

ASX ANNOUNCEMENT

24 February 2021

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 icon consisting of a circle with a vertical line through it, resembling a road sign or a traffic light.

H1 FY21 Performance Summary

Redflex Holdings Limited (**ASX:RDF**) releases its H1 FY21 Performance Summary.

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 was authorised by the officers listed below. For further information please contact:

Mark J. Talbot
Group Chief Executive Officer
Redflex Holdings Limited
mtalbot@redflex.com
T +61 3 9093 3300

Neville Joyce
SVP - Group Chief Financial Officer
Redflex Holdings Limited
neville.joyce@redflex.com
T +61 3 9093 3300

Redflex Holdings Limited

31 Market Street (P.O. Box 720), South Melbourne, Victoria, Australia 3205 t: +613 9093 3300

e: redflexholdingslimited@redflex.com

www.redflex.com



H1 FY21 Performance Summary

24 February 2021

Mark Talbot - CEO
Neville Joyce - CFO





H1 FY21 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

H1 FY21 Performance Summary

- Successful conversion of sales pipeline opportunities - \$33.9m of new business contracted in H1 FY21.
- Continued implementation of new programs in North America despite ongoing impact of COVID-19.
- Acceleration of our technology footprint in video analytics and artificial intelligence via the Roadmetric asset acquisition.
- EBITDA growth of 14% to \$6.7 million, revenue growth of 6% to \$52.3 million.



Continued product development and innovation

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



Roadway Management Solutions

Mobility Solutions

Data Analytics Solutions

- Reduction in road accidents;
- Enable more efficient utilization of existing roadway capacity optimizing traffic flow

- Intelligent software applications available for a variety of commercial off the shelf (“COTS”) HD camera and video assets;
- Combined leading ANPR and video-based AI solutions to enable a variety of curbside management 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:

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

Highlights:

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

Highlights

- Continued roll out the Alcyon suite of workflow and business analytics solutions
- Adapting Alcyon workflow and advanced messaging to support rapid decision making and routing based on information gathering by intelligent sensors

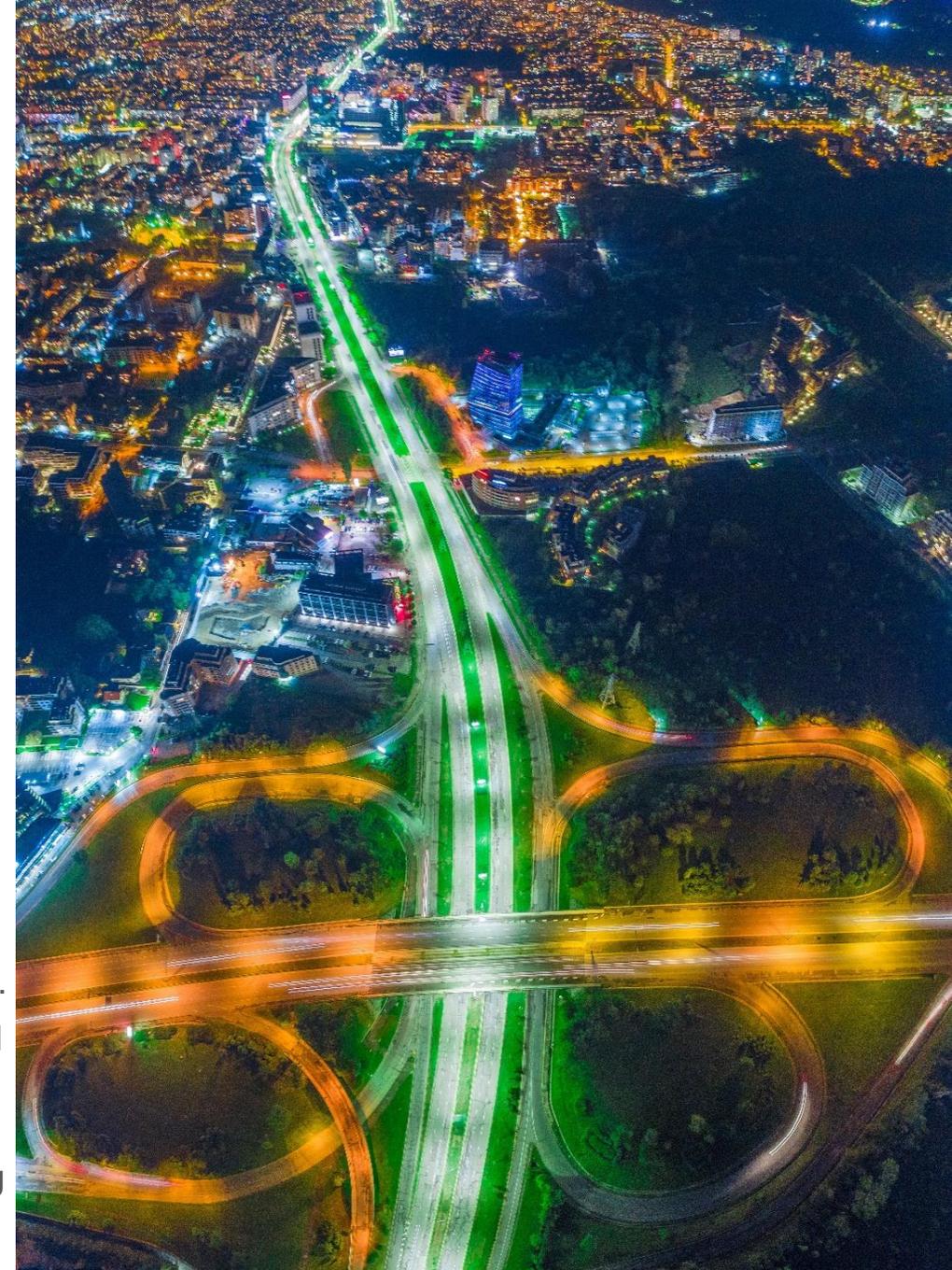
Revenue growth in both recurring revenue and project orders

