FY15 Results

Geoff Lewis, CEO and **Dean Langenbach**, COO/CFO

August 2015

Company Overview

The ASG Board

Ian Campbell: Chairman

Geoff Lewis: Managing Director, CEO

Stephen Johnston: Non Executive Director

Grant Pestell: Non Executive Director

Peter Torre: Company Secretary

The ASG Executive Team

Geoff Lewis: Managing Director, CEO

Dean Langenbach: COO, CFO

Gerald Strautins: Executive - Strategy

ASX code:
ASZ

Number of Shares on Issue:
206,720,839

Share Price:
$1.04

Market Capital:
$215 million

FY15 – Delivering on the New World

Financial Performance Full Year 2015	• EBITDA of $20.2m • Revenue up 3%, services revenue up 4% • EPS up 6.2% • NPAT up 6% • New contract establishment impacts EBITDA • H2 operating cash strong at $14m
Contract wins	• Over $200m of contracts signed in 12 months: ➢ Western Power ➢ Cimic ➢ Department of Communications ➢ Synergy ➢ State Super ➢ Department of Primary & Environment Industries (DEPI) ➢ Lockheed Martin (Defence) ➢ Australian Transport Safety Bureau (ATSB) ➢ AusGroup (AGC) ➢ Australian Maritime Safety Authority (AMSA)
Outlook	• Target EBITDA of 14% • $160m locked in revenue for FY16 • FY16 Revenue guidance of $180m - $190m • Net debt of $11.4m, on track for FY16 target

FY15 Financial Summary

$m	FY15	FY14	Movement
Revenue	164.3	160.1	2.6%
EBITDA	20.2	22.0	(8.1%)
NPBT	11.6	12.6	(7.6%)
NPAT	9.5	9.0	6.3%
EBITDA Margins	12.3%	13.7%	(1.4%)
EPS	4.61c	4.34c	6.2%

