

# Electro Optic Systems Holdings Limited



Annual General Meeting | 28 May 2021

# Proxy Votes Received

Resolution	Vote type	Voted	%	% of all securities	
2, RE-ELECT PETER LEAHY AC	For	48,368,134	94.45	32.08	
	Against	1,684,597	3.29	1.12	
	Open-Usable	1,156,850	2.26	0.77	
		<i>Board</i>	987,551	1.93	0.66
		<i>Non-Board</i>	169,299	0.33	0.11
	Open-Cond	0	0.00	0.00	
	Open Unusable	0	N/A	0.00	
	Abstain	73,128	N/A	0.05	
	Excluded	0	N/A	0.00	
	3, RE-ELECT KATE LUNDY	For	49,100,468	95.86	32.57
Against		962,085	1.88	0.64	
Open-Usable		1,156,440	2.26	0.77	
		<i>Board</i>	987,141	1.93	0.65
		<i>Non-Board</i>	169,299	0.33	0.11
Open-Cond		0	0.00	0.00	
Open Unusable		0	N/A	0.00	
Abstain		63,716	N/A	0.04	
Excluded		0	N/A	0.00	
4, RE-ELECT DAVID BLACK		For	44,984,120	87.84	29.84
	Against	5,023,433	9.81	3.33	
	Open-Usable	1,205,303	2.35	0.80	
		<i>Board</i>	1,036,004	2.02	0.69
		<i>Non-Board</i>	169,299	0.33	0.11
	Open-Cond	0	0.00	0.00	
	Open Unusable	0	N/A	0.00	
	Abstain	69,853	N/A	0.05	
	Excluded	0	N/A	0.00	
	5, REMUNERATION REPORT	For	20,417,448	73.42	13.54
Against		6,235,556	22.42	4.14	
Open-Usable		1,155,566	4.16	0.77	
		<i>Board</i>	986,267	3.55	0.65
		<i>Non-Board</i>	169,299	0.61	0.11
Open-Cond		0	0.00	0.00	
Open Unusable		0	N/A	0.00	
Abstain		2,237,942	N/A	1.48	
Excluded		21,236,197	N/A	14.09	
6, ISSUE SHARES TO D BLACK		For	16,421,384	54.91	10.89
	Against	12,331,455	41.24	8.18	
	Open-Usable	1,149,104	3.85	0.76	
		<i>Board</i>	979,805	3.28	0.65
		<i>Non-Board</i>	169,299	0.57	0.11
	Open-Cond	0	0.00	0.00	
	Open Unusable	0	N/A	0.00	
	Abstain	21,380,766	N/A	14.18	
	Excluded	0	N/A	0.00	



# Disclaimer

This presentation and any related communication may contain statements that are forward-looking with regard to the business and future performance of Electro Optic Systems Holdings Limited (“EOS”) and its subsidiaries.

These statements reflect EOS’ current views, assumptions and projections based on, but not limited to, currently available information with regard to its existing and potential customers, markets and the prevailing economic conditions.

These statements may involve risks and uncertainties which may cause EOS’ actual financial performance to differ materially from those inferred from any forward-looking statements.

Such statements, therefore, should not be regarded as an expressed or implied forecast of the future financial performance of EOS. You are cautioned not to put undue reliance on this presentation.

