

Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 29/4/2021

Highlights

- Spectur delivers second-strongest quarter in the Company's history, with Q3 FY21 revenue of \$1.4 million up 43% on Q2 FY21
- Substantial investments in inventory have been made to meet committed sales and growing pipeline
- Q3 FY21 sales volumes of 91 units (up from 50 in Q2 FY21) with increasing traction in the telecom customer base
- High proportion of committed, sales-based (rather than rentals-based) revenue forecast for Q4 is expected to reduce cash consumption rate, with H2 FY21 revenue anticipated to see a 50% increase compared to H1 FY21
- Terms sheet signed for \$1.5 million debt facility, with \$1.45 million cash at bank on 31 March 2021
- Signed agreements with Surf Life Saving organisations on both of Australia's east and west coasts, offering strong demonstrations of the Company's technology with highly recognised brands and achieving key milestones in both projects ahead of schedule

Thursday 29 April 2021: Solar security, sensing and visual AI solutions and platforms company Spectur Limited (ASX: SP3) ("Spectur" or the "Company") is pleased to report on its activities for the quarter ended 31 March 2021.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

"Spectur has broken consecutive records for revenue in January, February and March, delivering the second strongest quarter in its history. In addition to this strong financial performance, the sales pipeline is bigger than ever with further growth anticipated in Q4 and beyond, combined with reduced overhead costs and improving gross margin."

"The sales growth in Q3 FY21 and associated pipeline into Q4 required a heavy investment in inventory, most notably evidenced by raw materials closing at \$693k in March. This meant higher than previous cash outlays in Q3 FY21. These materials will be largely turned into sales, rather than rentals, in Q4 with higher associated cash receipts expected. Cash burn in Q4 is anticipated to be much less than in Q3."

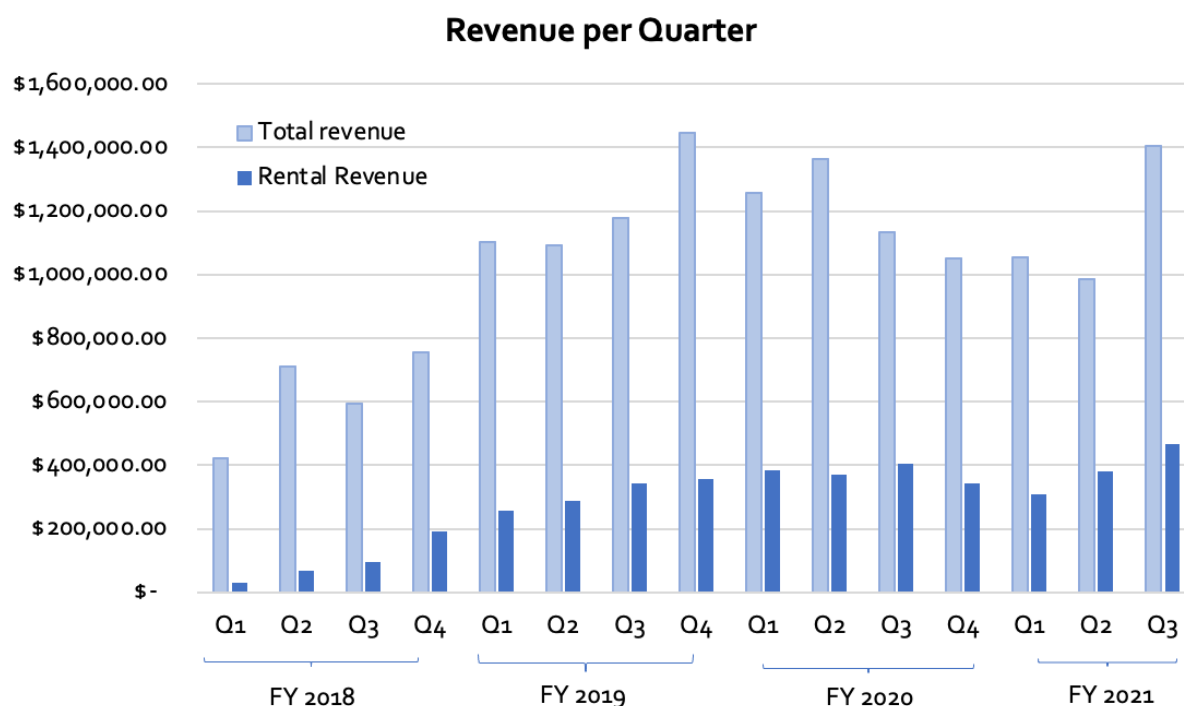
"Noting the ongoing growth forecast through Q4 and into FY22, Spectur is positive about reaching consistent cash generation in the medium term. To maintain the current growth rates in the short term, Spectur has signed a binding terms sheet for a \$1.5 million debt facility with the Company's largest shareholder, EGP Capital. This choice of facility reflects the corporate desire to respect shareholders'"

