

ASX ANNOUNCEMENT

27 August 2018

Redflex Holdings Limited | ABN 96 069 306 216

Redflex

FY18 Performance Summary

Redflex Holdings Limited (**ASX:RDF**) releases to the market its FY18 Performance Summary.

About Redflex

The Redflex Group has established itself as a world leader in traffic enforcement products and services, developing 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.

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Redflex Holdings Limited ASX.RDF

FY18 Performance Summary

27 August 2018

Redflex[®]





Delivering advanced technology and services to create safer roadways.

FY18 Highlights

Operational Review

Outlook

Appendices

- Group Financial Performance
- Who We Are

FY18 Highlights





Building a platform for sustained success

Growth in Group PBITDA of 15%

- Underlying PBITDA of **\$12.3m**.
- PBITDA growth in both International and Americas businesses.

Growth of 44% in confirmed orders

- 40% year on year increase in new confirmed project orders.
- 49% year on year increase in newly awarded annuity streams driven by the expansion of mobile speed camera operations in New South Wales.

Growth in PBITDA margins to 11.6%

- PBITDA margin increasing from 8.9% to **11.6%** in FY18.
- Margin improvement reflecting a strong focus on managing costs and driving operational efficiencies across the business.

Build global sales and business development capability

- Increased investment in our global sales and business development functions to grow opportunities with existing and new customers.
- \$300m global sales opportunity pipeline with identified opportunities in all key markets.

Executing as a Global Organisation

- Established a global organisation to improve efficiency and better leverage our subject matter experts in markets where we see the greatest growth opportunity.

Balance Sheet strengthened

- **\$16.4m** of capital raised with a non-renounceable pro rata rights issue completed in December 2017.
- **\$12.7m** credit facilities established in the U.S. to support operating and working capital requirements in that business.



Operational Review

FY18 – Building a platform for sustained success: International

Key Points:

- Improved sales and business development capability.
- Year on Year growth in confirmed sales orders for annuity and project revenue streams.
- Significant financial investment supporting new revenue generating contracts.

United Kingdom

- Installation work on the variable speed enforcement camera systems on England's M1 and M6 motorways was completed during FY18.
- We extended our panel contract with Highways England.

Europe

- Continued to grow our presence in Europe. Further orders for mobile and fixed systems in Belgium and continued participation in the GoSafe consortium that currently operates Ireland's mobile speed camera program.

Middle East

- We have maintained our presence in the Middle East to support existing operations and identify development opportunities.

Australia

- Successfully renewed and expanded our contract with Roads and Maritime Services NSW for the provision of outsourced mobile speed services.
- We received approval for our first Halo P2P solution in New South Wales during FY18.
- Expansion of our Point to Point ("P2P") solution in Australia with 20 new point installations ordered which bring our total installed to more than 100.
- Added over 230 of our Automatic Number Plate Recognition ("ANPR") cameras, expanding our frictionless parking solution at major retail shopping centres throughout Australia. We have delivered 892 ANPR cameras.

FY18 – Building a platform for sustained success: Americas

Key Points:

