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DETECT • ACCESS • ILLUMINATE

Global leader in smart security and  
sensing technologies

# H1 FY24 RESULTS AVA RISK GROUP

26 February 2024

# AGENDA

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# Introduction to AVA Risk Group



# ESTABLISHED LEADERSHIP TEAM WITH GLOBAL COVERAGE

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



**Dr. Rod Wilson**  
Chief Technology Officer

Experienced R&D leader with +25 years experience in high technology product development. Leads the definition of the product strategy for wider security markets.

Based in United Kingdom



# GLOBAL LEADER IN RISK MANAGEMENT TECHNOLOGIES

Protecting high value assets and critical infrastructure in +70 countries

## DETECT

### Fibre optic intrusion detection systems

- Perimeter intrusions
- Pipeline intrusion
- Condition monitoring
- Data network protection
- 2,700+ systems deployed
- Products & services model

## ACCESS

### High security access control technology

- Access control readers
- High security locking
- Custom encryption
- Biometric solutions
- 3,500+ sites
- Off-the-shelf & custom products

## ILLUMINATE

### Security and intruder detection equipment

- Outdoor security sensors
- Surveillance solutions
- Video illuminators
- Camera analytics
- 60+ countries
- Off-the-shelf & custom products

Trusted by some of the world's most discerning security conscious customers.

# HIGH-QUALITY BASE OF END USERS

Trusted by some of the world's most discerning security conscious customers

## SAMPLE OF END USER CUSTOMERS



# PARTNER RELATIONSHIPS EXPAND MARKET REACH

Strong network of OEM and distributor relationships worldwide

## SAMPLE OF SYSTEM INTEGRATORS / DISTRIBUTORS



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ISSUE

ISSUE

ISSUE

# H1 FY24 PERFORMANCE OVERVIEW

## Mal Maginnis



# H1 FY24 OPERATIONAL HIGHLIGHTS



**Record sales order intake of \$19.7 million** in H1, up 37% on prior year demonstrating the investment in our technology and enhanced commercial capability.



Announced **supply agreement with Telstra**. The agreement was the culmination of extensive collaboration with Telstra (during 2023), including successful product trials which deployed our fibre sensing technology on Telstra's infrastructure.



**Significant stocking orders from dormakaba** following successful completion of product certifications for the Cobalt series locks. Access order intake growth of 80% and revenue growth of 60% during H1.



**Positive market response to Aura Ai-X** in the Detect segment, underpinning our success in large scale contract awards and growing the recurring revenue base.

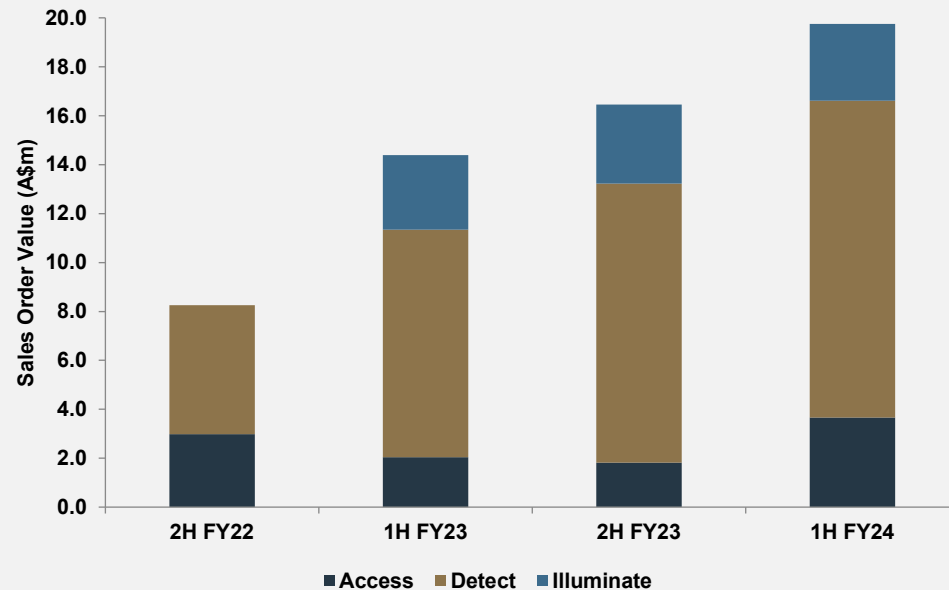


Continued **growth in recurring revenue** with \$1.6 million ARR currently under contract for future services and upgrades. A further eight sites were signed to supporting services contracts during H1 FY24.

