Plover Bay Technologies Limited (1523 HK)

2020 Interim Results

July 2020

Disclaimer

Plover Bay Technologies Limited is incorporated in the Cayman Islands with limited liability.

The information contained in this presentation is intended solely for your personal reference. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning Plover Bay Technologies Limited (the “Company”). The Company makes no representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.

In addition, the information contains projections and forward-looking statements that may reflect the Company’s current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the Company’s assumptions are correct. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects.

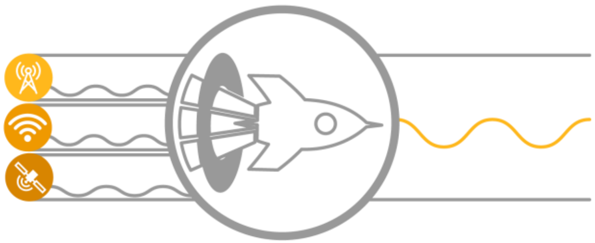
This presentation does not constitute an offer or invitation to purchase or subscribe for any securities or financial instruments or to provide any investment service or investment advice, and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto.

Who We Are?

Provide Unbreakable Connectivity Anytime Anywhere

- Integrated hardware and software under “**Peplink**” and “**Pepwave**” to provide cloud-managed, secure, high-speed and unbreakable connectivity

- **SpeedFusion** creates high speed and “unbreakable” connectivity from any link, including fiber, broadband, LTE/5G, or other types of WAN



- Global R&D resources in Hong Kong, Taiwan and Lithuania

Products and customers

plover bay technologies

SD-WAN router &
networking devices

Virtual appliances and
feature licenses

Cloud management,
SpeedFusion Cloud

Full range of solutions for a wide range of end customers

Enterprise

Conferencing

Retail and
hospitality

Government

Public safety

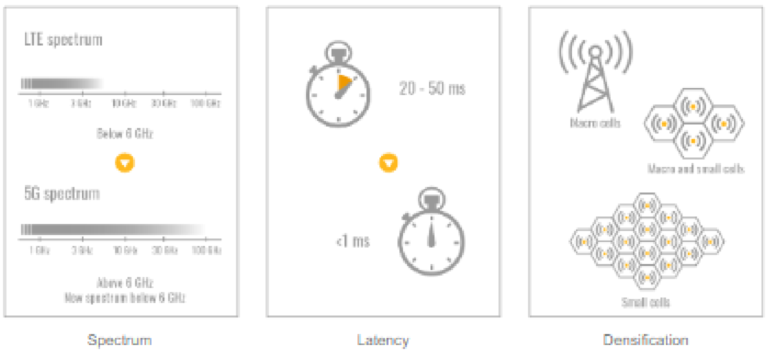
Construction

Maritime

Others

Long term growth driver: 5G

5G Promises

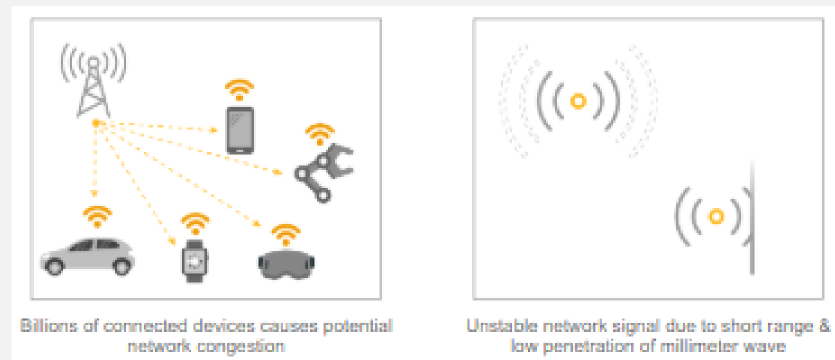


- Superior latency and bandwidth enable new kinds of real-time applications
- Convenience and flexibility of mobile
- No last-mile problem of fiber connections

What this leads to:

- Enterprise adoption of 5G drives new demand in wireless market

Potential issues



- Incomplete 5G network coverage
- Network congestion, poor reception, data allowance, etc
- Managing a large number of physical SIM cards or eSIMs

