Audinate (ASX: AD8) Delivers Strong First Half Performance

- Revenue increased by 34% to AU$8.8m from AU$6.6m in 1H17
- In USD terms, revenue increased by 39% to US$6.8m from US$4.9m in 1H17
- Statutory NPAT increased to AU$2.2m from a loss in 1H17 of (AU$16.0m)
- EBITDA of AU$0.1m compared to AU$0.2m in 1H17
- Operating negative cashflow of (AU$0.2m) which included AU$0.9m of IPO costs, down from 1H17 positive cashflow of AU$1.1m
- On track to meet FY18 prospectus forecast

Audinate Group Limited (‘Audinate’ or the ‘Company’), developer of the industry leading Dante® audio over IP networking solution, today released its results for the financial half-year ended 31 December 2017 (1H18).

Audinate announced the results for 1H18 which saw an increase of 39% in USD revenues versus 1H17, aided by a 42% increase in shipments in the number of Dante chips, cards and modules on 1H17. Revenue growth continued to be underpinned by the growth in repeat revenues associated with Dante Brooklyn units and Dante Ultimo chips, along with increases in software and royalties sales.

Commenting on the results, Mr Lee Ellison, CEO of Audinate said: “We are pleased with the first half performance and execution of our strategy to increase the proliferation of Audinate’s Dante networking technology. In addition we have laid a foundation for future growth, through the release of Dante Domain Manager software and the introduction of our Dante AVIO adapters.”

Financial Highlights

During 1H18 revenue increased by 34% to AU$8.8m, up from AU$6.6m in 1H17. All revenue is invoiced in USD, which represented a 39% increase to US$6.8m from US$4.9m in 1H17. Gross margin remained consistent at 75%.

As planned, increased headcount to support ongoing growth, together with public company costs and share rights expenses resulted in an increase in operating costs of approximately 38% from AU$4.7m for 1H17 to AU$6.5m for 1H18.
As a result, EBITDA for 1H18 amounted to AU$0.1m, compared to EBITDA of AU$0.2m in 1H17. On a pro forma basis (in accordance with the principles outlined in the prospectus) prior period EBITDA is adjusted for public company costs (AU$0.5m) and share rights costs (AU$0.1m). On this basis, EBITDA increased from a pro-forma EBITDA loss of (AU$0.4m) in 1H17 to EBITDA of AU$0.1m for 1H18.

On 1 July 2017 a tax consolidated group was formed, and the impact of this decision is recorded as an income tax benefit in 1H18, amounting to approximately AU$2.4m. This impact is primarily due to the recognition of deferred tax assets for patents and copyright.

The Group also revised its treatment of the research and development incentive, which is now recognised as an income tax benefit in earnings and as a deferred tax asset on the balance sheet, offset by a deferred tax liability for non-deductible amortisation of development costs. The impact of this change is favourable to earnings by approximately AU$0.1m in 1H18.

The previous corresponding period contains a non-cash charge for the change in fair value of convertible redeemable preference shares ('CRPS') issued by Audinate Pty Limited amounting to approximately AU$15.7m. These instruments were converted into ordinary shares in Audinate Group Limited as a part of the capital reconstruction that occurred as part of the IPO on 30 June 2017.

The Group recorded a net profit after tax of AU$2.2m in 1H18 compared to a loss of (AU$16.0m) in 1H17, primarily as a result of the one-off items described above.

**Operational Highlights**

During 1H18, the number of Dante enabled products on the market increased by 33% to 1,292 products, compared to 973 at 31 December 2017. The number of original equipment manufacturers (OEMs) adopting Dante also continued to grow, ending the year at 392 up from 346 at 31 December 2017. Audinate continued to add to its OEM base with additional sales of new product development kits associated with its Dante Brooklyn, Ultimo, and Broadway product designs. Audinate also released its new Dante IP Core reference design during the period, extending its Dante product solution suite.

Audinate also announced the commercial availability of Dante Domain Manager (DDM) in early February 2018 and the response to date has been positive. DDM requires OEMs to update their firmware. Whilst several leading OEMs have upgraded their Dante firmware, the roll-out across all OEMs has been slower than anticipated and may impact early product revenue.

In January 2018, Audinate introduced its new Dante AVIO™ family of endpoint adapters that enable audio professionals to easily connect legacy analog and digital audio equipment to Dante networks. Strategically this is an important milestone for the Company as these adaptors enable the proliferation of Dante technology in a cost effective manner for existing AV equipment.

**FY18 Outlook**

Based on performance for the first half, the Company expects to meet FY18 prospectus forecasts, which include FY18 revenue of AU$18.6m and an EBITDA loss of (AU$1.2m), assuming an AUD/USD exchange rate of 77c.

The Company will continue to invest in order to drive growth in the core business of Dante products.

New product initiatives will continue in 2H18 to broaden our addressable market, including:
- Continued rollout of DDM (although take up of DDM is ultimately determined by ongoing firmware adoption rate by OEMs),
- Implementation of our distribution strategy for Dante AVIO adaptors, and
- Ongoing development of video solution

The Company is targeting an EBITDA positive position in FY19.
Investor Briefing

The Company will host a briefing for investors and analysts at 10.00am (AEDT) on 22 February 2018. To pre-register for the briefing and avoid a queue while calling, please register at the following link: https://services.choruscall.com.au/diamondpass/Audinate-124820-invite.html

If you are unable to pre-register, at the time of the call please dial one of the numbers below and provide the conference ID: 124820 to the operator.

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For more information on Audinate, please visit:

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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 revolutionise professional and commercial audio for the 21st century. 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 synchronized 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.