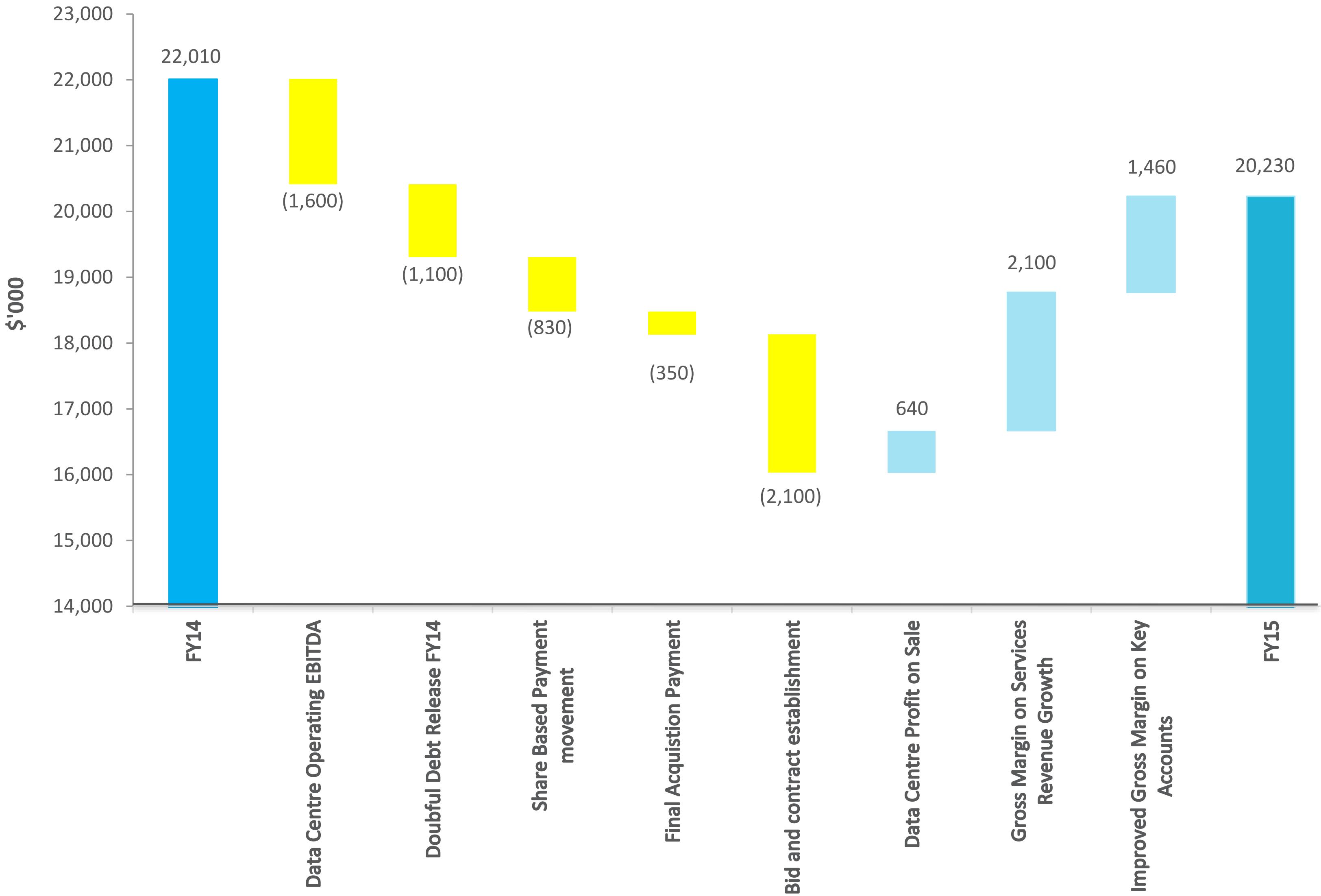
- Revenue up 3%, services Revenue up 4%
- H2 core operating EDITDA stronger than H1
- Revenue impacted by new Managed Service commencement delays, contracted revenue now commencing in Q1 FY16
- Additional $2.1m of bid and contract establishment costs as record amount of contracts signed in FY15

FY15 H1 v H2 Operating EBITDA

$m	H1	H2	FY15 Total
Reported EBITDA	11.1	9.1	20.2
- Profit on Data Centre	(1.0)	0.4	(0.6)
- R&D credit	(0.8)	0.0	(0.8)
- Acquisition Payment	0.0	0.4	0.4
- Share Based Payments	0.1	0.3	0.4
Operating EBITDA	9.4	10.2	19.6

- H2 run rate strong, despite soft old world project revenue and higher contract ramp up costs
- Data Centre profit on sale reduced in H2 due to timing delay of new contracts coming on board.

