

## Release to the Australian Securities Exchange

### XTEK updated investor presentation

**Friday 30 August 2019:** XTEK Limited (ASX: XTE) (“XTEK” or “the Company”), is pleased to release an updated Investor Presentation. This presentation presents an update on the Company’s strategy following the HighCom acquisition, key operational activities and outlines the record FY19 results.

**Philippe Odouard, XTEK Managing Director, commented:**

*“Following the HighCom acquisition, XTEK is well placed to penetrate the lucrative US and Australian markets with its high value soldier solutions. We will have Australian and US manufacturing capabilities in the near term for our advanced XTclave™ enabled products, providing a pathway to deliver large orders for our ballistic solutions and ability to target domestic sales and global exports. We can then leverage our existing customer base and networks to target large global sales of our full proprietary product line.”*

**Investor Highlights:**

- Favourable global defence market sentiment
- Focused on market leading soldier solutions
- US acquisition accelerates ballistic solutions strategy
- Advanced actionable intelligence solution
- Strong FY19 financials (achieving a record revenue of A\$37.9m) and outlook

**Signed** for and on behalf of XTEK Limited:



**Lawrence A Gardiner**  
Company Secretary  
30 August 2019

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### **About XTEK Limited**

XTEK Limited provides high-quality products to deliver tailored solutions to the government, law enforcement, military, space and commercial sectors. XTEK is focused on developing and commercialising its proprietary technologies by leveraging its established distribution network. These technologies include XTclave™ advanced composite solutions and XTatlas™ real time contextual video, which provide unique solutions for western military forces and other government agencies. In addition, the supply and maintenance of Small Unmanned Aerial Systems (SUAS) remains a focus for XTEK.

For more information visit the XTEK website at [www.xtek.net](http://www.xtek.net)



XTEK

INVESTOR PRESENTATION

August 2019

[www.XTEK.net](http://www.XTEK.net) | ASX: XTE

# AGENDA

XTEK is well positioned for growth, underpinned by accelerated commercialisation of high value proprietary solutions and favourable market sentiment within the domestic and global defence industry



**Favourable  
defence market  
sentiment**



**Focused on market  
leading soldier  
solutions**



**US acquisition  
accelerates ballistic  
solutions strategy**



**Actionable  
intelligence  
solution**



**Record FY19  
revenue and  
strong outlook**



**TO BE A LEADING GLOBAL PROVIDER OF  
REVOLUTIONARY DEFENCE TECHNOLOGY**

**ENHANCE OUR CUSTOMERS' SOLDIER SOLUTIONS  
CAPABILITIES AND OPTIMISE SHAREHOLDER VALUE**

# KEY ACHIEVEMENTS OVER THE LAST 12 MONTHS

## Significant financial and operational achievements

- ✓ **Transformational acquisition of HighCom**, a profitable US-based body armour manufacturer, with acquisition to complete in Sept 2019
- ✓ **Record FY19 revenue**
- ✓ **Record R&D investment in FY19**
- ✓ **XTclave™ manufacturing capability** progressed with the facility expected to be completed by end CY19
- ✓ **SUAS maintenance facility installed**, positioning XTEK as a full service SUAS provider with the ability to leverage its ADF SUAS supply contract
- ✓ **First domestic and international XTatlas™ sales**
- ✓ **Positive initial feedback on proprietary product evaluation & testing by major international defence organisations**



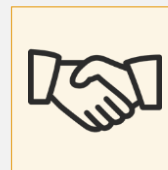
### Accelerates XTclave™ commercialisation

Complementary combination of existing manufacturing capability with high end XTEK technology



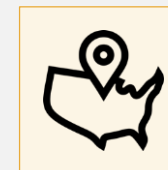
### Increases ballistic product focus

Addition of value accretive high margin armour products



### Expands distribution network immediately

Expands customer base across the US, and enables further growth



### Further growth opportunities

Including access to lucrative US defence market and leveraging XTEK technology to drive growth



# HIGHCOM: TRANSFORMATIONAL ACQUISITION

In July 2019, XTEK acquired HighCom a successful and profitable provider of proprietary body armour and personal protective equipment focused on the US market

## HighCom overview

**A\$10.5m**

*CY18 Revenue<sup>1,2</sup>*

**A\$1.4m**

*CY18 EBITDA<sup>1,2</sup>*

- Producer of advanced ballistic armour with >20 years experience
- High quality and cost efficient with proven track record of reliability
- Established network with products reaching key government and law enforcement agencies nationwide
- Experienced management team retained by XTEK post-acquisition

