

ASX Announcement

29 July 2022

Quarterly Activity Report and Appendix 4C Quarter Ended 30 June 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 30 June 2022.

Highlights

- Operating revenue of \$54m for FY22, up 3% on FY21 despite impact from global disruptions to supply chains.
- Strong order book, up 52% over the past 12 months, with continued growth in government expenditure on infrastructure.
- Increase in term contracts up 60% over the past 12 months, with visibility greater than 3 years.
- Improved balance sheet with enhanced working capital.
- 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.
- June quarter (Q4) cash and deposits were \$2.4m, including pre-payments of \$1.4m in advance to overseas suppliers.

Trading Update

Operating revenue increased to \$54m for the year to 30 June 2022 (2021: \$52m). This was achieved despite timing delays caused by global disruptions to the supply chain for electronic components, hardware equipment and freight. To date the delay in timing of revenue realisation from contracted work for FY22 has been approximately \$7m. The Company continues to assiduously manage this with our suppliers and other initiatives given our strong pipeline of new customer contracts.

The Company currently has over \$35m in customer contracts (up 60% year-on-year, with visibility greater than 3 years) and a strong order book (up 52% year-on-year), with continued growth in government expenditure on infrastructure. Recent orders have included additional Smart City LED street lights for several power authorities, the supply of intelligent traffic control equipment to Australia's largest equipment hire company and a contract to supply Smart City software for the road network in Qatar prior to the commencement of the FIFA World Cup. In addition, TasNetworks has recently extended its contract with the Company for a further 12 months until to October 2023, estimated to be worth up to \$5m.

Demand for the Company's products and services is accelerating due to our position as the largest traffic solutions provider in Australia, along with the strong secular tailwinds promoting road safety. The Company is strategically prepaying overseas suppliers to secure priority in componentry and logistic deliveries to ensure it can meet these and other

major customer delivery requirements. The Company has experienced cost increases across all supply chains caused by global shortages and the general inflationary environment. To date the Company has been able to pass on most of these increases to its customers.

The Company's Smart City Technology emerging market opportunity continues to gain traction across several States with contracts related to our customers' large-scale infrastructure projects going live in the past months. For both new and current contracts, the Group is targeting increasing multi-year (+3 year) recurring annuity revenue from Software-as-a-Service annual subscription and service fees.

The Company's final result is subject to completion of the full year accounts and the final audit. We expect to release our full year results to the market in late August 2022, following completion of the audit.

Cash

June quarter (Q4) cash and deposits were \$2.4m, including pre-payments of \$1.4m in advance to overseas suppliers.

Net operating cash inflow was \$1.3m for the quarter (Q4). This represents a significant improvement on the previous quarter (Q3 net operating cash outflow was \$1.7m). Receipts from customers for the quarter were \$15.4m (up compared to Q3 receipts of \$12.0m). Cash flow continues to be impacted by the need to prepay overseas suppliers. The Company expects to see the benefit of less expensive imported components reflected in sales of the Company's products in the months ahead.

Net investing cash outflow was \$1.1m for the quarter, including the payment of further instalments towards the purchase of the ITS business acquired in 2021 and investment to expand and develop the Company's Smart City software and product portfolio.

Net financing cash outflow was \$0.9m for the quarter, including net repayment of borrowings.

Debt Refinancing

Having repaid \$5.7m of the ADM loan in December 2021 and refinanced its working capital facilities in February 2022, the Company is continuing to assess options to refinance the balance of the ADM facility and the First Samuel loan and to reduce finance costs further.

Listing Rule 4.7C.3

In item 6.1 of the Appendix 4C Cash Flow Report for the quarter (Q4), payments to related parties were made of \$172,000 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")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,389	56,746
1.2 Payments for		
(a) research and development	(4)	(21)
(b) product manufacturing and operating costs	(9,224)	(36,626)
(c) advertising and marketing	(21)	(40)
(d) leased assets	(9)	(45)
(e) staff costs	(3,591)	(15,803)
(f) administration and corporate costs	(810)	(3,089)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(396)	(1,686)
1.6 Income taxes paid	-	(4)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,334	(568)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(136)	(762)
(c) property, plant and equipment	(35)	(173)
(d) investments	-	-
(e) intellectual property	(35)	(179)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	1	29
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(851)	(2,014)
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	(1,056)	(3,099)

3.	Cash flows from financing activities		
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	(34)	(665)
3.5	Proceeds from borrowings	392	7,857
3.6	Repayment of borrowings	(1,181)	(11,992)
3.7	Transaction costs related to loans and borrowings	(29)	(321)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(852)	2,077

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,586	2,602
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,334	(998)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,056)	(2,669)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(852)	2,077
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,012	1,012

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	685	1,260
5.2	Call deposits	327	326
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)	1,012	1,586

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	172
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	13,774	11,681
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) –	-	-
	Bank guarantee – Westpac	265	181
	Bank guarantee – Mr. Liosatos	500	-
7.4	Total financing facilities	14,539	11,862
7.5	Unused financing facilities available at quarter end		2,677
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>Loan Facility - ADM Capital – term facility – 19% - 30/9/22 – secured (USD denominated) – AUD \$1.274m</p> <p>Loan Facility - Timelio – debtor & trade finance facility – base discount rate 8.4% - 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>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,334
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,012
8.3	Unused finance facilities available at quarter end (item 7.5)	2,677
8.4	Total available funding (item 8.2 + item 8.3)	3,689
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

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 July 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.