



ReadyTech Holdings Limited
ABN 25 632 137 216

20 February 2020

2020 Half Year Results Presentation

ReadyTech Holdings Limited (ASX: RDY) (**ReadyTech**) attaches a copy of the 2020 Half Year Results Presentation to be made at ReadyTech's investor briefings today.

This announcement has been authorized for release to ASX by the Board of Directors.

For more information:

Martin Cole
Capital Markets Communications
Tel: +61 403 332 977
martin.cole@capitalmarketscommunications.com.au

About ReadyTech

ReadyTech is a leading provider of SaaS technology that helps providers of education and employment manage the increasingly complex human journey through study, work and career transitions. ReadyTech provides people management software to over 3,600 educators, employers and facilitators of work transitions. Bringing together the best in student management, apprenticeship management, payroll and HR admin, employment services and behavioural science technology, ReadyTech supports the development and success of tomorrow's workforce.



ReadyTech

Ready for the Future of Work

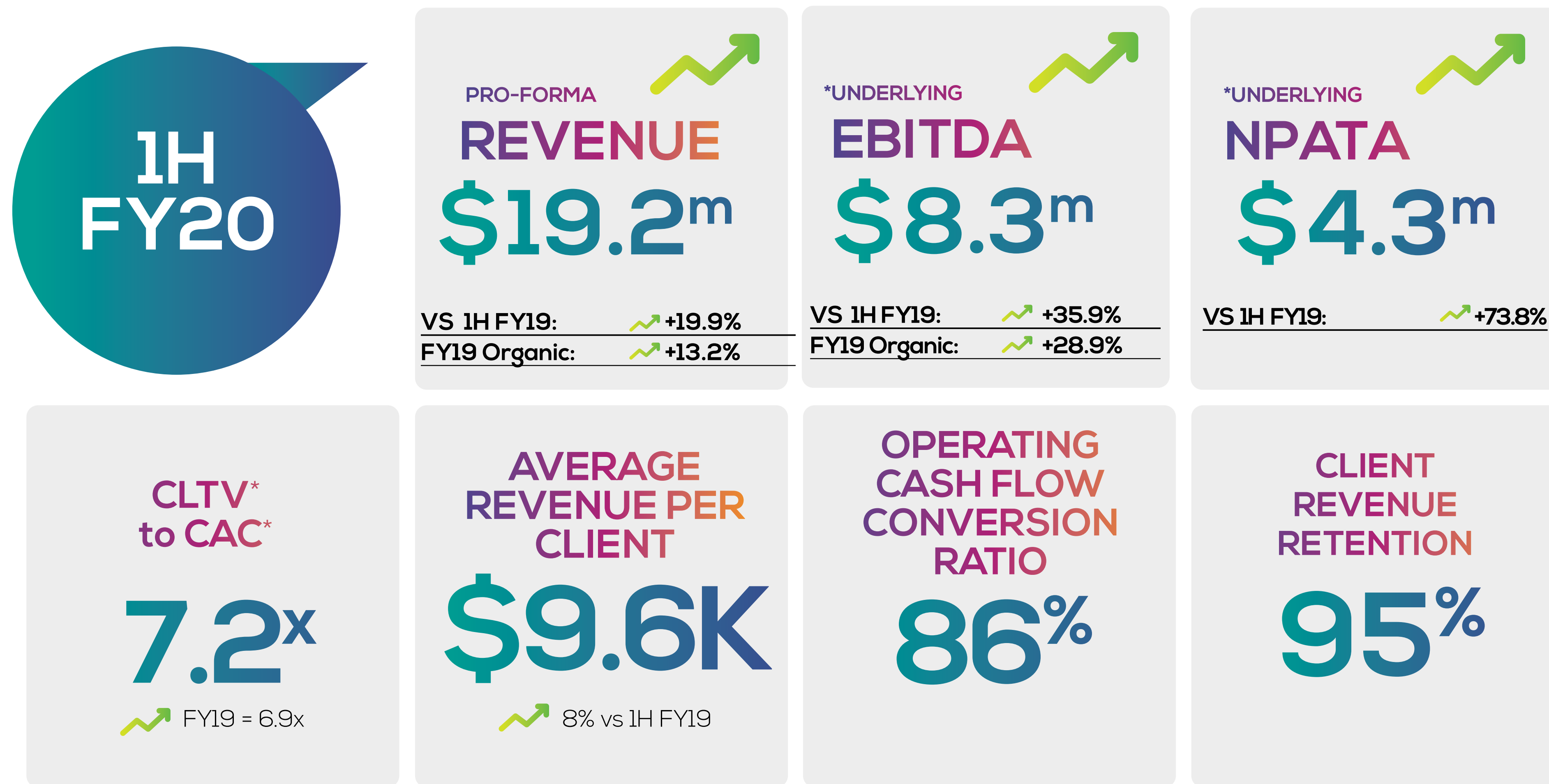
RESULTS PRESENTATION 1H FY20

Marc Washbourne – CEO | Nimesh Shah – CFO

ASX: RDY 20th Feb 2020

www.readytech.com.au

Key Operational and Financial Metrics



*CLTV: Client lifetime value and CAC: Customer acquisition cost

* Underlying 1H FY20 results exclude once off restructuring costs of \$0.4m

Operational Highlights

Delivering results across all ReadyTech strategic priorities

Strategic priorities for ReadyTech

1

Attract new and higher value (enterprise) clients



- Landmark enterprise contract with Bendigo TAFE & Kangan Institute signed in January 2020 (40k+ students) - \$7m contract and 5 year software subscription.
- Spend of new clients won 3.5x greater than those that churned.

• New contracts in 1H FY20 included Glassons, Volt Bank, Queensland Energy (Employment) and Polytechnic Institute of Australia and UTS (Education).

2

Grow ARPC via new offerings and customer success



- Continued growth (8% growth HOH) in ARPC through additional modules and increase in user subscriptions.

3

Drive upsell and cross-sell across ReadyTech



- Student & Apprentice Retention (Esher House) product cross-sell performed well with multiple new contracts signed in 1H FY20.
- My Profiling cross-sell solid and pipeline growing.

4

Continued R&D investment in product and modules
to support long term sustainable growth



- Over \$10m pa R&D spend for product improvements and new modules to enhance customer value.
- Launched digital credentials (education) and automated workflows (employment) modules in 1H FY20.

