



**Empired**

UBS Emerging Companies Conference

May 2018

# Important notice regarding forward looking statements

Certain statements made in this communication, may contain or comprise certain forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, and business and operational risk management. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.





## AN INTERNATIONAL SOFTWARE & SERVICES COMPANY



### Empired (ASX:EPD)

Software Solutions

Managed Services

Enterprise Solutions

**Leveraged to high growth segments of the market**



### Software & Solution Intellectual Property

Proprietary *Cloud* based software

Range of industry based IP

Broad array of solution accelerators

**Unique Differentiation**



### International Reach

>1,000 people

Australia

New Zealand

USA & India

**Scalable Platform**



### Sticky Predictable Revenue

Multi Year Services Contracts

Recurring *Software as a Service* Revenue

Usage/Consumption based pricing

**Long term value drivers**



### Strong Growth Platform

Attractive market thematic






\$30B+ Market

Extensive Capability


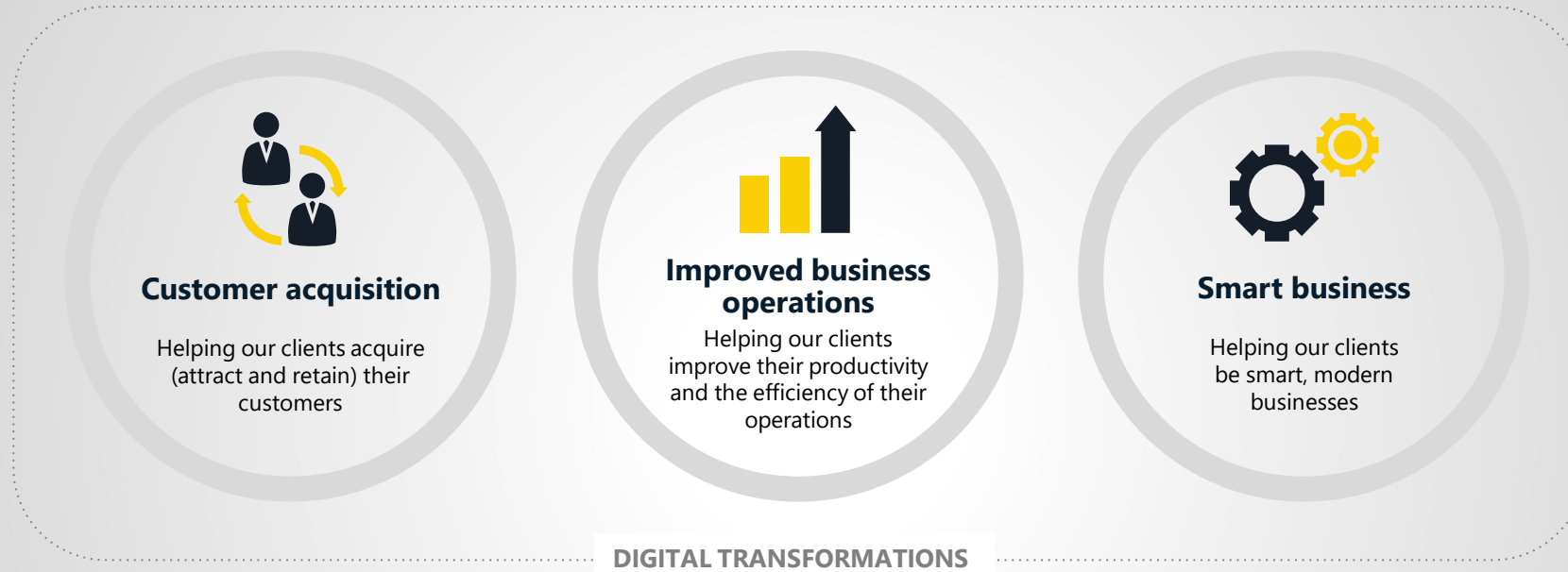
Scalable operational leverage

**Expect double digit EPS growth FY18 & FY19**


# Digital Disruption

	<b>Rapidly Growing Connectivity</b>	By 2020, 8 million Australian homes & business connected	NBN will provide businesses access to 100Mbps bandwidth	<b>Analyst Predictions</b>  <i>"By the End of 2019, DX Spending Will Reach \$1.7 Trillion Worldwide, a 42% Increase from 2017"</i>  <i>"By 2020, 60% of All Enterprises Will Have Fully Articulated an Organization-wide Digital Platform Strategy and Will Be in the Process of Implementing That Strategy"</i>  <i>"By 2019, All Digitally Transformed Organizations Will Generate at Least 45% of Their Revenue from "Future of Commerce" Business Models"</i>
	<b>Agile work environments</b>	34% of enterprises have staff that regularly work out of office	Rise of mobility – users expect access anywhere, anytime	
	<b>Adoption of Cloud Computing</b>	Usage/Consumption based business models	Rapid scalability & service flexibility	
	<b>Proliferation of Data &amp; the Internet of Things</b>	Internet Connected Devices growing from 9b 2012 – 50b by 2020	90% of online data created in last 2 years	
	<b>Advent of cognitive computing</b>	AI & Machine Learning	Augmented Reality	

# Business Solutions



**Customer acquisition**  
The tech layer: includes – but not limited to – web, EPI, DI, bespoke...



**Improved business operations**  
The tech layer: includes – but not limited to – ERP, CRM, Cohesion, Snap, EDRMS, O365, supply chain, bespoke



