

# Prospectus

Initial Public Offering

READYTECH HOLDINGS LIMITED  
ACN 632 137 216



JOINT LEAD MANAGERS



WILSONS

FINANCIAL ADVISOR



#### IMPORTANT NOTICE

This is an important document, which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.



# ReadyTech

Ready for the Future of Work

# Important Notices

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

## Offer

The Offer contained in this Prospectus is an invitation by SaleCo and the Company to acquire Shares comprising respectively the Sale Shares and the New Shares. This Prospectus is issued by SaleCo and the Company and supports the initial public offering of the Company.

Following Settlement, but before Completion of the Offer, the Company will acquire all of the issued ReadyTech Shares. See Section 9 for further information.

In this Prospectus, references to "the Group", the "ReadyTech Group" or "ReadyTech" relating to any period prior to Settlement refer to ReadyTech and each of its subsidiaries, while those relating to any period after Settlement refer to the Company and its subsidiaries (including ReadyTech).

## Lodgement and Listing

This Prospectus is dated 29 March 2019 (**Prospectus Date**) and was lodged with ASIC on that date.

The Company will apply to ASX within seven days of the Prospectus Date, for the admission of the Company to the official list of, and quotation of the Shares on, ASX.

Neither ASIC or ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

## Expiry Date

This Prospectus expires on 29 April 2020; being the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

## No investment advice

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of ReadyTech, you should consider the risks that could affect the financial performance of ReadyTech. You should carefully consider these risks in the light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before

deciding whether to invest in the Company. Some of the risks that should be considered by prospective investors are set out in Section 5. There may be risks in addition to the risks set out in Section 5 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of ReadyTech, the repayment of capital by the Company or the payment of a return on the Shares. No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, SaleCo or their respective directors. You should rely only on information in this Prospectus.

As set out in Section 7.13.3, it is expected that the Shares will be quoted on the ASX initially on a deferred settlement basis.

To the extent permitted by law, each of the Company, SaleCo, the Share Registry, the Joint Lead Managers and the Financial Adviser disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

## Exposure Period

The Corporations Act prohibits the Company and SaleCo from processing Applications in the seven day period after the Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

## No cooling-off rights

No cooling-off regime (whether provided by law or otherwise) applies in respect of the acquisition of Shares under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

## Obtaining a copy of this Prospectus

A hard copy of this Prospectus is available free of charge to any Applicant in Australia by calling the ReadyTech Offer Information Line on 1800 622 202 (toll free within Australia) or +61 1800 622 202 (outside Australia) from 8:30am to 5:30pm (Sydney Time) during the Retail Offer period from 8 April 2019 to 12 April 2019.

During the Exposure Period, an electronic version of this Prospectus without an Application Form will be available at <https://www.readytech.com.au> for Australian investors only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus is available to Australian investors in electronic form at <https://www.readytech.com.au>. The Offer constituted by this Prospectus in electronic form at <https://www.readytech.com.au> is available only to persons within Australia. The Prospectus is not available to persons in other jurisdictions (including the United States). If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety. You may, before the Closing Date, obtain a paper copy of this Prospectus (free of charge) by telephoning the ReadyTech Offer Information Line on 1800 622 202 (within Australia) 8.30am to 5.30pm (Sydney time), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 1800 622 202 from 8.30am to 5.30pm (Sydney time), Monday to Friday.

Applications for Shares may only be made during the Offer Period on the Application Form included in, or accompanying, this Prospectus in its hard copy form, or in its soft copy form which must be downloaded in its entirety <https://www.readytech.com.au> together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. See Sections 7.3.2 and 7.4 for further information.

## Statements of past performance

This Prospectus includes information regarding the past performance of ReadyTech. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## Financial information

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2.

All references to FY appearing in this Prospectus are to the financial year ended 30 June, unless otherwise indicated. The Financial Information is presented on both an actual and pro forma basis and has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board, which are consistent with International

Financial Reporting Standards and interpretations issued by the International Accounting Standards Board (IFRS).

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 10.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

Readers should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information', published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of ReadyTech. The non-IFRS financial measures do not have standardised meanings prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or ratio included in this Prospectus.

Non-financial data is as at the Prospectus Date, unless otherwise stated.

### **Forward looking statements**

This Prospectus contains forward-looking statements, including statements identified by use of words such as "believes", "estimates", "anticipates", "expects", "predicts", "intends", "targets", "plans", "goals", "outlook", "aims", "guidance", "forecasts", "may", "will", "would", "could" or "should" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements.

The Forecast Financial Information is based on a number of assumptions concerning future events, including, without limitation, the successful implementation of ReadyTech's growth strategy and public company requirements, as well as a number of assumptions and estimates relating to factors affecting its business. Investors should carefully read the information set out in Section 4.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of SaleCo and its directors, and the Company, its Directors and Management. They are provided

as a general guide only and should not be relied upon as an indication or guarantee of future performance.

Except as set out above, SaleCo, the Company and their respective directors cannot and do not make any representation, express or implied, in relation to forward-looking statements and you are cautioned not to place undue reliance on these statements. SaleCo and the Company do not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These statements are subject to various risk factors that could cause the ReadyTech's actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in Section 5. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this Prospectus will be achieved. SaleCo and the Company have not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risks set out in Section 5.

### **Use of trademarks**

This Prospectus includes ReadyTech's registered and unregistered trademarks. All other trademarks, tradenames and service marks appears in this Prospectus are the property of their respective owners.

### **Photographs, diagrams and publications**

Photographs and diagrams used in this Prospectus are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus, its contents or that the assets shown in them are or, on Completion of the Offer will be, owned by ReadyTech. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Journals, books and other comparable publications referenced in this Prospectus have, unless stated otherwise, been referenced without the consent of the author of the relevant publication. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at the Prospectus Date.

### **Selling restrictions**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this

Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws. See Section 7.9 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia.

### **Important information for New Zealand investors**

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act (Regulations). In New Zealand, this is subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* and Part 9 of the *Financial Markets Conduct Regulations 2014*.

This Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the Regulations set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand ([www.fma.govt.nz](http://www.fma.govt.nz)). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

## Important Notices

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

A copy of this Prospectus and other documents relating to the Offer have been, or will be, lodged with the New Zealand Disclose Register ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)). While the Offer is being extended to New Zealand investors under the mutual recognition regime, no application for listing and quotation is being made to NZX Limited. See Section 7.9 for more details of selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia.

### Privacy

By filling out the Application Form to apply for Shares you are providing personal information to the Company through its Share Registry, which is contracted by the Company to manage Applications.

The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by ReadyTech, which it considers may be of interest to you. Your personal information may also be provided to ReadyTech's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws.

The members, agents and service providers of ReadyTech may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and

- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Telephone: 1300 554 474  
(within Australia)  
  
+61 1300 554 474  
(outside Australia)

Address: Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1236

### Underwriting

The Offer is being arranged, managed and underwritten by the Joint Lead Managers.

### Independent Limited Assurance Report on the Financial Information and Financial Services Guide

The provider of the Independent Limited Assurance Report on the Financial Information has provided Australian Retail Investors with a Financial Services Guide in relation to its independent review under the Corporations Act. The Independent Limited Assurance Report and accompanying Financial Services Guide are provided in Section 8.

### Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

### Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary set out in Section 11. Unless otherwise stated or implied, references to dates and times in this Prospectus are to the date or time in Sydney, Australia. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. There may be discrepancies between totals and sums of components in tables contained in this Prospectus due to rounding.

### Questions

If you have any questions about how to apply for Shares, please call your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back

of each Application Form. Alternatively, please contact the ReadyTech Offer Information Line on 1800 622 202 (toll free within Australia) or +61 1800 622 202 (outside Australia) between 8.30am and 5.30pm Sydney Time, Monday to Friday (Business Days only).

This Prospectus is important and should be read in its entirety.

### Disclaimer

The Company, SaleCo, the Joint Lead Managers and the Financial Adviser disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving a holding statement, even if such persons received confirmation of allocation from the ReadyTech Offer Information Line or confirmed their firm allocation through a Broker.

Macquarie Capital (Australia) Limited and Wilsons Corporate Finance Limited have acted as Joint Lead Managers to the Offer and Luminis Partners have acted as Financial Adviser in connection with the Offer, and have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by any Joint Lead Manager or the Financial Adviser or by any of their respective affiliates, officers or employees. To the maximum extent permitted by law, each of the Joint Lead Managers, the Financial Adviser and each of their respective affiliates, officers, employees and advisors expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Research by Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or advisability of investing in the Company.





# Ready for the Future of Work

Mission-critical people  
management software for  
educators and employers

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# Key Offer Information

## Key Dates

|   |                          |
|---|--------------------------|
| Prospectus lodgement date   | Friday, 29 March 2019    |
| Retail Offer opens  | Monday, 8 April 2019     |
| Retail Offer closes   | Friday, 12 April 2019    |
| Settlement  | Tuesday, 16 April 2019   |
| Issue and allotment of new shares (Completion)                    | Wednesday, 17 April 2019 |
| Commencement of trading on a deferred settlement basis on the ASX | Wednesday, 17 April 2019 |
| Dispatch of holding statements                                    | Thursday, 18 April 2019  |
| Commencement of trading on a normal settlement basis on the ASX   | Tuesday, 23 April 2019   |

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

### Key Offer statistics<sup>1</sup>

|  |                 |
|--|-----------------|
| Offer Price  | \$1.51          |
| Total value of Shares offered under this Prospectus                          | \$50.0 million  |
| Total New Shares to be issued under the Offer                                | 11.3 million    |
| Total Shares to be sold by SaleCo under the Offer                            | 21.9 million    |
| Total Shares to be held by Existing Shareholders on Completion               | 46.9 million    |
| Total Shares on issue immediately after Completion                           | 80.0 million    |
| Market capitalisation at the Offer Price <sup>2</sup>                        | \$120.8 million |
| Enterprise value at the Offer Price <sup>3</sup>                             | \$138.5 million |
| Enterprise value to pro forma FY19 forecast EBITDA <sup>4,7</sup>            | 10.9x           |
| Enterprise value to pro forma CY19 forecast EBITDA <sup>4,7</sup>            | 9.5x            |
| Market capitalisation to pro forma FY19 forecast NPATA <sup>5</sup>          | 23.1x           |
| Market capitalisation to pro forma CY19 forecast NPATA <sup>5</sup>          | 18.2x           |
| Estimated CY19 dividend yield (based on dividend payout policy) <sup>6</sup> | 2.7%            |

- 1 This table contains Forecast Financial Information and information derived from the Forecast Financial Information. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4.6.1, 4.6.2 and Section 10, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved. Certain financial information in this Prospectus is described as pro forma for the reasons described in Section 4.3.3. Forecasts have been included in this Prospectus for FY19F and 1H FY20F.
- 2 Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the Total Shares on issue immediately after Completion.
- 3 Enterprise value at the Offer Price is defined as market capitalisation at the Offer Price, plus net debt of \$17.7 million calculated on a pro forma basis reflecting the target cash and debt position at Completion including impacts of the Offer.
- 4 Enterprise value to EBITDA multiple is calculated as the enterprise value at the Offer Price divided by pro forma FY19 forecast EBITDA of \$12.7 million and pro forma CY19 forecast EBITDA of \$14.6 million respectively.
- 5 Market capitalisation to NPATA multiple is calculated as the market capitalisation at the Offer Price divided by pro forma FY19 forecast NPATA of \$5.2 million and pro forma CY19 forecast NPATA of \$6.6 million respectively.
- 6 Based on the midpoint of the target dividend payout ratio of 40% to 60% of NPATA multiplied by CY19 forecast NPATA of \$6.6 million, and divided by the market capitalisation at the Offer Price.
- 7 Pro forma EBITDA presented in this prospectus reflects the pro forma adjustments set out in Section 4.3.3. This includes the application of AASB 16 *Leases* which applies to annual reporting periods commencing on or after 1 January 2019 but has been applied in the preparation of pro forma financial information presented in this prospectus.

### How to invest

Application for Shares can only be made by completing and lodging the Application Form attached to, or accompanying, this Prospectus.

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

# Letter from the Chairman

## Dear Investor,

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder in the Company.

ReadyTech is a leading software as a service (**SaaS**) provider of mission-critical people management systems to Australian educational institutions and employers. Our software aims to help our customers to comply with regulatory reporting and legislative compliance obligations, efficiently manage a large number of people and drive outcomes including student completion rates and employee engagement for educators and employers respectively.

In the education segment, ReadyTech's core products are its student management systems that administer the student lifecycle from student enrolment to course completion. We have also developed other solutions for this segment including a platform that manages the ACT Government's vocational education and training program and innovative behavioural science-backed assessment tools designed to improve student completion rates. ReadyTech believes that its focus on innovation and student outcomes will result in strong growth including greater traction with higher value customers such as TAFEs and universities.

In the employment segment, ReadyTech's core products are its payroll software, outsourced payroll services and human resource administration software. Our mission-critical payroll functionality is embedded in our customer systems (or workflows) and allows the introduction of other human resource administration functionality to help customers solve related challenges around employee engagement. Similar to the education segment, ReadyTech believes that its continued innovation and expansion of its product suite has delivered strong growth and attracted higher value customers to its employment offerings.

ReadyTech recognised that there were parallel problems to be solved for customers in education and employment. A focus on student and employee lifecycles highlights common stages (such as student enrolment and employee on-boarding) that each need to be managed, and the need for analogous solutions and features such as self-service to support the digital-enabled experience expected from both students and employees.

Founded over 20 years ago, ReadyTech is led by a highly experienced management team and currently serves over 3,600 customers with an average tenure of more than seven years. ReadyTech has high visibility of forecast revenues with a 95% revenue retention rate from existing customers as at FY18.

Our growth strategy is centred on winning new and higher value customers and driving greater spend per customer with additional products and value-added services. Through a combination of these and other growth strategies, ReadyTech forecasts that it will achieve 14.4% revenue growth in CY19F from CY18A to deliver \$35.1 million in revenues and \$14.6 million in EBITDA on a pro forma basis<sup>1</sup>. ReadyTech has high operating leverage demonstrated in forecast pro forma EBITDA margin expansion from 25.6% in FY16 to 41.6% in CY19F with an expected EBITDA CAGR of 28.5% over this period. In addition, the business is highly cash generative with a three year average operating cash flow conversion greater than 100% from FY16 to FY18. The Company expects that this will provide significant capacity to invest in new and emerging growth opportunities.

The Offer comprises the issue of New Shares in the Company and the sale of the Sale Shares via an intermediary entity (**SaleCo**). Upon completion of the Offer, new Shareholders are expected to hold 41.4% of the Shares and Existing Shareholders, including Management, will retain 58.6% of Shares, of which 56.4% will be escrowed for certain Escrowed Shareholders, until the date on which the Company releases its half-year results to the ASX for the half-year ending 31 December 2019 and for other Escrowed Shareholders until the date on which the Company releases its half-year results to ASX for the half-year ending 31 December 2020 (subject to early release depending on the Share price performance of the Company (see Section 7.8 for further details).

This Prospectus contains important information about the Offer, the industries ReadyTech operates in as well as the financial performance and position, operations, and management team of ReadyTech. The key risks associated with an investment in ReadyTech include failure to retain existing clients and attract new business, increased level of competition, and disruption to, or failure of, technology systems and software, including security breaches. The risks associated with investing in ReadyTech are detailed in Section 5. I encourage you to read this document carefully and in its entirety before making an investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,



**Tony Faure**  
Chairman

<sup>1</sup> Pro forma EBITDA presented in this prospectus reflects the pro forma adjustments set out in Section 4.3.3.



# Letter from the CEO

## Dear Investor,

It is with great pleasure that I have the opportunity to introduce you to ReadyTech and tell you about our history and purpose, our approach, why our customers choose us, our growth ambitions and our team.

## Our history and purpose

ReadyTech was founded as JobReady in 1998 with our first software product, launched in 1999, designed to help employment providers get job seekers back to work. I built the software by visiting customers across Australia and sitting in sessions between job seekers and case managers to deeply understand the needs of both, and then wrote the software late into the night. Working alongside some of the most disadvantaged people in Australia nurtured in me an understanding of the self-worth derived from meaningful work and the potential for education and new skills to transform lives.

ReadyTech is driven by the difference technology can make by helping educators and employers in assisting hundreds of thousands of Australians while they study, work and transition their careers. This purpose continues to inspire our team today.

## Our approach

Since the origins of ReadyTech, we have always viewed our customers as our partners and their success as our success. We have always believed that if we work closely with our customers, we can intimately understand their needs and align the solutions which we provide to drive real outcomes.

We started by building mission-critical solutions which became embedded in the customer's workflows. ReadyTech grew with its customers and education and training providers as they evolved beyond requiring support only for regulatory compliance to requesting solutions to help acquire, retain and graduate students in an ever competitive, global education market. We continue to develop functionality sought by educators to achieve student outcomes upon which their revenue is increasingly contingent.

ReadyTech believes that this approach has led to success in the education segment and is now adopting the same approach to the employment segment where we see parallel problems. For employers, we believe there is a growing imperative for talent and our focus is supporting employers to improve productivity, engage with and retain employees in the war for talent.

## Why our customers choose us?

I believe our customers choose us because of our customer-centric focus, our expertise and our trusted reputation developed from helping customers solve complex regulatory compliance issues for the last 20 years. I am proud to say that we still have customers from when we first started and the current average tenure is more than seven years.

In a rapidly evolving environment, we have built a technology architecture which allows us to release new product features quickly in order to keep our customers compliant with regulations and to meet their changing needs. We invested early in cloud-based technology and have relentlessly focussed on product innovation. In addition, we have recently seen an opportunity to add more value to our customers by acquiring mature product capability, allowing us to accelerate our goal of driving customer outcomes such as completion rates and student and employee engagement and retention.

## Our growth ambitions

ReadyTech has a demonstrated track record of strong profitable growth, and we have a number of strategies which seek to accelerate growth including:

- plans to increase the number of TAFEs and universities which we service by building upon strong customer interest and recent wins including a University of Queensland contract;
- targeting more high value employment customers. For example, we have secured iSelect, MECCA Brands and Brand Collective as customers because they are attracted to ReadyTech's advanced payroll and HR administration product suite;

## Letter from the CEO

- plans to increase spend per customer by offering educators additional features such as student services suite, online enrolment portals and student survey modules on top of their core student management system. Similarly in the employment segment, we aim to increase customer spend by introducing additional features such as workplace health and safety modules, business intelligence toolkits, employee self-service portals and other value-added functionality on top of the mission-critical payroll platform;
- plans to leverage our behavioural science-backed assessment tools to increase student completion rates and the number of job seekers getting back to work, the outcome which education and employment providers are predominantly measured on; and
- plans to capitalise on the significant customer appetite for skills profiling tools that ReadyTech has a market leading solution for. We believe our behavioural science and My Profiling offerings have the potential to become material revenue contributors in the medium-term based on Management's estimate that 10% of ReadyTech's existing education customer base could be potential users of each of those offerings.


### Our team

Our team is our greatest asset and I am extremely proud of the company that we have built together. ReadyTech has 152 staff focussed on the future of work, with the majority of employees working in our product development teams. Our senior leadership team share a passion for our customers and an ambition to build a formidable Australian technology company.

That said, the business is not without risk. However, at ReadyTech we are aware of the balance between managing risk and achieving reward for the business and we have in place robust risk management processes. Our Chairman has referred to key risks that we face in his letter, and Section 5 of this Prospectus contains a detailed description of the risks that we face which I encourage you to read carefully before applying for Shares.

I am excited about the opportunities ahead and look forward to welcoming you as a Shareholder.

Yours sincerely,



**Marc Washbourne**  
Chief Executive Officer



# 1. Investment Overview

# 1. Investment Overview

The information contained in this Section is intended to be a summary only and should be read in conjunction with the information set out in the remainder of this Prospectus.

## 1.1 Overview of ReadyTech

| Topic                          | Summary   | For more information |
|--------------------------------|---|----------------------|
| <b>What does ReadyTech do?</b> | <p>ReadyTech is a leading SaaS provider of mission-critical people management systems to customers to assist them to comply with regulatory and legislative compliance obligations, efficiently manage a large number of people through software and drive key performance outcomes. ReadyTech understands that its customers' key performance outcomes include:</p> <ul style="list-style-type: none"><li>• increasing student engagement and completion rates;</li><li>• assisting more job seekers back to work; and</li><li>• increasing employee engagement and retention rates.</li></ul> <p>ReadyTech operates in two segments:</p> <p><b>Education</b></p> <p>Core products are its cloud-based student management systems (<b>SMS</b>) for education and training providers to manage the student lifecycle from student enrolment to course completion. ReadyTech also provides platforms to help state governments manage vocational education and training (<b>VET</b>) programs, software platforms for the pathways and back-to-work sector to manage apprentices and job seekers, and a competency assessment and skills profiling tools to track on-the-job training through a qualification.</p> <p>ReadyTech's behavioural science-backed assessment tools are also included within the education segment. These tools are used to identify at-risk students in the tertiary education and training sector to improve course completion rates. They are also used to identify at-risk job seekers within the pathways and back-to-work sector to increase the number of successful job outcomes through the application of positive psychology.</p> <p>In FY18 the education segment comprised 61% of total group revenue and 58% of EBITDA before corporate costs. The majority of education revenue is derived from student management systems.</p> <p><b>Employment</b></p> <p>Provides payroll software and outsourced payroll services and human resource management (<b>HRM</b>) software solutions to employers to assist them with payroll and the management of their employees. HRM consists of human resource (<b>HR</b>) administration and talent management. HR administration involves employee records, workplace health and safety (<b>WHS</b>), organisational structure, document and expense management and reporting. ReadyTech is currently expanding its talent management capabilities to offer its customers a more comprehensive suite of solutions to assist them with attracting, engaging and retaining people.</p> <p>In FY18 the employment segment comprised 39% of total group revenue and 42% of EBITDA before corporate costs.</p> | <b>Section 3</b>     |

| Topic                              | Summary   | For more information            |
|------------------------------------|---|---------------------------------|
| Who are ReadyTech's customers?     | <p>ReadyTech currently services a customer base of over 3,600 with an average customer tenure of more than seven years.</p> <p>Within the education segment, ReadyTech's SMS offerings are used by tertiary education and training providers across multiple sub-sectors:</p> <ul style="list-style-type: none"> <li>Higher education providers including university and non-university education providers; and</li> <li>VET providers: <ul style="list-style-type: none"> <li>Registered training organisations (<b>RTOs</b>): including Technical and Further Education (<b>TAFE</b>) institutes;</li> <li>Non-registered training organisations (<b>Non-RTOs</b>): including community education providers, private training providers, and enterprises offering further study opportunities; and</li> </ul> </li> <li>English language course providers including the English Language Intensive Courses for Overseas Students (<b>ELICOS</b>) and the Commonwealth Register of Institutions and Courses for Overseas Students (<b>CRICOS</b>).</li> </ul> <p>Within the employment segment, ReadyTech's payroll and HRM solutions are used by employers across a number of sectors including retail, consumer, financial, technology, education, not-for-profits, construction, manufacturing and leisure.</p>  | Sections 3.4.5, 3.5.4 and 3.6.3 |
| Why do customers choose ReadyTech? | <p>Management believes ReadyTech's customers choose ReadyTech because of its increasingly agile development approach to customer-led innovation and its understanding of its customer's needs. Other reasons include:</p> <ul style="list-style-type: none"> <li><b>Expertise and trusted reputation:</b> ReadyTech's experience helping customers solve complex and evolving regulatory issues over 20 years has earned a trusted reputation among its clients;</li> <li><b>Focus on driving key customer performance outcomes:</b> ReadyTech has grown with its customers and expanded its product suite to assist its customers in seeking to increase student engagement and completion rates, assisting more job seekers back into work, and increasing employee engagement and retention rates. Within the education segment, ReadyTech's behavioural science and skills profiling tools aim to increase student completion rates and help job seekers back to work. Within the employment segment, ReadyTech has incorporated HR administration functionality and is currently expanding its talent management capabilities to its payroll solutions to assist employers pay, manage, engage and retain their employees;</li> <li><b>Customer-centric design:</b> ReadyTech's products are designed with an intuitive end user experience at front of mind so its customers can focus on what they do best; and</li> <li><b>Dedicated customer support and consultation:</b> ReadyTech is an Australian business with a customer support team based onshore to support its customers.</li> </ul> | Section 3                       |



## 1. Investment Overview

| Topic   | Summary  | For more information            |
|---|--|---------------------------------|
| How does ReadyTech generate its revenue?                  | <p>ReadyTech has two sources of revenues:</p> <ul style="list-style-type: none"> <li>• <b>Subscription and licence revenues:</b> includes recurring subscription revenues and both upfront and recurring licence revenues; and</li> <li>• <b>Implementation, training and other revenues:</b> fees for services including implementation, training and professional services, maintenance, consulting, and support.</li> </ul> <p>In FY18, subscription and licence revenues comprised 88% of total group revenue, and implementation, training and other revenues comprised 12%.</p>  | Sections 3.4.4, 3.5.3 and 3.6.2 |
| What are ReadyTech's key costs in generating its revenue? | <p>ReadyTech's key operating cost categories include:</p> <ul style="list-style-type: none"> <li>• <b>Salaries and wages:</b> salaries, wages, entitlements and related costs for technology and product development staff, sales and marketing staff, management and contractors;</li> <li>• <b>Technology infrastructure and operations:</b> data centre, cloud hosting, software subscriptions and associated support; and</li> <li>• <b>Other expenses:</b> professional and consulting services, occupancy costs, travel, marketing, administrative and general expenses.</li> </ul>  | Section 4.7.2                   |
| What is ReadyTech's growth strategy?                      | <p>ReadyTech has a number of strategies in place to ensure the growth of the business, including:</p> <ul style="list-style-type: none"> <li>• <b>Winning new and higher value customers:</b> ReadyTech believes that it continues to win new customers in its core market segments because of its expertise in addressing mission-critical functions for both educators and employers as well as the brand and trust it has built over 20 years. As ReadyTech expands its offering beyond the mission-critical functions into value-added services, ReadyTech is increasing its focus on penetrating higher value customers. Recent large education wins include the University of Queensland, and an initial contract with a TAFE.</li> </ul> <p>Similarly, ReadyTech is investing in its HR administration and talent management capabilities to attract larger, higher value employers who are increasingly focussed on attracting, engaging and retaining people. Today, ReadyTech currently manages payroll for 41 companies with over 1,000 employees each.</p> <p>ReadyTech believes that it has a strong customer pipeline which will support its growth in the forecast period and beyond. ReadyTech has identified a current pipeline of opportunities representing greater than \$15 million in gross annual revenue. ReadyTech expects to convert a proportion of these opportunities in the medium term, however, there can be no guarantee that all opportunities in the pipeline will be converted into contracted revenues.</p> <p>ReadyTech has continued to demonstrate its ability to win new customers by growing the total annual contract value (<b>ACV</b>) of new business wins by greater than 50% from FY17 to FY18. During 1H FY19, the total ACV of new business wins was 31% higher than the average of 1H FY18 and 2H FY18.</p> | Section 3.10                    |

| Topic  | Summary  | For more information |
|--|--|----------------------|
| <b>What is ReadyTech's growth strategy?</b><br>continued | <p>Based on FY18 data, ReadyTech's customer lifetime value (<b>CLTV</b>) to customer acquisition cost (<b>CAC</b>) ratio based on new customer wins was 5.1x and 5.9x in the education and employment segment respectively. CLTV reflects the average gross profit per ReadyTech customer multiplied by the average tenure of those customers in that segment for FY18 (see Figure 15). The average gross profit is calculated as total revenue less hosting and operations (staff who service and support customers) divided by the number of customers in that segment for FY18. CAC reflects the cost to acquire new customers. CAC is calculated by dividing total sales and marketing costs (including staff costs) by the number of new customers in that segment during the period;</p> <ul style="list-style-type: none"> <li>• <b>Greater spend per customer:</b> ReadyTech's land and expand strategy aims to firstly service a customer by addressing the mission-critical complex regulatory compliance needs. ReadyTech then 'expands' through greater user subscriptions as customers grow, and by offering, in the education segment, additional features such as student services suite, online enrolment portals and student survey modules on top of their core SMS. Similarly in the employment segment, ReadyTech aims to increase customer spend by offering additional features such as workplace health and safety modules, business intelligence toolkits, employee self-service portals and other value added functionality on top of the mission-critical payroll platform;</li> </ul> <p>In combination with winning higher value customers, ReadyTech has observed its average revenue per customer (<b>ARPC</b>) increase by 25% from FY16 to FY18;</p> <ul style="list-style-type: none"> <li>• <b>Behavioural science:</b> ReadyTech's current behavioural science software solutions are designed to improve student completion rates (Assess2Educate product developed by Esher House) and increase the number of successful job outcomes for job seekers through the application of positive psychology (Esher House). ReadyTech believes its behavioural science solutions are attracting strong attention because tertiary education and training providers and employment providers are increasingly financially incentivised to meet these key outcomes.</li> </ul> <p>There is also an untapped opportunity to expand behavioural science into new uses cases such as assessing employee engagement to identify employees at risk of resigning or underperforming;</p> <ul style="list-style-type: none"> <li>• <b>Partnerships and strategic alliances:</b> ReadyTech has established partnerships and strategic alliances to expand its customer value proposition and deepen penetration in new and existing markets. Examples of partnerships ReadyTech has formed include learning management systems (<b>LMS</b>), payment platforms, and rostering systems.</li> </ul> | <b>Section 3.10</b>  |

## 1. Investment Overview

| Topic  | Summary   | For more information |
|--|---|----------------------|
| <b>What is ReadyTech's growth strategy?</b><br>continued | <p>ReadyTech also uses channel partners such as accounting firms and a reseller network as part of its distribution strategy. Resellers cover a range of software solutions including enterprise resource planning (ERP) systems. ReadyTech believes that resellers have assisted it to gain traction with higher value customers through effectively bundling ReadyTech's solutions with third-party ERP solutions also targeting larger, higher value customers; and</p> <ul style="list-style-type: none"><li>• <b>Buy and build:</b> Consistent with its acquisition of Esher House in 2017, which brought the group's behavioural science skill set in-house, ReadyTech will explore inorganic growth opportunities that expand capability and product offering in relevant areas for the ReadyTech's existing and/or target customer base.</li></ul> <p>ReadyTech today represents a collection of strategic acquisitions initially through JobReady as shown in Section 3.2.</p> <p>ReadyTech most recently acquired My Profiling to introduce an online system to track student workplace activity and progression through a qualification. The competency assessment and skills profiling tools designed for the tertiary education and training sector is a natural extension of ReadyTech's current offering and provides key leads to the business' TAFE customers which ReadyTech is pursuing.</p> <p>ReadyTech believes its behavioural science and My Profiling offerings have the potential to become material revenue contributors in the medium-term based on Management's estimate that 10% of ReadyTech's existing education customer base could be potential users of each offering.</p> | <b>Section 3.10</b>  |

### 1.2 Investment highlights

| Topic   | Summary   | For more information |
|---|---|----------------------|
| <b>Leading and modern people management systems</b> | <p>ReadyTech has dedicated over half a million human hours over the past 20 years into writing 14 million lines of code which today underpins its leading and modern people management systems which are predominantly cloud and SaaS-based. The core solutions developed include:</p> <ul style="list-style-type: none"><li>• <b>Student management systems</b> for educators to manage students and comply with regulatory reporting and legislative compliance requirements;</li><li>• <b>Apprentice and trainee management systems</b> for Australian Apprentice Support Network (AASN) providers and Group Training Organisations (GTO) to market, administer and manage apprenticeships and traineeships;</li><li>• <b>State Government VET management system</b> for the ACT Government to manage all VET initiatives in the ACT;</li><li>• <b>Pathways and back-to-work management systems</b> for employment providers in the pathways and back-to-work sector to match job seekers with job openings and track employment progress; and</li><li>• <b>Payroll and HR administration systems and services</b> to manage payroll and support core HR administrative functions for over 2,000 businesses.</li></ul> | <b>Section 3</b>     |

| Topic   | Summary   | For more information    |
|---|---|-------------------------|
| <b>Mission-critical solutions that benefit from a complex and evolving regulatory environment</b> | <p>ReadyTech's core software solutions address mission-critical regulatory reporting and legislative compliance requirements for education and training providers (which is a requirement to access government funding), and payroll and associated legislative compliance for employers.</p> <p>Management believe changes in regulation and legislation have provided an opportunity for ReadyTech to grow as such changes have accentuated the need for both tertiary education and training providers and employers to have solutions capable of navigating the relevant regulatory complexities. As an example, from 2014 to 2016, the conduct of VET providers was reviewed and regulation and policy associated with government funding into the VET sector was overhauled to ensure students were appropriately enrolled into quality assured courses.</p> <p>ReadyTech continued to grow during this period and believes that regulatory changes shifted focus towards SMS like ReadyTech's which have a student-centred approach, allowing educators to measure engagement and overall support as they benchmark key educational metrics such as attendance, learning outcomes and completion rates. Also, the majority of ReadyTech's existing education customer base are private VET providers who are less dependent on government funding. Over 70% of subject enrolments at a private VET provider generally are funded by fee-for-service and less dependent on government funding.<sup>2</sup></p> <p>Similarly, in the employment industry, the Australian Taxation Office (ATO) implemented Single Touch Payroll (STP), effective from 1 July 2018, which requires employers with more than 20 employees to report payroll, superannuation and income tax data to the ATO each time employees are paid. Legislation has been passed in February 2019 to extend STP to all employers, including employers with less than 20 employees, from 1 July 2019. ReadyTech expects an increase in the uptake of payroll software and services such as those offered by ReadyTech to alleviate the operational burden associated with STP compliance.</p> | <b>Sections 2 and 3</b> |
| <b>Agile and continuous product development</b>   | <p>ReadyTech dedicates 92 out of a total 152 staff to technology and product development as at 31 December 2018. ReadyTech broadly adopts an agile development methodology to continually update its products to ensure they remain compliant with the evolving and complex regulatory environment in which users of ReadyTech's products operate, and to adapt to changing customer preferences. Select examples of ReadyTech's agile development practices which aim to assist its customers to drive key performance outcomes include:</p> <ul style="list-style-type: none"> <li>• increasing student engagement by redesigning the modern student management system to encompass the student lifecycle by managing such things as student accommodation, counselling, internships and work placements;</li> <li>• behavioural science-backed assessment and intervention tools to focus student support resources on identified at-risk students and job seekers with the aim of increasing completion rates and the number of successful job outcomes;</li> </ul>   | <b>Section 3</b>        |

<sup>2</sup> NCVER, 'Australian vocational education and training statistics: Total VET students and courses 2017' (2018).

