Plover Bay Technologies Limited (SEHK: 1523)
December 2021

INTRODUCTION

WE MAKE CONNECTIVITY RELIABLE

Founded in **2006**
IPO in 2016 (1523.HK)

Peplink for **Enterprise**
Pepwave for **Prosumer**

200+ Employees & Consultants
110+ Dedicated Engineers

Sales[1] in **Over 100 Countries**

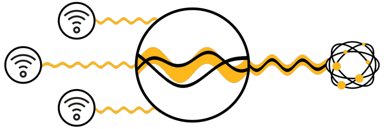
Wired & Wireless
Connectivity Solutions

260+
Patents Granted

1. For 1H21, sales revenue from over 100 countries are recorded.

CORE TECHNOLOGIES FOR UNBREAKABLE CONNECTIVITY

SpeedFusion
Combining multiple WAN into a single connectivity



Enables reliable streaming
Instant session failover &
Unbreakable wireless connectivity

SpeedFusion Cloud
SpeedFusion simplified

Over 90 nodes around the world
Achieve SpeedFusion with a few clicks
Turns SpeedFusion into usage-based service

InControl2
Network controller for all Peplink routers

Manage all devices from one location
>300K registered users (30 June 2021)

5G READY PRODUCT PORTFOLIO

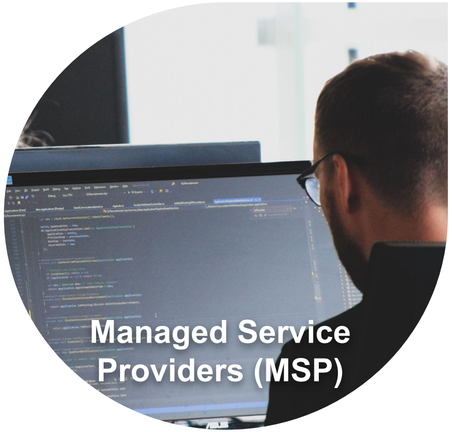
Small to Large Enterprise

5G Enterprise SD-WAN

5G Mobile SD-WAN

ENABLING RELIABLE CONNECTIVITY IN WORKPLACES…

5G Enterprise SD-WAN



... AND IN EVERYTHING AND EVERYWHERE

5G Mobile SD-WAN

A FAST GROWING PLAYER WITH TRACK RECORD

Expanding Global Reach

5-year Revenue CAGR[1]

- North America: 26%
- EMEA: 15%
- APAC: 11%

5-year EPS CAGR 24%[1]

Diluted EPS increased from 0.45 to 1.33 (US cents)

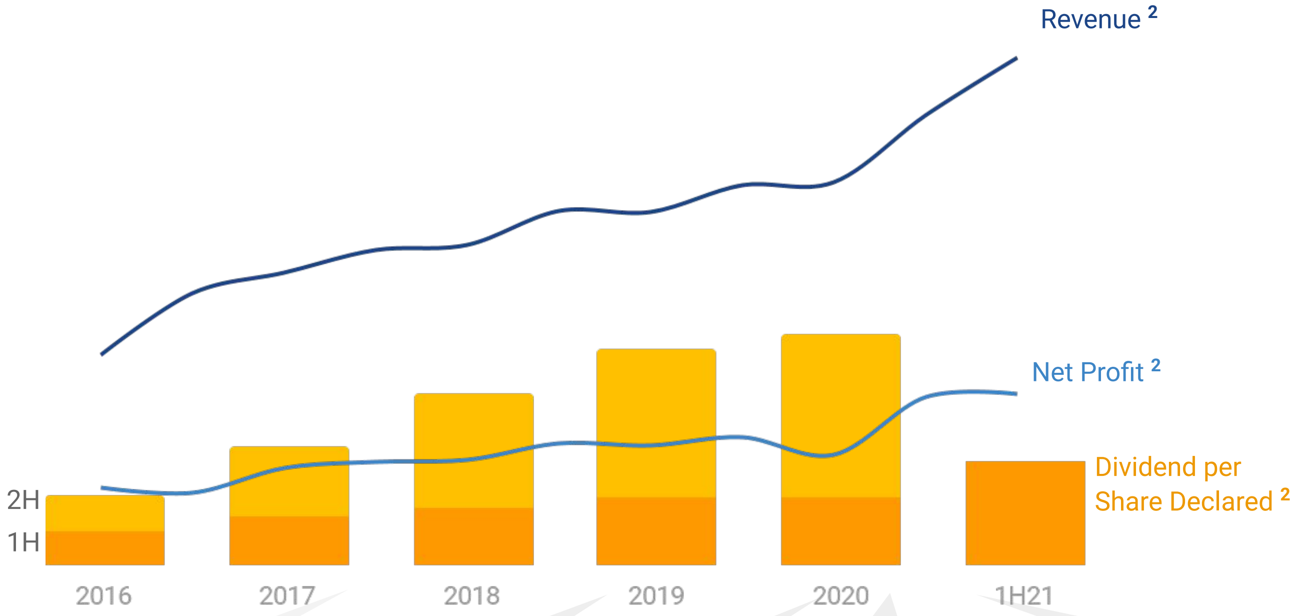
Highly Efficient Operations

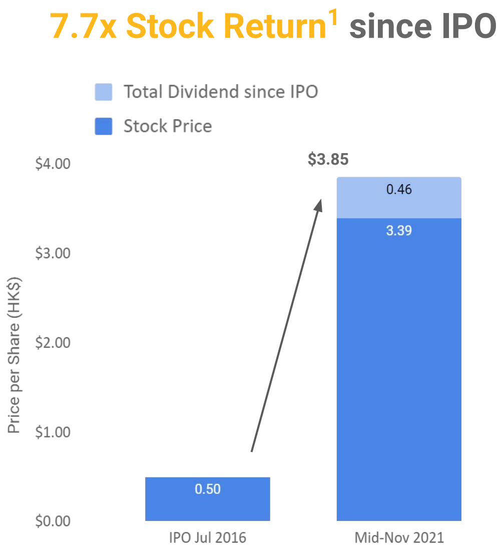
OPEX[2] / Revenue (2015-2020)