**Smart business**  
The tech layer: all things cloud, Lifecycle Services, Azure Skype for Business, CD&I



**Cohesion IP + Microsoft Cloud = Empowered Business**

# Intellectual Property – Cohesion

**What is Cohesion:** an Enterprise Content Management and Collaboration Service offered on private, government and public cloud platforms. It builds on a base of Microsoft technologies and integrates others. Cohesion addresses business needs relating to the use of and extracting of value from information in an organisation.

## Benefits for clients

Business transformation

Value of information unlocked

User enablement & experience

Risk management

Information mess sorted out

## Benefits for Empired

Annuity revenue streams

IP based revenue

Implementation & migration revenue

Lifecycle client engagement

Builds strategic client relationships



**7,000 users**

WITH THREE-YEAR CAGR OF 49%

**10,000 new users**

CURRENT OPPORTUNITIES

*"Cohesion is significant to the Ministry for Primary Industries, and for the New Zealand Government more broadly, in the respect that it creates an ecosystem which allows us to collaborate, share information and to meet legislative requirements. A good recent example of this collaboration is the Tau Fly event, with Cohesion enabling collaboration between crossfunctional teams across MPI, helping us to better respond to protect New Zealand."*

**Tracy Voice**

Business Technology & Information Services (CIO)  
Ministry for Primary Industries



# H1 FY18 Results



Revenue \$85m  
**Up 2%**



Revenue  
(Ex Wellington)  
**Up 10%**



Net Debt  
reduced to  
**\$13.5m**



Operating cash  
flow **\$5.3m**  
(H1 FY17 \$0.9m)



Underlying<sup>(1)</sup>  
EBITDA \$7.3m  
**Up 14%**

# Results

- **Revenue growth:**
  - Revenue up 2%
  - Revenue ex Wellington up 10%
  - Australia up 10%, NZ down 13%
  - Expect solid H2 revenue growth
- **GM maintained** despite decline in NZ public sector spend
- **Underlying EBITDA<sup>(1)</sup>** up 14%
- **D&A** running ahead of CAPEX
- **Interest** expected to continue to reduce with reducing debt profile.

\$m	H1 FY18	H1 FY17	Change
Revenue	85.0	84.0	2%
Gross profit	28.9	26.5	9%
Underlying EBITDA	7.3	6.4	14%
Depn & Amort	(4.2)	(3.9)	
Interest	(0.6)	(1.2)	(50)%
Tax	(0.4)	(0.2)	
NPAT	1.5	1.1	33%
Gross Margin	34%	32%	
Underlying EBITDA / Revenue %	8.5%	7.6%	

<sup>(1)</sup> Underlying EBITDA excludes \$0.6m comprising redundancy costs \$0.5m and \$0.1m in doubtful debts relating to a prior period.

