



25 November 2021

ASX RELEASE

2021 Annual General Meeting

Chairman's Speech

In the 2021 annual report I was pleased to report a profit after tax for the 2021 financial year of \$535k, a stable result in what was a significantly uncertain economic environment with the ongoing COVID-19 global pandemic. The period to date this financial year has certainly demonstrated the damaging impact of the lack of activity with further damaging lockdowns effecting our business. As a result, we have this week announced to the market a projected first half loss before tax in the range of \$200k to \$300k. From a cash result perspective however, we anticipate that we will have a first half trading cash surplus in the range of \$300k to \$400k. The situation appears to have stabilised as lockdowns ease and the remaining two months may be breakeven or better.

In 2021 we had a strong first half but experienced a decline in the second half of that year mainly attributable to the deferral of some road construction projects in Victoria impacting our equipment hire earnings. The road infrastructure sector did continue to operate but project delays and the COVID-19 lockdowns do extend into that sector right up to this current time. With restrictions on face to face business it was pleasing that for some years now we have strengthened our website and digital sales platform and during COVID-19 restrictions this has continued to allow our customers to access our products and services.

In FY2021 our total revenue was down \$3.247 million, or 20%, that was mainly attributable to the disposal in February 2021 of the On-grid lighting product portfolio and reduced level of International sales. Our overall gross margin improved, driven by sales mix, and very positively impacted by the divestment of that low margin On-grid lighting product portfolio. Our ongoing focus on cost optimisation saw an overall decrease in operating costs of 2.3%, year on year. This led to an overall increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to \$2.053 million.

Our business model is now more capital intensive with the continued expansion of the rental business, *Road Safety Rental* and that has driven an increase in depreciation and amortisation of 10.6%. Our borrowings during FY2021 increased to fund that expansion but interest rates have fallen and we saw an overall reduction in interest cost of 10.6%. The repayment terms on this asset finance are quite short so that our overall gearing does not exceed acceptable levels in this environment of ongoing uncertainty.



The key financial metrics over the past three financial years are noted below:

	<u>Year ending 30 June</u>		
	2019	2020	2021
	\$'000	\$'000	\$'000
Revenue	17,946	16,497	13,250
Gross profit	6,571	6,279	6,303
EBITDA	1,070	1,964	2,053
Profit/(loss) after tax	(41)	521	535
Operating cash flows	542	2,265	1,513
Dividend paid (cents per share)	-	-	1.0
Gearing * (net debt / net debt + equity)	29.7%	19.7%	26.7%

* Excluding right-of-use asset lease liabilities

As mentioned earlier we have continued our expansion of *Road Safety Rental* during the FY2021 year with \$2.4 million in additional rental stock. These assets including concrete, steel and plastic temporary barriers, solar powered Variable Message Sign trailers, and portable solar lights and solar light towers. This expansion is to meet the demand of our key customers for their full work zone needs. Some of the additions is also to provide the initial rental stock for our recently opened Campbelltown, NSW branch.

This growth was facilitated by additional borrowings of \$1.35 million in equipment finance during the year, with the balance funded through the proceeds from the sale of the On-grid lighting product portfolio and continued strong working capital, with \$1.5 million generated from operating cashflows during the year.

We continue to receive strong support from our primary financier, Commonwealth Bank, who approved additional funding lines in July last year and again this month expanded our asset finance facility following their annual review of the business.



CORPORATE ACTIVITIES

The composition of our board of directors has changed with the resignation of Hayden Wallace and the appointment of Steven Difabrizio.

Firstly, a few words about Hayden. He is the CEO of Safe Direction, a NSW based barrier and aligned products business operating in the same industry as Saferoads but with a different product range. Hayden's contribution to our strategic business plan has been significant and it was disappointing that the day to day demands of his business required him to make that his sole focus and he resigned after 18 months with us. We remain in close contact with Hayden through the mutually beneficial business opportunities that may continue to arise.

Steven Difabrizio. For some time, the expansion of our rental business has made the board appointment of an industrial rental industry expert a priority and the appointment of Steven fulfils that. Steven brings to the board a wealth of first hand rental industry knowledge having owned and operated a number of successful industrial rental businesses. Steven is also a strong Saferoads supporter and is our third largest shareholder. Later in this meeting there is the necessary shareholders resolution to confirm your approval of this board appointment.

The Board continued to look at and assess our position in the industry and identify opportunities to better focus and improve the Company with product rationalisation and strategic acquisition. This latter objective being made quite challenging given the COVID-19 constraints on business and the need to be more conservative in times of uncertainty. This strategic approach has seen the Company dispose of the poorly performing on-grid lighting product portfolio and further expand the breadth of our rental business with more and diverse rental fleet and the opening of the NSW branch. The severe COVID-19 restrictions in NSW have resulted in a setback for the new branch operations and Darren will cover that in more detail in his presentation. We remain committed to a controlled expansion of our rental business up the East coast.

Our international business sales have continued to be hard hit by the pandemic with many opportunities put on hold pending a more stable outlook and economic certainty. However, we have continued to strategically work on the international business with further regulatory approvals in the USA for our HV2TM temporary barrier. We now have a key approval from the state of Texas and a provisional approval process underway for the State of California. We now have 19 state approvals in USA and one in Canada. We have continued to work with potential business partners in the US to secure an industry partner and restart our sale of product once market uncertainties are overcome. Again, I will leave it to Darren to elaborate on this exciting opportunity.