5

Execute on strategic and complementary acquisitions



- Successfully completed two highly complementary acquisitions for employment segment (Zambion and Wagelink) in H1. Sales and product integration progressing well with the launch of HR3+, a unified payroll and workforce management platform.

6

Retain and invest in new talent



- Investment in enterprise sales capability, leadership/ education programs and additional roles in client success, business development and enterprise delivery roles.

Results in 1H FY20

1H FY20 - Continued Strong Revenue and Earnings Growth (including acquisitions)

\$ MILLIONS	1H FY20	1H FY19 [^]	% Change HoH
EDUCATION REVENUE	10.7	9.7	11.0%
EMPLOYMENT REVENUE	8.5	6.3	33.5% <i>Organic 17%</i>
Total Revenue	19.2	16.0	19.9%
Total Revenue (Organic)	18.2	16.0	13.2%
Total operating expenses	(10.9)	(9.9)	(10.1%)
*Underlying EBITDA	8.3	6.1	35.9%
*Underlying EBITDA (Organic)	7.9	6.1	28.9%
*Underlying EBITDA Margin	43%	39%	

[^] 1H FY19 pro-forma reflects actuals as per Prospectus assumptions

* Underlying results exclude the impact of non-recurring costs of \$0.4M

Achieved CY19 Prospectus Revenue target of \$35.1m and EBITDA \$14.6m on an organic basis (excludes acquisitions).

Highlights



Continued strong revenue growth across both Education and Employment segments.



Revenue grew by 19.9% driven by the impact of acquisitions, new client wins and upsell of licenses and modules to existing clients (Organic = 13.2%).



Operating expenses grew 10.1% driven by the impact of acquisitions, investment in new Sales and Marketing roles and R&D, as well as increased client hosting costs.



Scalable platform supports strong Underlying EBITDA margin of 43%.

