

28th May 2013

The Manager, Listings
Australian Stock Exchange Limited
Company Announcements Office

Dear Sir

In accordance with Listing Rule 3.1 attached is a presentation to be presented by the Company's Chief Executive Officer, Mr Neil Wilson, at the BBY 2013 Telecommunications, Media and Technology Conference on 28th May 2013

Yours sincerely



Michael Miers
Company Secretary

**BBY
2013 Telecommunications,
Media and Technology (TMT)
Conference**

Neil Wilson
CEO





Agenda

1. **IT Services market evolution**
2. Strategic positioning
3. 1H FY2013 – Summary of results
4. 2H FY2013 trading update
5. Summary

IT Services Market Evolution

Old World

- Single sourcing from 1 large vendor
- IT services predominantly acquired by IT Department
- Investment in IT services mostly to drive cost savings
- IT services acquired to augment existing staff arrangements
- Technology skills valued over business/industry knowledge
- Contracts procured for risk arbitrage rather than business value

New World

- Sourcing from multiple vendors but with a single contractual relationship
- Need for services integration and governance
- IT services now acquired more by Business Executives with IT as a stakeholder
- Investment in IT services to drive cost savings and innovation (e.g. increased market penetration)
- IT services acquired increasingly for business value (fixed price, deliverables and service levels)

Traditional IT Services Company

- Technology and industry agnostic
- Mostly role based on daily rates
- Focus on individual expertise rather than service model
- On shore model with minimal ability to manage and reduce cost base
- Little or no annuity revenue

The New IT Services Company

- Deep expertise in technology and industry with method and IP “accelerators”
- Ability to manage and deliver outcomes for a fixed price or Business Value
- Global Delivery model to reduce cost of delivery
- 3rd party relationships to provide “as a service” model
- Managed services to drive annuity revenue and long term relationships



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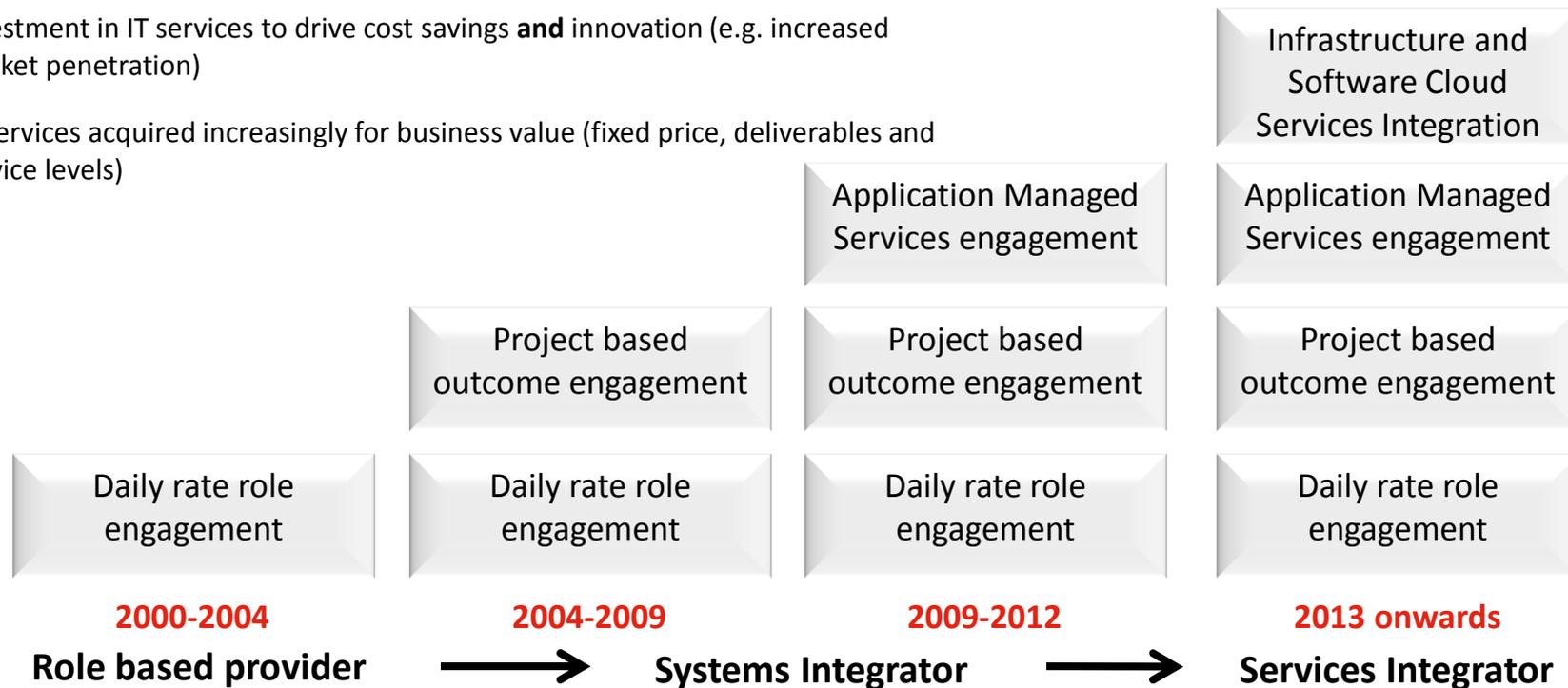


