



Audinate Goldman Sachs – Emerging Tech Conference

28 November 2017

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Dante distributes high quality digital audio signals over computer networks

Stadiums

Churches

Conference
Rooms

Casinos

Parliament

Education

Transport

Hotels

Concerts & Theatre

Cruise Ships

Audio Is Everywhere

So is Audinate



Audinate products

Chips



Modules



Cards



Software



Customers (OEM Brands)



Solid State Logic
SOUND || VISION



Focusrite®



SONY



OEM Products



Benefits of Dante



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

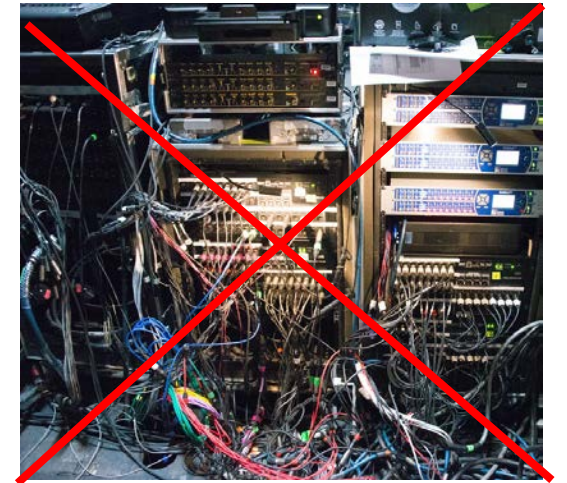
Interoperability between all Dante-enabled devices regardless of the manufacturer



Product ecosystem

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

Analogue signal distribution



Dante signal distribution



Global business, based in Australia

- Spinout from NICTA (Data61/CSIRO)
- Established international customer base
- Main office in Sydney, offices in the USA, UK, HK

Global leader in audio networking technology

- Used by the market leading AV brands (OEMs)
- 383 OEM brands as customers, with 1,232 Dante-enabled products available
- More than 5x OEM products on the market than any competitor

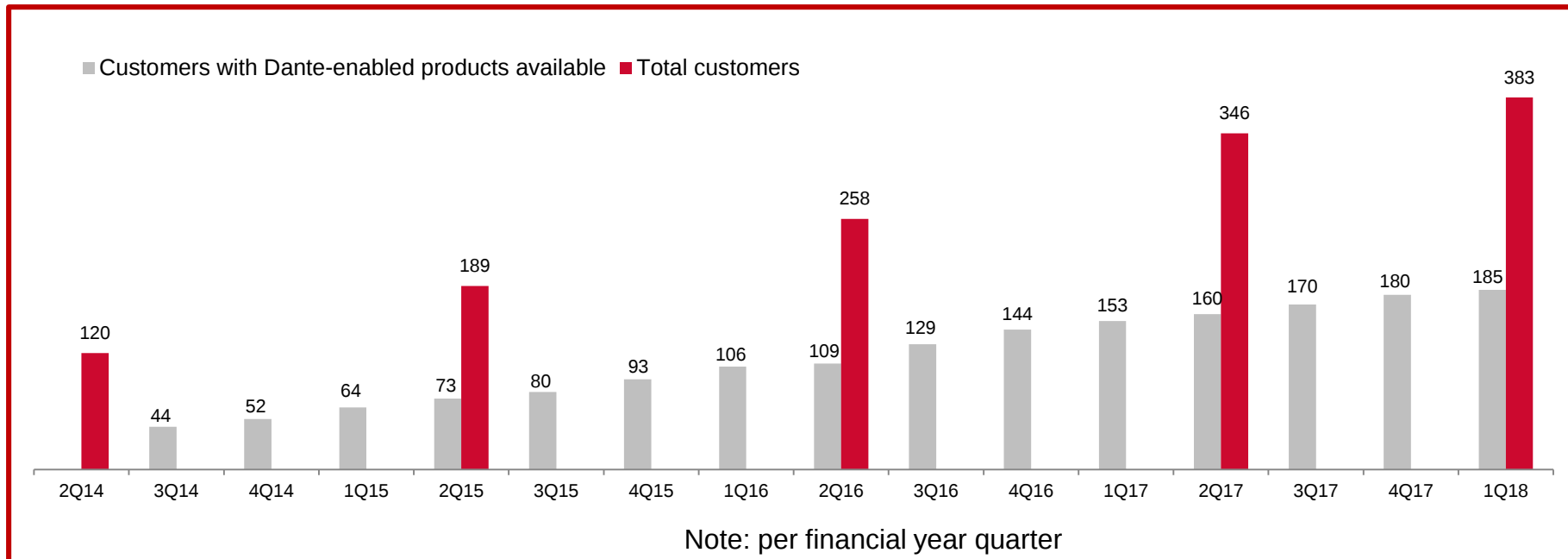
Attractive financial profile

- High gross margins of 75%, reflecting strong IP position and software/firmware focus
- Revenue growth of 30% CAGR ^(USD) in FY 2017

