

# 2020 AGM PRESENTATION

26 November 2020



# IMPORTANT NOTICE

This presentation has been prepared by Hansen Technologies Limited (Hansen).

Information contained in this presentation:

- 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 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
- 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.

## Definitions

- FY19 = financial year ended 30 June 2019
- FY20 = financial year ended 30 June 2020
- Reported EBITDA\* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses)
- Underlying EBITDA\* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses), not including non-recurring items
- 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

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

# BOARD OF DIRECTORS AND COMPANY SECRETARY.

David Trude



Chairman

Andrew Hansen



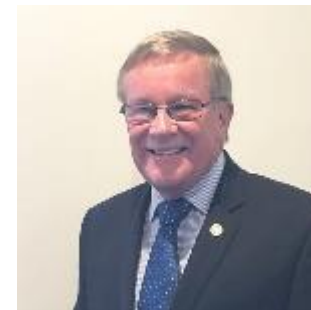
Managing Director and  
Chief Executive Officer

Bruce Adams



Non-Executive  
Director

David Osborne



Non-Executive  
Director

Jennifer Douglas



Non-Executive  
Director

David Howell



Non-Executive  
Director

Don Rankin



Non-Executive  
Director

Julia Chand



General Counsel and  
Company Secretary

Details of each Director's qualifications, experience and special responsibilities are set out in the 2020 annual report.

# AGENDA.

1. Chairman's address

2. CEO presentation

3. Formal business

# FY20 OVERVIEW.

## A RECORD SET OF RESULTS.

### Financial success

- FY20 was a record year across all key **financial metrics**, exceeding guidance and showing the strength of our business model in challenging, uncertain and volatile times:
  - Revenue was **up 30%**.
  - EBITDA was **up 34%<sup>1</sup>**.
  - NPATA was **up 41%<sup>2</sup>**.
  - EPSa was **up 40%<sup>3</sup>**.
  - Our strong cash flows led to a reduction in net debt with our leverage<sup>4</sup> now 1.46x down from 2.16x for year ended 30 June 2019.
- Our long-term aggregation journey has delivered strong annual growth over the long term with **five-year growth compound annual growth** rates of:
  - 23% for revenues, 19% for EBITDA, 20% for NPATA and 16% for EPSa.

### Operational success

- FY20 was a very strong year **operationally** as we adapted to the global pandemic:
  - Accelerating Hansenisation.
  - Transitioning to working from home
  - High customer satisfaction.
  - Company investment.
- We continue to build on this journey with significant customer wins, the recruitment of new senior appointments and focused M&A team.

#### Notes:

1. FY20 EBITDA = Reported EBITDA including \$5.0m of non-recurring items; FY19 EBITDA = Reported EBITDA including \$2.8m of non-recurring items; prior years adjusted for impact of AASB16 (see later slides).
2. Underlying NPATA: net profit after tax excluding tax effected amortisation of acquired intangibles and one-off items.
3. Adjusted Basic EPS, based on Underlying NPATA.
4. Leverage ratio: net debt (including pre-paid borrowing costs) / EBITDA excluding impact of IFRS16 and non-recurring items

