

ASX RELEASE

5 July 2021

## FY2021 Trading Update & Outlook

- Group Revenue forecast of \$64.8m, above the guidance of \$60-64m provided on 12 May 2021
- Group EBITDA forecast of \$14.8-15.8m, above the guidance of \$13-\$15m provided on 12 May 2021
- Group Revenue forecast of \$64.8m, up 41% on pcp<sup>1</sup> (FY20 \$46.1m)
- Group EBITDA forecast of \$14.8-15.8m, up 100-114% on pcp (FY20 \$7.4m)
- Group EBITDA margin forecast of 23-24% compared to 16% in pcp
- Strong financial position with consolidated net cash forecast of \$17.0m and no debt

NB: All figures compare 12 months to 30 June unless otherwise indicated; FY21 forecasts are unaudited and in A\$m

Ava Risk Group Limited (ASX: AVA) ("Ava Risk Group" or "the Company") today provides a trading update for the year ended 30 June 2021. FY2021 audited results will be reported on 30 August 2021.

Ava Risk Group CEO Rob Broomfield said: "We are pleased to report forecast FY2021 revenue and EBITDA at the top end of our guidance range, showing strong revenue and profit margin growth. Q4 FY2021 saw substantial growth in revenue and orders due to increased demand for remote services and technology to access devices, upgrades and maintenance support. The strong Q4 performance from the Technology Division was due to a pick-up in sales and orders from delayed COVID-19 deals – providing a solid foundation for FY2022. The Services Division continues to outperform as it has adapted to COVID-19 restrictions to ensure delivery of valuable goods for customers.

### Group Financial Summary

For the twelve months to 30 June 2021, Ava Risk Group is forecasting total revenue of \$64.8m, a 41% increase on pcp. This reflects a strong performance from the Services Division with revenue up 60% to \$40.1m, as Ava Global Logistics expanded its customer base and captured a greater share of existing client spend. Whilst the Group is pleased with the record revenue for the Technology Division, up 17% to \$24.7m, it is important to acknowledge that COVID-19 limited access to sites and led to delays in decision-making. A weaker US dollar during the year also had a negative impact on FY2021 revenue and profit.

The Group continued to lift profit margins due to operating leverage, ongoing cost discipline and the realisation of operational efficiencies from FY2020.

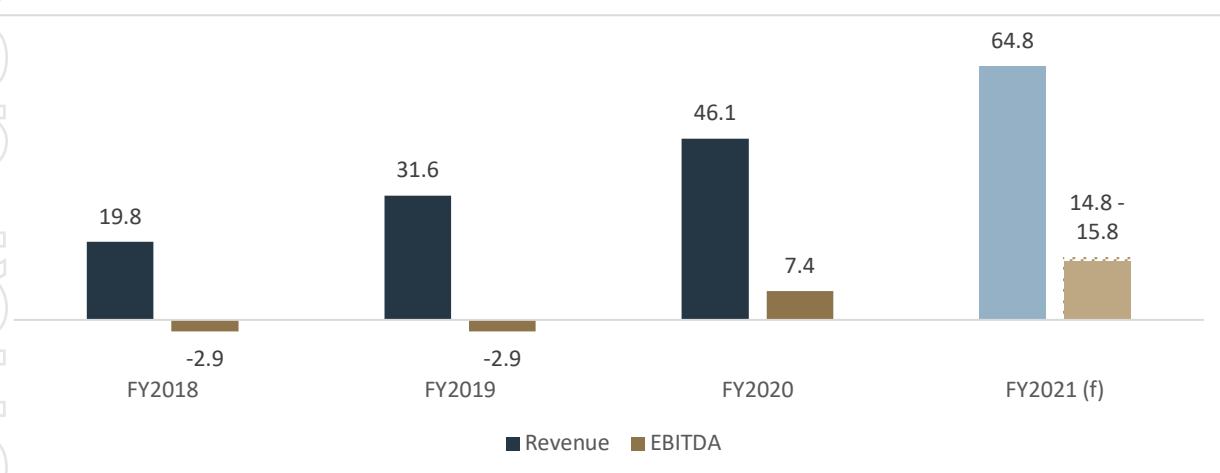
<sup>1</sup> Previous corresponding period

**Table 1: Group Financial Summary (FY2021 unaudited forecast financial information)**

| \$Am          | FY2021(f)   | FY2020 | Var            | Var %        |
|---------------|-------------|--------|----------------|--------------|
| Group Revenue | 64.8        | 46.1   | +18.7          | +41%         |
| Group EBITDA  | 14.8 - 15.8 | 7.4    | +7.4 - +8.4    | +100% - 114% |
| EBITDA Margin | 23% - 24%   | 16.1%  | +7 - +8 points | +43% - 49%   |

Chart 1 highlights the strong performance of the business since FY2018, the year of the merger between Future Fibre Technologies (FFT) and MaxSec. Since then, revenue has more than doubled and the Group has moved into profitability. FY2021 EBITDA is forecast to be more than double FY2020 levels.

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



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

For the twelve months to 30 June 2021, the Technology Division is forecasting revenue of \$24.7m, a 17% increase on pcp. This includes A\$7.8m in licence fees from the Indian Ministry of Defence (IMoD) contract. The strong Q4 trading performance was the result of converting the sales pipeline and investing in sales and marketing to drive new business development activity.

