

NetComm Wireless Limited  
**1H18 results presentation**

Ken Sheridan – CEO and Managing Director

Chris Last – Chief Financial Officer

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## GROWTH STRATEGY DELIVERS RECORD HALF-YEAR RESULTS

**Operating revenue up 89% to \$88.6m**

**Revenue mix now 85% M2M Growth Business**

**EBITDA up 13x to \$9.2m**

**Strong balance sheet with \$13.1m cash and no debt**



## DOING WHAT WE SAID WE WOULD DO

- Contract with nbn signed to supply Network Connection Devices (NCDs) for nbn's Fibre-to-the-Curb (FTTC) project
  - Initial volume commitment will deliver \$66m revenue within 18 months of launch (planned for 2H18)
- Large orders received re FTTC DPU contract with nbn
- Delivered initial order of fixed wireless units to AT&T
- Strengthened sales presence in key strategic markets – Europe, UK and North America
- Progressed discussions with Tier 1 Carriers in Europe, UK and North America for delivery of solutions based on existing product lines



# RECORD HALF-YEAR RESULTS



## EBITDA UP 13x TO \$9.2m

(\$m)	1H18	1H17	Change
Total Revenue	88.6	47.0	88.6%
Reported EBITDA	9.2	0.7	1,251%
Net profit after tax	3.7	(1.7)	
Earnings per share (cps)	2.51	(1.16)	

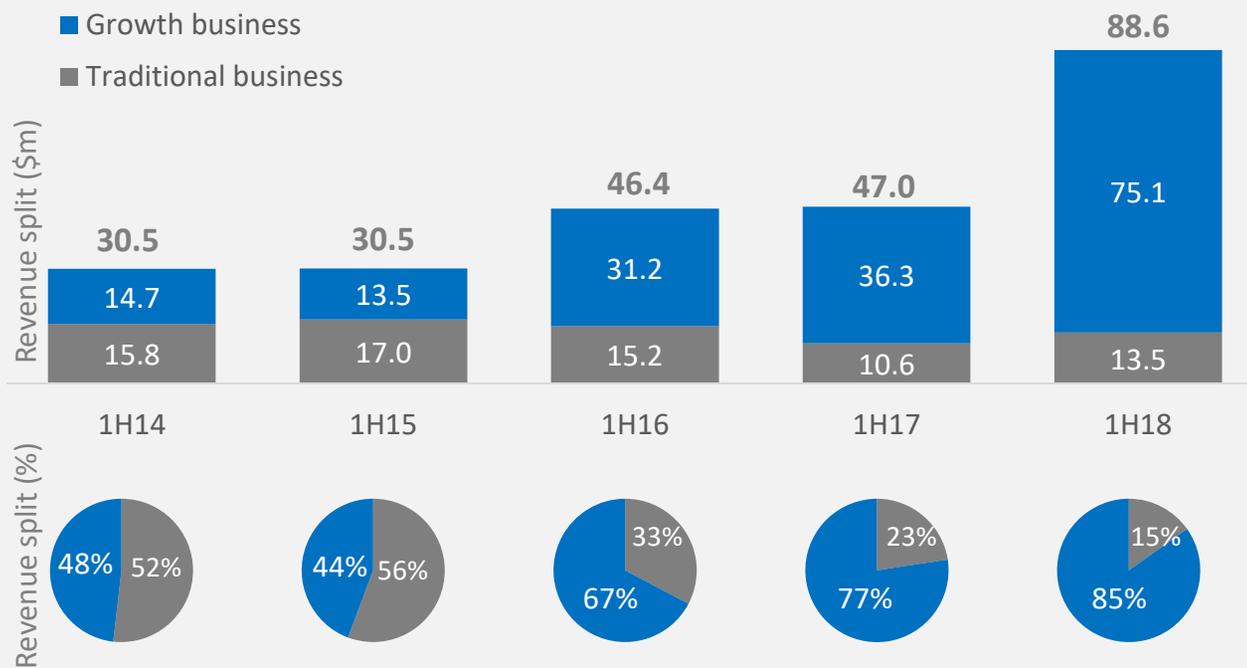
### Revenue up 89% to \$88.6m

- Growth Business revenue streams are diversifying
- Growth over 1H18 largely attributable to strong DPU orders from nbn and Broadband business overall performed solidly reporting 27% growth over last year
- Growth Business accounted for 85% of 1H18 Revenue, compared to 77% in 1H17

