



Electro Optic Systems Holdings Limited

H1 2021 Interim Results

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H1 2021 Review

H1 2021 Operational Highlights

- **COVID-19 Management:** EOS maintained its prime focus on health and safety of personnel, with a high degree of success across global operations.
- **Revenue and Profit on Track:** Despite slow H1 start and travel restrictions which constrain operations, both revenue and EBIT are tracking within the range of prior guidance.
- **Cash Recovery from Contract Asset:** \$30M of 2020 investment contract assets converted to cash in Q2 2021. Another \$100M will be converted to cash through 2021 as per prior guidance.
- **SpaceLink Progress:** Satellite and constellation design was completed, providing stronger performance at lower cost than forecast. International tenders for delivery were called in H1, and contract negotiations are expected to lead to contract award within 30 days.
- **Capital Flexibility:** EOS is cautiously embracing debt. Tier-1 lenders are engaged in talks towards financing 40% of SpaceLink capital requirements of \$800M, and EOS has secured \$35M working capital credit facility to provide flexibility going forward.
- **Unprecedented Opportunities:** The logjam of contract awards created by COVID-19 restrictions, strong growth in current markets, and a pivot to EOS strengths for critical sovereign industry capability in Australia led to unprecedented opportunity growth in H1.

H1 2021 Financial Headlines

\$ millions	H1 21	H1 20	% movement
Revenue	97.8	75.4	30%
Underlying EBIT Before SpaceLink Costs & FX	-2.1	-14.0	85%
% of revenue	-2.2%	-18.6%	
SpaceLink costs	-8.8	-1.1	
Underlying EBIT (excl. FX gains/losses)	-11.0	-15.1	28%
% of revenue	-11.2%	-20.1%	
FX gains / (losses)	3.4	-3.1	
EBIT	-7.6	-18.2	58%
Statutory Net Profit/(loss) After Tax	-11.7	-14.3	18%
Statutory diluted EPS (cents)	-8.5	-12.4	31%
Operating cash flow	4.6	-62.6	
Investing cash flow	-17.3	-24.6	
Financing cash flow	-1.9	137.0	
Cash	51.1	128.1	

Strong revenue growth despite COVID-19 disruptions

- Timing of revenue recognition results in H2 skew

Small EBIT loss before SpaceLink costs due to continuing investment

- New product development in C-UAS, DE, T2000, Adaptive Optics / Guide Star Laser
- EOS Defence Systems USA team of 60 in Huntsville AL is a strategic beachhead into the world's largest defence market

SpaceLink costs in line with business plan

- Team built out with new corporate HQ in Tysons Corner VA
- Focus on external funding

Positive operating cash flows

- First payment received from major overseas customer

Cash strong at \$51M

- Unwind of contract asset to provide strong cash flow in H2.

H1 2021 Segment Performance

\$ millions	H1 21	H1 20	% change
Revenue (excluding other income)			
Defence	83.2	66.6	25%
Communications (excl SpaceLink)	13.0	8.1	60%
Communications - SpaceLink	-	-	
Space	1.6	0.7	126%
Total Revenue	97.8	75.4	30%
EBIT			
Defence	3.9	-11.7	n/a
Communications (excl SpaceLink)	0.4	0.2	62%
Space	-1.8	-1.2	-43%
Unallocated	-4.6	-1.3	-257%
Underlying EBIT Before SpaceLink Costs & FX	-2.1	-14.0	85%
Communications - SpaceLink	-8.8	-1.1	-673%
Underlying EBIT - excluding FX gains/(losses)	-11.0	-15.1	28%
FX gains/(losses)	3.4	-3.1	n/a
EBIT	-7.6	-18.2	58%

Defence revenue growth of 25%

- Major overseas contract and CoA contracts provide bulk of revenue
- Underlying profitability muted by P&L investment in new technologies and US capability

