



***Wilsons Advisory Rapid Insights  
Institutional Investor Conference***

**Corporate Presentation**

**Etherstack plc (ASX:ESK)  
26 May 2022**

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

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# Business Overview

# A leading licensor of innovative wireless technology 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 arrangement  
to deliver accelerated  
growth**



**Solutions typically  
include long term  
support contracts**

# Our Three Core Markets



## Digital Land Mobile Radio (LMR) networks



**Digital wireless terrestrial communication networks, technology licensing to equipment vendors, cryptographic and defence solutions**

- Increasing number of network deployments
- SaaS-like high margins
- Long term support contracts driving recurring revenues

## Mission Critical Push to Talk (MCPTX) over cellular networks (4G & 5G)



**Mission Critical Push to Talk (MCPTX) over LTE for new 4G & 5G networks**

- Global Teaming Agreement with Samsung
- Targeting 25+ contract wins over the medium term
- SaaS-like high gross margin revenues

## Satellite Push to Talk (PTT) networks



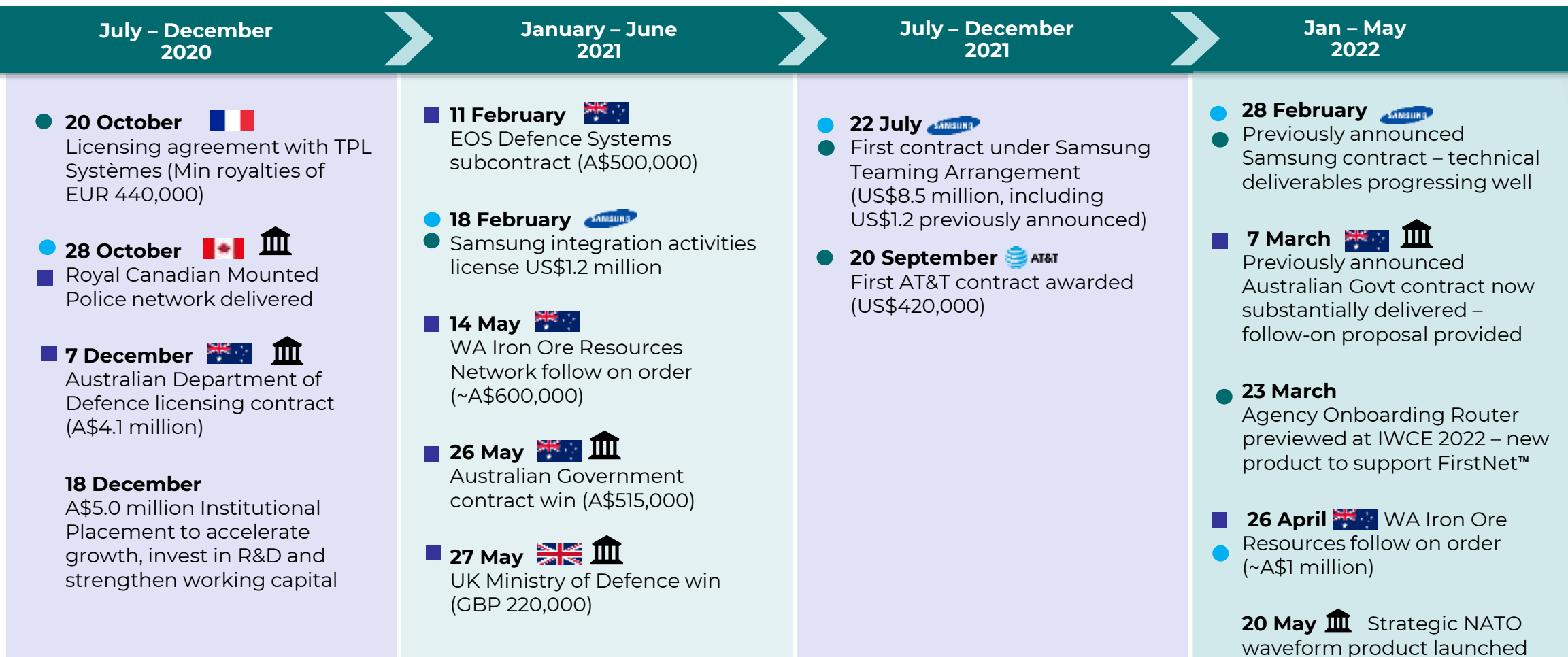
**Developing secure wireless communications software for Satellite over past 3 years**

- Opportunity to incorporate Etherstack technology into satellite communication suppliers
- Falling satellite tariff costs the catalyst for change in the communications sector

**Able to leverage skillset, R&D and intellectual property developed over 20 years to enable wireless communications for customers within and across key platforms in the essential communications sector**



