

6 April 2021 – 08:30 CEST

## **2020 annual results: AudioValley announces marked improvement in its operating profitability and the preparation of a new growth plan.**

- **Operating income before depreciation and amortization up €1,170K**
- **Vivendi debt fully repaid**
- **Strong growth in the first quarter of 2021**
- **Preparing for the launch of a new business line**

**AudioValley, an international specialist in B2B solutions in digital audio, (ISIN code: BE0974334667 / mnemonic: ALAVY)** has published its annual results for the 2020 financial year and its revenue for the first quarter of 2021.

**Alexandre Saboundjian, CEO:** “2020 was marked by several exceptional events. The health crisis of course, but also the early repayment of our debt to the Vivendi group and the signing of strategic partnerships that enabled us to make up for much of the decline in our business, heavily impacted by the fall in advertising investment at the start of the coronavirus crisis. As our results show, we were able to confront the crisis by controlling our costs. These measures and the resilient mindset that spurred each member of our teams led to a remarkable €1,170K improvement in operating income before depreciation and amortization (from -€548K in 2019 to +€622K in 2020)! In early 2021, we signed new strategic partnerships that give us access to new territories such as Scandinavia. We are also preparing to launch a new rights management business in Europe, a market worth €10 billion!”

## KEY FIGURES

in €000 – IFRS standards – audited	2020	2019	Change
<b>Revenue</b>	<b>19.583</b>	<b>21.962</b>	<b>-10,8%</b>
Cost of sales	(10.290)	(12.223)	-15,8%
Payroll costs	(6.409)	(6.998)	-8,4%
Other administrative and commercial expenses	(2.262)	(3.289)	-31,2%
<b>Operating income before depreciation and amortization</b>	<b>622</b>	<b>(548)</b>	<b>+1.170 K€</b>
Depreciation and amortization	(3.977)	(4.184)	-4,9%
<b>Operating income after depreciation and amortization</b>	<b>(3.355)</b>	<b>(4.732)</b>	<b>+1.377 K€</b>
Other income	9		+9 K€
Other expenses	(25)	(44)	+19 K€
<b>Operating income</b>	<b>(3.371)</b>	<b>(4.776)</b>	<b>+1.405 K€</b>
<b>Gain on disposal / revaluation of equity interest</b>		<b>7.091</b>	<b>-7.091 K€</b>
Financial income/loss	(1.908)	2.276	-4.184 K€
Income taxes	448	(260)	+708 K€
<b>Net income from continuing operations</b>	<b>(4.830)</b>	<b>4.331</b>	<b>-9.162 K€</b>
Net income from discontinued operations		450	-450 K€
<b>Net income (Group share)</b>	<b>(4.830)</b>	<b>4.781</b>	<b>-9.612 k€</b>

## ANALYSIS OF FIGURES

### Revenue down only 10%

In 2020, the Group posted a slight decline in business of 10.8% compared with 2019 (€19.6M vs €22M). At constant exchange rates, this fall was 10.1%.

Activity was strongly impacted by the coronavirus crisis, particularly in Q2 when lockdown measures appeared (-22% compared to Q2 2019). Targetspot's business was impacted by the fall in advertiser ad budgets, especially in the retail sector. The closure of retail outlets also impacted in-store music broadcast licensing.

There was a marked pick-up in activity at the beginning of the summer, mainly thanks to strong growth in European business at Targetspot, which helped to limit the decline in sales for the full financial year. The recruitment of several talents also worked in the Group's favor.

Globally, for the full year, media budgets fell -31% in Europe and -24% in the US<sup>1</sup>. AudioValley's activity was therefore, comparatively, very satisfactory.

### Targetspot (89% of consolidated revenue): international expansion and European growth

Targetspot ended the year with revenue of €17.4M, down only 9.8% compared with 2019 (**9% fall at constant exchange rates**). This performance was the result of strong activity in the United States despite the crisis (€11.3M compared with €14.1M in 2019, which represents a fall of 18.7% at constant exchange rates, and the rapid growth of Targetspot in Europe (€6.1M compared with €5.1M in 2019, i.e. +18.4%). Despite the various lockdowns in Europe that impacted revenue in the 4th quarter, the growth observed reflects the potential in extremely buoyant markets.

The launch in April of Passport Explore, the most advanced digital audio campaign optimization and management platform on the market, was very well received (press release of 23 April).

Targetspot contributed to AudioValley's expansion with the signing of a major partnership in 2020 with MediaDonuts, an international group specializing in advertising technologies, covering India and South-East Asia, and a partnership with Sonos to exclusively monetize their new streaming service Sonos Radio, with its 60,000 radio stations, in 11 countries (press release of 29 April 2020). Targetspot is forecasting significant growth in 2021.

