



# FY19 RESULT PRESENTATION.

23 AUGUST 2019.



# IMPORTANT NOTICE

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- includes statements relating to past performance, which should not be regarded as a reliable guide to future performance
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All dollar values are in Australian dollars (A\$) unless otherwise stated.

## Definitions

1H18 = six months ended 31 December 2017

2H18 = six months ended 30 June 2018

1H19 = six months ended 31 December 2018

2H19 = six months ended 30 June 2019

FY18 = financial year ended 30 June 2018

FY19 = financial year ended 30 June 2019

FY20 = financial year ended 30 June 2020

EBITDA\* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses)

EBIT\* = Earnings before interest and tax, excluding net foreign exchange gains (losses)

NPAT = Net profit after tax

NPATA\* = Net profit after tax excluding tax effected amortisation of acquired customer and technology intangibles

Recurring revenue\* = recurring maintenance, support, dedicated service and licence revenue

Non-recurring revenue\* = service/project revenue, non-recurring licence revenue and hardware/software sales

\*EBITDA, EBIT, NPATA, Recurring revenue and Non-recurring revenue are non-IFRS measures that have not been audited or reviewed by Hansen's auditors

# ABOUT HANSEN.

## OUR COMPANY

- Founded 1971
- Headquartered in Melbourne, Australia
- ASX listed (HSN)

## SOFTWARE

- Customer acquisition & fulfillment
- Data management
- Billing & customer care

## INDUSTRY VERTICALS

- Utilities – energy & water
- Communications – Telcos & Pay-TV

## TEAM

- 1500+ staff across 30+ offices globally
- Average tenure ~10 years

## CUSTOMER BASE

- 550+ globally
- Largest customer ~5% of revenue

## SHAREHOLDERS

- 18% Hansen family
- 46% Institutional – Fidelity & Mawer substantial (>5%)
- 36% Retail

# WHAT WE DO.

Our systems manage customer interactions and aggregate and convert usage data into bills



# FY19 FINANCIAL DASHBOARD.

Results in-line with guidance

## REVENUE<sup>1</sup>

**\$231.3m**

**\$0.5m (0.2%) up overall  
\$4.5m (1.9%) lower ex-Sigma**

## UNDERLYING EBITDA<sup>2</sup>

**\$55.8m**

**\$4.2m (6.9%) down**

## UNDERLYING NPATA<sup>3</sup>

**\$33.7m**

**\$5.0m (12.8%) down**

- Revenue ex-Sigma was 1.9% lower, which is in-line with guidance of “slightly below FY18”
- Costs ex-Sigma were 0.1% higher, also in-line with guidance of a consistent expense base with FY18
- Result delivered against a backdrop of challenging operating conditions for our customers

## ADJUSTED EPS<sup>4</sup>

**17.1 cents**

**13.5% down  
consistent with NPATA decline**

## DIVIDENDS

**6.0 cents**

**Consistent with FY18, other than  
FY18 had a 1 cent special dividend**

## NET DEBT

**\$148.3m**

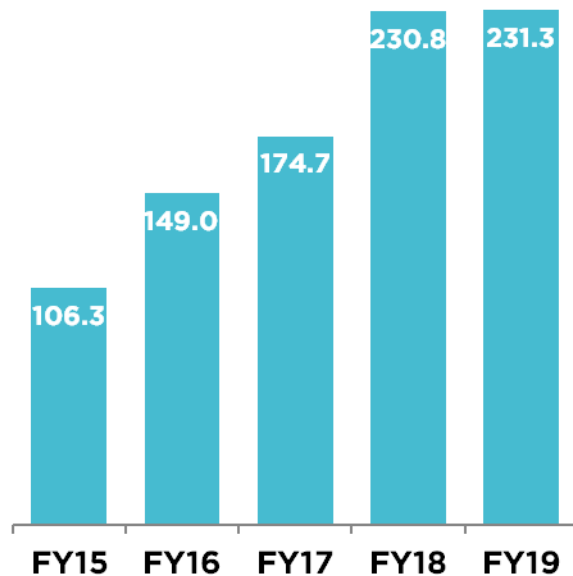
**\$144.3m higher following Sigma  
acquisition which was debt funded**

1. FY19 revenue is in accordance with the new accounting standard for revenue recognition, AASB 15. FY18 revenue has not been restated. Refer page 20
2. One-off items (refer Note 4 to the Financial Statements) and net foreign exchange gains (losses) are excluded from Underlying EBITDA
3. Underlying NPATA = Net profit after tax excluding tax effected amortisation of acquired intangibles and one-off items (refer page 19 for reconciliation)
4. Adjusted Basic EPS, based on Underlying NPATA

# 5 YEAR TRACK RECORD OF GROWTH.

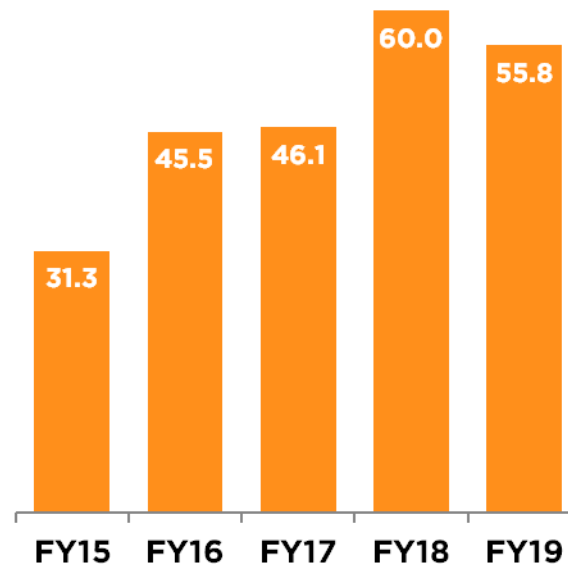
## REVENUE<sup>1</sup> (\$M)

CAGR 21%



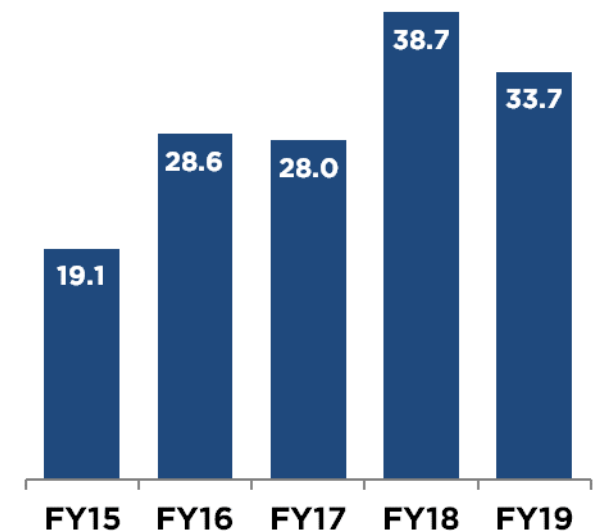
## Underlying EBITDA<sup>2</sup> (\$M)

