

Global leader in smart security and
sensing technologies

1H FY23 RESULTS AVA RISK GROUP

24 FEBRUARY 2023

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Strategy & Outlook

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1H FY23 PERFORMANCE OVERVIEW

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

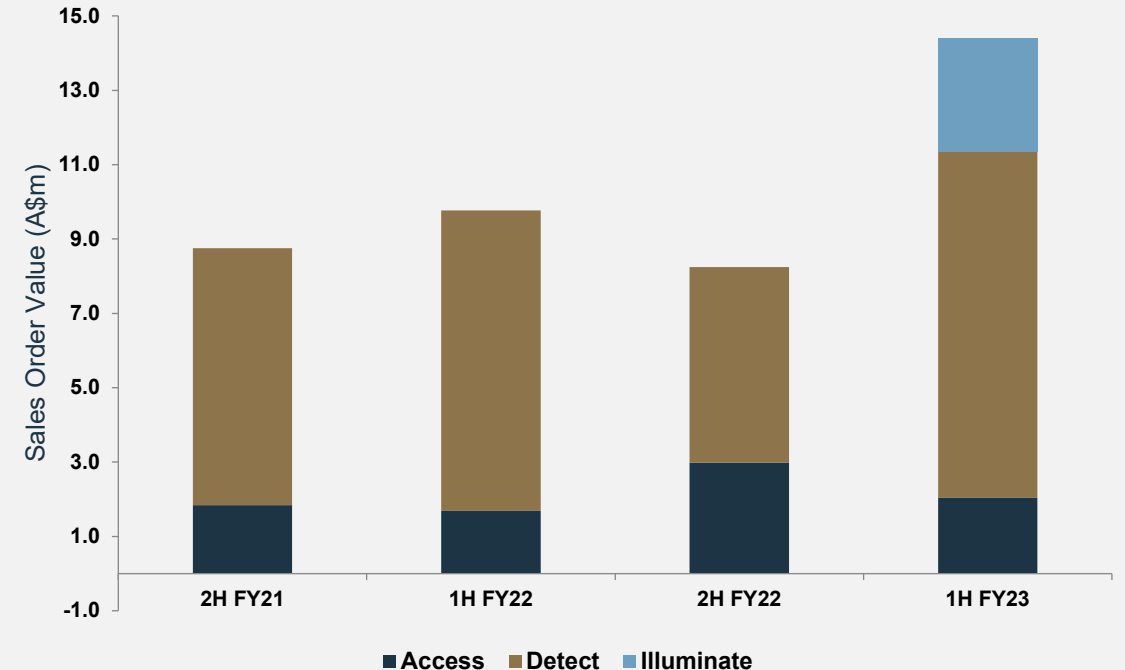
1H FY23 OPERATIONAL HIGHLIGHTS

- **Acquisition of GJD** in August 2022 to create the Illuminate segment. GJD is a UK based security technology supplier and provides a complimentary product, technology and geographic footprint.
- **Growth of 47% in sales order intake to \$14.4m** compared to the prior year. Significant growth in both the Detect and Access segments, accelerated by addition of the Illuminate segment.
- **Continued expansion in strategically important markets.** Additional orders received in the North American energy market and first commercial orders received for the Aura IQ application.
- Further **development of AI technology**, building on the existing Aura IQ and perimeter detection platforms. AI is critical to improving system performance and providing a compelling upgrade path for our customers.



1H FY23 SALES ORDER INTAKE

- **Total sales order intake** (leading indicator of Group revenue) of **\$14.4m**, up 47% on the prior year.
- **Detect sales order intake of \$9.3m**, up 15% with continued expansion in the North American energy segment and first commercial orders for Aura IQ application.
- **Access sales order intake of \$2.0m**, up 21%. Growth supported by initial orders from OEM channels which are expected to growth further during the second half.
- **Illuminate sales order intake of \$3.0m** following the acquisition of GJD in August 2022.



