



**etherstack**  
wireless innovation

# **Etherstack Corporate Presentation to Rapid Insights Investor conference**

**Etherstack plc (ASX:ESK)  
17 November 2022**



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

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# Corporate Presentation Contents:

**Part 1 – 2022 + Highlights**

**Part 2 – Business Overview**





# Part 1 -2022 + Highlights



# Etherstack

**A wireless technology provider that supplies mission critical wireless networks to the public safety, utilities and resource sector. Licenses key technology to over 20 other wireless equipment manufacturers globally**

## 3 Core Businesses (diversified revenue mix)

- Digital radio networks for first responders, essential services, resource sector and security/defense – **high margin system sales** and **support revenues**
- Technology licensing of R&D keeps our own products fresh and generates additional **royalties revenue**
- New high growth cellular network technology to bridge 4G/5G networks with existing government digital radio networks – **licensing deals** with Samsung & Nokia
- Highly profitable, debt free, growing with all three businesses performing well
- R&D offices in Sydney, Yokohama, Reading (UK) and New York
- 48 employees globally

Rockwell  
Collins

Jersey Central  
Power & Light  
A FirstEnergy Company

Australian Government  
Department of Defence



ATCO Electric

Energy  
Queensland



GENERAL DYNAMICS  
Mission Systems

Raytheon  
Technologies

LOCKHEED MARTIN

CISCO

JVCKENWOOD

FirstEnergy

NEC

COBHAM



THALES

ICOM

# 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 presence; Australia, UK, Europe, US, Japan



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

*Global market in 2020*

**6.7%**

*forecast CAGR<sup>2</sup>*

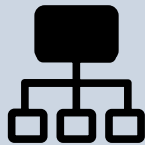
Targeted Growth: Samsung, “land and expand”



**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**

# 2022 Half year Financial highlights

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**13%**

Revenue growth over  
H1 2021 US\$4.86 m



**53%**

EBITDA growth over  
H1 2021 to US\$2.22 m

**US \$1.64m**



Net Profit after tax  
107% increase over  
H1 2021 NPAT

**Delivery**



Milestones delivered  
on major contracts

**Product  
Development**



2 Major products launched

**AUD \$1.8 m**



“Land and expand”  
orders from WA  
resources networks

# 2022 Business highlights

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## Revised Samsung Teaming Agreement

- 5 further years
- \$1 million prepayment for second telco carrier



## Signed Nokia MCX IWF agreement

- New pilot project
- AUD \$750,000 revenue
- Demand proven



## A \$1.7 m Follow on Defence Contract



Dec 20 Australian Defence contract extended

## Further two Rio Tinto mine networks deployed

- 4 New Resources Networks for Rio Tinto in last 2 years



## A\$16.5m+ new MCX IWF orders in past 18 months



## A\$6m Defence orders in past 24 months

- 14 Government backed support contracts





# Digital LMR (Land Mobile Radio) Network Solution

Supplying digital LMR networks to emergency services, utilities, resource and security agencies in the US, Canada and Australia