## 1. Investment Overview

| Topic  | Summary   | For more information        |
|--|---|-----------------------------|
| <b>Agile and continuous product development</b><br>continued | <ul style="list-style-type: none"> <li>competency assessment and skills profiling tools to track student on-the-job training to identify knowledge and experience gaps in a student's qualification progress to be addressed by educators to increase completion rates;</li> <li>predictive data analytics and algorithm-informed intelligence to generate richer student profiles and matching capabilities to assist with ensuring students are placed in the right jobs; and</li> <li>expanding into talent management to assist employers to compete more effectively to attract, engage and retain people.</li> </ul>  | <b>Section 3</b>            |
| <b>Long-tenured and non-concentrated customer base</b>       | <p>ReadyTech serves over 3,600 customers across both the education and employment segments. The average customer tenure is more than seven years.</p> <p>Education customers are diversified across various sub-sectors including VET, higher education and English language course providers. The largest education customer comprised only 2% of total FY18 group revenue.</p> <p>Employment customers are split across sectors including retail, consumer, financial, technology, education, not-for-profits, construction, manufacturing and leisure. The largest employment customer comprised only 1% of total FY18 group revenue.</p>  | <b>Section 3</b>            |
| <b>Recurring revenue and high revenue visibility</b>         | <p>ReadyTech has high revenue visibility attributed to its predominantly subscription revenue model and strong revenue retention rates of 95% from existing customers as at FY18.</p> <p>ReadyTech has identified a current pipeline of opportunities representing greater than \$15 million in gross annual revenue. ReadyTech expects to convert a proportion of these opportunities in the medium term, however, there can be no guarantee that all opportunities in the pipeline will be converted into contracted revenues.</p> <p>ReadyTech has continued its strong momentum with \$16.0 million revenue in 1H FY19, representing approximately 49.2% of FY19F forecast revenue.</p>   | <b>Section 3.3</b>          |
| <b>Strong growth and financial profile</b>                   | <p>ReadyTech expects to deliver continued revenue and EBITDA growth across both the education and employment segments. ReadyTech forecasts it will achieve 14.4% revenue growth in CY19F from CY18 to deliver \$35.1 million in revenues and \$14.6 million in EBITDA on a pro forma basis.</p> <p>ReadyTech has continued to demonstrate its ability to win new customers by growing the total ACV of new business wins by greater than 50% from FY17 to FY18. During 1H FY19, the total ACV of new business wins was 31% higher than the average of 1H FY18 and 2H FY18.</p> <p>As a leading SaaS provider, ReadyTech has high operating leverage demonstrated in pro forma EBITDA margins forecast to expand from 25.6% in FY16 to 41.6% in CY19F with an EBITDA CAGR of 28.5% over this period. ReadyTech also has attractive unit economics based on its CLTV to CAC ratio of 5.1x and 5.9x for the education and employment segment respectively in FY18.</p> | <b>Sections 3.3 and 4.3</b> |



| Topic   | Summary   | For more information |
|---|---|----------------------|
| <b>Strong growth and financial profile</b><br>continued | In addition, the business is highly cash generative with a three year average operating cash flow conversion greater than 100% from FY16 to FY18. The Company expects that this will provide it with significant capacity to invest in new and emerging growth opportunities.   |                      |
| <b>Experienced management team</b>                      | <p>ReadyTech's management team is led by CEO Marc Washbourne and CFO Nimesh Shah. The senior management team includes the general managers of each business.</p> <p>Many of the management team have significant industry experience with over 20 years of education, employment and technology experience. As a team, they have demonstrated a track record of driving growth in the business and adapting to the evolving complex regulatory environment and changing customer preferences.</p> | <b>Section 6.3</b>   |

### 1.3 Key risks

| Topic   | Summary  | For more information |
|---|--|----------------------|
| <b>Failure to retain existing clients and attract new business</b>                                | <p>ReadyTech's business is dependent on its ability to retain a portion of its existing clients and attract new business. ReadyTech sells its products under various subscription models, all of which are exposed to the risk of expiry, non-renewal and pricing risks.</p> <p>ReadyTech may fail to retain a sufficient number of existing customers or fail to attract sufficient new business for a number of reasons, such as the failure to meet customer expectations, poor customer service, technology disruptions, pricing, competition, or delayed conversion of customers with longer sale cycles. ReadyTech's ability to renew existing contracts and win new contracts may also be impacted by broader factors affecting the dynamics of the education and employment industries and their respective sectors, changes in law or changes in regulation of the industries in which ReadyTech operates more generally.</p> | <b>Section 5.2.1</b> |
| <b>Increased level of competition in the industries which ReadyTech operates in</b>               | ReadyTech competes with a number of specialist software vendors in the education and employment industries. Both industries are subject to competition based on factors including price, service, quality, performance standards, information security, innovation and the ability to provide customers with an appropriate range of reliable and tailored services in a timely manner. Please see Sections 2.2 to 2.5 (inclusive) for a description of the competitive environments in the education and employment industries respectively in which ReadyTech operates in.   | <b>Section 5.2.2</b> |
| <b>Disruption to, or failure of, technology systems and software, including security breaches</b> | As a provider of education and employment software solutions, ReadyTech and its clients are dependent on the effective performance, reliability and availability of ReadyTech's technology platforms, communications systems, servers, the internet, hosting services and the on-premise and cloud-based environments in which it provides such software solutions. ReadyTech relies on third party service providers for the delivery of its software solutions and, accordingly, many potential operational issues are outside ReadyTech's control.  | <b>Section 5.2.3</b> |

## 1. Investment Overview

| Topic   | Summary  | For more information |
|---|--|----------------------|
| <b>Disruption to, or failure of, technology systems and software, including security breaches</b> continued | <p>There is a risk that ReadyTech's systems and software may be adversely affected by damaged or faulty equipment, misuse by staff or contractors, disruption, failure, service outages or data corruption, that could occur as a result of computer viruses, "worms", malware, internal or external misuse by websites, hacking or cyber-attacks, or other disruptions including natural disasters, power surges or outages, terrorist attacks, or other similar events.</p> <p>Such disruptions could compromise or breach the technology rendering the software unavailable for a period of time while the software is restored or resulting in the loss, theft or corruption of sensitive data (including confidential client or customer data).</p>   |                      |
| <b>Failure to realise benefits from product research and development</b>                                    | <p>An important aspect of ReadyTech's business is its ability to continue to invest in innovation and related product development opportunities. ReadyTech believes that it must continue to dedicate resources to innovation efforts to develop ReadyTech's software and technology product offering and maintain ReadyTech's competitive position. ReadyTech may not however, receive benefits from these investments for several years or at all.</p>   | <b>Section 5.2.4</b> |
| <b>Failure to keep abreast of changes in compliance and regulatory environments</b>                         | <p>ReadyTech's products are significantly influenced and affected by government policy and regulations which apply to the education and employment industries in which ReadyTech operates. There is a risk that ReadyTech may fail to keep abreast of such policy and regulations and potential changes to the same, which may have an adverse impact on its business, operations and financial performance.</p> <p>While ReadyTech is well versed in adapting its products to changing regulations and policies, any material new or altered law, regulation or policy which impacts ReadyTech's products could require ReadyTech to increase spending and employee resources on regulatory compliance and/or change its business practices, which would adversely affect ReadyTech's operations and profitability.</p> | <b>Section 5.2.5</b> |
| <b>Failure to maintain security accreditations</b>  | <p>ReadyTech's security accreditations, which include ISO 27001 and IRAP, are important accreditations that customers expect when dealing with software providers in the industries in which ReadyTech operates. In certain circumstances, such accreditations are also required to be maintained in order to allow ReadyTech to tender for, and offer, its product offering to certain clients (e.g. Government entities). Failure to maintain these security accreditations would impact ReadyTech's ability to attract new clients and may cause existing customers to stop using ReadyTech products.</p>   | <b>Section 5.2.6</b> |
| <b>Delays or inability to complete software implementation projects</b>                                     | <p>New customers or existing customers may require ReadyTech to undertake implementation projects, in order to integrate ReadyTech's solutions into such customers' internal IT solutions and workflows. Delays or inability to complete such implementation projects, creates the risk that these customers begin paying later or decide to no longer proceed with using ReadyTech solutions. This risk becomes a more pertinent consideration with larger, higher value customers with more complex deployment processes.</p>  | <b>Section 5.2.7</b> |

| Topic   | Summary  | For more information |
|---|--|----------------------|
| <b>ReadyTech may not be able to attract or retain key personnel</b> | ReadyTech's success depends to some extent on its ability to retain key personnel, in particular the Management team discussed at Section 6.3. ReadyTech's Management team have extensive experience in, and knowledge of, the education and employment industries in which ReadyTech operates. The loss of key personnel may adversely affect ReadyTech's ability to develop its products or implement its business strategies and may adversely affect its future financial performance.   | <b>Section 5.2.8</b> |
| <b>Other specific risks</b>   | <p>Other risks specific to an investment in ReadyTech include:</p> <ul style="list-style-type: none"> <li>• protection of, and exposure to, intellectual property;</li> <li>• reliance on third party technology and development services;</li> <li>• changes to government funding arrangements or regulations for education and employment providers;</li> <li>• exposure to risks from past and future business combinations;</li> <li>• risks associated with expansion into new and adjacent markets;</li> <li>• diminishment in ReadyTech's brands' reputation and value;</li> <li>• failure to execute ReadyTech's growth strategy;</li> <li>• failure to effectively manage growth;</li> <li>• impairment of intangible assets; and</li> <li>• failure to meet forecasts.</li> </ul> | <b>Section 5.2</b>   |

## 1.4 Key financials

| Topic  | Summary   | For more information |                      |      |                    |      |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
|--|---|----------------------|----------------------|------|--------------------|------|--------------------|--|----------------------|------|------|------|------|------|------|----------------------------------|------|------|------|------|------|------|--|-----|-----|-----|-----|-----|-----|---------------|------|------|------|------|------|------|--------|-----|-----|------|------|------|------|------|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|-----|-----|-----|-----------|
| How does ReadyTech expect to fund its operations?  | ReadyTech has funded its operations primarily through cash flow generated by the business. In addition, external debt and equity has been raised to fund acquisitions. Going forward, ReadyTech expects to primarily fund its future operations and investment activity with cash flow generated by the business.   | Section 4            |                      |      |                    |      |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| What is ReadyTech's statutory and pro forma historical and forecast financial performance? | <table><tr><th>\$ millions</th><th colspan="4">Pro forma Historical</th><th colspan="2">Pro forma Forecast</th></tr><tr><th>June fiscal year end</th><th>FY16</th><th>FY17</th><th>FY18</th><th>CY18</th><th>FY19</th><th>CY19</th></tr><tr><td>Subscription and licence revenue</td><td>20.1</td><td>23.8</td><td>25.6</td><td>26.9</td><td>29.2</td><td>32.0</td></tr><tr><td>Implementation, training and other revenue</td><td>3.6</td><td>3.3</td><td>3.4</td><td>3.7</td><td>3.4</td><td>3.1</td></tr><tr><td>Total Revenue</td><td>23.7</td><td>27.1</td><td>29.0</td><td>30.7</td><td>32.6</td><td>35.1</td></tr><tr><td>EBITDA</td><td>6.1</td><td>9.6</td><td>10.6</td><td>11.4</td><td>12.7</td><td>14.6</td></tr><tr><td>EBIT</td><td>3.0</td><td>6.4</td><td>3.3</td><td>3.7</td><td>4.4</td><td>6.2</td></tr><tr><td>NPAT</td><td>1.1</td><td>3.5</td><td>1.4</td><td>1.6</td><td>1.9</td><td>3.3</td></tr><tr><td>NPATA</td><td>1.1</td><td>3.5</td><td>4.3</td><td>4.7</td><td>5.2</td><td>6.6</td></tr></table> <p>NPATA means net profit after tax but excluding the non-cash amortisation of acquired intangibles (including customer-related intangibles and acquired software) from prior acquisitions undertaken by ReadyTech</p> | \$ millions          | Pro forma Historical |      |                    |      | Pro forma Forecast |  | June fiscal year end | FY16 | FY17 | FY18 | CY18 | FY19 | CY19 | Subscription and licence revenue | 20.1 | 23.8 | 25.6 | 26.9 | 29.2 | 32.0 | Implementation, training and other revenue | 3.6 | 3.3 | 3.4 | 3.7 | 3.4 | 3.1 | Total Revenue | 23.7 | 27.1 | 29.0 | 30.7 | 32.6 | 35.1 | EBITDA | 6.1 | 9.6 | 10.6 | 11.4 | 12.7 | 14.6 | EBIT | 3.0 | 6.4 | 3.3 | 3.7 | 4.4 | 6.2 | NPAT | 1.1 | 3.5 | 1.4 | 1.6 | 1.9 | 3.3 | NPATA | 1.1 | 3.5 | 4.3 | 4.7 | 5.2 | 6.6 | Section 4 |
| \$ millions  | Pro forma Historical  |                      |                      |      | Pro forma Forecast |      |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| June fiscal year end   | FY16  | FY17                 | FY18                 | CY18 | FY19               | CY19 |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| Subscription and licence revenue   | 20.1  | 23.8                 | 25.6                 | 26.9 | 29.2               | 32.0 |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| Implementation, training and other revenue   | 3.6   | 3.3                  | 3.4                  | 3.7  | 3.4                | 3.1  |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| Total Revenue  | 23.7  | 27.1                 | 29.0                 | 30.7 | 32.6               | 35.1 |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| EBITDA   | 6.1   | 9.6                  | 10.6                 | 11.4 | 12.7               | 14.6 |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| EBIT   | 3.0   | 6.4                  | 3.3                  | 3.7  | 4.4                | 6.2  |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| NPAT   | 1.1   | 3.5                  | 1.4                  | 1.6  | 1.9                | 3.3  |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |
| NPATA  | 1.1   | 3.5                  | 4.3                  | 4.7  | 5.2                | 6.6  |                    |  |                      |      |      |      |      |      |      |                                  |      |      |      |      |      |      |  |     |     |     |     |     |     |               |      |      |      |      |      |      |        |     |     |      |      |      |      |      |     |     |     |     |     |     |      |     |     |     |     |     |     |       |     |     |     |     |     |     |           |

## 1. Investment Overview

| Topic   | Summary  |                      |      |       |                    | For more information |
|---|--|----------------------|------|-------|--------------------|----------------------|
| What is ReadyTech's statutory and pro forma historical and forecast financial performance?<br>continued | \$ millions  | Statutory Historical |      |       | Statutory Forecast | Section 4            |
|   | June fiscal year end   | FY16                 | FY17 | FY18  | FY19               |                      |
|   | Subscription and licence revenue   | 19.8                 | 23.8 | 22.4  | 29.0               |                      |
|   | Implementation, training and other revenue   | 3.7                  | 3.5  | 3.2   | 3.4                |                      |
|   | Total Revenue  | 23.5                 | 27.2 | 25.6  | 32.4               |                      |
|   | EBITDA   | 6.6                  | 9.5  | 5.3   | 6.2                |                      |
|   | EBIT   | 5.9                  | 8.0  | (0.6) | (1.9)              |                      |
|   | NPAT   | 5.1                  | 5.4  | (5.2) | (2.4)              |                      |
| What is ReadyTech's dividend policy?  | <p>The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, operating results and financial condition of the Company.</p> <p>It is the current intention of the Board to target a payout ratio of between 40% and 60% of pro forma NPATA (subject to the availability of profits and the financial position of ReadyTech). The current intention of the Board is for the dividends to be fully franked to the extent franking credits are available.</p> <p>The Directors currently expect that the first dividend will be in respect of the period from 1st July to 31st December 2019 and will be paid in March or April 2020. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.</p> |                      |      |       |                    | Section 4.9          |
| What will the Company's capital structure be on Completion?   | On Completion, the Company will have 80.0 million fully paid ordinary shares on issue.   |                      |      |       |                    | Section 9.4          |

### 1.5 Directors and key management

| Topic                               | Summary   | For more information |
|-------------------------------------|---|----------------------|
| Who are the Directors of ReadyTech? | <ul style="list-style-type: none"> <li>• Tony Faure – Independent Non-Executive Chairman</li> <li>• Marc Washbourne – Chief Executive Officer</li> <li>• Elizabeth Crouch – Independent Non-Executive Director</li> <li>• Timothy Ebbeck – Independent Non-Executive Director</li> <li>• Tom Matthews – Non-Executive Director</li> </ul> | Section 6.1          |

| Topic                                    | Summary  | For more information |
|--|--|----------------------|
| Who are the key Management of ReadyTech? | <ul style="list-style-type: none"> <li>Marc Washbourne – Chief Executive Officer</li> <li>Nimesh Shah – Chief Financial Officer</li> <li>Tony Jones – General Manager, JobReady</li> <li>Trevor Fairweather – General Manager, VETtrak</li> <li>Daniel Wyner – General Manager, Employgroup</li> <li>Darren Coppin – General Manager, Esher House</li> </ul> | Section 6.3          |

## 1.6 Significant interests of key people and related party transactions

| Topic   | Summary  |            |   |            |  |            | For more information        |        |
|---|--|------------|---|------------|--|------------|-----------------------------|--------|
| Who are the Existing Shareholders and what will their interest in ReadyTech be immediately following Completion?  | Shareholding in ReadyTech immediately prior to Completion of the Offer |            | Shareholding in ReadyTech immediately prior to Completion of the Offer and assuming completion of the transactions under the Security Sale Deed has occurred <sup>5</sup> |            | Shareholding in the Company post Completion of the Offer |            | Sections 6.4, 7.1.4 and 9.4 |        |
|   | ReadyTech Shares <sup>1</sup>  |            | ReadyTech Shares <sup>1</sup>   |            | Shares   |            |                             |        |
|   |  | %          |   | %          |  | %          |                             |        |
|   | Shareholder  |            |   |            |  |            |                             |        |
|   | Pemba <sup>2</sup>   | 30,630,323 | 79.8%   | 53,296,762 | 79.8%  | 34,539,611 |                             | 43.2%  |
|   | Board and other members of ReadyTech management <sup>3,4</sup>         | 4,265,379  | 11.1%   | 7,421,758  | 11.1%  | 7,839,838  |                             | 9.8%   |
|   | Marc Washbourne  | 2,795,631  | 7.3%  | 4,864,398  | 7.3%   | 4,008,414  |                             | 5.0%   |
|   | Other shareholders   | 680,105    | 1.8%  | 1,183,383  | 1.8%   | 504,910    |                             | 0.6%   |
|   | New shareholders   | -          | -   | -          | -  | 33,112,594 |                             | 41.4%  |
|   | Total  | 38,371,438 | 100.0%  | 66,766,301 | 100.0%   | 80,005,367 |                             | 100.0% |
| Notes:  |  |            |   |            |  |            |                             |        |
| 1 ReadyTech Shares will, immediately prior to Completion of the Offer, be exchanged for Shares on a one for 1.74 basis (see Section 9.4 for further details).   |  |            |   |            |  |            |                             |        |
| 2 Excludes 600,000 DBL Shares. The ReadyTech DBL Shares will be transferred to the Company for no consideration immediately prior to Completion.  |  |            |   |            |  |            |                             |        |
| 3 Excludes 1,025,000 ReadyTech DC Shares. The ReadyTech DC Shares will be exchanged for a number of Shares which when multiplied by the Offer Price will equal the proportion of the Company's market capitalisation implied by the Offer Price equal to 38.8% of the proportion of the aggregate EBITDA of Esher House over the last 12 months to the aggregate EBITDA of ReadyTech over the last 12 months.   |  |            |   |            |  |            |                             |        |
| 4 Tom Matthews (and other persons associated with him and Pemba) is entitled to receive a proportion of the distributions from the sale of the ReadyTech Shares held by Pemba. The entitlements to distributions may be determined by both reference to such persons being direct or indirect investors in the Pemba managed funds which are Existing Shareholders and through profit share arrangements relating to the returns of those Pemba funds as a whole. |  |            |   |            |  |            |                             |        |
| 5 Assumes the completion of the transactions the subject of the Security Sale Deed where the Existing Holders have agreed to transfer their ReadyTech Shares to the Company on a one for 1.74 basis.  |  |            |   |            |  |            |                             |        |



## 1. Investment Overview

| Topic  | Summary  | For more information            |
|--|--|---------------------------------|
| <b>What significant benefits and interests are payable to Directors and other persons connected with ReadyTech or the Offer?</b> | <p>For Shares expected to be held by Directors (or their associated entities) on Completion, refer to Section 7.1.4.</p> <p>Directors are entitled to remuneration and fees on commercial terms as disclosed in Section 6.4. Advisers and other service providers are entitled to fees for services as disclosed in Section 9.14.</p>  | <b>Sections 6.4, 7 and 9.14</b> |
| <b>Will any Shares be subject to restrictions on disposal following Completion?</b>  | <p>Yes.</p> <p>Shares held by Existing Holders on Completion will be subject to voluntary escrow arrangements. Each Escrowed Shareholder has agreed to enter into an escrow deed in respect of their escrowed Shares, which prevents them from disposing of their respective Escrowed Shares for the applicable escrow period as described in this section 7.8. Under the terms of the escrow arrangement, and subject to customary exceptions, Escrowed Shares held by the Escrowed Shareholders on Completion, other than those held by Pemba, the Company's CEO and CFO, may only be sold following the date of release of the Company's half-year results to the ASX for the half-year ending 31 December 2019.</p> <p>With respect to the Escrowed Shares held by Pemba, the Company's CEO and CFO:</p> <ul style="list-style-type: none"><li>• 50% of the Escrowed Shares held by these parties may only be sold following the date of release of the Company's half-year results to the ASX for the half-year ending 31 December 2019; and</li><li>• the remaining 50% of the Escrowed Shares held by these parties will be escrowed for a further 12 months, and may only be sold following the date of release of the Company's half-year results to the ASX for the half-year ending 31 December 2020. However, in the event the price of the Shares in any 20 consecutive trading day period following the release of the Company's financial results for the year ended 30 June 2020 exceeds the Offer Price by 30%, these Shares will be released from escrow following such period.</li></ul> <p>It is estimated that 45.1 million Shares will be subject to these escrow arrangements.</p> <p>The Company will announce to ASX full details (quantity and duration) of the Shares held in escrow prior to the Shares commencing trading on ASX.</p> | <b>Section 7.8</b>              |

### 1.7 Overview of the Offer

| Topic  | Summary  | For more information |
|--|--|----------------------|
| <b>Who are the Issuers of this Prospectus?</b> | <ul style="list-style-type: none"><li>• ReadyTech Holdings Limited (ACN 632 137 216); and</li><li>• ReadyTech SaleCo Limited (ACN 632 137 225).</li></ul>  | <b>Section 7.1</b>   |
| <b>What is the Offer?</b>                      | <p>The Offer is an initial public offering of 80.0 million Shares at the Offer Price of \$1.51 per Share. The Shares will be issued by the Company and transferred under the Offer by the Selling Shareholders via SaleCo. The Offer is expected to raise approximately \$50.0 million. 46.9 million Shares will be held by Existing Shareholders on Completion.</p> |                      |

| Topic   | Summary   | For more information                |
|---|---|-------------------------------------|
| <b>What is the Offer?</b><br>continued  | <p>The Shares being offered for issue and transfer under the Offer will represent 41.4% of the Shares on issue on Completion.</p> <p>Each Share issued or transferred pursuant to this Prospectus will, from the time they are issued, rank equally.</p>  | <b>Section 7.1</b>                  |
| <b>What is SaleCo and what is its involvement in the Offer?</b>                   | <p>SaleCo is a special purpose vehicle established to sell Shares acquired from the Selling Shareholders. The Selling Shareholders have executed deeds under which they have irrevocably offered to sell certain Shares held by them to SaleCo free from encumbrances and third party rights and conditional on settlement.</p> <p>SaleCo will acquire in total 21.9 million Shares from the Selling Shareholders.</p>  | <b>Sections 7.1 and 9.4</b>         |
| <b>What are the key Offer statistics?</b>   | <p>ReadyTech will have a market capitalisation of \$120.8 million and an enterprise value of \$138.5 million, based on the Offer Price of \$1.51 per Share.</p> <p>Based on this market capitalisation and enterprise value, ReadyTech's valuation metrics are:</p> <ul style="list-style-type: none"> <li>• 10.9x enterprise value to pro forma FY19 forecast EBITDA;</li> <li>• 9.5x enterprise value to pro forma CY19 forecast EBITDA;</li> <li>• 23.1x market capitalisation to pro forma FY19 forecast NPATA; and</li> <li>• 18.2x market capitalisation to pro forma CY19 forecast NPATA.</li> </ul>                                 | <b>Page 4 Key Offer Information</b> |
| <b>What will happen on or around Completion of the Offer?</b>                     | <ul style="list-style-type: none"> <li>• after Settlement, but before Completion, the Company will acquire all of the ReadyTech Shares from Existing Shareholders who will become Shareholders in the Company;</li> <li>• immediately prior to Completion of the Offer, SaleCo will acquire the Sale Shares from the Selling Shareholders; and</li> <li>• on Completion of the Offer, SaleCo will transfer the Sale Shares and the Company will issue the New Shares to investors under the Offer.</li> </ul>   | <b>Section 9.4</b>                  |
| <b>What is the proposed use of proceeds received in connection with the Offer</b> | <p>At the Offer Price, the Offer will raise \$50.0 million. Assuming Completion of the Offer occurs on 17 April, 2019 and the costs of the Offer are in line with estimates, this amount will be applied as follows:</p> <ul style="list-style-type: none"> <li>• \$33.0 million will be paid to the Selling Shareholders in consideration for the sale of their Sale Shares to SaleCo;</li> <li>• \$6.8 million will be used to pay the Offer costs;</li> <li>• \$3.5 million will be used to repay debt; and</li> <li>• \$6.7 million will be used to provide financial flexibility to pursue identified growth opportunities.</li> </ul> | <b>Section 7.1</b>                  |
| <b>Who are the Joint Lead Managers for the Offer?</b>                             | Macquarie Capital (Australia) Limited and Wilsons Corporate Finance Limited are the Joint Lead Managers to the Offer.   | <b>Section 9.5.1</b>                |

## 1. Investment Overview

| Topic  | Summary   | For more information                       |
|--|---|--|
| <b>Will the Shares be quoted on ASX?</b>                                       | <p>Yes. The Company will apply to ASX for its admission to the official list of, and quotation of its Shares by, the ASX (under the code "RDY") within seven days of the Prospectus Date. It is anticipated that quotation will initially be on a deferred settlement basis.</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>   | <b>Section 7.13</b>                        |
| <b>How is the Offer structured?</b>  | <p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>the Retail Offer which includes: <ul style="list-style-type: none"> <li>the Broker Firm Offer, which is open to Australian and New Zealand resident institutional and retail clients who have received an invitation to participate from their Broker; and</li> <li>the Priority Offer, which is open to selected investors nominated by the Company in eligible jurisdictions who have received a Priority Offer invitation to acquire Shares under this Prospectus; and</li> </ul> </li> <li>the Institutional Offer, which consisted of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus.</li> </ul>  | <b>Sections 7.1, 7.2, 7.3, 7.4 and 7.5</b> |
| <b>Is the Offer underwritten?</b>  | Yes. The Offer is fully underwritten by the Joint Lead Managers.  | <b>Section 9.5.1</b>                       |
| <b>What is the allocation policy?</b>  | <p>The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer was determined by the Joint Lead Managers in consultation with the Company and SaleCo.</p> <p>The Joint Lead Managers, the Company and SaleCo will determine the allocation of Shares among Institutional Investors.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among their eligible clients.</p> <p>The allocation of Shares among Applicants in the Priority Offer will be determined by the Company.</p> <p>The Company, SaleCo and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. In addition, the Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than \$250,000 of Shares.</p> | <b>Sections 7.2, 7.3, 7.4 and 7.5</b>      |
| <b>Is there any brokerage, commission or stamp duty payable by Applicants?</b> | No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.   | <b>Section 7.2</b>                         |
| <b>What are the tax implications of investing in the Shares?</b>               | <p>Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9.8.</p> <p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>   | <b>Section 9.8</b>                         |

| Topic  | Summary  | For more information              |
|--|--|-----------------------------------|
| <b>How can I apply?</b>  | <p>Applicants under the Broker Firm Offer should follow the instructions provided by their Broker.</p> <p>If you have received a personalised invitation to apply for Shares under the Priority Offer and wish to apply for some or all of those Shares, you should follow the instructions on your personalised invitation to apply.</p> <p>The Joint Lead Managers have separately advised Institutional Investors of the Application procedure under the Institutional Offer.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p> | <b>Sections 7.2, 7.3, and 7.4</b> |
| <b>When will I receive confirmation that my Application has been successful?</b> | It is expected that holding statements will be dispatched by standard post on or about 18 April 2019.  | <b>Section 7.13</b>               |
| <b>When can I sell my Shares on the ASX?</b>                                     | <p>It is expected that trading of Shares on the ASX will commence on or about 17 April 2019 on a deferred settlement basis.</p> <p>It is expected that dispatch of holding statements will occur on or about 18 April 2019 and that Shares will commence trading on the ASX on a normal settlement basis on or about 23 April 2019.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading their Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p>                                       | <b>Sections 7.2, 7.3, and 7.4</b> |
| <b>What is the minimum and maximum Application size?</b>                         | <p>The minimum Application under the Broker Firm Offer is \$2,000.</p> <p>The minimum Application size under the Priority Offer is \$2,000 worth of Shares and in multiples of \$1,000 worth of Shares thereafter.</p> <p>There is no maximum value of Shares that may be applied for under the Retail Offer.</p>  | <b>Sections 7.2 and 7.3</b>       |
| <b>Can the Offer be withdrawn?</b>   | <p>The Company and SaleCo reserve the right to not proceed with the Offer at any time before the issue or transfer of Shares to Successful Applicants.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>  | <b>Section 7</b>                  |
| <b>Where can I find out more information about this Prospectus or the Offer?</b> | <p>All enquiries in relation to this Prospectus should be directed to the ReadyTech Offer Information Line on:</p> <ul style="list-style-type: none"> <li>• within Australia: 1800 622 202; or</li> <li>• outside Australia: +61 1800 622 202,</li> </ul> <p>from 8.30am to 5.00pm (Sydney Time), Monday to Friday.</p> <p>If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in the Company.</p>          | <b>N/A</b>                        |



## 2. Industry Overview



## 2. Industry Overview

### 2.1 Introduction and background

ReadyTech is a leading SaaS provider of mission-critical people management systems for organisations in both the education and training industry and the employment industry. ReadyTech's software seeks to assist its customers comply with their regulatory and legislative obligations, efficiently manage a large number of people through software and drive performance outcomes.

Within the education and training industry, ReadyTech operates predominantly in the tertiary education and training industry sector, where its core products are its SaaS-based SMS solutions. SMS aim to assist education and training providers to manage the student lifecycle from admission, course registration, and attendance as well as to comply with the various regulatory requirements associated with being an operator in the tertiary education and training sector. Other products offered by ReadyTech in the education and training industry include platforms to manage apprentices and job seekers within the jobactive and Disability Employment Services (**DES**) programs relating to the pathways and back-to-work sector. ReadyTech also provides a platform to support the management of the state VET program for the ACT State Government.

Within the employment industry, ReadyTech provides both payroll software and outsourced payroll services as well as HR administration software solutions to employers to assist them with paying and managing their employees. ReadyTech is currently expanding its talent management capabilities in this industry to offer its customers a more comprehensive suite of solutions to assist them with attracting, engaging and retaining people.

This Section 2 provides an overview of:

- the structure of the education and training industry in Australia, its market size and growth drivers (see Section 2.2);
- the software products used in the education and training industry (see Section 2.3);
- the structure of the employment industry in Australia, its market size and growth drivers (see Section 2.4); and
- the software products used in the employment industry (see Section 2.5).

### 2.2 Education and training industry

#### 2.2.1 Overview

ReadyTech operates in, and provides software to, the education and training industry as pictured at Figure 1. ReadyTech's core education offering is its SMS targeting the tertiary education and training sector and also has products in the pathways and back-to-work sector. ReadyTech believes that educators are deeply focussed on acquiring, retaining and graduating students, while offering a superior student experience which is becoming more important in an ever competitive, global education market.

#### Tertiary education and training

The Australian tertiary education and training sector generated over \$35 billion in combined revenues in 2016 and has three key sub-sectors:<sup>3</sup>

1. The **higher education sub-sector** refers to training which is delivered by public universities, private universities and non-university higher education institutions; and
2. The **vocational education and training** sub-sector refers to post-compulsory education and training that provides individuals with occupational or work-related knowledge and skills. Private training providers, schools, community education providers, enterprise training providers, TAFE institutes and universities are all able to deliver VET programs. Within the VET sub-sector, there are two types of training organisations:
  - **Registered training organisations** are training providers, including TAFE institutes, that are registered by the Australian Skills Quality Authority (**ASQA**) or, in some cases, a state or territory registering and accrediting body, to deliver training and/or conduct assessment and issue nationally recognised qualifications in accordance with the Australian Quality Training Framework or the VET Quality Framework; and
  - **Non-registered training organisations** are training providers that deliver government-funded VET (community education providers, private training providers, schools and enterprise training providers) which are not ASQA registered.

<sup>3</sup> Frost & Sullivan, 'The Education and Employment Software Markets in Australia' (September 2018) (**Frost & Sullivan Report**).

## 2. Industry Overview

3. The **English language sub-sector** refers to training providers which primarily cater to students who require English language training before commencing formal studies in Australia. Although students can enrol in other English language programs, these requirements are typically provided under the English Language Intensive Courses for Overseas Students program because the Australian Government has an official ELICOS student visa. These training providers also provide training to students on visitor visas, working holiday visas and other visa holders (such as temporary relative, spouse or bridging visas).

