# ETHERSTACK PLC (ASX:ESK)

**Equity Research Report** – 22 April 2026

| Capital Structure | |
|---|---|
| Current price per share | A$0.61 |
| Intrinsic value per share | A$1.09 |
| Potential upside | 78% |
| Ordinary shares on issue | 141,549,695 |
| Market capitalisation | A$88.5m |

| Major Shareholders (as at 22 April 2026) | |
|---|---|
| David Deacon | 34.3% |
| Citicorp Nominees Pty Ltd | 9.9% |
| HSBC Custody Nominees Ltd | 6.2% |
| Paul Barnes | 4.8% |
| Bond Street Custodians Ltd | 3.9% |

## Key People

- Peter Stephens - Non-Executive Chairman
- David Deacon - Founder, CEO and Executive Director
- Paul Barnes - Non-Executive Director
- Scott Minehane - Non-Executive Director

## Key Achievements To Date

- Commercialised world-first interworking technology, now deployed in large-scale public safety networks
- Secured major tier-1 contracts including recent AT&T contract for US$18m (7-year MSA with a minimum of US$2.5m in support fees per annum) and the UK Home Office contract (£14.2m across 5 years)
- Strengthened recurring revenue base, with FY25 support fees and CaaS revenue exceeding US$3.7m
- Delivered record FY25 EBITDA of US$2.0m on revenue of US$10.1m (+70% YoY)

## Research Team

**Nathan Oyet** - Head of Research

**Jack Wu** - Quantitative Analyst

**Introduction.** Etherstack Plc (ASX:ESK) is a mission-critical communications technology company that develops and licenses software and systems enabling secure, mission-critical push-to-talk (MCPTT) voice and data for public safety, defence, utilities, transportation and critical infrastructure. ESK sits at the intersection of legacy Land Mobile Radio (LMR) networks and next-generation 4G/5G mission-critical services, positioning the company as a key enabler of the global transition to broadband-enabled critical communications.

**World-First Interworking Technology Positioned as the Core Growth Engine.** Etherstack has deployed the world's first implemented 3GPP-compliant Interworking Function (IWF) technology, which bridges traditional LMR networks with mission-critical push-to-talk over LTE/5G. Interworking is the essential "bridge" during a multi-year migration from LMR networks. Management has emphasised that IWF and associated MCX technologies are the primary growth driver for Etherstack going forward, supported by long procurement cycles that create high barriers to entry and strong customer stickiness once deployed.

**Major Contract Wins Strengthening Recurring Revenue.** ESK has secured major customer wins that validate its technology, including a 7-year AT&T master supply agreement with minimum US$2.5m p.a. and a £14.2m (~A$30m) five-year UK Home Office contract. These contracts meaningfully expand ESK's high-margin support revenue. This improves recurring revenue generation and overall revenue stability, while funding continued investment in the IWF growth platform and global expansion into additional OECD markets.

**Guidance Points to Revenue Ramping Up.** ESK is poised for a major revenue leap in FY26, guiding to US$16.2–17.5m (nearly double FY25's record sales) underpinned by recent landmark contract wins. These strategic wins position Etherstack for robust multi-year expansion, reinforcing confidence in its strong top-line growth trajectory.

**Compelling Intrinsic Upside.** Using a DCF, we estimate ESK's fair value at A$1.09 per share, implying ~78% upside. Revenue is forecast to grow at a 33% CAGR from FY25 to FY30, underpinned by CaaS, with EBITDA margins expanding as operating leverage materialises. Notably, our forecasts exclude new contract wins beyond those already secured, suggesting meaningful upside optionality to our base case.

## COMPANY OVERVIEW

Etherstack PLC is a wireless technology company specialising in mission-critical radio communications. The company develops, manufactures, and licenses digital radio network software, communications equipment, and related services for clients in public safety, defence, utilities, transportation, and natural resources. Etherstack's solutions enable reliable, secure MCPTT communications across traditional LMR systems and emerging broadband networks. The IWF product serves as a bridge between legacy radio networks and next-generation 4G/5G networks, positioning Etherstack to play a key role in the global transition toward interoperable public safety communications.

## PRODUCT AND TECHNOLOGY

### Product Overview

Etherstack's product portfolio is purpose-built for the mission-critical communications market, where mission critical agencies and industrial operators require assured availability, secure voice communications, and increasingly, seamless interoperability between legacy LMR networks and next-generation broadband (LTE/5G) services. The company's strategy is to monetise this transition through a layered offering: a cash-generative LMR foundation embedded across global OEM ecosystems, complemented by higher-growth interworking and MCX solutions that enable a pragmatic migration path for customers who cannot "rip and replace" incumbent radio infrastructure. With field-proven deployments, standards-compliant software, and a growing base of recurring support revenue underpinning reinvestment, Etherstack is positioned as a critical enabler of the global shift toward hybrid, interoperable public safety and industrial communications architectures.

Etherstack has developed three core product verticals underpinned by its industry-leading technology


*Source: Etherstack*

### Digital LMR Networks

**Embedded at the Foundation of Global Digital Radio Ecosystems.** Traditional digital two-way radio networks (LMR) remain a cornerstone of Etherstack's business. The company supplies digital LMR infrastructure and software compatible with all major international standards, including APCO P25, TETRA, and DMR, which are used by police, emergency services, military, utilities and industrial fleets globally. Etherstack's protocol stack technology is widely embedded in the LMR ecosystem, with management noting that >70% of global LMR radio manufacturers license

component parts of Etherstack LMR protocol technology. This diverse customer base and deep OEM integration position Etherstack as a critical behind-the-scenes enabler of mission-critical radio interoperability. It is a key differentiator for Etherstack as a world-leading LMR domain expert and is essential to the successful deployment of its IWF product, particularly in multi-OEM end-user environments.

**High-Availability Voice Under Harsh Conditions.** Digital LMR remains the benchmark for resilient, low-latency, instant push-to-talk voice, particularly in environments where cellular coverage is unreliable or during disaster scenarios. Etherstack's LMR networks are engineered for coverage, robustness, and operational continuity, supporting mission-critical use cases across public safety and industrial operations. Digital modulation and error correction provide improved audio intelligibility at the edge of coverage versus analog systems, supporting reliable communications in remote, rugged, and high-interference environments.

**Security and Mission-Critical Feature Set as a Core Differentiator.** Security and operational control are central to Etherstack's LMR proposition. Etherstack's LMR systems support advanced encryption, Over-the-Air Rekeying (OTAR), and mission-critical operational features such as group/individual calling, emergency signalling, call prioritisation, text messaging, and GPS location reporting. These features are critical in multi-agency scenarios where secure interoperability and robust command-and-control workflows are non-negotiable.