# Key Developments Timeline





# Digital land mobile radio (LMR) networks

# Digital Land Mobile Radio (LMR) Networks

**Etherstack has deep experience delivering software based digital land mobile radio networks across public safety, utilities, resources and transportation industries**

## Public safety

- Networks are mission critical infrastructure
- Contracts are mostly Government backed
- Referenceable customers are key

## Utilities, Resource & Transportation

- Used within essential services and high hazard environments
- Contracts with global names and Government-backed entities

A globally diversified base of high quality customers across various industries



Follow-on orders  
and other ad-hoc  
revenues



10 – 15 years  
typical lifespan  
of networks



Substantial upfront  
licensing fees



~15 – 20% p.a. of upfront  
fees in support and  
other recurring revenues



# A significant US\$3.0b market opportunity exists for growth in target contracts

Developed a complete range of LMR technology for public safety & mission critical voice communication systems

Scores of target sized contracts available for competition



**150 – 250**

*in target regions annually<sup>1</sup>*

Etherstack target network contract size



**US\$0.5 – 20m**

*per contract*

\$3.0b Etherstack target addressable market



**“Land and expand”**

*addressable network deployments annually<sup>1</sup>*

Limited market participants



**Less than 10 major manufacturers globally**

*extraordinarily high technical and commercial barriers to entry, with market dominated by a handful of very large players*

Recurring revenue growth



**28%**

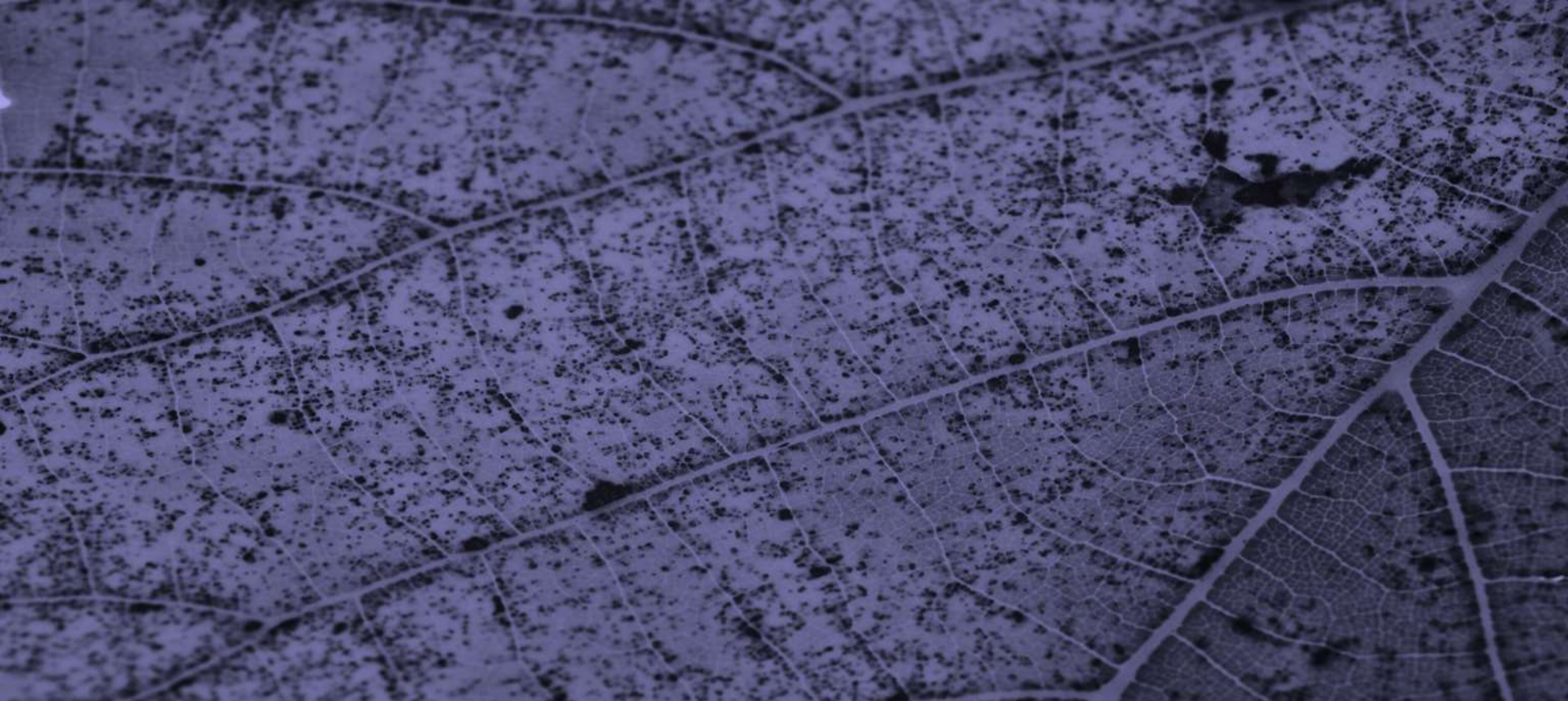
*Support revenue CAGR over the past 7 years*