<sup>1</sup>Source: World Federation of Advertisers.

**Jamendo (11% of revenue): a highly promising collaboration**

The Jamendo division recorded revenue of €2.2M, a decrease of 18.2%.

The Covid crisis significantly impacted Jamendo's activity during the 1st half of the year (-22.7% compared with the 1st half of 2019). Business improved somewhat in the second half of the year (-13.2%), mainly due to implementation of the new subscription offer, as well as the signing of a global partnership with Adobe (press release of 22 June 2020) for the launch of Adobe Stock audio which integrates thousands of Jamendo audio tracks with its Premiere Pro software. This partnership expands sources of revenue for Jamendo and its musicians, while benefiting from international visibility.

The creation of Jamendo Rights Management at the end of 2020, a new business line devoted to collective music rights management, will enable Jamendo to broaden its scope of action in terms of managing and monetizing rights. This new activity, which is being prepared for commercial launch, will be a springboard for attracting new talent looking for channels to showcase their musical works. The first revenue from the deployment of Jamendo Rights Management is expected in 2021.

**Operating income before depreciation and amortization positive and up €1,170K!**

The best illustration of Audio Valley's resilience is the sharp improvement in its operating income before depreciation and amortization (**OIBDA**) which was **positive, up €1,170K!** This grew to **€622K compared with -€548K in 2019** mainly due to:

- a significant increase in the consolidated gross margin in 2020, at 47.5%, compared with 44.3% a year earlier; and
- control of fixed costs: temporary or permanent layoffs in the different countries where they were applied facilitated a **8.4% reduction in personnel costs** compared with 2019. More generally, **other operating expenses**, mainly marketing and travel expenses, were cut back as much as possible and were down **31.2%** compared with 2019. The company also received grants amounting to €340K.

This improvement in OIBDA is a continuation of the trend that began in 2019, when it had already increased by €1,125K.

**Sébastien Veldeman, CFO:** “The speed at which the teams adapted as soon as the pandemic appeared enabled AudioValley to cope with this difficult period. We have implemented strict cost control and cash flow protection measures at Group level, through temporary or permanent layoffs, subsidies and maximum cutting back of other operating expenses.”

- **Targetspot** – The improvement in the Group’s operating profitability stemmed exclusively from the Targetspot division: its OIBDA rose from -€0.2M in 2019 to €1.1M in 2020, an increase of more than €1.3M. In addition to controlling costs, this improvement was also due to the increase in the division's gross margin rate to 45.8% compared with 42.4% in 2019.
- **Jamendo** – The Jamendo division saw a sharp downturn in its activity, with less leeway for reducing costs. It recorded a negative OIBDA of -€0.1M for the year. The gross margin rate also improved compared with 2019 (60.8% versus 58%).

### An improvement in operating income after depreciation and amortization

In 2020, operating income after depreciation and amortization **improved by €1.4M**, **it is of -€3.4M** after including largely non-cash<sup>2</sup> depreciation and amortization of €4M, broken down as follows:

- €2.1M with no cash effect (in order to comply with IFRS standards) relating to the straight-line depreciation charge over technological assets recognized under the PPA (Price Purchase Agreement) following the acquisition of the Targetspot division, namely the Shoutcast streaming software and the Targetspot platform;
- €1.3M in depreciation and amortization of other assets linked to the Group's internal development, up €0.3M;
- €0.6M in depreciation and amortization of rights of use for assets recognized under IFRS 16 relating to lease accounting in respect of the consolidated financial statements, which came into force on 1 January 2019. AudioValley opted to apply IFRS 16 using the modified retrospective approach, without restatement of previous financial statements.

At the end of 2020, **there was a net financial loss of €1.9M**, compared with net financial income of €2.3M in 2019. It includes €1M in bond interest and €0.4M relating to a better-fortunes clause, the conditions of which were met under a debt waiver agreement.

Overall, the Group posted a **net loss** of (**€4.8M**), compared with €4.8M in 2019, which had benefited from exceptional items amounting to €11.5M: a capital gain of €7.1M relating to the sale of the Storever division and income of €4.4M relating to the discount obtained following the early repayment of the Vivendi debt.

<sup>2</sup> Non cash: no impact on cash.

## Financial position: Vivendi debt fully repaid and deferral of bond maturity

As at 31 December 2020, **equity totaled €14.8M** compared with €14.4M in 2019.

2020 was marked by two positive financial events.

