



ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

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Investor Presentation

Canberra, 31 July 2023

Electro Optic Systems Holdings Limited (**EOS** or **Company**) (ASX: EOS) provides the attached Investor Presentation to be delivered to investors on Monday, 31 July 2023.

Authorised for release by the Board of Electro Optic Systems Holdings Limited.

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ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

EOS operates in two divisions: Defence Systems and Space Systems

Defence Systems specialises in technology for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) and C4 systems for land warfare. Its key products are next-generation remote weapon systems, vehicle turrets, high-energy laser weapons (directed energy), as well as fully integrated and modular counter-UAS and C4 systems.

Space Systems includes all EOS space and communications businesses, and operates as two entities – Space Technologies and EM Solutions. Space Technologies specialises in applying EOS-developed optical sensors and effectors to detect, track and characterise objects in space. It includes capabilities in the domain of space control and space warfare. EM Solutions delivers world-leading RF and optical space communications technology. Its core product range centres around the development and production of high-end, broadband radio transceivers for satellite communications as well as satellite communications-on-the-move terminals for defence and government customers.



Electro Optic Systems Holdings Limited

Introducing EOS

July / August 2023

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- **Currency:** all amounts in this presentation are in Australian dollars unless otherwise stated.
- **Financial years:** FY refers to the full year to 31 December, H1 refers to the six months to 30 June, and H2 refers to the six months to 31 December.
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Contents

EOS is a Defence Technology business, developing and selling leading-edge technology.

1. Introduction

2. Product Growth Opportunities

- Anti-Drone Systems (CUAS)
- Unmanned Ground Vehicles
- High Energy Laser Weapon
- Space Warfare
- SatCom EM Solutions

3. Financial Summary and 2023 Progress Update

Appendices



EOS Introduction – Who we are

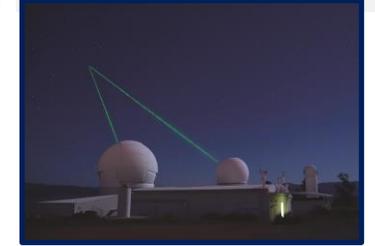
EOS has 40 years' experience in Space and Defence.

- Founded in 1983 from privatisation of Australian Government Space activity
- US activity for 25 years – new manufacturing facility in Huntsville, AL
- Listed on Australian Securities Exchange since October 2000
- EOS believes it is ideally placed to exploit rapidly evolving market opportunities:
 - Advanced, Multi-effect Counter UAS Systems
 - Unmanned Ground Vehicle Systems
 - High Energy Laser Weapons
 - Space Warfare – Ground Based Laser
 - SatCom EM Solutions
- Global market presence - Australia, APAC, US, Europe and the Middle East
- Australia is a member of AUKUS



EOS Introduction – markets we serve

EOS has a strong position in three growing markets, with advanced technology.

 Defence Remote Weapons and CUAS	 Satellite Communications	 Space Systems			
<ul style="list-style-type: none">• Remote Weapon Systems (RWS) leader for over 30 years• Key product (R400 RWS) is well established and recognised for accuracy and range – light weight system using 20-30 mm cannon• Widening product range to include smaller and larger solutions and incorporating APKWS – Hydra rockets, and missiles• Recent launch of RWS Counter-Drone System• STRATEGIC growth opportunity from Directed Energy products in development• Recent Revenue A\$105 -185m (for 2022 and 2021)	<ul style="list-style-type: none">• Leading naval satcom terminal manufacturer• Acquired EM Solutions in 2019• Provides global satellite communications systems and services to primarily navy / maritime customers• Strong position in Australia, growing in Europe• Recent Revenue ~A\$28m (for 2022)	<ul style="list-style-type: none">• Space laser tracking and identification services• World leader in technology, using laser accuracy to track objects in space• Directed Energy / Space Warfare capability in development• STRATEGIC growth opportunity• Recent Revenue ~A\$4m (for 2022)			
					

Leadership Team

The leadership team are focused on monetising advanced technology.



