



28 November 2022

ASX RELEASE

2022 Annual General Meeting

Chairman's Speech

Welcome to the 2022 Saferoads AGM, my name is David Ashmore and I am the chairman of the company. I wish to also introduce my fellow directors Darren Hotchkin and Steven Difabrizio.

It is comforting to be able to meet again face to face following two years of video conference only participation. Today we are also continuing to use the video conferencing facility to allow greater access to this important meeting.

The format for the day will be short presentations from myself and then our Managing Director Darren Hotchkin and an opportunity for you to ask questions. We will then move into a more formal format to address the agenda as outlined in the notice of meeting circulated to all shareholders.

The company is still working in a difficult economic environment with the lingering impacts of the COVID pandemic with cost increases and delays in the global supply chain making sourcing products and shipping them to Australia a continued challenge. On top of this the widespread workforce shortages where we also have difficulty filling positions. We are not alone here but we are caught up like many others and managing as best we can. However we do continue to have confidence that we are in a good position with our products and services to supply the strong ongoing infrastructure spending by local and state governments.

Throughout these challenges we have stayed true to our core strategic directions. I will take this opportunity to highlight those key core strategies. Our progress against them for the year will be a bit of a team effort with our MD Darren Hotchkin going into more detail on our achievements this year and covering our expectations for progress in the near term future.

The foundation and core business strategy is the product range that we have developed and nurtured over the 30 years of our existence. Those products are under constant review to enhance them if necessary and to continue make them very competitive in our chosen markets. They include a range of temporary crash barriers that require regulative approvals and we have designed and crash tested those barriers so that they can and are approved in our domestic markets and in wider markets, particularly in North America.

Our full product range is sold into the domestic market. It includes guide posts, temporary crash barriers, solar lighting, portable solar variable message boards, high security fixed and portable bollards and traffic control and curbing products that we refer to as our traffic calming range.



A logical extension to our domestic business is our strategy to pursue international business opportunities for our key products.

As noted already a selection of our products have been specifically designed and tested to meet the approval requirements of the huge export market in North America and also New Zealand. It is therefore a second key strategy to sell into those large markets.

The key export entry product is now our new steel and concrete ballasted temporary barrier, the HV2. To commence the sale of this product we firstly needed state by state regulatory approval within the USA. This is a long, slow and arduous task and to date we are pleased to have secured approvals in 20 states including the key cornerstone states of California and Texas. We now believe that we have sufficient approvals for it to be attractive to major industry end users and we have engaged with a long standing American road safety products company to promote and sell this product. The HV2 has the strategic advantage of being the only approved unanchored steel barrier and is ideal for certain situations where anchoring is not desired or possible. Accessing this market opportunity will not be easy but we have continued to make progress despite the significant COVID and other economic disruptions of the past two years. The state road authorities are starting to include the HV2 into their contract specifications and we are confident our business partner will be able to win work as a result.

The third core strategy is the domestic rental of a selection of our products.

The Road Safety Rental business unit continues to go from strength to strength and we have continued to strongly focus our current business development in this area. We continue with the acquisition of addition rental assets and we have now firmly established our expansion into NSW with a branch up and running on the southern outskirts of metropolitan Sydney. Last year we welcomed the addition of Steven to the board with his strong experience in the establishment of successful industrial rental businesses. Steven is also a significant shareholder and long time supporter of our business and our strategic direction.

To support our strategic directions we have a proven Research and Development capability. It is one thing to have a concept but you need a very focused R&D capability to turn the concept into reality. We have design, engineering and computer simulation capabilities in-house and this year we have added our own crash test facility to that capability. New product lead times are quite long and having our own in-house R&D allows us to keep new products “under wraps” until we launch them into a very competitive market. The R&D is expensive and these capabilities provide us with the outcomes we seek in the shortest time and at the lowest cost.

Darren is in the best position to outline the key achievements for the year against these strategic objectives and I will leave that to him to cover shortly.

As noted in the 2022 annual report we reported a very modest profit after tax of \$64K for the year. We view that a stable result in what was and continues to be a significantly uncertain economic environment. This reflected a stronger second half year following our first half loss of \$192K.



In FY2022 our total revenue was down \$901K or 7%. However our overall gross margin increased by \$695K driven by a shift in sales mix. This is particularly evident in the continued increase in our rental income that now makes up 39% of total income compared to 27% last year and 22% the year before. This reflects our deliberate focus on the continued development of the higher margin rental business. This led to a \$217K increase in Earnings Before Interest, Tax and Depreciation (EBITDA) to \$1.896 million.

Our business model is however now more capital intensive because of the need to invest in rental assets. This demand for funds has been further increased because of the need to maintain higher inventory level to safeguard product sales against shortages caused by current global supply chain delays.