CAGR 16%



## Underlying NPATA<sup>3</sup> (\$M)

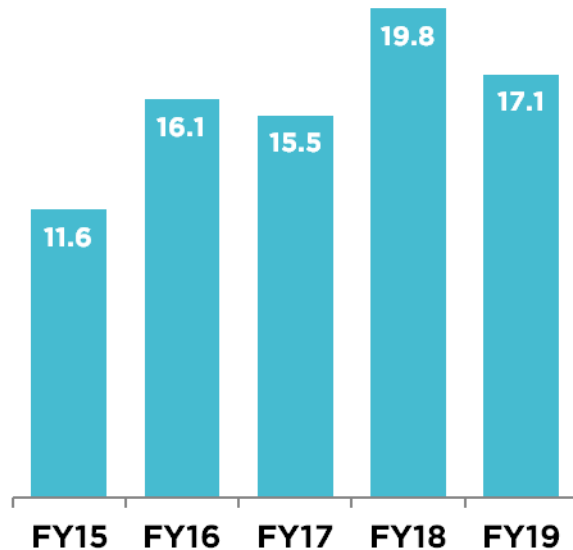
CAGR 15%



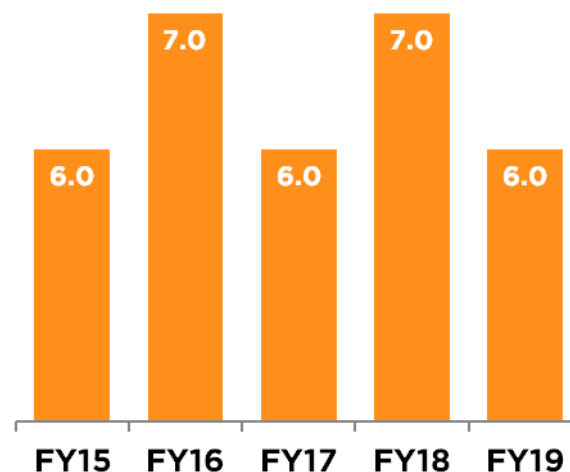
1. FY19 revenue is in accordance with the new accounting standard for revenue recognition, AASB 15. The comparative figures for prior reporting periods have not been restated. Refer to page 20 in the Appendices for further detail.
2. One-off items and net foreign exchange gains (losses) are excluded from Underlying EBITDA
3. Underlying NPATA = Net profit after tax excluding tax effected amortisation of acquired intangibles and one-off items (refer page 19 for reconciliation)

# FY19 FINANCIALS BY COMPARISON.

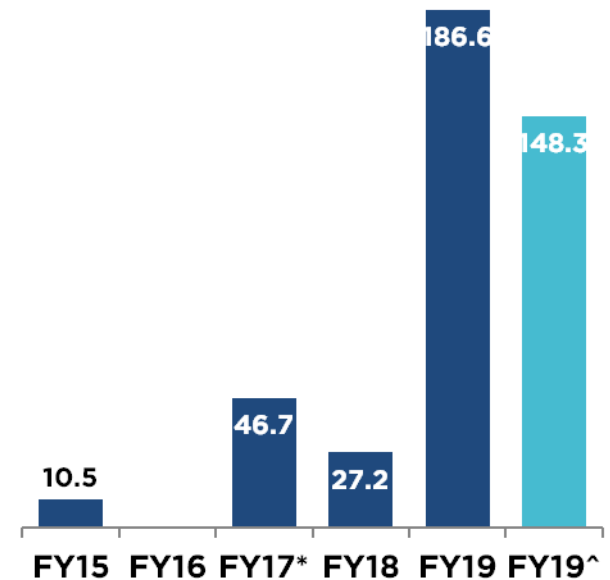
## ADJUSTED EPS<sup>4</sup> (Cents)



## DPS<sup>5</sup> (Cents)



## GROSS DEBT (\$M)



4. Adjusted Basic EPS is based on Underlying NPATA
5. FY16 and FY18 final dividends included a 1 cent special dividend

\* Proforma gross debt post the draw down of debt to part fund Enoro, which occurred just after 30 June 2017

^ Net debt at 30 June 2019

# FY19 OPERATIONAL HIGHLIGHTS.



- Major contract win to deliver our second billing system in Finland – following the Go-Live of the first system earlier in the year for one of the largest energy companies in the Nordics



- Major contract win to deliver the next generation Meter Data Management (MDM) solution in Sweden



- New utility analytics SaaS product for the Nordic region now has 20 customers



- 8 client upgrades to the new version of our US municipalities billing system have commenced



- As the existing MDM solution provider for a major Australian energy distributor, we were chosen to deliver a new network billing solution so that metering and billing are in the one system



- Vietnam development centre now grown to 100 people, from 9 people a year ago



- Acquisition of Sigma Systems – refer page 14

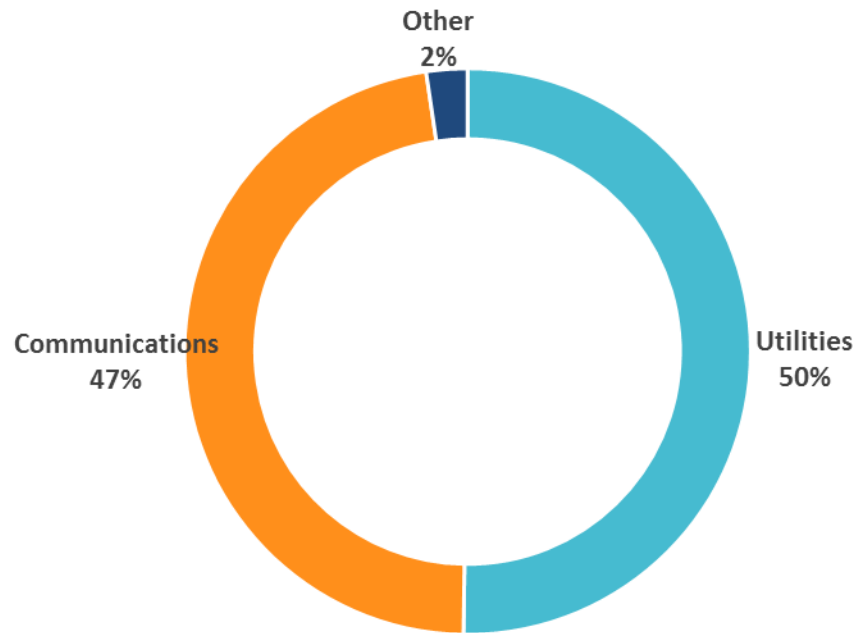
- Further strengthening of the regional management structures – appointment of Regional Finance Directors for both EMEA and the Americas, as well as Senior VP Accounts and Senior VP Sales for EMEA