# CAPITAL MANAGEMENT.

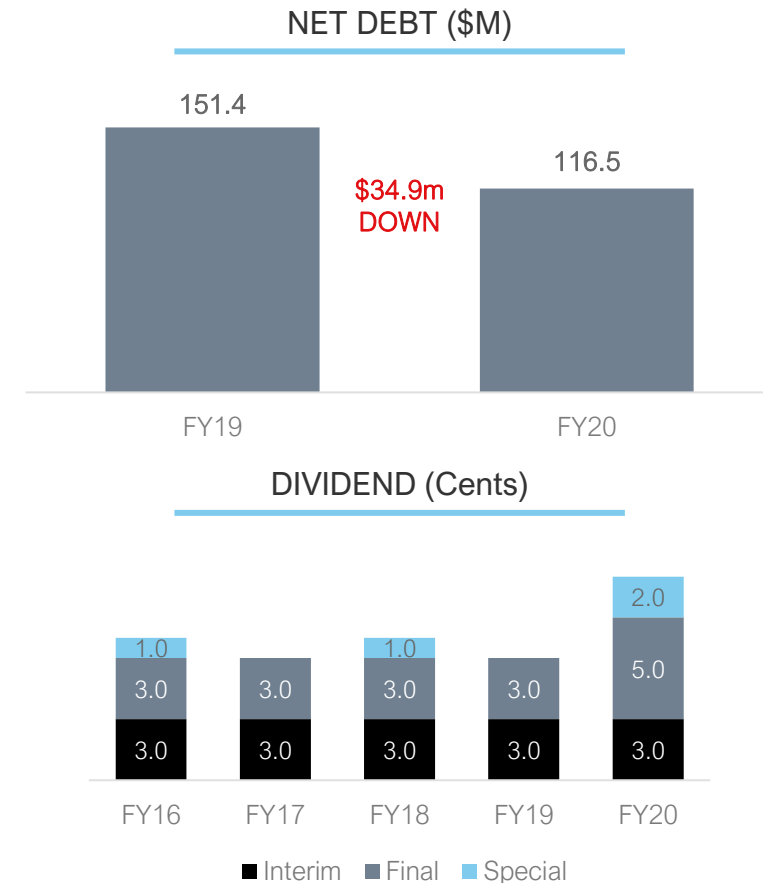
## RECORD DIVIDEND WHILE STILL REDUCING DEBT AND INVESTING IN GROWTH.

Our position:

- In FY20, net debt was reduced by \$34.9m to \$116.5m.
- Leverage ratio<sup>1</sup> = 1.46x at 30 June 2020.
- Well supported by banks

Capital management philosophy:

- Having considered Hansen's capital requirements, strong capital structure and liquidity position, the Board determined an increased dividend to return money to shareholders was appropriate.
- Level of dividend is at the discretion of Board subject to available cash and activity being undertaken at the time - targeting 5 cents base final dividend on an ongoing basis.
- Hansen's strong cash generation means that even with this increased dividend and special dividend we have the cash flows to invest in our products and fund acquisitions.



Leverage ratio<sup>1</sup> to 1.46x at 30 June 2020; down from 2.16x at 30 June 2019.

Notes:

1. Leverage ratio: net debt (including pre-paid borrowing costs) / EBITDA excluding impact of IFRS16 and non-recurring items.

