



2021 Results Presentation

Etherstack plc (ASX:ESK)
17 February 2022

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

Disclaimer

This presentation has been prepared by Etherstack plc (ARBN 156 640 532) (“Etherstack” or “the Company”). The information in this presentation is for information purposes only and is not investment, financial product, legal or tax advice.

This presentation contains summary information about the activities of Etherstack and subsidiaries. The information in this presentation does not purport to be complete nor does it purport to contain all the information that a prospective investor may require in evaluating a possible investment in Etherstack. This presentation should be read in conjunction with Etherstack’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au or at www.etherstack.com

Statements in this presentation are made only as of the date of this presentation unless otherwise stated and the information in this presentation remains subject to change without notice. Etherstack is not responsible for providing updated information to any prospective investors.

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The historical information in this presentation is, or is based upon, information that has been released to the market. For further information, please see past announcements released to ASX.

This presentation may contain forward-looking statements with respect to the financial condition, results of operations, business of Etherstack and certain plans and objectives of management. Actual outcomes may differ materially from forward-looking statements. Forward-looking statements, opinions and estimates provided in this presentation are likely to involve uncertainties, assumptions, contingencies and other factors. As a result, unknown risks may arise, many of which are outside the control of Etherstack. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Etherstack disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

Should you have any specific queries in respect of this disclaimer please contact Etherstack directly.



2021 Financial & Business highlights

2021 Financial highlights



81%

YOY Revenue growth
to US\$8.50m

142% 

YOY EBITDA growth
to US\$2.6m

Strong



Balance sheet with
no external debt

\$1.45m 

NPAT US\$3.75m higher
than FY20

12%



YOY Increase in recurring
support revenues

\$3.36m



FY21 operating cash flow. An
increase of 94% YOY

Business highlights

First Carrier contract signed with Samsung for MCPTX

- US\$8.5m contract covering licences, integration & initial 3 years of support
- Contract delivery in 2021, 2022 & 2023 – with the majority of the contract revenues to be recognised in 2022 & 2023 with support starting 2022

Strategic contracts

- Initial direct AT&T contract win
- Substantial delivery on the December 2020 announced Australian Department of Defence project
- Expansion and follow-on orders received and delivered for RCMP and Rio Tinto

UK and Australian government deals

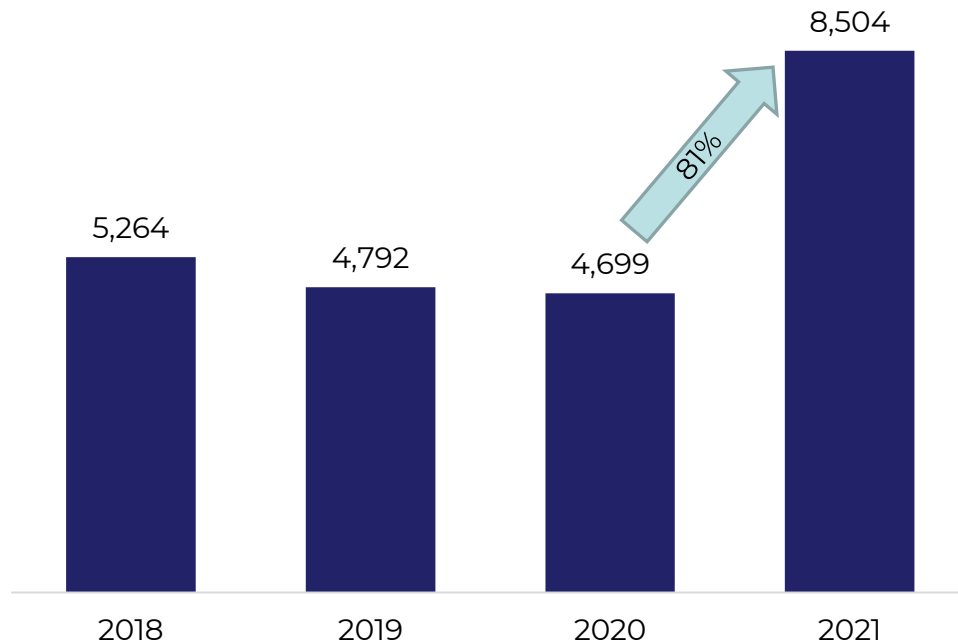
- UK Ministry of Defence
- Australian Department of Defence
- Australian Department of Home Affairs