# 2020 REVIEW



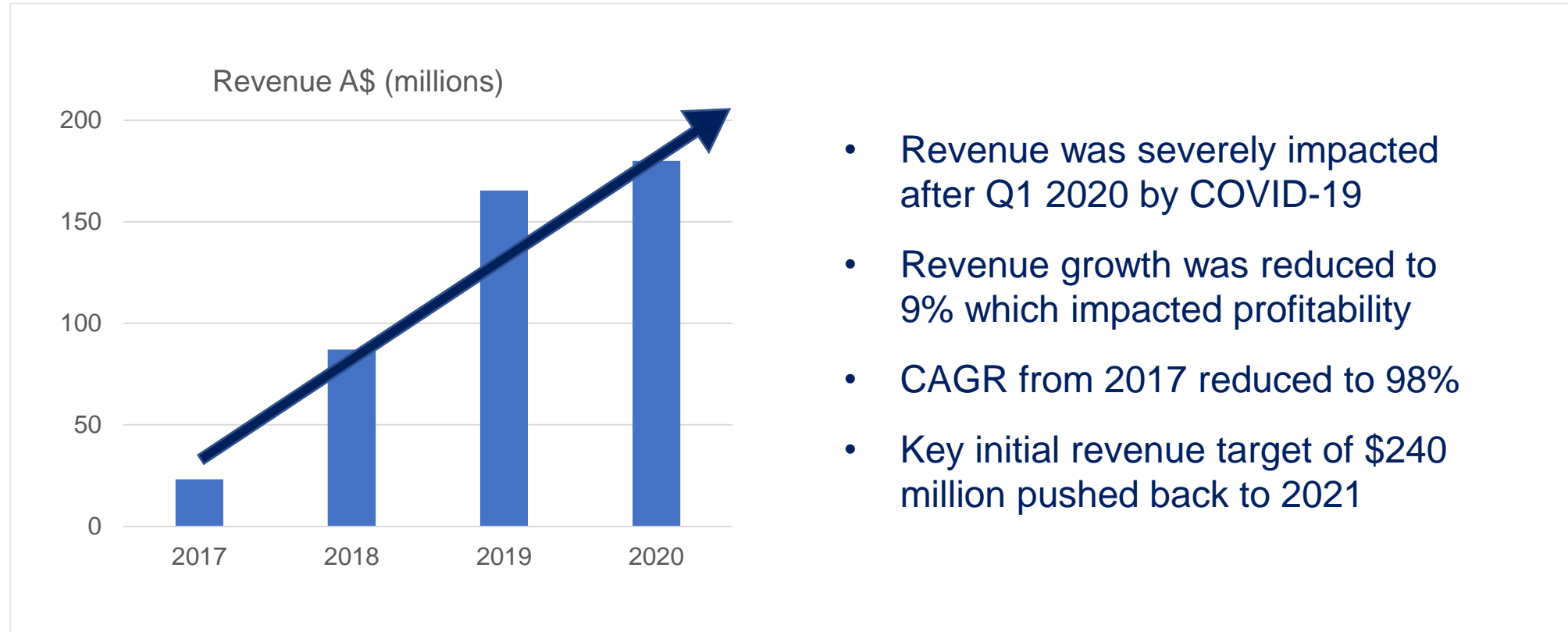
# Milestones of 2020

Although 2020 was a difficult year, resulting in an underlying loss of \$14.2 million and an operating loss of \$29.9 million after forex, there were several highlights as EOS maintained its growth momentum:

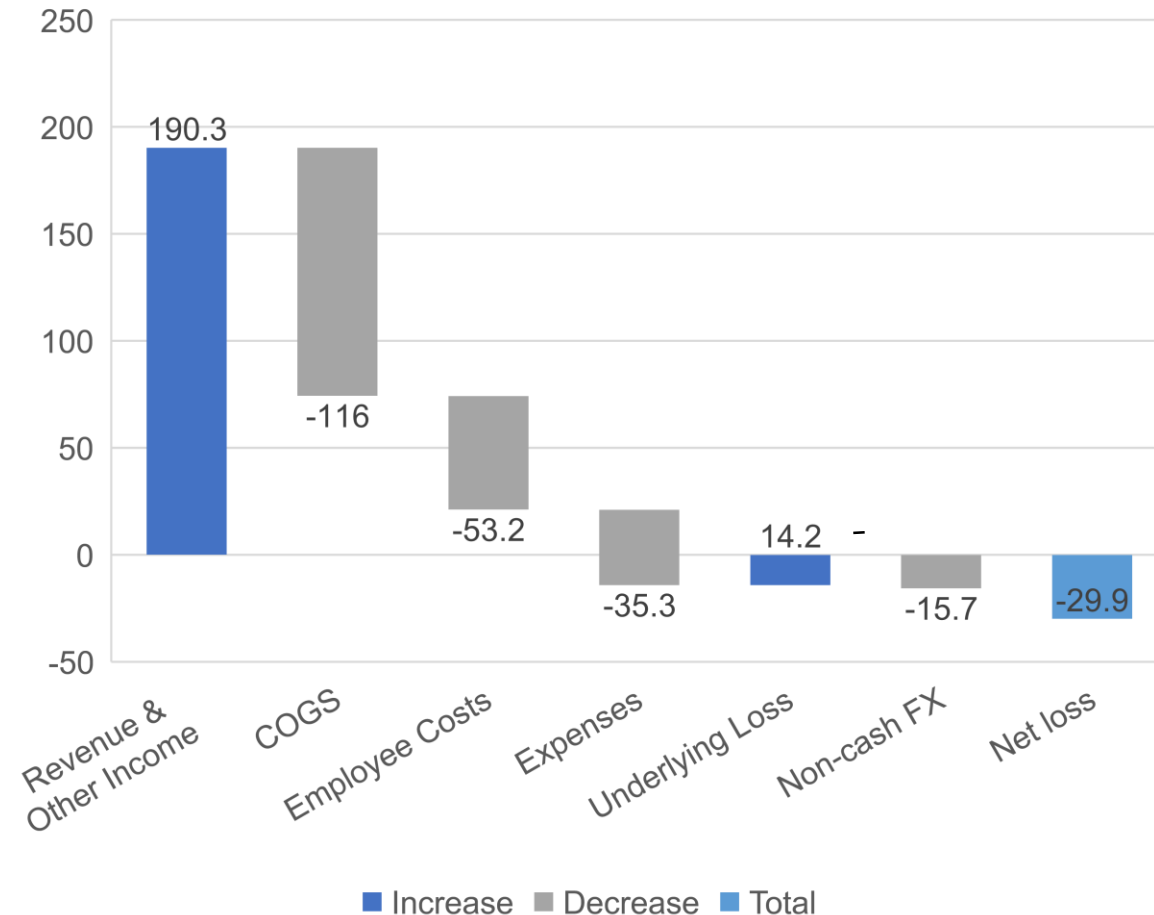
- 1. Revenue 98% CAGR.** In 2020 we completed three years of revenue growth with CAGR of 98% despite COVID, placing the company within reach of a key target of \$250 million in revenue.
- 2. SpaceLink Emergence.** SpaceLink was created in 2020 by adding strategic acquisitions and regulatory approvals to EOS proprietary technology, emerging as a key provider of critical space communications infrastructure.
- 3. \$1.5 Billion IP Portfolio.** In 2020 we completed the aggregation, under EOS ownership and control, of the \$1.5 billion IP portfolio needed to transition pipeline to backlog at >\$1 billion annually.
- 4. Export Market Growth.** EOS invested heavily over five years in counter-drone and automation capabilities to protect civil and military assets. These are now the fastest growing defence market segments globally.
- 5. Domestic Market Growth.** Australia will spend \$1 trillion on defence over 20 years to 2040. EOS is one of only two-three Australian defence prime contractors providing direct access to this emerging market.
- 6. COVID-19 Management.** EOS maintained its prime focus on the health and safety of its personnel, with a high degree of success across our global operations. This is an ongoing priority for the company.



