

Global leader in smart security and  
sensing technologies

# INTRODUCTION TO AVA RISK GROUP

FEBRUARY 2023

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# AGENDA

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**David Cronin – Introductions**

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**Mal Maginnis – Strategic Objectives**

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**Jim Katsifolis – Technology close up**

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**Jim Viscardi – Business Development**

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**Neville Joyce – Financial Update**



# DEPTH OF LEADERSHIP TEAM

Globally based team well versed in bringing technology solutions to the market



**Mal Maginnis**  
Group CEO

+35 years of experience in the defence, security, safety and technology industries. Attracted to AVA's excellent core foundation technologies.

Based in Singapore



**Neville Joyce**  
Group CFO/Company Secretary

Experienced financial and commercial executive with expertise across multiple sectors including energy, mining, technology and manufacturing.

Based in Melbourne



**Jim Viscardi**  
Executive Vice President  
Global Security

+25 years commercial experience in security, defense and technology industries.

Based in United States



**Jim Katsifolis**  
Head of Technology  
(based in Melbourne)

Experienced R&D leader with +20 years experience in managing product lifecycles from research to in-market success.

Based in Melbourne

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# CORPORATE SNAPSHOT

## Key Metrics

Market capitalisation  
(as at 24 January 2023) **\$54.9M**

Share price  
(as at 24 January 2023) **\$0.215**

Shares outstanding **255.3 million**

ASX listing **May 11, 2015**

**More than A\$46m has been distributed to shareholders via special dividend and capital return since 2020.**

## Top 20 Holdings (as of 18 August 2022)

Holder Name	Securities	%
Bell Potter Nominees Ltd <BB Nominees A/C>	31,950,717.00	13.2
BNP Paribas Noms Pty Ltd	17,313,575.00	7.1
HSBC Custody Nominees (Australia) Limited	11,086,753.00	4.6
Mr Stephen Ross Carew	10,000,000.00	4.1
Bannaby Investments Pty Limited <Bannaby Super Fund A/C>	9,948,859.00	4.1
Dixson Trust Pty Limited	7,339,998.00	3.0
Valwren Pty Limited <Wfit A/C>	6,750,000.00	2.8
Valwren Pty Limited <Sandy Family Investment A/C>	6,000,000.00	2.5
Citicorp Nominees Pty Limited	5,967,711.00	2.5
Chag Pty Ltd	4,400,000.00	1.8
Mr David Malcolm South	4,250,000.00	1.7
BFA Super Pty Ltd <GDN Super Fund A/C>	2,978,384.00	1.2
Mr Robert Andrew Broomfield	2,713,379.00	1.1
Cheryl Lee Tapanes	2,600,000.00	1.1
Goldrush Fund Pty Ltd <Goldrush A/C>	2,000,000.00	0.8
HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	1,467,963.00	0.6
DMX Capital Partners Limited	1,406,000.00	0.6
Mr Athar Jameel Bhutto	1,377,777.00	0.6
BNP Paribas Nominees Pty Ltd <IB AU NOMS Retail Client DRP>	1,347,705.00	0.6
Avalon Amber Pty Ltd	1,344,330.00	0.6
	<b>132,243,151.00</b>	<b>54.4</b>



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# STRATEGIC OBJECTIVES

## Mal Maginnis

# WE ARE A GLOBAL LEADER IN RISK MANAGEMENT TECHNOLOGY

Sensing and access technology protecting high value assets and critical infrastructure worldwide

- ▶ **World-leading portfolio of complementary premium solutions and technologies**
  - Detect - Fibre optic intrusion detection systems
  - Access - High security access control technology
  - Illuminate – Complimentary technology providing market leading illumination solutions supporting camera and other security technology
- ▶ **Trusted by some of the world's most discerning security conscious customers - commercial, industrial, military and government sectors**
- ▶ **Strong competitive position** underpinned by Ava's IP, OEM and distribution relationships, and wealth of data for machine learning
- ▶ **Flexible commercial models** with growing recurring revenues



# HOW WE PROTECT **CRITICAL** INFRASTRUCTURE

Our technologies provide comprehensive solutions for security requirements

## **Detect**

Perimeter and long linear asset protection through the detection and identification of intrusion events.

## **Access**

Market leading locks and reader technology to restrict access to buildings and facilities

## **Illuminate**

Illumination of open spaces to enhance use of video analytics and laser detection



# WELL POSITIONED FOR GROWTH OVER NEXT 3 YEARS

## Scalable business model

- Established customer base with long term recurring revenue potential
- Efficient go to market strategies including trusted global distribution partners
- Proven technologies that can be adapted to adjacent applications

## Grow in key geographies

- Leverage strengthened business development capability in U.S. – the world's largest security market
- Build on capability acquired with GJD to expand in Europe
- Strengthen our business development capability in APAC

## Sustainable gross margins

- Maintain existing gross margins – circa 65%
- Grow recurring revenue through upgrade and cyber assurance support to existing and new customers

