



ASG Group Limited  
Level 1, 267 St George's Terrace  
Perth, Western Australia 6000  
Australia

Telephone +61 (8) 9420 5420  
Facsimile +61 (8) 9420 5422  
asgroup.com.au

ASG Group Limited  
ABN Number: 57 070 045 117

**ASG Group Limited  
ASX Announcement  
Tuesday 1<sup>st</sup> June 2010**

## **ASG STRENGTHENS CAPABILITIES WITH \$30 MILLION ACQUISITION OF CAPIOTECH**

### **Highlights**

- ASG acquires leading IT consulting group Capiotech.
- Total purchase price approximately \$30 million.
- Acquisition forecast to deliver FY11 underlying EPS accretion of 15%.
- ASG positioned for major uplift in group earnings in FY11.
- Builds further exposure to blue chip corporate and government clients.
- Strengthens presence in key growth markets of Sydney and Melbourne.
- Significantly increases Business Intelligence capability.

IT services provider ASG Group (ASX: ASZ) is pleased to announce the acquisition of leading Australian IT consulting firm Capiotech.

The acquisition completes a program of growth initiatives – including major new contracts and acquisitions – that create a platform for ASG to deliver significant growth in earnings in FY11.

Aside from a substantial earnings contribution from its existing business base, Capiotech is also set to deliver major additional opportunities operating in conjunction with ASG in areas such as managed services.

The \$30 million Capiotech acquisition follows \$112 million in new contracts secured by ASG since January 2010, along with the recent acquisitions of high end IT consulting group Dowling Consulting and SAP software provider Courtland Business Solutions.

ASG Chief Executive Officer Geoff Lewis said the Capiotech acquisition capped off a deliberate strategy by the Company to boost its capability in key, high value service areas.

“We set out to build our capabilities in Business Intelligence, SAP and consulting – and we’ve now delivered on this,” said Mr Lewis.

“At the same time, we’ve invested heavily in our next wave of contract growth, with major wins in recent months with customers such as the Department of Prime Minister & Cabinet, Western Power and the West Australian Department of Education.

“This substantial investment in growth gives ASG a springboard to achieve a very significant increase in earnings in FY11.

“We are particularly excited about what we can deliver to customers such as Qantas, where ASG and Capiotech currently work alongside each other and together can offer a stunning service offering for our client.”

Capiotech represents a major boost to ASG’s service capabilities, particularly in Business Intelligence Solutions and Enterprise Performance Management and further strengthens ASG’s presence on the eastern seaboard of Australia, an area identified as a key growth market for ASG.

It is a highly successful and well regarded IT consulting company with 90 employees in Sydney, Melbourne and Brisbane that specialises in the analysis, design and implementation of corporate analytical solutions.



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Its strong blue chip client base includes Qantas, ANZ Bank, Commonwealth Bank, Macquarie Group, NAB, Vodafone, Origin Energy, CSL and the Queensland Department of Transport and Main Roads.

The Capiotech acquisition is forecast to deliver FY11 underlying earnings per share (EPS) accretion of 15%.

The total purchase price is expected to be \$30 million. The purchase price is based on a multiple of five time's average earnings before interest and tax (EBIT) for the 2011 and 2012 financial years.

The purchase price is subject to Capiotech achieving certain performance benchmarks over time, which will ensure the acquisition remains earnings per share accretive for ASG.

Consideration will be in the form of cash and scrip, payable in three instalments from the date of agreement through to August 2012.

The scrip component will be calculated on a 20 day Volume Weighted Average Price period prior to payment date. The cash component will be funded by a combination of existing cash reserves and debt.

ASG continues to maintain a conservative balance sheet following the Capiotech acquisition.

Mr Lewis said Capiotech's service offering and high quality client base was highly complementary to ASG's existing business.

"ASG and Capiotech have a proven ability to work together to secure and deliver upon major contracts, such as the 5 year contract with Qantas announced in June 2009," he said.

"This acquisition represents a natural progression in our existing working relationship and we expect a number of our ASG's existing clients will be attracted to the enhanced service offering and capabilities that this acquisition delivers."

Capiotech Chief Executive Officer Steve Pennisi said he was delighted to have reached agreement with ASG on the transaction.

"We are very pleased to be aligned ASG, which we see as one of Australia's leading, integrated IT services groups," said Mr Pennisi.

"We have a track record of working successfully with ASG in the past and believe there is a significant opportunity for the future growth of our businesses together.

"Working together, these complementary businesses can significantly grow their available market opportunity."

Contact:

Mr Geoff Lewis  
Chief Executive Officer  
ASG Group Limited  
08 9420 5420

Gemma Young  
FD Third Person  
08 9386 1233  
0412 349 345

### Significance of Business Intelligence capability

The Capiotech acquisition delivers strong 'Business Intelligence' capabilities to ASG Group.

Business Intelligence services have been identified as a key component of ASG's strategy to become a vertically integrated IT services business. The diagram below illustrates the relationship between 'Business Intelligence' and ASG's other service and product offerings.

Business Intelligence is an essential part of strategic and tactical business management and allows companies to interrogate and benefit from the enormous amounts of data and information generated by their ERP systems and other applications.

