

ASX Announcement | 08/07/2019

Spectur Limited (ASX:SP3)

Debt Facility No Longer Applicable

Highlight

- Westpac Banking Corporation (ASX:WBC), following final due diligence, declined to extend a \$1.0 million debt facility to the Company
- High proportion of Spectur revenue from recurring revenue and rentals did not meet Westpac's target levels of sales-based debt
- Alternative credit facilities will be investigated
- The debt facility is not necessary for execution of the Spectur strategic plan, but was part of the Company's overall risk management strategy
- Spectur currently has \$2.16m cash at bank

Security systems and cloud-based technology solutions company Spectur Limited (ASX:SP3) ("Spectur" or "the Company") confirms that it will not utilise a debt facility ("the facility") from Westpac Banking Corporation (ASX:WBC) ("Westpac").

On completing final due diligence Westpac determined that Spectur's increasingly high portion of revenues (and accounts receivable) from recurring sources and rentals were too substantial to meet Westpac's securitisation requirements for a \$1.0m debt facility. Despite accounts receivables (AR) being close to \$1m, the amount of AR that applied to traditional sales and services earned (not advance-billed) was less than \$300k. Applying Westpac's loan advance factor of 65% to this suggested that less than \$200k of the \$1.0m facility would be available for drawdown. Westpac therefore declined to proceed on a commercial basis. Westpac indicated that as traditional trade debt increases, they would be interested to re-commence the discussion on the provision of this type of debt facility.

Spectur will investigate alternative debt facilities in the interim, however wishes to inform shareholders there is no current urgency as:

- Cash available plus proceeds from the recent capital raising are considered sufficient to meet current requirements for the foreseeable future.
- Spectur intends to accelerate accounts receivable through improved payment system initiatives, which will enhance working capital without the need for taking on debt.
- It is expected that credit will be available for short term, contract specific needs as and when required as the Westpac debt facility would largely have done so.

Debt facility no longer required for growth

Spectur is currently in a stronger cash position (by \$290k) than was forecast when conversations with Westpac commenced in February 2019, due to ongoing improved revenue and cash performance in May and June 2019 (approximately \$80,000 cash flow positive for both months).

Based upon its improved financial performance and recent Placement, the Company is comfortable that anticipated future performance and current reserves will be sufficient to move the Company towards cash flow positive without requiring a term debt facility, albeit with smaller cash reserves at the low portion of the working capital cycle.

Whilst a readily accessible credit facility is convenient for short term debt needs, we do not anticipate any issue in obtaining any contract specific debt (or other short-term working capital injection) that may be needed to manage the cash demands of opportunities greater than those anticipated at present. Opportunities to obtain a permanent credit facility from other providers will nonetheless continue as a key risk mitigation strategy.

Spectur remains confident of effectively implementing and executing its sales strategy as previously communicated to the ASX.

Spectur Managing Director Gerard Dyson said: "We are very disappointed that Westpac declined to proceed with the debt facility at this late stage given the time (since February 2019) and effort that has gone into preceding development work and the provision of a detailed term sheet as announced to the ASX. We are particularly frustrated given the confidence Westpac had supplied to us in providing the detailed term sheet, and their assurance that the facility was subject only to final credit approval (having already been discussed with their credit department prior to issue of the Term Sheet) and due diligence, to allow us to announce it to the broader market.

Whilst we remain disappointed, it is somewhat reassuring that Westpac ultimately declined to proceed with the facility due to the Company having too-high-a-level of secured revenue from rentals and recurring sources, further validating our growth potential. Given our current performance and cash position, we believe an alternative facility can be sourced at a future point in time as required, and at low risk to the Company."

Ends

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ABOUT SPECTUR

Spectur Limited (ASX:SP3) is an Australian-based company which owns the rights to its innovative hardware and disruptive cloud based IOT and security systems which operate in Australia. The two largest industries that Spectur currently services are the government / utilities sector and the building/construction/civil industry. Spectur's core products are solar powered deterrence and surveillance systems and associated cloud based platform. These systems incorporate cameras, lighting, audible warnings and a hardware IoT platform. The systems are remotely accessed and connected via 3G/4G technology to a cloud based platform. Spectur has also added long distance, 24-hour thermal camera surveillance and off-grid warning systems to complement its existing product base. The Company is implementing a strategic growth plan to build market dominance in the Australian government and utilities sector whilst continuing to grow and service the building/construction/civil industry.

To learn more, please visit: www.spectur.com.au

