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Global leader in smart security
and sensing technologies

1H FY22 RESULTS

25 FEBRUARY 2022

PRESENTERS

David Cronin, Chair
Rob Broomfield, CEO
Neville Joyce, CFO

AGENDA

1

1H FY22 Performance Overview

2

1H FY22 Financials

3

Strategy & Outlook

GLOBAL LEADER IN RISK MANAGEMENT TECHNOLOGY

Protecting high value assets and critical infrastructure in 70 countries



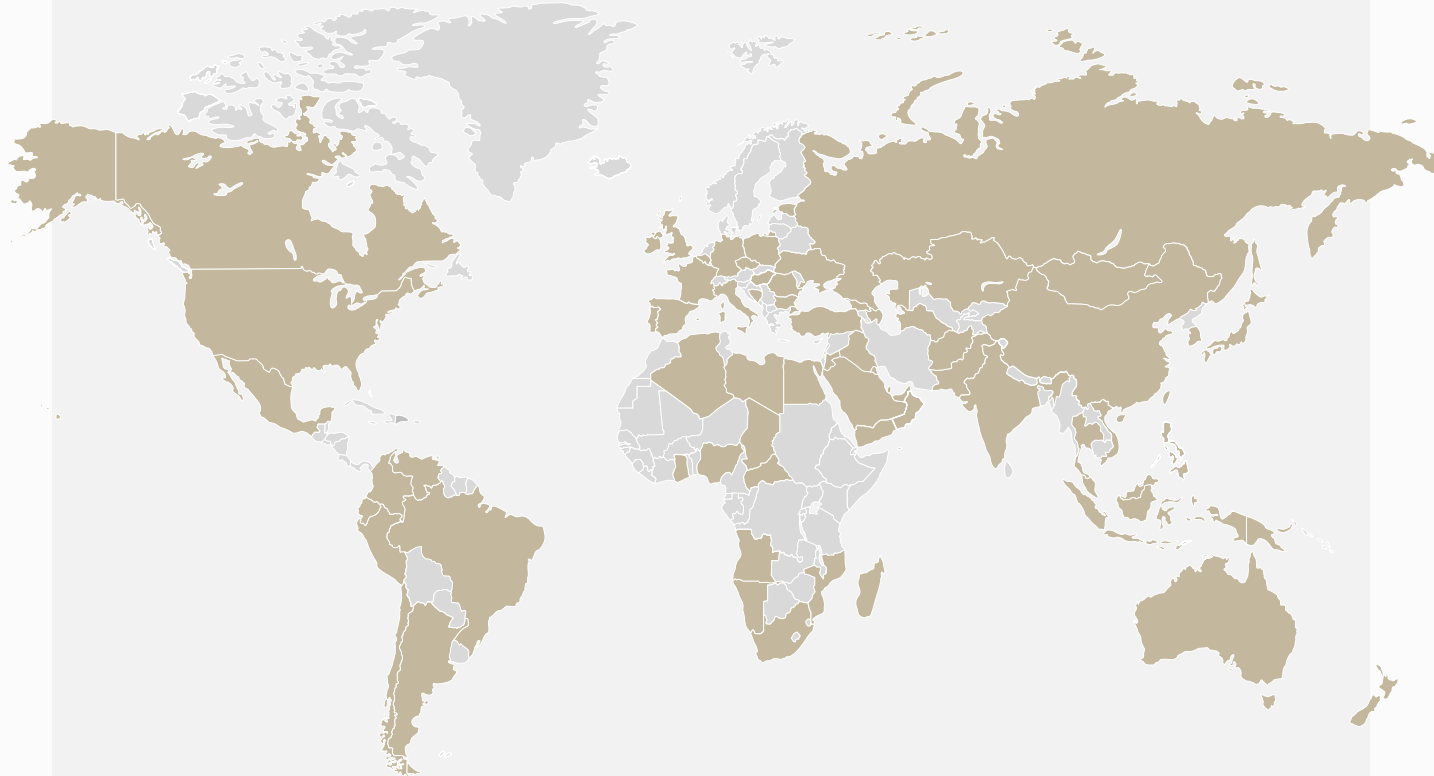
FUTURE FIBRE
TECHNOLOGIES

Fibre optic intrusion detection systems

- perimeter intrusions
- pipeline intrusion
- condition monitoring
- data network protection

