

Redflow

1H19 Results
26th February 2019



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Company Overview

Established in 2005.
Listed on ASX in 2010
(ASX:RFX)



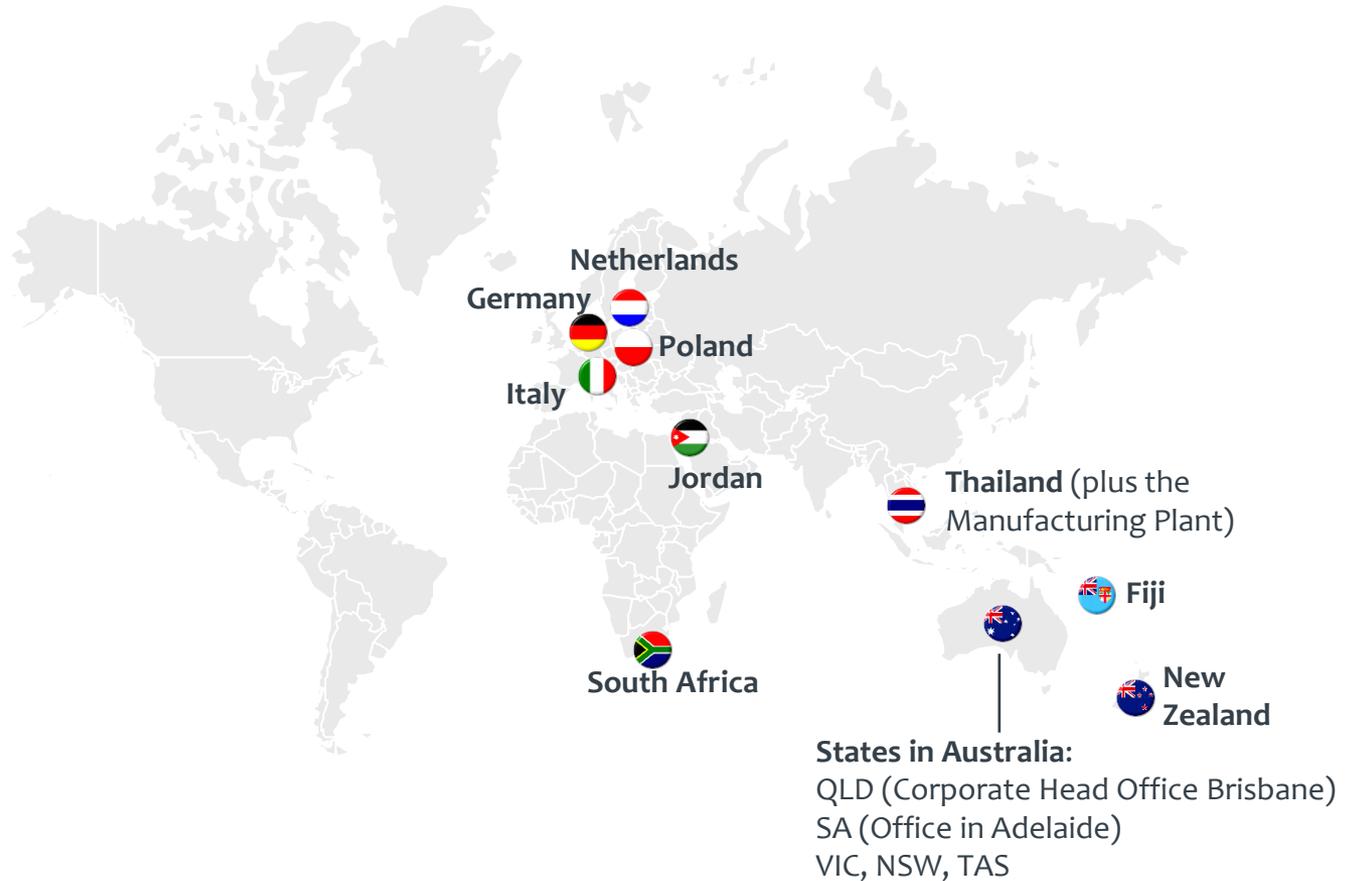
Redflow designs
and manufactures zinc-
bromine flow
batteries



