

Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 25/1/2021

Highlights

- Stronger cash receipts led to reduced cash consumption, in a quarter which included substantial purchasing and an R&D tax return of \$274k, leaving \$2.2m cash at bank at 31 Dec 2020
- Backlog of production cleared and delivery times back on track
- Rental fleet growing rapidly, led by deals involving the higher-value STA6 product
- Strong growth in the strategic government, utilities and security sectors
- Launch of Spectur New Zealand expands reseller network
- Multiple tech improvements delivered, including the roll-out of two-way communication and the first full 360-degree vision system for the STA6 platform
- Quarterly sales volumes of 61 units of sales and net increase of 39 units of rentals (13% quarter on quarter)

Monday 25 January 2021: 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 31 December 2020.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

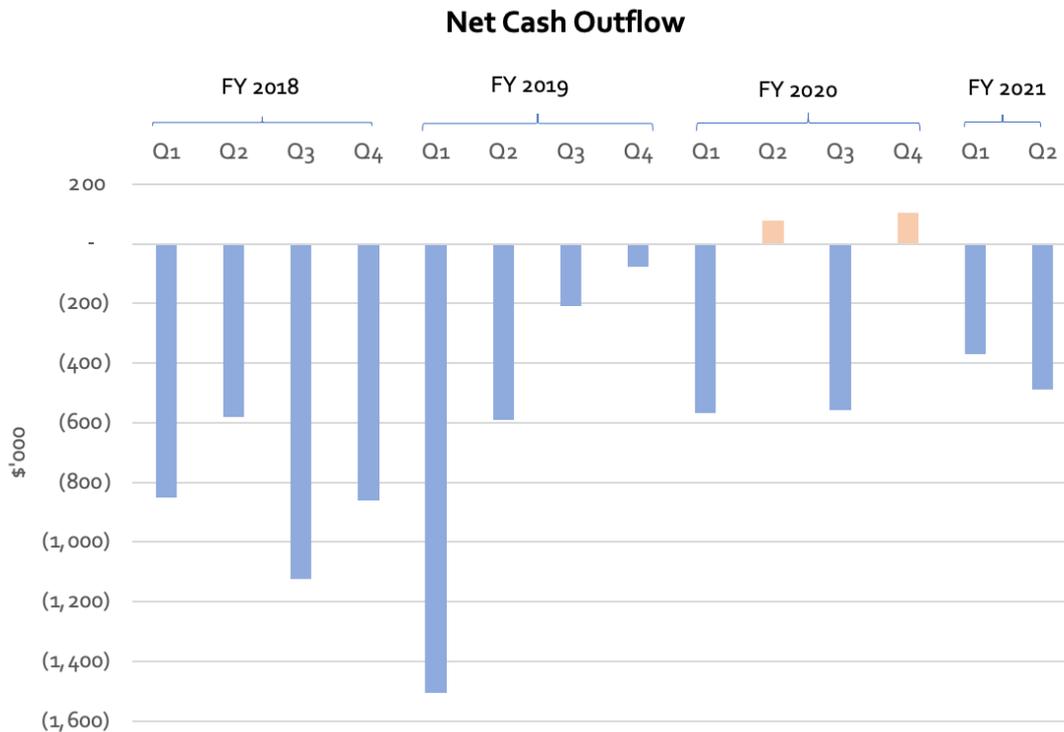
"Calendar year 2020 has challenged companies across a range of sectors exposed to the lockdowns and restrictions associated with COVID-19. We can link the fortunes and performance of Spectur, albeit with a 3 to 6 month lag, to the intensity of lockdowns in various locations and their impact on the construction sector, consumer confidence and crime.

"As lockdowns reduce in scope, frequency and scale, and economic recovery continues, Spectur's business is bouncing back. The first half of FY21 has shown great promise as activity begins to improve from the impacts of COVID-19. The growth of our rental fleet size to being comparable to March 2020 is a positive sign.

"We are optimistic to see the market recovery coming in sync with our delivery of a range of company-specific initiatives, including our new technology rollout, improvements in sales and marketing and broadening our channel partners. We expect these multiplying factors to continue to build momentum in our recovery.

"The launch of Spectur New Zealand represents a pleasing milestone, as we see NZ as a receptive environment for Spectur products and expect our partnership with Deus Ex to be rewarding. We will continue to investigate opportunities to expand Spectur's reseller network.

"Spectur has a unique technology platform where we control the performance of the systems and technology in the field and cloud. While this has underpinned our competitive advantage to date, we plan to build upon this in H2 FY21 and FY22, such that we leverage our unique platform further to perform valuable services that other platforms cannot, allowing us to deliver truly scalable growth."



