

Tuesday, August 19th 2014

FY2014 Headlines

- Revenue \$164.3m (up 1.4% on the prior corresponding period), EBITDA of \$14.06m (down 3.2% pcp), NPAT of \$8.3m (down 9.1% pcp), diluted EPS of 9.2 cents (down 9%).
- Fully franked final dividend of 4 cents per share. Total dividend pay-out for the year of 8 cents per share (down from 9.5 cents pcp).
- Total production effort increased by over 11% on the pcp reflecting an increase in market share in all locations.
- Production (billable) hours from our India office (Hyderabad) in FY2014 increased to over 26% of total production effort (20% pcp). This increase impacts revenue and profit per FTE, however, this reduction is now being more than offset by growth in market share and Non Person Based Revenue (NPR).
- Continued investment in the Oakton Cloud and Applications business has continued to support the growing demand for cloud based “as a service” delivery models which has led to an increasing number of partnerships with “as a service” global technology providers. This has seen a significant increase in NPR in FY2014.
- Record sales year – up 20% on the pcp.
- Finished FY2014 with total backlog of \$140m (up 35% on pcp). FY2015 backlog at 46% (40% pcp) of FY2015 full year revenue budget which is targeted at a reasonable increase on the pcp. Backlog into FY2016 and beyond is at \$58m (\$35m pcp).
- Operating cash flow (before tax and interest) of \$11.22m giving a ratio of operating cash flow to EBITDA of 80% (pcp 119%). Cash reserves of \$2.35m at 30 June 2014 (\$6.95m pcp).
- Opened new offices in NSW and WA and refurbishments of our Hyderabad and Victorian based Managed Services centres.
- Ended June 2014 with 1,203 total staff (up 126 total staff pcp). India at 309 staff (up 71 staff pcp).

Australian consulting and I.T. services provider Oakton Limited [ASX: OKN] today announced a full year net profit after tax of \$8.32 million for the year ended June 2014 – a 9% decrease on the reported results for the prior corresponding full year period. Revenue was up 1% to \$164 million and EBITDA decreased by 3% to \$14.06 million.

The Oakton Board declared a fully-franked final dividend of 4 cents per share. The total dividend payout for the year is 8 cents (9.5 cents pcp). The dividend will be paid on 16 September 2014 with a record date of 29 August 2014.

Neil Wilson, Oakton’s Managing Director and CEO, made comment on the result.

“Market conditions during FY2014 again remained challenging across all industry sectors. In particular, there continues to be a large number of project deferrals and delays by customers in all sectors. Despite this, we recorded an improved performance in the second half of FY2014 across most key metrics.

It is pleasing to note that, outside of NSW and ACT (which again have been impacted by reduced Federal Government spending), operating performance has shown solid organic sales and revenue growth which has resulted in overall revenue growth in FY2014 over the pcp. Once again our production effort has grown year on year and was 11% over the pcp, reflecting an overall increase in market share. The long term investment in our off shore facility in Hyderabad is again making a significant contribution to our performance and our strategic positioning, with their share of total production being over 26% (pcp 20%). Our ability to meet reduced price expectations from our customers has enabled us to maintain and improve market share in a number of sectors. Also of note is our investment in the generation of Non-Person based Revenue (NPR), including Oakton Applications as a service and other “cloud” related service

integration models. This investment has enabled us to significantly increase revenue from these sources over the pcp.

Our strategic positioning is now generating larger engagements with longer term annuity revenue streams and has resulted in a record sales year of \$200m (up 20% on the pcp). Reflecting this, the level of booked and committed revenue into the next financial year is well ahead of last year's level. Backlog into the following financial years is also significantly up on the pcp. Pleasingly, our cash flow improved in the second half with our first half cash flow impacted by timing of milestone payments on some engagements.

We continue to invest in the business to ensure our service offering remains relevant to rapidly changing industry directions and our customers' evolving requirements. Our mature off shore capability, deep specialisation and project/managed service engagement approach is now enabling a shift to a service integration and application delivery 'as a service' business model. This is becoming increasingly important as many cloud based business and technology services emerge and require careful integration and operation.

As outlined in our market release of 12 August 2014, we have announced a Board recommended cash offer from Dimension Data Australia Pty Limited of \$1.90 per share for 100% of Oakton. Key aspects of this are:

- *Scheme Implementation Deed entered into with Dimension Data Australia.*
- *Oakton shareholders to receive \$1.90 cash per share subject to Oakton shareholder approval, court approval and all other conditions being satisfied or waived.*
- *The offer price represents an attractive premium of:*
 - *29.7% to last close on 11 August 2014;*
 - *35.5% to 1 month volume weighted average price ("VWAP"); and*
 - *42.6% to 3 month VWAP*
- *The Board of Oakton unanimously recommends that all Oakton shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to an Independent Expert opining that the Scheme is in the best interests of Oakton shareholders.*
- *Subject to the same qualifications, the Executive Chairman and CEO, representing 11.3% of the total shares outstanding, intend to vote all of their Oakton shares in favour of the Scheme.*
- *The FY2014 final dividend of \$0.04 per share will be paid irrespective of the outcome of the Scheme.*
- *If the Scheme is approved and implemented, the \$1.90 cash amount per share will not be reduced as a result of the declaration and payment of the FY2014 final dividend of \$0.04 per share.*
- *The Scheme process is now underway and is expected to be implemented in November 2014.*

I would like to take this opportunity to thank our outstanding team at Oakton in both Australia and India for their contributions this year. I would also like to thank our customers, partners, shareholders and the wider investment community for their ongoing support and interest in our company"

The date of the Annual General Meeting will not be determined until the outcome of the Scheme meeting is known.

Further information:

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