EBITDA Comparison: FY14 v FY15

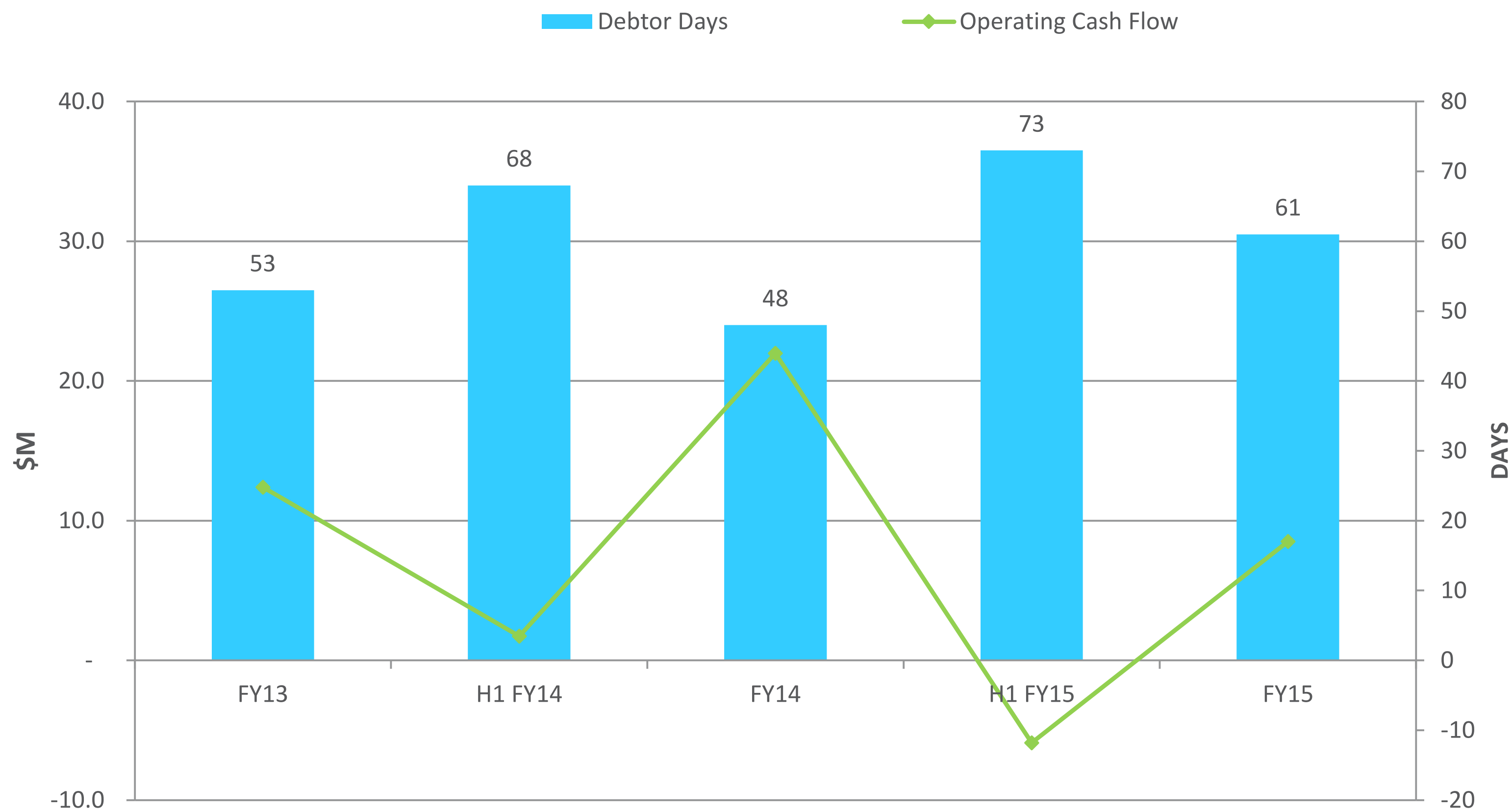


EBITDA to Net Operating Cash

$m	FY15	FY14
EBITDA	**20.2**	**22.0**
Finance Costs	(1.7)	(2.9)
Income Tax	(1.7)	(0.0)
R&D credit – non cash	(0.8)	(0.9)
Data centre profit – investing activity	(0.6)	0.0
Debtors: early Govt. payments in June 2014	(4.1)	4.1
Debtors: SAP project milestone delay	(2.0)	0.0
Other: sundry non-cash and creditor movement	(0.8)	(0.3)
Net Operating Cash	**8.5**	**22.0**
Net Operating Cash % EBITDA	**40%**	**100%**

- ASG targeting 70% - 75% Net Operating Cash % EBITDA
- Average over FY14 and FY15 periods = 70%
- $14m operating cash turnaround from H1

Operating Cash Flow



- $2m milestone payment delay on SAP project. Payment received in August 2015
- Early Debtor receipts of $4.1m in FY14 impacted FY15
- Future Operating Cash Flow consistent with EBITDA less interest and tax

