



Results Presentation

Empired

FY 19

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.

Empired

Digital Systems Integrator



Empired (ASX:EPD)

Digital Operations

Digital Solutions

Software Solutions

Leveraged to high growth segments of the market



Software & Solution Intellectual Property

Industry Specialisation

Broad array of solution accelerators & Industry based IC

Proprietary *Cloud* based software IP

Unique Differentiation



International Reach

~1,000 people

Australia

New Zealand

USA

Scalable Platform



Sticky Predictable Revenue

Multi Year Services Contracts

Very high repeat revenue from long term clients

Recurring *Software as a Service* Revenue

Long term value drivers



Strong Growth Platform

Attractive market thematic

\$30B+ Market

Extensive Capability

Scalable operational leverage

Expect Strong EPS Growth FY20

FY19 Results

- Revenue of \$176m - up 1% YoY
- Australian Revenue of \$116m, Flat
- New Zealand Revenue of \$61m, Up 3% YoY
- Underlying⁽¹⁾ EBITDA of \$15.3m
- NPAT \$(15.3)m – Including a \$25.4m non-cash impairment charge
- Net debt \$14.3m

FY19 Highlights

- Secured \$12m+ contract with Department of Internal Affairs NZ
- Cohesion SaaS users grew 65% to 11,500 users
- 63% of Revenue was generated through multi year contracts
- Investment in Managed Services to compete on \$200m of opportunities
- Empired's Microsoft Dynamics business up 16% - Highest margin business
- Improvement in New Zealand performance
- Record fourth quarter sales orders, up 16% PCP

Plan for FY20 Performance

- Prioritisation of cash earnings
- Reduction of CAPEX, leveraging existing software assets
- Tight management of Overheads
- Impairment will reduce D&A to circa \$3.6m pa*
- Active share buy-back in place
- Implementing new plan to accelerate Australian East Coast Expansion
- Above will provide framework for strong increase in EPS & Free Cash Flow

Results

- **Revenue:**
 - Australia - Flat
 - New Zealand up 3%
 - 63% of revenue from multi-year contracts
- **GM** slightly up with modest upward bias on rates as shift to digital continues
- **EBITDA** down predominately as a result of increased sales expenses to drive revenue growth in FY20
 - DIA and Main Roads Bid Costs
 - New Head of Sales in NZ
 - Increased investment across Australian East Coast
- **NPAT** heavily impacted by non-cash impairment, reducing D&A to circa \$3.6m pa.

\$m	FY19	FY18
Revenue	176.0	174.3
Gross profit	65.7	63.5
EBITDA⁽¹⁾	15.3	17.0
Depn & Amort ⁽²⁾	(33.8)	(8.2)
Interest	(1.3)	(1.3)
Tax	6.0	(2.0)
NPAT⁽²⁾	(15.3)	4.9
EBITDA ¹ / Revenue %	9%	10%

Cash flow

- Operating cash flow \$8.5m
- 4 Year operating cash conversion (ex tax)/ reported EBITDA 87%
- Expect FY20 operating cash conversion / reported EBITDA to be above 90%
- CAPEX of \$10.7m up from \$8.9m
 - Strategic investment in Managed Services capability – New delivery model & tools, replacement of service management system, enhanced monitoring and reporting tools
 - Development of Cohesion on the Microsoft Azure and Microsoft O365 platforms
 - Investment in a range of solution accelerators including AppFoundry and EPIK Platforms
- CAPEX planned to be circa \$6m in FY20
- Interest⁽¹⁾ expense to reduce in FY20
- **Expect solid free cash flow in FY20**

