



Q2

SECOND QUARTER

2021

THE PRIME MOVER IN
TRAFFIC TECHNOLOGY

Q-FREE IS A PRIME MOVER IN TRAFFIC TECHNOLOGY...

COMPANY & PEOPLE



FOUNDED IN
1984



HEADQUARTERED IN
NORWAY



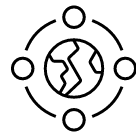
OFFICES IN
14
COUNTRIES



360
EMPLOYEES



30+
NATIONALITIES



50+
REFERENCE MARKETS

BUSINESS AREAS & SOLUTIONS

Tolling:



>40 million tags sold



*~2 000 tolling lanes
in operation*



*>50 000 active
ALPR SW licenses*

Traffic Management:



> 35 000 traffic controllers installed



*>500 000 highway lane miles
monitored and managed*



*Road information services for more
than 25 million people*

...WITH A STRONG AND COMPELLING PURPOSE & OFFERING

KEY MOBILITY CHALLENGES

CONGESTION



Q-FLOW

Optimize how people and goods move

- Regional Freeway Management
- Traffic Signal Operations and Management
- Electronic Toll Collection and Congestion Charging

ACCIDENTS



Q-SAFE

Make roads and travel safe

- Incident Management
- Connected Intersections
- ALPR Enforcement
- Weigh-in-motion
- Smart Digital Tachographs

POLLUTION



Q-CLEAN

Stimulate sustainable transportation

- Congestion charging and Low-emission zones
- Traffic Signal Operations and Management
- Bicycle and pedestrian monitoring

HIGHLIGHTS



FINANCIAL HIGHLIGHTS Q2-21 (Q2-20)

REVENUES:

253 MNOK (223)

ORDER INTAKE:

151 MNOK (170)

EBITDA:

35 MNOK (26)

ORDER BACKLOG:

1221 MNOK (1040)

EBIT:

20 MNOK (10)

CASH FLOW FROM OPERATIONS:

29 MNOK (24)

OPERATIONAL HIGHLIGHTS Q2-21

Roadside deployments in Norway



First traffic controllers in Indiana



WIM roll-out in Ukraine



Roadside deployments in Portugal & Spain



Snohomish Adaptive deployment



1 million tag milestone reached in Russia



FINANCIAL UPDATE



FINANCIAL SUMMARY Q2-21 AND H1-21

MNOK	Q2 2021	Q2 2020	YoY Change
Revenues	253	223	+13.4%
Gross contribution	152	137	+11.0%
<i>Gross margin</i>	<i>60.0%</i>	<i>61.4%</i>	<i>-1.4 pp</i>
OPEX	117	111	+5.9%
EBITDA	35	26	+32.2%
<i>EBITDA margin</i>	<i>13.7%</i>	<i>11.7%</i>	<i>+2.0 pp</i>
EBIT*	20	10	+97.3%
<i>EBIT margin</i>	<i>7.8%</i>	<i>4.5%</i>	<i>+3.3 pp</i>
EPS	0.13	-0.06	

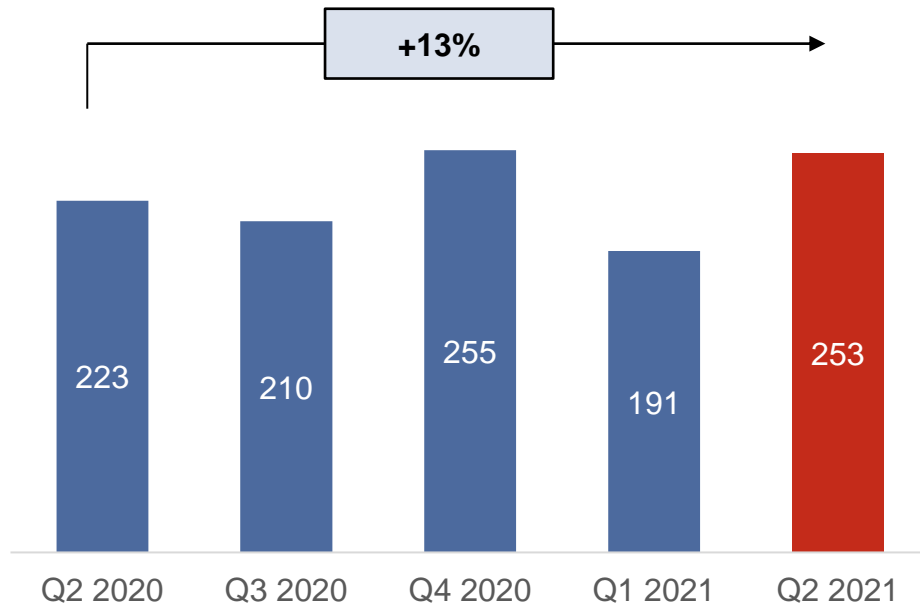
H1 2021	H1 2020	YoY Change	FY 2020
444	424	+4.7%	889
283	264	+7.1%	545
<i>63.6%</i>	<i>62.2%</i>	<i>+1.4 pp</i>	<i>61.3%</i>
235	246	-4.5%	469
48	18	+162.3%	76
<i>10.8%</i>	<i>4.3%</i>	<i>+6.5 pp</i>	<i>8.5%</i>
19	-14		-9*
<i>4.2%</i>	<i>-3.2%</i>	<i>+7.4 pp</i>	<i>-1.0%</i>
0.09	-0.21		-0.56

