



# 2021 Full Year Results Investor Presentation

28 February 2022

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# FY21 Results Highlights

DR BEN GREENE, CEO

# Overview

## EOS is making the future happen today



OFFICES IN  
**6**  
COUNTRIES

ACTIVITIES SPANNING  
**18**  
COUNTRIES

EMPLOYING  
**548**  
PEOPLE

**\$211.8m**  
REVENUE

**\$(7.5)m** NPBT  
**\$(16.8)m** STAT. NPAT

**\$342m** ORDER BACKLOG  
**\$2.6bn** SALES PIPELINE

# FY21 Key Operational Highlights

## **COVID-19 still impacting business**

- Marketing and product demonstrations limited, and contract award decision-making slowed
- Most contract awards expected in 2021 were deferred to 2022
- Internal safety procedures proving relatively effective with low staff infections and record production levels

## **Revenue growth continues**

- Revenue of \$211.8m, up 17.5% on prior comparable period

## **Net cash from operating activities improved \$110m compared to 2020 as COVID-19 impacts start to unwind**

- Net cash outflow of \$6.9m

## **Underlying EBIT loss of \$14.3m (before FX gain) includes investment of \$27m on critical product development**

## **Accelerating technology adoption requiring near-term investment**

- Confluence of geopolitical issues driving near-term development of defensive weapons and space capabilities to defend essential satellites
- CUAS, directed energy, satellite communications and hypersonic defensive weapons experiencing strong customer interest and investment

## **SpaceLink opportunity remains very attractive**

- EOS invested \$37m in SpaceLink during 2021 to accelerate engineering and business development
  - Capex \$19m – mainly on long-lead items
- Contract awarded to demonstrate technology on International Space Station (ISS)

Refer Appendix for a reconciliation of statutory net profit/(loss) to non-GAAP financial measures

# SpaceLink Accelerates Constellation Rollout

## Advanced discussions for interim smaller satellite constellation

- Recent technical advancements enables alternate solution
- Two vendors shortlisted
- Contract award scheduled for April 2022

## Initial project costs reduced to US\$240m (previously >US\$700m)

- Reflects modified specifications, life expectancy and changes to ground infrastructure

## New satellite constellation de-risks project

- Significant reduction in funding requirements
- Demonstrates "Proof-of-Concept" with a fully commercial service
- Achieves regulatory milestone
- Satisfies initial customer requirements
- More closely aligns revenue growth and capex, and brings forward positive cash flow

## OHB System AG Block-1 deferred

- Remains the technical baseline for further development, and risk mitigation contract executed

## Project financing to recommence

- Reduced risk profile enhances access to capital markets and lowers funding costs



# SpaceLink Spectrum Value Capture

## SpaceLink has unrivalled spectrum allocation

- Largest allocation of RF spectrum licensed to any commercial satellite network (21 GHz)
- Significant spectrum allocation in highly desirable K, Ka, and Q/V bands

## Spectrum allocation<sup>1</sup> secured by meeting regulatory milestones

- Federal Communications Commission (FCC) milestone of June 2024 for on-orbit services

## OHB contract schedule with improved capability risked June 2024 deadline

## Missing milestones could result in significant value destruction

- Unacceptable risk to EOS, customers and investors

## New constellation delivers earlier launch window

1. FCC grants a permanent Right-to-Use as opposed to transferring ownership

# Overseas Contract Returning to Normal

## **COVID-19 disruptions continued albeit at a lower level**

- Deferred deliveries cascaded from 2020 into 2021 and \$16m of deliveries were deferred from 2021 to 2022
- Delays in the delivery of customer-furnished equipment impacted physical integration activities and the achievement of contracted revenue recognition milestones

## **Improved cash conversion of contract asset**

- Contract asset arises from the timing difference between revenue recognition under Australian Accounting Standards and when the revenue may be invoiced to customers
- \$95m cash received during 2021 with a similar amount of cash expected in 2022
- Contract amendment to increase scope of work and implement improved payment process nearing completion

## **Contract status - Phase 1 & Phase 2**

- Phase 1 completed, and Phase 2 will run from H2 2021 for 3 years before a transition to support effort
- Delivery of 1st marine RWS platform creates strategic opportunity for other naval markets

## **World-leading technical performance likely to result in additional orders**

- On-site testing has demonstrated outstanding range, accuracy and effectiveness against current threats
- EOS has held discussions with customer regarding expanding Phase 2 orders to meet contingencies



