

**RXP SERVICES LIMITED**

ABN 30 146 959 917

**Release to Australian Securities Exchange**

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**16 August 2018****A challenging year, but well positioned for a strong FY19**

Leading digital services consultancy provider RXP Services Limited (ASX: RXP) today announced its results for the 12 months ended 30 June 2018 (FY18).

**FY18 key highlights**

- Revenue of \$144.9 million (FY17: \$140.5 million) driven by growth in digital work
- Underlying Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) of \$15.2 million (FY17: \$19.5 million)
- EBITDA of \$13.0 million (FY17: \$18.3 million), impacted by decline associated with traditional consulting work
- NPAT of \$7.8 million (FY17: \$11.6 million); EPS of 4.9 cents
- Strong Q4 with revenue of \$39 million and EBITDA of \$5.5 million, driven by improved utilisation rates and solid headcount; utilisation levels expected to hold going into FY19
- Strong cashflow conversion with operating cashflow representing 107% of EBITDA
- Final dividend of 2.0 cps fully franked (total FY18: 3.5 cps), payable 4 October 2018

**Work mix continues to rebalance, with strong digital performance offset by traditional consulting work**

Commenting on the full year result, RXP Chief Executive Officer Ross Fielding said: “RXP has continued to execute on its strategic roadmap with strong growth in digital and transformation work, and an effective rebalancing of our work mix. Although our result was impacted by a faster than anticipated decline in traditional consulting work, particularly in the first eight months across two major clients, we were able to successfully position the business to take advantage of the promising growth in our digital work. With a strong Q4, we have set the scene for an improved FY19.

“RXP completed a number of significant high-profile digital projects in FY18, and importantly we have continued to build RXP's digital delivery reputation. Not only did we retain all existing client MSA's, we also expanded the scope of existing MSA's and added several new clients during the year. Our investment in digital expansion, including proactive hiring and training of our staff to provide excellence in delivery, is now resulting in new revenue streams and deeper client relationships.

**Making Happier Humans**

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“As we previously disclosed, reduction in traditional consulting work in the first 8 months of the year across two major clients significantly impacted our financial results. This has now been effectively managed, through rebalancing of resources and exiting commercially unviable work.

“Pleasingly, we finished off FY18 with a very strong fourth quarter, driven by high utilisation, solid headcount, and new project wins. We expect these utilisation levels to hold as we move into FY19, and also expect the positive momentum from our digital capabilities to continue to generate new project wins,” said Mr Fielding.

#### **The Works – delivering in line with expectations**

The acquisition of The Works has provided RXP with the opportunity to build upon its Digital expertise. The Company is pleased that The Works has integrated into the broader RXP business, providing RXP the ability to offer its clients seamless, end to end digital solutions. The Works is delivering in line with expectations and continues to win new client work, which provides further business development opportunities to the wider RXP group.

#### **Balance sheet with strong cash flow to support growth**

As at 30 June 2018, the cash balance was \$14.0 million, with a net cash position of \$1.0m. A new debt facility has been renegotiated, providing RXP added flexibility. The Works deferred purchase payment (\$7.5 million) and first earn-out payment (\$6.0 million) are both payable in the first quarter of FY19 and is expected to be funded with a mix of cash and debt.

Cashflow conversion was strong, with operating cashflow representing 107% of EBITDA (up from 99% in FY17). The Company expects cashflow conversion to be over 90 per cent for FY19, with a one-off effect expected from a change in timing of contractor payments.

Reflecting the company’s balance sheet, expected debt profile, and continued active capital management strategy, the Board of Directors have declared a fully franked final dividend of 2.0 cents per share. The dividend is payable on 4 October 2018, with a record date of 14 September 2018.

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### Growth platform set for FY19

Commenting on RXP's outlook, Mr Fielding said: "The rebalancing of our work mix posed challenges to our business during FY18, however, we are confident that these have now been dealt with and, with the strong momentum in our business, the outlook is positive.

"We continue to invest in our digital capabilities and strategic partnerships, maintaining a strong and diversified client mix, retaining all of our MSA's and adding new ones. The strong utilisation rates achieved in Q4 are expected to continue and, when combined with a number of the management strategies that have now been implemented following the business review, we expect to achieve double digit earnings growth in FY19.

"We have been particularly pleased with our Q4 results, which are more reflective of the underlying fundamentals of our business, as we strengthen our position in digital transformation. With the existing headcount and utilisation rates, I am confident that we have set the platform to deliver good growth in FY19."

### For further information, contact:

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### About RXP Services Limited

RXP is a publicly listed, practice led Digital Services Partner with specialist consultants across 5 offices and 7 practices in the Asia Pacific region. We bring together creativity, design, insights and technology to help create Happier Humans.

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## APPENDIX: FY18 financial summary

(\$ million)	FY18	FY17	Change
<b>Revenue</b>	144.9	140.5	3%
<b>EBITDA</b>	13.0	18.3	(29%)
<b>NPAT</b>	7.8	11.6	(33%)
<b>Underlying EBITDA</b>	15.2	19.5	(22%)
<b>Underlying EBITDA margin (%)</b>	10.5	13.8	
<b>Basic EPS (cents)</b>	4.9	8.3	(42%)
<b>Operating cash flow</b>	13.9	18.1	(23%)
<b>Total dividend (cps)</b>	3.5	4.5	(33%)

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