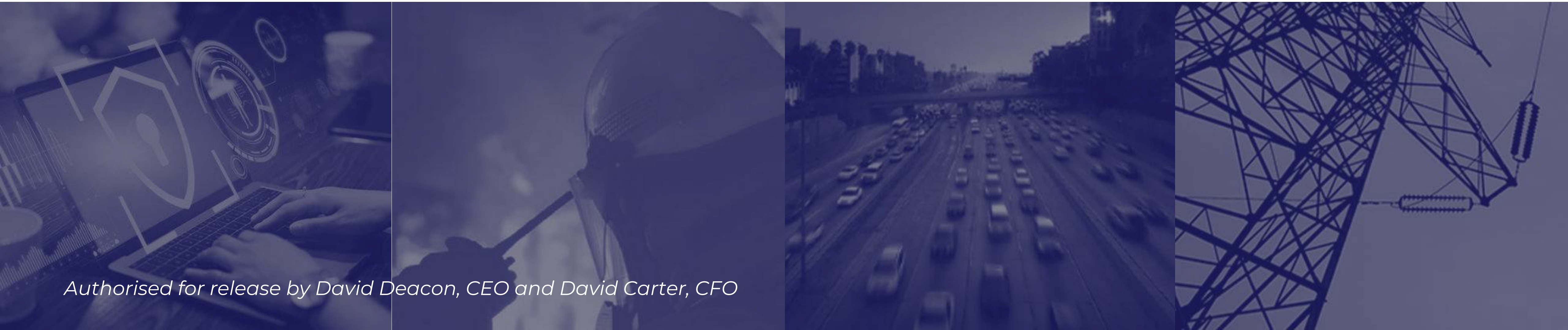
Annual General Meeting

CEO Presentation

Etherstack plc (ASX:ESK)

15 June 2022



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

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2021 Financial 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

US $1.45m

Net Profit after tax $1.37m increase over 2020 underlying NPAT

12%

YOY Increase in recurring support revenues

US $3.36 m

FY21 operating cash flow. An increase of 94% YOY

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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 and 2023, with support starting late 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

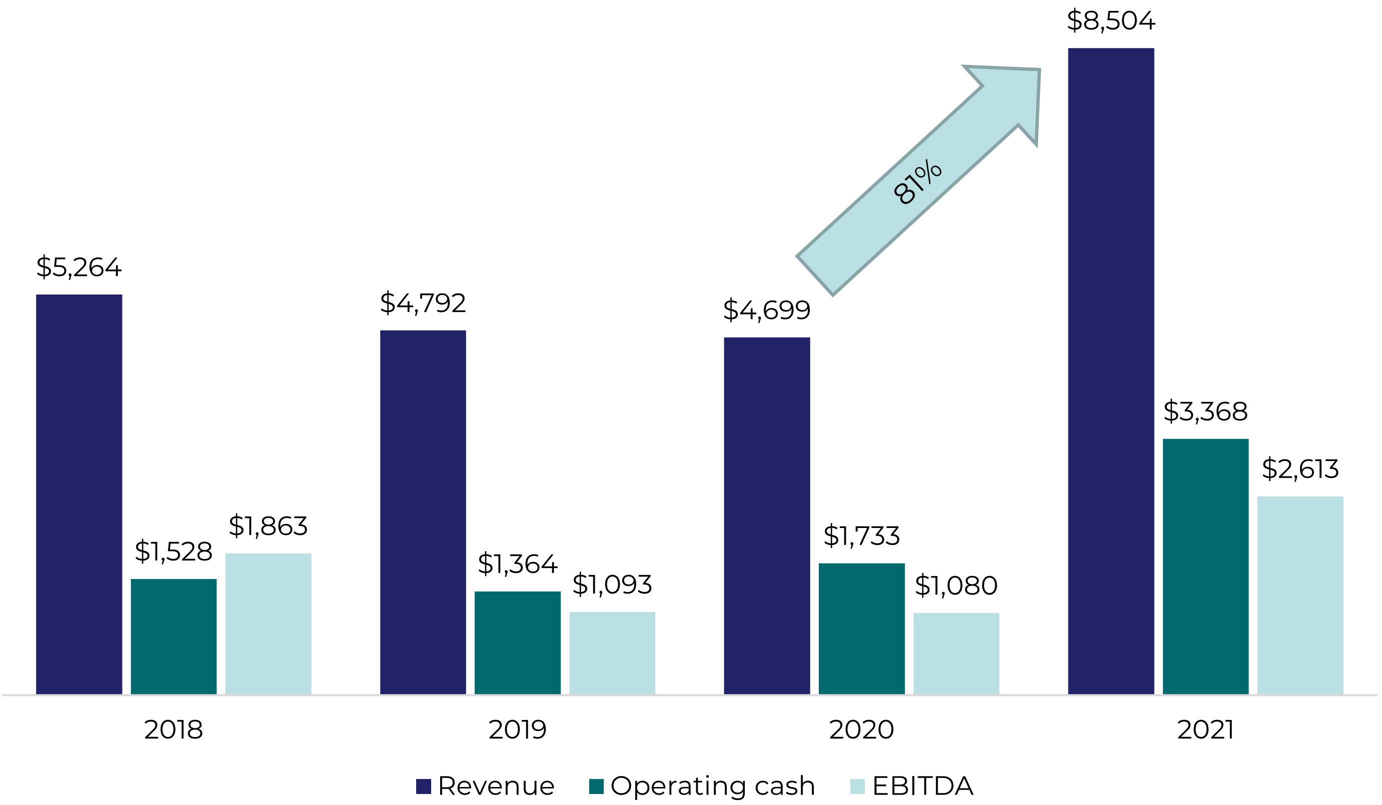
- UK Ministry of Defence
- Australian Department of Defence
- Australian Department of Home Affairs

