



OCTOBER 2013

# INVESTOR ROADSHOW

DAVID STEWART – CEO AND MANAGING DIRECTOR  
KEN SHERIDAN – CFO AND EXECUTIVE DIRECTOR



NetComm Wireless (NTC) is an established business with a 30 year history selling an evolution of data communications devices

NetComm Wireless is now focused on the global, high growth, high value wireless Machine to Machine (M2M) sector



# Business Overview

The business is comprised of 2 segments. The future growth of the company is focussed on the M2M segment.

## BASE BUSINESS

The base business is restricted to Australia and New Zealand and encompasses sales of primarily:

- Consumer grade ADSL and 3G routers to ISP's (such as TPG, Adam Internet, etc.), Telco Carriers such as Telstra and Vodafone NZ and retailers such as Officeworks
- Powerline devices to Foxtel
- ADSL Filters to Telstra

## M2M

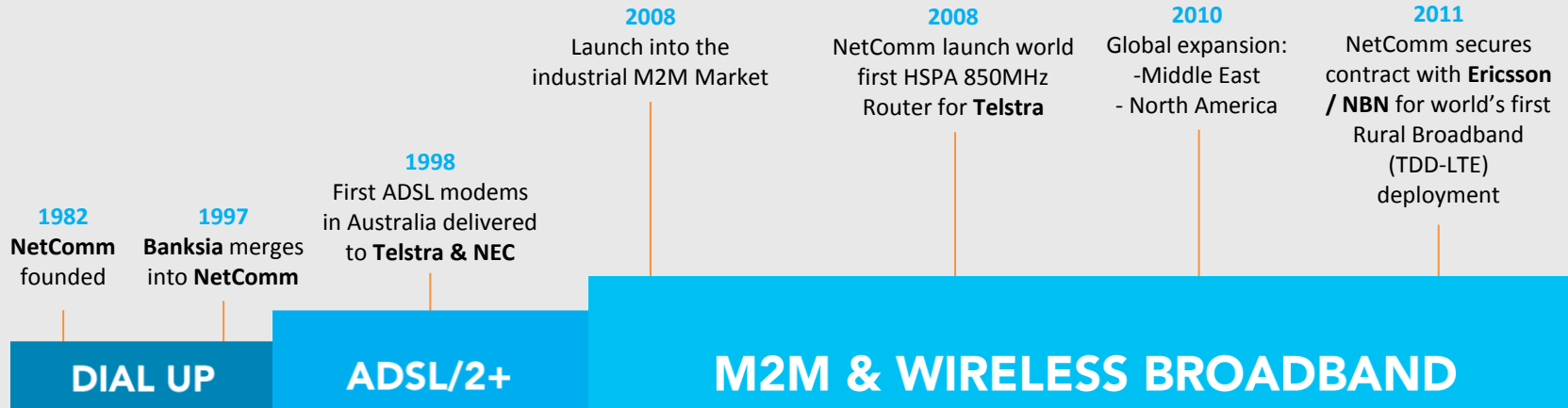
The M2M Business has a global reach and includes sales to:

- Vodafone global
- Comms card for Smart Meters in Victoria (via Ericsson)
- NBN (via Ericsson)
- Direct customers in Australia, North America, Middle East and Europe

# A unique investment opportunity at cusp of substantial growth

- NTC has an established business with a profitable platform from which to continue expansion into M2M sector – already established and active
- M2M market is expected to grow rapidly as every “thing” becomes internet connected
- M2M market is highly fragmented – NTC’s flexibility to adapt products to client requirements provides substantial competitive advantage and customer “stickiness”
- NTC has scalable production capacity
- NTC has existing relationships with market leading global communications service providers – “coat-tails” strategy
- Profitability is expected to improve significantly as NTC increases M2M penetration

