



AVA GROUP
SECURITY RISK MANAGEMENT

Investor Presentation

Forward Looking Statements

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FY2019 Financial Summary - P&L

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

* 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.
- Technology Division gross margin was 66%
- Services Division gross margin was 21%
- 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

AUD\$M	30 Jun 2019	30 Jun 2018
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
Total assets	26.5	29.9
Payables	4.8	4.8
Provisions	1.5	1.6
Borrowings	-	-
Total liabilities	6.3	6.4
Total equity	20.2	23.5

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

FY2019 Highlights

Ava Group (Technology Division + Services Division):

- FY2019 revenues increased 59% to \$31.6m
- EBITDA* improved by 3% to a loss of \$2.9m

Technology Division (FFT + BQT):

- 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 (included \$1.1m of capitalised spending), achieving industry leading performance with the Aura Ai platform yielding the new Aura IQ Conveyor Belt Monitoring Solution launched and first orders from A\$300+m addressable market taken.
- Record backlog of Customer Purchase Orders at year end of circa A\$6.0m, the bulk of which was delivered in Q1 FY2020.

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

FY2019 Highlights

Services Division (Ava Global):

- Revenues increased by 116% to \$16.1m
- Gross margin was 20% in FY2018 compared to 21% in FY2019, 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.

Company Overview

AVA Group is a diversified risk management technology and services company operating around the globe



FY2019 revenue contribution



Services division



AVA Global Logistics

Technology division



Future Fibre Technologies



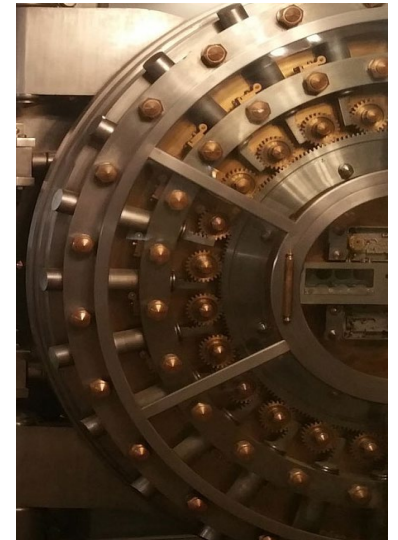
BQT Solutions

Major Organizations All Around the World Depend on AVA



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, 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.



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.



FUTURE FIBRE
TECHNOLOGIES



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.



Services Division – Refined Strategy

- Focus on increasing revenues whilst reducing fixed costs to better align with a performance based remuneration structure.
- Moving from a supplier of choice to integral component in a customer's secure supply chain.
- Strengthened focus within precious metals sector with the recent appointment of Grant Angwin as a director and strategic market advisor.
- Well positioned to take a leading market position in the wholesale banknote market – imminent change is USFRB USD supply.
- Some customers allocating more than 25% of their annual spend on Ava services.



BQT Production & Operations – NEW GTM Changes Now Implemented

- During Q1 FY2020, the Technology Division relocated its BQT Solutions (BQT) business unit's production and manufacturing operations of all Access Control Readers and Cards, and Biometric Terminals to its BQT locking production facility in Auckland, New Zealand.
- 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.
- Subsequent to this restructuring, the business also closed the BQT administration office in the UK, and realigned its BQT sales operations both there, and in the Middle East, to take advantage of newly appointed Distribution partners.
- Cost savings from these changes are expected to positively benefit the underlying business by **more than A\$1m** going forward.
- The new GTM and other exciting growth opportunities that are anticipated for FY2020 should see significant contributions now being made by this business unit going forward.



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 lock**, 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 still ongoing. We continue to await further advice of a new completion date.
- Concurrently with this, we are also finalizing the negotiations for an expansion of existing supply arrangements into Europe, for a new Master Distributor Agreement with another – different – global locking conglomerate. When concluded, this new agreement is expected to deliver an **additional 20% increase** on our existing production levels across all locking products. This is expected to be completed by end of Q2 FY2020.

India MoD Update –Tranche 1 Production Now Underway

- Follow on purchase orders for the first tranche of 600 systems for the IMOD project have been received by Ava's Technology Division from our in-country partner SFO.
- This order equates ~25% of the total project and is valued at circa **US\$3.5m (A\$5.1m)** in licence fees to Ava.
- Once production of this batch is completed by our in-country manufacturer, the end user will then undertake their Factory Acceptance Testing process. Once this has been completed, Ava expects that revenues will then commence during late Q2 FY2020 as units are dispatched in bulk lots from SFO to IMOD sites.
- Ava anticipates receiving a revised delivery schedule for the next tranche of systems in November 2019 and will provide an update via the ASX as appropriate.
- Ava can now also advise that the Bank Guarantee of circa **US\$2m (A\$2.9m)**, which supports the 120 days payment terms agreement between AVA and SFO, is being finalised.
- The total contract value of the licence fees to AVA is estimated at **US\$11.7m (A\$17.2m)** 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\$5.0m)**.

AURA IQ Update

Aura IQ Conveyor Health Monitoring

The Technology Division successfully launched its new Aura IQ solution for conveyor belt health and assurance monitoring in Q1 FY2020. The first customer orders have been received, and installations are underway.

There are currently more than **USD\$28m (A\$41m)** in live qualified Aura IQ opportunities running across 16 countries, with more than a third of these opportunities lined up for “Proof of Value” Commercial Trials.

