

Tuesday, February 19th, 2013

FY2013 Half Year Headlines

- As highlighted at the AGM in November 2012, 1H FY2013 performance has been materially impacted by a worse than expected first half in the ACT location, primarily caused by a significant slowdown in Federal Government spending.
- Revenue \$83.9m (down 1.8% on the prior corresponding period), EBITDA of \$7.3m (down 12.8% pc - trading; 29.6% - reported), NPAT of \$4.5m (down 16.8% pc - trading; 33.8% - reported), diluted EPS of 4.9 cents (down 15.5% - trading; 32.9% - reported). Reported PCP includes Tenix insurance recovery of net \$2m.
- Operating cash flow of \$5.5m contributing to cash reserves of \$8.1m at 31 December (\$5.1m pc). Ratio of operating cash flow to NPAT of 122%.
- Interim fully franked dividend of 4.75 cents (down 14% pc).
- Ended December 2012 with 1,067 total staff (down 24 pc). India at 201 resources (up 42 pc). On shore staff numbers have reduced from June 2012 via natural attrition and targeted separations.
- Employee satisfaction remains above industry standards and attrition is 20% below the pc.
- Outside of the ACT, market share has increased with modest revenue growth - despite overall demand being impacted by continuing project delays and deferrals by clients.
- Finished 1H FY2013 with booked and committed revenue at 71% of current FY2013 full year revenue forecast.
- Our off shore offering remains key to our business model and service offer. Production (billable) hours from our off shore facility in 1H FY2013 has increased to 19% of total production (pc 9%). This increase continues to reduce revenue and profit per FTE. However, this shift is reflective of the increasing need to meet the price expectations of customers which are now at new levels based on structural changes in the industry.
- The WA location continues to grow with over 25 consultants working on WA based assignments. This location has contributed 3% of 1H FY2013 revenue (pc 0%) with recent wins in the Government and Education sectors. Establishment and start up costs have been absorbed into normal operations.
- Demand has continued for online, cloud, mobility, information management and core system enhancement solutions with an emphasis on improved customer engagement effectiveness, regulatory compliance and operational efficiencies.
- Establishment of partnerships with infrastructure providers to support new cloud service models has contributed over \$0.5m in 1H FY2013 revenue (pc \$0m).

Australian consulting and I.T. services provider Oakton Limited [ASX: OKN] today announced a net profit after tax of \$4.5 million for the FY2013 half year ended December 2012 – a 33.8% decrease on the reported results from the previous corresponding half year period. Revenue was down 1.8% to \$83.9 million and EBITDA decreased by 29.6% to \$7.3 million.

The Oakton Board declared a fully-franked interim dividend of 4.75 cents per share. The dividend will be paid on the 22nd March 2013 with a record date of the 1st March 2013.

Neil Wilson, Oakton's Managing Director and CEO, made comment on the result:

"As indicated at our Annual General Meeting in November 2012, market conditions during the first half of FY2013 remained challenging across most industry sectors. In particular, as the first half progressed spend from the Federal Government reduced beyond expectations as the impact of the drive for a budget surplus became a priority. These pressures have led to a significant reduction in contribution from our ACT location which has materially impacted our trading performance. In response to the reduced demand in the Federal Government we have taken steps to "right size" the ACT business and we have entered the second half of FY2013 with a reduced headcount in this location and we will look to a more flexible resourcing model in the short to medium term if demand exceeds current projections. We expect an improved performance from this location in the second half; however the normal cycle of increased demand leading up to the end of the financial year may be impacted by the September federal election.

Current expectations are for FY2013 earnings to be in line with the FY2012 trading result, however, this is subject to general market improvement and the seasonal uplift in Federal Government demand for services in Q4.

There continues to be a large number of project deferrals and delays by client across all sectors. Notwithstanding this, outside of the ACT, operating performance has shown modest revenue growth. Pleasingly, the long term investment in our off shore facility in Hyderabad is making a significant contribution to our performance and our strategic positioning. In particular, our ability to meet reduced price expectations from our customers has enabled us to maintain and improve market share in a number of sectors. Also of note is the performance in our new WA office where the first half revenue contribution has equalled 3% of total firm revenue. We advise that the level of booked and committed revenue is slightly behind last year's level, with most of this variance due to the soft ACT market. Again we have had a strong cash flow performance and this has enabled us to increase our dividend pay-out ratio.