Our borrowings during FY2022 have increased to fund the expansion of our rental fleet with asset based finance. Those asset addition have quite short cash paybacks allowing us to opt for repayment terms that are quite short so that our overall gearing does not exceed acceptable levels. Debt gearing is targeted in the modest range of 30-35%. We continue to have strong support from the Commonwealth Bank who have increased our overall facility level and are supporting our progressive shift towards asset based finance.

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

	2020	2021	2022
	\$'000	\$'000	\$'000
Revenue	16,497	13,250	12,466
Gross profit	6,279	6,303	6,998
EBITDA - underlying *	1,596	1,679	1,896
Profit/(loss) after tax	521	535	64
Operating cash flows	2,265	1,513	944
Gearing% ** (net debt / net debt + equity)	19.7%	26.7%	31.8%
Rental Fleet - Written Down Value	3,853	5,794	6,344
Borrowings- Interest bearing	3,190	3,291	3,509



** Underlying EBITDA - excludes Covid-19 government support.*

*** Gearing % - excludes the right-of-use asset lease liabilities*

As mentioned earlier we have continued our expansion of Road Safety Rental during the FY2022 year with a further \$1.29 million added that is on top of the \$2.46 million added last year. These assets including our concrete T- LOK, steel HV2 and our new heavy duty plastic barriers. We also added our solar powered VMS trailers, and portable solar lights. The only significant addition not from our normal product range is the very specialist diesel powered portable light towers. This expansion is to meet the demand of our key customers for their full work zone needs. This growth was facilitated by a balance of borrowings and internally generated cashflow.

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. We all know of the huge task ahead to repair the road infrastructure and that work should continue to play nicely into the hands of our Road Safety Rental business that focuses on road rebuilding projects.

Just after our 2021 AGM the company had a incident where a third party contractor driver was tragically killed. The company continues to cooperate with the resulting investigations into this incident.

In the context of this tragic incident is important to emphasise to our shareholders that we have always had a strong focus on workplace safety. All of our operational activities have always been regulated by strong formal compliant safety related operating policies and standard operating procedures.

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.

I also sincerely thank our shareholders for their support and patience as we work through the challenges and produce the returns we all seek.



Managing Director's Speech

Good afternoon ladies and gentlemen.

Thank you David for your review of last financial year as well as outlining our four cornerstone strategies.

I would like to talk about our immediate and future performance and the opportunities in this 30th year of our company.

It is pleasing to see that we are off to a better start than FY22, with Total Sales up 38% YTD October and Operating Profit also up 38% YTD October. Our forward order book is strong with over \$4.5M of current secured orders.

ROAD SAFETY RENTAL

Our rental business continues to grow, now contributing to around half of our total earnings. Both our Victorian and New South Wales branches are performing well in their respective markets. We have recently entered the Queensland market through a sub-hire partnership agreement with a respected traffic rental business with the first three projects already deployed. With a solid strategy of steady fleet expansion to continue our incremental growth up the East Coast, Road Safety Rental is well positioned to be a leading specialist safety barrier supplier to the civil road construction sector over the coming years.

DOMESTIC SALES

A very pleasing start in our domestic product division, driven by a combination of strategically targeted sales including some significant orders of our T-Lok Barrier to a large equipment hire company, as well as online enquiries through effective SEO and a quality EDM program. We are expecting the growth trend to continue as infrastructure spending on road projects is still growing and not expected to peak until 2025.

INTERNATIONAL SALES

After practically no sales during the COVID19 Pandemic we have started to see signs of recovery with almost \$300K of sales in the first four months of FY23 and solid enquiry starting to resume. Our HV2 Barrier is now approved in 20 US states as well as New Zealand and Ontario Canada, with recent quoting activities in these markets we are anticipating further orders to come in over this financial year and beyond.

RESEARCH AND DEVELOPMENT

This past year our engineering team has successfully developed Australia's only dedicated barrier crash test facility at Lardner Park in Gippsland, Victoria. Also, in partnership with Melbourne University and Tyre Stewardship Australia we have successfully tested Australia's first green barrier: the Rubber T-Lok. This product will give state government road authorities the ability to lead the move to environmentally responsible purchasing. I would like to now play you a short video showcasing both these Australian firsts.



Our team have also secured formal approval from ASBAP on the unique T-Lok Steel Wedge, up to 60km/h. This enables the 3.66 metre barrier to be deployed on a radius as tight as 8 metres, and the 5.49 metre barrier to be used for a radius as tight at 12 metres.

Looking ahead, we are working on several enhancements to our solar lighting range and Variable Message Signs range, as we seek to stay ahead of competitor's offerings with the technology available in this sector.

Finally, I would like to take this opportunity to thank all the Saferoads staff and shareholders for their support and patience through what has been a very trying period in our 30 year history. I hope you can all clearly see that all this work and investment has built a solid foundation for the successful continued growth of our company.

This announcement has been authorised for release by the Board.

Enquiries/Additional Information:

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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.