# AGENDA.

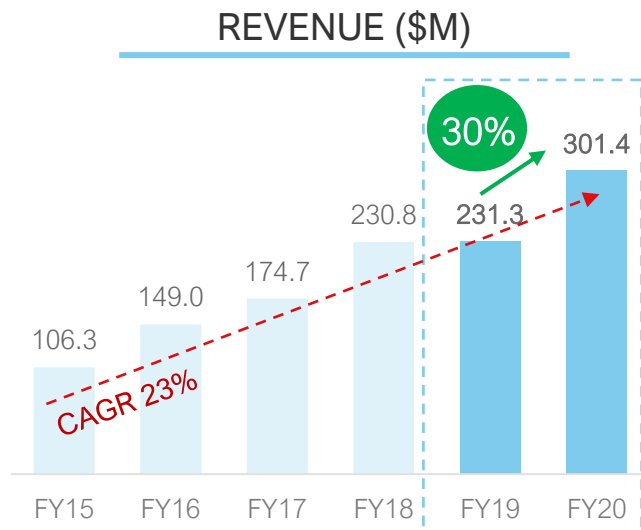
1. Chairman's address

**2. CEO presentation**

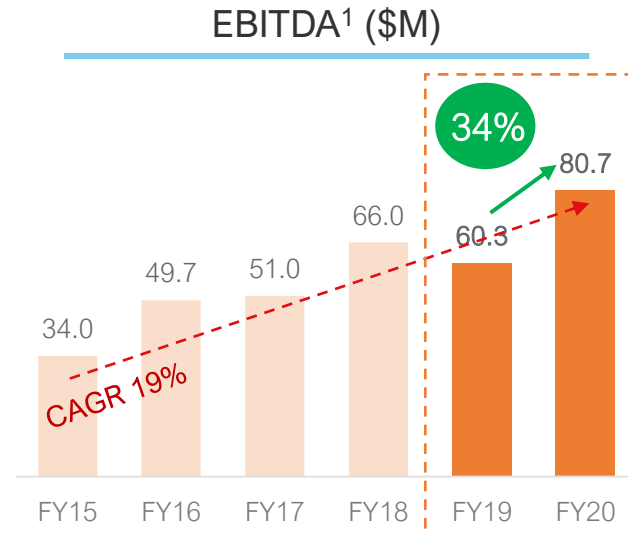
3. Formal business

# A GROWING TRACK RECORD OF DELIVERY.

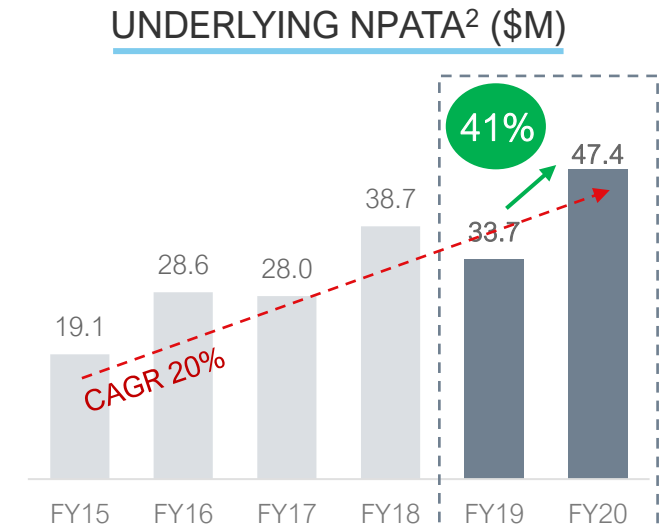
## LONG-TERM PROFITABLE GROWTH.



- Impact of COVID-19 from customers negligible.
- Revenues from our owned IP of 97%.



- Efficiencies from regional management and Indian and Vietnam development centres.
- Immaterial government, rent or other support relating to COVID-19.



- Applying “Hansenisation” to aggregations and broad cost reductions, margins have been improved.
- Significant pay-down of debt reducing interest rate margin and cash burden.

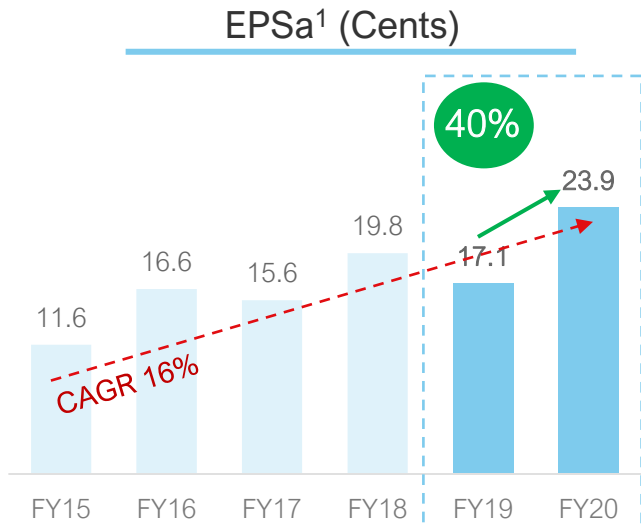
Notes:

1. FY20 EBITDA = Reported EBITDA including \$5.0m of non-recurring items; FY19 EBITDA = Reported EBITDA including \$2.8m of non-recurring items; prior years adjusted for impact of AASB16.
2. Underlying NPATA: net profit after tax excluding tax effected amortisation of acquired intangibles and one-off items.

