Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 17 October 2022

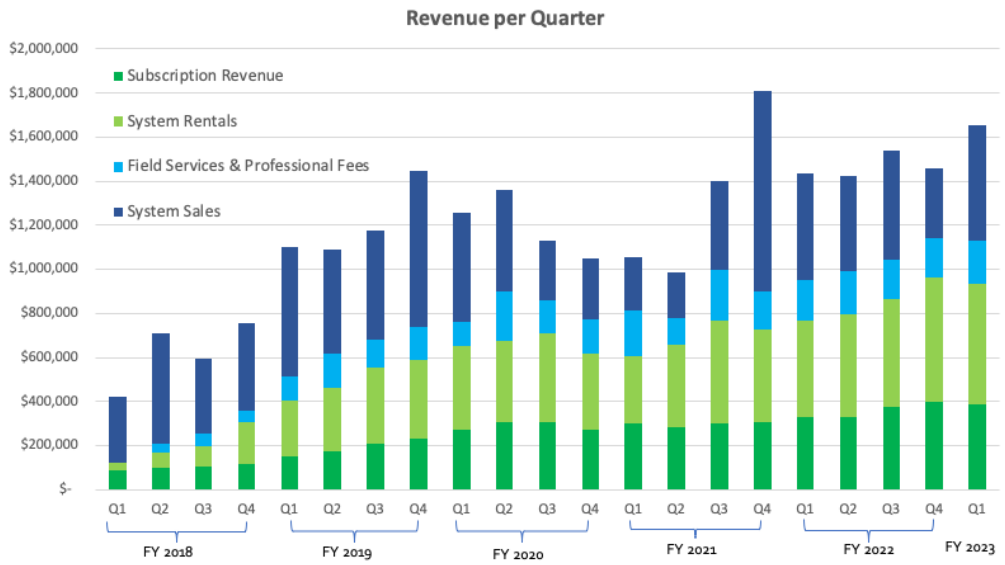
Highlights

- **Spectur delivers record Q1 FY23 revenue of $1.657m, up 15% from Q1 FY22 and representing the highest first quarter on record.**
- **Total available cash reserves at end of September 2022 of $2.808m.**
- **Unweighted sales pipeline grows to $10.1m at 3 October 2022 (weighted $4.1m), underpinning expectations of continuing growth into Q2 FY23.**
- **Eligible for an Export Market Development Grant (EMDG) with the application now pending final approval.**
- **Ongoing execution of strategic objectives in sales growth, marketing, market expansion and technology.**
- **Join an investor briefing with MD Gerard Dyson on Friday 21st October at 11am (AEDT), where he will provide a company update and discuss the result in more detail. Click here to register.**

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 30 September 2022 (**Q1 FY23**).

Record revenue performance in Q1 FY23

In Q1 FY23, Spectur earned $1.657m of revenue in response to particularly strong hardware sales results. This was the highest Q1 revenue (and the second highest quarterly revenue) on record, up 15% on Q1 FY22 in a market otherwise accepted to be bearish.



Recurring revenue for the quarter (comprising subscriptions and rentals) was $932k (56% of total), equivalent to a yearly run rate of $3.73m.

Operating Cashflows and Cash

Total net cash used in operating activities for the quarter was $849k. Notable elements of Q1 FY23 operating outflows were as follows:

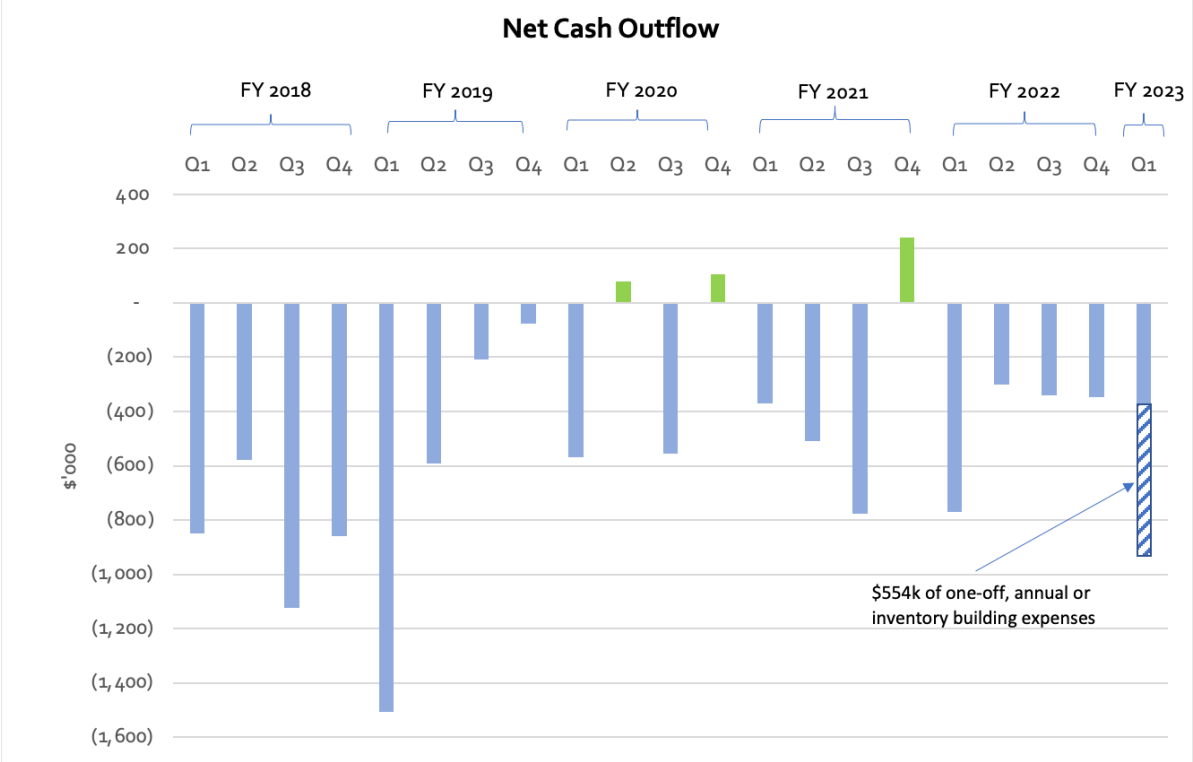
- Staff costs comprising annual payroll taxes ($36k) and an additional pay run (compared with Q4 FY22) of $90k.
- Inventory building, particularly related to extended stocking of electronic and other components impacted by supply chain risk, resulted in an increase in inventory from Q4 FY22 to the end of September 2022 of approximately $250k.
- One-off and annual administration and corporate costs including legal fees, insurance, audit fees, tax consultants, ASX fees and a planned trip to the USA (market research) that came to $178k.
- Additional cost for a new Sales Executive in SA and some salary and input cost increases that commenced at the start of the financial year.

The sum of these one-off, annual and inventory building operating expenses, plus an additional payroll, come to approximately $554k. Subtracting these expenditures from the total net cash used in operating activities ($849k) leaves a “normalised cash used in operating activities” of $295k, which compares with the $248k of operating cash consumption in Q4 FY22.

Other additional material cash outflows largely related to financing activities, including:

- Legal, investor relations and brokerage costs related to the capital raising activities which occurred in the quarter ($311k).

At the end of Q1 FY23, Spectur had $2.808m of cash with $1.1m of drawn debt from the EGP credit facility. Net cash outflow, which comprised net operating, investing and financing costs less proceeds from issuing equities and borrowings (3.1 and 3.6), and associated transaction costs (3.4) was $933k. This is shown on the net cash outflow chart below.



