



# 2020 Full Year Results

## Investor Presentation

26 February 2021

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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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- Video

# Leadership Team

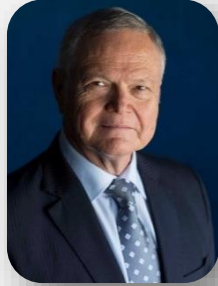
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Fred Bart  
Chairman



Peter Leahy  
NED and  
Deputy Chair



Ben Greene  
Group Chief  
Executive Officer



Kate Lundy  
Non-Executive  
Director



Geoff Brown  
Non-Executive  
Director



Ian Dennis  
NED & Company  
Secretary



David Black  
Non-Executive  
Director

## Executive Management Team



Pete Short  
Chief Operating  
Officer



Michael Lock  
Chief Financial  
Officer

\*Commencement 1 March 2021\*



Neil Carter  
Chief Strategy  
Officer



Grant Sanderson  
CEO, Defence  
Systems



Prof. Craig Smith  
CEO, Space  
Systems



Glen Tindall  
CEO, Communications  
Systems

# Overview

EOS is Australia's largest aerospace entity and the largest defence exporter in the southern hemisphere



Reaching across **18** countries



**500**

Employees around the world



**\$800m**

R&D spent on EOS IP over 20 yrs, 75% from customers, most of this IP has not been exploited yet



**\$190m**

Annual revenue (FY20)

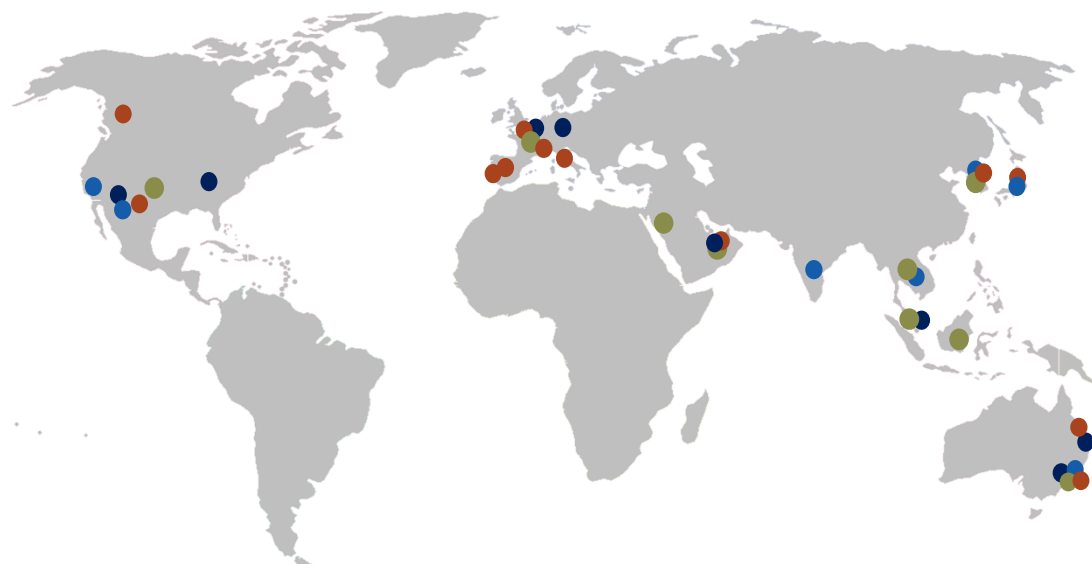


**\$429m**

Order backlog <sup>(1)</sup>

**\$3.6bn**

Sales pipeline <sup>(2)</sup>



● EOS Facility

● Defence Customers

● Space Customers

● Communications Customers

(1) The backlog figure represents the expected revenue EOS will receive from contracts which have been awarded to EOS but for which EOS has not delivered the products, as at 31 December 2020

(2) The pipeline figure represents the potential revenue from specific customer requirements for which EOS has tendered for, or is registered and qualified to tender for over the following 36 months, as at 31 December 2020



# FY20 Review

# FY20 Key Operational Highlights

## Revenue growth constrained by COVID-19 impacts

- Revenue from ordinary activities of \$180m, up 9% on pcp , constrained by COVID-19 interruptions to deliveries
- Net loss after tax of \$25.6m as revenue and profit deferred into 2021
- Negative operating cash flow of \$109m due to investment in inventory build will reverse in H1 2021

## COVID-19 impacts core RWS business

- Staff well-being prioritised. Safety procedures allow for continued momentum
- Supply chain disruptions to delivery for major overseas customer. Decision-making slowed, projects deferred, marketing and product demos constrained. Supply chain fully protected and intact for production recovery in 2021
- COVID-19 likely to continue to slow growth in 2021

