



etherstack
wireless innovation

Etherstack Results presentation **Full year ended 31 December 2023**

Etherstack plc (ASX:ESK)
23 February 2024



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

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**Etherstack (ASX:ESK) delivers
strong second half**

**Full year profit turnaround after
impacted first half**

**Financial and Business
highlights**



Etherstack – what we do

Etherstack is a wireless technology provider that supplies our own mission critical wireless network product 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)
- Market Cap ~A\$38m
- R&D offices in Sydney, Yokohama, Reading (UK) and New York
- 47 employees globally

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**
- New high growth cellular network technology to bridge 4G/5G networks with existing government digital radio networks – **licensing deals** and **support revenues** with equipment giants Samsung & Nokia, as well as direct sales to AT&T, Telstra and other telcos.
- Defence communications portfolio including tactical wireless solutions and waveform technologies. This R&D generates additional **royalties revenue**

Who we serve



2023 Results & 2024 Growth

Another solid profit result despite delayed revenues, establishing an excellent base for new growth in FY 2024 and FY 2025. Consistent strong operating cashflows and EBITDA margins over past 3 years



Globally diversified client base across various *essential* industries



Over 20+ years of complex IP underpinning software, continued investment



Future cellular revenues similar to SaaS-like high gross margin revenues



High margin core network products



Emerging 5G Cellular Mission Critical market to deliver accelerated growth



Solutions typically include long term support contracts

2023 Financial highlights

Revenue

US \$9.42m

Demonstrates revenue
“step up” in last 3 years

EBITDA

US \$2.35m

25%
EBITDA margin

NPAT

US \$262k 


Consistently
generating profits

Cash & Receivables

US \$6.34m 

Strong net asset position
US\$9.64m

Cashflow

US \$762k 

6th consecutive year
positive operating cash

R&D Investment

US \$2.74m

New IP
investment 

2023 Appendix 4E Snapshot

		USD \$000	%		31 Dec 2023 USD \$000	31 Dec 2022 USD \$000 Note 2
Revenue from ordinary activities	decreased	262	2.7	to	9,419	9,681
EBITDA <small>(Note 1)</small>	decreased	1,119	32.3	to	2,349	3,468
Statutory net profit from ordinary activities after tax attributable to members	decreased	2,114	89.0	to	262	2,376
Statutory net profit for the period attributable to members	decreased	2,114	89.0	to	262	2,376

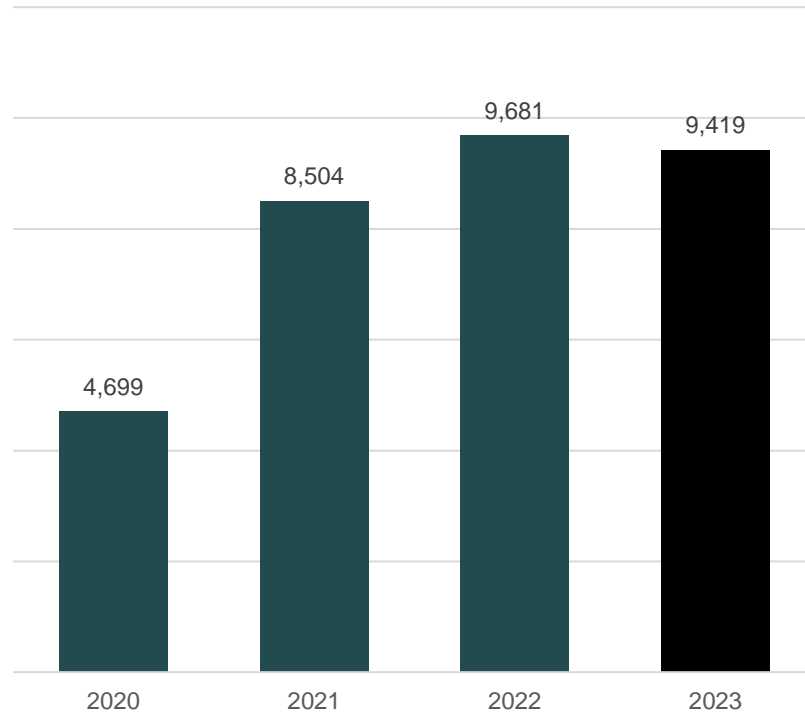
Revenue: in-line with FY2022 and previous FY revenue guidance

EBITDA: impacted by product mix gross margin & modest revenue reduction

NPAT: impacted primarily by new amortisation (non-cash) charge and foreign exchange swing

Revenue highlights

Etherstack Revenue (USD '000)