- 2,500+ systems deployed

- Products & services model



High security access control technology

- access control readers
- high security locking
- custom encryption
- biometric solutions

- 3,500+ sites

- Off-the-shelf & custom products

FINANCIAL INSTITUTIONS | MILITARY & GOVERNMENT | MINING | ENERGY | TRANSPORT | INDUSTRIAL & COMMERCIAL

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SYSTEM INTEGRATORS / DISTRIBUTORS



END USERS



DISTRIBUTORS



ASSA ABLOY



END USERS



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1H FY22 OPERATIONAL HIGHLIGHTS

- Successful **divestment of the Services Division** in October 2021, delivering cash proceeds of \$41.9m
- **Growth of 42% in sales order intake** for the Technology Division compared to the prior year
- **dormakaba global framework agreement** signed in December 2021 providing access for BQT products to the U.S. and European markets
- **First Secure Fence licensing agreement** signed in LatAm with licensing revenues expected to commence in 1H FY23
- Global supply chain constraints associated with **Covid-19** have been **effectively managed** to ensure timely sales order fulfilment



1H FY22 OPERATIONAL HIGHLIGHTS

- FFT's Aura AI is monitoring the first **European submarine power cable** for an offshore wind farm, building on the success in two submarine cable projects in North America
 - **Maintenance agreements signed** for an additional 31 systems, with current offers for circa \$3m of long-term support contracts
- The scope of the initial **Aura IQ orders is being reworked** to encompass integration (at the customer's request) with fire detection solutions. We remain very confident of the commercial application of the technology, and the acceleration that will come from implementing this integration.



1H FY22 FINANCIAL HIGHLIGHTS

- Group revenue of \$20.2m and EBITDA of \$2.2m, **in line with guidance**
- Revenue/EBITDA reflect the **divestment of the Services Division** (\$7.3m/\$1.8m) and delays in revenue from **Indian Ministry of Defence (IMoD)** contract (\$7.7m/\$7.7m)
- Revenue from **Technology Division ex IMoD** of \$9.1m, rose 9.6% compared to FY21 run rate revenue¹, reflecting increased order intake
- **Backlog** of \$4.2m excluding \$2.5m from IMoD
- **Strong financial position** with cash of \$55.4m and no debt



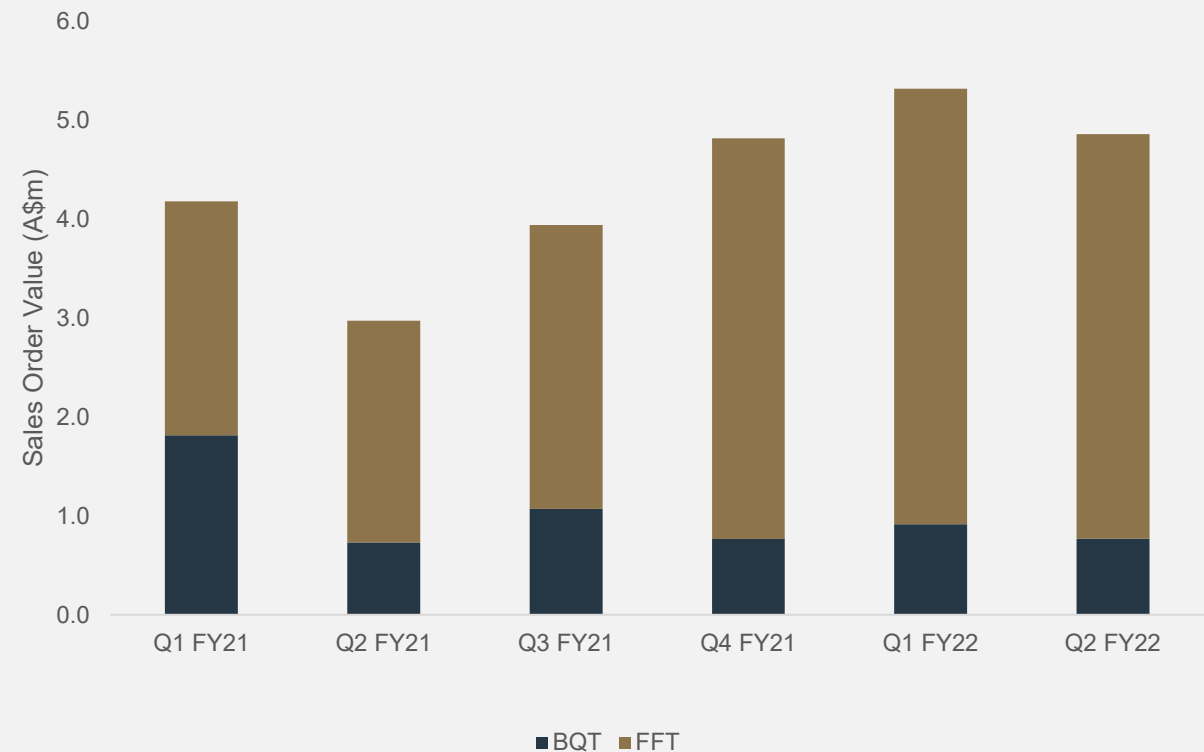
1. FY21 run rate revenue is the FY21 full year revenue pro rated by quarter.

