



# 1H CY21 Results Presentation

## Etherstack plc (ASX:ESK)

20 August 2021

*Authorised for release by David Deacon, CEO and David Carter, CFO*



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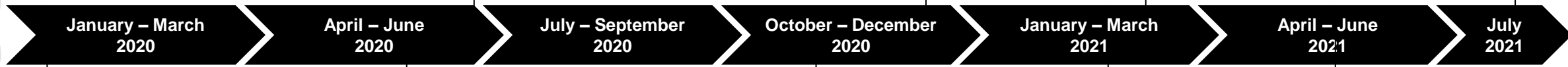
# H1 CY21 OPERATIONAL HIGHLIGHTS

# 1H CY21 Highlights


- 01 First carrier deal with Samsung (announced July 2021) - multiple other Samsung pursuits advancing rapidly
- 02 Increased rate of contract wins – 6 contracts won YTD CY21 diversified across cellular, mining, government, and Defence business lines
- 03 Follow on order with Western Australia based global iron ore mining company – potential for scores of networks globally over next 10 years
- 04 Continued underlying business growth throughout current global situation
- 05 Outlook is very exciting – well positioned for government infrastructure spending

# Solid Deal Flow H1 CY21

-  Land mobile radio networks
-  Cellular networks
-  Recurring / Potential for recurring revenue (i.e Network has 10 year+ life)
-  Government client



 ● **22 July**  
 First contract under Samsung Teaming Arrangement (US\$8.5 million, including US\$1.2 million previously announced)

● **30 June**   
 Global Teaming Agreement with Samsung announced

**18 December**  
 A\$5.0 million Institutional Placement to accelerate growth, invest in R&D and strengthen working capital

**18 February**   
 Samsung integration activities license US\$1.2 million

● **24 January**    
 Ergon Energy Network Expansion Order (A\$520,000)


● **11 February**   
 North American Equipment Sale to Codan (US\$1.35 million)

● **29 May**   
 Contract with CSE Crosscom for WA resources project (Initial value A\$400,000)

● **20 October**   
 Licensing agreement with TPL Systèmes (Min royalties of EUR 440,000)

● **28 October**    
 Royal Canadian Mounted Police network delivered

**7 December**    
 Australian Department of Defence licensing contract (A\$4.1 million)

**11 February**   
 EOS Defence Systems subcontract (A\$500,000)

● **14 May**   
 WA Iron Ore Resources Network follow on order (~A\$600,000)

**26 May**    
 Australian Government contract win (A\$515,000)

**27 May**    
 UK Ministry of Defence win (GBP 220,000)

# Positive Defence & Government Exposure Demonstrated

## Positive Business Environment In Medium Term

- Increased global infrastructure and stimulus spending creating optimal business environment outlook for next 3 – 5 years
- Governments globally are increasing spend on public safety and defence projects due to current world circumstances
- New US\$1 Trillion Infrastructure Bill spend will flow to US federal, state and local public safety communications projects over many years. The US is traditionally Etherstack's largest market
- Sovereign supply chain risks and sovereign manufacturer investment supporting sustained growth outlook over 5 – 10 year window within Australian and the UK businesses


## Immediate Impact on Etherstack's Business

- In July 2020 as the pandemic took hold, Etherstack advised the market of the likely positive impact of the global environment on Etherstack's core public safety business
- In six months between December 2020 and May 2021 Etherstack announced over A\$5m of deals in Australian and UK defence and public safety related wins
- These wins included direct awards with the Australian and UK defence departments

# A\$5m+

## 4 deals in 6 months

**7 December**    
Australian Department of Defence licensing contract (A\$4.1 million)

**11 February**   
EOS Defence Systems subcontract (A\$500,000)

**26 May**    
Australian Government contract win (A\$515,000)

**27 May**    
UK Ministry of Defence win (GBP 220,000)

# Forefront of 5G Public Safety Communications Rollouts

## Samsung Global Teaming Agreement

- Announced in June 2020, the Samsung Global Teaming Agreement has Samsung offering Etherstack's MCPTX based technologies to Samsung's telecommunications carriers globally
- MCPTX is a new "push-to-talk" over cellular technology for first responders on new 5G network rollouts globally
- Etherstack is a recognised world leader in this emerging technology and Samsung have teamed with Etherstack to offer our solution globally to carriers

## Delivering on the Global Teaming Agreement

- In July 2021, Etherstack announced the first carrier deal with Samsung utilising Etherstack's technology. The US\$8.5m initial deal will be delivered across FY21 – FY24.
- Etherstack is supporting Samsung in multiple pursuits that utilise Etherstack's solution with other carriers around the world
- Management expects further carrier awards within the next 12 month window as previously advised to the market