1H FY23 FINANCIAL HIGHLIGHTS

- **Group revenue of \$13.6m, growth of 50% on the prior year** consistent with the growth from sales order intake.
- EBITDA¹ of \$1.2m and **expansion of EBITDA margins to 9%** illustrating the leverage in the cost base as revenue grows.
- Growth in both revenue and EBITDA across all business segments.
- Total **development investment of \$0.9m** with continued investment in our technology in all segments, particularly AI which will support improved system performance and upgrade opportunities.
- **Cash balance of \$7.1m** at 31 December 2022 leaving the Group well placed to support its next phase of growth.



1. EBITDA excludes foreign exchange variations.

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H1 FY23 PERFORMANCE

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GROUP FINANCIAL SUMMARY

Strong revenue and earnings growth

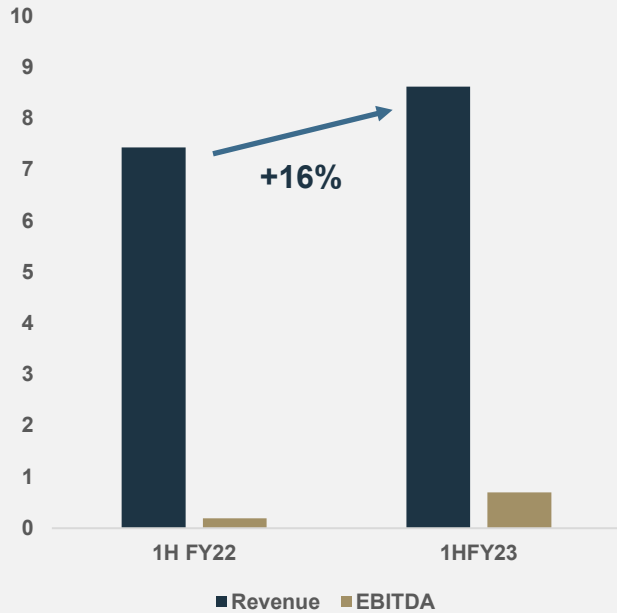
\$Am	1H FY23	1H FY22 ¹	Var	Var %
Revenue	13.6	9.1	4.5	+50%
Gross Profit	9.1	6.0	3.1	+50%
Gross Margin	66.3%	66.4%	(0.1%)	
EBITDA ²	1.2	0.2	1.0	+445%
EBITDA Margin	9.2%	2.5%	6.7%	
D&A, FX, Finance	(1.2)	(1.0)	(0.2)	
Profit before tax	0.0	(0.8)	0.8	
Profit after tax	(0.2)	(0.9)	0.7	

- H1 FY23 **revenue growth of 50%** driven by improved sales order intake and the addition of GJD.
- **Gross margins** maintained at **66%** - expectation that margins around this level can be sustained as revenue grows.
- **Growth in EBITDA to \$1.2m** illustrating the leverage in the cost base as group revenue grows.
- Group profit before tax at breakeven point, improved by \$0.8m compared to the prior year.

1. 1H FY22 comparative figures are based on continuing operations and exclude the prior year contribution from the Services division divested in October 2021.
 2. EBITDA excludes unrealised foreign exchange variations.

