



etherstack
wireless innovation

Corporate Presentation

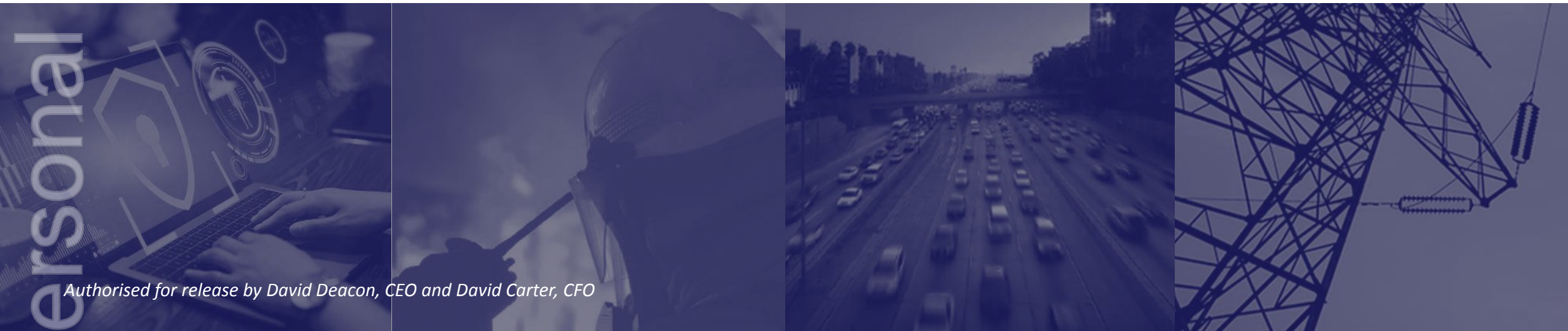
Etherstack plc (ASX:ESK)

25th November 2021

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



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Company Overview

A leading licensor of innovative wireless technology for mission-critical communications

Etherstack enables push-to-talk (PTT) communications for essential services, within and across advanced digital land mobile radio (LMR), cellular and satellite networks



Globally diversified client base across various industries



Over 20+ years of complex IP underpinning software



Cellular revenues similar to SaaS-like high gross margin revenues



High margin core network products

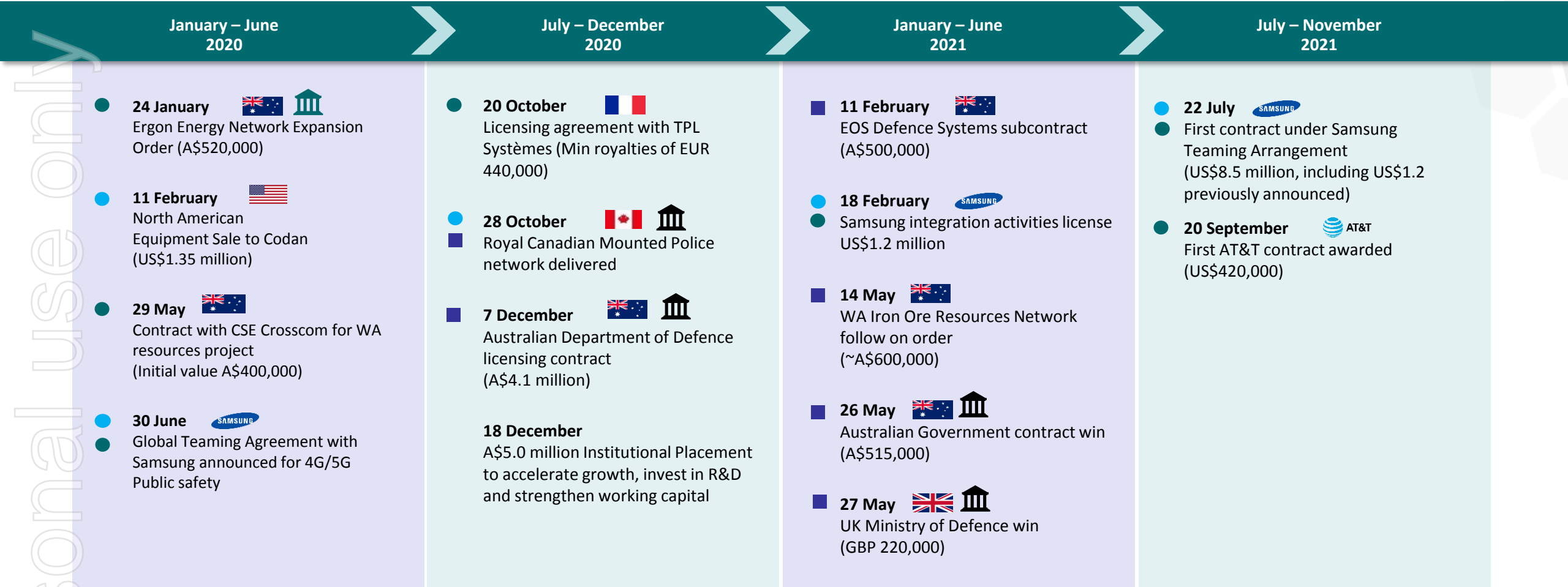


Samsung global teaming arrangement to deliver accelerated growth



Solutions typically include long term support contracts

Key Developments Timeline



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

Leveraging innovative technology and IP that is adaptable across key platforms and customers