### Pathways and back-to-work

ReadyTech also operates in the pathways (including apprenticeships and traineeships) and back-to-work (also known as employment services) segment which the Government has budgeted \$2.5 billion in 2018-19 to support programs such as jobactive and DES.<sup>4</sup> ReadyTech provides software solutions such as customer relationship management (**CRM**) and case management systems to track progression and report on job outcomes in each of the categories below.

Within the pathways sector:

1. **Australian Apprenticeships Support Network:** a total of 11 AASN providers are contracted by the Australian Government to provide Australian apprenticeship support services such as marketing, administering and managing apprenticeships. ReadyTech provides a software system to all 11 AASN providers to support them in providing these services;
2. **Group Training Organisations:** GTOs undertake the administrative component of apprenticeships and traineeships such as recruiting, paying, managing and supporting apprentices and trainees to be placed with host employers; and
3. **State Government VET management system:** each state and territory in Australia is responsible for the provision and management of VET. They require technology systems to assist with managing apprenticeships and their qualifications, providing funding to VET providers, collecting data such as enrolment, progression and completion and reporting of data collected to determine current and future skills needs and funding requirements for VET.

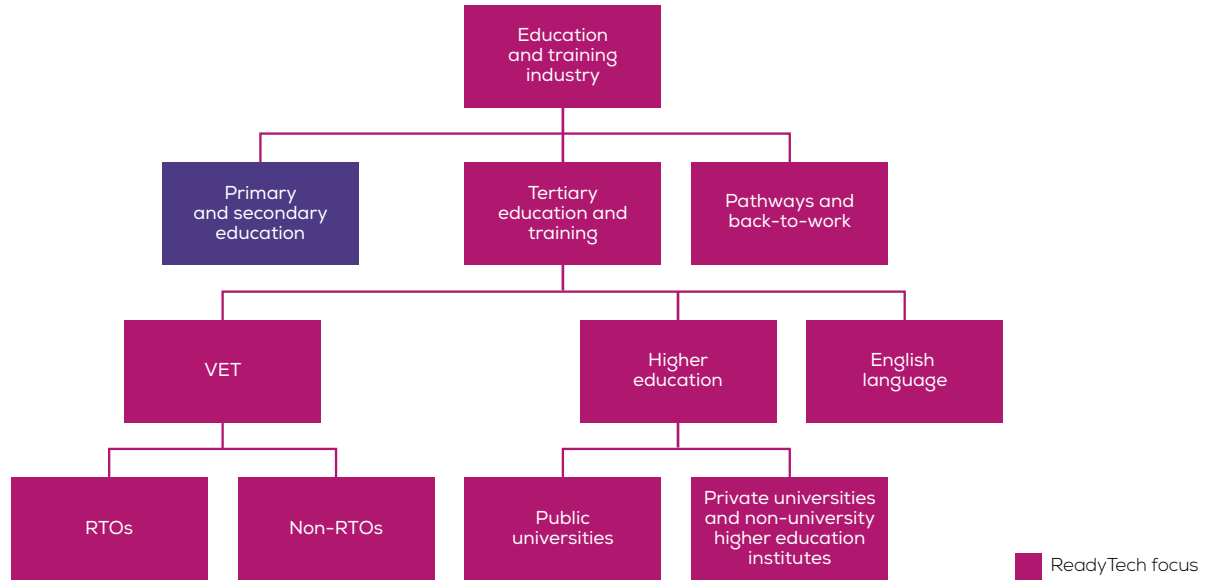
Programs in the back-to-work sector involve payments to employment providers for assisting job seekers return to work. The two key programs in Australia have undergone change over time and are increasingly focussed on the employment results they achieve and less on simply delivering a back-to-work service.

1. **jobactive:** jobactive is the main employment services program for Australian job seekers who are receiving social welfare support. The delivery of employment services under this program is tendered to providers from both non-profit and for-profit organisations. As of early 2017, there were 44 providers servicing 738,938 job seekers;<sup>5</sup> and
2. **DES:** DES is a similar program to jobactive which is focussed on helping people with a disability, injury or heart condition to find a job and to support them to remain employed in the workplace.

4 The Australian Government Department of Jobs and Small Business, 'Portfolio Budget Statements 2018-19 Budget Related Paper No. 1.13B: Jobs and Innovation Portfolio (Jobs and Small Business) (2018); The Australian Government Department of Social Services, 'Portfolio Budget Statements 2018-19 Budget Related Paper No. 1.15: Social Services Portfolio' (2018).

5 Jobs Australia, 'Employment Services Policy: jobactive' (Accessed 3 January 2019).

Figure 1: Key segments of the education and training industry



The total number of operators in the tertiary education and training sector in 2017 was estimated at 4,617 which comprised VET providers, higher education institutions and English language course providers. A detailed breakdown by sub-sector is provided in Table 1.

Table 1: Number of Australian tertiary education and training providers by sub-sector

| Segment          | Sub-segment                                | Number of providers (2017)            |
|------------------|--|---------------------------------------|
| VET              | VET RTOs                                   | 3,953 (including 40 TAFE institutes)  |
|                  | VET non-RTOs                               | 240                                   |
| Higher education | Public universities                        | 37                                    |
|                  | Private universities                       | 3 (including 2 overseas universities) |
|                  | Specialist university                      | 1                                     |
|                  | Non-university higher education institutes | 133                                   |
| English language | English language course providers          | 250                                   |
| <b>Total</b>     |  | <b>4,617</b>                          |

Source: Frost & Sullivan Report citing Universities Australia, National Centre for Vocational Education Research (NCVER), English Australia, Tertiary Education Quality and Standards Agency (TEQSA).

## 2. Industry Overview

### 2.2.2 Key industry growth drivers

#### 2.2.2.1 VET sub-sector

The Australian VET sub-sector is comprised of 3,953 RTOS (including 40 TAFE institutes) and 240 non-RTOS. Although there are a number of government funding policy changes proposed, over 70% of subject enrolments at a private VET provider are funded by fee-for-service instead of government funding.<sup>6</sup> Private training providers include education and training businesses or centres, professional associates, industry associations, equipment and product manufacturers and suppliers and are predominantly RTOs. The key drivers of growth in the Australian VET sub-sector include:

| Driver   | Key reasons   |
|--|---|
| <b>VET education as a future skilling platform</b>       | <ul style="list-style-type: none"><li>• The VET sub-sector provides training courses for 9 out of 10 occupations predicted to have the greatest growth in new jobs in Australia over the next five years;<sup>7</sup></li><li>• Demand for VET-level qualifications in NSW is projected to increase from around 30% of workers in 2015 to 45% of workers in 2036;<sup>8</sup> and</li><li>• The number of VET students is growing and reached 4.2 million in 2017 from 3.9 million in 2014.<sup>9</sup></li></ul>   |
| <b>Demand for upskilling</b>                             | <ul style="list-style-type: none"><li>• The Australian job marketplace is experiencing changes primarily due to technological advancements and industry specific drivers. ReadyTech believes that, as a result of this, employers are becoming increasingly attuned to hiring individuals with the right skillsets so that they are able to adapt to the changes, thereby driving demand for upskilling; and</li><li>• In a competitive job marketplace, the need to retrain or upskill individuals to enhance career prospects is seen as increasingly important and the demand for certain skillsets is influenced by wage growth rates in occupations requiring those skillsets.</li></ul>   |
| <b>Government funding and policy for apprenticeships</b> | <ul style="list-style-type: none"><li>• The Australian Government has dedicated \$1.5 billion to support new apprenticeships and traineeships from 2017 to 2022 through the 'Skilling Australians Fund' plus matched funding from Australian states and territories.<sup>10</sup> This is partly driven by the aging workforce in VET-related occupations; and</li><li>• Policies which support the increased use of apprenticeships in major projects are helping to grow the overall trades skill base in the Australian job marketplace. For example, in June 2018, following a successful trial, the NSW Government announced that 20% of tradesperson jobs on major infrastructure construction projects in future would go to apprentices.<sup>11</sup></li></ul> |

6 NCVER, 'Australian vocational education and training statistics: Total VET students and courses 2017' (2018).

7 Skilling Australia Foundation and McCrindle, 'Perceptions Are Not Reality: myths, realities & the critical role of vocational education & training in Australia' (May 2017).

8 Australian Government Innovation and Science Australia, 'Australia 2030: prosperity through innovation' (November 2017) citing Jobs for NSW 2016, 'Jobs for the future: Adding 1 million rewarding jobs in NSW by 2036' (August 2016).

9 Frost & Sullivan Report citing NCVER.

10 Australian Government Department of Education and Training, 'Skilling Australians Fund Fact Sheet' (May 2018).

11 NSW Government Department of Industry, 'Future infrastructure projects to train thousands more apprentices' (June 2018).

### 2.2.2.2 Higher education sub-sector

The Australian higher education sub-sector is comprised of 41 universities (public and private) and 133 non-university higher education providers. The key drivers of growth in the higher education sub-sector include:

| Driver   | Key reasons  |
|--|--|
| <b>Growth in addressable population base</b>           | <ul style="list-style-type: none"><li>• The Australian population aged 18 to 25 years (the primary addressable market for higher education) is projected to increase from 2.64 million in 2017 to 3.56 million by 2047;<sup>12</sup> and</li><li>• Close to 50% of Australian young adults (25 to 34 year olds) have tertiary education qualifications (amongst the highest proportions across OECD countries and significantly higher than the OECD average of 43%).<sup>13</sup></li></ul>   |
| <b>Australia's transition to a 'knowledge economy'</b> | <ul style="list-style-type: none"><li>• The demand for intellectual capital is partly driven by Australia's transition from a 'resource economy' to a 'knowledge economy'. Higher education will play a pivotal role in producing the knowledge workers necessary to facilitate this transition;<sup>14</sup> and</li><li>• The Australian Government which introduced a national attainment target in 2009 to have 40% of Australians aged 25-34 attain bachelor's qualifications or above by 2025.<sup>15</sup></li></ul>  |
| <b>International student enrolments</b>                | <ul style="list-style-type: none"><li>• International student enrolments is a driver of higher education provider revenue growth. The number of international students in Australian higher education has increased approximately 43% from 2007 to 2016;<sup>16</sup></li><li>• Activity arising from international students studying and living in Australia contributed \$30.3 billion to the economy in 2017. The attraction of Australian higher education to international students resulted in it being Australia's 3rd largest export after iron ore and coal in 2017, and is the largest services export comprising 36.4% of total services exports in 2017;<sup>17</sup></li><li>• 37 Australian universities are ranked among the world's best in the 2018 QS World University Rankings, with seven of them ranking in the global top 100.<sup>18</sup> As at 2016, Australia was also the third most popular tertiary education destination globally (after the USA and the UK).<sup>19</sup> The recent tightening of post-study work visa conditions in the UK and USA is likely to improve the attractiveness of Australia as a destination for international students, suggesting that it is likely to surpass the UK by 2019;<sup>20</sup> and</li><li>• The depreciation of the Australian dollar is a key driver of growth in the higher education sub-sector as it reduces living expenses and course fees for international students. At the start of 2011, A\$1.00 was equivalent to approximately US\$1.00, compared to approximately US\$0.80 at the start of 2018, depreciating by approximately 20%.<sup>21</sup></li></ul> |

12 Frost & Sullivan Report citing ABS, '3222.0 Population Projections'.

13 Frost & Sullivan Report citing OECD Indicators, 'Education at a Glance 2017'.

14 Deloitte Access Economics, 'The importance of universities to Australia's prosperity, A report prepared for Universities Australia' (October 2015).

15 Group of Eight Australia, 'Future Demand for Higher Education in Australia' (March 2014).

16 Department of Education and Training – 2016 Higher Education Student Summary Time Series.

17 Australian Government Department of Education and Training, 'Research Snapshot: Export income to Australia from international education activity in 2017' (June 2018) citing ABS, 'International Trade in Services, by Country, by State, and by Detailed Services Category, Calendar year, 2017' (ABS Catalogue no. 5368.0.55.004 published on 25 May 2018).

18 Frost & Sullivan Report citing QS World University Rankings 2018.

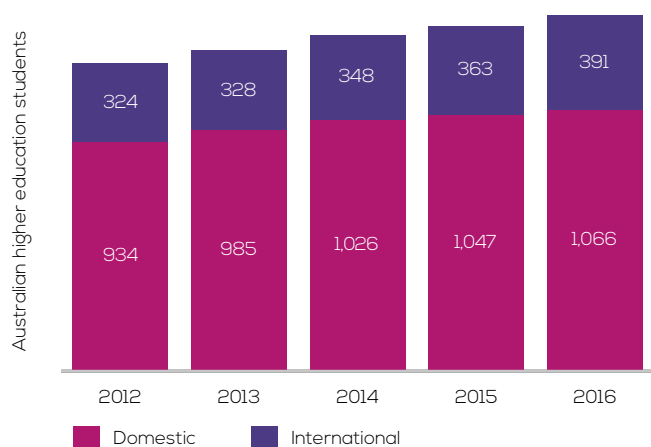
19 OECD Indicators, 'Education at a Glance 2018'.

20 Frost & Sullivan Report citing Simon Marginson, 'The UK in the global student market: second place for how much longer?', Centre for Global Higher Education (19 July 2018).

21 Frost & Sullivan Report citing Reserve Bank of Australia.

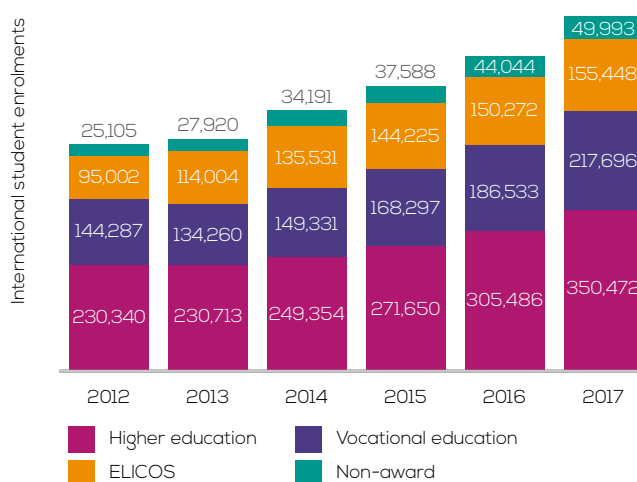
## 2. Industry Overview

Figure 2: Australian higher education students ('000)



Source: Department of Education and Training – 2016 Higher Education Student Summary Time Series.

Figure 3: International student enrolments ('000)



Source: Department of Education and Training – International Student Enrolments in Australia.

### 2.2.2.3 English language sub-sector

The Australian English language course sub-sector is comprised of approximately 250 ELICOS providers who provide English language courses to help international students integrate with local communities and to help improve their employability. ELICOS providers need to be registered under the Commonwealth Register of Institutions and Courses for Overseas Students. The ELICOS student visa subclass 570 provided by the Australian Government allows international students to study English in Australia at an approved Australian English school. Key growth drivers include:

- **International student enrolments:** as with the higher education sub-sector, international student enrolments are a key driver of English language course uptake as seen in Figure 3. Growth in this segment has also been supported by the depreciation of the Australian dollar; and
- **High student satisfaction:** a 2016 survey of international students undertaking ELICOS courses in Australia showed that 89% expressed overall satisfaction with the courses; citing teaching quality, personal safety, institution reputation, cost of living and cost of study as the main reasons for deciding to study ELICOS in Australia.<sup>22</sup> 76% of the respondents said that Australia was their first choice for overseas study.<sup>23</sup> Australia is the third largest destination for English learning globally by student numbers (after the UK and USA) and the second largest by student weeks.<sup>24</sup>

### 2.2.2.4 Pathways and back-to-work sector

ReadyTech believes that the pathways sector is likely to benefit from the same growth drivers as the VET sub-sector in Section 2.2.2.1. Key growth drivers for the back-to-work sector specifically include the Australian Government budgeting to spend:

- approximately \$7.3 billion on the jobactive program over a contracted five year period from 2015 to 2020;<sup>25</sup> and
- more than \$3 billion in Disability Employment Services over the next four years from 1 July 2018.<sup>26</sup>

<sup>22</sup> Frost & Sullivan Report citing Department of Education and Training, 'International Survey of ELICOS Students in Australia' (2016).

<sup>23</sup> Ibid.

<sup>24</sup> Frost & Sullivan Report citing English Australia, 'National ELICOS Market Report 2017' (June 2018).

<sup>25</sup> Australian National Audit Office (ANAO), 'jobactive: Design and Monitoring' (July 2017).

<sup>26</sup> Australian Government Department of Social Services, 'Disability Employment Services Reform 2018: Industry Information Paper Information Session' (June 2017); Australian Government, 'Joint Standing Committee on the National Disability Insurance Scheme: Progress Report' (September 2017).

### 2.2.3 Education regulatory compliance

The main regulatory bodies which education and training providers need to have regard to include those listed in Table 2:

**Table 2: Regulatory bodies education and training providers interact with**

|  |  |
|--|--|
| <b>National Centre for Vocational Education Research</b> | <ul style="list-style-type: none"><li>• The NCVER monitors the national Australian Vocational Education and Training Management Information Statistical Standard (<b>AVETMISS</b>) to ensure the consistency and accuracy of VET information for research, communication and statistical analysis purposes; and</li><li>• To be registered as a VET provider, the provider must be able to collect AVETMISS-compliant records for all students, and for all competency enrolments and outcomes achieved.</li></ul>   |
| <b>State Training Authority</b>                          | <ul style="list-style-type: none"><li>• Every state and territory in Australia has a State Training Authority (<b>STA</b>) responsible for the provision of funded student programs within their jurisdiction;</li><li>• Each STA has its own reporting standard in addition to AVETMISS standard; and</li><li>• VET providers must use a SMS such as ReadyTech's which is compliant with both the Australian national AVETMISS and state-specific reporting standards.</li></ul>  |
| <b>Australian Skills Quality Authority</b>               | <ul style="list-style-type: none"><li>• ASQA is the national regulatory body for Australia's VET sector;</li><li>• The Australian Quality Training Framework (<b>AQTF</b>) stipulates that VET providers must have a SMS capable of reporting AVETMISS-compliant data to be registered as a VET provider;<sup>27</sup></li><li>• The primary risk ASQA seeks to manage is ensuring that a RTO does not certify that a person has competencies that do not reflect his/her actual skills, knowledge and attitudes;</li><li>• There are also a number of state-specific regulatory bodies including Western Australia's Training Accreditation Council (<b>TAC</b>) and the Victorian Registration and Qualifications Authority (<b>VRQA</b>); and</li><li>• VET providers require a SMS like ReadyTech's that is capable of both tracking student progress against learning outcomes, and storing all records in one location which are used to inform an assessment.</li></ul> |
| <b>Tertiary Education Quality and Standards Agency</b>   | <ul style="list-style-type: none"><li>• The Tertiary Education Quality and Standards Agency registers entities as higher education providers, accredits courses (including ELICOS, CRICOS), and conducts audits and quality assessments;</li><li>• To be registered by TEQSA applicants must demonstrate that they continue to meet the Higher Education Standards Framework (<b>HES Framework</b>);</li><li>• The most common exercise of power is requiring the education provider to undertake specific actions to ensure compliance, to undertake additional reporting or an audit; and</li><li>• ReadyTech believes that tertiary education and training providers typically seek a SMS with the ability to automate workflows to ensure the providers' policies and procedures adhere to the HES Framework.</li></ul>  |
| <b>Department of Education and Training</b>              | <ul style="list-style-type: none"><li>• The Department of Education and Training (<b>DET</b>) is the responsible government body overseeing the VET Student Loans program (commenced 1 January 2017, replacing VET FEE-HELP);</li><li>• The VET Student Loans program was designed to offer greater protection for students and designed to create better employment opportunities;</li><li>• An education provider seeking to become a VET Student Loans provider must apply to the DET and meet a number of requirements related to financial performance, governance, experience, student outcomes and workplace relevance; and</li><li>• Education and training providers are increasingly seeking student management systems capable of managing the student lifecycle including student accommodation, internships and work placements to capture all critical information for compliance.</li></ul>   |

<sup>27</sup> Frost & Sullivan Report citing Australian Skills Quality Authority, 'Standards for Initial Registration (SNR): Comparison Table'.



## 2. Industry Overview

### 2.3 Software used in the tertiary education and training sector

#### 2.3.1 Overview

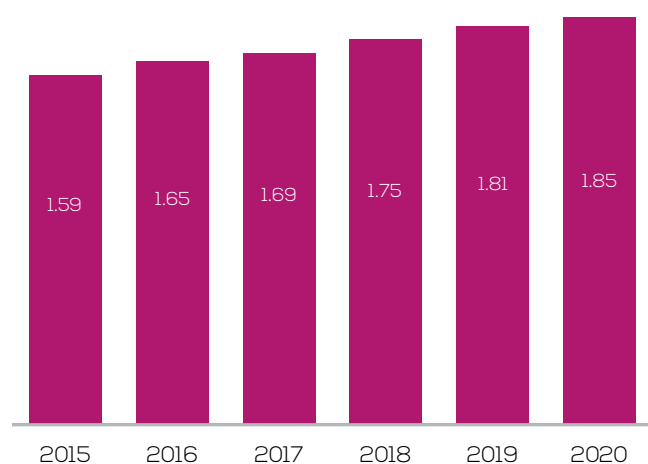
In the tertiary education and training sector, providers utilise a variety of software products broadly categorised as:

| Software                           | Key reasons  |
|------------------------------------|--|
| <b>Student management systems</b>  | <ul style="list-style-type: none"><li>• Business management system used to support education and training providers in managing student enrolments, attendance, scheduling, grade and academic record management, fee payments tracking, student loan documentation, student accommodation, managing compliance obligations, regulatory reporting and analytics; and</li><li>• These systems are generally deployed either in the cloud or on-premise. SMS typically integrate with other relevant systems such as learning management systems, CRM and ERP.</li></ul> |
| <b>Learning management systems</b> | <ul style="list-style-type: none"><li>• Used to plan, implement, automate, organise, and track the delivery of learning and its contents which are then assessed against learning outcomes to monitor student achievements; and</li><li>• LMS systems are also designed to facilitate communication between instructors and students.</li></ul>  |
| <b>Other enterprise software</b>   | <ul style="list-style-type: none"><li>• CRM, ERP, payroll, and finance software to manage their corporate and finance functions.</li></ul>   |

#### 2.3.2 Market opportunity

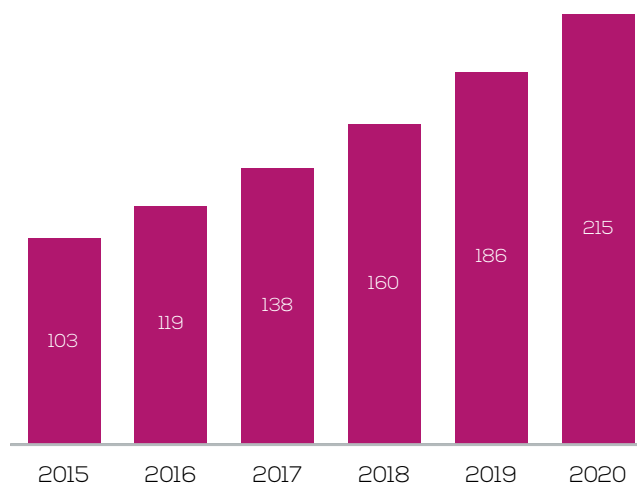
Total Australian tertiary education and training sector expenditure on information and communications technology (ICT) was approximately \$1.69 billion in 2017 and is expected to increase to \$1.85 billion by 2020 (see Figure 4). The market opportunity for ReadyTech's core product offering in this sector, SMS, is estimated at \$138 million in 2017 and increasing to \$215 million by 2020 (see Figure 5). In the five year period from 2015 to 2020, the segment is expected to grow at a compounded annual growth rate (CAGR) of approximately 16%.

**Figure 4: Australian tertiary education and training industry ICT expenditure (A\$bn)**



Source: Frost & Sullivan Report.

**Figure 5: Revenue generated from student management systems for the Australian education and training industry (A\$m)**



Source: Frost & Sullivan Report.

### 2.3.3 Student management systems key growth drivers

The use of SMS in the tertiary education and training sector is being driven by several factors, including:

| Driver   | Key reasons   |
|--|---|
| <b>Compliance obligations</b>  | The AQTF stipulates that VET providers must have a SMS capable of reporting AVETMISS-compliant data to be registered as a VET provider. <sup>28</sup> The need to comply with this regulatory requirement is expected to support the growth of SMS.   |
| <b>Increased competition and the need to improve student retention</b> | <ul style="list-style-type: none"><li>• Educators are increasingly focussed on outcomes such as student acquisition, engagement and completion rates given intensifying competition in the tertiary education and training sector which is driving demand for SMS capable of managing the student lifecycle including student accommodation, work placements and internships, and mentoring to capture the data generated and apply predictive analytics to inform business planning and decision-making.</li><li>• Educators are also looking to unique value-added services such as ReadyTech's behavioural science solutions to drive student outcomes.</li></ul>  |
| <b>Growing number of students</b>                                      | <ul style="list-style-type: none"><li>• There has been an increase in the number of VET students from 3.9 million in 2014 to 4.2 million in 2017 as VET education is seen as a future skilling platform (see Section 2.2.2.1).</li><li>• The number of higher education students in Australia has increased 47% from 1.0 million students in 2007 to 1.5 million in 2017.<sup>29</sup></li></ul>  |
| <b>Government reforms</b>  | <ul style="list-style-type: none"><li>• The Australian Government has implemented a range of reform measures to protect VET students from poor quality courses, misconduct by VET providers and high student debt. These reforms include the VET Student Loans program replacing the VET FEE-HELP scheme. The VET Student Loans program has changed how education and training providers are funded by focussing more on student course completion outcomes and less on simply delivering a service.</li><li>• The implications of these reforms has accentuated the need for SMS solutions capable of managing the student lifecycle to improve student engagement and tracking tools to demonstrate outcomes are being met.</li></ul> |
| <b>Feature-rich solutions</b>  | <ul style="list-style-type: none"><li>• As SMS solutions become more advanced with greater integration features, more sophisticated analytics capabilities, as well as more intuitive visualisation of data, users of early SMS solutions are seeking to replace legacy systems with more feature-rich SMS solutions.</li><li>• Another requirement educators are attracted to is the ability to manage across the student lifecycle including student services, coaching, mentoring, well-being, student accommodation, internships and work placements.</li></ul>   |
| <b>Predictive data analytics</b>                                       | <ul style="list-style-type: none"><li>• As competition among education providers to attract and retain students increases, education providers are looking to predictive data analytics as a point of differentiation.</li><li>• Predictive data analytics has been able to enhance management decision making, enrich student profiles, design student support programs, personalise the learning journey and improve completion rates.</li></ul>  |

<sup>28</sup> Frost & Sullivan Report citing Australian Skills Quality Authority, 'Standards for Initial Registration (SNR): Comparison Table'.

<sup>29</sup> Department of Education and Training, Selected Higher Education Statistics – 2017 Student data – Full Year Data (as at 26 May 2018), Visual Analytics, Enrolments Time Series (Accessed 3 January 2019).

## 2. Industry Overview

### 2.3.3.1 Competitive landscape

Some of the main providers of SMS that are active in the Australian tertiary education and training sector are listed below:

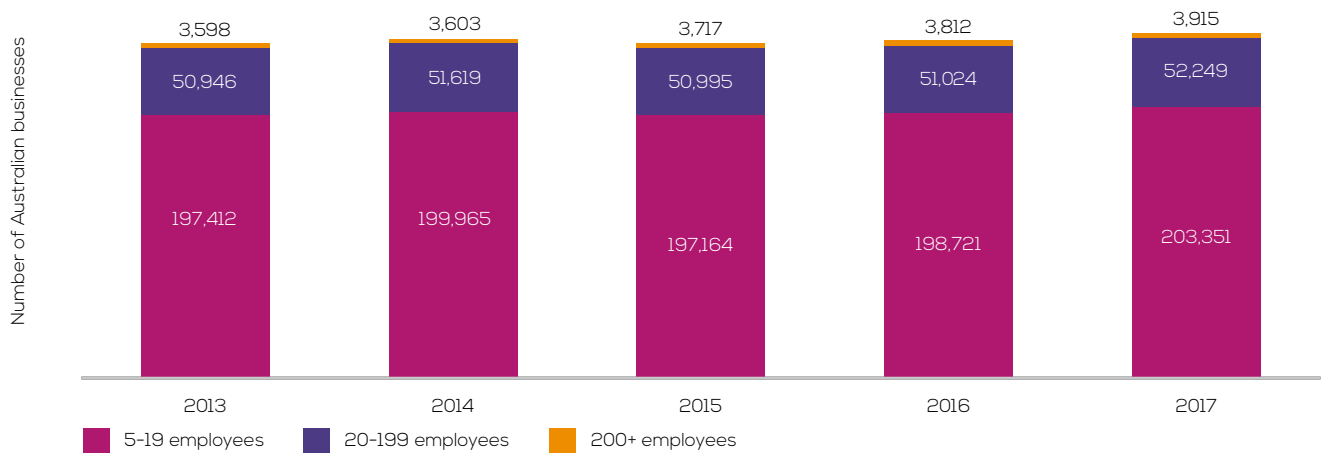
| Customer segment  | Industry participants  |
|---|--|
| <b>Largest providers (universities and TAFEs)</b>   | <ul style="list-style-type: none"><li>• Ellucian</li><li>• ReadyTech (JobReady)</li><li>• Technology One</li><li>• Tribal Group</li></ul>  |
| <b>Medium-sized providers (private higher education, English language course providers)</b> | <ul style="list-style-type: none"><li>• eBECAS</li><li>• EduPoint</li><li>• ReadyTech (JobReady)</li><li>• Silverband</li><li>• Tribal Group</li></ul>   |
| <b>Small providers (domestic and international VET)</b>                                     | <ul style="list-style-type: none"><li>• aXcelerate</li><li>• Bluegem</li><li>• ish oncourse</li><li>• Powerpro</li><li>• ReadyTech (JobReady and VETtrak)</li><li>• RTOManager</li><li>• Wisenet</li></ul> |

## 2.4 Employment industry

### 2.4.1 Overview

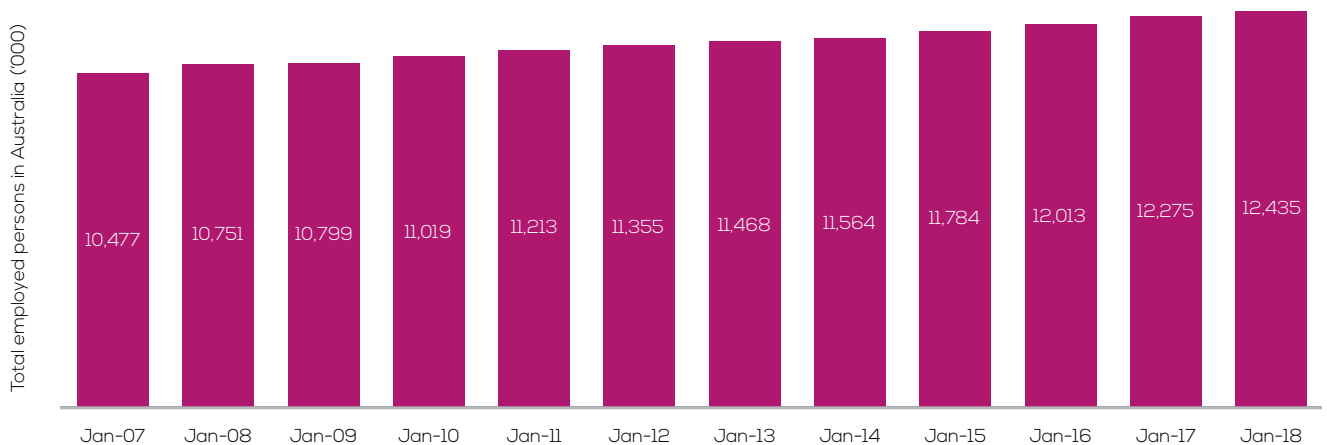
ReadyTech believes that the ability to pay and manage employees is mission-critical to all businesses. As at 30 June 2017, there were a total of 259,515 businesses hiring more than 5 employees (see Figure 6). While the number of Australian businesses has remained largely constant, payroll and HRM solutions are typically priced based on the number of pay runs or employees. The total number of employed persons in Australia has been increasing over time (see Figure 7).

Figure 6: Number of Australian Businesses, 2013 to 2017



Source: Australian Bureau of Statistics (ABS), '8165.0 Counts of Australian Businesses, including Entries and Exits, Jun 2013 to Jun 2017' (February 2018).

Figure 7: Total number of employed persons in Australia, seasonally adjusted, 2007 to 2018 ('000)



Source: ABS, '6202.0 Labour Force, Australia, July 2018' (August 2018).