* FY 2020 EBIT includes 21 MNOK in impairment of intangible assets and PP&E

REVENUE DEVELOPMENT

QUARTERLY REVENUES

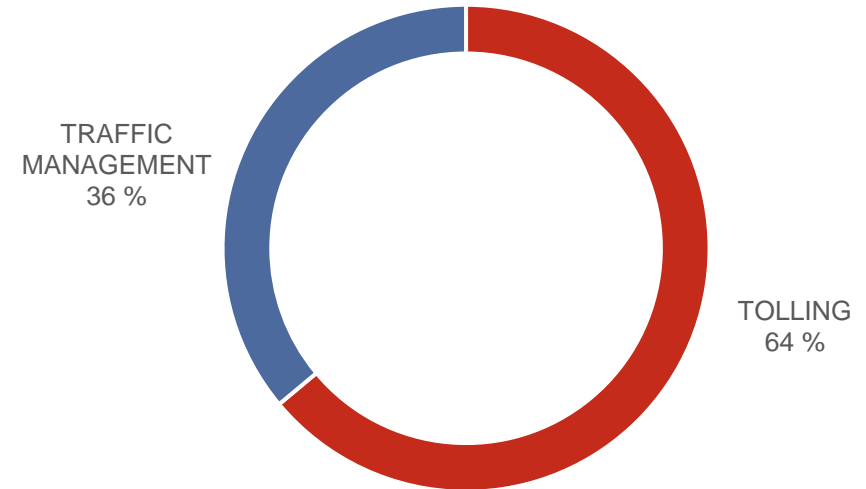
NOK million



29% YoY organic revenue growth adjusted for currency effects and Assets Held for Sale

Q2-21 REVENUES PER BUSINESS AREA

Percent



SEGMENT REVENUE DETAILS

NOK million

SEGMENT	Q2-21	Q2-20	YoY Change
Tolling	161	136	+19%
Traffic Management	91	81	+13%
Assets held for sale	-*	6*	
REVENUES	253	223	+13%

29% YoY organic revenue growth adjusted for currency effects and Assets Held for Sale

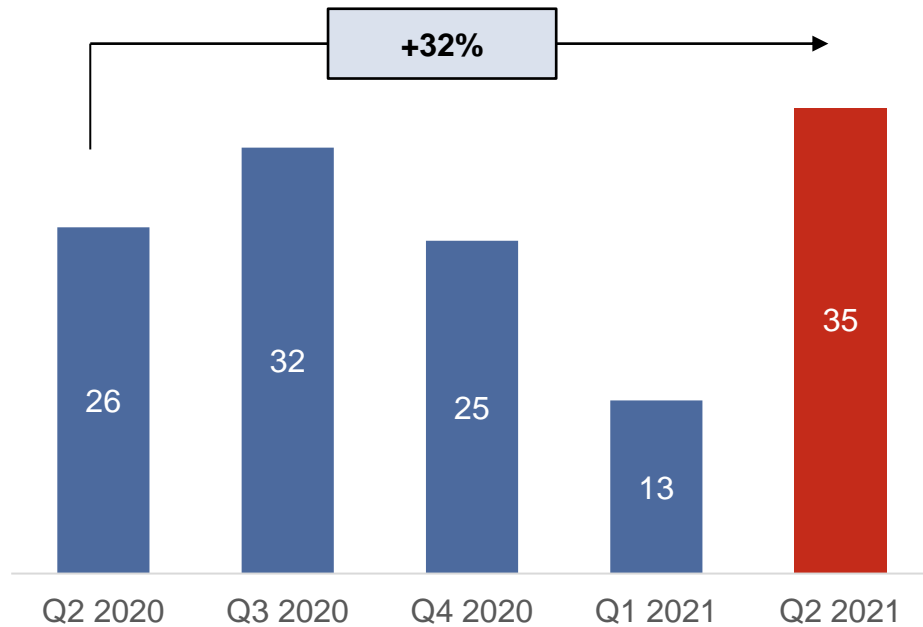
H1 2021	H1 2020	YoY Change	FY 2020
280	272	+3%	572
161	138	+17%	282
2*	14*	-82%*	35
444	424	+5%	889

16% YoY organic revenue growth adjusted for currency effects and Assets Held for Sale