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

Total customers and customers with Dante-enabled products available

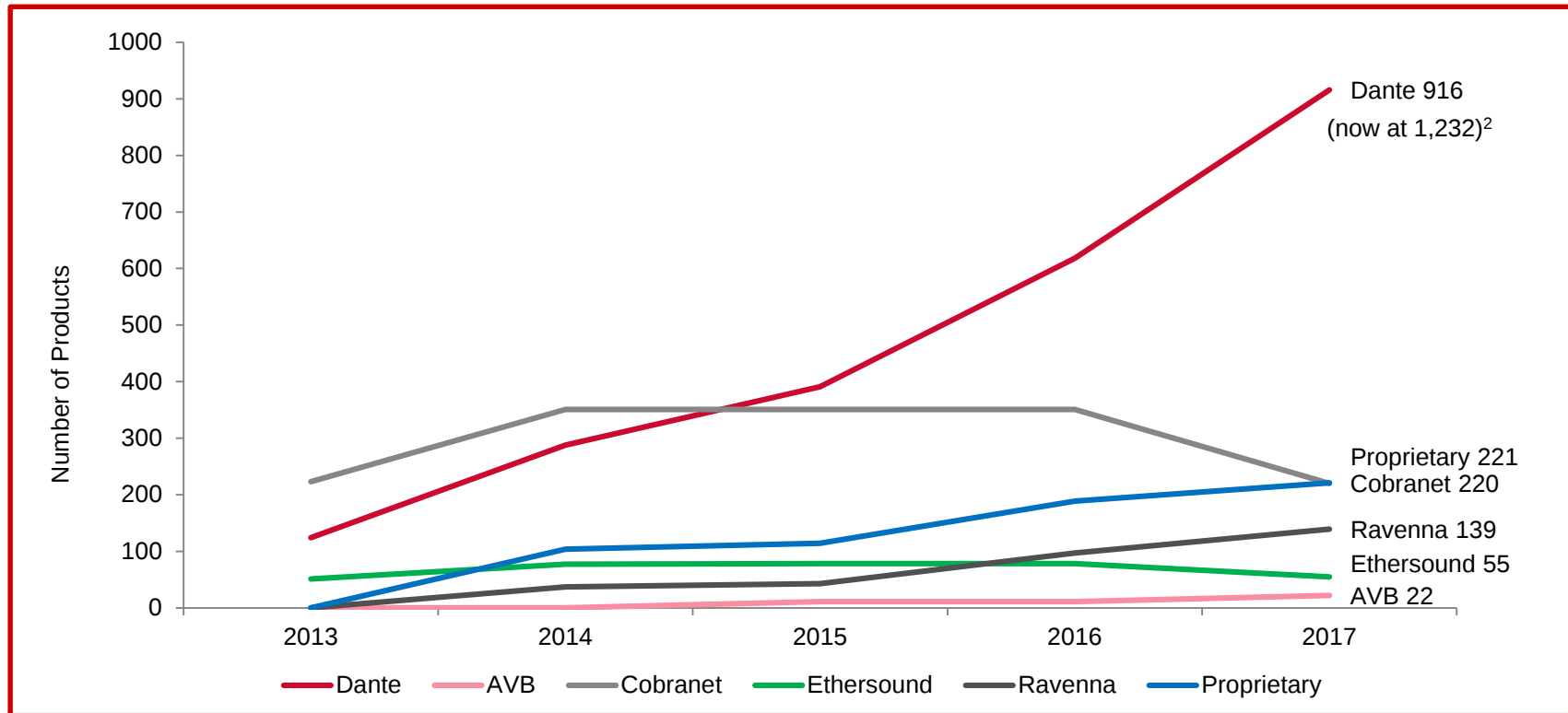


- Audinate has grown to 383 OEM customer brands as at 30 September 2017
- 185 OEM brands have announced products in the market
- Number of customers with Dante-enabled products available lags total customers due to OEM product development cycle

Competitive landscape

- There are several competing audio networking solution providers; however, Audinate is the clear global market leader
- Dante has over four times the adoption of its closest competitor

