



# 1H20 RESULTS PRESENTATION.

28 FEBRUARY 2020.



# IMPORTANT NOTICE

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All dollar values are in Australian dollars (A\$) unless otherwise stated.

## Definitions

1H19 = six months ended 31 December 2018

2H19 = six months ended 30 June 2019

FY19 = financial year ended 30 June 2019

1H20 = six months ended 31 December 2019

2H20 = six months ended 30 June 2020

FY20 = financial year ended 30 June 2020

EBITDA\* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses)

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

Recurring revenue\* = recurring maintenance, support, dedicated service and licence revenue

Non-recurring revenue\* = service/project revenue, non-recurring licence revenue and hardware/software sales

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

# Hansen Today.

A global technology company serving the Energy, Water and Communications industries

**550+**

Customers  
Globally

**80+**

Countries

**48/50%**

Balanced  
Portfolio

UTILITIES



A global challenger to  
SAP and Oracle.

COMMUNICATIONS



Agile innovation & anti-  
monolithic

# Our Mission.

To enable our customers to provide and monetize the essential services of today and tomorrow

# Our Strategy.

## Diversification

- Continue to strategically diversify our business by vertical, geography and customer
- Acquire businesses that are within or adjacent to our core competencies, own their IP, have high recurring revenues and extend Hansen's footprint into attractive market segments

## Leverage our global experience

- Share learnings and product development across different markets
- Cross-sell Sigma's products into the energy sector
- Use existing assets to expand into new geographic markets

## Evolution and growth of Cloud/SaaS model

- Continued positioning and growth of SaaS agreements
- From ground to cloud product evolution

## UTILITIES



To transform our customers from 'utilities' to suppliers of new essential service products

## COMMUNICATIONS



To enable CSPs to innovate freely, and seize the 5G opportunity

# 1H20 RESULT OVERVIEW.

<b>Revenue</b>	<ul style="list-style-type: none"><li>▪ <b>\$144.3m, 28% up</b> on \$112.4m in 1H19, with Sigma (acquired June 2019) contributing \$34.9m</li><li>▪ Recurring revenue increased to nearly 67% of the total, up from 62.4% in 1H19</li></ul>
<b>EBITDA</b>	<ul style="list-style-type: none"><li>▪ Underlying EBITDA<sup>1</sup> of <b>\$34.1m, 20% up</b> on the \$28.5m in 1H19, with Sigma contributing \$6.5m</li></ul>
<b>NPATA</b>	<ul style="list-style-type: none"><li>▪ Underlying NPATA<sup>2</sup> of <b>\$18.2m, 3% up</b> on 1H19</li></ul>
<b>EPS</b>	<ul style="list-style-type: none"><li>▪ Adjusted EPS<sup>3</sup> of <b>9.2 cents, 2% up</b> on 1H19</li></ul>
<b>Cash flow</b>	<ul style="list-style-type: none"><li>▪ Seasonally low, as is usual for first half, due to working capital build which will reverse in 2H</li><li>▪ \$8.0m of debt was repaid during 1H20, and nearly \$6m repaid so far in 2H20</li></ul>
<b>Dividend</b>	<ul style="list-style-type: none"><li>▪ Interim dividend of <b>3.0 cents</b>, partially franked</li></ul>
<b>Operationally</b>	<ul style="list-style-type: none"><li>▪ A record half of new deal signings</li><li>▪ Includes another major signing recently with Fortum for a new CIS in Norway</li></ul>
<b>FY20 Outlook</b>	<ul style="list-style-type: none"><li>▪ Revenue guidance range revised to \$300m to \$305m (from \$305m to \$310m)</li><li>▪ Underlying EBITDA guidance range revised to \$72m to \$77m (from \$70m to \$76m)</li></ul>

*For comparative purposes, the 1H20 results above exclude the impact of the adoption of AASB 16. A reconciliation to the reported results for 1H20, including the impact of adopting AASB 16 is shown on page 14*

1. Underlying EBITDA excludes one-off costs (refer Note 4 to the Financial Statements), net foreign exchange gains (losses) and impact of AASB 16
2. Underlying NPATA = Net profit after tax excluding tax effected amortisation of acquired intangibles and one-off costs (refer page 14 for reconciliation)
3. Adjusted Basic EPS, based on Underlying NPATA