## However, global tailwinds accelerating technology adoption

- CUAS and Directed Energy demand from customers growing strongly. Offensive hypersonic weapons accelerating deployment of EOS defensive technologies
- Australian drive for sovereign capability and supply chain resilience exemplified by C4EDGE contract
- Satellite communications requirements growing as need for resilience, low latency, high capacity communications increases

## Major growth initiatives underway

- Defence Systems: RWS technical performance market-leading. New products include CUAS, Directed Energy, Containerised-RWS, Remotely Operated Combat Vehicles. Production capacity built to \$450m pa at Australian and US facilities, with planned path to \$900m pa
- Space Systems: Space continues to drive firm-wide R&D supporting growth markets. Contract awards expanding from 2021 to drive Space revenue and profitability
- Communications Systems: SpaceLink satcoms generating strong customer interest. US SPV funding expected in Q2 to crystallise significant value for EOS. EM Solutions growing strongly and profitably



# FY20 Financial Headlines

\$millions	2020	2019 (Restated)	% change
Revenue	190.2	166.0	15%
Revenue from ordinary activities	180.2	165.4	9%
EBITDA excl FX gains/losses	-3.3	26.1	-113%
<i>% of revenue</i>	-1.8%	15.7%	
Underlying EBIT excl FX gains/losses	-12.8	21.7	-159%
<i>% of revenue</i>	-7.1%	13.1%	
EBIT	-28.5	21.8	-231%
Statutory Net Profit/(loss) After Tax	-25.6	17.6	-245%
Statutory diluted EPS (cents)	-19.2	18.3	-208%
Operating cash flow	-109.1	-33.8	
Investing cash flow	-37.0	-8.6	
Financing cash flow	135.9	79.6	
Cash	65.9	77.9	

## Revenue growth despite deferrals caused by COVID-19 but well below earlier expectations

- Delivery issues, including availability of international freight, import licensing and access to firing ranges
- Revenue deferred into 2021 and 2022, as delivery schedules are pushed out

## Profitability impact from deferrals and supply chain issues

- Although revenues shifted into 2021/22 indirect costs expensed in 2020 as incurred creating a short term negative impact on profitability
- Production running at sub-optimal levels due to lower volumes. Split shifts for employee safety reduced efficiencies
- Issues with component suppliers' timeliness and quality now resolved

## EOS continues to invest in R&D and capability

- Includes Counter-UAS, Containerised RWS, Directed Energy, Adaptive Optics and SpaceLink
- Huntsville AL plant in the US provides vital beachhead into the US market and now producing against contracts in other countries. Also providing marketing support for major European opportunities

# FY20 Segment Performance

\$millions	2020	2019 (Restated)
<b>Revenue &amp; Other Income</b>		
Defence	156.6	158.5
Communications	19.6	1.9
Space	6.4	5.0
Unallocated	7.7	0.6
<b>Total Revenue &amp; Other Income</b>	<b>190.3</b>	<b>166.0</b>
<b>Underlying EBIT</b>		
Defence	-9.2	22.7
Communications	-1.8	-0.1
Space	1.3	0.4
Unallocated	-3.1	-1.3
<b>Total</b>	<b>-12.8</b>	<b>21.7</b>

## Defence revenue fell 1% due to COVID-19 interruptions

- Delivery issues throughout the year and in December prevented delivery to the contract schedule resulting in c. \$40m of revenue pushed into 2021
- Costs incurred expensed driving overall Defense loss. 2021 to see return to profitability

