Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 31 July 2023

Highlights:

- **Spectur Group revenue including entities acquired in Q3 ("Group", including Spectur NZ and 3 Crowns Technologies) was $7.438m for FY23, up 31% on FY22 revenue of $5.828m.**

- **Recurring revenue for FY23 increased to $5.244m for the Group, up 57% on FY22 recurring revenue of $3.329m.**

- **Cash reserves at end of Q4 FY23 of $1.523m, with only $6k net cash used in operating activities for the Quarter.**

- **Strong sales performance in June 2023 ($641k), the highest month in FY23.**

- **Successful launch of STA-Power as an independent product and new product line.**

- **Profit focussed strategy set for FY24.**

Join a live online briefing with MD Gerard Dyson on Tuesday 8ᵗʰ August at 1pm (AEST). Register here or request a recording.

Outdoor sensing, thinking and acting solutions and platforms company Spectur Limited (**ASX: SP3**) ("**Spectur**" or the "**Company**") is pleased to report on its activities for the quarter ended 30 June 2023 (**Q4 FY23 or the Quarter**).

Full year revenue performance

FY23 full year financial results for Spectur Group now include part year contributions from 3 Crowns Technologies Pty Ltd (3CT, acquired in February 2023) and 100% share of Spectur New Zealand Limited (SNZ, acquisition of the final 49% occurring in March 2023). Group revenue was $7.438m.

Revenue for Spectur stand-alone (i.e. excluding 3CT or SNZ) was $6.900m, up 18% on FY22 revenue of $5.828m.

Full Year Revenue / % Growth Year on Year
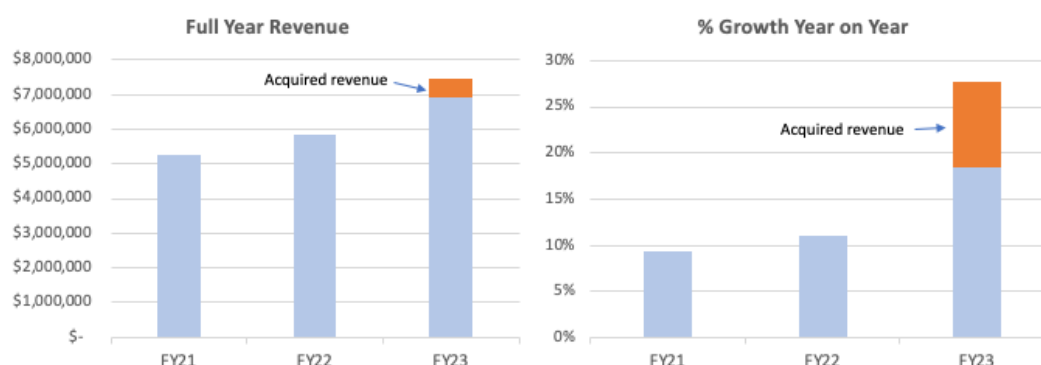
Recurring revenue for Spectur stand-alone was $3.948m for FY23, up 18% on FY22 recurring revenue of $3.329m. FY23 delivered recurring revenue for the Group of $5.244m.

Spectur stand-alone FY23 Q4 recurring revenue ($1.016m) declined slightly from Q3, due to the cessation of some longer-term rental contracts (with associated data subscription plans) and some one-off subscription services in Q3.

