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Excellent 2021 annual results for the Targetspot division. And strong investment in the Winamp division

- **Dramatic improvement in Targetspot's EBITDA at €2m**
- **Group revenue up 44.5%**
- **Investments in the new Winamp division**
- **Strong growth in the first quarter of 2022**

AudioValley, an international specialist in B2B solutions in digital audio, (ISIN code: BE0974334667 / mnemonic: ALAVY) has published its annual results for the 2021 financial year and its revenue for the first quarter of 2022.

Alexandre Saboundjian, CEO: "2021 was an extremely busy and fruitful year. On the one hand, **we can be pleased with remarkable growth in our revenue (up 44.5%), which reached €28.3 million thanks to the performance of our Targetspot division** in the United States and Europe. Specializing in digital audio advertising, this business is benefiting from the growing adoption of digital audio advertising by not only advertisers but also content publishers. The combination of our technological solutions and our international presence also allows us to successfully position ourselves in new segments in buoyant markets such as podcasts and music platforms. We are also striving to position ourselves in mobile gaming, which will already see convincing results in 2022. Our Targetspot business recorded EBITDA of €2 million, or 7.6% of our revenue. Our revenue growth in 2022 will also enable us to improve this ratio.

On the other hand, we devoted 2021 to revamping our other activities and our strategy. Our **new Winamp division aims to offer a range of income-management services to artists**. It encompasses the activities of Bridger, our new copyright management subsidiary, Jamendo, which sells musical works, and Winamp, our iconic audio player. Developing this new driver of growth requires substantial investment since the end of the second quarter of 2021, which have weighed on our current operating income before depreciation and amortization, which is now slightly negative. As these investments are expected to continue, we are currently looking into financing options to support our ambitious business plan."

KEY FIGURES

EBITDA by division

in €000 – IFRS standards – audited	Targetspot	Winamp	Corporate
Revenue	26,060	2,245	0
Cost of sales	(13,668)	(909)	0
Gross margin	12,392	1,336	0
Staff costs	(7,652)	(1,641)	(251)
Other administrative and commercial expenses	(3,150)	(1,197)	(322)
Other operating income/expenses	403	0	55
EBITDA by division	1,993	(1,502)	(518)

Consolidated result

in €000 - IFRS standards - audited	2021	2020	Change
Revenue	28,305	19,583	44.5%
Cost of sales	(14,576)	(10,290)	41.7%
Payroll costs	(9,544)	(6,409)	48.9%
Other administrative and commercial expenses	(4,211)	(2,262)	86.2%
EBITDA	(26)	622	(648)
Depreciation and amortization	(4,361)	(3,977)	9.7%
EBIT	(4,387)	(3,355)	(1,032)
Other income	-	9	(9)
Other expenses	(273)	(25)	(248)
Operating result	(4,660)	(3,371)	(1,289)
Financial result	(2,813)	(1,908)	(905)
Income taxes	1,037	448	589
Net result for the financial year*	(6,436)	(4,831)	(1,605)

*The Group's net result for 2021 was impacted by an accounting adjustment of over €3.5 million relating to (i) the non-conversion premium on convertible bonds for €1.4m and (ii) amortization of intangible assets for €2.1m having no impact on the Group's cash flow.

ANALYSIS OF FIGURES

Revenue growth of 44.5%

For the full year, Group revenue reached **€28.3 million** (against €19.5 million in 2020)¹, up **48.2%** at constant exchange rates compared with 2020.

This reflects the strong recovery seen especially from the 2nd quarter and, more broadly, the acceleration in the adoption of digital audio globally.

The **Targetspot division** (which accounts for 92% of Group revenue) continued to benefit from the adoption of digital audio by advertisers looking for new distribution channels for their ad campaigns. It reported **revenue growth of 50%**.

Europe performed very well (+32%, €7.9 million) despite the lingering impact of the Covid crisis, while the United States excelled with growth of 60% (€18 million)!

[11 new commercial partnerships](#) were signed in 2021 at Targetspot, many of them in the second half of the year; they will therefore have a positive impact over the coming months, which bodes well for a good 2022.

Meanwhile, the **Winamp division** (8% of Group revenue), which includes Jamendo, which markets the works of 45,000 musical artists, was again strongly impacted by the Covid crisis early in the year (Q1 down 13% compared with Q1 2020), but then recovered to break even at year end **with slight growth of 1.8% compared with 2020, at €2.2 million**. Bridger was officially launched in April 2022.

EBITDA slightly in the red following the establishment of the Winamp division

The **consolidated gross margin** continued to grow, from 47.5% to **48.5%** (following an increase from 44.3% in 2019 to 47.5% in 2020).

