

# Traffic Technologies Ltd

## 1H FY18 RESULTS



## Smart Innovation Smart Technology



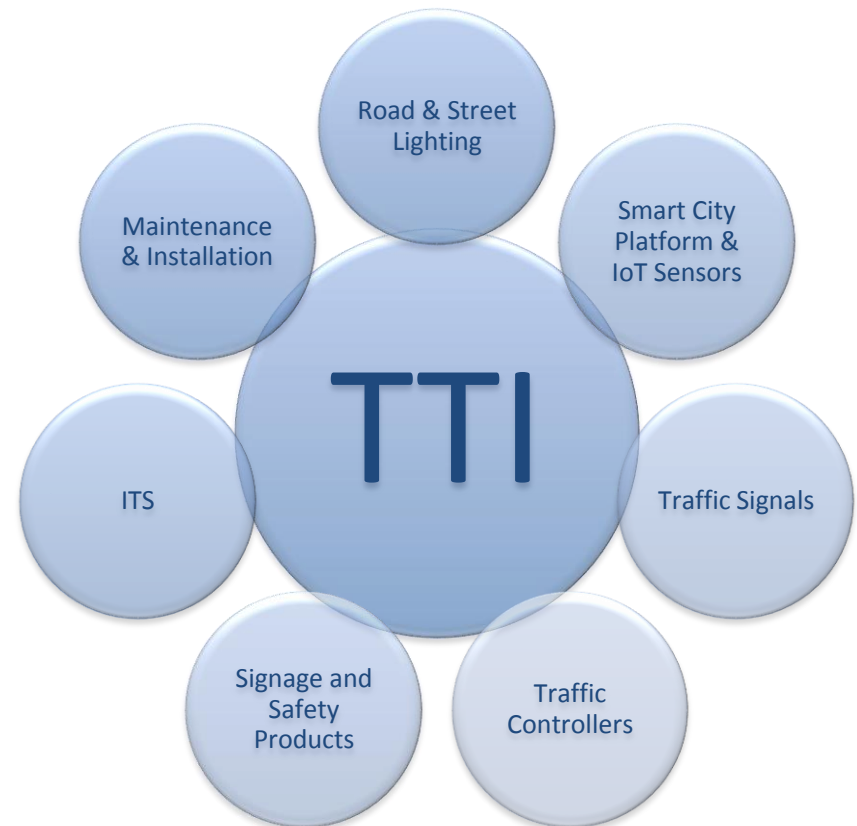




### Traffic Technologies (TTI) Company Background

- TTI is Australia's premier traffic software and solutions company
- Established 2004 and listed on ASX 2005
- TTI's head office is in Eltham, Victoria with offices in Sydney, Melbourne, Brisbane, Adelaide, Perth, Darwin, Canberra, Hobart and Nottingham, England.
- TTI designs, manufactures, supplies, installs and maintains

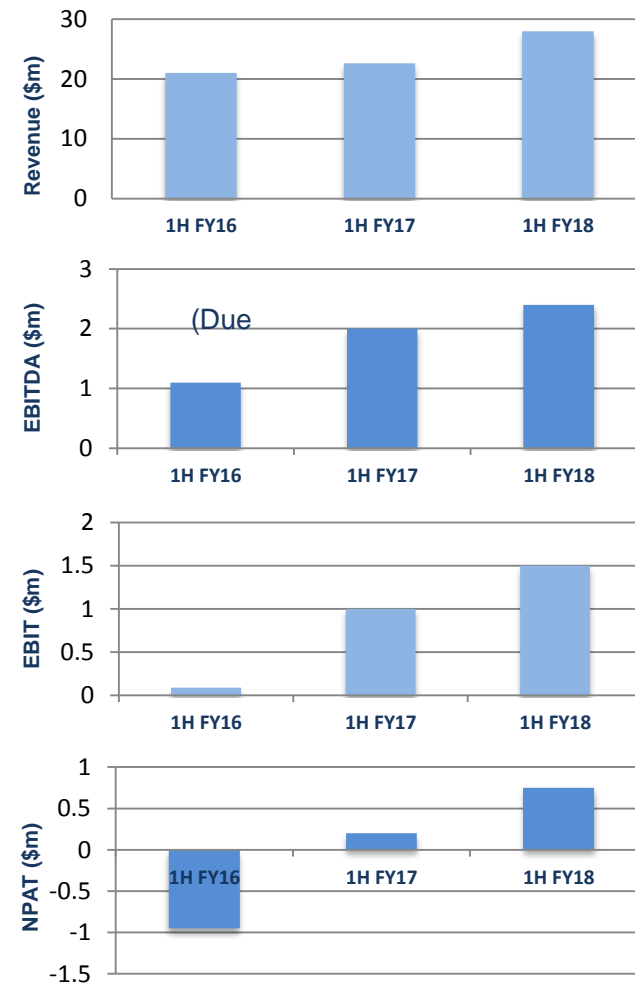
Shares on Issue	275.6m
Price (29-Dec'17)	4.0c
Market cap	\$11.0m
Net Debt (31-Dec'17)	\$21.0m
EV	\$32.0m



