

# ASX ANNOUNCEMENT

20 October 2015

REDFLEX HOLDINGS LIMITED ABN 96 069 306 216

## Trading Update – Financial Year 2016 – First Quarter Results

Redflex Holdings Limited (ABN 96 069 306 216) (**Company**) comprises two main subsidiaries: Redflex Traffic Systems Inc., which is based in the United States of America (**USA**) and focuses on the North and South American markets (**Americas**) and Redflex Traffic Systems Pty Ltd, which is based in Australia and focuses on the Australian and International markets (**International**).

The Company provides a trading update below based on the unaudited financial results for the three months ended 30 September 2015:

First Quarter Results	2015	2014	Change	%
	(AUD\$ million)			
Revenue	30.9	27.0	3.9	14.4
EBITDA <sup>1</sup>	5.5	4.0	1.5	37.5
Adjusted EBITDA <sup>2</sup>	4.4	2.1	2.3	109.5
Net Loss Before Tax	(1.1)	(3.1)	2.0	64.5
Operating Cash Flow <sup>3</sup>	4.1	2.0	2.1	105.0

<sup>1</sup> Earnings Before Depreciation, Amortisation, Finance Costs and Tax (a Non IFRS Measure)

<sup>2</sup> Earnings Before Depreciation, Amortisation, Finance Costs and Tax, excluding Capitalised Development Costs (a Non IFRS Measure).

<sup>3</sup> Cash generated from Operating Activities (i.e. Receipts from customers less payments to suppliers and employees, net borrowing costs and net income tax paid / received).

The Company continues to make significant improvements to its operations to increase returns and enhance its competitiveness. During FY15 and continuing in FY16 the Company has focused on three key areas to improve financial performance:

- Revenue Growth;
- Reducing Costs; and
- Generating Cash.

### Revenue Growth

The Company has been focused on the development of new revenue streams enabled both by new product development and successful entry into new geographic markets.

Our first quarter Group revenue has increased 14.4% compared to the same period last year.

Revenue for the same period from the Company's International business has increased by 28.8% and now accounts for 43.6% of total Group revenue (up from 38.8% last year). The increased International revenue growth was driven by new contract wins in Australia, the United Kingdom and Europe.

Overseas business revenue growth was offset by a reduction in revenue in our Americas business of 17.0%. Note: on translation to \$AUD the Americas revenue increased by 5.5%. The reduction in Americas' revenue was the result of contract terminations or expirations in New Jersey and Ohio. Our strategy in the USA market has been to retain our current client base and where possible and prudent expand into other promising geographies. In the new financial year, the Company has generated USA contract renewal rates of 92% and has been successful in generating new business in Mexico and Canada.

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## Reducing Costs

To improve Group profitability the Company has developed a number of initiatives to reduce costs. At a Group level first quarter expenses were only slightly lower (3.4%) despite the depreciating \$AUD against the \$USD. At constant exchange rates Group expenses were down 17.6%. At a subsidiary level, the Americas business reduced quarterly costs by 19.1% and the International business reduced quarterly costs by 16.4%.

## Generating Cash

The Company has been intensely focused on improving working capital management, increasing revenue and reducing costs to drive increased profitability and cash flow.

EDITDA has increased at the Group level by 37.5% with the International business up 87.6% partially offset by the Americas business down 32.6% (in \$USD) largely due to the expiration and termination of the New Jersey and Ohio contracts. During the first quarter the Company has been able to generate \$4.1 million in operating cash flow.

## The Path Ahead

To continue to build value, the Company is focused on implementing of the following initiatives:

- Leveraging our leading photo enforcement capability to expand more aggressively into target markets in Australasia, the Americas and Europe;
- Increasing the revenue from our existing photo enforcement installed base through technology improvements, operational enhancements and value added services;
- Leveraging our platform technology to diversify into adjacent Intelligent Transportation Systems market segments including parking, tolling and traffic management;
- Reducing our cost base through product simplification, more efficient procurement and cost control;
- Extending our competitive advantage through targeted research and development; and
- Increasing shareholder value through the creation of a high performance team capable of delivering the transformational Group strategy.

## About Redflex

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