

## Managing Director's Address to Shareholders

23 November 2018, Melbourne:

Thank you, Mr Chairman

We were pleased to report a positive result for the 2018 financial year with:

- Revenue up by 16% to \$56.7m compared to \$48.9m in 2017.
- EBIT up by 215% to \$8.4m compared to \$2.7m in 2017.
- NPAT up by 501% to \$6.1m compared to \$1.0m in 2017.
- Net debt down by 57% to \$9.3m compared to \$21.8m in 2017.

The result for the year included several one-off items including a \$7.9m gain on the repayment of debt following the restructure of the Group's debt in April 2018.

The underlying result, excluding one-off items, can be summarised as follows:

- Revenue up by 16% to \$56.7m compared to \$48.9m in 2017.
- EBIT up by 20% to \$3.2m compared to \$2.7m in 2017.
- NPAT up by 51% to \$1.5m compared to \$1.0m in 2017.

The 2018 financial year saw all product groups and services contributing to the result. This can be attributed to the significant investment in R&D and diversification in the Group's product offerings and services along with the continued rationalisation of production, procurement and staff.

Operational highlights included strong growth from the roll-out of road and street lights where the Group secured supply contracts with several major councils and road authorities along with multi-year LED road and street light supply contracts in Victoria, New South Wales, South Australia and Queensland.

Maintenance and Installation saw expansion in growth with the renewal of the Northern New South Wales maintenance contract and the installation of more than 9,000 LED road lights and IoT nodes across Victoria, New South Wales and Queensland.

Our Smart City Platform has continued to develop over the year where sensors for the "Internet of Things" (IoT) have been developed for the road industry, councils and power authorities. The securing of supply contracts for our IoT platform across New South Wales, Victoria and Queensland has put the Group in a strong position for the years ahead with significant opportunities for the further integration of sensors and devices for state road authorities and council assets.

Traffic controllers continue to develop and grow with a significant export presence across the Middle East, Asia and South America. Development of the next generation Smart City controllers is in its final stages and once completed will take full advantage of the ever growing IoT industry and become a fully integrated traffic and Smart City traffic solution capable not only of managing traffic flows but also with the capability to communicate with field devices along with expansion into technology for autonomous vehicles.

Key achievements of the Group in FY18 included:

- Diversification of the Group's revenue base through the introduction of new products and services, with particular emphasis on:
  - Street, road and tunnel lighting.
  - Smart City software platform and IoT sensors along the East Coast.
  - Recurring revenue streams from IoT sensors.
  - Securing of several multi-year supply contracts, consolidating the Group's revenue base.
- Significant net debt reduction following the debt restructure in April 2018 providing a much stronger balance sheet, whereby the Group's business model can now focus on its key objectives.
- Diversification of the Group's product and services through formal approvals and recognition being gained in lighting, controllers and traffic signal portfolios along with the securing of long term supply contracts.
- Securing of orders for and completing deployment of over 15,000 intelligent IoT devices along with over 70,000 LED products which, together with the Group's Smart Cities "TST" platform, enables road authorities and local councils to connect their street lighting and other infrastructure assets to a central control system via a secure private network.
- Deployment of the Group's Smart City platform which has a range of applications extending well beyond the control of street lights themselves and puts the Group in a strong position for the next growth phase in markets which will include traffic monitoring, detection, asset maintenance, fault notification, environmental monitoring of weather conditions, parking, waste management and in particular smart mobility for the everyday road and transport consumer.

The Group has maintained its position as the dominant supplier of traffic signals to the Australian and New Zealand markets with the continued supply of traffic management products for new intersections, road projects and maintenance requirements and, of course, export sales continue to be at the forefront of our expansion program, in particular in the UK, Middle East and Asian markets.

Signage products continue to contribute positive earnings year upon year to the Group as the only national manufacturer and supplier of road signs to the Australian market with operations in every state. The continued attention by management and staff to cost control and factory efficiency combined with a focus on quality, service and reliability has led to the Group's signage products becoming the benchmark in a highly competitive market.

The outlook for FY19 is promising with significant growth in expenditure expected on roads and infrastructure across the country and in overseas markets, combined with the continual drive on the Group's "diversification revenue program" from its Smart City Platform, "TST", IoT applications for road authorities and municipalities. The recurring revenue generated from maintenance and support contracts once products and sensors are installed, will benefit the Group significantly in future years. Of particular interest for FY19 is the expected export growth from the Group's Smart City platform into our current customer base in the UK and Hong Kong where live trials will commence shortly.



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Whilst FY19 has the potential for political uncertainty with elections pending at the federal and state level, expectations are that the refinancing of the Group's debt along with the roll-out of our LED street, road and tunnel lighting installations, term maintenance contracts and development of export markets especially including the UK, South America, Middle East and Asia and the increase in multi-year supply contracts with power, road authorities and municipalities, are expected to underpin our earnings base for the second half and for future years.

Once again, I am very pleased to have your ongoing support and thank our shareholders along with our staff and management of the Group for their ongoing support and believe that we are well placed to achieve continued profitability in the year ahead.