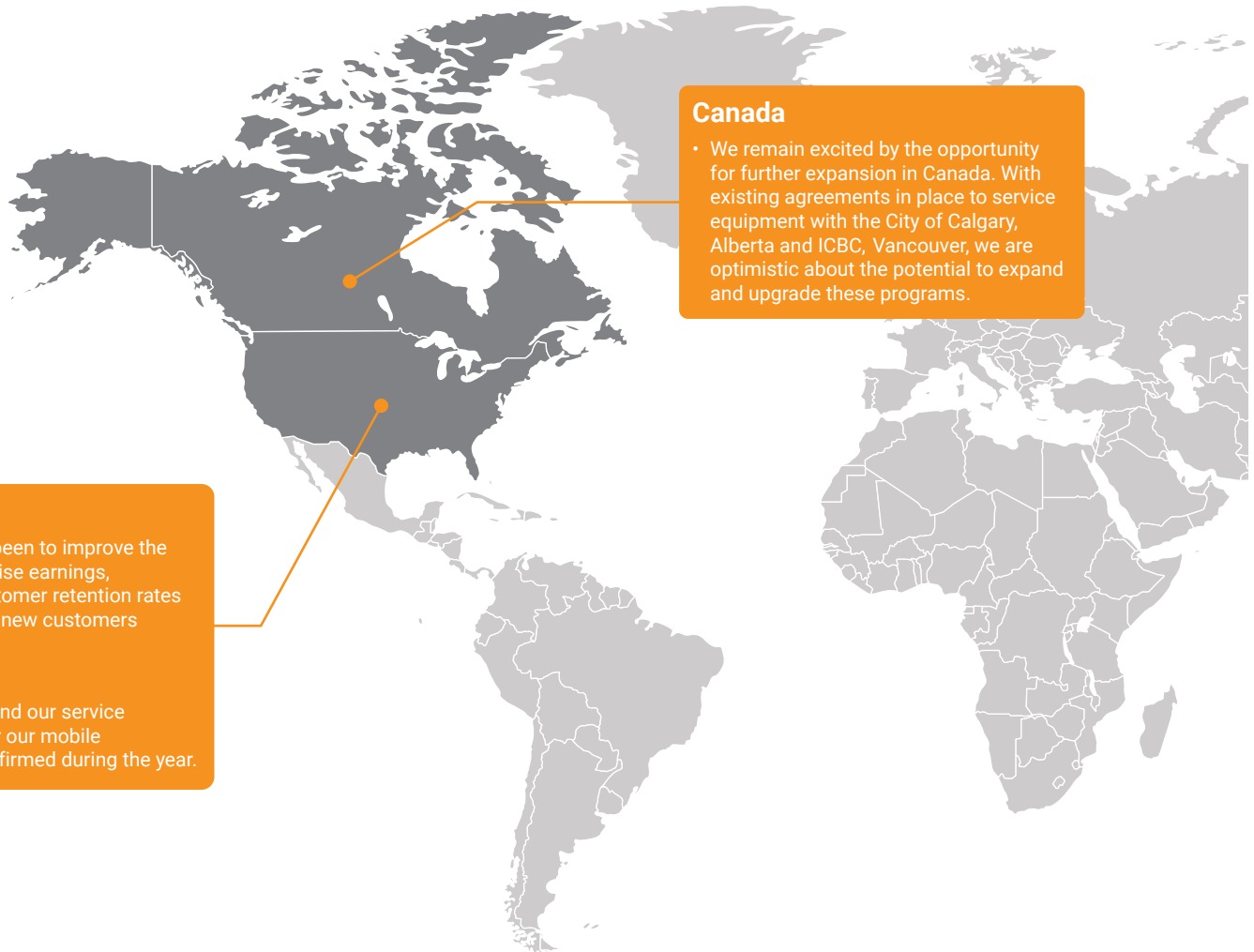
- Opportunity for market growth as some states pass positive legislative changes around road safety and traffic management solutions.
- Streamlined our operating model yielding growth in margins.
- Canada is emerging as an exciting market for further expansion based on existing customer relationships.