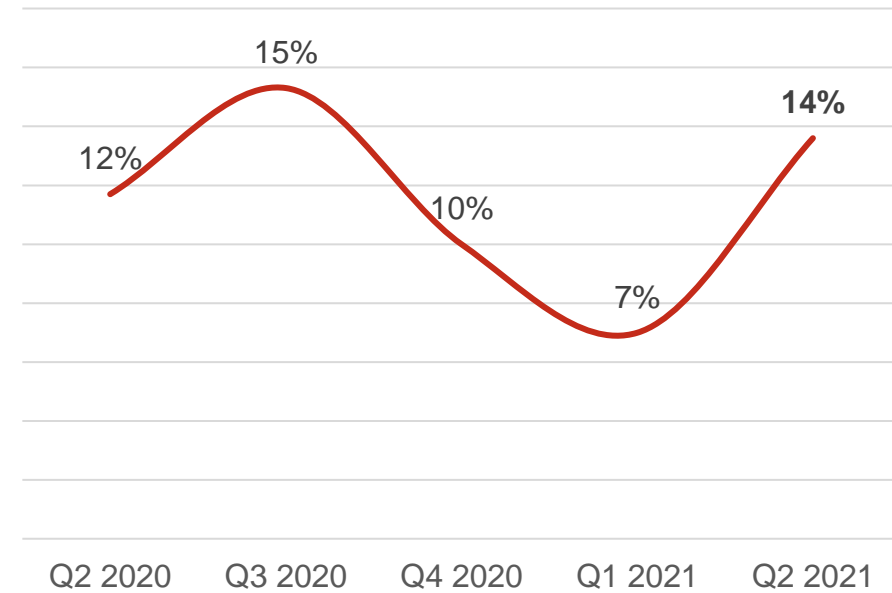
* Parking assets divested in Q1-21

EBITDA DEVELOPMENT

EBITDA EXCL. NON-RECURRING ITEMS
NOK million



EBITDA MARGIN EXCL. NON-RECURRING ITEMS
Percent



SEGMENT EBITDA DETAILS

NOK million

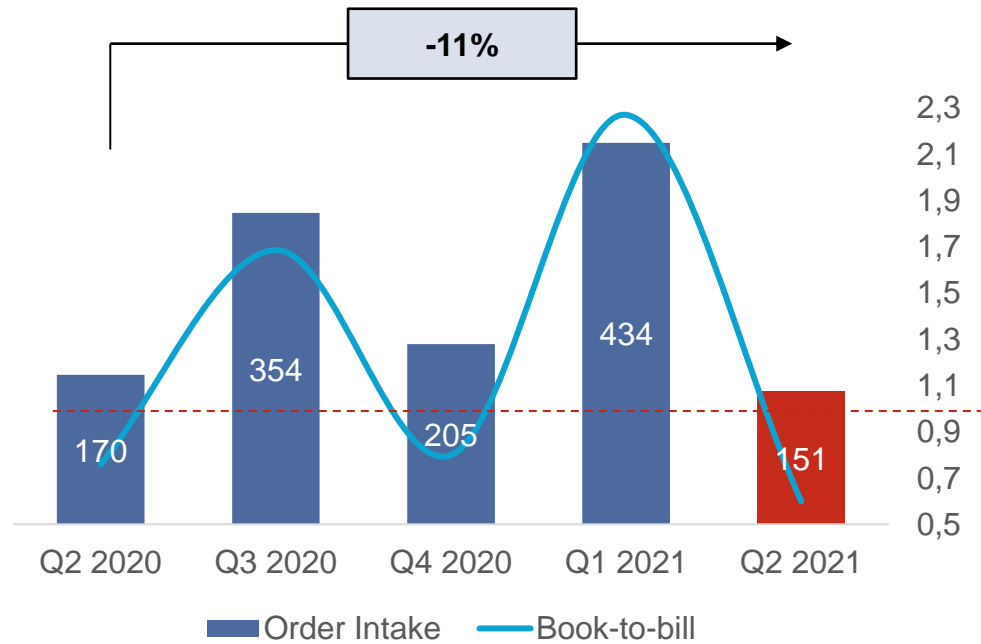
SEGMENT	Q2-21	Q2-20	Margin change
Tolling	35	25	+3.7 pp
Traffic Management	9	14	-6.6 pp
Assets held for sale	-*	-4*	
Group Functions	-10	-8	
EBITDA	35	26	+2.0 pp

H1 2021	H1 2020	Margin change	FY 2020
55	38	+5.7 pp	104
13	4	+5.4 pp	8
-2*	-7*		-7
-19	-17		-29
48	18	+6.5 pp	76

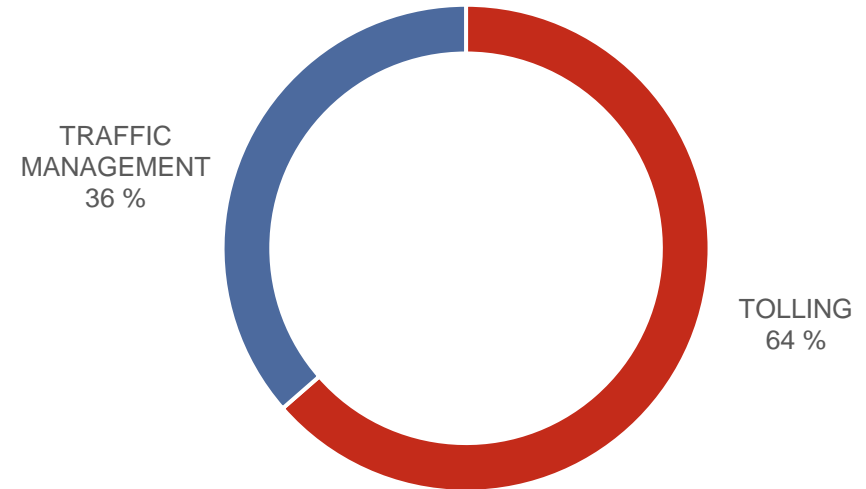
* Parking assets divested in Q1-21

ORDER INTAKE DEVELOPMENT

ORDER INTAKE & BOOK-TO-BILL PER QUARTER
NOK million / ratio



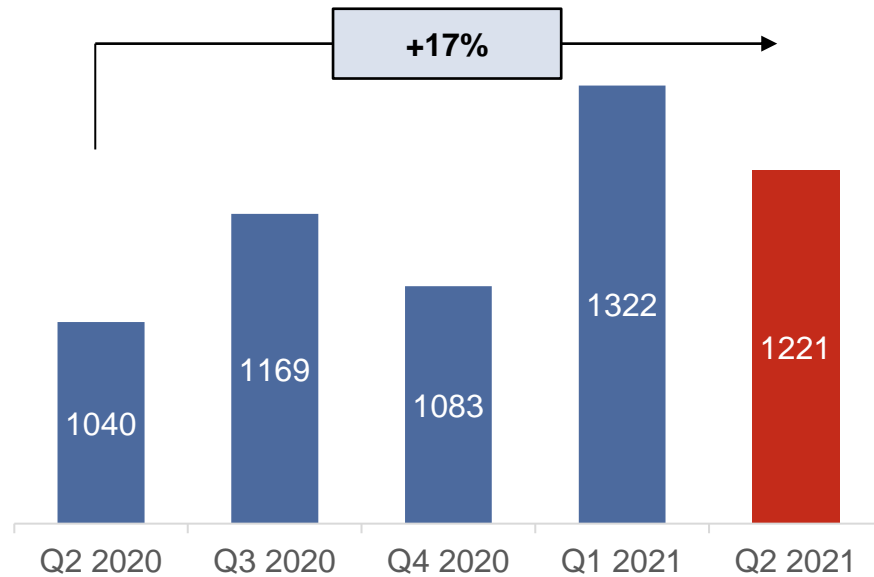
Q2-21 ORDER INTAKE PER BUSINESS AREA
Percent



- Frame contracts with no committed minimum volumes are not included in order intake
- H1-21 order intake is up 50% compared to H1-20

