



## AGM Presentation (ASX Code: HIT)

24 NOVEMBER 2017



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# HiTech overview

- HiTech Group Australia Limited is a specialist provider of **recruitment and ICT consulting services**
- The term information and communications technology (**ICT**) is generally accepted to mean all technologies that, combined, allow people and organisations to interact in the digital world
- Services cover ICT, Office Support, Sales & Marketing and Finance sectors
- HiTech generates the majority of its revenue from ICT contracting and consulting, meaning revenue is almost **entirely recurring**
- Revenue is underpinned by a **long term, blue chip** customer base across Federal Govt, State Govt and the Private Sector
- HiTech has a well balanced and diversified client base of new and loyal existing ones
- Favourable conditions also expected to continue from **growing demand for skilled ICT professionals** and large scale public & private IT transformation projects



# Board of Directors

## Raymond Hazouri

Chairman

**Qualifications:** BA (Sydney University), DipEd.

**Experience:** Founded HiTech in 1993 and has over 26 years' experience in the IT industry. Prior to establishing HiTech, Ray worked in a number of capacities in the information technology industry ranging from management positions, technical IT consulting roles including systems analysis/programming, project management and sales roles. Ray worked and consulted for a broad range of employers in the private, multinational, SME, and public sectors.

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## Elias Hazouri

Executive Director & CEO

**Qualifications:** B Sc, MBA

**Experience:** Over 27 years' experience in IT and banking. Elias was previously a director of HiTech from 1993-March 2000. Elias's knowledge of HiTech's business is extensive. Throughout his career, Elias has been integral to the development of many IT systems and IT support departments. He has held roles ranging from programmer to technology support head. Elias is a key resource and knowledge base to the HiTech account managers and is jointly responsible for generating new business. Elias has advised on business strategy, both from a financial and operational perspective, since the inception of HiTech in 1993. Elias is employed in the capacity of Chief Executive Officer.

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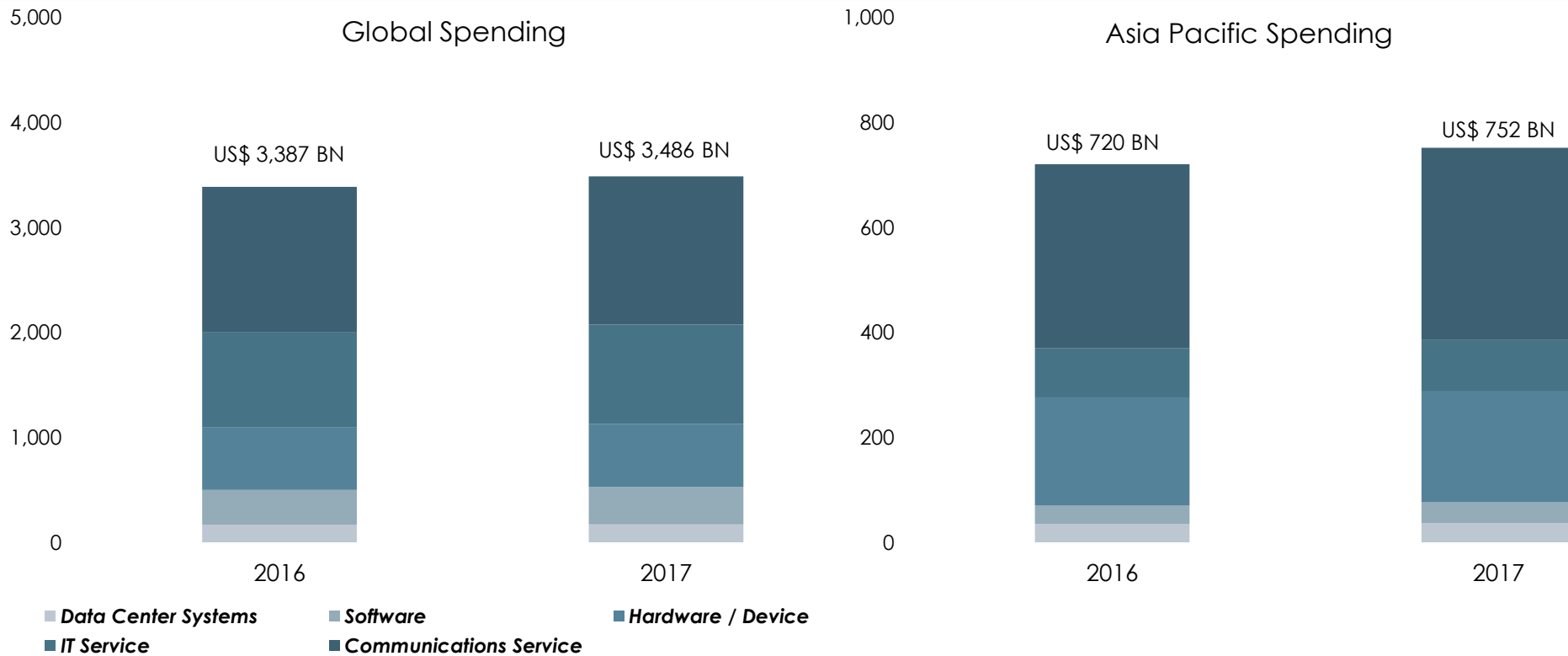
## George Shad

Non-executive Director

**Qualifications:** Solicitor

**Experience:** Appointed to the Board on 30 July 2003. Principal of Shad Partners Solicitors with thirty years' experience as a lawyer specialising in commercial and conveyancing work. George is a panel solicitor for a number of major banks and his expertise and contacts in the corporate sector will assist HiTech in furthering its client base.

