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We Make Connectivity Reliable

Interim Results 2022

Our Vision

We make connectivity reliable, anytime, anywhere

Key Facts

- Revenue (2021): US$74M
- Net profit (2021): US$21M
- Employees: 200+
- Brands: Peplink, Pepwave

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Who Are We?

Plover Bay Technologies Limited (stock code: 1523 HK) designs networking products and technologies that **provide reliable access** for all kinds of connectivity needs.

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?**

Expectation

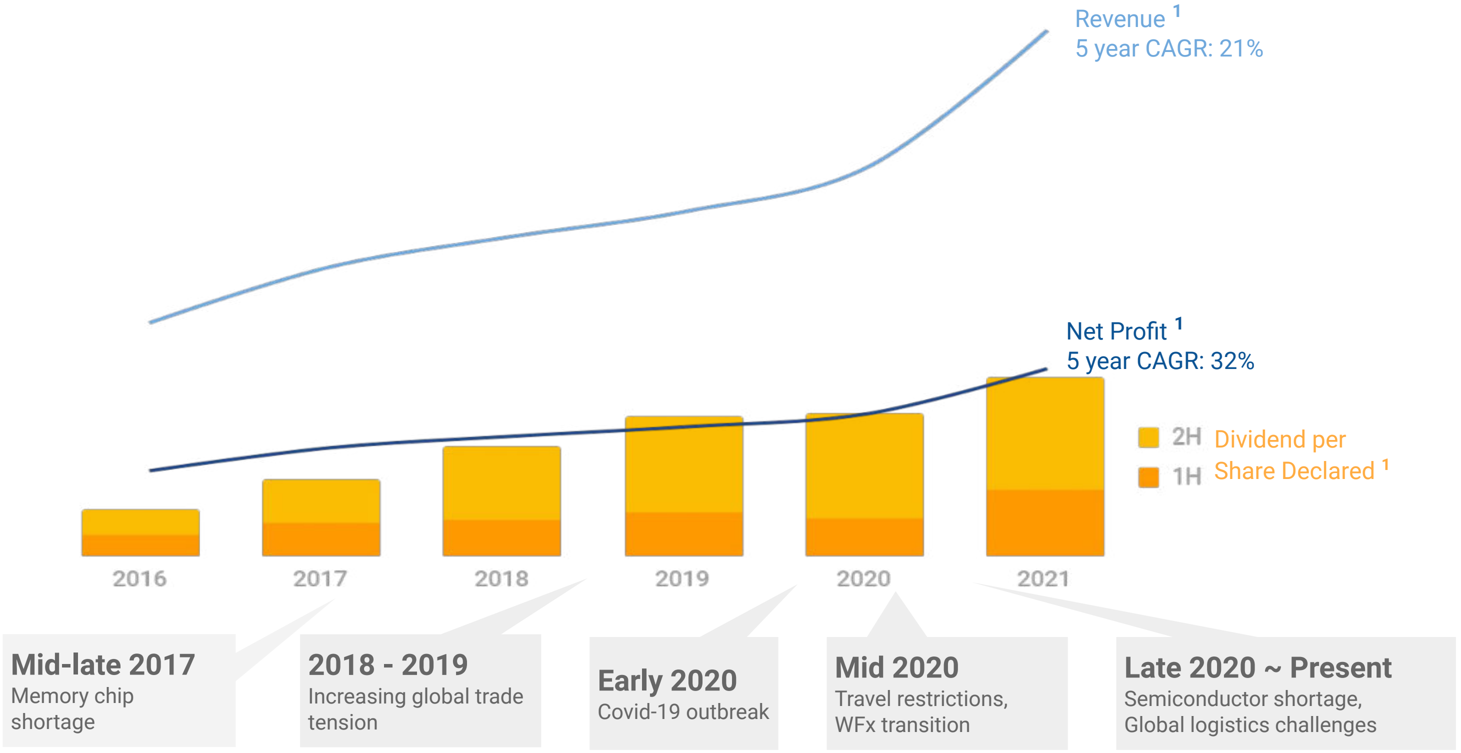
- Connectivity should be **simple**
- Connectivity should **always work**
- Connectivity should be **cost effective**
- Connectivity should **be there when needed**

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**

Solid Track Record

Net Profit and Dividend Growth Through Uncertainties



1. Dividend per share, Revenue and Net Profit data are not to scale

Market Landscape / Growth Dynamics

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Connectivity is needed everywhere