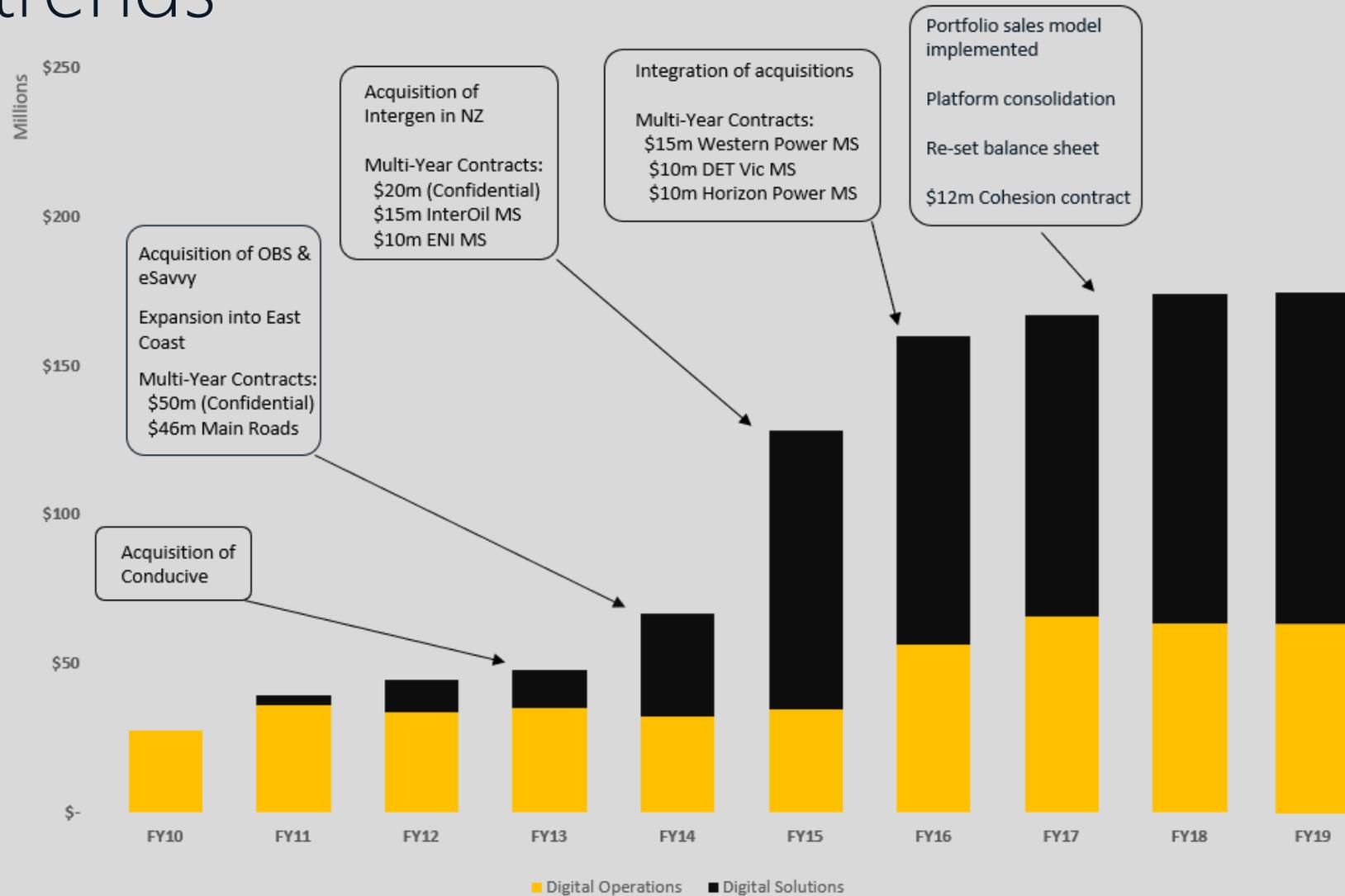
\$m	FY19	FY18
EBITDA	15.3	16.4
Tax paid	(0.9)	(0.8)
Working capital and other	(5.9)	(0.1)
Operating cash flow	8.5	15.5
Payments for P&E	(0.8)	(0.7)
Payments for intangibles	(9.9)	(8.2)
Borrowings (net)	(4.5)	8.6
Interest paid	(1.3)	(1.3)
Change in cash	(7.9)	14.2

Financial position

- Receivables and Contract Assets slightly improved
- Payables down \$6.2m on PCP materially improved
- Net Debt increased to \$14.3m from \$9.3m (predominately as a result of reduced payables)
- 88% of Bank Debt Non-Current with adequate headroom and liquidity with \$5.6m cash
- Providing ability to return free cash flow to shareholders through either on-market share buy back or dividends
- Balance sheet poised for enhanced ROE