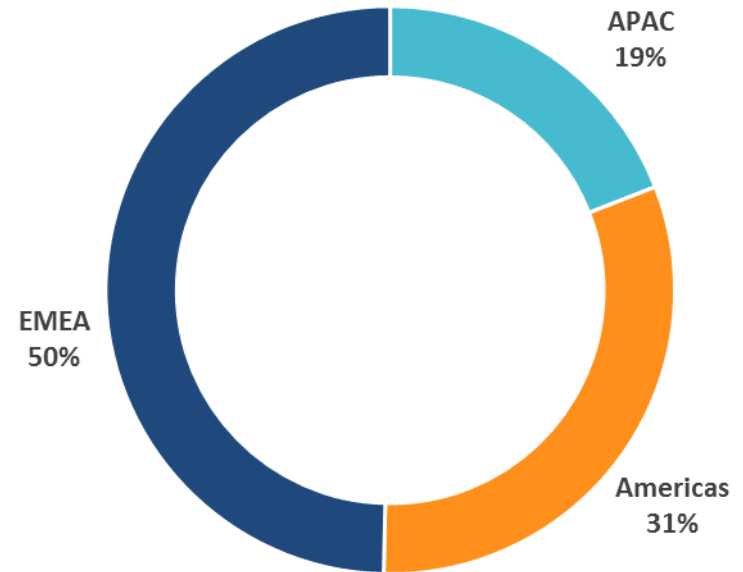
# REVENUE SPLIT.

