



Software
Radio Technology

Year end Results Presentation

YE 31st March 2014

www.softwarerad.com

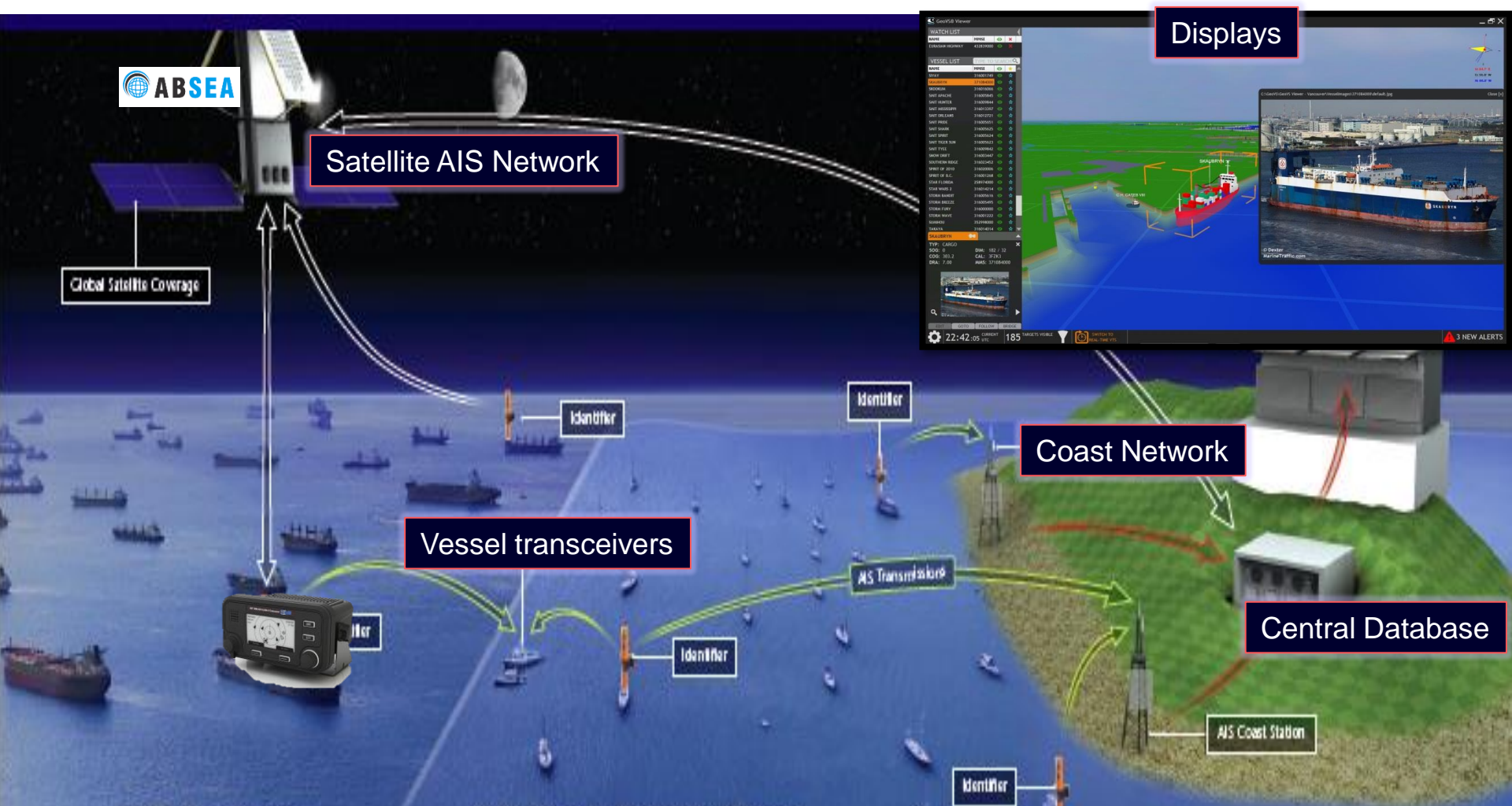


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Global leaders in maritime domain awareness



SRT develops and provides MDA solutions

What is Automatic Identification System?