# 1H20 ... A RECORD NUMBER OF NEW WINS.

Continued growth of our dominant position in the vibrant Nordic energy market



Fortum, the largest electricity retailer in the Nordics, will now use our CIS for its two large retailers in Norway, following the implementation in Finland



Lumme Energia, a leading energy retailer in Finland, will utilise our CIS (which will be our third deployment in Finland) and our Insight analytics tool



Entelios, a leading Northern European energy supplier, will now use our CIS in Sweden and Finland, in addition to Norway and Denmark



Finnish-based Elenia is implementing our next-generation, SaaS delivered MDM product, specifically designed for the Nordic energy market datahubs

5G and continued product & service innovation in Comms fuels new logo growth



Airtel, one of the top 5 mobile service providers globally and the largest in India, is deploying Sigma's Catalog, CPQ and Order Management products



SmarTone, a leading telco in Hong Kong & Macau, will utilize the majority of Sigma's product portfolio



Vocus Communications of Australia is also deploying the majority of Sigma's product portfolio

# 1H20 ... A RECORD NUMBER OF NEW WINS (CONT.).

**Accelerated digital enablement sees Sigma's portfolio move into the energy market**



Representing the first cross-sell by Sigma into our energy customer base, Simply Energy in Australia is deploying Sigma's Catalog and CPQ products, working in tandem with our existing CIS, allowing Simply Energy to further digitally enable their business and traverse new complexities in the energy market

**Comprehensive product upgrade generates new customer win**



Aurora Energy, Tasmania's leading energy retailer, is implementing our Australian-compliant energy CIS that has recently been significantly enhanced to increase flexibility and configurability, focussing on speed to market of new offers and digitizing customer engagement. The deployment will be cloud-based and delivered under a SaaS model

**Product strength drives new implementations**



For TDC Group in Denmark, the SaaS deployment of our convergent billing platform for telcos

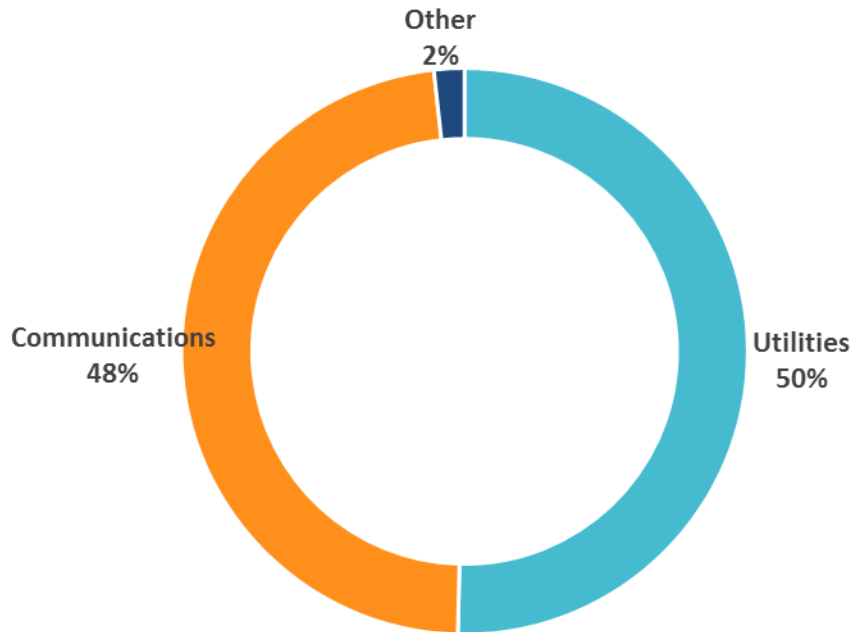


1Sat (operating as BlueTV), a new DTH pay-TV operator in Brazil, is implementing our function-rich pay-TV CIS

