

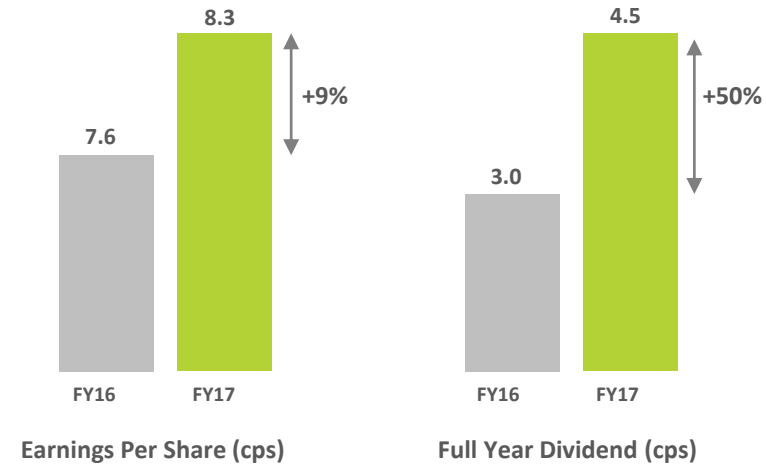
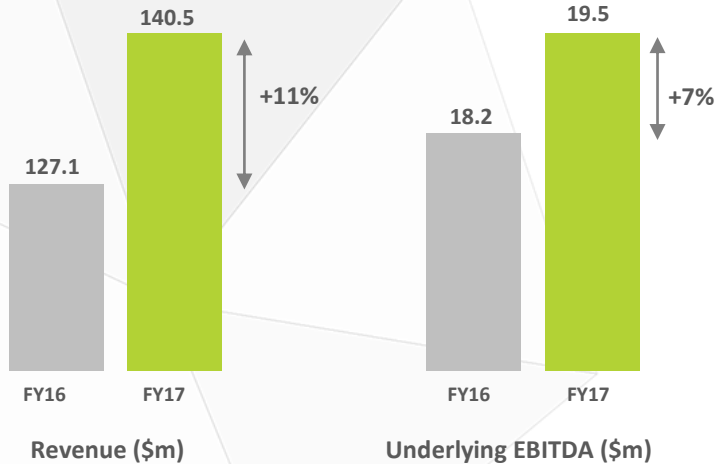


RXP Services 2017 Full Year Results

16 August 2017



FY17 – strong results across all key metrics



- Revenue up \$13.4m (+11%) to \$140.5m
- Underlying EBITDA up \$1.3m (+7%) to \$19.5m
- Underlying EBITDA margin 13.8%

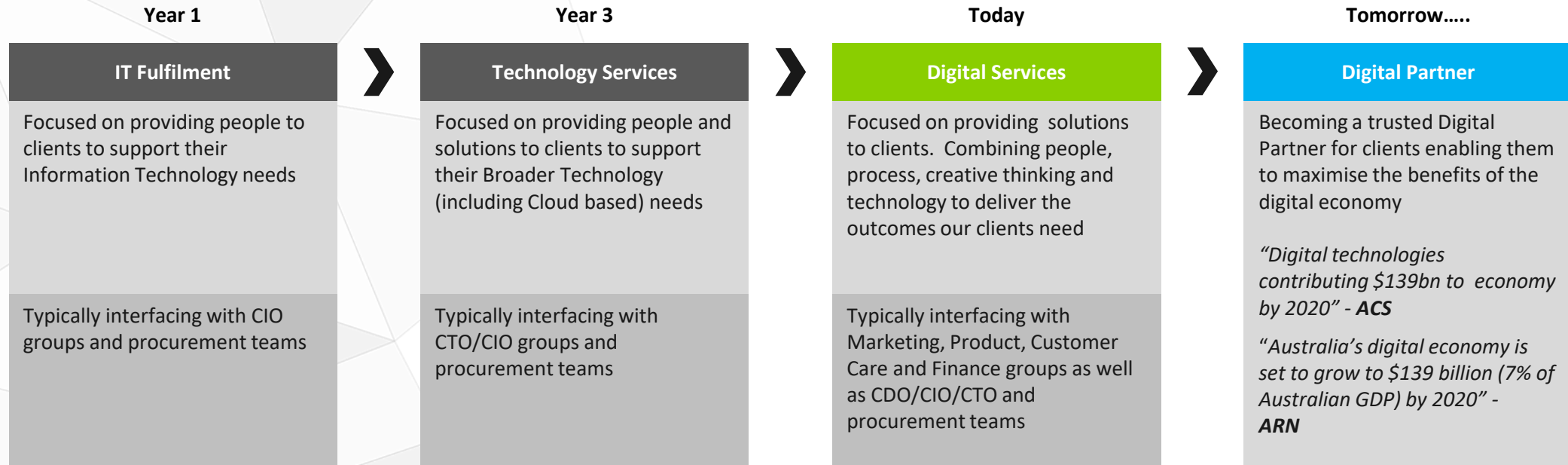
- EPS increase to 8.3 cents (9%)
- Operating cashflow up 23% to \$18.1m
 - Cash conversion 99%
- Board declares a final dividend of 3.0 cps fully franked payable on 5 October 2016
 - Total dividend for FY17 of 4.5 cps

RXP evolving into a leading digital consultancy businesses



Moving left to right..... Constantly evolving

Working with clients to increase efficiencies, introduce new revenue streams and leverage insights to drive connection with people and grow their businesses through the combination of creativity, user centred design, people, process and technology