Sigma acquisition rebalances the portfolio both by vertical and geographically

## REVENUE BY VERTICAL

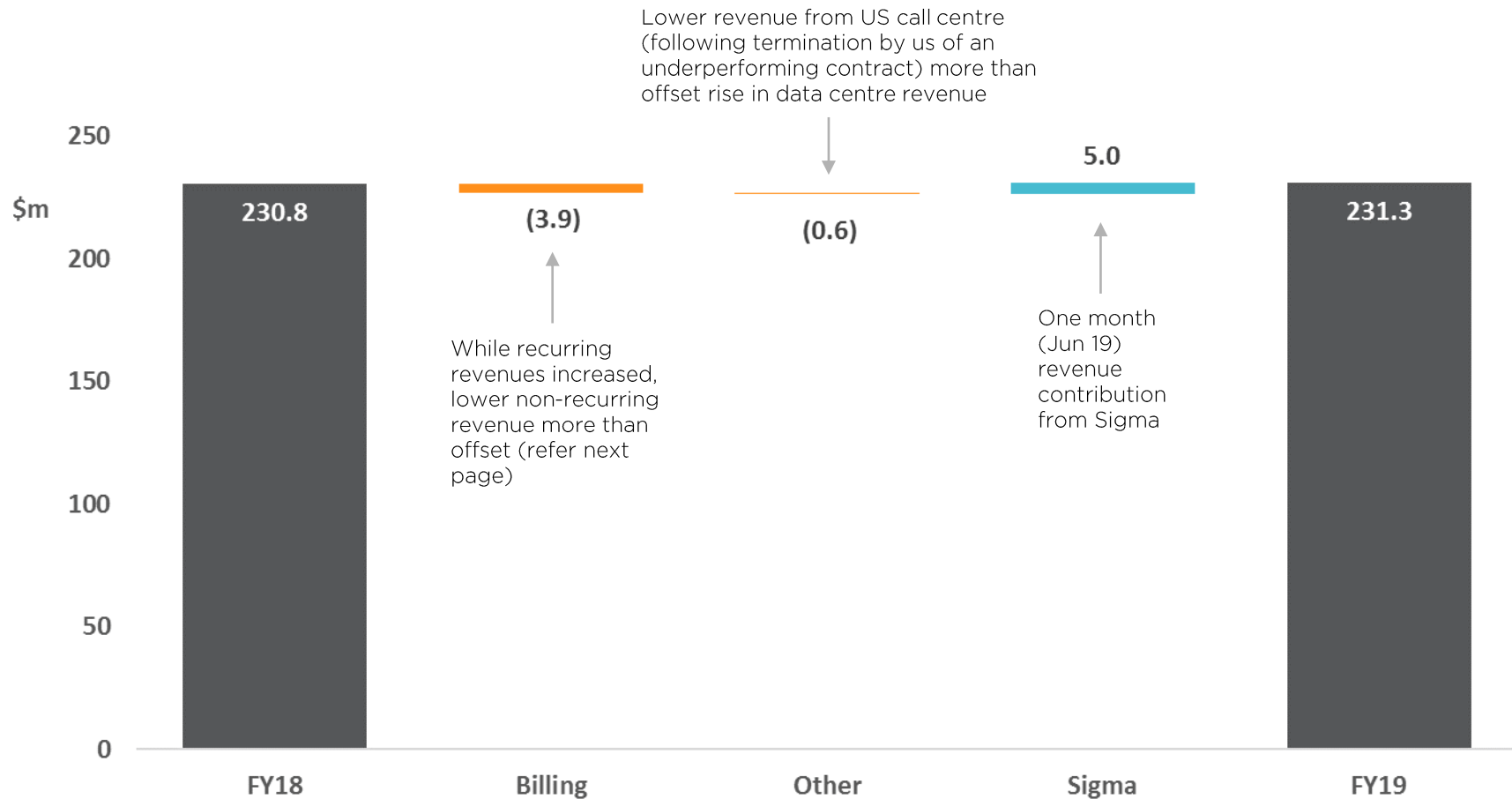


## REVENUE BY GEOGRAPHY



Based on proforma FY19 revenue as if Sigma owned for all of FY19

# REVENUE BRIDGE FY18 TO FY19.

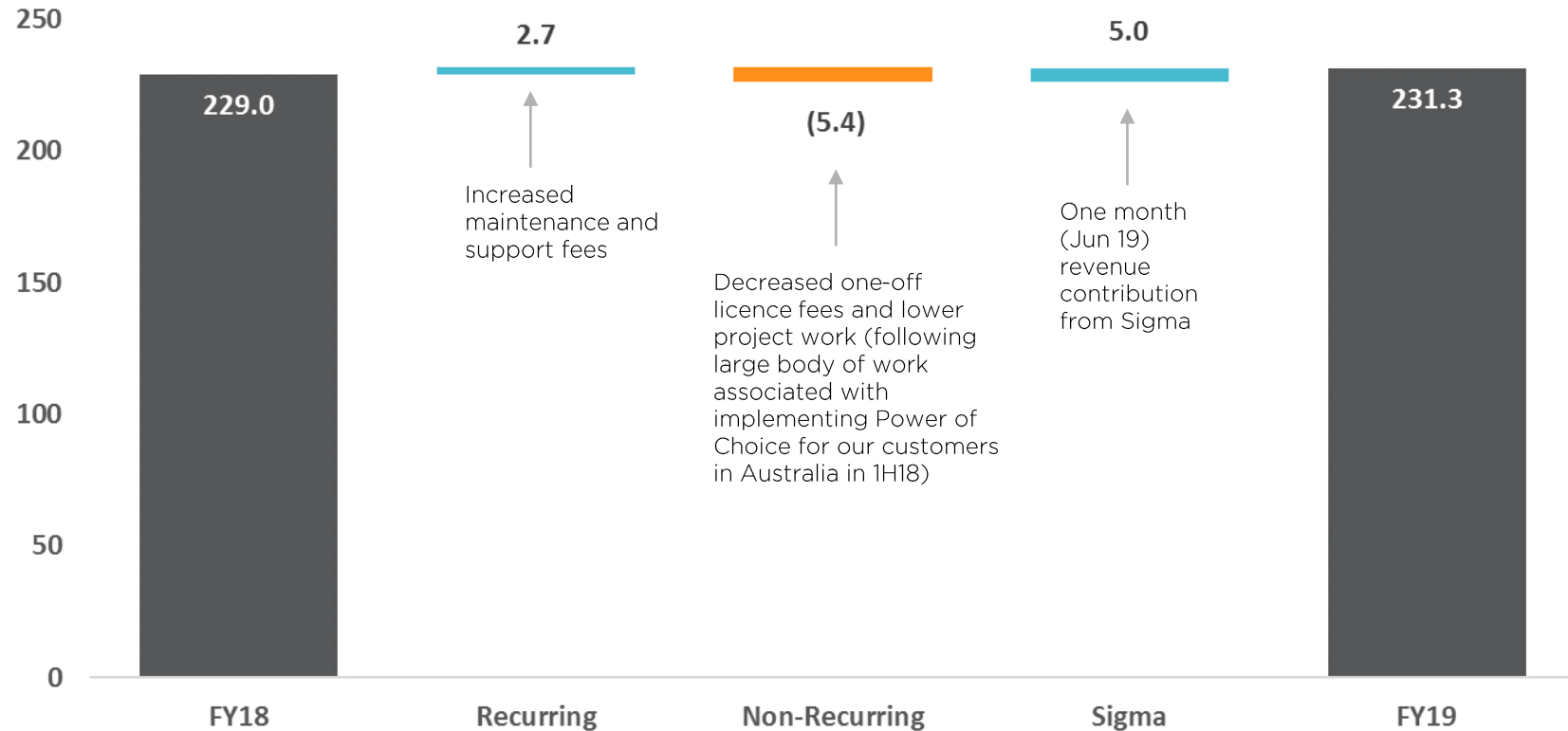


**Note:**

1. FY19 revenue would have been \$0.2m lower without the introduction of AASB 15 (refer page 20 in Appendices)

# RECURRING/NON-RECURRING REVENUE BRIDGE FY18 TO FY19.

Recurring revenues have grown to represent 63% of total revenue in FY19<sup>1</sup>



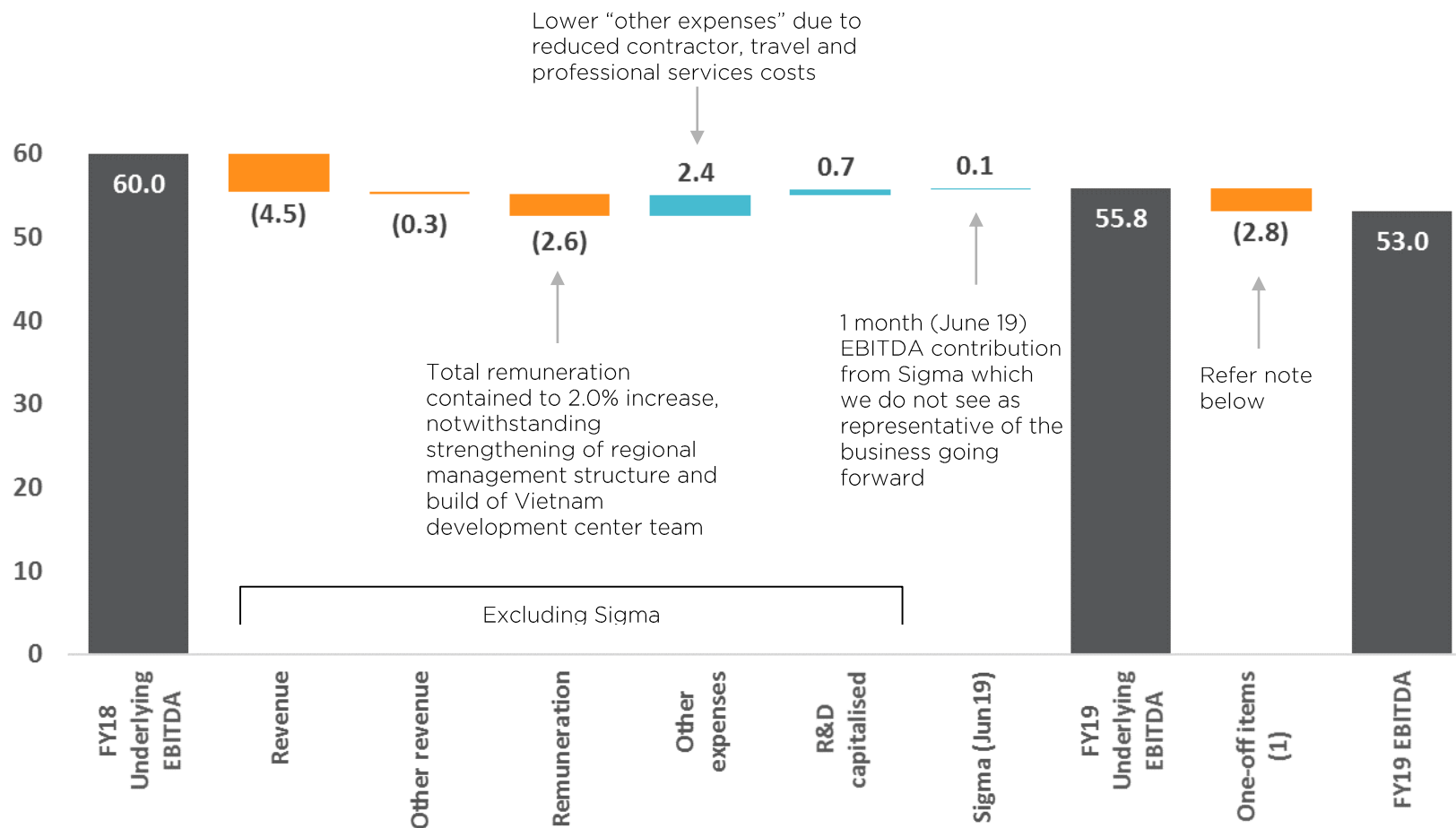
## Notes:

1. This follows the implementation of the new accounting standard AASB 15 (which has the effect of reducing reported recurring revenue) and a reclassification of some of Enoro's revenues which also lowered recurring revenue
2. FY18 revenues in the chart above have been adjusted as if AASB 15 was also in place during FY18, with the impact being a \$1.8m reduction in revenue - all of it recurring. This amount has not been audited
3. FY19 revenue would have been \$0.2m lower without the introduction of AASB 15 (refer page 20 in Appendices)

**Recurring revenue** = recurring maintenance, support, licence and dedicated service revenue

**Non-recurring revenue** = service/project revenue, non-recurring licence revenue and hardware/software sales

# EBITDA BRIDGE: FY18 TO FY19.

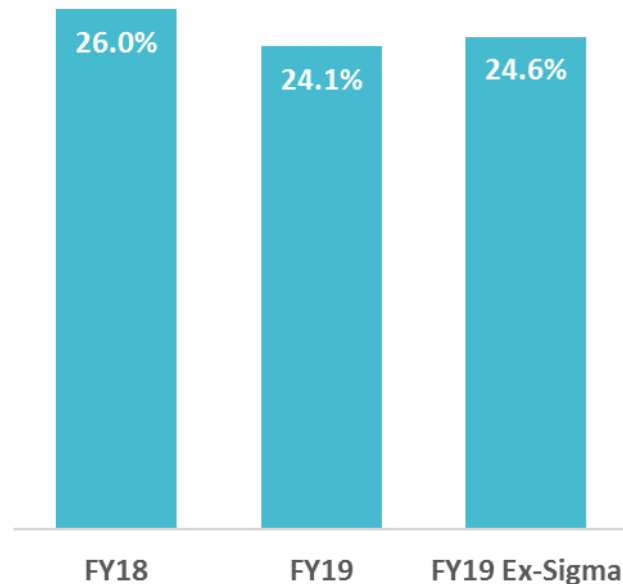


## Notes:

- One-off items comprise: \$2.1m of transaction costs relating to Sigma acquisition; \$0.7m for onerous lease provision for closure of US call centre office; and \$0.1m of restructuring costs incurred in Sigma (refer Note 4 to the Financial Statements for separately disclosed items)

# EBITDA MARGIN.

## UNDERLYING<sup>1</sup> EBITDA MARGIN

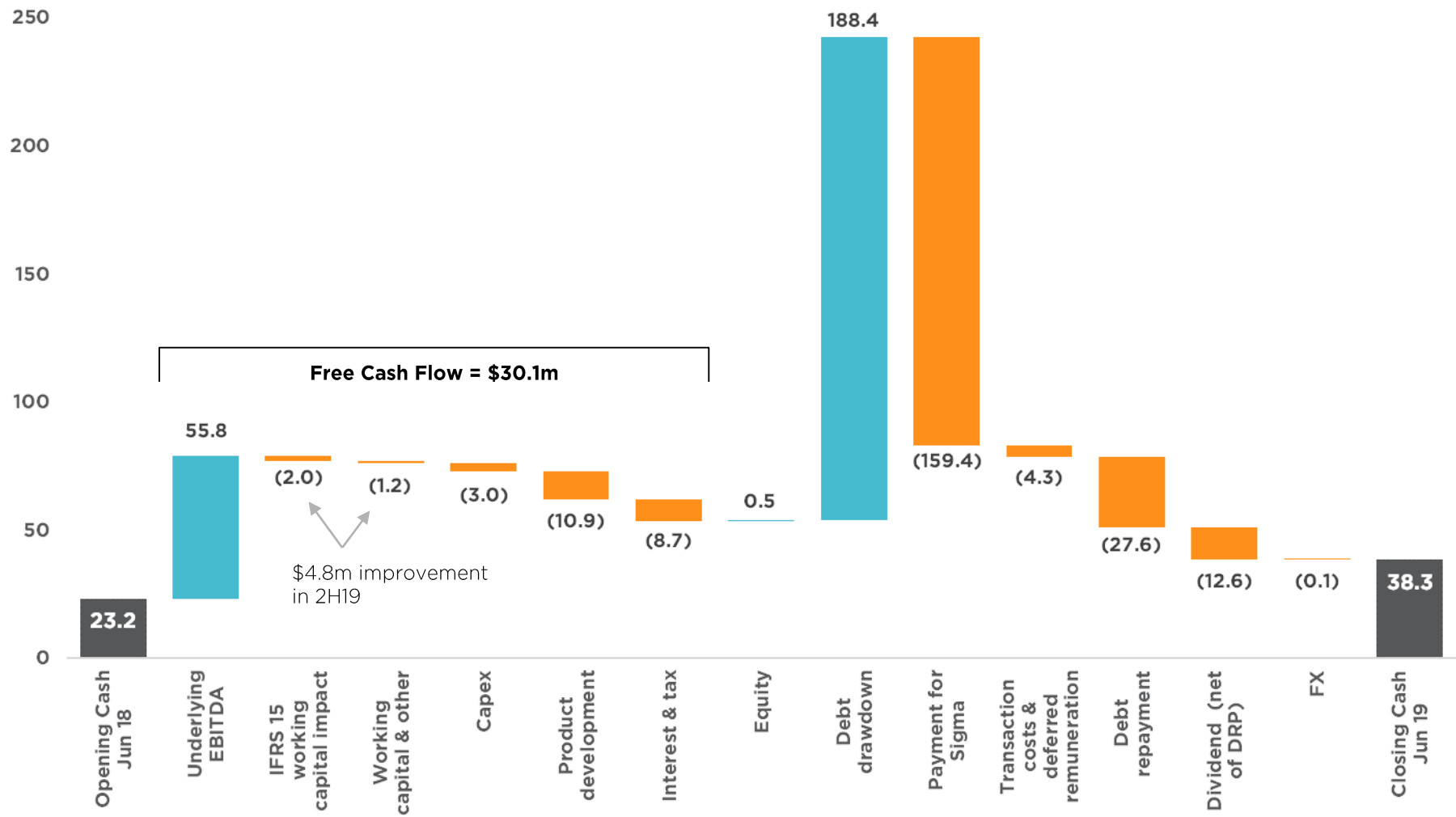


- Excluding Sigma (which had a modest EBITDA contribution in June), the underlying EBITDA margin declined from 26.0% in FY18 to 24.6% in FY19
- This reduced margin was the direct result of the lower non-recurring revenue, as we were able to maintain our expense base at the same level as FY18, notwithstanding the investment in Vietnam
- To improve our margin, we have been taking steps to reduce our cost base. Our Vietnam development centre is now 100 people strong (up from 9 people a year ago), which has now been further complimented with an office in Pune, India of 260 people that came with the Sigma acquisition. Of course, given the “start-up” nature of our Ho Chi Minh office, we expect it will be a couple of years before the benefit to margin (rather than the current drag) will flow through
- Incremental margin improvement is also continued to be expected over the next few years from the Enoro business acquired in July 2017. While revenues have grown and margins have improved since the acquisition, there remains great opportunity to generate further increased profitability from this business