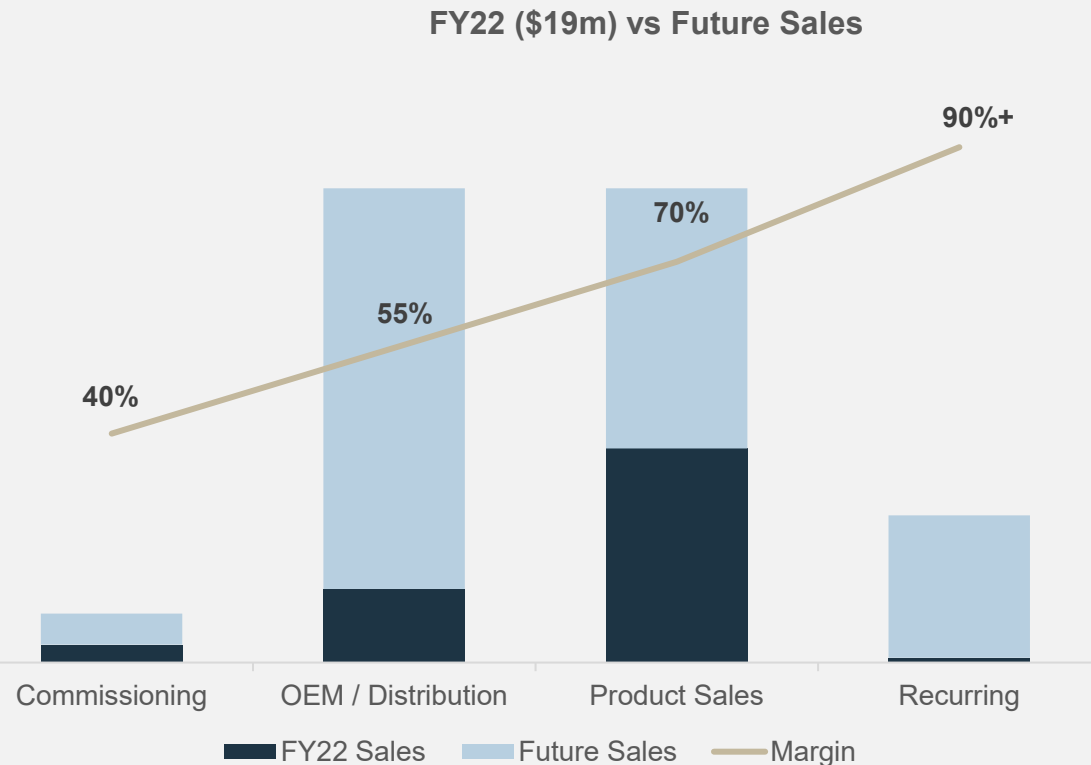
## Continued tech development

- Build on AI capability to improve performance and provide compelling customer upgrade path
- Continued investment in market leading Access and Illuminator technologies



# SCALABLE BUSINESS WITH SUSTAINABLE MARGINS

Opportunity to drive growth across all channels, leveraging our IP and cost base



- Platform and pipeline in place to **grow revenue to \$70 - \$100m** over the next three years through:
  - multi-year services contracts;
  - increased product sales in security and adjacent markets; and
  - leveraging distribution / OEM partnerships including acquisition of GJD
- Revenue growth leverages existing operating cost base and IP while maintaining high gross margins; \$70 - \$100m revenue target requires **additional operating costs of \$8m - \$12m** delivering EBITDA margins of 20% - 30%.
- Organic growth via existing customers, as well as ongoing assessment of inorganic opportunities to support expansion and scale

# MARKET OPPORTUNITY DRIVEN BY GLOBAL INDUSTRY TRENDS

## Industry trends support long term growth

- Global security concerns driving rapid adoption of high security technology
- Increased government spending on protecting critical infrastructure
- Global connectivity driving greater demand for remote service capability
- Situational awareness & leveraging data for business outcomes

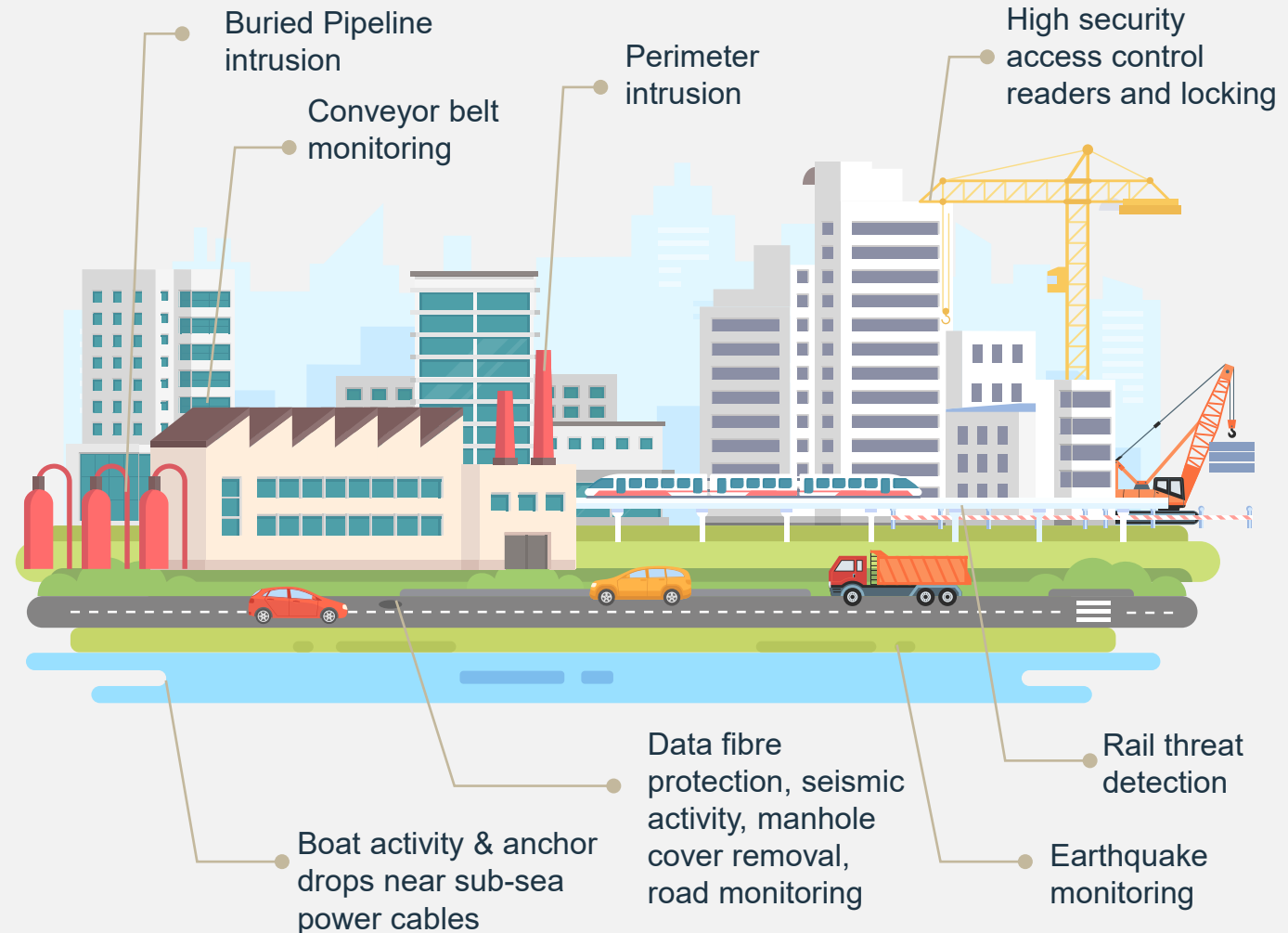
## Multiple business growth drivers

- Expanding technology into new markets and applications
- Proven go-to-market opportunities and provision of value-added services
- Growing share of spend from existing customers and new client wins

