Empired

H1 FY18 Results Presentation

Important notice regarding 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.

H1 FY18 Results

Revenue $85m
Up 2%

Revenue ex Wellington
Up 10%

Underlying(1) EBITDA $7.3m
Up 14%

Operating cash flow
$5.3m
(H1 FY17 $0.9m)

Net Debt reduced to
$13.5m

(1) Underlying EBITDA excludes one off redundancy costs of $436,000 and doubtful debts $122,000 relating to prior period revenue.

H1 FY18 Highlights

- All major regions performing well outside of Wellington, which was disrupted as a result of the protracted New Zealand election period
- Solid performance in growth regions with NSW Revenue up 15% and Auckland up 18%
- WA Revenue up 10% and poised for solid growth in H2
- Underlying EBITDA up 14% to $7.3m
- Underlying EBITDA margin up from 7.6% to 8.5% whilst managing a decline in Wellington
- EBITDA to Operating cash conversion of 80%
- EBITDA / OCF of 100% when adjusted for $2m of work delivered during the H1 FY18 that was pre-paid by clients in H2 FY17

Results

- **Revenue growth:**
  - Revenue up 2%
  - Revenue ex Wellington up 10%
  - Australia up 10%, NZ down 13%
  - Expect solid H2 revenue growth
- **GM maintained** despite decline in NZ public sector spend
- **Underlying EBITDA**[(1)] up 14%
- **D&A** running ahead of CAPEX
- **Interest** expected to continue to reduce with reducing debt profile.

$m	H1 FY18	H1 FY17	Change
Revenue	85.0	84.0	2%
Gross profit	28.9	26.5	9%
Underlying EBITDA	7.3	6.4	14%
Depn & Amort	(4.2)	(3.9)	
Interest	(0.6)	(1.2)	(50)%
Tax	(0.4)	(0.2)	
NPAT	1.5	1.1	33%
Gross Margin	34%	32%	
Underlying EBITDA / Revenue %	8.5%	7.6%	

(1) *Underlying EBITDA excludes $0.6m comprising redundancy costs $0.5m and $0.1m in doubtful debts relating to a prior period.*

Cash flow

- Operating Cash Flow (OCF) of $5.3m up from $0.9m
- OCF / EBITDA conversion of 80% and 100% when adjusted for $2m of work delivered during the H1 FY18 that was pre-paid by clients in H2 FY17
- CAPEX down $0.5m on prior period
- CAPEX running below DA in H1
- Interest reduced in H1 and expected to reduce further in H2 as debt levels continue to reduce

$m	H1 FY18	H1 FY17	FY17
EBITDA	6.7	6.4	15.4
Tax paid	(0.3)	(0.7)	(0.7)
Working capital changes	(1.5)	(4.8)	(5.2)
Other	0.3	0.0	0.3
Operating cash flow	**5.3**	**0.9**	**9.8**
Capex	(3.7)	(4.2)	(10.9)
Deferred consideration paid (borrowings)	-	(1.2)	(8.7)
Proceeds from borrowings	0.1	3.1	4.0
Repayment of borrowings	(2.0)	(3.5)	(11.3)
Interest paid (net)	(0.7)	(1.2)	(2.0)
Equity raising	-	0.2	15.1
Change in cash and overdrafts	**(1.1)**	**(5.9)**	**(4.0)**