Oakton business model evolution

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:

- Sourcing from multiple vendors but with single contractual relationships
- Need for services integration and governance
- IT services now acquired more by Business Executives with IT as a stakeholder
- Investment in IT services to drive cost savings **and** innovation (e.g. increased market penetration)
- IT Services acquired increasingly for business value (fixed price, deliverables and service levels)





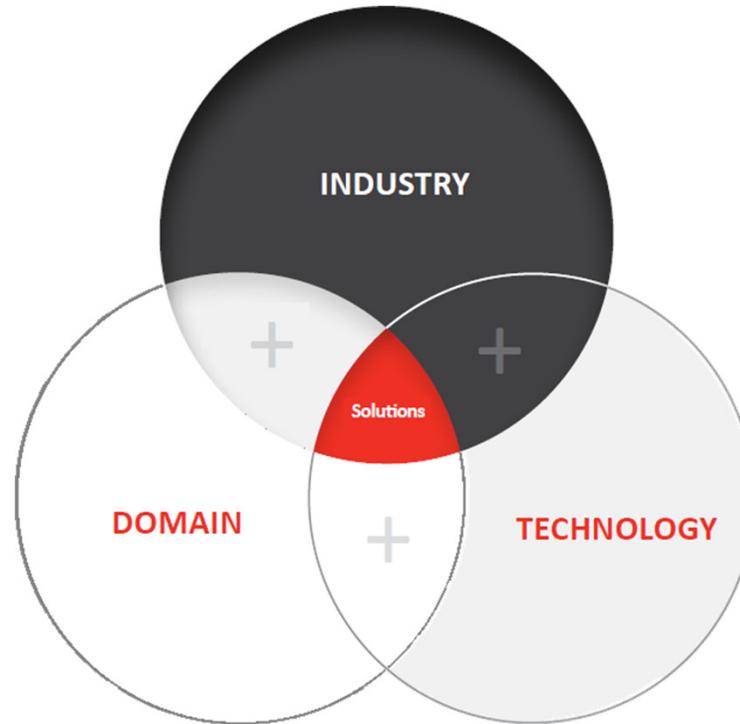
Solution Asset

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

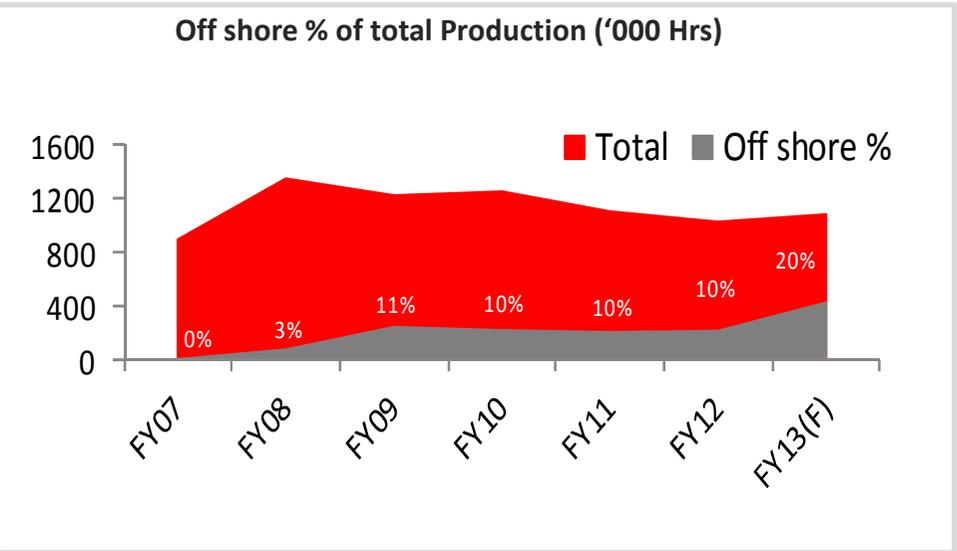
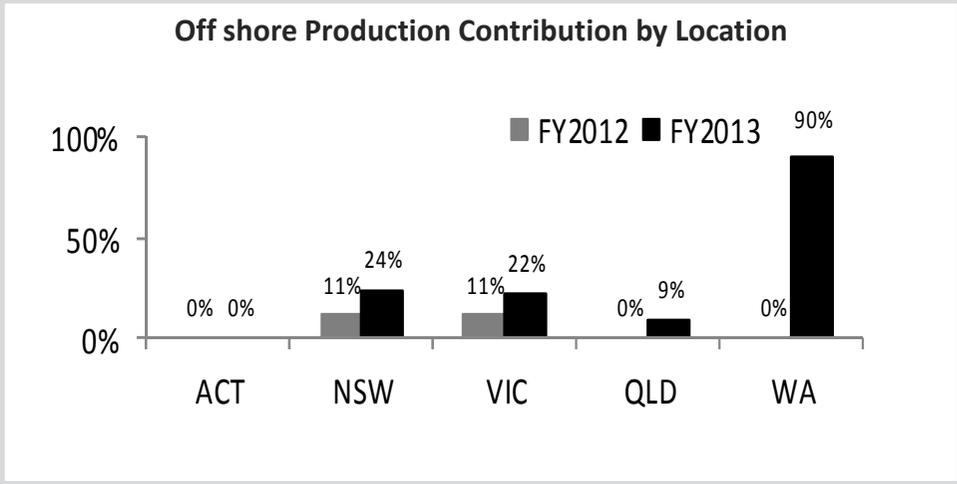
Microsoft
Oracle
IBM
SAP
SalesForce
Cloud infrastructure providers
Emerging Providers



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.
- Headcount over 220, 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 20% for FY2013. Expect this to grow again in FY2014.
- 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.





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FY2013 First Half Headlines

- As highlighted at the AGM in November 2012, 1H FY2013 performance was 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% pcp – trading; 29.6% - reported), NPAT of \$4.5m (down 16.8% pcp - 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 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 engagement scores continue to improve and attrition is 20% below the pcp.



