

# 2017 Financial Results

Year ended 30 June 2017



**FUTURE FIBRE**  
TECHNOLOGIES



[www.fftsecurity.com](http://www.fftsecurity.com)

# Forward Looking Statements

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# Financial Performance

AUD\$M	FY2017	FY2016
Total Revenue	13.7	15.5
Gross Margin (% of Sales Revenue)	53%	60%
Operating Expenses	14.6	15.0
EBITDA	(7.5)	(5.6)
Loss after tax	(7.8)	(5.8)
Cash receipts from customers	12.8	15.4

- Operating cash flow positive in Q4 FY2017.
- Gross Margin was impacted by lower margin pricing on a few large scale projects. Expected to improve in FY2018 with new Aura Ai sales.
- Operating expenses included \$2.2 million in FX losses and one-time impairment charges. Cost reductions previously announced are being achieved as planned.
- With Aura Ai development now complete, FY2018 has a lower planned R&D spend.
- Customer cash collection at 99% of sales revenues.

# Balance Sheet

AUD\$M	30 Jun 2017	30 Jun 2016
Cash and cash equivalents	6.9	12.1
Receivables	5.0	8.7
Inventories	4.2	4.0
Other assets	4.1	3.3
<b>Total assets</b>	<b>20.2</b>	<b>28.1</b>
Payables	2.2	2.8
Provisions	1.1	1.1
Borrowings	-	-
<b>Total liabilities</b>	<b>3.3</b>	<b>3.9</b>
<b>Total equity</b>	<b>16.9</b>	<b>24.2</b>

- No external debt or borrowings.
- Cash balance of \$6.9 million at 30 June 2017 and operating cash flow positive in Q4 FY2017.
- Inventories on hand to fulfil existing sales and orders for Q1 FY2018.
- Current growth strategy is fully funded from existing balance sheet.

# FY2017 Highlights

- Commercial release of Aura Ai featuring extended detection range, enhanced intrusion location accuracy and cut resilient capabilities.
- Global sales team realigned, with broader geographic coverage and improved sales management processes, resulting in a well qualified pipeline of sales opportunities.
- Expanded global distribution network and strategic partnerships.
- Progressed access to adjacent markets for FFT fibre optic sensing technology.
- Established position in Borders and strengthened position in Pipeline security applications, with break through orders received.



# FY2018 Progress

- FY2018 revenues/orders received as at 14 September total \$5.9 million. Includes 33% of the \$5.5 million delayed from FY2017.
- Reduction in operating expenses underway. To be fully realised by end Q1 FY2018.
- Total operating expenses expected to be reduced by at least \$3 million and currently capitalised investments will reduce by a minimum of \$1.5 million in comparison to FY2017.
- FFT expects FY2018 revenues of between \$18 million and \$21 million, and with reduced operating expenses, operating cash flow and EBITDA positive.

