

REDFLEX - MAKING A SAFER WORLD

END-TO-END PHOTO ENFORCEMENT SOLUTIONS



CREATING SAFER COMMUNITIES



SAFER ROADS - FOR FUTURE GENERATIONS



IN ALL CLIMATES AND CONDITIONS



CHANGING DRIVER BEHAVIOUR





REDFLEX HOLDINGS LIMITED

ACN: 069 306 216

ASX: RDF

INVESTOR BRIEFING FY14 RESULTS – AUGUST 2014



Principal Activities

Redflex focuses on enhancing public safety through the use of innovative technologies, such as red-light and speed photo enforcement solutions.

The Group comprises two main subsidiaries:

- ❑ Redflex Traffic Systems Inc, based in the USA, focuses on the North American market. A Build Own Operate and Maintain (BOOM) model prevails in the USA, where Redflex provides camera systems and a comprehensive range of services on a fully outsourced basis. BOOM contract terms are typically three to five years with optional extension periods.
- ❑ Redflex Traffic Systems Pty Ltd, based in Australia, focuses on the Australian and International markets (including the Middle East, Malaysia and UK). The international business comprises a mix of product and service sales, and BOOM type contracts.



- **Revenue from Operations**
 - Down 11.5% to \$121.5 million (FY13: \$137.4 million)
- **EBITDA***
 - Down 28.0% to \$25.5 million (FY13: \$35.4 million)
- **Cash Flow from Operations**
 - Up 8.7% to \$29.9 million (FY13: \$27.5 million)
- **Net Loss Before Tax**
 - Net loss of \$3.8 million (FY13 profit of \$8.6 million)
- **Net Loss After Tax**
 - Net loss of \$1.2 million (FY13 profit of \$7.3 million)
- **Net tangible assets per share**
 - Down 11.0% to 78.2 cents (FY13: 87.9 cents)
- **No dividend has been declared for FY14 (FY13: 5 cents)**

* EBITDA is a non IFRS measure defined as Earnings Before Interest, Tax, Depreciation and Amortisation.



Effect of Exchange Rate

- **Average US\$/AU\$ exchange rate for FY14 was 91.8 cents.**
 - Represents a 10.6% revaluation compared to 102.7 cents exchange rate in FY13.
 - Translation effects (Balance Sheet translation) reduced equity by \$3.5 million.
- **Any significant transaction (contract) risks are hedged.**
- **Majority of Group borrowings remain in US\$ which provides a natural hedge.**



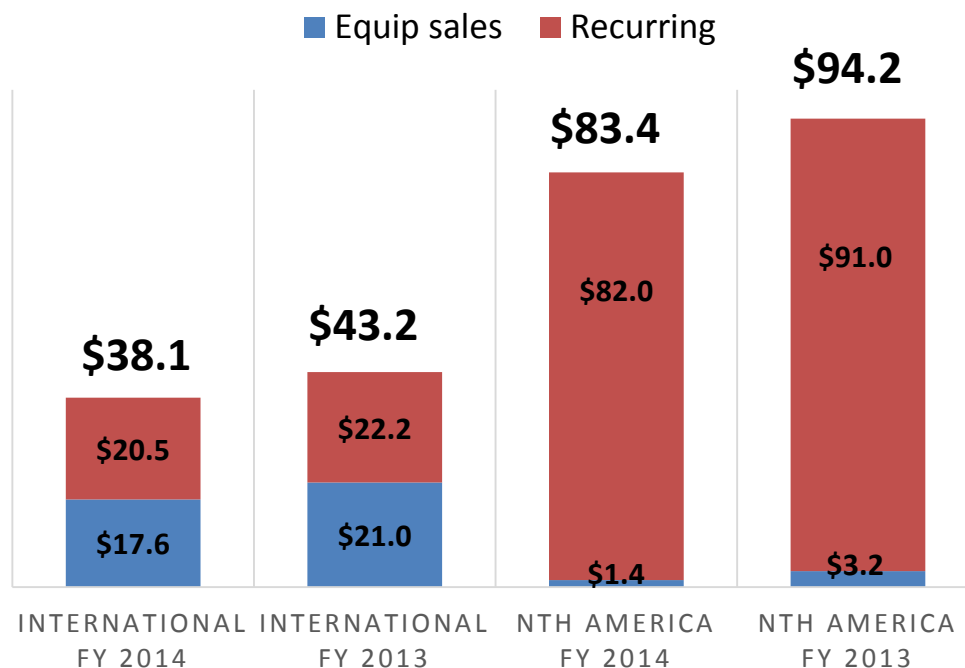
- Profitably growing beyond the previous sustainment strategy of the USA business.
- Continue to look for operating efficiencies subsequent to cost restructuring initiatives across the whole business.
- Maximisation of revenue from existing, renewed and new contracts.
- Investigation of new sources of revenue from existing customers.
- Increase the level of recurring revenue arising from international operations.