United States

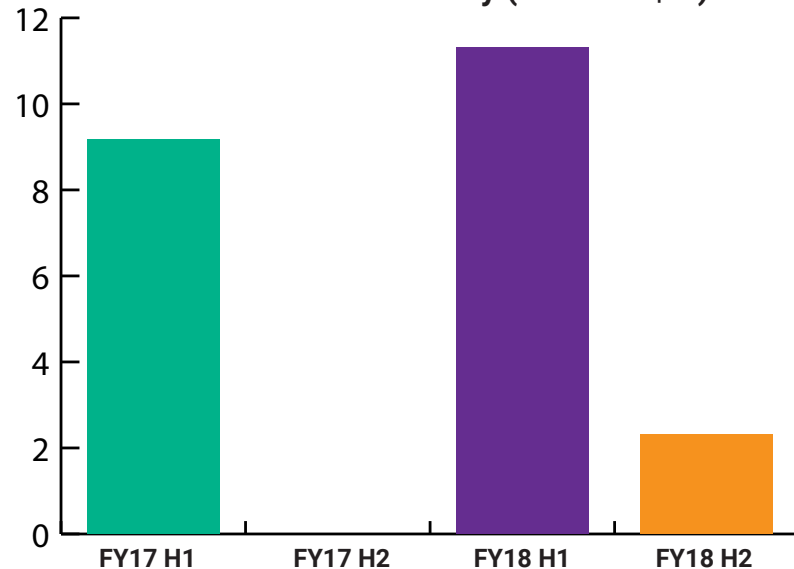
- The focus in our Americas operations has been to improve the efficiency of our operating model to maximise earnings, lift customer service levels to maintain customer retention rates and develop opportunities for expansion to new customers and service offerings.
- Retention rates remain greater than 90%.
- We continue to target opportunities to expand our service offering with a number of new contracts for our mobile enforcement solution (hand held units) confirmed during the year.

Canada

- We remain excited by the opportunity for further expansion in Canada. With existing agreements in place to service equipment with the City of Calgary, Alberta and ICBC, Vancouver, we are optimistic about the potential to expand and upgrade these programs.

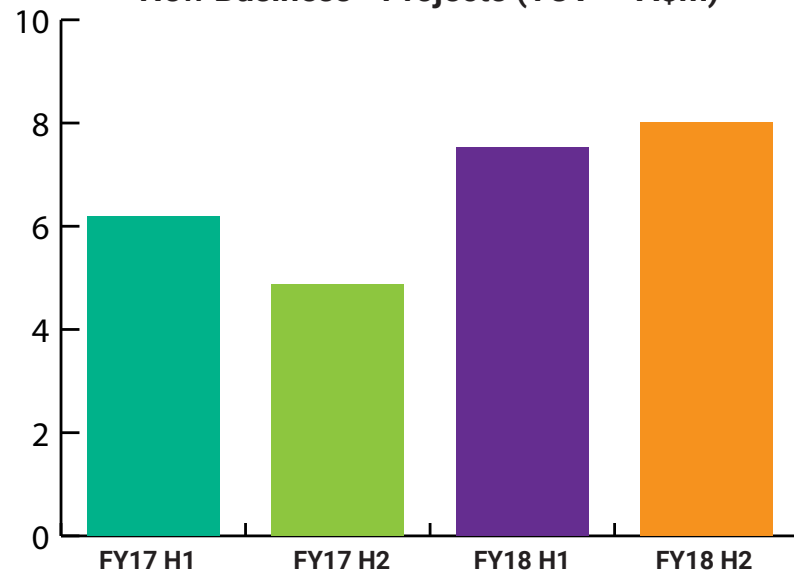


New Business - Annuity (TCV* - A\$m)



44% growth in confirmed orders during FY18 across both project and annuity streams

New Business - Projects (TCV* - A\$m)

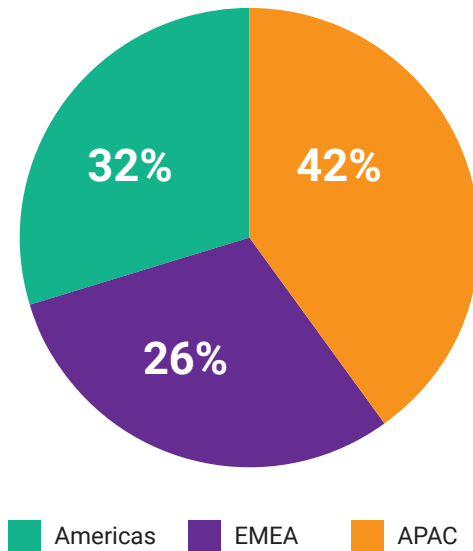


- Increased in confirmed orders across both annuity (+49%) and project (+40%) streams.
- Growth in annuity underpinned by expansion of the New South Wales mobile speed camera operations which commenced in July 2018.
- Growth in project bookings driven by the International business and underpinned by a robust sales pipeline.
- Customer contract renewal rates in the Americas business remain stable at around 90%.