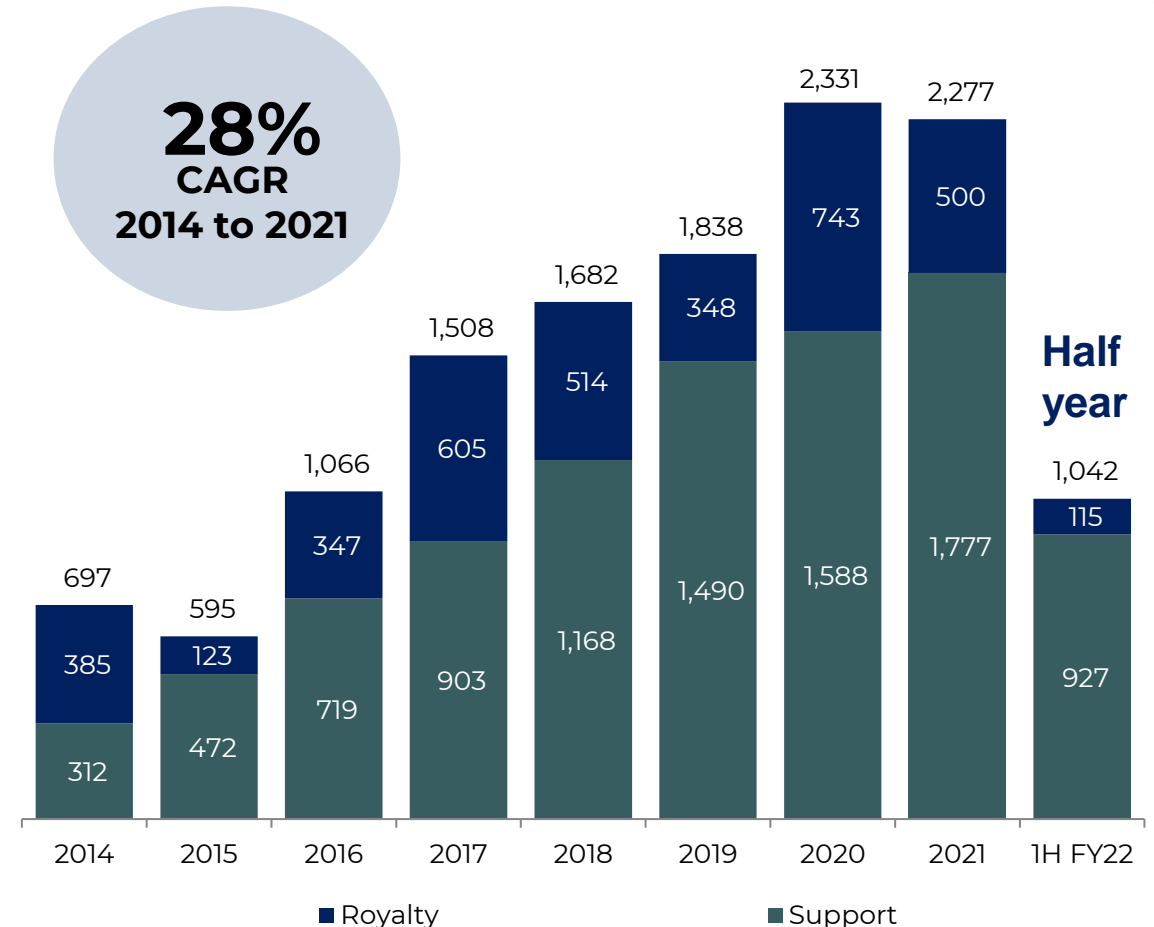
## Network Deliveries

- Very high margin sales on Etherstack's own solution with high software components
- Delivered directly to end customers and via SI (system integrator) partners globally
- Extraordinarily high barriers to entry for new market participants (5-10 year plus)
- "All you can eat" market opportunity for Etherstack due to tiny market share

## Recurring Support Revenues

- Public safety agencies and essential services require 24x7x365 support services
- Typical lifespan of deployed networks in excess of 10-15 years
- Mission critical radio networks are designed not to fail. Additional supported networks that we win cause support revenue to mostly go straight to the bottom line

## Etherstack Recurring Revenue (USD '000)



# 4G/5G Carrier Network Solution – 3GPP LMR-IWF (InterWorking Function)

Etherstack has the world's first 3GPP standards based LMR-IWF, a telco carrier software solution to bridge 4G/5G networks with First Responder networks

## Solution Overview

- Gateway softswitch between carrier cellular and government digital radio networks
- Conforms to the 3GPP standard
- Will be **essential** in all markets globally to allow migration from existing govt digital radio networks to MCX (mission critical networks in 4G/5G)

## Achievements to Date

- First market mover advantage. World's first deployment underway with **Samsung** for AT&T for the US FirstNet program
- US\$8.5m initial sale value with multi year support to follow
- Samsung Global Teaming Agreement to supply to other telco carriers globally
- A\$750k pilot with **Nokia** currently underway
- High growth, high margin opportunity



