



23 November 2023

## **ASX RELEASE**

### **2023 Annual General Meeting**

#### **Chairman's Speech**

Welcome to our offices and our 2023 Annual General Meeting. My name is David Ashmore and I am the Chairman of the Board of the Company.

I will commence the meeting by noting that due process has been followed in giving all shareholders notice of the meeting and the business we intend to cover. We will follow the meeting agenda as noted in the notice of meeting. I also note that we have a quorum.

I would now like to introduce my fellow directors with Darren Hotchkin our Managing Director and Steven Difabrizio an independent non executive director. Also we have our company secretary Aimee Taylor and Mark Langham our Chief Financial Officer. I would also like to welcome Tim Jackman a partner with Grant Thornton who is here to answer any questions you may have regarding their audit of our financial statements.

We will proceed with a few words from myself followed by remarks from Darren as managing director. I will then take the opportunity to make further remarks following Darren's. We will then field any questions you may wish to ask before we proceed to the formal resolutions for the meeting.

I will start by noting that this year has been another difficult year in challenging economic times for us. We were working our way back from the crippling effects of COVID only to encounter significant headwind with very adverse weather events restricting roadworks. During the year there has been a noticeable softening in our markets, particularly in Victoria with that State Government spending its focus on mega infrastructure projects where Saferoads gets limited benefit. However, we did definitely suffer the effects of the higher materials costs and the critical labour market shortages. The poor state of the nations road network is now being recognised by the Federal Governments in their announcement over the weekend to pump huge sums into road repairs. Another factor that didn't favour us for the year was the overall 7% deterioration in the Australian Dollar that put upward pressure on our cost of sales as we import quite a number of our products. The company has responded as best we can to these challenges and we push on with initiatives to continue to improve our products to keep them very competitive in our market places.



I will however leave it to Darren to outline in more detail the trading year, further product and service achievements for the 2023 year and importantly how he sees the year ahead.

Our small profit result was exacerbated by the requirement to estimate and expense a provision for potential fines from the WorkSafe action. This was a result of our decision in September to seek a negotiated settlement on the charges laid against us. It is important to note that this provision is a best estimate, done by reference to the actual fines imposed over the past few years for fatal workplace accidents where a negotiated settlement was reached.

The trading profit for the year of \$128 thousand was therefore reduced to an overall loss of \$197 thousand after the expensing of that \$325 thousand WorkSafe provision. Our underlying EBITDA without the WorkSafe provision was \$2.145 million and was up on the \$1.911 million of the 2022 year.

This overall trading loss, that needed to include the WorkSafe provision then triggered a breach of our EBITDA to debt bank facility covenant. We have had ongoing discussions with the CBA including those held last week and they intend to continue to support us and to date have taken no steps to reduce our facility. They have provided an temporary increased overdraft facility and are currently considering allowing us a further modest drawdown from our asset finance facility to increase our rental fleet relative to a specific confirmed order.

The lack of profit and the capital constraints we have prevent us from effectively maximising our focus and investments in key target markets. This directors view has been confirmed by detailed financial modelling and our internal high level strategic review recently carried out. We therefore intend to review our product portfolio and will consider divesting some to industry players from whom we have ongoing and very informal expressions of interest from time to time. Our decision to proceed with any divestment in this regard will of course depend on the details of any offers we receive and will also be subject to overall shareholder approval.

The rental component of the business is very strong and expanding. It has trading margins that are superior and steady. It is now a three state business with the two developing state branches hungry for more rental fleet to match strong business opportunities they have created. That business is increasingly being an attraction from industry players. As expressed by us on numerous occasions this Road Safety Rental business has and will continue to be a strategic priority in terms of growth and capital investment. We operate in a niche we have made for ourselves in the roadworks market where we only target mid sized projects where our knowledge, flexibility and “full service” model is vital to establishing a safe roadway worksite and then continue to support the project as it progresses. We predominately use our own patented products in our rental fleet and that gives us a clear strategic advantage with a comparatively lower unit cost of our fleet items and that in turn allows us to better compete in what is a very competitive market.