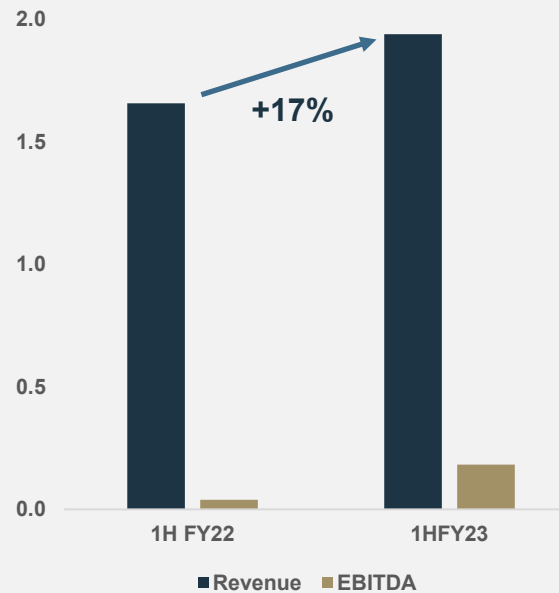
SIGNIFICANT GROWTH ACROSS DETECT AND ACCESS SEGMENTS

Detect - A\$m



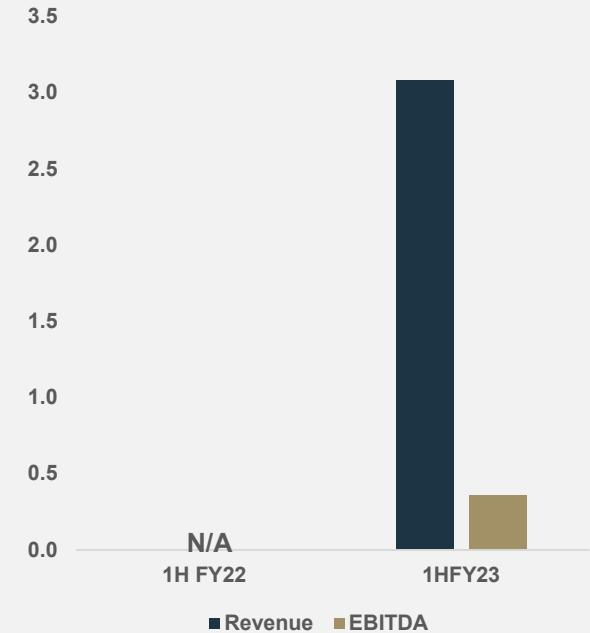
- Continued expansion in the North American energy segment
- First commercial orders for Aura IQ

Access - A\$m



- Growth supported by initial orders from OEM channels

Illuminate - A\$m



- Initial orders following the acquisition of GJD in August 2022

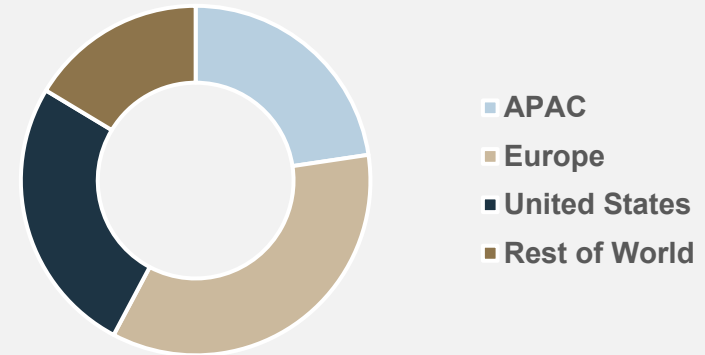
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GLOBAL REVENUE FOOTPRINT

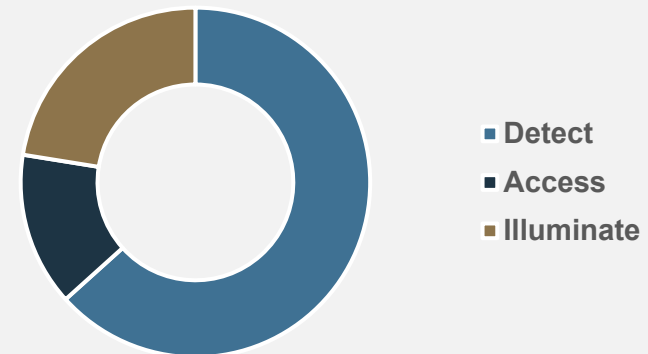
Growth in the US supported by increased capability, expansion in Europe following acquisition of GJD

- H1 FY23 revenue **evenly dispersed across the key geographies in which we operate.**
- Targeted investment in **business development in US** (the world's largest market) to drive further penetration. Proven ability to win competitive contracts to deploy fibre-optic perimeter detection technology to critical infrastructure assets.
- Strong geographic diversity with **Europe up 92%** following GJD acquisition.
- 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



IMPACT OF GJD ACQUISITION ON THE BALANCE SHEET

	A\$m
Fair Value of purchase consideration	7.5
Opening Balance Sheet:	
Fair Value of Assets acquired	5.0
Borrowings	(2.9)
Other Liabilities	(1.1)
Net Assets	1.0
Goodwill recognised on acquisition	6.5