35% ➡ 29%

1. CAGR uses figures from 2015 to 2020
2. OPEX = operational expenses, which includes selling & distribution expenses, administrative expenses and R&D expenses

DELIVERING VALUE THROUGH UNCERTAIN TIMES





Mid-late 2017
Global memory chip shortage

2018 - 2019
Increasing global trade tension

Early 2020
Covid-19 breakouts

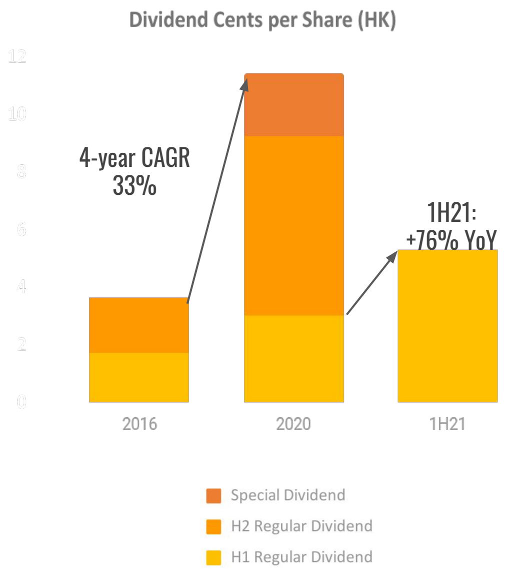
Mid 2020
Travel restrictions, global recession

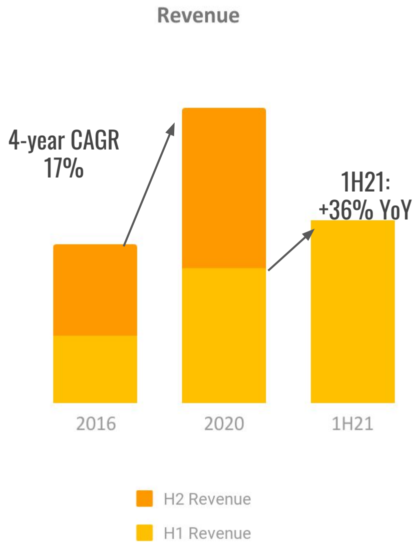
Since late 2020
Semiconductor shortage; global logistics disruptions

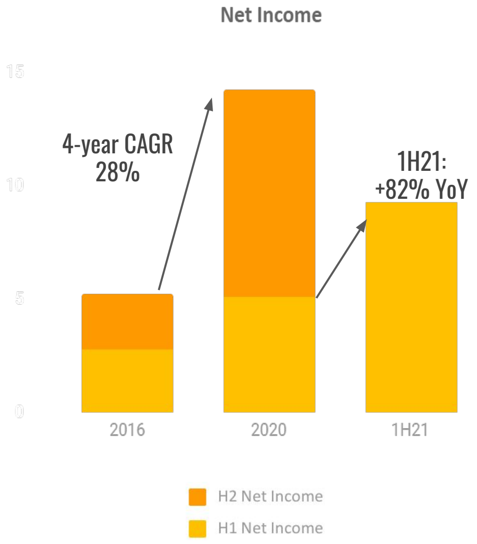
1. Stock return is calculated based on the closing share price as at 15 November 2021.
2. Revenue and Net Profit are semi-annual data in US dollars millions and Dividend per Share Declared are annual data in HK dollars in cents.

WHY NOW? UNPRECEDENTED GROWTH IN 1H21

With the increasing global demand of reliable connectivity and 5G trend, we have experienced an unprecedented growth in 1H21.







NEED FOR CONNECTIVITY IS ALWAYS EXPANDING

Expanding Product Range

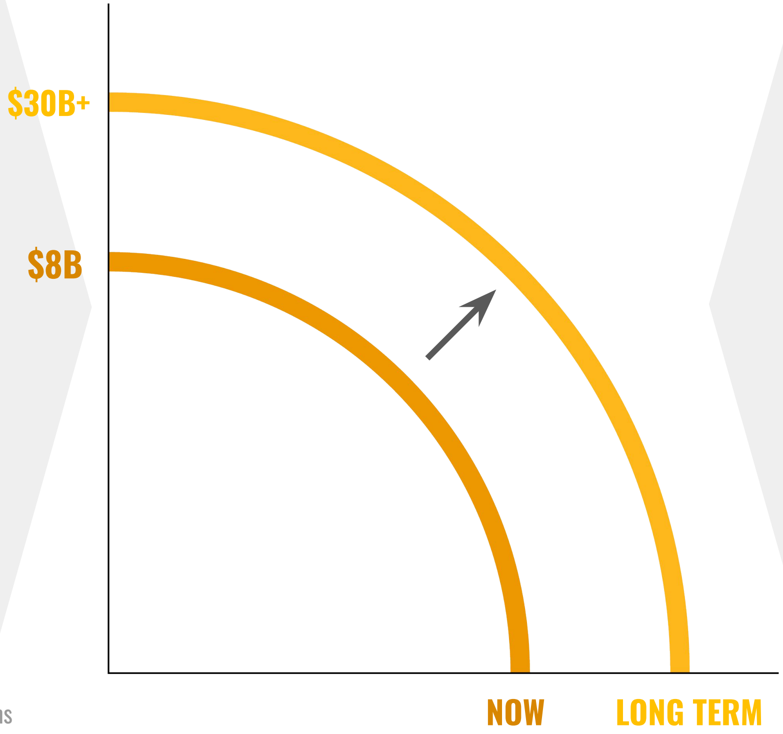
Now:

