



**etherstack**  
wireless innovation

# 30 June 2023 Half year results Investor presentation

**Etherstack plc (ASX:ESK)**  
**28 August 2023**



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

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# 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
- SaaS-like high gross margin revenues

## Satellite Push to Talk (PTT) networks



**Developing secure wireless communications software for Satellite over past 5 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**

# Etherstack

**Etherstack is a wireless technology provider that supplies our own mission critical wireless networks to the public safety, utilities and resource sector. The company also licenses key technology to over 20 other wireless equipment manufacturers globally**

## Snapshot

- Etherstack plc (UK) is a majority Australian owned business listed on the Australian Securities Exchange (ASX:ESK)
- R&D offices in Sydney, Yokohama, Reading (UK) and New York

## 3 Core Businesses (diversified revenue mix)

- Digital radio networks for first responders, essential services, resource sector and security/defense organizations – **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
- All three businesses performing well







# Financial & Business highlights H1 2023

# Financial highlights H1 2023 (USD\$)



**\$2.9 m**

Half year Revenue down on pcp

- Timing
- Inherent volatility



**\$9.1 – \$10.1 m**

Full year revenue guidance

Steady with 2022 revenues

**(\$1.467) m**



NPAT down on reduced revenues and \$0.4m currency charge

**\$1.4 m**



Sustained investment in intellectual property assets

**\$968k**



Support revenues up for the half year

4% Growth over the pcp

**\$2.5m**

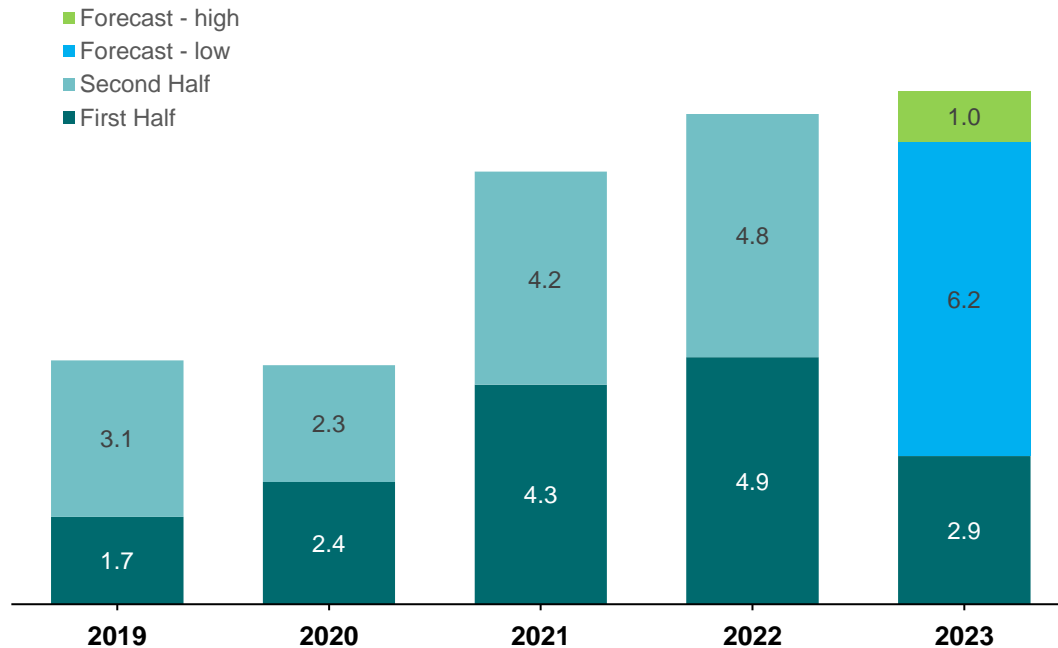


New 4 year funding secured with Strategic partner, Icom Inc, Japan

# Full year FY 2023 guidance

- On 23<sup>rd</sup> July 2023, Etherstack provided revenue guidance for the financial year ending 31 December 2023.
- Revenue for the 2023 financial year is expected to be within the range of \$9.1m to \$10.1m

## Revenue (US\$m)



## Key forecast assumptions

- No significant variation in foreign currency rates vs the reporting currency (USD) as at current date
- Project deliverables which determine the timing of revenue recognition are delivered as planned/scheduled. There can be project delays, beyond the control of Etherstack, which lead to revenue being recognised in different periods to original plans and schedules. This has happened in H1 2023.
- As noted in the past, the revenues from Etherstack projects can be driven from a small number of individually large projects and a change in the timing of the recognition of the revenue can have a material impact on the results for a particular period.

