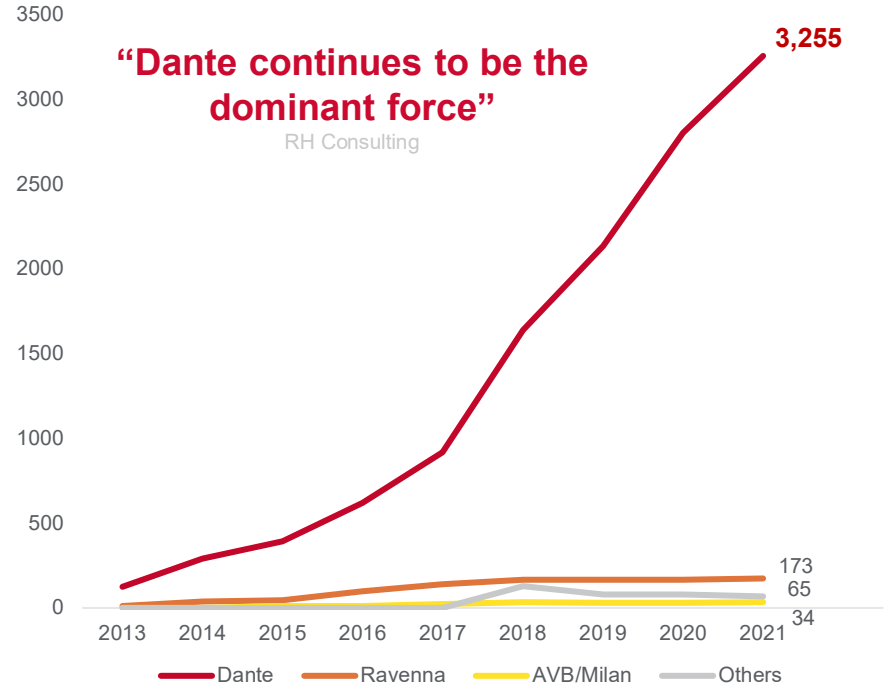
**3,255** Dante enabled products available on the market

**19x** Market adoption of closest competitor

**33,000** Professionals trained on Dante in FY21

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

## Total audio products per protocol



1) RH Consulting, Networked Audio Products 2021 and Audinate company data

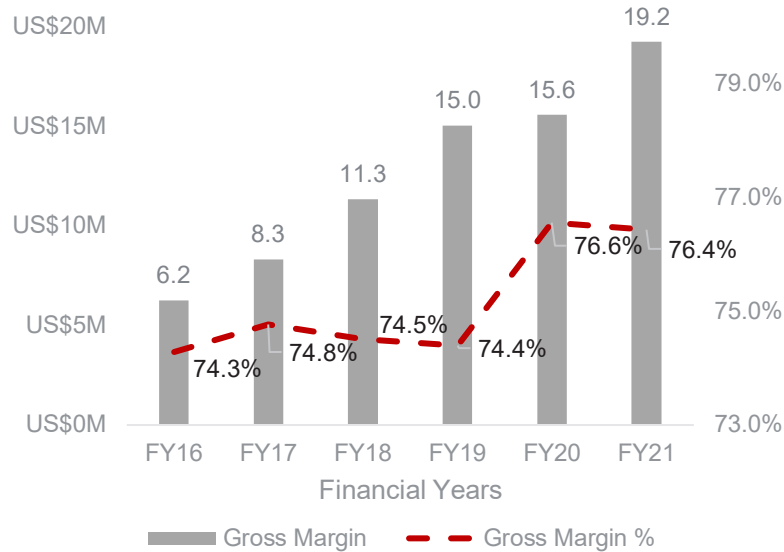
2) RH Consulting stopped counting Cobranet products in 2020 and noted that it is impossible to get reliable data on available products, with only a small number of manufacturers selling some equipment