Andreas Schwer, CEO

- Over 30 years in global Defence, Manufacturing and Space industries
- Aeronautical engineer, PhD
- German citizen
- Airbus 14 years, Rheinmetall International 5 years

**Commenced
August 2022**



Clive Cuthell, CFO

- Over 15 years as CFO in global industrial businesses
- Chartered Accountant 25 years
- British / Australian citizen
- Rinker Group / Holcim 9 years, Nuplex 3 years

**Commenced
September 2022**

Remote Weapon Systems Product Range

EOS is developing a wider range of RWS products to meet evolving needs.

Sensor Unit



Ultralight RWS
R150



Light RWS
R400



Medium RWS
R600



Heavy RWS
R800



Light Turret
T1600



Turret
T2000



Multi-Mission
Sensors



Range of Platforms and Applications

Truck



IFV



UGV



CUAS



Common Control Interfaces



MRLS



Anti-Drone CUAS System

The Ukraine conflict has realised the drone threat and created CUAS demand.

Context

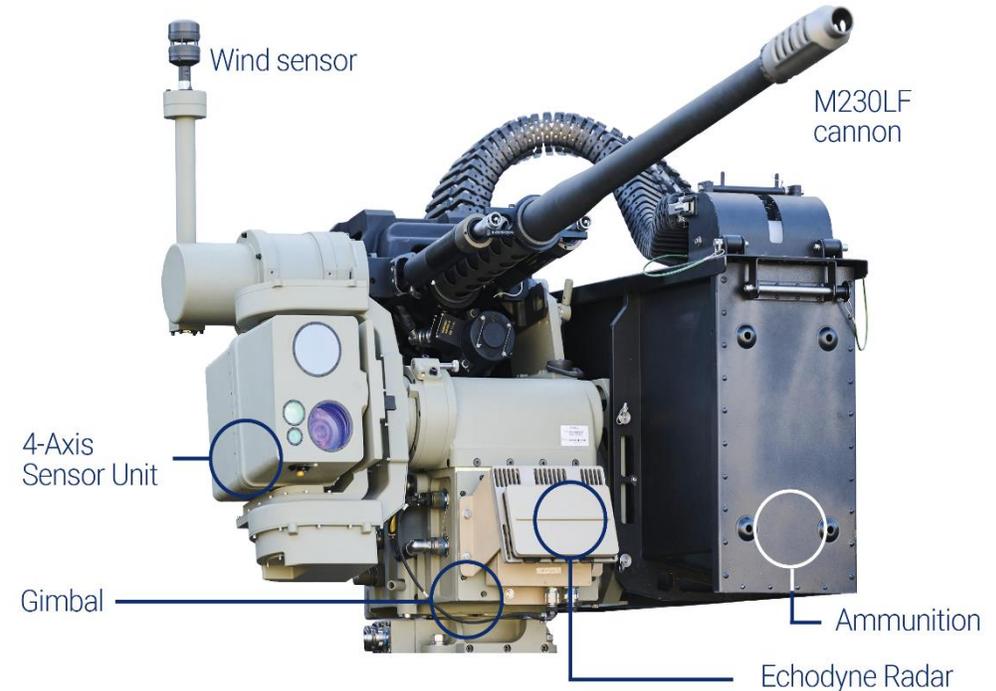
- Reported > 10,000 Ukraine drone launches / month
- Limited defence options:
 - technical requirements
 - economic sustainability

Market Demand

- Global interest in countermeasure

EOS "Slinger" Product

- Traditional Kinetic drone kill
- High accuracy - proven US trials
- Initial evaluation orders received



Unmanned Ground Vehicle System

Western forces have started to test/deploy Unmanned Ground Vehicles in different theatres.

Product

- Lightweight System
- Operated Remotely

Weapons

- 7.62 mm and 12.5 mm machine gun
- 30 mm cannon
- APKWS laser guided launcher
- Laser weapon (future)

Market

- Growing demand

EOS Product

- On test deployment in Eastern Europe



High Energy Laser Weapon

There is widespread international government interest in weapon development.

