

# Etherstack (ESK)

## Strong FY26 Trading Update

Management has announced in a trading update that it now anticipates record H1 FY26 revenue of US\$7.6m-US\$8.5m, more than 75% of FY25 full-year revenue (US\$10.1m). FY26 full-year revenue guidance has been raised to US\$17.2m-US\$18.9m (previously US\$16.2m-US\$17.5m), ~70% YoY growth on FY25. In line with this update, we are making small upward amendments to our FY26 forecasts and retain our BUY rating with a price target of \$0.91 per share (unchanged).

- **Record H1 FY26 Revenue Guidance:** ESK has reported first half FY26 revenue that is over 75% of FY25 full-year revenue, reflecting milestone delivery across all projects, including the AT&T, UK Home Office and Australian government deals.
- **FY26 Upgrade:** With a record forward order book of contracted projects, recent wins such as the A\$9M Department of Home Affairs contract will contribute additional revenue in H2 FY26.

### Outlook

- **Forecasts Upgraded:** We have increased our FY26E revenue forecast to US\$18.2m (+8%), above the guidance midpoint. EBITDA has increased to US\$5.5m (+8%) and NPAT to US\$2.6m (+16.9%, see Figure 1). From FY27 onwards, our forecasts remain unchanged. Etherstack’s growing track record of delivering on company targets and milestones reinforces our confidence in these numbers and the overall investment proposition.
- **Operating leverage and Revenue Quality:** The NPAT uplift (+16.9% vs. revenue +8.0%) reflects incremental contract wins dropping through at high marginal rates on a fixed cost base, with management continuing to deliver on increasing annual recurring revenue.
- **Price target of \$0.91 per share:** Our price target is at a 52% premium to the current share price. In our view every contract win and successful project delivery provides an opportunity for a share price re-rating towards our price target.

Figure 1: Forecast Changes

FY26 Forecast changes			
US\$m	Old	New	Change
Revenue	16.9	18.2	8.0%
EBITDA	5.1	5.5	8.0%
NPAT	2.3	2.6	16.9%

Source: Company data, Veritas estimates

ESK.ASX

BUY

Monday, 4 May 2026

Share Price AUD	\$0.60
Price Target AUD	\$0.91
Valuation Method	DCF/EV/EBITDA/ARR
Market capitalisation AUD	\$85m
Enterprise value AUD	\$86m
Sector	Communications Software
12 month price range AUD	0.17-0.76
Ave.vol - 250 days	112,848
Shares On Issue (m)	141.5
Top 20 holders	81%
Previous rating	Initiation

	Year ended Dec. 31	FY25A	FY26E	FY27E	FY28E
Sales	US\$m	10.1	18.2	25.0	32.0
Growth	%	70.1	80.4	37.3	28.0
EBITDA	US\$m	2.0	5.5	7.7	10.6
Margin	%	20.0	30.0	31.0	33.0
NPAT	US\$m	(0.7)	2.6	4.6	7.2
EPS (norm)	Acps	(0.7)	2.7	4.6	7.3
CFPS	Acps	3.2	6.6	7.4	6.9
FCFPS	Acps	(2.1)	0.9	1.8	1.3
PER	x	N/A	22.6	13.0	8.2
EV/EBITDA	x	29.7	11.0	7.7	5.7
EV/ARR	x	16.2	10.9	7.8	5.8
Net Cash	US\$m	(0.6)	1.2	3.6	5.8
Book value per share	Acps	9.2	11.8	16.4	23.7

\*All figures in this report are in US Dollars unless specified

### ESK vs. ASX Small Industrials



Source: Factset, Veritas

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

[www.etherstack.com](http://www.etherstack.com)

Stephen Scott +61 410 498 359  
[sscott@veritassecurities.com.au](mailto:sscott@veritassecurities.com.au)

Miles Crowe + 61 481 341 108  
[mcrowe@veritassecurities.com.au](mailto:mcrowe@veritassecurities.com.au)