## Overview of transaction and benefits to XTEK

### Strong rationale

Highly complementary fit and accelerates US commercialisation plans

### Accretive transaction

Earnings accretive with potential synergies from XTEK's proprietary products

### Favourable terms

2.6x  
EV / EBITDA  
transaction multiple<sup>3</sup>

### Growth upside

Underpinned by customer, distribution and geographic expansion

1. Key financials based on USDAUD: 1.41

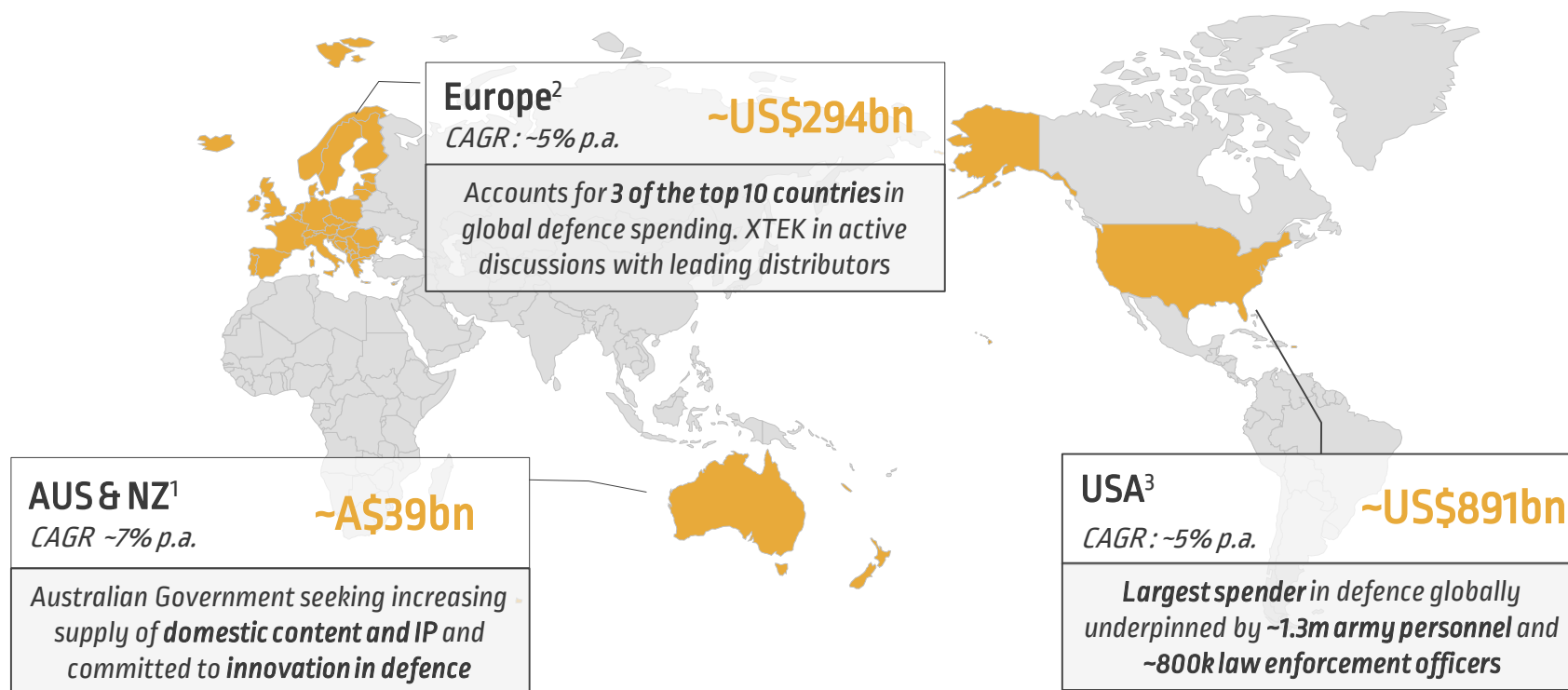
2. Key HighCom financials based on HighCom results (adjusted for one off non-recurring items) for the calendar year January to December

3. Based on ~A\$3.6m purchase consideration and HighCom CY18A EBITDA

# FAVOURABLE DEFENCE SECTOR THEMES

XTEK is well positioned to capitalise on favourable trends in the global defence sector – underpinned by the highest level of global expenditure in the West in over 25 years, estimated to be > US\$1.8tn in 2018 (~2.1% of global GDP)

## Military expenditure and market dynamics in key target markets



Source: Australian Government Department of Defence; SIPRI 2019; The balance 2019; Trading Economics 2018; Defense News 2019

1. Australian and New Zealand combined military expenditure in 2018; NZ/AUD = 0.95; CAGR shown is the Australian compound annual growth rate, measured from 2018 to 2026
2. Total Central Europe and Western European military expenditure in 2018
3. Total US Military expenditure in 2018, Includes base budget for the Department of Defense; overseas contingency operations for DoD; other (including Department of Veterans Affairs, Homeland Security and FBI); US compound annual growth rate, measured from 2018 to 2020

# XTEK STRATEGY

XTEK is focused on commercialising its world class soldier solutions in key target markets globally



## Clear pathway to global markets

Focused on high value export markets  
(e.g. US, Europe)

Key pillars in place : R&D, market leading solutions, manufacturing and networks



## Focused on high value soldier solutions

Proprietary state-of-the-art technologies optimises the soldier

Value-added solutions targeting high margin / growth, scalable and global opportunities



## Significant experience and expertise

Experienced senior leadership with a strong track record

Qualified team to develop innovative defence technologies and deliver engineering solutions



# PROVIDING SOLDIER SOLUTIONS

XTEK has a range of high value front line solutions and services for the defence, law enforcement and government sectors globally



Ballistic shields and platform armour

Helmets

Soft armour

Hard armour plates

Other defence products<sup>3</sup>

XTEK Tac2 sniper rifle

Supplier of Heckler and Koch products<sup>2</sup>

Supplier<sup>1</sup> of WASP and PUMA systems

Ongoing provider of SUAS repair and maintenance services to the ADF

Solar wing

XTatlas™ software interfaces into existing systems

- Ballistic solutions
- Actionable intelligence
- Other soldier solutions

1. Exclusive AeroVironment distributor in Australia and New Zealand for SUAS products; 2. Exclusive value-added reseller in Australia for weapon systems  
 3. Supplies a range of counter CBRNE solutions, supplies a variety of forensic consumables and equipment