### Notes:

1. Underlying EBITDA margin excludes one-off items from costs

# FY19 CASH FLOW.



# SIGMA ACQUISITION.

The combined offering means we can help more customers address a bigger part of their needs

## SIGMA OVERVIEW

- Founded in 1996, Sigma is a leading global provider of catalog-driven software products for telecommunications, media, and high-tech companies
- The software products streamline complex product and service offerings and provide a faster path to creating, selling & delivering new digital and traditional products and services
- 70+ customers, 480+ employees and Head Office in Toronto, Canada

## PURCHASE PRICE AND FUNDING

- Acquisition price was A\$163.8m
- Funding was provided by a new bank debt facility of A\$225m
- Acquisition was effective 1 June 2019

## STRATEGIC RATIONALE

- Significantly expands Hansen's scale and scope in the communications sector
- The combined offering means we can address a bigger part of our customers needs – from product innovation and creation, to customer quoting and ordering, right through to revenue management and care
- Cross-sell opportunities also exist into Hansen's large utilities customer base – driven in large part by the transformation occurring of how energy is priced and a much broader product offering (e.g. solar, electric cars, battery storage)

Another example of the use of Sigma's products is the recent engagement by a global car manufacturer to help them with their **connected car service** ... another industry segment delivering digital services

# SIGMA'S PRODUCTS.

Empower customers to efficiently create, sell and deliver products to customers

	<b>DESCRIPTION</b>	<b>VALUE PROPOSITION</b>
<b>CATALOG</b>	<ul style="list-style-type: none"><li>Provides a master catalog of an enterprises entire products &amp; services</li></ul>	<ul style="list-style-type: none"><li>Single point of control for the introduction and management of products &amp; services</li></ul>
<b>CONFIGURE PRICE QUOTE</b>	<ul style="list-style-type: none"><li>Applies real-time, enterprise-wide pricing structures to quote and capture orders</li></ul>	<ul style="list-style-type: none"><li>Accelerates buying cycle with customised quoting</li><li>Enables omnichannel selling</li></ul>
<b>ORDER MANAGEMENT</b>	<ul style="list-style-type: none"><li>Provides end-to-end management of a customer order</li></ul>	<ul style="list-style-type: none"><li>Automated order fulfillment</li><li>Tracking protects against order fallout</li></ul>
<b>PORTFOLIO INVENTORY</b>	<ul style="list-style-type: none"><li>Provides single source of “knowledge” on all the products customers have ordered</li></ul>	<ul style="list-style-type: none"><li>Central registry rather than dispersed throughout the infrastructure in a fragmented and isolated fashion</li></ul>
<b>PROVISIONING</b>	<ul style="list-style-type: none"><li>Network service and device activation product</li></ul>	<ul style="list-style-type: none"><li>Automated activation of services accelerates revenue realisation</li></ul>
<b>INSIGHTS</b>	<ul style="list-style-type: none"><li>Analytics tool that provides real-time visibility of operational and sales performance at a granular level</li></ul>	<ul style="list-style-type: none"><li>Real-time assessment of issues and opportunities</li></ul>



# FY20 OUTLOOK.

- Hansen has the people, products, systems & processes and customer partnerships to drive growth in FY20 and beyond
- **In FY20, we expect operating revenues at around the \$305m to \$310m level and EBITDA in the range of \$70m to \$76m**
- This guidance:
  - includes a full year contribution from Sigma
  - excludes the impact of IFRS 16, which will take effect in FY20, and essentially treats operating leases as finance leases
- Now more than ever, our customers are looking for better ways to serve their customers and efficiencies to improve their profitability. Significantly enhanced by the recent acquisitions of Enoro and Sigma, both with software at the forefront of digital transformation, we have the tools to help make that happen
- We also enter FY20 with great momentum with the signing of new logos, including new market entries in India and Hong Kong for Sigma, as well as our first customer for our next-generation meter and energy product for the Nordics. Expectations are for more to come over the remainder of the year.
- In addition, our early conversations with some of our utility customers regarding the Sigma offering have been very positive

# HANSEN INVESTMENT PROFILE.

## DIVERSIFIED, LONG TERM CUSTOMER RELATIONSHIPS

- Our 550+ customers are diversified by industry, geography and currency – with our largest customer only circa 5% of total revenue
- Given the mission critical nature of our software, customer relationships often extend well beyond 10+ years

## SIGNIFICANT GLOBAL PRESENCE

- We are a significant global player within our core business
- This enables us to leverage our global experience – by sharing learnings and product development and through best practice for project delivery

## ANNUITY STYLE REVENUE STRUCTURES

- Approx. 63% of revenues are recurring – derived from periodic maintenance, support and licence fees
- The majority of non-recurring revenues are project fees from our 550+ customers for changes to our software to cater for change within their business

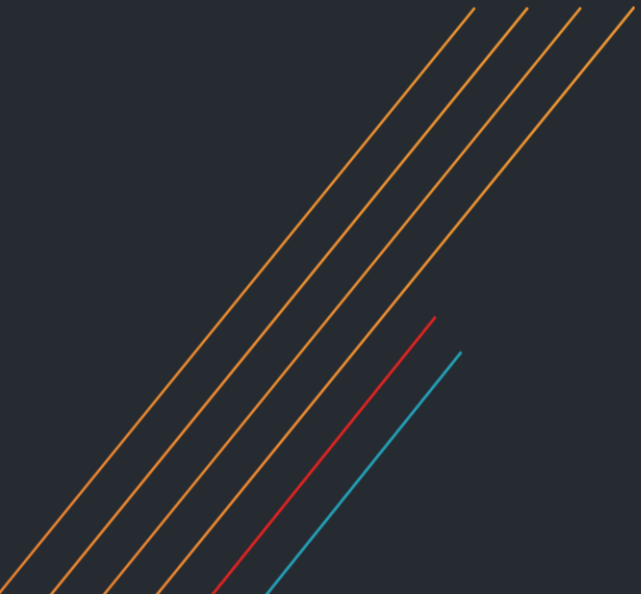
## PREDICTABLE/STABLE CASH FLOWS

- A stable customer base providing annuity style revenue with targeted 25%-30% EBITDA margins delivers strong cash flows ... allowing us to pay down debt and provide for balance sheet capacity to fund acquisitions

