

Full Year Results Presentation

2 September 2024



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Agenda

- Results and overview
- FY24 financial performance
- Review of HighCom Armor
- Review of HighCom Technology
- Strategic Priorities (short to medium term)
- Conclusion
- Q&A



Today's Presenters



Ben Harrison

Chairman of the Board

Mr Harrison has 15 years of experience in advising and investing in companies.

Mr. Harrison worked for a leading corporate advisory house where he executed over \$2.0 billion in capital market transactions and \$5.5 billion of public M&A transactions. He is a partner and Chief Investment Officer of Altor Capital and is active in the private equity and private credit sectors in Australia.

Mr Harrison currently holds board and advisory roles with several private and public companies. Mr Harrison's extensive investment, financial background and experience provides key leadership to the HighCom Board.



Jacqui Myers

Group CFO

Jacqui has a proven track record of success in providing advice to boards for decisions relating to mergers and acquisitions, capital development projects, risk management, and financial performance of subsidiary companies.

A highly experienced and qualified finance professional with extensive public sector, private sector, management consulting, Australian defence industry, and international business operations expertise. Jacqui is a CPA and has a Master of Business Administration from Deakin University, and is a graduate of the Australian Institute of Company Directors.



Todd Ashurst

Group COO and GM of Technology

Todd Ashurst, DSM, GAICD joined the Highcom Group after 32 years of military service where he rose to the rank of Brigadier (One Star General). He had several senior command and executive appointments within the senior leadership group of the Australian Defence Force including on operational service.

Todd is a proven strategic leader with a strength in collaborative stakeholder engagement, change management and systems thinking. He has led multiple complex multi-billion dollar projects and contracts. Todd was appointed as Group Chief Operating Officer on 13 February 2024 and as General Manager Technology Division from 1 July 2024.

Key Snapshot for FY24



- Revenue for the FY24 \$45.3m (down 49% on pcp) with EBITDA at –ve \$9.6m (-ve \$3.7m after adjusting for one-off impairments in H1)
- Story of two halves, the wide review to improve profitability continues, with a pleasing H2 FY24 EBITDA result of \$2.5m. Upper end of guidance.
- Cash at 30 June 2024 was \$6.2m. No debt at the end of the period having repaid its line of credit facilities in full. There is currently \$3.8m of available facilities in place which the Company can draw on.
- Inventories on 30 June 24 was \$17.8m vs \$25.7m at 30 June 23.
- For the full year ending 30 June 2024, the Net Operating Loss was \$12m and EBITDA was a \$9.6m loss, including \$5.9m of impairments for inventory and equipment.

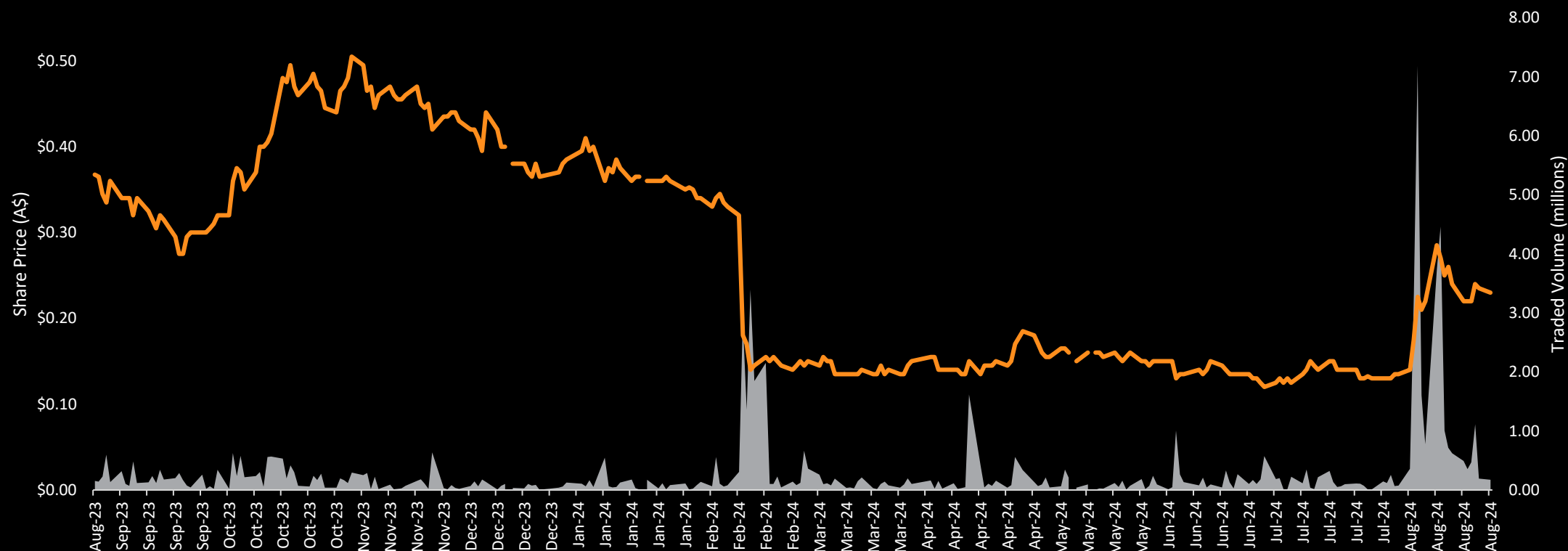
| | | | | |
|-----------------|-----------------------|-----------------------|----------------------|---------------------------|
| Revenue | Gross Profit | Normalised EBITDA | NPAT | Cash Balance |
| \$45.3m | \$13.4m | (\$3.7m) | (\$12.0m) | \$6.2m |
| Down by 49% pcp | Down from \$33.7m pcp | Down from \$11.8m pcp | Down from \$6.1m pcp | Down from \$6.9m (Jun-23) |

