



AGM PRESENTATION
12th July 2017

SRT MARINE SYSTEMS PLC

www.srt-marine.com



SNAP SHOT

- 
- Multi-billion dollar global addressable market opportunity – MDA
 - Established, strategic and defensible market position
 - Low overhead (~£6m pa), high margin (~50%), scalable business model
 - Growing & profitable
 - £77m order book*.
 - £270m validated sales pipeline (VSP)**

SRT develops and provides technologies, products and systems that enhance maritime security, safety and efficiency for mariners, infrastructure and authorities

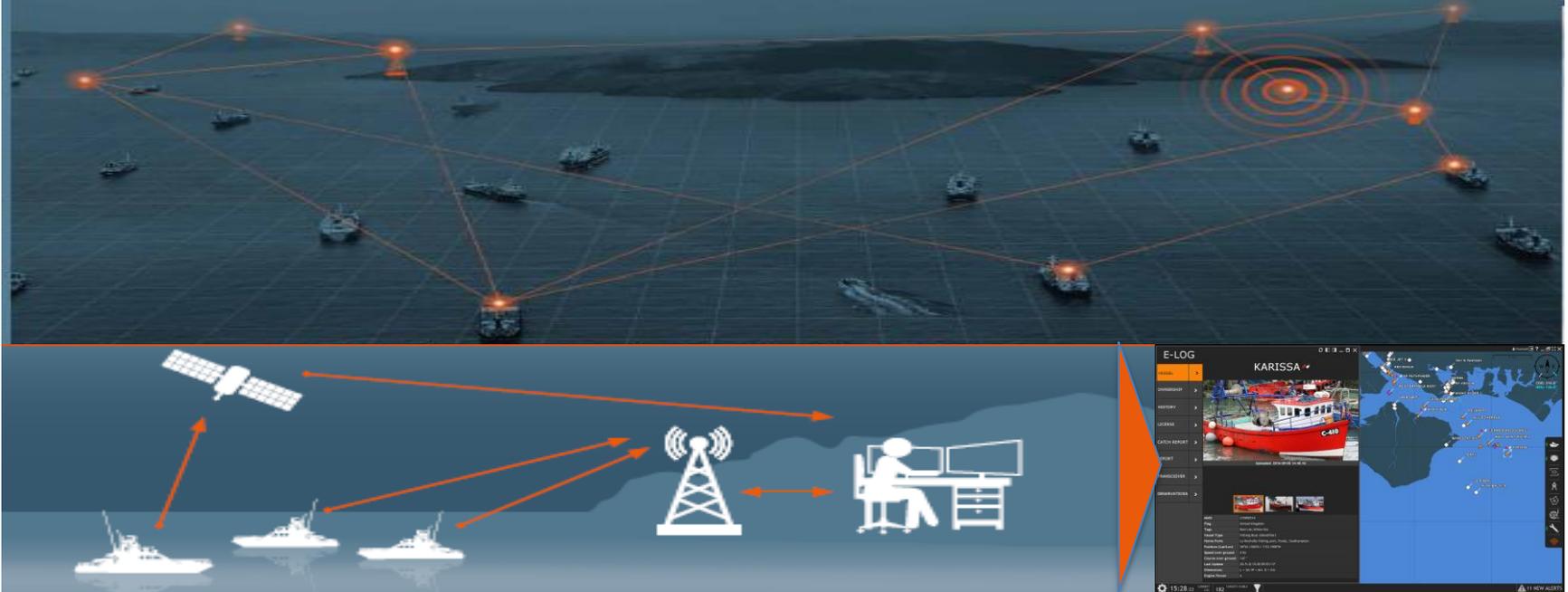
* Order Book = contracted future revenues **VSP = contracts in advanced negotiations and likely to sign and start generating revenues within next 3 years



WHAT IS MDA?

Intelligent fusion of multiple sensors (Radar, AIS, CCTV), data processing and visualisation to track, identify, analyse, understand and control maritime activity

Boat to Boat | Boat to Shore | Boat to Aircraft | Boat to Space



MDA MARKET OVERVIEW



LEISURE BOATS

18m globally – mostly in EU and North America. Fun and safety are primary drivers of MDA



COMMERCIAL BOATS

8m globally – 0.1K +300gt SOLAS ocean ships, 4m fishing boats, 3.9m other work boats (tugs)



AUTHORITIES

Coast Guards, Fishery Authorities, Port & Waterway Authorities, Infrastructure owners

GLOBAL TREND: New technologies, such as AIS, that enable much greater data on vessels are driving vessel owners and authorities to upgrade old radar only based systems to improve safety, security and commercial efficiency

New technologies enable accurate tracking & identification of vessels, continuous monitoring of marine environment and protection of valuable infrastructure

MARKET – DRIVERS

Security



- Maritime security market to reach \$19.5bn by 2018
- \$7bn+ cost of global piracy
- Anti-terror measures to protect tourism income

Fisheries



- Sustainability is critical
- Up to 10% of GDP in major fish producing-countries
- Estimated 20% of global seafood catch is illegal

