

Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 23 January 2023

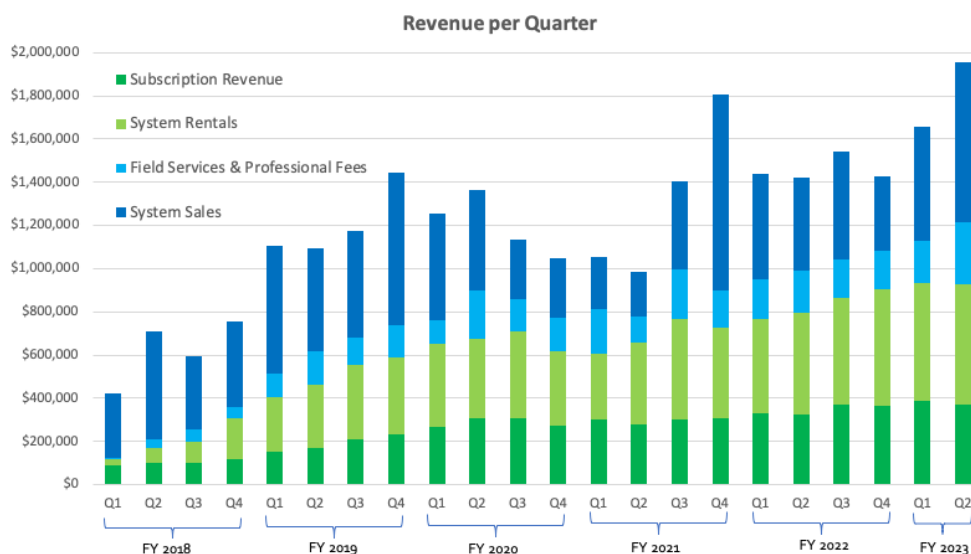
Highlights

- Spectur delivers the highest revenue quarter on record of \$1.957m, up 37% from Q2 FY22, and up 18% on Q1 FY23.
- Total available cash reserves at end of December 2022 of \$2.869m, with cash generated from operating activities of \$244k and an overall increase in net cash of \$61k.
- Unweighted sales pipeline at \$9.817m at 31st December 2022 (weighted \$4.584m), underpinning expectations of continuing growth into Q3 FY23.
- Acquisition of Three Crowns Technologies Pty Ltd (3CT) continues with completion date expected in February 2023.
- Join an investor briefing with MD Gerard Dyson on 2 February at 11am (AEDT), where he will provide an update on results and the 3CT acquisition in more detail. [Click here to register.](#)

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 December 2022 (Q2 FY23).

Record revenue performance in Q2 FY23

In Q2 FY23, Spectur earned \$1.957m of revenue, up 18% on the prior quarter (Q1 FY23). This record result was underpinned by continuing growth in hardware sales, associated installation & support fees, and strong quarterly recurring revenue of \$925k, representing some 47% of total revenue.



Underpinning the strong quarterly recurring revenue figure was the deployment of the rental fleet reaching new all-time highs on 31 December 2022 with 390 active systems deployed, a growth of 10% over the previous peak in December 2021.

The month of December, the quarter (Q2) and the first half all set new revenue records. These are outlined in the table below.

Financial metrics	FY23 \$'000	FY22 \$'000	FY23 vs FY22 growth
December revenue	702	565	24%
December year to date (H1) revenue	3,614	2,862	26%
Q2 revenue	1,957	1,424	37%

December revenue was the second highest month of revenue on record, despite substantial truncation in business hours compared to other months.

Operating Cashflows and Cash

The Company generated \$244k of net cash through the course of operating activities, with an **overall increase in net cash of \$61k** for the quarter.

