

# ASX ANNOUNCEMENT

27 August 2020

Redflex Holdings Limited | ABN 96 069 306 216

The Redflex logo features the word "Redflex" in a white, sans-serif font. To the right of the text is a stylized green circular icon that resembles a lowercase 'r' or a similar shape, with a white outline and a solid green fill.

## FY20 Performance Summary

Redflex Holdings Limited (**ASX:RDF**) releases its FY20 Performance Summary.

The Company will host an investor webinar to discuss the Company's FY20 full year financial results at **9:00am (AEST) on Friday 28 August 2020**. This webinar is expected to be 30 minutes in duration.

Investors are invited to ask questions of management during the webinar.

**Register in advance for this webinar:**

[https://us02web.zoom.us/webinar/register/WN\\_2B69Jz4ATWqjzmqw8Q6iw](https://us02web.zoom.us/webinar/register/WN_2B69Jz4ATWqjzmqw8Q6iw)

After registering, you will receive a confirmation email containing information about joining the webinar.

### About Redflex

During the past 25 years, Redflex has established itself as a world leader in developing and implementing intelligent traffic management products and services which are sold and managed in Asia Pacific, North America, United Kingdom, Europe and Middle East regions. Redflex develops, manufactures and operates a wide range of platform-based solutions all utilising advanced sensor and image capture technologies enabling active management of state and local motorways.

The Redflex Group runs its own systems engineering operations, system integration technologies and innovation centre for research and development. With a continuous program of product development, Redflex has been helping to improve roadway safety, alleviate congestion and reduce the harmful impacts of vehicle emissions.

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

This document is authorised by the officers listed below. For further information please contact:

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# FY20 Performance Summary

27 August 2020

**Mark Talbot - CEO**  
**Neville Joyce - CFO**





# FY20 Performance Overview

# Redflex Strengths



Anticipated growth in recurring contracted revenue (currently 80%)



>\$300m contract opportunity pipeline



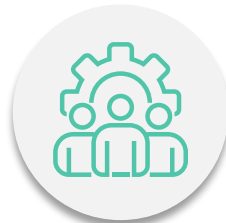
Industry leading proprietary technology backed by intellectual property suite



Global ITS market expected to grow at 5.4% CAGR reaching US\$19bn by 2025



Geographic, jurisdictional and product diversification



Highly experienced management team focussed on customer care and business efficiency



Blue-chip customer base of State and Federal government agencies driving 98% contract retention



Strong internal R&D capability, with focus on high-growth Technologies

# FY20 Performance Summary

- Significant new contract wins – TCV up 250% to \$158m.
- Implementation of new programs in North America.
- Management of the business interruption created by COVID-19.
- EBITDA up 16% to \$18.3 million.
- Annual recurring revenue up 16% to \$94.8m to start FY21.



# Significant growth in ARR and TCV

## Continued focus on recurring revenue contracts

(A\$m)	FY18	FY19	FY20
International	30.6	34.0	35.9
Americas	61.6	59.9	44.8
<b>ARR</b>	<b>78.0</b>	<b>79.6</b>	<b>80.7</b>
Project	13.4	23.1	20.0
<b>Revenue*</b>	<b>91.3</b>	<b>102.7</b>	<b>100.7</b>
<b>New TCV Won</b>	<b>29.2</b>	<b>42.1</b>	<b>158.2</b>
<b>TCV</b>	<b>167.2</b>	<b>184.0</b>	<b>322.0</b>

