



Australian Securities Exchange  
Company Announcements Platform  
16 October 2014

UXC Limited  
ABN 65 067 682 928

## **MARKET ANNOUNCEMENT**

### **Investor Presentation**

UXC Limited hereby releases the attached presentation to be given by the Managing Director, Mr Cris Nicolli, to the Bank of America Merrill Lynch Emerging Stars Conference today.

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### **ABOUT UXC LIMITED**

UXC Limited is an S&P/ASX 300 listed Australian business solutions company, and the largest Australian owned ICT consultancy firm. UXC services medium to large entities in the private and public sectors across Australia and New Zealand and has operations in Asia and the United States.

UXC provides a range of unique, unmatched and formidable ICT Solutions in Consulting, Business Applications and Infrastructure that support our customers to plan & design, implement & enhance, and operate & manage their ICT requirements.

UXC strives to create simplicity and meaning in a complex world through the power of people and technology, by being the leading Tier 1 Australian IT Services and Solutions Company, delivering value, innovation and responsive business outcomes with excellent people.



UXC Limited  
Merrill Lynch Emerging Stars Conference  
October 2014

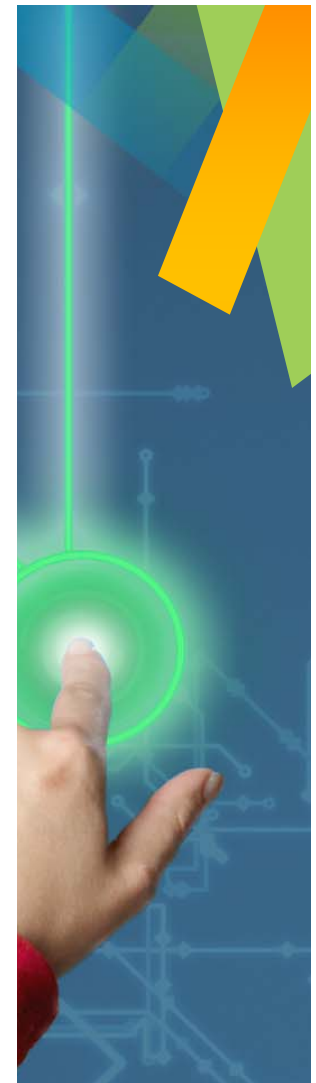
# DRIVING PROFITABLE GROWTH

Cris Nicolli  
Managing Director  
Paul Timmins  
Chief Operating Officer  
UXC Limited  
ACN 067 682 928



# Agenda

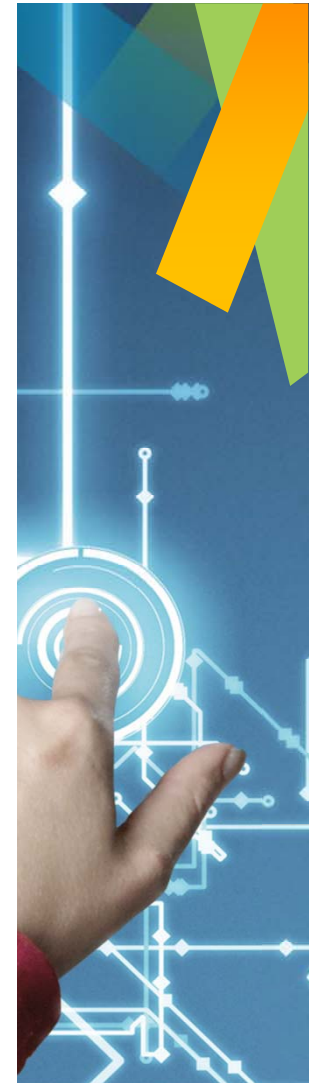
- Vision and Differentiators
- FY14 Financial Performance and Highlights
- Driving Profitable Growth
- Strategic Direction
- Outlook





# WHERE WE'RE HEADED

Our vision is to create  
simplicity and meaning in a  
complex world through the  
power of people and  
technology to drive profitable  
growth



# Vision & Competitive Position – Driving Profitable Growth



## Our Vision

To create simplicity and meaning in a complex world through the power of people and technology, by being the leading Tier 1 Australian IT Services and Solutions Company, delivering value, innovation and responsive business outcomes with excellent people.

## Our Focus

We offer a range of unique, formidable and unmatched ICT solutions in Consulting, Applications and Infrastructure that support our customers to Plan & Design, Implement & Enhance, and Operate & Manage their ICT requirements – we offer more than point services, we also provide end to end solutions.