Headquartered in
Australia. Company
owned manufacturing
facility in Thailand



Batteries currently
deployed in nine
countries



Redflow is positioned to redefine energy storage in our target markets

1H19 Key Highlights



Scalable Manufacturing

- Thailand factory now established and producing high quality batteries
- Produced 150 batteries in Dec 18.
- Scalable model for immediate demand (250 batteries/month). Moderate capex to scale factory to 54 MWh facility
- 30% Cost-down program underway and ISO9001 accreditation targeted for June 2019



Customer & Markets

- Momentum growing - initial orders across telco, commercial and industrial and micro grid markets
- Attractive and growing sales pipeline – targeting volume opportunities following initial deployment
- Ability to extend current customer and partner ecosystem into adjacent markets and customers



Board & Management

- Revamped Board and management team focused on commercialisation
- Managing Director, Chief Commercial Officer, CFO and Chief Deployment Officer recruited in last 12m
- Directors with deep technology and manufacturing experience recruited Sept/Oct 2018
- Investment in core capabilities required for sales growth and customer support



Technology Leadership

- Ongoing investment in R&D to maintain industry leadership and battery performance
- Key projects include Gen3 stack, new electronics and tank design – 30% cost down
- Additional innovation launched – standby power mode

Manufacturing Update

An Established Manufacturing Base with Scalability

- Relocation of facilities to Thailand completed in April 2018
- Ownership ensures supply chain control, end to end quality assurance, scalability and flexibility to meet demand
- Clear benefits emerging from in-house manufacturing as production ramps up
- ISO9001 program underway – target completion June 2019
- Currently 75 FTE
- Model scalable to meet demand whilst delivering productivity and cost down benefits.
- Facility now proven at 150 batteries/month. Scale to 250 /month only requires double shift in selected processes (30 MWh)
- Current focus to scale volume and reduce cost – key engineering and productivity projects underway to deliver 30% cost down in 2019
- Moderate levels of capex required to reach ~450 batteries /month (54 MWh) (\$ 2-3M)



Commercialisation Strategy

Redflow Zinc-Bromine Flow Battery Advantages



Ability to fully empty - with no damage!



Ability to utilise 100% of the battery's stored energy capacity all the time



Ability to turn off the battery without degradation



Ability to “park” a system at any state of charge and use it as required



No electrochemical degradation at 15 - 50^{°C} battery operating temperature, no air conditioning required



Lower total cost of ownership and operation, especially in warm climates.