Progression of products supporting audio networking solutions⁽¹⁾



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

2) Audinate

			
	1. Dante software & applications	2. Adapter products	3. Video products
Strategy	Provide Software to better manage and maintain Dante-enabled networks	Proliferate Dante by enabling connection of analogue end-points	Use Dante to transport video with audio (Add the “V” in “AV”)
Overview	• Immediate opportunity with Dante Domain Manager – Establish a revenue channel from existing Dante end customers – Leverage installed base of Dante products	• Single customer product available today • Develop a family of adapter products and solutions	• Use cases displacing HDMI cables with IP networking infrastructure • Significant market potential of approximately A\$400 million

New product initiatives expected to significantly expand Audinate’s addressable market

Financials – FY17 & FY18



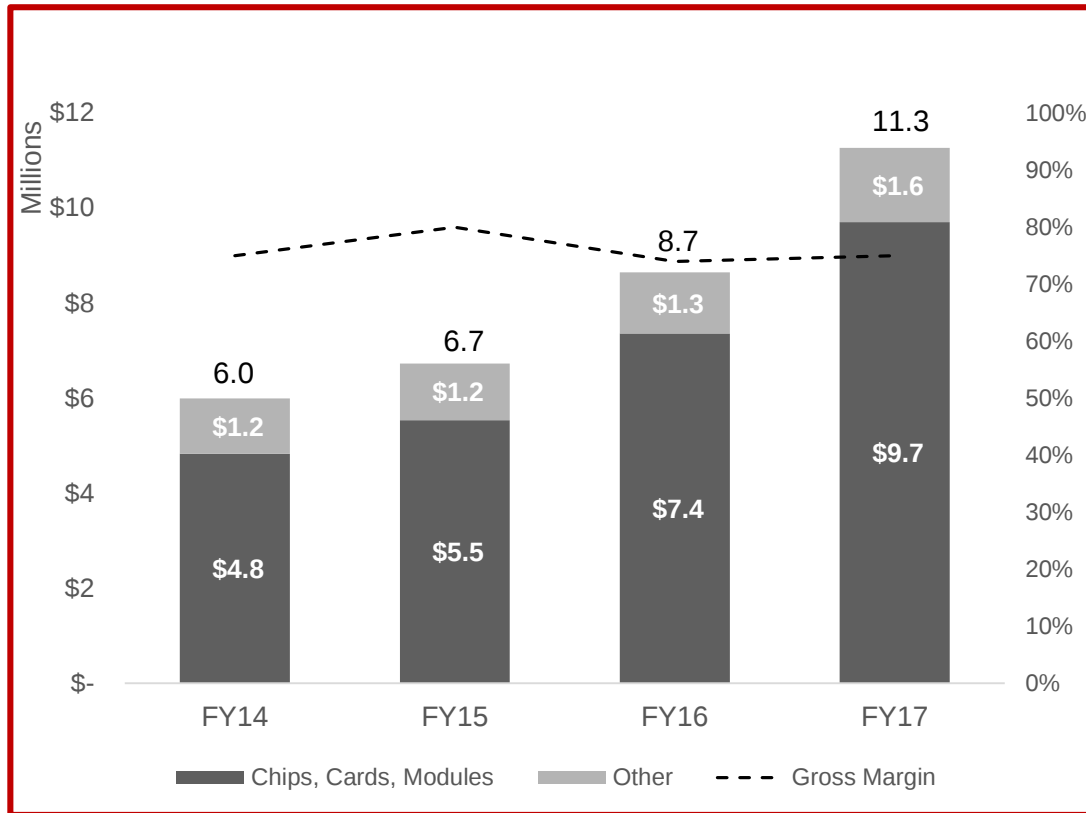
2017 Statutory Income Statement

A\$('000) Year Ended 30 June	Statutory FY16	\$Δ	%Δ	Statutory FY17
Sales Revenue	11,903	3,160	27%	15,063
COGS	(3,062)	(740)	24%	(3,802)
Gross Profit	8,841	2,420	27%	11,261
Employee related costs	(5,885)	(1,405)	24%	(7,290)
Marketing expense	(1,639)	36	(2%)	(1,603)
Administration and other operating expenses	(1,382)	(202)	15%	(1,584)
IPO costs	-	N/A	N/A	(1,694)
Total operating expenses	(8,906)	(3,265)	37%	(12,171)
EBITDA	(65)	(845)	1300%	(910)
Depreciation and amortisation expense	(627)	(462)	74%	(1,089)
EBIT	(692)	(1,307)	189%	(1,999)
Net interest income	39	11	28%	50
Conversion of preference shares	-	N/A	N/A	(18,548)
R&D tax incentive	573	(253)	(44%)	320
FX gains & losses	146	(364)	(249%)	(218)
Other Income	719	(617)	(86%)	102
Profit before taxation	66	(20,461)	(>1000%)	(20,395)
Income tax expense	(12)	(36)	300%	(48)
NPAT	54	(20,497)	(>1000%)	(20,443)

