



Supercharging Connectivity



Annual Results 2022

23 February, 2023

Our Vision

We make connectivity reliable,
anytime, anywhere

Key Facts

- Revenue (2022): US\$86.8M
- Net profit (2022): US\$22.7M
- Employees: 200+
- Brands: Peplink, Pepwave

Who Are We?

Plover Bay Technologies Limited (stock code: 1523 HK)

supercharges connectivity with a range of routers and software features, enabling easy-to-use, fast and reliable connectivity anywhere.

Everyday, thousands of organizations from offices, retail, banking, F&B, maritime, transport, healthcare, governments and more, use Plover Bay's connectivity products to **ensure their people and operations are connected all the time.**

What is Connectivity?

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Expectation

- Connectivity should be **simple**
- Connectivity should **always work**
- Connectivity should be **cost effective**
- Connectivity should **be there when needed**

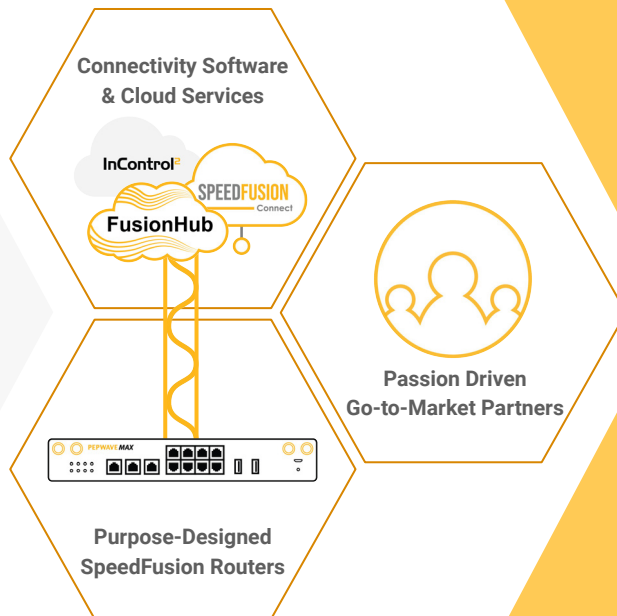
Reality

- Existing solutions **overcomplicate**
- Fixed Lines **cannot** reach everywhere
- Mobile is **not 100%** reliable
- Your need for connectivity might be intermittent, but **contracts lock you in for years**

What We Do

Supercharging Connectivity

- Fiber / Broadband
- Consumer 5G/LTE
- Private 5G/LTE
- LEO satellite



Multiple Sources of
Connectivity

Peplink
Ecosystem

Customer
Benefits

What We Do

Supercharging Connectivity



Public Safety



Broadcasting



Telemedicine



Maritime

● Mission critical connectivity



Bank



Enterprise



Construction



Large Events

● Essential connectivity



Retail



Small Offices



Pop-up Stores



Home Offices

● Better connectivity



Remote WFH



Transport



IoT



Ships

● Wireless connectivity

Case Study Spotlight

Starlink x Peplink



Background

One of the world's largest cruise ship operators explored using Starlink to provide better onboard experience for guests and crews fleetwide

A single Starlink connection is not sufficient for all passengers and crew onboard. Using multiple but separate Starlink connections creates a confusing user experience.

Solution

- **Whole stack solution** include large enterprise router for combining multiple Starlinks, 5G routers, 5G antennas and outdoor WiFi
- Provided highly responsive support to customer requests
- **Significantly lower cost** than a competing solution

Result

- The customer is deploying the solution to over 50 cruise ships
- Enables thousands of passengers and crew to stay in touch while on a cruise

Implications: Showcase of how Peplink can improve Starlink in large deployments

Case Study Spotlight

Branch network deployment for a Malaysian fast food chain



Background

The customer is a fast food chain operator in Malaysia with over 1,000 locations. The customer is seeking to upgrade its network infrastructure to improve store operations.

Previously, the customer relied on one broadband link, which is prone to insufficient bandwidth at times, and unexpected interruptions.

The customer selected Peplink among several competitors, including the incumbent vendor.

