

21 October 2014

ASX Announcement

Empired to acquire InterGen Ltd for \$17.4 million

- Empired Limited (“Empired” or the “Company”) has entered into a Share Purchase Agreement (“Agreement”) to acquire 100% of the issued share capital in InterGen Ltd (“InterGen”) for a purchase price of \$17.4 million, paid over a 3 year period. The Agreement is subject to a small number of conditions precedent which the Company expects to be satisfied, with Completion expected by the end of October.
- At Completion Empired will pay \$5m to the InterGen vendors settled through \$1.8m in cash and, subject to shareholder approval, the issue of 4.3m fully paid ordinary shares in Empired.
- The remaining \$12.4m will be settled in cash and is subject to EBITDA performance criteria. This remaining consideration will be paid over a 3 year period with \$2m due on 30 April 2015, \$5.2m due on 30 April 2016 and the final \$5.2m due on 30 April 2017.
- The transaction will be fully funded from Empired’s current balance sheet.

Transaction Highlights

- InterGen has annualised Revenue of \$60m, nearly equal to Empired’s FY14 Revenue of \$67m. InterGen has achieved an organic compound annual growth rate (“CAGR”) in Revenue of 25% since inception.
- With 370 staff, InterGen will provide an 85% increase to Empired’s staff numbers. Empired will have total staff post transaction of approximately 800 professionals, cementing Empired as a leader amongst its ASX listed peers in scale, capability and geographic reach.
- Acquisition cements Empired as the largest local Microsoft services provider in the Australasian region.
- Significantly expands Empired’s existing Microsoft Application services portfolio. Importantly, extends Empired’s Microsoft Dynamics business, complementing our market leading CRM practice with Enterprise Resource Planning (ERP) capability, a large and high growth market not previously contested by Empired.
- Introduces New Zealand as a major region of operation for Empired, a growth market with ready access to highly skilled and attractive labour cost.
- Leveraged into high growth markets with proprietary cloud and ‘as a service’ solutions based on Microsoft technologies. Already deployed into a range of large government departments with opportunities for substantial growth.
- **Empired expects FY16 Revenue in the range of \$145m to \$165m.**

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Key InterGen Facts

- InterGen is a tier 1 IT Services company that delivers business outcomes to medium and large companies across all industries using the full range of Microsoft Solutions.
- Australasia's largest dedicated provider of Microsoft based applications; a proven track record, employing many of the leading Microsoft experts in NZ & Australia.
- Strong historical growth: from 38 employees in 2001 to \$60m revenue and 370 employees today across eight locations throughout Australia, New Zealand and the US with historical organic revenue CAGR of 25%.
- Blue chip clients: Long Term clients include many large public & private companies and key government entities. The number of \$1m+ contracts exceeded eleven in 2013, rising from five in 2011, after recently signing a new multi-million dollar contract with a large government agency.
- Validation from loyal customers: Top 50 clients have an average 8yrs+ relationships and an average contractual value of \$3.4m per client. Microsoft is InterGen's largest client in terms of contractual value; a reflection of InterGen's service quality, reliability and advantage.
- Seattle advantage: InterGen provides leading edge solutions to Microsoft via its Seattle office, working closely with Microsoft on its new technologies and solutions; which in turn offers key benefits to InterGen and its clients.
- Proprietary Technology: using internally developed IP to provide enterprise content & records management to NZ government agencies on a "as a service" basis. InterGen believes the broader NZ government opportunity has the potential to exceed \$80m over the coming years.
- Award winning: A track record that speaks for itself; InterGen has received Microsoft Partner awards in 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014 including overall Partner of the Year in 2008, 2010 and 2012.

Other Key Deal Terms

- The purchase price is subject to FY15 and FY16 EBITDA performance, with the total purchase price based on an FY16 EBITDA multiple consistent with recent transaction multiples announced by Empired. A financial year for the purposes of performance measurement relates to the period between 1 April 2015 and 31 March 2016.
- Key management are committed to a long term future with Empired with significant financial penalties should they leave within the 3 years post completion.

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Release

Australian listed IT services company Empired Limited ("**Empired**" or the "**Company**") today announced that it had agreed to acquire leading IT services provider Interger Ltd ("**Interger**") for \$17.4 million. The acquisition is subject to a small number of conditions precedent and subsequent which Empired expect to be satisfied, with Completion expected by the end of October.

