



NetComm Wireless Limited
FY17 results presentation

Ken Sheridan – Chief Executive Officer and Executive Director

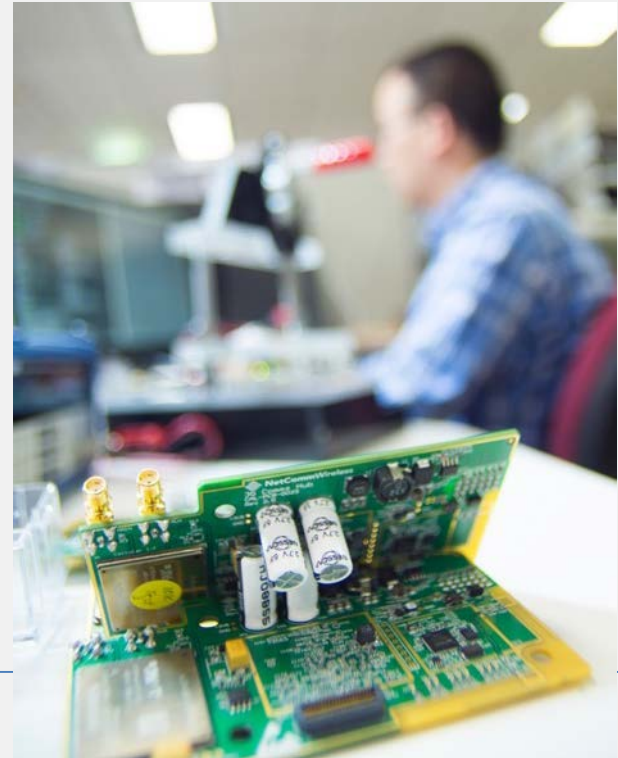
Chris Last – Chief Financial Officer

28 August 2017

EXECUTION FOCUS DELIVERING RESULTS

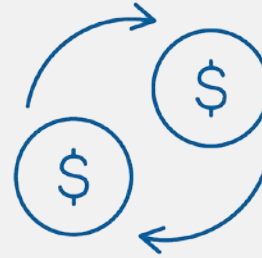
- Our key message is that we delivered as planned
- Record revenue of \$107.6m generated in FY17 as key projects with nbn and AT&T begin to scale
- Record revenue supported a year of investment - underpinning future profit generation
 - Invested \$23m to build lab capacity (\$6.4m), other infrastructure (\$4.0m) and people and related capacity (\$12.6m)
- Strengthened senior management team focused on delivering profit in FY18, after year of investment in FY17
- Investments in innovation continue to develop new bespoke solutions
- Benefits of investments now flowing, with strong growth expected in FY18, accelerating in 2H18

Well placed to significantly scale existing contracts and pursue new growth opportunities



REINVESTING TO DRIVE GROWTH IN FY18 AND BEYOND

Growth strategy is delivering results



Record operating revenue of \$107.6m (up 26.3%)

- Revenues from Growth Business (M2M, Fixed Wireless & DPU) up 47% to \$86.3m (FY16: \$58.7m)
- Expenses increased as planned. Gross Product Margin increased to 34.5% (FY16: 31.7%)

Revenue mix continues to evolve towards Growth Business

- 80% of revenue (FY16: 69%)
- Driven by Tier 1 customers including nbn, Ericsson

Reinvesting for long term growth in line with strategy

- Reported EBITDA of \$3.6m (FY16: \$6.1m)
- Additional investments in people and capability (\$12.6m) to enable contracts to scale from FY18 and deliver new contract wins