- Revenue growth of 30% in USD, currency impacts reduced the growth rate in AUD to 27%
- Slight improvement in gross margin
- One-off IPO costs of \$1.7m were in line with forecast
- Excluding IPO costs EBITDA is \$0.8m (rather than \$0.9m loss)
- \$18.5m non cash charge for conversion of preference shares at IPO
- In total \$20.2m charge for both items resulting in a net statutory loss of \$20.4m

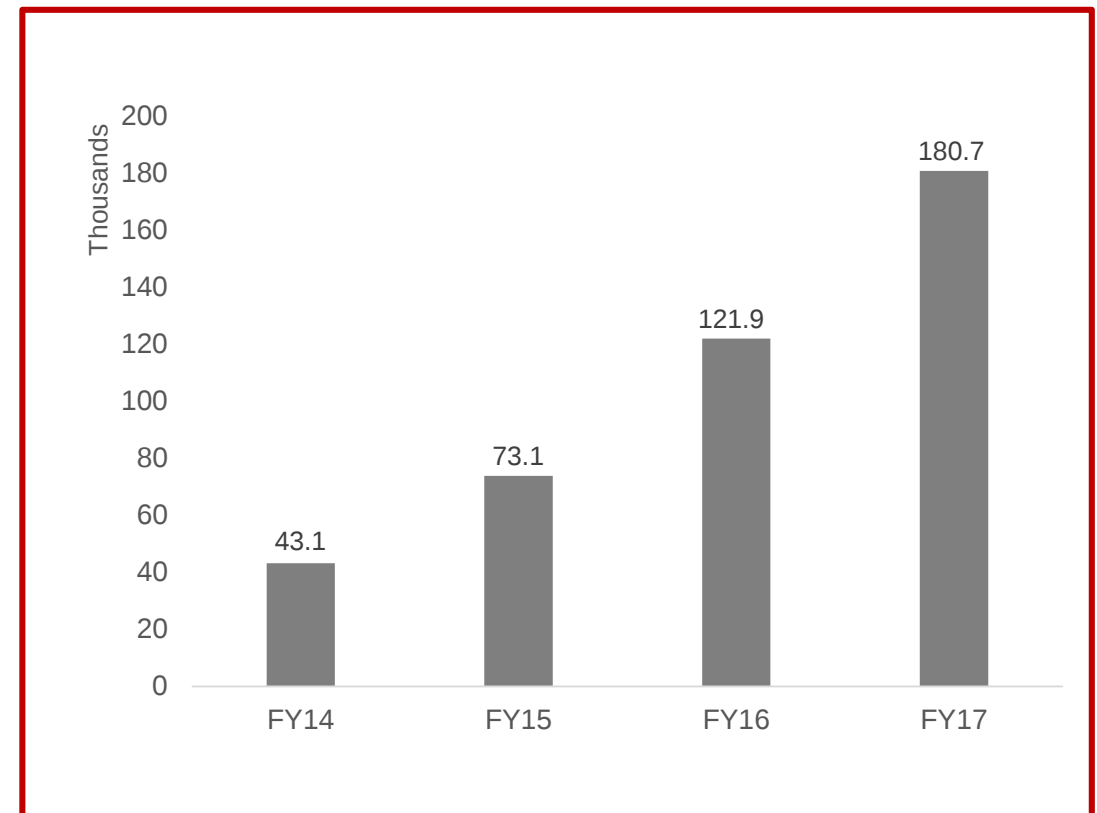
Strong growth in revenue and units shipped

Revenue (USD\$M)