# FY21 Financial Highlights

MICHAEL LOCK, CFO

# FY21 Financial Headlines

| \$millions                                     | 2021          | 2020           | % movement     |
|--|---------------|----------------|----------------|
| <b>Revenue including other income</b>          | <b>212.8</b>  | <b>190.3</b>   | <b>11.8%</b>   |
| <b>Revenue from ordinary activities</b>        | <b>211.8</b>  | <b>180.2</b>   | <b>17.5%</b>   |
| <b>EBITDA (excl. FX gains/losses)</b>          | <b>(0.9)</b>  | <b>(3.2)</b>   | <b>72.1%</b>   |
| <i>% of revenue</i>                            | <i>(0.4%)</i> | <i>(1.7%)</i>  |                |
| <b>Underlying EBIT (excl. FX gains/losses)</b> | <b>(14.3)</b> | <b>(12.8)</b>  | <b>(12.2%)</b> |
| <i>% of revenue</i>                            | <i>(6.7%)</i> | <i>(6.7%)</i>  |                |
| <b>EBIT</b>                                    | <b>(4.5)</b>  | <b>(28.5)</b>  | <b>84.0%</b>   |
| <b>Statutory Net Profit/(loss) After Tax</b>   | <b>(16.8)</b> | <b>(25.2)</b>  | <b>33.2%</b>   |
| <b>Statutory diluted EPS (cents)</b>           | <b>(12.1)</b> | <b>(19.5)</b>  | <b>37.9%</b>   |
| <b>Operating cash flow</b>                     | <b>0.9</b>    | <b>(109.2)</b> |                |
| <b>Investing cash flow</b>                     | <b>(37.7)</b> | <b>(37.0)</b>  |                |
| <b>Financing cash flow</b>                     | <b>29.9</b>   | <b>135.9</b>   |                |
| <b>Cash</b>                                    | <b>59.3</b>   | <b>65.9</b>    |                |

Refer Appendix for a reconciliation of statutory net profit/(loss) to non-GAAP financial measures

## Record revenue

- EOS delivered a record level of revenue from ordinary activities in 2021
- ~\$20m of revenue (and associated direct costs) deferred into 2022

## Strong growth in gross margin

- Gross margin of all major segments at or above pcp, with strong growth in Group operating profitability

## Underlying EBIT

- Modest decline in Underlying EBIT to \$(14.3)m
- More indicative of operating performance as it removes FX movements
- \$21m of SpaceLink operating expenses, \$17m increase over 2020

## FX movements

- Favourable \$9.8m benefit in 2021 (2020: \$15.7m loss)
- High proportion of offshore revenue means currency movements will be a feature of year-on-year results

# FY21 Segment Performance

| \$millions                                     | 2021          | 2020          |
|--|---------------|---------------|
| <b>Revenue including other income</b>          |               |               |
| Defence  | 184.2         | 156.6         |
| Communications                                 | 23.6          | 19.6          |
| Space  | 4.6           | 6.4           |
| Unallocated                                    | 0.5           | 7.7           |
| <b>Total Revenue</b>                           | <b>212.8</b>  | <b>190.3</b>  |
| <b>Underlying EBIT (excl. FX gains/losses)</b> |               |               |
| Defence  | 15.0          | (9.2)         |
| Communications                                 | (20.4)        | (1.8)         |
| Space  | (3.8)         | 1.3           |
| Unallocated                                    | (5.1)         | (3.1)         |
| <b>Total</b>                                   | <b>(14.3)</b> | <b>(12.8)</b> |

## Defence Systems

- Revenue including other income rose 17.6%
- Underlying EBIT delivered a strong rebound as profit, which was deferred in 2020 due to COVID-19, was recognised in 2021