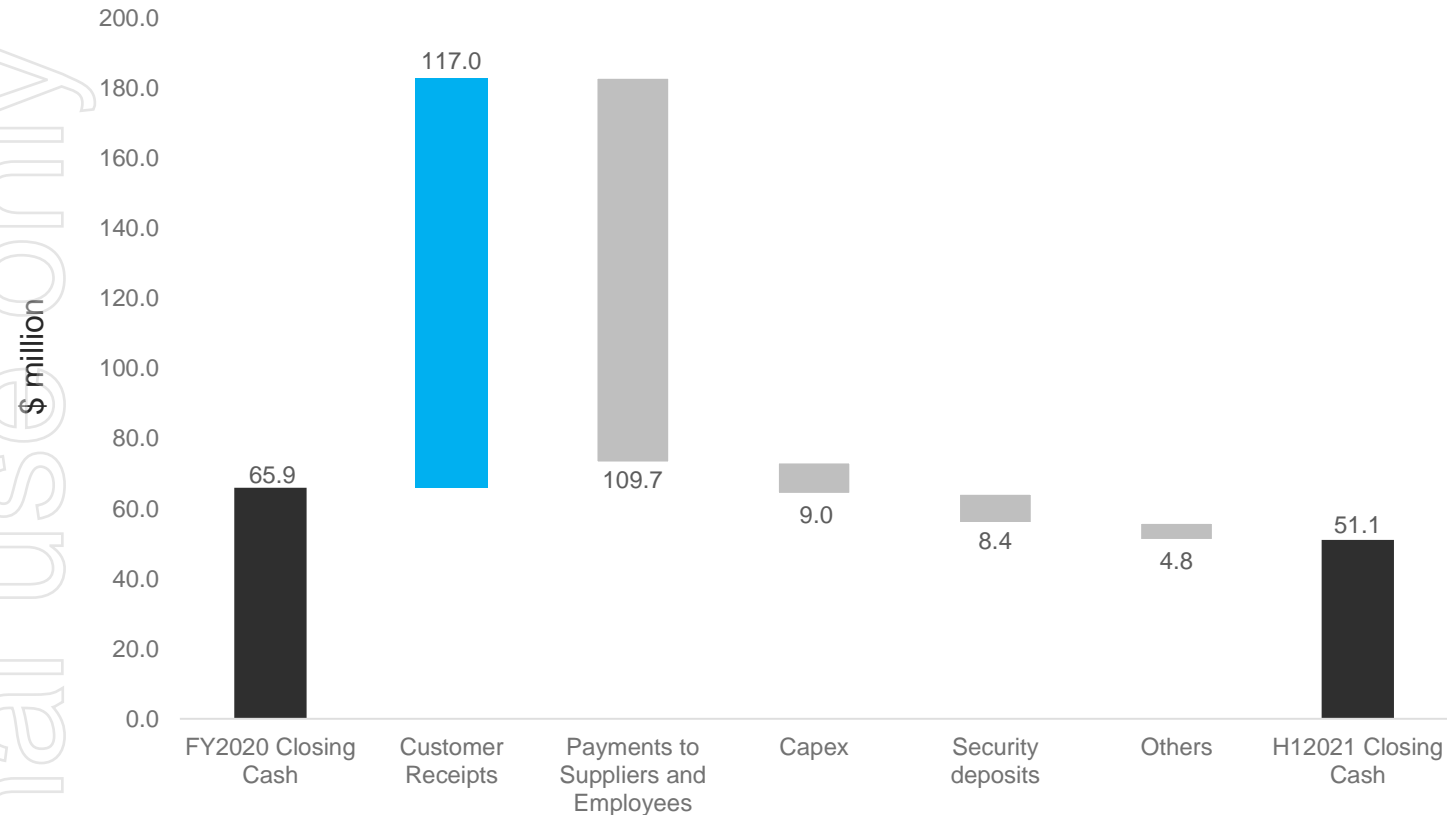
Communications growth driven by EM Solutions

- EM Solutions record revenues and EBIT, with strong growth set to continue
- Other Communications activities include bidding on CoA projects like JP9102

Space Systems focus on R&D

- Continued investment in R&D on behalf of all three EOS divisions, included breakthrough in adaptive optics / Guide Star Laser
- Space Domain Awareness capability increasingly appreciated, but monetization and commercialization still a “work in progress”

H1 2021 Net Cash Flow Movements



Positive operating cashflow achieved

- Cash inflows underpinned by overseas customers and ongoing CoA contracts
- Slight increase in supplier and employee payments driven by investment in new business

Capex includes new technologies

- Includes Titanis, Satellite Communications and T2000 turret
- The Group increased cash security deposits to support bonds on performance and offset agreements

Cash to strengthen in H2 21

- Strong cash inflow from major contracts anticipated over the next six months

Update to Company Guidance

\$ Millions	Previous Guidance	Revised Guidance
Revenue	\$235M to \$245M	\$230M to \$240M
Underlying EBIT Before SpaceLink Costs & FX	\$20M to \$25M	\$18M to \$21M
SpaceLink costs	\$17M	\$17M
Underlying EBIT (excl. FX gains/losses)	\$3M to \$8M	\$1M to +\$4M

- COVID-19 restrictions slowing customer decision making
- EOS production facilities deemed “essential work”, but double shift pattern impacts efficiency
- Weaker Australian dollar provides a benefit (not included in Underlying EBIT) which at current exchange rates would reverse most of the FX losses incurred in 2020
- EOS is in advanced negotiations with existing customers for more than \$1B worth of new contracts to be awarded in next six months



Defence Systems

Defence Systems Overview

Defence Systems is EOS' core revenue driver providing a suite of remote weapon systems and manned systems that can be integrated on various vehicle platforms

