



Electro Optic Systems Holdings Limited

Annual General Meeting – 27 May 2022

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- **Financial years:** FY refers to the full year to 31 December, H1 refers to the six months to 30 June, and H2 refers to the six months to 31 December.
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Proxy Votes Received

Resolution	Vote type	Voted	%	% of all securities
2, RE-ELECTION OF DR GREENE	For	22,631,010	86.54	15.00
	Against	1,529,586	5.85	1.01
	Open-Usable	1,990,091	7.61	1.32
	Board	594,192	2.27	0.39
	Non-Board	1,395,899	5.34	0.92
	Open-Cond	0	0.00	0.00
	Open Unusable	0	N/A	0.00
	Abstain	10,194,974	N/A	6.76
	Excluded	4,860,196	N/A	3.22
3, RE-ELECTION OF MR BROWN	For	27,038,102	87.26	17.92
	Against	1,952,581	6.30	1.29
	Open-Usable	1,994,170	6.44	1.32
	Board	598,271	1.93	0.40
	Non-Board	1,395,899	4.51	0.92
	Open-Cond	0	0.00	0.00
	Open Unusable	0	N/A	0.00
	Abstain	10,221,004	N/A	6.77
	Excluded	0	N/A	0.00
4, RE-ELECTION OF MS SHIFF	For	27,676,281	89.32	18.34
	Against	1,313,646	4.24	0.87
	Open-Usable	1,994,170	6.44	1.32
	Board	598,271	1.93	0.40
	Non-Board	1,395,899	4.51	0.92
	Open-Cond	0	0.00	0.00
	Open Unusable	0	N/A	0.00
	Abstain	10,221,760	N/A	6.77
	Excluded	0	N/A	0.00
5, REMUNERATION REPORT	For	15,424,087	69.36	10.22
	Against	4,816,661	21.67	3.19
	Open-Usable	1,994,170	8.97	1.32
	Board	598,271	2.69	0.40
	Non-Board	1,395,899	6.28	0.92
	Open-Cond	0	0.00	0.00
	Open Unusable	0	N/A	0.00
	Abstain	14,110,743	N/A	9.35
	Excluded	4,860,196	N/A	3.22

Strategic Review - Purpose

The Board initiated a Strategic Review in March 2022. Greenhill & Co were engaged to undertake an independent assessment of the business to consider options to maximise shareholder value.

The scope of the review was to:

1. Provide an assessment of the underlying value potential for Defence Systems, Space Systems and SpaceLink.
2. Explore the range of alternative capital solutions available and a framework to assist the Board to prioritise resources on opportunities with the greatest risk-adjusted return profile in the context of capital solutions available.
3. Determine an appropriate execution strategy in a volatile market to maximise value for EOS shareholders.

Strategic Review - Status

- A number of pathways have been explored to ensure EOS has an appropriate capital structure to continue to diversify and grow our core businesses
- Broad range of stakeholders have been engaged including strategic and financial counterparties (both domestically and globally) to assess the range of transactions and funding options
- Confidential market soundings have provided a strong validation of the strength of the Defence business and the unique proposition of SpaceLink
- Nature of interest from counterparties has ranged from commercial partnerships, potential debt and equity funding, business combinations, to more transformative transactions
- A shortlist of potential outcomes identified including potential alternative capital solutions to ensure EOS has the most optimal capital structure in place to continue to diversify and invest in these significant growth opportunities
- While the Strategic Review is well progressed, including confidential discussions with third parties on potential combination and funding options, there is no assurance that any particular outcome will eventuate
- The Board expects to provide an update on the outcome of the Strategic Review over the coming weeks

Landscape - Global

Geopolitical tensions

- China's assertiveness in the Indo-Pacific region
- Russia's invasion of Ukraine
- Contestability of space an increasing security concern

Responses

- US pressures allies to shoulder more defence burden through ANZUS, AUKUS, NATO
- EOS customers, including NATO, Asia, Australia are all significantly increasing defense expenditure
- Demand for technologies to counter drones, missiles and hypersonic missiles
- Actionable real-time intelligence from space becomes more valuable
- Greatest global emphasis is on areas of *highest EOS investment and success*: Counter Uninhabited Aerial Systems (CUAS), Directed Energy (DE), SpaceLink, space control, missiles

These are long term trends that have shaped EOS' strategic posture and investments

Landscape - Domestic

New federal government to enhance sovereign capabilities in defence and manufacturing

