

ASX ANNOUNCEMENT

16 November 2016

Redflex Holdings Limited | ABN 96 069 306 216

Redflex

2016 AGM Presentations

Attached is the Chairman's Address and the Group Chief Executive Officer's Presentation that will be made at the Redflex Holdings Limited Annual General Meeting being held today, Wednesday 16 November 2016, at 1:00pm in the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria, 3000, Australia.

About Redflex

The Redflex Group has established itself as a world leader in traffic enforcement products and services, developing world leading enforcement camera technology and owning and operating one of the largest networks of digital speed and red-light cameras in the world. Redflex develops and manufactures a wide range of digital photo enforcement solutions including red light camera, speed camera and school bus stop arm camera systems all utilising the most advanced sensor and image capture technologies.

The Redflex Group runs its own systems engineering operations, system integration technologies and innovation centre for research and development. With our continuous development of new safety products, the Redflex Group has been helping to reduce collisions and to save lives for more than 20 years.

Redflex Holdings Limited was listed on the Australian Securities Exchange in January 1997.

For further information:

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Group Chief Executive Officer
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Redflex Holdings Limited

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2016 Annual General Meeting - Chairman's Address

The significant change implemented throughout the course of FY15 provided the foundation for demonstrable improvement in the Company's financial performance for this past year across virtually all metrics.

Of note, for FY16, EBITDAI - a proxy that we use to track the operating cash generation by the business increased 38% from \$18.5 million to \$25.6 million. This improvement, combined with strong working capital management, allowed the Company to repay the entirety of its \$20 million debt balance and to actually end the fiscal year with \$7 million of cash on the balance sheet.

Given the substantial transformation process that the management team put in place in FY15 and finished in FY16 – the results are commendable and have established an improved platform on which the company can selectively invest to grow.

But let me be clear that the financial profile of our currently served markets in Photo Enforcement and associated Services continue to be somewhat unpredictable.

As you know we've got two major markets – Australia and North America – which together account for the vast majority of the Group's recurring revenue and profitability.

The US continues to face the same headwinds you've heard us report for several years... in particular it is a mature market punctuated with banning legislative threats and populous pushback. However, our progress in maintaining our client relationships and the economic productivity of those client relationships has improved as measured by our contract renewal rates and contract price stability. Generating new client relationships remains a challenge but continues at a modest rate in selected states within the US.

Outside of the Australia and United States markets, much of our revenue is project-based, subject to significant competition and government procurement complexities, which makes revenue forecasting complex and profitability quite lumpy.

Therefore, significant swings in earnings can occur and are driven by successful tenders within a still relatively limited bid universe.

In light of these realities, the decision we have had to make is between retrenchment or to invest for growth and diversification. We chose the latter.

And toward this end, Redflex sought to progress two important strategies this past year:

First, to grow our existing photo enforcement market, with focus on Asia, Europe, UK, Canada and Mexico. In other words to meaningfully advance our geographic diversification beyond the Australia and the US.

And second, to pursue organic diversification through the development of products adjacent to photo enforcement that leverage our current technologies and service capabilities.

Paul will cover all of this in further detail during his remarks.

But let me first speak briefly about your Board of Directors and about Management, a group that remains fully engaged across a broad spectrum of strategic, operating and risk mitigation priorities, all geared to protect and enhance shareholder value.

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This is the first time in many years that the membership of your Board of Directors did not change, which has allowed us to focus more intently and consistently upon key issues. Consistency matters and undoubtedly brings efficiencies in our decision-making, particularly in light of the many and significant changes under way.

Today's agenda calls for a vote confirming the continued service of two of my Board colleagues – Mr Terry Winters and Mr Herman Schwarz. I trust that you will join with me in supporting their re-election and I want to recognize their significant contributions to your board.

From a Management perspective, we have recruited senior business leaders throughout this past year in the areas of sales and business development, engineering, client services, and operations.

We have also specifically refined or built teams in the UK, Asia and the Middle East, and have further expanded our resources focused on Canada and Mexico.

At the same time the Company has undertaken extensive organizational, process redesign and skill additions. Nearly 20% of our global workforce is either new to the company or new to their role.

And while total spend on people is about the same as last year, a much higher proportion of overall compensation is variable, tied to performance, which we believe more appropriately aligns incentives and should help drive improved results.

