



Plover Bay Technologies Limited (1523 HK)
2018 Annual Results Presentation

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SD-WAN: Using Software-Defined capabilities to deliver secure, mission critical WAN connections

- **Increase bandwidth at a lower cost** – Use less-expensive broadband or mobile connections to scale up bandwidth, instead of traditional MPLS
- **Centralized management** – Manage and automate complex network settings such as VPN for branches over the cloud, saving time and cost
- **Network traffic visibility** – Visibility and analytics on data traffic of each device in the network to help decision making
- **Fast growing** - SD-WAN forecast to grow **37-40% CAGR** from 2017 through 2022 (*estimates by Gartner and IDC*)

Plover Bay Technologies – Pioneer in Wireless SD-WAN

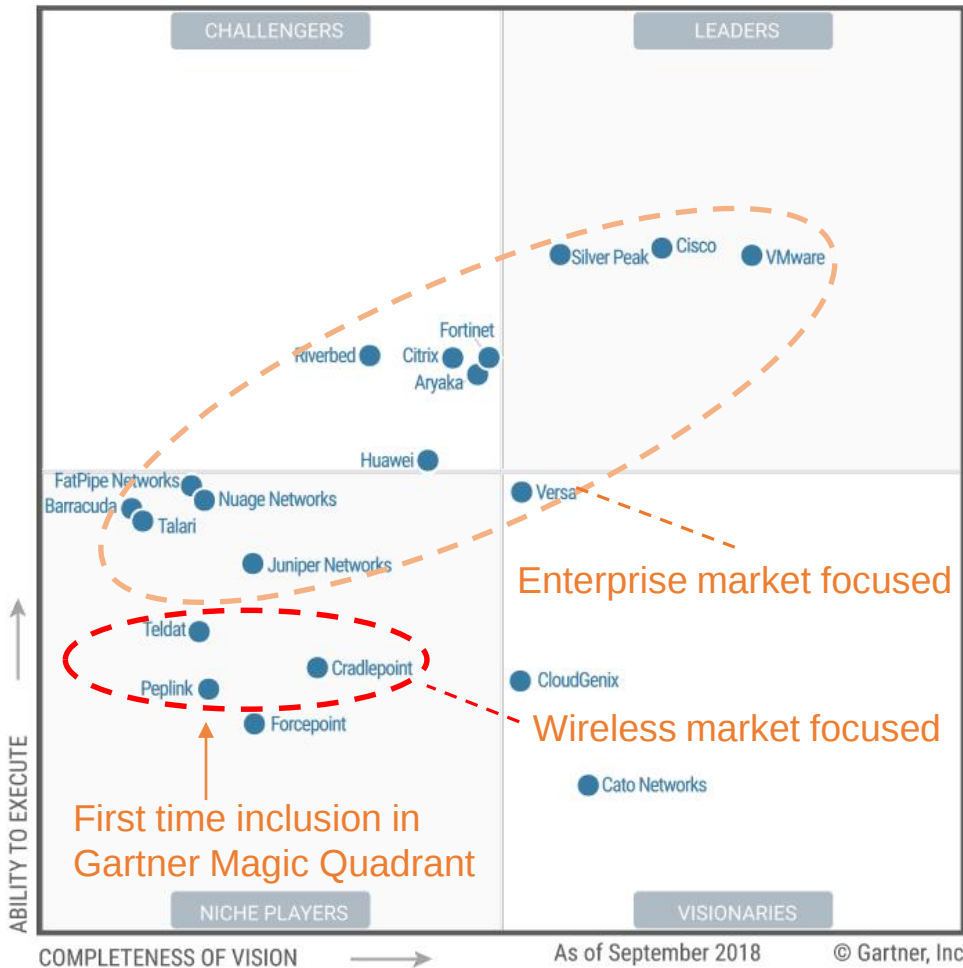
- **SpeedFusion** – the only company in the market with the capability to combine multiple connectivity, from fixed line to mobile and satellite
- **Unbreakable Connectivity** – When one connection is down, other connections seamlessly takeover without interruption to the application
- **WAN Smoothing for low latency streaming** – Perfect for latency sensitive apps such as VoIP, cloud productivity and live broadcasting
- **Unlimited mobility** – Extend office network to mobile environment, enabling mobile office with full access to enterprise IT resources
- **User-friendly cloud management tools** – Manage all devices through cloud with an easy to use interface