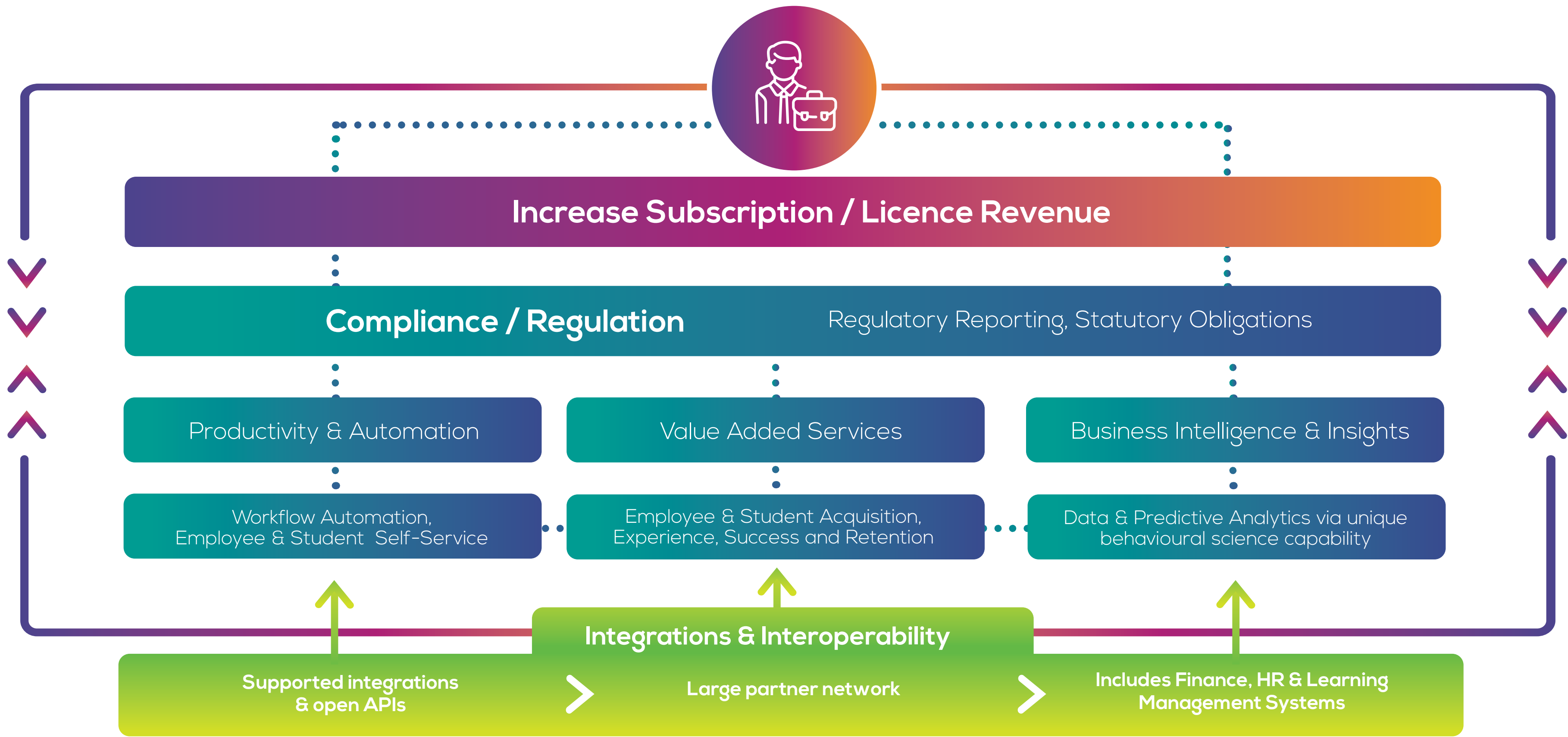


GROWTH & PRODUCT STRATEGY

ASX:RDY

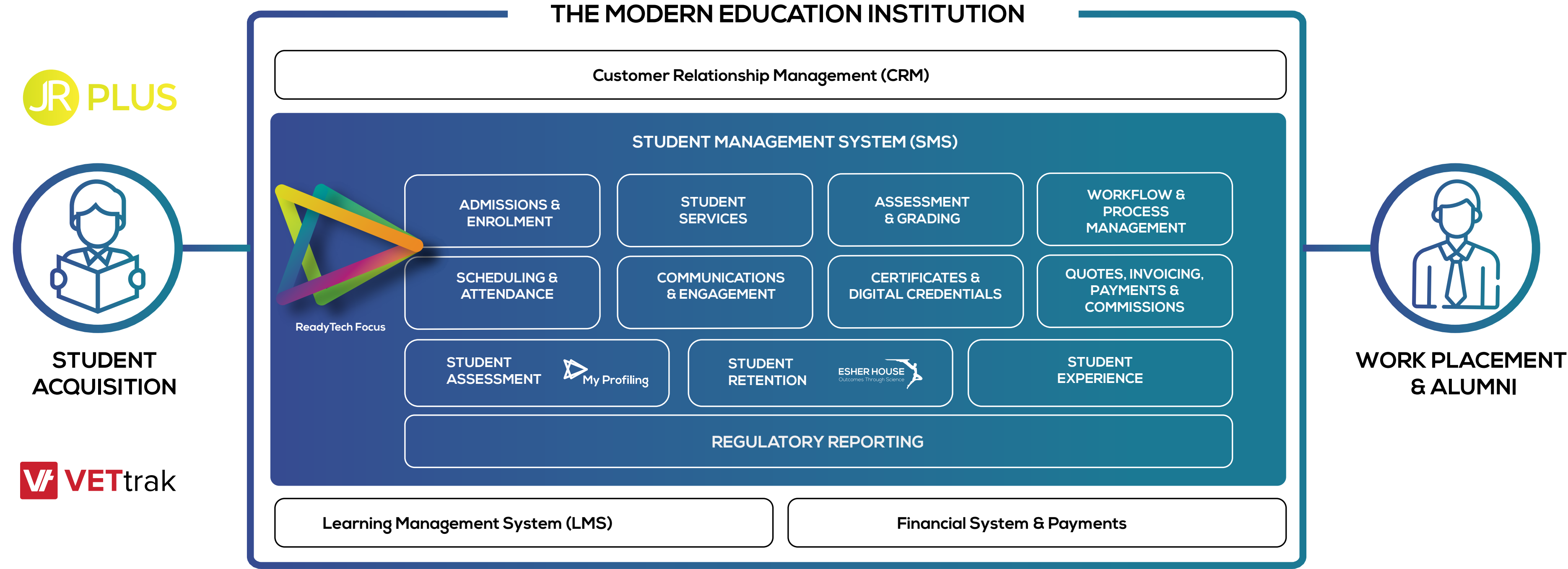
Mission-critical SaaS for Managing People

Managing the Student and Employee Lifecycle



Student Management Systems (Education)

ReadyTech provides mission-critical student management systems (SMS) which are at the core of modern tertiary education institutions and then seeks to drive key performance outcomes such as improved student experience and graduation rates.



