

June 2024 Q2 Quarterly Report & Business Update

Performance Highlights

Elsight is delighted to report an 83% increase in H1/24 revenue compared with the same period last year as its Halo connectivity system continues to verify its ideal product fit for the global defence & Homeland Security markets.

Recurrent revenue has maintained its quarterly increase, a consistent trend over the past two years. **8** new Design-Win commercial customers were acquired in Q2, including Aerodrome Group offering aerial intelligence to multiple industries and Event38 supplying drones for markets such as Oil & Gas inspections. **42** are recurring customers, including DroneUP (US), defence organizations, Airobotics (US), and Farada (Poland).

News Highlights:

- **Lockheed Martin**, the U.S. defence giant contracted with Elsight to integrate the Halo platform to its Indago4 Quadcopter.
- **ACSL**, Japan's largest drone manufacturer, will use Elsight's Halo in its drones for logistics.
- **Event38 and AviSight** announced the selection of Elsight's Halo in its inspections of large Oil & Gas pipelines in the U.S.
- Co-founder & CTO, **Roee Kashi**, was elected to the **GSMA Drone Interest Group**, to lead innovation between mobile operators and uncrewed aerial vehicles.

Q2 Sales Metrics

H1/24 Sales Revenue vs H1/23

**H1/24 \$1,092K USD (+83%)
vs \$596K in H1/23**

Recurring Revenue

25% increase QoQ from Q2/24 (\$193K)
over Q1/24 (\$155K)

260% increase QoQ from Q2/24 (\$193K)
over Q2/23 (\$74K)

Major new customer wins

During the Q the company added 2
Tier 1 logos including giants **Lockheed
Martin & ACSL** (Japan)

Design-Win Repeat Loyal Customers

A total of 42 customers submitted repeat
orders during the quarter

Remaining as a larger piece of the revenue pie: Defence vs Commercial

Defence revenue continues to bring
more than **50%** of total revenue in
both Q1/Q2 2024

Elsight Limited (ASX: ELS) (Elsight or the Company), the carrier agnostic, AI-powered connectivity solutions company, is pleased to provide the following **Business Update**, outlining the Company's achievements over the second quarter and first half of 2024.

Continued growth as Elsight focuses more on defence industries

Historically at Elsight, Q1 and Q2 have been the two weakest quarters of each year. Yet, for the second consecutive quarter in 2024, Elsight verified its ideal product fit for the global defence & Homeland Security markets in various geographies, leading to an increased level of revenue from H1 2024 orders of **83%** over H1 2023.

Although Q2/24 revenue was lower than the previous quarter (Q1/24), it was 42% higher than Q2/23 the same corresponding period. Elsight's expanded focus required greater marketing and sales investment to penetrate the defence market and a much longer sale cycle means that it will take time to show results primarily due to governmental procurement timeframes. In Q4/23 much of the revenue increase came from urgently needed defence and HLS orders marked by a relatively reduced red tape. Now that Elsight is a recognized supplier and the urgency subsided, the procurement process is longer. However, this is a matured market with a much higher sale consistency in comparison to the Company's traditional commercial drone delivery market which is still in its early stages. In the future, this should help Elsight in its rate of QoQ revenue increase and accuracy of revenue predictions. In addition, marketing investment continued to maintain and increase the Company's exposure in the current commercial market.

Revenue Growth (US\$K)