# STRONG SALES ORDER GROWTH

Order intake in Q2 FY24 was \$12m (annualised \$40m+)

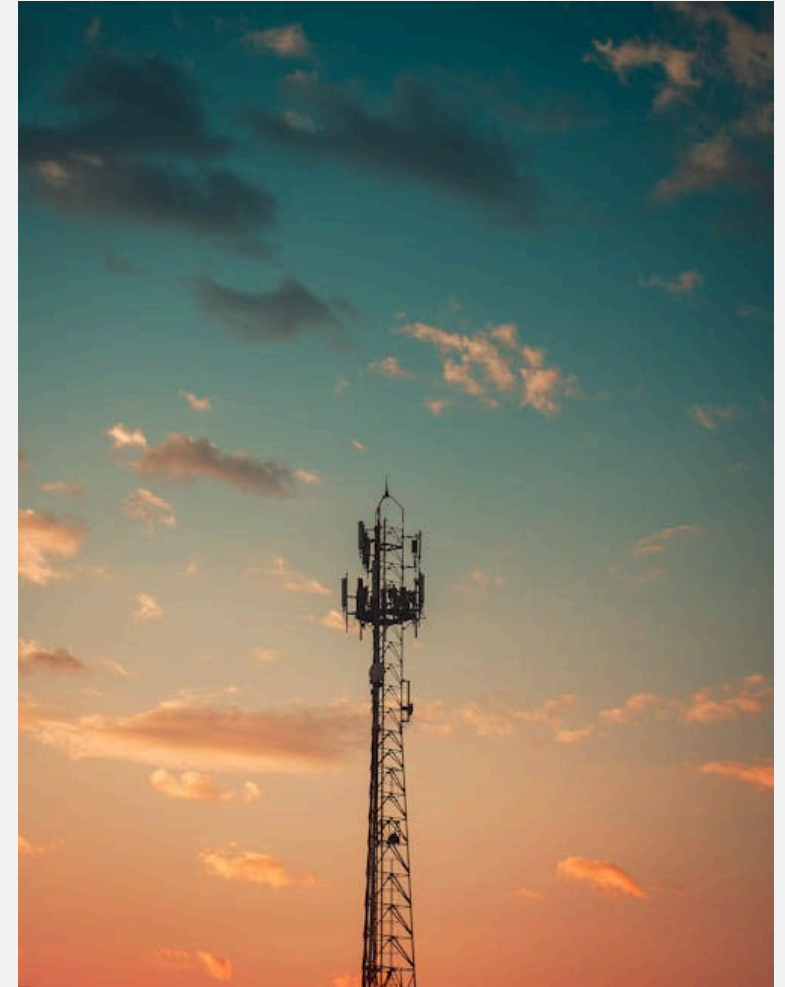
Sales Orders Received (A\$m)



- Strong record of growth in sales order intake (leading indicator of revenue) in recent years.
- Q2 FY24 sales order intake \$12m - annualized order intake run rate at \$48m
- \$8.9m of sales back log as at 31 Dec 2023 underpinning strong H2 FY24 forecast
- Recent large value contract wins demonstrate sophisticated selling capability of new team and market leading technology:
  - Eastern European border protection – \$2.2m, Apr 2023
  - Siemen’s Korea / Qatar Gas – \$1.0m, Sept 2023
  - dormakaba Cobalt series locks - \$1.3m, Sept 2023
  - UGL / Sydney Metro - \$2.0m, Dec 2023
  - Telstra Supply Agreement

# TELSTRA CONTRACT DEMONSTRATES ADJACENT APPLICATIONS

- As announced on 9 February 2024, **Ava has signed a supply agreement with Telstra** for the supply of its products from each of its operating segments.
- The agreement followed **successful product trials** of Ava's fibre sensing technology on Telstra's cable network in metropolitan Melbourne and subsea cables in the Port of Darwin.
- The agreement is the **culmination of significant effort by Ava in fulfilling Telstra's due diligence processes**. It demonstrates the strength of our technology to support adjacent applications beyond security detection.
- Ava's superior sensing technology can be deployed to Telstra's fibre network to support:
  - ✓ Data analytics for Telstra by turning their existing fiber networks into sensors
  - ✓ Monitoring and protection of infrastructure assets
- **It is a material driver of growth in the Detect segment. We continue to work with Telstra to develop 'use cases' for the deployment of Ava's products to Telstra's network.**



# H1 FY24 OPERATING PERFORMANCE

- EBITDA loss of \$0.9m for H1 FY24 reflects lower than planned revenue primarily from the Detect segment in Q1. Detect improved significantly in Q2 for both revenue and order intake and is expected to perform strongly in H2.