## Communications

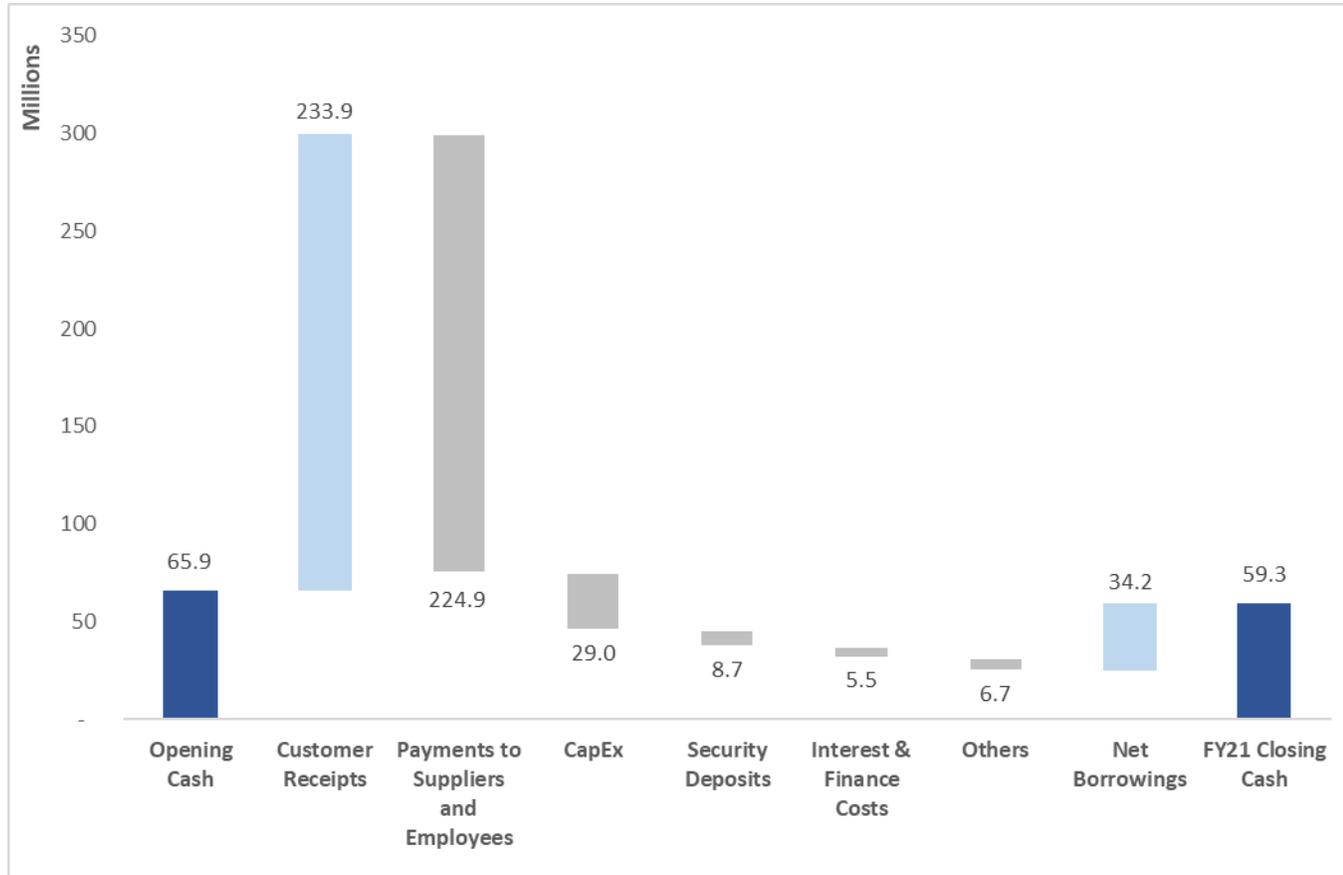
- EM Solutions delivered 20.4% revenue growth and a solid profit contribution
- 2021 Underlying EBIT declined significantly reflecting the additional SpaceLink Opex

## Space

- The decline in revenue reflected the conclusion of several contracts, and the delay in the award of new contracts
- Continued investment in R&D coupled with lower earnings contribution from contracts winding down resulted in a reduced EBIT

Refer Appendix for a reconciliation of statutory net profit/(loss) to non-GAAP financial measures

# FY21 Net Cash Flow Movements



## Net cash flow

- Adversely impacted by deferred delivery of ~\$20m RWS to key customers

## Payments to suppliers

- \$224.9m includes \$48m expensed on SpaceLink, R&D and facilities

## Net Borrowings

- EOS drew down on a \$35m working capital facility arranged in 2021

# Investment in Growth

## Near-term opportunities driving investment

|                         | \$m       |           |
|-------------------------|-----------|-----------|
|                         | 2021      | 2020      |
| R&D                     | 27        | 20        |
| SpaceLink               | 37        | 12        |
| Production Facilities   | 13        | 16        |
| <b>Total Investment</b> | <b>77</b> | <b>48</b> |

