



Australian Securities Exchange  
Company Announcements Platform  
27 February 2015

UXC Limited  
ABN 65 067 682 928

## MARKET ANNOUNCEMENT

### Investor Presentation

Attached is the full Investor Presentation re-lodged as per our prior announcement.

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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.

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of UXC Limited ("UXC") and certain plans and objectives of the management of UXC. Forward-looking statements can generally be identified by the use of words such as 'project', 'believe', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'could', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of UXC, which may cause the actual results or performance of UXC to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this announcement. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, fluctuations in foreign currency exchange and interest rates, competition, UXC's relationships with, and the financial condition of, its suppliers and customers, or legislative changes, or regulatory changes or other changes in the laws which affect UXC's business. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements. Readers should not place undue reliance on forward looking statements. Except as required by law and ASX Listing Rules, UXC undertakes no obligation to update publicly or otherwise revise any forward looking statement as a result of new information, future events or other factors.

# UXC Limited 2015 Half Year Results

ACN 067 682 928

Creating long-term shareholder value

Cris Nicolli - Managing Director

Iona MacPherson - Chief Financial Officer & Company Secretary



# Disclaimer

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## Financial Highlights

- | Strategy delivers strong earnings and revenue growth
- | UXC has delivered strong growth in key financial indicators
- | Business growth on track
- | 10 years of growing revenues
- | Capital management



# Strategy delivers strong earnings & revenue growth

## Financial Highlights

- NPAT from continuing operations increased 94% to \$7.6m
- Reported NPAT increased 81% to \$7.1m
- EBIT increased 64% to \$10.4m reflecting better service margins
- Revenues increased 9% to \$322.2m on new business, a record result and retention of existing major clients
- Net Debt reduced to \$20.5m from \$51.9m and gearing reduced to 8% from 20%
- A fully franked interim dividend of 1.7 cents up 127%
- Dividend yield 5.8% fully franked (based on a 12 month average share price)
- Return on equity up 68% to 6.4%

# Strategy delivers strong earnings & revenue growth cont'd.....

## Operational Highlights

- Strong improvement in underlying earnings
- Positive growth in North America. Aspirations on track to be a \$100m+ business
- Strong growth in revenues from top 50 clients
- Annuity revenues now 29% of total revenue
- Enhancements to project delivery continues to improve earnings
- Acquired businesses contributing well to UXC growth – earnings accretive and strengthening UXC's strategic positioning
- Strategic shift away from lower margin product and licence revenues meant that overall organic revenues declined marginally



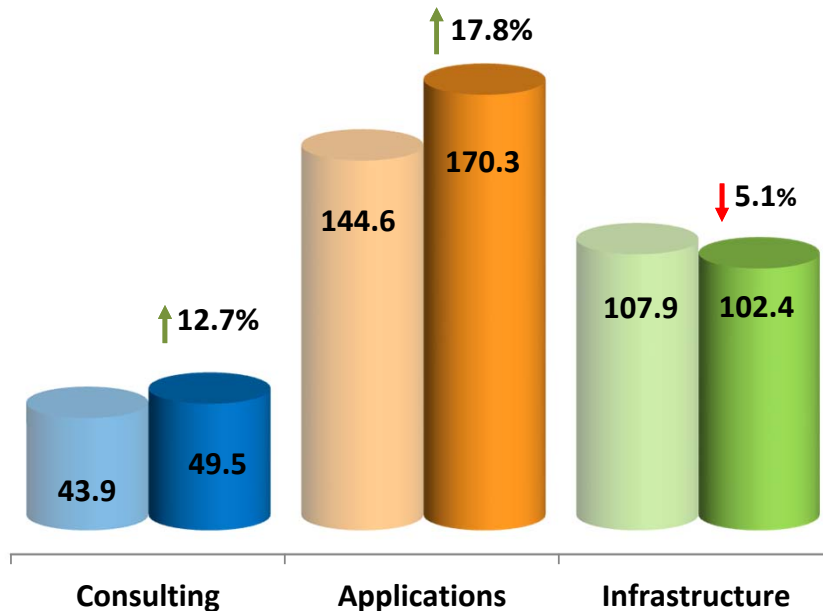
# UXC has delivered strong growth in key financial indicators