### MCX Interworking Function (IWF) – LMR/LTE Bridge

**The "No-Disruption" Migration Layer for Public Safety Modernisation.** Etherstack's MCX IWF is designed to solve the central problem facing public safety and critical infrastructure agencies globally: LMR networks cannot be switched off overnight, yet broadband (LTE/5G) is increasingly required for richer services. The IWF acts as the operational bridge that allows legacy LMR users to communicate seamlessly with MCPTT users on LTE/5G, enabling a phased migration without compromising mission-critical communications.

**Standards-Grade Interoperability Engineered for Mission-Critical Semantics.** From a technical standpoint, the IWF is not merely "voice bridging". It is built to preserve mission-critical call behaviours across domains, including emergency call handling, prioritisation (duress, emergency calling), signalling integrity, and operational workflows such as location data. This is a key differentiator because interoperability must extend beyond audio to maintain the command-and-control rules agencies depend on under high-stress conditions. Mission critical video (MCVideo) and data services (MCData) are additional 3GPP standards based capabilities being developed by Etherstack and the industry representing revenue growth opportunities with richer service provision.

**High Availability, Resilience and Operational Continuity.** Etherstack's IWF is designed for carrier-grade deployment, supporting resilience features such as geo-redundancy and high-availability configurations to maintain service continuity even under partial network failure. This architecture is essential given the IWF often sits in the "core path" of mission-critical interoperability, where downtime is not acceptable.

**The Primary Growth Engine with Strategic Priority Within the Portfolio.** While LMR remains strategically important as a cash generator and installed-base foundation, management has been clear that IWF is expected to be the dominant growth driver going forward. We agree: as public safety and critical infrastructure sectors accelerate broadband migration globally, the interoperability layer becomes a "must-have" technology, placing Etherstack's IWF at the centre of a durable and expanding demand curve.

### Tactical and Deployable Communications Systems

**Rapid Communications in Infrastructure-Denied Environments.** Etherstack's deployable systems are designed for scenarios where fixed infrastructure is unavailable, damaged, or operationally impractical, e.g., disaster response, remote industrial sites, and tactical/military field operations. These solutions translate Etherstack's mission-critical IP into portable form factors that can be deployed quickly while maintaining secure, resilient push-to-talk (PTT) communications.

**Deployable LMR Coverage Extension as a "Go-Anywhere" Use Case.** A central tactical product archetype is the portable repeater. Etherstack's SFFR-6 "Go-Box" is positioned as a compact, rapidly deployable network, enabling either stand-alone communications or augmentation of an existing network footprint via satellite and cellular backhaul.

**Multi-Bearer Edge Gateways Enabling Hybrid Operations.** Beyond repeaters, Etherstack also develops and sells a compact gateway-style devices such as the IVX-PTT IP Radio, which can route voice/data across multiple bearers, including LMR, LTE/5G, Wi-Fi, and satellite, supporting hybrid communications architectures at the tactical edge. These products extend Etherstack's "bridge legacy-to-broadband" narrative into field-ready systems that can be deployed where fixed interworking infrastructure is not available.

**Enabling OEMs and System Integrators.** Critically, while Etherstack does manufacture tactical hardware, the strategic moat is the underlying software layer which can also be adopted by third parties embedding Etherstack capabilities into their own devices and systems. In practice, this expands Etherstack's addressable opportunity beyond direct hardware sales into a broader platform/enabler model—where external suppliers can integrate Etherstack's security and waveform/LMR stack capabilities into their own product roadmaps.

## MARKET LANDSCAPE

### Overview

The mission-critical communications market is at a pivotal point, with the advent of broadband technologies creating new opportunities alongside existing radio systems. MCPTT is driving a convergence of LMR and LTE/5G ecosystems. According to industry projections, global MCPTT and related broadband PTT service revenues are expected to exceed US$12 billion by 2028, growing at ~11% CAGR from 2024[1]. This growth is fueled by significant public investments in national broadband networks for public safety, as well as demand from industries, such as utilities, transport and mining for unified communication solutions.

### Public Safety Broadband Initiatives

Governments worldwide are allocating large budgets to transition first responders onto broadband networks while interworking with existing radios. For example, the U.S. FirstNet program, a dedicated nationwide 4G/5G public safety network, has a US$6.5 billion initial budget and over US$8 billion slated for network expansion/upgrades over the next decade. Similar programs exist internationally. The UK's Emergency Services Network (ESN) is a multi-billion pound project currently underway to replace Airwave (TETRA) with LTE; South Korea has deployed a nationwide Safe-Net; Australia is developing a Public Safety Mobile Broadband network; and many EU countries (e.g. France's RRF, Finland's Virve 2.0) are in advanced stages of rolling out mission-critical LTE. These initiatives underscore a large addressable market for Etherstack's interworking and MCX solutions, as interoperability between new and old systems is a must-have during the long transition period. Notably, the UK Home Office's selection of Etherstack for ESN interworking in 2025 on the back of the AT&T FirstNet win highlights the credibility of the company in this global trend. These two deals are the largest and most significant of their type to date, and importantly cover the two most predominant LMR technology standards globally: APCO P25 and TETRA. Management believes the MCX market is still nascent and akin to the early deployments of SMS (text messaging) and voice mail into carrier markets, and as the LMR IWF is a new network element defined in the 3GPP standards that it is reasonable to expect that up to 200 national or regional cellular carriers will ultimately adopt the technology.

[1] MCPTT & Broadband PTT Market: 2025 – 2030 – Opportunities, Challenges, Strategies & Forecasts

### Land Mobile Radio Persistence

While broadband is rising, LMR technology is far from obsolete. On the contrary, many agencies and enterprises continue to invest in digital LMR upgrades. LMR cells can provide up to ~75 km diameter of network coverage whereas LTE/5G cells are typically limited to ~5 km of network coverage. This supports management's belief that LMR networks will continue to be procured and deployed in the long-term and that its LMR business will not be materially cannibalised by a LMR to LTE/5G migration. Rather, hybrid LMR and LTE/5G networks will likely exist in most countries in the long-term, with the exception of extremely small and flat terrain countries (e.g. the Netherlands).

Additional reasons for this also include LMR's proven reliability, dedicated spectrum, and simple, rugged devices with long battery life. The global LMR infrastructure market remains a multi-billion-dollar space, with steady demand for replacements and expansions in developing regions and specific sectors like mining and utilities. For instance, Etherstack has capitalised on ongoing LMR expansion in Australia's mining sector, securing a series of repeat APCO P25 network deployments for Rio Tinto mine sites in the Pilbara. The coexistence of LMR and broadband is the reality for at least the next decade, meaning Etherstack's dual focus is well-aligned with customer needs. These are long term infrastructure projects providing material recurring revenues to Etherstack.

