FY20 Results

This document has been approved by the Board of Directors.
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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 (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

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 Platform

Double digit EPS growth FY21

FY20 Results[1]

- **Revenue of $166m, down 6% PCP**
- **EBITDA[2] of $19.0m, flat**
- **NPAT of $6.1m, up 139%**
- **Operating cash flow of $23.8m, up 64%**
- **Net Debt[3] $4.4m, reduced from $14.3m at 30 June 19**
- **Balance Sheet forecast to be Net Cash[3] by 31 December 2020**

(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 includes $4.1m in government subsidies, costs of approximately $0.6m incurred as part of the cost reduction program and some costs associated with the ramp up of the Western Power contracts.*

(3) *Net Cash and Net Debt excludes the impact of AASB16 Leases.*

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FY20 Highlights

- Monthly contracted recurring revenue up 55% @ 1 July 2020 on PCP underpinned by:
  - Western Power contract win with estimated $61m in revenue over 5 years plus additional projects
  - New managed services contracts with annual contract value of circa $5m pa plus projects
- Completed and signed a new 3 year IT Supply contract with Rio Tinto
- 69% reduction in Net Debt from $14.3m to $4.4m @ 30 June 2020 due to:
  - Strong focus on cash collections and reduction in contract assets (WIP)
  - Material reduction in CAPEX on PCP
- Strong return to growth in New Zealand with revenue up 11% on PCP
  - Delivered multi-million dollar contracts with Department of Internal Affairs (Ongoing) and NZ Police (Ongoing)
  - Secured new potential multi-million dollar contracts with 2degrees and SkyTV ramping up in FY21

FY20 Highlights continued

- Australian revenue down 16% on PCP
  - Disrupted trading conditions stemming from COVID 19
  - Main Roads WA contract transitioning out ending in Q1 FY20 and Western Power contract not commencing until July 2020
- Australian East Coast sales pipeline up greater than 30% @ 1 July 2020 on PCP attributable to:
  - Investments in expanded leadership and sales teams across East Coast
  - A range of larger contract opportunities and strategic managed services opportunities
- Advanced a number of material contract opportunities similar to Western Power win to contest in FY21

COVID-19 Response

- The COVID-19 pandemic has disrupted trading conditions and business operations around the world. During this volatile and uncertain period Empired has placed the safety of its staff and client's staff as it's highest priority whilst ensuring immediate actions were taken to protect the company's operational and financial performance.
- Defensive actions included ongoing cost reductions (including remuneration reductions from our Board through to our "Business Leadership Group"), cancellation of the Short-Term Incentive Plan, tight management of credit risk and a strong focus on cash flow and liquidity.
- The company availed itself of government incentives including JobKeeper allowing it to retain all of its staff through a period of significant disruption. This has allowed the company to retain all of its capability and capacity as we enter FY21 with a positive outlook.
- Growth initiatives included a rapid mobilisation of our 1,000 staff working remotely and safely, a targeted marketing campaign focused on assisting clients through the disruption and cross/upskilling staff in areas of heightened demand as a result of COVID-19.

Results

- **Revenue**
  - 60% of revenue from multi-year contracts
  - New Zealand revenue up 11% underpinned by a number of multi-million dollar contracts
  - Australian revenue down as the company exits Main Roads WA and Australian East Coast revenue impacted by COVID-19 volatility
- **EBITDA**
  - Australian East Coast softness offset by government stimulus of $4.1m, allowing the company to retain all staff
- **Depreciation and Amortisation** includes amortisation of Right of Use Asset $5.7m
- **Interest** includes $0.8m against on lease liability arising on introduction of AASB16 Leases and $0.7m of bank interest

$m	FY20	Restated FY19	Change	Reported FY19
Revenue	165.5	*176.0*	-6%	176.0
EBITDA	**19.0**	***19.0***	0%	**13.8**
Depn & Amort	(8.5)	*(13.7)*		(8.5)
EBIT	10.5	*5.3*	97%	5.3
Interest	(1.5)	*(2.1)*		(1.3)
Profit before tax	9.0	*3.2*	181%	4.0
Impairment	-	*(25.4)*		(25.4)
Tax	(2.9)	*6.2*		6.0
Profit after tax	**6.1**	***(15.9)***	139%	**(15.3)**
EPS	3.84 c	*(9.95) c*		(9.56) c

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

- Increased EBITDA by $5.2m by removing rental expenses from EBITDA
- Increased D&A by $5.2m for amortisation of the Right of Use Asset
- Increased interest by $0.8m for the interest on the Lease liability