Continued growth in LMR networks. Cellular networks adding material value now and into the future. Satellite networks likely to deliver subsequent and future value



Digital Land Mobile Radio (LMR) networks



- Wireless communication software
- Used by public safety, utilities, transportation and resources sectors
- Increasing number of network deployments
- Core network elements with SaaS-like high margins
- Long term support contracts driving recurring revenues

Mission Critical Push to Talk (MCPTX) over cellular networks (4G & 5G)



- Government regulatory tailwinds the catalyst for transforming public safety communications
- Solution enables LMR users expanded coverage from cellular networks – hybrid networks
- Cellular networks to drive innovation in the sector due to greater transference of data including voice and images
- First contract under Samsung Global Teaming Arrangement
- Other opportunities advancing rapidly

Satellite Push to Talk (PTT) networks



- Falling satellite tariff costs the catalyst for change in the communications sector
- Satellite enables extended radio coverage outside urban areas
- Developing secure software for satellite communications over past 3 years
- Opportunity to incorporate Etherstack technology into satellite communication suppliers

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Digital Land Mobile Radio (LMR) Networks

A significant US\$3.0b market opportunity exists for growth in target contracts

Developed a full suite of LMR core technologies for voice communications

Scores of target sized contracts available for competition



150 – 250

in target regions annually ¹

Etherstack target network contract size



US\$0.5 – 20m

Upfront fees per contract

Etherstack target addressable market



US\$3.0b

addressable network deployments annually ¹

Limited market participants and high-barriers to entry



Less than 10 major network vendors globally

extraordinarily high technical and commercial barriers to entry, with market dominated by a handful of very large players

Recurring revenue growth



31%

Support revenue CAGR over the past 5 years

Recurring support revenues



15 – 20%

of upfront deployment fees annually ¹

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Extensive experience delivering software based digital LMR networks

Enables rapid and reliable communication across networks including public safety, utilities, resources and transportation industries

- Networks are mission critical infrastructure - used within essential services and high hazard environments
- Delivers flexible, feature-rich, and future-proof LMR networks
- Supports any combination of analogue and digital communication standards
- Contracts with global names and Government-backed entities
- Referenceable customers are key
- Support contracts often ~ 10 - 15 years

A globally diversified base of high quality customers across various industries



Contracts are commonly government backed



10 – 15 years typical lifespan of networks



US\$0.5 – 20m generated in upfront licensing fees



~15 – 20% p.a. of upfront fees in support revenues
Follow-on orders and other ad-hoc revenues

Sustained growth via key customer wins

Currently targeting network contracts valued between US\$0.5 – 20.0m in upfront revenues

2021



2022



2023



2024



2025

Etherstack has historically won 1-2 customer networks per year

Organic growth



Continued growth from internal global sales team. Add significantly to upfront license fee and long-term support revenues

Captured customers



Likely growth from 'captured' customers. Add significantly to upfront license fee and long-term support revenues

Mid-lifecycle refresh and ad-hoc revenue



Expected mid-lifecycle refresh and ad-hoc revenue from existing customer. Additional revenues beyond upfront license fee and long-term support revenues

Growth through acquisition



Potential to increase % win on tendered networks via strategic acquisition of other network element suppliers

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Cellular Networks (4G & 5G)

(Mission Critical Push to Talk (MCPTX) over LTE)



A large and growing US\$250 – 750m market opportunity

Leveraging existing technologies to exploit significant opportunity in the immediate to medium-term

