Plover Bay Technologies Limited (1523 HK)
2019 Interim Results Presentation

July 2019

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We are the "Unbreakable Connectivity" Company

- Founded in 2006, listed in July 2016 on Stock Exchange of Hong Kong
- We develop and market SD-WAN routers and supporting cloud management platform under "**Peplink**", "**Pepwave**" and "**InControl 2**"
- Headquartered in Hong Kong with global engineering and support teams in Taiwan, US and Southeast Asia
- Team size of 158 people, 95 of which are engaged in R&D and engineering support

What is Software-Defined WAN (SD-WAN)?

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In general, SD-WAN simplifies branch office networking, enhances business agility and reduces cost associated with network deployment and maintenance

- **Better network performance** – Optimize network traffic based on applications in use, e.g. SaaS productivity apps routed through most reliable connection while non-critical traffic such as social media browsing offloaded to secondary link
- **Business continuity** – Switch to secondary link for failover if primary fixed network fails
- **Cloud managed** – Monitor and manage data traffic and network traffic policy settings for all routers deployed in the organization from one location

Our SD-WAN technology offers more:

- **SpeedFusion** – combine multiple WAN links, from fixed line to mobile to satellite, to form a single resilient and extremely fast data connection
- **Unbreakable connectivity** – When one of the connections fails, other connections seamlessly takeover without interrupting the application
- **Enable applications that was impossible** – New possibilities in mobile workplace, public safety, maritime, transport and unmanned systems enabled with unbreakable connectivity
- **Cloud management** – Manage network policies for all devices through cloud with an easy to use interface

Gartner

"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"

Snapshot of the SD-WAN Market

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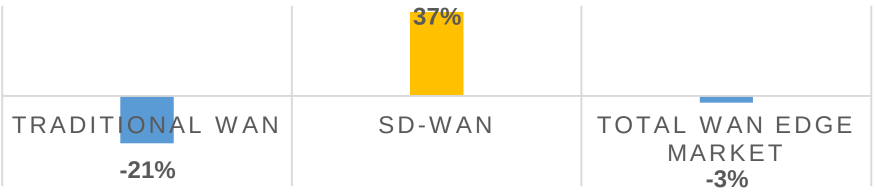
Market CAGR 2017 – 2022

(Source: Gartner 2018)



Subdivide SD-WAN into:

Wired SD-WAN

- Enterprise market focused
- Limited to fixed location with good infra
- Current high growth driven by enterprise upgrades from traditional WAN to SD-WAN

Wireless SD-WAN

- Secure access to enterprise resources in both fixed and mobile locations
- Currently small portion of SD-WAN market
- Demand will grow from increasing adoption of mobile by enterprise networks

Wireless SD-WAN: 5G Will Be a Tipping Point

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5G will create new demand for wireless connectivity

5G Massive IoT

Healthcare

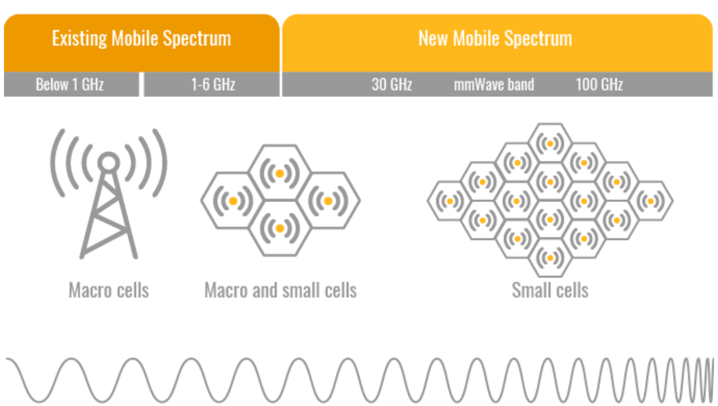
Fixed wireless broadband

Retail

Public safety

Autonomous driving

5G will require massive investment on small cells



Problems:

Cellular deadspots

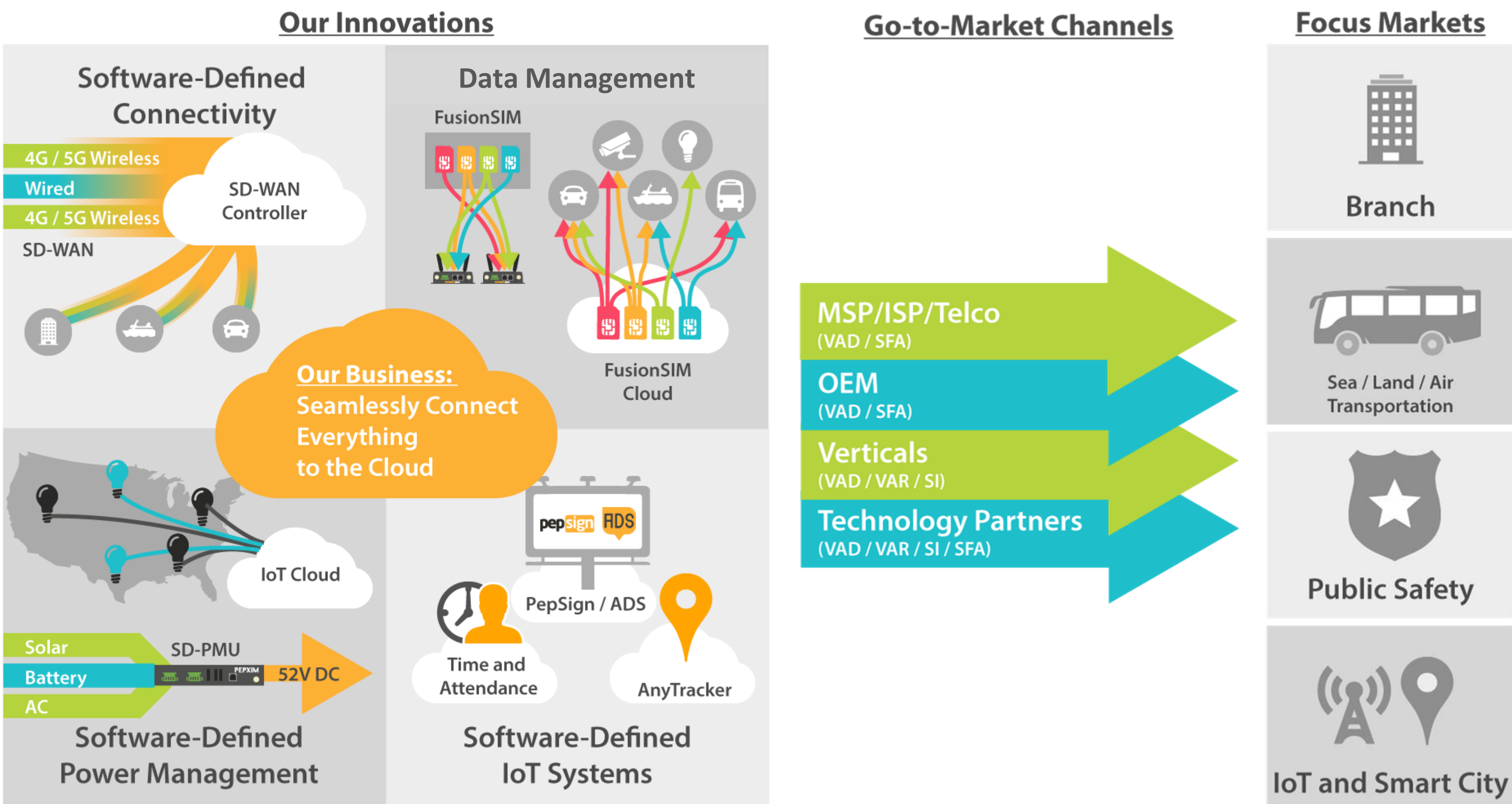
Fair usage policies

Frequent network switchover between LTE and 5G

Plover Bay's SpeedFusion technology uses multiple wireless connections to complement the 5G network

- **SpeedFusion** bonding ensures sufficient bandwidth in a congested network
- **Unbreakable Connectivity** with no interruption to mission critical applications
- **Centrally managed devices** to facilitate large scale deployment and maintenance
- **Virtualized SIM management** automates SIM switching and selects best fitting SIM data plan with best cost or performance
- **Secure** with FirstNet certification, 256-bit VPN encryption and built-in firewall

