Beam Communications Holdings Limited
ABN 39 010 568 804

ASX ANNOUNCEMENT

28 February 2024

HALF-YEAR RESULTS – FY24
STRONG GROWTH IN RECURRING REVENUE IMPROVES REVENUE QUALITY AND LIFTS GROSS MARGIN

Highlights:

- **H1 revenue $16.7m compared to $20.5m in the PCP due to lower hardware sales**
- **Recurring revenue increased 111%; $2.5m on an annualised basis**
- **GM improves 1% to 31% due to growth in higher margin recurring revenue**
- **Normalised EBITDA fell 9% to $2m excluding arbitration costs**
- **Strong multi-year growth, with a 3-year CAGR of 25% in Operating Revenue and 26% in Normalized EBITDA**
- **Cash generation is improving as the business scales; last 12 months positive FCF and outlook for positive FCF in FY24, net of arbitration costs**
- **Strong balance sheet, ample cash reserves to fund continued investment in innovation and Zoleo arbitration**

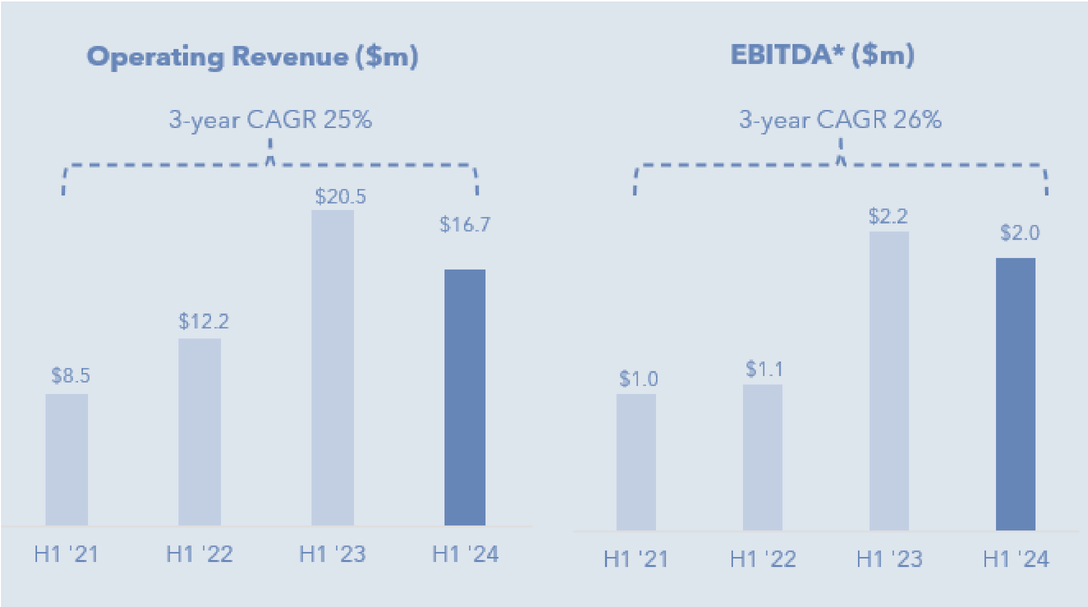
Beam Communications Holdings Ltd (ASX: BCC, "Beam" or the "Company"), a leading developer and distributor of mobile satellite solutions and services, is pleased to announce the release of its Half-Year Financial Results for the six months ended 31 December 2023 (1HFY24), to accompany the Appendix 4D.

Revenue and Profit

For the first half of FY24 there was a 19% decline in Revenue to $16.7 million. This follows lower hardware sales across all divisions. The timing of hardware sales particularly in the previous corresponding period (PCP) did impact growth rates, this included the initial shipment for Iridium GO exec® in late 2022. The resultant decline in revenue had a substantial impact on profitability, with the Company recording a loss after tax of $0.3 million. This loss comes after two years of significant profitable growth.

Beam's Gross Margin improved 1% to 31% showing resiliency despite inflationary pressures, due to a higher quality revenue mix, with continued strong growth in high margin recurring revenue and a decrease in lower margin hardware sales. EBITDA excluding Zoleo arbitration declined by 9% from the PCP. The impact on earnings stemming from the decline in total revenue was mitigated by the higher-quality revenue mix and disciplined cost control. Including the Zoleo arbitration costs, EBITDA declined 48% from the PCP.