- 100+ major product series
- Software for reliable connectivity

New products:

- 5G connectivity products
- Expanding product range

Expanding Addressable Market [1]



Increasing Need for Connectivity

Shorter term:

- Post COVID "New normal"
- 5G upgrade cycle
- 3G sunset starting from 2022

Long term:

- Everything needs connectivity
- Higher data consumption
- Lower bandwidth cost

1. Source: forecasts from multiple market research firms

WELL-POSITIONED FOR THE TAILWINDS

Tailwinds

"New Normal"

- Connectivity needed anywhere
- New mobile IoT connections will grow at 19% CAGR[1]

New Applications

- New possibilities will require real-time connectivity: robotics, autonomous vehicles, drones, Industry 4.0, tele-surgery

Higher Traffic at Lower Cost

- Mobile data traffic expanding at 29% CAGR[2]
- Cost of 5G unlimited plans approaches broadband cost

Our Position

Extensive Product Lineup

- Over 100 products designed to reach any markets

5G Ready

- Integrated 5G solution with devices and software available for new customers and new applications

Expanding Product Range

- Wireless antenna
- New subscription services
- Becoming a one stop vendor for connectivity

1. Number of IoT devices with cellular connections to increase from 1.9 billion in 2021 to 5.5 billion in 2027 (Source: Ericsson Mobility Report).
2. Mobile data traffic to increase from 80 exabyte/month in 2021 to 370 exabyte/month in 2027 (Source: Ericsson Mobility Report).

OUR APPROACH

RELIABLE CONNECTIVITY AT GREAT VALUE

	Key Competitors	Our Competitive Advantage
Enterprise SD-WAN	Established networking / network security players	• Natively integrated wireless capability • Strong pricing advantage given our operational efficiency • Flexible licensing options, no lock-in
Mobile enterprise	Specialized mobile router vendors	• Wide range of products for every market • Strong pricing advantage given our operational efficiency • Flexible licensing options, no lock-in, private-hosted options for sensitive use cases
SMB/ Prosumer	Business oriented routers from consumer brands	• We offer much better reliability and management options • We support much wider connectivity options
Industrial IoT	Industrial / IoT routing vendors	• Complete management from devices to robust connectivity • Better pricing given our operational efficiency and lean structure
Modem & MiFi	Mi-Fi vendors	• We offer reliable 5G router + data in one package • Better software and management capabilities

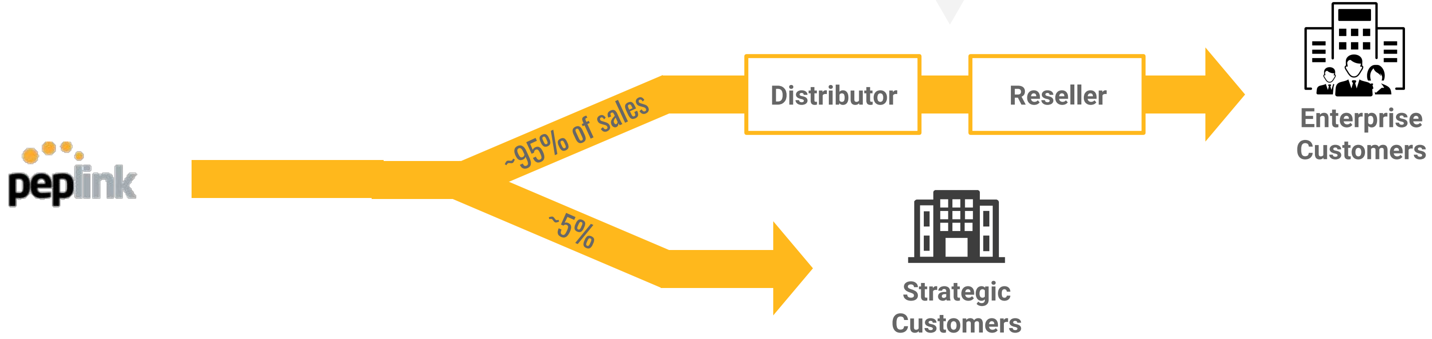
GO-TO-MARKET APPROACH BUILT ON EFFICIENCY

Distributor/ Reseller Channel

- Owners and entrepreneurs as our “sales extension”
- Motivated by our fast growth and attractive discount
- First line of customer support

Advantages

- Minimal Relationship/ Sales cost
- Highly scalable operations
- High efficiency