### Regional Trends

North America and Europe currently represent the largest markets for mission-critical communication tech. North America alone accounts for ~38% of global MCPTT uptake, thanks in part to FirstNet and early adoption of advanced 4G/5G by public safety agencies. Europe holds ~27–29%, driven by cross-border interoperability initiatives and modernisation of legacy networks. Asia-Pacific is the fastest growing region (18–20% share and rising), led by populous countries modernising their emergency communications. Examples include India's plans for nationwide public safety LTE, large-scale 5G deployments in Japan, South Korea and China. The Middle East is also notable with wealthy early adopters like Saudi Arabia and Qatar reportedly exploring advanced MCX solutions and have begun trialling interworking technologies to connect to their legacy networks. These regional dynamics bode well for Etherstack, which has reference deployments in each major region and is actively targeting new market entrants as they begin critical communications upgrades.

## BUSINESS MODEL

### Overview

Etherstack generates revenue through a blend of (1) recurring income streams tied to ongoing operational support and Communication as a Service (CaaS) platform usage, and (2) non-recurring / project-based income associated with the delivery of mission-critical communications solutions (software and equipment), including deployments of its interoperability and network technologies. This reflects a capital-light, high-margin licensing orientation and a "develop-once, deploy globally" approach, with management increasingly emphasising scalability through a growing base of support and Communications-as-a-Service revenues.

### Recurring Revenue

**Support Revenue.** A key element of Etherstack's model are ongoing support fees attached to deployed systems, particularly for long-life, mission-critical networks where uptime, compliance and security requirements are stringent. An example of a support revenue stream is Etherstack's repeat APCO P25 network rollouts which typically generate upfront hardware/software revenue followed by ongoing annual support fees. Deployments almost always progress into long-term, indexed multi-year support agreements spanning 10 or more years. In FY25, support revenue reached a record US$3.7m, up 62% year-on-year, and management has guided to continued sharp growth through FY28 as recently signed contracts begin generating recurring income.

**CaaS Revenue.** Etherstack is also layering in a more "platform-like" monetisation profile via Communications-as-a-Service and usage-based revenues. For example, the AT&T agreement explicitly includes variable revenues based on subscriber usage from FY2026 onward, creating an annuity-style upside lever as end-user penetration grows. During FY26, CaaS revenues are expected to begin contributing a material proportion of total revenue, with management forecasting a 41% CAGR in combined recurring and CaaS revenues from FY23 to FY28, trending toward US$10m+ in annual recurring revenue by FY29. More broadly, the company's introduction of CaaS and the steady growth in recurring support fees underpin a scalable revenue base that can expand as client deployments increase.

### Non-Recurring Revenue

**Project Revenue.** Project revenue is generally associated with discrete customer programs and can comprise a combination of licence fees, installation/integration services, and supply of wireless communications technology. An example is a multi-site mining deployment where Etherstack supplies base station hardware and software as part of each rollout. Large government programs can also be structured as multi-year projects, with revenue recognised over delivery, such as the UK Home Office contract to supply an interworking gateway for the Emergency Services Network, followed by longer term Support Revenue above.

**Licensing and Royalty Revenue.** Etherstack has established a strong reputation as a licensor of LMR protocol stacks, with evidence of deep integration into the industry value chain. Depending on contract structure, this type of licensing can be monetised through upfront licence payments and/or volume-linked fees (royalty-style) tied to customer deployments. In FY25, royalty revenues increased to US$150k from just US$52k in FY24, reflecting a broadening monetisation of Etherstack's embedded protocol technology.

## RECENT CUSTOMER DEALS

### AT&T FirstNet (United States)

Etherstack secured a series of contracts with AT&T, the U.S.'s largest telecom carrier, to support FirstNet, the national public safety LTE network. In January 2025, the company announced a US$1.2m deal to supply AT&T with wireless network equipment and services for FirstNet, followed by a US$1.3m follow-on order in April 2025 for additional MCPTT network components. These early wins culminated in August 2025 with a 7-year Master Supply Agreement (MSA), under which Etherstack will provide its LMR–LTE Interworking Function (IWF) technology and related services to AT&T. The MSA guarantees a minimum US$2.5m per year in support fees (indexed) over the initial term, plus variable revenues based on subscriber usage from FY26 onward. Importantly, AT&T's underlying FirstNet agreement is a 25-year contract that runs until 2042, suggesting Etherstack's initial 7-year term may be only the opening phase of a much longer relationship. This contract firmly establishes a long-term recurring revenue stream and cements Etherstack's IWF as core infrastructure for FirstNet, the world's largest mission-critical push-to-talk network. The announced value of these contracts exceeds US$20m with commentary around expansion and upside.

### UK Home Office (United Kingdom)

In October 2025, Etherstack's UK subsidiary won a £14.2m, five-year contract with the Home Office to supply an Interworking Gateway for the UK Emergency Services Network (ESN). Awarded after a competitive tender, the project will deploy Etherstack's 3GPP-standard LMR-IWF to link the existing Airwave TETRA radio system with the new 4G/5G ESN used by approximately 300,000 first responders. The company has since delivered its first major milestone on time, contributing approximately US$1.5m to first-half revenues, with the project expected to generate over US$6m in FY26 and the majority of contract revenues recognised across FY26 and FY27. In addition, a recently agreed scope expansion with the UK Government will deliver a further £1.53m (US$2.05m) in revenue uplift, with associated professional services revenue expected to benefit FY27. The contract remains a cornerstone

of the UK's mission-critical communications upgrade, ensuring seamless interoperability between legacy Airwave users and those on ESN throughout the multi-year transition, while also illustrating the typical scope for functional and revenue expansion over the life of such complex government programs.

### Department of Home Affairs (Australia)

In April 2026, Auria Wireless was awarded a multi-year contract with the Department of Home Affairs for professional services, maintenance and upgrades to digital wireless network equipment across Australia and its external territories, including major ports and airports. The initial term runs to 31 December 2028 with a two-year extension option, comprising a A$2.1m fixed component and a variable component estimated at ~A$2.5m per annum, bringing the expected total value to approximately A$9m over the initial term and ~A$15m if fully extended. The award opens a new Commonwealth customer relationship beyond the existing Defence portfolio and further validates Etherstack's position as a trusted sovereign provider of mission-critical communications infrastructure.

### Major Iron Ore Producer (Australia)

Etherstack has signed multiple contracts in Western Australia's mining sector via Radlink, a systems integrator, to deploy APCO P25 digital radio networks to an increasing number of Rio Tinto mine sites. Recent deals include a A$428,000 contract in May 2024 to supply radio network equipment for a new Pilbara iron ore site, followed by a A$519,000 order in January 2025 for an eighth mine deployment, and a A$1.0m contract in June 2025 for a ninth site. Each project provides upfront revenue from Etherstack-manufactured base station hardware and software, with ongoing support fees recognised over at least 12 months post-deployment. These contracts typically lead to long-term maintenance agreements (often spanning 10–15 years) and future expansion orders. Etherstack's CEO noted that this series of nine network rollouts for Rio Tinto demonstrates strong satisfaction with Etherstack's engineering and support and has resulted in recurring business in the resources sector.

