



# FIRST HALF 2023 RESULTS PRESENTATION

22nd February 2023

# IMPORTANT NOTICE

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- Is intended to be general background information only, and is not intended that it be relied upon as advice to investors or potential investors and is not an offer or invitation for subscription, purchase, or recommendation of securities in Hansen.
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- Includes statements relating to past performance, which should not be regarded as a reliable guide to future performance.
- Includes certain financial information not recognised under IFRS which Hansen considers useful to assist in evaluating Hansen's performance – however, such information has not been subject to audit or review in accordance with Australian Auditing Standards.

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

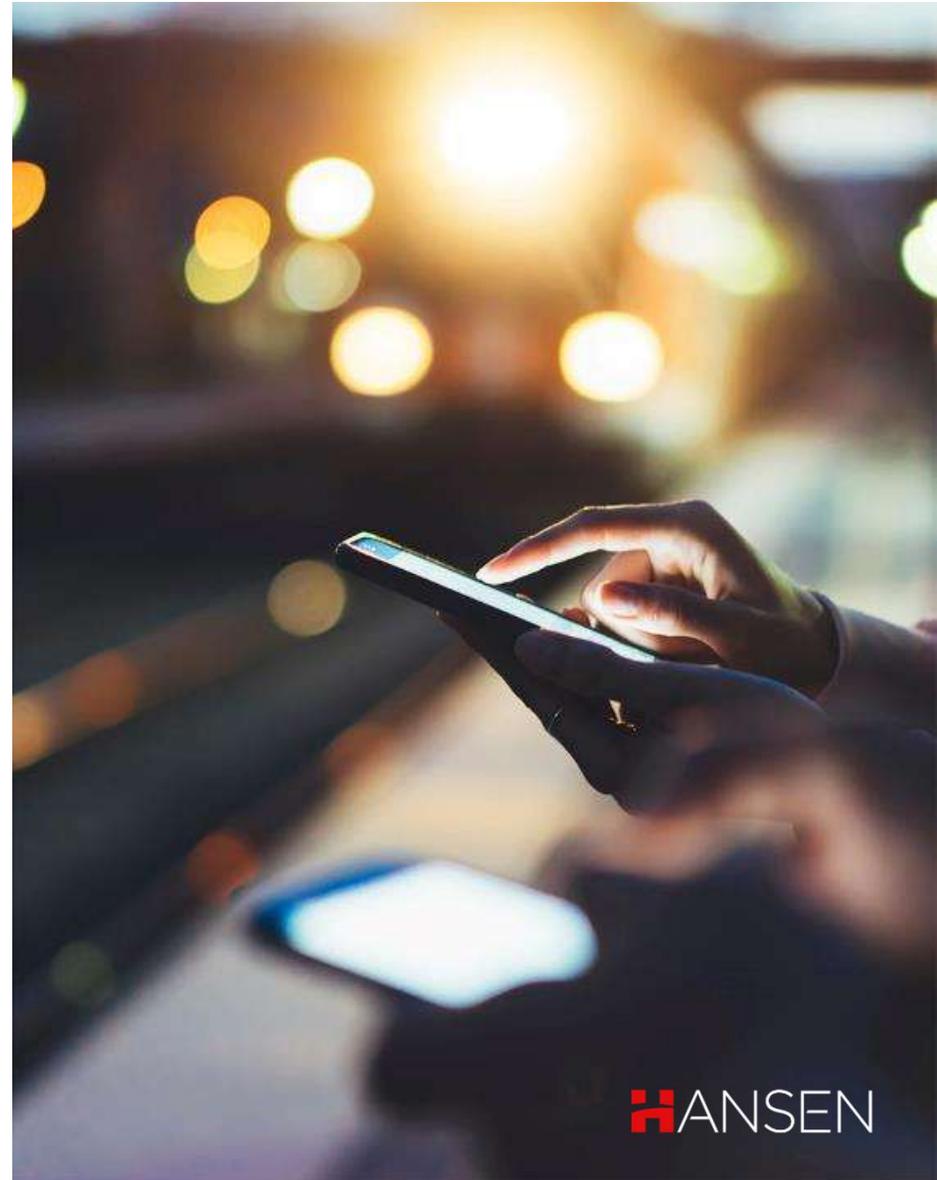
## Definitions:

- 1H22 = six months ended 31 December 2021
- 2H22 = six months ended 30 June 2022
- FY22 = financial year ended 30 June 2022
- 1H23 = six months ended 31 December 2022
- 2H23 = six months ended 30 June 2023
- FY23 = financial year ended 30 June 2023
- Reported EBITDA\* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses)
- Underlying EBITDA\* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses), not including non-recurring items
- NPAT = Net profit after tax
- NPATA\* = Net profit after tax excluding tax effected amortisation of acquired intangibles and non-recurring items
- EPSa = Earnings per share on NPATA

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

## AGENDA

- 1H23 Key Themes
- Company Mission
- Results Highlights
- Results Detail
- Cash and Capital Management
- Investing for Growth
- FY23 Guidance
- Q&A
- Financial Statements



# 1H23 KEY THEMES

Andrew Hansen – Chief Executive Officer

## 1H23 KEY THEMES

1. No loss of customers in 1H23
2. Continued success for some significant project go lives
3. FY23 guidance unchanged at 3-5% organic revenue growth and +30% underlying EBITDA margin
4. Underlying EBITDA margin remains above pre-pandemic levels
5. Staff churn and wage pressure stabilising
6. Continued cash generation with rapid debt paydown while returning funds to shareholders
7. Focused M&A approach and expanded M&A capability





# COMPANY MISSION

Andrew Hansen – Chief Executive Officer

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# THE HANSEN MISSION

**Our Mission is to provide industry-specific software products and expertise that enables our customers to easily capitalise on the commercial opportunities of the evolving energy, utilities and communications markets.**

We make this possible by providing reliable, mission-critical software and industry expertise to help customers innovate and sell new services, comply with changing regulations, and power new business models in emerging areas like sustainable energy supply and IoT.

We aim to achieve this through long term collaboration with our customers and partners and leverage our skilled global workforce to achieve positive outcomes for our company, employees, customers, and the planet.

# RESULTS HIGHLIGHTS

Andrew Hansen – Chief Executive Officer

## 1H23 FINANCIAL SUMMARY

Revenue

\$149.1m

▶ 0.1% vs 1H22

Underlying EBITDA<sup>1</sup>

\$45.0m

▼ 17.0% vs 1H22

Underlying NPATA<sup>2</sup>

\$24.0m

▼ 24.5% vs 1H22

Adjusted EPSa<sup>3</sup>

11.9¢

▼ 25.2% vs 1H22

Dividend

5.0¢

▶ flat vs 1H22<sup>4</sup>

Net Debt<sup>5</sup>

\$28.7m

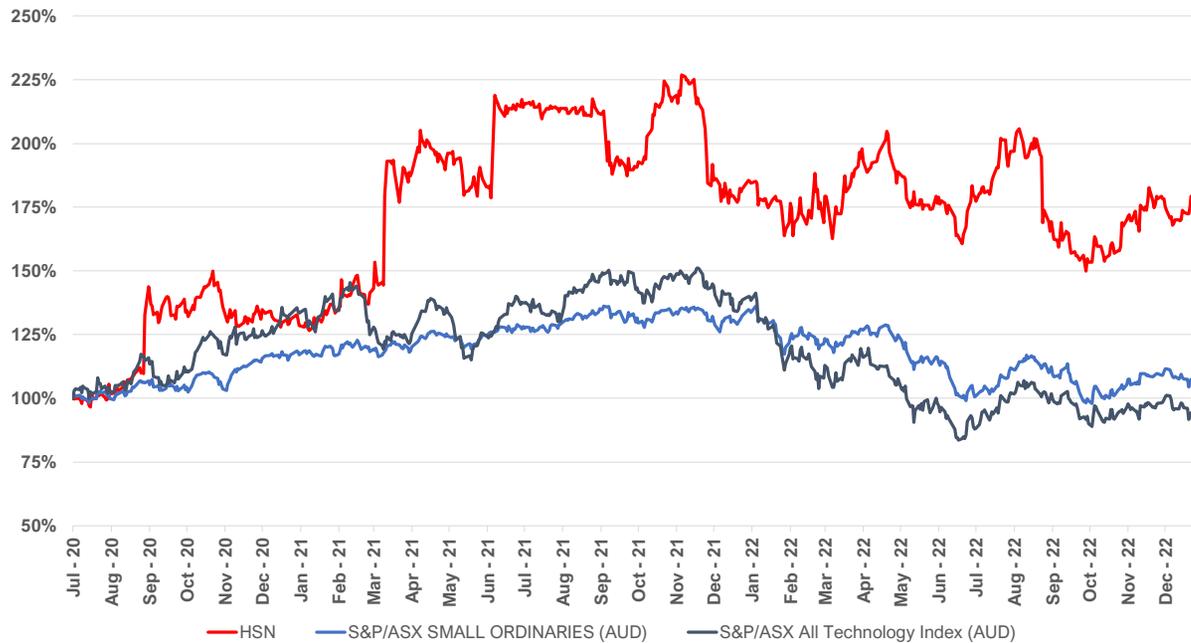
▼ 30.8% vs 1H22

Notes:

1. 1H23 underlying EBITDA excludes \$596k of non-recurring items. Underlying EBITDA has increased 6.1% (CAGR) since 1H20.
2. Underlying NPATA = net profit after tax excluding tax effected amortisation of acquired intangibles and non-recurring items of \$596k. Underlying NPATA has increased 10.3% (CAGR) since 1H20.
3. Underlying Basic EPSa, based on NPATA: 25.2% reduction is based on 1H22 EPSa. EPSa has increased 9.8% (CAGR) since 1H20.
4. Excludes 2c special dividend paid in 1H22.
5. Net Debt excluding AASB 16 lease liabilities and pre-paid borrowing costs.

# MARKET PERFORMANCE

## Outperforming Small Ords & All Tech Index



▲ **EPSa Growth up 9.8% (CAGR) since 1H20**

Consistent free cash flow has delivered an improved return to shareholders over the same period

▼ **Net Debt Levels down \$124.4m since 1H20**

Hansen is in a great position to responsibly leverage the business to take advantage of growth opportunities

▲ **61% of Underlying NPATA returned to shareholders in 1H23**

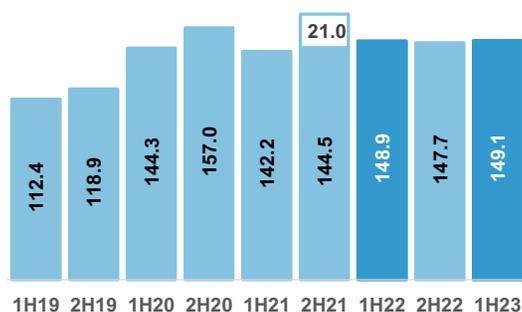
Since 2020 we have returned approximately \$70m to our shareholders

# RESULTS DETAIL

Richard English – Chief Financial Officer

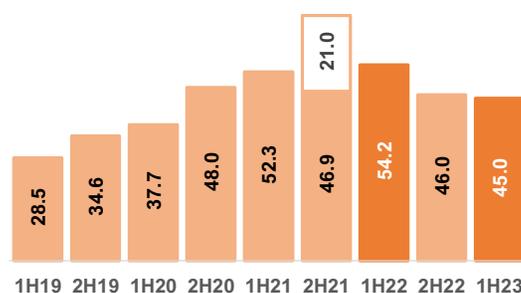
# KEY FINANCIAL METRICS

## Revenue (\$M)



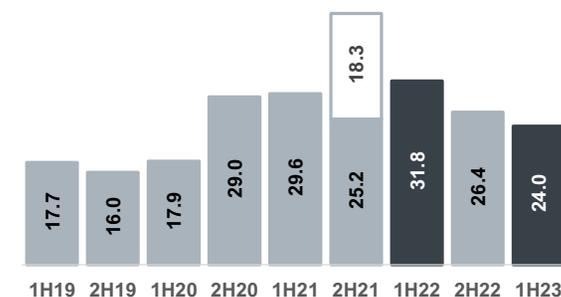
- Revenue of \$149.1m aligned to 1H22
- Excluding our License revenue stream, revenue is up 6.2% on 1H22
- Our organic revenue growth target for FY23 remains unchanged at 3-5%

## Underlying EBITDA<sup>1</sup> (\$M)



- Underlying EBITDA of \$45.0m is above pre pandemic levels
- Underlying EBITDA has increased 6.1% (CAGR) since 1H20
- Our 1H23 underlying EBITDA margin of 30.2% demonstrates our ongoing profitability and is above pre-pandemic historical averages
- Our underlying EBITDA margin target for FY23 remains +30%

## Underlying NPATA<sup>2</sup> (\$M)



- Underlying NPATA has increased 10.3% (CAGR) since 1H20
- We have invested in our people with FTE back to pre pandemic levels, a ~10% increase vs this time last year
- The uplift from contract repricing and organic growth is expected to be seen more extensively in 2H23

