



# XTEK LTD H1FY2022 UPDATE

1 MARCH 2022

PRESENTED BY: SCOTT BASHAM  
GROUP CHIEF EXECUTIVE OFFICER

XTEK Group is an ASX listed international Defence Industry advanced manufacturing and technology business.

The Group is comprised of XTEK Ltd and its wholly owned subsidiary HighCom Armor Inc. (US) and operates as two distinct divisions – Ballistics Division & Technology Division.

## Ballistics Division

Focused on designing, manufacturing, and supplying global military, law enforcement, and first responder customers with world-class, advanced personal protection ballistic products and solutions under our HighCom Armor global brand for:

- Body Armour
- Ballistic Helmets
- Composite Structures



## Technology Division

Focused on manufacturing and supplying global Defence and Security Agencies with world-leading Australian-made and globally sourced:

- **Systems** - UAVs & UGVs solutions
- **Sensors** - Chemical & Virus Detection
- **Software** - 3D Mapping & Modelling SW  
- Tactical Targeting SW
- **Support** - System Integration, Training, & Service Support



# H1 FY2022 HIGHLIGHTS

- Restructure of Business Operations – Following strategic review to completion, very well progressed
- New CEO Appointed – Executing on restructure and turn around plan with new high energy team
- Focus on Sales – Key business development appointments made in Ballistics and Technology divisions, growing opportunity pipeline being pursued
- Cost Savings - Achieved annualised OPEX cost savings of circa \$3m. Expecting benefit of at least \$1.4m flow through in H2 FY22
- Financial Result:
  - Revenue of \$11.52m vs \$12.40m pcp.
  - Gross Margin of 27% vs 26% pcp
  - Loss for the period \$6.83m vs \$3.54m pcp. (Includes non-cash impairment of \$2.48m and redundancies costs \$330k)
  - Cash as at 31 Dec 21 of \$4.49m





# BALLISTICS DIVISION UPDATE

# BALLISTICS DIVISION

Overview

## Ballistics Division

Division Headquarters located at HighCom Armor Inc. Columbus, OH, USA

Production facilities:

- Columbus Manufacturing Centre (CMC), OH, USA
- Adelaide Manufacturing Centre (AMC), SA, Australia

Focused on designing, manufacturing, and supplying global military, law enforcement, and first responder customers with world-class, advanced personal protection ballistic products and solutions encompassing:

- Body Armour
- Ballistic Helmets
- Composite Structures



# BALLISTICS DIVISION

Financial Result and AMC / CMC Update



## Financial Result:

- Revenue Contribution – \$7.62m H1 FY22 vs \$8.52m H1 FY21
- Gross Margin – 25% H1 FY22 vs 22% H1 FY21

## AMC:

- New ultra-lightweight helmet product tooling and peripherals now completed and incorporated for use in XTclave
- New advanced multi-curve body armour plate tooling completed and manufacturing processes ready to scale to meet demand
- “Lean” & “5s” manufacturing processes embedded in culture driving production efficiencies and quality excellence
- XTclave current capacity exceeds 1800 plates per month

## CMC:

- Delivery of new ply-cutting, waterjet cutting equipment underway to further automate production processes
- CRM and Marketing platforms deployed and now delivering excellent sales automation and engagement benefits
- HighCom University now online and providing detailed training for channel partners to better enable their sales success



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# FY2022 GROWTH OPPORTUNITIES

BALLISTICS DIVISION

## Key H1 Wins:

- Large USA Federal Govt contract - \$1.5m
- Multiple US Federal LEO run rate contracts - ~\$2.1m
- 100+ US Police, Fire, & Prisons run rate contracts - ~\$3.5m

During the period, the Ballistics Division tendered for >\$60m of growth opportunities around the world:

- Asia Pacific Police Force (tender feedback Q3 FY22)
- European Police Force (tender feedback Q3 FY22)
- European Police Force (tender feedback Q3 FY22)
- Asia Pacific Police Force (tender feedback Q4 FY22)
- Asia Pacific Police Force (tender feedback Q4 FY22)
- USA Military (tender feedback Q4 FY22)
- Asia Pacific Military (tender feedback Q4 FY22)
- European Military (tender feedback H1 FY23)



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# FOCUS ON GROWTH

Leveraging Superior Patented Ballistic Technology



- FY2022 presents the Ballistics Division with the opportunity to leverage the \$10m+ investment made in the Adelaide Manufacturing Centre to capitalise on growth opportunities for advanced ballistic solutions in the USA and Europe.
- The greater integration and collaboration across the Ballistics Division, between the teams in the US and Australian based facilities, will drive product innovation and development to meet global customer demand.
- As a result, the Division will soon launch a number of new advanced ultra lightweight multi-curve body armor plates and ballistic helmet products manufactured using our patented XTclave technology and sold under the HighCom brand in the US and international markets.







