



RXP Services FY18 Full Year Results

16 August 2018

FY18 Overview

FY18 had its challenges, but very well positioned for FY19

Revenue \$144.9m

- Growth in digital work (~\$27m, including contribution from The Works) offset by decline in traditional consulting revenue (~\$23m)

Underlying EBITDA \$15.2m

- Faster than anticipated decline associated with traditional consulting work (across two major clients)
- Deferral of some Q4 product sales into Q1 FY19
- Investment in digital expansion (marketing, business development, proactive hiring and training)

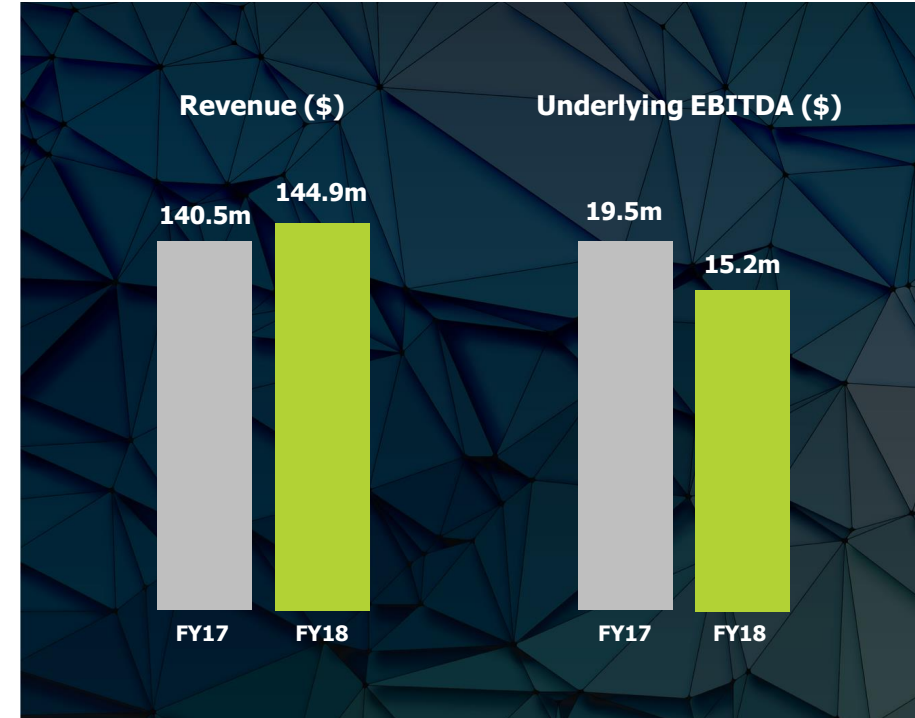
Strong finish to FY18

- Q4 revenue \$39m; Q4 EBITDA \$5.5m
- Utilisation levels have held going into FY19

Balance sheet in place that will support growth

- 107% cash conversion in FY18

Board has declared a final dividend of 2.0 cps fully franked payable on 4 October 2018



FY18 Overview

Rebalancing work mix

- Growth in digital has been pleasing
- Reduction in traditional consulting work in the first 8 months across two major clients

Margin impacted by traditional consulting work

- Impact associated with two major clients now managed as we have transitioned to new rate cards
- Driving up “digital” services work has offset this in Q4

Strong Q4 setting the scene for FY19

- Momentum continues to build for digital work (consulting and project work)
- Q4 revenue \$39m; Q4 EBITDA \$5.5m

Good client wins and key project milestones delivered across FY18

- A number of significant high profile digital projects have been enhancing RXPs digital delivery reputation
- All existing client MSAs retained in FY18, with a number of MSAs expanded in scope
- A number of new clients and MSA's added during FY18
- Our digital strategy is resulting in new revenue streams with a range of client wins and broadening existing client mandates

The Works delivered in line with expectations

- Good client retention, with new clients offsetting any changes
- The integrated RXP | The Works has resulted in strategic client/project wins



Our Digital Capabilities



Review of FY18 Financials

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1. FY18 – P&L
2. Revenue and EBITDA movement
3. Balance Sheet
4. Cash flow
5. Capital Management

FY18 – P&L

Revenue of \$144.9m

Growth in digital has been offset by decline in traditional consulting work across two major clients in the first 8 months

- Decreased volume and rate for retained consulting work
- Exiting of commercially unviable work

Underlying EBITDA of \$15.2m

Impacted by rate card changes in traditional consulting work across 2 major clients in the first 8 months