## 2. Industry Overview

### 2.4.2 Employment regulatory compliance

The main regulatory bodies which employers are required to comply with include those described below:

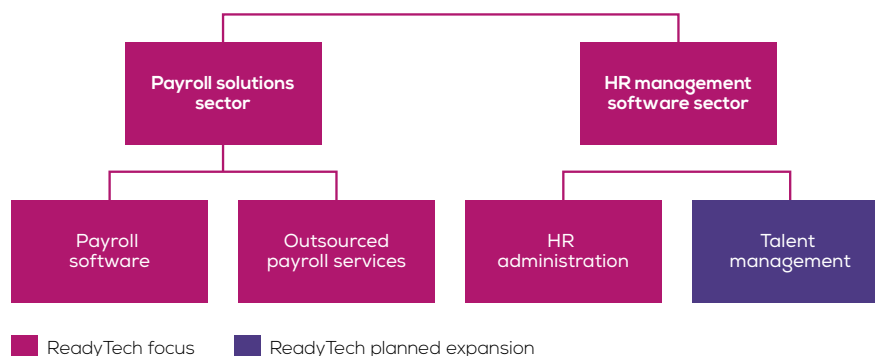
**Table 3: Regulatory bodies employers interact with**

|                                     |   |
|-------------------------------------|---|
| <b>Australian Taxation Office</b>   | <ul style="list-style-type: none"><li>• The ATO is the responsible authority for Pay-As-You-Go (<b>PAYG</b>) tax law, superannuation compliance (via Superstream) and payroll reporting (via Single Touch Payroll).</li><li>• To comply with obligations such as STP, ReadyTech expects more businesses to start using payroll solutions with STP functionality to reduce the associated cost of STP compliance.</li></ul>  |
| <b>Fair Work Ombudsman</b>          | <ul style="list-style-type: none"><li>• The Fair Work Ombudsman (<b>FWO</b>) regulates and enforces the National Employment Standards (<b>NES</b>) which prescribes, for example, minimum reporting standards, leave entitlements and dismissals.</li><li>• Recent high profile cases of wage underpayments have resulted in regulators taking a more active approach to reduce the reoccurrence of wage fraud.</li><li>• Payroll solutions capable of interpreting NES, modern awards and enterprise agreements and automating workflows are seen as a key differentiator.</li></ul> |
| <b>State Revenue Office</b>         | <ul style="list-style-type: none"><li>• The State Revenue Office in each state and territory of Australia collects payroll tax from employers and enforces state-based employment standards such as long service leave.</li><li>• Payroll solutions assist in calculating pay, tax, leave, and other benefits based on state-specific standards.</li></ul>  |
| <b>State WorkCover Authority</b>    | <ul style="list-style-type: none"><li>• Each state and territory has an established WorkCover Government agency to regulate and promote productive, healthy and safe workplaces.</li><li>• It is a requirement to report workplace incidents to the relevant authority to be eligible for workers compensation.</li><li>• ReadyTech believes that employers are increasingly seeking HRM solutions capable of workplace health and safety functionality to log and report incidents to manage hazards in the workplace.</li></ul>   |
| <b>Department of Human Services</b> | <ul style="list-style-type: none"><li>• The Department of Human Services enforces legislation in relation to child support benefits for eligible individuals.</li><li>• ReadyTech believes that to remain compliant, employers are seeking payroll solutions capable of deducting child support benefits from an employee's pay, recording the deductions and ensuring deductions are not made if it would result in the employee having a net pay after tax and child support deductions that is less than a prescribed protected earnings amount.</li></ul>                         |

## 2.5 Software used in the employment industry

ReadyTech's employment solutions seek to address two primary sectors within the employment industry – the payroll solutions sector and the HRM software sector.

**Figure 8: Solutions used in the employment industry**



### 2.5.1 Payroll solutions sector

#### 2.5.1.1 Overview and market size

Payroll solutions are used by employers to manage payroll processing and automatically calculate payslips, deductions, tax, superannuation contributions and disbursements as well as to create reports and payment summaries. Businesses have a choice between managing payroll in-house with the assistance of payroll software or by preparing manual spreadsheets, or to outsource the management of payroll functions to specialist payroll service providers.

##### Payroll software

Unlike manual spreadsheets, payroll software solutions are more capable of automatically calculating employee pay, superannuation, tax payable, deductions, leave and other benefits. ReadyTech believes that providers of payroll software solutions have typically invested in designing a customer-centric software with a user-friendly interface and automated workflows to reduce or eliminate the need for specialist payroll staff within a business.

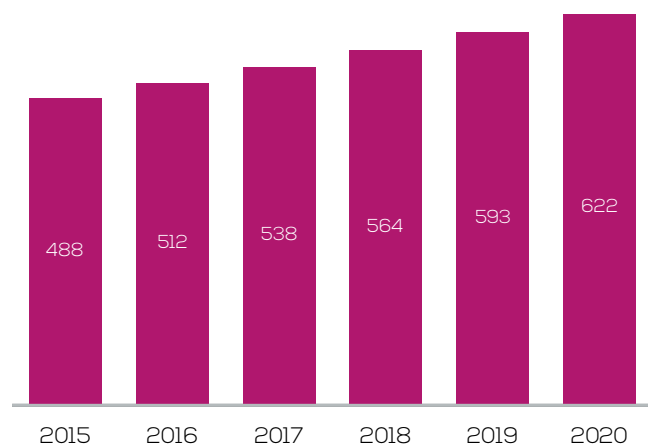
Benefits associated with having more control over, and greater accessibility to, the management of payroll systems, are some of the reasons why businesses might choose to process payroll in-house. The market for payroll software was estimated at \$512 million in 2016, and is expected to grow at 5% per annum to \$622 million in 2020 (see Figure 9).

##### Outsourced payroll services

The decision to outsource the management of payroll functions is sometimes influenced by a lack of in-house specialist employees with the requisite expertise to manage a business' payroll obligations. The decision is also influenced by employers wishing to reduce risk of non-compliance with legislative obligations. Another contributing factor to outsource the payroll function is driven by employers wanting a potentially more cost-effective solution as it avoids the expense of establishing in-house IT infrastructure as well as the costs associated with hiring and retaining payroll staff. In Australia, the market for outsourced payroll services is estimated at \$655 million in 2017, and is expected to grow at 10% per annum to reach \$871 million in 2020 (see Figure 10).

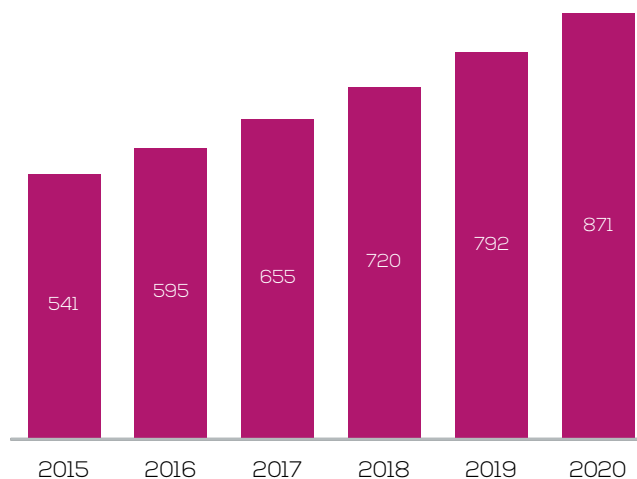
## 2. Industry Overview

Figure 9: Size of the Australian payroll software sub-sector (\$m)



Source: Frost & Sullivan Report.

Figure 10: Size of the Australian outsourced payroll services sub-sector (\$m)



Source: Frost & Sullivan Report.

### 2.5.1.2 Payroll software and outsourced payroll services growth drivers

Drivers of both the payroll software and outsourced payroll services are described below.

#### Payroll solutions sector drivers

| Driver   | Key reasons   |
|--|---|
| <b>Complex legislative requirements</b>                            | <ul style="list-style-type: none"> <li>The ATO introduced 'Single Touch Payroll' reporting which became effective from 1 July 2018. Single Touch Payroll requires employers with more than 20 employees to report payroll, superannuation, workers compensation, leave entitlements, and income tax to the ATO each time they pay their employees.</li> <li>Legislation has been passed in February 2019 to extend STP to all employers, including employers with less than 20 employees, from 1 July 2019.</li> <li>ReadyTech believes that more employers will use payroll solutions to be compliant with STP given the onerous obligations it places on employers, and to reduce paperwork and improve overall productivity.</li> <li>Before STP, the framework surrounding the payroll function was already complex. Payroll interplays with various bodies and legislative instruments including APRA, ASIC, ATO, Department of Human Services, Fair Work Commission, third party providers providing car leasing for example, student loans and more. ReadyTech believes that further changes in the regulatory and legislative environment is likely to increase the number of employers using payroll solutions.</li> </ul> |
| <b>Employers are increasingly focussed on performance outcomes</b> | <ul style="list-style-type: none"> <li>As competition for talent among employers intensifies, employers are increasingly focussed on improving employee engagement and retention. Employee self-service (ESS) empowers employees to access payroll information online from anywhere at any time. Employees can download payslips, check and apply for leave entitlements, lodge expense claims, and update banking and personal details.</li> <li>Employers are increasingly focussed on payroll solutions integrated with HR administration and talent management functionality to leverage the data captured by managing the employee lifecycle to improve employee engagement and retention.</li> </ul>  |



| Driver   | Key reasons  |
|--|--|
| <b>Wage underpayments</b>                                      | <ul style="list-style-type: none"> <li>Recent high profile cases of wage underpayments have resulted in heightened scrutiny from regulatory bodies including the ATO and FWO, the media and unions.</li> <li>It is expected that more employers will use payroll solutions to mitigate the risk of litigation and penalties associated with wage fraud.</li> </ul>   |
| <b>Payroll management for contractors and flexible workers</b> | <ul style="list-style-type: none"> <li>There is more complexity associated with paying part-time employees and contractors than full-time employees earning a salary because of the irregular nature of hours worked and the associated pay, tax, leave and other benefits calculations.</li> <li>The proportion of part-time jobs to total jobs in Australia has increased from 26% in 2000 to 32% in 2017.<sup>30</sup></li> <li>The Fair Work Commission (<b>FWC</b>) has put forward recommendations that increased obligations on employers to consider flexible work arrangements for employees, further spurring the growth of contractors and the 'gig economy'.<sup>31</sup></li> </ul> |
| <b>Ensuring consistency across locations</b>                   | <ul style="list-style-type: none"> <li>For businesses with multiple locations, consolidation of payroll across locations becomes easier and more consistent with the use of a single payroll solution. Such solutions also makes business reporting more efficient and effective.</li> </ul>   |
| <b>Lack of in-house resources and expertise</b>                | <ul style="list-style-type: none"> <li>For a number of employers, especially small businesses, the cost associated with managing payroll function in-house together with the lack of in-house specialist payroll staff and requisite IT infrastructure is a challenge.</li> <li>This factor is expected to increase the number of employers using outsourced payroll services in particular.</li> </ul>  |

<sup>30</sup> Frost & Sullivan Report citing ABS.

<sup>31</sup> Frost & Sullivan Report.

## 2. Industry Overview

### 2.5.1.3 Competitive landscape

The payroll software market in Australia is competitive and fragmented, with a mix of standalone payroll software vendors and accounting, ERP or HR software vendors who also offer payroll modules. The Australian market for outsourced payroll services is also competitive and fragmented, with numerous service providers, ranging from large, global payroll outsourcing specialists to local accountants. Providers include specialist payroll and HR outsourcing companies, more business process outsourcing service providers, IT service companies or software providers that offer payroll processing. Key industry participants in payroll software and outsourced payroll services are shown below.

| Category   | Payroll software   | Outsourced payroll services   |
|--|--|---|
| <b>Enterprise<br/>(&gt;1000 employees)</b>                 | <ul style="list-style-type: none"><li>• Ascender</li><li>• Aurion</li><li>• Technology One</li></ul>   | <ul style="list-style-type: none"><li>• Acquire BPO</li><li>• activpayroll</li><li>• Aurion</li><li>• PayAsia Australia</li></ul>   |
| <b>Medium to large businesses<br/>(20 – 999 employees)</b> | <ul style="list-style-type: none"><li>• ADP</li><li>• Affinity</li><li>• Attaché</li><li>• Frontier Software</li><li>• ReadyTech (HR3 and ePayroll)</li><li>• Sage</li></ul> | <ul style="list-style-type: none"><li>• ADP</li><li>• Affinity</li><li>• Ascender</li><li>• Astute Payroll</li><li>• Datacom</li><li>• Easy Payroll</li><li>• Frontier Software</li><li>• Payroll HQ</li><li>• ReadyTech (Aussiepay)</li><li>• Sage</li></ul> |
| <b>Small businesses<br/>(&lt;20 employees)</b>             | <ul style="list-style-type: none"><li>• e-PayDay</li><li>• KeyPay</li><li>• MYOB</li><li>• ReadyTech (ePayroll)</li><li>• Xero</li></ul>                                     | <ul style="list-style-type: none"><li>• Highly fragmented market</li></ul>  |

Source: Frost & Sullivan Report.

### 2.5.2 HRM software sector

#### 2.5.2.1 Overview

HRM software solutions support human resource-related business processes within organisations. These solutions are used at all stages of an employee's lifecycle including on-boarding, recruitment, time and attendance, expense management, learning and development, performance management and employee administration.

There are two broad categories of HRM software: HR administration and talent management.

Of these two categories, HR administration software is the more mature category, and is used to manage important human resource functions such as time and attendance management, benefits administration and employee records. Practically all businesses need to undertake these activities and, increasingly, software is being used to do so. Beyond being mission-critical, the management of human resources is increasingly complex and subject to differing and often changing country or state-specific legislation. As a result, HR administration software providers tend to enjoy a high customer retention rate and the industry is dominated by Australian-based companies.

Talent management software solutions are the less mature and faster growing set of applications, as many businesses adopt this software for processes that were previously either done manually, or not at all. In particular, many medium to large businesses are recognising the importance of talent management software to automate or replace existing processes. However, this is not considered as mission-critical as HR administration. Talent management systems are more easily replaced and is generally unregulated by country or state-specific legislation resulting in an industry with global companies competing to a greater extent.

**Table 4: Sub-sectors within the HRM sector**

| Sub-sector                          | HR administration  | Talent management  |
|-------------------------------------|--|--|
| <b>Description</b>                  | Automates the main administrative activities involved in HR management   | Supports the recruitment retention and management of talent within an organisation   |
| <b>Examples of software modules</b> | <ul style="list-style-type: none"> <li>• Benefits administration</li> <li>• Employee records including credential, training, competencies, licences, property and agreements</li> <li>• Time and attendance</li> <li>• Expense management</li> </ul> | <ul style="list-style-type: none"> <li>• Career management</li> <li>• Recruitment/candidate sourcing and assessment</li> <li>• On-boarding and inductions</li> <li>• Performance management</li> <li>• Compensation management</li> <li>• Succession planning</li> <li>• Learning and development</li> </ul> |

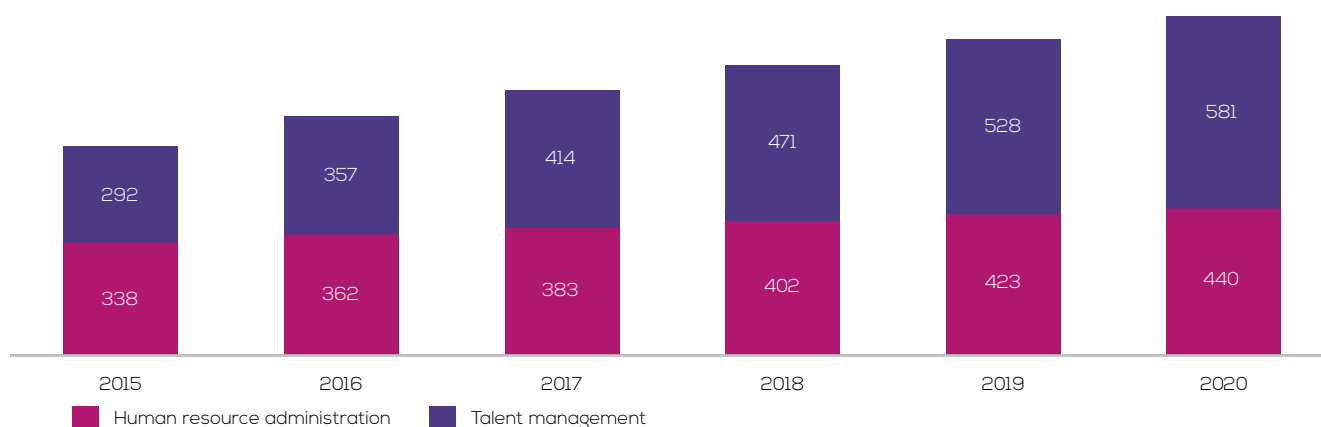
Source: Frost & Sullivan Report.

#### 2.5.2.2 Market size

Frost & Sullivan<sup>32</sup> estimates that annual revenues from HRM software in Australia totalled \$797 million in 2017 and projects them to reach \$1.02 billion in 2020. The growth in the sector for HRM software is driven by businesses replacing basic manual processes or introducing HRM software for the first time.

As at 30 June 2017, the total number of operating businesses in Australia with more than 20 employees was 56,164 (see Figure 6). This constitutes a significant portion of the total addressable market in Australia for payroll and HRM software for ReadyTech.

**Figure 11: Australian HRM solutions market size (A\$m)**



Source: Frost & Sullivan Report.

<sup>32</sup> Frost & Sullivan Report.

## 2. Industry Overview

### 2.5.2.3 HRM software sector growth drivers

Key growth drivers of the HRM software sector include:

| Driver  | Key reasons  |
|---|--|
| <b>Mission-critical nature of HR administration software</b>                                    | <ul style="list-style-type: none"><li>• The ability to manage employees, their employee records, time and attendance, expenses, and benefits balance is mission-critical to all businesses in this sector.</li><li>• HR administration software is increasingly being used to support these functions and serve as a single source of truth of employee data which can be leveraged for management reporting and business-planning purposes.</li></ul>   |
| <b>The evolution of the human resources function from an administrative to a strategic role</b> | <p>The role of HR within organisations is generally shifting from an administrative function (e.g. ensuring compliance with policies and procedures) to a strategic function, concerned with aspects such as workforce productivity and succession planning. A 2017 global survey<sup>33</sup> of 10,000 HR and business leaders across 140 countries found that:</p> <ul style="list-style-type: none"><li>• 51% of respondents are currently in the process of redesigning their organisations for digital business models;</li><li>• 56% of enterprises surveyed are redesigning their HR programs to leverage digital and mobile tools;</li><li>• 33% of surveyed HR teams are using some form of algorithm-informed intelligence technology to deliver HR solutions, and 41% are actively building mobile apps to deliver HR services; and</li><li>• in Australia, 68% of respondents rated 'digital HR' "important" or "very important".</li></ul> |
| <b>Growth in the talent management segment</b>  | <ul style="list-style-type: none"><li>• Whilst talent management has been the focus of larger businesses, it is now becoming a priority for medium-sized businesses as HR is viewed to play a more strategic role within the organisation as acquiring and retaining talent becomes increasingly competitive.</li><li>• Consequently, there is greater emphasis on work productivity, employee engagement and learning and career support; which are all supported by talent management software solutions.</li></ul>  |
| <b>Demand to replace inflexible legacy systems</b>  | <ul style="list-style-type: none"><li>• While the HRM software industry, in its initial growth phase, was driven by businesses looking to automate processes that were previously done manually, the industry has since matured and is now also being driven by businesses looking to replace old and rigid architectures.</li><li>• This has been aided by the development of cloud-based HRM software, which provide businesses with an option that can be more cost-effective and easier to implement and manage than on-premise solutions.</li><li>• Newer HRM software solutions typically feature a comprehensive suite of modules that offer functionality over and above legacy systems to manage things previously not covered or to further boost productivity. Examples of modules include workplace health and safety to manage hazards, report incidents and reduce employee absenteeism.</li></ul>   |
| <b>Workplace transformation driving digital solution uptake</b>                                 | <ul style="list-style-type: none"><li>• According to a 2016 analysis of ABS statistics, the number of employed people who work from home has risen from 20% of the entire labour force to 30% in 15 years.<sup>34</sup> Increased home working and on-the-go working practices are driving demand for remote access of corporate systems.</li></ul>  |

<sup>33</sup> Frost & Sullivan Report.

<sup>34</sup> Frost & Sullivan Report.

#### 2.5.2.4 Competitive landscape

The HRM software competitive landscape is fragmented. It includes a number of large global providers of enterprise software as well as many specialist providers of HRM software solutions. Several of the large global enterprise software providers (such as Oracle and SAP) have entered the HRM software sector through acquisitions of specialist providers (Taleo and SuccessFactors respectively).

Providers of HR administration software are generally accounting software companies (such as MYOB and Sage) that have added payroll and other HR functionality as a logical complement to their accounting software. Conversely, talent management software have generally been developed by specialist vendors often starting with single applications before expanding their product suite to comprise a broader set of talent management applications.

Some of the main HRM software providers (including both HR administration and talent management) that are active in the Australian market are listed below:

| Category   | HR administration  | Talent management  |
|--|--|--|
| <b>Enterprise<br/>(&gt;1000 employees)</b>                 | <ul style="list-style-type: none"><li>• Ascender</li><li>• Aurion</li><li>• Technology One</li></ul>   | <ul style="list-style-type: none"><li>• Cognology</li><li>• Cornerstone</li><li>• Oracle</li><li>• PageUp</li><li>• Saba Software</li><li>• SAP</li><li>• SilkRoad</li><li>• Workday</li></ul> |
| <b>Medium to large businesses<br/>(20 – 999 employees)</b> | <ul style="list-style-type: none"><li>• ADP</li><li>• Affinity</li><li>• Attaché</li><li>• Frontier Software</li><li>• ReadyTech (HR3 and ePayroll)</li><li>• Sage</li></ul> | <ul style="list-style-type: none"><li>• Connx</li><li>• ELMO Talent Management</li><li>• EmploymentHero</li><li>• Enable HR</li></ul>  |
| <b>Small businesses<br/>(&lt;20 employees)</b>             | <ul style="list-style-type: none"><li>• e-PayDay</li><li>• KeyPay</li><li>• MYOB</li><li>• ReadyTech (ePayroll)</li><li>• Xero</li></ul>                                     |  |

Source: Frost & Sullivan Report.

## 2. Industry Overview

### 2.6 Competitive differentiators

Key competitive differentiators between software providers in the sectors of the education and employment industries in which ReadyTech operates include a long track record, a comprehensive suite of software modules offered, reliability, scalability, ability to integrate with other business systems and dedicated customer support. Other competitive differentiators include:

- **Regulatory compliance and expertise:** maintaining knowledge and updating systems to ensure they are compliant with Commonwealth and state government specific regulatory and legislative regimes for each jurisdiction in which they operate in;
- **Performance outcome driven solutions:** both educators and employers are increasingly focussed on solutions that are capable of driving performance outcomes such as increasing student engagement and completion rates, assisting more job seekers back into work, and increasing employee engagement and retention rates;
- **Predictive data analytics and value-added services:** predictive data analytic capabilities are increasingly seen as a key differentiator. ReadyTech believes that predictive data analytics creates the opportunity for educators and employers to enhance management decision making, enrich student and employee profiles, and personalise the learning and career journey. Through data analytics and value-added services like ReadyTech's behavioural science solutions, providers are able to assist educators and employers drive performance outcomes;
- **Government accreditation:** providers will need to build an understanding of the complex government procurement processes. An example is AVETMISS-compliant software for VET reporting;
- **Reputation and brand:** providers such as ReadyTech have built their reputation as a trusted partner over 20 years. ReadyTech believes that reputation and brand are critical given the mission-critical nature of the solutions, and that to compete effectively, providers need to invest in their sales and marketing program, a costly and time intensive endeavour, in order to build sufficient brand recognition;
- **Long customer relationships and associated switching costs:** ReadyTech believes that once a customer has selected a mission-critical solution, the potential cost and loss of information to a customer in switching to an alternative system could be significant. There is also a potential cost in having to reorganise workflows and retrain users; and
- **Technology:** providers such as ReadyTech have invested over half a million human hours into establishing the technology infrastructure necessary to compete effectively in the education and employment industries. Providers will also need to update for new software functionalities in response to regulatory changes and customer feedback.





### 3. Company Overview



## 3. Company Overview

### 3.1 Overview of ReadyTech

ReadyTech is a leading SaaS provider of mission-critical people management systems to customers to assist them to comply with regulatory and legislative compliance obligations, efficiently manage a large number of people through software and drive performance outcomes. ReadyTech understands that its customers' key outcomes include:

- increasing student engagement and completion rates;
- assisting more job seekers back to work; and
- increasing employee engagement and retention rates.

ReadyTech has observed across its 3,600 plus customer base a trend of an increasingly competitive environment among educators and employers competing to attract, engage and retain students and employees. As a result, ReadyTech's customers seek solutions that help drive their key performance outcomes.

ReadyTech combines its 20 years of experience with an increasingly agile development approach to develop products which assist its customers to drive key outcomes as detailed in the table below. In summary, ReadyTech aims to achieve these by:

1. navigating complex and evolving regulatory environments;
2. efficiently managing people and their data; and
3. providing data analytics and value-added services.

**Table 5: Key performance outcomes**

|  | Education segment  | Employment segment  |
|--|--|---|
| <b>Navigating complex and evolving regulatory environments</b> | <b>Assist customers to satisfy mission-critical reporting requirements and payroll compliance</b> <ul style="list-style-type: none"><li>• Assisting education providers to meet quality assurance arrangements required by regulatory bodies;</li><li>• Providing compliance reporting including AVETMISS for VET, FEE-HELP for higher education and visa reporting for international students; and</li><li>• Providing business intelligence capabilities to generate insights around student progress.</li></ul> | <ul style="list-style-type: none"><li>• Calculating tax using latest Commonwealth and state tax tables;</li><li>• Interpreting National Employment Standards entitlements and modern awards to ensure employees are compensated correctly; and</li><li>• Continuously adapting to changes in regulation such as Single Touch Payroll which came into effect on 1 July 2018.</li></ul> |
| <b>Efficiently managing people and their data</b>              | <b>Systems to manage the lifecycle from admission/on-boarding to course completion/termination</b> <ul style="list-style-type: none"><li>• Student admissions, course enrolment, attendance and course grading;</li><li>• Automated and streamlined workflows to increase productivity and reduce errors; and</li><li>• Self-service tools for students to manage their timetables, course progress and pay fees.</li></ul>  | <ul style="list-style-type: none"><li>• Employee on-boarding, time tracking, attendance and WHS;</li><li>• Payroll solutions to automatically calculate payslips including penalty rates, tax, superannuation and leave; and</li><li>• Self-service tools for employees to manage leave, expenses and personal/banking details.</li></ul>   |

|  | Education segment  | Employment segment  |
|--|--|---|
| <b>Providing data and value-added services</b> | <b>Expanded offering to drive improved completion rates, job outcomes and employee retention</b> <ul style="list-style-type: none"> <li>• Customer relationship management to enable student/teacher collaboration, student acquisition, engagement and retention;</li> <li>• Manage student services to cover the student lifecycle including student accommodation, internships and placements and mentoring;</li> <li>• Psychological assessment tools using prescriptive and data analytics to generate richer profiles of students; and</li> <li>• Behavioural science tools to increase completion rate and job outcomes.</li> </ul> | <ul style="list-style-type: none"> <li>• Combining payroll solutions with HR administration to cater to the more expansive needs of employers;</li> <li>• Software integrated with third parties including ERP and specialist rostering systems to offer a more comprehensive suite; and</li> <li>• Plans to expand talent management capabilities to assist employers to improve employee engagement and retention.</li> </ul> |

ReadyTech recognised that there were parallel problems to be solved for customers in education and employment, and has applied its core expertise in people management systems to seek to deliver solutions for its customers in each segment. A focus on student and employee lifecycles highlights common stages (such as student enrolment and employee on-boarding) that each need to be managed in the sectors in which ReadyTech operates, and the need for analogous solutions and features such as self-service to support the digital-enabled experience expected from both students and employees.

Having realised these commonalities, ReadyTech's approach to driving customer value is consistent across education and employment industries as depicted in Figure 12 below. ReadyTech has built core platforms centred on managing people and their data, particularly in complex regulatory environments – often with similar modules and capabilities. Once obtaining a loyal customer base with these mission-critical platforms, ReadyTech seeks to increase customer productivity and grow customer usage and spend with value-added capabilities, data insights and behavioural-science backed solutions to further drive key performance outcomes.

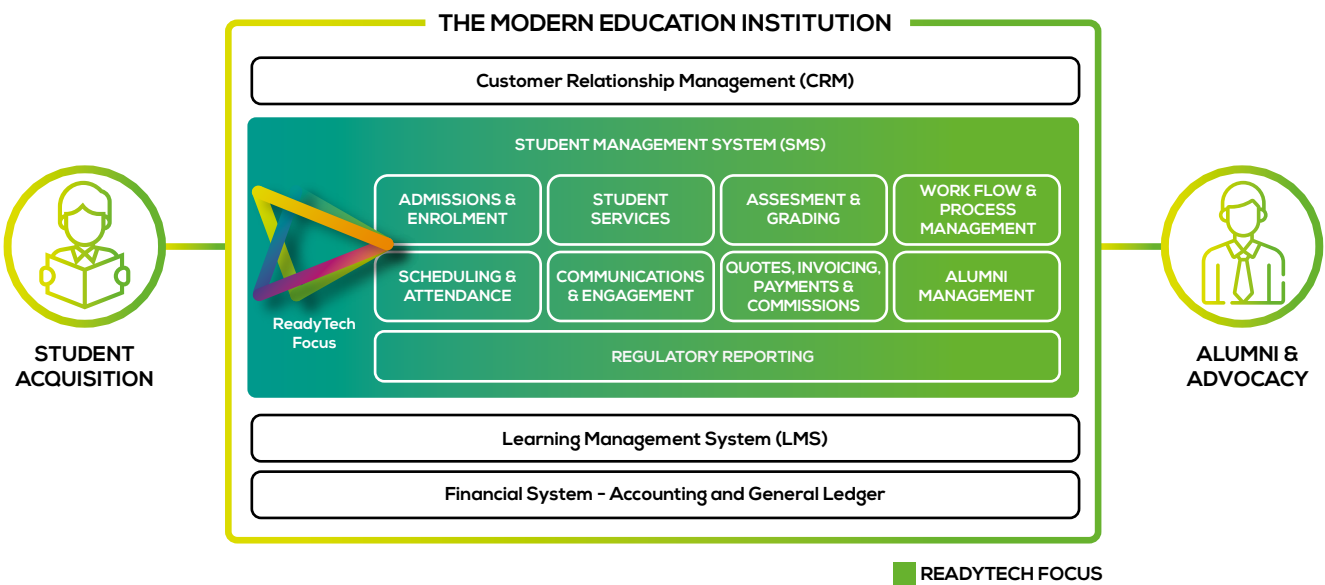
### 3. Company Overview

Figure 12: Expansion from mission-critical solutions to value-added services to drive outcomes



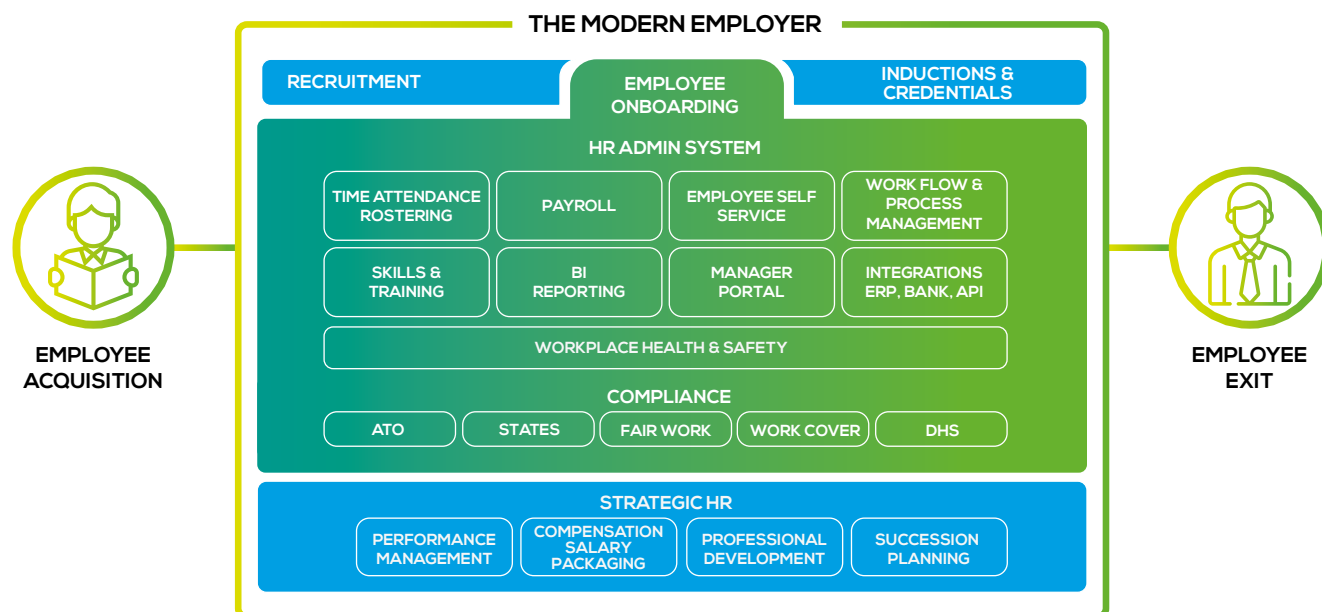
Within the education segment, ReadyTech’s core products are its SMS which are a central component of the modern education institution as seen in Figure 13. ReadyTech’s SMS, offered through its JobReady and VETtrak brands, assist education and training providers to manage the student lifecycle from student admissions to course completion. ReadyTech believes that its functionality, end-to-end management of the student lifecycle and value-added services such as behavioural science are key enablers for one of ReadyTech’s key growth strategies to penetrate larger, higher value customers including TAFEs and universities.

Figure 13: ReadyTech’s SMS solutions



Within the employment segment, ReadyTech offers payroll and HR administration solutions through its HR3 and Employgroup brands and is currently working to expand its talent management functionality beyond employee on-boarding (see Figure 14). ReadyTech believes that its mission-critical payroll functionality becomes embedded in customer workflows and allows the introduction of other HR administration functionality to assist customers to solve related challenges around employee productivity and engagement. Similar to the education segment, ReadyTech believes that its continued innovation and expansion of the product suite has delivered strong growth and attracted higher value customers for its employment offerings. Today, ReadyTech currently manages payroll for 41 companies with over 1,000 employees each.

**Figure 14: ReadyTech's payroll and HRM solutions**



ReadyTech has sought to further differentiate itself from its competitors by offering behavioural science-backed assessment tools to identify at-risk students in the tertiary education and training sector and at-risk job seekers within the pathways and back-to-work sector who need intervention and support. ReadyTech's behavioural science tools aim to improve student completion rates and the number of successful job outcomes through the application of positive psychology. ReadyTech believes that its functionality and value-added services provides a direct return on investment to educators as their revenue is increasingly contingent on the achievement of student outcomes.

Furthermore, ReadyTech's recent acquisition of My Profiling in September 2018 introduces an online system to track student on-the-job training and progression through to a qualification. The added capabilities provided by My Profiling seek to assist VET providers to track student progress and address knowledge and experience gaps to help drive student engagement and improve completion rates. My Profiling also streamlines the application process for recognition of prior learning (RPL) and allows documents to be stored in one place to facilitate compliance with mission-critical regulatory audits.

