



Investor Presentation – UBS / Shaw & Partners

29 May 2018

Aidan Williams – Co-founder & Chief Technology Officer  
Rob Goss – Chief Financial Officer

# Audinate : bringing the IT revolution to the AV industry

Dante technology distributes audio signals across computer networks

Audinate is the leading supplier of digital audio networking for the Professional AV industry

*Melbourne Convention Centre  
Melbourne, Australia*

The Dante  
platform is used  
in thousands of  
installations  
globally



# Audinate 101

## Audinate products

Chips



Modules



Cards



Software



## Customers (OEM Brands)



## OEM Products



# Our competitive advantages

## Comprehensive toolbox for manufacturers and users

### Selected products

Chips



Cards



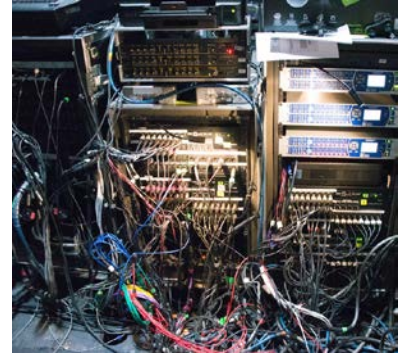
Modules



Software



 Analogue signal distribution



 Dante signal distribution



#### Rapid product development

Commercially supported, turnkey solution for OEMs, with unsurpassed networking expertise



#### Plug and play

Auto discovery with one-click routing and stored network configuration



#### Simplified connection management

Simple, logical user interface, easy to scale, real-time network monitoring



#### Interoperability

Interoperability between all Dante-enabled devices regardless of manufacturer



#### Product ecosystem

Large number of available Dante-enabled devices, interoperability, and support services

# Global leader with an attractive financial profile



## Global ASX listed business, based in Australia

- Spinout from NICTA (Data61/CSIRO)
- Established international customer base - 99% of revenue generated outside Australia
- Headquartered in Sydney, offices in the USA, UK, HK



## Global leader in audio networking technology

- Used by the market leading AV brands (OEMs)
- 392 OEM brands as customers, with 1,367 Dante-enabled products available
- More than 5x OEM products on the market than any competitor



## Attractive financial profile

- High gross margins of 75%, reflecting strong IP position and software/firmware focus
- Revenue growth in excess of 30% CAGR (USD) in FY17 & 1H18



## Significant market opportunity

- Investing in growth initiatives to drive future revenue
- Market in early stages of penetration, with market opportunity in excess of \$400 million
- New product initiatives (software, adapters and video) expected to increase overall market opportunity to over \$800 million

# Audinate's current addressable market

## Audio networking addressable market (A\$m)<sup>(1)</sup>

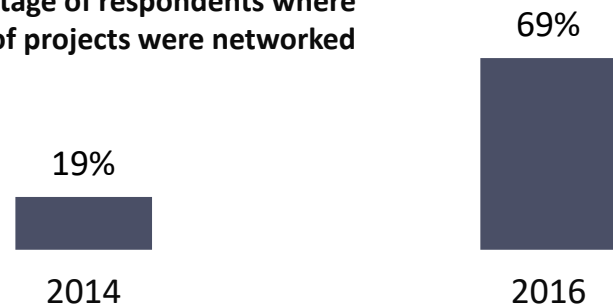


## Audio networking addressable market drivers<sup>(1)</sup>

- Collaboration in corporate, government and institutional workplaces
- Strong pipeline of events and meetings
- Growth in the live music market
- Growth in the recording, post-production and broadcasting equipment market
- Smart campuses
- Growth in transport infrastructure investment

## Trend in audio networking adoption<sup>(2)</sup>

Percentage of respondents where >50% of projects were networked



## Penetration of audio networking

- Audinate is the clear market leader
- Over \$400 million of unpenetrated market potential, which currently represents analogue signal distribution
- Expect ongoing growth in adoption as evidenced by increasing number of networked installations

