

ASX ANNOUNCEMENT

29 July 2021

## June 2021 Quarterly Activities Report and Appendix 4C

Advanced Braking Technology Ltd (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 Q4 FY21 along with the Quarterly Activities Report and Appendix 4C.

### Q4 FY21 Highlights

- **Operating Sales** increased to \$2.67m<sup>1</sup> - a 17% increase on Q3 FY21 and 25% increase on previous corresponding period (pcp)
- **Record June Operating Sales** of \$1.16m achieved
- **Product sales margins** of 45.1% for the quarter, reflecting a 6.0% margin decrease on Q3 FY21 and a 4.4% margin decrease on pcp
- Stable **cash position of \$1.41m** (\$1.52m at 31 March 2021) following a net cash outflow for the quarter of \$0.11m
- Participated in both the **EuroBrake 2021** virtual conference and **Land Forces 2021**
- **Strong focus on strategic growth** opportunities to drive scale and revenue diversification

### FY21 Results Highlights

- Continued **positive growth** in unaudited net profit of \$0.6m reflecting a 250% increase on pcp (FY20: \$0.17m) and unaudited EBITDA of \$0.89m (FY20: \$0.65m)
- **Operating Sales** increased to \$9.7m – a 16% increase on pcp (FY20: \$8.35m)
- **Gross Margin** of 46.3% for FY21 – consistent with FY20 Gross Margin of 46.3%
- **Product sales margins** of 46.3% - reflecting a 2.2% margin decrease on pcp (FY20: 48.5%)

John Annand, Chief Executive Officer, stated, "We are pleased to continue to deliver solid results demonstrating the execution of the corporate strategy. Over the quarter, we participated in the EuroBrake 2021 virtual conference where we were afforded the opportunity to engage with a variety of global market participants. We received positive feedback and the conference provided an opportunity to commence conversations with a number of OEMs on the applications of ABT's products. With the support of Defence West we also participated in the Land Forces 2021 conference which gave ABT the opportunity to demonstrate the product development undertaken for the Hawkei protected vehicle to numerous defence industry providers.

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

*ABT has seen solid demand for our products and steady growth in our core product range. Growth in sales revenue delivered a 17% increase for the quarter with \$2.67m achieved in the final quarter of the year, and resulted in two consecutive quarters where sales of greater than \$1m were reached in a single month.*

*ABT has achieved strong sales revenue growth in FY21 with unaudited Operating Sales up 16.2% to \$9.7m for the full year, delivering a net profit increase of 250% to \$0.6m. These results demonstrate that the financial turnaround first achieved in FY20 was not a one-off, but has continued into FY21 with significant improvements to both sales and profit being achieved.*

*Furthermore, we continue to assess and pursue further opportunities to drive accelerated growth and revenue diversification as part of our organic and inorganic growth strategies.”*

## **Financial Update**

Sales results for Q4 FY21 were strong, with total operating sales of \$2.67m showing continued growth and demand. The easing of interstate travel restrictions during the quarter have allowed the ABT sales team to actively engage with the end customers providing better line of site for the coming quarters. The Company delivered a 25% increase in sales over the prior period and a 17% increase on the prior quarter demonstrating good momentum and continued benefits of the diversification strategy implemented over the past years.

Product sales margins for Q4 FY21 were 45.1% (Q4 FY20: 49.4%) a decrease on pcp margin, however the full year gross margin achieved on Total Operating Sales for FY21 was 46.3% which is consistent with the prior year (FY20: 46.3%). Overall for FY21, braking systems sales account for approximately 55% (FY20: 49%) of operating sales with the remainder of sales revenue coming from engineering design services, installation services and a strong proportion from the ongoing sale of spares and consumables.

Operating Sales for FY21 total \$9.7m reflecting a 16.2% increase on FY20 results of \$8.35m. The Company continues to achieve improvements in net profit of \$0.6m (unaudited) reflecting a 250% increase on the FY20 result of \$0.17m and a 37% increase for the FY21 EBITDA result of \$0.89m from \$0.65m in FY20.

ABT had a cash outflow of \$0.11m for the quarter and has maintained an ongoing improved cash position of \$1.4m as at 30 June 2021 (FY20: \$0.5m).