### Australian Defence Force (Australia)

In November 2025, Etherstack secured a A$2.5m defence contract with the Commonwealth of Australia in advanced defence communications. Management expects the contract revenues to be fully recognised prior to 31 December 2026, providing near-term revenue support from Etherstack's defence communications pipeline. The award further deepens Etherstack's relationship with the Australian Commonwealth, with management noting that the contract brings total defence communications business between the parties to A$15m since 2021. The company described Etherstack as a sovereign SME partner to the Australian defence communications community, underscoring its growing credibility in mission-critical defence applications.

### Energy Queensland (Australia)

In September 2025, Etherstack (through its Australian subsidiary Auria Wireless) was awarded an A$800,000 contract to refresh the statewide digital radio network of Energy Queensland, the electricity distributor for Queensland. Energy Queensland has been a long term Etherstack client since 2012, operating a network of 100+ radio sites using Etherstack's APCO P25 infrastructure with 24×7 support for field crews. The new contract involves upgrading and modernising this mission-critical LMR system, with revenue to be recognised across the 2025 and 2026 financial years.

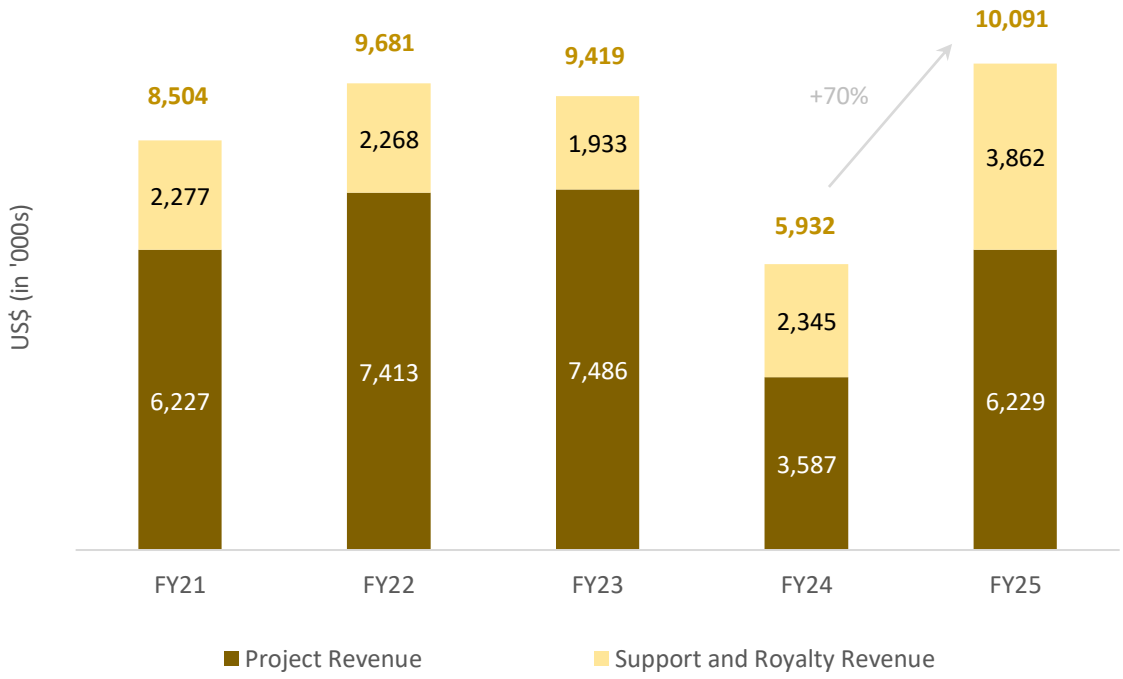
Etherstack counts industry leaders like AT&T, Nokia and Samsung among its marquee customers

## FINANCIALS

### Financial Performance

**Record Revenue in FY25 Validates Growth Trajectory.** Etherstack delivered record full-year revenue of US$10.1m in FY25, a 70% increase on FY24's US$5.9m, which itself had been depressed by project deployment delays and lumpy milestone timing. Revenue exceeded US$10m for the first time in the company's history, driven by the convergence of multiple catalysts: AT&T project deliveries in the US, Rio Tinto mine site deployments, and the early stages of UK Home Office contract execution. The full-year result reinforces our view that FY24 was an aberration rather than a trend, and that Etherstack's underlying commercial momentum is accelerating. Looking ahead, management has guided to US$16.2–17.5m in FY26 revenue, representing further 60%+ growth, underpinned by the UK Home Office ramp, AT&T CaaS activation, and the A$2.5m Australian Defence Force contract.

Revenue growth has reaccelerated into FY25 off the back of significant contract wins




*Source: Etherstack*

**Revenue Mix Shifting Toward Higher-Quality Recurring Streams.** Alongside the top-line growth, the composition of revenue continues to evolve favourably. Support revenue reached US$3.7m in FY25, up 62% from US$2.3m in FY24, and now represents 37% of total revenue. Royalty income also rebounded to US$150k from US$52k. Project revenue recovered to US$6.2m from US$3.6m, reflecting the resumption of deferred project delivery. Critically, management expects the revenue mix to shift further in FY26 as CaaS revenues from the AT&T MSA begin contributing materially, adding a new, recurring, usage-linked revenue layer that did not exist in FY25. We view this evolving mix as highly positive: each incremental support and CaaS dollar carries superior margin and durability, reducing reliance on the lumpy timing of one-off project milestones that has historically created earnings volatility.