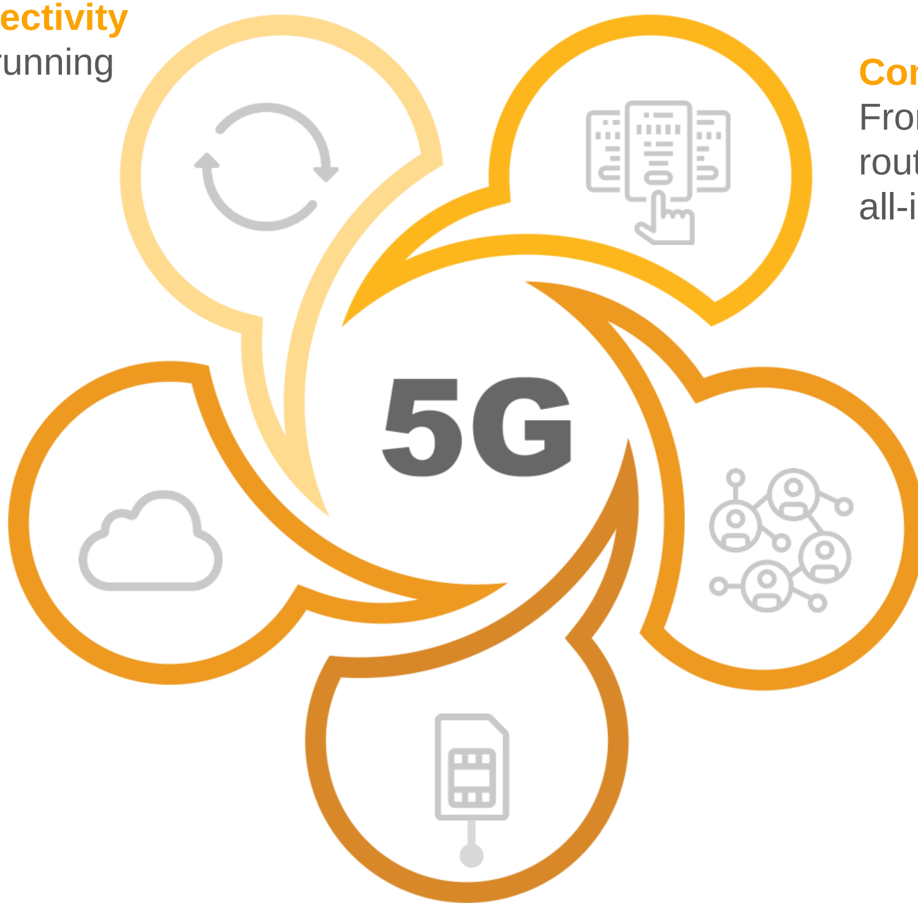
What this leads to:

- Enterprises need a reliable, easy-to-manage wireless networking solution

Well positioned for the 5G opportunity

Unbreakable Connectivity
Keeps the network running anywhere

Complete range of solutions
From software, SD-WAN routers, cloud management, to all-inclusive plans



Cloud management
Manage all router devices from just one screen

Growing ecosystem
Global network of partners to support a growing customer base

Wireless focused
Extensive range of LTE/5G capable products and services to support novel, mobile-only end uses

plover bay technologies

What's new in 2020

- **SpeedFusion Cloud**, a subscription that massively simplifies network upfront cost and complexity while retaining the same unbreakable and high speed connectivity.
- Expand digital marketing capability
- Continue to expand R&D capabilities