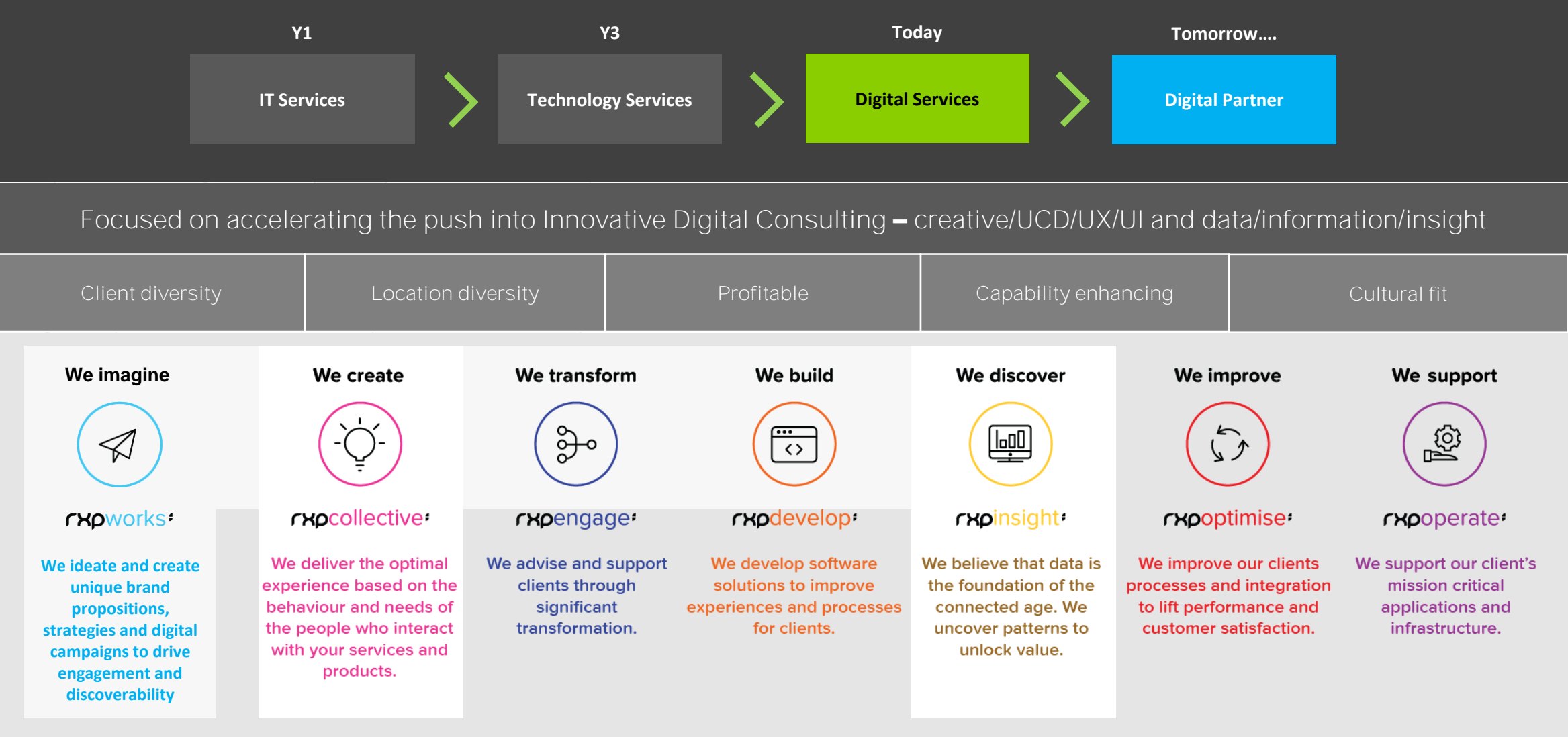


Driving an increased level of revenue from project based/outcomes based digital solutions

Constantly evolving to ensure we have the right mix of commoditised and higher value work = "Price-to-Value"

Deepening our client relationships; partnering rather than providing

The Works Acquisition – how it compliments RXP



Strategic Rationale



- **Aligns with the RXP strategy**
- **Dramatically enhances our client offering**
 - Increase our end-to-end digital services delivery capability
 - Extends our digital customer experience delivery capability by connecting brand strategy and creative to our existing client work
(Strategy → Brand → Creative/Campaigns → User Centred Design → UX/UI → Delivery → Technology → Support)
 - Means we are “at the table” earlier in the value chain
 - Means we will have a holistic customer experience offering
 - Means we become more of a strategic partner than a provider (deeper client engagement)
 - increasing level of “retained” revenue
 - increasing value of work, moving further away from commoditisation
- **Significant revenue opportunities** - cross selling across current client base (strong client and sector synergies)
- **Further diversifies customer and revenue base** (with ~50% of THE Works FY18 revenue on retainer)
- **Increases our presence in NSW**
- **Further enhance our leadership capabilities** - particularly in the digital area



Review of Financials



FY17 – continued growth across key financial metrics



Good revenue growth with digital services revenue increasing

- 11% revenue growth on FY16
- Good growth across key specialisations, with collective, develop and insight leading the way

Underlying EBITDA growth of 7%

The continued focus on RXP's digital evolution has delivered top line growth with strong EBITDA margins

- Increased investment in enhancing and expanding “sales” capability to reflect our strategy and evolution