Strong balance sheet and ongoing investments to fund growth

As announced through the Company's Placement and Share Purchase Plan communications during Q1 FY21, Spectur raised cash to fuel growth and strengthen the Company's balance sheet for potential M&A activity. Consistent with this message, in Q2 FY21 Spectur consumed cash at a mild level, with growth in cash receipts to \$1.1 million offset by substantial investments in componentry (\$320k purchased in December alone), sales & marketing team and collateral (growing during the quarter to 9 personnel, plus digital marketing support), production expansion and product improvements. The Company also received a R&D tax return of \$274k in Q2 FY21.

The Company consumed \$250k in operating cashflow during the quarter, retaining a strong balance sheet (\$2.2m cash at bank at 31 December 2020). Spectur achieved quarterly revenue of \$1m, reflecting a shift in market sentiments from outright ownership to short and longer term rental and leasing models. These longer term contracts underpin future revenue and will lead to greater stability and predictability in revenues going forward. Gross margins for the rental fleet are also consistently greater than 70%, which should also contribute to improving profitability as volumes continue to increase.

Calendar year 2020 saw a halving of new sales and rental contracts in Victoria compared to 2019. This market has begun to return to growth for Spectur in Q2, with further positive recovery from the impacts of COVID restrictions expected into H2 FY21.

Backlog in production cleared

In Q1 FY21, Spectur launched its new and advanced STA6 technology platform. After careful market and field testing, the technology was fully released for sale and rental in September 2020. Almost immediately, a backlog of demand resulted in some delivery delays. It is a testimony to the popularity of the solution that some customers waited up to 7 weeks for their solutions during this period, however, these delays in availability contributed directly to some reduction in sales and the ability of the company to recognise revenue.

Following additional investments in production labour, capital equipment and processes as well as corresponding increases in associated componentry inventory, the Company is pleased to report that it is now able to supply all core Spectur technology within 5 business days to its key service areas, covering the majority of locations within Australia and New Zealand. Additional inventory is being manufactured and distributed to Spectur's warehouses across the region, which is expected to also improve sales and rentals.

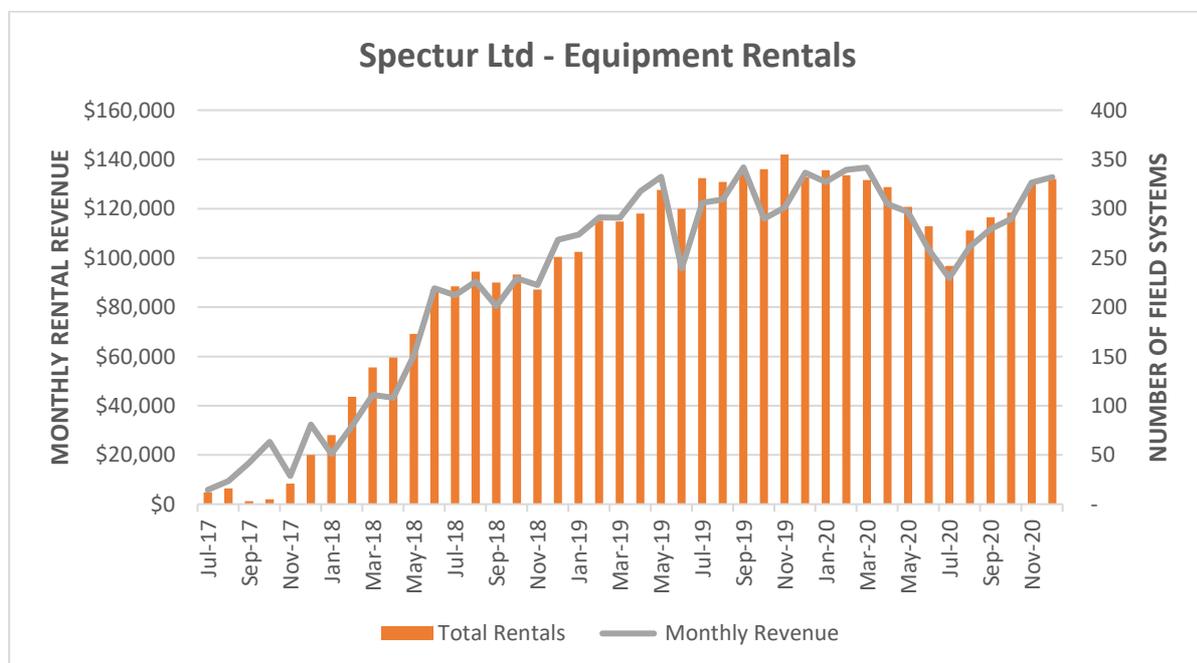
Sales performance continues to improve

In Q2 FY21, the sales team closed deals valued at \$1.073m, incorporating sales, short and long term rentals and associated services. On top of the ongoing revenue which recurs from the existing rental fleet and subscription services, this is a strong indicator of ongoing growth.

