



16 June 2022

# Acquisition of IT Vision

Enhancing our position in the Government software sector

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# Acquisition highlights

# Transaction summary

<b>Acquisition of IT Vision</b>	<ul style="list-style-type: none"> <li>ReadyTech has signed an agreement to acquire IT Vision, a specialist provider of local government focused technology</li> <li>IT Vision has more than 30 years experience in local government software, with 190 customers in Australia and 55 employees across locations in Perth, Adelaide and Melbourne</li> <li>The transaction marks a continuation of ReadyTech's successful M&amp;A playbook and a track record of identifying and executing on highly strategic M&amp;A and accelerating growth in acquired companies</li> </ul>
<b>Deal structure</b>	<ul style="list-style-type: none"> <li>Upfront consideration of \$23.1 million to be paid using a combination of 50% cash and 50% scrip</li> <li>Earnout consideration up to an additional \$31.5 million (payable in cash and/or, subject to shareholder approval, ReadyTech shares)<sup>1</sup> subject to achievement of certain revenue and EBITDA milestones within a four-and-a-half-year period following the completion of the transaction</li> </ul>
<b>Strategic rationale</b>	<ul style="list-style-type: none"> <li>Significantly bolsters ReadyTech's position in local government software – ReadyTech becomes a major local government software provider of scale</li> <li>Accelerates path to cloud subscription for IT Vision's significant customer set</li> <li>Potential synergies including opportunity to cross-sell/upsell ReadyTech's broader product suite</li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>Upfront cash funding requirement of \$11.55 million will be funded via additional debt from existing facilities</li> </ul>
<b>Financial metrics</b>	<ul style="list-style-type: none"> <li>IT Vision expected to generate \$12.5 million of revenue and \$2.5 million of EBITDA in FY22<sup>2</sup></li> <li>Implied multiple for upfront consideration of 1.8x FY22F revenue and 9.2x FY22F EBITDA</li> <li>Implied multiple for maximum consideration payable of 3.5x revenue and 10.0x EBITDA (based on achieving earnout milestones)</li> <li>Transaction expected to be EPS accretive in FY22 on a pro-forma basis (excluding synergies and integration costs)<sup>3</sup></li> </ul>
<b>Completion</b>	<ul style="list-style-type: none"> <li>The acquisition is expected to complete by latest 31 July 2022</li> </ul>
<b>FY22 guidance re-affirmed</b>	<ul style="list-style-type: none"> <li>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</li> <li>Recent acquisitions of Open Windows, AVAXA and Phoenix HRIS expected to contribute incremental \$2.4 million revenue at an EBITDA margin of 18% in FY22</li> <li>FY22 EBITDA margin is expected to be in the range of 36%-38% excluding the impact of LTIP</li> <li>ReadyTech re-affirms FY26 organic revenue target (excluding the impact of IT Vision) of over \$140 million</li> </ul>

<sup>1</sup> ReadyTech will seek shareholder approval at its next annual general meeting to issue redeemable preference shares to the vendors of IT Vision which will be convertible into ReadyTech shares based on the lower of the 5-day and 3-month VWAP of ReadyTech shares prior to allotment. If shareholders do not approve the issue of the redeemable preference shares, all earnout payments must be paid in cash. Completion of the acquisition of IT Vision is conditional on, amongst other matters, ASX approving the terms of the redeemable preference shares. See slide 11 for further details.

<sup>2</sup> IT Vision FY22F based on actual results to 30 May 2022 and 1-month forecast to 30 June 2022.

<sup>3</sup> 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 2023, and excludes acquisition and integration costs of \$1.5 million.

# ReadyTech is executing on its vertical SaaS playbook

IT Vision addition will benefit from ReadyTech's operating model to optimise growth

**Education**  
Student Management & Work Pathways

**Workforce Solutions**  
Payroll, HR & Workforce Management

**Government**  
Local/State Government & Justice Case Management

**Shared platform – Best practice SaaS**  
Principles: Customer Centric – Usability – Configurability – Agility

**Technology & Product**

**Customer**

**Product Strategy**  
Market Fit & Agility

**Software Development**  
Quality & Velocity

**Infrastructure & Security**  
Scale & Efficiency

**Brand & Marketing**  
Awareness & Lead Generation

**Sales Excellence**  
New & Upsell/  
Cross-Sell

**Customer Success**  
Retention & Advocacy

**One high-performing ReadyTech culture**  
Customer and future focused



**Customers**

Adds 190 loyal and strategic customers to ReadyTech with strong expansion opportunities



**Growth**

Accelerate growth opportunity for IT Vision via optimized product set, cloud / SaaS transition strategy and elevated sales, marketing and customer success practices



