



FY19 Full Year Results

15 August 2019



FY19 Financial Highlights



REVENUE

\$141.1m

higher quality revenue



EBITDA

\$16.4m

+26%



Underlying EBITDA

\$16.7m

+10.4%, meeting guidance



UTILISATION

>87%



CASH CONVERSION

95%



CAPITAL MANAGEMENT

2.50cps Final Dividend

0.50cps Special Dividend

Note: All references above refer to continuing operations

FY19 Operational Highlights



Digital Services Momentum

- Sales in Digital Transformation work continues to build
- Digital Services now represents ~80% of overall company revenue (across both Project and Consulting based work)
- Significant new client wins achieved, with an increased number of existing long-term clients also adopting our full-breadth of capabilities
- Our integrated Expression, Experience, Enablement (3Es) approach continues to gain traction



Double Digit EBITDA Growth

- EBITDA growth of 26% with underlying EBITDA growth of 10.4%; driven by higher quality revenue and sound operational management
- Revenue structure now more resilient with less dependence on large consulting panel agreements
- The number of digital transformation projects being won continues to build
- Sales momentum is providing greater revenue coverage for FY20, setting us up for growth in FY20



Improved Operational Leverage

- Tight operational management resulted in strong Consultant utilisation (>87%)
- Average billings/consultant improved throughout the year (up 5%)
- A balanced permanent/contractor workforce mix is in place (maintaining at ~80:20)



Generating strong cash returns

- Strong Operating cashflow with 95% cash conversion
- Net debt of \$10.3m; Net Leverage Ratio - 0.63 x EBITDA
- Final fully franked dividend of 2.50cps; Special fully franked dividend of 0.5cps; total FY19 dividend of 4.75cps
- Non-cash impairment of \$10.8m to goodwill following adoption of more conservative impairment model assumptions



Review of FY19 Financials

1. Profit & Loss
2. Balance Sheet
3. Cash flow
4. Capital Management

EBITDA guidance achieved – up 10.4%

Revenue of \$141.1m*

- Strong sales in digital transformations
- Less reliance on large consulting panel agreements (all still in place)

Underlying EBITDA of \$16.7m* up 10.4%

- In line with guidance
- Demand for digital transformation work is driving increased earnings

Redundancy costs associated with business review

- Aligning cost structure to reflect the demand in digital work
- Moved to a regionally focused operational model

Provision for Doubtful Debt

- Funding issues associated with a single client project - \$1.2m considered doubtful (although positive indications of payment from client received)

Discontinued Operations – Hong Kong

- Decision taken to exit the Hong Kong operations (sale option in progress)
- Redundancy costs of \$0.2m
- EBITDA loss of \$1.1m

Non-cash impairment of \$10.8m to goodwill

- As part of year-end review, a more conservative approach has been implemented for impairment model assumptions

	FY19 (\$'000)	FY18 (\$'000)	Growth
Revenue	141,144	141,073	0.1%
Underlying EBITDA	16,733	15,152	10.4%
Underlying EBITDA margin	11.9%	10.7%	10.4%
- Redundancy expense	(925)	(458)	
- Provision for Doubtful debt	(1,232)	-	
- Bad debts written off - prior year	(207)	(425)	
- Deferred consideration revaluation	2,000	-	
- Other adjustments [#]	-	(1,298)	
EBITDA	16,369	12,971	26.2%
EBITDA margin (%)	11.6%	9.2%	26.1%
Depreciation & Amortisation	(1,298)	(1,087)	
Impairment of Goodwill	(10,800)	-	
Net Interest	(814)	(624)	
Profit Before Tax	3,457	11,260	-69.3%
Income Tax	(3,698)	(3,433)	7.7%
Profit / (Loss) from continuing operations	(241)	7,827	
Profit / (Loss) from discontinued operations	(1,112)	8	
Profit / (Loss) for the year	(1,353)	7,835	-117.3%
Reported EPS (cents) excluding impairment	5.9	4.9	20.6%

[#] Consists of Borrowing Costs \$86, Non-recurring rebate \$541k, Workcover premium adjustment \$251, Acquisition cost \$420k

* Continuing operations

Balance Sheet flexibility

Liquidity

- Strong position with \$11.7m in cash and net debt of \$10.3m
- Net leverage ratio of 0.63 on EBITDA*
- Receivables and accrued income at \$38.0m, up \$6.5m on prior year, primarily due to timing of milestone-based projects, and a change in terms with one large customer