We continue to invest in the business to ensure our service offer remains relevant to our customers' evolving requirements. Our mature off shore capability, deep specialisation and project/managed service engagement approach are now enabling a shift to a service integration business model which is becoming increasingly important as many cloud based business and technology services emerge and require careful integration and operation.

The investment on the business over the last few years has established a platform for on-going increase in market share which should accelerate under improved market conditions.

I would like to take this opportunity to thank our outstanding team at Oakton in both Australia and India for their contributions over the past 6 months. We have the best team to enable us to continue on our growth strategy in the future. I would also like to thank our clients, shareholders and the wider investment community for their ongoing support and interest in our company"

Please find attached the results and outlook presentation that will be presented to the investment community over the following two weeks.

Further information:

Neil Wilson
Managing Director and CEO

John Phillips
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FY2013 Half Year Results and Outlook

Neil Wilson
Managing Director and CEO
John Phillips
CFO

*This is
how we*

think



FY2013 First Half Headlines

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- Operating cash flow of \$5.5m contributing to cash reserves of \$8.1m at 31 December (\$5.1m pcp). Ratio of operating cash flow to NPAT of 122%.
- Interim fully franked dividend of 4.75 cents (down 14% pcp).
- Ended December 2012 with 1,067 total staff (down 24 pcp). India at 201 resources (up 42 pcp). On shore staff numbers have reduced from June 2012 via natural attrition and targeted separations.
- Employee satisfaction remains above industry standards and attrition is 20% below the pcp.

FY2013 First Half Headlines (continued)

- Outside of the ACT, market share has increased with modest revenue growth - despite overall demand being impacted by continuing project delays and deferrals by clients.
- Finished 1H FY2013 with booked and committed revenue at 71% of current FY2013 full year revenue forecast.
- Our off shore offering remains key to our business model and service offer. Production (billable) hours from our off shore facility in 1H FY2013 has increased to 19% of total production (pcp 9%). This increase continues to reduce revenue and profit per FTE. However, this shift is reflective of the increasing need to meet the price expectations of customers which are now at new levels based on structural changes in the industry.
- The WA location continues to grow with over 25 consultants working on WA based assignments. This location has contributed 3% of 1H FY2013 revenue (pcp 0%) with recent wins in the Government and Education sectors. Establishment and start up costs have been absorbed into normal operations.
- Demand has continued for online, cloud, mobility, information management and core system enhancement solutions with an emphasis on improved customer engagement effectiveness, regulatory compliance and operational efficiencies.
- Establishment of partnerships with infrastructure providers to support new cloud service models has contributed over \$0.5m in 1H FY2013 revenue (pcp \$0m).

FY2013 First Half Results - Detail

Profit and Loss - \$A millions	Dec 2012	Dec 2011 Trading	Dec 2011 Reported
Revenue	\$83.87	\$85.40	\$85.40
EBITDA	\$7.30	\$8.37	\$10.37
NPAT	\$4.55	\$5.47	\$6.87
Diluted EPS (cents)	4.9c	5.8c	7.3c

- 1H FY2013 Revenue/earnings levels impacted by
 - Significantly reduced demand in Federal Government
 - Average headcount reduction with some offset from improved utilisation
 - Investment in WA location
 - Increased use of off shore impacts revenue and profitability as the business transitions to the blended model
- 1H FY2012 reported earnings includes net \$2m Tenix insurance proceeds.

- 1H FY2013 gross margin has been impacted by
 - Pricing pressure in most sectors – offset to some degree by increased use of off shore
 - Lower utilisation in ACT due to soft market conditions
- Growth in managed services revenue continues to improve margins in this area of the business.
- Anticipate a reduced level of overhead spend in the 2H FY2013.