SpeedFusion Cloud

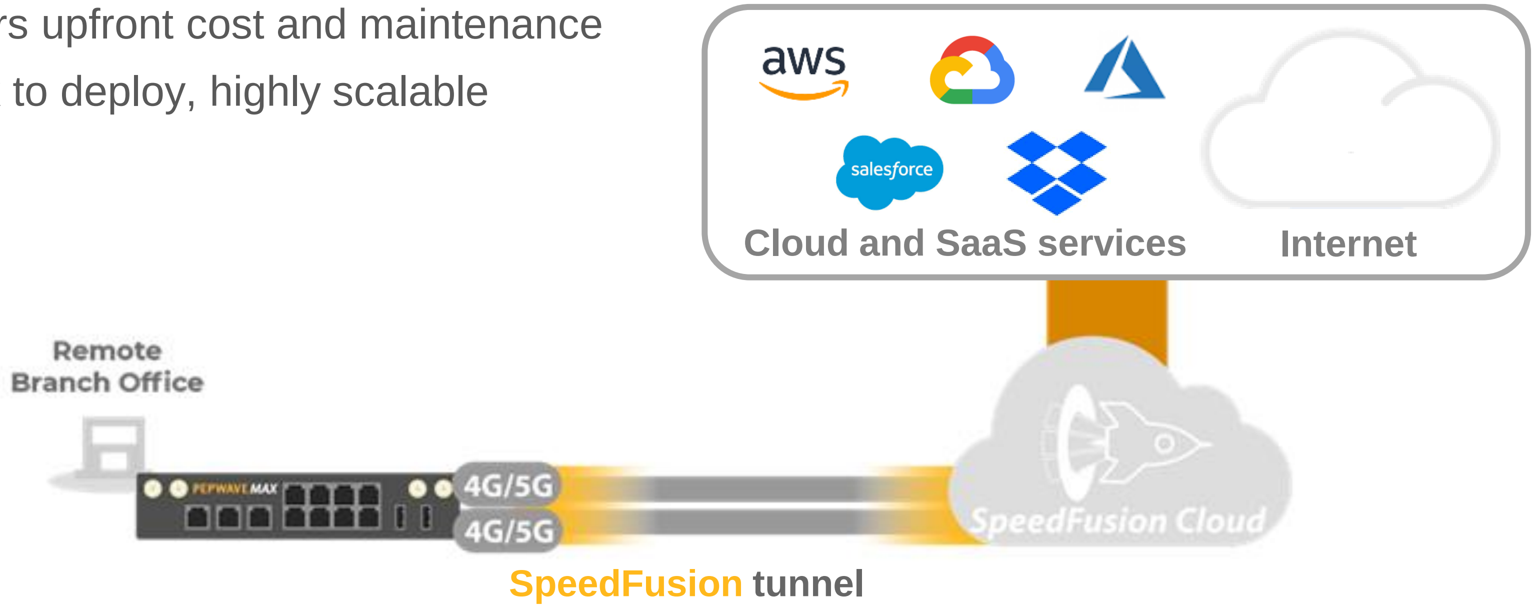
Improve online presence

Expand R&D

SpeedFusion Cloud

Benefits of SpeedFusion Cloud:

- Plug in and use anywhere
- Secure, stable and high speed connectivity
- No server infrastructure required
- Lowers upfront cost and maintenance
- Quick to deploy, highly scalable