Good EPS growth a result of solid gross margins

- 9% EPS growth on FY16

	FY17 (\$000)	FY16 (\$000)	Change %
Revenue	140,504	127,058	+11%
Underlying EBITDA	19,451	18,171	+7%
Underlying EBITDA margin	13.8%	14.3%	
- Bad debts written-off – prior year	(928)	-	
- Redundancy	(270)	-	
- Acquisition Vendor Deferred payments re-interpretation	-	(1,353)	
- Borrowing Costs	-	(266)	
EBITDA	18,253	16,552	+10%
EBITDA margin (%)	13.0%	13.0%	
Profit Before Tax	16,891	15,653	+8%
Income Tax	(5,250)	(5,032)	
NPAT	11,641	10,621	+10%
Basic EPS (cents)	8.31	7.64	+9%

Balance sheet remains strong with \$17.6m cash

Cash balance of \$17.6m

Net cash of \$2.2m

Continued improvement in debtors days

- Enhanced back office processes and systems delivering results

Accrued income in line with expectations

Bank debt facility of \$25m in place

- \$15.4m of debt facility currently utilised
- Improved and more flexible debt facility being will be finalized early September 2017

	FY17 (\$000)	FY16 (\$000)
Assets		
Cash	17,603	13,582
Receivables	19,771	24,585
Accrued income	8,737	10,291
Deferred Tax Assets	1,864	2,949
Intangibles	87,694	87,409
Other	3,114	2,610
TOTAL ASSETS	138,783	141,426
Liabilities		
Trade and other Payables	17,207	24,733
Borrowings	15,426	14,969
Deferred Liabilities	-	2,309
Accrued Staff Provisions	3,050	2,990
TOTAL LIABILITIES	35,683	45,001
NET ASSETS	103,100	96,425
Contributed Equity	77,406	77,406
Reserves	146	209
Retained Earnings	25,548	18,810
TOTAL EQUITY	103,100	96,425

Cashflow conversion continues to improve

Operating Cashflow*¹ increased to \$18.1m

- Increased by \$3.3m (+23%) in FY17

Investing Cash Outflows of \$3.9m

- Primarily acquisition related (\$2.3m)

Financing Cash Outflows of \$4.4m

- \$2.3m drawn down from facility
- \$1.8m repaid during FY17
- \$4.9m paid in dividends

FY17 Operating Cashflow*¹ represents 99% of EBITDA

- Increased by \$3.3m (+23%) in FY17
- Conversion increased from 89% in FY16
- Maintained focus on debtors collection related processes and cost control

Expect solid Operating Cashflow to continue in FY18

- No deferred consideration payment required in FY18

Key cash flow Items	FY 17 (\$000)	FY 16 (\$000)	Change (\$000)	Change (%)
Operations (before interest and tax)	18,140	14,799	3,341	23%
Tax paid	(5,081)	(5,500)	419	8%
Net interest	(719)	(496)	(223)	45%
From operations	12,340	8,803	3,537	40%
From investments	(3,873)	(19,144)	15,271	80%
From financing	(4,447)	11,840	(16,287)	138%
Net cash flows	4,021	1,499	2,522	168%
Closing cash balance	17,603	13,582	4,021	30%
Operations* ¹ (Before interest & tax) as % of EBITDA	99%	89%		10%

*1 excludes interest and tax

Capital management – increasing payout ratio and improved facilities



Board declares a final dividend of 3.0 cps, fully franked, payable on 5 October 2017

- Total Dividend for FY17 of 4.5 cps
- Total Dividend Payout ratio for the FY of 54% of NPAT

Progressive dividend policy remains in place

- Expect dividend to increase, reflecting confidence in future cashflows

Board actively considering additional capital management initiatives

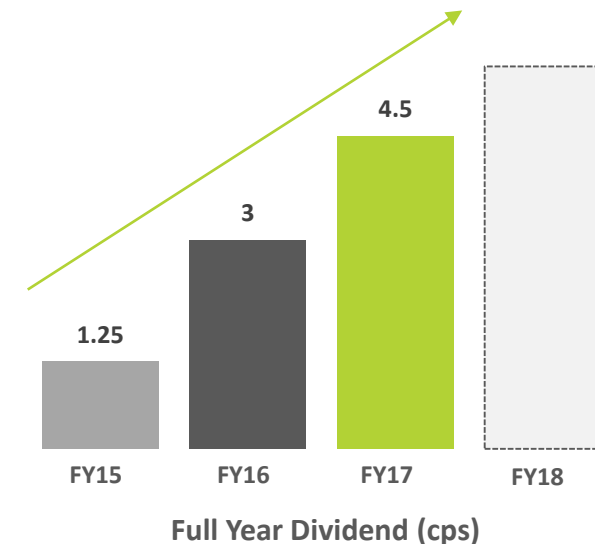
- The Board notes the company has franking credits of \$15.3m

A more efficient and flexible debt facility will be finalised in early September 2017

Remain well placed to consider targeted acquisitions

- Retain focus on building out digital services capabilities

	FY17	FY16
Final Dividend	3.0cps	2.0cps
Total Dividend	4.5cps	3.0cps
Payout Ratio on NPAT	54%	39%
Record Date	15 Sept. 2017	16 Sept. 2016
Expected Payment Date	5 Oct. 2017	7 Oct. 2016





