

ASX ANNOUNCEMENT

30 October 2023

## ACTIVITIES REPORT AND APPENDIX 4C: PERFORMANCE TO EXPECTATIONS, FY24 ON TARGET

**Highlights:**

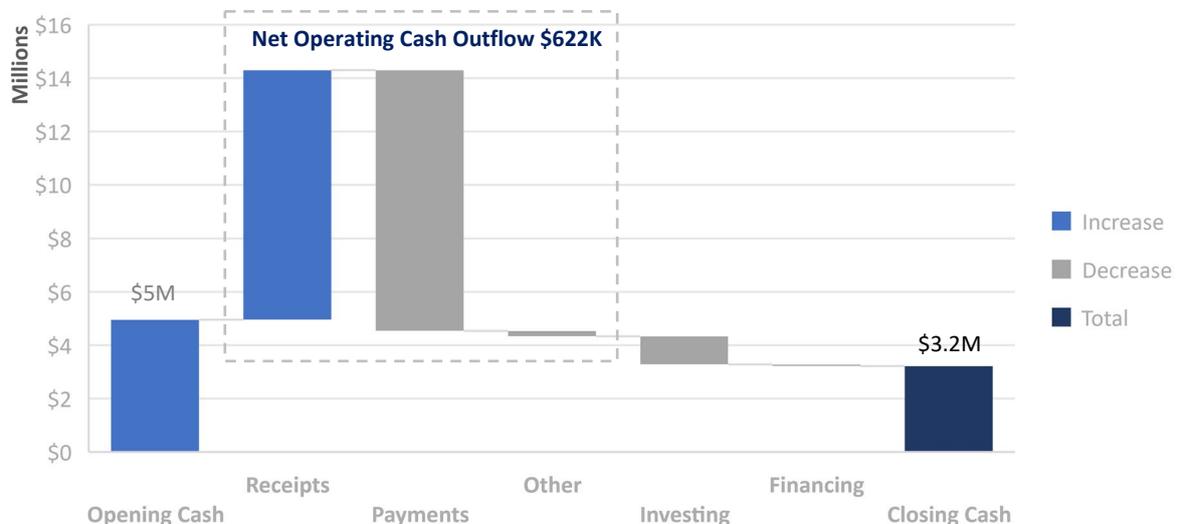
- Performance to expectations including anticipation of much stronger cash holdings over FY24
- Recurring revenues (ZOLEO royalties and airtime) increased by 85.5% vs. 1QFY23 with ZOLEO annualised royalties jumping over \$1M and net ZOLEO ANZ subs increasing by double-digits
- Beam gearing up to fulfill material orders of Iridium devices in 2QFY24, requiring a Trade Working Capital (TWC) investment in 1QFY24
- Beam’s positive outlook supported by contractual orders and commitments from Iridium

**Beam Communications Holdings Ltd** (ASX: BCC, “Beam” or the “Company”), a leading developer and distributor of mobile satellite solutions and services, is pleased to provide an overview of activities and commentary for the three months ended 30 September 2023 (1QFY24), to accompany the Appendix 4C.

**Summary of Cash Position**

Demand for Beam’s innovative products and services continue to remain strong with the Company gearing up to fulfill a number of significant orders of Iridium GO!<sup>®</sup> and Iridium GO! exec<sup>®</sup> devices in the current quarter (2QFY24). To meet this demand, Beam invested carefully in trade working capital (TWC) in 1QFY24, leading to an operating cash outflow of \$622K in the quarter.

Cash Flow Movements in 1QFY24: Increased Expenses to Fulfill Significant Orders in 2QFY24



Cash movements from one quarter to another can be volatile often reflecting timing of payments and receipts. Typically Q1 cash flows also reflect a number of annual OPEX items amortised over the full financial year.

Importantly, Beam is forecasting that its cash holdings in FY24 will be ahead of FY23.

