

ASX ANNOUNCEMENT

29 January 2021

## December 2020 Quarterly Activities Report and Appendix 4C

Advanced Braking Technology Limited (ASX: ABV) ('ABT' or 'the Company' or 'the ABT Group'), the pre-eminent supplier of fail-safe brakes for commercial vehicles in Australia, is pleased to provide an overview of the results for Q2 FY21 along with the Quarterly Activities Report and Appendix 4C.

### Q2 FY21 Highlights

- **Operating Sales** increased to \$2.22m<sup>1</sup>, +9% on previous corresponding period (pcp), delivering a 10% increase in operating sales for the first half of \$4.76m<sup>1</sup>
- **Product sales margins** of 45.6% for the quarter reflected a 1.7% increase from the prior quarter, however decreased on pcp by 3.9% due to a change in product sales mix
- Improved **cash position of \$1.48m** (\$0.94m at 30 September 2020) following cash inflow for the quarter of \$0.54m
- Continued **positive trend** in net profit and EBITDA following three consecutive quarters of positive cash in flow for the business
- Successful in securing a **Defence Global Competitiveness Grant** to a maximum value of \$240,000 from the Centre for Defence Industry Capability
- **Strong focus on strategic growth** opportunities to drive scale and revenue diversification

John Annand, Chief Executive Officer, stated, *"Over the past year we have achieved a significant turnaround in the business in what has been a challenging year for most businesses. We are pleased with the results achieved over this past quarter, which continue to demonstrate the sound decision making processes and appropriate strategy has been implemented. We are only at the beginning of this journey but are encouraged by the solid results achieved year to date, with a 10% increase in operating sales and an average product margin at 44.7%. Our focus remains on driving both our organic and inorganic growth strategies and expect that the successful execution of these strategies will continue to be demonstrated in our quarterly results."*

### Financial Update

ABT achieved solid sales results for Q2 FY21, with total operating sales of \$2.22 million following the steady sales of ABT's FailSafe products and an increase in sales of ABT's Terra Dura products. This represents a 9% increase over the prior period (Q2FY20), however, this reflects a 12% decline on the prior quarter due to the record sales for ABT in Q1 FY21. Overall, the Company continues to see solid revenue

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<sup>1</sup> All revenue, sales and profit metrics are unaudited

increases with a 10% improvement<sup>1</sup> on H1 FY20 and a 45% improvement<sup>2</sup> on H1 FY19, following a strong push to diversify ABT's braking system solutions, customers and customer industries.

Product sales margins for Q2 FY21 were 45.6% (Q2 FY20: 49.5%) a slight decrease on pcp as a result of a change in sales product mix, with an increase in sales from lower margin products, as ABT's product offering has diversified. Year to date braking systems sales account for approximately 64% of operating sales, with the remainder of operating sales revenue comprised of engineering design services, installation services and a strong proportion from the ongoing sale of spares and consumables.

The Company continues to see improvements in net profit and EBITDA following the first quarter of positive results in Q1 FY21. ABT had a cash inflow of \$0.54 million for the quarter, resulting in an improved cash position of \$1.48 million as at 31 December 2020.

During the quarter, the Company applied for and was successful in securing a Defence Global Competitiveness Grant to a maximum value of \$240,000 from the Centre for Defence Industry Capability. The grant was awarded to provide funding for the manufacturing of defence vehicle components for use within ABT designed braking mechanisms. The grant will primarily be used to acquire machinery to allow ABT to manufacture specific components that form part of the braking mechanism, as well as internal training and ISO accreditation. Building internal manufacturing capability will strengthen ABT's supply chain, which, in turn will result in operating efficiencies, cost reductions and product margin improvements. The first tranche of this grant was received in January 2021 and is therefore not included in the cash flows reported for Q2 FY21.

Additionally in Q2FY21, ABT received approximately \$0.02 million in COVID-19 related financial assistance payments, provided by both the Federal and Western Australian governments.

Over the quarter, the Company continued to improve its financial position by diversifying its domestic customer base, driving sales of all products in ABT's portfolio and through internal rigorous cost controls. ABT is now better positioned to ensure adequate funding for working capital, further progress the product innovation for the business and progress in-house manufacturing capability.

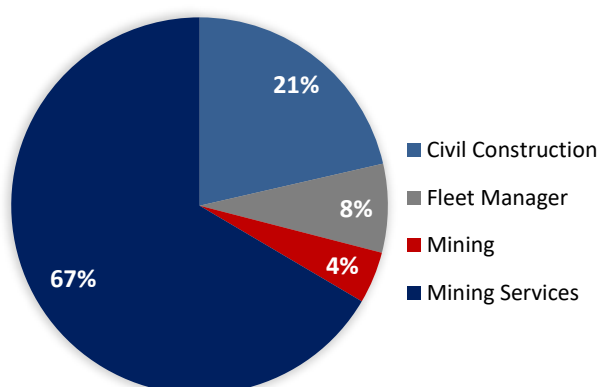
### **Operational Update**

ABT continues to progress its strategy of driving further diversification across its customer base and industries. During the quarter, ABT increased its supply to the civil construction, mining and mining services industries and have seen a notable change in its customer base over the last 12 months. Whilst mining services has continued to be the core customer base by number, recent involvement within the project-based civil construction sector has driven a strong increase in revenue over recent quarters. Additionally, ABT has grown the sales pipeline covering a diverse customer and industry base and will continue to focus on expanding through existing market segments and new segments in due course.