Manage the key aspects of the student journey from education to employment



SMS represents the single 'source of truth' for student data



Integrates with other systems such as LMS/key partners including Canvas

ENTERPRISE HIGHER ED MARKET

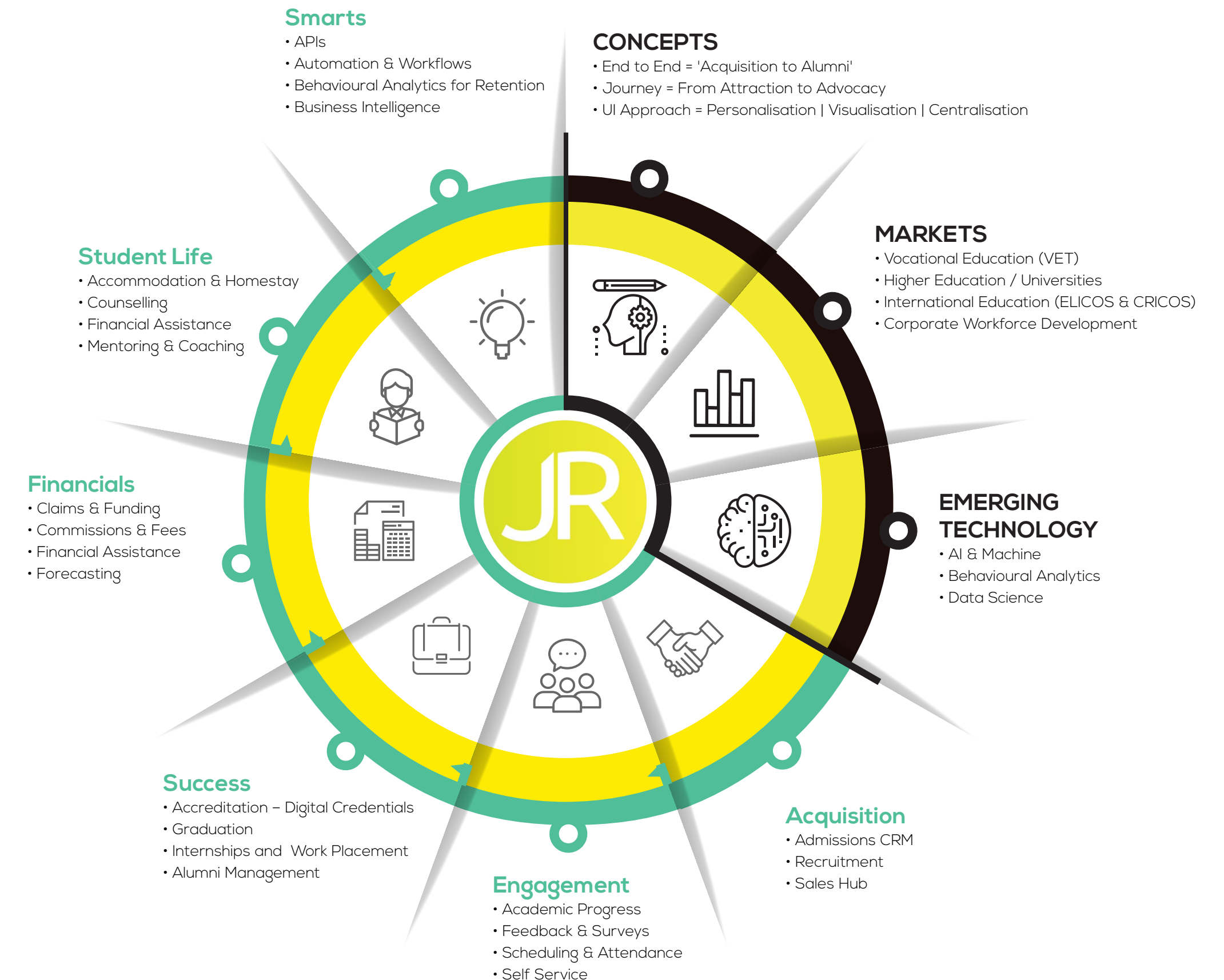
TAFE, UNIVERSITY AND PRIVATE PROVIDERS

OPPORTUNITY – SECTOR IS CHANGE-READY

- ✓ Sunset current legacy systems and digital transformation projects.
- ✓ Seeking agility to evolve technology and maintain regulatory requirements, limited by rigid, slow-moving systems.
- ✓ Focus on improving student outcomes (admission, retention, employability) and student experience.
- ✓ Seeking productivity, efficiency and technology consolidation through business.
- ✓ Sentiment has shifted from large, upfront technology investments.

UNIQUE DIFFERENTIATORS – WHY WE WIN

- ✓ Pure cloud provides such benefits as agile development and regular releases via subscription offering.
- ✓ Local and strong regulation expertise and technology partner offering.
- ✓ The ability to support “student life” including accommodation, counselling, financial assistance, mentoring and coaching. Marketplace manages employment pathways and internships.
- ✓ Delivered through Assess to Educate (A2E) – a unique value-added predictive capability focused on increasing student outcomes.

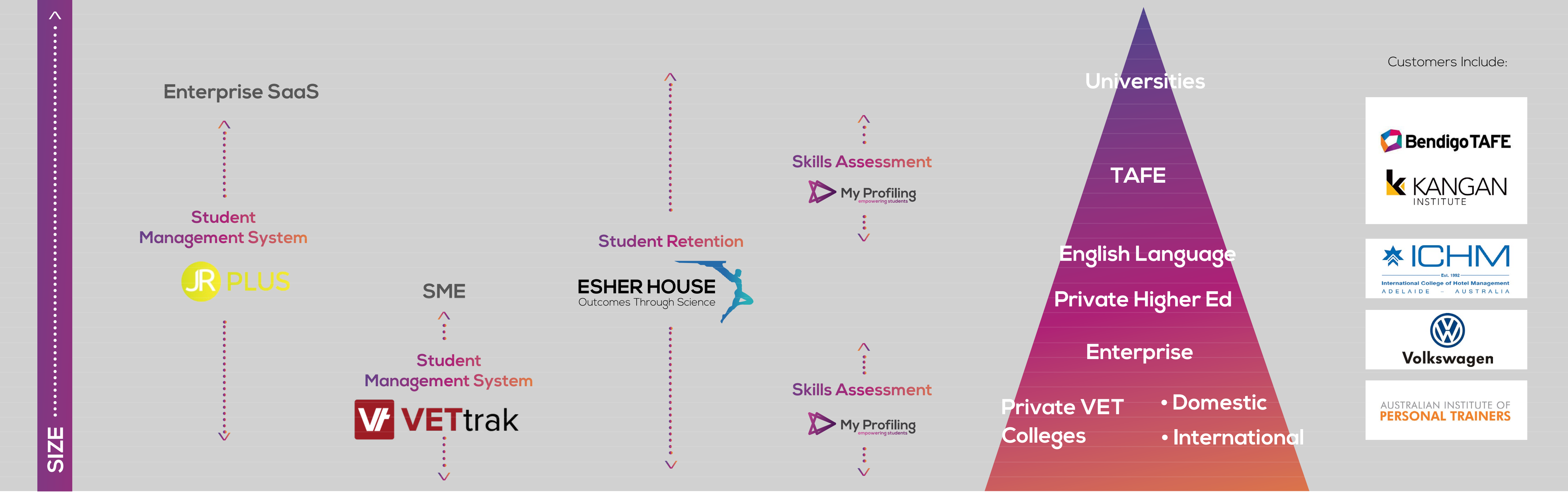


- Landmark new contract signed Jan 2020 following intensive competitive process.
- \$7m contract with initial 5-year software subscription.
- Will support 40,000+ students and 850+ staff.
- Major endorsement of JR Plus product and cloud offering.

ReadyTech Offerings across the Tertiary Education Sector



ReadyTech provides a range of market-leading technology solutions across the tertiary education sector including mission-critical Student Management Systems (SMS).



ReadyTech Education Market Opportunity



ReadyTech has made strong progress penetrating into new segments including higher education, TAFE, government and international education including CRICOS and ELICOS.

Australian tertiary education and training industry ICT expenditure \$1.85bn in 2020.*

Market	Total market (#)*	ReadyTech customers ²	ReadyTech's market position
TAFE	40	1+9	<ul style="list-style-type: none">• 1 TAFE selected JR Plus (Bendigo & Kangan) and 9 TAFEs use My Profiling's competency assessment and skills profiling platform.• Significant opportunity as a number of TAFEs seek next generation SMS.
Higher education - University / Private	174	12	<ul style="list-style-type: none">• Solid progress includes breakthrough client win with University of Queensland - differentiated through JR Plus cloud offering capable of managing entire student lifecycle and behavioural science offering to drive student outcomes.
Domestic VET (Private) ¹	4,150	1,300+	<ul style="list-style-type: none">• Market leader for VET providers with VETtrak's strong brand presence and JR Plus positioned as a premium SMS for medium to large, more complex providers.
International Colleges (CRICOS & ELICOS) ¹	1,147	140	<ul style="list-style-type: none">• Growing footprint with international colleges and well positioned to capitalise on the robust international student market.
Enterprise training	n/a	37	<ul style="list-style-type: none">• Strong pipeline with key wins in blue-chip companies and enterprise providers such as Boral, Volkswagen, Crown and Rio Tinto demonstrating ReadyTech's strong position.
State Government VET	8	1	<ul style="list-style-type: none">• ReadyTech is well positioned for further contracts given its experience developing the ACT Government's VET system.