# 30 years of evolving with technology



# 30 years of evolving with technology

2013

Launch of the global **Vodafone MachineLink 3G** for Vodafone Global Enterprise

2013

3G Comms module for world's largest 3G smart meter deployment

2013

Start shipments for NSW State Government's \$1.2bn public transport ticketing system

2013

Sign M2M supply agreement with **Mobily** in Saudi Arabia

## M2M & WIRELESS BROADBAND



# FY13 results reflected transition period

**FY13 results reflect NTC's evolution from a company focused on consumer based technologies towards one focussed on the global M2M market**

- Revenue of \$42.9 million (FY12: \$59.4 million)
  - slightly above previous guidance
  - reflects move away from consumer focused products to focus on the M2M market
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$803,000 (FY12: \$4.9 million)
  - in line with previous guidance
  - underlying EBITDA of \$1.6m, after excluding \$0.5m non-cash, unrealised foreign exchange losses on the company's US\$ denominated borrowings as well as \$0.3 m restructuring costs taken during the year
- Net loss after tax of \$542,000 (FY12: profit after tax of \$1.6 million)
- Net debt of \$3.2 million (FY12: \$5.3 million)

# Strong balance sheet following successful capital raise

## **\$5.0 million equity placement to support M2M growth strategy**

- Substantially oversubscribed
- Supported by existing shareholders as well as a number of new institutions and sophisticated investors
- 4 million of the 19.8 million shares issued under the placement were allotted post balance date on 17 July (after receiving conditional placement approval at an Extraordinary General Meeting held on 15 July 2013)

## **Share purchase plan scaled back to raise an additional \$700,000**

- Offered to eligible shareholders - oversubscribed and scaled back
- Allotted 28 June 2013

## **Use of proceeds**

- Support NTC's growth ambitions in the M2M sector
- Ensure NTC is conservatively geared and provide flexibility to fund M2M growth initiatives