**A\$11m+**  
**First Carrier Deal**  
**(US\$8.5m)**



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# 1H CY21 FINANCIAL HIGHLIGHTS



# 1H CY21 Financial Highlights

01

Revenue Growth: revenue is US\$4.3m up 79% on the prior corresponding period (“pcp”), with growth across all revenue streams:

- Recurring revenues from long term support contracts have increased 30% from pcp
- Royalty revenues driven by sales of licensee products which incorporate Etherstack technology and have increased 129% from pcp
- Strong project revenues

02

Strong EBITDA result: US\$1.5m EBITDA for the half year (US\$0.8m for the pcp)

03

Net profit after tax: US\$0.8m profit for the half year (US\$2.3m loss for the pcp)

04

Reduced Borrowings: the Company continued to pay down debt during the first half of FY2021

05

Increased investment in R&D and development of new office and engineering facility in Sydney

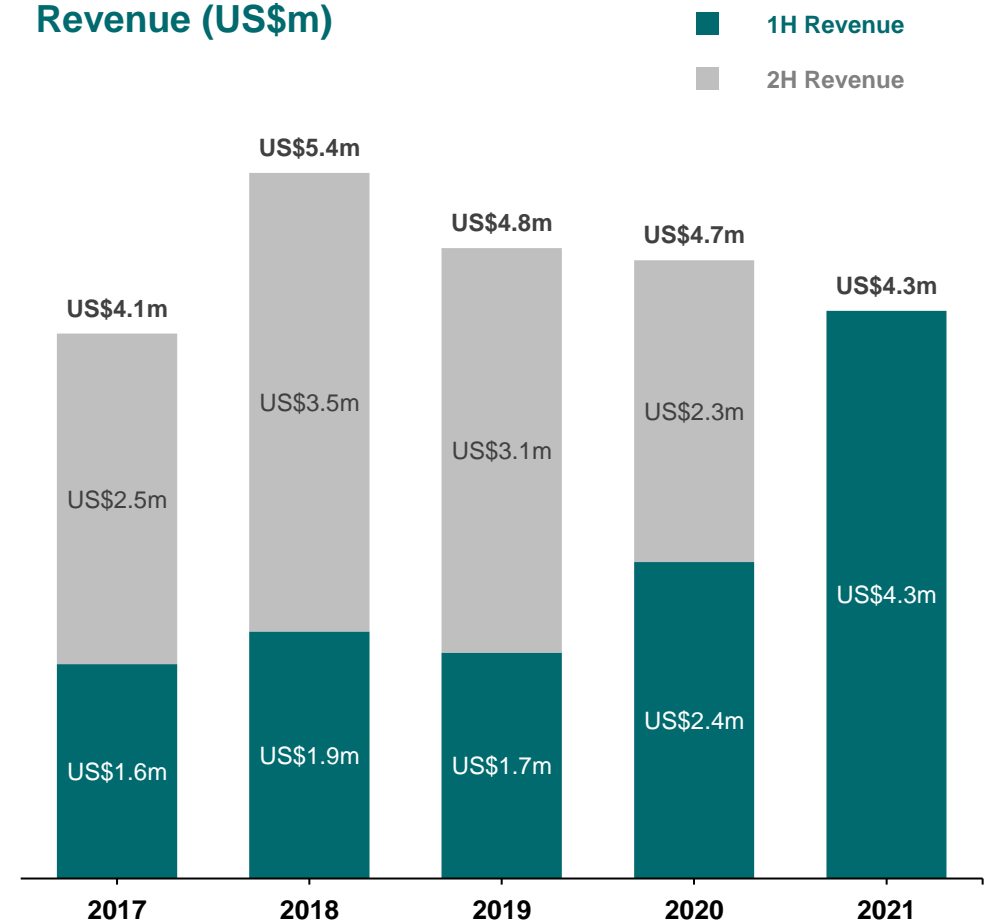
# Highlights: 1H CY21 – Record revenue in 1H CY21

## Revenue Growth

**H1 Revenue**  
**US\$4.32m**  
**up 79% on pcp**

- Revenue for the half year is US\$4.3m up 79% on the prior corresponding period (“pcp”), with growth across all revenue streams:
  - Recurring revenue from long term support contracts have increased 30% from pcp
  - Royalty revenue driven by sales of licensee products which incorporate Etherstack technology and have increased 129% from pcp
  - Strong project revenue from government, defence and commercial clients

Revenue (US\$m)