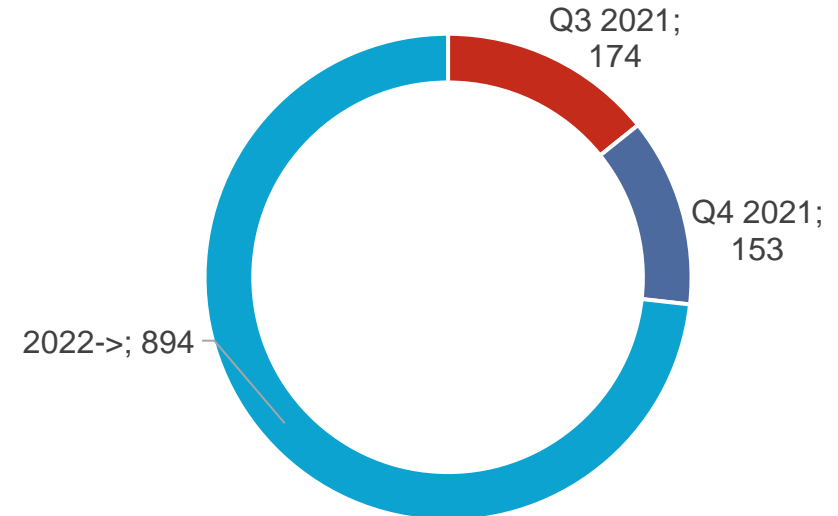
ORDER BACKLOG DEVELOPMENT

ORDER BACKLOG
NOK million



- Frame contracts with no committed minimum volumes are not included in the backlog

EXPECTED DELIVERY SCHEDULE
NOK million



- The Covid-19 pandemic might cause changes to the planned delivery schedule

CASH FLOW AND AVAILABLE FUNDS

CASH FLOW FROM OPERATIONS:

29 MNOK (24)

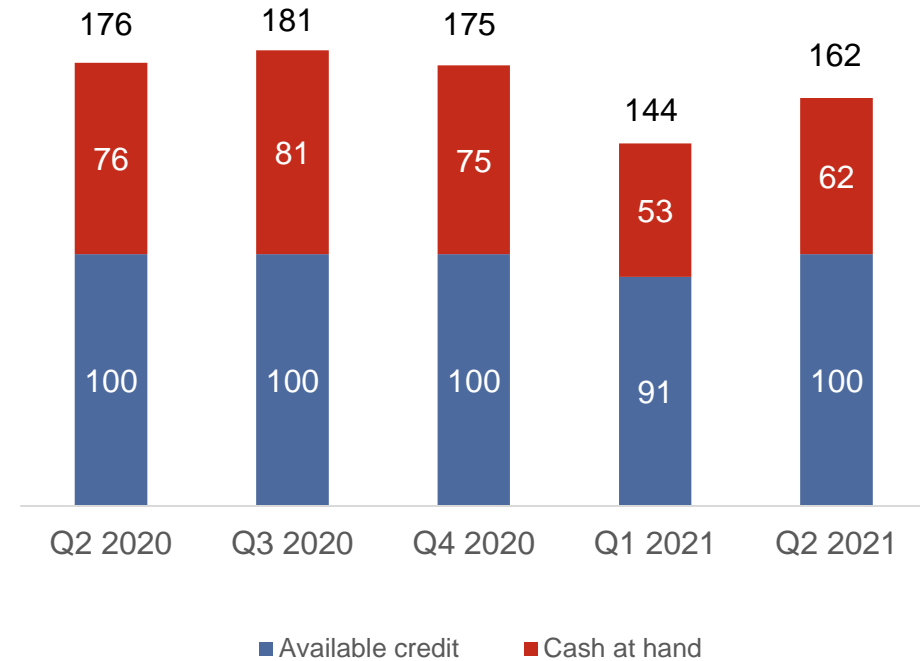
CASH FLOW FROM INVESTING:

-5 MNOK (-38)

CASH FLOW FROM FINANCING:

-16 MNOK (54)

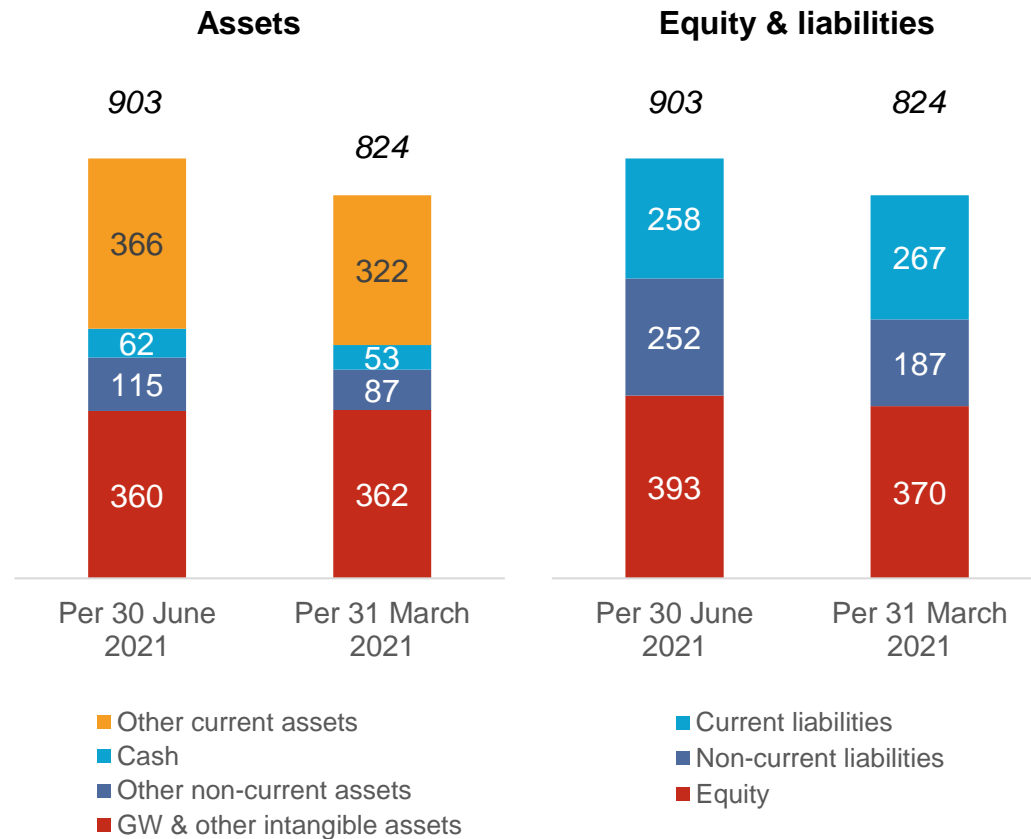
AVAILABLE CREDIT AND CASH AT HAND
NOK million