Strategic strengths

- Growing recurring revenues
- Healthy opportunity pipeline includes next Samsung MCPTX contracts
- Intellectual property portfolio developed over +20 years
- Resilience through Covid-19 pandemic
- Positive exposure to infrastructure and government spending

Strong revenue growth supported by key contract wins

Etherstack Revenue (USD '000)

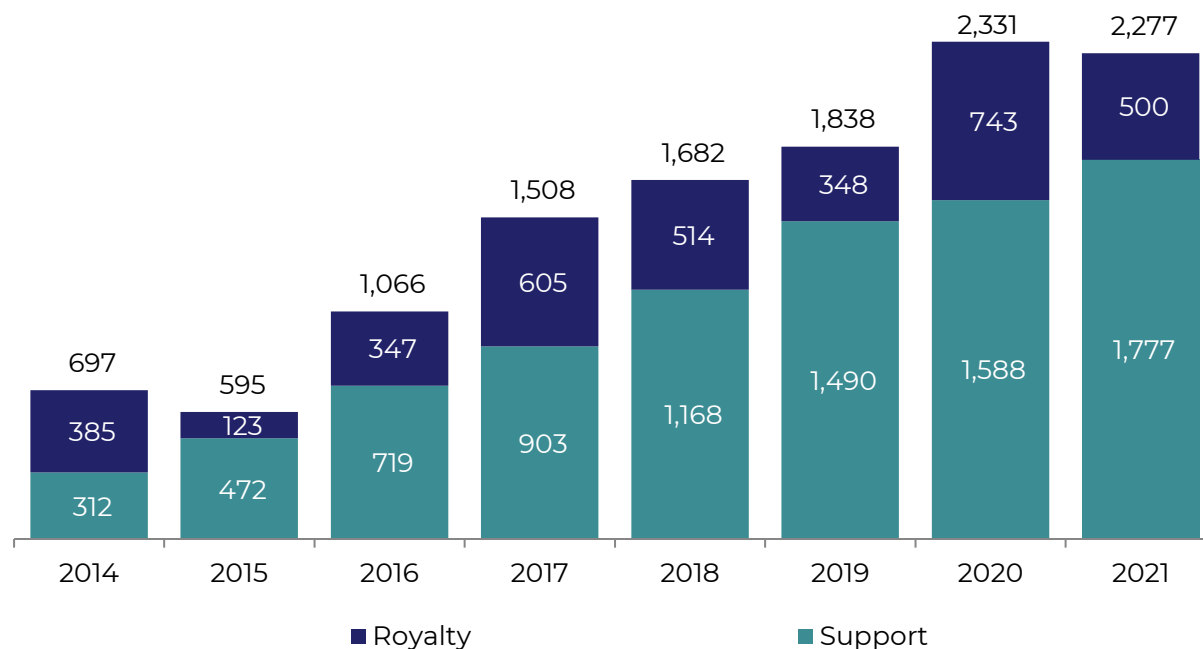


Multiple growth drivers have delivered strong revenue growth in FY21

- **81% growth over FY2020 to US\$8.5m**
- **Multiple growth drivers**
 - Strong project revenues
 - Over US\$1.6 million recognised from Samsung MCPTX contract and AT&T contract
 - Continued increase in recurring support revenues

Recurring revenue remains a core focus for Etherstack

Etherstack Recurring Revenue (USD '000)



Recurring Support Revenues continue to grow

- 12% increase on FY2020 to \$1,776
- 227% increase since 2014 driven by:
 - New networks
 - Incremental growth to existing networks
 - High customer retention rates
- 28% CAGR since 2014

Royalty revenues trending up over the medium term

- Some volatility driven by minimum guarantees
- No new minimum guarantees recognized in 2021 (\$478 recognized in FY 20)