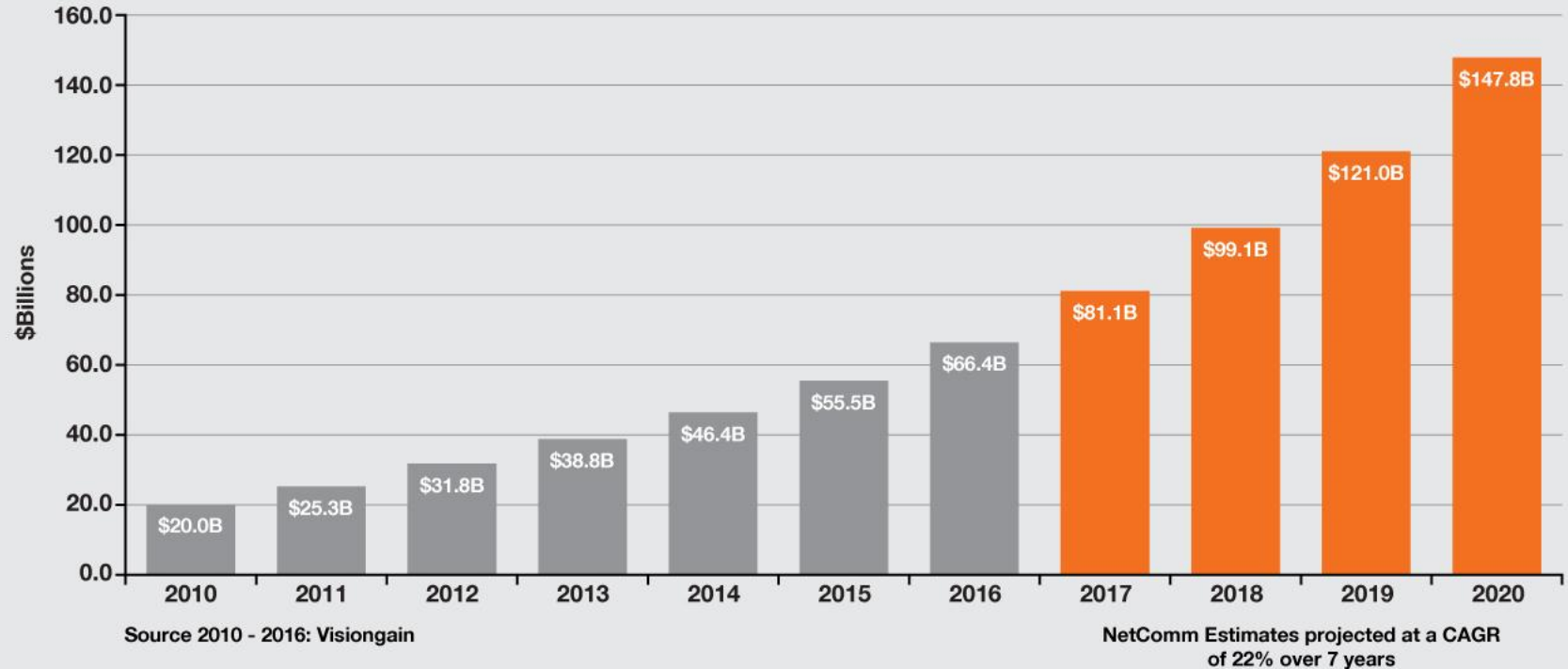


# NTC and M2M market

- NTC's wireless modems sit "on the edge" of M2M network infrastructure and are critical components enabling devices to talk to each other over public or private networks
- NTC does not compete with infrastructure providers or telecommunications companies
- Rather, we partner with infrastructure providers and telecommunications companies to provide them with "edge" devices
- One of NTC's major competitive advantages is its proven ability to quickly develop customised broadband technologies in line with network rollouts

# M2M market is expected to grow rapidly

Global market size for M2M applications is forecast to grow to \$66.4bn by 2016



# M2M growth

Research Company	M2M Yesterday	M2M Today	M2M Tomorrow
Harbor Research			390 million (2014)
Berg Insight	78.7 million (2010)	108 million (2011)	359.3 million (2016)
ABI Research	87.7 million (2010)	110.6 million (2011)	364.5 million (2016)
Strategy Analytics		277 million (2012)	2.5 billion (2020)
Analysys Mason		100.4 million (2011)	2.1 billion (2021)

#### References:

- Berg Insight: **The Global Wireless M2M Market – 4th Edition**
- ABI Research: The Market Opportunity for Mobile Operators, MVNOs and Other Connectivity Service Providers (Q1, 2012)
- Strategy Analytics report: "Global M2M Connections Market Forecasts & Analysis"
- Analysys Mason: M2M device connections, revenue and ARPU: worldwide forecast 2011-2021
- Harbor Research Inc.

# M2M market is highly fragmented

- Provides ample scope to grow
- Below is a snapshot of companies operating in M2M:



# NTC's key competitive advantages

- Longevity
- Experienced Board and management team
- Reputation and credibility
- Strategic alliances... “coat-tails strategy”
- Innovation and speed to market
- Open systems approach... lower customer risk
- Customisation to meet individual customer requirement

# NTC's flexibility to adapt

- Flexibility to adapt products to specific client requirements is key competitive advantage
- Engineers have developed 'intelligence' to produce small volumes of products profitably
- Scalable production capacity via an outsourced manufacturer



# NTC's goal - to grow a substantial M2M market presence

- Aim to be one of the leading M2M device providers globally
- Targeting key M2M industry verticals/customer segments:
  - Utility smart grids (electricity and water)
  - E-health re connected in-home devices which need central monitoring
  - Business services
  - Manufacturing and construction
  - Transportation ticketing
  - Top 1,500 global corporations re their specific needs, especially via Vodafone Global Enterprise relationship
  - Plan to have relationships with 6-8 of top 20 global telecommunications carriers
  - Enter into the US market (With the US' largest telecommunications carrier Verizon)

