



Full Year Results Investor Presentation

28 February 2023

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Agenda

1. Introduction of New Leadership Team
2. Unaudited 2022 Financial Results
3. Funding Update
4. Strategic Review – Implementation Status
5. Market Update
6. Defence Business Update
7. Space Business Update
8. Outlook
9. Q&A

Appendices



New Leadership Team

The new Chair, CEO and CFO were recruited externally to bring new leadership



Garry Hounsell, Chair

- Extensive experience in corporate finance, business leadership & management, with expertise in accounting & audit in Australia and overseas
- Longstanding Board involvement with several high-profile Australian companies
- Australian citizen, Bachelor of Business, Fellow of Chartered Accountants Australia New Zealand, and the Australian Institute of Company Directors

**Commenced
24 November 2022**



Andreas Schwer, CEO

- Over 30 years in global Defence, Manufacturing and Space
- Previously with Rheinmetall AG, Manitowoc and Airbus
- Recent roles in Middle East
- German citizen, PhD in System Modelling & Numerical Optimisation

**Commenced
1 August 2022**



Clive Cuthell, CFO

- Over 15 years as CFO in global industrial businesses
- Previous experience includes Holcim and Nuplex
- British / Australian citizen, Chartered Accountant for 25 years

**Commenced
5 September 2022**

Financial Results

The new team are managing several challenges. SpaceLink was exited to improve cashflow.

Financial Results A\$m	2021	Unaudited 2022
Revenue ⁽¹⁾	212.3	137.9
Underlying EBITDA ⁽²⁾ : Continuing Operations	22.8	(42.9)
Loss For the Year ⁽³⁾ : Continuing Operations	6.7	(53.6)
SpaceLink Discontinued Operations	(20.5)	(61.9)
Cash (used in) / from Operations & Investment ⁽⁴⁾	(37.5)	(79.8)
Contract Assets and Liabilities, net ⁽⁵⁾	120.5	142.2

(1) The revenue reduction to \$137.9m arose in Defence Systems projects

(2) EBITDA is shown excluding foreign exchange gains and impairment charges, see reconciliation in Appendix.

(3) The total Loss for the Year was \$115.6m and included:

- Continuing Operations result of \$53.6m, including the impact of higher costs and impairment charges
- SpaceLink discontinued operations of \$61.9m, including operating losses, impairment charges and exit impacts

(4) Net Cash Used in Operations & Investment of \$79.8m included SpaceLink Discontinued Operations, \$26.7m

(5) The Net Contract Asset increased due to delays in invoicing a key customer, caused by COVID-19 & customer supply chain impacts

Underlying Performance Drivers

Results in 2022 were impacted by lower/delayed revenue, and higher costs

Revenue

- Customer Delays
 - Delayed customer contract awards and announcements
 - Delayed COVID impact
 - Defence Strategic Review in Australia
- **Supply Chain Challenges**
 - Impacting EOS, suppliers and customers
 - Delayed activity in 2022 – sales, production, delivery

Market Outlook
Growing Strongly

Global capacity
constraints

Cost Base

- High cost base for most of 2022, incl. headcount, restructuring & distress costs
- US Facility in ramp up mode
- Headcount reduction in Q4 2022
- Lower revenue on fixed cost base, adversely impacting EBITDA

Costs reduced
for 2023

2022 Segment Performance

Overall results impacted by lower Defence revenue and higher overall costs in 2022

Continuing Operations A\$m	2021	Unaudited 2022	Var
Revenue			
Defence	184.5	105.9	(78.5)
Space	27.8	32.0	+4.2
Total	212.3	137.9	(74.3)
Underlying EBITDA Profit (Loss)			
Defence	26.5	(33.4)	(59.9)
Space	(0.4)	(2.9)	(2.5)
Unallocated	(3.3)	(6.6)	(3.3)
Total	22.8	(42.9)	(65.7)

Defence Systems

- Revenue down due to delays in:
 - New contract awards
 - Customer milestones due to supply chain challenges
- EBITDA impacted by:
 - Lower revenue on fixed cost base
 - US facility in ramp-up mode

Space Systems

- Revenue growth:
 - Continued growth in EMS revenue
 - Space technologies steady year-on-year
- EBITDA:
 - Continued profitable growth in EMS
 - Increase in central costs

Unallocated

- Increase due to distress costs & restructuring

Cashflow

SpaceLink cash outflows ended in Q4 2022, and steps were taken to reduce cash costs

