

FY20 Half Year Results



Empired

This document has been approved by the Board of Directors.
Further information contact – Russell Baskerville MD & CEO

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.

Empired



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

**Forecasts strong EPS
Growth FY20**

H1 FY20 Results ⁽¹⁾

- Revenue of \$84.4m – down 5% pcp
 - Australian revenue down as company exits Main Roads WA contract
 - New Zealand revenue up 20%
- EBITDA⁽²⁾ of \$8.4m (in line with guidance) - down 22% on pcp
- NPAT of \$2.0m up 5% on pcp
- Operating cash flow of \$11m, up from \$3.6m pcp
- Capex substantially reduced to \$2.7m from \$5.6m in pcp
- Net debt \$10.1m down from \$14.3m at 30 June 2019 (Net debt pre AASB16 leases)

1. All comparatives and percentage movements, unless stated otherwise, have been expressed to adjust comparatives as if the impact of AASB16 Leases had previously applied. This has been done to provide a like for like comparison to the prior corresponding period.

2. EBITDA excludes costs of approximately \$0.6m incurred as part of the cost reduction program undertaken in H1.

H1 FY20 Highlights

- Secured new 3 year IT Supply contract with Rio Tinto
- Secured new managed services contracts with annual contract value of circa \$5m pa plus project services (significantly replaces lost Main Roads WA revenue)
- Record first half performance in New Zealand with revenue up 20%
- New Zealand has secured a number of multi-million dollar opportunities expected to underpin continued growth and performance
- Company advises that it has been named as preferred supplier on a material contract. Successful award of the contract will underpin significant growth momentum into FY21

Results

- **Revenue**

- Australian revenue down as the company exits Main Roads WA contract
- New Zealand revenue up 20%
- 65% of revenue from multi-year contracts

- **EBITDA**

- Modestly reduced contribution from WA
- Margins impacted on East Coast due to softness in NSW

- **Depreciation and Amortisation** includes amortisation of Right of Use Asset \$2.8m – traditional depreciation and amortisation down \$2.3m on pcip

- **Interest** includes \$0.4m against Right of Use Asset and \$0.5m of bank interest

\$m	H1FY20	Restated H1FY19	Change	Reported H1FY19
Revenue	84.4	88.6	-5%	88.6
EBITDA¹	8.4	10.8	-22%	8.2
Depn & Amort	(4.0)	(7.0)		(4.4)
EBIT	3.9	3.8	1%	3.9
Interest	(0.9)	(1.0)		(0.6)
Profit before tax	3.0	2.8	7%	3.2
Tax	(0.9)	(0.8)		(1.0)
Profit after tax	2.0	1.9	4%	2.2
EPS	1.26 c	1.18 c	5%	1.40 c

The above table restates the H1 FY19 results as if AASB16 Leases had applied in that period, the impact is as follows:

- Increased EBITDA by \$2.6m by removing rental expenses from EBITDA
- Increased D&A by \$2.6m for amortisation of the Right of Use Asset
- Increased interest by \$0.4m for the interest on the Lease liability

Cash flow impacts are shown on the next page

Cash flow

- Operating cash flow increased by \$7.4m to \$11.0m over pcip
- Positive working capital driven by reduction in receivables and contract assets
- Capex reduced from \$5.6m to \$2.7m in H1
- Free Cash Flow* increased from negative \$5.9m to positive \$4.2m
- Positive Free Cash Flow has enabled Net debt (pre AASB16) to be reduced from \$14.3m to \$10.1m at 31 December 2019