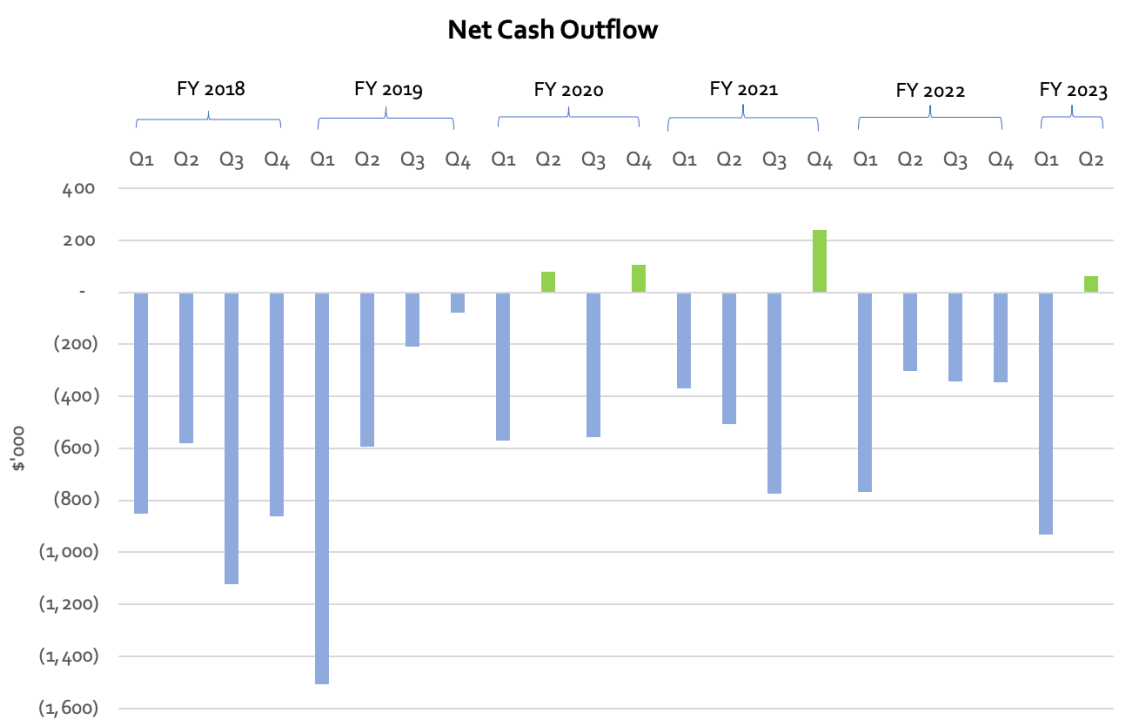
Notable elements of the Q2 FY23 cashflows were as follows:

- Government grants received pertains to Spectur's R&D Tax incentives and is received annually. This grant (\$288k) contributed to the positive result, with net cash used in operating activities, exclusive of this grant, being \$44k.
- Legal costs associated with due diligence and preparation for the acquisition of Three Crowns Technologies Pty Ltd (3CT), covered under investing activities in 2.1(a) valued at \$23k.
- Staff costs includes one-off recruitment fees of \$30k.
- Administration and corporate costs includes \$70k ERP implementation costs.

This positive cash result is an improvement on Q1 FY23 where the net cash used in operations was \$849k (with normalised net cash used in operating activities of \$295k). It is also an improvement on Q2 FY22 (when net operating cash used in operations was \$263k).

At the end of Q1 FY23, Spectur had \$2.869m of cash with \$1.1m of drawn debt from the EGP credit facility. The net cash outflow chart below illustrates changes over time.





