FY16 First Half Results

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February 2016

FY 2016

H1 RESULTS

Revenue $79m

EBITDA $0.9m

NPAT $(3.7)m

H2 OUTLOOK

Revenue expected to be between $80m and $90m

EBITDA expected to be between 8% and 10% of Revenue

Strong pipeline of strategic sales opportunities

FY16 HIGHLIGHTS

Secured $32m of strategic annuity contracts

Reduced annualised expenses by $2m pa as part of integration program

Integration of sales organisations

Turnaround of NZ business delivering strong, profitable results

Financial Results:

	H1 FY16	H1 FY15	Change
Revenue	$79m	$50m	$29m
EBITDA	$0.9m	$3.9m	($3.0m)
NPAT	$(3.7m)	$1.2m	($4.9m)
Operating Cash Flow	$(1.2m)	$(3.7m)	$2.5m
CAPEX	$8.5m	$4.2m	$4.3m
[1]Debt	$29.5m	$27.6m	$1.9m

[1] Includes debt facilities comprising bank debt, working capital facilities and all deferred vendor payments excluding hire purchase agreements. Adjusted for the changes to deferred vendor payments relating to the Intergen acquisition as announced on 12 Feb 16.

EBITDA Impacted by:

- The transition of the Australian sales organisation into a single integrated portfolio sales team resulting in a lag to sales orders which impacted utilisation across the East Coast. Reduction in revenue of $4.1m.
- Contract commencement costs of $1.1m and costs associated with expense reduction initiatives of $0.7m.

NPAT impacted by a $2.3m one off non-cash write down of fixed assets.

CAPEX includes one-off $4.6m relating to office relocation.

CAPEX expected to be below $2m in H2. Sustaining CAPEX ongoing expected to be circa $4m per annum.

Financial Position:

Financial Position	31 Dec 2015	Impact of DVP change	31 Dec 2015 Restated with change
Current Assets	$38m		$38m
Non-current Assets	$80m		$80m
Current Liabilities	$41m	$(3)m	$38m
Non-current Liabilities	$28m	$2m	$30m
Equity	$49m	$1m	$50m

Change relating to deferred vendor payments (DVP):

- On the 12th of February 2016 the company entered into an agreement to change the deferred vendor payments relating to the acquisition of Intergen.
- The impact of the change on the 31 December 2015 balance sheet is shown in the table.

Working Capital:

$m	H1 FY15	H1 FY16	H2 Target	Expected change
Trade & Other Debtors	19.2	24	22	(2)
Work in Progress (WIP)	5.9	8	5	(3)
Trade Creditors & Accruals	14.8	19.2	19	0.2
Working Capital Required	**10.3**	**12.8**	**8**	**(4.8)**
Debtor Days	69	56	51	(5)
(1)Receivable Days	91	75	68	(7)

(1) Receivable days represents total working capital lock up being debtor days plus WIP days.

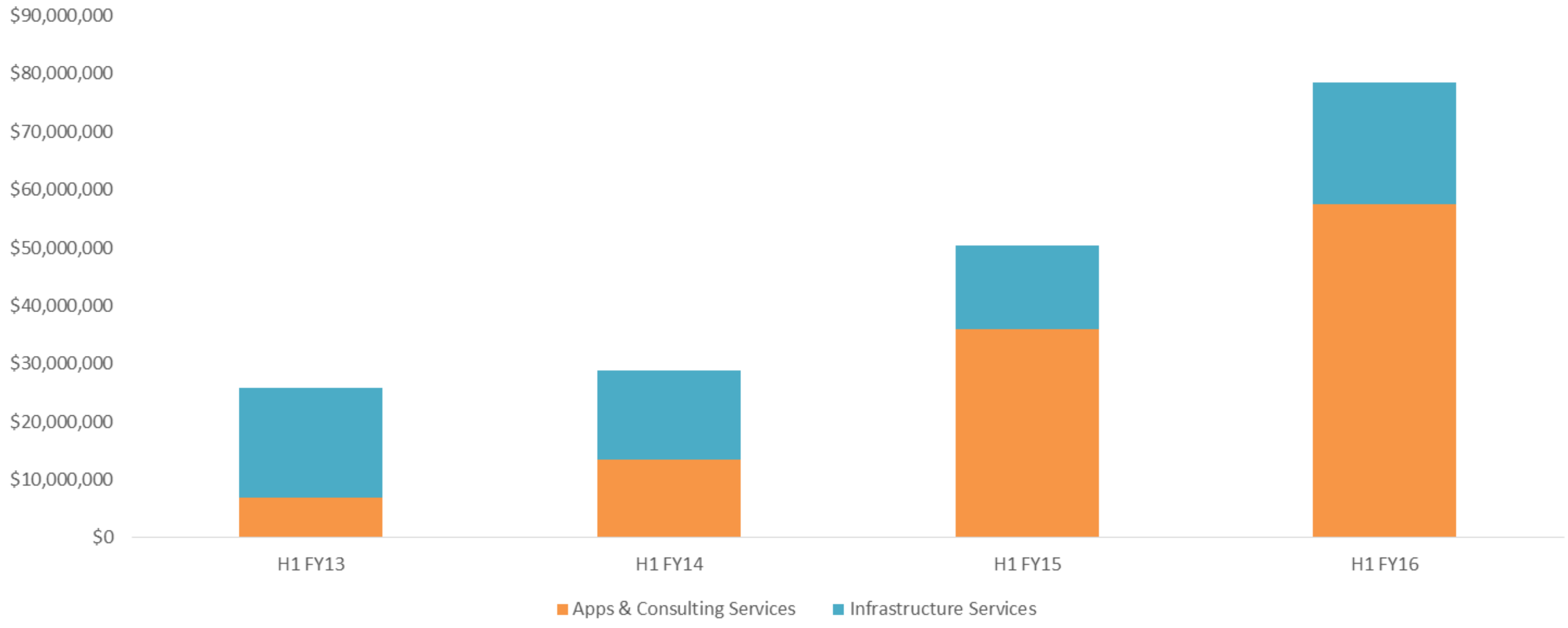
Expecting working capital unwind in H2 of circa $5m which will go straight to cash.