Contracts available for competition



60 - 90

In OECD countries over ~5 years¹

Upfront licensing fee potential



US\$2 – 8m

per contract

Long term recurring revenue stream



High Margins

comparable to enterprise SaaS peers

Etherstack target addressable market



US\$250 – 750m

Upfront licensing fees in OECD and other near target countries¹

Key market participants



Samsung, Nokia Siemens Networks, Ericsson, Huawei & NEC

with national 5G deployment network rollout capabilities

Non-OECD contracts for competition

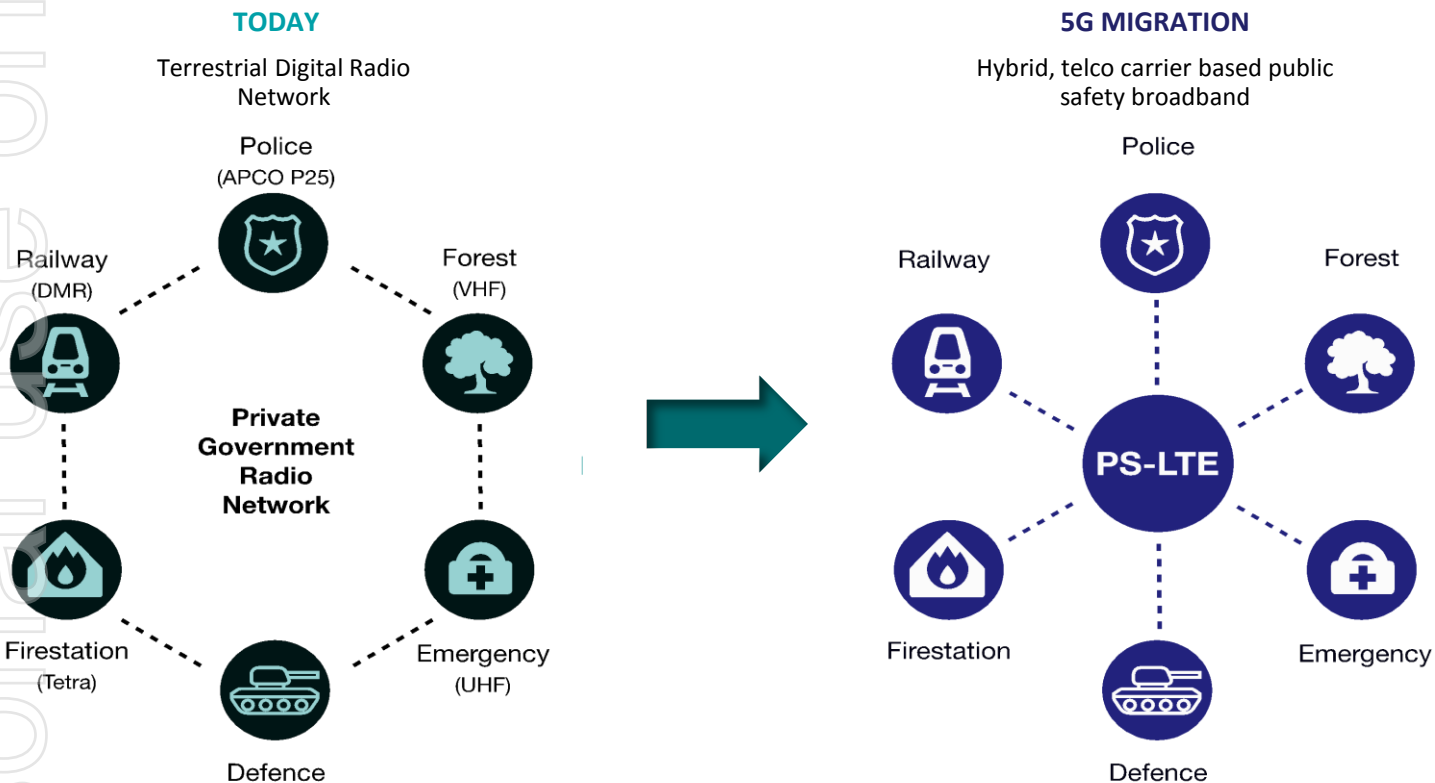


100 – 200

over next 5 – 10 years¹

Evolving public safety communications – hybrid networks

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



New wireless technologies (wifi, 4G & 5G) is transforming public safety communications

Traditional digital radio networks used by police, firefighters, ambulance and industry will remain essential

Hybrid networks will be deployed rapidly over the near to medium-term - interoperability software is the key

Etherstack technology enables interoperability between traditional digital radio networks and new (4G & 5G) networks for public safety communications

Etherstack entered into a Global Teaming Agreement with Samsung in June 2020 to deliver this solution to its customers globally

A Global Teaming Agreement with Samsung delivers Etherstack's technology to customers globally

To supply software solutions and ongoing support services to Samsung's global telco carrier clients as part of Samsung's 5G network roll-out

Samsung Global Teaming Agreement



Partnered with Samsung to deliver next generation MCPTX over LTE solutions on the rollout of new 4G & 5G networks globally

Global regulatory tailwinds



Government regulatory demand for MCPTX over LTE solutions is underpinning demand on 5G carriers and is expected to deploy rapidly over the next 36 – 48 months

Upfront license fees



Each contract likely consist of an initial roll-out, during which Samsung will pay a software licencing fee

Ongoing support fees



Subsequent to the network becoming operational, support services will be provided to Samsung under contract to maintain its software within the 5G carrier network

