

## **Managing Director's Address to Shareholders**

**27 November 2020, Melbourne:**

Thank you, Mr Chairman

2020 has been a challenging year where the Group incurred a net loss for the financial year. Trading revenue was \$44.5 million, compared to \$48.3 million in the previous financial year whilst EBITDA was \$1.4 million, compared to \$4.3 million in the previous year. NPAT was a loss of \$14 million including an impairment provision of \$10.6 million made at the half-year.

Through this extremely volatile year the Group experienced weaker trading conditions in the market as reflected in the results. There was a slowdown in orders and delays to the approval of several projects and in the second half of the year the Group was faced with the challenges of coronavirus (COVID-19).

The Group has however been able to continue operating throughout the coronavirus pandemic despite some delays in the supply chain caused by lockdowns affecting local and overseas suppliers and freight forwarders.

Encouragingly demand for the Group's products and services saw an increase in the second half of the 2020 year despite the COVID-19 lockdown with an increase of 3% in revenue and almost 90% in EBITDA, where we saw several projects released and customer orders increasing. More encouraging is that the trend has continued as activities have re-opened in most states in the first quarter of the 2021 financial year.

The Group is continuing to develop and roll-out its proprietary "Smart City" software, its "TST" platform, enabling road authorities, councils and power companies to fully utilise and manage critical assets in real time.

Our "Smart City" platform enables users to monitor and control thousands of assets linked through a secure private network to a central control system. Applications include control of traffic management assets such as street lights, as well as detection of traffic flows, parking availability, environmental and waste management. The Group's "Smart City" software "TST" is attractive to road authorities, councils and power companies due to its ability to fully utilise and maintain critical assets in real time in a significantly more cost-effective manner, driving financial savings and higher utilisation of assets as well as reduction of greenhouse gases.

With our "TST" system activated and functioning in Victoria, New South Wales, South Australia and Queensland, governments are realising the cost-benefit of "Smart City" systems and the advantages it delivers. The base structure today has enabled the Group to explore and trial the system on a global scale with an anticipated annuity revenue stream for years to come. We expect take-up of this technology to accelerate in the coming years as government and other institutions adopt such business intelligence for data analysis of historical, current, and predictive views to manage their asset base.

The continued roll-out of LED street lights across the country has meant the Group's lighting products are well positioned for further growth, having secured approvals, long term 3-5 year supply contracts and orders from state and local government authorities, power companies and contractors. The past year has provided the Group with the opportunity to increase its lighting activities and expectations are, with the current term contracts in place and the increase in infrastructure programs, the trend will continue especially with the newly developed third generation LED street lights able to deliver a lower carbon footprint to meet demanding government requirements.

The Group continues to be a major supplier of traffic signals and road signs to all states and territories in the domestic and New Zealand market, with the ability to service the requirements of state road authorities, local government and the largest road projects. With the next generation of LED traffic signals and touchless pedestrian push buttons now available, the Group anticipates increasing activity in the years ahead with large scale infrastructure programs being commenced by State and Federal governments, especially as such programs are rolled out to stimulate the economy post-COVID.

The Group's export markets include the UK, New Zealand, Asia, the Middle East and South American markets, where the Group's traffic controllers continue to enjoy success. Significant export orders during the year came from the Asian, Middle East and New Zealand regions. The Group has identified opportunities to supply its state-of-the-art, "Smart City" software and the long anticipated new VC6 "Smart City" traffic controller to overseas markets including the UK, Asian and South American regions. Whilst there have been project delays due to lockdowns and international travel restrictions, demand has continued despite these restrictions. With a solid pipeline the outlook is promising when government restrictions ease further.

We continue to invest in research and development with the major focus of development being the roll-out of our "Smart City" platform "TST" and the VC6 Smart City traffic controller which to date has attracted global attention. Significantly, we have first mover advantage in this technology as our "Smart City" platform has multiple applications which are of significant benefit to users.

The newest addition by acquisition to the Group, L&M, will enable the Group to further develop its maintenance business across Victoria and other States strengthening the Group's relationships with local government. Strategic benefits include vertical integration of the Group's current portfolio and more importantly the ability to integrate our proprietary "Smart City Solution" TST into existing maintenance contracts giving councils real time information in order to make informed decisions on their assets enabling comprehensive Smart City capability. To date L&M has been delivering on expectations with a healthy order book and a strong pipeline of work for the future.

We believe the outlook for the Group, despite COVID, is positive taking into consideration the current government focus on infrastructure. With government investment into infrastructure programs high on the agenda to assist economic recovery following the coronavirus crisis, the Group is well positioned to benefit in the years ahead from its diversification program into "Smart Cities" technology with IoT, the introduction of new state-of-the-art products such as the VC6 Smart City traffic controller and the benefit of significant long-term customer supply and maintenance contracts with government authorities and power companies.

Once again, I am very pleased to have your ongoing support and thank our shareholders along with the board our staff, management and in particular Mr Garry Lowrey for his tenure as Chairman over his 5 year term.

**Announcement authorised for release by Peter Crafter, Company Secretary**