



# XTEK

## MANAGING DIRECTORS AGM PRESENTATION

29 November 2019

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



**PROTECT THE FRONTLINE PROTECTORS**

# KEY ACHIEVEMENTS OVER THE LAST 12 MONTHS

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

## Significant financial and operational achievements

### ✓ Transformational acquisition of HighCom




- ✓ **XTclave™ manufacturing capability progressed**
- ✓ **Small Unmanned Aerial System maintenance facility installed and contract secured for long-term ADF SUAS support services**
- ✓ **First domestic and international XTatlas™ sales**
- ✓ **Positive initial feedback on product evaluation & testing by major global defence organisations**

### ✓ Strong FY19 financial performance

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)

3. 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

 <b>HIGHCOM</b> <b>Overview</b>	<ul style="list-style-type: none"> <li>▪ High quality + cost efficient + strong track record</li> <li>▪ Established US network<sup>3</sup></li> <li>▪ Experienced management team retained</li> <li>▪ CY18<sup>3</sup>: A\$10.5m Revenue / A\$1.4m EBITDA</li> </ul>
 <b>Strong rationale</b>	<ul style="list-style-type: none"> <li>▪ Highly complementary fit</li> <li>▪ Accelerates US expansion</li> <li>▪ Expands distribution network</li> <li>▪ Increases high margin ballistic product focus</li> <li>▪ Earnings accretive with potential synergies</li> </ul>
 <b>Growth upside</b>	<ul style="list-style-type: none"> <li>▪ Underpinned by customer, distribution and geographic expansion</li> </ul>

# CORPORATE OVERVIEW

Following the recent acquisition and capital raising, XTEK's share price has increased >50%<sup>1</sup>

## Trading information

Share price (26 Nov 2019)	A\$0.69
No of shares	52.7m
<b>Market capitalisation</b>	<b>A\$36.4 m</b>
Net cash <sup>2</sup>	A\$5.5m

