

**ASX Announcement**

29 April 2022

**Quarterly Activity Report and Appendix 4C  
Quarter Ended 31 March 2022**

**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 March 2022.

**Highlights**

- Strong order book up 47% with continued growth in government expenditure on infrastructure.
- Increase in term contracts with visibility greater than 3 years
- Working capital facilities refinanced in February 2022 to provide a more flexible working capital solution to fund the Company's growth.
- Continued focus on refinancing debt and reducing overall finance costs.
- Continued investment in research and development, with "Smart City Technology" gaining traction and projected to drive increasing recurring annuity revenue.
- March quarter (Q3) cash and deposits were \$3.0m, including pre-payments of \$1.4m in advance to overseas suppliers.

**Revenue and Sales**

Operating revenue of \$39m for the nine months to 31 March 2022 was in line with the previous corresponding period. Operating revenue has been affected by timing delays caused by industry-wide disruptions in the supply chain for electronic and hardware equipment. The Company is actively managing this with our suppliers through prepayments and other initiatives given our strongly growing pipeline of new customer contracts.

The Company has secured over \$30m of new customer contracts in recent months, including additional Smart City, LED street lights for TasNetworks and Ausgrid, a contract to supply intelligent traffic control equipment for Coates and an important contract to supply Smart City software for the road network in Qatar prior to the commencement of the FIFA World Cup.

In order to fulfil these orders, the Company is strategically prepaying overseas suppliers to secure priority in logistics deliveries and ensure that it can meet these and other major customer delivery requirements.

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. For both new and current contracts, the Group is targeting increasing multi-year (+3 year) recurring annuity revenue where the focus is on SaaS and annual subscription and service fees.

## Debt Refinancing

The Company refinanced its working capital facilities in February 2022 to provide a more flexible working capital solution to fund the next stage of the Company's growth and meet the demand for increased supplier prepayments resulting from the additional growth. The previous working capital facility of \$6.5m was replaced with a \$9m debtor and trade finance facility. The Company continues to address its level of debt and aims to reduce debt and finance costs further in 2022.

## Cash

Net operating cash outflow was \$1.7m for the quarter (Q3). Receipts from customers were \$12.0m. Interest paid in the quarter was \$0.3m. Cash utilisation was predominantly for the prepayment of overseas suppliers to ensure fulfilment of the Company's growing pipeline of new customer contracts.

Cash flow was impacted in Q3 by the refinancing of the Company's working capital facilities in February 2022, which most immediately enabled the supplier prepayments required to secure components to meet the additional growth in new customer orders. Whilst causing a short-term decrease in net operating cash flow for the quarter, this was expected considering the increased level of customer orders and term contracts. The decrease in net operating cash flow is not expected to continue and the Company expects to see the benefit of less expensive imported components reflected in sales of the Company's products in the months ahead. The Company had \$1.0m positive net operating cash flow in March 2022.

Net investing cash outflow was \$0.5m for the quarter, including the payment of \$0.1m of instalments towards the purchase of the ITS business acquired in 2021 and investment of \$0.3m to expand and develop the Company's Smart City software and product portfolio.

Net financing cash inflow was \$1.7m for the quarter, including proceeds from the new working capital facility with Timelio and repayment of the previous debtor and trade finance facility. The Company also paid share issue costs associated with the capital raising in the previous quarter and a fee required to be paid to the previous working capital provider.

## Listing Rule 4.7C.3

In item 6.1 of the Appendix 4C Cash Flow Report for the quarter (Q3), payments to related parties were made of \$168,000 for fees to executive and non-executive directors.

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

## For further information, please contact:

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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 March 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11,994	41,357
1.2 Payments for		
(a) research and development	(3)	(17)
(b) product manufacturing and operating costs	(8,906)	(27,401)
(c) advertising and marketing	(8)	(19)
(d) leased assets	(23)	(36)
(e) staff costs	(3,699)	(12,211)
(f) administration and corporate costs	(767)	(2,280)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(293)	(1,290)
1.6 Income taxes paid	-	(4)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,705)</b>	<b>(1,901)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(124)	(626)
(c) property, plant and equipment	(70)	(138)
(d) investments	-	-
(e) intellectual property	(37)	(144)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	28
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(294)	(1,163)
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(525)</b>	<b>(2,043)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(475)	(631)
3.5	Proceeds from borrowings	6,950	7,465
3.6	Repayment of borrowings	(4,634)	(10,811)
3.7	Transaction costs related to loans and borrowings	(144)	(293)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,697</b>	<b>2,928</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,119	2,602
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,705)	(1,901)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(525)	(2,043)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,697	2,928
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,586</b>	<b>1,586</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,260	2,119
5.2	Call deposits	326	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,586</b>	<b>2,119</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	168
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>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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	13,775	12,240
7.2	-	-
7.3	-	-
	265	165
	500	-
7.4	<b>Total financing facilities</b>	<b>12,405</b>
	14,540	12,405
7.5	<b>Unused financing facilities available at quarter end</b>	2,135
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.	
	<p>Loan Facility - ADM Capital – term facility – 19% - 30/9/22 – secured (USD denominated) – AUD \$1.275m</p> <p>Loan Facility - Timelio – debtor &amp; trade finance facility – base discount rate 7.3% - no fixed term expiry – AUD \$9.0m</p> <p>Loan Facility - First Samuel – note deed – 11% - 18/10/22 – AUD \$3.5m</p> <p>Westpac bank guarantee facility (cash backed) – AUD \$265k</p> <p>Bank guarantee provided by Mr. Liosatos – AUD \$500k.</p>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	(1,705)
8.2	1,586
8.3	2,135
8.4	3,721
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>
	2
	<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

*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.*

## 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: 29 April 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.