

XTEK Limited
Annual General Meeting
Group CEO's Address to Shareholders
23 November 2023

Introduction

Good Afternoon ladies and gentlemen, and welcome to XTEK.

It gives me great pleasure to speak to you today on XTEK's FY23 results, and to update you on our current endeavours and plans for FY24.

XTEK is a remarkably different business now from when I took over as Group CEO just over two years ago, at the end of July 2021.

Today, we are a serious, consistent, and growing global company, that undertakes meaningful and important work, by manufacturing and supplying advanced life-saving ballistic armour products, and by providing high-end uncrewed systems and solutions, for military and law enforcement customers, here in Australia and around the world.

FY23 was yet another year of high tempo activity for us, all around the globe, and it saw our team grow and develop, with a number of new senior executive and key management staff joining us throughout the reporting period.

FY23 was a second consecutive year of record revenue growth and profitability for the Group, and we are now three times the size we were by revenue, when I took over the reins.

It is the tireless dedication and commitment of our staff, the energy and effort of our management team, and the guidance and governance of our Board, that have delivered these excellent FY23 results for you, our shareholders.

I am tremendously proud of our entire team, and of the great work they do every day. And I greatly appreciate and value the diligence and support of our Directors, and the commitment they have to overseeing the best interests of the company and the creation of shareholder value.

FY23 Results - Key Highlights

- Record Revenue of \$89.4m – up 54% from our previous record revenue of \$58.2m at end FY22
- Record Gross Profit of \$33.7 up from \$27.4m at end FY22
- Record EBITDA of \$10.9m up from \$9.0m at 30 June 2022
- Record NPAT of \$6.1m up from \$5.7m at 30 June 2022
- Cash at bank on 30 June 2023 was \$6.9m
- Tripled our revenues in two years from \$28.4m in FY21 to 89.4m in FY23
- The FY23 revenue contribution was split 41% Technology and 59% Ballistics

Technology Division

- Exclusively supplies, integrates, trains, and supports Small Uncrewed Aerial Systems (SUAS) and Sensor Payloads from world-leading US based drone company AeroVironment across the ANZ region.
- Major Customer: Australian Department of Defence
- Co-located with Corporate HQ in Canberra, ACT, Australia.

In December 2022, XTEK was awarded an Acquisition Contract from the Commonwealth of Australia's Department of Defence, totalling \$26.9m, for new Small Unmanned Aerial Systems (SUAS). ~96% of project revenues were recognised by end FY23, and the delivery of this order is now effectively complete.

Technology Division Activity YTD FY24

- Received a new \$3.4m SUAS Spare Parts Order from Defence, announced 12 Jul 23. Spares used for "WASP" SUAS fleet under existing multi-year Support Contract.
- Received a new 10 year / ~\$110m Support Contract from Defence, announced 3 Oct 23.
 - Contract directly linked to \$26.9m drone order announced 1 Dec 22
 - Contract has an initial term of 4 years, with 3x 2-year extension options.
 - Initial 4-year term for support services valued at \$15.9m.
 - Additional ~\$23m of spare parts expected over the initial term.
 - 6 years (2+2+2) of extension period support services, if taken, valued at ~\$26m.

- For personal use only
- An additional ~\$45m of spare parts also possible over 6-year extension period.
 - Received new Spare Parts Order valued at \$4.1m, announced 13 Nov 23.
 - The 1st spares order of ~\$23m from Initial Term of new 10 year / ~\$110m Support Contract.
 - Both the Acquisition and Support Contract orders we received over the twelve months are directly linked to the \$75m of future high confidence opportunities we have in our pipeline.
 - Given the significant effort to establish, seems unlikely that DoD would not leverage these purchase and support agreements for more of these types of drones if required.
 - Building a solid backlog of annuity income from multi-year support contracts that leverage our growing SUAS expertise and capabilities, and which are expected to further grow as fleet sizes increase over time, with improving GM from greater asset and staff utilisation.

Ballistics Division (HighCom)

Designs, manufactures, and supplies world-class, advanced Body Armour, Ballistic Helmets, and Composite Structures under our HighCom Armor brand.

