

18 August 2020

## ASX Announcement - FY20 Results

### FY20 Results<sup>(1)</sup>

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

### FY20 Highlights

- Monthly contracted recurring revenue up 55% @ 1 July 2020 on PCP underpinned by:
  - Western Power contract win, 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 on PCP 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
- Australian revenue down 16% on PCP due to disrupted trading conditions stemming from COVID-19, Main Roads WA contract transitioning out in Q1 FY20 and Western Power contract not commencing until Q1 FY21
- 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 several material contract opportunities, similar to Western Power, to contest in FY21

## COVID-19 Pandemic

- 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 clients' staff as its 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.

## 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 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<sup>(3)</sup> balance sheet position at 31 December 2020.

**This announcement has been approved by the Board of Directors.**

**Results table and AASB16 Reconciliation**

<b>\$m</b>	<b>FY20</b>	<b>Restated <sup>1</sup> FY19</b>	<b>Change <sup>1</sup></b>	<b>Reported FY19</b>
Revenue	165.5	176.0	-6%	176.0
<b>EBITDA <sup>2</sup></b>	<b>19.0</b>	<b>19.0</b>	0%	<b>13.8</b>
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
<b>Profit after tax</b>	<b>6.1</b>	<b>(15.9)</b>	139%	<b>(15.3)</b>
EPS	3.84 c	(9.95) c		(9.56) c

- (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. A table of reconciliation is provided above.
- (2) EBITDA includes \$4.1m in government incentives, costs of approximately \$0.6m incurred as part of the cost reduction program undertaken in H1 and costs associated with the ramp up of the Western Power contracts.
- (3) Net Debt and Net Cash excludes the impact of AASB16 Leases.

## Media Release

18 August 2020

### **Empired navigates COVID -19 pandemic to deliver resilient earnings and growth outlook**

Empired today released its FY20 results, announcing EBITDA of \$19m, Net profit after tax of \$6.1m and operating cash flow of \$23.8m. As a result, Empired's Net debt has fallen to \$4.4m, with the company expecting to be in a Net cash position by December 31.

Russell Baskerville, Empired Managing Director and CEO, commented, "Against a background of ongoing economic uncertainty and a very distressing period for all the communities in which we operate, we are pleased our financial performance provides confidence for our staff and clients and a positive outlook for our shareholders.

"Our focus throughout the year on cash earnings has translated strongly, with record cash flow delivering an outstanding reduction in Net debt and a clear expectation that the company will be in a Net cash position in the coming months."

Positioning the company for both revenue and earnings growth has been a key priority for management while investing in sales, solution specialists and strengthened leadership across the Australian East Coast.

In April 2020, the company announced that it had secured the largest contract in its history with the main power distribution utility in Western Australia, Western Power.

Mr Baskerville said, "I'm enormously proud of our team and the extensive capability we are able to deliver to Western Power. Being trusted by Western Power to operate their critical business systems is a privilege and I'm extremely excited by the strategic value this brings to Empired as we contest a number of large strategic contracts over the coming 12 months.

"With our overheads largely fixed as we scale, these types of strategic contracts contribute materially to our earnings and margin expansion."

The company has also discussed a range of investments to build its data business and an ongoing commitment to its strong partnership with Microsoft.

In closing, Mr Baskerville said: "The board and management extend their deep appreciation to all of our staff for their support during such a challenging year. Whilst cautious of the current economic volatility, we remain excited about FY21."

ENDS

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### **About Empired Limited**

Empired Limited is an international IT Services Provider with a broad range of capabilities and a reputation for delivering enterprise class IT services and solutions. Established in 1999, Empired is a publicly listed company (ASX: EPD) formed in Western Australia.

With a team of over 1,000 people located throughout Australia, New Zealand, North America and Asia, Empired has built a reputation for service excellence and is a leading provider of business technology solutions to both government and private sectors. We work with clients, leveraging technology solutions to deliver their organisations improved efficiency, productivity and competitive advantage.

Empired provides a broad range of services enabling 'end-to-end' advice and solutions assisting our clients through their digital transformation journey and ensuring robust ongoing lifecycle management.

Our flexible service delivery approach and "can do" attitude has enabled Empired to secure clients that range from medium size entities through to some of the world's largest long standing enterprise's accounts with services delivered across Australia, New Zealand, South East Asia and beyond.

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