Press release

www.audiovalley.com

October 16, 2019 – 17:40 CEST

AudioValley: Caroline Dupuis ◆ press@audiovalley.com ◆
Actifin: Victoire Demeestère ◆ vdemeestere@actifin.fr ◆

H1 2019 results:

- **H1 2019 turnover: €13.6m, +22.9%**
- **Operating profitability achieved[1] in H1: +€0.4m over the first six months of 2019** (-€0.6m the first six months of 2018)

Strong growth in Q3 2019: 7.4m, +22.0%

AudioValley (ISIN Code: BE0974334667/Ticker: ALAVY) announced the publication of its half-year 2019 results. These results were approved by the Board of Directors on October 1st, 2019.

Pick-up in growth over the first half of 2019

After an almost 20% increase in first-quarter turnover, the Group posted even faster growth of 25.8% (+23.2% cc[1]) in the second quarter, to €7.1m. In total, first-half turnover came out to €13.6m, an increase of 22.9% (+20.6% cc). All divisions and regions contributed to this solid performance.

- **Targetspot (61.5% of first-half turnover): breakthrough confirmed in Europe**

  The Targetspot division – a solution designed to aggregate and monetise digital audio audiences (digital radio and podcasts) – posted a 29.9% increase in turnover over the first half of the year (+25.9% cc) to €8.3m. All geographic areas confirmed their growth trend. In the United States, the division's turnover was up 25% (+20% cc). Europe picked up during the first half of the year, as expected, with growth of +44.7%. The recent opening of four new sales locations (Spain, the Netherlands, Germany and the United Kingdom) has been good for business across the region. Stronger sales teams have already won many new contracts, with the most significant for the period being the exclusive agreement to monetise the SoundCloud inventory, signed in March for three countries (Germany, France and the Netherlands), and, three months later, extended to five additional countries (Belgium, Spain, Portugal, Italy and Switzerland).

- **Storever (28% of first-half turnover): faster growth in the second quarter**

  Storever, the "one-stop shop" for POS audio and video broadcasting solutions, posted first-half turnover of €3.8m, an increase of 18.2%. Growth was particularly strong in the second quarter, at 27.9%. Subscriptions were up 16.9% in the first half of the year (10,9% of which was related to the increase in sales outlets and 6,0% to the increase in the average basket), and totalled €2.7m, further strengthening the division's recurring revenue base.

[1] In constant currencies

AudioValley: Caroline Dupuis ◆ press@audiovalley.com ◆
Actifin: Victoire Demeestère ◆ vdemeestere@actifin.fr ◆

- **Jamendo (10.5% of first-half turnover): growth in the second quarter**

  After recording a 1.3% decline in the first quarter of 2019, Jamendo – the sales platform for professional media projects – posted turnover of €0.7m in the second quarter (+5.5%). This return to growth illustrates the first benefits of the revitalisation measures undertaken and driven specifically by the recent appointment of a new CEO to head the division. Jamendo also adopted the status of Independent Management Entity at the beginning of the year. This step means that the division can expand the scope of its rights management and monetisation business.

in thousands of euros – unaudited	H1 2019	H1 2018	Change
Turnover	**13,541**	**11,036**	**+22.7%**
Cost of sales	(5,938)	(5,023)	+18.2%
Personnel expenses	(4,772)	(4,143)	+15.2%
Other administrative and commercial expenses	(2,478)	(2,516)	-1.5%
Current operating income before amortisation	**378**	**(644)**	**+€1,022K**
Depreciation and amortisation	(2,659)	(2,120)	+25.4%
Current operating income after amortisation	**(2,281)**	**(2,764)**	**+€483K**
Other net non-current operating expenses	(25)	(9)	-€16K
Financial income	(1,043)	(1,072)	+€29K
Other	0	(9)	+€9k
Pre-tax income (loss)	**(3,349)**	**(3,854)**	**+€505K**
Income tax	(157)	37	-€194K
Net income	**(3,506)**	**(3,817)**	**+€311K**

IFRS 16, on the recognition of leases in the consolidated financial statements, came into force on 1 January 2019. AudioValley chose to apply IFRS 16 using the modified retrospective approach, without restating prior financial statements.

Positive operating profitability, starting in the first half

The Group's solid growth (+22.9%) combined with strict control of operating expenses (+8.9%) was reflected, logically, in the results for the past six months. The gross margin continued to grow during the first half of the year, from 54.5% to 56.2% of turnover (+€1,590K).

Having broken even in terms of operating profit in 2018 (+€0.3m, compared to a pro forma loss of €1.5m in 2017), the Group generated €378K in current operating income before amortisation in the first six months of 2019 (i.e. +€1m compared to the same period the previous year). This positive trend is reflected across all of the Group's business divisions:

AudioValley: Caroline Dupuis ◆ press@audiovalley.com ◆
Actifin: Victoire Demeestère ◆ vdemeestere@actifin.fr ◆

- **Targetspot**: The division's gross margin stood at €3.5m after recognition of the reversal of provisions for rights in the amount of €118K, i.e. a gross margin rate of 42.0% after 38.4% in the first half of 2018. Current operating income before amortisation improved by €0.7m to €(570K);
- **Storever**: Thanks to a favourable product mix (subscriptions versus equipment sales), the division achieved a gross margin of €3.3m, up €525K, for a gross margin rate of 85.3% (81.4% for the 2018 financial year). Current operating income before amortisation stood at €1,075K, up 15.8% year-on-year for the first half of the year.
- **Jamendo**: The division posted a gross margin of €876K, for a gross margin rate of 61.7% of turnover, up by 2.7 points compared to the first half of 2018. The division generated €102K in operating income before amortisation.

