



Goldman Sachs 2nd Annual Tech Day

25th October 2018

Aidan Williams – Chief Technology Officer & Founder

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



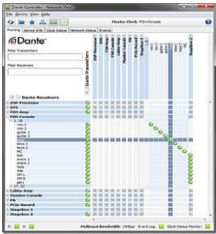
Modules



Cards



Software



Customers (OEM Brands)



Solid State Logic
SOUND || VISION



Focusrite®



SONY



OEM Products

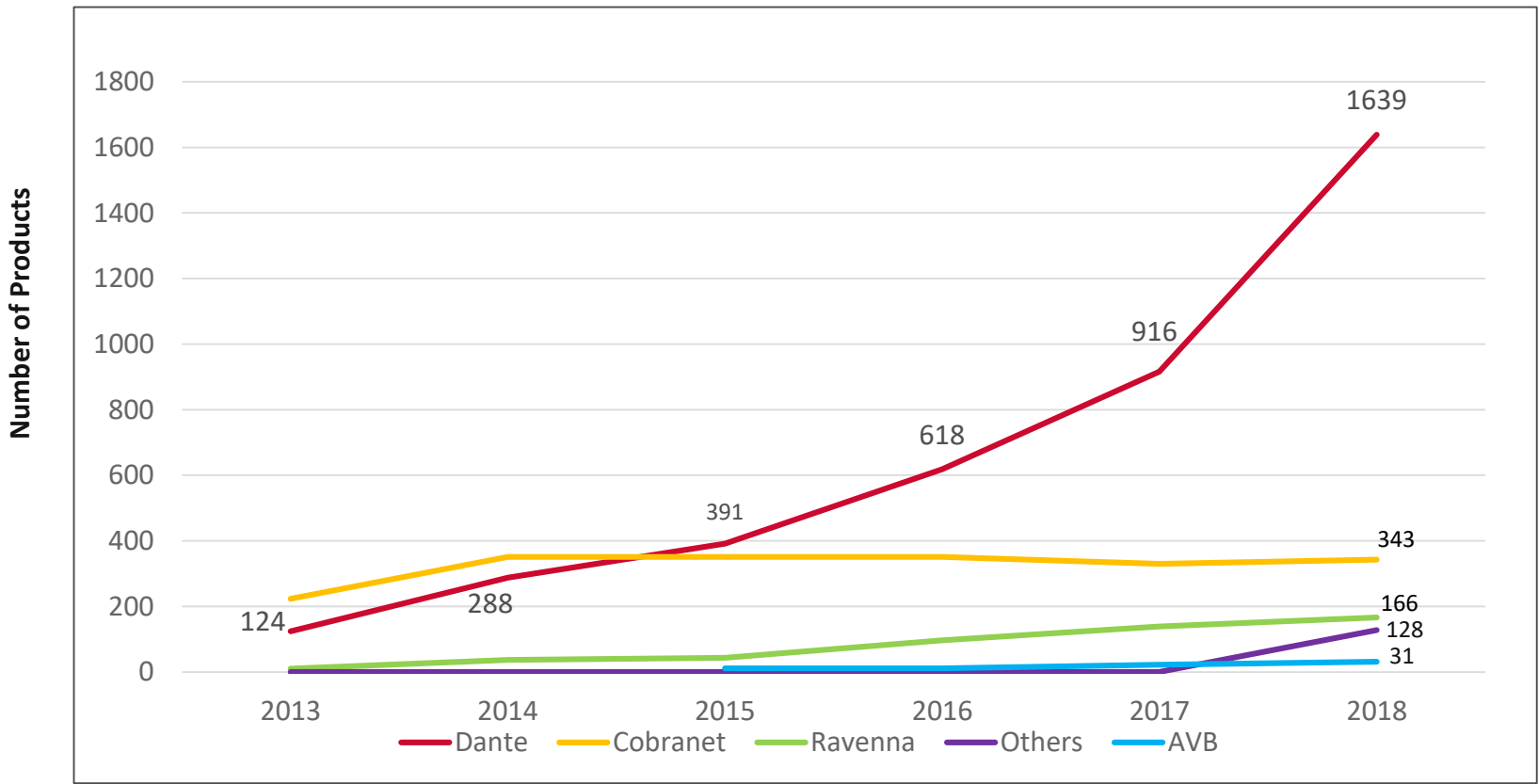


Competitive landscape – Networked Audio Products

Audinate is the clear global market leader compared to competing audio networking solution providers.

