Audinate delivers record revenue and EBITDA in FY22

Key FY22 financial highlights:

- Revenue increased 33.4% on FY21 to US$33.4 million (A$46.3 million)
- Gross profit (GP) of US$24.9 million, up 29.7% – gross margin of 74.7%
- EBITDA of A$4.3 million, up 41% on FY21
- Net loss after tax of A$4.5 million
- Strong cash and term deposits balance of A$44.5 million at 30 June 2022
- Acquisition of Silex video business completed in January
- Strong operational metrics including designs wins, new Original Equipment Manufacturers (OEMs) and new Dante-enabled products

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 2022 (FY22).

Gross profit increased by 29.7% to US$24.9 million at a gross margin of 74.7% (FY21: 76.4%), due to a 36.3% growth in sales of chips, cards & modules (CCM), and 27.9% growth in software sales. Revenue increased by 33.4% to US$33.4 million, compared to US$25.0 million in FY21. AUD revenue grew 38.7% to A$46.3 million aided by favourable AUD/USD currency impacts.

Audinate Co-founder and CEO Aidan Williams commented:

“We are very pleased that Audinate has been able to deliver compound annual growth (CAGR) in US$ revenue of 28% over the last two years. During this period the business has experienced COVID related impacts, initially to demand and then to supply chain, but showed resilience, maintained margins, and grew revenue strongly.”

Financial Results

Both main revenue categories (Chips Cards and Modules (CCM) and Software) experienced strong growth over the course of FY22 and higher revenue was driven by several factors:

- Unit growth in higher cost Dante products;
- Price increases to preserve margins;
- Declines in high volume, low value Dante products due to supply chain pressures (Ultimo and Reference designs); and
- Modest additional CCM revenue from the Silex acquisition.
Performance of individual product lines was largely determined by access to raw materials (e.g. chips). The high level of sales order backlog carried into FY23 indicates strong demand for Dante products.

Operating expenses increased by 34.9% to $30.3 million in the year ended 30 June 2022. The key movement was a $6.1 million increase in employee costs as headcount grew from 135 to 178 at 30 June 2022. As expected, sales and marketing expenses increased to $2.6 million from the prior year ended 30 June 2021 due to the recommencement of trade shows and business travel following the relaxation of COVID-19 travel restrictions. Administration and other expenses increased by 28% to $3.8 million from the prior year ended 30 June 2021 largely due to $0.5 million incurred on transaction and integration costs related to the acquisition of the Silex Insight business. Consequently, EBITDA was $4.9 million in the year ended 30 June 2022 compared to $3.0 million in the prior year ended 30 June 2021.

During the year ended 30 June 2022, Audinate received no government subsidies related to COVID-19 compared to $0.8 million for the prior year. Depreciation and amortisation increased by $2.1 million in the current year reflecting an increase in the total value of capitalised development costs being expensed. Due to the movements described above the net loss after tax was $4.5 million for the year ended 30 June 2022 compared to a $3.4 million net loss after tax in the prior year.

**Ongoing strength in core business metrics**

During the year Audinate achieved a record 126 designs wins with OEMs, up 32.6% from FY21, and including 50 design wins for Dante Embedded Platform (DEP). The Group has also grown the number of OEM customers shipping Dante enabled products to 410 OEMs at 30 June 2022, up 10.5% from the prior year.

During the year ended 30 June 2022 our OEM customers released another 487 Dante enabled products, which was a 26% increase from 385 Dante enabled products released in the prior year. The business metrics for FY22 are particularly pleasing in the context of significant supply chain headwinds faced by our OEM customers.
Ongoing product innovation

Audinate has made good progress developing new products and services, whilst simultaneously dedicating some engineering resources into designing around chip shortages. The Dante Ready feature (previously called In-Field Enablement – IFE) has been released enabling end-users to purchase more Dante channels for products in the field and improving unit economics for OEMs. The 50 Dante Embedded Platform design wins during the year are all able to include this feature in their new Dante-enabled products.

The Group has commenced a beta trial of Dante Cloud, a modified cloud-based version of Dante Domain Manager, facilitating remote management of Dante installations. A Dante Cloud subscription product is expected to be commercially available at the beginning of CY23.

Video progress

Integration of the Silex video business is largely complete, with the team recently moving into a new Belgium office. Our first PC/Mac video software offering (Dante Studio) was released as a free trial with more features to be added in the coming months and commercial availability expected by the end of CY22. Audinate will shortly release its first video OEM software product, called Dante AV-H, enabling video OEMs to manage products based on popular chips with Dante Controller, as well as providing our core Dante audio networking functionality.

Audinate now has 26 video OEM customers (including those acquired with Silex) and expects meaningful revenue from our video products in FY23.

Managing Supply Chain Risks

Throughout FY22 Audinate faced supply chain constraints and shortages of electronic components. Adaptability of our internal team, deepening relationships with key chip suppliers and ensuring redundancy in contract manufacturing were important in response to an acute shortage of chips. During the second half Audinate built inventory of key raw materials, notably for the new Brooklyn-III design addressing critical parts shortages associated with the current Brooklyn-II product.

We expect supply chain challenges to persist in FY23 with long lead times for many electronic components and ongoing elevated spot market prices. Supply chain challenges will continue to affect both Audinate and our manufacturing customers.

Disruption to our manufacturing customers’ supply chains may result in sales orders being delayed or cancelled and/or temporary delays to new product launches. Deteriorating global economic conditions may further exacerbate these impacts. Encouragingly, when extra chip supplies became available during the year our sales backlog was readily converted into revenue.

Outlook

We are satisfied with our FY22 headcount investments in skills and business scalability, growing from 135 employees in the prior year to 178 at year-end. This included the acquisition of the Silex Insight video business and additional staff to enable our core audio business to double revenue in the medium-term. We are targeting headcount growth of approximately 10% in the year ahead.
Chip shortages and supply chain risks linger, and we also face related risks transitioning customers to the next generation Brooklyn product. Given these risks and global macro-economic uncertainty, the company continues to operate on a cautious and prudent footing.

Audinate enters FY23 with a backlog and software revenue run-rate to support USD revenue growth in the historical range subject to the risks outlined earlier. We aim to see meaningful traction in our video offerings, including revenue of at least US$3 million in FY23.

Audinate Co-founder and CEO Aidan Williams commented:

“It is particularly satisfying to have delivered very strong revenue growth and improved EBITDA despite the challenges faced by the business over the last year. With one eye on the global outlook, I am excited about the opportunities for ongoing revenue growth, the release of new Dante products and video adoption during FY23.”

Investor briefing

The Company will host a webinar via Zoom to discuss its FY22 results at 9.30am (AEST) on 22 August 2022. The webinar is expected to last approximately 45 minutes, inclusive of question time.

Please register in advance for this webinar:

https://us02web.zoom.us/webinar/register/WN_BBXhtCMXSBGVb39Ld8fttA

Authorisation: This announcement was authorised by the Board of Audinate Group Limited

- ENDS -

Investor and media enquiries:
Rob Goss
CFO & Company Secretary
P: +61 2 8090 1000

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.