- Reduced volume and margin of traditional consulting work
- Exiting of commercially unviable work
- Deferral of some product sales from Q4 FY18 into Q1 FY19

Impacted by lower than planned utilisation primarily associated with aggressive digital services recruitment in H1 FY18

Impacted by planned investment in digital - marketing, business development, proactive hiring and training

Impact of the two clients now behind us setting a solid foundation

Strong Q4 FY18 (Revenue \$39m; EBITDA \$5.5m) reflects the managed transition now complete across two major clients

Digital work is growing with a strong client base and pipeline of work in place

Improving sales conversion for larger digital projects evident

Cost management benefits implemented will flow through in FY19

	FY18 (\$'000)	FY17 (\$'000)	Change %
Revenue	144,946	140,504	3%
Underlying EBITDA	15,161	19,451	-22%
Underlying EBITDA margin	10.5%	13.8%	
- <i>Bad debts written-off - prior year</i>	(425)	(928)	
- <i>Redundancy expense</i>	(458)	(270)	
- <i>Non-recurring rebate</i>	(541)	-	
- <i>Workcover premium rate reassessment - prior years</i>	(251)		
- <i>Borrowing Costs</i>	(86)		
- <i>Acquisition cost expense</i>	(420)		
EBITDA	12,980	18,253	-29%
EBITDA margin (%)	9.0%	13.0%	
Profit Before Tax	11,269	16,891	-33%
Income Tax	(3,434)	(5,250)	
NPAT	7,835	11,641	-33%
Reported EPS (cents)	4.86	8.31	-42%

Balance sheet in place to support growth

Net cash of \$1m as at 30 June 2018

Receivables & accrued income \$31.5m – up \$3m

- Increase primarily due to the addition of The Works

Renegotiated bank debt facility of \$25m

- 3-year interest only, general facility
- \$13.0m of debt facility owing
- \$12.0m in undrawn facility

Deferred liabilities of \$15.5m

- Deferred non-performance purchase price \$7.5m (paid 31 July 18)
- FY18 performance based up to \$6m payable Aug 18
- FY19 performance based up to \$2m payable Aug 19

Property, plant & equipment \$2.4m – up \$0.9m

- Sydney experience hub \$0.7m
- Other \$0.2m

	FY18 (\$'000)	FY17 (\$'000)
Assets		
Cash	14,011	17,603
Receivables & Accrued Income	31,469	28,508
Property, plant & equipment	2,412	1,533
Deferred Tax Assets	2,386	1,864
Intangibles	119,694	87,694
Other	2,359	1,581
TOTAL ASSETS	172,331	138,783
Liabilities		
Trade and other Payables	20,037	17,207
Borrowings	13,000	15,426
Deferred Liabilities	15,500	-
Accrued Staff Provisions	3,880	3,050
TOTAL LIABILITIES	52,417	35,683
NET ASSETS	119,914	103,100
Contributed Equity	93,621	77,406
Reserves	159	146
Retained Earnings	26,134	25,548
TOTAL EQUITY	119,914	103,100

Cash flow – strong cash flow conversion

Operating cashflow represents 107% of EBITDA

- Increased from 99% in FY17
- Forecast 90%+ for FY19
 - Expected change in timing of contractor payments to have a one-off effect in FY19

Investing Cash Outflows of \$19m:

- The Works acquisition related (\$17.1m)
- IP development - OnMessage Chatbot, Communique and other (\$0.8m)
- RXP Sydney experience hub fit-out (\$0.75m)
- PP&E (\$0.35m)

Cashflow from financing \$6.2m

- \$15.9m capital raise (net of expenses)
- \$2.4m loan facility repaid during 1H FY18
- \$7.3m paid in dividends

Key cash flow items	FY18 (\$'000)	FY17 (\$'000)	Change (\$'000)	Change (%)
Operations (before interest and tax)	13,885	18,140	(4,255)	-23%
Tax paid	(4,111)	(5,081)	970	19%
Net interest	(624)	(719)	95	13%
From operations	9,150	12,340	(3,190)	-26%
From investments	(18,987)	(3,873)	(15,114)	
From financing	6,245	(4,446)	10,691	
Net cash flows	(3,592)	4,021	(7,613)	
Closing cash balance	14,011	17,603	(3,592)	-20%
Operations (before interest and tax) as % of EBITDA	107%	99%		8%

Capital management

Board declared a final dividend of 2.0 cps, fully franked, payable on 4 October 2018