Recurring revenue contracts remain > 80% of Group revenue

(A\$m)	H1 FY21	H1 FY20	Movement
International	20.3	19.3	+5.2%
Americas	22.4	21.5	+4.4%
Recurring Revenue Contracts	42.7	40.8	+4.7%
Projects	9.6	8.3	+15.2%
Revenue	52.3	49.1	+6.5%
New TCV Won	33.9	142.0	

Project revenue is one off equipment sale (hardware / software)
Total Contract Value (TCV) is the accumulated value of multi year contracts

- Further growth in recurring revenue expected in H2 FY21 as new programs in the U.S. become fully operational and expansion of mobile speed deployments in NSW, Australia.
- New TCV won of \$33.9m split evenly between recurring revenue contracts (\$17.0m) and project orders (\$16.9m).
- Prior year TCV won included the award of significant new multi year programs in Pennsylvania (\$67m), Los Angeles (\$34m) and Ontario, Canada (\$22m) which are being implemented in FY21 and will drive future growth in recurring revenue.



Financial performance

Growth in EBITDA and revenue despite COVID-19 which continues to impact programs in the Americas

Revenue Movement – H1 FY21 vs H1 FY20 (A\$m)	Comments																				
<p>COVID impacted</p> <table border="1"> <caption>Revenue Movement – H1 FY21 vs H1 FY20 (A\$m)</caption> <thead> <tr> <th>Category</th> <th>Change (A\$m)</th> </tr> </thead> <tbody> <tr> <td>FY20 H1</td> <td>49.1</td> </tr> <tr> <td>Int'l</td> <td>2.3</td> </tr> <tr> <td>Americas New</td> <td>5.4</td> </tr> <tr> <td>Americas Exist</td> <td>(3.3)</td> </tr> <tr> <td>FX</td> <td>(1.2)</td> </tr> <tr> <td>FY21 H1</td> <td>52.3</td> </tr> </tbody> </table>	Category	Change (A\$m)	FY20 H1	49.1	Int'l	2.3	Americas New	5.4	Americas Exist	(3.3)	FX	(1.2)	FY21 H1	52.3	<ul style="list-style-type: none"> International continues to perform strongly with growth in both recurring revenue and project orders. New programs in the Americas generated \$5.4m of revenue in H1 FY21. Implementation of these programs has been adversely impacted by COVID-19 delays. When fully operational these programs are expected to generate annual recurring revenue in excess of \$17m. Existing programs in the Americas also impacted by COVID-19 due to lower traffic volumes and suspension of some school programs affecting both revenue and margin. 						
Category	Change (A\$m)																				
FY20 H1	49.1																				
Int'l	2.3																				
Americas New	5.4																				
Americas Exist	(3.3)																				
FX	(1.2)																				
FY21 H1	52.3																				
EBITDA Movement – H1 FY21 vs H1 FY20 (A\$m)	H1 FY21 Revenue by Contract Type																				
<table border="1"> <caption>EBITDA Movement – H1 FY21 vs H1 FY20 (A\$m)</caption> <thead> <tr> <th>Category</th> <th>Change (A\$m)</th> </tr> </thead> <tbody> <tr> <td>FY20 H1</td> <td>5.8</td> </tr> <tr> <td>Int'l Mgn</td> <td>2.9</td> </tr> <tr> <td>Americas Mgn</td> <td>(2.2)</td> </tr> <tr> <td>Op Costs</td> <td>0.7</td> </tr> <tr> <td>FX</td> <td>(0.6)</td> </tr> <tr> <td>FY21 H1</td> <td>6.7</td> </tr> </tbody> </table>	Category	Change (A\$m)	FY20 H1	5.8	Int'l Mgn	2.9	Americas Mgn	(2.2)	Op Costs	0.7	FX	(0.6)	FY21 H1	6.7	<table border="1"> <caption>H1 FY21 Revenue by Contract Type</caption> <thead> <tr> <th>Contract Type</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Annual Recurring</td> <td>82%</td> </tr> <tr> <td>Project</td> <td>18%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Contracted ARR revenue remains more than 80% of Group revenue 	Contract Type	Percentage	Annual Recurring	82%	Project	18%
Category	Change (A\$m)																				
FY20 H1	5.8																				
Int'l Mgn	2.9																				
Americas Mgn	(2.2)																				
Op Costs	0.7																				
FX	(0.6)																				
FY21 H1	6.7																				
Contract Type	Percentage																				
Annual Recurring	82%																				
Project	18%																				