# BALLISTIC SOLUTIONS



# WELL DEFINED BALLISTIC SOLUTIONS STRATEGY

XTEK's commercialisation strategy has a clear pathway to value upside – underpinned by the innovative state-of-the-art XTclave™ process technology which enables the delivery of high performance and lightweight ballistic solutions



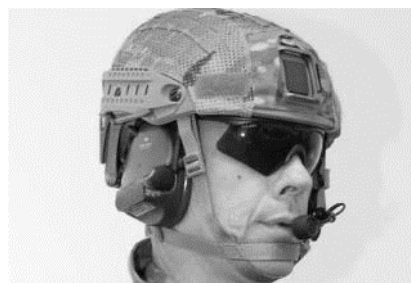
1. Australian facility to be completed 4Q CY19; Existing capability in the US; 2. Existing product line validated; XTclave™ products under evaluation from major customers



# BALLISTIC SOLUTIONS

XTEK's ballistic solutions address key market needs and penetrate large global markets worth more than US\$11bn p.a.<sup>1</sup> and growing at more than 5% CAGR<sup>1</sup>

## XTEK's ballistic armour solutions



	Soft armour	Hard armour plates	Helmet shells	Platform armour
FY19 sales <sup>2</sup>	✓	✓	✓	✓
# products	Multiple	Multiple	Multiple	Customisable
Certification / compliant <sup>3</sup>	NIJ	NIJ	NIJ, MiL-Std, ASTM, CRASH	STANAG 4589
XTclave™ potential	-	Up to 30% lighter; buoyancy potential	Stops AK-47 MSC bullets and fragments	Ground / air vehicles; shields and building

1. Global ballistic protection market forecast in 2020 [Source: Markets and Markets, 2014]

2. Incorporates sales from HighCom

3. NIJ: National Institute of Justice; MiL-Std: United States Military Standard; ASTM: American Society for Testing and Materials; STANAG 4589: NATO Standardisation Agreement 4586

# CLEAR PATH TO CAPTURE UPSIDE POTENTIAL

Clear pathway to commercialise XTclave™ manufactured products with potential major customers completing the comprehensive testing and validation process – with manufacturing capability on track in the near term

## XTclave™ pathway to value

Extensive and comprehensive customer testing and validation cycles followed by large contracts with strong margins



### Underpinned by existing ballistics business

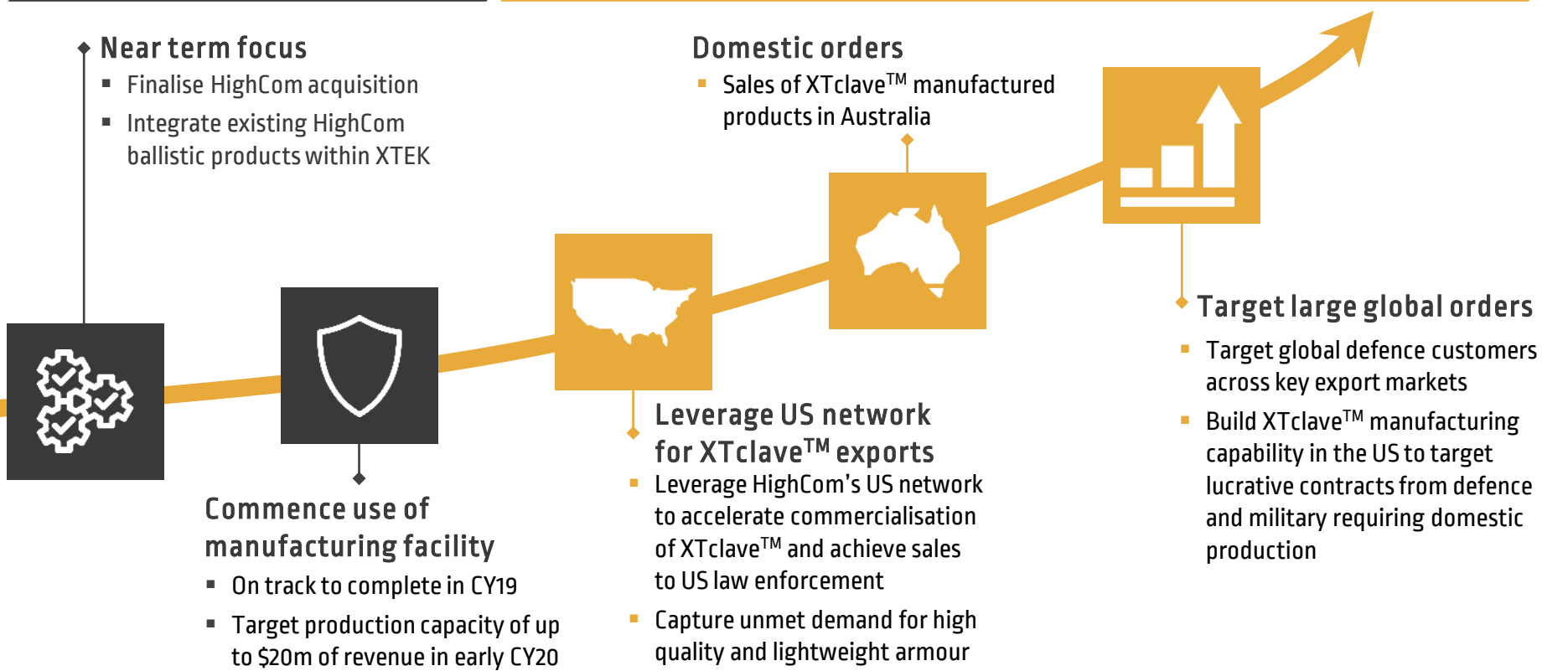
- Strong relationships with existing client base and strategic networks across the US and Australia
- Profitable sales from existing US products, achieved through the value accretive acquisition of HighCom