	1H 15 \$m	1H 14 \$m	% Change	Comment
Revenue	322.2	296.4	↑ 9	Growth of key clients and acquisitions contribute to growth
EBITDA*	15.0	10.2	↑ 47	Acquisitions and shifting revenue mix
EBIT*	10.4	6.3	↑ 64	Increase in PPA amortisation and depreciation associated with new office facilities
PBT*	9.2	5.7	↑ 61	Increase in borrowing costs - increased debt facilities for completed acquisitions
NPAT*	7.6	3.9	↑ 94	One-off \$1.1m tax benefit relating to North American business
Statutory NPAT	7.1	3.9	↑ 81	
	<b>Cents</b>	<b>Cents</b>		
EPS (Basic)	2.18	1.25	↑ 74	In line with results
Dividend & Yield	1.7	0.75	↑ 127	Payout ratio of 79%; based on strong 1H NPAT and confidence in outlook for 2H15. Dividend yield 5.8% fully franked (based on a 12 month average share price)
Return on Equity	6.4%	3.8%	↑ 68	

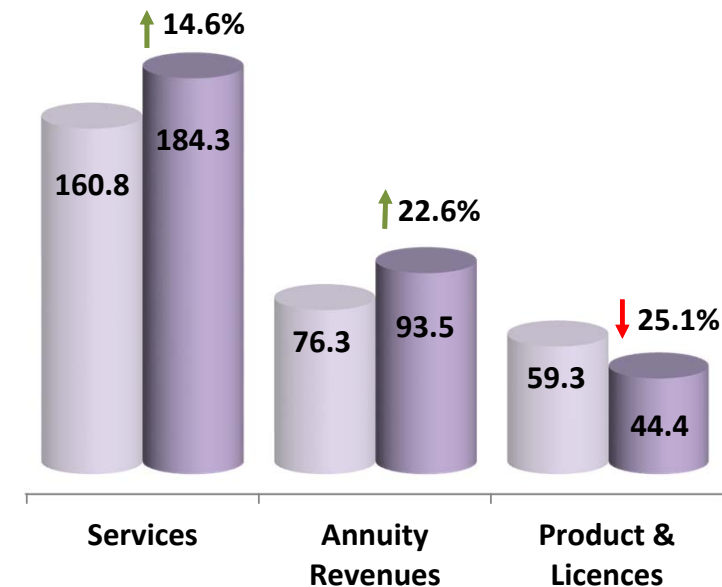
\* From continuing operations

# Business growth on track

Revenue (\$m) by UXC Segment 1H14 vs 1H15



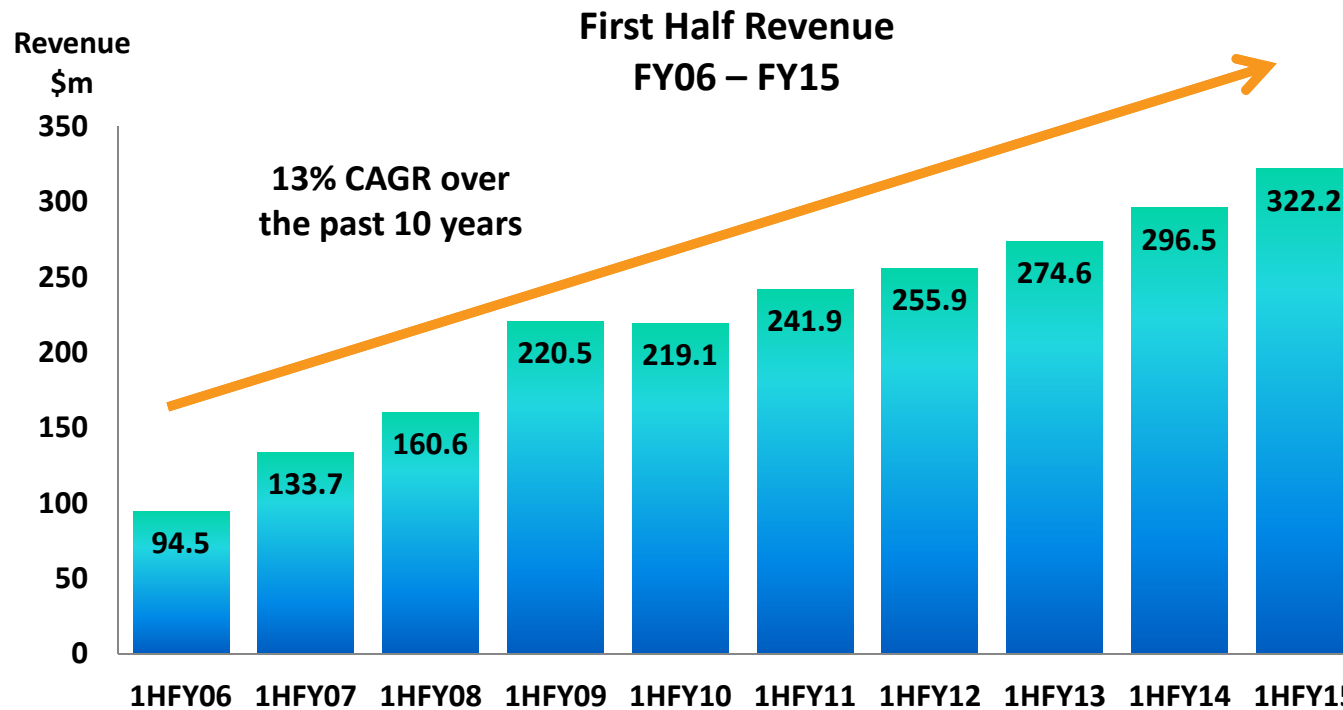
Revenue (\$m) by UXC Offering 1H14 vs 1H15



- Total Revenue up 9%
- Small decline in Infrastructure segment through strategic shift from lower margin Products and Licences revenues
- Annuity Revenues up 23% and increasing percentage of Total Revenue
- Retained clients and acquisitions support rise in Services Revenue



## UXC: 10 years of growing revenues



# Capital Management

## **Conservatively geared balance sheet supported by cash flows**

Gearing ratio of 8% down  
from 20% in 1H14

- Bank facilities renegotiated in November 2014
- Net debt down to \$20.5m from \$51.9m in pcp
- Gearing ratio of 8% down from 20% - further improvement expected by June
- Disciplined approach to capital expenditure
- Confident in ability to convert majority of EBITDA to cash over full year