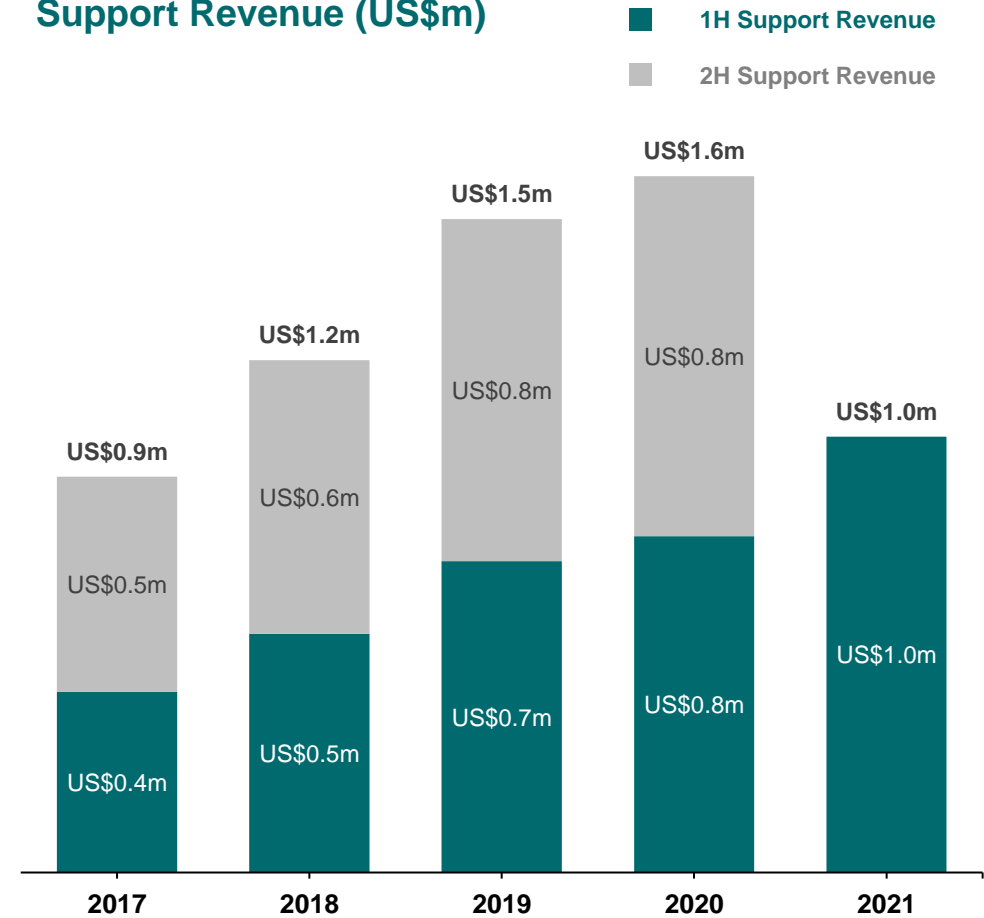
# Highlights: 1H CY21 – Growing our recurring revenue base

## Support (Recurring) Revenue Growth

30% increase  
over pcp

- Support revenue for first half of FY2021 grew 30% to US\$1.0m compared to US\$0.8m for the first half of FY2020
  - Attributable to continued growth in Etherstack's installed support client base
  - Important as these revenues are not subject to the same volatility or timing risk as project revenue
  - CAGR up to 31 December 2020 is 31.2%

Support Revenue (US\$m)



# Highlights: 1H CY21 – Positioned for growth

## Profitability

- Strong EBITDA result: US\$1.5m EBITDA for the half year (US\$0.8m for the pcp)
- Net profit after tax: US\$0.8m profit for the half year (US\$2.3m loss for the pcp)

## Continued investment

- The Company has invested a further US\$1.4m (H1 2020 US\$0.5m) into our suite of intellectual property assets in developing new assets and enhancing existing assets. The company has also invested in a new office and engineering facility in Sydney

## Generating cash

- Continued strong operating cashflow allowing a combination of intellectual property investment, facilities investment and debt reduction simultaneously