Overview

- EOS' Defence Systems develops and manufactures advanced fire control, surveillance and weapon systems for military customers
- All systems are designed with a high level of commonality and modularity to offer clients a flexible firepower solution
- EOS designed and owns the IP for its key technology, allowed for detail control and customisation

Key products



Remote Weapon Systems



Counter-UAS



ROCV's



T2000 Turret



C4EDGE



\$156.3M
\$83.2M

Annual revenue

- FY 20
- H1 21



\$375M

Order backlog⁽¹⁾



\$2,599M

Risked sales pipeline ⁽²⁾

⁽¹⁾ The backlog figure represents the expected revenue EOS will receive from contracts which have been awarded to EOS but for which EOS has not delivered the products, as at 30 June 2021

⁽²⁾ Risk-weighted pipeline based on assessed Probability project proceeds (PGO) and Probability that EOS wins the contract (PWin) based on customer and market analysis conducted internally by SpaceLink/EOS

Defence: Highlights

New business led by Australian sovereign capability

- C4EDGE contract with the Australian Army with EOS as Prime. Capability demo in Q4 2021
- Sovereign Missile Alliance JV launched with Nova Systems
- Completed multiple evaluation programs in the US

International operations gaining momentum

- US capability demonstration at CSW industry range day in competitive shoot. EOS 30mm unique first round hit precision showcased to users. Near term sales opportunities to leverage investment in US beachhead
- EMEA: Teaming Agreement with Diehl Defence to address European market, especially Germany
- EMEA: Live tenders for RWS 150/400/800 and C-UAS

New Products

- Directed energy system under customer funded development. Unique capability
- T2000 delivered for evaluation to customer. Contract decision by April 2022 (EOS workshare >\$1B)
- C-UAS customer demonstrations in EMEA region in Q1 2022



Sovereign Missile Alliance (SMA)

CoA plans a \$1B Sovereign Guided Weapons Enterprise

- Australia expected to spend \$100B on missiles over the next 20 years
- The SGWEO could produce \$40B in local missiles and exports (according to Minister Defence Industry)
- \$1B funding available now to accelerate the formation of the SGWEO

SMA = 50/50 Joint Venture between EOS and Nova Systems

- Sovereign: Australian owned and controlled, demonstrably “sovereign” using any definition
- Critical Mass with a supply chain of more than 600 SMEs
- Experience and Capabilities: >55 years of experience in defence-aerospace with design, development, systems integration, test and evaluation, certification and systems assurance
- Technology: Largest Australian-owned portfolio of aerospace technologies, and the largest national tertiary collaboration programs in Australian defence industry. This technology is applicable to improving missile maintenance and to the development of next-generation missiles

Process and Timing

- RFI submissions made on 2 August 2021. Awards expected from mid-2022
- Australian competition limited to overseas Primes (not sovereign) and Nioa’s AMC





Space Systems

Space Systems Overview

EOS Space Systems is a global leader in the design, manufacture and operation of sensors and systems for space domain awareness and space control

Overview

- EOS has been directing energy beams to space objects for tracking, characterization, identification, communications, remote maneuvers and missile defence for over 35 years
- The Space function is an R&D hub for EOS group with core laser IP being deployed across the Defence and Communications sectors

Key products



Directed Energy



Space Domain Awareness



Space Protection



R&D



\$4.3M
\$1.6M

Annual revenue
- FY 20
- H1 21



\$6M

Order backlog⁽¹⁾



\$54M

Risked sales pipeline⁽²⁾

⁽¹⁾ The backlog figure represents the expected revenue EOS will receive from contracts which have been awarded to EOS but for which EOS has not delivered the products, as at 30 June 2021
⁽²⁾ Risk-weighted pipeline based on assessed Probability project proceeds (PGO) and Probability that EOS wins the contract (PWin) based on customer and market analysis conducted internally by SpaceLink/EOS

Space Systems: Securing Space

Space Domain Awareness (SDA)

- EOS laser sensors detect, track, classify, characterise and catalogue objects in space, far beyond the range of radar. Commonwealth program JP9360 includes \$2B for SDA

