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ASX RELEASE

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Ava Risk Group to Divest Services Division

Ava Risk Group Limited (ASX: AVA) ("Ava Risk Group" or "the Company") today confirms that it has entered into a Sale and Purchase Agreement ("**SPA**") with TTG Bidco Limited ("**Buyer**"), an entity backed by funds advised by Phoenix Equity Partners Limited (United Kingdom), to divest its non-core Services Division, Ava Global DMCC-LLC ("**Ava Global**") ("**Transaction**"):

- Sale price of US$46.4 million (A$63.1 million) with anticipated net cash proceeds of US$31.1 million (A$42.4 million) after closing adjustments, and payment of management incentives and FY2021 accrued bonuses
- Net cash investment return to Ava Risk Group of circa 587%
- Expected completion by the end of October 2021
- Post divestment of Ava Global, Ava Risk Group comprises of leading security technology and sensing solution providers Future Fibre Technologies and BQT Solutions

Ava Risk Group CEO Rob Broomfield said: "We are pleased to crystallise our return on investment from Ava Global by implementing this Transaction. From a peak funding investment of US$5.3 million, Ava Risk Group will have received more than US$36.4 million (A$49.6 million) in cash from our Services Division, a net cash return of some 587% over approximately five years. The sale will allow management to fully focus on the Technology Division, growing recurring revenue and expanding into new markets and applications. An update of our growth strategy and policies around surplus cash will be provided when we report FY2021 results on 30th August."

On behalf of the Ava Risk Group Board, Chairman David Cronin said, "We congratulate Chris Fergus and his management team at Ava Global for achieving an outstanding result for their stakeholders and wish them the very best in the next phase of their growth journey with the Buyer."

1. History of Ava Global

Below is a brief corporate history of the Services Division:

a. Ava Global was founded in 2016 as an operating subsidiary of MaxSec Limited ("MaxSec").

b. As part of the establishment of Ava Global, MaxSec put in place a management incentive plan such that certain employees of the Services Division could earn up to 32.7% of profits (circa 24.6% of reported net profit) and 32.7% of the exit value received upon a sale after subtracting the peak funding amount.

c. In November 2018, Ava Risk Group completed the 100% acquisition of MaxSec.

d. MaxSec's other operating entity is BQT Solutions (UK) Limited ("BQT Solutions") (Access Control/Electronic Locking).

e. From 2016 until 2019, total peak funding of US$5.3 million was provided to Ava Global.

f. In FY2020, Ava Global contributed $2.4 million in EBITDA. In FY2021 the EBITDA contribution from Ava Global is anticipated to be $7.5-7.8 million.

g. Ava Global has repaid in full (via positive cashflow) the US$5.3 million peak funding provided.

2. About Ava Risk Group and its Businesses

a. Ava Risk Group is a market-leading manufacturer and supplier of risk management services and technologies which listed on the ASX on 11 May 2015.

b. The Company's services are used by industrial, military and government customers globally. Ava Risk Group operates across two divisions, being:

   i. *Technology*, comprised of:

      1. Future Fibre Technologies, which manufactures a portfolio of fibre optic sensing solutions for a wide range of applications that protect high value assets and critical infrastructure; and

      2. BQT Solutions, which develops, manufactures and supplies high security card and biometric readers, electromechanical locks and related electronic security products;

   ii. *Services*, comprised of Ava Global, the division being divested under the Transaction, which arranges third party freight and handling services for high-value assets (such as refined precious metals and bank notes).

c. Ava Global is a company incorporated and registered in the United Arab Emirates which provides secure international logistics services. Ava Global has two wholly-owned subsidiaries, being:

   iii. Ava Germany GmbH, a company incorporated and registered in Germany; and

   iv. Ava USA Inc, a company incorporated and registered in the United States.

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The table below presents various financial measures for Ava Risk Group's business segments for the six months ended 31 December 2020.