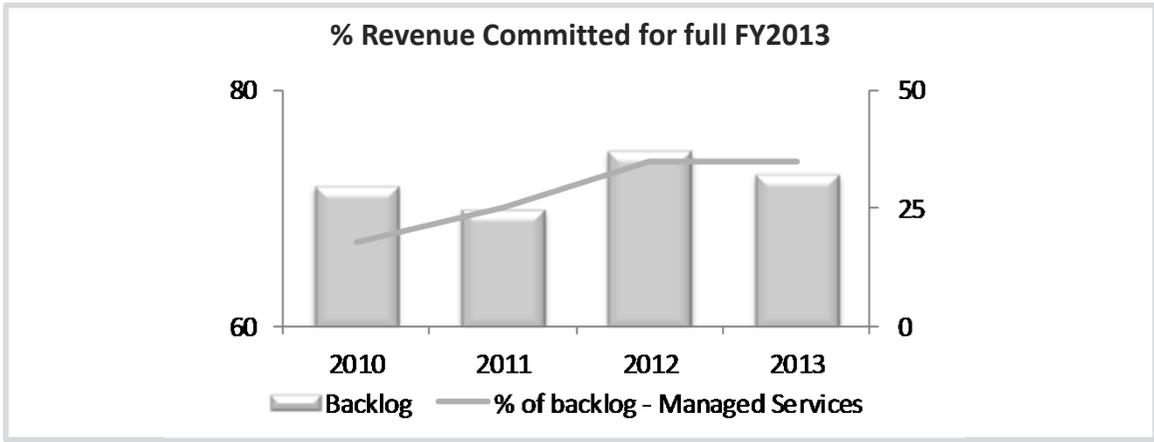
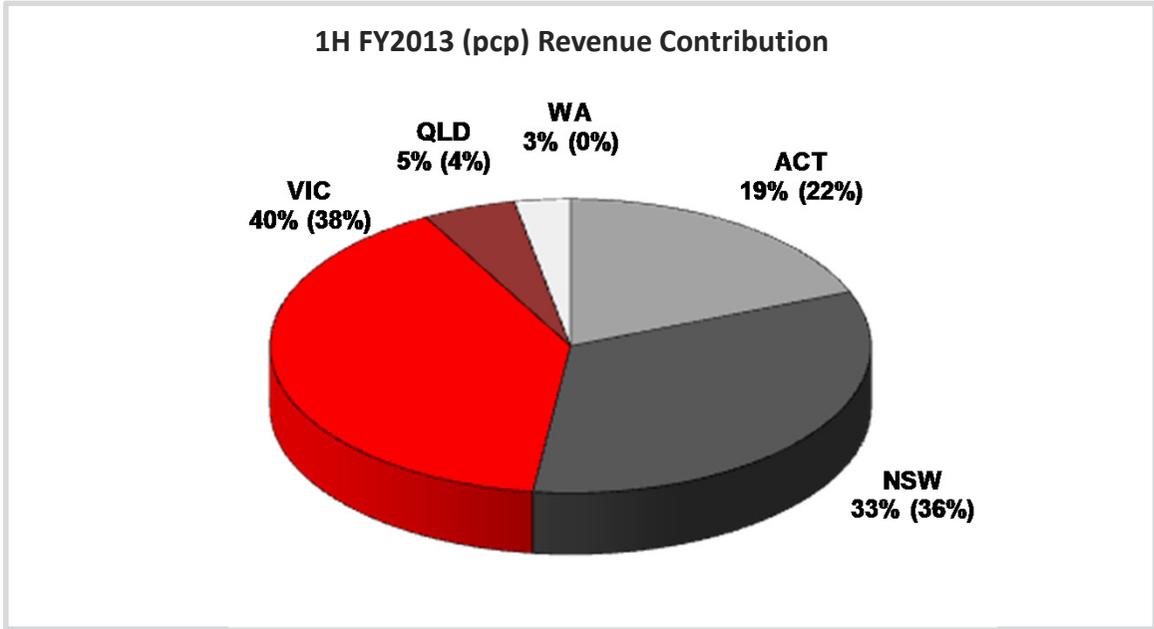
FY2013 First Half Headlines (continued)

- 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).