Long support fee tails

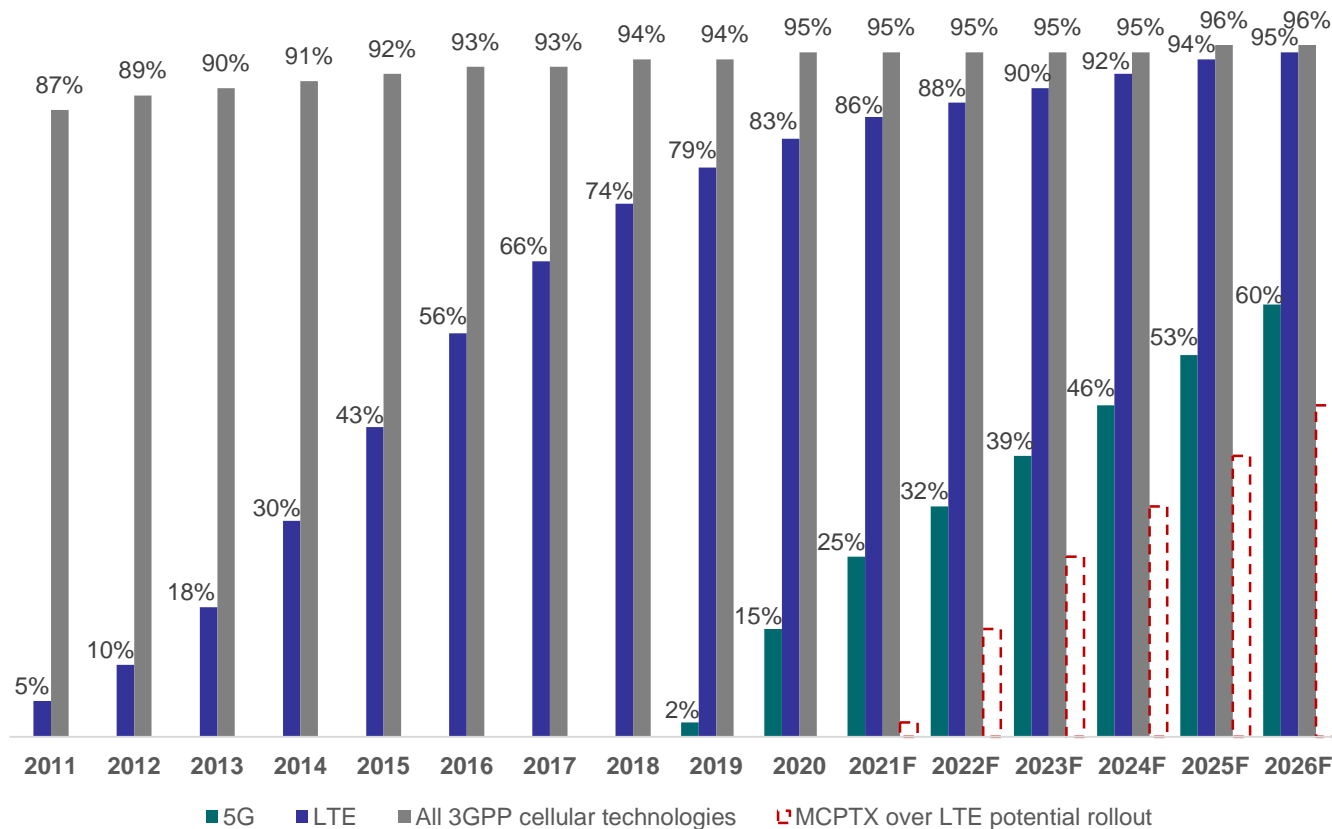


High probability the support services arrangement remains in place for the lifetime of the network

5G expected to drive demand for MCPTX over LTE technology

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

Mobile Population Coverage (%) by Technology¹



National carriers are expected to provide guaranteed public safety communication capacity to public safety agencies in each country

5th generation mobile network (5G) delivers higher peak data speeds, ultra low latency, and more reliability

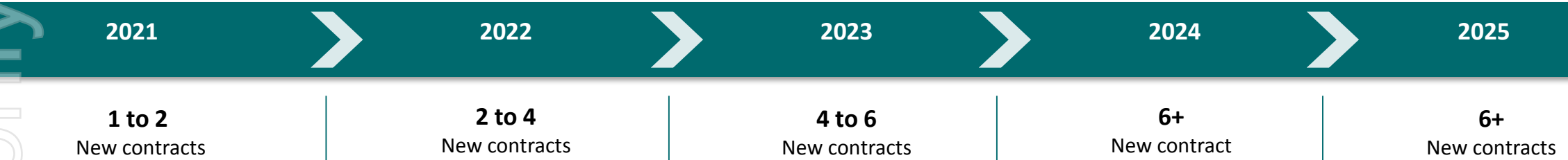
5G is used across three main types of services: enhanced mobile broadband, mission-critical communications, and the Internet of Things

5G network coverage expected to grow from ~15% of global population in 2020 to ~60% in 2026

As a result, demand for Etherstack's MCPTX over LTE technology, is expected to rise significantly over next 36 – 48 months

Samsung global teaming agreement drives additional growth

Targeting more than 25 contract wins over the medium term



First mover advantage

Samsung's clients will be the first carriers to roll out a 5G network incorporating Etherstack's MCPTX technologies

Upfront & recurring revenues

Each network provides upfront licensing and deployment revenues, as well as long term support revenue tails

Strong pipeline

Etherstack and Samsung are actively involved in multiple carrier pursuits globally

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Satellite Networks

Well positioned to capitalise on low cost satellite technology opportunities

Etherstack is ready to capitalise on emerging wireless communications opportunities made available by new low cost satellite technology