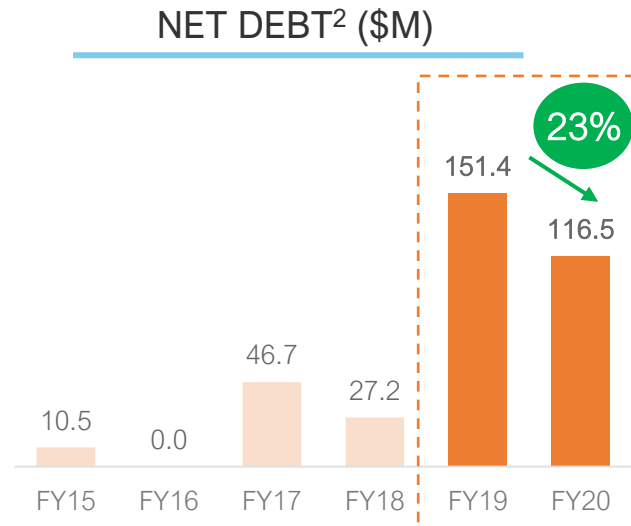


# A GROWING TRACK RECORD OF DELIVERY.

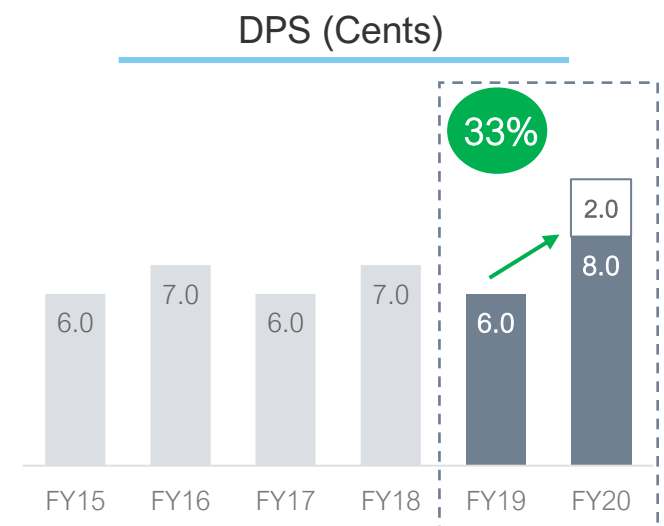
## STRONG CAPITAL MANAGEMENT.



- Use of debt to grow EPS by managing cost of capital.
- Group margin expansion driving significant EPS upside.



- Cash flows enabling significant reduction in net debt.
- Strong capital structure and liquidity position supports an increased dividend.
- Significant headroom (leverage of 1.46x<sup>3</sup>) for more aggregations.



- Cash flows ensure continued opportunity for investment in products and new aggregations, while also paying record dividend.

Notes:

1. Adjusted Basic EPS, based on Underlying NPATA.
2. Net Debt excluding AASB 16 lease liabilities for FY20 and pre-paid borrowing costs.
3. Leverage ratio: net debt (including pre-paid borrowing costs) / EBITDA excluding impact of IFRS16 and non-recurring items.

# FY21 TRADING UPDATE.

## CONTINUED STRONG PERFORMANCE AGAINST AN UNCERTAIN OUTLOOK.

1	REVENUES	<ul style="list-style-type: none"><li>• Revenues continue to perform in line with expectations.</li><li>• Strong customer wins so far in the year underpinning our longer-term revenue outlook.</li><li>• Appointment of Bobby Slaton as Head of Global Strategic Sales and focused M&amp;A team to drive long-term growth.</li><li>• Immediate outlook continues to appear solid, albeit with some uncertainty due to the global pandemic.</li></ul>
2	PROFITABILITY	<ul style="list-style-type: none"><li>• Margins above expectations.</li><li>• We continue to benefit from the cost rationalization efforts performed at the beginning of the global pandemic.</li><li>• No productivity declines as we continue to work from home.</li><li>• Margins benefiting from development centre training cycles completion and all costs out of Sigma integration.</li></ul>
3	OTHER	<ul style="list-style-type: none"><li>• Cash collections remain strong allowing a further \$7.6m pay down of debt (at 13 November 2020).</li><li>• The Australian dollar has seen increased volatility (and an increased value) against the US dollar.</li><li>• Customer behaviour potentially contingent on global pandemic and economic developments.</li></ul>

Trading exceeding expectations with continued uncertainty around H2 2021.