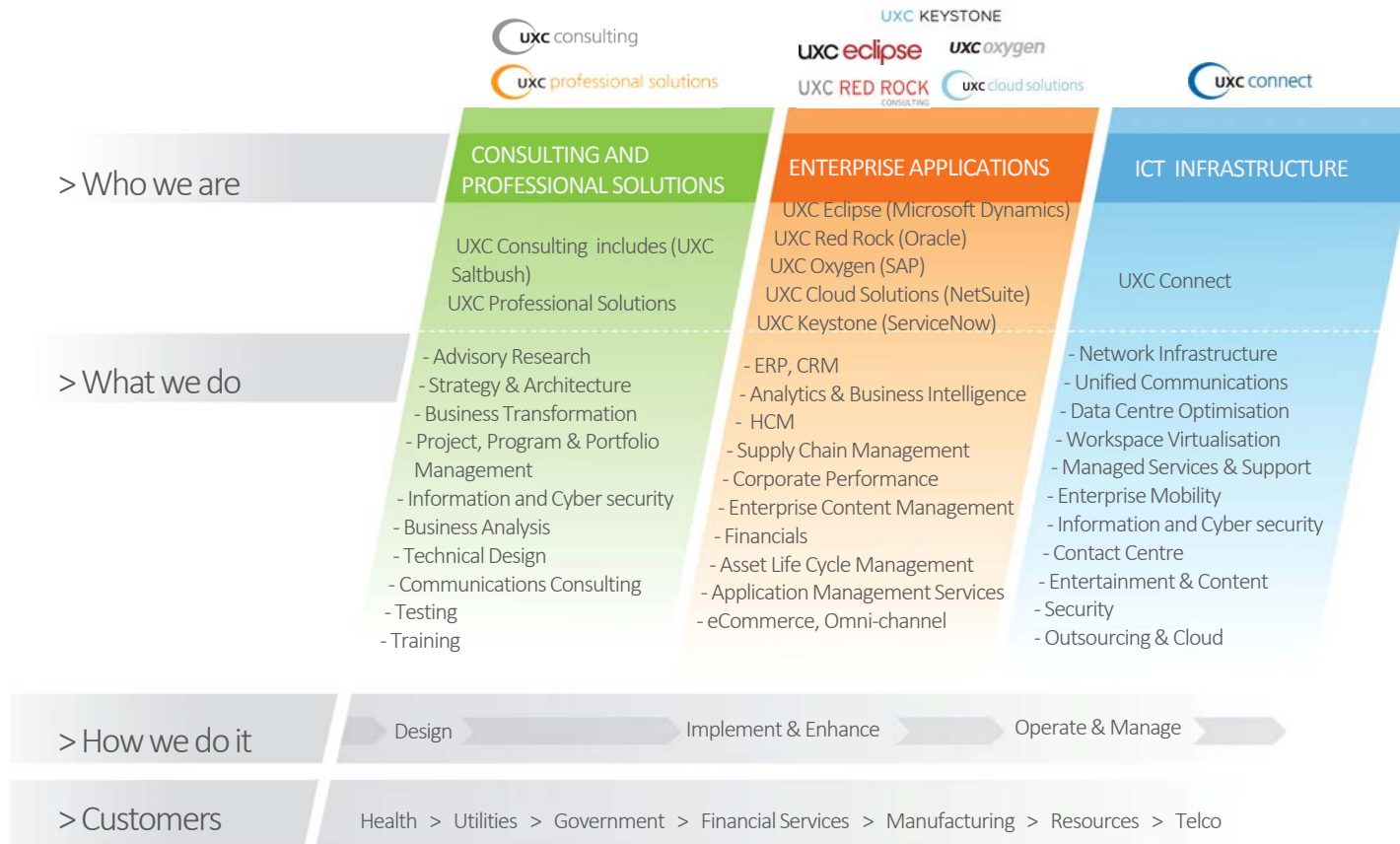
We aim to be the early adopter for new and emerging technologies that are relevant to the markets we serve.

## Our Competitive Position

To be recognised as the leading Australian IT service provider and the Number One alternative to the multinationals in the sector through good customer retention and wins, with outstanding delivery and market leading Applications businesses driving profitable growth and earnings.