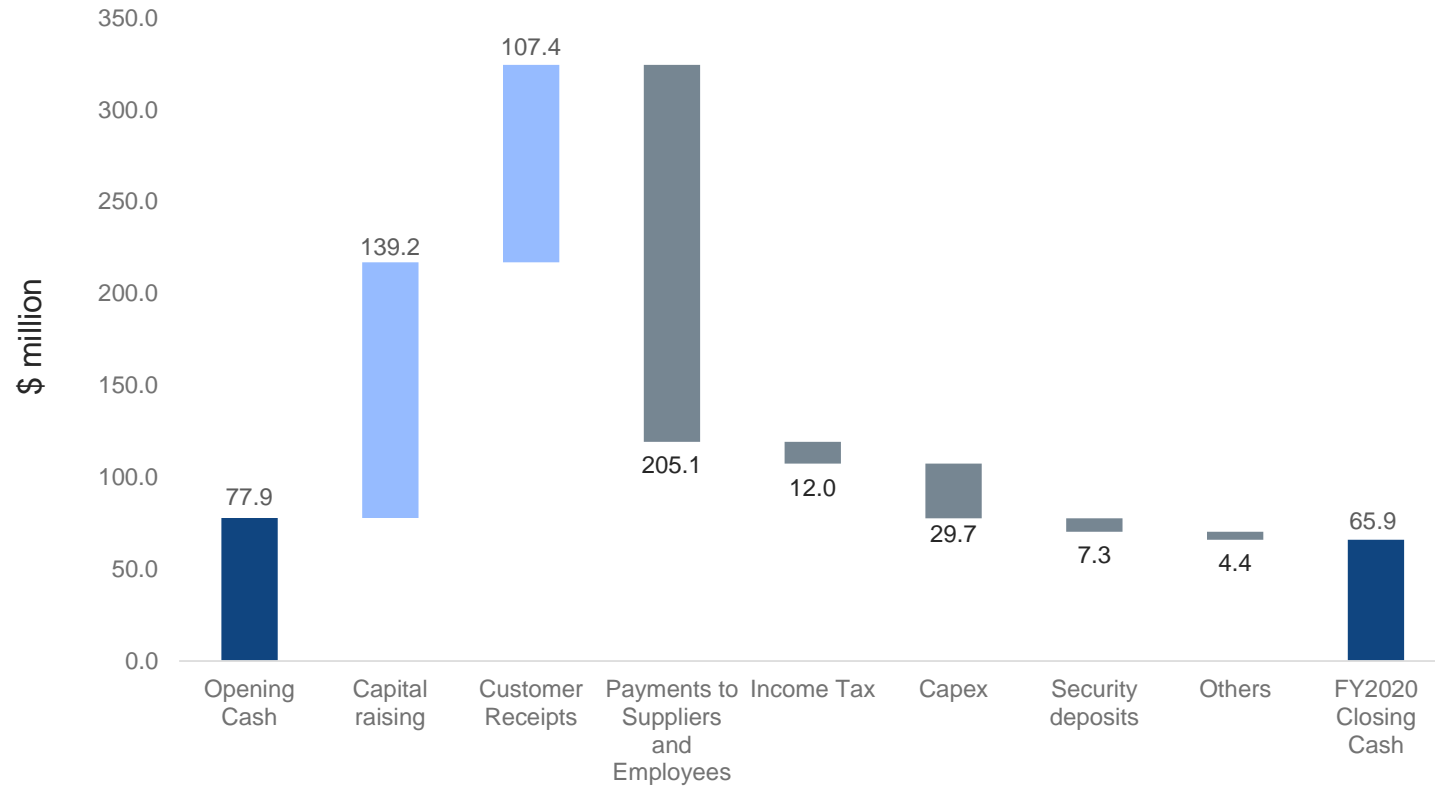
## Communications strong growth in EM Solutions with SpaceLink funding imminent

- Full year effect of EM Solutions acquisition in 2019 distorts growth rate. Strong revenue and profit growth ahead of acquisition business case
- Overall divisional loss due to start up costs at SpaceLink. These will be mitigated in Q2 as SpaceLink transitions to independent funding

## Space Systems growth and profitability

- Revenue increased 27% with growing awareness of the contested nature of Space and the importance of the Space domain for all other strategic theatres
- Continued investment in R&D on behalf of all three EOS divisions
- Pipeline of opportunities remains strong in both Space Awareness and Space Protection with ongoing awards anticipated in 2021

# FY20 Net Cash Flow Movements



## Cash flow impacted by COVID-19

- Disruption of the delivery chain deferred cash flow into 2021
- Contract assets increased to \$138m. Will mostly unwind over next six months

## Capital raising to support the business

- Institutional raising and SPP well supported by shareholders
- Cash balance available to support operations

## Capex includes investment in growth

- Includes Counter-UAS, Directed Energy, SpaceLink satellite communications and IT infrastructure

## Cash of \$65.9m will strengthen in FY21

- Strong cash flow from major contracts anticipated over the next six months

# Update on Major Overseas Contract

## **3<sup>rd</sup> Generation RWS technical performance setting new market standards**

- 25% better in range and accuracy than nearest competitor
- Product testing achieving 78% hit rate including out to 2.2km and from a moving vehicle (previous industry best standard considered to be 1.5km)
- World-leading “first hit probability” outstanding at 72%

## **COVID-19 disruptions to delivery process**

- Multiple disruptions of the delivery chain deferred delivery from 2020 into 2021, including limited access to the test firing range
- These are now resolved, but sporadic disruptions may continue