Now, to address our as-yet unresolved matters in the U.S.

Your Board and management continue to work to resolve the U.S. Department of Justice criminal investigation and the civil litigation relating to the now historical misconduct in the United States.

I believe that the Company's efforts over the past several years – albeit difficult and costly – was and remains the right thing to do. We are committed to the highest standard of conduct for the New Redflex, and to helping to responsibly close out these matters.

As soon as we have anything definitive and conclusive to report, we will promptly inform the market.

I would like to once again thank the Redflex management team and our Associates for their continued support of the Company's core objective of Making a Safer World through our leading-edge technology, end-to-end solutions and strong partnerships with our customer base.

I would also like to thank my fellow Redflex directors for their unwavering dedication, desire and commitment to help improve our business.

Finally, on behalf of your Company, I wish to thank you, our shareholders for your patience and support.

It is now my pleasure to introduce Paul Clark, the Redflex Group Chief Executive Officer.



2016 GROUP CEO PRESENTATION

November 2016





FY2016 FULL YEAR RESULTS

November 2016



FY2016 KEY FINANCIAL HIGHLIGHTS

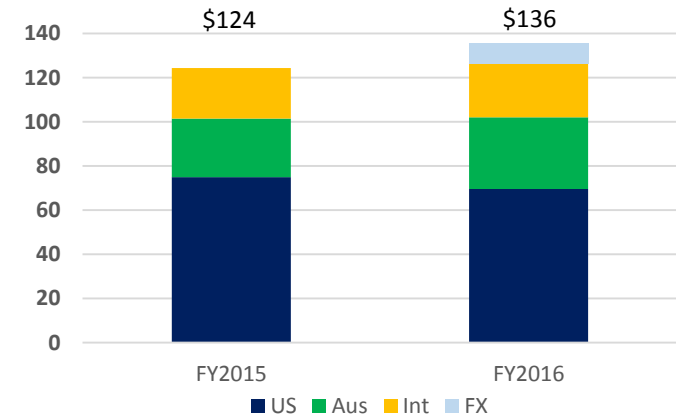
- Revenue increased by 9.2%
- 38.4% increase in EBITDAI
- Net loss before tax reduced to \$3.6M (FY2015 \$38.6M)
- Gross margin increased to 54% (FY2015 51.8%)
- EBITDAI / Sales increased to 18.9% (FY2015 14.9%)
- % of non North American revenue increased to 45% (FY2015 40%)
- Working capital as % of sales decreased from 37% to 27%
- Debt fully repaid during FY2016 (FY2015 balance \$19.5M)
- Focussed R&D investment – new products scheduled for Q2 FY2017

	FY2015	FY2016
Revenue	\$124.3m	\$135.8m
Gross Profit	\$64.4m	\$73.4m
<i>Gross Profit %</i>	51.8%	54.1%
EBITDAI	\$18.5m	\$25.6m
<i>EBITDAI%</i>	14.9%	18.9%
Net Loss Before Tax	(\$38.6m)	(\$3.6m)
EPS	(28.84c)	(4.23c)

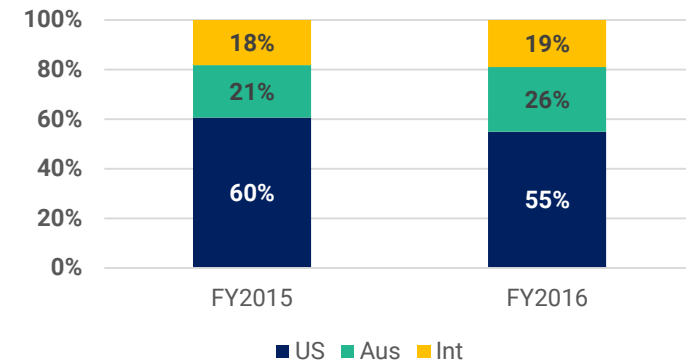
REVENUE INCREASED BY 9.2%

- Australian revenue increased by 22% due to:
 - Improved operational performance on major domestic contracts
 - New Skidata parking contracts
 - Projects completed (WAPOL and QPS)
- International (excl. Australia) revenue remained stable with projects in the United Kingdom and Saudi Arabia
- North American revenue has stabilised due to:
 - Improved retention rates
 - Improved performance from installed assets
 - New Contracts in Mexico and Canada
- Reliance (%) on North American revenue has reduced from 60% to 55%