# SENSING BEYOND SECURITY

Building on success in existing deployments in multiple infrastructure types & across global smart cities

- AI is critical to enhancing Detection and now offering Classification where creates value
- Existing commercial deployments renew and refresh to increase capability and integration. Add our new technologies to the solution
- Unique and deep domain expertise, with proven success not aimless promises
- Extension into new applications is underway with lead customers. They require solutions that detect, classify and accurately provide real-time ‘situational awareness’
- Combine our core technologies inside a single solution







# KEY FOCUS AREAS



**Customer Outcomes**



**Delivering Revenues**

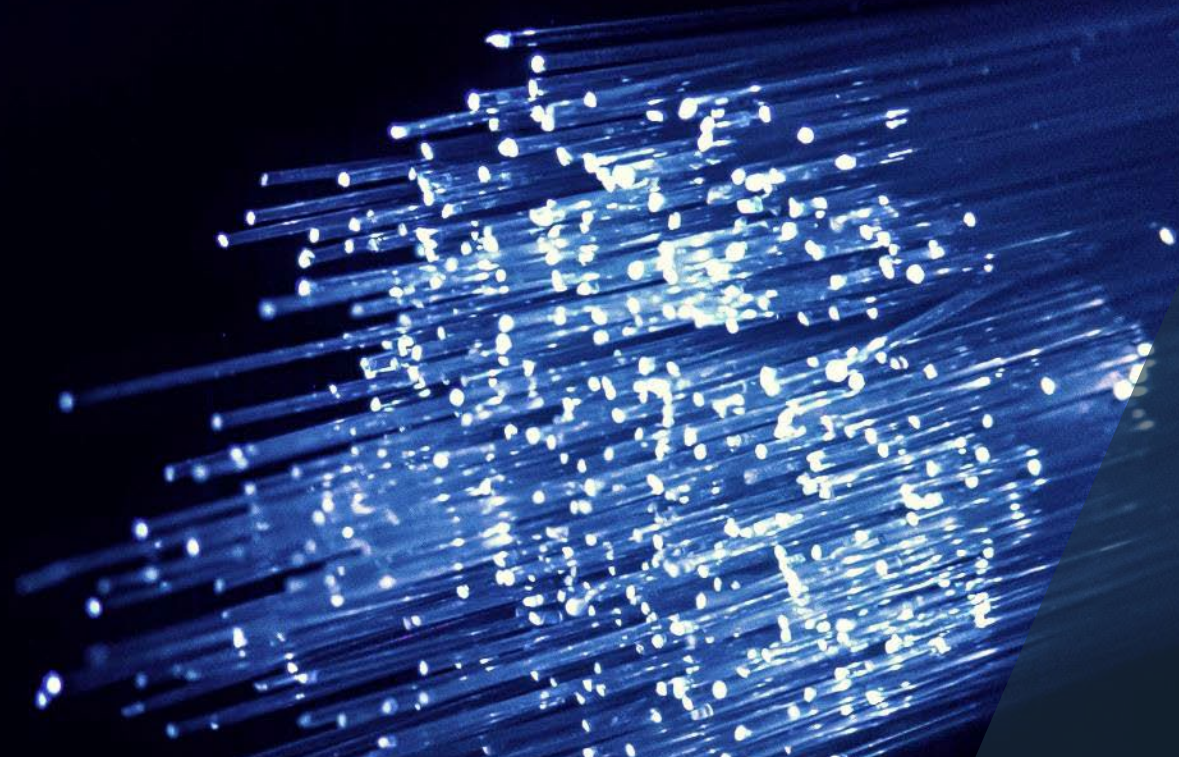


**Expanding Technology Reach**

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# TECHNOLOGY OVERVIEW

Jim Katsifolis

# EVOLUTION OF **WORLD-LEADING** TECHNOLOGY SOLUTIONS

**Hardware**



**Software**



**Artificial  
Intelligence**

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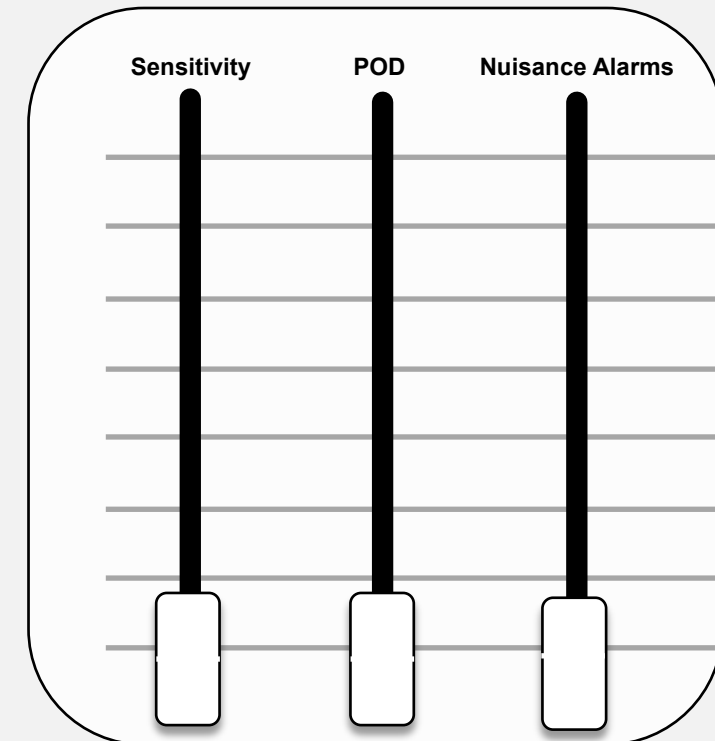
# DELIVERING WORLD-LEADING TECHNOLOGY SOLUTIONS

- Proven technologies with deep competitive advantages:
  - Aura Ai platform uses the latest advanced optical designs and signal processing algorithms
  - Extends application fit into adjacent markets including condition monitoring (conveyor, road, rail, power cables)
  - Used by technology partners for new applications such as monitoring power cables under the streets of major cities and across rivers.
- Focussed on what matters most to customers:
  - Better detection
  - Low nuisance alarm rates
  - Real time, reliable, meaningful, actionable data
- Technology applications in all sorts of environments
- Using AI learning to find and classify information
- Remote updates – software upgrades, cyber hardening – supporting recurring revenue.