**AT&T**

**For US Govt  
FirstNet program**

**SAMSUNG**

**5-Year Global  
Teaming Agreement**

**NOKIA**

**Australian Government  
Pilot Underway**



**US\$8.5m**

# Strong outlook driven by focus on key strategic initiatives





## Part 2 - 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

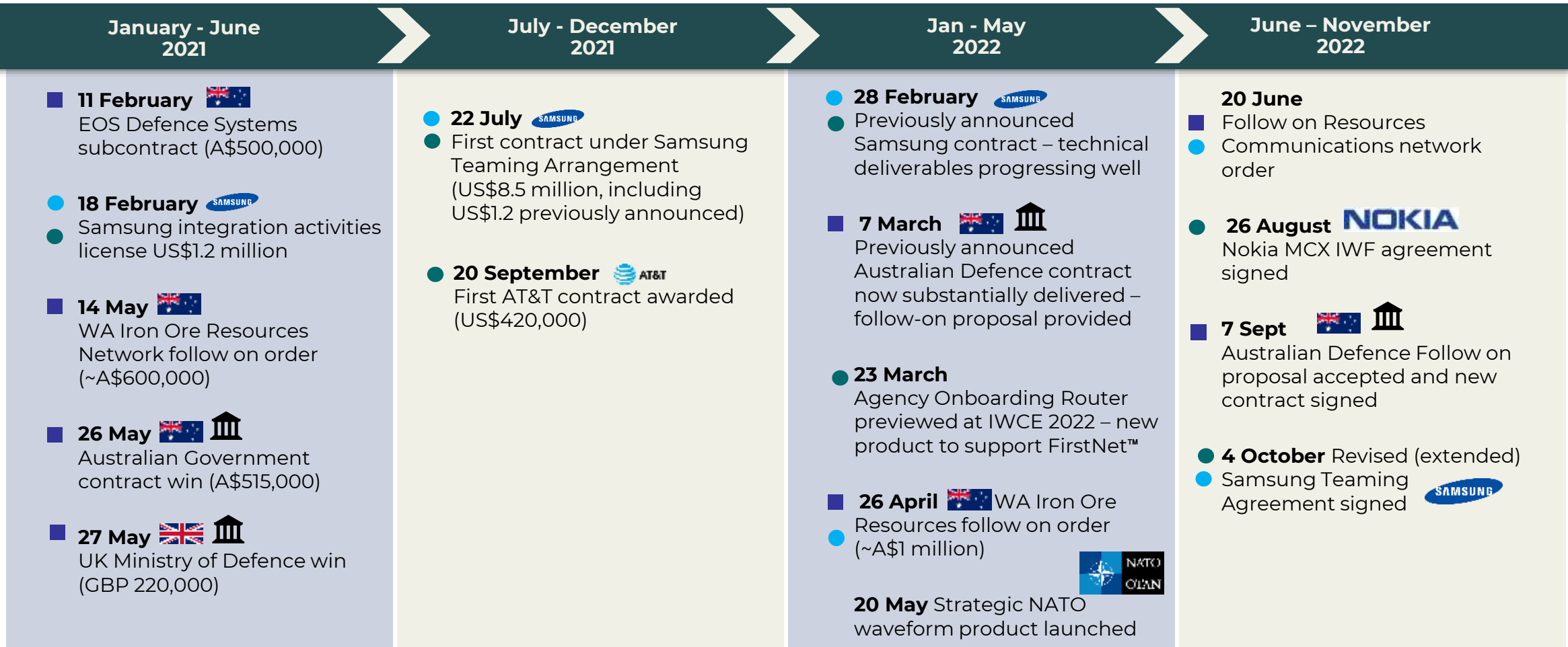


**Developing secure wireless communications software for Satellite over past 3 years**

- 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



- Cellular networks
- Land mobile radio networks
- Recurring / Potential for recurring revenue (i.e Network has 10 year+ life)
- Government client