Returning to the WorkSafe matter. This is the most tragic situation the company has faced in its 30 years of operation. We had until that point a spotless safety track record. This was a situation where a third party



contract driver was struck and killed by a dislodged Ironman barrier during unloading at our Victorian depot on the evening of 26 November 2021. The current position is that we have started the discussion process with WorkSafe with an objective of agreeing on a reduced number of charges and also with a view to obtaining an outcome in calendar 2024. It is early days and we will communicate progress as warranted.

We maintain our optimism for the future and we continue to see positive signs that we will be able to provide our shareholders with greater value in their investment with us. We do not believe the recent market prices fully represents the reasonable value of the company and we will continue to work to demonstrate and unlock that fair value. Specifically on that point, over the past year there has been market trading in our shares on only 39 of the approximate 250 ASX trading days with the overall traded volume in that year of approximately 600,000 shares. That represents only 1.6% of our shares on issue. There is also the potential for market reluctance to invest in the company while the WorkSafe legal action remains unresolved. This is very thin share trading and in such a very thin market the price range has only been \$0.11 to \$0.15. This does not compare to our net asset backing per share of \$0.22. It is interesting to also point out that as part of the annual financial statement preparation procedure we undertake an asset impairment testing process and that has indicated that our assets are not impaired, thus supporting that net asset backing per share.

I will now hand over to Darren to go into more detail on the year from a trading and product development perspective and also his views on the year ahead. At the conclusion of Darren's remarks I will outline our corporate plan initiatives that we intend to implement to advance the company from its current position.

*Please note: Managing Director's presentation at this point (refer below)*

Thankyou Darren. I will conclude our presentations with my frank assessment of our current position and our way forward. For some time we have not traded well and that is likely to continue if we don't change the complex dynamics of our relatively small company. There needs to be some meaningful structural change. It's time we sought out opportunities to sell down some aspects of our business and use the realised value to focus on those aspects that will give us a more profitable and sustainable business going forward.

Our products and services fall into two separate market components. There are the products that are fixed installations by nature, for example guide posts and bollards. There are then those that move from site to site. That second range is our work zone range, for example our temporary barriers and VMS boards. These work zone products form the basis of our rental business as well as our outright sale of them. It is our intention to retain all those products that form the core of our rental business and include the others as having the potential for a trade sale.

As you will recall we have successfully sold significant components of our business in the past and now is the time to consider that again.



This is required at a time when we have a less than ideal situation with our bankers and an unresolved legal matter. We therefore see the first step as a need to create further stability in our financial position. That can be achieved with the injection of approximately \$450,000 of shareholders funds and that will bring more certainty in our ability to retain banker support. The directors strong preference to achieve this is with a rights issue. The directors will fully subscribe for their entitlements in such a rights issue. We ask all shareholders to also support it as a necessary first step to improve our business and unlock shareholder value.

We will need to ensure we raise the shareholders funds necessary and we may need to utilise some of our 15% placement facility if necessary.

As already outlined we will then move forward as quickly as we can to get a resolution on the WorkSafe matter.

The final component of our way forward will be to work promptly to introduce a business sale proposal for some of our product lines. This will of course be done in the context of a solid plan to move forward profitably with our remaining business lines. A disposal of this nature will require shareholder approval and we will work to get such a proposal to shareholders as soon as we can in the new year.

Before we move on to the formal resolutions we need to cover at this AGM I am sure our remarks today will have prompted questions and we will be pleased to answer them now as best we can. Please also remember we have our external audit partner here today to answer any questions you may have relating to their audit of our financial statements.



## Managing Director's Speech

Good Afternoon ladies and gentlemen

Thank you David for your review of last financial year as well as outlining some of the challenges the company has faced recently.

I will now be speaking to our future performance, and the opportunities expected for Saferoads in the next 12 months and beyond.

The overall trading result for the start of this current financial year is forecast to be slightly down compared with the previous corresponding period. The main reason being, that in the same period last year we had secured significant orders, valued at an approximate total of \$2 million, to a major barrier rental company, which has not occurred again this year. Total revenue is expected to be approximately \$7 million. In summary we are expecting approximately \$700 thousand less in sales revenue for the six months ending December 2023 compared to the six months ending December 2022.