# UXC Differentiators

## The Integrated Model



# UXC Differentiators

## Competitive Strengths: Unique Breadth, Domain Depth and Size

<p>Leading enterprise applications capability</p> <p>1750 staff</p>	<p>#1 Oracle in Australia and Asia Pacific Global Leader in Microsoft – AX Global Partner Top 2 in SAP Leader in ServiceNow, ITSM Leading Business Intelligence practice Strong Integration, Project and Risk Management</p>	
<p>Innovative ICT infrastructure offerings</p> <p>620+ staff</p>	<p>Unified Communications Networking Infrastructure Outsourcing IP Video Surveillance Managed Services</p> <p>Contact Centre Workspace Virtualisation Cloud Solutions Enterprise Mobility Entertainment &amp; Content</p>	
<p>Dynamic consulting &amp; professional solutions</p> <p>510+ staff</p>	<p>Communications IT Service Management Project &amp; Program Management Integration and Testing Application Development</p> <p>Information &amp; Cyber security Business Analysis Business Transformation Data Migration Business Intelligence</p>	



# UXC Differentiators

## Key Points

- Breadth of world class and market leading Applications capability and domain expertise:
  - > Microsoft - Global leader in Dynamics
  - > Oracle - Asia Pacific leader
  - > SAP - ANZ leadership
  - > ServiceNow - Asia Pacific leader
  - > hybris - Digital and omni channel Asia Pacific leadership
- Depth of service line capability, more skills in more technology segments, in the markets we serve;
- Leader in early adoption of new and emerging technologies;
- Market leading capabilities and partnerships with new generation technology partners:
  - > e.g. UXC Saltbush and Senetas for security and encryption
  - > e.g. UXC with Box and Docusign for mobile content management and Digital Transaction Management
- Scale in key domains to deliver large complex projects;
- Recognised by our customers for outstanding delivery outcomes.

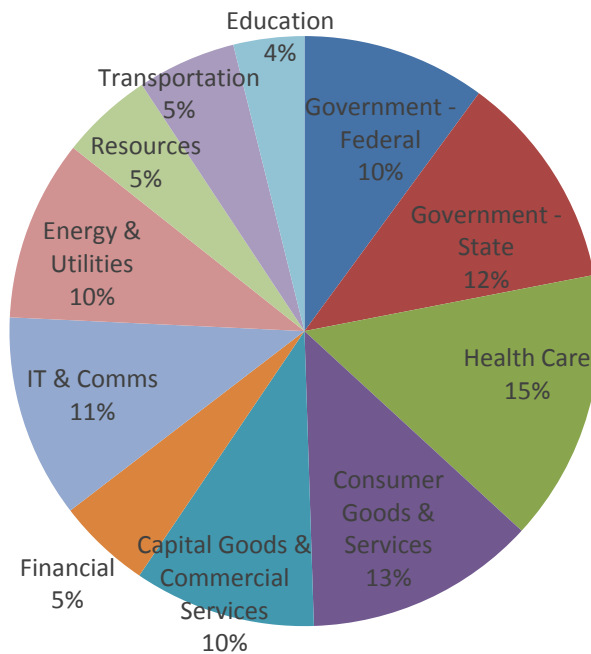




# UxC Differentiators

## Customer Sectors & Acquisition

**FY14**



### FY14 Customer Acquisition

Revenue	New FY14 Customers	Total No. Customers
>\$5m	-	18
>\$3m	2	36
>\$1m	17	116

- We acquired 19 new million-dollar customers during FY14.
- We lost no customers who had spent more than \$3 million with us in FY13.

### Select Movements from FY13:

- Transport up from 3% to 5%
- State & Federal Government (ex Health) stable at 22%
- Health & Utilities remain key focus
- Other sectors stable



# FY14 Financial Performance and Highlights

## Key Points

- Record revenue of \$643 million;
- Increased annuity to 27% of business;
- Investment in new generation technology solutions;
- Project delivery issues resolved;
- Good cash generation and low Net Debt position.



