ASX/Media Release

28 February 2020

1H20 Result

Hansen Technologies Limited (ASX: HSN), a global leader of software and services for the utilities and communications sectors, today announced its results for the six months ended 31 December 2019 (1H20).

Result Summary

A$m	1H20	1H19	Change
Operating revenue	144.3	112.4	28%
Underlying EBITDA [1]	34.1	28.5	20%
EBITDA margin (%)	23.6%	25.3%	
Underlying NPATA [2]	18.2	17.7	3%
Adjusted EPS[3] – basic (cents)	9.2	9.0	2%

For comparative purposes, the 1H20 results above exclude the impact of the adoption of AASB 16. A reconciliation to the reported results for 1H20, including the impact of adopting AASB 16 is shown on page 14 of the Results Presentation

Hansen's Chief Executive Officer, Andrew Hansen, said: "the highlight of our first half 2020 was the record number of new project wins right across the company – a reflection of the quality of our products and the expertise of our people. The wins not only set us up for revenue growth in the second half, but provide a platform for growth into the future.

New Utilities wins include:

- The first cross-sell by Sigma into our energy customer base, deploying for Simply Energy in Australia Sigma's CPQ and Catalog products, integrated with our existing Customer Information System (CIS)
- Implementation of our CIS for Aurora Energy in Australia, Lumme Energia in Finland, Entelios in Sweden and Finland (in addition to Norway and Denmark) and Fortum, the largest electricity retailer in the Nordics, will now use our CIS for its two large retailers in Norway, which follows the deployment in Finland in 2018
- For Finnish-based Elenia, implementation of our next-generation, SaaS delivered meter data management (MDM) product, specifically designed for the Nordic energy market datahubs.

New Communications wins include:

- The deployment by Sigma of a number of products from its portfolio to Airtel in India, SmarTone in Hong Kong and Vocus in Australia
- For TDC Group in Denmark, the SaaS deployment of our convergent billing platform for telcos
- Implementation of our function-rich pay-TV customer care and billing system for 1Sat (operating as BlueTV), a new DTH pay-TV operator in Brazil

In the second half now underway, we are expecting a strong uplift in revenue relative to the first half, along with a strengthening EBITDA margin, off the back of the new business wins in the first half as well as a general rise in revenue across the existing customer base".

Notes:
1. Underlying EBITDA excludes one-off items (refer Note 4 to the Financial Statements) and net foreign exchange gains/losses
2. Underlying NPATA is defined as Net profit after tax excluding tax effected amortisation of acquired intangibles and one-off items (Refer to page 13 of the Result Presentation for reconciliation)
3. Adjusted Basic EPS is based on underlying NPATA
4. EBITDA and NPATA are non-IFRS measures that have not been audited or reviewed by Hansen's auditors

Revenue

Operating revenue for 1H20 was $144.3m, 28% up on 1H19, driven by the contribution from Sigma after being acquired in June 2019.

Revenue for Hansen ex-Sigma was $109.4m, $3.0m lower than 1H19. While recurring revenues for 1H20 were $1.2m higher, non-recurring revenues were $4.2m lower – with one-off licence fees declining by $3.2m (such that they represented only 2.2% of revenue in 1H20 compared to 5.0% in 1H19), and services revenue declining by $1.0m, with key factors being the closure of a consulting business within Enoro in 2H19 (which contributed $1.1m in 1H19) and the continued reduction in call-centre revenue in the US (which was $0.7m lower).

Revenue for Sigma in its first full 6-month period was $34.9m. Notwithstanding that an additional $2.3m of revenue would have been recognised by Sigma during 1H20 if not for AASB 15, and the business is transitioning to more of a recurring revenue model (which has the effect of dampening current revenues), the revenue for the half was softer than expectations as some anticipated new customer wins with up-front licence fees did not close during the half.

Recurring revenue for 1H20 rose to nearly 67%, up from 62.4% in 1H19. Recurring revenue for Hansen ex-Sigma increased to over 65% for the half, as one-off licence fees (which accounted for 2% of revenue) continue to reduce as more clients transition to a SaaS-type revenue model. Sigma had recurring revenue of 71% of total revenue, while 5% was non-recurring licence fees – which while they were anticipated to be higher for the half, are expected to trend down over time as the business transitions to more recurring revenues.