In November last year the Board was pleased to announce the payment of a dividend to shareholders. This was a significant turning point for the Company, as long-standing shareholders would know, as it was the first time in a while that the Company had been in a position to be able to reward shareholders for their patience and support. The current financial performance of the Company and the ongoing COVID-19 impacts do not allow us to declare a further dividend at this stage, but the resumption of a regular dividend stream remains a core objective of the Company.

OUTLOOK

We continue to be strategically well placed with our business model aligned to the infrastructure sector that will enable us to support our earnings base and grow. We will continue to offer leading edge products and services to this sector as various governments continue with strong transport infrastructure spending and rebuild economies impacted by the COVID-19 pandemic. We will continue to expand our product range with enhancements to our barriers and solar light products.

Road Safety Rental has secured some solid medium term contracts on Victorian road and rail upgrades, including some Level Crossing Removal projects in metropolitan Melbourne. We are budgeting to continue expansion of this business by growth of our rental fleet to meet our solid customer demands. The benefits of this strategy are well established and it is worth reiterating that most of our rental fleet originates from our own proprietary products, so our fleet investment cost is lower than most of our peers. There has been no change to this strategy.

I would like to again acknowledge and thank our staff and management team for their ongoing commitment to the business, particularly during these disruptive and uncertain times with multiple State lockdowns. They have found a way to maintain the operations of the business in challenging circumstances and meet customer expectations.



CEO's Speech

Good afternoon, ladies and gentlemen.

Thank you, David, for your detailed review of the past year. I am hopeful that the far reaching impacts of the global pandemic are now behind us and would like to focus on the future of Saferoads.

Our core strategy has continued to be the development of innovative products, the East Coast expansion of *Road Safety Rental* and the export sales of a select group of products.

RESEARCH & DEVELOPMENT

This past year our team successfully developed the BIG Blockout Pedestrian Barrier, MASH tested the Ironman Hybrid Barrier and transitions, as well as the T-Lok Wedge System.

Looking ahead, we are excited to be working on the enhancement of more temporary barrier products as well as our portable solar lighting and variable message sign product ranges.

In December we will be running our first crash test at our new facility in Gippsland - this is the only dedicated facility of its kind in Australia.

ROAD SAFETY RENTAL

Our rental business has expanded and makes up an important part of our company., contributing approximately half our total earnings. The Victorian branch continues to grow, and with more upcoming projects planned to commence in the state it is expected that this trend will continue.

The New South Wales branch was opened just prior to the ongoing lockdown of Sydney due to COVID-19. This could not have been worse timing for the new branch, causing a complete pause to our activities. Most of our assets have been relocated and deployed in Victoria, and we are planning for a relaunch of the new branch early 2022. Once the Sydney branch has been established and is sustainable, planning will commence for the opening of an additional branch in the Brisbane/Gold Coast region.



SAFEROADS AUSTRALIA

This past financial year saw some significant changes to our domestic sales division including the implementation of new IT systems and the divestment of the on-grid lighting business. Whilst the year presented major challenges with the ongoing impact of the COVID-19 pandemic and resulting lockdowns in our two largest markets, growth in sales was achieved in solar lighting, variable message sign trailers and traffic calming product groups. We also introduced the new BIG Blockout Barrier and One-Piece SnapLoc Guidepost to the market and made further improvements to our digital marketing strategies, resulting in an increase in website generated sales leads.

This year our team are working to increase our market share through additional human resources now that COVID-19 restrictions are easing, with a plan to return to a balanced combination of interpersonal sales to complement our growing digital platform sales. There is much excitement to see this division resume its growth whilst maintaining or improving on sales margins. We will continue to invest in the continual improvement of our online presence. We look forward to introducing a number of unique new products to the market again this year.

In summary, we are well positioned to see our national sales grow substantially in the years ahead.

EXPORT SALES

COVID-19 has caused our export activities to all but stop, with sales plummeting from \$1.8 million in FY20 to only \$600k in FY21.

We are finally seeing positive signs of resumed international travel and events, as well as the end of lockdowns worldwide. I am hopeful that this is the case, and that we can rebuild our revenue from international product sales very soon.

For Saferoads, this will mean the ability to renew interest in our products through interpersonal sales and a presence at international conferences and trade shows. Doing so currently has not been possible due to the current travel restrictions and quarantine requirements.

Saferoads' major target overseas markets are the United States and New Zealand. As David mentioned, our HV2 Barrier is now approved in 19 US states, and we have secured an agreement with a distribution partner based there. This means that we are very well positioned to achieve our first sales this financial year.

In New Zealand we saw a similar delay to that of Australia in experiencing the effects of the COVID-19 pandemic compared with the Northern Hemisphere. Unfortunately, this means that at this stage, it is unclear as to when the demand for our products there will return to its usual levels.



In summary, domestic markets are expected to provide Saferoads' strongest growth opportunities during the next few years. Whilst we anticipate a gradual increase in the export sales, this will be a slow return to normal rates dependent on the easing of travel and large gathering restrictions in our major markets.

The Road Safety Rental expansion on the East Coast and the continued growth of our product sales through the development of unique products is our focus.

Finally, I'd like to take this opportunity to acknowledge every member of our team at Saferoads for their hard work and commitment to the company, in what has again been a challenging year. Thank you.

This announcement has been authorised for release by the Board.

Enquiries/Additional Information:

David Ashmore, Chairman

Ph: 0418 155 500

Email: david.ashmore@saferoads.com.au

ABOUT SAFEROADS

Saferoads is an ASX listed company specialising in providing innovative safety solutions. Headquartered in Pakenham, Victoria with representation across Australia, New Zealand and the USA, the company provides state government departments, local councils, road construction companies and equipment hire companies with a broad range of products and services designed to direct, protect, inform and illuminate for the public's safety.