TECHNOLOGY DIVISION SALES ORDERS

Sales orders showing strong momentum for FFT; uplift in BQT post lockdowns

- Total sales order intake of **\$10.2m** during 1H FY22, **42%** growth pcp (excluding IMoD)
- **Strong momentum in FFT** with a significant uplift in the U.S. reflecting recent investment in business development capability
- **BQT impacted by Covid-19** lockdowns in Q1 in ANZ. Expect continued uplift in sales following easing of lockdowns and dormakaba global agreement
- Sales orders exclude the **IMoD** contract

Sales Orders Received (A\$m)



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1H FY22 FINANCIALS

GROUP FINANCIAL SUMMARY

Group revenue and EBITDA in line with guidance provided in October 2021

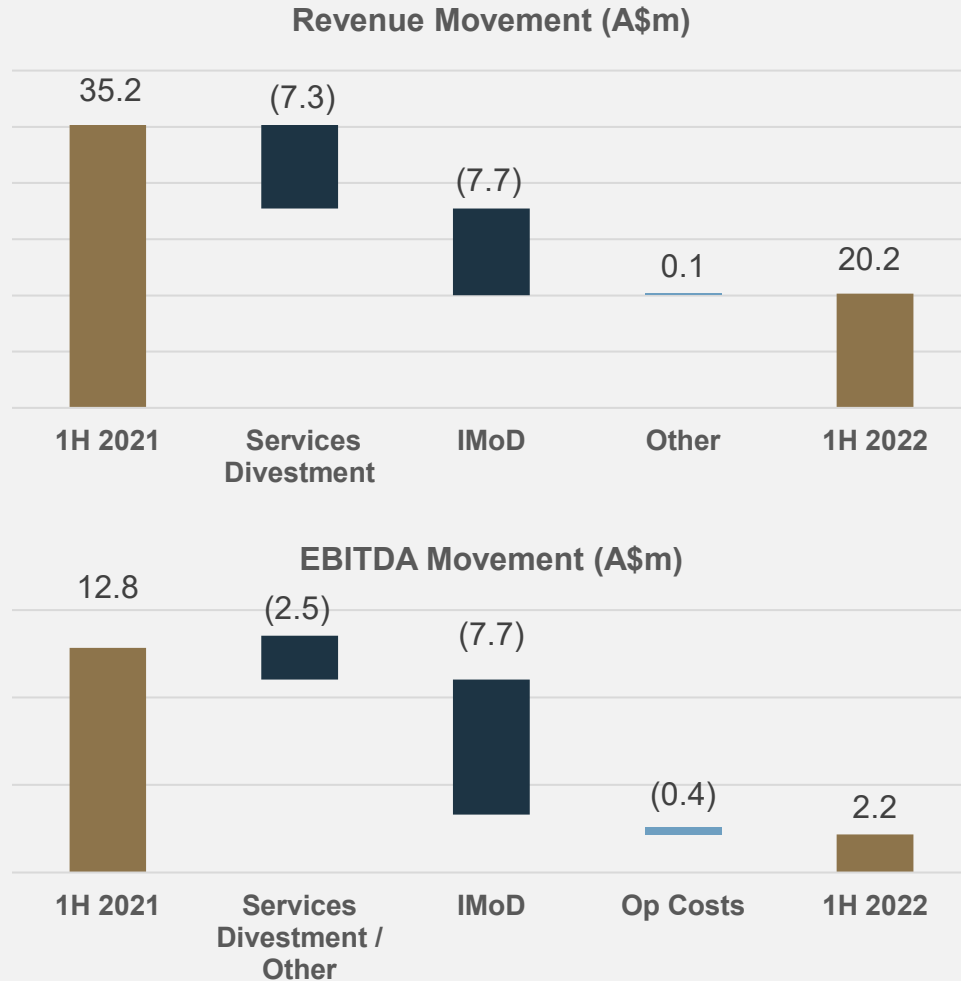
\$Am	1H FY22	1H FY21	Var	Var %
Revenue ¹	20.2	35.2	(15.0)	-43%
COGS	(11.1)	(15.0)	3.9	-26%
Gross Profit	9.1	20.2	(11.1)	-55%
Operating Expenses	(6.9)	(7.4)	0.5	-7%
EBITDA ²	2.2	12.8	(10.6)	-83%
Gain on disposal	31.9	-	31.9	
Profit after tax	32.9	11.0	21.9	+198%
Gross Margin	45%	57%	(12%)	
EBITDA Margin	10%	35%	(25%)	