Dante has nearly five times the adoption of its closest competitor

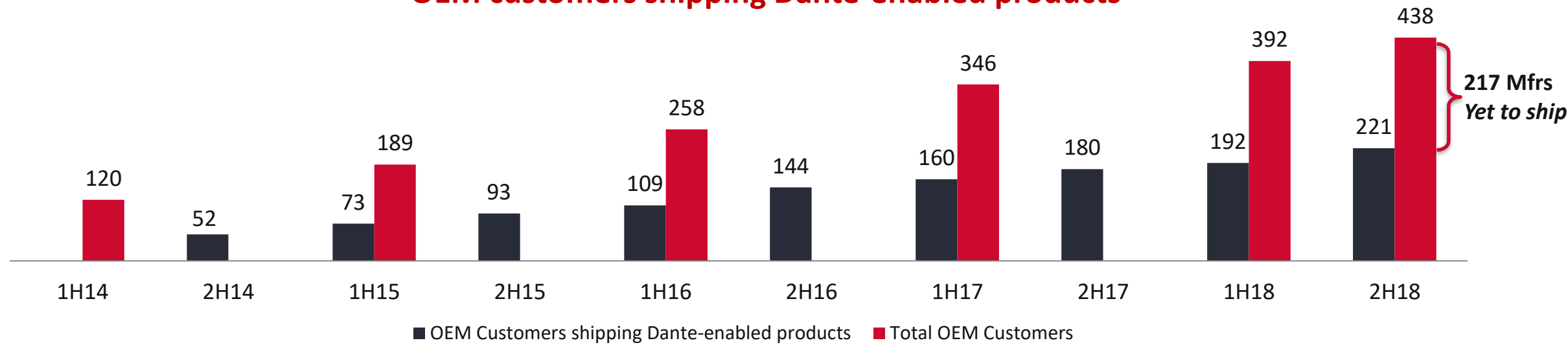
Total products per protocol⁽¹⁾



1) RH Consulting, Networked Audio Products 2018 and Audinate company data

Increasing OEM customer adoption: pipeline for growth

OEM customers shipping Dante-enabled products




Audinate has grown to 438 OEM customers at end of FY18


221 OEM customers have announced products in the market


Built in revenue growth as new OEM customers bring products to market

Note: per financial year quarter

Core business 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

Operational results above plan

39%

OEM product
growth to 1,639

38%

growth in
chips, cards &
modules

58%

growth in Dante
software units

438

OEMs
licensed Dante

18,000+

people trained
on Dante this year

*Westfield Mall Shopping Centre
London, England*



35% growth delivers revenue of USD \$15.2m

A\$19.7m

Revenue

75%

Gross Margin

A\$0.6m

EBITDA

A\$2.5m

NPAT up from a
loss FY17 (\$20.2m)