## 3. Company Overview

### 3.2 Company and product history

CEO and original software developer, Marc Washbourne, was instrumental in building ReadyTech which was founded as JobReady in 1998.

ReadyTech's first product was JobReady, a product for employment providers, designed to support them to place and keep job seekers in work. JobReady assisted employment providers in meeting their compliance obligations, as well as to drive education and job outcomes, the same principles that guide ReadyTech today. ReadyTech emerged as a leading provider of software to the back-to-work sector.

In 2001, following a customer request, ReadyTech launched its second software platform for apprenticeship support providers. For the first time, ReadyTech was able to start sharing technology components across products which allowed it to efficiently manage the software development lifecycle. Over a number of years of working closely with its customers, JobReady was able to win contracts with all 11 Australian Apprenticeships Support Network providers, and today every apprentice and trainee in Australia is supported and managed in a ReadyTech system. More recently, JobReady has invested in predictive analytics to provide further insights into those apprentices who are most likely to withdraw and when.

Following the release of its third software product to help GTOs manage their apprentices in a labour hire arrangement, JobReady launched its first SMS, JobReady Plus. This represented ReadyTech's first investment in cloud-based technology and JobReady Plus is now ReadyTech's key SaaS SMS offering.

Following the launch of JobReady Plus, ReadyTech experienced strong customer traction and grew its reputation for expertise in management of education and employment programs. This led to ReadyTech's first major government contract to provide the ACT Government's Vocational Education and Training Records System (AVETARS) in 2012. ReadyTech has been contracted to support and manage this platform until at least 2022.

JobReady Plus has grown to be an advanced SMS capable of capturing the student lifecycle to drive student outcomes for medium to large VET providers, higher education and English language course providers. Seeking to enhance delivery of student outcomes led to ReadyTech's investment in 2017 in Esher House, which provides behavioural science capability that supports educators to identify students likely to drop out of courses and provides guidance on how to intervene to prevent this. In the same year, in order to focus more deliberately on large, enterprise-style tertiary education providers, ReadyTech acquired VETtrak, a leading SMS platform for small to medium-sized VET providers, providing ReadyTech with over 1,250 new customers.

For many years, CEO Marc Washbourne had considered extending the ReadyTech product suite to new sectors within the education and employment industries, applying the same principles of managing people and compliance while helping drive value and outcomes. This opportunity was realised in 2017, with payroll and HR administration system, HR3 being acquired by ReadyTech. In order to address customer interest, ReadyTech sought to offer an outsourced payroll service to customers and acquired Employgroup, a leading operator in outsourced payroll services. ReadyTech's current education strategy – to start from the mission-critical base of regulation and provide value-added services to seek to drive outcomes – is being used in the employment segment where ReadyTech sees parallel problems to be addressed. In the case of employment, this will mean helping employers better attract, retain and engage employees, which is expected to enable the attraction of larger customers with more sophisticated needs.

In 2018, ReadyTech continued to invest in new functionality to deliver outcomes for its customers. This included the development of a student services module to manage and aggregate ancillary student services, as well as the acquisition of My Profiling, which provides competency assessment and skills profiling as a natural extension to the SMS, with a footprint in the TAFE sector. ReadyTech's long-term investment in the comprehensive SMS and its acquired capability culminated most recently with ReadyTech signing on the University of Queensland in 2018.

In employment, ReadyTech continues to expand its HR administration and talent management offering to enhance its customers' employee engagement levels and productivity.

**Table 6: Education product history**

|      |  |
|------|--|
| 1998 | JobReady founded with first product for employment services sector   |
| 1998 | VETtrak founded <sup>1</sup>   |
| 2001 | JobReady launched apprenticeship management solution   |
| 2005 | VETtrak sold first SaaS hosted package   |
| 2006 | JobReady commenced switch to web and cloud technology  |
| 2006 | VETtrak signed Crown Limited   |
| 2008 | JobReady launched student management system  |
| 2011 | JobReady won first university contract with Macquarie University   |
| 2012 | JobReady won Government contract for the Australian Capital Territory Vocational Education and Training Records System |
| 2013 | VETtrak signed 1000th customer   |
| 2016 | JobReady obtained IRAP security accreditation for JobReady Live product  |
| 2017 | JobReady launched Kanban board for management of student admissions  |
| 2018 | JobReady and VETtrak formed a strategic alliance with Canvas LMS (Instructure)   |
| 2018 | JobReady signed contract with the University of Queensland   |
| 2019 | JobReady launched predictive analytics capability  |

**Table 7: Employment product history**

|      |  |
|------|--|
| 2002 | Employgroup launched ePayroll <sup>1</sup>   |
| 2003 | HR3 launched payroll software solution <sup>1</sup>  |
| 2004 | Employgroup launched employee self-service module  |
| 2007 | HR3 launched HR administration module  |
| 2008 | HR3 launched Kiosk module (employee self-service)  |
| 2010 | HR3 launched WHS module  |
| 2014 | HR3 won National Rugby League as a customer  |
| 2015 | Employgroup launched Synchronise module, a time and attendance tool                              |
| 2018 | Employgroup launched on-boarding and mobile application  |
| 2018 | Employgroup gained ISO 27001 accreditation and launched support for Single Touch Payroll         |
| 2018 | HR3 launched Automated Workflows module  |
| 2019 | ReadyTech launched Partner Program for accounting firms in light of Single Touch Payroll changes |



### 3. Company Overview

**Table 8: Value-added services history – Esher House and My Profiling**

|      |  |
|------|--|
| 2010 | Esher House founded <sup>1</sup>   |
| 2011 | Esher House launched first application of paper-based Transtheoretical Model of Change assessment to Employment services with 189 participants |
| 2012 | Esher House created online assessment to enhance scalability and accuracy  |
| 2011 | My Profiling started providing software services to VET sector, helping RTOs deliver and assess training units <sup>2</sup>                    |
| 2012 | Esher House launched interventions solution and started tracking job outcomes  |
| 2013 | Esher House assessed 10,000 participants   |
| 2014 | My Profiling launched an RPL evidence capturing product  |
| 2015 | My Profiling launched a digital training plan product  |
| 2016 | Esher House was piloted as an early warning system to reduce apprenticeship attrition  |
| 2017 | Esher House assessed 100,000 participants  |
| 2017 | Esher House launched Assess2Educate and integrated with JobReady and VETtrak   |
| 2018 | My Profiling launched a scheduling product for trainers and assessors  |

Note:

1. Acquired in 2017;

2. Acquired in 2018.

#### 3.3 Key features of the ReadyTech business

The core of the ReadyTech business is its SaaS-based mission-critical people management systems and its increasingly agile development approach to customer-led innovation to drive key performance outcomes for its customers. ReadyTech predominantly earns subscription and licence revenues from educators and employers using ReadyTech's products. ReadyTech's key costs include salaries and wages to pay its technology and product development staff, sales and marketing staff, management and contractors. This is followed by the cost of technology infrastructure and operations such as data centres, cloud hosting and associated support.

##### **Mission-critical solutions that benefit from a complex and evolving regulatory environment**

ReadyTech's core software solutions address mission-critical:

- regulatory compliance and reporting requirements for tertiary education and training providers (which is a requirement to access government funding); and
- payroll and associated legislative compliance for employers.

Management believe changes in regulation and legislation have provided an opportunity for growth for ReadyTech as such changes have accentuated the need for both tertiary education and training providers and employers to have solutions capable of navigating the relevant regulatory complexities. As an example, from 2014 to 2016, the conduct of VET providers was reviewed and regulation and policy associated with government funding into the VET sector was overhauled to ensure students were appropriately enrolled into quality assured courses.

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**Mission-critical solutions that benefit from a complex and evolving regulatory environment** continued

ReadyTech continued to grow during this period as regulatory changes shifted focus towards SMS like ReadyTech's which have a student-centred approach, allowing educators to measure engagement and overall support as they benchmark key educational metrics such as attendance, learning outcomes and completion rates. Also, the majority of ReadyTech's existing education customer base are private VET providers who are less dependent on government funding. Over 70% of subject enrolments at a private VET provider generally is funded by fee-for-service and less dependent on government funding.<sup>35</sup>

Similarly in the employment industry, the ATO implemented Single Touch Payroll, effective from 1 July 2018, which requires employers with more than 20 employees to report payroll, superannuation and income tax data to the ATO each time employees are paid. Legislation has been passed in February 2019 to extend STP to all employers, including employers with less than 20 employees, from 1 July 2019. ReadyTech expects an increase in the uptake of payroll software and services such as those offered by ReadyTech to alleviate the operational burden associated with STP compliance.

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**Agile and continuous product development**

ReadyTech dedicated 92 out of its total 152 staff to technology and product development as at 31 December 2018. ReadyTech broadly adopts an agile development methodology to continually update its products to ensure they remain compliant with the evolving and complex regulatory environment in which users of ReadyTech's products operate, and to adapt to changing customer preferences. Select examples of ReadyTech's agile development practices which aim to assist its customers to drive key performance outcomes include:

- increasing student engagement by redesigning the modern SMS to encompass the student lifecycle by managing such things as student accommodation, counselling, internships and work placements;
- behavioural science-backed assessment and intervention tools to focus student support resources on identified at-risk students and job seekers with the aim of increasing completion rates and the number of successful job outcomes;
- competency assessment and skills profiling tools to track student on-the-job training to identify knowledge and experience gaps in a student's qualification progress to be addressed by educators to increase completion rates;
- predictive data analytics and algorithm-informed intelligence to generate richer student profiles and matching capabilities to assist with ensuring students are placed in the right jobs; and
- expanding into talent management to assist employers to compete more effectively to attract, engage and retain people

---

**Long-tenured and non-concentrated customer base**

ReadyTech currently serves over 3,600 customers across both the education and employment segments. The average customer tenure is more than seven years.

Education customers are diversified across various sub-sectors including VET, higher education and English language course providers. ReadyTech's largest education customer comprises only 2% of total FY18 group revenue.

Employment customers are split across sectors including retail, consumer, financial, technology, health, education, not-for-profits, construction, manufacturing and leisure. The largest employment customer comprises only 1% of total FY18 group revenue.

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<sup>35</sup> NCVER, 'Australian vocational education and training statistics: Total VET students and courses 2017' (2018).

### 3. Company Overview

#### Recurring revenue and revenue visibility

ReadyTech has high revenue visibility attributed to its predominantly subscription revenue model and strong revenue retention rates of 95% from existing customers as at FY18.

ReadyTech believes that it has a strong customer pipeline which will support its growth in the forecast period and beyond. ReadyTech has identified a current pipeline of opportunities representing greater than \$15 million in gross annual revenue. ReadyTech expects to convert a proportion of these opportunities in the medium term, however, there can be no guarantee that all opportunities in the pipeline will be converted into contracted revenues.

ReadyTech has continued its strong momentum with \$16.0 million revenue in 1H FY19, representing approximately 49.2% of FY19F forecast revenue.

#### Strong growth and financial profile

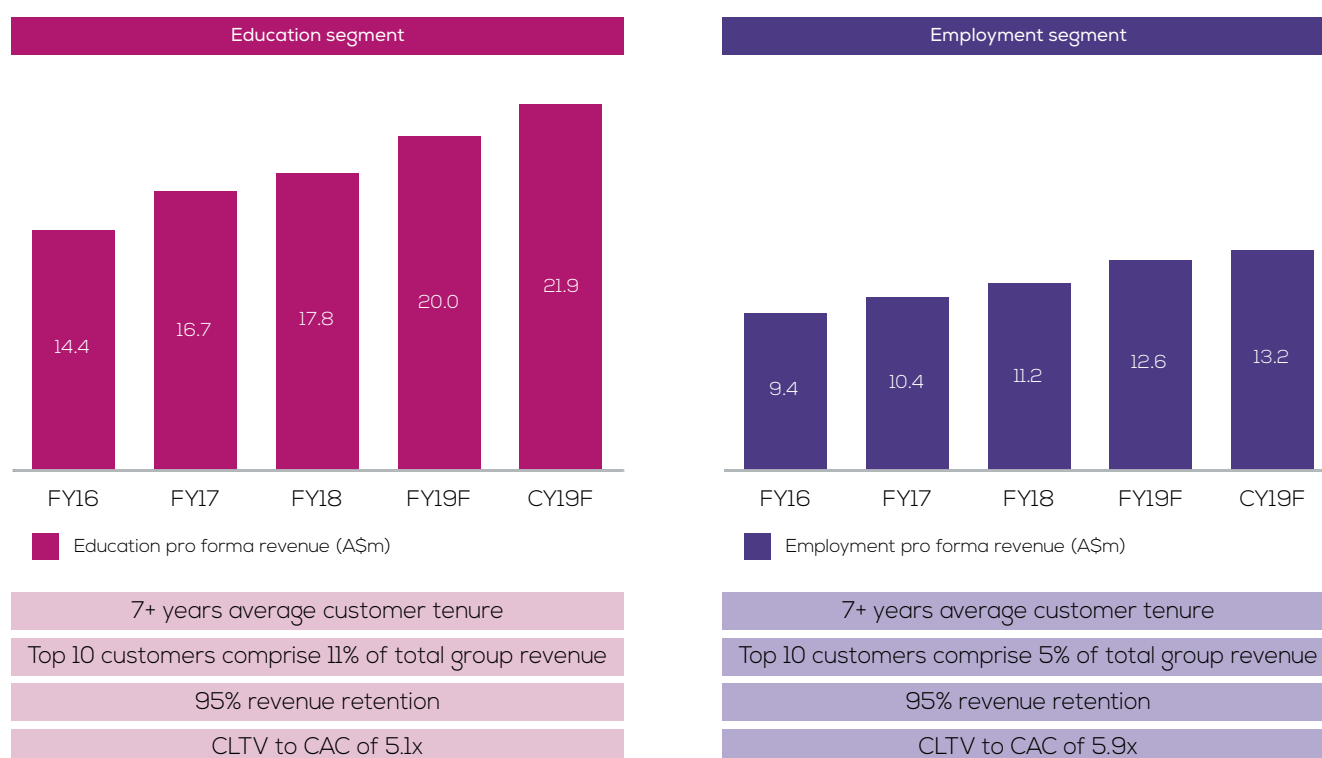
ReadyTech expects to deliver continued revenue and EBITDA growth across both the education and employment segments. ReadyTech forecasts it will achieve 14.4% revenue growth in CY19F from CY18F to deliver \$35.1 million in revenues and \$14.6 million in EBITDA on a pro forma basis.

ReadyTech has continued to demonstrate its ability to win new customers by growing the total ACV of new business wins by greater than 50% from FY17 to FY18. During 1H FY19, the total ACV of new business wins was 31% higher than the average of 1H FY18 and 2H FY18.

ReadyTech has high operating leverage demonstrated in pro forma EBITDA margins forecast to expand from 25.6% in FY16 to 41.6% in CY19F with an EBITDA CAGR of 28.5% over this period. ReadyTech also has attractive unit economics based on its CLTV to CAC ratio of 5.1x and 5.9x for the education and employment segment respectively in FY18.

In addition, the business is highly cash generative with a three year average operating cash flow conversion greater than 100% from FY16 to FY18. The Company expects that this will provide it with significant capacity to invest in new and emerging growth opportunities.

Figure 15: ReadyTech overview











Note: Metrics as at FY18.

### 3.4 Education

ReadyTech offers a number of education solutions to a diverse mix of customers. ReadyTech has strong market positions in a number of the segments in the tertiary education and training industry in which it operates, including a leading SMS for small to medium-sized private VET providers, and the only platform provider to all Australian Apprenticeship Support Network providers to manage apprenticeships. ReadyTech's education revenue comprised 61% of total FY18 Group revenue and within education the majority of revenues are derived from ReadyTech's SMS. An overview of ReadyTech's education products is presented in Figure 16. ReadyTech's behavioural science-backed assessment tools (which are also used to service ReadyTech's education customers) are described in more detail in Section 3.6.

ReadyTech's education customers include VET and higher education providers and other organisations such as the ACT Government, Crown, Navitas English, and the Australian Institute of Personal Trainers. The majority of ReadyTech's education customers are private VET providers. Over 70% of subject enrolments at a private VET provider generally is funded by fee-for-service and less dependent on government funding.<sup>36</sup>

Figure 16: Overview of ReadyTech's education solutions

|                     | Student management systems   |  | Pathways and Back-to-work  |  |
|---------------------|--|--|--|--|
| Products            |    | SMS targeting larger higher value education  |    | Online platform for Australian Apprenticeships Support Network (AASN) providers  |
|                     |  |  |  | Employment services management platform for jobactive and DES programs   |
|                     |   | SMS targeting small to medium-sized education and training providers   |  | Online platform to support State Government administer and manage VET records and initiatives  |
| Value-Added Service |   | Behavioural science backed assessment tools and intervention programs to increase graduation rates by supporting identified at-risk students       |  | Behavioural science-backed assessment tools and intervention programs designed to assist job seekers in the pathways and back-to-work sector return to employment through the application of positive psychology |
|                     |   | Skills profiling platform and app used by education and training providers to monitor student progression through a qualification in the workplace |  |  |

36 NCVER, 'Australian vocational education and training statistics: Total VET students and courses 2017' (2018).

## 3. Company Overview

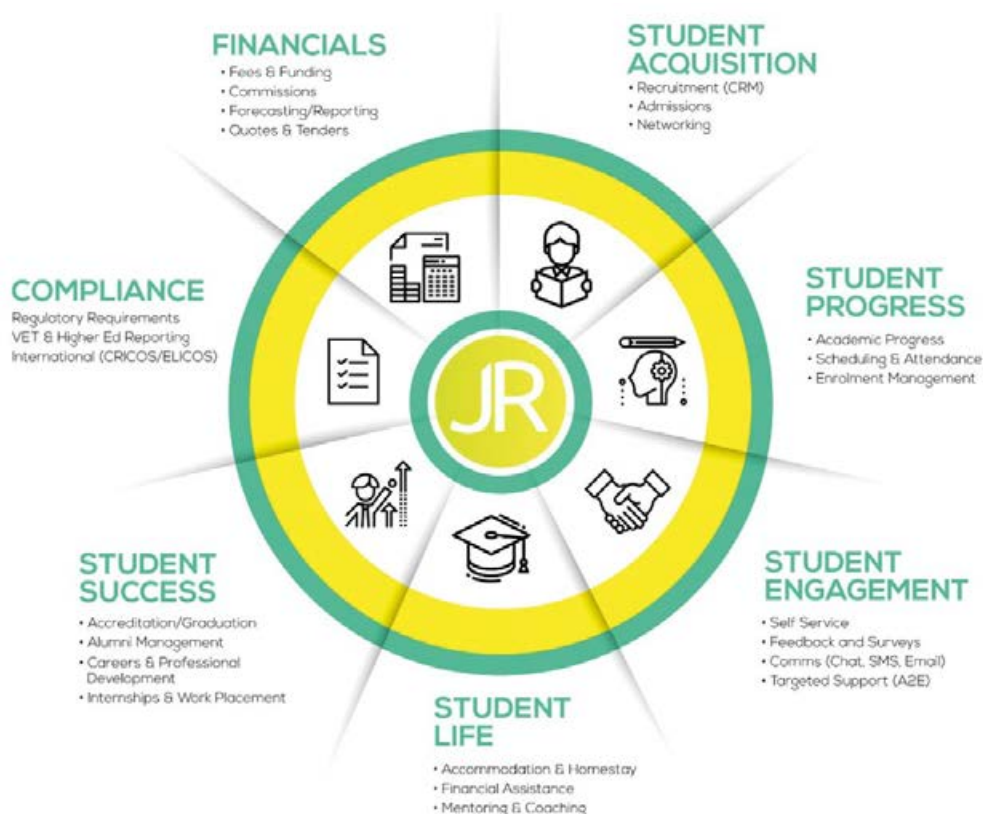
### 3.4.1 Student management systems

ReadyTech offers two SMS through its JobReady and VETtrak brands. An overview of SMS is described in Table 9.

**Table 9: SMS overview**

| What is an SMS?   | Key functions of ReadyTech's SMS solution  | Key advantages of ReadyTech's SMS solution   |
|---|--|--|
| <ul style="list-style-type: none"> <li>A core business administration tool used by education providers to manage key aspects of the student journey from enrolment to employment;</li> <li>Represents the single 'source of truth' for student data; and</li> <li>Integrates with other systems used by education providers such as LMS.</li> </ul> | <ul style="list-style-type: none"> <li>Management of student enquiries, enrolment, and course progress and schedules;</li> <li>Processing and recording of fees and loans;</li> <li>Recording attendance;</li> <li>Monitoring student performance and store grades, assessment scores and transcripts;</li> <li>Compliance reporting such as regulatory reporting and issuing of notifications and certificates; and</li> <li>Business intelligence and management reporting.</li> </ul> | <ul style="list-style-type: none"> <li>Automation of key activities to improve productivity and drive cost efficiencies;</li> <li>Facilitation of engagement with students and alumni to improve student recruitment and retention;</li> <li>Management of the ancillary student lifecycle services including student accommodation, internships and work placements and counselling;</li> <li>Ability to track, report and improve student workplace activity and academic outcomes; and</li> <li>Ability to leverage predictive data analytics to inform decision-making.</li> </ul> |

**Figure 17: JobReady Plus student management system features**



#### 3.4.1.1 Interactions with all key stakeholders

ReadyTech believes that tertiary education and training providers rely on SMS to manage the large amounts of data generated as students progress from enrolment through to course completion. Key stakeholders of education and training providers (including students, teachers/trainers, administrative staff and management) interact both directly and indirectly with ReadyTech's SMS. ReadyTech believes that as each stakeholder learns how to use a particular SMS, it tends to become embedded into their workflow and the cost of switching to another SMS generally increase, creating a loyal customer base.

**Figure 18: Stakeholder interaction with ReadyTech's student management systems**

| Function                      | Administrative Staff | Students | Teachers/Trainers | Management |
|-------------------------------|----------------------|----------|-------------------|------------|
| Admissions & Enrolment        | ✓                    | ✓        | ✓                 |            |
| Scheduling & Attendance       | ✓                    | ✓        | ✓                 |            |
| Student Services              | ✓                    | ✓        |                   |            |
| Assessment & Grading          | ✓                    | ✓        | ✓                 |            |
| Workflow & Process management | ✓                    |          | ✓                 | ✓          |
| Communications & Engagement   | ✓                    | ✓        | ✓                 | ✓          |
| Invoicing & Payments          | ✓                    | ✓        |                   | ✓          |
| Alumni management             | ✓                    | ✓        | ✓                 | ✓          |

#### 3.4.1.2 Go-to-market strategy

ReadyTech utilises a two-pronged strategy to capture market share at both ends of the customer value spectrum.

1. **VETtrak** with key features including:

- VETtrak has high brand recognition in the VET sector and is a leading SMS for small to medium-sized private VET providers;
- smaller education providers are a large market and present an opportunity for ReadyTech to capture new market entrants;
- strategy to upsell modules into the existing customer base, with only 6% of customers currently using VETtrak's highest tier product (Enterprise Plus), which is inclusive of the most modules. The remaining 94% of customers use lower tier products and on average these customers use less than one additional module on top of the base student management system product; and
- ReadyTech believes that as tertiary education and training providers grow over time they often need increased functionality above the requisite regulatory reporting tools. VETtrak offers a variety of value-added services to help education and training providers increase productivity and drive key performance outcomes.

### 3. Company Overview

#### 2. JobReady Plus with key features including:

- premium SMS to service higher value tertiary education and training providers who want further capabilities from their SMS to acquire, engage and retain students in an increasingly competitive, global education market;
- highly automated and sophisticated workflow management on a modern and intuitive user interface so all users can easily utilise the self-service functionalities;
- ability to manage the student lifecycle including student services, student accommodation, mentoring, coaching, and well-being;
- reporting tools to track student progress beyond the classroom such as internships and work placements to build professional development transcripts; and
- ability to track emerging technologies such as data analytics and algorithm-informed intelligence to generate richer student profiles.




#### 3.4.2 My Profiling

ReadyTech's recent acquisition of My Profiling provides ReadyTech with an online system to track student on-the-job training and progression through a qualification. The value-added service provided by My Profiling is a natural extension of ReadyTech's existing education products. ReadyTech believes that the added capabilities of My Profiling help VET providers track student progress to address knowledge and experience gaps. These capabilities seek to assist VET providers drive student engagement and improve completion rates. My Profiling also streamlines the application process for recognition of prior learning and provides an ability to store documents in one place to assist customers to comply with mission-critical regulatory audits.

#### 3.4.3 Other education solutions

ReadyTech's other cloud and SaaS-based education solutions include software platforms designed for the pathways and back-to-work sector (including apprenticeships, traineeships, jobactive and DES programs) and bespoke government IT software solutions. An overview of each key product is provided below:

**Table 10: Other education software solutions**

| Product   | Description  |
|---|--|
|  | <ul style="list-style-type: none"><li>• A leading software system used by all 11 Australian Apprenticeships Support Network providers funded by the Government to market, administer and manage apprenticeships.</li><li>• Platform is integrated with Government systems and helps support career advice, administer training contracts and incentives to employers, monitor apprentices and provide business intelligence tools to inform decision making.</li></ul> |
|  | <ul style="list-style-type: none"><li>• Platform for jobactive and DES programs enabling caseworkers to match job seekers with vacancies, manage work placements, provide post placement support (PPS) and track job outcomes.</li><li>• Offers CRM and lead nurturing capabilities.</li></ul>   |
|  | <ul style="list-style-type: none"><li>• Bespoke cloud-based software solution designed for the ACT Government to manage the state VET program (AVETARS contract).</li><li>• Coordinates, manages and administers funding to RTOs via the AVETMISS standard.</li></ul>  |



### 3.4.4 Education revenue model

ReadyTech deploys its education software solutions primarily through a cloud-based model. The VETtrak software has the option of an on-premise model, designed to provide flexibility to ReadyTech's customers.

ReadyTech's revenue model for its education products are based on two revenue streams:

#### 1. Subscription and licence revenues

- Subscription fees for both cloud and on-premise models.

#### 2. Services revenues

- implementation fees typically paid upfront or through milestone achievements; and
- professional services and training which includes consulting, customer change programs, user education programs and one-off development projects.

How ReadyTech charges for each of the above revenue streams varies by product and is explained in Figure 19.

**Figure 19: ReadyTech's education revenue model**

| Product                         | Subscription and licence revenues  | Implementation, training and other revenues   |
|---------------------------------|--|---|
| <b>JobReady Plus</b>            | <ul style="list-style-type: none"><li>• Pricing based on number of users, type of users and package type; and</li><li>• Optional extensions including API and integrations.</li></ul>                            | <ul style="list-style-type: none"><li>• Implementation costs; and</li><li>• Training and professional services.</li></ul>                       |
| <b>VETtrak</b>                  | <ul style="list-style-type: none"><li>• Pricing based on number of users, type of users and package type; and</li><li>• Optional modules include online enrolments, customer surveys and integrations.</li></ul> | <ul style="list-style-type: none"><li>• Implementation costs; and</li><li>• Training and professional services.</li></ul>                       |
| <b>Other JobReady platforms</b> | <ul style="list-style-type: none"><li>• Pricing based on number of users; and</li><li>• Optional modules including customer self-servicing tools.</li></ul>  | <ul style="list-style-type: none"><li>• Implementation costs; and</li><li>• Training and professional services.</li></ul>                       |
| <b>My Profiling</b>             | <ul style="list-style-type: none"><li>• Charge on per assessment basis with predominantly minimum monthly retainer revenue</li></ul>   | <ul style="list-style-type: none"><li>• Professional services which include customer change programs and one-off development projects</li></ul> |

The majority of ReadyTech's education customers are contracted on an annual basis and typically pay upfront in advance. Some of ReadyTech's education customers are contracted on a multi-year basis who may pay upfront for up to the full period. There is a minimum commitment during the contracted period however customers have the optionality to add more users and modules at any time of the contract.






The majority of these contracts automatically renew with an option to opt out at the end of the contract period. Certain of ReadyTech's education customers have the ability to terminate for convenience with no refund available for the remaining contracted period.

### 3.4.5 Education customers

ReadyTech's education customers are well diversified across a number of segments with the single largest education customer accounting for only 2% of total FY18 group revenue. The long average education customer tenure of more than seven years highlights the loyalty of ReadyTech's education customers which ReadyTech believes is attributable to the mission-critical solutions it provides and its responsiveness to changing regulatory obligations and customer needs.

### 3. Company Overview

Figure 20: A selection of ReadyTech's education customers

| Sector  | Select customers  |
|---|---|
|  <b>VET providers</b>                          | <ul style="list-style-type: none"> <li>• Builders Academy</li> <li>• Australian Institute of Personal Trainers</li> <li>• MAX Solutions</li> </ul>                  |
|  <b>English language/<br/>Higher education</b> | <ul style="list-style-type: none"> <li>• Navitas English</li> <li>• Australian Institute of Professional Counsellors</li> <li>• University of Queensland</li> </ul> |
|  <b>Enterprise</b>                             | <ul style="list-style-type: none"> <li>• Crown</li> <li>• St Johns Ambulance</li> <li>• KFC</li> </ul>  |
|  <b>Pathways/<br/>Apprenticeships</b>          | <ul style="list-style-type: none"> <li>• MEGT</li> <li>• BUSY at Work</li> <li>• ACT State Government</li> </ul>  |
|  <b>Back-to-work</b>                         | <ul style="list-style-type: none"> <li>• Sarina Russo</li> <li>• atWork Australia</li> <li>• Maxima</li> </ul>  |

#### 3.5 Employment


ReadyTech's employment solutions are centred on payroll and HRM solutions offered through the HR3 and Employgroup brands (ePayroll and AussiePay). Employment revenue comprised 39% of total Group revenue in FY18. ReadyTech's employment solutions target the core mission-critical payroll function as the entry point for attracting loyal customers. ReadyTech believes that once payroll is embedded into the customers' workflows, customers are more likely to add ReadyTech's HR administration solutions to further boost productivity.

ReadyTech provides payroll and HR administration software through its HR3 and ePayroll brands, and provides technology-led outsourced payroll services through its Aussiepay brand. ReadyTech is also planning to expand its talent management capabilities to encompass functions including recruitment, performance management, and succession planning to provide a wider offering for its customers.

ReadyTech's payroll solutions managed an estimated \$9 billion<sup>37</sup> worth of payroll for over 2,000 employers ranging from small to large enterprises such as iSelect, MECCA Brands, Brand Collective, and Deloitte Private. ReadyTech currently manages payroll for 41 companies with over 1,000 employees each.

<sup>37</sup> Estimate based primarily on the number of employees licensed for each customer of HR3 and Employgroup multiplied by the most recently available median salary and wage statistics from the ATO as at FY18.

Figure 21: Overview of ReadyTech’s employment solutions

| Payroll and HR Administration Software |   |   | Outsourced Payroll Services  |   |
|--|---|---|--|---|
| Products                               |  | Payroll software integrated with HR administration functionality targeting medium to large businesses |  | Technology-led outsourced payroll services targeting medium to large businesses |
|  |  | Payroll software solution targeting small to medium-sized businesses                                  |  |   |

3.5.1 Payroll and HR administration software

Payroll software helps employers save time and paperwork when processing employees’ pay and administering their payslips. ReadyTech offers two products, HR3 and ePayroll, within this segment. ReadyTech’s payroll software solutions have a strong reputation for dedicated customer support with Australian-based payroll specialists to respond to queries quickly. ReadyTech’s payroll software are leading solutions with deep functionality to provide HR administration, automated workflows, self-servicing tools and WHS modules to boost productivity and drive performance outcomes.

HR3 provides optionality to customers by offering both cloud and on-premise deployment. ReadyTech believes that its customers who choose on-premise deployment typically consider information security and faster processing speeds as being the key factors influencing their deployment decision. By providing both payroll software and outsourced payroll services, and both on-premise and cloud-hosting for payroll software, ReadyTech believes that its solutions are able to cater to different customer preferences.

Figure 22: HR3 overview



### 3. Company Overview

| Module                          | Description  |
|---------------------------------|--|
| Payroll                         | <ul style="list-style-type: none"><li>• A leading payroll software solution predominantly serving businesses with over 20 employees.</li><li>• In-built workflows that calculate salaries, wages, superannuation, tax, leave, allowances, deductions.</li></ul>  |
| HR administration               | <ul style="list-style-type: none"><li>• Inductions, expense, property and equipment management, training and education tracking, organisational chart, document management and human resource reporting.</li><li>• Currently expanding talent management capabilities.</li></ul>   |
| Employee portal                 | <ul style="list-style-type: none"><li>• Update personal and banking details.</li><li>• Access payslips, leave balances and payment summaries.</li><li>• Add in leave requests, timesheets and expenses.</li></ul>  |
| Manager portal                  | <ul style="list-style-type: none"><li>• Workflow approvals such as leave requests and expenses.</li><li>• Task manager and action alerts.</li><li>• Management and operational reporting.</li></ul>  |
| Automated workflows             | <ul style="list-style-type: none"><li>• Capable of both employee and manager initiated workflows.</li><li>• Adopts a flexible rules based engine.</li><li>• Multi-level workflows with escalations.</li></ul>  |
| Workplace health and safety     | <ul style="list-style-type: none"><li>• Location, hazard and incident management.</li><li>• Plant and equipment registers, workplace audits and document management.</li><li>• Complies with the standards that form the Australian Health and Safety Acts and requirement to report incidents to relevant State WHS regulators.</li></ul> |
| Business intelligence reporting | <ul style="list-style-type: none"><li>• Easy to use 'drag and drop' query builder.</li><li>• Report distribution capability.</li><li>• Excel integrations and charting tools.</li></ul>  |

HR3's solutions are sold with the payroll functionality as the base product with additional modules sold separately. ReadyTech's HR3 customers are relatively underpenetrated with the average customer having one additional module on top of the base payroll product.

Similarly to HR3, ReadyTech's Employgroup's payroll software solutions include:

- **ePayroll:** payroll software with in-built workflows that calculate salaries, wages, superannuation, tax, leave, allowances and deductions. ePayroll also offers HR administration functionality including employee and manager self-servicing, expense management and document management over and above the payroll function; and
- **Synchronise module:** online time and attendance tool combined with a modern awards interpretation engine that is integrated with ePayroll. Employgroup's payroll software solutions automate workflows and assists employers to comply with their obligations as well as seeks to ensure employees are paid correctly.

