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RXP Services – 1H16 Results

15 February 2016

1H16 Overview – A record first half

- **Strong sales pipeline driving continued growth at the top-line**

- Revenue up \$19.4m (+53%) on pcp
- Organic growth of \$7.1m (+19%) on pcp

- **Strong management of key business levers continues to drive growth in revenue and profit, with underlying EBITDA margins at 13.9%**

- Utilisation, Cost per billing day and Revenue per billing day all in line with expectations

- **EPS of 4.0 cents (167% growth)**

- **Strong cash position (\$9.7m) and underlying cashflows**

- **Board declares a 1.0 cent interim fully franked dividend**

	1H16 \$'000	1H15 \$'000	Movement
Revenue from ordinary operations	55,813	36,398	53%
Underlying EBITDA	7,774	2,860	172%
Underlying EBITDA margin (%)	13.9%	7.8%	6.1%
Basic EPS (cents)	4.0	1.5	167%
Interim Dividend	1.0 cents	-	n/a

1H16 Overview – Growth in people continues

- **RXP team grew by 184 people (39%) in 1H16**

- Organic growth - 50 people

- **Momentum has continued through January**

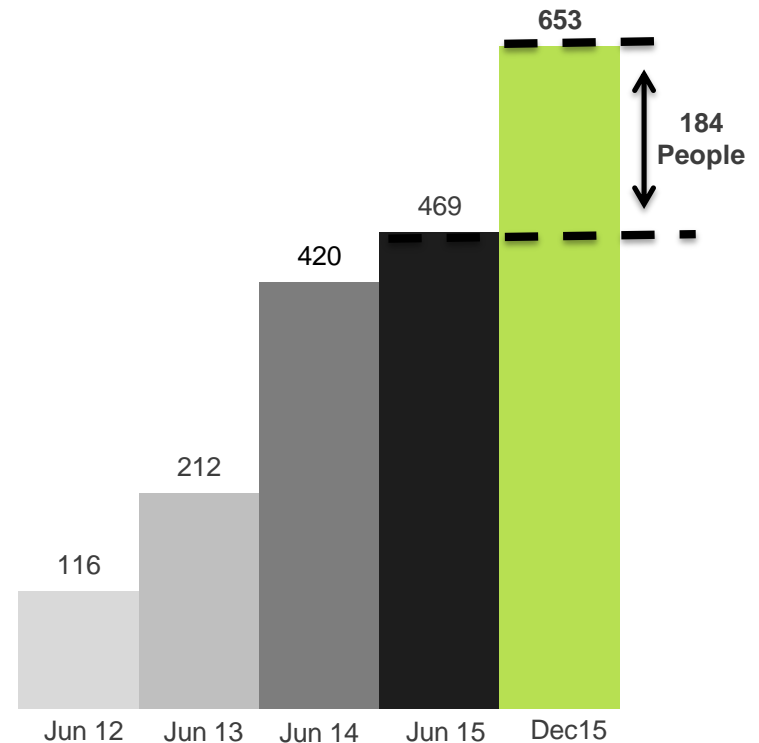
- Additional billing staff added driven by client/project wins
- Continued organic growth validates our focus on specialisation and cross-sell within the OneRXP model

- **Focus on our people is a key to performance**

- Staff training programs are part of our DNA
 - RXP Agile now delivered to 145 staff
 - RXP Habits now delivered to 173 staff
 - introduction of “RXP eXclerate” aimed at broadening the leadership base (Class of 2015 has 88 participants)

- **Continue to evolve our “Consultant Pyramid”**

- 22 Associates introduced in the program
- Targeting a further 40 over next 12 months



1H16 Overview – Executing our strategic priorities

- **Successfully completed and integrated Engage Viidacom and 10Collective**
 - Our targeted acquisition strategy within the OneRXP environment continues to fuel growth adding to our “cross-sell” and “cross-practice” opportunities
- **Continued development of RXP Intellectual property/as a service offerings**
 - 1H saw continued investment in our IP-backed Solutions; we maintain our focus on identifying opportunities to re-use our IP
- **Partner engagement remains a focus and continues to mature and strengthen**
 - Continued execution of our “*mainstream, challenger, disruptive*” strategy

Our “One-RXP” strategy provides our people, our clients and our partners with a cohesive set of go-to market services and solutions

