

Ava Risk Group announces FY22 Results

Ava Risk Group Limited (ASX: AVA) (“Ava” or “the Company”) announces its financial results for the year ended 30 June 2022.

Highlights

- Successful divestment of the Services Division in October 2021, resulting in net proceeds of \$41.9m
- Cash distribution of \$38.8m to shareholders during the year, via a capital return and special dividend
- 13% growth in total sales order intake of \$18.0m compared to \$15.9m in FY21 (excluding IMOD orders)¹
- Group revenue and other income of \$19.0m and Group EBITDA of \$1.4m, driven by increased order intake for FFT. Underlying EBITDA of \$0.8m when adjusted for the impact of unrealised foreign exchange variations
- Strong sales uplift in the US reflecting investment in business development capabilities
- dormakaba global framework agreement to distribute BQT products internationally
- First commercial Aura IQ order following successful completion of proof of value trials on operating mine sites
- Long-term support agreements for 52 systems, an increase of 48 systems compared to the prior year.
- Further development of Ava’s Machine Learning Capability to improve system performance for detection rates and reduce nuisance alarms
- Strong financial position with consolidated net cash balance of \$15.2m (FY21: \$17.3m) and no debt
- Post year-end acquisition of GJD manufacturing, with complementary product offering and growing OEM sales channel across multiple sectors

Ava produced a strong operational and financial performance in FY22, notwithstanding the protracted business interruptions related to Covid-19 and critical supply chain and project related delays. Sales order intake for FFT grew by 16% on the previous year, excluding the Indian Ministry of Defence (IMOD) contract, bolstered by significant investment in the Company’s business development capabilities. Ava continues to deploy FFT’s perimeter detection technology to critical infrastructure assets, with contracts secured for a large North American power plant and a European offshore windfarm during FY22.

The cash position of the Company remains strong with a cash balance of \$15.2 million at 30 June 2022 (FY21: \$17.3 million). Cash flow from operations of \$2.3 million were supplemented by the proceeds from the disposal of the International Valuable Logistics business of \$36.5 million, net of adjustments and transaction costs. Ava distributed \$38.8 million to shareholders via a capital return and special dividend.

¹ Excluding orders against the Indian Ministry of Defence (IMoD) contract

Ava Risk Group CEO Rob Broomfield commented: “It has been an important year for Ava with significant investment committed to accelerate growth. Following the divestment of our Services Division we have been developing our world leading fibre sensing and access control technologies to ensure we continue to grow our market share.

“The team has been working on system improvements to our Machine Learning to provide an even more compelling product proposition to our end customers. We have also been building our business development and sales capability, particularly in North America, and are already seeing positive results with our FFT sales order intake up by 16% with multiple new contracts, many in the energy sector.

“Ava Group is well placed to accelerate growth in the year ahead, with market leading technology in both our fibre sensing and access control markets, a strong balance sheet and the organisational capability to execute our plans. We will aggressively pursue opportunities in the perimeter security segment, leveraging our increased business development capability in North America, and we will continue to pursue long term support contracts with our existing customer base to grow recurring revenue. Following the financial year-end, we were excited to announce the acquisition of GJD, an important accelerator of growth for Ava.”

Group revenue and other income was \$19.0 million, which was \$6.3 million lower than the previous year (FY21: \$25.3 million). The financial results in the prior year included licence revenues from IMOD of \$7.8 million and government grants associated with COVID-19 support of \$0.6 million. When adjusted for IMOD and government grants, revenue in FY22 grew by 12%, driven by increased order intake in FFT. Gross margin grew slightly to 65%, a pleasing outcome against a backdrop of significant supply chain constraints. Underlying EBITDA declined slightly reflecting the investment in sales and business development capability as well as increased marketing related expenditure post COVID-19.

FY22 Financial Results:

A\$m	FY2022	FY2021	Change
Revenue – continuing operations	19.0	25.3	(6.3)
EBITDA* - continuing operations	0.8	9.2	(8.4)
Profit / (loss) after tax – continuing operations	(0.7)	6.6	(7.3)
Profit / (loss) after tax – discontinued operations	33.8	7.1	26.7
Profit / (loss) after tax - Group	33.1	13.7	19.4

* EBITDA excluding unrealised foreign exchange variances

Ava continued to develop its Machine Learning capability, which will improve system performance for detection rates and nuisance alarms. This will become a compelling feature of long-term support contracts to the existing customer base. At 30 June 2022 there were 52 systems signed to support agreements and the Company expects to further develop its support offering to grow this opportunity.

As reported during the year, significant progress was made on the development roadmap for Aura IQ, Ava’s condition monitoring solution. At the request of a leading global mining company, Ava completed integration with a fire detection fibre optic cable, which improves ease of deployment. A number of proof of value trials for Aura IQ were completed at operating mine sites, with the first commercial order for Aura IQ received in July 2022. The Company is well placed to progress the deployment of Aura IQ within the mining industry and will also look to expand the application to opportunities in adjacent markets such as telecommunications.

BQT revenue was impacted in Q1 FY22 by Covid-19 related lockdowns, particularly in the Australian market. As these restrictions eased, performance of BQT improved substantially and it exited FY22 with significant momentum. The Company continued to develop smart locking solutions and signed a global framework agreement with dormakaba International GmbH, a global leader in security access control systems. BQT's smart locking solutions are unique in the market and Ava will look to grow sales volume via channel partners. The first order under the agreement was fulfilled during FY22 with further growth expected from FY23.

The Company successfully navigated the challenges posed by the lingering business interruption associated with Covid-19 to ensure timely sales order fulfilment. The beginning of FY22 was impacted by lockdowns in Australia which negatively affected the timing of some orders and also impacted some proof of value trials for Aura IQ. The Company has been successful in securing critical components and managing supplier costs, however management expects this to remain a challenge in FY23.

In August 2022, Ava announced its acquisition of GJD Manufacturing, a leading UK security technology supplier and manufacturer specialising in intrusion detection systems. Its product offering is complimentary to FFT's fibre-based intrusion detection systems and its channel management and proven go to market capability in the UK and Western Europe is complimentary to BQT's presence in North America and the Asia-Pacific. The Company will use Ava's existing capability to grow GJD sales in these regions while using GJD's capability to increase FFT and BQT's market share in the UK and Western Europe.

Investor webinar

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

https://us06web.zoom.us/webinar/register/WN_GE48bRGesUKTAD40RJELlg

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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 three business segments – Future Fibre Technology (FFT), BQT Solutions (BQT) and GJD Manufacturing. 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. GJD is a specialist in the development and manufacturer of perimeter detectors, illuminators and ANPR cameras. Ava Risk Group products and services



are trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

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