

# Investor Presentation – 25 February 2020



# Forward Looking Statements

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

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# Company Overview

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

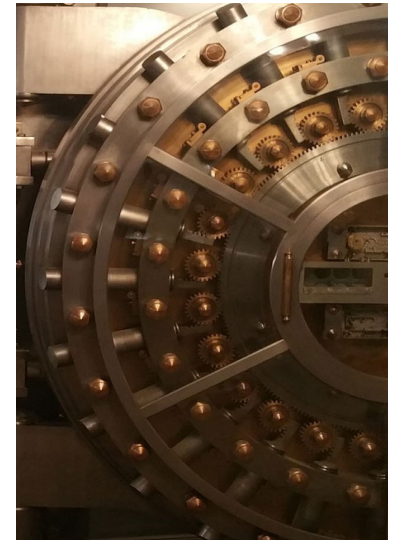
**HY2020  
Revenue Contribution**



- Services division  **AVA Global Logistics**
- Technology division {  **Future Fibre Technologies**
-  **BQT Solutions**

# 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 – 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.



# 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 more than 2,000 systems deployed across 70 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.





# Major Organizations All Around the World Depend on AVA



# H1 FY2020 Business Highlights



## Strong Revenue Growth

- 23% growth in sales revenue vs pcip
- 55% of revenue is from the Technology Division



## Gross Margin Improvement

- Services Division maintained its GM at 21%
- Technology Division increased its GM to 72%



## Operating Expenses Reduced

- Better working capital management
- Improving cost base post restructuring
- Increased net operating cashflow



## Strong Order Backlog

- Technology Division Backlog of A\$16.7m
- Services Division addressable client spend increased to A\$115m



# H1 FY2020 Financial Summary

AUD\$M#	H1 FY2020	H1 FY2019	YoY % Change
Sales Revenue	20.4	16.7	+23%
COGS	10.4	9.8	+7%
Gross Profit	10.0	6.9	+45%
GP Margin (%)	49%	41%	+8%
Operating Expenses	7.8	8.6	-10%
EBITDA*	2.2	(1.7)	+226%
Underlying EBITDA**	2.5	NA	NA

- Increasing Revenues
- Increasing Margins
- Reducing Costs
- Producing Profits

\* Earnings before interest, taxes, depreciation and amortisation

\*\* EBITDA excluding one-time corporate restructuring costs

# H1 FY2020 Financial Summary - Balance Sheet

<b>AUD\$M</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
<b>Cash and cash equivalents</b>	3.1	3.1
<b>Receivables</b>	7.5	5.0
<b>Inventories</b>	4.3	4.5
<b>Intangibles</b>	13.3	12.7
<b>Other assets</b>	1.1	1.2
<b>Total assets</b>	<b>29.3</b>	<b>26.5</b>
<b>Payables</b>	5.7	4.8
<b>Provisions</b>	1.2	1.5
<b>Lease liabilities</b>	0.9	-
<b>Total liabilities</b>	<b>7.8</b>	<b>6.3</b>
<b>Total equity</b>	<b>21.5</b>	<b>20.2</b>

- **No external debt or borrowings.**
- **Cash Balance of A\$3.1m**
- **Sales Order Backlog of A\$16.7m**

# H1 FY2020 Highlights

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

- H1 FY2020 revenues increased by 23% to A\$20.4m compared to same time last year.
- Gross margins improved by 8% to 49% compared to 41% for the same time last year.
- EBITDA\* of A\$2.2m an increase of approximately A\$3.9m compared to same time last year.
- Net operating cashflows were positive A\$0.7m, an improvement of A\$1.2m on the same time last year.
- Cash receipts from customers increased by A\$1.1m on the same time last year.