As a % of revenue	Dec 2012	Dec 2011 Trading
Gross margin	19.46%	22.06%
Overhead margin	10.76%	9.82%
EBITDA margin	8.71%	12.24%
NPAT margin	5.42%	6.45%

FY2013 First Half Results - Detail

Balance sheet - \$A millions	Dec 2012	Dec 2011
Cash	8.10	5.16
Receivables	31.54	35.67
Total assets	130.52	133.62
Borrowings	-	-
Total liabilities	25.13	24.97

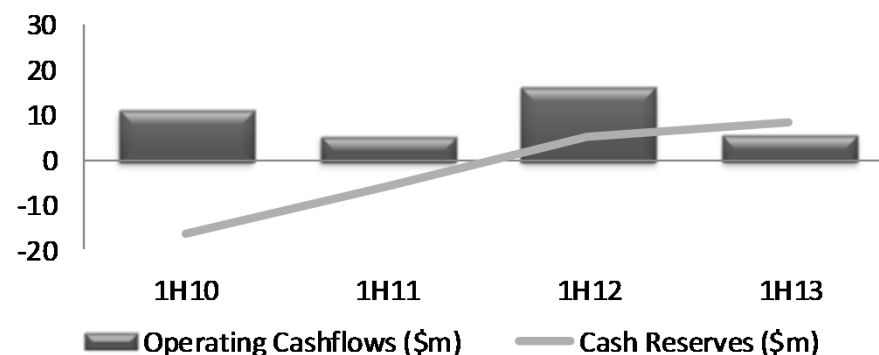
- Cash levels continue to increase – supporting an increased Dividend Payout Ratio.
- On-going focus on cash collections has resulted in an improvement in Days debtors.

- Revenue per average FTE slightly down due to
 - Market pricing pressures
 - Increased use of off shore model – production contribution up to 19% (pcp 9%)
 - Lower than expected utilisation in ACT
- Significant increase in utilisation in India has offset lower on shore utilisation – revenue and earnings contribution is less.

Other	Dec 2012	Dec 2011
Interim dividend	4.75cf	5.5cf
Revenue per average FTE	\$80k	\$81k
Utilisation	70%	66%
Days debtors	47 days	51 days

FY2013 First Half Cash Flow Summary

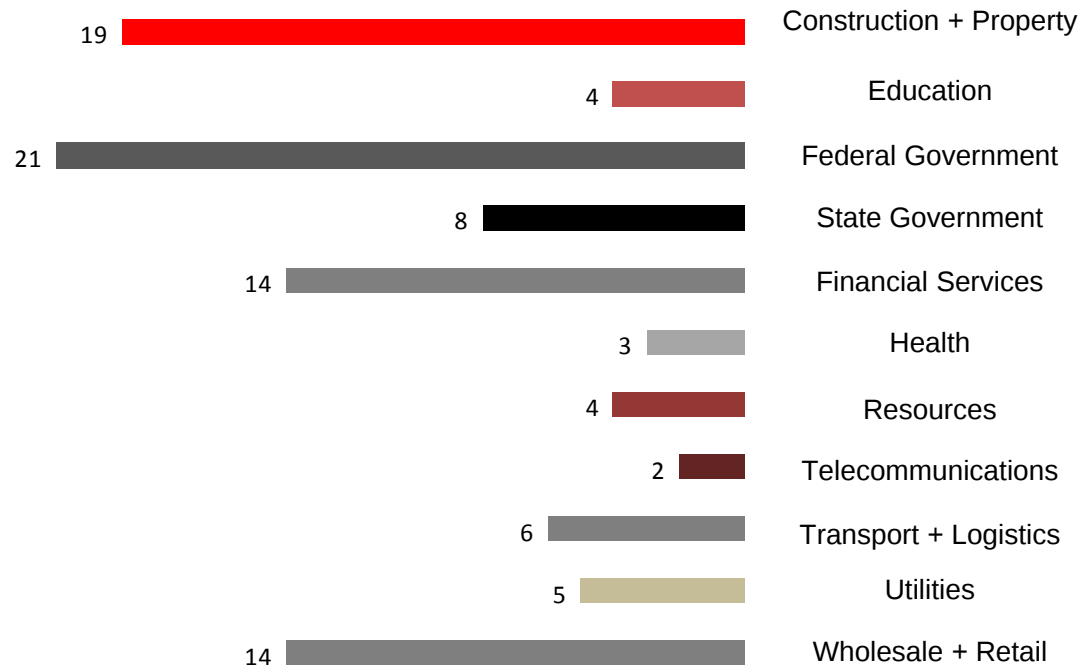
- Establishing cash reserves to support an increased DPR and other capital management initiatives.
- CAPEX in FY2013 should be less than FY2012, subject to timing of new NSW office fit out.
- Buy-back initiated in FY2012 with 2.23% of issued shares purchased up to reporting date. Further buy-back activity under review.
- 1H FY12 operating cash flow included Tenix settlement proceeds