Context

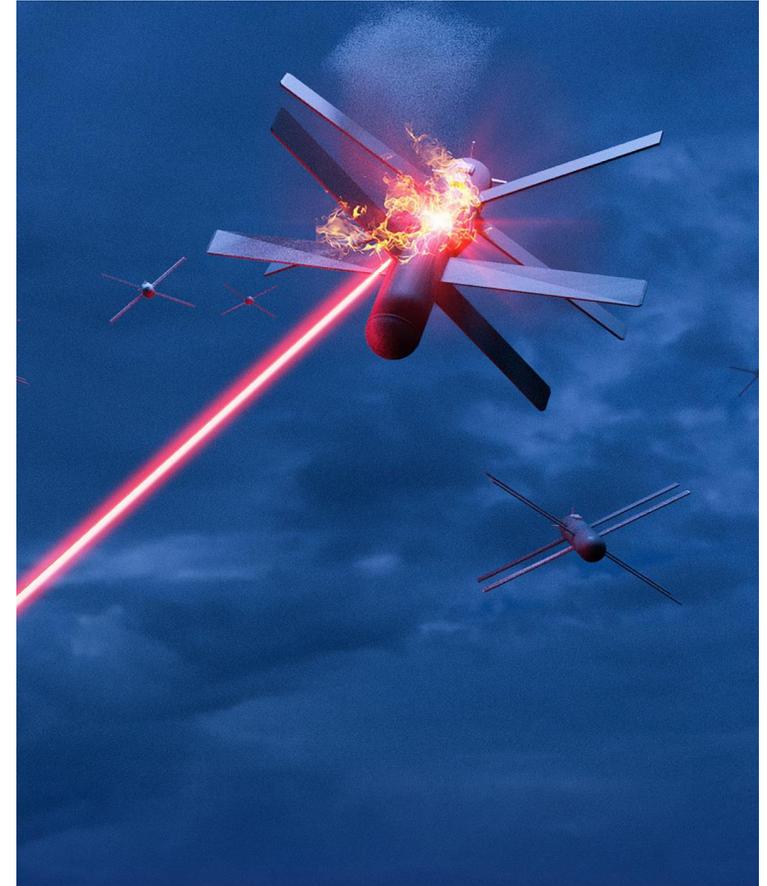
- US laser weapon development – 50-100+kW power level
- Proprietary / regulated / controlled weapon development

Evolving Application Suite

- Counter-UAS/ Counter Drone / Anti Tank
- Infrastructure protection
- Naval defence
- Space

Investment

- There is significant government interest in the area of high energy laser weapon development – including in US, Germany, France, UK, Australia, Italy, Israel, South Korea, Japan, China, Russia, India, KSA and UAE.
- Total estimated market for development funding:
 - US government investment estimate¹ ~US\$200-400m pa
 - Total NATO (ex US) investment estimate¹ ~US\$100m pa
 - Total others estimate¹ ~US\$100-200m



1. Source: EOS Management estimate of approximate annual activity in 2021 & 2022

High Energy Laser Weapon

EOS has developed a 36-54kW laser weapon and is demonstrating it during August 2023.

EOS Prototype

- Currently available 36-54kW class (36kW in trial operation)
- Two test ranges – indoor and outdoor
- Class 1 and 2 drone capability and demonstration
- Fully owned IP

Product Development

- Investment required to fully develop 54kW product, ~US\$15m
- Investment required to increase to 100-150kW, ~US\$50-70m
- Seeking partner funding – based on Aug 23 demonstrations
- Lower power weapons 0 – 20kW
 - Development in progress
 - Evolving application



Fixed/Portable



Mobile Armoured Vehicle

Space & Space Warfare

Space Warfare is a rapidly evolving military need - EOS has key capabilities in house.