Revenue By Geography - \$m



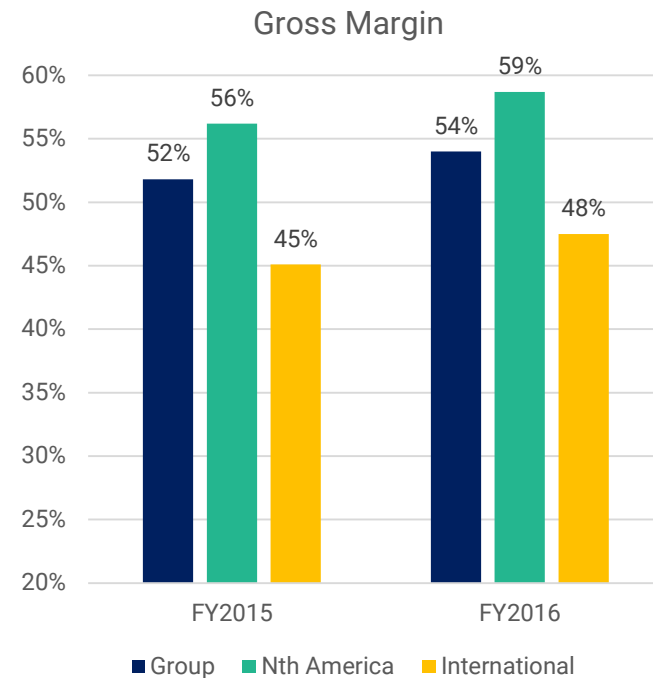
Revenue % By Geography (excl. FX Gain)



GROSS MARGIN IMPROVED TO 54% (FY2015 52%)

Improvement due to:

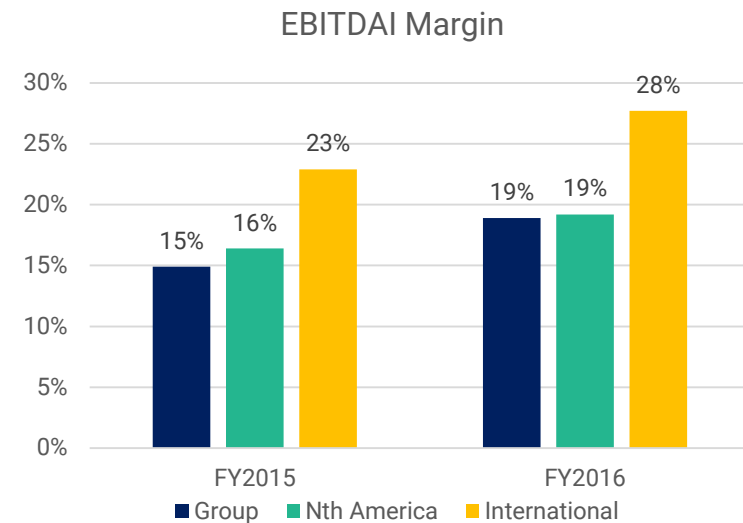
- Improved system availability in North America
- Maintenance and processing efficiencies in North America
- Improved procurement and inventory control
- Improved production labour utilisation rates
- Improved system availability and reduced maintenance costs in International



EBITDAI AS % OF SALES INCREASED FROM 15% TO 19%

Improvement due to:

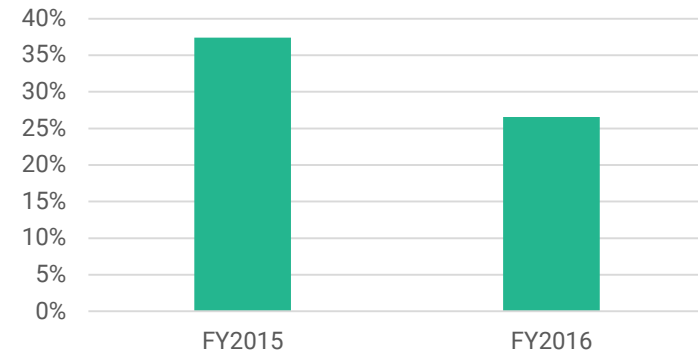
- Improved gross margins
- Reduced North American operating costs driven by reduced staff numbers and lower legal and IT costs
- Reduced International costs with reduced staff numbers
- New centralised systems and processes are driving down costs



