

ASX RELEASE

12 May 2021

## Trading Update & FY2021 Outlook

- Group Revenue of \$48.5m for the 9 months to 31 March 2021, up 48.2% on pc<sup>1</sup>
- Group Gross Margin of 52% compared to 49% in pc<sup>1</sup>
- Group EBITDA of \$13.1m, up 138.3% on pc<sup>1</sup>
- Group EBITDA margin of 27% compared to 17% in pc<sup>1</sup>
- Strong financial position with consolidated net cash of \$11.7m cash and no debt
- Q3 FY2021 affected by COVID-19 and weaker US dollar, partly offset by provision of innovative customer solutions, highlighting Ava Group's diverse geographic footprint and product portfolio
- **FY2021 Guidance:** Group Revenue of \$60-64m and Group EBITDA of \$13-15m<sup>2</sup> (FY2020: Group Revenue of \$46.1m and Group EBITDA of \$7.4m).

**NB: All figures compare 9 months to 31 March unless otherwise indicated; unaudited financial information (A\$m)**

Ava Risk Group Limited (ASX: AVA) ("Ava Group" or "the Company") today provides a trading update for the nine months to 31 March 2021 and FY2021 guidance. Ava Group is a global leader in risk management services and technologies through Future Fibre Technologies (FFT) and BQT Solutions (BQT) and a provider of international secure logistics services via Ava Global Logistics.

Ava Group CEO Rob Broomfield said: "Despite the challenges associated with COVID-19, Ava Group has continued to deliver solid financial results for the nine months to 31 March 2021 highlighting the merits of our diversified business model and world-leading product portfolio. This has allowed us to adapt to rapidly changing circumstances to deliver innovative solutions and effectively manage costs. The strong performance of the Services Division illustrates its growing reputation for excellence and the highly scalable nature of its operations.

During the March quarter, the Technology Division was impacted by ongoing international travel restrictions resulting in delays to a number of major security-related contracts. However, we have a strong pipeline of growth opportunities and are well positioned to take advantage of pent-up demand for our products and services, as vaccination programs are rolled out, and travel returns. Building on the significant milestones achieved this year, we are excited about the FY2022 outlook and the opportunities to provide our customers with the most advanced and affordable security and risk management solutions."

<sup>1</sup> Previous corresponding period

<sup>2</sup> FY2021 guidance assumes no change to the exchange rate at 31 March 2021 with A\$1 equal to US\$0.7592.

## Group Financial Summary

Ava Group had unaudited Group Revenue of \$13.4m in Q3 FY2021 which was 8.8% higher on pcip. For the nine months to 31 March 2021, Group Revenue increased by 48.2% to \$48.5m. This reflected a strong performance from the Services Division as Ava Global Logistics expanded its customer base and captured a greater share of existing client spend.

COVID-19 had a significant impact on the Technology Division in the March quarter with international travel restrictions limiting access to sites and leading to delays in decision-making. It also affected the rollout of the high margin Indian Ministry of Defence (IMoD) contract with final delivery now likely to occur in FY2022. The realisation of significant operational efficiencies in FY2020 and ongoing discipline provided some offset to the revenue decline in the Technology Division. A weaker US dollar was another factor impacting Q3 FY2021 earnings.

On a nine-month basis, gross margins increased to 52% from 49% due to improved margins in the Services Division and the inclusion of A\$7.8m in licence fees from the IMoD project (A\$3.7m in pcip). EBITDA of \$13.1m represented a \$7.6m increase on pcip with an operating margin of 27% versus 17%.

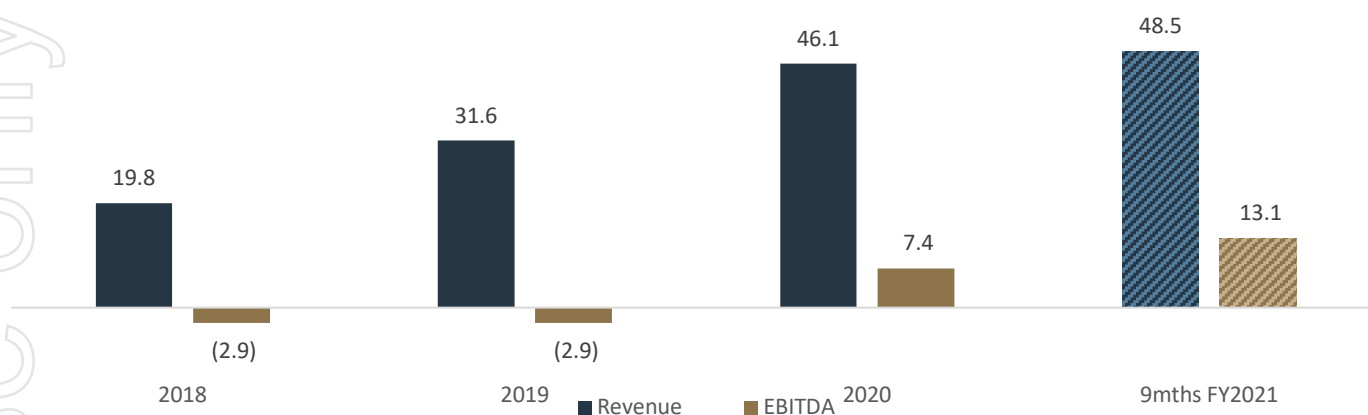
**Table 1: Group Financial Summary (unaudited financial information)**

