



TIM BOREHAM

Empired strikes note with \$17m Intergen deal

Empired (EPD) 76.5c

FEW chief executives get to unveil an acquisition that doubles the size of their entity overnight — a pleasure afforded Empired chief Russell Baskerville yesterday.

Fronting the annual Microcap Investment Conference in Melbourne, the head of the IT services play revealed the \$17.4 million purchase of Intergen, Australia's biggest provider of Microsoft applications.

The deal elevates Empired's revenue of \$67m in 2013-14 to an annualised \$145-165m. "This positions Empired as one of the biggest listed IT services companies in Australia," he crowed.

Few investors even know of the Perth-based minnow, which competes in the \$18 billion IT services sector alongside foreign stalwarts such as IBM, Fujitsu and Accenture.

Empired doesn't just provide the boffins, but takes responsibility for running the entire project or function.

We suspect others do this as well, but Empired flies the "Australian-owned" flag to great effect.

Empired recently won a \$50m "systems transformation" contract with Rio Tinto to measure the quality of its iron ore across eight pits, two plants and three rail lines.

This was followed up with a \$46m deal with WA's Main Roads to improve traffic signalling flows.

Baskerville says it's "not unrealistic" to expect to grow revenues to between \$300m and 400m by 2015-16. "But it's no good growing the top line at 100 miles an hour if there are insufficient returns on the bottom line."

Empired produced a record \$3.8m net profit in 2013-14, up 144 per cent, and treated holders to a 1c-a-share dividend.

The Intergen purchase entails only \$1.8m of upfront cash, with the remainder satisfied by the issue of 4.33 million shares. The remaining \$9.4m is paid via earnouts over three years.

Empired has moved from a market cap of \$3m three years ago to \$84m after yesterday's 5 per cent share surge. With a \$90m pipeline of work, the company reckons close to half of current year revenues are locked in.

If margins can expand along with the revenue base, here's one Baskerville that won't be hounded. Buy.