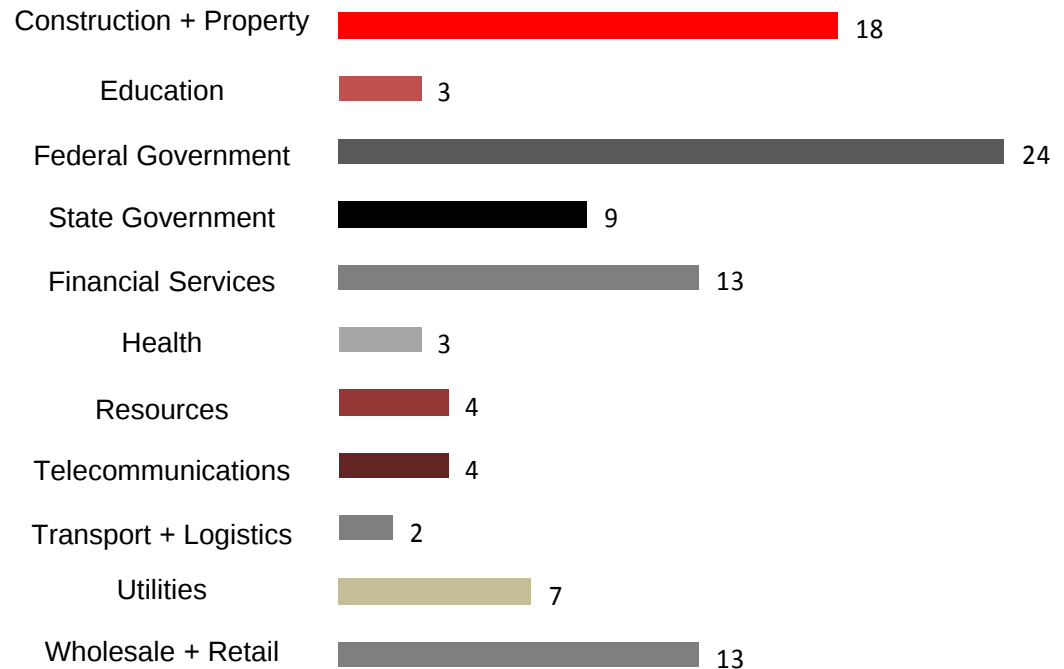
Opening Balance		\$9.32m
Operating		
Net operating inflows	8.41	
Net interest received	0.25	
Income tax paid	(3.12)	
Operating Cash Flow	\$5.54m	
Investing		
Capex	(0.66)	
Investments	(0.00)	
Total Investing	(\$0.66m)	
Financing		
Share buy-back	(1.05)	
Dividends	(5.05)	
Repayment of borrowings	(0.0)	
Total Financing	(\$6.10m)	
Closing Balance		\$8.10m

Industry revenue spread and outlook

1H FY2013 Industry Sector Analysis (%)



FY2012 Industry Sector Analysis (%)



