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UXC Limited  
ACN 067 682 928

## **MARKET ANNOUNCEMENT**

### **Strategy Delivers Strong Earnings & Revenue Growth**

**UXC announces an 81% improvement in Net Profit after Tax to \$7.1m and a record first half revenue of \$322.2m.**

(Please note comparisons are to 1H14 unless otherwise stated.)

#### **Financial highlights**

- Revenue increased 9% to \$322.2m
- EBITDA increased 47% to \$15.0m
- EBIT increased 64% to \$10.4m
- NPAT from continuing operations increased 94% to \$7.6m
- Reported NPAT increased 81% to \$7.1m
- ROE increased 68% to 6.4%
- A conservative net debt balance of \$20.5m (1H14: \$51.9m)
- A fully franked interim dividend of 1.7 cents up 127% (1H14: 0.75 cents)
- A dividend yield of 5.8% fully franked

#### **Operational highlights**

- Strong growth in North American markets
- Strong growth in revenue from top 50 clients
- Annuity revenue now 29% of total revenue an increase of 23%
- Enhancements to project delivery continue to improve bottom line
- Acquired businesses contributing well to UXC growth

The Board of UXC Limited (UXC) announced today that reported Net Profit after Tax rose 81% to \$7.1m and Net Profit after tax from continuing operations rose 94% to 7.6m on the back of a 9% increase in revenue to a record \$322.2m. This strong result is also reflected in the 64% increase in EBIT to \$10.4m and 47% increase in UXC's EBITDA to \$15.0m.

The profit result is a positive sign that UXC's strategy to refresh and build scale in selected higher growth markets has momentum and is beginning to deliver improved and sustainable results.



In making the announcement, Mr Cris Nicolli, Managing Director, said: “UXC has achieved strong revenue growth and earnings have increased across all segments of the company in what can be considered as subdued market conditions. While 2014 was a year of acquisitions, the first half of FY2015 has been one of integration, consolidation and earnings improvement.”

“The earnings growth in our organic businesses shows that we have improved operational execution and further positioned UXC to build scale and competitive strengths in key growth markets. The increase in contracted services (annuity revenue) is the result of the new contract wins in late FY14 and our focus on growing revenue with our existing key clients.”

“The execution of our business strategy has underpinned our improved performance in the first half of this financial year. The strategy focuses on strong client relationships, market leadership through our Applications, Infrastructure and Consulting services capabilities and recognising that our success is predicated on providing our clients with innovative and value adding solutions.”

“We have complemented our core business and advanced our leadership positions in our chosen markets through selective, accretive acquisitions. By building a depth of capability aligned to the current and anticipated demands from our clients, UXC is able to offer its clients a “choice of best in class” solution. The acquisition of Saltbush, a leading information and cyber security provider, is reflective of that strategy.”

“As part of its strategy, UXC has been proactively managing its client mix with an emphasis on winning and retaining those clients who value longer term rather than just transactional relationships. Together with changing the mix of revenue, we will, over time, see a decline in standalone product and licence sales (typically lower margin) to be replaced with a higher value-added services mix. This upgrade to our mix of business should improve UXC’s margins and quality of earnings.”

UXC’s balance sheet has strengthened compared to 1H14. Net debt sits at \$20.5m, which is less than half of the net debt balance twelve months ago. While we have more work to do, encouragingly return on equity increased from a low base by 68 % to 6.4%.

## **Outlook**

“We are encouraged by the first half performance. This momentum has carried through into the new calendar year and activity levels continue to show some signs of improvement. We remain confident in achieving the second half targets while recognising the historical strong weighting of earnings to the second half that reflects the nature of the business and market.”

“This confidence is based on having 53% of our second half FY15 revenue already confirmed through annuity revenue and the back log of orders,” noted Mr Nicolli.



UXC will continue to leverage and drive higher returns from the recent acquisitions and existing business to enhance its product and services offerings. Further gains are also expected in North America based on UXC's acquisition of selected Tectura assets. Other key priorities for the second half include the conversion of new business opportunities; disciplined delivery of the back log of orders; and continuing vigilance in operational management, particularly around utilisation and cost control.

The keys to UXC's ability to drive growth and profitability, and create long-term shareholder value are its client relationships and leadership in core solutions, supported by its ability to anticipate trends and to increase its product and service mix.

To be a leader in the IT solutions space means delivering value and service excellence as well as providing constant innovation and awareness of the new emerging technologies to help UXC's clients innovate and stay ahead of their competitors. UXC has significant earnings power and the Board and Management are committed to delivering on this potential for shareholders.

#### **Dividend**

Reflecting the strong improvement in profitability and revenue the Board has declared a fully franked interim dividend of 1.7 cents payable on 2 April 2015 for shareholders on the UXC register as at 18 March 2015. This is slightly above the upper end of our payout ratio guidance range and compares to an interim dividend of 0.75 cents paid in 2014.

**Please refer to UXC's Managing Director's Review of Operations in the financial statements for the half-year ended 31 December 2014 for further information on the company's results, strategy and outlook.**

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## **ABOUT UXC LIMITED**

UXC Limited is an S&P/ASX 300 listed Australian business solutions company, and the largest Australian owned ICT consultancy firm. UXC services medium to large entities in the private and public sectors across Australia and New Zealand and has operations in Asia and North America.

UXC provides a range of unique, unmatched and formidable ICT Solutions in Consulting, Business Applications and Infrastructure that support our customers to plan & design, implement & enhance, and operate & manage their ICT requirements.

UXC strives to create simplicity and meaning in a complex world through the power of people and technology, by being the leading Tier 1 Australian IT Services and Solutions Company, delivering value, innovation and responsive business outcomes with excellent people.

### **Disclaimer**

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of UXC Limited ("UXC") and certain plans and objectives of the management of UXC. Forward-looking statements can generally be identified by the use of words such as 'project', 'believe', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'could', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of UXC, which may cause the actual results or performance of UXC to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this announcement. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, fluctuations in foreign currency exchange and interest rates, competition, UXC's relationships with, and the financial condition of, its suppliers and customers, or legislative changes, or regulatory changes or other changes in the laws which affect UXC's business. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements. Readers should not place undue reliance on forward looking statements. Except as required by law and ASX Listing Rules, UXC undertakes no obligation to update publicly or otherwise revise any forward looking statement as a result of new information, future events or other factors.