



Investor presentation

September 2018

ASX: XTE



Corporate overview

XTEK is focused on commercialising proprietary products globally and becoming an integral part of the global supply chain within the Australian defence industry

Trading information

Share price (11 Sep 2018)	A\$0.445
No of shares	40.4m
Market capitalisation	A\$18.0m
Net debt / (net cash)	(A\$5.9m)
Enterprise value	A\$12.1m

XTEK Board

Uwe Boettcher	Non-Executive Chairman
Philippe Odouard	Managing Director
Robert Quodling	Executive Director
Ivan Slavich	Non-Executive Director
Chris Fullerton	Non-Executive Director

Major shareholders

Uwe Boettcher	12.9%
Mrs Wendy Wing Lin Lo	6.3%
Fairlane Management	5.2%

LTM share price performance



Source: IRESS, company information

Key activities and product focus

XTEK is focused on being the supplier of choice for a range of products and support services to the defence, law enforcement and government sectors globally



Ballistic products and technology

- Manufacture **proprietary ballistic products** using patented XTclave™
- Orders received from **Europe / Australia**
- **Expansion into helmets** globally
- Includes market leading XTEK Tac 2 sniper system

Intelligence and surveillance

- **Commercialising XTatlas™ an XTEK proprietary platform technology** designed to augment existing SUAS products
- **Received initial orders** for XTatlas™ licenses recently

Small Unmanned Aerial Systems

- **Exclusive distributor** in Australia and New Zealand of products from AeroVironment (largest supplier of SUAS in US)
- Underpinned by the **ADF SUAS contract**
- Also includes **ongoing SUAS maintenance** services for customers

Additional defence related products

- **Distributor and service supplier** for other defence-related products
 - Explosive Ordnance Disposal equipment
 - Other weapons and robotic equipment
 - Other service and repairs



XTclave™



XTatlas™

Strong distribution network which underpins current operations and continued R&D investment

FY18 operational and financial highlights



FY18 operational highlights

Continued commercialisation of XTclave™ and Xtatlas™ during FY18, which underpins XTEK's laser-focus to grow shareholder value

Achieved first domestic and international orders for ballistic plates and helmets made with XTclave™



Successful finalisation and demonstrations of Xtatlas™ in the US and Europe



Key FY18 operational highlights¹

- Signed **A\$50m of contracts** during the year, with A\$38m contracted revenue currently in place
- XTEK's proprietary **SAPI plates** ordered by **ADF** for **evaluation** purposes
- High-end **SAPI plates** ordered by **FY Composites (Finland)** for **qualification** purposes
- Formally signed the **A\$42m WASP AE SUAS contract**
- Received **ADF order for additional WASP AE SUAS** and corresponding after-market services
- **Finalised multiple ADF orders** for products including: explosive ordnance disposal equipment, high performance x-ray equipment and helmets
- **Completed placement and SPP** in July 2017

Source: company information

1. SAPI: Small Arms Protective Insert; SUAS: Small Unmanned Aircraft System; ADF: Australian Defence Force

FY18 financial highlights

FY18 was a transformational year in which XTEK delivered strong financial growth

Revenue

A\$17.3m

FY17: A\$9.0m

91%

Gross Profit

A\$4.7m

FY17: A\$3.5m

35%

Operating cashflow

A\$1.8m

FY17: (A\$1.4m)