Revenue per Quarter (excluding 3CT and Spectur NZ)
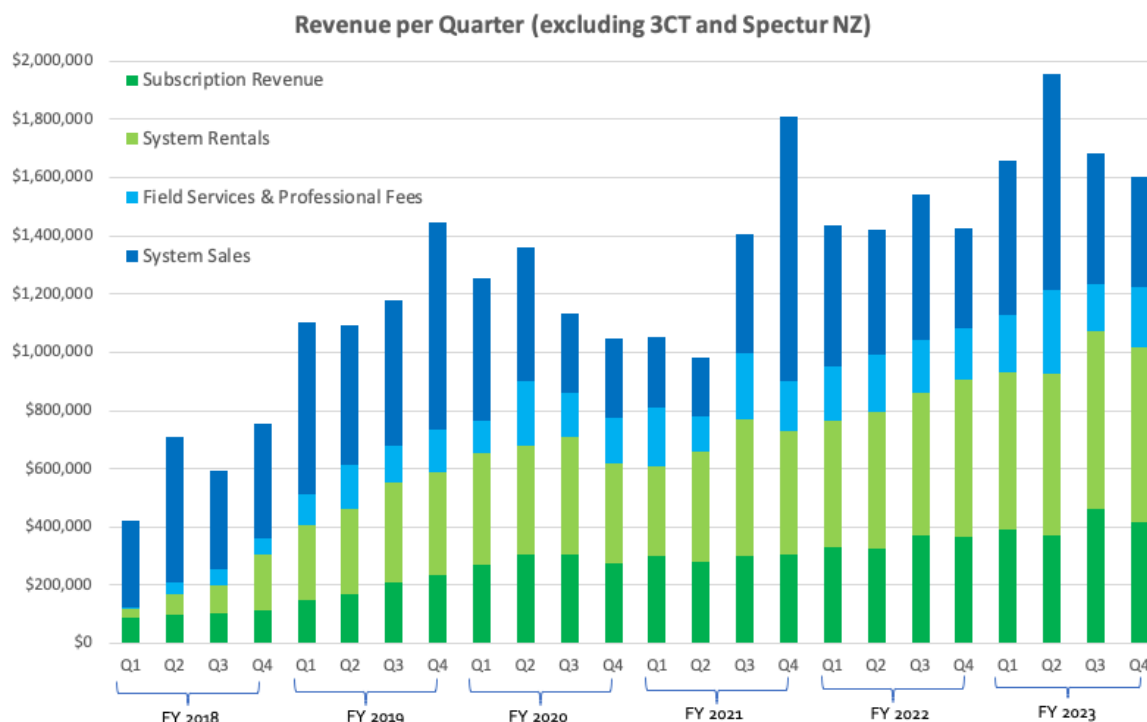
A more detailed breakdown of revenue, expenses and earnings across entities will be provided in full year reporting.

Cashflow and Cash Balance

Notable elements of the Q4 FY23 cashflows for the Group were:

Cashflow from operating activities

$6k of net cash was used by the Group in the course of operations, with $12k attributable to Spectur and $25k used by Spectur NZ. 3CT generated $32k of net cash. Notable elements of operating cashflows include;

- $2.449m of receipts from all customers in the Quarter.
- Redundancy costs of $52k following rationalisations upon acquisition (not expected to be repeated).

Cashflow from investing activities
- $18k of adjustment costs for the acquisition of 3CT increasing overall acquisition cost to $868k.

Cashflow from financing activities
- $500k of additional share capital was raised from a placement during the Quarter, of which $450k was used to pay down debt owed to EGP Capital.

Net cash usage across the Group was $95k for the quarter, the majority of which was related to investment activities. The Group cash balance at 30 June 2023 was $1.523m. The residual debt balance with EGP capital is $650k, repayable by 31 December 2024 in cash and/or by the issue of SP3 shares.

The chart below illustrates quarterly net cashflows over time.