- Profit after tax of \$32.9m driven by the gain on the divestment of the Services Division (\$31.9m).
- The decline in revenue, gross profit and EBITDA compared to the prior year is due to the divestment of the Services Division since October 2021 and IMoD revenue in the prior year.
- Revenue decline attributable to Services divestment (-\$7.3m) and IMoD revenue in the prior year (-\$7.7m)
- Underlying gross margin in the Technology Division (excluding IMoD) remains comparable to the prior year.

1. Sales Revenue only, excludes other income (Other income in 1H FY2021 \$0.6m).
 2. EBITDA excludes unrealised foreign exchange variances

UNDERLYING REVENUE AND EBITDA MOVEMENTS

Comparisons to the prior year are distorted by the divestment of the Services Division and IMoD



- The revenue movement between 1H FY21 and 1H FY22 is driven entirely by the divestment of the Services Division and IMoD revenue in the prior year.
- There is no revenue from IMoD in 1H FY22. A further \$2.5m remains to be realized on this contract.
- The EBITDA movement between 1H FY21 and 1H FY22 also reflects the divestment of the Services Division, no contribution from IMoD, and non-recurring JobKeeper support received in FY21.

TECHNOLOGY DIVISION EX IMoD

Revenue growth against FY21 run rate reflects improved sales performance from FFT

