

Q3

**PRESENTATION OF THIRD QUARTER
2018 RESULTS**

President & CEO Håkon Volldal / CFO Tor Eirik Knutsen



SUMMARY



HIGHLIGHTS

- **217** MNOK in revenues, down 7% YoY as strong growth in non-tolling business areas partly compensated for high project revenues in Slovenia in Q3 2017
- **16** MNOK in EBITDA (7.3% margin), up from 5 MNOK in Q3-17 (Q3-17 incl. a 28 MNOK settlement)
- **254** MNOK in order intake, significantly up from 100 MNOK in Q3-17
- **1 091** MNOK in order backlog, up from 1 060 at the end of Q2-18
- **16** MNOK in operating cash flow, up from 13 MNOK in Q3-17
- New long-term financing signed with increased flexibility and limits to secure future growth

Q3-18 AND YTD FINANCIALS

MNOK	Q3 2018	Q3 2017	YoY Change
Revenues	217	233	-6.8%
Gross contribution	136	148	-7.8%
<i>Gross margin</i>	62.7%	63.3%	-0.6 pp
OPEX	120	115	+5.2%
EBITDA (excl. non-recurring items)	16	33	-52.4%
<i>EBITDA margin (excl. Non-recurring items)</i>	7.3%	14.2%	-6.9 pp
EBITDA	16	5	+195%
<i>EBITDA margin</i>	7.3%	2.3%	+5.0 pp
EBIT	5	-9	
<i>EBIT margin</i>	2.2%	-3.7%	+5.9 pp

YTD 2018	YTD 2017	YoY Change	FY 2017
647	709	-8.7%	973
418	422	-0.9%	591
64.6%	59.5%	+5.1 pp	60.7%
356	351	+1.3%	481
62	71	-11.8%	110
9.7%	10.0%	-0.3 pp	11.3%
62	43	+45.3%	83
9.7%	6.1%	+3.6 pp	8.5%
27	0.2		32
4.2%	0.0%	+4.2 pp	3.3%



BUSINESS UPDATE



TOLLING



TOLLING
 DSRC TAGS & READERS
 ALPR/ANPR SOLUTIONS
 ELECTRONIC TOLL COLLECTION
 CONGESTION CHARGING

REVENUES AND EBITDA

NOK million

	Q3-18	Q3-17	YTD 18	YTD 17
EUROPE	92	115	277	310
APMEA	19	22	47	49
AMERICAS	7	21	37	70
REVENUES	117	158	361	429
EBITDA	15	52	64	84

REVENUE AND ORDER INTAKE DEVELOPMENT

NOK million



HIGHLIGHTS

- Revenues down 26% YoY
 - EUROPE: Lower revenue recognition in Slovenia as project is entering service and maintenance phase
 - AMERICAS: Lower activity in Chile, but 2 new contracts signed in September/October
- EBITDA contribution driven by strong tag sales
- Significant increase in order intake on the back of multiple small and medium-sized contracts
 - MDX renewal (SW)
 - CS Norway extension (SW)
 - Chile MLFF agreement (products)
 - Misc. tag agreements (products)

PARKING



PARKING
 PARKING GUIDANCE
 PARKING ACCESS CONTROL

REVENUES AND EBITDA

NOK million

	Q3-18	Q3-17	YTD 18	YTD 17
EUROPE	6	5	19	22
APMEA	2	2	4	5
AMERICAS	6	3	16	19
REVENUES	13	11	39	46
EBITDA	-4	-6	-12	-3

REVENUE AND ORDER INTAKE DEVELOPMENT

NOK million



HIGHLIGHTS

- Revenues up 24% YoY driven by AMERICAS
- Slightly improved EBITDA contribution
 - Malta costs removed
 - R&D and industrialization costs related to launch of new outdoor parking sensor impact negatively
- Better YoY order intake driven by increased sales in the US
- New outdoor sensor to be launched end of Q4 with expected positive impact in 2019



INFOMOBILITY



INFOMOBILITY
 WEIGH IN MOTION
 TRAFFIC COUNTERS
 CYCLE & PEDESTRIAN DETECTION
 JOURNEY TIME MONITORING
 WEATHER & AIR-QUALITY MONITORING

REVENUES AND EBITDA

NOK million

	Q3-18	Q3-17	YTD 18	YTD 17
EUROPE	15	12	46	35
APMEA	1	1	3	8
AMERICAS	0	2	3	5
REVENUES	16	14	52	48
EBITDA	3	0	10	7

HIGHLIGHTS

- Revenues up 14% YoY driven by EUROPE
- Good EBITDA contribution in the quarter
- Rebound in order intake after a soft Q2-18
 - DfT order in the UK
 - Misc. smaller orders, in particular in Europe