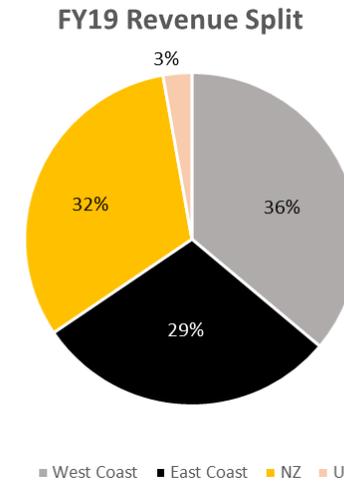
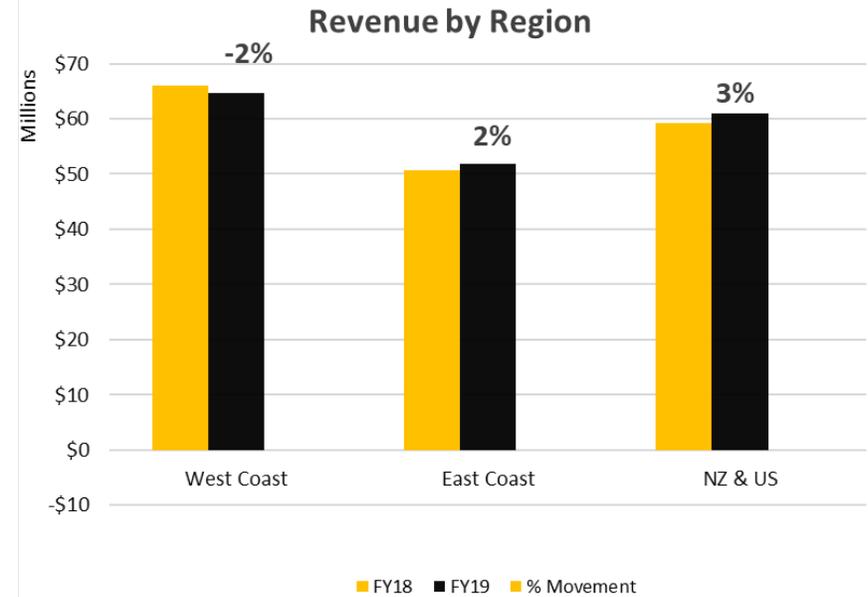
\$m	Jun-19	Dec-18	Jun-18
Cash	5.6	6.7	13.4
Receivables and Contract Assets	35.1	35.5	36.0
Other	2.3	2.1	2.3
Current Assets	42.9	44.3	51.7
Plant & Equipment	6.2	15.4	16.9
Intangibles and other	59.7	67.7	64.7
Non Current Assets	65.9	83.0	81.7
Payables	18.8	17.7	25.0
Borrowings	2.4	2.2	2.4
Provisions and other	6.0	5.8	6.3
Current Liabilities	27.2	25.7	33.7
Borrowings	17.4	19.9	20.3
Provisions	2.3	2.6	3.0
Non Current Liabilities	19.7	22.6	23.3
Net Assets / Equity	61.9	79.1	76.4
Net debt (Nd)	14.3	15.4	9.3
Gearing Nd/(Nd+Equity)	19%	16%	11%

Revenue trends



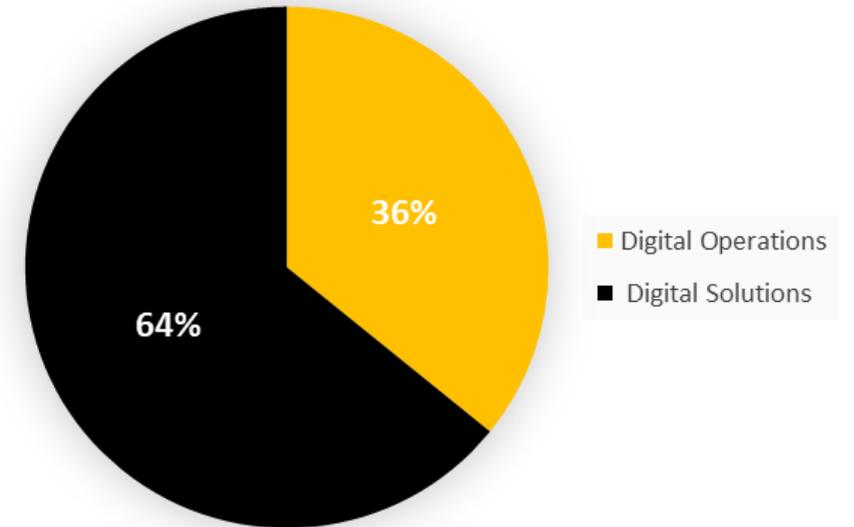
Revenue by region

- Australia - Flat
 - WA impacted by Main Roads contract-renewal cycle & subdued market conditions
 - East Coast growth reduced predominately in Victoria however directionally Victoria has improved in the second half
- New Zealand up 3%
 - Major contract wins with Department of Internal Affairs NZ, New Zealand Police and Fire and Emergency NZ
 - Microsoft Dynamics in NZ up 10% and up 30% H2 over H1.
 - Expecting growth in NZ to further improve in FY20



