



HiTech Group Australia Limited (ASX:HIT)  
July 2016

# Investor Overview

- HiTech is a specialist provider of Recruitment & Consulting services – predominantly in the IT sector
- Majority of revenue is generated from IT contracting placements, providing a source of growing recurring revenue
- FY16 was another year of tremendous growth for HiTech, with revenues expected to be up 10-15% and gross profit up by 10-20%
- Long term contracts have been renewed leaving HiTech in a strong position for continued growth in FY17
- HiTech is leveraged to the favourable trends of IT job growth (14.9% by 2020), increase in contracting placements over permanent placements and rapid growth of certain IT job categories such as Network Professionals (+20%), ICT Managers (+25%) and Software Programmers (+18.4%) → the CLOUD factor
- The board recognises that the Company's stock price is extremely undervalued and is intent on improving returns to shareholders
- HiTech is well positioned to capture increasing demand for IT professionals and grow revenue and profits in FY17 and beyond

# About HiTech

- HiTech is a specialist recruitment and consulting firm focused on finding skilled professionals primarily in Information and Communications Technology (ICT) as well as Office Support, Finance and Sales & Marketing
- Operating for 23+ years with a proven business model and multiple 'preferred supplier' agreements with some of Australia's leading organisations
- Listed on 17 April, 2000
- 31m shares on issue. Board and management own >65%

# FY15 Results

- Revenue of \$15.1m (up 88%) and Gross Profit of \$3.2m (up 163%)
- Operating PBT (ex Investments) of \$2.1m (up 1800%)
- Permanent placement revenue up 17%, contracting revenue up 89%
- \$1.8m cash at 30 June 2015. No debt
- NTA of 12c

# FY16 Results Update

- Unaudited revenue increase for FY2016 of 10-15% and Gross Profit increase of 10-20%
- Mix of permanent and contracting placements – vast majority continues to be in IT contracting
- Net cash position to be in the vicinity of \$3.5m at 30 June, 2016
- FY16 continues the solid growth trajectory of the past four years.
- This is not a one-off good performance but a reflection of the steady growth path that management has been able to achieve for the company
- HiTech is well positioned to benefit from the growth that its key markets are experiencing.
- Working towards winning new business, increasing profit and ensuring operating costs are kept to a minimum

# HiTech Client Base (partial)

Sage MicrOpay



Approved Supplier  
Prequalification Scheme:  
Contingent Workforce  
05/03/2013 - 01/03/2018



Australian Government  
Department of Immigration  
and Border Protection



Australian Government  
Department of Social Services



Australian Government  
Austrade



Australian Government  
Department of Veterans' Affairs



Australian  
Government  
Endorsed  
Supplier

# Business Model

- HiTech provides ICT recruitment across all skill sets as well as add-on services in Office Support, Finance and Sales & Marketing
- We maximise the return for clients and deliver value from our proprietary candidate database of over 320,000 IT professionals
- Long term preferred supplier agreements with some of Australia's largest organisations, both public and private
- Beginning to achieve genuine economies of scale within what is a multi-billion dollar market. Current market share is less than 1%
- Flexible structure ready to move into the lucrative IT consulting space e.g. cloud and SaaS
- Focused on market share growth in the NSW and Federal Government IT contracting market
- Strong net cash position (~\$3.5m) leaves HiTech well positioned to pursue growth opportunities as they arise

# Favourable Market Conditions

- Hiring expectations in Australia are at a four year high
- 91% of Australian employers planned to maintain or increase their permanent headcount in 2016
- Information Technology continues to top the list of employment growth
- IT and Government are the industries that employees most want to work in - this is HiTech's niche
- Current industry conditions leave HiTech perfectly positioned and we continue to ride the wave of growth that our target markets are experiencing



# Opportunities For Growth

- The Department of Employment forecasts the ICT employment market to grow by 14.9% by 2020
- Within the ICT market certain professions are growing significantly faster - ICT Managers (+25%), Support & Test Engineers (+26.5%) and Software Programmers (+18.4%)
- This is the result of the 'Cloud Factor' as employers continue to transition the way they do business
- Increase in large scale IT transformation projects in both public and private sector
- These trends will support the growth of HiTech out to 2020
- HiTech continues to expand its business in the attractive markets of Cloud and SaaS deployments

# Delivering Returns To Shareholders

- HiTech is trading on an underlying FY15 Price/Earnings multiple of 7x (and lower for FY16), compared to a P/E multiple of 13x for the sector and 15x for the broader market (Source: Morningstar & Company Research)
- The board acknowledges that HiTech's share price does not yet reflect the underlying value of the business and is intent on improving returns to shareholders
- The board intends to improve returns to shareholders through:
  - Ongoing focus and commitment to growing revenue and profits from the core business, which will be the primary driver of shareholder returns
  - Improved investor relations and market communications
  - Utilising the company's considerable cash balance to pursue growth opportunities as they arise
  - Consideration of capital management initiatives

# Outlook

- Market conditions are positive with hiring expectations at a four year high and ICT leading the way
- HiTech is leveraged to the growth trends of the expanding ICT jobs market, rapid growth of certain ICT professions, increased use of contractors and large scale public and private IT transformation projects
- HiTech is achieving economies of scale with a proven business model and long term relationships with clients in the private and public sectors yet remains a relatively small player in a very large market
- Expanding cash balance (net cash ~\$3.5m at 30 June 2016) provides capacity to pursue growth opportunities as they arise, as well as consideration of capital management initiatives intended to improve returns to shareholders
- We remained consistently profitable through tough economic conditions and now with the market performing well we have been able to rapidly grow revenue and profits over the last four years, with the trend for steady growth expected to continue
- Expectation is for growing revenue and profit results in FY17