



# Investor presentation

September 2018

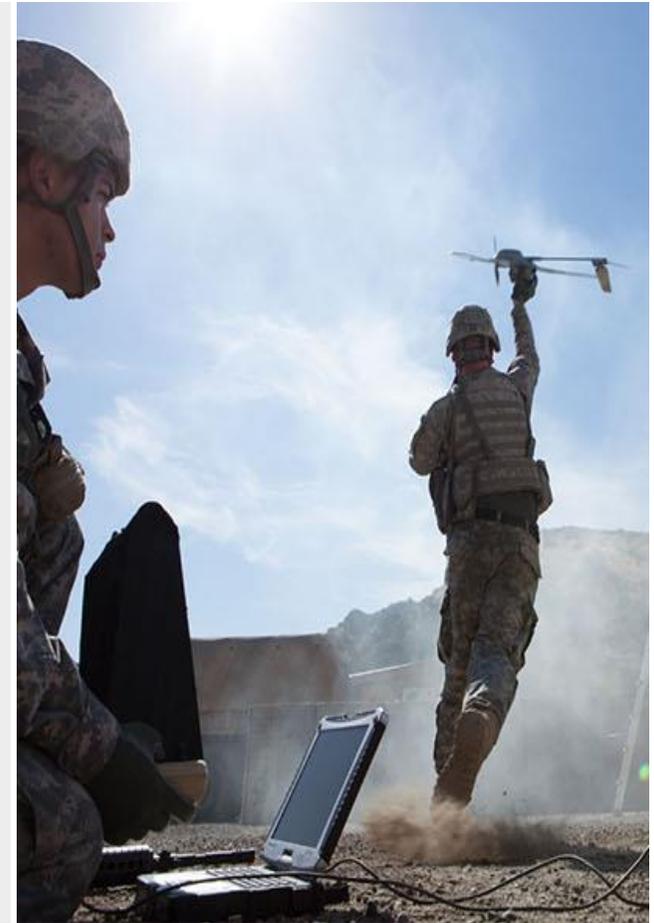
ASX: XTE



# Defence is THE investment theme

## The golden age of defence investment in Australia

- **Current annual Australian defence budget \$35 billion increasing to over \$50b**
- **Daily defence expenditure of \$95m**
- **XTEK is an established Australian Defence supplier**
- **Contract to supply SUAS fleet to Australian Army**



Source: Australian Government Department of Defence 2016-18

# International markets

Xtek products target significant and growing markets



## XTclave™

Global Body  
Armour Market

**US\$3.5bn**

by 2028 (CAGR: 4.6%)



## XTatlas™

Global Aerial  
Imagery market

**US\$10.1bn**

in 2019

**Highest level of global military expenditure in over 25 years of >US\$1.7tn in 2017**

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

# Operational strategy

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



**High margin** proprietary products with **global opportunities** in **high growth** sectors

**Financial stability** secured with **exclusive distribution agreements** from **key defence customers**

# 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**



**Intelligence  
and  
surveillance**



**Small  
Unmanned  
Aerial Systems**



**Additional  
defence related  
products**



**XTclave™**



**XTatlas™**

**Strong distribution network underpins  
operations and R&D investment**

# XTclave™ – overview

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



## Ballistic Armour Plates

**Up to 30% lighter** with equal performance

**Increase in life** of product and **added buoyancy**

**Validation** from numerous international defence clients

## Helmet Shells

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

US Department of Defence **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

Body armour market worth ~US\$3.5bn p.a. by 2028 (CAGR: 4.6%)

New XTclave™ production facility by H1 CY2019 capable of generating revenue of A\$20m p.a.

>15 clients well progressed through testing (ADF; FY Composites; US Department of Defence)

Long customer testing cycles followed by large contract with strong margins

Global Body Armour Market

>US\$30bn  
over the next decade<sup>1</sup>



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

SUAS software application with **real-time 3D imaging** and **video mapping**

**Diverse uses** including law enforcement, search and rescue, and disaster response situations

**Retrofitted to existing UAS's** and **<1% of the cost** of a large UAV system

Strong **relationship with AeroVironment** and significant **global interest** from users and suppliers

**Global Aerial Imagery Market**

**>US\$10bn p.a.<sup>1</sup>**



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

# 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 revenue<sup>1</sup>

**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 operational highlights

Continued commercialisation of XTclave™ and XTatlas™ during FY18, 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**