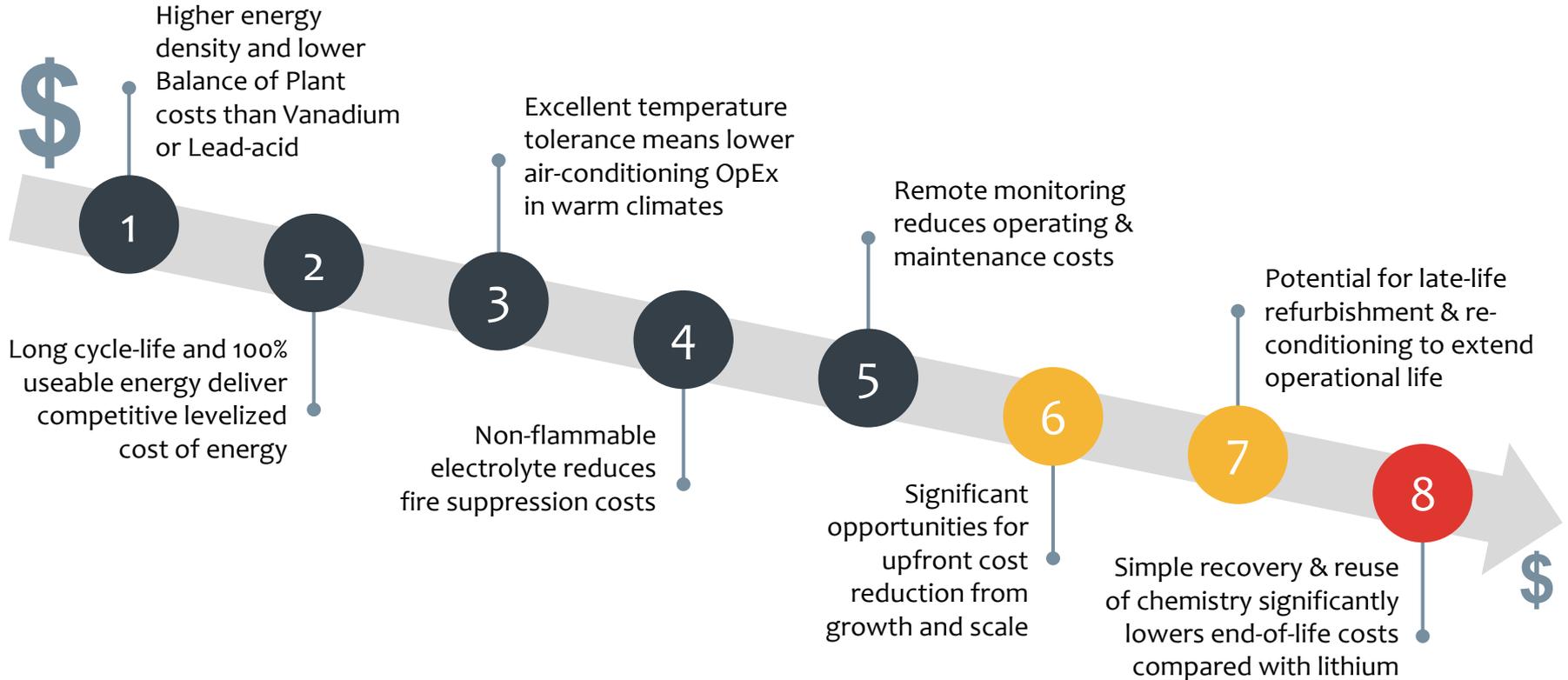
Not susceptible to thermal runaway



Reduced need for fire suppression costs and less hazardous at locations with valuable infrastructure



Redflow Zinc-Bromine Flow Battery Customer Benefits



Current

Planned

Future

1H19 Commercial Highlights – Momentum Building



Telco

Off-grid or backup power supply requirements for remotely located telco towers. Leverages renewable energy generation and mitigates theft

Australian Telco

Optus –Optus has ordered six ZBM2s for mobile phone tower in environmentally sensitive Daintree rainforest

South African Telco

Leading telco - 37 ZBM2s order to power remote mobile phone towers for leading South African telco



Commercial and industrial / Microgrid

Reduce energy costs by replacing/ supplementing grid power and avoiding demand tariffs through storing off peak energy

Australian Local Government

Knox City Council has built two state-of-the-art children’s centres in eastern Melbourne, each with 16 ZBM2 batteries

Microgrid in Thailand

Thai Government-backed energy storage project has 10 x ZBM2 batteries (100 kWh) supplying energy for off-grid village in mountainous northern Thailand



Residential

On-grid or off-grid solutions for greater energy independence, solar self-consumption and backup. Often multi-battery sites.

High value deployments

Emerging partner eco-system in all Australian states

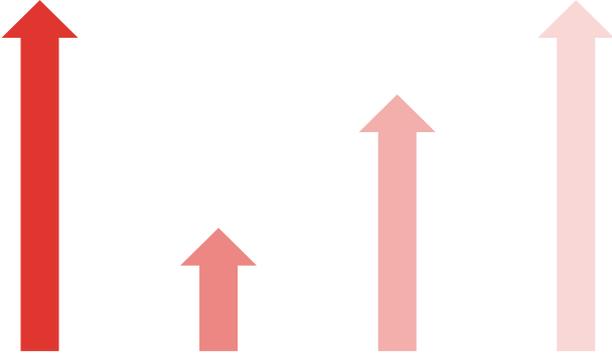
New training and certification program supports partners

Ongoing dialogue with local governments and industry bodies around participation in state battery programs