REVENUE AND ORDER INTAKE DEVELOPMENT

NOK million



URBAN



URBAN
TRAFFIC CONTROLLERS
CENTRALIZED TRAFFIC CONTROLLER SW
CO-OPERATIVE ITS

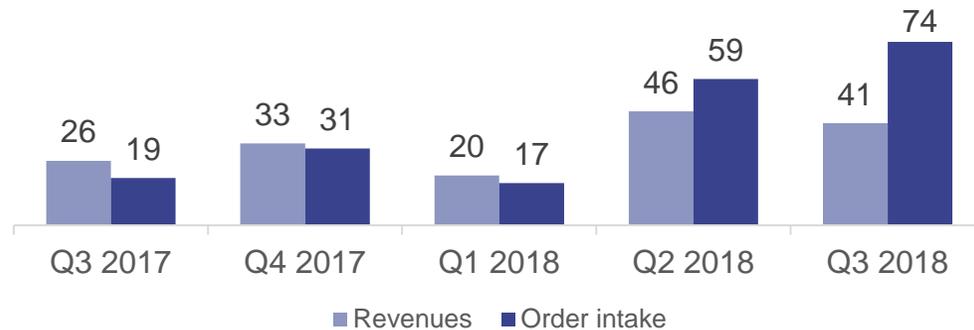
REVENUES AND EBITDA

NOK million

	Q3-18	Q3-17	YTD 18	YTD 17
EUROPE	1	1	1	9
APMEA	0	0	0	0
AMERICAS	40	25	106	98
REVENUES	41	26	108	106
EBITDA	7	-5	19	6

REVENUE AND ORDER INTAKE DEVELOPMENT

NOK million



HIGHLIGHTS

- Revenues up 55% YoY
- Strong EBITDA contribution
 - Higher SW portion in US deliveries
 - Serbia divested in Q1-18
- Very strong order intake driven by several medium-sized contracts
 - City of Omaha
 - Snohomish County, Washington
 - Washington County
 - Etc.

INTER-URBAN



INTER-URBAN
 ADVANCED TRAFFIC MANAGEMENT
 TRAFFIC INFORMATION
 RAMP METERING
 TRUCK PARKING

REVENUES AND EBITDA

NOK million

	Q3-18	Q3-17	YTD 18	YTD 17
EUROPE	3	2	16	15
APMEA	0	0	0	0
AMERICAS	27	22	72	65
REVENUES	29	23	88	81
EBITDA	5	-1	9	5

REVENUE AND ORDER INTAKE DEVELOPMENT

NOK million



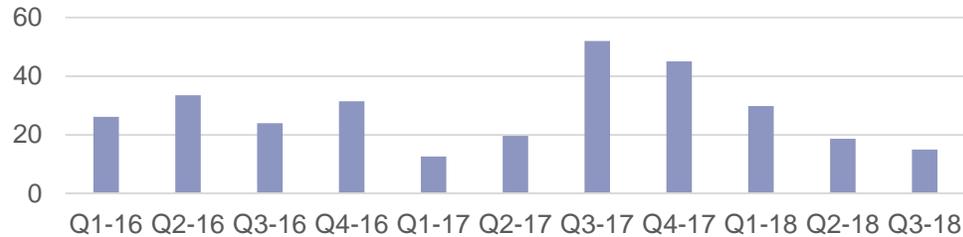
HIGHLIGHTS

- Revenues up by 25% YoY
 - Release 2 of VDOT ATMS solution successfully delivered
- Good EBITDA contribution after a weak second quarter due to phasing of VDOT deliveries
- Good order intake compared to previous quarters and Q3-17
 - Misc US task orders
 - West Virginia renewal