Search & Rescue



- Minimising loss of life
- Growing number of maritime participants

Efficiency



- Global shipping over 11bn tonnes in 2015
- Increased efficiency and reduced cost

Leisure



- 18 million leisure boats globally
- Recreational boating spend to reach \$25bn p.a. by 2019

Safety



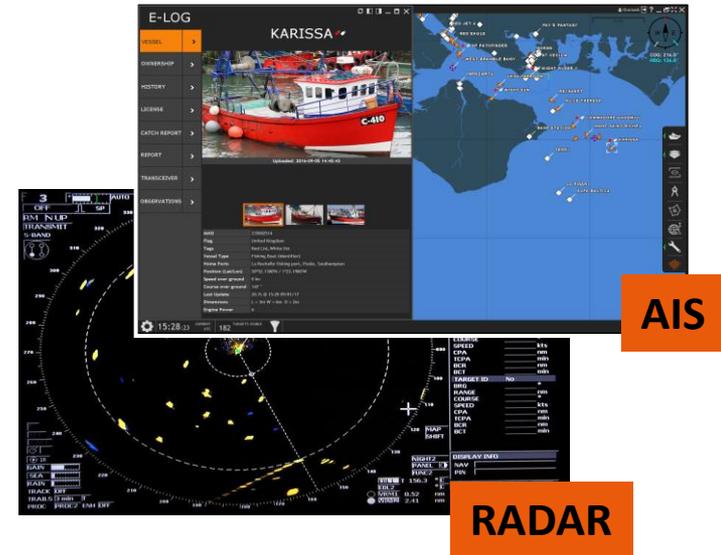
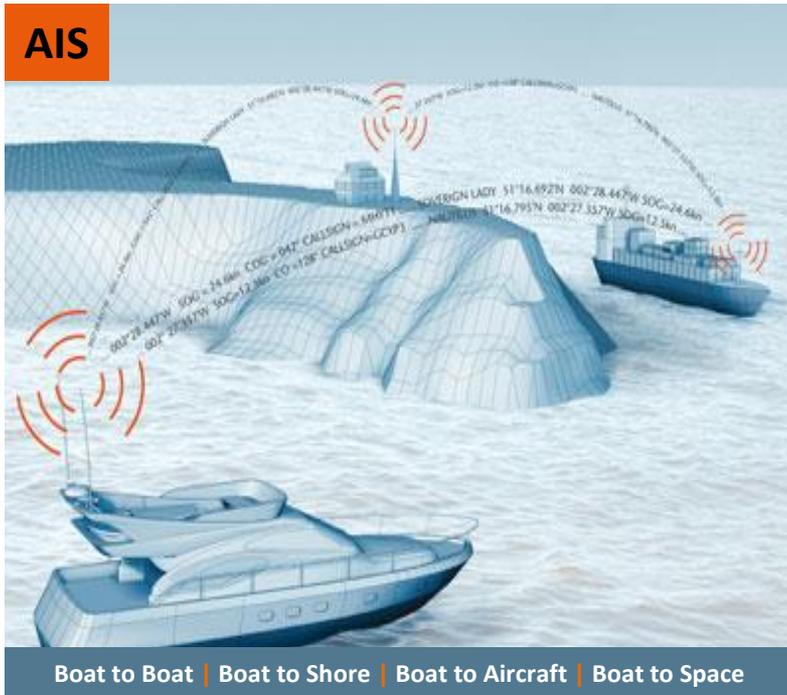
- Over 100 boats of over 100 gross tonnage lost in 2013
- Absolute priority for the IMO and governments globally

Exact drivers vary between customers and market segments

Security | Efficiency | Safety | Environment

Sources: FAO, CIA Fact Book, IMO, Markets & Markets

MDA TECHNOLOGY TRENDS – GOING DIGITAL



AIS + Radar enables enhanced tracking and precise identification of vessels and big data applications

Automatic Identification System (AIS) is a global marine data communications technology that went global in 2002 due to an IMO mandate for vessel to vessel communication and is now adopted as a system critical technology for vessel identification and big data applications in MDA systems