# M2M focus sectors

## Ticketing



- Bus, train, ferry wireless ticketing systems
- Events ticketing

## Business Services



- Vending Machines
- Recycling/Waste bin levels
- Gaming Machines
- Digital Signage

## Emergency & Health



- Mobile Health units
- Emergency response
- Smart homes
- Remote patient monitoring

## Utilities



- Metering
- Grid Management
- Smart homes
- Irrigation control

## Manufacturing & Construction



- Remote troubleshooting
- Supply Chain Management
- Energy Management
- Building control



# Vodafone top of M2M leaderboard

## Machina Research Strategy Report *(April 2013)*

“Last year Machina Research flagged the sale of pre-integrated M2M bundles as a differentiator for Vodafone. The benefit here was that clients can use Vodafone as a one-stop-shop for all of the M2M capabilities, with a single global contract with one point of contact. Vodafone has continued to build on this for standardised hardware terminals.

*“It has established a strong relationship with module/device manufacturer NetComm Wireless to provide integrated hardware.”* Machina Research

This standard form factor brings a benefit of scale and a consequent reduction in price.”

## Vodafone remains top of Machina Research’s M2M Leaderboard *(London, UK 17th April 2012)*

Rank	CSP
1	Vodafone
2	Deutsche Telecom
3	AT&T
4	Telefonica / O2
5	Verizon
6	China Mobile <i>(Vodafone strategic partner)</i>
7	China Unicom
8	Orange
9	Sprint
10	Telenor
19	TeliaSonera
20	Etisalat

# Recent major supply and alliance agreements



Global supply contract for M2M devices



Supply of 3G communication cards for Victorian Smart Metering



Utility agreement for NBN and utility devices



Second major M2M supply agreement in the Middle East



Supply agreement for water utility communication devices



Supply agreement for M2M devices in the North American market



Agreement for global smart grid projects



NSW State Governments \$1.2bn public transport ticketing system

# Vodafone launches MachineLink 3G product

- Vodafone Global Enterprises has officially launched MachineLink 3G product to global market
- NTC has received technical approval from Vodafone to move to mass production of MachineLink 3G product.
- Devices were available to market in April 2013
- The Vodafone launch provided a significant credibility endorsement of NTC to key industry players