AIS is a regulated maritime radio technology used for real time data exchange between multiple entities – ship to ship and ship to shore

- Maritime domain security
- Waterway management
- Port Efficiency
- Vessel safety
- Search & Rescue
- Fisheries protection & control
- Marine environment management

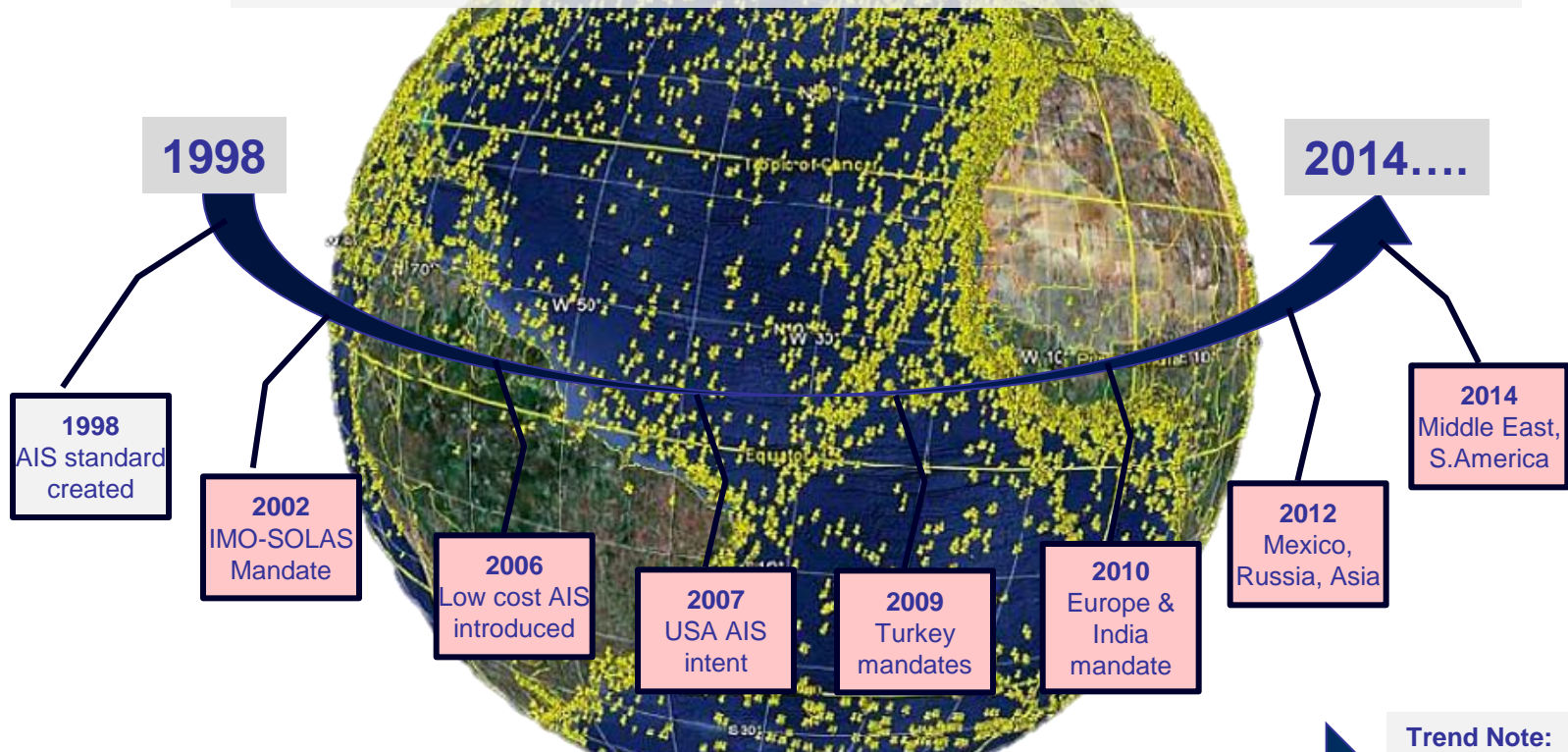


Market – Global adoption of AIS

Global AIS adoption is accelerating



ALFRED SCHUMM WWF Director “We want to create transparency and understanding and show that the fisheries management, monitoring and control measures are essential to make fishing sustainable. Governments over the world should make AIS installation mandatory for every commercial fishing vessel to increase safety and transparency”



1990 - 0 fit / 2014 ~ 300,000 fitted, plus further 1m-2m within 3-5 years

Trend Note:
Industry expects AIS market penetration to catch-up and fuse with radar.