- Cash flows skewed to second half in line with earnings. First half impacted by:
  - Funding of Saltbush
  - Employee incentives
  - Earn out for acquisitions
  - Final dividend payment
- Review of opportunities for working capital improvements will continue:
  - Work In Progress management
  - Invoicing cycles to improve Days Sales Outstanding
  - Trade creditor terms in conjunction with strategic sourcing efforts
  - Customer payment cycles

## **Working capital**

## Major cash flow items

(1HFY15 unaudited) MARGINS BY SEGMENT	31 DEC 14 \$000	31 DEC 13 \$000
<b>Opening cash</b>	<b>19,724</b>	<b>34,343</b>
<b>Payments for:</b>		
Income tax	(5,172)	(5,052)
Acquired business (net)	(3,227)	(40,555)
Capex and other intangibles	(3,676)	(5,050)
Dividends	(8,364)	(10,373)
Other (net cash flow from ops)	2,898	(16,915)
<b>Proceeds from:</b>		
Borrowings (net)	15,340	60,283
Other	1,238	539
<b>CLOSING CASH</b>	<b>18,761</b>	<b>17,220</b>

### Cash Flow affected by seasonal factors consistent with UXC history

- Significant disbursements made in the September quarter relating to employee bonuses and incentives
- Improved working capital - debtor days from 84 to 70
- Higher earnings converted successfully to cash
- Improved customer contract terms
- Cash flow is expected to generally be equivalent to EBITDA for FY15, consistent with prior years.
- Payments for acquired business - \$2.6m for 1H15; \$0.6m - FY13 and FY14 acquisition earnouts
- Capex includes \$2.1m (\$3.1m in 1H14) of leasehold improvements for consolidation of city offices

# Operational Highlights

- | Diversified client base
- | Diversified industries
- | Diversified geographies
- | Diversified technologies
- | New acquisition
- | Operational initiatives