Review of Operations



RXP - a Digital Services company

Positioning RXP to be a leading digital consultancy businesses in the Asia Pacific region, providing solutions to the digital challenges clients face. We combine the expertise, insight and methodologies needed to help clients embrace digital change

We call our approach 'digitalfocus':

Customer Focus

The RXP Customer Experience Framework and RXP User Centred Design is used on every project and within each of our practices to ensure the customer is at the heart of everything we create

Technical Focus

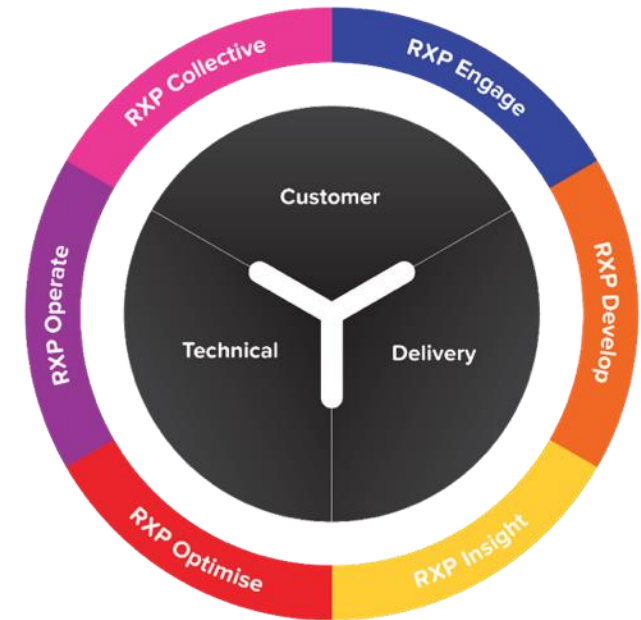
The RXP practice led approach ensures our consultants have expert domain knowledge across the 6 key areas of digital

Delivery Focus

The RXP Lean Agile methodology has been developed to ensure flexibility and timely delivery of projects

***Digital** = Combining people, creativity & technology to drive connection, discoverability and intimacy through data insights, user centred design and innovative process optimisation*

digitalfocus^Y



Our Practices – it's how we deliver Digital



RXP is committed to combining the best people, innovative technologies, creative design and methodologies to help our clients achieve their vision

We group our capabilities in a way that optimises engagement with clients and drives teamwork. Our practices are underpinned by a suite of shared methodologies which allow them to integrate and support optimal delivery for our clients



..... and we continue to evolve our capabilities and services to deliver greater value to clients to help them increase efficiencies, tap into new revenue streams, drive connection/engagement with people and ultimately grow their businesses

Our workforce mix is evolving

Total RXP headcount of 696 people

- Growth in collective, develop and insight has been strong
- Commoditised work reduced by 12% (primarily in Banking & Finance and Telco & Media), offset by 'digital' work

Managing the commoditisation risk as procurement landscape changes

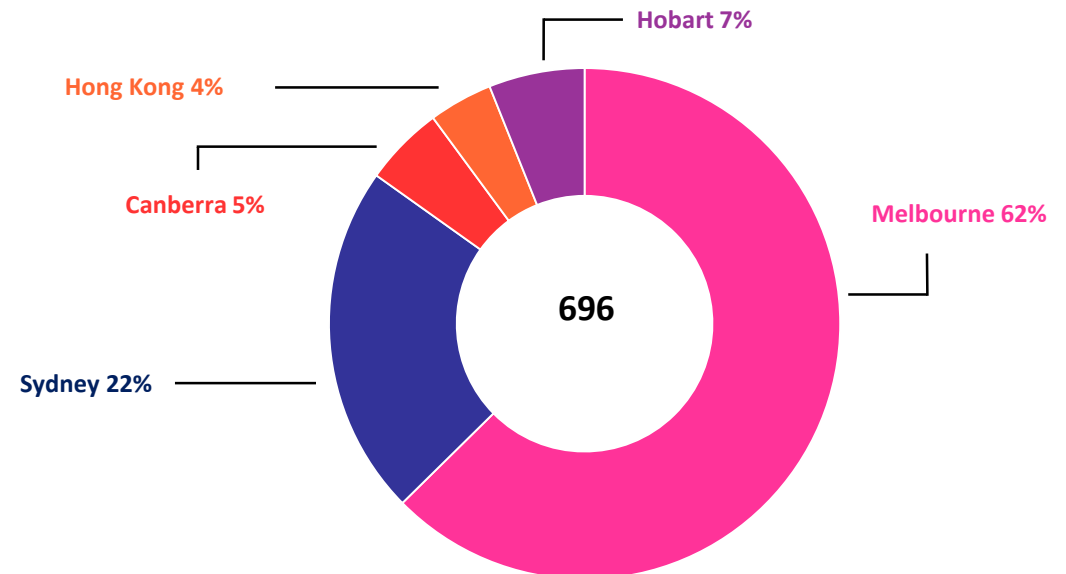
- We have planned and carefully managed the change in mix of "project/outcomes/solutions/digital" based work and "augmentation/commoditised" work
- Increasing the focus on "partnering" and digital delivery rather than simply "providing"

Evolved and expanded our sales capabilities to help drive the increased focus on digital services

- Investing in enhanced and expanded "sales" capability to reflect our strategy and evolution

We maintain our focus on the 'employee experience' and our continuous improvement agenda

