



Shareholder Presentation  
30 June 2016



# Agenda



1. Introduction



2. Strategy revisited



3. Fleet Systems: Further consolidation



4. Passenger Systems: Update on Region Services acquisition



5. Group futures

# Introduction

“Specialist provider of tailored solutions to the transport community,  
Solving complex operational requirements both on and off the vehicle”

## Innovative design

## Support

## Integration

### Innovative Design

Our in-house design team work closely with customers and suppliers to create innovative solutions to meet their specific needs.

- Non-intrusive surveys
- Conceptual designs
- Pilot studies and evaluations
- Full service provision

### Integration

Specialising in integration, we ensure that our customers get the best from new and existing technology.

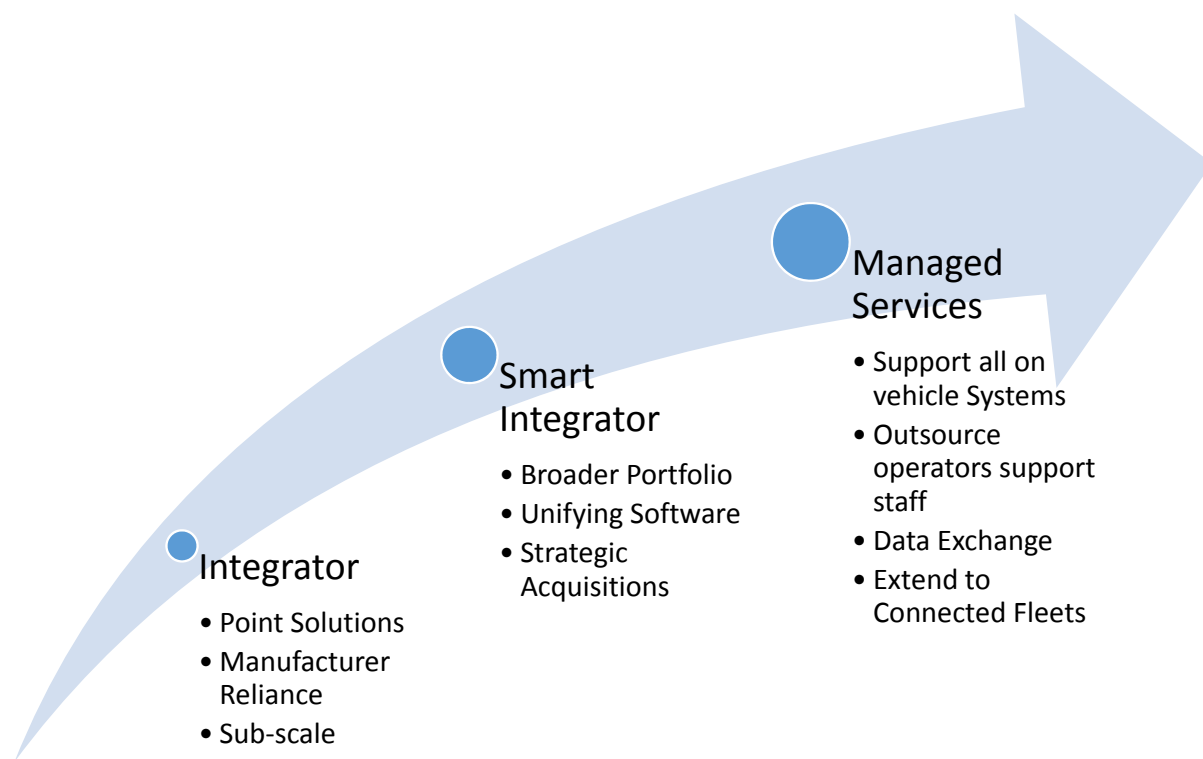
- Industry approved products
- Project management in line with PRINCE2 methodologies
- All solutions bench tested prior to install
- Solutions provided in full or kit form

### Support

We adopt comprehensive maintenance schedules and utilise system health checks to ensure our solutions are always working to their best.