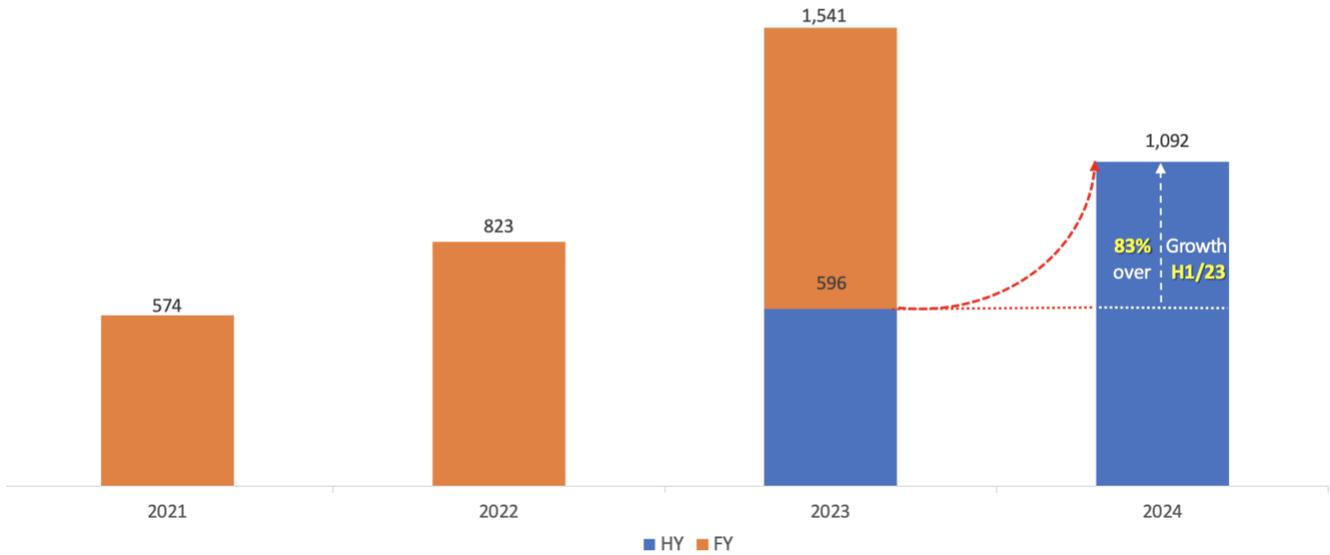


Table 1 This chart sets out the unaudited Half year Revenue

Burn rate

After a dramatic decline in Burn Rate during Q1 24, Elsight’s Burn Rate in Q2/24 adjusted up to \$565K reflecting this increased marketing investment required for new market penetration (e.g. events, content and collateral creation, ABM strategies etc.) together with somewhat temporary slower sales results in the Q. However, this burn-rate level remains lower than the previous year (Q2/23) by **\$208k** or **27%**.

Recurring revenue

Elsight’s business model of recurring revenue includes connectivity and Elsight’s “Allsight cloud”. In Q2/24 there was a **260% increase** over Q2/23, and a **25% increase** from Q2/24 over Q1/24.

Governments around the world are increasingly investing in drone technology

During the second quarter of 2024, the Company continued to receive orders from the defence and Homeland Security sectors. Much from the feedback from the “field” has accredited Elsight’s Halo as the key to unbroken communications in tactical operations of various defence organizations. The first half of 2024 has increased over H1/23 by USD 474K or **376%** in defence revenue. Many announcements have been publicized on recent investments in governments around the world for drone and component budgets including [the U.S.](#), the [U.K.](#), [Sweden](#), and more.

For personal use only

Propelling Elsight's penetration in unmanned aerial systems, unmanned ground systems (UGS) and mission-critical communication scenarios, is the growth of the robotics market. A recent research report from ética Capital, "[Robotics: Rise of drones and unmanned aerial vehicles](#)" speaks to a projected estimate of AU\$1.012 billion in robotics revenue just in Australia in 2024.

The Company's Design-Win partners are showing continued development, scale, and loyalty.

- [Lockheed Martin](#), a new design-win partner and the U.S. giant in the defence industry contracted with Elsight to integrate the Halo platform to its Indago4 Quadcopter.
- [ACSL, a new design-win partner](#), and Japan's largest drone manufacturer, will use Elsight's Halo in its drones for delivery logistics and deliveries, and selected Elsight for the Halo's ability to manage over hilly terrain. This win was the first with a regional partner, Navicom, who has begun to manage the sales and support of Elsight in parts of Asia.
- [DroneUp](#), a world-leading U.S.-based drone delivery company serving the retail giant Walmart and others, accelerates its activities since the US Government passed a bill encouraging the growth of the commercial drone industry, particularly a section that mandates the FAA to develop a final rule for the operation of drones beyond the visual line of sight (BVLOS) in a little more than a year. In the wake of the FAA new decision, DroneUp announced its plans for major US expansion after FAA reauthorization boosts drone industry when stated that "*the authorization bill is probably one of the biggest things to help the advancement of drones into the national airspace, maybe even bigger than Part 107*" (Anthony Vittone, DroneUp's COO).
- [Event38 and AviSight](#), a new design-win for Elsight, Event38 a manufacturer of unmanned aerial vehicles in the US and its customer Avisight, a provider of critical infrastructure inspections, selected the Halo for more precise inspections of Oil & Gas lines throughout difficult terrain.