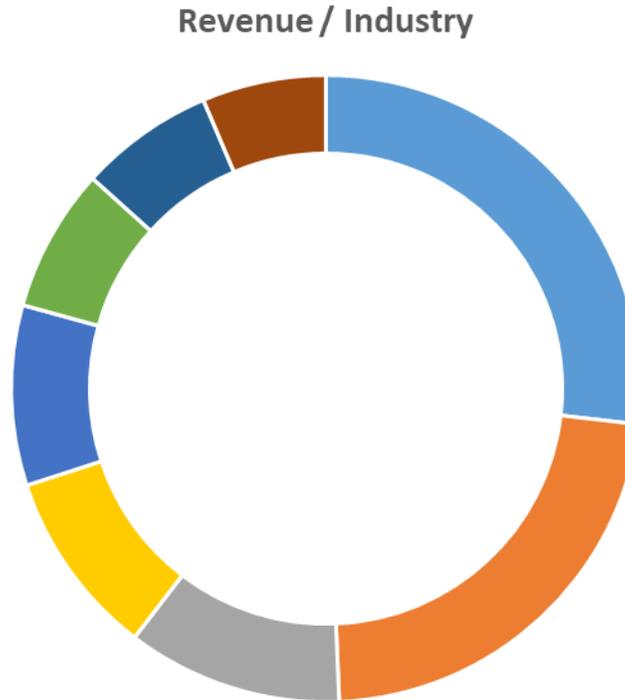
Revenue by Service

- **Digital Solutions represents 64%** of Empired Revenue
- Positioning Empired's services into a high growth part of the market
- These solutions focus on transforming our clients businesses to embrace digital business models enabled through data, technology platforms & ecosystems
- Digital Solutions include Data Analytics, Machine Learning, Artificial Intelligence, Modern Applications (Cloud & Mobile), Digital Presence, Digital Identity and Security
- Empired's Microsoft Dynamics business (major component of Digital Solutions) is up 16% with Australia up 20% and NZ up 10% (NZ up 30% half on half in NZ) and is Empired's highest margin business
- Digital Solutions operates at higher margins to Digital Operations



Industry & Clients

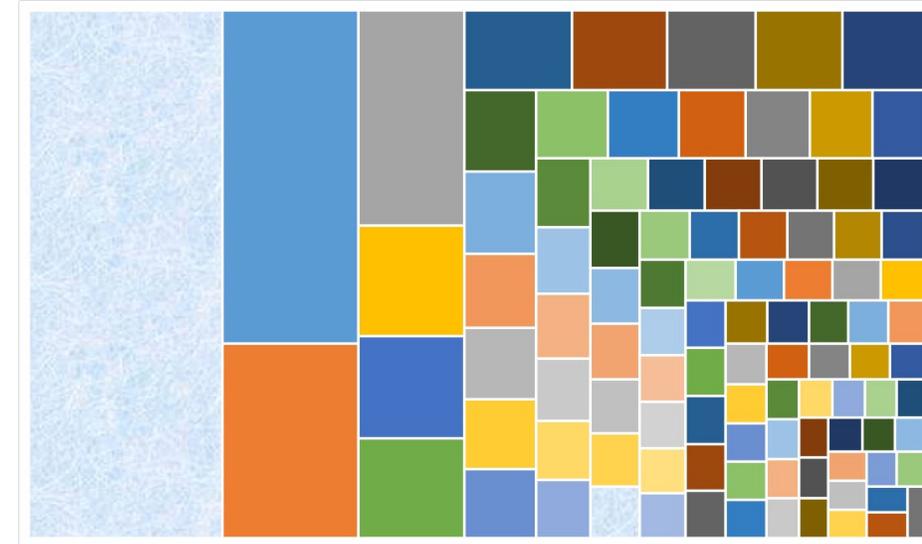
- **No over-reliance on any key sector or Client**
- Public sector grew, predominately on the back of NZ performance and remains a reliable and consistent sector across all parts of our business.
- Energy & Natural Resources sector remains a consistent industry for Empired with significant growth opportunities
- We remain focused on growth opportunities in Finance & Insurance across East Coast
- Positioned strongly in a number of large corporate and government organisations for expansion



