

# Empired Limited (ASX:EPD)

FY15 First Half Results Presentation  
RUSSELL BASKERVILLE, MANAGING DIRECTOR

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# OUR VISION:

To be a high performance  
IT Services company  
delivering value through  
initiative, innovation and growth.



**INITIATIVE**



**INNOVATION**



**GROWTH**

**Empired**

# Our Value Proposition

## EFFICIENCY

- > Organisational excellence
- > Improved service quality and availability
- > Effective risk management
- > Information security and management

## PRODUCTIVITY

- > Organisational optimisation
- > Process automation
- > Operational business analytics
- > Systems integration and intelligent decisions



## OUR VALUE PROPOSITION

- Transform your business
  - Service experience
  - Quality outcomes



## COMPETITIVE ADVANTAGE

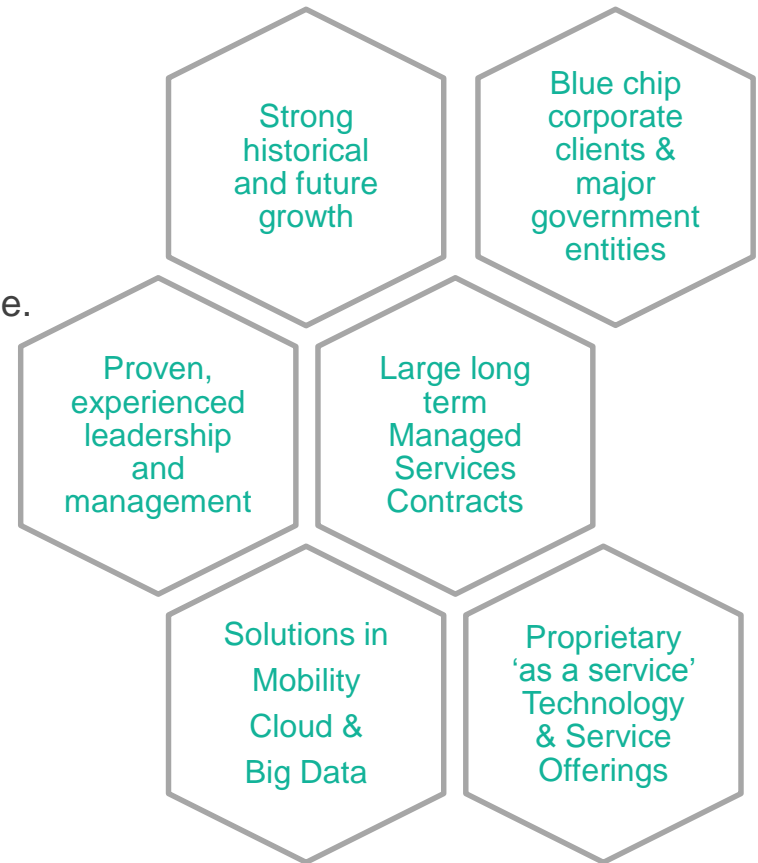
- > Customer behaviours and analytics
- > Online systems and new channels to market
- > Mobile and social applications

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# About Empired

## Australasia's largest dedicated Microsoft focused IT services business

- Established in 1999 and ASX listed in October 2007.
- Today employing ~800 IT professionals.
- Core operations across Australia & New Zealand.
- Services spanning Consulting, Applications and Infrastructure.
- Large, Enterprise Infrastructure and Application Managed Services contracts, strong base of contracted recurring revenue.
- Strong historical growth with FY16 guidance of \$145m to \$165m.
- Proprietary IP in Cloud based Technology & Services.
- Leveraged to growth trends with core solution offerings in Cloud, Enterprise Mobility, Big Data / Business Analytics.
- Quality People: Proven, highly experience and well connected leadership team, management team and highly certified workforce.