# Business highlights H1 2023

## Strategic Business MCX IWF

Sustained business development activities direct and via partners in the period have yielded revenue after period end:

- Second MCX IWF licence transaction \$1 million in July 2023 (previously announced on 4 October 2022)

## Strategic Business LMR

Sustained business development activities in the period have yielded :

- Western Australian public safety organisation contract entered into in Aug 2023
- IVX (P25 over Satellite) sales to a Commonwealth country defence and public safety agency

## Delivery

- Further AT&T FirstNet project milestones delivered
- AT&T FirstNet support expected to commence in H2
- Further Rio Tinto expansions in H1 contribute to long term support revenues

## Strategic strengths

- Strong global interest in Etherstack's evolving technologies
- Growing recurring revenues
- Healthy opportunity pipeline
- Intellectual property portfolio developed over +20 years



# Income Statement

US\$'000	2023	2022
<b>Revenue from Contract with Customers</b>	<b>2,916</b>	<b>4,857</b>
Recurring support and Royalty revenue	1,099	1,042
Project and Product Revenues	1,817	3,815
<i>% Recurring Revenue to Total Revenue</i>	<i>38%</i>	<i>21%</i>
Cost of Sales	1,767	1,328
<b>Gross Profit</b>	<b>1,149</b>	<b>3,529</b>
<i>Gross Margin</i>	<i>39%</i>	<i>72%</i>
Other Income	53	62
Other Overheads	(2,732)	(1,982)
Finance costs	(59)	(52)
<b>(Loss) / Profit before tax</b>	<b>(1,589)</b>	<b>1,557</b>
Income tax benefit	122	97
<b>(Loss) / Profit after tax</b>	<b>(1,467)</b>	<b>1654</b>

## Key changes

- Project revenue down on pcp – timing and inherent volatility
- Recurring revenues – increased over pcp, yet were dampened due to AUD support revenue currency depreciation
- Gross profit decreased due to sales mix and Amortisation charges of \$760 (\$408 in pcp) in cost of sales Note 1
- Other overheads increased predominantly due to fx impacts

**Note 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.**

# Balance Sheet & Cash Flow Statement

## Balance Sheet

US\$'000	30-Jun-23	31-Dec-22
Cash and cash equivalents	2,887	1,918
Trade and other receivables	3,617	3,309
Other current assets	434	647
Intangibles	7,739	7,064
Other non-current assets	952	903
<b>Total assets</b>	<b>15,629</b>	<b>13,841</b>
Trade and other payables	2,372	2,362
Unearned revenue	1,563	1,605
Other liabilities	1,168	1,224
Borrowings	2,737	-
<b>Total liabilities</b>	<b>7,840</b>	<b>5,191</b>
<b>Net assets</b>	<b>7,789</b>	<b>8,650</b>

## Cash Flow Statement

US\$'000	Half year 2023	Half year 2022
Net cash generated / (used in) operating activities	(291)	(880)
Net cash flow (used in) investing activities	(1,506)	(1,379)
Net cash flow (used in) financing activities	2,723	(145)
<b>Net increase/(decrease) in cash</b>	<b>926</b>	<b>(2,422)</b>
Effect of foreign exchange rate changes	43	(45)
Cash and cash equivalents at start of period	1,918	3,038
<b>Cash at end of period</b>	<b>2,887</b>	<b>571</b>

## Solid balance sheet position, providing a foundation to invest in growth

Prudent balancing of working capital reserves and continued investment

Strong cash position at 30 June following 4 year funding agreement with Icom

Continued R&D investment into intellectual property builds on Etherstack's competitive advantage

# Strong outlook driven by focus on key strategic initiatives





# Questions



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