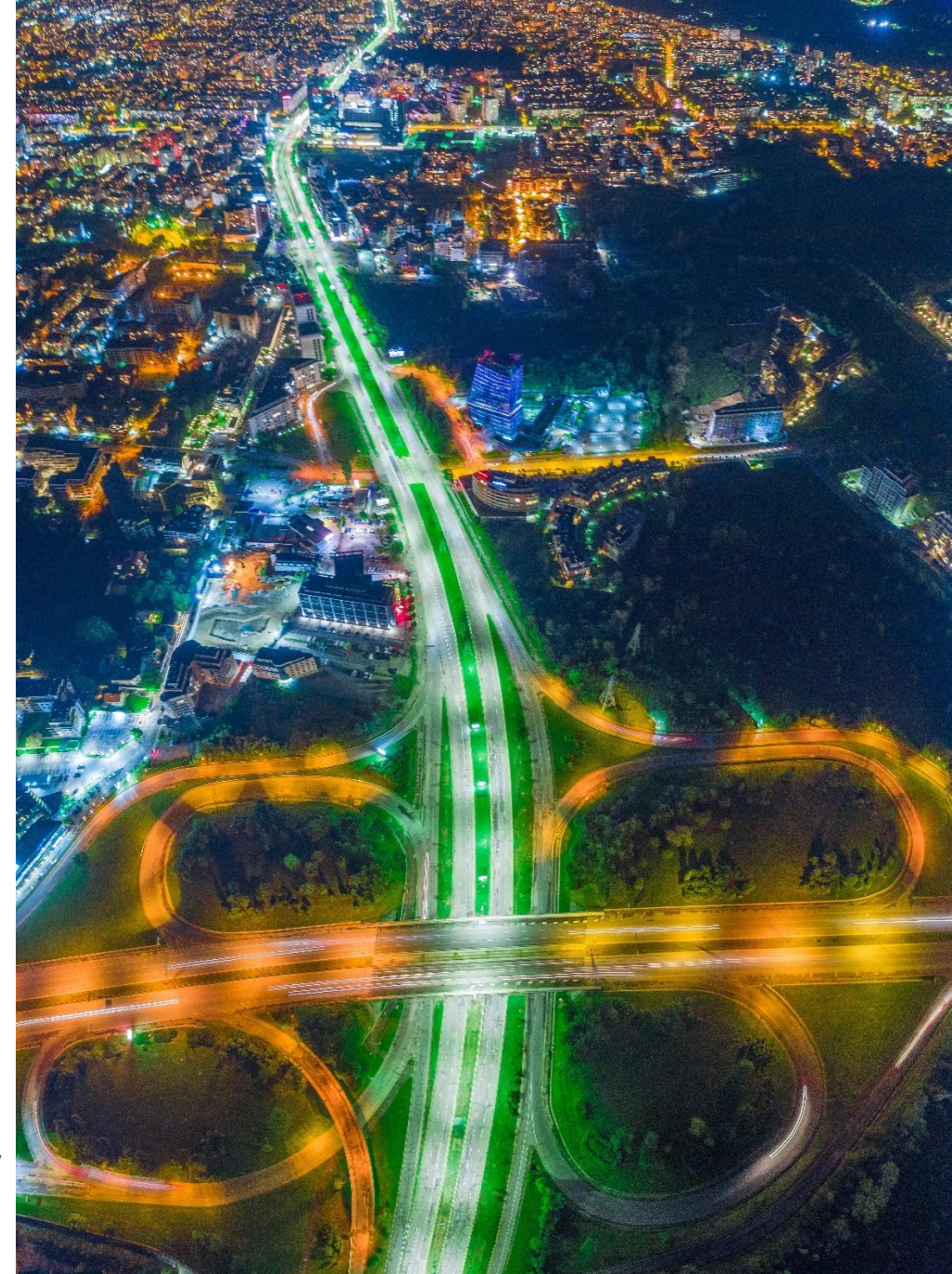
\* Excludes Texas @ \$14.2m in FY'18 & FY'19

ARR is the annual value of multi year contracts

Project revenue is one off equipment sale (hardware / software)

Total Contract Value (TCV) is the accumulated value of multi year contracts

- FY21 ARR expected to grow to \$94.8m up from \$80.7m in FY20.
- Historically ~80% of annual revenue is generated from ARR with the balance coming from project implementation revenue.
- \$158.2m of new TCV added during the year, a substantial increase on previous year and bringing TCV to \$322m.
- TCV increase reflects resumption of growth in key North American market.