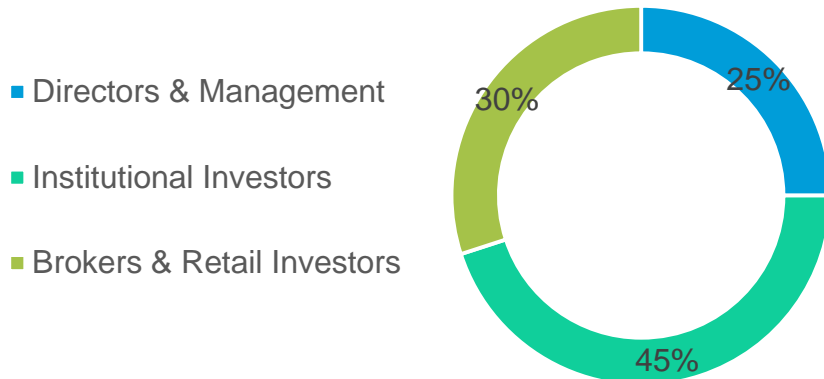
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# Corporate

Ordinary Shares	114,683,253
Options (ex 40c)	500,000
Share Price	\$0.75
Market Capitalisation	\$86m
Directors & Management	25%
Top 20	64%

- » Non Executive Chairman, Mel Ashton
- » Managing Director & CEO, Russell Baskerville
- » Chief Financial Officer & Co Sec, Mark Waller
- » Non Executive Director, John Bardwell
- » Non Executive Director, Richard Bevan
- » Chief Operating Officer, Rob McCready

## Equity Ownership



# FY15 First Half Headline Results

- **Half Year Revenue of \$50M up 74% against H1 FY14**
- **Reported Half Year EBITDA of \$3.9M up 236%**
- **Underlying<sup>(1)</sup> Half Year EBITDA of \$4.4M**
- **Underlying<sup>(1)</sup> First Half Net Profit after Tax \$1.7M**
- **Underlying<sup>(1)</sup> First Half Fully Diluted EPS of 1.5c per share**

*NPAT & EPS negatively affected by higher than expected tax rate of 34% (expect to be in line with historic rates for second half) and higher than expected interest costs relating to international debt as part of the InterGen acquisition, currently being renegotiated.*

*(1) Underlying result excludes \$0.5M of transaction costs incurred as part of the acquisition of InterGen Limited on 31 October 2014.*

# FY15 First Half Operating Cash Flow

- Operating cash flow for H1 appears strained at \$(3.8)m however the following major items need to be considered when assessing cash flow:
  - Intergen transaction costs of \$1.3m were at the expense of the vendor, however were paid by Intergen during November and offset by a reduction in the purchase price.
  - Empired transaction costs of \$0.5m were incurred and paid as part of the acquisition of Intergen Limited.
  - WIP was \$2M higher than typical levels as a result of two large fixed price projects that were fully invoiced in January and February.
  - Receivables Days increased 7 days from 30 June 14 largely due to the implementation of a new finance system in Intergen NZ causing invoicing delays, these delays are now resolved with receivables days reducing toward 30 June 14 levels having a significant positive impact on operating cash flow.
  - Accounts Receivable was \$19M and Payables \$6M at the close of the period.
- Empired expects strong positive operating cash flow in H2 and on the back of strong financial results intends to declare an increased final fully franked dividend.

