

Tuesday 30 April 2019

AVA Appendix 4C

- Strong backlog supports future improvement in cashflow
- Indian MoD contract delays nearing resolution
- Final stage negotiation for large program orders for new locking product
- First orders for Aura IQ Product opens up \$300M new market
- Consolidated cash position of \$0.9m

Ava Risk Group Limited (ASX: AVA), a market leader of risk management services and technologies, today released its Appendix 4C for the quarter ended 31 March 2019.

Reflective of the previously reported delay in orders received during Q2 FY2019, along with payment terms (timing) of orders received, net operating cash flows were negative \$1.9m for the quarter, compared to positive \$0.7m during the previous quarter. Cash receipts from customers were down \$2.2m on the previous quarter to \$7.4m.

At 31 March 2019 the Company had orders in hand (backlog) in excess of \$3.6m, and \$0.9m cash at bank. Cash at bank was \$0.6m below expectations as a cash refund from the AusIndustry R&D programme anticipated to be received during the quarter was delayed, and has been subsequently received in early April.

Excluding cash inflows from customer payments, and other sources, gross operating cash outflows are forecast around \$8.7m for next quarter, a \$0.4m reduction compared to the quarter just ended.

Ava Group Chief Executive, Scott Basham said: *"With a restructure of our management team and a re-focus on profitable growth, Ava is well positioned to capitalise on our strong base of leading products, increasing gross margins and a large order book to support a greatly improved and profitable Q4 FY2019 and FY2020".*

The softer than expected booking of orders in H1 by the Technology Division has seen an obvious follow on tightening of our cash position in Q3.

The delay of inflows originally expected for the Technology Division from the Indian MoD order, has impacted short-term working capital. However, recent purchase order activities by the Prime Contractor in India on this project with other sub-suppliers and OEMs, indicates that a level of momentum is now very much underway.

Our expectations remain that the revenue forecast for this project in FY2019 (A\$500k to A\$1.5M) will be forth coming in Q4 FY2019, with the balance of the USD\$10.5M to USD\$11.1M (A\$14.8M - \$15.7M) to follow in FY2020.

The business has restructured its management team to reduce overhead, right size our cost base, and manage our reduced working capital position. Ava Group has achieved on-going cost savings compared to H1 FY2019 of \$1.2m p.a. This is in addition to the \$1m p.a. achieved following the acquisition of MaxSec Group last year. The business is fundamentally well positioned for growth and future success, with a strong backlog of purchase orders received in Q3, currently in excess of \$3.6M, the majority of which is remains on track for delivery this financial year.

Included in the Q3 backlog is the first purchase order for \$249K, under the agreement with Dept. of Human Services (DHS) for Electronic Access Control System (EACS) card readers, with the bulk of this \$1.8M project being expected to be delivered in 1H FY2020.

The Technology Division is also currently in the final stage of negotiations with a major overseas customer for a significant (5 year) long term order to deliver large-scale fixed monthly quantities of one of our world-leading and award-winning locking products. This order will require a sizable expansion of specific parts of our existing production capabilities to meet not just the supply demands of this order, but the expectations of similar large-scale orders from elsewhere around the world for this unique product. This specific order will significantly change the underlying size of the business and will create strong profitable revenue streams for the company going forward in FY20 and beyond.

The Technology Division is also in the final stages of preparations to launch our new Aura IQ product for conveyor belt assurance monitoring. The first customer orders have been received, and installations are underway. The Aura IQ solution opens up a new \$300M+ revenue market opportunity for the Technology business.

Total Technology Division revenue is still forecast to be in excess of A\$18.0M for FY2019.

The Technology Division continues to forecast it will be EBITDA positive in 2HFY2019 and is confident of increasing its revenues and delivering profits in FY2020 and beyond.

Total Services Division revenue forecast for FY2019 has reduced slightly to A\$16.4M to A\$17.1M.

The Services Division is forecasting to be EBITDA neutral in the current quarter.

About Ava Group

Ava Group is a market leader of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

The Group features a range of complementary solutions including intrusion detection for perimeters, pipelines and data networks, biometric and card access control, a range of high security locks as well as the secure international logistics and storage of high value assets. Through decades of innovation, the Ava Group continues to build upon a comprehensive portfolio of premium services and technologies for the most complex and demanding markets.

Our business truly serves a global market, with our knowledgeable team spread across six continents, providing market and industry expertise directly to customers. With thousands of sites protected, the Ava Group is proven to deliver first class services and technologies that surpass the expectations of our partners and end users.

For further information contact: Leigh Davis leigh.davis@theavagroup.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AVA Risk Group Limited

ABN

67 064 089 318

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		7,444	24,374
1.2 Payments for			
(a) research and development		(413)	(768)
(b) product manufacturing and operating costs		(6,176)	(16,176)
(c) advertising and marketing		(50)	(276)
(d) leased assets		-	-
(e) staff costs		(2,326)	(8,033)
(f) administration and corporate costs		(364)	(1,571)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	12
1.5 Interest and other costs of finance paid		(9)	(9)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(1,893)	(2,447)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(13)	(292)
(b) businesses (see item 10)		-	(1,240)
(c) investments		-	-
(d) intellectual property		(148)	(721)
(e) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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) – cash from consolidation of MaxSec Group Limited	-	-
2.6	Net cash from / (used in) investing activities	(161)	(2,253)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(141)
3.10	Net cash from / (used in) financing activities	-	(141)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,119	5,910
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,894)	(2,447)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(161)	(2,253)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(141)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(127)	(132)
4.6	Cash and cash equivalents at end of quarter	937	937

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	849	3,027
5.2	Call deposits	88	92
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	937	3,119

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(356)

-

Includes all Executive Directors and Non-executive fees and salaries, and consultancy and service fees paid to related or associated parties of Directors including in respect of subsidiary operations whereby directors are related parties.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	1,000	367
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

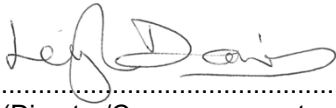
Secured Business overdraft facility with Westpac Banking Corporation. Interest rate is variable with the lender's base business lending rate.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(400)
9.2 Product manufacturing and operating costs	(5,000)
9.3 Advertising and marketing	(150)
9.4 Leased assets	-
9.5 Staff costs	(2,800)
9.6 Administration and corporate costs	(350)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(8,700)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	MaxSec Group Ltd	
10.2 Place of incorporation or registration	Sydney, Australia	
10.3 Consideration for acquisition or disposal	\$1,240,000	
10.4 Total net assets	Remaining 9.x% of business not already owned.	
10.5 Nature of business	MaxSec Group Limited, through its divisions BQT Solutions and Ava Global, is a leading designer, developer and global provider of quality reliable and secure smart card and reader systems, biometric scanners, locking devices and a global provider of secure logistics and storage services.	

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.

Sign here:  Date:30/04/2019.....
(Director/Company secretary)

Print name: ..Leigh Davis.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.