## **\$120m of product in country, with 25% ready for final handover**

- Phase 1 units delivered to EOS facility in country, On-Site Acceptance Testing (OSAT) currently underway
- Initial 25% of contract assets delivered to customer, accepted and now in payment process
- Contract asset conversion to cash to deliver >\$120m cash flow in H1
- Phase 2 of contract to start in H2 2021 and run for two years



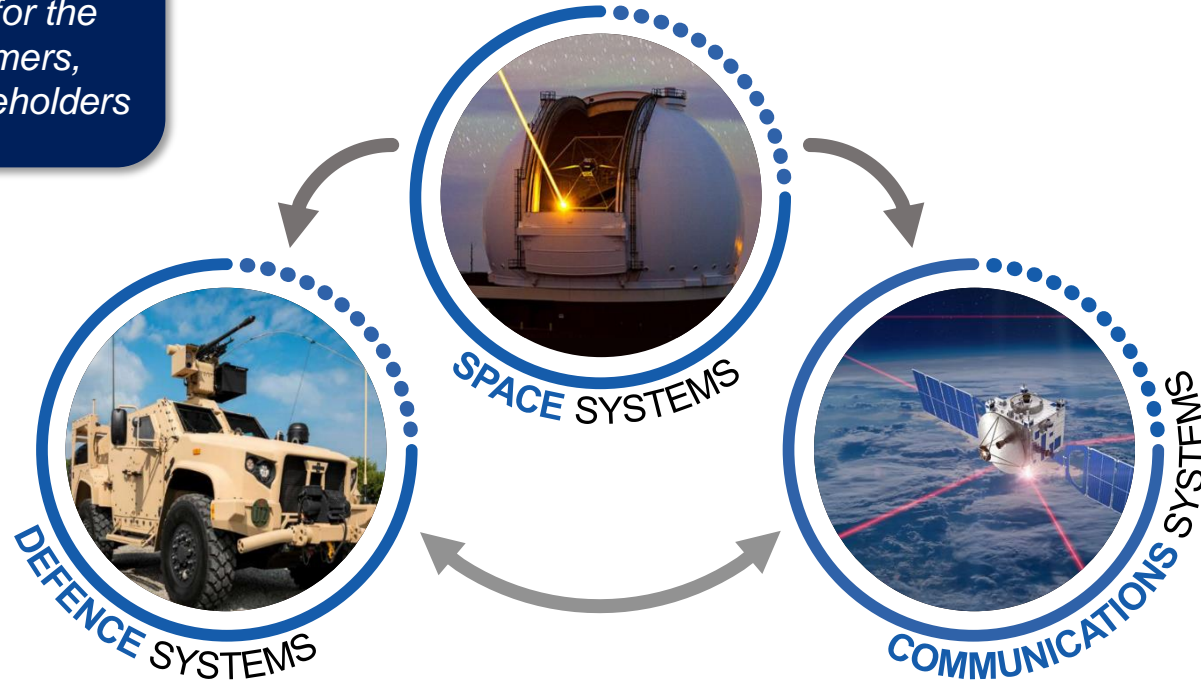
# Strategic Outlook

# Strategic Ecosystem & Synergies

## Strategy:

*to use advanced technology to create new markets for the benefit of our customers, communities and shareholders*

- Creating world leading R&D**
- Laser physics
  - Advanced optics
  - Precision control systems
  - Space domain sensors
  - Communications technologies