*TCV = Total Contract Value which is the expected contracted revenue over the life of the contract.

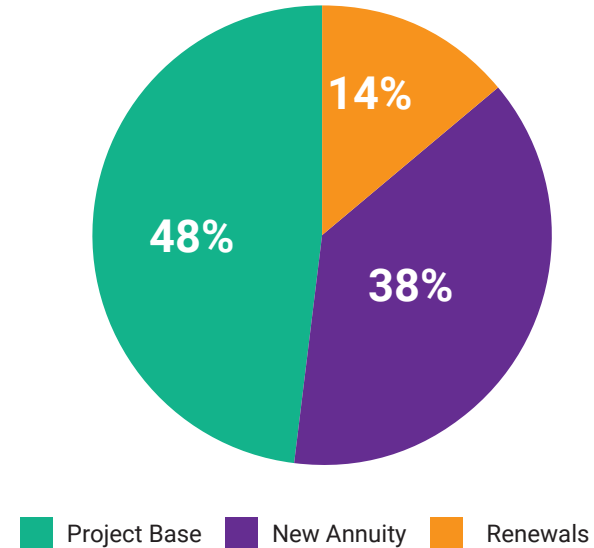
Strong sales pipeline to fuel growth in the near term

Sales Opportunity Pipeline - Total Contract Value by Region



- Global Sales opportunity pipeline with estimated close dates in the next four quarters in excess of \$300m.
- The pipeline is geographically diverse with significant opportunities in all key regions.
- Continue to focus on high win probability, near term opportunities in key markets, while developing prospects in broader market.
- Pipeline value is measured as the Total Contract Value attributable to an opportunity.

Sales Opportunity Pipeline - Total Contract Value by Revenue Type



- Balance of sales opportunities between new projects and annuity streams.
- Lighter renewal year compared to FY18.
- Conversion of project related sales pipeline opportunities remains important in the near term to drive revenue.
- Growth in annuity streams will be driven by improved capture rate of opportunities in the Americas and pursuit of services opportunities in APAC and EMEA.
- Renewal rates remain stable at above 90%.

Financial Performance

- Growth in PBITDA performance through efficiency improvements and prudent cost management across both businesses.
- We are now well placed to use the cost structure to deliver increased earnings via revenue growth.

	FY18 (A\$M)	FY17 (A\$M)	YoY (change)
Revenue	105.7	120.8	(12.5%)
Gross Profit	54.7	61.7	(11.5%)
Gross Margin	51.7%	51.1%	0.6%
Operating Expenses	42.4	51.1	(17.0%)
Underlying PBITDA	12.3	10.7	15.2%
PBITDA Margin	11.6%	8.8%	2.8%
Depreciation / Amortisation	20.0	19.0	5.3%
Underlying EBIT	(7.7)	(8.3)	7.4%

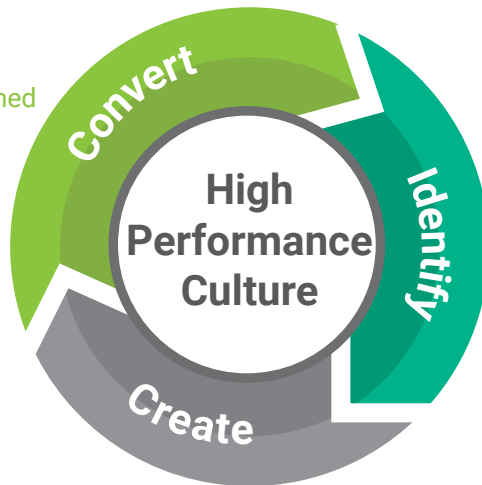


Outlook

Positioned for Future Growth

Near Term:

Convert pipeline to confirmed sales orders.