Recurring support revenues



**15 – 20%**

*of upfront deployment fees annually<sup>1</sup>*



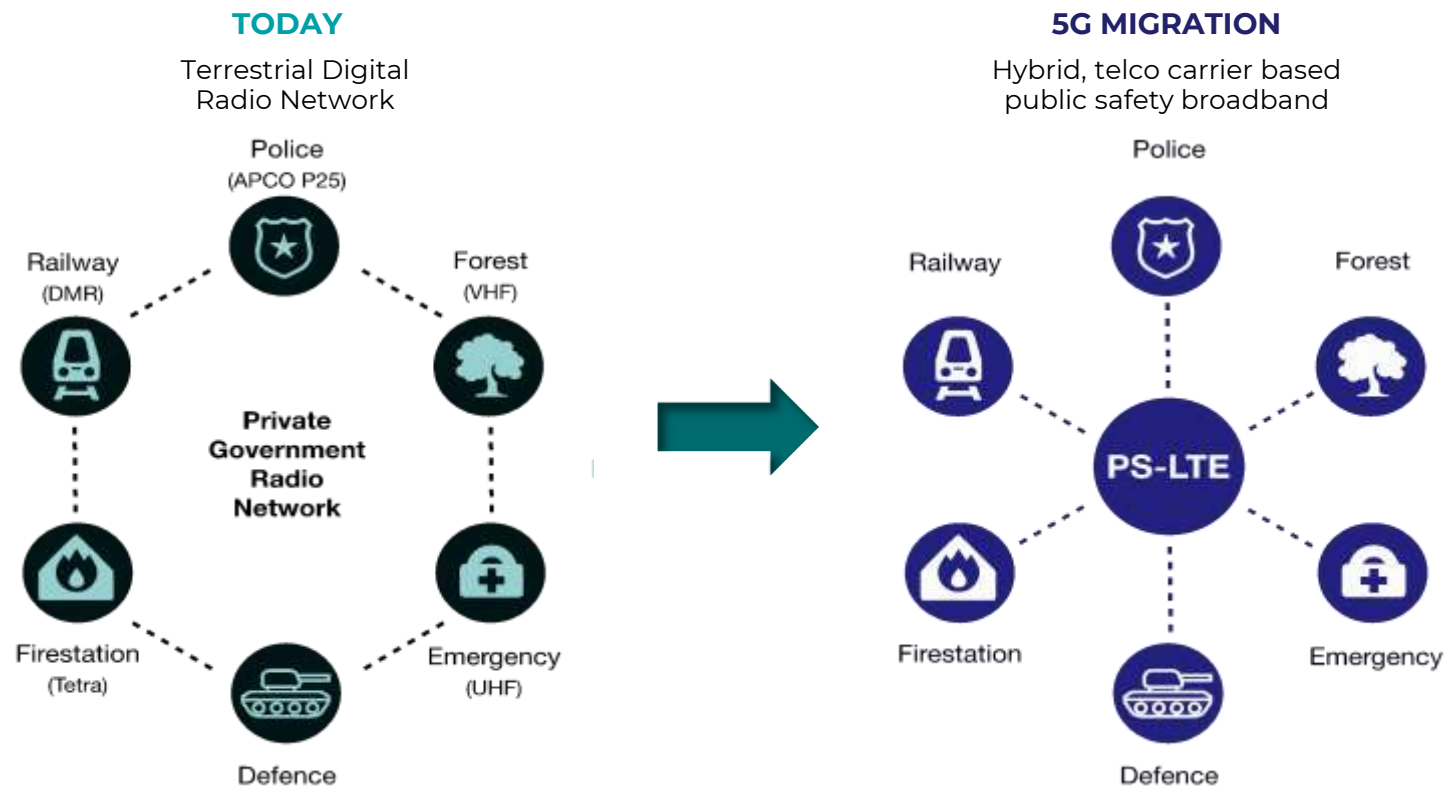
# **Cellular Networks (4G & 5G )**

(Mission Critical Push to Talk over LTE)



# Evolving public safety communications – hybrid networks

**Etherstack's software enables interoperability between traditional digital radio networks and new 4G & 5G networks for public safety communications**



New wireless technologies (wifi, 4G & 5G) is transforming public safety communications

Traditional digital radio networks used by police, firefighters, ambulance and industry will remain essential

