



AGM Presentation & FY20 Trading Update

Empired

**November
2019**

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.



Digital Systems Integrator



Empired (ASX:EPD)

Digital Operations

Digital Solutions

Software Solutions

**Leveraged to
growth segments
of the market**



Software & Solution Intellectual Property

Industry Specialisation

Broad array of solution
accelerators & Industry
based IC

Proprietary *Cloud*
based software IP

**Unique
Differentiation**



International Reach

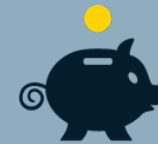
~1,000 people

Australia

New Zealand

USA

Scalable Platform



Sticky Predictable Revenue

Multi Year Services
Contracts

Very high repeat
revenue from long term
clients

Recurring *Software as a
Service* Revenue

**Long term value
drivers**



Strong Growth Platform

Attractive market
thematic

\$30B+ Market

Extensive Capability

Scalable operational
leverage

**Expect Strong EPS
Growth FY20**

FY19 Results

- Revenue of \$176m - up 1% YoY
- Australian Revenue of \$116m, flat
- New Zealand Revenue of \$61m, up 3% YoY
- Underlying⁽¹⁾ EBITDA of \$15.3m
- NPAT \$(15.3)m – including a \$25.4m non-cash impairment charge
- Net debt \$14.3m

FY19 Highlights

- Secured \$12m+ contract with Department of Internal Affairs NZ
- Cohesion SaaS users grew 65% to 11,500 users
- 63% of Revenue was generated through multi year contracts
- Investment in Managed Services to compete on \$200m of opportunities
- Empired's Microsoft Dynamics business up 16% - Highest margin business
- Improvement in New Zealand performance
- Record fourth quarter sales orders, up 16% PCP

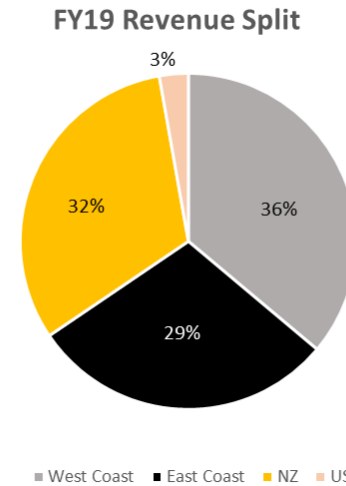
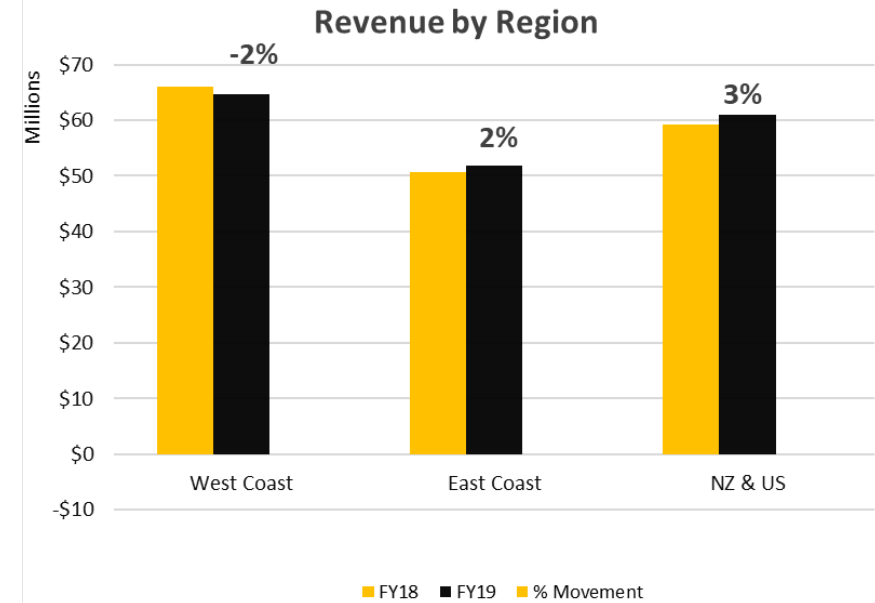
Results

- **Revenue:**
 - Australia - Flat
 - New Zealand up 3%
 - 63% of revenue from multi-year contracts
- **GM** slightly up with modest upward bias on rates as shift to digital continues
- **EBITDA** down predominately as a result of increased sales activity and expenses during the year
 - DIA and Main Roads Bid Costs
 - New Head of Sales in NZ
 - Increased investment across Australian East Coast
- **NPAT** heavily impacted by non-cash impairment, reducing D&A to circa \$3.6m pa.