### \$125m cash invested

- Over the past two years significant near-term opportunities have required a large investment

### Research & Development

- Over 50% of all R&D expensed

### Investment in emerging technologies

- CUAS, directed energy, satellite communications and classified projects

### Production Facilities

- Maintaining production capability in preparation for contract wins
- Production facilities located to meet local content requirements

### IT infrastructure spend ongoing

- IT security - a core competency
- Working from home (WFH) required extra connectivity and security

# Contract Assets

## Accounting standard drive balances

**Contract Asset:** The timing difference between the amount of revenue recognised per accounting standards and the value of invoices EOS is eligible to submit per its contracted payment schedules.

|  | 2020         | 1HY21        | 2HY21        | 2021         |
|--|--------------|--------------|--------------|--------------|
| <b>Opening</b>                                   | 44.2         | 137.9        | 138.5        | <b>137.9</b> |
| <b>Additions</b>                                 | 109.0        | 30.2         | 50.5         | 80.7         |
| <b>Invoicing</b>                                 | -            | (31.0)       | (67.2)       | (98.2)       |
| <b>Other movements</b><br>(FX, discounting etc.) | (15.2)       | 1.4          | 6.5          | 7.9          |
| <b>Closing</b>                                   | <b>137.9</b> | <b>138.5</b> | <b>128.3</b> | <b>128.3</b> |
| <b>Current portion</b>                           | <b>124.5</b> | <b>120.4</b> | <b>106.8</b> | <b>106.8</b> |

### Amalgam of two contracts and several businesses

#### Deferral request added to year end balance

- Two customers requested delivery deferral
- Year end balance higher than anticipated by ~\$20m
- Unwinds in H1 2022 with delivery and payment

#### Production and contract delivery schedules differ

- Maintaining stable production rates benefits both gross margins and quality
- Staged delivery schedule driven by customer contracts

#### Ongoing feature of our business

- Contract assets are likely to be an ongoing feature on our balance sheet



# FY21 Operational Highlights

GLEN TINDALL, CEO SPACE SYSTEMS

# Space Systems

## SpaceLink pipeline growing and firming

### Potential near-term opportunities

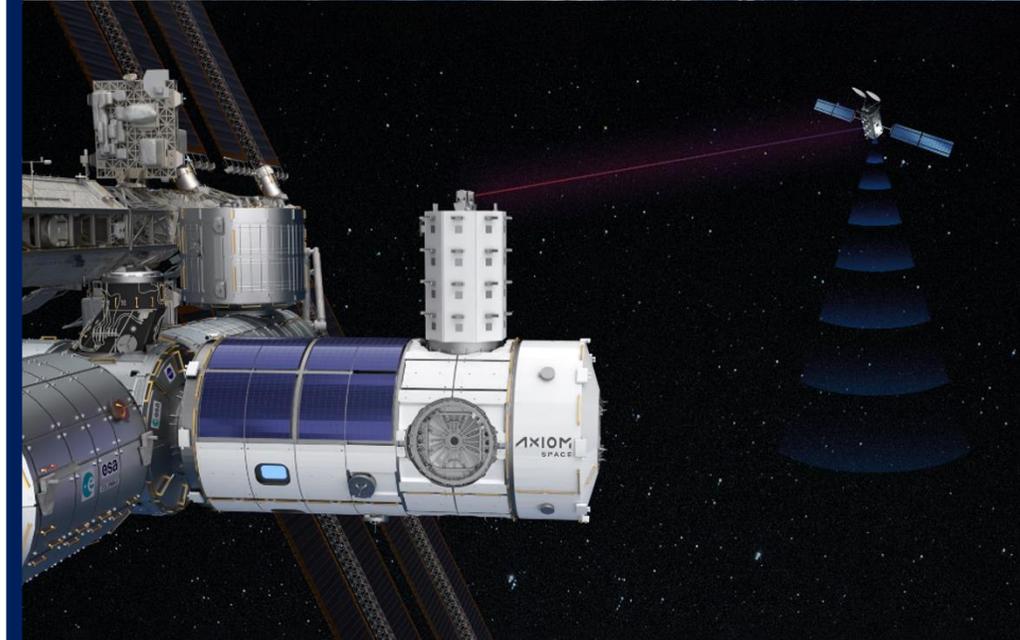
- Government Space Agency: US\$40m over 5 years
- Space platform: US\$100m over 5 years
- Earth observation data: US\$100m over 5 years