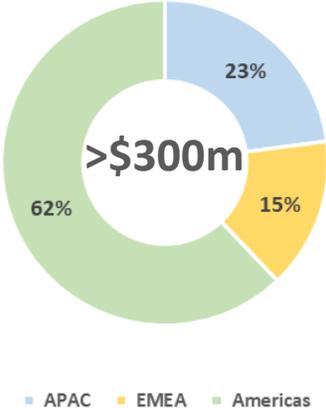
Outlook

Redflex is well placed to grow revenue and earnings in H2 FY21 and beyond

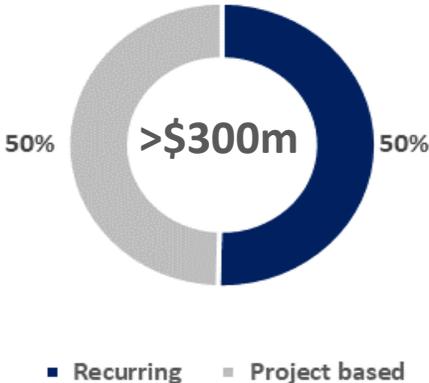
- Strong first half project orders have increased the backlog of work to be delivered in 2H FY20 and 1H FY21.
- Expected growth in recurring revenue in H2 as new programs in the U.S. are fully implemented and from expansion of the mobile speed program in NSW, Australia.
- Near term focus on delivering confirmed orders in Australia, the U.K. and Europe with significant amount of bid activity continuing.
- Strong sales opportunity pipeline with a number of significant opportunities in process through H2 FY21 which will position the business for growth in FY22.
- Expectation that increased infrastructure spending in North America will drive greater opportunities for intelligent motorways and curbside optimisation

COVID-19 pandemic remains a near term challenge particularly in the Americas where programs have been impacted by reduced traffic volumes and implementation delays.

Sales Opportunity Pipeline by Region



Sales Opportunity Pipeline by Revenue Type



*Global Sales Opportunity Pipeline with expected close dates in the next four quarters



Financial Statements

Profit & Loss

(A\$m)	H1 FY21	H1 FY20	%
Revenue	52.3	49.1	+6%
Gross Margin	20.7	20.6	+1%
<i>Gross Margin (%)</i>	39.6%	41.9%	-2.3%
Operating Expenses	14.0	14.8	-5%
EBITDA	6.7	5.8	+14%
EBITDA Margin (%)	12.7%	11.9%	+0.8%
Depreciation / Amortisation	9.3	9.8	
Finance Costs	0.9	0.8	
Net loss before tax	(3.5)	(4.7)	
Tax Expense / (benefit)	(0.4)	(1.2)	
Loss for the period	(3.1)	(3.5)	

- Revenue growth in the International business and new programs in the Americas driving increases over the prior comparable period.
- COVID-19 slowed the pace of implementation of our three largest programs in North America which were awarded in FY20. Despite delays, programs are progressing and are expected to be fully deployed by the end of FY21.
- Decline in unit margins are attributed to the delayed implementation of programs in North America, as well as other programs directly impacted by COVID-19 restrictions. However, EBITDA margin improved as a result of effective cost management.
- Depreciation and Amortisation in line with expectations due to the run off of existing leases, as well as increased investment in North America programs.
- Increased Finance Costs due to higher borrowings to support capital investment in the new programs in the Americas.

