



Plover Bay Technologies Announces 2017 Annual Results

Strong Adoption of Wireless SD-WAN and Operating Leverage Drove Net Profit to Surge 67.1% to US\$8.8 million

28 February 2018

Hong Kong – Plover Bay Technologies Limited (“Plover Bay Technologies” or the ‘Company’, SEHK stock code: 1523), a world leading SD-WAN technology company, today reported its financial and business performance for the year ended 31 December 2017 (“FY2017”). Key highlights of FY2017 results include:

- Revenue rose by around 30.9% year-on-year to approximately US\$37.1 million driven by solid growth of our wireless SD-WAN business
- Gross profit increased approximately 28.0% year-on-year to approximately US\$23.0 million, while operating profit grew approximately 34.0% to approximately US\$10.7 million, reflecting a high degree of operating leverage
- Net profit attributable to owners of the Company surged approximately 67.1% year-on-year to approximately US\$8.8 million, while net profit margin improved by 5.1 ppts to approximately 23.6%.
- The Board recommended a second interim dividend of HK3.50 cents per share, bringing total dividend payout ratio for FY2017 to approximately 90.0%

Overall revenue grew by approximately 30.9% year-on-year to approximately US\$37.1 million. The main driver of revenue growth was the wireless SD-WAN segment, which surged approximately 49.6% year-on-year. Demand for our industry-leading wireless SD-WAN products continue to grow as multiple industrial verticals continue to develop applications that require high-performance and stable wireless connectivity.

Gross profit increased by approximately 28.0% year-on-year to approximately US\$23.0 million, while gross profit margin remained solid at approximately 61.9%, a slight dip of 1.4 ppt from the previous year. The slight drop in gross profit margin was mainly due to the strong growth in wireless SD-WAN router sales and product mix, which generally has a lower gross profit margin compared to wired SD-WAN routers. The gross profit margin of products in each of our revenue segments, including wired and wireless SD-WAN routers, warranty and support services, and software licences generally remained stable during the year.

Profitability of the Company continued to improve thanks to a high degree of operating leverage. Operating profit climbed approximately 34.0% year-on-year to approximately US\$10.7 million while operating profit margin increased to approximately 28.6% (FY2016: approximately 28.0%). During the year, operating expenses as a percentage of sales ratio fell 1.2 ppt to approximately 34.4% of total sales, compared to approximately 35.6% in the previous year.

Net profit attributable to owners of the Company for the period under review increased by approximately 67.1% to approximately US\$8.8 million. Besides the increase in revenue and the positive effects from our operating leverage, the Company no longer incurred listing fees and other related expenses in the current year. Excluding the effects of non-cash stock option expenses and non-recurring listing expenses, the Company's profits rose approximately 37.9% year-on-year.

The Company maintained a healthy financial position with net gearing ratio of approximately 6.8% as at 31 December 2017 (31 December 2016: approximately 1.3%). The Board declares a second interim dividend of HK3.50 cents per share for year ended 31 December 2017. Together with a first interim dividend of HK2.58 cents per share paid for the six months ended 30 June 2017, the total dividend for the year will be HK6.08 cents per share, representing a dividend payout ratio of approximately 90%.

Mr. Keith Chau, Chief Executive Officer of the Company, said, 'We are delighted to delivered yet another year of strong financial results, highlighted by an impressive 67.1% surge in the net profit. North America continues to be our largest market in 2017, accounting for approximately 57.4% of the total sales and posting an approximately 42.4% year-on-year revenue growth, but we also see keen interest in SD-WAN technologies from Asia and EMEA (Europe, Middle East and Africa) regions.

Enterprise SD-WAN routers are generally known to be a cost-saving alternative to expensive leased lines, but Plover Bay Technologies is taking SD-WAN technology a step further with industrial verticals that require mobility. With our patented SpeedFusion technology, customers are able to bond multiple fixed lines and wireless connections together to create a high-bandwidth and highly reliable mobile network to power mission-critical network applications and use cases that were not possible or financially not viable in the past. In 2018, we will launch multiple new products to maintain our technology leadership in the SD-WAN market. These products range from the SD-WAN industry's fastest and most robust SD-WAN modular platform that could be rapidly deployed anywhere, to the industry's smallest SD-WAN device to deliver SpeedFusion technology and unbreakable connectivity to small form factor IoT devices. Besides SD-WAN routers, we will also release new products aimed at the IoT market. These products will leverage the strengths of our SD-WAN routers and our cloud management platform to bring entirely new and highly streamlined experiences to traditional applications. To further leverage the strengths of our SpeedFusion technology, we will explore new business models such as high value-add mobile data connectivity and management solutions. These efforts will help us enter new geographic markets and industrial verticals, which will drive our growth in the coming years.'

Mr. Keith Chau concluded, 'We are proud of our achievements in 2017. Going forward, we will continue to enhance our research and development capabilities to expand our product ecosystem into IoT verticals where connectivity is crucial. We remain optimistic about the prospects of the Company and adoption of SD-WAN in the coming years and we look forward to creating more value for our shareholders.'

About Plover Bay Technologies Limited

Plover Bay Technologies (stock code: 1523) is a world-leading Internet connectivity technology company. The Company is primarily engaged in developing and commercialising SD-WAN solutions under its own brands – 'Peplink' and 'Pepwave.' The Company also grants software licences and provides support

services in connection with its SD-WAN solutions. The Company sells its own branded products to an extensive global network of more than 500 resellers in approximately 70 countries.

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