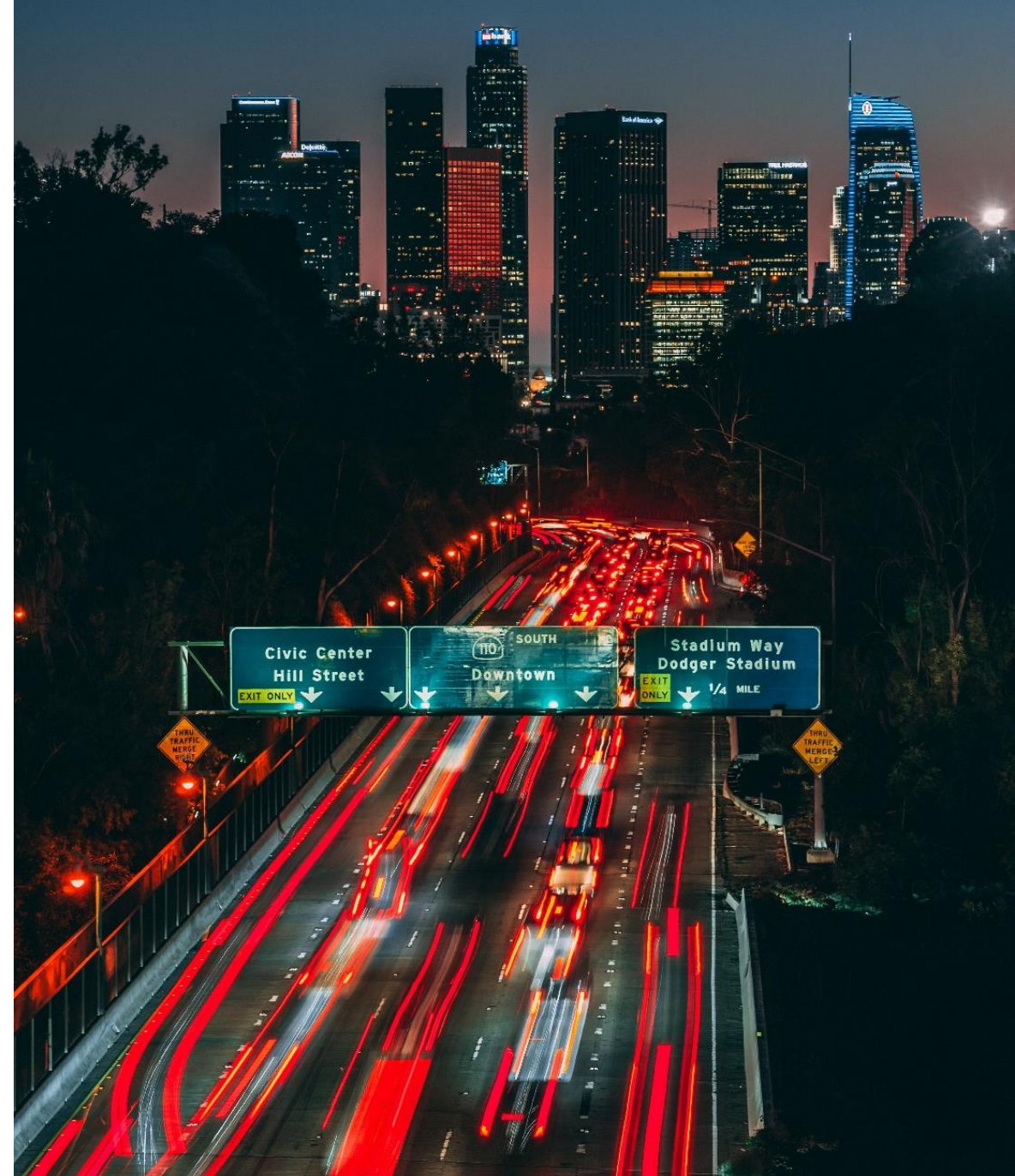
# Implementation of new programs to be completed in FY21

All new programs commenced operating during H2 FY20 despite some delays due to COVID-19

- Total contract value ('TCV') in FY20 of \$158m including:

Key Contract Wins	TCV	ARR	Commenced	Tenure
Pennsylvania Department of Transportation	US\$50m	US\$7.6m	Apr 20	7 years
Los Angeles County Metropolitan Transit Authority	US\$25m	US\$2.7m	May 20	8 years
Ontario Traffic Council Canada	A\$27m	A\$2.4m	Jan 20	10 years
Highways England (Additional equipment sales)	A\$5.8m		June 20	Over 18-months

- Key contract wins are expected to generate ARR in excess of A\$17m when fully implemented in FY21.
- Continue to pursue further expansion to the Ontario speed program by contacting additional municipalities.