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# Balance Sheet

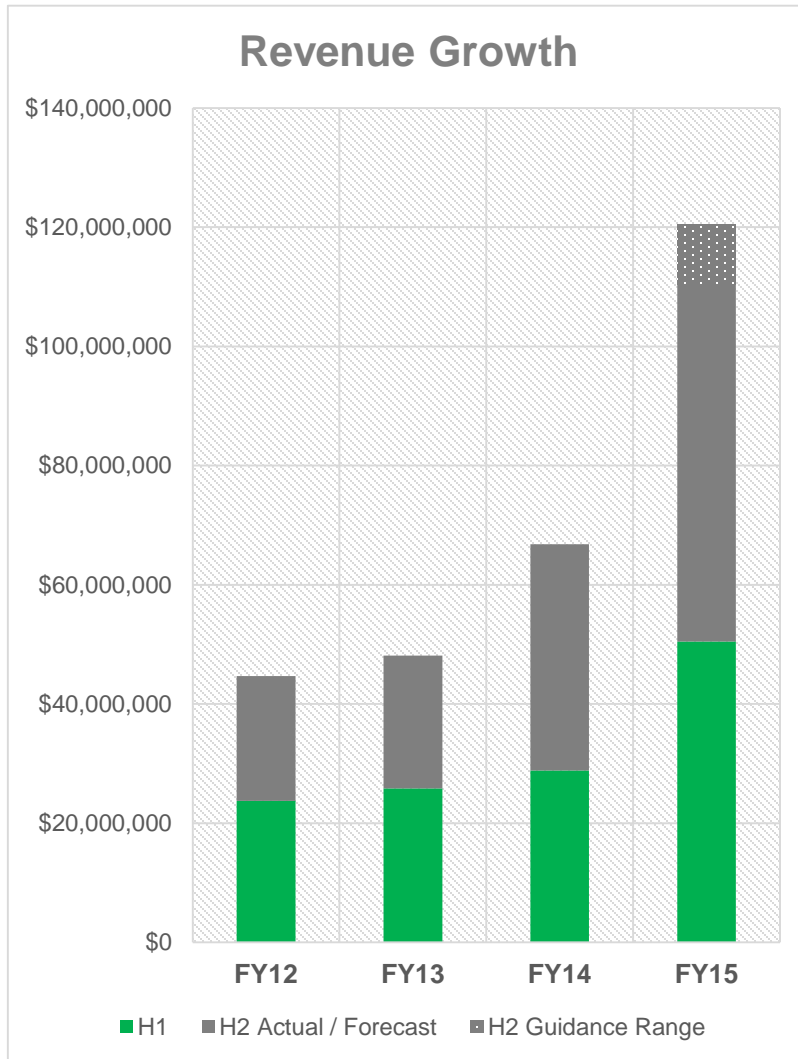
Consolidated Balance Sheet	31 Dec 14 \$M
Cash	6.9
Receivables	19.2
WIP	5.9
Other Current Assets	1.8
<b>Total Current Assets</b>	<b>33.8</b>
Investments in Associates	0.2
P&E	17.6
Intangible Assets	48.2
Deferred Tax Assets	3.6
<b>Total Non Current Assets</b>	<b>69.6</b>
<b>Total Assets</b>	<b>103.4</b>
Payables	14.8
Borrowings	11.6
Deferred Vendor Payments	2.4
Provisions	3.2
<b>Total Current Liabilities</b>	<b>32.0</b>
Borrowings	8.2
Deferred Vendor Payments	11.1
Provisions	0.4
Deferred Tax Liability	3.4
<b>Total Non Current Liabilities</b>	<b>23.1</b>
<b>Total Liabilities</b>	<b>55.1</b>
<b>Net Assets</b>	<b>48.3</b>

- Adequate Working Capital and Cash position.
- Cash position expected to significantly improve based on operating cash flow 'catch up' as per prior slide.
- CAR of 1.06 will improve to 1.41 over coming weeks as \$11M of debt and deferred vendor payments classified as current are rolled over / renegotiated with c\$8M to move to non-current by 30 June 14.
- 100% of Deferred vendor liabilities have been brought to account on the balance sheet with no off balance sheet earn out or deferred vendor payment liabilities.
- Net Assets have increased by c\$14m since 30 June 14

# First Half Strategic Highlights

- **Acquired InterGen Limited**, adding c\$60m annualised Revenue and 370 staff.
- **Achieved all key milestones in integration plan to December 31, 2014.**
- **Executing on a number of cost saving initiatives.**
- **Significant increase in the number of sales opportunities generated through acquired customer base.**
- **Matured c\$100m in strategic sales** pipeline of new multi-year contracts.
- **Advanced our positioning and investments in cloud based services & IP** including our IaaS platform “flexScale”, our document & records management SaaS solution “Cohesion” and our workflow in the cloud solution “FormPlicity”.
- **This IP will materially strengthen a number of multi-million dollar contracts** being contested as part of our c\$100m strategic deals pipeline and are all annuity based revenue models.

