

**ASX ANNOUNCEMENT**

**26 February 2021**

## Interim 1H FY21 Results Announcement

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, provides an overview of the 1H FY21 results period.

### 1H FY21 Highlights

- **Total revenue** of \$5.13m, up 10.8% on previous corresponding period (pcp)
- **Operating Sales** increased to \$4.76m, up 10.4% on pcp with **product sales margins** of 44.7% broadly stable compared to pcp of 46.2%
- **Net Profit** result of \$0.24m (1H20: (\$0.006m))
- **Positive EBITDA** result of \$0.39m (1H20: \$0.32m)
- Improved **cash position of \$1.48m** (\$0.51m at 30 June 2020) following three consecutive quarters of positive cashflow
- Signed Technology License Agreement with VEEM for Thales Australia Hawkei PMV-L project
- Successful in securing a **Defence Global Competitiveness Grant** to a maximum value of \$0.24m 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, "We are pleased with the results for the half year delivering \$4.76 million in operating revenue and reducing our operating expenditure to continue to deliver both a positive EBITDA result of \$0.39 million (1H FY20: \$0.32 million) and net profit result of \$0.24 million (1H20: net loss of \$0.006 million). We have made significant inroads to improve the business performance in what has been a challenging operating environment. We remain committed to providing quality products and investing in further research and development to drive growth while maintaining a prudent and disciplined approach to cost management. 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 results."

SUMMARY FINANCIAL RESULTS	1H21	1H20	Change
Total Revenue	\$5.13m	\$4.62m	10.8%
Operating Revenue	\$4.76m	\$4.31m	10.4%
Gross Margin	44.7%	46.2%	(3.3%)
Total Expenses	\$2.26m	\$2.32m	(2.5%)
EBITDA	\$0.39m	\$0.32m	22.8%
Profit / (Loss) for the period	\$0.24m	(\$0.006m)	n/a
Operating cashflow	\$0.99m	\$0.54m	83.6%
Cash and cash equivalents	\$1.48m	\$0.84m	76.1%

## **Financial Update**

ABT delivered a solid half year result with total revenue of \$5.13 million. The Company's core products, FailSafe and Terra Dura, continue to achieve steady sales results with \$4.76 million in operating revenue for the half, predominantly from the sale of the FailSafe products. Revenue associated with the sale of braking systems accounted for approximately 64% of operating revenue with the remainder comprising of engineering design services, installation services and a strong proportion from the ongoing sale of spares and consumables. Overall, the Company continues to see solid revenue growth with approximately 10% improvement on 1H20 following a strong push to diversify ABT's braking system solutions, customers and customer industries.

Product sales margins for 1H21 were 44.7% (1H20: 46.2%), broadly stable on pcp. The Company continues to see improvements in the EBITDA result with \$0.39 million for the half compared to \$0.32 million for 1H20 as a result of the prudent cost management culture. Improved sales and cost management has resulted in a 1H21 net profit of \$0.24 million (1H20: net loss \$0.006 million).

ABT retired a significant proportion of its debt in 1H20, which has materially reduced the Company's ongoing finance costs. Improved sales, cost management and receipt of the tax offset for R&D of \$0.53 million during 1H21 has allowed the business to grow the cash balance, resulting in an improved cash position of \$1.48 million as at 31 December 2020 (31 December 2019: \$0.84 million). These existing funds, in conjunction with funds associated with securing the Defence Global Competitiveness Grant of up to \$0.24 million, will allow the company to invest in in-house manufacturing, product innovation and improvements in the coming periods.

Additionally, in 1H21, ABT received approximately \$0.1 million in COVID-19 related financial assistance payments, provided by both the Federal and Western Australian governments.

