



**ORBITAL<sup>®</sup>**  
**UAV**

# Investor Presentation

**FY22 Half-Year Financial Results**

25 February 2022

# Cautionary statement



This presentation includes statements looking-forward that involve risks and uncertainties. These statements are based upon management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, that could cause actual results to differ materially from such statements. Actual results and events may differ significantly from those projected in the forward-looking statements as a result of a number of factors including, but not limited to, those detailed from time to time in the Company's Annual Reports. Orbital UAV makes no undertaking to subsequently update or revise the forward-looking statements made in this presentation to reflect events or circumstances after the date of this release.



**World leader in the  
design and manufacture  
of integrated engine systems  
for military drones\***

# H1 in review

## Key outcomes July-December 2021



Revenue of \$8.9M underpinned by existing engine production lines & development programs

Other income of \$2.3M driven by delivery of operational milestones aligned to WA Government loan repayment offsets

Completion of \$6.4M Renounceable Entitlement Offer

New engine development programs announced with Textron Systems and Skyways

Transition of engine production activities to Australia to leverage efficiencies & support loan repayment offset milestones

Further evaluation engines delivered to Singapore defence customer & Phase 2 of the program scoped



# FY22 Half-Year Financials

# Profit & Loss

For the half-year ended 31 December 2021



## Commentary

Underlying Profit & Loss	FY22 H1	FY21 H1
Revenue	\$8.9M	\$19.0M
Gross Profit	\$3.5M	\$7.6M
GM %	40%	40%
Overheads	(\$5.8M)	(\$7.0M)
Other Income	\$2.3M	\$0.2M
Underlying EBITDA	\$0.0M	\$0.8M
EBITDA %	0.0%	4.0%
Statutory Profit & Loss	FY22 H1	FY21 H1
Reported EBITDA	(\$0.2M)	(\$1.2M)
Reported EBIT	(\$0.8M)	(\$2.2M)
Reported NPAT	(\$5.1M)	(\$3.9M)

- H1 revenue of \$8.9M, impacted by Boeing-Insitu volume downgrades and delays in production of engine models 2 & 3
- Gross margin of 40%, in line with corresponding period
- Overheads reduction of \$1.2M during the period due to the prior year restructure
- Other income of \$2.3M includes WA Government loan milestone offset of \$1.5M and a favourable present value loan adjustment of \$0.5M
- Underlying EBITDA is breakeven, adjusted for:
  - FX gain of \$0.6M on the conversion of US intercompany loan to AUD
  - Restructure cost of \$0.1M
  - Obsolete inventory write down of \$0.6M
- H1 Reported Net Loss of (\$5.1M) includes:
  - Tax expense of \$4.1M due to the Australian DTA write off
  - WA Government Loan notional interest expense of \$0.2M
  - Depreciation & amortisation expense of \$0.6M

# Balance sheet

For the half-year ended 31 December 2021



## Commentary

	31 Dec 2021	30 Jun 2021
Inventory	\$14.1M	\$12.8M
Trade & other receivables	\$3.4M	\$4.8M
Trade & other payables	(\$2.3M)	(\$1.7M)
Deferred revenue	(\$3.8M)	(\$4.3M)
Provisions & Lease liabilities	(\$5.4M)	(\$6.4M)
<b>Net working capital</b>	<b>\$6.0M</b>	<b>\$5.1M</b>
Property, plant and equipment (PPE)	\$1.9M	\$1.6M
Intangibles	\$2.7M	\$2.0M
Deferred Tax Assets (DTA)	\$0.0M	\$4.1M
Financial assets	\$0.6M	\$0.8M
Provisions	(\$0.1M)	(\$0.1M)
<b>Capital employed</b>	<b>\$5.1M</b>	<b>\$8.5M</b>
Cash & cash equivalents	\$5.1M	\$3.7M
Borrowings – WA Government loan	(\$8.0M)	(\$10.0M)
<b>Total net assets</b>	<b>\$8.2M</b>	<b>\$7.3M</b>