Borrowings & Deferred Liabilities

- 3 year, \$25m interest-only general facility remains in place
 - Expect to roll-over the current facility in March 2020
- \$22m has been drawn (additional \$9m relates to The Works acquisition in Q1 FY19 – a mix of cash and debt used)

	FY19 (\$'000)	FY18 (\$'000)
Assets		
Cash	11,712	14,011
Receivables & Accrued Income	38,038	31,469
Property, plant & equipment	2,092	2,412
Deferred Tax Assets	2,796	2,386
Intangibles	108,533	119,694
Current assets held for sale	1,364	-
Other	1,422	2,359
TOTAL ASSETS	165,957	172,331
Liabilities		
Trade and other Payables	26,170	20,037
Borrowings	22,000	13,000
Deferred Liabilities	-	15,500
Current assets held for sale	1,116	-
Accrued Staff Provisions	4,100	3,880
TOTAL LIABILITIES	53,386	52,417
NET ASSETS	112,571	119,914
Contributed Equity	93,621	93,621
Reserves	210	159
Retained Earnings	18,740	26,134
TOTAL EQUITY	112,571	119,914

Strong cash conversion

Operating Cash Flow of \$13.6m

- Represents 95% of EBITDA*, with a two-year average of 99%
- Forecasting 90%+ cash conversion for FY20

Investing Cash Outflows of \$14.1m

- Primarily related to The Works acquisition \$13.5m

Cash Flow from Financing \$3.0m

- \$10.5m drawdown from loan facility in August 2018
- Repayment of loan facility during FY19 of \$1.5m
- \$6.0m paid in dividends

Key cash flow Items	FY19 (\$'000)	FY18 (\$'000)	Change (\$'000)
Continuing Operations (before interest and tax)	13,643	13,400	243
Tax paid	(2,813)	(4,110)	1,297
Net interest	(814)	(624)	(190)
Net cashflows for discontinued operations	(1,157)	484	(1,641)
From operations	8,859	9,150	(291)
From investments	(14,116)	(18,987)	4,871
From financing	2,958	6,245	(3,287)
Net cash flows	(2,299)	(3,592)	1,293
Closing cash balance	11,274	14,011	(2,737)
Continuing Operations (before interest and tax) as % of EBITDA*	95%	103%	

* excludes \$2m deferred consideration revaluation

Capital Management

Dividend Pay-Out

- Reflecting the balance sheet, debt profile and active capital management, the Board has declared a final dividend of 2.50cps fully franked payable 3 October 2019
- The Board has also declared a special fully franked dividend of 0.5cps

Investments

- With the stretch target not being achieved by The Works in FY19, no final earn-out payment was payable

	FY19	FY18
Interim Dividend	1.75cps	1.5cps
Final Dividend	2.50cps	2.0cps
Special Dividend	0.50cps	-
Total Dividend	4.75cps	3.5cps
Payout Ratio on NPAT *	72%	72%
Record Date	13-Sep-19	14-Sep-18
Expected Payment Date	3-Oct-19	4-Oct-18

* excludes special dividend and impairment impact



FY19 Operational Overview

1. Digital growth coming from our 3Es approach
2. Refreshed organisation driving higher quality revenue
3. Clients and People

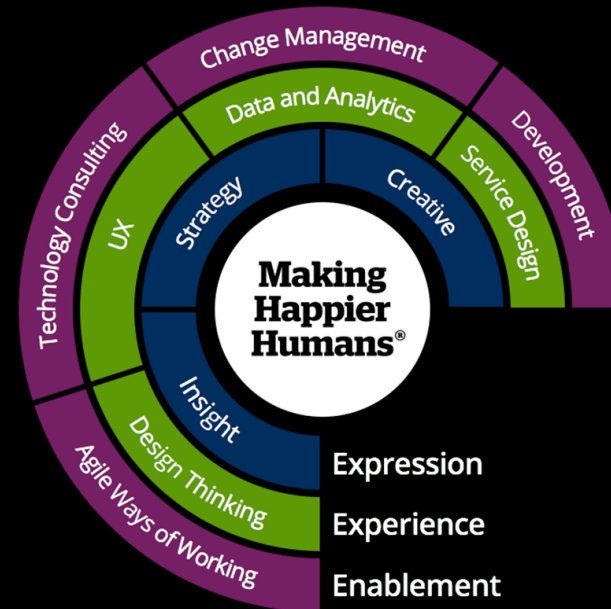
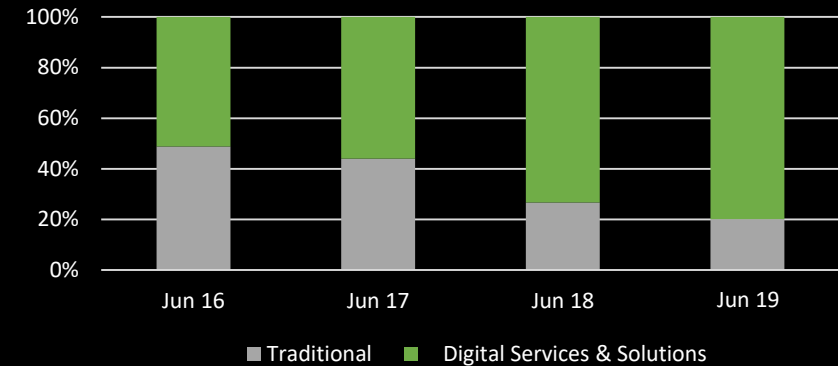
Digital growth from our 3Es approach