- Dedicated support centre
- Adopted Warranty Schemes
- System health status monitoring
- National network of experienced engineers

# 2 years into a 5-year development plan

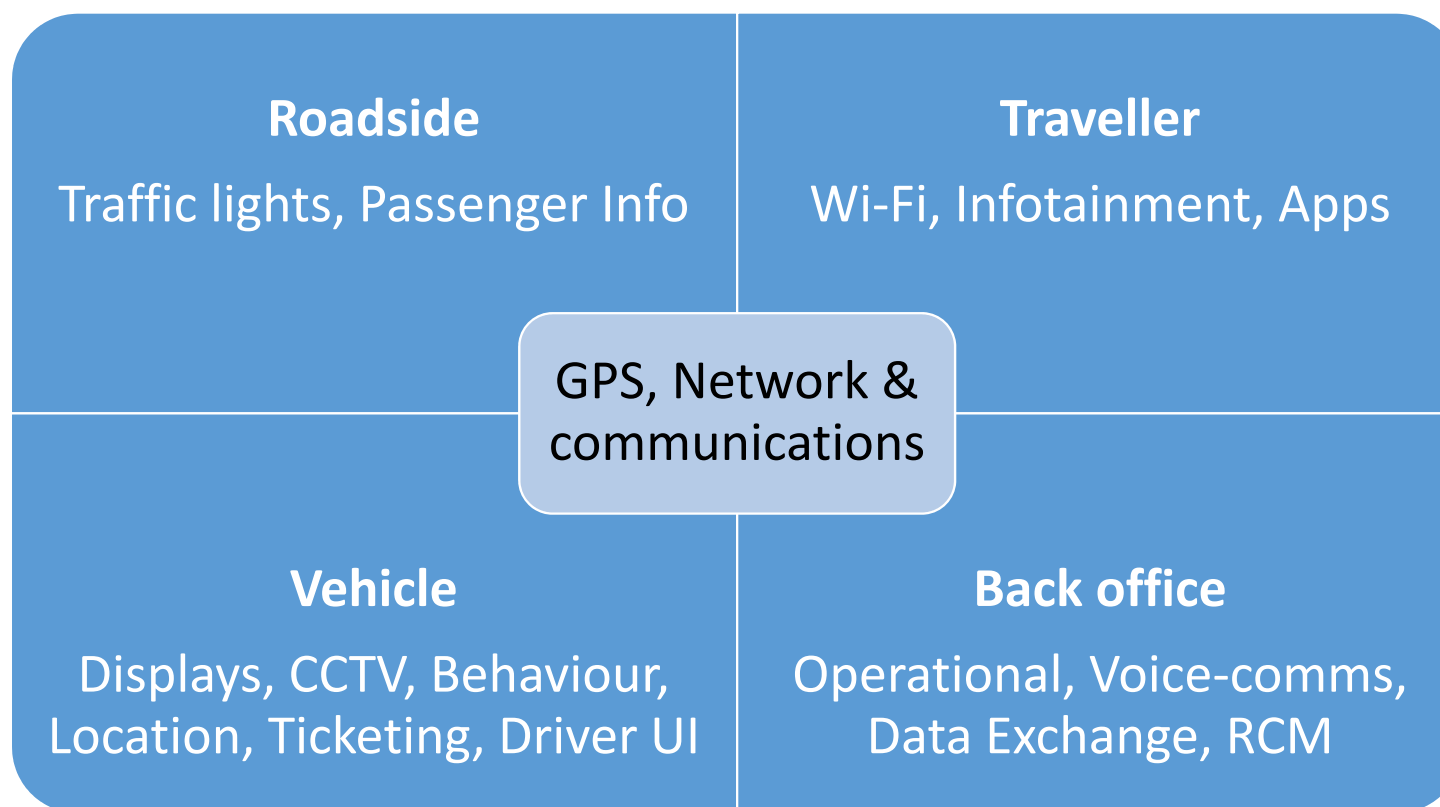


Consolidating technical integrators, improving offerings, broadening services

# Drivers of change

- Systems on and off vehicles
  - Ever increasing in number, sophistication & data integration requirements
- Complexity of estates
  - Fleets are large, geographically dispersed & built up over many years (average fleet age: 18 yrs. train, 7 yrs. bus)
  - Information estates have similar characteristics
- Service provider requirement
  - Highly capable organisation supporting new and legacy systems over entire operational life from system design, installation and support.

