

ASX RELEASE

28 August 2023

Ava Risk Group announces FY23 Results

Ava Risk Group Limited (ASX: AVA) (“Ava Risk Group” or “the Company”) announces its financial results for the year ended 30 June 2023.

Highlights

- Sales order intake grew to \$30.9m, up 71% on the previous year.
- Group revenue from continuing operations of \$28.6m, up 54% on FY22.
- Gross margins of 64% in line with FY22 (65%).
- Underlying EBITDA of \$2.0m, up 150% on FY22 (\$0.8m).
- Reported EBITDA of \$1.3m, including one off expenses, up 63% on FY2022 (\$0.8m).
- Significant focus and investment in customer facing sales and support capability to drive future growth - encouraging initial results with both sales order intake and revenue growing in H2 FY23.
- Successful launch of Aura Ai-X, the latest generation, data driven intrusion detection system.

In line with growth in its sales order intake, Ava Risk Group reported a strong financial performance for the year, with the Company increasing revenue 54% to \$28.6 million. The increase is driven by \$3.8 million of additional revenue in the Detect segment due to increased sales order intake, and \$6.3 million of revenue from the Illuminate segment following the acquisition of GJD.

Ava Risk Group CEO Mal Maginnis said: “Since joining Ava at the start of the year I have been focused on better aligning the business segments with customer solutions. This has resulted in a renewed focus on our customer facing sales and support teams and investment in upskilling our capability to deliver future growth. The initial results from these changes are encouraging, with good growth in sales order intake and revenue in the second half.

We were pleased to launch Aura AI-X earlier this year, delivering unrivalled performance using an embedded deep learning engine to improve detection rates and reduce nuisance alarms. We firmly believe Aura AI-X will become the solution of choice for the protection of critical infrastructure worldwide. This product has immediately shown success by winning a significant contract to protect a critical European border. Importantly, it also establishes a long-term support arrangement and recurring revenue stream with customers and gives them access to algorithms based on our global data library.

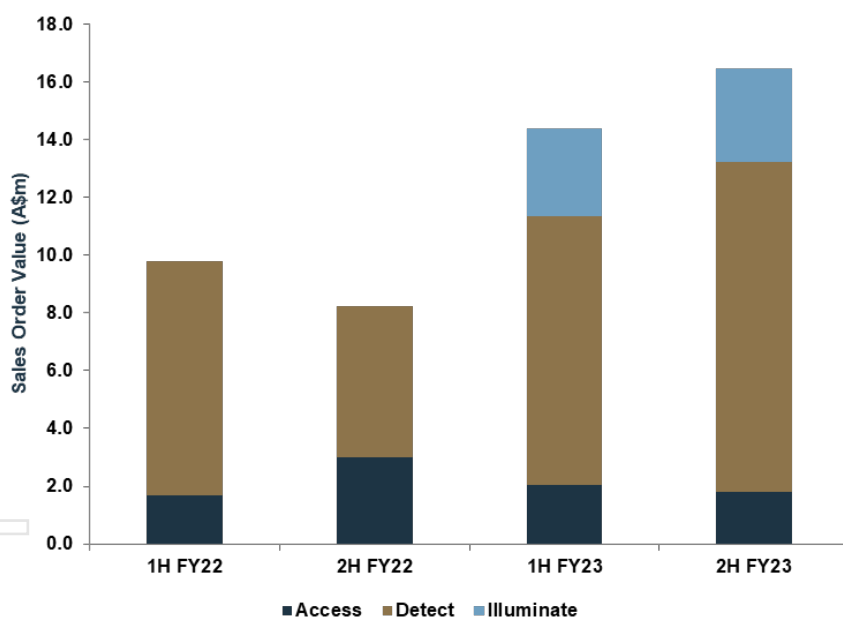
The addition of the Illuminate segment remains an important accelerator of growth for the Company. We are already seeing synergies with the large-scale solutions in the Detect segment and are confident in the opportunity to expand our market reach for this segment. There are a number of growth catalysts within the business and we have developed the organisational capability to execute on our plans.”