## TRACK RECORD OF SUCCESSFUL ACQUISITIONS

- We have a strong track record over the past 11 years of making value accretive acquisitions ... having made 10 additions to the Group
- They extend our footprint into new markets and segments by acquiring a fit-for-market product and an installed customer base

# APPENDICES.



# STATUTORY NPAT RECONCILIATION TO UNDERLYING NPATA.

A\$m	FY18	FY19	FY19 v FY18 Variance
<b>Operating revenue</b>	<b>230.8</b>	<b>231.3</b>	▲ 0.2%
Other income	1.8	1.6	
Operating expenses	(172.7)	(177.0)	
<b>Underlying EBITDA</b>	<b>60.0</b>	<b>55.8</b>	▼ -6.9%
Depreciation	(3.9)	(3.8)	
Amortisation of R&D	(5.1)	(6.9)	
<b>EBITA</b>	<b>51.0</b>	<b>45.1</b>	
Amortisation of acquired intangibles <sup>1</sup>	(11.4)	(12.1)	
<b>EBIT</b>	<b>39.6</b>	<b>33.1</b>	
Net interest	(2.0)	(2.0)	
Net FX gains (losses) <sup>2</sup>	0.0	(0.5)	
One-off items <sup>3</sup>	(0.7)	(2.8)	
<b>Profit before tax</b>	<b>37.0</b>	<b>27.8</b>	
Income tax	(8.1)	(6.3)	
<b>NPAT Reported</b>	<b>28.8</b>	<b>21.5</b>	
Add back: amortisation of acquired intangibles	11.4	12.1	
Add back: tax adjustment on amortisation	(2.3)	(2.4)	
Add back: one-off items (net of tax)	0.7	2.5	
<b>Underlying NPATA</b>	<b>38.7</b>	<b>33.7</b>	▼ -12.8%
<b>Adjusted EPS (Based on NPATA)</b>	<b>19.8</b>	<b>17.1</b>	▼ -13.5%
EPS (Based on NPAT)	14.8	10.9	
EBITDA margin <sup>4</sup>	26.0%	24.1%	
Effective tax rate	22.0%	22.7%	

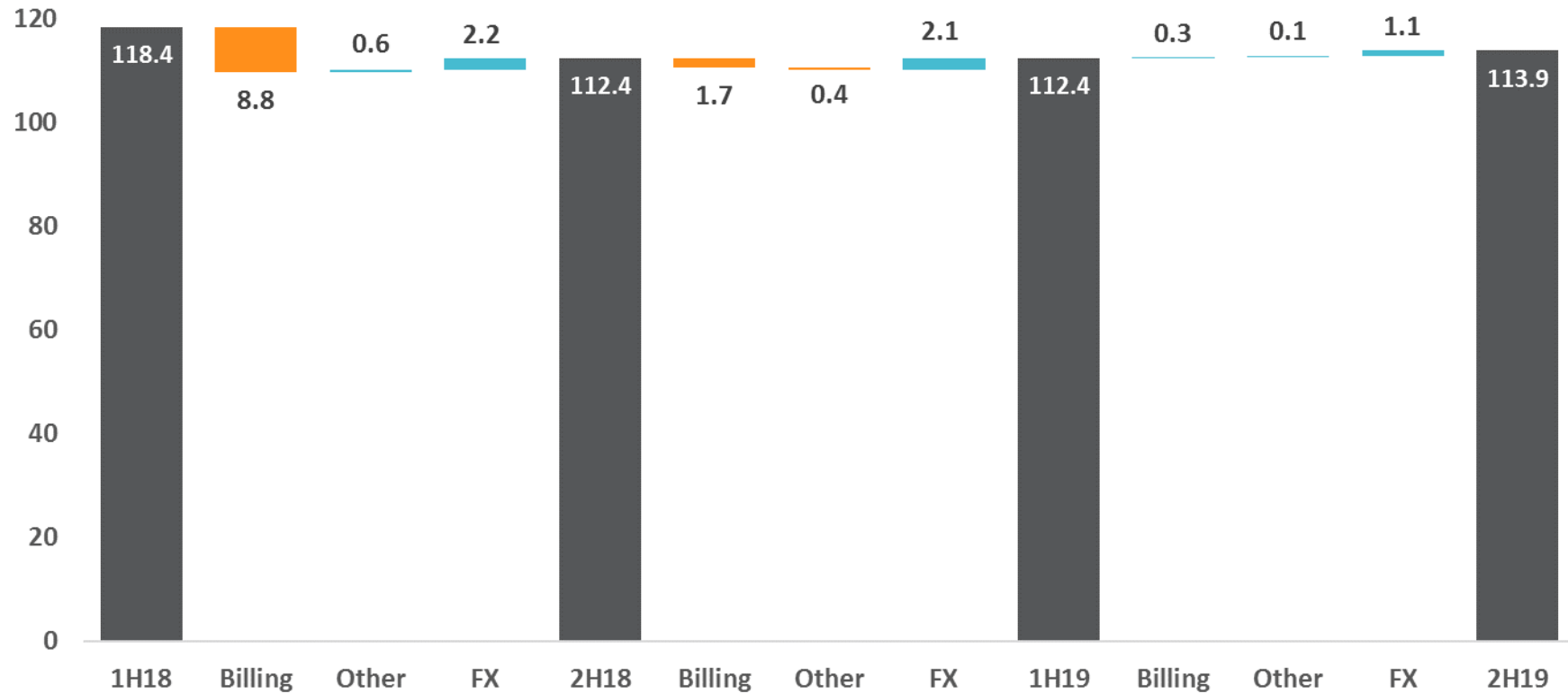
## Notes:

1. Amortisation of acquired intangibles is the amortisation of identifiable intangible assets arising from business combinations
2. Net foreign exchange gains (losses) are excluded from EBITDA and EBIT
3. Refer Note 4 to the Financial Statements for separately disclosed items
4. Defined as EBITDA divided by operating revenue
5. EBITDA, EBIT and NPATA are non-IFRS measures that have not been audited or reviewed by Hansen's auditors