Space Protection

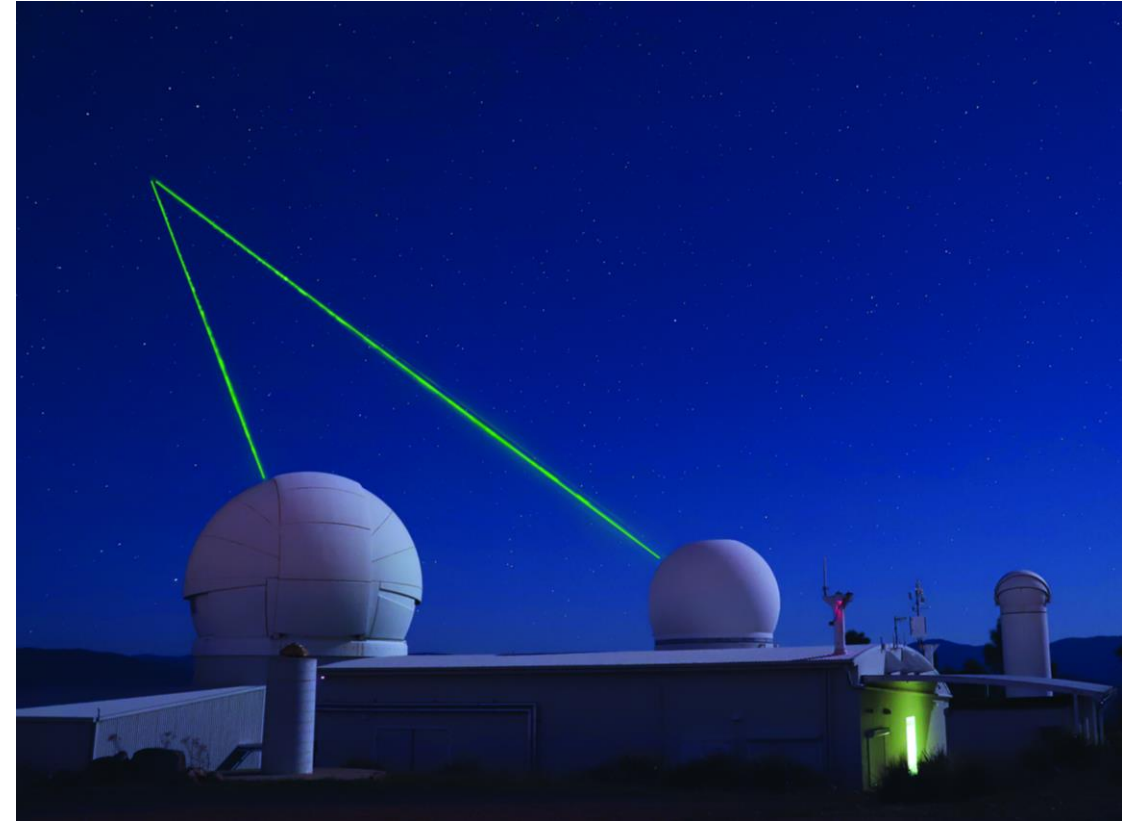
- Collision avoidance combining data with EOS' Conjunction Analysis and Threat Warning System to provide realistic and actionable data for satellite operators
- EOS is currently completing a new type of laser tracker using radiation pressure to move space debris to new orbits to avoid collision

Profitability expected in 2022

- Sales pipeline of \$796M on an Un-risked basis and \$54M on a risked-basis. Several lead-in contracts are in performance already, pending customer budget release processes over the next 12 months

Space Systems remains R&D hub for EOS Group

- Core laser IP being deployed in Defence as DE / CUAS and in Communications as high bandwidth optical communications



Space Systems: Capabilities

Extensive Ground-based Space Infrastructure

- Seven operational telescopes across Australia
- Dynamic catalogue of space objects
- Unique capability in accuracy and coverage
- Supporting United States space operations through operational exercises (SACT)

Next Generation Debris Laser Technologies

- EOS has successfully demonstrated a new guide star laser to excite the atmosphere's sodium layer
- This is foundational technology for future laser pressure developments in moving space debris to new orbits to avoid collision, and space communication





Communications Systems

Communications Systems Overview

EOS Communications Systems develops and provides global satellite communications products and services

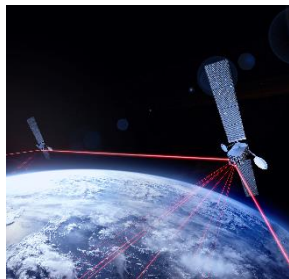
Overview

- EOS Communications Systems specializes in innovative optical, microwave and on-the-move radio and satellite systems
- EOS' systems deliver high speed, resilient and assured connectivity for the most critical applications
- Communications is a key growth area for EOS via its disruptive SpaceLink satellite communications system and market-leading EM Solutions terminals

Key products



EM Solutions



SpaceLink



\$19.5M
\$13.0M

Annual revenue

- FY 20
- H1 21



\$17M

Order backlog⁽¹⁾



\$478M

Risked sales pipeline⁽²⁾

- EM Solutions = \$209M
- SpaceLink = \$269M pa

⁽¹⁾ The backlog figure represents the expected revenue EOS will receive from contracts which have been awarded to EOS but for which EOS has not delivered the products, as at 30 June 2021

⁽²⁾ Risk-weighted pipeline based on assessed Probability project proceeds (PGo) and Probability that EOS wins the contract (PWin) based on customer and market analysis conducted internally by SpaceLink/EOS