Trade & Other Debtors has increased considerably as a result of strong Revenue growth however is currently inflated on the basis of high receivable days.

Debtors Days & WIP have increased on a temporary basis.

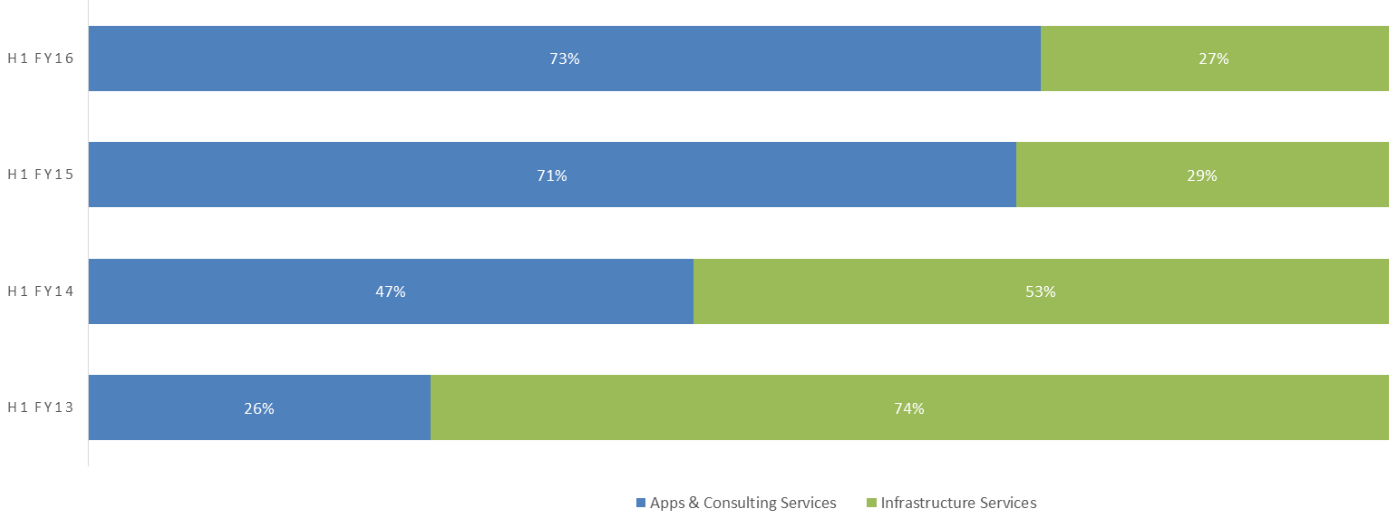
- As a result of the integration of a range of financial systems and processes.
- There is a very strong focus on collections.
- Debtor days and receivable days have reduced at the close of January and we aim to reduce debtor days to their target states by June 30, 2016.

