

MARKET RELEASE (ASX:RDY)

## ReadyTech delivers continued strong performance in FY23 with growth outlook driven by enterprise strategy.

**23 August 2023** – ReadyTech Holdings Limited (**ReadyTech** or **Company**), a SaaS provider of next generation cloud-based software to the education, workforce, government and justice sectors is pleased to announce its results for the financial year ended 30 June 2023 (**FY23**) delivering a strong result in terms of revenue growth and margins.

### **FY23<sup>1</sup>: continued solid growth across all key metrics**

- Revenue up 31.9% to \$103.3 million
  - Like-for-like<sup>2</sup> revenue growth of 13.1%
- Recurring revenue of \$84.3 million, representing 82% of total revenue
- 11 major landmark enterprise contracts signed totalling \$12.4 million in deal value<sup>3</sup>
- 74% increase in average revenue per new customer to \$95.6k
- Underlying EBITDA<sup>4</sup> of \$34.8 million which is a growth rate of 21.7%
  - Underlying EBITDA margin<sup>4</sup> of 35.6% on a like-for-like<sup>2</sup> basis (FY22: 35.1%)

Commenting on the FY23 result, ReadyTech Co-Founder and CEO Marc Washbourne said:

“ReadyTech delivered another financial year of strong like-to-like revenue growth while increasing recurring SaaS revenue and earnings across all segments. The solid FY23 performance was achieved through our approach of positioning, implementing and supporting our next generation cloud-based software across the education, employment services, workforce management, government and justice sectors.”

“At the heart of the company has always been a culture of innovation, and ReadyTech is now well placed to capitalise on the AI revolution with access to high-quality data and many years of R&D investment. I am excited to leverage emerging technologies to augment our products and deliver additional value to our customers.”

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<sup>1</sup> All figures are in AUD and comparisons are made against FY22 unless specified.

<sup>2</sup> Like-for-like compares organic results excluding the impact of IT Vision.

<sup>3</sup> Deal value equals first-year annualised subscription and implementation fees.

<sup>4</sup> FY23 underlying results exclude LTIP costs of \$1.8m, accounting impact of contingent consideration of \$2.9m, and non-recurring costs of \$3.5m (which includes impact of takeover defence and acquisition-related transaction costs).



"Our focused enterprise strategy is driving momentum and we are delivering growth through the acquisition of high-value enterprise customers across all segments. The strategic plan, investments and our growing track record have positioned ReadyTech well to target serviceable markets of over \$970 million<sup>5</sup> across each of our segments. Our high-conviction pipeline of new customers continues to mature, and now exceeds \$28 million reflecting unprecedented demand for our products, and a positive indication for the year ahead."

### **Delivering profitable growth**

Revenue was \$103.3 million, an increase of 13.1% on a like-for-like basis<sup>6</sup>. The highly valued subscription revenue was \$84.3 million, representing a healthy 82% of total revenue.

During FY23 ReadyTech signed 11 new landmark enterprise contracts with total deal value of \$12.4 million. As the Company continues to successfully target high-value and enterprise customers, the average revenue per new customer increased markedly by 74% to \$95,600.

With continued and disciplined investment for growth, expenses added to \$68.5 million, up 14.9% on a like-for-like basis. This included continued investment in Research and Development – an important driver of long-term and sustainable growth, representing 30.7% of revenue.

Underlying EBITDA was \$34.8 million, representing an EBITDA margin of 33.7%. Excluding the Impact of IT Vision, the EBITDA margin was 35.6%. The underlying cash EBITDA margin was 16.3%, including investments for enterprise growth and the impact of recently acquired lower-margin businesses.

### **Continued growth in Education & Work Pathways**

Education & Work Pathways revenue increased 16.4% to \$36.1 million, with recurring revenue of \$30.3 million. The additional revenue was driven by focus on strong product-market fit and targeted investment in sales and marketing, reflected in pipeline conversion and the recent customer wins including UNSW College, Training Services NSW (Phase 2) and TAFE SA (Ready Skills product).

ReadyTech is well positioned to continue to drive growth across Education & Work Pathways segment, with many education institutions expected to replace legacy technology with cloud solutions in the near future. In this segment, interoperability is essential to connect complex ecosystems of education software and ReadyTech has built a reputation for providing flexibility, choice and innovation.

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<sup>5</sup> Management estimates by internal market/customer analysis.

<sup>6</sup> Like-for-like compares organic results excluding the impact of IT Vision.



## **Strong margin in Workforce Solutions**

In the Workforce Solutions segment ReadyTech won 78 new customers in FY23 with an average deal value of \$46,500, up 46% compared to FY22. The recent customer wins drove software revenue to \$19.3 million, an increase of 20.4%, whilst the managed services revenue grew 12.2% to \$9.2 million. EBITDA (excluding LTIP) grew 21.4% to \$11.4 million at a 40% EBITDA margin.

The industry vertical strategy continues to deliver new customer growth through ReadyTech's all-in-one workforce management offering which is able to replace legacy systems with a single cloud solution. The new employee experience gateway, Ready People, is a compelling example of applying an open ecosystem to elevate the user experience. This segment is expected to continue to deliver strong growth in FY24.

## **Recent customer wins deliver growth in Government & Justice**

The Government & Justice segment delivered revenue growth of \$38.7 million which is a 61.9% growth rate. Excluding the impact of IT Vision, the segment delivered a growth rate of 5.7% to \$26.1 million. In FY23, government revenue was impacted by downgrades of primarily project-based and non-recurring revenue by a number of State Government customers worth \$2.0m.

In FY24, Government & Justice revenue growth is expected to return to the mid-teens level, supported by multiple recent customer ERP wins, committed cloud upgrades for IT Vision and a strong high conviction pipeline.

The segment delivered EBITDA margin, excluding IT Vision, of 31.1%. For IT Vision, FY23 revenue was \$12.6 million with a 21.7% EBITDA margin, with margin improving to 27% in H2 and in line with plan.

## **Positive outlook for FY24 and FY26 targets expanded**

Commenting on ReadyTech's outlook Mr Washbourne said:

"We continue to experience strong demand for ReadyTech's mission-critical SaaS across our target verticals. With a high conviction pipeline of \$28 million and \$12.4 million of new enterprise contracts signed in FY23, the Company is well-positioned to continue to deliver solid revenue growth and strong margins."

"In FY24, organic growth is expected to be in the mid-teens whilst EBITDA margin is expected to be between 34% to 35%, excluding the impact of LTIP (EBITDA margin excluding IT Vision and LTIP to be in the range of 36% to 37%). Labour capitalisation as a percentage of revenue is projected to reduce to 14% to 15%."

"Given the ongoing momentum of enterprise customers, our medium-term revenue target for FY26 is retained at >\$160 million, and as the Company delivers operating leverage from the enterprise strategy, EBITDA margins are expected increase to high 30% with labour capitalisation to be in the range of 12% to 13% of revenue."



**Analyst conference call details:**

An investor call will be hosted by Marc Washbourne (Co-Founder and CEO) and Nimesh Shah (CFO) at 10:30am AEST today.

Attendees can register for the call via the following link, and will receive their dial-in details upon registration: <https://s1.c-conf.com/diamondpass/10030731-ou75r9.html>

**– ENDS –**

*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](http://www.readytech.io).