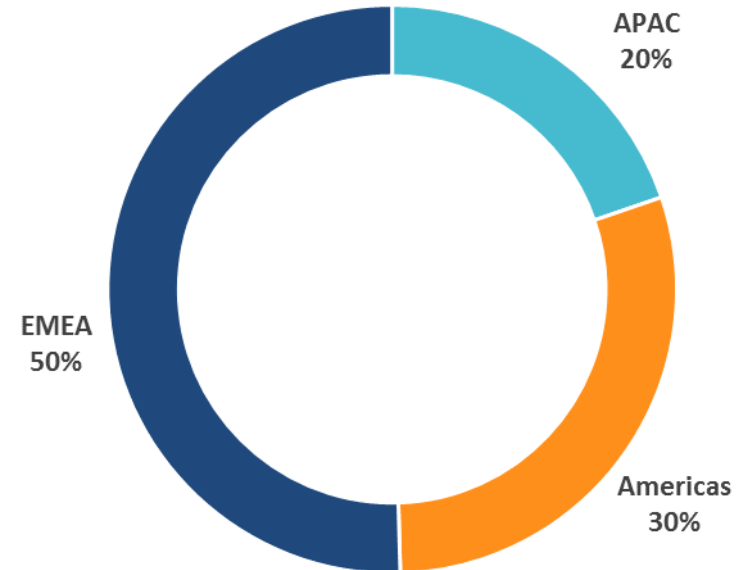
# REVENUE SPLIT.