In FY2021, FFT signed multi-year comprehensive maintenance agreements which will generate annual recurring revenues. In addition to COVID-19 impacts on Aura IQ Proof of Value (POV) trials, the Company has seen internal approval delays for the deployment of Aura IQ products. These internal approval delays are related to industry portfolio re-balancing and corporate activity of some of the global mining companies involved. Management remains confident of meaningful revenue for Aura IQ sales in FY2022 starting in Q1 FY2022 as a result of the success of the POV trials.

FY2021(f) EBITDA of \$7.3m to \$8.0m is 46% - 60% higher on pcp. Margin expansion highlighted the flexibility of the cost base given the underlying top line challenges.

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

| \$Am                | FY2021(f) | FY2020 | Var           | Var %      |
|---------------------|-----------|--------|---------------|------------|
| Sales Revenue       | 24.7      | 21.0   | +3.7m         | +17%       |
| EBITDA <sup>2</sup> | 7.3 - 8.0 | 5.0    | +2.3 - +3.0   | +46% - 60% |
| EBITDA Margin       | 30% - 32% | 23.8%  | +6 -+8 points | +26% - 34% |

At 30 June 2021, the Technology Division had a backlog of \$4.6m which included \$2.6m related to the IMoD contract. The Technology Division also had \$1.3m in delayed orders.

**Table 3: Backlog and Orders delayed to FY2022**

| A\$m                            | Backlog    | Delayed    | Total      |
|---------------------------------|------------|------------|------------|
| IMoD contract                   | 2.6        | -          | 2.6        |
| Asian defence contract          | 0.8        | 0.5        | 1.3        |
| South American Rail contract    | 0.3        | -          | 0.3        |
| Other security-related projects | 0.9        | 0.8        | 1.7        |
| <b>Total deferred projects</b>  | <b>4.6</b> | <b>1.3</b> | <b>5.8</b> |

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

- Delivery of \$5.8m in orders received (backlog) and 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 into the US and Europe
- Increase in post-COVID-19 sales to Assa Abloy in Europe under our existing signed contract
- Further IMoD style licensing transactions
- Further sales for power cable 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.

Although the Technology Division successfully managed most of the COVID-19 related international logistics delays and ongoing constraints on certain electronic components during the latter part of FY2021, management expects supply chain disruptions to continue into FY2022 which may affect the timing of deliveries for some orders. To better manage the supply chain the Technology Division is encouraging customers to provide advanced forecasting and allow longer lead times for deliveries.

### Services Division - AVA Global Logistics

FY2021(f) revenue of \$40.1m was 60% higher on pcp with EBITDA increasing by more than 212% to \$7.5m - \$7.8m. The improvement in profit margin reflects a shift in product mix and investment in technology to automate processes.

<sup>2</sup> Includes Group corporate costs related to audit, tax, ASX listing fees, as well as shared IT and technology services.

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 forecast financial information)**

| \$Am          | FY2021(f) | FY2020 | Var         | Var %       |
|---------------|-----------|--------|-------------|-------------|
| Sales Revenue | 40.1      | 25.1   | +15.0       | 60%         |
| EBITDA        | 7.5 - 7.8 | 2.4    | +5.1 - +5.3 | 213% - 221% |
| EBITDA Margin | Circa 19% | 9.6%   | +8.9 points | 93%         |

The Services Division continued to perform strongly during Q4 FY2021 driven by new agreements with banks, bullion traders, mining companies and refineries. Looking ahead to FY2022, management expects revenue growth to be underpinned by an increase in client wins and in contracted customer spend.

#### Changes to the Services Division Management Incentive Plan

The Ava Global management incentive plan has been extended by 12 months to expire on 30 June 2022 to ensure management's interests are aligned with the Company's. This plan enables a group of select employees to receive a bonus pool of up to 32.7% of net profit (actual dollar amount calculates to approximately 24.5% of reported net profit) and 32.7% of the net equity value realised upon a sale event (after deducting peak funding of US\$5.3m and divestment costs).

#### Strong Group Cash Position

The Company has achieved significant growth in operating cashflow and has consolidated cash of circa \$17m and no debt, having paid \$7.3m in dividends during FY2021 to its shareholders.

**Table 5: Cash**

| \$Am                 | FY2021(f)   | FY2020     | Var          | Var %       |
|----------------------|-------------|------------|--------------|-------------|
| Cash at Bank 30 June | 17.2        | 7.7        | +9.5         | 123%        |
| Dividends paid       | 7.3         | 0.0        | +7.3         | NA          |
| <b>Total</b>         | <b>24.5</b> | <b>7.7</b> | <b>+16.8</b> | <b>218%</b> |

#### Other Matters

Whilst Ava Risk Group intends to continue to provide regular trading updates via the ASX, the Company is no longer required to submit a Quarterly Activities Report and Appendix 4C to the market.

ENDS

Approved for release by the Board of Directors.

**For further information, please contact:**

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**About Ava Risk Group**

Ava Risk Group is a global leader in providing security technologies and services to protect critical assets and infrastructure. Its Technology Division manufactures and markets 'smart' fibre optic sensing systems (Future Fibre Technologies) and high security access control and electronic locking products (BQT Solutions). Its Services Division provides secure logistics for high-risk valuables such as banknotes and precious metals (Ava Global Logistics). Its products and services are trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

**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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