# REAL WORLD – PROBABILITY OF DETECTION (POD) VS NUISANCE ALARM RATE CHALLENGE

- **Probability of Detection (POD)**
  - Percentage probability that a “threat event” will be detected
- **Nuisance Alarm Rate (NAR)**
  - The number of alarms that are not threat events
- **High NAR impacts confidence in security system**
- **Smart algorithms required to reduce NAR and maintain high POD**

Smart algorithms: High POD & Low NAR



Performance limit of traditional hand-coded algorithms

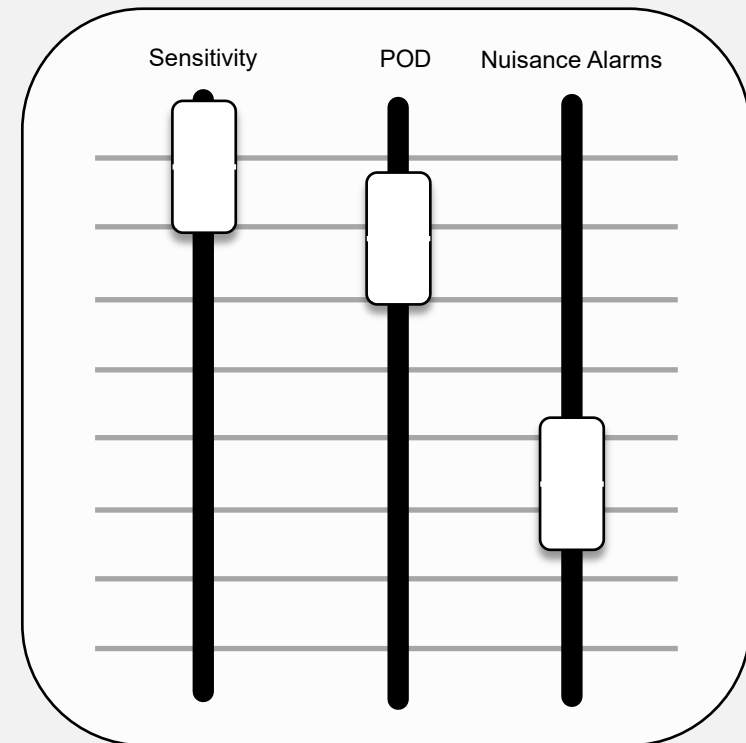


# DEEP LEARNING – HIGHEST POD WITH LOWEST NAR

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- The ideal system would maintain the highest possible POD and the lowest possible NAR
- The high event classification accuracy of Deep Learning enables optimal balance between POD and NAR

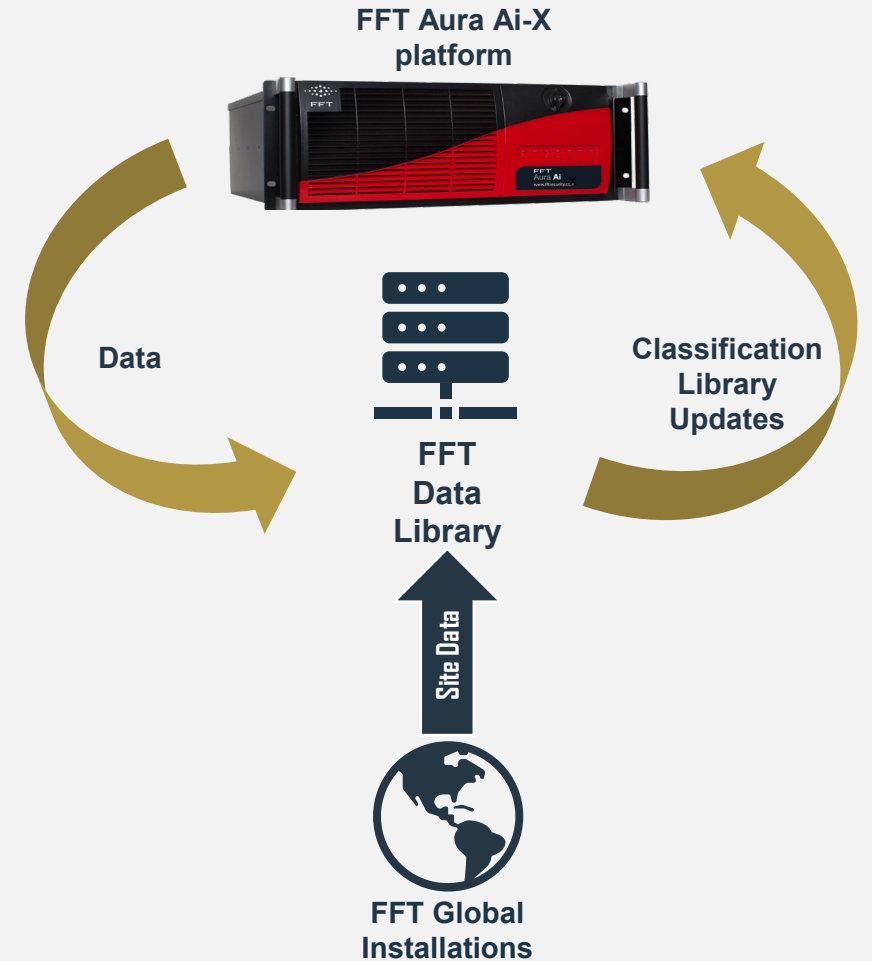
The Ideal POD/NAR Balance





# DEEP LEARNING SOLUTION

- FFT has developed a Deep Learning solution for its Aura distributed fibre sensing platform
- Supported by a rich, application-focused discreet data library
- FFT's Deep Learning solution offers
  - highest POD with lowest NA
  - highest accuracy of event classification
  - continuous improvement



# FFT AURA AI-X CASE STUDY #1

**Location:** Seaport in the Middle East

**Application:** High security fence

**Total Fence Perimeter:** 32 km/20 mi

**Environment:** Strong winds (speed >60km/hr)

**Customer Requirements:** Detect stealth fence climbs and cuts

**Data Collected:**

- 229 intrusion tests.
- Strong weather events (total 3.25 hrs from nine (9) different days).
- 6-month period.