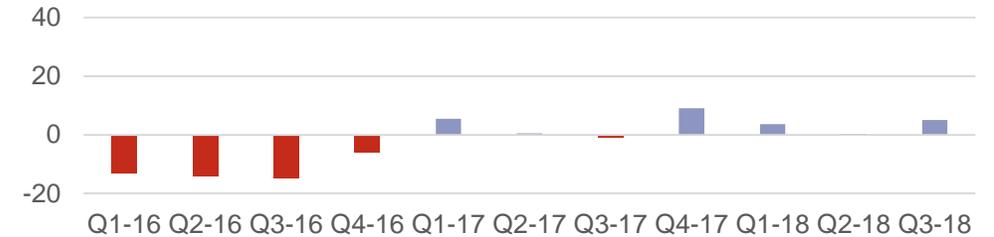


SEGMENT PROFITABILITY OVER TIME

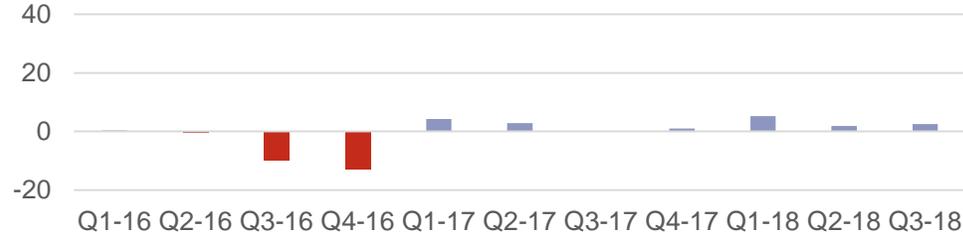
Tolling EBITDA



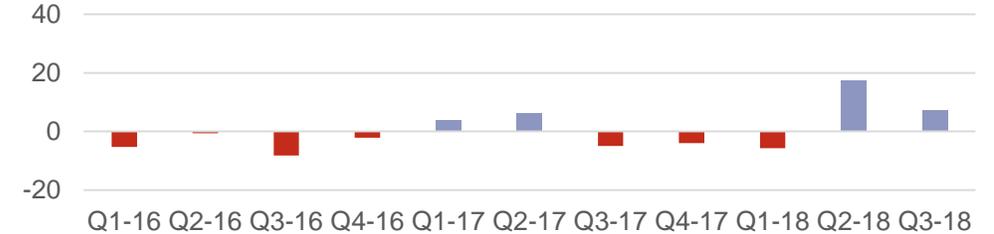
Inter-Urban EBITDA



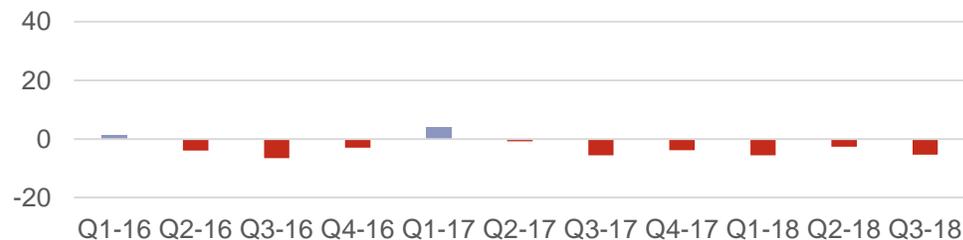
Infomobility EBITDA



Urban EBITDA



Parking EBITDA



- Urban: Profitability in the period negatively impacted by Serbia, which was divested in Q1-18
- Parking: Profitability in the period negatively impacted by Malta, which was discontinued in June 2018, and R&D expenses related to new parking sensor



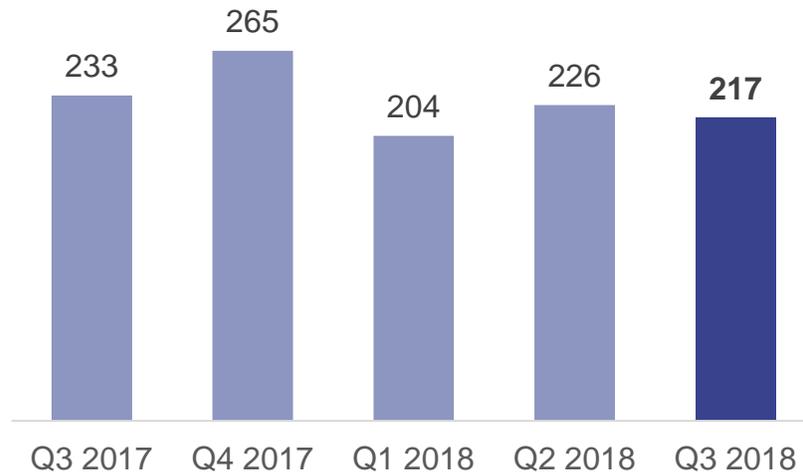


FINANCIAL UPDATE

REVENUES IN Q3-18

QUARTERLY REVENUES

NOK million

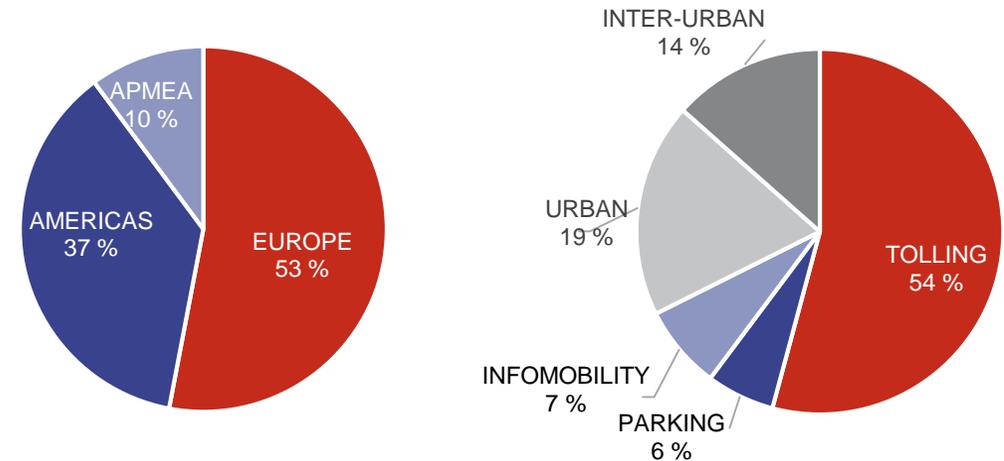


Revenues down 7% from Q3 2017

- Tolling revenues down 26% (41 MNOK) YoY due to lower revenue recognition from Slovenia and Chile projects
- Non-tolling revenues up 33% (25 MNOK) YoY despite exit from Serbia and Malta