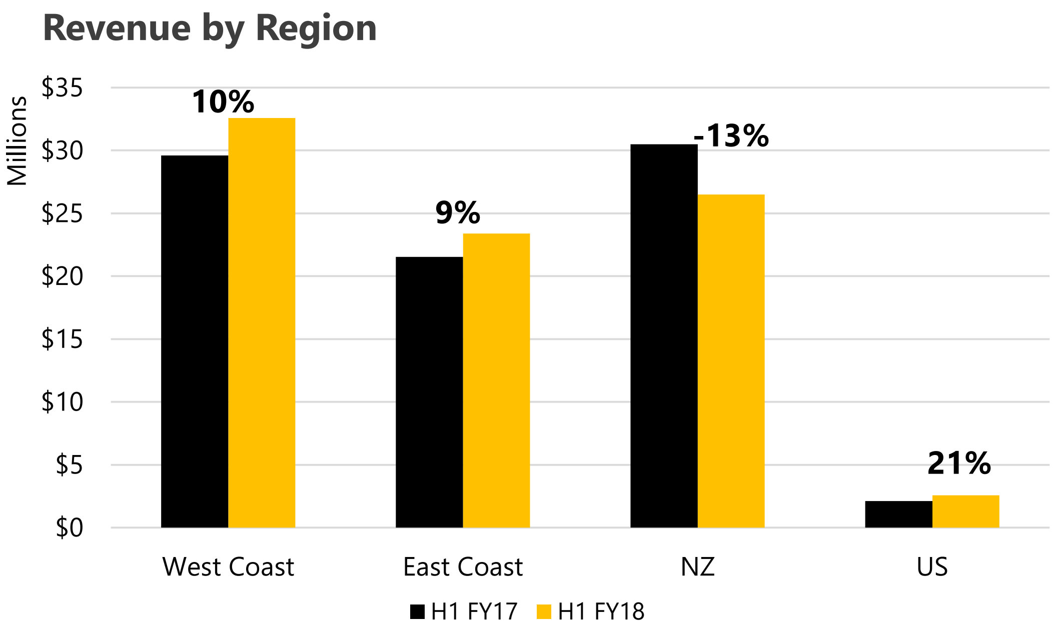
Financial position

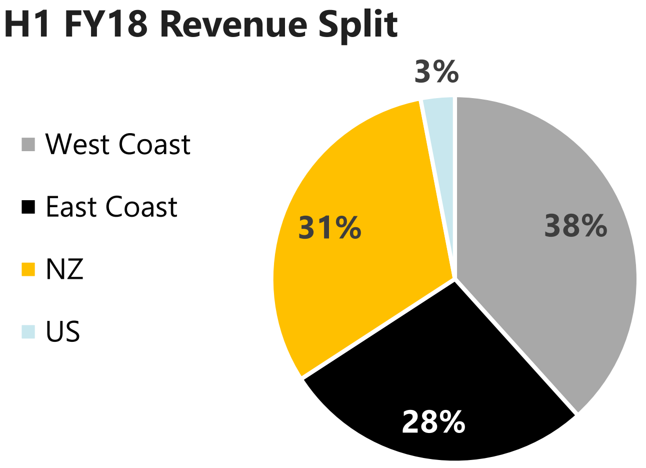
- Receivables and WIP reduced from June 17 levels
- Net debt reduced to $13.5m
- Current assets to current liabilities improving to 108%
- Gearing of 16%

$m	Dec-17	Jun-17	Dec-16
Cash	**2.2**	2.0	3.1
Receivables and WIP	**29.8**	32.5	29.5
Other	**2.2**	2.4	2.6
Current Assets	**34.1**	36.8	35.2
Plant & Equipment	**18.6**	21.0	20.6
Intangibles and other	**62.7**	61.3	60.6
Non Current Assets	**81.3**	82.2	81.2
Payables	**17.8**	22.1	19.6
Borrowings	**8.1**	6.7	21.8
Provisions and other	**5.9**	5.9	5.2
Current Liabilities	**31.8**	34.7	46.6
Borrowings	**7.5**	9.1	11.6
Provisions	**3.5**	4.0	4.4
Non Current Liabilities	**11.0**	13	16
Net Assets / Equity	**72.6**	71.3	53.7
Net debt (Nd)	**13.5**	13.8	30.3
Gearing Nd/(Nd+Equity)	**16%**	16%	36%

Revenue

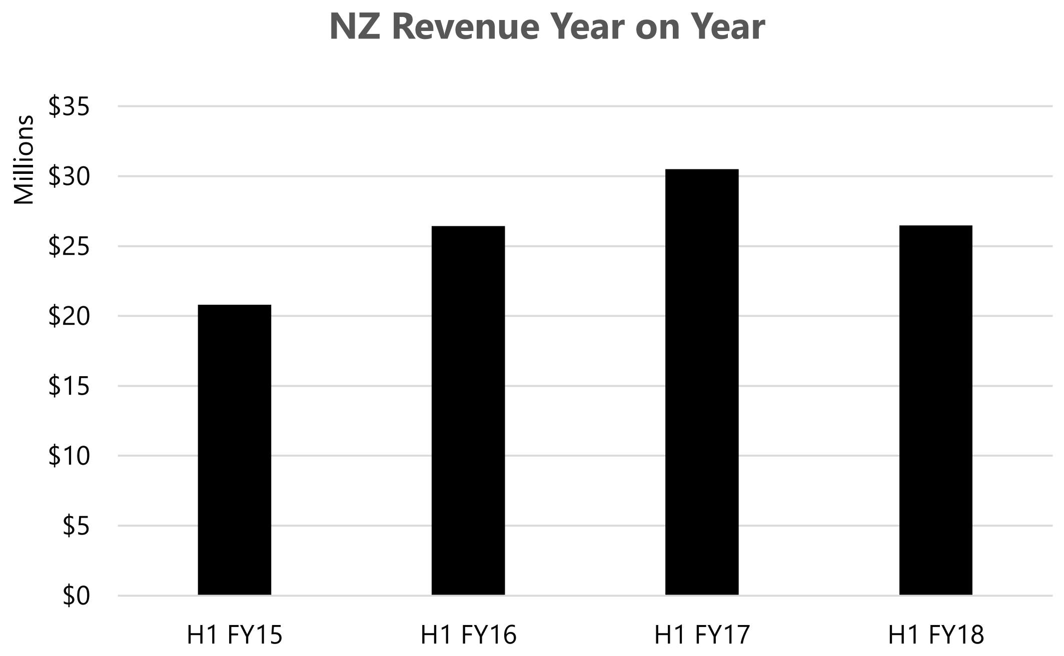
- Revenue ex Wellington up 10%
- NZ Revenue growth heavily impacted by pause in NZ public sector spend through the NZ election period
- Standout growth from Auckland up 18% and NSW up 15%
- WA growth expected to accelerate in H2
- US turn around evident up 21%
- Wellington to return to growth in H2 as NZ public sector spend returns