### EBITDA up 13x to \$9.2m

- Investments were made in FY17 ahead of revenue growth
- Significant operating leverage evident as contracts scale

## GROWTH BUSINESS REVENUES ACCELERATING

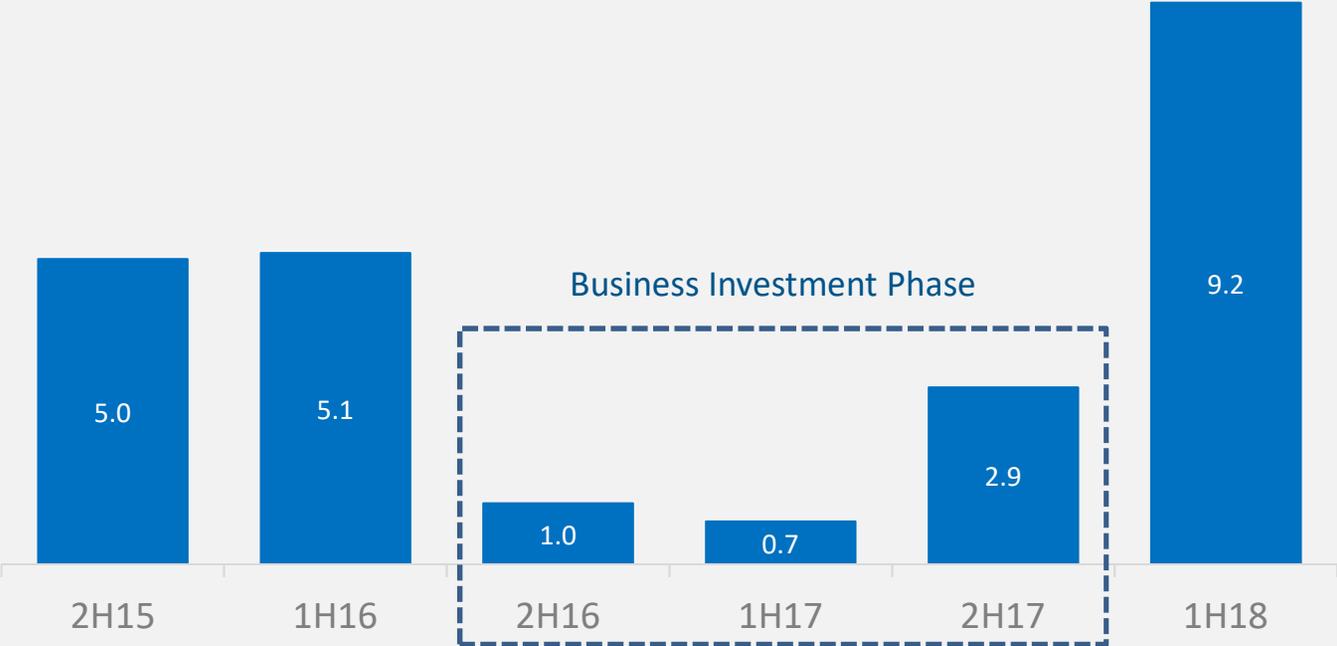


- Growth Business comprises Fixed Wireless, DPU & M2M – revenue up 107% on 1H17 to \$75.1m
- Recovery in Traditional Business, up 27% on 1H17 as management initiatives to improve the business took effect

# STRONG EBITDA INCREASE FOLLOWS STRATEGIC INVESTMENTS

- Record growth in EBITDA as the Company starts to benefit from strategic investments made in prior periods

EBITDA (\$m)