### 3.5.2 Outsourced payroll services

ReadyTech considers Employgroup's core product to be its technology-led outsourced payroll services solution, Aussiepay. Aussiepay uses a proprietary system with highly automated workflows to process payroll on behalf of employers and pay employees. Instead of data entry and associated tasks, Employgroup's payroll specialists spend their time on final verifications and on reviewing unique circumstances such as employee terminations which can complicate how pay is calculated. This technology-led process enables Aussiepay to be labour-light with thirteen employees servicing over 300 customers unlike typical outsourced service providers.

ReadyTech believes that the employer's decision to either outsource the payroll function or process payroll in-house is agnostic of employer size and typically comes down to preference. By offering both payroll software and outsourced payroll services, ReadyTech believes that is able to cater to business requirements.

### 3.5.3 Employment revenue model

Similar to its education revenue model, ReadyTech's revenues from employment solutions revenue can be categorised as subscription and licence revenues or services revenues:

1. Subscription and licence revenues
  - recurring subscription and maintainable licence fees; and
  - upfront fees on perpetual licences.
2. Services revenues
  - setup fees, training services and one-off integration costs; and
  - on-demand assisted payroll processing and outsourced payroll services (typically requested for more complex payroll scenarios).

How ReadyTech charges for each of the above revenue streams varies by product and is explained in Figure 23.

**Figure 23: ReadyTech's employment revenue model**

| Product   | Subscription and licence revenues   | Implementation, training and other revenues   |
|-----------|---|---|
| HR3       | <ul style="list-style-type: none"><li>• Pricing based on licence package, number of modules and number of employees; or</li><li>• Monthly subscription fees billed annually in advance.</li></ul> | <ul style="list-style-type: none"><li>• Setup fees; and</li><li>• Training services.</li></ul>  |
| ePayroll  | <ul style="list-style-type: none"><li>• Pricing based per employee per year; and</li><li>• Additional add-ons available.</li></ul>  | <ul style="list-style-type: none"><li>• Assisted payroll processing.</li></ul>  |
| AussiePay | <ul style="list-style-type: none"><li>• Pricing based on number of employees and frequency of payroll.</li></ul>  | <ul style="list-style-type: none"><li>• Outsourced services for superannuation, payroll tax, PAYG, ESS, general ledger integration and Single Touch Payroll registration.</li></ul> |

A majority of ReadyTech's employment customers are contracted on either an annual or monthly basis and typically pay either the full period in advance or monthly in arrears. HR3 also offers the optionality of perpetual licences paid upfront. Customers have the optionality to upgrade and downgrade their contracts at any time.






The majority of these contracts automatically renew with an option to opt out at the end of the contract period. Certain of ReadyTech's employment customers have the ability to terminate for convenience with no refund available for the remaining contracted period.

## 3. Company Overview

### 3.5.4 Employment customers

ReadyTech's employment customers are diversified across a number of sectors with the single largest customer accounting for only 1% of total FY18 group revenue. The long tenure of more than seven years on average highlights the loyalty of ReadyTech's customers which ReadyTech believes is attributable to its strategic focus of firstly targeting a customer's mission-critical payroll function.

Figure 24: A selection of ReadyTech's employment customers

| Sector   | Select customers  |
|--|---|
|  <b>Retail</b>      | <ul style="list-style-type: none"><li>• Brand Collective</li><li>• MECCA Brands</li></ul>   |
|  <b>Financials</b>  | <ul style="list-style-type: none"><li>• Deloitte Private</li><li>• iSelect</li></ul>  |
|  <b>Technology</b> | <ul style="list-style-type: none"><li>• Ansarada</li><li>• Freelancer</li><li>• TravelEdge</li></ul>                                  |
|  <b>Health</b>    | <ul style="list-style-type: none"><li>• Capital Radiology</li><li>• Camp Australia</li><li>• Viva Leisure</li></ul>                   |
|  <b>Other</b>     | <ul style="list-style-type: none"><li>• Simonds Homes</li><li>• Waverly Christian College</li><li>• Pilbara Ports Authority</li></ul> |

## 3.6 Behavioural science

ReadyTech offers behavioural science-backed assessment and intervention tools targeted at both tertiary education and training providers, and employment providers in the pathway and back-to-work sectors. For reporting purposes, all of ReadyTech's behavioural science offerings are reported within the education segment.

Esher House's philosophy is that attitude is the most critical element of predicting behaviour. This philosophy has been refined through years of academic research and data from over 100,000 participants. Students and job seekers complete an attitudinal assessment which is analysed and converted into actionable knowledge. By identifying at-risk students and job seekers, education and employment providers are able to redirect their resources to those most in need of intervention and support.

ReadyTech also offers education and employment providers a number of intervention tools including hosting workshops which provide contextualised training in mental toughness, well-being and resilience. ReadyTech's behavioural science-backed assessment and intervention tools have assisted education and employment providers increase student completion rates and the number of successful job outcomes.

ReadyTech's behavioural science software solutions are:

1. **Assess2Educate:** used to identify at-risk students in need of intervention and support to improve course completion rates; and
2. **Esher House:** used to identify at-risk job seekers in the pathways and back-to-work sector in need of intervention and support to improve the number of successful job outcomes.

### 3.6.1 Products

#### 3.6.1.1 Assess2Educate

A2E is a behavioural science-backed assessment tool developed by Esher House to measure a student's commitment to an education course. Students complete a questionnaire which is then analysed by ReadyTech's proprietary software platform to create an attitudinal report for education providers. The personalised student report is designed to help educators deliver better targeted student support and positive psychology to improve student completion rates. A2E has six customers to date with a strong pipeline of new sales including with one of Australia's largest VET providers.

Figure 25: A2E value proposition



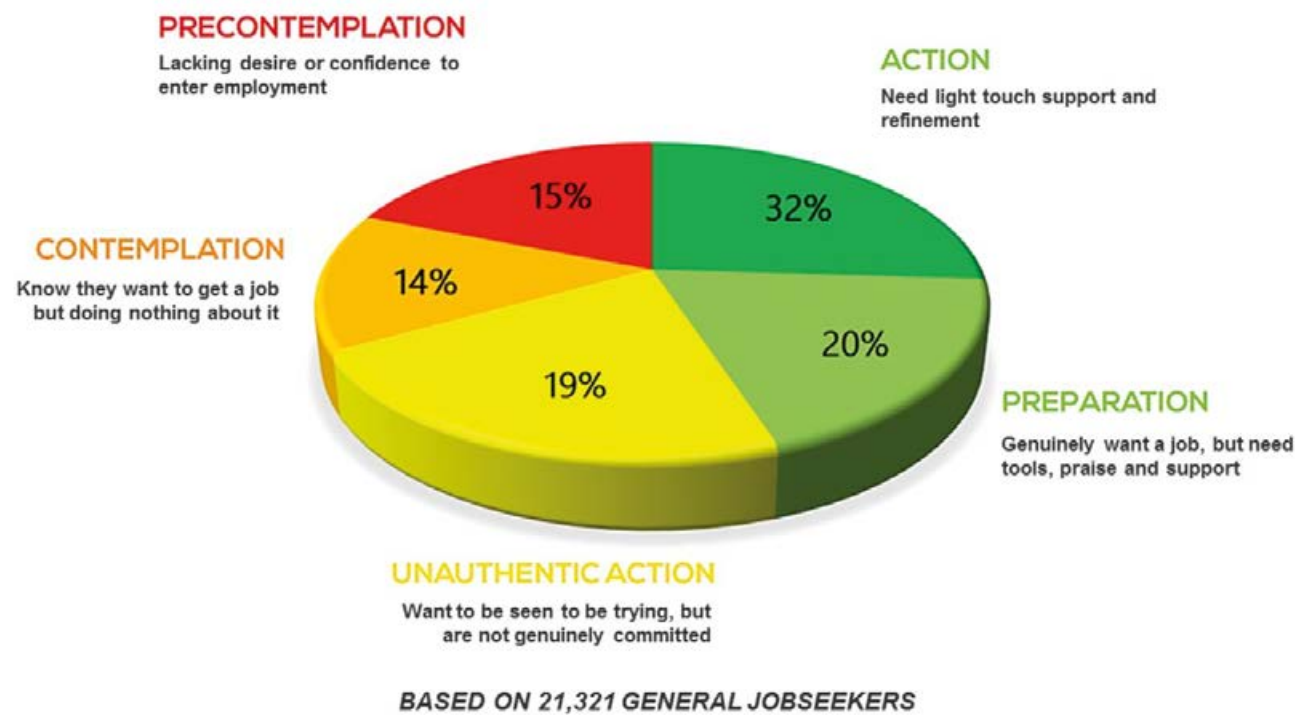
#### 3.6.1.2 Esher House

Esher House provides a four minute survey, predominantly used by employment providers and work cover insurers in the pathways and back-to-work sector. Esher House assists to diagnose a job seeker's attitude and readiness towards re-entering employment. By segmenting each job seeker into one of the categories pictured in Figure 26, Esher House is able to assist customers to allocate their resources more effectively to deliver contextualised support to the right people at the right time. If interventions are timed to a person's genuine readiness to change, successful job outcomes are evidenced to increase by 20-50% over 12 months.



### 3. Company Overview

Figure 26: Esher House jobseeker segmentation



Source: Management.

#### 3.6.2 Behavioural science revenue model

ReadyTech’s behavioural science-backed assessment tools are typically charged on a per assessment basis.

Figure 27: ReadyTech’s behavioural science revenue model

| Product     | Subscription and licence revenues   | Implementation, training and other revenues                  |
|-------------|---|--|
| A2E         | <ul style="list-style-type: none"><li>Charged on per assessment basis</li><li>Ranges from \$40 per assessment for 50 assessments to \$25 per assessment for 500 assessments</li></ul>   | <ul style="list-style-type: none"><li>Training fee</li></ul> |
| Esher House | <ul style="list-style-type: none"><li>Charge on per assessment and per intervention workshop basis</li><li>Ranges from \$125 per assessment for 50 assessments to \$25 per assessment for 1,000+ assessments, or \$14,500 a month for unlimited assessments</li></ul> | <ul style="list-style-type: none"><li>Training fee</li></ul> |

### **3.6.3 Behavioural science customers**

ReadyTech's behavioural science customers include tertiary education and training providers, and employment providers and work cover insurers in the pathways and back-to-work sector. Select customers include PeoplePlus, WISE Employment, and Allianz.

Customers use ReadyTech's behavioural science software solutions to drive performance outcomes including improving student completion rates and the number of successful job outcomes. As education and employment providers receive funding partly determined by the outcomes they deliver, ReadyTech believes its behavioural science solutions represent a direct return on investment. ReadyTech typically launches pilots with prospective customers who often go on to expand the usage of the behavioural science software which creates significant recurring revenue. The average revenue per client for the behavioural science and My Profiling offerings are expected to be in the range of \$21,000 to \$39,000 per annum. ReadyTech also earns training fees from training new customer staff on how to use ReadyTech's assessment and intervention tools.

In 2017, Esher House's pilot with Allianz won the iCare People's Choice Award for innovation in work cover. ReadyTech aims to continuously innovate to bolster its behavioural science solutions and has recently expanded its intervention tools by rolling out algorithm-informed individualised coaching tips. In September 2018, ReadyTech also launched coaching eGuides and has video intervention guides set to be released in the near term. Additionally, ReadyTech recently completed its post-work placement product to support job seekers to maintain employment for longer and is now negotiating its first contract.

## **3.7 Management and employees**

The ReadyTech business has grown significantly over the past 20 years both organically (through innovation and product development) and through acquisitions of businesses in strategic adjacencies both of which have facilitated the growth and expansion of its product offering. Key management personnel have been retained and are all incentivised to continue driving growth in the business.

As at 31 December 2018, ReadyTech has 152 staff, 92 of which were dedicated to technology and product development. This investment is necessary to support an increasingly agile development approach to ensure ReadyTech's mission-critical solutions are regulatory compliant and adapting to changing customer preferences. 15 staff were dedicated to sales and marketing plus 10 dedicated account managers.

## **3.8 Technology and product development**

### **3.8.1 Agile and continuous product development**

Over half a million human hours have been invested into writing approximately 14 million lines of code behind ReadyTech's products. It attests to the complexity of the regulatory and legislative obligations ReadyTech's solutions seek to address for its customers. The investment into technology and product development also highlights ReadyTech's commitment to an increasingly agile development approach to develop value-added services customers are requesting.

ReadyTech strives to use world-class technology development practices and tools, including broadly managing the software development process using the Atlassian software suite. Many of the software platforms are now releasing new features weekly to customers, demonstrating new value to customers continually.

ReadyTech's technology strategy is premised on an objective to develop and release at a high velocity, by using an increasingly agile development approach to adapt to both the evolving regulatory environment and changing customer preferences. ReadyTech prides itself on its ability to keep pace with the changing regulatory environment, such as the recent implementation of support for Single Touch Payroll.

As at FY18, total expenditure on research and development was \$9.6 million. \$6.4 million of this total spend was expensed in salaries and wages with the remaining \$3.2 million capitalised. The capitalised proportion in FY18 is equivalent to approximately 33% of total research and development costs. ReadyTech expects that total expenditure on product and technology will be greater than \$10.0 million during the FY19 forecast period.

### 3. Company Overview

Select recent examples of ReadyTech's agile development in practice to assist its customers drive key performance outcomes include:

- increasing student engagement by redesigning the modern student management system to encompass the broader student lifecycle such as student self-service, managing student accommodation, counselling, and managing internships and work placements;
- behavioural science-backed assessment and intervention tools to redirect support to identified at-risk students and job seekers to increase completion rates and the number of successful job outcomes;
- predictive data analytics and algorithm-informed intelligence to generate richer student profiles and matching capabilities; and
- expansion from HR administration into talent management, such as on-boarding, to assist employers better attract, engage and retain people.

#### 3.8.2 Unified approach to product development

ReadyTech believes that the benefits of multiple software solutions being unified under one group include a deeper talent pool and the associated natural knowledge sharing. By leveraging software engineers across the platform, ReadyTech was able to productise the A2E intellectual property faster than if Esher House was a standalone business. ReadyTech believes that allowing software engineers to work across products also promotes knowledge sharing, and serves to increase staff retention by providing new and interesting challenges for engineers.

Furthermore, the unified ReadyTech group allows for cross-pollination of research and development – meaning ReadyTech can build a functionality once and then integrate it across multiple ReadyTech software solutions. A2E was built with an open API allowing both the JobReady and VETtrak SMS to integrate A2E's behavioural science functionality into their systems in a modular architecture. Similarly, on-boarding and support for Single Touch Payroll were developed centrally to be deployed across ReadyTech's payroll solutions.

#### 3.8.3 Security

Other benefits of being a unified group include shared operational best practices such as information security which is a critical focus for ReadyTech. IRAP is an Australian government information security framework and is the requisite accreditation to deal with government sensitive data. JobReady is one of only six third-party IT providers to achieve IRAP accreditation since 2016 through the Department of Jobs and Small Business.

ISO 27001 is another accreditation and is globally recognised as the standard for information security management systems. Employgroup recently attained ISO 27001 accreditation and ReadyTech's other products are aiming to be accredited to demonstrate its commitment to protecting the millions of records on ReadyTech's systems. Although ReadyTech has a commercial imperative to maintain these accreditations, it is important to note the potential risk that ReadyTech may fail to maintain these security accreditations, see Section 5.2.6 for further details.

#### 3.8.4 Cloud-hosting and uptime

ReadyTech commenced a transition to cloud-based technology and SaaS delivery in 2006 and believes that it has benefited from the flexibility, efficiency in deployment and customer preference. All of ReadyTech's solutions can be deployed via the cloud or hosted, with providers committing to a minimum guarantee of 99.5% uptime. While ReadyTech adopts a cloud-first approach, HR3 and VETtrak also offer the optionality of being hosted on-premise. ReadyTech understands that its customers who choose on-premise hosting primarily consider organisational security requirements, integration requirements and faster processing speeds to be the key factors to their decision. By offering both types of deployment for these products, ReadyTech believes that it is able to cater for all customer preferences.

### 3.8.5 Intellectual property

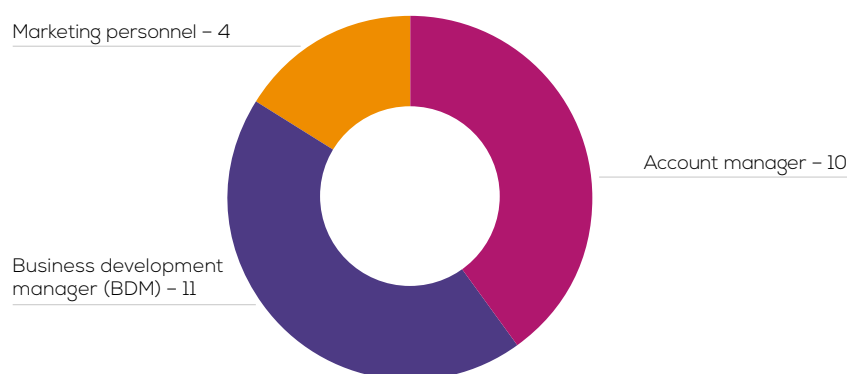
ReadyTech's software development remains centred in Australia where ReadyTech designs, architects and commercialises new product innovations. ReadyTech owns the intellectual property arising from its product development. Customers are under non-disclosure and confidentiality obligations contained in the agreements they enter into with ReadyTech to access its software and other confidential intellectual property. Additionally, ReadyTech customer contracts contain provisions which, to the extent available at law, transfer the ownership of any intellectual property developed by ReadyTech under the contract to ReadyTech.

### 3.9 Sales and marketing

ReadyTech has achieved strong growth across the business despite limited sales and marketing activity to date. As at 31 December 2018, ReadyTech had 25 out of 152 staff dedicated to account management, sales and marketing (see Figure 28). Key elements of ReadyTech's sales and marketing strategy include:

- **New business development:** ReadyTech aims to design products which require minimal sales and marketing effort to attract and retain customers. ReadyTech uses a combination of direct and digital marketing, conference and exhibitions and increasingly, focus on a pull and content marketing strategy to drive attraction and enquiries from new prospects. ReadyTech currently has 11 business development managers selling directly and responsible for securing new customers. Management plan to incrementally increase sales and marketing spend to support further revenue growth.
- **Reseller network:** ReadyTech has a number of reseller agreements as part of its distribution strategy for ReadyTech's employment solutions. These agreements are often structured as revenue share deals. In FY18, resellers accounted for less than 15% of new business wins in the employment segment. Resellers cover a range of software solutions including ERP systems. ReadyTech believes that resellers have assisted it to gain traction with higher value customers through effectively bundling ReadyTech's solutions with third-party ERP solutions also targeting larger, higher value customers.
- **Customer upgrades and account management:** ReadyTech's software solutions are designed to enable customers to readily upgrade subscriptions to add more users, as well as add modules on an as-needed basis. ReadyTech has 10 account managers to increase customer interaction and educate customers on new functionality, modules, and value-added services to improve productivity and drive key performance outcomes.

Figure 28: ReadyTech sales and marketing team (number of staff as at 31 December 2018)



## 3. Company Overview

### 3.10 Growth strategies

The combination of ReadyTech's software solutions and services, functionality and favourable industry characteristics is expected to support ReadyTech's growth. An overview of ReadyTech's growth strategies are set out below.

#### 3.10.1 Winning new and higher value customers

ReadyTech believes that it continues to win new customers because of its expertise in addressing mission-critical functions for both educators and employers, as well as the brands and trust it has built over the past 20 years. ReadyTech dedicates significant resources to continual and agile product development to adapt to the evolving and complex regulatory environment and to changing customer preferences. ReadyTech strives to provide the market leading solution for its customers by listening to their feedback and developing functionality customers want.

ReadyTech believes that it has a strong customer pipeline which will support its growth in the forecast period and beyond. ReadyTech has identified a current pipeline of opportunities representing greater than \$15 million in gross annual revenue. ReadyTech expects to convert a proportion of these opportunities in the medium term, however, there can be no guarantee that all opportunities in the pipeline will be converted into contracted revenues.

ReadyTech has continued to demonstrate its ability to win new customers by growing the total ACV of new business wins by greater than 50% from FY17 to FY18. During 1H FY19 the total ACV of new business wins was 31% higher than the average of 1H FY18 and 2H FY18. ReadyTech has attractive unit economic metrics based on its average CAC relative to its CLTV. Based on FY18 data, ReadyTech's CLTV to CAC ratio based on new customer wins was 5.1x and 5.9x in the education and employment segment respectively.

##### 3.10.1.1 Tertiary education and training industry opportunity

ReadyTech currently enjoys leading market positions in the small to medium-sized private VET, and the pathways and back-to-work sub-sectors of the tertiary education and training sector. However the education and training industry is a competitive environment (see Section 2.3) and ReadyTech does not expect to capture the entire total market shown in Table 11.

ReadyTech's development of new functionality to allow educators to manage the student lifecycle from student accommodation and internships, to its behavioural science-backed offering and skills profiling tools is empowering educators to drive student outcomes. ReadyTech's recent win of the University of Queensland contract is another milestone in ReadyTech's strategy to penetrate higher value education providers.

**Table 11: Education market opportunity**

| Market                              | Total market (#) <sup>2</sup> | ReadyTech customers <sup>3</sup> | ReadyTech's market position  |
|-------------------------------------|-------------------------------|----------------------------------|--|
| Domestic VET (Private) <sup>1</sup> | 4,153                         | 1,387                            | <ul style="list-style-type: none"><li>VETtrak is a leading SMS for small to medium-sized private VET providers</li><li>JobReady Plus positioned as a premium SMS for medium to large VET providers with more complex requirements around business workflow, student services, student experience and systems integration</li></ul>   |
| Higher education                    | 174                           | 7                                | <ul style="list-style-type: none"><li>Differentiated offering through JobReady Plus capable of managing the student lifecycle, and value-added services such as A2E to drive student outcomes</li><li>Growing pipeline with key public university wins including Macquarie University and the University of Queensland, and non-public higher education providers including Australian Institute of Professional Counsellors and International College of Hotel Management</li></ul> |

| Market  | Total market (#) <sup>2</sup> | ReadyTech customers <sup>3</sup> | ReadyTech's market position  |
|---|-------------------------------|----------------------------------|--|
| TAFE  | 40                            | 9                                | <ul style="list-style-type: none"> <li>9 TAFE customers are currently using My Profiling's competency assessment and skills profiling tools</li> <li>Potential opportunity to act as key leads to sell ReadyTech's SMS and behavioural science offerings</li> </ul>  |
| International English colleges (CRICOS and ELICOS) <sup>1</sup> | 1,147                         | 145                              | <ul style="list-style-type: none"> <li>ReadyTech is well-positioned to capitalise on the robust international student market with its SMS. ReadyTech has focussed on meeting the needs of colleges for managing agents, complex fee structures, flexibility in course structure, and homestay</li> </ul>   |
| Enterprise training   | n/a                           | 37                               | <ul style="list-style-type: none"> <li>Strong pipeline with key wins in blue-chip companies and enterprise providers such as Boral, Volkswagen, Crown and McDonald's demonstrating ReadyTech's strong position in the enterprise training market where its SMS are used to manage VET programs, apprenticeships and traineeships, and professional development</li> </ul>  |
| Apprenticeship network  | 11                            | 11                               | <ul style="list-style-type: none"> <li>JobReady Active is the leading apprenticeship management system used by all 11 AASN providers</li> </ul>  |
| Back-to-work <sup>2</sup>                                       | 163                           | 22                               | <ul style="list-style-type: none"> <li>JobReady Live platform has a strong position in and is well placed to capitalise on the Australian Government's increased spend on jobactive and DES programs (see Section 2.2.2.4)</li> <li>Esher House behavioural science offering is a unique selling proposition that aims to provide a direct return on investment by aiming to increase the number of successful job outcomes</li> </ul> |
| State Government VET  | 8                             | 1                                | <ul style="list-style-type: none"> <li>Management expects multiple State Governments will seek to replace existing systems in next 1-2 years</li> <li>ReadyTech is well positioned through JobReady Gov given its experience developing the ACT Government's VET management system</li> </ul>  |

Note:

1. An operator in the domestic private VET market can also be an operator in the International English colleges market, resulting in double-counting of the number of operators in the total market. Double-counting issues do not arise for ReadyTech's number of customers.
2. See Table 1.
3. Based on management estimates as at FY18.

## 3. Company Overview

### 3.10.1.2 Employment market opportunity

ReadyTech offers leading payroll solutions for medium-size businesses. However the employment industry is a competitive environment (see Section 2.5) and ReadyTech does not expect to capture the entire market shown in Table 12.

Payroll administration and human resource management are large and fast growing sectors. ReadyTech continues to win new customers through its strong reputation for customer service with dedicated staff based in Australia. ReadyTech also offers optionality for potential customers by offering both payroll software solutions and outsourced payroll services, and both on-premise and cloud deployment for payroll software.

ReadyTech's addition of HR administration functionality to its core payroll solutions to enable employers to both pay and manage their employees has accelerated traction in winning larger, higher value employers. Today, ReadyTech currently manages payroll for 41 companies with over 1,000 employees each.

ReadyTech is currently expanding its talent management capabilities to seek to capitalise on the favourable industry characteristics and to offer an even more comprehensive solution to deepen penetration of the larger, higher value customer segment.

**Table 12: Employment market opportunity**

| Size of business                 | Total market (#) <sup>1</sup> | ReadyTech customers <sup>2</sup> | Employment revenue distribution (%) <sup>2</sup> | ReadyTech's market position  |
|----------------------------------|-------------------------------|----------------------------------|--|--|
| <b>Small (5-19 employees)</b>    | 203,351                       | 758                              | 10%  | <ul style="list-style-type: none"> <li>Payroll software ePayroll is continuing to win customers with its easy to use and configure SaaS offering</li> <li>Increased compliance obligations as a result of STP is expected to increase the uptake of payroll solutions for small and medium businesses</li> </ul>   |
| <b>Medium (20-199 employees)</b> | 52,249                        | 890                              | 47%  | <ul style="list-style-type: none"> <li>HR3 is a leading payroll and HR administration solution provider</li> <li>Combined with outsourced payroll services AussiePay, ReadyTech is able to cater to both in-house and outsourced payroll processing customer preferences</li> <li>Evolution of HR function from administrative to a strategic role is expected to increase demand for payroll solutions offering HRM functionality such as HR3</li> </ul>  |
| <b>Large (&gt;200 employees)</b> | 3,915                         | 382                              | 43%  | <ul style="list-style-type: none"> <li>ReadyTech currently manages payroll for 41 companies with over 1,000 employees each including iSelect, MECCA Brands, and Brand Collective</li> <li>ReadyTech continues to gain greater traction in large employers as payroll solutions are complemented with HR administration functionality to provide a comprehensive offering to employers</li> <li>Traction is partly driven by partnerships with resellers and third parties, such as ERP providers, also serving large employers. The partnerships increase ReadyTech's brand exposure, embeds ReadyTech's solutions into organisations through integration, and creates potential new customer referrals</li> <li>ReadyTech's current expansion into talent management functionality is expected to accelerate traction in this market</li> </ul> |

Note:

<sup>1</sup> See Figure 6.2.

<sup>2</sup> Based on management estimates as at FY18.

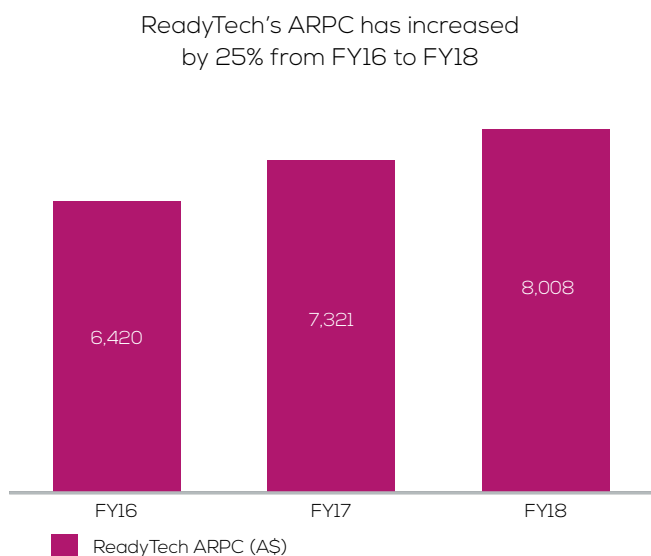


### 3.10.1.3 Shift to higher value customers

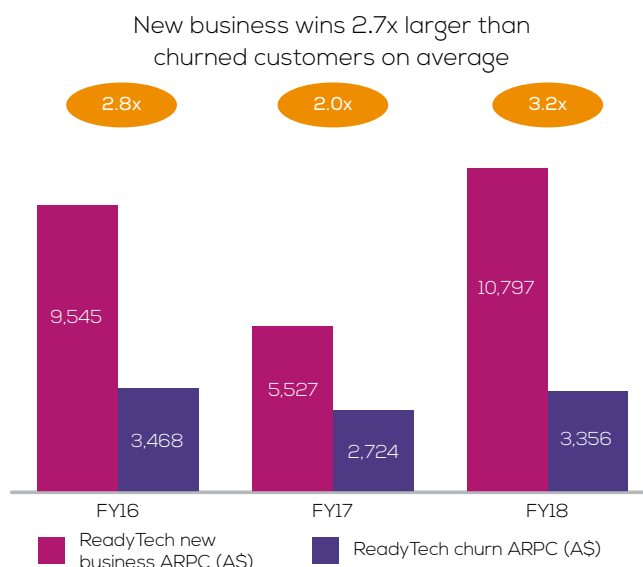
ReadyTech is currently experiencing a shift to higher value customers as it expands the product suite beyond the mission-critical solutions and adds value-added services to drive key outcomes for both educators and employers.

In FY18, ReadyTech's education customers had an ARPC of \$10,800 and employment customers had an ARPC of \$5,700. From FY16 to FY18, ReadyTech's ARPC increased approximately 25% as seen in Figure 29. This is in part driven by ReadyTech's new business wins which are approximately 2.7 times larger than the customers it is churning on average (see Figure 30). ReadyTech understands that a significant portion of the lower value customer churn is the result of involuntary churn as opposed to customers migrating to competitors.

**Figure 29: ReadyTech ARPC (A\$)**



**Figure 30 ReadyTech new business ARPC and churned customer ARPC (A\$)<sup>1</sup>**



Note: 1 Excludes Esher House (including A2E) and My Profiling.

### 3.10.2 Greater spend per customer

ReadyTech grows with its customers by firstly focussing on what its customers need and delivering an effective and efficient solution to comply with mission-critical regulatory reporting for education and training providers, and payroll and associated legislative compliance for employers. Once ReadyTech is embedded to the customer's workflows and builds trust by assisting them manage the mission-critical functions, ReadyTech believes that its customers are able to then expand their usage on an as-needed basis which assists ReadyTech to grow revenues over time.

ReadyTech expects to increase spend per customer by offering educators additional features such as student services suite, online enrolment portals and student survey modules on top of their core student management system. Similarly in the employment segment, ReadyTech aim to increase customer spend by offering additional features such as workplace health and safety modules, business intelligence toolkits, employee self-service portals and other value added functionality on top of the mission-critical payroll platform. In combination with winning higher value customers, ReadyTech has observed its ARPC increase by 25% from FY16 to FY18.

ReadyTech also expects to increase spend per customer by offering value-added services such as its behavioural science solutions (discussed in Section 3.10.3) to drive key performance outcomes. ReadyTech's recent acquisition of My Profiling introduces an online system to ReadyTech's product suite which tracks student on-the-job training and progression through a qualification. The added capabilities help VET providers track student progress and address knowledge and experience gaps to help drive student engagement and improve completion rates. ReadyTech believes its behavioural science and My Profiling offerings have the potential to become material revenue contributors in the medium-term based on Management's estimate that 10% of ReadyTech's existing education customer base could be potential users of each of those offerings.

### 3. Company Overview

#### 3.10.2.1 Example ReadyTech education customer journey

A large national education and training provider acquired the JobReady Plus SMS in 2013 to meet its regulatory and compliance obligations. The customer added more users to the SMS solution as it slowly became more embedded into the customer's workflows. As the customer grew with the number of enrolments, they sought to add further functionality above the core SMS platform to improve productivity by purchasing an online enrolment portal, student self-service module and by enabling API integration. Today, the customer uses ReadyTech's SMS to administer over 10,000 students and their data each month.

| Year | Customer journey   |
|------|--|
| 2013 | Large national customer signed contract to use JobReady Plus SMS in one state  |
| 2014 | Added two more states to the JobReady Plus SMS   |
| 2016 | Purchased online enrolment portal and student self-service module  |
| 2017 | Added a further two states, upgraded subscription package to allow more trainers to use the SMS and purchased API integration module |
| 2018 | Over 10,000 students and their data is administered by the JobReady Plus SMS   |

#### 3.10.2.2 Example ReadyTech employment customer journey

A large retailer first acquired the mission-critical HR3 payroll software to pay employees in its growing business. As the retailer grew, they purchased additional modules to be able to both pay and manage their employees across the lifecycle to not only improve organisational productivity, but to drive outcomes such as employee engagement and retention in what is an increasingly competitive market for human capital. The customer journey is pictured in Figure 31.

Figure 31: Employment customer journey



### 3.10.3 Behavioural science

ReadyTech's behavioural science offering has gathered strong interest to date. ReadyTech believes that A2E has been successful in improving student completion rates for tertiary education and training providers. Similarly, Esher House has been able to assist employment providers and work cover insurers involved in the pathways and back-to-work sector improve the number of successful job outcomes.

Both tertiary education and training providers and employment providers are increasingly financially incentivised to meet key performance outcomes such as completion rates and successful job outcomes. Accordingly, ReadyTech believes its behavioural science solutions are attracting strong attention because of this direct return on investment.

Furthermore, ReadyTech believes that there is an opportunity for its behavioural science capabilities to be deployed for new use cases such as assessing employees at risk of resigning or underperforming, and other use cases. The global relevance and potential wide-ranging applications of behavioural science presents a large untapped opportunity. ReadyTech believes it is well-positioned with its first mover advantage and depth of intellectual property to capture this growth opportunity.