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**

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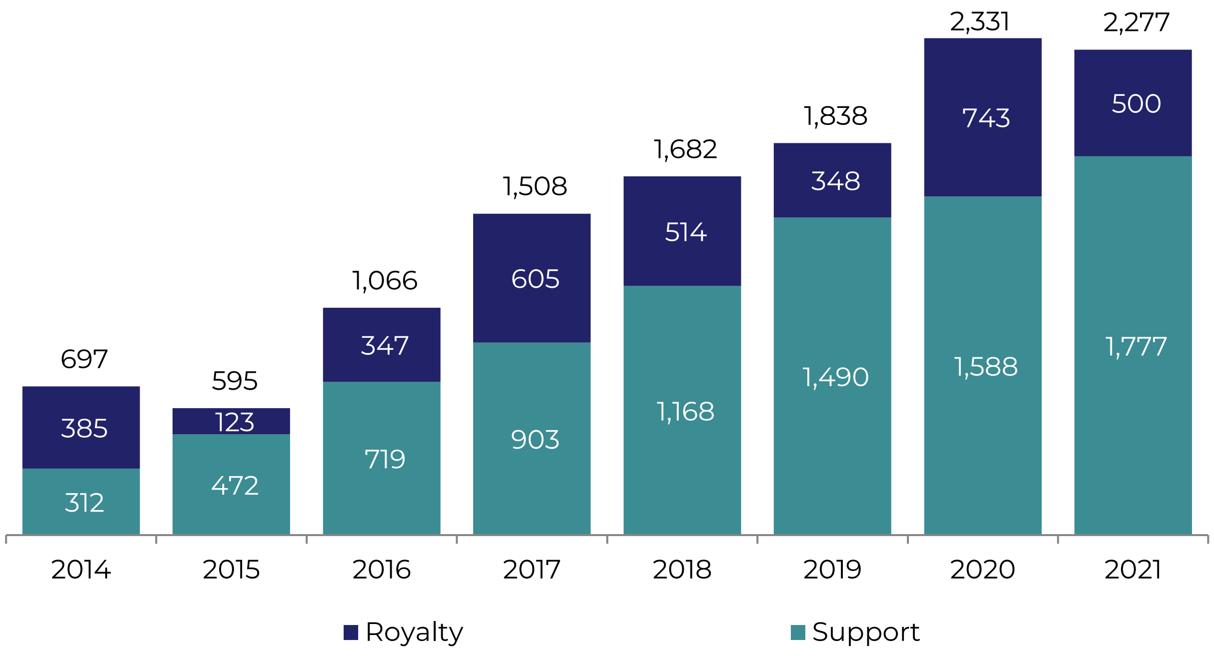
Recurring revenue remains a core focus for Etherstack

Etherstack Recurring Revenue (USD ‘000)



Recurring Support Revenues continue to grow

- 12% increase on FY2020 to US $1,777
- 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 (US $478 recognized in FY 20)

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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 US $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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Growth strategy

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"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

2021 › 2022 › 2023 › 2024 › 2025

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
- 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

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

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Strong outlook driven by focus on key strategic initiatives

Cellular Networks

Discussions with multiple carriers underway in Americas, EMEA and AsiaPac

Initial carrier delivery to AT&T progressing well

LMR Networks

"Land and Expand"

Expansion of existing Australian & International public safety networks

Defence

License and supply of defence communication solutions to multiple nations

Further Australian Defence projects expected within the next few months

Upgrades

Commencement of upgrades to virtualised switching solutions across installed base

Satellite network

Initial successful pilots now transitioning to commercial deployments

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Business Overview

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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

PTT Technology

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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

July – December 2020	January – June 2021	July – December 2021	Jan – May 2022
20 October Licensing agreement with TPL Systèmes (Min royalties of EUR 440,000) **28 October** Royal Canadian Mounted Police network delivered **7 December** Australian Department of Defence licensing contract (A$4.1 million) **18 December** A$5.0 million Institutional Placement to accelerate growth, invest in R&D and strengthen working capital	**11 February** EOS Defence Systems subcontract (A$500,000) **18 February** Samsung integration activities license US$1.2 million **14 May** WA Iron Ore Resources Network follow on order (~A$600,000) **26 May** Australian Government contract win (A$515,000) **27 May** UK Ministry of Defence win (GBP 220,000)	**22 July** First contract under Samsung Teaming Arrangement (US$8.5 million, including US$1.2 previously announced) **20 September** AT&T First AT&T contract awarded (US$420,000)	**28 February** Previously announced Samsung contract – technical deliverables progressing well **7 March** Previously announced Australian Govt contract now substantially delivered – follow-on proposal provided **23 March** Agency Onboarding Router previewed at IWCE 2022 – new product to support FirstNet™ **26 April** WA Iron Ore Resources follow on order (~A$1 million) **20 May** Strategic NATO waveform product launched

Cellular networks

Land mobile radio networks

Government client

Recurring / Potential for recurring revenue (i.e Network has 10 year+ life)

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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[1]
market in 2020

6.7%
forecast CAGR[2]

Targeted Growth: Samsung, "land and expand"

US$3.0b
addressable network deployments annually[3]

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

Notes: 1. *Value of global critical communications market in 2020*
2. Forecast CAGR of the global critical communications market from 2020 - 2027
3. Management Estimate

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