# 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>*





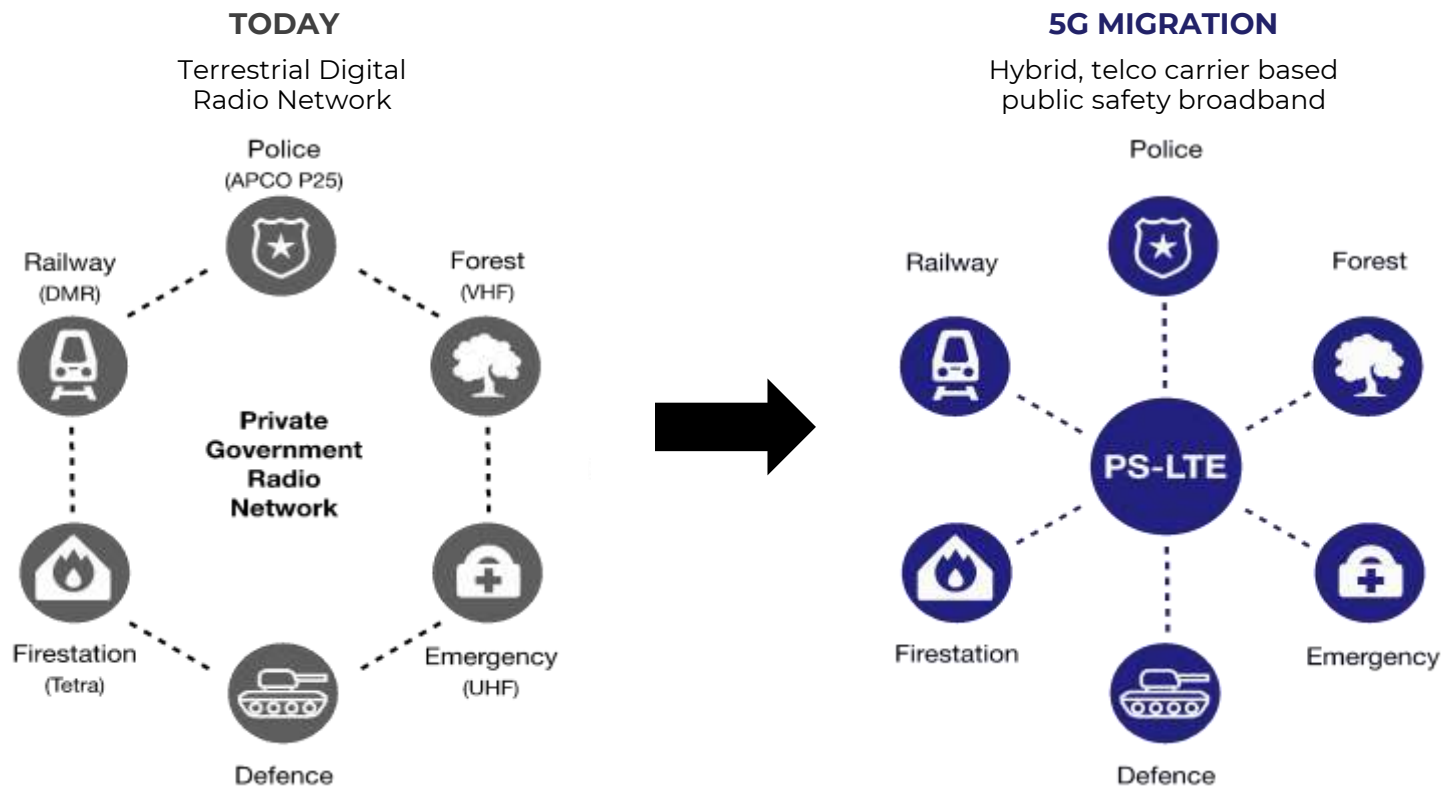
# Cellular Networks (4G & 5G )