REVENUE BREAKDOWN ON REGION/SERVICE LINE

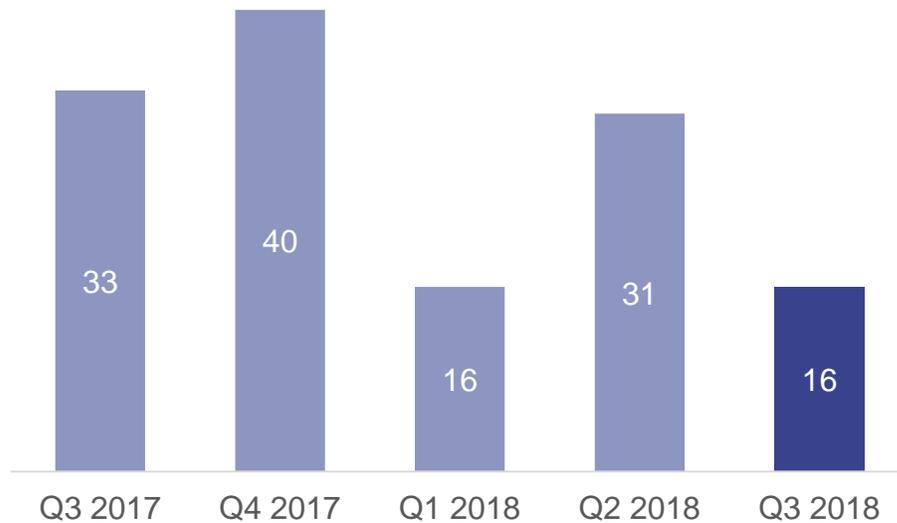
Percent



- EUROPE is still largest region with 53% of revenues, down from 58% in Q3-17
- Non-Tolling businesses accounted for 46% of revenues in the quarter, up from 32% in Q3-17

EBITDA IN Q3-18

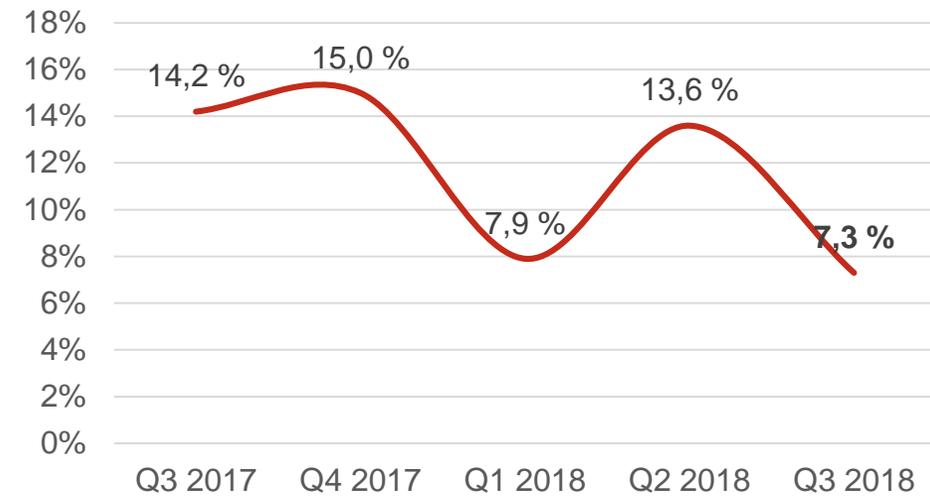
EBITDA EXCL. NON-RECURRING ITEMS NOK million



YoY EBITDA reduction driven by lower revenues

- Lower project revenues has a negative YoY impact on EBITDA contribution from tolling
- Strong revenue growth and more attractive product mix in non-tolling businesses compensate for some of the decline in tolling

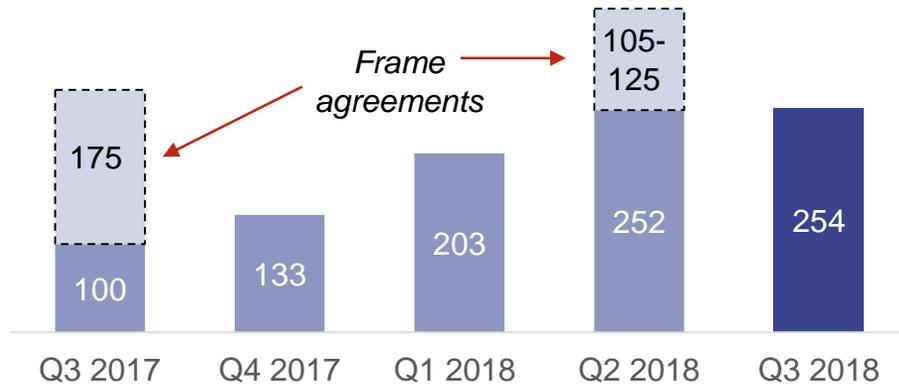
EBITDA MARGIN EXCL. NON-RECURRING ITEMS Percent



- 8th consecutive quarter with positive EBITDA margin
- Year to date EBITDA margin at 9.7% despite 7% revenue decrease