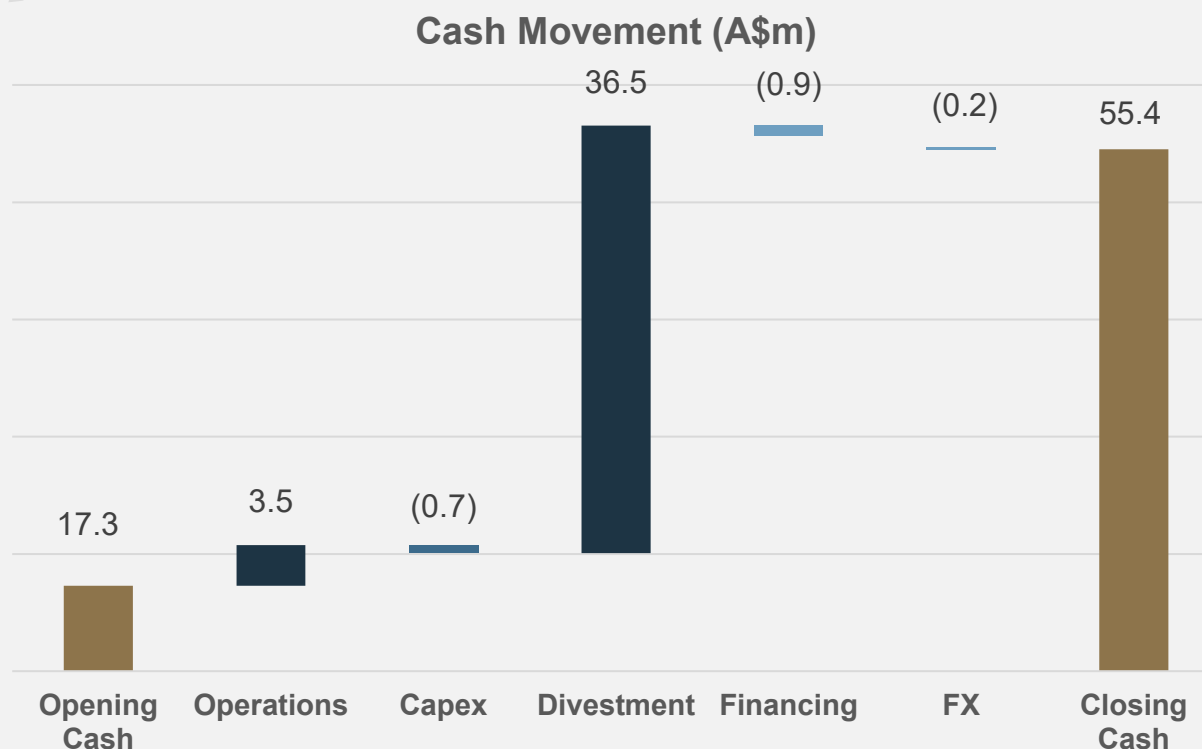
\$Am	1H FY22	½ Avg FY21	Var	Var %
Revenue¹	9.1	8.3	0.8	+9.6%
COGS	(3.1)	(2.9)	(0.2)	+6.9%
Gross Profit	6.0	5.4	0.6	+11.1%
Operating Expenses²	(5.8)	(5.5)	(0.3)	+5.4%
EBITDA³	0.2	(0.1)	0.3	-
Gross Margin	66%	65%	+1%	
EBITDA Margin	3%	0%	+3%	

- ½ Avg FY21 represents the YTD run rate of the full year FY21 Technology Division result.
- Technology revenue ex IMoD increased by 10% reflecting increased order intake in the current year.
- Stability in gross margin across both years.
- Improved EBITDA margin as the cost base is leveraged to drive increased revenue.

1. Excludes contribution from IMoD licensing, other income (FY21: \$7.7m, \$0.7m)
 2. Excludes expenses related to the sale of the Services Division (\$0.3m).
 3. EBITDA excludes unrealised foreign exchange variations.

CONTINUED STRONG CASH GENERATION

Positive cash flow from operations coupled with proceeds from the divestment of Services Division



- The business continues to generate positive cash flow from operations.
- The proceeds from the divestment from Services is net of the cash transferred with the business.
- Working capital management remains a priority with continued implementation of processes and systems to improve customer collections

GROUP BALANCE SHEET

Strong balance sheet underpinned by cash position and no debt

\$A'000	31 Dec 2021	31 Dec 2020	Var
Cash and cash equivalents	55.4	13.4	42.0
Receivables	3.8	8.9	(5.1)
Inventories	3.4	3.7	(0.3)
Intangibles	6.0	11.4	(5.4)
Other assets	1.2	7.1	(5.9)
TOTAL ASSETS	69.8	44.5	25.3
Payables	2.4	7.9	(5.5)
Provisions	1.6	1.5	0.1
Borrowings	-	-	
Other liabilities	0.9	1.0	(0.1)
TOTAL LIABILITIES	4.9	10.4	(5.5)
TOTAL EQUITY	64.9	34.1	30.8

- Balance sheet has benefited from \$41.9m cash proceeds from divestment of Ava Global net of \$1.3m share buy back
- Balance sheet reflects the divestment of the Services division.
- Working capital needs of the business continue to be well managed with equal movements in receivables, inventory and payables.
- Remaining intangibles comprise mostly capitalised product development and intellectual property in FFT and BQT.