### Building XTclave™ manufacturing capability

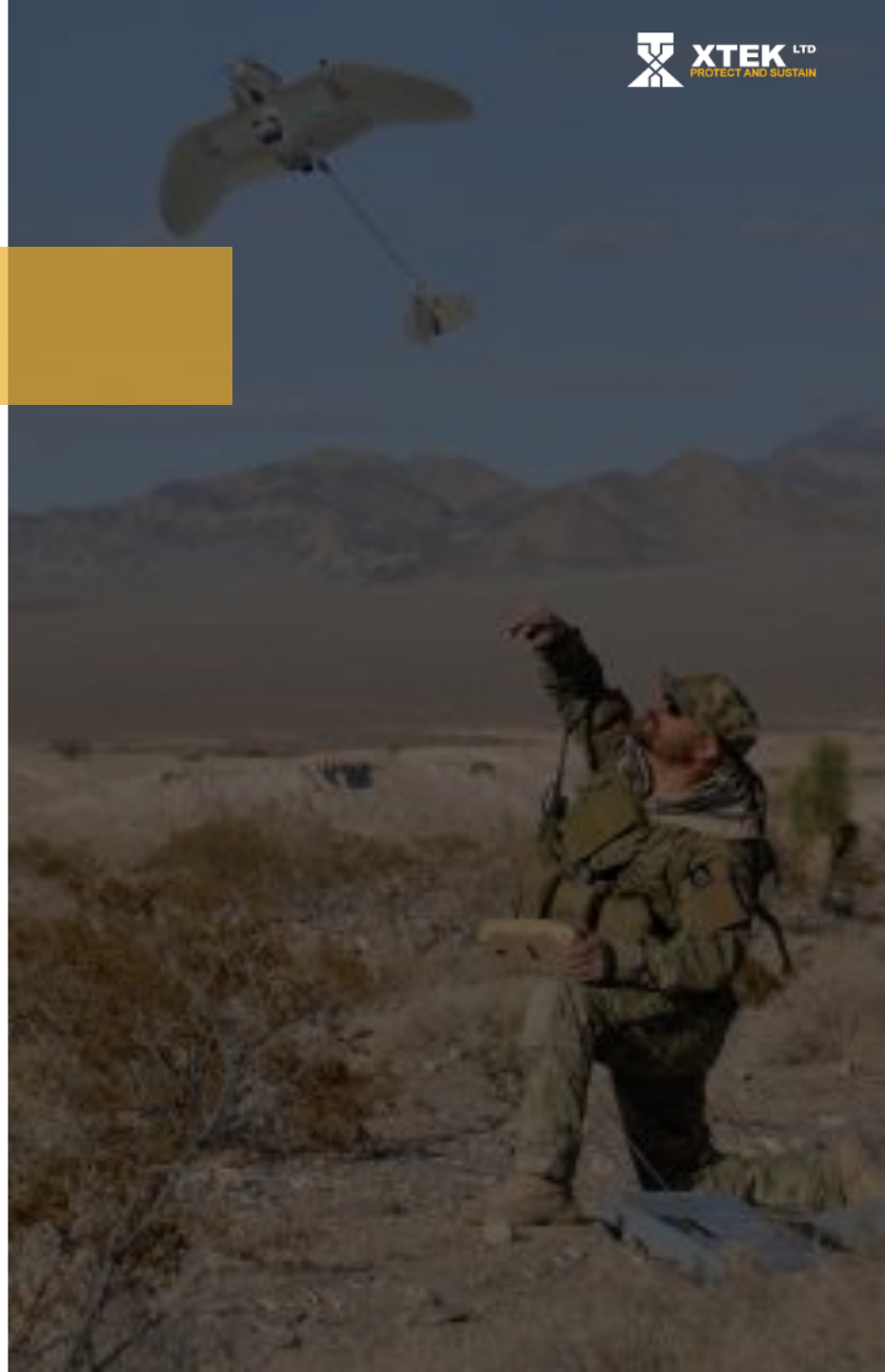
- Facility expected to complete in CY19, providing a commercial manufacturing capability for XTclave™ products
- Provides XTEK the ability to distribute products locally and export globally



# GROWTH AND OUTLOOK



# ACTIONABLE INTELLIGENCE



# STRATEGY FOCUSED ON VALUE ADDED SOLUTIONS

Commercialisation strategy builds upon XTEK's capability to provide a complete system for a comprehensive real time actionable solution, such as XTAtlas™ software interfaced to existing SUAS



Key strategic pillars in place for XTEK to commercialise the XTAtlas™ application

- In active discussions with suppliers
- Achieve commercial licence sales
- Market leading technology
- Strategic distribution networks
- Ongoing optimisation and development

