

Spectur Limited (ASX:SP3) to acquire 3 Crowns Technologies

ASX Announcement | 23 December 2022

Highlights

- Spectur has entered into a binding agreement to acquire 100% of 3 Crowns Technologies Pty Ltd, a provider of artificial intelligence monitoring, analysis and reporting solutions for cameras and data for \$600k cash and \$250k scrip valued at the 30-day VWAP at the time of completion.
- Transaction provides strategic benefits, additional revenue and positive EBITDA.
- No capital raising is contemplated to fund this acquisition

Solar security, sensing and visual AI solutions and platforms company Spectur Limited (ASX: SP3) (“Spectur” or the “Company”) is pleased to announce that it has entered into a binding share purchase agreement (“SPA”) with Coastalwatch Holdings Pty Ltd for the acquisition of all of the issued capital in 3 Crowns Technology (“3CT”) (“Proposed Acquisition”).

3 Crowns Technology

3CT (website <http://3ctech.com.au>) is a technology company with a focus on helping people live better within their environment. They do this through the provision of environmental data (camera and other sensors), analytics and reporting to government and corporate sectors. 3CT solve problems in emergency services, smart cities, disaster management, public space management and environmental monitoring. Core capabilities and platforms in 3CT’s technology stack include:

- **Envirocoms platform:** Envirocoms enables collection, centralisation & management of all data from a wide range of environmental sensors and CCTV systems. Using data processing and machine learning algorithms it creates simple visualisations and actionable insights for managers.
Envirocoms is the only platform capable of integrating CCTV video with data from IoT devices and other API data sources. The platform is owned and operated securely in Australia on a layer 2 private data network and offers Software as a Service (SaaS) that allows organisations to easily scale.
- **Secure Go:** Secure Go is a cloud-based software solution for video surveillance networks and is Australia’s premiere enterprise-grade VSAAS (Video-Surveillance-As-A-Service). It provides a simple plug & play set-up with flexibility to add and remove cameras and recording capacity at any time. From just 1 single camera to a thousand cameras, the platform allows you to seamlessly scale a network up or down as needed – with no onsite hardware or networking required, just plug-in and go. Making it perfect for mobile or remote cameras.
Secure Go is 100% private and secure. Just like renting a car, VSAAS saves time & money associated with owning and maintaining hardware and complex IP networks.
- **CoastalComs:** Coastalcoms is the leading provider of technology solutions for the waterways and coastal management industry of Australia. Enabling business,

government and organisations the ability to efficiently collect, understand and generate insights into complex problems surrounding those environments. This includes solutions around data integration, shoreline analysis, surf and wave analytics and water level monitoring.

- **Live Stream:** The Live Stream platform can stream any IP camera video across the internet. Simply plug your camera into the Live Stream platform and all the hard work is done, resulting in a smooth 25 frames per second video stream accessible from any web browser globally 24 hours a day. Live Stream also provides a simple web-based management dashboard to monitor and control your streams in real-time.
- **Smart App:** The Smart Live App is a cost effective, innovative solution that provides custom-built, live streaming phone applications for webcams, local weather & news that can be made available to the public.

The 3CT business currently has 23 active customers with more than 80% of annual revenue (\$1.3m in FY22) as recurring software fees (circa \$1m in FY22). EBITDA for FY22 was approximately \$59k and the business is debt free.

Strategic rationale

The assets and capabilities of 3CT will accelerate and expand the vision and strategy for Spectur more efficiently and effectively, with lower risk than organic growth in these areas. Particular strategic enhancements include the following:

- **Technology acceleration:** 3CT brings a range of technology that Spectur would otherwise be seeking to organically develop in the future. This includes:
 - A mature and proven cloud-based platform that integrates sensor and camera data into a single user interface. This flexible platform allows users to create and manipulate widgets to present the data in a variety of forms to suit their applications. This provides a step change in the range of “sensing” that Spectur can provide and present through their integrated Sense, Think, Act offering.
 - A platform that easily allows the integration of multiple AI applications into the central data and reporting platform. Again, this simplifies and speeds the ability to integrate a variety of third party or internally developed AI applications, that address the Sense, Think, Act offering.
 - An ability to rapidly and cost effectively create or modify customer specific mobile applications. This will increase the reach of Sense, Think, Act based technologies into a higher number of users, including the general public.
- **Increasing dominance in safety and monitoring:** Spectur already dominates the beach safety and warning space in Australia. The addition of a broader range of beach monitoring services which can be mutually shared across both platforms further deepens the penetration into this market and provides access to additional customers in this space. The broader range of sensing devices that 3CT can leverage, and their existing pedigree in disaster management can also hasten and accelerate the push into broader safety and warning solutions outside of beach zones, including fire and flood. 3CT has particular dominance in Queensland where they are the other provider of Emergency Response Beacons (ERBs), which complements the Spectur strengths in NSW and WA.