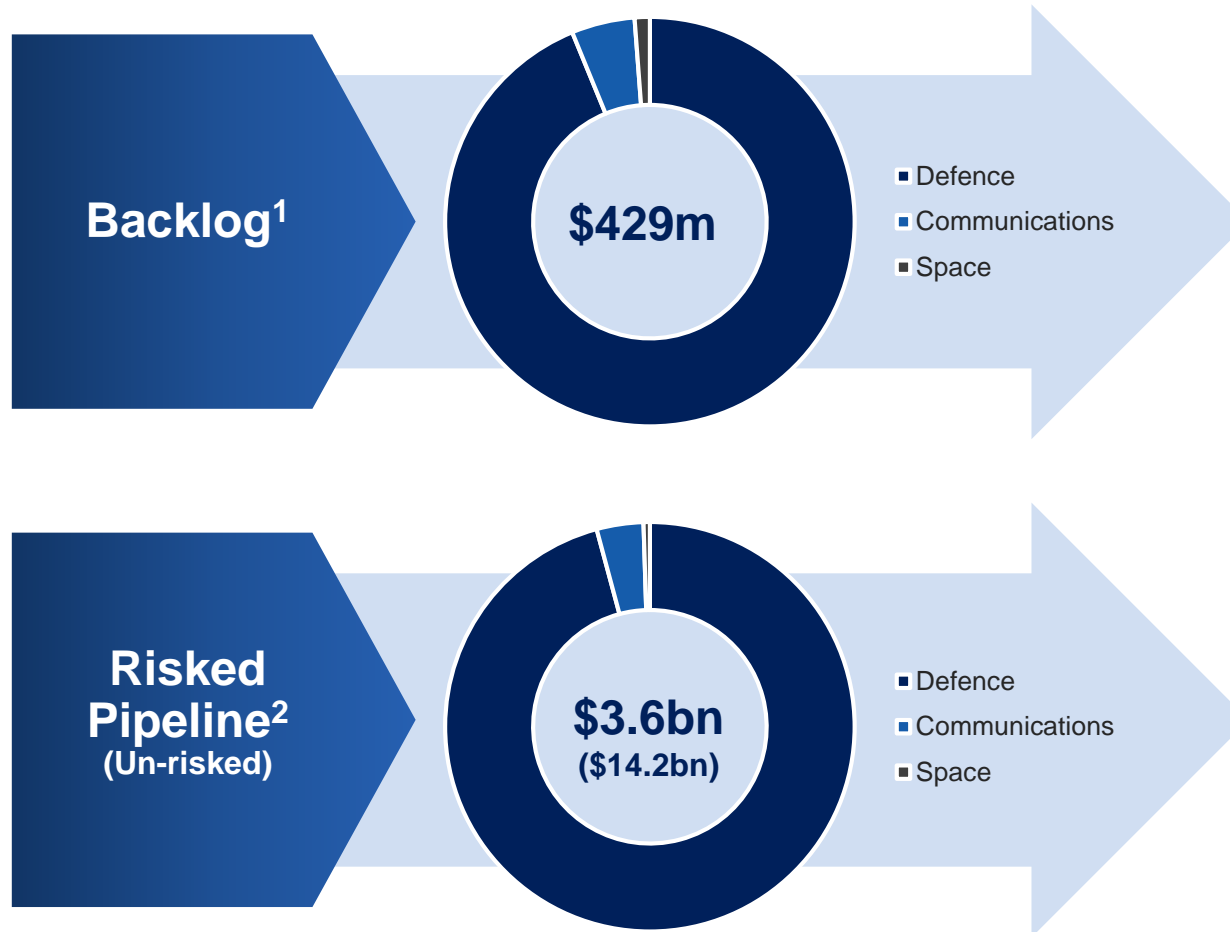


## Strategically releasing technology

- When customers have sufficient structural demand
- Demonstrated funding

**EOS divisions are designed as stand-alone profit centres, but when combined provide strong strategic leverage and significant up-selling opportunities**

# Update on Pipeline and Backlog



## Backlog reflects committed contracts that are not yet fulfilled

- Backlog currently consists largely of Defence products underpinned by a number of key contracts
- Includes EM Solutions backlog of \$21m underpinning FY21 revenue growth
- Space Systems backlog of \$5m, but poised for material contract wins in 2021

## 208 separate opportunities, with 22 >\$200m

- Risk-weighted pipeline due for award in next 36 months. Many opportunities arise annually to increase pipeline significantly
- Pipeline has increased partially because of project deferrals caused by COVID-19
- Pipeline does not include sustainment opportunities which normally flow three years after delivery
- Contract awards expected in 2021 for RWS, C-UAS, ROCV, CWS across US, EMEA and Indo-Pacific

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(2) The pipeline figure represents the potential revenue from specific customer requirements for which EOS has tendered for, or is registered and qualified to tender for over the following 36 months, as at 31 December 2020

