2021 Results Presentation
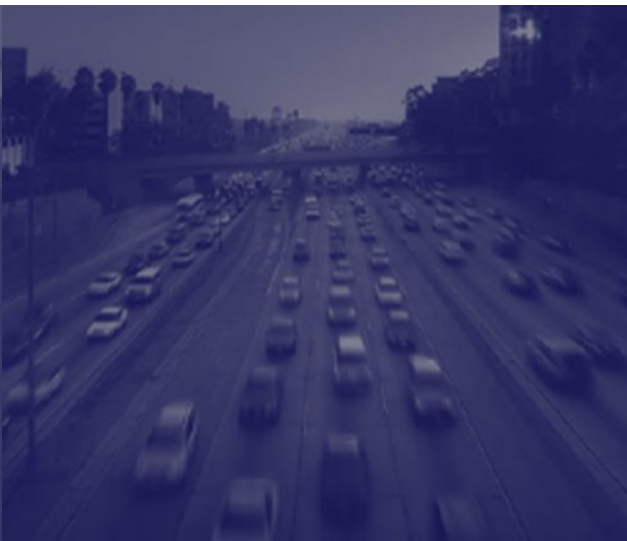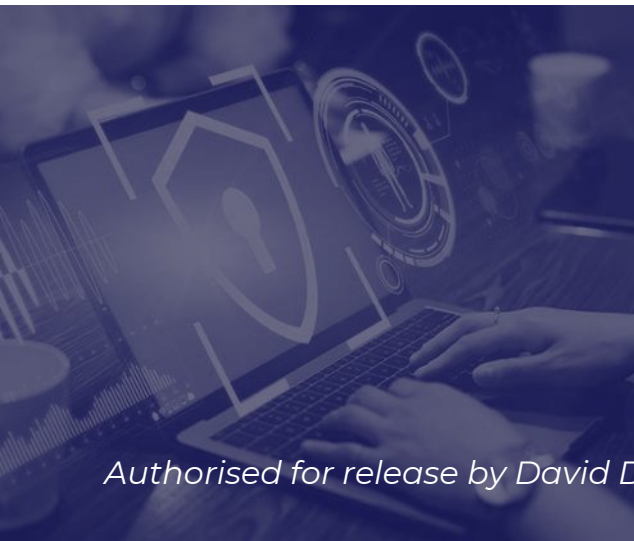
Etherstack plc (ASX:ESK)
17 February 2022

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

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2021 Financial & Business highlights

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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

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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
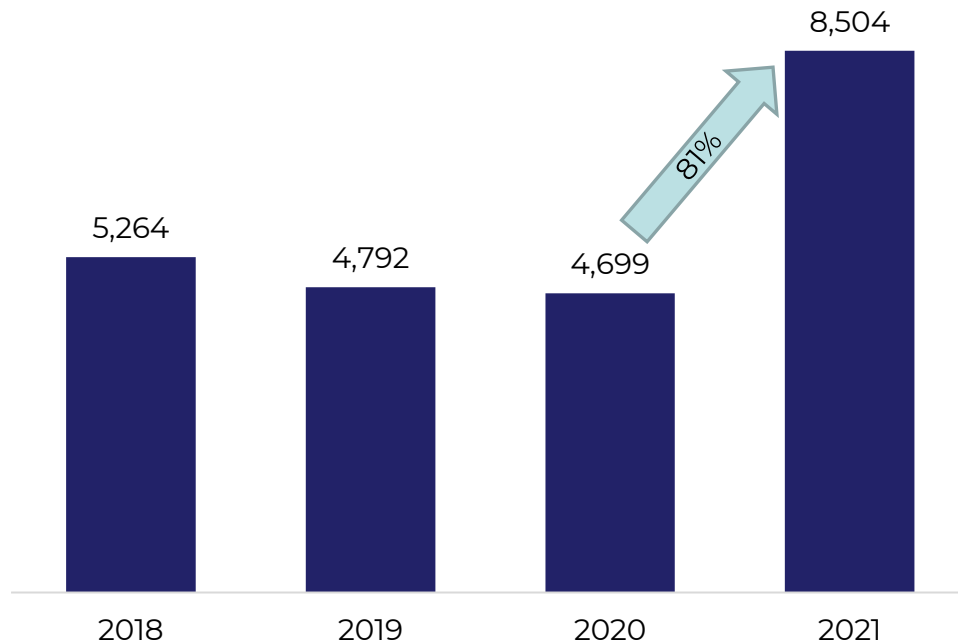- Australian Department of Defence
- Australian Department of Home Affairs

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

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Strong revenue growth supported by key contract wins

Etherstack Revenue (USD '000)

