

# REFLEX - 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

# INVESTOR BRIEFING FEBRUARY 2012



- **Redflex has maintained its key position in the global traffic safety industry**
- **Significant growth in revenue, EBITDA and profit**
  - After tax profit of **\$7.16 million for the half**
  - **84% increase in PCP net profit before tax**
  - **49% increase in PCP net profit before tax before sale transaction costs (non IFRS measure)**
  - **16% increase in PCP EBITDA**
  - Results achieved despite a 9.2% adverse currency movement compared to PCP
- **Redflex continues to make a substantial contribution to public safety globally**
  - Savings in lives
  - Reductions in injury rates
  - Reductions in accidents and property damage
- **Strategic Direction**
  - Maximise revenue from existing, new and renewed contracts
  - Reduce risk in the business, particularly in the USA
  - Reduce capital and operating costs through focussed innovative technology research and development
  - Improvement in project management, to maximise profitability
  - Investigate new sources of revenue from existing customers
  - Diversification of the business into related areas



- **Revenue from operations**
  - Increased 3.9% from PCP to \$74.5 million (PCP – 71.7 million)
- **EBITDA**
  - Increased 16.4% to \$25.1 million (PCP – 21.6 million)
- **Net Profit Before Tax**
  - Increased 84.0% to \$10.9 million (PCP - \$5.9 million)
- **Net Profit Before Tax and Sale process costs**
  - Increased 49.3% to \$10.9 million (PCP - \$7.3 million)
- **Net Profit After Tax**
  - Increased 72.1% to \$ 7.2 million (PCP - \$ 4.2 million)



- **Average USD/AUD exchange rate for H1 FY12 was 103.2 cents**
  - Previous corresponding period (H1 FY11) – 94.5 cents
  - Adverse movement of 9.2%
- **Major effect is on US\$ revenue which is 67% of group revenue**
  - Other currency exposures for translation are in Euros, Saudi Riyals and Canadian \$
- **Translation effects are not hedged**
- **Any significant transaction (contract) risks are hedged**
- **Group borrowings are in USD which provides a natural hedge**



- **Build Own Operate Maintain (BOOM) business remains capital intensive**
  - Up front funding of camera installations
  - Technology developments are in progress to reduce imbedded cost per camera CAPX
  - At current growth rates, cash flow from operations is more than sufficient to fund all capital requirements
- **Cash Flow from Operations of \$24.2 million for H1FY12**
- **Banking Facility**
  - Current facility put in place in August 2011
  - US\$70 million facility plus A\$8million working capital facility
  - 3 year term (to Oct 2014)
  - Improved conditions, with lower effective interest rate (~5%)
  - Drawn to US\$ 40 million at 30 June 2011
  - Reduced to US\$ 35 million at 31 December 2011
  - Reduced to US\$ 25 million in February 2012
- **Net Debt at 31 December 2011 – A\$14.8 million**
- **Dividend of 5 cents per share for \$5.5 million paid in November**
- **Interim Dividend of 3 cents per share (fully franked) payable on March 26**
- **Gearing Ratio – Net Debt/Equity 13.7% at 31 December 2011**

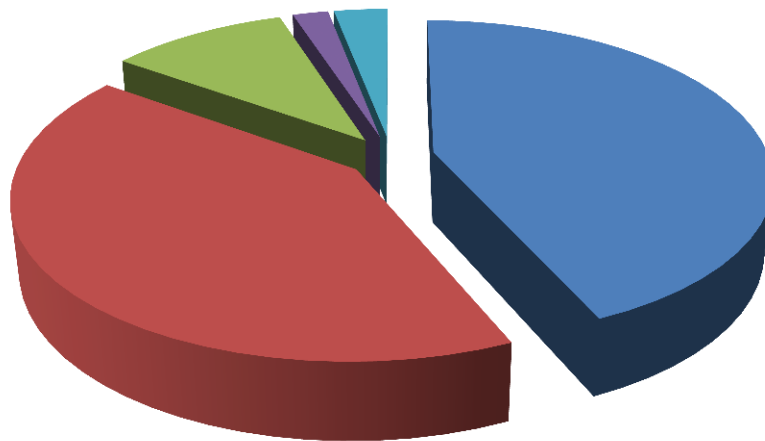


- **Redflex Traffic Systems, Inc. continues to be a leader in the USA market in terms of installed cameras**
- **12 new contracts signed with cities in the USA in H1 FY12, plus a new contract for equipment sales into Calgary, Canada**
- **91 new cameras installed in USA in first half**
  - 52 existing cameras were removed
- **Continuing to operate the largest red light camera program in the US with 384 operational systems in the City of Chicago**
- **Solid renewal of contracts running to completion are renewed for an extended term**
- **12 new contracts awarded in H1 FY12 in the USA in the states of:**
  - Alabama,
  - Florida,
  - Missouri,
  - New Jersey,
  - New Mexico
  - Illinois,
  - Virginia