# Revenue Growth by Half

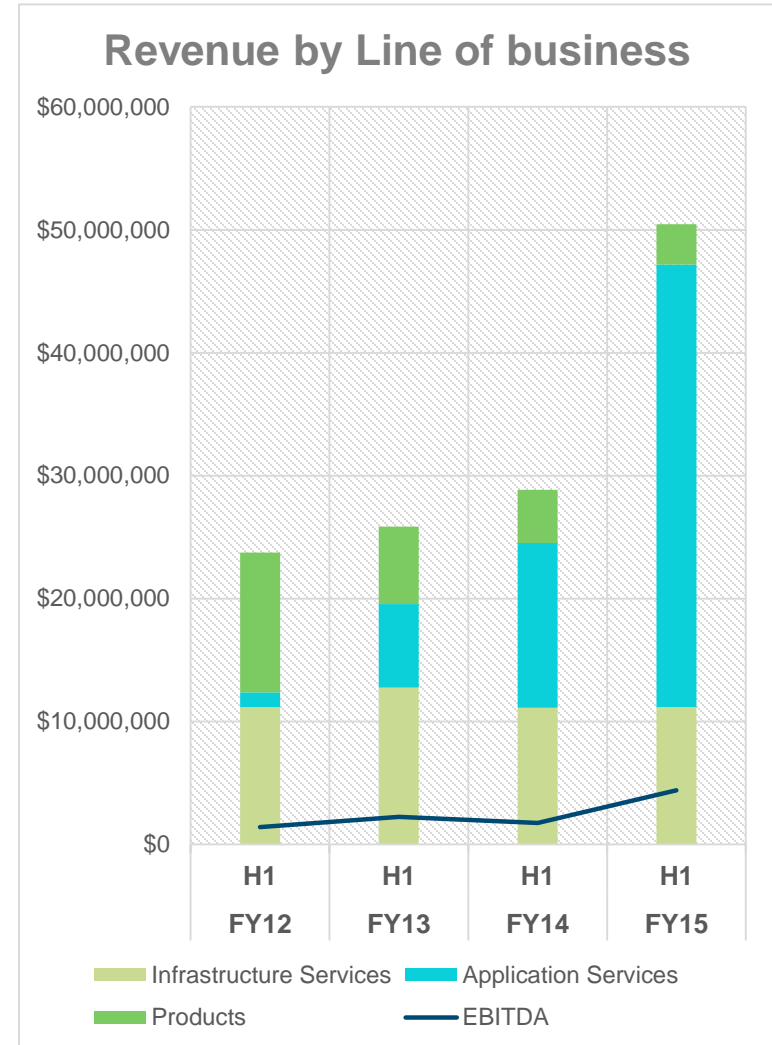


- H1 Revenue of \$50m up 74% on prior period.
- H1 growth (Excluding Intergeren) of 38% on prior corresponding period.
- Intergeren contribution of \$10m in November and December 2014.
- Expect Intergeren contribution of c\$30m in H2 FY14.
- Full Year guidance \$110m to \$120m.
- Annualised 'run-rate' places Empired at top end of full year guidance
- On track for FY16 guidance of \$145m to \$165m

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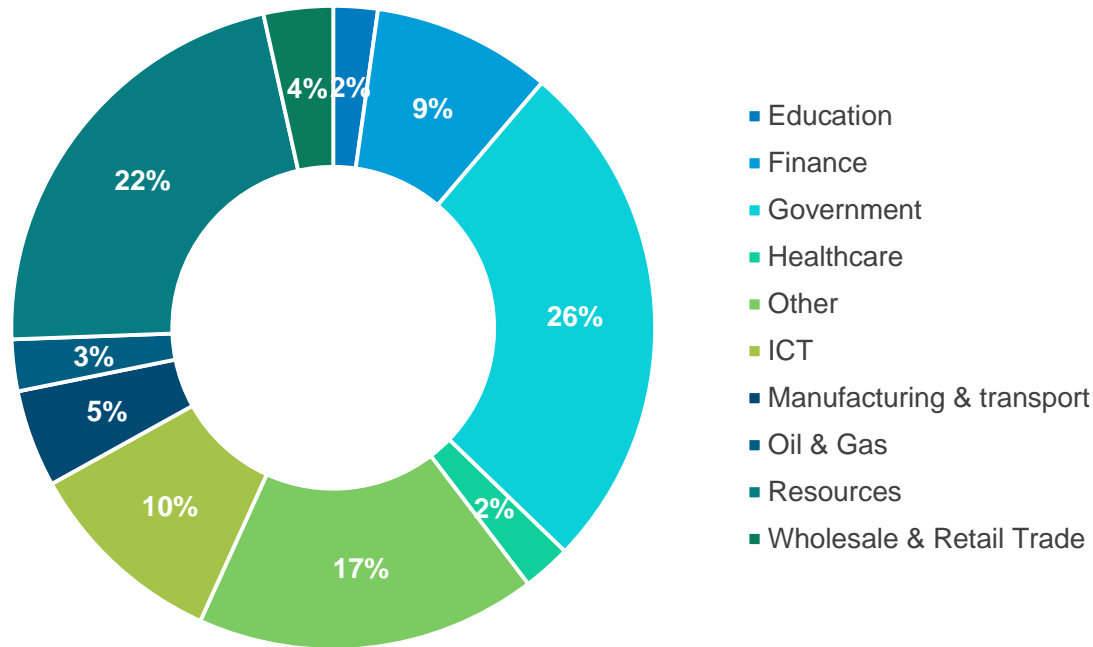
# Line of Business & EBITDA Growth

- Application services
  - Highest margin Line of Business c40% GP.
  - Grown from 47% to 71% of Total Revenue.
- Infrastructure Services
  - GP margins improving to c35%.
  - c90% of Revenue from long term contracted customers.
  - Strong annuity growth opportunity in H2.
- EBITDA
  - Reported \$3.9m up 236%, Underlying \$4.4m.
  - Margin expansion from 6% to 9%.
  - Expecting strong EBITDA to cash conversion in H2.