Net Cashflow
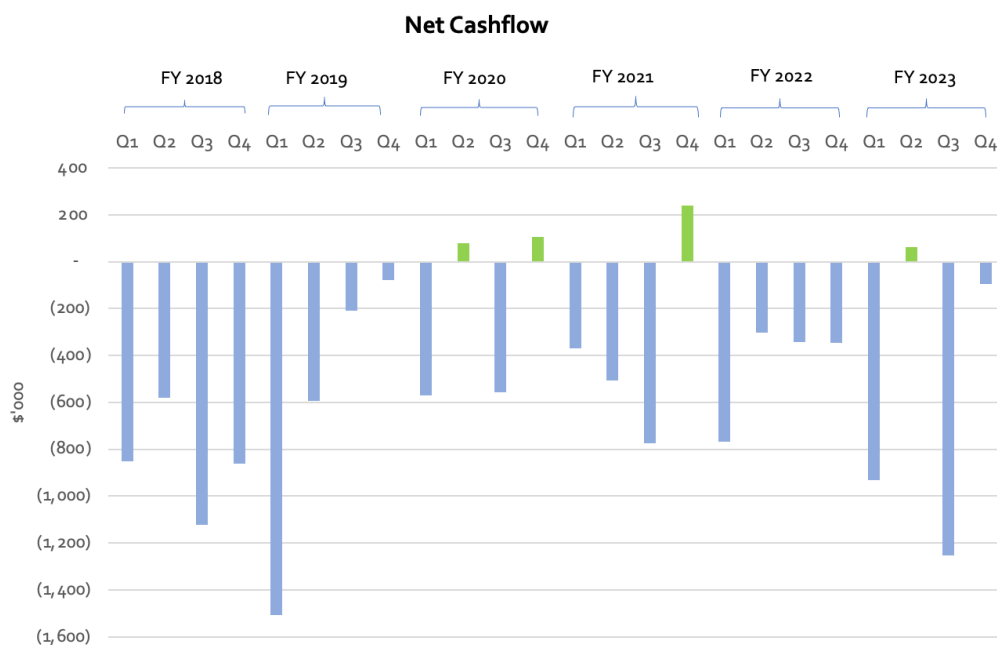
Sales Performance

June was the highest sales month of the financial year with total sales of $642k. This was the third largest month of sales in the Company's history and the largest ever June month. Sales comprised $536k of purchased equipment with significant portions from NSW ($243k) and SA ($213k). As of 21 July 2023, month to date sales had reached $462k, marking an excellent start to the new financial year. In addition to these sales, 3CT also successfully closed $282k of long-term contract renewals as of 21 July 2023 across multiple customers, including expansion of scope and price increases.

June 2023 and Q4 FY23 Sales Results (exc 3CT)
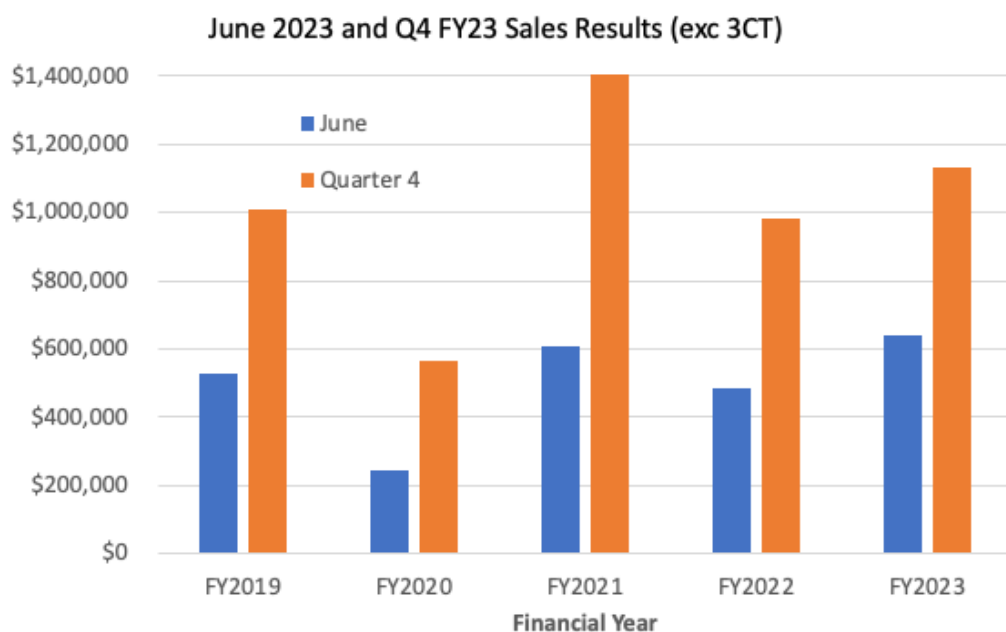
Full year sales for Spectur and Spectur NZ totalled just over $4.7m, representing a 14% increase on the FY22 sales results.