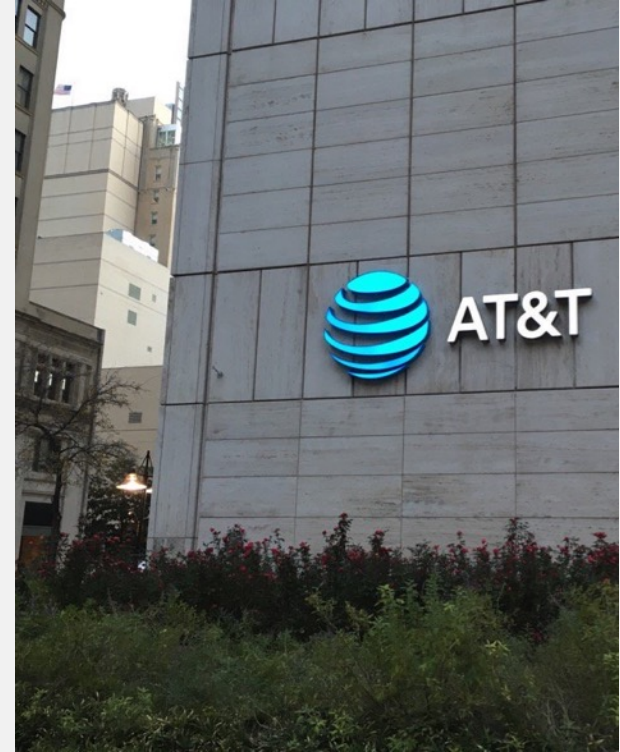
Strong improvement in operating cash flow

- Tight management of working capital
- Operating cash inflow of \$8.2m (FY16: operating cash outflow of \$(2.0)m)

REINVESTING TO DRIVE GROWTH IN FY18 AND BEYOND

Doing what we said we would do

- Signed a contract to supply Distribution Point Units (DPUs) for nbn's Fibre-to-the-curb (FTTC) project in November 2016
- Delivered first DPU order through Jun – August 2017
 - Have now received additional orders for September – October 2017
- Fixed wireless units are being delivered in the US, as AT&T rolls out to an initial 18 States this calendar year
- Invested \$10.2m in CAPEX to underpin next wave of growth
- Strengthening presence in the Europe & UK
 - Demonstrated world first use of a Reverse Power Feed GFast Distribution Point Unit (DPU) at British Telecom Innovation Week
- Enhanced management team now in place to drive growth – covering engineering, innovation, customer & sales and people & culture



GROWTH BUSINESS REVENUE ACCELERATING



REVENUE REINVESTED TO DRIVE FUTURE GROWTH

(\$m)	FY17	FY16	Change
Total Revenue	107.6	85.1	26.3%
Reported EBITDA	3.6	6.1	(41.1%)
(Loss)/Net profit after tax	(1.8)	2.0	
Earnings per share (cps)	(1.2)	1.5	