EM Solutions: Highlights

- Cemented position as the world's premier global maritime satellite communications terminal manufacturer
- Completed a record number of deliveries for the Australian Navy and three European Navies
- Secured ongoing orders for the Australian Navy Offshore Patrol Vessels (OPVs) and a Middle Eastern Navy
- Completed development of Antenna Diversity System (ADS) which allows two terminals to be deployed per vessel
- Orders secured from multiple domestic and overseas customers for new 2m terminal product line. \$15M of new orders in August for three European Navies
- Adding new recurring revenue streams through logistics support contracts for the growing deployed terminal fleet
- Risked pipeline = \$209M (Un-risked = \$1,092M)



SpaceLink Management Team: Unparalleled Experience



David Bettinger
CEO



Tony Colucci
CSO, CCO



Larry Rubin
COO



Rob Singh
CTO



Alan Khalili
CFO



David Lihani
General Counsel



SpaceLink Solves LEO Limitations



Continuous, On-Demand Connectivity

- Serves connectivity needs of lower orbits, who can connect and download data at any time – *no need to be in range of ground station*



High Bandwidth, Low Latency

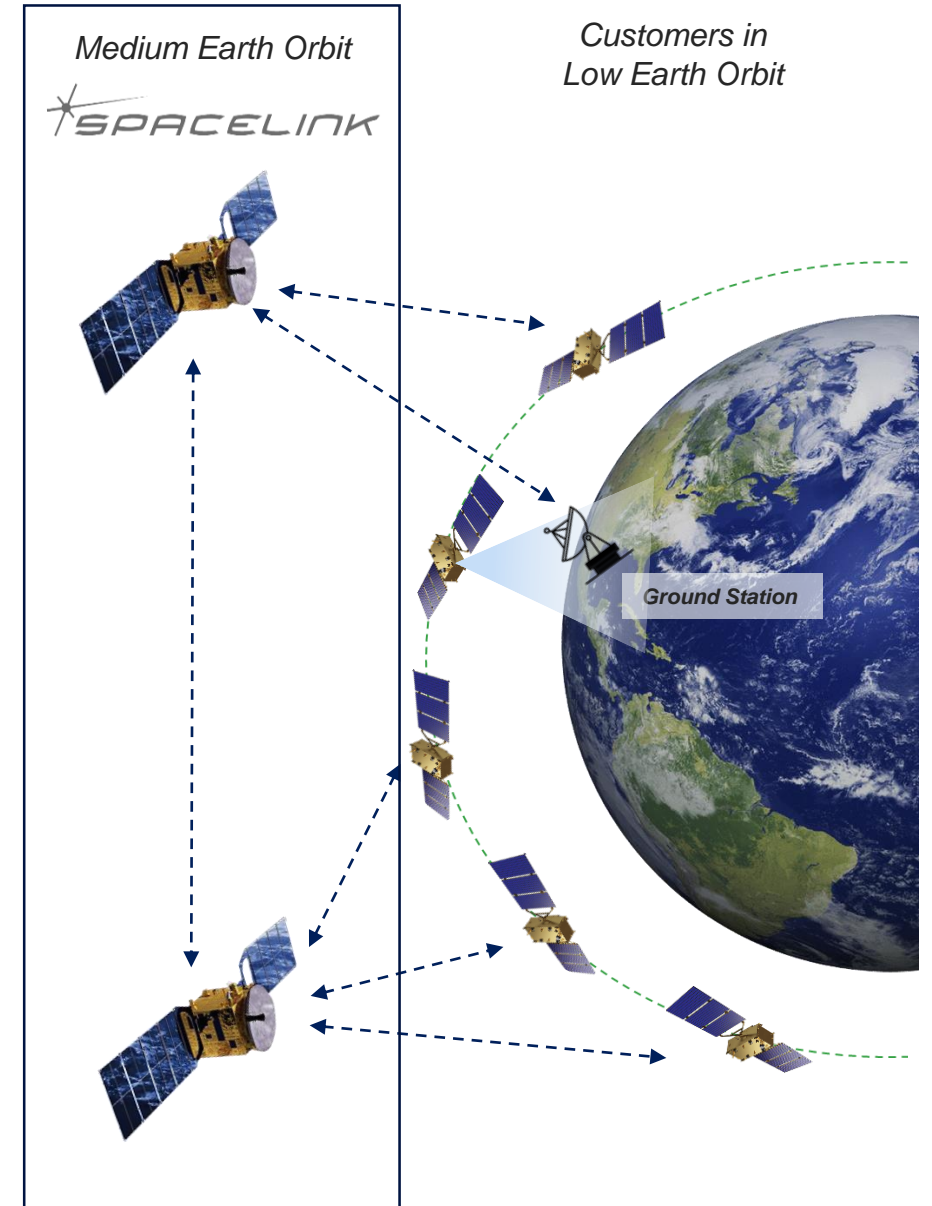
- Optical links to deliver high speeds – 10x-100x faster than traditional RF



