



Espreon Limited

2009 Half Year
Highlights – Results – Outlook



Overview

- ▶ Strategic focus on Property Services business
- ▶ Sale of Corporate Services & Billback
- ▶ Net debt virtually zero
 - > Available cash approximately \$10m (subject to day-to-day working capital fluctuations)
 - > Debt of \$10m (after repayment using sale proceeds)
- ▶ Corporate head office restructure commenced
- ▶ Corporate actions
 - > Scheme of arrangement terminated by Vectis
 - > Inadequate takeover offer from Vectis
 - > SAI offer fair & reasonable and recommended by Board

Financial Overview

Half year to 31 December	2008 \$'000	2007 \$'000	+/- \$'000	+/- %
Sales Revenues - Property Services	49,322	56,524	(7,202)	-13%
Profit before tax - Continuing Operations				
Property Services	3,336	4,398	(1,062)	-24%
<i>PBT %</i>	<i>6.8%</i>	<i>7.8%</i>	<i>-1.0%</i>	<i>-13%</i>
Corporate Head Office	(814)	(1,332)	518	-39%
PBT (excl HO finance costs)	2,522	3,066	(544)	-18%
<i>PBT % (excl HO finance costs)</i>	<i>5.1%</i>	<i>5.4%</i>	<i>-0.3%</i>	<i>-6%</i>
Costs associated with takeover offers	(1,180)	-	(1,180)	
(Loss)/gain on interest rate derivatives	(650)	196	(846)	
Corporate HO Finance costs	(1,305)	(1,547)	241	
Profit before tax	(613)	1,715	(2,327)	

- ▶ Property Services
 - ▶ Revenue decline less than overall market
 - ▶ New business tempers market decline
 - ▶ Profitable despite difficult market conditions
- ▶ Corporate Head Office
 - ▶ Reduced underlying costs
 - ▶ Significant costs associated with Vectis takeover proposals
- ▶ Finance costs
 - ▶ Lower underlying finance costs (interest expense)
 - ▶ Decline in value of derivatives in 2008 (gain in 2007)



Property Services Highlights

- ▶ Property & financial markets
 - > Decline in housing finance - year on year estimated to be 20-30%
- ▶ Strong market position maintained
- ▶ Extended services to major financial institutions
 - > CBA – Melbourne, Sydney
 - > CBA/ANZ – Canberra - rapid & highly praised response
 - > St George – won National tender – add Qld & Vic
 - > Suncorp – extension to contract to commence April 2009
- ▶ Expansion of geographic coverage
 - > Canberra (2008)
 - > Gold Coast (April 2009)



Property Services

Financial results

- ▶ Espreon's revenues impacted less than overall market decline
- ▶ YTD revenues & margins per day (KPI) – down 13%
- ▶ Costs largely fixed, but cost reductions implemented and further initiatives planned
- ▶ Increased interest income on cash flow through operations
- ▶ Profitable business generating good cash flows – even in poor market conditions

Half Year ended 31 December	2008	2007	+/-
	\$'000	\$'000	%
Services Fees	15,024	17,162	-12%
Authority Fees	34,298	39,362	-13%
Revenues	49,322	56,524	-13%
Gross Margin	13,893	15,722	-12%
<i>GM%</i>	<i>28.2%</i>	<i>27.8%</i>	<i>0.4%</i>
Contribution	4,460	5,622	-21%
Shared costs	(558)	(466)	20%
EBITDA	3,901	5,156	-24%
<i>EBITDA margin %</i>	<i>7.9%</i>	<i>9.1%</i>	<i>-1.2%</i>
Interest income	312	160	94%
EBITDA (incl interest income)	4,213	5,316	-21%
<i>EBITDA margin %</i>	<i>8.5%</i>	<i>9.4%</i>	<i>-0.9%</i>
Depreciation & amortisation	(874)	(911)	0%
EBIT	3,339	4,406	-24%
<i>EBIT margin %</i>	<i>6.8%</i>	<i>7.8%</i>	<i>-1.0%</i>
Finance charges	(3)	(7)	-65%
Profit before tax	3,336	4,398	-24%
<i>PBT %</i>	<i>6.8%</i>	<i>7.8%</i>	<i>-1.0%</i>



Property Services Outlook

- ▶ Property & financial markets
 - > Decline in housing finance - year on year 20-30%
- ▶ Market for property exchanges likely to remain challenging in short term
- ▶ Increased focus on cost reductions by clients
- ▶ Outsourcing expected to grow available market
- ▶ Growth opportunities for Espreon – increased services to major financial institutions
- ▶ Increased automation of services & operations
- ▶ Potential for industry consolidation



Corporate Head Office

Half year to 31 December	2008 \$'000	2007 \$'000	+/- %	Expected Annual Costs Jun 09 ^{#1} \$'000
Property Services	558	466	20%	800
Corporate Services	98	86	14%	-
Billback	345	305	13%	-
Shared costs	1,001	857	17%	800
Corporate Head Office	927	1,369	-32%	1,100
Costs associated with takeover offers	1,180	-		-
	3,108	2,226		1,900