Hybrid networks will be deployed rapidly over the near to medium-term - interoperability software is the key

Etherstack technology enables interoperability between traditional digital radio networks and new (4G & 5G) networks for public safety communications

Etherstack entered into a Global Teaming Agreement with Samsung in June 2020 to deliver this solution to its customers globally

# A large and growing US\$250 – 750m market opportunity

## Contracts available for competition



**60 - 90**

*In OECD countries over ~5 years<sup>1</sup>*

## Upfront licensing fee potential



**US\$2 – 8m**

*per contract*

## Long term recurring revenue stream



**High Margins**

*comparable to enterprise SaaS peers*

## Etherstack target addressable market



**US\$250 – 750m**

*Upfront licensing fees in OECD and other near target countries<sup>1</sup>*

## Key market participants



**Samsung (Etherstack's partner), NSN, Ericsson, Huawei & NEC**

*with national 5G deployment network rollout capabilities*

## Non-OECD contracts for competition



**100 – 200**

*over next 5 – 10 years<sup>1</sup>*

# Etherstack leveraging LMR transition to 4G/5G Core Market

**Etherstack leveraging Public Safety agency transition to 4G/5G Core Market with direct contract awards with Samsung and AT&T in the US to develop and deliver new product for this pipeline**



**SAMSUNG**

- Delivery of first carrier contract (US\$8.5 million) progressing well. On track with Samsung and lead end-carrier
- Support revenues commence in 2022
- Actively involved in multiple carrier pursuits globally with Samsung
- Targeting 25+ contract wins over the medium term



## **First direct AT&T contract awarded**

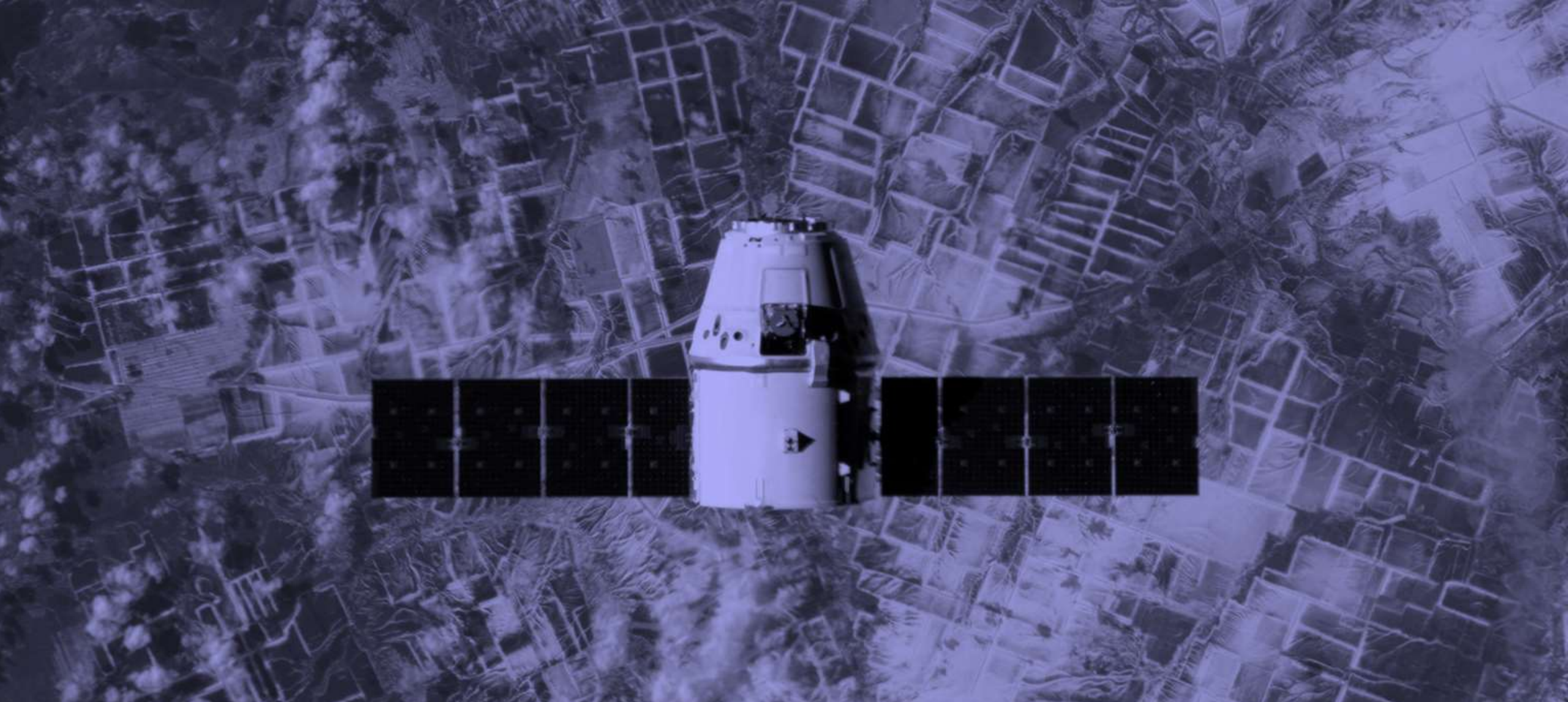
- US\$420,000 contract amount (Sept 2021) in support of Samsung delivery to AT&T
- Opportunity to develop a lasting relationship with the world's largest telecommunications carrier