- **Cash Flow from Operations of \$29.9 million for FY14, compared to \$27.5 million in FY13.**
 - At current growth rates, cash flow from operations is sufficient to fund all capital requirements.
- **Sufficient headroom in cash reserves to pay down bank debt.**
 - \$13.7 million cash in bank at 30 June 2014 (of which \$3.7 million is restricted cash).
 - Net debt of \$2.2 million at 30 June 2014.
 - Debt of US\$10 million repaid during FY14.
 - Final FY13 dividend of \$3.3 million paid on 2 December 2013.
- **Facility recently renewed with the existing syndicate of three domestic banks for 3 years.**
 - Drawn to US\$15 million (AU\$15.9 million) at 30 June 2014.
 - Line reduced to US\$30 million, with US\$30 million accordion.
- **No dividend has been recommended in respect of FY14 as the company wishes to retain maximum capability to pursue acquisition opportunities.**



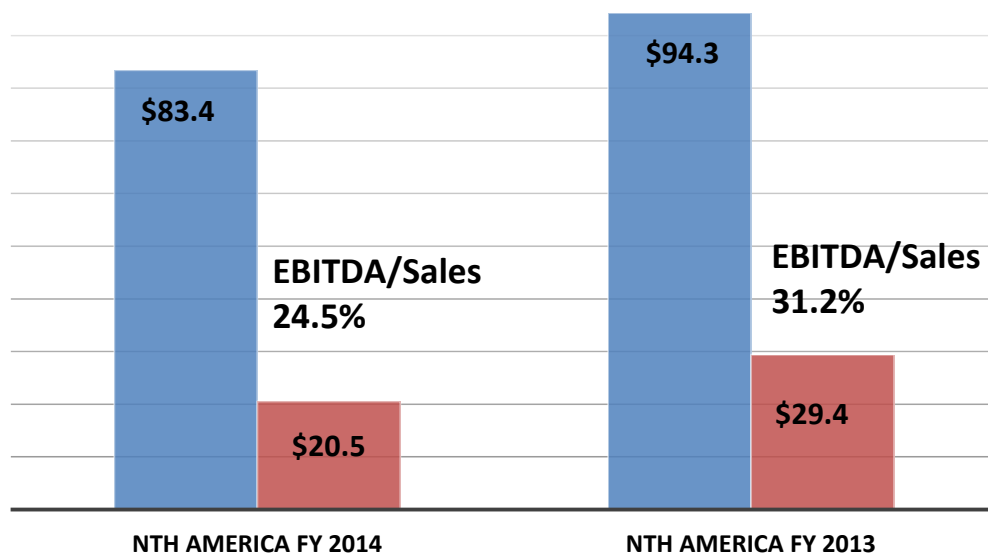
REVENUE BREAKDOWN BY REGION (\$M)



- Despite revenue reduction Y on Y, Redflex continues to consolidate a strong recurring revenue stream through BOOM and ongoing maintenance and service contracts.
- Annualised International recurring revenue stream going forward is expected to be \$27M, based on current business to hand.

Performance FY14 vs FY13 (\$M)

■ Revenue ■ EBITDA



Commentary

- Revenue reduction of \$9.7 million relates to the non-renewal of the Chicago contract
- Losses on the Redflex Guardian bus stop-arm operation were \$4.3 million
- Costs in responding to investigative authorities in the USA were \$2.4 million
- Settlement of a Class Action suit and Prevailing wage case in the USA cost \$1.5 million