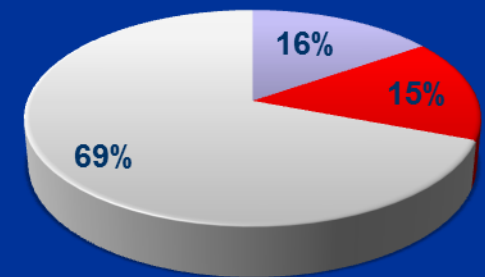
Market – Global Opportunity

The global marine domain



- 361m sq KM of oceans
- 400,000 km of coastlines
- Millions of buoys
- Tens of thousands of ports
- Boat park of 26 million boats
- 95% global trade goes by sea

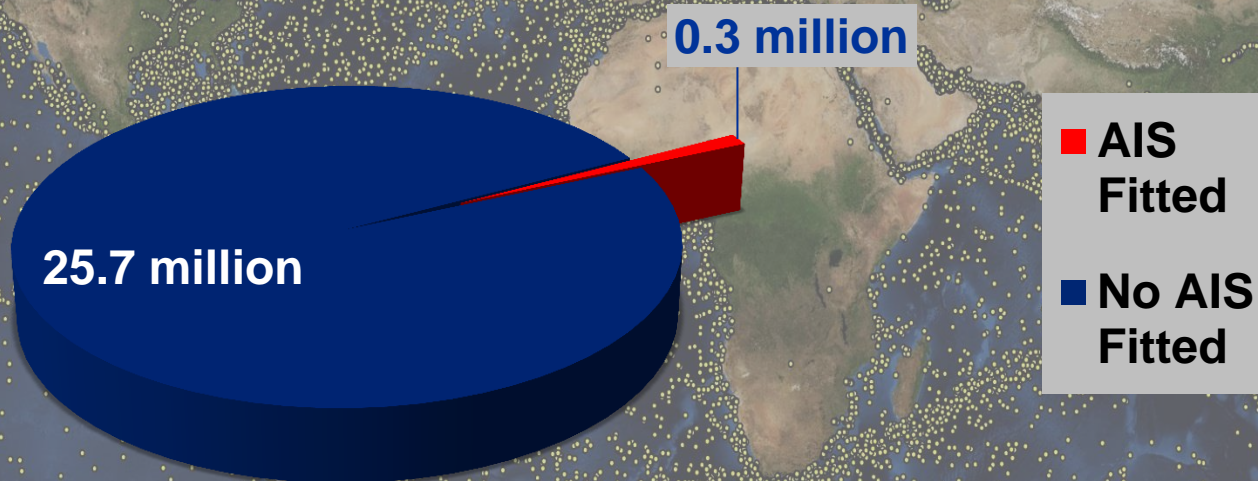
Global Boat Park



■ Commercial ■ Fishing ■ Leisure

Market - AIS Market Penetration

ESTIMATED PENETRATION OF GLOBAL BOAT PARK - 2014



Global market at beginning of growth curve

exactEarth®

Source: Market intelligence & SRT management estimates

Market - Demand drivers



Safety



Fisheries



Coastal Security



Search & Rescue



Waterways



Infrastructure



Efficiency



Fun



Pollution

SRT's role in AIS

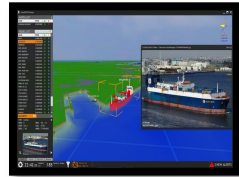
SRT is the dominant global supplier of AIS solutions