Our Go-to-market Approach



The Next Step

- Increase sales and marketing support to channel partners
- SpeedFusion Cloud, a pay-per-usage service for unbreakable connectivity which massively simplifies network deployment
- Establish partnerships with telecom and mobile operators to build up global presence for SpeedFusion Cloud

Financial Highlights

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Financial year ended 31 December (USD'000)	1H18	1H19	Change
Revenue	19,728	**22,025**	+11.6%
Gross profit	12,449	**14,060**	+12.9%
Other income, Operating expense & Finance cost	(6,673)	**(7,124)**	+6.8%
Profit before tax	5,776	**6,936**	+20.1%
Reported net profit	4,743	**5,758**	+21.4%
Gross profit margin (%)	63.1%	**63.8%**	+0.7 ppt
Net profit margin (%)	24.0%	**26.1%**	+2.1 ppt
Diluted EPS (US cents)	0.45	**0.54**	+20.0%
Dividend per share (HK cents)	2.92	**3.49**	+19.5%

Revenue Breakdown

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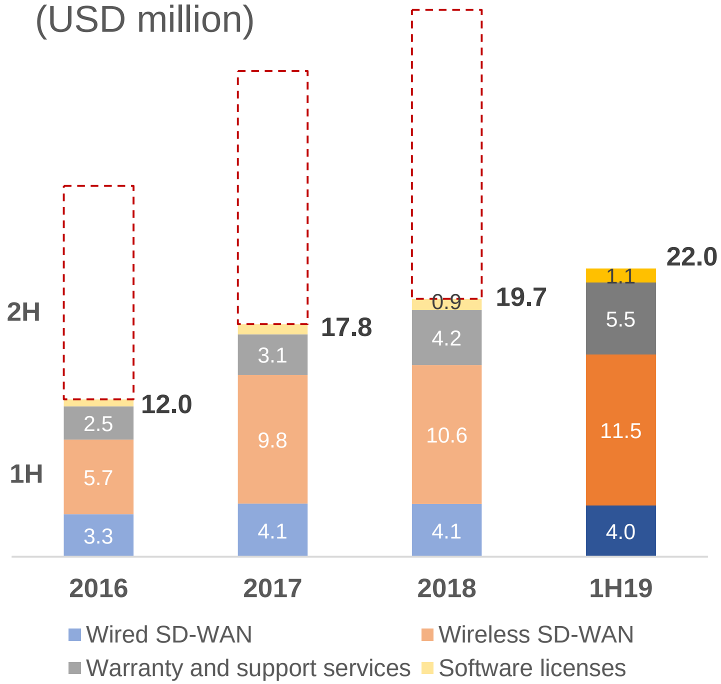
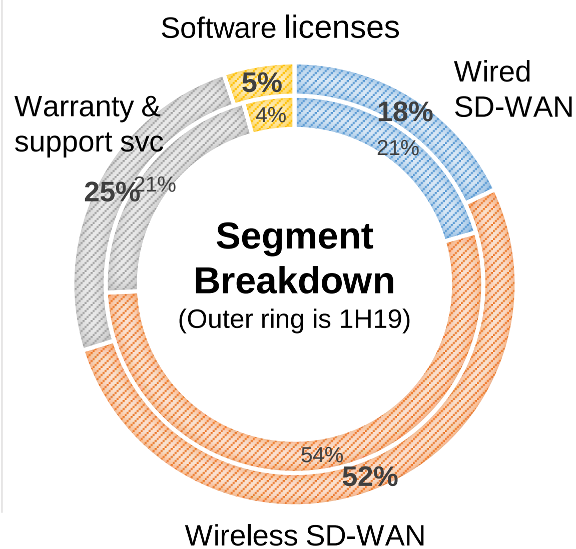
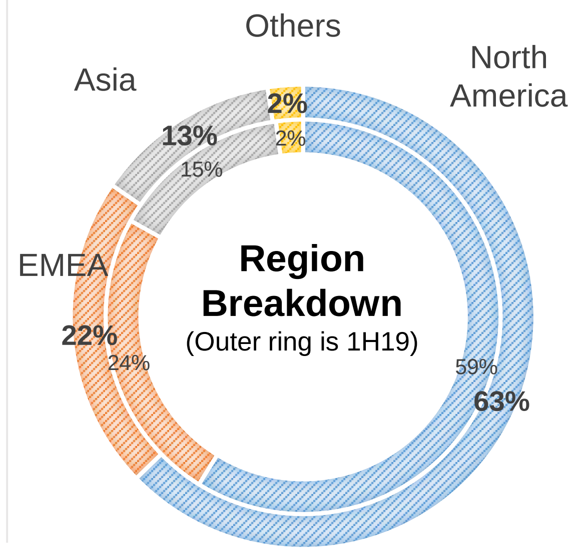
Revenue by product
(USD million)