### Strong pipeline

- Highest 25% of opportunities ~US\$200m pa revenue risk-weighted
- Good levels of engagement with Defence, Government and Commercial customers

### Customer wins likely with project certainty

- Satellite contracts and funding are precursors to client wins



# Space Systems

## EM Solutions record delivery, strong pipeline

### World-leading technology

- Deployed across 6 navies spanning the globe
- Closed-loop monopulse tracking gives higher speeds and greater uptime
- Terminal covers multiple frequency bands at once providing link redundancy
- Agile collaborative development process to meet custom requirements and future needs

### Record delivery of satellite terminals

### Robust pipeline supporting 20% pa growth

- Order book > \$40m
- Risked pipeline of \$222m (un-risked \$572m)

### Synergies with EOS and SpaceLink to drive growth

- EOS Huntsville AL supporting US market entry
- Continuing success in EMEA markets with NATO and other allies



# Space Systems

## Urgency to secure space

### Space Domain Awareness (SDA)

- SDA service adoption accelerating due to geopolitical tensions
- EOS' satellite laser ranging (SLR) provides highest accuracy data, unmatched by other ground-based sensor technologies, such as RADAR
- EOS combines SLR data to accurately detect, track, classify, characterise and catalogue objects in all orbits to deliver actionable intelligence to customers

### Space Protection

- EOS' Conjunction Analysis and Threat Warning System supports collision avoidance by combining data to provide realistic and actionable data for satellite operators

### Continued Research and Development Program

- New daytime sensors extends SDA capabilities
- Sodium Guide Star Laser (GSL) underpins applications using Adaptive Optics
- Further technology for Space Protection under continued development

### Profitability slightly below expectation in 2021

- Moving to EBIT positive by 2023
- Risked-pipeline of \$45m (\$745m un-risked)





# FY21 Operational Highlights

GRANT SANDERSON, CEO DEFENCE SYSTEMS

# Defence Systems

## 2021 continued growth

### Improved revenue, cash and profitability

- Strong outcome given COVID-19 and supply chain challenges
- Increased profitability and two new customers added to the EOS RWS user community
- High level of R&D investment while increasing profitability

### Production level stabilised with additional capacity introduced

- Record 271 RWS produced
- Huntsville facility now fully security accredited to engineer and produce for US military
- US development contract continues to deliver on schedule
- Added manufacturing capacity has created a 90-day buffer ahead of the delivery cycle, minimising the contract risk from unforeseen disruptions
- Growing ability to meet urgent and unforeseen new demands from customers

### Global supply chain established

- Three regional support and sustainment centres now accredited and in operation in preparation for planned mid-life upgrade activities to existing fleets
- Meeting contracted obligations to our international customers for local content, further reducing potential supply chain disruptions and input costs
- Local content enhances EOS competitiveness for new contract awards



# Defence Systems

## RWS product range

### Superior performance underpins product offering

- R400 with 30x113mm cannon continues to demonstrate accurate lethality out to 2.2 kilometres on the move
- Substantial range advantage (40%+) over all other competitors
- Marine variant achieving results beyond expectations

### Product range expanded for minimal investment

- R150 first contracts signed for 2022 production and delivery
- Marine offering opens up the naval lethality systems market
- R800 undergoing customer evaluation in H1 2022
- T2000 tested and awaiting decision on Land 400 Phase 3
- Additional missile and rocket integration activities added to the lethality portfolio

### Sustainment to grow

- Strong growth in sustainment and spares business – will continue to grow in the long-term as cumulative deliveries expand
- Commenced negotiation on mid-life upgrades for two major customers on existing fleets



# Defence Systems

## Unmanned Ground Vehicles

### Major growth segment

- Multiple advances in technology have made remotely operated vehicles with a range of lethality capabilities very attractive to allied forces
- EOS technology lead in accuracy and reliability are major advantages in this domain
- EOS supporting capabilities in C2-C4, communications and CUAS all enhance market position