# Cash flow

- Operating Cash Flow (OCF) of \$5.3m up from \$0.9m
- OCF / EBITDA conversion of 80% and 100% when adjusted for \$2m of work delivered during the H1 FY18 that was pre-paid by clients in H2 FY17
- CAPEX down \$0.5m on prior period
- CAPEX running below DA in H1
- Interest reduced in H1 and expected to reduce further in H2 as debt levels continue to reduce

\$m	H1 FY18	H1 FY17	FY17
<b>EBITDA</b>	6.7	6.4	15.4
Tax paid	(0.3)	(0.7)	(0.7)
Working capital changes	(1.5)	(4.8)	(5.2)
Other	0.3	0.0	0.3
<b>Operating cash flow</b>	<b>5.3</b>	<b>0.9</b>	<b>9.8</b>
Capex	(3.7)	(4.2)	(10.9)
Deferred consideration paid (borrowings)	-	(1.2)	(8.7)
Proceeds from borrowings	0.1	3.1	4.0
Repayment of borrowings	(2.0)	(3.5)	(11.3)
Interest paid (net)	(0.7)	(1.2)	(2.0)
Equity raising	-	0.2	15.1
<b>Change in cash and overdrafts</b>	<b>(1.1)</b>	<b>(5.9)</b>	<b>(4.0)</b>

# Financial position

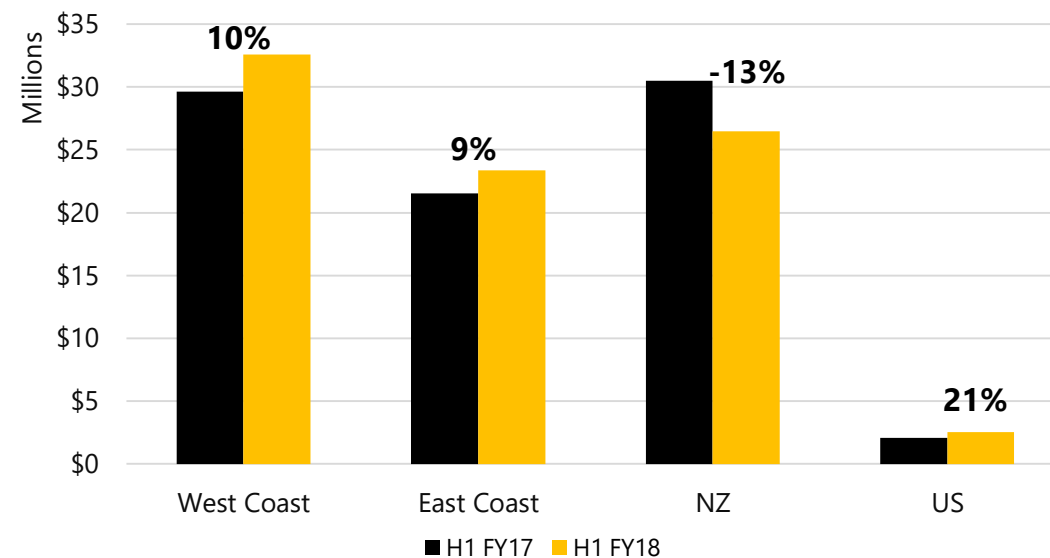
- Receivables and WIP reduced from June 17 levels
- Net debt reduced to \$13.5m
- Current assets to current liabilities improving to 108%
- Gearing of 16%

\$m	Dec-17	Jun-17	Dec-16
Cash	2.2	2.0	3.1
Receivables and WIP	29.8	32.5	29.5
Other	2.2	2.4	2.6
Current Assets	34.1	36.8	35.2
Plant & Equipment	18.6	21.0	20.6
Intangibles and other	62.7	61.3	60.6
Non Current Assets	81.3	82.2	81.2
Payables	17.8	22.1	19.6
Borrowings	8.1	6.7	21.8
Provisions and other	5.9	5.9	5.2
Current Liabilities	31.8	34.7	46.6
Borrowings	7.5	9.1	11.6
Provisions	3.5	4.0	4.4
Non Current Liabilities	11.0	13	16
Net Assets / Equity	72.6	71.3	53.7
Net debt (Nd)	13.5	13.8	30.3
Gearing Nd/(Nd+Equity)	16%	16%	36%

