

Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 17 October 2024

Highlights:

- Spectur Group consolidated revenue was \$2.228m for Q1 FY25, up 7% on Q4 FY24 revenue of \$2.089m and 8% on Q1 FY24 revenue of \$2.063m.
- Recurring revenue for Q1 FY25 increased to \$1.372m for the Group, up 6% on Q4 FY24 recurring revenue of \$1.286m and Q1 FY24 recurring revenue (also \$1.286m).
- Net cash used from operating activities was \$253k, down from \$720k in Q1 FY24 and from \$337k in Q4 FY24 demonstrating substantial improvement.
- Consolidated cash reserves at end of Q1 FY25 increased to \$1.023m.

MD Gerard Dyson will present these results and related developments in a live presentation with follow up Q&A on Thursday 24 October 2024. To lodge questions in advance, view the presentation or sign up to attend, please participate at the [InvestorHub](#).

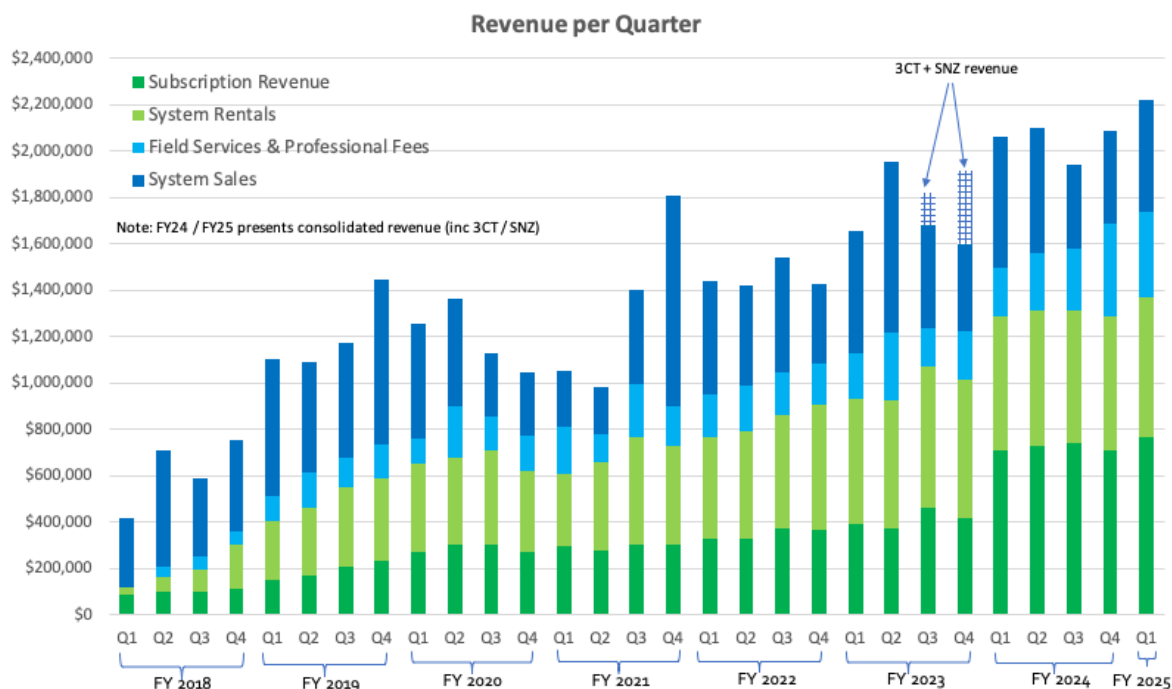
Wireless sensing, thinking and acting solutions and platforms company Spectur Limited (ASX: SP3) (“Spectur” or the “Company”) is pleased to report on its activities for the quarter ended 30 September 2024 (Q1 FY25 or the Quarter).

Q1 FY25 revenue performance

Spectur Group consolidated revenue performance is presented below, comparing the Quarter (Q1 FY25) with the Prior Quarter (Q4 FY24) and the Prior Corresponding Period (PCP, Q1 FY24).

Revenue	Q1 FY25	Prior Quarter, Q4 FY24	PCP, Q1 FY24
Total Revenue	\$2.228m	\$2.089m	\$2.063m
Recurring Revenue	\$1.372m	\$1.286m	\$1.286m

Note that revenue increased by 8% and cash receipts by 15% compared with the PCP, with a portion of the increase in receipts corresponding to an increase in advanced payments (unearned revenue). Nevertheless, top line performance was below Management’s expectations as some larger contracts were expected to be awarded from the pipeline in the Quarter. These projects have been delayed (not lost) and are now forecast to be awarded in the coming period (Q2, FY25) supporting the unchanged revenue and EBITDA guidance previously provided.