Key Customers:

- Global military, US law enforcement, national security agencies, and first responder customers

Locations:

- Global Manufacturing, R&D, US Sales & Distribution Centre – Columbus Ohio USA
- European Sales & Distribution Centre – Bydgoszcz, Poland
- APAC Sales & Distribution Centre – Canberra, Australia

During the reporting period, the Ballistics Division successfully finalised the manufacturing and delivery of tens of thousands of HighCom's advanced, high performance, body armour and helmet products, to domestic US and international law enforcement and military customers.

Following the appointment of Sally Nordeen in November 2022, as HighCom Armor CEO, the business has adopted a new, direct sales "Go To Market" model in the US,

resulting in significantly greater direct engagement with our valued channel partners and end user law enforcement and government agency customers.

To support and drive this engagement, the business has increased its domestic US and international sales teams.

In December 2022, HighCom opened a new Sales and Distribution office in Bydgoszcz, Poland, which is providing excellent proximity to our target military and law enforcement customers in Central European and Scandinavian countries, with recent new European orders attesting to this.

These key critical changes have greatly increased the HighCom brand recognition in the global ballistic products community target markets and will continue to enhance strong revenue growth in a very competitive global marketplace, which is why we are taking the next steps in our growth strategy now.

Relocation of XTclave & R&D to HighCom USA

- All Adelaide based Manufacturing & R&D operations will be closed by the end Dec 23.
- XTclave & R&D are being relocated to the HighCom facility in Columbus, Ohio, USA.
- Relocation has commenced and will be completed during Q1 2024.
- Move maximizes potential for unique XTclave ultra-lightweight and high-performance products in world's largest Defence and Law Enforcement Body Armour market, esp. US DoD opportunities.
- Sales Team and Distribution capability remains based at Group HQ in Canberra, providing support to local, regional, and international Defence and Law Enforcement customers.
- Relocation & redundancy cost expected at \$0.8m
- Synergies of ~\$2m p.a. expected to be achieved.

Ballistics Division Activity YTD FY24

Ballistics Division running at ~A\$2m in monthly "run rate" bookings.

In addition to that, so far YTD in FY24, HighCom has also announced \$9.2m of new Ballistic Armour orders:

- A\$2.6m on 17 Jul 23.
- A\$2.2m on 12 Oct 23.
- A\$1.6m on 18 Oct 23.
- A\$2.8m on 20 Nov 23

Continuing to pursue and negotiate multiple large contracts with end users around the world, with a \$300m global pipeline of opportunities.

Well placed to support any sustained demand from inventory of finished and raw material holdings, even as we run stock down to more normalised levels.

Proposed Name Change to HighCom Ltd (HCL)

- Proposed Name Change from XTEK Ltd (ASX:XTE) to HighCom Ltd (ASX:HCL).
- Shareholders strongly encouraged to support proposal at today's AGM.
- Unifies parent company name with US and International subsidiary names.
- Leverages growing HighCom global brand recognition with key Military and Law Enforcement customers to drive future growth.
- With your support today, going forward the Group will be known as "HighCom Group", and the Technology Division will be known as "HighCom Technology", and the Ballistics Division will be known as "HighCom Armor".

Group Senior Management Changes Announced

- Vince Creagh - Head of Technology Division to add Group COO role to current responsibilities. WEF 1 Nov 23
- Todd Ashurst - New HighCom VP International Defence Programs hired to drive growth of Ballistic Armour with Australian and overseas Military customers. WEF 11 Sep 23
- Laurie Gardiner - Head of Corporate Services and our Company Secretary to retire after 20 years of dedicated service. WEF End Dec 23.
- And I'd like to take this occasion to personally thank Laurie for his tremendous service to the company, and for his particular support and assistance to me over the last 2.5 years.