AudioValley delivered these very good performances while continuing its aggressive growth strategy: expanding internationally, with new Targetspot sales offices opened in Europe (Germany and the UK), and adding to its teams (139 employees at 30 June 2019 vs. 128 at end-2018).

Over the first half of 2019, the Group posted current operating income after amortisation of €(2,281K), an improvement of €483K after recognition of mostly non-cash[2] items totalling €2,659K, broken down as:

- €1,360K for the 10-year straight-line amortisation expense of technology assets recognised under the price purchase allocation conducted following the acquisition of the Targetspot division, namely Shoutcast and Targetspot;
- €413K in amortisation expenses for leased Storever players;
- €318K in amortisation expenses on property, plant and equipment recognised pursuant to IFRS 16; and
- €569K in amortisation of other assets from each of the three divisions.

First-half pre-tax income stood at €(3,349K), including a net financial loss of €1,043K, of which €733K in calculated accretion expense (non-cash[3]) relating to the seller credit granted by Vivendi upon the acquisition of the Targetspot division (formerly Radionomy) and €39K in interest expenses on lease liabilities that appeared in 2019 following the initial application of IFRS 16.

In total, the Group posted net income of €(3,506K), compared to €(3,817K) over the first half of 2018.

Changes in financial position

At 30 June 2019, the Group's equity position was €6,170K, compared to €11,148K at end-2018.

The cash position at the end of June 2019 was €623K, and did not include the July convertible-bond issue for a total of €8m.

At the end of June 2019, the balance of the seller credit obtained when the majority stake in Targetspot was acquired amounted to €24.8m.

In July 2019, AudioValley entered into a new agreement with Vivendi to renegotiate the terms of the seller credit prepayment clause: if the debt was prepaid in full before 30 November 2019 (originally

[2] non-cash: no impact on cash position;

AudioValley: Caroline Dupuis ◆ press@audiovalley.com ◆
Actifin: Victoire Demeestère ◆ vdemeestere@actifin.fr ◆

30 October), AudioValley would receive a maximum discount of 39%, bringing the payment amount to between €15m and 16m.

Strong revenue growth in the third quarter: +22,0%

The third quarter of 2019 confirmed the acceleration that has been happening over the past few months. Turnover for the period came out to €7.4m, an increase of 22.0% over Q3 2018 (+17.4% cc). In Europe, the Group posted turnover of €3.4m for the third quarter of 2019, a year-on-year increase of +19.8%. The North America region continued to grow over the quarter, with a +26.0% rise in turnover to €3.7m. Lastly, turnover for the Rest of the World stood at €0.3m.

- The **Targetspot** division (66% of the Group's business for the quarter) brought in €4,884, up +41.7% on the third quarter of 2018 (+33.5% cc), thus confirming its strong growth trend. In North America, Targetspot generated turnover of €3,552K, up by +25.2% (+16.8% cc). In Europe, business increased 104.2% to €1,333K.
- **Storever**: The division recorded €1,868K in turnover for the quarter (versus €2,013K for the third quarter of 2018, which was marked by exceptional equipment sales of around €353K). Restated for this item, business for the division increased 12.5% and 28.8% at Group level.
- In the third quarter, **Jamendo** generated €608K in turnover, for growth of 5.7% year-on-year.

Outlook

- **Targetspot:** Since the beginning of 2019, the division has racked up major commercial successes, such as the monetisation partnership with SoundCloud and the recently-announced signature of an exclusive monetisation contract with Deezer in five countries (US, Canada, the Netherlands, Spain and Italy). The digital audio market is exploding across all regions in which Targetspot now does business. This strong growth in the market, which is now stretching beyond North America, really raises the profile of the Group in pursuit of its growth.
- **Storever:** The growth in the number of points of sale (16,200 at the end of June 2019) gives the division a very high profile, thanks to strong repeat business and an increase in average income per point of sale due to the enhancement of available services.
- **Jamendo:** The pick-up in activity observed in recent months is expected to intensify.

Despite these solid prospects and the strong momentum anticipated by year's end, achieving the growth target originally set above 35% in cc is unlikely. The main reasons for this are that equipment sales at Storever have come in below expectations, and major contracts signed by Targetspot over the past two months are not yet evident in the turnover figures. Still, 2019 will stand out as a successful financial year, with projected growth that should be above 20%, exceeding €30m in turnover (excluding the impact of exchange rates) during the period. This solid growth in business should be accompanied by a substantial improvement in earnings.

Future updates (after the stock market closes):

FY 2019 Turnover
27 January 2020

FY 2019 Results
21 April 2020

CONTACTS

AUDIOVALLEY
Caroline Dupuis
+ 32 (0) 2 466 31 60
press@audiovalley.com

ACTIFIN, financial communication
Victoire DEMEESTERE
+33 (0)1 56 88 11 11
vdemeestere@actifin.fr

ACTIFIN, financial press relations
Jennifer Jullia
+33 (0)1 56 88 11 19
jjullia@actifin.fr