# SUAS CHANNELS TO MARKET

XTEK has strong networks and broad access to SUAS customer channels

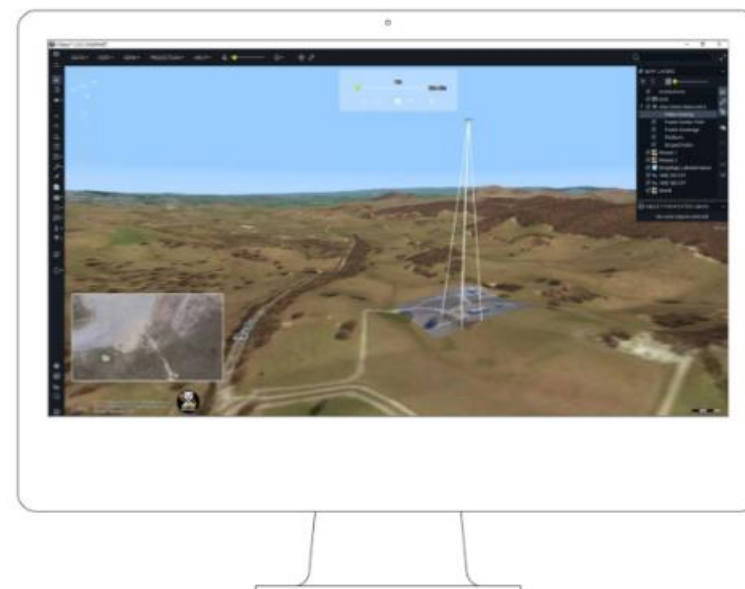


- Completed first delivery of WASP AV **SUAS products to the ADF**, with potential to expand beyond existing supply contract
- Ongoing repair & maintenance support services contracts with the ADF **expected to improve margins in future years**
- **Solar wing hardware** under development, to significantly increase flying time of the drone in good weather conditions
- **Exclusive agreement with AeroVironment (AV)**, the leading defence SUAS supplier globally
- **Broad UAS provider network**, including global AV network which presents a significant upside with >25,000 UAS delivered
- Opportunity to **leverage existing channels** when tendering for future contracts [e.g. SUAS / XTatlas™ & other products]

# XTAtlas™ IS A WORLD CLASS OFFERING

XTAtlas™ is a market leading software application that provides real time intelligence

- Application allows for the rapid production of **real time, accurate, geo-referenced 3D mapping from video feed** of a SUAS or ground robot **and comparison with previous data**
- Use in combat **ensures instant situational awareness and targeting** during a mission, critical to soldiers safety
- SARBI<sup>1</sup> allows accurate mapping **of chemical, biological, nuclear and radiological sources** as a module of XTAtlas™
- **SUAS customer channels provide a clear path to market**, with potential to combine a license with the drone sales



1. SARBI: Sensor and Radiation Broad-band Interface



# GROWTH AND OUTLOOK

XTEK is currently in active discussions with interested global parties to leverage its market leading technology within related defence applications and other vertical opportunities

## Alternative applications **for soldiers**



### Robots (with SARBI)

Real-time data from ground level, with SARBI hardware retrofitted to a robot to provide a complete sensor solution



### Vehicles

Application operated from within a vehicle, enabling awareness of upcoming terrain and possible threats



### Battlefield 3D management

Broad applicability of XTatlas™ provides a complete battlefield picture using combined sensors, with outputs enabling action

## Significant opportunities in **other verticals**



Law enforcement



Fire fighting



Search & rescue

XTatlas™ can be used for reconnaissance and to obtain data over time to determine environmental changes<sup>1</sup> and enables action

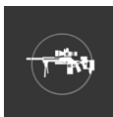
1. Environmental changes such as rising flood waters, fire front behaviour and recent disturbances to the environment

# OTHER SOLUTIONS AND ONGOING R&D



# OTHER SOLDIER SOLUTIONS

XTEK supplies a range of other soldier solutions through its advanced composites technology and distribution agreements



## Lightweight systems

- XTclave™ manufactured carbon fibre composite components reduce weight and increase stiffness
- Utilised by Australian defence and police forces



XTEK produced components



## Heckler & Koch (H&K)

- XTEK is the **exclusive reseller** of H&K products in Australia
- H&K is a **world leading manufacturer** of high quality and innovative weapon systems to global security forces, police and NATO special forces



## Other solutions and services

- Explosive Ordnance Disposal<sup>1</sup>



- Forensics



- Logistics Engineering



1. XTEK is a provider to the Department of Defence/Law enforcement for portable X-ray system and EOD robots

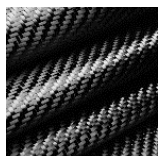
# OTHER PRODUCT DEVELOPMENT AND INITIATIVES

XTclave™ is a platform technology that enables advanced composite solutions with a range of applications

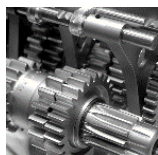


## Carbon products

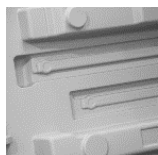
- Uses XTEK's patented consolidation technology, to produce high fibre volume fraction composites



Composite materials



Metals



Polymers



## Space satellite and launch systems

- Leverages unique technical advantages, including
  - achieving a higher specific strength to weight ratio
  - reducing plastic outgassing due to ultra high process pressure, often considered a limiting factor for lightweight composite use in space