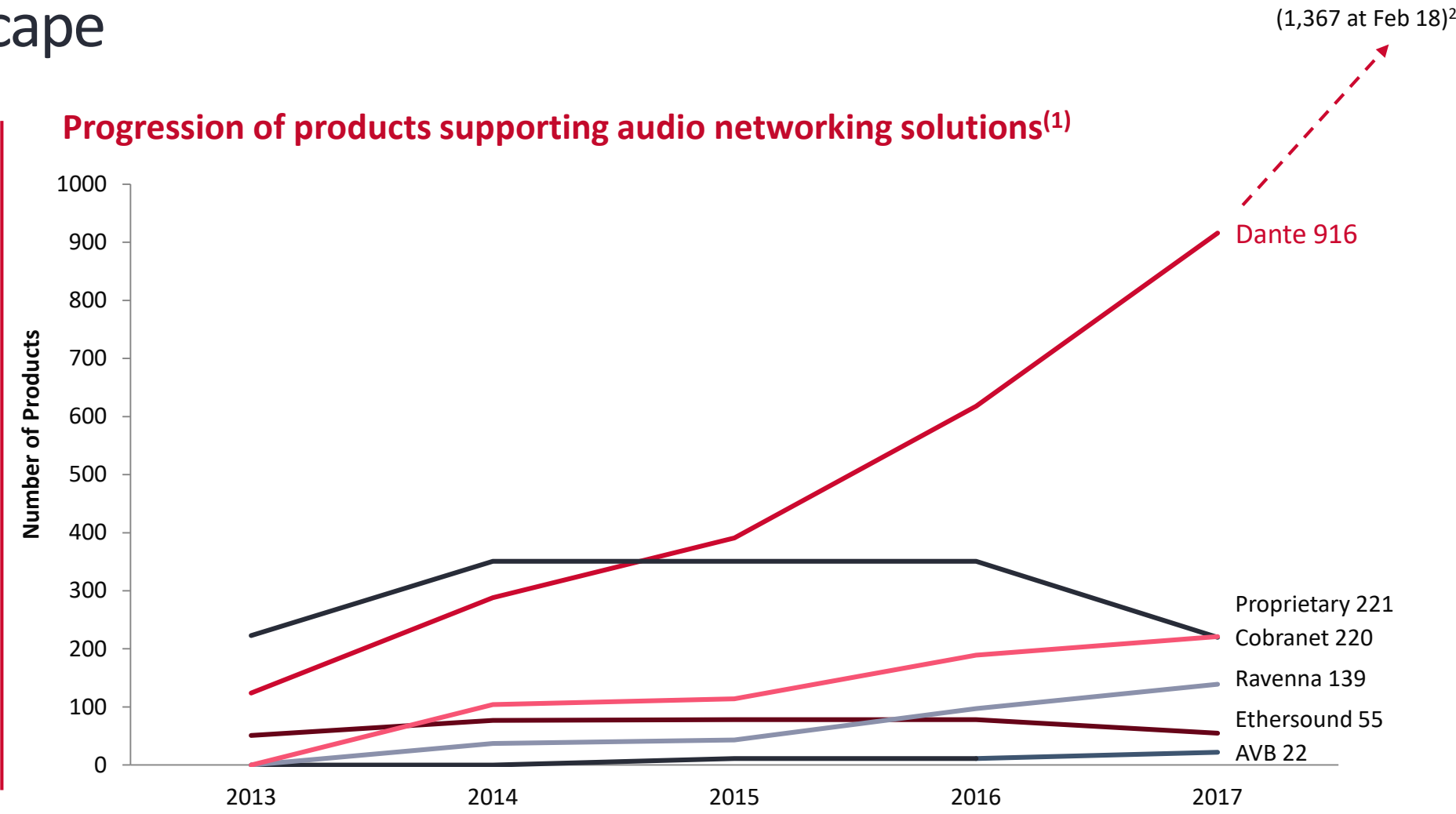
1) Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

2) Based on Audio Networking Survey by RH Consulting, 2016

# Competitive landscape

There are several competing audio networking solution providers; however, Audinate is the clear global market leader

Dante has over five times the adoption of its closest competitor



1) Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017 (original source: RH Consulting, Audio Networking 2017)

2) Audinate

# Growth strategy



## Increase market awareness of Dante products

Educate end users, system designers and integrators so that they install more Dante products in their AV systems – driving growth in chips/modules sales



## Increase penetration of Dante throughout each OEM brand's product portfolio

Encourage existing OEM customers to Dante-enable more of their product range – some manufacturers make many hundreds of products






## Increase the number of OEMs adopting Dante

Continue to sign new OEM partner brands and help them to get Dante enabled products to market



# New products and innovation

**Audinate aims to double its addressable market by developing new products and applications**

	1	2	3
	 <b>Dante software &amp; applications</b>	 <b>Adapter products</b>	 <b>Video products</b>
<b>Strategy</b>	<ul style="list-style-type: none"><li>• Provide Software to better manage and maintain Dante-enabled networks</li></ul>	<ul style="list-style-type: none"><li>• Proliferate Dante by enabling connection of analogue end-points</li></ul>	<ul style="list-style-type: none"><li>• Use Dante to transport video with audio (add the 'V' in 'AV')</li></ul>
<b>Overview</b>	<ul style="list-style-type: none"><li>• Immediate opportunity with Dante Domain Manager<ul style="list-style-type: none"><li>– Establish a revenue channel from existing Dante end customers</li><li>– Leverage installed base of Dante products</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Family of 6 products has been launched</li><li>• Develop a family of adapter products and solutions</li></ul>	<ul style="list-style-type: none"><li>• HDMI video signal distribution using IP networking infrastructure</li><li>• Significant market potential of approximately A\$400 million</li></ul>

## Financial highlights – Strong revenue growth in 3Q FY18

**\$4.5m**

Cash collections  
for 3Q FY18

**(\$0.4m)**

Negative operating  
cashflow for 3Q  
FY18

**\$13.8m**

Cash collections  
2018 YTD

**(\$0.6m)**

Negative operating  
cashflow 2018  
YTD\*

**+10%**

Increase in unaudited  
revenue for 3Q  
compared to 2Q

**The Company is on track to achieve FY18 prospectus forecasts:  
AU\$18.6m revenue & EBITDA loss of (AU\$1.2m)<sup>2</sup>**

## 1H18 Financial highlights

**39%**

growth in  
revenue to  
US\$6.8m (PCP)

**\$2.2m**

NPAT up from a  
loss 1H17  
(\$16.0m)

**\$0.1m**

EBITDA down  
from \$0.2m at  
1H17

**\$0.1m**

Pro forma EBITDA  
↑ from 1H17  
(\$0.4m)<sup>1</sup>

**(\$0.2m)**

operating cashflow  
*inc \$0.9m IPO  
costs*

1. Inclusive of IPO related operating cash payments of \$0.9m. 2. assuming an AUD/USD exchange rate of 77c.

# 2H18 outlook



On track to meet FY18 prospectus forecasts

---



Continue to drive growth in core Dante products

---



New product initiatives will continue in 2H18 to broaden addressable market

- Continued rollout of DDM (although take up of DDM is ultimately determined by ongoing firmware adoption rate of OEMs)
  - Implementation of our distribution strategy for Dante AVIO adaptors
  - Ongoing development of video solution
- 



