Press release

www.audiovalley.com

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AudioValley: Caroline Dupuis ◆ press@audiovalley.com ◆

Actifin: Victoire Demeestère ◆ vdemeestere@actifin.fr ◆

Annual results 2018: a successful year with the achievement of operating profitability[1]

- **Commitments delivered across all the strategic priorities set at the time of the initial public offering**
- **Improvement in operating profit[1] of +€1.8m becoming positive for the year**
- **Growth of more than 35% expected in 2019**

AudioValley (ISIN code: BE0974334667/ticker symbol: ALAVY) is announcing today the publication of its annual results for 2018.

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After a number of challenges in 2018 – initial public offering, country opening up, launch of new services and signing of strategic partnerships with world players – the AudioValley Group's strategy is already delivering significant results.

Our growth is ensured and accelerating, reaching +35% during the second part of the year. We expect to exceed this pace in 2019.

In terms of profitability, the current operating result before amortisation is now positive. This performance is all the more remarkable given that it was delivered during a year of investments.

We are approaching 2019 in a relaxed manner: AudioValley truly has the technological and commercial strengths to take full advantage of the strong growth within the digital audio market.

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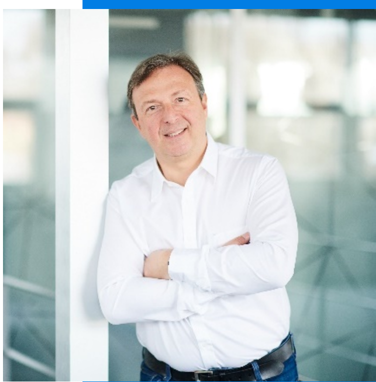
Alexandre Saboundjian

Managing Director and Founder of AudioValley



[1] Operating profitability is understood to mean before amortisation. It was positive in the amount of €0.3m in 2018 (compared with a pro forma loss of €1.5m in 2017).

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To make the figures more readily understandable in terms of comparing one year with another, the financial data and comments relating to the activity and the profit and loss account for 2017 are pro forma data as featured in the prospectus prepared in connection with the initial public offering of July 2018. Consequently, they must be understood as if AudioValley's purchase of the majority interest previously held by Vivendi in the Radionomy/Targetspot activity had taken place on 1 January 2017 whereas it only took effect in August 2017.

On the other hand, the comments regarding the balance sheet and cash-flow situation will concern the elements consolidated at the close of 31 December 2018.

in €K – unaudited	2018 published	2017 pro forma	Variation	2017 published[2]
Turnover	**24,606**	**20,018**	**+22.9%**	**14,015**
Cost of sales	(10,314)	(9,188)	+12.3%	(5,142)
Personnel expenses	(8,751)	(7,757)	+12.8%	(4,549)
Other administrative and commercial expenses	(5,206)	(4,581)	+13.6%	(2,926)
Current operating result before amortisation	**336**	**(1,508)**	**+1,844**	**1,399**
Depreciation and amortisation	(4,368)	(4,095)	+6.7%	(2,171)
Current operating result after amortisation	**(4,032)**	**(5,603)**	**+1,571**	**(772)**
Other net non-current operating expenses	(48)	(339)	+294	(222)
Financial result	(1,466)	(1,614)	+148	(847)
Other	0	22	-22	4,175
Result before taxation	**(5,546)**	**(7,535)**	**+1,989**	**2,335**
Tax on the result	228	378	-150	150
Net result	**(5,318)**	**(7,157)**	**+1,839**	**2,485**

2018 turnover in line with forecasts: 25.0% at CER

The Group's consolidated turnover for 2018 was €24.6m, up 22.9% on 2017 pro forma (+25.0% on a constant exchange rate basis). The Group recorded an increase in its turnover with an acceleration in the second half (+35% on a constant exchange rate basis). During 2018, the Group recorded 33% growth in its turnover in North America. More than 52% of AudioValley's 2018 activity was carried out outside of Europe, confirming the Group's international presence.

[2] Only includes the Radionomy/Targetspot division since its purchase in August 2017

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Radionomy/Targetspot, a solid source of growth

During 2018, the turnover for the Radionomy/Targetspot division (solution for the aggregation and monetisation of digital audio audiences) was €14.2m, up 32.4% (+36.2% on a constant exchange rate basis) on 2017. Business growth was driven by the strong acceleration in activity in the United States (39% on a constant exchange rate basis) and Europe (+26%), where the shift in advertising expenses towards digital ratio is still in its infancy.

Storever, strong momentum combining repeat business and growth

The Storever division ("one stop shop" for audio and video broadcasting solutions in points of sale) posted a turnover in 2018 of €7.7m, up 15.7% on 2017. This good performance is down to the large amount of commercial success, repeat subscription business (75% of the 2018 turnover) and the increase in the average revenue for each point of sale.

Jamendo, a division enjoying a period of revitalised growth

Finally, Jamendo (commercial platform for professional media projects) did not experience the momentum expected in 2018. During the year, the division's performance was up +3.3% on 2017 at €2.7m.