RETURN OF CAPITAL UPDATE

- The Company announced its plan to distribute **\$39.2m of excess cash** to shareholders as a capital return subject to a favourable class ruling from the ATO.
- The ATO has subsequently indicated that it will treat **\$7.567m as capital** in nature.
- Based on this advice, the Board has proposed to make two distributions:
 - **Special dividend, unfranked**, 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.
 - The Company also undertook an **on-market buyback of \$1.3m** of its shares during 1H FY22.

- **Special dividend of \$31.585m (\$0.13/share)**
- **Capital return of \$7.567m (\$0.03114/share)**

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STRATEGY & OUTLOOK

STRONG TRACK RECORD WITH UNIQUE GLOBAL OPPORTUNITY



TRACK RECORD OF GROWTH AND RESULTS

- High margins and ongoing cost discipline
- Strong cash generation and surplus cash for investment and return to investors
- Innovative technology developed over multiple years to support blue chip customer base



STRONG COMPETITIVE ADVANTAGES

- Defensible competitive position and investments in innovation including AI and deep learning
- Experienced leadership team
- Customer-centric focus with customised, flexible, and scalable solutions



HIGHLY SCALABLE MODEL

- Blue chip customer base and long-term recurring revenue potential
- Expanding applications beyond security into condition monitoring
- Efficient, scalable go-to-market strategies which include key distributor partners



GLOBAL OPPORTUNITY

- Well-placed to become a global leader in smart digitisation for security and asset protection
- Global footprint with thousands of products installed in more than 70 countries
- Global agreement with dormakaba and strong relationship with ASSA ABLOY

GROWTH INITIATIVES

To be a global leader in actionable, intelligent data streams that protect and optimise critical assets

LEVERAGE PARTNERSHIPS

- Leverage new **global partnership with dormakaba** to distribute BQT products
- Grow on the early success of **FFT partnerships in the US** to the global power cable sensing market
- Leverage **Aura AI technology** for both security and new applications and verticals including rail and road
- Leverage **technology partnerships, such as Mining3**, for innovative high-performance solutions.

GROW RECURRING REVENUE

- Convert **Aura IQ** conveyor health monitoring POVs into sales (\$50M+ opportunity)
- Land and expand strategy with **existing install base** of 2,500 customers for **support and maintenance contracts**
- Increase the value of **maintenance solutions** with remote monitoring, AI detection improvements, and FFT's Cyber Assurance testing.

LEVERAGE SCALABLE MODEL

- Expand the **LatAm licence agreement** for low cost and high margin contracts across LatAm and India
- Leverage existing install base for **upgrades and extensions**
- **Operating leverage** from cost discipline and economy of scale