(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>*

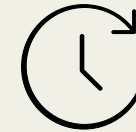
**Upfront licensing fee potential**



**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>*

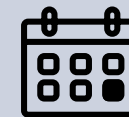
**Key market participants**



**Samsung (Etherstack's partner), Nokia SN, 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



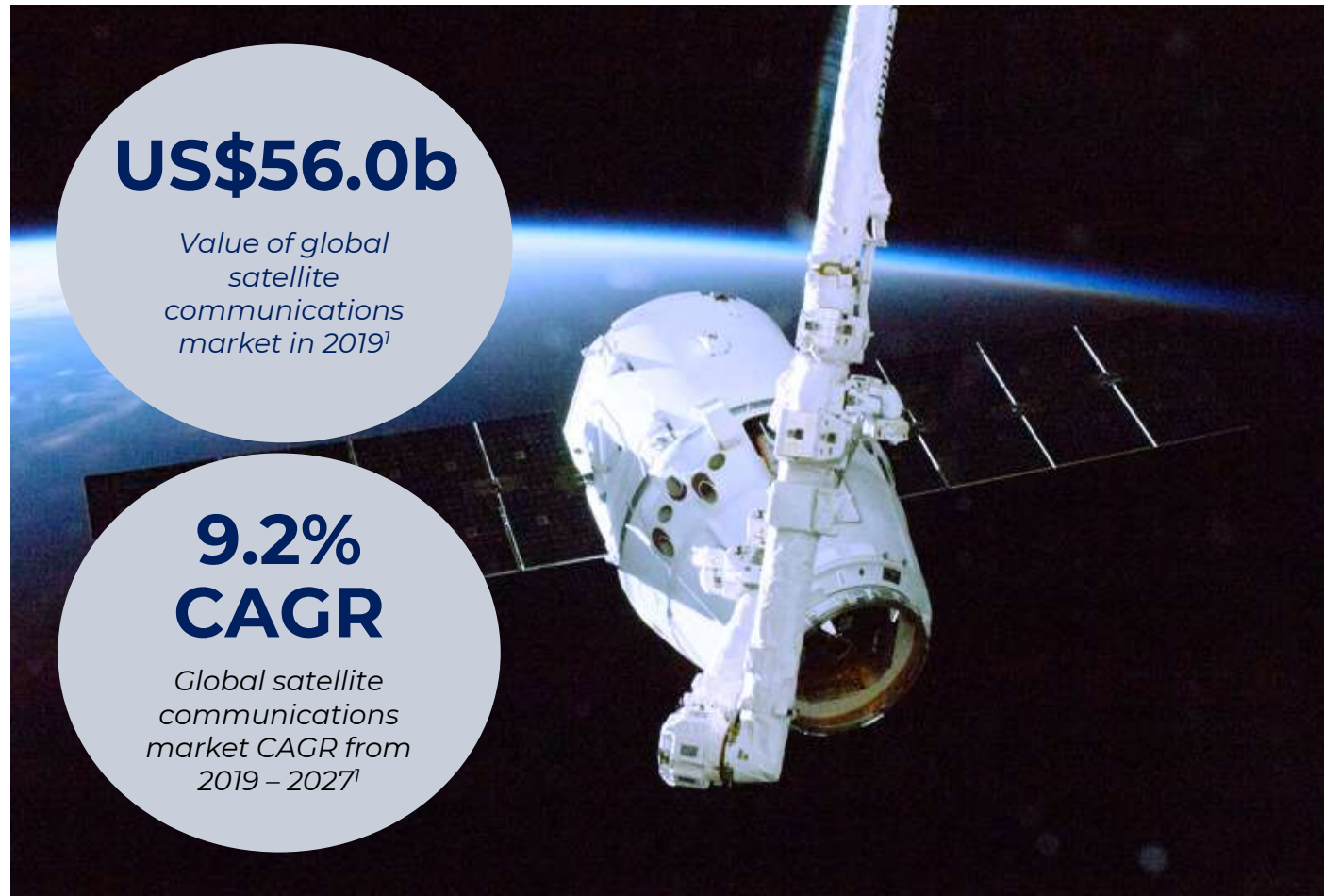


# Satellite Networks



# 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



**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**



# Financial highlights FY 2021 + HY 2022

# 2021 Full Year 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 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