\$m	FY19	FY18
Revenue	176.0	174.3
Gross profit	65.7	63.5
EBITDA⁽¹⁾	15.3	17.0
Depn & Amort ⁽²⁾	(33.8)	(8.2)
Interest	(1.3)	(1.3)
Tax	6.0	(2.0)
NPAT⁽²⁾	(15.3)	4.9
EBITDA ¹ / Revenue %	9%	10%

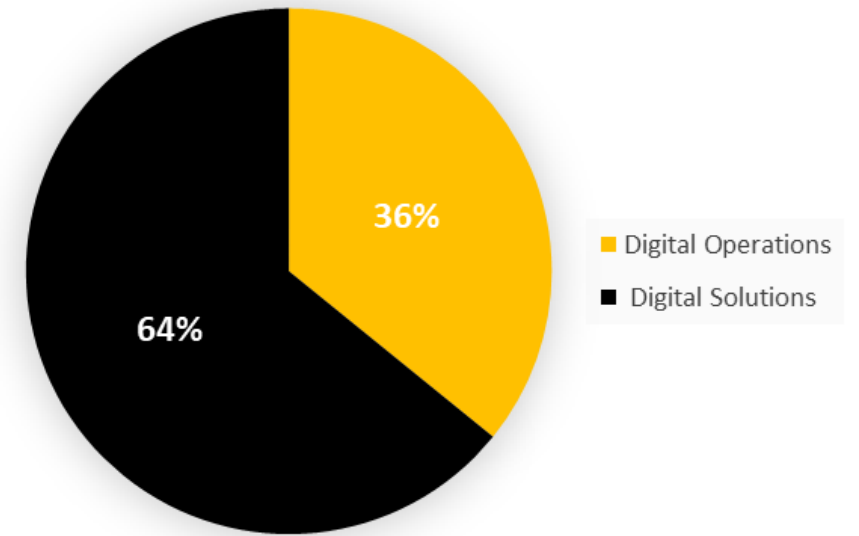
Revenue by region

- Australia - Flat
 - WA impacted by Main Roads contract-renewal cycle & subdued market conditions
 - East Coast growth reduced predominately in Victoria however Victoria improved in the second half
- New Zealand up 3%
 - Major contract wins with Department of Internal Affairs NZ, New Zealand Police and Fire and Emergency NZ
 - Microsoft Dynamics in NZ up 10% and up 30% H2 over H1.
 - Expecting growth in NZ to further improve in FY20



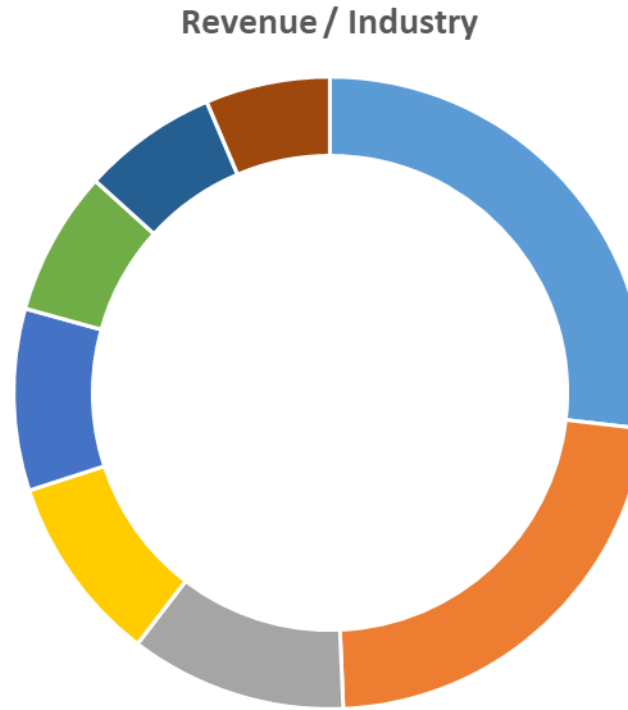
Revenue by Service

- **Digital Solutions represents 64%** of Empired Revenue
- Positioning Empired's services into a high growth part of the market
- These solutions focus on transforming our clients businesses to embrace digital business models enabled through data, technology platforms & ecosystems
- Digital Solutions include Data Analytics, Machine Learning, Artificial Intelligence, Modern Applications (Cloud & Mobile), Digital Presence, Digital Identity and Security
- Empired's Microsoft Dynamics business (major component of Digital Solutions) is up 16% with Australia up 20% and NZ up 10% (NZ up 30% half on half in NZ) and is Empired's highest margin business
- Digital Solutions operates at higher margins to Digital Operations