Modules



OEM Products



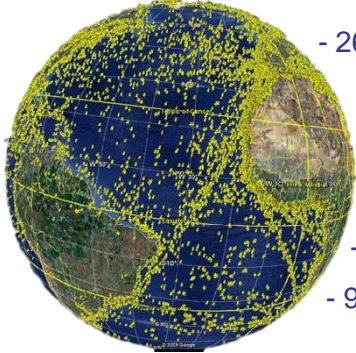
Displays



- The established, industry recognised global source provider of AIS solutions
- Complete range of in-house developed technologies, products and systems
- Ownership of all IPR – all technology developed in-house. Production outsourced.
- Supplier to the marine electronics industry of customised 'OEM' AIS solutions – we enable our partners with AIS products
- Global customer network customers covering all geographic and application segments

Business Snap Shot

Our mission	Key Financials (YE March 2014)	
<p>The global leader in AIS</p> <p>SRT develops and provides AIS technology based products and system solutions to the global marine electronics industry which are used by mariners and authorities to improve maritime safety, security and management.</p>	<p>£6.1m</p> <p>43%</p> <p>£1.5m</p> <p>£1.3m</p> <p>16%</p>	<p>Revenue</p> <p>Gross Profit Margin</p> <p>Loss after tax</p> <p>Cash balances</p> <p>6 year average annual growth</p>

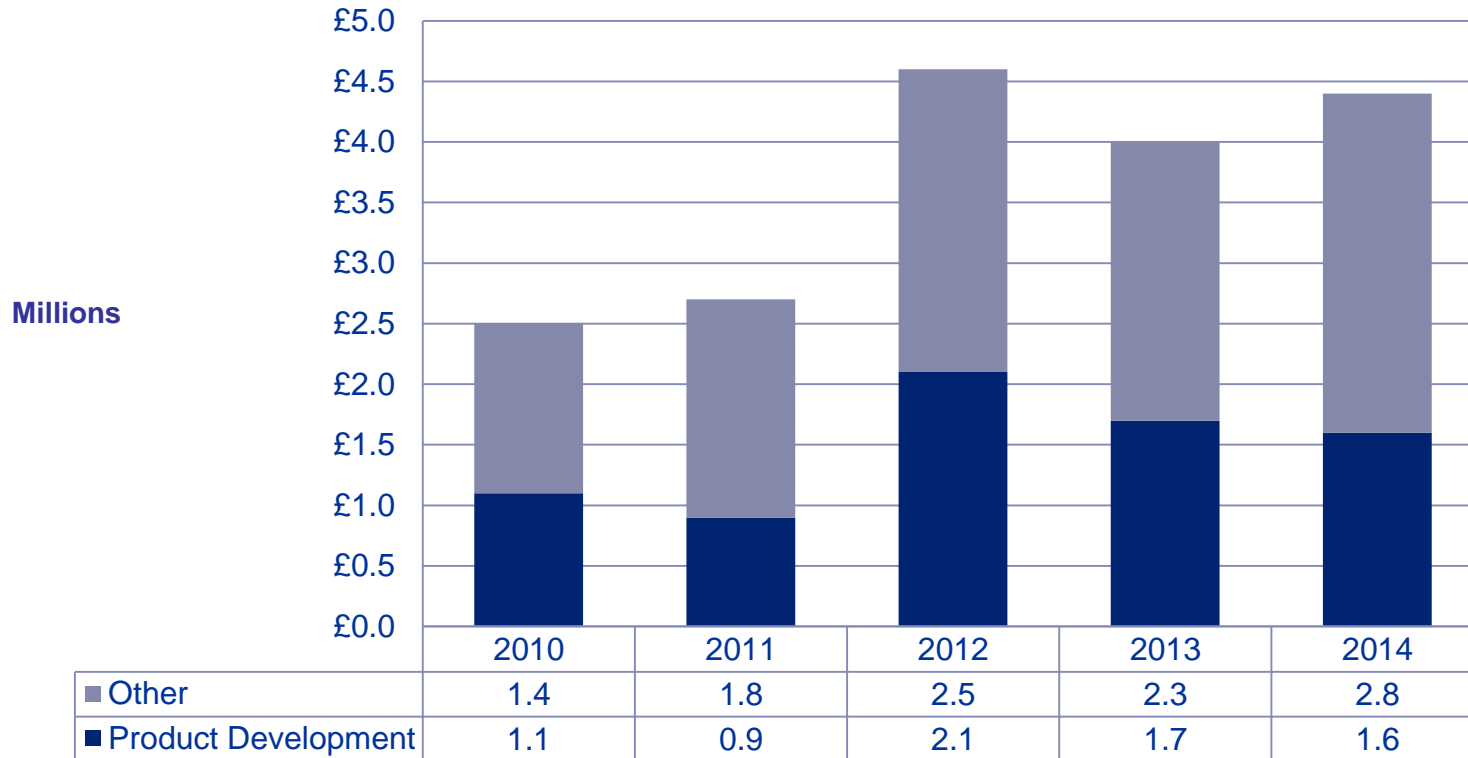
Global maritime market	AIS Applications
 <ul style="list-style-type: none">- 26 million boats- 361 m sq km oceans- 400,000 km coastlines- Over 10,000 ports- Millions of buoys- 95% global trade by sea	<ul style="list-style-type: none">• Anti-collision• Vessel tracking• Fisheries management• Search & rescue• Maritime hazard marking• Port management• Oil & Gas Infrastructure security• Social boating