- Decreasing mobile bandwidth cost, increasing enterprise adoption
- Changed habits of Work-from-home / Work-from-anywhere
- IoT and new kinds of applications
- Number of IoT connections **increasing at 19% CAGR**[1]
- Mobile data traffic **increasing at 29% CAGR**[1]

1. Source: Ericsson Mobility Report

What We Do

Four levels of use cases

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Mission critical connectivity

(e.g. first responders, large enterprise, industrial)

Essential connectivity

(e.g. enterprise, industrial)

Better connectivity

(e.g. small businesses and home offices)

Wireless connectivity

(e.g. remote locations, temporary locations, vehicles, ships)

What We Provide

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A hardware / software integrated Ecosystem

- SpeedFusion technology is where the magic happens:
    - **Seamless failover** - when one connection is down, the whole connection keeps running
    - **Faster together** - Bond multiple bandwidths, enhance downlink and uplink speed
    - **WAN agnostic** - Combine any of 4G, 5G, fiber, broadband, LEO satellite, VSAT, etc. Diversity makes resilience
- **Peplink / Pepwave** Routers and networking devices: **Industry leading product range**, purpose-designed for **any location**
- **Management:** **Manage** hundreds of routers, devices, and how they are connected - **all from one screen**
- **On-demand:** **SpeedFusion Connect services** - turn on or off any time. Use only when needed. No contract lock in

Whether it is 4G, 5G, or other technologies

Connectivity is full of practical problems

Problem	Our solution
Fixed networks are prone to last-mile problems • Single provider in some locations • Data usage growth outpaces infrastructure improvements • Endless loop between property owners and service providers to resolve last-mile problems	**We break the loop with fixed + mobile networking** • Proven reliability using multiple LTE / 5G as additional bandwidth / failover on a different circuit • Flexibility to deploy or redeploy in minutes • Highly compatible with other vendors' products
Single mobile carrier is a single point of failure • Carrier coverage is not 100% • Signal obstruction and interference are unpredictable • Network speed is limited by traffic around the base station • Fair usage policies restrict usage • Unsecure and unencrypted	**Combine multiple carriers (i.e. SpeedFusion)** • Faster network with combined bandwidth • Seamlessly failover with no session loss when one of the connections go down • Encrypted and highly secure

Whether it is 4G, 5G, or other technologies

Connectivity is full of practical problems

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Problem

Sometimes, mobile is the only choice

- Vehicles, Ships, Remote locations, temporary events
- Remote locations without fixed network coverage

More carriers mean more complexity

- Negotiating with multiple carriers
- Dealing with multiple points of support
- Carriers need at least 1-2 days to activate the service
- Contract lock in, even if connectivity is needed only occasionally

Our solution

We offer choices with a diverse portfolio of LTE/5G routers

- Multiple product series purpose-designed for different verticals
- Multiple cellular connections ensures high reliability

SpeedFusion Connect services

- Instantly activated
- Pay as you go
- Access to multiple carriers
- Remotely change carrier any time
- No standby cost

Markets We Reach

Retail

- Store network and POS connectivity
- Pop-up stores and events

Maritime

- Onboard, sea and port
- Integration of VSAT and LTE/5G

Public Safety

- Ground, air and waters
- Different networks

Construction

- Rugged remote sites
- Extreme weather

Finance

- Transactions
- Data transmission

IoT & Robotics

- Real-time data transmission
- Remote locations

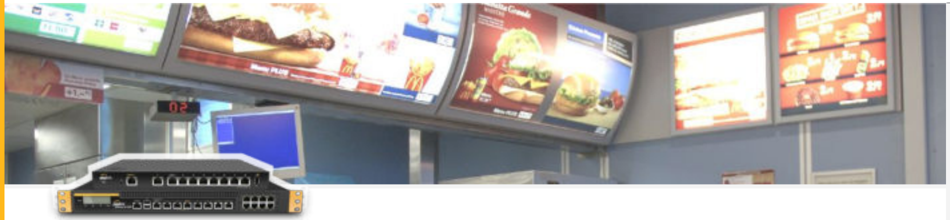
Mobile Healthcare

- Equipment, internet access & medical data transmission
- Remote locations

Education

- Heavy network traffic
- Live streaming

Recent Customer References



Fast-food Chain

Household fast-food chain in Taiwan rapidly deploys always-on connectivity for digital ordering kiosks, POS systems and in-store cameras.