A\$1.0m

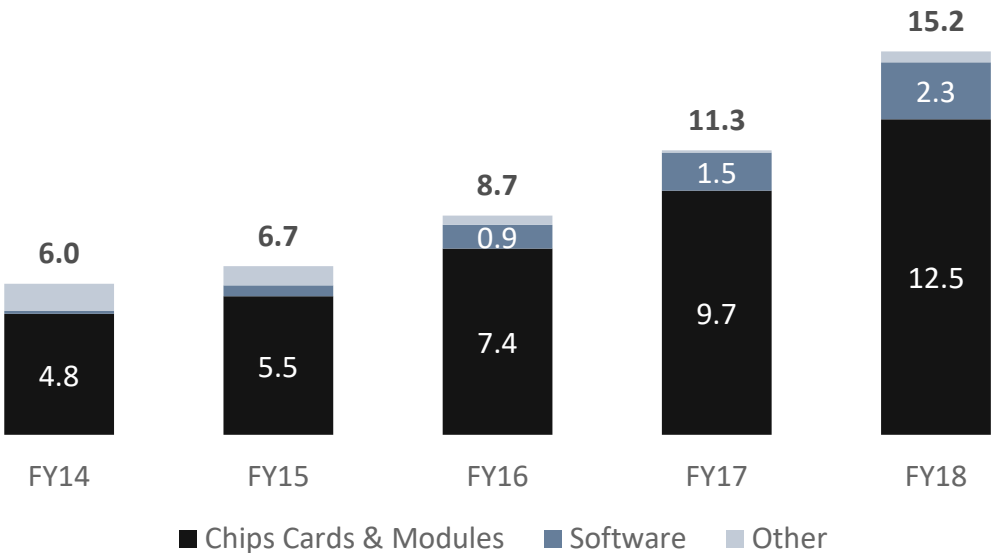
Net cash from
operating activities

*Sydney Trains
Sydney, Australia*



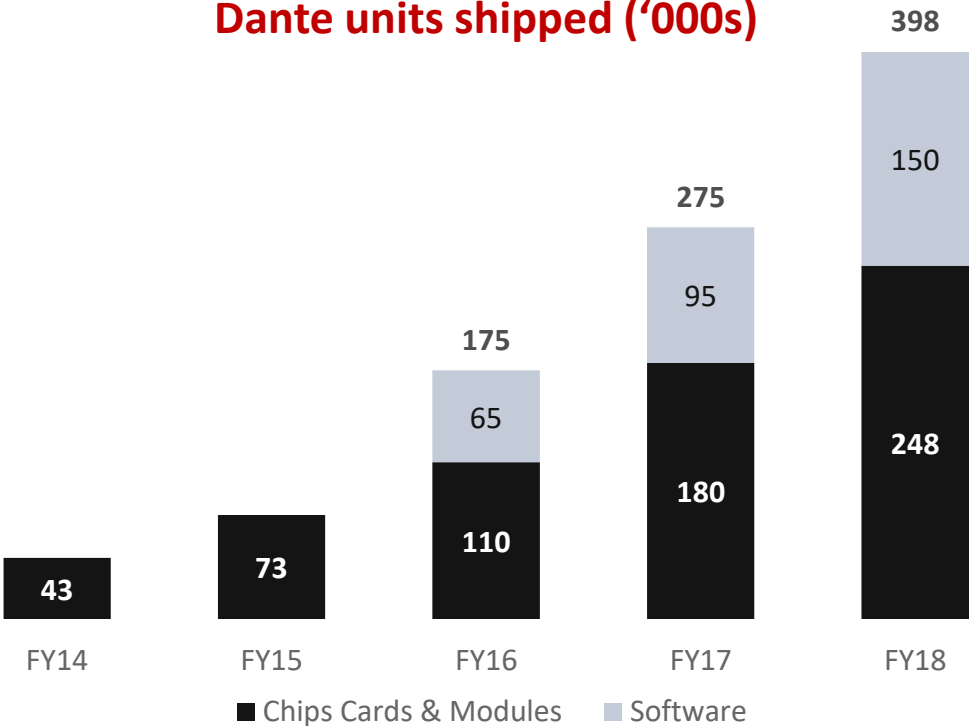
Strong growth in revenue and Dante units shipped

Revenue (US\$M)



- Revenue CAGR: 26% (4yrs) – 31% (3yrs) at 75% GP margin
- Chips, cards & modules includes AVIO adapters
- Software includes royalties, retail software & Dante Domain Manager
- Audinate invoices customers & pays COGS in USD

Dante units shipped ('000s)



- 38% growth in chips cards & modules units
 - Brooklyn growth continues >30% & Ultimo ≈ 40%
- 58% growth in software units
 - Royalties growth ≈ 50%

Note: software units not tracked prior to FY16

Growth Drivers

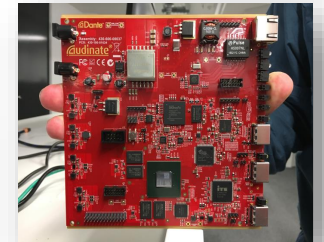
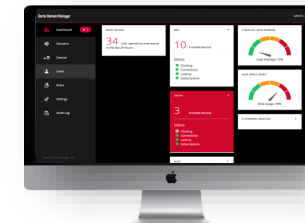
Robust core audio networking business

- Strong historic growth in revenue and units shipped (see slide 9)
- 1639 products shipping from 221 manufacturers, and growing
- Strong pipeline of 217 manufacturers yet to ship first product (see slide 5)
- Plenty of runway for growth – management estimate digital conversion is **7%**



New products to more than *double* addressable market to AUD \$1bn

- Dante AVIO Adapters – connect legacy equipment to Dante
- Dante System Management software
- Video Solution