Group Strategic Growth Plan

The Group continues to execute on our clear strategy for growth and continued profitability:

- **Reinforce Success** – Invest in the areas of our business that have been successful and have potential for continued enhancement and growth.
- **Seek Adjacencies** – Find new business opportunities that extend our reach and can draw on our experience and expertise.
- **Create our Future** – Invest in organic and inorganic expansion opportunities in the Defence and Law Enforcement markets to create new products and service offerings for sustained future growth and profitability.
- **Inorganic Expansion:**
 - The Group continues to seek the “right” inorganic expansion opportunity.
 - Likely be a US ballistics competitor (market consolidation opportunity).
 - Has existing contracts with the US DoD that are profitable and in good order.
 - Helps to capitalise on the move of our XTclave technology into that Defence market.
 - Speeds the realisation of the huge US DoD “blue ocean” potential for our “next gen” products.
 - Builds long term annuity income streams from multi-year US DoD supply contracts.

Global Tailwinds Look Set to Continue in FY24

- Driven by the war in Europe, continuing tensions in the South China Sea, and now the ongoing situation underway in the Middle East.
- Instability continues to drive both short-term supply demand, and long-term strategic investment to upgrade with next generation products and solutions.
- The recent Australian Defence Strategic Review indicates preference to buy “US Military-Off-The-Shelf” capabilities, which is positive for our Technology Division, and is confirmed by our recent drone spare parts orders and long-term support contract wins.
- In the US and Internationally, the potential for continued growth in our Ballistic Division to appears likely to remain strong for foreseeable future.
- We are actively engaged with end users and channel partners to provide support from our ready to deploy inventories to fill urgent military operational demands of customers around the world.

FY24 Key Execution Priorities

- Relocating our XTclave & R&D capabilities and consolidating all our manufacturing capabilities in the US by Q1 2024
- Launching new range of lightweight “contoured” body armour
- Growing our presence in the Panel & Platform Armour vertical and acquiring new manufacturing equipment to scale up our production capabilities for that in the US
- Continue investing in our global Sales & Marketing capabilities
- Securing multiple significant global armour opportunities, in addition to winning regular large quarterly US Gov deals, and booking “run rate” monthly BAU orders.

FY24 Opportunity Pipeline & Outlook

The Group has an opportunity pipeline of leads at various stages of qualification worth more than \$375m:

- **Technology Division** – is pursuing multiple drone related Acquisition & Support Contract opportunities across the region valued >\$75m.
- **Ballistics Division** – has a global pipeline of opportunities >\$300m for lightweight body armour, ballistic helmets, and ballistic shields, with customers such as the UK MoD, US DoD, US DoJ.

Based on current sales and business development activity being progressed around the world, and the continued tailwinds for the sector, the Group is positive about maintaining continued revenue growth and profitability in FY24.

Conclusion

- It is a very exciting time for the Group.
- The Board and Management continue to make the necessary changes to further revolutionise the company that will set us up for continued and future success.
- And with that, I’ll open the floor to any questions you may have?

<End>

ersonal use only

XTEK LTD AGM UPDATE

23 NOVEMBER 2023

PRESENTED BY: SCOTT BASHAM
GROUP CHIEF EXECUTIVE OFFICER





FY23 Results – Key Highlights

Record Revenue
\$89.4m
 Increased by 54%

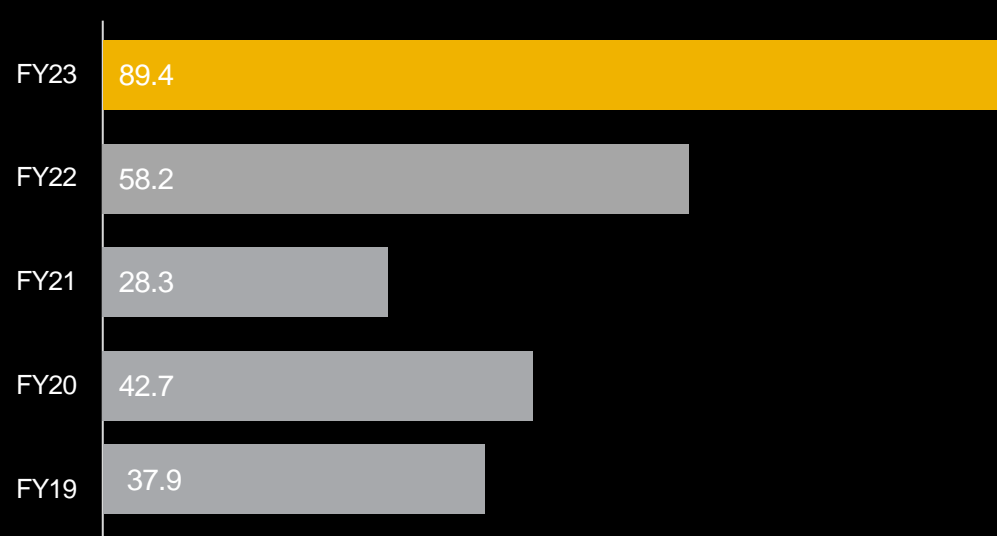
Record Gross Profit
\$33.7m
 Up from \$27.4m