- Inventory increase of \$1.3M due to materials purchased for Boeing-Insitu 3<sup>rd</sup> engine model production of \$1M
- Deferred revenue includes an advance payment for 3<sup>rd</sup> engine model of \$2.4M
- Provision & lease liability decrease of \$0.9M due to lease commitments reduction of \$0.5M and employee leave entitlements reduction of \$0.4M
- Intangibles increase of \$0.7M from the continued investment in in-house designed engines to support Textron and Singapore customer programs
- DTA decrease of \$4.1M due to Australian DTA write off
- WA Government loan of \$10.0M reduced by \$2M due to \$1.5M offset repayments on achievement of operational milestones and present value adjustment of \$0.5M

# Cash flows

For the half-year ended 31 December 2021



## Commentary

	FY22 H1	FY21 H1
Net cash from operating activities	(\$3.2M)	(\$5.0M)
Net cash from investing activities	(\$1.3M)	(\$1.0M)
Net cash in financing activities	\$5.9M	(\$0.7M)
Net increase in cash	\$1.3M	(\$6.6M)
Cash & cash equivalents	\$4.6M	\$1.5M

- H1 net cash outflows from operating activities of \$3.2M includes:
  - Inventory purchases increase to support production volumes; and
  - supplier payments
- H1 net investment activities includes in-house engine development of \$0.8M and plant & equipment of \$0.5M
- Financing activities include a capital raise of \$6.4M



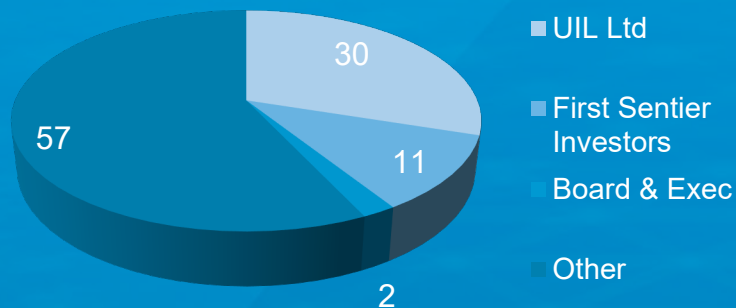
# Corporate overview



## Share Capital *As at 24 February 2022*

Fully Paid Ordinary Shares	90.9M
Closing share price	\$0.21
Market Capitalisation	\$19.1M

## Top Shareholders



### John Welborn Chairman Non-Executive Director



- Appointed Chairman March 2015
- Accomplished director and senior executive with a track record of leading strategic growth strategies

### Todd Alder Managing Director & CEO



- Appointed CEO & MD in 2017
- Focusing on: financial discipline; strategy alignment; and operational efficiency

### Steve Gallagher Non-Executive Director



- Board member since 2017
- 30 years experience as a CEO and director of global businesses

### Kyle Abbott Non-Executive Director



- Experienced aerospace and defence industry executive
- MD of WA Specialty Alloys 1996-2015

## Our FY22 Focus

- Continue to diversify our customer base
- Boeing-Insitu 3<sup>rd</sup> engine program recovery
- WA Government loan offset milestones
- Deliver ongoing cash flow efficiencies
- Targeting 2<sup>nd</sup> half net profitability

