

21 January 2016

ASX Announcement

FY16 Trading Update

Empired advises that it will release its FY16 half year accounts on Monday 29th February 2016.

As outlined in Empired's AGM Presentation, released to ASX on 16 November 2015, a number of items have impacted first half trading results. These items have been more severe than first anticipated however can be considered 'one off' or 'transitional' in nature as Empired ramps up a number of major strategic contracts and matures the integration and operating model of the broader organisation.

Empired expects FY16 H1 revenue to be approximately \$79m, with reported EBITDA in the range of 1% to 2% of revenue. Adjusting EBITDA for the items outlined below would result in an adjusted margin of 8% to 9%.

Empired expects FY16 H2 revenue in the range of \$80m to \$90m, with EBITDA margins of 8% to 10% of revenue.

Commentary relating to FY16 is as follows:

- Empired has experienced strong revenue growth in H1 FY16 when compared with the prior corresponding period (H1 FY15).
- Empired provides full year revenue guidance between \$159m and \$169m. This has been refined from previous guidance of between \$155m and \$175m.
- As part of Empired's integration activities, the Australian sales organisation has been restructured to promote sales across Empired's entire service portfolio and to streamline client engagement. This was to position the organisation to secure larger work packages and to improve strategic value to our clients. This restructure has resulted in both delays and a lag to project based work on the east coast impacting utilisation. The impact of this was approximately \$4.1m.
- During the 2015 calendar year Empired experienced a high degree of new contract success securing circa \$97m (\$32m H1 FY16) in new strategic contracts. Ramp up and delays in commencement dates on these contracts have resulted in additional contract costs of approximately \$1.1m in the first half. These contracts are now all operating in line with contracted margins.
- As part of the integration of recently acquired businesses Empired has been driving an expense reduction program. This program has resulted in a reduction to corporate, sales and

general administrative overhead expenses of \$5m per annum (\$2m of this reduction was completed in H1 FY16). The benefits from the FY16 H1 component of the program will commence in H2 FY16. The cost of this program in the first half was \$0.7m.

- Over the 2015 calendar year Empired has consolidated 9 office locations across Perth, Melbourne and Sydney down to 3. During the half the Plant & Equipment register was reviewed and it is expected that Empired will record a one off Plant & Equipment write down of \$2.3m (non-cash) in relation to assets no longer in use. This item does not impact EBITDA.

Commenting on the performance Mr Baskerville said:

“Whilst we have delivered strong top line growth, we are disappointed by the number of items impacting profitability in the first half and are confident that these items are either one-off or transitional in nature.”

“The initiatives undertaken during the first half of FY16 have been critical in positioning the organisation for long term sustainability and improved margin performance which we consider prudent in uncertain economic times.”

“We are confident in the investments and strategic initiatives undertaken and look forward to delivering improved financial performance and value creation for our shareholders.”

For more information please contact:

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About Empired Limited

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

With a team of over 900 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 to deliver high quality solutions to meet their business requirements.

Empired operates through three interactive business streams, Business & Productivity Solutions, Application & Consulting Services and Infrastructure Services. Together they provide a breadth of service and expertise not seen in other consultancies bringing together a range of services to provide 'end-to-end' advice and solutions.

Our flexible service delivery approach and “can do” attitude has enabled Empired to secure clients that range from medium size entities through to large enterprise accounts with services delivered across Australia, South East Asia and beyond.

Website: www.empired.com

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.