# Global ICT industry overview

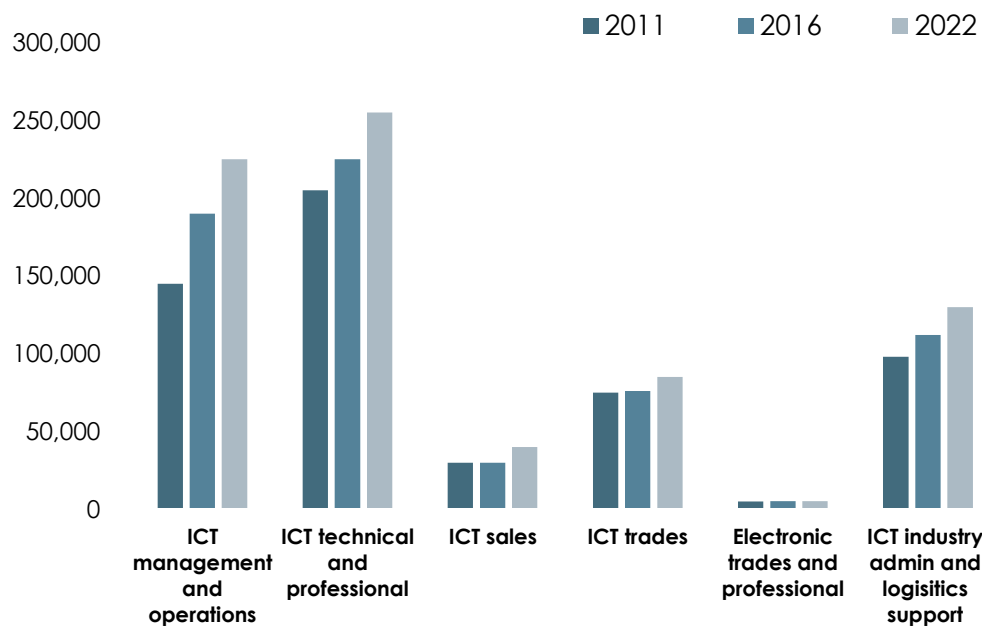


In 2017, total spending is expected to increase 2.9% and 4.4% respectively for Global and the Asia Pacific Region. In particular, software and IT Services are the two top sectors for growth. Software is expected to grow 7.2% Globally and 10.2% for Asia Pacific in 2017. IT Services is expected to grow 4.8% Globally and 6.0% in the Asia Pacific Region in 2017.

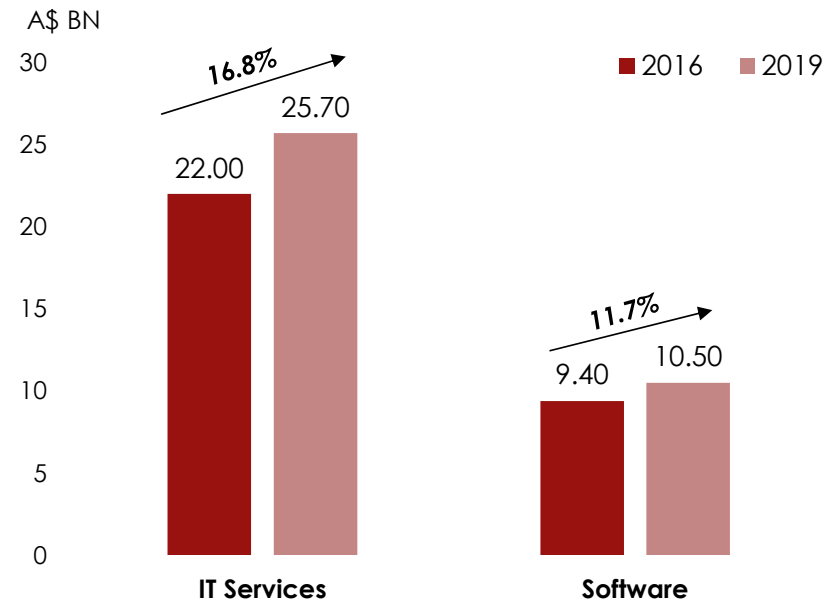
Source: Gartner (October 2016)

# Australia ICT industry overview

Historical & Forecast ICT Employment, 2011-22<sup>(1)</sup>



Selected Sector Spending<sup>(2)</sup>



Strong growth in the ICT workforce is expected to continue, reaching 722,000 workers by 2022. This represents average annual growth of 2.0%, compared to 1.4% for the Australian workforce as a whole. The Australian government is a big employer in terms of procurement of IT Services and additional personnel for the vast number of new and existing ICT / Digitisation initiatives.