### Successful contract deliveries

- Two contracted UGV lethality contracts delivered on time and on budget
- Complete UGV plus lethality systems being tested and operationally deployed by current customers
- Successful long-range live firing from moving UGVs with both driver and gunner remotely located

### Customer-funded development

- Three new customer-funded development programs to incorporate robotic and AI technologies



# Defence Systems

## Directed energy market and products evolve

### Product

- 35 kW directed energy hard kill system for drones and missiles
- Deployed for demonstration and for customer-funded development
- More powerful 50 kW system ready for testing in Q3 2022
- Large proven laser power modules provide competitive advantages

### Activity

- Demonstration pre-requisite for major infrastructure protection contract postponed to Q3 2022 due to operational conflicts
- Negotiations on several contracted development and production activities
- Field testing continuing in Australia in Q1 2022



# Defence Systems

## Effective CUAS developed

### Offensive drones continue to increase in frequency and lethality

- New weaponised drones and loitering munition technologies are entering the market at a rapid pace
- Cost of drones continue to fall while defensive costs continue to rise
- Customer awareness of the threat and potential solutions is growing
- CUAS remains largely in the testing and evaluation phase

### EOS solution continues to perform

- Titanis CUAS system has demonstrated effective, reliable and cheap counter drone engagement using 7.62mm, 12.7mm, 30x113mm and 30x173mm munitions
- EOS RWS drone engagement is still the only effective demonstrated RWS based solution that can engage fast moving drones at ranges beyond 500 meters
- EOS hard kill systems are now integrated and offered as part of other US, European and Asian companies in their integrated solutions



# Defence Systems

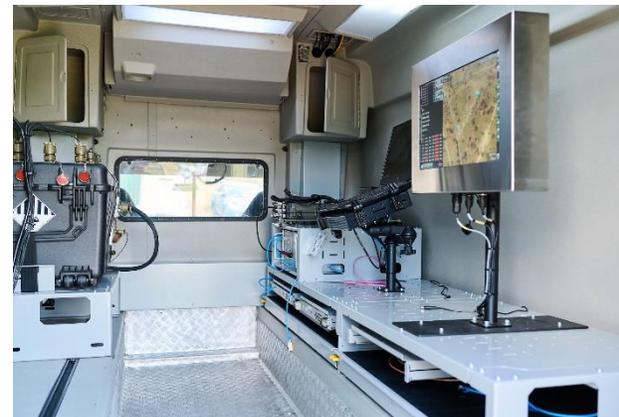
## C4 EDGE ingenuity delivered

### C4 Evolutionary Digital Ground Environment Communications

- \$34.4m project successfully delivered by EOS as Prime Contractor
- All-Australian industry consortium demonstrated a Battlegroup and Below Battlefield Command System (battle management systems, radios, SATCOM, cyber security etc.)
- Designed to address the Australian Army's future tactical requirements
- Demonstrates Australian government and ADF commitment to developing sovereign capability
- A program funded under the Defence Integrated Investment Plan

### Next Steps

- Discussions between the ADF and EOS on next steps under way
- Multi-year activity required to produce a system-wide solution that satisfies the ADF's requirements using sovereign capability
- Significant export opportunities for EOS and the other Australian partners





# Strategic Outlook

DR BEN GREENE, CEO

# Momentum: Eight Key Factors

| <b>TAILWINDS</b>                            | <b>HEADWINDS</b>                   |
|---|------------------------------------|
| Geopolitics driving demand                  | Human resources limits             |
| Productivity, output, profitability growing | Cost of capital                    |
| SpaceLink: business model profitability     | SpaceLink: capital requirements    |
| COVID-19 management and supply chain        | COVID-19 delays to contract awards |