## Standard Signal Processing

Intrusion Tests	Detections	POD	Nuisance Alarms
229	185	80.8%	17

## Using Aura Ai-X Signal Processing

Intrusion Tests	Detections	POD	Nuisance Alarms
229	222	96.9%	0



# FFT AURA AI-X CASE STUDY #2

**Location:** Oil refinery in North America

**Application:** High security fence

**Total Fence Perimeter:** 4.5 km/2.8 mi

**Environment:** Strong winds and rain

**Customer Requirements:** Detect stealth fence climbs, ladder climbs and cuts

**Data Collected:**

- 167 intrusion tests.
- Variable weather events (primarily wind and rain) Over three (3) months.

Standard Signal Processing			
Intrusion Tests	Detections	POD	Nuisance Alarms
167	151	90.4%	3876 (storm related)

Using Aura Ai-X Signal Processing			
Intrusion Tests	Detections	POD	Nuisance Alarms
167	166	99.4%	0

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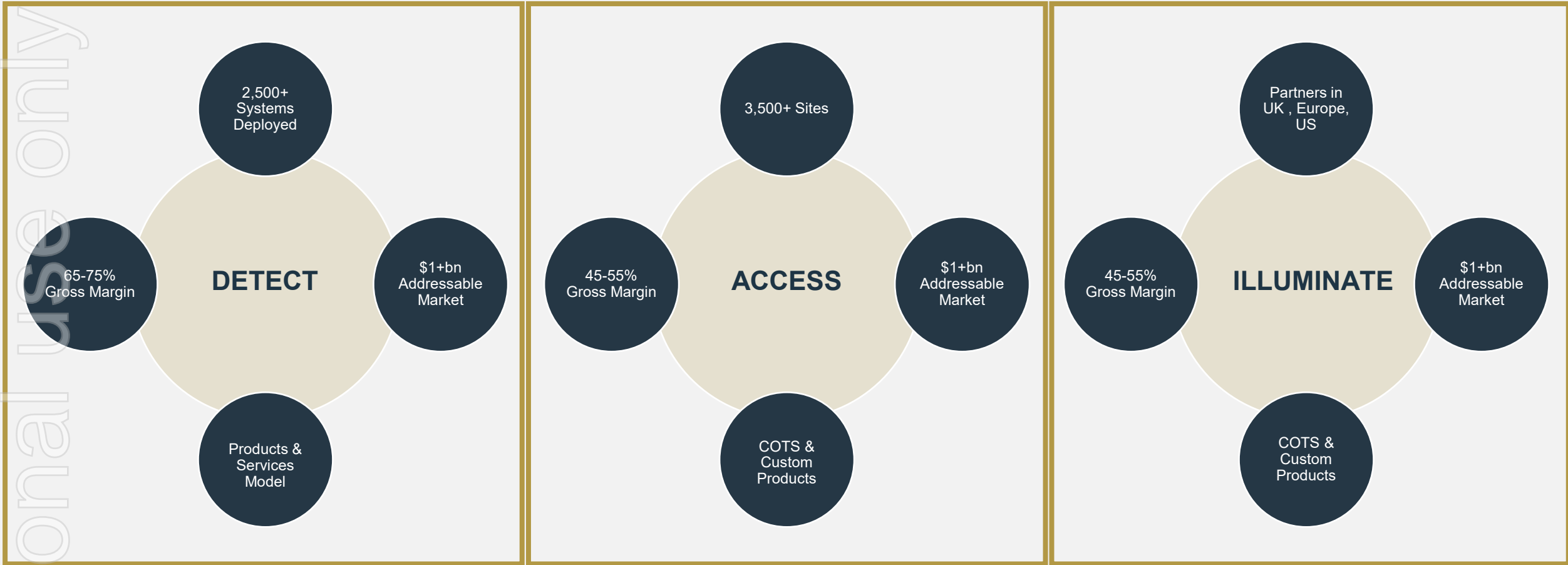
# BUSINESS DEVELOPMENT

