

FY21 TRADING UPDATE AND REVISED REVENUE GUIDANCE – REVENUES UP 77%

Key highlights

- **Increased revenue guidance of US\$8.4m to US\$8.6m for FY21, representing an increase of between 77% and 83% over FY20 full year revenue**
- **Significantly increased profitability with an expected EBITDA of approximately US\$2.5m and NPAT of US\$1.3m, assuming revenue is in the lower half of the expected range**
- **Positive operating cashflow for FY21, allowing for expanded R&D investment**
- **Strengthening of balance sheet, with remaining debt retired in second half FY21**
- **US infrastructure spending at the state & local government level is expected to drive significant growth in digital LMR networks**
- **The Company considers its unique product and service offering will enable it to secure a material new award within 6 months in the North American market**
- **Expectation to announce a second telco carrier win via Samsung within the first half of 2022**

Financial update

Positive Revenue, EBITDA, Cashflow & NPAT Results

After the Company's strong first half performance, Etherstack plc (ASX:ESK) ("Etherstack" or the "Company") is pleased to provide a trading update with full year revenue guidance for FY21 of between US\$8.4m and \$8.6m based on expected deliveries prior to our 31st December financial year end. This will represent an increase of between 77% and 83% over the FY20 full year revenue.

As a result of the increased revenues the company has significantly increased profitability, and provides further guidance, assuming revenue is in the lower half of the expected range, of an expected EBITDA of approximately US\$2.5m, NPAT of approximately US\$1.3m and significant positive operating cashflow for the year.

Debt Retirement and Strengthened Balance Sheet

The strong operating cashflow has allowed the Company to simultaneously expand R&D investment, build a new engineering facility in Chippendale and retire the last of the Company's remaining debt in this current half year. The balance sheet has continued to strengthen.

Strong Growth and Tailwinds for FY22 Across All Business Areas

The inherent nature of the business means medium term revenues forecasts and market guidance is difficult to provide however the following management commentary outlines activities currently underway which will be finalised and announced in 2022.

Business update

Digital LMR Networks

Long term profitability driven by recurring revenues earned over the 10-15 year lifecycle of the network continues to grow. US infrastructure spending at the state & local government level is expected to drive significant growth. The Company expects to announce a material new award within the next few months in the North American market.

5G Cellular MCPTX

Our initial carrier win (US\$8.5m) is progressing well, and on schedule for delivery in FY22. Our Global Teaming Agreement with Samsung continues to bear fruit and the management expects to announce a second telco carrier win via Samsung in the first half of 2022 in an OECD country. Further carrier pursuits are underway between Samsung and Etherstack.

Defence & Tactical

In November 2020, Etherstack announced an A\$4.1m initial deal with the Australian Defence Force which the Company has been delivering over the course of FY21 and into FY22. The project is progressing well and positions the Company for subsequent opportunities. Management expects to announce further Australian projects within the next 6 months. The Company is actively engaged on other projects with the UK Ministry of Defence, and also has received a new order from the Canadian government for tactical communications equipment.

Resources sector

In October 2021, Etherstack received a further follow-on order of A\$280k (not previously announced) with an Australian iron ore producer related to one of their mining projects in Western Australia. This third software and equipment order within the space of 18 months brings the total revenue from this single account to A\$1.1m. The Company is aware of other opportunities for the same iron ore producer including a large project planned for H2 FY22.

Outlook

The outlook for government led stimulus spending programmes on infrastructure projects in the Company's home markets of the US, Canada, Australia and UK provides management with a positive medium-term outlook over the next 3-5 years.

Additionally, the focus on sovereign defence capabilities and associated government spend in Australia and UK provides management with a longer-term positive view for our burgeoning defence business within these markets over 5-10 years.

Etherstack CEO, Mr David Deacon said: *“With global infrastructure and domestic defence spending predicted to be particularly strong over the next 5 plus years, Etherstack is poised for significant growth in our core business areas. The high margins associated with software delivery and strong growth in our recurring revenues derived from long term support contracts point to sustainable and increasing profitability for the foreseeable future.*

“In support of our sustainable growth objectives, the Company continues to consider complementary acquisitions within its core markets that are cashflow positive, accretive, and provide both strategic and market expansion benefits to its core products and businesses”.

Webinar details

Date/time: Wednesday, 24 November 2021 at 9:00am (AEDT)
Presenters: David Deacon (CEO), David Carter (CFO), Martin Duff (Corporate)
Registration link: https://us02web.zoom.us/webinar/register/WN_arprd7dnQ-6nBXPEqsSiFg

Investors will be able to use the Q&A function on Zoom during the webinar, or can submit their questions ahead of the webinar to melanie@nwrcommunications.com.au

The Company cautions that its revenues can be derived from a small number of individually material contracts and any acceleration or delay to delivery timelines can cause material shifts in the timing of recognition of revenues.

Authorised for release by David Carter, Company Secretary

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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.

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