NZ Revenue Analysis

- H1 revenue declined as a result of reduced Public Sector spend
- Management expect NZ to return to positive growth rates as Public Sector spend recovers

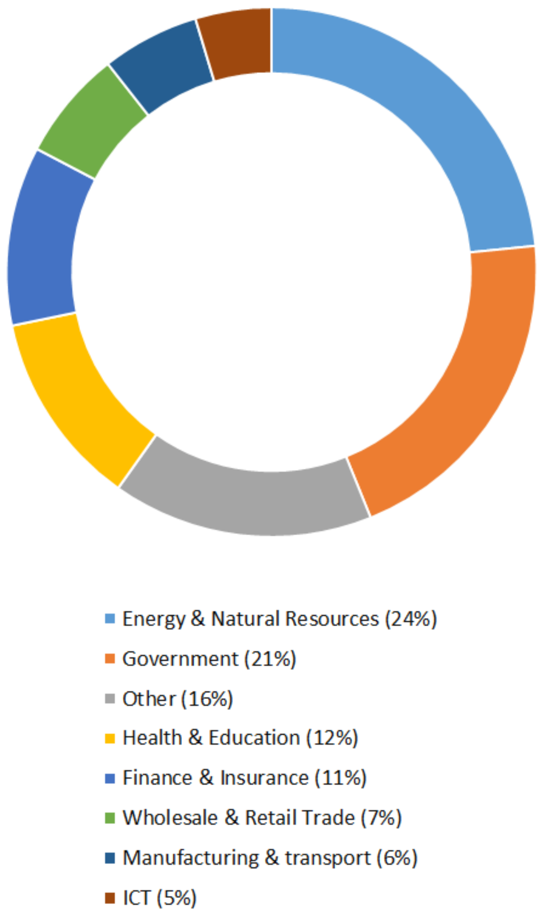


14% CAGR (H1 FY15 – H1 FY17)

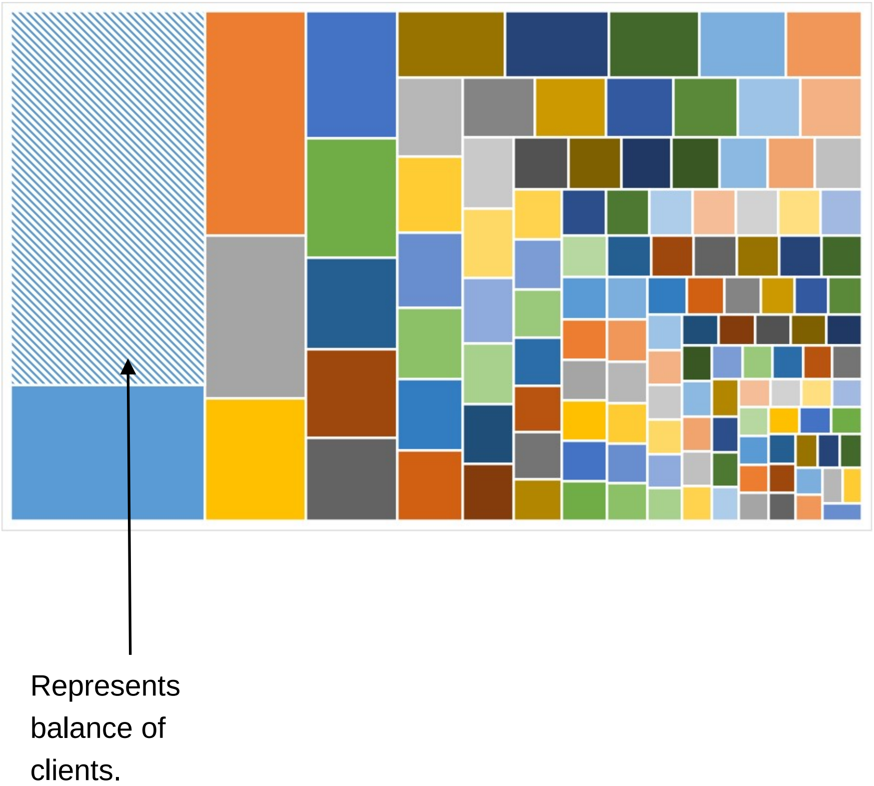
Industry & Clients

- **No over-reliance on any key sector**
- Energy & Natural Recourses up as major contracts expand in WA
- Public sector down as a result of NZ government elections
- 80% of revenue from 20% of clients
- Positioned strongly in a number of large corporate and government organisations
- Our year on year growth will be underpinned by our existing major clients