## **Agency Onboarding Router**

- Previewed at IWCE 2022 (Las Vegas, March 2022). Reuse of Etherstack software into customer premises equipment product
- For use by Mission Critical 4G/5G end customers (agencies)
- Upfront and ongoing revenue model





# Satellite Networks

# Secure Push To Talk Communications over Satellite

Etherstack is ready to capitalise on emerging wireless communications opportunities made available by new low-cost satellite technology



**US\$56.0b**

*Value of global satellite communications market in 2019<sup>1</sup>*

**9.2%  
CAGR**

*Global satellite communications market CAGR from 2019 – 2027<sup>1</sup>*

**Falling satellite tariff costs the catalyst for change in the communications sector**

**Etherstack has been developing secure push to talk (PTT) over Satellite solutions for the past 3 years**

**Recent deployment with a Canadian federal policing and security agency. Trials with other customers in Australia, the US and Canada**

**Etherstack in discussions with a well known satellite communications suppliers to incorporate Etherstack's technology into their networks**





# 2021 Financial highlights

## 2021 Financial highlights

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**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**



\$1.37m increase over  
2020 underlying NPAT

**12%**



YOY Increase in recurring  
support revenues

**\$3.36m**



FY21 operating cash flow. An  
increase of 94% YOY

# Solid pipeline of contract wins driving growth

## First Carrier contract - Samsung for MCPTX

- US\$8.5m contract covering licences, integration & initial 3 years of support
- Contract delivery in 2021, 2022 & 2023
- Majority of contract revenues 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