# Financial Performance

## Key Metrics FY14

	FY14	FY13	% Change vs pcg	Notes
Revenue	\$643.4m	\$594.3m	8.3%	1% organic, balance from acquisitions. Strong client support & customer wins
EBITDA underlying <sup>1</sup>	\$36.4m	\$37.3m	-2%	Impact of 1st half from a small number of large projects now complete, acquisition costs and redundancy in 1 <sup>st</sup> half
EBITDA reported	\$32.8m	\$39.4m	-17%	
PBT underlying <sup>1</sup>	\$25.6m	\$29.4m	-13%	Acquisition costs (\$2m) and redundancy (\$1.8m) impact on reported earnings
PBT reported	\$22.0m	\$31.5m	-30%	
Net Profit After Tax	\$15.7m	\$22.7m	-31%	Impact of 1 <sup>st</sup> half
Basic EPS cps	4.95	7.37	-33%	Consistent with earnings
Cash Flow from Ops	\$31.0m	\$19.8m	57%	Strong cash management and customer support
Dividends per share <sup>2</sup>	3.75 cps	5.30cps	-29%	Pay-out ratio at higher end of guidance

<sup>1</sup> Underlying is exclusive of non-recurring charges – a reconciliation is presented in the Appendix

<sup>2</sup> FY13 excludes Special Dividend of 0.45 cents per share



## FY14 Performance

### Financial Highlights

- Revenue up 8.3% to \$643 million, a record result;
- Underlying earnings are in line with market guidance issued in July 2014 (shown in brackets):
  - > Full Year Underlying EBITDA down 2% to \$36.37m; (\$35.2m - \$37m)
  - > Full Year Underlying PBT down 13% to \$25.63m; (\$25m - \$26.5m)
  - > 2<sup>nd</sup> Half Underlying EBITDA up by 7% to \$24.4m (\$23.2m - \$25m)
  - > 2<sup>nd</sup> Half Underlying PBT down 1% to \$18.2m (\$17.2m - \$19m)
- Increase in annuity revenue by 29% over pcp (27.2% of FY14 revenue);
- Conservatively leveraged a strong balance sheet to fund new elements of our growth platform;
- Strong cash collections at year end;
- Net Debt position of \$4.1m;
- FY14 Final dividend of 3.0 cents per share fully franked taking full year to 3.75 cents per share.





## FY14 Performance

### Financial Highlights




- Completed and successfully integrated five acquisitions in the Applications segment:
  - > Three focused on Australia to expand our footprint in emerging growth solutions;
  - > One in Australia/South East Asia focused on Oracle Asset Life Cycle Management;
  - > One in North America to further leverage our investment in a high growth market for Microsoft Dynamics;
- Successfully recontracted and won five new multi year managed services contracts;
- Strong back log of work to be delivered up by 20% and sales pipeline up by 13%;
- Completed challenging 1<sup>st</sup> Half projects and improved overall project delivery;
- Invested in next generation Digital and Cloud solutions driving increasing customer relevancy and sales growth;
- Advanced strategic position of UXC with increasing domain capability, new solutions and client relationships.