Revenue / Industry



Revenue / Clients

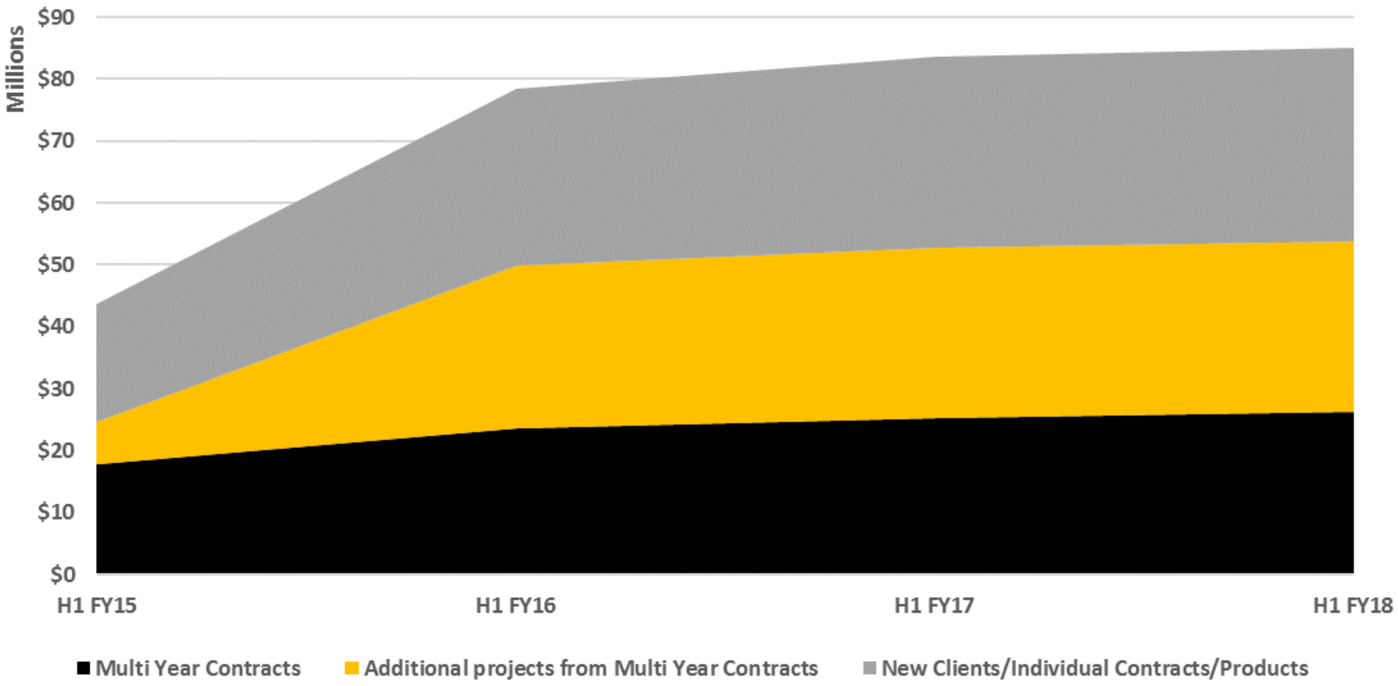


No over-reliance on any key client

Predictable Revenue

Over 60% of Revenue derived from multi-year contracts

- Focused on continuing
  generate recurring style
- Sales pipeline of multi-
  contested over coming
- Circa 50% of 'grey' area
  have spent with Empire



**Multi-year contracts is Managed services, support services and any contract that spans greater than 1 year period*

Trading Update

- Expect solid second half revenue growth
- Growth underpinned by continued demand from major enterprise clients for Empired core service offerings including Cloud, Modern Applications, Data & Analytics
- Enterprise Solutions continues to perform with growth in billable headcount
- Dynamics Practice ramping up as Microsoft ERP/CRM platform adoption accelerates
- Lifecycle Services steady with building opportunities

Outlook

- NZ continues to strengthen with a building sales pipeline
- Empired expects solid Revenue growth in H2, over H2 FY17
- Empired expects H2 EBITDA to be significantly stronger than the first half
- Strong operating cash flow in H2 will continue to reduce net debt
- Empired well placed to deliver strong earnings growth in FY19

Empired