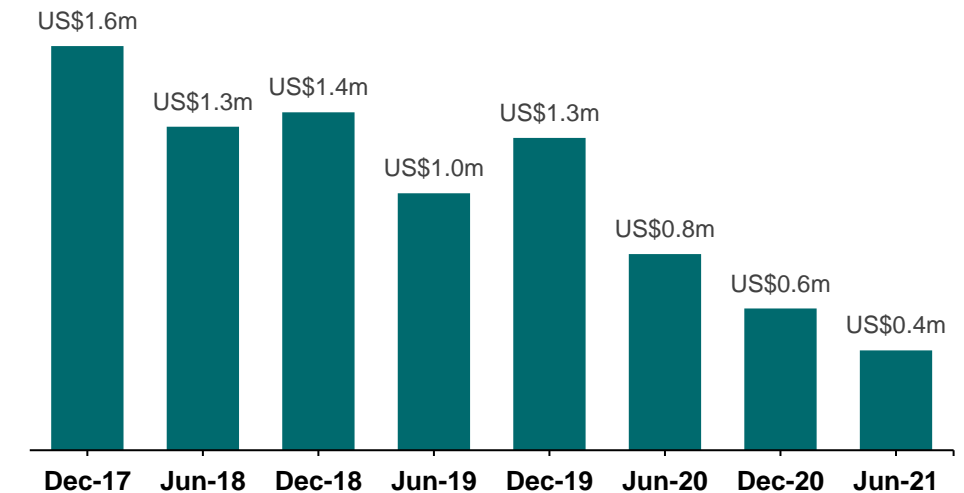
## Sustained debt reduction

- US\$2.4m receivables at 30 June for work completed in H1 CY21

## Stronger balance sheet

- Improved balance sheet, with positive H2 CY21 outlook

## Borrowings (US\$m)



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# COMPANY OVERVIEW

# Customer Base

Etherstack has a globally diversified base of high quality customers / end users across various industries

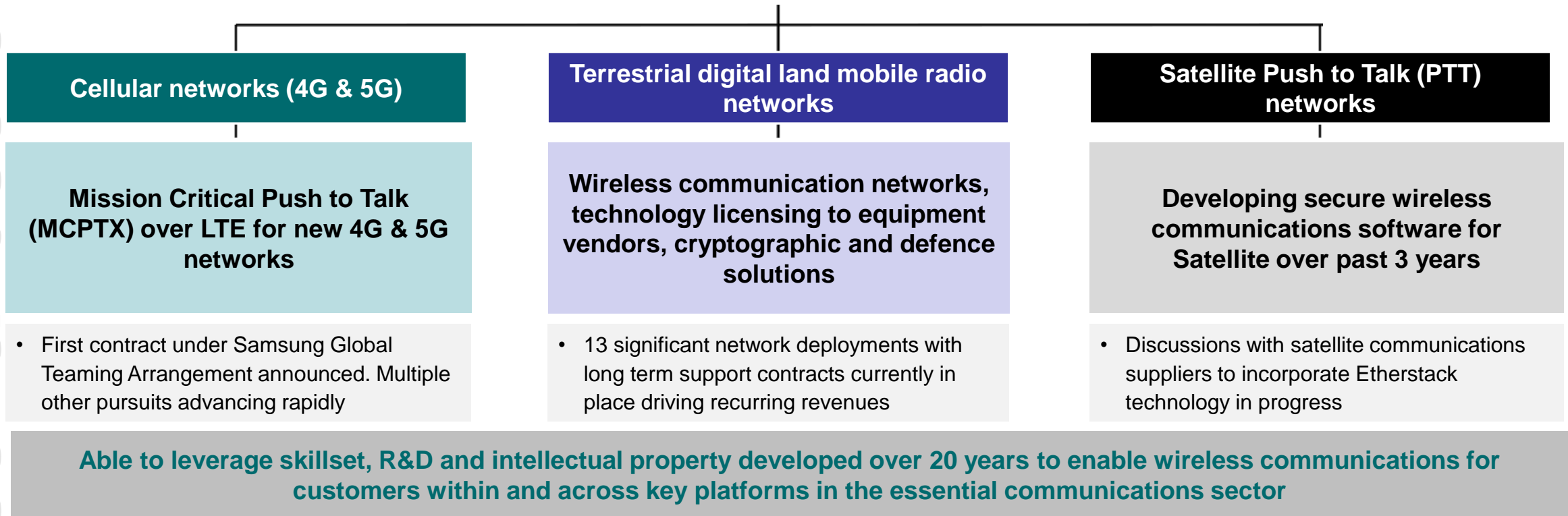


MINISTRY OF DEFENCE



# Our Three Core Markets

Etherstack licenses innovative wireless communications technology across three key platforms



# Case Studies

## Royal Canadian Mounted Police

The Royal Canadian Mounted Police (RCMP) are the federal and national police service of Canada, providing law enforcement at the federal level



**November 2019** – Etherstack contracted for delivery, commissioning and on-going support of a secure encrypted digital radio network spanning 26 sites