Defence capabilities of increasing importance

- Provide relevant defence technology, products and sustainment to US under AUKUS
- Detect, track and destroy long-range threats from space
- Communicate data reliably from space to anywhere through SpaceLink
- Missile sustainment, technology sharing, development and production

Manufacturing capabilities

- COVID-19 and Ukraine have demonstrated the fragility of global supply chains
- Greater emphasis on domestic manufacturing capabilities and capacity
- \$71m investment in Australian Satellite Manufacturing Hub
- \$100bn Commonwealth investment in missiles will create a resilient Australian capability

EOS is an Australian aerospace entity with technology and capabilities across priority segments



Results



2021 Milestones

EOS' investment of \$77m to drive near-term opportunities impacted 2021 cash and EBIT.

1. **Record Revenue \$212m.** After three years of strong revenue growth, in 2021 revenue grew a further 18%.
2. **Record production.** In 2021, EOS manufactured 271 Remote Weapons Systems (RWS) up from 209 in the prior period (+30%).
3. **Additional products.** Developments, such as the R400 Marine and the T2000 turret, provide the opportunity to expand our addressable market at minimal cost.
4. **Product demonstrations.** Crucial to rebuilding the order backlog has been a number of successful live fire shoots showcasing the performance of EOS's products.
5. **Targeted investment.** Investment in product areas such as counter-drone and directed energy unlock critical growth opportunities. 50% of R&D was expensed through the P&L.
6. **Restructure.** The deceleration in growth was used to restructure the group under two operating P&L units, Defence and Space, as a stronger platform for future profitability.
7. **SpaceLink commercialisation.** Considerable progress has been made on finalising the technical design of the optical communication satellites and refining the business model.

2021 Profitability

Directors acknowledge that a net loss of \$13.8m is a disappointing outcome.

1. **SpaceLink.** \$37m was invested in SpaceLink in 2021, of which \$20.6m was expensed through the P&L. A total of \$49m has been invested in the past two years.
2. **R&D.** In 2021, \$27m was spent on Research & Development to accelerate product commercialisation. Over 50% was expensed through the P&L.
3. **Defence and Communications.** Both our Defence and Communications businesses performed well, delivering strong revenue growth.
4. **Space Technologies.** Fewer contracts resulted in lower revenue and an Underlying EBIT loss of \$3.8m. Remains on track to return to profitability in FY23.
5. **Facilities and Security.** Expenditure on security, especially in cyber and IT, continued as threats remain high. Investments in US facilities and clearances nearing key milestone.

Financial Performance Breakdown

EOS' underlying defence business is profitable and has strong momentum

A\$million	2021	2020
Revenue¹		
Defence Systems	184.5	156.4
Space Systems (excl. SpaceLink)	27.8	23.8
SpaceLink	-	-
Total Revenue	212.3	180.2
Underlying EBIT^{2,3}		
Defence Systems (excl. USA facilities)	28.1	3.6
USA facilities net expenditure	(11.0)	(12.8)
Defence Systems sub-total	17.1	(9.2)
Space Systems (excl. SpaceLink)	(3.7)	3.1
SpaceLink	(20.6)	(3.6)
Space Systems sub-total	(24.3)	(0.5)
Unallocated corporate costs	(4.3)	(3.1)
Total Underlying EBIT	(11.5)	(12.8)

Defence Systems

- Revenue increased 18%
- Underlying EBIT improved strongly even after adjusting for prior years' constrained revenue and adjustments in accounting estimates
- Investments in USA continue as company aims to get material contracts in future

Space Systems (excl. SpaceLink)

- EM Solutions delivered 20.4% revenue growth and a solid profit contribution
- The decline in revenue reflected the conclusion of several contracts, and the delay in the award of new contracts which are now expected in 2022
- Continued investment in R&D coupled with lower earnings contribution from contracts resulted in a reduced EBIT

SpaceLink

- Currently completing Block-0 satellite design which continues to confirm potential to offer a fully functional and highly profitable satellite constellation

Underlying Segment EBIT to Statutory NPAT Reconciliation

A\$million	2021	2020
Underlying EBIT (excl. FX gains/losses)	(11.5)	(12.8)
FX gains/(losses)	9.8	(15.7)
EBIT	(1.7)	(28.5)
Interest	(2.9)	(1.4)
Profit/(loss) before tax	(4.6)	(29.9)
Income tax (expense)/benefit	(9.2)	4.7
Net profit/(loss) after tax	(13.8)	(25.2)