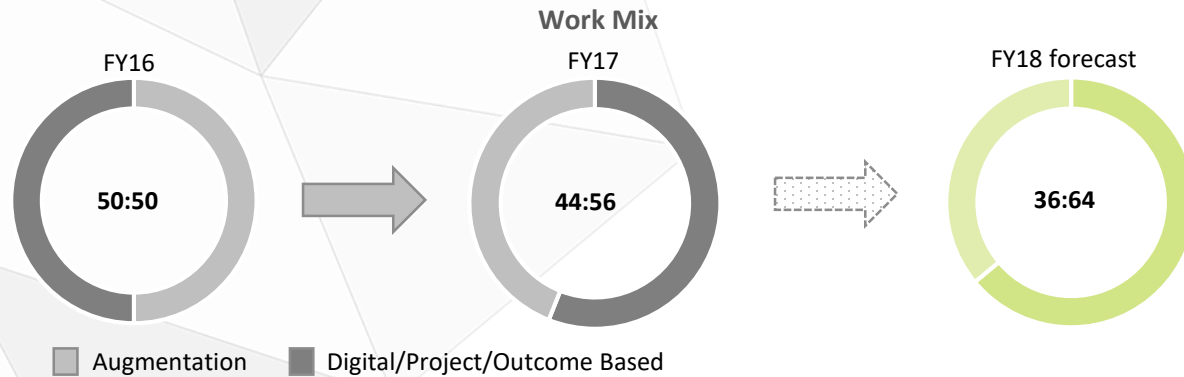
- Values and Culture
- Engagement
- Development
- Performance
- Diversity



The evolving work force mix means the revenue mix is also changing

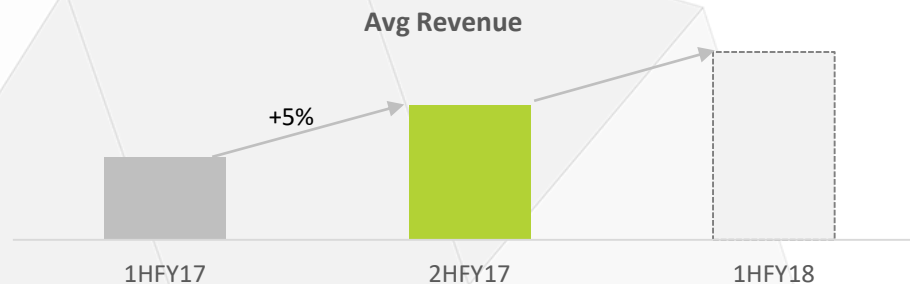
As we “move to the right” we have increased the level of digital services work and have become less reliant on work that is being commoditised

- Digital is offsetting the decline in margin associated with commoditized work
- Collective, develop and insight are leading the way, supported by our other practices
- We will continue to do this as we leverage The Works



Average revenue per consultant continues to improve as the work type mix changes

- The average has increased as a result of the higher value work and we have planned for that to continue
- The margin also increases, with part of the increase invested back into additional Practice/Sales capabilities to drive top line growth



We continue to invest in our Digital evolution

Growing digital portfolio is delivering enhanced margins

Targeted retention of commoditised work to minimise margin erosion

Invested in our 'cross-practice/digital' go-to-market capability

- Established Group Executive – Digital Delivery role to drive growth in digital work (role will now also drive synergy benefits from The Works acquisition)

Continued to invest in and enhance our specialisations

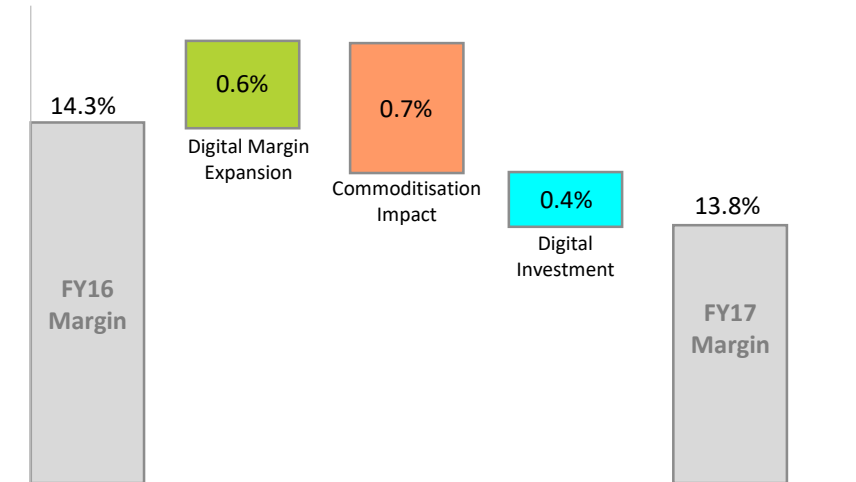
- Established Practice Manager – User Centred Design (UCD) role
- Established Customer Experience (CX) and User Experience (UX) capability lead roles
- Added pre-sales capability into our Develop and Insight teams

Invested in the evolution of our Sales and Marketing teams throughout FY17 to drive FY18 growth