- Fair value of the purchase consideration is a mix of cash (\$4.5m) and Ava Group script (\$3.0m).
- Assets acquired primarily relate to receivables (\$1.6m) and inventory (\$2.1m).
- Borrowings relate to working capital facilities and Covid-19 related support loans.
- Other liabilities primarily relate to creditors and leases.
- **Goodwill of \$6.5m recognized in the financial statements relating to the GJD acquisition.**

GROUP BALANCE SHEET

\$A'000	31 Dec 2022	30 Jun 2022	GJD Acq	Movement excl GJD acq
Cash and cash equivalents	7.1	15.2	0.0	(8.1)
Receivables	7.8	4.7	1.6	1.5
Inventories	7.1	3.3	2.1	1.7
Intangibles	12.8	6.0	6.5	0.3
Other assets	2.8	1.2	1.3	0.3
TOTAL ASSETS	37.6	30.4	11.5	(4.3)
Payables	3.3	2.8	0.6	(0.1)
Provisions	1.5	1.4	0.0	0.1
Borrowings	2.7	-	2.9	(0.2)
Other liabilities	0.5	0.3	0.5	(0.3)
TOTAL LIABILITIES	8.0	4.5	3.9	(0.4)
TOTAL EQUITY	29.6	25.9	7.5	(3.8)

- The balance sheet has been adjusted to remove the impact of the opening balances attributable to the GJD acquisition to determine the underlying movement.
- Increased receivables balance is driven by the completion of a number of projects in December which were paid in January (\$1.2m).
- Increased inventory due to purchasing to secure supply chains and lock in pricing for critical components to support forward orders.
- Borrowings relate to facilities in place at the acquisition of GJD

GROUP CASH FLOW

	A\$m
Working Capital Movement	(2.0)
Development / Capital Expenditure	(1.3)
Acquisition of GJD	(4.5)
Repayment of Borrowings	(0.3)
Finance, Tax charges	(0.3)
Other (incl FX)	0.3
Movement in Cash	(8.1)
Opening Cash	15.2
Closing Cash	7.1

- Negative working capital movement due to increased receivables and inventory. Higher receivables reflect the completion of a number of projects in December for which payment was received in January. Increased inventory is to secure supply chain and pricing for critical components.
- Development expenditure relates primarily to AI platform supporting the Detect segment.
- Acquisition of GJD reflects the cash component of the purchase consideration for GJD.
- Repayment of borrowings relate to the facilities acquired with GJD.

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OUTLOOK & STRATEGY

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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

MARKET OPPORTUNITY DRIVEN BY GLOBAL INDUSTRY TRENDS

Industry trends support long term growth

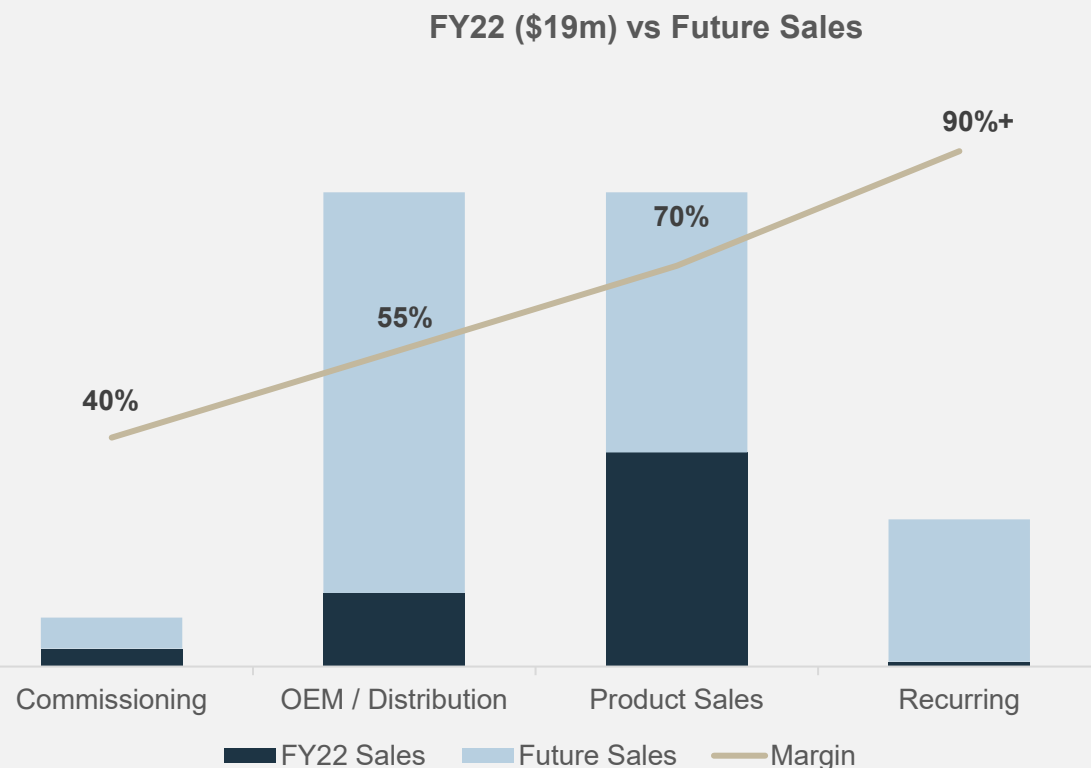
- Global security concerns driving rapid adoption of high security technology
- Increased government spending on protecting critical infrastructure
- Global connectivity driving greater demand for remote service capability
- Situational awareness & leveraging data for business outcomes