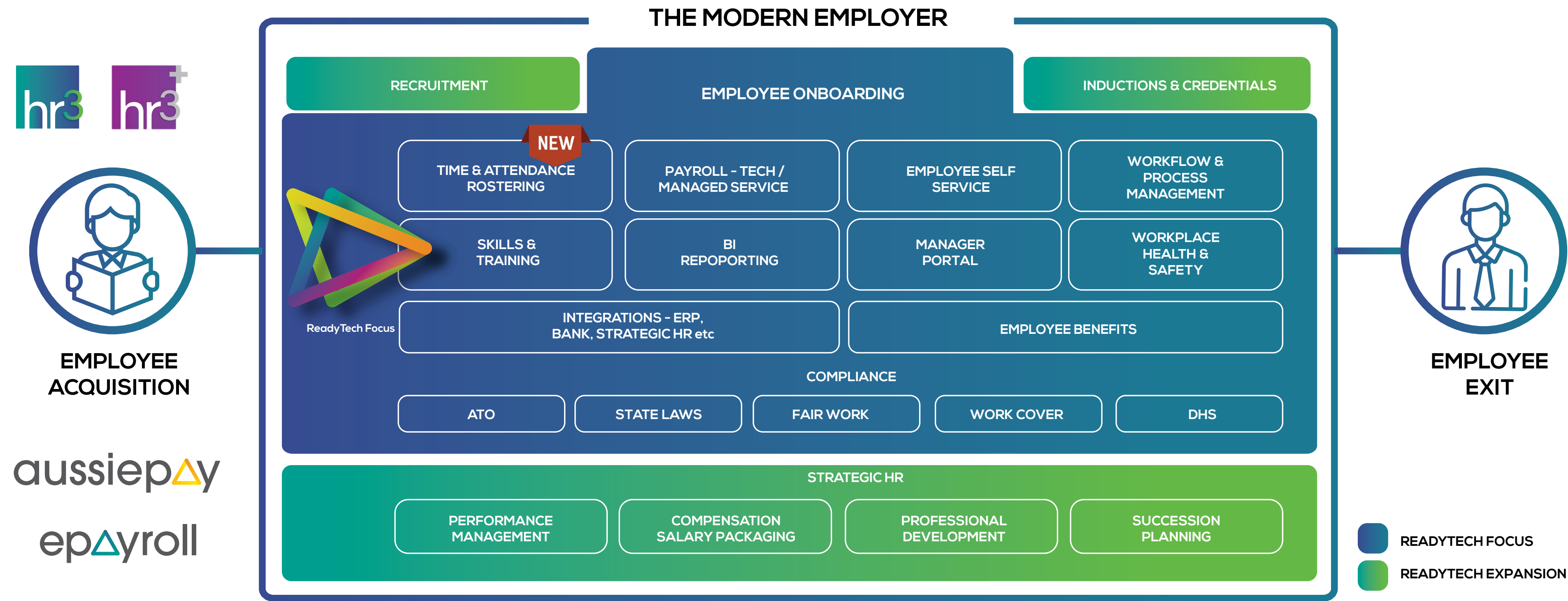
*Source of market data: Frost & Sullivan Report citing Universities Australia, National Centre for Vocational Education Research (NCVER), English Australia, Tertiary Education Quality and Standards Agency (TEQSA).

1. An operator in the domestic private VET market can also be an operator in the International English colleges market, resulting in double-counting of the number of operators in the total market. Double-counting issues do not arise for ReadyTech's number of customers;
2. Management estimates as at 1H FY20

Payroll and HR Administration to Payroll & Workforce Management



ReadyTech is at the core of the employment software ecosystem offering mission-critical Payroll and Workforce Management solutions



Mission-critical HR functions such as HR admin and payroll



Enable our customers to remain compliant with evolving regulatory compliance

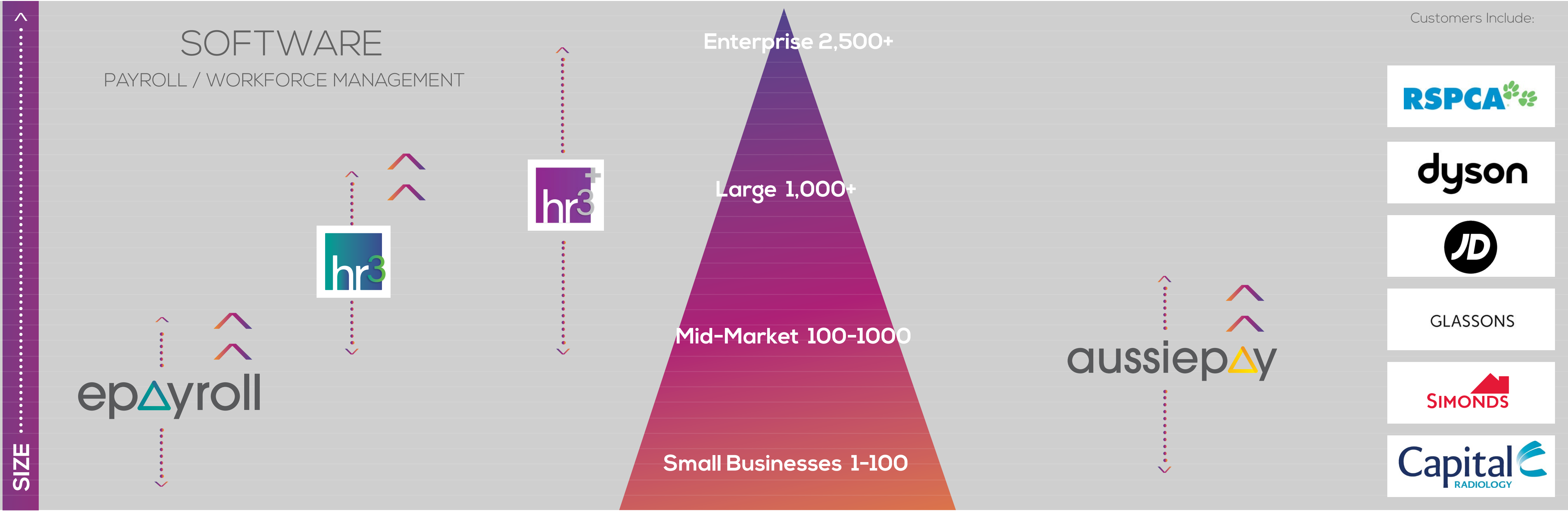


Add-on modules such as T&A, WHS, BI Reporting and workflow automation enhance value for customers

ReadyTech Offerings cover the Employment Sector



ReadyTech provides Payroll & HR administration technology and managed services across the employment market and increasingly targets higher value customers.



