

9th July 2020

ASX Announcement

ETHERSTACK PLC [ASX:ESK]
("Etherstack" or the "Company")

Appendix 4C and Trading Update

Etherstack is pleased to present commentary on the Company's activities in H1 FY20, to accompany the lodgement of its Appendix 4C cash report for the quarter ending 30 June 2020. Figures quoted for the first half (H1) FY2020 are preliminary and unaudited.

Highlights

- **Revenue Growth:** revenue for H1 2020, is US\$2.4m, up 40% on the previous corresponding period (H1 2019), with a broad mix of equipment sales, support, technology licensing and royalty revenues
- **Strong Positive Operating Cashflow:** the Company generated US\$1.354m net cash from operating activities for the H1 half, and finished the half with US\$1.4m (~AU\$2.0m) cash on hand, representing a quarterly improvement of US\$1m over the previous quarterly 4C position.
- **Strategic Wins:** as previously announced in late June, Etherstack entered into a strategic multi-year Global Teaming Agreement with consumer electronics giant, Samsung, to deliver next generation Mission Critical Push To Talk (MCPTT) over LTE solutions to telecommunications carriers and governments across the globe. The Company also won a material deal to supply digital radio network equipment to a resources sector client in Western Australia.
- **Expansion Wins:** the first half saw repeat business for the Company's deployed large digital radio networks as used in the public safety and electric utilities industries, with material network expansion orders as previously announced.
- **Recurring Revenue Growth:** a combination of new and expansion orders continued to drive the Company's recurring revenue growth as derived from long term support revenue. This trend is expected to continue in the current half year and into FY2021 as more networks and equipment is deployed.
- **Debt Reduction through Convertible Note Conversion:** in the past two weeks, the Company retired A\$2m of debt through the conversion of convertible notes into new equity.
- **Reduced Borrowings:** the Company continued to pay down other debt during the first half of FY2020

Authorised for release by David Carter, Company Secretary

Enquiries

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About Etherstack plc (ASX:ESK):

Etherstack is a wireless technology company specialising in developing, manufacturing and licensing mission critical radio technologies for wireless equipment manufacturers and network operators around the globe. With a particular focus in the public safety, defence, utilities, transportation and resource sectors, Etherstack's technology and solutions can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in London, Sydney, New York and Yokohama.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ETHERSTACK PLC

ABN

34 156 640 532

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (6months) \$USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,248	3,550
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs	(141)	(712)
(c) advertising and marketing	-	(5)
(d) leased assets	(42)	(88)
(e) staff costs	(527)	(1,047)
(f) administration and corporate costs	(217)	(419)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(9)	(19)
1.6 Income taxes refund	2	2
1.7 Government grants and tax incentives	92	92
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	USD 1,406	USD 1,354
1 Development costs are capitalised and shown as investing activities in 2.1(e)		

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (6months) \$USD'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(7)	(19)
	(d) investments	-	-
	(e) intellectual property	(259)	(483)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	USD (266)	USD (502)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(146)	(236)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – Principal element paid on leased assets	(31)	(61)
3.10	Net cash from / (used in) financing activities	USD (177)	USD (297)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (6months) \$USD'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	474	931
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,406	1,354
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(266)	(502)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(177)	(297)
4.5	Effect of movement in exchange rates on cash held	43	(6)
4.6	Cash and cash equivalents at end of period	USD 1,480	USD 1,480

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$USD'000	Previous quarter \$USD'000
5.1	Bank balances	1,480	474
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	USD 1,480	USD 474

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$USD'000

178

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments are director fees to non-executive directors and salaries to executive directors including superannuation.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$USD'000
-	-
-	-
-	-
-	-

7.5 Unused financing facilities available at quarter end

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

\$USD'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	1,354
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,480
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,480
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	Not applicable

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 9 July 2020

Authorised by: David Carter

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.