

Supplying surveillance solutions for people/assets

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. The company has more than 2,900 devices deployed to greater than 600 customers, with a plurality in Western Australia, where it is headquartered. SP3 estimates it has 25% of the WA market and is expanding both organically and by acquisition around Australia and New Zealand. The company has a prominent name in coastal camera-based platforms where it has more than 200 beach-warning, safety and monitoring systems deployed. Spectur has also built a strong presence in providing security solutions to the construction sector, where it has more than 250 customers; telecommunications towers, with greater than 200 sites and growing; in the military with four+ DoD bases protected; and council assets with more than 60 councils using its technology. In FY23, the company acquired technology group 3 Crown Technologies for \$0.85m (\$0.6m cash and \$0.25m shares) to add to its technology stack and growth strategy. Spectur also acquired the 49% share it did not own of Spectur NZ and is now focused on bringing this to profitability.

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. 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 emergency response beacons (ERBs). Spectur's focus on government, utilities, construction, and institutional markets will continue into FY24 with the expansion strategy inclusive of reseller channels to support its efforts. Outside reseller relationships, the company's geographic expansion in the near term is focused on developing South Australia and on bringing the now 100%-owned NZ operation to profitability.

Record FY23 revenue with 60% recurring, organic up 18%

Spectur delivered FY23 revenue of \$7.37m, an increase of 26% on the previous corresponding period (pcp) and its highest-ever result. The company noted that its organically generated growth rate was 18% for the year. Adjusted EBITDA from continuing operations was a loss of \$1.6m, down 8% on the pcp as the company absorbed a \$1.0m increase in people costs and lifted research and development spending by 75% to \$0.232m. Spectur noted that the investments made in FY23 and previous years have laid a foundation for profitable growth. The company is focused on leveraging these investments into profitability and cash-flow improvement in FY24.

Peers among other surveillance tech companies

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 4.2x, compared with SP3's 0.5x currently and 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

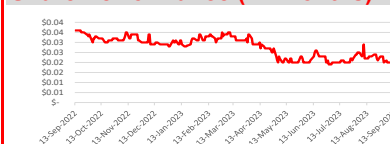
Technology Hardware & Software Services

14 September 2023

Share Details

ASX code	SP3
Share price (13-Sept)	\$0.019
Market capitalisation	\$4.52M
Shares on issue	225.8M
Gross cash at 30-Jun-23	\$1.52M
Net cash at 30-Jun-23	\$0.79M
Free float	~72.5%

Share Performance (12 months)



Upside Case

- Strong tailwinds for surveillance/safety solutions
- Large share of WA market, potential to expand
- 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
Bilyana Smith	Non-Exec. Director
Suzie Foreman	Company Secretary
Ben Young	ANZ Sales & Marketing Mgr
Peter Dickinson	Chief Technology Officer

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FINANCIAL SERVICES GUIDE

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of

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AFSL 456663

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- complaint processes

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