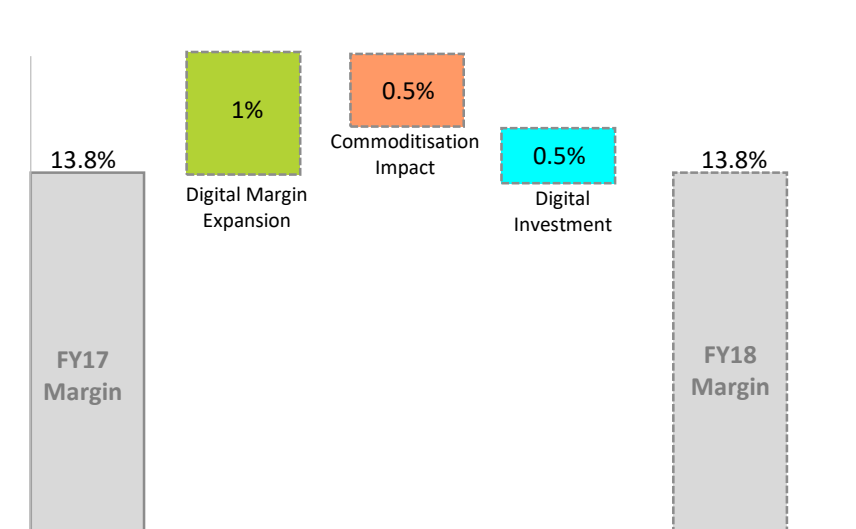
- Added 'digital' sales and delivery capabilities during FY17
- Invested in our marketing/brand strategy inline with our 'left to right' strategy

We expect to continue investment in FY18 to drive future growth

FY17 Margin Bridge - indicative



FY18 Margin Bridge - indicative

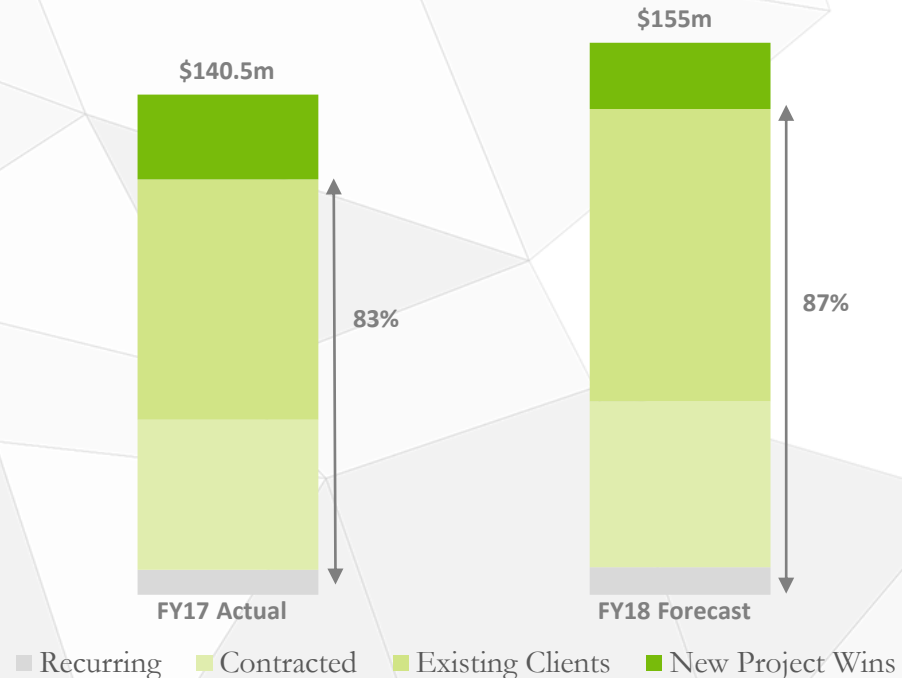


Client Mix and Pipeline

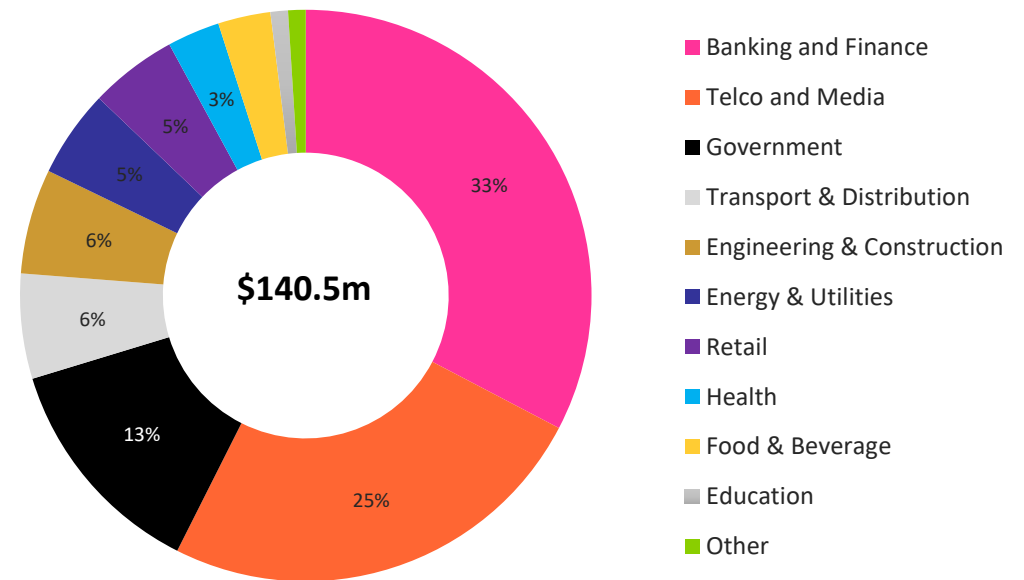
We continue to drive growth by leveraging our experience, capabilities and track record across industries and geographies