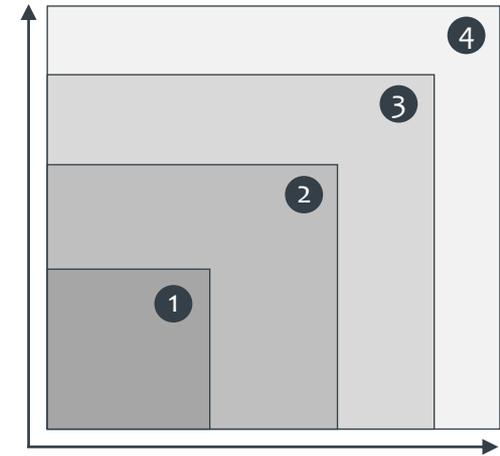
Drivers for Redflow's Telco Strategy

- High power costs are a major factor that Redflow's batteries help mitigate
- Increase in infrastructure-sharing, core data growth and 5G expected to drive power and sites growth
- Battery theft a major issue in some markets – cost, uptime and revenue impacts
- Redflow features versus alternative technologies valued by target customers in key markets

Target ongoing orders in next 12m



Field Deployments	✓		✓	
Initial Orders	✓	✓	✓	
End Customer Engagement	✓	✓	✓	✓
Partnerships	✓	✓	✓	✓
Growth	>4%	6%	9%	8.5%
Size	127k	15k	4.4k	286k
Market	Sub Saharan Africa	Australia	NZ & Pacific	South East Asia



- 1 Extending current business with current end users beyond current deployments
- 2 Replicate with other customers in same markets e.g. other telcos in South Africa
- 3 Extend with partners and end customers into adjacent territories
- 4 Step out opportunities in new strategic markets – e.g. China, India and other growth market (Global Market Size 4.4 Million Towers).



Major activity in last 1H19

Figures calculated from TowerXchange data, and internal company research.

Spotlight on South Africa

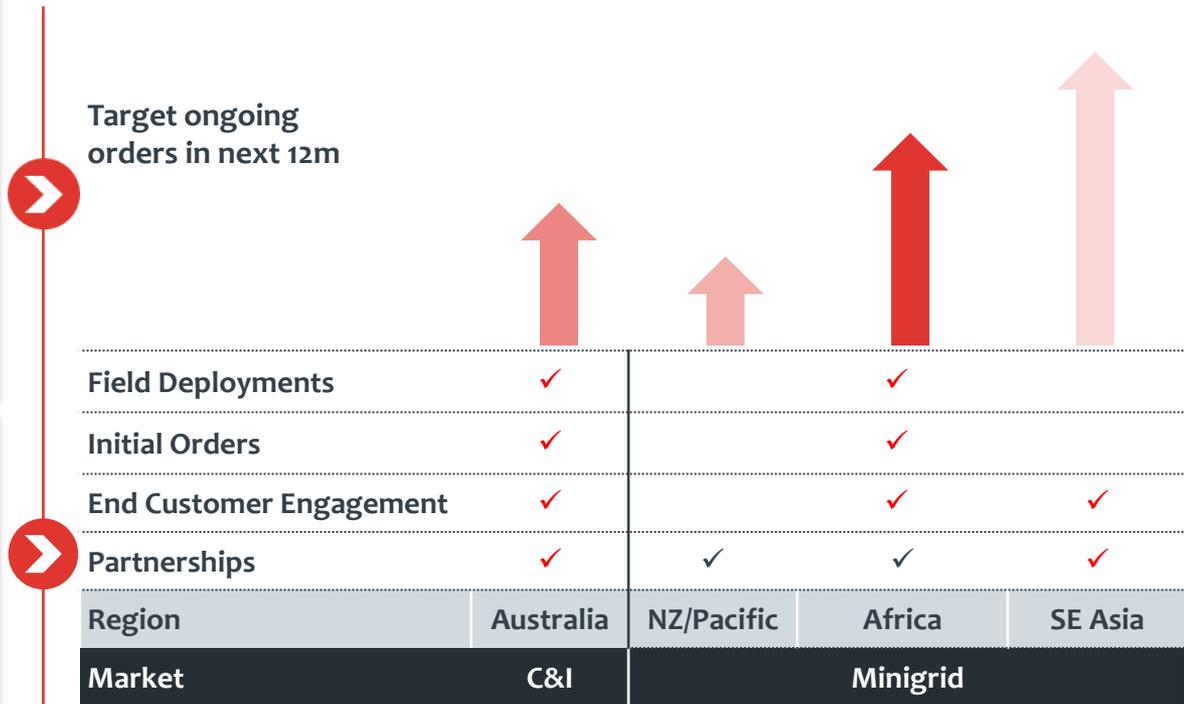
- Eskom – National electricity utility in crisis leading to widespread load shedding and black outs
- World Bank identified Eskom as a major risk to economic growth
- >28k cell towers in South Africa nationwide growing at 4% p.a.*
- Mobile towers targeted by criminals - diesel, batteries, copper, and equipment theft
- Telco operator costs include repair and replacement costs, loss of revenue, security costs, emergency services uptime and network quality/uptime



