

Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 28 April 2023

Highlights:

- Spectur delivers Q3 year to date FY23 revenue of \$5.3m, excluding recent acquisitions, up 20% on prior comparable period.
- Spectur acquires 100% of Spectur NZ from joint venture partner Deus Ex.
- Annualised recurring revenue run rate increases to \$5.3m for consolidated company.
- Total consolidated cash reserves at end of Q3 FY23 of \$1.6m, following the acquisition of 3CT and Spectur NZ, with \$636k cash used in operating activities for the quarter.
- Unweighted sales pipeline of \$11.5m at end of Q3 FY23 (weighted \$5.2m), underpinning expectations of continuing growth into FY24.
- Join Gerard Dyson, MD of Spectur, for an online investor briefing next Thursday 4th May at 12pm (AEST). [Register here or request a recording.](#)

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 2023 (Q3 FY23).

Spectur acquires 100% of Spectur NZ and 3CT

On 17 March 2023, Spectur signed an agreement to acquire Spectur New Zealand Limited (Spectur NZ) in full, through the purchase of 49% of the business held by joint venture partner Deus Ex Limited (Deus Ex). Spectur now has 100% control and ownership of Spectur NZ, with transition and integration complete. The purchase price for Deus Ex’s 49% stake was \$60,000 NZD. Results for Spectur NZ and 3CT will be included in consolidated financial reporting from Q4 FY23 onward.

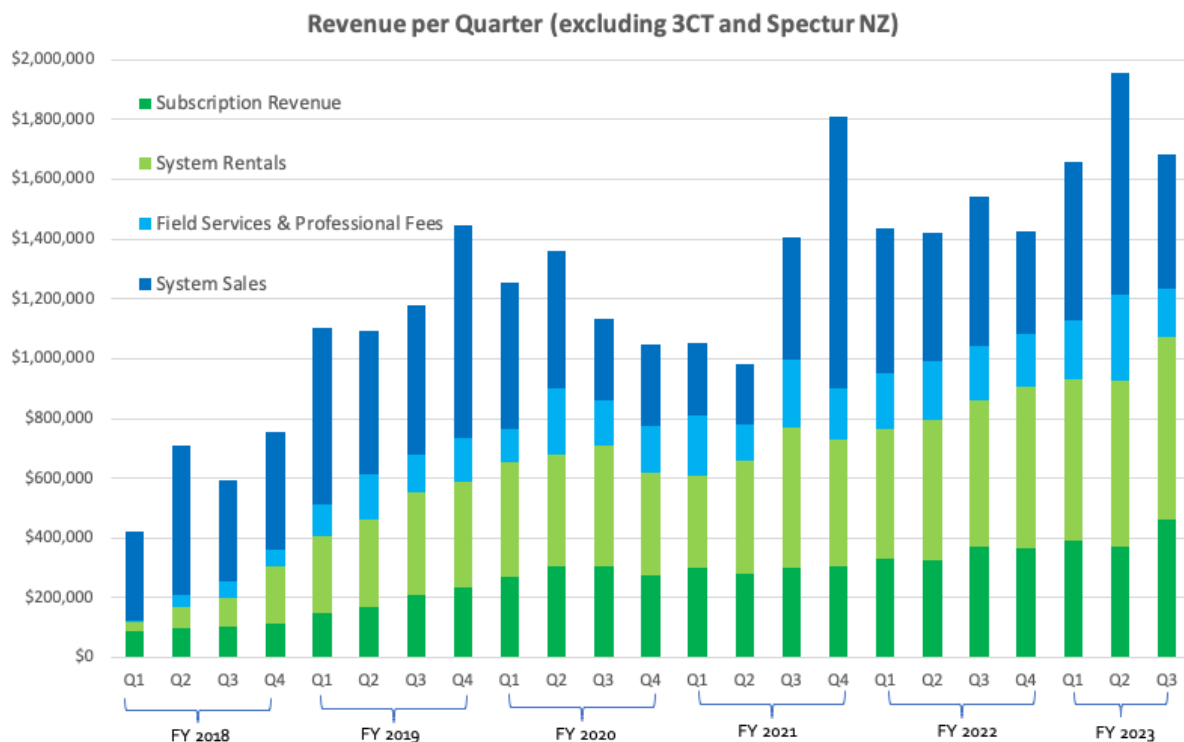
The acquisition of 3 Crown Technologies (3CT) was finalised in February 2023 (ASX Release 20 February 2023).

