

# REFLEX HOLDINGS LIMITED

INVESTOR BRIEFING 2009

## Road Crashes – The Human Cost

### ■ United States

- Road deaths – 41,059 in 2007
- Death rate– 13.6 per 100,000 population in 2007
- 3<sup>rd</sup> highest death rate in comparable OECD countries

### ■ UK

- Road deaths 2,946 in 2007
- Death rate – 5.0 per 100,000 population in 2007

### ■ Australia

- Road deaths – 1603 in 2007
- Death rate – 7.6 per 100,000 population in 2007

### ■ Globally

- More than 1.2 million people die in road crashes every year
- As many as 50 million people are injured or disabled by road crashes each year

Sources: World Health Organisation 2005, Australian Department of Infrastructure, Transport, Regional Development and Local Government Road Safety Report No. 5.



## Road Crashes – The Economic Cost

- Total economic cost of road crashes:
  - Globally
    - Over US\$518 billion
  - USA
    - US\$231 billion in 2000
  - In developed countries the economic cost of road crashes is approximately 2% of GDP



Source: World Health Organisation 2005

## Redflex – Making a Difference

- “Speeding (travelling too fast for the prevailing conditions or above the posted speed limit) is a factor in about 40 percent of road deaths” (RTA NSW)
- “Speeding increases the risk of a crash and its severity” (RTA NSW)
- “An increase in average speed of 1 km/h typically results in a 3% higher risk of a crash involving injury, with a 4–5% increase for crashes that result in fatalities” (WHO 2004)
- “Setting and enforcing speed limits are two of the most effective measures in reducing road traffic injuries.” (WHO 2004)
- “Speed cameras are a highly cost-effective means of reducing road crashes” (WHO 2004)
- Redflex is providing leading edge technologies and systems to assist authorities around the world in improving road safety, and preventing deaths and injuries

## **FY2009**

- Revenues grew by 48%
- EBITDA up 41%
- Net Profit Before Tax up 17% from FY08 to A\$13.4 million
- Net Profit Before Tax from continuing operations – down 12%
- Result adversely affected by:
  - Writedowns on terminated programs, including Knoxville
  - Start-up difficulties with Arizona state-wide speed program
  - Decline in Collection rates
  - One off costs associated with expressions of interest to acquire the company
- Ongoing Results will be affected by step changes in some expenses



## Current Year Impacts on Results

Non-recurring	\$ '000
Loss on DPS contract	(2,280)
ITP Settlement & Internal Restructure	(616)
Competitor Litigation	(815)
Potential Acquisition process	(438)
Deferred finance costs written off	(300)
Write-downs on contracts	(1,600)
<b>TOTAL</b>	<b>(6,049)</b>

Recurring	\$ '000
Effect of reduced collection rates	(2,231)
Premises	(1,166)
<b>TOTAL</b>	<b>(3,397)</b>

# Financial Results

- Revenue

- Increase from \$88 million to \$131 million

- EBITDA

- Increase from \$32 million to \$45 million

### Revenue



### EBITDA



# Financial Results

## ■ Net Profit Before Tax

- \$13.4 million – down 12% from 15.3 million from continuing operations

### Net Profit Before Tax



## ■ Net Profit After Tax

- \$9.6 million – down 9% from 10.6 million from continuing operations

### Net Profit After Tax



## EBITDA vs Cash Flow From Operations

	\$ million
<b>EBITDA</b>	<b>45.5</b>
ITP settlement	(3.8)
Dividend (net of DRP)	(2.4)
Interest payments	(3.8)
DPS working capital movement	(8.0)
Increase in receivable – one off	(4.5)
Tax payments	(5.5)
Other (net)	1.9
<b>Cash Flow from Operations</b>	<b>19.4</b>

## New Banking Facility

- USD \$100 million
- Syndicate of Three Australian Banks
- Current cost of funds less than 6% p.a.
- Three year term
- Covenants
  - Cash flow leverage ratio
  - Fixed charge coverage ratio
  - Gearing ratio
  - Contract value coverage ratio
- Primary purpose is to fund growth in the US market
- Imposes some constraints on acquisitions and investments without consent