State of Play - Update



| Issue | Strategy | Progress |
|------------------------------------|---|----------|
| Need for greater visibility | <ul style="list-style-type: none"> Flattened out structure and streamline management reporting to board UPDATE - CFO and COO reporting to chair | |
| Cash management | <ul style="list-style-type: none"> Greater control over discretionary spend from non-revenue generating activities UPDATE – Weekly meetings held with Finance, Audit & Risk Committee for FY24 H2, continues with regular meetings with the chair. Financial controls strengthened. | |
| Inventory reduction | <ul style="list-style-type: none"> Push for continued implementation of inventory policy. Upgrading of existing inventory and use of new sales channels to move old inventory. UPDATE – Regular reviews to streamline inventory and product lines implemented. | |
| European and US DoD sales approach | <ul style="list-style-type: none"> Made key hire of UK based sales resource for UK and European markets. Also recently hired key role for US DoD opportunities UPDATE – Short-term sales opportunities sought while building longer-term prospects | |
| Manufacturing approach | <ul style="list-style-type: none"> Implementation of overall efficiency in the manufacturing process. Start to introduce granular cost tracking by product (labour and raw materials) UPDATE – Quality processes are reducing inefficiencies while improving visibility. Additional work still being undertaken to provide greater insight. XTClave relocated and new pressure vessel ordered (refer to HighCom Armor update) | |
| Closure of operating facilities | <ul style="list-style-type: none"> Closure of two redundant facilities which will result in annual cost savings of \$3m. UPDATE – One facility remains with existing lease, seeking new tenants or sublet. | |
| Overhead and consultant costs | <ul style="list-style-type: none"> Ongoing analysis of indirect savings e.g. consultants, insurance etc. Directors took 3 months of reduced board fees as alignment to strategy. UPDATE – Continual process to reduce costs - reported monthly to Board. | |

Corporate Snapshot



Capital Structure (30 August 24)

| | |
|----------------------------|-------------------|
| Shares Outstanding | 102,370,650 |
| 12 Month Share Price Range | A\$0.12 – A\$0.45 |

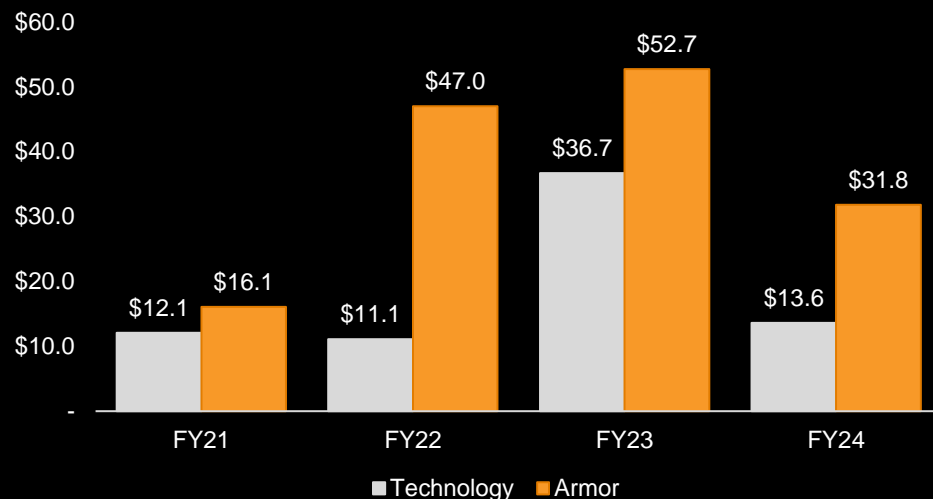
Cash Balance & Borrowings (30 June 24)

| | |
|--------------|--|
| Cash Balance | A\$6.2m |
| Borrowings | A\$0.0m. \$3.8m overdraft facilities available |