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- **Market synergy:** In addition to beach-focussed customers, the broader range of 3CT customers neatly overlaps with the Spectur focus around government and utility customers. Furthermore, the 3CT business had prior operations in the USA and continues to support a material customer in California at this time. This corporate learning and existing foothold helps de-risk and facilitate a future entry point into US markets for Spectur and 3CT offerings.
 - **Human resources:** 3CT brings an experienced General Manager with a strong product management background as well as expertise in data science, software development and operations. All of these skills, and their links to related contractors, are of value to Spectur as well as 3CT and form a key strategic benefit to the combined group.
 - **Cost synergies:** In addition to the obvious and aforementioned revenue growth opportunities, there exists multiple opportunities to reduce costs within the combined technology platforms of Spectur and 3CT. This includes leveraging a Layer 2 private network for reduced data costs, combining core technology platforms and sharing corporate costs.
 - **APNIC addresses:** 3CT owns 2,048 APNIC IP addresses (valued at approximately \$143k), most of which are in excess of current or medium term requirements. These addresses can be rented (yielding potentially 10% to 20% return) or sold. Following assessment of longer-term requirements, it is anticipated that a portion of these addresses may be sold.
 - **ISO27001 accreditation:** This standard for information security management systems was accredited to 3CT in September 2022. The learnings and experience in this space are fresh and will be leveraged to the broader Spectur organisation, leading to a broader accreditation.

Other key and valuable elements and assets of the business include:

- cash and cash equivalents of approximately \$170k (subject to final amounts at completion);
- intellectual property in a number of coastal monitoring algorithms. These algorithms include coastal erosion and deposition measurement, real time wave analysis, water level measurement and other items that are currently being monetised through the CoastalComs offering; and
- more than 60 owned and licensed coastal camera monitoring stations on the east coast of Australia.

Key terms of SPA

The consideration payable by Spectur under the Proposed Acquisition comprises:

- **\$600,000 cash**, subject to adjustments that may occur depending on the net tangible assets of 3CT at completion; and
- **\$250,000 in fully paid ordinary shares in the capital of Spectur**, based on a deemed issue price equal to the 30-day VWAP up to and including the trading day prior to completion. 50% of these shares will be subject to voluntary escrow for a period of 3 months from completion, with the balance subject to voluntary escrow for a period of 6 months from completion.

The Proposed Acquisition is subject to satisfaction or waiver of the following conditions precedents:

- no material adverse change has occurred in relation to 3CT between the date of the SPA and completion;
- all necessary counterparties to the Material Contracts have given a written acknowledgment that the change in control of 3CT as a result of the Proposed Acquisition does not affect the rights and duties of the parties under that contract, and will not result in that counterparty exercising any rights of termination;
- Russell Holt (the current general manager of 3CT) having executed an employment agreement with Spectur, in a form mutually acceptable to Mr Holt and Spectur;
- Spectur having obtained all necessary legal, regulatory and shareholder approvals to facilitate Spectur's entry into, and performance of, its obligations under this agreement;
- all 3CT shares being free from all encumbrances; and
- Coastalwatch Holdings Pty Ltd having transferred legal title to certain "Specified Assets" into the name of 3CT on terms acceptable to Spectur (acting reasonably).

The SPA otherwise contains provisions that are usual for transactions of this nature.

Executive commentary

Spectur Managing Director, Gerard Dyson, said:

"3CT is a synergistic and strategic acquisition that we initially approached more than 12 months ago. Their alignment with our vision, strategic goals, customer base and technology aspirations had lifted them high in our priorities. Earlier in FY22 we were successful in integrating our technology with 3CT through a shared customer."

"This transaction accelerates our R&D plans by 24 months or more in sensing and UI / UX expansion and truly creates an even greater technology moat around Spectur. This acquisition perfectly fits our goals of making communities safer and resonates with our core differentiated Sensing, Thinking and Acting platform."

"3CT is a lean organisation as well, with 3 consecutive years of positive EBITDA generation. It is expected that with small investments in marketing and sales support from Spectur that revenue can increase sharply in the medium term, dramatically improving profitability. When the opportunity to realise cost, revenue and other synergies across the broader group is achieved, this acquisition has the potential to substantially bring forward the date for consistent positive cash generation within the broader group."

"Spectur has kissed a lot of frogs in the last 3 years. Careful review of tens of acquisitions, advanced discussions with a subset of these and substantial due diligence on two others in this period has characterized a deliberate 'fussiness'. 3CT ticks a large number of boxes and we believe will add substantially and synergistically to the operations and strategic future of Spectur, creating shareholder value well in excess of the purchase price."

Ends.

This ASX release is authorised by the Board of Directors of Spectur Limited

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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 warning, 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 Information:

This announcement contains forward-looking information that is based on Spectur's expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to Spectur's business strategy, plans, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectations, negotiations, and product/service development. Generally, this forward-looking information can be identified by the use of terminology such as 'outlook', 'anticipate', 'project', 'target', 'potential', 'likely', 'believe', 'estimate', 'expect', 'intend', 'may', 'would', 'could', 'should', 'scheduled', 'will', 'plan', 'forecast', 'evolve' and similar expressions. Persons reading this announcement are cautioned that such statements are only predictions, and that Spectur's actual future results or performance may be materially different. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause Spectur's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information.

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