## Redflex Traffic Systems, Inc.

- Redflex Traffic Systems, Inc. (“REDFLEX”) continues to hold the number one position in the US market in terms of installed cameras and new business being won
- An increase of ~31 % in the number of camera systems installed in the USA Build Own Operate and Maintain market from 1267 to 1661 (+394 net)
- 49 announced new contracts signed in the USA from 1 July 08 to 30 June 09 bringing the total number of contracts to 244
- Operating the largest red light camera program in the US with over 300 operational systems in the City of Chicago
- REDFLEX was awarded the Arizona Department of Public Safety (“AZDPS”) contract, which is the first state wide photo enforcement program of its kind
  - Currently operating 40 mobile units and 36 fixed speed sites
- 38 contracts renewed. Many of the contracts are in the key markets of CA and TX and with long-term partner cities such as Cary, North Carolina; Fort Collins, Colorado; Inglewood, Southgate, and Santa Ana, California

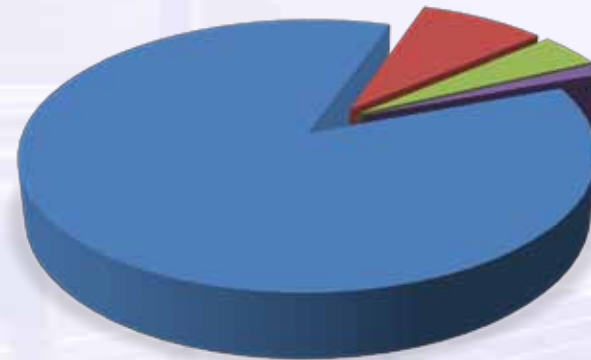
# Market Share

## Redlight Share



- RTSI
- ATS
- ACS
- NESTOR
- LASERCRAFT
- REDSPEED
- TRAFFIPAX
- GATSO

## Speed Share



- RTSI
- ATS
- ACS
- NESTOR

# Redflex Traffic Systems, Inc.

## ■ Focus on Speed Enforcement Market

- Secured 20 new speed enforcement related contracts
- In excess of 100% growth in speed enforcement contracts
- Executed multiple contracts in key speed enabled markets of Arizona, Louisiana, Tennessee and Ohio.

## ■ Growth in Installed Base

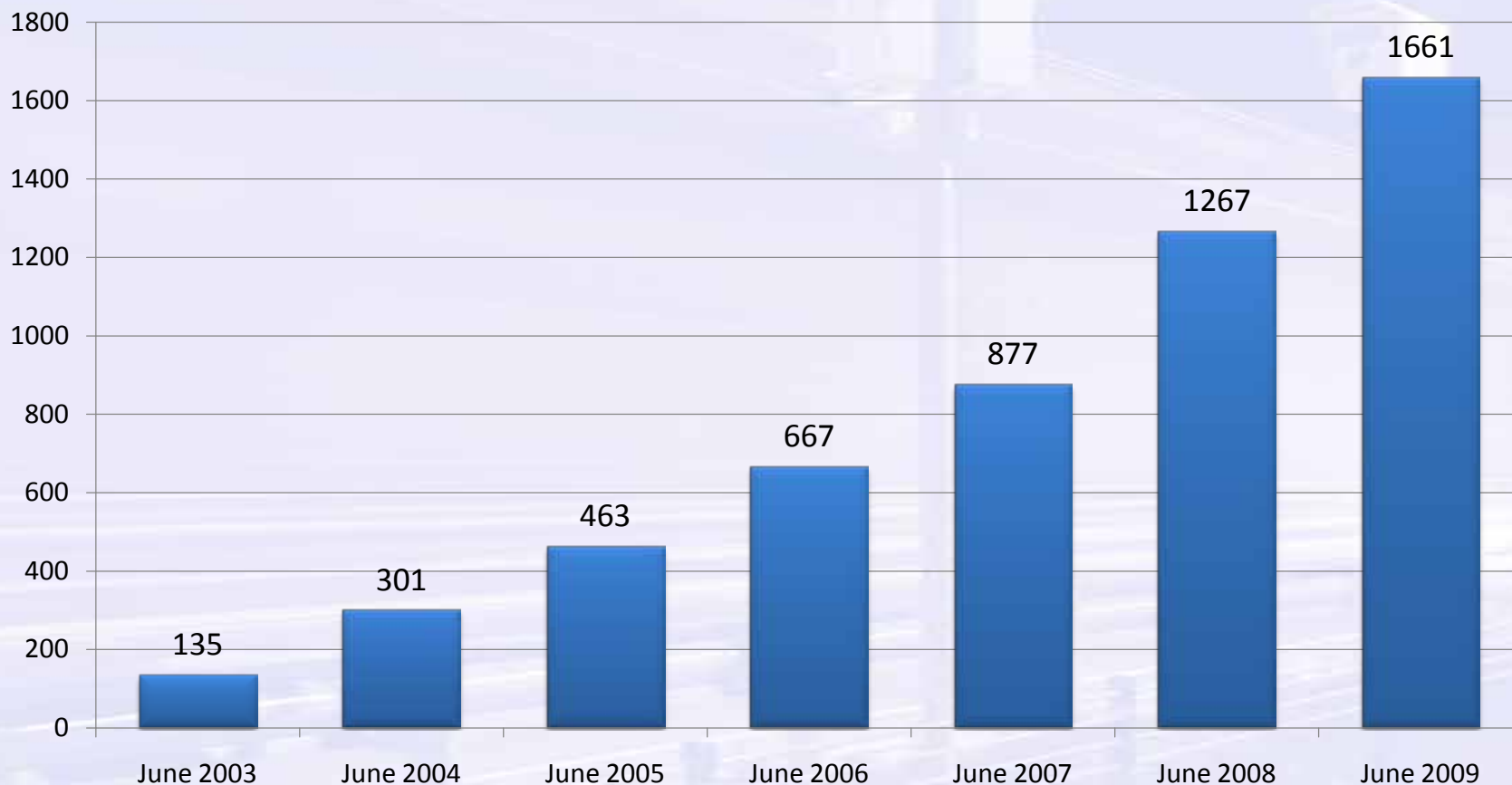
- 1661 live cameras at 30 June 2009
- up from 1267 at 30 June 2008
- 445 new cameras installed
- 51 cameras removed from service (including Knoxville)
- Net increase 394 cameras
- additional 46 activated in July 2009