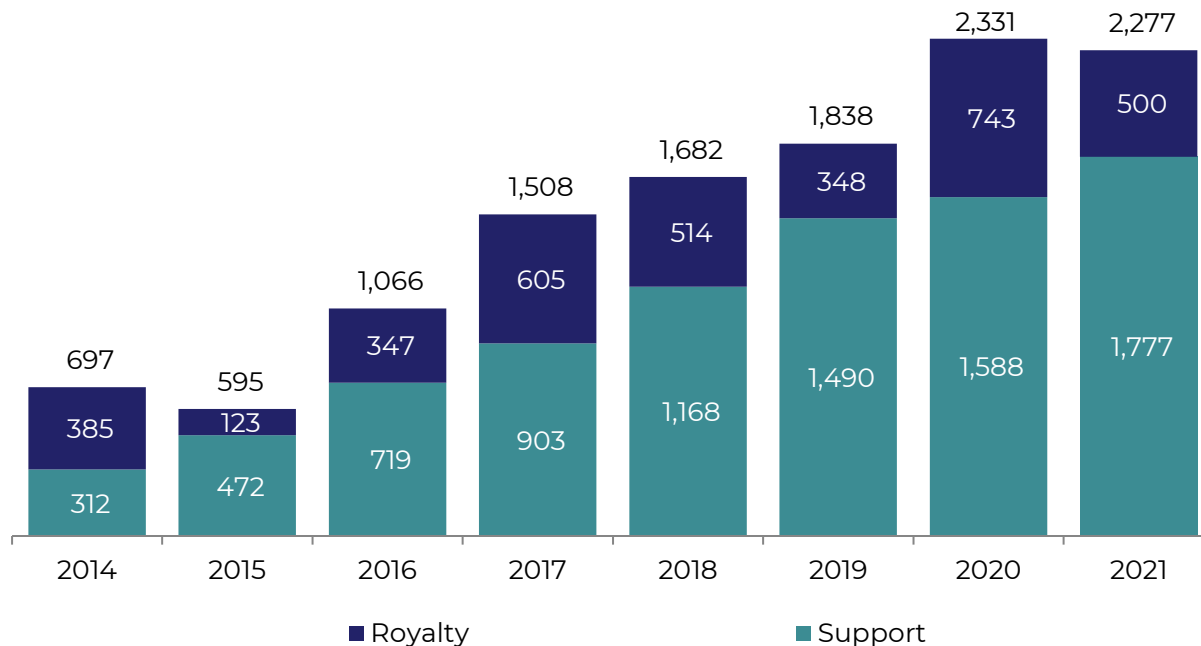| Year	Revenue
2018	5,264
2019	4,792
2020	4,699
2021	8,504

81%

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**

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Recurring revenue remains a core focus for Etherstack

Etherstack Recurring Revenue (USD '000)

| | Royalty | Support |

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
% Recurring Revenue to Total Revenue	*32%*	*38%*	*50%*	*27%*
Cost of Sales	(1,668)	(1,507)	(2,032)	(2,306)
Gross Profit	**3,596**	**3,285**	**2,667**	**6,198**
Gross Margin	*68%*	*69%*	*57%*	*73%*
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%

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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

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Strong outlook driven by focus on key strategic initiatives

Cellular Networks

Expect to announce a second telco carrier win via Samsung in the first half of 2022

Further carrier pursuits are underway between Samsung and Etherstack

LMR Networks

Expansion of existing Australian & International public safety networks

Defence

License and supply of defence communications solution to other nations

Further Australian Defence projects expected within the first half of 2022

Upgrades

Commencement of upgrades to virtualised switching solutions across installed base

Satellite network

Procure initial contracts with satellite network terminal providers to incorporate Etherstack technology into their network solutions

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Questions

Appendices

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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

PTT Technology

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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

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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

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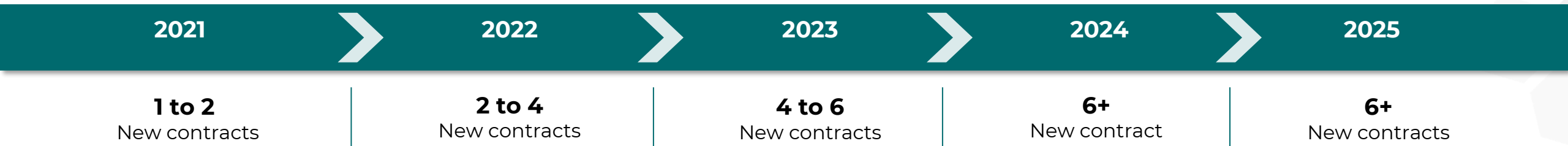
Growth through acquisition → Potential to increase % win on tendered networks via strategic acquisition of other network element suppliers

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Samsung global teaming partnership drives additional growth

Targeting more than 25 contract wins over the medium term

2021	2022	2023	2024	2025
1 to 2 New contracts	**2 to 4** New contracts	**4 to 6** New contracts	**6+** New contract	**6+** New contracts

First mover advantage → Samsung's clients will be the first carriers to roll out a 5G network incorporating Etherstack's MCPTX technologies

Upfront & recurring revenues → Each network provides upfront licensing and deployment revenues, as well as long term support revenue tails

Strong pipeline → Etherstack and Samsung are actively involved in multiple carrier pursuits globally

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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

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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

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