Source: <sup>(1)</sup> Australia's Digital Pulse(2017)  
<sup>(2)</sup>Atradius Market Monitor Report, 2016

# Market Voices – ICT industry growth to continue



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By 2020, half of the top 500 companies in Australia will become part of the digital transformation economy, as they see the majority of their business depend on their ability to create digitally enhanced products, services, and experiences – International Data Corporation, 2017



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The government is taking a lead in Australia's digital transformation through greater investment in ICT infrastructure and capability. Through its investments in data analytics, technology platforms, digital identity, cyber security, the expansion of the MyHealth record system, and building digital skills across the public service, government will be much better positioned to deliver efficient, quality services to Australians. These are smart investments that will enable the adoption of future technologies as government services evolve  
- Australian Information Industry Association (Australia's peak member body for the ICT industry), 2017



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52% of the current ICT workforce is employed outside ICT-related industries, in such areas as professional services, public administration and financial services

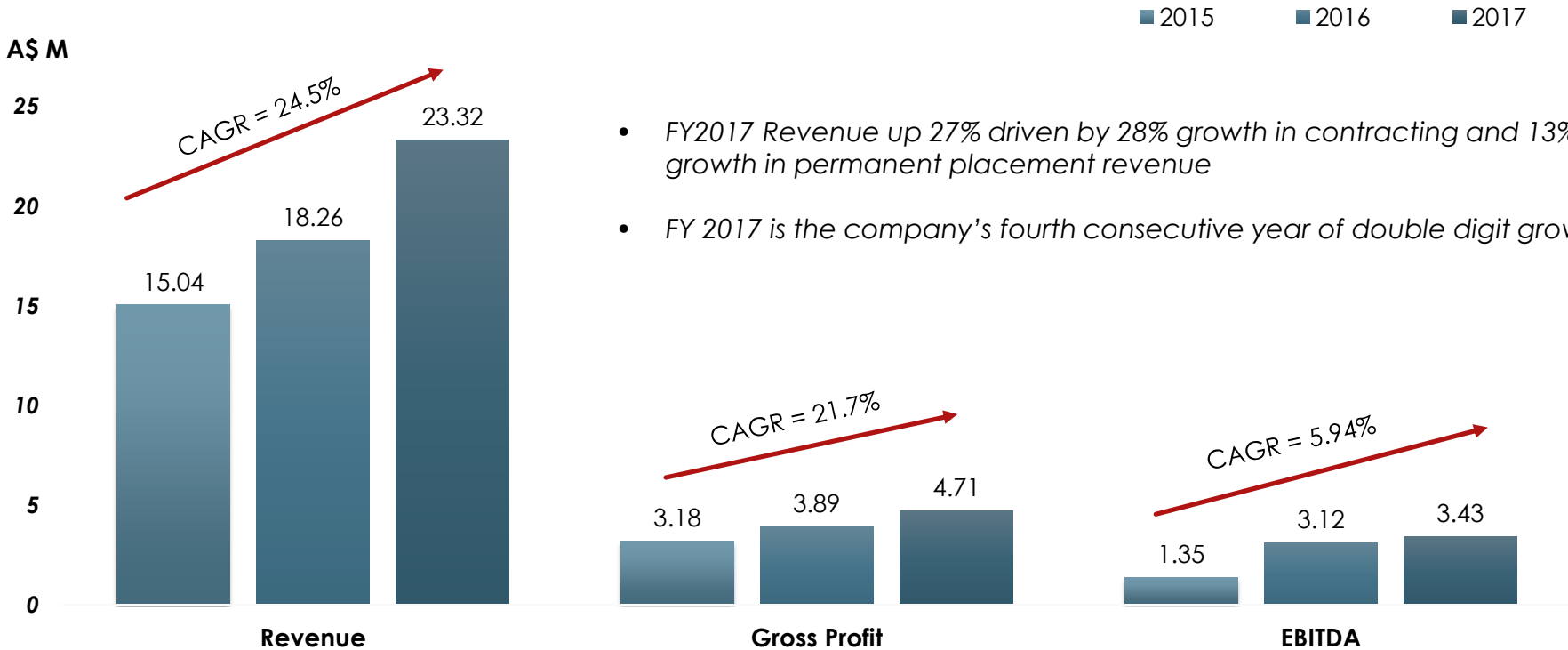
The continued growth in ICT employment across the Australian economy reflects strong employer demand for ICT workers and skills, and continued improvements in the foundations of the Australian labour market.  
- Deloitte Report, Australia's Digital Pulse, 2017



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The ICT recruitment market in the ACT continues to be extremely active. The majority of demand is for IT contractors for the Federal Government and is fuelled by continued restrictions around hiring full-time staff and the ongoing enterprise transformation, modernisation and digitalisation initiatives that are taking place.  
- Hays Quarterly Report, Q4 2017