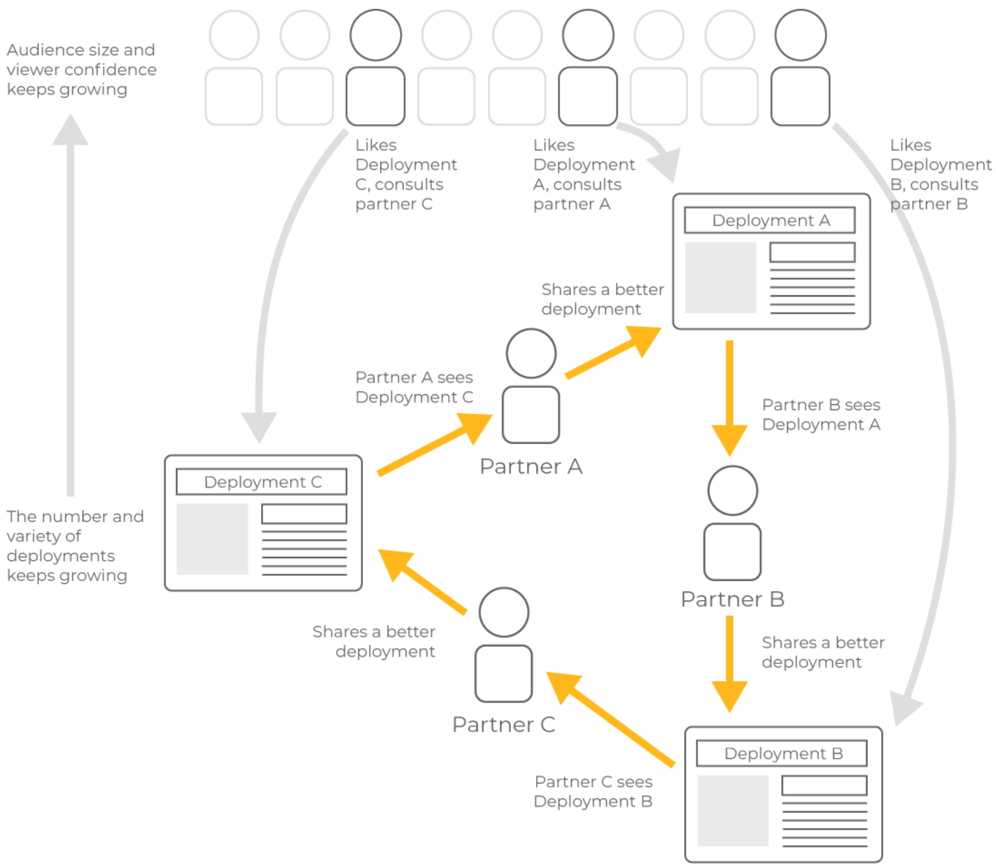


Digital marketing

plover bay technologies

Launched SpeedFusion Marketplace:

- A platform for channel partners to contribute case studies and share knowledge
- Expands from existing user forum to strengthen user ecosystem
- Aggregates content and customer traffic
- Improve marketing efficiency



Opportunities and Challenges

Opportunities

Reliable connectivity remains the backbone of modern technology:

- Permanent shift to remote access and cloud to ensure business resilience amid pandemic
- 5G network driven innovation will create new demands for mobile connectivity among enterprise customers in the longer term

Challenges

Our diversified small teams, asset light structure and a culture of business agility will help us navigate through any challenges

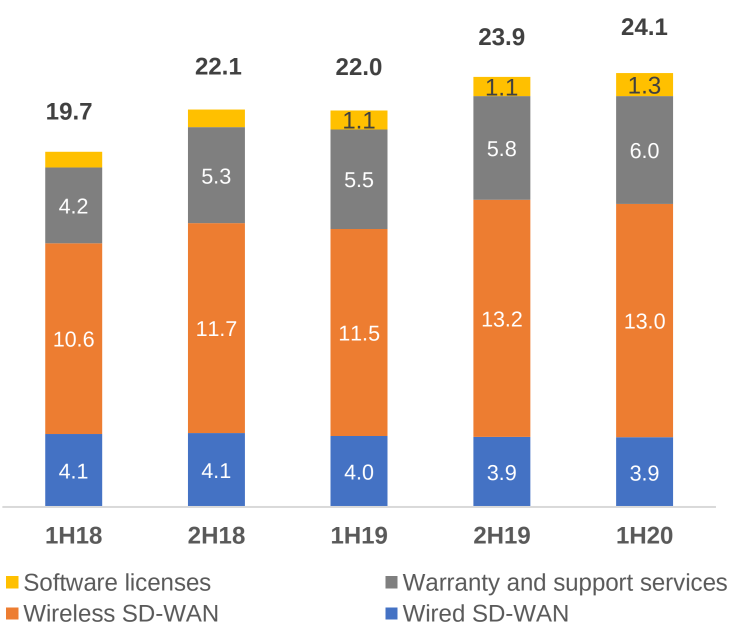
- Diversified teams in HK, Lithuania and Taiwan mitigate risk of operating in one single location