- Wireless SD-WAN increased 9% YoY, while Wired SD-WAN dropped 4%
- Warranty, support services and licenses continue to be the main growth driver, with 30% YoY growth
- Global economy was subject to political uncertainty in 1H19, which affected business decisions on major IT spending
- Sales in North America increased 20% YoY, while EMEA and Asia regions stayed relatively flat

Gross Profit Margin Breakdown

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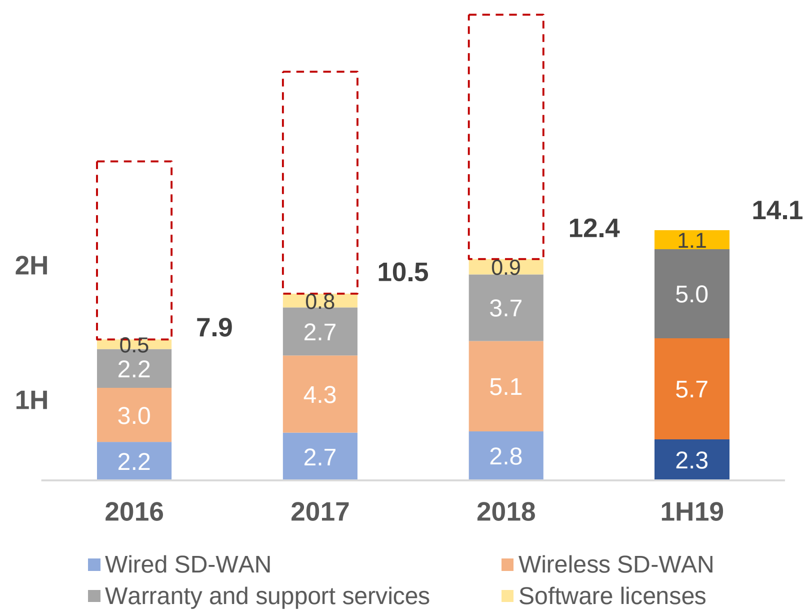
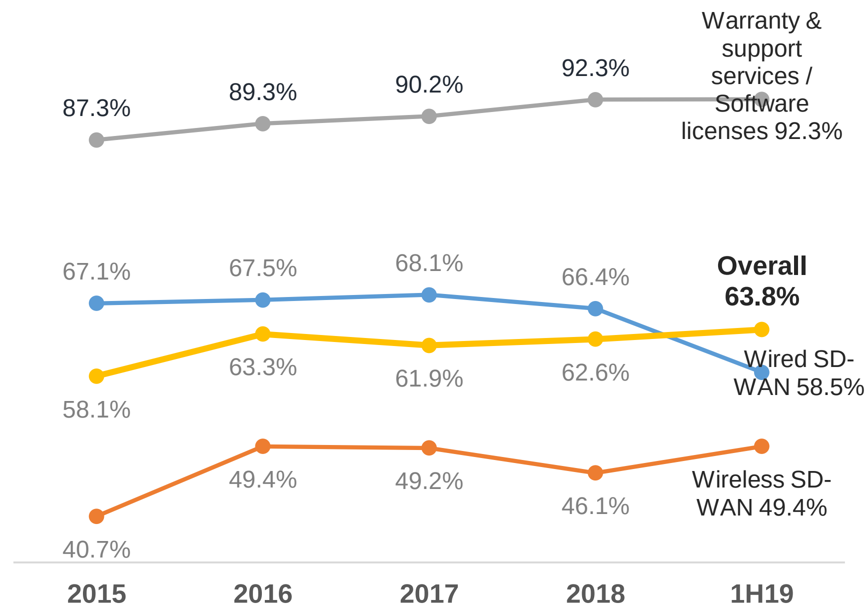
Gross profit by product
(USD million)