**People**

Adds 55 specialist local government and technology experts

# Strategic rationale

## IT Vision is a strong strategic fit and complements ReadyTech's existing government software exposure

<p><b>Consolidates leading market position in local government software</b></p>	<ul style="list-style-type: none"> <li>• Along with the previous acquisition of Open Office, IT Vision will enable ReadyTech to become one of the leading government software providers by volume, through the addition of 190 new strategic customers</li> <li>• Acquisition is in-line with ReadyTech's strategy of bolstering its position as a trusted technology provider to local government</li> </ul>
<p><b>Mission critical software and sticky and loyal customers</b></p>	<ul style="list-style-type: none"> <li>• Unique opportunity to acquire a significant and strategic set of high-value, enterprise grade local government customers which would have been difficult and taken considerable time to acquire otherwise</li> <li>• Majority of IT Vision's customers are local councils in Australia, primarily in WA (HQ) and SA, as well as recent new customer wins in QLD</li> <li>• Long-term and sticky customers due to 'mission critical' nature of technology coupled with high level of customer satisfaction and trust</li> </ul>
<p><b>Optimised local government product offering</b></p>	<ul style="list-style-type: none"> <li>• Strategic opportunity to develop an optimal local government product suite leveraging modular cloud architecture through the combination of Open Office and IT Vision</li> <li>• Accelerate transition to cloud and to subscription model for IT Vision customers, unlocking value within their existing base and grow 'share of wallet' over time, including Open Office customers</li> <li>• Opportunity to offer wider Open Office/Open Windows product set to IT Vision customer base to drive new upsell and cross-sell opportunities</li> </ul>
<p><b>Leverage ReadyTech's operating scale</b></p>	<ul style="list-style-type: none"> <li>• Enjoy benefits of scale, knowledge sharing and market intelligence, expanded geographic reach including expanded salesforce, implementation and customer service footprint</li> <li>• Significant expansion of resources and capability in go-to-market activities across sales and marketing, business development and account management</li> <li>• Expanded team of highly specialised and sought-after local government expertise across implementations and customer service</li> </ul>
<p><b>Strong local government expertise and incentivised management team</b></p>	<ul style="list-style-type: none"> <li>• Existing IT Vision management to join ReadyTech bringing considerable knowledge and specialist local government market skills</li> <li>• Management team highly incentivised to integrate and grow revenue and earnings via the deal structure with deferred payment contingent on revenue and EBITDA performance milestones</li> </ul>

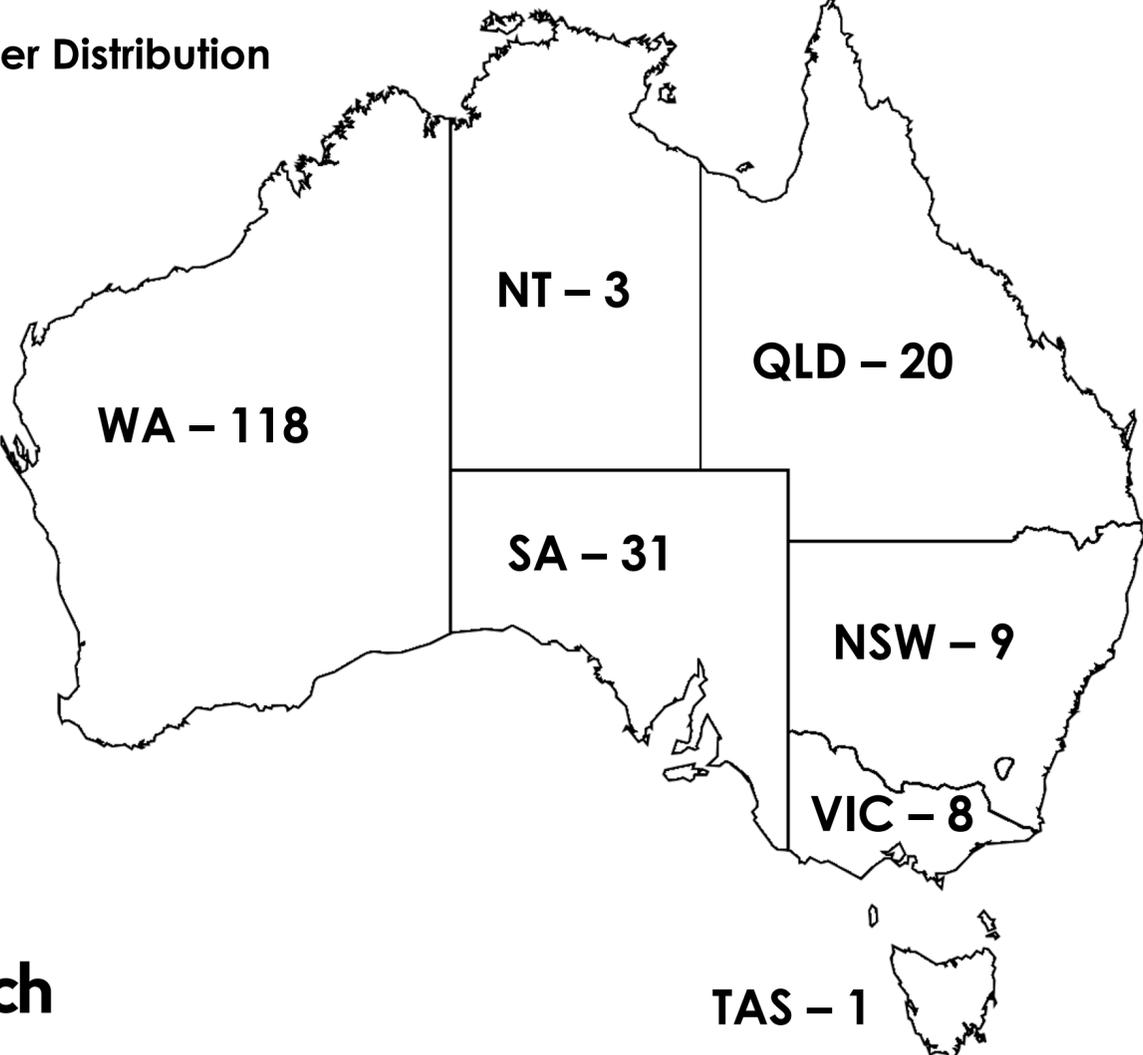
# IT Vision delivers significant value to ReadyTech