## STRONG BALANCE SHEET WITH \$13.1M CASH

(\$m)	31 Dec 17	30 Jun 17	Change
Cash and equivalents	13.1	22.1	(40.6%)
Other assets	100.9	90.3	11.8%
<b>Total assets</b>	<b>114.1</b>	<b>112.4</b>	<b>1.5%</b>
Borrowings	0.0	0.1	(23.6%)
Other liabilities	34.2	36.7	(7.0%)
<b>Total liabilities</b>	<b>34.2</b>	<b>36.8</b>	<b>(7.0%)</b>
<b>Total equity</b>	<b>79.8</b>	<b>75.6</b>	<b>5.6%</b>

- No bank debt with Cash balance of \$13.1m
  - Balance sheet continues to be supportive of current and future growth opportunities
- Cash used to fund investments in staff, infrastructure and working capital, as orders from key contracts begin to scale
- Increase in other assets mainly due to higher receivables (as contracts scale) and intangible assets (associated with product development)
- Balance sheet remains conservative, with \$20m of committed but unutilised debt facilities with HSBC

## CASH FLOWS REFLECT MOVE FROM INVESTMENT TO SCALING GROWTH

(\$m)	1H18	1H17
Net cash flows from operating activities	(0.4)	6.1
Net cash flows from investing activities	(8.5)	(12.8)
Net cash flows from financing activities	(0.0)	(0.0)
<b>Net (decrease) / increase in cash</b>	<b>(8.9)</b>	<b>(6.7)</b>

### **\$0.4m cash absorbed by operating activities**

- Mainly reflects increase in receivables from larger customers. Receivables totalled \$32.3m at 31 Dec 2017

### **\$8.5m cash used for investing activities**

- Reduction in capital expenditure to \$1.0m (1H17: \$7.2m), in line with FY17 being an investment year
- Acquisition of intangible assets (mainly associated with product development) \$7.5m (1H17: \$6.0m)



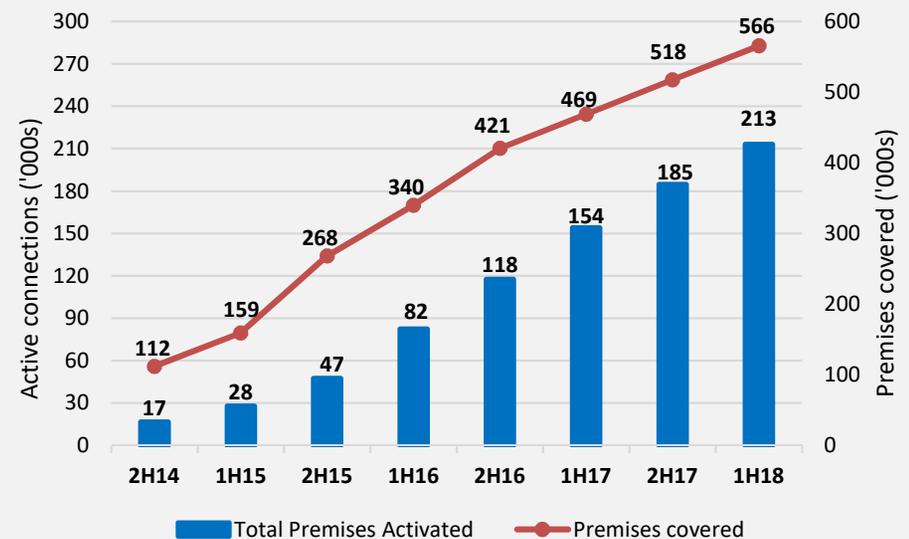
**EXECUTING ON OUR  
COMMITMENTS**

## FURTHER ROLLOUT OF ERICSSON/NBN PROJECT

### As at 8 February 2018, Fixed Wireless:

- Coverage increased by 305k premises since June 2015, reaching 573k premises
- Take up rate rose from 35.6% at 30 June 2017 to be at 38.2% by 8 February 2018, demonstrating increasing market penetration as the rollout progresses
- Connections activated reached 219k premises
- NetComm required to supply devices well in advance of new connections
- **Increasing coverage, further market penetration and technology upgrades to drive future growth**
- nbn preparing to launch a new 100mbps service