BALANCE SHEET

BALANCE SHEET ITEMS

NOK million



EQUITY RATIO (Q2-20):

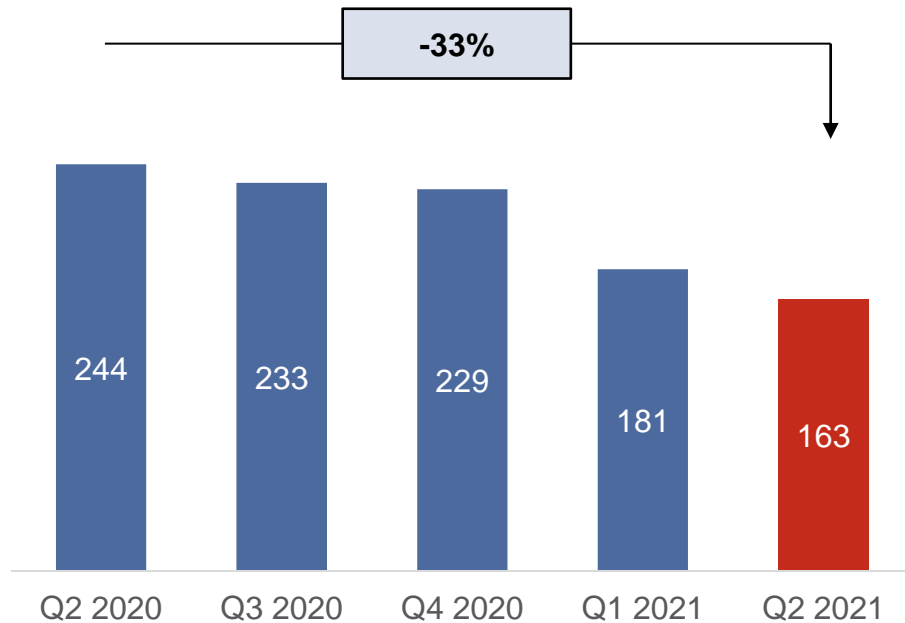
44% (42%)

WORKING CAPITAL RATIO (Q2-20):

14% (22%)

NET INTEREST BEARING DEBT

NET INTEREST BEARING DEBT NOK million



12 MONTH NIBD/EBITDA

1.6

NET FINANCIAL ITEMS:

-4 MNOK (-9)

NEW LOAN AGREEMENT WITH MAIN BANK

More favourable debt repayment schedule

- Financing secured for 3 years with 1+1 option for extension
- Improved instalment-profile secures available funds for future business opportunities and investments

Improved commercial terms

- Interest margin reduced – converted to ratchet-model depending on leverage ratio
- More reasonable covenant structure

Improved foreign currency management

- Some NOK loans to be converted to EUR and USD to reduce net currency exposure
- Multi-currency facilities ensure flexible balance-sheet hedging

