

Euroz Securities 2020 Rottnest Island Institutional Investor Conference



EmpiRed

This document has been approved by the Board of Directors.

Further information contact – Russell Baskerville MD & CEO

EUROZ

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 is in negotiations on a number of material contracts. If successful, these contracts will underpin significant revenue growth momentum into FY21

The future is now ... are you ready?

Every business is becoming a digital business. Every industry, without exception, is undergoing some degree of digital disruption as the expectations of customers, citizens, patients, employees, partners, etc. are changing; driven by rapid evolving technology capabilities.

Advancements in technology are transforming the way we live our lives, and leaving a trail of obsolete technology and traditional businesses in its wake.

Empired



1990



Early 2000's



Today



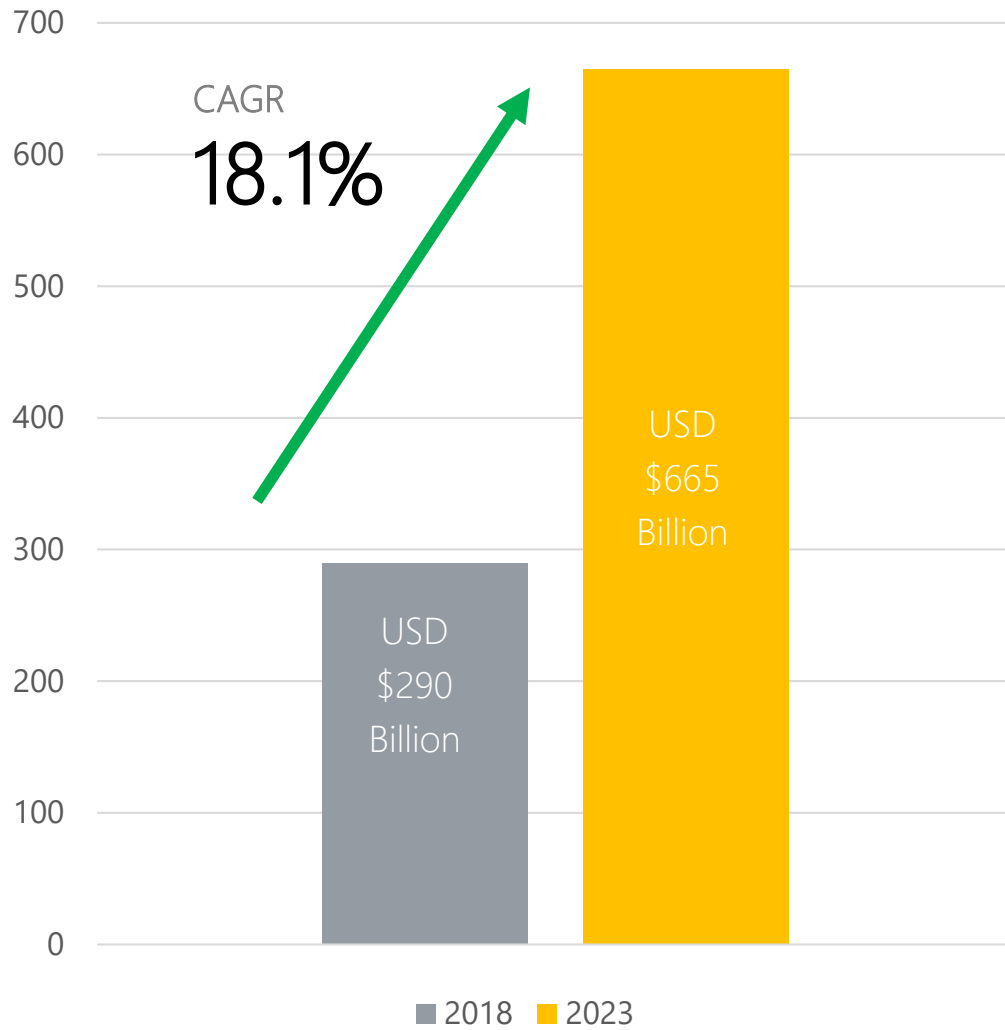
2030's?



Change has never been quicker and it is not slowing down.

The organisations that will flourish in the modern economy are those that understand and embrace the opportunities associated with technology advancements. However, many businesses are being caught off guard by the pace of change and may be threatened by what it means to their business.

