



29 November 2024

ASX RELEASE

2024 Annual General Meeting

Chairman's Speech

Welcome to our offices and our 2024 Annual General Meeting. My name is David Ashmore and I am the Chairman of the Board of the Company.

I will commence the meeting by noting that due process has been followed in giving all shareholders notice of the meeting and the business we intend to cover. We will follow the meeting agenda as noted in the Notice of Meeting. I also note that we have a quorum.

I would now like to introduce my fellow directors, Darren Hotchkin our Managing Director and Steven Difabrizio, an independent Non-Executive Director. I would also like to welcome Tim Jackman, a partner with Grant Thornton who is here via video link to answer any questions you may have regarding their audit of our financial statements.

I will proceed with remarks from myself followed by Darren as Managing Director. We will then field any questions you may wish to ask before we proceed to the formal resolutions for the meeting.

I will start by noting that this past financial year has been another difficult one in very challenging economic times for us. It is well documented that the Victorian Government have continued with severe spending cuts on our road network and that has had a significant and negative impact on our products business. In particular the Victoria State Government is focused on mega infrastructure projects where Saferoads gets limited benefit.

It has been well publicised by the Victorian Department of Planning and Infrastructure in their 2024 Annual Report published recently, that their actual spending in FY2024 on road maintenance was only 5% of their usual annual spending targets. This has impacted significantly on both our product sales and their margins. I will cover that impact in some more detail shortly. The Victorian Government has fortunately picked up on the public outcry and have pledged to increase the effort to fix the seriously deteriorating state of our roads; a decision that we totally agree with.



The Company has responded to the sales decline as best we could by tightly controlling spending and limiting Research and Development. I will however leave it to Darren to outline in more detail the trading year and our responses.

The WorkSafe case resulting from the tragic November 2021 workplace fatality was concluded with an unexpectedly very heavy fine of \$650,000 that was double what we had provided for in 2023. We were however able to present to Fines Victoria a compelling proposal and we were granted a \$10,000 per month repayment plan that we will obviously continue to comply with.

The poor economic environment resulted a fall of \$2.958m in product sales that is offset to a degree by a \$939k increase in rental income resulting in an overall fall in revenue of \$2.0m. The rental growth reflected the \$1.8m rental fleet expansion over the past two years, mainly invested in the 2023 year.

The products sales decline reflects the very tough market, particularly in Victoria. The outcome of this overall \$2.0m revenue drop has been a normalised EBITDA profit of \$1,092,809 that was well down on 2023.

The additional \$325,000 WorkSafe provision, the heavy non cash Depreciation and Amortisation charges of \$1,923,902 and the interest expense of \$341,760 led to a trading loss of \$1,497,853.

As a consequence of the trading loss for the year and poor market conditions there were two Intangible Assets that were assessed as impaired and therefore expensed for statutory accounting purposes this year. They were the capitalised Deferred Tax Assets, mainly Tax Losses and the Product Development and Patent costs. Together these two Intangible Assets amounted to \$2,319,713 and their provision for impairment took our overall loss to \$3,817,566.

These impaired Intangible Assets still exist and, in our view, have value but they cannot be included in our Statement of Financial Position.

The lack of profit and the capital constraints have prevented us from effectively investing further in the growth of the rental aspect of our overall products business. The strategic review being carried out resulted in our decision to proceed with a divestment of our rental business. We have received a number of attractive non-binding indicative offers and the current position is that we have selected a potential buyer and are proceeding to a due diligence phase. That should be followed by a period of sale contract negotiation. This process should be completed by the end of January 2025.



Put simply, our limited capacity to finance the continued rental fleet expansion to meet demand lead to our decision to offer the Road Safety Rental business assets for sale to a buyer with the capital capability to continue its growth momentum. This is done reluctantly but in our view it is clearly in the best interest of shareholders.