Meanwhile, the fully funded collaborative Operational Pilots currently underway in LATAM and Australia at major mining sites are progressing and are expected to continue on into CY 2020.



FY2020 Strategic Growth Focus

No.	Area of Growth
1	Focus on new Go To Market strategy for Technology Division Sales & Service Distribution Channels to grow the sales revenues and supplement existing global support operations.
2	Focus on After Market Sales of Maintenance Support Contracts and Upgrades/Migrations to new technology like FFT's Aura Ai-2, and BQT's Bio X/XK and YG80.
3	Focus on delivering strong ROI on our new Aura IQ and leveraging our 1st sales into the Mining Sector
4	Focus Technology Division's R&D efforts on further refinement of Buried/Pipeline solutions (FFT) and new features and enhancements for Readers and Locking products (BQT).
5	Focus on growing precious metals sector for Services Division, Ava Global, with the appointment of Grant Angwin
6	Focus on developing a leading market position in the wholesale banknote sector for Services Division
7	Focus on Right Sizing and Maintaining our OPEX base for underlying business sustainability.

Q1 FY2020 Financial Summary

AUD\$M#	Q1FY2019	Q1FY2018	% change YoY
Sales Revenue	9.8	8.4	18%
COGS	4.8	4.8	3%
Gross Profit	5.0	3.6	37%
GP margin (%)	51%	43%	
Operating Expenses	3.7	4.2	-12%
EBITDA*	1.2	(0.5)	335%

- **Growing Revenues**
- **Increasing Margins**
- **Reducing Costs**
- **Producing Profits**
- **Increasing cashflow**

* Earnings before interest, taxes, depreciation and amortisation

unaudited management accounts

Q1 FY2020 Highlights

Ava Group (Technology Division + Services Division):

- Q1 FY2020 revenues increased 18% to \$9.8m compared to same time last year.
- EBITDA* of \$1.2m, an increase of approximately 335% year on year.
- Cash at Bank was \$3.6m, an increase of \$0.5m since 30 June 2019.
- Net operating cashflows were positive \$0.9m, an improvement of \$1.6m compared to the previous quarter.
- Cash receipts from customers were up \$2.2m on the previous quarter to \$9.4m on higher sales.
- At 30 September 2019, the Company had \$3.6m cash at bank, an increase of \$0.5m since 30 June 2019.

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

Q1 FY2020 Highlights

Technology Division (FFT + BQT):

- Revenues of \$5.5m in Q1
- EBITDA was \$1.0m
- Improving gross margins from 66% in FY2019 to 72% in Q1 FY2020
- Order backlog for technology products and services at 30 September 2019 of circa \$4.3m

Services Division (Ava Global):

- Revenues of \$4.4m in Q1
- EBITDA was \$0.2m
- Improving gross margins from 21% in FY2019 to 25% in Q1 FY2020
- It is well positioned for consistent growth in FY2020 after recently securing further new customer contracts

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

FY2020 Outlook

Services Division:

- Strong growth trajectory continues from 2H FY2019 into Q1 FY2020 where achieved EBITDA positive result.
- Improving Gross Margins expected for FY2020 – was 20% in FY2018, to 21% in FY2019, and now currently 25% in Q1 FY2020, which is reflective of changing product mix
- Growing customer base and share of customer spend. Potential for existing customer spend to increase significantly with recent developments in USD supply protocols.
- Addressable client spend increased to A\$90m, with some clients now transacting in excess of 25% of their annual logistics spend with Ava Global.
- Significant potential for market consolidation, reducing competitive landscape.
- Mr. Mike McGeever appointed as Non-Executive Chair of Services Division on 30 July 2019, and Mr. Grant Angwin (former Chairman of LBMA) appointed as Non-Executive Director & Senior Precious Metals Advisor, on 01 October 2019. These two appointments enhance Ava Global's growing reputation and bring great experience and an extended contact base to the Services Division to further leverage for success.
- After securing further new customer contracts, the Services Division is well positioned for consistent growth in FY2020.

FY2020 Outlook Summary

Technology Division:

- Strong backlog of **A\$4.3m** at the end of September to take in to Q2 & H2 FY2020.
- New GTM sales strategy being implemented globally.
- New Aura IQ Conveyor Belt Health Monitoring Solution launched, first orders taken from A\$300m addressable market, and more than **USD\$28m (A\$41m)** in live qualified opportunities being pursued.
- Consolidation of BQT operations and other changes will generate total cost savings of **A\$1m+** p.a.
- New BQT Master Distributor Agreement for BQT Locking products in Europe, expected to deliver **20% growth** on existing levels once finalised.
- Exciting large scale USA BQT Locking opportunity that is expected to run over 5 years is progressing.
- Indian MoD now progressing. SFO (Ava's partner) has commenced manufacturing the first 600 systems, with first significant revenues expected late in Q2, with bulk of **A\$17.2m (USD11.7m)** expected to be delivered in H2 FY2020.

FY2020 Outlook Summary

Ava Group:

- Total revenue for Q2 FY2020 is forecast to be in excess of A\$9.0m, with total revenue expected for H1 FY2020 to be more than A\$19m (excluding contribution from IMOD).
- With the Company's growth and operating efficiency strategies now delivering improved returns to the business, the Ava Group remains buoyant about delivering record revenues and profits in FY2020 and beyond.