# Systems & technologies

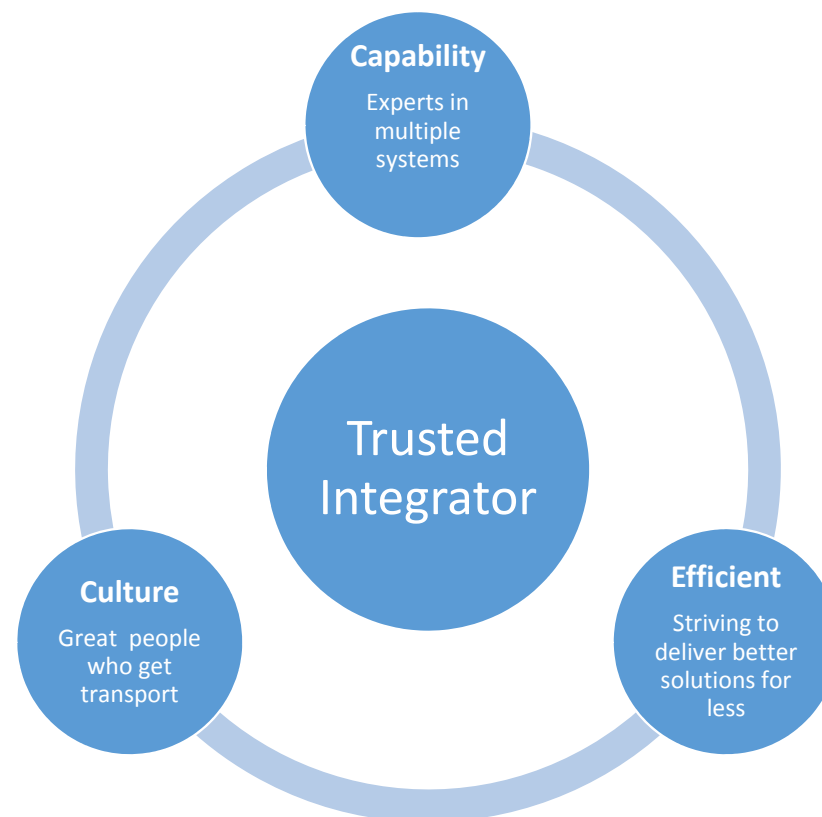


# Systems & technologies



# Service provider requirement

- A new position opening
  - Increasing complexity in terms of number of systems and their critical cost of failure.
  - To act as the conduit for world class products onto vehicles and provide support over their operational lives.
- Barriers to entry forming
  - The breadth of technology to cover and the national SLAs 24/7





# Business model

- Specialist provider of tailored solutions to the transport community, solving complex operational requirements.
  - The Fleet Systems team is on-vehicle and the Passenger Systems team deliver our off-vehicle solutions.
- We compete by striving to offer better integrated solutions at reduced costs to our customers.
- We carefully research other adjacent customer segments where we can generate significant market share to generate the economies of scale needed.

# Strategy revisited: Key messages

- Add value by creating better solutions with reduced costs.
- Apply these skills to carefully selected niche markets where we can achieve significant profitable market share.
- Based on an open system philosophy using global scale products with a local service offering tailored to the customer's exact needs.
- Organic & acquisitive growth on solid platform

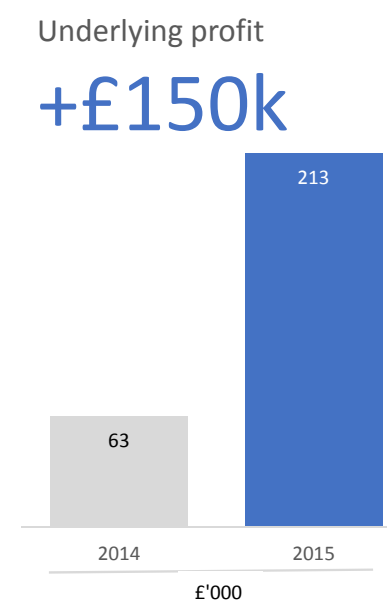
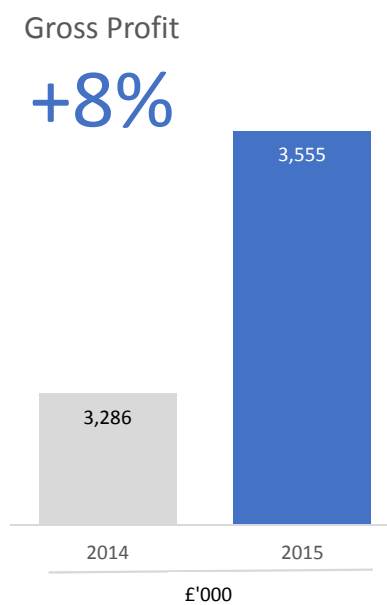
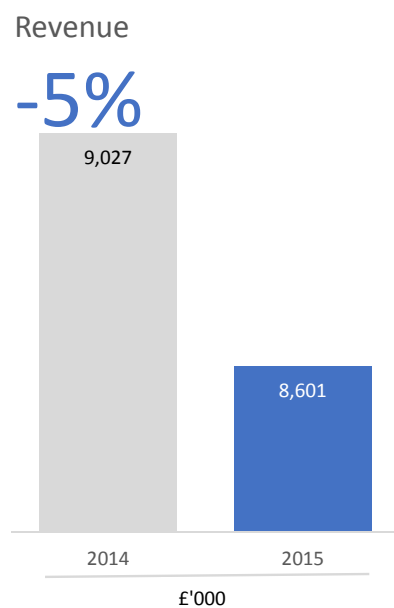
# Fleet Systems : Further consolidation