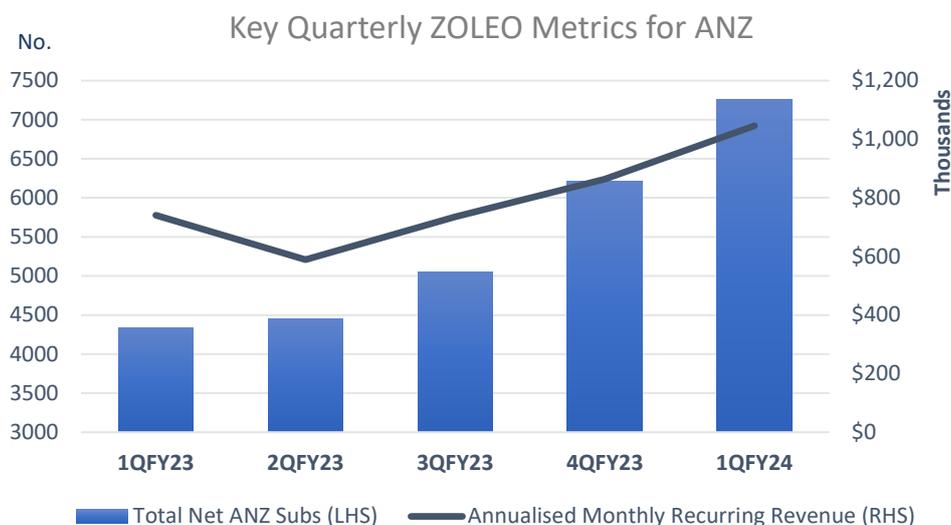
Additionally, unaudited sales in the current quarter are expected to be strong despite the volatile and uncertain macroeconomic environment, and Beam’s recurring revenues continue to grow along with the ZOLEO subscriber base in Australia and New Zealand, as detailed below.

Beam’s total available funds as of 30 September 2023 was \$4.4 million, which includes \$3.2 million in cash and a further \$1.2 million in available and undrawn debt.

### Operating Activities

Beam’s unaudited recurring revenues in 1QFY24 continued to grow over the previous corresponding period (PcP) and Quarter-on-Quarter (QoQ). The recurring revenues, which include ZOLEO royalties and airtime subscriptions, increased by 85.5% PcP and 10.2% QoQ in the quarter.

Pleasingly, the annualised ZOLEO royalty received by Beam was over \$1 million in the quarter<sup>1</sup>, up 41.2% PcP, and this is expected to continue to increase as net ZOLEO subscriber numbers in Australia and New Zealand jumped 67.4% PcP to over 7,200 in the period.



Most, if not all, of the royalties flow straight through to Beam’s pre-tax profit, which bodes well for Beam’s FY24 full year result, and demand for ZOLEO has not slowed even in the face of new entrants in the mobile satellite messaging space.

The September quarter tends to be a seasonally slower period for the mobile satellite sector as it’s between the longer holiday seasons. Beam’s wholly owned SatPhone Shop business and **Telstra Group Limited**’s (ASX: TLS) largest satellite dealer posted a modest 1.2% PcP increase in unaudited sales, although unaudited sales of the Core Beam Equipment Business (excluding ZOLEO) declined 27.2% as

<sup>1</sup> Annualising the last month of the quarter

the timing of most of the Company's device deliveries to Iridium will fall in the current quarter, as outlined above.

Importantly, demand for Beam's other equipment, such as its terminals and docks, remain strong and is tracking to expectations.

The largest operating expenses in 1QFY24 were \$8.1 million for product manufacturing and operating costs, \$1 million in staff costs and \$0.5 million in admin and corporate costs.

All sales figures are subject to annual audit.

### **Arbitration Matters**

During the quarter, Beam incurred circa \$100K in costs related to the ZOLEO arbitration process, which was announced to the market on 21 September 2023. The costs are included in section 1.2b under "product manufacturing and operating costs" in the attached 4C.

The total costs of the arbitration from here are estimated at around \$1 million and the arbitration process is expected to conclude before the end of FY24 based on current advice where Beam believes one of two possible outcomes is likely: Beam will become the 100% owner of its joint venture (JV) ZOLEO Inc., or it will divest and crystallise its 50% share of the JV to Roadpost.

The JV is a valuable asset to Beam and either of the two possible outcomes is a positive for the Company. ZOLEO Inc. has over 80K global "sticky" subscribers and generated revenue of \$40.6 million in FY23.

Notwithstanding the costs of the arbitration, Beam reiterates its expectation to be in an operating cash flow positive position for the current financial year and returning more cash to the balance sheet when compared with FY23. Beam will provide further details on the arbitration in due course.

### **Organic Growth in the Mobile Satellite Services (MSS) Industry**

Beam noted that its long-standing partner, **Iridium Communications Inc.** (Nasdaq:IRDM), posted record operational earnings before interest, tax, depreciation and amortisation (EBITDA) for the September 2023 quarter<sup>2</sup>. This gives Beam further confidence in its positive outlook.

Iridium's revenue from its Commercial IoT business grew 14% PcP to US\$38.5 million as the number of subscribers increased by 18% PcP to around 1.7 million in the quarter. Iridium credited the "continued growth in consumer personal communications devices" for the growth and said that revenue and earnings will increase for the full year.

Beams's Iridium-related products and services form part of Iridium's Commercial IoT business.

