AGM 2013
Managing Director's Address

Wednesday, 02 October 2013

The Manager, Listings
Australian Securities Exchange Limited
Company Announcements Office

Dear Sir:

Please find attached the presentation given by the Company's Managing Director at the Oakton Annual General Meeting held on 2nd October 2013.

Yours sincerely

Michael Miers
Company Secretary

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Consulting Technology

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2013 Annual General Meeting
Managing Director's Address

Oakton Limited

ABN 50 007 028 711

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FY2013 Headlines

- Revenue $162m (down 6% on the prior corresponding period), EBITDA of $14.53m (down 14% pcp – trading; 23% - reported), NPAT of $9.16m (down 12% pcp - trading; 23% – reported), diluted EPS of 10 cents (down 10% - trading; 21% - reported). Reported PCP includes a once off Tenix insurance recovery of net $2m.
- Final fully franked dividend of 4.75 cents. Total dividend pay-out for the year of 9.5 cents (down from 11 cents pcp). Represents a full year payout ratio of 93% (86% pcp).
- Operating cash flow of $12.7m giving a ratio of operating cash flow to NPAT of 139%. Cash reserves of $6.95m at 30 June 2013 ($9.32m pcp), after allowing for $4.84m ($645k pcp) of share buyback to end FY2013.
- Continued share buyback with 4,157,500 (4.43%) of issued shares purchased up to reporting date.
- Ended June 2013 with 1,077 total staff (down 56 total staff pcp). India at 238 staff (up 51 staff pcp).
- Improved 2H FY2013 performance in all locations across most key metrics – margin, utilisation and sales.
- Finished FY2013 with booked and committed revenue at 40% (43% pcp) of FY2014 full year revenue budget which is targeted at a modest increase on the pcp. Backlog into FY2015 and beyond is at $35m ($11m pcp).
- As previously highlighted, FY2013 performance has been materially impacted by difficult trading conditions and a lower than expected performance in the ACT location, primarily caused by a significant slowdown in Federal Government spending.

FY2013 Headlines (continued)

- Total production effort (outside of the ACT) increased by over 6% reflecting an increase in market share in these locations - despite market being impacted by continuing project delays and deferrals by customers.

- Strong project delivery performance leveraging repeatability of service offers and lowering risk of budget and schedule impacts for customers.

- Our ability to off shore project and managed services work remains key to our business model and service offer. Production (billable) hours from our India office (Hyderabad) in FY2013 increased to 20% of total production (10% pcp). This increase continues to reduce revenue and profit per FTE. However, this shift supports market share growth and 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 and has contributed 3% of FY2013 revenue (0% pcp) with key customers in the Government, Education and Logistics sectors. Establishment and start up costs have been absorbed into normal operations.

- IT services now acquired more by business executives outside of the IT function who are seeking innovation, fast delivery at a lower cost. This is driving demand for online, cloud, mobility and information management. Business focus continues on improved customer engagement effectiveness, regulatory compliance and operational efficiencies.

- Growing demand for cloud based “as a service” delivery models has been supported by new partnerships including “as a service” infrastructure providers. This has contributed over $1.5m ($0.1m pcp) of Non Person based Revenue (NPR) in FY2013.

- Announced a new strategic partnership with Dimension Data to provide ICT infrastructure integration, cloud and traditional outsourcing services bundled with Oakton solutions

Oakton market position

Oakton has continued to transform its business to establish a market position as provider of specialist consulting and IT services through predominantly outcome and annuity based engagements that are now incorporating cloud based delivery models and enabling the delivery of Oakton "Solutions as a Service".

2000-2004	2004-2009	2009-2012	2013-2014	2014 onwards
				Oakton Solutions 'as-a-Service'
			Infrastructure and Software Cloud Services Integration	Infrastructure and Software Cloud Services Integration
		Application Managed Services engagement	Application Managed Services engagement	Application Managed Services engagement
	Project based outcome engagement	Project based outcome engagement	Project based outcome engagement	Project based outcome engagement
Daily rate role engagement	Daily rate role engagement	Daily rate role engagement	Daily rate role engagement	Daily rate role engagement

Role based provider → **Systems Integrator** → **Services Integrator**

Oakton market alignment

Our Industry, Domain and Technology model enables repeatability of solutions to our customers. Increasingly our solutions are being packaged to be delivered "as a service".

