

Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 26 April 2024

Highlights:

- Strong sales performance for the year to date of \$5.407m, up 46% (from \$3.674m) in the prior corresponding period of FY23 (PCP).
- Net operating cash outflow for the quarter was \$25k, after \$25k of cash restructuring costs were paid during the quarter.
- Substantial labour cost reductions (>\$650k annualised) made, coincident with milestones in 3CT and SNZ acquisition integrations
- Technology hardware stack and website fully renewed and in market, along with additional ancillaries and features

Investors are encouraged to lodge questions at the Spectur [InvestorHub](#).

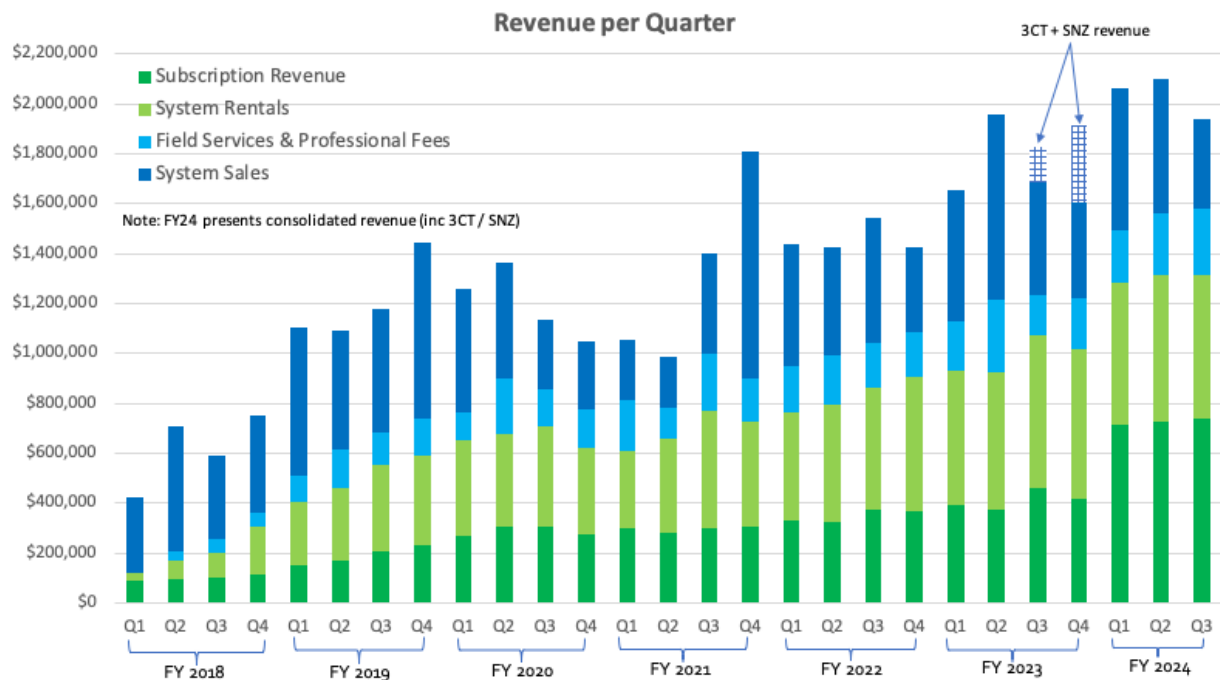
Wireless sensing, thinking and acting solutions and platforms company Spectur Limited (ASX: SP3) (“Spectur” or the “Company”) is pleased to report on its activities for the quarter ended 31 March 2024 (Q3 FY24 or the Quarter).

Q3 FY24 revenue performance

Spectur Group revenue performance is presented below, comparing Q3 FY24 with Q3 of FY23.

Revenue	Q3 FY24 (Current Quarter)	Q3 FY23 (Prior Financial Year)
Total Revenue	\$1.941m	\$1.684m
Recurring Revenue	\$1.316m	\$1.075m

Recurring revenue continues to grow, making up 68% of overall revenues for Q3 FY24. Recurring revenue now equates to an annual run rate of \$5.3m per annum.