## Significant market opportunity

Global advanced composites market estimated to reach

**US\$41bn** by 2024



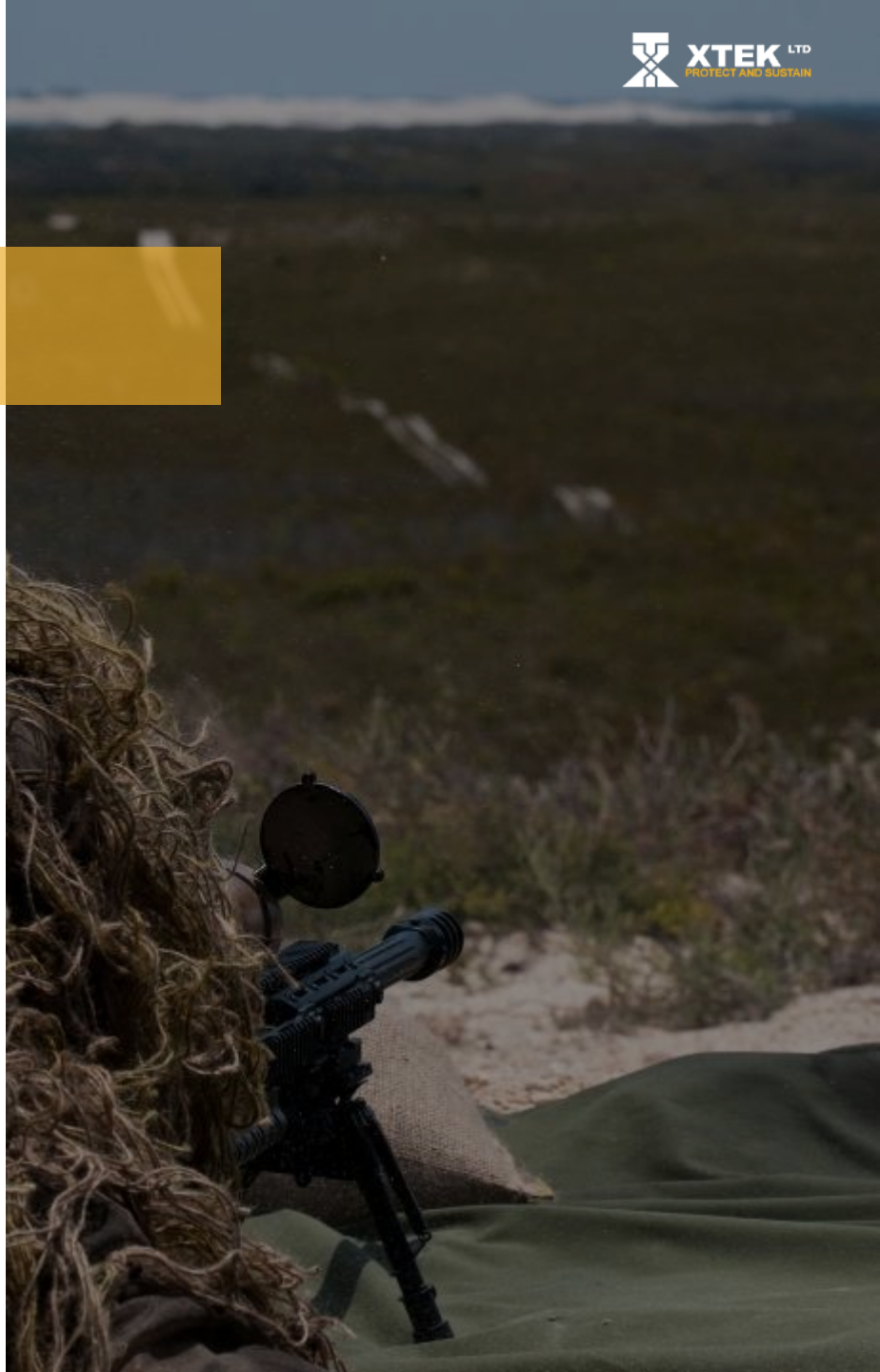
XTEK continues to explore opportunities for new applications that can benefit from its advanced technology

Source: Grand View Research Inc., Advanced Composites Market Size Worth (2018);





# FINANCIAL PERFORMANCE AND FY20 OUTLOOK

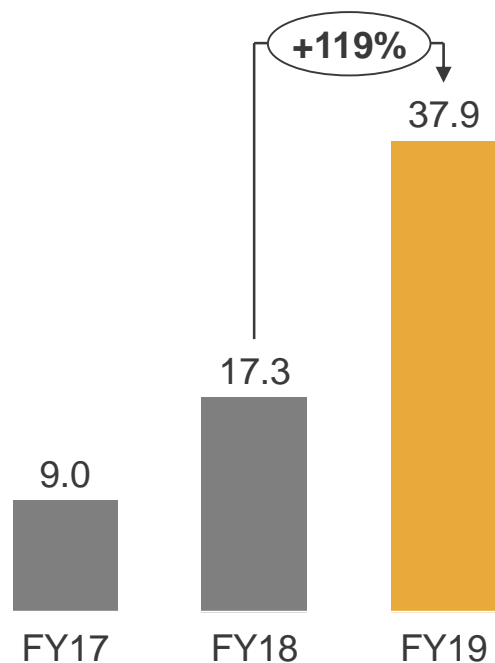




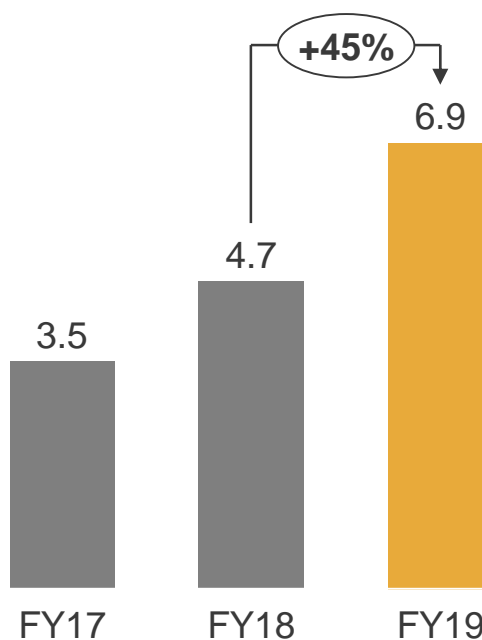
# FY19 FINANCIAL HIGHLIGHTS

XTEK achieved record revenue, underpinned by the SUAS delivery and is well positioned for future growth