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

SCALABLE BUSINESS WITH SUSTAINABLE MARGINS

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



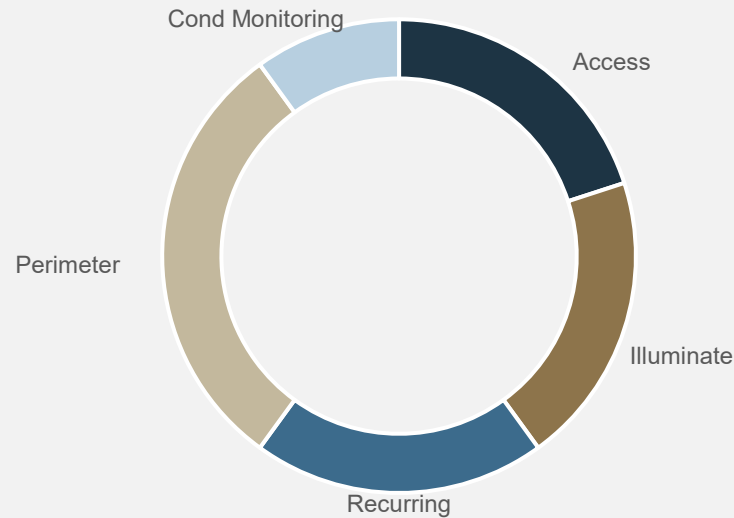
- Platform and pipeline in place to **grow revenue to \$70 - \$100m** over the next three years through:
 - multi-year services contracts;
 - increased product sales in security and adjacent markets; and
 - leveraging distribution / OEM partnerships including acquisition of GJD
- Revenue growth leverages 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 +25%
- Organic growth via existing customers, as well as ongoing assessment of inorganic opportunities to support expansion and scale

CLEAR PATH TO DELIVER GROWTH OVER THE NEXT THREE YEARS

	Revenue Range	Gross Margin	Op Cost Range	EBITDA Margin
Base		60% - 65%	\$15m - \$18m	circa 9%
Year 1	\$36m - \$45m	60% - 65%	\$18m - \$21m	circa 14%
Year 2	\$50m - \$70m	60% - 65%	\$21m - \$25m	+20%
Year 3	\$70m - \$100m	60% - 65%	\$24m - \$30m	+25%

- **Leverage the existing drivers of growth across all business segments:**
 - OEM / Distribution channels to support the Access and Illuminate segments.
 - Grow recurring revenue via annual upgrade path in the Detect segment to improve system performance and ensure cyber security compliance
- Recurring and OEM / Distribution revenue anticipated to provide around **60% of Group revenue base from predictable / run rate sources.**
- Supplement Group revenue with new installations in the Detect segment from both perimeter detection and condition monitoring applications.
- Increased operating costs to support additional sales / business development resources, continued development of core Group technology and modest increases to support production capability.