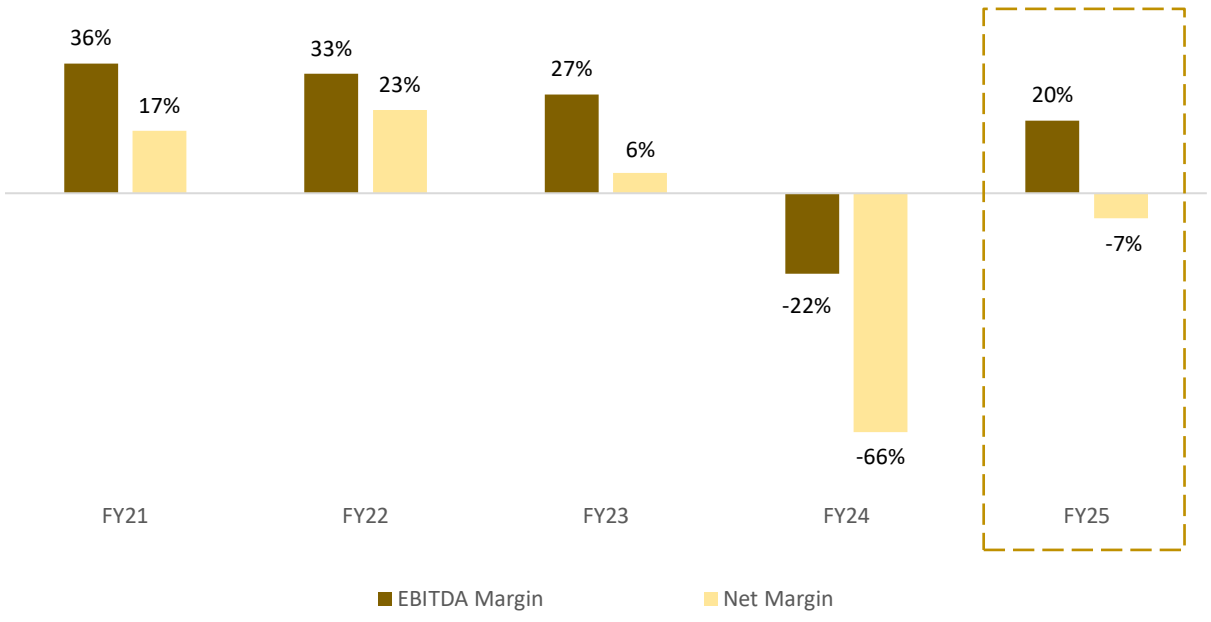
**Gross Margin Expansion Driven By Increased Recurring Revenue Contribution.** Gross margins recovered in FY25 to 49.1% (US$5.0m gross profit on US$10.1m revenue), a marked improvement from the cyclical trough of 23.6% in FY24 when a lower revenue base failed to absorb the fixed-cost component of cost of sales. Looking forward, we expect gross margins to settle in the 50–55% range over the medium term, supported by the growing base of recurring, high-margin CaaS and support revenues. Over the longer term, as CaaS scales and the project mix becomes more software-weighted, we see scope for further margin expansion.

## Profitability

**EBITDA Turnaround Demonstrates Operating Leverage.** The sharp revenue rebound in FY25 translated into a decisive profitability inflection at the EBITDA level. Full-year EBITDA swung to a positive US$2.0m (20% margin) from a loss of -US$1.2m in FY24, representing a US$3.2m year-on-year turnaround. This reflects substantial operating leverage inherent in the business model: while revenue increased 70%, total operating expenses (excluding D&A) rose only modestly to US$3.0m from US$2.7m, as the largely fixed cost base absorbed incremental revenue with minimal variable cost growth.

**Net Loss Narrowed Substantially, With Path to Breakeven Clear.** On a statutory basis, Etherstack reported a net loss of -US$0.7m in FY25, a US$3.2m improvement from the -US$3.9m loss in FY24. The gap between the EBITDA profit and statutory loss is principally driven by the US$2.0m non-cash amortisation of capitalised intangible assets (the company's accumulated US$36m+ IP investment), together with US$0.5m of depreciation and finance costs. We note that the amortisation charge, while a significant P&L item, reflects the progressive expensing of IP that was largely developed in prior periods and is now generating growing commercial returns. As revenue scales further in FY26 and beyond, we expect the company to achieve NPAT breakeven in the near term, given that amortisation is broadly stable while revenues are expected to nearly double. With a largely fixed cost base, incremental revenues are increasingly dropping to the bottom line.

ESK's margins have improved markedly as revenue has scaled and cost leverage has materialised




*Source: Etherstack, Canary Capital*

## Cash Flow Generation

**Record Operating Cash Flow Marks Eighth Consecutive Year of Positive OCF.** Etherstack generated US$3.2m in operating cash flow in FY25, more than tripling the US$1.0m achieved in FY24 and marking the company's eighth consecutive year of positive operating cash flow. Cash receipts surged 55% to US$12.0m (FY24: US$7.8m), well in excess of reported revenue, reflecting favourable working capital dynamics and the cash-generative nature of support and milestone-based contracts.

**Free Cash Flow Improved Despite Elevated Investment.** Full-year FCF was -US$0.7m in FY25, a meaningful improvement from -US$1.7m in FY24. The remaining FCF deficit was attributable to elevated investing activities totalling US$3.9m, comprising US$2.6m of IP development expenditure and US$1.3m of property, plant and equipment additions. We view the elevated capex as a deliberate and prudent investment cycle as Etherstack scales its infrastructure to support the AT&T and UK Home Office deployments. As the current IP development programme matures and revenue continues to scale, we expect FCF to inflect decisively positive from FY28 onward.

## Financial Position

**Debt Outstanding and Repayment Flexibility.** As at 31 December 2025, Etherstack reported US$2.5m of borrowings, substantially comprising a US$2.5m principal loan (6.5% interest) drawn on 29 June 2023 and maturing 29 June 2027. The loan includes an associated option arrangement that provides meaningful balance sheet flexibility: at any time prior to maturity, the lender may elect to settle the outstanding debt via equity, through the issue of 6,491,228 fully paid ordinary shares in full satisfaction of the obligation. In our view, this feature reduces near-term cash repayment pressure and preserves flexibility to fund growth as the business scales. The company had no current borrowings outstanding at year-end, with the full balance classified as non-current.

**Cash Position Materially Strengthened.** Cash and cash equivalents stood at US$2.3m as at 31 December 2025, up from just US$0.1m at the prior year-end. The step-up reflects US$3.2m in operating cash flow and A$5.7m (net of costs) raised in a November 2025 equity placement, partially offset by US$3.9m of investing outflows. Net assets increased to US$9.1m from US$6.3m. With a strengthened balance sheet, Etherstack has sufficient working capital to fund the upfront project execution costs associated with large contract deployments, a critical consideration given the typical cash flow profile of government programs where milestone payments lag project initiation. We do not foresee the need for further capital raises in the near term, barring an acquisition or an extremely large new contract that requires significant upfront investment. The company's cash generation from operations should also improve significantly going forward, given the growing proportion of recurring revenues and the trajectory toward full-year profitability.

## VALUATION

### Overview

To arrive at an intrinsic valuation of Etherstack, we employed a five-year (FY26E – FY30E) discounted cash flow (DCF) model. Given Etherstack's transition from a lumpy, project-dependent revenue profile toward a higher-visibility, recurring revenue model, a DCF approach captures the value of the company's growing contractual cash flows and embedded operating leverage. We believe a five-year explicit forecast period is appropriate given that management has provided detailed revenue guidance through FY28 and the company's major contracts (AT&T, UK Home Office) provide revenue visibility extending into FY30+.