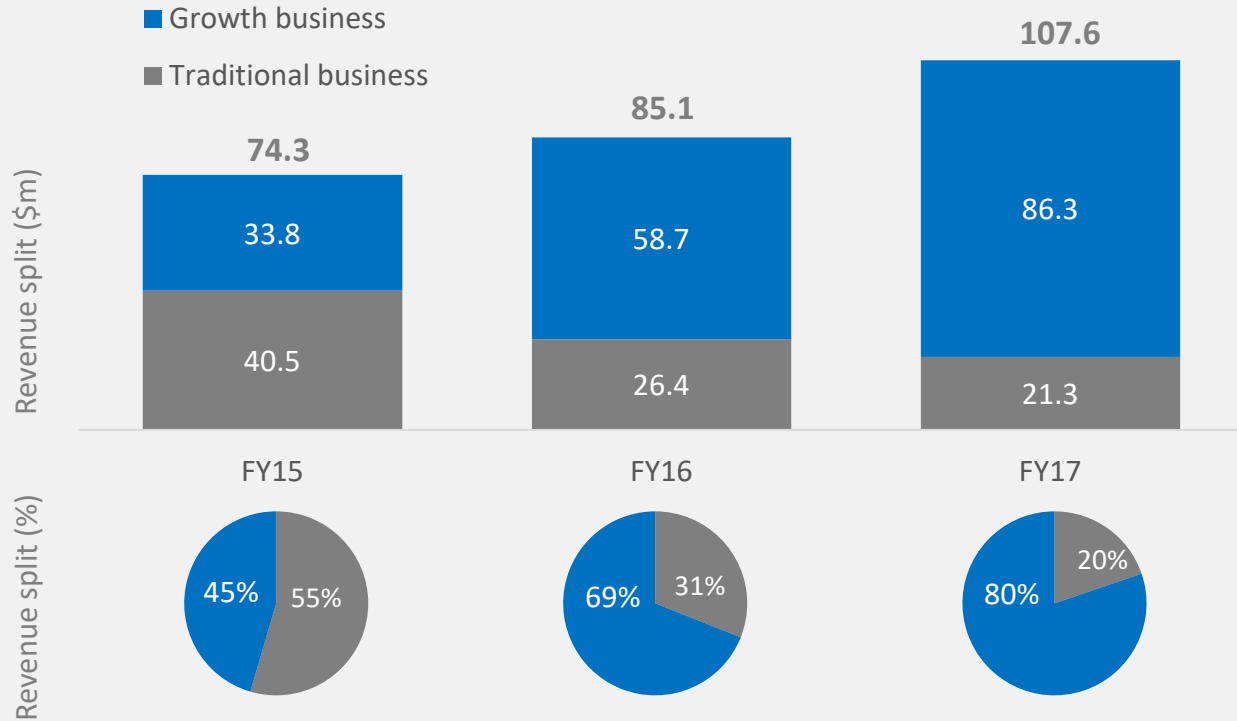
Operating Revenue up 26.3% to \$107.6m

- Growth Business revenue streams diversifying:
 - Delivered initial orders from the nbn FTTC and AT&T Fixed Wireless contracts
 - Revenue from Ericsson/nbn Fixed Wireless contract
 - Revenue from international M2M clients
- Growth Business accounted for 80% of FY17 Revenue, compared to 69% in FY16

Decrease in reported EBITDA to \$3.6m

- Investments made in FY17 ahead of revenue growth
- Further investment into additional workforce and capability (\$12.6m expensed) to support the scaling up of existing contracts, and further growth initiatives

SUBSTANTIAL INCREASE IN GROWTH BUSINESS REVENUES



- Growth Business comprises Fixed Wireless, DPU & M2M – revenue up 47% to \$86.3m
- Traditional Business revenue lower mainly due to a slowdown of powerline device sales. However the market disruption created by the nbn rollout provides opportunities to restore growth momentum to this Business.

STRONG BALANCE SHEET SUPPORTS GROWTH INVESTMENT

(\$m)	30 June 17	30 Jun 16	Change
Cash and equivalents	22.1	36.5	(39.4%)
Other assets	90.3	54.9	64.5%
Total assets	112.4	91.4	23.0%
Borrowings	0.1	0.0	
Other liabilities	36.7	14.1	44.6%
Total liabilities	36.8	14.1	160.2%
Total equity	75.6	77.3	(2.2%)

- No bank debt with Cash balance of \$22.1m
 - Supportive of current and future M2M, Fixed Wireless and DPU growth opportunities
- Cash used to fund investments in staff and infrastructure, as orders from key contracts begin to scale
- Increase in other assets mainly due to capital asset investments, higher inventory and receivables, as the Company scales
- Increase in payables due to strong working capital management
- Balance sheet remains conservative, with bank loan and debtor finance facilities available

OPERATING CASH FLOW TURNAROUND

(\$m)	FY17	FY16
Net cash flows from operating activities	8.2	(2.0)
Net cash flows from investing activities	(22.6)	(10.7)
Net cash flows from financing activities	(0.0)	45.8
Net (decrease) / increase in cash	(14.4)	33.1

\$8.2m cash provided by operating activities

- Strong \$10.2m turnaround in operating cash flow of reflects tight management of working capital, particularly creditors

\$22.6m cash used for investing activities

- Invested in engineering capabilities and product development in line with our growth strategy

Net decrease in cash of \$14.4m

- Investments support strategic growth initiatives spanning Fixed Wireless, DPU and M2M, positioning us long-term growth



**OPERATIONAL SUCCESS ACROSS
KEY GROWTH BUSINESS**

OUR METHODOLOGY



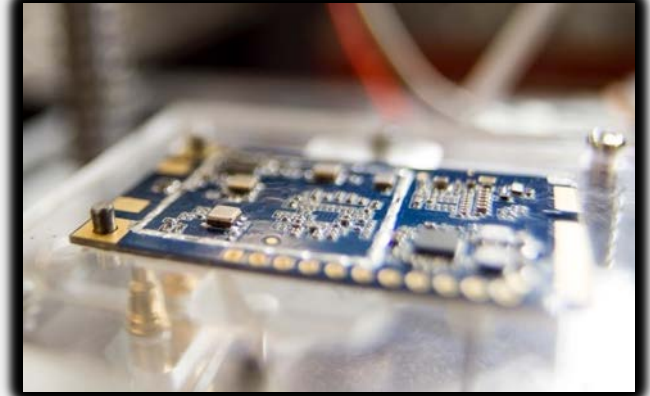
LISTEN

We listen to our customers and identify their specific needs



INNOVATE

Innovation is applied to develop a unique device to meet the customer's requirements



