

Wednesday 30 October 2019

AVA Appendix 4C

- **\$1.6m Quarter on Quarter improvement in operating cash flows**
- **Underlying business now on sustainable footing for record profitability**
- **Consolidated cash position of \$3.6m**

Ava Risk Group Limited (ASX: AVA), a market leader of risk management services and technologies, today released its Appendix 4C for the quarter ended 30 September 2019.

Summary of Results

Revenue growth during the quarter exceeded guidance with group revenues of \$9.8m.

This growth along with operating efficiency strategies delivered improved returns in Q1 FY2020 with EBITDA of \$1.2m, an approximately 335% improvement on the same period last year.

Net operating cashflows in the quarter were positive \$0.9m an improvement of \$1.6m compared to the previous quarter. Cash receipts from customers were up \$2.2m on the previous quarter to \$9.4m on higher sales.

At 30 September 2019 the Company had \$3.6m cash at bank, an increase of \$0.5m since 30 June 2019.

Excluding cash inflows from customer payments, and other sources, gross operating cash outflows are forecast around \$8.6m for next quarter.

The Technology Division contributed \$5.5m of revenue for the quarter and \$1.2m in EBITDA with average gross margins of 72%. It is poised for strong growth in the current financial year, with an order backlog at 30 September 2019 of circa \$4.3m.

The Services Division contributed \$4.4m in revenue for the quarter and \$0.2m EBITDA with an average gross margin of 25%. It is well positioned for consistent growth in FY2020 after recently securing further new customer contracts.

Importantly, the above results reflect improvements in the core business and do not include any material revenue from the large-scale Indian MOD (IMOD) contract (circa \$17m) already announced to the ASX.

For personal use only

Streamlining Business for Future Growth

During Q1 FY2020, the Technology Division relocated its BQT Solutions (BQT) business unit's production and manufacturing operations of all Access Control Readers and Cards, and Biometric Terminals to its BQT locking production facility in Auckland, New Zealand.

Sydney based Sales and Software R&D staff have been relocated to a new appropriately sized office.

This consolidation brings efficiencies to the business, generated from manufacturing scale and greater optimisation of underutilised production capacity at the Auckland site.

Subsequent to this restructuring, the business also closed the BQT administration office in the UK, and realigned its BQT sales operations both there, and in the Middle East, to take advantage of newly appointed Distribution partners. Cost savings from these changes are expected to positively benefit the underlying business by more than A\$1m going forward.

The Technology Division also commenced the rollout of its new Go-To-Market strategy in its Future Fibre Technologies (FFT) business unit, having signed Distribution Agreements with more than a dozen new channel partners in the developing markets of Latin America and Africa, with further new agreements pending completion in Q2 FY2020. These new channel partners will provide Ava's Technology Division with increased opportunities to win a greater share of local sales, as well as giving it an enhanced level of intimacy via these new partners with local System Integrators and End Users to win larger scale deals.

Q2 & H1 FY2020 Forecast

Total revenue for Q2 FY2020 is forecast to be in excess of A\$9.0m, with total revenue expected for H1 FY2020 to be more than A\$19m, excluding any contribution from the IMOD project.

With the company's growth and operating efficiency strategies now delivering improved returns to the business, the Ava Group remains buoyant about delivering record revenues and profits in FY2020 and beyond.

For personal use only

About Ava Group

The Ava Group, comprising world leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT) is a market leader in the provision 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 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

Note 1

Forward Looking Statements

Information in this release is for general information purposes only. Certain statements in this document regarding the Company's financial position, business strategy and objectives, contain forward-looking statements (rather than being based on historical or current facts) and as such, are not able to be verified.

All forward-looking statements are based on the current views of the Company's management as well as reasonable assumptions made by, and information currently available to the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid. If assumptions are invalid this is likely to have an impact on the accuracy of the statement itself.

All data presented in this document reflects the current views of the Company with respect to future events. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Forward looking statements are also subject to external matters outside the control of the Company.

To the maximum extent permitted by law, the Company, its officers, employees and agents do not assume any obligation to release any updates or revisions to the information (including any forward looking statements) in this presentation to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this presentation or its content.

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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,361	9,361
1.2 Payments for		
(a) research and development	(176)	(176)
(b) product manufacturing and operating costs	(5,170)	(5,170)
(c) advertising and marketing	(77)	(77)
(d) leased assets	-	-
(e) staff costs	(2,709)	(2,709)
(f) administration and corporate costs	(356)	(356)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
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	874	874
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(7)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(293)	(293)
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(300)	(300)
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)	-	-
3.10	Net cash from / (used in) financing activities	-	-
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	3,082	3,082
4.2	Net cash from / (used in) operating activities (item 1.9 above)	874	874
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(300)	(300)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	4	4
4.6	Cash and cash equivalents at end of quarter	3,660	3,660

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	3,572	2,993
5.2	Call deposits	88	88
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)	3,660	3,082

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**

(258)

-

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**

-

-

For personal use only

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	-
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.

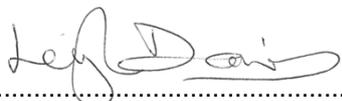
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(200)
9.2 Product manufacturing and operating costs	(5,200)
9.3 Advertising and marketing	(100)
9.4 Leased assets	-
9.5 Staff costs	(2,750)
9.6 Administration and corporate costs	(350)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(8,600)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

For personal use only

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:30/10/2019.....
(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.

For personal use only