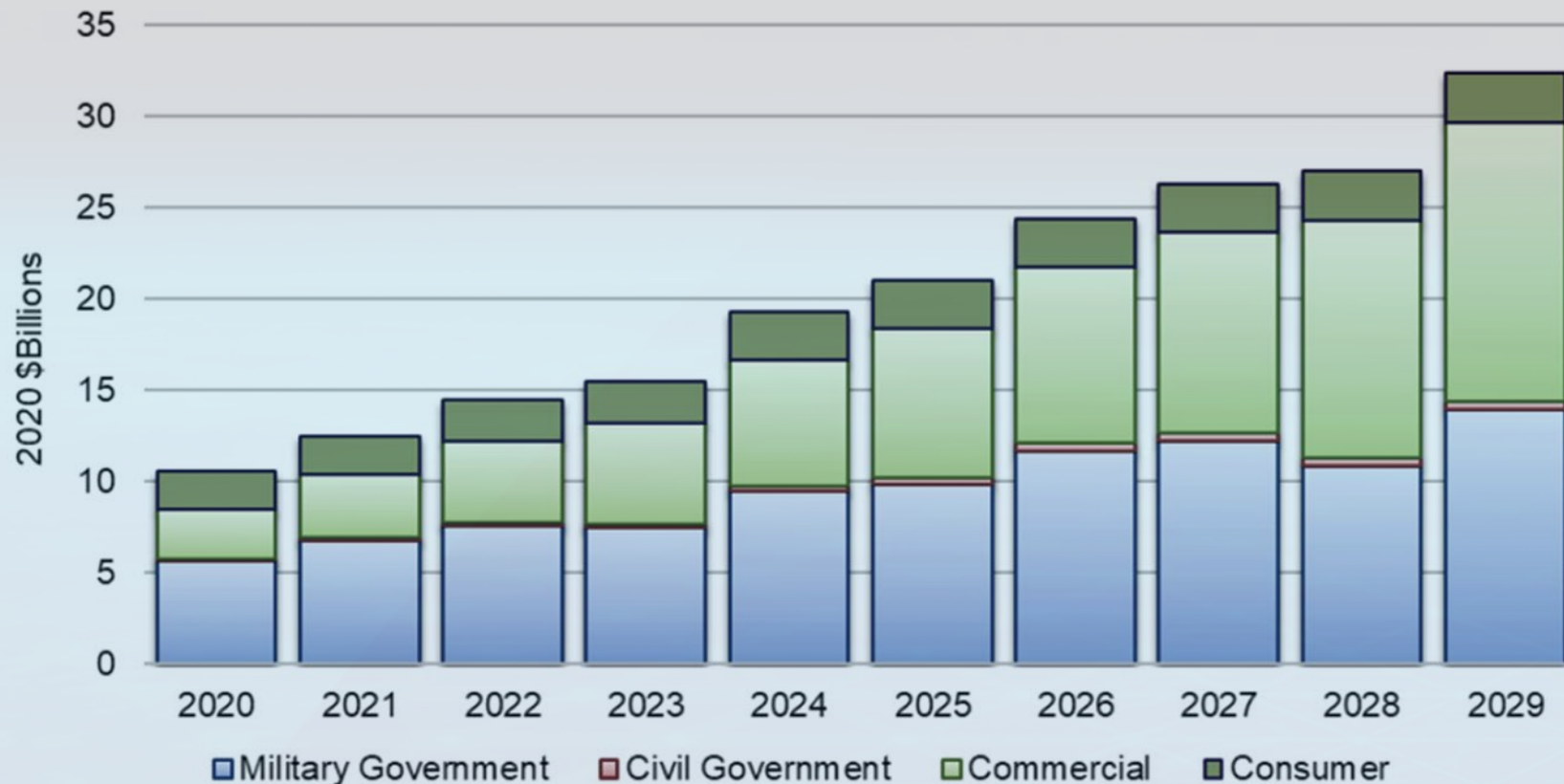
# Outlook & Growth Strategy

# Market forecast

## Continued growth



World UAS Annual Production  
Value Forecast



- World UAS production forecast to be over US\$32B by 2029
- World military UAS production in 2022 forecast to be ~US\$7.5B
- Civil government and commercial drone markets continue to show rapid growth

# Tactical UAV market

## Established Primes & disruptors



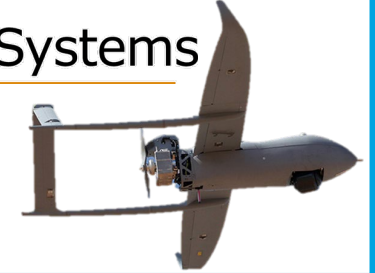
Worldwide  
tactical UAV production  
2020 – 2029<sup>1</sup>  
**US\$15.7B**

Worldwide  
tactical UAV production  
in 2020<sup>1</sup>  
**US\$1.4B**

**INSITU**  
A Boeing Company



**TEXTRON** Systems



**NORTHROP  
GRUMMAN**



Addressable  
Propulsion  
System Market  
estimated at ~15%  
**US\$210M** p.a.