### Key details

- Initial order value CAD\$1.7 million
- RCMP network will be Etherstack's second largest network in Canada (after 82-site ATCO Electric network in Alberta)
- Etherstack successfully delivered and commissioned initial digital radio network for the RMCP within the Arctic Circle as at November 2020
- Recurring SaaS-like support revenues expected at 15 – 20% pa

### Engagement from Etherstack engineers globally to deliver

- Etherstack engineers in Canada, Australia, Japan, UK, and US were involved in the solution delivery

### Additional tranches

- Additional sites expected in 2021 & 2022
- Management expects long term support revenues to commence in Q3 2021 and believe will likely continue for a further 15 years

## Western Australia Iron Ore Project

Large resources projects require essential communications for operations and safety in hazardous environments. Operations would cease without 100% continuous communications, hence the need for “government grade” communications systems.

**May 2020** – Etherstack's subsidiary, Auria Wireless, entered into a contract with CSE Crosscom, to use Etherstack software to deliver the first stage of a multi-stage P25 digital LMR network project to CSE Crosscom's mining client

### Key details

- Initial order value A\$400,000
- End user is a major mining company with activities in Pilbara region, WA
- Recurring SaaS-like support revenues expected at 15 – 20% pa

### May 2021 – Follow-on order

- Follow-on order expected to generate A\$600,000
- A third expansion order is expected later in 2021, or early 2022

### Additional tranches

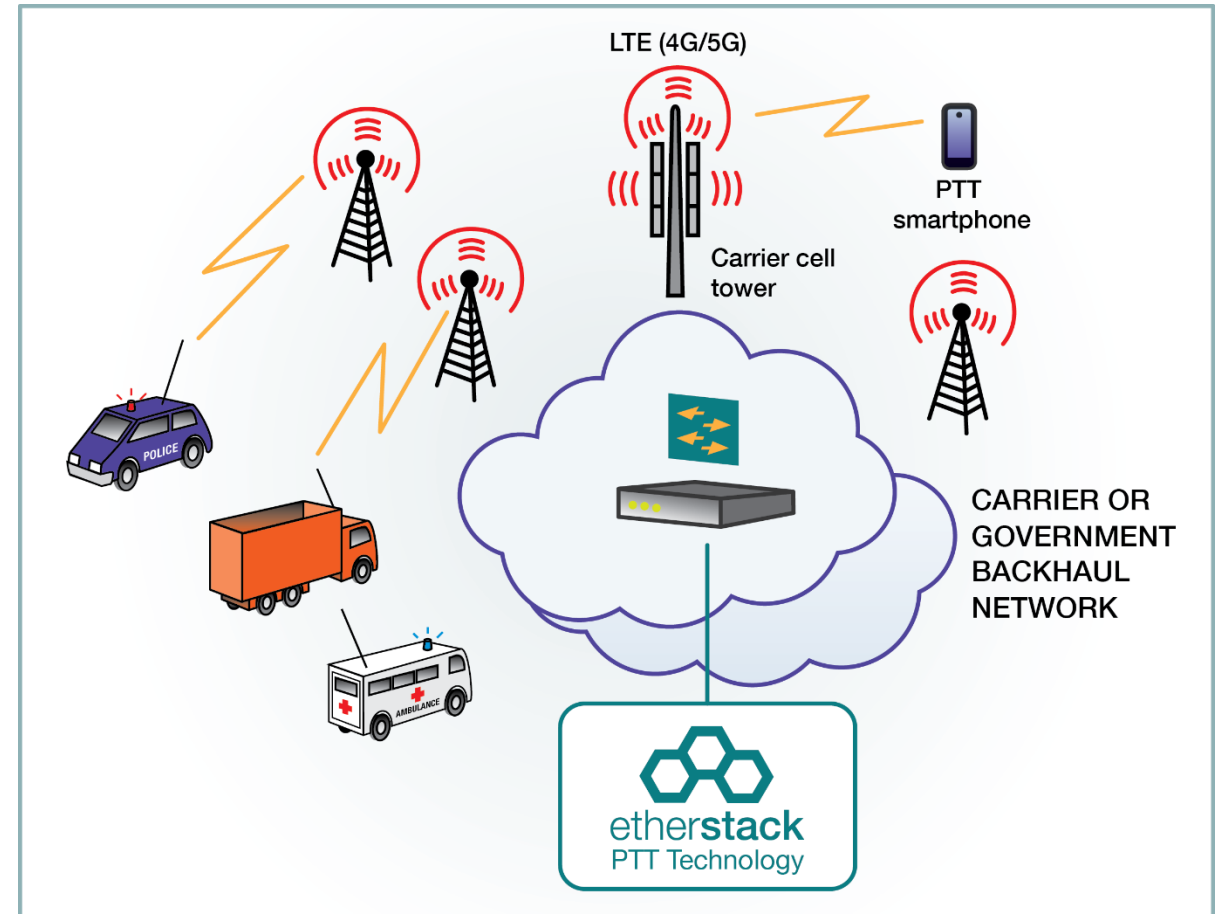
- Completion of deployment and network commencing live communications will signal start of recurring support opportunity
- Potential to rollout to many of client's 50+ other mining sites globally over the next 10 years as existing networks renewed