Notes:

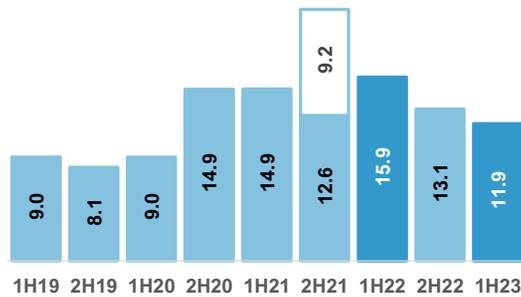
Where applicable and shown these numbers are presented after adjusting the FY21 impact of the initial Telefonica license revenue of \$21m.

1. 1H23 underlying EBITDA excludes \$596k of non-recurring items; currency impact of \$900k.

2. Underlying NPATA = net profit after tax excluding tax effected amortisation of acquired intangibles and non-recurring items of \$596k.

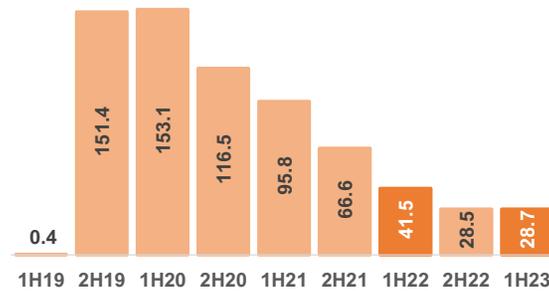
# KEY FINANCIAL METRICS

## EPSa<sup>1</sup> (Cents)



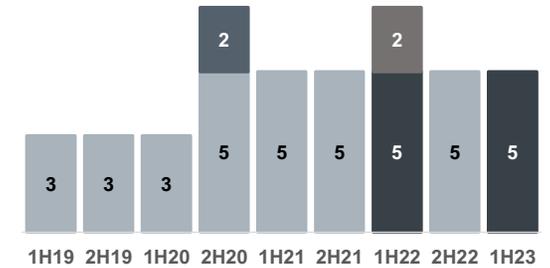
- EPSa has increased 9.8% (CAGR) since 1H20
- 1H23 EPSa is down 25.2% vs 1H22 as we see the full impact of our investment in our people emerging
- We expect to start seeing the benefits of enhancing our team in 2H23

## Net Debt<sup>2</sup> (\$M)



- Our Net Debt of \$28.7m is 30.8% down on 1H22
- Our closing 1H23 leverage ratio sits at a very low 0.32x
- We are well placed for our next acquisition and actively looking for suitable targets

## DPS (Cents)



- We have maintained our dividend at \$0.05 for 1H23
- With increasing levels of Hansen profit generated offshore our interim dividend will not be franked

Notes:

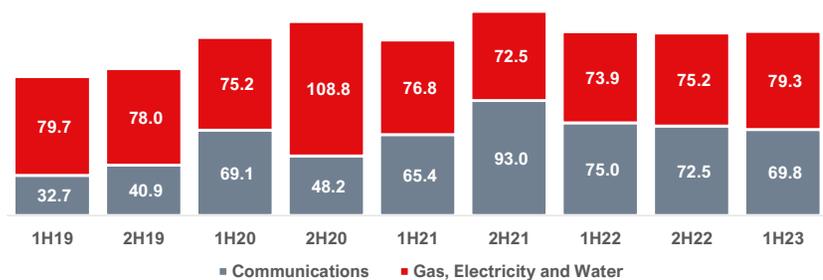
Where applicable and shown these numbers are presented after adjusting the FY21 impact of the initial Telefonica license revenue of \$21m.

1. Underlying Basic EPSa, based on NPATA: 25.5% reduction is based on EPSa against prior period.

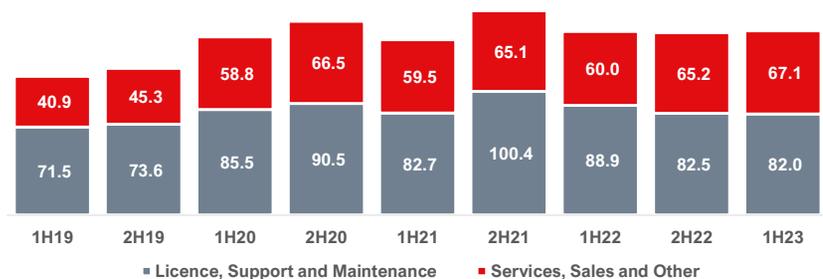
2. Net Debt excluding AASB 16 lease liabilities and pre-paid borrowing costs.