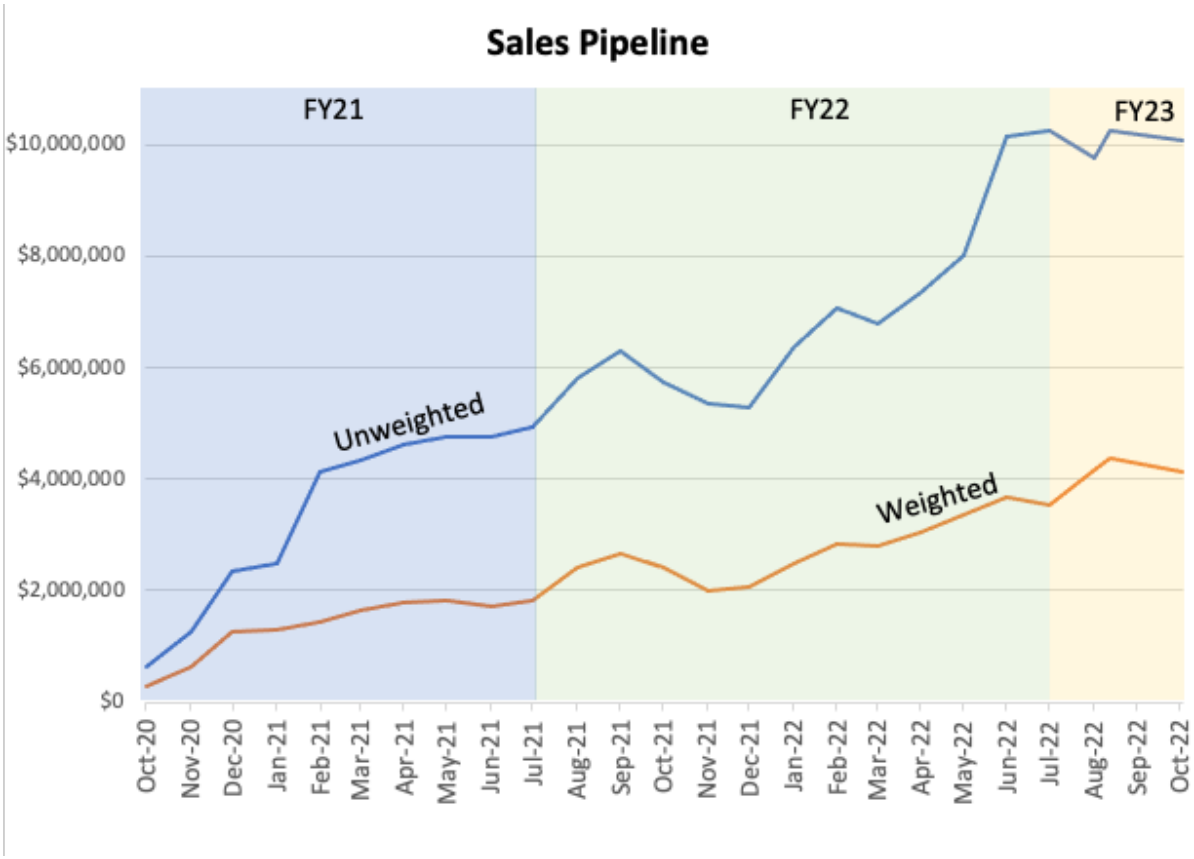
Ongoing growth in sales pipeline

Spectur's unweighted pipeline of sales opportunities was $10.1m at the end of Q1 FY23, slightly down from $10.2m at 18 July 2022 (date of last Appendix 4C report). The probability weighted pipeline[1] was up at the end of Q1 at $4.14m, compared with $3.55m at 18 July 2022.

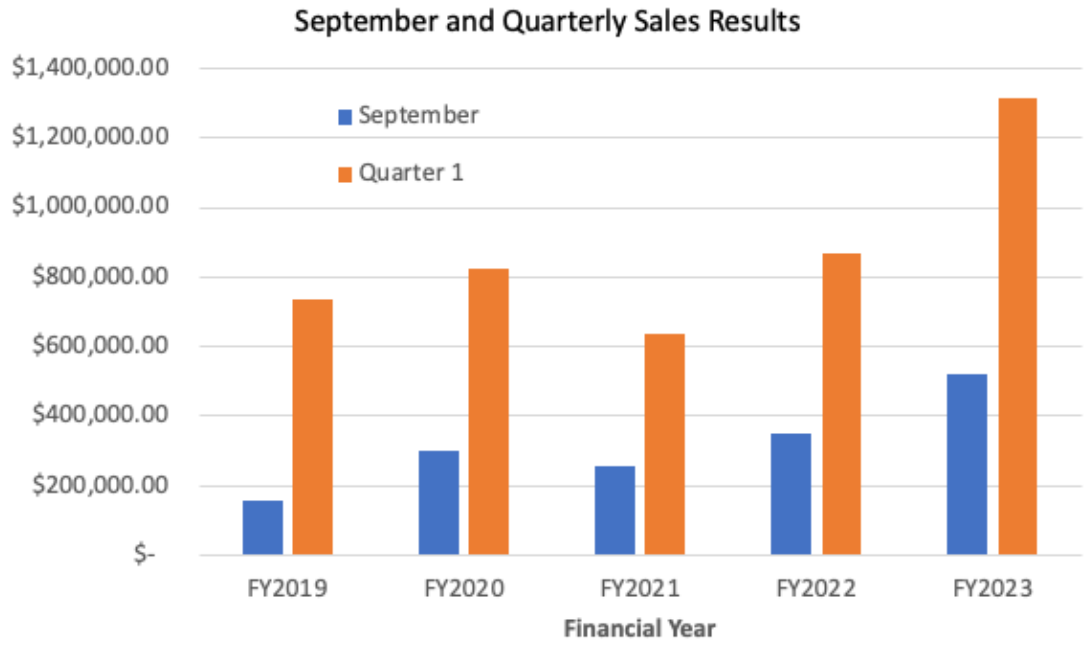
The 17% growth in weighted pipeline compared with the slight decline in unweighted pipeline reflects some opportunities leaving the pipeline and others moving forward with improved likelihood of success.

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

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



The strong growth in sales results, which will convert into revenue in the near term, is shown in the chart below which compares both Quarter 1 (Financial Year) and the month of September sales results since Financial Year 2019.