# Our Solutions

Etherstack is a leading licensor of wireless communication software, enabling push-to-talk (PTT) communications for essential services, within and across advanced digital land mobile radio, cellular and satellite networks

- Core network products are high margin. These software based solutions typically include long term support contracts
- Etherstack core revenues transitioning to an Enterprise SaaS (software as a service) model;
  - This is due to migration of existing PTT network solutions from specialised infrastructure hardware to network cloud based services
- Etherstack's software is underpinned by complex intellectual property developed over the course of 20+ years
- Global teaming partnership with Samsung Electronics with respect to Mission Critical Push To Talk (MCPTX) over LTE to drive additional growth
- Etherstack has a globally diversified client base
- Etherstack maintains R&D and support offices in the UK, US, Japan and Australia



Digital LMR Networks

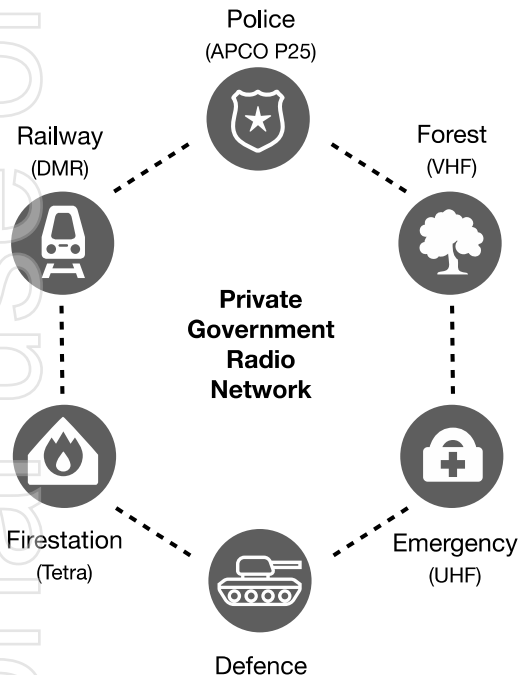
Cellular networks (4G & 5G)

# Evolving public safety communications – hybrid networks

Etherstack's software enables interoperability between traditional and new 4G & 5G networks for public safety communications.