### Revenue

**Forecast Methodology.** Our revenue forecast is built bottom-up from Etherstack's three revenue segments which are project revenue, CaaS revenue, and support revenue, with assumptions anchored in contracted revenue, management guidance, and our assessment of the company's pipeline.

**Project Revenue.** Project revenue is forecast to increase from US$6.2m in FY25 to US$13.8m in FY26, driven predominantly by the UK Home Office interworking gateway deliverables (expected to contribute over US$6m in FY26) and the Australian Defence Force contract (A$2.5m to be recognised by December 2026). We project project revenue growth to moderate through the forecast period as the revenue mix tilts toward recurring streams, reaching US$27.7m by FY30. Our project revenue forecasts do not include any contracts not yet announced, which we view as a conservative approach given the company is currently in process for multiple tenders across LMR, MCPTX, and Defence.

**CaaS Revenue.** CaaS is a relatively new revenue stream that commenced in FY25, driven initially by the AT&T MSA's variable usage-based component. We forecast US CaaS revenue to reach US$2.55m in FY26, growing to US$3.0m by FY28 as subscriber penetration on FirstNet increases. UK CaaS is expected to commence from FY27 as the ESN interworking platform becomes operational, contributing US$0.5m initially and scaling to US$2.7m by FY28. Including other international CaaS opportunities, total CaaS revenue is forecast to reach US$10.3m by FY30, representing a 41% CAGR in combined recurring and CaaS revenue from FY23 consistent with management's guidance.

**Support Revenue.** Support revenue is projected to grow from US$2.7m in FY26 to US$3.6m by FY30 on a standalone basis, representing steady growth as the company layers on new support contracts from each incremental network deployment. The main support revenue growth driver is the AT&T MSA's guaranteed minimum US$2.5m p.a. in indexed support fees, supplemented by continued mine site and utility network deployments. Combined with CaaS, total recurring revenue is expected to reach US$13.9m by FY30.

**Consolidated Revenue.** Aggregating across all three segments, plus the recently awarded Australian Government contract, we forecast consolidated revenue of US$19.2m in FY26E, US$26.0m in FY27E, and US$32.6m in FY28E, implying a 33% CAGR from FY25 through FY30E when revenue reaches US$41.5m. Our FY26 estimate of US$19.2m exceeds management's pre-contract guidance of US$16.2–17.5m, reflecting the incremental contribution from the Department of Home Affairs award.

| *In '000s of USD* | FY25 | FY26 E | FY27 E | FY28 E | FY29 E | FY30 E |
|---|---|---|---|---|---|---|
| Project Revenue | 6,229 | 13,759 | 19,146 | 22,506 | 25,334 | 27,653 |
| CaaS Revenue | 1,300 | 2,850 | 3,900 | 6,900 | 8,970 | 10,316 |
| Support Revenue | 3,712 | 2,700 | 3,000 | 3,250 | 3,413 | 3,583 |
| Royalty Revenue | 150 | — | — | — | — | — |
| Total Revenue | 10,091 | 19,309 | 26,046 | 32,656 | 37,717 | 41,551 |
| *% Growth (YoY)* | *70.1%* | *92.1%* | *34.9%* | *25.4%* | *15.5%* | *10.2%* |

## Profitability and Free Cash Flow

**Gross Profit Margin.** We project gross margins to expand from 49.1% in FY25 to 58.0% by FY30E, driven by the increasing proportion of high-margin CaaS and support revenue in the mix. Project revenue margins are expected to stabilise in the 45–50% range as the company transitions from hardware-heavier LMR deployments toward software-weighted IWF and MCX deliverables.

**Operating Expenses.** Total operating expenses (excluding D&A) are forecast to increase modestly as Etherstack invests in global team expansion and commercial capabilities to support the scaled-up revenue base. However, as a percentage of revenue, we project operating expenses to decline from 29% in FY25 to 18% by FY30E, reflecting significant operating leverage from the largely fixed cost base.

**EBITDA.** EBITDA is forecast to grow from US$2.0m in FY25 (20% margin) to US$16.8m by FY30E (41% margin). The dramatic margin expansion reflects the combined effect of improving gross margins and operating leverage, consistent with the typical trajectory of scaled software and licensing businesses.

**Depreciation and Amortisation.** D&A is projected to decline as a percentage of revenue from 24% in FY25 to 12% by FY30E, as the existing amortisation base is broadly stable while revenue scales. Absolute D&A increases modestly, reflecting continued IP investment, but the operating income margin improves significantly from near-breakeven in FY26E to 29% by FY30E.

**Net Operating Losses.** Etherstack carries an estimated US$8.8m in accumulated net operating losses at the end of FY25, which will shelter future taxable income. We estimate the company will not pay material cash taxes until FY29E, when accumulated losses are expected to be fully utilised. This provides a meaningful near-term cash flow benefit.

**Free Cash Flow to Firm (FCFF).** NOPAT is adjusted for capital expenditure and changes in net working capital to calculate FCFF. We project capex to decline as a percentage of revenue from 39% in FY25 to 15% by FY30E, as the current elevated investment cycle (driven by MCX-IWF development and data centre buildout) matures and the company transitions to a maintenance-level IP investment cadence. FCFF is projected to turn positive in FY28E at US$2.1m and reach US$7.8m by FY30E, reflecting a 19% FCFF margin. The intervening FCF deficits in FY26E (-US$2.7m) and FY27E (-US$1.0m) are attributable to the front-loaded investment required to execute the AT&T, UK Home Office, and Australian Government deployments, investments that we view as value-accretive given the multi-year revenue streams they support.

| *In '000s of USD* | FY25 | FY26 E | FY27 E | FY28 E | FY29 E | FY30 E |
|---|---|---|---|---|---|---|
| Gross Profit | 4,957 | 9,431 | 12,981 | 17,263 | 21,078 | 24,055 |
| *% Gross Margin* | *49.1%* | *49.0%* | *50.0%* | *53.0%* | *56.0%* | *58.0%* |
| EBITDA | 2,007 | 4,138 | 6,490 | 9,934 | 13,550 | 16,797 |
| *% EBITDA Margin* | *19.9%* | *21.5%* | *25.0%* | *30.5%* | *36.0%* | *40.5%* |
| FCFF | (737) | (2,717) | (962) | 2,122 | 4,711 | 7,813 |
| *% FCFF Margin* | *(7.3%)* | *(14.1%)* | *(3.7%)* | *6.5%* | *12.5%* | *18.8%* |

## Equity Valuation

**Discount Rate.** We derived a WACC of 8.8% using the CAPM framework. The cost of equity of 8.9% reflects a risk-free rate of 4.3% (Australian 10-year government bond), an equity risk premium of 4.38%, and a levered beta of 1.05, derived by blending Damodaran unlevered betas for software systems and application (1.10) and telecom equipment (0.96) to reflect Etherstack's dual positioning as a mission-critical software licensing business with hardware delivery capabilities.