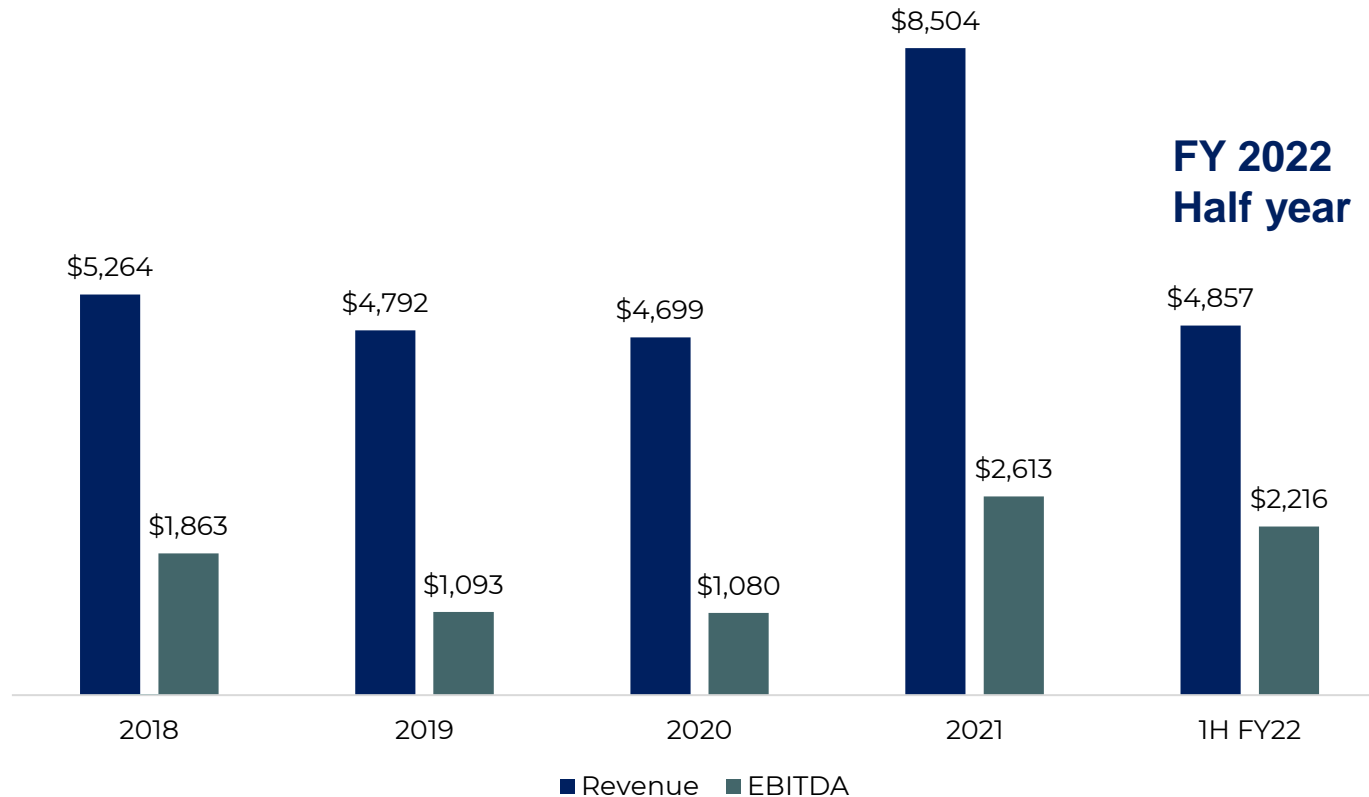
- UK Ministry of Defence
- Australian Department of Defence
- Australian Department of Home Affairs