# Audinate growth continues

## Historical Gross Margin (US\$M)



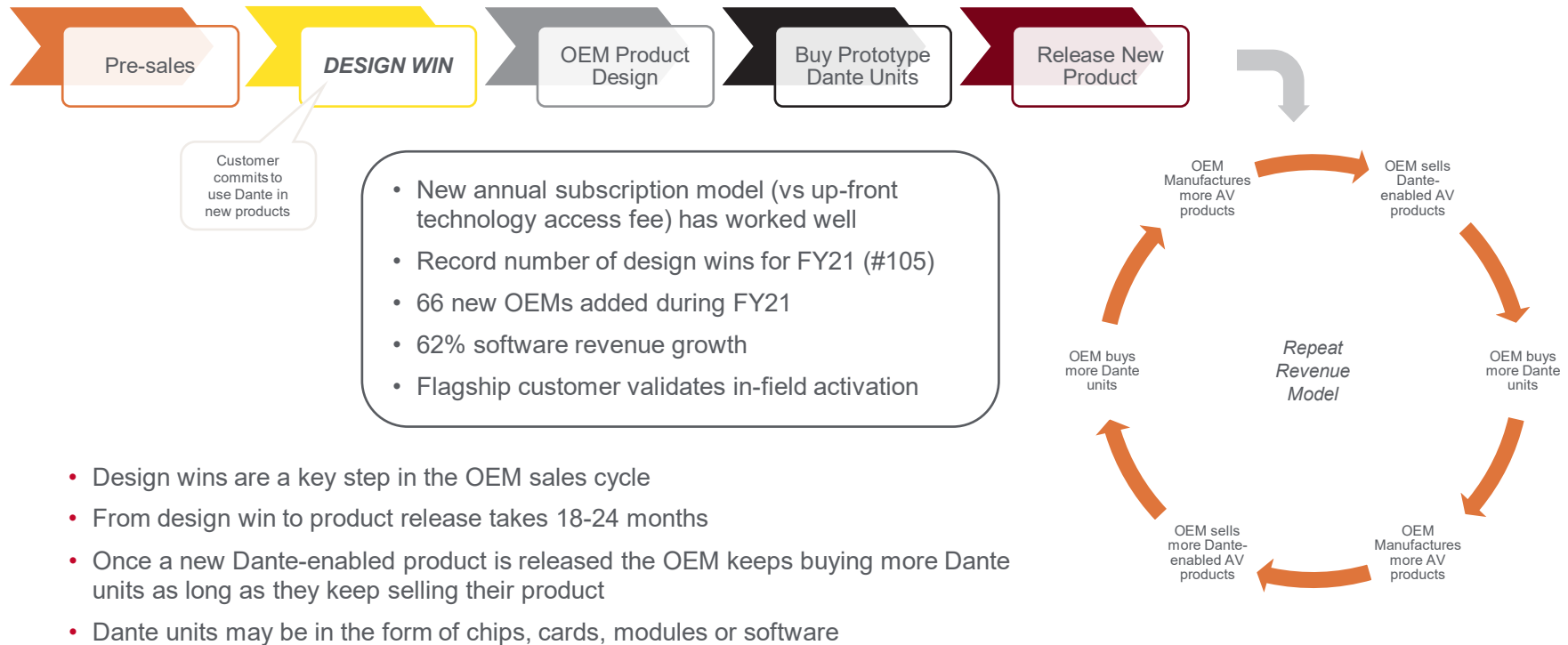
Note: gross margin % calculated using AUD

## Financial Highlights

		Variance PCP %	
<b>A\$33.4M</b>	<b>Revenue</b>	10.1%	✓
<b>US\$25M</b>	<b>US\$ Revenue</b>	22.5%	✓
<b>76.4%</b>	<b>Gross Margin</b>	(0.2%)	-
<b>A\$3.0M</b>	<b>EBITDA</b>	50.1%	✓
<b>A\$65.4M</b>	<b>Cash &amp; Term Deposits</b>	\$36.1M	✓



# OEM Design Wins drive future revenue growth



# Dante video and audio together is now reality

- **Six OEM Dante video products released:-**  
2 x PTZ Cameras, 4 Encoders/Decoders
- Enables all-Dante A&V systems to be deployed
- Good number of design wins, with pipeline growing – but COVID has been a headwind
- Recruited experienced video development team (12 staff) in Cambridge (UK) to accelerate video strategy
- Video software product to be released in FY22 & other partnership opportunities in progress
- **12,000 professionals trained on Dante video**
- Live Blue Note concert across 3 venues (New York, Washington DC and Nashville) – showcase of Dante audio and video
- Blue Note Article [ <https://www.mixonline.com/live-sound/blue-note-audinate-peltrix-latency-danteav> ]



