ASX/Media Release

HANSEN TECHNOLOGIES

17 August 2018

FY18 Result

Hansen Technologies Limited (ASX: HSN), a leading global provider of customer information systems and data management systems, today announced its results for the year ended 30 June 2018.

Highlights:

- Acquisition of Nordic-based Enoro – which made a strong contribution during the year
- Operating revenue of $230.8m – up 32% compared to FY17
- EBITDA[1] of $59.3m – up 29%
- NPATA[2] of $38.0m – up 35%
- EPS[3] (basic) of 19.4 cents – up 26%
- Final dividend of 4.0 cents per share (including 1.0 cent special), fully franked

Result Summary

Year ended 30 June	2017 (A$m)	2018 (A$m)	Change
Operating revenue	174.7	230.8	32%
EBITDA[1]	46.1	59.3	29%
EBITDA margin (%)	26.4%	25.7%	
NPAT	23.9	28.8	21%
NPATA[2]	28.0	38.0	35%
EPS[3] – basic (cents)	15.5	19.4	26%

Hansen Global Chief Executive Officer, Andrew Hansen, said: "2018 has been a record year for Hansen. A highlight was the acquisition of Enoro, our ninth earnings-accretive acquisition in the last 10 years, and our largest acquisition to date, which continues our long-term strategy of expansion via acquisition. Enoro takes us into Europe with energy, and the business performed ahead of our expectations for the year. Other highlights were the increase in recurring revenue to represent 65% of operating revenue, and the generation of $39.4 million of free cash flow which allowed us to pay down a significant portion of our debt such that net debt at year end was only $4.0 million. We therefore have significant funding capacity to pursue additional value-accretive acquisitions."

Notes:
1. As of this reporting period (FY18), net foreign exchange gains (losses) are no longer included within EBITDA and EBIT. The comparative figures have been adjusted accordingly.
2. NPATA = Net profit after tax excluding amortisation of acquired intangibles net of tax. The tax adjustment for amortisation of acquired intangibles is now based on the actual applicable tax relating to each business combination, as opposed to the previously used 30% tax rate applied across all businesses. The comparative figures have been adjusted accordingly.
3. EPS based on NPATA.
4. EBITDA, EBIT, NPATA, Recurring revenue and Non-recurring revenue are non-IFRS measures that have not been audited.

Enoro Acquisition

Nordic-based Enoro was acquired effective 1 July 2017 for an enterprise value of $94.7m. The business is the leading provider of customer information systems and data management systems for the Nordic energy market and has an expanding footprint in the broader European market. Funding for the acquisition was provided by way of a $50.0m equity raising and a $46.4m drawdown of a new debt facility.

Revenue

Operating revenue was $230.8m, up $56.1m or 32% on FY17. Enoro was the primary driver of the increase, contributing $57.7m of operating revenue. The company's core billing revenue excluding Enoro was essentially flat on a constant currency[5] basis, while other revenue declined by $2.1m, mainly resulting from a reduction of call-centre revenue within the US-based Solutions business.

With the acquisition of Enoro, recurring revenue[6] grew strongly in FY18 to represent 65% of operational revenue, compared to 63% in FY17 and 58% in FY16. Comparing FY18 excluding Enoro to FY17, recurring revenue was marginally higher.

EBITDA

EBITDA was $59.3m, up $13.2m or 29% on FY17 – equating to an EBITDA margin of 25.7% compared to 26.4% in FY17.

The FY18 EBITDA margin for the Group excluding Enoro was 28.9%, compared to 26.4% in FY17. However, the EBITDA margin of 16.0% for Enoro, which was in-line with guidance, diluted the overall FY18 EBITDA margin to 25.7%.

In commencing our planned margin improvement within Enoro, a restructuring was undertaken late in the FY18 year which resulted in a $0.8m charge. Without the restructuring charge, the margin within Enoro would have been 17.5%.