- Breakthrough rail orders
  - In-carriage CCTV; building on Forward Facing CCTV solution
  - Platform and infrastructure CCTV at a network of rail stations
- All accreditations retained



- Initial UK evaluations of advanced integrated on-vehicle solutions amongst bus fleet operators

# Fleet Systems : Further consolidation



# Fleet Systems : Strategic Goals

- Secure positive outcomes for contract renewals
- Develop new lines of business
  - Investment in Specialist Vehicle team
  - Targeting Design and Build opportunities in Rail
- Slower than expected progress

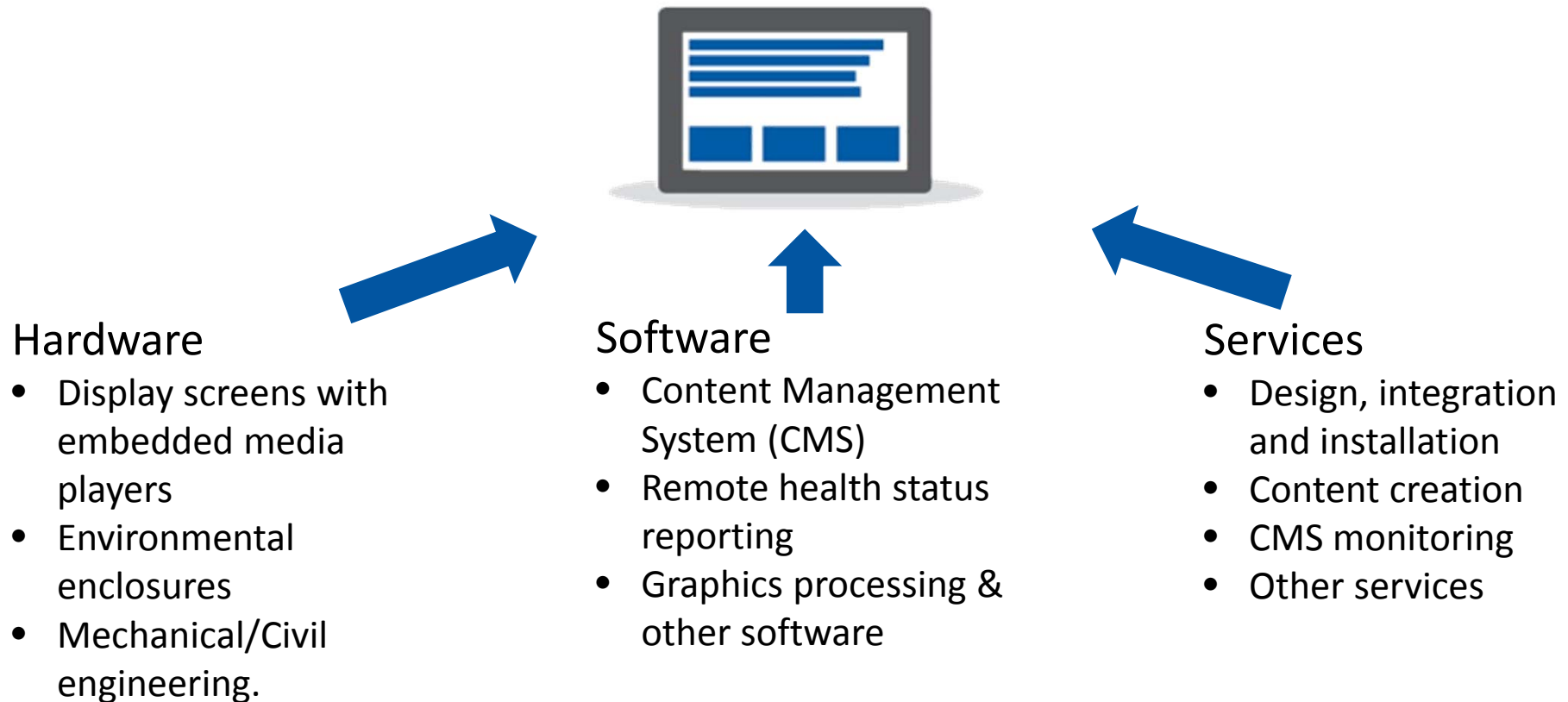
# Region Services Ltd acquired May 2015

Specialists in Passenger Information Systems (PIS), software and support

- Established 1989
- Based in Coventry, United Kingdom
- £4m sales 2014
- 47 people
- Market leaders in the UK bus sector
- Reputation for providing high quality and effective products coupled with excellent customer service.

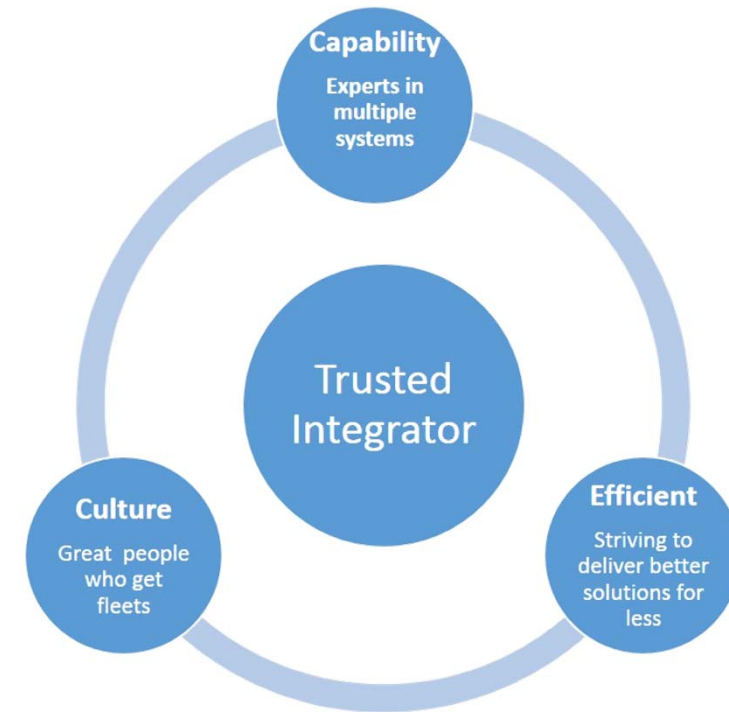


# Digital signage



# Strategic and cultural fit

- Transport Sector
- Market leaders in niche area
- SMART Integrator
- Engineering based
- Value for Money
- Customer Focused
- Senior Team
- Reputation





# Acquisition rationale

Strategy Element	Description	
Diversify Earnings	New technology area	Real-Time Passenger Information (RTPI) and ticketing systems
	New sales arena	Off-vehicle
	New customers	local authorities and PTEs
	Reduced revenue concentration	Largest customer <10% of business
Add software capability	10 person software team	
	SW Product : Electronic Passenger Information (EPI) software	Powerful centralised software to drive the signage
	SW Integration : Data Exchange to many systems	A key point gateway to the physical devices.
Step towards integrated Solutions with back office capability	Acquired capabilities to potentially develop new, class-leading products and services to help us grow our business and deliver enhanced value for money solutions to customers through our economies of scale.	E.g. incorporate their display technology into our 3 carriage 'SmartTrain' systems integration test-bed.