1H16 Profit and Loss – Significant growth across all metrics

	1H16	1H15	Movement
Revenue & other income (\$'000)	56,337	36,612	54%
Reported EBITDA (\$'000)	8,296	2,860	190%
Revenue from ordinary activities (\$'000)	55,813	36,398	53%
Underlying EBITDA * (\$'000)	7,772	2,860	172%
Underlying EBIT * (\$'000)	7,576	2,697	181%
Reported NPAT	5,590	2,054	172%
Underlying EBITDA margin (%)	13.9%	7.8%	6.1%
Underlying EBIT margin (%)	13.6%	7.4%	6.2%
EPS (cents)	4.0	1.5	167%

*excludes gains from revaluation of deferred consideration

- Total Revenue includes gains from deferred consideration revaluations
 - Revenue \$56.3m includes \$524k of gains
- EBITDA growth of \$5.4m
 - Underlying margin of 13.9%
- Improved NPAT is a result of
 - Strong utilisation
 - Stable gross margins

1H16 Balance sheet – Improved Net Assets position

	1H16	FY15
Assets ('000)		
Cash & Cash Equivalents	9,737	12,083
Receivables & Accrued Income	24,974	20,114
Deferred Tax Assets	1,854	2,272
Goodwill	94,835	79,954
Other	3,044	2,081
TOTAL ASSETS ('000)	134,444	116,504
Liabilities ('000)		
Trade and other Payables	14,108	12,587
Deferred Liabilities	7,168	8,252
Accrued Staff Provisions	2,684	2,529
Borrowings	12,488	-
TOTAL LIABILITIES ('000)	36,448	23,368
NET ASSETS ('000)	97,996	93,138
Contributed Equity	76,530	75,604
Reserves	235	175
Retained Earnings	21,231	17,359
TOTAL EQUITY ('000)	97,996	93,138

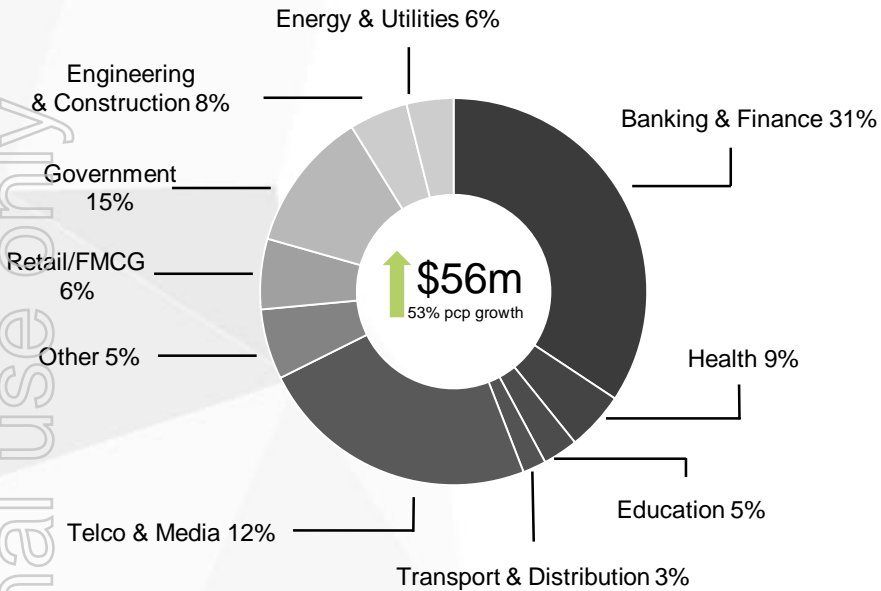
- Solid Cash position - \$9.7m
- Receivables & Accrued income – in line with growth in revenue
- Strengthening Net Asset position reflecting growth in the business
- Increase in goodwill a result of EV and 10C acquisitions
- Total Deferred Consideration \$7.2m
 - \$4.5m due in FY16 (\$3.5m in cash)
 - \$2.7m payable post FY16 (cash)
- Acquisition debt facility in place (\$25m)