## Diversified client base

### Top 50 clients:

Revenue up 9% from top 50 clients representing 55% of revenue

### Top 100 clients:

Revenue up 10% from top 100 clients representing 68% of revenue

- Revenue from top 50 clients represents 55% of total revenue
- Successful client strategy / retention and expansion of services
- Proactive partnerships – bringing solutions and choices to clients
- Key client contracts with long term annuity streams
- Strong base of medium enterprise clients
- Confident of adding new >\$5m clients
- New UXC cross-business accounts focus

### Customer Profile

Annual Revenue	New Customers	Total No. Customers
>\$5m	2	18
>\$3m	3	38
>\$1m	15	125

- UXC acquired 20 new million-dollar plus customers during 1HFY15.
- **UXC lost no customers who had spent more than \$2 million with us in the previous corresponding period.**

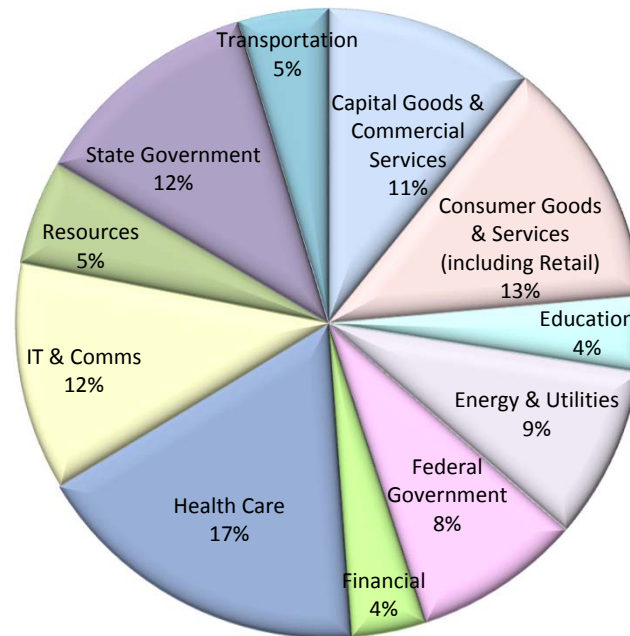
# Diversified industries

## Select Movements from 1H FY14

- Health up from 15% to 17%
- State & Federal Government (ex Health) stable at 20%
- Consumer goods and services up from 10% to 13%
- Other sectors stable

- UXC has exceptionally strong diversification across industry sectors, providing protection against a downturn in any particular industry
- Retail will be a key focus for the future given the opportunity in the Microsoft Dynamics market

**H1 FY15 Revenue**





# Diversified geographies

## North American Market

Revenue of circa \$70m per annum

230 employees

- The North American market performed strongly
- Microsoft Dynamics has a strong presence in this market and is investing to grow its new Dynamics AX and Azure products and services
- Opportunities to deliver larger and more complex projects as UXC's ability to deliver complex projects is proven in this market
- Scale derived from Tectura acquisition enhances opportunities in the high growth North American markets particularly retail. Aspirations on track to build a \$100m + business

## South East Asia / India

- Convergence Group acquisition in late FY14 provides some increased presence in South East Asia
- Building offshore presence and partnerships to offer clients selected lower cost services and capabilities

# Diversified technologies

## Applications:

Major competitive differentiator and driver of growth

- Contributes 50% of revenue
- Leading global partnerships: Microsoft; SAP; Oracle; ServiceNow and access to current and emerging products - SaaS and Cloud applications
- UXC model gives clients choice in ERP and Business Intelligence
- Drives higher value, longer duration projects, predictable revenues
- Building expertise in service management – awarded **Master Partner** for ServiceNow (only Master Partner in Australia and New Zealand)

## Emerging technologies:

Identify and monetise.

Market research offers clients insights into emerging IT trends

- UXC's ability to identify emerging technologies and monetise solutions has contributed to its success and positions the company well for the future
- UXC at the forefront of selectively bringing emerging technologies to clients that provide entry points for the disruption of legacy and inflexible costly systems
- UXC's market research arm offers clients insights into emerging IT trends
- Examples of emerging technologies: analytics; big data; digital; mobility; service management; IT cost management; customer experience; collaboration; etc.