The Company continued to see strong growth in recurring revenues, underscoring our commitment to long-term sustainability and stability. Notably, ZOLEO Royalty Revenue has grown 35x in 3 years and 47% on the PCP. Subscription revenue is now $2.5 million on an annualised basis, highlighting the trust and confidence placed in our services by our customers. Other recurring revenue was a highlight, growing by 200% on PCP. The collective strength in various recurring revenue streams has led to a total Recurring Revenue growth of 111%.



* Normalised EBITDA excludes Zoleo arbitration costs of $836k

The graphs above show Beam's strong growth profile since the first half of FY21. This growth profile coincides with an observed improvement in revenue and earnings quality as the revenue mix has improved. Recurring Revenue is now 7% of Operating Revenue, up from 5% a year ago.

Strong Balance Sheet and Capital Investment

At 31 December 2023 Beam had cash at bank of $3.4 million with an expectation of generating positive free cash flow across the second half of FY24. The Company is well funded to continue its capital investment and product development program, as well as fund the Zoleo arbitration process.

Recent capital investment has been focused on the development of the new Certus terminal and Certus Messaging Service to run over the Go Exec.

Zoleo Arbitration

Beam owns 50% of Zoleo, a global business of significant inherent value. It is a predominantly high gross margin, recurring revenue, subscription style of business which is expected to continue to grow strongly in FY24.

Beam and its JV partner, Roadpost Inc., have commenced a formal arbitration process. The Company may either become the 100% owner of Zoleo Inc. or divest and crystallise its 50% share of the JV to Roadpost Inc.

The Company looks forward to providing further updates on this arbitration in the coming months. The hearing is scheduled to commence in late April 2024 with an outcome expected mid-2024.

Outlook

The Company anticipates second-half FY24 revenue to be weaker than the PCP largely due to order deferment into FY25. Normalised EBITDA is expected to be within the range of $3.1 million to $3.6 million, excluding Zoleo arbitration costs of around $1.5 million.

Free cash flow including approximately $3 million for capital expenditure is expected to be positive for FY24 and positive for the second half. This excludes Zoleo arbitration costs.

The Company also anticipates several catalysts in the second half of FY24 including:

- Conclusion of Zoleo arbitration with the potential for a value accretive decision and a consolidated business with >$70 million of revenue should Beam be in a position to secure ownership of Zoleo. The required debt funding options to support possible arbitration outcomes are well advanced.
- Positive free cash flow in H2 to further bolster cash reserves and balance sheet shape; and
- Continued strong growth in recurring revenues.

Commenting on the first half performance, Managing Director, Michael Capocchi said:

"Revenue in the second half will continue to be impacted by deferred sales into FY25, thus, EBITDA is projected to fall within the range of $3.1 million to $3.6 million, excluding Zoleo arbitration costs. However, we expect to generate positive free cashflow in both the second half and full year, net of arbitration costs, with the deferred sales expected to provide a boost during FY25.

We maintain a strong balance sheet with ample cash reserves, providing us liquidity to support the current business plan and the ZOLEO arbitration.

We expect to be free cashflow positive this year despite a drop in revenue, underscoring our financial resilience and laying the groundwork for sustained multi-year growth."

This announcement has been approved by the Board of Directors.

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About Beam Communications Holdings Limited

Beam Communications Holdings Limited is an Australian publicly-listed company (ASX:BCC) that specialises in the design, development, manufacture and distribution of satellite, cellular and dual-mode equipment applications and services. Beam has developed several world-first innovations and its products and services are adopted by some of the world's largest satellite and telecommunications companies, such as Iridium, Telstra, KDDI, Inmarsat and Thuraya. Beam also developed the multi-award winning ZOLEO device, which generates recurring subscription revenues for the Group. Beam Communications Holdings Limited owns 100% of Beam Communications Pty Ltd and SatPhone Shop Pty Ltd www.satphoneshop.com. For more information, visit www.beamcommunications.com.

About ZOLEO Inc.

Formed in 2018 and headquartered in Toronto, Canada, ZOLEO Inc. is a joint venture between Beam Communication Pty. Ltd. and Roadpost Inc. that is pioneering the development of innovative lower cost, consumer-oriented global messaging solutions, including innovative wireless devices and apps based on Iridium short burst data (SBD), cellular and Wi-Fi standards. The company serves three primary markets including consumers residing on the fringe of cellular coverage, outdoor recreation and lone worker safety. Its products are offered through authorised retailers in the US, Canada and Australia. Roadpost is responsible for retail distribution in North America and Beam is responsible for the Asia Pacific region. Staged distribution in other regions will be jointly managed. For more information visit www.zoleo.com.