equity in Spectur and avoid dilution as much as possible. We believe we are close to the turning point, and the use of debt, rather than equity, to support near term working capital requirements is now appropriate.

“We are grateful to the very supportive long-term shareholders in Spectur.”

Substantial increase in sales and rental revenues

Spectur achieved quarterly revenue of more than \$1.4m, the second highest in corporate history and a dramatic improvement on the \$1m earned in Q2 FY21.



Rental revenue also reached a new quarterly record of \$468k, exceeding by 16% the prior record of \$403k set in Q3 FY20, and 23% up on Q2 FY21. This was largely underpinned by sustained growth in the rental fleet and also an increasing dollar value of the fleet as larger numbers of higher value, multi-camera STA6 systems are added to the range of deployed systems.

Growth in overall revenue has come from a strong rebound in sales of systems (91 systems sold in Q3 compared with 50 in Q2), building of the associated field services and subscription revenues and some increase in revenue from professional services (engineering fees). Spectur now has core offerings in safety and warning systems as well as security, surveillance and productivity, supported by two core technology platforms with different technical attributes (HD and STA platforms).

Executive commentary

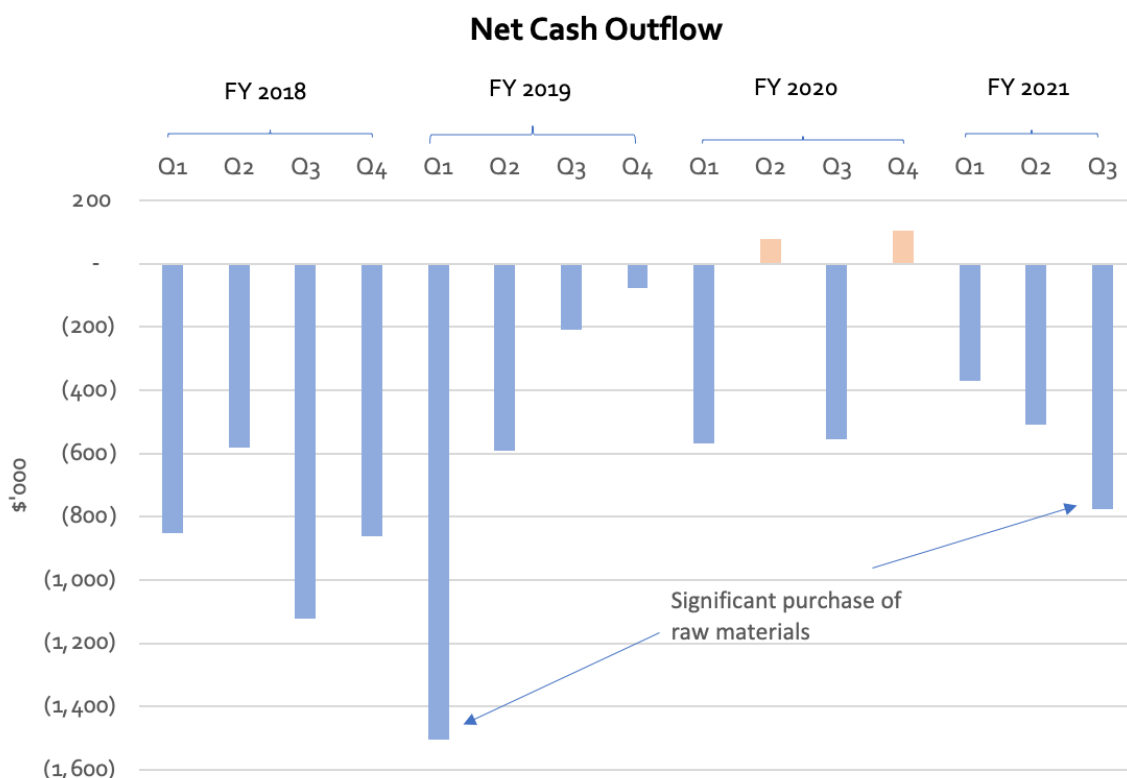
Spectur Managing Director, Gerard Dyson, said:

“H1 FY21 was a period where our core markets, particularly in Victoria, were challenged. With a reduction in the frequency and intensity of government led restrictions in the latest quarter, customer confidence has increased along (unfortunately) with the frequency of property and asset related crime.

“Following a disappointing FY21 H1 revenue of \$2.04 million, we expect a H2 closer to \$3 million with revenue growth expected to continue into FY22 on this foundation of growing rental fleet, growing subscription revenue and a widening range of offerings and platforms.”

Short term increase in cash used to fuel committed sales

As announced through the Company’s Placement and Share Purchase Plan communications during Q1 FY21, Spectur raised cash to fuel growth and strengthen the Company’s balance sheet for potential M&A activity. Those investments in H1 FY21 in particular, and most recently in Q3 FY21, have contributed to the top line growth in Q3 FY21 and the forecast ongoing topline growth into Q4 FY21.



The Company consumed \$689k in operating cashflow during the quarter, retaining \$1.45 million cash at bank on 31 March 2021. This balance sheet will be further supported by a \$1.5m debt facility with EGP Capital (see ASX announcement dated 27 April 2021 and below), intended to be in place by 1 July 2021.

Lower cash consumption forecast for Q4 FY21

The cashflow dynamics of Q3 FY21 were quite different to Q2 FY21 insofar as current assets in inventory (raw material through to finished units) increased by \$350k. This was in response to sales commitments made during the quarter for revenue expected in Q4 and beyond, and also a need to reduce risk in the supply chain for key componentry. It is expected that inventory levels will remain at these current levels into Q4 and cash outflows for product manufacturing and other operating costs will remain flat or decrease.

Trade and other receivables increased by \$295k, driven by an increase in revenue of \$420k and are forecast to lead to a record level of cash receipts in Q4 FY21, in excess of \$1.5m.

Current employee benefits accrual decreased by \$73k, due to the additional pay cycle in March 2021. In combination with some rationalisation of overhead roles, it is expected that overall payroll related cashflows will decrease by at least \$100k in Q4 FY21.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

“Spectur has turned a corner. The additional spend in overheads in H1 is being optimised and reduced. Top line growth is strong, and we expect longer term margin improvement as volumes continue to grow. Quite separate to those underlying cost structures, we now have the ‘Champagne’ challenge of larger orders which we saw in Q3, to be deployed into Q4. These require shorter term investments in inventory to build and deploy for sales and rentals (note that we also invested \$50k in the rental fleet in Q3 FY21). The cycles on these types of investments are shorter, particularly when they are biased towards sales rather than rental fleet investments.”