## TODAY

Terrestrial Digital Radio Network



## 5G MIGRATION

Hybrid, telco carrier based public safety mobile broadband



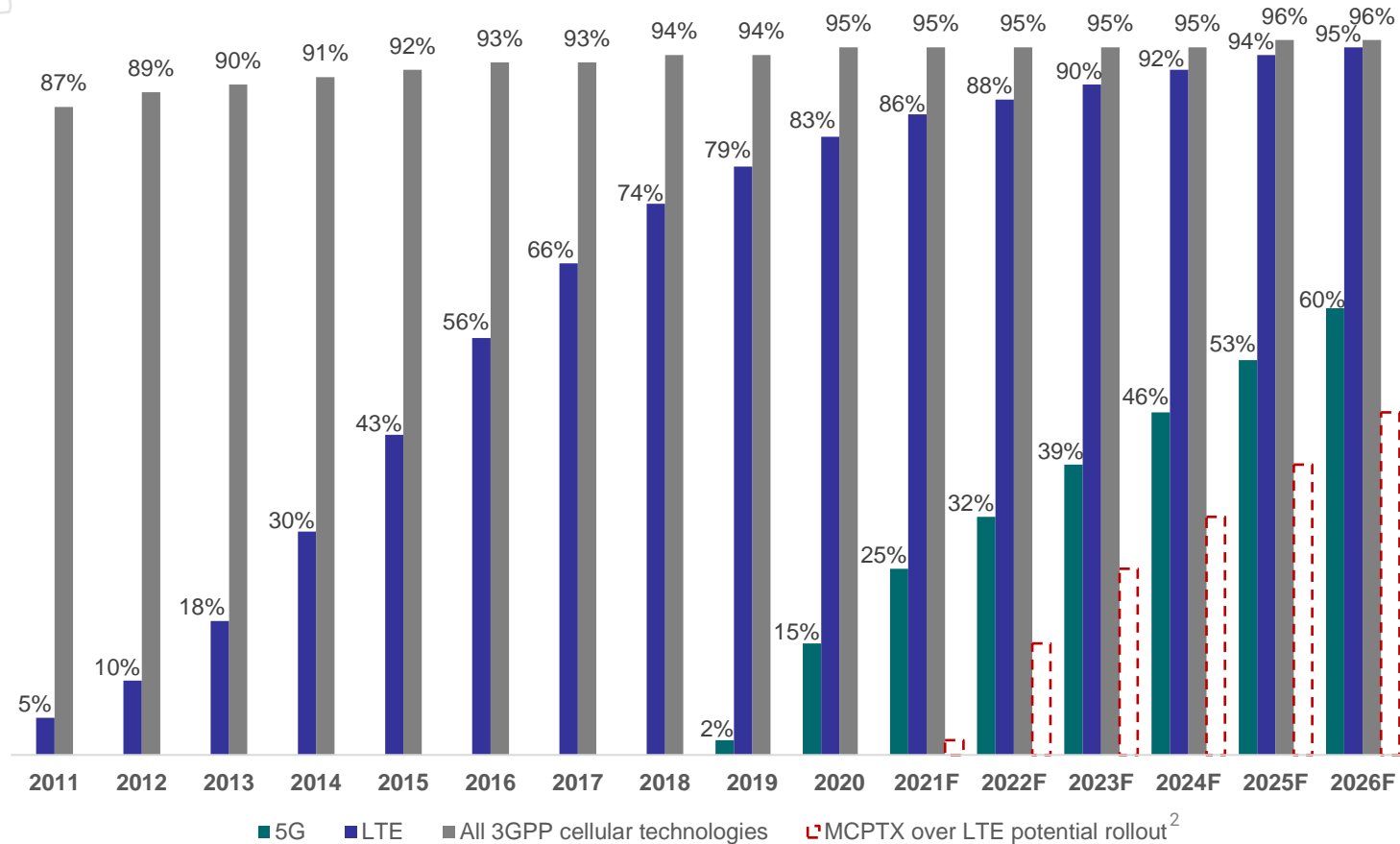
## Mission Critical Push To Talk (MCPTX) over LTE

- Availability of new wireless technologies (wifi, 4G & 5G) is transforming public safety communications
- Traditional digital radio (VHF& UHF) networks are still essential – these being the networks used by police, firefighters, ambulance and electric utility personnel today. Governments today spend billions of dollars on these types of networks. These are 15 – 20 year infrastructure projects
- Interoperability between new and existing networks is key to enabling a smooth transition to newer technologies, without disrupting current service capabilities
- Etherstack technology enables interoperability within and between, traditional (digital radio and new (4G & 5G) networks for MCPTX public safety communications
- Etherstack entered into a Global Teaming Agreement with Samsung in June 2020 to deliver this solution to telecommunications carriers

# Rollout of new communications technologies – migration

Global rollout of 5G networks is expected to drive demand for Etherstack MCPTX over LTE technology in coming years

Mobile Population Coverage (%) by Technology<sup>1</sup>



- 5th generation mobile network (5G) delivers higher peak data speeds, ultra low latency, and more reliability
- 5G is used across three main types of services: enhanced mobile broadband, mission-critical communications, and the Internet of Things
- 5G network coverage expected to grow from ~15% of global population in 2020 to ~60% in 2026
- National carriers are expected to provide guaranteed public safety communication capacity to public safety agencies in each country
- As a result, demand for Etherstack’s MCPTX over LTE technology, is expected to rise significantly over next 36 – 48 months

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# Etherstack – Key Competitive Strengths

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- ✓ 20+ years of intellectual property development across LMR and carrier communications
- ✓ Global presence
- ✓ Established support base – stable SAAS-like revenues
- ✓ Key reference clients established including RCMP and WA resources sector client – this is a conservative industry and credibility is a key barrier to entry
- ✓ Tailwinds expected in LMR as a result of stimulus spend and evidenced in half year
- ✓ Samsung is a sales force multiplier in carrier cellular networks space
- ✓ Small company agility to compete with large players

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# CY21 – OUTLOOK AND MILESTONES