Cashflow A\$m	2021	Unaudited 2022		
		Continuing Operations	Discontinued SpaceLink	Total
Operating	0.2	(36.3)	(15.2)	(51.5)
Investing	(37.7)	(16.9)	(11.4)	(28.3)
Sub total	(37.5)	(53.2)	(26.6)	(79.8)
Financing	30.6			45.3
Net cashflow	(6.9)			(34.5)
FX effect	0.2			(3.0)
Change in cash balance	(6.7)			(37.5)

- Cashflow in 2022 included \$26.6m cash outflow on SpaceLink. This cash drain has now ended.
- Continuing Operations cashflow in 2022 was adverse due to:
 - Delays in cash collections on key contracts due to customer delays
 - Lower activity (revenue) levels on a fixed overhead base
 - Cash costs of restructuring and distress during the year
- The key 2023 focus area is improved cash collections

Funding Update

Key steps have been taken to improve cashflow, and more are underway

A\$m	Principal	Term	Maturity	Total Rate	Repayment
Working Capital Facility	20.0	12m	6 Sep 23	19%	26.9
Working Capital Facility	15.0	18m	11 Apr 24	19%	20.5
Term Loan facility	35.0	36m	11 Oct 25	26%	52.1
Total	70.0				99.5

- **New Borrowing Facilities** set up in Sep/Oct 2022 with longstanding equity investor, Washington H. Soul Pattinson (“WHSP”)
 - Interest can be capitalised up to 12 months – total Group full year 2022 finance costs were \$14.3m (\$6.6m in 2021)
 - Repayment of \$99.5m includes capitalised interest, excludes interest paid prior to maturity. Total repayable is up to \$127m
 - Borrowing facilities include substantial covenants and restrictions, and a 100% make whole clause, details in Appendix
 - Facilities were fully drawn at 31 December 2022, with cash balances of \$21.7m available
- **Initiatives to improve cashflow** include:
 - Terminate SpaceLink venture (completed Q4 2022) and reduce headcount (completed Q4 2022)
 - Maximise cash collection from customers
 - Contract amendment re-negotiated (completed in Q1 2023), allows cash collection earlier
 - Secure additional cash-positive sales contracts
 - Manage costs and capex with disciplined approach
- We continue to closely monitor the cashflow & funding outlook.
- The Board will continue to regularly review and, if necessary, amend EOS capital structure to support the business.

Strategic Review and Implementation

We have cut costs, ended SpaceLink and started rebuilding

01

RESTRUCTURING PROGRAM

- Implemented H2 2022
- Over 100 roles made redundant



Cost savings
\$25m pa

02

SPACELINK

- Ceased investment
- EOS exited SpaceLink in Q4 2022



Improve 2023
cashflow

03

CASHFLOW, PROFITABILITY, FUNDING AND RETURNS

- Strengthened focus on cash receipts - Contract Asset
- Initiatives to secure new contracts
- Disciplined management - costs & capex



Build
Commercial
Culture

04

POTENTIAL STRATEGIC PARTNERS

- Strategic growth partnerships and/or capital transactions



Secure Future
Growth

Market Development & Outlook

Global spending on National Security is accelerating



Typically, it can take up to 1-3 years or more to develop products or secure new contracts

Defence Systems Update

The Priority is to maximise customer receipts

1. Cash Collection Priority

- Net Contract Asset and liabilities, Unbilled A\$142.2m at 31 December 2022
- Key Contract Amendment secured in February 2023

2. Revenue Growth

- Australia - Defence Strategic Review outcome pending
- International markets including Ukraine
- Build partnerships to go to market
- R150 Lightweight Product Launch
- R600 Product growth
- US Facility Clearance obtained

3. Discipline – Costs & Capex



Pictured: The L3Harris VAMPIRE™ system with the R150/AS65 gimbal

Space Systems Update

EM Solutions delivers another strong growth year

EM Solutions

- Revenue growth of 22% - consistent delivery of strong growth
- Marine SATCOM on-the-move
- Continued delivery Australian & European naval fleets
- New sustainment contract for Royal Australian Navy A\$26m
- Targeting further growth

Focus: Continue to deliver profitable growth

Space Technologies

- Long standing laser expertise - deliver intelligence then control
- High growth global market
- Significant opportunity to commercialise, in particular upcoming military applications

Focus: Targeting commercial scale in 2-3 years



EM Solutions Cobra X/Ka Band system onboard with the Netherlands Navy



Space Technologies Guide star laser technology

Conclusion and Actions

The initial steps have been completed and there is a clear focus for 2023

Conclusions

- EOS has new leadership
- Key initial steps completed:
 - Refinancing
 - SpaceLink ended
 - Cost reduction
- Strategic Partnerships are an opportunity
- Global market outlook improving