## 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

## Revenue & EBITDA (USD '000)



**FY 2022  
Half year**

**Multiple growth drivers have delivered strong revenue growth in FY21 and HY 22**



**81% growth over FY2020 to US\$8.5m followed by a 13% increase for HY22 over HY 21**



**Strong project revenues**

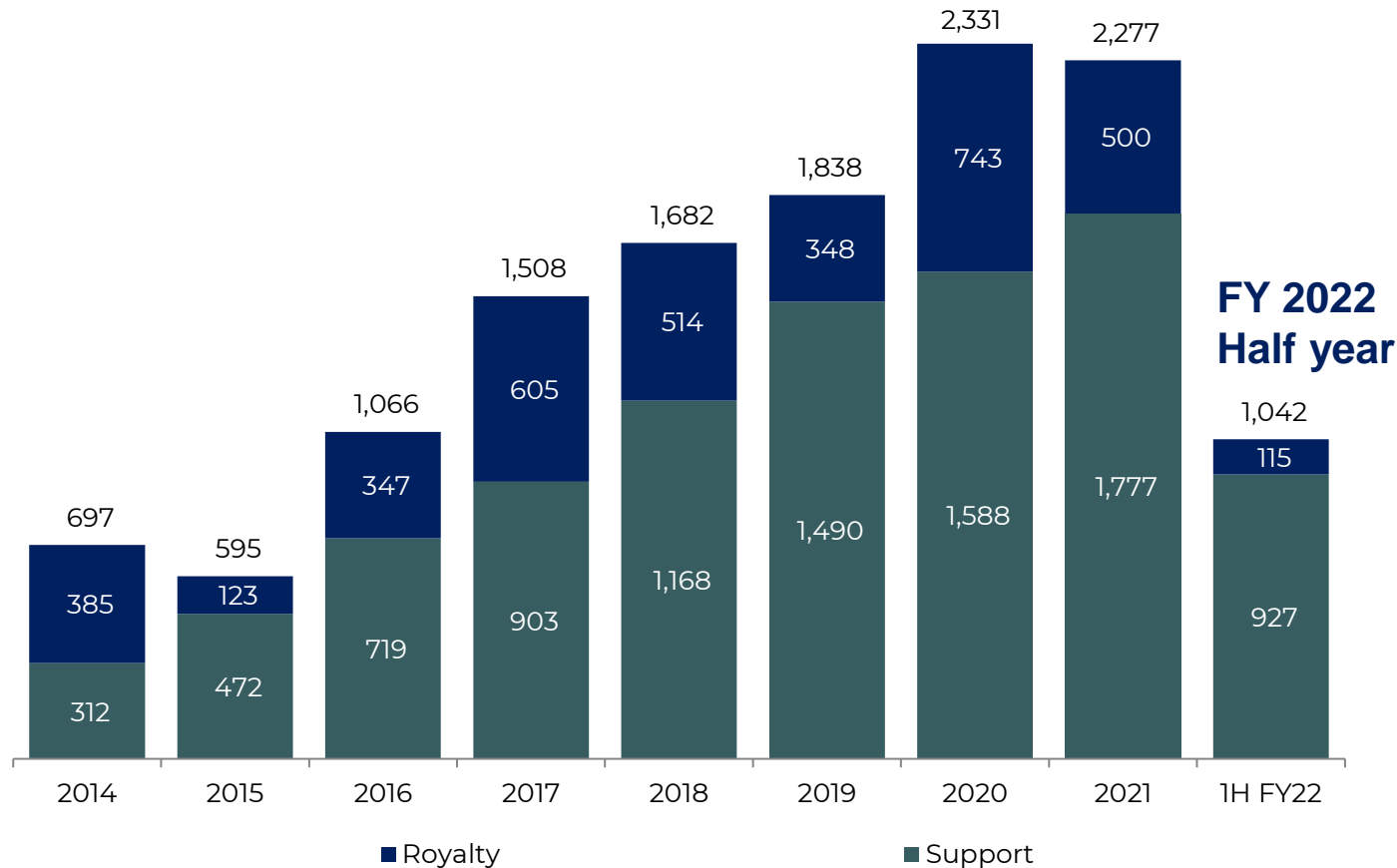


**Continued increase in recurring support revenues**



# Recurring revenue remains a core focus for Etherstack

## Etherstack Recurring Revenue (USD '000)



## Recurring Support Revenues grow over the medium and long term

- 12% increase in FY 2021 to \$1,776
- 7% decrease in HY 2022 predominantly due to currency headwinds
- 227% increase 2014 to 2021 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 or 2022 (\$478 recognised in FY 20)

# Income Statement

US\$'000	2018	2019	2020	2021	HY2022
<b>Revenue from Contract with Customers</b>	<b>5,264</b>	<b>4,792</b>	<b>4,699</b>	<b>8,504</b>	<b>4,857</b>
Recurring support and Royalty revenue	1,682	1,838	2,331	2,277	1,042
Project and Product Revenues	3,582	2,954	2,368	6,227	3,815
<i>% Recurring Revenue to Total Revenue</i>	32%	38%	50%	27%	21%
Cost of Sales	-1,668	-1,507	-2,032	-2,306	1,105
<b>Gross Profit</b>	<b>3,596</b>	<b>3,285</b>	<b>2,667</b>	<b>6,198</b>	<b>3,752</b>
<i>Gross Margin</i>	68%	69%	57%	73%	77%
Other Income; R&D & Government Incentives	102	100	125	121	62
Other Overheads	-1,835	-2,292	-1,712	-3,708	-1,598
<b>EBITDA</b>	<b>1,863</b>	<b>1,093</b>	<b>1,080</b>	<b>2,611</b>	<b>2,216</b>

## Revenue increases driving EBITDA growth

- **142% EBITDA growth FY 2021 vs FY20**
- **2021 Gross Margin of 73%<sup>1</sup>**
- **2021 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%**