Cashflow and Cash Balance

Cashflow from operating activities

\$253k of net cash was used by the Group during operations in the Quarter. This was the lowest Q1 operating cash consumption since the company listed in August 2017, beating the \$321k net cash consumption in Q1 FY21 during the austerity measures of COVID-19. Noting that the first quarter of each financial year has a number of annual costs that make it a typically higher cash consumption quarter, Quarterly results have been compared with both the PCP and the Prior Quarter:

Cash flows from operating activities	Q1 FY25 \$A'000	PCP, Q1 FY24 \$A'000	Prior Qtr, Q4 FY24 \$A'000	Improvement \$A'000	
				Q1 FY24 to Q1 FY25	Q4 FY24 to Q1 FY25
Receipts from customers ^{Note 2}	2,602	2,258	2,340	344	262
Payments for					
(a) research and development	(11)	(50)	(10)	39	(1)
(b) product manufacturing and operating costs ^{Note 4}	(1,228)	(904)	(828)	(324)	(400)
(c) advertising and marketing	(60)	(85)	(94)	25	34
(d) staff costs ^{Note 3}	(1,087)	(1,384)	(1,269)	297	182
(e) administration and corporate costs ^{Note 5}	(355)	(443)	(291)	87	(64)
Interest and other costs of finance paid	(28)	(39)	(44)	11	16
GST paid	(86)	(73)	(149)	(13)	63
Net cash from operating activities^{Note 1}	(253)	(720)	(337)	467	84

Some key points that can be noted from this information:

- **Note 1:** Net cash used from operations in the Quarter was \$467k (65%) less than PCP and \$84k (25%) less than the Prior Quarter. Noting that revenue was \$2.228m, 7% higher than the Prior Quarter, this demonstrates a clear improvement in cash consumption over the year and over the Quarter.
- **Note 2:** Cash receipts received from customers was \$344k (15%) more than PCP and 11% higher than the Prior Quarter. This was primarily due to a combination of increased revenue and unearned revenue. For example, revenue increased by \$132k and net unearned revenue by \$247k, compared to the Prior Quarter. It is also noted that net unearned revenue increased by \$93k in the Prior Quarter.
- **Note 3:** Staff costs in the Quarter included a \$30k one-off recruitment fee for a new cloud engineer that was not budgeted nor expected to be repeated. It is expected that, pending commission performance, staff costs in Q2 FY24 will reduce further.
- **Note 4:** Product manufacturing and operating costs exceeded the Prior Quarter by \$400k and the PCP by \$324k. Major contrasting points from the PCP are:
 - In 2023, Spectur was running down the balance of existing inventory in advance of the new STA7 and HD6 models replacing the earlier HD5 and STA6s series. This led to a difference in investments in componentry of \$131k. This had a flow on effect on consumables which were also \$18k higher in the Quarter.
 - Spectur only had \$20k of monitoring expenses in the PCP, compared with \$201k in the Quarter a difference of \$181k related to Spectur taking on top line responsibility for an increased volume of monitoring contracts in the last 12 months, albeit with lower margins.
 - Finally, there was a cost overrun in two remote projects in July and August, which contributed to the increase in field services and fuel costs of \$39k. Recent strengthening of the project management function at Spectur is expected to have addressed this problem.

Comparing the Quarter with the Prior Quarter, the primary differences were:

- Investments in inventory in the Prior Quarter were constrained in advance of confirmed re-capitalisation activities. This also led to some catch-up in inventory investment and associated consumables in the Quarter, which is now complete, and resulted in an overall difference of \$266k in inventory and consumables expenditure.
 - A new monitoring contract, which began in July 2024, resulted in monitoring expenses increasing by \$106k in the Quarter. This is likely to continue.
 - Field services and fuel costs were \$54k greater than in the Prior Quarter due to phasing of payments for remote projects work done in May and June. This is expected to return to lower levels in Q2 FY25.
- **Note 5:** Q1 historically has a number of one-off costs that are not replicated in other quarters. These include D&O insurance, audit fees, tax and finance consultants' fees of \$102k. The difference in administration and corporate costs with the Prior Quarter is only \$64k, demonstrating underlying improvement in this area as well.

Improvements in operating cashflows demonstrate the broadscale reduction in costs that have come from productivity and cost reduction exercises. Increasing revenue, removing the one-off Q1 costs and improving remote project performance is expected to continue this trend of improvement as the year progresses.