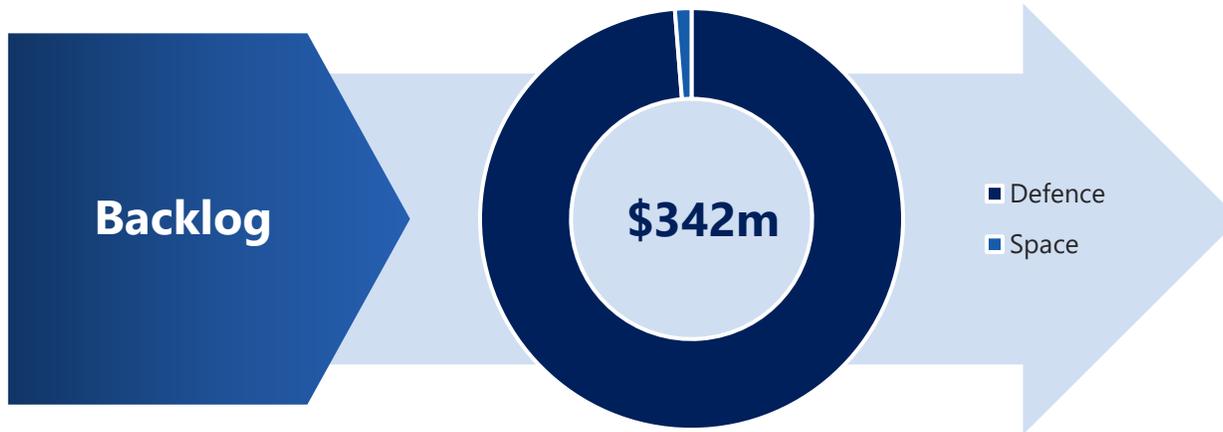
## Responses:

1. EOS has trimmed pipeline to better suit human resources and likely capital availability
2. EOS has revised SpaceLink to a much smaller initial capital requirement

# Growth Options Across Portfolio

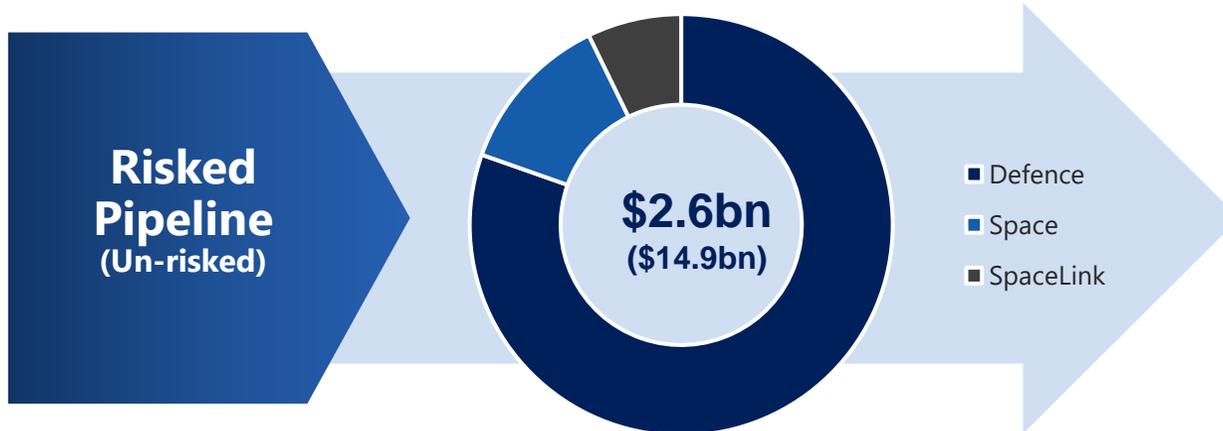
|  | PRODUCT                      | COMMENTS  | TAM / REV OPPORTUNITY |
|--|------------------------------|---|-----------------------|
|  <b>DEFENCE</b> | RWS                          | Strong market position and pipeline of potential awards in 2022/23. Focus on market-leading accuracy, weight and lethality to accentuate technology lead                                | US\$8bn / 10 years    |
|  | CUAS                         | Achieved first funded contracts in 2021. New contract awards expected in 2022/23  | US\$20bn / 10 years   |
|  | UGV's                        | A new market with strong sales growth expected in 2022/23   | AU\$12bn / 10 years   |
|  | C4 EDGE                      | Vital sovereign capability for the ADF. Potential awards from 2022  | AU\$7bn / 20 years    |
|  <b>SPACE</b>  | Spacelink                    | Disruptive SATCOM solution offering increases in bandwidth, resilience and responsiveness at significantly reduced cost. Strong linkages with Defence enhance EOS' competitive position | US\$2bn pa from 2024  |
|  | EM Solutions                 | Accelerate global access to its market-leading terminals, leveraging NATO client wins   | AU\$500m              |
|  | Directed energy applications | Space and communications applications, and significant defence market from convergence of CUAS, CRAM, GBAD and SHORAD programs in US  | Extremely large       |
|  | Space Domain Awareness       | Increasing recognition of space as a contested domain driving a need for Space Intelligence, Surveillance and Reconnaissance (ISR), including counterspace (asset protection)           | AU\$4bn / 10 years    |
|  | Guided weapons               | Niche opportunities for EOS technologies in Australian guided weapons program and related exports   | AU\$8bn / 10 years    |