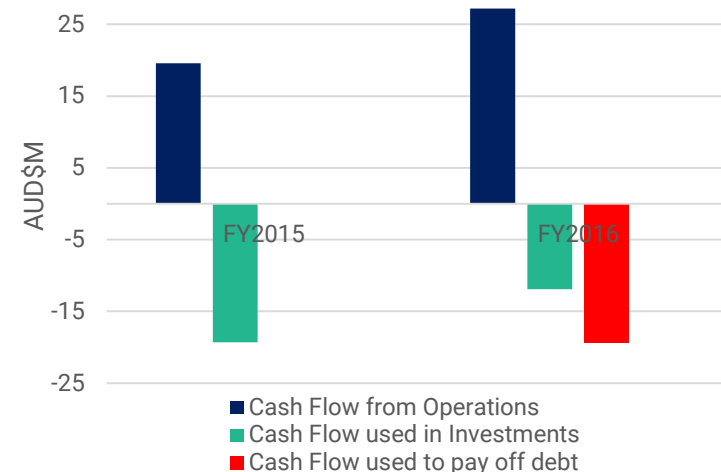
WORKING CAPITAL / SALES REDUCED FROM 37% TO 27%

- Working capital reduced through improved debtor, inventory and WIP management
- New systems and product standardisation will reduce working capital further
- Cash flow used to repay debt and to fund targeted Capex and Research and Development
- Capex requirement will reduce as we move into more services based contracts
- US\$9 million recovered from Jefferson Parish

Working Capital as a % of Sales



Cash Flow Profile



N.T.A. PER SHARE INCREASED FROM 71.7 CENTS TO 75.6 CENTS

Balance sheet has been strengthened with:

- Capitalised development amortisation accelerated
- All goodwill written off
- Working capital position improved
- All bank debt repaid
- Inventory and trade receivables provisioned
- Significant improvement in Return on Capital Employed

	FY2015	FY2016
Current Ratio	1.4	2.3
Quick Ratio	1.3	2.1
Debt/ Equity	0.57	0.34

Consolidated Balance Sheet

	FY2016 \$'000	FY2015 \$'000
Current Assets		
Cash and equivalents	12,442	17,035
Trade and other receivables	27,506	30,590
Inventories	5,205	7,379
Other Current Assets	8,766	11,827
Total Current assets	53,919	66,831
Non-Current Assets		
Plant & Equipment	47,690	54,077
Intangible Assets and goodwill	20,245	26,906
Other Non Current Assets	17,891	17,919
Total Non Current Assets	85,826	98,902
TOTAL ASSETS	139,745	165,733
Current Liabilities		
Trade & Other Payables	13,691	19,904
Interest Bearing Borrowings	-	19,449
Provisions & Other Liabilities	9,720	7,862
Total Current Liabilities	23,411	47,215
Non-Current Liabilities		
Deferred Tax Liabilities	6,137	7,312
Provisions & Other Liabilities	6,235	4,887
Total non-Current Liabilities	12,372	12,199
TOTAL LIABILITIES	35,783	59,414
NET ASSETS	103,962	106,319
EQUITY	103,962	106,319



FY2017 STRATEGIC FOCUS



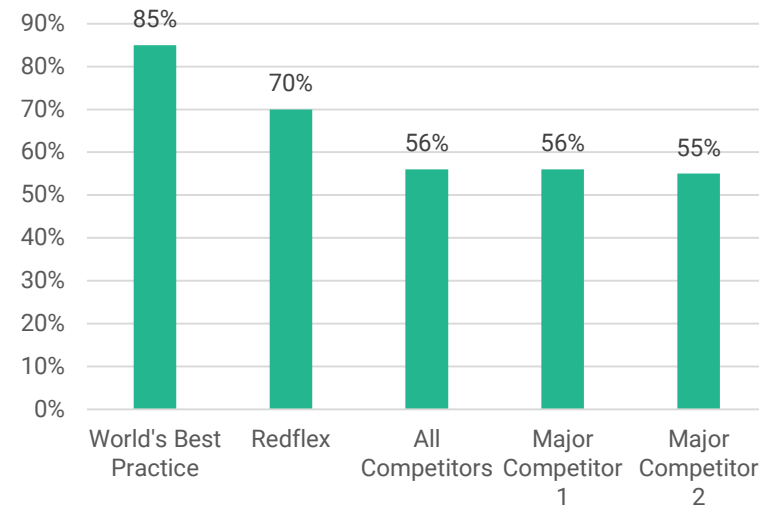
WE CONTINUE TO FOCUS ON 5 KEY STRATEGIES