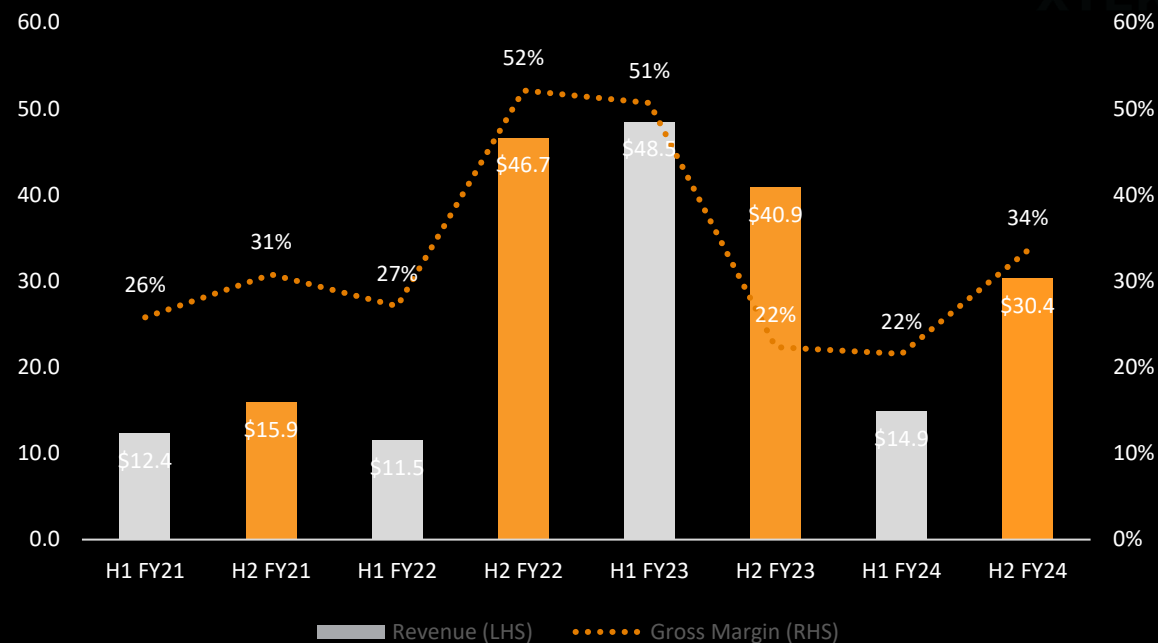
FY24 Results – Key Highlights



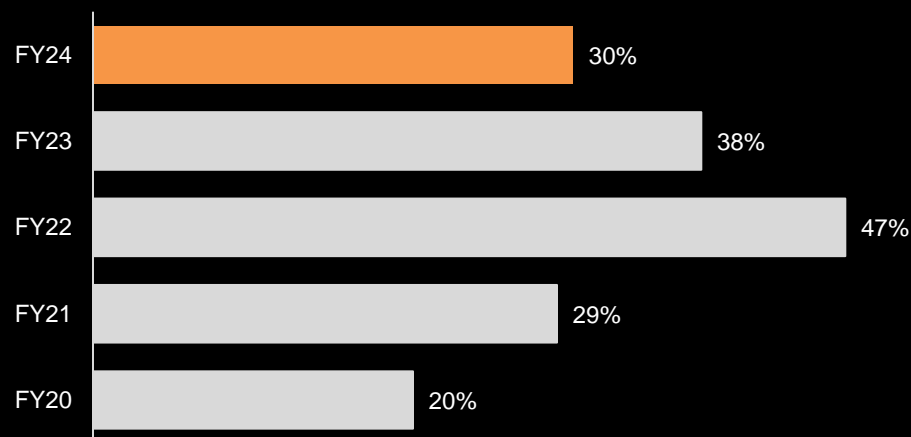
Divisional Revenue Attribution (A\$m)



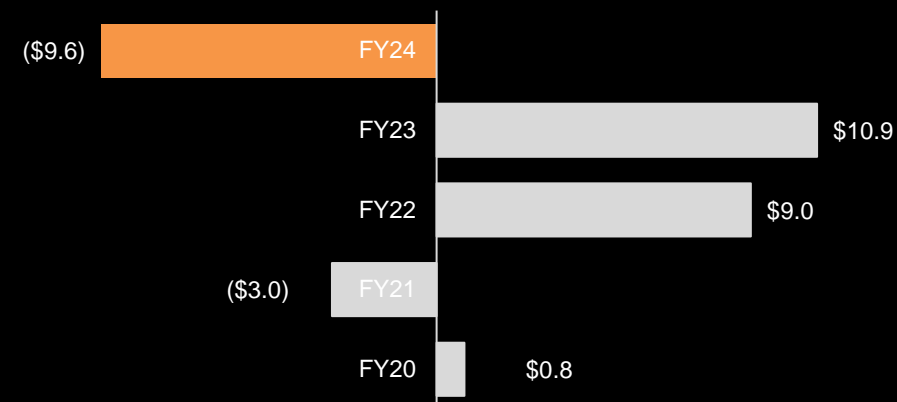
Revenue (A\$m)