- Long standing local partner with Specialised Solar Systems
- Redflow batteries deployed in South Africa since 2016
- November 2018 initial 37 battery order for new build telco sites for delivery through March 2019 to address theft issue – weight and limited value of components
- Current discussions with mobile operator for expansion into existing sites – diesel run time reduction and stand by power applications
- Additional opportunities being pursued in South Africa around in micro-grids and grid scale storage

Look Forward C&I & Minigrid strategy

- **Next phase of solar growth is expected to be mid-size C&I deployments:** Business cases for solar, and increasingly storage, possible due to high electricity costs, peak tariffs and unreliable supply. Objective to expand recent deployment with local government and corporates into adjacent applications, customers and industries
- **Minigrids for community electrification in developing economies present a very substantial opportunity.** An estimated 1.3 billion people (approximately 1/5 of the world’s population) lack access to reliable electricity at home. Solar mini-grid projects in Africa and Asia is expected to grow from 3k installations in 2017, to over 31k by 2023*
- **Future step out opportunities** such as participation in India’s electrification program - 235M people**



✓ Major activity in last 1H19

* Calculated from data provided by 'The Economist.'

*** From Institute of transformative Technologies, 'Achieving Universal Electrification in India – A roadmap for rural solar mini-grids.' 14

1H19 Financials

Profit & Loss

Revenue for the period was \$502k down 58% on the prior corresponding period (pcp) with a reported Loss after Income Tax of \$4,912k up 27% on pcp.

The results were driven primarily by:

- A reduction in sales activity as the result of the transfer of manufacturing to Thailand and the subsequent time required to ramp up production in the new facility
- Revenue does not include ~60 batteries ordered but not yet delivered due to customer readiness.
- The Thai factory completed the first full battery in June: During December, the factory produced 150 batteries
- Ramp-up production processes still being optimised
- The expensing of freight for inwards bound materials and relocation of finished goods to Australia rather than capitalising into inventory
- The investment in personnel to drive the next stage of business growth

\$kaud	H1 FY19	H1 FY18
Revenue	502.8	1,198.9
Other Income	1,751.6	2,131.4
Expenses		
Raw Materials and Consumables Used	1,469.9	2,609.2
Other Expenses	5,696.7	4,576.4
Loss before Income Tax	(4,912.2)	(3,855.3)
Income Tax Expense	0.0	13.1
Loss after Income Tax	(4,912.2)	(3,868.4)
Other Comprehensive Income	(18.4)	1.9
Total Comprehensive Loss Half Year	(4,930.6)	(3,840.2)

Balance Sheet

Current Assets:

The Net cash position of \$7,857k is down 56% from prior comparison period (pcp).

This is partially offset by the Increase in Inventory, both Raw Materials \$5,217k up 11% and Finished Goods \$2,748k up 792% from 30 June 2018.

Finished Goods include batteries for orders previously announced where the customer is not ready for delivery yet. It is anticipated these will occur over the next 2 Quarters.

Other Current Assets are \$2,322k up 346% from 30 June primarily being the accrued receivable for the R&D Tax Incentive rebate. These funds were received in January 2019.