**Signed A\$50m of contracts during the year**  
(A\$38m current contracted revenue)

**SAPI plates ordered by ADF and FY Composites**  
(Finland) for qualification purposes

**Signed A\$42m WASP AE SUAS contract and received additional order** for products and services

Finalised and delivered **multiple ADF orders**

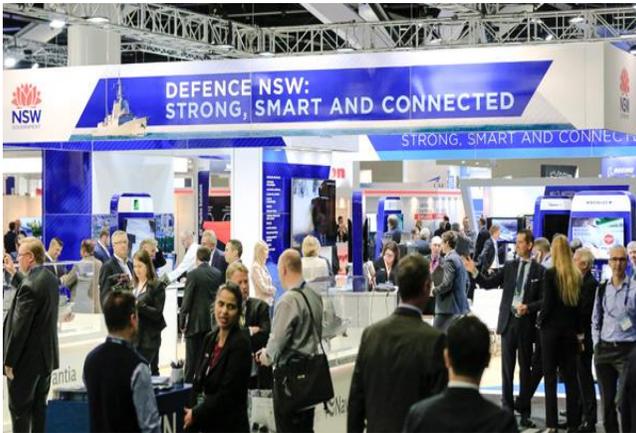
**Completed capital raising**

Source: company information

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

# M&A opportunities

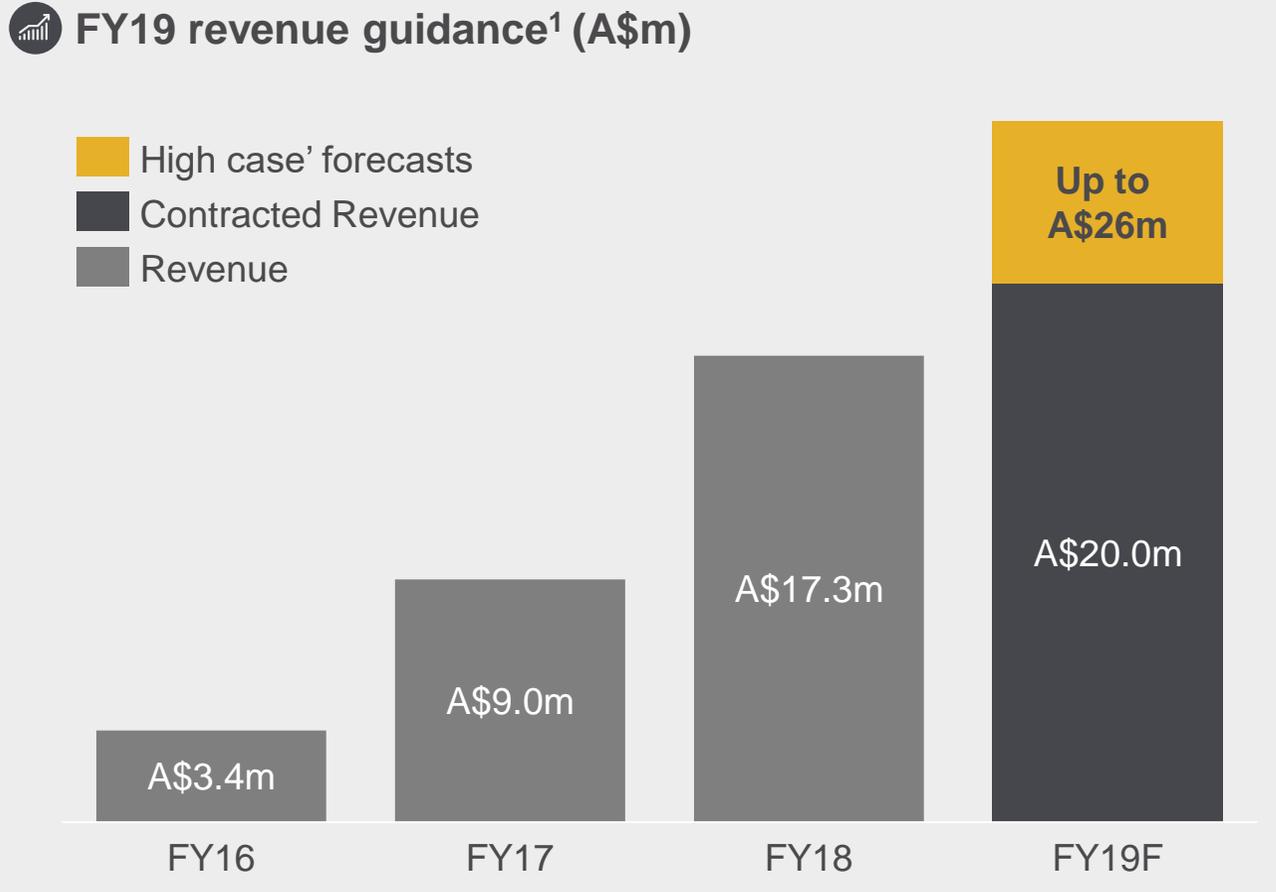
**XTEK is well positioned to acquire small, profitable and innovative defence technology companies in Australia**



- Australian total **defence expenditure forecast to grow to A\$42.4bn** by FY2021
- Australian Government is currently **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 **defence technologies can then be exported and commercialised globally** with support of Defence Export Strategy

# Outlook

## XTEK is well positioned to deliver further revenue growth in FY19



### Key catalysts

- Develop **XTclave™ production capabilities**, receive **first significant orders** to fill **\$20m pa 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**

Source: company information

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

# Summary

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

- **Large and growing defence markets**
- Proprietary products target **local and export markets**
- **Government is mandating significant Australian industry content**
- **Profitable underlying business** with growth
- **Commercialisation of high-margin proprietary products** underpinned by production capabilities
- **Strong operational performance and financial position** allows growth by acquisition
- **Favourable financial outlook** driven by ~A\$38m of contracted revenue, no debt and cash in hand



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