**Revenue growth of 4%.** Strong Access revenue (+60%) has offset a decline in Detect (-8%). This has reduced consolidated gross margin. **Underlying margins in each segment remain in line with prior years.**

Over the past twelve months we have invested in our technology and commercial capability. This upfront investment has impacted EBITDA in H1 FY24 but delivered improved sales order intake and large deal capability. There are one-off costs of around \$0.3m in H1, and our **cost base will stabilize at the current level.**

**Reduction in cash to \$1.8m** due to subdued Q1 revenue and continued technology development.

**Expected improvement in both EBITDA and cash in H2** as strong sales order intake in H1 is fulfilled.



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# H1 FY24 FINANCIAL PERFORMANCE

Neville Joyce

# GROUP FINANCIAL SUMMARY

Lower than anticipated Q1 Detect revenue has impacted EBITDA.

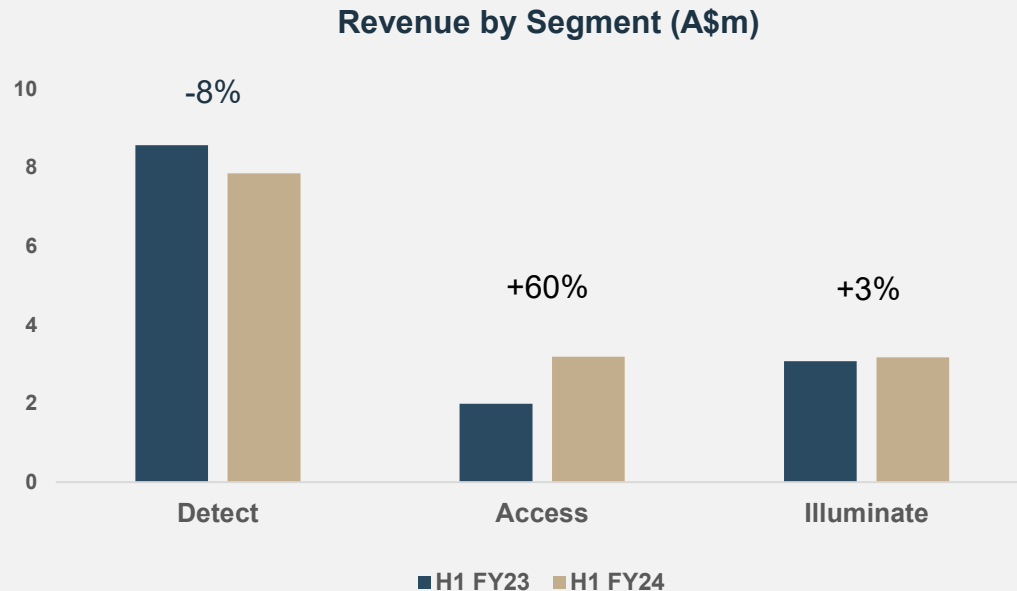
\$Am	H1 FY24	H1 FY23	Var	H1 FY24 Proforma	Var
Revenue	14.2	13.6	0.6	14.5	0.9
Gross Profit	8.7	9.1	(0.4)	8.9	(0.2)
Gross Margin	61%	66%	-5%	61%	-5%
EBITDA <sup>1</sup>	(0.9)	1.2	(2.1)	(0.4)	(1.6)
EBITDA Margin	-7%	9%	-15%	-3%	-12%
Profit / (loss) after tax	(2.3)	(0.2)	(2.1)	(1.8)	(1.6)

1. EBITDA excludes unrealised foreign exchange variations.

- Subdued revenue in H1 FY24 driven by lower Detect revenue in Q1.
- Lower gross margin at a consolidated level due to change in revenue mix – decline in higher margin Detect revenue offset by increased revenue in lower margin Access segment during H1.
- EBITDA loss attributable to upfront impact of technology and commercial capability investments which were not offset by incremental revenue during H1.
- Proforma adjustments – revenue adjustment for final dormakaba shipment held over to January due to component delays, and non-recurring one-off termination costs associated with capability improvements.

# REVENUE PROFILE BY SEGMENT

Lower revenue in Detect offset by growth in Access but has negatively impacted consolidate gross margin



## Detect:

- Lower revenue primarily in Q1 due to timing of sales order intake.
- Strong Q2 sales order intake leaves Detect well placed for stronger H2.
- Average gross margin remains stable at around 70%.

## Access:

- Revenue growth of 60% underpinned by dormakaba orders following successful product certifications.
- Average gross margin remains around 53%.

## Illuminate:

- Revenue growth of 3% including additional month in FY24.
- Average gross margin remains around 50%.