+ve

NPAT

A\$139k

FY17: A\$61k

128%

Contracted revenue¹

A\$38.0m

FY17: A\$4.4m

>8.6x

Cash position

A\$5.9m

FY17: A\$2.8m

111%

Source: company information

1. A\$38m contracted revenue does not include associated logistics maintenance revenue

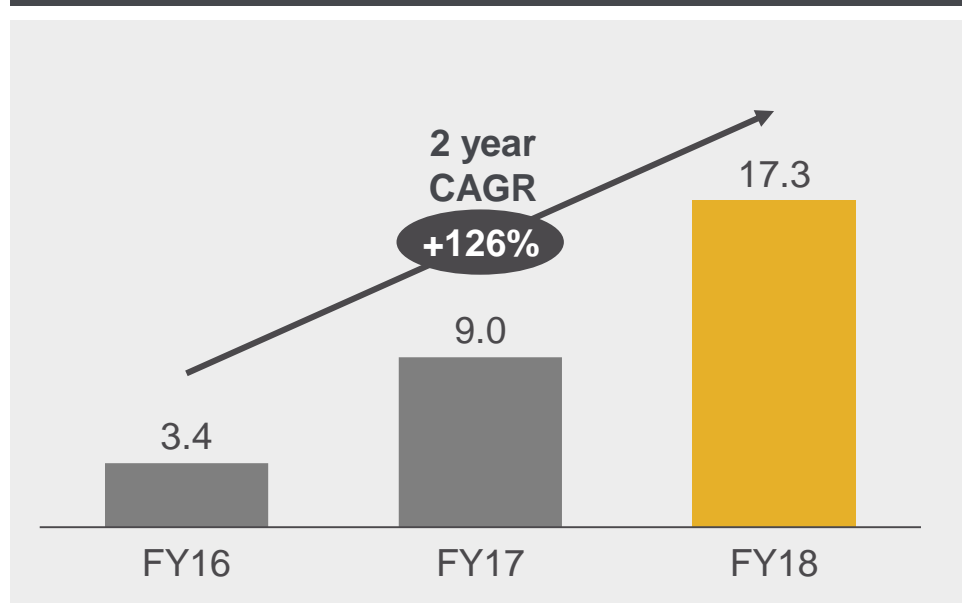
FY18 results summary

XTEK's strategy delivered strong FY18 financial growth and results

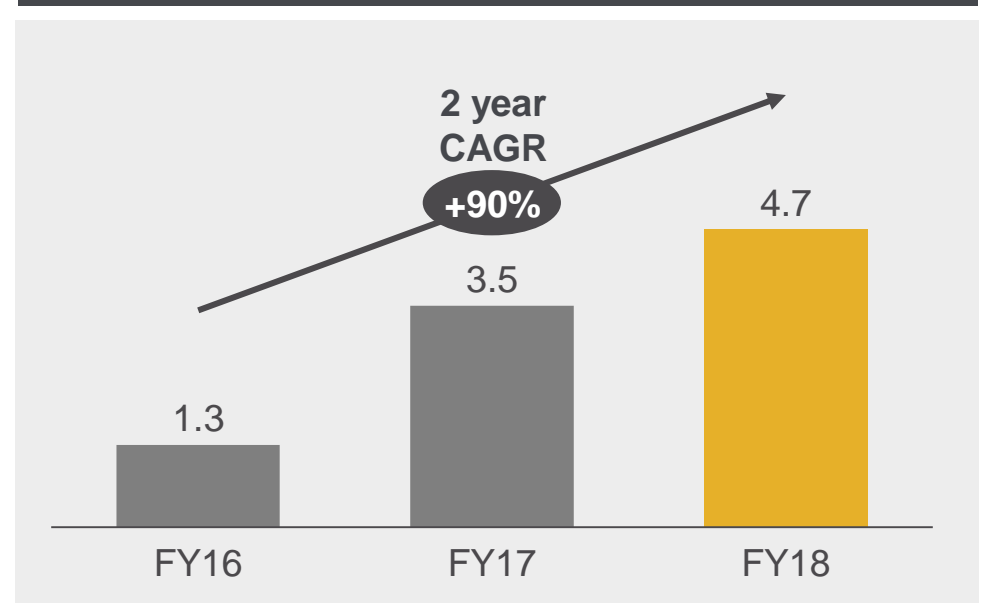
Overview

- **Significant FY18 revenue growth:** driven by strong sales growth in value added reseller products, which includes the initial deployment of SUAS with the ADF
- **Strong performance across key metrics:** gross profit up 35% (to A\$4.7m) and NPAT up 128% (to A\$139k)

Revenue (A\$m)



Gross Profit (A\$m)



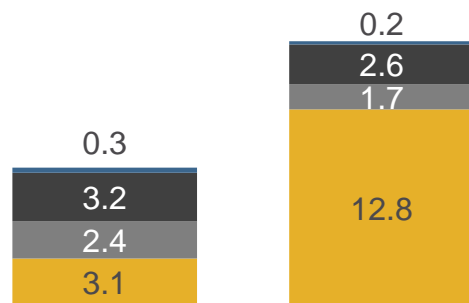
Source: company information

FY18 income statement

While a shift in product mix impacted margins in FY18, XTEK was still able to grow earnings while maintaining investment in R&D for high margin proprietary products

Summary income statement (A\$m)

- Grant and other revenue
- Logistics engineering
- Proprietary products
- VAR products