SRT MARKET OFFER



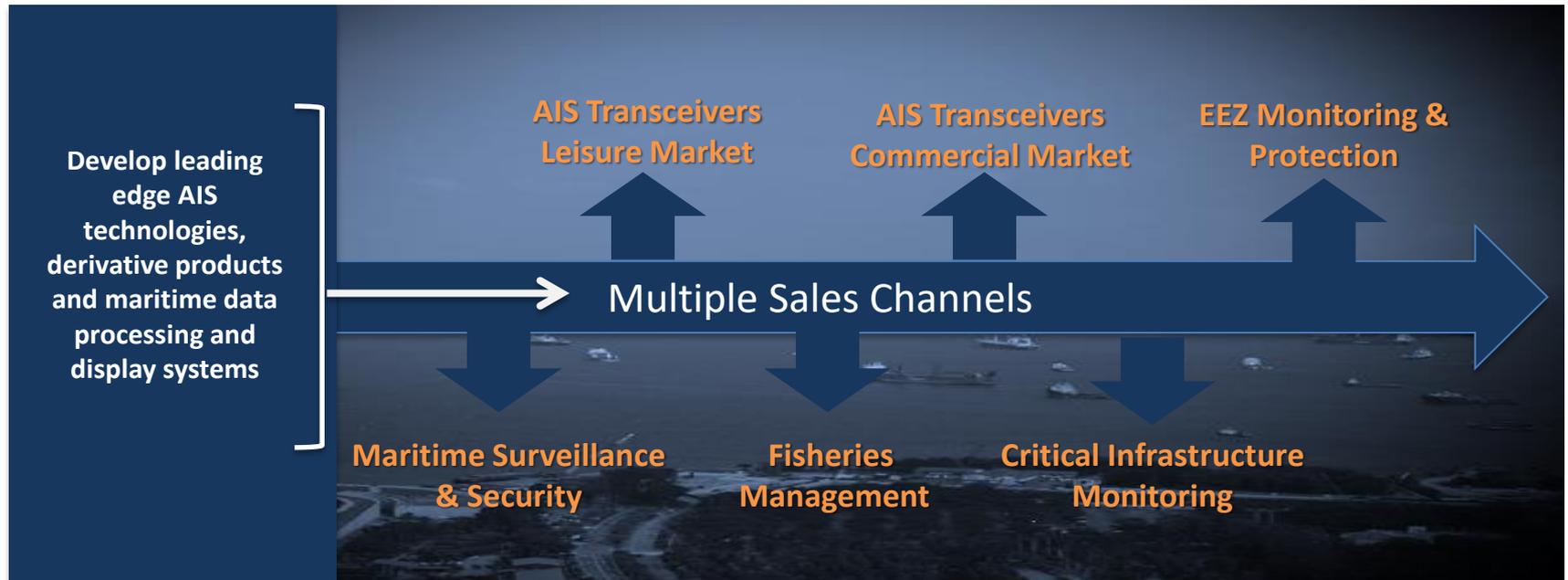
A complete range of high performance AIS transceiver solutions for all leisure and commercial vessels and associated applications

Range of turn-key system solutions for Coast Guards, Fisheries, Ports & Infrastructure

SRT seeks to dominate the global AIS technology space across all geographic and application segments and leverage their strategic position into larger MDA system opportunities



SRT BUSINESS STRATEGY



AIS provides strategic and defensible entry point into global MDA market – all geographic and application segments via an established network of partners and direct contracts.

BUSINESS MODEL – OPERATIONS

- All core product technology is developed entirely in-house to ensure total IPR ownership and control over future development
- Hardware products are manufactured under contract by Flextronics – ensures high quality and limitless production scaling
- In-country partners provide installation and ongoing support to customers – SRT focuses on managing sales and project implementation



Positioned to quickly scale as contracts convert - with small overhead increase



FINANCE – OVERVIEW

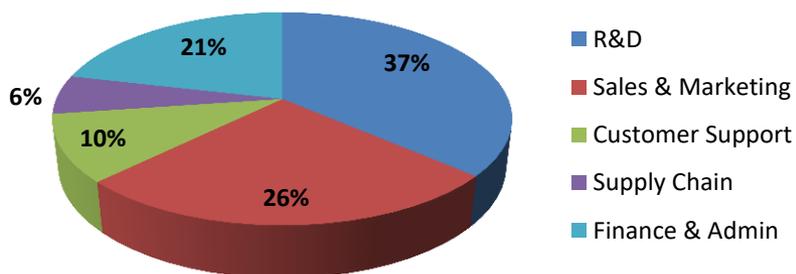
£000's	FY 14/15	FY 15/16	FY 16/17
Revenues	8,522	10,684	11,026
Gross Profit	4,353	5,168	7,239
Admin Costs	4,687	4,848	5,961
Operating Profit	(334)	320	1,278

Revenue CAGR
14%

Gross Profit Margin
65%

Annual cash Overheads
£5.6m

FY 16/17 Overhead Analysis



FINANCE – OVERHEADS & BALANCE SHEET

Balance Sheet:

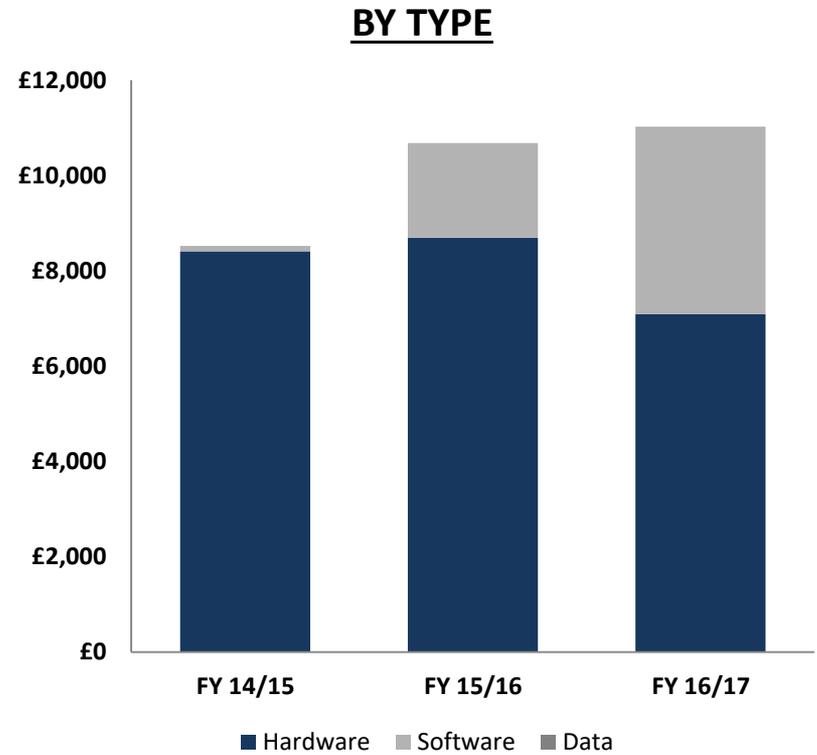
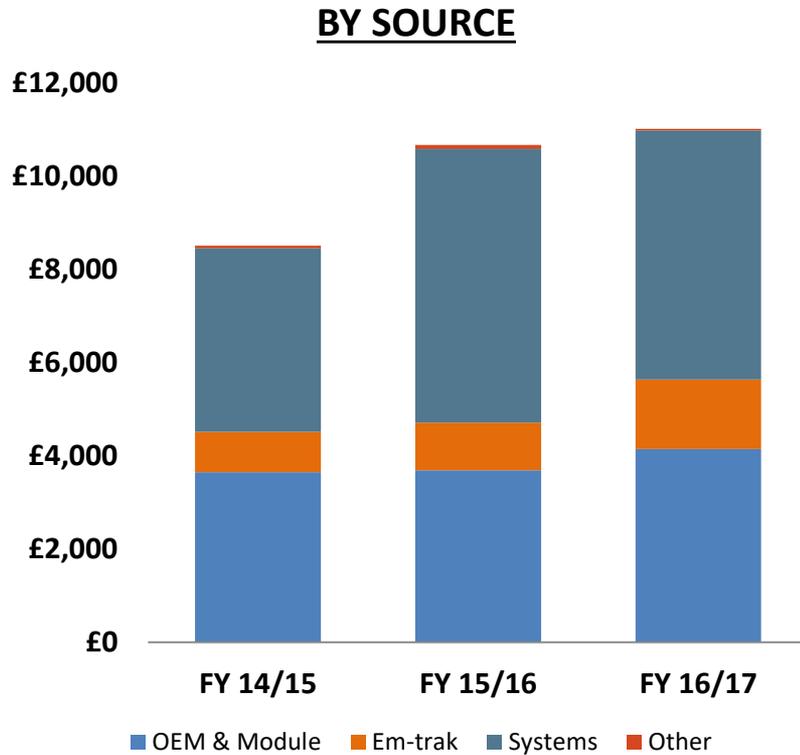
- £1.8m of gross cash – includes proceeds from £1,000,000 o/s loan, payable over next 2 years
- £3.3m of stock valued at cost. Variety of products – enables prompt and reliable delivery
- £7.9m debtors – £7.0m of which due from two contracted system projects – of which £2.2m has been subject to a delay due to project re-scoping*.

Overheads:

- £5.6m annual cash overheads – increase reflects increased support activity in preparation for multiple projects. Future increases will be project linked
- Approximately 35% of overheads are invested in product R&D

