

RXP SERVICES LIMITED

ABN 30 146 959 917

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Trading Update


RXP Services Limited (ASX: RXP) (“RXP” or the “Company”) provides the following trading update for the 2018 financial year (FY18):


- FY18 revenue is expected to be in the range of \$145 million to \$146 million, with underlying Earnings Before Interest Tax and Depreciation and Amortisation (EBITDA) in the range of \$15.8 million to \$16.1 million (compared to the previously stated guidance of circa \$150 million revenue with underlying EBITDA margin of 13.3%)
- Delayed start and ramp-up of a number of important client projects in H2, along with the deferral of associated digital product sales into FY19, has impacted H2 FY18
- Margin pressure and decline in revenue associated with the Company’s traditional business has impacted more than anticipated in H2 FY18
- The uptake of RXP’s digital services continues to grow and is expected to strengthen over the coming 12 months
- The Works continues to perform in line with expectation with integration into the overall RXP operation progressing well
- RXP’s Q4 FY18 is on track to deliver revenue circa \$40 million with an EBITDA margin circa 14%; this is considered a more representative quarter for the business moving forward


The EBITDA reduction is a reflection of the lower than planned revenue resulting from delayed client project commencement/ramp up and the associated product sales, as well as the higher than anticipated impact of previously announced margin pressure associated with the Company’s traditional consulting business.

With delayed client projects now underway, and having stabilised the impact of margin pressure, RXP’s operational results of the past 6 weeks are encouraging. With a high number of billable staff

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along with high utilisation, a strong Q4 is expected. However, the improvement in performance has come too late in the financial year to achieve our previously stated profit target.

In commenting on the update, Ross Fielding, CEO & Managing Director said, “The margin pressure on our traditional business has taken us longer to stabilise than planned and, whilst we have been successful in minimising the impact on revenue, this has adversely impacted earnings. Profit has also been impacted by the delayed start to a number of important digital projects and associated product sales.

“While we are disappointed with the performance over the last 12 months, the Company remains committed to a transition in work mix that ensures we can take advantage of the digital evolution occurring across all businesses.

“We recognise the need to address and make changes to the cost base of our traditional business as we transition the work mix. Also, with our digital work growing, we will be focused on improving our ability to forecast this type of work and make better resource allocation decisions. In doing so, we will ultimately see improved net margins going forward”, said Mr Fielding.

The RXP Board has commenced a 6-week review of the business to identify and implement the necessary structural, organisational and functional changes to drive sustainable business performance and improve shareholder value. Outcomes of this review will be considered at the July Board meeting and communicated to the market as appropriate.

In wrapping up, Mr Fielding commented, “The Works continue to deliver in line with our expectations. In addition to The Works, we have added significant capability to our team over the past few months, expanding our digital platform expertise across a number of our Practices as well as adding new content and production capabilities within The Works. In line with our integrated business model, we maintain our focus on positioning ourselves so that we can best serve our clients and continue to take advantage of the move to digital occurring across all businesses.

“Whilst the impact of the project delays and margin pressures has been disappointing, our operational metrics from the past 6 weeks, when combined with our won work and pipeline of work, indicates that we are on track for Q4 FY18 to deliver revenue in the range of \$40 million with an EBITDA margin circa 14%.

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“The RXP Board believe the expected Q4 results are more representative of the business and our capabilities and provides an encouraging exit run rate from FY18 into FY19, ensuring a strong start to the new financial year”, concluded Mr Fielding.

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About RXP Services Limited

RXP is a leading digital services consultancy in the Asia Pacific region. we partner with our clients to turn insight into ideas, and turn ideas into digital solutions that change the way people operate, change the way people connect and change the lives of people for the better. We leverage brand, insights, design and technology to develop solutions that create Happier Humans.

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