## Financial Performance

### Revenue up 8.3% to \$643m

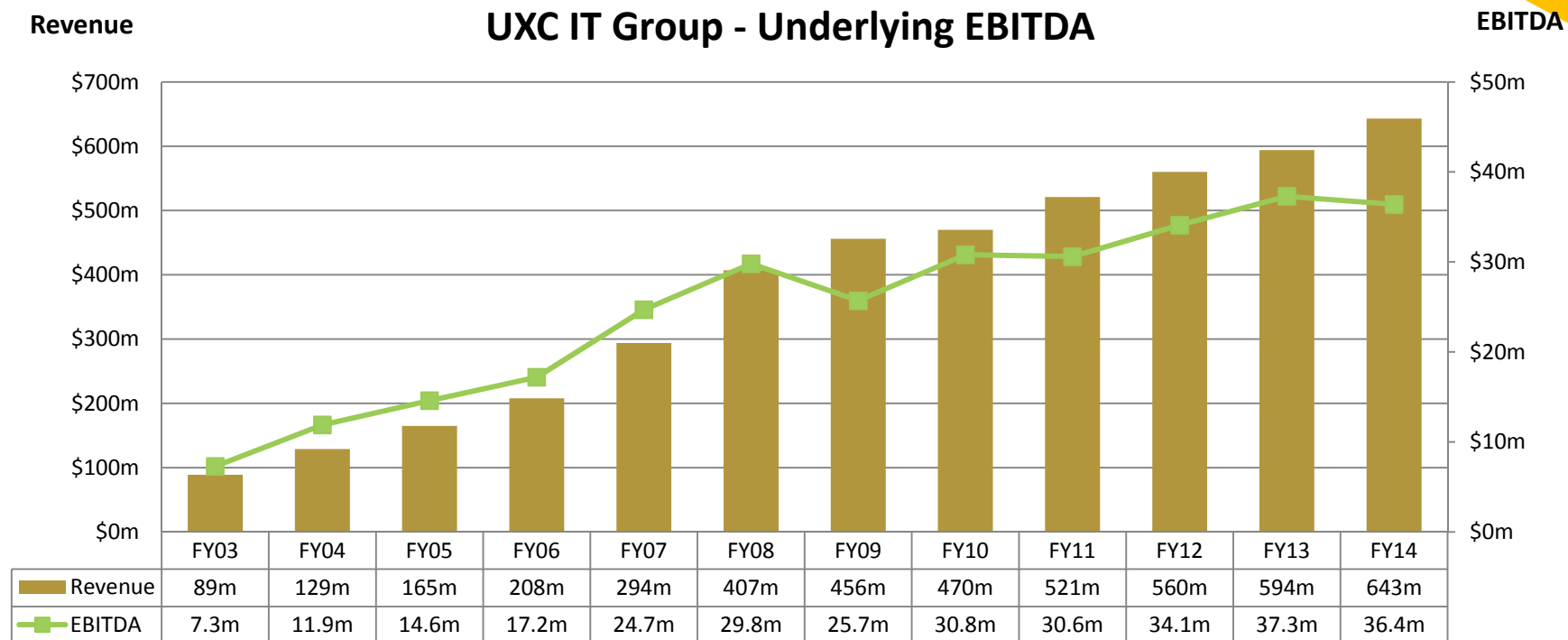


REVENUE	FY14	FY13	% Change vs pcg
Consulting	\$84.9m	\$90.7m	-6%
Applications	\$322.1m	\$280.8m	15%
Infrastructure	\$236.4m	\$222.8m	6%
Total	\$643.4m	\$594.3m	8%

- Record revenue for pure IT company
- Focus on margin growth not revenue growth in Consulting

# Financial Performance

## Track Record of Growth



# Financial Performance

## Segment Profitability

UNDERLYING PBT & MARGIN BY SEGMENT <sup>1</sup>	FY14 \$	FY13 \$	% Change vs pcp	FY14 %	FY13 %	2HFY14 %	2HFY13 %
Consulting	\$6.5m	\$5.4m	19%	7.6%	6.0%	6.8%	3.5%
Applications	\$30.2m	\$27.1m	11%	9.4%	9.6%	10.2%	10.1%
Infrastructure	\$4.3m	\$8.9m	-52%	1.8%	4.0%	3.5%	5.3%
Unallocated	(\$15.4m)	(\$12.1m)					
<b>Total PBT</b>	<b>\$25.6m</b>	<b>\$29.4m</b>	<b>-13%</b>	<b>6.4%</b>	<b>7.0%</b>	<b>7.2%</b>	<b>7.4%</b>

<sup>1</sup> Underlying is exclusive of non-recurring charges

- Consulting – improved margin on declining revenue indicating better utilization and cost control
- Applications – Improved margin on revenue increase
- Project delivery is key to improving margins
- Infrastructure – impact of 1H projects and managed services bid costs





## Financial Performance

### Capital Management

- FY14 final dividend of 3.0 cents for total of 3.75 cents per share fully franked;
- Increases payout ratio of 76%, at top of range, being 60% to 75%;
- FY14 final dividend payout is reflective of confidence in FY15 earnings;
- Strong EBITDA cash conversion for year with strong quarter four;
- Disciplined approach to strategic acquisitions in FY14 - EPS accretive and based on the core operating model;
- Disciplined approach to capital expenditure;
- Debt funding and script utilised for majority of acquisitions;
- Continued discipline for synergistic and earnings accretive acquisitions.





# Strategies for Driving Profitable Growth

## Key Points

- Develop the growth platform from selected IT market segments that aligns with market size, competitive positioning, innovation and customer demand;
- Grow organically at a rate faster than the market and augment that with strategically positioned, earnings accretive acquisitions;
- Geographic expansion where we see high growth rate opportunities and where we can apply a competitive advantage;
- Extend our reach with customers through an end-to-end solution and system integration capability;
- Build new generation revenue and margin streams that support annuity business especially in SaaS and cloud based solutions – part of portfolio augmentation;
- Maintain focus on cost reductions in delivery and overheads;
- Invest in the future through our people and improved processes.