# Financial Performance: Revenue

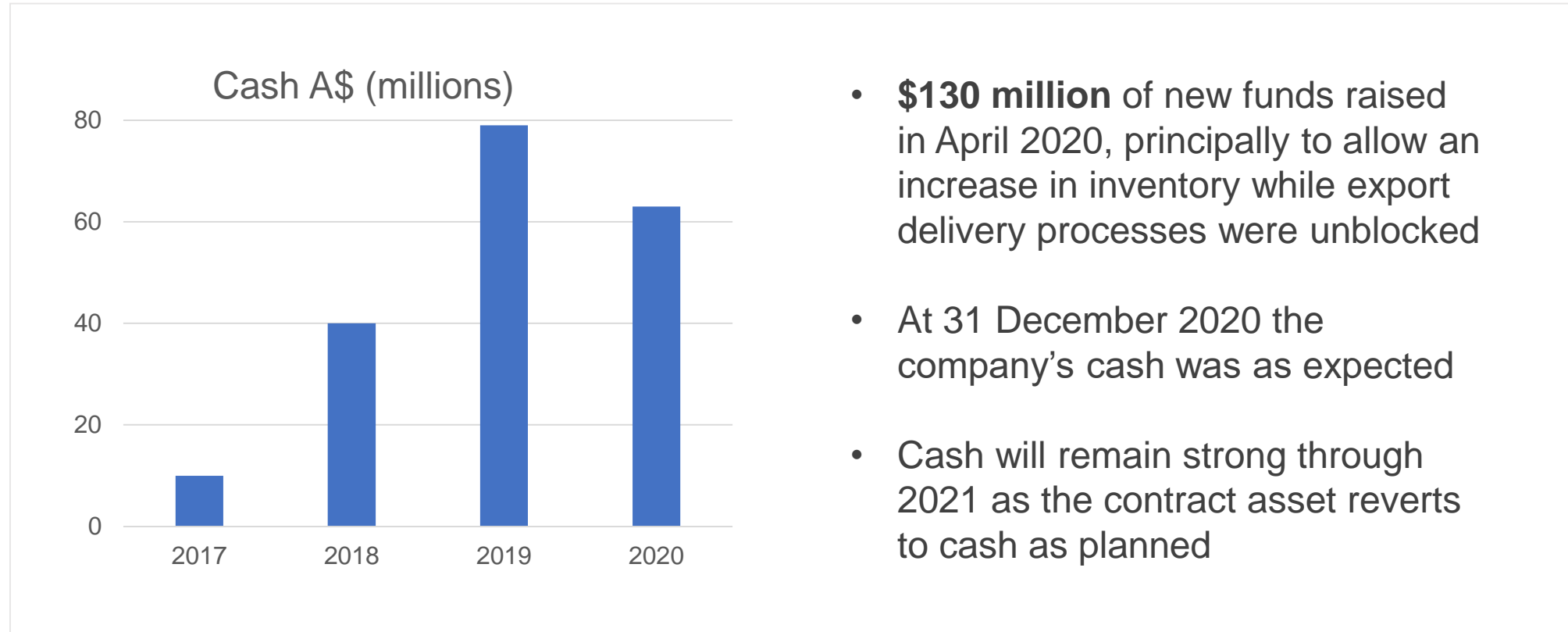


# Financial Performance: Profit/Loss



- As usual, most investments in new technology or business growth are expensed. These were not slowed in 2020
- COVID-19 delays resulted in an underlying loss before FX of \$14.2 million
- Non-cash FX loss represents the non-cash adjustment to the contract asset value

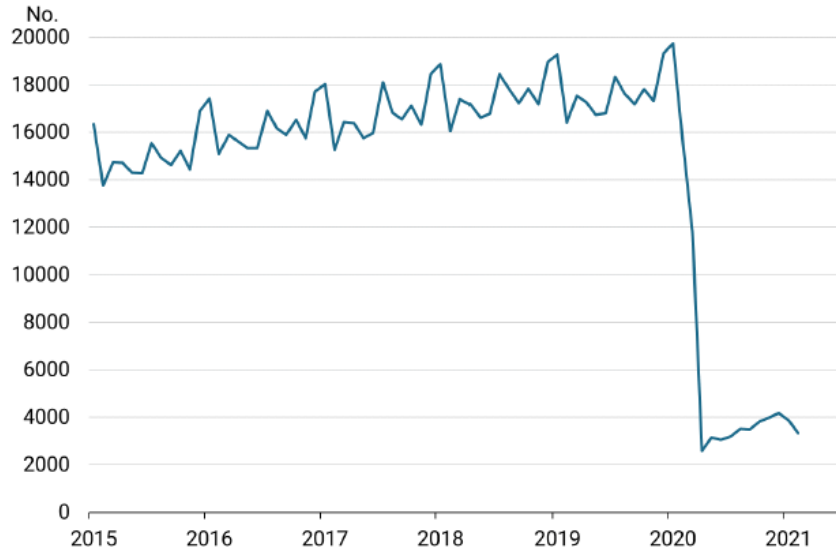
# Financial Performance: Cash





# COVID-19 Delivery Issues

Number of inbound and outbound flights for Australia per month, 2015 to 2021



Source: Bureau of Infrastructure and Transport Research Economics

**EOS derives 95% of revenue from exports which are air freighted. Exports ceased in March 2020 due to:**

1. Severe reductions in air freight capacity
2. Loss of public sector resourcing for mandatory export and import documentation
3. COVID-19 shutdown of substantial EOS facilities required for final assembly in-country
4. National lockout of EOS (Australia) engineers essential to the final pre-delivery processes
5. Access to customer testing facilities required for product acceptance
6. Closure of key defence sites designated as customer delivery points