Security and Resilience

- Data can be relayed between satellites *to land only in desired countries*

SpaceLink increases the value of customers' satellites
Real-time tasking, real-time download and 100% access time maximizes the value of orbital assets while also providing connectivity resiliency



SpaceLink Update

Progress to date

- Design phase optimized with four satellite constellation (previously three satellites) yielding a dramatically improved architecture with superior technical performance and improved economics
- Independent architecture review concluded
- RFI concluded (significantly reducing technical risk)
- Awarded contracts to Mynaric and Blue Marble for Optical Inter Satellite Links (OISLs)
- Space segment RFP conducted, multiple offers received, currently negotiating with final round vendors. Award expected in September



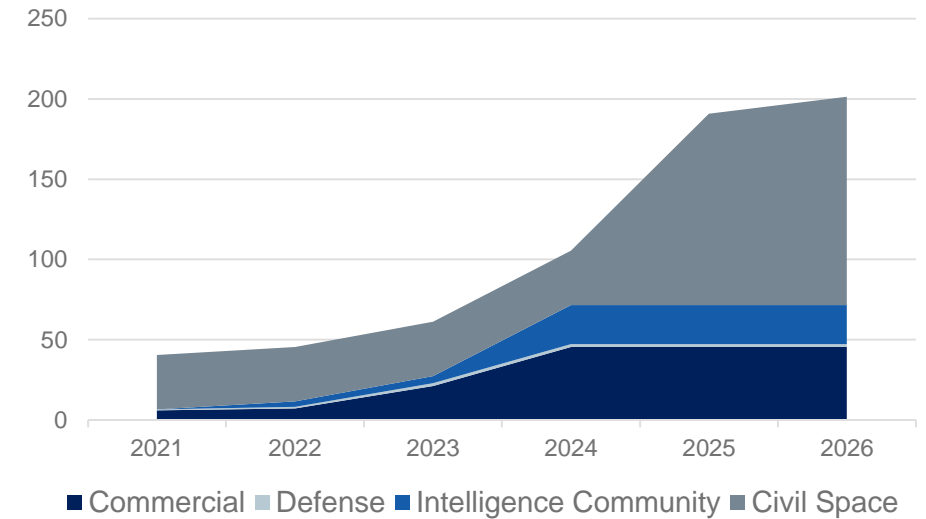
Next six months

- Award space segment contract and commence construction (Q3 2021)
- Secure tranche 1 funding (Q3/Q4 2021)
- Award ground segment contracts (Q4 2021)
- Convert customer MoUs to commercial contracts (progressively from Q4 2021)
- Expected NASA CSP program awards (Q1 2022) to replace the existing NASA TDRSS service
- SpaceLink remains on schedule to meet 2024 FCC "Bring Into Use" regulatory deadline

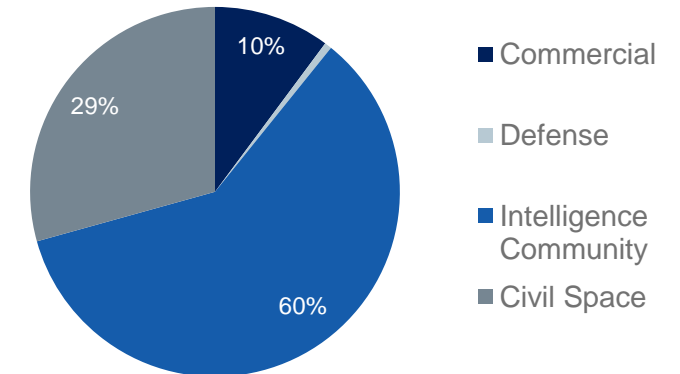
SpaceLink Customer Update

- Risk weighted pipeline now at US\$200M per annum (un-risked US\$1.2B), well in excess of cash breakeven point
- Awarded contract by the manager of the International Space Station (ISS), the Center for the Advancement of Science in Space (CASIS), to provide a demonstration on the ISS. Likely to proceed to commercial service on the ISS following successful demonstration
- Participant in the NASA Commercial Space Program (CSP) which will replace the ageing TDRSS service used by NASA, with awards expected Q4 2021 / Q1 2022
- Strong pipeline of commercial MoUs secured. Expect most to convert to commercial contracts following announcement of satellite manufacture contract and key vendors

Risk-Weighted Pipeline Conversion to Revenue US\$M pa



Unrisked Sales Pipeline (Top40) = US\$1.2B





Strategic Outlook

H2 2021 – Key Focus Areas

1. Major overseas contract performing strongly. Cash flow resuming. Full program reset and refresh

- \$30M already received from customer and >\$100M of cash flow from contract asset to flow in H2 2021
- Contract scope increase to master contract agreed providing increased revenue
- Contract delivery schedule amendments agreed to remove the impact of COVID-19 related delays from future deliveries