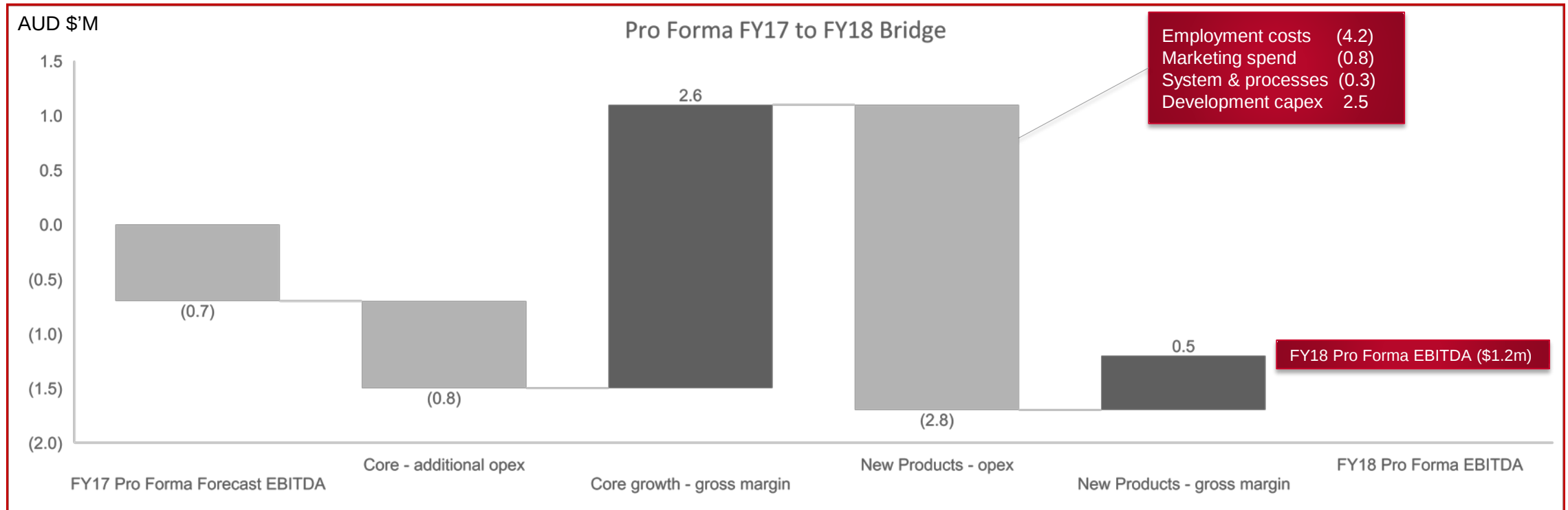
- 30% USD revenue growth in FY17
- 4% better than FY17 forecast
- Audinate bills customers & pays COGS in USD

Dante units shipped Chips Modules and Cards



- 48% growth in units shipped in FY17
- 5% better than FY17 forecast
- > 70% growth in Ultimo, ~ 30% growth in Brooklyn

2018 Forecast



- 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

Cash collections \$4.5m

- Cash collections for first quarter were \$4.5m compared to \$4.4m for the last quarter of 2017. The appreciation of the Australian dollar against the USD had a modest impact on cash receipts. Measured in USD cash, receipts increased more than 7.5% relative to last quarter.

Net operating cash outflow (\$1.5m)

- Outgoing cash payments include \$0.7m relating to annual staff bonuses and \$0.9m for the payment of IPO costs.
- Operating cash payments for product manufacturing and operating costs were more than the forecast set out in the previous Appendix 4C due to additional inventory purchases.

Financing Cashflows

- Financing costs includes the receipt of the balance of funds from the IPO and payments to selling shareholders.



Global market leader

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



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



Attractive financial profile

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



Strong customer base

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



Innovative products

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



Experienced management team

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

Thank you



Appendices

Appendix 1: Financial Information



2017 Statutory Income Statement

A\$('000)	Statutory			Statutory
Year Ended 30 June	FY16	\$Δ	%Δ	FY17
Sales Revenue	11,903	3,160	27%	15,063
COGS	(3,062)	(740)	24%	(3,802)
Gross Profit	8,841	2,420	27%	11,261
Employee related costs	(5,885)	(1,405)	24%	(7,290)
Marketing expense	(1,639)	36	(2%)	(1,603)
Administration and other operating expenses	(1,382)	(202)	15%	(1,584)
IPO costs	-	N/A	N/A	(1,694)
Total operating expenses	(8,906)	(3,265)	37%	(12,171)
EBITDA	(65)	(845)	1300%	(910)
Depreciation and amortisation expense	(627)	(462)	74%	(1,089)
EBIT	(692)	(1,307)	189%	(1,999)
Net interest income	39	11	28%	50
Conversion of preference shares	-	N/A	N/A	(18,548)
R&D tax incentive	573	(253)	(44%)	320
FX gains & losses	146	(364)	(249%)	(218)
Other Income	719	(617)	(86%)	102
Profit before taxation	66	(20,461)	(>1000%)	(20,395)
Income tax expense	(12)	(36)	300%	(48)
NPAT	54	(20,497)	(>1000%)	(20,443)

