Euroz Investor Briefing

MARCH 2016

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ASGGROUP.COM.AU

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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

ASZ
ASX code

$1.09
Share Price

$222.6m
Market Capitalisation

204.2m
Number of Shares on Issue

FY16 – Delivering on the New World

Financial Performance H1 FY16

- Operating Revenue up 13% on pcp
- Reported EBITDA at $12.7m, up 14% on pcp
- Operating EBITDA up 38% on pcp
- EBITDA margin on target at 14.4%
- NPBT up 21%

Record Contract Success

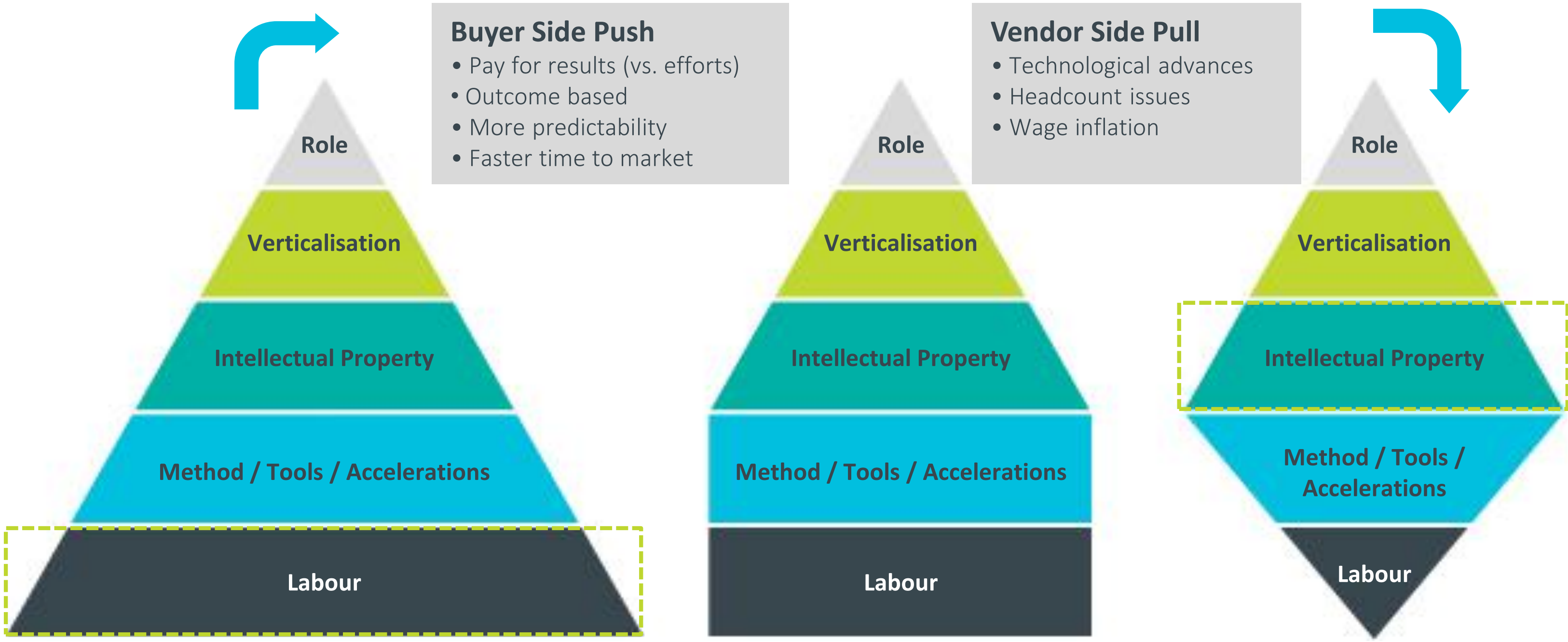
- Over $250m of contracts signed in 12 months
- $130m new business, $120m existing contracts re-signed
- Contract transitions tracking on target