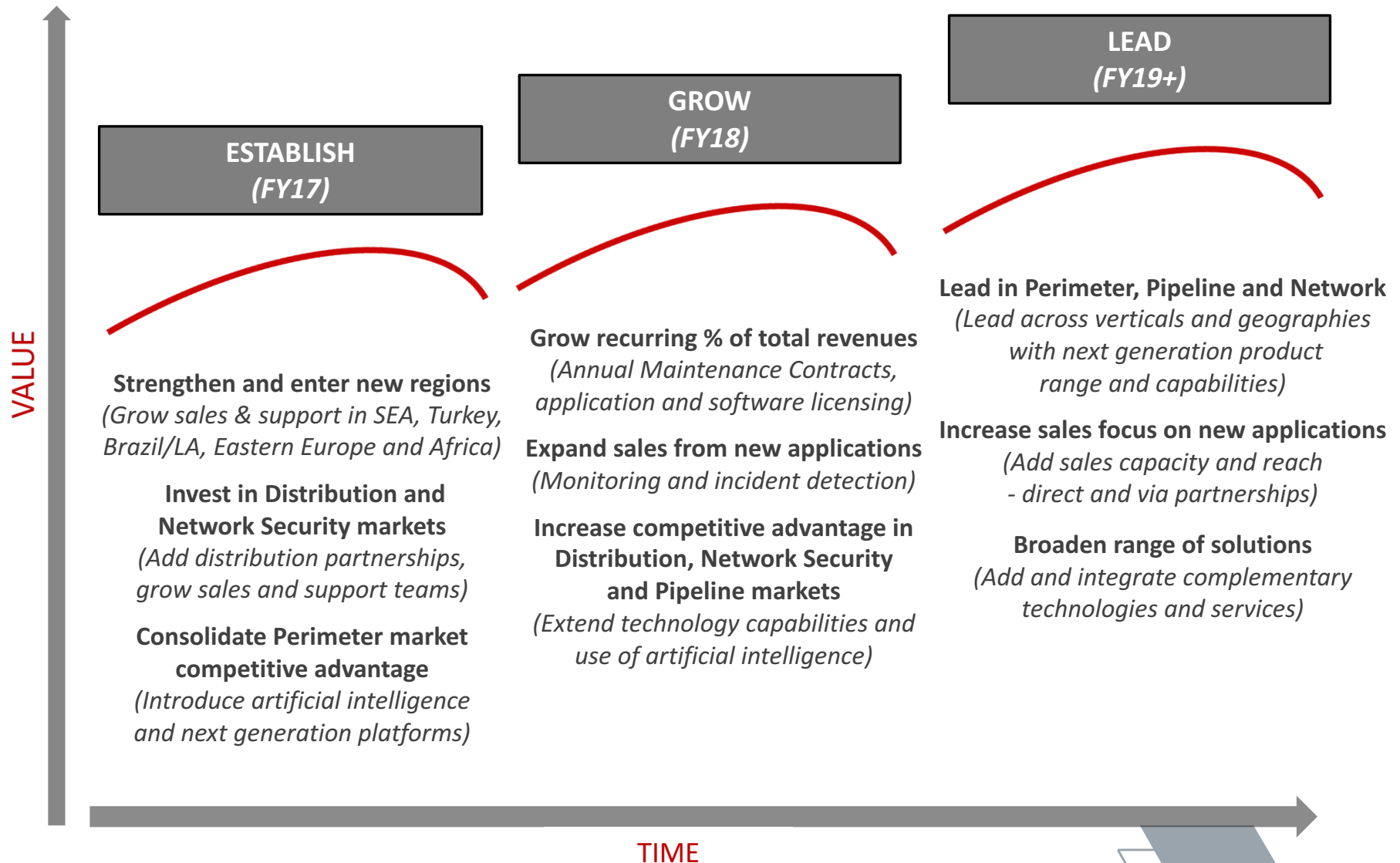


# Recent Major Contract Announcements

Since market guidance was released in May, FFT has announced the following material contracts valued at over \$4.9 million:

- **24 May** - Orders received for new Aura Ai to protect high security government sites in North America (\$300K).
- **1 June** – Critical petroleum pipeline in India (\$360K).
- **13 June** – Multiple small critical telecommunication sites in SE Asia (\$426K).
- **15 June** – International Seaport located in the Middle East (\$1.6M).
- **22 June** – International Airport in the northern hemisphere (\$427K)
- **22 June** - Oil and Gas Facility in the Middle East (\$310K).
- **25 July** - Multiple site security upgrade for government facilities in the northern hemisphere (\$900K).
- **10 August** - Security site upgrade for LNG facilities in Northern Australia (\$369K).
- **11 August** - Asian border pilot for covert buried technology (\$230K).

# Growth Strategy | Horizons





# Growth Strategy | FY2017 Scorecard

FY17 Goals	Progress
<b>Strengthen and enter new regions</b>  <i>(Grow sales &amp; support in SEA, Turkey, Brazil/LA, Eastern Europe and Africa)</i>	<div>✓</div> <ul style="list-style-type: none"><li>• Improved capabilities of global sales team and sales processes.</li><li>• Appointed additional sales resources in high growth potential MENA and Eastern Europe.</li></ul>
<b>Invest in Distribution and Network Security markets</b>  <i>(Add distribution partnerships, grow sales and support teams)</i>	<div>✓</div> <ul style="list-style-type: none"><li>• Distribution agreements signed with Minipa and Wesco International.</li><li>• Continue to pursue agreements with additional distribution partners in the US and other key territories.</li><li>• Appointed dedicated global network security sales leader.</li></ul>
<b>Consolidate Perimeter market competitive advantage</b>  <i>(Introduce artificial intelligence and next generation platforms)</i>	<div>✓</div> <ul style="list-style-type: none"><li>• Ongoing investment in development of innovative software IP (Fence and Buried).</li><li>• Next generation product platform Aura Ai released.</li><li>• Advanced covert buried solutions for detecting walking intruders at border outperforming competitors in recent overseas trials. Patents pending.</li></ul>