SOLVE

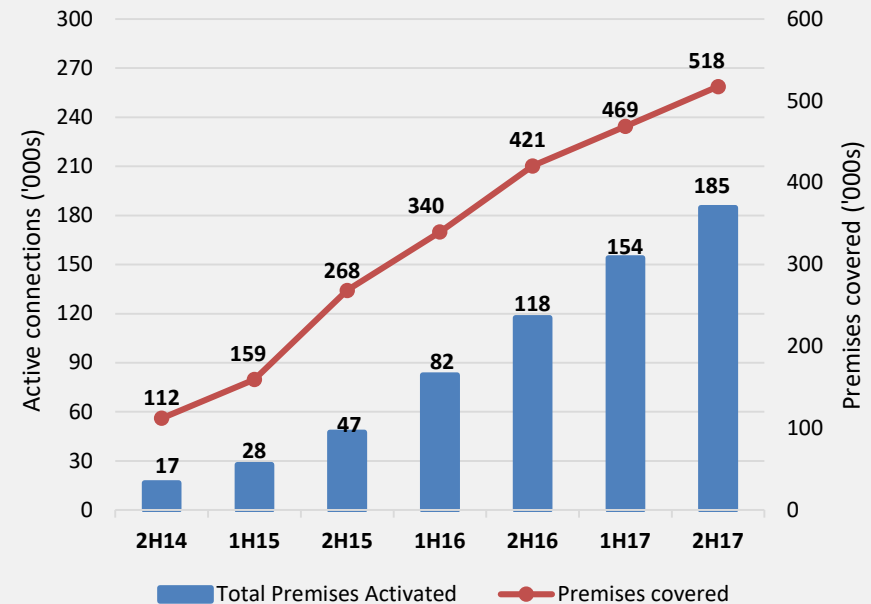
Customer requirement met, exactly. Problem solved

ERICSSON/NBN ROLLOUT

As at 3 August 2017, Fixed Wireless:

- Coverage increased by 265k premises since June 2015, reaching 533k premises
- Take up rate rose from 27.9% at 30 June 2016 to be at 35.7% by 3 August 2017, demonstrating increasing market penetration as the rollout progresses
- Connections activated reached 190k premises
- NetComm required to supply devices well in advance of new connections
- **Increasing coverage, further market penetration and technology upgrades to drive future growth**
- **nbn to launch new 100 mbps service during 2018**

nbn fixed wireless activations and coverage



Source: nbn



AT&T FIXED WIRELESS SOLUTION BEING ROLLED OUT

Initial orders for rural broadband solution are being delivered

- Follows the signing of a master purchase agreement in Nov 2015 to supply Fixed Wireless devices for AT&T's rural broadband network
- Initial units are now being delivered:
 - AT&T's CY 2017 target is to have **400k** premises across **18** states capable of being serviced.
- AT&T has accepted CAF II funding to ensure 400k premises are available for service by December 2017 and 1.1m by 2020¹

A key milestone in NTC's global growth strategy for Fixed Wireless

1: Source: Federal Communications Commission website

INITIAL ORDERS FOR NBN'S FTTC PROJECT DELIVERED

- Initial production order commitment received of approximately **\$28 million** in revenue covering the period from June to August 2017.
- Additional DPU orders have been received, for delivery during September – October 2017
- 1 million premises earmarked for FTTC by nbn, up from an initial 700,000 premises