Outlook

- Maintain FY16 Revenue guidance of $185m - $190m
- On target for FY16 EBITDA 14%
- $160m+ locked in revenue for FY16
- Strong organic growth performance in an environment where traditional business models are under pressure
- ASG's 1st Mover advantage & Managed Services pedigree uniquely positions it against competitors struggling to transition to the New World

Industry Outlook and Trends

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



Inability to generate economies of scale – labour or technological/Technology Focused

Economy of Scale/Cost Reduction/Business Outcomes

Traditional Old World Services Offering (**Capacity** on Demand) → New World Services Offering (**Capability** on Demand)

ASG's advantage is moving ahead of new customer needs

Aspire. Enable. Achieve.

Traditional Service Providers of technology and resource arbitrage going backwards

- Multi-National revenue forecasts missed (IBM, CSC)
- Indian outsourcer growth down 50%
- Traditional service providers downgrading forecasts

Pure Cloud IaaS/PaaS provision now a commodity based on a global scale

- AWS/Azure/Google price competition intensifying
- Barriers to entry for traditional technology/hardware vendors
- Risk of a concentration of providers based solely on price

Clients demanding Business Outcomes based on Intellectual Property (IP) value propositions

- Based on long term relationships not transactional engagement
- IP not a technology but a way of doing business
- Business models changing eg Oracle & SAP
- Capital markets turning to IP plays vs commodity plays for investment

ASG advantage is that we understand Managed Services

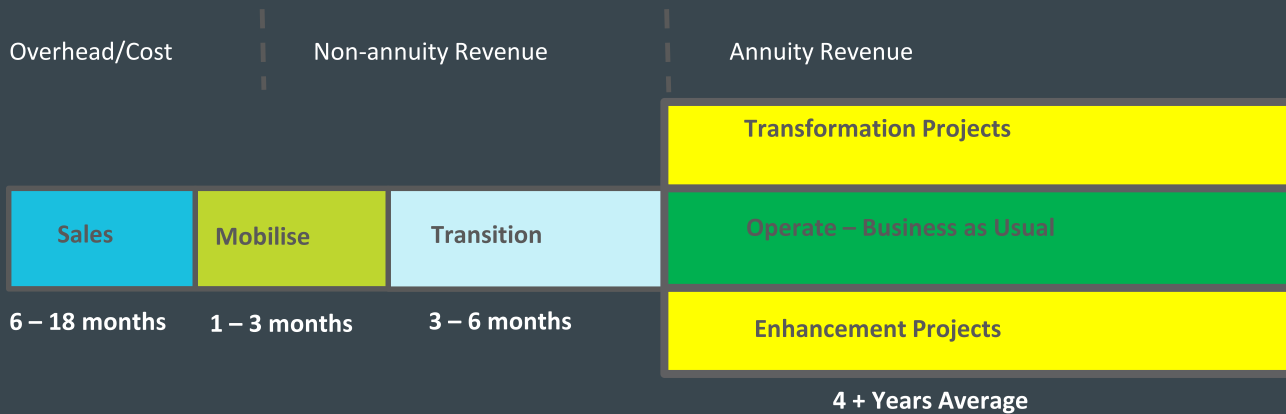
- Leading Australian Managed Service provider with 20yrs experience
- We understand the eco-system our clients operate in - business & technological
- Capability & competency delivering the complete solution
- IP - taking existing services & transforming to New World
- Take the customer on the journey
- Locked in long-term revenue base enhanced

Proven track-record

- Deliver results in line with guidance - long term focus
- Transformation to IP based business model progressed