# FY2021 Growth Priorities

	PRODUCT	COMMENTS	TAM / REV OPPORTUNITY
 <b>DEFENCE</b>	RWS	Strong pipeline of potential awards in 2021/22. Focus on market-leading accuracy, weight and lethality to accentuate technology lead	US\$10bn / 10 years
	Mopoke Counter-UAS	System demonstration overseas from Q2+. Expect to be in contract by end of the year as global market leader	US\$20bn / 10 years
	ROCV's	Participation in multiple development programs in this rapidly emerging category	Up to \$11bn (ADF) + exports
	C4EDGE	Vital sovereign capability for the ADF. Demonstration of Capability in Q4 with potential for significant awards in 2022+	\$7.5bn / 20 years (ADF) + exports
 <b>COMMUNICATIONS</b>	SpaceLink	Disruptive satcom solution offering increases in bandwidth, resilience and responsiveness at significantly reduced cost. Strong linkages with Defence and Space enhance EOS' competitive position. Funding announcement expected in Q2 2021	>US\$10bn pa
	EM Solutions	Accelerate global access to its market-leading terminals, leveraging Huntsville AL facility to access US market and capitalising on success in EMEA markets	Risked pipeline \$173m (Un-risked \$502m)
 <b>SPACE</b>	Directed Energy	Monetisation of Space technology will continue in Communications and Defence sectors, with particular focus on defensive applications of Directed Energy	+++++
	Space Domain Awareness	Increasing recognition of Space as a contested domain driving a need for Space Intelligence, Surveillance and Reconnaissance (ISR)	\$2bn / 10 years (ADF) + exports
	Space Protection	Space infrastructure, and data and services for space asset protection and missile defence are all growth areas with established customers for EOS	+++



# Mopoke Counter-UAS

## Drones are one of a number of new technology threats

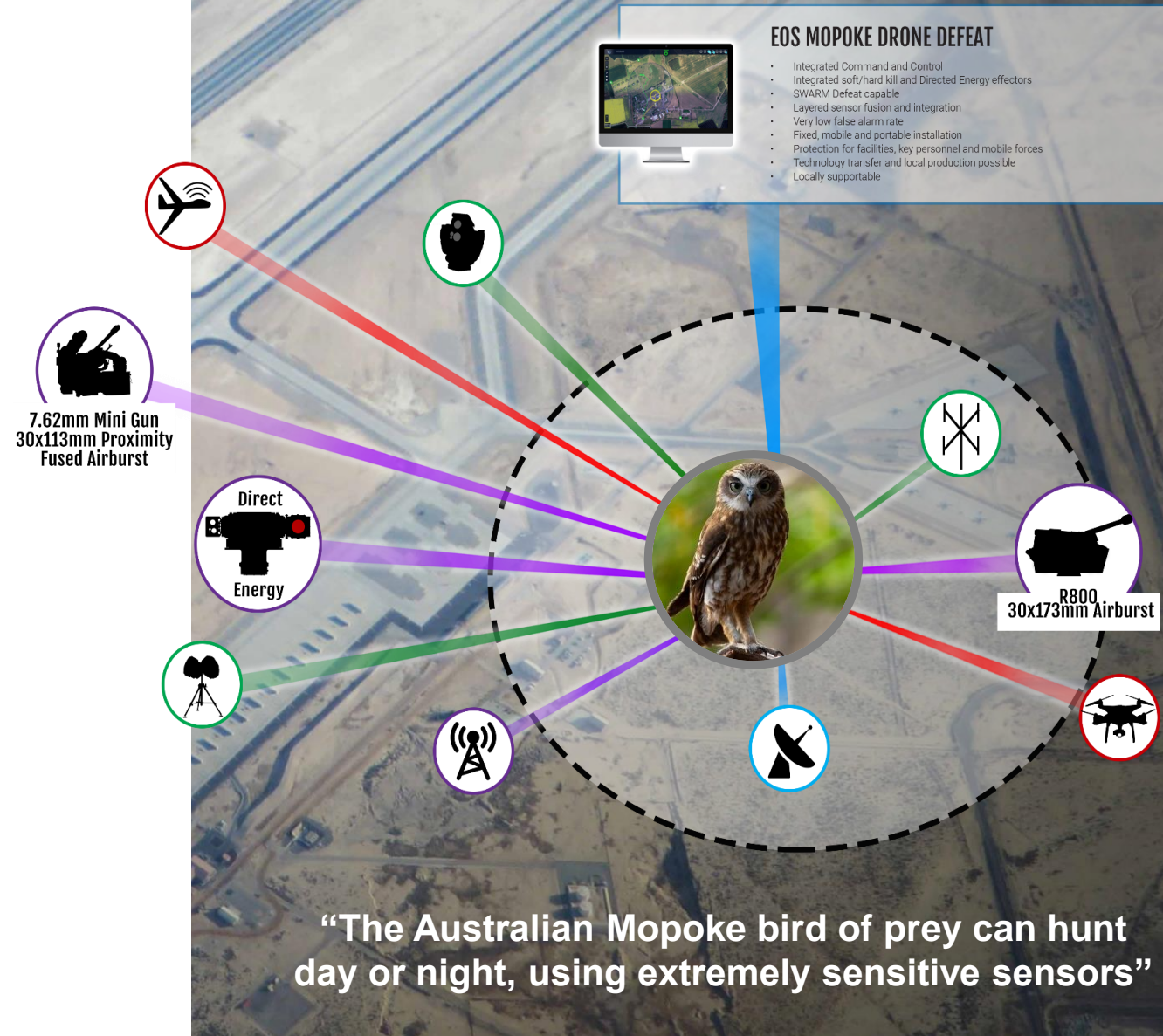
- Asymmetric threat due to low cost for attackers and difficulty to defend
- Recent conflicts have demonstrated the vulnerability of traditional assets to drone attack, driving strong demand for Counter-UAS solutions

