ASG Group record result in FY16, Strong growth forecast for FY17

Highlights

- Record EBITDA of $26.7 million (up 32%), increased EBITDA margin of 14.2% (12.4% previously)
- Record revenue of $188.7 million (up 16%), net debt of $2.9 million
- Significant boost in operating cashflow, running at 100% of EBITDA
- Meets revenue, earnings forecasts
- Budgeting for further revenue, earnings growth in FY17
- Expansion of multi-year contracts – $185 million revenue locked in for FY17

Leading Australian IT services group ASG Group Limited (ASX: ASZ) is forecasting strong revenue and earnings growth for the 2017 financial year after confirming record profitability in FY16.

Profit for the year to 30 June, 2016 was delivered on the back of continued growth in large-scale, multi-year contracts and material improvements in operating margins.

During FY16, ASG signed contracts worth more than $300 million in revenue, $180 million of which represented new contracts and $120 million extension of existing contracts.

ASG enters FY17 with $185 million of revenue locked in. The Company also has a record pipeline of opportunity valued at $370 million and continues to maintain a greater than 50% bid success rate on new contracts.

Chief Executive Officer Geoff Lewis said the FY16 result provided an excellent springboard for ASG to deliver meaningful earnings growth in FY17 and FY18.

He said the improvement in ASG's margins was particularly pleasing and a reflection of tight operating disciplines, including a shift of some functions to offshore outsourcers.

"Our EBITDA margin of 14.2% will continue to strengthen as our revenue base builds, giving further momentum to earnings growth in FY17," said Mr Lewis.

ASG's balance sheet strengthened materially through FY16 through debt reduction and a $5.1 million share buyback scheme. At balance date, net debt stood at just $2.9 million.

A major gain was recorded in operating cash flow less interest and tax, which stood at $27.5 million, in line with EBITDA of $26.7 million.

Mr Lewis said the strength and predictability of ASG's service model allows the Company to look to FY17 and FY18 with great confidence of delivery growth in revenue, earnings, and operating margins.

"Two key drivers of profitable growth will be scale benefits from our growing revenue base and the opportunity to achieve further efficiencies, including through more outsourcing offshore and collaboration with partners," he said.

"Underpinning this trajectory is continued strong growth in ASG's core markets, where there is abundant opportunity for expansion of our customer base."

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Looking to FY17 and beyond, Mr Lewis said ASG would capture additional revenue growth from its role as an orchestrator of new technology services for corporate and government customers.

“Corporate Australia is undergoing a transformation in how it procures and adopts new technology – effectively buying it as a service, much as we do in our personal lives,” he said.

“In conjunction with world leading partners like Oracle and Symantec, ASG has a fast-growing business advising some of the country’s biggest organisations on how to best take advantage of what’s available with [new/ new world] technology.

“The capex and opex savings for customers are dramatic, and ASG continues to build a profitable segment, with margins improving with scale.”

ASG’s board has not declared a final dividend but will give consideration to a restoration of dividend payments in FY17.

FOR FURTHER INFORMATION PLEASE CONTACT:

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ABOUT ASG

ASG Group Limited (ASX: ASZ) is an award winning and Australian IT business solutions provider, offering IT management and consulting services, business intelligence and thought leadership. Established in 1996, the company’s goal is to provide innovative, high-quality and cost-effective services to its clients. In 2002, ASG listed on the Australian Securities Exchange. For more information visit www.asggroup.com.au