## **Operational Update**

ABT continues to progress its strategy of driving further diversification across its customer base and industries. The Company has made significant progress with a number of notable operational events over the half including:

### **License agreement for Thales Australia Hawkei PMV-L project**

ABT entered into a Technology Licence Agreement with VEEM Ltd for VEEM to manufacture and supply ABT's specialised park brake mechanism for Thales' Hawkei Protected Mobility Vehicle – Light project. The customer, Thales Australia Limited is part of the Thales Group, the world leading aerospace, defence, transport and security technology company headquartered in Paris, France. Over the half ABT have supplied components for approximately 23% of the 1,100 park brake mechanisms to be manufactured and supplied by VEEM. In addition to component sales, ABT also generates licence and engineering support fees resulting from VEEM's supply of completed brake mechanisms to Thales. Refer to the Company's ASX announcement on 3 July 2020 for further details.

### **Defence Global Competitiveness Grant**

ABT was awarded a Defence Global Competitiveness Grant to the value of \$0.24 million by 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. Grant funding will be provided over two

financial years with \$0.096 million to be provided within FY21, and the balance of \$0.144 million to be provided in FY22. Refer to the Company's ASX announcement dated 13 January 2021 for further details.

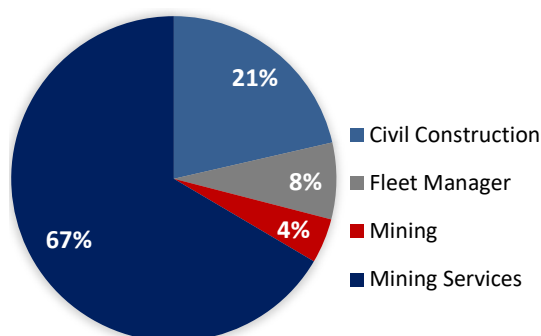
### Site Visit from Governor of Western Australia

ABT had the privilege to be visited by the Governor of Western Australia, The Honourable Kim Beazley AC. The team had the opportunity to show him the innovative braking solutions that have been developed and how these products are supporting both the Australian defence and mining industries, in addition to supporting companies around the globe by providing safety solutions that protect both people and equipment. This visit follows the opportunity in July for ABT to also meet with The Honourable Melissa Price MP, Minister for Defence Industry, to outline ABT's role in the design, manufacture and supply of the park brake mechanism for Thales' Hawkei Protected Mobility Vehicle – Light project.

Over the half the ABT Group have engaged with a number of clients including civil construction joint venture work with ASB JV (formerly Lendlease JV) and John Holland and CBP Contractors JV, mining services clients including Byrnecut Australia and Barmenco Ltd and the aforementioned VEEM agreement for the Commonwealth associated Thales' Hawkei Protected Mobility Vehicle – Light project.

Mining services has remained a core customer base by number with continued demand within the sector and further opportunities within the Australian landscape and internationally. However, the Company has expanded with recent involvement within the project-based civil construction sector driving a strong increase in revenue for the half. Additionally, ABT has grown the sales pipeline over the half with a diverse customer and industry base and will continue to focus on expanding through existing market segments and new segments in due course.

### 1H21 Sales By Industry



ABT are focused on strengthening the in-house manufacturing capability to strengthen ABT's supply chain, which, in turn will result in operating efficiencies, cost reductions and product margin improvements. This investment in manufacturing capability supports the Company's strategy of positioning itself for the future and strengthens the foundations to drive scale, revenue diversification and innovation.

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. Additional product development has included releasing to market a metal cover version of the Terra Dura product for use within the most extreme operating environments.

The Company 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 with approximately 72% of revenue, 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**

The Company is positioned with the right team, financial structure and strategy in place to address the growing market opportunity within this sector. Over the half, ABT 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.

### **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. As we look to grow the business through organic growth, the Company will also continue to investigate opportunities that will allow it to achieve size and significantly upscale the business through acquisitions, strategic partnerships or joint ventures.

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."*

### **Half Yearly Investor Webinar**

ABT will host an investor webinar to provide an overview of the business, discuss the half year results and the outlook. To register for the webinar please follow the link below.

Date: Wednesday 10<sup>th</sup> March 2021:

Time: 1:00pm AEDT

Registration Link: [https://us02web.zoom.us/webinar/register/WN\\_B8wVYJZTR\\_WYyKoa3piS6g](https://us02web.zoom.us/webinar/register/WN_B8wVYJZTR_WYyKoa3piS6g)

This release is authorised by the Board of Directors.

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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.