



ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

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2024 Annual General Meeting – CEO’s Presentation

Canberra, 21 May 2024

Electro Optic Systems Holdings Limited (**EOS** or **Company**) (ASX: EOS) provides the attached CEO Presentation to be delivered at today’s Annual General Meeting commencing at 10.00am AEST at the offices of MinterEllison, Constitution Place, level 11, 1 Constitution Avenue, Canberra City ACT 2601.

Authorised for release by the CEO and Managing Director of Electro Optic Systems Holdings Limited.

Further information:

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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.



2024 Annual General Meeting

Electro Optic Systems Holdings Limited

21 May 2024



Managing Director and Chief Executive Officer's Presentation

Dr. Andreas Schwer

Disclaimer and important notices

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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, 1H refers to the six months to 30 June, and 2H refers to the six months to 31 December.
- Rounding: amounts in this presentation have been rounded to the nearest \$0.1m. Any differences between the amounts in this presentation and the financial statements are due to rounding. Totals may not add due to rounding.

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This presentation includes information about potential future product developments. Users are cautioned that new product development work can take up to five years & more for new products to be developed and launched. Following the initial commercial launch, it can take a further two to three years and more for newly launched products to reach commercial maturity and achieve meaningful sales revenue. There is no guarantee that it will be possible to achieve product development launch dates or meaningful commercial sales from new products.

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EOS Leadership Team

We are continuing to improve the leadership capacity of EOS



Dr. Andreas Schwer, MD & CEO

- Over 30 years in global Defence, Manufacturing and Space
- Previously with Rheinmetall AG, Manitowoc and Airbus
- Track record in the Middle East
- German citizen, PhD in Satellite Design & System Modelling
- **Commenced in role August 2022**



Clive Cuthell, CFO & COO

- Over 15 years as CFO in global industrial businesses
- Previously with Rinker Group / Holcim 9 years, Nuplex 3 years
- British / Australian citizen and Chartered Accountant 25 years
- **Commenced at EOS September 2022**



Ian Cook, EVP – Defence Systems Australia

- Over 25 years of experience senior leadership roles in Australian defence industries
- Previously with Thales and General Dynamics
- British citizen, Chartered Professional Engineer, MBA
- **Commenced at EOS November 2023**



Christian Tobergte, EVP – Defence Systems International

- Proven track record in international business development
- Held several senior leadership roles within Rheinmetall over 13 years
- German citizen, Degree in Political Science and Economics
- **Commenced at EOS April 2024**



Dr. James Bennett, EVP – Space Systems

- Over 10 years in space industry, space domain awareness, space control
- Member of the International Laser Ranging Service Governing Board and Missions Standing Committee
- Australian citizen, PhD in Applied Mathematics
- **Commenced in role August 2022**

2023 Financial Highlights & Growth Focus

In 2023 EOS generated a positive Underlying EBITDA¹ and reduced debt

Turnaround
Continues

Record
Operating Cash Flow

Positive Underlying
EBITDA¹

Strong
Markets

Wider Product &
Customer Range

Strategic
Discipline

2023 saw **significant progress** in the **EOS turnaround**, including:

- Highest ever revenue \$219.3m up \$81.3m on prior year
- Underlying EBITDA¹ positive \$5.7m up \$48.6m on prior year
- Cash received from customers \$325.5m up \$179.6m on prior year
- Net Operating Cashflow \$113.1m up \$164.7m on prior year
- Debt repayment of \$26.9m in September 2023

Growth outlook underpinned by:

- **Geopolitical uncertainty** is creating very supportive market conditions, particularly counter-drone
- In 2023 EOS **widened the product & customer base**, achieving significant European growth
- Innovation continues – **commercialising existing IP** with successful demonstrations in 2023
- Continue to **seek third party funding support** for strategic growth opportunities:
 - Higher Energy Laser Weapons
 - Space Warfare

1. Underlying EBITDA is a non-IFRS measure and comprises net profit after tax, adjusted to exclude tax, net finance costs, profit/loss on disposal of assets, depreciation and amortisation and foreign exchange impacts. The directors consider it useful as it enables readers to obtain an understanding of results from operations. Underlying EBITDA is unaudited.

Our Commitments: 2022 & 2023

We delivered on our commitments made in 2022 and 2023; we are working to grow in 2024, including order book & cash flow

We said...

Formulate new strategy

Innovate & launch core products

Grow & diversify sales

Increase efficiency & profitability

Realise working capital

Focus on cash & repay debt

We delivered...