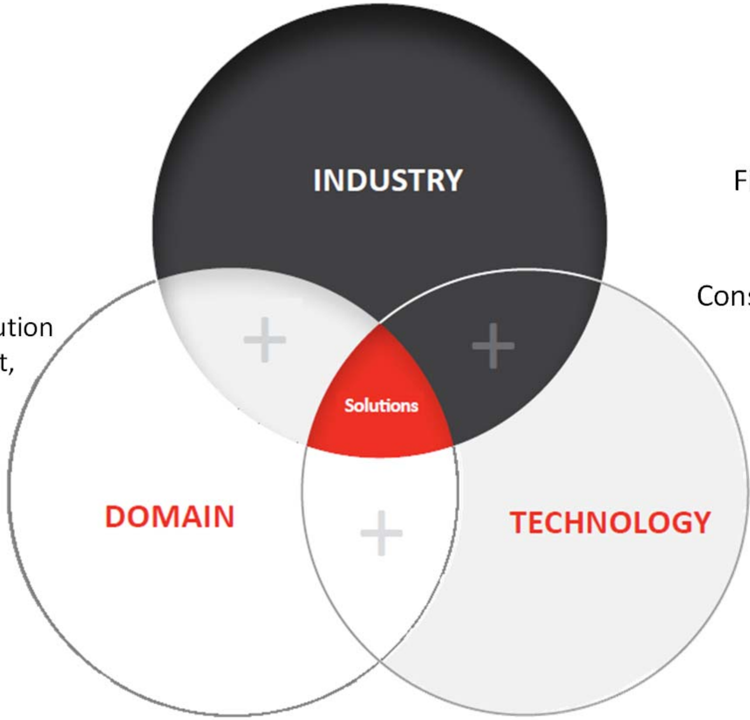
DOMAIN SERVICES

Consult
Accounting & Assurance, Business Systems Consulting

Implement
Project Services, Testing

Manage
Application/solution management, Service integration

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



INDUSTRY COVERAGE

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

TECHNOLOGY ENABLEMENT

Microsoft
Oracle
Dimension Data
Amazon
IBM
SAP
Emerging cloud, software and infrastructure providers

Oakton Solutions as a service

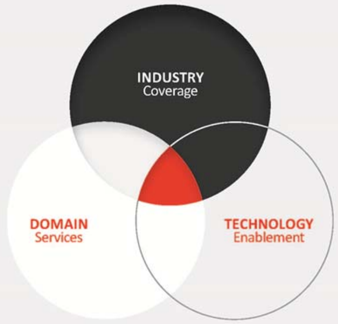
We will continue to invest in developing our Service Integration capabilities and progressively provide Oakton "Solution-as-a-Service" offers.

Oakton Solutions as-a-Service

Software-as-a-Service

Platform-as-a-Service

Infrastructure-as-a-Service



We have a specialised focus combining Industry, Domain and Technology expertise which quickly enables us to bring to market Solutions that meet the specific requirements of our customers.

Key industry partnerships continue to grow across Infrastructure, Platform and Software as a service to support the Oakton "Solutions as a Service" go to market positioning.