Recognized Global SD-WAN Player

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Magic Quadrant

Figure 1. Magic Quadrant for WAN Edge Infrastructure



Our edge vs competitors: Ability to **bond multiple wireless links with SpeedFusion**

Company	Single wireless link	Multiple wireless links
Plover Bay	Yes	Up to 18x links
Cradlepoint	Yes	Up to 2x links
Sierra Wireless	Yes	Not available

“Peplink can support a large number of links in its platforms and can bond multiple links (wired and wireless) into a single logical link to deliver high-bandwidth connections where others cannot”

- Gartner (October 2018)

Wired-SD WAN

Limited to locations with good network infrastructure

Currently the low hanging fruit from converting existing enterprise customers from traditional WAN edge to SD-WAN

Commodity hardware with proprietary software

Wireless SD-WAN

Deploy branch network at location

Wireless SD-WAN opens up new possibilities in Transport, Maritime, Public Safety, Construction and Internet of Things (IoT)

Proprietary Software and Hardware

Certification with each individual telco

Ruggedized designs (eg. IP67, shock resistance, high temperature tolerance) for outdoor deployment

5G Benefits: Low latency, Extremely fast

- **Low latency** enables mission critical applications that require instant feedback, such as autonomous vehicles and drones etc.
- **High speed** enables data intensive live applications, such as live broadcasting and public surveillance

Result: New demand favors Wireless

- Wireless to become an important consideration in enterprise networking
- **Internet of Things** takes off in 5G era

5G Challenges: Bound by physical limits

- Operates at high frequency mmWave = fast but **short range & easily blocked by objects**
- Requires numerous indoor small cells for adequate coverage, but implies **cost and legal challenges**
- Fair usage policies / data cap still exist

Result: Reliability becomes a problem

- Lengthy time to deploy adequate coverage
- Network condition easily disrupted
- Large bill / reduced speed due to data cap