Digital Transformation Growth

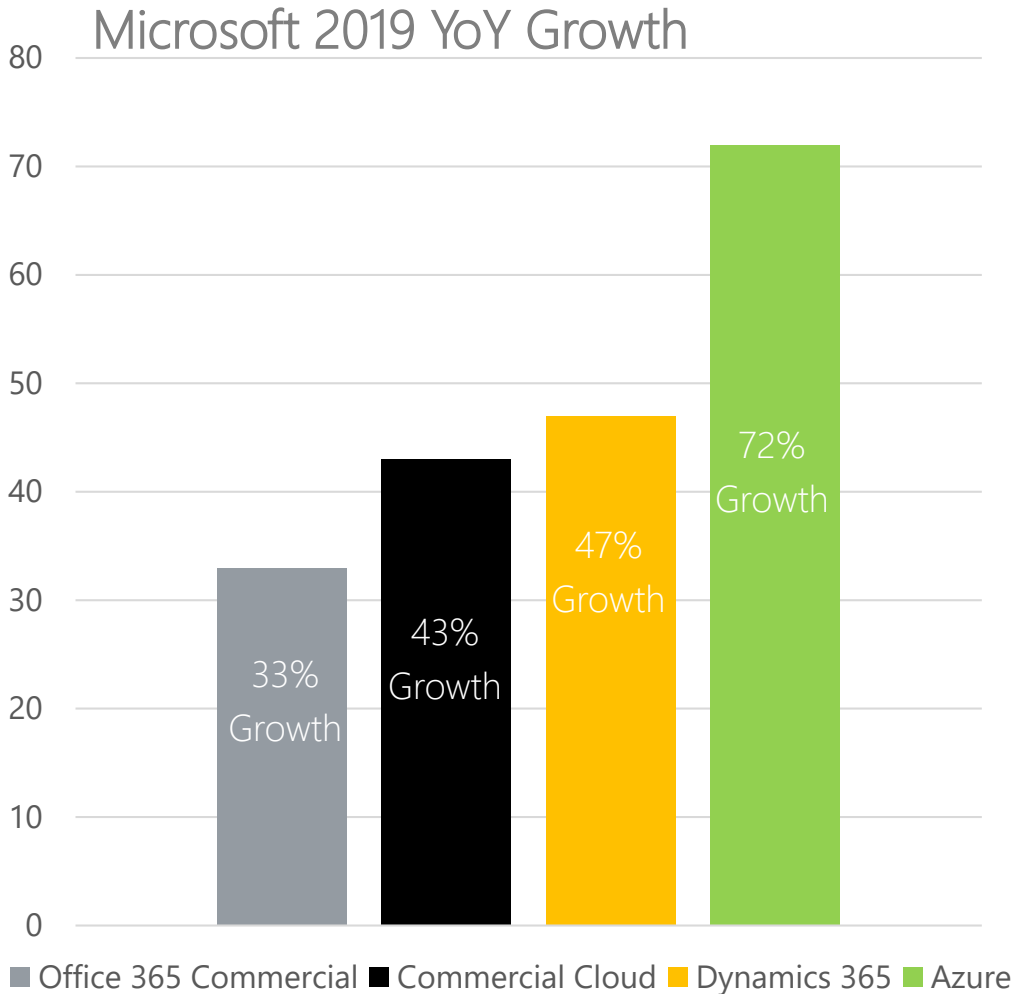


- The digital transformation market is estimated to be USD \$290 billion in 2018 and is predicted to reach USD \$665 billion by 2023.
- Adoption of modern technologies due to changing customer preferences, rapid proliferation of mobile devices and apps, and increasing penetration of IOT and adoption of cloud services are some of the driving factors for the digital transformation market.
- Demand for personalised digital transformation provides growth opportunity for the digital transformation market.

Leverage to the digital opportunity

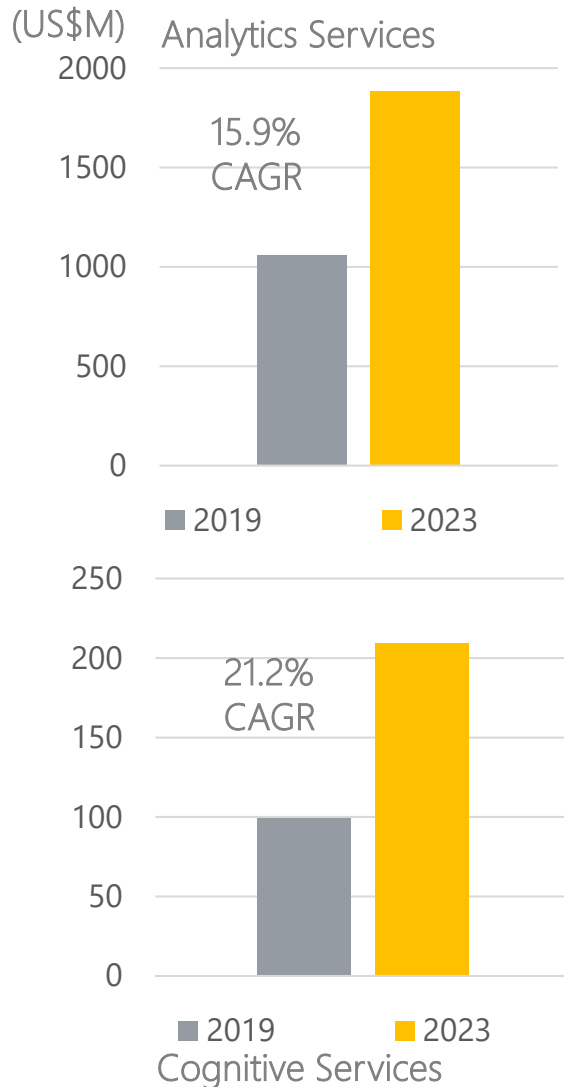
- APAC is predicted to have the highest growth rate between 2018 and 2023 with Empired exclusively focused on Australia and NZ
- 65% of Empired's revenue is generated through services supporting digital transformation initiatives
- Empired is highly aligned to Microsoft's growth trajectory (Azure/Cloud, Data Analytics and Business Applications/Dynamics)
- Investing and Developing extensive capability around Data & Cognitive Services
- Underpinned by Enterprise managed services capability