EOS at a Glance



Defence Systems

- Develops, manufactures and markets advanced technologies for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) and C4 Edge² systems for approved customers globally
- Global pioneer in the development and supply of remote weapon systems ("RWS")
- Directed Energy system developed and successfully tested to neutralise drones

\$185m

FY21 Revenue

\$17m

FY21 Underlying EBIT³



Space Systems¹

- Comprises EM Solutions and Space Technologies
- EM Solutions provides global satellite communications services and systems to primarily navy and maritime customers
- Space Technologies applies EOS-developed optical sensors and laser technology to detect, track, classify and characterise objects in space and remains integral to R&D across the group

\$28m

FY21 Revenue

(\$4m)

FY21 Underlying EBIT³



SpaceLink

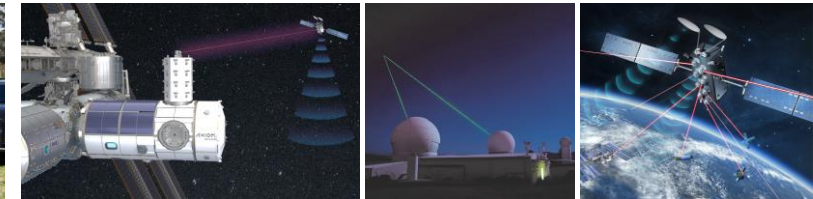
- Opportunity to leverage EOS' existing capabilities to build and operate a constellation of medium earth orbit ("MEO") satellites
- Significant competitive advantages from FCC spectrum allocation and EOS optical technology
- Robust customer pipeline with ~200 customer opportunities and (10) customers committed
- Highly attractive financial profile with positive cash generation expected by (2024)

~US\$250m

Target FY27F EBITDA

(\$21m)

FY21 Underlying EBIT³





**Business Update
Defence**

Defence Systems

Improved revenue and profitability

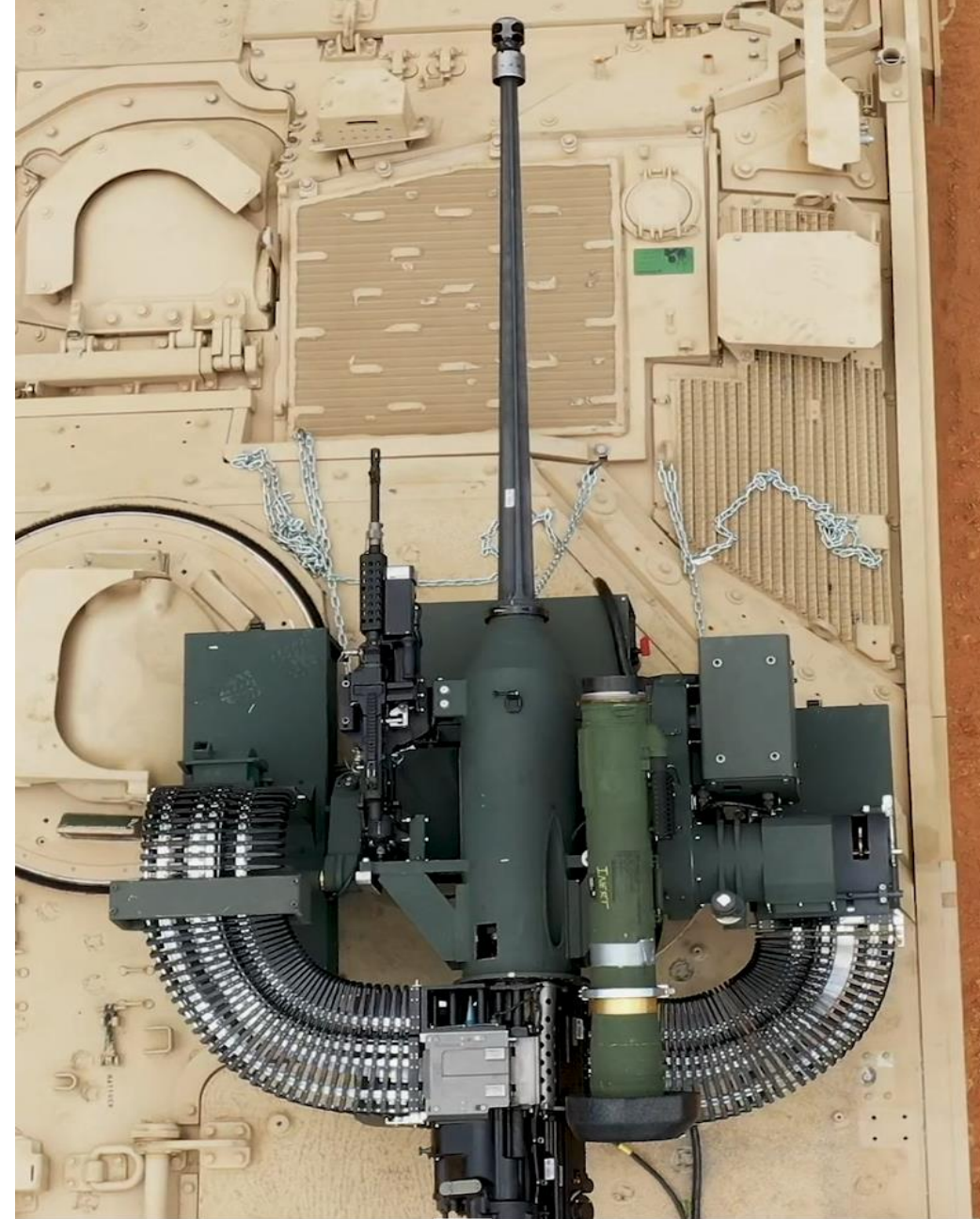
- Strong EBIT outcome given COVID-19 and supply chain challenges
- New customers added to the EOS RWS user community