Bank ATMs

Canadian multinational bank ensures 24/7 ATM services with always-on connectivity that can be managed and troubleshot remotely and rapidly.

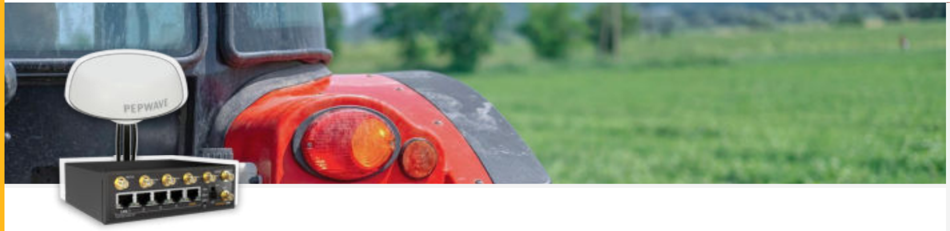
Coffeehouse Chain

Multinational coffee franchise future-proofs its US stores, replacing their legacy phone system with a LTE-based network with much better flexibility. The ease of deployment means there was no need for IT integration.

Convenience Store Chain

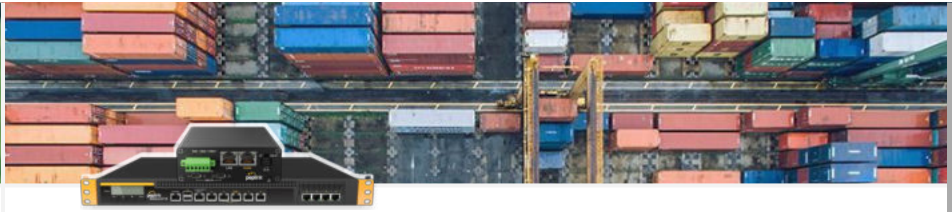
Southeast Asia convenience store franchise safeguards their POS system with multiple connectivity and centralized remote management, eliminating the need for manual monitoring.

Recent Customer References



Agriculture

An agricultural corporation in the U.S uses wireless connectivity and a mobility antenna on tractors to transmit live sensor data right from the field to its IoT server, increasing farming productivity.

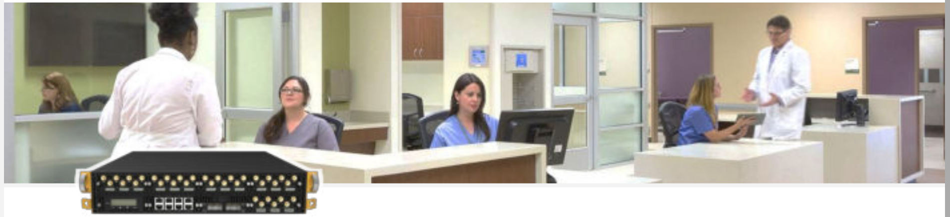


Logistics

Global logistics company with 200 sites worldwide refreshes its network infrastructure with LTE, keeping its containers moving by ensuring critical operational data streams are uninterrupted.

Broadcasting

A national broadcaster adds 5G to its multiple LTE bonded link to ensure high uplink speeds for high-definition streams anywhere.



Medical Institutions

A U.S hospital uses a bonded array of cellular, FTTx, and broadband network connections to provide connectivity to staff and patients across a 1,700,000 square foot area.

Recent Customer References

Factory automation

A luxury car brand upgrades its manufacturing sites in the US with mobile connectivity, allowing it to expand its operations to anywhere with ease. It also enhanced the reliability of its operations.

Yacht

World leading luxury yacht dealer provides a fast and reliable connectivity that can seamlessly switch between Wi-Fi at the marina and cellular at sea.

Large Vessel

The world's largest crane vessel, capable of lifting 48,000 tons, uses a diverse range of WANs to provide reliable and economical connectivity from harbours to the open seas.

Maritime Engineering

A multinational maritime engineering and construction company replaces their MPLS network with an SD-WAN ecosystem that provides a flexible and secure network with large bandwidth.

Case Study Highlight

Pilot for New Business Model: Network as a Service

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Background

Customer was a corporate shuttle service provider with **numerous global tech leaders in the San Francisco Bay Area** as their clientele.