# H1 FY15 Industry and People Spread

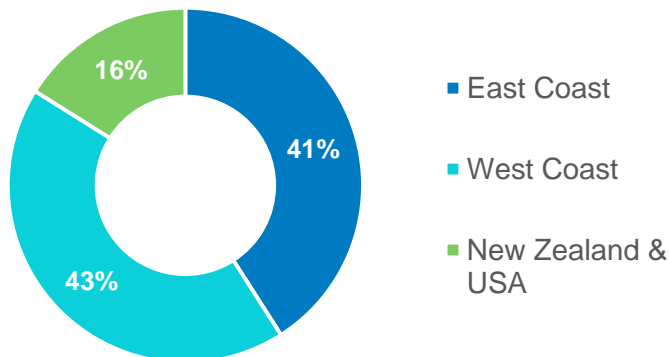
## H1 FY15 Industry Spread



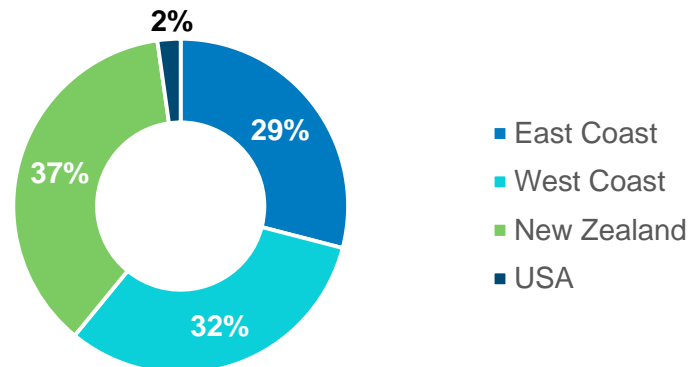
## Commentary

- Pleasing diversification across major Industry sectors.
- Natural Resources & State Government continue to be major contributors to Revenue.
- Focus on growing Finance and Utility sectors.
- NZ Revenue contribution will grow considerably in H2.
- Healthy spread of people across all major geographies serviced.