Cashflow from investing activities

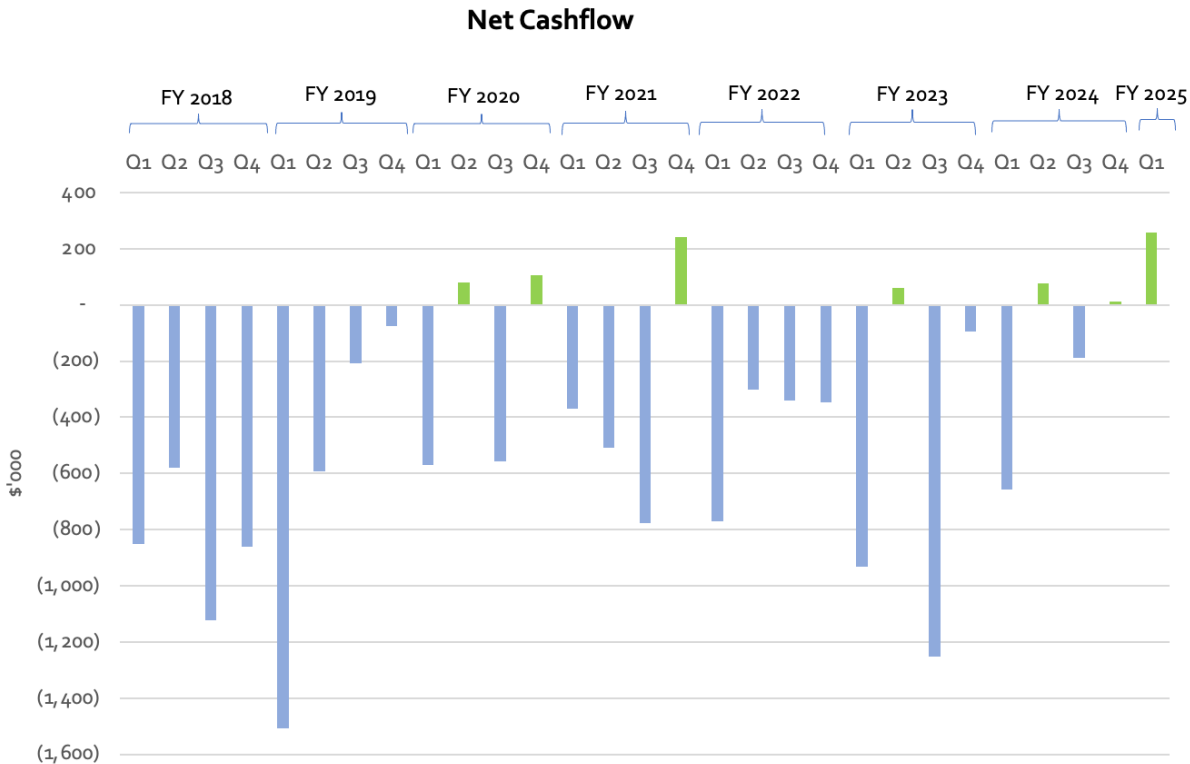
The Quarter included a thorough review of inventory and stock as part of the new ERP deployment. Coincident with the launching of the new hardware technology stack and associated rental customer demand, \$154k of predominantly rental stock was added to the rental fleet, whilst scrapping some of the fully depreciated older models that remained.

Cashflow from financing activities

Spectur concluded a placement of \$465k and raised an additional \$270k from a short term R&D loan with Radium Capital (Innovation Structured Finance Co. LLC) during the Quarter. Noting some other minor repayments and adjustments in lease liabilities, the net cash from financing activities was \$650k.

It is expected that the Radium Capital loan will be repaid in full in Q2 FY25, coincident with the collection of the balance of the R&D tax return (circa \$340k). Minor loans related to vehicle (VW and Kia Financing) and insurance financing (iQumulate Premium Funding) will remain.

The chart below illustrates quarterly net cashflows over time.