**L3HARRIS**™



**AV**  
AeroVironment™



Key market players

<sup>1</sup> Source: World Military UAV Profile & Forecast 2020-21, Teal Group Corporation



# Customer portfolio

## Defence Primes & new entrants



- Long Term Agreement Signed in **2016**
- Expanded in **2018**
- Primary Supplier in **2020**



**March 2020**  
Engine design & development contract with one of Singapore's largest defence companies



- Flight critical components since **2013**
- New engine development program **2021**
- Engine upgrade program **2021**



**October 2021**  
MoU to supply a heavy fuel engine for US Navy unmanned cargo transport

# Boeing-Insitu

## Status of the Long Term Agreement



Engine 1

- Volumes confirmed through to end of calendar year

Engine 2

- Engine build activities transferred to Australia during H1
- Volumes confirmed through to end of calendar year

Engine 3

- Development program terminated in February 2022
- Orbital UAV to receive full reimbursement of all costs incurred

Engine 4

- Orbital UAV designed engine proposal under review by Insitu

Engine 5

- Development timeframe TBD

IN PRODUCTION




2.

IN PRODUCTION

# Customer programs

## 2022 status & milestones



	Status	2022 milestone
 <p><b>INSITU</b> A Boeing Company</p>	2 x engine models in production	Continuous production of engines 1 & 2; Outcome of 4 <sup>th</sup> engine model proposal
<p><b>TEXTRON Systems</b></p>	Program 1: On track Prototype delivered for evaluation and flight testing in 2021	Delivery of pre-production engine models
<p><b>TEXTRON Systems</b></p>	Program 2: On track	Delivery of first upgraded prototype engines
 <p><b>SINGAPORE DEFENCE COMPANY</b></p>	Delivered third engine system for evaluation in Dec '21 Finalising scope of Phase 2	Launch Phase 2 of program
	Delivered prototype engine for evaluation in Feb '22	Support evaluation process and scope out next steps



# Future market opportunities

## Major tactical UAV programs



### United States Army Future Tactical UAS Program

**TEXTRON** Systems



**AV**  
AeroVironment™



- Replacement of RQ-7B Shadow
- Requirements to include:
  - Vertical take-off and landing
  - Runway-independent
  - Reduced acoustic signature
  - Transport system organically within units



### Australian Army LAND129 Phase 3



**TEXTRON** Systems  
AUSTRALIA



### Royal Australian Navy SEA129 Phase 5



- FTUAS program remains largest global Defence opportunity to develop Heavy Fuel Engines for Group 3 UAVs (~250lbs)
- Australia-based Defence programs progressing – Land129 Phase 3 announcement expected in FY22 H2



# Our unique service offering

Heavy fuel engine capability an objective requirement



## Tactical UAV

Fully assembled and mission ready propulsion systems

	Orbital UAV	Others
Time between overhaul	500 hrs	~50 hrs
Cold start to launch	2 min	>20 min
x3 U.S. FAR33.49 endurance test	Yes	No



Image: ScanEagle3, courtesy Insitu Inc.

# FY22 January - June

## Objectives



Achieving production targets for Boeing-Insitu engine models 1 & 2

Meeting program development milestones for Textron Systems, Singapore & Skyways

Targeting additional national & global customer contracts

Realise WA Government loan offset milestones

Deliver 2<sup>nd</sup> half net profitability



# Growth outlook

## Orbital UAV's unique differentiators



Superior engine technology, design & production solutions

Technology highly relevant to the UAV market's growing demand for longer duration & higher reliability engines

Expanding portfolio will be strengthened further with current opportunities across defence, civil & commercial markets

Balance sheet strength supporting planned production expansion, contracted development programs & research and product development







*Ready to fly...*<sup>TM</sup>

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