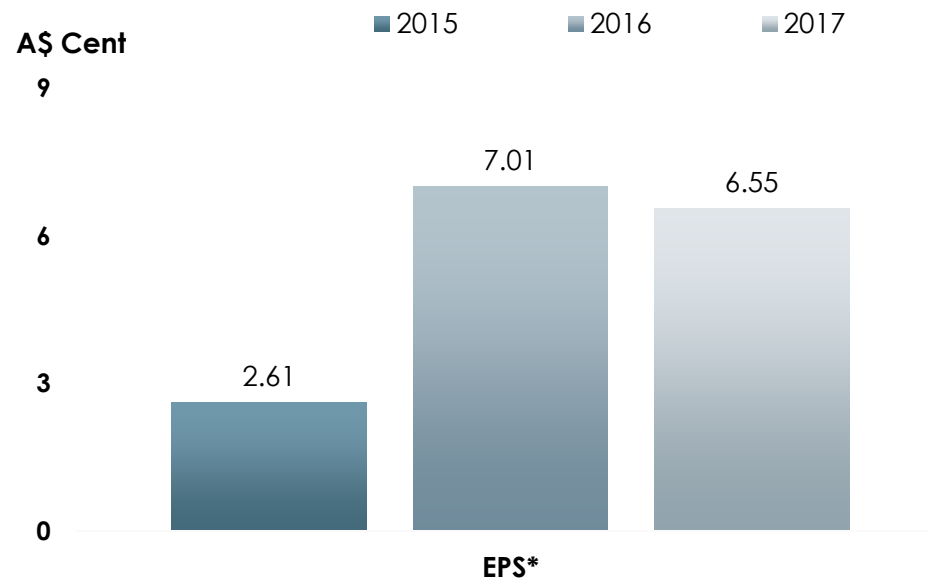
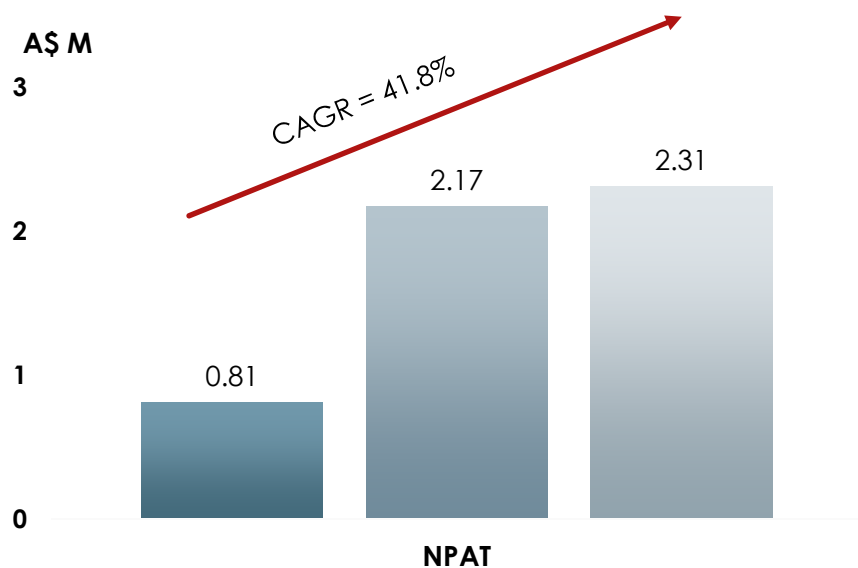
# FY2017 Results highlights



- FY2017 Revenue up 27% driven by 28% growth in contracting and 13% growth in permanent placement revenue
- FY 2017 is the company's fourth consecutive year of double digit growth



## FY2017 Results highlights cont'd



- FY 2017 underlying growth represents the removal of the impact of the realised and unrealized investment gains in FY 2016 and FY 2017, which are non-core to HiTech
- Final dividend for FY 2017 of 3 cents fully franked declared and paid, bringing total dividends for the year to 6 cents fully franked, a **7.5% yield<sup>(1)</sup>**

\* On a fully diluted basis

<sup>(1)</sup>Dividend yield is calculated based on HIT share price of 80 cents on 23 Nov 2017

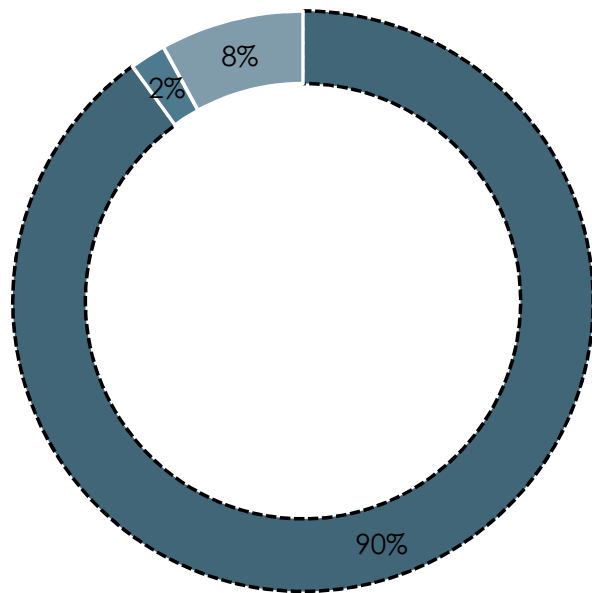
# Specialised service with a winning formulae for success

- *HiTech works closely with select, identified blue chip client base names on talent acquisition*
- *Management intimately understands the key drivers of recruitment and ITC consulting services for its clients*
- *Continually seeking out permanent ICT work with the strongest margins or avenues for value added growth*
- *Execute and deliver on time for clients and is rewarded with long, established business relationships and recurring revenue stream*
- *Opportunity cost of each piece of business is always at the forefront of HiTech's thinking*
- *No revenue growth for revenue growth's sake*
- *Push into ICT consulting and services space as these sectors are exhibiting strong growth*
- *Board and management teams have a uniquely engrained culture of financial discipline across all areas and aspects of its business*