Employment – Product capability of Workforce Management



State of the art, advanced cloud and app based Workforce Management including:

- ✓ Rostering
- ✓ Time and Attendance
- ✓ Awards Interpretation

Existing Customers



Strategic Rationale

- ✓ Zambion complementary capability acquisition (Oct 2019) to enhance ReadyTech's employment product offering.
- ✓ Strong New Zealand customer base and opportunity to upsell into HR3 customer base and wider Australian mid-market.
- ✓ Estimated circa 30% of HR3 customers have Time & Attendance and Rostering requirement.
- ✓ Ability to support Trans-Tasman organisations.
- ✓ Average revenue per client is typically greater than 3 times payroll-only client.

Update on Progress



- ✓ Launch of HR3+ offering in Australia to drive sales and strengthen brand equity.
- ✓ Strong investment in product education of sales team to support upsell and new sales in Australia.
- ✓ Investment in seamless customer transition to HR3+.

Growth Initiatives

ReadyTech enjoys a range of opportunities to maintain strong rates of growth into the future.

Technology	Talent	Existing Customers	New Customers	M&A/Partnerships
Continued investment in SaaS products – R&D spend of over \$10M pa	Invest in new talent to drive growth	Grow APRC with subscription growth, upsell of modules and cross-sell of value-added services	Win new and higher value customers	M&A strategy and strategic partnerships
<p>Education – Continued investment in enterprise/higher education product strategy including:</p> <ul style="list-style-type: none"> • Advanced/financial reporting • Student health • Integrations (enterprise) <p>Employment – Investment in new product & modules including:</p> <ul style="list-style-type: none"> • Time & attendance/rostering integration • Enhanced HR functionality • Enhanced reporting & dashboards <p>Innovation – Expand R&D capabilities including data analytics and AI to maintain innovative edge.</p>	<p>Sales – Investment in enterprise/higher education enterprise sales strategy. Continued growth in broader sales and marketing roles.</p> <p>Customer Success – Invest in customer success talent to grow advocacy, APRC and sustain customer retention.</p> <p>R&D – Building talent attraction strategies and investing in roles for enterprise strategy including delivery with higher ed background.</p>	<p>ARPC – 8% HOH growth in average revenue per customer (ARPC) through targeted initiatives and investment in customer success.</p> <p>Upsell new offerings – Offer new tech including workforce management (HR3+) and modules including onboarding, business intelligence and digital credentials.</p> <p>Cross-Sell – Investment in cross-sell of Esher House/My Profiling offerings to education customers.</p> <p>Growth – in user subscriptions on the back of strong macro trends in tertiary education and employment sectors.</p>	<p>Pipeline – Retained pipeline >\$14m of potential opportunities with strengthening conviction.</p> <p>Higher Value – Spend of new clients on average 3.5x larger than average client churn.</p> <p>Target – Employment to target industry verticals with payroll and workforce management complexity such as retail and hospitality (e.g. client win Glassons).</p> <p>Enterprise – Continued development of enterprise sales and marketing capability and leverage recent University and TAFE wins.</p>	<p>New Partnerships Invest in new partnerships and referral network including complementary technology and industry focused specialists and consultants.</p> <div>  Digital Credentials </div> <div>  Higher ed Consultancies </div> <div>  </div> <p>M&A – Maintaining active M&A register focused on complementary technology and/or customer base.</p>



GROUP FINANCIAL RESULTS

ASX: RDY

Strong Revenue and Earnings Growth

\$ MILLIONS			
	1H FY20	1H FY19^	% Change HOH
Subscription and licence revenue	16.8	14.4	16.5%
Implementation, training and other revenue	2.5	1.7	50.1%
Total revenue	19.2	16.0	19.9%
Total revenue (Organic)	18.2	16.0	13.2%
Salaries and wages	(8.3)	(7.6)	(9.1)%
Technology infrastructure and operations	(1.5)	(1.1)	(32.7)%
General and administrative	(1.2)	(1.2)	3.8%
Total operating expenses	(10.9)	(9.9)	(10.1)%
*Underlying EBITDA	8.3	6.1	35.9%
*Underlying EBITDA (Organic)	7.9	6.1	28.9%
Depreciation and amortisation	(4.5)	(4.2)	(7.5)%
*Underlying EBIT	3.8	2.0	96.2%
Net finance expenses	(0.6)	(0.9)	34.7%
*Underlying PBT	3.3	1.1	197.4%
Income tax expense (Effective rate 30%)	(0.9)	(0.3)	(153.3)%
*Underlying NPAT	2.4	0.8	217.9%
Add: amortisation of acquired intangibles (post-tax)	1.9	1.7	(6.8)%
*Underlying NPATA	4.3	2.4	73.8%

Highlights



Strong organic revenue growth from new client wins and cross-selling to existing clients.



Total revenue of \$19.2M represents strong growth in subscription and license revenue of 16.5% or 87% of total revenue.



Total expenses of \$10.9M reflect the impact of acquisitions, continued investment in key sales and technology-related roles as well as increased hosting costs driven by client and revenue growth.



Earnings continuing to grow faster than revenue demonstrates strong operating leverage down the P&L and scalable platform.



Net finance costs are based on the terms of the new banking facility. The reduction is driven by a lower interest rate and improved leverage ratio resulting in better margin.

^ 1H FY19 Pro-forma reflects actuals as per Prospectus assumptions

* Underlying results exclude the impact of non-recurring costs of \$0.4M

Education – Continued Top Line Growth

\$ MILLIONS				
	1H FY20	1H FY19	HoH\$ Growth	HoH % Growth
Education Revenue	10.7	9.7	1.1	11.0%
Education EBITDA	4.8	3.7	1.1	30.0%
EBITDA Margin %	45%	38%	N/A	18.0%

Highlights



Strong client growth with the average spend of education client wins 3.4x greater than churned customers on average.



Benefit of recently acquired enterprise sales staff is paying dividends.



Greater existing customer spend due to user base growth and/or uptake of more modules.



Upsell of Esher House products to existing JobReady clients has performed well.



Continued growth expected through high value qualified leads especially in pathways and tertiary education sectors.



CLTV to CAC ratio of 7.1X (FY19 = 6.2X).