US\$56.0b

Value of global satellite communications market in 2019¹

**9.2%
CAGR**

Global satellite communications market CAGR from 2019 – 2027¹

Falling satellite tariff costs the catalyst for change in the communications sector

Emergency services currently operate in radio voids when in remote areas. Satellite networks enable extended radio coverage

Development of secure push to talk (PTT) over Satellite solutions for the past 3 years and trialing them with pilot public safety customers in Australia, the US and Canada

Recently delivered a PTT over Satellite solution for a Canadian federal policing and security agency

Discussions with well known satellite communications suppliers to incorporate Etherstack's technology into their networks

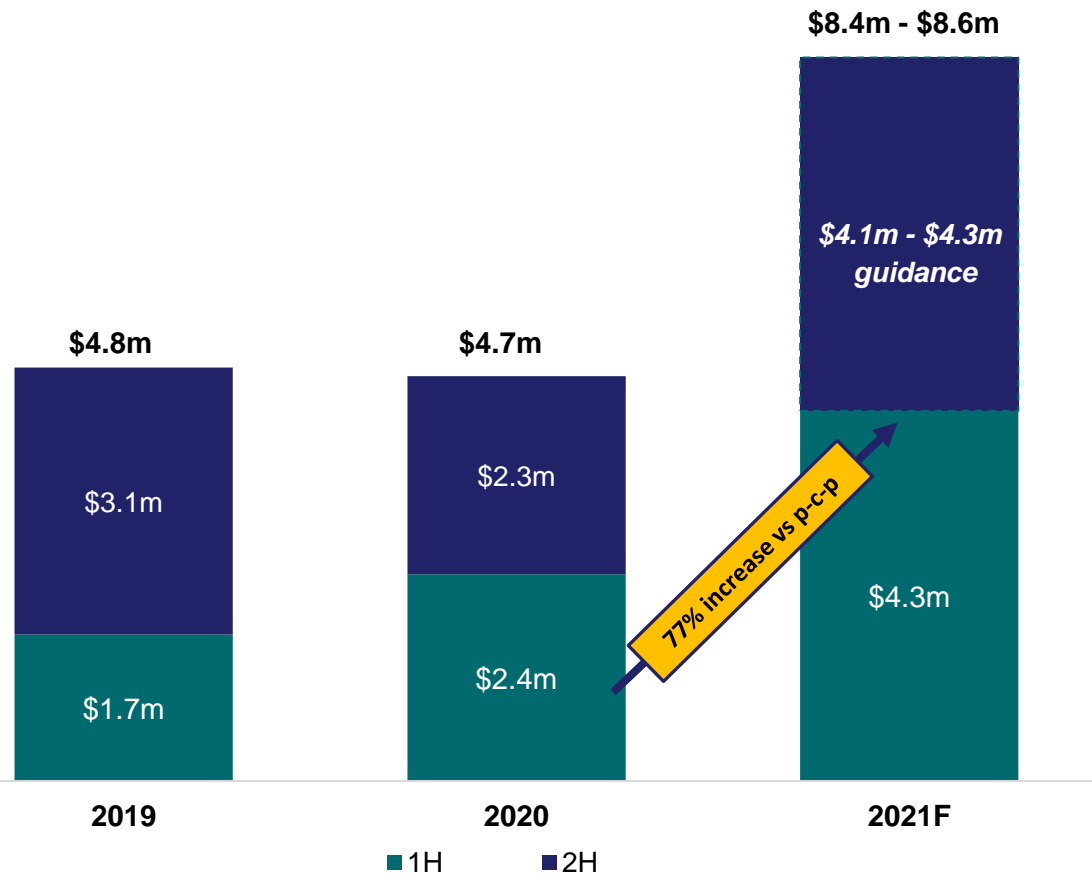
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Financials



Financial Highlights

Etherstack Revenue



Profitable and operating cash positive

- 2021 full year EBITDA US\$2.5 million
- 2021 full year profit after tax USD \$1.3m
- Operating cash positive for last 3 years