A balanced portfolio – both by vertical and region

## REVENUE BY VERTICAL



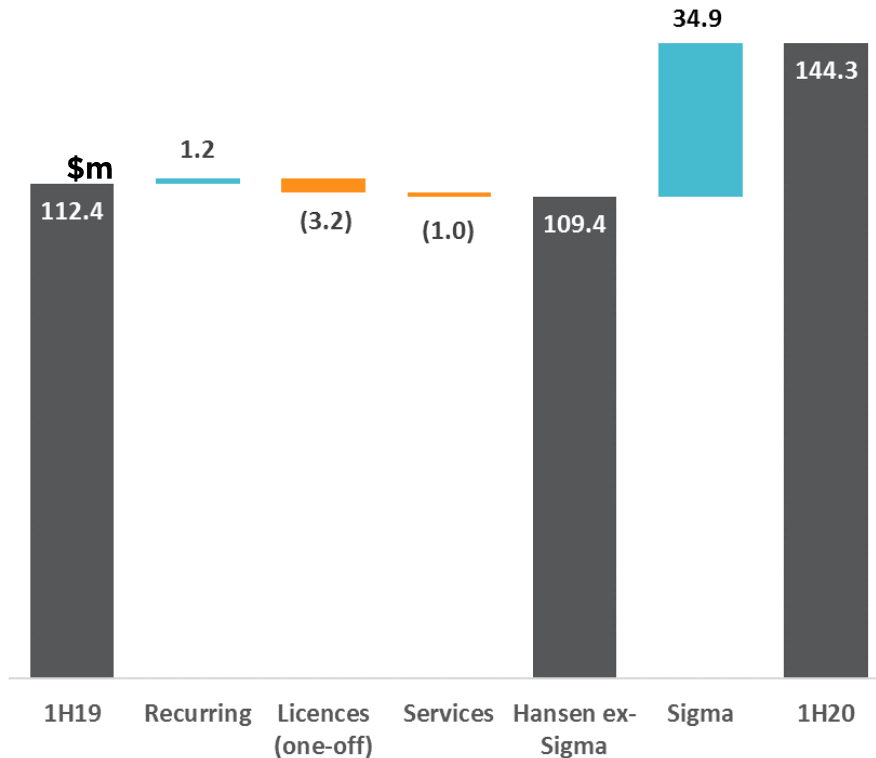
## REVENUE BY REGION



Based on 1H20 operating revenue



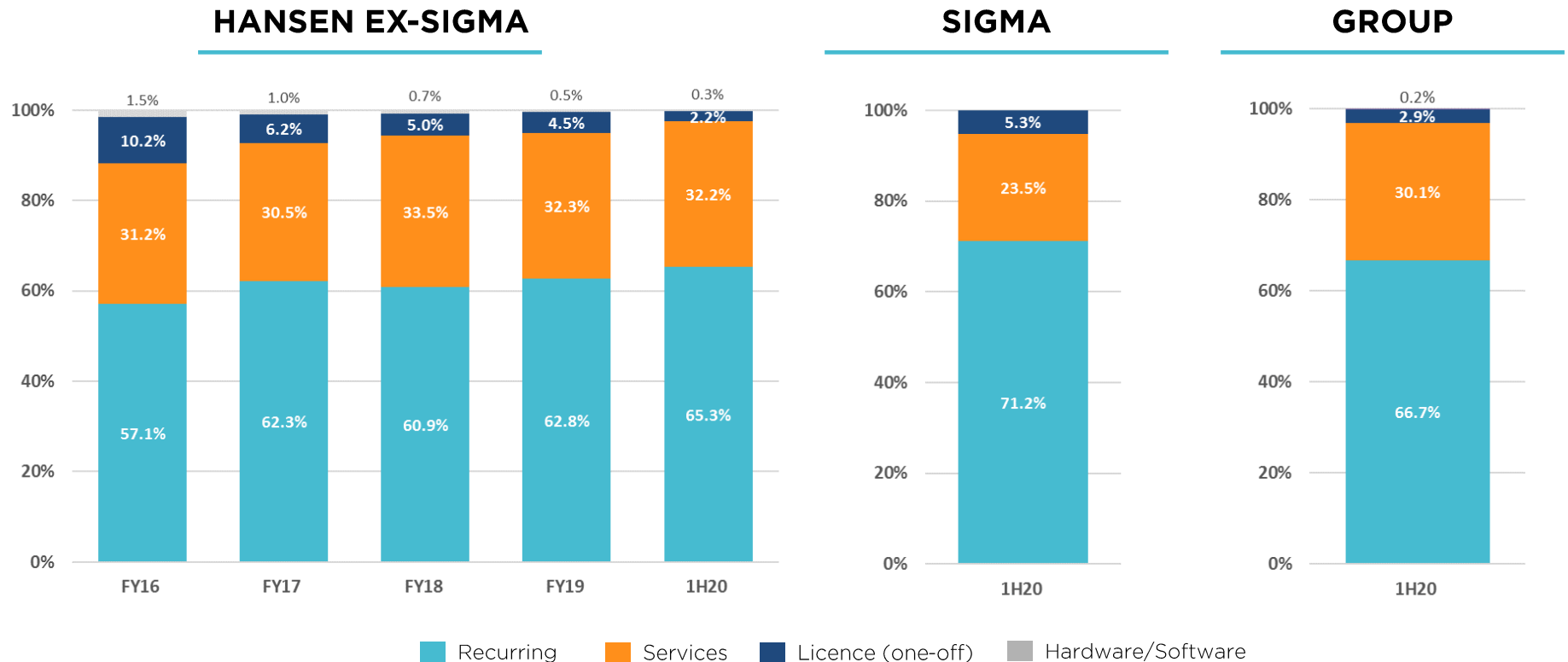
# REVENUE BRIDGE 1H19 TO 1H20.



- **1H20 revenue for Hansen ex-Sigma of \$109.4m** was \$3.0m lower than 1H19:
  - Recurring revenue was up \$1.2m
  - One-off licence fees declined by \$3.2m, such that they represented only 2.2% of revenue in 1H20 compared to 5.0% in 1H19
  - Services revenue declined by \$1.0m, with key factors being: the closure of a consulting business within Enoro in 2H19 (which contributed \$1.1m in 1H19); and the continued reduction in call-centre revenue in the US (which was \$0.7m lower)
  
- **1H20 revenue for Sigma in it's first full 6 month period was \$34.9m**
  - Notwithstanding that an additional \$2.3m of revenue would have been recognised by Sigma during 1H20 if not for AASB 15, and the business is transitioning to more of a recurring revenue model (which has the effect of dampening current revenues), the revenue for the half was softer than expectations as some anticipated new customer wins with up-front licence fees did not close during the half
  
- Currency movements had a very modest positive impact on 1H20 revenue

# RECURRING REVENUE.

- 1H20 recurring revenue for the group rose to nearly 67% for the half, up from 62.4% in 1H19**
  - Recurring revenue for Hansen ex-Sigma increased to over 65% for the half, as one-off licence fees (which accounted for 2% of revenue) continue to reduce as more clients transition to a SaaS-type revenue model
  - 71% of Sigma's revenue was recurring, and 5% was non-recurring licence fees - which while they were anticipated to be higher for the half, are expected to trend down over time as the business transitions to more recurring revenues