- Our pipeline is strong with 82% of FY18 revenue from exiting clients (recurring, contracted, extensions)
- Our client mix is diverse
- Our Sydney base is growing, with The Works expanding our presence in FY18

Revenue: Line of Sight/Pipeline



Diverse set of clients across industries





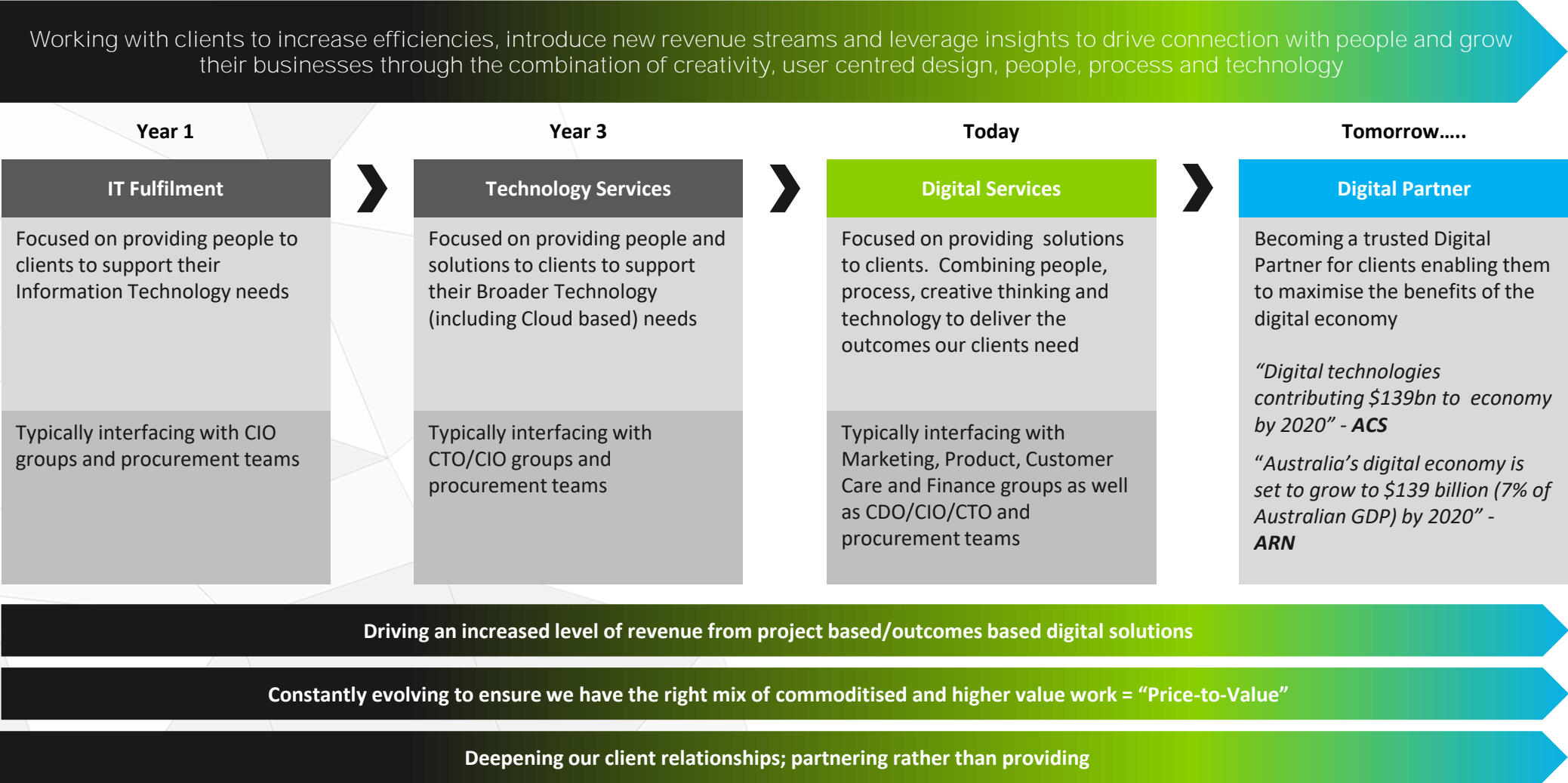
Outlook for FY18



The strategy guiding our evolution



Moving left to right..... Constantly evolving



The digital economy – technology trends informing our evolution



Unbounded Technology	Boundaries fading as technology becomes integral to almost every business function/relationship
Loose couple architecture	Open standards, cloud-first designs and loosely coupled architectures are the new norm
Digital Labor/Machine Intelligence	Helping companies make better decisions, embed complex analytics into customer and employee interactions and, with adoption of bots and robotic process automation, automate increasingly difficult tasks
Advanced Analytics	Advances in computer vision and pattern recognition allow companies to unlock insights from unstructured data that until now, have been lost in the dark
Mixed Reality	More immersive and engaging ways to combine the physical world and digital systems, creating a new, mixed reality that's more natural, intuitive and intelligent
Everything as-a-service	Business products are being reimagined as services as organizations modernise
Blockchain – the Trust Economy	Blockchain is emerging as the mainstay for digital identities in the emerging trust economy
Conversational Systems	A conversational system uses a conversational UI as its main interface mode. People and machines communicate across a wide range of mesh devices (such as sensors, appliances and IoT systems)
Internet of Things	Intelligent things are physical devices that go beyond the execution of rigid programming models to exploit applied AI and machine learning
Intelligent Applications	AI and advanced machine-learning techniques are evolving rapidly. Significant investment in skills, process and tools is needed to successfully exploit these techniques
Digital Technology Platforms	A digital technology platform is a symbiotic collection of technology capabilities and components. These provide an interoperable set of services that can be brought together to create applications, apps and services