AURA IQ: CONVEYOR HEALTH MONITORING SOLUTION

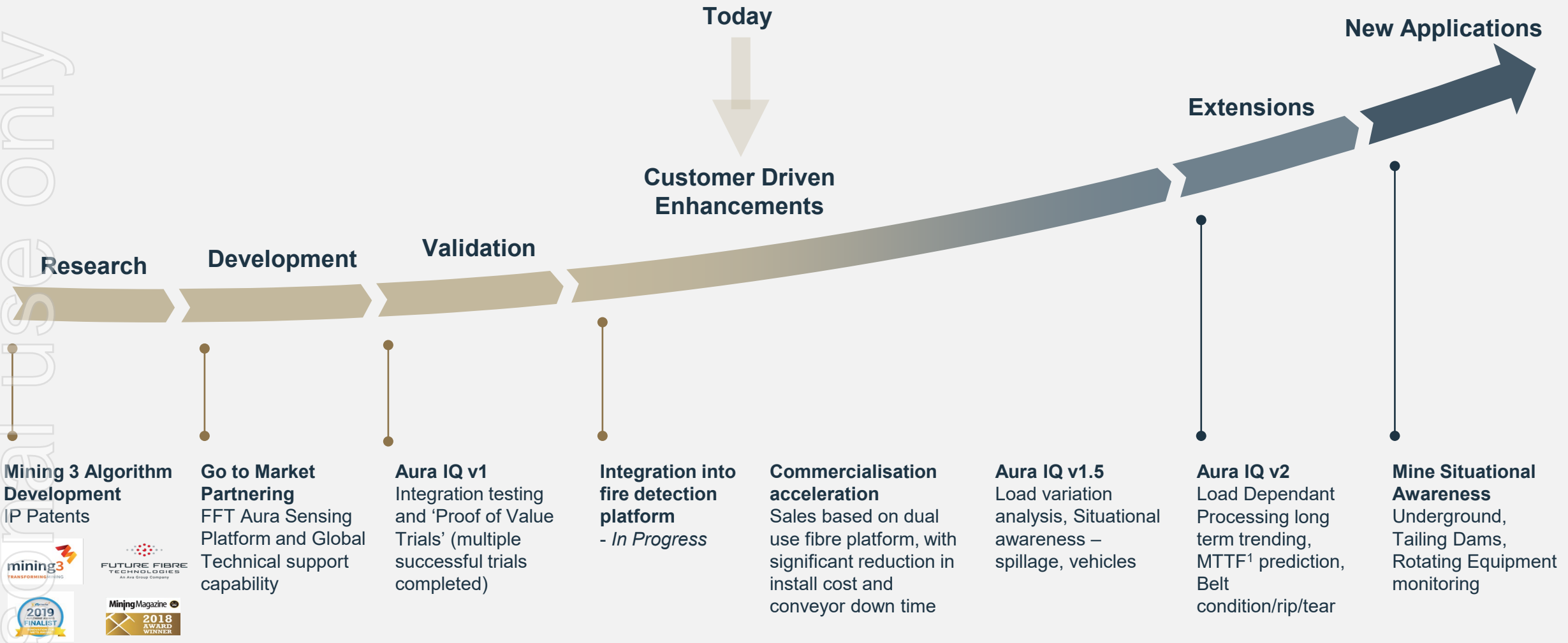
- After successful POV trials on different mines of a global mine operator, the expected receipt of the initial order in December 2021 has been delayed by their Global Condition Monitoring group
- FFT requested to integrate our proven condition monitoring solution with a fiber optic-based fire detection solution, which is already approved for global deployment over the coming years
- An integrated fiber solution has been designed in collaboration with the fire system provider. Integration testing is expected to be completed this quarter
- While this has delayed the initial order it **significantly lowers the time and cost of installation** for critical conveyors, as Aura IQ can be added to the fire solution without any further conveyor shutdown or operational impacts
- First orders for Aura IQ expected in the current financial year
- We continue to develop Aura IQ to expand its deployment to multiple applications.