# TECHNOLOGY DIVISION UPDATE

# TECHNOLOGY DIVISION

Overview

## Technology Division

Co-located with Corporate Headquarters in Canberra, ACT, Australia.

Focused on manufacturing and supplying global Defence and Security Agencies with world-leading Australian-made and globally sourced:

- Systems - UAVs & UGVs solutions
- Sensors - Chemical Detection
- Software - 3D Mapping & Modelling SW & Tactical Situational Awareness SW
- Support - System Integration, Training, & Service Support



Our world leading OEM systems partners:

**AV**  
AeroVironment™

**RR**  
RECONROBOTICS™

**TELEROB**

**MILREM ROBOTICS**

**XTEK**



# SYSTEMS

UAVs & UGVs



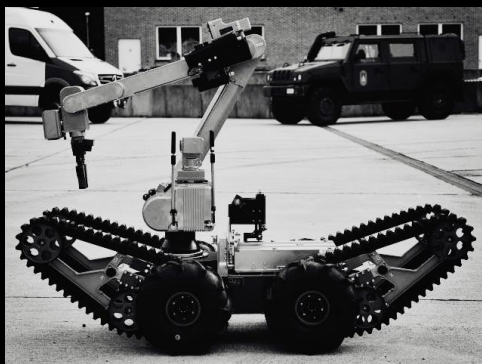
AeroVironment™ is a global defence supplier based in the USA, that specialises in unmanned aerial vehicles.

XTEK Group's Technology Division is the exclusive regional AeroVironment distributor for Wasp (SUAS), Puma (SUAS+) and SwitchBlade (LM) across Oceania.



Milrem Robotics is a leading robotics and autonomous vehicle systems developer in Europe.

XTEK Group's Technology Division is the exclusive distributor for the THeMIS and TYPE-X UGVs across Australia, New Zealand and the South Pacific.



For the last 15 years, XTEK Group's Technology Division has been the incumbent supplier and maintainer of the fleet of Telerob "Teodor" large EOD Robots to Defence.

XTEK Group's Technology Division is the exclusive distributor for Telerob across the Australasian region.



Recon Robotics is the world leader in tactical micro-robot and personal sensor systems.

XTEK Group's Technology Division is the exclusive Australian distributor for Recon Robotics.



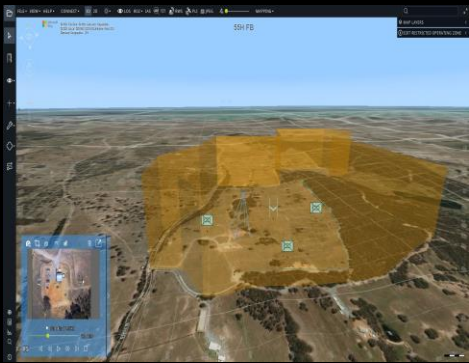
# SENSORS, SOFTWARE & SUPPORT

XTEK OEM Products & Services



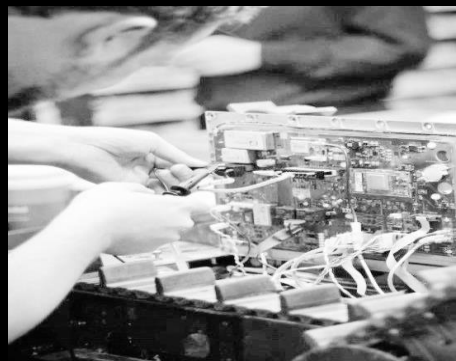
XTEK Group's SARBI chemical detection sensor is used as a ruggedized payload for the Recon Robotics ThrowBot2 micro-robot.

- SARBI detects and warns of noxious and dangerous chemical gases.
- It is fully integrated with XTEK XTAtlas software suite, which allows chemical alert data to be displayed graphically and mapped geospatially for users.



XTEK Group continues to develop its suite of XTAtlas software applications:

- **Scout** – is a Geospatial Intelligence Application. It offers a range of AI enabled software tools designed to assist with UAV Mission Planning, 3D Mapping & Modelling, Data Dissemination, and Decision Making.
- **AirWolf** – is a Tactical Situational Awareness Application. It contains AI enabled data fusion tools designed to shorten the “Sensor to Effector” timeline.



UGV & UAV Mechanical & Structural Repairs

- The sale of maintenance support services and spare parts continues to provide XTEK Group's Technology Division with regular profitable recurring revenue.
- XTEK Group's Technology Division has been supporting the Australian Army's fleet of “Teodor” Explosive Ordnance Disposal Robots for over 14 years and continues to support the Australian Army's Wasp SUAS fleet under the Land 129-4A 5+ year support contract.





