



# AVA GROUP

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SECURITY RISK MANAGEMENT

**Investor Presentation – September 2019**

# Forward Looking Statements

## **This presentation is given on behalf of Ava Risk Group Limited (AVA)**

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# Corporate Overview

## KEY MARKET STATISTICS

ASX Code	ASX.AVA
Share price (as at 2 Sep 2019)	\$0.12
Market Capitalisation	\$28.09m
Shares on issue	234.12m
Cash (as at 30 Jun. 2019)	\$3.1m
Debt (as at 30 Jun. 2019)	nil

## BOARD & KEY MANAGEMENT

David Cronin	Chairman
Scott Basham	Group CEO
Rob Broomfield	COO – Technology Division
Leigh Davis	Group CFO
Michael McGeever	Non-Executive Director
Mark Stevens	Non-Executive Director

## MAJOR SHAREHOLDERS

Pandon Holdings*	13.8%
RSA Associates	11.5%
Directors and Management*	18.6%

\* Includes related parties

# FY2019 Highlights

## **Ava Group (Technology Division + Services Division):**

- FY2019 revenues increased 60% to \$31.6m
- EBITDA\* improved by 3% to a loss of \$2.8m

## **Technology Division (FFT + BQT):**

- Revenues increased by 3% YoY to \$15.7m
- Gross margin improved for FFT from 65% in FY2018 to 67% in FY2019
- FFT's Aura Ai-2 sales increased by 272% from \$2.9m in FY2018 to \$8.0m in FY2019
- Scott Basham appointed Group CEO, driving Technology Division sales strategy and operational improvement programs yielding increase in sales to revenue cadence and right sizing the expense base.
- PO received for large, \$17+m Indian MoD network project, a major financial and product milestone for FFT's SecureLink product.
- \$2.3m spent on R&D in FY2019 (includes \$1.1m of capitalised spending), achieving industry leading performance with the Aura Ai platform resulting in the new Aura IQ Conveyor Belt Monitoring Solution launch and first orders from A\$300+m addressable market taken.
- Record backlog of Purchase Orders at year end of circa A\$6.0m, the bulk of which is to be delivered in Q1 FY2020.

\* EBITDA is earnings before interest, tax, depreciation and amortisation.

# FY2019 Highlights

## **Services Division (Ava Global):**

- Revenues increased by 116% on a full year comparison basis to \$15.9m
- Gross margin was 20% in FY2018 compared to 21% in FY2019, with further improvement expected in FY20 reflective of changing product mix
- EBITDA improved by \$1.6m on a full year comparison basis
- Addressable client spend increased to \$90m, with some clients now transacting in excess of 25% of their annual logistics spend with Ava Global.
- Mike McGeever appointed Non-Executive Chair of Services Division on 30 July 2019. This appointment brings great experience and an extended contact base to the Services Division whilst allowing Chris Fergus, CEO Services Division, to continue to grow the business to achieve its aggressive growth targets for FY2020.

# FY2019 Financial Summary - P&L

AUD\$M	FY2019	FY2018
Sales Revenue	<b>31.6</b>	<b>19.8</b>
COGS	(17.9)	(8.8)
Gross Profit	13.7	11.0
GP margin (%)	43%	56%
Operating Expenses	(16.6)	(14.5)
EBITDA*	<b>(2.8)</b>	<b>(2.9)</b>
Profit / (Loss) after tax	<b>(4.7)</b>	<b>(3.2)</b>

\* Earnings before interest, taxes, depreciation and amortisation

- 116% increase in YoY revenues for the Services division (like for like full 12 months comparison).
- Overall group gross margin declined to 43% due to expected dilution impact from a larger contribution from the lower margin Services Division.
- FFT gross margin showed a YoY improvement from 65% to 67%, driven by higher margin contribution from the Aura Ai platform.
- Operating Expenses includes a full year of MaxSec business in FY2019 (7 months in FY2018)

# FY2019 Financial Summary - Balance Sheet

<b>AUD\$M</b>	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
Cash and cash equivalents	3.1	5.9
Receivables	5.0	5.3
Inventories	4.5	4.6
Intangibles	12.7	12.7
Other assets	1.2	1.4
<b>Total assets</b>	<b>26.5</b>	<b>29.9</b>
Payables	4.8	4.8
Provisions	1.5	1.6
Borrowings	-	-
<b>Total liabilities</b>	<b>6.3</b>	<b>6.4</b>
<b>Total equity</b>	<b>20.2</b>	<b>23.5</b>

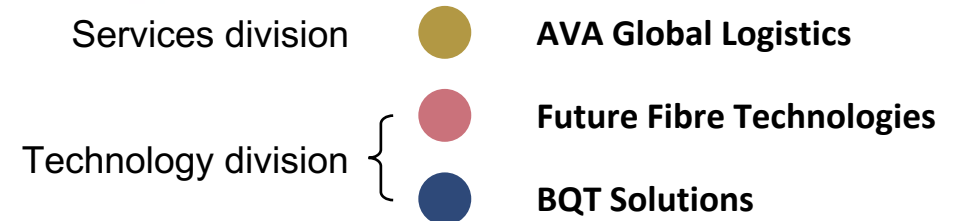
- No external debt or borrowings.
- Cash balance of \$3.1 million at 30 June 2019.
- Sales orders backlog circa \$6.0m.