The group EBITDA margin contracted from 28.6% in 1H18 to 22.7% in 2H18. The main contributing factors were: a weaker 2H18 contribution from Enoro (particularly with the restructuring charge) and lower non-recurring revenue within the Group ex-Enoro (which was high margin).

The establishment of a development centre in Vietnam is part of our medium-term strategy to lower costs and increase margin.

Effective Tax Rate

The effective tax rate for the year was 22.0%, compared to 27.2% in FY17. Factors giving rise to the lower tax rate in FY18 include: the reduction in the US federal corporate tax rate from 35% to a transitionary rate of 28% for FY18, which will further reduce to 21% in FY19; and the corporate tax rates of 24% in Norway and 20% in Finland applicable to Enoro's profits.

The transition to the lower US tax rate during FY18 had the one-off benefit of revaluing downwards the deferred tax liabilities applicable to the US entities, which reduced income tax expense.

Notes:
5. Constant currency equals FY18 results translated to AUD at FY17 average exchange rates.
6. Recurring revenue = recurring maintenance, support, dedicated service and licence revenue.
   Non-recurring revenue = service/project revenue, non-recurring licence revenue and hardware/software sales.

Cash Flow and Debt

Free cash flow was very strong at $39.4m, which was a function of high cash conversion and low capital expenditure. As a result, net debt was reduced to $4.0m at June 2018, down from $31.8m at June 2017 on a pro-forma basis post the funding of Enoro.

One global brand

Late in the year, the company strategically decided to go to market under our new unifying brand, **HansenCX**. The brand amalgamates all our global products and our people under one company and one brand.

Operational Highlights

FY18 was a year of significant product development across all of our products – of particular note was:

- First Go-Live of EnoroCX billing system in new markets – Finland and Sweden;
- Cross-selling the new utility analytics SaaS product to multiple customers across the Nordics;
- Release of a major upgrade of our billing system for US municipalities; and
- Conversion of an existing product to expand our SaaS offering.

From a people perspective:

- John May was appointed President of the EMEA region;
- John Baska was appointed President of Americas;
- David Castree was appointed President of APAC; and
- a Vietnam development centre has been established and is delivering positively.

Dividend

The Board has declared a final fully franked dividend of 4.0 cents per share, which includes a 1.0 cent special dividend. The record date for the final dividend is 5 September 2018 and the payment date 27 September 2018. The Dividend Reinvestment Plan (DRP) will again be available to shareholders with no discount. The DRP election cut-off date will be 6 September 2018.

FY19 Outlook

Consistent with what was stated on 22 June 2018 – for FY19:

- Underlying recurring revenue is anticipated to be higher;
- Total operating revenue, however, is expected to be slightly below FY18 as a result of:
  - termination by us in June 2018 of an underperforming call centre contract within the US Solutions business which will result in the loss of approximately $1.9m of revenue in FY19 compared with FY18; and
  - a lower level of non-recurring licence fees and services revenue following the elevated levels achieved in 1H18.
- While total revenue in FY19 is anticipated to be relatively subdued, our expense base is expected to remain consistent with FY18 as we continue to invest in our global platform to support expected future growth.

The effective tax rate is anticipated to be approximately 24%, dependent on the profit mix by jurisdiction.

Expectations are for a stronger 2H19 relative to 1H19 – which is the opposite of the previous two years.

Conference Call

An investor briefing and Q+A session to discuss the 1H18 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:	4053 059

For further information:

Investor and analyst enquiries
Rick Sharp
+61 3 9840 3076 / +61 414 571 060
rick.sharp@hsntech.com

About Hansen

Hansen Technologies (ASX: HSN) is a leading global provider of customer information systems, billing software and data management systems to four industry verticals: energy, water, telecommunications and pay TV. For over 40 years Hansen has worked alongside clients enabling them to continuously optimise their critical billing. Every day 1000 Hansen experts globally are focused on 500+ clients; helping to streamline billing and operational processes, manage and analyse consumption data 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.