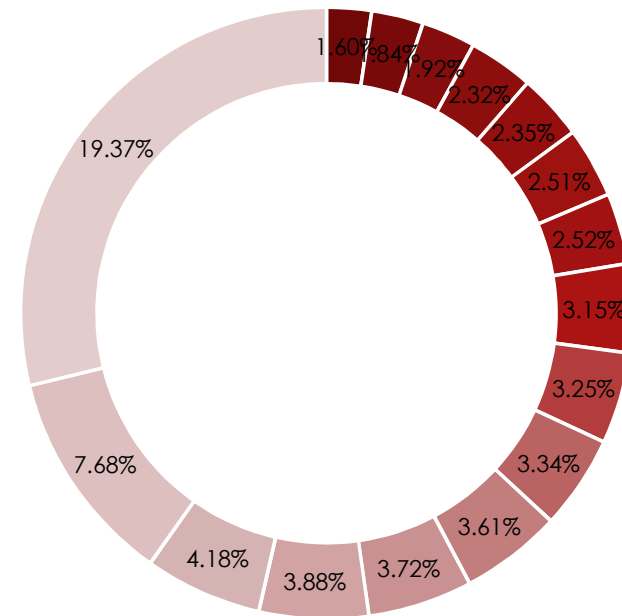


# Revenue breakdown – majority Federal and State Govt clients

FY 2017 Revenue Breakdown – Client Type



■ Federal Govt ■ State Govt ■ Private Sector

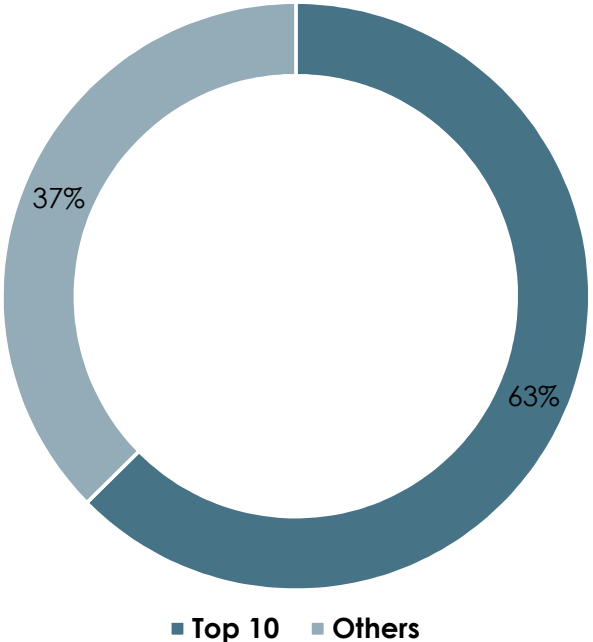


- Federal Department 1
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- Federal Department 3
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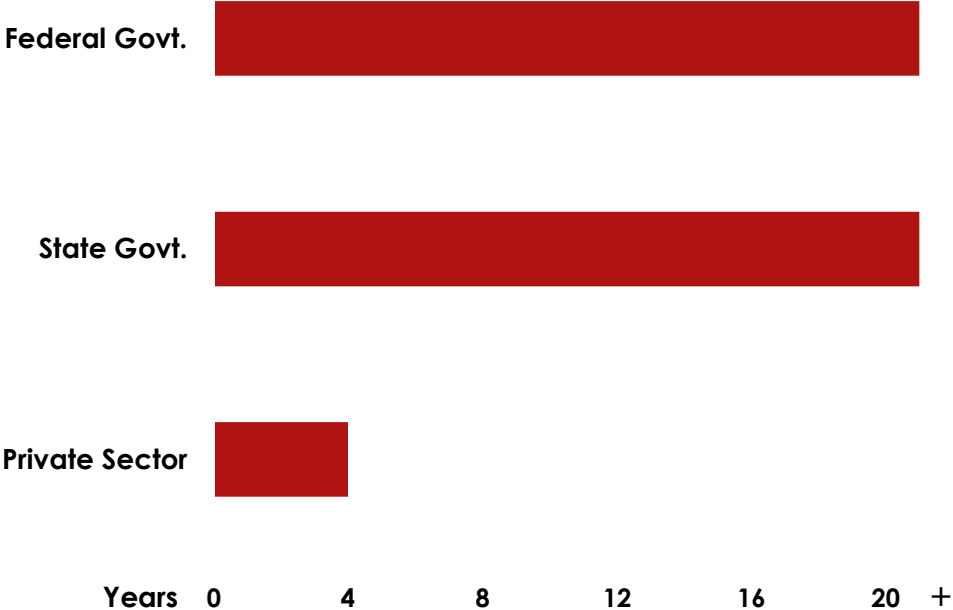
HiTech has a diversified blue chip client base with solid revenue base supported by **Federal Government departments and agencies**

# HiTech revenue breakdown cont'd

FY 2017 Revenue Breakdown - Top 10 Clients Concentration



Average History of Service by Client Type



*HiTech has a long history and robust working relationship with its key established clients*

# HiBase - proprietary, predictive database of ICT talent

- **HiBase** is a predictive intelligence tool built by HiTech for sourcing talent
- A comprehensive up to date database of over 360,000 professional candidates for contract or permanent positions
- The HiTech Services team is at the forefront of the digital transformation movement which is a critical priority amongst each of our Federal Govt, State Govt and Private Sector client base
- The HiTech ICT Services team has developed a 'best of breed' project delivery system in line with client needs – we call this **Project Delivery as a Service (PDaaS)** which benefits our clients:
  - A perpetually Fit-For-Purpose Project Delivery Model, managed as a Service;
  - Project Delivery as a Service that offers you access to resources and tools at a flexible and predictable cost, via a fully structured Managed Service, underpinned by KPIs and SLAs;
  - Whether it's Skilled Resource Provision or a fully Managed Service, PDaaS can help you maximize your Project success and improve your IT Project Delivery; and
  - We offer the ability to have on boarded resources available based on the demand curve of your portfolio.