# Acquisition financials

- Purchase the entire issued share capital of Region Consultants Ltd, Region Services Ltd and RSL Cityspace Ltd (together "RSL Group").
- Original agreed total consideration was £1.3m
  - £1.1m in cash, funded from the Company's existing cash resources
  - £0.2m as a three year loan note, bearing interest at 6 per cent.
- Warranty claim agreed for £290k in May 16 satisfied by:
  - Cancelling £0.2m loan notes
  - Repayment of £90k cash

# Growth potential

- Increase market share
- Broaden offering
  - PA, help points etc.
- Adjacent niches
  - Rail, tram
- Geographic
  - Scandinavia
  - France
  - Middle East
  - South Africa



# Synergies & economies of scale

## Fleet Systems

- Bus
- Rail



## Passenger Systems

- Passenger information
- Smart ticketing



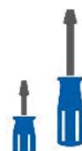
### Consultative design

By getting to know what the customer needs, and what they hope to achieve, we supply solutions that are not only best-of-breed, but best for the customer



### Integrated solutions

We aim to offer a rationalised infrastructure, enabling all stakeholders to access video & data wherever & whenever they need it.



### Installation, testing and commissioning

We have a proven track record of high-quality installations, with projects completed and audited to industry standards.

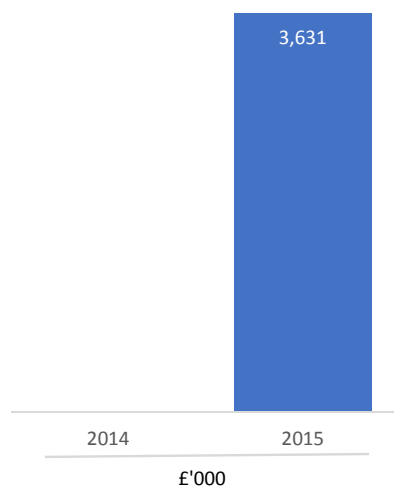


### Maintenance and support

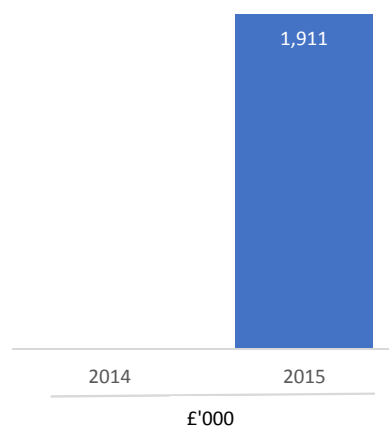
With self-reporting systems, and preventative maintenance contracts, we strive to be the trusted integration partner that manages and supports technology within the customers network

# Passenger Systems

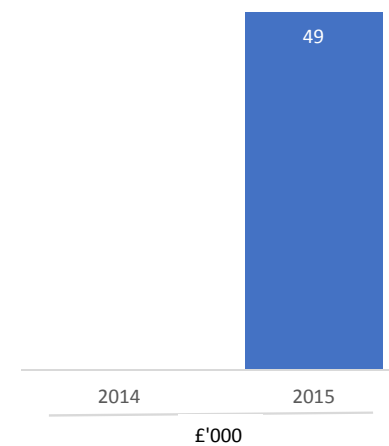
Revenue



Gross Profit



Underlying profit



# The Group today

## Fleet systems



### CCTV

- Forward-facing (FFCCTV)
- In-carriage/saloon
- Driver platform view (DOO)
- Pantograph monitoring
- Track and infrastructure
- Platform

### Passenger counting

- Passenger Analysis Systems (PAS)

### Passenger Information

- Passenger Information Systems (PIS)

### Telematics

- Timetable Information System (TIS)



### CCTV

- Complete range of solutions available

### Passenger counting

- Passenger Analysis Systems (PAS)

### Telematics

- EcoManager (UK)
- Konfort (continental Europe)