**All of these issues have now been overcome and delivery processes restored. EOS has received \$30 million in recent export payments, and has over \$100 million of finished product positioned near specified customer delivery sites**

# DEFENCE SYSTEMS





# Defence: Highlights

## New business led by Australian sovereign capability

- Executed ADF contract for 251 R400 RWS
- Executed the C4EDGE contract with the Australian Army
- Delivered first remote lethality solutions for NATO robotic combat vehicles – deploying on operational service in 2021
- Completed multiple evaluation programs in the US

## Production in the year of COVID-19

- Manufactured and delivered more RWS in the last 12 months than any other western RWS supplier
- Protected and sustained the Australian supply chain
- Commenced serial production in the US
- Maintained output despite split shifts, plant closures (UAE)

## New Products

- R150 initial production run and R800 in customer evaluation
- Directed energy system under customer funded development
- T2000 delivered for evaluation to customer





# C4 - Evolutionary Digital Ground Environment (EDGE)



Australian Industry initiative led by EOS Defence Systems working collaboratively with 23 other Australian Industry partners and the Australian Army headquarters –\$35 million

## Objectives

- By December 2021 develop and document a sovereign C4 architecture for a battlegroup and below battlefield command communications environment
- Physically demonstrate the technical option in November 2021
- Identify areas for future Defence investment in Australian technology

## Opportunities

- C4 EDGE communication and control products deployed in CUAS solution
- Further Commonwealth investment in 2022 and 2023 expected following successful conduct of demonstration in 2021
- Potential Australian market of >\$4 billion

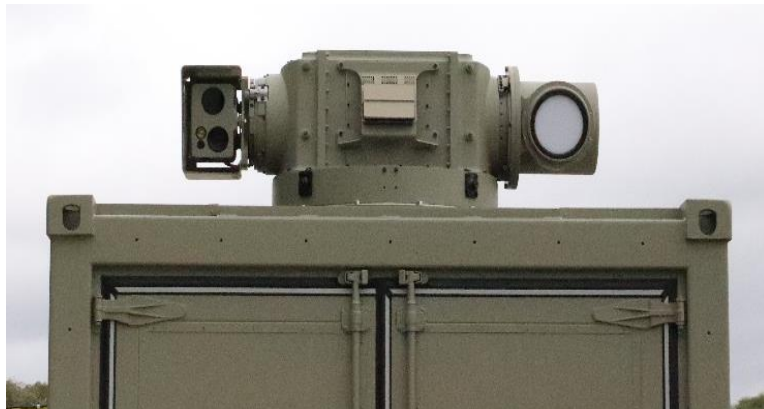
# T2000 Turret for Land400 Phase 3



- EOS is part of the Hanwha “Redback” consortium for Land400 Phase 3 (one of two remaining competitors)
- World-class manned medium weight turret incorporating;
  - modern anti tank missiles
  - active protection systems
  - counter drone defence
  - see through armour vision system
  - embedded simulation
  - complex C4ISREW capabilities
- Full EOS fire control system, optics and power management installed
- Redback Infantry Fighting Vehicle now in user evaluation till September 2021
- Contract award expected Q2 2022. EOS share potentially more than \$1 billion

