

23 August 2019

FY19 Result

Hansen Technologies Limited (ASX: HSN), a leading global provider of customer management, data management and billing software for the utilities and communications sectors, today announced its results for the financial year ended 30 June 2019 (FY19).

Result Summary

A\$m	FY19	FY18	Change
Operating revenue ¹	231.3	230.8	0.2%
Underlying EBITDA ²	55.8	60.0	-6.9%
EBITDA margin (%)	24.1%	26.0%	
Underlying NPATA ³	33.7	38.7	-12.8%
Adjusted EPS ⁴ – basic (cents)	17.1	19.8	-13.5%

Hansen's Chief Executive Officer, Andrew Hansen, said: "the 2019 result was in-line with guidance both in terms of our expected revenue and expense base, which was delivered against a backdrop of challenging operating conditions for our customers.

The highlight of 2019 was the acquisition late in the year of Sigma Systems, based out of Toronto, Canada. It is by far our biggest acquisition to date and is a business benefiting from the proliferation of new communications products and services in today's world, as its suite of software products streamline complex product and service offerings and provide a faster path to creating, selling and delivering new digital and traditional products and services. Sigma significantly increases our scale and expertise in the communications sector; enables us to address a bigger part of our customers' needs; and also provides for cross-selling opportunities into Hansen's large utilities customer base.

During the year we also won major new contracts in Australia, Finland and Sweden, and we commenced 8 client upgrades to the new version of our US municipalities billing system. In addition, our new utility analytics SaaS product continues to gain momentum and now has some 20 customers.

Consistent with the headwinds our customers are facing, we have taken steps over the past couple of years to lower our cost base. Our Vietnam development centre is now 100 people strong (up from 9 people a year ago), which has now been complemented with an office in Pune, India of 260 people that came with the Sigma acquisition. Of course, given the "start-up" nature of our Ho Chi Minh office, we expect it will be a couple of years before the benefit to margin, rather than the current drag, will flow through. We have also continued to invest in systems and processes, as well as technologies such as the cloud, to both lower our costs and our customers' costs of doing business.

We also continue to expect further incremental margin improvement over the next few years from the Enoro business acquired in July 2017. While revenues have grown, and margins have improved since the acquisition, there remains great opportunity to generate further increased profitability from this business.

Now more than ever, our customers are looking for better ways to serve their customers and efficiencies to improve their profitability. Significantly enhanced by the recent acquisitions of Enoro and Sigma, both with software at the forefront of digital transformation, we have the tools to help make that happen."

Notes:

1. FY19 revenue is in accordance with the new accounting standard for revenue recognition, AASB 15. FY18 revenue has not been restated in accordance with the new standard
2. Underlying EBITDA excludes one-off items (refer Note 4 to the Financial Statements) and net foreign exchange gains/losses
3. Underlying NPATA is defined as Net profit after tax excluding tax effected amortisation of acquired intangibles and one-off items (Refer to page 19 of the Result Presentation for reconciliation)
4. Adjusted Basic EPS is based on underlying NPATA
5. EBITDA and NPATA are non-IFRS measures that have not been audited or reviewed by Hansen's auditors

Revenue

Operating revenue for FY19 was \$231.3m, \$0.5m up on FY18. Excluding Sigma, which contributed \$5.0m of revenue in June (the first month since acquisition), revenue declined by \$4.5m or 1.9%, which was due to lower non-recurring revenues. While recurring revenues for the year were higher, non-recurring revenues were lower due to both lower one-off licence fees and lower project work following the large body of work completed in the first half of FY18 associated with implementing Power of Choice for our customers in Australia.

Excluding Sigma, recurring revenues grew to represent 63% of total revenue in FY19. This follows the implementation of the new accounting standard AASB 15 (which has the effect of reducing reported recurring revenue) and a reclassification of some of Enoro's revenues which also lowered recurring revenue.