### Passenger Wi-Fi

- Industry leading solutions

## Passenger systems



### Passenger Information Screens

- Broadcast screens
- Interactive terminals

### Software

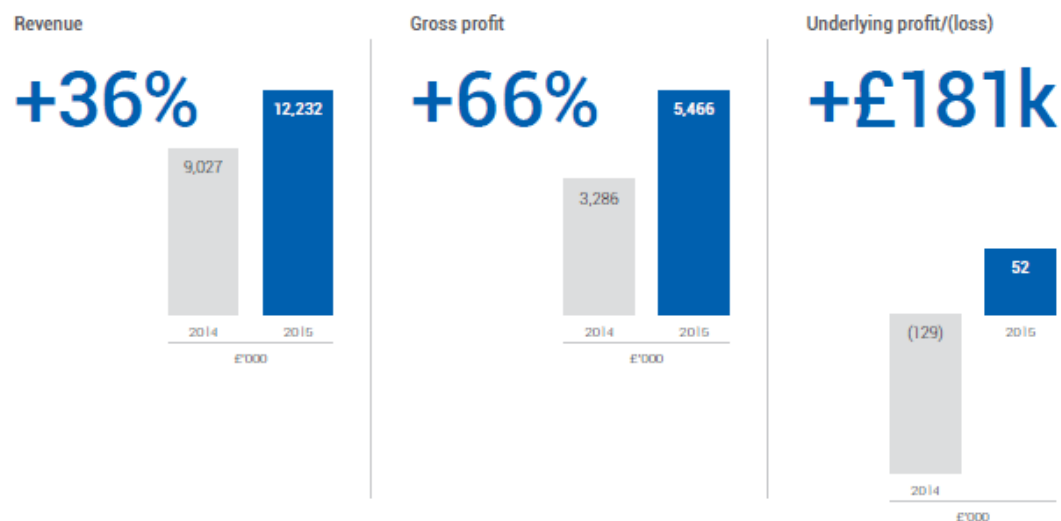
- EPI v4
- M-EPI
- Watchman

### SmartTicketing

- SmartCard
- SmartTicketing podiums

# Financial highlights FY15

- Sales increased 36% from £9m to £12.2m
- Gross margins increased from 36% to 45%
- Underlying profit before tax of £52,000 (2014: loss of £129,000)
- Cash at year end £1.0m (2014: £2.7m) after £1.1m acquisition costs of RSL Group and increased working capital requirements.
- Goodwill impairment of £4.3m relating to acquired goodwill in 21<sup>st</sup> Century Technology Solutions Ltd from 2005, reflecting previously announced downturn in trading conditions.
- Loss per share 5.17p (2014: 0.41p)



# Risks and possible Brexit impact

Category	Risk	Brexit impact
<b>Dependence on major customers</b>	<p>Currently the Fleet Systems segment has a high dependence on a small number of customers who are of a far greater scale than the Group. This generates three distinct risks; each of which can have a significant impact on the business:-</p> <ul style="list-style-type: none"> <li>• Loss of any single major customer</li> <li>• Pressure on price and margin</li> <li>• Changes to the vehicle replacement or retro-fit schedules</li> </ul>	Increased risk; particularly with inflation and uncertainty delaying decisions
<b>Reduction in Government spending on Public Transport</b>	<p>Our Group revenues are strongly linked to the overall health of the UK Public Transport sector, which in turn is significantly affected by levels of government funding at local, regional and national levels.</p>	Increased risk; likely reduced government funding and potential for significant delays during period of uncertainty
<b>Major product delivery, dependence on key suppliers, competition &amp; technology</b>	<p>Various risks</p>	Slightly increasing risks in an indirect way; if our customers and suppliers (and their suppliers) are affected.



# April RNS & Sensitivities

“Trading during the first three months of 2016 has however been slower than expected with orders from two large fleet customers weighted more towards the second half than originally anticipated and management have initiated a programme of remedial action to remove costs from the business.

The board is increasingly confident that the performance in the second half of the year will be much improved on that of H1”

- Sensitivities
  - Timing of local authority spend in the Bus Passenger Information market
  - Adoption of ticketing technology in Bus and Rail

# Reducing Costs

- Finance
  - Fleet systems finance department closed, creating one finance function in Coventry
- Logistics
  - Fleet systems stock functions closed, moving to one logistics centre in Coventry
- Purchasing
  - Consolidated purchasing into Coventry
- Buildings
  - Croydon building to be downsized to an office for Bus and Rail

# Green Shoots

- Fleet Systems
  - Remote Condition Monitoring (RCM) becoming important part of Fleet offering
    - “Journeo” RCM unit developed in-house
  - Integration with fleet operators third party management systems
  - First fully digital systems with no hard disk drive and full cloud access
  - Internal start-up of Specialist Vehicles team
- Passenger Systems
  - Blackburn bus ticketing systems completed
  - Ticket Vending Machines (TVMs) expanding into rail with Rail Settlement Plan (RSP) accreditation underway.
    - Potential for the Passenger Information element of tenders.
- Established Technical Authority

# 21<sup>st</sup> Century Technology plc

Connected systems  
for connected journeys