* See matter of emphasis in 2017 Annual Report

FINANCE – REVENUES



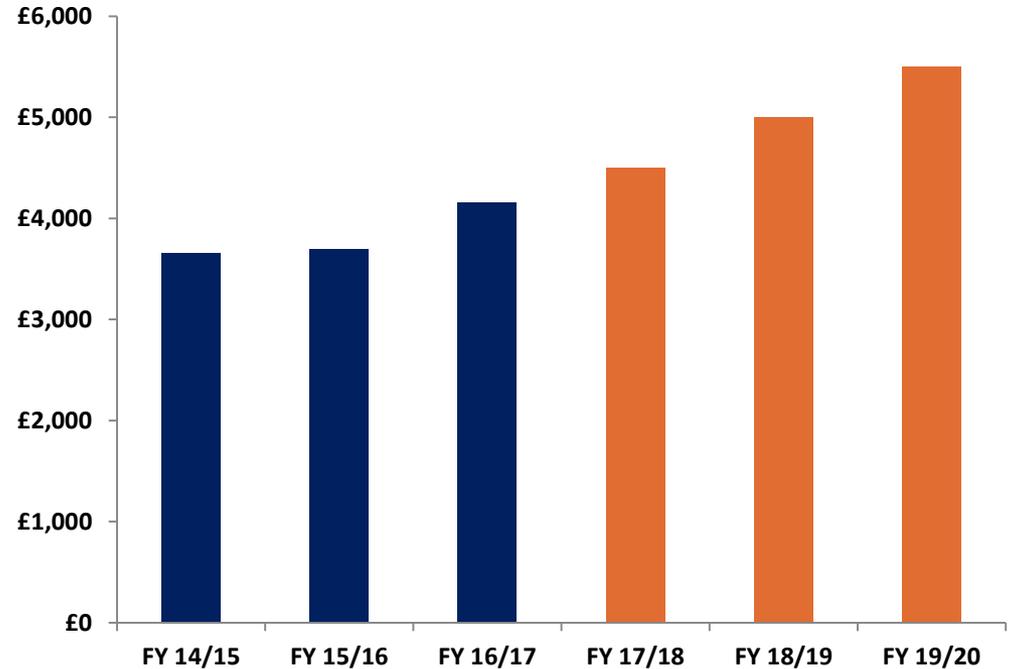
OEM & MODULE BUSINESS

Sale of AIS products and modules to an established network of marine electronics product manufacturers



Key revenue driver – Adoption of AIS by leisure and commercial vessels. Introduction of new products in 2017 & 18 with greater utility

OEM & Module Revenues



CAGR = 7% over last two years. Broker forecast 2017 onwards, assumes CAGR of 10%. Significant upside potential

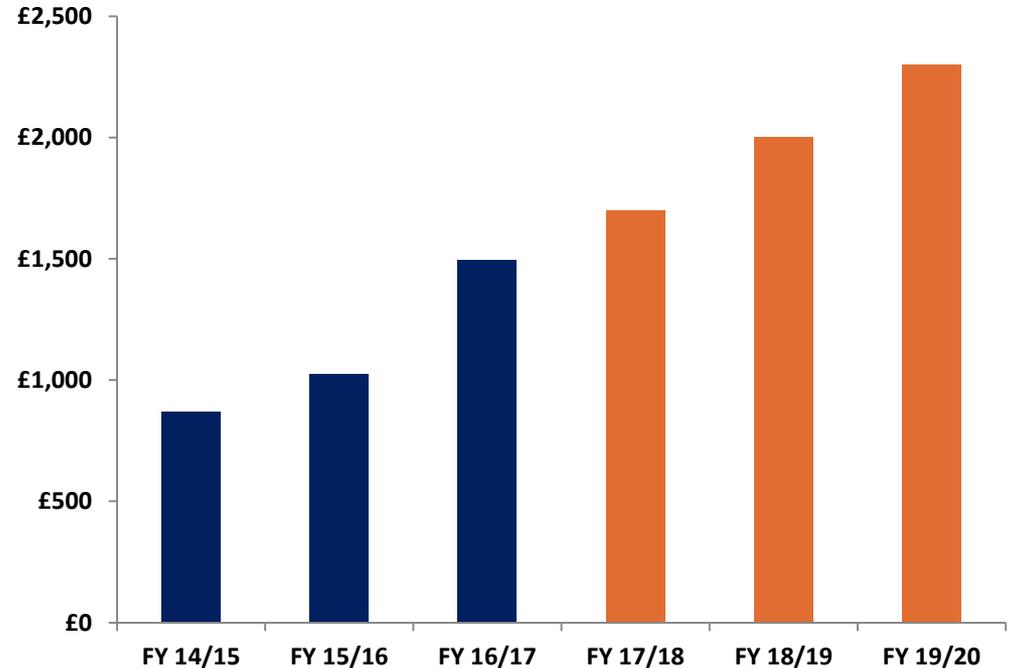
EM-TRAK BUSINESS

The sale of AIS transceivers into a global network of distributors and dealers



Key revenue driver - Unregulated adoption of AIS by leisure and commercial boat markets. Increase in em-trak dealer network and improved instore merchandising

Em-trak Revenues



CAGR = 31% over last two years. Broker forecast 2017 onwards, assumes CAGR of 15%. Significant upside potential

SYSTEMS BUSINESS

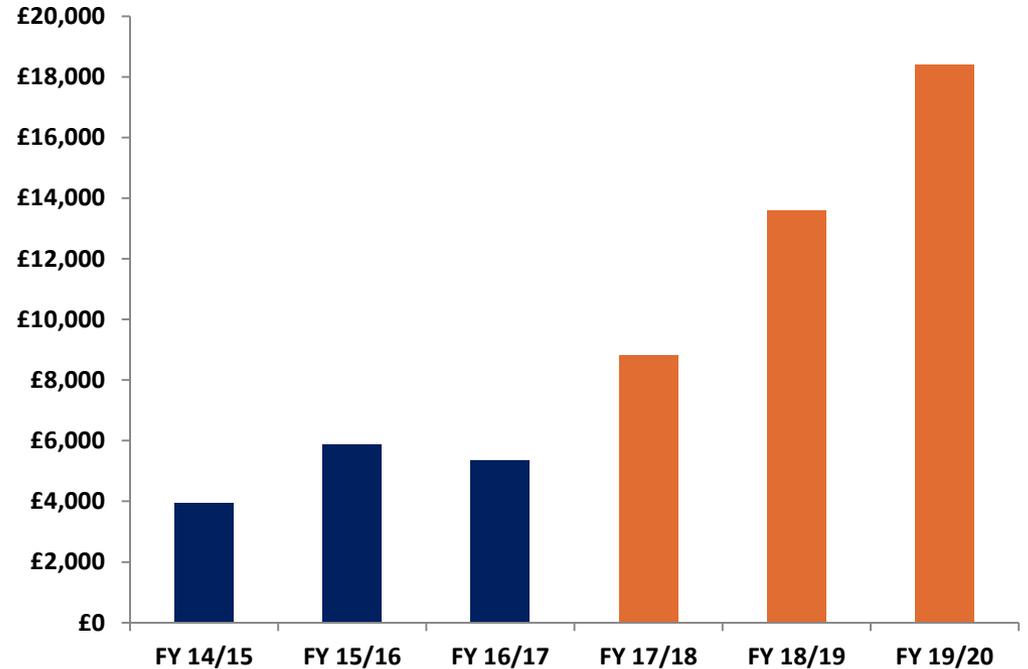
The sale of turn-key MDA system solutions to governments and infrastructure owners