Target to reach EBITDA positive position in FY19

# Summary



## Global market leader

- Dominant position as global leader in audio networking
- Five times the market adoption of its closest competitor



## Attractive financial profile

- High gross margins supported by strong IP
- Revenue growth supported by repeat product orders



## Innovative products

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



## Significant market opportunity

- AV market currently in the early stages of transformation to digital networking
- Audinate is perfectly positioned to capitalise on market growth and increased penetration



## Strong customer base

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



## Experienced management team

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

Thank you





# Appendix 1

# Financial Information

# 2018 forecast

A\$('000)	Forecast
<b>Year Ended 30 June</b>	<b>FY18</b>
Sales Revenue	18,552
COGS	(4,428)
Gross Profit	14,125
Employee related costs	(10,342)
Marketing expense	(2,006)
Admin and other operating expenses	(2,965)
<b>Total operating expenses</b>	<b>(15,313)</b>
EBITDA	(1,188)



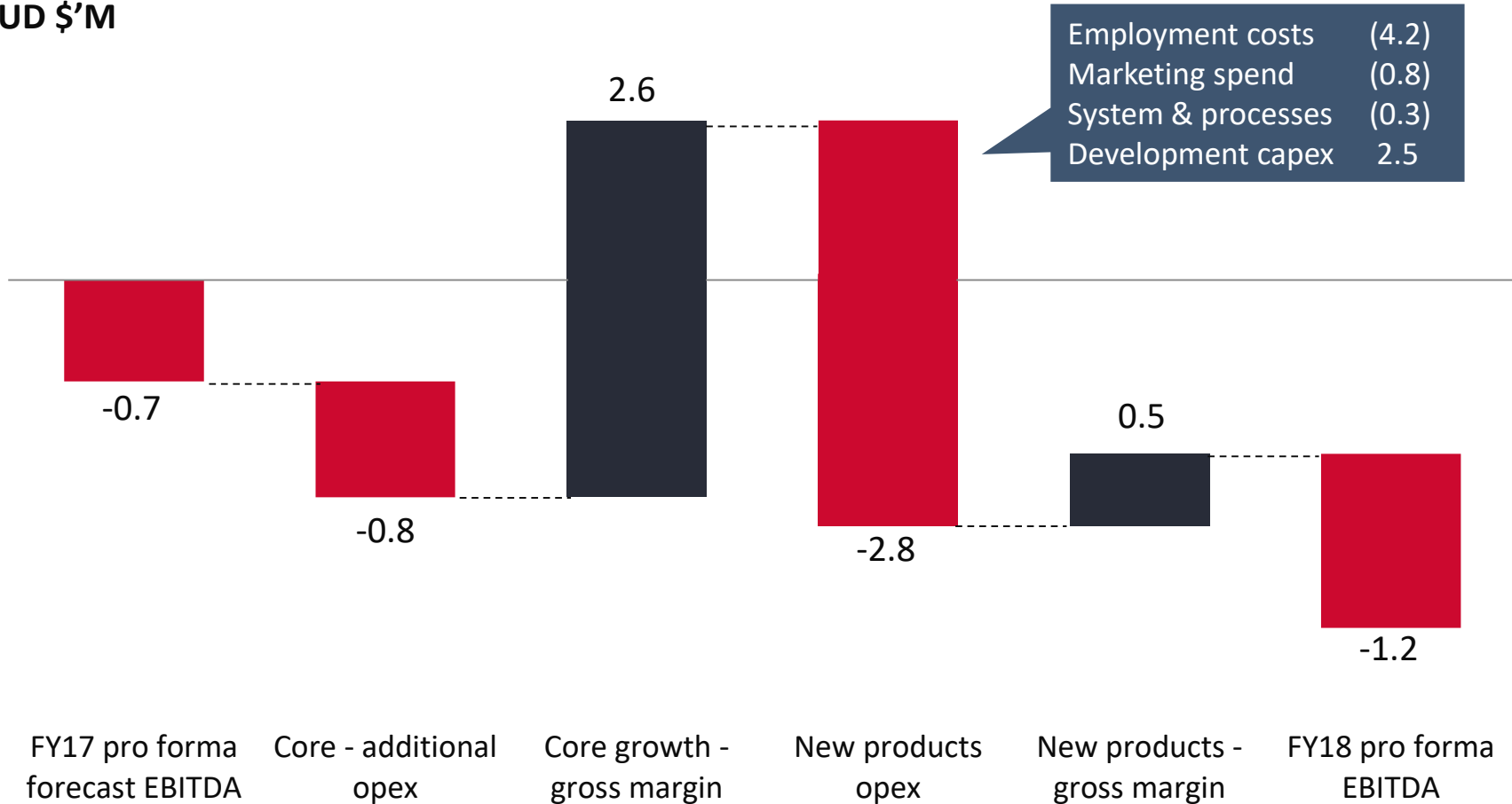
FY18 prospectus forecast was calculated using an AUD/USD exchange rate of 77c. The sensitivity to changes in exchange rates is summarised in the table below (per page 79 of the prospectus)

A\$('000)		FY18 EBITDA		FY18 NPAT	
Assumption	Variance	Negative	Positive	Negative	Positive
Foreign exchange rate (AUD/USD)	-/+ 1c	105	(102)	104	(101)
Foreign exchange rate (AUD/USD)	-/+ 5c	554	(486)	549	(482)

# 2018 forecast

## Pro Forma FY17 to FY18 bridge

AUD \$'M



- New initiatives include DDM, Video & Adaptors – more than doubles the current addressable market
- Expenditure relates to FTEs primarily focused on new products, dedicated marketing spend and system & process expenditure to support growth – net of development capex
- New initiatives are largely funded by Core business growth of \$2.6m in gross margin