Conveyor health monitoring and intelligence platform

AURA IQ – DEVELOPMENT ROADMAP

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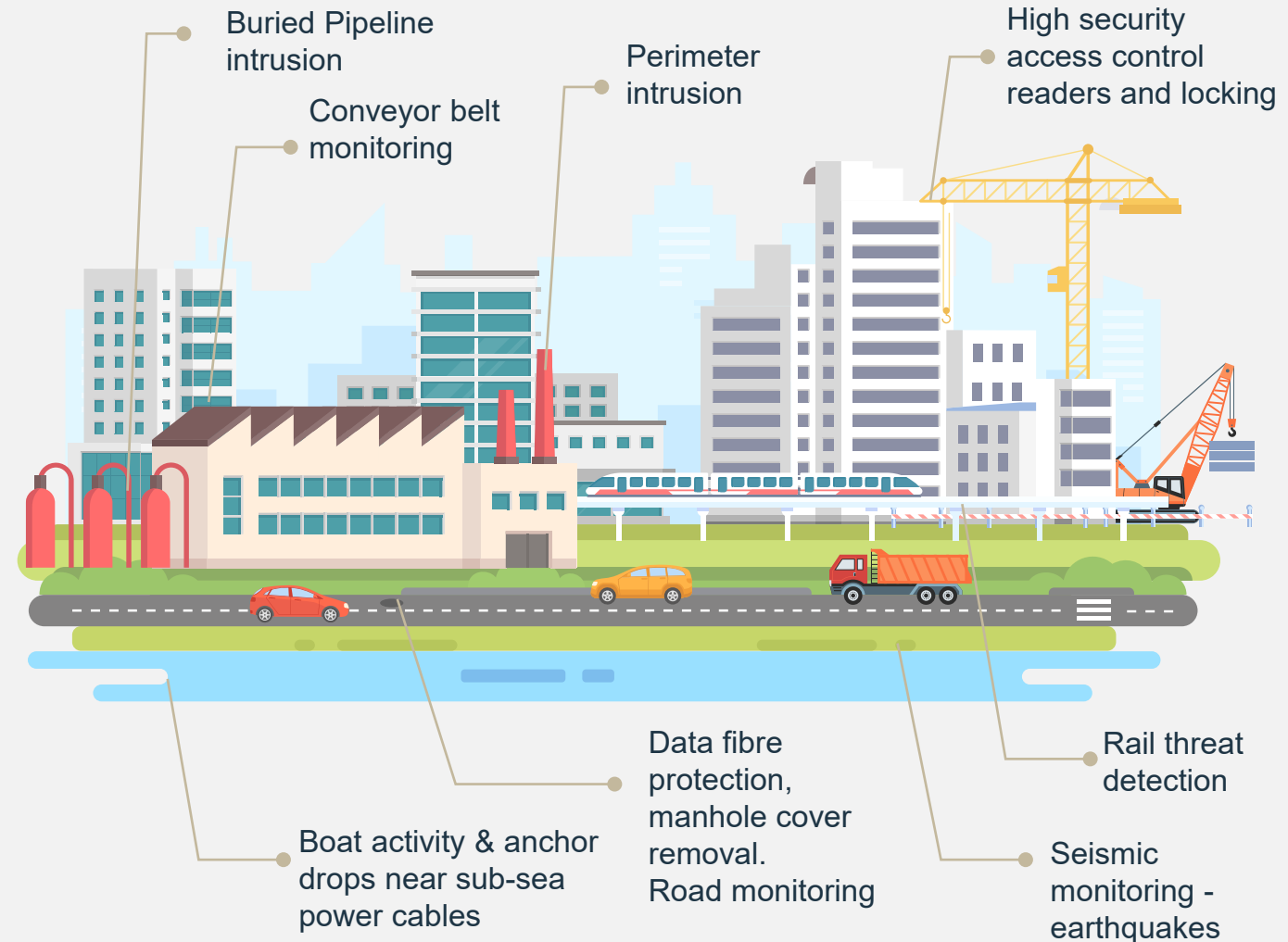
Mining 3 Algorithm Development IP Patents

FUTURE FIBRE TECHNOLOGIES
An Ava Group Company

1. Mean Time Between Failures

AURA AI: SMART CITIES OF THE FUTURE

- Well-positioned to help cities monitor threats to multiple types of infrastructure above ground, under ground and under water
- Opportunities to develop new applications for FFT's technology that detect, classify and report 'real' threats in real-time as well as introduce predictive capabilities (Deep Learning)
- Provide high reliability and cyber assured solutions for critical infrastructure
- Opportunities to both integrate wide range of sensing technologies and cross-sell BQT products and solutions



OUTLOOK

▶ Strong uplift in orders with particular growth in the US, reflective of the additional investment in sales capability.

▶ Extend **dormakaba global framework agreement** particularly in the US and Europe to additional BQT locking solutions

▶ Build on Aura IQ technical success in POV trials and fire solution integration to improve installation efficiency

▶ Building on LatAm licensing agreement, grow **long term contracts** and **recurring revenue** from technology licencing agreements and multi-year support contracts

▶ Expand **solutions capability** with **AI** and combine with **partner programs** to enter and expand in new and growing markets: power cable, transport & Smart Cities

▶ Management guidance for 2H FY22 is for **revenue of \$11.2m to \$13.2m**, excluding any contribution from the IMoD contract

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QUESTIONS

FORWARD LOOKING STATEMENTS

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