Software | Data | Hardware

Key revenue driver – Conversion of £340m order book and pending contract pipeline into revenues as national authorities and infrastructure owners seeking to enhance maritime safety, security and efficiency

System Revenues



Broker forecast assumes conversion into revenue of only 12% (£41m) of combined value of order book and pipeline (£347m) in revenue over next three years. Significant upside potential

SYSTEMS – PIPELINE

Under Contract

£77m

VSP Under Negotiation

£270m

Multiple new opportunities in discussion



Phase 1 contracted and completed. Phase 2 expected to be worth up to \$30m under negotiation in validated sales pipeline



- Significant maritime security and safety issues are driving interest from national authorities
- 14 system sales opportunities valued at approximately £270m are in current validated sales opportunity pipeline (VSP)
- Of these, 4 are valued at £60m are considered to be in the final stages before contracting

SYSTEMS – CLOSURE & REVENUE CONVERSION



Initial inquiry and consultation /proposal phase

System planning and specification phase

VSP

System Implementation

Vessel Transceiver Installation

Ongoing Satellite Data Supply

System Functionality Upgrades



SYSTEMS – PIPELINE

	Project Ref	Value / Type (US\$)	Comment	Estimated Implementation Period	Nb Vessels
Contracted	1 Asia	~ \$100m / MDM	Project currently phased for re-scoping and final approval by end customer.	3 years	50,000
	2 Middle East	~ \$7.5m / NAIS	Project underway with expected completion by Feb 2018 – to be followed by a second contract for supply of 26k vessel transceivers – see REF 4	1 year	0
VSP	1 Middle East	~ \$25m / MDM	Follow-on contract with existing customer where SRT supplied an NAIS system inclusive of 7,500 vessel transceivers. Significant upgrade to a full MDM	2 years	7,500
	2 Middle East	~ \$15m / NAIS	Follow-on phase 2 contract (Ref 2) for the supply of 26,000 vessel identification transceivers that will then be tracked and monitored by the system supplied in phase 1.	2 years	26,000
	3 S.America	\$21m / VMS	National vessel monitoring system. Extensive trials and discussions over last 18 months.	2 years	16,000

SYSTEMS – PIPELINE

	Project Ref	Value / Type (US\$)	Comment	Estimated Implementation Period	Nb Vessels
Contracted VSP	4/5/6 Asia	~ \$52m / MDM/VM S	Three project opportunities addressing coastal surveillance, fisheries monitoring and port & waterway management. Discussing exact scope and specifications.	3 years	50,000
	7 Middle East	~ \$15m / NAIS	Already supplied ~ 2,000 transceivers into adhoc mandate. Authorities evaluating end to end system deployment. Proposal under consideration.	2 year	15,000
	8/9 Asia	~ \$51m / MDM/VM S	Two project opportunities. Discussions underway with multiple ministries to fill national requirement for enhanced MDA. Proposals submitted and now in discussion.	3 years	50,000
	10 Middle East	~ \$40m / NAIS	2,300 transceivers already supplied into one province. In discussions with MOA and Border Security agencies around integrated national system solution.	2 years	60,000