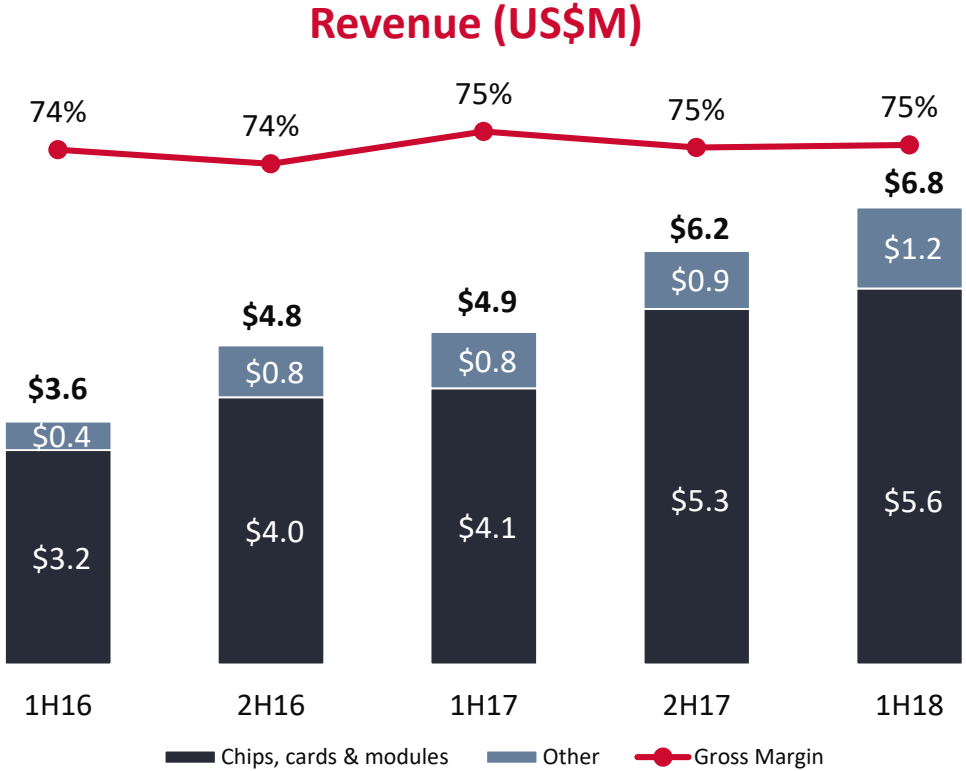


# 1H18 income statement

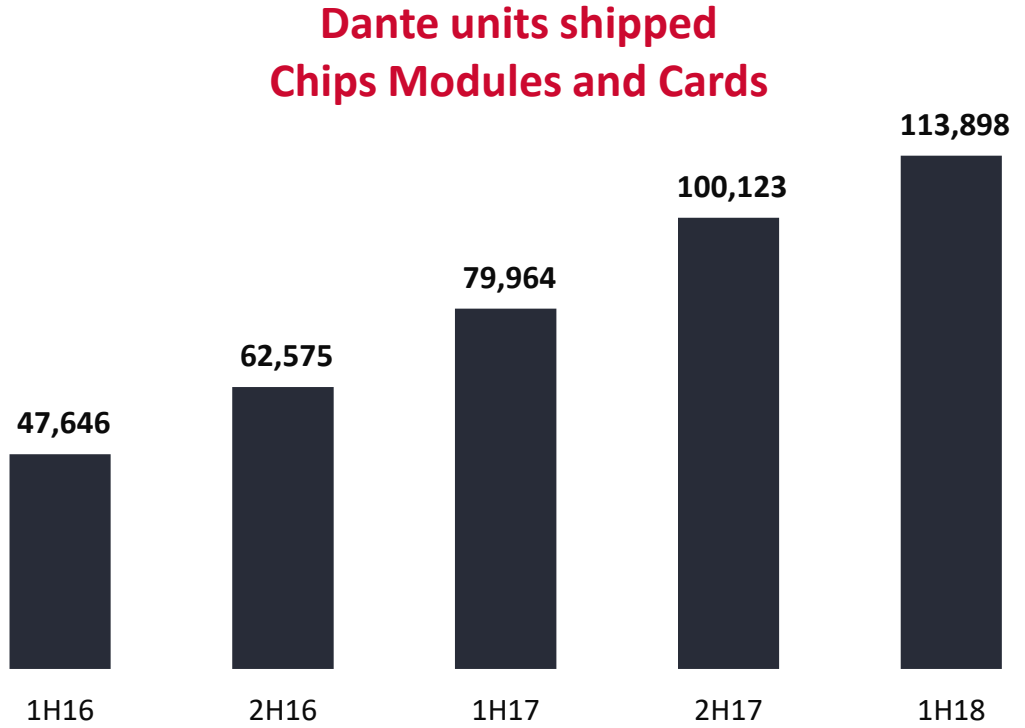
(AU\$'000s)	1H18	1H17	Change
Sales	8,848	6,594	34%
Cost of goods sold	(2,245)	(1,648)	36%
<b>Gross profit</b>	<b>6,603</b>	<b>4,946</b>	<b>34%</b>
Gross margin	75%	75%	
Employee expenses	(4,323)	(3,303)	31%
Marketing expenses	(740)	(680)	9%
Admin & other opex	(1,454)	(745)	95%
<b>Total Expenses</b>	<b>(6,518)</b>	<b>(4,729)</b>	<b>38%</b>
<b>EBITDA</b>	<b>86</b>	<b>217</b>	<b>(61%)</b>
Depreciation and amortisation	(685)	(419)	63%
Other Income	143	48	198%
Change in fair value of pref shares	0	(15,863)	-
<b>Loss before tax</b>	<b>(457)</b>	<b>(16,018)</b>	
Income tax benefit/(expense)	2,644	(2)	
<b>Profit/(Loss) for the year</b>	<b>2,187</b>	<b>(16,020)</b>	