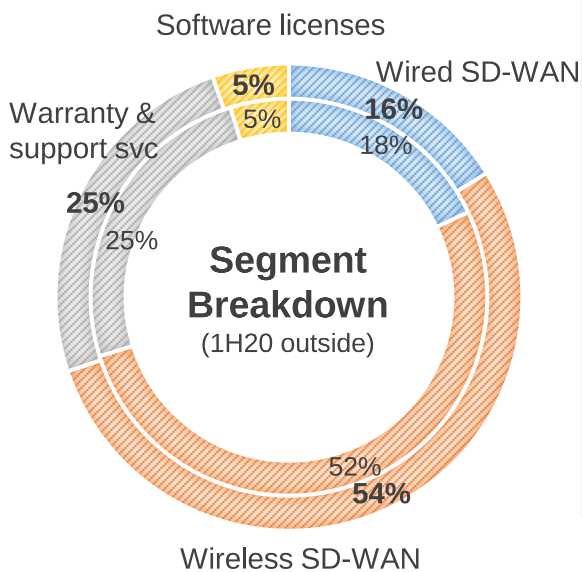
Financial Highlights

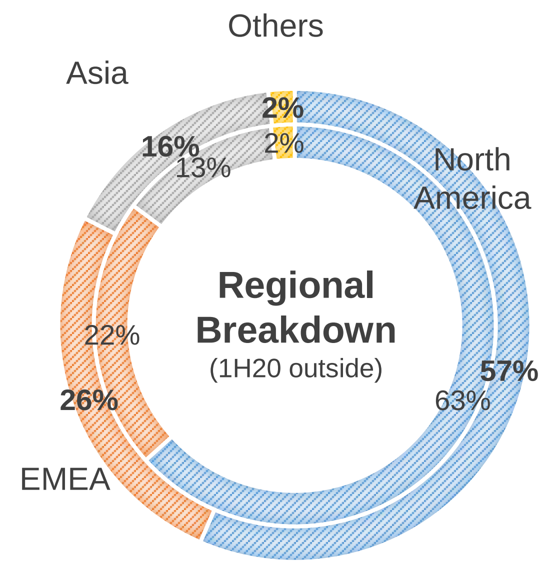
Interim period ended 30 June (US$'000)	1H19	1H20	Change
Revenue	22,025	**24,102**	+9.4%
Gross profit	14,060	**14,136**	+0.5%
Operating expense, Other income & Finance cost	(7,124)	**(8,066)**	+13.2%
Profit before tax	6,935	**6,070**	-12.5%
Reported net profit	5,758	**5,120**	-11.1%
Gross profit margin	63.8%	**58.7%**	-5.1pp
Net profit margin	26.1%	**21.2%**	-4.9pp
Diluted EPS (US cents)	0.54	**0.48**	-11.1%
Dividend per share (HK cents)	3.49	**3.03**	-13.2%

Revenue Analysis

Revenue by product
(US$ million)