Employment – Revenue and Earnings Uplift

\$ MILLIONS				
	1H FY20	1H FY19	HoH \$ Growth	HoH % Growth
Employment Revenue	8.5	6.3	2.1	35.0%
Employment EBITDA	4.1	3.2	0.9	29.0%
EBITDA Margin %	49%	50%	N/A	-1.0%

*Impact of Acquisitions - Organic Revenue HoH Growth 17% & EBITDA HoH Growth 17%

Highlights

 Increase in existing client spend driven by employee growth and additional module uptake through targeted campaigns and account management team.	 Benefit of increased business development staff and national coverage.
 Continued investment in compliance and driving new sales as well as customer retention.	 Integration of Zambion's Rostering and Time and Attendance products are performing well and in line with expectations.
 CLTV to CAC ratio of 7.3X (FY19 = 7.1X).	

Strong Cash Flow Conversion Maintained

\$ MILLIONS	PRO FORMA FINANCIALS		
	1H FY20	1H FY19	1H FY18
EBITDA	8.3	6.1	5.3
Changes in working capital	(1.2)	(0.6)	(2.0)
Cash flow from operating activities	7.1	5.5	3.3
% conversion (as % of EBITDA)	86%	89%	62%
Capitalised development costs	(2.3)	(1.8)	(1.9)
Other capital expenditure	(0.2)	(0.2)	(0.4)
Net cash flow pre financing and tax	4.6	3.5	1.1
% conversion (as % of EBITDA)	55%	56%	20%

Highlights



Changes in net working capital between 1H FY20 & 1H FY19

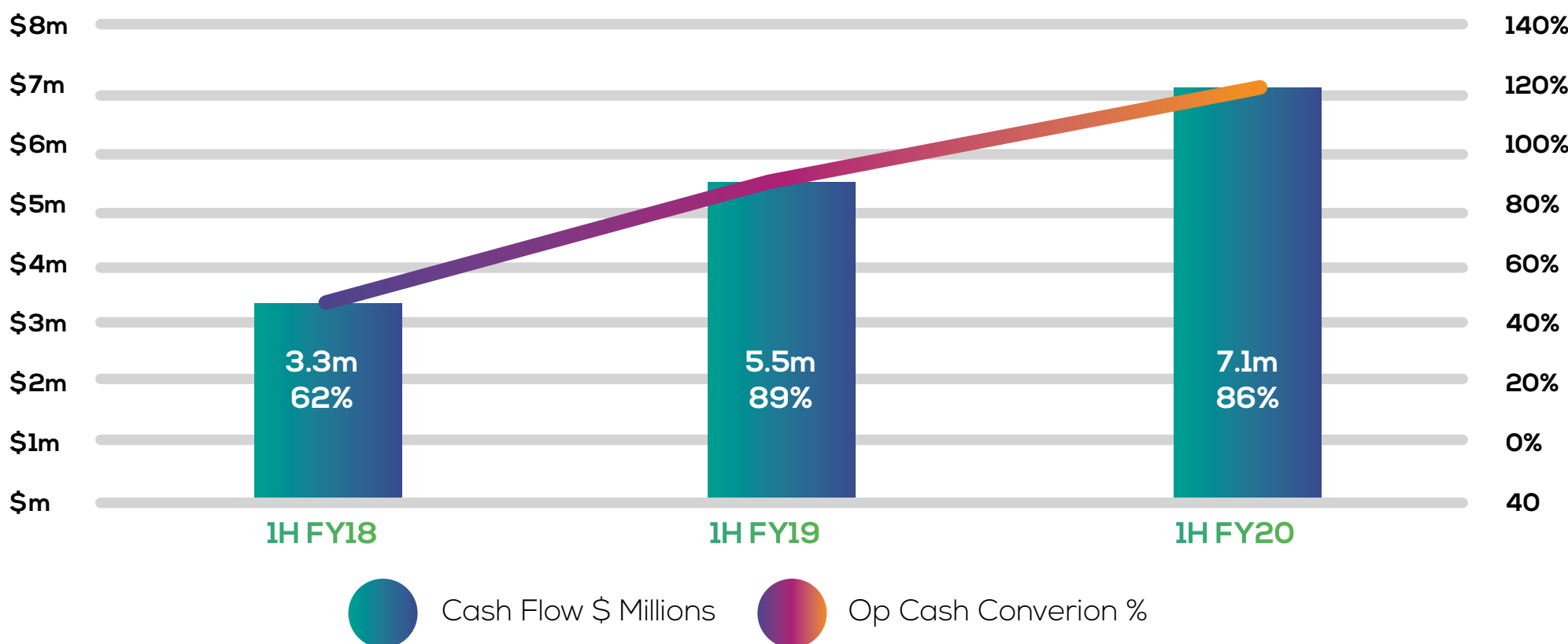
Negative working capital impacted by shift in annual subscription payments of some key JobReady clients from Q2 FY20 to Q3 FY20.



Capital expenditure

Stable capitalised development costs and capital expenditure broadly in line with depreciation and amortisation.

Strong Cash Flow Conversion



Group Financial Highlights – Capital Structure

PRO FORMA NET DEBT AS AT 31 DECEMBER 2019	
\$ Millions	Facility Committed
Facility A	21.5
Facility B	6.0
Total Debt	27.5
Cash and cash equivalents	7.1
1H FY20 Net debt	20.4
*CY19 Pro forma EBITDA	15.1
1H FY20 Net debt / CY19 Pro forma EBITDA	1.4x

Highlights



New debt facility in place post listing > Total facility size \$27.5M – Fully drawn at IPO

Facility A – \$21.5M and 3 year amortising non-revolving cash advance facility

Facility B – \$6M and 3 year revolving multi-option working capital facility



CY19 Pro forma reflects 12 Months contribution of the acquisition of Zambion and Wagelink and the impact of lease adjustments (AASB 16) as per bank facility agreement

A man in a dark blue suit is shown in profile, looking out of a window. The background is a blurred cityscape. Overlaid on the image are several large, semi-transparent geometric shapes in shades of orange, green, and purple. The text 'OUTLOOK' is written in large white letters across the middle, and 'RDY expects a FY20 total revenue growth rate of approximately 20% with an organic revenue growth rate in the early double digits. The Company expects the underlying FY20 EBITDA margin to be approximately 40%.' is written in smaller white letters to the right. The text 'ASX: RDY' is in the top right corner.