Income Statement

US\$'000	2018	2019	2020	2021
Revenue from Contract with Customers	5,264	4,792	4,699	8,504
Recurring support and Royalty revenue	1,682	1,838	2,331	2,277
Project and Product Revenues	3,582	2,954	2,368	6,227
<i>% Recurring Revenue to Total Revenue</i>	<i>32%</i>	<i>38%</i>	<i>50%</i>	<i>27%</i>
Cost of Sales	(1,668)	(1,507)	(2,032)	(2,306)
Gross Profit	3,596	3,285	2,667	6,198
<i>Gross Margin</i>	<i>68%</i>	<i>69%</i>	<i>57%</i>	<i>73%</i>
Other Income; R&D & Government Incentives	102	100	125	121
Other Overheads	(1,835)	(2,292)	(1,712)	(3,708)
EBITDA	1,863	1,093	1,080	2,611

Revenue increases driving EBITDA growth

- **142% EBITDA growth vs FY20**
- **Underlying NPAT of \$1.45m for FY21 an increase of 1,653% vs FY20**
- **Gross Margin of 73%¹**
- **EBITDA margin 31%**

1: Etherstack gross profit margins vary depending on the mix of Etherstack product (relatively high margin) vs third party product (relatively low margin) and is driven by the nature of projects in the year. The 4 year average is 68%

Balance Sheet & Cash Flow Statement

Balance Sheet

US\$'000	31-Dec-20	31-Dec-21
Cash and cash equivalents	4,180	3,038
Trade and other receivables	1,410	2,439
Other current assets	446	530
Intangibles	3,516	5,358
Other non-current assets	552	1,191
Total assets	10,104	12,556
Trade and other payables	2,760	2,584
Deferred revenue	1,744	2,215
Borrowings	572	0
Convertible notes	233	0
Other liabilities	699	1,239
Total liabilities	6,008	6,044
Net assets	4,096	6,512

Cash Flow Statement

US\$'000	2020	2021
Net cash generated from operating activities	1,733	3,368
Net cash flow (used in) investing activities	(1,470)	(3,534)
Net cash flow (used in) financing activities	2,901	(805)
Net increase/(decrease) in cash	3,164	(971)
Effect of foreign exchange rate changes	85	171
Cash and cash equivalents at start of period	931	4,180
Cash at end of period	4,180	3,038

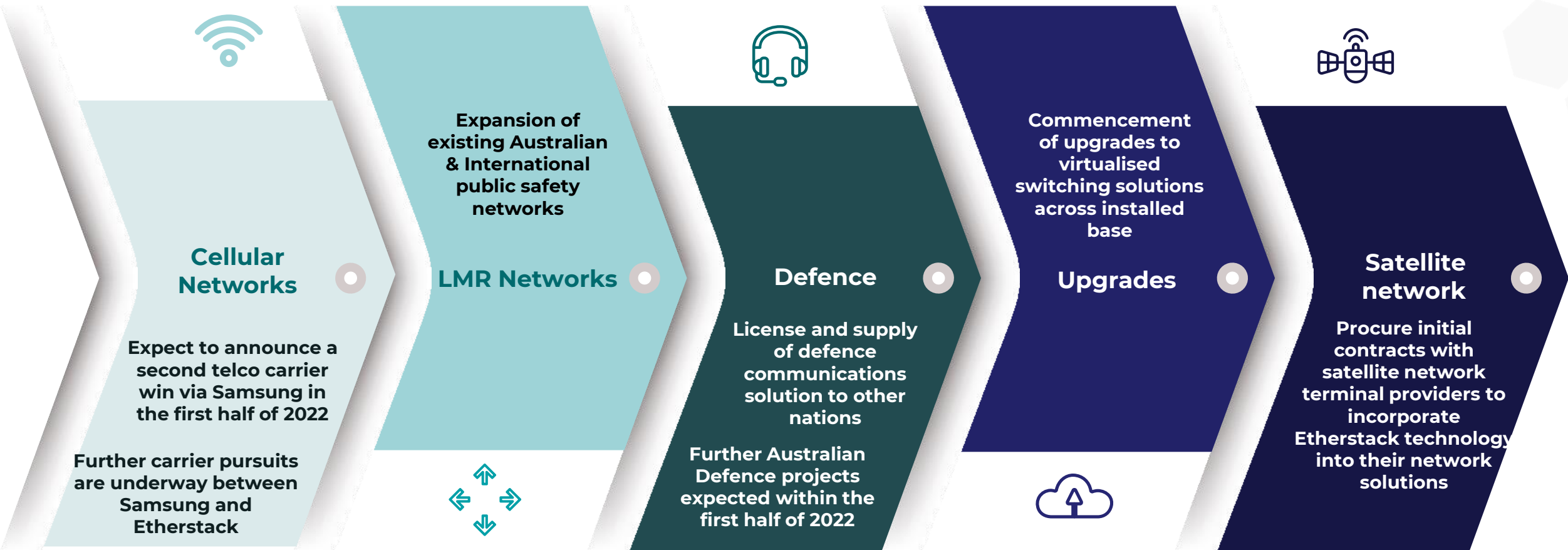
Strong balance sheet position, providing a foundation to invest in growth