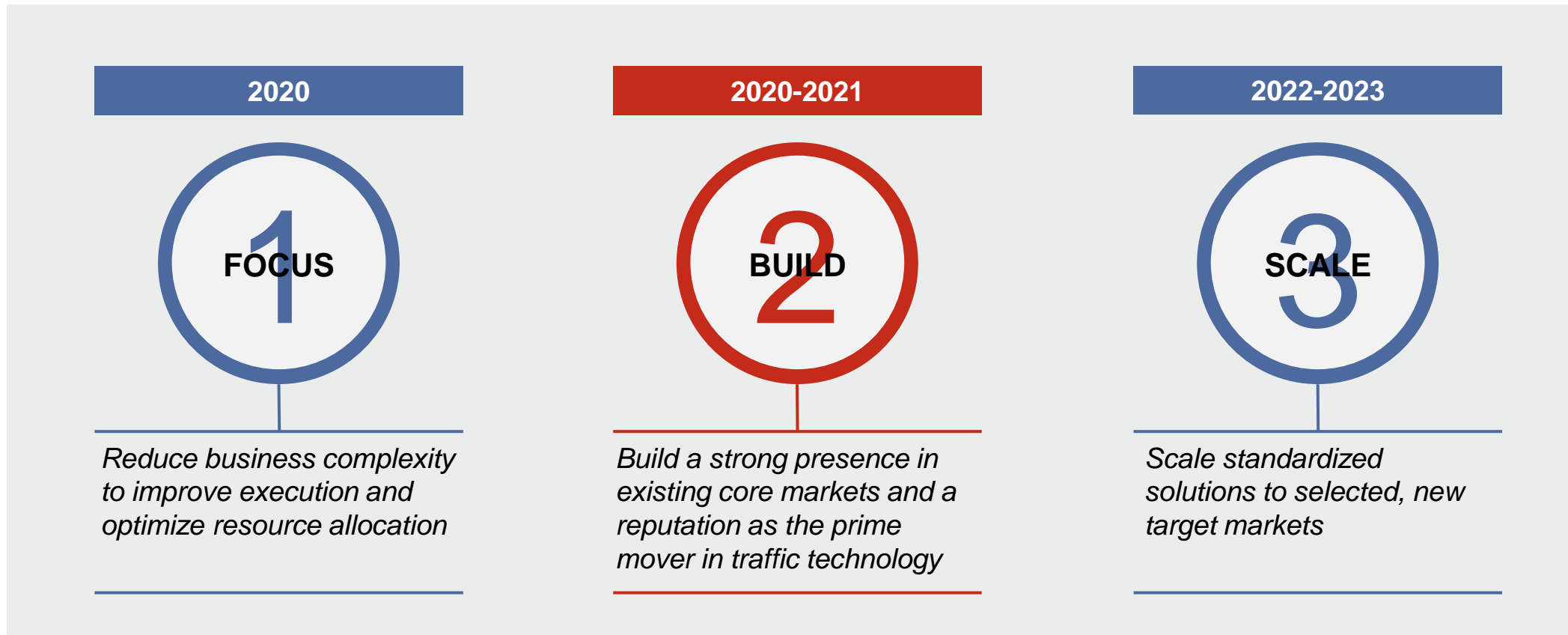
Extended guarantee limits

- Guarantee-frame extended from 130 MNOK to 150 MNOK to secure headroom for project-related performance guarantees



OUTLOOK

OUR 2020-2023 PLAN



WE HAVE BUILT A SOLID PRESENCE IN CORE MARKETS...



TOLLING

NORWAY		<ul style="list-style-type: none">• ~45 MNOK in ARR from long-term S&M and SW• ~70 MNOK system contracts won in 2020/2021
SWEDEN		<ul style="list-style-type: none">• ~25 MNOK in ARR from S&M• ~130 MNOK system contract won in 2021
PORTUGAL		<ul style="list-style-type: none">• ~30 MNOK in ARR from S&M• ~150 MNOK system contracts won in 2020/2021
AUSTRALIA		<ul style="list-style-type: none">• ~7 MNOK in ARR from S&M and SW• ~75 MNOK system contracts won in 2020
SLOVENIA		<ul style="list-style-type: none">• ~23 MNOK in ARR from long-term S&M and SW
THAILAND		<ul style="list-style-type: none">• ~3 MNOK in ARR from S&M• ~70 MNOK system contract won in 2020
USA		<ul style="list-style-type: none">• ~33 MNOK in ARR from long-term ALPR SW
CHILE		<ul style="list-style-type: none">• ~7 MNOK in ARR from long-term S&M• ~40 MNOK tag contracts won in 2020/2021

TRAFFIC MANAGEMENT

	<ul style="list-style-type: none">• Customer since 2008• Contract renewed for 8 years in 2021
	<ul style="list-style-type: none">• Customer since 2015• Contract renewed for 8 years in 2021
	<ul style="list-style-type: none">• Customer since 2016• Contract renewed in 2020
	<ul style="list-style-type: none">• Customer since 2020• 8 year contract
	<ul style="list-style-type: none">• Customer since 2021• 10 year contract

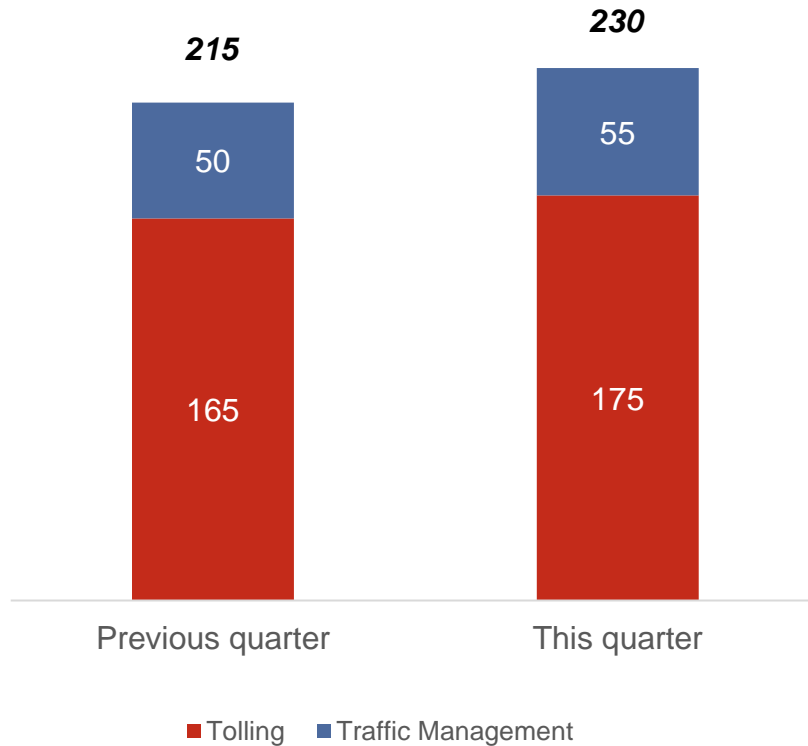


...WHICH GENERATE INCREASING RECURRING REVENUES



ANNUALIZED RECURRING REVENUES

NOK million



ARR ENABLERS/DRIVERS

- Tolling S&M**
 - New roadside systems with long-term S&M contracts
 - Enhanced reporting as a service
- Tolling back-office SW**
 - SaaS solutions for Tolling Service Providers and rental car companies
- Tolling Tags**
 - HeSaaS conversion
- Tolling Projects**
 - Revenue sharing or transaction-based agreements
- ALPR**
 - Intrada® Insight expansion in the US
 - Intrada® Insight expansion in Europe
- TM Inter-Urban**
 - New long-term statewide O&M contracts
 - New local SaaS contracts
- TM Urban**
 - SaaS conversion



WE CONTINUE TO INVEST IN OUR OFFERING AND TECHNOLOGY BASE...