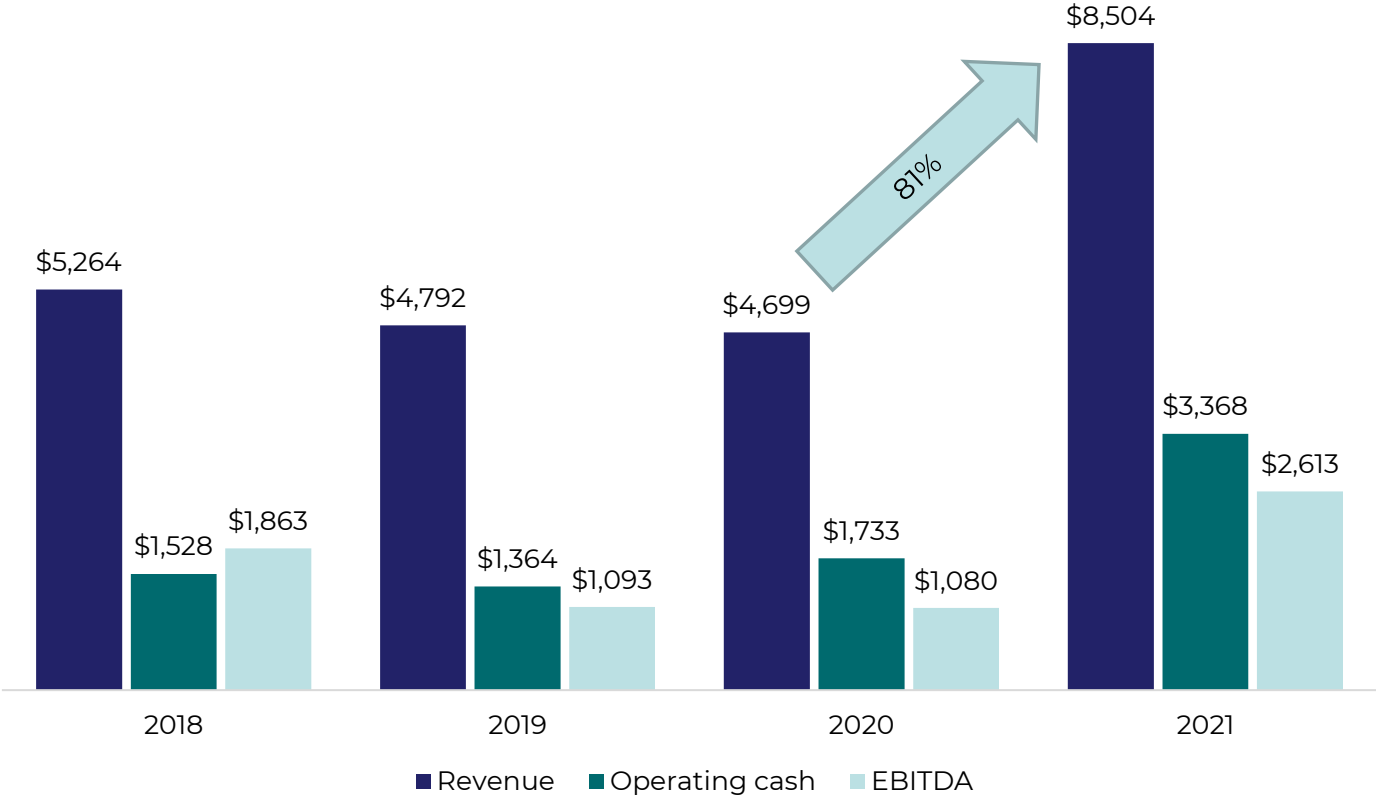
## Strategic strengths

- Growing recurring revenues
- Healthy pipeline including Samsung MCPTX contracts
- Intellectual property portfolio developed over +20 years
- Resilience through Covid-19 pandemic
- Positive exposure to infrastructure and government spending



# Strong performance and growth driven by key contract wins

Etherstack Revenue, Operating Cash & EBITDA (USD '000)



Multiple growth drivers have delivered strong revenue growth in FY21



81% growth over FY2020 to US\$8.5m



Strong project revenues



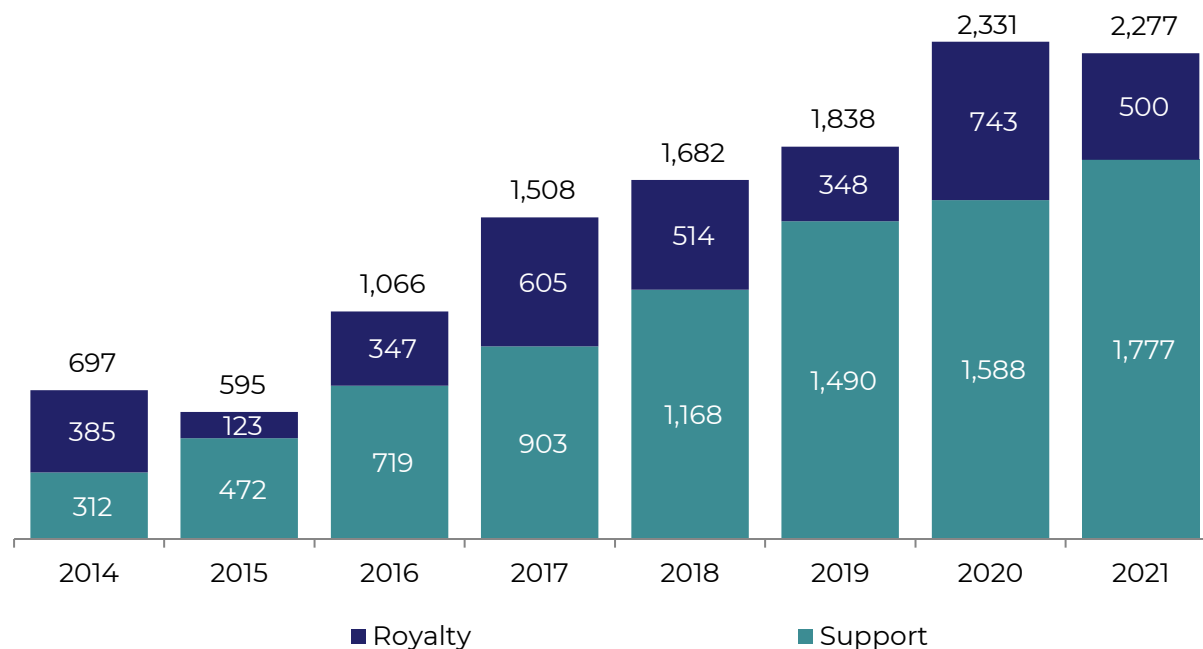
Over US\$1.6 million recognised from Samsung MCPTX contract and AT&T contract