Our work mix has evolved driving higher quality revenue with greater predictability

- Digital Services now represents ~80% of our revenue
- Project/outcome based Digital Transformation work continues to grow as does our digital consulting work
- Investment in proprietary IP and methodologies are differentiating us in the market place;
 - The focus on Making Happier Humans and our Expression, Experience, Enablement (3 Es) approach continues to resonate with clients
 - The launch of the RXP Method Cards portal facilitates better collaboration with clients around HCD and our Lean Agile delivery methodology
 - We continue to build on the number of “multi-practice” client engagements



Digital Work Mix Movement



Enabling Digital Transformation through our ability to connect expression, experience and enablement.

Robust client diversity

Strong sector spread

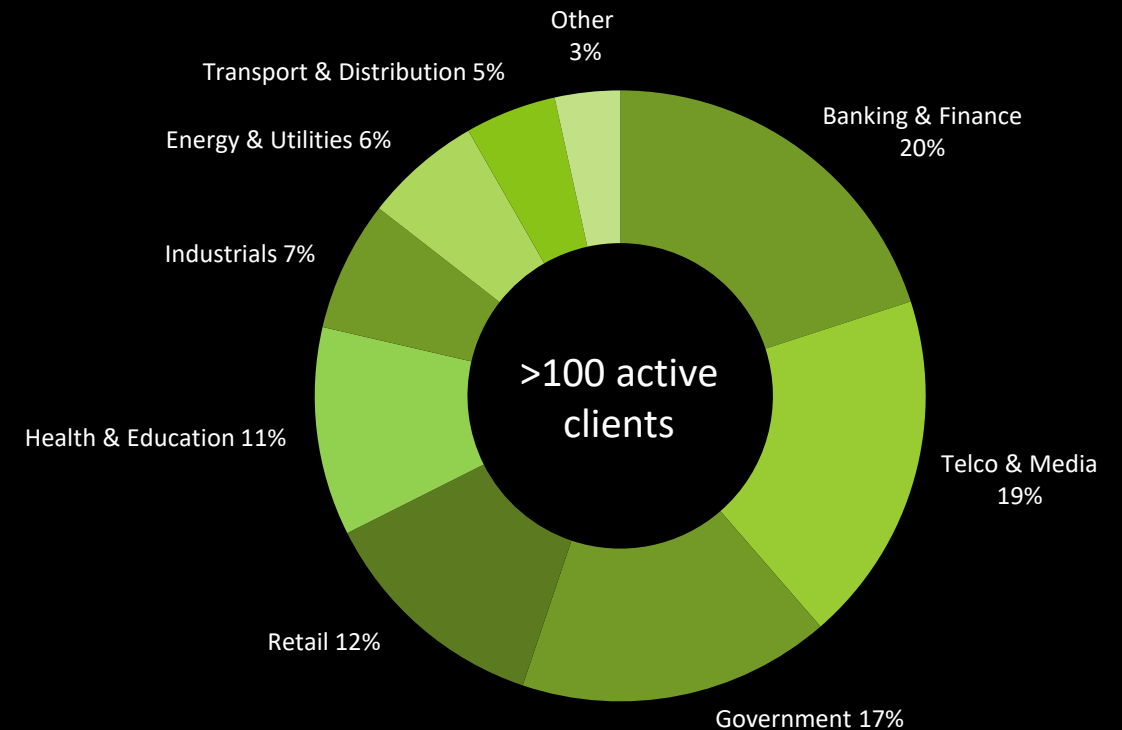
- We have seen increased penetration in State and Local Government, a move of revenue between Telco & Media companies, solid results in all other sectors