# Company Overview

*AVA Group is a diversified risk management technology and services company operating across 15 countries*



**FY2019 revenue contribution**

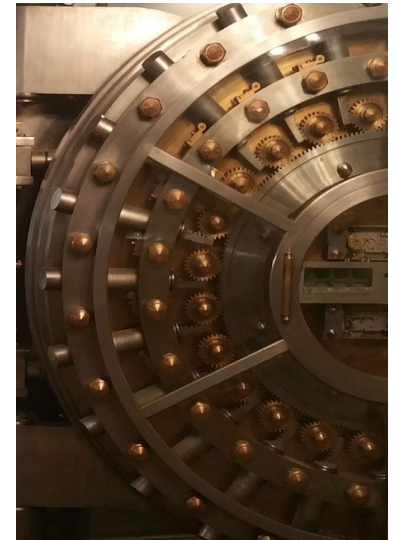






# Services Division – Ava Global Logistics

- Ava Global Logistics is a growing global provider of secure international logistics of high-risk valuables, precious metals and currency.
- Provides fully insured (underwritten by Lloyds), door to door services, utilising a network of highly experienced security companies, freight forwarders, airlines and customs brokers, all operating under Ava's strict risk management guidelines.
- Unique Partner model: ability to provide service in 100+ countries.
- Blue chip client base.
- Global footprint with offices in New York, London, Frankfurt, Dubai & Singapore.



# Services Division – Corporate Development

- The Company received in-bound enquiries from third parties interested in investing in a minority stake in the Services Division.
- These discussions have not resulted in a proposal that Ava believes would represent strategic value for shareholders.
- Given the strong trajectory the business has been on so far, and where we see it going in FY2020 and beyond, Ava will maintain contact with interested parties and may revisit these corporate discussions in the future.





# Technology Division – Future Fibre Technologies

- FFT is a global leader in fibre optic intrusion detection systems, with a track record of delivering highly intelligent, reliable, and award-winning intrusion detection solutions for the protection of critical sites and infrastructures.
- FFT's advanced security systems detect and locate perimeter intrusions, oil and gas pipeline third-party interference and data network tapping and tampering.
- With over 1,900 systems deployed across 69 countries, FFT has established a solid reputation for delivering advanced and cost effective intrusion detection solutions for the Transport, Government, Military, Oil & Gas and Utility sectors.
- FFT's new Aura Ai platform uses the latest advanced optical signal processing algorithms, combined with artificial intelligence, to discriminate between intrusions, nuisance alarms and other causes of fence disturbance.



# Technology Division – BQT Solutions

- BQT's secure, reliable smart reader and card systems, biometric solutions, electric locking, and access control products are utilised at over 3,500 sites in more than 50 countries.
- A leader in high security access control technology used in some of the most high security, critical applications in the world.
- Offers custom and “off the shelf” products to deliver market-wide access control security including military, critical infrastructure, commercial, industrial and residential applications.



# BQT Production & Operations – Now Consolidated Under One Roof

- The Technology Division is streamlining its BQT Sydney, Australia, based operations with production and manufacturing of all Access Control Readers and Cards, and Biometric Terminals now consolidated under one roof in our Auckland, New Zealand, BQT facility.
- Sydney based Sales and Software R&D staff have been relocated to a new appropriately sized office.
- This consolidation brings efficiencies to the business, generated from manufacturing scale and greater optimisation of underutilised production capacity at the Auckland site.
- Further restructuring of BQT's overseas business operations will be completed shortly, with annualised savings from these efforts expected to exceed \$1m p.a. once completed.
- These changes will improve the underlying profitability of the BQT business unit going forward, which we expect will be further enhanced by other exciting growth opportunities that are anticipated for FY2020.



# BQT Locking GTM Partnerships

- In FY2019, we commenced marketing our locking products in the USA with a major industry locking company. Initial market feedback has been very positive resulting in several small, medium and large project opportunities to date.
- All internal production planning has now been completed to prepare for the potential manufacturing of over 100,000 units of our award winning YG80 “Orca” lock. This is in anticipation of finalizing a supply agreement expected to run over 5 years with quantities delivered in fixed monthly tranches.
- This significant deal is being developed by a major international locking company for a single customer in the USA and integrates other technologies with our YG80 locking solution. The finalisation of the contract between the global locking conglomerate and the End User Customer is ongoing. We continue to await further advice of a new completion date.
- Concurrent with this, we are also negotiating the expansion of existing supply arrangements into Europe, with the negotiation of a new Master Distributor Agreement with another – different – global locking conglomerate, that when concluded is expected to deliver an additional 20% increase on our existing production levels across all locking products.