Cashflow and Cash Balance

Cashflow from operating activities

Cashflow from operating activities became slightly negative in this Quarter, dropping to -\$25k. It is noted that \$25k of restructuring costs were incurred in Q3, which (if not incurred) would have resulted in neutral operating cashflow for the Quarter.

Notable elements of operating cashflows include:

- \$2.458m of cash receipts from customers in the Quarter (an increase of 17.6% on Q3 FY23).
- Staff, administration and corporate cash costs for Q3 FY24 (\$1.562m), only 4% up on Q3 FY23 (\$1.506m), demonstrating ongoing overhead control.
- Approximately \$30K of one-off recruiting and visa costs is included in staff, administration and corporate costs.
- Restructuring costs of \$25k were paid in March 2024.
- Interest and financing costs were \$36k for the quarter.

Cashflow from investing activities

Investing activities were related to minor plant and rental fleet maintenance and replacement works of \$63k.

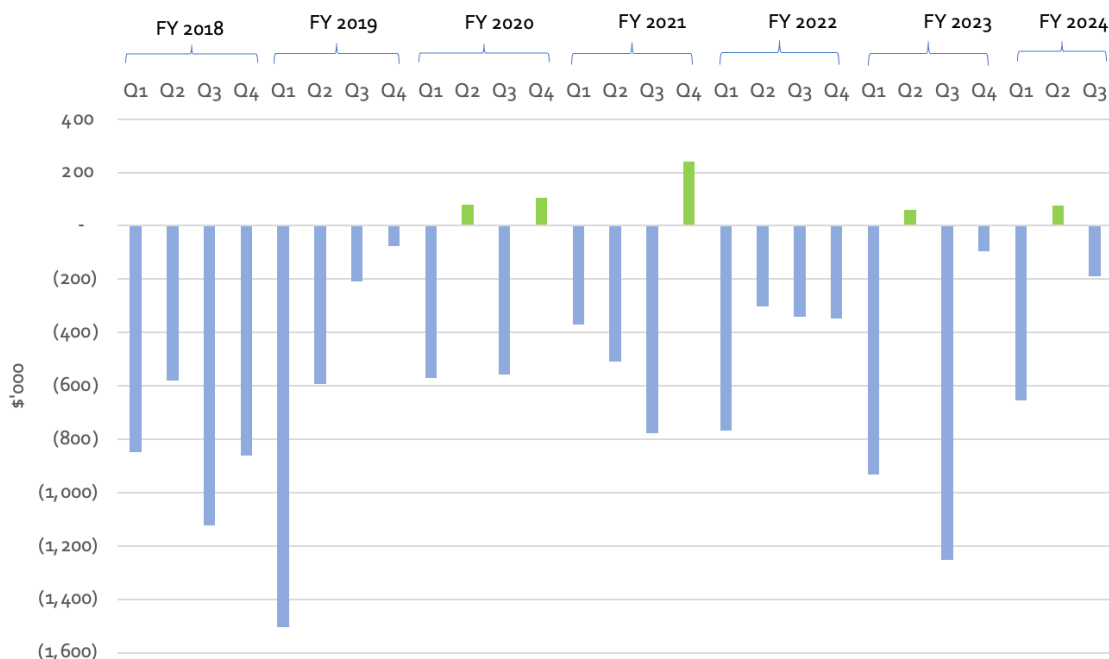
Cashflow from financing activities

Total repayment of miscellaneous borrowings during the Quarter were \$60k. Overall net cash used in financing activities was \$102k.

Net cash reduction across the Group was \$190k for the Quarter with a cash balance of \$754k at 31 March 2024. The Q3 net cash outflow was the lowest Q3 cash outflow since listing in August 2017.

The chart below illustrates quarterly net cashflows over time.

