



25 November 2020

ASX RELEASE

2020 Annual General Meeting

Chairman's Speech

The 2020 financial year was another promising one. It was particularly pleasing to return to a position where we could recommence being a dividend paying company after a very long absence. It is also pleasing to report that we are continuing to implement our strategy for sustained growth and profitability. We do this by maintaining a strong portfolio of quality products designed for our 3 markets, domestic sale, rental and international sale. These products, through our in-house engineering and testing capabilities will continue to be refined, improved and expanded upon to maintain industry leadership.

Financial Performance

The 2020 financial year was again one of consolidation in some areas and strong expansion in others. From a top line sales perspective the total sales declined by 8% but there was only a marginal 4% reduction in our gross trading profit reflecting our continued improvement in trading margins driven by product mix and supply chain economies. The restructuring and consolidating our management team and staff numbers late last financial year and a continued focus on costs this year. This resulted in reduced indirect and overhead costs of 22% leading to a much improved bottom line profit before tax of \$590K.

The stand out performer was again our rental business, Road Safety Rentals. Our continued investment in new rental stock and our value adding total client service model had resulted in a year on year sales increase of 78%. This gain has flowed through to a much stronger profit contribution from that element of our overall business. Road Safety Rentals rentals is however still in its formative years and this increase is off a relatively small base and going forward we expect further strong growth. Our rental asset acquisition program will continue to be financed by internal cash flow and loan funds.

We continue to maintain a strong balance sheet with good working capital management and comfortable debt to equity gearing. We have sufficient undrawn facilities to make further additions to the rental fleet for at least the next 12 months and that program will not take us into an unwarranted highly geared position.

These strong financial trends assisted us in the renewal of our main finance facility with the CBA for a further 4 years until October 2024. As part of that new facility we have increased our asset financing facility capitalising on the historically low interest rate environment.

COVID-19

I am also pleased to note our management of the impacts of the COVID-19 pandemic. From the start, the Board took decisive steps to trim costs in the early days of significant uncertainty. We also introduced strong hygiene protocols to protect our employees and the company, and to this day we have not had any case of the



virus that directly effected an employee. As a key supplier to vital infrastructure projects we remained open and fully operational. For this outcome the Board is deeply grateful to the management and all employees of the company.

Ongoing Strategic Business Plan

The company will continue with its focus on maintaining and where possible enhancing a portfolio of quality products. Those products are available for domestic sale and rental and with some capable and approved for international sale. All forward product development is focused on products that suit these three sales channels.

The company continues to be very well placed as a key player in the Government Infrastructure Development economy. We do, however, recognise that from a very practical position we can not be “all things to all people” and consequently we continue to target the selection of projects that best suited to our products and our delivery capabilities.

Our strategy development capability has been enhanced with the director appointment in March 2020 of a further industry expert, Hayden Wallace. Hayden has a strong record of business growth, product design and strategy development and we are very pleased to add him to the board. I will say more about Hayden when we address the formal Director appointment resolutions shortly.

Outlook

The 2021 year looks positive despite the adverse influence of COVID-19 and its impacts on the economy. We are as well placed as we could be to capitalise on our alignment to the Government economic stimulus initiatives through major infrastructure spending. However the situation for the continued development of our International business is a concern with significant uncertainty on the COVID-19 impacts on economic activity. This setback is offset to some degree by our ongoing active sales channels into New Zealand.

We continue to have good profitable months this year and are expecting a positive first six months. Our lower indirect cost structure is proving to be effective going forward which assists in the generation of sustainable profits. Road Safety Rental has a stable and increasing revenue source that assists with the generation of reliable result trends.

We are in the process of reviewing our product profile with a view of identifying any that do not have strong futures for us or warrant the allocation of our capital and efforts to pursue. Any identified will be sold off to free up capital for our more favoured and growth products and services.

Our recent dividend was a longtime coming but we are confident that we can return to a consistent dividend paying investment for our shareholders. We are very pleased with the strong support for our DRP and the mutual benefits it brings to the company and our shareholders.

I would like to handover to Darren Hotchkin, our CEO, to provide more details on the operations of the business over the past year and his expectations of FY21.



But before I do so, I would like to again thank Darren, the senior management team and our staff at Saferoads for their outstanding efforts this year. It's been a difficult year for them but they remained focused and motivated.

As you all know David Cleland will be finishing his role as a director at the conclusion of this AGM and I will be saying some more about his contribution a bit later.

I would also like to thank you, our shareholders, for your continued support, we have had a solid year and the outlook is positive.

CEO's Speech

Good afternoon everyone and thank you for joining us today.

Despite the major challenges that were faced globally this year due to the Coronavirus pandemic, the strategic focus at Saferoads resulted in a positive finish to the 2020 financial year.