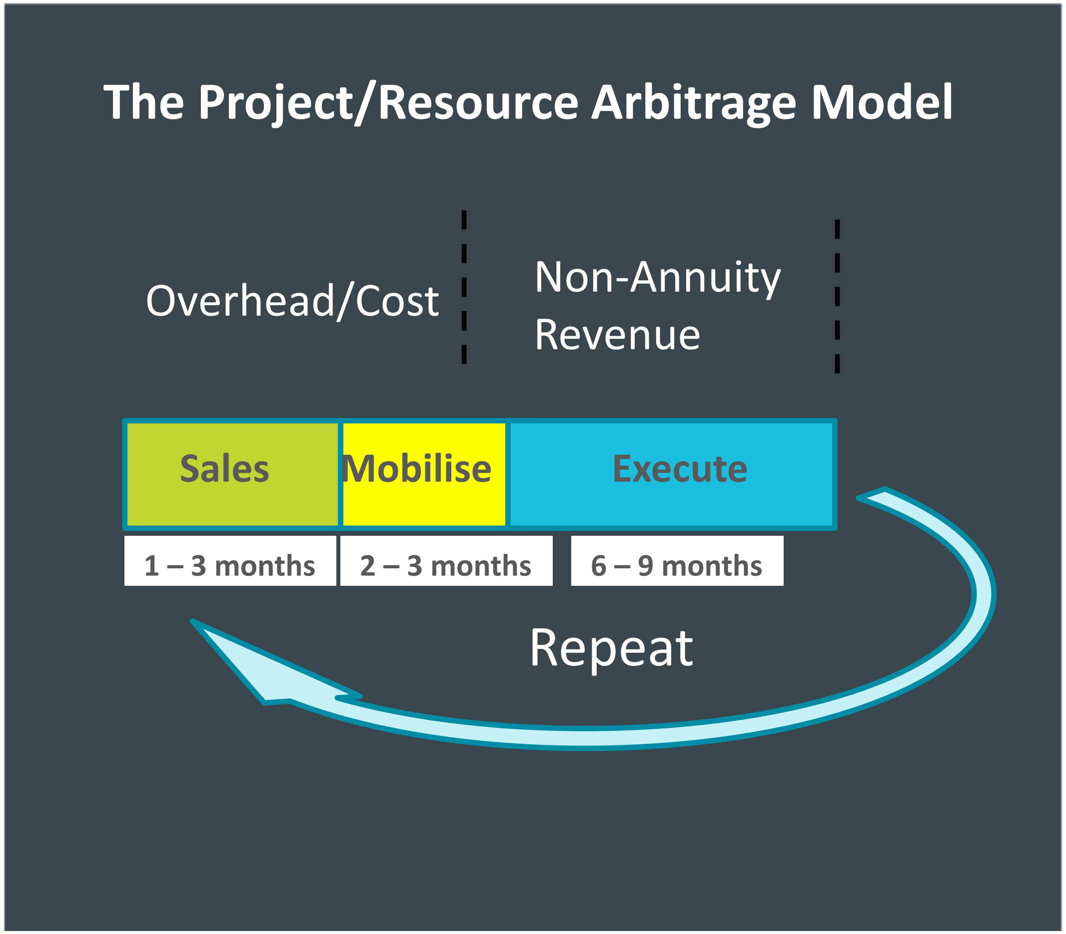
Core ASG Business Model

Managed Services/New World



- Long-term engagements - relationship based
- Able to leverage skills and FTE's across multiple engagements concurrently
- Solid locked-in, underpinning revenue base
- Cost to Win defrayed over a longer revenue generation period
- Non-Competitive/Preferred Provider
  - Existing contract mechanism in place for the Client to fast-track the expansion of services to meet changing business needs
- Specialised business development skillset & organisational IP

Non-Core ASG Business Model



- Short term engagements - transactional in nature
- Revenues limited by the number of FTEs directly billable
- Boom/Bust Cycle
- Continual churn with a high number of business development resources & FTE utilisation risk
- Increased exposure to offshore competitors

Utility "New World" Computing

Change in What the Customer Sees…

- Efficiency, simplicity, productivity
- Opex rather than Capex - usage-based costs, utility model
- Approximately 30 – 40% savings, led by outcomes based business decisions rather than technology
- Shrinkage of internal IT departments