Revenue Analysis

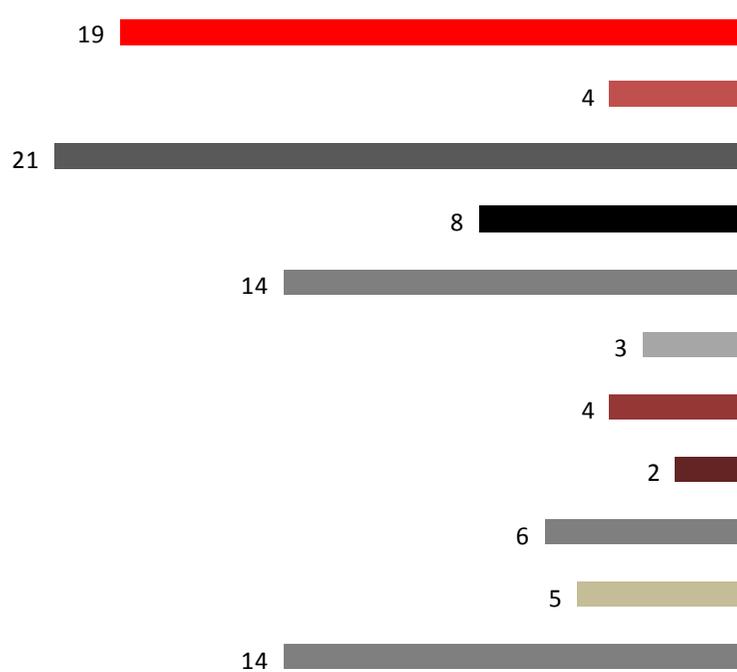
- Revenue contribution from WA location 3% (PCP 0%).
- ACT revenue share reflects slowdown in Federal Government spend.
- Booked and committed revenue for FY2013 at 71% (pcp 75%) – reflects a slower than expected Q2 sales performance.
- % of backlog that represents Managed Services at 35% (pcp 35%).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



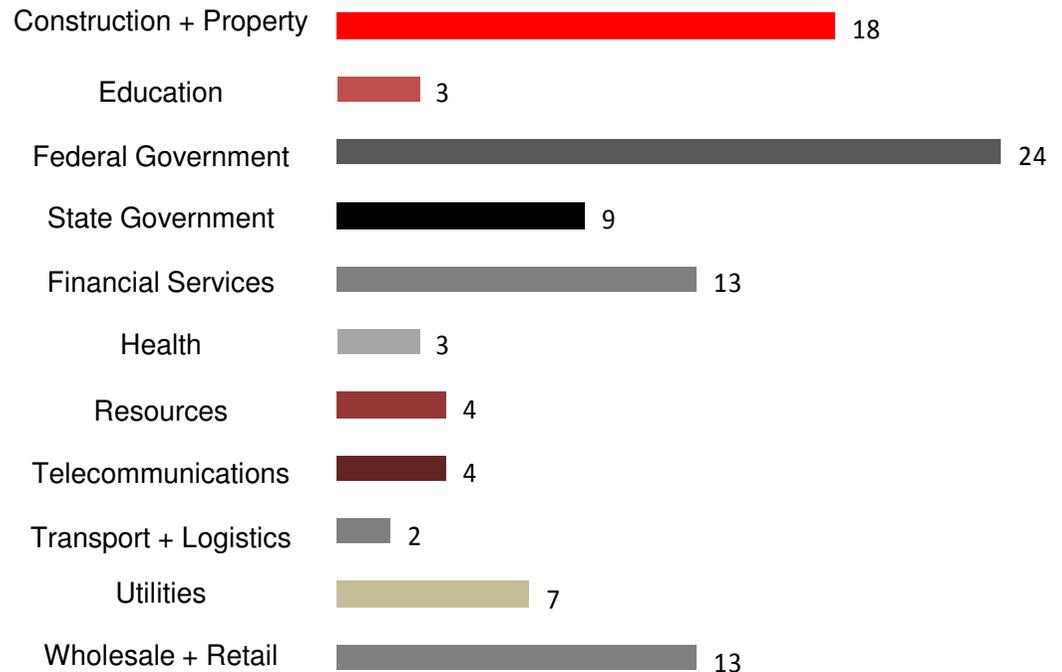


Industry revenue spread and outlook

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.



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2H FY2013 Outlook *and Q4 trading update*

2H FY2013 outlook presented at 1H FY2013 results

1. Current market conditions remain challenging with delays in investment decision making and project commencement continuing in most sectors.
2. 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.
3. 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.