# Growth Strategy | FY2018 Progress

FY18 Goals	Progress
<b>Grow recurring % of total revenues</b> <i>(Annual Maintenance Contracts, application and software licensing)</i>	<div>→</div> <ul style="list-style-type: none"><li>Services revenue as a % of product sales up 23%.</li><li>Exploring potential for SW sales to be an annual license fee, combined with enhanced cyber security update service.</li></ul>
<b>Expand sales from new applications</b> <i>(Monitoring and incident detection)</i>	<div>→</div> <ul style="list-style-type: none"><li>Successful technical validation of mining applications now progressing to early commercialisation phase.</li><li>Technical evaluation for utility monitoring underway with positive results to date.</li></ul>
<b>Increase competitive advantage in Distribution, Network Security and Pipeline markets</b> <i>(Extend technology capabilities and use of artificial intelligence)</i>	<div>→</div> <ul style="list-style-type: none"><li>Released Fibre Optic Sensing System (FOSS) software Version 4, with improved nuisance alarm mitigation.</li><li>Enhanced FOSS applications in development.</li><li>New techniques (patents pending) to increase sensing cable sensitivity for buried applications.</li></ul>

# Growth Strategy | FY2019 Progress

## FY19 Goals

## Progress

### **Lead in Perimeter, Pipeline and Network**

*(Lead across verticals and geographies with next generation product range and capabilities)*



- Planning enhancements to further improve Aura Ai signal to noise for higher sensitivity, and incorporation of additional artificial intelligence capabilities.
- Exploring capability for tracking events in two dimensions (i.e. distance from buried fibre).

### **Increase sales focus on new applications**

*(Add sales capacity and reach – direct and via partnerships)*



- Early stage of partnerships for mining and utility monitoring already underway.

### **Broaden range of solutions**

*(Add and integrate complimentary technologies and services)*



- Initiated merger proposal for access control, locking solutions and expanded global reach with high value secure logistics companies BQT and AVA Global.

# Product Update

- Commercial release of next generation Aura Ai platform featuring extended detection range, enhanced intrusion location accuracy and cut resilient capabilities.
- Significant investment in new laser optics, electronics and software platform to deliver future benefits.
- Initial Aura Ai orders received, and first system successfully commissioned at a high security government facility.
- Aura Ai currently quoted for more than 23 separate security projects valued at over \$17 million, with another 27 projects in early business (or sales) development stages with an estimated value of \$26 million.
- Aura Ai also attracting interest from adjacent markets for sensing and control.
- FFT Solutions now integrate with over 60 leading Security Management, Physical Security Information Management, Video Management and Access Control Management Systems.

# Sales & Distribution

- Realigned sales team delivering well qualified pipeline of sales opportunities.
- Partnerships secured with three security distributors.
- Working closely with distributors on product training initiatives.
- Orders received via distributors for multiple utility substations – expected to extent to a further 56 sites across the United States.
- Utility and data centre projects offering significant long-term potential with in excess of 100 sites in specification stage.
- Global sales coverage supports FY2018 growth of current fibre optic security solutions, and future potential product extensions in security and adjacent applications.



# Outlook

- Leverage competitive advantage of Aura Ai and FFT's broad range of fibre optic security products to grow sales in existing and adjacent markets.
- Promote benefits of hardware/software upgrades to large global install base.
- Ensure sales resources remain focussed on the strongest market verticals in key geographies.
- Continue to grow distribution network and embed FFT technology within partner security offerings.
- Expected FY2018 revenues between \$18 million and \$21 million, positive operating cash flow and positive EBITDA contribution.



# Substantial Shareholders

124,028,440 fully paid ordinary shares on issue as at 18 September 2017.

8,810,000 options on issue with a weighted average exercise price of \$0.51.

Rank	Name of Shareholder	No. Shares	% issued capital
1	RSA Associates Limited	27,000,000	21.8%
2	Pierce Group Asia Pte Limited	19,229,940	15.5%
3	Plexis Holdings Limited	12,978,420	10.5%
4	Seafirst Australia Pty Ltd; Seafirst Nominees Pty Ltd	12,151,580	9.8%
TOTAL SUBSTANTIAL SHAREHOLDERS HOLDING		71,359,940	57.6%