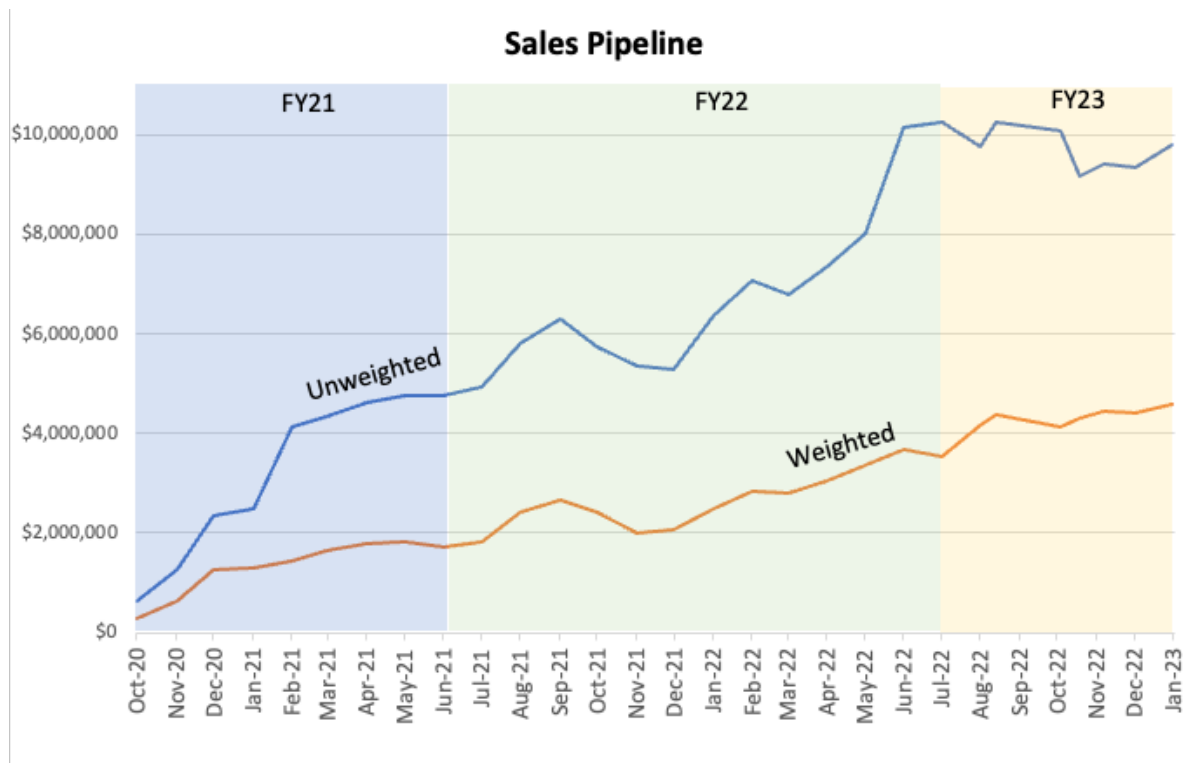
Ongoing growth in sales pipeline

Spectur's unweighted pipeline of sales opportunities was \$9.8m at the end of Q2 FY23, slightly down from \$10.1m reported in the Q1 FY23 Appendix 4C narrative. The probability weighted pipeline¹ was up at the end of Q2 at \$4.58m, compared with \$4.14m reported in the Q1 FY23 Appendix 4C narrative. The probability weighted pipeline of \$4.58m is at the highest level since reporting of this number has been undertaken and represents growth of 11% from Q1 FY23 to Q2 FY23, coincident with record revenues.

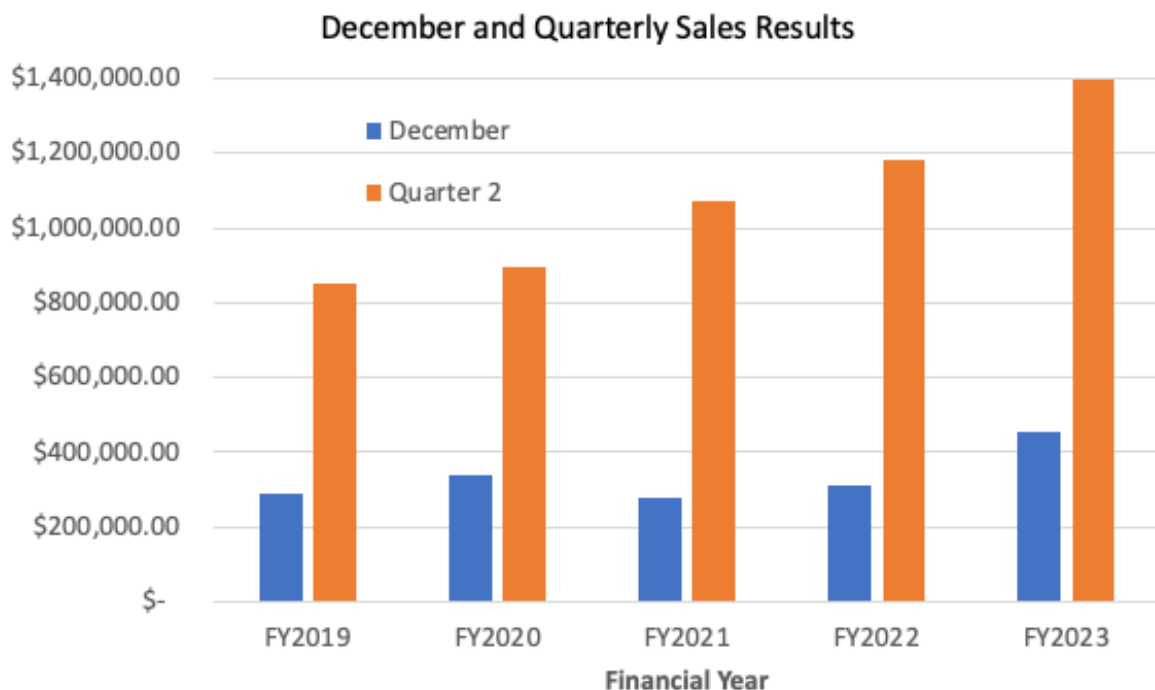
The 11% growth in weighted pipeline compared with the slight decline in unweighted pipeline reflects some opportunities leaving the pipeline and others moving forward with improved likelihood of success.