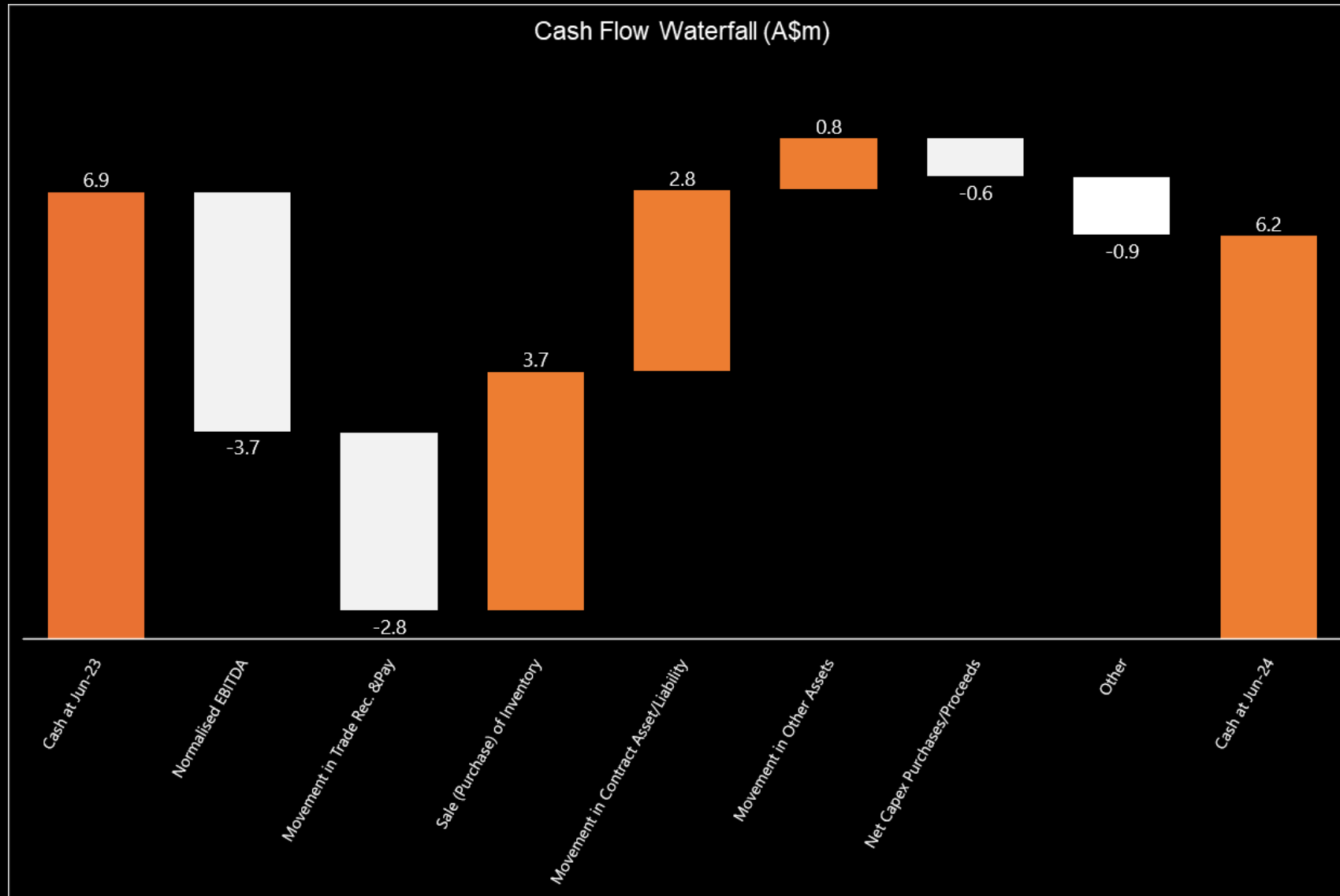
Gross Margin (%)



EBITDA (A\$m)



FY24 Results – Key Highlights



Group Overview

Highcom Group is comprised of two distinct businesses – HighCom Armor & HighCom Technology



HighCom Armor

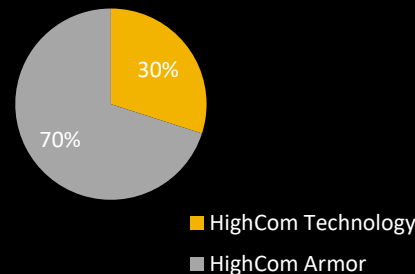
Designs, manufactures, and supplies global military, law enforcement, and first responder customers with world-class, advanced personal protection ballistic products and solutions for Body Armour, Ballistic Helmets, Shields, and Composite Armour Panels & Platform Structures.



HighCom Technology

Supplies and supports uncrewed systems, control systems, and sensors for use by Defence, Security and Law Enforcement agencies in Australia, and around the world, including: Project management, engineering, integration, repair and maintenance services, product support and related training

FY24 Revenue by Division



HighCom Armor – Overview



- Locations:
 - Global Manufacturing, R&D, US Sales & Distribution Centre – Columbus, OH, USA
 - APAC Sales – Canberra, ACT, Australia
- Designs, manufactures, and supplies global military, law enforcement, and first responder customers with world-class, advanced personal protection ballistic products and solutions for Body Armour, Ballistic Helmets, Shields, and Composite Armour Panels & Platform Structures.
- Key Customers: Global militaries, US law enforcement, national security and first responders.



HighCom Armor – Update



- During the reporting period, HighCom Armor successfully implemented its “go to market” business model progressively building a partner network, focused on the domestic US and international law enforcement and military customers.
- The Board’s decision to relocate the business’ patented XTclave™ production system to Columbus, Ohio, has seen the armour manufacturing business now centrally located, generating efficiencies.
- HighCom are anticipating delivery of the new pressure vessel, which will have a greater capacity than the existing vessel, at the start of Q1 CY2025 with re-commissioning planned to be completed in Q2 CY2025.
- A new government business development team are targeting various areas of the US military and US federal law enforcement.
- The strategic initiatives increase the HighCom brand recognition across the global ballistic markets and sets the foundations for strong sales and revenue growth in the coming years from a wider opportunity pool.