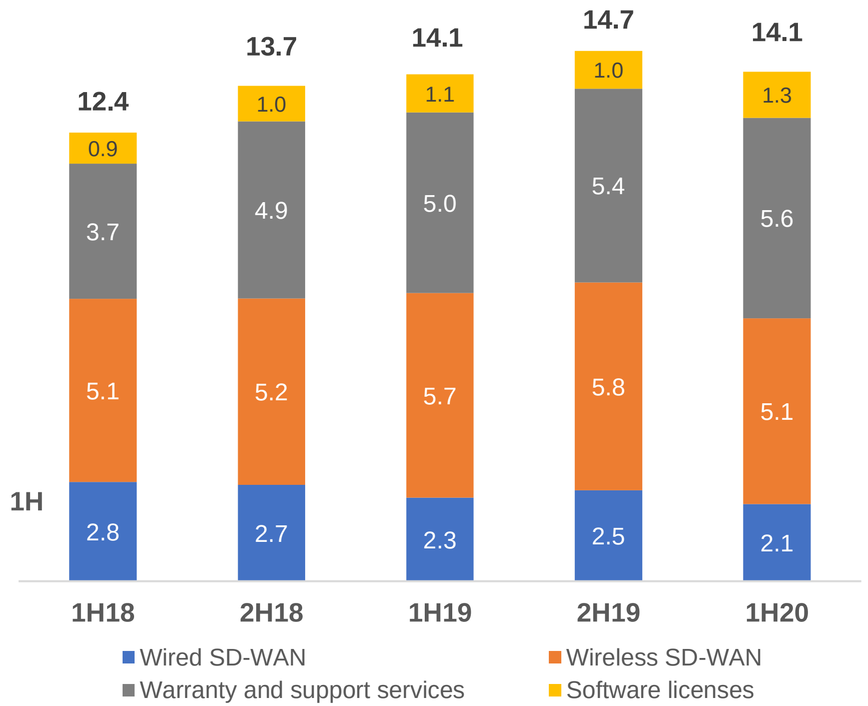


Revenue growth slowed down to 9.4% YoY in 1H20:
- Broad-based growth in EMEA (+30%) and Asia (+33%), vs 2% decline in North America
- Strong volume growth of general purpose SD-WAN routers
- Number of registered devices for Cloud management: 231k (31 December 2019: 207k)
- Ongoing pandemic delayed 5G network deployment worldwide, causing overall wireless market to grow slower than expected
- New regional warehouse in the US reduced restocking among largest channel partners
- High-end SD-WAN routers require high-touch sales effort, which was restricted by lockdowns

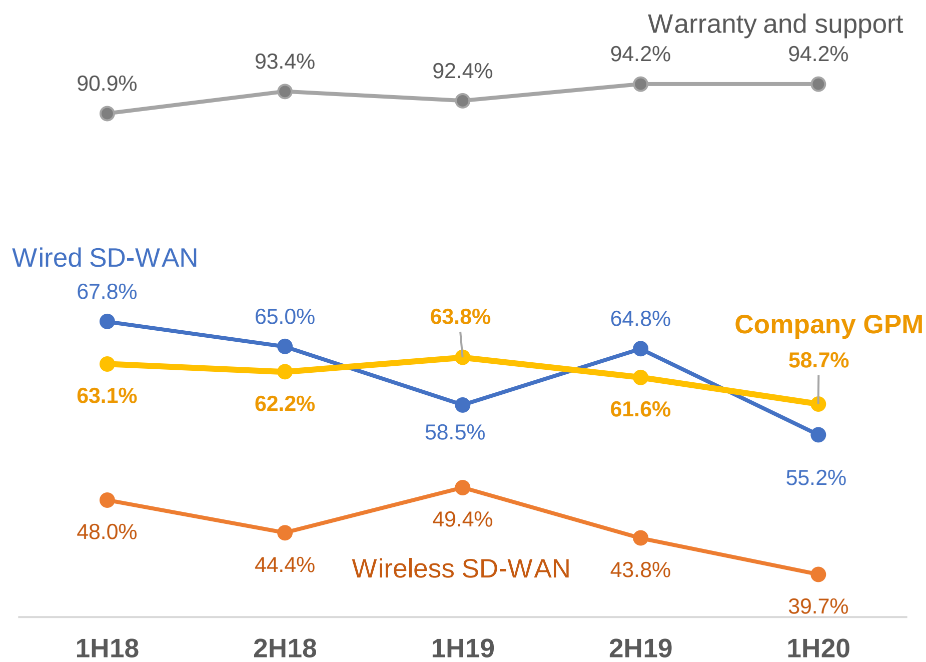
Gross Margin Analysis

plover bay technologies

Gross profit by product
(US$ million)



Segment Gross Profit Margin



Overall GPM decreased to 58.7%:
- Increasing mix of general purpose SD-WAN routers, which have lower product GPM
- Inventory write-off of US$0.5m (1H19: US$0.13m) for finished goods over 24 months and components over 36 months.
- Written-off inventory can typically be sold at later date, or repurposed into new products

Operating Expenses Analysis

Interim period ended 30 June:	US$'000		Percentage of revenue	
	1H19	1H20	1H19	1H20
Selling & distribution expenses	1,168	1,337	5.3%	5.5%
Admin expenses	2,609	2,912	11.8%	12.1%
R&D expenses	3,513	4,070	16.0%	16.9%
Total operating expenses	**7,290**	**8,319**	**33.1%**	**34.5%**
Share option expenses	275	174	1.2%	0.7%
Full time employees	126	156	n.a.	n.a.