## EOS already selected as preferred tenderer to major program

- EOS unique in having several different weapons systems which are proven defenders against every category of UAS
- Includes Directed Energy capability which is unique to EOS
- Customer demonstration planned from Q2 onwards
- Contract negotiations expected to conclude in H2 2021

## EOS has technology to combat other emerging threats such as hypersonic missiles

- EOS' core IP in lasers and precision control vital to defend against new technology threats



# C4EDGE

## C4 EDGE = C4 Evolutionary Digital Ground Environment Communications Program

- \$34.4m <sup>(1)</sup> award to EOS as Prime Contractor for an all-Australian industry consortium to demonstrate Battlegroup and Below Battlefield Command System (battle management systems, radar, radio, cyber security etc.)
- Demonstrates Australian government and ADF commitment to developing sovereign capability
- Recognition of EOS as a Sovereign Defence Prime

## Future Spend for C4 systems of \$5-7.5bn

- Future investment pipeline for battlefield C4 systems of between \$5.0bn and \$7.5bn over the next 20 years as outlined in the 2020 Defence Strategic Update <sup>(2)</sup>
- EOS expects to deliver a Demonstration of Capability in Q4 2020, leading to potential for larger contract awards in 2022

## Strategic asset for the battlefield of the future

- C4 controls and communication will be vital in the future for unmanned / remotely operated assets
- Systems integration into future fighting platforms key for modern engagements

(1) \$34.4m Inclusive of GST. \$31.3m net of GST

(2) [https://www.defence.gov.au/StrategicUpdate-2020/docs/Factsheet\\_Land.pdf](https://www.defence.gov.au/StrategicUpdate-2020/docs/Factsheet_Land.pdf)



### Partners:

1LM, 3ME Technology, Barrett Communications, CBG Systems, GME, Codan Communications, EM Solutions, Insitec, Kord Defence, Outlander Solutions, Penten, SkyKraft, Solinnov, Tectonica, XTEK



# SpaceLink Update

## SpaceLink management team completed

- Led by SpaceLink CEO David Bettinger (previously OneWeb, iDirect, Hughes)
- CTO Rob Singh (Maxar), COO Larry Rubin (Loral Space Systems), CSCO Tony Colucci (Loral, Boeing, Hughes), SVP Systems Engineering David Nemeth (OneWeb, iDirect), Dr Larry Alder SVP Products & Services (OneWeb, Google, O3B)

## Technical specifications optimised, suppliers selected

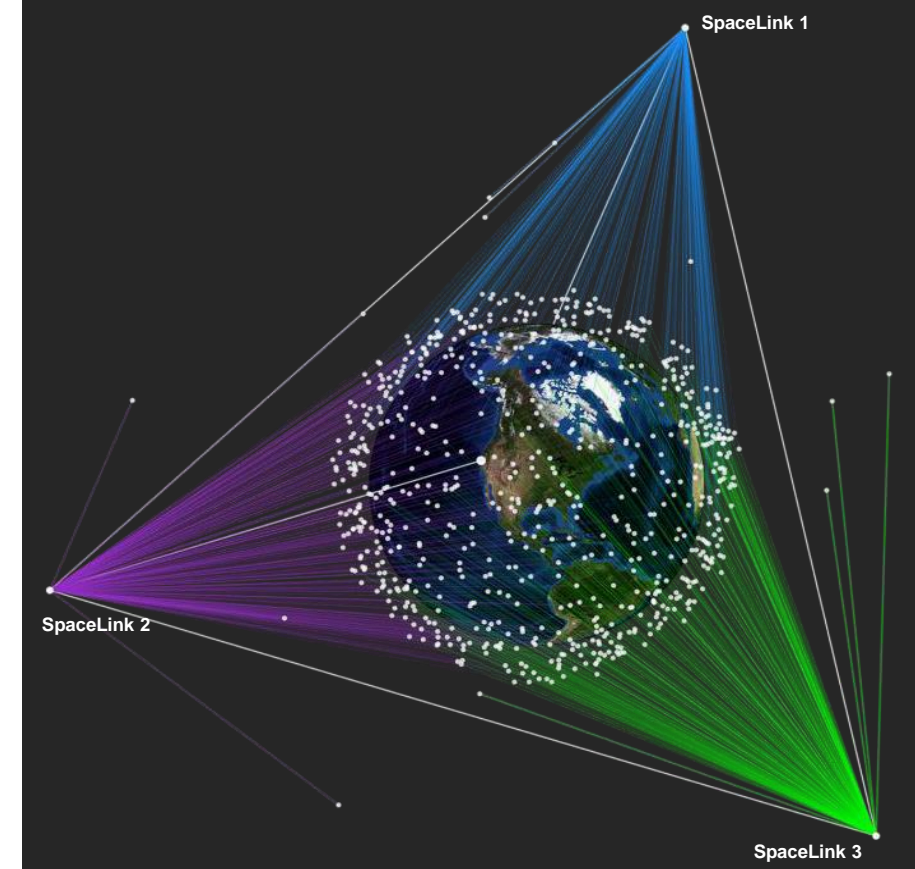
- Migrate directly to hybrid RF-optical technology with disruptive bandwidth increases in support of rapidly evolving customer requirements
- Technical advances in optical communication technology reducing upfront capex requirements and launch costs, improving already compelling economics
- Satellite manufacturer negotiations advanced