Key Actions for 2023

1. Collect cash
2. Secure new sales contracts
3. Disciplined approach to costs & capital expenditure
4. Repay debt





Questions



Appendices

Appendix

Reconciliation of Statutory Profit / (Loss) and Non-GAAP measures for Continuing Operations

Continuing Operations Year ended 31 December \$m	2021	2022
Profit (Loss) for the period	6.7	(53.6)
Income tax expense (benefit)	9.2	(9.3)
Profit (Loss) before tax	15.9	(62.9)
Finance costs	6.6	14.3
Impairment of assets	-	7.3
Foreign exchange (gains)	(9.8)	(12.7)
Underlying EBIT (before impairment and foreign exchange gains)	12.7	(54.0)
Depreciation and Amortisation	10.1	11.1
Underlying EBITDA (before impairment and foreign exchange gains)	22.8	(42.9)

Detailed Debt and Covenant Information

Full details of the debt refinancing were included in an announcement to the ASX on 13 October 2022.

The WHSP Financing Facilities include financial and other covenants detailed on the next page.

Terms Common to All WHSP Financing Facilities

- Early repayment is permitted (the New Term Loan Facility cannot be repaid before the other facilities), subject to payments of respective Minimum Earns in full
- Facilities are secured by all assets of EOS (save for those of certain foreign subsidiaries)
- There are warranties and representations and general positive and negative undertakings which are customary for a facility of this nature
- The events of default and review included in the agreement are typical for facilities of this nature, including termination or default under material agreements
- Under an agreement with EOS' bond facility provider, EFA, the Existing and New Working Capital facilities rank in priority to the bond facilities provided by EFA.

The financing arrangements specify a "Minimum Earn" amount⁴, under which, in the event of early repayment, EOS is required to pay the full Interest and Line Fee that would otherwise be payable to maturity for the term of the relevant facility. The total repayment including "Minimum Earn" is \$127m⁴.

Facility ¹	New Term Loan Facility	Additional Working Capital Facility	Existing Working Capital Facility	Total
Date Facility Signed	12 Oct 2022	12 Oct 2022	7 Sep 2022	
Principal Amount	\$35m	\$15m	\$20m	\$70m
Upfront Fees²	\$4m	\$2m	\$3m	\$9m
Maturity	36 months Oct 2025	18 months Apr 2024	12 months Sep 2023	
Interest rate (pa)	22%	15%	15%	
Line fee (pa)	4%	4%	4%	
Cash pay or capitalised³	Cash pay or capitalised on election of Borrower			

1 Amounts have been rounded

2 The Work fee of 7.5% and Establishment Fee of 5.0% are capitalised into the facility limit upfront

3 Capitalisation of interest and line fees is available to EOS, up to a limit

4 Across the three WSHP Finance Facilities, this 'Minimum Earn' amount would total \$48m (or \$41m in the event that EOS does not elect to capitalise any interest or line fees under the facilities). The total amount to be repaid (including principal, upfront fees, interest, line fees and minimum earn) across the three WSHP Finance Facilities is \$127m. (If EOS does not elect to capitalise any interest or line fees under the facilities, this would fall to \$120m).

Detailed Debt and Covenant Information

Covenant	Calculation	Ratio
Asset Coverage Ratio	<p>Defined, in general terms, as the ratio of:</p> <ul style="list-style-type: none"> (a) net tangible assets excluding borrowings, relative to (b) the borrowings of EOS plus the face value of bonds issued, less cash backing provided in relation to the bond facilities <p><i>Tested monthly until 31 December 2023 then quarterly</i></p>	Must be more than 1.6 : 1
Cashflow Ratio	<p>Defined as the EOS Group's actual cash inflows (over a 3 month period), relative to the Company's cash inflow forecast (over that 3 month period))</p> <p><i>Tested monthly until 31 December 2023</i></p>	Must be more than 0.9 : 1
Cashflow Outflow	<p>Defined as the EOS Group's actual cash outflows (over a 3 month period), relative to the Company's cash outflow forecast (over that 3 month period))</p> <p><i>Tested monthly until 31 December 2023</i></p>	Must be less than 1.1 : 1
Interest Coverage Ratio	<p>Defined as EOS Group's Net CashFlow from Operations (adjusted for interest payments) relative to interest expense</p> <p><i>Applied on and from 31 December 2023, and tested quarterly</i></p>	Must be more than 2.0 : 1