*Free Cash Flow – Operating cash flow after capex, interest and lease payments

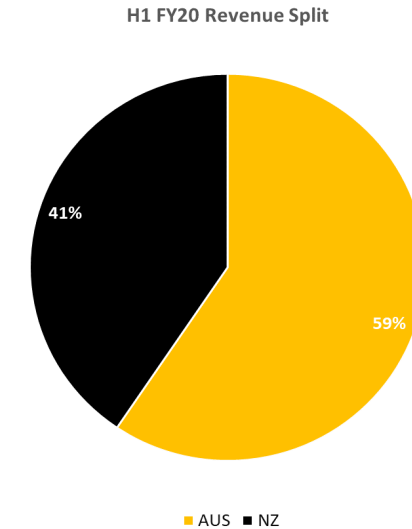
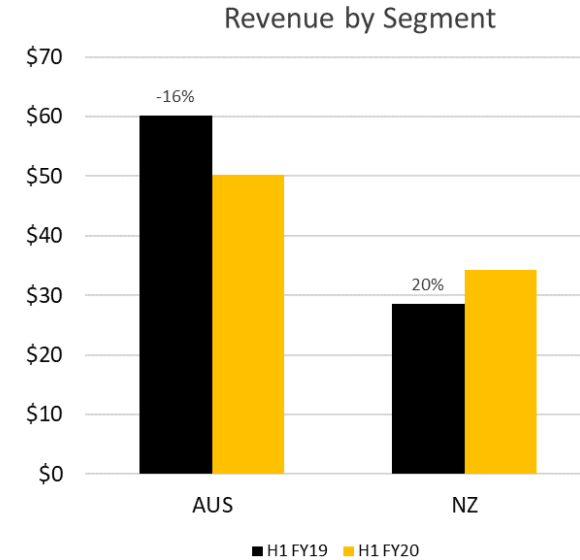
\$m	H1FY20	Restated H1FY19	Reported H1FY19
EBITDA reported	7.8	10.8	8.2
Working capital changes	3.0	(6.7)	(7.1)
Income tax	0.2	(0.5)	(0.5)
Operating cash flow	11.0	3.6	0.7
Capex	(2.7)	(5.6)	(5.6)
Lease principle	(3.1)	(2.9)	(0.3)
Lease interest	(0.4)	(0.4)	-
Bank interest	(0.5)	(0.6)	(0.6)
Free Cash Flow	4.2	(5.9)	(5.9)
Operating cash flow to EBITDA %	140%	34%	9%

The above table restates the H1 FY19 Cash flow as if AASB16 Leases had applied in that period, the impact is as follows:

- Increased Operating cash flow by \$2.9m comprising rental expense of \$2.6m removed from EBITDA plus \$0.4m lease incentive unwind included in working capital
- This rental outflow of \$2.9m now shown as:
 - Leased principle reduction \$2.5m
 - Leased interest \$0.4m

Revenue by Segment

- Australia down 16%
 - WA revenue reduced as the company completed the WA Main Roads contract
 - Both VIC and QLD grew revenue offset by softness in NSW
 - Expect return to revenue growth in Australia in FY21 on the back of contesting a number of material contracts and execution of East Coast growth initiatives
- New Zealand up 20%
 - Microsoft Dynamics in NZ leading growth
 - A number of new / expanding tier 1 corporate and government clients further contributing to growth trajectory
 - Expecting continued growth and strong NZ performance to continue underpinned by a number of multi-million dollar opportunities with new clients



Industry & Clients

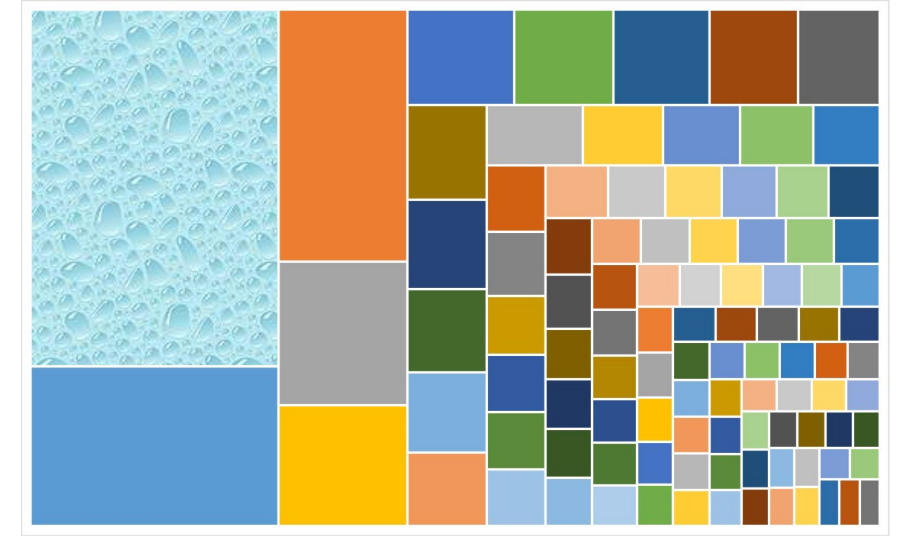
- **No over-reliance on any key sector or Client**
- Public sector grew, predominately on the back of NZ performance and remains a reliable and consistent sector across all parts of our business.
- Energy & Natural Resources sector remains a consistent industry for Empired with significant growth opportunities
- 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(32%)
■ Energy & Natural Resources (24%)
■ Health & Education (12%)
■ Manufacturing & transport (8%)
■ Wholesale & Retail Trade (7%)
■ Finance & Insurance (6%)
■ ICT (6%)
■ Other(5%)

