

## Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 20/04/2020

### Highlights

- As expected, and previously advised, Spectur experienced a higher operating cash burn for Q3
- Market assumptions have been revised to reflect COVID-19 environment
- Further reductions in operating costs planned
- STA6 technology platform progress unimpeded
- Supply chain remains unaffected

**Monday 20 April 2020: Solar camera, AI and IoT platform and solution provider Spectur Limited (ASX:SP3) ("Spectur" or "the Company")** is pleased to report on its activities for the quarter ended 31 March 2020.

### Cash consumption at top end of models, but consistent with predictions

In line with previous expectations, Spectur experienced an operational cash outflow of \$532k for Q3 2020. This is a \$340k net higher quarterly burn than Q2 2020 (excluding government grant incentives). Operational cash outflows include additional expected investment in R&D for the next generation technology platform, as well as concluding the recruitment and ongoing salary costs for three additional salespersons.

Revenues for the quarter totalled \$1.13m with January and February traditionally slower months, and March having been impacted by cautious customer decision-making in the COVID-19 environment. Existing sales staff leave, and the recruiting and onboarding of new sales staff in Q3 2020 also impacted sales. Recurring revenues continue to support the Company's revenue model, with \$307k of revenue in Q3 - an annual rate of \$1.2m. In addition, system rental revenues for the quarter of \$403k (\$1.6m annual run rate) provide further future revenue streams based upon the rental term.

It is expected that there will be a minor reduction in recurring revenue in Q4 due to the removal of broad scale monitoring services. Changes in the third-party supplier of monitoring services mean that this offering has been suspended and will likely be replaced with a premium combination of monitoring and associated guard / callout service in the future.

The Company experienced some delays in collections with a small group of larger (albeit well financed) customers late March 2020, which impacted cash receipts for the quarter. Spectur's exposure to a diverse range of sectors (including government and utilities, mining, building and construction and logistics) and large spread of customers, reduces the overall credit risk.

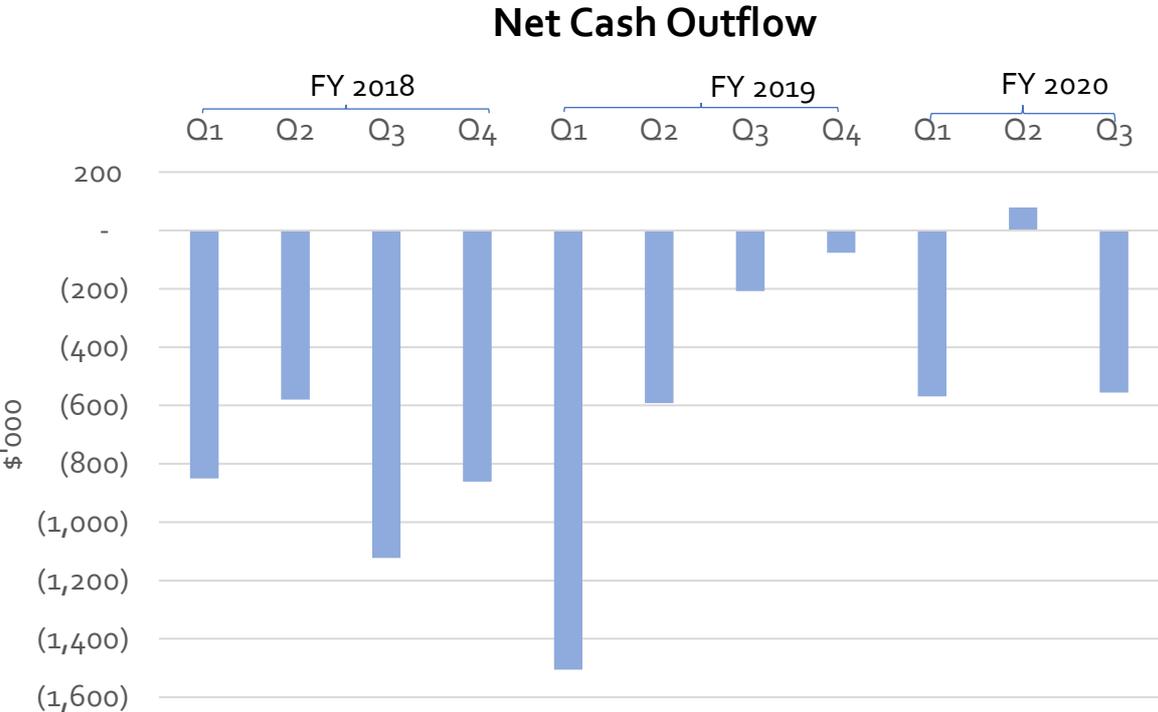
In mid-March, the Company announced a range of prudent cost reduction and cash preservation initiatives, implemented with the aim of offsetting the financial impact of potential effects to

top line revenues. These focused on the pausing or material reduction of discretionary expenditure including:

- travel, conferences and exhibitions;
- consultant support costs;
- Board costs;
- management system updates; and
- other costs not deemed to impact the outbound sales growth strategy or development of Spectur’s new technology platform.

