

2 July 2019

ASX Announcement

Strategic Initiatives

The Board and Management have initiated a thorough and rigorous process in establishing FY20 priorities and targets to deliver improved cash flows and net profit after tax for the coming year and beyond. This has included a comprehensive review of the balance sheet, capital management, operating costs, and investment in sales growth. The outcomes of this are discussed in the FY20 Outlook and include:

- EPS accretive on-market share buy-back
- Operating cost reduction programme
- Strict approach to capital expenditure - expected to result in a material capex reduction
- Non-Cash asset impairment charge - resulting in a material reduction in depreciation and amortisation to approximately \$3.6m in FY20 prior to the adoption of AASB16 Leases

FY20 Outlook

- **Empired expects Revenue growth in FY20**
 - Empired has recently secured a number of **new** recurring managed services contracts plus a number of increases to existing managed services contracts. These are all expected to commence revenue generation in the first quarter FY20.
 - In addition, Empired is also in advanced stages of finalising new contractual arrangements with recurring managed services clients expected to commence in the second quarter.
 - Empired has booked record fourth quarter sales orders, up 10% PCP. This combined with a building work-book provides a strong platform as we enter FY20.
 - On the back of a number of significant contract wins throughout FY19, our New Zealand operations have performed strongly in the fourth quarter and enters FY20 with significant momentum.
 - Empired is anticipating solid growth in its strategic services solution portfolio, predominately in Digital Solutions with Microsoft Dynamics and Data Analytics as key growth drivers.
 - Empired's Microsoft Dynamics business, representing \$45m in revenue for FY19 is performing strongly, up 20% in Australia and up 10% in NZ (up 30% half on half in NZ) and is Empired's highest margin business.

- **Empired confirms that it expects improved EBITDA & materially improved NPAT & Cash Flow**
 - Workforce utilisation with a cross regional focus will be implemented with a goal of driving improved gross margins.
 - A cost reduction programme has commenced that will be delivered across FY20.
 - A material reduction in capital investments is planned for FY20 with a focus on optimising existing assets and driving free cash flow generation throughout the year.
- **Capital Management Initiatives**
 - Empired confirms the commencement of an on-market share buy-back initiated today. Empired is unable to trade in its stock until the current trading black-out period has been lifted following release of the FY19 annual financial report. Once the black-out has been lifted, Empired intends to be active in the market on an EPS accretive basis.
 - With an expectation to improving margins, reduced capex and strengthening cash flow Empired's goal is to commence the payment of dividends in the medium term.

FY19 Guidance

- **FY19 revenue is expected to be in the range of \$174m to \$177m**
- **Underlying EBITDA is expected to be in the range of \$15.2m to \$15.8m**

Underlying adjustments of approximately \$1.5m relating to restructuring initiatives, debtor provision and other one-off non-operational items.

- **Non-Cash Impairment for FY19**

Empired Limited advises that as part of its end of financial year processes a review of the carrying value of assets is being undertaken. The review is ongoing and will be completed prior to the finalisation of Empired's FY19 financial report. Based on current information the company expects to incur a non-cash impairment charge in the range of \$22m to \$25m.

As a result Empired expects FY20 depreciation and amortisation to reduce to approximately \$3.6m, prior to the adoption of AASB16 Leases.

The impairment charge will be a non-cash item and will not have an impact on:

- Cash flow
 - Operations
 - Compliance with banking covenants
 - FY19 Underlying EBITDA
- **Empired expects Net Debt to be \$14.3m at 30 June 2019**

Commenting Empired Managing Director, Russell Baskerville said "The company has undertaken an important review of its FY20 priorities as the market continues to shift toward digital and cloud based solutions."

"As the enterprise market evolves toward the adoption of public cloud solutions Empired has taken a conservative approach to the carrying values of some of its legacy assets. The company is constantly investing in new and evolving technologies and is confident that it has a compelling and modern solution portfolio to meet the needs of its customers for today and into the future."

"A major focus for the company will be delivering strong cash earnings to enhance shareholder value"

For more information, please contact:

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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.

We offer a broad range of services from managed services to digital transformation. 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 a team of over 1,000 people located throughout Australia, New Zealand and North America, 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.

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 events or circumstances after today's date or to reflect the occurrence of unanticipated events.