In late 2020, Customer wished to upgrade its fleet to offer a “mobile office” experience to increase productivity of employees during their daily hour long commute.

We **provided a NaaS model with no upfront cost** as a pilot for the SpeedFusion Connect LTE business model.

Solution

- **All in one NaaS**:
  Router + multicarrier data + support services, with no upfront cost
- Monthly charge based on actual data usage

Result

- Customer was rapidly expanding mobile office shuttle fleet
- **Steadily increasing** data usage on each bus
- **Strong growth** in data usage and revenue

Implications: A successful blueprint for a new business model to replicate into other markets

Case Study Highlight

Bonding Two Starlinks together

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Background

The maritime user used Starlink on a marine vessel for remote work. In remote places, while the Starlink connection is reliable, the user frequently encountered microstutters, packet loss and disconnection during conference calls.

To fix the problem, the user experimented using Peplink router's SpeedFusion technology to bond two Starlinks together to improve reliability.

Solution

- **Peplink router** and **SpeedFusion technologies** were used to bond two Starlink connections together
- Peplink will also work with a Starlink + LTE/5G solution

Result

- The user was able to **use two Starlinks** simultaneously as if they were one single connection
- SpeedFusion **drastically reduced packet losses**, which eliminated microstutter and disconnections

Implications: The case proves Peplink is highly complementary to Starlink users

How We are Different

Competitive landscape

Where do we stand?

Key differentiation

- Bonding of multiple WANs (SpeedFusion)
- Diverse range of products
- Lower total cost of ownership
- On-demand data service (SpeedFusion Connect)
- Zero-touch SIM management (FusionSIM)
- Friendly subscription model w/ no lock-in

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Network security / SASE / UTM	Cloud-based Management	Enterprise SD-WAN	LTE / 5G SD-WAN	Connectivity & connectivity mngt

Main competitor

Broad SD-WAN market

How are we different from other competitors?

The Difference is in the Mindset

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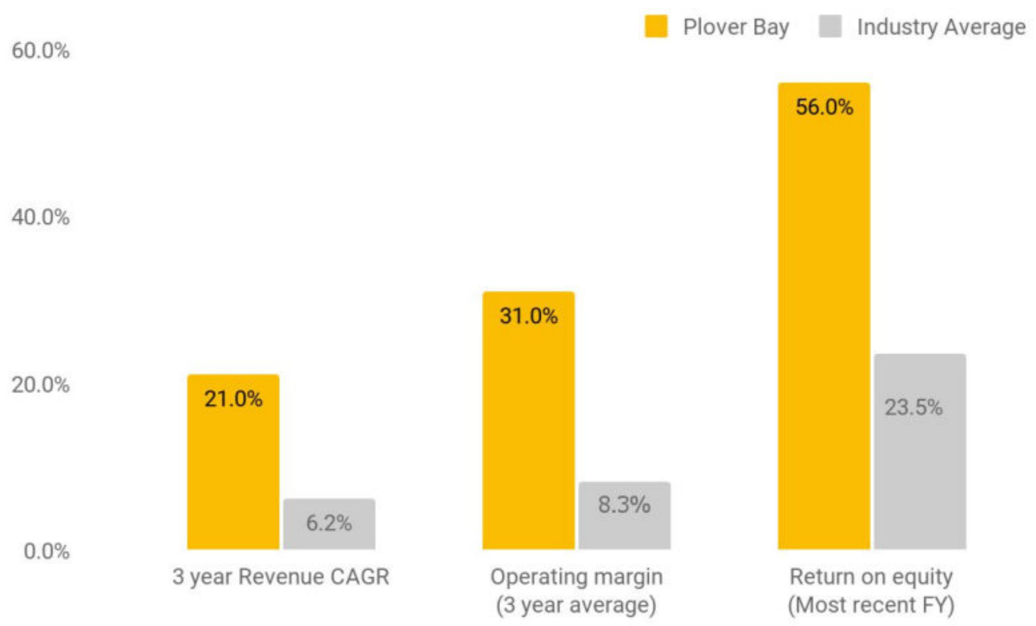
	Corporate mindset	Our mindset
Sales	Build a sales organization (high fixed cost) Build relationships Trade exhibits and marketing events (High CAC)	Leverage global distribution channel (no fixed cost) Focus on designing good products Digital marketing & social media (Low CAC)
R&D Approach	Chase after "hot" features, tick all the feature boxes, everyone becomes "me too" Talk to sales first	Highly focused on what we are good at (i.e. mobile connectivity) Direct access to R&D team, direct understanding of customers' problem
People	Executives and VPs whose experiences are built from the past	Passionate learners and explorers, not bound by conventional wisdom and boundaries
Organization	Siloed teams, management layers	Everyone is an owner
Vision	Next quarter / 1-2 years	Long term horizon, sustainable growth