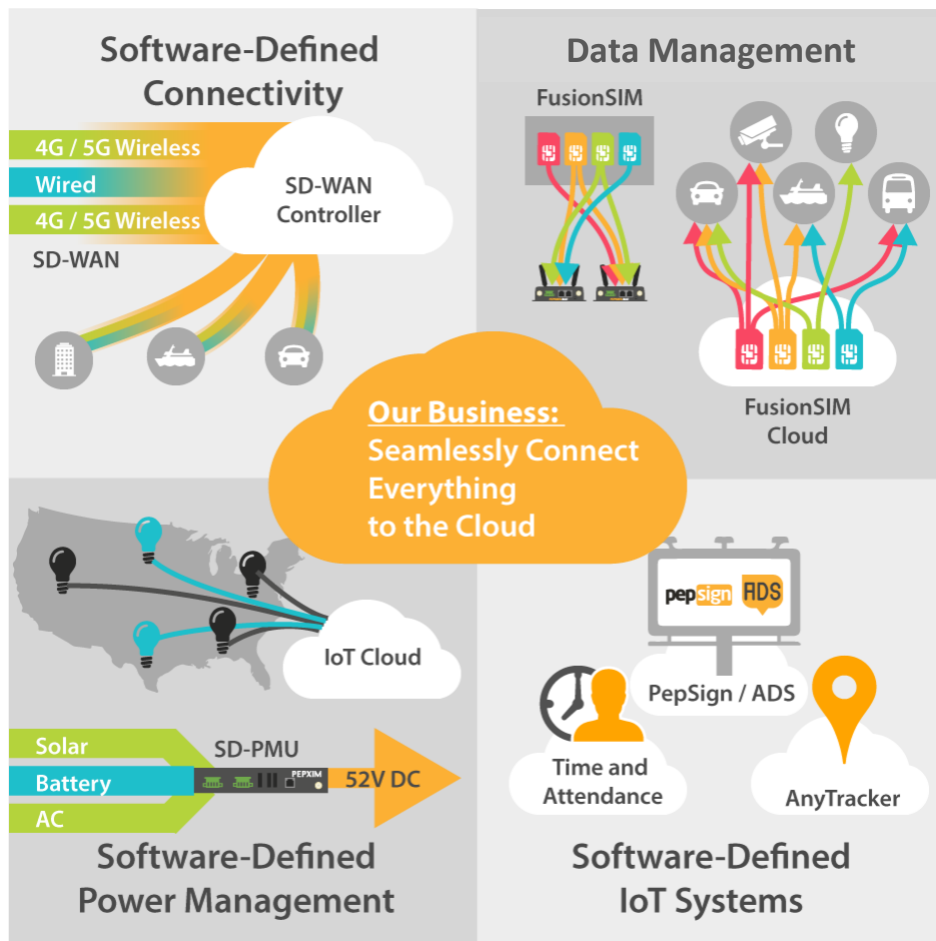
Our Capabilities

- Market's only vendor **specialized in multiple wireless SD-WAN** connections
- **Proven technology** in session-persistent network failover for 100% reliability
- Products are **5G capable today**
- Managed solutions to maximize data cap

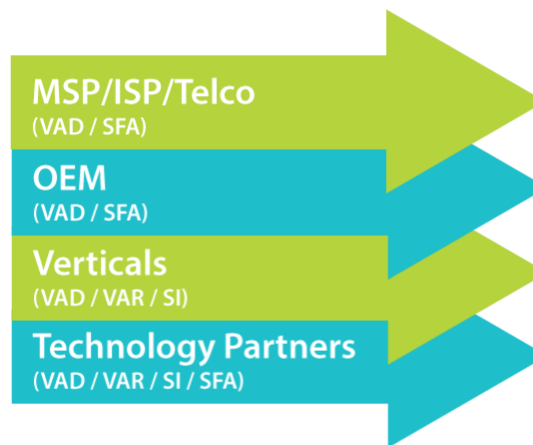
Our Go-to-market Approach

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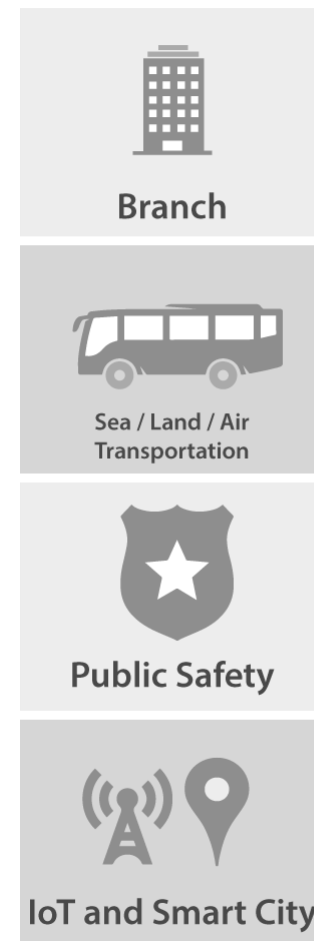
Our Innovations



Go-to-Market Channels



Focus Markets



Achievements

- Awarded [Asia's Best 200 Best Under A Billion 2018](#) by Forbes (July 2018)
- Recognized in [Gartner's Magic Quadrant for WAN Edge Infrastructure](#) (October 2018)
- IC2 cloud management suite registered devices [over 160,000](#) at end-2018

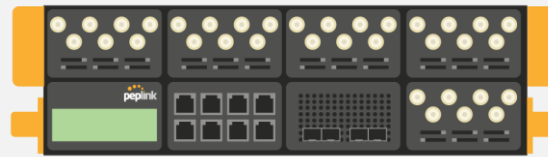
The Next Step

- Increase market penetration of high-end SD-WAN routers, further improve competitiveness of low-end wireless SD-WAN routers
- Further enhance recurring revenue with SD-WAN platform-as-a-service
- Further refine FusionSIM, build up global data center points of presence

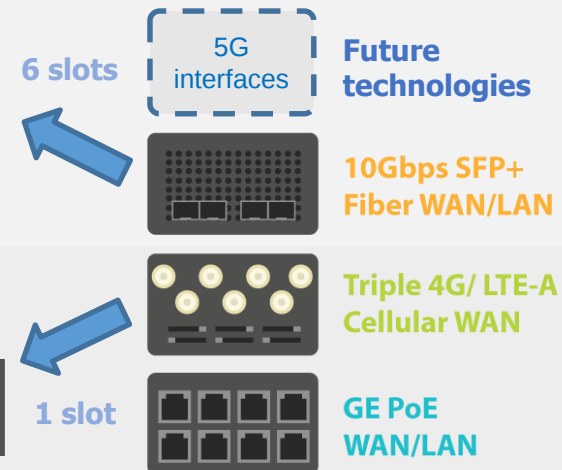
Roadmap 2019: High-performance Modular Routers Made with computing power needed for 5G