\$Am	Q3 FY2021	Q3 FY2020	Var %	YTD FY2021	YTD FY2020	Var %
<b>Group Revenue</b>	13.4	12.3	8.8%	48.5	32.7	48.2%
<b>COGS</b>	8.3	6.4	29.3%	23.2	16.8	37.9%
<b>Gross Profit</b>	5.1	5.9	-13.3%	25.3	15.9	59.2%
<b>Operating Expenses</b>	4.1	2.6	59.9%	12.2	10.4	17.1%
<b>Group EBITDA</b>	1.0	3.3	-70.5%	13.1	5.5	138.3%
<b>Gross Margin</b>	38%	48%	-9.8%	52%	49%	3.6%
<b>EBITDA Margin</b>	7%	27%	-19.7%	27%	17%	10.2%

Chart 1 highlights the strong performance of the business since FY2018, the year of the merger between Future Fibre Technologies (FFT) and ASX-listed MaxSec.

Despite a challenging March quarter, revenue has more than doubled with revenue for the first nine months of FY2021 exceeding FY2020. At the same time, the Group has moved into profitability and Year-to-date (YTD) FY2021 EBITDA was almost double FY2020 levels.

**Chart 1: Delivering sustainable revenue and profit growth (A\$m)**



### Technology Division - Future Fibre Technologies (FFT) and BQT Solutions (BQT)

During the March quarter, COVID-19 caused extended and unforeseen delays in the ordering, delivery and commissioning of products to certain customers. Despite this, the division continued to build and convert a material sales pipeline for technology products and invest in sales and marketing to drive new business development activity. At the same time, there was increased demand for the provision of remote services and technology to access devices and deliver upgrades and maintenance support.

Q3 FY2021 revenue and EBITDA was down on pcp as several anticipated purchase orders were delayed (refer to Table 3 below) including \$2.6m from the high margin IMoD contract. This represents the final phase in the successful delivery of Ava Group's largest and most complex project and the Company continues to receive interest from other Indian Government agencies.

Excluding the impact of the IMoD project, Q3 FY2021 sales revenue was down 13.5% on pcp and a 68% increase in operating expenses was entirely driven by foreign exchange movements with a \$1.2m shift as Q3 FY2021 included divisional FX losses compared to significant FX gains in pcp.

**Table 2: Technology Division Financial Summary (unaudited financial information)**

\$Am	Q3 FY2021	Q3 FY2020	Var %	YTD FY2021	YTD FY2020	Var %
Sales Revenue	3.2	6.0	-46.3%	19.8	17.0	16.6%
COGS	1.3	1.3	2.1%	4.0	4.4	-8.5%
Gross Profit	1.9	4.7	-59.4%	15.8	12.6	25.5%
Operating Expenses*	2.7	1.6	68.0%	8.2	7.7	6.5%
EBITDA	-0.8	3.1	-126.6%	7.6	4.9	55.3%
Gross Margin	59%	79%	-19.2%	79%	74%	5.6%
EBITDA Margin	-26%	51%	-77.0%	38%	29%	9.5%
Backlog	3.2	16.4		3.2	16.4	

\*Includes Group corporate costs related to audit, tax, ASX listing fees, as well as shared IT and technology services.

For the nine months to 31 March 2021, the Technology Division recorded sales revenue of \$19.8m, a 16.6% increase on pcp. This included A\$7.8m in licence fees from the IMoD contract (A\$3.7m in pcp). YTD FY2021 EBITDA of \$7.6m was 55.3% higher on pcp and reflected ongoing cost discipline and the high margin IMoD revenue received in the first half.