## Etherstack

Share Price: \$0.60 ps

Valuation: \$0.91 ps

### Financial Performance (US\$M)

Year Ended December 31	FY25A	FY26E	FY27E	FY28E
<b>Sales</b>	<b>10.1</b>	<b>18.2</b>	<b>25.0</b>	<b>32.0</b>
Operating costs	(8.1)	(12.7)	(17.2)	(21.4)
<b>EBITDA</b>	<b>2.0</b>	<b>5.5</b>	<b>7.7</b>	<b>10.6</b>
D&A	(2.3)	(2.8)	(3.2)	(3.5)
<b>EBIT</b>	<b>(0.3)</b>	<b>2.7</b>	<b>4.5</b>	<b>7.1</b>
Net interest	(0.2)	(0.0)	0.1	0.2
<b>Pre-tax Profit</b>	<b>(0.6)</b>	<b>2.6</b>	<b>4.6</b>	<b>7.2</b>
Tax	(0.1)	0.0	0.0	0.0
<b>NPAT</b>	<b>(0.6)</b>	<b>2.6</b>	<b>4.6</b>	<b>7.2</b>
One off items (post-tax)	(0.1)	0.0	0.0	0.0
<b>Reported profit</b>	<b>(0.7)</b>	<b>2.6</b>	<b>4.6</b>	<b>7.2</b>

### Cash Flow Statement (US\$M)

Year Ended December 31	FY25A	FY26E	FY27E	FY28E
<b>Operating EBITDA</b>	<b>2.0</b>	<b>5.5</b>	<b>7.7</b>	<b>10.6</b>
Int/Tax Paid/rent/other*	(2.6)	(2.8)	(3.2)	(3.3)
Working Cap./other	3.8	3.9	2.8	(0.4)
<b>Cashflow from ops</b>	<b>3.2</b>	<b>6.5</b>	<b>7.3</b>	<b>6.9</b>
Maintenance Capex	(1.3)	(1.9)	(2.1)	(1.9)
Acquisitions(s)/R&D Cap.	(2.6)	(2.8)	(2.8)	(2.8)
<b>Investing Cashflow</b>	<b>(3.9)</b>	<b>(4.7)</b>	<b>(4.9)</b>	<b>(4.7)</b>
Dividends	0.0	0.0	0.0	0.0
Debt/other	(0.6)	(2.8)	0.0	0.0
Equity	3.4	0.0	0.0	0.0
<b>Financing Cashflow</b>	<b>2.8</b>	<b>(2.8)</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Increase/(decrease)</b>	<b>2.1</b>	<b>(1.1)</b>	<b>2.4</b>	<b>2.2</b>

\*Includes \$0.628m UK R&D Incentive

### Balance Sheet (US\$M)

Year Ended December 31	FY25A	FY26E	FY27E	FY28E
Cash	2.3	1.2	3.6	5.8
Receivables	2.5	2.7	5.0	8.0
Contract assets	0.2	0.2	0.2	3.0
<b>Current Assets</b>	<b>4.9</b>	<b>4.1</b>	<b>8.9</b>	<b>16.8</b>
PP&E	1.3	2.7	4.0	4.8
Intangibles	9.4	9.9	10.3	10.7
Other non current assets	0.8	1.2	1.6	2.1
<b>Non Current Assets</b>	<b>11.5</b>	<b>13.9</b>	<b>16.0</b>	<b>17.6</b>
<b>Total Assets</b>	<b>16.5</b>	<b>17.9</b>	<b>24.8</b>	<b>34.4</b>
Payables	1.2	1.8	2.5	3.2
Provisions	0.2	0.4	0.6	0.7
Borrowings	2.8	0.0	0.0	0.0
Other liabilities*	3.1	4.0	5.4	7.0
<b>Total Liabilities</b>	<b>7.4</b>	<b>6.2</b>	<b>8.5</b>	<b>10.9</b>
<b>Shareholder Funds</b>	<b>9.1</b>	<b>11.7</b>	<b>16.3</b>	<b>23.5</b>

\*Other Liabilities - Includes employee entitlements, lease liabilities

### \*Directors and Key Management Personnel

Position	Shares	Holding
Mr Peter Stephens	Chair	10.7m 7.6%
Mr David Deacon	MD & CEO	47.7m 33.7%
Mr Paul Barnes	NED	6.9m 4.8%
Mr Scott Minehane	NED	0.1m 0.1%
Mr Adam Hoey	CFO	
Mr Martin Duff	Snr Exec	