# New acquisition

## **UXC Saltbush Group:**

Leading provider of cyber and information security systems

- Cyber and information security increasingly important issue for the market
- Results ahead of Management forecasts
- Example of value-add approach UXC brings to its clients
- \$12m revenues; 66 staff
- Keep brand name with UXC to retain market positioning
- Integrated with Consulting segment
- Leveraging capabilities and services into UXC client base
- Reduced back office costs

# Operational initiatives

- | Disciplined approach to project management to achieve improved delivery and margins
- | Successful integration of acquisitions into existing business units
- | Continual vigilance in operational management:
  - Utilisation
  - Cost control
  - Capex
- | Lower cost enterprise delivery models (offshore)
- | Sydney office facilities consolidation planned for May 2015 following consolidation of Melbourne facilities in late 2013
- | Greater collaboration across business units to deliver a more streamlined offering to clients

## UXC's Market Industry Trends

- | Strategic importance of IT to business
- | Spending on Enterprise Resource Planning remains strong



# Strategic importance of IT to business

## **Information Technology:**

Essential expenditure for all enterprises and governments

## **IT Budgets:**

≈ 50% spent on innovation and business transformation

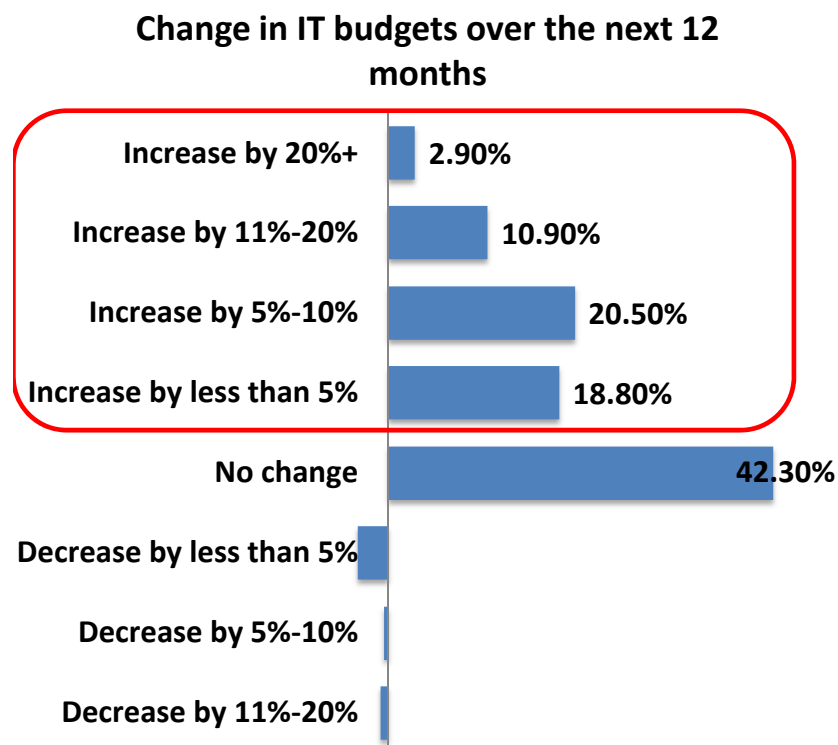
- Investment in IT increasing:
  - ≈ 3% of organisation's revenue
  - ≈ 5% of Small & Medium-size Enterprise revenue
- Source of competitive advantage
- Enabler for productivity improvement
- New technologies bring risk management and implementation challenges
- Cloud and mobile applications driving business priorities
- Focus on reducing costs and productivity improvements
- Prefer to outsource underlying innovation; e.g. mobile applications
- Awareness of disruptive technologies to cause major business rethink