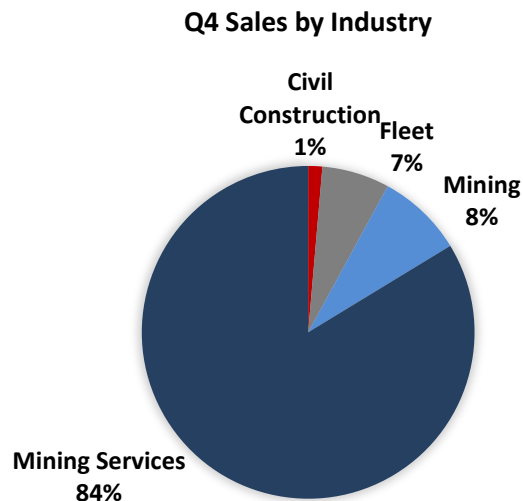
The Company continues to improve its financial position by diversifying its domestic customer base, driving sales of all products in ABT’s portfolio and through internal rigorous cost controls. ABT is now positioned to ensure adequate funding for working capital, further progress the product innovation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

## **Operational Update**

ABT was pleased to participate in two significant conferences this quarter, being the EuroBrake virtual conference and Land Forces in Brisbane. Providing significant opportunities for product demonstrations and education, these conferences are critical to drive ABT product awareness in the broader marketplace and to demonstrate product differentiation. The Company has leveraged both opportunities to continue engagement post the event.

ABT further progressed its strategy of diversification across its customer base and industries and advance trials across sectors. The Company has continued its trial for its Terra Dura brakes in conjunction with Don Kyatt for the potential use in the recreational 4WD market and with Bruno Fritsch Toyota in Chile. These trials remain in early stage and commercial outcomes and revenue generating agreements cannot be determined at this time, but it demonstrates the proactivity of the team in seeking out innovative vehicle solutions and alternative applications of ABT products.

Demand from the core industry segments being mining and mining services remains strong and ABT is exploring additional opportunities in adjacent and complimentary industries. ABT continues to expand the sales pipeline covering a diverse customer and industry base and remains focused on expanding through existing market segments and new segments. This includes investigating opportunities that exist within the heavy vehicle transport sector where maintenance and safety issues have identified a need for a sealed heavy duty brake solution.



ABT continues to supply and support its existing customer base, including the VEEM/Thales' Hawkei Protected Mobility Vehicle —Light project. ABT has to date supplied 55% of the agreed components for park brake mechanisms to be manufactured and supplied by VEEM for this project.

ABT is actively managing its patent portfolio and will progress the patent applications for its sealed brake technology within selected jurisdictions.

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 and has contributed to increased sales to those impacted customers. However, ABT continues to monitor the situation and any potential impacts to its supply chain.

### **Corporate Update**

During the quarter, payments to related parties and their associates included in operating activities totalled \$81k, which included non-executive directors' fees and superannuation totalling \$74k, which were paid to Directors' personally or via a related entity. Payments for services rendered in the amount of \$7k to AE Administrative Services Pty Ltd for company secretarial services is 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 of 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, “*We have delivered solid results for the last quarter of the financial year, and we remain focused on ensuring that ABT is well positioned to participate in the megatrends of automated, electric and connected vehicles to deliver long-term shareholder value. Furthermore, we continue to identify additional market opportunities for our sealed braking solutions, and we will pursue these opportunities with vigour over the coming months*”.

This release is authorised by the Board of Directors.

**- ENDS-**

**For further information, please contact:**

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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")**

30 JUNE 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,563	10,209
1.2 Payments for		
(a) research and development	(1)	(28)
(b) product manufacturing and operating costs	(1,575)	(5,531)
(c) advertising and marketing	(28)	(68)
(d) leased assets	(23)	(93)
(e) staff costs	(616)	(2,464)
(f) administration and corporate costs	(397)	(1,543)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	(3)	(9)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	4	735
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(75)</b>	<b>1,212</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(13)	(274)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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>(13)</b>	<b>(274)</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	(18)	(18)
3.7	Transaction costs related to loans and borrowings	(7)	(25)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(25)</b>	<b>(43)</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	1,525	516
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(75)	1,212
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	(274)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(25)	(43)
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>1,411</b>	<b>1,411</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,369	1,483
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	42	42
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,411</b>	<b>1,525</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	81
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

- a) Non-Executive directors fees and superannuation - \$74k
- b) Provision of company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company - \$7k

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>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.</i>		
7.1	214	214
7.2	500	-
7.3	17	17
<b>7.4 Total financing facilities</b>	<b>731</b>	<b>231</b>
<b>7.5 Unused financing facilities available at quarter end</b>		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.	
	<p>The loan facility at 7.1 above is 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 10 months is \$214,302. The interest rate of the funding is approx. 4.5% pa.</p> <p>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 4.69%.</p> <p>7.3 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. 7 months, is \$16,687.</p>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	(75)
8.2	1,411
8.3	500
8.4	1,911
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	25
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	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?
	Answer: N/A



8.6.2 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?

Answer: N/A

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

Answer: N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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 July 2021

Authorised by: Board of Directors  
(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.