# 3G smart metering communications cards contract

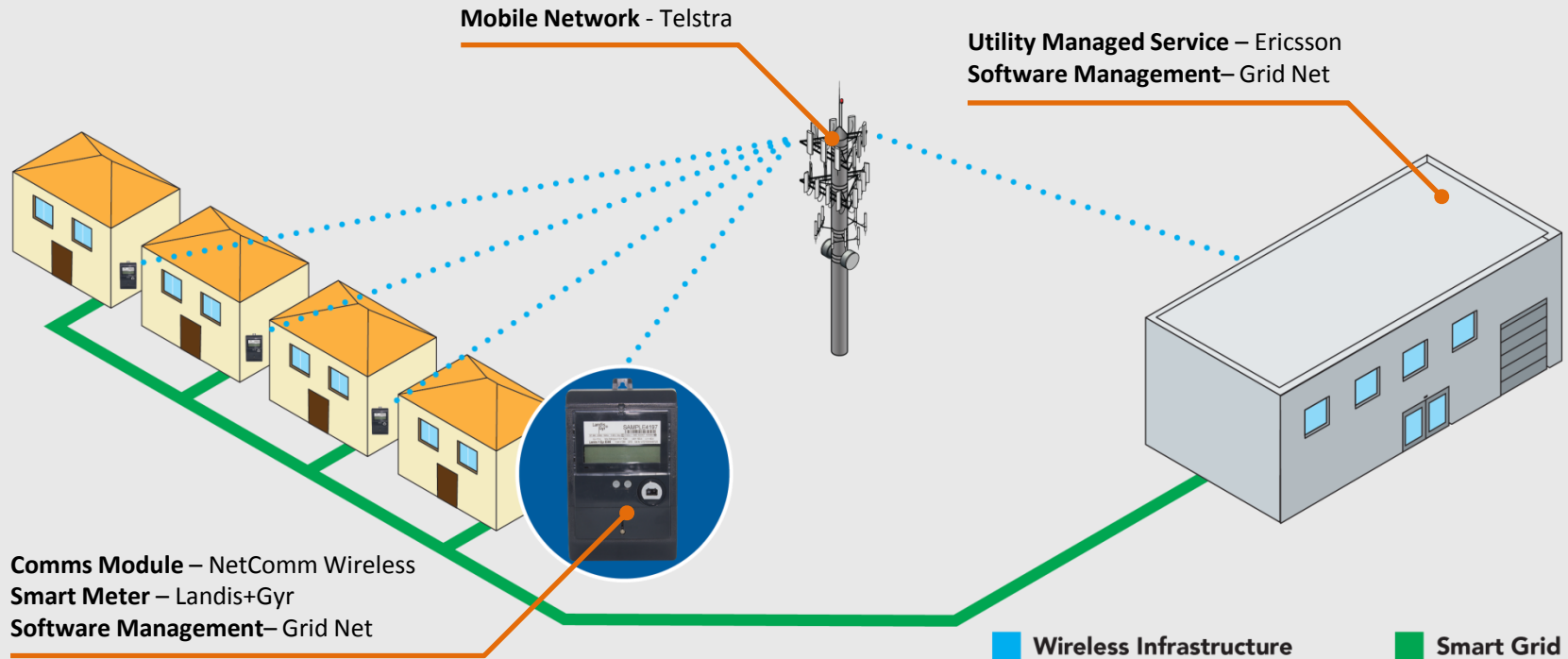
- NTC to supply the 3G communications card component for the rollout of smart meters through its partnership with Ericsson
  - The rollout of smart meters in Victoria will modernise and optimise power grid infrastructure, allowing the capture of details about energy usage in real-time
  - Data can be used to enhance power generation and distribution, reduce peak consumption and improve customer service through advanced new diagnostics
  - This is one of the largest deployments of 3G smart meters in the world to date
- The 3G communications card designed by NetComm Wireless was purpose built to interoperate with smart meter provider, Landis & Gyr
- Further validation of NTC's technical capability and coat-tails strategy



# M2M smart meter ecosystem

*"The number of M2M connections in the utilities industry will grow from 100m in 2010 to 1.5bn in 2020, of which 99% will be smart meters"*

*Source: Machina Research 2012*



# Ericsson contract for NBN fixed wireless rollout



## Application

To provide Ericsson with fixed-wireless LTE devices to connect premises to the NBN Co's Fixed Wireless broadband network

## Opportunity

Available footprint covers approximately 500,000 premises

# Mobily supply agreement



- Mobily is a leading telecommunications service provider in the Kingdom of Saudi Arabia
  - Uptake of mobile broadband communications in the Middle East fuelled by the strong demand for wireless M2M communications across industry sectors such as utilities, oil & gas and transport and other businesses located in areas with limited access to fixed line services
- In June 2013, NetComm Wireless announced that it had entered into a major M2M supply agreement with Mobily.