## Highlights:

- Revenue up 25%
- Ebitda up 19%
- Ebit up 50%
- NPAT up 372%
- EPS up 372%
- Net Debt down 4%
- Gearing down 3%
- Gross operating cash flow down 21%  
(due to investment in inventory)

Earnings Summary			
	1H FY16	1H FY17	1H FY18
Revenue (\$m)	21.1	22.6	28.1
EBITDA (\$m)	1.1	2.0	2.4
EBIT (\$m)	0.09	1.0	1.5
NPAT (\$m)	(0.95)	0.2	0.72



## Revenue & Earnings

- Revenue up 25% to \$28.1m
  - *Driven by diversification program.*
- Improved result in H1 FY18
  - *From “smart city technology”, term contracts and operational efficiencies.*
- EBITDA up 19% to \$2.4m
  - *Reflecting greater revenue and margins across the Group.*
- EBIT up 50% to \$1.5m
- NPAT up 372% to \$0.7m
- EPS up 372% to 0.26c

## Balance Sheet

- Net debt reduced by \$0.8m to \$21.0m
- Bank facilities extended to 1 April 2019
- Gearing reduced to 70%

## Cash Flow

- Cash flow benefitted from improved result partially offset by inventory investment.
- Gross operating cash flow/Ebitda 113%

Earnings Summary			
Half Year, \$m unless stated	H1 FY18	H1 FY17	% Chg
Revenue	28.1	22.6	25%
EBITDA	2.4	2.0	19%
D&A	(0.9)	(1.0)	-12%
EBIT	1.5	1.0	50%
Interest	(0.8)	(0.7)	0%
Tax	(0.0)	(0.1)	-71%
NPAT	0.7	0.2	372%
EPS (cents)	0.26	0.06	372%
EV / EBITDA (x)	13.2	15.7	
Financial Position			
Net Debt	21.0	21.8	-4%
Gearing (Net D/D+E) (%)	70%	73%	-3%
Cash Flow			
Gross Operating Cash Flow (GOCF)	2.7	3.4	-21%
GOCF/EBITDA (%)	113%	169%	-33%



## In line with TTI's diversification strategy the Group has:

### • Road & Street Lighting

- Continued growth in road and street lights with sales increasing by over 100%.  
(Australian market: 2.28m street and road lights where approximately 10% changed to LED to date.)
- Secured approvals for "V" & "P" category road and street lights across states.
- Secured supply contracts including VicRoads, RMS, Gold Coast City Council, Mornington Shire and City of Kingston > 32,000 units.
- Secured term LED road and street supply contracts with power authorities in Victoria, NSW, & Queensland.
- Secured term maintenance contract for Northern New South Wales for traffic signals, controllers and road lighting.

### • Smart City Platform

- IoT sensors developed for the road industry, councils and power authorities.
- Secured supply contracts across NSW, Victoria and Queensland.
- Deployment of >13,000 nodes/sensors.
- Integration and trials for additional road authorities and council assets.

### • Maintenance and Install

- Term maintenance contract for Northern NSW secured, revenue up 18%.
- Install crews across eastern states deployed with secured contracts up 100%.





- **Controllers**

- Next generation of controllers being developed.
- Export contracts secured in:
  - Middle East
  - Asia
  - New Zealand

- **Signage**

- Revenue up 8%.
- Maintained strong market position in all states.
- Streamlined production and integration with other business units.
- Continued focus on production efficiency and cost control.

- **Traffic Signals**

- Revenue up 7%.
- Core business remained solid in the absence of major government expenditure projects
- Market dominant position across the country.
- Sales of pedestrian countdown timers achieved nationally.
- UK sales increase along with market share and customer base.