Record EBITDA
\$10.9m
 Up from \$9.0m

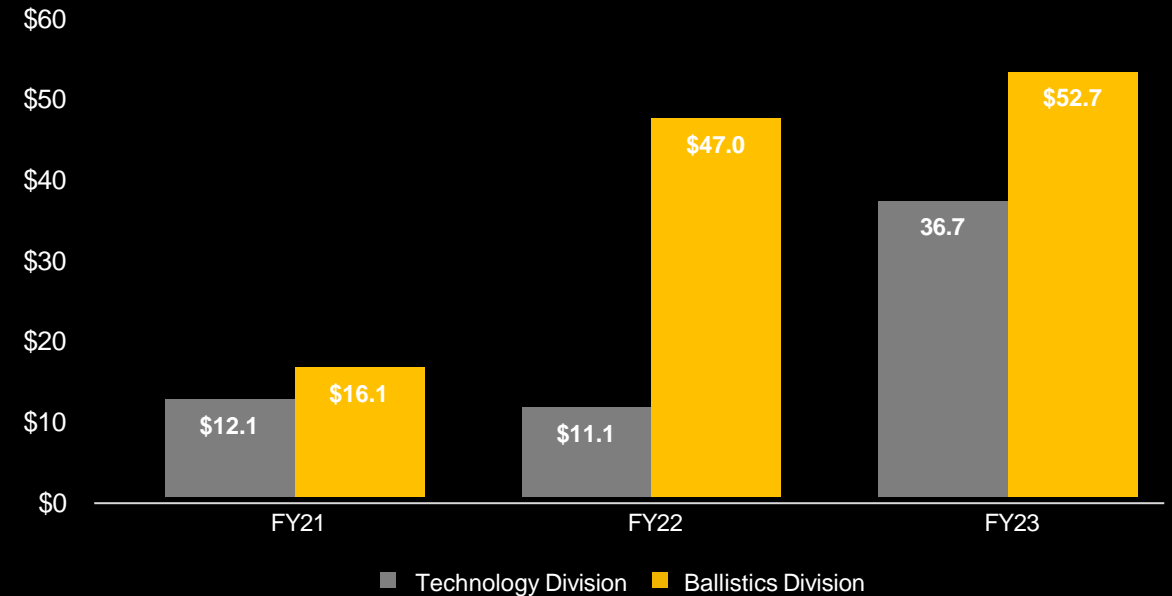
Record NPAT
\$6.1m
 Up from \$5.7m

Cash Balance
 (No Debt / \$4.9m Facilities)
\$6.9m
 Down from \$36.2m

Revenue (A\$m)



Divisional Revenue Attribution (A\$m)



ersonal use only

Technology Division Overview

Exclusively supplies, integrates, trains, and supports Small Uncrewed Aerial Systems (SUAS) and Sensor Payloads from world-leading US based drone company AeroVironment across the ANZ region.