Market Evolution

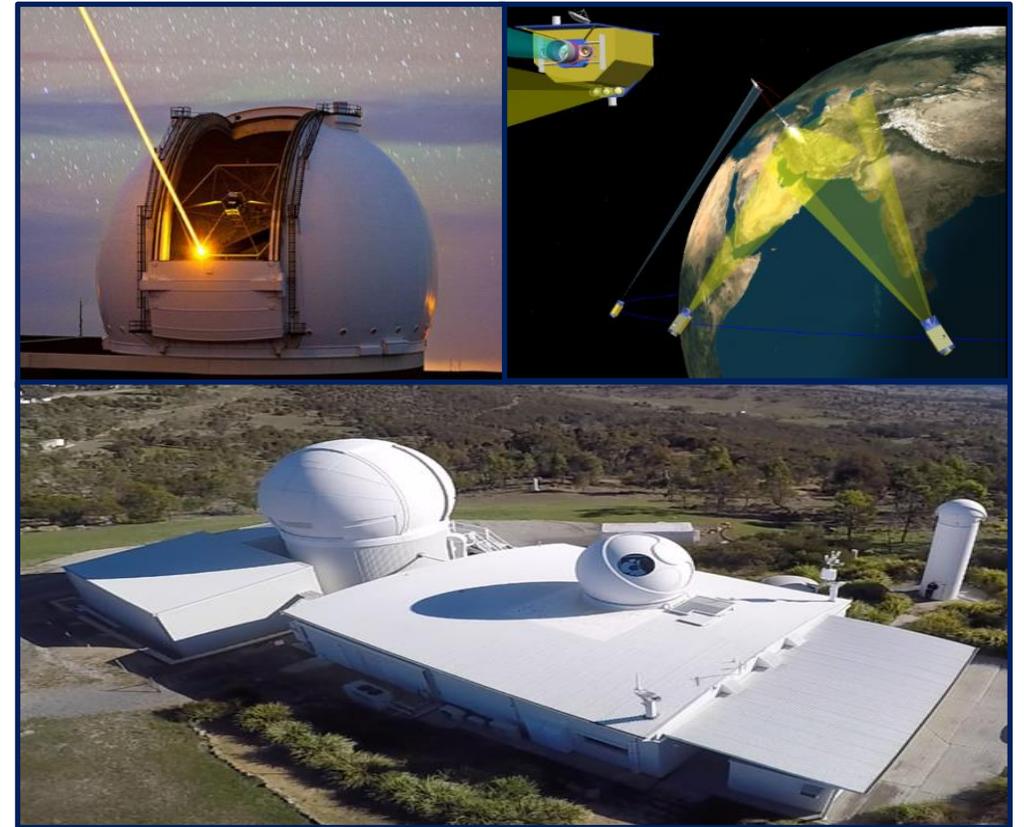
- Space Warfare is a significant growth market – growing need for capability to disrupt enemy space operations
- National governments are seeking help to develop this capability - recent government tender for US\$80m development project

EOS Capability – EOS has significant private IP

- Space Domain Awareness – market leading identification and tracking capability
- Telescope construction for over 20 years
- High energy laser weapons – EOS experienced in space operation
- Opportunity for fixed and mobile ground station development

EOS Next Steps

- Seeking product development funding partners
 - EOS contributes IP and technology
 - Commercialise expertise in growing market



EM Solutions

EM Solutions is a market leader that is achieving strong growth in Australia and Europe.

Context

- Marine Naval SatCom
- Growing demand for naval bandwidth

EM Solutions Business

- Multiband frequency
 - Multiband Satcom (X, Ku, Ka Band Com, Ka Band Mil)
 - Ship to Shore E Band (70/86GHz)
- Continued delivery and growth to six navies including Australia and Europe
- Manufacturing in Brisbane, Australia

Recent performance

- Revenue growth > 20% pa for 4 years to 2022
- EBITDA of 25% (in 2022)
- New sustainment contract for Royal Australian Navy, up to A\$202m over seven years (2023 – 2030)
- Targeting further growth opportunities incl NATO in Europe



Summary of Growth - Four Pillars

EOS is product-led with growth focused in four key areas.