## Strategies for Driving Profitable Growth Margin Improvement

- Our Challenge:
  - > To increase gross margin of key services;
  - > To reduce product volume and improve margins;
  - > To reduce overhead spend rates;
  - > To improve project delivery margins.
- Initiatives undertaken to succeed in meeting the challenge:
  - > \$5m overhead cost saving in FY14;
  - > Further savings in FY15;
  - > Increased level of annuity business and improved delivery efficiency;
  - > Optimising staffing mix and utilisation;
  - > Selective salary freezes;
  - > Group purchasing negotiations on key spend areas;
  - > Consolidation of facilities.





# Strategies for Driving Profitable Growth

## Project Delivery Improvement – Solid Progress

- Our Challenge:
  - > To continue to deliver customer satisfaction within the sold margin;
  - > To improve processes to achieve excellence in delivery;
  - > To better manage commercial risk and cash flow as projects get larger.
- Initiatives undertaken to succeed in meeting the challenge:
  - > Bid & Solution reviews with independent and specialist technical capabilities;
  - > Enhanced methodologies for developing commercial constructs;
  - > Periodic project health reviews with emphasis on large, complex projects;
  - > Rigorous adoption of enhanced and standardised project management methodologies;
  - > Project dashboard reporting by business unit with KPIs on sold vs delivered margin;
  - > 150+ substantial projects at any point in time. No known major issues.



# Strategies for Driving Profitable Growth

## Segment Margin Targets

UNDERLYING PBT MARGINS BY SEGMENT	FY12	FY13	FY14	Target
Consulting	6.0%	6.0%	7.6%	9% -10%
Applications	10.4%	9.6%	9.4%	11%-12%
Infrastructure	3.5%	4.0%	1.8%	4.5%-5.5%
Total	7.1%	7.0%	6.4%	

- Targets to be achieved by exit of FY16 year
- Target margins continue as goal for longer term sustainability

# Strategy – Adopting New and Emerging Technologies

## Cloud Applications



Expanded relationships with ServiceNow, a key Cloud based application provider in the ERP and IT management space with purchase of UXC Keystone.

Driving Digital capabilities and solutions

Grew our Cloud practice in support of new vendors as well as with our key partnership partners Oracle, SAP, Microsoft and ServiceNow.

Developed new partnerships and agile adoption of new emerging technologies as part of the portfolio augmentation and refresh process.

Cloud businesses have combined revenue of over \$40m.



Enterprise Service Management



Technology Business Management



Digital Commerce



Infrastructure as a Service



Visualisation Analytics



Operational Intelligence



Cloud Base Data Warehousing



Cloud Portfolio Management



Mobile Content Collaboration



Unified Communications & Collaboration



Unified Communications & Collaboration, Network, internet, data centre,



## Strategy

### Annuity Business


Increase the provision of Managed Services in Infrastructure and Applications Management.

Expand the range of maintenance and support services provided.

Continue to win new managed services contracts.

Invest in Software as a Service to align with this segment of our business.

***INCREASE OF 29% OVER FY13  
27% OF THE FY14 BUSINESS***



Have Increased the volume of Managed Services in Infrastructure and Applications.

Re-signed all FY14 expiring Managed Services Contracts to an annual value of \$25m. New Managed Services Contracts including Melbourne Water, Virgin Airlines, Shell, Fletchers and others won to the value of \$12m annually.

Strong opportunity list of deals to be decided in next 2-4 months.

Appointed Senior Executive ex IBM to drive additional investment to expand the range of Application Management and Support Services.

Investment in Software as a Service with ServiceNow is expanding this segment of our business. ServiceNow annuity up 20%. New relationships will add to annuity.

North American business has added strong annuity services in MS support.

Increasing opportunity with core Application Vendors with new SaaS and Cloud based options including JDE, SAP and eCommerce Solutions with AWS.

# Strategy

## North America



- Good progress on building the business. Integration of Tectura (assets and staff) business has gone very well. Now fully integrated;
- Acquisition currently delivering run rate PBT after 6 months of integration. Minimal contribution to FY14 PBT after integration and acquisition costs. Strong expectations for FY15 and beyond;
- North American practice in the Microsoft Dynamics market going to plan;
- Impressed with position of Microsoft Dynamics especially Dynamic AX R3 and Azure is validated by strong growth rate in NA;
- Will look to make further acquisitions after running NA business for 6-12 months in this area to build \$100m+ NA business from current \$70m;
- Growth prospects in this region exceed those available to us domestically.