The chart below illustrates ongoing growth in the weighted and unweighted sales pipeline over time.

¹ The methodology through which Spectur probability-weights its sales pipeline was disclosed via ASX announcement on 30 August 2021.



The strong growth in sales results, which will convert into revenue in the near term, is shown in the chart below which compares both Quarter 2 (Financial Year) and the month of December sales results since Financial Year 2019.



The healthy pipeline of sales opportunities continues to be populated with quality customers in government, utilities, building and construction along with adjacent industries. Some larger opportunities with utilities and constructors continue to advance encouragingly through the pipeline stages. This includes growth in existing accounts as well as new business opportunities.

Update on 3CT Acquisition

The Company signed a Share Purchase Agreement with Coastalwatch Holdings Pty Ltd for the acquisition of 3CT on 23 December 2022, announced via the ASX on this same day. 3CT is a strategic acquisition expected to materially add to Spectur, particularly in the following areas:

- Technology – accelerating the already planned development of the Spectur technology roadmap.
- Market dominance in safety and monitoring in maritime environments.
- Customer expansion into additional Government and Utility customers, including the USA.
- Human capital – both in leadership and technical capabilities.
- Cost synergies – for both entities.

It is anticipated that completion of this transaction, and transfer of control of 3CT will occur in February 2023, subject to satisfactory completion of conditions precedent, appropriate documentation, and the provision of agreed consideration. All parties are actively preparing for the Completion Date and planning and discussions for integration and synergy realization have commenced. Otherwise, business operations for both Spectur and 3CT are continuing in a business-as-usual form until the Completion Date.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

"This last quarter has delivered on many fronts. With positive cash generation, record revenue, our largest ever weighted pipeline and a pending acquisition that will accelerate our long term strategic goals there are many reasons to be optimistic about the future of Spectur."

"Increasingly, we are seeing a growing number of our Emergency Response systems in the media and the snowballing of growth in beach monitoring, safety and associated technology. Bringing 3CT into Spectur cements that rapidly growing market domination and strengthens our value proposition in this and adjacent markets."

"We are expecting another strong quarter of revenue and sales, with modest cash consumption, in Q3 FY23."

Corporate Matters

During Q2 FY23 the following securities were issued under the Company's employee incentive plan:

- 13,235,932 Performance Rights to key employees (with Revenue, Annual Recurring Revenue and EBITDA targets set over two years); and
- 1,968,037 fully paid ordinary shares awarded to key employees.

A further 7,661,782 unvested Performance Rights, issued in prior periods, were cancelled by mutual agreement between the Company and the holder.

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

	\$
Salary paid to Managing Director	74,379
Non-Executive Director fees paid	32,583
Superannuation paid to Directors	11,500
Total payments to related parties	118,462

Investor Briefing

Join an investor briefing with MD Gerard Dyson on 2 February at 11am (AEDT), where he will provide a company update and discuss the result in more detail. [Click here to register for the briefing.](#)

Ends.

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

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

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 occur as and when anticipated.