# GROUP CASH FLOW

	A\$m
Working Capital Movement	(1.1)
Development / Capital Expenditure	(1.4)
Dividends Paid	(0.4)
Repayment of Borrowings	(0.2)
Finance, Tax charges	(0.2)
Other (incl FX)	(0.3)
<b>Movement in Cash</b>	<b>(3.6)</b>
<b>Opening Cash</b>	<b>5.5</b>
<b>Closing Cash</b>	<b>1.8</b>

- Unfavourable working capital movement due to reduced EBITDA attributable to lower Q1 Detect revenue.
- Development expenditure relates to development of the Aura platform in Detect (\$0.8m), development of Cobalt series locks in Access (\$0.4m) and LoRa in Illuminate (\$0.1).
- Repayment of borrowings relate to the facilities acquired with GJD.
- Stronger cash generation expected in H2 based on improved revenue and sales order intake in Q2 FY24.



# GROUP BALANCE SHEET

\$A'000	31 Dec 2023	30 Jun 2023	Movement
Cash and cash equivalents	1.8	5.5	(3.7)
Receivables	8.1	8.4	(0.3)
Inventories	8.0	7.5	0.5
Intangibles	14.1	13.6	0.5
Other assets	3.0	2.1	0.9
<b>TOTAL ASSETS</b>	<b>35.0</b>	<b>37.1</b>	<b>(2.1)</b>
Payables	3.2	2.6	0.6
Provisions	1.3	1.5	(0.2)
Borrowings	2.2	2.5	(0.3)
Other liabilities	1.7	1.2	0.5
<b>TOTAL LIABILITIES</b>	<b>8.4</b>	<b>7.8</b>	<b>0.6</b>
<b>TOTAL EQUITY</b>	<b>26.6</b>	<b>29.3</b>	<b>(2.7)</b>

- Movement in cash per cash flow statement
- Increased inventory due to Aura Ai-X demonstration units (\$0.2m) and inventory on final dormakaba shipment held over to January (\$0.2m).
- Intangibles driven by continued investment in Group IP.
- Movement in Other Assets include renewed property leases (offset by increase in Other Liabilities) and prepayments reflecting insurance and subscription renewals in the first half of the year.



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# STRATEGY & OUTLOOK

Mal Maginnis

# STRONG GROWTH CATALYSTS IN EACH SEGMENT

## DETECT

- Aura AI-X is the solution of choice for the protection of critical infrastructure worldwide, providing Ava with both capital and recurring revenue income streams. Sold >40 units since Mar release – Australia, US, Poland, Chile.
- Expand solutions to adjacent applications and customers.

## ACCESS

- Cobalt 2 full release with final certification in Q1 FY24.
- Major channel network growth using the quality of our distribution partners.

## ILLUMINATE

- Cross sell combined Illuminate and Detect solutions.
- Expand product sales in North America and Asia Pacific via established channels.

# 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 commercial 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

# CLEAR PATH TO DELIVER GROWTH OVER THE NEXT 28 MONTHS

\$m	FY24		FY25		FY26	
	Low	High	Low	High	Low	High
Core Revenue	30.2	34.2	37.7	45.2	47.1	56.5
Adjacencies	0.2	1.0	5.0	10.0	10.0	15.0
<b>Total Revenue</b>	<b>30.4</b>	<b>35.2</b>	<b>42.7</b>	<b>55.2</b>	<b>57.1</b>	<b>71.5</b>
Gross Profit	19.1	22.4	27.5	35.5	36.7	45.7
GM%	63%	64%	64%	64%	64%	64%
Opex	19.0	19.0	19.7	22.0	22.0	24.0
<b>EBITDA</b>	<b>0.1</b>	<b>3.4</b>	<b>7.8</b>	<b>13.5</b>	<b>14.7</b>	<b>21.7</b>
	0%	10%	18%	25%	26%	30%
D&A	2.2	2.2	2.6	2.6	2.9	2.9
EBIT	(2.1)	1.2	5.2	11.0	11.8	18.8

- **3-year plan now aligned with FY (not CY)**
- **Forecast H2 FY2024 revenue of \$16m - \$20m** dependant on timing of project fulfilment.
- **Leverage the existing drivers of growth** across all business segments:
  - Adjacencies such telecommunications in Detect
  - Grow recurring revenue via annual upgrade path in the Detect segment to improve system performance and ensure cyber security compliance
  - OEM / Distribution channels to support the Access and Illuminate segments.
- Increased operating costs to support additional sales / business development resources, continued development of core Group technology and modest increases to support production capability.

# COMPELLING CASE FOR INVESTMENT

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



## TRACK RECORD OF GROWTH AND RESULTS

- H1 FY24 sales order intake up 37%
- High gross margins – circa 60% - 65%
- Trusted by blue chip and government customers



## 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 of \$70 - \$100m over next three calendar years achieved with minimal cost increases



## 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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# CLOSING Mal Maginnis



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# QUESTIONS

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AVA GROUP

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