Strong YTD revenue performance

Following a large hardware sales quarter in Q2 FY23, sales were more subdued in Q3 with quarterly revenue of \$1.683m and Q3 YTD revenue of \$5.298m, up 20% on FY22 YTD revenues of \$4.402m. Recurring revenues for the core Australian operations (excluding Spectur NZ and 3CT operations) were \$1.074m for Q3, equivalent to an annualised run rate of \$4.3m.

Estimated consolidated recurring revenue for a full year, including Spectur NZ and 3CT, is approximately \$5.3m. This is a significant improvement on the annualised run rate of \$3.5m in FY22, based on recurring revenue in Q3 FY22 at \$863k. Growth over 12 months in annualised recurring revenue has been 23% for the comparable operations or approximately 51% including consolidated entities.

It is expected that hardware revenue will increase in Q4 FY23 in response to traditional buying cycles and the Optus contract extension from Q3 FY23. Full revenue results from 3CT and Spectur NZ will also be incorporated into latter results.



Operating Cashflows and Cash

Notable elements of the Q3 FY23 cashflows for the Consolidated company were as follows:

Cash Outflows from investing activities

- \$489k of net cash for the acquisition of 3CT and Spectur NZ, out of \$574k overall.

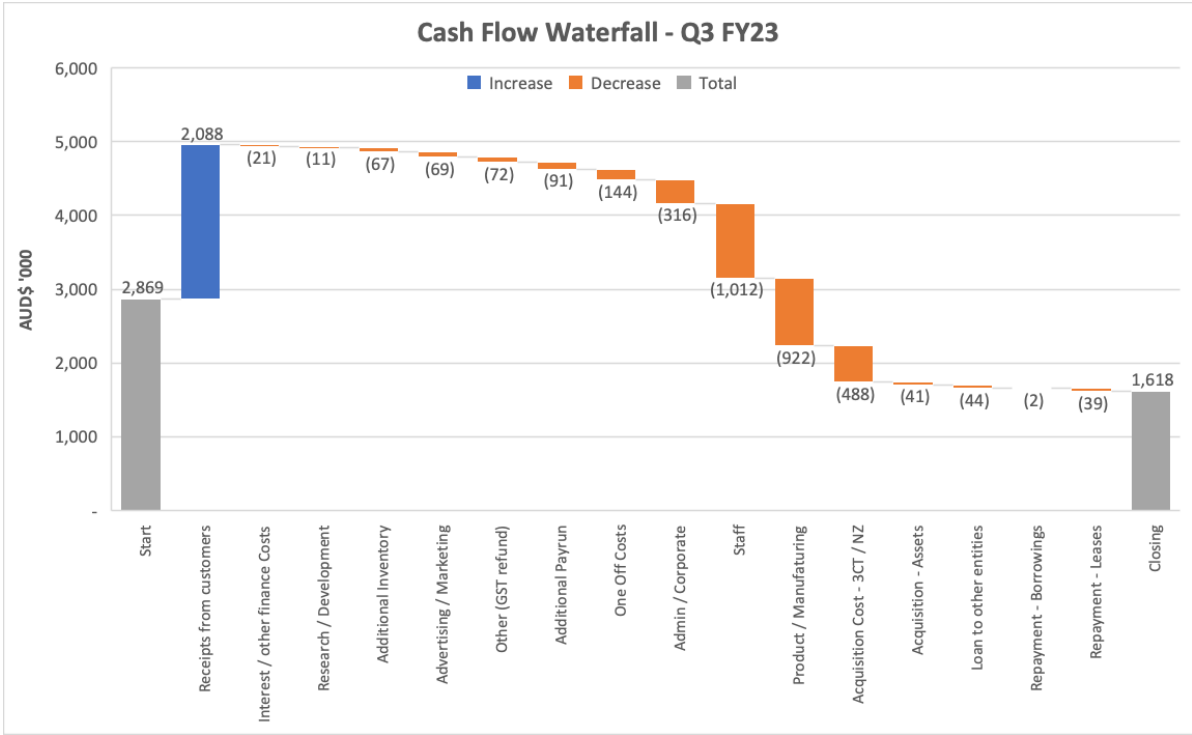
Cash Outflows from operating activities

\$636k of net cash through the course of operating activities, including;

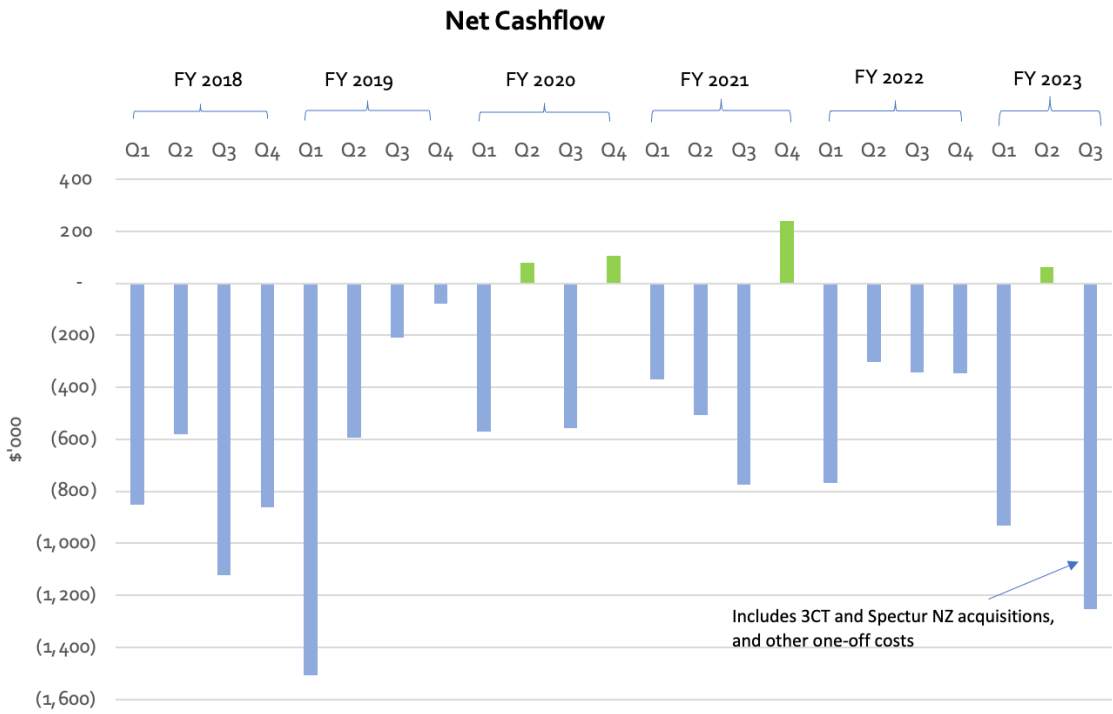
- Legal costs associated with due diligence and preparation for the acquisition of 3CT and Spectur NZ totalling \$18k. No additional legal costs associated with these transactions are anticipated.
- Costs associated with substantial upgrades in the Spectur cloud infrastructure to support scaling (\$56k). It is expected that this upgrade work will be concluded in Q4 FY23.
- Administration and corporate costs include \$40k for ERP implementation. Phase 1 of the ERP implementation is expected to be concluded in Q4 FY23.
- Recruitment costs associated with the engagement of a key sales and marketing manager (\$30k).
- There was an additional payroll in Q3, compared with Q2, valued at \$91k.
- Substantial payments were made in Q3 for committed and anticipated orders (e.g. Optus, trailer systems, etc) resulting in inventory growth with a cash cost of \$67k.