## H1 FY15 Revenue By Region

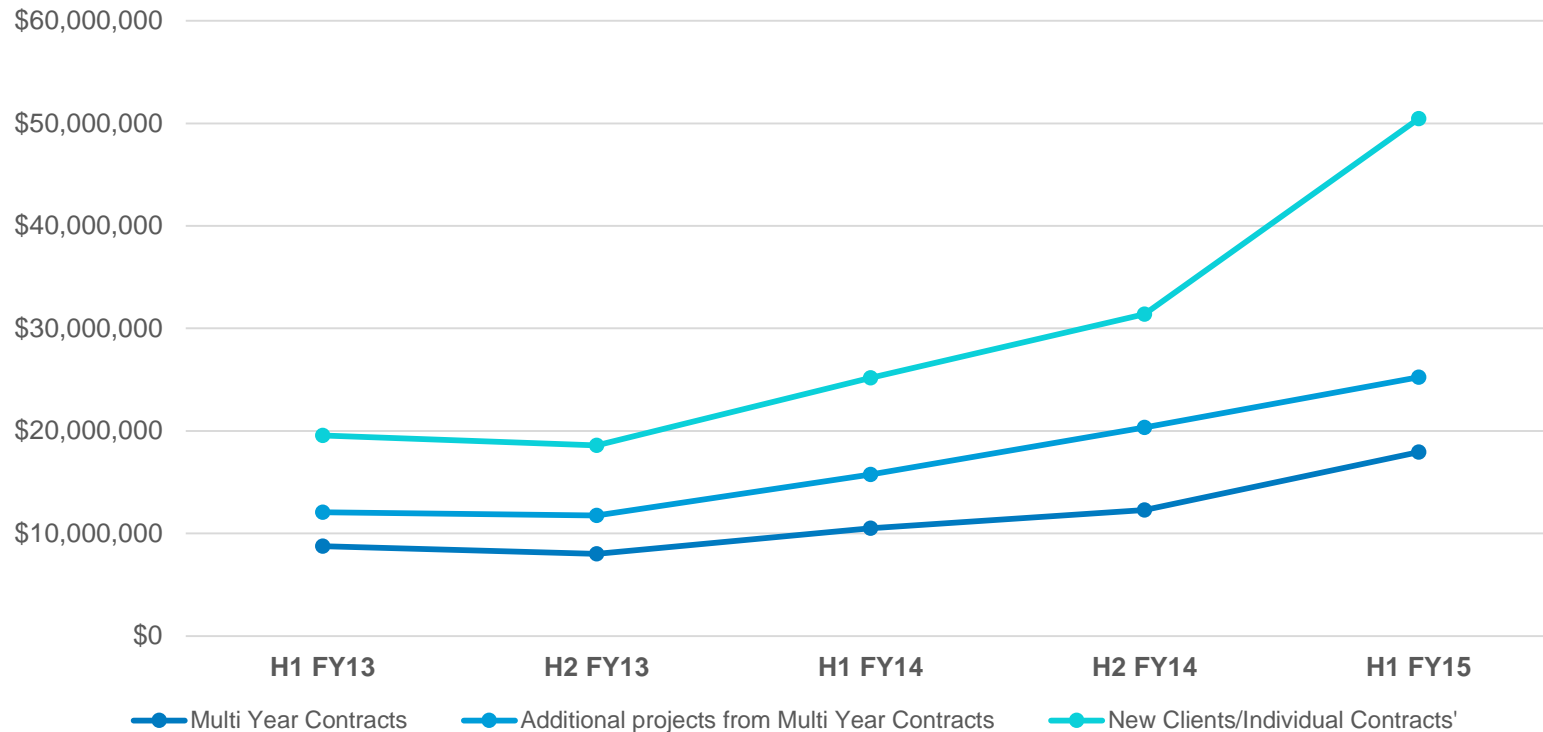


## 31 Dec 2014 People By Region



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# Contracted Revenue



- Continuing to build year on year recurring Revenue from Managed Services and large multi-year engagements.
- Expecting accelerated jump in contracted recurring revenue in H2 from multi-year contracts.
- Will provide higher level's of contracted Revenue into FY16 and improved Revenue predictability.
- Launching a range of new 'as a service' cloud based offerings on proprietary IP that will drive recurring revenue.
- Expecting contract news in near term on large multi-year contracts.

# Major Contracts Pipeline

**\*Empired will contest over**

# \$100M

**in Major contracts by June 30, 2015**

## Major Opportunity Status

- ✓ Empired has been shortlisted or named preferred supplier on a number of major contracts.
- ✓ We are in advanced negotiations on a number of multi-million dollar contracts.
- ✓ These contracts include Infrastructure & Application managed services plus a range of cloud based 'as a service' contracts that are based on Empired IP and have the potential to deliver higher than typical levels of Gross Margin contribution.
- ✓ All these major contracts are recurring revenue based arrangements.
- ✓ We look forward to informing the market over the coming months.

*\*This value does not represent Empired's total sales pipeline, it is not exhaustive and includes only large multi year contract opportunities. Values are estimates and subject to change during the sales and negotiation process. The figure does not represent signed contracts and can only be used as a guide to assess the potential opportunities presented to the company, not for projection of revenue or earnings.*

The Empired logo is located in the bottom right corner. It consists of the word "Empired" in a white, sans-serif font, set against a dark grey rectangular background. The background has a slight 3D effect with a shadow on the right side.



# FY15 outlook, major contracts, revenue & earnings growth to follow...

- Confident on delivering a strong FY15 financial result and at the upper end of Revenue guidance.
- On the back of delivering a strong FY15 financial result the Board expects to declare an increased fully franked final dividend.
- Management is confident on a strong conversion rate during the second half on its c\$100M contract pipeline and looks forward to informing the market during this period.
- Contract success over the coming months combined with the recent acquisitions will underpin exceptional Revenue and Earnings growth into FY16.
- Empired continues to assess acquisition opportunities to complement its organic growth pipeline and accelerate its business strategy.



# THANKS

Australia

(WA, SA, QLD, NSW, ACT & VIC)

New Zealand

(Christchurch, Auckland, Wellington & Dunedin)

North America

(Seattle)

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