# IMPLICATIONS FOR THE LONGER TERM.

POSITIONING OURSELVES STRONGLY FOR LONG-TERM VALUE-ACCRETIVE GROWTH.

1

## CONTRACT WINS

- DISH:
  - Showing the strength of the Sigma aggregation, positions us to be at the leading edge of 5G, cloud, software-driven solutions.
  - Significant opportunity for further customer wins in this space.
- Western Power: demonstrating our ability to compete in smart energy solutions; a key growth area in the energy space.

2

## PROFITABILITY IMPROVEMENTS

- Continues our culture of “spend it like its your own”.
- Underpinning longer-term profitability and earnings growth.

3

## SENIOR APPOINTMENTS AND M&A TEAM

- Strategic incentive plan in place to retain sector leading management.
- Continuing to develop our organization to build on our growth and profitability journey.
- Head of Strategic Sales: driving key customer relationship development and sales efforts to grow cash generative core.
- M&A team: focused team to search and screen for all relevant aggregation opportunities for optimal, value-accretive inorganic growth.

Customers wins and organisational appointments underpinning long-term growth and profitability strategy on cash generative core.

# FY21 OUTLOOK.

## EXCITING LONGER-TERM FUTURE.

### A view of the first half

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Our business continues to trade very much in line with our expectations:

- Operating revenue, notwithstanding COVID and currency impacts, is in line with the same corresponding period for FY20.
- Cost savings initiatives introduced as we closed FY20 have translated well into the business and we expect first half EBITDA margins to be in the range of 34% - 36%.
- Margin improvements have been generated through:
  - Operational efficiencies, reduction in travel, acquisition costs and office related costs.
- Some of these costs will return when “COVID-normal” is found.

### A view of the full year

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- Due to currency headwinds and not renewing low margin business, we expect our FY21 operating revenue to be down 2% - 4% on FY20.
- However our full year EBITDA margin is expected to materially increase from 27% to be in the range of 33% - 35% with a corresponding increase in operating cash flow.
- A dedicated M&A team is now in place to drive our industry aggregation strategy.
- We will look to accelerate our M&A activity once COVID-19 restrictions are lifted.

# WHAT YOU HAVE IN HANSEN.

- ✓ Established in 1971.
- ✓ A highly proven and talented Executive management team.
- ✓ A predictable and cash generative focused business.
- ✓ Owners of pre-eminent software IP at the very heart of our customers.
- ✓ Serving mature and established industries.
- ✓ High barriers to entry.
- ✓ Subject matter experts in our field.
- ✓ 97% of all revenues derived from owned IP.
- ✓ Track record of >30 very successful acquisitions.
- ✓ A play book for aggregation of a largely regionalised and disparate competitors.
- ✓ A great long-term future ahead.

# AGENDA.

1. Chairman's address

2. CEO presentation

**3. Formal business**

# CONSIDERATION OF ACCOUNTS AND REPORTS.

- To table the financial report of the Company and its controlled entities and the related reports of the Directors and Auditors for the year ended 30 June 2020 and to provide members with the opportunity to raise any issues or ask any questions generally of the Directors.
  - Shareholders may ask questions and make comments on the operations and management with regard to the Reports.
  - Shareholders may also ask the representatives of the Company's Auditor (RSM Australia Partners) questions about the content and conduct of the audit.

# RESOLUTION 1.

## ADOPTION OF DIRECTOR'S REMUNERATION REPORT.

- In accordance with the requirements of the Corporations Act, adopt the Remuneration Report for the year ended 30 June 2020 as it appears in the Directors' Report within the Annual Report 2020.

### Proxy votes received

FOR	OPEN <sup>1</sup>	AGAINST	ABSTAIN
85,349,558	1,382,693	353,845	1,692,402
98.01%	1.59%	0.41%	

Notes:

1. Open votes in favour of the Chairman will be voted in favour of the resolution.



# RESOLUTION 2.

## RE-ELECTION OF MR DAVID TRUDE.

- To consider and, if thought fit, to pass the following resolution as an ordinary resolution: That Mr David Trude, a Director retiring by rotation in accordance with the Company's Constitution and being eligible and having signified his candidature for Office, be and is hereby re-elected a Director of the Company.