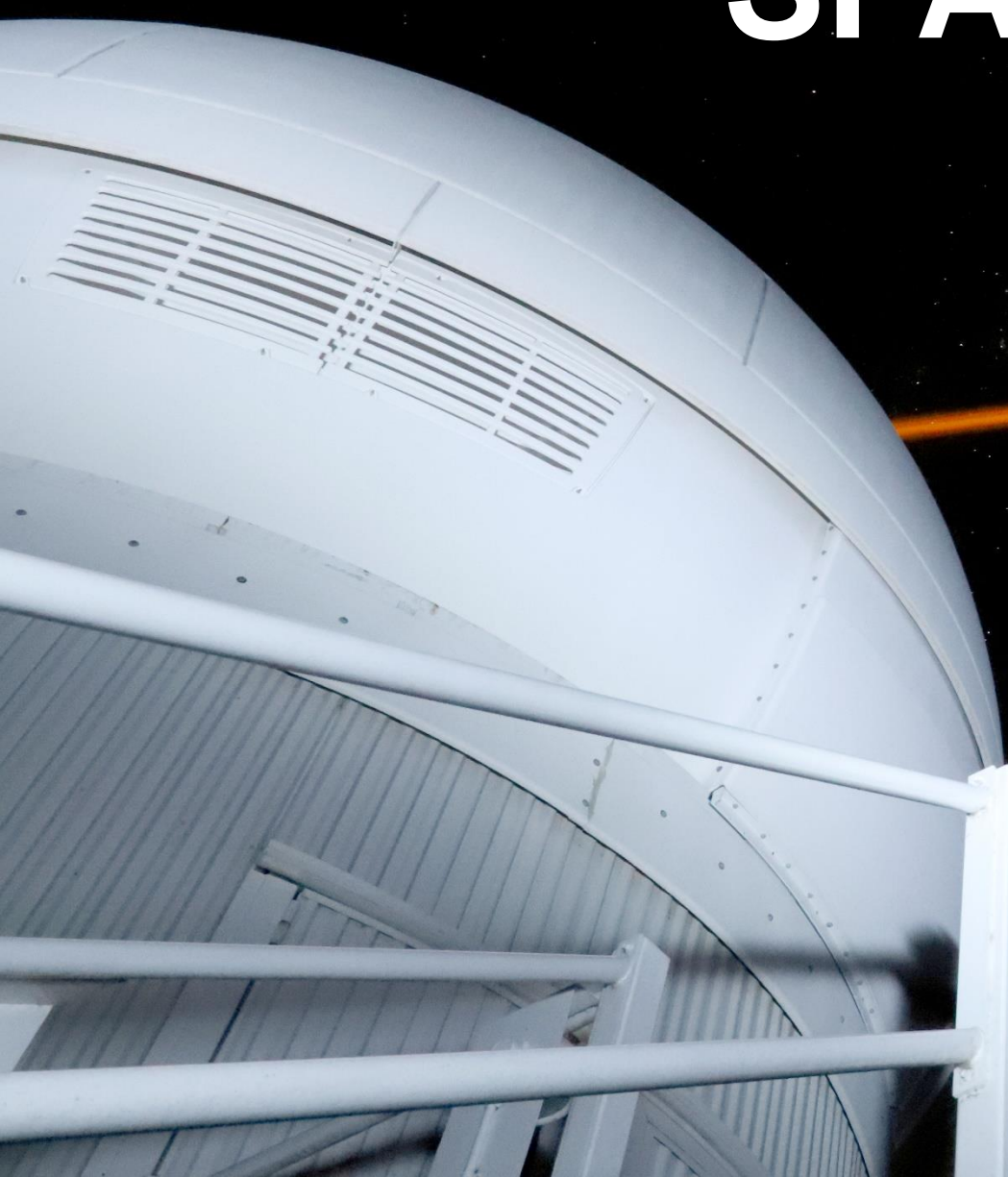
# Counter Uninhabited Aerial Systems

- Rapidly evolving USD\$30 billion market
- Creating significant demand for novel application of new and existing technologies
- Challenge due to asymmetric cost and scale advantages of commercial and military drones
- Hardest technologies to optimize are the kill systems to achieve cost effective and engagement targets - EOS is the world leader in the design, production and management of these 'kill' systems
- Distinct advantages in
  - Accuracy
  - Cost per drone defeated
  - Adaptability of the system to terrain, threat and new drone technology
- Funded development technology demonstrations, and preferred tenderer now on two major programs >USD\$1 billion





# SPACE SYSTEMS



# Space Systems: Securing Space

## Space Domain Awareness (SDA)

- EOS laser sensors detect, track, classify, characterise and catalogue objects in space, far beyond the range of radar

## Space Protection

- Collision avoidance combining data with EOS' Conjunction Analysis and Threat Warning System to provide realistic and actionable data for satellite operators
- EOS is currently completing a new type of laser tracker using radiation pressure to move space debris to new orbits to avoid collision
- Further technology for Space Protection under development

## Space Communication

- EOS' unique space optical communication technologies underpin SpaceLink's future access to technology and markets

# Space Systems: Capabilities



## Extensive Ground-based Space Infrastructure

- Seven operational telescopes across Australia
- Dynamic catalogue of space objects
- Unique capability in accuracy and coverage
- Supporting United States space operations through operational exercises (SACT)