Projected Revenue Profile

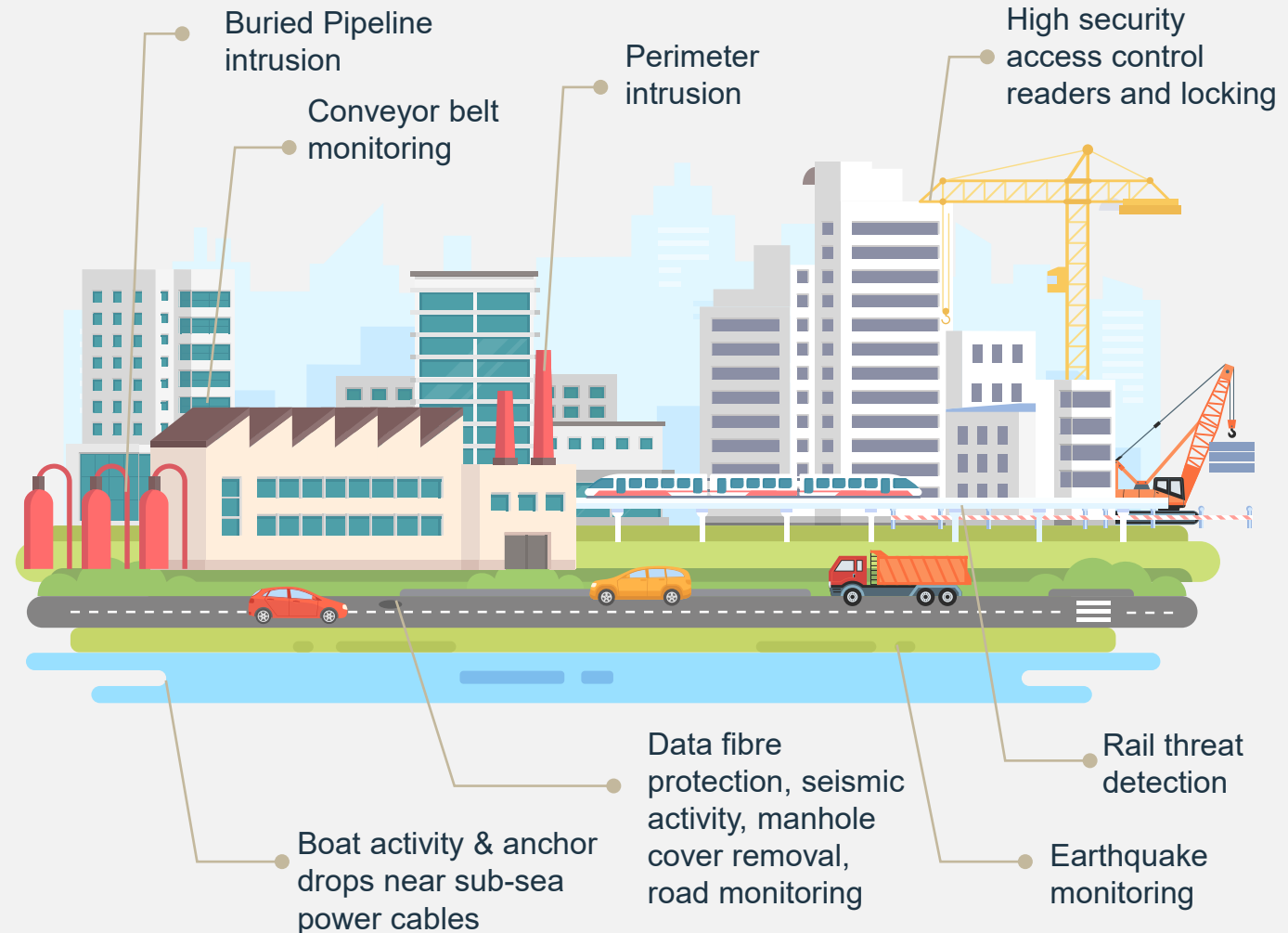


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SENSING BEYOND SECURITY

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



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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 +25%.



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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AVA GROUP

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FORWARD LOOKING STATEMENTS

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