

ASX Announcement

27 October 2021

Quarterly Activity Report and Appendix 4C Quarter Ended 30 September 2021

Traffic Technologies Ltd (ASX: TTI) ('Traffic Technologies' or the 'Company') is pleased to provide its Quarterly Activity Report and Appendix 4C Cash Flow Statement for the quarter ended 30 September 2021.

Highlights

- Operating revenue up 8% to \$13.5m for the quarter, representing a \$1.0m increase compared to the same quarter last year.
- Strong start to FY22 with increased sales and order book supported by long term supply contracts.
- Continual investment in research and development, with "Smart City Technology" gaining traction and projected to drive increasing recurring annuity revenue.
- Continued focus on refinancing debt and reducing overall finance costs, with ADM Capital loan facility extended to June 2022.
- Cash at end of September quarter was \$1.5m and this did not include \$1.7m required in pre-payment of deposits and payments in advance to overseas suppliers.

Revenue and Sales

Traffic Technologies continues its growth momentum, with operating revenue increasing to \$13.5m for the quarter, representing a \$1.0m increase compared to the same quarter last year.

Operating revenue was negatively impacted by delays in overseas supply chains for electronic and hardware equipment, along with the most recent construction industry shutdowns in New South Wales and Victoria. The Company was still however able to deliver increased operating revenue of 8% compared to the same period last year.

With a strong start to FY22, the Group's order book continues to be solid and supported by long term supply contracts with state and local government agencies, power companies and contractors. Recent orders have included orders for LED street lights from TasNetworks and Ausgrid and an order for the supply and installation of electronic signs from the Department of Transport in Victoria, along with several export orders.

The Company's "Smart City Technology" continues to gain traction across several states with implementation of large scale infrastructure projects going live in the coming quarters. The Group is targeting increasing recurring annuity revenue with new and current contracts where the focus is on SaaS and annual subscription and service fees.

Acquisitions

The Company has been assessing acquisition opportunities and is developing a strategy to consolidate manufacturing with the aim of achieving significant cost savings and enhanced earnings.

Capital Management

The Company continues to work on refinancing its debt and reducing overall finance costs. The ADM facility was recently extended to 30 June 2022, allowing sufficient time for a refinancing to be achieved.

Cash

As at 30 September 2021 cash was \$1.5m and this did not include \$1.7m required in pre-payment of deposits and payments in advance to overseas suppliers.

Net operating cash flow was \$0.5m for the quarter. Receipts from customers were \$15.2m. Operating cash flow continues to be impacted by the requirement to pay certain overseas suppliers in advance before shipment of parts. Interest paid was \$0.5m.

Net investing cash outflow was \$0.9m for the quarter, including the payment of \$0.4m of instalments towards the purchase of the L&M and ITS businesses acquired during the 2021 financial year and investment of \$0.4m to expand and develop the Group's "Smart City" software and product portfolio.

Net financing cash outflow was \$0.6m for the quarter, comprising repayment of borrowings and payment of borrowing costs.

Listing Rule 4.7C.3

In item 6.1 of the Appendix 4C Cash Flow Report for the quarter, payments to related parties were made of \$160,000 for fees to executive and non-executive directors.

This announcement was authorised for release to the market by the Board of Traffic Technologies Limited.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Traffic Technologies Ltd

ABN

21 080 415 407

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,203	15,203
1.2 Payments for		
(a) research and development	(3)	(3)
(b) product manufacturing and operating costs	(9,042)	(9,042)
(c) advertising and marketing	(9)	(9)
(d) leased assets	(9)	(9)
(e) staff costs	(4,428)	(4,428)
(f) administration and corporate costs	(771)	(771)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(455)	(455)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	486	486
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(357)	(357)
(c) property, plant and equipment	(60)	(60)
(d) investments	-	-
(e) intellectual property	(60)	(60)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	1	1
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(444)	(444)
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(920)	(920)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(484)	(484)
3.7	Transaction costs related to loans and borrowings	(149)	(149)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(633)	(633)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,602	2,602
4.2	Net cash from / (used in) operating activities (item 1.9 above)	486	486
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(920)	(920)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(633)	(633)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,535	1,535

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,535	2,602
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,535	2,602

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	160
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	15,982	14,588
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) – bank guarantee	265	153
7.4	Total financing facilities	16,247	14,741
7.5	Unused financing facilities available at quarter end		1,506
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>ADM Capital – term facility – 19% - 30/6/22 – secured (USD denominated) – AUD \$7.0m Octet – debtor & trade finance facility – BBSW + 6.25% - 31/8/22 – AUD \$5.5m First Samuel – note deed – 11% - 18/10/22 – AUD \$3.5m Other – Westpac bank guarantee facility (cash backed) – AUD \$265k</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	486
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,535
8.3	Unused finance facilities available at quarter end (item 7.5)	1,506
8.4	Total available funding (item 8.2 + item 8.3)	3,527
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2021

Authorised by: The Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.