

Spectur Limited

Strong YTD growth, capital raised to repay debt

Spectur Limited (ASX:SP3) is a surveillance technology company providing security, safety, environmental monitoring and visual AI solutions to watch and act on assets managed by its platform. The company develops, manufactures and sells solar- and battery-powered, remotely-connected hardware, which is driven by SP3's firmware, software, cloud and web-apps, providing data and solutions to its customers. Spectur has reported a 35% increase in Q3 sales revenue to \$1.261m on the previous corresponding period (pcp) (ASX release 26 April). Total revenue for the quarter was \$1.941m, up 15% on the pcp, with \$1.316m of the total from recurring revenue, which increased 22% on the pcp. SP3 says that recurring revenue now equates to an annual run rate of \$5.3m. Net operating cash outflow for Q3 was just \$0.025m, with this all attributable to cash restructuring costs. The company has been progressively reducing cash outflows throughout the year through cost efficiencies, including labour cost reductions. Separately, Spectur has restructured its balance sheet with a recent share placement (ASX release 23 April) raising \$0.25m to pay down its outstanding debt, and a non-renounceable, pro rata entitlement offer (ASX release 30 April) set to raise \$0.928m for working capital, restructuring costs and a potential buyback of small share parcels.

Business model

Spectur generates revenue from system sales, field services, subscriptions and rentals. Subscriptions and rentals, considered recurring revenue, accounted for ~60% of FY23 revenue and this financial year-to-date have made up 64% of total revenue. The company reported a 71% recurring gross margin in FY23. The 3CT acquisition in February 2023 extended the company's technology stack, customer base and national expansion ambitions, particularly to Queensland and NSW where 3CT is a dominant player in beach monitoring technology. Spectur's focus on government, utilities, construction and institutional markets is set to continue into FY24 with the expansion strategy inclusive of reseller channels to support its efforts. Outside reseller relationships, the company's geographical expansion in the near term is focused on developing South Australia and on bringing the now 100%-owned NZ operation to profitability.

Reduced cash burn in Q3, strong growth in revenue

The company reported a Q3 net cash outflow of \$0.025m, including \$0.025m in cash restructuring costs. Year to date operating cash outflow is \$0.225m, demonstrating a slower cash burn in Q3 with the reduction due to substantial labour cost reductions and savings from the integration of 3CT and Spectur NZ. YTD sales revenue is \$5.407m, up 46% on the pcp with total revenue for the period up 13% to \$6.101m. Recurring revenue, which has increased 19% this year to date, accounted for 64% of total revenue, up from 60% for the same period in FY23. In Q3, recurring revenue made up 68% of total revenue. Separately, the company has raised \$0.25m at \$0.02/share via a share placement to four existing shareholders, the proceeds of which will be used to repay the outstanding \$0.25m loan from EGP Capital. Spectur also is also aiming to raise approximately \$0.928m before costs via a non-renounceable, pro rata entitlement offer at \$0.02/share, with one new share for every five held. Each new share will come with an attaching option, exercisable at \$0.029 on or before 30 May 2025. The offer opens on 10 May and closes on 24 May.

Trading at a discount to surveillance tech peers

We look to other surveillance technology companies of similar market capitalisation for Spectur's peers. These include Elight, Harvest Technology Group, RocketDNA and X2M Connect, which are collectively trading at a premium to SP3 on an EV/Sales basis (5.4x). SP3 is also trading at a discount to the S&P/ASX All Tech Index which on an EV/Sales historical basis is trading on 5.7x, compared with SP3's 0.4x currently and 0.5x at the end of FY23.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EPS rep. (c)	EV/Sales^ (x)
06/20a	4.8	3.1	(0.9)	(1.3)	(1.6)	(1.8)	(2.3)	0.8
06/21a	5.2	3.1	(1.2)	(1.6)	(1.8)	(1.5)	(1.7)	1.1
06/22a	5.8	3.0	(1.3)	(1.8)	(1.9)	(1.7)	(1.8)	0.7
06/23a	7.4	4.1	(1.6)	(2.0)	(2.9)	(1.1)	(1.6)	0.5

Source: Company data; Refinitiv; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items and discontinued operations; ^At year-end prices

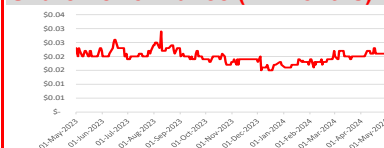
Technology Hardware & Software Services

2 May 2024

Share Details

ASX code	SP3
Share price (1-May)	\$0.019
Market capitalisation	\$4.41M
Shares on issue	231.9M
Gross cash at 31-Mar-24	\$0.75M
Net cash at 31-Mar-24	\$0.40M
Free float	~61%

Share Performance (12 months)



Upside Case

- Strong tailwinds for surveillance/safety solutions
- Tech stack positions SP3 for market leadership
- Recurring revenue is growing, driven by conversion of weighted pipeline

Downside Case

- Cash-burn suggests additional capital required
- Pathway to profitability may take longer than 12 months
- Government and enterprise contracts often have long lead-times

Catalysts

- Continued reduction in quarterly cash burn
- Clear pathway to operational breakeven

Comparable Companies (Aust/NZ)

ELS, HTG, RKT, X2M

Board and Management

Darren Cooper	Non-Executive Chair
Gerard Dyson	Managing Director
Rhett Morson	Non-Exec. Director
Marco da Silva	Non-Exec. Director
Suzie Foreman	Company Secretary
Ben Young	ANZ Sales & Marketing Mgr
Peter Dickinson	Chief Technology Officer

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