# COVID-19 impact

## Impact:

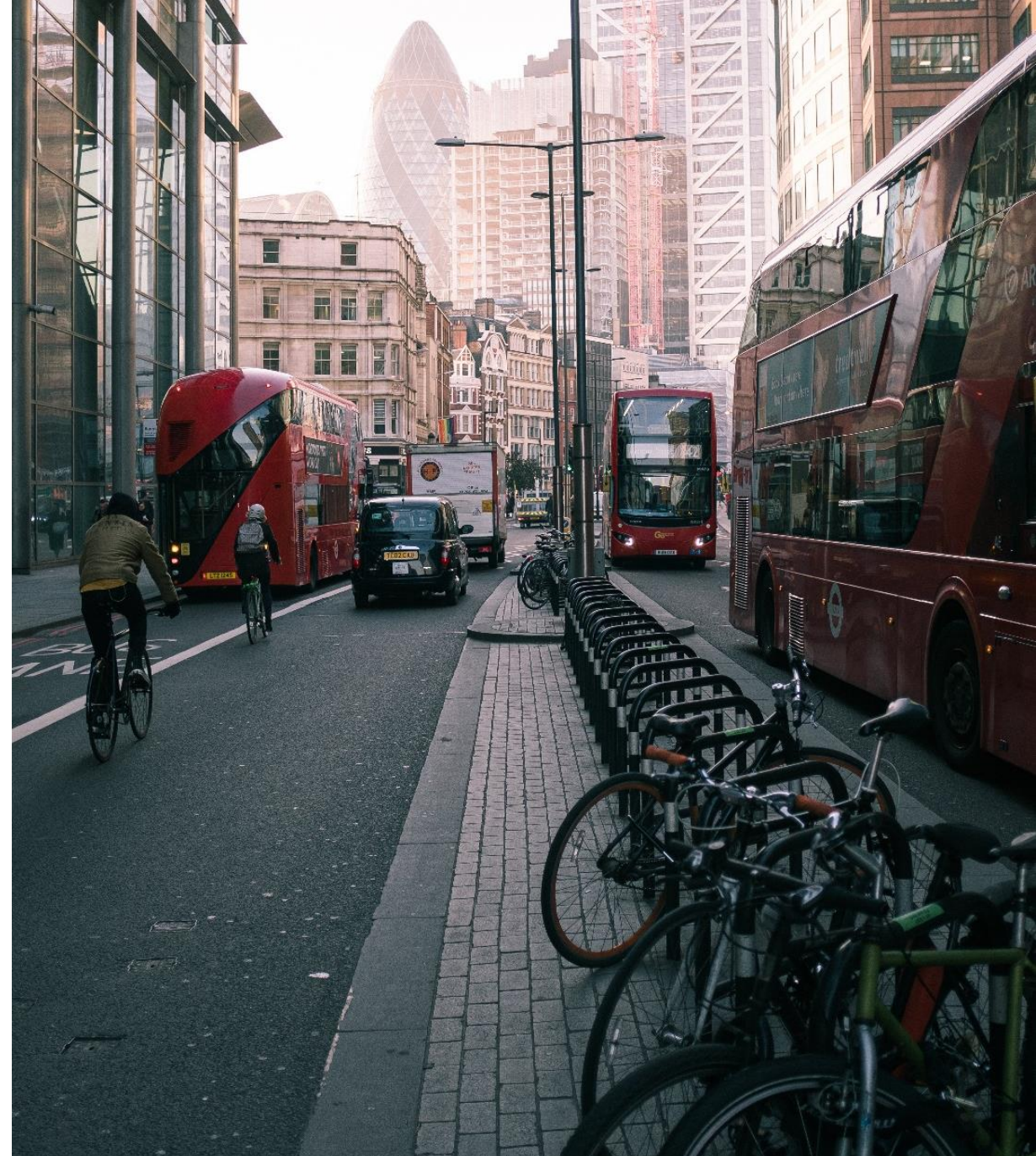
Estimated negative revenue impact of \$7.2m in FY20 as a result of:

- Lower traffic volumes during lockdown in some U.S. cities affected volume based contracts.
- Delays in commencement of new programs due to movement restrictions affecting the permitting and approval processes.
- Delays to the installation of equipment in the U.K. due to mobility restrictions impacting roadway access.

## Mitigation:

The revenue decline was offset by:

- 20% reduction in working hours, Board and Executive salaries (10 weeks from April 2020).
- Access to relevant government support packages enabled Redflex to maintain its team during the pandemic.