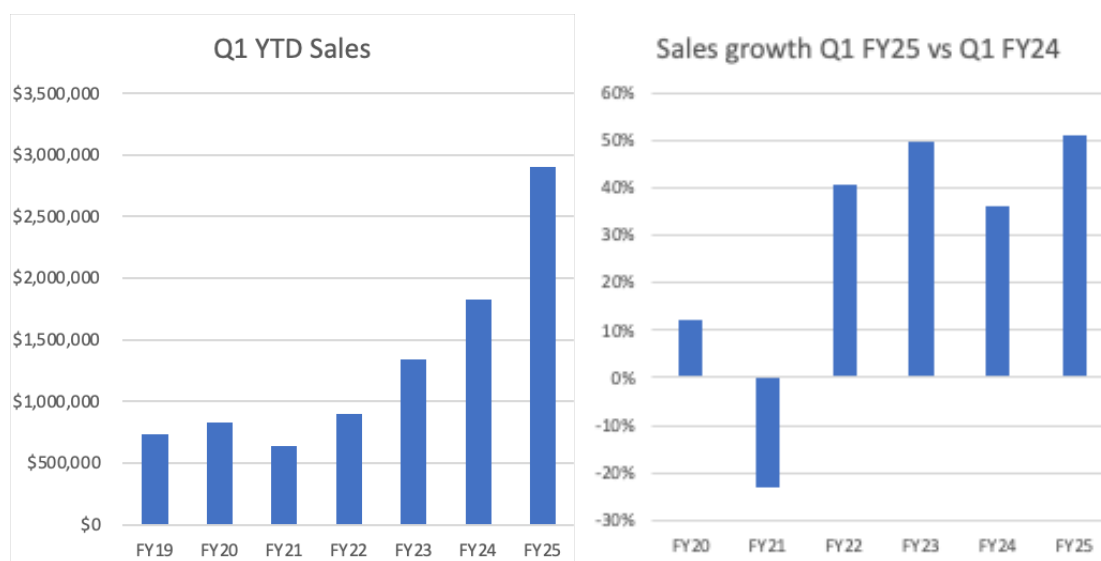
Net cash increase across the Group was \$258k for the Quarter with the consolidated cash balance of \$1.023m on 30 September 2024, following on from the \$11k increase in net cash in the Prior Quarter.

Sales Performance

Total sales for Q1 were a record \$2.756m which included a number of large contract extensions and can be compared with a PCP sales result of \$1.827m (51% growth). A portion of notable results in this Quarter include;

- Many existing legacy 3CT customers extended their contracts, contributing \$1.7m of subscription sales. The largest customer, City of Gold Coast, re-affirmed their commitment by signing 3-year agreements for all contracts. This compares with the prior 3CT agreements being month-to-month.
- Optus completed the first stage of its next roll out with new systems being sold and installed during the Quarter.
- Additional Southern Cross Protection systems were ordered and installed under full service 5-year arrangements.
- The Company installed and operated a pilot advanced parking monitoring solution, utilising the Envirocoms platform with Spectur STA-Power technology for a Qld local council.

Hardware purchases and rental sales increased by 18% compared with PCP.



Near Term Market Opportunities

All opportunities larger than \$500k, that were used to build budget estimates and associated guidance, remain open to be awarded. A number of new opportunities have been added to this large category and are being progressed.

Spectur has successfully onboarded the first two distribution partners in VSP - <https://www.vspolutions.com.au/> a large CCTV wholesaler, and Hydroterra - [Home - HydroTerra](#). Both of these distribution arrangements were completed in the Quarter with sales results expected to start in Q2 from these large well known Australian brands in the technology space.

The Company continues to see strong pipeline and sales growth in core Spectur offerings that provide ongoing confidence in the provided revenue and EBITDA guidance.

Operations Update

ERP Transition: In the Quarter, Spectur successfully transitioned its ERP system from MS Dynamics to SimPRO, which has been transformational across operations. This move has addressed the complexities of operations across multiple revenue streams, manufacturing, procurement, service and software, finance and reporting resulting in material productivity improvements, which have allowed the resource reductions of H2 FY24.

As part of the ERP implementation a significant inventory and stock management overhaul was completed. The Company rationalised SKUs, wrote off end-of-life products, and reduced inventory-related inefficiencies which will lead to lower operational costs and improved working capital management.

Field Services: Looking ahead to Q2 and beyond, further gains in productivity are expected, which will benefit planning and project management activities. With greater clarity on capacity and productivity, the Company is engaging with regional and local field service providers to manage fluctuations in demand—addressing peak workload and optimising costs during slower periods.

Service and support: In the Quarter there was focus on optimising after-sales care processes. Automation was introduced to improve customer support post-installation, monitoring client connectivity and providing more proactive service responses. This enables the Company to maintain strong and positive relationships with customers long after the initial installation phase.