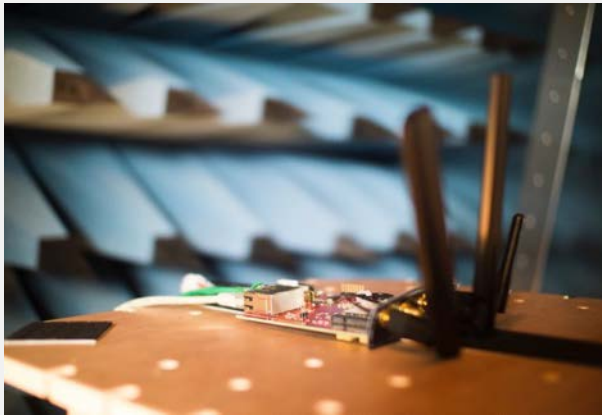
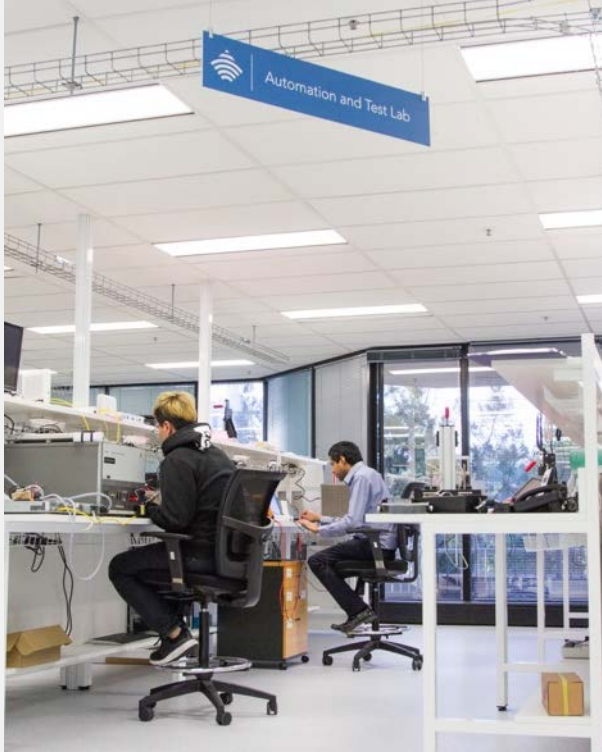
GROWTH OF IOT UNDERPINS GLOBAL M2M OPPORTUNITIES

- Continuing to supply M2M devices to large global customers, in the industrial IoT, FMCG & elevator industries
- NetComm is pursuing M2M bespoke solutions globally with Tier 1 customers, with a particular focus on USA, Europe and Australia
- Employing a Listen. Innovate. Solve. Methodology, NetComm seeks out appropriate high volume opportunities where customers require a customised device
- Objective of signing two new contracts prior to 30th June 2017 was not delivered due to changed customer circumstances and NetComm prioritising other projects
- Disciplined approach to pursue “**blue ocean**”, global, large scale opportunities