# Etherstack 2H CY21 Outlook

## 2H 2021 Outlook – Contracted Revenue

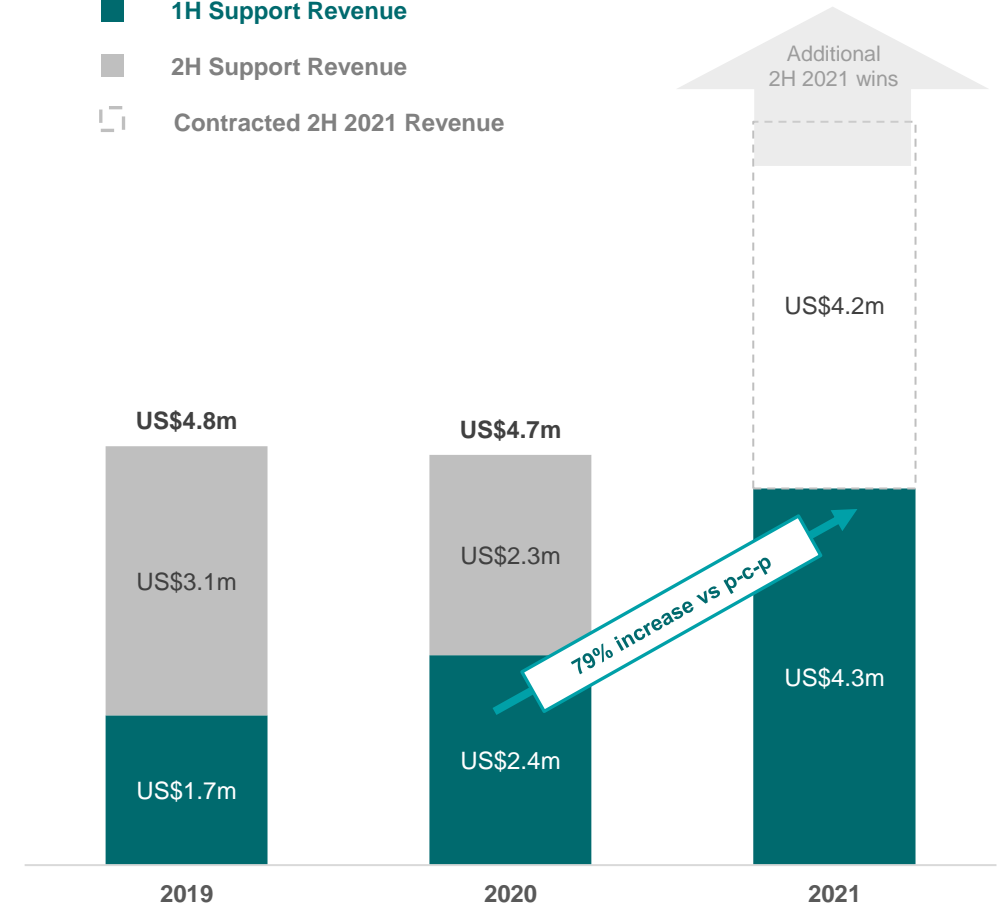
- Etherstack has already achieved contracted revenue for 2H 2021 of US\$4.2m, comprised of:
  - US\$3.0m in contracted revenues not associated with Samsung teaming agreement
  - US\$1.2m of Samsung related revenue announced in February 2021, expected to be recognised in 2H FY2021

## 2H 2021 Outlook – Additional Revenue

- In addition to the contracted revenue above, the company expects further 2H 2021 project wins and revenues from other parts of its business, such as defence, equipment sales and technology licensing

## Etherstack Revenue

- 1H Support Revenue
- 2H Support Revenue
- Contracted 2H 2021 Revenue



# Key milestones

## Key operational milestones achieved by Etherstack leading up to 2021

- June 2019 – Order from the US State Department & supply contract with an Australian state police force
- October 2019 – Order from Australian energy utility for equipment and software at 18 new sites
- November 2019 – Etherstack wins Federal Police Digital Radio Network in Canada
- May 2020 – Etherstack enters contract with CSE Crosscom
- **June 2020 – Etherstack signs Global Teaming Agreement with Samsung for 4G/5G Public Safety**
- October 2020 – Etherstack signs licence agreement with TPL Systèmes
- November 2020 – Etherstack signs \$4.1m first stage Australian Defence Contract
- **July 2021 – Etherstack signs initial Carrier deal with Samsung USD \$8.5 m**

## Strong outlook for 2021 and going forward driven by focus on key strategic initiatives:

- ✓ Supply of MCPTX over LTE solution for first 5G networks under Samsung Teaming Arrangement
- ✓ Progress towards 2nd stage of Western Australia resources project and grow resources sector clients base
- Procure initial contracts with satellite network terminal providers to incorporate Etherstack technology into their network solutions
- Expansion of existing Australian & International public safety networks
- License and supply of defence communications solution to other nations
- Commencement of upgrades to virtualised switching solutions across installed base
- Supply of MCPTX over LTE solution for additional 4G / 5G networks under Samsung Teaming Arrangement

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