Solution

- Peplink proposes using a combination of wireless connectivity and fixed network
- Cloud management smoothed out deployment and ongoing management

Result

- Store networks no longer experience sudden network outage
- IT operations can now remotely support all stores, vastly increasing response time and lowering operating costs

Implications: The need for a better connectivity is no longer a niche problem

Case Study Spotlight

Extending the Network as a Service Business Model

Background

A corporate shuttle bus service provider for tech companies in California, US requires supercharged connectivity for “mobile office” on shuttle buses

Solution

- **NaaS business model:** Provided networking equipment, built-in 5G/LTE data and support services at no upfront cost
- Monthly charge based on actual data usage

Result

- **Project revenue exceeded 1% of 2022 total revenue**
- Project revenue is 100% recurring

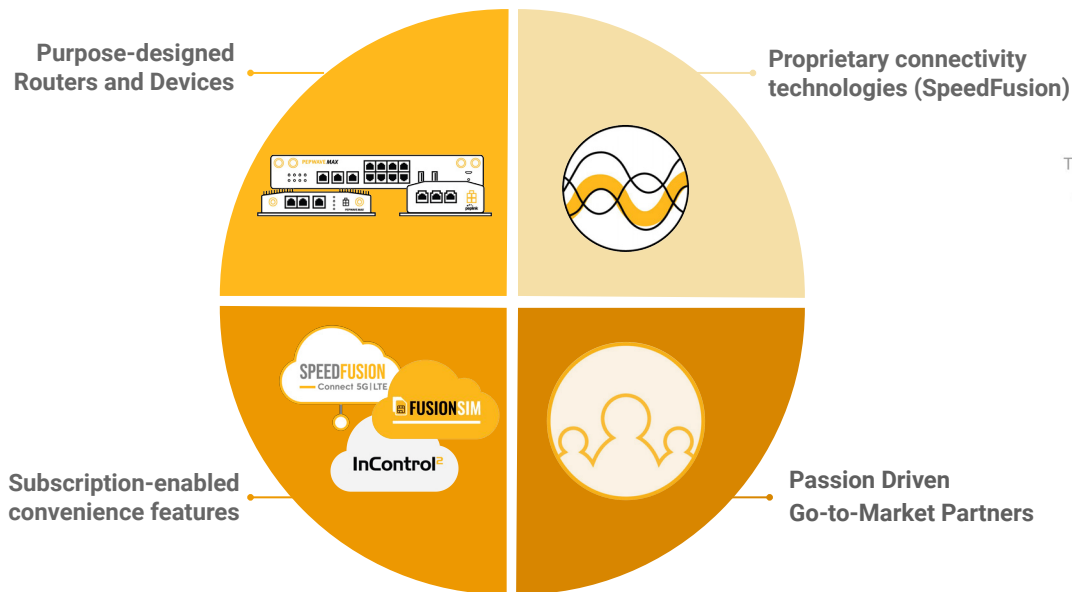


Implications

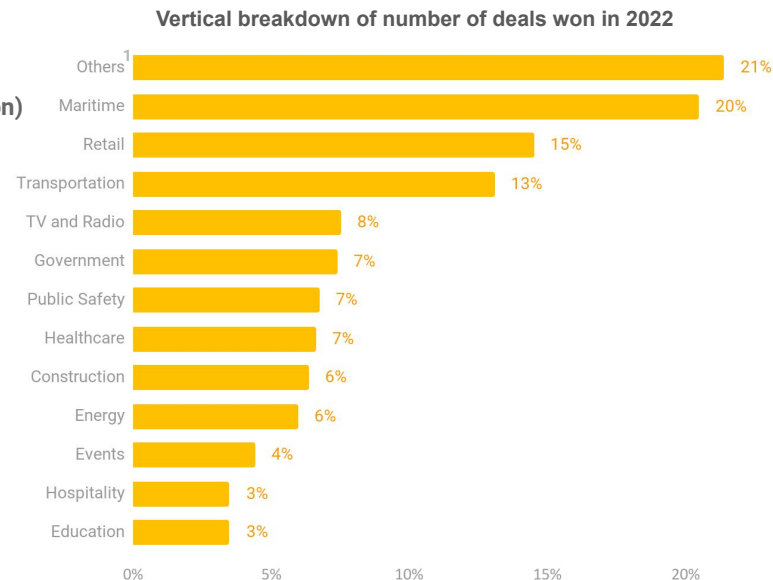
- Significant opportunities to extend similar business model to other verticals
- Collaborate with service providers specialized in different verticals to deliver new kinds of services

Investment Highlights

1. Peplink ecosystem...



... enables long-tail market reach.