Winning more digital transformation projects

- DHHS, VIC Roads, Aurora Energy, Smith Family, Sydney Bridge Climb and H&R Block illustrate the broad appeal of RXP's offering

Existing clients are a source of strong growth

- Due to the strength of our relationships and continued ability to deliver, existing clients are a source of solid growth



Our people

We continue to work hard on driving people-focused initiatives throughout the business

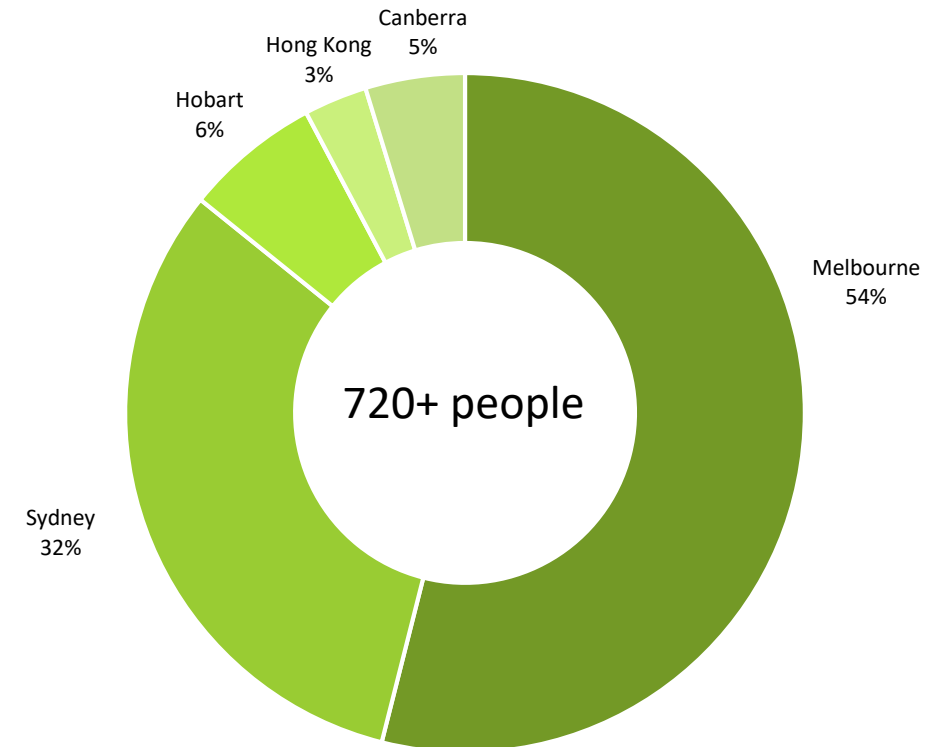
- Our Say, Stay, Strive program is helping us strengthen connection with our people

We maintain an average workforce mix/ratio of ~80:20 permanent to contractor

Growth in awards won over the past year reflects the quality of our people and work they deliver e.g. Alteryx Partner of the Year, Content Agency of the Year

Our team have been challenging the norm and influencing the way people think through thought leadership initiatives - SxSW sessions, HCD Meet-ups, Lego Serious Play events, Smart Dust Podcasts, etc.

Location of our People



Refreshed organisation

Realigned the organisation to a “Regional-Prime” model where P&L management resides at the regional level

- Group Executive for each region has simplified decision making and driven greater accountability
- Resources and investments are allocated based on local regional opportunities and market conditions, driving greater focus and improved sales conversion
- Utilisation managed more tightly across specialisations within each region
- Recruitment and hiring decisions are optimised within regions across specialisations





Looking ahead

1. Strategic framework
2. Outlook – positioned well for further growth

Looking ahead

We have set a solid foundation for growth in FY20

- Sales momentum is providing strong revenue coverage for FY20
- Priorities for FY20 have been established with supporting execution plans developed

We anticipate both revenue and earnings growth in FY20

- Double digit EBITDA growth
- EBITDA margin growth

MAKING HAPPIER HUMANS



We combine technology & creativity to deliver positive change for our clients and their customers

Expression	Experience	Enablement	
CREATIVE SERVICES	UX & HCD	DATA SCIENCE	DIGITAL TRANSFORMATION & ADVSORY SERVICES
FY20 PRIORITIES			
Building out our Works capability in Melbourne	Strengthening our HCD Practice in Sydney	Enhancing our AI and Data Science capabilities	Investing in strategic technology partnerships to drive top line growth Embedding Go-To-Market cross-selling capabilities and rolling-out improved ways of working

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Questions?

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Happier
Humans[®]**