Key Priorities to drive ongoing growth in FY19



- Geographically expand of sales and support teams



- Broaden our suite of core Dante products to accelerate penetration within OEMs



- Invest in the development of our Dante video solution by end of FY19



- Continue the roll-out of Dante Domain Manager and Dante AVIO adapters



- **Audinate will continue to invest in growth initiatives to drive future revenue**
 - Reliable ongoing execution of the Group's strategy
 - Revenue growth in a range consistent with historical performance
 - Further investment in R&D and expanding the sales footprint

Appendices

Our competitive advantages

Comprehensive toolbox for manufacturers and users

Selected products

Chips



Cards



Modules



Software



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

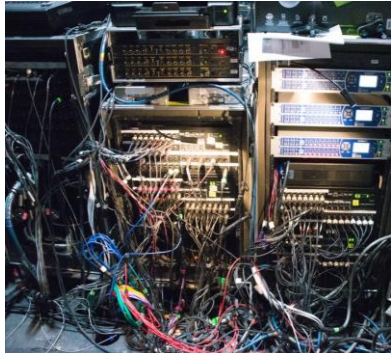


Product ecosystem

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



Analogue signal distribution



Dante signal distribution



Dante AVIO Adaptors – Network Everything



Dante for
“brown-field” installations

Introduced 6 new
Dante AVIO products

“Problem solver” for
System Integrators

Shipped Q4

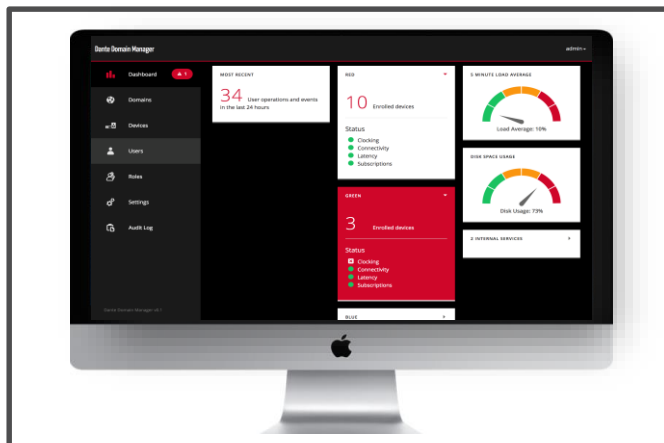
Online retail &
country distributors

Pull through
Dante products

- Rationale
 - Add Dante to *brown-field AV installations* (mostly analogue)
 - Add Dante to *existing audio products* (analogue, USB and AES3)
 - Pull through Dante products and software
- Established a global distribution channel of online retailers and country distributors
 - 50 resellers and growing
 - Strong initial demand with sales performance exceeding FY18 expectations
- Marketing campaign to be rolled out in FY19



Dante Domain Manager – System Management Software



Secure Control

Scale beyond a LAN

Logging & Auditing

Shipped Q3

Sales Channel Established
(System Integrators)

Sold to Installed Base

- Commercial launch Feb 2018 at Integrated Systems Europe (ISE) tradeshow
 - Approaching 100 resellers (System Integrators) signed to date
- DDM depends upon new Dante firmware features
 - Top 25 manufacturers by volume are rolling out firmware (existing and new products)
- Offered in Silver, Gold and Platinum Editions
 - Majority of DDM installs are Platinum and Gold Edition
 - Management software *more than doubles* the revenue opportunity associated with the core business



Dante Video: Distribute video signals across an IT network



Common management for
audio and video

Lower installation and
cabling costs

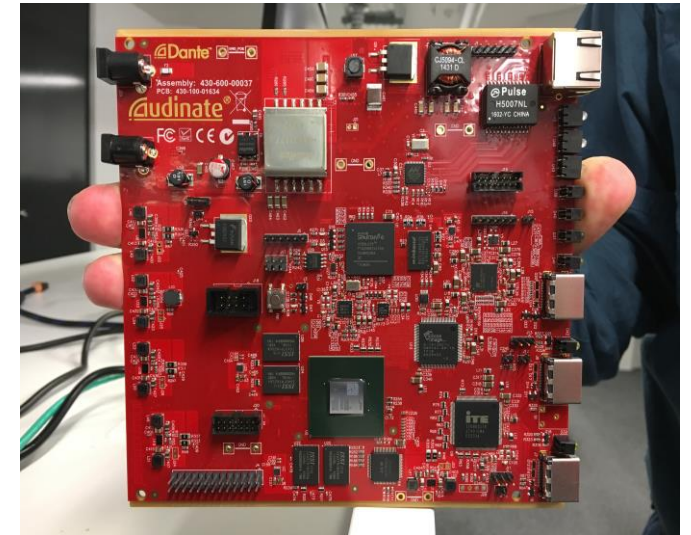
Independent routing of
Audio and Video signals