\* EBITDA = Earnings before Interest, Tax, Depreciation and Amortisation

# H1 FY2020 Highlights

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

- Record revenues of A\$11.3m
- EBITDA was A\$1.8m
- Gross margins improving from 70% in H1 FY2019 to 72% in H1 FY2020
- Significant order backlog for technology products and services at 31 December 2019 of circa A\$16.7m

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

- Record revenues of A\$9.2m
- EBITDA was A\$0.4m
- Gross margins steady at 21%
- Addressable client spend up to A\$115m, with key wins in cash sector poised to drive growth in H2 FY2020

# Services Division Update

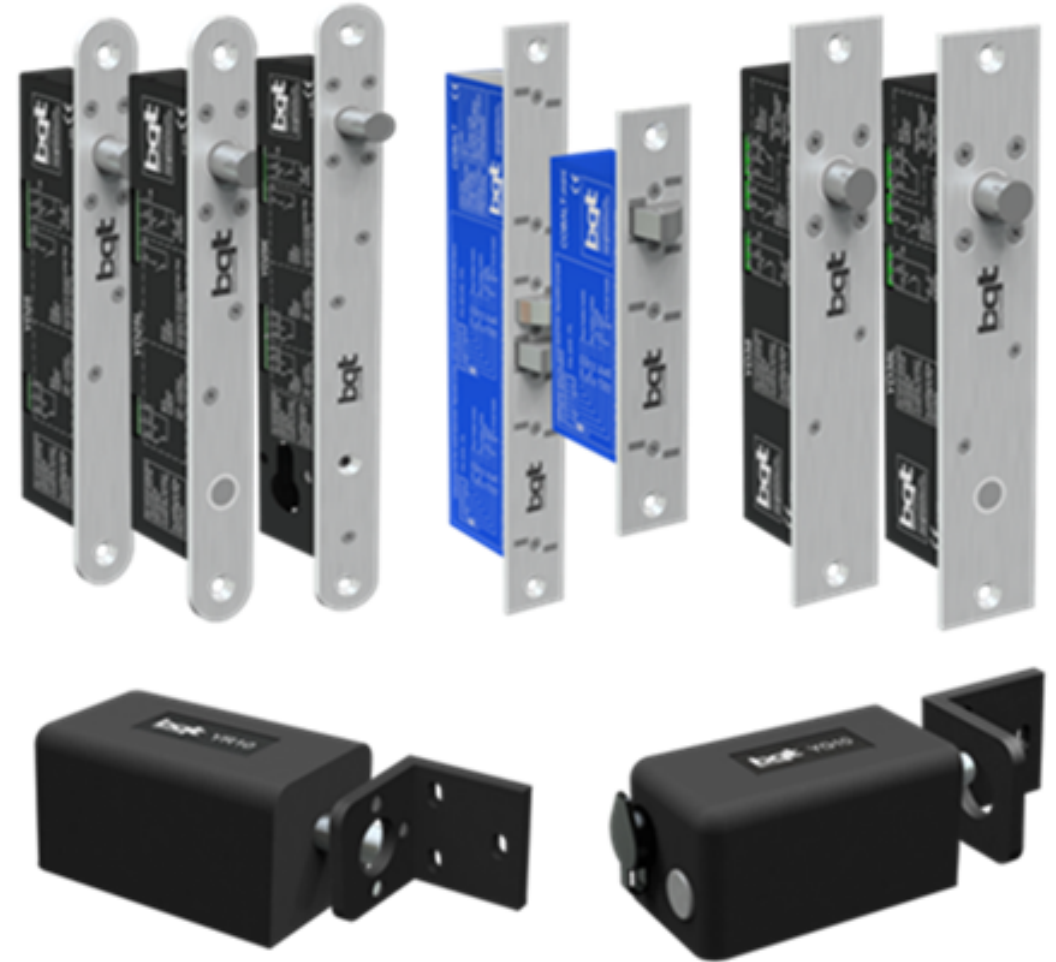
- Ava Global has recently been awarded preferred supplier status with Moneycorp Bank Ltd, to provide secure logistics and cash processing services, to and from New York, USA. Moneycorp expects that volumes will increase significantly over the coming months, which positions Ava Global well to benefit from this new arrangement.
- In addition, two (2) new service agreements have been executed with banks in the wholesale banknote sector, with other agreement negotiations at an advanced stage.
- As a result, the business is well placed to take a leading market position in the wholesale banknote market following the recent launch of US Federal Reserve FBICS program.
- These agreements increase the total addressable client spend for Ava Global in this sector to A\$115m, with the business tracking towards gaining 30% of this market.





