

## **ASX Announcement**

**27 November 2024**

### **Managing Director's Address to Shareholders**

Thank you, Mr Chairman.

The Group faced several significant challenges during FY24, including delays on government projects, and major capital constraints within the Group's existing working capital facility causing supply chain issues and resulting in a trading revenue far below expectations at \$31.9 million for the year ended 30 June 2024 whilst NPAT was a loss of \$15.3 million, after allowing for an impairment provision of \$3.0 million.

The lack of appropriate working capital facilities has been the primary cause of the poor trading result, with the Group unable to source sufficient volumes of components on a timely basis to service its customers' orders and contracts. This issue has over recent months been addressed and the positive flow on effect is expected to be seen in the second half of FY25.

Despite the disappointing result for FY24, the outlook is positive, and the Group is expected to return to its growth path in the year ahead for the following reasons:

- The Group recently completed a refinancing of its debt facilities involving a US \$3 million convertible note, a share placement and a manufacturing service agreement with the Season Group, a Hong Kong-based electronic manufacturing services provider, which is expected to deliver positive financial benefits to the Group. The agreement with Season Group will also enable the Group to benefit from the expertise of Season's engineering teams across the world and deliver products at scale and IoT technology-agnostic solutions.
- The refinancing is expected to put the Group on a sounder financial footing for the years ahead, while we continue to explore a wide range of options to improve access to working capital to fund the Group's expanded operations.
- The Group has also undertaken a cost saving program involving the relocation and reorganisation of the Victorian production, installation and maintenance facilities into one with significant manufacturing and management efficiencies delivering cost savings in FY24 of \$2.2 million.
- The second stage of this program is well underway with the relocation and rationalisation of the Group's New South Wales operation with \$0.9 million savings achieved in the 1<sup>st</sup> quarter of FY25 and an expected annualised Group saving of \$5.6 million.
- This month the Group launched a Non-Renounceable Rights issue to eligible shareholders offering one new share at 0.5 cents per share for every two shares held by them. Each new share subscribed for comes with a free attaching option. The Offer closes on 6<sup>th</sup> December and the Group hopes that shareholders give consideration to participating in the Offer. The aim of the Offer is to provide further working capital to enable the Group to increase the quantity of its orders of new equipment and materials to enable the Group to increase its revenues and return to positive earnings.

Demand for the Group's products and services continues to be strong with customer term contracts extending up to 5 years and a solid order book despite the challenges of FY24. The Group has transitioned from being purely a manufacturer and supplier of traffic management products to an integrated supplier of services, software and products to the road industry and government where significant investment into road infrastructure programs continue to be announced by Federal and State governments.

Despite a difficult year the Group is well positioned to benefit in the years ahead from increased investment by government in infrastructure projects, safety initiatives and Carbon Emission reduction programs. New products and services developed by the Group and the Group's diversification program into "Smart Cities" IoT and software, underpin the Group's ability to fulfil government programs and initiatives currently and in the future.

With the positive results to date from our cost reduction initiatives, our continuing focus on achieving operating efficiencies, consolidation programs and reduction in costs, the Group's partnership with the Season Group and its leading-edge technology and the Group's solid order books and long-term customer contracts, the Group is well placed to deliver upon its strategic initiatives.

The outlook is positive, despite economic challenges, as we are well positioned to benefit in the years ahead from increased government expenditure on infrastructure programs, new products being developed by the Group and the Group's diversification program with the partnering of the Season Group into "Smart City" technology, IoT devices and annuity streams.

I would like to thank all shareholders for their ongoing support and our board, management and staff for their relentless commitment to the Group and support during these challenging times.

**Announcement authorised for release by the Board of Traffic Technologies.**