Identify market opportunities for advanced transportation solutions.

Create value propositions leveraging our intellectual property and subject matter expertise.

Medium to Long Term:



Leverage our technology capabilities into opportunities in ITS/Traffic Management (\$35b global market).



Provide a full suite of ITS services to a global network of customers through key strategic partnerships and outstanding customer service.



Appendices

- Group Financial Performance
- Who We Are

Group Financial Performance

Growth in underlying PBITDA of 15.2% due to operational efficiencies and prudent cost management. Reduced costs are driven by lower global head count, lower development costs associated with Halo and Alcyon investment, reduced debt provisioning (Mexico) and lower legal expenses.

Lower revenue due to:

- Termination of the Saudi Arabian traffic violation processing contract in January 2017.
- Completion of International project work, particularly in the U.K., which has transitioned to maintenance support.
- Completion of contract in Mexico, discontinuation of programs in Rochester, New York and Jacksonville, Florida.

Increased Amortisation charges of \$4.2 million due to a change in the useful life of intangible assets from seven years to five.

The change in the estimated useful life is to more appropriately align these assets with the duration of key customer contracts.

Other items impacting earnings in FY18 is the partial recovery of outstanding debt from a customer in Saudi Arabia offset by recovery costs, and restructure costs associated with the UK and former CEO termination. In the prior year these charges these charges relate to legal settlement of the city of Chicago and fully providing for outstanding Saudi debt.

	FY18 (A\$000's)	FY17 (A\$000's)	YoY (change)
Revenue	105,611	120,810	(12.5%)
Gross Profit	54,659	61,728	(11.5%)
Gross Margin	51.7%	51.1%	0.6%
Operating Expenses	42,365	51,057	(17.0%)
Underlying PBITDA	12,294	10,671	15.2%
PBITDA Margin	11.6%	8.8%	2.8%
Other items impacting earnings	419	29,181	
Depreciation	11,762	14,961	
Amortisation	8,223	4,016	
Finance Costs	986	84	
Net loss before tax	(9,096)	(37,571)	75.8%
Tax Expense / (benefit)	3,024	(6,079)	
Lost for the period	(12,120)	(31,492)	61.5%

Group Balance Sheet

	FY18 (A\$000's)	FY17 (A\$000's)	YoY (change)
Cash	18,864	8,199	10,665
Receivables	26,897	24,224	2,673
Inventory	5,741	6,104	(363)
Other	2,643	2,832	(189)
Current Assets	54,145	41,359	12,786
Plant & Equipment	38,551	40,296	(1,745)
Deferred Tax Assets	18,603	23,164	(4,561)
Intangible Assets	18,633	23,343	(4,710)
Other	606	544	62
Non Current Assets	76,393	87,347	(10,954)
Total Assets	130,538	128,706	1,832

	FY18 (A\$000's)	FY17 (A\$000's)	YoY (change)
Payables	17,867	24,693	6,826
Interest Bearing Liabilities	796		(796)
Deferred Revenue	2,395	344	(2,051)
Tax Payable	192	1,384	1,192
Provisions	8,015	9,240	1,225
Current Liabilities	29,265	35,661	6,396
Payables	10,403	11,255	852
Interest Bearing Liabilities	5,551		(5,551)
Deferred Tax Liabilities	4,410	6,081	1,671
Provisions	4,568	4,746	178
Total Non Current Liabilities	24,932	22,082	(2,850)
Total Liabilities	54,197	57,743	3,546
Net Assets	76,341	70,963	5,378

- Balance Sheet has been strengthened by the equity raising in December and proceeds from the drawdown of term debt.
- Reduction in plant & equipment due to the depreciation of US based assets servicing the BOOM model. Reduction in intangible assets due the change in the estimated useful life of these assets from seven years to five to better align with key customer contracts.
- Reduction in the value of the deferred tax asset due to the restatement following the change in the US Federal tax rate from 34% to 21%.
- Reduction in trade and other payables due to the second installment of Chicago settlement (US\$5m) and creditor payments.

