

Watching and acting to protect assets

Spectur Limited (ASX:SP3) is a surveillance tech company using solar security, sensing and visual AI solutions to watch and act on assets managed by its platform. The company has more than 2,500 devices deployed with greater than 600 customers, with a plurality in Western Australia, where it is headquartered. SP3 estimates it has 25% of the WA market and it has ambitions to expand operations across Australia, New Zealand and the US where it is both establishing sales teams and seeking reseller agreements. The company has the dominant name in solar beach camera-based platforms where it has more than 50 beach warning systems deployed, another 16 purchased and waiting to be deployed, and a pipeline of an additional 20 beach warning systems on its radar. Spectur also has its technology deployed across construction sites, mobile towers, military bases, and council assets. The company recently raised \$3.0m before costs, through a share placement to raise \$1.86m and security purchase plan (SPP) which raised \$1.15m, to fund working capital for its regional expansion plans, marketing programmes, inventory purchases and platform improvements.

Business model

Spectur generates revenue from system sales, field services, subscriptions and rentals. Subscriptions and rentals, considered recurring revenue, accounted for 56% of Q1 FY23 revenue. The company's strategy is to expand its presence beyond the WA market, where it estimates it has a 25% share, to the rest of Australia, New Zealand and the US. Spectur is in the process of building out its sales team in South Australia and selecting and on-boarding resellers in the Northern Territory and regional and remote Australia, where it sees an opportunity to monitor and protect assets that are unmanned. Over the next 12-24 months, the company has outlined that it plans to enter the US market through both reseller agreements and online sales.

Record Q1 revenue with almost 60% recurring

Spectur delivered its highest-ever first quarter sales with Q1 FY23 revenue of \$1.657m, an increase of 15% over the previous corresponding period (pcp), driven by strong hardware sales. Recurring revenue for the quarter (comprising subscriptions and rentals) was \$932k, which on an annualised revenue run rate equates to \$3.73m. Cash receipts for the quarter were \$1.71m and operating cash outflow was \$0.85m. This included \$0.18m in one-off and annual payments associated with its ASX listing, legal and audit fees, and a market research trip to the US. The company ended the quarter with \$2.81m cash, having raised \$3.01m before costs in July through a share placement and an SPP, and had \$1.1m debt drawn from its credit facility with EGP.

Peers among other surveillance tech companies

We look to other surveillance technology companies of similar market capitalisation for Spectur's peers. These include Delta Drone International, Elsieht, and Harvest Technology Group (which is a RaaS client), which are collectively trading at a premium to SP3 on an EV/Sales basis. SP3 is also trading at a discount to the All Tech Index which on an EV/Sales historical basis is trading on 3.9x, compared with SP3's 0.8x at the end of FY22 and current EV/Sales of 0.74x.

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

Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EV/Sales^ (x)
06/19a	4.8	(0.2)	(2.0)	(2.6)	(2.6)	(4.8)	1.2
06/20a	4.8	0.1	(1.4)	(1.6)	(1.6)	(2.3)	0.8
06/21a	5.3	(0.4)	(1.9)	(1.8)	(1.8)	(1.7)	1.2
06/22a	5.8	(0.1)	(1.6)	(1.9)	(1.9)	(1.8)	0.8

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

Technology Hardware & Equipment

8 November 2022

Share Details

ASX code	SP3
Share price (7-Nov)	\$0.031
Market capitalisation	\$5.95M
Shares on issue	191.95M
Net cash at 30-Sept-2022	\$1.65M
Free float	~82.8%

Share Performance (12 months)



Upside Case

- Strong tailwinds for surveillance, warning and safety solutions
- Substantial technology moat
- Recurring revenue is growing, driven by conversion of weighted pipeline

Downside Case

- Cash-burn suggests additional capital required
- COGs running ahead of revenue
- May lack the balance sheet size to bid for larger government and corporate contracts

Catalysts

- Demonstrated reduction in cash burn
- Establish market positions outside WA

Comparable Companies (Aust/NZ)

Delta Drone International (ASX:DLT), Elsieht (ASX:ELS), Harvest Technology Group (ASX:HTG)

Board and Management

Darren Cooper	Non-Executive Chair
Gerard Dyson	Managing Director
Bilyana Smith	Non-Exec. Director
Suzie Foreman	Company Secretary
Robin Walford	Chief Operating Officer
Peter Dickinson	Chief Technology Officer

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FINANCIAL SERVICES GUIDE

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