Data from Telsyte Australian Digital Workplace Study 2015

*UXC's capabilities positions us well to take advantage of these opportunities*



# Spending on Enterprise Resource Planning remains strong



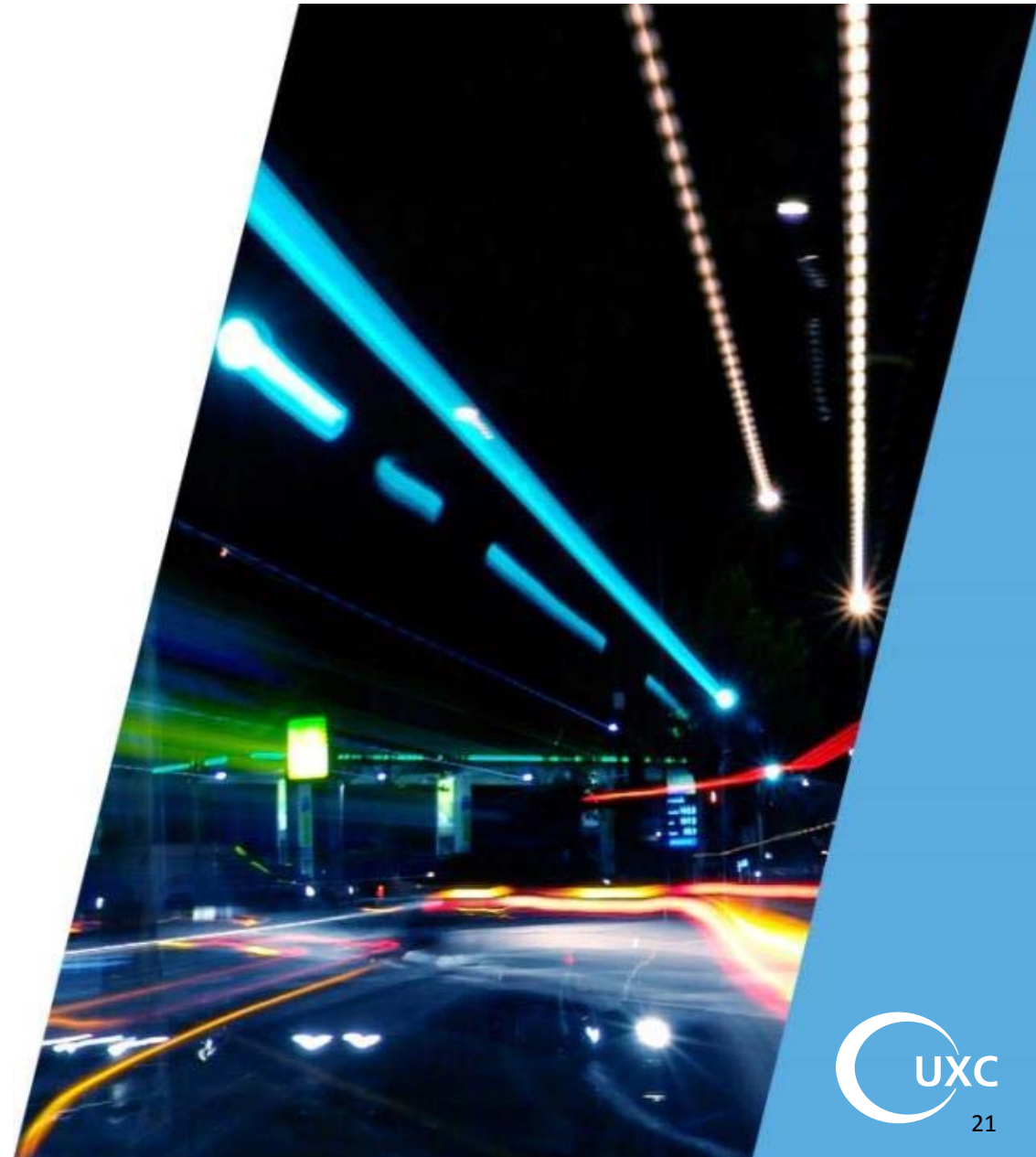
Data from Telsyte Australian Digital Workplace Study 2015

- ERP spending outlook for 2015 is strong in UXC's addressable market
- UXC has leading relationships with leading global vendors
  - Microsoft
  - Oracle
  - SAP
  - ServiceNow
- 13% of organisations looking to increase ERP spending by more than 10%

*UXC's investment in the Applications business positions us competitively to service these opportunities*