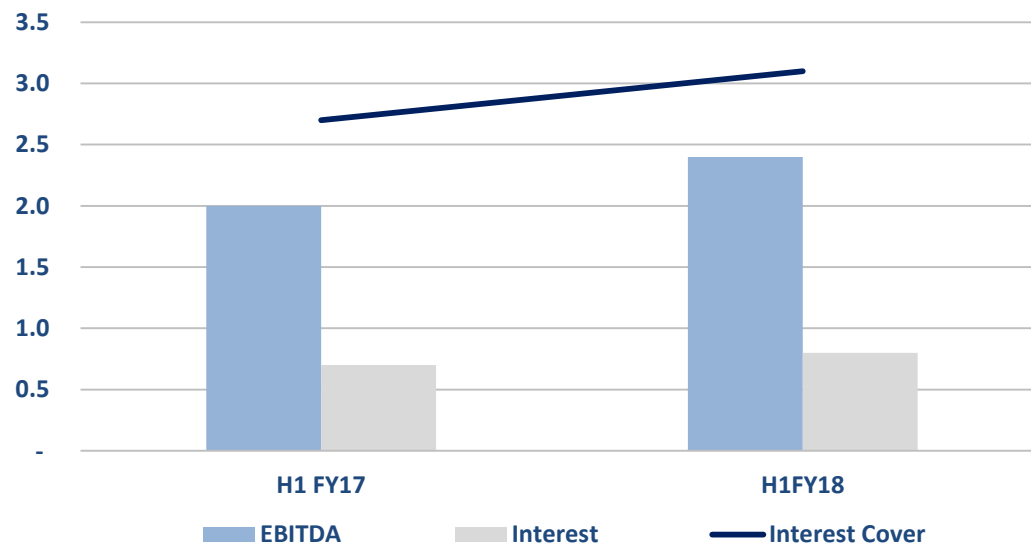




## Cash Flow

- Gross operating cash flow/Ebitda 113% - impacted by inventory investment.
- Net debt reduced to \$21.0m

FY EBITDA (\$'m), FY Interest (\$'m)



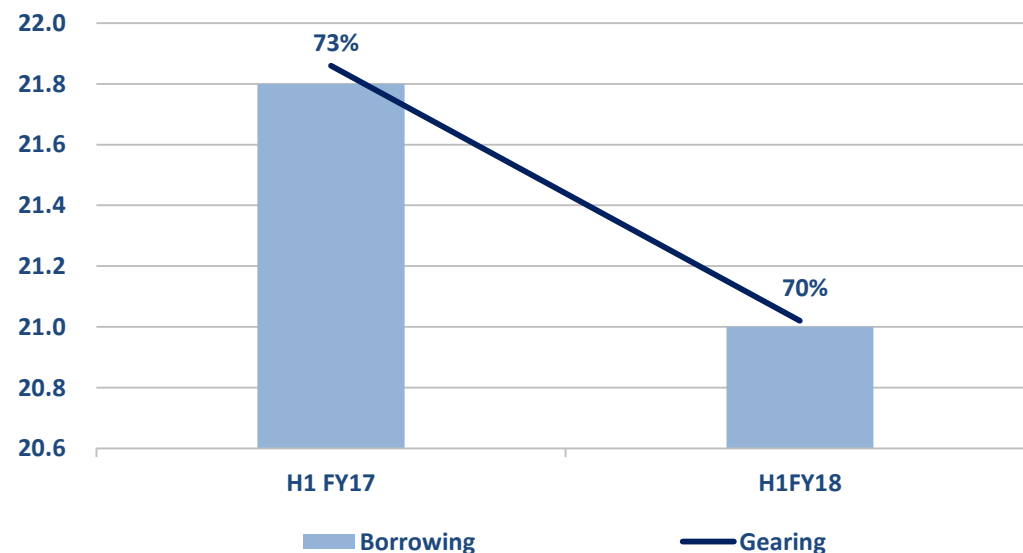
Cash Flow (\$m)	H1 FY18	H1 FY17
Receipts	32.6	28.7
Payments	(29.9)	(25.3)
Interest	(0.8)	(0.6)
<b>Operating Cash Flows</b>	<b>1.9</b>	<b>2.7</b>
Development costs	(0.9)	(0.8)
PP&E	(0.0)	(0.0)
Intangible assets	(0.1)	(0.1)
<b>Investing Cash Flows</b>	<b>(1.1)</b>	<b>(0.9)</b>
Borrowing proceeds	1.3	-
Borrowing repayments	(1.4)	(1.6)
<b>Financing Cash Flows</b>	<b>(0.1)</b>	<b>(1.6)</b>
Cash Start	0.7	1.2
<b>Net Cash Flow</b>	<b>0.7</b>	<b>0.2</b>
Cash End	1.4	1.4



## Balance Sheet

- Net debt reduced from \$21.8m to \$21.0m
- Net assets improved to \$8.8m
- Gearing reduced to 70%
- Bank facilities extended to 1 April 2019