Revenue Growth



- **Applications & Consulting**
  - Managed Services
  - IOT & Data Insights
  - Mobility
  - Microsoft CRM & ERP
  - Digital Transformation
- **Infrastructure Services**
  - Managed Services
  - Identity Management & Security
  - Service Integration
  - Cloud Transformation Services

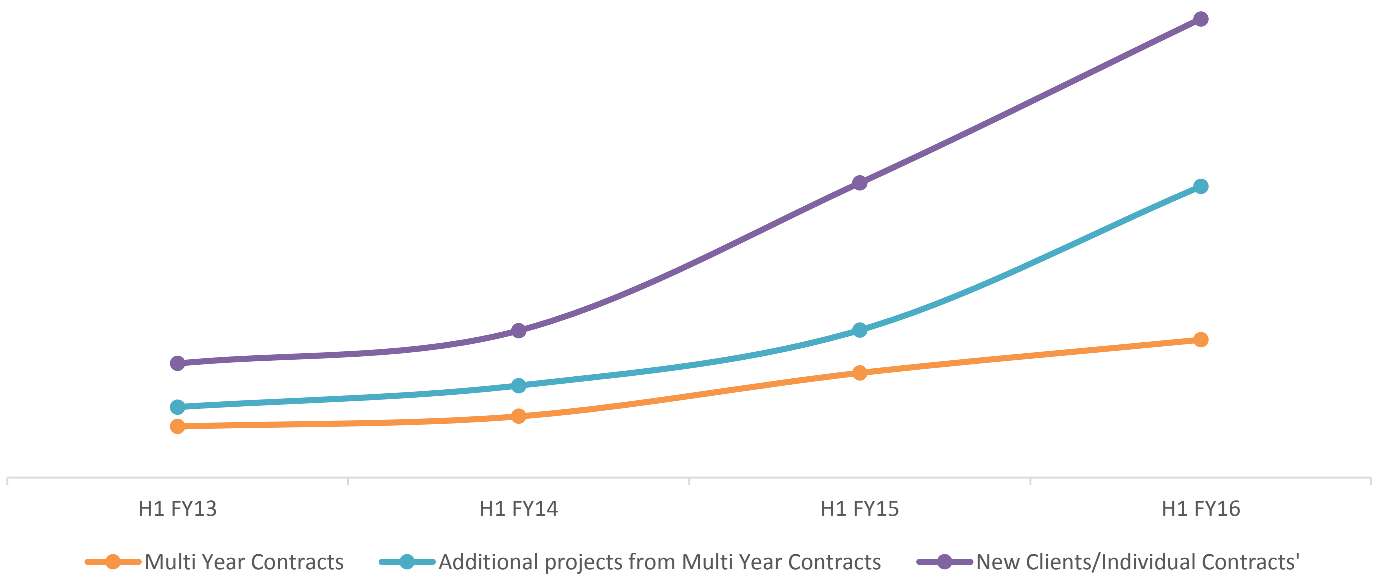
Revenue mix



Analysis

- Increasing exposure to Application Services Revenue.
- Application Services Revenue typically higher margin business.
- Application services predominately aligned to high growth market trends using Microsoft technologies.
- Infrastructure Services Revenue currently represents a higher proportion of long term contracted Revenue than Application services.
- Improving Infrastructure services margins through cloud & service integration.
- Opportunity to grow contracted Revenue base in Application services.

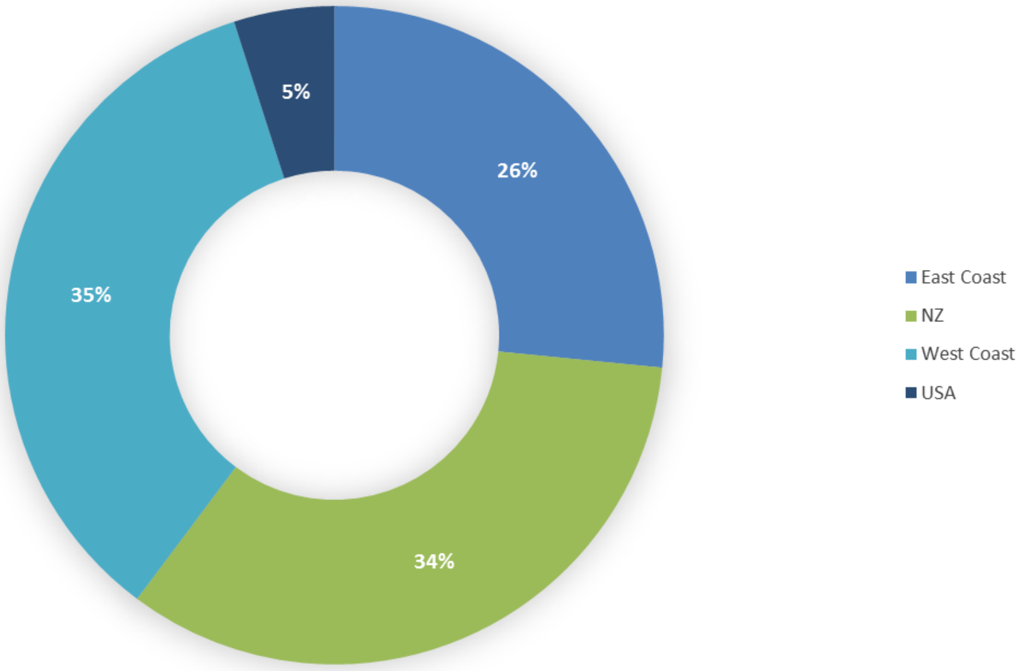
Contracted Recurring Revenue:



Analysis

- Strong growth in Revenue from multi-year contracts following $65m of strategic contracts secured in H2 FY15.
- Expect strong growth in Revenue from multi-year contracts in H2 FY16 following $32m of strategic contracts secured in H1 FY16.
- Trend of approximately 50% of Revenue continues to be earned from multi year contracts even with strong Revenue growth.
- New annuity revenue streams developing from in-house cloud based software as a service IP (Cohesion) and cloud platform services.

Regional Revenue

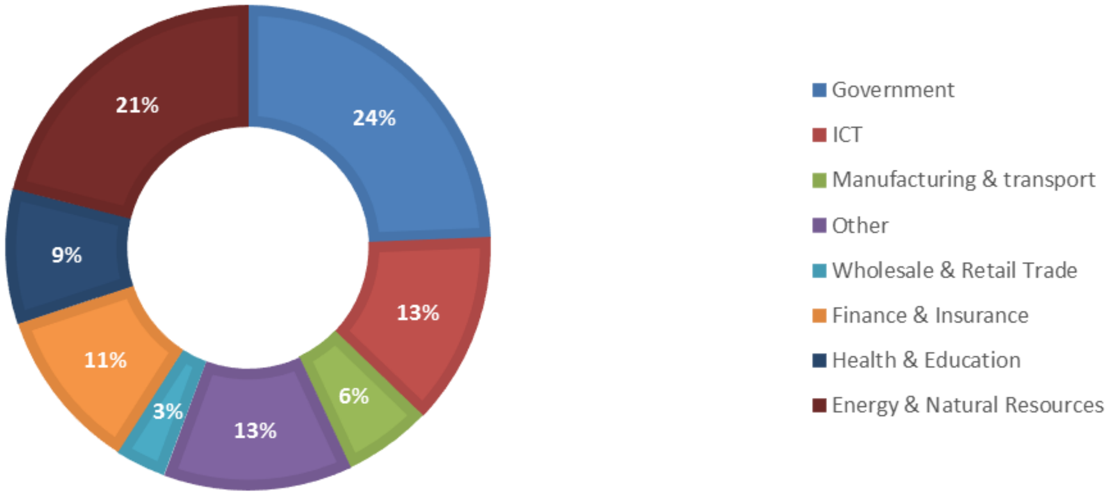


FY16 H1 Revenue by Region

Analysis

- Business well balanced across our major regions of operation.
- NZ operations experiencing pleasing demand and growth profile.
- Strong growth opportunity on the East Coast of Australia.
- Western Australian market performing well with moderate growth, underpinned by a number of large multi year contracts.
- Low cost, low risk exposure to growth opportunities in the US and Asian markets.

Industry Exposure:



FY16 H1 Revenue by Industry

Analysis

- No major exposure or reliance on any one particular sector.
- Government, predominately NZ and Australian State Governments continue to be a strong corner stone sector for Empired.
- Energy & Natural Resources (ENR) continue to perform strongly as these sectors look to technology to drive efficiency and productivity.
- Strategically investing in exposure to the Finance & Insurance and Health & Education sectors.

Expecting strong trading performance in Revenue, EBITDA and operating cash flow in H2.

Outlook

FOCUS

Growing Annuity Revenues

Cloud / Managed Services

Data Analytics / Data Insights

Mobility & Modern Apps

FY16 H2 guidance remains firm. Expecting Revenue of $80m to $90m with EBITDA margin between 8% & 10%

FY16 Trading Update

- Third quarter on track with utilisation levels across the business tracking to forecast levels.
- Circa $5m working capital unwind expected in second half.
- CAPEX expected to be below $2m in H2. Sustaining CAPEX ongoing expected to be circa $4m per annum.
- Operating cash flow expected to be strong in second half.
- Expecting contracted revenue to be at record levels entering FY17.

Thank you.

Empired