EPX

- 30Gbps router throughput
- US public safety network, FirstNet certified
- One box solution for regional offices
- Rapidly deployable at large events and outdoor sites such as mobile healthcare center



Available expansion modules



SDX

- 2.5Gbps router throughput
- Connectivity for a mid-sized branch
- Multiple links increases reliability
- Reduce connectivity cost with multiple providers



HD4 MBX

- 1Gbps router throughput
- 4x LTE-A Pro compatible
- FirstNet certified
- Upgradeable to 5G cellular modules
- Enable enterprise-grade branch networks anywhere



4x cellular connections in any configuration

Roadmap 2019: FusionSIM

Game changer for managed service providers

- Enables MSPs **pool data plans** from multiple carriers to create customized data plans for end-customers
- Automation policies set to **minimize** data plan cost, **distribute** data cap or **optimize** for the best connectivity in response to changing network condition
- Scale to any number of branches with one solution and one service provider



Financial Highlights

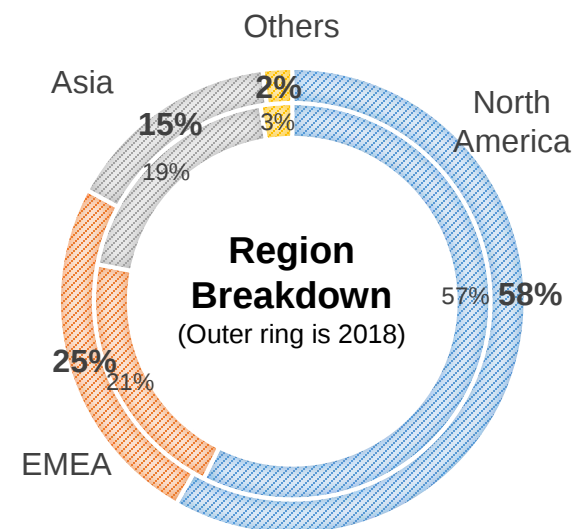
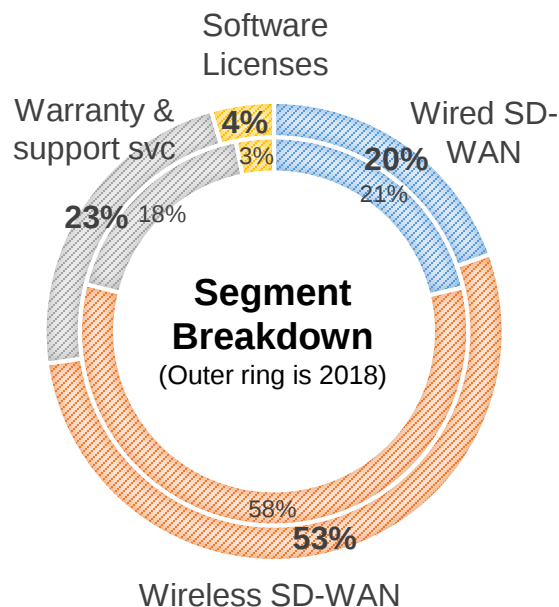
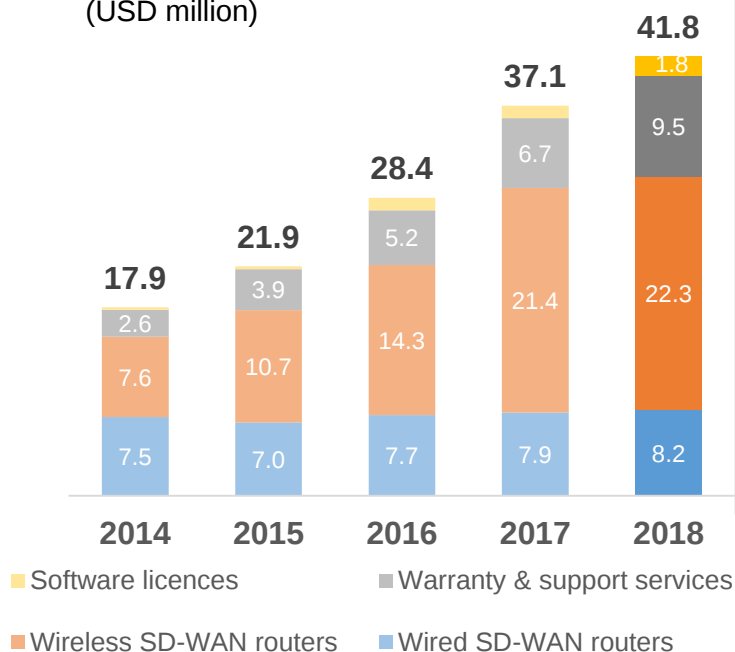
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Financial year ended 31 December (USD'000)	FY16	FY17	FY18	FY18 vs 17
Revenue	28,358	37,132	41,806	+12.6%
Gross profit	17,945	22,975	26,189	+14.0%
Operating income	7,950	10,654	12,245	+14.9%
Reported net profit	5,240	8,754	10,620	+21.3%
Core net profit *	6,900	9,517	11,381	+19.6%
Gross profit margin (%)	63.3%	61.9%	62.6%	+0.7ppt
Core net profit margin (%)	24.3%	25.6%	27.2%	+1.6ppt
Diluted EPS (US cents)	0.60	0.84	1.00	+19.0%
Dividend per share including special (HK cents)	3.68	6.08	8.80	+44.7%