# Outlook

## **Substantial growth from FY14 and beyond as further M2M contracts are delivered**

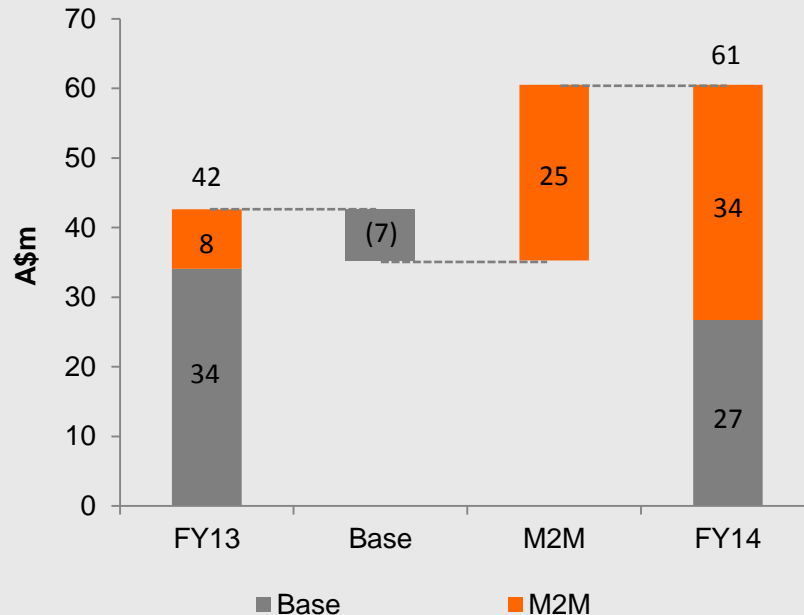
- Substantial growth expected from FY14 and beyond as further M2M contracts are delivered in line with strategic plan to grow market share in the rapidly expanding global M2M market
- FY14 volumes relating to the Ericsson contract for supply of devices for the NBN's fixed wireless network are anticipated to be lower than initially expected, reflecting the uncertainties associated with a change of government
- FY14 EBITDA between \$4.6 - 5.1 million
  - Increased investment into sales and engineering resources made or planned to grow the business in FY14

*Note: The FY14 forecasts are contingent on no major unforeseen delays by customers in the roll out of contracts. Due to the small number of material contracts, the timing of customer rollouts makes forecasting difficult in an annual cycle and can impact the timing of revenue generation. FY14 forecasts were prepared following the principals outlined in the 2013-2017 NTC Strategic Plan. It was built from business unit management input and included detailed assessments of sales volumes and pricing per business unit. EBITDA is as reported and after capitalisation of development costs*



# Change in revenue mix

## Revenue guidance<sup>1</sup>



## FY14 represents an inflection point in product revenue mix

- FY14 revenue guidance of \$58-63m (midpoint \$60.5m)
- M2M business (including smart metering and NBN) expected to increase from 20% of revenue in FY13 to 55% in FY14
  - M2M revenue growth from Victorian Smart Metering, Ericsson (NBN), early Vodafone orders, Cubic (NSW ticketing) and other M2M contracts
- Decline in base business revenue consistent with strategic focus on M2M

1. Based on revised FY13 guidance and midpoint of FY14 guidance. May not add due to rounding
2. Basis of guidance: The FY14 forecasts are contingent on no major unforeseen delays by customers in the roll out of contracts. Due to the small number of material contracts, the timing of customer rollouts can impact the timing of revenue generation. FY14 forecasts were prepared following the principals outlined in the 2013-2017 NTC Strategic Plan. It was built from business unit management input and included detailed assessments of sales volumes and pricing per business unit. EBITDA is as reported and after capitalisation of development costs

## In summary

- M2M market is expected to grow rapidly as every “thing” becomes internet connected
- NTC is uniquely placed to leverage global growth of M2M market
- Significant growth anticipated in FY14 and beyond
- NTC has a strong balance sheet to pursue attractive organic growth initiatives
- Profitability is expected to improve significantly as NTC increases M2M market penetration globally