# UNDERLYING EBITDA.

A\$m	1H19	1H20		Group
		Hansen	Sigma	
Operating Revenue	112.4	109.4	34.9	144.3
Other income	1.4	1.0	0.2	1.1
Remuneration	(66.3)	(65.9)	(21.6)	(87.5)
Other expenses	(24.4)	(22.7)	(10.6)	(33.3)
R&D Exp Capitalised	5.3	5.8	1.4	7.2
<b>Total expenses</b>	<b>(85.4)</b>	<b>(82.9)</b>	<b>(30.8)</b>	<b>(113.7)</b>
<b>EBITDA</b>	<b>28.5</b>	<b>27.6</b>	<b>4.2</b>	<b>31.8</b>
Non-recurring items			2.3	2.3
<b>Underlying EBITDA</b>	<b>28.5</b>	<b>27.6</b>	<b>6.5</b>	<b>34.1</b>
Underlying EBITDA Margin	<b>25.3%</b>	<b>25.2%</b>	<b>18.6%*</b>	<b>23.6%</b>

\* If the \$2.3m of revenue not recognised because of AASB 15 was included, the underlying EBITDA for Sigma would have been \$8.8m and the EBITDA margin would have been 23.7%

*For comparative purposes, the 1H20 results above **exclude** the impact of the adoption of AASB 16. A reconciliation to the reported results for 1H20, including the impact of adopting AASB 16 is shown on page 14*

- **1H20 Group underlying EBITDA of \$34.1m** was 19.7% up on the \$28.5m in 1H19, with the increase driven by the contribution from Sigma after being acquired in June 2019
- **1H20 EBITDA for Hansen ex-Sigma of \$27.6m** was \$0.9m (3.2%) lower than 1H19, primarily a function of the \$3.0m lower operating revenue as overall operating expenses were lower. The underlying EBITDA margin remained essentially flat at 25.2% compared to 1H19, and improved upon the 23.9% margin in 2H19 – with the benefits of the Vietnam development centre yet to flow through
- **1H20 underlying EBITDA for Sigma of \$6.5m** equated to an EBITDA margin of 18.6%. Whilst higher revenues are expected from this business, some necessary restructuring has already occurred with the departure of some senior corporate services personnel. Restructuring costs (largely redundancy payments) of \$2.3m were incurred during 1H20, and approximately \$1.0m is anticipated in 2H20

# 1H20 CASH FLOW.

A\$m	1H19	2H19	1H20 Comparable	Lease Reversal	1H20 Reported
<b>EBITDA</b>	<b>28.5</b>	<b>24.6</b>	<b>31.8</b>	3.7	<b>35.5</b>
Working capital/other	(8.0)	7.6	(7.8)	0.3	(7.5)
Net interest	(0.6)	(1.4)	(3.7)	(0.6)	(4.4)*
Income tax	(3.5)	(3.2)	(5.4)		(5.4)
<b>Operating cash flow</b>	<b>16.3</b>	<b>27.6</b>	<b>14.9</b>	<b>3.3</b>	<b>18.2</b>
Capex	(0.9)	(2.1)	(2.8)		(2.8)
Capitalised development costs	(5.3)	(5.6)	(7.2)		(7.2)
<b>Free Cash Flow</b>	<b>10.1</b>	<b>19.9</b>	<b>4.9</b>		<b>8.3</b>
Acquisitions	0.0	(159.4)	0.0		0.0
Transaction costs & deferred remuneration		(4.3)	0.0		0.0
Share issues	0.4	0.1	0.3		0.3
Borrowing proceeds (payments)	(4.7)	165.5	(8.0)		(8.0)
Repayment of lease liabilities			(0.1)	(3.3)	(3.4)
Dividends (net of DRP)	(7.3)	(5.3)	(4.9)		(4.9)
<b>Net Cash Flow</b>	<b>(1.5)</b>	<b>16.6</b>	<b>(7.7)</b>		<b>(7.7)</b>
FX impact on cash balances	0.4	(0.5)	(0.7)		(0.7)
<b>Cash Balance</b>	<b>22.2</b>	<b>38.3</b>	<b>29.9</b>		<b>29.9</b>

\* Refer to Consolidated Statement of Cash Flows in the Interim Financial Report for the composition of this payment