Cash Flow

Operating cash impacted due to debtor timing

Data Centre proceeds applied to long-term debt

Capital investment supports New World contracts

$m	FY15	FY14
OPENING BALANCE	**16.1**	**(2.0)**
Net Operating Cash	8.5	22.0
Acquisitions	(0.4)	(1.0)
Capital Investment	(6.1)	(4.1)
Sale of Asset	10.7	0.0
Net borrowings and finance leases	(15.0)	1.2
CLOSING BALANCE	**13.8**	**16.1**

Balance Sheet Strengthening

Net Current Asset improvement (excluding Data Centre sale)

Strengthened by operating performance and Data Centre sale

Continued focus on debt reduction and liquidity improvement

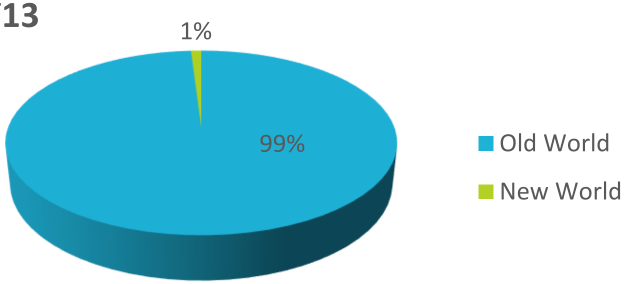
$m	June 2015	June 2014
Current Assets		
Cash	13.8	16.1
Receivables	33.2	28.0
Other Current Assets	1.9	11.9
Total Current Assets	**49.0**	**56.0**
TOTAL ASSETS	**177.1**	**179.8**
Current Liabilities		
Trade and other payables	33.6	33.1
Borrowings	5.9	8.8
Total Current Liabilities	**46.4**	**50.9**
Non-Current Borrowings	19.3	29.0
TOTAL LIABILITIES	**73.8**	**86.3**
NET ASSETS	**103.3**	**93.5**

Debt Reduction Focus

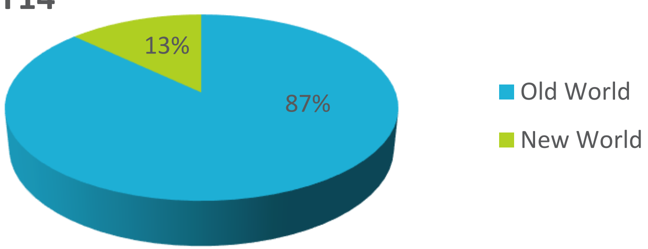
- FY15 Net Debt of $11.4m against target of <$10m
  - Higher than anticipated bid costs of $2.1m
  - Milestone delay on SAP project
- FY16 Target: Surplus cash reserves exceed debt
  - Remains on track despite unprecedented contract success