Even with this substantial ongoing growth in converted sales results, the pipeline of existing sales continues to be at record highs. These sales comprise new hardware sales, rental or subscription agreements which, as they convert to revenue (usually at the time of installation or delivery), will be

in addition to committed recurring revenue (rentals and subscriptions).

Federal Government Grant Support

Spectur applied for an Export Markets Development Grant from Austrade, coincident with plans for ongoing market expansion. Late in September 2022, Spectur was advised following assessment of this application that they were eligible for the grant and are now awaiting final approval and a formal grant agreement. The quantum of this grant is a function of the number of successful applications. For comparison, prior year grants for Tier 2 organisations (the category that Spectur has applied for) were valued at $24,600 per annum. Spectur applied for this grant to apply over a 3-year period, subject to periodic review. It is a matching grant where the dollar amount, up to the cap, is matched for every dollar spent.

This grant follows on from an earlier grant award from AusIndustry that was used to contribute to the implementation of the new Enterprise Resource Planning (ERP) system.

Ongoing execution of strategic objectives

- **Technology**: The engineering team have made substantial strides in the quarter in advancing our technology platform, as we move to a fundamentally more modular architecture for software and hardware. Key elements delivered in this quarter are:
    - **STA6s launch**. This mid-life refresh of the advanced STA6 platform introduces core elements of modularity for camera choice (three different cameras configured already) as well as bringing substantial improvements in simplicity of production, configuration and maintenance. In a week since launch Spectur has already sold 16 units.



    - **Lithium Power Retrofit**. Battery technology and pricing has evolved to the point where Spectur can now offer lithium battery solutions to our wireless platforms. These retrofit solutions are particularly well suited to locations with very high power demand, shading or in deep south locations. The Lithium battery solutions that Spectur has extensively tested and specified for Spectur platforms charge faster, maintain more stable voltage for longer during discharge and last for many more cycles of discharge and recharge.

  In this period Spectur also substantially advanced the longer-term new modular power solutions, which combined power generation, control, telemetry and storage in an integrated solution suitable for multiple applications. It is expected that this will be in the market in Q2 FY23.

- **Increasing local market dominance:** Recent wins in WA and NSW across multiple customer groups further cement Spectur as the first-choice solution for beach warning applications. With additional systems in the sales pipeline and more being installed around Australia with a high level of media interest, it is expected that our ability to further strengthen our expertise in these unpowered safety and warning systems will only continue.

- **ANZ market expansion and development:** Spectur is pleased to confirm that we now have a full time physical presence in Adelaide, South Australia. The new Sales Executive recruited in September is gaining traction with government and construction customers, noting the ongoing pent-up demand for better solutions. Hire of a full time Sales Executive only, whilst leveraging our existing installation partners and a shared facility, ensures that the costs of this market development are constrained until sales warrant additional expenditure.

Spectur has also increased our focus and investment in Spectur New Zealand. As market activity continues to increase in Auckland, Spectur NZ is investing in additional resources in marketing and the team and moving into a larger, more suitable premises. This will build inbound and support outbound leads and allow the business to be more responsive to customers, increasing sales. To support this team as they grow, greater integrations with Spectur Australia systems, including the new MS Dynamics ERP, have also been implemented, ensuring a more consistent, efficient and productive delivery of service.

- **Market entry study – USA:** Spectur has been undertaking research into market entry in the USA. This desktop study will be supplemented in the near term with some additional market research support and information learned from a visit to the Natural Disasters Expo in Los Angeles and the International Security Conference and Expo in New York in November. As mentioned earlier, it is expected that some of the costs associated with this study and associated work will be covered by an EMDG grant.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

"This has been an extremely successful and busy quarter. The business has hit record sales levels and revenue is following. We successfully raised the capital required to support growth and achieve positive EBITDA in the medium term, and we have been executing on a number of these growth initiatives in parallel. Against a backdrop of otherwise challenging global markets and economic conditions, the strong growth in the business and momentum that we are carrying are very encouraging as early signs of our progress towards our ambitious long-term goals."

"We are expecting another strong quarter of growth, with far lower cash consumption, in Q2 FY23."

Corporate Matters

During Q1 FY23 the Company completed its capital raising of approximately $3.012 million of funds from the combined placement and SPP undertaken in July and August 2022. A total of 83,678,154 fully paid ordinary shares were issued at $0.036 each and 41,839,035 accompanying 1:2 bonus options, exercisable at $0.066 on or before 7 September 2024 were issued.

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	80,769
Non-Executive Director fees paid	28,750
Superannuation paid to Directors	9,798
Total payments to related parties	**119,317**

Note that superannuation payments relate to the period April 2022 to June 2022 at 10%.

Investor Briefing

Join an investor briefing with MD Gerard Dyson on Friday 21st October at 11am (AEDT), where he will provide a company update and discuss the result in more detail. Click here to register for the briefing.

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.