

## March 2009 Executive Forum

### Business booming for Scottsdale speed-camera firm

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By Jane Larson – The Arizona Republic



The Scottsdale company known for its speed-enforcement cameras has been doing some speeding of its own, at least in terms of business growth.

American Traffic Solutions Inc. has boomed with employees and clients over the past five years, executives told a business audience Thursday. An early emphasis on putting the management team and processes in place has helped control the ride, Chief Operating Officer Adam Tuton said.

"We knew the growth would come, and if we weren't ready when it did come, there would be no slack from our clients," he said.

Among the company's other metrics:

- From 13 employees in 2004, ATS has grown to 440 employees nationwide, including some 300 in four locations in Arizona. The company projects 600 to 700 employees by year's end, Tuton said.
- The client base has grown from "virtually nil" five years ago to 153 now.
- The number of transactions, or key steps in capturing and processing potential violations, has grown 8,000 percent, to 8.5 million in 2008.

Besides speeding, ATS applies its photo-enforcement technology to red-light running, railroad crossings and toll enforcement.

ATS borrowed to finance the early growth, leveraging its long-term contracts and inventory of equipment, Chief Financial Officer Adam Draizin said. Last year, it decided to reduce debt and raised an equity investment through Goldman Sachs, a move that Draizin said increased comfort levels at cities that use the investment bank for their own bond deals.

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Highlights from Tuton and Draizin's talk to the Enterprise Network at the Camelview Golf Club in Paradise Valley:

**Question:** How do you project revenue, since enforcement changes people's behavior?

**Draizin:** Our business model has two pricing methods. One is a fixed fee, in which cities pay us a fixed fee per month. The other is a variable fee, where we get a cut off a ticket. About 65 percent of our revenues are coming from fixed-fee contracts, so that's predictable. On the variable side, there are things Adam does to make sure we put our fixed assets into locations that actually generate tickets.

**Tuton:** You don't make a projection based on what's going to happen today. You make a projection based on what happens over five years, so you know that curve is going to occur, and then back into the pricing. The lump in the beginning is great, but it essentially pays for what doesn't happen later.

We expect and we must have violation reductions, or we won't continue to sell the programs.

**Q:** You have one big competitor. When you win over them, why do you win, and when you don't win, why don't you?

**Tuton:** Largely it depends on how well you have differentiated your offering during the sales process. That comes down to how well you process tickets, how responsive are you to client needs, how well does the technology work, how fast can you get systems deployed.

Frankly, the other part is good client relationships that the sales people develop with cities. Cities are hungry for information about the technologies, and salespeople who do the best job of explaining the differentiations give you the leg up.

**Q:** What is your strategy for dealing with the fallout from politicians and the public?

**Tuton:** We're very active working with legislators and lawmakers across the country. Part of our job is to educate them.

There is a huge, tremendous amount of misinformation that occurs online and through the press. Our job, and the industry's job, is to provide education on what the truth is and separate truth from partial facts.

**Q:** What values did you share that you decided to embark on this business venture versus something else?

**Tuton:** When (brother and chief executive officer) Jim (Tuton) and I founded this, it was just Jim and I, and our values are hard work, telling the truth, elements like that. The list has grown as the organization has grown.

Clearly, there is a passion for public safety, otherwise we wouldn't do this. It's much too difficult a business to just come into it for the money. What we do is save lives, and at the end of the day it's a valuable thing to do.

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**Q:** Are you planning to go internationally?

**Tuton:** We do have business in Canada, and absolutely there is a business opportunity overseas, but the one that we have here is more than we can handle. I think it would be dilutive for us to start jumping across the oceans. It would really take away from our ability to execute for our existing clients.

It's not to say we won't in time, but now our focus is North America.

**Q:** How did you take technology that didn't exist or wasn't optimized at the time, and create an industry? How did you show your technology to clients and investors so they would get it?

**Tuton:** Back in 1992 there weren't very many cities doing this, and that was very difficult. Part of it was sticking with it.

On brand-new business, the key is to get your foot in the door someplace and demonstrate a success. I would focus on very carefully trying to land one plane at a time. Demonstrate that it works, very clearly lay out the value proposition, and build upon that.

**Draizin:** In the beginning, it was Jim driving around with a truckload of equipment, trying to convince cities they should do this. He'd say to the mayor, "I'd like to give your citizens tickets." The mayor would say, "These people don't like me. Why should I give them tickets?"

Along the way, the nature of the U.S. business, which is a turn-key services model, grew out of the challenges. Jim figured out a business model that removed every single risk, budget item and cost from the cities so they could make a decision that was, "Well, OK." Then it moves to an RFP (request for proposals), then safety happens, and then money goes in the bank.

This model has put tremendous requirements on the vendor to do everything to make it easy for the city to make those decisions.

**Q:** Do you plan to go public or be acquired by one of these larger, multinational companies?

**Tuton:** We really haven't established that at this point, because we're still intent on growing the business. Any of those are certainly possible, but it's not what we're focused on today.