## ■ Construction and Maintenance

- Efficient processes increased operational span of control in all maintenance and support functions
- increased new build activity by 6.7% with no additional staff.

# Number of Installed Systems Continues to Grow

RTSI Installed Cameras



## **Redflex traffic systems, inc.– Product improvements**

- **REDFLEXplatescan** was added to the REDFLEX suite of products
  - Automatic Licence Plate Recognition
- **Photonotice.com Kiosk**
  - First violator portal photonotice.com Kiosk, installed at a customer's court house.
- **Industry's first remotely monitored mobile speed van**
  - Monitored from headquarters Remote Operations Centre
- **New REDFLEXspeed mobile trailer.**
  - Remotely monitored vehicle for more efficient and effective speed enforcement
  - Security & surveillance capabilities (video, intrusion detection, GPS tracking)
  - Proven mobile photo enforcement system
- **Project Platinum - corporate-wide quality initiative program**
  - Initial projects are focused on the areas of customer service; profitability and supply chain management.

# Arizona state freeway speed enforcement

- 76 systems installed of a 170 system contract
- Arizona legislation providing clarity to plate obstruction fines and commercial drivers license visibility – the only passage related to the program this session
- **Safety Outcomes**
  - 19 fewer fatal crashes since the implementation of the program (1 Oct 08- 30 June 09)
  - 34% reduction in fatal crashes
- Residents of Arizona opinion polls reflect the majority of citizens support this program
- **Automobile registration holds for non-paying violators**
  - Court enforcement commencing
- **Start-up issues adversely affected FY09 profit result. Improvements seen in:**
  - Process serving capability
  - Quality and timeliness of court data
  - Mobile van deployment locations and times
  - Vans redeployed in a remote monitored configuration

# Legislative Environment

- **Arizona**
  - Session started with multiple banning legislation that ended with minor amendments with minimal impact on overall program
- **Iowa**
  - Supreme Court ruling upheld Home Rule - 18 previously dark Redflex systems reactivated
- **New Jersey:**
  - Following passage of a 5 year red light pilot program in 2008, a follow on clarification bill was passed this session. REDFLEX was awarded a 400 system contract with the city of Newark, New Jersey which will be the inaugural program.
- **Texas:**
  - The session started with banning legislation across the state however with the support of cities and industry participants no prohibitive legislation was passed.
- **Mississippi, Montana, and Maine**
  - Passed banning legislation 2 Redflex systems decommissioned
- **Florida**
  - Did not pass red light enabling legislation this session.
- **New York**
  - Passed broader red light enablement.
- **Maryland**
  - Passed state-wide speed enablement