* Core net profit excludes non-cash share option expenses and IPO expenses

Revenue by product

(USD million)

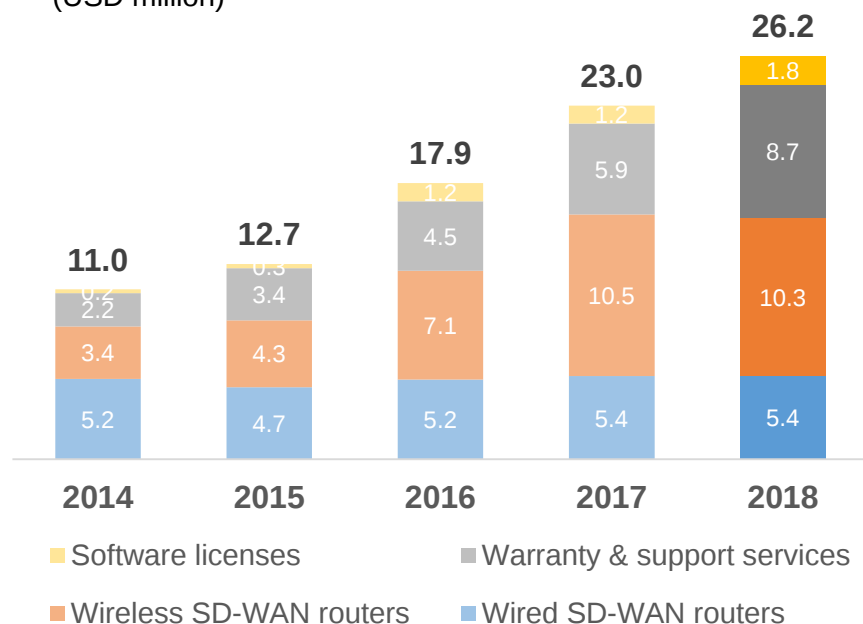


- Strong growth in warranty & support services (+43.4%) and software licenses (+57.1%)
- Modest growth in wired and wireless SD-WAN routers due to increased lead time caused by shortages in Taiwan manufacturer capacity and MLCC during the year
- North America and EMEA continued healthy growth of 14.4% and 34.5% respectively, vs decline of 12.8% and 10.6% in Asia and Other regions

