

REVENUE AND PROFITABILITY FUNDAMENTALLY REBASED IN FY18

27 August 2018 (Sydney): NetComm Wireless Limited (ASX: NTC) is pleased to announce its results for the 12 months ended 30 June 2018 (FY18), a year that saw the Company fundamentally rebase revenue and profitability, deliver new major contracts for future growth and progress discussions with Tier 1 Carriers globally to implement tailored connectivity solutions.

FY18 was a record full-year result. Key metrics¹:

- Group revenue up 69% to \$181.7 million
- EBITDA up 5.7x to \$20.5 million
- NPAT increased to \$8.0 million, compared to prior period loss of \$(1.8) million
- Operating cashflow up 2.9x to \$23.7 million
- Strong balance sheet, with no debt and net cash of \$27.3 million.

Commenting on the Company's record FY18 performance, NetComm Chairman Justin Milne said: "I am delighted to see the investments we made in previous periods translate to outstanding growth, as we position the Company to be a successful global connectivity provider."

Group revenue was up 69% to a record \$181.7 million as the Company expanded key projects. Telecommunication Infrastructure Equipment and Industrial Internet of Things (IIoT)² revenue was up 81% to \$156.5 million and now represents 86% of Group revenue. In addition, the Consumer Broadband business recovered, with revenue up 18% due to initiatives to reinvigorate that business.

"Reflecting the growth in revenue as contracts scaled, earnings and profits grew even faster, with EBITDA up 5.7 times to \$20.5 million. Our balance sheet further strengthened during the period given the strong operating cashflow generated, with no debt and cash of \$27.3 million," added Mr Milne.

Key projects rebased revenue and earnings

Commenting on NetComm's operational performance, CEO & Managing Director Ken Sheridan said: "Over the course of FY18 we generated material revenues in our Telecommunication Infrastructure Equipment and IIoT business. We continued to receive and deliver large DPU orders to nbn for its FTTC project and importantly our relationship was further strengthened with the agreement to supply Network Connection Devices [NCDs], providing the in-home link for connectivity."

Fixed wireless continuing to grow in Australia and the US, with a new client signed in Canada

"We were pleased to receive initial purchase orders to deliver our third generation, 100mbps capable fixed wireless devices to Ericsson for the nbn rural broadband project. In North America we commenced fixed wireless device sales to AT&T and signed a contract to deliver devices to a Tier 1 carrier in Canada. These North American contracts are part of a concerted push to see rural households receive fast internet connections and are expected to be strong contributors to our future growth," said Mr Sheridan.

¹ Comparisons relate to FY18 vs FY17

² Previously referred to as the M2M Business, it includes all businesses outside of the ANZ Consumer Broadband business

Connecting even more Fibre to the Curb (FTTC) subscribers

“We have a fantastic use case in Australia with nbn, which is leading the way in implementing the first large-scale reverse powered 4-port DPU, to introduce FTTC to 1.5 million premises, while the NCD completes the end-to-end FTTC solution. Building on our success locally, we see substantial opportunities to implement similar large-scale solutions in Europe, where we have already successfully completed three lab trials, with an in-field trial currently in progress,” said Mr Sheridan.

Accelerating investment in 5G

“NetComm has a deep understanding of the complexities involved in implementing large-scale fixed wireless solutions. With strong partnerships established in global markets, we are well placed to benefit from policy trends that are highly supportive of fixed wireless in developed markets, where we aim to be early to market with commercial Fixed Wireless 5G solutions,” added Mr Sheridan.

Well positioned for global success

Commenting on NetComm’s strong global position, Mr Sheridan said: “In an era where governments across the globe have policies and funding in place to implement broadband solutions to reach both urban and rural populations, broadband is increasingly being seen as a utility that needs to work reliably at all times. With a full suite of innovative products to solve operators’ connectivity challenges, NetComm has built a substantial customer pipeline with the goal of achieving 10 customers in 3 continents by 2022.”

Outlook

Following the substantial step up in scale in FY18, NetComm expects FY19 to be a year of consolidation to ensure a sustainable platform is in place to drive the next step change in growth expected for FY20:

- Revenue is forecast to grow 15-20%. This forecast growth is dampened due to a slower than expected rollout of the nbn FTTC project (as flagged by nbn) and a slower rollout of the AT&T Fixed Wireless project. This revenue has not been lost, rather it is deferred to future periods
- Underlying EBITDA is expected to be at a similar level to FY18, with revenue growth offset by lower margins as the sales mix changes from higher margin Australian DPU sales to lower margin NCD sales and higher near-term component costs are incurred due to global industry wide shortages
- Given NetComm’s substantial opportunities in 5G, an investment of \$9 million is planned into 5G solutions, of which \$4 million is operating expense and \$5 million is capital expenditure
- After allowing for our additional 5G opex spend, reported EBITDA is forecast to be in the range of \$15 million to \$18 million with earnings skewed to the second half based on our expectations of customer ordering patterns.

Commenting on the outlook Mr Sheridan said: “The investments we plan to make in FY19 will position NetComm at the forefront of a “once in a decade” technology wave, allowing us to be early to market with a commercial fixed wireless 5G solution with applicability in global markets.

While our business is always subject to the ordering patterns of our customers, this will lead to our next step change in revenue and earnings which is expected in FY20 and we are as excited and confident as ever about the outlook for our business, when measured over a multi-year period.”

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About NetComm Wireless

NetComm Wireless Limited (ASX: NTC) is a leading developer of Fixed Wireless broadband, wireless M2M/Industrial IoT and Fibre and Cable to the distribution point (FTTdp / CTTdp) technologies that underpin an increasingly connected world. Our Listen. Innovate. Solve. methodology supports the unique requirements of leading telecommunications carriers, core network providers, system integrators, government and enterprise customers worldwide.

For over 35 years, NetComm Wireless has engineered new generations of world first data communication products and is now a globally recognised communications technology innovator. Headquartered in Sydney (Australia), NetComm Wireless has offices in the US, Canada, Europe/UK, and New Zealand.

For more information visit: www.netcommwireless.com