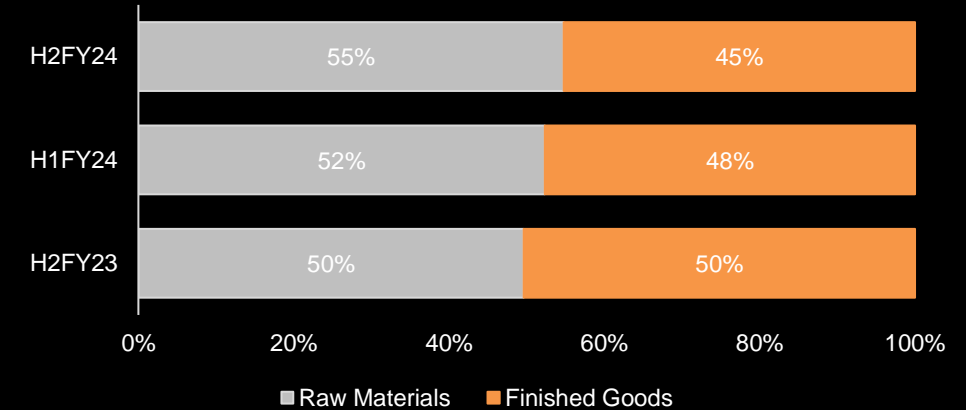


HighCom Armor – Inventory Management

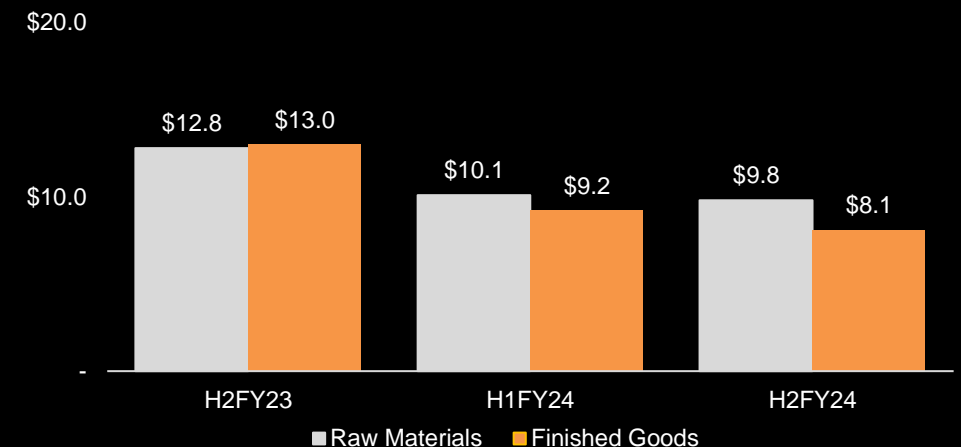
- While progress has been made in reducing inventory levels they remain above target.
- Current inventory has a reduction in finished goods.
- Raw material inventory will be run down for current sales orders.
- Initiatives flagged in February 24 working, however more improvement is required.



Inventory Attribution (%)



Inventory Attribution (A\$m)



Revenue Reconciliation and Forward Order Book



Summary of Deals - Armor

| Order | FY24(Actual) | H1 FY25 | H2 FY25+ |
|--------------------------------------|----------------|----------------|----------------|
| Run rate sales | \$17.5m | \$4.2m | |
| Military Customers (multiple orders) | \$9.6m | \$2.1m | |
| Military Customer 1 ⁽¹⁾ | \$4.7m | | |
| Military Customer 2 ⁽¹⁾ | | \$8.9m | |
| Military Customer 3 ⁽¹⁾ | | \$2.5m | |
| Future Pipeline | | \$1.6m | \$22.2m |
| Total | \$31.8m | \$19.3m | \$22.2m |

NOTES:

⁽¹⁾ Customer Orders received and announced

- FY24 sales in line with expectations
- H1 FY25 off to a solid start with \$17.7m of customer orders received, to be delivered during H1.
- Continuing to pursue and negotiate multiple large contracts with end users.
- Future pipeline for FY25+ is \$22.2m. Pipeline has reduced following material contract wins announced in August.

HighCom Technology – Overview



- Co-located with Corporate Headquarters in Canberra, ACT, Australia.
- Supplies and supports uncrewed systems, control systems, and sensors for use by Defence, Security and Law Enforcement agencies in Australia, and around the world. Key outputs include: Project management, engineering, integration, repair and maintenance services, product support and related training
- **Systems** - UAV and uncrewed solutions, control systems, and sensors
- **Support** - Project management, engineering, integration, repair and maintenance, product support and training



HighCom Technology – Update



- HighCom Technology finalised the delivery of AeroVironment Small Unmanned Aerial Systems (SUAS) for the ADF.
- The initial 4-year term of the contract for support services is valued at \$15.9m, with potential for up to \$23m of spare parts over the initial term. The further 6 years (2+2+2) of extension period support services, if taken, will be valued up to ~\$26m, with a potential ~\$45m of spare parts also possible.
- Recently expanded its business development team to focus on increasing sales with existing customers, as well as investigating and assessing new business opportunities and adjacencies.
- Recently HighCom and AeroVironment have renewed an Exclusive Reseller Agreement for SUAS, and established new agreements for Tomahawk Kinesis Ecosystem and universal controller, helicopter UAS, P550 eVTOL UAS, and LMS.
- The broadening and extension to our partnership places the Company at the center of the critical and growing role SUAS and other technology plays in modern military operations within the Australian Defence environment.



AV's Offering We Represent in APAC



- AeroVironment (AV) is a US company and world leader in unmanned aerial vehicles.
- AV's Tomahawk Kenisis Ecosystem, is an AI-enhanced, open architecture, common universal control system designed for the warfighter first. Built for ease of use, the ecosystem seamlessly connects the human-machine team across the tactical network to enable the execution of critical missions spanning ISR to lethal effects.
- The all-electric VAPOR helicopter unmanned aircraft system is extremely versatile and easily configured to support a variety of mission requirements. VAPOR delivers precision flight performance, exceptional endurance, and maximum payload flexibility.
- The P550 eVTOL uncrewed aircraft system is purpose built for long-range reconnaissance missions and features advanced AI and autonomy capabilities with maximum payload versatility.
- Switchblade 300 and 600 represent the next generation of extended-range loitering munition systems (LMS), delivering high-precision optics, extended loitering endurance, and warheads for engaging targets at greater distances.