The Result Speaks for Itself

Plover Bay vs Industry Average (2019 - 2021)



Industry Average includes quarterly financial data as of 1Q2022 from Sierra Wireless, Digi International, Fortinet, Cisco, VMWare, HP Enterprise, Juniper Networks, Citrix, Palo Alto Networks, Calamp, Inseego and Extreme Networks.

2022 Interim Results

Financial Summary

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Interim period				
Financial period *(US $'000)*	**1H21**	**2H21**	**1H22**	**Growth (YoY)**
Revenue	32,751	41,377	40,114	+22%
Gross Profit	19,645	23,510	22,345	+14%
Operating Expense, Other Income & Finance cost	(8,603)	(9,825)	(10,062)	+17%
Profit before Tax	11,042	13,685	12,283	+11%
Net Profit	9,292	11,908	10,308	+11%
Gross Profit Margin	60%	57%	56%	-4.3pp
Net Profit Margin	28%	29%	26%	-2.7pp
Diluted EPS	0.86 US cents	1.08 US cents	0.94 US cents	+9%
Dividend per Share	5.32 HK cents	8.98 HK cents	5.90 HK cents	+11%

Revenue by Product Segment

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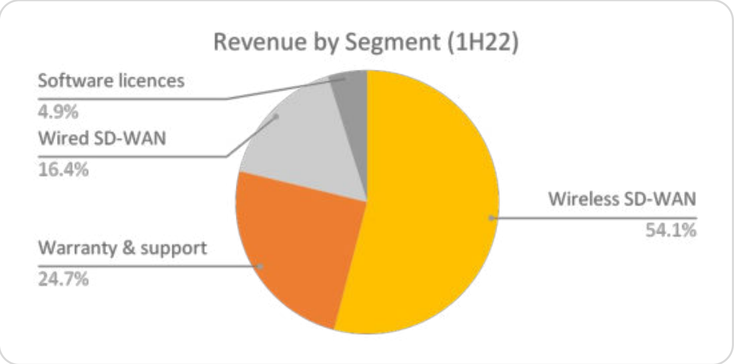
Product Segment/ Financial Period *(US$'000)*	Segment Revenue 1H21	Segment Revenue 1H22	Growth (YoY) (%)	Growth drivers
Wired SD-WAN	5,946	6,562	+10%	● Taiwan partial COVID-19 shutdowns in April and May delayed the launch of a key product (new BR1 Mini) towards mid-late June, majority of orders delayed to 2H22 ● Strong growth in volume-driven products to accelerate user base growth
Wireless SD-WAN	18,275	21,687	+19%	
Warranty & Support Services	6,883	9,916	+44%	● Strong growth in the number of new and renewed CarePlan subscriptions ● Reflects the deferred revenue from equipment sales growth in 2021
Software Licenses	1,647	1,949	+18%	● Strong growth in the number of new and renewed InControl2 subscriptions ● Launched InTouch feature for InControl2, which amplified the value proposition of InControl2
Overall	**32,751**	**40,114**	**+23%**	● Constant currency growth: 24.9%



Recurring Revenue

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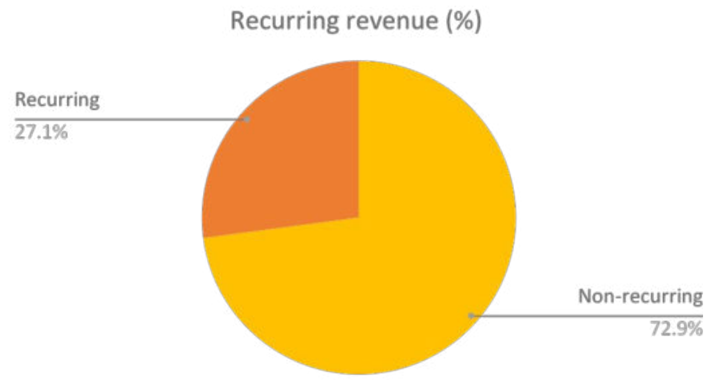
Recurring revenue *(US$'000)*	Period ended			YoY Growth
	1H21	2H21	1H22	%
Recurring Sales	7,616	9,697	10,868	43