Aligned to Microsoft Growth



- Empired is one of the largest dedicated Microsoft Partners across ANZ with approximately 1,000 professionals
- Dedicated Microsoft Partners across ANZ Empired's Microsoft Dynamics Business was up 16% in FY19 & NZ Dynamics Business up 20% in H1 FY20.
- Empired has over 200 Dynamics professionals delivering unique capability across one of Microsoft's highest growth product offerings.
- Empired manages 289 Azure subscriptions across 140 Government and Enterprise customers
- Empired's Modern Workplace and Azure services revenue is up 24% on PCP for the first half of FY20

Positioned to grow in the Data market



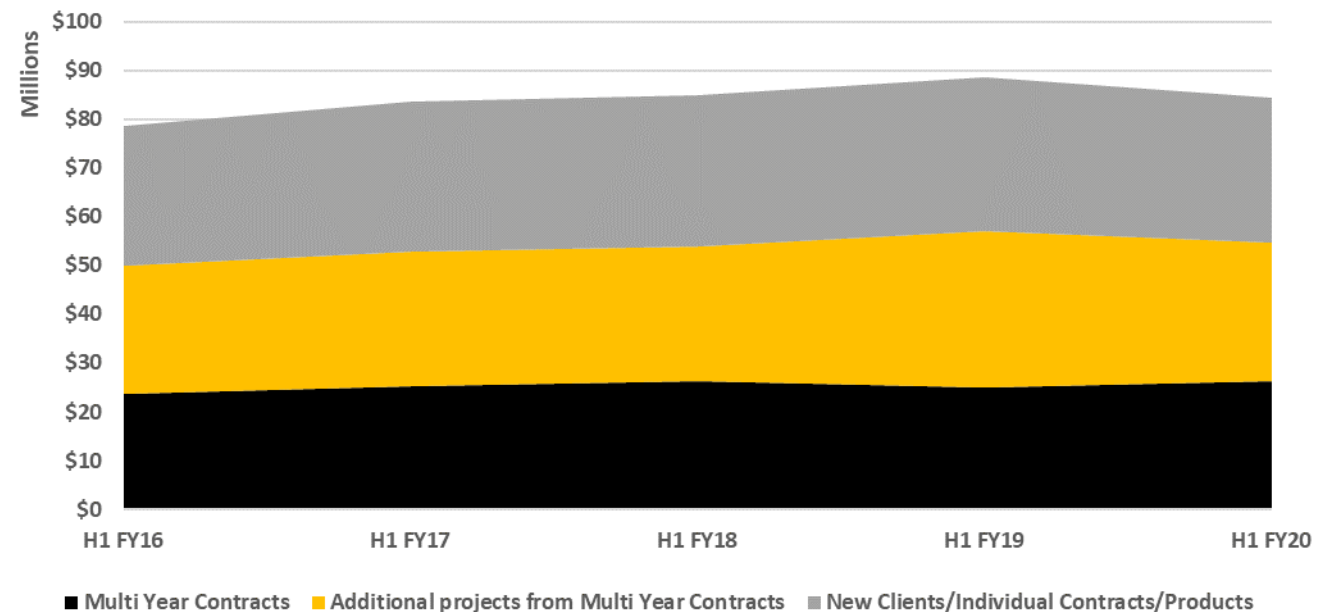
"The Australian & NZ Analytics and Cognitive services market is forecast to be worth US\$3.4 Billion in 2023 up from US\$1.9 Billion today"

- Empired provides Data and Cognitive services to some of Australia's largest government and corporate organisations today.
- Our expertise has grown out of some of the most advanced real time data and integration projects undertaken by global resources companies in Western Australia.
- Today we are aggressively leveraging this experience across the East Coast of Australia and into NZ where we have recently hired senior practice leadership.
- Our clients in this space include Rio Tinto, Anglo American, BHP & Komatsu to name a few.
- We are partnering with leading Data, Cognitive and Integration software companies including Microsoft and MuleSoft to gain market share across these services.

Growth in recurring revenue

65% of Revenue derived from multi-year contracts

- Our clients business operations & revenue have an increased reliance on digital technologies and applications
- This is driving demand for services to run and maintain critical business systems and provides defensive long-term contracted revenue's for Empired
- These contracts also provide Empired with significant additional project revenues year after year
- Empired has a healthy pipeline of material contracts that have the ability to provide significant multi-year growth.



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



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**

Empire