



REDFLEX HOLDINGS LIMITED

ACN: 069 306 216

ASX: RDF

INVESTOR BRIEFING

H1 FY15 RESULTS - MARCH 2015



PAUL CLARK - Chief Executive Officer
BRAD CRUMP – Chief Financial Officer



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To enable efficient and safe traffic flows by delivering technology-led end-to-end solutions to a host of different, but related, customer groups



PRINCIPAL ACTIVITIES

Redflex focuses on enhancing public safety using innovative technologies in red-light and speed photo enforcement solutions.

Redflex has two main subsidiaries:

- Redflex Traffic Systems Inc, based in the USA, provides a host of services to the North American market focused on helping to improve safety and change driver behaviors. A Build Own Operate and Maintain (BOOM) model prevails in the USA, where Redflex distributes camera systems, associated technology and 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 investment in research and development to provide relevant technology solutions for Australian and International markets. The international business comprises a mix of product and service sales, and BOOM type contracts.



- U.S. legislative environment continues to be extremely challenging
- Student Guardian impacted by the Gwinnett County contract being delayed and the introduction of a 30 day warning period and lower than anticipated incident rates across a number of contracts. Following a \$2.1m loss there has been significant improvement with corrective actions being put in place.
- Additional North American cost reductions were completed during H1 FY2015 by focussing resources on servicing and retaining current customers
- Legal costs reduced by \$0.8m compared to H1 FY2014
- No further developments on the Chicago investigation
- International business continues to perform well winning new projects in United Kingdom
- Investment in research and development continues with new projects in radar systems and automated number plate recognition
- Key personnel changes: Paul Clark – Chief Executive Officer; Brad Crump – Chief Financial Officer
Craig Durham – General Counsel/Company Secretary



Revenue down 13% to \$60M compared to H1 FY14, \$69M.

- Reduction due to finalisation of Chicago contract in Feb 2014 (\$10.5m impact)
- Partially offset by a 7.3% (\$1.5m) increase in International revenue due to delivery of the NSW Speed Camera program

Earnings Before Interest, Tax, Depreciation, Amortisation and Impairments (EBITDAI) down 53.7% to \$9.3M vs. H1 FY14 \$20.1M.

- Reduction due predominantly to the finalisation of the Chicago contract (\$7.0m)
- One-off sale of international software licence in H1 FY2014
- One-off costs incurred in completing the Company's organisational restructure in H1 FY2015 (\$0.7m)
- This has been partially offset by significant cost reduction in North America (\$1.4m)

Net Loss Before Tax of \$10.5m compared to a \$5.0m profit in H1 FY2014

- Impairment of Ohio assets due to legislative changes causing the non viability of red light cameras in that state (\$2.3m)
- Impairment of New Jersey assets due to completion of a five year pilot program (\$2.2m)

Net Loss After Tax of \$9.7m compared to a \$3.1m profit in H1 FY2014

- North American foreign tax credits have been taken off-balance sheet (\$3.1m)



- **Cash flow from operations of \$5.2m million for H1 FY2015, compared to \$18.1m PCP**
 - At current growth rates, cash flow from operations is more than sufficient to fund all capital requirements.
- **Business continues to invest in capital expenditure**
 - \$3.0 million invested in PP&E in 1H FY2015 (net of FX movements).
 - \$3.0 million of investment in Capitalised Development costs incurred in H1 FY2015.
- **Sufficient headroom in cash reserves to fund bank repayments or further investments**
- **Translation effects (Balance Sheet translation) improved equity by \$12.9million since 30 June 2014**
- **Balance sheet remains in a strong position despite the H1 2015 result**
- **Current facility of US\$30 million and A\$8 million working capital facility which expire in August 2017**
- **At 31 December 2014 drawn to \$18.2 million (US\$15.0 million)**



H1 FY15 FINANCIAL RESULTS -SUMMARY



Consolidated Income Statement For The Six Months Ended 31 December 2014

	H1 FY 2015 A\$M's	H1 FY 2014 A\$M's	Variance %	Comments
Revenue	59.9	69.0	(13.2%)	Finalisation of Chicago contract in 2014
EBITDAI*	9.3	20.1	(53.7%)	
NPBT	(10.5)	5.0	(310.0%)	Loss of Ohio and New Jersey due to legislation
NPAT	(9.7)	3.1	(412.9%)	
Cash from Operations	5.2	18.1	(71.3%)	Average USD/AUD exchange rate for H1 FY15 was 89.06 cents; 3.5% decline vs. PCP
Net Debt	18.2	23.5	22.6%	Majority of borrowings are in USD
Gearing Ratio	6.3	2.2	(186.4%)	Net Debt less Cash/Equity 6.3%