\*Best endeavours basis, some shares may be held in indirect accounts

### Major Shareholders

Shares	Holding
Mr David Deacon	47.7m 33.7%
Mr Peter Stephens	10.7m 7.6%
HSBC Noms	8.8m 6.2%
Mr Paul Barnes	6.9m 4.8%
<b>Total</b>	<b>74.1m 52.3%</b>

Source: Company data, Veritas Securities Research

### Valuation Metrics

	Valuation	Premium
Price Target (ps) - AUD	\$0.91	52%
Share Price (ps) - AUD	\$0.60	
USDAUD	0.70	
FY26 EV/EBITDA (x)	11.0	
Implied FY26 EV/EBITDA (x)	16.7	
Implied FY27 EV/EBITDA (x)	11.8	
Market Capitalisation (A\$M)	84.9	
Enterprise Value (A\$M)	85.7	
Share count (m)	141.5	

### Valuation Multiples AUD

Year Ended December 31	FY25A	FY26E	FY27E	FY28E
P/E (x)	N/A	22.6	13.0	8.2
Price/Cash Flow (x)	18.6	9.2	8.1	8.6
EV/EBITDA (x)	29.7	11.0	7.7	5.7
EV/EBIT (x)	N/A	22.6	13.3	8.5
EV/Sales (x)	5.9	3.3	2.4	1.9
Equity FCF yield (%)	-3.5	1.5	2.9	2.2
Price to book value (x)	6.5	5.1	3.6	2.5
EV/ARR	16.2	10.9	7.8	5.8

### Per Share Data AUD

Year Ended December 31	FY25A	FY26E	FY27E	FY28E
<b>EPS diluted - adjusted (cps)</b>	<b>(0.7)</b>	<b>2.7</b>	<b>4.6</b>	<b>7.3</b>
EPS diluted (cps)	(0.7)	2.7	4.6	7.3
Cash flow per share (cps)	3.2	6.6	7.4	6.9
Free cash flow per share (cps)	(2.1)	0.9	1.8	1.3
Cash (cps)	2.3	1.2	3.6	5.8
Book value (cps)	9.2	11.8	16.4	23.7
Shares on issue - avg. basic (m)	141.5	141.5	141.5	141.5
Shares on issue - avg. diluted (m)	141.5	141.5	141.5	141.5

### Drivers (US\$M)

Year Ended December 31	FY25A	FY26E	FY27E	FY28E
Project/Sl/supply	6.2	12.5	17.1	21.3
Support (1)	3.7	5.5	7.7	10.4
Royalties	0.2	0.2	0.2	0.3
<b>Total revenue</b>	<b>10.1</b>	<b>18.2</b>	<b>25.0</b>	<b>32.0</b>
<b>Normalised EBITDA</b>	<b>2.0</b>	<b>5.5</b>	<b>7.7</b>	<b>10.6</b>

### Half Year Performance (US\$M)

Half Ended June 30	1H25A	1H26E	2H26E
Sales	6.1	7.6	10.6
EBITDA	2.5	1.5	4.0
NPAT	1.3	0.4	2.2

### Performance Ratios

Year Ended December 31	FY25A	FY26E	FY27E	FY28E
Change in sales (US\$m)	4.2	8.1	6.8	7.0
Change in EBITDA (US\$m)	3.2	3.5	2.3	2.8
Operating leverage (%)	74.8	42.7	33.7	40.1
EBITDA Margin (%)	19.8	30.0	31.0	33.0
ROE (%)	(7.7)	22.4	28.0	30.8

### Balance Sheet Ratios

	FY25A	FY26E	FY27E	FY28E
Net cash/(debt) (US\$m)	(0.6)	1.2	3.6	5.8

**Date of guidance** Apr-26  
**FY26 revenue** US\$17.2m-\$18.9m

## Industry News

**3GPP Standards are the global rulebook for how mobile networks (4G, 5G and now mission-critical push-to-talk) work – written and agreed by the world's major telecom companies and equipment makers so that different devices can communicate.**

**Strong performance by peers in this space reflects Etherstack's core demand driver and our confidence that this will continue to provide opportunities in the pipeline moving forward.**

**Etherstack's liquidity continues improving, and we are seeing increased institutional interest.**

Our initiation report, released in March, highlighted the core demand driver for Etherstack's communications technology, with post 9/11 laws, recent natural disasters, and mature 3GPP standards making it both legally required and technically possible for governments to upgrade old emergency radio networks to modern broadband.