# FINANCIAL OVERVIEW

## Revenue by Vertical (\$M)



## Revenue by Type (\$M)



Note: These numbers are not adjusted for the FY21 impact of the initial Telefonica licence revenue of \$21m.

## Revenue by Type (\$M)

Type	1H22	1H23	Movement
Support and Maintenance	68.9	69.8	1.3%
Sales, Services and Other Revenue	60.0	67.1	11.8%
<b>Subtotal</b>	<b>128.9</b>	<b>136.9</b>	<b>6.2%</b>
Licence	20.0	12.2	(39.0%)
<b>Total</b>	<b>148.9</b>	<b>149.1</b>	<b>0.1%</b>

Excluding the timing impact of our License revenue stream, revenue is up 6.2%.

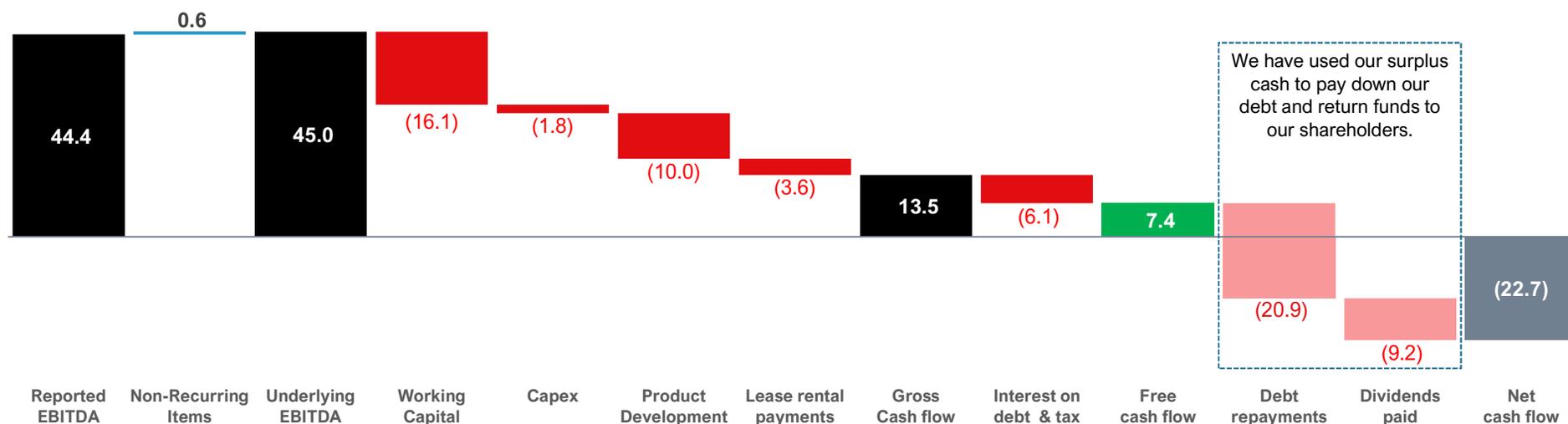
Our revenue is diverse across geography, currency, product and industry. This ensures we remain resilient and creates opportunities to leverage our global footprint.

# CASH AND CAPITAL MANAGEMENT

Richard English – Chief Financial Officer

# CASH FLOW

We have used our strong cash position to pay down our debt, invest in our products and return funds to our shareholders.



We have used our surplus cash to pay down our debt and return funds to our shareholders.

Since 2020 we have returned approximately \$191m to our banks and shareholders. Contract timing created a build-up in Working Capital during the half. Since closing our books we have seen this unwind and our Net Debt is now approximately \$20m.

- We generated free Cash Flow of \$7.4m during the first half of 2023
- We Invested \$10.0m into R&D during 1H23
- During 1H23 we have paid down a further \$20.9m of debt and returned \$9.2m to our shareholders
- Our Leverage ratio<sup>1</sup> remains very low at 0.32x, highlighting significant headroom for future borrowing capacity

<sup>1</sup> - Leverage ratio = net debt (excluding AASB 16 lease liabilities and pre-paid borrowing costs) / EBITDA excluding impact of IFRS16 and non-recurring items.