# APPENDICES



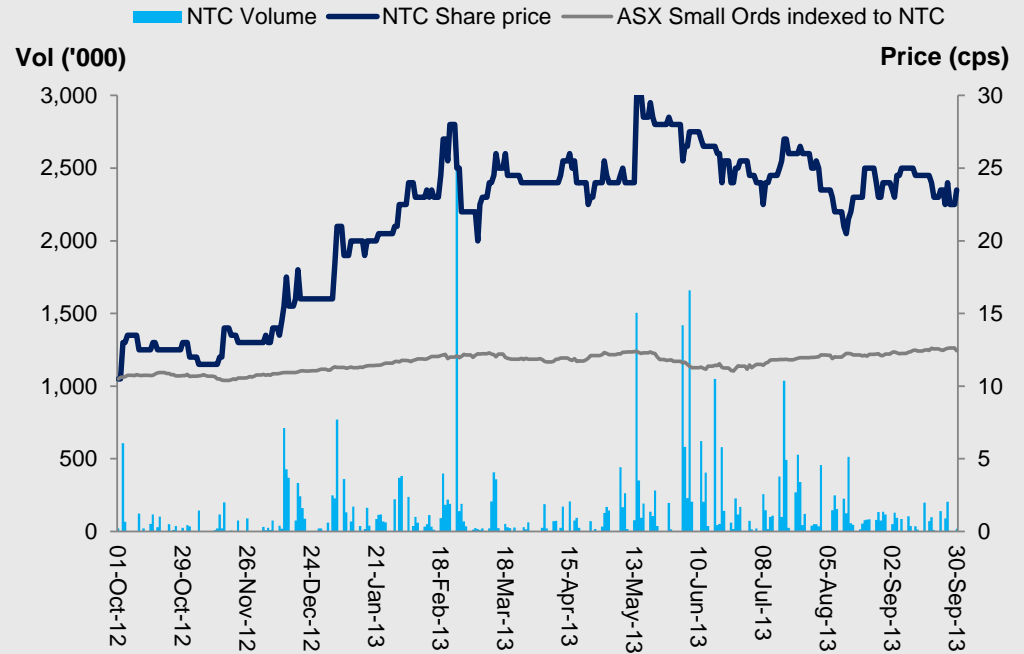
# Corporate overview (ASX:NTC)

## Substantial shareholders at 27 September 2013

Brad Industries P/L / Rooke Lane P/L	17.85%
NBT Pty Ltd / Janvin P/L / G&P Woods P/L	8.66%
Watermark Funds Management	5.10%
<b>Total substantial holders</b>	<b>31.62%</b>

## Details at 27 September 2013

Shares on issue	m	128.7
Share price	cps	23.5
Market Cap	\$m	30.2
Debt (30 June 2013)	\$m	7.1
Cash (30 June 2013)	\$m	3.9
Enterprise Val	\$m	33.5
Options on issue	m	0.2



Source: IRESS as at 30-September-2013

# Funding

## **Dividend policy**

- Given the number of exciting growth opportunities available to NetComm, the Board remains focused on conserving cash for business reinvestment and has determined that it would defer the company's dividend for now
- NetComm Wireless' dividend policy will be reinstated as soon as it is deemed prudent

## **Working capital**

- \$3.2m net debt at 30 June 2013
- Need for capital is short term and directly related to business won
- Working capital provided by NAB through \$15m, rolling 180 day, trade finance facility

# Strong Board



**Justin Milne**  
Independent Non-Executive Chairman

Mr Milne was appointed to the NetComm Wireless board on 7 March, 2012. With extensive experience in the telecommunications industry and media, Mr Milne is well placed to make an important contribution to the strategic direction of the Company.

He is a non-executive director of ME Bank and of Tabcorp Holdings Ltd, Chairman of the National Basketball League, Deputy Chair of the Sydney Children's Hospital Foundation and Director of Basketball Australia. Mr Milne was formerly Group Managing Director at Telstra BigPond, CEO of The Microsoft Network and of OzEmail. He is also a past board member of the SA Economic Development Board, a past President of the Internet Industry Association and former Deputy Chairman of Quickflix Ltd.



**David Stewart**  
Chief Executive Officer, Managing Director

David is an experienced CEO and successful entrepreneur with more than 30 years in management and business leadership roles. David founded Banksia Technology Pty Limited in 1988 and successfully managed the company as a fast growing and highly profitable business.

In 1996 he instigated the successful takeovers of a number of his competitors, including NetComm Limited, which was completed in November 1997. David assumed the role of Managing Director of the merged entity and remains the single largest shareholder of NetComm.