Committed sales and strong pipeline into Q4 FY21

Spectur enters Q4 FY21 with a strong forward order book of commitments, extending into FY22. In the safety and warning sector, the Company has received commitments for in excess of \$400k of new sales, with additional installation and subscription revenue to follow, on top of the base security, surveillance and productivity offerings.

The growing telecoms customer base has seen Spectur install 15 systems this calendar year, with additional two currently being commissioned ahead of anticipated growth to 50 systems by the end of FY21. It is expected that this sector will continue to grow into FY22.

As of 23 April 2020, the probability-weighted sales pipeline for Spectur was in excess of \$4.5m with contracted sales volume for April of \$233k. Note that this is in addition to committed rental, field services and subscription revenues.

With a robust pipeline of attractive potential customers in strategic sectors and an upgraded ability to produce, install and support, the Company expects sales performance to continue to improve in H2 FY21.

Terms Sheet signed for \$1.5 million debt facility

On 27 April, Spectur announced a binding terms sheet for a debt facility with its largest shareholder, EGP Capital. This \$1.5 million debt facility ensures that working capital needs to support current and forecast growth can be met without a requirement for equity raising and until consistent cash generation occurs.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

“Tony Hansen and EGP Capital have been a tremendous supporter of Spectur since joining the shareholder register last year. After investigating a range of different debt options to suit our working capital needs into the medium term, a pure debt option, with some attached options and an election to repay in equity at Spectur’s discretion, was the ideal solution and EGP Capital the right partner.”

Surf Life Saving

In Q3 FY21, Spectur announced the award of separate contracts with Surf Life Saving NSW and Surf Lifesaving WA. The announcement of both these contracts included clear milestones for progress and payments.

Spectur is pleased to confirm that the minimum viable product for Surf Life Saving NSW was delivered ahead of time while meeting all performance requirements. Manufacturing is well advanced on these systems.

Engineering and development of the Surf Life Saving WA systems is also advancing on schedule, with ongoing positive customer discussions ahead of technology demonstrations planned for May.

Disclosure under Listing Rule 4.7C.3 – Payments to Related Parties and their Associates During the Quarter

	\$
Salary paid to Managing Director	69,366
Non-Executive director fees paid	29,883
Superannuation paid to directors	<u>9,664</u>
Total payments to related parties	<u>108,913</u>

Ends.

This ASX release is authorised by the Board of Directors of Spectur Limited

For further information, please contact:

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About Spectur Limited

Spectur Limited (ASX:SP3) is an Australian-based developer of security, surveillance and warning solutions powered by solar, IoT [Internet of Things], camera and cloud-based technology. The Company owns the rights to its innovative hardware and disruptive cloud-based systems which are deployed to provide solutions to industries including government and utilities, and the building, construction and civil sector.

Spectur's core products are solar powered warning, deterrence and surveillance systems and associated cloud-based platforms. These systems incorporate cameras, lighting, audible warnings and a hardware IoT platform, remotely accessed and connected via 3G/4G technology to a cloud-based platform. The offering is complemented by a longer distance, 24-hour thermal camera deterrence solution, suitable for customers with long perimeters.

Spectur is used and trusted by small business to multinationals and the Company is currently implementing a strategic growth plan to build market dominance in the Australian government and utilities sector to meet demand for innovative, remote camera and IoT solutions.

To learn more, please visit: www.spectur.com.au

Forward Looking Statements

This announcement contains forward-looking statements which are subject to elements of uncertainty, risk and other factors which could cause the actual results or outcomes to differ materially from those stated. These statements are based on an evaluation of current economic, contractual and operating conditions, as well as assumptions regarding future events. These events are, as at the date of this announcement, expected to take place, but there cannot be any guarantee that such events will occur as anticipated, when anticipated or at all given that many of the events are outside Spectur's control.

Accordingly, neither Spectur nor any of its directors, officers, employees, contractors or agents, gives any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur as and when anticipated.