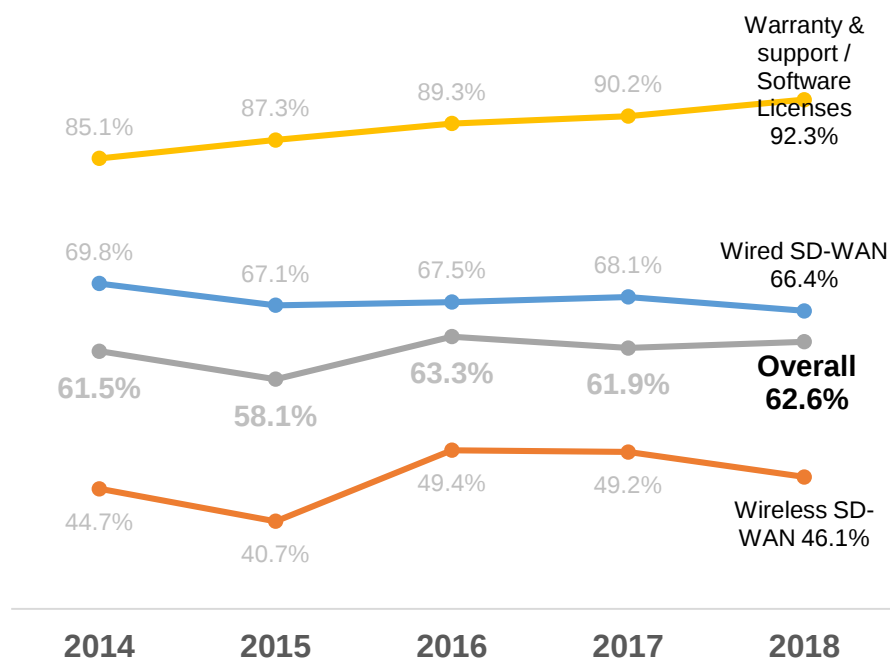
Gross Profit Margin Breakdown

Gross profit mix

(USD million)



Segment Gross Profit Margin



- Gross profit margin remains healthy at 62.6%
- Overall gross profit margin increased 0.7 ppt supported by increased mix of warranty & support and software licenses

Operating Expenses Breakdown

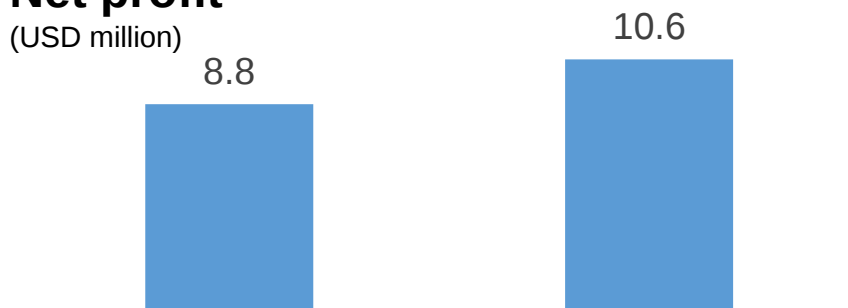
Year ended 31 Dec	USD'000			Percentage of revenue		
	2016	2017	2018	2016	2017	2018
Operating expenses:						
Selling & Distribution	1,679	1,636	2,107	6.0%	4.4%	5.0%
Admin expenses	3,412	3,958	4,814	12.0%	10.6%	11.5%
R&D expenses	4,990	7,189	7,318	17.6%	19.4%	17.6%
Total operating expenses	10,099	12,784	14,239	35.6%	34.4%	34.1%
Other operating data:						
Staff cost (incl. share options expenses)	5,517	7,316	7,749	19.5%	19.7%	18.5%
Share option expenses	408	764	761	1.4%	2.1%	1.8%
Total staff	103	127	123	N/A	N/A	N/A

- Increased marketing activity and expanded marketing team led to higher Selling & Distribution expenses
- Admin expenses increased due to higher staff salary, increased amortization and recognition of foreign exchange loss (vs a gain in 2017)
- Enhanced project management led to more efficient R&D spending

Year ended 31 Dec (USD'000)	2017	2018
Net profit	8,753	10,620
+ Stock option exp.	764	761
Core net profit	9,517	11,381
EPS data (US cents)		
Basic EPS	0.87	1.04
Diluted EPS	0.84	1.00
Dividend per share declared (HK cents)		
1 st half dividend (paid)	2.58	2.92
2 nd half dividend	3.50	4.36
Special dividend	-	1.52
Payout ratio	90.0%	109.0%

