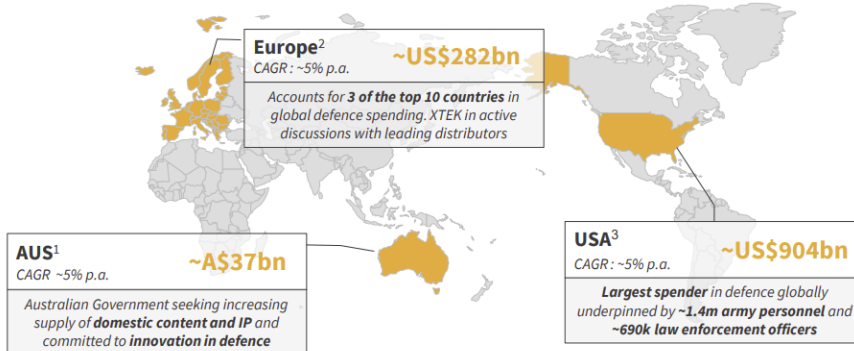




## FAVOURABLE GLOBAL DEFENCE THEMES

XTEK is currently servicing clients across key target markets including US, Europe and Australia - where spending budgets are typically uncorrelated with markets

### Military expenditure and market dynamics in key target markets



Source: SIPRI 2020; The balance 2020; Australian Government Department of Defence; FBI Uniform Crime Reporting (UCR) 2018; GlobalFirePower 2020; Defense News 2019  
 1. Australian military expenditure in 2019; CAGR measured from 2014 to 2019  
 2. Central and Western Europe military expenditure in 2019; CAGR measured from 2016 to 2019, with spending converted to USD at the exchange rate for each given year  
 3. Total US Military and Defence expenditure in 2019; includes base budget for the Department of Defense, overseas contingency operations for DoD, other (including Department of Veterans Affairs, Homeland Security and FBI); US CAGR based on base military expenditure only (~US\$732bn in 2019) and measured from 2016 to 2019

As global defence spending continues to grow with governments' focus on soldier survivability, XTEK remains well placed to capitalise on these market trends.

Given the continued increase in demand, both locally and internationally, XTEK is leveraging its advanced production, its existing domestic and international orders and market position to further drive ongoing discussions and negotiations with potential customers and distributors.

Further order expectations remain high, with XTEK receiving positive feedback on multiple products to date.

XTEK services clients across key target markets including the US, Europe and Australia, where spending budgets are typically uncorrelated with markets.

### **Medium/long term order book drivers**

The establishment of a US-based XTclave™ manufacturing capability will enable tendering for large US defence contracts that require locally-made products.

There will be an increased focus on new product development, with a pipeline of new products to further drive growth.

It also plans for increased sales and marketing resources to be deployed in the US and the EU to handle the anticipated growth in demand.

Its future margins are expected to increase, led by a shift to proprietary products which includes ballistic sales directly into the US law enforcement market, sales of high-margin ballistic solutions, incorporating the expansion of proprietary product lines, sales of actionable intelligence software and the repair and maintenance revenue from servicing Australia Defence Force's (ADF) growing SUAS fleet.

### **Well-funded**

In September 2020, the company completed an oversubscribed share purchase plan (SPP) to raise \$2.9 million, taking overall capital raising funds to \$12 million, which included the \$9.2 million from a recently completed placement, which was also oversubscribed.

XTEK managing director Philippe Odouard said: "We are now well-positioned to execute on our international ballistic strategy and accelerate further growth, providing a clear pathway to achieving our medium-long term target of \$100 million revenue."

Order wins expected



**Soft armour**



**Hard armour  
plates**



**Combat  
ballistic helmet**



**Platform  
armour**

The company is expecting significant news flow and order wins to be announced over the next 12 months and beyond. They include:

- ? Delivery of around \$2 million worth of ballistic plates to the Finnish Defence in the fourth quarter of 2020;
- ? Appoint additional global defence/law enforcement sales resources in the fourth quarter of 2020, including ex-SOCOM US deputy commander;
- ? Launch additional ballistic products in the US, with near-term exports of XTclave™ products in 2020-2021;
- ? Order key parts for US XTclave™ machine in the fourth quarter of 2020;
- ? Installation, commissioning and optimisation of US XTclave™ machine in the first half of 2022;
- ? Completion of the space project in partnership with Skykraft and international parties in the second half of 2021;
- ? Achieve further commercial orders for XTclave™ products across domestic and international target parties; and
- ? Supply of SUAS supply and maintenance and other reseller products to ADF.

### **Financial year 2021 forecast opportunities**

The company said its forecast opportunities for the financial year 2021 include:

- 'Recurring' US ballistic sales of around \$14 million per year (based on HighCom's network)
- Finnish defence ballistic order of about \$2 million, with the potential of further orders;
- SUAS support and maintenance contract worth around \$5 million per annum and this is expected to rise SUAS fleet grows;

- SUAS supply and spare parts to the ADF worth about \$10 million;
- \$70 million-plus of near-term opportunities across ballistic, SUAS and other solutions; and
- Expect up to around \$25 million of other opportunities to formally arise during the period.

### Frontline combatant products

XTEK provides high-quality frontline combatant products and tailored solutions to government agencies, law enforcement, military, space and commercial sectors.

It also supplies and maintains SUAS.



Last year, the company bought HighCom - a global provider of body armour and personal protective equipment -, which provided direct access to the lucrative US market with HighCom's strong reputation and broad distribution networks in place, underpinned by a profitable ballistic product business.

HighCom designs, develops, tests, manufactures and distributes National Institute of Justice (NIJ) compliant hard and soft armour products, as well as other high quality ballistic and personal protective gear.

### XTclave™ manufacturing efficiency

Following the installation of the commercial-scale XTclave™ equipment in the manufacturing facility in Adelaide, XTEK can generate up to around \$40 million per annum in Adelaide, a significant increase from the previous production forecast capacity of around \$20 million revenue per year.

In addition to the Adelaide XTclave™ facility, XTEK plans to install a second machine in the US in the medium term, which together with other armour manufacturing systems could potentially contribute a further \$40 million per year, underpinning the company's medium-term objective of becoming A\$100 million business.

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