nbn fixed wireless activations and coverage



Source: nbn



## DELIVERED INITIAL ORDERS TO AT&T

- AT&T looking to undertake focused rollout in FY18, with accelerated rollout in FY19
- The pace of the rollout has been below our expectations
- Following the initial rollout in FY18, it is anticipated that sales to AT&T will accelerate in FY19, as AT&T look to ensure 1.1 million premises are available for service by 2020

**Success with AT&T builds on NetComm's strong Fixed Wireless credentials**

## DELIVERED FURTHER DPU ORDERS TO NBN

- Large DPU orders continue to be received and delivered to nbn
- Timing of nbn DPU orders dependent on FTTC rollout plan
- Progressing discussions with Tier 1 Carriers for DPU solutions in global markets

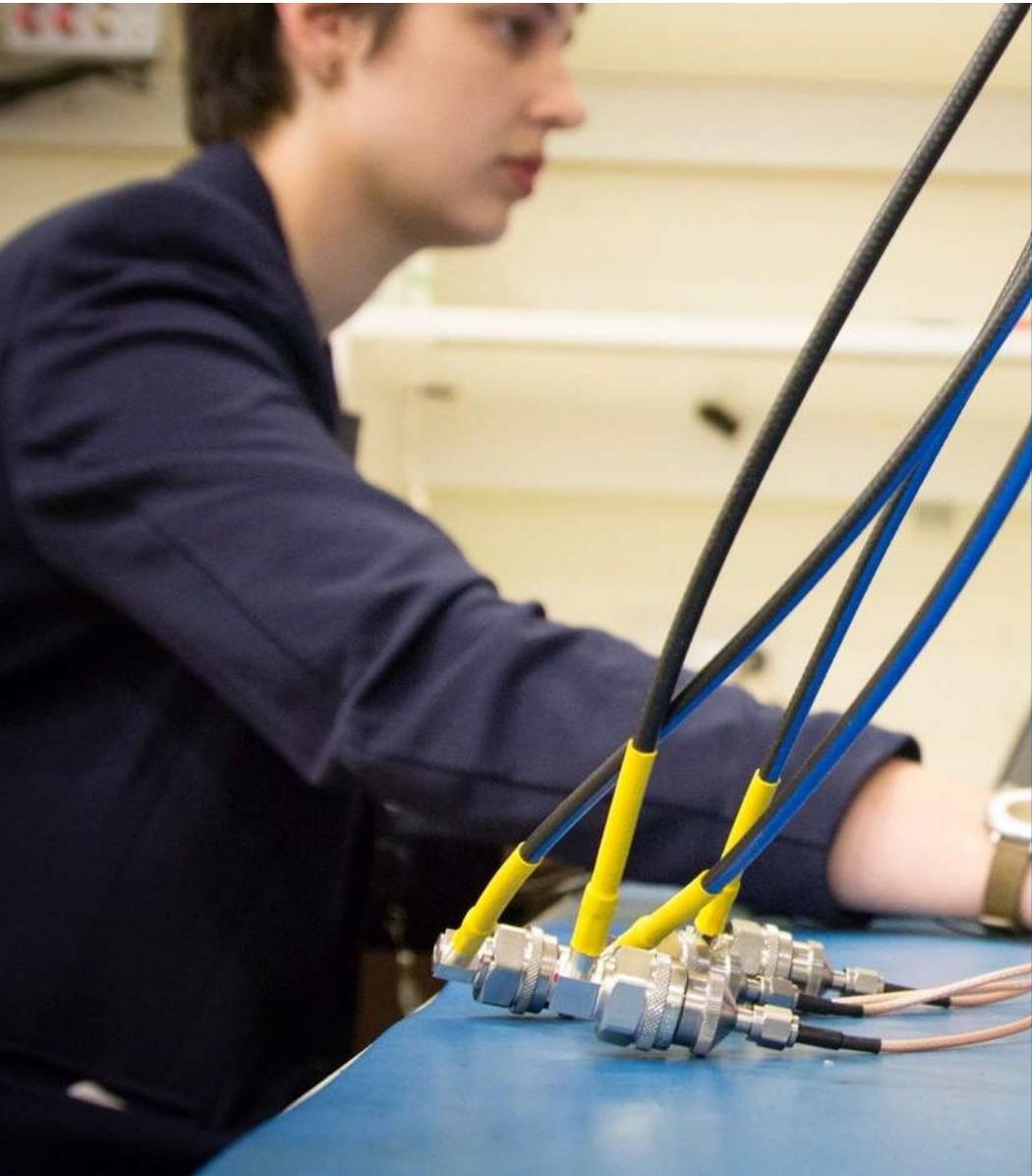


## AWARDED NETWORK CONNECTION DEVICE CONTRACT

*A world first bespoke product capable of use in global markets*

- Follows the signing of a contract to supply DPUs to nbn in November 2016
- Incorporates a Gfast / VDSL modem, Reverse Power Feed capability and monitoring & diagnostics reporting
- Initial volume commitment will result in revenues of \$66m, within an 18 month period following launch planned for 2H18
  - \$40m incremental revenue increase above that relating to the Reverse Power Unit as a stand-alone device
- Progressing discussions with Tier 1 Carriers for similar solutions globally





**ACCELERATING GROWTH**

## BESPOKE SOLUTIONS METHODOLOGY: TECHNOLOGY AGNOSTIC

### LISTEN

We listen to our customers and identify their specific needs

### INNOVATE

Innovation is applied to develop a unique bespoke device to meet the customer's requirements

### SOLVE

Customer requirement met, exactly. Problem solved



**People, culture and customer interaction are at the heart of our business plan.**

# THE 5G STORY



## BROADBAND



- NetComm’s 5G investments are focused on the Broadband sector where we have a proven track record
- Employing our Listen. Innovate. Solve. methodology, to seek high volume, bespoke opportunities
- Specific use cases being developed for 5G Broadband - progressing discussions with Tier 1 Carriers globally
- 5G industry standards (3GPP) are evolving, with the initial round of standards ratified in December 2017