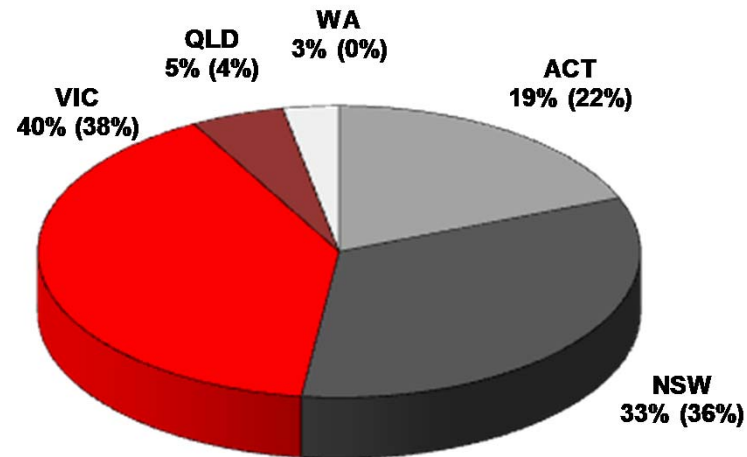
Expected market outlook

- Some growth in Financial Services, Education, Transport and Logistics, Utilities, Resources and Health.
- Steady outlook for Construction and Property.
- Flat in Telecommunications and Retail, but expect to gain market share in Retail.
- Federal and State Government sectors to fluctuate but in general to be flat. Expect a slight increase in Federal Government activity if normal Q4 seasonal spend occurs.

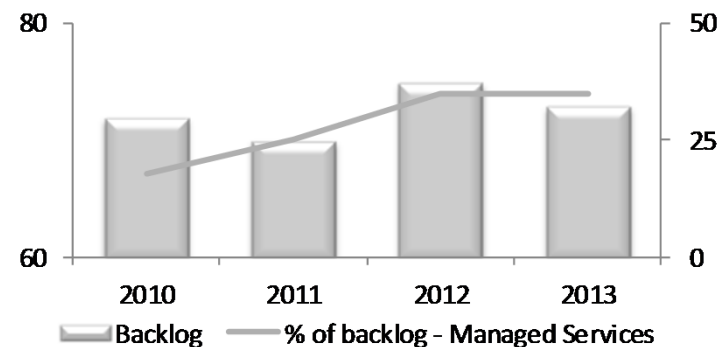
Revenue Analysis

- Revenue contribution from WA location 3% (PCP 0%).
- ACT revenue share reflects slowdown in Federal Government spend.
- Booked and committed revenue for FY2013 at 71% (pcp 75%) – reflects a slower than expected Q2 sales performance.
- % of backlog that represents Managed Services at 35% (pcp 35%).
- Backlog of committed revenue into future years beyond this financial year at \$43m (pcp \$23m).

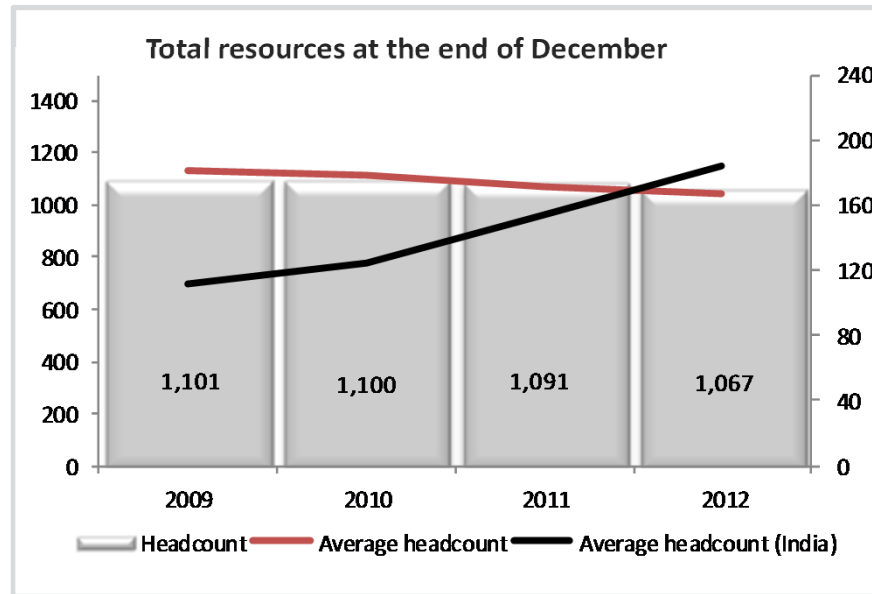
1H FY2013 (pcp) Revenue Contribution



% Revenue Committed for full FY2013



FY2013 Half Year People Summary



	Dec 2012	Dec 2011
Victoria	332	338
New South Wales	242	277
ACT	198	232
Queensland	44	39
WA	8	0
India	201	159
National Shared Services	42	46
Total	1,067	1,091

- Total contractors at 31 December were 121 (pcp 110).
- % of location revenue delivered from India continues to grow resulting in changing location headcount profiles relative to revenue contribution.
- India continues to increase as a % of total workforce as demand for global pricing increases.
- NSW headcount reduction reflects increasing use of off shore resources.
- Staff churn levels have reduced and employment engagement score is now above industry average.