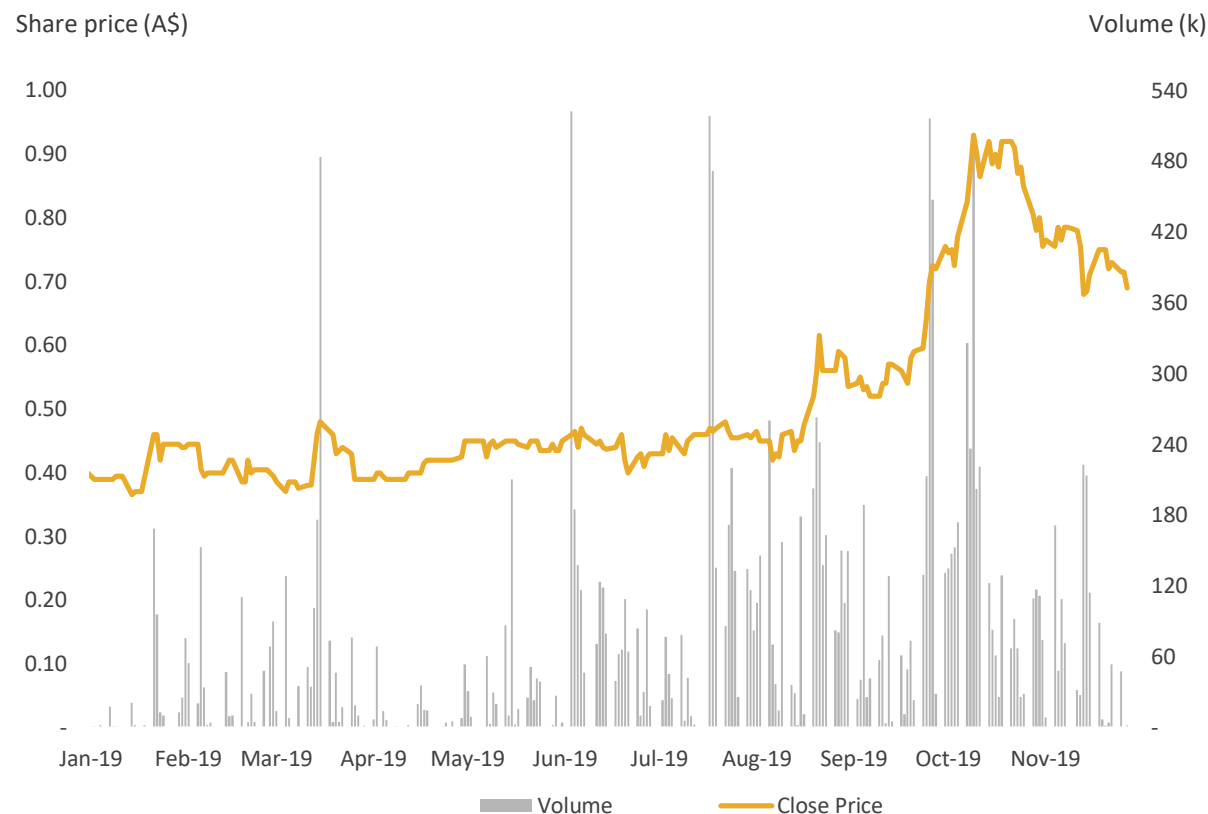
## XTEK Board

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

## Major shareholders

Uwe Boettcher	10.7%
HighCom Global Security	7.6%
Mrs Wendy Wing Lin Lo	4.8%
Mark Philip Rack	4.2%
Fairlane Management	4.0%