# India MoD Update – Local Production Has Commenced

- The Indian MoD project prime contractor has partially completed the analysis of the data network design, and in order to minimize further delays they have provided an aggressive delivery schedule for the first 600 systems.
- SFO (Ava's in-country partner) are accelerating procurement to complete the Factory Acceptance Testing and fulfill this initial batch of systems as quickly as possible over the coming months.
- This first tranche equates to circa 25% of the total project order and is valued at circa **US\$3.5m (A\$5.2m)** in licence fees to AVA.
- In support of the payment terms agreement between AVA and SFO of 120 days, SFO are in the process of establishing the required Bank Guarantee to the benefit of AVA of approximately **US\$2m (A\$3.0m)**.
- The total contract value of the licence fees to AVA is estimated at **US\$11.7m (A\$17.4m)** the majority of which is expected to be invoiced over FY2020.
- In addition, there is expected to be additional revenue after the initial 3-year warranty period from a subsequent 7-year spares and maintenance contract, which has an estimated value of **US\$3.4m (A\$5.1m)**.



# AURA IQ Update

## Aura IQ Cloud Platform

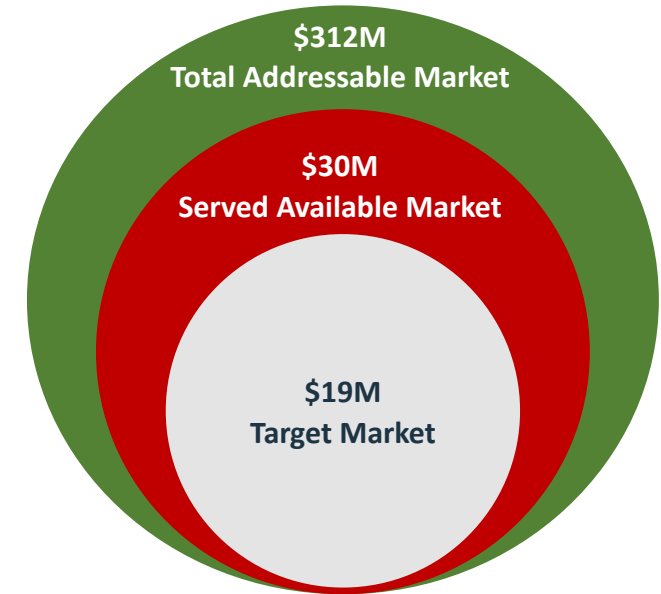
Our new Aura IQ Cloud Platform was officially launched on 5 Aug 2019 and is now available for commercial sale. The cloud platform leverages the benefits of our revolutionary Aura IQ conveyor health monitoring solution and allows for an OPEX / SaaS model for future annuity income streams.

The launch generated significant industry interest and media attention and has consequently resulted in strong leads from all around the world, which are now being prosecuted by our sales team.

Meanwhile, the fully funded collaborative Operational Pilots currently underway in LATAM and Australia at major mining sites are progressing well, with the first purchase order for a commercial unit having been placed.

## Market Size Analysis (Mining Industry only)

- Currently 7,665 projects and operations across 5 core regions in over 100 countries (excluding China).



# Outlook Summary

## Technology Division:

- Record backlog of Purchase Orders carried over was circa A\$6.0M, the bulk of which is to be delivered in Q1 FY2020.
- Increased focus on sales strategy and right sizing the ongoing cost base to extract further merger synergies.
- Indian MoD progressing. SFO (Ava's partner) manufacturing first 600 systems.
- Consolidation of BQT production and operations under one roof, and further changes will generate total savings of A\$1m+ p.a.
- Exciting USA BQT Locking opportunity is progressing, which will at least double the BQT business YoY once started.
- New BQT Master Distributor Agreement to be negotiated for BQT Locking products in Europe, anticipated to deliver 20% growth on existing levels once commenced.
- New Aura IQ Conveyor Belt Monitoring Solution launched and first orders from A\$300m addressable market taken.

## Services Division:

- Strong growth trajectory, 2H FY2019 achieved EBITDA positive result.
- Growing customer base and share of customer spend.
- Well positioned on a number of large bids and tenders to deliver profitable growth in FY2020.

## Ava Group:

- The Group expects record revenues of more than \$9.0m in Q1 FY2020 and is confident of significantly increasing its revenues and delivering strong profits in FY2020 and beyond.