For years, the 3GPP rules covering mission-critical features (push-to-talk for police/fire, priority calling, video over the network) were unfinished or inconsistent — government agencies delayed upgrading until all equipment from different vendors was on a new standard. Now that these have been finished, governments have begun a period of procurement, with larger funded programmes actively replacing these old radio networks.

The US is rolling out FirstNet (\$8bn plus another \$2bn from April 2026), the UK, France, Finland and Sweden have set 2028–2031 deadlines to retire TETRA, and defence forces are spending ~\$1.5bn building private 5G networks. Each agency supporting this migration requires the software layer that Etherstack provides, which connects the different digital languages of old and new radio networks.

This core demand driver has been highlighted with Etherstack's direct-market peer Streamwide SA (Euronext Growth: ALSTW.PAR, not covered, market cap A\$364m/€227m) participating alongside Etherstack in these funded programmes and reporting measurable growth in their FY25 annual report.

Streamwide is a Paris-based mission-critical software vendor whose MCX Application Server (the app the end user sees on their phone) sits directly on top of Etherstack's translator software in their joint deployments. AT&T has chosen Streamwide to power "Fusion", its next-generation service on FirstNet, currently being trialled by ~30 US agencies. In Australia and New Zealand, the two companies are formal partners, jointly delivering a managed service to mining, utilities and transport customers from Etherstack's Australian data centres.

Streamwide's FY25 results demonstrate this business model working; revenue grew 25% to €26.3m, software revenue grew 36% to €19.9m, margins reached 60%, and international sales rose from 31% to 39% of the business. The important point for Etherstack is that the two companies are now formally tied together in Australia and New Zealand, and Etherstack's translator software is already the bridge running underneath AT&T's FirstNet network in the US. As Streamwide wins more joint ANZ deals and Fusion scales on the FirstNet network, both flows point to recurring revenue heading Etherstack's way.

Overall, strong financial performance by Etherstack's partners in this space provides us with confidence that there is significant structural demand for this technology, with further opportunities in the pipeline moving forward.

## Risks

Include (but are not limited to): project delays due to exogenous variables, exchange rates, demand for communication services, competition, rivalry technology, client economic conditions, winning too much work at once, project failure, timely payment, security risks, IP disputes, loss of key staff, patent infringement, material litigation, talent retention, loss of contracts, cost risk, decision delays, procurement/supply risk, client failure, adverse government changes, safety failure, cyber security, client concentration and product warranty claims.

## Etherstack – Description

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.

Etherstack writes the code embedded in these radios and in the underlying network infrastructure, defining how devices communicate with each other and with the network. It also supplies the switching software that carriers such as AT&T and Telstra deploy in their data centres to operate mission-critical services at a national scale. This mission-critical communications technology and solutions are deployed across three core markets:

- **Digital Land Mobile Radio (LMR) Networks:** Digital wireless communication networks, technology licensing to equipment vendors, cryptographic and defence solutions. With an increasing number of network deployments across public safety, resources and utilities, this market supports SaaS like high-margin support revenue.
- **Mission Critical Push To Talk (MCPTX) Over Cellular Networks (4G & 5G):** Mission Critical Push To Talk (MCPTX) over LTE for new 4G & 5G networks – world leader in 3GPP MCPTX IWF technology – bridging the past and future. This market has brought multiple contract wins through AT&T, UK Home Office and a global partnership with Samsung.
- **Satellite Push To Talk (PTT) and Defence Systems:** Developing secure wireless communications software for Satellite over many years, opportunity to incorporate Etherstack into satellite communications suppliers – significant defence projects underway.

## 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.

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Miles Crowe and his family do not own ESK.

Stephen Scott and his family own ESK.

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