Updated outlook for 2H FY2013

1. *The market remains challenging across most industries with on going delays in decisions and commencement impacting headcount and utilisation expectations.*
2. *Federal Government spend has been reduced beyond expectations with most Agencies in pre election mode. Accordingly, the seasonal uplift in Q4 is less than expected.*
3. *We currently expect margin and utilisation improvement in the 2H of FY2013 relative to 1H FY2013 on reduced revenue. This should result in a similar earnings profile to 1H FY2013.*

Backlog of multi-year revenue into future years continues to grow.



2H FY2013 Outlook *and Q4 trading update*

2H FY2013 outlook presented at 1H FY2013 results

4. Expectation of further increase in non-people based revenue via expansion of strategic partnerships with infrastructure and software cloud service providers.
5. Based on current revenue and earnings expectations, cash flow to remain on target with at least 100% of NPAT in operating cash flow.
6. Full year dividend pay-out ratio is expected to be increased above FY2012 levels, subject to any investment activity.
7. 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.

Updated outlook for 2H FY2013

4. *Non-people based revenue will be nearly \$2m for FY2013 with further increases in FY2014 expected as our Service Integration business model gains momentum.*
5. *Our strong balance sheet position is expected to be maintained with 100% of NPAT converted to operating cash flow.*
6. *We would anticipate the DPR to be similar to the 1H FY2013.*
7. *Headcount in Hyderabad is now in excess of 220. Overall production effort in FY2013 will be in excess of FY2012, with the proportion of work being delivered from off shore running at 20% (pcp 10%).*



2H FY2013 Outlook *and Q4 trading update*

2H FY2013 outlook presented at 1H FY2013 results

8. Continued growth in the WA location – forecast to contribute over 3% of FY2013 revenue.
9. 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.
10. Continued focus on people development and knowledge management to drive higher levels of engagement and increased leverage of company solution assets.
11. 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.

Updated outlook for 2H FY2013

8. *We expect WA to reach this revenue contribution level with the pipeline for work into FY2014 growing strongly*
9. *Opportunities in these areas have continued to grow across a number of industry sectors*
10. *Staff attrition is now well under 20%. On going development of repeatable solutions, methods and tools are reducing cost of delivery and will over time improve margins.*
11. *Investment in core assets – off shore capability, industry/domain/technology solutions positions Oakton as a credible alternative to tier 1 solution integrators.*



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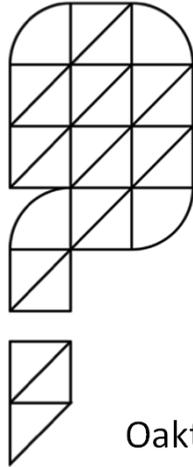


Summary

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

- General market conditions continue to be challenging with decision making timeframes and project commencement predictability remaining volatile and requiring increased agility and cost base management.
- Federal government environment will be difficult for at least the 1H FY2014. Beyond that there is expected to be an improvement in demand.
- Increased services integration across multiple platforms with continued strengthening of relationship with key partners, software vendors and infrastructure providers to support industry directions in cloud, mobility and software as a service based models.
- Continued growth in managed services, including full service integration, which drives 3-5 year annuity revenue streams.
- Customer focus on cost and value for money is resulting in government and non government organisations increasing their use of offshore service models. The off shore facility is expected to grow to around 30% of total resources by end FY2014.
- Operating cash flow at +100% of NPAT is expected to enable the dividend pay-out ratio to be maintained at +80%.

Consulting Technology



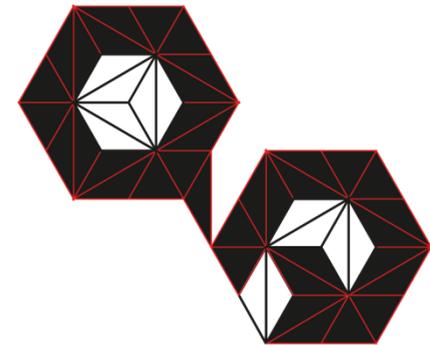
What problem do you want defined?

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

Melbourne
Sydney
Canberra
Brisbane
Perth
Hyderabad

Strategic partners
Microsoft
Oracle
SAP
IBM
Cloud Infrastructure Providers
Emerging

24 years
10 key industry sectors
800 plus clients
10,000 plus projects



Thank you and Q&A