1. "Others" include vertical markets such as Industrial, Financial, Telecom, Technology and other industries.

Investment Highlights

2. Growing need for wireless connectivity worldwide

- Number of IoT connections **increasing at 19% CAGR¹**.
- Mobile data traffic **increasing at 29% CAGR¹**.

3. Growing Peplink ecosystem

**>1,000
attendants**

*Starlink x Peplink webinar,
Oct 2022*

**14%
CAGR**

*Routers shipped
2019-2022*

**436,000
(+25% YoY)**

*Registered devices at
31 Dec 2022*

+33% YoY

*Number of devices with at
least one subscription*

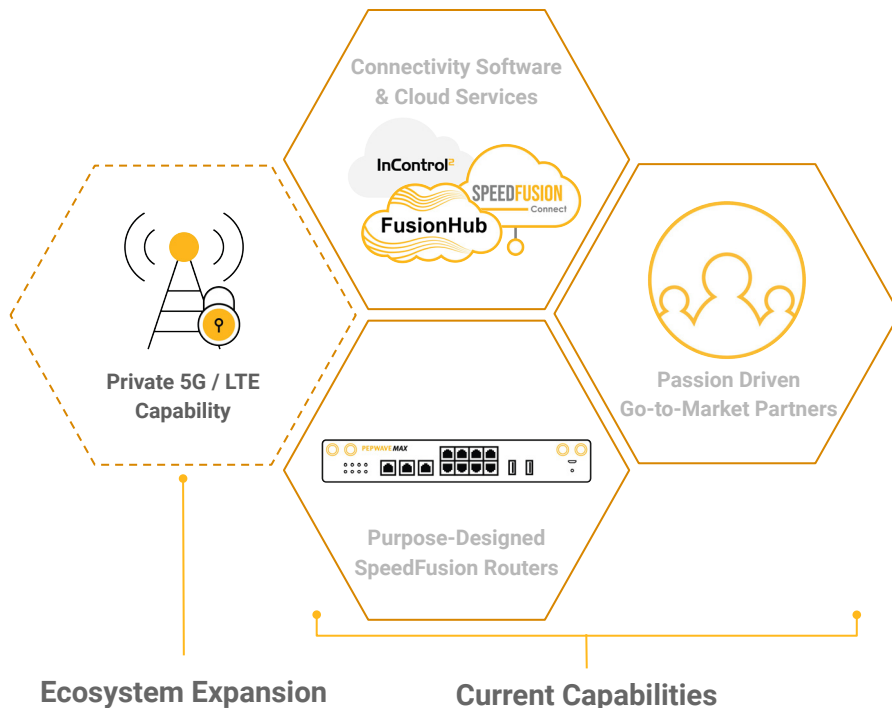
4. Growing recurring revenue pipeline

- **Overall growth**
 - Recurring revenue reached **US\$23.8m, +37% YoY**
- **Strong subscription growth:**
 - Number of devices under a subscription¹ at 31 Dec 2022 increased 33% YoY
 - New subscription bookings² increased 49% YoY
 - Will continue to enhance value-proposition and features to draw in more subscriptions
- **New recurring revenue stream - 5G/LTE service**
 - Launched in 2021, exceeded 1% of total revenue in 2022
 - All new routers will have built-in 5G/LTE service
 - Data pooling and new app to facilitate data top up (to be launched soon)

Gearing up to Accelerate Growth

Growth Initiatives in Short to Medium Term

1. Develop Private 5G / LTE network capability



What is Private 5G network?

- Non-telecom entities (large enterprise, manufacturing sites) directly lease RF spectrum to create their own private 5G / LTE network

Greenfield market:

- Less than \$1B in 2022, expected to reach US\$30-40B by 2030¹
- 64% of enterprises planning to acquire 5G spectrum²
- 50% plan to purchase private network capabilities from network vendor²

Long term opportunities:

- Opportunity to offer NaaS type services
- Potential for significant usage-based data revenue
- Increased value proposition for future partnership / crossover opportunities

1. Source: Various market research firms

2. Source: EY Reimagining Industry Futures Study 2022 - Enterprise 5G: is the Industry 4.0 growth opportunity being overlooked?