# CAPITAL MANAGEMENT

## Borrowings

- Hansen's strong customer focus and our philosophy of treating business decisions with the same level of considerations as if we were making them for ourselves has ensured we maintain our robust cash position
- We have used our strong cash generation to consistently pay down our debts since the Sigma acquisition in 2019 and reduced our borrowings by \$120.7m since 2019
- Our borrowings are now at \$65.1m down 65.0% since its peak in 2019
- In October 2022, given our strong cash position and low net debt, we elected for our loan to be reclassified as current, saving substantial fees, further improving our future cash flow position
- In September 2023 our loan matures. Conversations are well advanced with our supportive banks to renegotiate on favourable terms

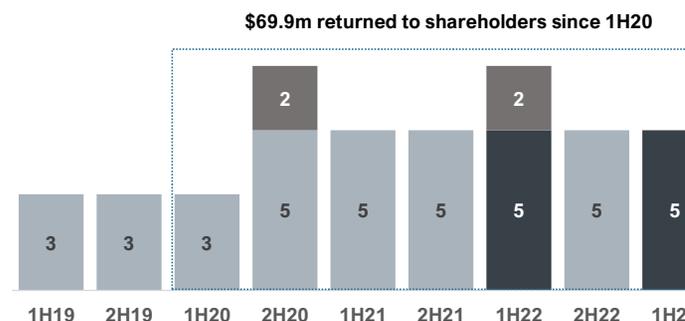
## Dividends

- Our resilient and reliable cash flow has enabled the Board to determine a 1H23 dividend of 5.0 cents per share
- Our robust cash position has enabled the Board to make this decision and we retain sufficient cash and leverage to make suitable targeted acquisitions
- We have returned over \$69.9m to our shareholders by way of dividends since 1H20

## Borrowings (\$M)



## DPS (Cents)



# INVESTING FOR GROWTH

Graeme Taylor – Chief Development Officer

# RESEARCH AND DEVELOPMENT

Hansen invests in its products to ensure our clients remain agile, responsive and relevant to their customers lives. Roadmaps are planned in consultation with Hansen's clients to ensure new releases are rapidly adopted and result in continued loyalty and retention.

Primary drivers of our investment in FY23 are:

- Adoption of cloud-native technologies
- Enabling Regulatory compliance
- Providing key components & capabilities for the bundling and sale of innovative new products and services
- Improving our client's ability to sell wholesale services via partners
- Refining offerings to the business-to-business market
- Facilitating digital transformation programs with technologies that ultimately deliver a better overall customer experience





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## ACQUISITION APPROACH

When assessing a target our focus is on robust and mission critical existing or closely aligned third verticals:

- That have ownership of the IP
- That provide opportunities for regional expansion or leverage
- Have complementary applications
- Or provide potential other verticals, while leveraging our core skills

We evaluate each opportunity with the same successful approach deployed over 20 years.

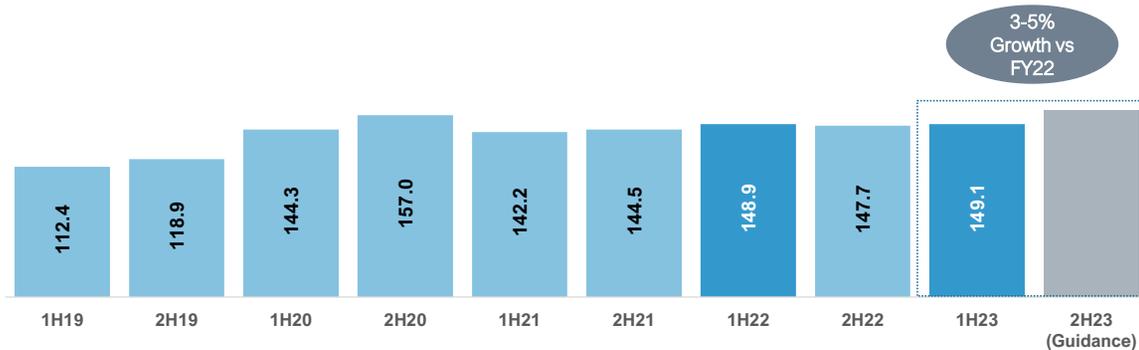
We won't acquire where our proven approach does not demonstrate that the business will be value accretive.