Cash flow impacts are shown on the next page

Cash flow

- Operating cash flow increased 64% to $23.8m over PCP
- Positive working capital driven by reduction in receivables and contract assets
- Capex reduced from $10.7m to $6.5m in FY20
- Free Cash Flow* increased from negative $4.3m to positive $9.6m
- Positive Free Cash Flow has enabled Net debt (pre AASB 16) to be reduced from $14.3m to $4.4m at 30 June 2020
- Forecast strong H1 Free Cash Flow to deliver Net Cash# balance sheet by 31 December 2020

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

#excluding lease liabilities

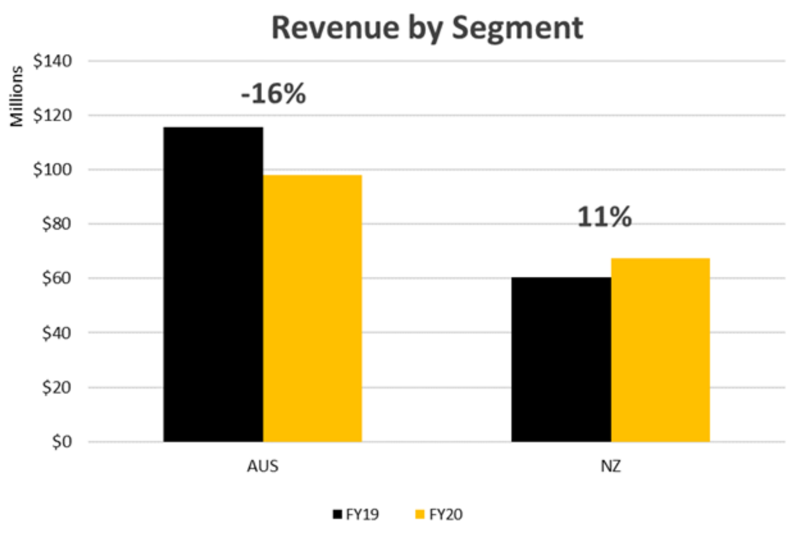
$m	FY20	Restated FY19	Reported FY19
EBITDA reported	19.0	*19.0*	13.8
Working capital changes	4.4	*(3.7)*	(4.5)
Income tax	0.4	*(0.9)*	(0.9)
Operating cash flow	**23.8**	***14.5***	**8.5**
Capex	(6.5)	*(10.7)*	(10.7)
Lease principle	(6.3)	*(5.9)*	(0.7)
Lease interest	(0.8)	*(0.8)*	-
Bank interest	(0.7)	*(1.3)*	(1.3)
Free Cash Flow	**9.6**	***(4.3)***	**(4.3)**
Operating cash flow to EBITDA %	125%	*76%*	62%

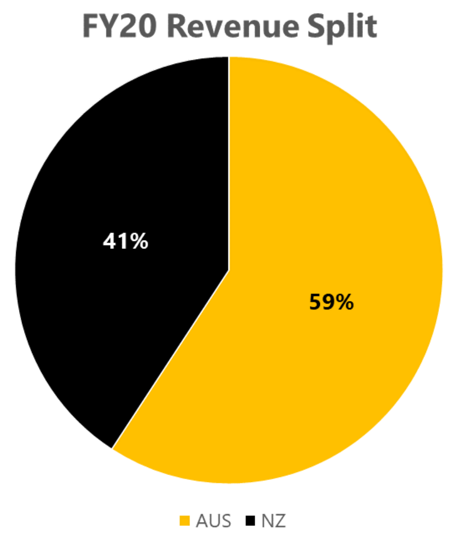
The above table restates the FY19 Cash flow as if AASB16 Leases had applied in that period, the impact is as follows:

- Increased Operating cash flow by $6m comprising rental expense of $5.2m removed from EBITDA plus $0.8m lease incentive unwind included in working capital
- FY19 proforma rental outflow of $6m now shown as:
  - Lease principle reduction $5.2m
  - Lease interest $0.8m

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 predominately a result of contract deferrals as a result of COVID 19
    - Expect strong revenue growth in Australia in FY21 underpinned by Western Power contract win, new East Coast contract wins and strong East Coast sales pipeline.
- New Zealand up 11%
    - A number of new / expanding tier 1 corporate and government clients further contributing to growth trajectory. Examples include NZ Police, Sky TV, 2degrees and Department of Internal Affairs.
    - Expecting a stable performance in FY21