Production level stabilised with additional capacity introduced

- Record 271 RWS produced
- Huntsville, AL facility approaching full security accreditation with US military
- US development contract continues to deliver on schedule
- Added manufacturing capacity has created a 60-day buffer, reducing the contract risk from unforeseen disruptions and adding war stocks
- Growing ability to meet unexpected demand from customers

Global supply chain stabilised

- Three regional support and sustainment centres now accredited and in operation for planned mid-life upgrade activities to existing fleets
- Local content obligations increasingly used to reduce potential supply chain disruptions and input costs
- Local content enhances EOS competitiveness for new contract awards



RWS - Superior performance

Range and accuracy advantage

- R400 demonstrates accuracy to 2.2 km on the move, a 40%+ range advantage over competitors
- Marine offering exceeding customer expectations

Product range expanded for minimal investment

- Missile and rocket integration provides wider options
- R400 Marine opens up new market
 - First delivery to Middle East customer
 - Selected for Australian Army Littoral Manoeuvre vessels
- R150 first contracts signed for 2022 delivery
- R800 undergoing customer evaluation in H1 2022

Sustainment to become important segment

- Sustainment business growth with cumulative deliveries
- Commenced negotiation on mid-life upgrades with major customers



Directed Energy

Market and products rapidly evolve

Product development

- 35 kW directed energy system for drones and missiles
- Successful customer-funded demonstrations
- Group 1 drones permanently disabled at distances beyond 1 km and at a rate of 20 drones per minute
- Qualification against Group 2 and 3 drones in Q3 2022
- Modular approach using proven modules allows scaling up laser power for 50 kW class products and beyond

Activity

- Customer-funded development taking priority
- Negotiations on several development and production contracts



Unmanned Ground Vehicles

Reliability and accuracy critical

Major growth segment

- Unmanned vehicles with a range of lethality capabilities are very attractive to allied forces
- EOS' accuracy and reliability are essential in this domain
- EOS' capabilities in C2-C4, communications and CUAS strengthen product offering
- EOS systems being deployed by current customers. Two UGV contracts delivered on time and on budget

Customer-funded development

- Several customer-funded development programs to incorporate robotic and AI technologies
- Successful long-range live firing from moving UGVs with remote driver and gunner
- Development programs a pre-requisite to production contracts



CUAS – Unique integrated solution

Ukraine highlights drones' lethality

- Increased prevalence of weaponised drones and loitering munition technologies
- Customers undertaking threat assessment and evaluating potential solutions, accelerated by events in Ukraine
- Threats may require complex solutions with considerable testing and evaluation efforts

Titanis performs in demonstrations

- Titanis has demonstrated effective, reliable and cheap counter drone engagement using multiple munitions
- EOS RWS still provide the only effective demonstrated kinetic solution that can engage fast moving drones at ranges beyond 500 meters
- EOS hard kill systems are offered as part of integrated solutions from US, European and Asian prime contractors