Gearing up to Accelerate Growth

Growth Initiatives in Short to Medium Term

2. Explore partnership or crossover opportunities with IoT/SaaS service providers

- Leverage service provider partners' expertise and customer base in their domestic markets
- Leverage our extensive product portfolio to enhance partner's SaaS services
- Create new successful use cases, Replicate successes in Case Study Highlights

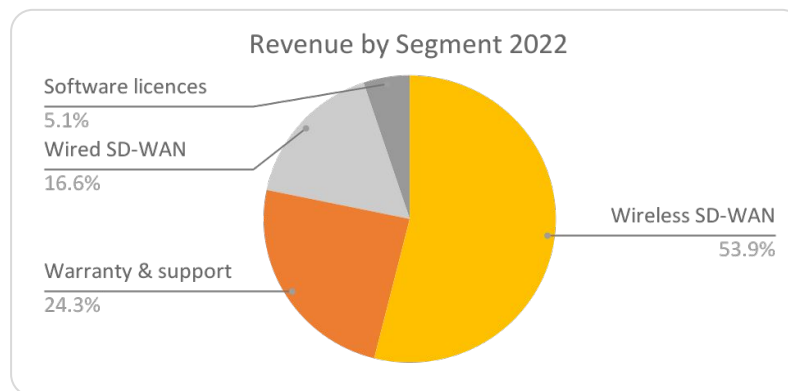
Results 2022

Financial Summary

Financial period (US \$'000)	Year ended 31 December					2022 vs. 2021
	2018	2019	2020	2021	2022	
Revenue	41,806	45,910	52,818	74,128	86,757	+17%
Gross profit	26,189	28,774	30,800	43,155	46,507	+8%
Operating expense, Other income & Finance cost	-13,976	-14,780	-14,758	-18,428	-20,126	+9%
Profit before tax	12,213	13,994	16,042	24,727	26,381	+7%
Net profit	10,620	12,089	14,230	21,200	22,659	+7%
Gross profit margin	63%	63%	58%	58%	54%	-4.6pp
Net profit margin	25%	26%	27%	29%	26%	-2.5pp
Diluted EPS (US cents)	1.00 cents	1.14 cents	1.33 cents	1.94 cents	2.06 cents	+6%
Dividend per share (HK cents)	8.80 cents	11.11 cents	11.43 cents	14.30 cents	14.59 cents	+2%

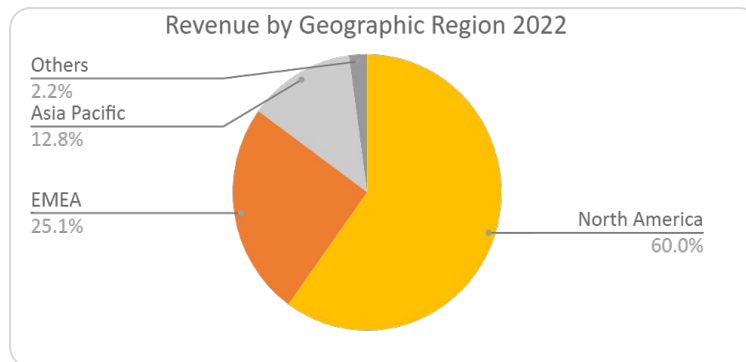
Revenue by Product Segment

Product Segment/ Financial Period (US\$'000)	Segment Revenue		Growth (YoY)	Key drivers	
	2021	2022	(%)		
Wired SD-WAN	12,463	14,430	+16%	Strong growth in 5G routers, small enterprise routers and supporting products such as long-range antenna	Many LTE products on older platforms face discontinuation of key components. Migration to new platforms negatively affected the sales of these product series
Wireless SD-WAN	42,561	46,773	+10%		
Warranty & Support Services	15,724	21,107	+34%	Recognition of deferred revenues as a result of robust device sales in 2021	Strong growth of 5G/LTE data service
Software Licenses	3,380	4,447	+32%	Continued growth of subscription for InControl2 management platform	
Total	74,128	86,757	+17%		