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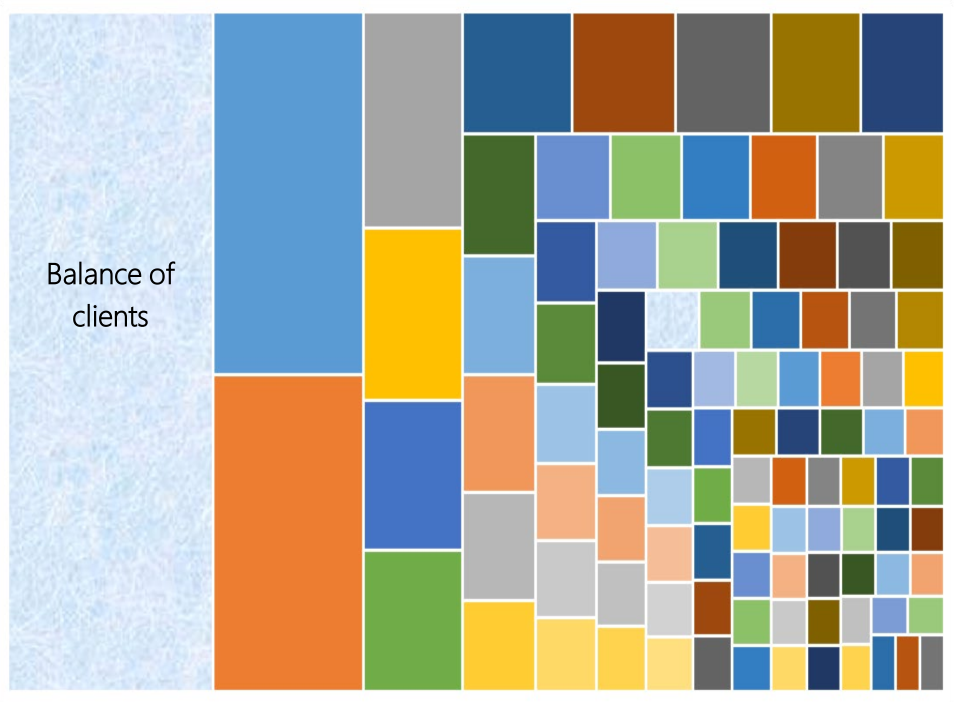
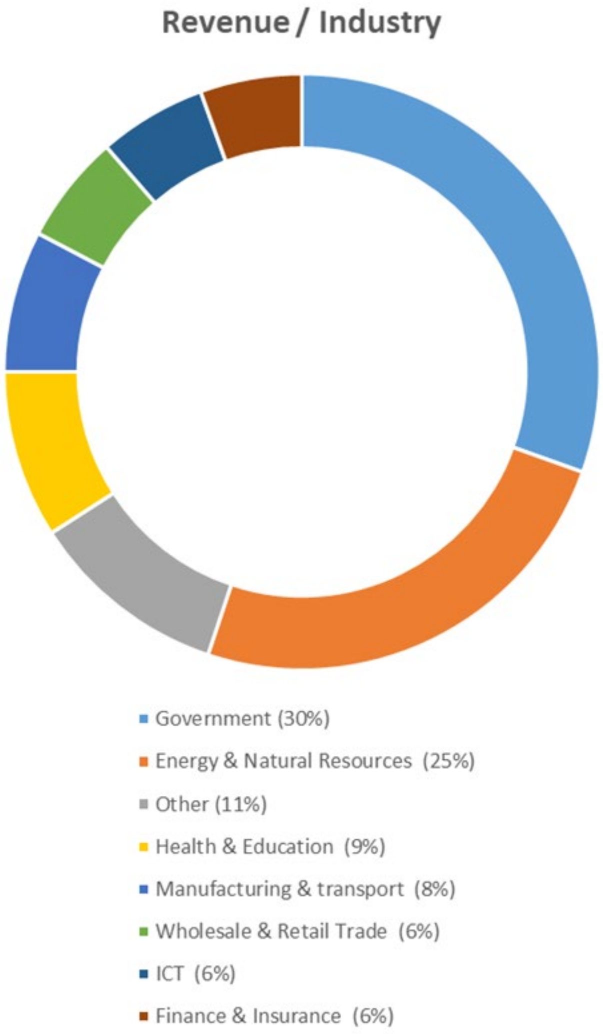
Industry & Clients

- **Major focus industries in FY21 will be Public Sector, Financial Services and Natural Resources / Utilities.**