## Market Share

■ ATS ■ Redflex ■ ACS ■ Redspeed ■ Other



Source – Redflex estimate





- **Tighter contract language**
- **More aggressive collection efforts in key markets**
- **Strengthen IT infrastructure for efficiency**
- **Focus on new products and services for growth in new business areas**
- **Initiatives to reduce equipment and construction costs**
- **Automation efficiency enhancements for verification processing**
- **Building public awareness through grassroots efforts, growing support in public and private sectors**
- **Educational print campaign and road safety documentary**



- Redflex continues to lead the industry in proactively seeking to enable and improve the statutory basis for road safety programs
- Defends against adverse developments
- During Calendar year 2011, all efforts to ban Redflex's programs through state legislation were defeated
- Continue to work with advisors and municipal customers to defeat efforts to introduce bills that limit or remove traffic safety technologies
- Promote new laws and amendments to existing laws to enhance efficiency and stability of road safety programs
- Illinois Legislation for speed enforcement in school zones enacted



- **Litigation continues to be widespread in the industry**
- **Majority of suits test the constitutionality or administrative legitimacy of road safety programs**
- **Redflex continues to cause dismissals through motions to dismiss or summary judgment on virtually all matters brought on these bases**
- **A number of class action lawsuits involving Redflex and others in our industry have been filed and continue to be defended**
- **Level of litigation in the USA is reducing**



- **Abu Dhabi**
  - Redflex has now supplied over 200 fixed radar speed and point-to-point speed enforcement systems
  - Have been advised of requirements for a further 275 fixed and point-to-point enforcement systems despite main contract yet to be finalised
- **Saudi Arabia**
  - Project went live on 1 January 2011.
  - Mobile speed enforcement systems plus fixed red light/speed cameras already installed
  - Redflex operates back office processing centre in Dammam, Saudi Arabia
  - Continue to supply photo enforcement systems against orders
- **Ireland**
  - GoSafe project working to 100% of contracted hours.
  - 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 expected to commence in 2012
- **Malaysia**
  - Pilot project taking ~6 months expected to commence in H2.
  - Redflex subcontract is worth >\$50 million including sale of 450 fixed speed cameras, 140 mobile cameras, extensive back-office software and implementation services
  - Subject to prime contractor confirming funding with Ministry of Transport



- **New South Wales**

- Continue with pilot Mobile Enforcement Program – 6 in-car cameras in service. Tender for expansion of the program is still pending
- NSW Auditor General report on traffic cameras handed down – on balance a positive endorsement of safety outcomes
- Upgrade to a Vehicle Exhaust Emission System detection system in the M5 tunnel
- Supply of additional gantry mounted camera systems on the Queensland border to detect unauthorised movements of livestock from Qld into NSW
- Automatic Number Plate systems installed for Sydney Ports Authority

- **Victoria**

- All contracted 29 red light and speed cameras installed and are live

- **South Australia**

- Rolling out contracted cameras to 2013.
- Includes red light/speed, fixed speed, point-to-point, railway crossing
- In car mobile radar systems and tripod mobile radar systems are live and operating throughout the state



- **Western Australia**

- Provided 17 red light and speed camera systems to tight deadlines
- Upgraded Image and Infringement Processing back office system

- **Northern Territory**

- Back Office Processing Centre
- Collecting payments on behalf of government
- Assisting in recovery of unpaid fines and reconciliations
- Contract renewed for a further term
- Additional cameras installed – 12 in total



- **Aligned with Group Strategies**
  - Reduce capital and operations cost
  - Reduce risk
  - Improve yields and efficiencies
  - Maintain competitiveness
- **Increasing back office automation to manage large network of cameras US**
  - Real-time alerts to central office when issues arise
  - Minimise downtime
- **Radar detection enhancements**
  - Lane discrimination
  - Secondary speed check for added assurance
- **Student Guardian product developed to detect vehicles that do not stop for school buses whilst “Stop” arm extended.**
- **Automatic Number Plate Recognition enhancements with High Definition imaging**
- **Lower power and solar power solutions being developed**



- **Expect to deliver improved results for FY12, expected strong H1 results to continue for H2**
- **International economic influences and market instability expected to continue**
- **Expect to increase number of cameras installed in USA**
- **Objective is to renew a significant majority of US contracts up for renewal**
- **Continue to invest in R&D at ~3% of revenue.**
- **Focus on enhancing sales effort in the USA to drive future growth despite difficult economic circumstances**
- **Continuing strong cash flow should enable further debt reduction in H2**
- **Australia/International business**
  - Expect performance to continue
  - Subject to variability in timing on large projects
  - Continue to supply Saudi Arabia and Abu Dhabi projects
  - Expect to commence pilot phase of the new Malaysian contract