The very good EBITDA of +€1,993 K (up by €798 K) at Targetspot on the one hand, and the **investments** made to establish **the Winamp division** – mainly the Bridger digital copyright management platform, the **recruitment of 22 talents** (43.7 FTEs at end-2021 compared with 21.7 at end-2020) and the use of external consultants – on the other hand, pushed the Group's **EBITDA** to **-€26 K** compared with +€622 K in 2020.

It was therefore split between the following divisions:

- Targetspot: excellent EBITDA of +€1,993 K

¹ As a reminder, despite the crisis, revenue had fallen by only 10.1% in 2020, at constant exchange rates, compared with 2019.

- Winamp: -€1,502 K
- Corporate: -€518 K

EBIT (current operating income after depreciation and amortization)

In 2021, **current operating income after depreciation and amortization** fell to -€4.4 million compared with -€3.4 million in 2020, after including depreciation and amortization.

Amortization and depreciation, up +9% was divided between:

- -€2.3 million in operating amortization relating to the amortization of capitalized salaries, up by €0.4 million compared with 2020 and
- -€2.1 million in amortization with no cash effect² (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.

At the end of 2021, **the financial result was €2.8 million in the red** compared with a loss of €1.9 million in 2020. Half (-€1.4 million) was due to the recognition of the non-conversion premium (4%) of convertible bonds (this impact was not present in the 2020 accounts), -€900 K relates to interest on bonds and convertible bonds and -€300 K was due to factoring interest.

Overall, the Group posted a **negative net result of -€6.4 million**, compared with €4.8 million in 2020. As already mentioned, this result is impacted for -3.5M€ by accounting restatements having no impact on the Group's cash flow.

Financial situation: improvement in equity and cash flow

In April 2021, **AudioValley successfully raised €8.6 million** via a private placement, mainly to establish the Winamp division and continue the group's international development.

As at December 31 2021, **Group equity amounted to €16.6 million**, compared with €14.8 million in 2020.

Closing cash increased to €2.8 million compared with €0.8 million at end-2020,

² Non cash: no impact on cash.

impacted by the significant investments made (significant reinforcement of the dedicated team) to develop the Winamp division.

Financial debts rose for the 2021 financial year to **€17.6 million** compared with €15.3 million at end-2020. They are mainly made up of:

- €8 million in convertible bonds issued in July 2019, which mature in July 2024 (their book value was increased by €1.4 million following recognition of the non-conversion premium);
- €5 million in bonds issued in December 2019 maturing in December 2024.

Events after the reporting period

[Read the press release for the launch of Bridger here](#), a new independent copyright management entity that offers songwriters an efficient and cost-free solution for collecting their streaming royalties.

Outlook for 2022

2022 has got off to a very good start for Targetspot (see Q1 revenue below). The [11 new contracts](#) signed in 2021 should bear fruit this year and support the growth of the division.

We expect the shift to continue from traditional FM radio advertising campaigns to digital audio media (smartphone applications, smart voice assistants, podcasts, video games, etc.) that enable better audience targeting.

The **launch of the new copyright management business Bridger** (based on the liberalization of collective copyright management in Europe) is expected to start generating revenue from the second half of 2022. It is targeting a market worth an estimated €10 billion in Europe of which it aims to carve out a share.

However, in view of the massive recruitment plan launched in 2021, which is putting a significant strain on the Group's cash flow pending the first revenues, the Group is studying several options to secure the financing of its Winamp division beyond early June 2022.

REVENUE FOR Q1 2022

60% growth in Europe for Targetspot!

Revenue for Q1 continued to grow by a **very good 30%** compared with Q1 2021 (+21.5% at constant exchange rates), to €6.6 million.

This growth momentum was due to the **Targetspot division, which posted revenue of €6.1 million, up 34.6% (+25% at CER)**, compared with €4.6 million in Q1 2021.

Growth was driven both by the United States (+23%; +13.1% at CER) and by Europe, which posted a spectacular rise, with revenue up 60.4% compared with Q1 2021!

Revenue in €000 – not audited	Q1 2022	Q1 2021	Change	CER ³ change
Targetspot	6,124	4,551	34.6%	25.0%
Winamp	520	562	-7.4%	-7.4%
TOTAL	6,645	5,112	30.0%	21.5%

³ CER: at constant exchange rates.

NEXT EVENTS

[Release of annual financial report](#)

Friday, April 29, 2022, after market close

[2022 half-year revenue](#)

Tuesday, July 26, 2022, after market close

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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, Bridger for 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 is present in 9 countries and employs 150 people worldwide. www.audiovalley.com