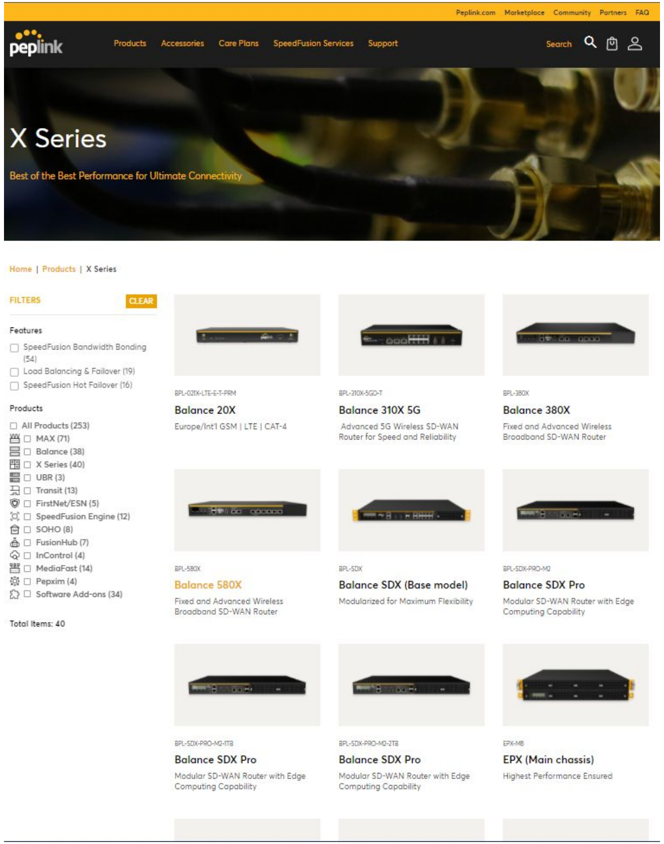
Strategic Customers

- Potential new business models
- Work with the best, learn from the best

Advantages

- Be part of cutting edge technologies
- Custom SKUs and features become future standard features

GROWING ONLINE PRESENCE



Peplink e-store

- Self-service ordering for channel partners
- Automated backend, minimizes staff intervention

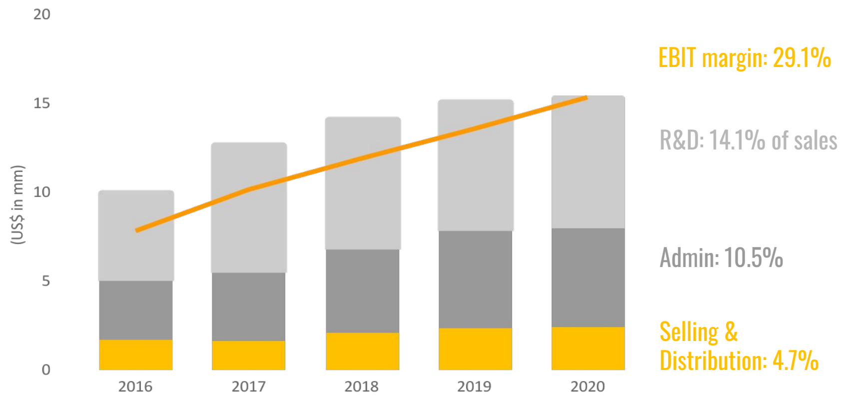
Peplink on Amazon

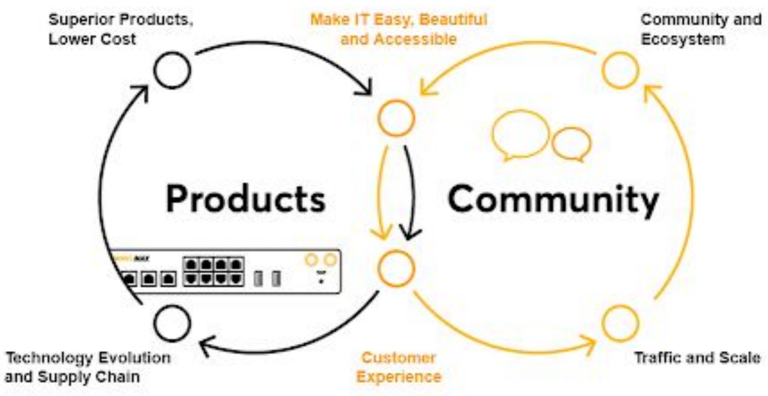
- Massively expands our market reach
- Marketing opportunity
- Very high growth

LEAN CULTURE GETS THINGS DONE

Highly Efficient Operations

- Minimal layers; small teams across the globe
- Strong culture of "Getting Things Done"
- Constantly find ways to automate processes