C4 EDGE - ADF engagement

C4 Evolutionary Digital Ground Environment Communications

- \$34.4m project successfully delivered by EOS as Prime Contractor
- All-Australian consortium demonstrated a Battlegroup and Below Battlefield Command System designed to address the Army's future tactical requirements
- Demonstrates Australian government and ADF commitment to developing sovereign capability with specific advantages for Army

Moving to the next phase

- Multi-year activity to produce a system-wide solution to satisfy the ADF's requirements using sovereign capability
- Significant export opportunities for EOS and the large Australian consortium





Business Update Space



Space Domain Awareness

Space Protection

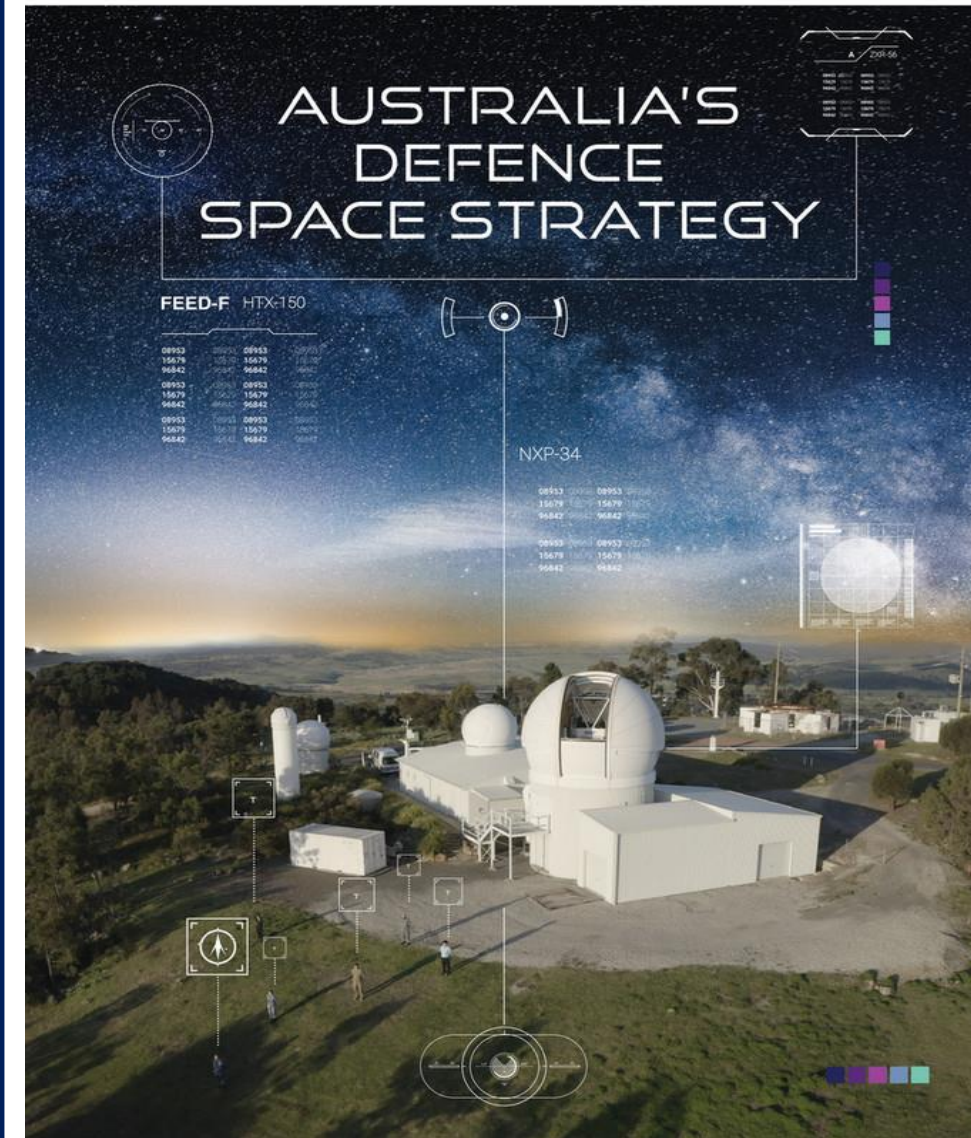
Space Domain Awareness (SDA)

- SDA service adoption accelerating due to geopolitical tensions
- EOS provides highest accuracy data, unmatched by other ground-based sensor technologies, such as RADAR
- EOS delivers actionable space intelligence to customers
- New daytime sensors extend SDA capabilities