Segment Gross Profit Margin



- Overall gross margin improved to 63.8% thanks to i) continuous cost improvement and increase in scale of the wireless SD-WAN business and ii) increased sales proportion of Warranty and support services and Software licenses
- GPM of Wired SD-WAN decreased because product mix during the period shifted towards entry level SME products

Operating Expenses Breakdown

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For six months ended June 30	USD'000		Percentage of revenue	
	1H18	1H19	1H18	1H19
Operating expenses:				
Selling & Distribution	1,058	1,168	5.4%	5.3%
Admin expenses	2,166	2,609	11.0%	11.8%
R&D expenses	3,511	3,513	17.8%	16.0%
Total operating expenses	**6,735**	**7,290**	**34.1%**	**33.1%**
Other operating data:				
Staff cost (incl. share options expenses)	3,809	4,067	19.3%	18.5%
Share option expenses	413	275	2.1%	1.2%

- Increase in administrative expenses is due to increased staff salary, amortization of intangible assets and rental expenses

Net Profit, EPS and Dividend

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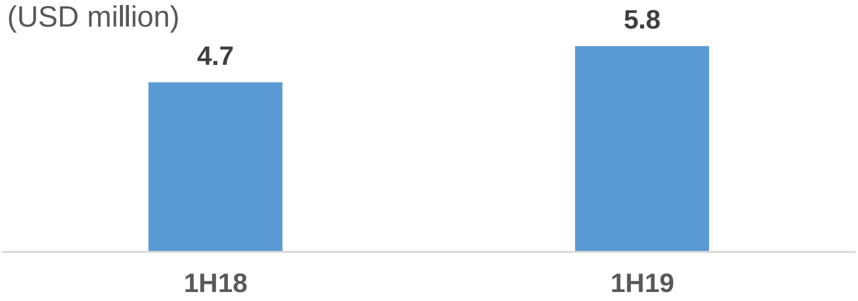
For the six months ended	1H18	1H19
Profit before tax	**5,776**	**6,936**
Income tax	(1,033)	(1,177)
Effective tax rate	*17.9%*	*17.0%*
Net profit	**4,743**	**5,758**
+ Stock option exp.	413	275
Core net profit	**5,156**	**6,034**
EPS data (US cents)		
Basic EPS	0.47	0.56
Diluted EPS	0.45	0.54
Dividend per share declared (HK cents)		
1st half dividend	2.92	3.49

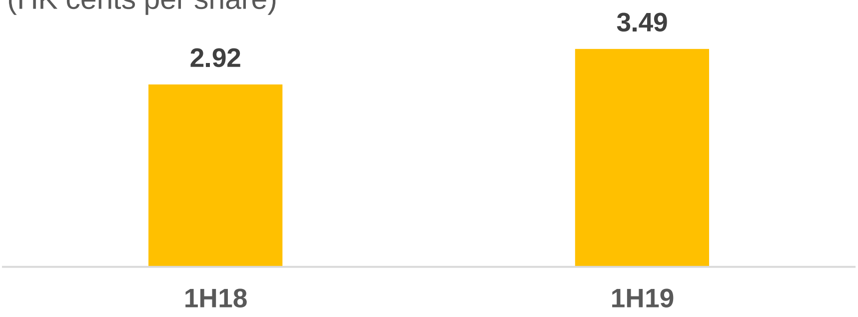
Net profit

(USD million)



Dividend declared

(HK cents per share)



- Potential tax reduction from Hong Kong SAR Government's Supertax deduction was not considered in 1H19

Strong Free Cash Flow Generation

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Cash flow statement summary Period ended 30 June (USD'000)	**1H18**	**1H19**
Cash flows from operating activities	11,259	8,707
Cash flows used in investing activities	(472)	(425)
Cash flows used in financing activities	(5,240)	(8,268)

Key balance sheet items As at period ended (USD'000)	**December 2018**	**June 2019**
Trade and other receivables	4,922	4,668
Inventories	8,372	7,885
Trade and other payables	2,274	3,041
Total contract liabilities	8,672	8,430
Total bank borrowing	1,306	847
Cash and cash equivalents	26,850	26,858