1H16 Cashflow – Improved operating cashflow

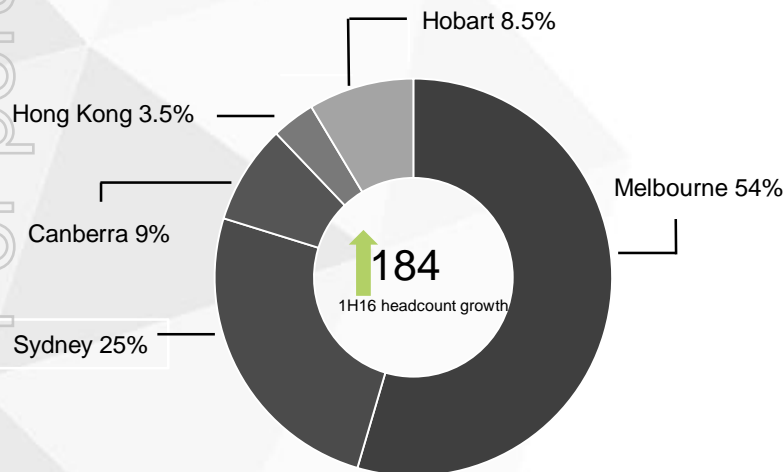
	1H16 \$'000	1H15 \$'000	Movement
Opening cash balance	12,083	18,427	(6,344)
Cashflow from operations (before interest & tax)	5,952	1,732	4,220
Tax paid	(2,945)	(1,620)	(1,325)
Dividend paid	(1,718)	-	(1,718)
Capital asset	(528)	(400)	(128)
Intangible asset	(300)	(23)	(277)
Acquisitions	(15,100)	(8,441)	(6,659)
Debt funding	12,488	-	12,488
Net interest and other	(195)	129	(324)
Closing cash balance	9,737	9,804	(67)

- Operating cashflow up significantly to \$6.2m
 - Represents 77% of EBITDA (+26%pcp)
- Acquisitions of \$15.1m
 - \$3.5m payable in 2H16
- Financing cashflows
 - Net Proceeds from borrowings \$12.2m
 - Maiden dividend paid \$1.7m

Work Breakdown – we maintain our focus on client and geographic diversity



- Drivers for growth in our industry remain strong
 - Digital & Cloud
 - Customer knowledge and insights
 - Productivity, Scalability, Flexibility
 - Innovation
- Strengthened our position with many clients
 - Telco & Media
 - Banking & Finance
 - Health
 - Government
 - Energy & Utilities



- Strong growth in headcount (39% organic)
 - Growth particularly strong in Sydney and Melbourne
- Development Centre in Hobart continues to deliver value and differentiate
- Staff training programs are making a difference
 - Internally developed and facilitated
 - Great take-up

Update on Operations

Strong demand for our services across clients is being reflected in our financial results

- Utilisation in line with expectations
- Growth in billable staff (organic and acquisition)
- Continued growth in “multi Practice” client engagements (including solution sales)
- Continued growth in project/engagement size

Active management of key business levers is delivering forecasted margins

- Maintaining our focus on value not price
- Constant evolution of our blended “consultant pyramid”

Integration of EV and 10collective has gone well

- Leveraging the “digital” strength that 10collective have brought to RXP
- Leveraging the “program, project and BA” strengths in telco & media that EV have brought to RXP
- Evolving the interaction with clients and partners

We have built a sustainable operating rhythm

Strategic priorities guiding FY16

Our focus remains on executing our strategic priorities:

People	Develop our people, continue to evolve and expand our specialisations
Solutions	Leverage our Intellectual Property, continue to evolve and monetise “RXP Solutions”
Clients	Build on existing and develop new Client Relationships
Partners	Build on existing and develop new targeted Partner Relationships
Brand	Build on our brand and reputation
Consolidation	Strategic mergers and acquisitions

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Summary

1H16 results produced significant growth:

- Revenue \$56m (growth of 53%)
- Underlying EBITDA \$7.8m (growth of 172%)
- Strong growth in EPS 4.0 cents (growth of 167%)

The interim dividend of 1.0 cps fully franked maintains our progressive dividend policy

Our focus on “OneRXP” provides our people, our clients and our partners with a consistent approach and a cohesive set of services and solutions

- Easy to understand us; easy to interact and do business with us
- Facilitates cross-practice/cross-sell opportunities

We maintain our commitment to “specialisation wins”

- Working in growth areas that are relevant to clients and constantly evolving these are key to our success

People remain a key driver of our results

- Our team of specialist consultants delivering outcomes together
- Our sales team & delivery executives
- Our people and talent organisation
- Our back-off office administration
- The underlying strength of our expanded executive and leadership teams

Outlook

Upgraded full year revenue target of \$120m

- January in line with forecast, with the addition of billable staff to meet current demand
- Strong pipeline of work with current projected revenue supporting full year target

EBITDA margin in line with previous guidance of 13-14%

- Labour rates expected to remain within our budgeted levels
- Sell rates across our services and solutions expected to remain within budgeted levels
- Pipeline of opportunities is maintaining utilisation at planned levels

Dividend

- Progressive dividend policy remains in place
- Strong cashflow forecast to continue

Acquisitions

- EV and 10 collective acquisitions expected to achieve planned targets
- Expect industry consolidation to continue – we remain well placed to play a key role

We continue to drive sustainable growth across our specialisations and regions

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