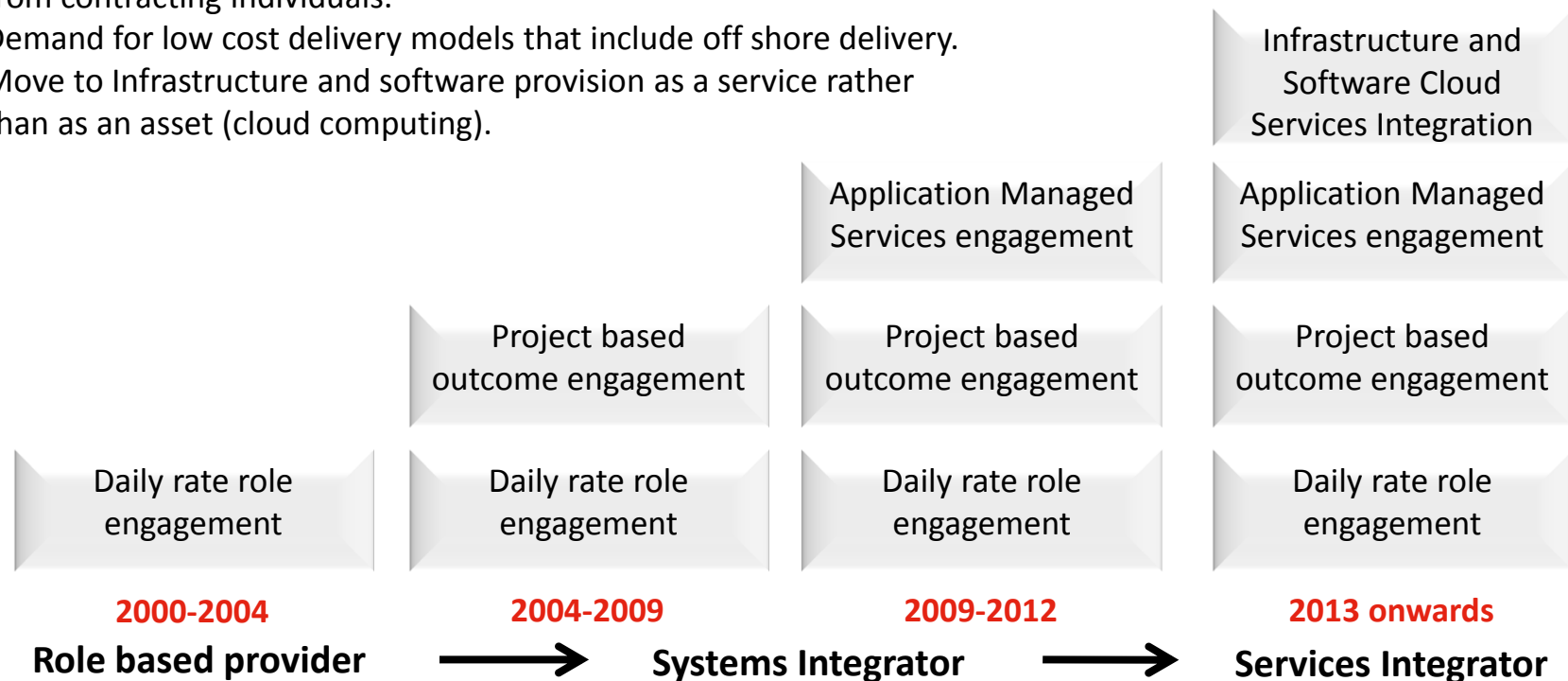


Oakton business model evolution

Oakton's business model continues to evolve to create a sustainable business in a rapidly changing market

In response to a rapidly changing market, Oakton's business model has evolved to support the following key industry directions:

- Priority focus on online, mobility and information access.
- Priority focus on customer and core system effectiveness and efficiency.
- Shifting engagement models to project and managed services outcomes and away from contracting individuals.
- Demand for low cost delivery models that include off shore delivery.
- Move to Infrastructure and software provision as a service rather than as an asset (cloud computing).