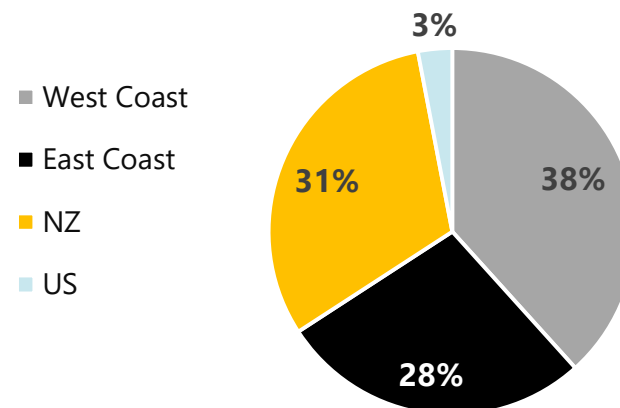
# Revenue

- Revenue ex Wellington up 10%
- NZ Revenue growth heavily impacted by pause in NZ public sector spend through the NZ election period
- NZ 3 Year H1 FY17 CAGR 14%
- Standout growth from Auckland up 18% and NSW up 15%
- WA growth expected to accelerate in H2
- US up 21%

## Revenue by Region



## H1 FY18 Revenue Split

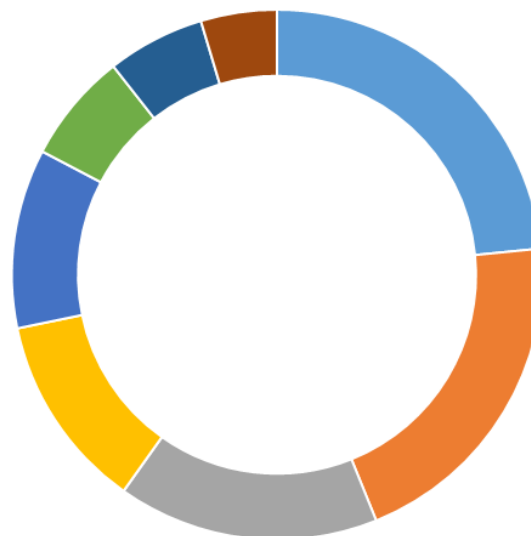




# Industry & Clients

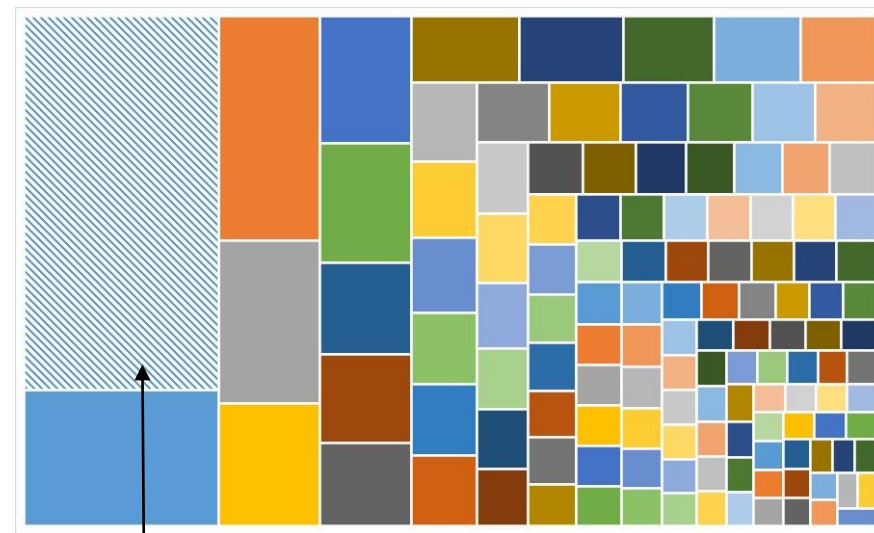
- **No over-reliance on any key sector**
- Energy & Natural Resources up as major contracts expand in WA
- Public sector down as a result of NZ government elections
- 80% of revenue from 20% of clients
- Positioned strongly in a number of large corporate and government organisations
- Our year on year growth will be underpinned by our existing major clients

Revenue / Industry



- Energy & Natural Resources (24%)
- Government (21%)
- Other (16%)
- Health & Education (12%)
- Finance & Insurance (11%)
- Wholesale & Retail Trade (7%)
- Manufacturing & transport (6%)
- ICT (5%)

