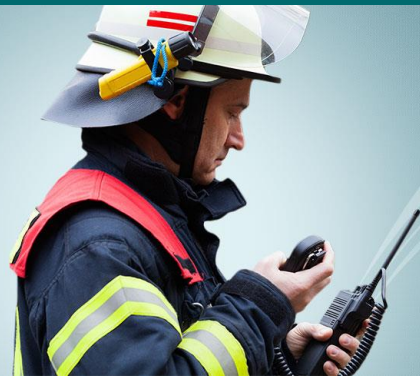




# CEO presentation to AGM

## Etherstack plc (ASX:ESK)

June 2017



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# 2016, 2017 & Beyond

## Presentation Overview

- 🔗 **2016 Results:** Positive Performance Turnaround
- 🔗 **2017 Guidance:** Continued Growth
- 🔗 **2018 Outlook:** New Product Releases to Accelerate Growth
- 🔗 **2019 Vision:** The Future of Mission Critical Communications

*Etherstack has supplied over A\$100m globally in equipment and professional services in the past 10 years*



# 2016 Highlights (USD\$000)

## Strong Turnaround Performance in 2016

- 🔗 169% revenue growth to \$6,097 in line with forecast by the Company in June 2016
- 🔗 \$1,538 improvement in underlying EBITDA to positive \$836 (from negative \$702 EBITDA in 2015)
- 🔗 Underlying NPAT loss reduced by 57% to \$1,497 (includes *non-cash* amortisation of \$2,480)
- 🔗 Positive cash flow from operating activities of \$753 (negative \$130 in 2015)
- 🔗 Loss after tax for year \$1,697 reduced from \$5,979 loss in 2015

# 2016 Highlights, continued (USD \$000)


## Strong Turnaround Performance in 2016


- ⚙️ Several multi-million dollar projects awarded in North America and Utility sectors which will support future years (2017 onwards) revenues
- ⚙️ Major increase in recurring revenues driven by cumulative long term radio network support contracts (typically 10+ years)
- ⚙️ Further broadening of government customer base in Australia and US, including first ever Australian Dept of Defence orders
- ⚙️ Balance sheet strengthened through \$5,900 (A\$8m) capital raise
- ⚙️ Debt substantially retired, significantly reducing interest charges in 2016




# 2017: Building on 2016 Results


## Diverse Revenue Mix

 **Equipment Sales:** High margin mission critical radio network equipment sales from ever increasing customer base of emergency services, policing agencies and electric utility customers

 **Support Revenues:** Long term support contracts from government and utility clients. Cumulative effect as each new network sale adds long term support revenue

 **Royalties:** Continued revenue streams from legacy technology licensing deals and new technology licensing deals from brand name equipment manufacturers





 **New Products:** Cornerstone State & Federal customers in Australia and North America for the company's new tactical communications products for policing agencies and emergency services




# 2017: Building on 2016 Results

## Meeting Customer demand, High Growth Focus & Vision

 **Meeting Customer demand:** Attention to detail, proven technology performance combined with high quality customer support has seen repeat network equipment sales and recurring revenue growth via support contracts and royalties

 **High Growth Focus:** The company is gaining traction with new tactical communications product line selling our recently released tactical repeater to state and federal government customers. New regulatory certifications (such as FCC) that will allow sales of the products to a broader North American end user client base will increase the currently addressable market 20 fold before year end

 **Vision:** Etherstack continues to invest heavily in R&D allowing us to remain at the forefront of mission critical radio communications technology, with an expanding licensee client base including our first technology licensing sale to NEC Japan in the past 12 months

# 2017 Guidance *(31<sup>st</sup> December Year End)*

- ⚙️ Revenue guidance expected US\$6.4m – US\$6.8m
- ⚙️ Derived from first five months trading, existing orders in hand, expected network upgrades from existing customers and estimated support and royalty revenues using historical data
- ⚙️ Gross margins held or improved due to expected higher margin product mix this year over 2016
- ⚙️ Overheads and other (non-COGS) costs in line with 2016
- ⚙️ Amortisation (non-cash charge) in line with 2016 (US\$2.48m)
- ⚙️ Delays beyond the company's control such as timing of order placement or 3<sup>rd</sup> party deliverables (e.g. site works) may affect timing of revenue recognition into following year



*SFFR-6 Tactical Repeater  
aka the "Go Box"*



# 2018 High Growth Products

## **SFFR-6 Tactical Repeater Product**

- Existing SFFR-6 tactical repeater product performing well with repeat orders from lead government customers in past 2 years
- North American certifications underway, and will be complete in August 2017 expanding addressable market 20 fold for this product
- Current US federal pilot customers expected to translate to new sales in Q3 2017 and to contribute materially to 2018 revenue growth

## **“IVX” Product Launch Q3 2017**

- Soon to be released SatCom/3G/4G communications device currently under field trials with US & Australian government customers. Strong interest in product shown with state and federal agencies

# 2019 Vision: Mission Critical Comms

## Innovation and Investment in R&D

- ⚙️ Etherstack is a trusted technology brand known within our market segment, proven by A\$100m in global earnings in the past decade and the household names of our customers
- ⚙️ As 4G cellular networks become commonplace and advances in satellite communications technologies are made, Etherstack are well placed to capitalise on the continuing shift in technologies and the application of these to our market area being able to supply innovative communications products for public safety professionals, utilities and defence clients
- ⚙️ The company is currently undertaking further product development for the defence industry as well as reimagining the form factor and functionality of highly specialised communications devices. We are confident that our history, experience, reputation and proven track record for innovation will contribute to our long term success

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