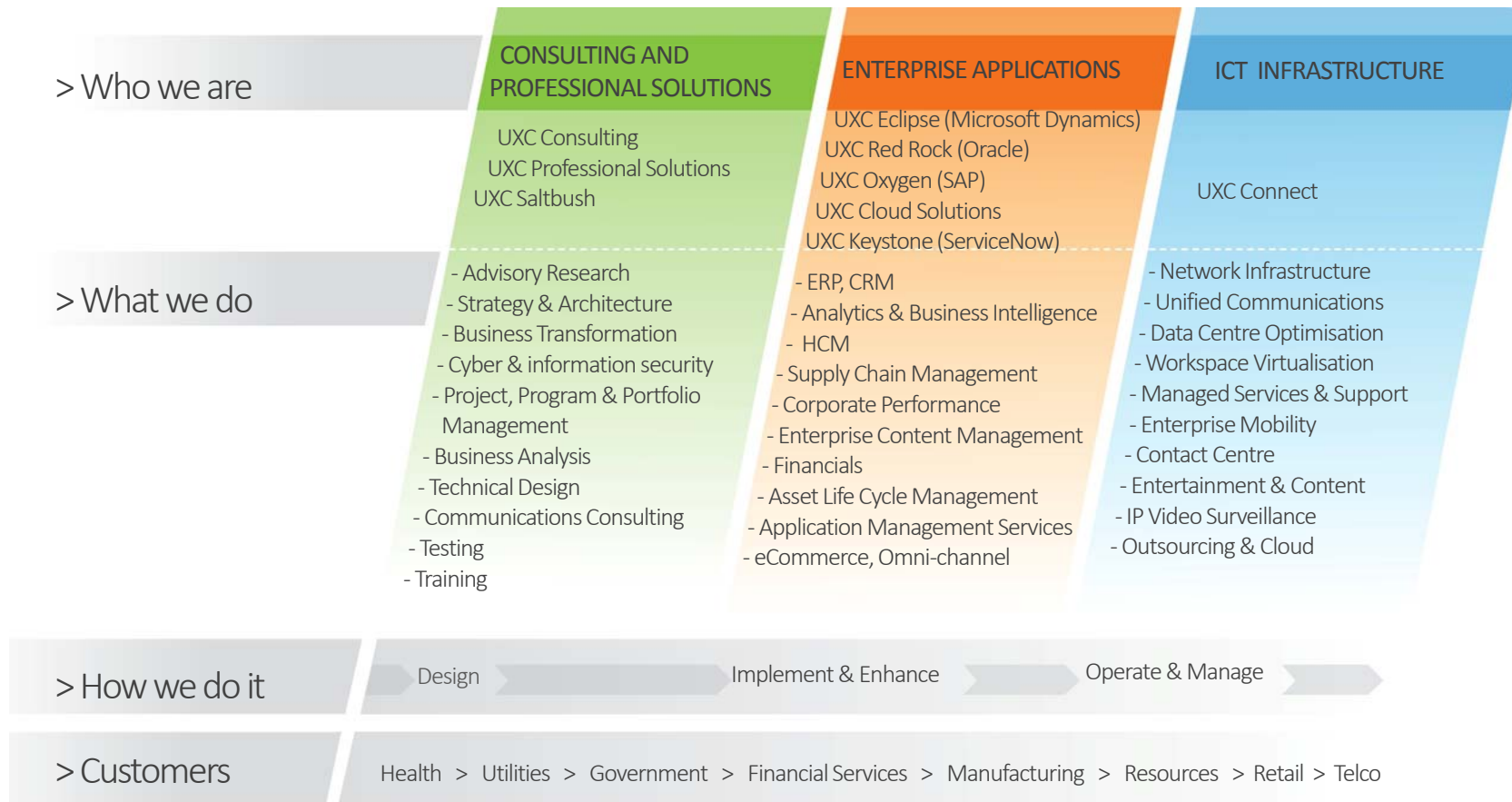
## UXC Business Model

- | Integrated and diversified offering
- | Growing UXC
- | Building strong client offering