- Create a high performance culture
- Grow in developed markets
- Enter emerging markets
- Continue product expansion
- Reduce risk, complexity and cost

CREATE A HIGH PERFORMANCE CULTURE

- Moved from technology led to customer led
- New operating model implemented
- New product range developed
- High performance leadership team appointed
- Regional sales teams recruited

Customer Engagement Score
August 2016

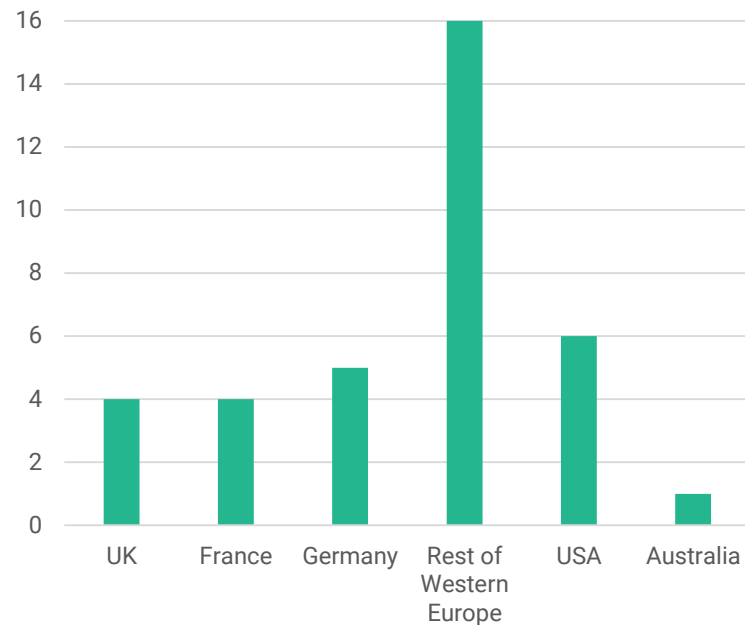


Source: The Market Intelligence Co. 2016

GROW IN DEVELOPED MARKETS

- North America and Australia have only 10% of the global photo enforcement installed base
- Leverage our extensive installed base in Australia and North America
- Accelerate approvals in France and Western European markets
- Continue to win contracts in the UK and Ireland
- Selling new products into these markets

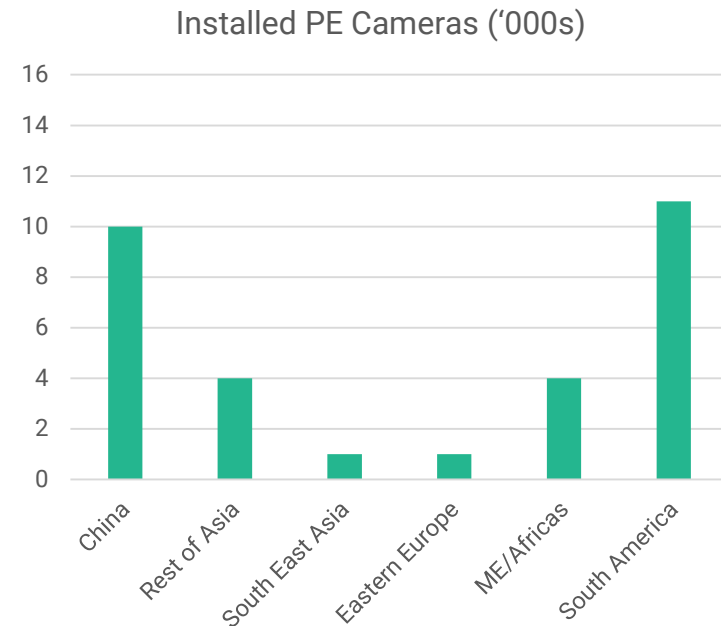
Installed PE Cameras ('000s)