Appendix: Investment Highlights

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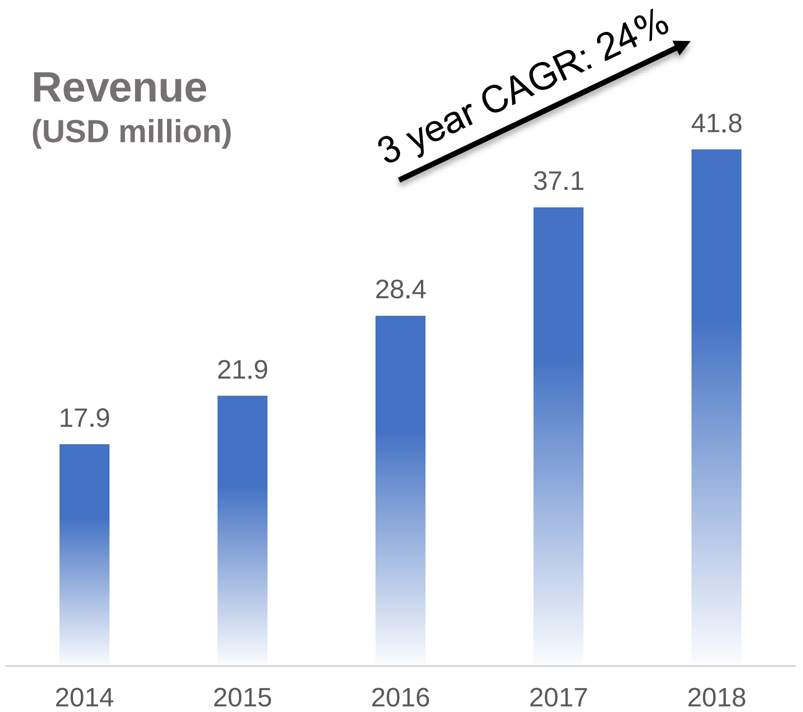

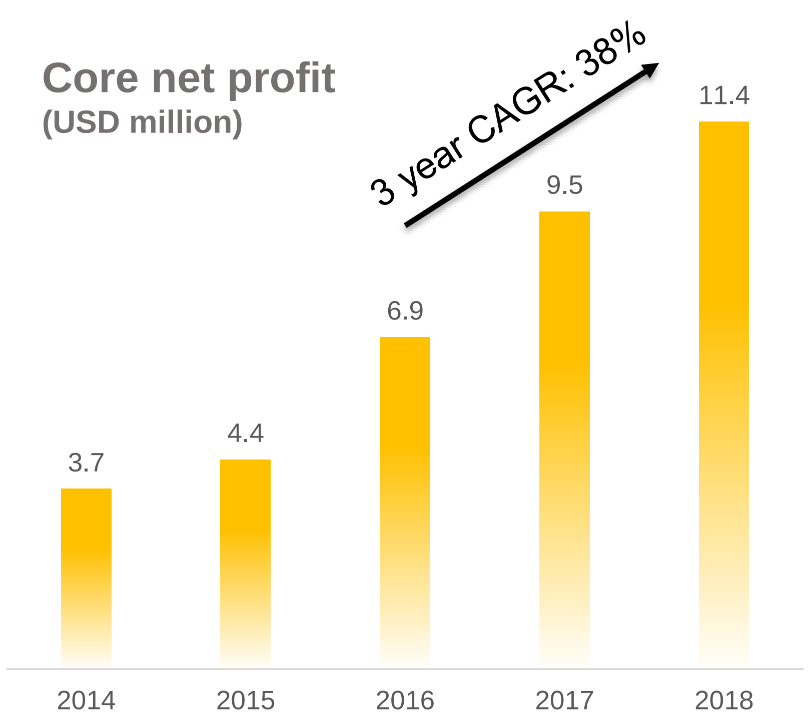

- Develops proprietary technologies that ensure unbreakable connectivity
- Majority of manufacturing outsourced to manufacturing partners in Taiwan
- Track record of consistent profit growth, strong profitability and high dividend payout
- Interest highly aligned with shareholders (73.9% management owned at 31-July-2019)

Q&A

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