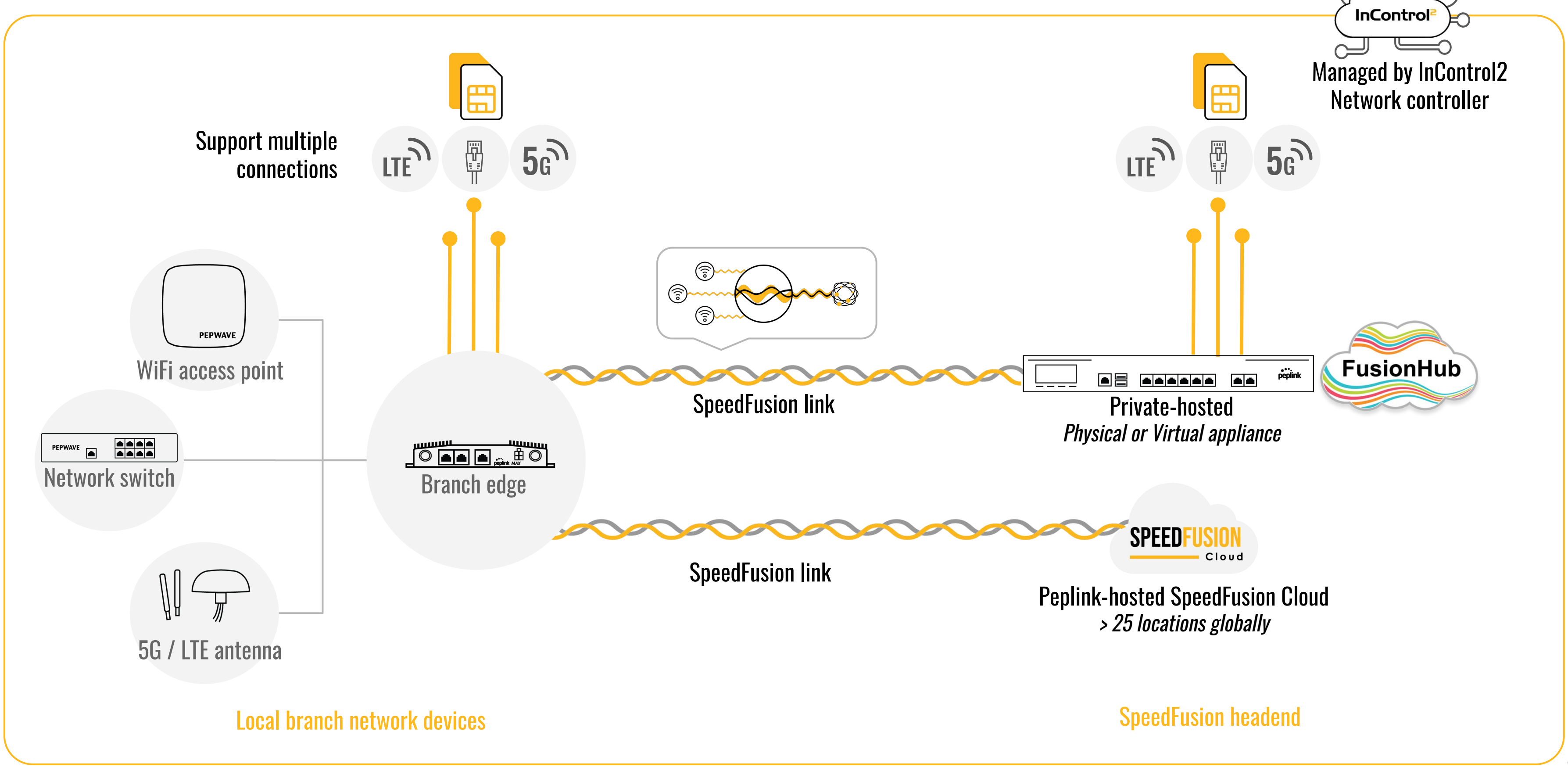


Community-driven Feedback Loop

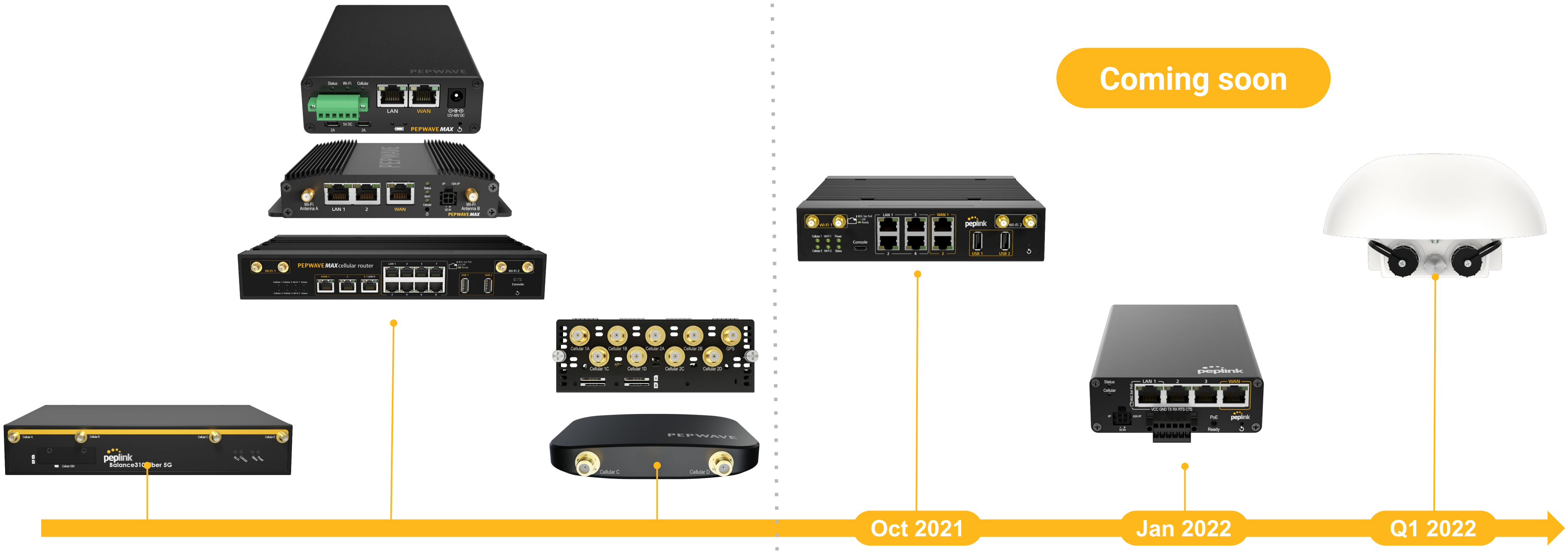
- Direct feedback to engineering teams
- Enhance brand loyalty
- Quick product turnaround time