The acquisition of IT Vision will greatly enhance ReadyTech’s customer footprint and ability to service local governments across Australia

IT Vision enjoys strong local government market positions in WA and SA and has seen a growing customer set in QLD which will enhance ReadyTech’s traditional market and customer focus in VIC, TAS and NSW.

ReadyTech will benefit from a highly experienced, respected and specialised local government management team who are highly incentivised to integrate with ReadyTech and to grow customers, subscription revenue and EBTIDA.

IT Vision Customer Distribution



- Nigel Lutton**  
CEO (Director)
- Angelo Nardi**  
Manager Sales (Director)
- Steve Tilden**  
Manager Development (Director)
- Adrian Halid**  
Chief Technology Officer (Director)

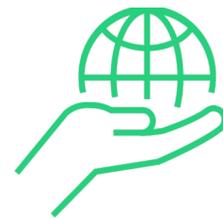
# A range of opportunities exist to optimise growth

How we will drive synergies and deliver new value for customers and ReadyTech



## Expanded customer set

- Alongside Open Office, IT Vision strengthens ReadyTech's status as a leading and trusted local government software provider of choice
- Opportunity to leverage a wider network of references, referral customers and relationships to support the acquisition of new customers and grow value with existing customers
- Significant opportunity to accelerate IT Vision customer transition to cloud subscription and grow 'share of wallet' over time including offering Open Office and Open Windows modules



## Product & Technology

- Opportunity to optimise product market-fit for local government through combination of IT Vision and ReadyTech product set and technology
- Opportunity to consolidate and concentrate technology resources on a unified offering to strengthen competitive offering and deliver new value to customers more rapidly
- Plan to streamline a highly repeatable and efficient transition to cloud subscription product to unlock additional value for existing IT Vision customers and further deepen relationships



## People

- Significant expansion of resources and capability in go-to-market activities across business development/sales, account management and marketing
- Sharing of industry knowledge/market intelligence Australia-wide with enhanced presence in WA and SA, complementing existing presence in VIC, NSW, QLD and TAS
- Expanded and concentrated team of highly specialised and sought-after local government expertise across implementations and customer service

# Consideration payable and funding structure

## Consideration structure

- Upfront Consideration of \$23.1 million paid using a combination of 50% cash and 50% scrip
- Earnout consideration up to an additional \$31.5 million paid subject to achievement of certain revenue and EBITDA milestones paid using a combination of cash and/or, subject to shareholder approval, ReadyTech shares<sup>1</sup>
- Transaction multiple for Upfront Consideration of 1.8x FY22F revenue and 9.2x FY22F EBITDA
- Transaction multiple for Maximum Consideration of 3.5x revenue and 10.0x EBITDA (based on achieving earnout 3 milestones)

## Transaction funding

	Maximum consideration for tranche (\$m)	Aggregate maximum consideration (\$m)	Implied EV/Revenue <sup>2</sup>	Implied EV/EBITDA <sup>2</sup>
<b>Upfront</b>	23.1	23.1	1.8x	9.2x
<b>Earnout 1</b>	6.0	29.1	2.1x	9.5x
<b>Earnout 2</b>	11.0	40.1	2.7x	9.1x
<b>Earnout 3</b>	14.5	54.6	3.5x	10.0x

- Total consideration value of up to \$54.6 million based on 3.5x multiple of \$15.6 million revenue milestone with an EBITDA margin contribution of 35%
- The maximum upfront cash funding requirement of \$11.55 million will be funded via additional debt from existing facilities
- Future cash earnouts are intended to be funded via existing cash, group operating cashflows and/or additional debt

<sup>1</sup> Refer to slide 11 for further details.