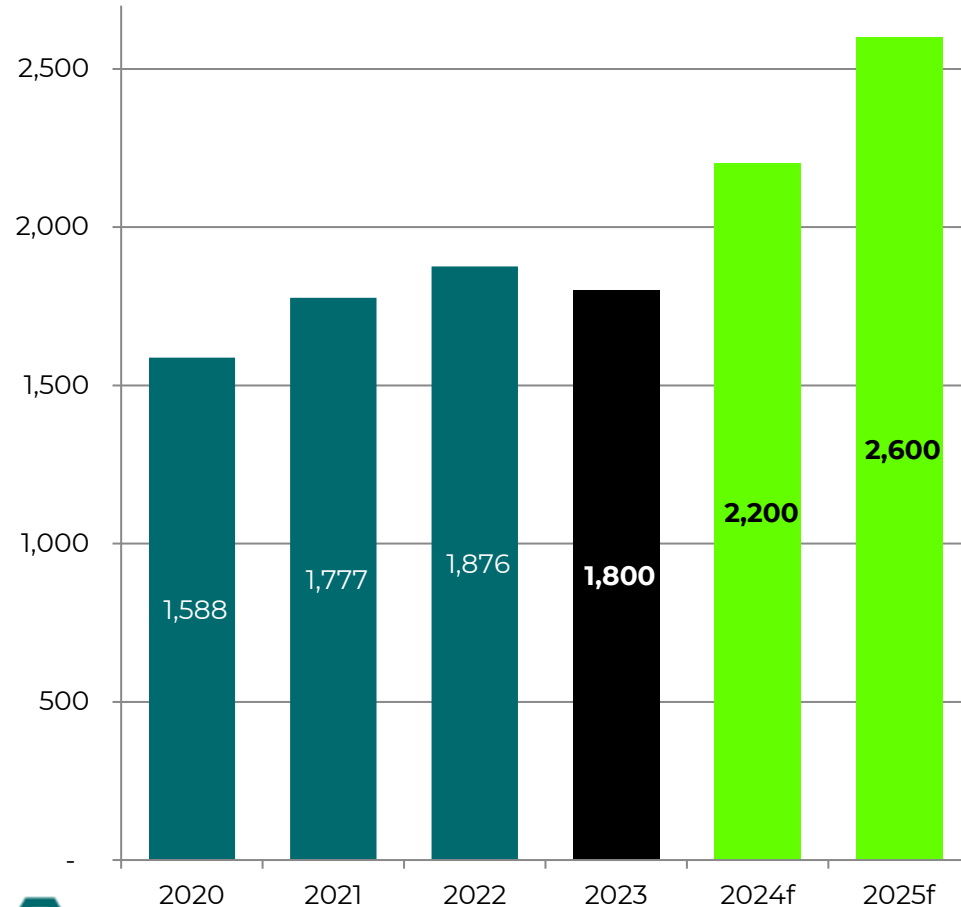


H1 revenue slippage was recovered in H2

- \$6.503 m revenue generated in H2 from strong project revenues (H1 revenue was \$2.906)
- 2023 revenue is down 2.7% from 2022
- Step change in revenue 2021 has been maintained with additional 14% growth in 2022 and slight 2.7% decrease in 2023
- Follow-on “land and expand” revenues from Australian government and Rio Tinto mine activities
- Recurring support revenues declined by \$76 relative to FY 2022 although the outlook is positive

Recurring revenue remains a core focus for Etherstack

**Support revenues 2020-2023
and forecast 2024-2025
(USD '000)**



Support revenues are down \$76 on 2022 levels. Four offsetting factors at play:

Positive

- New revenues driven by:
 - New network deployments
 - Incremental growth to existing networks
 - CPI increases applied to renewing contracts

Negative

- \$47 of the decrease is due to currency fluctuation impacting AUD denominated revenues
- One contract not renewing

The FY 2024 and FY 2025 outlook for support revenues is positive

Income Statement

US\$'000	2023	2022
Revenue from Contract with Customers	9,419	9,681
Recurring support and Royalty revenue	1,933	2,268
Project and Product Revenues	7,486	7,413
<i>% Recurring Revenue to Total Revenue</i>	21%	31%
Cost of Sales	4,263	3,170
Gross Profit	5,156	6,511
<i>Gross Margin</i>	55%	67%
Other income	115	126
Other overheads	4,707	4,598
Fx loss/(gain)	315	-160
Finance costs	180	101
Income tax benefit	193	278
NPAT	262	2,376
EBITDA	2,349	3,468
<i>EBITDA margin</i>	25%	36%

Key points

- Revenue of US\$9.419 – 2.7% below 2022
- Gross Margin of 55% ^{note 1}. Cost of sales increased by \$1,093 - The key change is due to an increase of \$850 in the amortisation charge on intangible assets – the rest of the change is a result of changed revenue mix.
- FX impact is a negative \$475 turnaround from 2022
- Increased interest cost following new loan agreement
- EBITDA margin 25%

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	31-Dec-23	31-Dec-22
Cash and cash equivalents	2,061	1,918
Trade and other receivables - current	4,279	3,492
Other current assets	293	431
Intangibles	8,156	7,064
Other non-current assets	1,571	1119
Total assets	16,360	14,024
Trade and other payables	1,890	2,362
Deferred revenue	1,337	1,605
Borrowings - non current	2425	-
Other liabilities	1,064	1,224
Total liabilities	6,716	5,191
Net assets	9,644	8,833

Cash Flow Statement

US\$'000	2023	2022
Net cash generated from operating activities	762	2,165
Net cash flow (used in) investing activities	2,849	2,702
Net cash flow (used in) financing activities	2,213	(414)
Net increase/(decrease) in cash	126	(951)
Effect of foreign exchange rate changes	17	(169)
Cash and cash equivalents at start of period	1,918	3,038
Cash at end of period	2,061	1,918

Strong balance sheet position, providing a foundation to invest in growth

Tight management of cashflow and investment to deliver continued future growth and profitability

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

Strong outlook driven by focus on key strategic initiatives



Cellular Networks

Telco carrier pursuits currently underway with:

- Samsung
- Nokia
- Others & Direct

Expansion of existing Australian & International public safety networks

LMR Networks

“Land and expand”

License and supply of defence communications solution to other nations

Defence

New Australian Defence projects commenced in 2023 and other opportunities present

Commencement of upgrades to virtualised switching solutions across installed base

Upgrades

Satellite network

Procure initial contracts with satellite network terminal providers to incorporate Etherstack technology into their network solutions



Questions





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