Customers making value-based decisions not expense-based technology decisions

Clough Case Study

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The Engagement
- New World contract encompassing entire IT portfolio and business process improvement initiatives
- Open-ended Master Services Agreement - consumption pay as you use, complete IT portfolio of services

Results
- Achieved in excess of 30% reduction in ICT costs
- A move from fixed to variable operating cost
- Reduce ICT asset ownership by over 60%
- Delivering efficiencies through greater commoditised services to the business

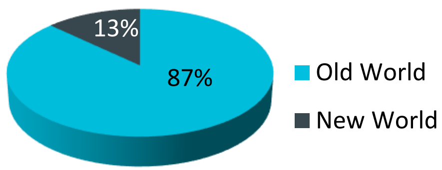
Contract Wins: $250m+ in 12 months

Customer	Type	Contact Period
Department of Education & Training (Victoria) - PeopleSoft	Renewal	5 + 2 + 2 years
Department of Finance	New	4 years
Department of Infrastructure	Renewal	5 + 3 years
Department of Education & Training (Victoria)	New	2 + 1 + 1 + 1 years
United Energy & Multinet Gas	New	5 + 1 + 1 + 1 years
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

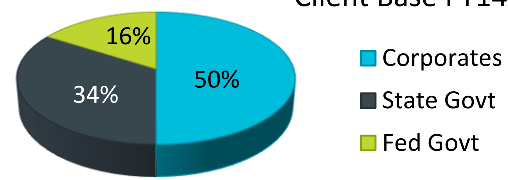
- $130m in new business, $120m existing contracts resigned
- Average contract length 4 years plus 4 year renewal