Continued increase in recurring support revenues

# Recurring revenue remains a core focus for Etherstack

## Etherstack Recurring Revenue (USD '000)



## 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 recognised in 2021 (\$478 recognized in FY 20)

# Income Statement

US\$'000	2018	2019	2020	2021
<b>Revenue from Contract with Customers</b>	<b>5,264</b>	<b>4,792</b>	<b>4,699</b>	<b>8,504</b>
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
<i>% Recurring Revenue to Total Revenue</i>	<i>32%</i>	<i>38%</i>	<i>50%</i>	<i>27%</i>
Cost of Sales	(1,668)	(1,507)	(2,032)	(2,306)
<b>Gross Profit</b>	<b>3,596</b>	<b>3,285</b>	<b>2,667</b>	<b>6,198</b>
<i>Gross Margin</i>	<i>68%</i>	<i>69%</i>	<i>57%</i>	<i>73%</i>
Other Income; R&D & Government Incentives	102	100	125	121
Other Overheads	(1,835)	(2,292)	(1,712)	(3,708)
<b>EBITDA</b>	<b>1,863</b>	<b>1,093</b>	<b>1,080</b>	<b>2,611</b>

## 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%<sup>1</sup>**
- **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%**

# 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
<b>Total assets</b>	<b>10,104</b>	<b>12,556</b>
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
<b>Total liabilities</b>	<b>6,008</b>	<b>6,044</b>
<b>Net assets</b>	<b>4,096</b>	<b>6,512</b>

## 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)
<b>Net increase/(decrease) in cash</b>	<b>3,164</b>	<b>(971)</b>
Effect of foreign exchange rate changes	85	171
Cash and cash equivalents at start of period	931	4,180
<b>Cash at end of period</b>	<b>4,180</b>	<b>3,038</b>

## 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



# Growth strategy



# “Land and expand” case studies



## WA Resources

- Initial order May 2020
- New order A\$1m in May 2022
- Aggregate orders over A\$2.3 million



## Electric Utilities

- 3 US utilities within the First Energy group
- ATCO – Alberta, Canada
- Ergon/Energex – Qld, Australia



## Royal Canadian Mounted Police (RCMP)

- First RCMP win in 2020
- Signature reference site
- Provides 20+ opportunities over the next 10+ years

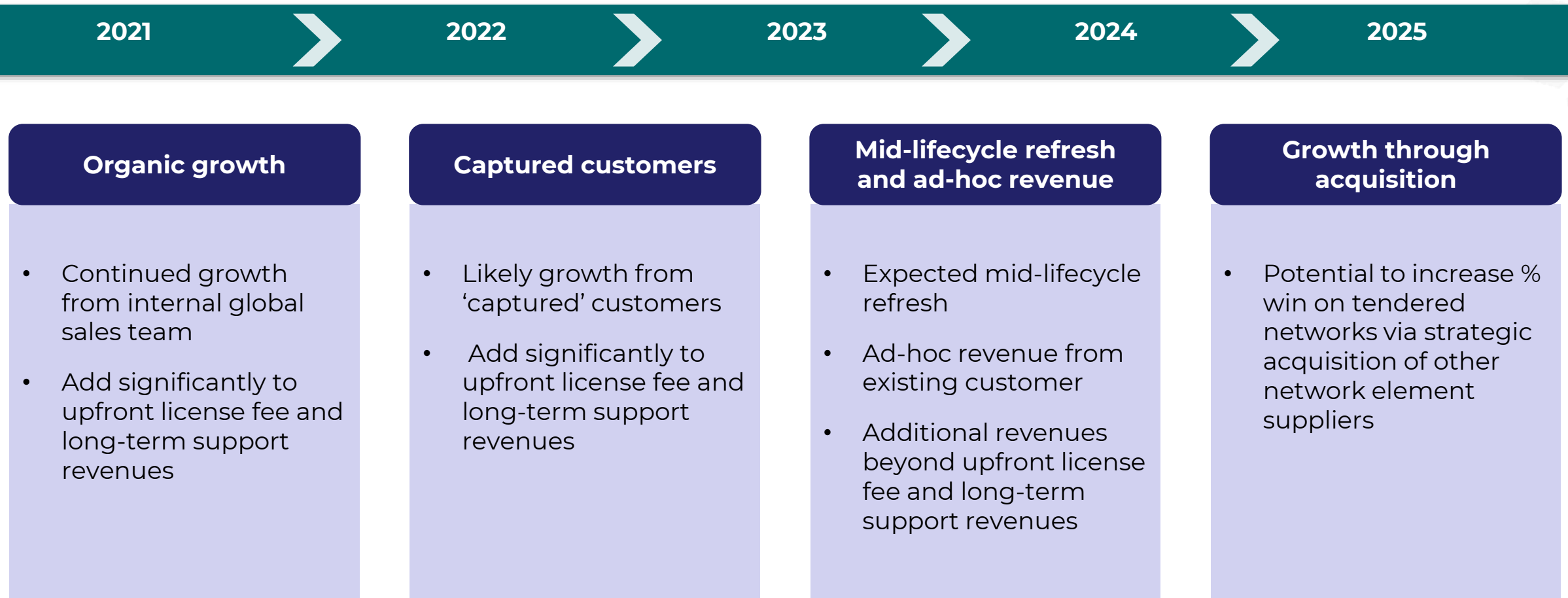


## Defence waveforms

- Contract with a national government
- Signature reference customer
- New product launched in May 2022