Jim Viscardi



# COMPLIMENTARY MIX OF REVENUE STREAMS & MARGINS

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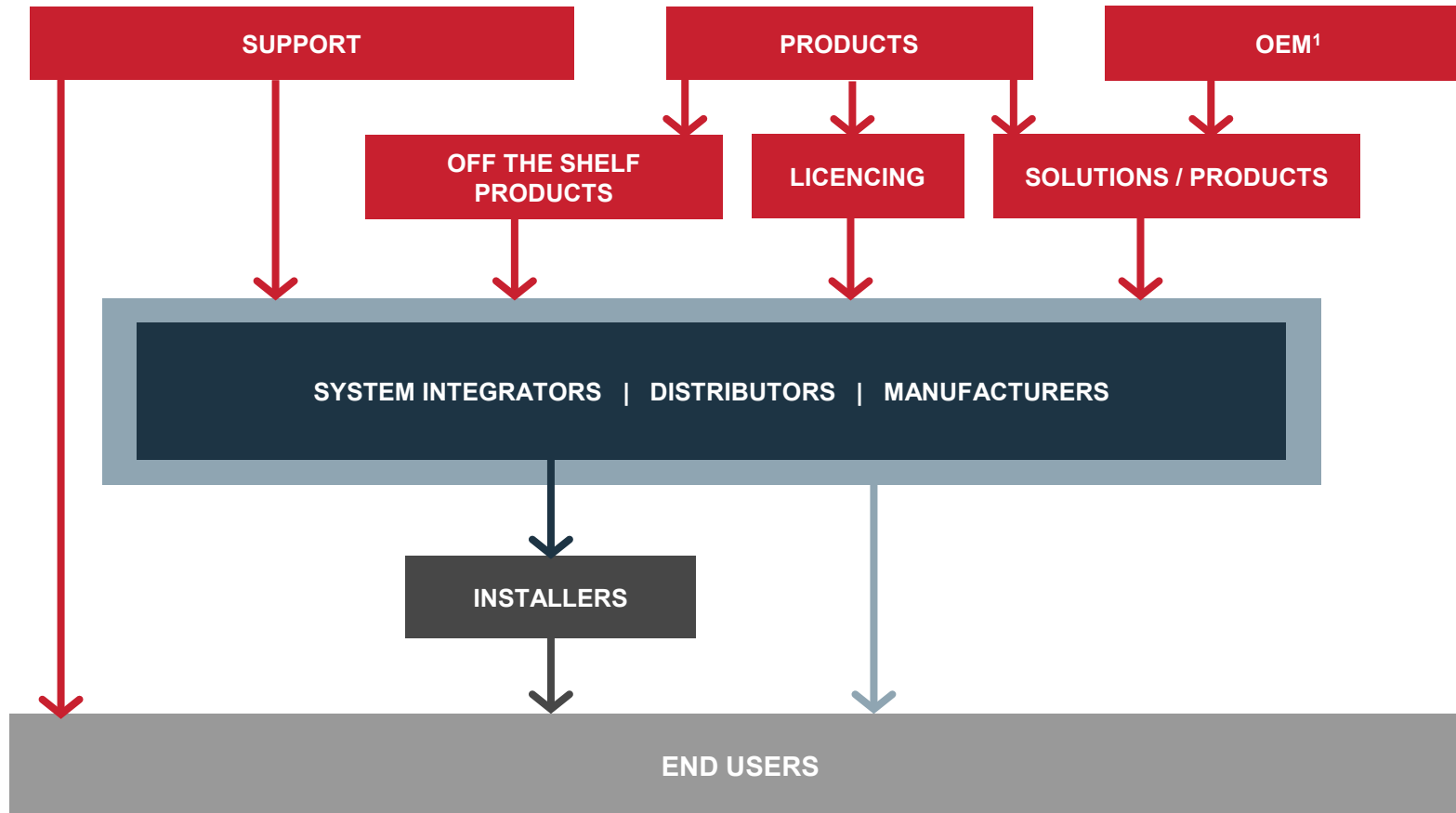


# PROVEN GO-TO-MARKET STRATEGIES

Diversified, low-risk and scalable global model, leveraging market-leading relationships

What Ava provides

Others in ecosystem



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# HIGH-QUALITY BASE OF END USERS

