

# EOS

## Market Update

### 24 September 2018



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## **Market Update**

- 1. Defence Systems Sector**
- 2. Space Systems Sector**
- 3. Company Outlook**

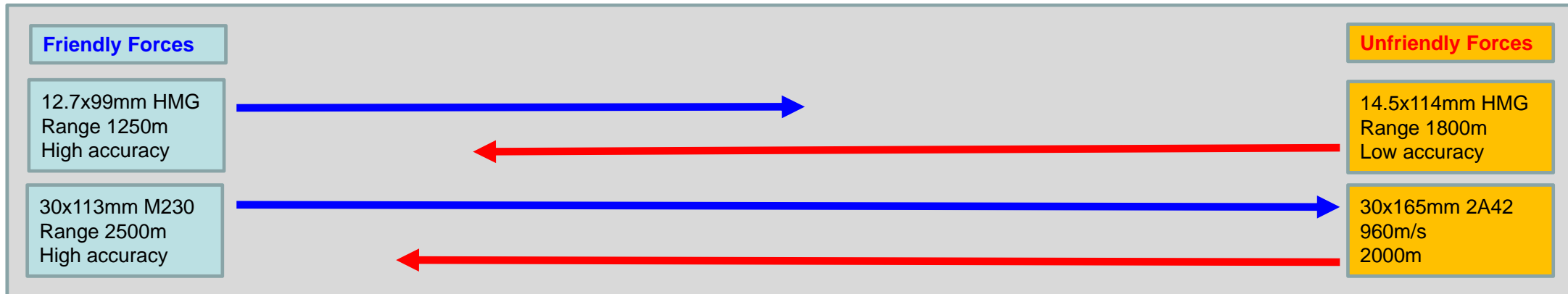
# Defence Sector Status



R-400S Mk2 mounted on US Army JLTV Vehicle



# EOS RWS: Correcting the Lethality Imbalance



- **Problem.** Current vehicles are generally fitted with only 12.7mm/0.50cal HMGs. These are outranged by threat HMGs & cannons.
- **Answer.** 30x113mm cannons are light enough to be fitted to any vehicle, delivering capability overmatch due to unprecedented accuracy of weapon system



# Production

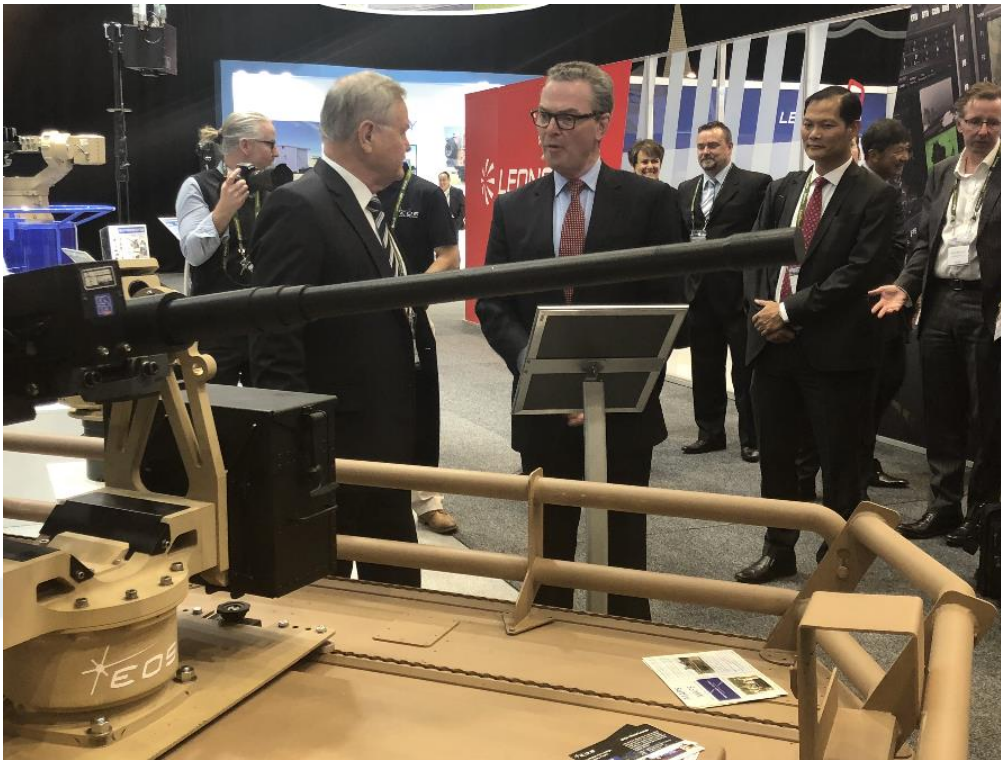


- Production tracking to the EOS schedule and contractual requirements
- Production for 2018 should meet or exceed upgraded forecast of 264 units
- All metrics meet or exceed expectations including yield, quality and cost
- A strong platform for further expansion





## Introducing the R-150 RWS



Minister for Defence the Hon. Christopher Pyne MP announcing the release of the R-150 lightweight RWS from EOS. This new product delivers more than double the firepower previously available at this weight class.



R-150 mounted on an Australian Army Hawkeye vehicle. The R-150 was developed with significant funding support from the Commonwealth Department of Defence.