Results summary – YE March 2014

Revenues	Gross Profit	Overheads	Stock	Cash
<p>£6.1m</p> <p>YE 2013: £10m YE 2012: £6m</p>	<p>43%</p> <p>YE 2013: 46% YE 2012: 51%</p>	<p>£4.4m</p> <p>YE 2013: £4.1m YE 2012: £4.6m</p>	<p>£4.2m</p> <p>YE 2013: £3.4m YE 2012: £3.5m</p>	<p>£1.3m</p> <p>YE 2013: £1.5m YE 2012: £0.7m</p>
<p>Unexpected delay in project implementations delayed expected revenue for the year into following year.</p>	<p>Heavy weighting (90%) of lower margin core business reduced margin below long term 50% target.</p>	<p>Year on year increase of 7% due to acquisition of GeoVS in October. Maintained R&D progress.</p>	<p>Stock levels higher than expected for longer than expected due to delay in projects.</p>	<p>Bank facility of £1m drawn down. Cash reduced due to increased stock holding pending conversion of projects into orders.</p>

Overheads

Annual cash overhead



Margins & Pricing

Product Gross Margin Range

Product Sales Price Range

87%

\$3,100

	Core	Project
ARPU	£217	£346
GP %	42%	52%




14%

\$60

Broad product price and margin structure for all markets

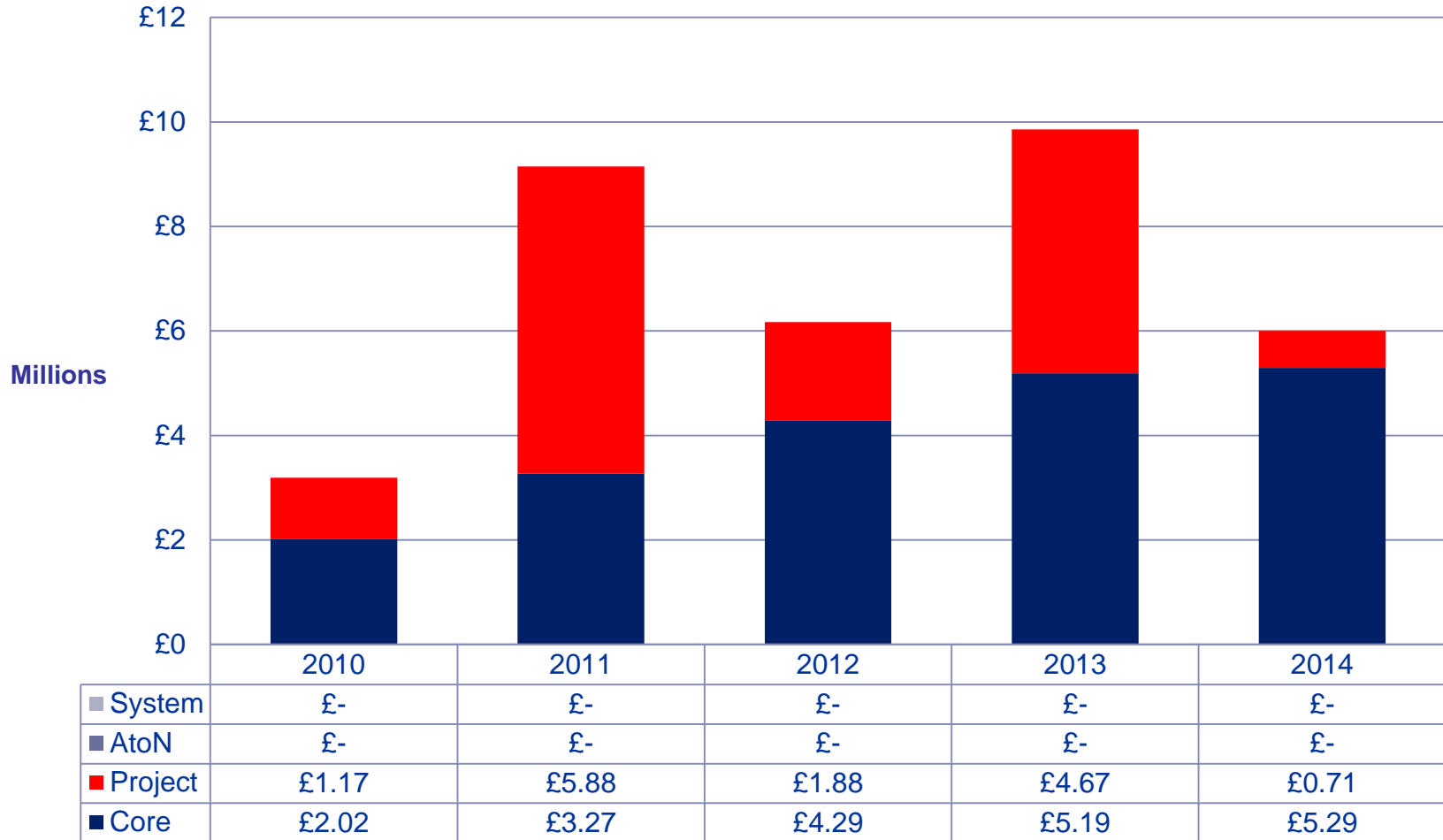
Revenues – Source Segments

Common product range of twenty sophisticated core product platforms service all customers and market segments

CORE	PROJECT	AtoN	SYSTEM
			
Sales derived from vessels not regulated to fit an AIS transceiver. Primarily leisure boats and smaller commercial 'work boats' operating in ports.	Sales derived as a result of government regulations which require boats to fit an AIS transceiver. Typically commercial boats and large numbers of fishing vessels.	NEW Sales of specialist AIS devices designed and engineered to be installed on to shipping hazard infrastructures – buoys, docks, general marine infrastructure.	NEW Sales of display systems, AIS data and complete monitoring system solutions.

Revenues

Revenue by Source



Revenues – Future Opportunities & Drivers

CORE BUSINESS

- Non regulated purchases of AIS devices
- Route to market through extensive network of existing marine electronics brand owners and dealer networks.
- Becoming standard fit on increasingly smaller new builds
- Retro-fit market remains embryonic
- Long term growth trend expected to match radar market share

