

M-AUDIO CORP.

+ 23.00%

IMPRESSIVE AS IT IS, M-Audio's 23% sales growth in 2006 should be viewed in context of its previous annual gains of (looking back from 2005) 20%, 10%, 38%, 35%, 68%, and 128%. Can you say "On fire"? *The Music Trades*' Company of the Year in 2005, M-Audio manufactures soundcards, drivers, keyboard controllers, interfaces, speakers, and other hardware related to digital audio workstations (DAWs) and computer-centric recording. In August 2004 M-Audio was purchased by Avid Technology's Digidesign for a staggering \$174 million.

Much of M-Audio's growth in 2006, reflected also in an 18% gain in exports, can be attributed to its almost infallibly keen product development. Chief Operating Officer Niels Larsen says "The ProjectMix I/O, which combines M-Audio's expertise in Firewire audio and control surfaces, proved to be a real hit with its great design, logical architecture, and compelling price point. Retailers responded to the fact that ProjectMix I/O works with all the major DAWs. At \$1,599 it's also the highest-priced product we have launched to date." The MicroTrack 24/96, a professional two-channel mobile digital recorder, was also "a considerable success." Combined, ProjectMix I/O and Microtrack 24/96 accounted for almost half of M-Audio's growth in 2006, but the Axiom controller keyboard line was the year's single biggest launch. "Where the Oxygen 8 kick-started the controller market for us, the Axiom range takes it to the next level," explains Larsen, who

took over the helm from founder and CEO Tim Ryan in November 2006. "New design approaches make Axiom stand apart from any other controller keyboard, and it adapts equally well to the stage or the studio. Keyboardists recognize the value, and the line has been a huge success because of it." M-Audio's BX5 and BX8 reference monitors, consistently among the category's top sell-



M-Audio COO Niels Larsen.

ers since they were introduced in 2003, also contributed to last year's growth.

As in past years, M-Audio continued to reach out to truly new customers. Most significantly it partnered with Best Buy, Target, and CompUSA to sell M-Audio hardware bundled with the company's entry-level Session music creation application for Windows PC. "These software/hardware bundles provide what we believe is the best user experience for new music makers," Larsen explains. "They helped us get a good foothold in the entry-level market. It's all about creating new customers for our industry. Once they outgrow their

entry-level products, they eventually go to their local music store to take their next step. This approach fits perfectly with our philosophy of democratizing music making through high-quality tools at affordable prices."

Last year M-Audio continued to expand its online advertising and its presence on the web in general. Larsen characterizes the launch an M-Audio MySpace page as "very gratifying since thousands of M-Audio fans visit there regularly just to say 'hi' to us," and "a healthy number of videos featuring M-Audio products posted on YouTube, which is viral marketing at its best." The company focused its print ads on narrow customer segments such as guitar, DJ, and pro audio to get editorial that speaks directly to those segments. By the end of the year the company had earned 25 awards and received hundreds of reviews and other types of coverage.

Larsen suggests that cultural trends bode well for M-Audio. "The mobility trend continues to be strong and certainly influenced our MicroTrack 24/96 sales. Likewise, DJ culture is very popular in general, and that population is reaching out to technology more than ever before. As a result, our Torq DJ software systems got a lot of attention from that community. We have a team that lives and breathes DJ technology and very much represent what's going on right now in the viral world of Web 2.0. As M-Audio grows, our challenge is to maintain contact with what's going on at the grass-roots level within the music business and let young people have a significant influence on the company's direction. That's how we stay ahead in the game."