Revenue Reconciliation and Forward Order Book



Summary of Deals - Technology

| Order | FY24 (Actual) | H1 FY25 | H2 FY25+ |
|-------------------|------------------|---------------|----------------|
| SUAS Spares | \$8.5m | \$3.6m | |
| Support Contracts | \$5.1m | \$2.1m | \$8.7m |
| Pipeline | | | \$21.3m |
| Total | \$13.6m | \$5.7m | \$30.0m |

- FY24 sales in line with expectations
- SUAS Support Contracts in H1 FY25 are valued at \$2.1m and for H2 FY25+ is \$8.7m
- Pipeline related to the SUAS support contracts is \$21.3m. Short-term pipeline has reduced as Defence re-prioritises capability requirements.

Strategy & FY25 Outlook



Maintain Strategy



REINFORCE SUCCESS

Invest in the areas of our business that have been successful and have potential for continued enhancement and growth.



SEEK ADJACENCIES

Find new business opportunities that extend our reach and can draw on our experiences and expertise.

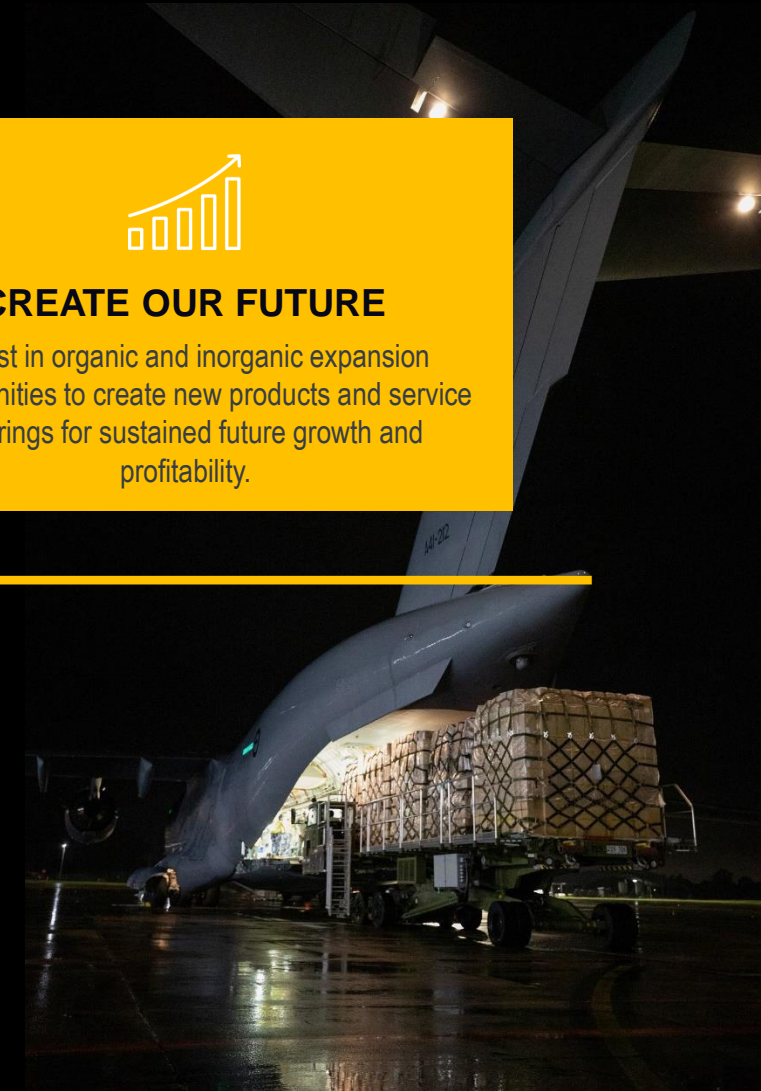


CREATE OUR FUTURE

Invest in organic and inorganic expansion opportunities to create new products and service offerings for sustained future growth and profitability.

FY25 Outlook

- Positive macro due to the ongoing geopolitical tension generated by the war in Europe, ongoing tensions in the Middle East and rising tensions across the Asia Pacific region.
- The Group remains committed to developing longer-term opportunities in both HighCom Technology and HighCom Armor while also seeking to maximise short term revenue streams.
- H1 FY25 focus remains on investment in sales team, product development and commissioning of XTclave™.