David has a strong financial background, extensive experience in sales and marketing and has a strong interest in new technologies. While being very active in the operational aspects of the business, he also oversees the product development direction and focuses on the strategic direction of the company.

# Strong Board



**Stuart Black**

**Independent Non Executive Director**

Mr Black has had a distinguished career as a Chartered Accountant with extensive experience in professional services, agribusiness, financial services, manufacturing, import, distribution, IT and biotechnology. Mr Black sits on a number of Boards as non-executive director, including Australian Agricultural Company Limited, Coffey International Limited, Accounting Professional & Ethical Standards Board Limited and Country Education Foundation of Australia Limited. He is also Chairman of Lowenhaupt Global Advisors and the Chartered Accountants Benevolent Fund Limited.

Mr Black is Chairman of the Company's Audit and Risk Committee.



**Ken Boundy**

**Non-Executive Director**

Ken Boundy joined NetComm Wireless as a Non-Executive Director on 24 August 2012. He is currently Chairman and/ or Non-Executive Director on four boards, member of two advisory boards and part owner of two businesses. Mr Boundy has held a number of prominent positions over the past thirty years including: Managing Director of the Australian Tourist Commission, Tourism Australia; Executive General Manager, International, of James Hardie Industries Limited; Group General Manager, Corporate Development, of Goodman Fielder Limited (GFL); CEO, of Goodman Fielder Asia, Singapore (GFA) and Director, Industry Development, of the Victorian Department of Industry Commerce and Technology.



**Ken Sheridan**

**Chief Financial Officer, Executive Director**

Ken Sheridan is a chartered accountant with over 30 years' experience in senior management roles.

He contributes to the achievement of NetComm Wireless' objectives by providing advice and direction on financial, HR, IT, risk management and company secretarial matters as well as business strategy.

Ken is actively involved in the Company's business planning and review activities and is also responsible for the design and implementation of the Company's governance framework.

# Experienced Executive Team



**Yumi Bondy**  
Head of Marketing

Yumi Bondy leads the Marketing and Communications teams and is responsible for driving NetComm Wireless' marketing strategy to connect with global customers and meet organisational objectives. She is spearheading the development of innovative marketing processes designed to open new channels and enhance customer and partner relationships. Yumi tracks market and industry trends to determine demand for emerging products; and works closely with a team of marketing, communications, branding, market research and product development managers to drive the performance of all marketing activities in line with the Company's vision and mission.



**Steve Collins**  
Head of Product Development

Steve Collins has extensive industry experience in wireless, industrial 'always on' devices, and a strong background covering the hands-on design of hardware, software and firmware. Steve joined NetComm Wireless in 2009, and is responsible for managing the Product Development Group which consists of: Research & Development; Software / firmware development; Hardware development; Testing; Project Management; Production readiness and Certification units. Steve brings to the Company an emphasis on industrial rated product design with an end-to-end concept-to-production focus in a fast turnaround environment.



**Karen McCrum**  
Operations Manager

Karen McCrum has contributed 15 years to NetComm Wireless and plays a significant role in the overall operations of the Company. She facilitates several projects within the organisation with a focus on inventory control, operational policy, quality assurance, logistics management and maximising the output of the technical support centre. Karen's strong management and leadership background ensures the smooth operation of end-to-end processes and the optimal use of Company resources in areas such as supply chain management. Karen is also responsible for ensuring that standard procedures are adhered to by appointed third parties.



**Danny Morrison**  
General Manager Sales

Danny Morrison oversees the Australian and New Zealand channel, M2M and ISP sales teams. He plays a fundamental role in developing future growth and provides direction and leadership to the sales and business development managers. Danny meets profit targets and sales growth objectives by increasing market share in existing markets and identifying opportunities in new markets. Danny builds long-term carrier, ISP, industry and retail partnerships and maintains an extensive knowledge of local market conditions.





**NetCommWireless**

**Thank you**