- Reflecting balance sheet, debt profile and active capital management

The Works deferred and first earn-out payment payable in 1Q FY19 - \$13.5m

- Deferred non-performance purchase price \$7.5m (paid 31 July 18)
- FY18 performance based up to \$6m payable Aug 18
- This will be funded with a mix of cash and debt

	FY18	FY17
Final Dividend	2.0cps	3.0cps
Total Dividend	3.5cps	4.5cps
Payout Ratio on NPAT	72%	54%
Record Date	14 Sep 2018	15 Sep 2017
Expected Payment Date	4 Oct 2018	5 Oct 2017



Review of FY18 Operations

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1. Strong growth in Digital continues
2. Operational Overview
3. Business review completed

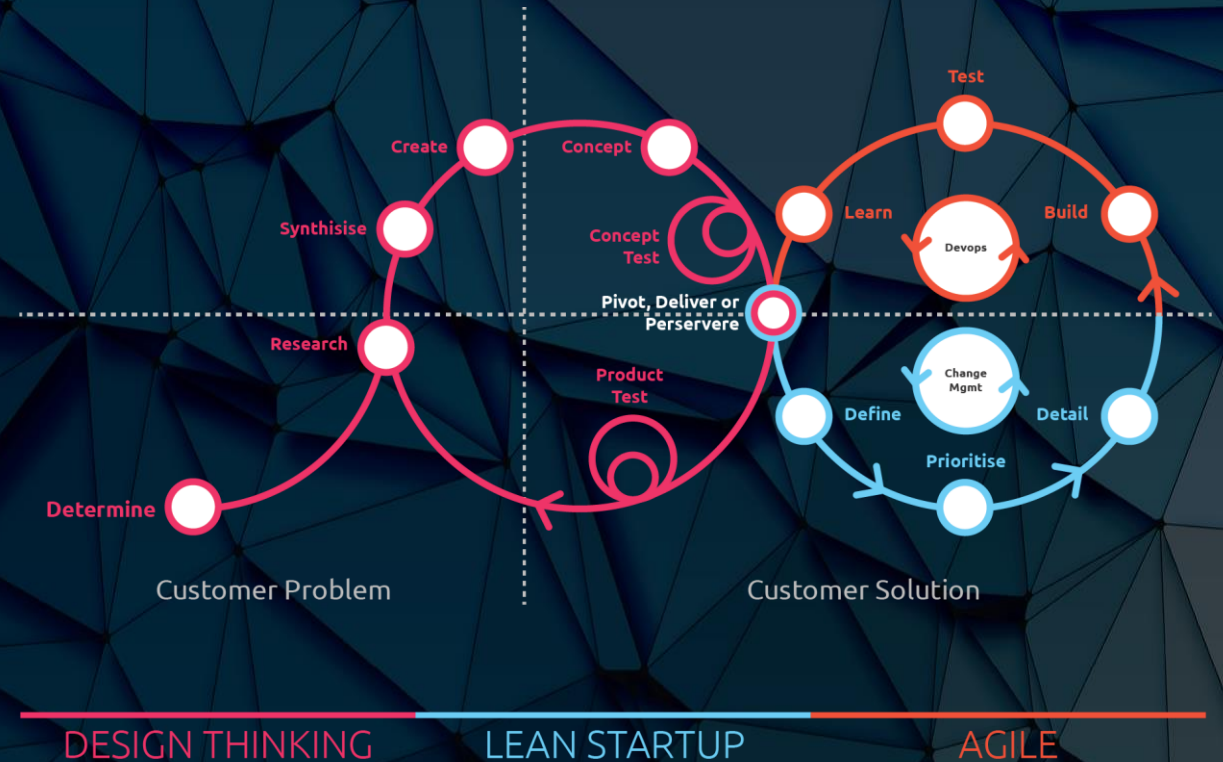
Strong growth in Digital continues

Traction with our Digital Services continues to build

- Digital work grew by over \$27m in FY18 (incl. The Works)
- Strong Q4 reflects growth in digital and managed transition
- Significant high profile digital projects were successfully delivered throughout FY18 enhancing our reputation
- Several new clients and MSAs were added during FY18
- Digital sales cycles continue to reduce, with win rates improving as we build our track record and reputation
- We continue to evolve our capabilities and delivery methodologies

The Works delivered in line with expectations

- Now integrated into the RXP Digital Delivery processes
- Continues to win new client work
- Opportunity to further leverage assets - OnMessage (Chatbot platform) and Communique (digital content production platform)