Contract liability (i.e. Deferred revenue) *(US$'000)*	As at period end		
	Jun 2021	Dec 2021	Jun 2022
Contract Liability - Short term	9,304	11,681	12,934
Contract Liability - Long term	2,622	2,820	3,176
Total	11,926	14,501	16,110
YoY Growth	33%	33%	35%

Drivers of Recurring Revenue

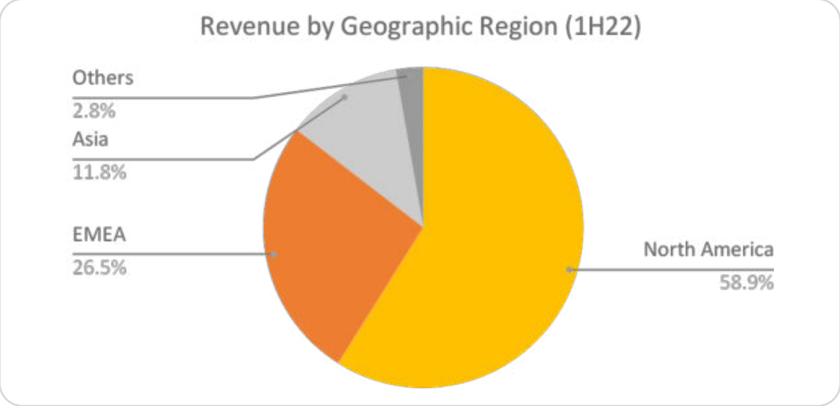
- **Deferred revenue growth** reflecting strong router sales in past 12 months
- **New software features** (eg. InTouch) to draw in more subscribers
- **Total number of subscriptions** at 30 June 2022 increased by 35% YoY
- **Expanding installed base** - Over 396,000 registered devices at 30 June 2022 (+29% YoY)