# The Expanding EOS RWS Ecosystem





## Defence: Key Points



1. Production capacity, yield, quality and margins all meet or exceed expectations. Profits going forward are trending above earlier forecasts.
2. \$620 million of cumulative contracts from 4 customers [at Q1] extended to \$800 million from 7 customers [at Q3]. This is on track.
3. No competitor has won an award against EOS. The cumulative sales target for 31 December 2018 is now \$900 million.
4. Accelerated expansion to reinforce success has been funded:
  1. US activities have been accelerated with new Huntsville plant, expanded marketing and multiple demonstrations already executed
  2. GCC expansion accelerated thru new subsidiary and facilities in Abu Dhabi
  3. New products. R-600DE, SHORAD, EOS turret, R-150
5. Very strong fundamentals support current and future profitability

# Outlook: Defence Systems

- \$0.9 billion in RWS sales expected across 2017 and 2018 with 90% [\$810M] already secured
- Production risks rapidly receding as new production facilities achieve all milestones for performance and cost
- Market is developing as expected and customer liquidity going forward is strong
- New products are being released as funded customer requirements emerge
- The outlook for Defence Systems is for strong growth in both revenue and profit, under-pinned by market fundamentals, excellent technology and products, and strong execution



# Space Sector Status



EOS Learmonth SSA facility. This \$30M site is now fully operational and already performing customer missions



# Space Sector Key Points



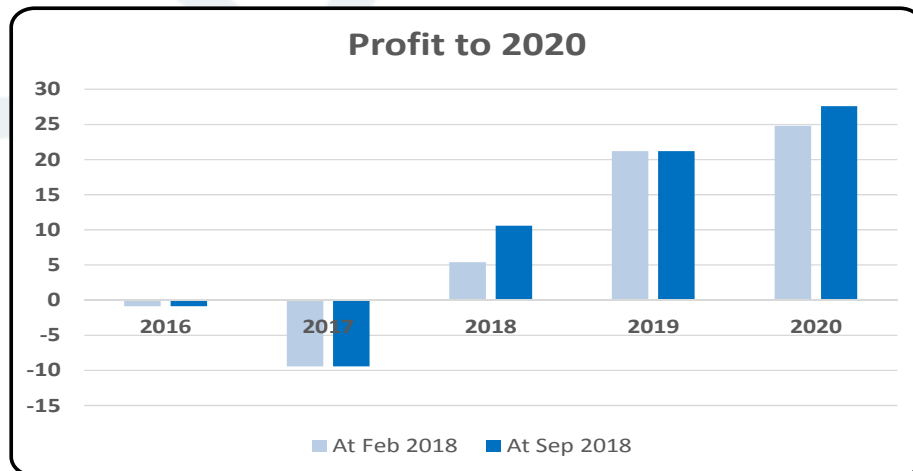
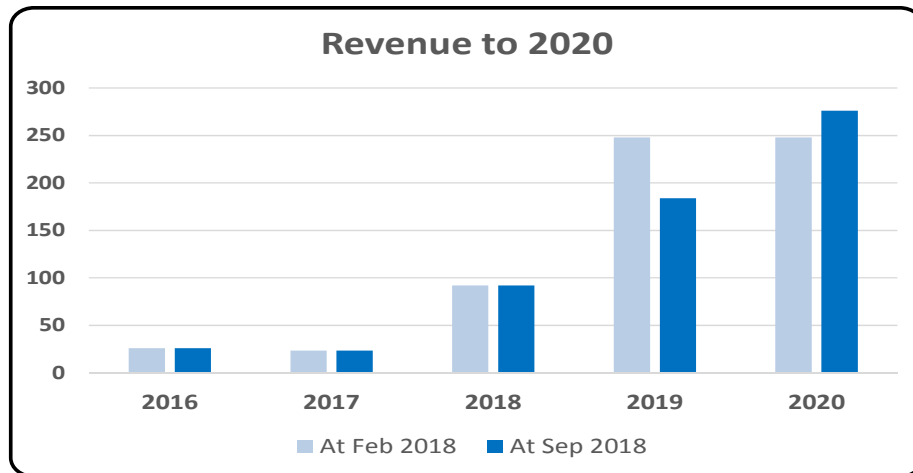
- ❑ Learmonth WA site fully operational
- ❑ Long-term military and commercial space operations tests concluded in September 2018
- ❑ All performance metrics exceeded, including data volume, accuracy, capacity and cost
- ❑ EOS output now exceeds 15,000 space tracks per week, or 10% of full-scale requirements
- ❑ Both performance and costs can now be accurately forecast for full scale applications
- ❑ Long term space contracts now in negotiation on a sole source basis with key customers
- ❑ Missile defence, optical communications and directed energy will leverage infrastructure

# Outlook: Space Systems

- Space Systems expected to transition to profitability from H2 2019
- The outlook for Space Systems is for strong profit growth driven by market fundamentals, excellent technology and products, product momentum and performance



# Outlook: Revenue and Profit



## Key points:

1. Revenue for 2018 is as forecast in Q1 but profit will be **double original estimates** despite \$1 million increase in business development costs targeting new orders.
2. New accounting standards will push 25% of 2019 revenue to 2020 however forecast profit for 2019 is unchanged, due to **improving profitability** in all EOS sectors.
3. Order intake is **already** sufficient to sustain revenue and profit growth beyond 2020.
4. The company currently has \$58 million in cash and will not need to raise funds unless very large new orders are received.