**Growth strategy**

# Balance Sheet & Cash Flow Statement

## Balance Sheet

US\$'000	31-Dec-20	31-Dec-21	30-Jun-22
Cash and cash equivalents	4,180	3,038	571
Trade and other receivables	1,410	2,439	4,353
Other current assets	446	530	563
Intangibles	3,516	5,358	6,274
Other non-current assets	552	1,191	1,089
<b>Total assets</b>	<b>10,104</b>	<b>12,556</b>	<b>12,850</b>
Trade and other payables	2,760	2,584	2,229
Deferred revenue	1,744	2,215	1,355
Borrowings	572	0	0
Convertible notes	233	0	0
Other liabilities	699	1,239	810
<b>Total liabilities</b>	<b>6,008</b>	<b>6,044</b>	<b>4,394</b>
<b>Net assets</b>	<b>4,096</b>	<b>6,512</b>	<b>7,886</b>

## Cash Flow Statement

US\$'000	2020	2021	2022 HY
Net cash generated from operating activities	1,733	3,368	(880)
Net cash flow (used in) investing activities	(1,470)	(3,534)	(1,397)
Net cash flow (used in) financing activities	2,901	(805)	(145)
<b>Net increase/(decrease) in cash</b>	<b>3,164</b>	<b>(971)</b>	<b>(2,422)</b>
Effect of foreign exchange rate changes	85	171	(45)
Cash and cash equivalents at start of period	931	4,180	3,038
<b>Cash at end of period</b>	<b>4,180</b>	<b>3,038</b>	<b>571</b>

**Strong balance sheet position, providing a foundation to invest in growth**

# “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
- Aust Govt AUD \$1.7 m follow on order received



# 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

2022



2023



2024



2025



2026

## 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

# Samsung global teaming partnership and Nokia contract 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
- First Nokia project commenced in Australia



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