Recurring Revenue = 27.1% of Total Revenue in 1H22

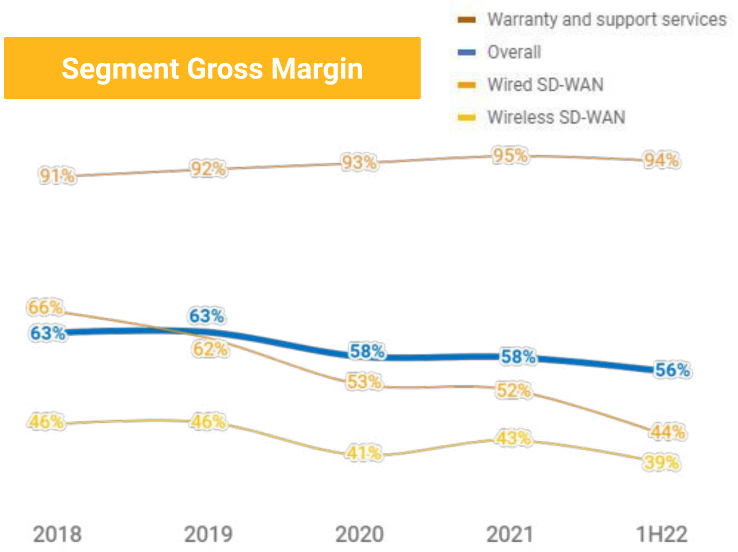


Geographical Breakdown

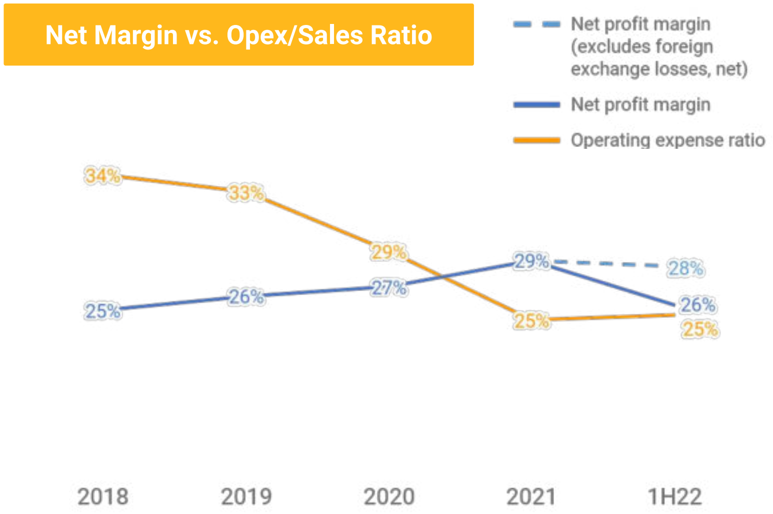
Geographic Segment/ Financial Period *(US$'000)*	Segment Revenue 1H21	Segment Revenue 1H22	Growth (YoY) (%)	Growth driver
North America	18,106	23,638	+31%	● Broad based growth across channel partners and vertical markets ● Continued strong growth in online ecommerce channel
EMEA	9,366	10,634	+14%	● Strong growth among maritime vertical ● Constant currency growth: 21%
APAC	4,556	4,733	+4%	● Sales in Asia predominated by government projects which can be lumpy
Others	723	1,109	+53%	● Continued strong growth from new partner added in March 2021



Lean Operating Structure



- Overall GPM decreased vs 2021 levels as product mix skews toward lower-margin & volume-driven products
- Pricing for certain products have been adjusted to compensate for increases in raw material costs, but not yet fully reflected in 1H22 gross margin figures



- US$1.0M foreign exchange translation loss, net was recorded in general & admin expenses
- Excluding forex loss, net profit margin would have been 28.2%

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

Balance Sheet and Cash Flow Summaries

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Balance Sheet Summary *(US$"000)*	**Dec 2017**	**Dec 2018**	**Dec 2019**	**Dec 2020**	**Dec 2021**	**Jun 2022**
Trade and Other Receivables	9,476	6,413	8,245	9,199	13,692	13,308
Inventories	11,629	8,372	7,387	12,509	18,622	27,131
Trade and Other Payables	2,630	2,274	2,614	4,453	5,625	5,613
Contract Liabilities	6,221	8,672	8,891	10,881	14,501	16,110
Bank Borrowings	1,944	1,306	393	3,378	4,639	7,896
Cash and Cash Equivalents	16,747	26,850	28,926	31,151	31,641	26,898
Total Equity	28,750	32,718	34,114	35,838	40,083	38,438
ROE (%)	33%	35%	36%	41%	56%	53%

Cash Flow Summary *(US$"000)*	**2017**	**2018**	**2019**	**2020**	**2021**	**1H22**
Cash flows from operating activities	2,809	19,491	15,877	15,838	18,916	4,971
Cash flows from investing activities (excluding changes to bank deposit)	(1,950)	(1,293)	(777)	(789)	(1,390)	(227)
Cash flows from financing activities	(3,320)	(8,078)	(13,020)	(10,866)	(16,913)	(9,392)

- Investing activities mainly related to additions of fixed assets and intangible assets

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

Working Capital Summary

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Working Capital summary *(US$"000)*	**2017**	**2018**	**2019**	**2020**	**2021**	**1H22**
Inventories	11,629	8,372	7,387	12,509	18,622	27,131
Raw Materials and Consumables	*7,464*	*6,033*	*5,006*	*7,939*	*13,083*	*19,180*
% of Inventories	*64%*	*72%*	*68%*	*63%*	*70%*	*71%*
Finished Goods	*4,165*	*2,339*	*2,381*	*4,570*	*5,539*	*7,951*
% of Inventories	*36%*	*28%*	*32%*	*37%*	*30%*	*29%*
Turnover in days						
Inventories	236	234	168	165	183	235
Trade Receivables	58	55	44	46	46	49
Prepayment	15	14	14	15	10	12
Trade Payable and Other Payables	58	57	52	59	59	58

Inventory:

- As at 1H22, 235 days (2021: 183 days)
- High inventory days reflects optimistic outlook of volume-driven products and large order volume to take advantage of volume discount

Trade receivables:

- Trade receivable days continue to indicate healthy channel growth

Appendix

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, InControl2, software feature upgrades and hardware activation	Non-recurring	Software licence

1. Percentage of product selling price

Thank You

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