## Share price performance



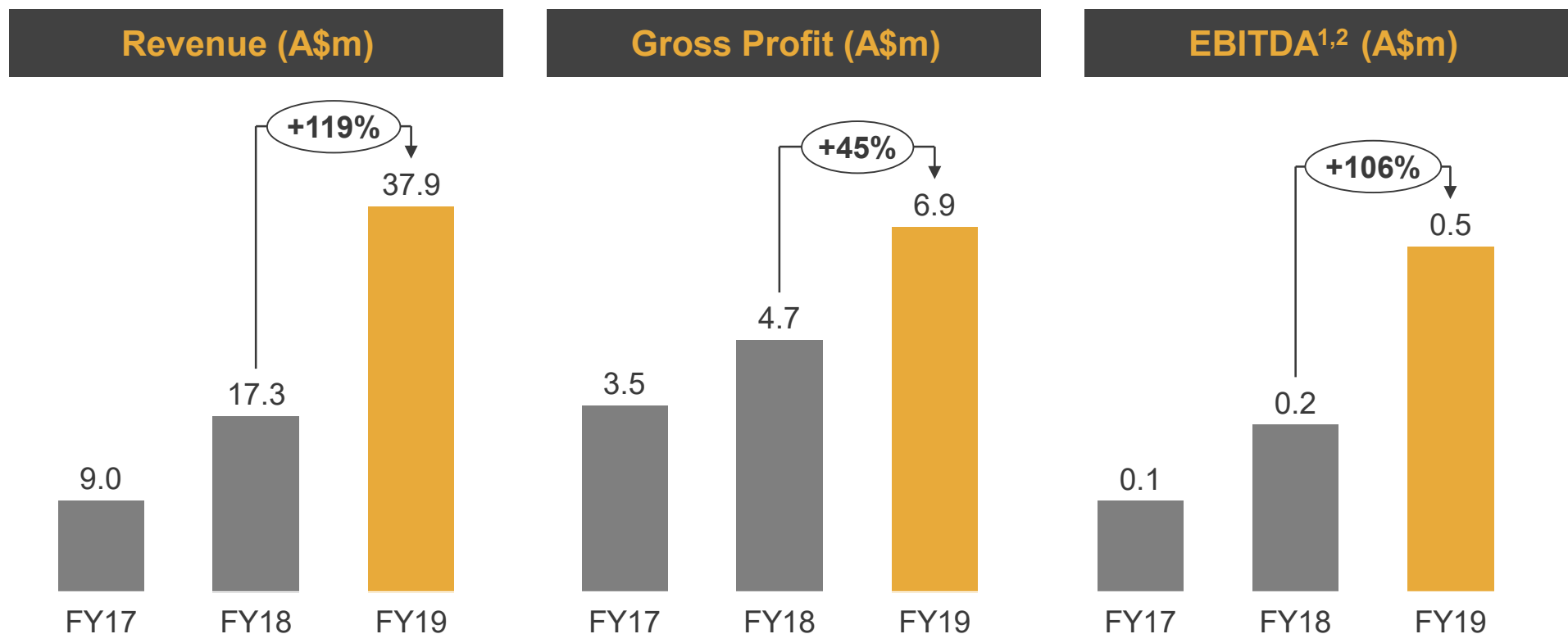
Source: IRESS, company information

1. Share price as at 16 July 2019 (day prior to announcement) was A\$0.46, compared to A\$0.69 as at 26 November 2019

2. Cash as at 26 November 2019

# FY19 FINANCIAL HIGHLIGHTS

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



**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)



# PROVIDING FRONTLINE PROTECTOR 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

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



 **R&D investment**



 **Manufacturing capability<sup>1</sup>**



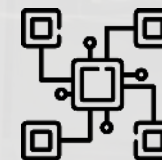
 **Market leading technology**



 **Product validation<sup>2</sup>**



 **Major customers**



 **Distribution networks**

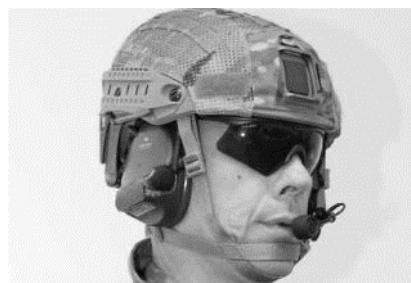
1. Australian facility to be opened 1Q CY20; Existing capability in the US; 2. Existing product line validated; XTclave™ products under evaluation from major customers



# 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>	✓	✓	✓	✓
XTclave™ potential	-	Up to 30% lighter; buoyancy potential	Stops AK-47 MSC bullets and fragments Recognised unique product at that weight	Ground / air vehicles; shields and building

1. Global ballistic protection market forecast in 2020 (Source: Markets and Markets, 2014)

2. Incorporates sales from HighCom

# UPDATE: PRODUCT DEVELOPMENT



Development of the Ultra Light plate has been finalised – **currently being certified**



Rifle helmet. 7.62 MSC is finalising its certification<sup>1</sup>

It is **materially better than any existing rifle product on the market**

- Other products with higher level of protection are being finalised
- New products to be launched on 20 January 2020 during Shot Show in Las Vegas<sup>2</sup>
- Website, demonstrations, marketing presentations and meetings with distributors to start at Shot Show

1. Certification is against XTEK's own standards (typical of the industry)  
2. The largest show for firearms and firearms protection in the world

# UPDATE: XTclave

XTEK's new XTclave™ manufacturing facility in Adelaide is in the final stages of completion

- **Factory in final stages of development:**
  - machine installation, oven and press commissioning in process
  - XTclave machine currently being assembled
- **Testing and validation to start in January 2020**
- **First delivery of products for customers to the US expected in February 2020**



**Full production rate on track to be achieved by mid CY2020**

# GROWTH AND OUTLOOK

XTEK has a clear path to achieve large global sales of its high margin ballistic solutions

