EQUITY RESEARCH

Etherstack (ESK)

H1 FY26 Results Update ~ desk note

ESK.ASX BUY

Tuesday, 4 August 2026

Share Price: $0.51

Target Price: $0.91

Record H1 FY26 Result (Unaudited)

- On Monday, Etherstack released unaudited preliminary results for the half year ended 30 June 2026, confirming record H1 revenue of US$8.5m – up 40% on the prior corresponding period and at the top of the US$7.6–8.5m range management guided to in April.
- The half delivered gross margin of US$4.8m (57% of revenue), EBITDA of US$1.83m (a 21.5% margin), NPAT of US$0.43m and positive net operating cash flow of US$0.79m – confirmation that the step-up in revenue is converting to earnings and cash.
- The result absorbed US$364k of non-recurring costs relating to the UK and US expansion and workforce rebalancing. Excluding these, underlying EBITDA was US$2.19m (a 25.8% margin) and underlying NPAT US$0.8m. Management expects these costs to abate in the second half.
- FY26 revenue guidance of US$17.2–18.9m was reaffirmed, reflecting the contracted order book. The audited Half Year Report is scheduled for Thursday, 20 August 2026.

Outlook/Veritas View

- **Ahead Of Our Estimates On Every Line:** Revenue of US$8.5m came in 12% ahead of our 1H26 forecast of US$7.6m, EBITDA of US$1.83m was 22% ahead of our US$1.5m, and NPAT of US$0.43m edged past our US$0.4m. Delivering a record half while simultaneously funding entry into two new markets points to the underlying earnings power of the platform.
- **FY26 Revenue Substantially De-Risked:** With US$8.5m now delivered, our unchanged FY26 revenue forecast of US$18.2m requires US$9.7m in the second half – comfortably inside the US$8.7–10.4m implied by reaffirmed guidance and supported by the contracted delivery and ramping schedule across the UK Home Office, AT&T and Australian Government programs (H2 weighting reflects known contract phasing and additional revenue).
- **Margin Phasing Is The Watch Item:** Our FY26 EBITDA forecast of US$5.5m implies a materially stronger second half. That is achievable if one-off costs abate as management expects and the delivery mix skews toward higher-margin software milestones. The 57% H1 gross margin sits comfortably within management's stated expectation of margins above 50%.
- **Fair Value Of $0.91 Per Share:** Our FY26 forecasts (revenue US$18.2m, EBITDA US$5.5m, NPAT US$2.6m) and our $0.91 fair value (blended DCF, EV/EBITDA and ARR valuation) are unchanged. At $0.51, the market is yet to pay for an order book and earnings base that this result has materially de-risked.
- **This result reinforces confidence in our FY26 forecasts, which are unchanged ahead of the audited half-year report on 20 August. We retain our Buy rating for Etherstack.**

Please also refer to our initiation note on March 25th, 2026 and our latest report on May 4th, 2026 for greater details and an outline of Etherstack's investment risks.

Risks – (include but are not limited to): project delays, exchange rates, competition, client economic conditions, project failure, timely payment, security risks, material litigation, talent retention, loss of contracts, cybersecurity, government changes, client concentration, IP disputes.

Etherstack is a communications technology/software company specialising in developing and licensing mission-critical radio technologies for wireless equipment manufacturers and network operators around the globe.

Stephen Scott +61 410 498 359

sscott@veritassecurities.com.au

Miles Crowe +61 481 341 108

mcrowe@veritassecurities.com.au

Disclaimer and Rating Information

RATING

BUY – anticipated stock return is greater than 10%

SELL – anticipated stock return is less than -10%

HOLD – anticipated stock return is between -10% and +10%

SPECULATIVE – high risk with stock price likely to fluctuate by 50% or more.

Speculative stocks have a high risk/high return profile. While the investment may have strong capital appreciation, there is also a significant risk of capital loss. All stock investments involve some risk. We recommend that investors read and consider the risks section of our report(s) and whether these risks are suitable for their profile.

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Stephen Scott and his family own shares in Etherstack.

Miles Crowe and his family do not own shares in Etherstack.

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Veritas Securities Limited
A.B.N. 94 117 124 535
AFSL No. 297 043
GPO Box 4877, Sydney, NSW, 2001
www.veritassecurities.com.au

Sydney
Level 4, 175 Macquarie Street
Sydney, NSW, 2000
Tel: (02) 8252 3200
Fax: (02) 8252 3299

Melbourne
Level 14, 333 Collins Street
Melbourne, VIC, 3000
Tel: (03) 8601 1196
Fax: (03) 8601 1180