Non Current Assets:

Are \$1,832k up 11% from pcp primarily being investments in production equipment for the Thailand facility.

\$kaud	31 Dec 18	30 June 18
Current assets		
Cash and cash equivalents	7,856.8	17,732.8
Trade and other receivables	69.7	253.9
Inventories	7,013.0	4,066.2
Other current assets	2,322.5	520.6
Total current assets	17,261.9	22,573.6
Non-current assets		
Property plant and equipment	1,213.8	1,024.2
Intangible assets	617.9	629.1
Total non-current assets	1,831.7	1,653.3
Total Assets	19,093.6	24,227.0
Current liabilities		
Trade and other payables	857.9	848.1
Other current liabilities	474.5	465.1
Provisions	1,615.9	1,938.9
Total current liabilities	2,948.2	3,252.1
Non-current liabilities		
Provisions	226.4	187.8
Total non-current liabilities	226.4	187.8
Total liabilities	3,174.7	3,439.9
NET ASSETS	15,918.9	20,787.0
Equity		
Contributed equity	111,305.5	111,300.9
Reserves	3,354.4	3,314.8
Accumulated losses	(98,741.0)	(93,828.7)
TOTAL EQUITY	15,918.9	20,787.0

Cash Flow

Net cash (outflows) from operations was \$9,471k, and increase of \$3,554k from the prior comparison period (pcp) and is reflective of the change in the business from the pcp, being:

- Moving from outsourced/ contract manufacture to in-house manufacturing and the required increase in Inventory, both raw materials and finished goods
- The investment in ramping up production levels with the purchase of long lead time raw materials

Net cash (outflows) from investing activities was \$425k compared to \$119k for the pcp once again reflective ongoing investment in our in-house manufacturing capability

\$kaud	H1 FY19	H1 FY18
Cashflows from operating activities		
Receipts from customers	613.1	929.5
Payments to suppliers and employees	(10,200.3)	(6,858.2)
Grants R&D tax incentive received		
Interest received	125.4	36.1
Interest and finance charges paid	(9.3)	(11.7)
Income tax paid		(13.1)
Net cash (outflows) from operating activities	(9,471.1)	(5,917.4)
Cashflows from investing activities		
Payment for property plant and equipment	(351.9)	(62.1)
Payments for intangible assets	(73.3)	(56.9)
Net cash(outflows) from investing activities	(425.2)	(119.0)
Cashflows from financing activities		
Proceeds from capital raising		9,856.0
Net cash (outflows) from financing activities		9,856.0
Net increase / (decrease) in cash and cash equivalents	(9,896.3)	3,819.6
Effects of currency translation	20.2	(11.9)
Cash and cash equivalents at beginning of half year	17,732.8	2,699.5
Cash and cash equivalents at end of half year	7,856.8	6,507.2

Key Priorities for 2H19

Sales and Business Development

- Develop and secure regular volume orders for the telco sector
- Target 1-2 further lighthouse projects for commercial and industrial sectors
- Progress discussions for participation in Government subsidy programs for residential product
- Increase qualified partners in Australia and Asia Pacific

Manufacturing

- Regularly producing 250+ batteries per month from current facility to 30 MWh p.a, matched to sales demand
- Execute on incremental improvement plans to increase yield
- Execute on ISO 9001 certification program for Thai factory
- Finalise demand driven scale plan for up to 54 MWh per annum
- Develop plan and options to achieve volume production to 120 MWh

Engineering

- Execute on cost reduction program to end 2019
- Finalise development of single stack Gen 3 battery

Supply Chain

- Diversify and expand quality supplier base
- Reduce lead times on long lead time materials

New Markets

- Progress potential partnership opportunities in China
- Explore step out opportunities in other markets



Platform now in Place to Deliver on Growth Strategy

The H1 FY19 results demonstrate Redflow has emerged from a two-year turnaround with the capabilities and momentum to position the Company for future commercial success