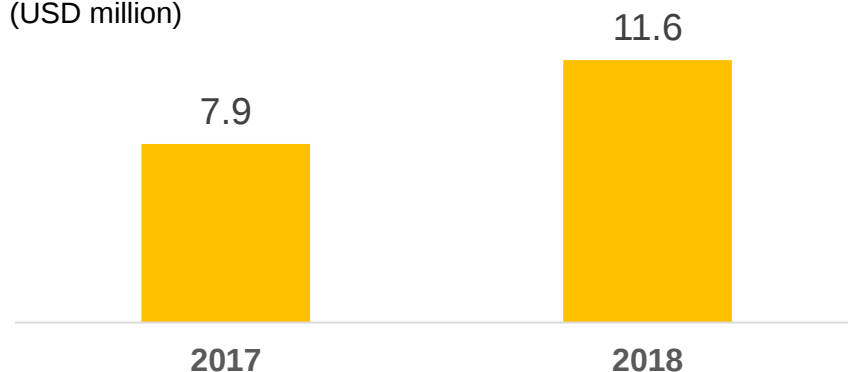
Net profit

(USD million)



Dividend declared

(USD million)



- FY18 effective tax rate lower than FY17 as effects of new tax deductions were included
- In view of strong operating cash flow in 2018, special dividend of HK1.52 cents per share was declared on top of second interim dividend of HK4.36 cents per share

Strong Free Cash Flow Generation

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Free Cash Flow

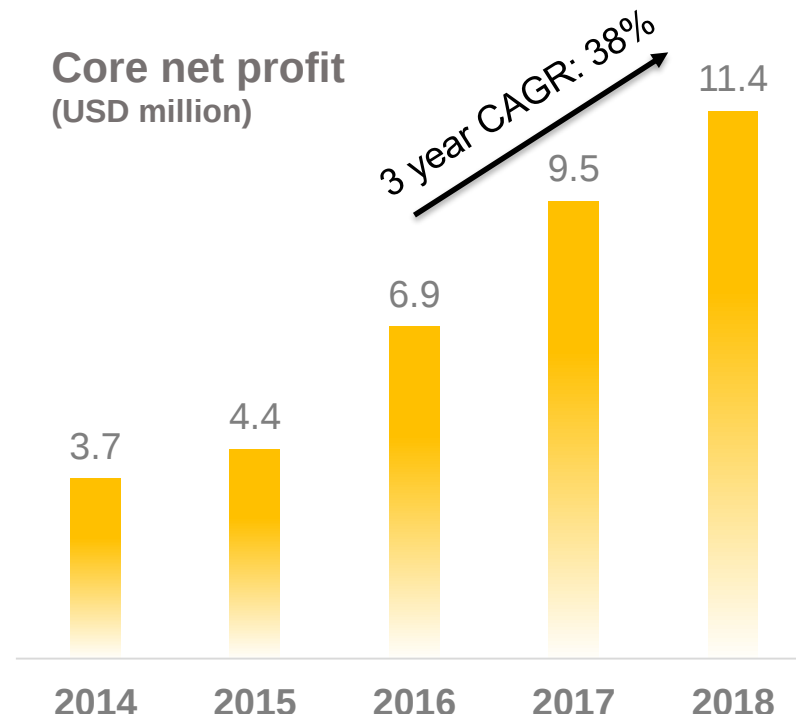
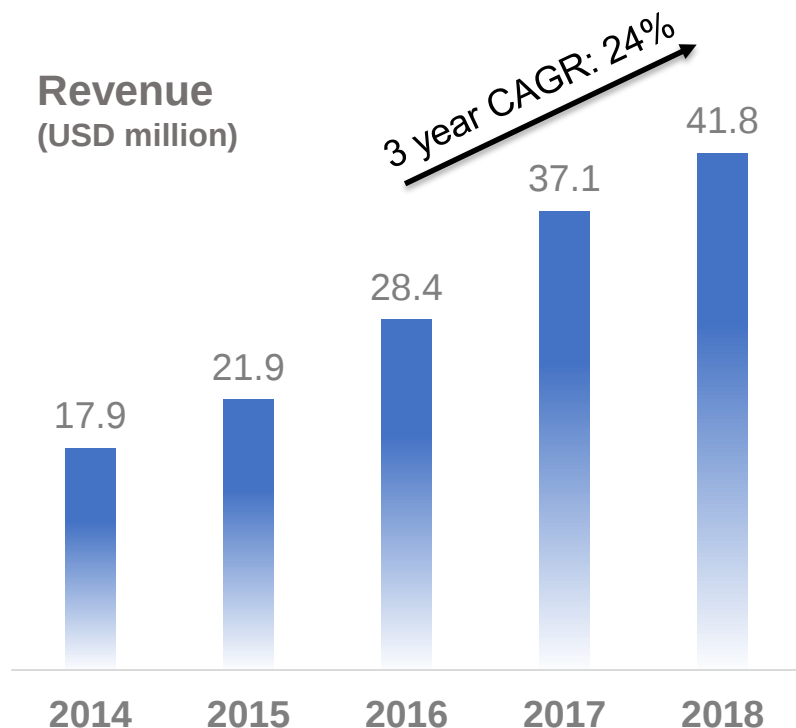
Year ended 31 December (USD'000)