Income statement	FY17	FY18	Variance
Revenue	9.0	17.3	91%
COGS	(5.5)	(12.5)	127%
Gross profit	3.5	4.7	35%
Gross margin	39%	27%	
Other income	0.6	0.6	0%
Corporate expenses	(2.8)	(4.0)	43%
R&D	(1.3)	(1.2)	(3%)
Tax	0.0	0.0	-
Profit after tax	0.061	0.139	128%

FY18 commentary

- Significant increase in revenue from VAR products reflects XTEK's ability to develop a market leading distribution network
- During the year, XTEK achieved key milestones in commercialising proprietary products and is well positioned to deliver further revenue growth in logistics engineering
- Shift in product sales / mix impacted gross margins – focus on growing revenue from proprietary products is expected to boost gross margin
- Increase in corporate expenses reflects further investment in technical and commercial capabilities as XTEK prepares to grow proprietary product revenue in the near to medium term
- R&D investment underpins commercialisation strategy of proprietary products
- XTEK retains unused tax losses of ~A\$16m, available to use in future periods

Source: company information

FY18 cash flow and balance sheet

XTEK achieved strong cash generation in FY18 and is in a strong financial position for future growth

Key cash flow and balance sheet metrics (A\$m)

Cash flow summary	FY17	FY18	Variance
Operating cashflow	(1.4)	1.8	na
Investing cashflow	(0.1)	(0.3)	123%
Financing cashflow	3.9	1.5	(61%)
Net Cash flow	2.3	3.0	33%

Achieved positive operating cashflow

Successfully raised capital in July 2017

Summary balance sheet	FY17	FY18	Variance
Cash	2.8	5.9	111%
Trade and other receivables	2.6	6.0	134%
Inventories	0.9	1.5	65%
Other assets	1.1	1.0	(10%)
Total assets	7.3	14.3	96%
Debt	-	-	na
Trade and other payables	1.2	5.8	384%
Other liabilities	0.5	1.0	96%
Total liabilities	1.7	6.8	299%
Total equity	5.6	7.6	34%

Strong cash position

XTEK remains debt-free

Source: company information

Strategic update and outlook



Operational strategy

XTEK's focus on commercialising proprietary products leverages existing strategic networks and relationships to deliver shareholder value

- XTEK is **focused on the commercialisation** of its proprietary product range: XTclave™ and XTatlas™
- These **high margin** products **have global opportunities** within **high growth** sectors
- Opportunity to **leverage XTEK's strong existing platform and relationships**

- **Exclusive distribution agreements** currently in place with leading global security brands provides financial stability
- **Leverage existing strategic relationships** with key defence customers
- Potential to develop **annuity-style revenue** from leading after-market services and support



XTClave™ – overview

XTClave™ is a patented manufacturing technology that can produce the world's lightest and strongest body armour



Ballistic Armour Plates

Body armour plates up to **30% lighter** compared to most competitors with **equal performance**

Substantial increase in life of product and added buoyancy

Strong validation and testing from a **number of international defence clients**

Helmet Shells

Only composite helmet that can **stop common AK-47 bullets**

US Department of Defense funded testing Program for Ballistic Helmets using XTClave™

Finalising development in Adelaide facility

XTclave™ – significant market opportunity

Entry into the global body armour and personal protection market is estimated to be worth US\$3.5bn p.a. by 2028

Overview

- **Body armour market worth US\$3.5bn p.a. by 2028.**
Growing at **4.6% CAGR**
- **New XTClave™ production facility by H1 CY2019.**
Capacity of **40,000 plates per annum**, capable of generating revenue **up to A\$20m p.a.**
- **>15 clients well progressed through testing**
 - ADF – Diggerworks order in May 2018
 - FY Composites (Major European defence supplier) order in December 2017
 - US Department of Defence (funded \$1.5m to test)
- **Long customer testing cycles followed by large contract with strong margins**

Global Body Armour Market

Worth more than
US\$30bn
over the next decade¹



1: The Global Body Armor and Personal Protection Market 2018 - 2028

XTAtlas™ – real-time situational awareness

First commercial sales following significant development and represents an exciting growth opportunity