Represents
balance of
clients.
↓

Revenue / Clients

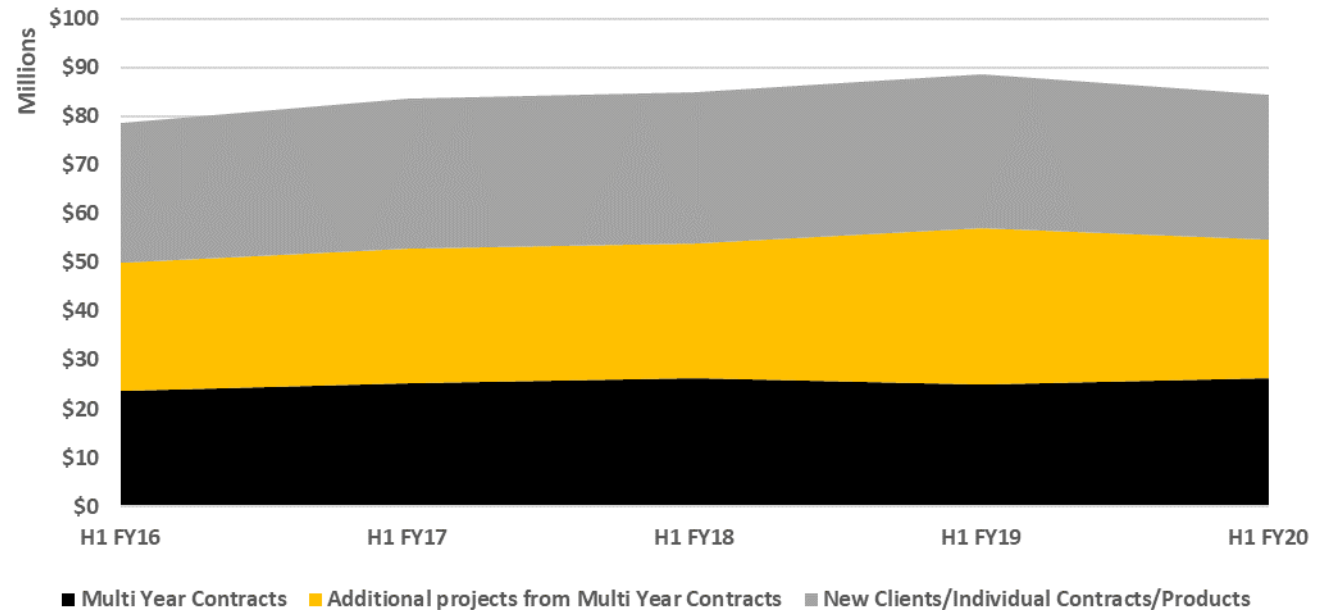


No over-reliance on any key client

Predictable Revenue

65% 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
- Solid pipe-line of large strategic multi year contracts to contest at varying stages
- 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 \$5m YoY
- Continued tight management of Overheads
- 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

- Contesting a number of large multi-year contracts that, should the company be successful, would result in material year on year growth momentum into FY21
- Executing on a clear growth strategy across the East Coast
- Expanding our Data and Microsoft Dynamics capability

New Zealand

- Capitalising on a strong Microsoft Dynamics market
- Focused expansion of our Data business
- Implementing a strategy to grow our corporate client base in Auckland
- Secured a number of multi-million dollar opportunities with new clients, expected to underpin growth and performance



Full Year Outlook

- **Forecast material increase in NPAT & EPS**
- **Expect H2 EBITDA to be higher than H1**
- **Operating cash flow to EBITDA to be closely aligned**
- **CAPEX on track to be down by approximately \$5m YoY**
- **Revenue expected to be similar to FY19 with Australia down and New Zealand up**
- **Company advises that it is in negotiations on a number of material contracts. If successful, these contracts will underpin significant revenue growth momentum into FY21**

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