**Manufacturing capability  
& integrated US business**

**Capitalise on significant value opportunities  
domestically and globally**



**Integrate  
existing  
HighCom  
business**



**Commence use of  
manufacturing  
facility**



**Leverage US  
network for  
XTclave™  
exports**



**Achieve large  
domestic  
XTclave™  
orders**



**Target large  
global orders**

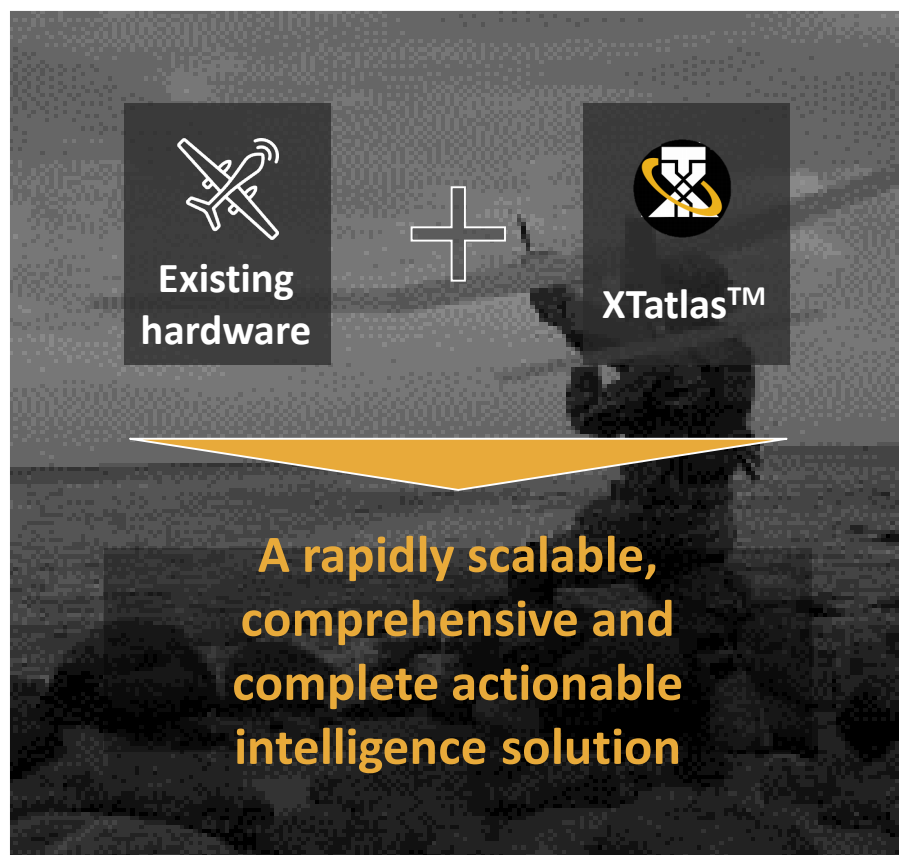
# ACTIONABLE INTELLIGENCE





# 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



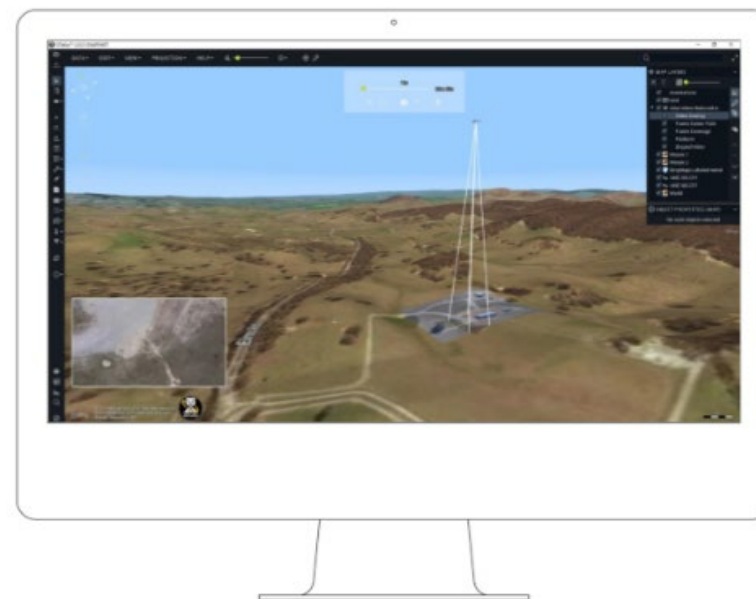
Key strategic pillars in place for XTEK to commercialise the XTatlas™ application

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

# XTatlas IS A WORLD CLASS OFFERING

XTatlas™ is a market leading software application that provides actionable intelligence

- Rapid production of **real time, accurate, geo-referenced 3D mapping** from video feed and **comparison with previous data**
- Use in combat **ensures instant situational** awareness and targeting, critical to soldiers safety
- SARBI<sup>1</sup> allows accurate mapping of **chemical, biological, radiological and explosive sources**
- **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 - module of XTatlas™

# SUAS CHANNELS TO MARKET

XTEK has broad access to SUAS customer channels and strong networks



- **Strong relationship with the ADF**
  - Exclusive **long-term support services contract worth up to A\$35m<sup>1</sup>**, which is expected to improve future margins
  - Have delivered **WASP AE and PUMA SUAS products** with potential to expand beyond existing contracts
- Opportunity to **leverage existing channels** in tendering for future contracts

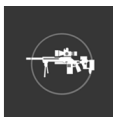
1. Contract is for an initial term of three years, with multiple options to extend through to 2026, with an anticipated revenue of up to A\$5m per year

## OTHER SOLUTIONS AND ONGOING R&D



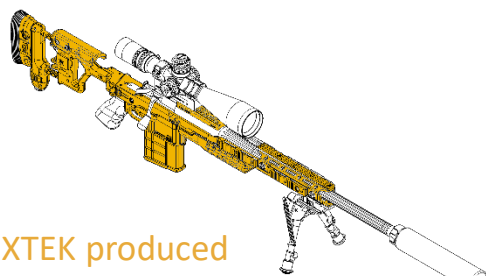
# OTHER SOLDIER SOLUTIONS

XTEK supplies a range of 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



## Other solutions and services

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



- Forensics



- Logistics Engineering

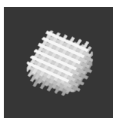


1. XTEK is a provider to the Department of Defence/Law enforcement for portable X-ray system and EOD robots



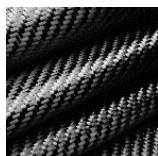
# OTHER PRODUCT DEVELOPMENT AND INITIATIVES