# Technology Division – BQT – New EU Master Distributor Agreement

- AVA's BQT Solutions subsidiary has finalized negotiations for an expansion of its existing locking supply arrangements into Europe, with the signing of a new Master Distributor Agreement with a major global locking conglomerate.
- The first stocking orders have already been received against this new agreement throughout the course of February.
- The agreement is expected to deliver an **additional 20% increase** on our existing production levels across all locking products.



# Technology Division – BQT – YG80 Locking Update

- Sales of our award winning YG80 lock continue to increase, particularly in the US market through the distribution agreement with DormaKaba.
- A major opportunity for Ava's BQT Solutions to potentially supply ~100,000 units of our YG80 lock over a five-year period is ongoing.
- Latest advice to AVA from the conglomerate, is that the End User is still finalising selection of some of the other technologies included in the project. Consequently, finalisation of any agreement is still dependant upon successful quality, performance and integration tests being achieved, and then successful commercial negotiations being completed in due course.
- The conglomerate continues to strongly affirm that the YG-80 lock is the one and only locking solution being considered for this project.

**dormakaba** 



**DormaKaba YG80 video:**

[www.youtube.com/watch?v=58V1fj8W\\_ol](https://www.youtube.com/watch?v=58V1fj8W_ol)

# Technology Division – FFT – India MoD Tranche 1 Update

The total contract value to Ava for this project is estimated at **US\$11.9m (A\$18.0m)**.

More than 400 of the first 600 units (~25% of project) have now been built by Ava's in-country partner SFO:

- The first 200 units passed FAT and shipped in late Dec 2019.
- The second 200 units passed FAT in late Jan 2020 and are awaiting delivery to the End User.
- The last 200 units of this batch are being built now for completion in March 2020, with FAT and dispatch expected in the same month.

In H1 FY2020, Ava recognised **~US\$1.0m (~A\$1.5m)** of the order, being **~US\$0.9m (~A\$1.3m)** as top line sales revenue, and **~US\$0.1m (~A\$0.2m)** as an income tax credit.

Ava expects that more than half of this project will be recognised as revenue in FY2020.

SFO's Bank Guarantee to Ava for **~US\$2.1m (~A\$3.2m)**, to cover the 120 days payment terms remains in place.

Ava expects additional revenue after the initial 3-year warranty period from a subsequent 7-year spares and maintenance contract, estimated value of **US\$3.4m (A\$5.1m)**.

# Technology Division – FFT – AURA IQ Update

The Technology Division launched its new Aura IQ conveyor belt health and assurance monitoring solution in Q1 FY2020. First customer orders have been received, and installations completed.

Significant interest in Aura IQ continues to grow, with the pipeline of qualified opportunities now totalling more than **A\$44m (US\$29m)**, spread across 16 countries and 5 industries (Coal, Bauxite, Iron Ore, Precious Metals, and Coal-fired Power Stations).

More than a third of these opportunities are preparing for “Proof of Value”( POV) Commercial Trials, with Ava having already completed POV Trials in Germany and Italy. A major POV is currently underway in India, and another POV is about to start in South Africa.

Fully funded collaborative Operational Pilots at major mining sites in LATAM and Australia are progressing and will continue in CY2020.



# FY2020 Ava Group Outlook

***Continued Strong Revenue Growth Forecast Following Record H1 FY2020 Performance.***

***Clear Earnings & Opportunity Pipeline Visibility for H2 FY2020 and FY2021.***

***Core Business Operationally Stable & Consistently Delivering on Commitments.***

- **Services Division** continues to experience strong revenue growth across cash and precious metals sectors, while growing share of total addressable customer spend.
- **Technology Division** has a significant A\$16.7m equipment, licensing and service backlog, with a strong pipeline of exciting opportunities over the near, medium and long term for both its core security offerings as well as its compellingly innovative Aura IQ conveyor health monitoring solution.
- **Q3 FY2020** total revenue is forecast to be A\$11m or more, including A\$9m or more from the underlying business, and A\$2m or more in licensing income from the Indian MoD project.
- Ava continues to maintain strong belief in achieving record revenues and profits for FY2020 and beyond.