Due to timing, these reductions had limited impact on Q3, however are expected to be impactful in Q4 and beyond.

The resultant net cash outflow for Q3 2020, compared with prior quarters, is shown below.



**Revised market assumptions**

Spectur maintains the provision of essential services to customers, with operations continuing with a workforce operating either from home, from Spectur facilities or, as necessary, in outdoors environments subject to social distancing protocols.

March and early April 2020 have been characterised by high uncertainty in economic conditions and the ability of customers to operate in response to COVID-19. Initial trends of increasing crime rates have driven larger numbers of inbound enquiries for Spectur’s traditional security applications; however, this has been offset with delays in some construction projects and increasing layoffs in government councils. A review of target outbound customers to reflect the changes in market conditions is ongoing and fluid.

Noting this ongoing uncertainty, Spectur has taken a conservative view in revenue forecasting for the immediate future.

Sales focus will remain on government and utility, building and construction sectors in Australia. The growing, recently recruited and trained salesforce will increasingly turn outbound to target key customers in these areas. The strategic focus within Spectur will remain tight for Q4, with expansions in Q1 FY2021 related to the additional services that can be offered to current target customers associated with the new STA6 technology platform.

### **Further cost reductions planned for Q4 and FY2021**

In response to the current conservative view of market conditions, and in addition to the prudent measures already implemented, Spectur will adopt additional long and short-term strategies to ensure it is positioned as well as is possible to respond to emerging issues as they arise. These include focusing on sales and cash receipts generation by:

- Concluding the onboarding of the new sales team as efficiently as possible
- Implementing additional credit recovery measures to maximise collections.

Additional cost reduction and cash recovery measures will also be implemented including:

- Embracing PAYG tax relief from the Federal Government in Q4, 2020 and Q1, FY2021 to the full extent.
- Reduction in leasing costs in key WA and Victorian locations through relocation to lower cost premises / renegotiation of contracts (effective 1 July 2020 – expected impact greater than 20% reduction in property expenses)
- Reduction in payroll and Board fee costs effective 27 April 2020:
  - Staff salaries reduced by up to 20%; and
  - Board fees will be reduced by 20%;

In addition, Board Chair Darren Cooper and Non-Executive Director Bilyana Smith have committed to take their remaining Board fees in Spectur shares for the 3 months of April, May and June. Subject to any shareholder approvals required, these will be issued at the 30-day VWAP calculated on the last trading day of each of these three months.

Note that payroll and Board fee reductions will be reviewed after Q1, FY2021 subject to market conditions and performance.

Further, Mr Stephen Bodeker will be stepping down from the Board effective at the end of May 2020. Stephen has been instrumental in guiding the growth of Spectur from listing and the Company is grateful for his leadership. This Non-Executive Director role will not be replaced at this time.

Based upon revenue trends and prudent cost control measures introduced, Spectur is forecast to maintain a comfortable positive cash balance for the foreseeable future.

### **Technology platform on track**

Notwithstanding the reductions in operating costs currently underway and planned, there has been no impact to the investments in either the technology platform development or the supporting marketing and sales platform. First deliveries of the STA6 platform continue to be forecast for July 2020. A new website to support this technology is also expected at this time.

Spectur is currently in discussions with a key technology partner for ongoing artificial intelligence services and a number of customers about the additional applications that the STA6 platform will be able to deliver. More details on these relationships will be released when finalised and approved.

## Supply chain unimpeded

Spectur confirms that components, sub-assemblies and finished goods are sufficiently available or in inventory into next financial year.

## Executive commentary

### Spectur Managing Director, Gerard Dyson, said:

*"The last 60 days have been unprecedented in terms of market uncertainty and customer confidence. Whilst we have had impacts of reduced sales and some delays in payments from larger (well financed) customers, our careful cash management and rapid actions have positioned Spectur to be able to work through this difficult time without having to resort to capital or debt financing.*

*We are making the difficult decisions early, so we have the most optionality in the future. The growing value we will be able to provide to our customers from our expanding technology platform, plus our increased ability to share this story via our enhanced sales team and marketing platform give us the foundation to be successful and sustainable, as planned, in the medium term."*

## Ends.

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

## For further information, please contact:

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## 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 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](http://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 actually occur as and when anticipated.