PIPELINE & VISION

OUR CONNECTIVITY ECOSYSTEM



5G ROADMAP



Balance
- B310
- B310 Fiber
- B310X

MAX
- Transit 5G
- MBX
- BR1 Pro 5G

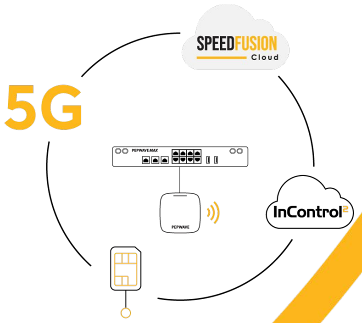
Modular upgrade
- MAX Adapter
- FlexModule
- FlexModule Mini

MBX Mini

Transit Core

Dome Pro w/mmWave

POSITIONED TO TAKE OFF



SPEEDFUSION

InControl2

5G READY

SPEEDFUSION Cloud

Enhancing Peplink Connectivity Ecosystem

- From SD-WAN to one-stop Connectivity Ecosystem
- 5G replacement cycle & growing wireless demand
- New product lines for new markets
- New partnerships

2006

Past Improvements

- Increased focus on high volume opportunities
- U.S and LT warehouses result in faster supply chain
- Enhanced products for easier deployment
- Customer user account integration
- eStore improvements
- Improved marketing

2021

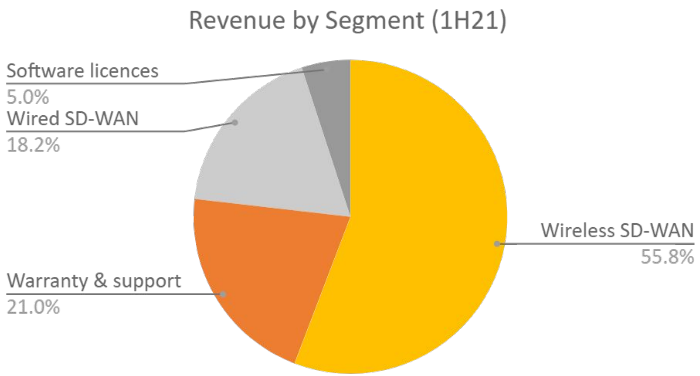
- Improved eStore
- Supply chain diversity

FINANCIAL

FINANCIAL SUMMARY

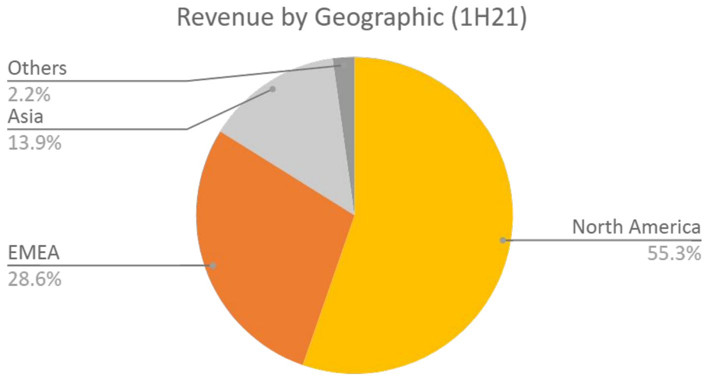
Financial period (US $'000)	**2016**	**2017**	**2018**	**2019**	**2020**	**1H20**	**1H21**	**YoY Growth**
Revenue	28,358	37,132	41,806	45,910	52,818	24,102	32,751	36%
Year-over-year growth	*n/a*	*31%*	*13%*	*10%*	*15%*	*n/a*	*36%*	*n/a*
Gross profit	17,945	22,975	26,189	28,774	30,800	14,136	19,645	39%
Operating expense, Other income & Finance cost	-10,018	-12,346	-13,976	-14,780	-14,758	-8,066	-8,602	7%
Profit before tax	7,927	10,629	12,213	13,994	16,042	6,070	11,043	82%
Net profit	5,240	8,754	10,620	12,089	14,230	5,119	9,293	82%
Gross profit margin	63%	62%	63%	63%	58%	59%	60%	n/a
Net profit margin	19%	24%	25%	26%	27%	21%	28%	n/a
Diluted EPS (US cents)	0.60 cents	0.84 cents	1.00 cents	1.14 cents	1.33 cents	0.48 cents	0.86 cents	78%
Dividend per share (HK cents)	3.66 cents	6.94 cents	8.80 cents	11.11 cents	11.43 cents	3.03 cents	5.32 cents	76%