Elsight Webinar Presentation on 31 July at 4.30pm AEST.

Elsight plans to hold its Q2/24 webinar presentation on 31 July at 4.30pm AEST, to provide a business update and go through the June quarter results.

Please register in advance [HERE](#).

This will be an opportunity to hear from the CEO, Yoav Amitai, and the other Directors. The Company looks forward to meeting with our shareholders at this presentation where you will also be given the opportunity to participate in a Q&A session.

Corporate

Cash at the bank on 30 June 2024 totalled US\$1,964K. Payments to related parties and their associates during the quarter totalled US\$29, comprising Directors' fees.

Authorised for release by the Board of Directors of Elsight Limited.

-ENDS-

For more information, please contact:

Corporate & Business Enquiries

Howard Digby

Elsight Limited

T: +61 434 987 750

E: howarddigby@elsight.com

Media Enquiries

Sid Maher

éthica Capital

M: +61 401 704 384

E: Sid.maher@colelawson.com.au

About Elsight

Elsight (ASX: ELS) (www.elsight.com) Elsight's flagship product, the Halo, uses AI-based multi-link bonding to provide the most robust connectivity for drones and other unmanned systems. By adding cellular communications aggregated with satellite and RF communications, the Halo is 99.99% reliable and cyber-secured. With options for less than a 100-gram card or a boxed ground version, the Halo provides continuous connectivity even in the most challenging areas for stationary, portable, or actively mobile situational requirements. Elsight's products serve many vertical markets leveraging UAV and UAS technologies, including defense, HLS, public safety, delivery, medical, oil and gas, utilities, inspections, surveillance, and others. Elsight was founded in 2009.

Appendix 4C

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

Name of entity

ELSIGHT LIMITED

ABN

98 616 435 753

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	284	1,180
1.2 Payments for		
(a) research and development	(357)	(698)
(b) product manufacturing and operating costs	(132)	(306)
(c) advertising and marketing	(178)	(382)
(d) leased assets	-	-
(e) staff costs	(183)	(374)
(f) administration and corporate costs	(101)	(266)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	15
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	56	114
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(598)	(721)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(4)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(3)	(4)

3.	Cash flows from financing activities		
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	84	84
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 – principal elements of lease payments	(50)	(97)
3.10	Net cash from / (used in) financing activities	34	(13)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,529	2,704
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(598)	(721)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	34	(13)

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

4.5	Effect of movement in exchange rates on cash held	2	(2)
4.6	Cash and cash equivalents at end of period	1,964	1,964

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	1,277	884
5.2	Call deposits	687	1,645
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,964	2,529

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – Payment to directors for their salaries and fees.	29
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7.	Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
	<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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other – Convertible Notes	5,018	5,018
7.4	Total financing facilities	5,018	5,018
7.5	Unused financing facilities available at quarter end		-
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.		
	<p>At 30 June 2024 the Group has on issue 25,083,334 Convertible Notes with a face value of A\$0.30 each to Gleneagle Securities Nominees Pty Ltd. The Convertible Notes have a total face value of US\$5,018,000 at quarter end.</p> <p>The Convertible Notes bear interest at a rate of 8% per annum (capitalised) and are secured over all assets of the Borrower and its subsidiaries. 24,649,501 Convertible Notes mature on 30 December 2024; the remaining 433,833 Convertible Notes mature 5 April 2025.</p>		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(598)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,964
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,964
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.3
	<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: 31 July 2024

Authorised by: The Board of Directors
(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.