2. SpaceLink Funding

- First contract award to run demo on International Space Station. More customer contracts on the way
- Satellite manufacturer down selection in September 2021 with funding announcement shortly thereafter

3. Converting Defence Pipeline to Order book

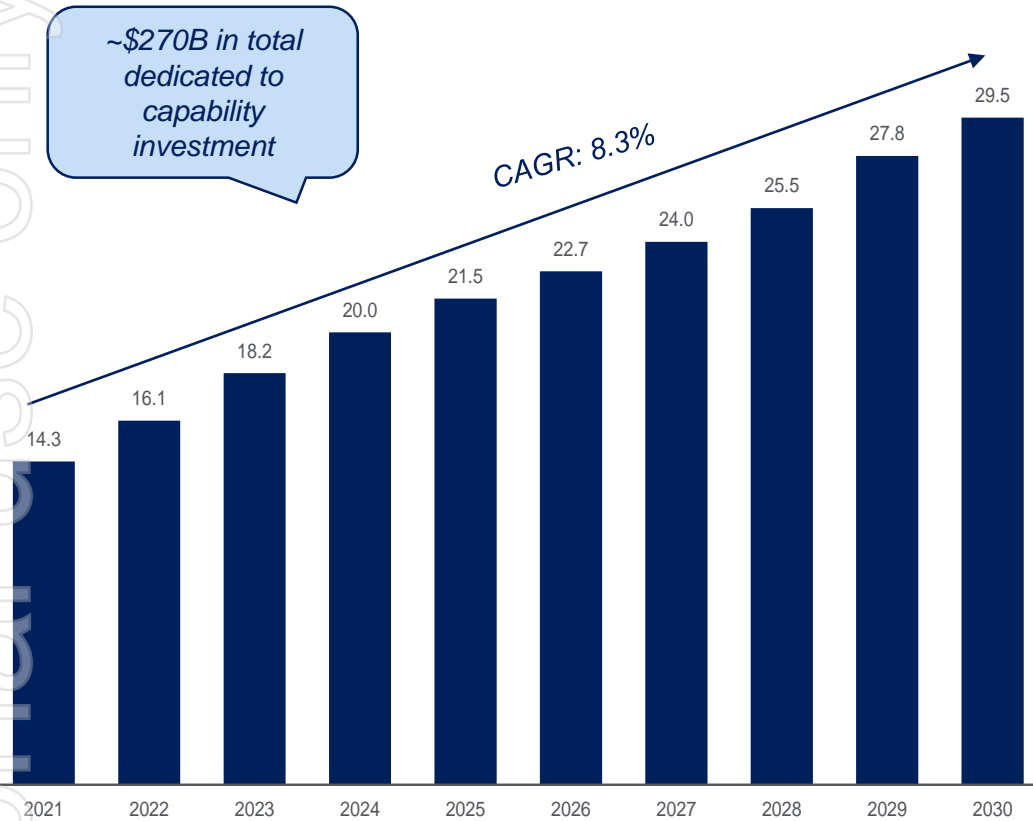
- \$1B of contract award still in program negotiation with existing EOS Defence customers. Expect to close most in Q4

4. Huge pent up demand for EOS technology

- **Globally** EOS is well positioned in the fastest-growing defence market segments: counter-UAS, directed energy and remotely-operated combat systems
- Risked sales pipeline \$3B with strong near term opportunities across every geography, business unit and product

Australian Defence Pivots to Technology Focus

Australian Defence capability investment



Australian Defence Industry Priorities

Australia's ca \$1 trillion defence budget for 2021-2030 combines with unprecedented focus on Australian providers. EOS is one of only 2-3 candidates to qualify as a defence prime contractor in Australia

Minister for Defence Industry, Melissa Price: "Four new Sovereign Industrial Capability Priorities announced today would help to build a robust, resilient and internationally competitive defence industry in Australia" (26-AUG-2021)¹