# ADOPTION OF AASB 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

- AASB 15 is a new accounting standard for revenue recognition taking effect in FY19. Hansen has chosen to initially apply the standard as an adjustment to the opening balance of retained earnings on 1 July 2018, with comparative figures for prior reporting periods not being restated
- Prior to the adoption of AASB 15, some of the group's licence fees were recognised evenly over the contractual period. However, with the introduction of AASB 15, for a number of such customer contracts, a portion of the revenue will now be recognised early (often at the beginning) in the contracted period
- By way of example, for a customer where we are contracted to receive a combined licence and support fee of \$1.0m per year for 5 years, prior to the adoption of AASB 15 we would have recognised revenue of \$1.0m per annum for 5 years. Following the introduction of AASB 15, the amount of the total contract value determined to represent the licence component of the fee will be recognised at the beginning of the contracted period, while the support component will be recognised evenly over the contracted period
  - For such customer contracts that were renewed prior to 30 June 2018 and extend into FY19 and beyond, the portion of the total contracted amount beyond 30 June 2018 that represents the licence component is adjusted to the opening balance of retained earnings on 1 July 2018 and is no longer recognised as revenue going forward – the total of this amount was \$2.0m
- FY19 revenue was impacted in two ways by the new standard that had the net effect of increasing revenue by \$0.2m:
  - \$1.5m that would have previously been recognised as licence fees (of a recurring nature) during the period were no longer able to be recognised under AASB 15 and formed part of the adjustment to the opening balance of retained earnings on 1 July 2018
  - contracts that were renewed during FY19 (including one for a further 5 years) resulted in \$1.7m of licence revenue being recognised upfront (as non-recurring revenue) and will no longer be recognised as revenue evenly over the contracted periods (despite the cash being received evenly over the contracted periods)

# CONSTANT CURRENCY REVENUE BRIDGE 1H18 TO 2H19.



**Notes:**

1. Movements are on a **constant currency basis** - currency movements have been calculated whereby 2H18 revenue has been translated at 1H18 average exchange rates, 1H19 revenue at 2H18 average rates and 2H19 revenue at 1H19 average rates
2. **Other revenue** comprises data centre and call-centre only revenue

# CASH FLOW.

A\$m	FY18	1H19	2H19	FY19
<b>Underlying EBITDA</b>	<b>60.0</b>	<b>28.5</b>	<b>27.4</b>	<b>55.8</b>
Working capital/other	1.6	(8.0)	4.8	(3.2)
Net interest	(2.0)	(0.6)	(1.4)	(2.0)
Income tax	(6.8)	(3.5)	(3.2)	(6.7)
<b>Operating cash flow</b>	<b>52.8</b>	<b>16.3</b>	<b>27.6</b>	<b>43.9</b>
Capex	(2.7)	(0.9)	(2.1)	(3.0)
Capitalised development costs	(10.0)	(5.3)	(5.6)	(10.9)
<b>Free Cash Flow</b>	<b>40.0</b>	<b>10.1</b>	<b>19.9</b>	<b>30.1</b>
Acquisitions	(65.0)	0.0	(159.4)	(159.4)
Transaction costs & deferred remuneration	(0.7)		(4.3)	(4.3)
Share issues	50.0	0.4	0.1	0.5
Borrowing proceeds (payments)	(4.5)	(4.7)	165.5	160.8
Dividends (net of DRP)	(10.4)	(7.3)	(5.3)	(12.6)
<b>Net Cash Flow</b>	<b>9.5</b>	<b>(1.5)</b>	<b>16.6</b>	<b>15.1</b>
FX impact on cash balances	(1.3)	0.4	(0.5)	(0.1)
<b>Cash Balance</b>	<b>23.2</b>	<b>22.2</b>	<b>38.3</b>	<b>38.3</b>

# BALANCE SHEET.

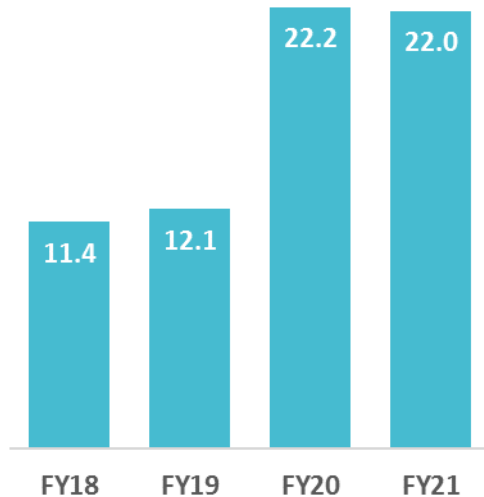
A\$m	Jun 18	Dec 18	Jun 19
Cash	23.2	22.2	38.3
Receivables	37.3	39.2	49.5
Accrued revenue	5.8	8.1	27.8
Prepayments / other	5.0	6.4	7.9
PPE	10.6	9.7	11.0
Intangibles	243.4	241.3	402.8
Deferred tax assets	4.1	4.6	4.6
Other non-current assets	0.4	0.0	3.1
<b>Total Assets</b>	<b>329.8</b>	<b>331.5</b>	<b>545.0</b>
Payables	16.5	14.1	21.2
Unearned income	22.9	20.9	27.1
Current tax	3.2	2.5	1.8
Provisions	13.9	14.4	15.3
Borrowings	27.2	22.7	186.6
Deferred tax liabilities	16.2	16.2	44.3
<b>Total Liabilities</b>	<b>99.8</b>	<b>90.9</b>	<b>296.1</b>
<b>Net Assets</b>	<b>229.9</b>	<b>240.5</b>	<b>248.9</b>
<b>Net Cash (Debt)</b>	<b>(4.0)</b>	<b>(0.6)</b>	<b>(148.3)</b>



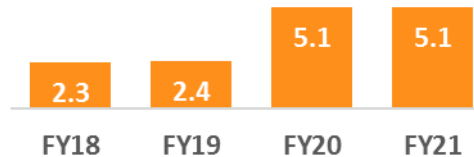
# FORECAST AMORTISATION OF ACQUIRED INTANGIBLES.

Based on acquisitions to 30 June 2019

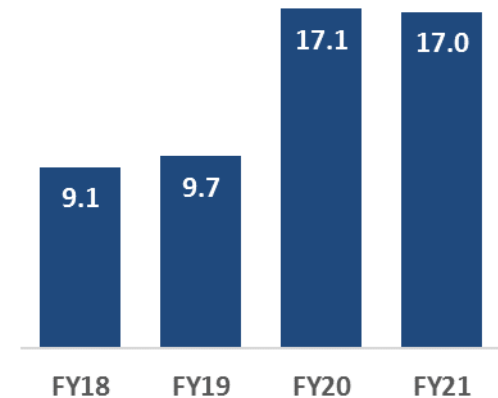
## GROSS AMORTISATION (\$M)



## TAX (\$M)



## AMORTISATION AFTER TAX (\$M)



- Note:**
1. The above forecasts are based on asset balances, country tax rates and foreign exchange rates at 30 June 2019, and make no allowance for further acquisitions beyond that date

**THANK YOU.**