The Quarterly results were solid, noting that the excellent June sales followed the more subdued months of April and May and an overall softer H2 compared with H1. The new momentum since June appears to have reversed this trend.

Sales Forecast

Opportunities in the near term are consistent with our published strategy.

We expect ongoing growth in South Australia following our investment in establishment last year. Take up in the local and state government space has been healthy and consistent with our focus around making communities safer.

We have several current opportunities of substance which incorporate the combined 3CT and Spectur entities. These opportunities bring together access to broader data sets than just cameras and include additional AI applications including coastal and ocean analytics, smart city applications, people counting, number plate solutions and more. The modular Spectur ecosystem is increasingly effective at managing workflows and external AI partners, enabling more comprehensive and broader solutions for customers.

Our push into the reseller space continues to build momentum with substantial opportunities in the sales pipeline for customers in the security and hire space. Spectur uniquely provides a fully integrated and proven solution for these customers to purchase and deploy. Reseller training and marketing collateral, and pending updates in the Spectur cloud applications and user interface, will provide additional assistance and functionality for these customers to manage and deploy their fleets independent of the Spectur support team.

Through the acquisition of 3CT, Spectur's dominant position on Australian beaches has increased. Recent sales of our LARA (Lifeguard Activity Reporting Assistant) platform are complementing the deployment of our hardware and helping make our communities safer. Ongoing deployments of our beach hardware have continued and with the support of federal, state and local governments along with Surf Life Saving entities, additional deployments are expected in the future.

The recent launch of the Spectur STA-Power has been successful, with system performance and customer satisfaction exceeding expectations. In addition to powering Spectur sensing, thinking and acting platforms, recent "standalone" sales have commenced, and the associated sales pipeline is building. Applications from third parties have included powering of remote IoT sensors, LoRaWAN gateways, noise monitoring, bespoke camera and AI devices (non-Spectur), lighting and more. Customers in this space are also increasingly seeking to leverage the Australia and New Zealand – wide network of warehouses and field services technicians that Spectur has in place, to support installation, removal and ongoing maintenance of hardware.

Rollout of core technology for our existing customers in the utilities space continues, with an increase in revenues from this space expected in Q1 FY24. Spectur also expects to add additional customers in the telecommunications space.

Spectur is pleased to announce that we are now an approved preferred supplier on the WALGA (Western Australian Local Government Association) "Information and Communication Technologies" Panel for the "CCTV, hardware, systems and networks" scope of services. This Preferred Supplier status for the local government sector carries an assurance of high quality, optimal value and full regulatory compliance demonstrated through a rigorous and independent tendering process. Participation in this panel provides a faster and easier way to support WA councils with our solutions.

It is noted that Spectur also has written approval for the Queensland, Northern Territory and Tasmanian Local Buy programs, subject to agreement on final terms.

Strategy scorecard

Spectur raised capital in July and August 2022 to fund the execution of our growth plan. Key milestones achieved included:

- Expansion of our reseller market, including supporting technology, training and marketing collateral.

- Establishment of our full-time South Australian presence, including the delivery of sales and revenue.

- Building out the marketing platform and increasing the depth of expertise in sales and marketing with a key recruit.

- Researching and visiting the USA to investigate market opportunities and build a market entry strategy (currently paused to allow focus on the current "profit" strategy).

- Substantially rebuilding the cloud infrastructure and DevOps environment, and designing a completely new hardware ecosystem (STA-Power, HD6, STA6s, STA6-240X and STA7) to support scaling, improve performance and modularity, reduce costs and improve margins.

- Acquiring 3CT and full ownership of Spectur NZ. 3CT delivered a technology stack, team and customer base that was complementary to Spectur, accelerating our progress in all these areas.

These initiatives, along with a series of debt reduction, productivity, cost control and operational improvements made throughout FY23 have positioned Spectur with a scalable platform for growth, improved margins and reduced overhead costs.