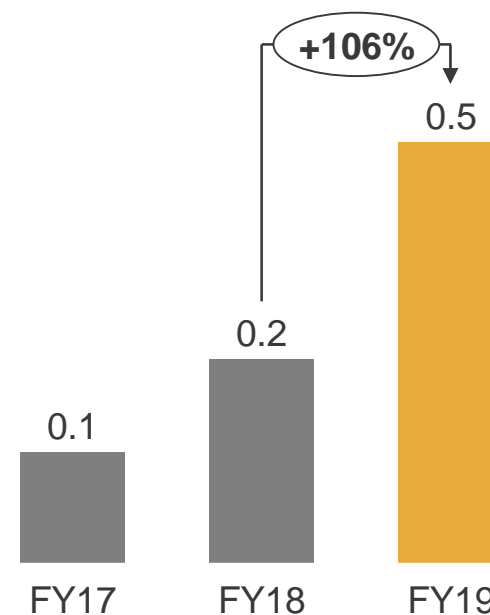
## Revenue (A\$m)



## Gross Profit (A\$m)



## EBITDA<sup>1,2</sup> (A\$m)



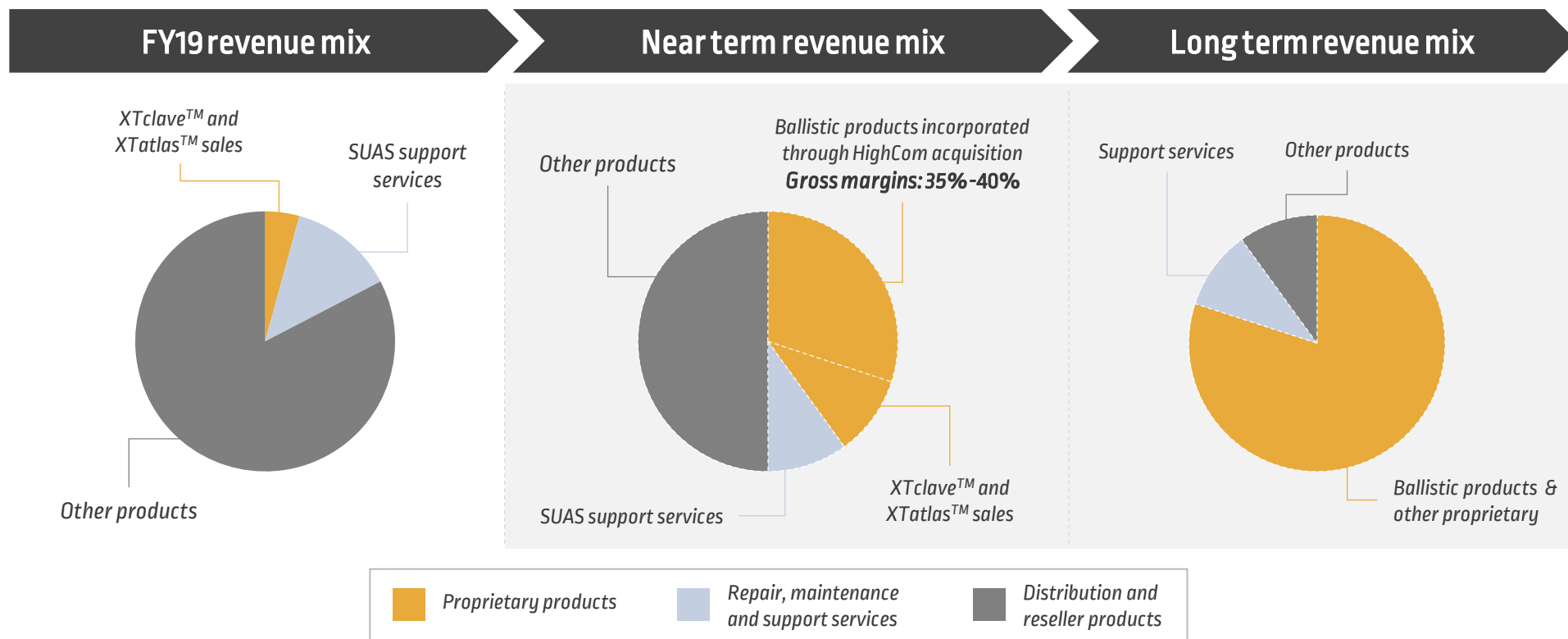
**XTEK remains well funded to deliver strategic objectives and commercial milestones**

1. FY19 EBITDA incorporates R&D expense of A\$1.6m and no R&D tax incentive [FY18 EBITDA incorporates R&D tax expense of A\$1.2m and R&D tax incentive of A\$0.5m]
2. EBITDA adjusted for R&D expense and R&D tax incentive FY19: A\$2.1m [FY18:A\$0.9m]

# TARGETING ENHANCED GROSS MARGINS

Future margins are expected to increase – underpinned by:

- Impact of HighCom revenue
- Sales of high value ballistic solutions
- Maintenance revenues from servicing SUAS



# FY20 OUTLOOK

XTEK is well positioned to execute its operational strategy in FY20 and capitalise on growth opportunities