<sup>2</sup> Upfront multiples based on FY22F revenue and EBITDA and multiples on earnout tranches 1,2 and 3 based on respective revenue and EBITDA targets.

# Transaction structure and consideration

<b>Conditions</b>	<p>Acquisition completion is expected by 31 July 2022 subject to satisfaction of conditions precedent, including ReadyTech obtaining all 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.</p>
<b>Initial consideration</b>	<ul style="list-style-type: none"> <li>• Initial upfront consideration of \$23.1 million:             <ul style="list-style-type: none"> <li>◦ \$11.55 million payable in cash</li> <li>◦ \$11.55 million payable through the issue of ReadyTech shares based on the lower of the 5-day and 30-day VWAP of ReadyTech shares prior to allotment</li> </ul> </li> <li>• Ordinary shares issued to IT Vision vendors subject to escrow until the release of ReadyTech's 31 December 2022 audited half year accounts</li> </ul>
<b>Earnout consideration across 3 tranches</b>	<ul style="list-style-type: none"> <li>• Earnout consideration of up to a total of \$31.5 million across three earnout tranches:</li> <li>• <b>Tranche 1:</b> A further \$6.0 million is payable provided that in any 12-month period in the 4.5 years following completion IT Vision achieves total revenue of at least \$13.9 million in any 12-month period with at least 65% of the total revenue being recurring revenue and an EBITDA margin of at least 22% on total revenue</li> <li>• <b>Tranche 2:</b> A further \$11.0 million is payable provided that in any 12-month period in the 4.5 years following completion IT Vision achieves total revenue of at least \$14.7 million in any 12-month period with at least 70% of the total revenue being recurring revenue and an EBITDA margin of at least 30% on total revenue</li> <li>• <b>Tranche 3:</b> A further \$14.5 million is payable provided that in any 12-month period in the 4.5 years following completion IT Vision achieves total revenue of at least \$15.6 million in any 12-month period with at least 70% of the total revenue being recurring revenue and an EBITDA margin of at least 35% on total revenue</li> </ul>
<b>Earnout consideration payments</b>	<ul style="list-style-type: none"> <li>• The earn out consideration may be paid in cash and/ or, subject to shareholder approval, ReadyTech shares, at the vendors' election<sup>1</sup></li> <li>• Pricing of scrip for earnout payments based on the lower of the 5-day and 3-month VWAP of ReadyTech shares prior to allotment</li> <li>• Each tranche of earnout payments received in ReadyTech ordinary shares will be escrowed until the release of the next reporting cycle's audited accounts</li> </ul>

<sup>1</sup> ReadyTech will seek shareholder approval at its next annual general meeting to issue redeemable preference shares to the vendors which will be convertible into ReadyTech shares based on the lower of the 5-day and 3-month VWAP of ReadyTech shares prior to allotment. Completion of the acquisition of IT Vision is conditional on, amongst other matters, ASX approving the terms of the redeemable preference shares. The vendors can elect how the earnout consideration is split between cash and ReadyTech shares, subject to the following: (1) the vendors cannot elect to take more than 50% of any earnout consideration payment in cash. However, if the issue price of ReadyTech shares is equal to or less than \$2.00 per share, ReadyTech can determine how the payment is split between cash and ReadyTech shares (provided that the proportion of such ReadyTech shares will not be greater than the proportion of ReadyTech shares indicated in the relevant vendor election, except with consent of the vendor); and (2) subject to shareholders approving the issue of the redeemable preference shares for the purposes of Listing Rule 7.1, the redeemable preference shares will be convertible into a maximum of 15,750,000 ReadyTech shares (which will be able to be issued as earnout consideration). If this maximum cap is reached, the balance of any earnout payments must be paid in cash. If shareholders do not approve the issue of the redeemable preference shares, all earnout payments must be paid in cash.

# Trading update

# FY22 trading update

## ReadyTech re-affirms 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
- 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%-38% excluding the impact of LTIP
- IT Vision expected to generate \$12.5 million of revenue and \$2.5 million of EBITDA in FY22
- ReadyTech re-affirms FY26 organic revenue target (excluding the impact of IT Vision) of over \$140 million

# Thank you

For more information please contact –

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