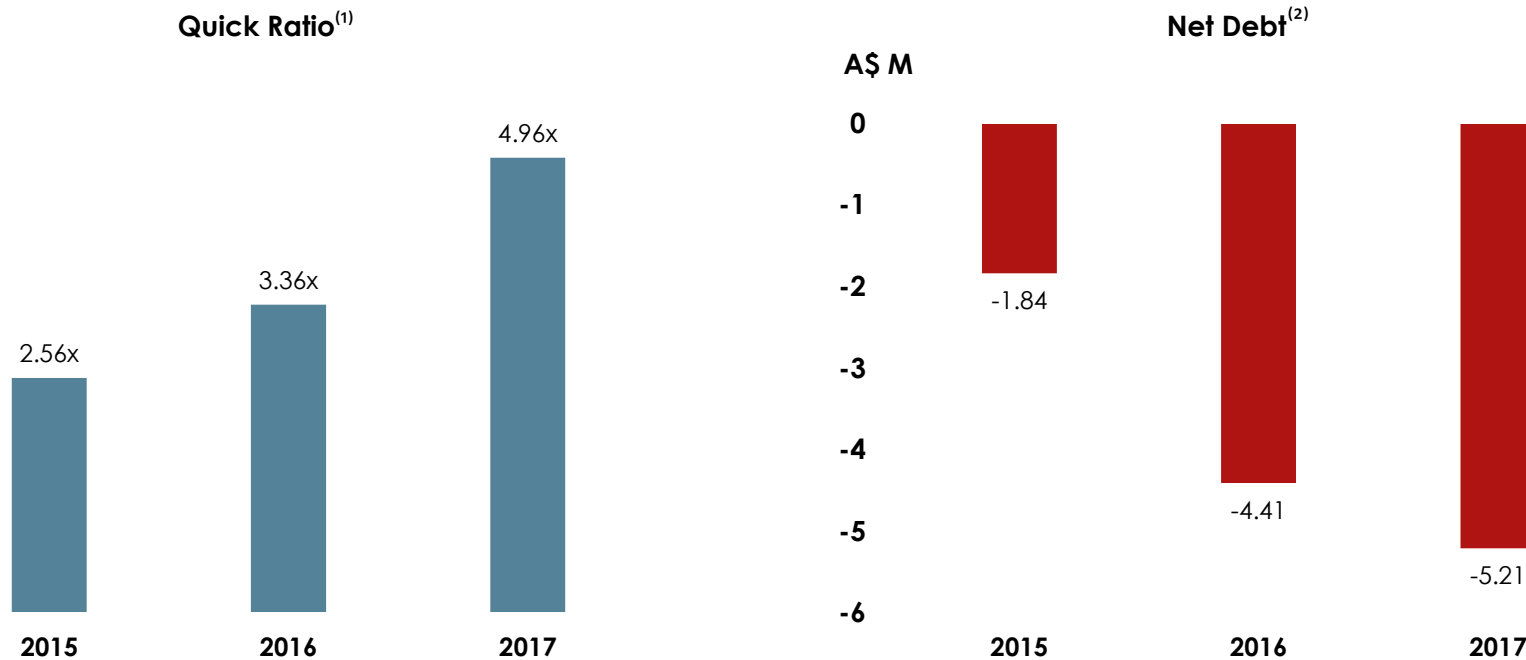


# HiTech's antidote to potential technology and competitor disruptions

- *HiTech is at the forefront of enabling digital transformations by connecting the right people to work together and apply new, relevant and often non traditional technology, to transform the way we think about how we might communicate and work*
  - *“Automated platforms” operate in a segment of the market that focuses on high volume/low margin transactional work that can replace some but not all of this intensely personal process for specialised ICT services*
- *The HiTech Group is a proud member of the Digital Transformation Agency services supplier panel known as the Digital Marketplace Panel. The marketplace allows HiTech to provide IT specialists to all Government departments looking to initiate and complete digital transformation projects. This national Government initiative further opens up the possibilities for HiTech to participate in the Government's multibillion dollar expenditure on ICT*
- *HiTech operates at the cutting edge of the ICT industry in select and highly specialised areas and is closely aligned with its niche blue chip client base*
- *HiTech has a valuable, underutilised candidate database ripe for monetisation via innovation and cross-selling opportunities*