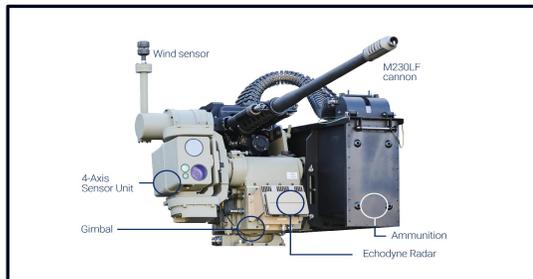
RWS and Turrets

R400 Family
World Market Leader

R150 Family
Launch in 2023

R800 Family
Launch in 2024

T1600
Launch in 2025



High Energy Laser Weapon

Titanis CUAS
Grow in 2023 - 24

HELW 36kW
Launch in 2024

HELW 50kW
Launch in 2025

HELW 100kW
Launch in 2026



Space

Commercial Space Intelligence
World Market Leader

Military Space Control
Launch in 2024

Space Warfare
Launch in 2025



EM Solutions

Naval Terminals
Market Leader

Land Terminals
Successful in Market

Medium Size Terminals
Launch in 2024

Submarine Terminals
Launch in 2025



- The global defence industry supports innovation – product development cycles can take up to five years and more
- Commercial launch can take two-three years and more, with strong products realising growth potential over time
- EOS has substantial under-commercialised IP and a program of product development and launch is underway

Financials

EOS has a history of rapid growth from product innovation.

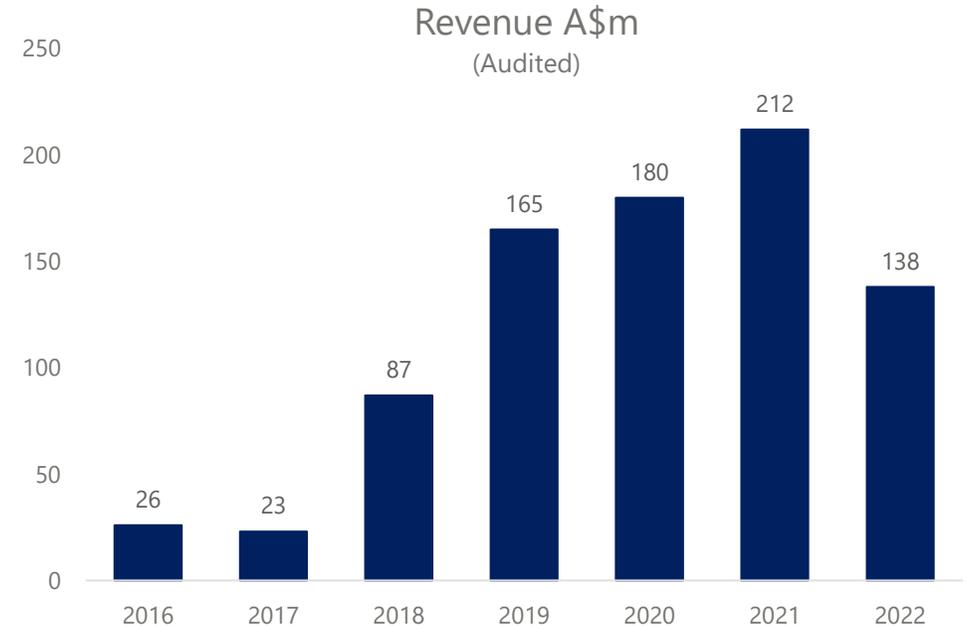
History of Growth

- 2016-2022 growth from innovation / commercialization
- Target gross margin on materials >40% met in core defence business

2023 Financial Objectives

- Realise working capital and collect cash
- Repay debt
- Diversify product, market and customer base
- Create growth platform for 2024 and 2025

- Target future group EBITDA in line with industry peers of 15-20%



Opportunity for significant future revenue growth from product commercialisation

Progress Update - Q1 & Q2 2023 (Unaudited)

EOS has launched new products, signed sales contracts and improved cashflow.

