Plover Bay Technologies Announces 2018 Interim Results

Strong growth in recurring revenues and improvements in operations underlie robust cash flows

(31 July 2018, Hong Kong) **Plover Bay Technologies Limited** (the "Group", SEHK stock code: 1523), a world leading SD-WAN technology company, today announced its financial and business performance for the period ended 30 June 2018 ("1H18").

The Group reports a revenue for the first half of 2018 of approximately US$19.7 million, gross profit of approximately US$12.4 million, net income of approximately $4.7 million and diluted earnings per share of approximately US$0.45 cents. In addition, the Group declares an interim dividend of HK 2.92 cents, representing a payout ratio of approximately 80%.

Financial Highlights:

Six months ended 30 June (USD'000)	1H18	1H17	Year on year
Revenue	$19,728	$17,788	Up 10.9%
Gross margin %	63.1%	59.0%	Up 4.1 pp
Operating expense	$6,735	$5,879	Up 14.6%
Operating expense / revenue %	34.1%	33.1%	Increased 1.0 pp
Operating income	$5,797	$4,992	Up 16.1%
Net income	$4,743	$4,135	Up 14.7%
Net margin %	24.0%	23.2%	Up 0.8 pp
Diluted earnings per share (US cents)	0.45	0.41	Up 9.8%

Revenue increased approximately 10.9% year-on-year. The main driver of revenue growth was a 35.1% growth in warranty and support services which is a highly recurring revenue base. During the period, sales to North America and EMEA also increased approximately 22.1% and 25.1%, respectively, showing a steady growth of SD-WAN in our key markets.

Net profit margin also improved to 24.0% (from 23.2% in 1H17). Improvements in net profit margin was driven by a 4.1 pp increase in gross margin thanks to improvements in our sourcing and procurement capabilities and rising revenue contribution from the warranty and support services segment. This was partially offset by "operating expense / revenue ratio" rising slightly to 34.1% (from 33.1% in 1H17) as we stepped up our marketing and promotional activities. During the period, we began hosting partner training events in both the US and Europe and also increased marketing support to our distribution channel in order to further promote our brand and products.

Finally, cash flow from operations showed a strong improvement to approximately US$11.3 million in the current period, compared to approximately US$1.2 million during the same period last year. The strong cash flow can be attributed to measures taken to improve collection of trade receivables and tighten inventory controls. As at 30 June 2018, the Group is in a strong net cash position of approximately US$21.1 million and a gearing ratio of approximately 3.6%.

Mr. Keith Chau, CEO of the Group said "we had a great first half with decent revenue growth highlighted by strong recurring revenue growth from warranty and support services. We also had margin expansion and improving cash flows which was the direct results of our efforts to strengthen our procurement capabilities, our trade receivables and inventory management."

"More importantly, we see keen interest from leading companies and brands to embed our disruptive SD-WAN technologies into their products so that their customers can enjoy the benefits of unbreakable and high-speed wireless connectivity. We will also launch a new SD-WAN service to provide prepackaged mobile data from different telecom service providers to maximize the benefits of SpeedFusion. This will not only enhance the coverage area and service quality of managed service providers, it will also simplify end customer deployments into a hassle-free experience. We are also expanding our product range into the Internet of Things space with products that will help end-customers simplify their smart office deployments, automate administrative functions and save costs. We are confident that these developments will become important pillars of our business as the market for wireless SD-WAN and IoT continues to expand. We are confident that these developments will become important pillars of our business as the market for wireless SD-WAN and IoT continues to expand." **Mr. Keith Chau** added.

About Plover Bay Technologies Limited

Plover Bay Technologies (stock code: 1523) is a world-leading Internet connectivity technology company. The Group is primarily engaged in developing and commercialising SD-WAN solutions under its own brands – 'Peplink' and 'Pepwave.' The Group also grants software licences and provides support services in connection with its SD-WAN solutions. The Group sells its own branded products to an extensive global network of more than 500 resellers in approximately 70 countries.

For more details, please visit: www.ploverbay.com

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