Net Cashflow

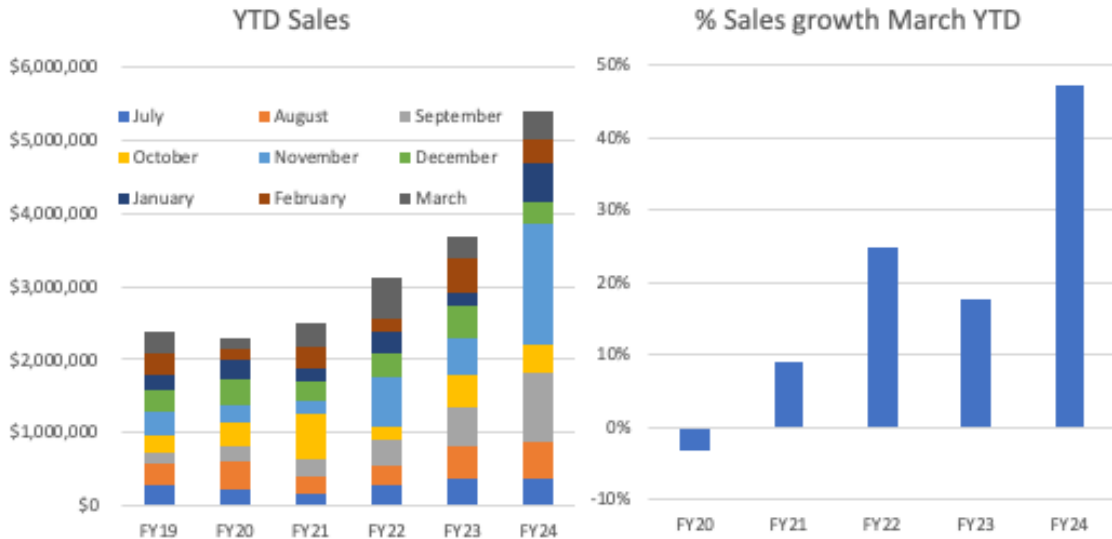


The residual debt balance with EGP Capital at the end of the Quarter was \$250k. Following a placement conducted on 22 April 2024, \$250k was committed for the purposes of extinguishing this debt, which is expected to occur prior to 30 June 2024.

Sales and Marketing Performance

YTD FY24 sales performance (\$5.407m) was up 46% on comparative FY23 sales performance (\$3.674m). Q3 FY24 sales of \$1.261m were 35% up on Q3 FY23 sales of \$0.933m. Key highlights for the Quarter include:

- 3 Year lease of ERBs to a Queensland local council with a total contract value of \$270k including an expansion to a current Envirocoms (3CT) contract to the same customer valued at \$150k, solidifying our position as a key partner to this customer for a variety of solutions;
- A further \$250k of new orders in this Quarter under the Southern Cross Protection contract awarded last quarter;
- Spectur also concluded the complete replacement and refresh of the Company website. This update better reflects the journey of customers and resellers as they seek information to support their purchasing, usage and general learning activities. The site will also deliver improved SEO and paid marketing results.



Near Term Market Opportunities

Spectur is strategically positioned to seize promising opportunities within re-seller networks, local government, and state government sectors, with significant developments expected to come to fruition during Q4.

The Optus stage 3 rollout was also successfully completed during the Quarter, laying the groundwork for forthcoming further phases and initiating promising trials with additional telecom partners. This collaborative effort not only enhances our existing market footprint but also broadens our reach, with installations expected to gain momentum throughout Q4 and beyond.

Throughout the Quarter, a notable uptick in tender responses has been observed, particularly in larger tenders. These responses represent a blend of hardware and integrated software solutions using our Envirocoms product, showcasing our versatility in meeting diverse client needs. Importantly, a significant portion of these contracts are structured to generate recurring revenue streams, with a minimum of 50% guaranteed to be recurring and, in some cases, up to 100%. This underscores our commitment to fostering sustainable growth and fortifying our financial resilience.

Sales Pipeline

Spectur has shifted focus increasingly to customers that purchase in larger volumes, for more extended periods (or permanent applications) and where the Company offering has lesser competition. This has led to an average increase in confirmed order size of 30% compared to FY23, with quoting increasing by an average of 20% as measured by comparing average quote size for FY24 March YTD compared with average quote size for FY23 March YTD.

As at March 2024 Spectur had more than \$12m of unweighted opportunities recorded in the Company CRM, each with a potential contract value greater than \$500k, that were expected to be won, lost, closed or otherwise resolved within the next 12 months.