## Key Catalysts

- ❑ Complete HighCom acquisition (1Q FY20)
- ❑ Finalise integration of HighCom (2Q FY20)
- ❑ Complete and commence use of XTclave™ manufacturing facility (2Q FY20)
- ❑ Achieve commercial-quantity order of XTclave™ products
- ❑ Commence exporting XTclave™ manufactured products into the US market
- ❑ Achieve commercial order of XTatlas™ technology



# KEY INVESTMENT HIGHLIGHTS

XTEK is well positioned for growth, underpinned by accelerated commercialisation of high value proprietary solutions and favourable market sentiment within the domestic and global defence industry



## Favourable defence market sentiment

- Western defence budget >2% of GDP, & strong global spending
- Direct access to lucrative US / Aus defence markets, to be leveraged globally

## Focused on market leading soldier solutions

- High value solutions being commercialised in global markets
- XTclave™ solutions accelerated into US market via highly complementary HighCom acquisition

## US acquisition accelerates ballistic solutions strategy

- Acquired a high margin ballistic business with networks across the US
- Evaluation and testing of XTclave™ nearing completion with major defence organisations

## Actionable intelligence solution

- Advanced software retrofitted to existing hardware, with sales to major organisations for evaluation & testing
- Commercialisation underpinned by existing SUAS business

## Strong FY20 outlook

- Achieve financial benefit from accretive acquisition of HighCom
- US expansion enables access to lucrative US defence, targeting large global orders

# CORPORATE OVERVIEW

Following the recent acquisition and capital raising, XTEK's share price has increased >25%<sup>1</sup>

## Trading information

Share price (29 Aug 2019)	A\$0.58
No of shares	48.7m
<b>Market capitalisation</b>	<b>A\$28.3m</b>
Net cash <sup>2</sup>	A\$5.3m

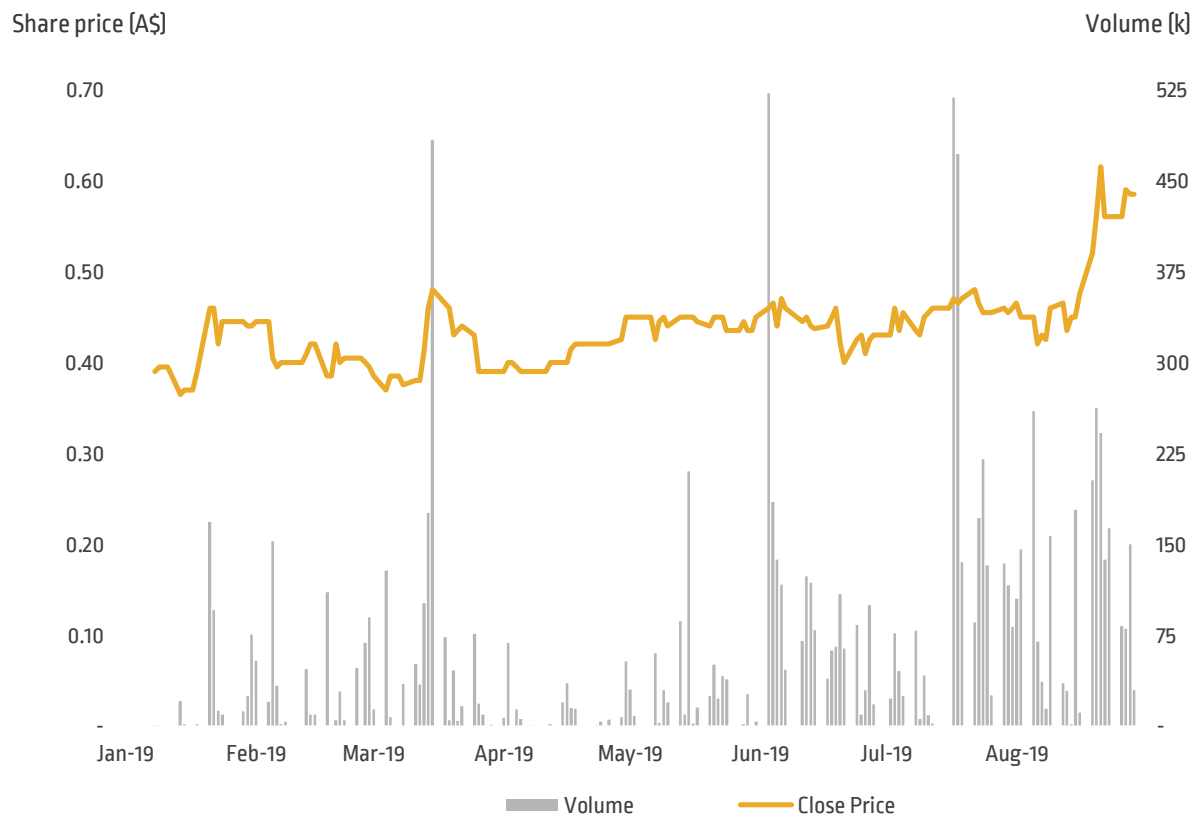
## XTEK Board

Uwe Boettcher	Non-Executive Chairman
Philippe Oduard	Managing Director
Robert Quodling	Executive Director
Ivan Slavich	Non-Executive Director
Chris Fullerton	Non-Executive Director

## Major shareholders

Uwe Boettcher	11.5%
Mrs Wendy Wing Lin Lo	5.2%
Mark Philip Rack	5.1%
Fairlane Management	4.3%

## LTM share price performance



Source: IRESS, company information

1. Share price as at 16 July 2019 (day prior to announcement) was A\$0.46, compared to A\$0.58 as at 29 August 2019
2. Cash as at 30 June 2019



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