## Customer commitments growing

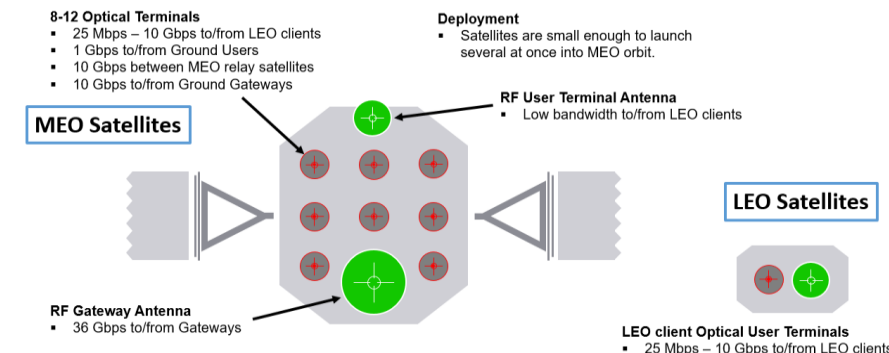
- SpaceLink pipeline at >\$500m across D&G and Commercial customers
- Currently negotiating cornerstone customer commitments

## Funding progressing to Q2 close

- Pursuing separate structure in the US as previously disclosed
- SpaceLink business plan and valuation predicated on multiple constellations (each >\$1bn NPV)
- Expect Q2 funding to crystallise SpaceLink value for EOS



## SpaceLink Optical Space Segment



# Communications: EM Solutions

## EM Solutions is a key part of the Ground Segment for EOS Communications Systems and SpaceLink

- Provides customers with a development pathway from RF (microwave) user terminals to hybrid RF-optical

## EM Solutions technology is world-leading

- Closed-loop monopulse tracking gives higher speeds and greater uptime
- Terminal covers multiple frequency bands at once providing link redundancy
- Agile collaborative development process to meet custom requirements and future needs

## Synergies with EOS and SpaceLink to drive growth

- Leveraging EOS Huntsville AL to address the US market
- Continuing success in EMEA markets with NATO and other allies
- Risked pipeline of \$173m (un-risked \$502m) supports 20% pa growth over the next decade



# Space Systems: Securing Space

## Space Domain Awareness (SDA)

- EOS laser sensors detect, track, classify, characterise and catalogue objects in space, far beyond the range of radar
- EOS will seek to participate in Commonwealth program JP9360 which includes \$2bn for SDA

## Space Protection

- Collision avoidance combining data with EOS' Conjunction Analysis and Threat Warning System to provide realistic and actionable data for satellite operators
- EOS is currently completing a new type of laser tracker using radiation pressure to move space debris to new orbits to avoid collision
- Further technology for Space Protection under development

## Space Systems profitability expected in 2021

- Risk-pipeline of \$45m (\$745m un-risked)
- Several lead-in contracts are in performance already, pending customer budget release processes over the next 12 months



# Summary

- **FY20 loss due to COVID-19 deferral of revenue into 2021**
- **Defence inventory of \$120m converting back to cash in H1 2021**
- **Global tailwinds to drive pipeline and conversion to order backlog in 2021+**
- **Directed energy technology is securing a strong position in the huge counter-drone market**
- **SpaceLink capital raising in US SPV in Q2 to fund transformational satcoms capability**