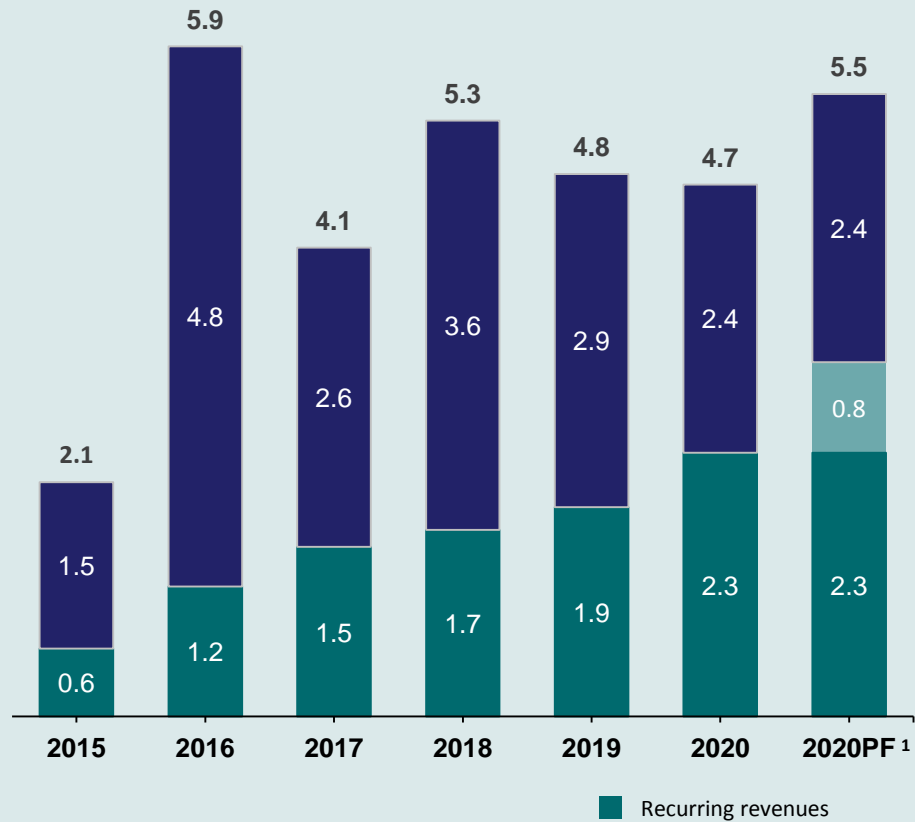
Revenue is growing

- 77% - 83% forecast revenue growth FY 2020 to FY 2021
- USD \$8.4 - USD \$8.6 million forecast revenue
- Multiple growth drivers
- First MCTPX contract with Samsung is producing revenue in H2

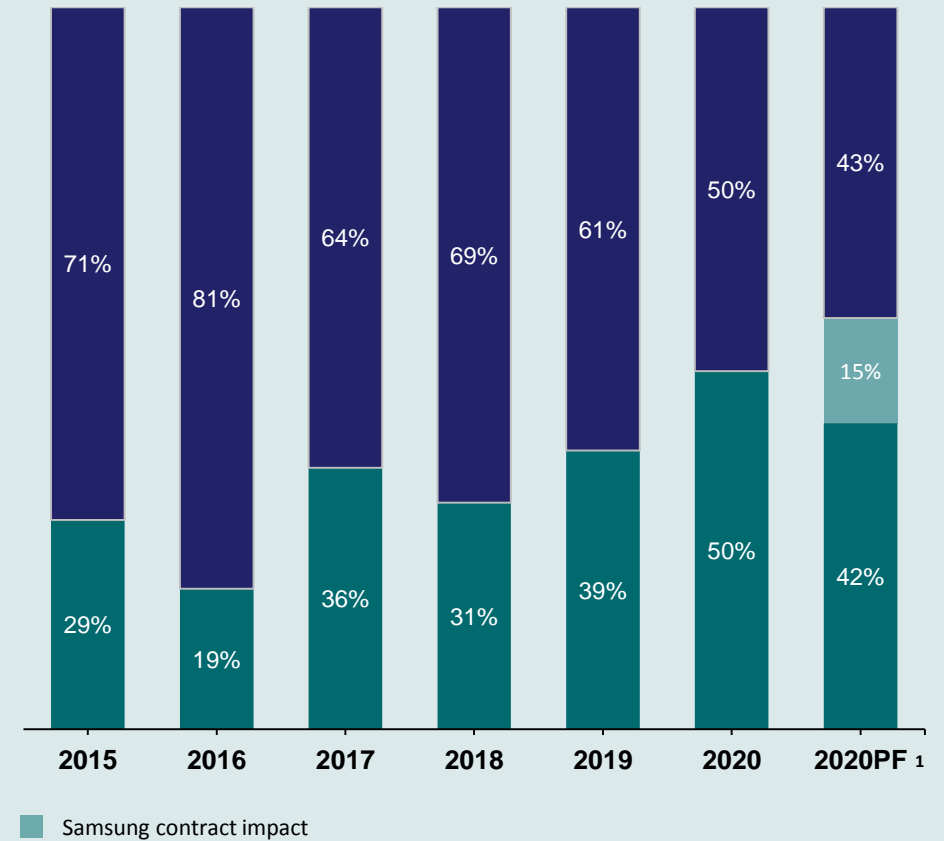
Sustained momentum in recurring revenue growth

Recurring revenue has been steadily growing year on year with an increase in support contracts – high gross margin SaaS-like revenues

REVENUE (US\$M)



REVENUE COMPOSITION



Increasing support contracts drives recurring revenue growth

Recurring revenues predominantly driven by support contracts in addition to royalty revenues

NUMBER OF SUPPORT CONTRACTS



100%

Current customer retention rate



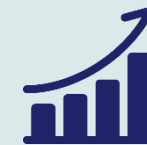
~10 – 15 years

Lifetime duration of support contracts which are typically agreed at initial network rollout



~10 years

Estimated Average Remaining Life of Networks



Leverage Samsung

New support contracts from Samsung business will add significantly to support contracts & values