## SAMPLE OF END USER CUSTOMERS



# PARTNER RELATIONSHIPS EXPAND MARKET REACH

## SAMPLE OF SYSTEM INTEGRATORS / DISTRIBUTORS

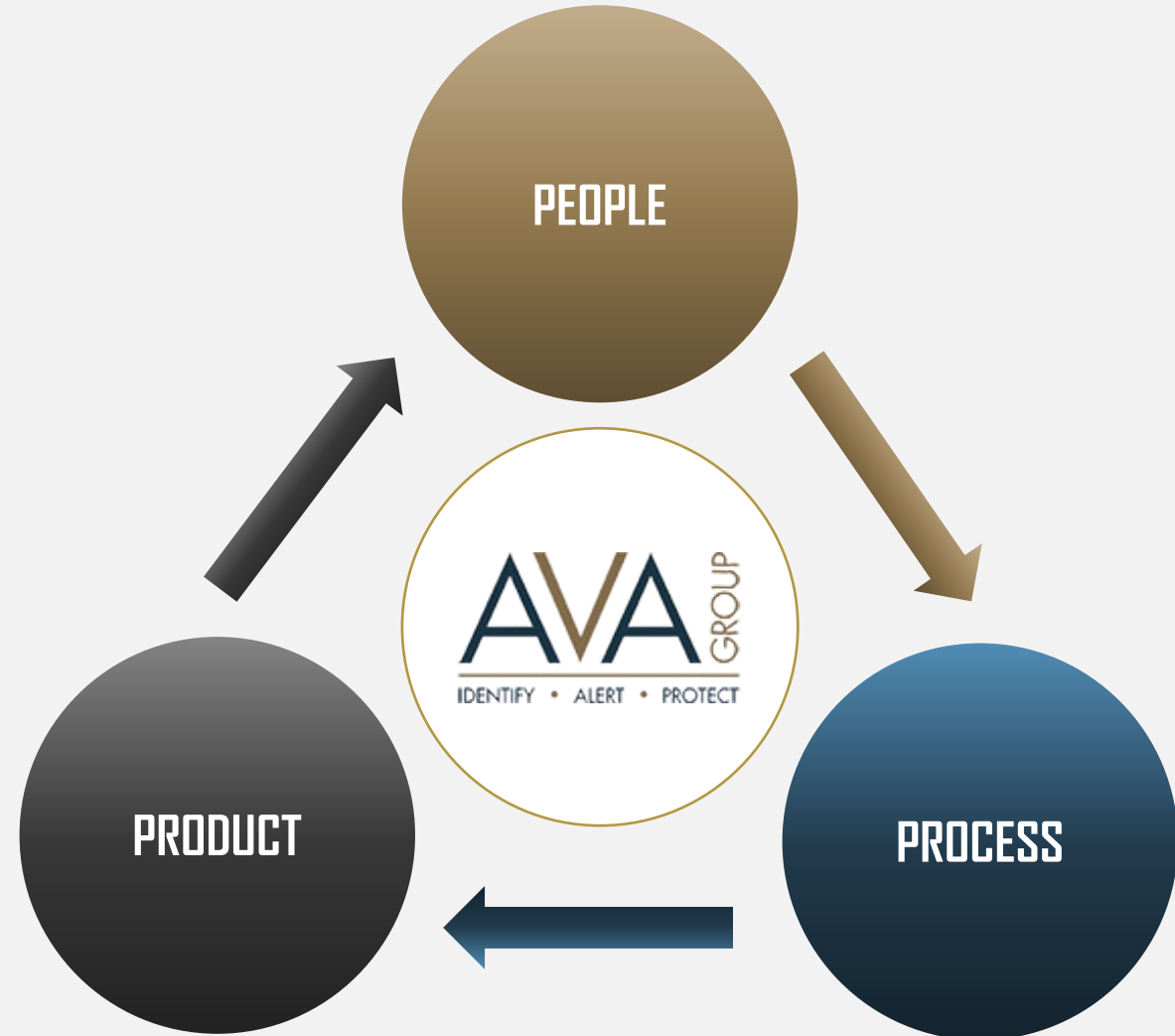




# BUSINESS DEVELOPMENT EXPANSION PLANS

**FY22** – raise the commercial acumen and capabilities for the Americas commercial group

**FY23** – expand to global sales team



# CASE STUDY – NORTH AMERICAN NUCLEAR ENERGY PLANT

- June 2022 – Supply and installation of fibre optic PIDS
- Upgrade from competitor's technology
- Key factors: detection performance, reliability and flexible integration
- Two site expansions since June, with more scheduled in 2023 and 2024





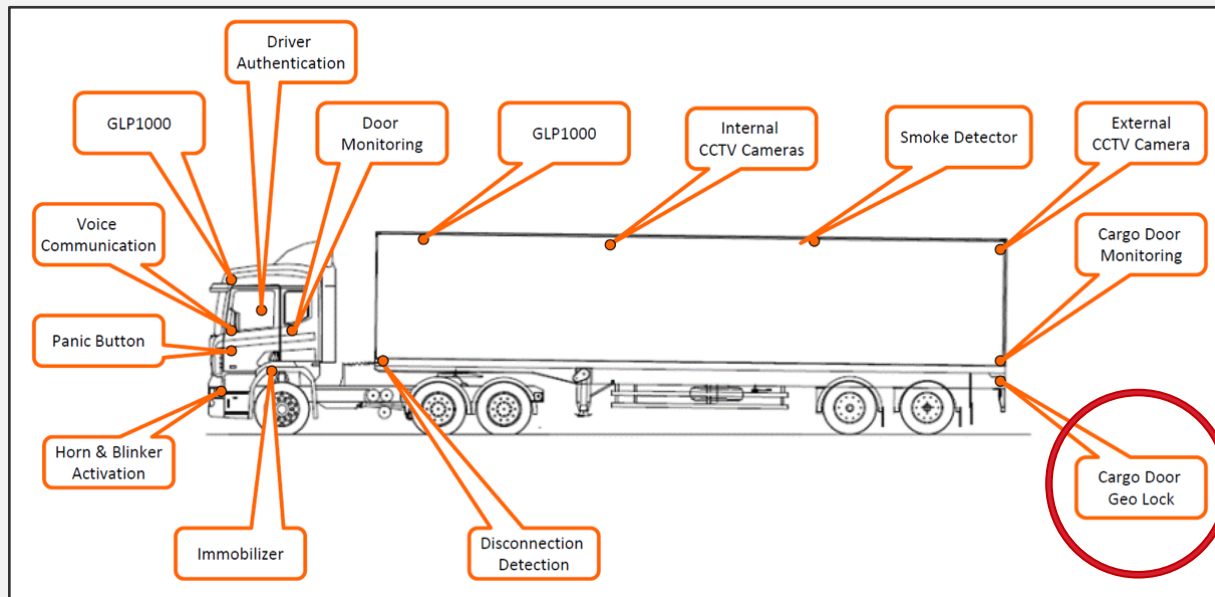


# CASE STUDY AUSTRALIAN DEPARTMENT OF DEFENCE

- Customer for 8+ years
- Provision of access readers to DoD sites across Australia
- Over 50,000 access readers
- Encryption at an affordable price
- Ongoing upgrades


# CASE STUDY – TNT WORLDWIDE

- Astrata – logistics and supply chain optimization
- Deployed on TNT Worldwide Express containers across Asia
- GPS-connected for monitoring and remote activation



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**CASE STUDY –  
TUPRAS IZMIR  
REFINERY, TURKEY**

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- Large, critical refinery in Turkey
- Using FFT fibre optic PIDS since 2015
- Chose FFT after four other PIDS technologies failed

## CASE STUDY – LIVINGSTON COUNTY JAIL

- American correctional facility with 180+ BioXK biometric readers
- 1, 2 or 3-factor identification
- “Bio on card” - no user biometric data stored on the device or in the access control system







# CASE STUDY – SYDNEY ZOO

- Elephant enclosure at Sydney Zoo
- 15-foot-tall steel gates
- Strength and status feedback capabilities

# CASE STUDY – ELERA RENEWABLE, BRAZIL

- 13 km solar farm requiring low maintenance, buried PIDS solution
- Geo-location integration with camera system
- Low cost of ownership with no power in field







## **CASE STUDY – GOVERNMENT CUSTOMER IN SINGAPORE**

- 60 government sites across Singapore
- Integration of fibre optic detection system (Detect) with laser-based surveillance product (Illuminate) to provide a comprehensive perimeter intrusion detection system



**PRELIMINARY H1 FY2023  
PERFORMANCE**  
Neville Joyce

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# ACCELERATION IN REVENUE GROWTH IN H1 FY23

Growth of 50% on the prior year

\$Am	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23
Revenue <sup>1</sup>	8.4	8.6	9.1	9.9	13.6
Gross Profit	5.3	5.5	6.0	6.3	
Gross Margin	63%	64%	66%	64%	
EBITDA <sup>2</sup>	0.3	0.6	0.2	0.6	
EBITDA Margin	3.5%	6.9%	0.0%	6.1%	