Overview

- SUAS software application. **Real-time 3D imaging, accurate geo-referenced video mapping**
- **Diverse uses including** law enforcement, search and rescue, and disaster response situations
- **Less than 1% of the cost of a large UAV system. Outperforms existing products** which cannot provide real-time geo-referenced mapping, with data outputs
- **Retrofitted to existing UAS's for low cost implementation** – representing a large addressable market
- **Strong relationship with AeroVironment Inc,** leading manufacturer of UAS with **25,000 SUAS deployed globally**
- **Significant global interest from users and SUAS suppliers**

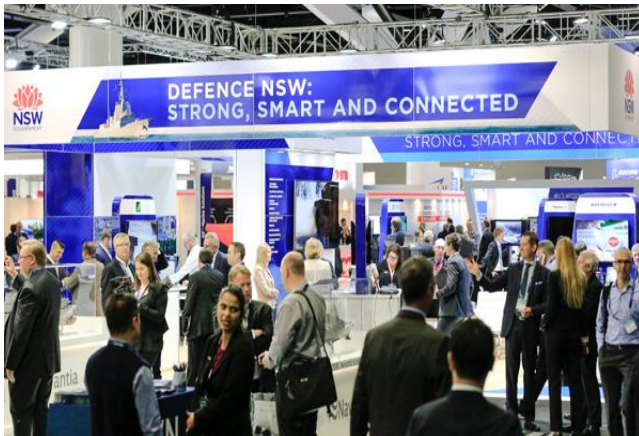
Global Aerial Imagery Market

Worth more than US\$10bn p.a¹



1: Geobuiz "Geospatial Industry Outlook & Readiness Index" 2018 edition, Geospatial Media & Communications

M&A Opportunities



Overview

- **Australian total defence** expenditure forecast to grow to **A\$42.4bn by FY2021**
- Government tendering and executing on large strategic procurement packages – including Land 200, Land 400, Future Submarine, Future Frigates and JSF contracts
- Australian **Government is mandating a large percentage** of these contracts to be **supplied by Australian companies with domestic content and IP**
- XTEK is well positioned to **acquire small, profitable and innovative technology companies** servicing these significant domestic defence contracts
- Innovative **technologies can then be exported and commercialised globally** with support of Defence Export Strategy


Favourable defence sector themes

XTEK is well positioned to capitalise on favourable domestic and international trends

Significant and growing target markets

 **XTclave™**
Global Body
Armour Market

US\$3.5bn
by 2028 (CAGR: 4.6%)

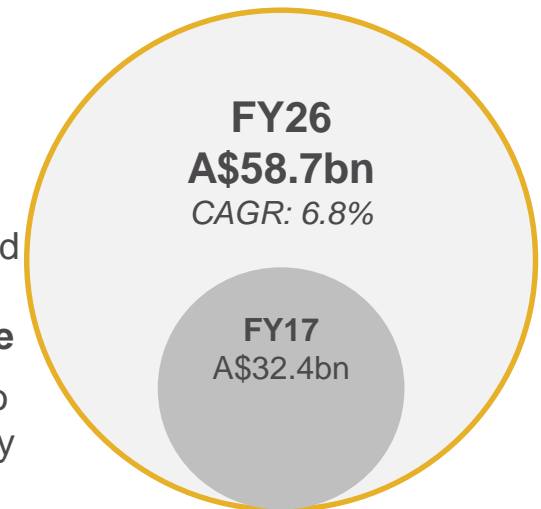
 **XTatlas™**
Global Aerial
Imagery market

US\$10.1bn
in 2019

Steady growth in Australian defence budget

Growth drivers

- Increased supply of **Australian content**
- Government committed to Australian **innovation in defence**
- **A\$3.8bn invested** into Defence Export Facility