Revenue Breakdown

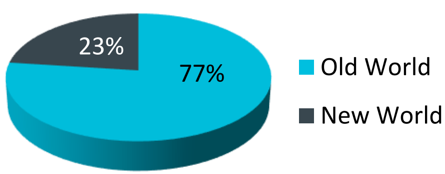
FY14



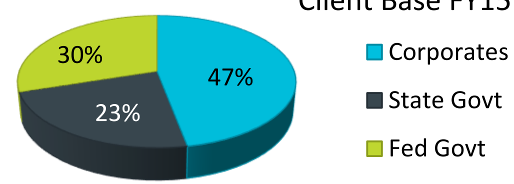
Client Base FY14



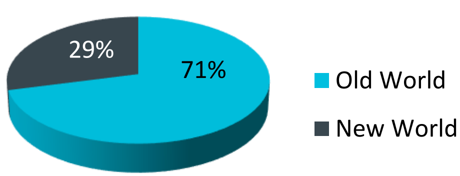
FY15



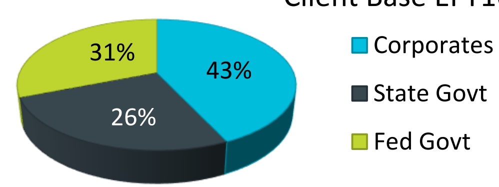
Client Base FY15



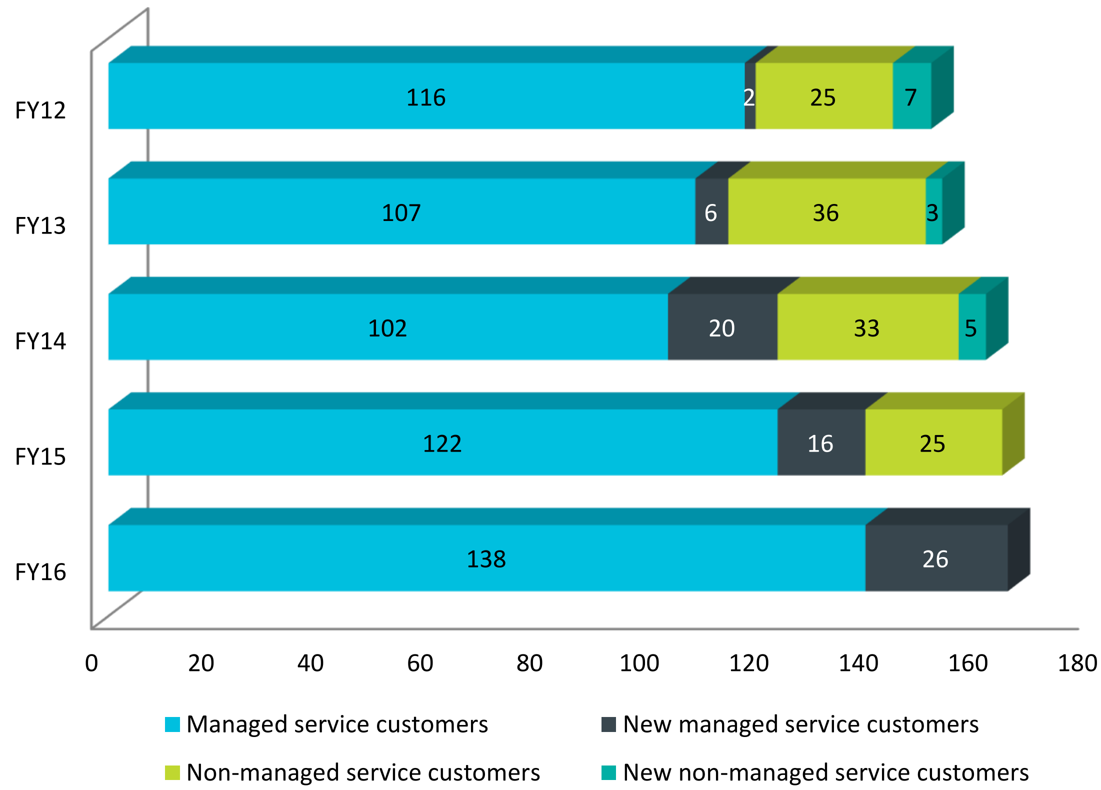