The Detect segment saw continued growth in key geographies and industry verticals with sales order intake in North America 34% of orders received, up 20% on the prior year, and with additional orders received from the energy sector. Orders from Europe grew significantly, including the first deployment of the Aura AI-X system to the protection of a critical European border. Orders for Ava’s conveyor belt solution were also fulfilled, demonstrating the ability of the core technology to be adapted to adjacent applications.

The integration of GJD following its acquisition in August 2022 provides Ava Risk Group with complementary technologies while strengthening the Company’s presence in the UK and western Europe. While the Illuminate segment has experienced challenging economic conditions in the UK during FY23 which has impacted domestic sales, combined customer solutions across the Detect and Illuminate segments have already been achieved.

The Access segment has made good progress towards meeting compliance obligations in order to access key distribution channels, which it anticipates will be obtained during Q1 FY24. While the segment recorded declining sales order intake and revenue during FY23 as a result, this will enable an acceleration of sales in FY24. Ava retains a global framework agreement for the supply of Access products to dormakaba International, a global leader in security access control systems.

Chart 1 – Sales Orders



Summary Financial Review:

A\$m	FY23	FY22	Change
Revenue from continuing operations	28.6	19.0	9.6
EBITDA* underlying	2.0	0.8	1.2
EBITDA** from continuing operations	1.3	0.8	0.5
Profit / (loss) after tax from continuing operations	(1.1)	(0.7)	(0.4)
Profit / (loss) after tax from discontinued operations***		33.8	N/A
Profit / (loss) after tax	(1.1)	33.1	(34.2)

* EBITDA excluding one-off costs of \$0.7m.

** EBITDA excluding unrealised foreign exchange variances

*** Discontinued operations relate to the Services division divested during FY2022

The Group's consolidated gross margin was broadly maintained at 64% (FY22: 65%) notwithstanding the addition of the lower margin Illuminate segment. Gross margin within the Detect and Access segments grew from the prior year reflecting careful supply chain management including the forward buying of inventory to lock in prices and secure supply. Margin in the Illuminate segment at 48% is consistent with expectations within the distribution business but has the effect of slightly diluting consolidated gross margin.

Group EBITDA of \$1.3 million represents growth of 63% (FY22: \$0.8 million). Excluding one-off costs of \$0.7m associated with the reorganisation of the business during H2, underlying EBITDA is \$2.0 million, up 150% on FY22. The Company's net loss from continuing operations of \$1.1 million is \$0.4 million higher than the previous year (FY22: loss of \$0.7 million) due to higher depreciation and interest charges associated with the acquisition of GJD.

The Company had a cash balance of \$5.5 million at 30 June 2023 (FY2022: \$15.2 million). The movement is driven by the GJD acquisition (\$5.5 million, including overdraft acquired) and continued technology investment in the Aura platform (\$1.9 million). Cash flow from operations was (\$2.2 million) for the year mainly driven by increased inventory during the first half of the year to secure supply chains and lock in costs. Pleasingly, cash flow from operations during the second half of the year was positive, notwithstanding some one-off costs attributable to organisational changes.

Investor Webinar

Chairman David Cronin, CEO Mal Maginnis and CFO Neville Joyce will host a Zoom webinar to present the results at 9.30am AEST today. To register for the webinar, please select the following link:

https://us06web.zoom.us/webinar/register/WN_LHo6ZdQwTsmGbL3LXzelkw

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Approved for release by the Board of Directors.

For further information, please contact:

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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 – Detect, Access and Illumination. The Detect segment 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. Access is a specialist in the development, manufacture and supply of high security biometric readers, security access control and electronic locking products.

Illumination specialises in the development and manufacture of illuminators, ANPR cameras and perimeter detectors.

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