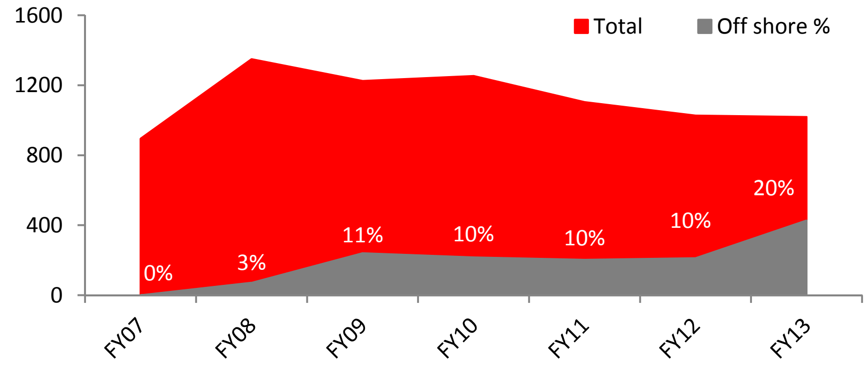
Off shore Asset

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 customers using the off shore services model – have now serviced over 20 customers with some using offshore for the first time.
- There is now regular customer and industry body visits to the 400 seat purpose built 24*7 facility in Hyderabad.
- As at reporting date headcount was nearly 240. Expecting to grow headcount to over 300 in FY2014 to meet current and expected demand.
- Off shore effort as a % of total effort continues to grow and is currently at 20% and is forecast to be nearly 30% for FY2014.
- Progressive relocation of internal support and administration functions to off shore to lower overhead cost.
- Transition to optimal usage levels and operation cost coverage is expected by FY2014/FY2015.

Off shore Production Contribution by Location

Off shore % of total Production ('000 Hours)