It is noted that these unweighted and unfactored opportunities are the sum of qualified and quantified sales leads, tenders that are being responded to or have been submitted, proposals or quotations delivered, and verbal commitments to proceed with a proposal that Spectur has presented.

Operating Cost Reductions

Spectur largely concluded the operational integration of 3 Crowns Technologies Pty Ltd (3CT) and Spectur New Zealand (SNZ) into Spectur Limited during the Quarter. This involved integration of the sales, technology and operational teams and followed earlier integration of the finance functions. Consequently, the business has realised synergies and productivity improvements allowing Spectur to reduce the headcount in finance, service and sales functions, resulting in overall savings of more than \$650k per annum.

Technology Advances

Spectur fully launched the new STA7 quad-camera system during the Quarter, completing the full replacement of the hardware technology stack over the last 12 months. The core STA6 and HD5 platforms ceased production in H1 FY24, with final inventories almost completely cleared. The new HD6 and STA7 platforms are underpinned by substantial performance, resilience and serviceability improvements that will drive greater satisfaction for end customers and resellers of the products, and will significantly lower Spectur's ongoing warranty and field support costs.

In addition to launching the STA7 flagship, Spectur also released to the market for testing and in some cases full deployment:

- The fully integrated Starlink satellite connectivity option. This solution is solar powered and can be connected to Spectur (or 3rd party) hardware platforms providing truly global reach for our sensing, thinking and acting platforms (and those of 3rd parties).
- External movement, temperature, light and vibration sensors, used for extending the range and reach of a standard Spectur system. Spectur has concluded hardware and software integration testing on this battery-powered solution that has an obstacle-free range of up to 1.2km and can be used to trigger an alert and response from a core Spectur platform.
- OEM camera and Pan-Tilt-Zoom (PTZ) functionality. Leveraging the STA-Power platform and the broader range of Spectur video management systems, Spectur can now offer PTZ cameras as an option as well as high end 3rd party AI-enabled OEM camera platforms. For customers that wish to remain within a technology ecosystem, Spectur can now efficiently and reliably extend this OEM technology away from the wired environment. Interest is rapidly growing in this space, expanding the range of markets that Spectur can and does operate in.
- A monitored "rescue tube" locker and release mechanism to assist surf lifesaving organisations manage rescue device deployment and restocking.



Executive commentary

Spectur Managing Director, Gerard Dyson, said:

“It is particularly pleasing to conclude the small placement in April to repay the balance of the EGP loan.”

“The business is 46% ahead of FY23 sales at the end of March 2024. Pending substantial sales in South Australia (expected to be lower than the ASX announcement materiality threshold in Phase 1) combined with existing account growth have also led to a strong start to Q4. The sales pipeline includes a growing number of material opportunities.”

“Underpinning ongoing sales is a fully updated hardware stack and a renewed website and marketing platform integrating all our products, including those from the 3CT acquisition. Our integrated technology team is now focussing on firmware and software, user experience, improvements in live viewing and AI performance, and supporting our resellers. This may not seem dramatic, but is what our mature, larger and strategic base of customers and resellers are asking for, as measured by our market research.”

“Some restructuring undertaken during Q3 and into early April, which came following major integration steps in Q3, will lead to an approximately 20% reduction in overall headcount within Spectur and a reduction in labour costs of approximately \$650k per annum. It will also have the effect of reducing a number of associated liabilities on the balance sheet.”

“Planful integration of acquisitions, technology renewal and improvements in systems and process are leading to reductions in direct, operating and overhead costs which, along with overall gross margin improvements and top line growth, underpin our transition to being a cashflow-positive and growing entity.”

Investor Queries

To ask questions and make sure you receive all updates, sign up and participate in the Spectur [InvestorHub](https://investorhub.spectur.com.au):
<https://investorhub.spectur.com.au>

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

	\$
Salary Paid to Managing Director	86,880
Non-Executive Director Fees Paid	8,750
Superannuation Paid to Directors	<u>10,495</u>
Total Payments to Related Parties	106,125

Ends.

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

For further information, please contact:

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

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.