#1 expected level of annual corporate head office costs as from 30 June 2009 following actual and expected cost reductions

- ▶ Reduced Corporate Head Office costs (excluding takeover costs)
- ▶ Restructure to align with single Property Services business focus
 - > Reduction in Group Executive (Nov 08)
 - > Merge finance teams (Jan 09)
 - > Reduce size of Board & review Group Executive structure (Mar 09)
- ▶ Immediate significant reduction in annualised costs
- ▶ Target further reductions by June 2009 quarter
 - > Expected reduction in total head office costs of \$2.2 million on an annualised basis (excluding takeover costs) by June 2009



Income Statement

	Half Year ended 31 December		
	2008	2007	+/-
	\$'000	\$'000	%
Sales Revenue - Property Services	49,322	56,524	-13%
Management fee income from discontinued operations	443	391	
Revenue	49,766	56,915	-13%
Gross Margin - Property Services	13,893	15,722	-12%
<i>Gross Margin / Sales Revenue %</i>	<i>28.2%</i>	<i>27.8%</i>	<i>0.4%</i>
Other revenue (as above)	443	391	
Gross Margin	14,337	16,113	-11%
Employee benefits expenses	(8,155)	(8,800)	
Occupancy expenses	(883)	(840)	
Telecommunications expenses	(663)	(654)	
Administrative expenses	(685)	(623)	
Other expenses	(976)	(1,409)	
Expenses	(11,362)	(12,326)	-8%
EBITDA (Operating activities)	2,975	3,787	-21%
<i>EBITDA margin %</i>	<i>6.0%</i>	<i>6.7%</i>	<i>-0.7%</i>
Interest income	425	197	
EBITDA (Operating activities) and interest income	3,400	3,984	-15%
<i>EBITDA margin %</i>	<i>6.9%</i>	<i>7.0%</i>	<i>-0.2%</i>
Costs associated with takeover offers	(1,180)	-	--
Depreciation & amortisation	(874)	(911)	-4%
EBIT	1,345	3,073	-56%
(Loss) / gain on interest rate derivatives	(650)	196	-432%
Finance costs	(1,308)	(1,554)	-16%
Profit before income tax	(613)	1,715	
Income tax expense	184	(664)	
Net profit after tax on continuing operations	(429)	1,051	
(Loss)/profit from discontinued operations after income tax	(19,503)	982	
Net (loss)/profit for the period	(19,932)	2,033	



Balance Sheet

	31 December 2008			30 June 2008
	Reported \$'000	Adjust ^{#1} \$'000	Proforma \$'000	\$'000
Cash - Restricted client funds	4,306		4,306	905
Receivables	11,182		11,182	17,317
Current payables	(6,981)		(6,981)	(10,214)
Other liabilities	(5,487)		(5,487)	(2,624)
Net PPE	1,186		1,186	2,242
Intangibles	26,710		26,710	63,902
Capital employed	30,915	-	30,915	71,528
Cash	10,185	1,000	11,185	7,042
Borrowings ^{#2}	(27,282)	17,000	(10,282)	(27,303)
Net cash (debt)	(17,097)	18,000	903	(20,262)
Assets held for sale	18,000	(18,000)	-	-
Net assets / Total equity	31,818	0	31,818	51,266
Gearing				
Net debt/Capital employed (%)			-3%	28%
Borrowings/Capital employed (%)			33%	38%
Net debt / EBITDA & interest income				
Borrowings / EBITDA				
			-0.3x	3.3x
			3.5x	4.5x

#1 adjustment to reflect \$18m proceeds from sale of businesses received on 2 January 2009 and subsequent repayment of borrowings of \$17m on 14 January 2009

#2 includes interest bearing liabilities and associated derivative instruments



Cash Flow Statement

Half year to 31 December	2008 \$'000	2007 \$'000
EBITDA - operating activities	2,975	3,787
Costs associated with takeover offers	(1,180)	196
Working capital items and non cash items	6,871	1,972
Operating cash flows before interest & tax	8,666	5,955
Interest (net)	(803)	(1,331)
Tax	(327)	(1,278)
Operating cash flows	7,537	3,346
Capital expenditure	(647)	(1,380)
Acquisition proceeds / (payments)	-	1,207
Investing cash flows	(647)	(172)
Issue of shares	181	802
Payments to share plan trusts	(181)	(605)
Net repayment of borrowings	(335)	(2,810)
Financing cash flows	(335)	(2,613)
Net cash flows	6,554	561
Opening cash balance	7,947	7,333
FX	173	(45)
Cash in discontinued operations held for sale	(182)	-
Closing cash balance	14,491	7,848
Cash - restricted	4,306	905
Cash - available	10,185	6,943



Outlook –2009

▶ Property Services

- › Property & financial market uncertainty
- › Implement new contracts & extended services
- › Available market expanding - opportunities continue to emerge
- › Automate services further
- › Potential consolidation opportunities

▶ Corporate HO

- › Restructure
- › Capital management
- › Investment opportunities



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