EFY16



Client Base EFY16

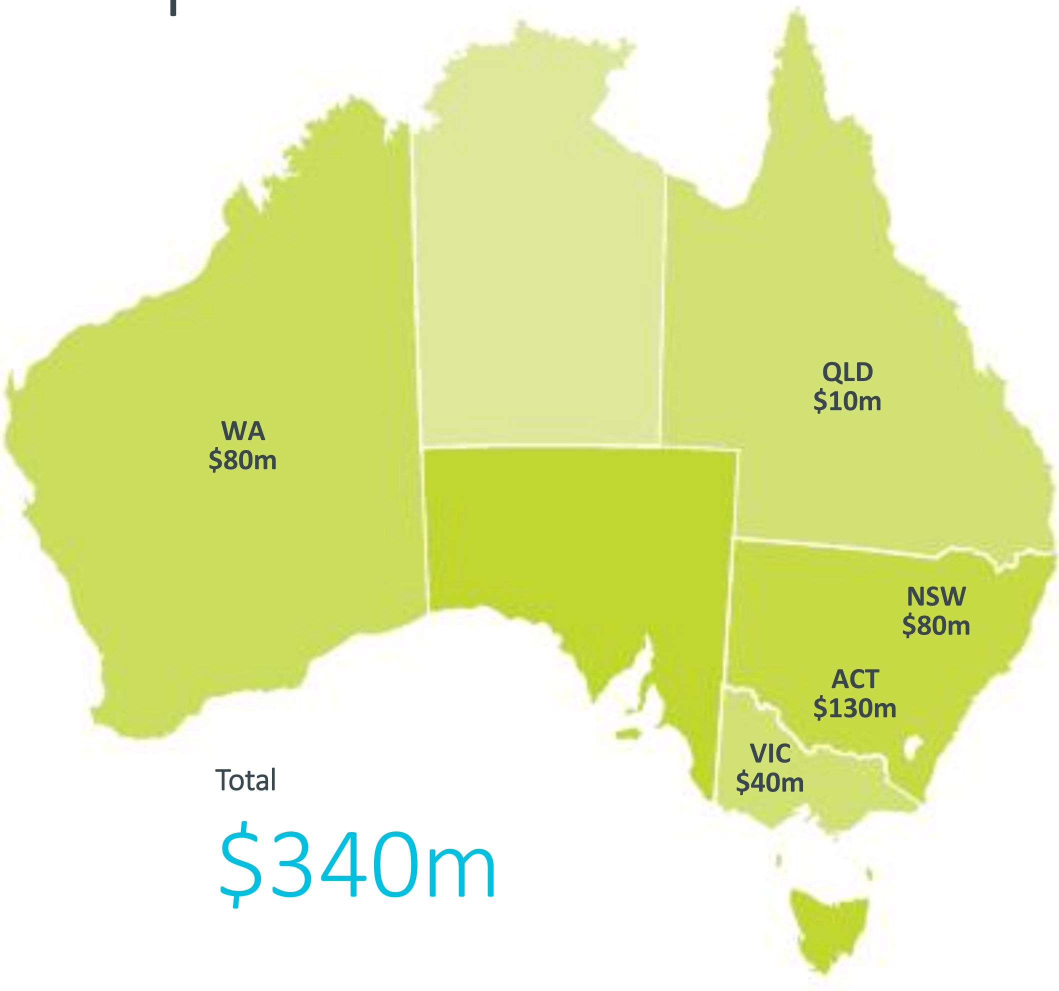


Locked in Revenue



- Annuity revenue stream underpinned by New World contracts
- Over $160m revenue locked in at commencement of FY16
- FY17 locked in revenue at 1st July 2016 expected to be $180m+