Cashflow

(A\$m)	H1 FY21	H1 FY20	Movement
EBITDA	6.7	5.8	0.9
Working Capital / Provisions	0.8	(7.4)	8.2
Chicago restitution	(1.3)	(1.4)	0.1
Interest Received / (Paid)	(0.5)	(0.5)	(0.0)
Tax Received / (Paid)	(0.4)	(0.5)	0.1
Cash Flow from Operations	5.3	(4.0)	9.3
Capital Expenditure	(4.8)	(6.1)	1.3
Development Expenditure	(3.0)	(1.4)	(1.6)
Cash Flow from Investing	(7.8)	(7.5)	(0.3)
Proceeds from borrowings		7.1	(7.1)
Repayment of borrowings	(1.5)	(0.4)	(1.1)
Lease liability reduction	(1.7)	(1.9)	0.2
Cash Flow from Financing	(3.2)	4.8	(8.0)
Cash Movement	(5.7)	(6.6)	0.9
Cash at beginning of period	22.3	21.2	1.1
Effect of exchange rate changes	(1.4)	0.0	(1.4)
Cash at end of period	15.3	14.6	0.7

- FY21 improved cash flow from operations driven by management of working capital and provisions.
- Capital investment for new programs in the Americas and continued investment into new product features relating to video analytics and expansion of our back office processes.
- With positive operating cash flow, we were able to finance 1H FY21 investments with cash on hand.
- Repayment of debt and lease obligations during the period.

Balance Sheet

	Dec FY21	Jun FY20
Cash	15.3	22.3
Receivables	19.8	26.6
Inventory	7.3	5.6
Other	2.9	2.4
Current Assets	45.3	56.9
Plant & Equipment	41.2	48.0
Deferred Tax Assets	14.9	14.9
Intangible Assets	10.5	8.1
Other	1.0	1.1
Non Current Assets	67.7	72.1
Total Assets	113.0	129.0
Payables	18.3	19.9
Interest Bearing Liabilities	6.2	3.1
Deferred Revenue	0.9	1.6
Tax Payable	0.1	0.3
Provisions	6.8	6.9
Current Liabilities	32.3	31.8
Payables	12.3	14.5
Interest Bearing Liabilities	9.3	16.1
Provisions	3.4	3.7
Non Current Liabilities	25.0	34.3
Total Liabilities	57.3	66.1
Net Assets	55.7	63.0

- Conversion of receivables driving working capital improvement during the period.
- Decrease in interest bearing liabilities lower due to repayment of debt during the period.

Segment results

(A\$m)	H1 FY21	H1 FY20
Segment Revenue		
Americas	22.4	21.5
International	29.9	27.6
Total Revenue	52.3	49.1
Segment EBITDA		
Americas	0.4	2.0
International	7.9	4.4
Head Office costs	(1.6)	(0.6)
EBITDA	6.7	5.8
Pre-tax loss		
Pre-tax loss from combined Traffic business	(1.9)	(4.1)
Head Office profit (loss)	(1.6)	(0.6)
Pre-tax loss from operations	(3.5)	(4.7)
Net loss after tax	(1.6)	(3.5)

- Americas revenue showing growth as expected despite COVID-19 impacts.
- International realized over 8% growth from prior comparable period, with recurring revenue representing over two thirds of total segment revenue.
- The decline in EBITDA in the Americas is driven by reduced activity in School Bus enforcement and School Zone speed, as well as the delayed implementation of new programs.
- Growth in the International segment EBITDA due to improved margins on annuity business, as well as a higher staff utilization rate.

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. 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

This Presentation is not a financial product, or investment advice or a recommendation to acquire RDF securities and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs; and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. RDF is not licensed to provide financial product advice in regard to its securities or any other financial products. Cooling off rights do not apply to the acquisition of RDF securities.

Disclaimer

Each of RDF and its related bodies corporate and its directors, agents, officers, employees and advisors expressly disclaim to the maximum extent permitted by law, all liabilities (howsoever caused including negligence) in respect of, make no representations regarding and do not take any responsibility for, any part of this Presentation and make no representation or warranty as to the accuracy, reliability or completeness of any information, statements, opinions, conclusions or representations contained in this Presentation. In particular, this Presentation does not constitute and shall not be relied upon as a promise, representation, warranty or guarantee as to the past, present or the future performance of RDF.

Not an offer

This Presentation is not a prospectus, product disclosure document or other offering document under Australian law (and will not be lodged with ASIC) or any other law. This Presentation is for information purposes only and should not be considered as an offer or an invitation to acquire shares in RDF or any other financial products and neither this document nor any of its contents will form the basis of any contract or commitment.

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^o