ORDER INTAKE IN Q3-18

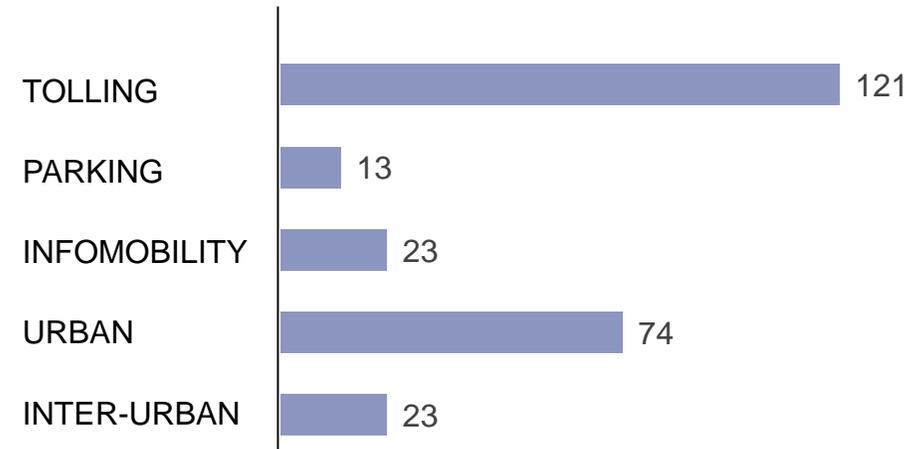
ORDER INTAKE NOK million



Solid order intake driven by small and medium-sized contracts

- No orders above the 25 MNOK reporting threshold
- YTD order intake up 226 MNOK (47%) versus 2017

ORDER INTAKE BREAKDOWN ON SERVICE LINES NOK million



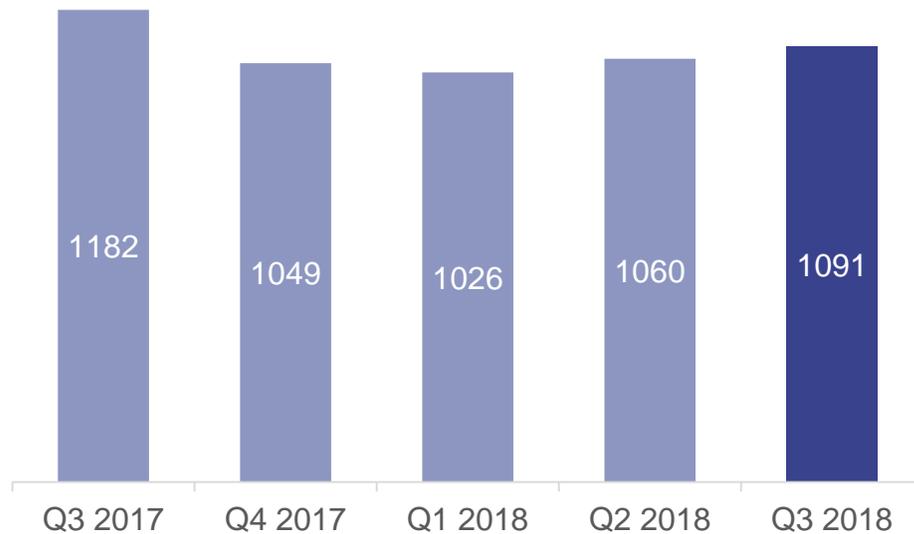
Overall book-to-bill ratio of 1.17

- Tolling business: 1.03
- Non-tolling businesses: 1.33

ORDER BACKLOG AND DELIVERY SCHEDULE END OF Q3-18

ORDER BACKLOG

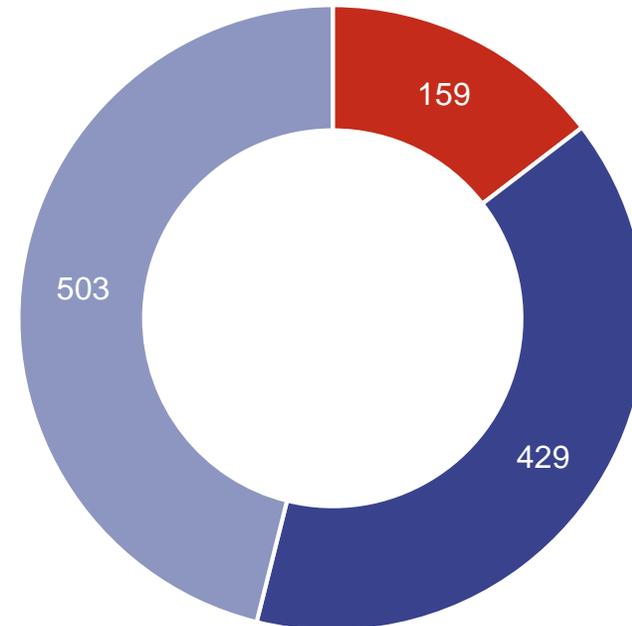
NOK million



Frame contracts at the end of Q2-18 with a total estimated value of 250 MNOK are NOT included in the backlog