Contract Pipeline



Total

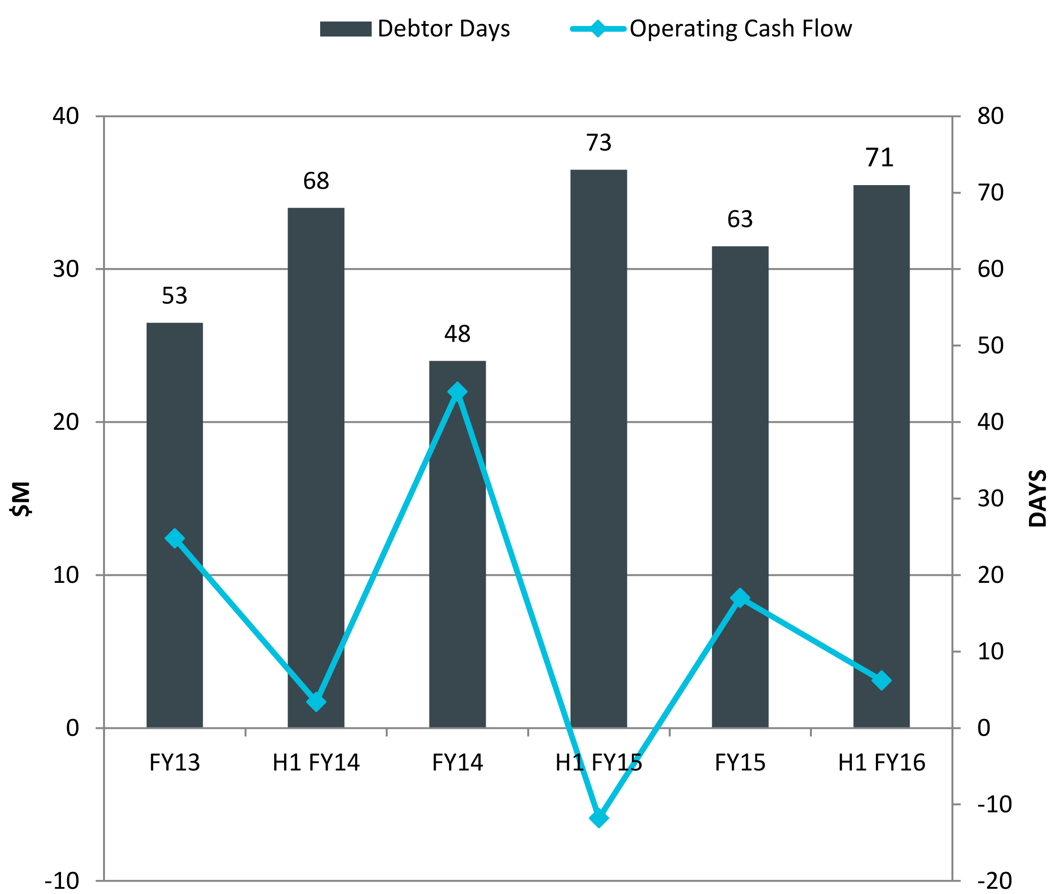
$340m

Operating EBITDA

	H1 FY16 $m	H1 FY15 $m	Movement
Reported EBITDA	12.7	11.1	14.4%
- Profit on Data Centre	0.1	(1.0)	
- R&D credit	(0.1)	(0.9)	
Operating EBITDA	12.7	9.2	38.0%
Operating EBITDA % Revenue	**14.4%**	**11.8%**	**2.6%**

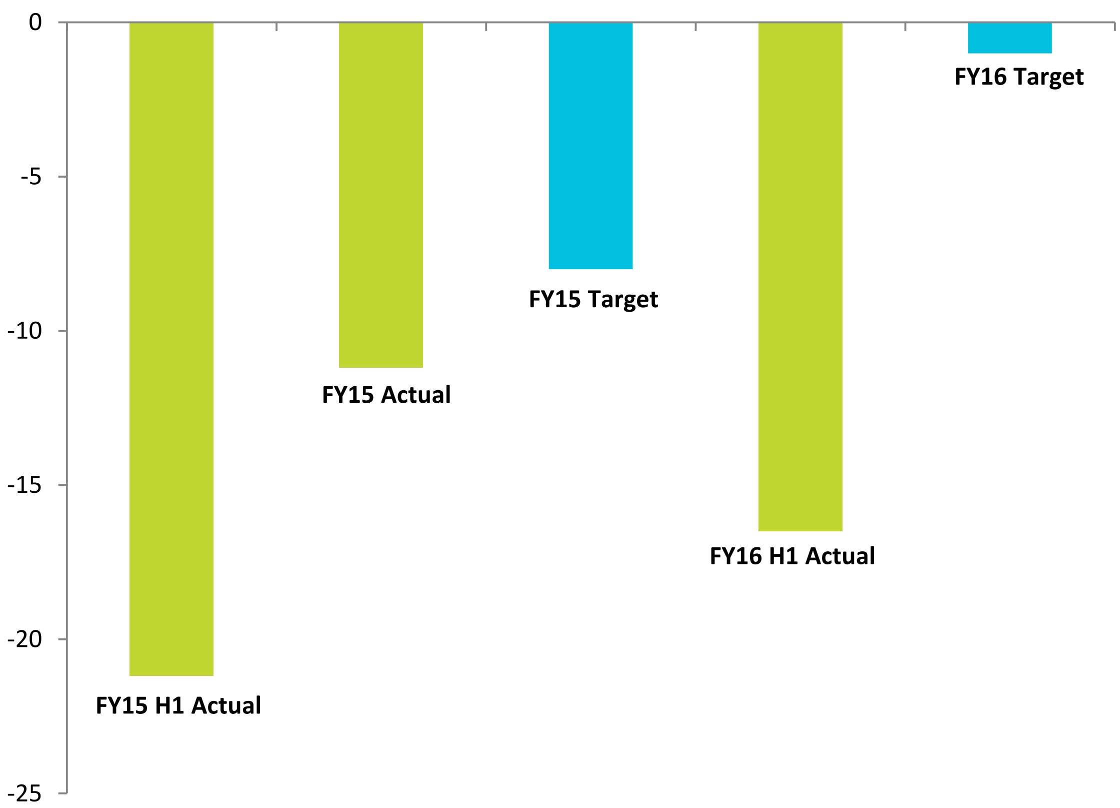
- Operating EBITDA improvement driven by:
  - Strong organic revenue growth
  - Overheads remaining fixed on a growing revenue base
  - Offshore program commenced
  - Consistent and strong managed service gross margin

