

## Release to the Australian Securities Exchange

### Market Update: Management Commentary on First Half FY2020 Results

**Thursday, 27 February 2020:** XTEK Limited (ASX: XTE, 'XTEK', the 'Company') today released its Half-Year Financial Report (Appendix 4D) for the XTEK Group, for the period ending 31 December 2019 (1H FY20).

#### Key highlights

- Achieved record half year revenue of ~A\$16m in 1H FY20
- Acquired and successfully integrated HighCom Armor Solutions Inc (HighCom) and subsequently launched three new ballistic products in the US at SHOT Show®, in January 2020
- New XTclave™ manufacturing centre officially opened on 18 February 2020, to enable commercial production of XTEK's advanced ballistic solutions
- Secured long term SUAS support contract to the ADF, solidifying XTEK as a key, full-service SUAS supplier able to provide ongoing training, repair and maintenance services
- Signed a Joint Statement of Strategic Intent with the Australian Space Agency and continued business from other value-added reseller products and services
- Completed a placement and share purchase plan, successfully raising ~A\$3.5m to fund the HighCom acquisition and other growth opportunities

**XTEK Managing Director Philippe Odouard commented:** "The last 6 months has been transformational in building our development capabilities and growing our distribution network. In a period of significant investment, including the HighCom acquisition and investment in the new manufacturing centre, our underlying business continues to perform strongly. We are focused on commercialisation to maximise value of our technologies, with numerous strategic discussions and business development initiatives currently underway with key stakeholders globally. We are well positioned to deliver a strong performance in the second half, underpinned by the full contribution of HighCom, exports of XTclave™ manufactured products in the near term and planned delivery of value-added products and services."

#### Strong 1H FY20 underlying performance with significant investment completed

|   | A\$m 1H FY20 | A\$m 1H FY19 |
|---|--------------|--------------|
| <b>Revenue</b>  | 16.04        | 8.41         |
| <b>Gross profit</b>                                       | 2.87         | 1.77         |
| <b>R&amp;D expenses</b>                                   | (1.37)       | (0.72)       |
| <b>Corporate &amp; administrative expenses</b>            | (4.00)       | (2.85)       |
| <b>Profit / (Loss) after tax from ordinary activities</b> | (2.29)       | (1.77)       |

XTEK achieved record revenue of A\$16m for 1H FY20, representing an increase of 91% on 1H FY19 revenue. XTEK's 1H FY20 revenue was underpinned by strong SUAS support services and sales revenue (>A\$5m) and other underlying business activities from XTEK's value-added reseller product revenue (~A\$2m). In addition, the 1H FY20 revenue incorporated 3 months of HighCom operations, following acquisition completion on 29 September 2019, which generated revenue of ~A\$3.7m and a net profit of A\$0.3m.

The 1H FY20 loss reflected XTEK's significant investment into future growth during the period. This included the integration of HighCom, finalisation of the new XTclave™ manufacturing centre, increased R&D and investment to enhance XTEK's development capabilities (related to the new SUAS solar wing and SARBI module of XTAtlas™). Other increases in corporate and administrative expenses during the period related to HighCom.

Adjusting for R&D (A\$1.4m) and non-recurring costs (A\$250k), primarily related to the fit-out of the new manufacturing centre, XTEK achieved an adjusted 1H FY20 net loss of A\$650k (1H FY19: ~A\$1.0m). As at 31 December 2019, XTEK held A\$4.1m cash, with no debt, despite the increased investment into the business. XTEK remains well funded and positioned to execute its plans going forward.

## **Outlook**

XTEK is now in a strong position to execute on its strategy and remains focused on opportunities enabled by the US expansion, including achieving key milestones relating to the commercialisation of its proprietary technologies globally. XTEK's ability to export XTclave™ manufactured products in the near term is underpinned by: direct access to the lucrative US market, recent launch of three new products at Shot Show® and having commercial scale manufacturing capability for its XTclave™ manufactured ballistic solutions in place. XTEK is in the final stages of numerous strategic discussions with potential customers and interested parties, as product testing and validation process completes.

The supply and maintenance of SUAS remains a strategic focus for XTEK, with the planned delivery of another 20 WASP SUAS in the near to medium term. This increases the total SUAS fleet and supports XTEK's exclusive long-term SUAS support contract, which is expected to improve XTEK's future margins. XTEK's position as the leading full-service SUAS supplier in Australia ensures it is well placed to win additional contracts for the supply of further UAS to the ADF and other government agencies and increase ongoing training, repair and maintenance services. In addition, this enhances XTEK's ability to leverage its broad networks to create opportunities to retrofit XTatlas™ software to existing SUAS and other hardware..

XTEK continues to explore other markets in which to leverage its unique proprietary capabilities. This was reflected recently when XTEK signed a Joint Statement of Strategic Intent with the Australian Space Agency to utilise the unique capabilities of XTclave™ manufactured advanced composite materials for space applications. This followed an agreement with Skykraft and demonstrates further external validation of the potential of XTclave™ technology to be utilised for products in space. The Company will continue to work collaboratively with both organisations as these projects progress.

XTEK expects a stronger second half in line with the typical seasonality of the business, underpinned by a full contribution of HighCom, exports of XTclave™ manufactured products, planned and potential deliveries of further SUAS and increased training, repair and maintenance SUAS services.

**Signed** for and on behalf of XTEK Limited:



**Lawrence A Gardiner**  
Company Secretary  
27 February 2020

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## **About XTEK Limited**

XTEK Limited provides high-quality products to deliver tailored solutions to the government, law enforcement, military, space and commercial sectors. XTEK is focused on developing and commercialising its proprietary technologies by leveraging its established distribution network. These technologies include XTclave™ produced ballistic products and advanced composite solutions, and XTatlas™ real time contextual video, which provide unique solutions for western military forces and other government agencies. In addition, the supply and maintenance of Small Unmanned Aerial Systems (SUAS) remains a focus for XTEK. For more information visit the XTEK website at [www.xtek.net](http://www.xtek.net)