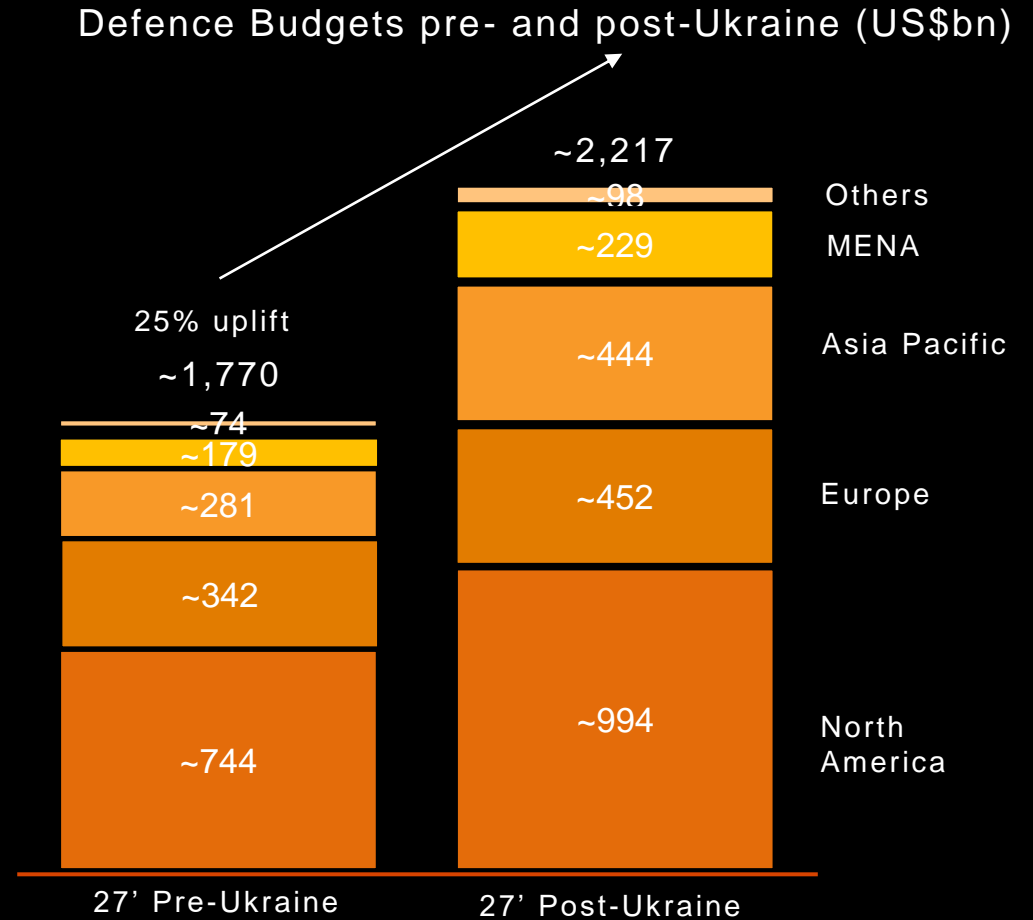


Industry Trends & Outlook



A heightened global threat environment has and will continue to drive defence spending for both military and law enforcement

- There is an increasing focus on autonomous solutions that provide asymmetric advantages, including uncrewed systems and loitering munitions such as AeroVironment LMS
- Current U.S. DOD spending is growing faster in response to near-peer threats
- Growth drivers include increasing sales to conflict areas, U.S. DoD record programs and growing international sales

