

ASX Announcement

31 January 2022

**Quarterly Activity Report and Appendix 4C
Quarter Ended 31 December 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 31 December 2021.

Highlights

- Operating revenue up \$1.1m to \$27.1m for the half year, representing a 4% increase despite lockdowns and supply chain delays.
- Over \$30m of significant contract wins and long-term supply contracts secured in period.
- Capital raising in Q2 raised a total of \$7.2m, with funds applied to repaying debt, working capital and paying the costs of the issue with an annualised net saving in interest costs of up to \$1.2m
- Continued focus on refinancing debt and reducing overall finance costs.
- Continual investment in research and development, with "Smart City Technology" gaining traction and projected to drive increasing recurring annuity revenue.
- Cash at end of December quarter was \$2.1m, which did not include \$1.8m of deposits and payments in advance to overseas suppliers.

Revenue and Sales

Traffic Technologies continues its growth momentum, with operating revenue increasing to \$27.1m for the half year, representing a \$1.1m increase compared to the same period last year.

Operating revenue was however impacted by delays in overseas supply chains for electronic and hardware equipment, along with construction industry shutdowns in New South Wales and Victoria. Despite this, the Company was able to deliver increased operating revenue of 4% compared to the same period last year.

The Company'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 months. 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 continues to assess acquisition opportunities and is developing a strategy to consolidate manufacturing with the aim of achieving significant cost savings and enhanced earnings.

Capital Raising and Debt Repayment

The Company raised a total of \$7.2m in capital in Q2. The proceeds of the capital raised have been used to repay debt, pay for the costs of the offer and provide working capital.

The Company was able to repay \$6m to ADM Capital in December 2021 including interest. The debt repayment is estimated to save up to \$1.2m in annual interest costs. The Company plans to continue to reduce debt and finance costs further in 2022.

Cash

As at 31 December 2021 cash was \$2.1m and this did not include \$1.8m required in pre-payment of deposits and payments in advance to overseas suppliers.

Net operating cash outflow was \$0.7m for the quarter. Receipts from customers were \$14.2m. 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 \$0.6m for the quarter, including the payment of \$0.1m of instalments towards the purchase of the ITS business acquired in 2021 and investment of \$0.4m to expand and develop the Company's "Smart City" software and product portfolio.

Net financing cash inflow was \$1.9m for the quarter, including capital raising proceeds of \$7.2m, payment of share issue costs of \$0.2m and repayment of borrowings of \$5.7m.

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.

The Company expects to release its half-year results to the market in late February 2022, following completion of the half-year audit review.

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

For further information, please contact:

Mr. Con Liosatos (Managing Director)

T: +61 3 9430 0222

E: con.liosatos@traffictld.com.au

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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")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	14,160	29,363
1.2 Payments for		
(a) research and development	(11)	(14)
(b) product manufacturing and operating costs	(9,453)	(18,495)
(c) advertising and marketing	(2)	(11)
(d) leased assets	(4)	(13)
(e) staff costs	(4,084)	(8,512)
(f) administration and corporate costs	(742)	(1,513)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(542)	(997)
1.6 Income taxes paid	(4)	(4)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(682)	(196)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(145)	(502)
(c) property, plant and equipment	(7)	(68)
(d) investments	-	-
(e) intellectual property	(47)	(107)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	27	28
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(426)	(869)
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	(598)	(1,518)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7,198	7,198
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	(156)	(156)
3.5	Proceeds from borrowings	515	515
3.6	Repayment of borrowings	(5,693)	(6,177)
3.7	Transaction costs related to loans and borrowings	-	(149)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,864	1,231

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,535	2,602
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(682)	(196)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(598)	(1,518)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,864	1,231
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,119	2,119

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	2,119	1,535
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)	2,119	1,535

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	11,275	9,672
7.2 Credit standby arrangements	-	-
7.3 Other (please specify) – bank guarantee	265	165
7.4 Total financing facilities	11,540	9,837
7.5 Unused financing facilities available at quarter end		1,703
7.6 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.		
ADM Capital – term facility – 19% - 30/6/22 – secured (USD denominated) – AUD \$1.275m Octet – debtor & trade finance facility – BBSW + 6.25% - 14/10/24 – AUD \$6.5m First Samuel – note deed – 11% - 18/10/22 – AUD \$3.5m Other – Westpac bank guarantee facility (cash backed) – AUD \$265k		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(682)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,119
8.3 Unused finance facilities available at quarter end (item 7.5)	1,703
8.4 Total available funding (item 8.2 + item 8.3)	3,140
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5
<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: 31 January 2022.....

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.