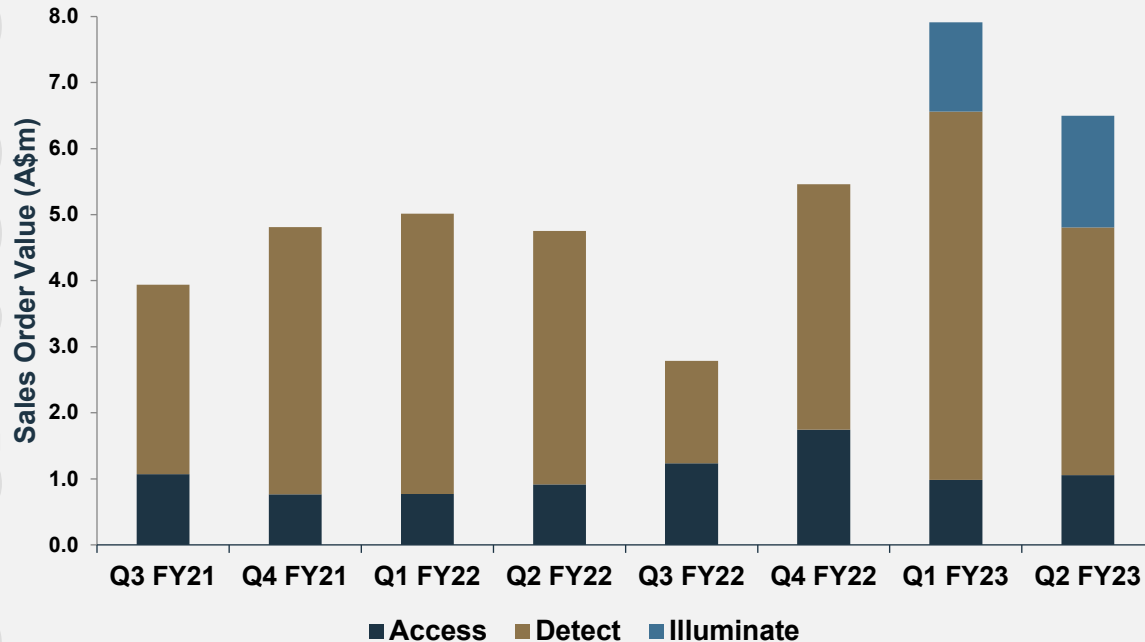
- H1 FY23 **revenue growth of 50%** compared to the prior year, accelerating with the addition of GJD and growth in sales order intake.
- **Gross margins** maintained at around **65%** - expectation that these margins can be sustained as revenue grows.
- Ability to **leverage cost base to grow EBITDA margins** – expectation that H1 FY23 EBITDA margin will grow on the prior year.

H1 FY23 financial results to be released at end of February 2023.

1. FY21 revenue excludes contribution from IMoD licensing, other income (FY21: \$7.7m, \$0.7m)  
2. EBITDA excludes unrealised foreign exchange variations.

# H1 FY23 SALES ORDER INTAKE AND REVENUE OUTLOOK

Sales Orders Received (A\$m)



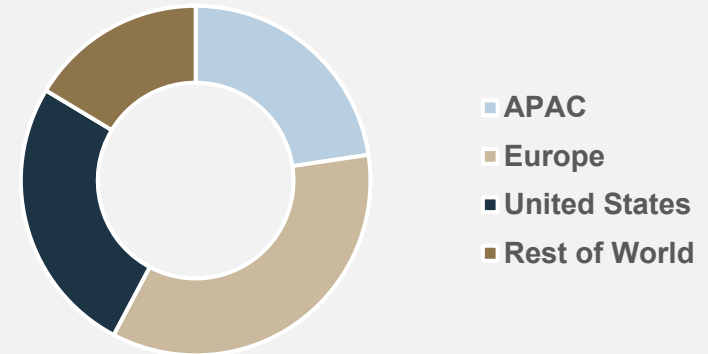
- Sales order intake a leading indicator.
- Total sales order intake of **\$14.4m** in H1.
- Strong H1 sales performance - order intake up **47%** on the prior year.
- First orders for Aura IQ received during H1.
- Continued expansion in North American energy sector.
- Expected H1 revenue of **\$13.6m**, up 50% on the prior year continuing operations.
- Revenue in the second half of the financial year is expected to grow on the first half driven by:
  - Full half contribution from GJD
  - Growth in OEM / Distribution channel revenue
  - Growth in the Detect business from expanded sales pipeline and improved conversion.

# GLOBAL REVENUE FOOTPRINT

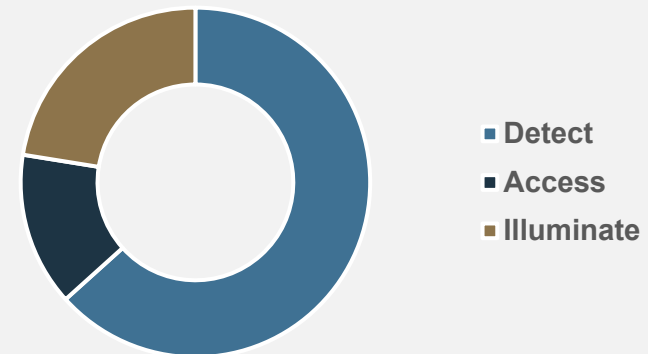
Growth in the US supported by increased capability, expansion in Europe following acquisition of GJD

- H1 FY23 revenue **evenly dispersed across the key geographies in which we operate.**
- We have invested in **business development capability in the US, the world's largest security market.** We have demonstrated our ability to win competitive contracts to deploy fibre-optic perimeter detection technology to critical infrastructure assets.
- Growth in revenue from Europe +92% compared to prior year as we leverage the footprint acquired with GJD.
- Group revenue skewed towards **Detect** segment with catalysts for revenue growth within each of the business segments.

H1 FY23 Revenue by Geography



H1 FY23 Revenue by Segment



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# CLOSING

## Mal Maginnis



# COMPELLING CASE FOR INVESTMENT

Leading technology with scalable model and organisational capability to support growth plans



## TRACK RECORD OF GROWTH AND RESULTS

- High gross margins – circa 65% and scalable cost base
- Strong cash generation and surplus cash for investment
- Already proven and developed technology 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
- Efficient, scalable go-to-market strategies which include key distributor partners
- Target revenue growth to \$70 - \$100m over next three years delivering EBITDA margins of 20% - 30%.



## GLOBAL OPPORTUNITY

- Well-placed to become a global leader in smart digitisation for security and asset protection, thousands of products installed in +70 countries
- Emerging global partnerships with large multinationals
- Existing global revenue base



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# QUESTIONS

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[aabeyratne@citadelmagnus.com](mailto:aabeyratne@citadelmagnus.com)

# FORWARD LOOKING STATEMENTS

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