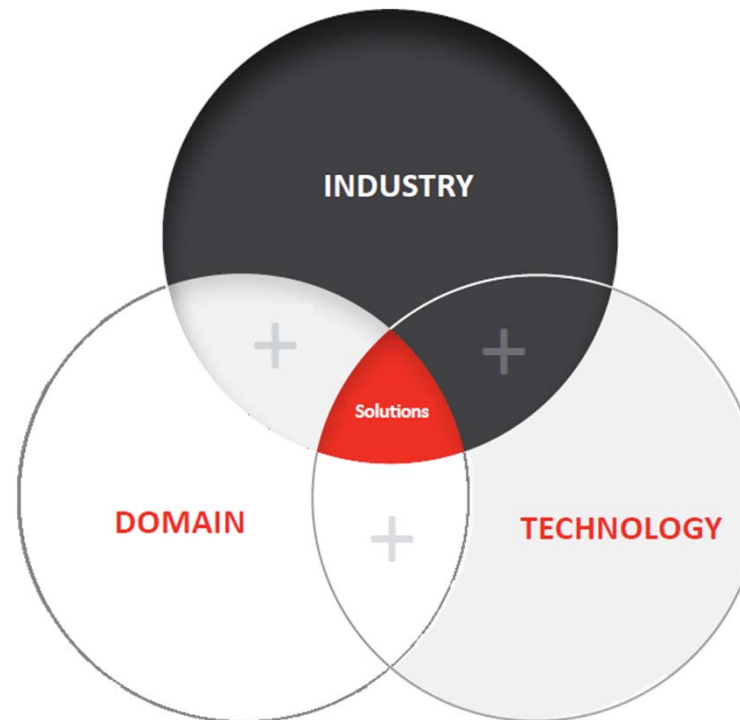
Solution Asset

Our Industry, Domain and Technology model enables the delivery of right solutions to our customers

DOMAIN SERVICES

Consult	Implement	Manage
Accounting & Assurance	Project Services	Managed Services
Business Systems Consulting	Testing	

Online + Integration Services
Information Management
Core Systems (Back Office)
Relationship Management (Front Office)



INDUSTRY COVERAGE

Government
Education
Healthcare
Financial Services
Resources
Utilities
Construction + Property Management
Telecommunications
Wholesale + Retail
Transport + Logistics

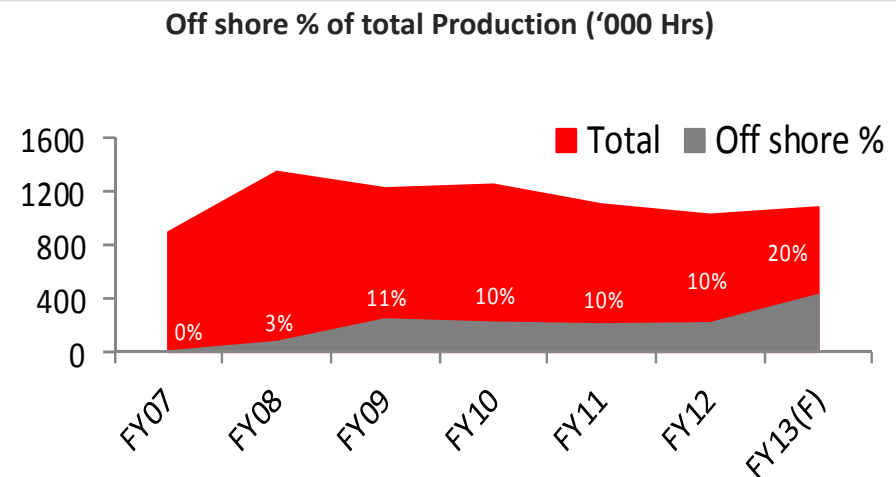
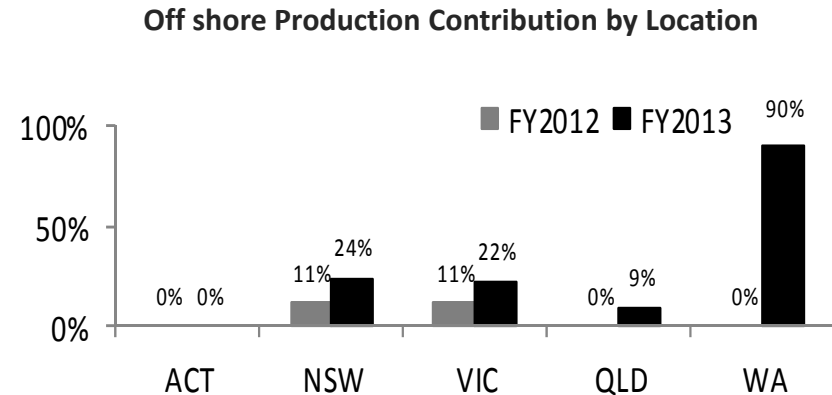
TECHNOLOGY ENABLEMENT