**See the power of Dante across 3 locations,  
750 miles, multiple audio streams & Dante  
AV video links**



# 1Q22 Trading Performance

- 1Q22 financial performance
  - Record revenue of US\$7.6 million in 1Q22 – up 46.1% from 1Q21
  - Record backlog of chips, cards & modules of US\$14.8 million – nearly 6x pre-COVID levels
- Component shortage expected to impact second half
  - Electronics manufacturers in most markets experiencing disruption caused by global chip shortage
  - Unexpected and sudden reduction to the supply of a silicon chip used in Brooklyn II, Broadway and Dante video products
  - The chip supplier is Top 30 global semi-conductor maker, but relies on a leading Korean semi-conductor foundry to manufacture the affected family of chips
  - With immediate effect, the chip supplier can no longer guarantee delivery of open orders and supply is expected to remain constrained for the foreseeable future



# Responding to Supply Chain disruption

- Main affected products
  - Brooklyn II module – uses a Spartan-6 chip, we will develop a drop-in replacement “Brooklyn III”
  - Broadway & Reference Design – customers have a Spartan-6 chip designed into their products & will need electronics redesign to switch to another Dante solution
- Response to component shortage
  - Introduce drop-in Brooklyn replacement by Q4 FY22, using a more available chip manufactured at a different foundry
  - Prioritise and allocate inventory on hand for Brooklyn & Broadway orders
- Financial impact
  - Component shortage constrains ability to supply products that have historically delivered 43% of revenue (FY21)
  - Sufficient inventory is on hand for Q2; however, the lack of chip supply is expected to affect 2H22 when existing inventory is exhausted
  - The drop-in replacement for Brooklyn is expected to generate revenue during Q4
  - Global shortage of chips expected to linger through CY22, impacting OEMs ability to source a variety of non-Dante components and continue regular production

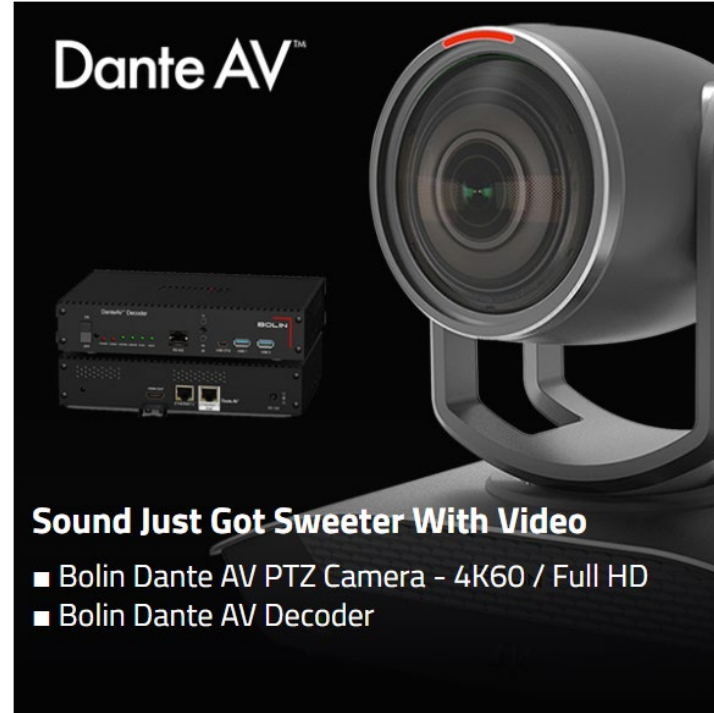


# Revised outlook for revenue growth in FY22

The company still expects to deliver FY22 USD revenue growth, however not in the pre-COVID historical range

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

*“Whilst it is disappointing when unexpected events emerge, I have been pleased with the way in which the team has galvanised into action and been able to accelerate some of the plans we already had in the technology roadmap. While there will be an additional element of uncertainty heading into the second half of FY22, I remain confident that we will be able to overcome another COVID related speed bump. Underlying demand is at record levels and we will do our best to satisfy as much of it as we possibly can over the remainder of the financial year.”*



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