- Government (27%)
- Energy & Natural Resources (23%)
- Health & Education (11%)
- Other (10%)
- Manufacturing & transport (9%)
- Wholesale & Retail Trade (7%)
- ICT (7%)
- Finance & Insurance (6%)

Represents balance of clients. ↓

Revenue / Clients

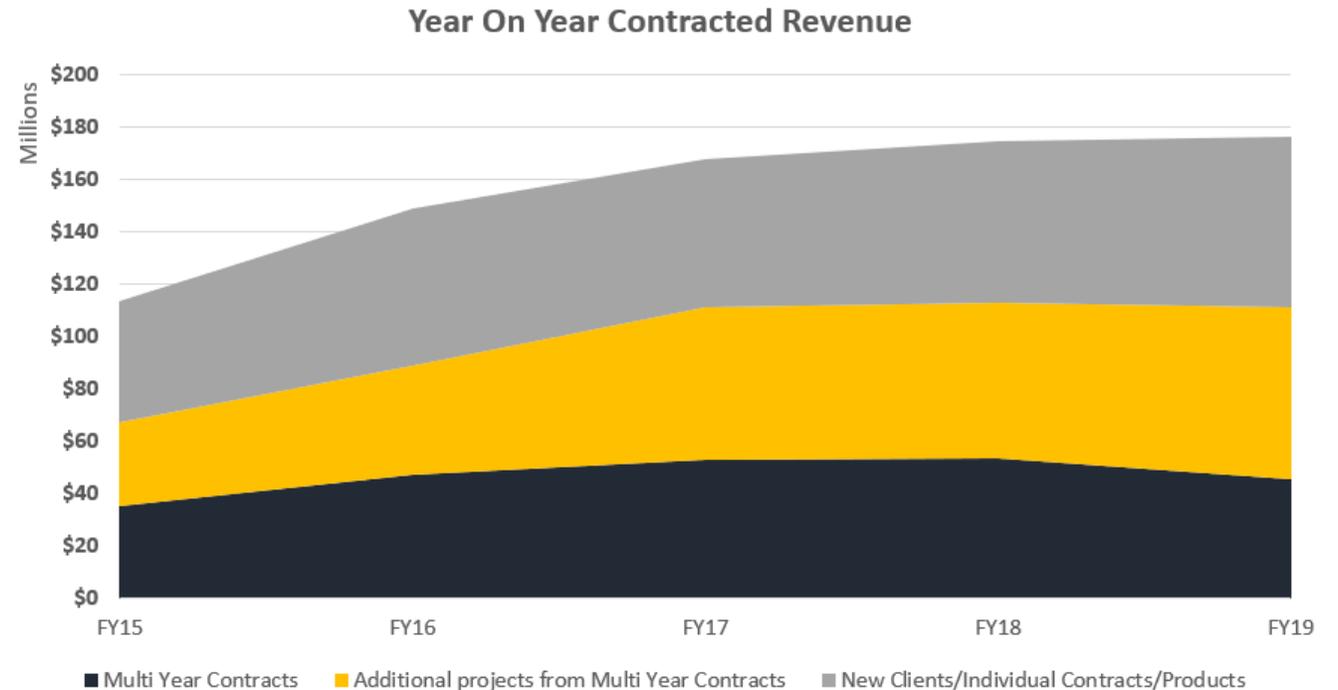


No over-reliance on any key client

Predictable Revenue

63% of Revenue derived from multi-year contracts

- Consistent and predictable revenue uplift from multi-year contracts base every year
- Base down slightly as a number contracts complete
- \$200m⁽¹⁾ pipe-line of large strategic multi year contracts to contest
- Focused on continuing to build multi-year contract and recurring revenue base through a range of annuity style services



Outlook

- **Positioned for strong improvement in financial performance in FY20**
- **Expected to deliver a material increase in NPAT**
- **Reduced CAPEX and strong positive cash flow**
- On-market share buy-back now active
- Expect positive contract news in the near term
- New Zealand performing well with growth trajectory anticipated to expand
- Implementing a plan for improved East Coast growth
- Growth in Digital Solutions with Microsoft Dynamics and Data Analytics as key drivers

Empire