**Terminal Value.** The terminal value was calculated using the Gordon Growth Model with a 3.5% perpetual growth rate, which we believe is appropriate given the structural tailwinds in the mission-critical communications market (industry projections suggest ~11% CAGR through 2028) and the early stage of the LMR-to-broadband transition, which provides a multi-decade demand runway. The terminal growth rate is conservative relative to the projected industry growth rate and reflects the assumption that Etherstack's revenue growth normalises to a rate slightly above nominal GDP growth as the company matures.

**Intrinsic Valuation.** Using the discount rate, Etherstack's projected free cash flows and terminal value were discounted to arrive at an enterprise value of US$106.5m. Deducting US$0.2m of net debt (US$2.5m borrowings less US$2.3m cash) results in an equity valuation of US$106.3m. Given total shares outstanding of 141.5 million, the company's estimated fair value per share is US$0.75 or A$1.09 (at an AUD/USD rate of 0.69), representing a significant upside potential of approximately 78% from its latest closing price of A$0.61.

It is important to highlight that our revenue forecasts are based solely on contracts already in hand and near-term pipeline visibility. The projections do not account for new contract wins beyond those already secured, representing meaningful upside optionality to our base case. In particular, Etherstack is currently in process for multiple tenders across LMR, MCX, and defence segments, any one of which could materially exceed our revenue forecasts. Furthermore, management's view that up to 200 national or regional cellular carriers may ultimately adopt IWF technology suggests the total addressable market remains substantially larger than what is captured in our model.

## KEY PERSONNEL

### Peter Stephens - Non-Executive Chairman

Peter is currently Chairman of Etherstack, a director of various private companies and also runs a venture capital practice. He was previously Head of European Equities Sales at Salomon Brothers and Credit Lyonnais. He raised the initial funding for Tristel plc and remained a director of Tristel plc from flotation on the London Stock Exchange's AIM market until 2013. He was Chairman of Getech on its flotation on AIM until 2013 and remains a director. Peter was Chairman of True Luxury Travel, a long-haul holiday specialist currently focused on Africa, having been Chairman and initial investor in Scott Dunn. He is also Chairman of Boisdale Canary Wharf, a Scottish-themed restaurant, Chairman of Noble Rot Fine Wines and a director of ZeroWatt Homes.

Peter has an MA in Jurisprudence from the University of Oxford and qualified and practised as a Barrister in 1978-82. Peter has been on the board of Etherstack Wireless Limited since September 2007 and was appointed to the Board of Etherstack plc in 2012 as Chairman.

### David Deacon – Founder, Chief Executive Officer and Executive Director

David has over 30 years' experience in the wireless communications industry. Prior to Etherstack, David founded and ran an Australian wireless technology company, Indian Pacific Communications Pty Ltd, for six years until it was sold to a public company in April 2000. Before this, David led software development teams involved in wireless research and development in Perth and Sydney. David founded Etherstack in 2002 and has been Chief Executive Officer since that date. In this time, David has overseen Etherstack's growth into a global operation and the development of industry-leading wireless communications technology assets.

### Paul Barnes – Non-Executive Director

Paul started his career with the City of London accounting firm Melman Pryke & Co (now part of Grant Thornton). Following qualification, he then worked in both accountancy practice and commerce, and has co-founded and raised funds for various successful startup businesses in both property and telecommunication including UK Telecom plc. Paul has been a key member of the teams in the development and admission to the London Stock Exchange's AIM market of both Tristel plc and Oxford Catalysts plc, raising substantial funds for both companies,

where he served as the executive finance director and in the establishment of Beach Street Financial Solutions Limited an FSA regulated investment management firm.

Paul is a Fellow of the Association of Chartered Certified Accountants, a registered auditor in the UK and a member of the UK's Chartered Institute for Securities and Investment. Paul joined Etherstack Limited in 2002 as finance director and CFO and held these positions throughout the development and expansion of Etherstack until December 2011 when David Carter, the former CFO, transitioned into the role.

### Scott Minehane - Non-Executive Director

Scott is an international regulatory and strategy expert in the telecommunications sector and has been involved in advising investors, operators, Governments and regulators in Australia, Asia, the Pacific and South Africa. His expertise extends to spectrum management and new generation fixed and mobile technologies, including 4G. Scott has a separate consultancy practice, through which he has advised a range of leading corporates and organisations, including the Commonwealth, South Australian and Victorian Governments, APEC Business Advisory Council, NBNCo, Macquarie Group, Leighton Holdings, Macquarie Telecommunications, IDA Singapore, Telekom Malaysia, Axiata, Telkom South Africa and Telecom NZ.

Scott has a Bachelor of Economics and a Bachelor of Laws from the University of Queensland and holds a Master of Laws specialising in Communications and Asian Law from the University of Melbourne. Scott joined the Board as an independent director in May 2012.

## INVESTMENT THESIS

### Scalable Business Model

Etherstack operates a capital-light, high-margin licensing model that enables global scalability without significant incremental costs. Its core offerings – software protocol stacks and mission-critical network solutions – can be deployed to new customers (or via partner channels) with minimal additional R&D or infrastructure spend. This scalability is evident in Etherstack's partnerships with major carriers, where the company's technology can serve nationwide user bases without Etherstack having to build out physical networks. As a result, the business can rapidly grow revenues by leveraging existing intellectual property and a "develop-once, deploy globally" approach, leading to strong operating leverage. The FY25 result provided a compelling demonstration of this dynamic: revenue increased 70% while operating expenses (excluding D&A) grew by only 11.1%, driving a US$3.2m EBITDA turnaround. The company's recent introduction of Communications-as-a-Service and the steady growth in recurring support fees further highlight a scalable revenue base that can expand as client deployments increase.

### Clear Business Strategy

Etherstack has a focused strategy centred on bridging legacy radio networks with next-generation broadband communications for mission-critical users. The company targets well-defined segments – public safety agencies, defence, utilities, transportation and resource industries – where reliable push-to-talk voice is indispensable. By providing interoperability between traditional LMR systems and 4G/5G networks, Etherstack offers a clear value proposition: it enables governments and enterprises to upgrade to advanced broadband services without abandoning their existing radio infrastructure. Go-to-market execution is equally clear-cut, combining direct contracts with government and enterprise clients with strategic partnerships. This multi-channel approach accelerates adoption across target markets and has been validated by a series of high-profile deals, underscoring that Etherstack's strategy is resonating in its chosen domains.