Although some markets such as the US are showing signs of improvement, the recent escalation in COVID-19 cases in India and South America is having a short-term impact on orders and fulfilment. At 31 March 2021, the Technology Division had a backlog of \$3.2m which included \$2.6m related to the IMoD contract. This revenue along with the other contracts outlined in Table 3 are expected to be deferred to FY2022 and are not included in FY2021 guidance.

**Table 3: Backlog and Anticipated Orders likely to be deferred to FY2022**

	A\$m
IMoD contract	2.6
Asian defence contract	1.3
South American Rail contract	1.3
Other security-related projects	0.8
<b>Total deferred projects</b>	<b>6.0</b>

The Group continues to receive significant commercial interest in Aura IQ, a new conveyer health monitoring solution, with multiple Proof of Value trials in place with mining houses and bulk material handling facilities. AVA expects to sign multi-year comprehensive maintenance agreements that will generate annual recurring revenues.

US Company Strata Worldwide has signed a new Premium Partnership Agreement with FFT to distribute the Aura IQ™ Conveyor Health Monitoring System to mining and tunnelling operations. Established in 1992 and headquartered in Atlanta, Georgia, Strata Worldwide has spent decades developing and supplying products and technologies that are designed to deliver the highest safety standards to mining operations around the world.

Looking ahead to FY2022, the Technology Division expects the following contributions:

- Delivery of \$6.0m in backlog and anticipated orders delayed from FY2021
- Generation of meaningful revenue from the partial conversion of the \$50m sales pipeline (3-year value) for the Aura-IQ systems which are being commercialised via the “Proof of Value” program
- Leveraging a go-to-market strategy with dormakaba to deliver material sales in the US
- Increase in post-COVID-19 sales to Assa Abloy in Europe under an existing signed contract
- Further sales for powerline monitoring solutions via the Group’s low cost, high profit, industry partner model
- Increase in contracts from the large install base of thousands of systems to expand annual maintenance and remoting servicing solutions and grow annual recurring revenues.

## Services Division - AVA Global Logistics

The Services Division delivered a strong performance in the March quarter and across the nine months to 31 March 2021. Despite the impact of the pandemic on the air freight sector, Ava Global was able to expand the suite of services available to its customer base. The Company responded to COVID-19 restrictions by offering a range of innovative bespoke cargo and charter aircraft solutions which ensured the delivery of currency, precious metals and other valuable goods for its customers. Recent consolidation within the global secure logistics market is also creating opportunities for Ava Global to win new customers and increase its share of addressable spend.

Q3 FY2021 revenue of \$10.1m was 61.6% higher on pcp, with YTD FY2021 revenue up 82.4% to \$28.7m as profit margins continued to expand. This reflected a shift in Ava Global's product mix and ongoing investment in technology to automate processes delivering significant operational efficiencies. The Services Division continues to build a market-leading position in the international valuable logistics sector and is a trusted partner of a number of major companies in the precious metals and wholesale banknote markets.

**Table 4: Services Division Financial Summary (unaudited financial information)**

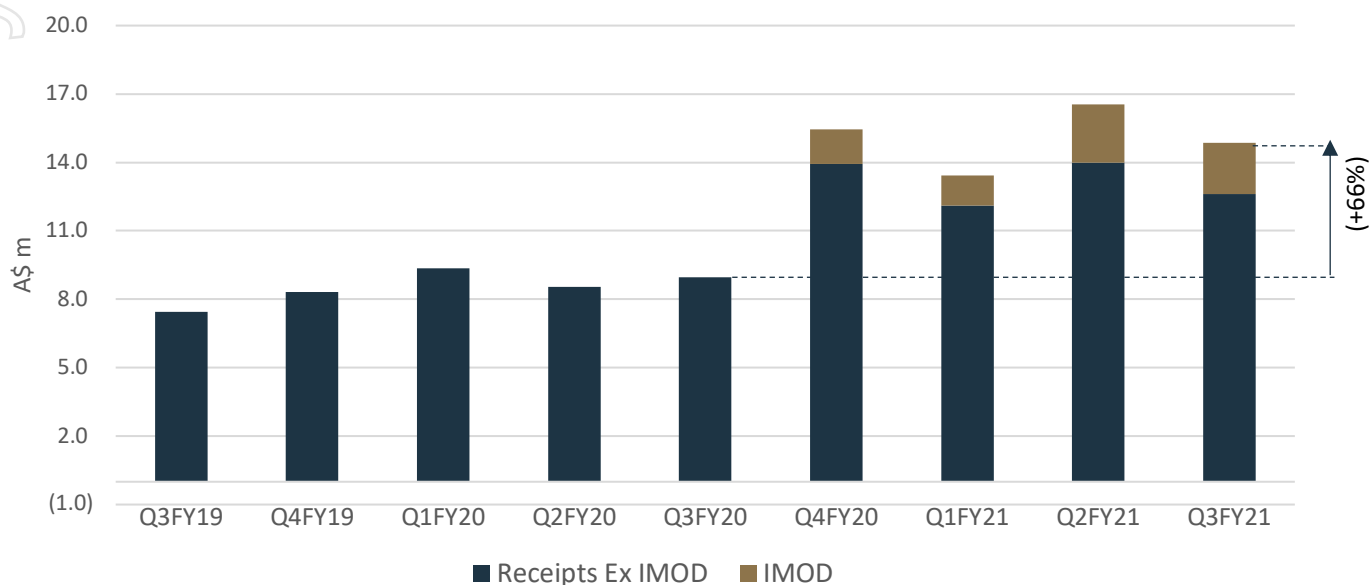
\$Am	Q3 FY2021	Q3 FY2020	Var %	YTD FY2021	YTD FY2020	Var %
Sales Revenue	10.1	6.3	61.6%	28.7	15.7	82.4%
COGS	6.9	5.1	36.2%	19.1	12.3	54.6%
Gross Profit	3.2	1.2	171.4%	9.6	3.4	185.0%
Operating Expenses	1.4	1.0	46.2%	4.0	2.8	46.9%
EBITDA	1.8	0.2	711.6%	5.6	0.6	786.1%
Gross Margin	32%	19%	12.8%	33%	21%	12.0%
EBITDA Margin	18%	4%	14.2%	19%	4%	15.4%