*EBITDAI – Earnings Before Interest Tax Depreciation and Impairments

EBITDAI By Business Unit For The Six Months Ended 31 December 2014

	H1 FY 2015 A\$M's	H1 FY 2014 A\$M's	Variance %	Comments
North America	7.2	16.5	(56.4%)	Loss of Chicago contract in 2014
Student Guardian	(1.2)	(1.4)	14.3%	Delays in contract finalisation
International	5.4	7.0	(22.9%)	One-off Licence sale in 2014
Corporate	(2.1)	(2.0)	(5.0%)	
Total	9.3	20.1	(53.7%)	

Average USD/AUD exchange rate for H1 FY15 was 89.06 cents. PCP H1 FY14 92.14 cents



Saudi Arabia

- Continuing to provide services in the Eastern province , Aseer and Tabuk

Ireland

- Redflex has 16% equity in the GoSafe consortium with Spectra (Ireland) and Egis (France)
- Outsourced service provision contract
- Redflex supplied photo enforcement and back office systems to the consortium
- Payment of Coupon rates on investment made annually

UK

- Redflex have been awarded three contracts with HADECS with revenue expectations of \$4.2 million
- Recurring maintenance fees to commence in FY2016
- Office opened in Slough, south east of London
- Team in place to support ongoing regional growth



New South Wales

- Awarded four out of six regions of NSW RMS program which includes network operations centre in Sydney.
- Recurring revenue of \$9 million p.a.
- Contract is 2.5+ 1+1 years.
- Commissioning of two additional HGV speed monitoring zones.



South Australia

- Installed two point to point cameras on two highways
- HGV enforcement cameras in place which monitor axle numbers and match vehicle registration class.

Northern Territory

- Back Office Processing Centre in place
- Contract extended for a further one-year term



Aligned with Group Strategies:

- Reduce capital and operational costs
- Reduce risk
- Improve yields and efficiencies
- Maintain competitiveness

Current Projects:

- **Full suite of radar systems delivering world leading detection and prosecution rates**
 - Roadside fixed speed system
 - Mobile speed system
 - Red-light and speed system
 - Gantry mounted freeway speed system
- **Student Guardian**
 - Detects vehicles that do not stop for school buses whilst “Stop” arm extended.
- **Automatic Number Plate Recognition**
 - Installing new ANPR cameras in carparks throughout Australia



Whilst difficult to forecast, the Board expects a substantially reduced loss in H2 FY15 given:-

- Loss of Ohio and New Jersey revenues, and remaining direct costs, cease from April 2015.
- Increased Student Guardian earnings due to improved operational performance. Roll-out continues as planned.
- Impact of cost saving measures actioned in the North American business and ongoing cost reduction strategies across the Group.
- Decreased impact of incurred one-off costs such as redundancy payments and recruitment charges.
- Continued improvement in performance from international contracts.
- Commence delivery of identified short term actions (refer next page).



Continue to invest in growth opportunities in international markets

- Contracts awarded and office opened in United Kingdom
- Options being considered to increase momentum in European markets
- Continue to assess other markets in Asia, Latin America and the Middle East

Protecting and enhancing the current base of profitable North American earnings

- Resources directed to areas retaining and servicing current client base
- Ensure North American market is managed and serviced taking into account legislative changes and different operating model

Improve and grow Student Guardian

- Optimise performance of the Gwinnett County contract through ongoing analysis
- Deliver additional contracts along a similar customer profile to Gwinnett County
- Review options for alternative fee structure models for smaller customer groups



Centralise back-office function and rationalise the cost base and improved consistency and support to customer facing areas of the business

- Finance and commercial support, Legal, HR and Information technology

Continue to reduce costs by conducting detailed analysis identifying non-profitable activities

- Ensure appropriate reporting by areas of accountability
- Introduction of ROCE model and appropriate hurdles

Review current Research and Development expenditure and ensure a targeted approach going forward

- Detailed analysis and review of projects prior to commencement
- Direct resources to projects that have highest commercial value

Identify specific working capital areas with clear reduction targets

- Long term debt collection
- Reduced inventory holdings through improved systems and processes

Close out current litigation matters and closely manage any ongoing legal exposures

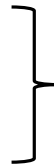


Continue to pursue opportunities in new geographies by building upon its leading market position in photo enforcement:

- Continue to grow in the Australian market through current superior product and service delivery
- Continue expansion in United Kingdom
- Analyse additional expansion opportunities in other European markets
- Pursue and consider options that may arise in other jurisdictions

Continue to pursue opportunities in adjacent Intelligent Transportation Systems market segments:

- Organic growth opportunities
- Inorganic opportunities



. Attractive growth profiles
. Unmet market demand and needs
. High level of market fragmentation



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