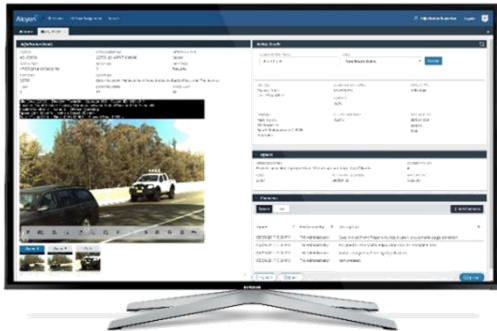


# Continued product development and innovation

Advanced Redflex technology, enables clients to make roads and cities, safer and smarter



Halo2



## Roadway Management Solutions

- Reduction in road accidents;
- Enable more efficient utilization of existing roadway capacity.

## Mobility Solutions

- Highly developed camera systems;
- Combined with leading ANPR solutions to create effective ticketless parking.

## Data Analytics Solutions

- HD SMARTScene video surveillance solutions optimised to capture short clips of potential offence;
- Alcyon data analytics evaluates and configures with next action logic.

### Highlights:

- Deployment of HALO redlight solutions in North America;
- Updated technology supporting mobile & portable deployments;
- Piloted our “close following” enforcement product on major motorways.

### Highlights:

- Piloted our first in vehicle bus lane enforcement solution;
- First order to pilot our HALO Edge distracted driver solution.

### Highlights

- Received approval for our Alcyon GovCloud solution providing us with a certified Cloud based violation processing application.

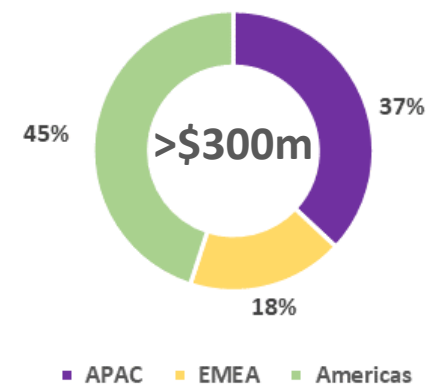
# Outlook

## Redflex is well placed to grow revenue and earnings in FY21

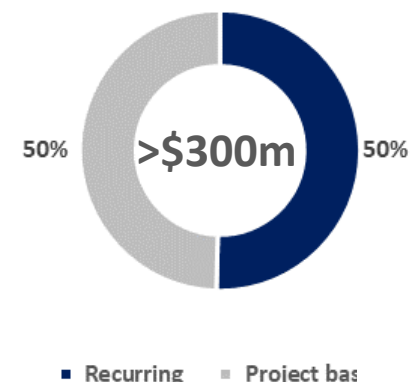
- ARR is anticipated to remain stable at ~80% of total revenue in FY21.
- Starting the FY21 year with \$94.8m of ARR compared to \$80m in FY20:
  - Once fully implemented new programs are expected to generate ARR of \$17m+ compared to \$2.9m in FY20.
  - All new programs are expected to be fully operational during H1 FY21.
- Traffic volumes have increased in recent months with easing of mobility restrictions in some jurisdictions but remains an unforecastable risk.
- The sales opportunity pipeline remains very strong and geographically diverse. We expect continued new business orders from the pipeline to support further growth and profitability.

**We continue to monitor and respond to the impact of the COVID-19 pandemic on economic conditions and mobility constraints in our key jurisdictions.**

Sales Opportunity Pipeline by Region



Sales Opportunity Pipeline by Revenue Type



# Financial performance

## Growth in EBITDA despite revenue being impacted by the loss of Texas contracts in May 2019

Revenue Movement – FY20 vs FY19 (A\$m)	Comments																		
<table border="1"> <caption>Revenue Movement – FY20 vs FY19 (A\$m)</caption> <thead> <tr> <th>Category</th> <th>Value (A\$m)</th> </tr> </thead> <tbody> <tr> <td>FY19</td> <td>117.0</td> </tr> <tr> <td>Texas Loss</td> <td>(14.3)</td> </tr> <tr> <td>FY19 excl Texas</td> <td>102.7</td> </tr> <tr> <td>Int'l</td> <td>2.3</td> </tr> <tr> <td>Americas</td> <td>(4.2)</td> </tr> <tr> <td>FY20</td> <td>100.7</td> </tr> </tbody> </table>	Category	Value (A\$m)	FY19	117.0	Texas Loss	(14.3)	FY19 excl Texas	102.7	Int'l	2.3	Americas	(4.2)	FY20	100.7	<ul style="list-style-type: none"> <li>Revenue decline mainly attributable to the loss of Texas contracts in May 2019.</li> <li>Americas revenue also impacted by lower traffic volumes due to COVID-19 movement restrictions. Gross margin in the Americas impacted by the revenue reduction.</li> <li>Growth in International in both project and recurring revenue though impacted by COVID-19. Improved margin from continued focus on efficiency initiatives.</li> <li>Lower operating costs due to reduced employee costs and other cost saving initiatives.</li> </ul>				
Category	Value (A\$m)																		
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EBITDA Movement – FY20 vs FY19 (A\$m)	FY20 Revenue by Contract Type																		
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# Financial Statements