### Significant Barriers to Entry

Etherstack's competitive moat in mission-critical communications is reinforced by significant internal IP and external industry barriers that new entrants would struggle to overcome. Over two decades, the company has invested over US$36 million in developing proprietary digital radio technologies and has built a reputation as a leading licensor of LMR protocols worldwide. In fact, Etherstack's technology is found in almost every major brand of LMR equipment, reflecting deep integration into the industry's value chain. This entrenched position is protected by the strict requirements of the sector, where any competitor must achieve compliance with complex standards (APCO P25, TETRA, DMR, 3GPP MCX, etc.), obtain regulatory certifications, and prove absolute reliability in life-and-death communication scenarios. Moreover, clients in public safety and defence are highly risk-averse, favouring established vendors with proven track records. Etherstack's long-term deployments and reference projects with top-tier customers, such as AT&T and the UK Home Office, make it the incumbent of choice, raising switching costs for would-be challengers. Lengthy sales cycles and procurement processes (often several years from tender to contract) further tilt the playing field toward incumbents. Collectively, the company's specialised know-how, extensive IP, long-standing customer relationships, and the industry's structural hurdles create high barriers to entry that safeguard Etherstack's market position.

### Near-Term Cash Flow and Profitability

Etherstack is approaching a critical inflection point in its financial trajectory. After years of investing in its IP platform and absorbing the cash flow volatility inherent in early-stage government contracts, the company is now on the cusp of sustained profitability and meaningful free cash flow generation. FY25 marked a decisive turning point: EBITDA swung to a US$2.0m profit from a US$1.2m loss in FY24, and operating cash flow tripled to US$3.2m. With the recently announced Australian Government contract providing incremental revenue upside to management's prior FY26 guidance, operating leverage is set to accelerate as largely fixed operating costs are spread across a materially larger revenue base. We forecast EBITDA margins to expand to 21.5% in FY26E and 25.0% in FY27E, with FCFF turning sustainably positive from FY28E as the current elevated IP investment cycle matures. Critically, the nature of Etherstack's revenue is becoming increasingly contractual and recurring, with CaaS and support revenues projected to contribute a growing share of the top line. This visibility, combined with the company's eighth consecutive year of positive operating cash flow in FY25, gives us confidence that the path to self-sustaining profitability is not only credible but underway.

### Significant Investment Upside

Our DCF analysis yields an intrinsic value of A$1.09 per share, implying ~78% upside from the current share price. Notably, we believe this estimate is conservative for several reasons. First, our revenue projections are anchored to contracts already in hand and do not incorporate any new contract wins, despite ESK currently tendering for multiple opportunities across LMR, MCX, and defence segments. Second, management's view that up to 200 national or regional carriers may ultimately adopt IWF technology implies a total addressable market far larger than what is captured in our model, which is principally driven by the AT&T and UK Home Office deployments. Third, our terminal growth rate of 3.5% is modest relative to the projected ~11% CAGR for the MCPTT market through 2028. We view ESK as offering a compelling risk/reward profile, underpinned by secured contractual revenue growth, expanding margins, and embedded optionality from new contract wins and international market expansion.

### Strong Management Team

Etherstack is led by an experienced and highly aligned management team with a demonstrated track record in the wireless communications arena. Founder and CEO David Deacon has over 30 years of industry experience – he started Etherstack in 2002 and has since grown it into a global operation with deployments across North America, Europe, and Asia-Pacific. Under his stewardship, the company has developed pioneering technologies (such as the world's first LMR-LTE interworking solution) and forged partnerships with industry giants. Supporting David is a seasoned board and executive group: Peter Stephens, the Chairman, is a veteran venture capitalist who has guided

multiple technology companies to success; co-founder Paul Barnes (Director) and CFO Adam Hoey bring strong financial acumen and have been with Etherstack since its early years, ensuring stability and prudent capital management. Additionally, the team benefits from domain experts like Scott Minehane, a telecom strategy and spectrum specialist. This depth of expertise and continuity within the leadership has translated into consistent execution, evidenced by major contract wins in competitive tenders, and innovation that stays ahead of industry trends. Insiders also own a significant share of the company (the CEO alone holds ~34%), aligning management's incentives with shareholder interests. Overall, Etherstack's management has both the domain expertise and the commitment to continue driving the company's growth and delivering on its strategic vision.

## INVESTMENT RISKS

### Lumpy Revenue and Project Timing

Etherstack's revenues can be contract-driven and irregular. Large project wins or slippages cause volatility in financial results. The timing of contract awards is often out of the company's control, subject to government procurement schedules and multi-stage tender processes that can face delays. For instance, the AT&T and UK Home Office contracts each took 4–5 years of engagement and bidding rounds to secure. Any deferment or cancellation of expected projects (or a gap between major wins) could lead to periods of flat or declining revenue. However, the growing base of recurring support and CaaS revenue provides an expanding cushion against this volatility, and the company has a robust pipeline to smooth out timing issues.

### Technology Transition Risk

The industry transition to broadband is both an opportunity and a threat. If, hypothetically, mission-critical users were to abandon LMR faster than expected and go straight to pure LTE/5G solutions, the need for interworking could diminish in the long run. Conversely, if transitions are too slow or stalled, new MCX opportunities might push out. We believe a complete LMR phase-out is not on the horizon for at least a decade, and likely longer in developing markets, but it is a longer-term consideration. To mitigate this risk, Etherstack is adapting by ensuring its technology can also support pure broadband e.g. MCX-as-a-service offerings with partners.

### Competitive Landscape

Etherstack competes in tenders against substantially larger OEMs and network vendors (e.g., Motorola Solutions, Nokia) as well as specialised interoperability providers, creating a risk that well-capitalised competitors replicate similar LMR–LTE interworking capabilities or leverage incumbency and entrenched customer relationships to secure future awards. Motorola Solutions, in particular, remains a key competitive risk given its dominant position in public safety communications; a proprietary LMR-LTE gateway offering, more aggressive bundling, or pricing tactics to defend its installed base could pressure Etherstack's win rates and margins. That said, recent contract wins indicate Etherstack can compete effectively on technical merit, and its portfolio of intellectual property provides some defensibility around the uniqueness and utility of its solutions. Maintaining this advantage will depend on sustained R&D investment and timely product execution, as any slowdown in innovation could erode differentiation and reduce the company's first-mover benefit over time.

### Customer Concentration Risk

A meaningful proportion of Etherstack's near-term revenue is concentrated among a small number of large customers, principally AT&T and the UK Home Office. While both contracts are backed by long-term agreements with substantial committed values, any material change in scope, delays in deployment schedules, or budget reallocation by either customer could have a disproportionate impact on Etherstack's revenue and cash flow. Management is actively working to broaden the customer base through multiple active tenders, but the risk of revenue concentration will persist in the near term.

**Etherstack Plc is a Canary Capital-mandated company. Canary Capital Pty Ltd, its directors and associates own ordinary shares and options in Etherstack Plc.**

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