- Focus on core businesses and strengths of point & track
- Exit SpaceLink in 2022. Exit Australian Satellite Manufacturing proposal (2023)
- 2023 Capex focused on core business & seeking third party development funding

- Slinger counter-drone product launched and sales secured - US & Germany
- R150 lightweight RWS formal launch – marketing underway, bids submitted
- R800 heavy calibre RWS launch – marketing underway, discussions progressing

- Grew secure order book from \$312m (Dec 22) to \$441m (Dec 23), incl. counter drone
- Grew EM Solutions with contract for up to \$202m
- Diversified customer base: >30% of 2023 revenue from Europe

- Company wide restructuring program & headcount reduction in 2022
- Increased Gross Margin on Materials from 34% (2022) to 44% (2023)
- 2023 Underlying EBITDA of \$5.7m, an increase of \$48.6m on prior year

- Amended key customer contract in Feb 2023
- Reduced contract asset from \$164m (Dec 2022) to \$68m (Dec 2023)
- Secured >\$70m cash from new sales in 2023
- After year end - increased contract asset investment (Q124) - expected realisation during 2024

- Generated net operating cashflow of \$113m in 2023
- Repaid debt of \$26.9m, as planned, in Sep 2023 and Dec 23 Cash balance of \$71m
- Continue to diversify sales base so as to address inherently lumpy cash flow
- After year end – Repaid \$20.5m debt, raised capital & started investment in long lead items



Return to Profit

Drive Cash Flow

Reduce Debt

Outlook: Market Conditions

Geopolitical uncertainty continues to create very supportive market conditions, particularly for counter-drone products

Context

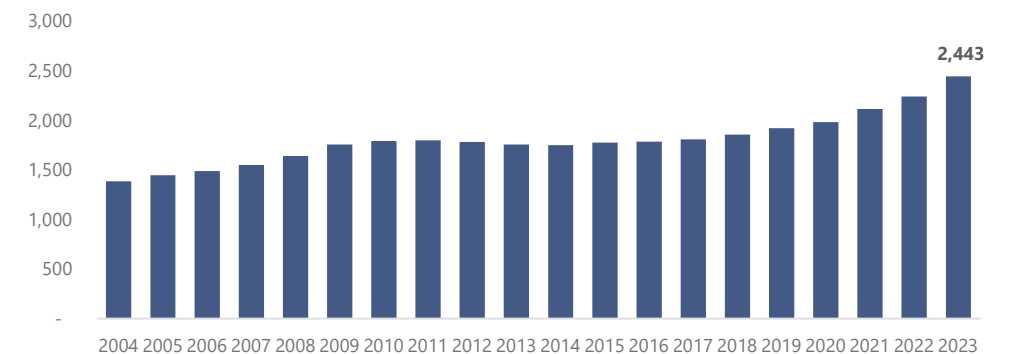
- Entrenched conflict in Ukraine and broadening conflict Middle East
- Changing geopolitical situation and increasing tensions between nations in several regions
- Changing nature of warfare:
 - Mass manufactured drones
 - Electronic warfare (EW)
 - Autonomy/unmanned
 - Future AI
 - Space domain



Outcome

- Increased defence spending
 - Global defence spending increased by 9% to a record US\$2.2tn in 2023
 - NATO European allies defence spending to rise to a record US\$380bn
- Shift to cannon-based air defence as a cost effective counter-drone (C-UAS) solution

Global military spending (US\$bn)



Source: Statista

2024 Year-to-Date Highlights

In 2024 we have grown revenue (Q1), continued to develop growth capacity and reduced debt levels

Financial Results Q1 2024 (unaudited)

Revenue ¹	\$77.3m	up \$43.3m on prior year
Cash receipts	\$52.1m	down \$10.0m on prior year
Cash balance	\$72.4m	at 31 March 2024