Income Statement

| US\$'000 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|
| Revenue from Contract with Customers | 4,142 | 5,264 | 4,792 | 4,699 |
| Recurring Revenue | 1,508 | 1,682 | 1,838 | 2,331 |
| Project and Product Revenues | 2,634 | 3,582 | 2,954 | 2,368 |
| <i>% Recurring Revenue to Total Revenue</i> | <i>36%</i> | <i>32%</i> | <i>38%</i> | <i>50%</i> |
| Cost of Sales | (1,857) | (1,668) | (1,507) | (2,032) |
| Gross Profit | 2,285 | 3,596 | 3,285 | 2,667 |
| <i>Gross Margin</i> | <i>55%</i> | <i>68%</i> | <i>69%</i> | <i>57%</i> |
| Other Income; R&D & Government Incentives | 97 | 102 | 100 | 125 |
| Other Overheads | (2,290) | (1,835) | (2,292) | (1,712) |
| EBITDA | 92 | 1,863 | 1,093 | 1,080 |

EBITDA positive operations supported by steadily growing recurring revenues

Etherstack gross profit margins vary depending on the mix of Etherstack product (relatively high margin) vs third party product (relatively low margin)

Gross profit margin lower in 2020 due to changes in the revenue mix, which may vary year to year depending on substantial contracts delivered in the period

Balance Sheet & Cash Flow Statement

Balance Sheet

| US\$'000 | 31-Dec-19 | 31-Dec-20 |
|-----------------------------|--------------|---------------|
| Cash and cash equivalents | 931 | 4,180 |
| Trade and other receivables | 1,870 | 1,410 |
| Other current assets | 247 | 446 |
| Intangibles | 3,295 | 3,516 |
| Other non-current assets | 119 | 552 |
| Total assets | 6,462 | 10,104 |
| Trade and other payables | 2,467 | 2,760 |
| Deferred revenue | 1,332 | 1,744 |
| Borrowings | 1,262 | 572 |
| Convertible notes | 1,417 | 233 |
| Other liabilities | 604 | 699 |
| Total liabilities | 7,082 | 6,008 |
| Net assets | (620) | 4,096 |

Cash Flow Statement

| US\$'000 | 2019 | 2020 |
|--|------------|--------------|
| Net cash generated from operating activities | 1,364 | 1,733 |
| Net cash flow (used in) investing activities | (1,223) | (1,470) |
| Net cash flow (used in) financing activities | 739 | 2,901 |
| Net increase/(decrease) in cash | 880 | 3,164 |
| Effect of foreign exchange rate changes | - | 85 |
| Cash and cash equivalents at start of period | 51 | 931 |
| Cash at end of period | 931 | 4,180 |

Strong balance sheet position a foundation to invest in growth

Remaining outstanding convertible notes were converted in March 2021 into equity

External debt borrowings fully repaid during 2021

Operating cash flows consistently positive even throughout COVID-19 pandemic

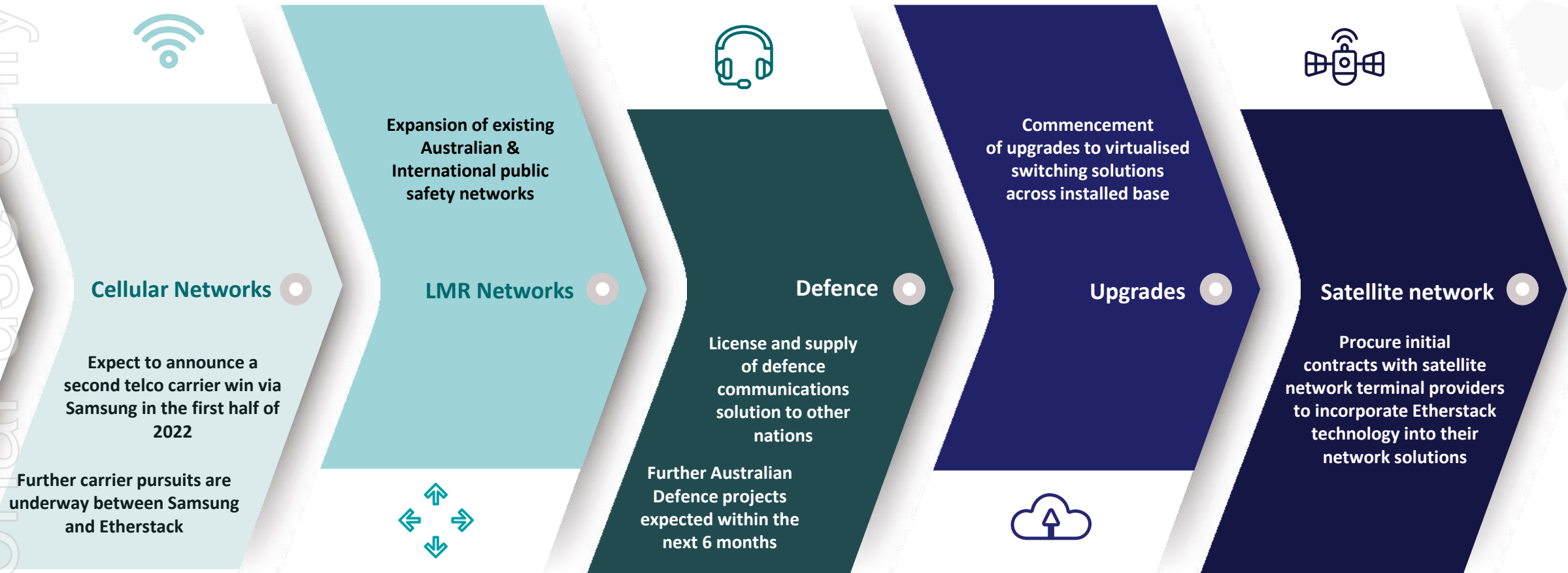
Continued investment into intellectual property builds on Etherstack's competitive advantage