## Next Generation Debris Laser Technologies

- EOS has successfully demonstrated a new laser guide star to excite the atmosphere's sodium layer. This is foundational technology for future laser pressure developments in moving space debris to new orbits to avoid collision, and space communication



# Space Sector: Key Achievements

- Awarded multiple minor space tracking contracts and delivered over 100,000 space object tracks under contract in 2019
- Awarded an international space equipment contract
- Awarded a domestic contract for the development of advanced test and measurement instrumentation
- Selected as preferred provider for a significant space infrastructure program, with contract award expected in Q2 2021
- Founding member of the SmartSat CRC to enhance multi-lateral collaboration
- Developed laser beam correction technology enabling the establishment of EOS Communication Systems and triggering strategic acquisitions
- Developed high power laser systems for Counter-UAV applications for Defence Sector



# COMMUNICATIONS SYSTEMS

# Communications Systems: Accelerating

- Conceived to provide EOS optical communications technologies access to \$100 billion annual revenue segment
- A credible presence requires **both** ground segment and space segment capabilities
  - Ground Segment: Established 1 October 2019 with the acquisition of EM Solutions
  - Space Segment: Established 28 January 2020 with the acquisition of Audacy Corporation assets
- Technology and operational support from EOS Space Systems enhances market presence
- EM Solutions driving ahead as a standalone business, but with strong synergistic ties to SpaceLink, providing an installed global base of SpaceLink-ready customers

SpaceLink external funding in Q3 2021 to crystallise value for EOS shareholders



# EM Solutions: Highlights



- Cemented position as the world's premier global maritime satellite communications terminal manufacturer
- Completed a record number of deliveries for the Australian Navy and three European Navies
- Secured ongoing orders for the Australian Navy Offshore Patrol Vessels (OPVs) and a Middle Eastern Navy
- Completed development of Antenna Diversity System (ADS) which allows two terminals to be deployed per vessel
- Orders secured from multiple domestic and overseas customers for new 2m terminal product line
- Adding new recurring revenue streams through logistics support contracts for the growing deployed terminal fleet

# SpaceLink System Architecture: A High Value Proposition to Space Users

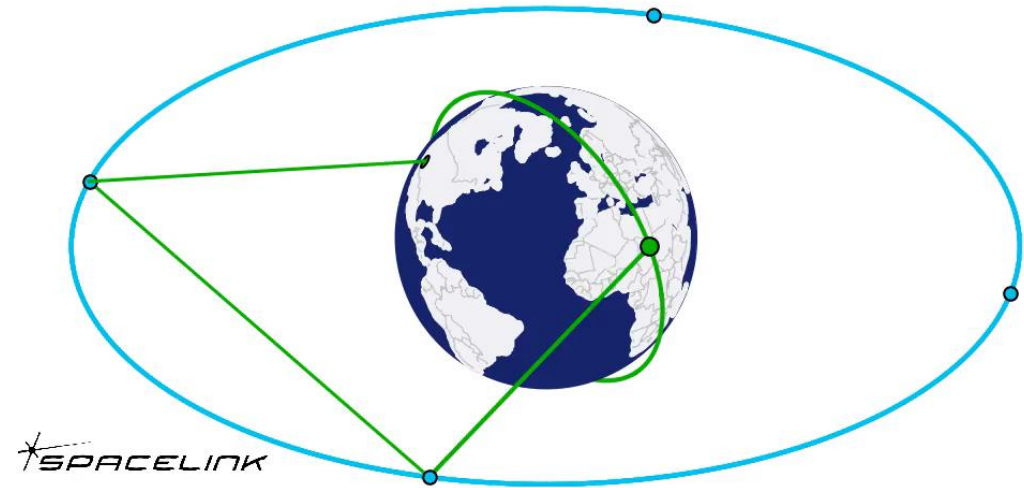
## Without SpaceLink: Hours-long Link Gaps

- Animation below shows a spacecraft in orbit performing its mission, linking to its ground station for data downlink and tasking
- **6% access time for each orbit pass, limited data throughput, and up to 8-hour gap between passes/data transfer**



## With SpaceLink: Continuous & Secure Downlink Capability

- **Realtime Downlink:** The faster you can downlink your satellites' data, the more valuable it is to you and your customers
- **Realtime Tasking:** The faster you can task your satellites to changing situations, the more valuable the resulting data
- **100% Access Time:** The more access you have to your satellites, the more effective use is being made of your on-orbit assets