Space Protection

- EOS' Conjunction Analysis and Threat Warning System supports collision avoidance by combining data to provide realistic and actionable data for satellite operators
- Space Protection under continued development contracts

Australia's Defence Space Command was established to "assure Australia's access to space to defend Australia, our national interests, and promote global security and stability"



Space – EM Solutions

- World leading technology deployed across six navies globally
 - Closed-loop monopulse tracking gives higher speeds and greater uptime
 - Terminal covers multiple frequency bands at once providing link redundancy
- Record delivery of satellite terminals and robust pipeline expected to support 20% pa growth
 - Order book >\$52m (as at end of April), representing more than 21 month's backlog
 - Maintaining 45% gross margin
 - Risked pipeline of \$222m (un-risked \$572m)
- Synergies with EOS and SpaceLink to drive growth

EM Solutions – records in delivery, profit, pipeline



SpaceLink

1. The global and domestic landscape is driving up the priority of SpaceLink, as highlighted by current needs for responsive space data relay in active war zones.
2. Aligning our technology roadmap with the US SDA has reduced risk, allowed the initial capital requirement prior to revenue generation to be reduced from US\$800m to US\$280m and significantly improved expected profitability.
3. Positive technical evaluation received from a major space agency and strategic partner program reviews in 2022.
4. Funding support achieved from the Commonwealth and other customer support likely.
5. Investment in supply chain over two years has insulated from most impacts of Russian embargo.



Company Outlook



Landscape – Global and Domestic

Powerful Drivers

- China's assertiveness in the Indo-Pacific, Russia's invasion of Ukraine, contest in space
- US pressures allies to shoulder more defence burden: ANZUS, AUKUS, NATO
- EOS customers, including NATO, Asia, Australia all significantly increasing defense expenditure
- Australia's defence outlays will exceed \$1 trillion over 20 years
- New federal government has strong policies in local capability and manufacturing
- COVID-19 and Ukraine demonstrate the fragility of global supply chains
- Demand surging in areas of *highest EOS investment* and technical success: CUAS, DE, SpaceLink, space

Long term trends shaped EOS investments and positioning, and it is well equipped to respond

Significant Growth Opportunities Across the Portfolio

	Product	Comments	Total Addressable Market / Revenue Opportunity
 DEFENCE	RWS	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Achieved first funded contracts in 2021. New contract awards expected in 2022/23 	US\$20bn / 10 years
	UGV's	<ul style="list-style-type: none"> A new market with strong sales growth expected in 2022/23 	AU\$12bn / 10 years
	C4 EDGE	<ul style="list-style-type: none"> Vital sovereign capability for the ADF. Potential awards from 2022 	AU\$7bn / 20 years
 SPACE	EM Solutions	<ul style="list-style-type: none"> Accelerate global access to its market-leading terminals, leveraging NATO client wins 	AU\$500m
	Directed energy applications	<ul style="list-style-type: none"> Space and communications applications, and significant defence market from convergence of CUAS (counter unmanned aerial system), CRAM (counter rocket, artillery and mortar), GBAD (ground-based air defence) and SHORAD (short range air defence) programs in US 	Extremely large
	Space Domain Awareness	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Niche opportunities for EOS technologies in Australian guided weapons program and related exports 	AU\$8bn / 10 years
 SPACELINK	MEO Satellites	<ul style="list-style-type: none"> Disruptive SATCOM solution offering increases in bandwidth, resilience and responsiveness at significantly reduced cost Solution focused on the highest value commercial-to-government, and defence and government markets Addressing a specific market need by developing a smaller Medium Earth Orbit communications satellite (Block-0) to offer customers fast delivery 	US\$2bn pa from 2024

2022 Outlook

Tailwinds

- Global and domestic fundamentals are compelling, and momentum is lifting
- Unfolding events strongly support EOS investments, product mix and technologies
- EOS technology, products, capacity, quality, yield and margins all on plan
- Stronger inbound enquiries than ever before
- New Federal Government expected to emphasise sovereign capability and manufacturing

Challenges

- Human resources: Transition to a future product mix allowing growth beyond human resources
- Supply chain: Resumption of expansion and exports brings global supply chain risk
- Backlog: Below target but accumulated demand appears to be unwinding
- Inflation: Costs will increase and interest rate rises will increase costs of delays
- Cyber security: Threat levels continue to require significant investment

2022 Guidance

- 2022 revenue is expected to be higher than 2021 and the company will consider specific guidance after actions arising from Strategic Review



Questions