Major Customer: Australian Department of Defence

Co-located with Corporate HQ in Canberra, ACT, Australia.

ersonal use only



Technology Division Activity YTD FY24

- Received a new \$3.4m SUAS Spare Parts Order from Defence, announced 12 Jul 23.
 - Spares used for “WASP” SUAS fleet under existing multi-year Support Contract.
- Received a new 10 year / ~\$110m Support Contract from Defence, announced 3 Oct 23.
 - Contract directly linked to \$26.9m drone order announced on 1 Dec 22
 - Contract has an initial term of 4 years, with 3x 2-year extension options
 - Initial 4-year term for support services valued at \$15.9m
 - Additional ~\$23m of spare parts expected over the initial term
 - 6 years (2+2+2) of extension period support services, if taken, valued at ~\$26m.
 - An additional ~\$45m of spare parts also possible over 6 year extension period.
- Received new Spare Parts Order valued at \$4.1m, announced 13 Nov 23.
 - 1st spares order of ~\$23m from Initial Term of new 10 year / ~\$110m Support Contract.
- Both the Acquisition and Support Contract Orders we received over the last year are directly linked to the \$75m of future high confidence opportunities in our pipeline.
- Given the significant effort to establish, seems unlikely that DoD would not leverage these purchase and support agreements for more of these types of drones if required.
- Building a solid backlog of annuity income from multi-year support contracts that leverage our growing SUAS expertise and capabilities, and which are expected to further grow as fleet sizes increase over time, with improving GM from greater asset and staff utilisation.



Ballistics Division Overview

Designs, manufactures, and supplies world-class, advanced Body Armour, Ballistic Helmets, and Composite Structures under our HighCom Armor brand.

Key Customers: Global military, US law enforcement, national security, and first responder customers

Locations:

- Global Manufacturing*, R&D*, US Sales & Distribution Centre – Columbus Ohio USA
- European Sales & Distribution Centre – Bydgoszcz, Poland
- APAC Sales & Distribution Centre* – Canberra, Australia

internal use only



*WEF Closure and relocation of Adelaide Manufacturing & R&D Operations by end Dec 23

Relocation of XTclave & R&D Capabilities to HighCom USA

- XTclave to be relocated to HighCom facility in Columbus, Ohio, USA.
- Adelaide based Manufacturing & R&D to close by End Dec 23.
- Relocation has commenced and will be completed during Q1 2024.
- Move maximizes potential for unique XTclave ultra-lightweight and high-performance products in world's largest Defence and Law Enforcement Body Armour market, esp. US DoD opportunities.
- Sales Team and Distribution capability remains based at Group HQ in Canberra, providing support to local, regional, and international Defence and Law Enforcement customers.
- Relocation & redundancy cost expected at \$0.8m
- Synergies of ~\$2m p.a. expected to be achieved.



ersonal use only

Ballistics Division Activity YTD FY24

Ballistics Division running at ~A\$2m in monthly “run rate” bookings.

In addition to that, YTD in FY24, HighCom has also announced \$9.2m of new Ballistic Armour orders:

- A\$2.6m on 17 Jul 23.
- A\$2.2m on 12 Oct 23.
- A\$1.6m on 18 Oct 23.
- A\$2.8m on 20 Nov 23

Continuing to pursue and negotiate multiple large contracts with end users around the world, with a \$300m global pipeline of opportunities.

Well placed to support any sustained demand from inventory of finished and raw material holdings, even as we run stock down to more normalised levels.



Proposed Name Change to HighCom Ltd (HCL)

- Proposed Name Change from XTEK Ltd (ASX:XTE) to HighCom Ltd (ASX:HCL).
- Shareholders strongly encouraged to support proposal at today's AGM.
- Unifies parent company name with US and International subsidiary names.
- Leverages growing HighCom global brand recognition with key Military and Law Enforcement customers to drive future growth.
- With your support, going forward the Group will be known as "HighCom Group", and the Technology Division will be known as "HighCom Technology", and the Ballistics Division will be known as "HighCom Armor".



Group Senior Management Changes Announced



Vince Creagh
Head of Technology Division to add Group COO
role to current responsibilities.
WEF 1 Nov 23



Todd Ashurst
New HighCom VP International Defence Programs
hired to drive growth of Ballistic Armour with
Australian and overseas Military customers.
WEF 11 Sep 23



Laurie Gardiner
Head of Corporate Services to retire after 20 years
of dedicated service.
WEF End Dec 23



ersonal use only



Group Strategic Growth Plan

The Group continues to execute on our clear strategy for growth and continued profitability:

- **Reinforce Success** – Invest in the areas of our business that have been successful and have potential for continued enhancement and growth.
- **Seek Adjacencies** – Find new business opportunities that extend our reach and can draw on our experience and expertise.
- **Create our Future** – Invest in organic and inorganic expansion opportunities in the Defence and Law Enforcement markets to create new products and service offerings for sustained future growth and profitability.