Reconciliation of statutory to pro forma income statements

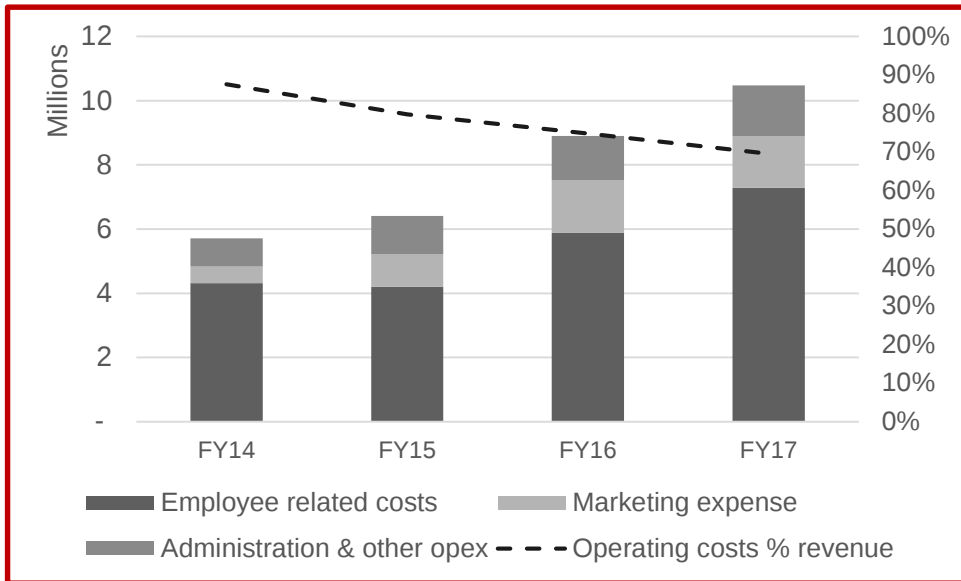
A\$('000)	Forecast		Actual
Year Ended 30 June	FY16	FY17	FY17
Statutory EBITDA	(64)	(1,224)	(910)
Offer costs	-	1,695	1,694
Listed company costs	(1,203)	(943)	(943)
LTI expense	(258)	(204)	(204)
Pro forma EBITDA	(1,525)	(676)	(363)

A\$('000)	Forecast		Actual
Year Ended 30 June	FY16	FY17	FY17
Statutory NPAT	54	(20,600)	(20,443)
Offer costs	-	1,695	1,694
Listed company costs	(1,203)	(943)	(943)
LTI expense	(258)	(204)	(204)
Development cost amortisation	(93)	-	-
Interest income	236	234	234
Change in fair value of preference shares	-	18,596	18,548
Pro forma NPAT	(1,263)	(1,222)	(1,114)

Adjustments set out in the tables above relate to the following categories

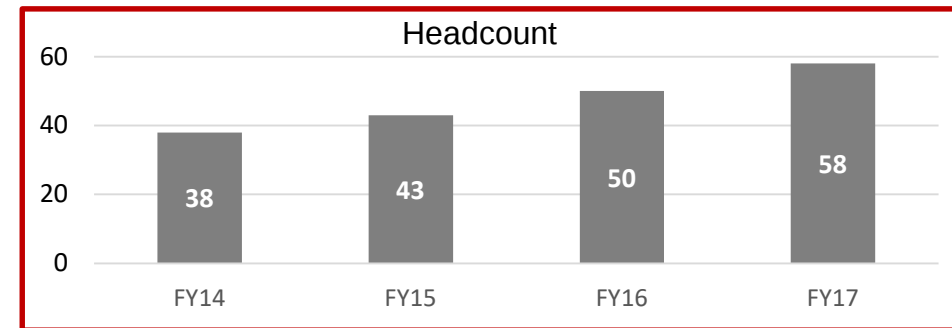
- Items of a non-recurring nature including IPO Offer costs and the change in the fair value of preference shares
- Items to reflect the post IPO capital structure and cost base including listed company costs, additional LTI expense, extra interest income from IPO proceeds
- Items to reflect the consistent application of accounting policies, specifically for the amortisation of development costs which only commenced with the adoption of IFRS in FY14

Operating costs \$ and % revenue



Statutory operating costs

AUD \$'000s	FY14	FY15	FY16	FY17
Employee related costs	4,311	4,206	5,885	7,290
Marketing expense	525	1,015	1,639	1,603
Administration & other opex	875	1,188	1,382	1,584
Total Operating Costs	5,712	6,409	8,906	10,477



- Audinate has demonstrated leverage in cost base as operating costs as % of revenue continues to decline over time
- Increase in employee related costs includes headcount added to focus on new growth initiatives of Dante Domain Manager and launch of adaptor products
- The expansion of Audinate offices in Sydney and Portland was the main reason for the increase in Administration & other Opex
- Amounts above include research element of R&D expenditure – FY17:\$1.3m (FY16: \$1.4m)

2017 Statutory Balance Sheet

AUD \$'000s	30 June 2017
Assets	
Cash & cash equivalents	18,694
Receivables	2,030
Receivable from issue of shares	4,062
Inventory	767
R&D incentive	902
Other current assets	247
Total current assets	26,702
Property, plant and equipment	365
Intangibles	2,001
Total non-current assets	2,366
Total assets	29,068
Liabilities	
Payables	2,558
Payable to selling shareholders	7,030
Income tax payable	34
Provisions	1,393
Other current liabilities	164
Total current liabilities	11,179
Provisions	305
Total non-current liabilities	305
Total liabilities	11,484
Net assets	17,584
Equity	
Issued capital	63,262
Reserves	302
Retained earnings	(45,980)
Total equity	17,584