Revenue Breakdown

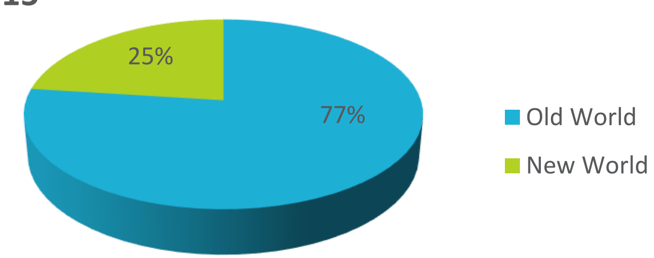
FY13



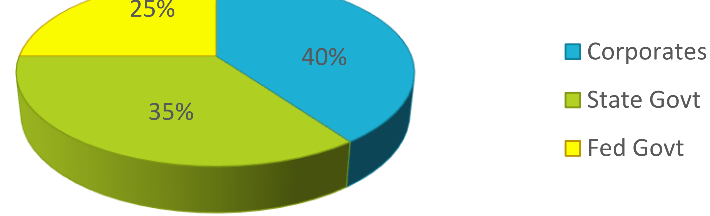
FY14



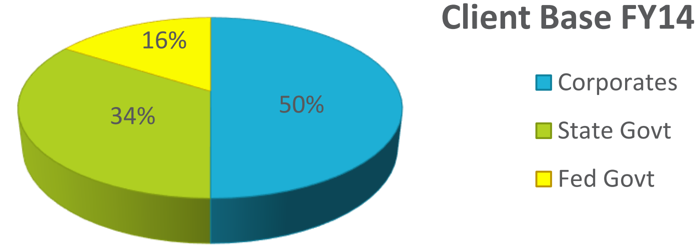
FY15



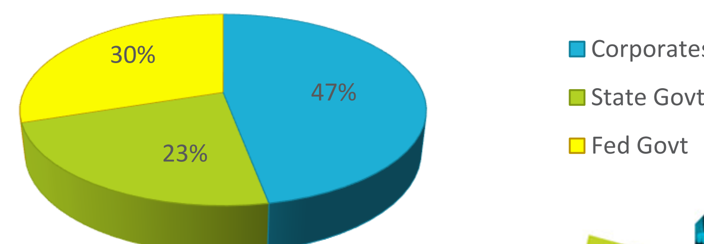
Client Base FY13



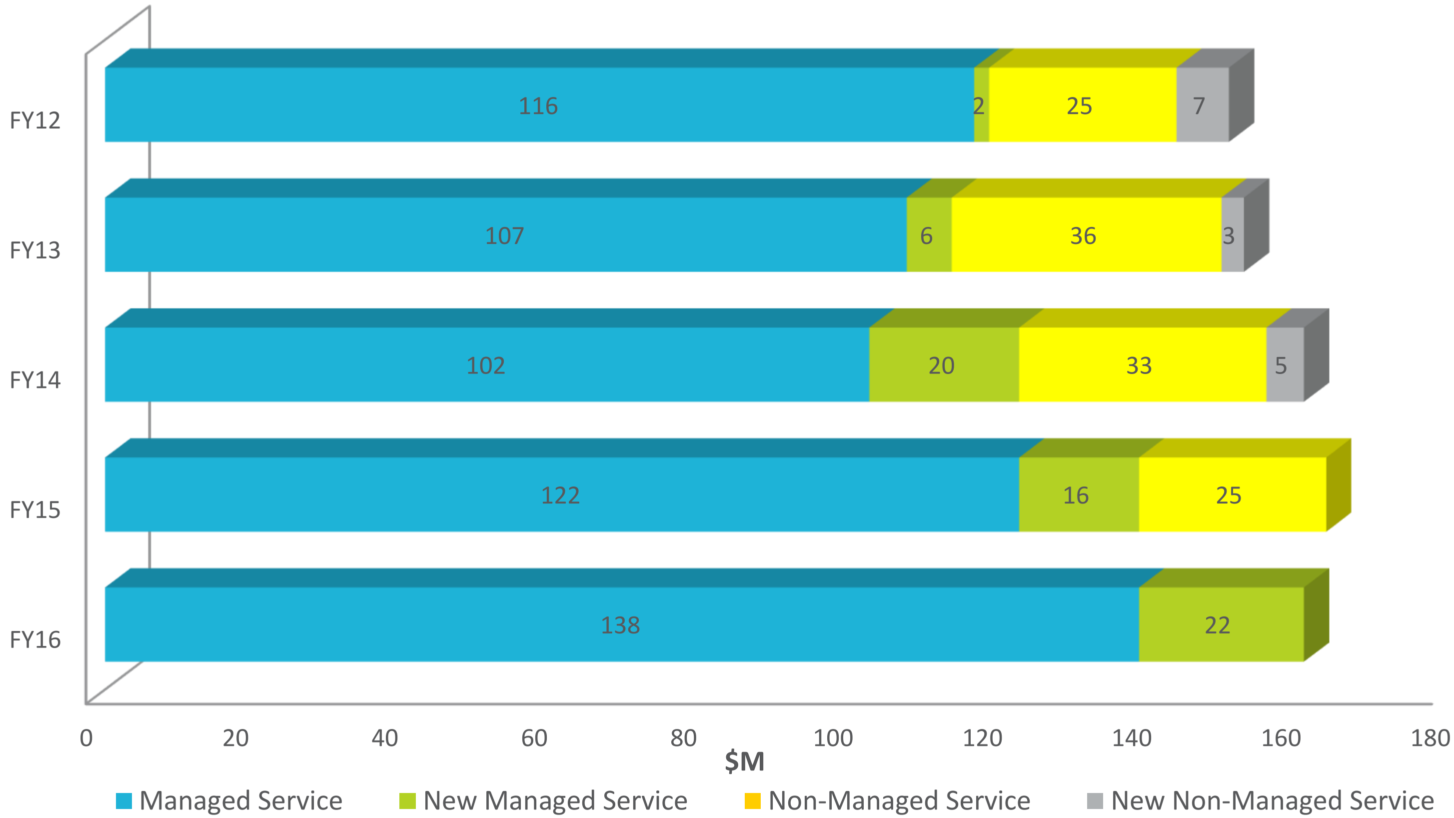
Client Base FY14



Client Base FY15



Locked in Revenue at Record Levels



- Revenue impacted by new Managed Service commencement delays, contracted revenue now commencing in Q1 FY16
- $160m or 98% of FY15 Revenue is already locked in for FY16

Record Contract Wins – Over $200m in 12 Months

Customer	Type	Contract Period
Western Power	Renewal + additional scope	3 + 2 + 2 years
Cimic	New	5 years
Department of Communications	Renewal + conversion to New World	5 years
Synergy	Renewal + additional scope	3 + 3 years
State Super	New	3 + 2 years
Department of Primary & Environment Industries (DEPI)	New	3 years
Lockheed Martin (Defence)	New	8 years
Australian Transport Safety Bureau (ATSB)	New	4 years
AusGroup (AGC)	New	5 + years
Australian Maritime Safety Authority (AMSA)	New	5 + 3 years

- $150m of new clients, $50m of existing clients
- Average contract length 4 years plus 4 year renewal

Pipeline

Transition to the Next Generation Technology Services Model

As software, services and infrastructure continue to converge, buyers and sellers of IT services are moving rapidly towards the adoption of outcome-based services offering where the value proposition is defined by IP

Traditional Services Offering (Capacity on Demand)