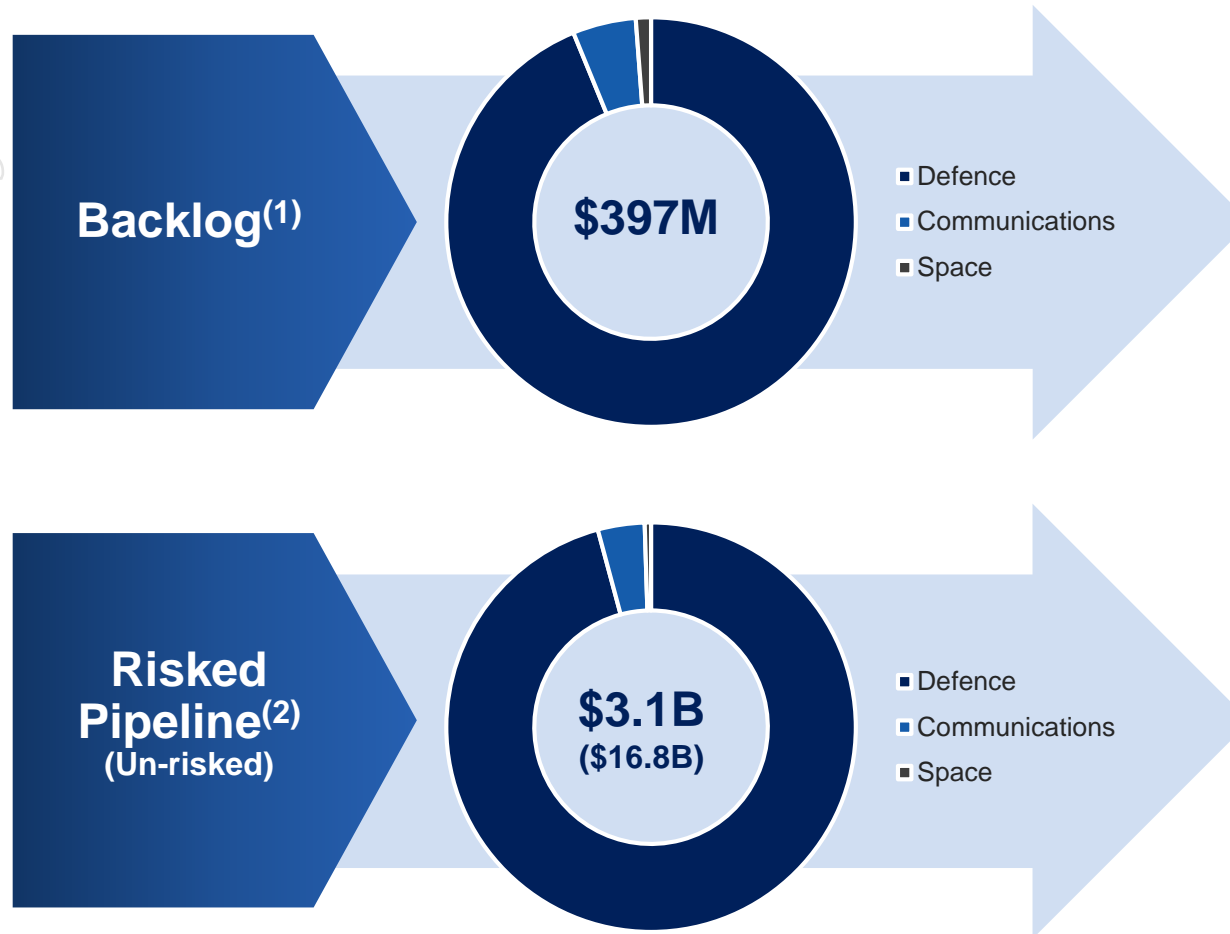
1. Robotics, Autonomous Systems, and Artificial Intelligence
2. Precision Guided Munitions, Hypersonic Weapons, and Integrated Air and Missile Defence Systems
3. Space
4. Information Warfare and Cyber Capabilities

EOS is prominent in all these priority areas, and dominant in some

Beyond Australia, in its traditional export markets, EOS is well positioned in the fastest-growing defence market segments: counter-UAS, directed energy and remotely-operated combat systems

¹ <https://www.minister.defence.gov.au/minister/melissa-price/media-releases/morrison-government-supporting-australia-sovereign-defence>

Update on Pipeline and Backlog



Backlog reflects committed contracts that are not yet fulfilled

- Backlog¹ currently consists largely of Defence products (\$375M) underpinned by a number of key contracts of which 30% is domestic and 70% international
- Backlog to run off c 30% in H2 21, 50% 2022, 20% 2023
- Includes EM Solutions backlog of \$17M underpinning NTM growth. Space Systems backlog of \$6M, but potential for material contract wins over the next 18 months

200 separate opportunities, with 22 >\$200M

- Risk-weighted pipeline² based on assessment of PGo and PWin. Many opportunities arise annually to increase pipeline significantly
- Pipeline does not include sustainment opportunities which normally flow three years after delivery
- Un-risked pipeline has expanded significantly, but more conservative risk weightings applied due to risk of COVID-19 delaying decision-making
- Total opportunities of US\$5.5B in next 18 months

(1) The backlog figure represents the expected revenue EOS will receive from contracts which have been awarded to EOS but for which EOS has not delivered the products, as at 30 June 2021

(2) Risk-weighted pipeline based on assessed Probability project proceeds (PGO) and Probability that EOS wins the contract (PWin) based on customer and market analysis conducted internally by SpaceLink/EOS

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