- Balance sheet reflect completion of IPO on 30 June 2017
 - Cash includes \$3m paid to selling shareholders in July
 - Receivable from issue of shares (\$4.1m) was received in July
 - Payable to selling shareholders (\$7.0m) was paid in July
- Receivables increase reflects strong end of year sales in debtors (current), rise in GST receivable and loan for employee options
- R&D incentive is receivable from the ATO upon lodgement of the corporate tax return
- Increase in intangibles reflect net capex of R&D activities (\$1.6m) & current period amortization
- Increase in payables primarily due to accrued IPO costs
- Equity balance reconstructed due to Top Hat structure

2017 Cash-flow statement

A\$('000)	Statutory Cash Flows			
Year Ended 30 June	FY16	\$Δ	%Δ	FY17
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	11,764	3,316	28%	15,079
Payments to suppliers and employees (inclusive of GST)	(11,472)	(2,936)	26%	(14,407)
Interest received	38	14	36%	52
Interest and other finance costs paid	(0)	(1)	289%	(2)
Research and development incentive received for research activities	447	152	34%	599
Income taxes paid	(12)	(69)	585%	(80)
Net cash from operating activities	764	476	62%	1,240
Cash flows from investing activities				
Payment for property, plant and equipment	(212)	73	(35%)	(139)
Payments for intangibles	(1,435)	(872)	61%	(2,307)
Research and development incentive received for development activities	605	(24)	(4%)	581
Net cash from investing activities	(1,042)	(823)	179%	(1,865)
Cash flows from financing activities				
Proceeds from issue of shares	3	16,985	>1000%	16,988
Share issue transaction costs	-	(777)	-	(777)
Net cash flows from financing activities	3	16,208	>1000%	16,211
Net increase/(decrease) in cash and cash equivalents	(275)	15,861	>1000%	15,586
Cash and cash equivalents at the beginning of the financial year	3,383	(275)	(8%)	3,108
Cash and cash equivalents at the end of the financial year	3,108	15,586	>1000%	18,695

A\$('000)	Forecast
Year Ended 30 June	FY18
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)
Total operating expenses	(15,313)
EBITDA	(1,188)

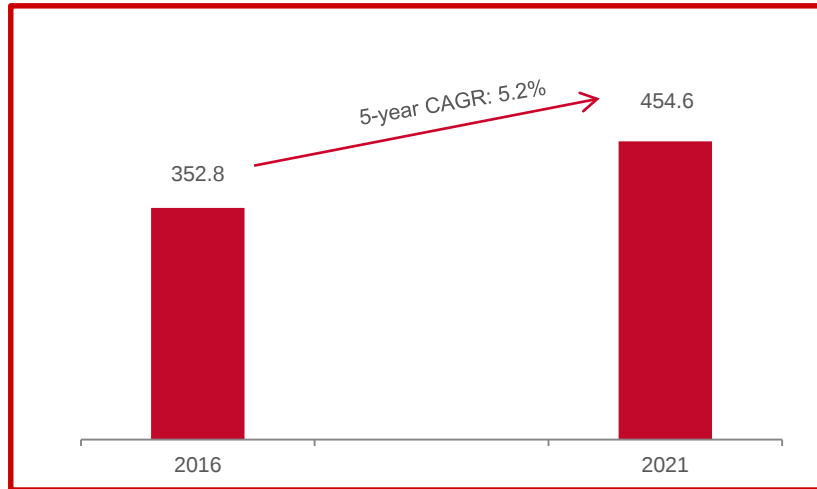
- FY18 prospectus forecast was calculated using an AUD/USD exchange rate of 77c. The sensitivity to changes in exchange rates is summarised in the table below (per page 79 of the prospectus)