# FY23 GUIDANCE

Andrew Hansen - CEO

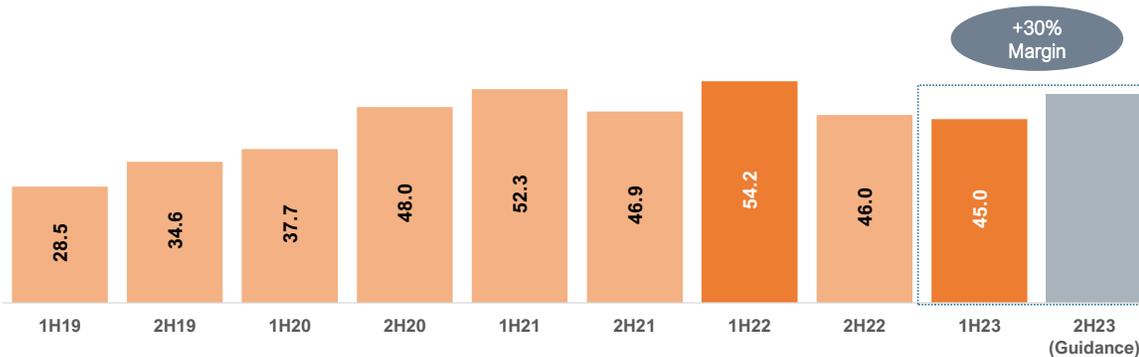
# FY23 GUIDANCE

## Revenue (\$M)



- Our organic revenue growth target for FY23 remains 3-5%
- We have significant headroom to support suitable value-accretive acquisitions
- Our business fundamentals are strong, and we have further organic growth opportunities in the pipeline

## Underlying EBITDA (\$M)



- Our expectations are for increased organic revenue in the second half of FY23 and we maintain our expected underlying EBITDA margin of +30% for FY23
- The outlook for our underlying EBITDA margin remains well above our pre-pandemic historical run rate

The text 'Q&A' in a white, bold, sans-serif font, centered on a solid red rectangular background.

# FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Dec-22 \$'000	Dec-21 \$'000
Operating revenue	149,109	148,881
Other income	526	325
<b>Total revenue from contracts with customers and other income</b>	<b>149,635</b>	<b>149,206</b>
Employee benefit expenses	(81,453)	(73,697)
Amortisation expense	(16,260)	(16,153)
Depreciation expense	(5,660)	(4,851)
Property and operating rental expenses	(1,839)	(1,767)
Contractor and consultant expenses	(3,098)	(2,935)
Software licence expenses	(1,329)	(1,017)
Hardware and software expenses	(10,858)	(9,383)
Travel expenses	(1,174)	(409)
Communication expenses	(920)	(975)
Professional expenses	(2,692)	(2,743)
Finance costs on borrowings	(2,148)	(1,728)
Finance costs on lease liabilities	(372)	(441)
Foreign exchange losses	900	(550)
Other expenses	(1,756)	(2,338)
<b>Total expenses</b>	<b>(128,659)</b>	<b>(118,987)</b>
<b>Profit before income tax expense</b>	<b>20,976</b>	<b>30,219</b>
Income tax expense	(4,798)	(6,860)
<b>Net profit after income tax expense for the half-year (NPAT)</b>	<b>16,178</b>	<b>23,359</b>
<b>Other comprehensive income/(expense)</b>		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Exchange differences on translation of foreign operations	(1,060)	2,362
<b>Other comprehensive income/(expense) for the half-year, net of tax</b>	<b>(1,060)</b>	<b>2,362</b>
<b>Total comprehensive income for the half-year</b>	<b>15,118</b>	<b>25,721</b>
Basic earnings (cents) per share attributable to ordinary equity holders of the Company	8.0	11.7
Diluted earnings (cents) per share attributable to ordinary equity holders of the Company	7.8	11.5

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**RECONCILIATION OF UNDERLYING EBITDA AND NPATA**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)<sup>1</sup> - Reconciliation

<b>Profit before income tax expense</b>	<b>20,976</b>	<b>30,219</b>
Add back		
Amortisation expense	16,260	16,153
Depreciation expense	5,660	4,851
Finance costs on borrowings	2,148	1,728
Finance costs on lease liabilities	372	441
Finance income	(75)	-
Foreign exchange gains / (losses)	(900)	550
<b>EBITDA<sup>1</sup></b>	<b>44,441</b>	<b>53,942</b>
Add back		
Separately disclosed items	596	306
<b>Underlying EBITDA<sup>2</sup></b>	<b>45,037</b>	<b>54,248</b>

<sup>1</sup> EBITDA is a non-IFRS term, defined as earnings before interest, tax, depreciation and amortisation, and excluding net foreign exchange gains (losses)

<sup>2</sup> Underlying EBITDA, exclude separately disclosed items, which represent the one-off costs during the period. Further details of the separately disclosed items are outlined in Note 3 to the Financial Report which can be found on the Company's web site.