# Acquisition Recap

## Strategic Rationale



### Convergence



Tightly aligned to  
UXC strategy with Oracle

Adds to Oracle capability with 24 staff



Opportunity to build a faster  
growing Oracle Asset Life  
Cycle Management business  
and extension into SE Asia

First quarter on target

Earnings accretive

### Clarity



Tightly aligned to  
UXC strategy with SAP

Adds to SAP capability with 15 staff



Increase annuity and  
extends client base

On track but not as strong  
as hoped for.

Earnings accretive

## Acquisition -New Strategic Rationale

### UXC Saltbush



Information and cyber security;  
Consulting, services and annuity support;  
High growth area identified in market review;  
Builds UXC domain capability to leading position;  
Expands our service portfolio;



Aligned to target clients;  
Expands client base especially Federal footprint;  
Scope to expand beyond Canberra.

Revenue     \$12m

Staff         65

Earnings accretive



# Strategy

## Progress in Strategic Direction



### Leadership Development:

Investment in tools and training for our people to achieve our objectives.

Provide UXC with key retention benefits whilst enhancing our leadership culture.

## UXC LEADERSHIP ACADEMY





## Outlook

- Impact of full year earnings from FY14 acquisitions plus new UXC Saltbush 2<sup>nd</sup> half will boost FY15 earnings;
- Strong pipeline of new contracts with the value of the sales pipeline (front-log) up by 13% from FY14 (September FY15 close at similar level. 5-6 large projects shortlisted for decisions in next 3-4 months);
- Annuity contracts and back log of work (June 30 2014) represent 60% of FY15 revenue (up from 46% in FY14);
- Margin growth and achievement of delivery improvement continues to be the highest priority and prospective driver of earnings;
- Portfolio refresh and monetising emerging technologies will provide additional opportunities after a year of investments;
- Lessons learnt from delivering key projects now implemented. Provides increased confidence in delivery capability and margin performance on larger projects;
- Strong free cash flow with expected collection of full year FY15 EBITDA;
- Market dynamics appear stable. Increased activity and decision making over the last 7 months;
- UXC is well placed strategically to increase market share, advancing the footprint in new emerging technologies and embarking on the next chapter of profitable growth.

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# DRIVING PROFITABLE GROWTH

## QUESTIONS?

## Disclaimer

The material that follows is a presentation of general background information about the UXC Limited Group's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

These should be considered, with or without professional advice when deciding if an investment is appropriate.

## Revenue Breakdown by Type

REVENUE	FY14	FY13	% Change vs pcp
Services	\$345m	\$346m	-
Annuity	\$175m	\$136m	29%
Products & Licenses	\$123m	\$112m	11%
Total	\$643m	\$594m	8%

- Services impacted by challenging market and some deferrals
- Pleasing growth in annuity, up to 27% of revenue
- Products and Licenses benefit from pent up demand and timing of hospital projects

## Appendix – EBITDA & Underlying Earnings

Reconciliation of NPAT to EBITDA	2014 Full Year			2013 Full Year		
	Reported \$'000	Non-Recurring \$'000	Underlying \$'000	Reported \$'000	Non-Recurring \$'000	Underlying \$'000
Net Profit After Tax Attributable to Members	15,732			24,012		
Net Profit After Tax - Discontinued Operations	-			1,329		
<b>Net Profit After Tax - Continuing Operations</b>	<b>15,732</b>			<b>22,683</b>		
Income Tax Expense	6,302			8,858		
<b>Profit Before Tax before non-recurring items</b>	<b>22,034</b>		<b>22,034</b>	<b>31,541</b>		<b>31,541</b>
Less: Acquisition costs		1,896	1,896		-	-
Transformation & Redundancy costs		1,904	1,904		-	-
Contingent consideration adjustment		(209)	(209)		(1,337)	(1,337)
Net gain on sale of business		-	-		(814)	(814)
<b>Profit Before Tax</b>	<b>22,034</b>	<b>3,591</b>	<b>25,625</b>	<b>31,541</b>	<b>(2,151)</b>	<b>29,390</b>
Net Interest Expense	2,588		2,588	434		434
Depreciation and Amortisation	8,152		8,152	7,442		7,442
<b>EBITDA</b>	<b>32,774</b>	<b>3,591</b>	<b>36,365</b>	<b>39,417</b>	<b>(2,151)</b>	<b>37,266</b>