# Profit & Loss

(A\$m)	FY20	FY19	%
Revenue	100.7	117.0	-14%
<b>Gross Margin</b>	<b>46.1</b>	<b>52.1</b>	<b>-12%</b>
<i>Gross Margin (%)</i>	<i>45.8%</i>	<i>44.5%</i>	<i>+1.3%</i>
Operating Expenses	27.8	35.9	-23%
<b>EBITDA</b>	<b>18.3</b>	<b>16.2</b>	<b>+13%</b>
EBITDA Margin (%)	18.2%	13.8%	+4.4%
Depreciation / Amortisation	21.2	19.1	
Impairment Charges	1.4	4.8	
Finance Costs	1.9	0.9	
<b>Net loss before tax</b>	<b>(6.2)</b>	<b>(8.6)</b>	
Tax Expense / (benefit)	4.2	(3.0)	
<b>Loss for the period</b>	<b>(10.4)</b>	<b>(5.6)</b>	

- As expected, Group revenue declined with the loss of Texas contracts.
- Improved unit margins and reduced operating costs attributable to cost reductions and offsets following the loss of the Texas contracts and mitigation action implemented following COVID-19.
- Increased project revenue in the U.K. offsets Canadian equipment sales in the prior year.
- New Americas programs commenced in H2 FY20 and contributed revenue of \$2.9m. These programs are expected to deliver more than \$17m of annual revenue when fully operational in H1 FY21.
- Increased depreciation due to accounting changes associated with introduction of *AASB 16 - Leases* in FY20.
- Increased Finance Costs due to increased borrowings to support capital investment in the new programs in the Americas in addition to the adoption of *AASB16 - Leases*.

# Cashflow

(A\$000's)	FY20	FY19	Movement
<b>EBITDA</b>	<b>18.3</b>	<b>16.2</b>	<b>2.1</b>
Working Capital / Provisions	(3.9)	(4.5)	0.6
Chicago restitution	(1.5)	(1.4)	(0.1)
Interest Received / (Paid)	(0.7)	(0.5)	(0.2)
Tax Received / (Paid)	(0.6)	(0.5)	(0.1)
<b>Cash Flow from Operations</b>	<b>11.6</b>	<b>9.3</b>	<b>2.3</b>
Capital Expenditure	(17.1)	(3.4)	(13.7)
Development Expenditure	(3.0)	(3.5)	0.5
<b>Cash Flow from Investing</b>	<b>(20.1)</b>	<b>(6.9)</b>	<b>(13.2)</b>
Proceeds from borrowings	14.5		14.5
Repayment of borrowings	(1.3)	(0.8)	(0.5)
Lease liability reduction	(3.8)		(3.8)
<b>Cash Flow from Financing</b>	<b>9.4</b>	<b>(0.8)</b>	<b>10.2</b>
<b>Cash Movement</b>	<b>0.9</b>	<b>1.6</b>	<b>(0.7)</b>
Cash at beginning of period	21.2	18.9	2.3
Effect of exchange rate changes	0.2	0.7	(0.5)
<b>Cash at end of period</b>	<b>22.3</b>	<b>21.2</b>	<b>1.1</b>

- FY20 cash flow from operations improved due to growth in EBITDA and continued management of the working capital support for the business.
- Significant increase in capital investment to support the implementation of newly awarded programs in the Americas.
- Increased borrowings attributable to the drawdown of debt facilities to fund capital investment in the new programs in the Americas.
- Classification of the discharge of the lease liability obligation due to the adoption of *AASB 16 Leases* during the period.