POSITIONING FOR GROWTH

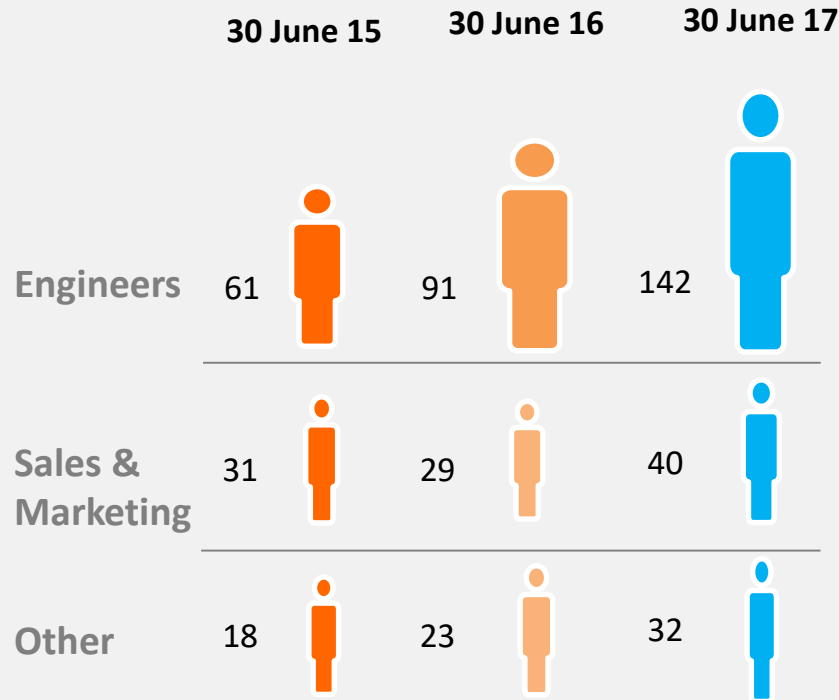


INVESTED IN GROWTH INITIATIVES

- Heavily oversubscribed placement to institutional investors and Share Purchase Plan raised **\$51m** during April - May 2016.
- In August 2016, the Company advised the market that it would make a cash investment of \$22m-\$23m in relation to people, infrastructure and capital expenditure.
- The actual investment during FY17 was **\$23m** which was in line with our estimate and comprised the following activities:
 - Invested **\$12.6m** in our workforce to add skills and resources to develop new product solutions for existing and potential customers
 - Invested **\$4m** in additional infrastructure to ramp up delivery of existing contracts and facilitate product development
 - **\$6.4m** in product development assets including RF chambers, Faraday Cage, Temperature and humidity chambers etc.

SUBSTANTIAL INVESTMENT IN PEOPLE TO FUEL LONG TERM GLOBAL GROWTH

In line with growth strategy, investments in people and infrastructure have enhanced capabilities as multiple global opportunities are pursued and delivered



- Significant investment in workforce to engineer devices following bespoke design contract wins
- Leadership team and Board enhanced to drive growth in FY18
 - David Spence appointed Non-executive Director, joining 22 May 2017
 - Former CEO and NetComm founder David Stewart appointed Non-executive Director, joining on 23 December 2017
 - Gillian Davie joined as Chief People Officer in June 2017
 - Sergio Berriz appointed Senior VP Engineering in November 2016

STRENGTHENED SENIOR MANAGEMENT TEAM TO SUPPORT FUTURE GROWTH



Ken Sheridan CEO and Executive Director

Appointed CEO in February 2017 having been Chief Strategy Officer since October 2016. Ken previously served as CFO for six years from February 2011



Timo Brouwer appointed Chief Operating Officer (October 2016)

30-year background in the telecommunications vendor sector, most recently as CEO and Director of wireless infrastructure solutions designer/manufacture RFS Australia



Chris Last appointed Chief Financial Officer (October 2016)

25-year career in finance across chartered accounting, treasury and investor relations.

Previous CFO roles at Blackmores and the Heart Research Institute Ltd



Sergio Berriz appointed Senior Vice President Engineering (November 2016) to manage the execution and delivery of new product developments

32 years of product management, design engineering, product development and high-volume design experience



Steve Collins Chief Technology Officer will focus on identifying and introducing future technologies

23 years of engineering experience, including over 7 years at NetComm in senior engineering positions



Gillian Davie appointed Chief People Officer in June 2017.

Over 20 years of experience in the People and Culture field with a number of senior roles within the Woolworths Group

CONTRACTS WITH TIER 1 CUSTOMERS PROVIDE LONG-TERM GROWTH

Case study: The nbn/Ericsson fixed wireless contract

- **18 August 2011:** Selected by Ericsson to provide devices for the fixed-wireless LTE broadband network
- **FY13:** Ericsson wireless towers constructed, revenue received from initial fixed wireless sales. Download speed 12mbps
- **FY14-17:** Strong revenue growth driven by project roll-out and uptake rate
 - **185k** premises activated at a **36%** take up rate by 30 June 2017.
 - Current download speed 50 bmps
- **Future growth:** Further room to grow from increases in take up rate and technology refresh
- nbn to launch 100 mbs service in 2018



DEMONSTRATION to BT/OPENREACH of 1GBPS GFast DPU's

- Hardware is mounted on top of telegraph poles, allowing the GFast kit to be built close to premises
- Uses a reverse power feed unit allowing the operator to significantly cut costs
- Has been tested with aggregate speeds of up to 1.66Gbps over 40 metres of copper lead-in cable

NetComm is also pursuing a number of additional opportunities across its fixed wireless and DPU solution suite with Tier 1 customers



OUTLOOK

- **FY18 – Strong growth in Revenue and EBITDA, with growth accelerating in 2H18**
 - Continued rollout of the Ericsson/nbn Fixed Wireless contract
 - Growth continuing with nbn FTTC DPU sales
 - Acceleration of US Fixed Wireless orders
 - Expenses as a percentage of revenue to decline following substantial investments in our business made in FY17



QUESTIONS?





Listen. Innovate. Solve.

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Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from NetComm Wireless Limited current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.