Relevant measure	Future Fibre Technologies	BQT Solutions	Ava Global	Ava Risk Group (Total)*
Consolidated total assets	$25,800,000	$10,444,000	$6,528,000	**$42,772,000**
Consolidated half year revenue	$12,477,000	$4,265,000	$18,417,000	**$35,159,000**
Consolidated half year EBITDA	$5,971,000	$2,443,000	$3,748,000	**$12,162,000**
Consolidated half year profit before tax	$5,491,000	$2,135,000	$3,423,000	**$11,049,000**

** **Source:** Condensed Financial Report for the Half-Year Ended 31 December 2020 for Ava Risk Group Limited and controlled entities (see ASX announcement of 26 February 2021).*

d. Apart from the sale of Ava Global, there are no proposed changes to the Ava Risk Group business as a result of the Transaction.

3. Details of the Transaction (Sale of Ava Global DMCC-LLC, the Company's Services Division)

Below is a summary of the Transaction:

a. Under the Transaction, the Buyer will acquire 100% of the issued share capital in Ava Global from BQT Solutions, a fully owned subsidiary of Ava Risk Group, by way of a SPA. The consideration received will be approximately US$46.4 million payable in cash on completion of the Transaction. Of that amount, approximately US$31.1 million will be retained by Ava Risk Group, and US$15.3 million will be paid to certain Ava Global employees pursuant to accrued entitlements (both FY2021 incentive bonus and exit value calculation) under Ava Global's existing performance incentive plan previously disclosed to the market.

b. There will be no changes to the Board of Ava Risk Group as a result of the Transaction. It is intended that Ava Global's CEO Chris Fergus and its CFO/COO James Alston, along with other Ava Global employees, will remain with Ava Global after its divestment by Ava Risk Group. There will be no other changes to the senior management of Ava Risk Group as a result of the Transaction.

c. Ava Risk Group is currently targeting that the Transaction will complete during October 2021. The Transaction is not subject to any conditions precedent, but certain regulatory requirements of the Dubai Multi Commodities Centre will need to be satisfied in respect of the share transfer for completion to occur. The SPA may be terminated if this has not occurred by 31 October 2021 (or such later date as Ava Risk Group and the Buyer may agree).

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4. Anticipated Effect of the Transaction

a. Set out in the following table is information about the likely effect of the Transaction on certain financial metrics, showing the position of the Company both before and after the Transaction.

b. The comparisons set out below have been prepared based on the Ava Risk Group FY2021 Half Year Report. The comparisons outlined below remain subject to change, including as a result of fluctuations in the USD/AUD exchange rate.

Relevant measure	Ava Risk Group prior to Transaction	Ava Risk Group after Transaction
Consolidated total assets	$42,772,000	$76,608,000
Consolidated total equity interests	$34,075,000	$75,942,000
Consolidated half year revenue	$35,159,000	$16,742,000
Consolidated half year EBITDA	$12,162,000	$8,414,000
Consolidated half year profit before tax	$11,049,000	$7,626,000

5. Technology Division

After the divestment of Ava Global, the business of Ava Risk Group will comprise only the Technology Division being Future Fibre Technologies and BQT Solutions.

Table 3: Technology Division Financial Summary (unaudited forecast financial information)

$Am	FY2021(f)	FY2020	Var	Var %
Sales Revenue	24.7	21.0	+3.7m	+17%
EBITDA[1]	7.3 - 8.0	5.0	+2.3 - +3.0	+46% - 60%
EBITDA Margin	30% - 32%	23.8%	+6 -+8 points	+26% - 34%

a. For the twelve months to 30 June 2021, the Technology Division is projecting revenue of $24.7m, a 17% increase on pcp. This includes A$7.8m in licence fees from the Indian Ministry of Defence (IMoD) contract, a blueprint for using Future Fibre Technologies' fibre optic technology on a license basis.