EXPECTED DELIVERY SCHEDULE

NOK million / Percent

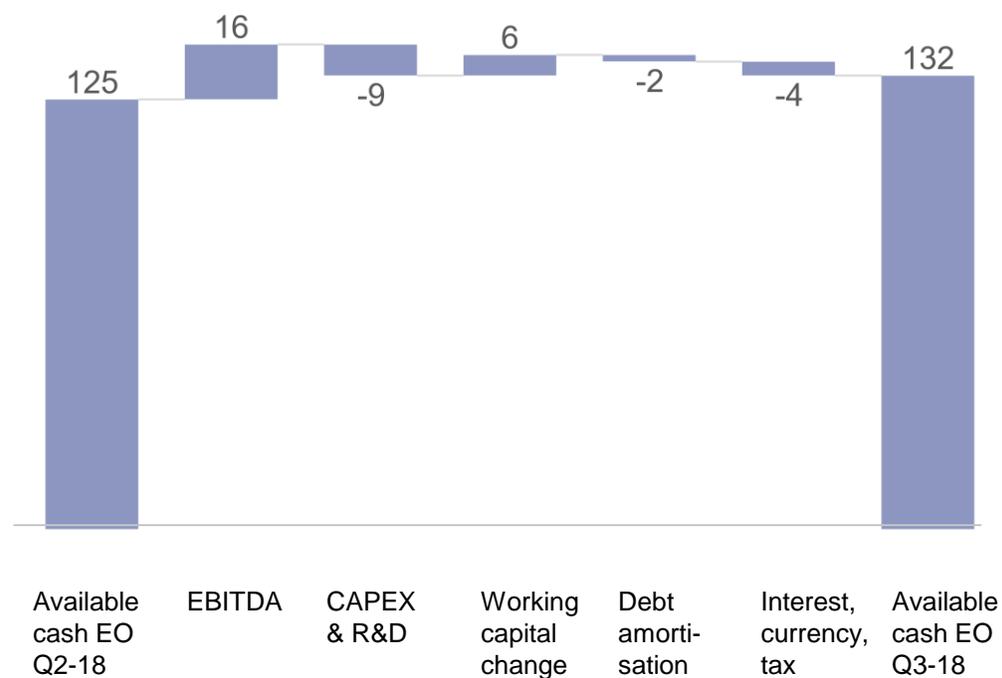


■ 2018 ■ 2019 ■ 2020 ->

CASH FLOW AND AVAILABLE CREDIT/CASH END OF Q3-18

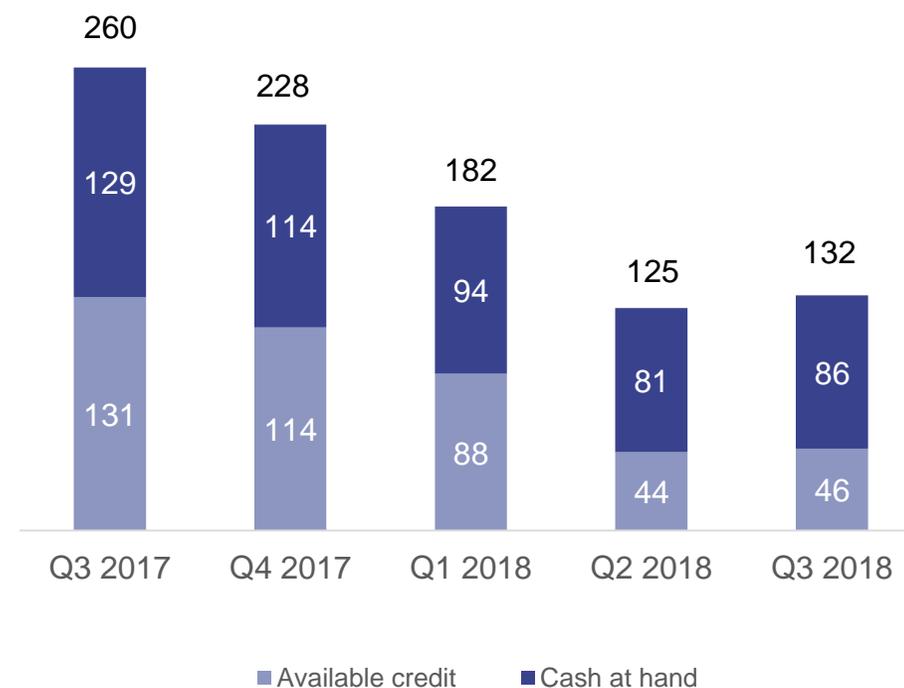
CASH DEVELOPMENT

NOK million



QUARTERLY AVAILABLE CREDIT AND CASH AT HAND

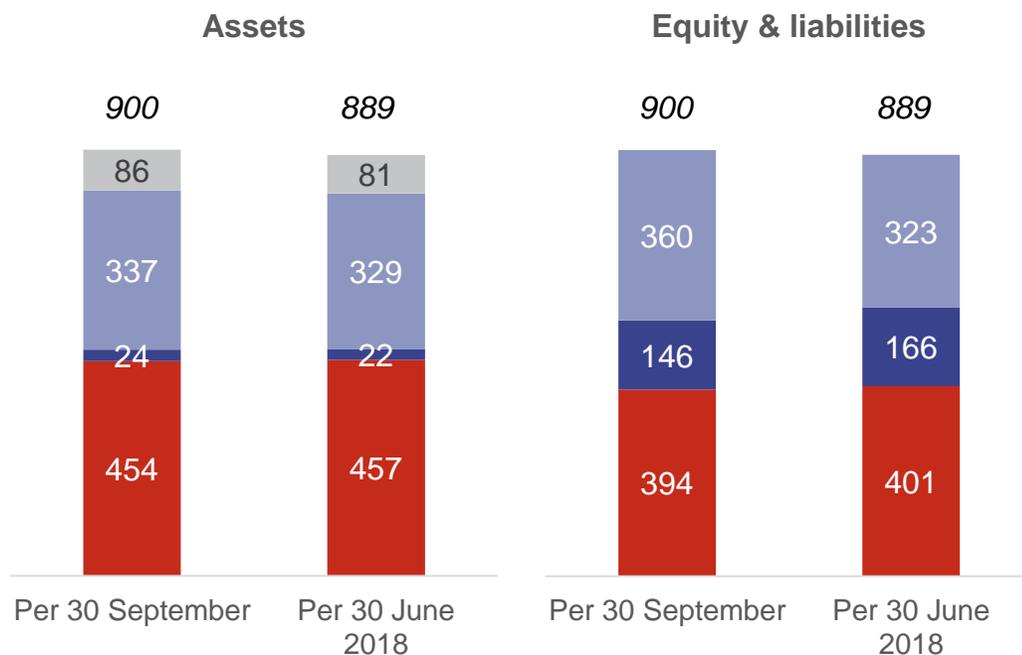
NOK million



KEY BALANCE SHEET ITEMS END OF Q3-18

BALANCE SHEET ITEMS

NOK million



- Cash
- Current assets
- Other non-current assets
- Intangible assets

- Current liabilities
- Non-current liabilities
- Equity

NET INTEREST BEARING DEBT

NOK million



- NIBD significantly reduced in Q2-18 after collecting cash for initial Slovenia deployment on 26 April