Revenue / Clients



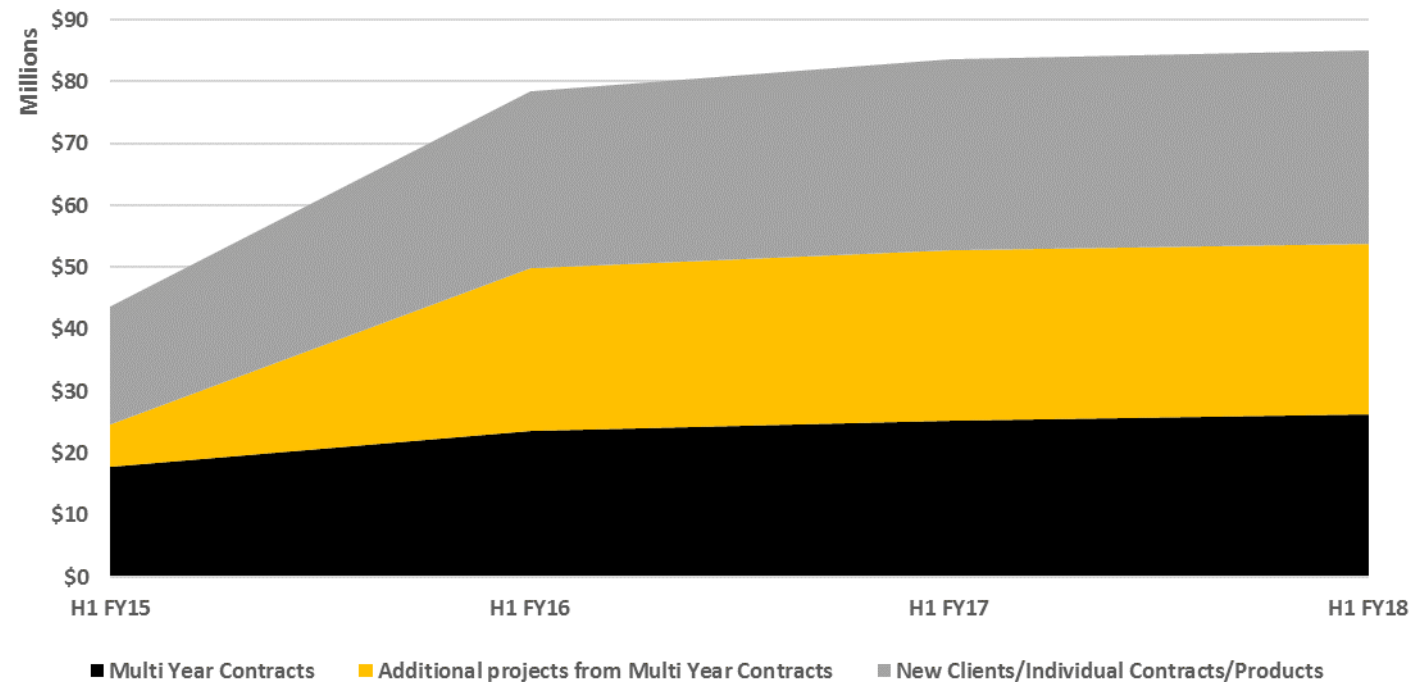
Represents  
balance of  
clients.

***No over-reliance on any key client***

# Predictable Revenue

## ***Over 60% of Revenue derived from multi-year contracts***

- Multi-Year services contracts
- Growing revenue from cloud based 'As a Service' models
- Consumption & usage based pricing models
- Circa 50% of 'grey' area is derived from clients that have spent with Empired for 3 years or greater



*\*Multi-year contracts is Managed services, support services and any contract that spans greater than 1 year period*

# Market Update

- Continued demand from major enterprise clients for Empired core service offerings including Cloud, Modern Applications, Data & Analytics
- Enterprise Solutions continues to perform with strong growth in billable headcount
- Dynamics Practice ramping up as Microsoft ERP/CRM platform adoption accelerates
- Lifecycle Services steady with building opportunities

# Outlook

- **FY18 earnings guidance to be expected Tuesday 5<sup>th</sup> of June 2018**
- **Continue to expect strong H2 earnings compared with H1**
- **Continue to expect solid operating cash flow for H2 and full year**
- **Expect double digit earnings growth in FY18 and FY19**

*Empíred*