REVENUE BY SEGMENT



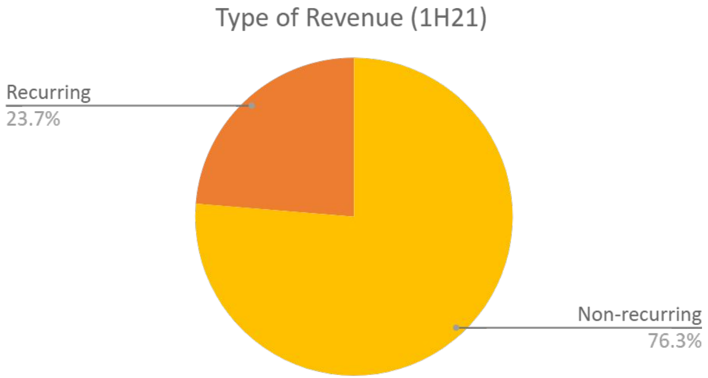
Segment	1H21 growth (YoY)	Growth driver
Wired SD-WAN	+53%	• Increased focus on low-mid range products with high volume opportunities
Wireless SD-WAN	+41%	• New warehouses in U.S and Lithuania; faster lead time in supply chain • Wired SD-WAN products with embedded wireless capability gaining traction among enterprise customers • Expanding 5G product portfolio
Warranty & Support	+17%	• Increasing user base expands future Warranty and Support potential
Software licenses	+29%	• Increasing InControl2 subscriptions from increasing user base
Overall	+36%	• Broad based growth in all segments reflecting increasing demand everywhere

GEOGRAPHICAL BREAKDOWN



Region	1H21 growth (YoY)	Growth driver
North America (mainly U.S)	+33%	Broad based growth across all customers, WFH, strong interest in mobile enterprise and 5G
EMEA	+50%	New VAD ramping up quickly in region, particularly strong in maritime
Asia Pacific	+20%	High growth SMEs but price sensitive / Government driven opportunities but high lumpiness
Others (mainly Australia)	+67%	New Australia VAD added in 1H, channel restructured, strong interest in mobile enterprise and 5G

RECURRING VS NON-RECURRING REVENUE



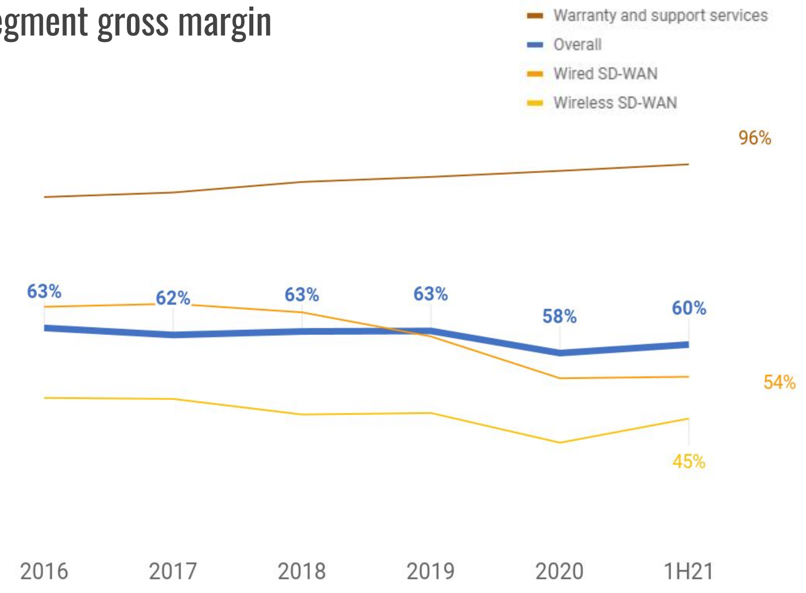
Drivers to improve subscription rates:

- Growing user base of our products
- Growing variety of services, such as SpeedFusion Cloud and SIM management tool
- Including more features in CarePlan subscriptions
- Rolled out auto renewal and promotion campaigns

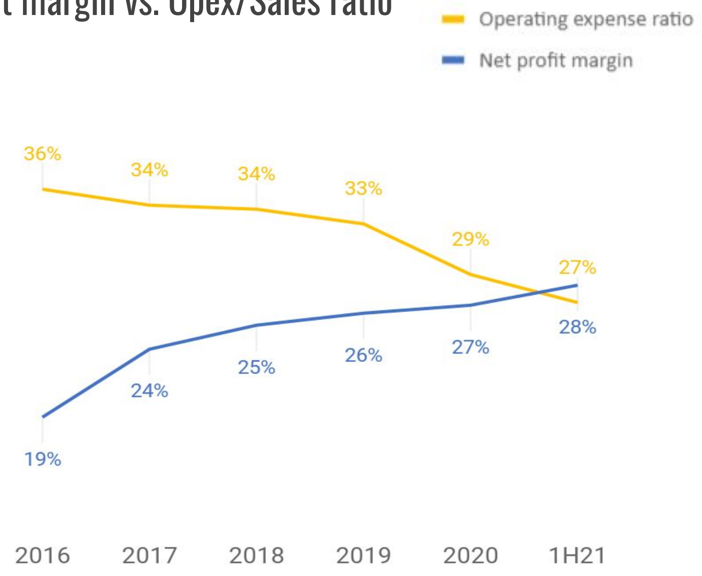
Segment	Description	Occurrence
Wireless SD-WAN	Wireless SD-WAN routers, Non-core products and Accessories	Non-recurring
Wired SD-WAN	Wired SD-WAN routers	Non-recurring
Warranty & Support	Embedded warranty CarePlan Subscriptions Support contract with Direct Customer SpeedFusion Cloud prepaid usage	Recurring
Software licenses	InControl2 Subscriptions	Recurring
	Virtual appliance Add-on software features	Non-recurring