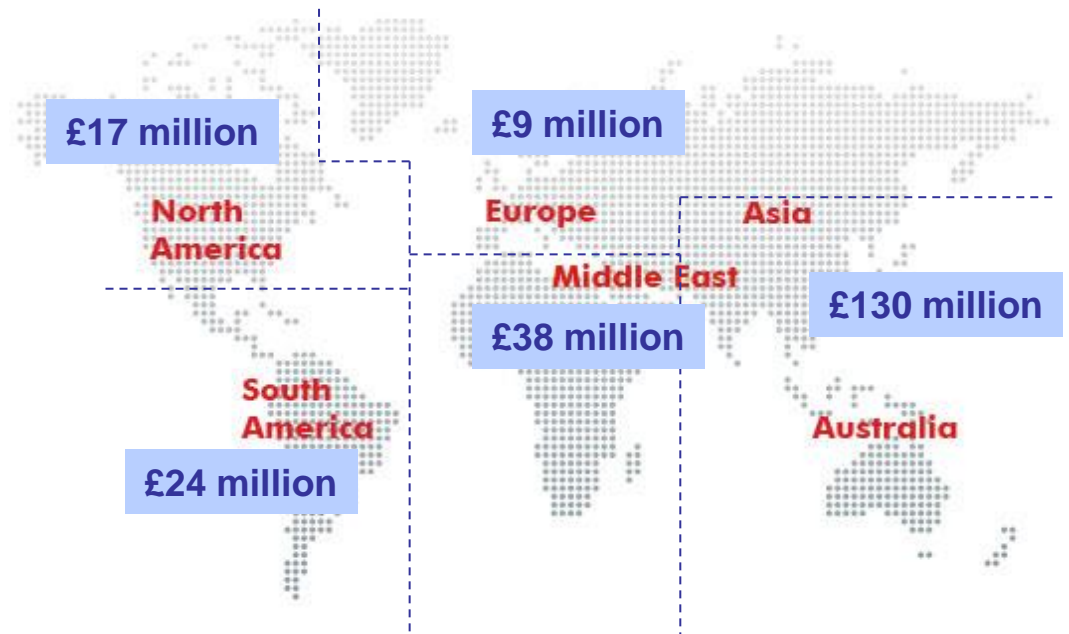


- **18 million leisure boats**
- **Less than 0.5% market penetration**
- **Significant long term growth potential**

Revenues – Future Opportunities & Drivers

PROJECT BUSINESS

- Government regulations and direct purchases of AIS systems
- AIS selected due to functionality and price advantage
- Route to market through established network of local system integrator customers.
- Primary targets are normally large fishing fleets
- Projects take time to form and reach implementation phase



£200m current opportunity pipeline

Market – Global adoption of AIS is really happening



MEXICO



Requirement to track up to 130,000 vessels. First demo 2007 – rollout commenced 2013 with first order worth \$4m: further potential for \$25m



INDIA



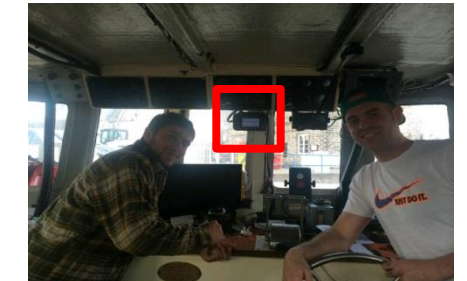
Requirement to track up to 300,000 vessels following Mumbai terrorist attack in 2008. First \$100k of demo units installed 2013. Potential for \$70m



EUROPE



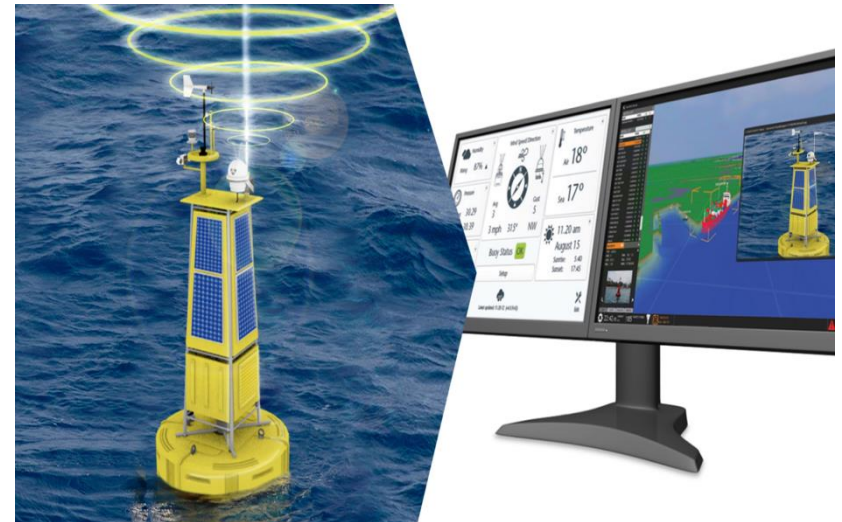
Requirement to track EU fishing fleet . First phase mandated all +15m vessels to fit by 31st May 2014.