- Good cash collection in Q3-18

SUMMARY NEW LONG-TERM FINANCING WITH NORDEA

Term sheet signed with Nordea in October:

Facility	Amount	Tenor	Annual amortisation
Term loan	100 MNOK	3+1+1	15 MNOK
RCF*	100 MNOK	3+1+1	
Credit line	100 MNOK	1	
Total	300 MNOK		

- Maturity-, facility- and covenant profile gives the company flexibility to fund future growth.
- Multicurrency cash pool will improve cash management processes significantly and enable the company to reduce gross debt

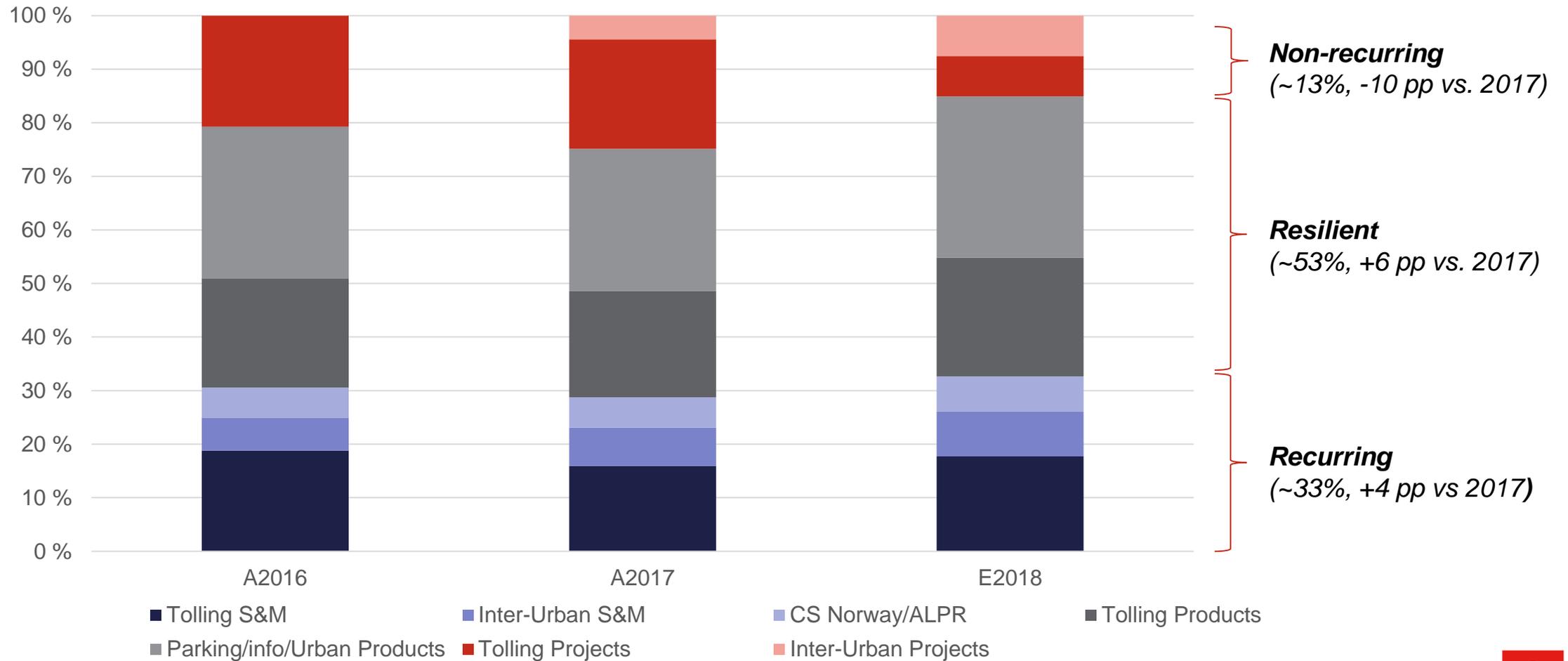
* The part of the RCF that will be utilised to acquire Intelight shares will be converted to a term facility with 5 year amortisation profile, starting from 2021. RCF will be reduced correspondingly.