### **Commenting on the quarter, Managing Director, Michael Capocchi said:**

*"It is reassuring to see that global demand for Beam's portfolio of innovations have not been impacted by the volatility in the broader macroeconomic environment. If anything, it's pleasing to see the Company's outlook remaining solid despite the economic and geo-political headwinds, which demonstrates the resiliency and defensiveness of the sector that Beam operates in."*

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<sup>2</sup> <https://investor.iridium.com/2023-10-19-Iridium-Announces-Third-Quarter-2023-Results-Reports-Record-Operational-EBITDA-Updates-Guidance>

*“While the ZOLEO arbitration process introduces a level of uncertainty, the performance of the JV and Beam’s other businesses gives me confidence that Beam will continue to punch above our weight as we leverage on the operational successes achieved over the past few years.”*

### **Investing and Financing Activities**

During the quarter, Beam capitalised \$1 million in product development costs, which is reflected under cash flow from Investing Activities and recorded an outflow of \$57K from Financing Activities that is linked to its lease liability.

This announcement has been approved by the Board of Directors.

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### **About Beam Communications Holdings Limited**

Beam Communications Holdings Limited is an Australian publicly-listed company (ASX:BCC) that specialises in the design, development, manufacture and distribution of satellite, cellular and dual-mode equipment applications and services. Beam has developed several world-first innovations and its products and services are adopted by some of the world’s largest satellite and telecommunications companies, such as Iridium, Telstra, KDDI, Inmarsat and Thuraya. Beam also developed the multi-award winning ZOLEO device, which generates recurring subscription revenues for the Group. Beam Communications Holdings Limited owns 100% of Beam Communications Pty Ltd and SatPhone Shop Pty Ltd [www.satphoneshop.com](http://www.satphoneshop.com). For more information, visit [www.beamcommunications.com](http://www.beamcommunications.com).

### **About ZOLEO Inc.**

Formed in 2018 and headquartered in Toronto, Canada, ZOLEO Inc. is a joint venture between Beam Communication Pty. Ltd. and Roadpost Inc. that is pioneering the development of innovative lower cost, consumer-oriented global messaging solutions, including innovative wireless devices and apps based on Iridium short burst data (SBD), cellular and Wi-Fi standards. The company serves three primary markets including consumers residing on the fringe of cellular coverage, outdoor recreation and lone worker safety. Its products are offered through authorised retailers in the US, Canada and Australia. Roadpost is responsible for retail distribution in North America and Beam is responsible for the Asia Pacific region. Staged distribution in other regions will be jointly managed. For more information visit [www.zoleo.com](http://www.zoleo.com).

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

#### Name of entity

Beam Communications Holdings Limited

#### ABN

39 010 568 804

#### Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,344	9,344
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(8,054)	(8,054)
(c) advertising and marketing	(153)	(153)
(d) leased items	(7)	(7)
(e) staff costs	(1,041)	(1,041)
(f) administration and corporate costs	(496)	(496)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(17)	(17)
1.6 Income taxes paid/refunded	(4)	(4)
1.7 Government grants and tax incentives – <i>Payroll tax credit</i>		
1.8 Other (provide details if material – <i>GST, FBT, payroll tax, insurance proceeds</i> )	(195)	(195)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(622)</b>	<b>(622)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(e) intellectual property		
(f) other non-current assets – <i>product development capitalised</i>	(1,047)	(1,047)
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1,047)</b>	<b>(1,047)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material) – Lease liability payment	(57)	(57)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(57)</b>	<b>(57)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,951	4,951
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(622)	(622)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,047)	(1,047)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(57)	(57)
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,225</b>	<b>3,225</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	3,225	4,951
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,225</b>	<b>4,951</b>

<b>6. Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1	168
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

Explanation: Payments referred to in 6.1 are for director salaries, director fees and superannuation.

7.	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	796	0
7.2	Credit standby arrangements		
7.3	Other ( <i>secured term loan</i> )	359	0
7.4	<b>Total financing facilities</b>	1,154	0
7.5	<b>Unused financing facilities available at quarter end</b>		1,154
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	AUD overdraft \$300,000 and USD overdraft US\$320,000 (=A\$495,509) with National Australia Bank secured by fixed & floating charge.		
	In revising previously issued loans, on 7 May 2021 the NAB granted a 5 year, low interest term loan of \$750,000 part secured by the Australian government to assist with funding of Beam's product development program. The available balance, which reduces each month, is currently \$358,844 and can be drawn if and when required.		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(622)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,225
8.3	Unused finance facilities available at quarter end (item 7.5)	1,154
8.4	Total available funding (item 8.2 + item 8.3)	4,379
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	7
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....30 October 2023.....

Authorised by: .....By the board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.