



AUGUST 2017

FY17 RESULTS COMMENTARY

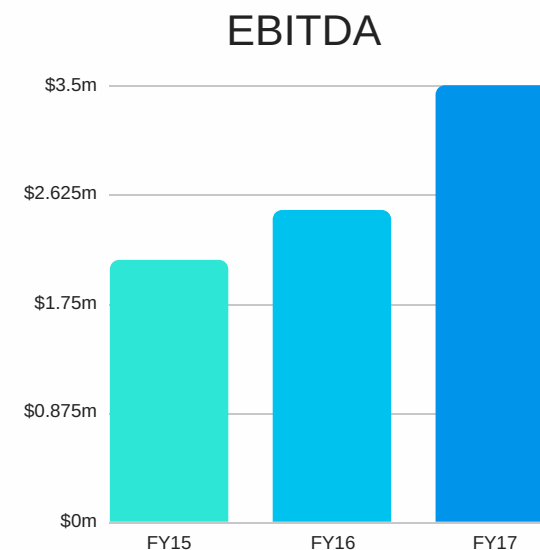
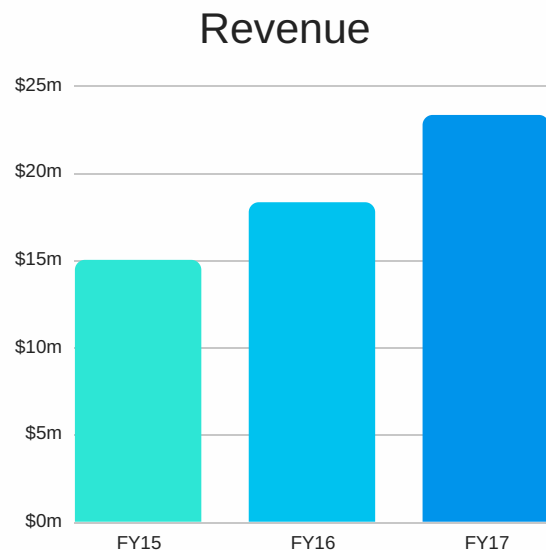
- Revenue up 27% to \$23.4m driven by 28% growth in contracting and 13% growth in permanent placement revenue
- Gross profit up 21% to \$4.7m
- Underlying EBITDA up 36% to \$3.4m
- Underlying NPAT up 34% to \$2.4m
- Underlying fully diluted EPS up 23% to 6c
- FY17 underlying growth represents the removal of the impact of realised and unrealised investment gains in FY16 and FY17, which are non-core to HiTech
- Final dividend for FY17 of 3c declared, bringing total dividends for the year to 6c fully franked (a dividend yield of 9% at the current share price of 69 cents)

COMPANY OVERVIEW

- HiTech is a specialist provider of recruitment and ICT consulting services
- The company 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 with a number of significant client supplier agreements recently extended for 3-7 years including the Department of Human Services and the Department of Infrastructure
- FY17 delivered the company's third consecutive year of double digit revenue and profit growth
- This growth has been driven by new clients, a loyal existing customer base, growing demand for skilled ICT professionals and large scale public and private IT transformation projects, with these favourable conditions expected to continue
- Market cap of \$24M. Net cash \$5M+. Directors and management own over 60% of shares on issue.

THIRD CONSECUTIVE YEAR OF RECORD REVENUE AND PROFIT GROWTH

- FY17 represents a record result for revenue and profits
- HiTech has now delivered a third consecutive year of record revenue and profit growth, with growth expected to continue both organically and by acquisition



MARKET CONDITIONS

- The market remains strong with 88% of all employers looking to maintain or increase their workforce (Source: Hudson IT Talent Insights)
- The ICT market in particular continues to represent one of the fastest growing markets with demand for skilled professionals exceeding supply to the point that some Australian employers continue to source talent overseas (Source: Deloitte Report, *Australia's Digital Pulse*, 2016)
- The ICT industry continues to predominantly employ contractors, with 80% of the ICT workforce contracted (Source: *ITCRA Employment Trends Report*, Q4 2015)
- Large scale public and private IT transformation projects continue as the trend towards the cloud progresses
- The above conditions leave HiTech very well positioned as a specialist ICT recruitment and consulting firm with a predominantly contracting revenue base

GROWTH STRATEGY

- Pursue organic growth through:
 - 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 services space (Cloud, Security, SaaS)
- Pursue acquisitions in a highly fragmented market that satisfy the following criteria:
 - Fit the industry and company culture of HiTech
 - EPS accretive
 - Deliver positive returns to shareholders
- Acquisition targets are currently under consideration subject to our strict criteria

DIVIDENDS

- A 3c fully franked interim dividend was paid in FY17
- The directors have declared a fully franked final dividend of 3c for FY17, bringing total dividends for the year to 6c
- Dividend yield of about 9% at the current share price of 69 cents
- The company has an opportunity to pursue an acquisitive growth strategy (in what is a highly fragmented market) and the board is mindful of retaining cash in order to do so whilst maintaining dividends
- The net cash position of \$5M+ puts the company in a strong position to make suitable EPS accretive acquisitions according to its strict criteria

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INVESTOR SUMMARY

- FY17 was another year of record revenue and profit for HiTech
- The company has now delivered a third consecutive year of revenue and profit growth
- The demand for skilled ICT personnel continues to grow with no signs of slowing, with HiTech well positioned to benefit using its proven model developed over 24 years
- Revenue is underpinned by a long term, blue chip client base and recently renewed multi-year supplier agreements with large Government departments
- Strong balance sheet with no debt and high dividend yield (9%) fully franked
- Net cash of \$5M+ puts the company in a strong position to pursue EPS accretive acquisitions in a highly fragmented market
- Growth is expected to continue in FY18