OUTLOOK



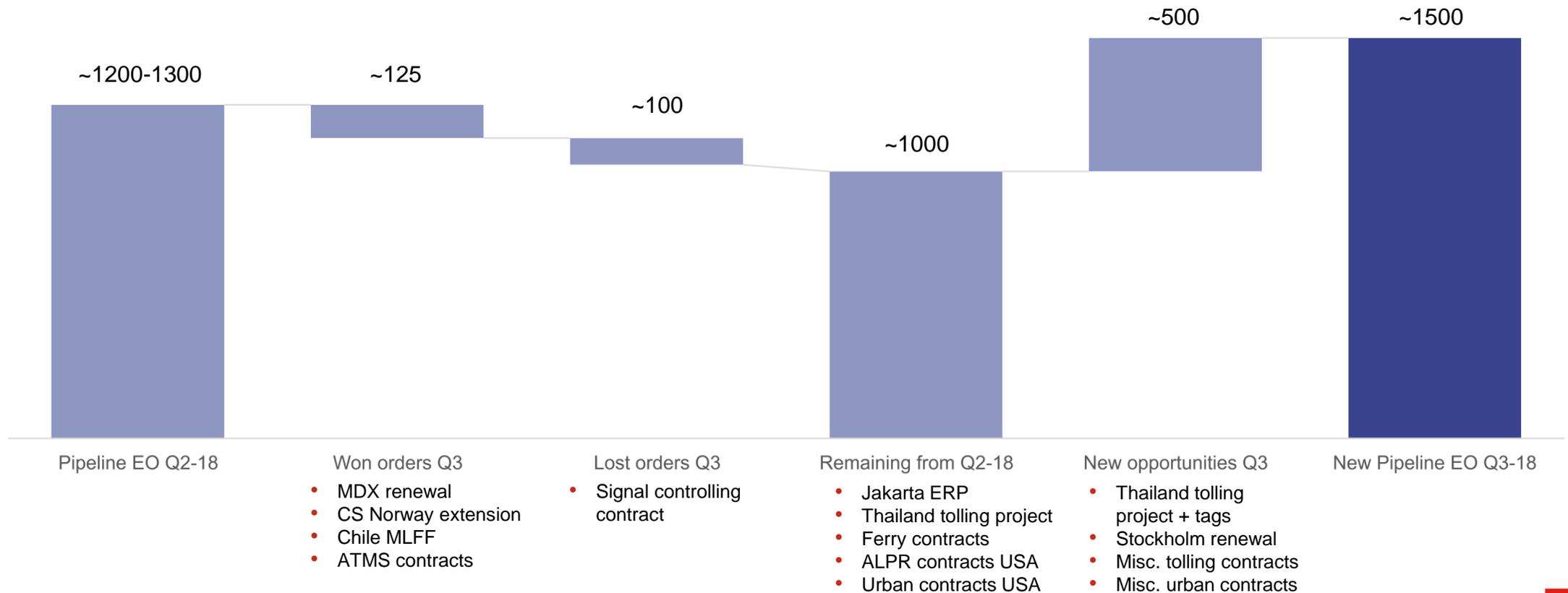
OUR BUSINESS MODEL IS ROBUST AND COMPRISED MOSTLY OF RECURRING/RESILIENT REVENUES



A GROWING CONTRACT PIPELINE SUPPORTS OUR GROWTH AMBITIONS

ESTIMATED VALUE OF LARGE AND MEDIUM TENDERS TO BE AWARDED IN COMING 6-9 MONTHS

NOK million



EXPECTED DEVELOPMENT IN KPIs

INDICATIVE



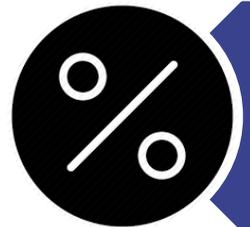
Order intake

- Growth in bread-and-butter contracts, currently around 100 MNOK per quarter
- Growth in number of non-tolling contracts and average contract value
- More medium and large tolling projects



Revenues

- ~10% annual revenue growth from 2018 level
 - Rebound in tolling
 - Strong growth in non-tolling businesses
- 80-85% of revenues will be recurring and resilient



Margins

- Margin expansion from today's 10% EBITDA level
 - Operational leverage
 - Increasing share of high-margin products/services

A low-angle, close-up shot of a person's legs in bright red trousers and dark shoes walking across a crosswalk. The crosswalk is painted on asphalt and features a large white bicycle symbol. In the background, a busy city street is visible with other pedestrians, trees, and buildings under a clear sky.

QUESTIONS AND ANSWERS



Nothing happens until something moves

– Albert Einstein

HEADQUARTERS Q-FREE ASA

Strindjordvegen 1
7053 Ranheim
Norway

Postal Address
Pob 3974 Leangen
7443 Trondheim
Norway

Tel.: +47 73 82 65 00
Fax: +47 73 82 65 01

info@q-free.com
www.q-free.com

twitter.com/qfreeasa
[linkedin.com/qfreeasa](https://www.linkedin.com/company/qfreeasa)

Bank: Danske Bank AS
Acc. No.: 8601 30 68900
Register of business
enterprises NO 935 487 242