Tolling

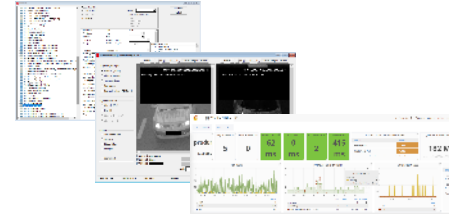
Leading DSRC technology



World-class ALPR & imaging systems



Scalable Tolling SW back-office platform



Future road user charging technology



Traffic Management

Industry-leading SW platforms



Traffic Controllers & cabinets



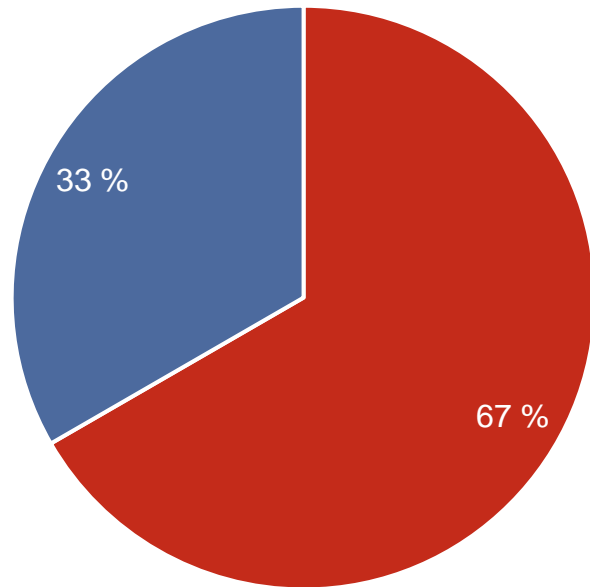
Infomobility solutions



...WHICH HAS TRANSLATED INTO A HIGH WIN RATE AND A SOLID ORDER BACKLOG

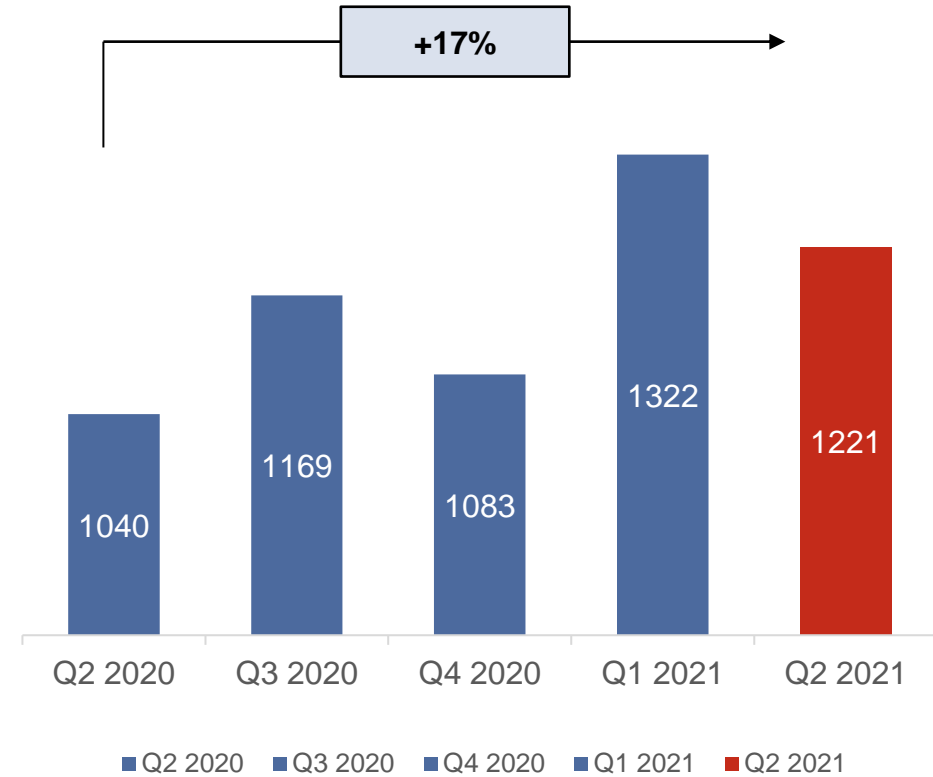


WIN RATE ON TARGET CONTRACTS LAST 12 MONTHS
Percent, 100% = ~1200 MNOK



■ WON ■ LOST

ORDER BACKLOG
NOK million



THE REMAINING 2021 OPPORTUNITY PIPELINE IS SIZEABLE AND ATTRACTIVE



ESTIMATES

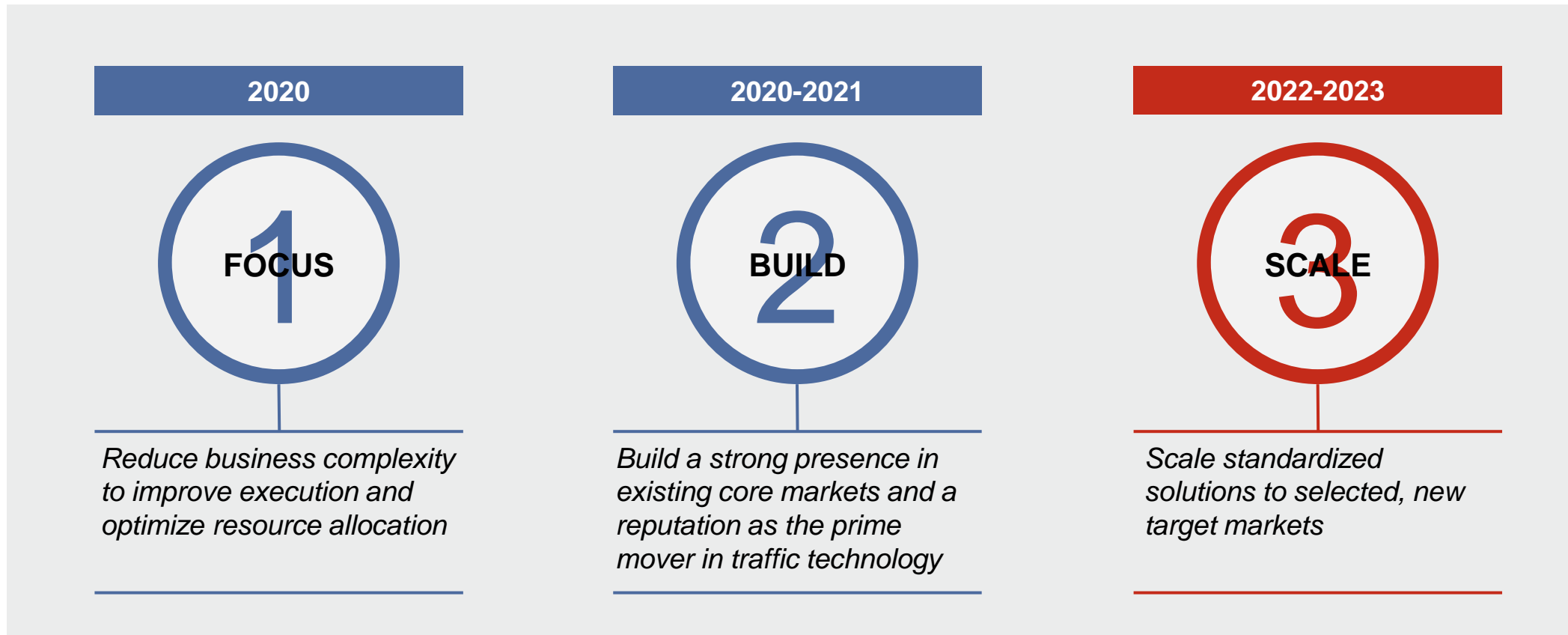
ADDRESSABLE OPPORTUNITIES EXPECTED TO BE TENDERED/AWARDED IN 2021 MNOK



NOTE: Planned tenders and contract signings might be delayed by customers





OUR 2020-2023 PLAN











WE WILL ENTER NEW TOLLING MARKETS TO LEVERAGE PORTFOLIO INNOVATIONS AND INCREASED SCALABILITY



 Existing QFR markets with ongoing upgrades

 Potential new QFR markets

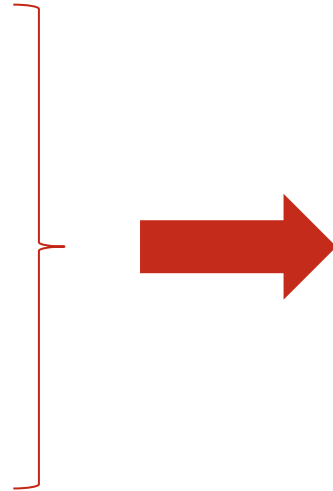
- Ukraine**  Nationwide truck (HGV) tolling system
- Croatia**  Nationwide truck (HGV) tolling system
- Serbia**  Nationwide truck (HGV) tolling system
- Latvia**  Nationwide truck (HGV) tolling system + congestion charging
- Lithuania**  Nationwide truck (HGV) tolling system + congestion charging
- Estonia**  Nationwide truck (HGV) tolling system + congestion charging
- Switzerland**  Road User Charging
- Italy**  Tag and roadside market deregulated



WE EXPECT TRAFFIC MANAGEMENT TO BENEFIT FROM THE US INFRASTRUCTURE BILL GOING FORWARD



	Amount (billions)
Total	\$579
Transportation	\$312
Roads, bridges, major projects	\$109
Safety	\$11
Public transit	\$49
Passenger and Freight Rail	\$66
EV infrastructure	\$7.5
Electric buses / transit	\$7.5
Reconnecting communities	\$1
Airports	\$25
Ports & Waterways	\$16
Infrastructure Financing	\$20
Other Infrastructure	\$266
Water infrastructure	\$55
Broadband infrastructure	\$65
Environmental remediation	\$21
Power infrastructure incl. grid authority	\$73
Western Water Storage	\$5
Resilience	\$47



- State DOTs have been underfunded as income from gas taxes has dropped due to less travel and more fuel-efficient cars