Inorganic Expansion:

- The Group continues to seek the “right” inorganic expansion opportunity.
- Likely be a US ballistics competitor (market consolidation opportunity).
- Has existing contracts with the US DoD that are profitable and in good order.
- Help capitalise on the move of our XTclave technology into that Defence market.
- Speeds realisation US DoD “blue ocean” potential for our “next gen” products.
- Build long term annuity income streams from multi-year US DoD supply contracts.



Global Tailwinds Look Set to Continue in FY24

- Driven by the war in Europe, continuing tensions in the South China Sea, and now the ongoing situation underway in the Middle East.
- Instability continues to drive both short-term supply demand, and long-term strategic investment to upgrade with next generation products and solutions.
- The recent Australian Defence Strategic Review indicates preference to buy “US Military-Off-The-Shelf” capabilities, which is positive for our Technology Division, and is confirmed by our recent drone spare parts orders and long-term support contract wins.
- In the US and Internationally, the potential for continued growth in our Ballistic Division to appears likely to remain strong for foreseeable future.
- We are actively engaged with end users and channel partners to provide support from our ready to deploy inventories to fill urgent military operational demands of customers around the world.



FY24 Key Execution Priorities

- Relocating our XTclave & R&D capabilities and consolidating all of our manufacturing capabilities in the US in Q1 2024
- Launching new range of lightweight “contoured” body armour
- Growing our presence in the Panel & Platform Armour vertical and acquiring new manufacturing equipment to scale up our production capabilities for that in the US
- Continue investing in our global Sales & Marketing capabilities
- Securing multiple significant global armour opportunities, in addition to winning regular large quarterly US Gov deals, and maintaining our “run rate” monthly BAU orders.



FY24 Opportunity Pipeline & Outlook

The Group has an opportunity pipeline of leads at various stages of qualification worth more than \$375m:

- Technology Division – is pursuing multiple drone related Acquisition & Support Contract opportunities across the region valued >\$75m;
- Ballistics Division – has a global pipeline of opportunities >\$300m for lightweight body armour, ballistic helmets, and ballistic shields, with customers such as the UK MoD, US DoD, US DoJ.

Based on current sales and business development activity being progressed around the world, and the continued tailwinds for the sector, the Group is positive about maintaining continued revenue growth and profitability in FY24.





ersonal use only



DISCLAIMER

This presentation is given on behalf of XTEK Limited (XTEK)

Information in this presentation is for general information purposes only, and is not an offer or invitation for subscriptions, purchase or recommendation of securities in XTEK. Certain statements in this document regarding the Company's financial position, business strategy and objectives may contain forward looking statements (rather than being based on historical or current facts).

Future Performance

This Presentation contains certain "forward-looking statements" that are based on management's beliefs, assumptions and expectations and on information currently available to management. The words "expect", "anticipate", "estimate", "intend", "target", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Any indications of, and guidance on, future operating performance, earnings, financial position and performance or production are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements, including projections, guidance on future operations, earnings, estimates or production targets (if any), are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This Presentation contains statements that are subject to risk factors associated with XTEK's business activities including but not limited to those set out in this presentation. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to earnings, capital expenditure, cash flow and capital structure risks and general business risks.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including XTEK or any of its advisers). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Presentation will actually occur. Actual operations, results, performance, production targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Any forward-looking statements in this Presentation speak only as of the date of this Presentation. Subject to any continuing obligations under applicable law or regulation (including the listing rules of ASX), XTEK disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this presentation to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based.

Past Performance

Investors should note that past performance and financial information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of XTEK's views on its future financial performance or condition. Prospective investors should note that past performance, including past share price performance, of XTEK cannot be relied upon as an indicator of (and provides no guidance as to) future performance including future share price performance. The historical information in relation to XTEK included in this Presentation is, or is based on, information that has previously been released to the market



ersonal use only