### 3.10.4 Partnerships and strategic alliances

ReadyTech will consider forming additional partnerships and strategic alliances, and extend its network of channel partners and resellers when appropriate to allow ReadyTech to continue to expand its customer value proposition and deepen penetration in new and existing markets.

In particular, ReadyTech's partnerships with third parties who are also targeting larger, higher value customer segments has accelerated ReadyTech's shift to this customer segment. There are a number of other benefits ReadyTech's partnerships have created including:

- improving the ReadyTech customer value proposition by offering customers choice and value through extensions with partners;
- integrations with third party systems enables ReadyTech's solutions to become more deeply embedded in organisations;
- potential new customer referrals from partners;
- invitations to participate in joint bids and tenders; and
- co-marketing initiatives with partners to expand ReadyTech's brand exposure.

ReadyTech has formed a number of partnerships and strategic alliances across both its education and employment products. ReadyTech's partners include:

- learning management systems;
- payment platforms and direct debit providers;
- compliance and audit systems;
- messaging providers;
- document management systems;
- talent management systems; and
- time and attendance and rostering tools

ReadyTech also uses channel partners, strategic alliances and a reseller network as part of its distribution strategy. For example, ReadyTech has formed strategic alliances with accounting firms to promote the ePayroll product. These agreements are often structured as revenue share deals and are an avenue of further growth for ReadyTech. Resellers cover a range of software solutions including ERP systems. ReadyTech believes that resellers have assisted it to gain traction with higher value customers through effectively bundling ReadyTech's solutions with third-party ERP solutions also targeting larger, higher value customers. ReadyTech currently has agreements with 12 resellers for ReadyTech's employment segment solutions. In FY18, resellers accounted for less than 15% of new business wins in the employment segment.

## 3. Company Overview

### 3.10.5 Buy and build

Consistent with its acquisition of Esher House in 2017 which brought the group's behavioural science skill set in-house, ReadyTech will explore inorganic growth opportunities that expand capability and product offering in relevant areas for ReadyTech's existing and/or target customer base. ReadyTech will make acquisitions only if they help to ensure ReadyTech can continue to maximise the customer value proposition and adapt to changing customers preferences.

ReadyTech today represents a collection of strategic acquisitions initially through JobReady as shown in Section 3.2.

ReadyTech most recently acquired My Profiling to introduce an online system to track student workplace activity and progression through a qualification. The competency assessment and skills profiling tools designed for the tertiary education and training sector is a natural extension of ReadyTech's current offering and provides key leads to the business' TAFE customers which ReadyTech is pursuing. The added capabilities help RTOs track student progress, address knowledge and experience gaps, streamline the application process for recognition of prior learning, and store documents in one place to comply with regulatory audits. As the complex regulatory environment continues to evolve and funding is increasingly driven by outcomes, education and training providers will need to use tools to track progression and check learning outcomes and key competencies are being met.

The background image shows a group of people in a meeting. A man with a beard is in the foreground, looking at a laptop screen. A woman is behind him, also looking at the screen. The scene is dimly lit with warm, yellowish light. Overlaid on the image is a large, stylized 'X' graphic composed of several overlapping diagonal bands in various colors: yellow, orange, blue, green, and purple.

## 4. Financial Overview

## 4. Financial Overview

### 4.1 Introduction

#### 4.1.1 Financial Information

The financial information for ReadyTech contained in this Section 4 includes:

- **Historical Financial Information**<sup>38</sup>, being the:
  - » historical statements of profit or loss and other comprehensive income for the financial years ended 30 June 2016 (FY16), 30 June 2017 (FY17), 30 June 2018 (FY18), and for the half-year ending 31 December 2018 (1H FY19), prepared on an aggregated basis for FY16 and FY17 and on a consolidated basis for FY18 and 1H FY19, as discussed in Section 4.2 below (**Historical Income Statements**);
  - » historical statements of cash flows before financing activities and tax for FY16, FY17, FY18 and 1H FY19, prepared on an aggregated basis for FY16 and FY17 and on a consolidated basis for FY18, and 1H FY19 (**Historical Cash Flows**); and
  - » historical statement of financial position as at 31 December 2018 (**Historical Balance Sheet**); and
- **Pro forma Historical Financial Information**, being the:
  - » pro forma historical statements of profit or loss and other comprehensive income for FY16, FY17, FY18, the calendar year ending 31 December 2018 (CY18) and 1H FY19 (**Pro forma Historical Income Statements**);
  - » pro forma historical statements of cash flows before financing activities and tax for FY16, FY17, FY18, and 1H FY19 (**Pro forma Historical Cash Flows**); and
  - » pro forma historical statement of financial position as at 31 December 2018 (**Pro forma Historical Balance Sheet**).

Together, the Historical Financial Information and the Pro forma Historical Financial Information are the **Historical Financial Information**;

- **Statutory Forecast Financial Information**, being the:
  - » statutory forecast consolidated statements of profit or loss and other comprehensive income for the financial year ending 30 June 2019 (FY19F), and the half-year ending 31 December 2019 (1H FY20F) (**Statutory Forecast Income Statements**); and
  - » statutory forecast consolidated net cash flows for FY19F, and 1H FY20F (**Statutory Forecast Cash Flows**); and
- **Pro forma Forecast Financial Information**, being the:
  - » pro forma forecast consolidated statements of profit or loss and other comprehensive income for FY19F, 1H FY20F as well as for the calendar year ending 31 December 2019 (CY19F) (**Pro forma Forecast Income Statements**); and
  - » pro forma forecast consolidated net cash flows for FY19F, 1H FY20F, and CY19F (**Pro forma Forecast Cash Flows**).

Together, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information are the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information are collectively the **Financial Information**.

ReadyTech has a 30 June financial year end. As such, any references in this Section to "FY" refer to a 30 June financial year end while references to "CY" refer to pro forma financial information prepared to present results on a 31 December calendar year end basis.

<sup>38</sup> FY16 and FY17 Historical Financial Information was prepared on an aggregated basis in special purpose accounts. See Section 4.2.2 for further details on the basis of preparation

Also, summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2) including the operating businesses that are included in the Financial Information presented for the respective historical and forecast periods;
- an explanation of certain financial measures that are neither recognised by the Australian Accounting Standards Board (**AASB**) or under the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) that are used by ReadyTech and included in this Prospectus to assist investors in understanding the financial performance of the business (see Section 4.2.5) (**non-IFRS financial measures**);
- historical and forecast income statements (see Section 4.3);
- key operating and financial metrics (see Section 4.3.2);
- pro forma adjustments to the Historical Income Statements and Statutory Forecast Income Statements (see Section 4.3.3);
- historical and forecast cash flows (See Section 4.4);
- details of ReadyTech's net debt as at 31 December 2018 (see Section 4.5.2);
- information regarding ReadyTech's capital and contractual commitments (see Section 4.5.4);
- the Directors' best estimate general assumptions and specific assumptions underlying the Forecast Financial Information and key sensitivities in respect of the Forecast Financial Information (see Sections 4.6.1 and 4.6.2);
- Management's discussion and analysis of the Pro forma Historical Financial Information and the Pro forma Forecast Financial Information (see Section 4.7); and
- the Company's proposed dividend policy (see Section 4.9).

The Financial Information presented in this Prospectus has been reviewed by Deloitte Corporate Finance Pty Limited (**Investigating Accountant**) in accordance with the Australian Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Investigating Accountant's Report on the Financial Information. Investors should note the scope and limitations of the Investigating Accountant's Report on the Financial Information (see Section 8).

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5, Section 10 which sets out a summary of the significant accounting policies adopted by the Company, and other information contained in this Prospectus.

Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

#### **4.1.2 Currencies**

All amounts disclosed in the tables are presented in Australian dollars in millions and, unless otherwise noted, are rounded to one decimal place to the nearest hundred thousand. The ReadyTech Group reports and operates in Australian dollars only.



## 4. Financial Overview

### 4.2 Basis of preparation and presentation of the Financial Information

#### 4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in the Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of ReadyTech, together with the Forecast Financial Information for FY19F and CY19F. Forecast Financial Information for 1H FY20F is also included as the ReadyTech Group will report for this half-year as a listed entity.

With the exception of the application of consolidation principles for FY16 and FY17 for which historical information has been prepared on an aggregated basis and subject to the basis of preparation described in Section 4.2, the Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) adopted by the AASB, which are consistent with IFRS issued by the IASB. The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

ReadyTech's significant accounting policies are described in Section 10.

The Pro forma Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than it includes certain adjustments which have been prepared in a manner consistent with AAS, that reflect (a) the exclusion of certain transactions that occurred in the relevant periods relating to the historical ownership structure that will not apply to ReadyTech as a listed entity going forward; and (b) the impact of certain transactions as if they had occurred on or before 30 June 2015 in the Pro forma Historical Financial information and the Pro forma Forecast Financial Information.

The Pro forma Financial Information does not reflect the actual financial results and cash flows of ReadyTech for the periods indicated. ReadyTech believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis with the Forecast Financial Information. This Prospectus includes Forecast Financial Information based on the specific and general assumptions of ReadyTech.

In addition to the Financial Information, Section 4 describes certain non-IFRS financial measures that are used to manage and report on ReadyTech's business that are not defined under or recognised by AAS or IFRS.

#### 4.2.2 Preparation of Historical Financial Information

In order to present the Financial Information on a group basis and in a consistent manner, ReadyTech has prepared aggregated special purpose financial statements for FY16 and FY17 (**Aggregated Financial Information**) reflecting the financial information of the entities that formed part of ReadyTech as at 30 June 2018, as if each of the individual businesses were owned by ReadyTech from 1 July 2015. This included each of the operating businesses within the group except My Profiling, which was acquired in September 2018. In addition, the FY16 and FY17 Aggregated Financial Information did not include the financial results of ReadyTech HoldCo and ReadyTech BidCo Pty Ltd, which were set up for the purpose of undertaking the acquisitions. As such, the Aggregated Financial Information did not include the transaction costs recorded in the holding entities which were not part of a consolidated group at the time. Refer to the discussion in Section 4.3.3 below in relation to the pro forma adjustment for the historical transaction costs.

Historical financial statements for FY18 have been prepared as general purpose consolidated financial statements, which include the full twelve months of contribution from JobReady, VETtrak and Esher House and nine months of contribution from Employgroup and HR3 (being the period commencing on the date on which these businesses were acquired by ReadyTech HoldCo).

The Historical Financial Information for the full financial years has been extracted from the special purpose Aggregated Financial Information of ReadyTech for the financial years FY16 and FY17, and from the general purpose consolidated financial statements of ReadyTech for the financial year FY18. The special purpose and general purpose financial statements were audited by Deloitte Touche Tohmatsu (**Deloitte**) in accordance with the Australian Auditing Standards. Deloitte issued an unmodified audit opinion on each of the financial reports, except with respect to the special purpose basis of the preparation of Aggregated Financial Information in relation to the FY16 and FY17 financial statements.

Investors should note that the FY16 and FY17 Aggregated Financial Information above does not follow the principles of consolidation in accordance with the AAS, as not all entities were controlled by ReadyTech Holdco for those years.

The Historical Financial Information for 1H FY19 has been extracted from the interim financial report for the half-year ended 31 December 2018 including the 31 December 2017 comparative, which was reviewed by Deloitte in accordance with the Australian Auditing Standards.

The Pro forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro forma Historical Financial Information has been derived from the Historical Financial Information adjusted for the effects of the pro forma adjustments to reflect:

- the estimated impact of incremental costs associated with the ReadyTech Group being a listed company, including estimated Board and governance costs, and incremental audit, tax and compliance costs assuming Completion had occurred on 30 June 2015;
- the impact of inclusion of the results of historical acquisitions which form part of the ReadyTech Group from 1 July 2015, and removal of all transaction costs associated with forming the ReadyTech Group (with the exception of the amortisation of acquired intangibles which have only been reflected on a pro forma basis for the financial year ending 30 June 2018. The Aggregated Financial Information for FY16 and FY17 did not include any such intangibles or their amortisation resulting from the purchase price allocation exercise on acquisition of the various businesses by the ReadyTech Group);
- the impact of application of *AASB 16 Leases (AASB 16)*, which is intended to be applied for the year ending 30 June 2019, as if it had been adopted from 1 July 2015;
- the impact of the change in capital structure due to the New Banking Facilities; and
- the impact of the Offer including Offer costs that are expensed and costs that are offset against equity.

The Pro forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view on the ReadyTech Group's future financial position. Investors should note that past results are not a guarantee of future performance.

#### **4.2.3 Preparation of Forecast Financial Information**

The Forecast Financial Information is presented on both a statutory and pro forma basis and has been prepared solely for inclusion in this Prospectus.

The forecast income statements and cash flows for FY19F, CY19F, and for the half-year 1H FY20F have been presented on both a statutory and pro forma basis.

The Forecast Financial Information has been based on an assessment of present economic and operating conditions and on a number of assumptions, including the general and specific assumptions set out in Sections 4.6.1 and 4.6.2. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring. The Directors have prepared the Forecast Financial Information with due care and attention and consider all best estimate assumptions to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the ReadyTech Group's actual financial performance, cash flows or financial position. Investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors are advised to review the general assumptions and specific assumptions set out in Sections 4.6.1 and 4.6.2 in conjunction with the notes to the Financial Information, the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5 and other information set out in this Prospectus. The Company considers that the general and specific assumptions, when taken, to be reasonable at the time of preparing this Prospectus.

The Company has no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

## 4. Financial Overview

### 4.2.4 Changes in accounting standards

The Company notes that the new standard on accounting for leases (**AASB 16 Leases**) is applicable to annual reporting periods beginning on or after 1 January 2019 in Australia. The ReadyTech Group has not applied the new Accounting Standard in the preparation of the statutory historical financial statements including for the half-year ended 31 December 2018. However, the Company has prepared the Forecast Financial Information reflecting the adoption of AASB 16 with effect from 1 July 2018 (on the basis that the standard will be adopted over the course of this financial year) and has also included a pro forma adjustment to the Historical Financial Information to reflect the impact were the standard applied on a consistent basis throughout the historical period. See Section 4.3.3 for further details on the pro forma adjustments made to the Financial Information.

### 4.2.5 Explanation of certain non-IFRS measures

The ReadyTech Group uses certain measures to manage and report on its business that are neither recognised by the AASB nor under IFRS. These measures are collectively referred to as “non-IFRS financial measures” under *Regulatory Guide 230 Disclosing non-IFRS financial information* published by ASIC. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities, and should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although the Company believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

These non-IFRS financial measures that are referred to in this Prospectus include the following:

- **Acquisition Amortisation** means non-cash amortisation relating to finite life of intangible assets (including customer relationships and software assets) recognised as part of acquisitions undertaken by the ReadyTech Group;
- **EBITDA** means earnings before interest, tax, depreciation and amortisation. EBITDA eliminates the non-cash charges for depreciation and amortisation, and is therefore useful to help understand the cash generation potential of a business. However, it should not be considered as an alternative to cash flow from operations because it does not reflect actual cash movements or movements in the ReadyTech Group’s working capital balances;
- **EBIT** means earnings before interest and tax;
- **NPATA** means net profit after tax but excluding Acquisition Amortisation;
- **Free Cash Flow (FCF)** means EBITDA, less changes in working capital, capital expenditure and capitalised development costs but before net cash impacts of financing, tax and dividends;
- **Cash Flow Available for Debt Service (CFADS)** means FCF less taxes paid; and
- **Working capital** means the sum of current trade and other receivables, inventories and prepayments, less the sum of trade and other payables, current provisions, deferred income and other current creditors.

### 4.2.6 Accounting for the Offer

ReadyTech HoldCo will report the operating activities and financial results of the business until immediately prior to Completion, when the Company will become the parent entity of ReadyTech HoldCo and its controlled entities through an internal restructure involving the acquisition by the Company of all of the issued share capital in ReadyTech HoldCo (including the DC and DBL class shares) in consideration for the issue of Shares. Refer to Section 9.4 for further details of that restructure.

The substance of the above transactions has been evaluated and is considered a form of capital restructuring and group reorganisation that will be accounted for at book value.

On this basis:

- the assets and liabilities of the Company at Completion will reflect the carrying values of the assets and liabilities of ReadyTech HoldCo (rather than at their fair values), and the results of the Company will continue to be reported in a manner consistent with those recorded by ReadyTech HoldCo;
- the retained earnings and other equity balances recognised in the consolidated financial statements shall be the existing retained earnings and other equity balances of ReadyTech HoldCo; and
- the amount recognised as issued capital in the consolidated financial statements of the Company will reflect the impact of the acquisition by the Company of all of the ReadyTech Shares, and thereby the market capitalisation of the Company at the date of the Offer (less costs attributable to the Offer that are offset against Issued Capital). An offsetting Group Reorganisation Reserve will be recognised to align total equity with the net asset position of the Company.

We note that the comparative financial information to be presented in the consolidated financial statements of the Company for FY19F and 1H FY20F will be that of ReadyTech HoldCo.

The accounting for transactions referred to above and contemplated in the Offer is currently being reviewed by the international accounting standard setters and related bodies and is subject to alternative interpretations and may therefore change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome could be different to that reported in this Prospectus. In the event that the acquisition by the Company of all of the ReadyTech Shares was required to be recorded at fair value:

- the assets and liabilities of the Company at Completion would increase to reflect the market capitalisation at the date of the Offer (an increase of approximately \$97.0 million based on the Offer Price);
- the excess of the fair value based on the indicative market capitalisation over the book value of the net assets, would be allocated to the fair value of financial assets and liabilities, and the residual to intangibles including customer lists and relationships, distribution partner relationships, brand names, proprietary software and technology assets, and the remainder to goodwill based on a purchase price allocation exercise which would be required to be undertaken. A deferred tax liability would be recognised, representing the difference between the accounting and the tax cost base; and
- to the extent any identifiable intangible assets were recognised, the Company's NPAT would be impacted by the annual non-cash amortisation charge in relation to these intangibles.

The impact of any acquisition accounting, if it were required to be applied in the future, cannot be accurately determined at this time, as a formal purchase price allocation has not been carried out as this is not required due to the accounting treatment adopted in respect of the acquisition by the Company of all of the ReadyTech Shares.

## 4. Financial Overview

### 4.3 Historical and forecast income statements

#### 4.3.1 Pro forma income statements

Figure 32 below sets out the Pro forma Historical Income Statements for FY16, FY17, FY18 and CY18, Pro forma Forecast Income Statements for FY19F and CY19F, and the Statutory Forecast Income Statement for FY19F.

The Pro forma Historical Income Statements and the Pro forma Forecast Income Statement where applicable are reconciled to the Historical Income Statements and the Statutory Forecast Income Statement in Section 4.3.3, which also includes an explanation of the pro forma adjustments. For an explanation of the key income statement line items refer to Section 10.

**Figure 32: Pro forma Historical Income Statements, Pro forma Forecast Income Statements and Statutory Forecast Income Statement**

| \$ millions  |  | Note | Pro forma Historical |               |               |               | Pro forma Forecast |               | Statutory Forecast |
|--|--|------|----------------------|---------------|---------------|---------------|--------------------|---------------|--------------------|
|  |  |      | FY16                 | FY17          | FY18          | CY18          | FY19               | CY19          | FY19               |
| Subscription and licence revenue                     |  |      | 20.1                 | 23.8          | 25.6          | 26.9          | 29.2               | 32.0          | 29.0               |
| Implementation, training and other revenue           |  | 1    | 3.6                  | 3.3           | 3.4           | 3.7           | 3.4                | 3.1           | 3.4                |
| <b>Total Revenue</b>                                 |  |      | <b>23.7</b>          | <b>27.1</b>   | <b>29.0</b>   | <b>30.7</b>   | <b>32.6</b>        | <b>35.1</b>   | <b>32.4</b>        |
| Salaries and wages                                   |  |      | (12.4)               | (11.9)        | (13.5)        | (14.5)        | (15.2)             | (15.8)        | (14.9)             |
| Technology infrastructure and operations             |  | 2    | (2.4)                | (2.2)         | (2.2)         | (2.2)         | (2.3)              | (2.3)         | (2.3)              |
| General and administrative                           |  |      | (2.9)                | (3.4)         | (2.8)         | (2.5)         | (2.5)              | (2.4)         | (9.0)              |
| <b>Total operating expenses</b>                      |  |      | <b>(17.7)</b>        | <b>(17.5)</b> | <b>(18.4)</b> | <b>(19.2)</b> | <b>(20.0)</b>      | <b>(20.5)</b> | <b>(26.1)</b>      |
| <b>EBITDA</b>  |  |      | <b>6.1</b>           | <b>9.6</b>    | <b>10.6</b>   | <b>11.4</b>   | <b>12.7</b>        | <b>14.6</b>   | <b>6.2</b>         |
| Depreciation and amortisation                        |  | 3    | (3.0)                | (3.2)         | (3.1)         | (3.3)         | (3.5)              | (3.7)         | (3.4)              |
| Amortisation of acquired intangibles                 |  | 4    | –                    | –             | (4.2)         | (4.5)         | (4.7)              | (4.7)         | (4.7)              |
| <b>EBIT</b>  |  |      | <b>3.0</b>           | <b>6.4</b>    | <b>3.3</b>    | <b>3.7</b>    | <b>4.4</b>         | <b>6.2</b>    | <b>(1.9)</b>       |
| Net finance expenses                                 |  |      | (1.4)                | (1.4)         | (1.4)         | (1.4)         | (1.6)              | (1.5)         | (1.5)              |
| <b>PBT</b>   |  |      | <b>1.6</b>           | <b>5.0</b>    | <b>1.9</b>    | <b>2.2</b>    | <b>2.7</b>         | <b>4.7</b>    | <b>(3.4)</b>       |
| Income tax expense                                   |  |      | (0.5)                | (1.5)         | (0.6)         | (0.7)         | (0.8)              | (1.4)         | 1.0                |
| <b>NPAT</b>  |  |      | <b>1.1</b>           | <b>3.5</b>    | <b>1.4</b>    | <b>1.6</b>    | <b>1.9</b>         | <b>3.3</b>    | <b>(2.4)</b>       |
| Add: amortisation of acquired intangibles (post-tax) |  | 5    | –                    | –             | 2.9           | 3.1           | 3.3                | 3.3           |                    |
| <b>NPATA</b>   |  | 5    | <b>1.1</b>           | <b>3.5</b>    | <b>4.3</b>    | <b>4.7</b>    | <b>5.2</b>         | <b>6.6</b>    |                    |

Notes:

- 1 Implementation and training revenues reflect revenues classified as non-recurring revenues from new and existing clients, who require support to implement ReadyTech's products and train staff on using ReadyTech's education and employment products.
- 2 Includes cost attributable to hosting as well as occupancy (excluding lease costs) and other technology costs of running the ReadyTech business. All employee related costs, however, are included within salaries and wages.
- 3 Depreciation reflects the depreciation of property, plant and equipment. The amortisation predominantly relates to capitalised software development costs. Amortisation on a pro forma basis also includes amortisation applicable to the right of use of the lease assets (in accordance with the new standard AASB 16 which has been applied in the preparation of the Pro forma Financial Information). Together with an interest expense recognised in respect of the lease liability, the amortisation replaces a rental charge that would have otherwise been included within operating expenses under the existing accounting standards. The net impact of the treatment under the new AASB 16 on profit before tax is insignificant.
- 4 Relates to amortisation expenses in respect of acquired intangibles (including customer-related intangibles and acquired software) from prior acquisitions undertaken by ReadyTech. These are non-cash in nature and result from the valuation of these assets as part of the purchase price allocation in respect of previous acquisitions. As discussed in Section 4.2.2, the amortisation of acquired intangibles has only been reflected on a pro forma basis for the financial year ending 30 June 2018 and thereafter in the Forecast Financial Information. No adjustment was made to the FY16 and FY17 results as the Aggregated Financial Information from which the results for these periods were derived did not include any such intangibles or their amortisation. Whilst this does not impact the EBITDA and NPATA trends presented above, investors should note that in their assessment of EBIT, PBT and NPAT trends, consideration should be made of the ongoing level of amortisation applicable to these acquired intangibles (approximately \$4.7 million per annum).
- 5 Acquired intangible amortisation expenses have been added back on a post-tax basis to calculate NPATA, to present an underlying net profit view of ReadyTech.

**Figure 33: Pro forma Forecast Half-year Income Statements and Statutory Forecast Half-year Income Statements**

| \$ millions  |      | Pro Forma Historical | Pro Forma Forecast | Statutory Historical | Statutory Forecast |
|--|------|----------------------|--------------------|----------------------|--------------------|
|  | Note | 1H19                 | 1H20               | 1H19                 | 1H20               |
| Subscription and licence revenue                     |      | 14.4                 | 16.7               | 14.2                 | 16.7               |
| Implementation, training and other revenue           | 1    | 1.7                  | 2.0                | 1.6                  | 2.0                |
| <b>Total Revenue</b>                                 |      | <b>16.0</b>          | <b>18.6</b>        | <b>15.8</b>          | <b>18.6</b>        |
| Salaries and wages                                   |      | (7.6)                | (8.2)              | (7.8)                | (8.2)              |
| Technology infrastructure and operations             | 2    | (1.1)                | (1.2)              | (1.5)                | (1.2)              |
| General and administrative                           |      | (1.2)                | (1.1)              | (3.0)                | (1.1)              |
| <b>Total operating expenses</b>                      |      | <b>(9.9)</b>         | <b>(10.4)</b>      | <b>(12.3)</b>        | <b>(10.4)</b>      |
| <b>EBITDA</b>  |      | <b>6.1</b>           | <b>8.2</b>         | <b>3.5</b>           | <b>8.2</b>         |
| Depreciation and amortisation                        | 3    | (1.8)                | (1.6)              | (1.3)                | (1.6)              |
| Amortisation of acquired intangibles                 | 4    | (2.4)                | (2.4)              | (2.2)                | (2.4)              |
| <b>EBIT</b>  |      | <b>2.0</b>           | <b>4.2</b>         | <b>0.0</b>           | <b>4.2</b>         |
| Net finance expenses                                 |      | (0.9)                | (0.7)              | (0.8)                | (0.7)              |
| <b>PBT</b>   |      | <b>1.1</b>           | <b>3.5</b>         | <b>(0.8)</b>         | <b>3.5</b>         |
| Income tax expense                                   |      | (0.3)                | (1.0)              | 0.0                  | (1.0)              |
| <b>NPAT</b>  |      | <b>0.8</b>           | <b>2.4</b>         | <b>(0.7)</b>         | <b>2.4</b>         |
| Add: amortisation of acquired intangibles (post-tax) | 5    | 1.7                  | 1.7                |                      |                    |
| <b>NPATA</b>   | 5    | <b>2.4</b>           | <b>4.1</b>         |                      |                    |

Notes: Refer to notes to Figure 32.

## 4. Financial Overview

### 4.3.2 Key operating and financial metrics

Figure 34: Pro forma Historical Annual and Forecast Annual key operating and financial metrics for FY16 to CY19F

| \$ millions                                     |      | Pro Forma Historical |        |       |       | Pro Forma Forecast |       |
|---|------|----------------------|--------|-------|-------|--------------------|-------|
|   | Note | FY16                 | FY17   | FY18  | CY18  | FY19               | CY19  |
| <b>Key operating metrics</b>                    |      |                      |        |       |       |                    |       |
| Education revenue (\$m)                         | 1    | 14.4                 | 16.7   | 17.8  | 18.6  | 20.0               | 21.9  |
| Employment revenue (\$m)                        | 2    | 9.4                  | 10.4   | 11.2  | 12.1  | 12.6               | 13.2  |
| Subscription and licence revenue (% of revenue) | 3    | 84.7%                | 87.7%  | 88.2% | 87.8% | 89.5%              | 91.2% |
| <b>Revenue growth</b>                           |      |                      |        |       |       |                    |       |
| Revenue growth                                  |      | n/a                  | 14.3%  | 7.1%  | n/a   | 12.4%              | 14.4% |
| Education revenue growth (%)                    |      | n/a                  | 16.4%  | 6.6%  | n/a   | 12.3%              | 18.2% |
| Employment revenue growth (%)                   |      | n/a                  | 11.0%  | 7.9%  | n/a   | 12.6%              | 8.7%  |
| <b>Profitability</b>                            |      |                      |        |       |       |                    |       |
| EBITDA margin                                   |      | 25.6%                | 35.5%  | 36.6% | 37.3% | 38.8%              | 41.6% |
| NPATA margin                                    |      | 4.8%                 | 13.0%  | 14.8% | 15.3% | 16.0%              | 18.9% |
|   |      |                      |        |       |       |                    |       |
| EBITDA growth                                   |      | n/a                  | 58.4%  | 10.5% | n/a   | 19.1%              | 27.9% |
| NPATA growth                                    |      | n/a                  | 210.6% | 22.3% | n/a   | 21.8%              | 41.4% |

Notes:

- 1 Education revenues relate to revenue derived from ReadyTech's education related businesses, which include JobReady, VETtrak, Esher House and My Profiling. See Section 3.4 for further details.
- 2 Employment revenues relate to revenue derived from the employment related businesses, which include HR3 and Employgroup. See Section 3.5 for further details.
- 3 Reflects subscription and licence revenue as percentage of total revenue.



**Figure 35: Pro forma Historical and Pro forma Forecast Half-year key operating and financial metrics for 1H FY19 and 1H FY20F**

| \$ millions                                     |      | Pro Forma<br>Historical | Pro Forma<br>Forecast |
|---|------|-------------------------|-----------------------|
|   | Note | 1H19                    | 1H20                  |
| <b>Key operating metrics</b>                    |      |                         |                       |
| Education revenue (\$m)                         | 1    | 9.7                     | 11.7                  |
| Employment revenue (\$m)                        | 2    | 6.3                     | 6.9                   |
| Subscription and licence revenue (% of revenue) | 3    | 89.6%                   | 89.4%                 |
| <b>Revenue growth</b>                           |      |                         |                       |
| Revenue growth                                  |      | n/a                     | 16.1%                 |
| Education revenue growth (%)                    |      | n/a                     | 20.4%                 |
| Employment revenue growth (%)                   |      | n/a                     | 9.6%                  |
| <b>Profitability</b>                            |      |                         |                       |
| EBITDA margin                                   |      | 38.1%                   | 44.0%                 |
| NPATA margin                                    |      | 15.1%                   | 22.0%                 |
| EBITDA growth                                   |      | n/a                     | 34.0%                 |
| NPATA growth                                    |      | n/a                     | 69.3%                 |

Notes: Refer to notes to Figure 34.

## 4. Financial Overview

### 4.3.3 Pro forma Adjustments to the Historical Income Statements and Statutory Forecast Income Statements

Figure 36: Pro forma adjustments to the Income Statements from FY16 to FY19F

| \$ millions                                      |      | Historical  |             |              | Forecast     |
|--|------|-------------|-------------|--------------|--------------|
|  | Note | FY16        | FY17        | FY18         | FY19         |
| <b>Statutory revenue</b>                         |      | <b>23.5</b> | <b>27.2</b> | <b>25.6</b>  | <b>32.4</b>  |
| Employgroup and HR3                              | 1    | –           | –           | 2.9          | –            |
| My Profiling                                     | 2    | 0.5         | 0.7         | 0.8          | 0.3          |
| VETtrak bad debt write-off                       | 3    | –           | (0.4)       | –            | –            |
| R&D tax offset income                            | 4    | (0.2)       | (0.3)       | (0.3)        | –            |
| <b>Pro forma revenue</b>                         |      | <b>23.7</b> | <b>27.1</b> | <b>29.0</b>  | <b>32.6</b>  |
| <b>Statutory EBITDA</b>                          |      | <b>6.6</b>  | <b>9.5</b>  | <b>5.3</b>   | <b>6.2</b>   |
| Employgroup and HR3                              | 1    | –           | –           | 1.3          | –            |
| My Profiling                                     | 2    | 0.1         | 0.3         | 0.4          | 0.2          |
| R&D tax offset income                            | 4    | (0.2)       | (0.3)       | (0.3)        | –            |
| Impact of lease accounting                       | 5    | 0.4         | 0.5         | 0.5          | –            |
| Esher House vendor payment                       | 6    | –           | 0.2         | 2.6          | –            |
| Offer costs                                      | 7    | –           | –           | 0.2          | 6.6          |
| Legacy ownership and structuring                 | 8    | 0.5         | 0.9         | 1.4          | –            |
| Incremental public company costs                 | 9    | (1.3)       | (1.3)       | (0.7)        | (0.4)        |
| <b>Pro forma EBITDA</b>                          |      | <b>6.1</b>  | <b>9.6</b>  | <b>10.6</b>  | <b>12.7</b>  |
| <b>Statutory NPAT</b>                            |      | <b>5.1</b>  | <b>5.4</b>  | <b>(2.3)</b> | <b>(2.4)</b> |
| Employgroup and HR3                              | 1    | –           | –           | 1.1          | –            |
| My Profiling                                     | 2    | 0.1         | 0.3         | 0.4          | 0.2          |
| R&D tax offset income                            | 4    | (0.2)       | (0.3)       | (0.3)        | –            |
| Impact of lease accounting                       | 5    | 0.0         | 0.0         | 0.0          | –            |
| Esher House vendor payment                       | 6    | –           | 0.2         | 2.6          | –            |
| Offer costs                                      | 7    | –           | –           | 0.2          | 6.6          |
| Legacy ownership and structuring                 | 8    | 0.5         | 0.9         | 1.4          | –            |
| Incremental public company costs                 | 9    | (1.3)       | (1.3)       | (0.7)        | (0.4)        |
| New debt facility                                | 10   | (1.4)       | (1.4)       | (0.2)        | (0.1)        |
| Amortisation of capitalised development expenses | 11   | (2.0)       | (1.3)       | (0.4)        | (0.2)        |
| Amortisation of acquired intangibles             | 12   | –           | –           | 2.5          | 3.3          |
| Tax effect                                       | 13   | 0.3         | 1.1         | 0.1          | (1.8)        |
| <b>Pro forma NPATA</b>                           |      | <b>1.1</b>  | <b>3.5</b>  | <b>4.3</b>   | <b>5.2</b>   |

Notes:

- 1 HR3 and Employgroup became part of ReadyTech and its controlled entities from 21 September 2017 (both businesses were previously owned by another related entity). As such, the statutory FY18 income statement includes nine months of financial performance of the businesses. The pro forma results are adjusted to include trading for the three months from July to September 2017. The FY16 and FY17 statutory income statements incorporate both HR3 and Employgroup financial performance as these accounts were prepared and audited on an aggregated basis. See Section 4.2.1 for further details on the preparation of the Aggregated Financial Information.
- 2 ReadyTech completed the acquisition of eLearning Australia Pty Ltd (trading as "My Profiling") in September 2018. The financial performance of My Profiling has been included for FY16, FY17, FY18, and for the three months from July to September 2018 as a pro forma adjustment.
- 3 VETtrak legacy overdue debtors relate to churn of customers during the pre-acquisition period. The prior owner of VETtrak had not adjusted for these revenues, and therefore this has been included in the statutory accounts for the period. The entire balance was provisioned by ReadyTech on acquisition, hence no adjustment to net earnings.
- 4 R&D tax offset income was removed from pro forma financials consistent with the forecast income streams of the ReadyTech business.
- 5 While not early adopting AASB 16, ReadyTech has estimated the impact of application of this accounting standard on the historical results and adjusted the EBITDA accordingly. The adoption of the standard results in recognition of an amortisation expense in respect of the lease asset (right to use) and an interest charge in respect of the lease liability. At NPAT level, the occupancy rental expense under the existing standard is broadly consistent with the amortisation and interest charge in total.
- 6 A portion of the Esher House acquisition consideration was settled by way of issue of a special class of shares which are contingent on the ex-proprietor, Darren Coppin's continuing employment with the business. These shares will be transferred by Darren Coppin to the Company under the Security Sale Deed in exchange for Shares on Completion of the Offer as discussed in Section 9.4. This payment, which was part of the acquisition consideration, has been recognised as a salaries and wages expense in accordance with AAS, amounting to \$0.2 million in FY17 and \$2.6 million in FY18. Given these are transaction-related payments associated with the acquisition of Esher House, they have been removed through a pro forma adjustment.  
  