- Consequently, investments and planned projects have been put on hold
- With increased federal grants, DOTs should be able to resume their investment programs
- Some of the investments will be channeled towards Q-Free's solutions

**New spending + baseline (over 5 years) = \$973B
New spending + baseline (over 8 years) = \$1,209B



Our high level financial goals

Q-Free has established a set of goals and ambitions for 2025 to illustrate the results our strategy is expected to generate.

2021 goals

- >10% organic revenue growth (@ 2020 FX rates)
- Book-to-bill > 1.1
- >10% EBITDA margin

Enablers

- Solid backlog and increasing recurring revenues
- Several recent contract wins, attractive opportunity pipeline, and competitive offering
- Solid gross margin structure and reduced OPEX base

2025 goals

- 1.3-1.5 bn NOK in revenues + potential M&A growth
- 15-20% EBITDA margin & 10-15% EBIT margin
- Technology leadership – The Prime Mover

Enablers

- Attractive mega trends, increasing recurring revenues, and bolt-on acquisitions
- Increasing high-margin software revenues and high scalability of solutions
- Continuous innovation and clear technology road maps



COMMENTS ON OUTLOOK

2021 outlook:

- >10% organic revenue growth
 - 16% growth YTD adjusted for discontinued business and currency effects
 - Global supply constraints on chips/micro-controllers will negatively impact H2 2021 tag sales (orders are not lost, but potentially postponed)
- >10% EBITDA margin
 - 11% margin YTD for continued business
 - Favorable product mix with good margins
 - Solid cost control

2025 outlook:

- 1.3-1.5 bn NOK revenue target unchanged
 - Several large tolling projects expected in new markets + replacement contracts in existing markets
 - Planned infrastructure bill might lead to a market recovery for Traffic Management in the US
- Margin targets unchanged
 - Operational leverage
 - Increasing share of SW revenues
 - Ongoing conversion to SaaS and ARR

Q&A



HEADQUARTERS
Q-FREE ASA

Strindfjordvegen 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

Bank: Nordea Bank Abp, filial i Norge
ACC. No.: 6402.05.33518

Register of business
enterprises NO 935 487 242