Empired will pay the \$17.4 million over a three year period with \$5m paid on completion through a combination of cash and shares. The remaining \$12.4m is subject to FY15 and FY16 EBITDA performance with \$2m due on 30 April 2015, \$5.2m due on 30 April 2016 and the final \$5.2m due on 30 April 2017.

The total purchase price is based on an EBITDA multiple consistent with recent transaction multiples announced by Empired. The acquisition will be earnings accretive and is expected to generate approximately \$60 million in Revenue on a full year basis.

Interger is considered the market leader and Australasia's largest dedicated provider of Microsoft based application services with a proven track record, employing many of the leading Microsoft experts in New Zealand and Australia.

Microsoft's strategy is to take advantage of the market trend away from "mega" projects with budgets in the tens of millions and questionable long term value. Microsoft's products offer a far lower price point, faster time to value and leverage the broader stack of products that most organisations are already deeply invested in.

Interger employ 370 IT professionals, nearly doubling Empired's existing workforce capacity bringing total headcount to approximately 800 staff and positioning Empired to deliver between \$140m and \$160m in Revenue in FY16.

Interger is a leader in Microsoft Enterprise Resource Planning (ERP) services, introducing a new service offering to Empired in a large and high growth market.

They have also invested in developing proprietary IP based on Microsoft technologies to deliver Microsoft portal solutions in the cloud on an 'as a service' or 'consumption' based model. These types of services are being rapidly adopted in the market with Interger already securing and in the process of deploying this service to four large government departments in New Zealand.

Commenting on the transaction Mr Baskerville said "This is a transformational acquisition for Empired. It strategically positions Empired as the largest provider of Microsoft based application services in the Australasian region and cements us as a leader amongst our ASX listed peers in scale, capability and geographic reach."

"Our customers will benefit from a broader range of services, backed by a strong Australian listed company that offers superior service and agility to its international competitors."

"Our market positioning is right. We are positioned to take advantage of significant growth opportunities. Capitalising on the burgeoning Microsoft opportunity with solutions clearly focused on 'as a service' and 'consumption' based models around cloud, mobility, big data/business analytics and the advent of social in the Enterprise."

Tony Stewart, Group Chief Executive Officer of Interger Limited said "I am very proud of the business we have built over the past 15 years, particularly of the great people, the 'Intergerites' that have worked tirelessly throughout this period to achieve such remarkable results for our customers and power Interger's success."

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“This process was largely about finding the right partner to support our growth and take our organisation to new heights. After a lengthy process with many participants we are delighted to be joining with Empired for the next chapter in our evolution.”

“Empired clearly articulated their strategy to the InterGen leadership team and showed where they saw key opportunities in a market that is experiencing a number of fundamental structural shifts. This, combined with what I believe is a strong cultural alignment, gives me the confidence that this transaction will result in a great success for all our key stakeholders.”

In closing Mr Baskerville said “The future is bright for Empired and I would like to take this opportunity to warmly welcome all 370 new staff members to Empired. We pride ourselves on initiative, innovation and growth and I look forward to working with you all to deliver exceptional solutions to our customers.”

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Important notice re forward looking statements

Certain statements made in this communication, may contain or comprise certain forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, and business and operational risk management. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

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About Empired Limited

Empired Limited is an IT Services provider with a broad range of capabilities targeted at delivering enterprise IT solutions that improve efficiency, productivity and competitive advantage for our clients.

Our clients are medium to large corporate and government organisations within key industries including Energy and Natural Resources, State and Federal Government, Finance and insurance, Utilities and Transport.

Our solutions are delivered through three core lines of business, Infrastructure Services, Applications & Consulting and Microsoft Business Solutions. Together they provide a breadth of service and expertise not seen in other consultancies of similar pedigree allowing Empired to deliver 'end to-end' business solutions that assist our customers in driving their key business outcomes.

With FY14 Revenue of circa \$70m and a team of over 800 people located throughout Australia and New Zealand, Empired has built a reputation for service excellence. This combined with our strategy that is underpinned by initiative, innovation and growth ensures that in a dynamic and rapidly growing technology market place Empired is strongly positioned to capture market share and continue to build on its success.

Website: www.empired.com