Source: LEK Strategic Report 2014

ENTER EMERGING MARKETS

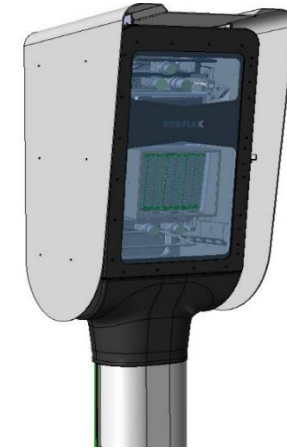
- We now have a presence in a number of emerging markets
- Market entry, distributor and risk mitigation strategies developed
- Significant opportunities developing in Malaysia, Philippines, Saudi Arabia and Mexico
- New opportunities in Asia, the Middle East and South America
- Regional sales teams recruited and new distributors appointed
- Opportunities exist in both the supply and fully outsourced model



Source: LEK Strategic Report 2014

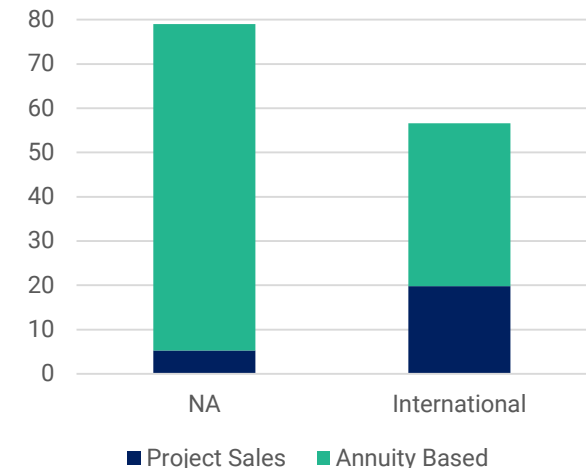
CONTINUE PRODUCT EXPANSION

- Halo development and testing finalised and production commenced
 - An innovative single pole traffic enforcement system (includes red light, speed and ANPR) that integrates the best available technology and requires less configuration and drives component, product and supplier rationalisation.
- Deployable Halo solutions in pilot mode
- Work site traffic enforcement system in concept stage
- Creating a market leading and scalable platform for photo enforcement (ours and others) as an ongoing income generating service
- Parking and tolling options being considered



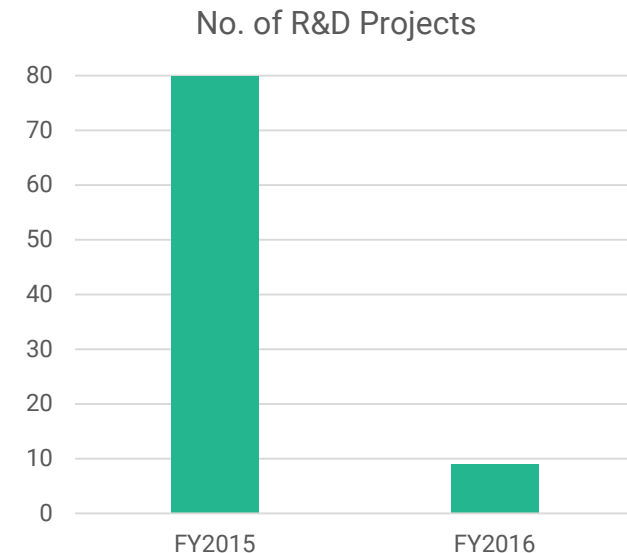
Halo system: Multi functional single pole solution

2016 Income Type (\$m)



REDUCE RISK, COMPLEXITY AND COST

- Continue to improve EBITDAI as % of revenue (increased efficiencies and further reduce costs)
- R&D projects reduced from 80 to 9 based on customer requirements and commercial outcomes
- Mitigate major risks through a Global Risk Management system
- Standardised employment, distributor and customer contracts
- Continue to rationalise products, components and suppliers through the introduction of HALO
- Introduce global systems, policies and processes



PLATFORM FOR GROWTH

We have established a platform for growth:-

- Continued to work with our customers on making sure we met their needs
- Improved financial performance, stronger cash generation, stricter investment criteria
- Closed out a number of legacy legal, systems performance and product issues
- Built a team capable of delivering on our ITS Strategy and created a culture focused on high performance
- Expanded in the UK and entered other European markets
- Entered a number of emerging markets where the risks are controlled
- Reviewed our research and development and focused our investment on a few market leading products
- Introduced new systems, controls and processes to reduce the risk, complexity and cost of our business

We are well positioned to take advantage of the growth in the ITS market.