Technology Update

In FY24, Spectur made significant progress enhancing the technology stack, solidifying its position as a leader in modular, AI-driven, security, safety and environmental monitoring platforms. The successful launch of the STA7 camera platform, coupled with the seamless transition to the HD6 camera platform, has continued to deliver value across diverse applications. Spectur's commitment to modularity and scalability has empowered partners and resellers with more options, while deeper integrations with Envirocoms and next-generation communication systems such as Starlink, have expanded the solutions that can be offered for connectivity and operational flexibility.

During the Quarter the engineering focus remained on rapid software innovation, tighter system integration, and advancing security standards with progress towards extending the existing ISO27001 certification from the 3CT entity to the balance of Spectur.

A major software focus was completing the foundation for a new, unified user interface that will be rolled out to all users. This new interface will provide a consistent experience across apps and desktop platforms, enhancing user accessibility and allowing Spectur to iterate quickly to deliver new features in coming quarters. The Company delivered an improved Live View experience for 4K camera users, along with numerous security, reliability and scalability upgrades that will ensure the core software and cloud platforms continue to support rapid growth. In addition, expanded features were deployed within the Envirocoms system, rolling out advanced license plate recognition solutions across multiple council carparks, further expanding the range of solutions for advanced vision and AI applications.

It is expected that the Company will release major updates to iPhone and Android apps in Q2 FY25. The focus will then shift to advancing features to support Partners and Major Customers who typically manage several hundred cameras each.

Continuing Company efforts to protect lives as well as property, Spectur enhanced the Emergency Response Beacon product by incorporating a housed and monitored rescue tube option, designed for

rapid response to beach and waterway emergencies. This new life-saving capacity expands the versatility of the beacons and demonstrates Spectur's commitment to safety and innovation in critical environments.

Strategy update

FY25 is an execution and operations-focused year in the longer-term strategy calendar.

Sales and Marketing: The business will continue to focus on existing sectors and build out our presence with resellers and distributors as well as our end customers in government, utilities, construction and related markets. Supporting this, the Solarcam website has launched and is being progressively expanded, accelerated and marketed. Customers (and investors) are encouraged to investigate it at www.solarcam.com.au. Ultimately, this platform will provide the portion of the market that wishes to shop and manage their purchases online with a one-stop-shop.

Technology: Given the major developments of prior years, the focus is now on simplicity, reliability and performance with improved user interfaces and the addition of expanded AI applications. This will leverage prior technology investments, giving customers the benefits of specialized applications, but from common, reliable, modular and cost-effective sensing, thinking and acting hardware and software platforms.

Operations: The primary focus for the year is the transformation of the operations and its value chain delivery. Spectur seeks to provide the best service experience in our markets from highly productive internal and partner teams enabled with technology. The Company also expects to expand the network of service partners outside the fully vertically integrated model that exists today, enabling faster service at a lower cost for more customers. This has only become possible with the simplification of Spectur hardware and the deployment of systems, processes and software that can enable a broader partner network.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

"We are very pleased with the record Q1 cash performance."

"Inflection points are only visible in hindsight. The 15% improvement in receipts and impact of careful cost control and productivity improvements led to a marked improvement in operating and overall cash performance compared with PCP and the Prior Quarter. Moving on from some of the one-off Q1 costs, some challenges we had with projects in new and remote territories and with the expectation of improved revenue performance heading into Christmas, we remain bullish about the financial performance expected for FY25."

"Renewing and growing so many subscription contracts and converting many to annual subscriptions solidifies the recurring revenue portion of Spectur, which now exceeds 61% of all revenues, at an annualised rate of \$5.5m per year. We are expecting a substantial increase in sales in Q2, which has already started strongly, as a number of the larger project awards that we anticipated in Q1 have delayed, growing our sales pipeline along the way."

"The focus for the year remains on improving operational performance and efficiency whilst growing and converting the sales pipeline. Sales and marketing emphasis will be on existing geographies, sectors and offerings (and adjacent offerings). This will deliver the best return on sales investment in the shortest period, concurrent with our profitable growth strategy. We plan to achieve more dominant

positions in existing markets that we should dominate, before we expand into new ones.”

Investor Briefing

Managing Director Gerard Dyson will be presenting these results and answering questions on Thursday 24th October 2024. Please send any questions in advance to investors@spectur.com.au or at this link: <https://investorhub.spectur.com.au/link/XyOj7P>. More details on the investor briefing will follow.

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

	\$
Salary Paid to Managing Director	87,360
Non-Executive Director Fees Paid	-
Superannuation Paid to Directors	9,777
Total Payments to Related Parties	97,137

Ends.

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

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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 30 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.