# Strong Balance Sheet and financial discipline

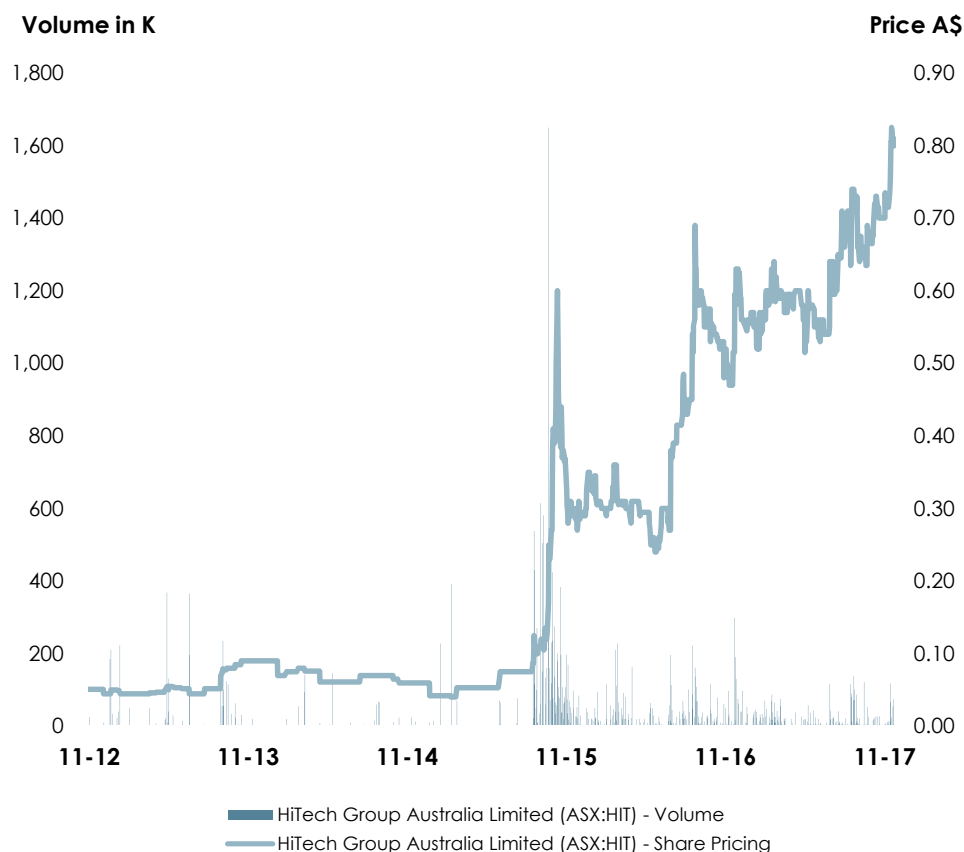


HiTech is a resilient and strong company with a safe balance sheet and **no debt** which is unique in the industry

<sup>(1)</sup> Quick ratio = (Cash & Cash Equivalents + Accounts Receivable) / Current Liabilities

<sup>(2)</sup> Net Debt = Total Debt - Cash & Cash Equivalents.

# Consistent track record is being rewarded in share price....



|  |                                 |
|--|---------------------------------|
| <b>HIT's Market Capitalisation</b>   | <b>A\$</b>                      |
| Closing price as of 23-Nov-17  | \$0.80/share                    |
| 52-week high on 17-Nov-17  | \$0.83/share                    |
| 52-week low on 02-May-17   | \$0.52/share                    |
| Ordinary shares on issue   | 35.15m                          |
| Options outstanding <sup>(1)</sup>   | 4.50m                           |
| <b>Equity market capitalisation</b>  | <b>\$28.12m</b>                 |
| Plus: net debt as of 30 June 2017  | \$(5.21)m                       |
| <b>Enterprise value</b>  | <b>\$22.91m</b>                 |
| <sup>(1)</sup> as at 30 June 17, the total number of options outstanding was 4.5 million with an exercise price of A\$0.22 cents |                                 |
| <b>Substantial shareholding as at 23-Nov-17</b>  | <b>% of total voting rights</b> |
| R. Hazouri – 17.76 million shares  | 50.53%                          |
| E. Hazouri – 3.93 million shares   | 11.17%                          |
| S. Hazouri – 1.98 million shares   | 5.63%                           |