1. We now have batteries ready to meet current sales pipeline and a moderate order ramp up
2. At current price (USD\$~7k) and monthly volume at ~130 batteries/month we achieve a positive Gross Margin
3. Executing key engineering programs to drive 30% cost down on manufacture costs + volume supply discounts
4. Current batteries in stock will allow us to moderate working capital requirements over the next 6 months
5. Volume increases and efficiency projects will generate production yield benefits
6. R&D remains core element of Redflow shareholder value – AUD\$~4m investment
7. Leadership team in place – board and management - to delivery on opportunities available
8. Limited further SG&A cost required to reach 250+ batteries per month (30 MWh p.a.)
9. Plan for 450+ batteries / month in development (54 MWh p.a.) – est. capex AUD\$2-3m
10. Exciting global addressable market opportunity available with focus on immediate prospects

ZBM2 batteries at Ban Pha Dan in Thailand: Microgrid opportunity in developing nations



Appendices

Board of Directors



Brett Johnson

Non-Executive Chairman

Over 10 Years Director experience of listed companies including Scott Corp Ltd and Helloworld Ltd. Over 25 years experience as General Counsel of listed Australian companies, including Qantas Airways.



Jenny Macdonald

Non-Executive Director & Chair of Audit Committee

Extensive experience working with ASX listed and global companies at CFO and general management level. Jenny currently serves as a Non-Executive Director on the Boards of API Ltd., Redbubble Ltd. and Bapcor Ltd.



David Knox

Non-Executive Director

Previous CEO and MD of Santos Ltd. from 2008-2015. David was also previously MD for BP Developments in Australasia from 2003 to 2007 and worked for BP in the U.K. and Pakistan.



John Lindsay

Non-Executive Chairman

Previously held senior technology leadership roles including CTO at iiNet Ltd, CTO at Internode and GM of Chariot Internet. John is a director of the Australian Telecommunication Industry Ombudsman Ltd and of Uniti Wireless Ltd.



David Brant

Non-Executive Chairman

An experienced businessman with strategic manufacturing expertise, is a Fellow of the Australian Institute of Company Directors with more than two decades of manufacturing and corporate experience in Australia and countries in Asia.

Management Team and Technical Experts



Tim Harris
Chief Executive
Officer & Managing
Director



Richard Aird
Chief Operating
Officer



Trudy Walsh
Chief Financial
Officer



Dr. Mike Giulianini
Chief Technology
Officer



Tim McTaggart
Chief Deployment
Officer



Ben Shepherd
Chief Commercial
Officer



Simon Hackett
System Integration
Architect



Dr. Alex Winter
Consulting Engineer

ZBM2 Technical Specifications

ZBM2 Technical Specifications	
Voltage	48 Volt DC nominal batteries (typical operating range 40-60V)
Capacity	Maximum 10kWh energy output per daily cycle No reserved battery capacity requirement – full 10kWh cycle depth available
Dimensions	845 L x 823 H x 400 W (mm) 33 L x 32 H x 16 W (in)
Weight	240 kg (530 lb) with electrolyte 90 kg (198 lb) without electrolyte
Electrolyte volume	100 L (26Gal)
Energy efficiency	80% DC-DC Max
Internal (electrolyte) operating temperature	Operating electrolyte temperature range of 15°C to 50°C (59°F to 122°F), ZBM2 can typically operate at ambient temperatures outside this range for extended periods
Communication	MODBUS RS485
Safety data sheet	DG Class 8 for electrolyte
Power rating	3kW (5kW peak) 3kW continuous: current up to 75A (40V disconnection point) *1 5kW duration depending on the State of Charge (SOC): current up to 125A (40V disconnection point) *1, 2
Regulatory compliance marks	CE and RCM
Warranty	36,500 kWh of energy delivered or 10 years (whichever comes first) *3 No cycle depth limitations – battery performance and lifetime is not sensitive to cycle depth



- * 1 Values reported for ZBM2 at 100% state of health (SOH) and room temperature
- * 2 Redflow internal testing shows a 5kW supply for approximately 45 minutes before disconnection, for a ZBM2 starting at 100% state of charge (SOC)
- * 3 See full warranty document for details, Terms and Conditions apply

Source: <https://redflow.com/products/redlow-zbm2/>