

25 February 2022

Ava Risk Group announces 1H FY22 Results

Ava Risk Group Limited (ASX: AVA) ("Ava Risk Group" or "the Company") announces its half year results for the six months ended 31 December 2021.

Highlights

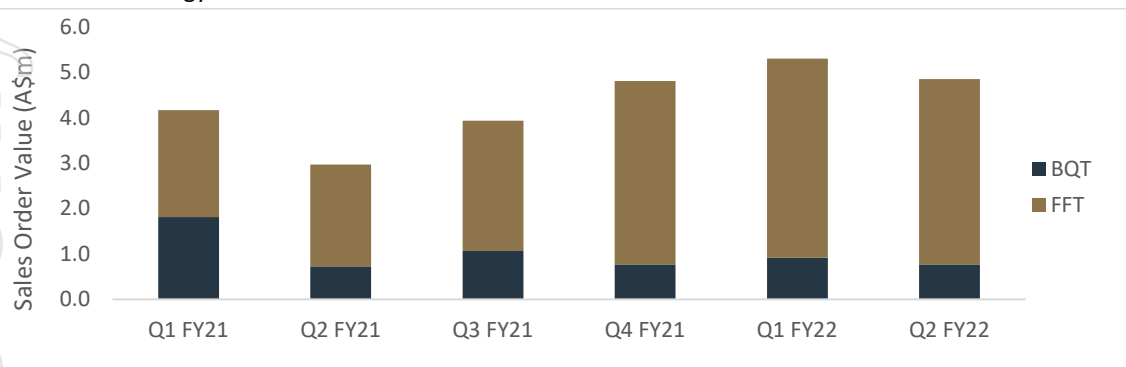
- Successful divestment of the Services division in October 2021, delivering cash proceeds of \$41.9m
- Group revenue of \$20.2m and Group EBITDA of \$2.2m, both in line with guidance
- Technology Division revenue (excluding the IMoD contract) increased 9.6% compared to an average six months' revenue in FY21, reflecting an increase in order intake
- Technology Division sales order intake of \$10.2m, up 42% compared to the prior year period (pcp)
- dormakaba global framework agreement signed in December to distribute BQT products internationally, particularly to the US and Europe
- First Secure Fence licensing agreement signed in Latin America with revenues expected in 1H FY23
- Global supply chain constraints effectively managed to ensure timely sales order fulfilment
- Strong financial position with consolidated net cash of \$55.4m and no debt as at 31 December 2021
- **FY22 Guidance:** Group Revenue of \$11.2m to \$13.2m for 2H FY22 excluding any contribution from IMoD

Group revenue and EBITDA comparisons to the prior year are distorted by the divestment of the Services Division and revenues from the Indian Ministry of Defence (IMoD). The revenue decline in 1H FY22 compared to 1H FY21 is largely attributable to the Services Division divestment (-\$7.3m) and the Indian Ministry of Defence (IMoD) revenue in the prior year (-\$7.7m). Although there is no revenue from IMoD in 1H FY22, a further \$2.5m remains to be realised on this contract. Similarly, a large part of the EBITDA decline is attributable to the Services divestment (-\$1.8m) and IMoD (-\$7.7m).

Looking at the Technology Division, excluding revenue from the Indian Ministry of Defence (IMoD) contract, revenue was \$9.1m, up 9.6% compared to the average half revenue in FY21, reflecting improved sales performance from FFT. Revenue growth from BQT was impacted by COVID-19 lockdowns in NSW and Victoria and is expected to improve on the back of the lockdowns lifting and the signing of the dormakaba agreement. Importantly, the Company continues to generate positive cash flow from operations. Coupled with the proceeds from the Services Division divestment, Ava is in a strong financial position with cash of \$55.4 million and no debt.

The Technology Division's total sales order intake of \$10.2m in 1H FY22, was up 42% compared to the prior year period, driven by increased orders in FFT. The chart on the next page outlines the Technology Division's sales orders over the past six quarters. Order backlog is \$4.2 million, excluding \$2.5 million from IMoD. As advised on 22 December 2021, due to COVID-19 related impacts affecting the timing of certain government programs as well as extending global procurement times, the Company is not forecasting any material contribution to revenues in FY22 from IMoD.

Chart 1 – Technology Division Sales Orders



Ava Risk Group CEO Rob Broomfield commented: “We are excited about the growth momentum building in our Technology Division which is essentially our business going forward. FFT has shown strong growth in sales orders in 1H FY22 resulting from our investments in business development in the US. Growth in BQT is forecast to recover now the COVID lockdown restrictions have lifted, and further improve as we see traction from the new global dormakaba partnership agreement.

“The scope of the initial Aura IQ orders is being reworked, at the customer’s request, to include integration with fire detection solutions. While this has delayed the receipt of initial orders, we are very encouraged that the integration work will reduce the time and cost to implement our technology during planned conveyor shutdowns. We expect this will accelerate growth opportunities for Aura IQ.

“Our focus during the second half of the year is on the continued growth of our high margin Technology Division solutions. Specific growth initiatives include: completing the integration of Aura IQ with fire detection solutions to drive the commercialisation of our technology; leveraging our global framework agreement with dormakaba to expand BQT solutions in major markets in the U.S. and Europe; and pursuing new licensing opportunities particularly in developing markets in South America and India. Coupled with continued opportunities with our blue chip customer base, we expect these initiatives to grow our revenue to \$11.2m to \$13.2m in 2H FY22.”

Update on capital return

On 16 August 2021, Ava Risk Group announced its plan to distribute \$39.2 million of excess cash to shareholders as a capital return, subject to a favourable class ruling from the ATO. As announced on 22 February 2022, the ATO has subsequently indicated that it plans to treat \$7.567 million as capital in nature. Based on this advice, the Board has proposed to make two distributions: a special dividend of \$31.585m (\$0.13/share) and a capital return of \$7.567m (\$0.03114/share).

The \$0.13/share special dividend, unfranked, is to be paid on 10 March 2022 with a record date of 28 February 2022. The capital return is subject to shareholder approval at an Extraordinary General Meeting on 22 April 2022. Ava Risk Group also undertook an on-market buyback of \$1.3 million of its shares during 1H FY22.

Investor webinar

Chairman David Cronin, CEO Rob Broomfield and CFO Neville Joyce will host a Zoom webinar to present the results at 11am AEDT today. To register for the webinar, please select the following link:

https://zoom.us/webinar/register/WN_rswH5jB8SjqfjaOWwf9X8w

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Approved for release by the Board of Directors.

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About Ava Risk Group

Ava Risk Group is a global leader in providing technologies and services to protect critical and high value assets and infrastructure. It operates two business segments – Future Fibre Technology (FFT) and BQT Solutions (BQT). FFT manufactures and markets 'smart' fibre optic sensing systems for security and condition monitoring for a range of applications including perimeters, pipelines, conveyors, power cables and data networks. BQT is a specialist in the development, manufacture and supply of high security biometric readers, security access control and electronic locking products. Ava Risk Group products and services are trusted by some of the most security conscious commercial, industrial, military and government clients in the world. www.avariskgroup.com