Within operating cashflows, total one-off outflows, additional payroll and inventory growth were \$302k with the balance of \$334k of net cash consumed through the course of operating activities.

The waterfall chart below provides a visual indication of the impact of acquisition, one-off expenses, additional payroll and inventory growth on cash flows in Q3 FY23.



At the end of Q3 FY23, Spectur had \$1.618m of cash with \$1.1m of drawn debt from the EGP credit facility. The net cashflow chart below illustrates changes over time.

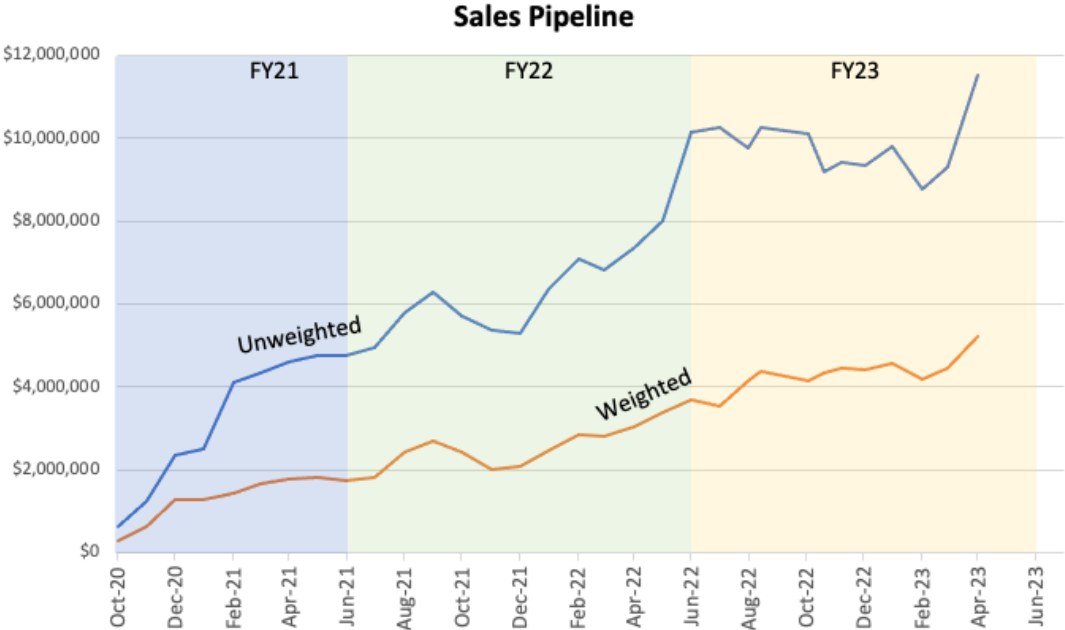


Ongoing growth in sales pipeline

Spectur’s unweighted pipeline of sales opportunities was \$11.509m at the end of Q3 FY23, up 17% on the \$9.818m reported in the Q2 FY23 Appendix 4C narrative. The probability weighted pipeline¹ of \$5.203m at the end of Q3 has grown 14% from the \$4.584m reported in the Q2 FY23 Appendix 4C narrative and it is at the highest level since reporting of this number has been undertaken.