Industry & Clients

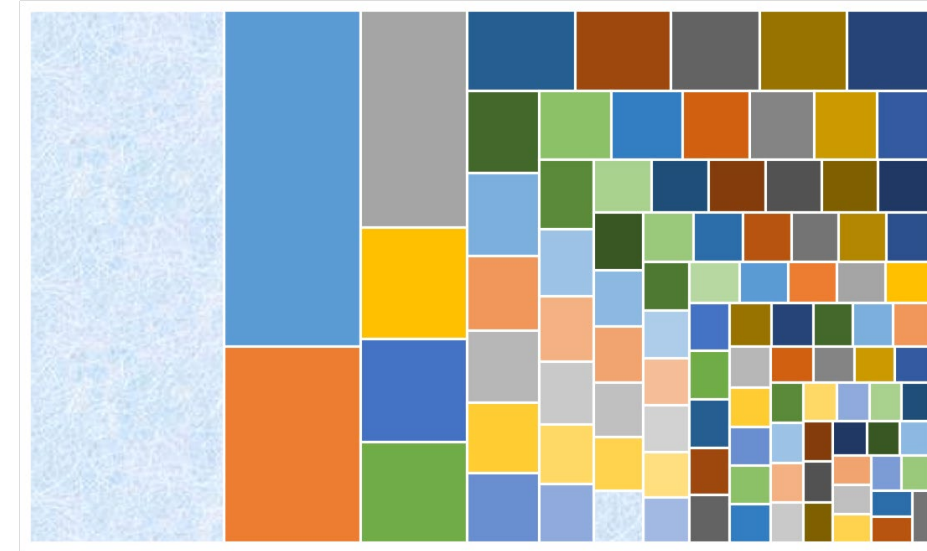
- **No over-reliance on any key sector or Client**
- Public sector grew, predominately on the back of NZ performance and remains a reliable and consistent sector across all parts of our business.
- Energy & Natural Resources sector remains a consistent industry for Empired with significant growth opportunities
- We remain focused on growth opportunities in Finance & Insurance across East Coast
- Positioned for expansion in a number of large corporate and government clients



- Government (27%)
- Energy & Natural Resources (23%)
- Health & Education (11%)
- Other (10%)
- Manufacturing & transport (9%)
- Wholesale & Retail Trade (7%)
- ICT (7%)
- Finance & Insurance (6%)