Our Methodology

Operational overview

Utilisation ended on a high with solid headcount

- Strong utilisation in Q4 reflects the building momentum for digital work (consulting and project work)
- Headcount ended at 755 people

A refreshed brand implemented to reflect our Digital evolution

- Expanded our Digital presence in the market and refreshed our brand, our brand value and overall purpose/goal

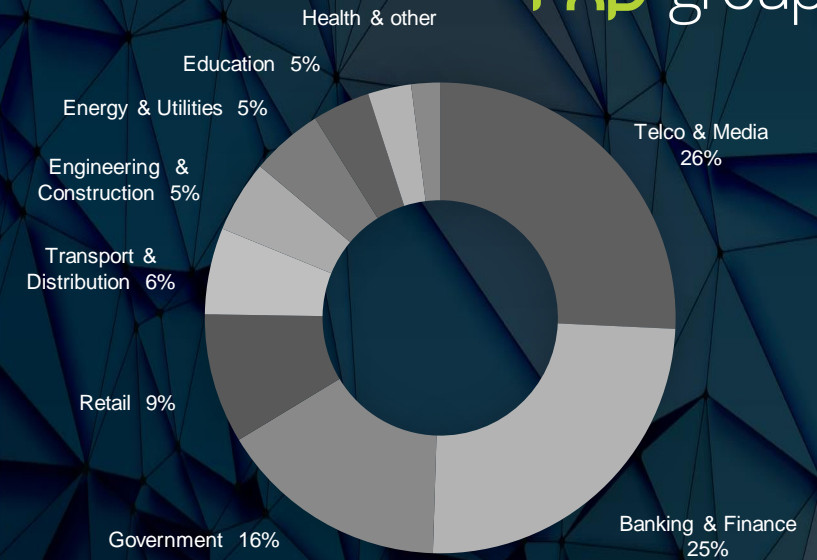
Employee experience remained a key priority

- RXP developed skill and capability enhancement programs in place
 - Continuing to build out our capabilities into new in-demand areas through cross-training
- Enhanced staff connection and engagement framework developed

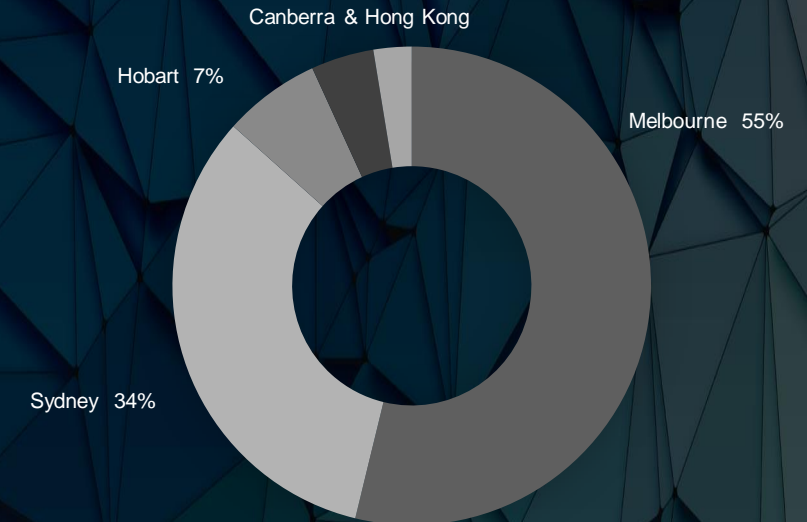
Our “Spaces” expanded – Experience and Development Hubs

- The Sydney RXP Experience Hub opened 7 February 2018 with clients and partners benefiting from the co-creation and collaboration environments
 - This followed on from the successful Melbourne Experience Hub launch in January 2017
- We continued to build up and expand capabilities in our Hobart Development Hub

Sector spread



Regional spread



A deep dive business review has been undertaken with the following outcomes confirmed

- RXP's "Digital Services/Digital Partner" strategy is delivering growth and is reconfirmed
- RXP's specialisation and practice structure play an important role in delivering on our digital strategy and is reconfirmed
- A number of operational process improvements have been identified and being implemented; already impacting positively
 - Reviewed and re-aligned our underlying cost structures to our strategy, with targeted cost savings
 - Enhanced resource management processes
 - Enhanced our financial forecasting and management processes with improved real-time reporting and the addition of the regional axis within the business
 - Rationalised the specialisations offered in Hong Kong – a more focussed go-to-market aligned to industry demand
- A number of organisational changes have been identified and implemented to accelerate the execution of our digital strategy
 - Expanded the role of Group Executive Digital & Delivery role to drive margin expansion and acceleration of digital growth
 - OnePack/OneWay sales initiative in place targeting specific clients
 - Drive closer alignment of specialisation to billable rates in conjunction with new Regional Executives
 - Introduction of 2 new Regional Group Executive roles to help streamline overall decision making and drive alignment to digital strategy
 - Support Digital & Delivery Group Executive in driving OnePack/OneWay with targeted clients
 - Full P&L and operational responsibility for their respective regions and have been filled from within the group
- These measures are built into the FY19 plan and are expected to impact positively
- Further update on implementation of changes to be provided at the October AGM

