

MARKET RELEASE (ASX: RDY)

Acquisition boosts ReadyTech's Government segment

Key highlights:

- ReadyTech has signed a Sale and Purchase Agreement (**SPA**) to acquire IT Vision.
- This acquisition enhances ReadyTech's position as a leading local government software provider with the addition of 190 local government customers.
- EPS accretive in FY22 on a pro-forma basis before synergies and excluding integration costs¹.
- Upfront Consideration of \$23.1 million using a combination of 50% cash and 50% scrip and Earnout Consideration up to an additional \$31.5 million subject to revenue and EBITDA milestones within a four-and-a-half-year period following the completion of the transaction.
- Upfront cash funding requirement of \$11.55 million will be funded via additional debt from existing facilities.

16 June 2022 – ReadyTech Holdings Limited (ASX:RDY) (**ReadyTech** or **Company**) (ABN 25 632 137 216), a SaaS provider of next generation cloud-based software to the education, workforce, government and justice sectors, today announces the signing of a Sale and Purchase Agreement (**SPA**) to acquire IT Vision.

ReadyTech strengthens its position as a leading local government software provider

IT Vision is a 30-year-old specialist in local government technology with a product suite supporting a broad range of functions across councils. With 190 local council customers, the majority of which are located in WA and SA. Recent expansion has also seen significant customer wins in QLD.

By joining forces with Open Office, IT Vision enables ReadyTech to grow its significant local government customer set, boosting the Company's position as a leader in the Local Government sector with a broad geographic footprint across all Australian states and territories.

Commenting on the acquisition, ReadyTech Co-Founder and CEO, Marc Washbourne said:

"The proposed acquisition is strategically important to ReadyTech's Government & Justice segment. We have been very impressed with the level of satisfaction from a loyal customer base and the sense of a customer community developed by an experienced and committed management team at IT Vision. The addition of IT Vision will bolster ReadyTech's position as a trusted technology partner to local government".

"In addition to extending ReadyTech's Government reach in WA, SA, NSW and QLD, we see considerable opportunity to cross-sell and upsell from ReadyTech's broader product set and increase share of wallet, given the digital transformation taking place in the government sector and the cloud transition already underway within IT Vision's customer base."

¹ EPS accretion on a FY22 proforma basis assumes IT Vision acquisition was under ReadyTech ownership for the full 12-month period from 1 July 2022 to 30 June 2022, and excludes acquisition and integration costs of \$1.5 million.



IT Vision transaction overview

IT Vision is expected to generate FY22F² revenue and EBITDA of \$12.5 million and \$2.5 million respectively.

The transaction has been structured to incentivise integration, revenue and earnings growth, as well as growth in recurring revenue contributions through contingent considerations against performance milestones and partial use of scrip.

Consideration consists of Upfront Consideration of \$23.1 million and Earnout Consideration up to an additional \$31.5 million, subject to the achievement of certain revenue and EBITDA milestones. Aggregate maximum consideration is \$54.6 million, based on a 3.5x multiple of \$15.6 million revenue milestone, in addition to recurring revenue and EBITDA margin milestones.

Upfront Consideration will be paid using a combination of 50% cash and 50% scrip. The upfront cash funding requirement of \$11.55 million will be funded through drawing additional debt from existing debt facilities. The Earnout Consideration will be payable in cash and/or scrip. Future cash payments to fund the Earnout Consideration are intended to be funded via existing cash and group operating cashflows.

Maximum leverage at the time of completion will be 1.5x proforma FY22 EBITDA. Leverage is expected to reduce below 1x EBITDA within 2 years of acquisition completion.

The acquisition is anticipated to be EPS accretive in FY22 on a pro-forma basis before synergies and excluding integration costs. Cost synergies are expected through the removal of duplication and improved operational efficiency.

Acquisition completion is expected by 31 July 2022 subject to satisfaction of conditions precedent, including necessary regulatory approvals (including necessary ASX waivers and confirmations), receipt of consents under material contracts, raising of debt funding sufficient for the transaction, no material adverse event occurring and key management not having terminated or resigned from their employment.

No shareholder approval is required for completion of the acquisition, however ReadyTech currently intends to seek certain shareholder approvals at its 2022 Annual General Meeting to be held in November 2022 in order to facilitate the payment of all or part of the Earnout Consideration in scrip (which will be at the election of the sellers).

ReadyTech reiterates FY22 revenue and earnings guidance

- ReadyTech re-affirms its guidance of FY22 organic revenue growth in the mid-teens with full 12 months FY21 Open Office revenue being \$18.3 million.
- The recent acquisitions of Open Windows, AVAXA and Phoenix HRIS are expected to contribute incremental \$2.4 million revenue at an EBITDA margin of 18% in FY22.
- FY22 EBITDA margin is expected to be in the range of 36% to 38%, excluding the impact of LTIP.

² IT Vision FY22F based on actual results to 30 May 2022 and 1 month forecast to 30 June 2022.



- ReadyTech re-affirms FY26 organic revenue target (excluding the impact of IT Vision) of over \$140 million.

Further information

Further details of the acquisition are set out in the Investor Presentation also lodged on the ASX today.

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This announcement has been authorised for release by the Board of Directors of ReadyTech Holdings Limited.

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About ReadyTech

ReadyTech is a leading provider of mission-critical SaaS for the education, employment services, workforce management, government and justice sectors. Bringing together the best in people management systems from students and apprentices to payroll, employment services, and community engagement, ReadyTech creates awesome technology that helps their customers navigate complexity, while also delivering meaningful outcomes. To learn more about ReadyTech's people-centric approach to technology, please visit www.readytech.io.