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

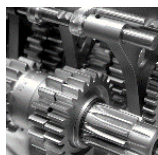


## Carbon products

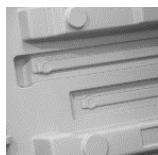
- Uses XTEK's patented consolidation technology, to produce high fibre volume fraction composites



Composite materials



Metals



Polymers



## Space satellite & launch systems

- Make stronger, lighter and complex shaped parts
- reducing outgassing, 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



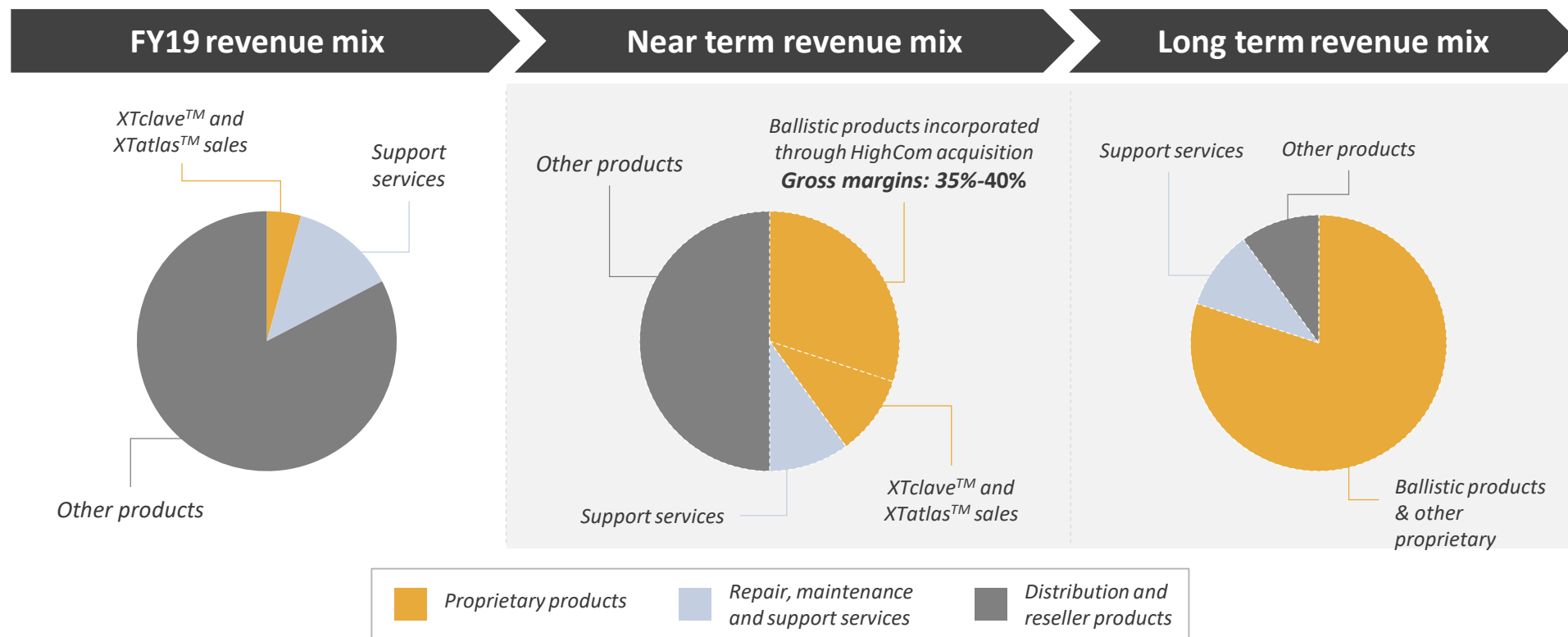
XTEK continues to explore opportunities for new applications that can benefit from its advanced technology

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

# 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 and other products



# FY20 OUTLOOK

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

## Key Catalysts

- ❑ Finalise integration of HighCom (2Q FY20)
- ❑ Open XTclave™ manufacturing facility (3Q FY20)
- ❑ Achieve commercial-quantity orders for XTclave™ products
- ❑ Commence exporting XTclave™ manufactured products into the US market
- ❑ Achieve commercial orders for XTatlas™ technology



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