

ASX Announcement

31 July 2023

**Quarterly Activity Report and Appendix 4C
Quarter Ended 30 June 2023**

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 2023.

Highlights

- Operating revenue up 8% to \$58.0m for the year to 30 June 2023, representing a \$4.3m increase compared to the same period last year despite impact from global disruptions to supply chains.
- Term contracts with visibility greater than 5 years.
- Consolidation of production facilities commenced with positive impact in FY24.
- Approval of the Company's new energy efficient and 100% recyclable LED traffic signal across several states
- Approval of the Company's new energy efficient LED streetlight across several states, reducing governments' carbon footprint.

Trading Update

Operating revenue increased to \$58.0m for the year to 30 June 2023 (8% increase compared to the same period last year). This was achieved despite ongoing timing delays caused by global disruptions to the supply chain for electronic components, hardware equipment and freight. Whilst the Company continues to manage this with our suppliers, revenue has substantially grown from initiatives taken to grow our strong pipeline of new customer contracts and annuity streams. However, EBITDA has been impacted by higher input costs, the depreciation in the Australian dollar which has increased the cost of imported components by approximately 8% and the impact of restricted cashflow.

Delays on government funded road projects have also affected the Company's results, particularly in the second half of the financial year along with recent increases in interest rates which has impacted the discount rate used in impairment calculations. Therefore, the Board has considered it prudent to record an impairment provision against the value of intangible assets in the 30 June 2023 financial statements resulting in an estimated net loss of approximately \$8.0m for the 2023 financial year.

Demand for the Company's products and services is well placed with the increased infrastructure spend of government and municipal councils. With a strong order book, the release of new energy efficient recyclable products across traffic signals and street lights, import costs stabilising and the consolidation of production into new facilities which will deliver significant savings of up to \$1.5m on an ongoing basis, the Company expects to deliver a much stronger result in the 2024 financial year due to our position as the largest, most established and proactive innovative traffic solutions provider in Australia.

The Company's final result is subject to completion of the full year accounts and the final audit. We expect to release our final results in late August 2023, following completion of the audit.

Cash

June quarter (Q4) cash and deposits were \$1.9m, including pre-payments of \$0.7m in advance to overseas suppliers.

Net operating cash inflow was \$1.0m for the quarter (Q4). Receipts from customers for the quarter were \$16.8m. Cash flow continues to be impacted by the need to prepay overseas suppliers to secure priority in componentry and logistic deliveries to ensure it can meet these and other major customer delivery requirements.

Net investing cash inflow was \$0.2m for the quarter, including investment to expand and develop the Company's Smart City software and product portfolio. The Company received net proceeds of \$0.7m on the disposal of a property in Tasmania which has been used to retire debt.

Net financing cash outflow was \$1.1m for the quarter, including net repayment of borrowings.

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 \$205,000 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:

Mr. Con Liosatos (Managing Director)

T: +61 3 9430 0222

E: con.liosatos@traffictld.com.au

To stay up to date on company news and announcements, please register your details on the [Traffic Technologies investor portal](#).

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 2023

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	16,758	64,843
1.2 Payments for		
(a) research and development	(7)	(37)
(b) product manufacturing and operating costs	(10,142)	(40,214)
(c) advertising and marketing	(4)	(36)
(d) leased assets	(5)	(27)
(e) staff costs	(4,196)	(15,847)
(f) administration and corporate costs	(1,085)	(3,792)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	13
1.5 Interest and other costs of finance paid	(372)	(1,488)
1.6 Income taxes paid	-	(3)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	953	3,412
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(23)
(c) property, plant and equipment	(7)	(61)
(d) investments	-	-
(e) intellectual property	(31)	(145)
(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	727	747
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(517)	(1,996)
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	172	(1,478)

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	(6)	(37)
3.5	Proceeds from borrowings	442	9,013
3.6	Repayment of borrowings	(1,486)	(10,407)
3.7	Transaction costs related to loans and borrowings	-	(333)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(1,050)	(1,764)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,107	1,012
4.2	Net cash from / (used in) operating activities (item 1.9 above)	953	3,412
4.3	Net cash from / (used in) investing activities (item 2.6 above)	172	(1,478)

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)	(1,050)	(1,764)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,182	1,182

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	854	769
5.2	Call deposits	328	338
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)	1,182	1,107

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	205
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>		

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

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	17,700	11,798
7.2 Credit standby arrangements	-	-
7.3 Other (please specify) – Bank guarantee – Westpac	-	-
	254	254
7.4 Total financing facilities	17,954	12,052
7.5 Unused financing facilities available at quarter end		5,902
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>Early Pay – debtor finance facility – 11.1% - secured - \$10m facility</p> <p>Early Pay – trade finance facility – 12.65% - secured - \$4m facility + \$1m to repay First Samuel</p> <p>First Samuel – note deed – 12% - secured – \$3m, of which \$1.0m to be repaid by Early Pay in 2023; \$2.0m due 15/12/25</p> <p>Loans provided by Directors – 13% - unsecured – \$700k</p> <p>Westpac bank guarantee facility (cash backed) – \$254k</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	953
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,182
8.3 Unused finance facilities available at quarter end (item 7.5)	5,902
8.4 Total available funding (item 8.2 + item 8.3)	8,037
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: 31 July 2023.....

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.