- 1H18 NPAT of \$2.2m primarily due to favourable impact of tax consolidation: \$2.4m (refer additional detail in Appendix 1)
- Prior period net loss of (\$16.0m) driven by fair value of pref shares (\$15.9m)
- Current period includes incremental costs: public company \$0.5m and LTI \$0.1m
- R&D expenditure of \$1.8m, includes \$0.5m research
- Adjusting for these items EBITDA increased to \$0.1m (1H18) from a loss of (\$0.4m) (1H17)
- Admin & other opex reflects forecast increase due to public company cost and system & process initiatives
- Formation of tax consolidated group resulted in \$2.4m impact as an income tax benefit

# Strong growth in revenue and units shipped, consistent gross margin



- 39% USD revenue growth in 1H18 (PCP)
- Growth in other revenue from software & royalties
- Audinate bills customers & pays COGS in USD



- 42% growth in units shipped in 1H18 (PCP)
- On track to meet FY18 forecast units

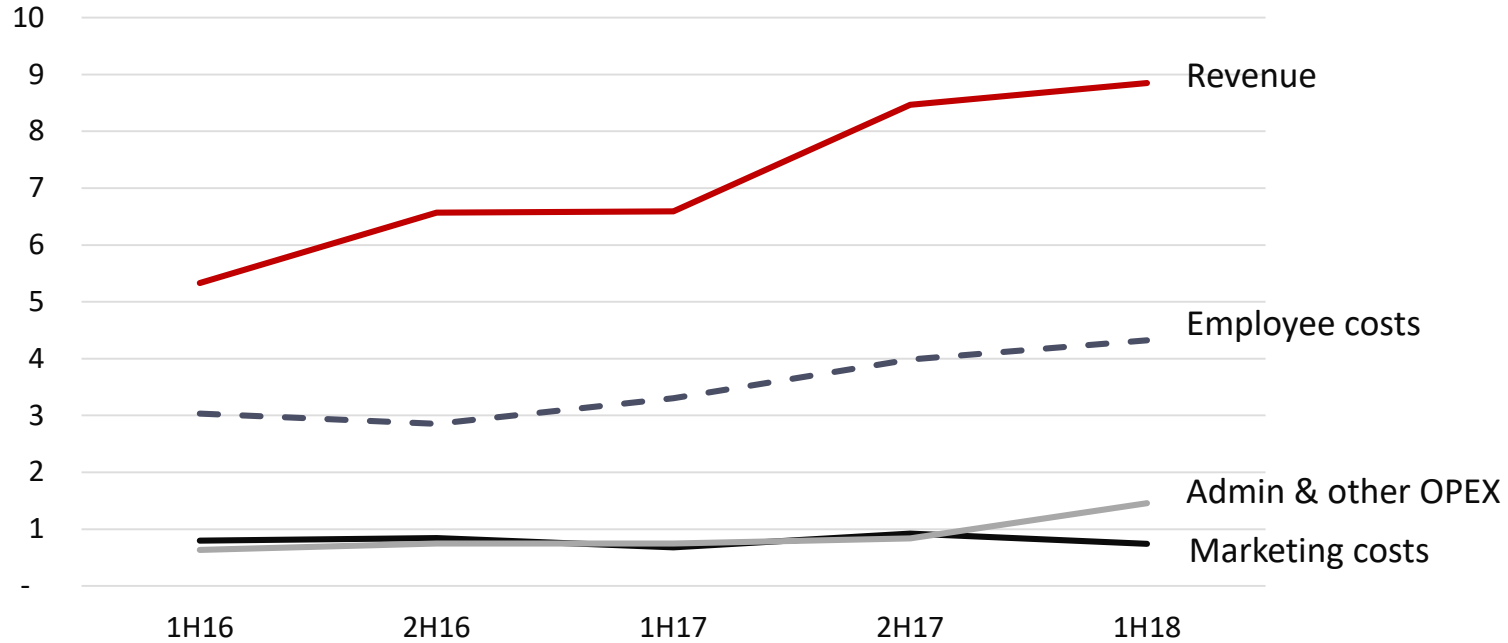
# Revenue growth outstripping operating costs

## AUD Revenue & Cost trends

AUD \$M

**Revenue**  
US CAGR: 29%  
AU CAGR: 22%

**Costs**  
AU CAGR 16%



Audinate invoices its customers in USD, therefore revenue is sensitive to FX fluctuations

Revenue growth exceeding operating costs, even allowing for public company costs in 1H18

AUD \$'000s					
Revenue	5,333	6,571	6,594	8,469	8,848
Employee costs	3,031	2,854	3,303	3,987	4,323
Marketing costs	798	842	680	923	740
Admin & other opex	633	749	745	839	1,454
<b>Total operating costs</b>	<b>4,461</b>	<b>4,445</b>	<b>4,729</b>	<b>5,749</b>	<b>6,518</b>