## ...but with significant upside left versus ASX Listed peers

|                                    | HiTech Group                               | Peer 1                                     | Peer 2                                     | Peer 3                                     | Peer 4 <sup>(1)</sup>                      | Peer 5                                     | Peer 6                                    | Peer 7                                     | Peer 8                                     |
|------------------------------------|--|--|--|--|--|--|---|--|--|
| <i>Shares on issue M</i>           | 35.15                                      | 89.58                                      | 67.17                                      | 231.99                                     | 246.15                                     | 171.46                                     | 154.18                                    | 61.52                                      | 64.04                                      |
| <i>Share Price A\$</i>             | 0.80                                       | 0.08                                       | 0.16                                       | 1.00                                       | 0.04                                       | 0.11                                       | 0.17                                      | 0.13                                       | 1.38                                       |
| <b>Market Capitalisation A\$ M</b> | <b>28.12</b>                               | <b>6.81</b>                                | <b>10.75</b>                               | <b>231.99</b>                              | <b>9.11</b>                                | <b>18.86</b>                               | <b>25.44</b>                              | <b>8.00</b>                                | <b>88.38</b>                               |
| <i>Cash A\$ M</i>                  | 5.21                                       | 1.79                                       | 2.93                                       | 17.75                                      | 1.86                                       | 3.21                                       | 8.32                                      | 1.83                                       | 0.89                                       |
| <i>Debt A\$ M</i>                  | 0  | 3.27                                       | 0  | 0  | 15.01                                      | 0.00                                       | 0.00                                      | 0.00                                       | 10.78                                      |
| <b>EV A\$ M</b>                    | <b>22.91</b>                               | <b>8.29</b>                                | <b>7.82</b>                                | <b>214.24</b>                              | <b>22.26</b>                               | <b>15.65</b>                               | <b>17.12</b>                              | <b>6.17</b>                                | <b>98.28</b>                               |
| <i>Revenue A\$ M</i>               | 23.32                                      | 153.30                                     | 107.79                                     | 0.78                                       | 199.80                                     | 0.65                                       | 0.81                                      | 0.24                                       | 191.99                                     |
| <i>EBITDA A\$ M</i>                | 3.58                                       | -2.50                                      | 1.94                                       | -4.30                                      | 14.61                                      | -4.47                                      | -24.12                                    | -2.34                                      | 10.25                                      |
| <i>EBIT A\$ M</i>                  | 3.54                                       | -3.62                                      | 1.09                                       | -4.86                                      | 13.94                                      | -4.48                                      | -29.21                                    | -3.31                                      | 9.12                                       |
| <i>NPAT A\$ M</i>                  | 2.31                                       | -4.00                                      | 0.88                                       | -4.65                                      | 17.99                                      | -4.48                                      | -31.48                                    | -2.67                                      | 6.22                                       |
| <i>EV/EBITDA (x)</i>               | 6.41                                       | N/A  | 4.03                                       | N/A  | 1.52                                       | N/A  | N/A                                       | N/A  | 9.59                                       |
| <i>EV/EBIT (x)</i>                 | 6.47                                       | N/A  | 7.19                                       | N/A  | 1.60                                       | N/A  | N/A                                       | N/A  | 10.77                                      |
| <i>EPS</i>                         | 0.07                                       | -0.04                                      | 0.01                                       | -0.02                                      | 0.07                                       | -0.03                                      | -0.20                                     | -0.04                                      | 0.10                                       |
| <i>P/E (x)</i>                     | 12.17                                      | N/A  | 12.28                                      | N/A  | 0.51                                       | N/A  | N/A                                       | N/A  | 14.21                                      |
| <i>Total Debt/EBITDA</i>           | 0.0  | -1.3                                       | 0.0  | 0.0  | 1.0  | 0.0  | 0.0                                       | 0.0  | 1.1  |
| <i>EV/Revenue (x)</i>              | 0.98                                       | 0.05                                       | 0.07                                       | 276.09                                     | 0.11                                       | 24.10                                      | 21.09                                     | 25.56                                      | 0.51                                       |
| <i>NPAT Margin</i>                 | 9.90%                                      | N/A  | 0.81%                                      | N/A  | 9.00%                                      | N/A  | N/A                                       | N/A  | 3.24%                                      |
| <i>EBITDA Margin</i>               | 15.33%                                     | N/A  | 1.80%                                      | N/A  | 7.31%                                      | N/A  | N/A                                       | N/A  | 5.34%                                      |
|                                    | Balance sheet and P&L items @ June 30 2017 | Balance sheet and P&L items @ June 30 2017 | Balance sheet and P&L items @ June 30 2017 | Balance sheet and P&L items @ June 30 2017 | Balance sheet and P&L items @ June 30 2017 | Balance sheet and P&L items @ June 30 2017 | Balance sheet and P&L items @ Jan 31 2017 | Balance sheet and P&L items @ June 30 2017 | Balance sheet and P&L items @ June 30 2017 |

Note: Share prices as of 23 Nov, 2017

<sup>(1)</sup>Peer 4 - a total of A\$ 14.7m debt was forgiven in the 2H of 2016, a FX translation gain of A\$ 2.44M recorded after profit or loss

# A simple 2 Tier growth strategy

## Organic Growth

- On-boarding of new clients
- Enhance the service offering provided to existing clients by providing a broader suite of recruitment and ICT consulting solutions in addition to base contracting agreements
- Expand the company's ICT offering into high margin consulting and service space (Cloud, Security, SaaS) in line with client objectives

## M&A Growth

- Pursue acquisitions in a highly fragmented market that satisfy the following criteria:
  - Fit the industry and company culture of HiTech
  - Complimentary acquisitions which leverage towards its established blue chip client base
  - EPS and CFPS accretive
  - Deliver positive returns to shareholders
- Preliminary studies are currently being conducted to understand the businesses and operations of potential targets under HiTech's strict criteria
- The Board is committed to act in the best interests of all shareholders employing a **disciplined M&A growth strategy** that will benefit HiTech and its broader stakeholders over the long term

# Investment highlights – Investor proposition

## Dividends

- 3 cents fully franked interim dividend was paid in FY2017, bringing total dividends for the year to 6 cents
- Dividend yield of about 7.5% at the current share price of 80 cents\*
- Intention to maintain dividends

## Record Growth

- FY2017 was a third consecutive year of revenue and profit growth
- Record growth of 27.7% in revenue and 6.4% in NPAT
- This growth is fueled and underpinned by a long term, blue chip client base and recently renewed multi-year supplier agreements with large Government departments
- Organic growth is forecast to continue with strong ICT industry fundamentals in Australia

## Strong Position

- Strong balance sheet with no debt
- Net cash of \$5M+ puts the company in a strong position to implement its 2 Tier growth strategy
- The Board and the management are dedicated to deliver a fourth consecutive year of growth anticipated for FY2018


\* Share price as of 23 Nov 2017

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