Key Developments in 2024

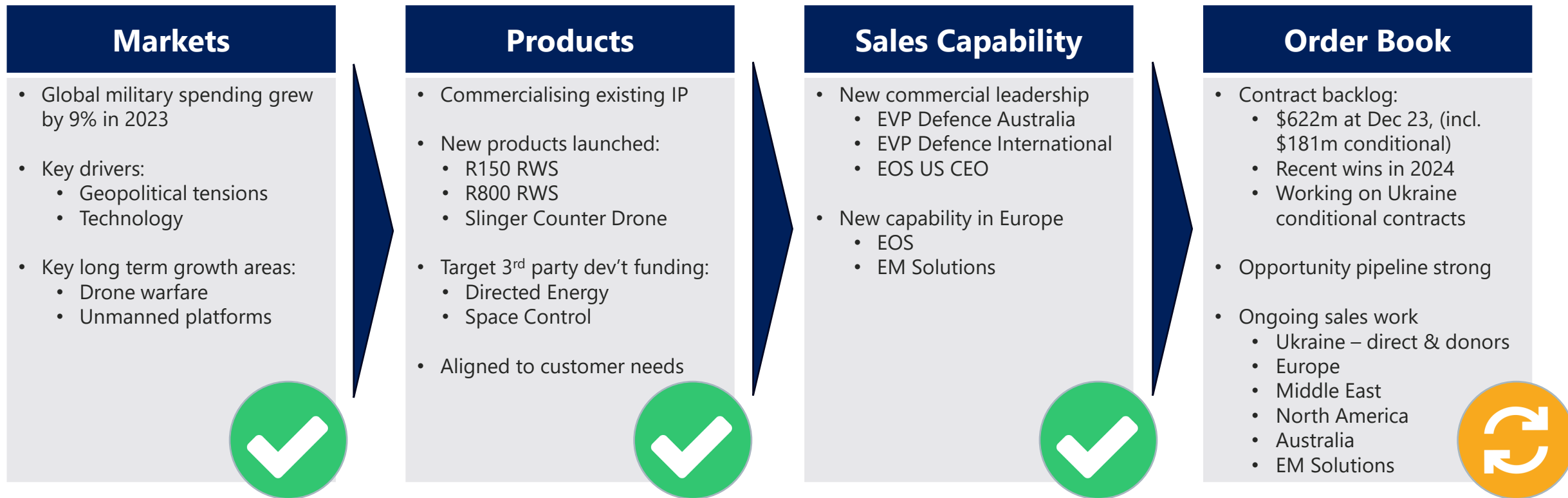
Jan 24	New Slinger counter-drone contract (\$15m) Diehl Defence in Germany
Mar 24	Carried out a fully underwritten \$35m placement and SPP to invest in long lead items and accelerate growth
Apr 24	Repaid \$20.5m working capital facility, on schedule, continuing deleveraging
Apr 24	New sales contracts (\$24m) including EM Solutions (\$19m) & Space Technologies (\$5m) signed to help diversify sales base and address inherently lumpy cash flow
Apr/May 24	Upgraded leadership capabilities <ul style="list-style-type: none"> • New EVP Defence Australia • New EVP Defence International • New CEO for USA business • CFO/COO Role • Other key roles (Sales, Supply Chain, Company Secretary)
May 24	Continued work to <ul style="list-style-type: none"> • Secure (long lead) cannon supply agreement and invest in other long lead items • Secure new sales – particularly in Europe (incl Ukraine)



1. Represents unaudited revenue for Q1 2024 - given the lumpy nature of EOS' revenue, quarterly figures should not be used to imply full year estimates

EOS is focused on organic growth opportunities

Growing the order book is our key focus for 2024 - several opportunities are developing positively; European growth is targeted