Virolens is a UK designed and manufactured rapid non-invasive Covid-19 virus detection device that provides a highly accurate result in 20 seconds using Artificial Intelligence software.

- Under the distribution agreement XTEK signed and announced in March 2021 with Key Options, the Master Agent for Virolens responsible for the Asia Pacific region, Key Options are fully responsible for obtaining all necessary TGA approvals for Virolens for use in Australia. To date Key Options has not been able to secure the necessary regulatory approvals, which consequently has meant that XTEK has not been able to execute on the potential market opportunities in Australia for the technology.
- XTEK has been working closely with Key Options to convert the inventory to cash, by seeking to sell it to other jurisdictions where approvals and certifications have progressed more rapidly than they have in Australia and New Zealand.
- There has been interest expressed to Key Options for the XTEK inventory. Key Options has received a conditional purchase order which would be fulfilled using the XTEK holding. Notwithstanding this, the Board has taken a conservative and prudent position and, in consultation with its auditors, decided to fully impair the inventory.
- The Board is committed to seeking a sale of the inventory. Whilst this one-off impairment has impacted the financial H1 FY22 results, importantly there is no cash impact. If the company is successful in selling all or some of the inventory, this will result in a write back of inventory value, boosting financial results, and an equivalent cash injection into the company.



# TECHNOLOGY DIVISION

Financial Result and BD Update

## Financial Result:

- Revenue Contribution – \$3.9m H1 FY22 vs \$3.88 H1 FY21
- Gross Margin – 31% H1 FY22 vs 33% H1 FY21

During the period, the Technology Division responded to the following tenders and opportunities:

- Land 154-4 Remote Positioned Vehicle (RPV) (FY23).
- Various ADF opportunities for UGVs for specific applications.
- Continued to engage closely with ADF for the provision of new UAVs.
- Providing ongoing support to ADF for their existing AeroVironment “Wasp” UAVs under its current multi-year contract.
- Late-stage negotiations to supply its SARBI Chemical Detection Sensor to our US based partner, to supply SARBI payload for use by US military and US law Enforcement customers. XTEK expects supply commencing H1 FY23.





# OPERATIONAL OUTLOOK FOR H2 FY2022

# NEW STRUCTURE FOR FY2022 SUCCESS



Scott Basham  
Group CEO



Craig Schmidt  
Head of A&C



Vince Creagh  
Head of T&P



Justin Suwart  
Head BD for A&C



John Cottis  
Head of BD & PS



ED Clark  
Head of ASP

- Following changes to the Group's senior management team at the end of July 2021, a new organisation structure has been designed focusing on driving growth and profitability.
- Mr. Scott Basham appointed and confirmed as XTEK Group CEO.
- Realignment of the Group's various business units and entities into two clearly defined operating divisions:
  - Ballistics Division – focusing on Advanced Ballistic Helmets & Body Armour products.
  - Technology Division – focusing specifically on Systems, Sensors, Software and Support.
- Reorganisation of roles and responsibilities at the Ballistic Division's Adelaide Manufacturing Centre (AMC), with Mr. Craig Schmidt, a former General Motors senior international executive, appointed as Head of Armour & Composites, overseeing all AMC operations.
- The appointment of Mr. Ed Clark, as the Head of Adelaide Special Projects (ASP) within the Ballistics Division, overseeing all Armour & Composites Research & Development activities.
- The appointment of Mr. Justin Suwart as the Head of Business Development Armour & Composites to grow local and international sales for the Ballistics Division, by leveraging HighCom as the Group's global armour brand, and then differentiating our offerings based on our world-leading patented XTclave™ process to manufacture advanced ballistics protection products.
- The appointment of Mr. Vince Creagh, a former Rapiscan Systems Science & Technology Commercial Director, as Head of the Technology Division's Tactical & Protection Systems (T&P) business unit.
- The appointment of Mr. John Cottis, as the Head of Business Development & Program Sales to drive sales success in winning major Defence opportunities for the Group's Technology Division.





# BOARD CHANGES



## Retirement of our Chairman Mr. Uwe Boettcher

- On 23rd February 2022, Mr. Uwe Boettcher submitted his resignation as Chairman and Non-Executive Director of the XTEK Group due to ongoing medical issues. In accepting his resignation, the Board acknowledged the long-term stewardship and support given to the Group by Mr. Boettcher, who served with distinction as a Director and the Chairman of the Group for over 13 years. On behalf of the entire Group, the Board expressed its gratitude to Mr. Boettcher for his significant contribution and wished him well for the future.