Represents
balance of
clients.
↓

Revenue / Clients

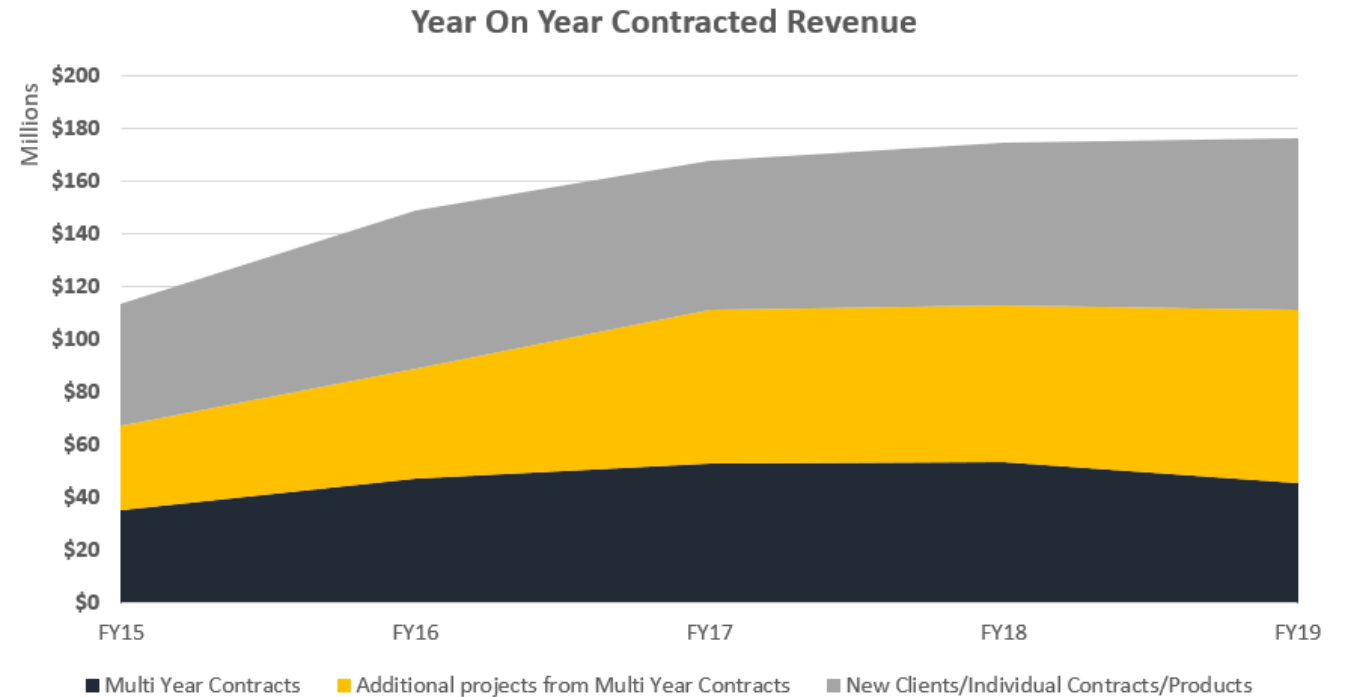


No over-reliance on any key client

Predictable Revenue

63% of Revenue derived from multi-year contracts

- Consistent and predictable revenue uplift from multi-year contracts base every year
- Base down slightly as a number contracts complete
- \$200m⁽¹⁾ pipe-line of large strategic multi year contracts to contest
- Focused on continuing to build multi-year contract and recurring revenue base through a range of annuity style services



Focus areas for FY20

- Prioritisation of cash earnings
- Reduction of CAPEX - FY20 expected to be down approximately \$6m YoY
- Tight management of Overheads – FY20 expected to be down \$3m YoY
- Growing recurring revenue – H1 New Managed Services of \$5m per annum
- Continued execution of plan to accelerate Australian East Coast Expansion
- Above will provide basis for strong increase in EPS & Free Cash Flow

Revenue Growth Initiatives

- **Australia**

- Against intense competition secured new 5 year IT Supply contract with Rio Tinto – Currently Empired's largest client
- Secured new managed services contracts with annual contract value of circa \$5m pa plus project services (Significantly replaces lost Main Roads WA revenue)
- In advanced stages of contesting a number of material recurring revenue contracts
- Strong performance in WA with high utilisation and margins
- Victoria and QLD both demonstrating signs of growth and improving performance
- East coast growth strategy enhanced with the appointment of key leadership, practice management and sales executives to drive expansion

- **New Zealand**

- Experiencing outstanding growth with record first half anticipated
- High utilisation and margins across most regions of NZ
- Standout performance and outlook for Microsoft Dynamics
- Outstanding pipeline of multi-million dollar opportunities expected to underpin growth and performance in H2

First Half Guidance

- New Zealand returned to strong growth, expect H1 up circa 15% to 20% on PCP
- Australian revenue down as company exits Main Roads WA contract & experiences modest softness in NSW region
- EBITDA⁽¹⁾ expected to be between \$8.3m & \$8.8m
- Operating cash flow to EBITDA expected to be circa 85%
- CAPEX expected to be approximately \$2.5m, reduced by \$3.1m half on half
- FY20 Overheads reduced by circa \$3m compared to FY19 as a result of cost reduction program

⁽¹⁾FY20 H1 EBITDA guidance is under the new AASB16 Leases which has the effect of increasing EBITDA by approximately \$2.2m for the current half. EBITDA excludes costs of approximately \$0.5m incurred as part of the cost reduction program undertaken in H1.



Full Year Outlook

- **Forecast material increase in NPAT & EPS**
- **Operating cash flow to EBITDA to be strong**
- **CAPEX on track to be down by approximately \$6m YoY**
- **Australian revenue anticipated to be modestly down at the full year**
- **New Zealand expected to deliver strong growth and record full year financial results**

Empire