Our current focus is to realise this sale of the Rental business assets and then assess the remaining product sales business going forward and other options to maximise shareholder value. This is not conclusive at the moment as we are expecting that an ongoing barrier product supply agreement with the purchaser will be an important component of the Road Safety Rental business assets sale process to enable the potential purchaser to continue the expansion of the fleet and that will be fully supported by us. There is also the prospect of increased spending on our roads to reverse the product sales decline.

It is important to note and emphasise that the proposed Road Safety Rental business asset sale is for the existing rental fleet of assets and does not include ownership of the intellectual property of the barrier products. The company will be in a position to continue to develop and sell those barrier products going forward.

We have ongoing discussions with our bankers the Commonwealth Bank and they intend to continue to support us during this potential rental asset sale process. In fact, they have given us a temporary extension to our overdraft facility and have waived past and current breaches of our EBITDA covenants. The facilities with the Commonwealth Bank, currently amounting to approximately \$2.7m would be repaid as part of any rental asset sale process.

The directors acknowledge the Shareholders concerns from the low share price of the company, currently 4.1 cents. During the past year there has again been very limited market trading in our shares and trading took place on only 42 of the approximate 250 ASX trading days. The overall traded volume in that year was approximately 835,000 shares, representing only 1.9% of our shares on issue. The current Net Tangible Assets of the company are approximately 11 cents per share with the potential for that to being significantly enhanced by the potential rental business asset sale. In this regard there are two other signifiant factors to also consider. We have significant tax losses to shelter any Rental asset sale profit from tax and we currently have \$2.8m of accumulated franking credits to fully frank future dividends.

At all times the best interests of our shareholders is our prime focus and we will continue to keep shareholders informed as the position further clarifies itself in the coming months.



I will now hand over to Darren to go into more detail on the trading for the 2024 financial year and other initiatives.

Please note: Managing Director's presentation at this point.

Managing Director's Speech

Thankyou for attending this year's Annual General Meeting.

Firstly, I would like to say that it's been one of the most challenging years in the company's thirty two year history.

The trading environment has been, and still is extremely competitive. That combined with our lack of capital to invest in more rental assets as well as stock on hand for product sales has contributed to our poor result.

Some positives for the year include finalising the Workcover charges, as well as signing an exclusive distribution agreement for our HV2 Barrier in the USA, Canada, and Mexico with Traffix Devices.

Our research and development continued through the year with the creation and approval of systems for our T-Lok and Ironman Barriers to enable deployments of tighter radius situations. We have also just completed the design and testing of a permanent T-Lok Barrier for TL-4 and TL-5 applications on major road projects. We have achieved our first sales of the new Solar Blade Portable Light System as well as our Rubber Guard Barrier.

I would now like to address how we plan to return value to shareholders. We have recently strategically reviewed all our operations and assets which identified what we believe to be by far the best opportunity to realise value.

The opportunity to sell the Road Safety Rental asset will unlock significant capital which will enable to company to repay debt and increase stock holdings to an acceptable level, enabling us to increase product sales. The strategic review will continue, taking into account the outcome of the Road Safety Rental sale process to again determine the best initiatives and options to add value for shareholders.

A information memorandum was provided with a formal closing date for non-binding indicative offers. We received an encouraging number of offers and are now currently in negotiations with the preferred bidder to formally sign a sale and purchase agreement, as well as an ongoing supply agreement for further product purchases.



I would like to thank all our staff for their hard work over the year as well as our shareholders for their patience and support.

Thankyou, and I will now hand back over to David for a final summary.

Thankyou Darren

I wish to join Darren with the boards thanks to all Saferoads staff and management for their hard work during this difficult period. I also wish to thank our shareholders for their support particularly those who participated in the capital raising finalised in late January this year.

Before we move on to the formal resolutions we will cover at this AGM I am sure our remarks today will have prompted questions and we will be pleased to answer them as best we can. Please also remember we have our external audit partner on-line today to answer any questions you may have relating to their audit of the financial statement.

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.