## Legal environment

- Appointment of Mr. Andrejs Bunkse as full-time General Counsel
- Legal Challenges requiring Redflex to hold Private Investigators Licenses were successfully resolved in FY09
- Success in other suits brought against Redflex and partner cities:
  - Arizona - alleged FCC violations based lawsuit dismissed on summary judgment
  - New Mexico – lawsuit alleging state constitutional violations dismissed
  - Ohio – lawsuit alleging state constitutional violations dismissed
  - Texas – lawsuit alleging violation of Texas Occupational code dismissed
  - Louisiana – alleged FCC violations based lawsuit dismissed; Federal lawsuit alleging violations of civil rights dismissed; lawsuit alleging state constitutional violations dismissed (but under appeal).
- Competitor litigation will be vigorously defended

# Australian operations

- **Governor of Victoria Export Award**
  - Large Advanced Manufacturer Category
- **Excellence in Technology/Innovation Award from Chartered Institute of Logistics and Transport, New South Wales**
  - Awarded for Redflex Bus Lane Enforcement Systems in Sydney
- **South Australia**
  - Red Light/Speed Cameras.
  - Mobile speed cameras – new win
  - Redflex back office software in use – now supports enforcement of unregistered and uninsured vehicles
- **New South Wales**
  - Bus Lane and School speed zone cameras
  - Engine Brake Noise Enforcement System
- **Northern Territory**
  - Red-Light and Speed Cameras
  - Back Office services continue
- **Queensland**
  - Image and Infringement Processing back office system being delivered
  - Red-Light, Speed and Point-to-Point cameras supplied for evaluation – tender win.
- **Western Australia**
  - Fixed Red-Light enforcement site
  - Automatic Licence Plate Recognition system for Main Roads WA
  - Image and Infringement Processing back office system
- **Victoria**
  - \$4 million new contracts announced in July 09.
  - Railway enforcement camera trials successfully completed – go-live expected soon

# International Operations

## ■ Hong Kong

- Major contract over \$3million for radar speed cameras
- Replaces previous vendor wet-film systems

## ■ Qatar

- Delivered a further 24 camera systems (after initial order of 86)
- Recent contract to deliver freeway speed camera systems

## ■ United Kingdom

- Home Office Type Approval for mobile Lasercam product achieved.
- Order with Suffolk Safety Camera Partnership – Lasercam & Red-Light/Speed cameras

## ■ Europe

- Outsourced photo enforcement services in Poland – City of Tarczyn
- In conjunction with our partner Safety Camera Services.
- First Redflex outsourced program in Europe

## ■ New Zealand

- Successful Red-Light camera program for City of Auckland
- Delivering 45 mobile radar speed cameras to NZ Police

## Research & Development

- Continuing to Invest – 3.8% of FY09 Revenue Group wide
- New and enhanced camera systems
- Continuing work on product approvals
- Enhanced radar detection technologies
- Automatic Number Plate Reader enhancements
- Night-time video technology with integrated infra-red illumination
- Battery powered flash



## Product Approvals

- Redflex Lasercam Product approved in UK
- Redflex systems have been upgraded to be compliant with the new specification from the International Association of Chiefs of Police (IACP).
- Systems have attained approval from the Underwriters Laboratories for the North American markets
- Systems have been submitted for approval in many countries throughout the world.



# OUTLOOK

- Plan to install over 450 cameras in USA in FY10
- 25% growth in installation per year expected over five year period
- Start-up problems with Arizona state-wide program are being resolved.
- Collection rates remain an issue
  - Collection rate improvement is a particular focus of US team for the year ahead
- New Senior European Management
  - Capitalise on opportunity in future years
- Continue to invest in R&D
  - ~ 3% of revenue planned for FY10
- Global Economic Climate may present additional opportunities and challenges
- Municipalities still need to address road safety issues