# Balance Sheet

	Jun FY20	Jun FY19
Cash	22.3	21.2
Receivables	26.6	25.6
Inventory	5.6	6.4
Other	2.4	1.9
<b>Current Assets</b>	<b>56.9</b>	<b>55.1</b>
Plant & Equipment	48.0	32.0
Deferred Tax Assets	16.1	20.3
Intangible Assets	8.1	14.2
Other	1.1	0.5
<b>Non Current Assets</b>	<b>73.3</b>	<b>67.0</b>
<b>Total Assets</b>	<b>130.3</b>	<b>122.1</b>
Payables	19.9	16.6
Interest Bearing Liabilities	3.1	0.8
Deferred Revenue	1.6	1.2
Tax Payable	0.3	0.4
Provisions	6.9	8.7
<b>Current Liabilities</b>	<b>31.8</b>	<b>27.7</b>
Payables	14.5	10.0
Interest Bearing Liabilities	16.1	5.0
Deferred Tax Liabilities	1.2	2.2
Provisions	3.7	3.6
<b>Non Current Liabilities</b>	<b>35.5</b>	<b>20.8</b>
<b>Total Liabilities</b>	<b>67.3</b>	<b>48.5</b>
<b>Net Assets</b>	<b>63.0</b>	<b>73.6</b>

- Increase in plant & equipment associated with the investment in new Americas programs coupled with the adoption of *AASB16 - Leases* which has capitalised future lease payments.
- Adoption of *AASB 16 – Leases* has also resulted in an increased liability for future lease payments, offsetting the increase in plant & equipment.
- Increased interest bearing liabilities driven by borrowings in the period to support the investment in the new Americas programs.

# Segment results

(A\$m)	FY20	FY19
<b>Segment Revenue</b>		
Americas	44.8	61.8
International	55.9	55.2
<b>Total Revenue</b>	<b>100.7</b>	<b>117.0</b>
<b>Segment EBITDA</b>		
Americas	8.4	10.9
International	11.0	7.6
Head Office costs	(1.1)	(2.3)
<b>EBITDA</b>	<b>18.3</b>	<b>16.2</b>
<b>Pre-tax loss</b>		
Pre-tax loss from combined Traffic business	(5.1)	(6.3)
Head Office profit (loss)	(1.1)	(2.3)
<b>Pre-tax loss from operations</b>	<b>(6.2)</b>	<b>(8.6)</b>
<b>Net loss after tax</b>	<b>(10.4)</b>	<b>(5.6)</b>

- As anticipated America's business segment revenue declined due to the loss of Texas contracts.
- Americas revenue also unfavourably impacted by reduced traffic volumes in some cities attributable to COVID-19 movement restrictions.
- Approximately 70% of International revenue is recurring in nature based on long term contracts. The remainder is project based revenue.
- Additional project revenue drives growth in recurring revenue as projects revert to maintenance and other service support.
- The decline in EBITDA in the Americas is driven by lower revenue.
- Increase in EBITDA margin in International as we leverage a slightly higher revenue base and continue to focus on efficiency improvements.



# Disclaimer

## Overview

This Presentation has been prepared by Redflex Holdings Limited (ACN 96 069 306 216) (“RDF” or “Company”) and is dated on the front cover sheet.

## Summary Information

This Presentation contains summary information about the current activities of RDF as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete. This Presentation does not purport to contain all the information that an investor should consider when making an investment decision nor does it contain all the information which would be required in a disclosure document or prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with RDF’s other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au). Neither RDF nor its directors, employees or advisers give any warranties in relation to the statements and information in this Presentation.

## Not financial product advice

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## Financial data

All dollar values are in Australian dollars (“A\$”) unless stated otherwise.

## Past and future performance

Past performance information is given for illustrative purposes only and is not, and should not be relied upon as, an indication of future performance. This Presentation may also contain certain forward-looking statements with respect to the financial condition, results of operations, projects, contracts and business of RDF and certain plans and objectives of the management of RDF. These forward-looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice. Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither RDF nor any other person gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. In particular, such forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of RDF. Further, none of RDF, its officers, agents or employees, except to the extent permitted by law, accept responsibility for any loss, claim, damages, costs or expenses arising out of or in connection with the information contained in this Presentation. Investors should independently satisfy themselves as to the accuracy of all information contained herein.

Redflex 