# Update on Pipeline<sup>1</sup> and Backlog



## Backlog is committed contracts not yet fulfilled

- Backlog is \$342m comprising Defence (\$295m) and Space (\$47m)
- Backlog 1.5 times FY21 revenue, within industry norms
- Preferred backlog level is 2.0 times revenue of prior FY
- Resumption of contract awards delayed by COVID-19 should restore backlog to preferred levels



## Pipeline is 249 separate opportunities

- Risk-weighted pipeline is due for award in next 36 months
- Pipeline lowered by tighter focus on preferred opportunities due to known resource limits on growth
- Pipeline includes SpaceLink opportunities for the first time
- Sustainment opportunities which flow after delivery not included
- Contract awards expected in 2022 across all products (RWS, CUAS, UGV, CWS) and across all markets (US, EMEA and Indo-Pacific)

1. SpaceLink pipeline reflects per annum revenue opportunities not contract value

# Summary

- **Core businesses are collectively moving forward and new production and margin levels were set in FY21**
- **FY21 loss due to deferral of Revenue and EBIT into 2022**
- **Cash conversion improved in 2021**
- **Lower backlog from delayed contract awards expected to recover through 2022**
- **SpaceLink**
  - **Revised constellation reduces project risk and execution**
  - **Customer demand for the increased capacity and resilience offered**
- **Growth across portfolio implied by customer funds deployment, but especially in directed energy, CUAS**
- **Measures taken to overcome human resource and capital limitations to access current growth opportunities**
- **EOS well positioned to support allies currently under intense national security pressure**

# Glossary

- **2021 Full Year Results** – preliminary unaudited results for 12 months ended 31 December 2021
- **ADF** – Australian Defence Force
- **CRAM** – Counter rocket, artillery and mortar
- **CUAS** – Counter unmanned aerial systems
- **EBITDA** – Earnings before Interest Tax Depreciation and Amortisation
- **GBAD** – Ground base air defence
- **GHz** – Gigahertz
- **kW** - kilowatt
- **Operating Cash Flow** – cash flow arising from customer receipts and interest income less payments to suppliers/employees, income tax and financing costs
- **Order backlog** – the expected revenue EOS will receive from contracts which have been awarded to EOS but for which EOS has not delivered the products, as at 31 December 2021
- **NPBT** – Net Profit before Tax
- **pcp** – previous corresponding period
- **RF** – Radio frequency
- **RWS** – Remote Weapons Systems
- **Sales pipeline** – the potential revenue from specific customer requirements for which EOS has tendered for, or is registered and qualified to tender for over the following 36 months, as at 31 December 2021
- **SHORAD** – Short range air defence
- **Stat. NPAT** – Statutory Net Profit after Tax
- **TAM** – Total addressable market
- **UGV** – Unmanned ground vehicle
- **Underlying EBIT** – Underlying Earnings before Interest & Tax
- **yoy** – year on year

# Appendix

## Reconciliation of Statutory Profit and Non-GAAP measures

| (\$million)                              | 2021   | 2020   |
|--|--------|--------|
| (Loss) / Profit after tax per 4E         | (16.8) | (25.2) |
| Income tax expense / (benefit) per 4E    | 9.4    | (4.7)  |
| (Loss) before tax per 4E                 | (7.5)  | (29.9) |
| Interest expense per 4E                  | 2.9    | 1.4    |
| EBIT                                     | (4.5)  | (28.5) |
| Depreciation & amortisation              |        |        |
| Depreciation per 4E                      | 10.6   | 7.2    |
| Amortisation of intangible assets per 4E | 2.8    | 2.3    |
| Total depreciation & amortisation        | 13.4   | 9.6    |
| EBITDA                                   | 8.9    | (18.9) |
| FX (Gain) / Loss per 4E                  | (9.8)  | 15.7   |
| EBITDA (excl. FX gains/losses)           | (0.9)  | (3.2)  |
| Underlying EBIT (excl. FX gains/losses)  | (14.3) | (12.8) |

EOS