Underlying net profit after tax before acquired amortisation, net of tax (NPATA<sup>1</sup>) - Reconciliation

<b>Net profit after income tax expense for the half-year (NPAT)</b>	<b>16,178</b>	<b>23,359</b>
Less		
Tax effect of separately disclosed items	(149)	(92)
Separately disclosed items	596	306
<b>Underlying net profit after income tax expense for the half-year (Underlying NPAT)<sup>2</sup></b>	<b>16,625</b>	<b>23,573</b>
Less		
Less acquired amortisation, net of tax	7,351	8,200
<b>Underlying net profit after income tax before acquired amortisation, net of tax (Underlying NPATA)<sup>2</sup></b>	<b>23,976</b>	<b>31,773</b>

<sup>1</sup> Underlying net profit after tax but before acquired amortisation, net of tax or underlying NPATA exclude separately disclosed items, which represent the one-off costs during the period and acquired amortisation, net of tax.

<sup>2</sup> Underlying net profit after tax or underlying NPAT exclude separately disclosed items, which represent the one-off costs during the period.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Dec-22 \$'000	Jun-22 \$'000
<b>Current assets</b>		
Cash and cash equivalents	36,507	59,631
Receivables	62,411	56,010
Accrued revenue	22,632	21,657
Current tax receivable	2,174	2,924
Other current assets	9,275	9,048
Total current assets	132,999	149,270
<b>Non-current assets</b>		
Plant, equipment & leasehold improvements	13,978	14,444
Intangible assets	335,645	344,475
Right-of-use assets	11,073	12,968
Deferred tax assets	6,361	7,781
Other non-current assets	2,415	1,889
Total non-current assets	369,472	381,557
<b>Total assets</b>	<b>502,471</b>	<b>530,827</b>
<b>Current liabilities</b>		
Payables	18,121	23,989
Lease liabilities	5,175	5,662
Current tax payable	-	-
Borrowings	65,073	-
Provisions	13,774	14,990
Unearned revenue	36,582	36,821
Total current liabilities	138,725	81,462
<b>Non-current liabilities</b>		
Deferred tax liabilities	33,562	35,588
Borrowings	-	87,912
Lease liabilities	7,067	8,213
Provisions	457	514
Unearned revenue	2,801	4,030
Total non-current liabilities	43,887	136,257
<b>Total liabilities</b>	<b>182,612</b>	<b>217,719</b>
<b>Net assets</b>	<b>319,859</b>	<b>313,108</b>
<b>Equity</b>		
Share capital	147,803	146,857
Foreign currency translation reserve	6,476	7,536
Share-based payment reserve	11,428	10,629
Retained earnings	154,152	148,086
<b>Total equity</b>	<b>319,859</b>	<b>313,108</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Dec-22 \$'000	Dec-21 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	153,644	182,997
Payments to suppliers and employees	(124,746)	(119,744)
Interest received	75	-
Finance costs on borrowings	(1,969)	(1,065)
Finance costs on lease liabilities	(372)	(441)
Income tax paid	(4,177)	(13,327)
<b>Net cash from operating activities</b>	<b>22,455</b>	<b>48,420</b>
<b>Cash flows from investing activities</b>		
Payments for plant, equipment and leasehold improvements	(1,830)	(3,399)
Payment for capitalised development costs	(9,985)	(6,915)
<b>Net cash used in investing activities</b>	<b>(11,815)</b>	<b>(10,314)</b>
<b>Cash flows from financing activities</b>		
Dividends paid, net of dividend re-investment	(9,166)	(9,081)
Repayment of borrowings	(20,905)	(10,016)
Repayment of lease liabilities	(3,256)	(2,926)
<b>Net cash used in financing activities</b>	<b>(33,327)</b>	<b>(22,023)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(22,687)</b>	<b>16,084</b>
Cash and cash equivalents at beginning of the half-year	59,631	52,138
Effects of exchange rate changes on cash and cash equivalents	(437)	(180)
<b>Cash and cash equivalents at end of the half-year</b>	<b>36,507</b>	<b>68,042</b>

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**THANK YOU**