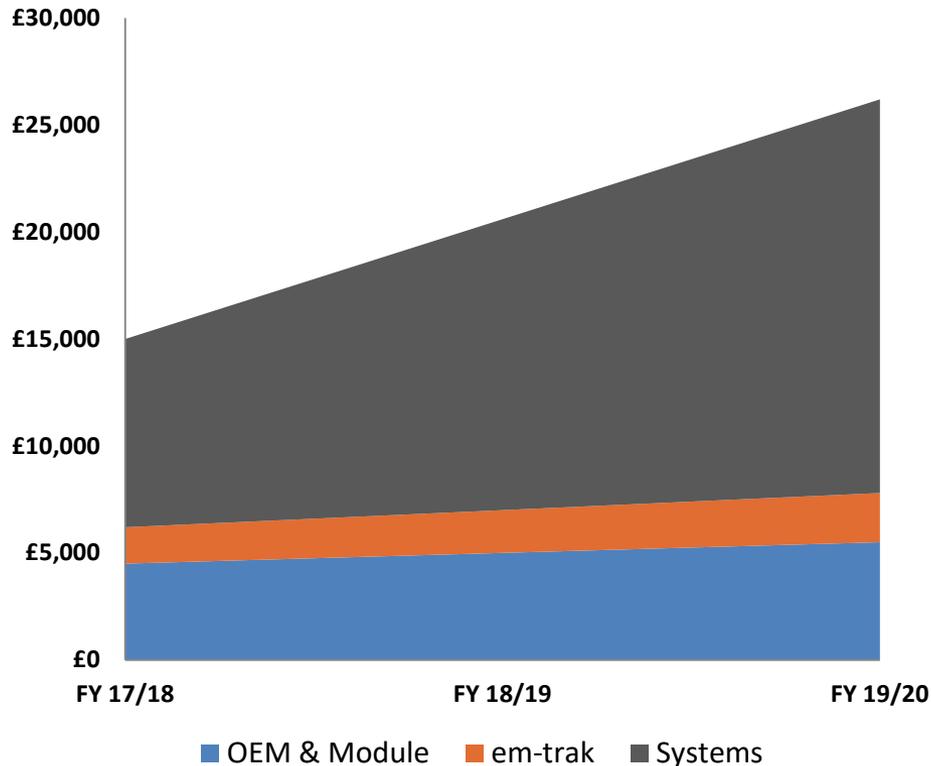
SYSTEMS – PIPELINE

	Project Ref	Value / Type (US\$)	Comment	Estimated Implementation Period	Nb Vessels
Contracted VSP	11 Middle East	\$30m / NAIS	Proposal requested, supplied and in discussion to securely track all local vessels	2 years	30,000
	12 Asia	~ \$35m / MDM/VMS	Proposal submitted and approved in principle – awaiting formal MOU after which contract negotiations are expected to commence.	3 years	40,000
	13 Asia	~ \$40m / NAIS	Proposal submitted and approved in principle. Internal final budget allocation underway along with legal implementation framework.	2 years	25,000
	14 Middle East	~ \$29m / NAIS/VMS	Proposals submitted and approved in principle. Pending final approval by Palace office / treasury to proceed.	2 years	30,000

NOTE: All VSP opportunities are subject to significant change in scope, value and timescale at any time and without notice by the customer and may or may not lead to a contract. VSP opportunities are sales opportunities that meet a strict set of internal criteria at any given point in time – clear imperative & a clear nominated agency with powers to implement & seriously engaged in proposal discussions. Opportunities may join and leave the VSP depending on the status of negotiations at any given time.

GROWTH OPPORTUNITIES

Broker Revenue Forecasts



Assumes conversion into revenue of only 12% (£41m) of £347m contracted systems market and existing pipeline over next three years. Significant upside through greater conversion rate and new opportunities

Assumes annual growth rate of only 15% - last year growth rate was 46%. Upside potential through increasing dealer base and improved merchandising

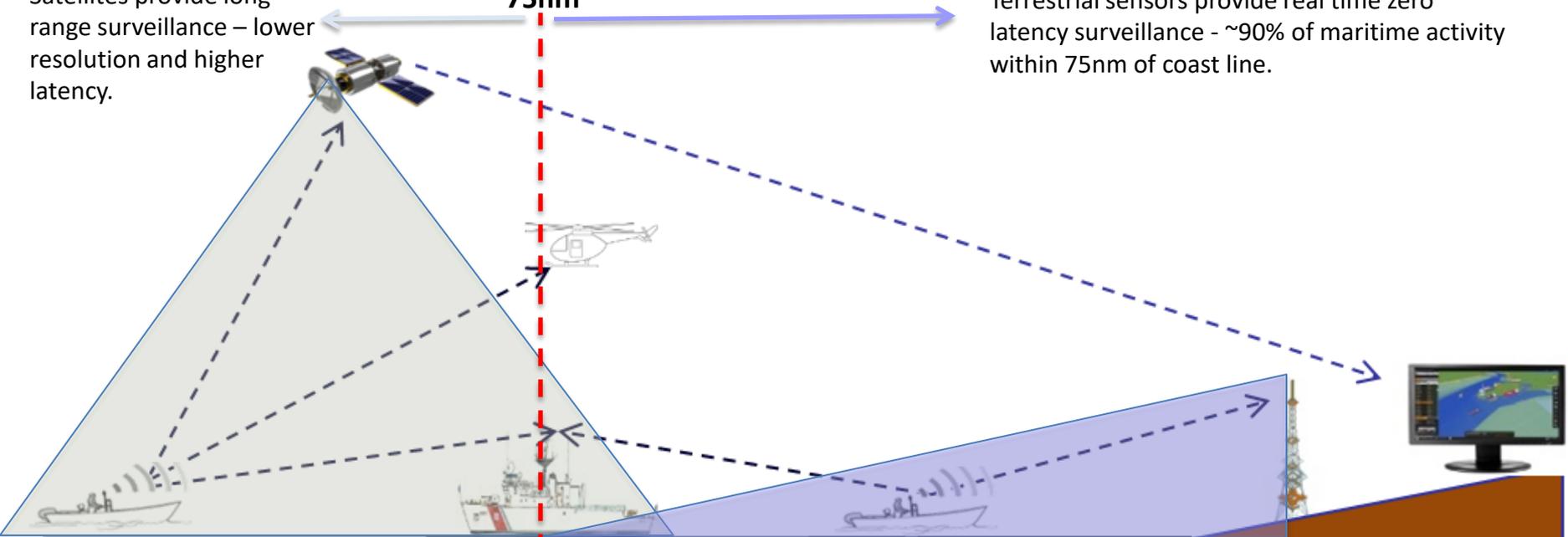
Assumes annual growth rate of only 10% - last year growth rate was 12%. Upside potential through increased products and accelerated general market adoption of AIS