Group Cash Flow

- Movement in net cash flow driven by the proceeds from the capital raising and drawdown of term debt.
- Working capital management remains a priority. We manage production and inventory requirements against confirmed orders. Negative movement in working capital in FY18 is associated with creditor payments carried forward from FY17.
- Cash flow from operations impacted by the Chicago settlement installment. Remaining US\$10m liability is due for payment over six years.
- Capital expenditure has been invested to support revenue generating International projects and additional equipment required to service the U.S. "BOOM" customer base.
- Reduced development expenditure reflects the substantive completion of Halo and Alcyon platforms in the prior year and the redeployment of some resources to revenue generating projects.

	FY18 (A\$000's)	FY17 (A\$000's)
PBITDA	12,294	10,671
Other EBITDA adjustments	(419)	
Working Capital Movement	(2,723)	8,599
Chicago Settlement	(6,406)	(6,512)
Interest Received / (Paid)	(463)	23
Tax Received / (Paid)	(690)	82
Cash Flow from Operations	1,593	12,863
Capital Expenditure	(9,003)	(9,707)
Development Expenditure	(3,513)	(7,114)
Cash Flow from Investing	(12,516)	(16,821)
Borrowings	5,999	
Capital Raising (net of costs)	15,288	
Cash Flow from Financing	21,287	0
Cash Movement	10,364	(3,958)
Cash at beginning of period	8,199	12,442
Effect of exchange rate changes	301	(285)
Cash at end of period	18,864	8,199

H1 FY18 – Segment Results

FY18 (A\$000's)					FY17 (A\$000's)				
	Int'l	Americas	Corp	Group	Int'l	Americas	Corp	Group	
Revenue	45,544	60,067		105,611	51,342	69,468		120,810	
Gross Profit	16,839	37,857	(37)	54,659	18,968	42,718	42	61,728	
Gross Margin	37.0%	63.0%		51.7%	36.9%	61.5%		51.1%	
Operating Expenses	15,396	27,530	1,238	44,164	21,050	32,587	1,389	55,026	
Capitalised Development	(1,799)			(1,799)	(3,969)			(3,969)	
Underlying PBITDA	3,242	10,327	(1,275)	12,294	1,887	10,131	(1,347)	10,671	
PBITDA Margin	7.1%	17.2%		11.6%	3.7%	14.6%		8.8%	
Depreciation / Amortisation	10,540	9,445		19,985	6,461	12,498	18	18,977	
Underlying EBIT	(7,298)	882	(1,275)	(7,691)	(4,574)	(2,367)	(1,365)	(8,306)	