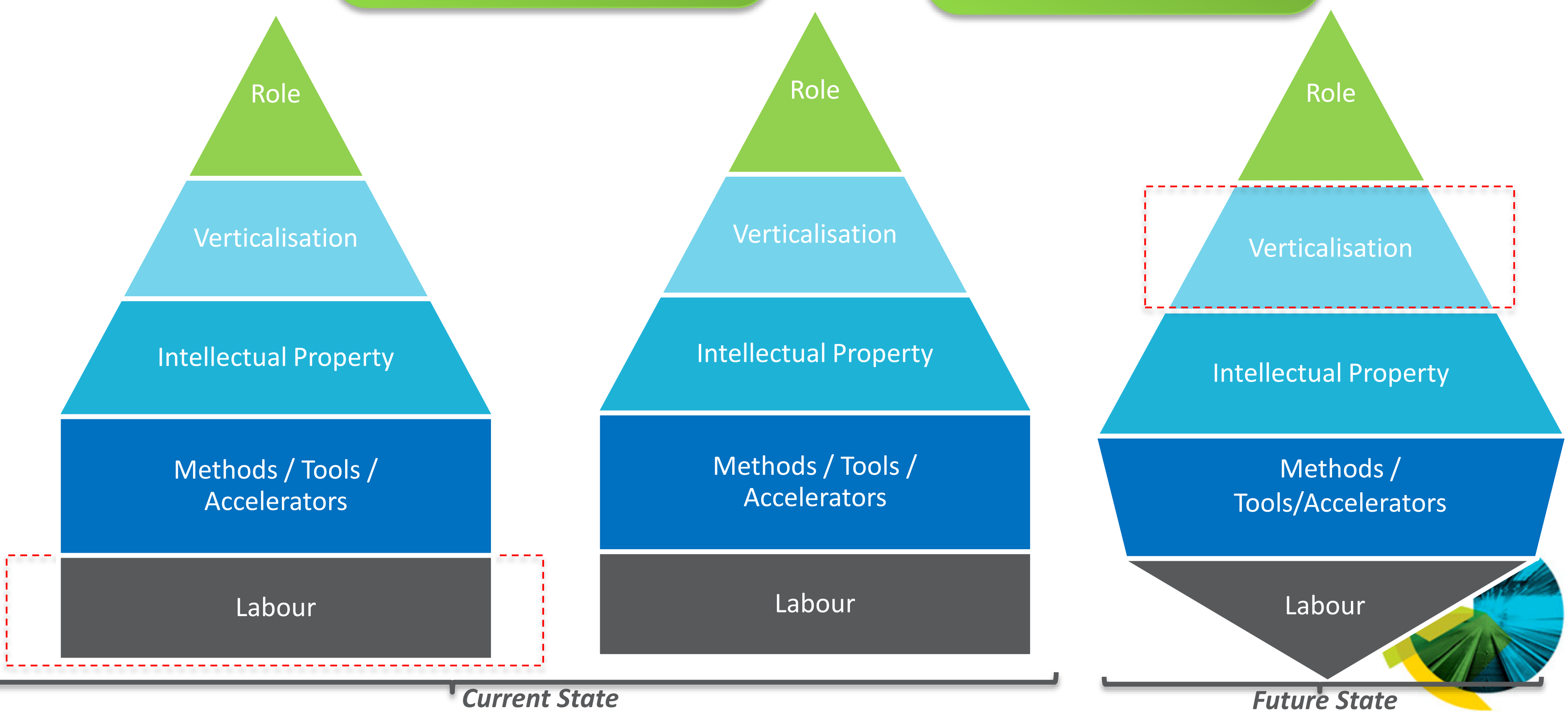
Managed Services Offering (Capability on Demand)

Buyer Side Push:

- Pay for results (vs. efforts)/outcome based
- More predictability
- Faster time to market

Vendor Side Pull:

- Technological advances
- Headcount issues
- Wage inflation



Evolution of the IT Services Model

The mix-shift from commodity services into a higher-value, customised / specialised services, driven both by the supply side (IT Services firms) and the demand side (CIO's) is one of the most important over-arching trends in the IT services industry over the next several years

The "Winning" IT Services Model

	2001 – 2010: "Run Better"	2011 – 2020: "Run Different"
Characteristics	• Commodity services • Low-cost labour model • Technology	• High-value services • Business outcome based
Drivers	• Datacentre outsourcing "mega-deals" • Large Scale ERP implementations • Government IT spend • Efficiency	• Analytics, digital and mobile • Effective Talent Management • Brokerage & Eco-System Management • Effectiveness
Sample Services	• Datacentre facilities and Infrastructure Management • Horizontal Application Management	• 'as a Service' Delivery • Vertical Integration of Managed Services
Focus	• **Transactional Problem Finding**	• **Transformational Problem Solving**

Outlook and Guidance

FY16: Targeting strong EBITDA and EPS growth on FY15

Revenue guidance: $180m - $190m

- $160m revenue already locked in for FY16
- Full year contribution from new Managed Services transitioned in FY15
- Delayed FY15 contracted revenue contributing to FY16
- Old World Revenue decline expected to continue

EBITDA target: 14%

- Fixed overhead base to remain stable
- Offshore delivery cost base savings
- Contract bid costs expected to be lower than FY15

Q&A