- Normalised for non-recurring items -
  - > Non-recurring items reduced reported earnings in FY14:
    - ❖ Amounts incurred in completing acquisitions
    - ❖ Redundancy costs incurred for managing the cost base in response to changing market conditions
    - ❖ Contingent consideration accrued not earned, taken to the P&L in accordance with AASB 3
  - > Non-recurring items in FY13
    - ❖ Contingent consideration accrued not earned, taken to the P&L in accordance with AASB 3
    - ❖ Net gain on sale of payroll integration business to vendor



## Appendix - Underlying Earnings by Segment

Reconciliation of reported earnings to underlying earnings - by Operating Segment	2014 Full Year				
	Consulting \$'000	Applications \$'000	Infrastructure \$'000	Unallocated \$'000	Total \$'000
<b>Profit Before Tax - reported</b>	<b>6,132</b>	<b>28,171</b>	<b>3,213</b>	<b>(15,482)</b>	<b>22,034</b>
Add   Contingent consideration adjustment		(209)			(209)
Acquisition costs		1,772		124	1,896
Transformation and Redundancy costs	344	440	1,120		1,904
<b>Profit Before Tax - underlying</b>	<b>6,476</b>	<b>30,174</b>	<b>4,333</b>	<b>(15,358)</b>	<b>25,625</b>

## Key Metrics FY14 2H

	FY14 2H	FY13 2H	% Change vs pcg	Notes
Revenue	\$351.7m	\$319.6m	10%	Acquisitions & strong client support
EBITDA underlying <sup>1</sup>	\$24.4m	\$22.8m	7%	
EBITDA reported	\$23.6m	\$25.0m	-6%	Acquisition costs (\$1.1m)
PBT underlying <sup>1</sup>	\$18.2m	\$18.4m	-1%	Acquisition costs (\$1.1m)
PBT reported	\$17.4m	\$20.6m	-15%	impact on reported earnings
Dividends per share <sup>2</sup>	3.0cps	3.55cps	-15%	Pay-out ratio at higher end of guidance

<sup>1</sup> Underlying is exclusive of non-recurring charges – a reconciliation is presented in the Appendix

<sup>2</sup> FY13 excludes Special Dividend of 0.45 cents per share

## Cash Flow to EBITDA Reconciliation

Reported EBITDA	\$32.8m
Working Capital Movement	\$9.5m
Net borrowing costs paid	(\$2.6m)
Tax paid	(\$8.6m)
Cash generated by Operations	\$31.1m
Capex & software development <sup>1</sup>	(\$6.9m)
Free cash flow	\$24.2m
Acquisitions <sup>2</sup>	(\$42.0m)
Dividends paid	(\$12.3m)
Borrowings	\$15.0m
Net 2014 decrease in cash	\$15.1m
FX movement	\$0.5m
Add: opening cash 1 July 2013	\$34.3m
<b>Closing cash 30 June 2014</b>	<b>\$19.7m</b>

Cash flow affected by seasonal factors that affect working capital:

- Peak cash receipts in June;
- Milestone collections ahead of terms for successful delivery on key projects – minimal prepaid receipts;
- Improved level of focus on cash collections and treasury management;
- Cash flow is expected to generally be equivalent to EBITDA for FY15, consistent with prior years.

1. Cap Ex includes \$2.6m (\$5.2m FY13) capital city office fitouts now housing UXC business units pursuant to a strategic consolidation of premises to reduce costs and build improved collaboration.
2. Acquisitions split \$37.9m for FY14 acquisitions and \$4.1m for prior year acquisition earnouts.

## Staff Numbers (Employees and Contractors)

State / Region/Country	30 June 14	30 Jun 13	
New South Wales	773	818	
Victoria	895	870	New Managed Services Contracts
Queensland	238	209	Health practice and Managed Services
Australian Capital Territory	189	171	Sound Government practice
Western Australia	123	105	Applications opportunities
South Australia	46	53	
Northern Territory	1	1	
Tasmania	21	21	
<b>Total AUSTRALIA</b>	<b>2,288</b>	<b>2,248</b>	
New Zealand	170	186	
North America	241	72	Tectura Acquisition
Fiji	22	24	
India/South East Asia	51	7	White Labelled/Convergence
Vietnam	9	0	plus new offshore investment
<b>TOTAL</b>	<b>2,780</b>	<b>2,538</b>	

Major Movements: Reduction of 20 headcount prior to addition of 262 to headcount via acquisition.