The Services Division continues to perform strongly in Q4 FY2021. Looking ahead to FY2022, Ava Group expects revenue growth to be underpinned by an increase in client wins and in contracted customer spend.

## Cashflow

Since FY2019, the Group has focused on the implementation of processes and systems to improve customer collections. Chart 2 shows that while the IMoD project has contributed to the growth in customer receipts since Q4 FY2020, it was not the only factor. Receipts growth came from a range of different products and services across the three businesses. In Q3 FY2021, Ava Group receipts increased by 66% on pcp and by 41% if the IMoD contract is excluded.

**Chart 2: Strong growth in customer receipts across Technology and Services divisions**



### FY2021 Guidance and Outlook

Ava Group expects to report FY2021 Group Revenue of \$60m to \$64m and Group EBITDA of \$13m to \$15m. This compares to FY2020 revenue of \$46.1m and EBITDA of \$7.4m.

Q4 FY2021 is expected to continue to be affected by restrictions related to the pandemic with \$6.0m in backlog and anticipated orders for the Technology Division, delayed until FY2022. This includes high margin revenue from the IMoD contract and Aura IQ which will adversely affect FY2021 EBITDA but is expected to contribute in FY2022. The Technology Division also expects to make further progress in commercialising its Aura-IQ systems and in partially converting its estimated \$50m sales pipeline. It will also focus on several other strategic priorities including leveraging its go-to-market strategy with key distributor partners dormakaba and Assa Abloy to drive sales in the US and Europe respectively.

The Services Division, which has been a beneficiary of COVID-19 to some extent, continues to perform well in Q4 FY2021. In FY2022, revenue growth from this Division is expected to be driven by new client wins and higher contracted customer spend.

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Approved for release by the Board of Directors.

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**About Ava Group**

The Ava Group comprises world-leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT), and international secure logistics services division Ava Global. The Group is a market leader in the provision of risk management services and technologies, and trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

The Group features a range of complementary solutions including intrusion detection for perimeters, pipelines and data networks, biometric and card access control as well as the secure international logistics and storage of high value assets. Through decades of innovation, the Ava Group continues to build upon a comprehensive portfolio of premium services and technologies for the most complex and demanding markets.

Our business truly serves a global market, with our knowledgeable team spread across six continents, providing market and industry expertise directly to customers. With thousands of sites protected, the Ava Group is proven to deliver first class services and technologies that surpass the expectations of our partners and end users.

**Forward Looking Statements**

Information in this release is for general information purposes only. Certain statements in this document regarding the Company's financial position, business strategy and objectives, contain forward-looking statements (rather than being based on historical or current facts) and as such, are not able to be verified.

All forward-looking statements are based on the current views of the Company's management as well as reasonable assumptions made by, and information currently available to the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid. If assumptions are invalid this is likely to have an impact on the accuracy of the statement itself.

All data presented in this document reflects the current views of the Company with respect to future events. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Forward looking statements are also subject to external matters outside the control of the Company.

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