Revenues – Future Opportunities & Drivers

AtoN BUSINESS

- Enables real time electronic marking of maritime hazards
- Provides real time environment and system monitoring information to mariners and authorities
- End customers are port authorities and governments
- Route to market are existing suppliers of 'traditional' AtoN products who have existing and established end market relationships
- New market – education required – will take time to develop. Large opportunity

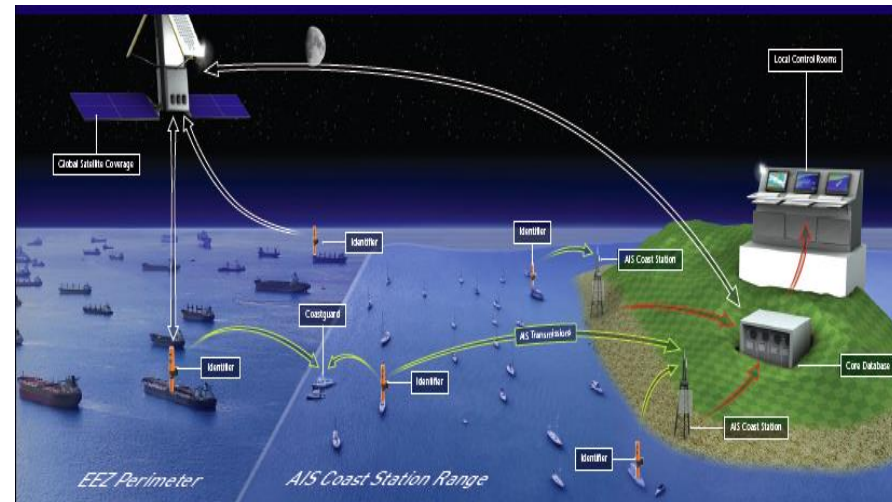


- **Millions of buoys**
- **Enhances AIS system information**
- **SRT has leading market offer**

Revenues – Future Opportunities & Drivers

SYSTEMS BUSINESS

- Provision of turn-key vessel tracking and display systems
- Bundled system offer of equipment and data
- Route to market are local system integrators
- End customers are vessel operators and governments
- Recurring revenue opportunity for SRT



- **Unique 3D real time display system**
- **Unique satellite ABSEA technology enhances tracking range**

The Future

Overheads:

Expected to grow at approximately 5% per annum from current base, primarily due to increased customer support.

Product:

R&D will continue at current rate to ensure flow of new products and support customisation of existing products.

Margins:

Gross margins expected to average at 50% over the long term – depends on product mix within any given reporting period

Revenues:

- Core business expected to continue to grow annually at between 10% and 30% depending on economic recovery, replacement cycle and 'mandate' effect.
- Significant project and mandate business pending – but timing variable.
- New revenue opportunities in AtoN and Systems

Risks & Challenges

- AIS is an open technology standard and thus anyone with the technical and financial resources may develop a product
- AIS is a complex radio communications technology, problems and issues can arise with products resulting in significant warranty costs
- AIS has been rapidly adopted by multiple markets creating a significant customer support challenge for SRT
- Predicting demand patterns from such an early stage market is very challenging – government projects can be unexpectedly changed, delayed or cancelled
- Long lead times for components and products, versus difficult demand forecasting results in significant and unpredictable stock and cash fluctuations



Summary

- Established core technology, product range
- Products embedded within established global customer network
- Large global market opportunity now entering growth phase
- Multiple revenue streams
- High margin, high growth potential, scalable business model



Useful Research References

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