We were able to remain fully operational and our swift initial response to COVID-19 effectively reduced the financial risk to the business. It is challenging to forecast in this uncertain environment, with the ongoing COVID-19 pandemic having the potential to affect not only our customer base and supply chain, but result in continued government-enforced lockdowns. However, our current sales pipeline looks promising and the fact that we operate within the critical infrastructure industry are both positive factors.

Today, as we hold our first virtual AGM, we are more aware of the widespread and potentially long term implications of the pandemic. In June 2019, we restructured our company and how we go to market with our product range. The domestic product sales portfolio in particular had begun to adopt a more digital marketing strategy. This is a substantial change from our traditional interpersonal approach to sourcing sales leads. At the start of the COVID-19 pandemic we made the decision to fast track the implementation of this marketing strategy due to travel restrictions, social distancing, etc. It has proved effective, with a dramatic increase in the number of customers initiating contact via our online platforms. Simultaneously, the structure of staff has been adapted to better support this overall marketing strategy, ensuring greater efficiency, improved customer service and a proactive approach to major customers. Additionally, the domestic product sales business increased focus on maintaining consistently higher sales margins.

The Road Safety Rental division experienced a very successful year, with an 78% increase in revenue compared with the previous financial year. This was largely due to increased rental assets. The Road Safety Rental asset fleet and product offering was further increased throughout the year, and we intend to continue doing so as the level of demand in Victoria continues. Looking ahead, we are excited for the expansion of the Road Safety Rental business into the New South Wales market. Plans are currently in place to secure a suitable premises in southern-metro Sydney and for a new branch to be operational there in early 2021.



The international product sales division saw a 15% increase in sales on the prior year. This was a result of sales of the new HV2 unanchored crash barrier to New Zealand, and the Ironman barrier under the distributor agreement in the USA. We also secured sales of our flexible signage range in Belgium, solar lighting products to New Zealand, and traffic calming products into both New Zealand and Malaysia. In the second half of the financial year, the coronavirus pandemic unfortunately started to impact our international sales opportunities. We have now secured our first sale in North America of our OmniStop Portable bollard system, and received a number of quality enquiries on this product. The expectation is for this to increase dramatically when restrictions on large crowds have ceased. Approval of the Hv2 Barrier has been confirmed in 16 US states as well as in Ontario, Canada. Once we achieve approval in other key states, such as Texas and California, for example, and international travel opens up again we will be in a better position to promote Saferoads products in this region. New Zealand is going steady and I expect this will continue.

Saferoads was fortunate in that we were able to avoid any major supply chain issues during the coronavirus pandemic. However, as a result of the epidemic, our order to delivery time has increased by approximately 25 - 30%. This has been taken into consideration with our timing of ordering. We have continued outsourcing our manufacturing and the overall headcount in the factory has been reduced.

This year saw the commercialisation of the company's most recent innovations; the HV2 temporary barrier system and the OmniStop portable bollard system. The team was proud to see the first deployments of each, with HV2 installed by CSP on roads in New Zealand, and the OmniStop portable bollards were put in place to protect crowds at both the Festival of the Lights in Frankston, and at The Block - Open for Inspections. As I touched on earlier, due to the application of the OmniStop Portable product, we will be looking to re-establish interest in this system with contacts in the event management space when COVID-19 restrictions on large gatherings are lifted.

The year also saw additions to our increasingly popular solar lighting range, such as the 100W solar light with a telescopic pole, which is superior in terms of ease of deployment, and the fully compliant slip base pole with a 75 watt solar V-LED light fitting, which provides a powerful spread of light making it ideal for blackspot locations.

We have embarked on developing Australia's only private roadside barrier testing facility at Lardner Park, which will benefit the business with more cost effective and discreet crash testing capabilities.

In summary, we see continued steady improvement in market share and profit margins in our domestic product sales division. There is rapid growth of the Road Safety Rental division, and this is expected to ramp up even more with the expansion into NSW. The international division will struggle to achieve growth whilst travel restrictions are in place but we are optimistic about maintaining this portfolio at this time. There has been a dramatic impact on some markets, in particular, North America.

The outlook for the first half of FY21 should be approximately \$500-\$600K underlying profit. In addition to this, we have received various COVID-19 Government support payments of approximately \$350K. We anticipate that this will result in a first half profit of approximately \$850-\$950K.



The Board was pleased to announce a 1 cent per share dividend earlier this month, which is the first dividend that Saferoads has paid in 10 years. Holistically as a company I would expect to see further growth over the next few years.

Finally, I would like to acknowledge the hard work and effort of the Saferoads staff, who have shown great team spirit in an uncertain situation and managed to deliver a solid result for FY2020. Thankyou.

This announcement has been authorised for release by the Board.

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ABOUT SAFEROADS

Saferoads is an ASX listed company specialising in providing innovative safety solutions. Headquartered in Pakenham, Victoria with representation across Australia, New Zealand and the USA, the company provides state government departments, local councils, road construction companies and equipment hire companies with a broad range of products and services designed to direct, protect, inform and illuminate for the public's safety.