No over-reliance on any key client

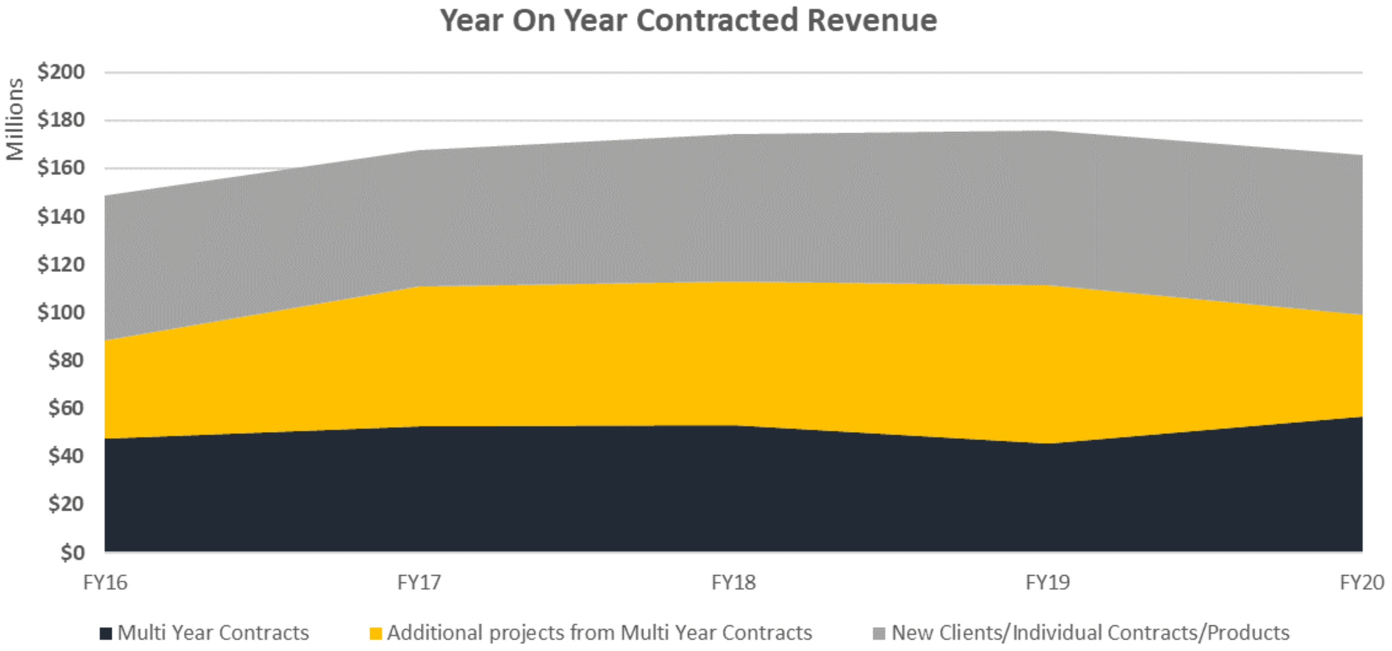


- **Public sector** are currently increasing spending particularly around solutions that support COVID- 19 & Citizen Engagement.
- **Natural Resources / Utilities** are predominately classified by government as essential services providing some resilience from the impacts of the COVID-19 pandemic.
- **Finance & Insurance** remain a major market in Australia that Empired is under-represented. A number of key hires and investments have been made to increase our position in this market in FY21.

Predictable Revenue

Monthly contracted recurring revenue up 55% @ 1 July 2020 v PCP

- ***60% of revenue derived from multi-year contracts***
- Revenue from multi-year contracts building in FY20 with no material new Western Power contribution
- Additional projects from Multi-Year contracts reduced significantly with Main Roads transition out and reduced activity as a result of COVID-19
- Expect significant growth in revenue from Multi-Year contracts plus projects in FY21
- Healthy pipeline of new material multi-year contracts to contest in FY21



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

Strategy on a page:

Markets

Australia $30 billion
New Zealand $6 billion

Industry & IP

Market positioning & specialisation
Improved time to value
Reduce risk & increase returns

Partners

Microsoft focused
Global innovation leaders
Specialist solutions

Empired

Solution revenue

Improve value to clients
Drive innovation
Increase client stickiness
Digital partner

Customers

ASX 300
Multi nationals
Large private
Federal & state governments

Recurring revenue

Predictable revenue
Long term/deep client relationships
Stronger business understanding

Strategic Priorities

1. Grow Recurring Revenue – Invest & Focus on securing large strategic deals
2. Build market leadership position across Digital, Data & Cloud Business Apps
3. Grow market share on Australian East Coast and Auckland, NZ

FY21 Outlook

- Whilst we continue to manage in ever changing conditions with disrupted client operations, the overall impact of the COVID 19 pandemic and its impact on our business remains uncertain. The following factors provide the company with confidence in earnings growth and a strong FY21 financial performance.
- Monthly recurring revenue is at the highest level in the company’s history up 55% v July 19.
- The sales pipeline in July 20 has strengthened materially compared with July 19.
- Following the $61m Western Power contract win we will be in a stronger position to contest a number of similar contracts in FY21
- Forecasting growth across the Australian East Coast business based on investments made in FY20, new multi-million dollar client wins commencing in FY21 and an Australian East Coast sales pipeline up greater than 30% v July 19.
- Based upon the above, the company forecasts solid revenue growth in FY21.
- Revenue growth will deliver strong earnings and cash flow growth in FY21.
- Cash flow forecast to deliver a Net Cash* balance sheet position at 31 December 2020.

*excluding lease liabilities

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