Overall increase in operating expenses attributable to:

- Expenses from new R&D and operations setup in Lithuania in Nov-2019 is fully reflected in the current period
- Received government grant of approx. US$350,000 in 1H20 from Lithuania government for R&D activities of the newly established team

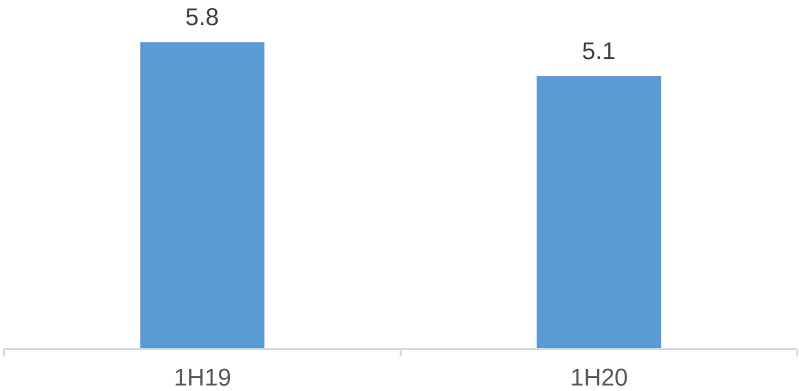
Net profit, EPS and Dividend

Interim period ended 30 June	1H19	1H20
Profit before tax	**6,935**	**6,070**
Pretax operating margin		
Income tax	(1,177)	(950)
Effective tax rate	*17.0%*	*15.7%*
Net profit	5,758	5,120

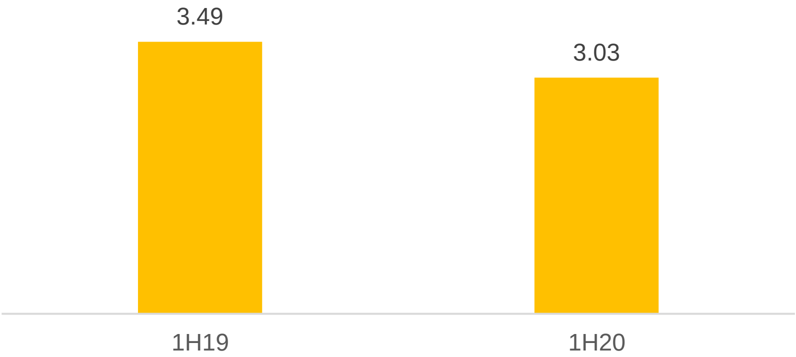
EPS data (US cents)		
Basic EPS	0.56	0.49
Diluted EPS	0.54	0.48

Dividend per share (HK cents)		
1st interim dividend declared	3.49	3.03

Net profit
(US$ million)



Dividend per share
(HK cents per share)



Cash Flow and Balance Sheet Summaries

Cash Flow Statement Summary Interim period ended 30 June (US$'000)	**1H19**	**1H20**
Cash flows from operating activities	8,707	3,511
Cash flows used in investing activities (excluding bank deposits with original maturity > 3 months)	(425)	(307)
Cash flows used in financing activities	(8,268)	(10,488)