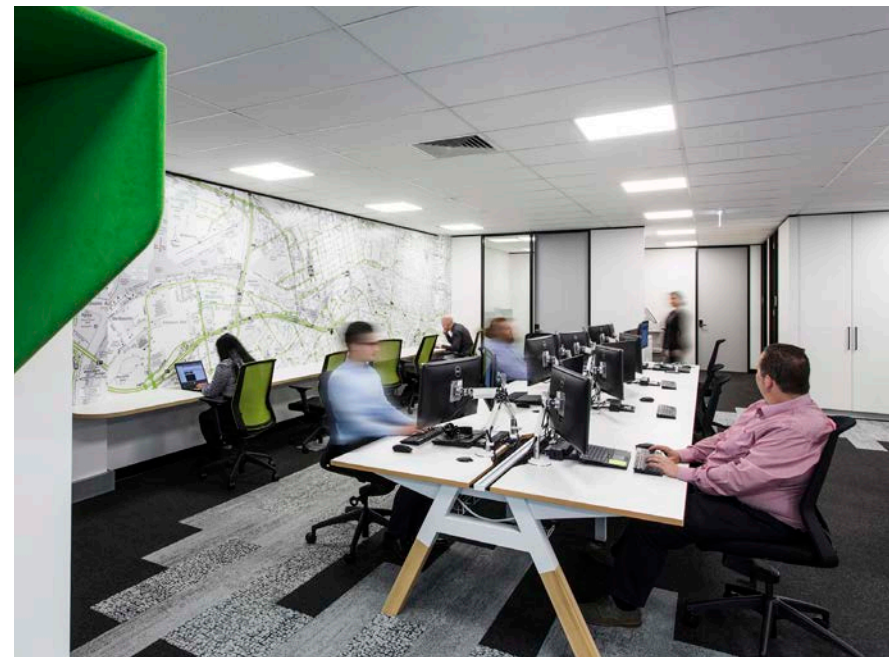


Who We Are

Redflex delivers advanced technology and services to create safer roadways.

We have been working to reduce vehicle incidents and saving lives for more than twenty five years through the ongoing development and deployment of advanced traffic technology and services platforms. We have a global reach that extends beyond our headquarters in Australia; we partner with many communities, and operate hundreds of traffic safety systems around the world.

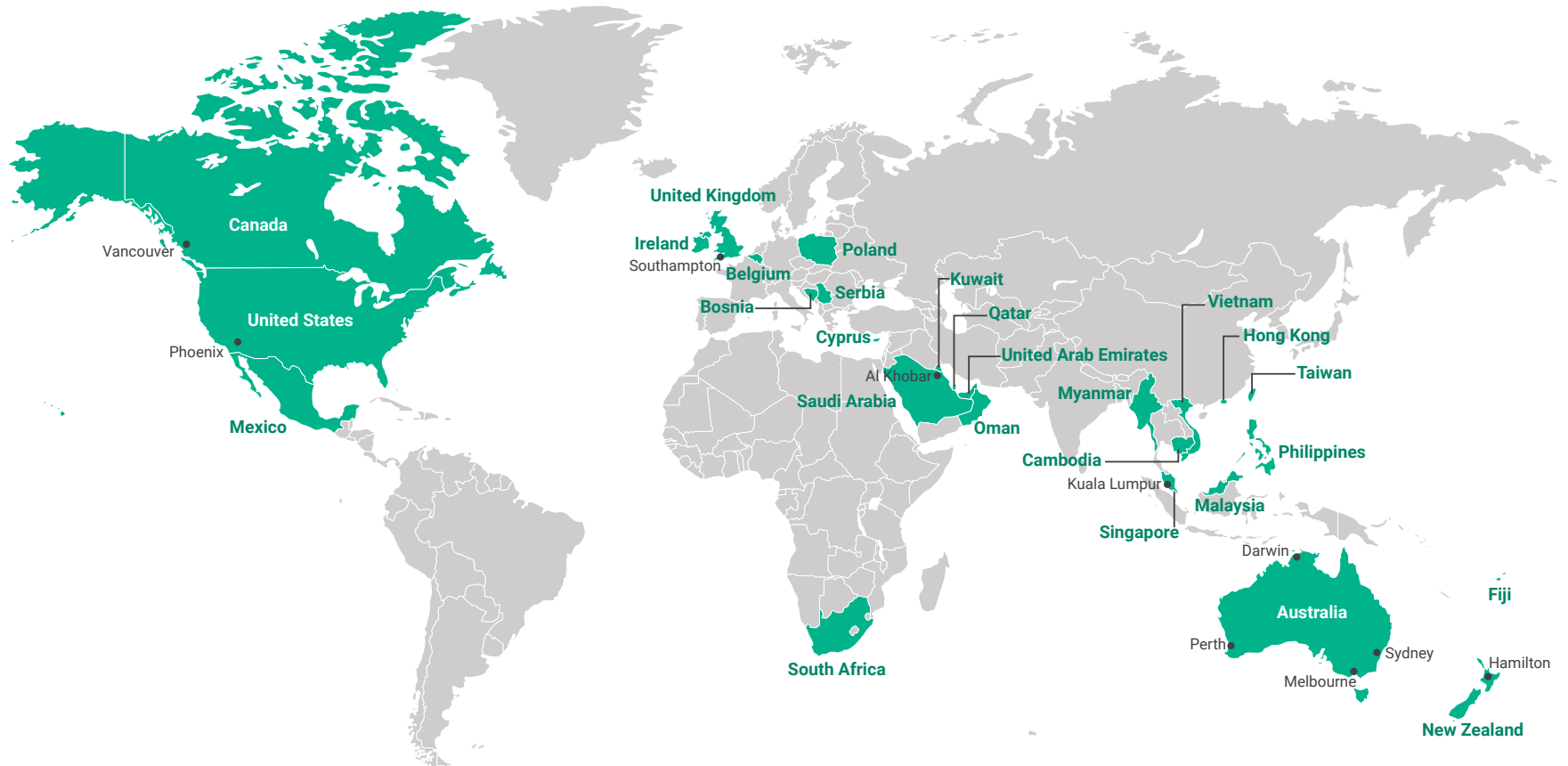
Our people and our partnerships set us apart from the pack. We employ approximately 500 people, and work with 19 channel partners globally. We are innovative; we will continue to create and deliver solutions to make our cities and our lives more green, safer and smarter.