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Future Milestones

Strong outlook driven by focus on key strategic initiatives



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Appendix



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 – 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)
- Recurring SaaS-like support revenues expected at 15 – 20% pa

Additional tranches

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



Western Australia Iron Ore Network

Large resources projects require “government grade” communication systems for operations and safety in hazardous environments

May 2020 – Contracted to provide software to deliver the first stage of a multi-stage P25 digital LMR network project

Key details

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

Additional tranches

- Follow-on order expected to generate A\$600,000
- A third expansion order is expected late 2021, or early 2022
- Potential to rollout to 50+ other mining sites globally over the next 10 years as existing networks renewed



First Global Teaming Agreement Carrier Contract

Samsung Contract

- Etherstack has signed a long term supply contract with Samsung Electronics Co. Ltd, to provide Etherstack software solutions and ongoing support services to Samsung for a telecommunications carrier client of theirs as part of it's 5G network roll-out
- The 5G network being rolled out by Samsung incorporates next generation Mission Critical Push To Talk (MCPTX) technologies utilising core Etherstack network software elements
- By embedding Etherstack's MCPTX related network components within Samsung's advanced 5G network solutions, the Etherstack technology enables interoperability between existing digital narrowband public safety network infrastructure used by public safety agencies globally, and the new 5G network
- Today, and in the future, national telecommunications carriers are expected to provide high availability public safety communication capacity to public safety agencies in each country. There are many regulatory & government driven initiatives around the world in this sector creating demand on 5G carriers for these services
- Typical users of MCPTX networks and services will be blue light agencies (police, ambulance, fire service etc), utility workers and transportation authorities

Key Terms of the Samsung Contract

- The contract consists of an initial roll-out, during which Samsung will pay a software licencing fee to Etherstack. Subsequent to the network becoming operational, Etherstack will provide support services to Samsung under contract to maintain its software within the 5G carrier network
- The initial support services contract term for the carrier is for three years post deployment, with an option to extend the arrangement with Etherstack
- With the useful life of the network estimated by Etherstack to be 15 – 20 years, Etherstack expects there is a high probability the support services arrangement remains in place for the lifetime of the network, as is typical with major infrastructure projects

First Global Teaming Agreement Carrier Contract (cont...)

Key Terms of the Samsung Contract (cont..)

- Total revenues for Etherstack comprising licence fees, project deployment revenues and support revenues are US\$8.5 million, which includes US\$1.2 million revenue previously announced on 18th February 2021
- The term of the contract is 5 years, with the majority of the licence revenues expected to be recognised across the Company's 2021, 2022 and 2023 financial years (31 Dec year end). Initial support revenues included in the deal are expected to commence in 2022 and be earned over 3 years from the date of delivery of the solution to Samsung's customer
- Management expects further long term annual support revenues, while not yet currently contracted, to renew in FY25, with a typical minimum lifespan of 10 – 15 years for public safety infrastructure projects

Potential future impact

- Etherstack has partnered with Samsung to deliver next generation MCPTX over LTE solutions on the rollout of new 4G & 5G networks globally
- Government awareness, planning and demand for MCPTX over LTE solutions has been steadily growing and is expected to rise rapidly over the next 36 – 48 months
- As previously advised, Etherstack and Samsung have a number of telecommunications carrier pursuits in progress
- Etherstack estimates that over the next 3 – 5 years, telecommunications providers in OECD countries alone will roll out between 60 to 90 5G networks incorporating next generation MCPTX over LTE capabilities. Many more network deployments of this type will occur in non-OECD countries as well

Glossary

| | |
|--|--|
| LTE – Long-Term Evolution | A standard for wireless broadband communication for mobile devices and data terminals, increasing the capacity and speed using a different radio interface together with core network improvements |
| MCPTX - Mission Critical Push to Talk | A push-to-talk product functionality that meets the requirements for public safety mission-critical voice communication |
| PTT - Push to talk | A method of having conversations or talking on half-duplex communication lines, including two-way radio, using a momentary button to switch from voice reception mode to transmit mode |



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Questions

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