## MISSION CRITICAL



## MASSIVE MACHINE TYPE

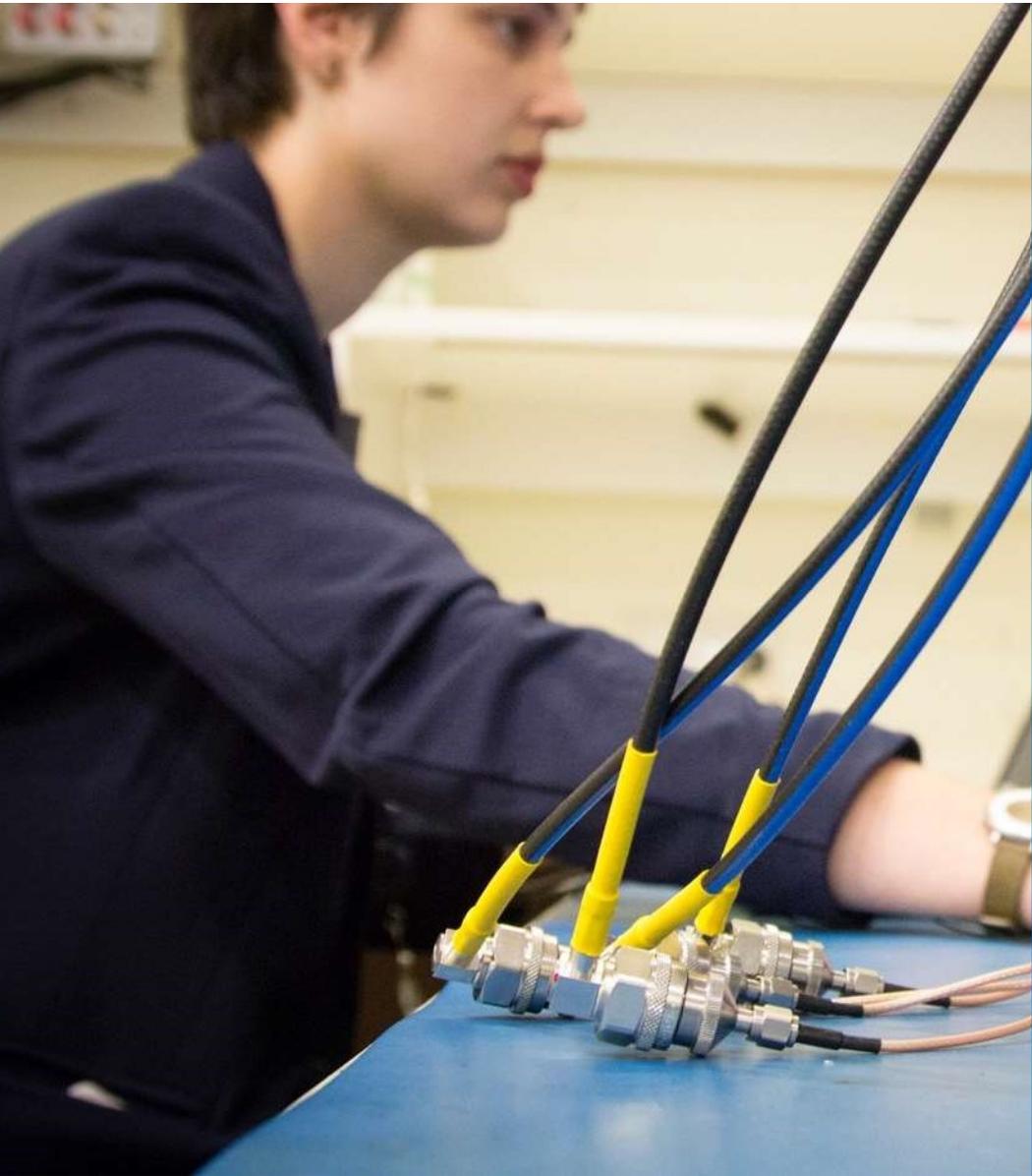


## ACTIVE PRESENCE AT WORLD TRADE SHOWS

*Trade shows are delivering strong leads and accelerating our customer acquisition process by enabling us to demonstrate our unique capabilities to senior stakeholders.*

- Exhibiting, demonstrating and speaking at some of the key industry trade shows:
  - Mobile World Congress Americas (Los Angeles)
  - Mobile World Congress (Barcelona)
  - Broadband World Forum (Berlin)
  - Gigabit Access (Brussels)
- Actively raising our profile and driving interest in our solutions across key geographies
- Presence of most Tier 1 and Tier 2 telecommunications operators
- Targeted increase in North American and European trade show presence, including those focused on 5G





## OUTLOOK



## OUTLOOK - COMMERCIAL LITIGATION

- On 6 October 2017, NetComm advised the market that it had been served with a statement of claim by Corning Optical Communications Pty Ltd in the Australian Federal Court relating to potential infringement of an Australian Innovation Patent
- NetComm contends that the patent is invalid and also, that it does not infringe the patent
- Netcomm regards the claims made by Corning as lacking merit and is vigorously defending the claims made against it
- NetComm will keep the market informed of any significant developments as they arise
- We do not envisage this action will result in any material impact on the Company

## OUTLOOK – FULL YEAR PERFORMANCE

- **FY18 – Strong growth in Revenue and EBITDA**
  - Continued rollout of the Ericsson/nbn Fixed Wireless, nbn FTTC DPU
  - Commencement of NCD rollout
  - US Fixed Wireless orders to accelerate in FY19
  - Completion of investments during FY16 and FY17 allows for improved operating leverage as the year continues



QUESTIONS?





Listen. Innovate. Solve.

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