Debt (\$m) & Gearing

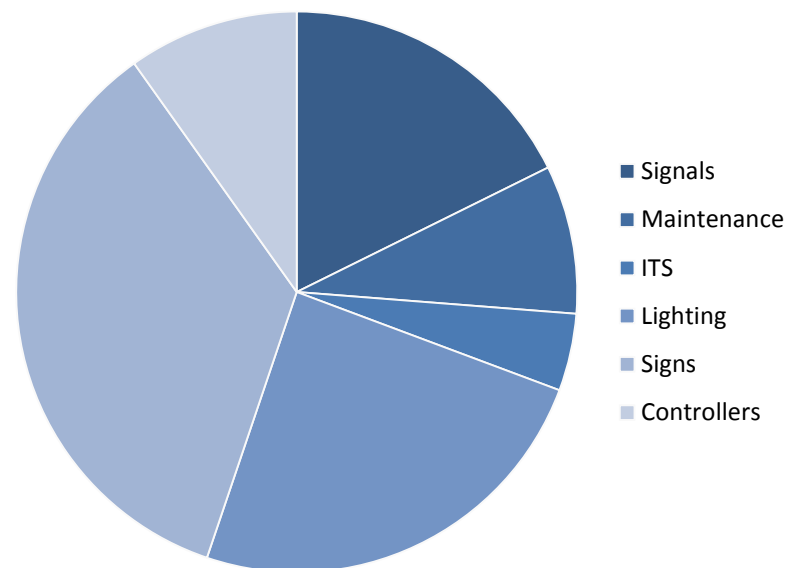


Balance Sheet (\$m)	H1 FY18	FY17
Cash	1.4	0.7
Receivables	8.1	10.2
Inventories	15.1	13.2
<b>Total Current Assets</b>	<b>24.5</b>	<b>24.1</b>
PPE	1.2	1.3
Goodwill	10.6	10.6
Intangibles	7.6	7.2
Deferred Tax	0.1	0.1
<b>Total Non-Current Assets</b>	<b>19.4</b>	<b>19.2</b>
<b>Total Assets</b>	<b>43.9</b>	<b>43.3</b>
Payables	10.0	10.3
Debt	5.0	5.1
Provisions	2.5	2.4
<b>Total Current Liabilities</b>	<b>17.5</b>	<b>17.7</b>
Debt	17.4	17.4
Other	0.3	0.1
<b>Total Non-Current Liabilities</b>	<b>17.6</b>	<b>17.5</b>
<b>Total Liabilities</b>	<b>35.1</b>	<b>35.2</b>
<b>Equity</b>	<b>8.8</b>	<b>8.1</b>

## 1H FY18 performance has benefitted from:

- Diversification of revenue base:
  - Products
  - Software Platforms and IoT applications
  - Installation & Maintenance
  - Customers
  - Export markets
- Long term supply contracts with power authorities in Victoria, NSW, South Australia & Queensland.
- Healthy order flow in lighting & supply contracts for LED street lights.
- Strong export performance from QTC.
- Despite traffic signals market remaining flat with continuing strong price competition, maintained dominant market position.
- Net debt reduced to \$21.0m.
- Debt facilities with Westpac extended to 1 April 2019.

## Diversification Program





## Outlook:

- Strong order book from recently awarded projects with delivery in 2H FY18.
- Key term contracts in play for delivery in 2H FY18.
- Commissioning of “Smart City” platform “TST” with recurring revenue.
- Increase of term supply contracts with power authorities, road authorities and municipalities.
- Restructure balance sheet to appropriate gearing levels for a business of its size.
- Continual drive on “diversification revenue program” from:
  - Smart City - Software Platform “TST”.
  - IoT applications for road authorities and municipalities.
  - LED street and road lighting.
  - Installation & term maintenance contracts.
  - Export markets: UK, South America, Middle East, Asia.



**SMART CITY USE CASES**





This document has been prepared by Traffic Technologies Ltd (TTI) and comprises written material/slides for a presentation concerning TTI.

The presentation is for information purposes only and does not constitute or form part of any offer or invitation to acquire, sell or otherwise dispose of, or issue, or any solicitation of any offer to sell or otherwise dispose of, purchase, or subscribe for, any securities, nor does it constitute investment advice, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision.

Certain statements in this presentation are forward looking statements. You can identify these statements by the fact that they use words such as “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “believe”, “target”, “may”, “assume” and words of similar import. These forward looking statements speak only as at the date of this presentation. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward looking statements.

No representation, warranty or assurance (express or implied) is given or made by TTI that the forward looking statements contained in this presentation are accurate, complete, reliable or adequate or that they will be achieved or prove to be correct. Except for any statutory liability which cannot be excluded, TTI and its respective officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the forward looking statements and exclude all liability whatsoever (including negligence) for any direct or indirect loss of damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission therefrom.

Subject to any continuing obligation under applicable law or any relevant listing rules of the ASX, TTI disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change of events, conditions, or circumstances on which any statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of TTI since the date of this presentation.