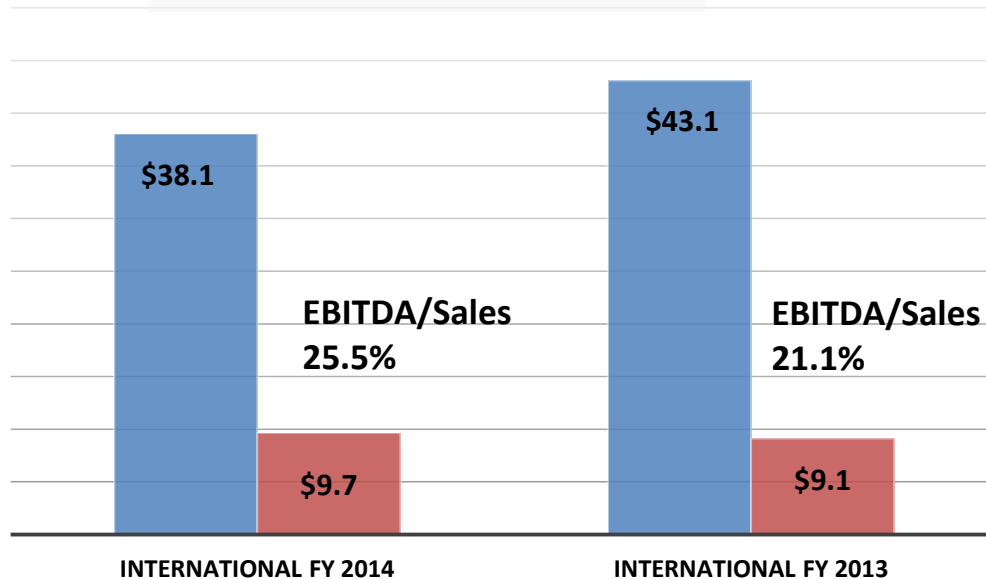


- Redflex Traffic Systems, Inc. continues to be a leader in the USA market in terms of installed cameras.
- Revenue decreased 11.5% to US\$83.4 million, primarily due to the removal of 384 cameras from Chicago.
- 55 new cameras installed, and contracts with 610 cameras were renewed with a renewal rate of 68%.
- 140 cameras were removed from operations (none lost to competitors), together with those from Chicago.
- Redflex Guardian incurred an operating loss of \$4.3 million for FY14 (FY13: \$2.2 million loss). The Company considers this business to be an early stage operation and is implementing detailed plans to improve performance in FY15.



Performance FY14 vs FY13 (\$M)

■ Revenue ■ EBITDA



Commentary

- Revenue of \$3.2 million associated with the sale of software licences had a positive effect on FY14 results
- Revenue was adversely effected by the delay in the Malaysian contract
- Recurring revenue of \$20.5 million was achieved in FY14. This is expected to increase to ~\$27 million in FY15.



International Achievements

- **New South Wales**
 - Significant award of four out of a total of six regions of New South Wales RMS program which includes network operations centre in Sydney.
 - Expected to generate \$9+ million p.a. in revenue.
 - Contract is 2.5 + 1 + 1 years.
 - Compensated on a deployment hours basis.
 - The program was fully operational from August 2014.
- **Saudi Arabia**
 - Continuing to provide services in the Eastern province , Aseer, and Tabuk.
 - Technology upgrades being rolled out as program matures.
- **Ireland**
 - Redflex has 16% equity in the GoSafe consortium with Spectra (Ireland) and Egis (France).
 - GoSafe project working with 44 vehicles employed.
 - Outsourced service provision contract.
 - Redflex supplied photo enforcement and back office systems to the consortium.
 - Payment of Coupon rates on investment expected to continue in FY15.
- **Malaysia**
 - Program originally launched in September 2012.
 - Redflex subcontract was for the sale of 450 fixed speed cameras, 140 mobile cameras, extensive back-office software and implementation services.
 - Project roll-out delay continues due to change in Government strategy.
 - The reinstatement of the program is uncertain at this stage, but recent indications are that there may be an intention to resume.



- **Strategic Roadmap**
 - Comprehensive strategic review conducted.
 - Intention to pursue inorganic growth in existing and adjacent markets to Intelligent Transportation Systems.
 - Canaccord Genuity engaged to assist with identification and pursuit of acquisition targets.
- **Re-alignment of Cost Structure**
 - Restructuring implemented in April 2013 and May 2014 in the USA and ROW businesses to reallocate resource, reduce costs and help improve future performance.
 - Resources re-allocated where they can generate the greatest value.
- **CEO Search**
 - International search being conducted for a Global CEO.



- **Reconstituted Board with the following Non-Executive Director Appointments**

- Terry Winters, appointed 7 August 2013
- Adam Gray, appointed 19 December 2013 (assumed role of Chairman, 6 February 2014)
- Paul Clark, appointed 5 April 2014
- John Murphy, appointed 5 April 2014
- Herman Schwarz, appointed 1 May 2014

Additional Board skills and experience is expected to be fully utilised as Redflex prepares for strategic growth.

- **Redflex continued to invest globally throughout FY14 in public safety**

- Over 4% of revenues invested to improve non-intrusive radar detection technology.
- A further \$16 million invested in PP&E to support client services and BOOM programs (helping to drive recurring revenue streams).

Redflex continues to maintain its key strategic position in the global traffic safety industry.



- The Company is in a transitional phase with significant work already performed to improve long term performance.
- Redflex expects to deliver an improved result over FY14, with an expected trading loss in the first half, recovering in the second half to a full year break-even result before tax.

The outlook for FY15 has the following key factors:

- Entering FY15 with a clearly defined growth strategy in existing and adjacent markets.
- Revitalised Board brings significant business, strategic, financial and operational experience.
- Global search for a new Group CEO continues to progress.
- Realigned cost structure should lead to improved results across the business, particularly in the North American operations.
- Initiatives to drive growth in recurring revenue in markets outside of North America.
- Renewal of banking facilities for a 3-year period with a syndicate of long-term bankers.
- Flexibility to pursue attractive inorganic growth; appointed Canaccord Genuity to help identify and pursue opportunities.



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This presentation uses Non-IFRS financial information including EBITDA, and Operating Cashflow. EBITDA and Operating Cashflow are Non-IFRS key financial performance measures used by Redflex, the investment community and Redflex's Australian peers with similar business portfolios. Redflex uses EBITDA and Operating Cashflow for its internal management reporting as it better reflects what Redflex considers to be its underlying performance.

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