

## Release to the Australian Securities Exchange

### XTEKs Announces New Capital Management Policy

**Thursday, 15 September 2022:** XTEK Limited (ASX: XTE, 'XTEK', 'Group') is pleased to announce the following statement regarding the Group's Capital Management Policy.

#### Overview

As the Company continues to deliver on its growth strategy, we will emphasise a measured and structured approach to capital management to support future growth with a view to delivering long-term sustainable returns to shareholders, whilst ensuring prioritisation and allocation of capital to the Company's balance sheet and shareholder returns through dividends and/or share buy-backs.

Following the release of its recent full year result for FY22 and the strong cash position (\$32.6 million at 30 June 2022), XTEK has formalised its Capital Management Policy.

The Capital Management Policy outlines clear guidelines for the prioritisation and allocation of capital to the balance sheet, to shareholders via dividends and/or share buy backs, and to the continued investment in the XTEK business (which includes both organic and acquisition opportunities) to generate earnings growth.

The key elements of XTEK's Capital Management Policy are as follows:

#### Growth

Capital will be deployed to support the strategic growth objectives of the business and will seek innovative and capital light opportunities to improve and grow earnings from the current business as well as the potential future business. All growth and investment decisions will compete for capital and as a result, the most value accretive or strategic growth projects will be prioritised for funding.

#### Balance Sheet

XTEK will prioritise free cash flows to achieve a target net leverage. Target net leverage (net debt to underlying maintainable EBITDA) has been set at below 2.0x.

During FY22 the Company repaid its working capital facility (\$1.97m) utilised for its Ballistics Division (HighCom Armor). The Company has also recently (H1 FY23) repaid its remaining loan facility with the Commonwealth Bank (\$1.41m). Currently, we have zero loan facilities drawn, however the company is maintaining the flexibility to redraw on its working capital facility (for HighCom) should we need to fund larger working capital requirements, or to fund other larger growth initiatives for the Group.

#### Dividends

Dividend payments will likely be unfranked into the medium-term given the limited franking credit balance available due to accrued losses to date in the Company. XTEK will have regard to actual and forecast results, and cash flows, and dividends will be determined in line with the following principles:

- Where leverage is below 2.0x, a dividend of up to 30% of free cash flow will be considered subject to any superior capital management initiatives required to fund growth activities
- Where net leverage is above 2.0x, no dividends will likely be paid.

At this stage the Company anticipates declaring a dividend in FY23, with the final amount to be determined by the Board.

#### Share Buy Backs

Share buy backs will be considered as an alternative to dividends, having regard to franking credits, or as a stand-alone option in certain circumstances when the company has excess capital and having regard to the prevailing share price.

**Scott Basham, XTEK Group CEO, said,**

*“The announcement of our new Capital Management Policy, including the notice that we are debt free, while retaining undrawn working capital facilities, provides shareholder with confidence about our prudent capital management intentions going forward.*

*The Group is squarely focused on delivering on our organic and inorganic growth strategy that will place the company in a position to fund continued earnings growth and provide shareholders with sustainable long-term returns.*

*The Group has increased confidence about future operating cash flows based on ongoing expectations of positive market conditions, and this has underpinned the decision to declare our maiden dividend in FY23 and to return surplus cash to our shareholders.*

**This announcement has been authorised by the XTEK Limited Board of Directors**

**Signed** for and on behalf of XTEK Limited



**Lawrence A Gardiner**  
Company Secretary  
15 September 2022

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**About XTEK Limited**

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

The Ballistics Division, based on our “HighCom Armor” business and brand, is focused on designing, manufacturing, and supplying global military, law enforcement, and first responder customers with world-class, advanced personal protection ballistic products and solutions for Body Armour, Ballistic Helmets, and Composite Armour Structures.

The Technology Division is focused on manufacturing and supplying global Defence and Security Agencies with world-leading Australian-made and globally sourced Systems (UAVs & UGVs), Sensors, Software, and Support.

For more information on XTEK Ltd. visit [www.xtek.net](http://www.xtek.net)

For more information on HighCom Armor Solutions Inc. visit [www.highcomarmor.com](http://www.highcomarmor.com)