### Proxy votes received

FOR	OPEN <sup>1</sup>	AGAINST	ABSTAIN
121,276,138	1,366,601	905,285	1,720,764
98.16%	1.11%	0.73%	

Notes:

1. Open votes in favour of the Chairman will be voted in favour of the resolution.

# RESOLUTION 3.

## RE-ELECTION OF MR DAVID HOWELL.

- To consider and, if thought fit, to pass the following resolution as an ordinary resolution: That Mr David Howell, a Director retiring by rotation in accordance with the Company's Constitution and being eligible and having signified his candidature for Office, be and is hereby re-elected a Director of the Company.

### Proxy votes received

FOR	OPEN <sup>1</sup>	AGAINST	ABSTAIN
121,528,690	1,375,155	644,179	1,720,764
98.37%	1.11%	0.52%	

Notes:

1. Open votes in favour of the Chairman will be voted in favour of the resolution.

# RESOLUTION 4.

## ELECTION OF MR DON RANKIN.

- To consider and, if thought fit, to pass the following resolution as an ordinary resolution: That Mr Don Rankin, a Director appointed by the Board effective from 21 November 2020 until this annual general meeting of the Company in accordance with the Company's Constitution and being eligible and having signified his candidature for Office, be and is hereby elected a Director of the Company.

### Proxy votes received

FOR	OPEN <sup>1</sup>	AGAINST	ABSTAIN
121,873,354	1,370,927	288,545	1,735,962
98.66%	1.11%	0.23%	

Notes:

1. Open votes in favour of the Chairman will be voted in favour of the resolution.

## RESOLUTION 5.

### GRANT OF PERFORMANCE RIGHTS TO CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR MR ANDREW HANSEN FOR FINANCIAL YEAR ENDING 30 JUNE 2021.

- To consider and, if thought fit, to pass the following resolution as an ordinary resolution: That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 213,189 Performance Rights to Mr Andrew Hansen under the Hansen Technologies Employee Performance Rights Plan on the terms and conditions set out in the Explanatory Notes.

#### Proxy votes received

FOR	OPEN <sup>1</sup>	AGAINST	ABSTAIN
80,193,483	1,367,184	6,737,443	2,231,565
90.82%	1.55%	7.63%	

Notes:

1. Open votes in favour of the Chairman will be voted in favour of the resolution.

# RESOLUTION 6.

## RE-ADOPTION OF THE PERFORMANCE RIGHTS PLAN.

- To consider and, if thought fit, to pass the following resolution as an ordinary resolution: That for the purposes of Listing Rule 7.2 (Exception 13(b)) and for all other purposes, Shareholders approve the re-adoption of the Company's employee incentive scheme titled 'Hansen Technologies Performance Rights Plan' (Performance Rights Plan), on the terms and conditions set out in the Explanatory Notes.

### Proxy votes received

FOR	OPEN <sup>1</sup>	AGAINST	ABSTAIN
78,581,879	1,390,054	678,741	8,514,159
97.43%	1.72%	0.84%	

Notes:

1. Open votes in favour of the Chairman will be voted in favour of the resolution.

# RESOLUTION 7.

## REPLACEMENT OF COMPANY CONSTITUTION.

- To consider and, if thought fit, to pass the following resolution as a special resolution: That, for the purposes of Sections 136(1)(b) and 136(2) of the Corporations Act and for all other purposes, the existing constitution of the Company be repealed in its entirety and the Company adopt the Proposed Constitution in its place, which will be initialled by the Chairman for identification purposes, with effect from the close of the Meeting.

### Proxy votes received

FOR	OPEN <sup>1</sup>	AGAINST	ABSTAIN
102,925,650	1,413,655	19,126,383	1,803,100
83.36%	1.14%	15.49%	

Notes:

1. Open votes in favour of the Chairman will be voted in favour of the resolution.

# QUESTIONS



# THANK YOU





 HANSEN  
POWER THE NEXT.™