AREAS FOR STRATEGIC FUTURE INVESTMENT

Satellites provide long range surveillance – lower resolution and higher latency.

75nm

Terrestrial sensors provide real time zero latency surveillance - ~90% of maritime activity within 75nm of coast line.



Most projects provide opportunity for long term satellite data supply. Cube satellites are low cost – SRT will look at own constellation.



New, more integrated and intelligent transceivers with data and voice communication with SAT-Trak to enable satellite linkages.

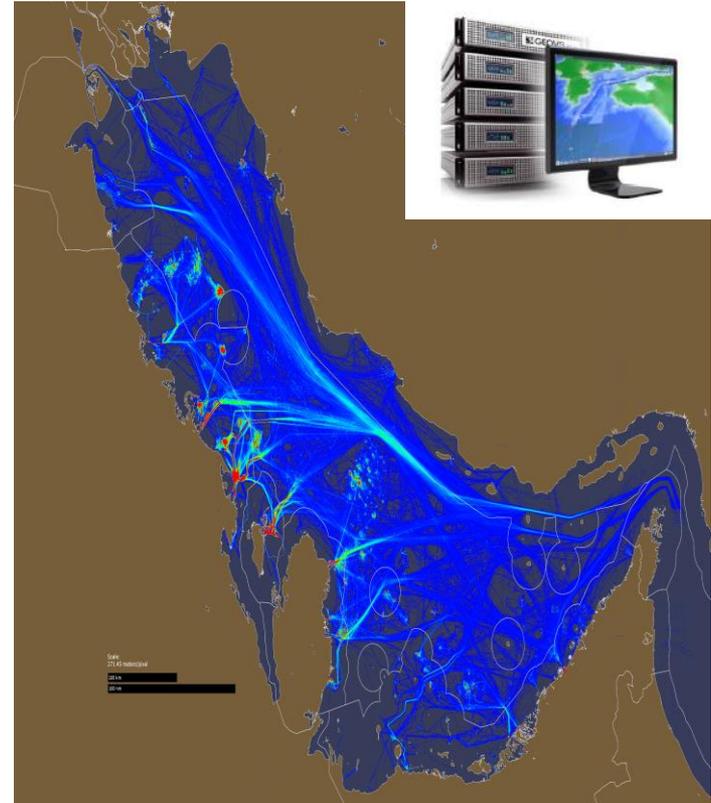


More powerful and extensive data analytics within GeoVS to allow users to make full use of their data.



SUMMARY

- ◆ Established market position within a growing billion dollar global market
- ◆ The dominant provider of critical path AIS technology, products and systems
- ◆ Proven range of product and system solutions
- ◆ Multiple established sales channels and in-country local partners
- ◆ £77m contract order book and £270m of validated sales opportunities



RISK FACTORS

- ◆ Projects can be subject to delay and significant variability – changes in client personnel, budgets, specifications, financing arrangements etc. Forecasting is very challenging and inherently inaccurate
- ◆ Contracts with foreign government entities are highly variable and can be unilaterally changed and cancelled with no possibility of recourse and or compensation
- ◆ SRT revenue profile is lumpy whereby project deliverables may fall either side of a reporting line causing significant financial performance variances between reporting periods
- ◆ Long lead times on transceivers of up to six months can mean overstocking if demand is variable
- ◆ AIS is an open standard so anyone with the financial and technical resource may develop a product
- ◆ AIS is a complex radio communications technology so challenges can arise with products resulting in significant warranty costs
- ◆ As SRT enters multiple project contracts, project execution risk will become an increasing challenge
- ◆ The global MDA market is highly fragmented and market data often variable and incomplete and thus market size, trend and timing data may be significantly inaccurate

Disclaimer

- ◆ This presentation contains forward-looking statements and market information which may relate to the future financial performance of SRT Marine Systems plc. All such statements made in this presentation are based on current expectations, available information and estimates based in part, on assumptions made by management and involve certain risks and uncertainties. Actual results could materially differ due to unexpected and sudden changes and investors should not rely upon the accuracy of any information contained herein. Investors should undertake their own research to validate or otherwise any statements made herein prior to making any investment. SRT plc does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation, or for changes made to this document by external parties.