- In June 2020, **AudioValley successfully raised €5.4M** via a private placement.
- Thanks to which, in July 2020, AudioValley **repaid the last €3M tranche of its debt to Vivendi**. Signed in March 2020, the agreement to defer payment of the last instalment until 30 September 2020 (instead of 31 March 2020) enabled AudioValley to take advantage of the initially provided discount of 35%, representing €8.6M.

**Closing cash** came to €0.8M, compared with €1.9M at the end of 2019.

**Financial debts** for the 2020 financial year amounted to **€15.4M** compared with €18.2M at the end of 2019. They are mainly made up of:

- €8M in convertible bonds issued in July 2019, which mature in July 2024;
- €5M in bonds issued in December 2019 whose maturity has just been deferred from December 2021 to December 2024.

The Group can now fully focus its financial resources on its international development.

**Events after the reporting period: see the quarterly results below**

## Outlook for 2021:

Now focused on 100% digital audio activities, AudioValley benefits from a solid positioning combining technology and international commercial coverage in a structurally buoyant market. Our various partnerships with leading players and the increase in the number of advertisers in the portfolio (more than 200) demonstrate the ongoing shift in advertising campaigns from traditional FM radio to digital audio media (smartphone applications, smart voice assistants, podcasts, video games, etc.) that enable better audience targeting. The arrival of new players on the market, such as SONOS, which has speakers in more than 10 million households worldwide, is likely to intensify advertisers' appetite for advertising campaigns giving unprecedented access to the listeners they wish to reach. **The partnerships signed in 2020 should boost the Group's activity in 2021.**

The financial position, strengthened by the discharge of the Vivendi debt and the deferral of a bond repayment, is also propitious for making it through to the end of the health crisis and quickly returning to growth.

The **launch of the new rights management business Jamendo Rights Management** (based on the liberalization of collective rights management in Europe) is also expected to generate revenue by the end of 2021. It is targeting a market worth an estimated €10 billion in Europe of which it aims to carve out a share.

To help Jamendo in its development, and support the Rights division, the Group is not ruling an IPO in the near future.

The statutory auditor, EY, Reviseurs d'Entreprises SRL, represented by Eric Van Hoof, confirmed that the audit procedures on the consolidated financial information included in this press release have been substantially completed and have not revealed any significant corrections which should be made to the information contained in this press release.

## REVENUE FOR Q1 2021

### Double-digit growth!

**Revenue for Q1 was up 13.2%** compared with Q1 2020 (+17.1% at constant exchange rates), to €5.1M. This was despite business continuing to suffer from the effects of the pandemic and the restrictive measures taken in the various countries, especially in Europe (non-essential shops closed, full or partial lockdown, etc.).

This very satisfactory result was driven by the **Targetspot division, which posted revenue of €4.6M, up 17,8% (+22.3% at CER)**, compared with €3.9M in Q1 2020. Growth was driven by the United States (+34.8% at CER), with Europe still heavily impacted by the pandemic (-1.2%).

Meanwhile, the Jamendo division, still greatly impacted by the crisis, posted **revenue of €0.6M, down 13.8%**, compared with €0.7M in Q1 2020. Three new talents have joined the team to prepare for the recovery.

Revenue in €000 - unaudited	Q1 2021	% of revenue 2020	Q1 2020	2021/2020 change	Variation TCC <sup>3</sup>
Targetspot	4 574	89%	3 883	+17,8%	+22,3%
Jamendo	562	11%	652	-13,8%	-13,8%
<b>Group total</b>	<b>5 136</b>	<b>100%</b>	<b>4 535</b>	<b>+13,2%</b>	<b>+17,1%</b>

<sup>3</sup> At CER: at constant exchange rates.

## NEXT EVENTS

### Release of annual financial report

30 April 2021, after market close

### 2020 half-year revenue

Tuesday 27 July 2021, after market close

## About AudioValley

AudioValley, based in Brussels in the heart of Europe, has been a pioneer and leader in digital audio since 2007. Active throughout the value chain in its sector, and with a global network, AudioValley offers its customers & partners solutions to develop their business through digital audio, both locally and internationally.

The Group is home to iconic brands: Targetspot for the monetization of digital audio content, Jamendo for music sales and music rights management, Shoutcast for streaming technologies and podcast management, and Winamp, the iconic audio player.

The audio sector is undergoing an unprecedented digital revolution with ultra-connected consumers who want access to the best audio content wherever and whenever they want. To cater for these new consumer trends, AudioValley is developing technologies that allow people to instantly enjoy the benefits of digital audio and services that create links between brands and consumers, between publishers and their audience, between publishers and brands, and between artists and music lovers. AudioValley has sites in 9 countries and employs some 100 people worldwide. [www.audiovalley.com](http://www.audiovalley.com)