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<sup>2</sup> All revenue, sales and profit metrics are unaudited

## Q2 Sales By Industry



ABT continues to supply and support its existing customer base, including the recently established agreement with VEEM for the Thales' Hawkei Protected Mobility Vehicle —Light project. ABT has to date supplied approximately 23% of the agreed components for park brake mechanisms to be manufactured and supplied by VEEM for this project.

During the quarter, ABT progressed its patent application for its Terra Dura sealed brake technology and applied for an international patent under the Patent Cooperation Treaty. This follows the provisional patent that was first lodged in November 2019, with the most recent patent application incorporating further design improvements since the provisional patent was lodged. The Company intends to progress the patent application within selected jurisdictions over the coming months.

ABT is continually reviewing the COVID-19 operating environment both within Australia and internationally. ABT's primary customer base is in the mining and civil construction industries within Australia, however, the business has experienced some impact from its logistics partners and delays for select international customers due to the decrease in international flights and global pressure on shipping options. The financial impact to the business has not been material with only a small number of international customers currently impacted, however we continue to monitor the situation.

### Corporate Update

As outlined previously, a core strategic objective for ABT is to pursue both organic and inorganic growth opportunities. As part of this strategy, ABT has appointed Andrew Booth, as Director of Strategy and Commercial to actively identify inorganic growth opportunities for the Company. This complements the appointment of Ben Suda, Director of Sales and Marketing, earlier in 2020 to support ABT's organic growth through sales and marketing. The Company is positioned with the right team, financial structure and strategy in place to address the growing market opportunity within this sector.

Payments to related parties and their associates included in operating activities totalled \$87k, which included non-executive directors' fees and superannuation totalling \$69k, which were paid to Directors' personally or via a related entity. Payments for services rendered in the amount of \$14k to AE Administrative Services Pty Ltd, for company secretarial services associated with a director of the company and payments for legal services in the amount of \$4k to Rockwell Bates Pty Ltd T/A Rockwell Bates, a company associated with a director of the company.

## Outlook

ABT has established a solid foundation for growth with quality products and service, underpinned by a culture which prioritises both safety and the environmental impact of the business. The Company is focused on strategic growth opportunities and are currently assessing key initiatives to drive scale, revenue diversification and enhance innovation for the business. The Company has taken the strategic steps needed to position itself for the future and actively participate in the automotive megatrends of automated, electric and connected vehicles.

On the outlook for ABT, John Annand, CEO stated, *“As we continue to grow our revenue, manage our cost base and invest in these future trends, we are confident that we have the appropriate structure to deliver value for our shareholders.”*

This release is authorised by the Board of Directors.

**- ENDS-**

## For further information, please contact:

### Corporate

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## About Advanced Braking Technology

Advanced Braking Technology Ltd (ABT) designs, manufactures and distributes its innovative braking solutions worldwide. From its head office in Perth, Western Australia, ABT continues to develop its product portfolio for a diverse range of industries that have a strong requirement for safety and environmental responsibility, including the mining, defence, civil construction and waste management industries.

ABT's innovative braking solutions are well known for their unparalleled safety, improved productivity, zero emissions and durability in the world's harshest conditions. As its reputation has grown, demand for ABT's brakes has expanded internationally with its braking solutions being used in all seven continents across the globe.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

ADVANCED BRAKING TECHNOLOGY LTD

**ABN**

66 099 107 623

**Quarter ended ("current quarter")**

31 DECEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,031	5,320
1.2 Payments for		
(a) research and development	(1)	(21)
(b) product manufacturing and operating costs	(1,431)	(2,878)
(c) advertising and marketing	(14)	(24)
(d) leased assets	(23)	(46)
(e) staff costs	(601)	(1,189)
(f) administration and corporate costs	(416)	(796)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	19	635
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>564</b>	<b>999</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(17)	(22)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(17)</b>	<b>(22)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(7)	(14)
3.8	Dividends paid	-	-
3.9	Other (Repayment of convertible debt)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(7)</b>	<b>(14)</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	939	516
4.2	Net cash from / (used in) operating activities (item 1.9 above)	564	999
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17)	(22)

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7)	(14)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,479</b>	<b>1,479</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,437	897
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits)	42	42
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,479</b>	<b>939</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

87

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

- 6.1 a) Non-Executive directors fees and superannuation - \$69k
- b) Provision of company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company - \$14k
- c) Provision of legal services from Rockwell Bates Pty Ltd T/A Rockwell Bates, a company associated with a director of the company - \$4k

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	500	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	500	-

7.5 **Unused financing facilities available at quarter end** 500

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The facility at 7.2 above is a NAB Invoice Finance Facility, which provides finance of 80% of Australian Trade Receivables up to the value of \$500,000. This facility is secured by the Company's debtors and by a general security over the assets of the Company. This facility been in place since 2013. The interest rate for the NAB Invoice Finance Facility is currently 5.72%.

**Other Arrangements**

The Company has two other finance arrangements that it does not consider financing facilities, as funds are not able to be drawn upon for working capital. The details of the arrangements totalling \$94,711 are below.

The Company has an unsecured finance arrangement for the Company's annual insurance premiums with Attvest Finance Pty Ltd. The amount outstanding for the remaining period of the arrangement, being 5 months, is \$74,264. The interest rate of the funding is approx. 4.5% pa.

The Company has a secured vehicle finance arrangement with Toyota Finance Australia Limited for the purchase of a Toyota Hilux, at an interest rate of 5.43%. The outstanding balance for the remaining period of the arrangement, being approx. 1 year, is \$20,447.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	564
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,479
8.3 Unused finance facilities available at quarter end (Item 7.5)	500
8.4 Total available funding (Item 8.2 + Item 8.3)	1,979
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A



2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: ...29 January 2021.....

Authorised by: the Board of Advanced Braking Technology Limited....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.