Prototype Demonstrated
June 2018

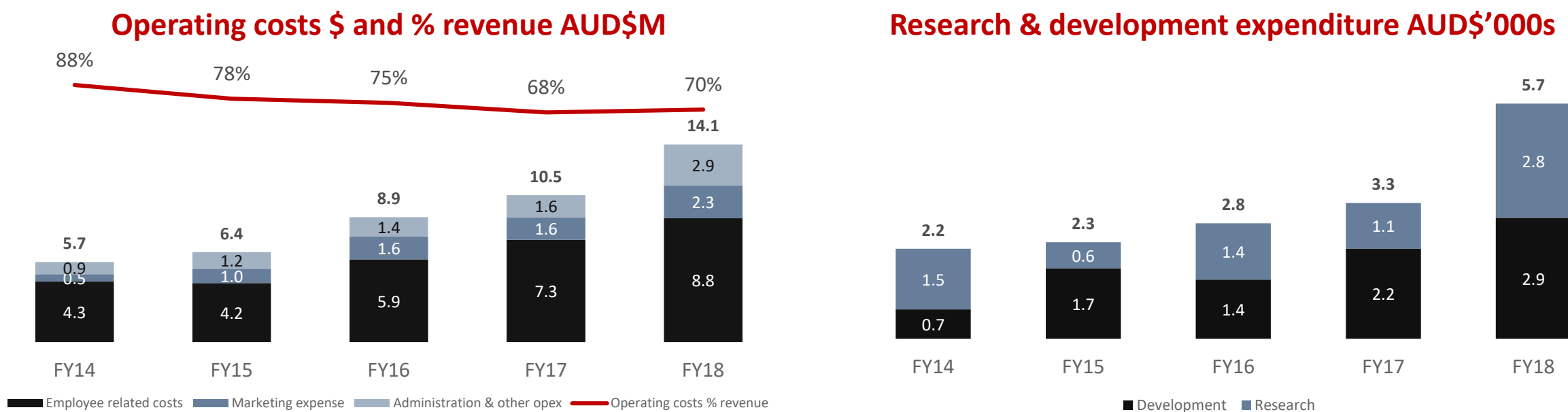
Displaces expensive
matrix switches

Integration with Dante
Domain Manager

- Dante AV – audio *and* video signal distribution
 - E.g. HDMI video across an IP network
 - Same familiar Dante management tools for audio and video
- Audinate Video Prototype shown at Infocomm tradeshow June, 2018
- Solution targeted for OEMs (step/repeat audio business model)
- Expected product launch to OEMS targeted end of FY19



Investing in new product initiatives



- Administration & other opex impacted by one time step up in public company costs (\$0.9m) and system & process initiatives (\$0.3m)
- Research & development expenditure ('R&D') represents amounts claimable with Australian Tax Office, which is allocated between research and development based on timesheets
- Capitalised development costs are amortised over three years
- Investment in R&D represents approximately two thirds (\$2.4m) of the remaining increase in operating costs

FY18 income statement

(AU\$'000s)			
Year Ended 30 June	FY18	FY17	Change (%)
Sales	19,653	15,063	30%
Cost of goods sold	(5,011)	(3,802)	32%
Gross margin	14,642	11,261	30%
Employee expenses	(8,838)	(7,290)	15%
Marketing expenses	(2,338)	(1,603)	46%
Admin & other opex	(2,907)	(1,584)	84%
Total Expenses	(14,083)	(10,477)	34%
EBITDA	559	784	
Initial public offering expenses	-	(1,695)	-100%
Depreciation and amortisation	(1,452)	(1,089)	33%
Other Income	157	153	3%
Change in fair value of CRPS	-	(18,548)	-100%
Profit / (Loss) before tax	736	(20,395)	
Income tax benefit/(expense)	3,280	(48)	
Profit/(Loss) for the year	2,544	(20,443)	