With a robust pipeline of attractive potential customers in strategic sectors and an upgraded ability to produce, install and support, the Company expects sales performance to continue to improve in H2 FY21.

Rental fleet growing rapidly again

Spectur's rental fleet has rebounded almost completely to pre-COVID levels, with a total fleet size of 330 systems deployed as at the quarter end.



This represents net growth of 39 units quarter-on-quarter (13%) on top of the 49 unit growth (20% QoQ) in Q1 FY21. It is also noted that a material portion of the new units added are the advanced STA6 systems, which typically rent for substantially higher rates. The Company forecasts strong demand to continue for this higher gross margin revenue contributor.

It should also be noted that in H1 FY21, Spectur secured an increasing number of larger longer term contracts, along with anticipated longer term contracts (those that have an initial short duration, with an expectation of extensions).

Recognising the increasing interest in longer term contracts with reduced capital expenditure relative to operational expenditure, in January 2021 Spectur also launched a Hardware as a Service (HaaS) or longer term leasing and lease-to-buy model. These additional commercial models are expected to allow Spectur to serve additional customers and underpin additional growth in longer term recurring revenue.

Strategic growth in core sectors

The Company has stated a strategic goal to grow in the core areas of government and utilities. Spectur's H1 FY21 results show a net increase of 14% in revenue from the government sector and 27% in the utilities sector compared with H1 FY20, bucking the trend of reductions that came with COVID-19. The resilience and growth potential of these sectors has validated the long term strategy and Spectur expects to continue to build momentum in these core sectors, whilst maintaining its leadership role in the building and construction sector.

Spectur NZ launched

As announced on 25 November 2020, Spectur formally launched Spectur New Zealand in collaboration with Deus Ex. This followed Spectur's announcement in July 2020 of the growth strategy that included expanding the Company's reseller network, and the commencement of a channel partnership with Deus Ex.

The establishment of Spectur NZ has progressed with the settlement of the Acquisition occurring in mid-December 2020. Spectur holds 51% of the shares in Spectur NZ, and Deus Ex holds 49%.

Market testing via resellers with Spectur solutions has demonstrated an appetite for Spectur products and lower competitive pressures in NZ than those encountered in some states of Australia. The venture is also expected to benefit from government stimulus programs to provide investment into the building and construction sectors and overall government spending increases. Spectur will continue to work to expand its reseller networks and is advancing potential acquisitions with carefully selected targets.

Spectur is pleased to announce the installation of the first two STA6 units in New Zealand this month.

Research, development and commercialisation plan

The STA6 platform's flexibility allows most applications to be deployed remotely to existing STA6 units, keeping the direct cost of adding new solutions low.

In Q3 FY21, Spectur plans to advance its development of:

- The HD6 / STA5 (HD5 replacement). To continue to service the existing HD5 market and price point, but bringing multiple benefits associated with the STA6 platform, Spectur is developing the next generation HD5 replacement.
- Sensing applications for the STA6 platform will be rolled out through H2 FY21. Initial sensing applications will be tailored to current solutions and customer groups. However, the core functionality, much like the AI platform, will offer the potential to work across

a broader array of IoT sensing devices.

- Following the successful deployment of the edge AI platform, the Company is exploring additional AI applications with further details to be released when ready for market testing.

CORPORATE

Chief Sales and Operations Officer

As announced on 15 December 2020, Spectur appointed Mr Robin Walford as Chief Sales and Operations Officer.

Mr Walford was formerly CEO of Vista Energy, a role he held for nearly nine years, growing this organisation from inception to a material, Australia-wide operation managing energy services at more than 500 sites.

Additional Disclosures

On 31 December 2020, the following options expired without conversion by the holders:

- 11,094,933 quoted options exercisable at \$0.20 each
- 9,175,000 unquoted options exercisable at \$0.20 each
- 150,000 unquoted options exercisable at \$0.37 each
- 2,000,000 unquoted options exercisable at \$0.50 each.

Following the Company's AGM, 273,253 fully paid ordinary shares were issued to Darren John Cooper and 145,735 fully paid ordinary shares were issued to Bilyana Smith, in lieu of director fees for services provided April – June 2020. The shares are escrowed for 12 months.

A total of 4,316,038 Performance Rights were issued to four employees, including the Managing Director, who have been identified by the Board as key to the delivery of the Company's long term strategy. The performance rights' vesting conditions align with the Company's 3 year strategic goals.

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

	\$
Salary paid to Managing Director	56,308
Non-Executive director fees paid	24,292
Superannuation paid to directors	<u>7,504</u>
Total payments to related parties	<u>88,104</u>

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

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.