# 1H18 cash-flow statement

(AU\$'000s)	1H18	1H17	Change
<b>Cash flows from operating activities</b>			
Receipts from customers	9,304	7,182	30%
Payments to suppliers and employees	(9,947)	(6,848)	45%
Interest received	142	21	587%
Interest and other finance costs paid	0	0	(100%)
R&D incentive (research activities)	335	701	(52%)
Income taxes paid	(45)	(1)	-
<b>Net cash from operating activities</b>	<b>(212)</b>	<b>1,056</b>	<b>(120%)</b>
<b>Cash flows from investing activities</b>			
Payments for PP&E	(198)	(82)	140%
Payments for intangibles	(1,377)	(1,096)	26%
R&D incentive (development activities)	680	478	42%
<b>Net cash used in investing activities</b>	<b>(895)</b>	<b>(700)</b>	<b>28%</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	4,083	1	
Payments to selling shareholders	(7,030)	0	
Payments for capital raising costs	(115)	0	
<b>Net cash used in financing activities</b>	<b>(3,062)</b>	<b>1</b>	
<b>Net increase in cash</b>	<b>(4,168)</b>	<b>356</b>	
Opening cash	18,694	3,108	
FX impacts	(71)	0	
<b>Cash at the end of the financial year</b>	<b>14,455</b>	<b>3,465</b>	<b>317%</b>

- 1H18 payments to suppliers includes \$0.9m of IPO costs
- Adjusting for this item operating cashflow is positive \$0.7m
- In the prior period a higher % of the R&D incentive related to research activities which boosted operating cash
- Prior period excludes public company costs which are circa \$0.5m in 1H18
- Financing activities reflect balance of IPO proceeds (\$4.1m) and payment to selling shareholders (\$7.0m).
- Excluding IPO related cash flows (described above) cash outflow for the period was negative \$0.3m

# Statutory balance sheet

(AU\$'000s)	31 Dec 17	30 Jun 17	Change
Cash and cash equivalents	14,455 <sup>1</sup>	18,694	(23%)
Trade and other receivables	1,834	2,030	(10%)
Receivable form issue of shares	0 <sup>1</sup>	4,062	(100%)
R&D incentive	0 <sup>2</sup>	902	(100%)
Inventory	1,080	767	41%
Other assets	298	246	21%
<b>Current assets</b>	<b>17,667</b>	<b>26,702</b>	<b>(32%)</b>
Property, plant and equipment	467	365	28%
Intangibles	2,778 <sup>3</sup>	2,001	39%
Deferred tax asset	2,655 <sup>2</sup>	0	100%
<b>Non-current assets</b>	<b>5,901</b>	<b>2,366</b>	<b>125%</b>
<b>Total assets</b>	<b>23,567</b>	<b>29,068</b>	<b>(19%)</b>
Trade and other payables	1,790 <sup>4</sup>	2,558	(30%)
Payable to selling shareholders	0 <sup>1</sup>	7,030	(100%)
Provision for income tax	0 <sup>2</sup>	34	(100%)
Other liabilities	1,256	1,557	(19%)
<b>Current liabilities</b>	<b>3,046</b>	<b>11,179</b>	<b>(73%)</b>
Long service leave	300	305	(2%)
<b>Total liabilities</b>	<b>3,346</b>	<b>11,484</b>	<b>(71%)</b>
<b>Net assets</b>	<b>20,221</b>	<b>17,584</b>	<b>15%</b>
Ordinary shares - fully paid	63,283	63,262	0%
Reserves	732	303	142%
Retained profits/losses - opening	(43,793)	(45,980)	(5%)
<b>Total equity</b>	<b>20,221</b>	<b>17,584</b>	<b>15%</b>

1. At the beginning of July the Group received the balance of IPO proceeds (\$4.0m) and paid the entire \$7.0m owing to selling shareholders
2. The Group entered into a tax consolidated group, recognising a Deferred Tax Asset (\$2.1m) and now accounts for the R&D incentive as Deferred Tax Asset
3. Capitalised development costs no longer include an offset as this is accounted for as an income tax benefit in P&L
4. Trade & other payables have decreased due the payment of accrued IPO costs

# Appendix 2

# Selected products

## Chips, Modules and Cards

### Dante Ultimo (Chip)



Used in low channel applications (e.g. speakers and microphones up to 4x4 channels)

### Dante Brooklyn II (Module)



Used in medium to high channel applications (e.g. mixers and amplifiers up to 64x64 channels)

### Cards



Peripheral soundcards and network option cards specifically designed for individual OEMs

### Dante Broadway (Chip)



Product launched in April 2017  
Used in medium channel count applications (e.g. amplifiers, interfaces, mixers from 4x4 to 16x16 channels)

## Reference designs

### Dante IP Core/ Dante HC / Brooklyn II / Custom designs



Enables OEMs to incorporate Dante software into their own chips (up to 512x512 channels)

## Adapter products

### Dante Adapter Module

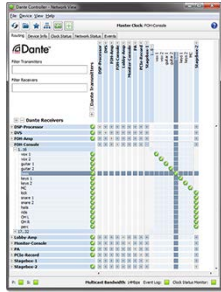


Enables connection of analogue equipment to a digital Dante network

# Selected products

## Software

### Dante Controller



Software to enable the configuration and setup of Dante enabled networks

### Dante Virtual Soundcard



Software-only sound card enabling PC and Mac audio applications to connect to Dante-enabled devices on the network

Robust, high channel count application that makes a PC or Mac an audio component in an audio network

### Dante Via



Software that turns audio applications and computer audio hardware into Dante channels, that can be connected to Dante-enabled devices on the network