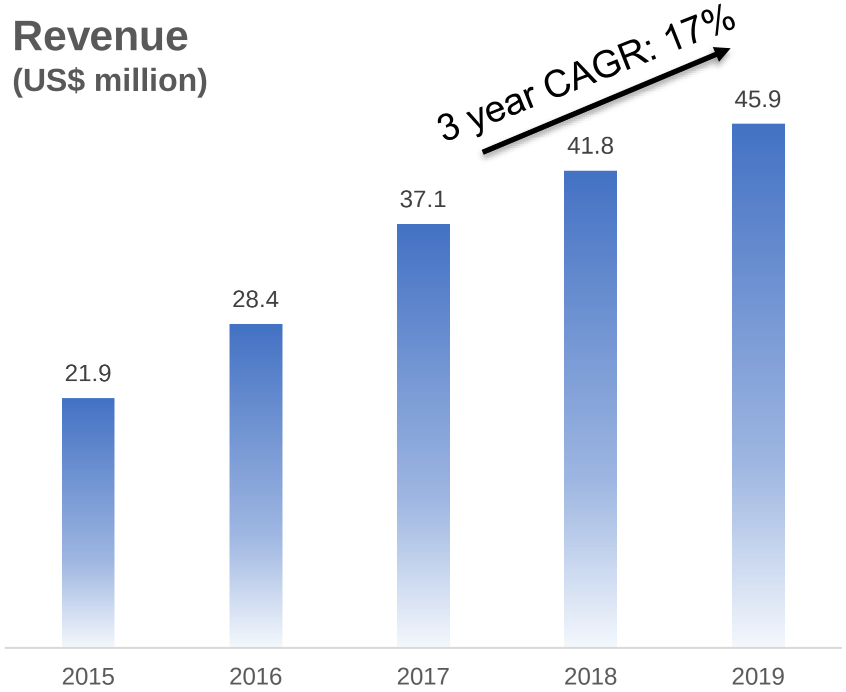
Balance Sheet Summary At period ended (US$'000)	**December 2019**	**June 2020**
Trade and other receivables	8,245	8,886
Inventories	7,387	11,277
Trade and other payables	2,614	3,477
Total contract liabilities	8,891	8,969
Total bank borrowing	393	387
Cash and cash equivalents	28,926	21,701

Inventories amount increased due to:
- Setup of new regional warehouses
- Decision to increase component inventory to avoid pandemic related shortages

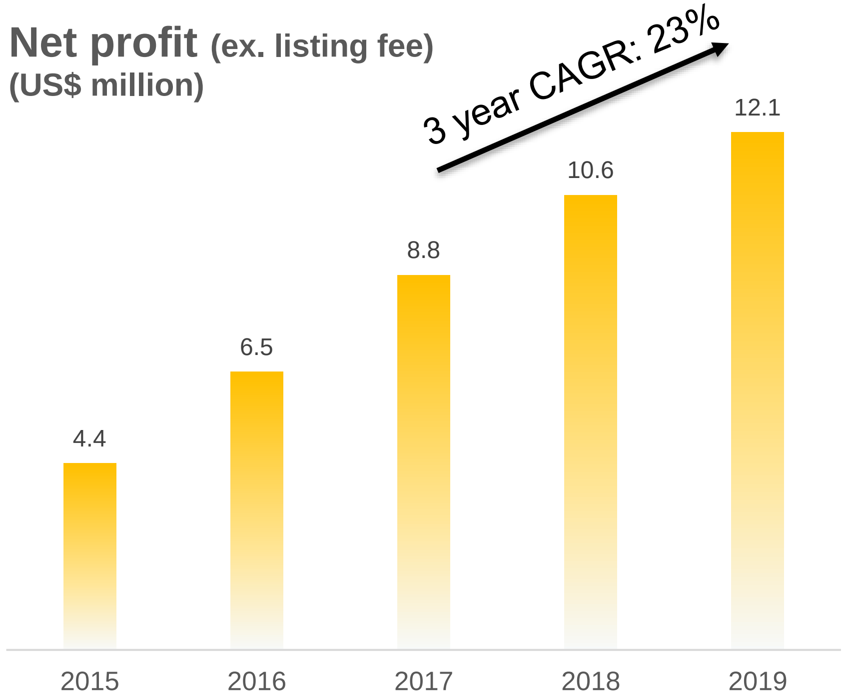
Investment Highlights

plover bay technologies

Revenue
(US$ million)



Net profit (ex. listing fee)
(US$ million)



- Levered to enterprise connectivity growth demand – a cornerstone of all technologies
- Leading player in wireless SD-WAN technologies
- Strong profitability, cash flow and return to investors

Enquiries:
Christopher Tse
Chief Financial Officer

Phone: +852 2990 7667
Email: christophert@ploverbay.com