[1] *Includes Group corporate costs related to audit, tax, ASX listing fees, as well as shared IT and technology services.*

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b. The strong Q4 trading performance was the result of converting the sales pipeline and investing in sales and marketing to drive new business development activity helped by a pick-up in sales and orders from COVID-19 delayed deals.

c. FY2021(f) EBITDA of $7.3m to $8.0m is 46% - 60% higher on pcp. Margin expansion, despite the underlying top line challenges, came from both the flexible cost base and increasing licensing revenue.

d. In FY2021, Future Fibre Technologies signed multi-year comprehensive maintenance agreements which will generate annual recurring revenues. Furthermore, management remains confident of meaningful revenue for Aura IQ sales in FY2022 starting in Q1 FY2022 as a result of the success of the proof of value (POV) trials. Aura IQ is Future Fibre Technologies' new conveyor health monitoring solution developed in partnership with leading research organisation Mining3.

At 30 June 2021, the Technology Division had a backlog of $4.6m which included $2.6m related to the IMoD contract. The Technology Division also had $1.3m in delayed orders.

Table 4: Backlog and Orders delayed to FY2022

A$m	Backlog	Delayed	Total
IMoD contract	2.6	-	2.6
Asian defence contract	0.8	0.5	1.3
South American Rail contract	0.3	-	0.3
Other security-related projects	0.9	0.8	1.7
Total deferred projects	**4.6**	**1.3**	**5.8**

In FY2022, management expects the following contributions from the Technology Division:

- Delivery of $5.8m in orders received (backlog) and orders delayed from FY2021
- Generation of meaningful revenue from the partial conversion of the $50m sales pipeline (3-year value) for the Aura-IQ systems which are being commercialised via the "Proof of Value" program
- Expanding and leveraging a go-to-market strategy with Dormakaba to deliver material sales into the US and Europe
- Increase in post-COVID-19 sales to Assa Abloy in Europe under existing signed contract
- Further IMoD style licensing transactions
- Further sales for power cable monitoring solutions via the Group's low cost, high profit, industry partner model
- Increase in contracts from the large install base of thousands of systems to expand annual maintenance and remoting servicing solutions and grow annual recurring revenues.

Although the Technology Division successfully managed most of the COVID-19 related international logistics delays and ongoing constraints on certain electronic components during the latter part of FY2021, management expects supply chain disruptions to continue into FY2022 which may affect the timing of deliveries for some orders. To better manage the supply chain, the Technology Division is encouraging customers to provide advanced forecasting and allow longer lead times for deliveries.

6. Group Cash Position

The Company has achieved significant growth in operating cashflow and has consolidated cash of circa $17.2m (30 June 2021) and no debt, having paid $7.1m in dividends during FY2021 to its shareholders. A further US$31.1 million (A$42.4 million) will be generated from the sale of Ava Global.

Table 5: Review of Cash

$Am	FY2021(f)	FY2020	Var	Var %
Cash at Bank 30 June	17.2	7.7	+9.5	123%
Dividends paid	7.1	0.0	+7.1	NA
Sale of Ava Global	42.4	NA	+42.4	NA
Pro-Forma Total	**66.7**	**7.7**	**+59.0**	**766%**
Pro-Forma Cash Generated Per Share	**$0.276**			

Proforma Ava Risk Group cash position post completion based on cash held at 30 June 2021 is $55.4 million

After the completion of the Transaction, and considering the group profits, the Board intends to further review its dividend and capital management policies. It is anticipated that further information will be provided to shareholders in this regard on 30 August 2021 as part of the FY2021 results announcement.

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Approved for release by the Board of Directors.

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About Ava Risk Group

Ava Risk Group is a global leader in providing technologies and services to protect critical assets and infrastructure. Its Technology Division manufactures and markets 'smart' fibre optic sensing systems (Future Fibre Technologies) and high security access control and electronic locking products (BQT Solutions). Its Services Division provides secure logistics for high-risk valuables such as banknotes and precious metals (Ava Global Logistics). Its products and services are trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

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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.

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