FY24+ Strategy

Spectur's strategy is firmly focused on achieving consistent profitability and cashflow self-sustainment. The investments in the foundations built in FY23 and years prior will be leveraged to demonstrate the long-term operational viability of the current Spectur ecosystem, prior to expanding into new markets, geographies or other strategic initiatives. Key themes for FY24, consistent with this approach, are:

- Prioritise the reseller initiative, expanding the number of sales channels and increasing leverage of the existing business infrastructure.

- Drive integrated Spectur and 3CT solutions, to increase value to existing customers and customer sectors whilst broadening and deepening the technology moat from alternatives.

- Maintain focus on construction, government and utilities, in addition to resellers. Test at small scale our nascent mining and AI reseller customer groups.

- Integrate the technology stack (as appropriate) of Spectur and 3CT, with a focus on reliability, modularity, customer experience and cost-to-serve.

- Improve our user interface to support and delight larger customers and resellers in particular; and

- Drive a culture of operational excellence and productivity improvement to maintain and improve gross margins whilst constraining overhead growth.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

"After a year of substantial investment in our future, it is pleasing to return a net operating cash consumption of only $6k for Q4 FY23. We believe we are at turning point. An overhead budget smaller than the prior year, a substantial improvement in gross margins built off the back of improved technology and reduced 3rd party costs, and a growing order book underpin a very different FY24.

"Notwithstanding that Q1 brings an additional pay-run and one-off expenses, we are expecting FY24 to bring improved cash and earnings performance from prior years. Budget and forecast numbers suggest that we will not need to raise equity for working capital purposes with the current operating model."

"The new technology that we have deployed in the latter half of FY23 and into Q1 FY24, combined with our upgraded cloud and pending UI improvements, are expected to support further improvements in customer retention, account growth and new customers.

"The always-iconic Spectur hardware has taken a large step forward on the back of careful industrial design to improve functionality, reduce cost to build and support, and substantially improve our physical brand presence."

"The Board and Executive of Spectur are excited about delivering a strategy focussed on execution and incremental improvement to drive to profitability as a key milestone in our growth story."

Investor Briefing

Managing Director Gerard Dyson will be holding a live and online investor briefing on Tuesday 8th August at 1pm (AEST), where he will discuss the quarterly, the Company's progress and plans for the future.

Register for the briefing or request a recording here.

Corporate Matters

During Q4 FY23 Spectur raised $0.5 million via the issue of 25 million fully paid ordinary shares to some its largest existing shareholders at 2c per share. The funds were primarily used to reduce the loan with EGP Capital as well as provide a working capital buffer. The loan was also restructured during the period with a repayment extension to 31 December 2024 and currently stands at a principal of $650,000.

Spectur Chair Darren Cooper agreed to take 100% of his Director fees in Spectur fully paid ordinary shares for the 6-month period from 1 April 2023 to 30 September 2023. The number of shares to be issued will be calculated at the volume-weighted average price for shares traded each month over the period, with shareholder approval for the issue of shares to be sought at the 2023 Annual General Meeting.

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

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Salary Paid to Managing Director	72,000
Non-Executive Director Fees Paid	36,167
Superannuation Paid to Directors	13,046
Total Payments to Related Parties	**121,213**

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 and manufacturer of security, surveillance, warning, environmental monitoring and AI solutions and platforms, 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. The Company fully owns the Three Crowns Technologies Limited and Spectur New Zealand Limited entities.

Spectur's core products are solar-powered warning, deterrence, surveillance, environmental monitoring and AI 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 or satellite technology to a cloud-based platform. The cloud platforms include data ingestors and repositories, workflow managers, reporting tools and AI solutions.

Spectur has nearly 40 employees across Australia and New Zealand, with offices in Brisbane, Sydney, Melbourne, Adelaide, Perth and Auckland. The company services more than 600 active customers with close to 3,000 camera systems currently deployed.

The Company design, codes, manufactures, sells, installs and maintains our hardware and software technology – providing a single point of contact able to configure to suit customer needs.

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.