1. Middle East Contract Amendment Agreed, Signed and Collected

- Significant contract asset to be realised ~A\$164m at Dec 2022, reduced to A\$109m by June 23
- Amendment means future cashflows accelerated and lower risk profile - aim to realise proceeds to repay debt on schedule



2. New Product Launch

- R150 RWS and 'Slinger' CUAS and Counter Drone product launched in 2023
- R800 RWS launch planned for late 2023
- Developing new effectors for MRLS, ATGM and DE to extend RWS platforms



3. Order Book Growth - New Sales Agreements

- Signed Ukraine conditional contracts for A\$181m and in discussion re further opportunities
- EM Solutions ADF Contract up to A\$202m secured
- RWS sale to Western Europe A\$51m signed and delivered
- Growing backlog order book
- Additional guarantee facilities established to support growth



4. Q1 & Q2 Results Delivered (unaudited)

- H1 2023 Cash receipts from customers of A\$123m (up from A\$75m in H1 2022);
- Net Cash Flow of +A\$21m in Q1 & Q2 2023
- Cash Balance at 28 July 2023 of A\$84m



Conclusion

EOS believes it has leading edge products. We are driving commercialisation.

Summary

- Strong market demand driven by
 - Ukraine conflict
 - Geopolitical tensions
- Leading edge technology
- Extensive product / commercialisation opportunities
- Order book growing
- Future growth planned

Conclusion

- Questions
- Thank you





Appendices

Glossary

Term	Description
ADF	Australian Defence Force
APKWS	Advanced Precision Kill Weapon System
ATGM	Anti-Tank Guided Missile
AL	Alabama
APAC	Asia Pacific Region
AUKUS	Australia / United Kingdom / United States Security Pact
CUAS	Counter Unmanned Aircraft System
DE	Directed Energy
DEW	Directed Energy Weapon
EBITDA	Earnings Before Interest, Tax Depreciation and Amortisation
HELW	High Energy Laser Weapon

Term	Description
IFV	Infantry Fighting Vehicle
IP	Intellectual Property
KSA	Kingdom of Saudi Arabia
MRLS	Multiple Rocket Launch System
RWS	Remote Weapon Systems
SDA	Space Domain Awareness
SSA	Space Situational Awareness
SatCom	Satellite Communications
UAE	United Arab Emirates
UAS	Unmanned Aerial System
UGV	Unmanned Ground Vehicle

Debt Summary

Key steps have been taken to improve cashflow, and more are underway.

A\$m	Principal	Term	Maturity	Total Rate	Repayment
Working Capital Facility	20.0	12m	6 Sep 23	19%	26.9
Working Capital Facility	15.0	18m	11 Apr 24	19%	20.5
Term Loan facility	35.0	36m	11 Oct 25	26%	52.1
Total	70.0				99.5

New Borrowing Facilities

- Set up in Sep/Oct 2022 with longstanding equity investor Washington H. Soul Pattinson (“WHSP”)
- Interest can be capitalised up to 12 months – total Group full year 2022 finance costs were A\$14.3m (A\$6.6m in 2021)
- Repayment of A\$99.5m includes capitalised interest, excludes interest paid prior to maturity. Total repayable is up to A\$127m
- Borrowing facilities include substantial covenants and restrictions and a 100% make whole clause

Recent Actions and Cashflow

- Cost reduction program executed in Q4 2022 (A\$25m); SpaceLink venture terminated ceasing further investment (A\$26m in 2022)
- Middle East contract amended in February 2023
 - H1 2023 reduction in contract asset working capital asset of A\$50m
 - 2023 H1 Cash Receipts from customers of A\$123m (increase from \$75m in 2022 H1)
 - Cash balance at 28 July of >A\$80m