# SpaceLink – Roadmap

## Achieved

- SpaceLink Corporation (US) established as subsidiary of EOS
- IP completed with acquisition of Collinear/AOptix IP
- Tier-1 management team recruited
- Completed design of novel hybrid RF/Optical architecture
- FCC spectrum assets secured and further enhanced
- Market assessments completed and independently validated
- Financial model baselined

## Current Activities

- Soliciting Firm Fixed Price quotations from key suppliers (e.g. satellites, ground systems)
- First supplier contract inked with Mynaric for Optical heads
- Commercial customer MoUs
- Customer engagement progressing well with Civil Space (e.g. NASA) and US Defense and government customers
- US Special Purpose Vehicle funding currently underway. Expect Q3 completion

## Future

- **2021**
  - Close financing
  - Issue key supplier contracts
  - Secure first government customer contracts
- **2022-2023**
  - Construct satellites and associated ground systems
- **2024**
  - Launch satellites and commence operations





# COMPANY OUTLOOK

# 2021 Growth Outlook

1. EOS' current charter is to rapidly create a **highly resilient and profitable** aerospace company that supports the national security interests of Australia and its allies. This requires a company that:
  - exceeds critical mass in scale, is diversified in markets and products; and
  - relies on its own advanced technology to produce well-differentiated and diversified products.
2. We are growing this company organically, leveraging outstanding technology with global and local application.
3. In 2017 EOS planned to grow revenue x10 from \$24 million to \$240 million by 2020 at a CAGR of 115% over three years. EOS now expects to achieve \$240 million revenue in 2021 at a **reduced CAGR of 80%** over four years.
4. This delay of a year to 2021 is due to COVID-19 impacts, which EOS expects will continue with diminishing impact through 2021 and 2022. Recovery to >50% annual growth is not expected before 2023.
5. Strong indications from current EOS customers are that revenue growth well above current (30%) levels can be sustained far beyond 2023. If growth is maintained below 70% there is no implicit requirement for new capital.

*At what point will EOS reduce the deployment of profit for growth and pay dividends?*

The current assumption is that growth in revenue and underlying profit induces similar growth in enterprise value. It is rational to re-invest profits for growth while company growth rates far exceed alternative capital growth rates.

# 2021 Key Factors Crystallising Value

## 1. SpaceLink Funding

SpaceLink funding for initial constellation of satellites in Q3 2021 will create an initial value event for EOS shareholders

## 2. Contract Awards Anticipated

Over \$1 billion of contract award in advanced stages of development with existing EOS customers

## 3. Demand Tsunami on Horizon

- **Globally** EOS is well positioned in the fastest-growing defence market segments: counter-UAS, directed energy and remotely-operated combat systems
- **Australia's** ca \$1 trillion defence budget for 2021-2030 combines with unprecedented focus on Australian providers, and EOS is one of only 2-3 candidates to qualify as a defence prime contractor in Australia
- **Space** sector growth, both commercial and defence, indicates demand surge for space products and services
- **US** manufacturing base to serve our key ally, address world's largest defence market and drive economies of scale for global technology and cost competitiveness

**Just in time we have completed sufficient expansion to accommodate this surge in growth**



# 2021 Financial Guidance

The following guidance is provided on the basis that market conditions do not materially change, adversely impacting operations, and noting that considerable uncertainty continues in relation to the potential impacts of COVID-19, EOS also notes the potential for material contract awards in H2 2021, for which negotiations are currently under way.

## 1. Order Backlog

Backlog of executed orders at 27 May is \$428 million in revenue terms, and \$535 million in cash flow.

## 2. Cash

Cash receipts are expected to be strong as contract assets convert to cash, in a reversal of 2020 cash deployment.

## 3. Revenue

Revenue is expected to increase in 2021 to \$235-245 million, representing revenue growth of >30% (2020: 8%). This is a key growth target as it funds mandatory corporate compliance processes for the next stage of managed growth.

## 4. Underlying EBIT

Underlying EBIT before SpaceLink costs expected to be \$20-25 million. EBIT after SpaceLink costs currently expected to be \$3-8 million after expenses of \$17 million for SpaceLink.