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

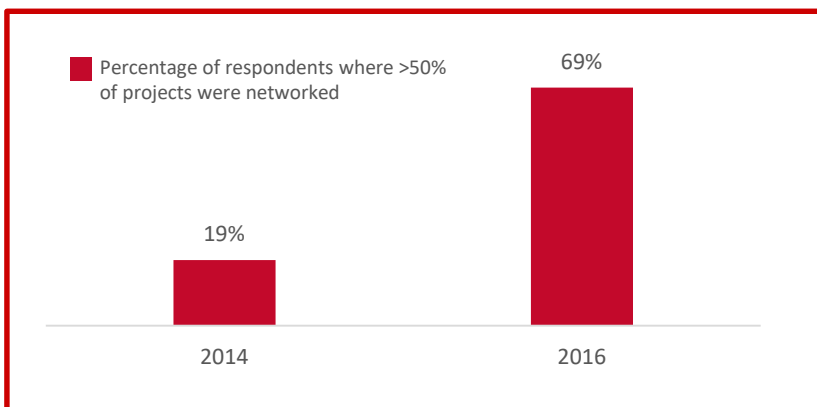
Appendix 2: Background Information



Audio networking addressable market (A\$m)⁽¹⁾



Trend in audio networking adoption⁽²⁾



Audio networking addressable market drivers⁽¹⁾

- 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

Penetration of audio networking

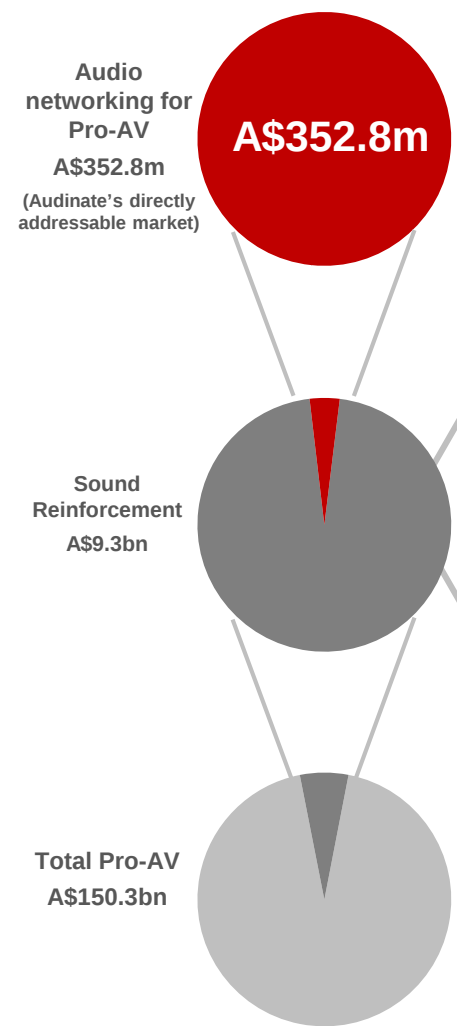
- Audinate is the clear market leader
- Over \$400 million of unpenetrated market potential, which currently represents analogue signal distribution
- Expect ongoing growth in adoption as evidenced by increasing number of networked installations

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

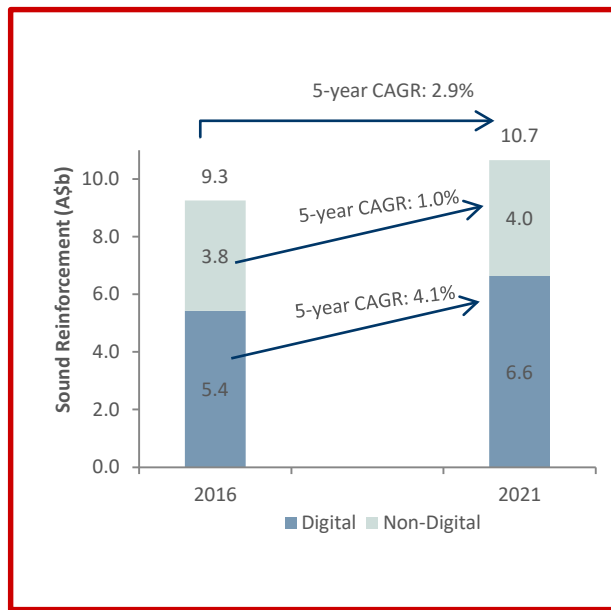
2) Based on Audio Networking Survey by RH Consulting, 2016

Sound Reinforcement industry overview

Market size⁽¹⁾



Sound Reinforcement market⁽¹⁾



Sound Reinforcement products⁽¹⁾

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

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 HC / Brooklyn II / Custom designs

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



Adapter products

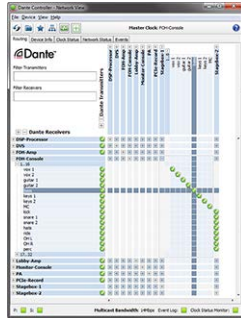
Dante Analog Output Module

Enables connection of analogue equipment to a digital Dante network



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

Audinate has a total of 38 granted or pending patents across 8 families...

- 1** 25 granted patents
- 2** 13 pending patent applications
- 3** IP will be held in a separate legal entity within the Group

In the key markets of...

- USA
- Germany
- UK
- China