EBITDA

Underlying EBITDA for the year was \$55.8 million, 6.9% down on the \$60.0 million in FY18. This resulted in an underlying EBITDA margin decline to 24.1% from 26.0% in FY18. Sigma only contributed a modest \$0.1 million of EBITDA in June, which we do not see as representative of the business going forward. Excluding Sigma, the underlying EBITDA margin was 24.6%. This reduced margin was the direct result of the lower non-recurring revenue, as we were able to maintain operating expenses at the same level as FY18, even after the investment in the Vietnam development centre.

Cash Flow and Debt

Free cash flow for FY19 was \$30.1m, including \$20.0m in 2H19 which saw a \$4.8m improvement (i.e. decrease) in working capital.

Sigma was funded from a new \$225 million loan facility, which was strongly supported by a syndicate of local and international banks. At balance date, \$35 million of the facility was unused and net debt stood at \$148.3 million. While this represents the highest level of debt the Group has ever had, given the strength of the Group's cash generation we are well placed to service this debt over coming years.

Acquisition of Sigma Systems

Effective 1 June 2019, we acquired Sigma Systems based out of Toronto, Canada for \$163.8 million, comfortably making it our largest acquisition to date.

Founded in 1996, Sigma is a leading global provider of catalogue-driven software products for telecommunications, media, and technology companies. The software products streamline complex product and service offerings and provide a faster path to creating, selling & delivering new digital and traditional products and services. The company has more than 70 customers and 480 employees, 260 of which are located in Pune, India.

The combined offering of Hansen and Sigma enables us to address a larger part of our customers' needs – from product innovation and creation, customer quoting and ordering, right through to revenue management and customer care. Cross-sell opportunities also exist with Hansen's large utilities customer base, driven by the transformation occurring within the utilities sector – which includes changes in energy pricing structures and an expansion of product offerings to encompass new energy solutions and services such as solar power, electric car charging and battery storage. With the inclusion of Sigma into the broader Hansen portfolio, we are now very well balanced between our two primary industry verticals: Utilities and Communications.

Dividend

The Board has declared a final, partially franked dividend of 3.0 cents per share. The record date for the final dividend is 4 September 2019 and the payment date is 26 September 2019. The Dividend Reinvestment Plan (DRP) will again be available to shareholders with no discount. The DRP election cut-off date will be 5 September 2019.

FY20 Outlook

In FY20, we expect operating revenues at around the \$305m to \$310m level and EBITDA in the range of \$70m to \$76m.

This guidance includes a full year contribution from Sigma, and excludes the impact of IFRS 16, which will take effect in FY20, and essentially treats operating leases as finance leases.

We enter FY20 with great momentum with the signing of new logos, including new market entries in India and Hong Kong for Sigma, as well as our first customer for our next-generation meter and energy product for the Nordics. Expectations are for more to come over the remainder of the year. In addition, our early conversations with some of our utility customers regarding the Sigma offering have been very positive.

Conference Call

An investor briefing and Q+A session to discuss the FY19 results will be held at 10:30am (Melbourne time) today. Dial-in details to participate in the conference call:

Toll free (within Australia): 1800 123 296
Toll: +61 2 8038 5221
Conference ID: 8889454

For further information:

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About Hansen

Hansen Technologies (ASX: HSN) is a leading global provider of customer management, data management and billing software for the utilities and communications sectors. Employing over 1500 people, Hansen develops and supports mission-critical software for 550+ clients globally – helping them to create, sell and deliver products and services, manage and analyse consumption data, streamline billing processes, and ultimately improve their customers' experience.

Important notice

Information contained in this release:

- 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;
- should be read in conjunction with Hansen's financial reports and other market releases on ASX;
- includes forward-looking statements about Hansen and the environment in which Hansen operates, which are subject to significant uncertainties and contingencies, many of which are outside the control of Hansen – as such undue reliance should not be placed on any forward looking statements as actual results or performance may differ materially from these statements;
- includes statements relating to past performance, which should not be regarded as a reliable guide to future performance; and
- 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.