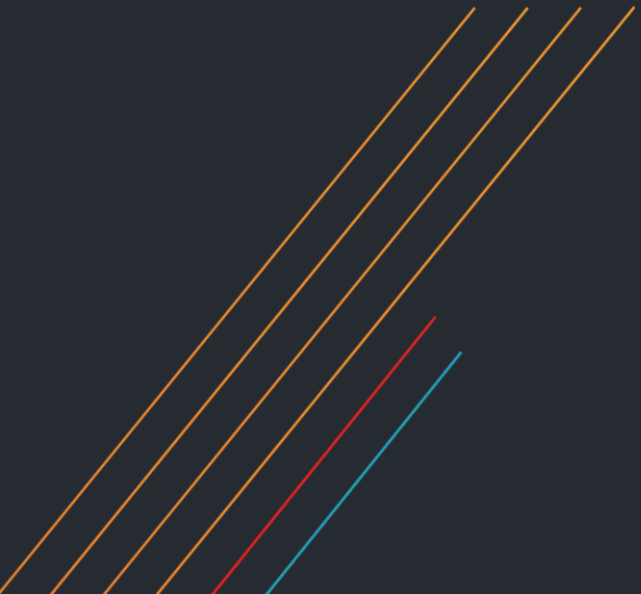
- As has become normal for our first half, working capital increased during 1H20 as receivables significantly increased at the end of the period (primarily due to seasonal northern hemisphere invoicing). As occurred in 2H19, this is expected to reverse in the second half, with an improved working capital position of \$6.7m flowing through in January 2020 such that cash at the end of January was approximately \$43m
- Income tax paid of \$5.4m was high on a relative basis as current tax liabilities have been fully paid
- Capital expenditure on plant & equipment of \$2.8m for the half was also higher than normal due to server replacements in our data centres as well as security upgrades
- \$8.0m of borrowings was repaid during 1H20, and nearly \$6m has been repaid in February

# FY20 OUTLOOK.

- For FY20, our updated guidance is for **operating revenues at around the \$300m to \$305m level** (\$305m to \$310m previously) and **underlying EBITDA<sup>1</sup> (excluding the impact of AASB 16) of \$72m to \$77m** (\$70m to \$76m previously)
- As operating revenue was \$144.3m for 1H20, **revenue of \$156m to \$161m is expected for 2H20**, with the strong growth in the second half a function of:
  - Increased revenue flowing through from the new business wins in 1H20
  - An expected lift in revenue across the existing client base
  - A small contribution from anticipated new customer wins in 2H20
- As a result of our relatively fixed expense base, our EBITDA margin (pre AASB 16) is expected to expand in 2H20 to between 24% and 25% ... from 23.6% in 1H20

1. Underlying EBITDA excludes one-off costs and net foreign exchange gains (losses)

# APPENDICES.



# AASB 16 IMPACT & RECONCILIATION TO UNDERLYING NPATA.

A\$m	1H19	1H20 Comparable	Operating lease expense Reversal	AASB 16 Depreciation & Interest	1H20 Reported
<b>Operating revenue</b>	<b>112.4</b>	<b>144.3</b>			<b>144.3</b>
Other income	1.4	1.1			1.1
Operating expenses	(85.4)	(113.7)	3.7		(110.0)
<b>EBITDA</b>	<b>28.5</b>	<b>31.8</b>	<b>3.7</b>		<b>35.5</b>
Depreciation	(1.9)	(2.1)		(3.4)	(5.5)
Amortisation of R&D	(3.4)	(4.2)			(4.2)
Amortisation of acquired intangibles <sup>1</sup>	(5.8)	(11.1)			(11.1)
<b>EBIT</b>	<b>17.3</b>	<b>14.4</b>	<b>3.7</b>	<b>(3.4)</b>	<b>14.7</b>
Net interest	(0.6)	(4.3)		(0.6)	(4.9)
Net FX gains (losses) <sup>2</sup>	0.3	(0.7)			(0.7)
<b>Profit before tax</b>	<b>17.0</b>	<b>9.4</b>	<b>3.7</b>	<b>(4.0)</b>	<b>9.1</b>
Income tax	(4.1)	(1.5)	(0.8)	0.8	(1.5)
<b>NPAT</b>	<b>12.9</b>	<b>7.9</b>	<b>2.8</b>	<b>(3.2)</b>	<b>7.6</b>
<b>EBITDA normalisation</b>					
EBITDA	28.5	31.8			35.5
Non-recurring items (pre-tax) <sup>3</sup>	0.0	2.3			2.3
<b>Underlying EBITDA</b>	<b>28.5</b>	<b>34.1</b>			<b>37.7</b>
<b>NPATA normalisation</b>					
NPAT	12.9	7.9			7.6
Add back: amortisation of acquired intangibles	5.8	11.1			11.1
Add back: tax adjustment on amortisation	(1.1)	(2.6)			(2.6)
Add back: non-recurring items (net of tax)	0.0	1.7			1.7
<b>Underlying NPATA</b>	<b>17.7</b>	<b>18.2</b>			<b>17.9</b>
<b>Adjusted EPS (Based on NPATA)</b>	<b>9.0</b>	<b>9.2</b>			<b>9.0</b>
EPS (Based on NPAT)	6.6	4.0			3.8