Operating profitability achieved

AudioValley's strong growth momentum during the year, combined with good control of operating expenses, enabled the Group to generate a positive current operating result before amortisation of €0.3m in 2018 (compared with a pro forma loss of €1.5m in 2017). This extremely positive trend reflects:

- The successful relaunch of the **Radionomy/Targetspot** division (control of which was taken over by the company in August 2017) and the relevance of the digital advertising offering marketed by Targetspot resulted in a sharp increase in the turnover and the gross margin, which was €6.1m after taking into account reversals of provisions corresponding to rights totalling €0.45m. These reversals are the result of the efforts made throughout the year to negotiate agreements with the main management companies. Excluding these reversals of provisions, the division's gross margin was €5.6m, i.e. a gross margin up from 37.1% in 2017 to 39.6% in 2018. The current operating result before amortisation was €(1,443)k in 2018 compared with €(3,214)k in 2017, despite the commercial expenses for opening several Targetspot subsidiaries in Europe to take advantage of the boom in digital radio and the swing in advertising budgets towards this area;
- The improvement in the current operational profitability before amortisation of **Storever** which was €2,009k compared with €1,620k in 2017, i.e. a margin on turnover of 26.2% in 2018 compared with 25.2% in 2017. This increase is down to a favourable product mix (subscriptions versus sale of equipment) which generated a gross margin of 81.4% compared with 76.6% the year before; and
- The gross margin of the **Jamendo** division, which was €1,992k including a reversal of provisions corresponding to artists of €200k. Excluding this reversal, the gross margin was relatively stable at around 64%. The current operating result before amortisation dipped slightly to €181k, compared with €298k the previous year.

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These extremely encouraging performances were achieved in the context of an offensive growth strategy across all divisions with:

- Teams being strengthened: 128 employees as at 31 December 2018 (vs. 106 at the end of 2017);
- The expansion of the Group's offerings, notably with the launches at the end of 2018 of the fee-based versions of the Shoutcast streaming offering and the world's first all-in-one service "*Targetspot Podcast Marketplace*" aimed at advertisers in the buoyant podcast segment; and
- The international expansion and the acceleration of commercial success.

The current operating result after amortisation reflects this improvement and was €(4,032)k compared with €(5,603)k in 2017 (pro forma basis), after taking into account essentially non *cash*[3] elements representing a total of €4,368k consisting of:

- €2,721k relating to the straight-line amortisation expense over 10 years for the two technological assets recognised in connection with the *price purchase allocation* carried out following the acquisition of the Radionomy/Targetspot division, i.e. Shoutcast and Targetspot;
- €729k of amortisation expenses for the Storever players financed through leasing but which are restated as fixed assets in the consolidated accounts; and
- €918m of amortisations of other assets of each of the three divisions.

The result before taxation was €(5,546)k compared with €(7,535)k in 2017 after taking into account a net financial loss of €1,466k, notably including:

- €1,072k accretion expense (non *cash*[3]) relating to the seller credit granted by Vivendi regarding the August transaction; and
- €394k of other financial expenses.

The Group's net result for 2018 was €(5,318)k compared with the 2017 pro forma result of €(7,157)k.

Changes in the financial position

As at 31 December 2018, the Group's equity was up from €6,745k at the end of 2017 to €11,148k as at 31 December 2018 after taking into account the proceeds from the capital increase carried out in connection with the initial public offering on Euronext Growth Paris last July (€9.5m raised, i.e. net proceeds of €8.0m) and the net loss from the previous financial year.

At the end of December 2018, the cash flow was €1,018k.

As expected at the time of the initial public offering, and as confirmed when the turnover for 2018 was announced, despite the improvement in its current operating result before amortisation, the company has to find additional funding of around €5.5m in order to meet its payment deadlines over the next 12 months, notably taking into account the payment due on 31 December 2019 relating to the seller credit obtained at the time of the purchase of the majority interest in the Radionomy/Targetspot division (€3.0m) and the payment due at the end of November to settle past litigation (€1.3m).

To enable it to meet its payment deadlines, the Group has begun discussions with various financial actors. These discussions could lead to its debt being restructured along lines as yet unspecified.

[3] non *cash*: no impact on the cash flow

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2019: Acceleration of commercial momentum with turnover expected to grow by more than 35% (at CER)

Radionomy/Targetspot: In 2019, the division will benefit from the growing contribution of the new sales offices that have opened in Europe and Canada, from the good performance of the advertising contracts signed in 2018 and from the new services launched at the end of 2018. Listening to digital media is gaining ground in North America and Europe. Given this momentum, the podcast market is a major development focus for the division, positioned since the end of 2018 with the launch of the first turnkey support solution (from set-up to monetisation) targeted at radio broadcasters and advertisers.

Storever: The growth and profitability outlook is highly favourable for the division, which is seeing an expanded number of points of sale as well as a lot of repeat business and an increase in the average revenue for each point of sale related to the continued enhancement of the offering.

Jamendo: Pivotal to the transformation of the music industry, Jamendo adopted Independent Management Entity status at the start of the year. This is an important step, enabling the division to widen its focus when it comes to managing and monetising rights. Furthermore, the recent appointment of a new Managing Director to head up the division marks the start of a significant period of revitalised growth.

In light of the momentum generated, AudioValley is confident in its ability to post accelerated growth in 2019, with a target of increasing the turnover by more than 35% (excluding exchange rate effects).

Beyond 2019, the Group stands by all of the ambitions presented at the time of the initial public offering.

The auditor, Ernst & Young, Reviseurs d'entreprises SCCRL, represented by Eric Van Hoof, has confirmed that the audit procedures regarding the consolidated financial information contained in this press release have been completed in respect of the substance and have not revealed the need for significant corrections to be made to the information contained in this press release. The audit opinion regarding the IFRS Consolidated Financial Statements (in the process of being drafted) will contain an emphasis of matters paragraph referring to the company's justification for applying the continuity principle to the preparation of the IFRS Consolidated Financial Statements.

Next meeting (after the stock market closes):

Turnover for Q1 2019
17 April 2019

Turnover for H1 2019
16 July 2019

Half-yearly results for H1 2019
16 October 2019

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