Microsoft
Oracle
IBM
SAP
Cloud infrastructure providers
Emerging Providers

Off shore Asset

The off shore asset continues to grow and become core to our business model and strategic direction

- Increasing adoption of off shore models across most industries including government to support reduced cost of service delivery. A number of new government and non government clients using the off shore services model – now servicing over 20 clients with some using offshore for the first time.
- There is now regular client and industry body visits to the 400 seat purpose built 24*7 facility in Hyderabad.
- As at reporting date headcount was over 210, with further hiring forecast to meet current demand - low attrition and high employee engagement score.
- Off shore effort as a % of total effort continues to grow and is currently at 19% and is forecast to be greater than 20% for FY2013.
- Progressive relocation of internal support and administration functions to off shore.
- Transition to optimal usage levels and operation cost coverage is expected by FY2014/FY2015.





Outlook and Summary

Subject to improving market conditions, Oakton's clear strategy should deliver clarity of brand and position in the market and increased business performance

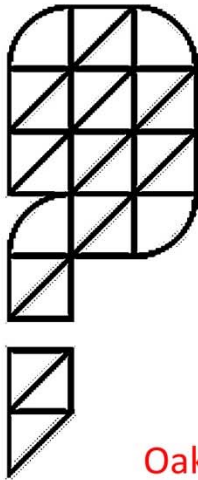
- Current market conditions remain challenging with delays in investment decision making and project commencement continuing in most sectors.
- Federal Government spend is lower than previous expectations. Our current revenue and earnings forecast in the ACT assume some improvement in demand from the seasonal uplift in Federal Government spend in Q4. With the timing of the Federal Election, this may be at some risk.
- Current expectations are for FY2013 earnings to be in line with the FY2012 trading result, however, this is subject to general market improvement and the seasonal uplift in Federal Government demand for services in Q4.
- Expectation of further increase in non-people based revenue via expansion of strategic partnerships with infrastructure and software cloud service providers.
- Based on current revenue and earnings expectations, cash flow to remain on target with at least 100% of NPAT in operating cash flow.
- Full year dividend pay-out ratio is expected to be increased above FY2012 levels, subject to any investment activity.

Outlook and Summary (cont)

Subject to improving market conditions, Oakton's clear strategy should deliver clarity of brand and position in the market and increased business performance

- Structural changes in the industry which are leading to lower price expectations from customers will result in continued expansion of our offshore capability and capacity footprint – forecast to contribute greater than 20% of total production effort in FY2013.
- Continued growth in the WA location – forecast to contribute over 3% of FY2013 revenue.
- Strong demand for on-line, information management and core system enhancement with an emphasis on cost reduction and improved efficiencies – continued market share acquisition in these key areas of service specialisation.
- Continued focus on people development and knowledge management to drive higher levels of engagement and increased leverage of company solution assets.
- The investment on the business over the last few years has established a platform for on-going increase in market share which should accelerate under improved market conditions.

What problem do you want defined?



Oakton, offering the best in consulting and technology services in Australia
1,100 plus industry, domain and technical experts

24 years
10 key industry sectors
800 + customers
10,000 + projects

Melbourne
Sydney
Canberra
Brisbane
Perth
Hyderabad

Strategic partners:
Microsoft
Oracle
SAP
IBM
Cloud Infrastructure Providers
Emerging