EBITDA

Underlying EBITDA for 1H20 was $34.1m, 20% up on 1H19.

Underlying EBITDA for Hansen ex-Sigma was $27.6m, $0.8m (3.2%) lower than 1H19, which was primarily a function of the $3.0m lower operating revenue as overall operating expenses were lower. The underlying EBITDA margin remained essentially flat at 25.2% compared to 1H19, and improved upon the 23.9% margin in 2H19, with the benefits of the Vietnam development centre still yet to flow through.

Underlying EBITDA for Sigma was $6.5m, which equated to an EBITDA margin of 18.6%. If the $2.3m of revenue not recognised because of AASB 15 was included, the underlying EBITDA for Sigma would have been $8.8m which would have translated to an EBITDA margin of 23.7%. Whilst higher revenues are expected from this business, some necessary restructuring has already occurred with the departure of some senior corporate services personnel. Restructuring costs (largely redundancy payments) of $2.3m were incurred during 1H20, and approximately $1.0m is anticipated in 2H20.

Cash Flow and Debt

As has become normal for our first half, working capital increased during 1H20 as receivables significantly increased at the end of the period – primarily due to seasonal northern hemisphere invoicing. As occurred in 2H19, this is expected to reverse in the second half, with an improved working capital position of $6.7m flowing through in January 2020.

Gross borrowings were $183.1m at balance date, with $8.0m having been repaid during 1H20. Nearly $6m has been repaid so far in 2H20.

Dividend

The Board has declared an interim, partially franked dividend of 3.0 cents per share. The record date for the dividend is 5 March 2020 and the payment date is 26 March 2020. The Dividend Reinvestment Plan (DRP) will again be available to shareholders with no discount.

FY20 Outlook

Our updated guidance for FY20 is for operating revenues at around the $300m to $305m level ($305m to $310m previously) and underlying EBITDA (excluding the impact of AASB 16) of $72m to $77m ($70m to $76m previously).

As operating revenue was $144.3m for 1H20, revenue of $156m to $161m is expected for 2H20, with the strong growth in the second half a function of:

- increased revenue flowing through from the new business wins in 1H20;
- an expected lift in revenue across the existing client base; and
- a small contribution from anticipated new customer wins in 2H20

As a result of our relatively fixed expense base, our EBITDA margin (pre AASB 16) is expected to expand in 2H20 to between 24% and 25%, from 23.6% in 1H20.

Conference Call

An investor briefing and Q+A session to discuss the 1H20 results will be held at 10:30am (Melbourne time) today. Dial-in details to participate in the conference call:

Toll free (within Australia):	1800 123 296
Toll:	+61 2 8038 5221
Conference ID:	1449647

For further information:

Investor and analyst enquiries
Rick Sharp
+61 3 9840 3076 / +61 414 571 060
rick.sharp@hansencx.com

About Hansen

Hansen Technologies (ASX: HSN) is a leading global provider of software and services to the energy, water and communications industries. With its award-winning software portfolio, Hansen serves 550+ customers in over 80 countries, helping them to create, sell, and deliver new products and services, manage and analyse customer data, and control critical revenue management and customer support processes. For more information visit Hansen at www.hansencx.com

Important notice

Information contained in this release:

- is intended to be general background information only, and is not intended that it be relied upon as advice to investors or potential investors and is not an offer or invitation for subscription, purchase, or recommendation of securities in Hansen;
- should be read in conjunction with Hansen's financial reports and other market releases on ASX;
- includes forward-looking statements about Hansen and the environment in which Hansen operates, which are subject to significant uncertainties and contingencies, many of which are outside the control of Hansen – as such undue reliance should not be placed on any forward looking statements as actual results or performance may differ materially from these statements;
- includes statements relating to past performance, which should not be regarded as a reliable guide to future performance; and
- includes certain financial information not recognised under IFRS which Hansen considers useful to assist in evaluating Hansen’s performance – however, such information has not been subject to audit or review in accordance with Australian Auditing Standards.

All dollar values are in Australian dollars (A$) unless otherwise stated.