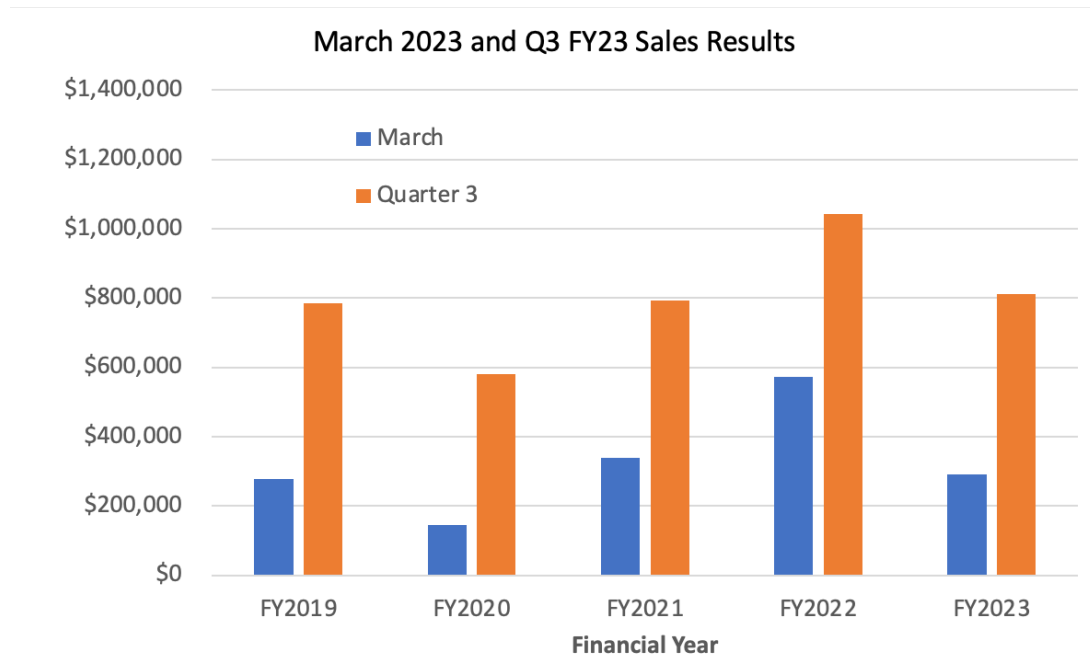
The pipeline growth includes high confidence opportunities with Optus to match the expanded Statement of Works, as well as several other higher value opportunities with major construction, utility and security reseller customers.

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



March was a slower month for sales, pulling back from the otherwise strong growth for the earlier months of the quarter, compared with comparable periods. It is expected that as the record pipeline shown above converts, sales will follow in Q4.

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



Executive commentary

Spectur Managing Director, Gerard Dyson, said:

“Q3 has been a very busy quarter with the conclusion of the 3CT and Spectur NZ acquisitions. We are very excited about realising the potential to grow Spectur, as we consolidate our position around the legacy Spectur Limited, 3CT and Spectur NZ operations. Following this very busy period with corporate transactions we expect to return our focus to the conversion of sales, driving revenue and realising integration efficiencies in Q4 FY23.”

“The management team is currently in the midst of an annual strategy review and refresh, with key themes around consolidation of existing investments, assets, geographies and market sectors combined with integration of recent acquisitions and a drive for cost control. It is expected that some reductions in management overhead (two roles recently eliminated, benefits to be seen fully in Q1 FY24) and general overheads, combined with expected ongoing margin improvements and top line growth will underpin the drive for financial independence and reaching consistent positive earnings.”

Investor Briefing

Managing Director Gerard Dyson will be holding a live and online investor briefing on Thursday 4th May at 12pm (AEST), where he will discuss the quarterly and the company’s progress.

[Register for the briefing or request a recording here.](#)

Corporate Matters

During Q3 FY23 the following securities were issued under the Company's employee incentive plan:

- 8,763,422 Performance Rights to the Managing Director (with Revenue, Annual Recurring Revenue and EBITDA targets set over two years); and
- 7,000,000 Service Rights awarded to the Managing Director and officers of the Company.

The MD Securities were approved at the Company’s 2022 Annual General Meeting of Shareholders.

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

	\$
Salary Paid to Managing Director	84,000
Non-Executive Director Fees Paid	58,333
Superannuation Paid to Directors	12,082
Total Payments to Related Parties	154,415

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.

