

Monday, 04 May 2020

Q3 Records 89% Revenue Growth over PCP & FY2020 Guidance

Ava Risk Group Limited (ASX: AVA) (Ava Group or Company) today provides the following market update with respect to its unaudited results for Q3 FY2020 and provides guidance for its expectations for Q4 and FY2020.

Q3 FY2020 \$12.3m Revenue

Q3 FY2020 saw Ava Group's 3rd consecutive quarter of revenue growth, with the Company generating **\$12.3m (+89% over Prior Corresponding Period (PCP))**, on an unaudited basis.

- **The Services Division contributed \$6.2m (+122% over PCP)**
- **Technology Division contributed \$6.1m (+64% over PCP)**
- **The Group generated \$1.1m in Net Operating Cashflows (\$1.3m improvement on the previous quarter)**
- **At 31 March 2020 the Company had \$3.7m cash at bank and no debt**

Notably cash receipts from customers during Q3 did not include any receipts from the Indian MoD (IMOD) project. The first payment from this project was received as expected during April 2020, for an amount of USD\$0.9m (A\$1.5m), in line with the 120 days project payment terms.

Services Division \$6.2m Q3 Revenue

The Services Division's strong revenue growth continued during the period, with revenues for Q3 exceeding A\$6m for the first time.

- **Addressable client spend increased 26% to circa A\$145m**
- **Gross Margins averaged 19% for the quarter**

The Services Division continued to provide a full service to all of its customers, despite the reduction in air freight capacity around the world due to COVID-19.

These restrictions allowed Ava Global the opportunity to innovate and offer a range of bespoke cargo and charter aircraft solutions to ensure that it could continue to deliver currency, precious metals and other valuable goods for its customers.

Client activity has significantly increased during Q3, with the addition of both new clients, and a wider breadth of services offered as a result. This has been ably facilitated thanks to the depth of skills and experience within the Services Division.

Technology Division \$6.1m Q3 Revenue

The Technology Division also had a record Q3, spurred on by its FFT business unit, including the recognition of licence fees exceeding \$2.3m from the IMOD project during the period.

- **Backlog at the end of Q3 exceeds \$16m**
- **Gross margins averaged 79% for the quarter**

This result was achieved in a period of increasing global uncertainty, during which time FFT's major IMOD program was disrupted by country-wide COVID-19 restrictions being enforced in February, halting equipment production and forward deliveries of our systems. It is presently anticipated that both production and deliveries for the IMOD project will resume within Q4.

While many other businesses and industries have had to close their doors at this time, both of the FFT and BQT manufacturing facilities, in Melbourne and Auckland respectively, have been able to remain open (in a somewhat more limited capacity) throughout the global COVID-19 lockdowns, meaning that production, shipping and delivery of orders has continued to occur. This has been a key factor in enabling such a strong revenue result from the core Technology businesses during Q3.

In addition to the continued manufacturing of our products, early March saw FFT's new Aftermarket Sales Manager join the business. His immediate focus in Q3 was on the further refinement and deployment of FFT's online remote technical support platform. This was particularly good timing for the business, given all of the various travel restrictions, quarantine and isolation measures in place around the world. It consequently meant that FFT has been well positioned during the period to be able to capitalise on delivering online remote installation, commissioning and technical support capabilities to its customers during the lockdown.

FFT also continued its marketing efforts of the Aura IQ conveyor health monitoring solution, with several "Proof of Value" Trials commencing around the world during the quarter. The current value of Aura IQ qualified sales opportunities exceeds \$49m.

BQT also had an improved quarter. In Q3, a new Master Distribution Agreement for the supply of BQT's locking products to a leading international locking products wholesaler in Europe was completed, and the first stocking orders from them were received.

Guidance for Q4 and FY2020

While there are still some ongoing uncertainties due to the restrictions and challenges related to COVID-19 in many of the overseas markets that Ava Group operates in, including India and the United States, there are similarly significant opportunities as a result of the recent consolidation in the secure logistics market and the bespoke services currently being offered by the Services Division. The company is well placed for a solid Q4 and expects to achieve at least \$10.5m revenue, which includes an estimated contribution of at least \$0.5m from the IMOD project.

This should see a record H2 result of at least \$22m revenue, leading to the Group achieving a record result of A\$43m or more for FY2020. Whilst several variables may affect EBITDA, we are currently expecting EBITDA to exceed \$5.0m for FY2020.

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Please refer to Note 1 below.

Approved for release for and on behalf of the Board of Directors by:



Leigh Davis

Company Secretary

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About the Ava Group

The Ava Group, comprising world leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT) is a market leader in the provision of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

The Group features a range of complementary solutions including intrusion detection for perimeters, pipelines and data networks, biometric and card access control as well as the secure international logistics (Ava Global) and storage of high value assets. Through decades of innovation, the Ava Group continues to build upon a comprehensive portfolio of premium services and technologies for the most complex and demanding markets.

Our business truly serves a global market, with our knowledgeable team spread across six continents, providing market and industry expertise directly to customers. With thousands of sites protected, the Ava Group is proven to deliver first class services and technologies that surpass the expectations of our partners and end users.

Note 1

IMOD Contract Background:

- *Ava has received and accepted a Purchase Order for US\$11.9m (A\$18.3m) of licencing income from its in-country manufacturing partner, SFO Technologies Private Limited (SFO).*
- *YTD 31 March 2020, Ava has recognised \$3.7m in revenue against the IMOD contract.*
- *Ava has received a US\$2.1m (A\$3.2m) Bank Guarantee from SFO as security for SFO payment obligations to Ava under the contract.*
- *Post completion of the deployment of equipment into service with IMOD, Ava anticipates additional revenues will follow from a subsequent 7-year spares and maintenance contract for this project, which has an estimated value of a further US\$3.4m (A\$5.2m).*

Further information on the IMOD project is available via previous market announcements (see www.asx.com.au)

Forward Looking Statements

Information in this release is for general information purposes only. Certain statements in this document regarding the Company's financial position, business strategy and objectives, contain forward-looking statements (rather than being based on historical or current facts) and as such, are not able to be verified.

All forward-looking statements are based on the current views of the Company's management as well as reasonable assumptions made by, and information currently available to the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid. If assumptions are invalid this is likely to have an impact on the accuracy of the statement itself.

All data presented in this document reflects the current views of the Company with respect to future events. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Forward looking statements are also subject to external matters outside the control of the Company.

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