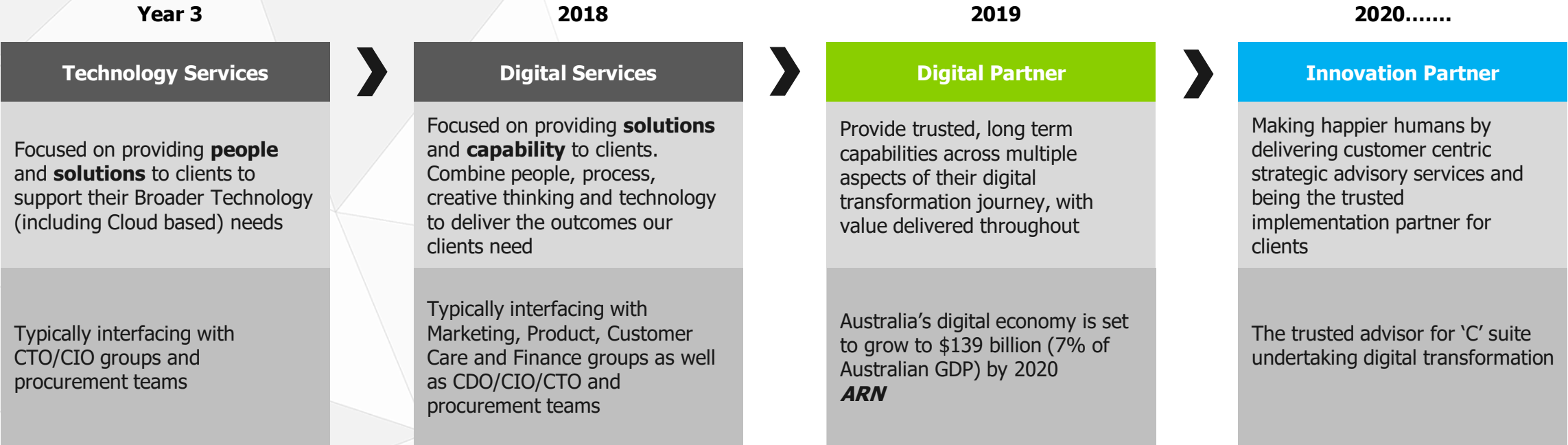


Outlook for FY19

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1. The commitment to Digital strategy remains
2. Outlook – platform set for a stronger FY19

Maintaining commitment to our strategy



- Continue to develop and evolve our capabilities combining technology and creativity = **Remain relevant, be a great place to work**
- Increase digital work from consulting based and project /outcomes based engagements = **Improve predictability / stick-ability**
- Continue to build our brand and our ability to sell the value of RXP = **Price-to-Value**
- Drive up EPS; Improving Cash and Cash Conversion = **Deliver for shareholder**



Outlook – platform set for a stronger FY19

Client list and mix remains strong

- Retained all existing MSAs, with recent renegotiated panel agreements providing growth opportunities
- Expanded some existing agreements/MSAs
- Added new clients in FY18 with new MSAs in place

Improved margins expected in FY19

- Operational improvement benefits will flow into FY19
- Strong pipeline and re-aligned underlying cost structures will further leverage our end-to-end Digital capabilities
- Benefits from acceleration of higher value digital work across the RXP Group

Revenue and EBITDA growth expected in FY19

- Strong Q4 FY18 results provide a platform for growth in FY19
 - Starting headcount and utilisation is strong
 - Strong pipeline with work coming from existing client projects as well as new client work
 - Sales cycles and 'pitch to win' rate associated with Digital work improving as we continue to build our track record and reputation
 - The Works expected to continue to deliver to plan
- Double digit earnings growth expected
- Further update on FY19 guidance to be provided at the AGM in October

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Thank you



Level 15, 31 Queen St
Melbourne, VIC 3000



info@rxpservices.com



(03) 8630 5800

rxp group

www.rxpservices.com