## Appointment of New Chairman Mr. Mark Stevens

- On 23rd February 2022, Mr. Mark Stevens was appointed as a Non - Executive Director and the new Chairman of the XTEK Group. Mr. Stevens has deep connections with and experience in Defence Industry and has advised many major groups, both domestic and foreign, on their engagement and ongoing dealings within the defence vertical. Further, Mr. Stevens has a detailed understanding of XTEK's business operations, its world class technology and its outstanding potential for growth, having led a Strategic Review of the Group in July 2021. The Board believes that Mr. Stevens will provide outstanding strategic guidance as XTEK continues to sharpen its focus on the core Defence and Law Enforcement markets, for both its Ballistics and Technology Divisions' offerings.



## Appointment of New Non-Executive Director Mr. Ben Harrison

- On 23rd February 2022, Mr. Ben Harrison was appointed as a Non - Executive Director of the XTEK Group. Mr. Harrison has a strong financial background, gained from his 15 years of experience in advising and investing in companies. He is a founder and Chief Investment Officer of Altor Capital and is active in the private equity sectors in Australia. Mr. Harrison currently holds board and advisory roles with several private and public companies. Mr. Harrison's extensive investment and financial background knowledge will provide additional financial experience to the XTEK Board.



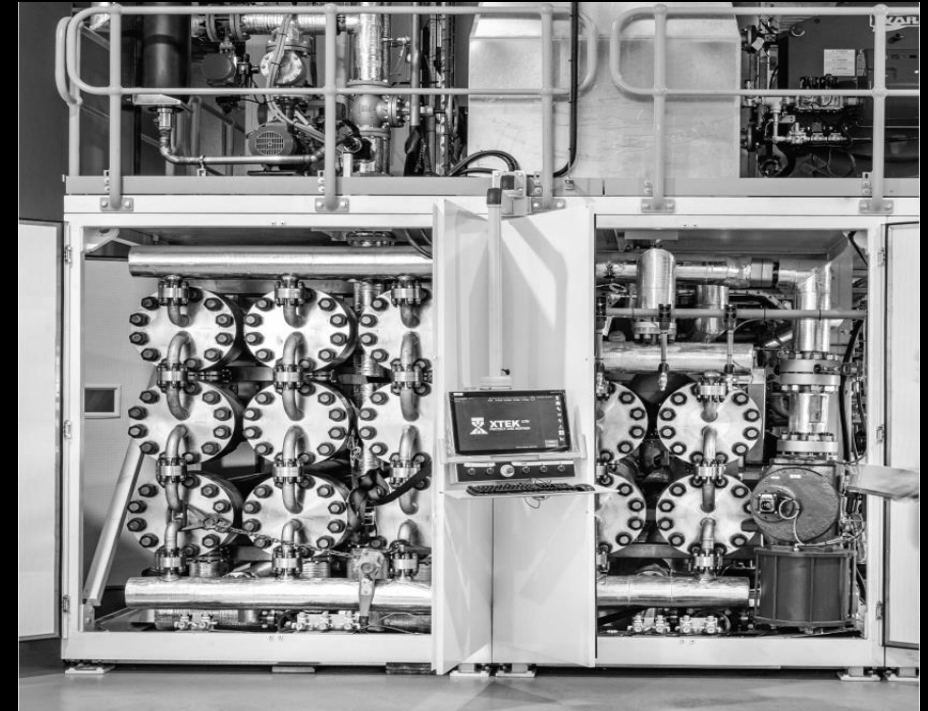


XTEK's growth potential through H2 FY2022 and beyond continues to be based on its:

- World leading Systems exclusively sourced by our Technology Division to meet increasing demand in the ANZ markets
- Intellectual Property portfolio covering Sensors, Software, and advanced Ballistic Products, all with performance advantages
- Attractive Defence Industry fundamentals underpin future growth potential – ADF to spend \$270bn+ over next 10 years
- Major focus on Australian-made sovereign industrial capabilities for ADF future procurement
- Improved Gross Margins targeted from Group's own advanced Ballistics solutions and Australian-made Technology
- Expectation of significant annualized savings being achieved from rightsizing its cost base
- Targeting improved revenue growth with large, qualified sales opportunities

XTEK's growth strategy continues to be sharply focused on:

- Developing new and innovative advanced ballistic protection products using our patented world leading XTclave process, and differentiate on our superior lightweight and protection performance features and benefits
- Develop new and innovative Australian-made Systems, Sensors, and Software solutions to meet increasing demand from ADF
- Leveraging “HighCom Armor” as XTEK Group’s global armour brand in order to continue to grow global ballistic sales
- Provide exceptional customer service across all divisions to generate repeat purchases and recurring annuity income



The Group remains optimistic that given the focus of its operational divisions and world leading technologies, and the changing geopolitical tensions occurring around the world, that it is well positioned to capitalise on a range of opportunities going forward and deliver on shareholder expectations of realistic revenue growth and a return to profitability as quickly as possible.



PROTECT & SUSTAIN

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