As David mentioned earlier, the company is experiencing increases in operating costs, with rising insurance and legal fees due to the WorkSafe charges, higher audit fees, a falling Australian dollar as well as increased local supply chain costs. This all continues to negatively effect the business' profitability despite revenue being relatively consistent.

Our strategy at Saferoads remains the same, with our focus on the continued expansion and growth of Road Safety Rental on the East Coast, improving international market share for select products, predominately in North America, and modest growth in our national product sales. Additionally, to continue to invest in our research and development of innovative road safety products.

I'd now like to discuss the performance and future of each of these areas of the business.

## ROAD SAFETY RENTAL

This year we focused on continuing our expansion up the East Coast, with branches now in Victoria, New South Wales and Queensland. Obviously the most established and significant branch at this stage is our Victorian branch, with high fleet utilisation maintained here throughout the year, and this is expected to continue. The New South Wales branch is entering its second year after COVID lockdowns, and we are seeing good growth here. Our Victorian rental branch manager has recently relocated to head up our new Queensland site, and we are already seeing some good traction with potential customers.



After a slightly slow second half in the last financial year due to the pausing of Victorian and New South Wales government road projects, it is pleasing that we are currently experiencing very high utilisation across all three branches. The company is well positioned to continue to grow this area of the business. However, the continued growth of Road Safety Rental will be restricted without significant additional capital investment.

We are forecasting the half year rental revenue to be around \$2.6 million, reflecting approximately seven to eight percent growth compared with the same period last year.

### **NATIONAL PRODUCT SALES**

It was a disappointing start for the national product sales division, as there were only minor sales secured for our concrete temporary barrier system, as mentioned earlier. The first half is forecast to be a total revenue of \$4.3 million, compared to \$4.98 million in the corresponding period last year.

We have received and delivered the first orders for our Rubber T-Lok Barrier, Australia's first recycled content temporary barrier, developed with the University of Melbourne and Tyre Stewardship Australia. The Rubber T-Lok Barrier has been deployed on Melbourne's major road project, the North East Link, and was selected because of its superior safety and environmental benefits.

### **INTERNATIONAL SALES**

We are supporting Traffix Devices in preparing to formally launch our MASH TL-4 HV2 Barrier to the American market, at the ATSSA Convention & Traffic Expo in February 2024. Additionally, two dedicated promotional trailers fitted with HV2 Barrier will be circulated with the Traffix regional sales managers across the USA.

International sales revenue will be similar to the same period last year with no major orders received from the USA, with orders going to New Zealand and Malaysia. We recently received an order for our new solar lighting product, the Solar Blade, from Auckland International Airport, valued at \$196 thousand. There are significant opportunities for other future orders resulting from this project.

Looking ahead, our forward order book for all product sales is \$750 thousand. The Road Safety Rental forward order book is \$3.5 million, with a company total for both sales and rental opportunities at approximately \$4.25 million, at this stage.



## RESEARCH & DEVELOPMENT

As major events commence worldwide post-pandemic, we will be re-launching our OmniStop Portable bollard system to the events market. Our engineering team successfully crash tested the Emergency Access Gate at 50km/h last month. This module allows for fast and simple access for vehicles in the case of an emergency. I will now play the video footage of this successful crash test at our facility in Warragul.

We have also developed a new VMS trailer system called the Nova, which utilises a unique two piece design. This allows the user to deploy multiple screens with a crane truck, or use a multi-unit trailer to transport up to three units at a time.

Aside from increased deployment flexibility, the new design also offers customers the benefit of reduced risk of theft and vandalism, as the wheels, axels and brakes are not left with the message sign.

I would like to take this opportunity to thank all the Saferoads staff and shareholders for their continued support and patience, and I am hopeful that our work and investment will soon see the successful and continued growth of Saferoads.

Thankyou, and I will now hand back over to David for a final summary.

This announcement has been authorised for release by the Board.

### Enquiries/Additional Information:

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### ABOUT SAFEROADS

Saferoads is an ASX listed company specialising in providing innovative safety solutions. Headquartered in Pakenham, Victoria with representation across Australia, New Zealand and the USA, the company provides state government departments, local councils, road construction companies and equipment hire companies with a broad range of products and services designed to direct, protect, inform and illuminate for the public's safety.