Enables computer-only Dante networks to be created

### Dante Domain Manager



Product launch expected in second half FY18

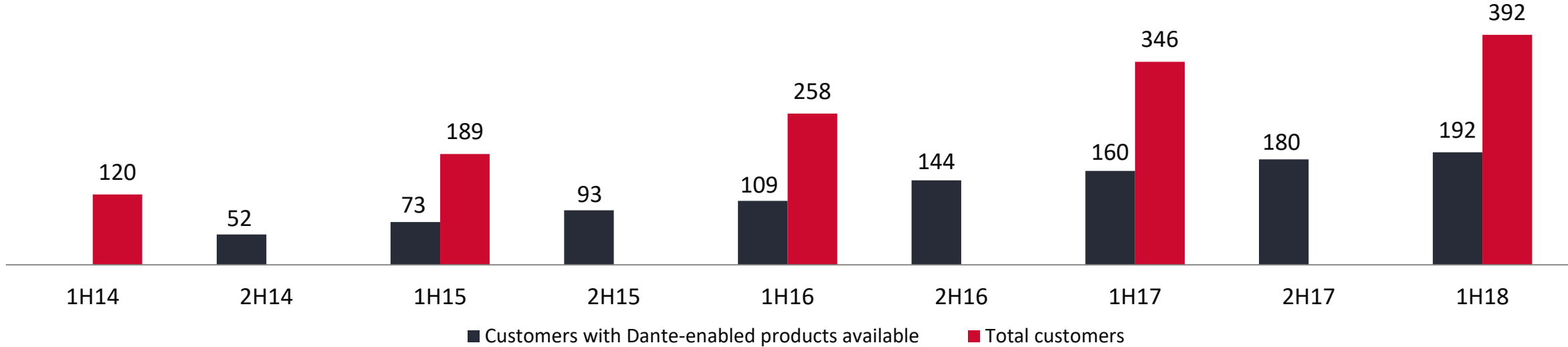
Provides network administrators with the ability to secure their audio networks from unwanted changes and modifications

Provides the ability to scale and segment audio networks regardless of the physical constraints of the network. For example, in a campus setting, different audio groupings can be managed and integrated by room, building and site



# Increasing customer adoption: pipeline for growth

## Total customers and customers with Dante-enabled products available



  
Audinate has grown to 392 OEM customer brands at 1H18

  
192 OEM brands have announced products in the market

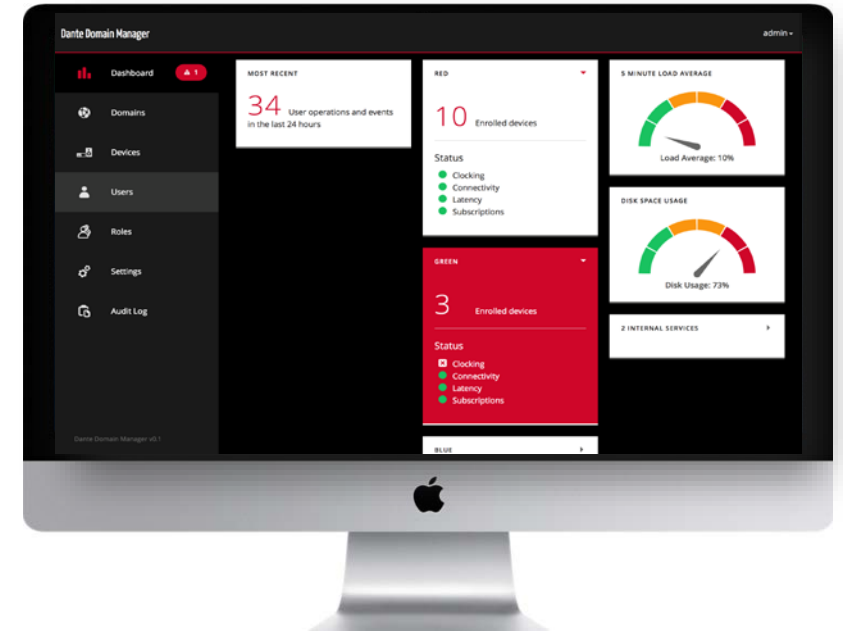
  
Built in revenue growth as new OEMs bring Dante-enabled products to market

Note: per financial year quarter

# Dante Domain Manager

**Dante Domain Manager (DDM) is network management software that enables user authentication, role-based security and audit capabilities for Dante networks.**

- Updated firmware delivered to OEMs for release to their customers in 2Q18
- Commercial product launch at Integrated Systems Europe (ISE) tradeshow in February 2018
- Good initial interest and market response to product launch
- Established a reseller network: 44 system integrators signed up to date
- DDM requires upgraded firmware in installed AV equipment
  - Several key OEMs have released updated firmware, including Yamaha, Symetrix, and Allen & Heath
  - OEMs roll-out of updated firmware slower than expected
- 2H18 DDM revenue will be determined by the speed of adoption of firmware by OEMs



---

# Dante AVIO Adaptors

**Dante AVIO is a cost-effective family of adaptors to connect legacy analogue equipment, USB and AES3 digital audio equipment to Dante networks.**

- Product design, testing and QA completed in 1H18
- Commercial product launch at National Association of Music Merchant (NAMM) tradeshow in January 2018
- Positive reception from system integrators and end-users
- Distribution via online retailers and reseller network
- Expect to ship product from 4Q18



*Dante AVIO adaptors enable proliferation of Dante technology in a cost effective manner for existing AV equipment*