## Notes:

1. Amortisation of acquired intangibles is the amortisation of identifiable intangible assets arising from business combinations
2. Net foreign exchange gains (losses) are excluded from EBITDA and EBIT
3. Refer Note 4 to the Financial Statements for separately disclosed items
4. EBITDA, EBIT and NPATA are non-IFRS measures that have not been audited or reviewed by Hansen's auditors

# BALANCE SHEET.

A\$m	Jun 19	Dec 19
Cash	38.3	29.9
Receivables	49.5	62.4
Accrued revenue	27.8	26.4
Prepayments / other	7.9	12.2
Current tax asset		0.2
PPE	11.0	12.1
Right of use assets		24.1
Intangibles	402.8	389.3
Deferred tax assets	4.6	3.5
Other non-current assets	3.1	2.9
<b>Total Assets</b>	<b>545.0</b>	<b>563.0</b>
Payables	21.2	23.1
Unearned income	27.1	34.0
Current tax	1.8	0.0
Provisions	15.3	14.3
Borrowings	186.5	180.4
Lease liability	0.1	24.8
Deferred tax liabilities	44.3	41.3
<b>Total Liabilities</b>	<b>296.1</b>	<b>318.0</b>
<b>Net Assets</b>	<b>248.9</b>	<b>245.0</b>



# ABOUT HANSEN.

## OUR COMPANY

- Founded 1971
- Headquartered in Melbourne, Australia
- ASX listed (HSN)

## SOFTWARE

- Create, sell & deliver products and services
- Data management
- Billing & customer care

## INDUSTRY VERTICALS

- Utilities – energy & water
- Communications – Telcos & Pay-TV

## TEAM

- 1500+ staff across 30+ offices globally
- Average tenure ~10 years

## CUSTOMER BASE

- 550+ globally
- Largest customer ~5% of revenue

## SHAREHOLDER MIX

- 18% Hansen family
- 49% Institutional – Fidelity and Franklin Templeton substantial (>5%)
- 33% Retail

# WHAT WE DO.

We are a leading global provider of software and services to the utilities and communications sectors

## Our software falls into 3 categories:



# HANSEN INVESTMENT PROFILE.

## DIVERSIFIED, LONG TERM CUSTOMER RELATIONSHIPS

- Our 550+ customers are diversified by industry, geography and currency – with our largest customer only circa 5% of total revenue
- Given the mission critical nature of our software, customer relationships often extend well beyond 10+ years

## SIGNIFICANT GLOBAL PRESENCE

- We are a significant global player within our core business
- This enables us to leverage our global experience – by sharing learnings and product development and through best practice for project delivery

## ANNUITY STYLE REVENUE STRUCTURES

- Approx. two-thirds of revenues are recurring – derived from periodic maintenance, support and licence fees
- The majority of non-recurring revenues are project fees from our 550+ customers for changes to our software to cater for change within their business

## PREDICTABLE/STABLE CASH FLOWS

- A stable customer base providing annuity style revenue with targeted 25%-30% EBITDA margins delivers strong cash flows ... allowing us to pay down debt and provide for balance sheet capacity to fund acquisitions

## TRACK RECORD OF SUCCESSFUL ACQUISITIONS

- We have a strong track record over the past 11 years of making value accretive acquisitions ... having made 10 additions to the Group
- They extend our footprint into new markets and segments by acquiring a fit-for-market product and an installed customer base

**THANK YOU.**