Geographical Breakdown

Geographic Segment	Segment Revenue		Growth (YoY)	Key drivers
Financial Period (US\$'000)	2021	2022	(%)	
North America	43,087	52,017	+21%	- Strong growth in warranty and support services, particularly 5G/LTE service - Strong growth in 5G routers offset by slower sales of LTE routers due to component EOL and migration to new platforms
EMEA	19,658	21,736	+11%	Strong growth in 5G routers and long-range antennas offset by slower sales of LTE routers due to migration to new platforms
Asia	9,322	11,121	+19%	Strong growth in Hong Kong market offset by general weakness in other countries due to unfavorable exchange rate movements
Others	2,061	1,883	-9%	Unfavorable exchange rate movements vs USD lowered the purchasing power of customers in the region
Total	74,128	86,757	+17%	



Recurring Revenue

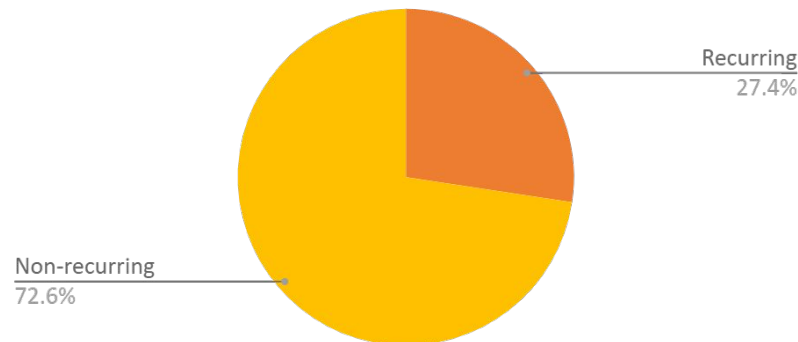
Recurring revenue (US\$'000)	Year ended 31 December		
	2020	2021	2022
Recurring sales	13,458	17,313	23,753
YoY Growth	12%	29%	37%

Contract liability (US\$'000)	As at 31 December		
	2020	2021	2022
Contract liability - Short term	8,543	11,681	15,114
Contract liability - Long term	2,338	2,820	3,745
Total	10,881	14,501	18,859
YoY Growth	22%	33%	30%

Recurring Revenue highlights

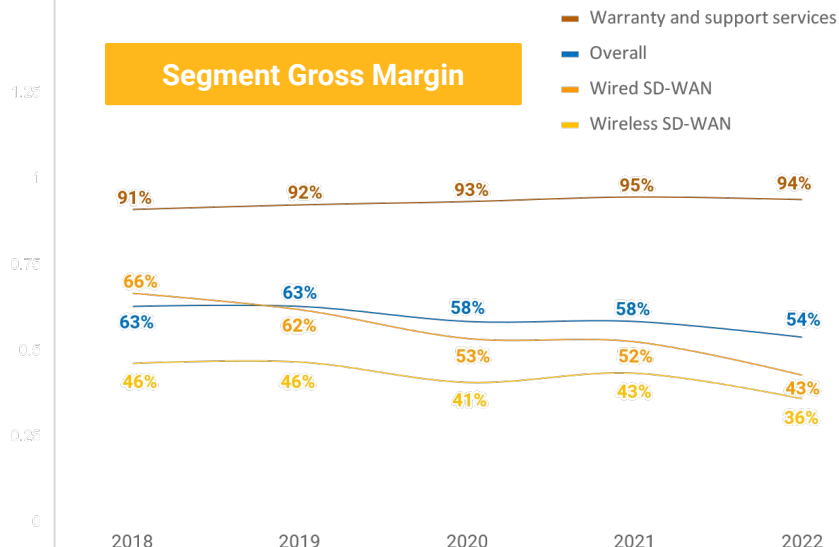
- 33% YoY increase in number of devices under a subscription (at 31 Dec 2022)
- Subscription booking increased by 49% YoY
- Sales from 5G/LTE data service grew multifold, currently exceeds 1% of total revenue