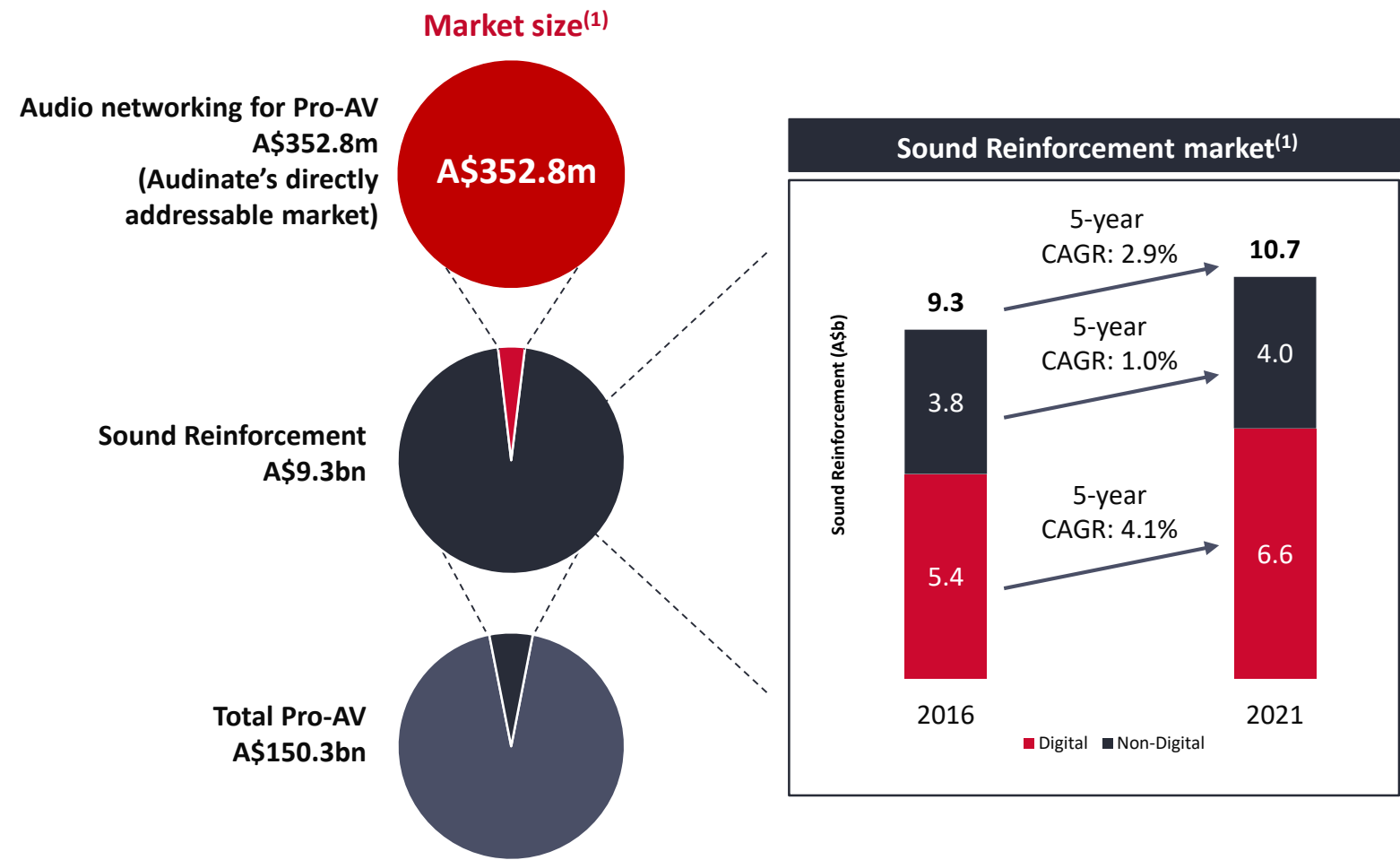
# Video

**Audinate is developing a video solution to distribute video signals from HDMI connections across a network.**

- Prototype hardware complete and functional
- Software and firmware development on track
- On schedule to demonstrate product at InfoComm tradeshow in June 2018



# Sound reinforcement industry overview



Sound Reinforcement products <sup>(1)</sup>		
Product	% of digital	
Microphones	36%	
Mixers	15%	
Processors	8%	
Amplifiers	3%	
Speakers	18%	
Other Products	20%	

1) Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

# Important notice and disclaimer

## Disclaimer

To the maximum extent permitted by law, none of the Audinate Group Limited or its subsidiaries or their directors, employees or agents accepts any liability, including, without limitation, any liability arising out of fault or negligence, for any loss arising from the use of the information contained in this presentation. In particular, no representation or warranty, express or implied, is given as to the accuracy, completeness or correctness, likelihood of achievement of reasonableness of any forecasts, prospects, statements or returns contained in this presentation. Such forecasts, prospects, statements or returns are by their nature subject to significant uncertainties and contingencies. Actual future events may vary from those included in this presentation.

## Summary information

This presentation is for information purposes only is not a recommendation or advice in relation to Audinate or any product or service offered by Audinate or any of its subsidiaries. The information in the presentation is of a general nature only and is not intended to be relied upon as advice to investors or potential investors.

## Currency

All amounts in this presentation are in Australian dollars unless otherwise stated.

## Past performance

Past performance information, including past share price information, given in this presentation is given for illustrative purposes only and should not be relied upon as an indication of future performance.

## Future performance

Forward-looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

## Financial information

Certain financial data included in this presentation is 'non IFRS financial information.' These measures are used internally by management to assess the performance of the business and make decisions on the allocation of resources and are included in this presentation to provide greater understanding of the underlying financial performance of the Group's operations. When reviewing business performance, this non-IFRS information should be used in addition to, and not as a replacement of, measures prepared in accordance with IFRS. Readers are cautioned not to place undue reliance on any non-IFRS financial information and ratios included in this presentation. The non-IFRS information has not been subject to audit or review by Audinate's external auditor. The non-IFRS measures do not have any standard definition under

IFRS and may be calculated differently by other companies.

## Market share information

All market share information in this presentation is based on management estimates and internally available information, unless otherwise indicated.

## No offer of securities

Nothing in this presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell Audinate securities in any jurisdiction.

## Reliance on third party information

The views expressed in this presentation contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. This presentation should not be relied upon as a recommendation or forecast by Audinate.