Investing for growth in FY18

- Sales driven by 38% growth in shipments & 58% growth in software units
- Strong gross profit margin (75%)
- Employee expenses increased due to additional 18 FTEs (favourable cost variance to prospectus)
- Marketing spend is weighted to second half tradeshow and new product spend
- Increased admin costs due to public company costs (\$0.9m) and system & process initiatives (\$0.3m)
- Income tax benefit mainly due to one-time tax benefit \$2.4m of entering tax consolidation

FY18 cash-flow summary

(AU\$'000s)	FY18	FY17	Change (\$)
Cash flows from operating activities			
- net IPO impacts	(897)	(797)	(100)
- underlying cash flows from operating activities	1,933	2,037	(104)
Net cash from operating activities	1,036	1,240	(204)
Net cash used in investing activities	(2,976)	(1,865)	(1,111)
Cash flows from financing activities			
- net IPO impacts	(3,083)	16,191	(19,274)
- underlying cash flows from financing activities	24	20	4
Net cash used in financing activities	(3,059)	16,211	(19,270)
Opening cash	18,694	3,108	15,586
Net IPO impacts	(3,980)	15,394	(19,374)
Net underlying cashflow	(1,018)	192	(1,210)
FX impacts	(65)	0	(65)
Cash at the end of the financial year	13,631	18,694	(5,063)

- Positive underlying operating cashflow of \$1.9m for FY18
- Total underlying cashflow for FY18 was (\$1.0m)
- Cash used in investing activities primarily represents development costs
- FY18 IPO impacts of \$4m consists of a net payment to selling shareholders of \$3m (due to 30 June 17 completion date) and \$1m of transaction cost paid in current year
- Refer to statutory cash-flow statement for further detail.

Statutory cash-flow statement

(AU\$'000s)	FY18	FY17	Change (\$)
Cash flows from operating activities			
Receipts from customers	19,679	15,079	4,600
Payments to suppliers and employees	(19,166)	(14,407)	(4,759)
Interest received	251	52	200
Interest and other finance costs paid	-	(2)	2
R&D incentive (research activities)	334	599	(265)
Income taxes paid	(62)	(80)	18
Net cash from operating activities	1,036	1,240	(204)
Cash flows from investing activities			
Payments for PP&E	(627)	(139)	(488)
Payments for intangibles	(3,029)	(2,308)	(721)
R&D incentive (development activities)	680	581	99
Net cash used in investing activities	(2,976)	(1,865)	(1,110)
Cash flows from financing activities			
Proceeds from issue of shares	4,086	16,988	(12,902)
Payments to selling shareholders	(7,030)	-	(7,030)
Payments for capital raising costs	(115)	(777)	662
Net cash used in financing activities	(3,059)	16,211	(19,270)
Net increase in cash	(4,998)	15,586	(20,584)
Opening cash	18,694	3,108	15,586
FX impacts	(65)	-	(65)
Cash at the end of the financial year	13,631	18,694	(5,063)

Statutory balance sheet

(AU\$'000s)	30 June 18	30 June 17	Change (\$)
Cash and cash equivalents	13,631	18,694	(5,063)
Trade and other receivables	1,819	2,030	(211)
Receivable from issue of shares	0	4,062	(4,062)
Current tax asset	1,344	902	442
Inventory	1,225	767	458
Other assets	276	246	30
Current assets	18,295	26,702	(8,407)
Property, plant and equipment	691	365	326
Intangibles	3,879	2,001	1,878
Deferred tax asset	1,874	0	1,874
Non-current assets	6,444	2,366	4,078
Total assets	24,740	29,068	(4,328)
Trade and other payables	2,165	2,558	(393)
Payable to selling shareholders	N/A	7,030	(7,030)
Provision for income tax	23	34	(11)
Other liabilities	1,869	1,557	312
Current liabilities	4,057	11,179	(7,122)
Employee benefits	309	305	4
Total liabilities	4,366	11,484	(7,118)
Net assets	20,374	17,584	2,789
Ordinary shares - fully paid	63,288	63,262	26
Reserves	522	302	219
Retained profits/losses - opening	(43,435)	(45,980)	2,544
Total equity	20,374	17,584	2,789

- Cash movement mainly due to \$4.0m IPO related impacts
- Receivables declined despite sales growth
- Current tax asset is estimated net receivable from ATO for R&D activities
- Inventory growth in finished goods
- Intangibles assets increased due to capitalised development costs
- Deferred tax asset due to tax consolidation including reset of tax cost base of intangibles
- Reserves increased mainly due to LTI amortisation expense (\$0.2m)

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