Operating Cash Flow



- Operating cash (before interest & tax) 48% of EBITDA. On target for 100% at FY16
- Seasonality of debtors consistent with prior periods
- FY16 operating cash flow consistent with EBITDA less interest and tax

Net Debt Reduction Focus



- Balance Sheet continues to strengthen
- Prudent capital management through share buy back
- Operating cash turnaround in H2, consistent with prior years
- Capex target < 1 x D&A, modest increases on contract wins

Outlook and Guidance

FY16

- Maintain revenue guidance: $185m - $190m
- $160m+ revenue locked in for FY16
- EBITDA target of 14% on track
- Fixed overhead base to remain stable
- Old World revenue decline expected to continue

FY17

- Expected locked in revenue $180m+ at July 1st 2016
- Offshore delivery to accelerate
- Fixed overhead base to remain stable
- Targeting EBITDA 15%
- Old World revenue decline expected to continue
- Full year contribution from new Managed Services contracts

Appendix

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H1:FY16 Financial Summary

	H1 FY16 $m	H1 FY15 $m	Movement
Operating Revenue	88.2	78.2	12.6% ↑
Reported EBITDA	12.7	11.1	14.4% ↑
Operating EBITDA	12.7	9.2	38.0% ↑
NPBT	7.6	6.3	20.6% ↑
NPAT	5.6	5.7	(1.8)% ↓
EBITDA Margins	14.4%	13.8%	0.6% ↑
EPS	2.70c	2.77c	(2.5)% ↓

- Strong organic revenue growth
- EBITDA margin improvement
- H1 FY16 includes accelerated depreciation of $0.4m from office consolidation
- H1 FY16 tax rate of 27% against 9% in H1 FY15 ($1.2m tax credit)

Cash Flow

	H1 FY16 $m	H1 FY15 $m
OPENING BALANCE	**13.8**	**16.1**
Net Operating Cash (before Interest & Tax)	**6.1**	**(3.1)**
Net Interest	(0.7)	(0.8)
Income Tax	(2.2)	(1.9)
Net Operating Cash	**3.2**	**(5.9)**
Capital Investment	(4.4)	(2.9)
Sale of Leased Asset	-	10.7
Net Borrowings and Finance Leases	(3.5)	(11.0)
Share Buy Back	(2.0)	-
CLOSING BALANCE	**7.1**	**7.0**

- Solid conversion of EBITDA to operating cash
- Capital investment higher, driven by New World contract success
- Share buy back commenced, continuing in H2
- Targeting dividend recommencement in FY17

Balance Sheet

	H1 FY16 $m	June 2015 $m
Current Assets		
Cash	7.1	13.8
Receivables	34.2	31.0
Other Current Assets	4.3	2.0
Total Current Assets	**45.6**	**46.8**
TOTAL ASSETS	**176.8**	**177.1**
Current Liabilities		
Trade and other payables	29.7	30.3
Borrowings	5.8	5.9
Total Current Liabilities	**41.6**	**45.1**
Non-Current Borrowings	17.9	19.2
TOTAL LIABILITIES	**69.6**	**73.8**
NET ASSETS	**107.2**	**103.3**

- Strengthened by operating performance
- Continued focus on debt reduction and liquidity improvement

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Q&A

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