ASX: RDY

OUTLOOK

RDY expects a FY20 total revenue growth rate of approximately 20% with an organic revenue growth rate in the early double digits. The Company expects the underlying FY20 EBITDA margin to be approximately 40%.



APPENDIX

Board of Directors



Tony Faure
Independent Non-Executive Chairman

- Currently the Chairman of ASX-listed oOhlmedia, data intelligence platform PredictHQ, Non-Executive Director of Uno Homeloans and start-up accelerator Pollenizer
- Previously a board member of Australian Independent Business Media, Junkee Media, Torque Data, iSelect, biNu, Lasttix, and Stackla
- Previously CEO of ninemsn, and HomeScreen Entertainment, and Managing Director at the launch of Yahoo! Australia & NZ
- Tony is also a member of the Audit and Risk Committee, and Remuneration and Nomination Committee



Marc Washbourne
CEO

See management slide



Elizabeth Crouch
Independent Non-Executive Director

- Currently the Chairman of the Customer Owned Banking Association, SGS Economics and Planning, CREST ANZ and the NSW Government's Non-Government Schools Advisory Council. She is an Emeritus Deputy Chancellor of Macquarie University having served on the governing council for 17 years.
- Currently on the boards of Bingo Industries, the NSW Institute of Sport, Health Infrastructure and the Western Sydney Local Health District.
- Previously a Non-Executive Director at Chandler Macleod Group, McGrath Estate Agents, and Macquarie University Hospital
- Elizabeth is also Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee



Timothy Ebbeck
Independent Non-Executive Chairman

- Over 30 years of board, executive and advisory experience across a breadth of industries including technology, media, consulting, public sector and finance
- Currently the Chief Revenue Officer of MyWave and principal of Ebbeck Tim is Great Consulting
- Previously A/NZ MD of Automation Anywhere, Executive Chairman of IXUP, A/NZ MD of Oracle, Chief Commercial Officer of NBN Co, A/NZ CEO and APJ Chief Commercial Officer of SAP, CFO of Unisys South Pacific, Compaq Computers South Pacific, and TMP Worldwide Asia Pacific and Japan
- Tim is also Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee



Tom Matthews
Non-Executive Director
(Pemba Representative)

- Over 15 years of experience in private equity, principal investment, investment banking and middle market advisory and valuations
- Partner at Pemba, a leading private equity manager investing in small and mid-sized private businesses in Australia and New Zealand
- Prior to Pemba, Tom worked at UK-based specialist private equity fund Sovereign Capital Partners where he focussed on healthcare, education and businesses services sectors
- Tom previously worked with the investment banking group at Macquarie Bank focussing on principal investment opportunities, and gained experience at Deloitte Corporate Finance focussing on business valuations, independent expert's reports and corporate advice



Mark Summerhayes
Non-Executive Director
(Alternate Director to Tom Mathews)

- Currently Managing Director at Pemba Capital Partners, a leading investor in small and mid-sized private businesses in Australia and New Zealand
- Currently Chairman of the Board at Coverforce and a Director of Ausreo, Instant Access, InteriorCo and ReadyTech
- Previously a co-founder of SB Capital Partners, Managing Director at Smedvig Capital and a board member of Device Technologies
- Previously at Bain & Company advising corporates on a mix of strategy, M&A, and operational improvement projects

Management Team

Senior management



Marc Washbourne
CEO

- Marc Washbourne was one of the founders of the JobReady business and was appointed CEO in 2006
- As a former software developer, Marc brings to ReadyTech over 20 years of experience in technology and software solutions within the education and employment industries
- Marc has been an active member of the CEO Institute since 2011 and is a member of the advisory board of Year 13 Pty Ltd
- Marc was educated in the U.K. at the Royal Grammar School of High Wycombe and achieved a first-class degree in History from the University of Leeds



Nimesh Shah
CFO

- Nimesh has been the CFO of ReadyTech since August 2017
- Nimesh has over 20 years' experience as an executive in technology and online digital industries across Australia and many parts of Asia including over 7 years as Finance Director of Fairfax Digital
- Previous CFO experience for companies including pioneering social networking site, Friendster, Inc., and ASX-listed leading media intelligence organisation, iSentia Group Limited
- Nimesh holds an MBA from the Australian Graduate School of Management and a Bachelor of Commerce with Merit from the University of New South Wales. Nimesh is also a member of The Institute of Chartered Accountants in Australia

Business leadership



Daniel Wyner
Chief Executive, Employment

- GM of Employgroup since 2018
- Over 10 years of experience as an executive in the information, software and service industry
- Former Asia Pacific Regional Director at CCH Australia, owned by multinational global provider of professional information software solutions and services Wolters Kluwer. Previously Head of Strategy, Mergers & Acquisitions



Michael Benyon
Head of Revenue, Employment

- GM of HR3, Michael has experience spanning 35 years in payroll software.
- Michael has been instrumental in building HR3's trust, growth and influence in the payroll industry.
- Most recently, Michael worked with an advisory group with the ATO on the roll-out of Single Touch Payroll (STP).



Tony Jones
GM, JobReady

- Joined JobReady in an operational role in 2006
- Project Director of AVETARS for ACT State Government
- Previously worked on major IT transformation projects at Universal Music Group in UK



Trevor Fairweather
GM, VETtrak

- GM of VETtrak since 2018
- Over 20 years of experience in senior management and executive roles in the technology sector
- Previous experience at MYOB, Acendre and EstimateOne

GLOSSARY



A2E	Assess2Educate, a ReadyTech product
ACV	Annual contract value
ARPC	Average revenue per customer
CAC	Customer acquisition cost
CAGR	Compounded annual growth rate
CLTV	Customer lifetime value
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
CY	Refers to the calendar year ending 31 December
DHS	Department of Human Services
ELICOS	English Language Intensive Courses for Overseas Students
FY	Refers to the financial year ending 30 June
LMS	Learning management system
NPATA	Net profit after tax but excluding the non-cash amortisation of acquired intangibles (including customer-related intangibles and acquired software) from prior acquisitions undertaken by ReadyTech
SMS	Student management system
STP	Single Touch Payroll
WHS	Work, health and safety



ASX: RDY