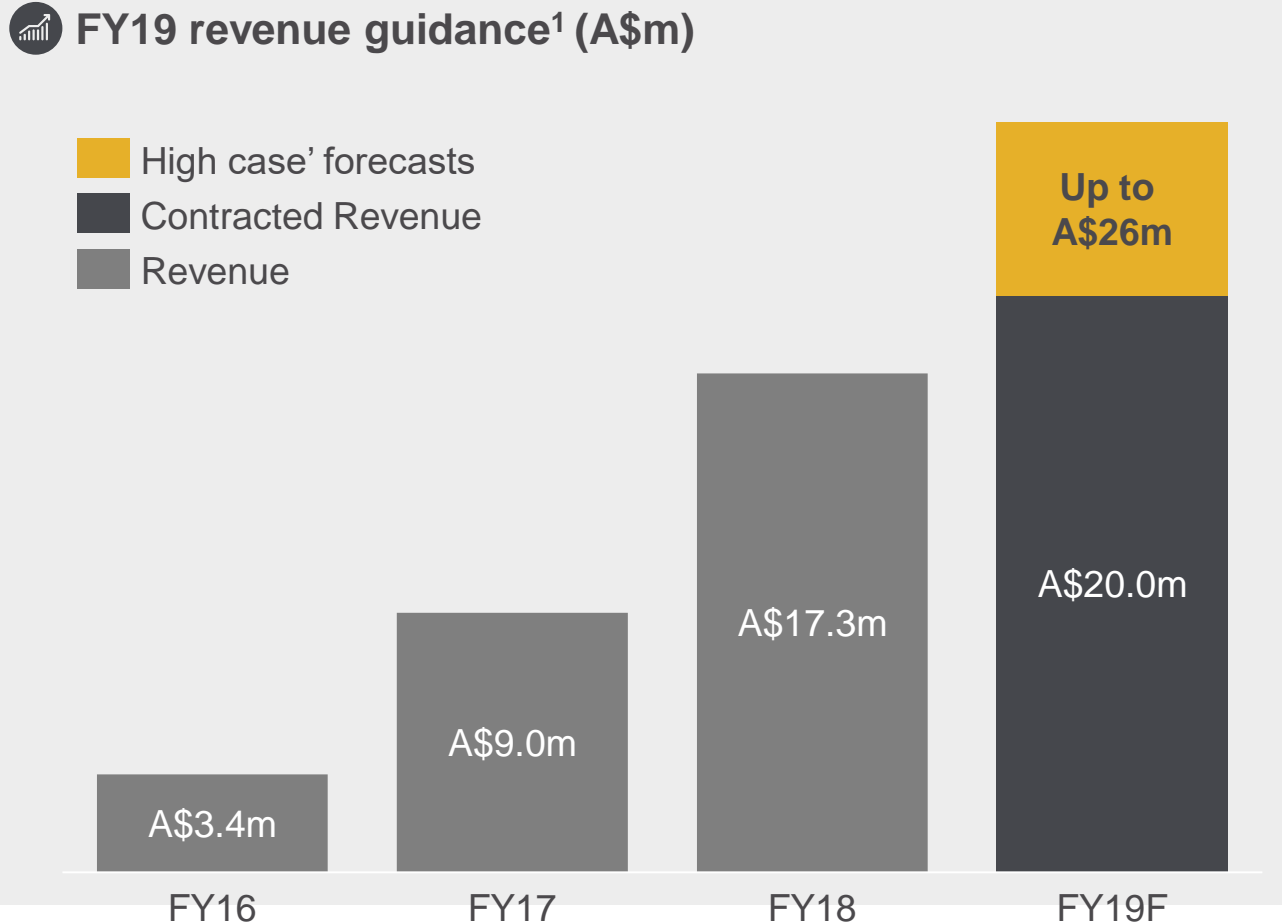


Underpinned by the highest level of global military expenditure in over 25 years, estimated to be more than US\$1.7tn in 2017 (~2.2% of global GDP)

Source: Australian Government Department of Defence 2016-18; Global Body Armor and Personal Protection Market 2018-2028; Centre for the Study of the Drone at Bard College 2018; SIPRI 2018

Outlook

XTEK continues to execute on its operational strategy and is well positioned to deliver further revenue growth in FY19



Source: company information

1. Contracted revenue exclude associated logistics maintenance revenue; revenue guidance excludes revenue from ballistic plates

Key catalysts

- Develop **XTclave™ production capabilities**, receive **first significant orders to fill \$20m factory capacity**
- **Closing significant sales and distributors for XTatlas™**
- Complete SUAS delivery and **sign associated logistic maintenance services contract**
- Win further **defence contracts and additional purchase orders**
- Assessment of **potential value accretive opportunities**

Key investment highlights

XTEK about to delivering high-margin and high-growth proprietary products to global markets supported by a profitable underlying business

- **Significant opportunity with strong appetite for locally developed products in the domestic market**
- **Commercialisation of high-margin proprietary products globally underpinned by production capabilities**
- **Market leading products and long term UAS services support a profitable underlying business**
- **Strong operational performance and financial position allows assessment of value accretive opportunities**
- **Favourable financial outlook driven by ~A\$38m of contracted revenue**



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