Convertible notes converted. No external debt and \$3.03m cash on hand

Operating cash flows consistently positive even throughout Covid-19 pandemic

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

Strong outlook driven by focus on key strategic initiatives



Questions





Appendices

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

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

A leading licensor of innovative wireless technology and solutions provider 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 partnership
drives additional growth**



**Solutions typically
include long term
support contracts**

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

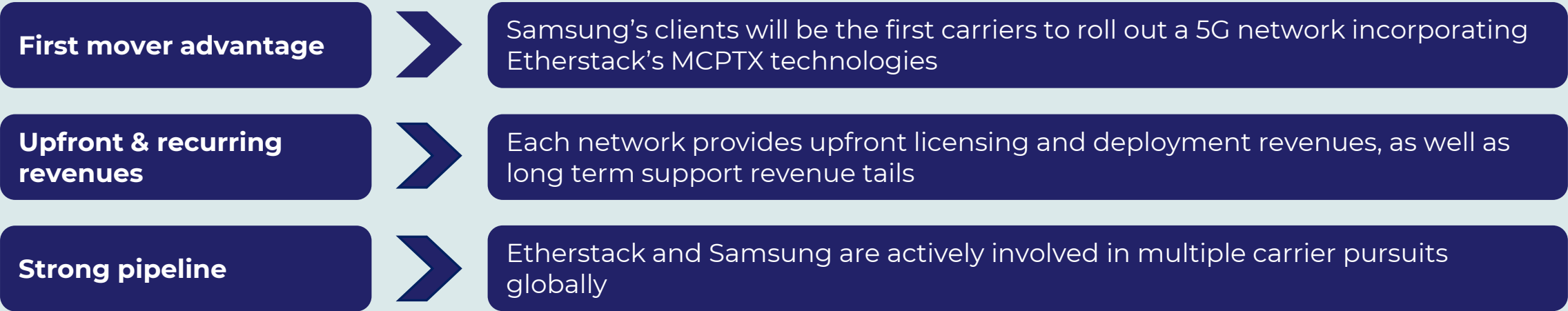
Growth through acquisition



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

Samsung global teaming partnership drives additional growth

Targeting more than 25 contract wins over the medium term



Strategic customer case studies: “Initial wins lead to near term growth and long term support revenues”

Royal Canadian Mounted Police



The Royal Canadian Mounted Police (RCMP) are the federal and national police service of Canada.

2019 – Contracted for delivery, commissioning and on-going support of a secure encrypted digital radio network spanning 26 sites:

- 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)

2020

- Network deployed in Q4

2021

- Additional sites delivered

2022

- Additional sites expected
- Long term support revenues planned to commence with expected commercial life of 15 years
- Currently targeting additional new radio network in separate territory

Western Australia Iron Ore Network



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

- Potential to rollout to 50+ other mining sites globally over the next 10 years as existing networks renewed
- Recurring SaaS-like support revenues expected at 15 – 20% pa

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

- Initial order value A\$400,000
- End user is Rio Tinto in Pilbara, WA

2021

- A\$600,000 Follow-on order announced
- Additional expansion order received

2022

- Further business development underway at both existing and new sites
- Long term support expected to commence in 2022

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



Etherstack plc

93A Shepherd Street,
Chippendale NSW 2008

Phone +61 2 8399 7500

David Deacon, CEO

david.deacon@etherstack.com

David Carter, CFO

david.carter@etherstack.com

Martin Duff, Corporate & Legal

martin.duff@etherstack.com