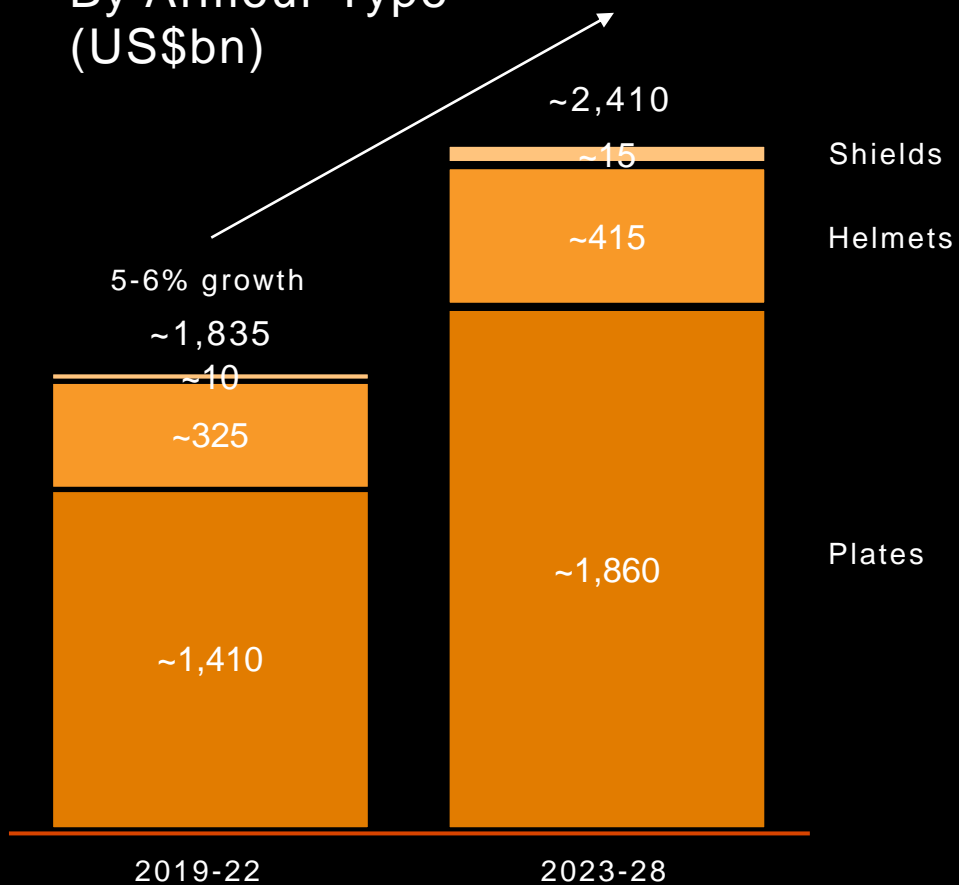


Industry Trends & Outlook

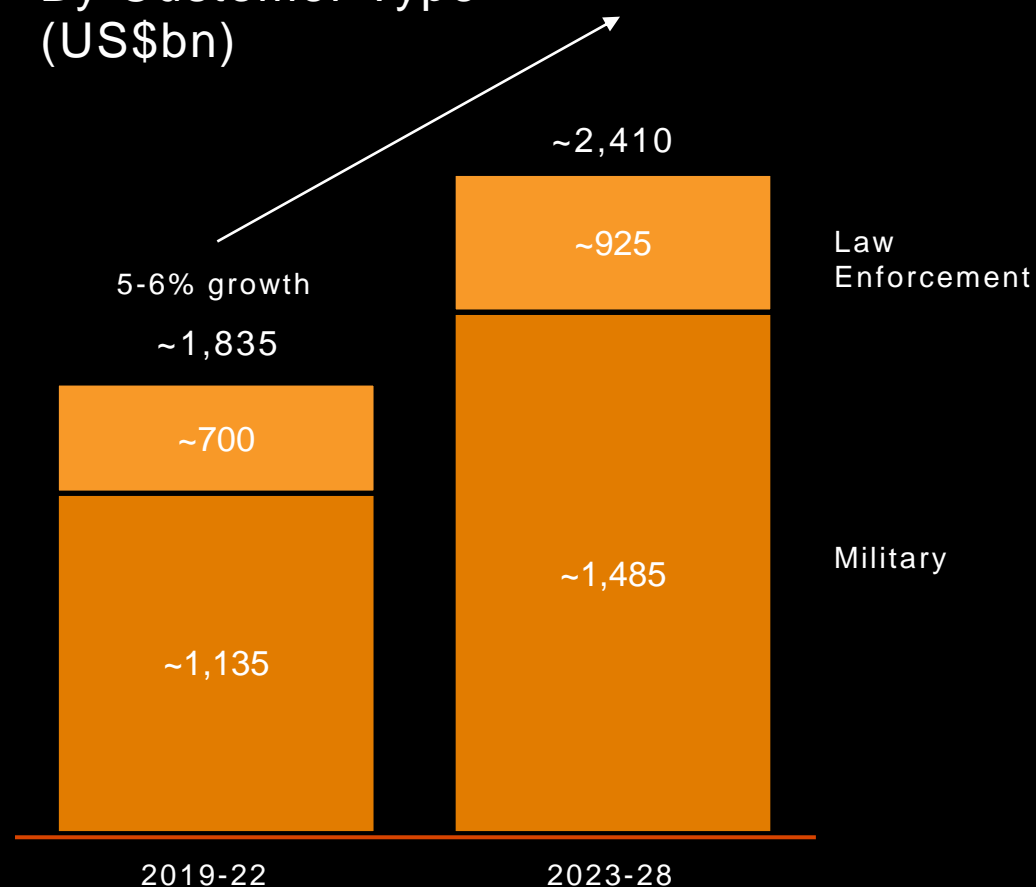


Plates and military account for ~75% and ~60% of the addressable personal armour market size by armour and customer type, respectively

By Armour Type
(US\$bn)



By Customer Type
(US\$bn)



Conclusion



- Disappointing full year result however turn around in H2 positive and more indicative of future.
- Board's strategic initiatives to improve cost base and operational focus is on track however ongoing focus remains on inventory levels, cost analysis, product development, sales and XTclave™ commissioning.
- Operational objectives over the next 6 months maintaining our “run rate” monthly sales in armour plus conversion of current sales pipeline. For technology ongoing sustainment of SUAS contract with ADF and conversion of sale pipeline.
- Board turning mind back to strategic focus given short term cash position in improved position.



Question & Answers

- Q&A submitted



Appendix



Summary Income Statement



| Summary Income Statement | | FY23 | FY24 | Change |
|--------------------------|------|--------|--------|--------|
| Revenue | A\$m | 89.4 | 45.3 | (49%) |
| Cost of Sales | A\$m | (55.7) | (31.9) | 43% |
| Gross Profit | A\$m | 33.7 | 13.4 | (60%) |
| Gross Margin | % | 38% | 30% | (8pp) |
| Other Income | A\$m | 0.1 | 0.3 | 191% |
| Operating Costs | A\$m | (22.8) | (23.0) | 1% |
| EBITDA | A\$m | 10.9 | (9.6) | (188%) |
| EBITDA Margin | % | 12% | (21%) | (33pp) |
| NPAT | A\$m | 6.1 | (12.0) | (297%) |
| NPAT Margin | % | 7% | (26%) | (33pp) |

Summary Financial Position



| Summary Financial Position | | FY23 | FY24 | Change |
|-------------------------------|------|------|------|--------|
| Cash | A\$m | 6.9 | 6.2 | (0.7) |
| Receivables | A\$m | 24.7 | 3.6 | (21.1) |
| Inventories | A\$m | 25.7 | 17.8 | (7.9) |
| Other Current Assets | A\$m | 4.5 | 0.7 | (3.8) |
| Total Current Assets | A\$m | 61.8 | 28.3 | (33.5) |
| PP&E | A\$m | 9.8 | 8.5 | (1.3) |
| Other Non-current Assets | A\$m | 4.6 | 3.0 | (1.6) |
| Total Non-current Assets | A\$m | 14.4 | 11.4 | (3.0) |
| Total Assets | A\$m | 76.1 | 39.7 | (36.4) |
| Payables | A\$m | 31.2 | 7.4 | (27.0) |
| Contract Liabilities | A\$m | 0.3 | 0.1 | (0.2) |
| Borrowings | A\$m | - | - | 0.0 |
| Other Current Liabilities | A\$m | 1.1 | 1.0 | (0.1) |
| Total Current Liabilities | A\$m | 32.6 | 8.5 | (24.1) |
| Total Non-current Liabilities | A\$m | 1.4 | 0.4 | (1.0) |
| Total Liabilities | A\$m | 34.0 | 8.9 | (25.1) |
| Net Assets | A\$m | 42.1 | 30.8 | (11.3) |