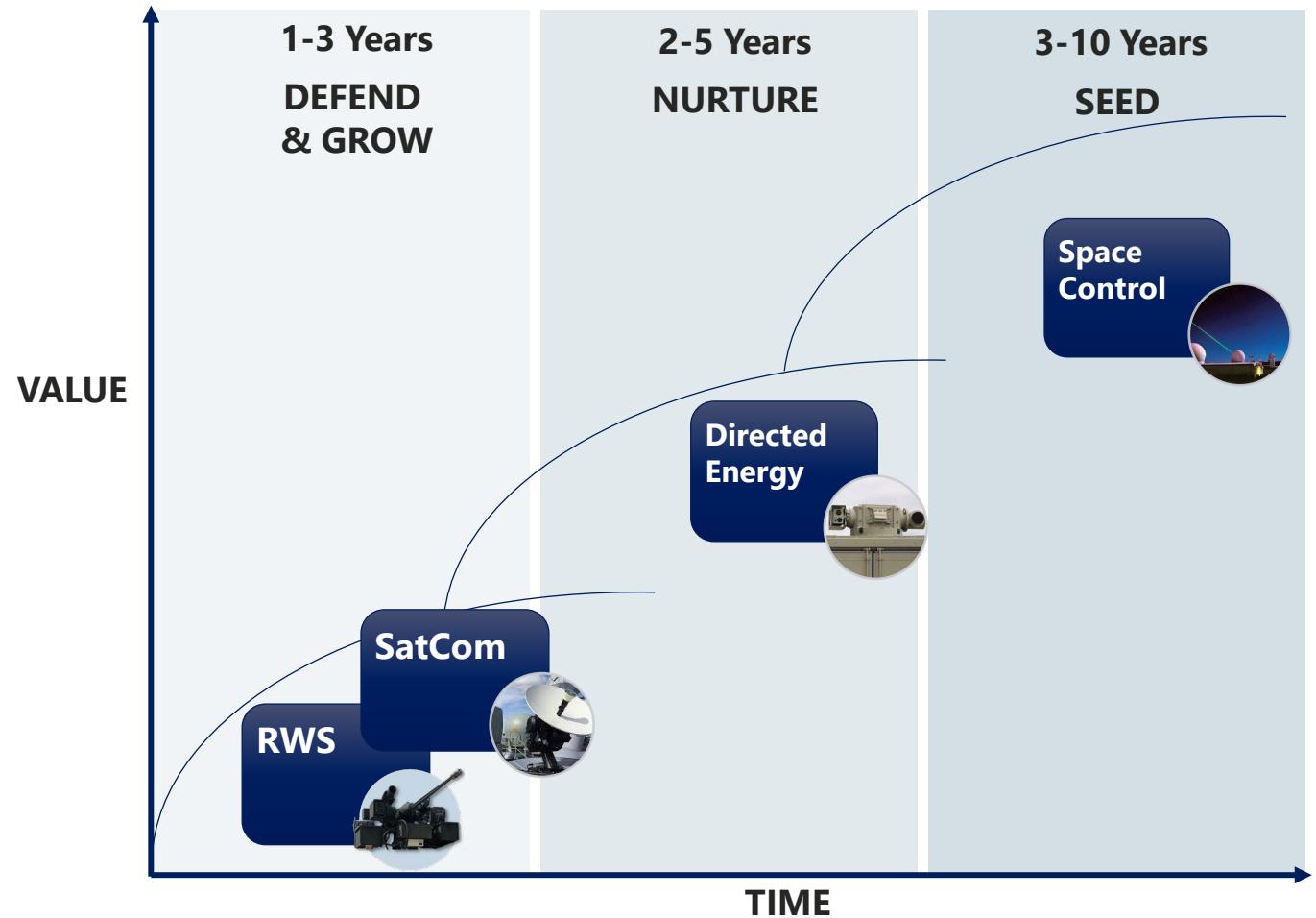


Traditional sales lead times are 1-3 years - several opportunities continue to develop positively

Growth Strategy

EOS is positioned to grow sustainably in the short, medium and longer terms

- Significant organic growth opportunities:
 - Remote Weapons Systems (RWS)
 - Counter-Drone Products (specialised RWS)
 - Naval Satcom (EM Solutions)
- Supporting two large strategic opportunities:
 - Directed Energy
 - Space Control
- Key focus areas:
 - Commercialising our significant IP assets
 - Maintaining capital discipline



Summary and Outlook

Summary

- Market conditions are very supportive
- EOS provides key products that the market is demanding – especially counter-drone
- We will continue to widen the customer and product base - especially in Europe
- Discipline will continue – Strategy, Capex, Costs
- EOS has significant strategic IP in High Energy Laser Weapons and Space Control:
 - Continue to seek strategic partnerships to develop and commercialise products
 - Significant future growth opportunity

Outlook

- Market conditions are expected to remain supportive for the foreseeable future
- Further diversification of the business, with a focus on European markets and US manufacturing
- Opening of European EOS locations in 2024
- We will monitor outlook and provide regular updates in line with disclosure obligations





Thank You





Appendices



Reconciliation of Statutory Profit / (Loss) and Non-GAAP measures

Total Operations (Continuing & Discontinuing) \$m	2023	2022 Continuing	2022 Discontinuing	2022 Total
Loss for the year	(34.1)	(53.6)	(81.7)	(135.3)
Gain on assignment and effective disposal of SpaceLink	-	-	19.7	19.7
Net loss for the year attributable to discontinued operations	(34.1)	(53.6)	(62.0)	(115.6)

Continuing Operations \$m	2023	2022
(Loss) for the year from continuing operations	(34.1)	(53.6)
Income tax (benefit)	(6.1)	(9.3)
(Loss) before tax	(40.2)	(62.9)
Finance costs	35.6	14.3
Impairment of assets	-	7.3
Foreign exchange (gain)	(0.9)	(12.7)
Underlying EBIT (loss) (before impairment and foreign exchange gains)	(5.5)	(54.0)
Depreciation & amortization & other	12.4	11.1
Other one-off adjustments	(1.2)	-
Underlying EBITDA gain/(loss) (before impairment and foreign exchange gains)	5.7	(42.9)