# Sustained growth in LMR Core Network via key customer wins

Currently targeting network contracts valued between US\$0.5 – 20m in upfront revenues, historically winning 1-2 customer LMR networks per year



# Samsung global teaming partnership drives additional growth

Etherstack is targeting more than 25 contract wins over the medium term

## MCPTX market is rapidly developing for the lead telco carriers in major OECD economies

- Contract lead times are presently longer than anticipated as customers familiarise themselves with new technology offering
- Price discovery and setting process are currently transpiring, new customer wins will act as a catalyst for support of technology in the market
- Acceleration and greater predictability are anticipated as product and market matures

### First mover advantage

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

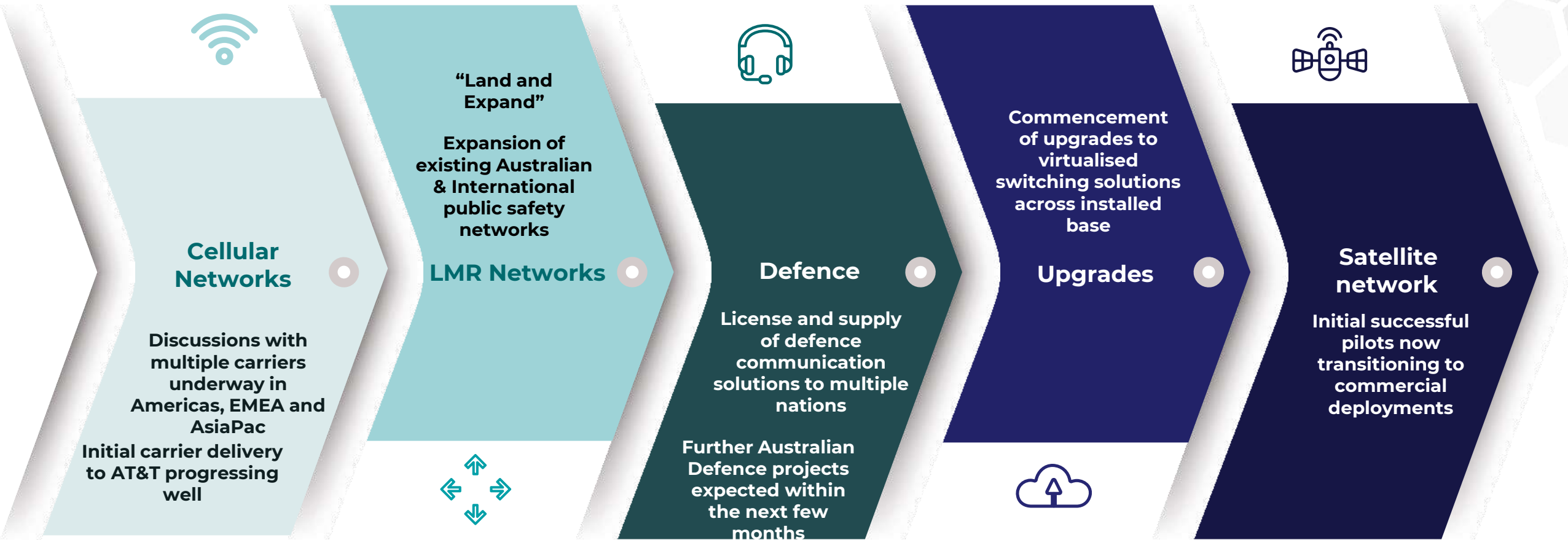
### Upfront & recurring revenues

- 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

# Strong outlook driven by focus on key strategic initiatives



# Etherstack investment fundamentals

Continued growth in LMR networks. Cellular networks adding material value now and into the future. Satellite networks likely to deliver subsequent and future value

Leveraged to Government and industry infrastructure spending



Established Global infrastructure; Australia, UK, Europe, US, Japan



**US\$14.4b<sup>1</sup>**

market in 2020

**6.7%**

forecast CAGR<sup>2</sup>

Targeted Growth: Samsung, “land and expand”



**US\$3.0b**

addressable network deployments annually<sup>3</sup>

Limited market participants and significant technical, commercial and reputation barriers to entry



Revenue growth & Recurring revenue growth

**28%**

Support revenue CAGR over the past 7 years



**81%**

Revenue growth in 2021

Established (20+ years) business with mature and new intellectual property assets



**Over US\$25m invested in R&D**



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