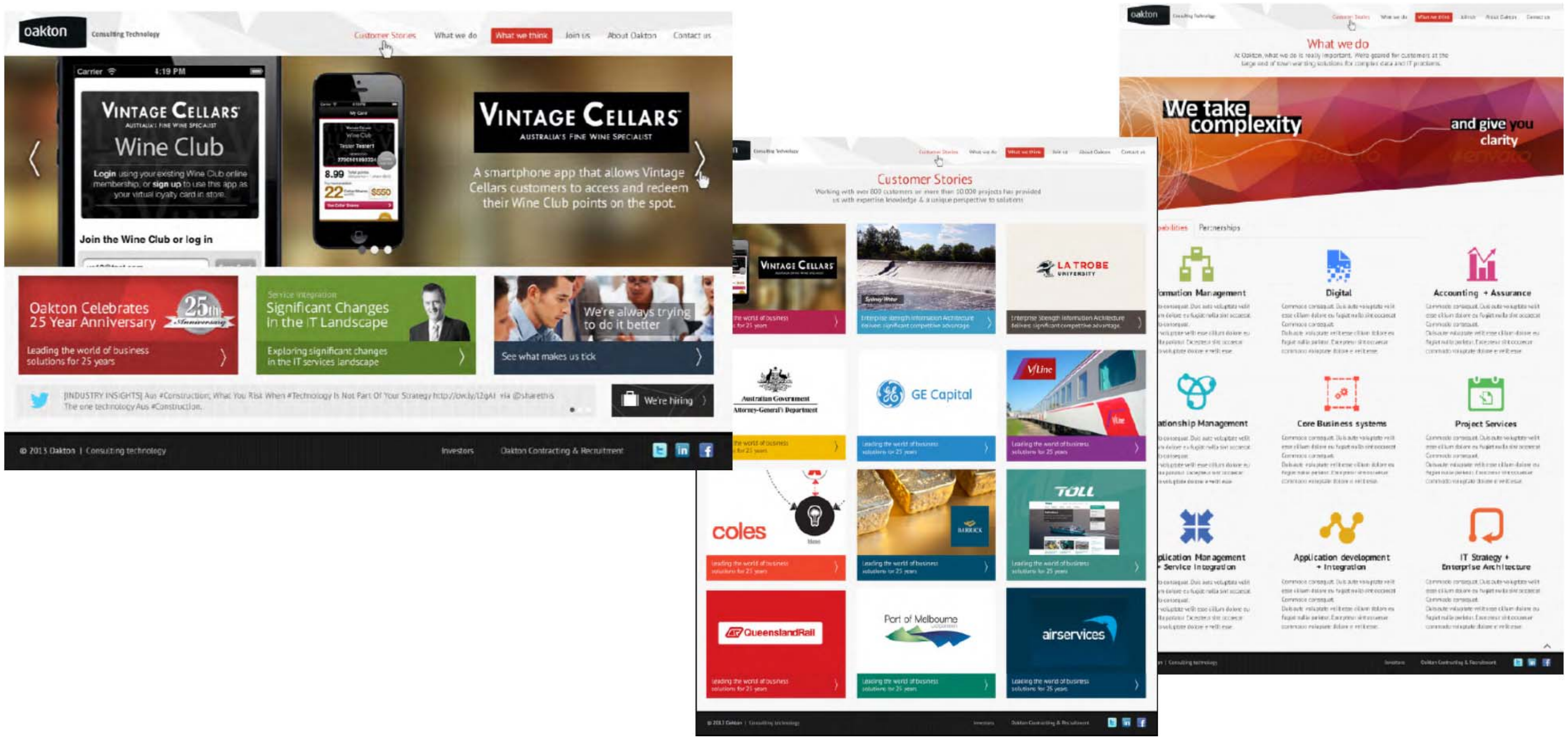


Oakton Market presence

We will be increasing our digital presence and marketing to promote our Solutions and Cloud capabilities.

Our new web site is launched on 20 August.

www.oakton.com.au



FY2014 Outlook *and Q1 update*

FY2014 outlook presented at FY2013 year end

1. Increased market share acquisition by continuing to build services integration capabilities to grow annuity revenue and NPR, including Oakton “Solutions as a Service” offers.
2. Consolidation of strategic partnerships with infrastructure and software cloud service providers (e.g. Dimension Data) to support “As a service” offers.
3. Customer demand is expected to continue for digital, cloud, mobility, information management and core system enhancement solutions increasingly operating “as a service” with an emphasis on improved customer engagement effectiveness, regulatory compliance and operational efficiencies.
4. Customer focus on cost and value for money is resulting in government and non government organisations increasing their use of offshore service models. Offshore headcount is expected to continue to grow in FY2014 to above 300.

Updated outlook for FY2014

1. *There are a number of opportunities for Oakton “Solutions as a Service” that we expect to convert in the first half with revenue delivered in the second half.*
2. *A number of customer opportunities including infrastructure and software cloud service providers are currently being pursued.*
3. *Pipeline growth in these areas has continued and these solutions remain high priority areas of focus for most customers.*
   Project delays and deferrals have continued in some areas in Q1 FY2014 as a result of the impact of the Federal Election and general market conditions.
4. *Off shore utilisation is ahead of forecast with offshore % of overall production effort now tracking above 20%. Off shore headcount is just under 250 with 30 vacancies currently being filled.*

FY2014 Outlook *and Q1 update*

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FY2014 outlook presented at FY2013 year end

5. Modest revenue growth and improved margins are expected in FY2014, subject to the impact of current market conditions. Minimal headcount growth onshore expected in FY2014 with the key focus on optimising utilisation from the existing team.

6. Continued focus on people development programs to increase retention and employee engagement.

7. Expected operating cash flow at +100% of NPAT in FY2014 to further increase cash reserves and provide support for continued organic expansion and shareholder returns.

8. Full year dividend pay-out ratio is expected to be maintained at 80%+ subject to any other capital requirements.

Updated outlook for FY2014

5. *Off shore headcount growth has continued as planned. On shore headcount, as expected, is flat overall with some hiring in VIC, WA and QLD offset by small reductions in NSW and ACT.*
   Overall revenue growth is at forecast levels. We currently expect a similar earnings level to the pcp in the first half with further improvement in the second half.

6. *Voluntary staff churn continues to improve and is below the pcp. Employee engagement levels continue to improve.*

7. *Expected operating cash flow at +100% of NPAT in FY2014 remains on target.*

8. *Based on our current cash flow projections and business performance assumptions, we would expect the full year dividend pay-out ratio to be maintained at 80%+ subject to any other capital requirements.*