Market Reach

Over 500 employees with offices in:

- **Australia**
 - Melbourne
 - Sydney
 - Perth
 - Darwin
- **Malaysia**
 - Petaling Jaya
- **Saudi Arabia**
 - Al Damman
- **United Kingdom**
 - Southampton
- **United States**
 - Phoenix





Operating Divisions

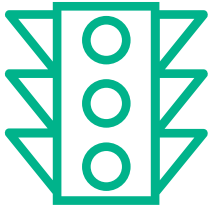
Redflex International (Redflex Traffic Systems Pty Ltd)

- Is responsible for operations in Australia and internationally (excluding the Americas).
- Established a UK office to pursue further opportunities through Europe and the UK.
- Continues to develop relationships with distributors throughout Asia with contracts in Hong Kong, Singapore, and Malaysia.
- Has an established sales and maintenance business in the Middle East to service customers in Saudi Arabia, Qatar and Dubai.

Redflex Americas (Redflex Traffic Systems Inc.)

- Is responsible for operations in the US, Canada, Mexico, Latin America and the Caribbean.
- Americas business continues to expand into Canada whilst assessing opportunities in Latin America and the Caribbean.

Our Core Businesses



Traffic Safety

Traffic safety solutions contribute to a reduction in road accidents and the effective flow of traffic, safer work places and improved commuter experiences.

Key Solutions Include:

- Mobile speed;
- Red light & speed;
- ANPR
- Average speed; and
- Student & Commuter solutions



Intelligent Traffic Management

We offer a range of intelligent traffic management solutions to address road congestion and safety.

Key Solutions Include:

- Managed Motorways Detection;
- Priority and closed lane enforcement;
- Vehicle Hotlists;
- Traffic flow and volume data;
- Traffic data analytics;
- Travel Time Monitoring;
- Pollution Detection; and
- Over-height Detection



Ticketless Parking

Our highly developed camera systems combined with leading automatic number plate recognition (ANPR) solutions create effective ticketless or frictionless parking.

Our solutions have the ability to capture all cars parking and leaving a designated parking environment, whether on or off street.

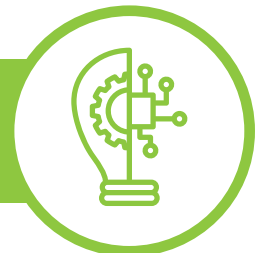


Video Surveillance

Our high definition SMARTScene video surveillance solutions are optimised to capture short video clips of each potential offence or scene.

SMARTScene uses the latest image sensor technology to provide high sensitivity colour video. Redflex SmartStreamLive software can connect to any number of cameras to stream video in real-time to a central location.

Our advanced technology, supported through exceptional service, enables our clients to make roads and cities, safer and smarter.



Customer Base - Global and Diverse

North America



EMEA



ASIA PAC



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