Recurring Revenue = 27.4% of Total Revenue in 2022



Lean Operating Structure

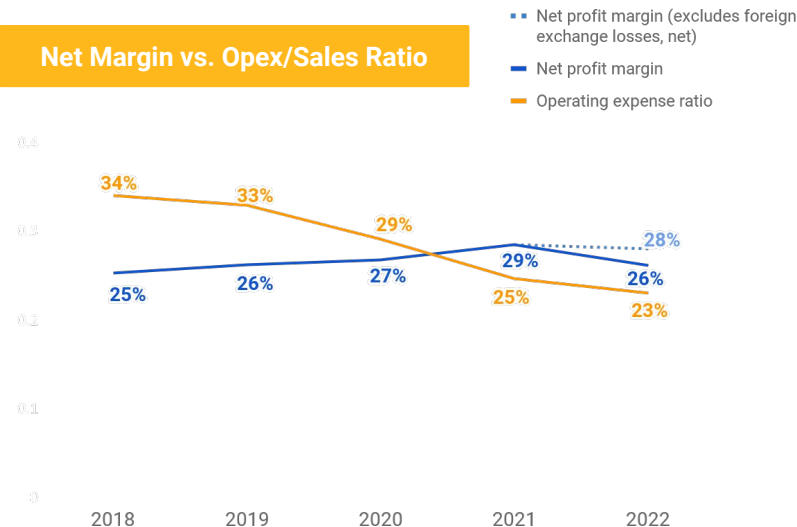
Segment Gross Margin



Gross margin decreased due to:

- Strategy to pursue installed base growth to accelerate future subscription growth
- Heightened component costs

Net Margin vs. Opex/Sales Ratio



- Continued operating leverage: Opex¹ increased by 9% YoY vs Revenue increase of 17% YoY
- Net profit margin would be 28% if excluding US\$1.7 million foreign exchange loss recorded during the year

1. Opex is the total of Selling & distribution, R&D and Admin expenses.

Balance Sheet and Cash Flow Summaries

Balance Sheet Summary (US\$'000)	2018	2019	2020	2021	2022
Trade and other receivables	6,413	8,245	9,199	13,692	14,688
Inventories	8,372	7,387	12,509	18,622	32,333
Trade and other payables	2,274	2,614	4,452	5,626	6,900
Contract liabilities	8,672	8,891	10,881	14,501	18,859
Bank borrowings	1,306	393	3378	4,639	6,471
Cash and cash equivalents	26,850	28,926	31,151	31,641	28,658
Total equity	32,718	34,114	35,837	40,083	43,291
ROE (%)	35%	36%	41%	56%	54%

- Subscription booking increased 49% during the year, which contributed to operating cash flows

Cash Flow Summary (US\$'000)	2018	2019	2020	2021	2022
Cash flows from operating activities	19,491	15,877	15,838	18,916	17,572
Cash flows from investing activities (excluding changes to bank deposit)	-1,293	-777	-789	-1,394	-1,052
Cash flows from financing activities	-8,078	-13,020	-10,866	-16,913	-19,383

- Financing activities mainly related to dividend payment, lease payments, bank borrowings or repayment

Working Capital Summary

Working Capital summary (US\$'000)	2018	2019	2020	2021	2022
Inventory	8,372	7,387	12,509	18,622	32,333
Raw materials and consumables	6,033	5,006	7,939	13,083	17,992
% of Inventory	72%	68%	63%	70%	56%
Finished goods	2,339	2,381	4,570	5,539	14,341
% of Inventory	28%	32%	37%	30%	44%

Turnover days					
Inventory turnover days	234	168	165	183	231
Trade receivables and prepayment	69	58	61	56	60
Trade payable and other payables	57	52	59	59	57

Inventory:

- Increased inventory to ensure we can continue to capture opportunities and accelerate software subscription growth

Revenue Recognition of Different Segments

Product	Description	Revenue Model	Segment
SD-WAN Routers and Supporting Networking Devices	Hardware sales with 1 year embedded warranty	Non-recurring: 85% ¹ Recurring: 15% ¹	Wired & Wireless SD-WAN Warranty and support
CarePlan Subscriptions	- Different tiers of subscriptions for hardware warranty, software features and access to InControl2 network manager - Subscription starts after 1 year of embedded warranty	Recurring	Warranty and support
SpeedFusion Connect Services	Prepaid usage for SpeedFusion Connect services	Recurring	Warranty and support
InControl2 Subscription	Standalone subscription for InControl2	Recurring	Software licence
FusionHub, InControl2 Virtual Appliance, other features	Purchase of licenses for FusionHub, IC2, software feature upgrades and hardware activation	Non-recurring	Software licence

1. Percentage of product selling price

Thank You

Contacts

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