Our Practices – the addition of The Works adds to our digital capability



RXP is committed to combining the best people, innovative technologies, creative design and methodologies to help our clients achieve their vision

We group our capabilities in a way that optimises engagement with clients and drives teamwork. Our practices are underpinned by a suite of shared methodologies which allow them to integrate and support optimal delivery for our clients



..... and we continue to evolve our capabilities and services to deliver greater value to clients to help them increase efficiencies, tap into new revenue streams, drive connection/engagement with people and ultimately grow their businesses

Outlook - Continued growth expected in FY18



The Acquisition – The Works

- The Works will remain as a standalone business within RXP for now and will remain focused on delivering to their plan
- Leaders within The Works (Kevin, Damian, Doug) have been included in the RXP executive leadership group (whilst maintaining their roles within The Works)
- Focus will be on ensuring alignment and leverage where relevant
- Clients will determine the “pace” at which integration occurs
 - Already working on a range of shared client opportunities (incremental to existing plans)

Continue to focus on building Digital Services/Digital Solutions capabilities

- Leveraging “cross-practice” capabilities will continue to drive growth
- Maintain focus on building “partnering” as compared to “provider” relationships
- Increasing our focus on “Productisation of RXP services” to help maintain growth

Flexibility to fund future opportunities

- Maintains conservative gearing
- Provides capacity to fund future acquisitions to supplement organic revenue growth
- Supports progressive dividend policy

Outlook – the numbers for FY18



Core RXP forecasting continued revenue and earnings growth in FY18

- Revenue to grow by 10%+ in FY18
- EBITDA margin target 13.8%

The Acquisition – The Works

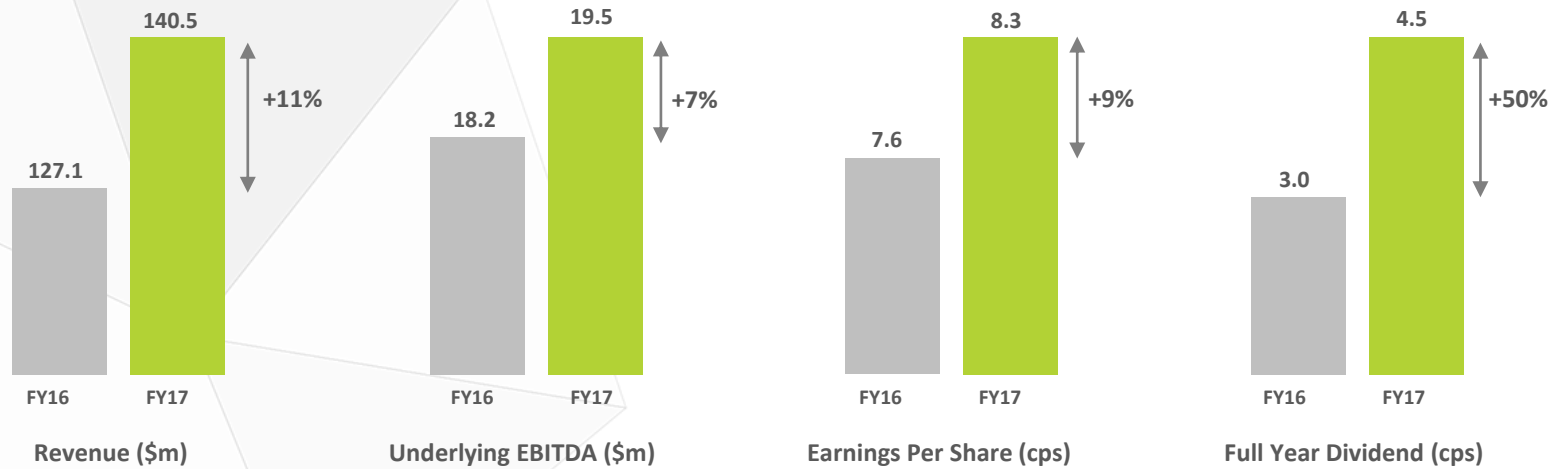
- Revenue expected to be \$16.5m
- EBITDA expected to be \$3.9m

Annualised combined Pro-forma P&L

Financial metrics (FY18 Budget numbers)	Assumptions	RXP	The Works*	Combined*	FY18 Combined
Revenue		155.0	16.5	176.5	174.7
Revenue Synergies	5				
EBITDA		21.4	3.9	26.8	26.4
EBITDA Synergies	1.50				
Margin		13.8%	23.5%	15.2%	15.1%

**Note: normalised FY18 numbers*

In Summary – another strong year



Other:

- Demonstrated delivery capability based on teamwork across specialist verticals
- Increasing cash-flow generation – 99% cash conversion
- Declared FY17 final dividend of 3.0 cps fully franked payable on 5 October (total FY17 dividend 4.5 cps)

Outlook:

- Sector remains strong with digital solutions/services driving convergence (consultancies ↔ digital agencies) and increasing opportunities
 - Acquisition of The Works further supports our growth objectives
- Forecasting continued revenue and earnings growth in FY18



Questions?



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