# UXC Differentiators

## UXC – the Integrated Model



# Growing UXC

## **Acquisition Strategy:**

Building new capabilities  
meeting client needs

- Continue to unlock value from current acquisitions
- Creates new product offerings for existing UXC clients
- Creates new clients for existing UXC services and solutions
- Focus on predicting current and future client needs

## **North American Markets:**

Broadens client base

- Tectura acquisition has opened many new doors in USA and Canada
- Microsoft Dynamics has a strong market position and is investing to grow its stable of new products and services
- Opportunities to deliver larger and more complex projects; as UXC ability to deliver complex projects proven

# Building strong client offering

## **Client centricity:**

Retaining and winning new customers

- Proactive client relationships: anticipate their issues and requirements. Innovate for their benefit and ours.
- Respected capability in cloud based architecture and solutions
- Diverse technologies/services ideally suited to medium to large enterprises
- Agility and committed to delivering quality outcomes
- Can and do deliver international solutions

## **Building global partnerships:**

Giving clients choice

- Partnerships with global leaders SAP, Oracle, Microsoft, ServiceNow, Cisco, Apptio, Tableau and others: provides competitive advantage
- Creating more entry and solution points – SaaS, Cloud applications
- Find solutions to future issues today

# Outlook





# Profitable growth

## Strong second half

- Traditional UXC and industry market skew
- 53% of 2H15 revenue in Managed and Contracted Services with locked-in projects
- Full impact of acquisitions
- Anticipated new contract wins

## Profitable growth

- Increased volume in 2HFY15 will drive increased earnings quality
- Leveraging of acquisitions into client base
- Lower bid/opportunity capture costs in 2HFY15
- Improve business and scale efficiencies
- Product mix and offerings to clients
- Single view of customer
- Leadership program, staff training - for improved capability and retention

# Outlook

## Segment Margins

(1HFY15 unaudited) MARGINS BY SEGMENT	1HFY13	1HFY14*	1HFY15
Consulting	8.0%	7.7%	7.9%
Applications	9.1%	8.5%	8.4%
Infrastructure	2.0%	-0.1%	3.1%

(\* as per pg 19 / note 3)

# Outlook

- | Execution of strategy is beginning to deliver improved earnings
- | Change in business mix including increasing annuity business is improving our UXC relevancy to customers and enhancing our margin potential
- | Increasing focus on targeting large clients and opportunities to increase win rate and penetration into existing clients
- | Confidence in winning new large projects and contracts
- | Operational improvements in gross margin from improved delivery models
- | Increased volume from emerging technology based solutions
- | Strengthened balance sheet through working capital management
- | Market assumed to remain subdued but stable

# Creating long-term SHAREHOLDER VALUE

## QUESTIONS?



# Appendices



## Change in 1H14 Comparative Balances

- | On 20 January 2015, UXC provided updated guidance to the market, using comparatives based on the financial statements for the six months ended 31 December 2013, released to the market on 27 February 2014.
- | In the course of preparing the financial statements for the six months ended 31 December 2014, certain comparative balances were amended as detailed in note 1(d) to the financial statements.
- | The outcomes of the restatements on the balances included in the 20 January 2015 market announcement are summarised below.

	<b>1HFY15 Financial Statements \$m</b>	<b>1HFY14 Financial Statements \$m</b>	<b>Growth %</b>	<b>1HFY14 Restated Comparatives in 1HFY15 Financial Statements \$m</b>	<b>Growth %</b>
<b>Revenue</b>	\$322.2	\$291.7	10.5%	\$296.5	8.7%
<b>PBT</b>	\$8.7	\$4.6	86%	\$5.7	52%



## Statutory NPAT versus Trading NPAT

- Three items impacting the 1H15 results have been identified as non trading in nature. These are set out below in the reconciliation of Statutory NPAT to Trading NPAT

	1H15 \$000s	1H14 \$000s	Growth %
<b>Statutory / Reported NPAT</b>	<b>\$7,124</b>	<b>\$3,938</b>	<b>81</b>
<b>Add back</b>			
Restructure & Redundancy costs	\$730	\$1,313	
Discontinued Business expenditure	\$516		
Acquisition costs	\$200	\$609	
<b>Trading NPAT</b>	<b>\$8,570</b>	<b>\$5,860</b>	<b>48</b>



## Further Information

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