LEAN OPERATING STRUCTURE

Segment gross margin



Net margin vs. Opex/Sales ratio

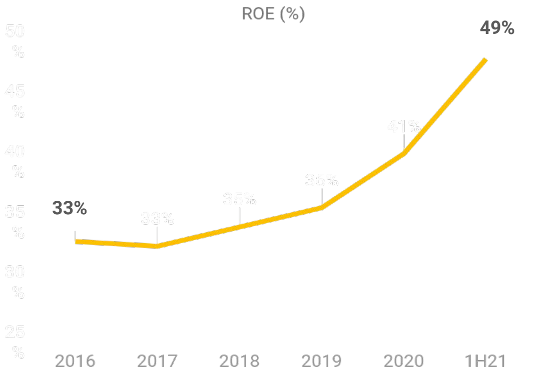


- Overall gross margin remains well within 58-63% range
- Over the years, changes are attributed to product mix

- OPEX mainly consists of salary, R&D spend and office rents
- We have had significant operating leverage in the past, leading to net profit margin expansion

BALANCE SHEET & CASH FLOW SUMMARY

Balance Sheet Summary *(US$"000)*	**2016**	**2017**	**2018**	**2019**	**2020**	**1H21**
Trade and other receivables	3,947	7,763	4,922	6,223	6,997	8,880
Inventories	6,678	11,629	8,372	7,387	12,509	15,636
Trade and other payables	1,884	2,630	2,274	2,614	4,452	4,855
Contract liabilities	4,405	6,221	8,672	8,891	10,881	15,383
Bank borrowings	318	1,944	1,306	393	3,378	3,378
Cash and cash equivalents	19,193	16,747	26,850	28,926	31,151	35,014
Total equity	24,246	28,750	32,718	34,114	35,837	40,679
ROE (%)	33%	33%	35%	36%	41%	49%



CASH FLOW STATEMENT SUMMARY *(US$"000)*	**2016**	**2017**	**2018**	**2019**	**2020**	**1H21**
Cash flows from operating activities	4,419	2,809	19,491	15,877	15,844	7,766
Cash flows from investing activities (excluding changes to bank deposit)	-808	-1,950	-1,293	-777	-789	-565
Cash flows from financing activities	9,654	-3,320	-8,078	-13,020	-10,873	-13,407
Net change to cash	13,266	-9,576	17,235	2,080	4,181	-6,209

- Investing activities mainly related to purchase of PPE and additions to IA.
- Financing activities mainly related to dividend payment, lease payments, bank borrowings or repayment.

WORKING CAPITAL SUMMARY

Working Capital summary *(US$"000)*	**2018**	**2019**	**2020**	**1H21**
Inventory	8,372	7,387	12,509	15,824
Raw materials and consumables	6,033	5,006	7,939	10,340
% of Inventory	72%	68%	63%	65%
Finished goods	2,339	2,381	4,570	5,484
% of Inventory	28%	32%	37%	35%
Turnover in days				
Inventory	234	168	165	197
Trade receivables	55	44	46	43
Prepayment	14	14	15	14
Trade payable and other payables	57	52	59	63

- **Inventory days**
  - For 1H21, 197 days (2020: 165 days)
  - Global shortage of semiconductor components lead to the need for higher levels of inventory accumulation, particularly of wireless modules

- **Working capital requirements**
  - Current cash expense run rate is about $1.3M per month mainly for salaries and lease payment
  - Working capital investment of $0.6-$0.9M per month

OUTFORMING PEERS OVER THE PAST 5 YEARS

Company	Ticker	Business segment	Market Cap (USD) [1]	Stock Price (USD) [1]	Revenue 5-yr CAGR [2]	Most recent quarter / interim revenue growth (YoY)	EPS 5-yr CAGR [2]	P/S	P/E (Trailing)
Plover Bay	1523 HK	Enterprise / Industrial	HKD 3.8B / USD 490.3M	HKD 3.47 / USD 0.45	19.3%	35.9%	24.4%	7.9	26.2
DIGI Int'l	DGII	Industrial / Enterprise	834.7M	24.18	5.6%	10.5%	1.5%	2.6	75.7
Cambium Networks	CMBM	Service provider / Enterprise	770.1M	29.47	8.9%	47.7%	1.5%	2.5	17.7
Inseego	INSG	Service provider / Consumer	749.5M	6.82	7.3%	-10.4%	n/a	2.5	n/a
Sierra Wireless	SWIR	Industrial / Enterprise	716.2M	18.58	-5.9%	12.2%	n/a	1.5	n/a
							Average	**3.3**	**39.9**

1. An exchange rate of 1 USD = 7.75 HKD is used for exchange conversion.
2. The 5-year CAGR is calculated using full-year financial results of the respective peer companies.

MAJOR M&A IN THE INDUSTRY

Target company	Announced date	Business segment	Acquirer	Enterprise value (USD)	Revenue (USD)	Implied EV / sales
Cradlepoint	Sep 2020	Wireless SD-WAN	Ericsson	1.1B	137M (2019)	8.0x
Silver Peak Networks	Jul 2020	Enterprise SD-WAN	HP Enterprise	925M	Over 100M	< 9.3x
CloudGenix	Mar 2020	Enterprise SD-WAN	Palo Alto Networks	420M	Undisclosed	N/A
VeloCloud	Nov 2017	Enterprise SD-WAN	VMWare	449M	Undisclosed	N/A
Viptela	May 2017	Enterprise SD-WAN	Cisco	610M	Undisclosed	N/A

EXCELLENT RETURN SINCE IPO

1. Stock return is calculated based on the closing share price as at 15 November 2021.

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