	2016	2017	2018
Cashflow from operations	4,420	2,809	19,491
Cashflow from investing (excl. movements in fixed deposits)	(808)	(1,821)	(1,293)
Free cash flow	3,612	988	18,198

Working capital (USD'000)

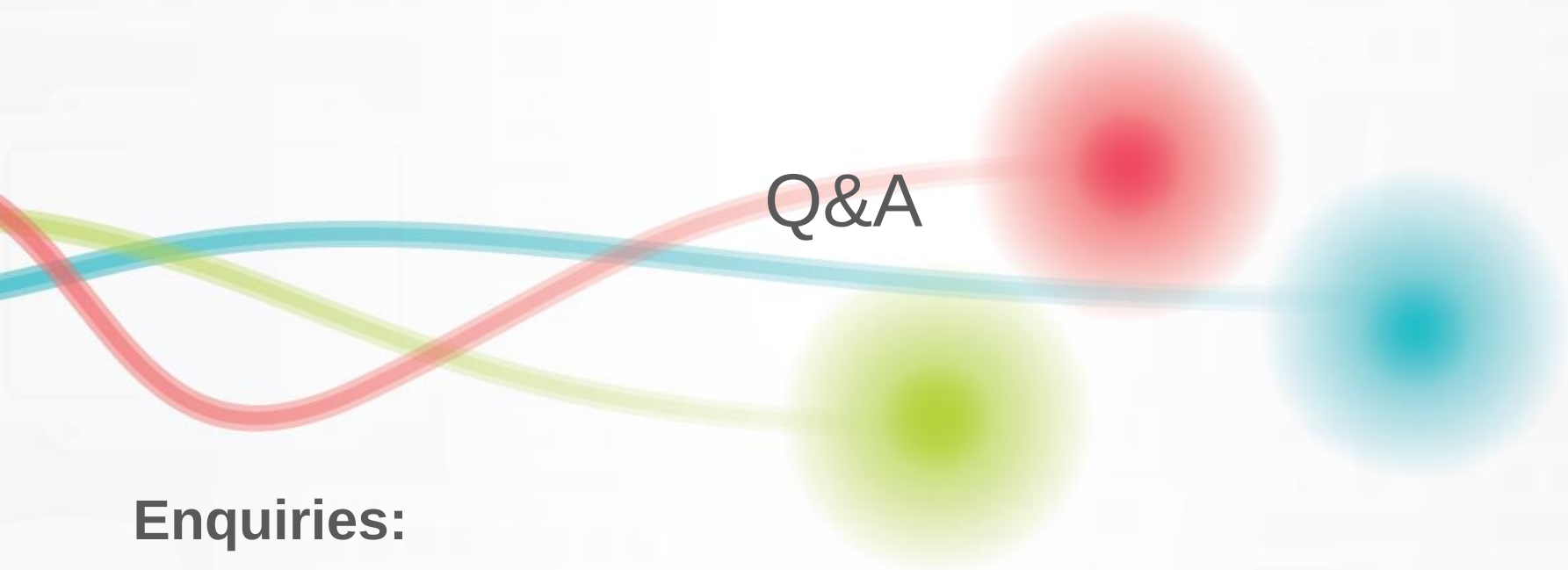
Trade and other receivables	5,315	7,763	4,922
Inventories	6,678	11,629	8,372
Trade and other payables	1,884	2,630	2,274
Cash and cash equivalents	19,322	16,747	26,850

- Strong improvement in cash flow from operations partly due to improvement in the collection of trade receivables and inventory control during the period
- Net gearing ratio as at 31 December 2018 remains solid at 4.0% (2017: 6.9%)



- Engaged in R&D of SD-WAN software and products
- Fully outsourced manufacturing to OEMs in Taiwan, China and Hong Kong
- Consistent high ROE and dividend payout since listed
- 74.0% management owned (at 28-Feb-2019)

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Q&A

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