Note also that an additional amount of \$0.6 million was recognised in the first six months of FY19F but this charge is now expected to be reversed in accordance with the final valuation at Lodgement Date with a forecast net nil expense for the full financial year FY19F.
- 7 Total transaction expenses of the Offer are estimated at \$8.6 million. Of the \$8.6 million offer costs, \$1.9 million was paid during 1H FY19. The remainder \$6.8 million offer costs will be paid out of proceeds of the Offer, of which an estimated \$2.0 million (before tax) is attributed to the issue of new Shares by the Company and will be offset against equity raised in the Offer. The accounting for Offer costs will be finalised concurrent with the preparation of the 30 June 2019 accounts. The remaining estimated \$4.8 million (before tax) relates to the sale of existing Shares by SaleCo and is treated as an expense (within general and administrative expenses).
- 8 Pro forma NPATA has been adjusted to exclude certain expenses which were associated with legacy ownership and acquisition of the portfolio companies within the ReadyTech Group. These included:
  - Historical management fee expenses (FY16: \$0.5 million, FY17: \$0.9 million). This largely reflected a charge from EduCo (a previous owner of VETtrak) for the management and strategic direction including sale advisory services for VETtrak. All senior management services are now replaced by ReadyTech Group corporate costs and are included within the incremental public company costs adjustment discussed below; and
  - Costs incurred primarily in relation to acquisitions pursued by the business reflecting accounting, legal and corporate advisory fees including costs in respect of legal restructuring undertaken at that time to form the ReadyTech Group (FY18: \$1.4 million). As noted previously in Section 4.2.2, the Aggregated Financial Information for FY17 did not include costs incurred in the holding entities in respect of transaction costs incurred for the acquisition of the various portfolio companies that form the group (\$0.9 million).
- 9 Represents the estimated incremental costs that the Company will incur as a listed public company. The additional costs include additional audit costs, board fees, investor relations costs, listing fees and share registry fees.
- 10 Reflects the pro forma impact of the New Banking Facilities that ReadyTech will take effect at Completion. See Section 4.5.2 for further details on ReadyTech's net debt as at 31 December 2018.
- 11 The development costs which are capitalised in accordance with ReadyTech's accounting policies are amortised over periods of four to six years (depending on the product). The Company considers the forecast amortisation in respect of labour capitalised in FY19F to be reflective of a normal level of amortisation expense relative to labour forecast to be capitalised in the year. The historical amortisation expense for FY16 to FY18 in the Pro forma Historical Financial Information presented has been adjusted to reflect a similar level of amortisation relative to labour that was capitalised in the relevant year.
- 12 Relates to amortisation expenses in respect of acquired intangibles (including customer-related intangibles and acquired software) from prior acquisitions by the ReadyTech Group. See Footnote 1 of Figure 32 for further details.
- 13 The forecast income tax rate applicable to ReadyTech on a pro forma basis is approximately 30%, which is equivalent to the Australian corporate tax rate. The adjustment reflects the reversal of the statutory historical and forecast tax expense and replacement with the pro forma tax expense calculated using the Australian corporate tax rate of 30%.

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Figure 37: Pro forma adjustments to the Income Statements for 1H FY19 and 1H FY20F

| \$ millions                                      | Note | Historical   | Forecast    |
|--|------|--------------|-------------|
|  |      | 1H19         | 1H20        |
| <b>Statutory revenue</b>                         |      | <b>15.8</b>  | <b>18.6</b> |
| My Profiling                                     | 2    | 0.3          | –           |
| <b>Pro forma revenue</b>                         |      | <b>16.0</b>  | <b>18.6</b> |
| <b>Statutory EBITDA</b>                          |      | <b>3.5</b>   | <b>8.2</b>  |
| My Profiling                                     | 2    | 0.2          | –           |
| Impact of lease accounting                       | 5    | 0.3          | –           |
| Esher House vendor payment                       | 6    | 0.6          | –           |
| Offer costs                                      | 7    | 1.9          | –           |
| Legacy ownership and structuring                 | 8    | –            | –           |
| Incremental public company costs                 | 9    | (0.4)        | –           |
| <b>Pro forma EBITDA</b>                          |      | <b>6.1</b>   | <b>8.2</b>  |
| <b>Statutory NPAT</b>                            |      | <b>(0.7)</b> | <b>2.4</b>  |
| My Profiling                                     | 2    | 0.1          | –           |
| Impact of lease accounting                       | 5    | (0.0)        | –           |
| Esher House vendor payment                       | 6    | 0.6          | –           |
| Offer costs                                      | 7    | 1.9          | –           |
| Legacy ownership and structuring                 | 8    | –            | –           |
| Incremental public company costs                 | 9    | (0.4)        | –           |
| New debt facility                                | 10   | (0.0)        | –           |
| Amortisation of capitalised development expenses | 11   | (0.1)        | –           |
| Amortisation of acquired intangibles             | 12   | 1.4          | 1.7         |
| Tax effect                                       | 13   | (0.3)        | –           |
| <b>Pro forma NPATA</b>                           |      | <b>2.4</b>   | <b>4.1</b>  |

Notes: Refer to notes to Figure 36.

### 4.3.4 Segment information

ReadyTech operates in two key reportable segments, namely 1) Education, and 2) Employment, together with the head office cost base reported as corporate. The Education segment includes JobReady, VETtrak, Esher House and My Profiling (see Section 3.4 for further details). The Employment segment includes HR3 and Employgroup (see Section 3.5 for further details). The corporate line item reflects the cost of group roles and public company costs.

**Figure 38: Segment information (FY16 to CY19F)**

| \$ millions          | Pro forma Historical |             |             |             | Pro forma Forecast |             |
|----------------------|----------------------|-------------|-------------|-------------|--------------------|-------------|
|                      | FY16                 | FY17        | FY18        | CY18        | FY19               | CY19        |
| Pro forma Revenue    |                      |             |             |             |                    |             |
| Education            | 14.4                 | 16.7        | 17.8        | 18.6        | 20.0               | 21.9        |
| Employment           | 9.4                  | 10.4        | 11.2        | 12.1        | 12.6               | 13.2        |
| Corporate            |                      |             |             |             |                    |             |
| <b>Total Revenue</b> | <b>23.7</b>          | <b>27.1</b> | <b>29.0</b> | <b>30.7</b> | <b>32.6</b>        | <b>35.1</b> |

| \$ millions         | Pro forma Historical |            |             |             | Pro forma Forecast |             |
|---------------------|----------------------|------------|-------------|-------------|--------------------|-------------|
|                     | FY16                 | FY17       | FY18        | CY18        | FY19               | CY19        |
| Pro forma EBITDA    |                      |            |             |             |                    |             |
| Education           | 3.8                  | 6.0        | 6.9         | 7.3         | 8.0                | 9.6         |
| Employment          | 3.6                  | 5.0        | 5.0         | 5.6         | 6.2                | 6.6         |
| Corporate           | (1.3)                | (1.4)      | (1.4)       | (1.5)       | (1.5)              | (1.6)       |
| <b>Total EBITDA</b> | <b>6.1</b>           | <b>9.6</b> | <b>10.6</b> | <b>11.4</b> | <b>12.7</b>        | <b>14.6</b> |

#### 4.3.5 Historical Income Statements

**Figure 39: Historical Income Statements (FY16 to FY18)**

| \$ millions   |      | Statutory Historical |               |               |
|---|------|----------------------|---------------|---------------|
|   | Note | FY16                 | FY17          | FY18          |
| Subscription and licence revenue                              |      | 19.8                 | 23.8          | 22.4          |
| Implementation, training and other revenue                    | 1    | 3.7                  | 3.5           | 3.2           |
| <b>Total Revenue</b>  |      | <b>23.5</b>          | <b>27.2</b>   | <b>25.6</b>   |
| Salaries and wages  |      | (11.1)               | (10.9)        | (14.4)        |
| Technology infrastructure and operations                      | 2    | (2.8)                | (2.6)         | (2.4)         |
| General and administrative                                    |      | (3.0)                | (4.3)         | (3.6)         |
| <b>Total operating expenses</b>                               |      | <b>(16.9)</b>        | <b>(17.8)</b> | <b>(20.4)</b> |
| <b>EBITDA</b>   |      | <b>6.6</b>           | <b>9.5</b>    | <b>5.3</b>    |
| Depreciation and amortisation                                 | 3    | (0.7)                | (1.5)         | (2.0)         |
| Amortisation of acquired intangibles                          | 4    | –                    | –             | (3.8)         |
| <b>EBIT</b>   |      | <b>5.9</b>           | <b>8.0</b>    | <b>(0.6)</b>  |
| Net finance expenses  |      | 0.0                  | 0.1           | (1.1)         |
| <b>Profit/(loss) before tax from continuing operations</b>    |      | <b>5.9</b>           | <b>8.0</b>    | <b>(1.7)</b>  |
| Income tax expense  |      | (0.8)                | (2.6)         | (0.7)         |
| <b>Net profit/(loss) after tax from continuing operations</b> |      | <b>5.1</b>           | <b>5.4</b>    | <b>(2.3)</b>  |
| Net profit/(loss) after tax from discontinued operations      | 5    | –                    | –             | (2.9)         |
| <b>Net profit/(loss) after tax</b>                            |      | <b>5.1</b>           | <b>5.4</b>    | <b>(5.2)</b>  |

Notes: Refer to Figure 32 for Notes 1 to 4.

- 5 On 22 September 2017, the ReadyTech Group acquired 100% of the ordinary shares in DBL Group Holdings Pty Ltd (**DBL**), provider of professional development training program for the total consideration transferred of \$2.8 million. Due to lower than expected revenue achievement, 100% of the issued share capital in DBL was subsequently disposed of on 16 February 2018 for total consideration of \$1.00, resulting in a net loss of \$2.9 million, inclusive of trading losses for the five months that the investment was held.

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### 4.4 Historical and Forecast Cash Flows

#### 4.4.1 Pro forma Historical and Forecast Cash Flows and Statutory Forecast Cash Flows

Figure 40 below sets out the Pro forma Historical Cash Flows for FY16, FY17 and FY18, the Pro forma Forecast Cash Flows for FY19F and CY19F and the Statutory Forecast Cash Flows for FY19F. The Pro forma Forecast Cash Flows and the Statutory Forecast Cash Flows are subject to the general assumptions and the specific assumptions underlying the Forecast Financial Information (see Section 4.6.2 for further details).

**Figure 40: Pro forma Historical and Forecast Cash Flows (FY16 to CY19F) and Statutory Forecast Cash Flows (FY19F)**

| \$ millions  |      | Pro Forma Historical |             |            | Pro Forma Forecast |             | Statutory Forecast |
|--|------|----------------------|-------------|------------|--------------------|-------------|--------------------|
|  | Note | FY16                 | FY17        | FY18       | FY19               | CY19        | FY19               |
| <b>EBITDA</b>  |      | 6.1                  | 9.6         | 10.6       | 12.7               | 14.6        | 6.2                |
| Changes in working capital                           | 1    | 2.4                  | 2.1         | (1.7)      | 0.7                | 1.2         | 0.7                |
| <b>Operating cash flow</b>                           |      | <b>8.5</b>           | <b>11.7</b> | <b>8.9</b> | <b>13.4</b>        | <b>15.8</b> | <b>7.0</b>         |
| Capitalised development costs                        | 2    | (3.1)                | (3.3)       | (3.2)      | (3.4)              | (3.4)       | (3.4)              |
| Other capital expenditure                            | 3    | (0.0)                | (0.0)       | (0.6)      | (0.3)              | (0.3)       | (0.3)              |
| <b>Net cash flow pre financing and tax</b>           |      | <b>5.4</b>           | <b>8.4</b>  | <b>5.2</b> | <b>9.7</b>         | <b>12.2</b> | <b>3.2</b>         |
| Tax paid   | 4    |                      |             |            | (3.3)              | (3.3)       | (3.3)              |
| Lease payments                                       | 5    |                      |             |            | (0.7)              | (0.7)       | (0.7)              |
| Net acquisitions                                     | 6    |                      |             |            | (1.9)              | (1.0)       | (1.9)              |
| Net interest payments                                | 7    |                      |             |            | (1.6)              | (1.5)       | (1.6)              |
| Proceeds from borrowings                             |      |                      |             |            | 29.5               | 29.5        | 29.5               |
| Repayment of existing borrowings                     |      |                      |             |            | (28.3)             | (28.3)      | (28.3)             |
| <b>Net cash flow before IPO related transactions</b> |      |                      |             |            | <b>3.4</b>         | <b>6.9</b>  | <b>(3.0)</b>       |
| Proceeds from issue of shares                        | 8    |                      |             |            |                    |             | 17.0               |
| Repayment of borrowings                              | 8    |                      |             |            |                    |             | (3.5)              |
| Cost of the offer                                    | 8    |                      |             |            |                    |             | (2.0)              |
| <b>Net cash flow</b>                                 |      |                      |             |            |                    |             | <b>8.4</b>         |

Notes:

- 1 Comprises changes in trade and other receivables, trade and other payables, accrued expenses and provisions, and deferred revenues. ReadyTech's historical working capital movements (inflows) reflect the billings in advance of subscription and licensing revenues which continue to grow year on year. The negative working capital movement in FY18 is primarily due to first quarter FY18 billings being received earlier than expected in FY17.
- 2 Reflects the capitalisation of product development expenses. These expenses are capitalised in accordance with the capitalisation criteria in AASB 138 *Intangible Assets*. The expenditure capitalised comprises of direct labour and associated on-costs.
- 3 Other capital expenditure relates to property, plant and equipment to the extent these are not expensed. In FY18 there was a one-off lease fitout cost of \$0.6m.
- 4 On a pro forma basis, forecast income tax payments for FY19F are assumed to be consistent with the statutory tax payments forecast for the period with taxable income adjusted for the differences in the accounting and tax cost bases and reflecting permanent differences. Consistent with pro forma EBITDA, the forecast pro forma tax payments for CY19F do not include the benefit of deductibility of Offer costs (which is reflected in the statutory forecast tax payments).
- 5 Reflects the cash impact of the lease payments that are excluded from EBITDA in accordance with AASB 16.  
Two further contingent consideration payments of \$0.5 million each are payable from July 2019 in respect of My Profiling, based on meeting certain revenue and performance targets in respect of this.

- 7 Pro forma interest payments represent the forecast cash interest under the New Banking Facilities assuming these were in place on 1 July 2015. Statutory forecast cash interest reflects the position that the existing debt facilities are in place until Completion and the New Banking Facilities post-Completion.
- 8 Estimated proceeds of the Offer of \$50.0 million which will be used to fund the payment of \$33.0 million to SaleCo (which in turn, will pay this amount on to the Selling Shareholders) for the transfer of the Sale Shares, with net proceeds to the Company of \$17.0 million from the issue of New Shares. The net proceeds of the Offer to the Company will be used to fund payment of Offer costs \$8.6 million (of which \$1.9 million has already been paid in 1H FY19).

See Footnote 7 of Figure 36 for further information.

**Figure 41: Pro forma Historical and Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows (1H FY19A and 1H FY20F)**

| \$ millions  |      | Pro Forma Historical | Pro Forma Forecast | Statutory Historical | Statutory Forecast |
|--|------|----------------------|--------------------|----------------------|--------------------|
|  | Note | 1H19                 | 1H20               | 1H19                 | 1H20               |
| <b>EBITDA</b>  |      | <b>6.1</b>           | <b>8.2</b>         | <b>3.5</b>           | <b>8.2</b>         |
| Changes in working capital                           | 1    | (0.6)                | (0.3)              | (0.1)                | (0.3)              |
| <b>Operating cash flow</b>                           |      | <b>5.5</b>           | <b>7.9</b>         | <b>3.4</b>           | <b>7.9</b>         |
| Capitalised development costs                        | 2    | (1.8)                | (1.7)              | (1.8)                | (1.7)              |
| Other capital expenditure                            | 3    | (0.2)                | (0.2)              | (0.2)                | (0.2)              |
| <b>Net cash flow pre financing and tax</b>           |      | <b>3.5</b>           | <b>6.1</b>         | <b>1.4</b>           | <b>6.1</b>         |
| Tax paid   | 4    |                      | (1.3)              | (1.2)                | (1.3)              |
| Lease payments                                       | 5    |                      | (0.4)              | –                    | (0.4)              |
| Net acquisitions                                     | 6    |                      | (1.0)              | (1.9)                | (1.0)              |
| Net interest payments                                | 7    |                      | (0.6)              | (0.8)                | (0.6)              |
| Proceeds from borrowings                             |      |                      | –                  | –                    | –                  |
| Proceeds from new shares                             |      |                      | –                  | 0.1                  | –                  |
| Repayment of existing borrowings                     |      |                      | –                  | –                    | –                  |
| <b>Net cash flow before IPO related transactions</b> |      |                      | <b>2.8</b>         | <b>(2.4)</b>         | <b>2.8</b>         |
| Proceeds from issue of shares                        | 8    |                      |                    |                      |                    |
| Cost of the offer                                    | 8    |                      |                    |                      |                    |
| <b>Net cash flow</b>                                 |      |                      |                    |                      |                    |

Notes: Refer to notes for Figure 40.



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### 4.4.2 Pro forma Adjustments to the Historical and Forecast Cash Flows

Figure 42: Pro forma adjustments to the Historical Cash Flows and Statutory Forecast Cash Flows (FY16 to FY19F)

| \$ millions  |      | Historical |             |            | Forecast   |
|--|------|------------|-------------|------------|------------|
| Year Ended 30 June                                   | Note | FY16       | FY17        | FY18       | FY19       |
| <b>Statutory net cash flow pre financing and tax</b> |      | <b>5.9</b> | <b>12.6</b> | <b>0.8</b> | <b>3.2</b> |
| EmployGroup and HR3                                  | 1    | –          | –           | 1.0        | –          |
| My Profiling   | 2    | 0.1        | 0.4         | 0.4        | 0.2        |
| R&D tax offset income                                | 4    | (0.2)      | (0.3)       | (0.3)      | –          |
| Impact of lease accounting                           | 5    | 0.4        | 0.5         | 0.5        | –          |
| Esher House vendor payment                           | 6    | –          | –           | –          | –          |
| Offer costs  | 7    | –          | –           | 0.2        | 6.6        |
| Legacy ownership and structuring                     | 8    | 0.5        | 0.9         | 1.6        | –          |
| Incremental public company costs                     | 9    | (1.3)      | (1.3)       | (0.7)      | (0.4)      |
| Elimination of intercompany loans                    | 11   | –          | (4.3)       | –          | –          |
| Net working capital adjustment                       | 12   | –          | –           | 1.5        | –          |
| <b>Pro forma net cash flow pre financing and tax</b> |      | <b>5.4</b> | <b>8.4</b>  | <b>5.2</b> | <b>9.7</b> |

Notes: Refer to notes for Figure 36 for Notes 1 to 9.

- 11 Relates to one-off impacts associated with the elimination of intercompany loans. Statutory cash flows in FY17 prepared on an aggregated basis include a significant movement in working capital in respect of certain intercompany receivable and payable balances to/from other ReadyTech related entities. This is excluded in the calculation of pro forma cash flows.
- 12 Pro forma cash flows for FY18 have been adjusted to reflect working capital balances of the entities that were not within the statutory accounts for FY18 as at the start of the financial year (in particular, Employgroup and HR3).

**Figure 43: Pro forma adjustments to the Historical Cash Flows and Statutory Forecast Cash Flows (1H FY19A and 1H FY20F)**

| \$ millions  |      | Historical | Forecast   |
|--|------|------------|------------|
| Year Ended 30 June                                   | Note | 1H19       | 1H20       |
| <b>Statutory net cash flow pre financing and tax</b> |      | <b>1.4</b> | <b>6.1</b> |
| My Profiling   | 2    | 0.2        | –          |
| Impact of lease accounting                           | 5    | 0.3        | –          |
| Esher House vendor payment                           | 6    | –          | –          |
| Offer costs  | 7    | 1.9        | –          |
| Incremental public company costs                     | 9    | (0.4)      | –          |
| Other  | 10   | 0.0        | –          |
| <b>Pro forma net cash flow pre financing and tax</b> |      | <b>3.5</b> | <b>6.1</b> |

Notes: Refer to notes for Figure 42 for Notes 1 to 9.

10 Relates to one-off makegood expenses of approximately \$16,000.

## 4.5 Consolidated Historical Balance Sheet

### 4.5.1 Overview

Figure 44 sets out the adjustments that have been made to the Historical Balance Sheet of ReadyTech as though the Offer had been completed on 31 December 2018. The adjustments take into account, the acquisition of My Profiling, the impact of the Offer and the impact of the New Banking Facilities.

The Pro forma Historical Balance Sheet is provided for illustrative purposes only and is not necessarily indicative of the ReadyTech Group's future financial position.

## 4. Financial Overview

Figure 44: Adjustments made to the Statutory Balance Sheet as at 31 December 2018

| (\$m)                           | December 2018 Statutory | Impact of Offer | Lease liabilities | Group reorganisation reserve | Additional debt drawdown | December 2018 Pro forma |
|---------------------------------|-------------------------|-----------------|-------------------|------------------------------|--------------------------|-------------------------|
| Notes                           |                         | (1)             | (2)               | (3)                          | (4)                      |                         |
| Cash and cash equivalents       | 3.2                     | 6.7             | –                 | –                            | 1.3                      | 11.1                    |
| Trade and other debtors         | 3.9                     | –               | –                 | –                            | –                        | 3.9                     |
| Prepayments                     | 0.3                     | –               | –                 | –                            | –                        | 0.3                     |
| <b>Current assets</b>           | <b>7.4</b>              | <b>6.7</b>      | <b>–</b>          | <b>–</b>                     | <b>1.3</b>               | <b>15.4</b>             |
| Property, Plant and Equipment   | 0.7                     | –               | 2.4               | –                            | –                        | 3.1                     |
| Goodwill                        | 22.8                    | –               | –                 | –                            | –                        | 22.8                    |
| Intangibles                     | 32.1                    | –               | –                 | –                            | –                        | 32.1                    |
| Deferred tax                    | 1.6                     | 2.0             | –                 | –                            | –                        | 3.6                     |
| <b>Non current assets</b>       | <b>57.1</b>             | <b>2.0</b>      | <b>2.4</b>        | <b>–</b>                     | <b>–</b>                 | <b>61.5</b>             |
| <b>Assets</b>                   | <b>64.5</b>             | <b>8.8</b>      | <b>2.4</b>        | <b>–</b>                     | <b>1.3</b>               | <b>76.9</b>             |
| Trade and other payables        | (1.3)                   | –               | –                 | –                            | –                        | (1.3)                   |
| Income tax                      | (2.7)                   | –               | –                 | –                            | –                        | (2.7)                   |
| Contingent consideration        | (1.0)                   | –               | –                 | –                            | –                        | (1.0)                   |
| Employee benefits               | (4.7)                   | –               | –                 | –                            | –                        | (4.7)                   |
| Accrued expenses                | (1.8)                   | –               | –                 | –                            | –                        | (1.8)                   |
| Lease liabilities               | –                       | –               | (2.6)             | –                            | –                        | (2.6)                   |
| Borrowings                      | (4.5)                   | 3.5             | –                 | –                            | 0.8                      | (0.3)                   |
| Deferred revenue                | (10.8)                  | –               | –                 | –                            | –                        | (10.8)                  |
| <b>Current liabilities</b>      | <b>(26.7)</b>           | <b>3.5</b>      | <b>(2.6)</b>      | <b>–</b>                     | <b>0.8</b>               | <b>(25.0)</b>           |
| Borrowings                      | (25.3)                  | –               | –                 | –                            | (2.0)                    | (27.3)                  |
| Employee benefits               | (0.2)                   | –               | –                 | –                            | –                        | (0.2)                   |
| Deferred revenue                | (0.5)                   | –               | –                 | –                            | –                        | (0.5)                   |
| <b>Non current liabilities</b>  | <b>(25.9)</b>           | <b>–</b>        | <b>–</b>          | <b>–</b>                     | <b>(2.0)</b>             | <b>(27.9)</b>           |
| <b>Liabilities</b>              | <b>(52.7)</b>           | <b>3.5</b>      | <b>(2.6)</b>      | <b>–</b>                     | <b>(1.3)</b>             | <b>(53.0)</b>           |
| <b>Net assets/(liabilities)</b> | <b>11.9</b>             | <b>12.3</b>     | <b>(0.2)</b>      | <b>–</b>                     | <b>–</b>                 | <b>23.9</b>             |
| <b>Equity</b>                   |                         |                 |                   |                              |                          |                         |
| Issued capital                  | 28.5                    | 15.6            | –                 | 76.7                         | –                        | 120.8                   |
| Group reorganisation reserve    | –                       | –               | –                 | (76.7)                       | –                        | (76.7)                  |
| Other reserves                  | (10.1)                  | –               | –                 | –                            | –                        | (10.1)                  |
| Accumulated losses              | (6.6)                   | (3.3)           | (0.2)             | –                            | –                        | (10.1)                  |
| <b>Total equity</b>             | <b>11.9</b>             | <b>12.3</b>     | <b>(0.2)</b>      | <b>–</b>                     | <b>–</b>                 | <b>23.9</b>             |

Notes:

**1 Impact of the Offer**

Estimated proceeds of the Offer of \$50.0 million which will be used to: (1) fund the payment of \$33.0 million to SaleCo (which in turn, will pay this amount on to the Selling Shareholders) for the transfer of the Sale Shares; and (2) fund the estimated costs of the Offer (\$8.6 million) with net proceeds to the Company from the issue of New Shares. Of the \$8.6 million offer costs, \$1.9 million has already been paid in 1H FY19. In connection with the Offer, \$3.5 million of the proceeds will be used to repay debt.

A deferred tax asset will be recognised in respect of the costs of the Offer which are expected to be deductible for tax purposes in future.

Accumulated losses increase by \$3.5 million, of which \$3.3 million relates to offer costs, reflecting the post-tax impact of the expensed portion of the total Offer costs of \$4.7 million.

**2 Lease liabilities**

Reflects pro forma impact of ReadyTech adopting AASB 16.

**3. Group reorganisation reserve**

As a result of the Offer, the issued capital (following the acquisition of all of the ReadyTech Shares by the Company) will be marked to the Offer valuation and will result in an increase in share capital. As the net assets of the ReadyTech Group will continue to be recorded at their predecessor carrying values, an offset to the issued capital is recorded as a Group Reorganisation Reserve.

**4. Additional debt drawdown**

Reflects further current debt repayments of \$0.75 million and non-current debt net drawdown of \$2.0 million that occurred in January and February 2019.

## 4.5.2 Summary of net debt as at 31 December 2018

Figure 45 sets out the net debt position of the ReadyTech Group as at 31 December 2018, on a statutory basis (before Completion) and on a pro forma basis (following Completion).

**Figure 45: Statutory and Pro forma net debt position as at 31 December 2018**

| \$ millions                           | Statutory   | Pro Forma   | Pro forma<br>(reflecting<br>target cash and<br>debt position at<br>Completion) |
|---------------------------------------|-------------|-------------|--|
| <b>Cash and cash equivalents</b>      | <b>3.2</b>  | <b>11.1</b> | <b>9.8</b>   |
| Short-term debt                       | 4.5         | 0.3         | 0.3  |
| Long-term debt                        | 25.3        | 27.3        | 27.2   |
| <b>Total debt</b>                     | <b>29.8</b> | <b>27.5</b> | <b>27.5</b>  |
| <b>Net debt</b>                       | <b>26.6</b> | <b>16.4</b> | <b>17.7</b>  |
| CY18 Pro forma EBITDA                 |             |             | 11.4   |
| <b>CY18 Net debt/Pro forma EBITDA</b> |             |             | <b>1.6x</b>  |
| FY19 Pro forma EBITDA                 |             |             | 12.7   |
| <b>FY19 Net debt/Pro forma EBITDA</b> |             |             | <b>1.4x</b>  |

## 4.5.3 Description of New Banking Facilities

### 4.5.3.1 Overview

ReadyTech has entered into a facility agreement with Macquarie Bank Limited for the provision of \$27.5 million secured facilities with a tenor of three years (**New Banking Facilities**). The new facilities are guaranteed by, and secured against the assets of, the ReadyTech Group.

## 4. Financial Overview

The availability of funding under the New Banking Facilities is dependent on, among other things:

- Completion; and
- ReadyTech entering into long form documentation with Macquarie Bank Limited.

The New Banking Facilities will consist of:

- **Facility A:** A fully committed three year amortising non-revolving cash advance facility of \$21.5 million; and
- **Facility B:** A fully committed three year revolving multi-option working capital facility of \$6.0 million.

Both facilities are expected to be fully drawn at Completion and used to repay the ReadyTech Group's existing debt facilities.

### 4.5.3.2 Finance costs

Facility A has a variable interest rate based on the bank bill swap bid rate (**BBSY**) plus a margin which varies depending on the net leverage ratio. Facility B has an interest rate based on the Macquarie Overdraft Base Rate (as published by Macquarie Bank Limited from time to time on its website) as discounted by a range between 3.90% and 4.90% (depending on the net leverage ratio for the relevant period). ReadyTech will be required to pay a commitment fee equal to a range between 1.50% and 2.00% (depending on the net leverage ratio for the relevant period) of the Facility Limit for Facility B in addition to other customary fees typical for facilities of this nature.

### 4.5.3.3 Repayment date

Facility A and B are repayable on the date that is 3 years from the date of the initial drawdown under the New Banking Facilities. During the term of the Facilities and in respect of Facility A only, on and from 31 March 2020 ReadyTech must repay \$0.5 million quarterly, increasing to \$0.75 million after four quarters (unless net leverage ratio is less than 1.50x for two consecutive quarters).

### 4.5.3.4 Financial Covenants

The New Banking Facilities include the following financial covenants, which are usual for facilities of this nature. The financial covenants will be tested quarterly.

- Net Total Debt to EBITDA (**net leverage ratio**) – to be no greater than:
  - » 3.0 times between the period from 31 December 2018 to 30 June 2019;
  - » 2.5 times between the period from 30 September 2019 to 30 June 2020; and
  - » 2.0 times between the period from 30 September 2020 to 30 September 2021,where Net Total Debt is defined as the Finance Debt of the Group less cash and cash equivalents and subordinated debt and intra-Group debt.
- Debt Service Coverage Ratio defined as Cashflow Available for Debt Service divided by the sum of net interest expense, scheduled amortisation and the capital element of all payments made under a finance or capital leases of the Group – to be greater than 1.10 at each calculation date; and
- Dividend distributions permitted of 100% FCF while:
  - » the net leverage ratio is no more than 2.5 times pre and post payment of the distribution; and
  - » the Debt Service Coverage Ratio is not less than 1.0 times pre and post payment of the distribution.

Each of the above ratios is as described in the New Banking Facilities. EBITDA and other terms are defined in the New Banking Facilities and are subject to a number of specific adjustments. These adjustments are not shown in this Prospectus and, as such, the actual covenant calculations will differ from those based on total net debt and EBITDA as defined in this Prospectus.

Breach of the above covenants is an event of default (in the case of the dividend distributions covenant, subject to a remedy period) under the New Banking Facilities.

#### 4.5.4 Commitments

Figure 46 sets out the contractual obligations, commitments and contingent liabilities of the Group as at 31 December 2018.

**Figure 46: Summary of Commitments as at 31 December 2018**

| \$ millions                | < 1 year   | 1-5 years  | > 5 years | Total      |
|----------------------------|------------|------------|-----------|------------|
| Property lease commitments | 0.9        | 2.4        | –         | 3.3        |
| Capital commitments        | –          | –          | –         | –          |
| <b>Total</b>               | <b>0.9</b> | <b>2.4</b> | <b>–</b>  | <b>3.3</b> |

#### 4.5.5 Sources of liquidity

Following the Completion, the Company's principal source of liquidity will consist of cash and cash equivalents on the balance sheet. On Completion, the Company considers it will have sufficient capital to carry out its stated objectives.

### 4.6 Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by the ReadyTech Group, which are in accordance with the AAS and are disclosed in Section 10. The Forecast Financial Information is based on various general and specific assumptions concerning future events, including those set out below. The assumptions below are set out in summary only and do not represent all factors that may affect the ReadyTech Group's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur. In preparing the Forecast Financial Information, the Company has undertaken an analysis of historical performance and applied assumptions in order to forecast future performance FY19F, CY19F and 1H FY20F. In preparing the forecast, the Company has had regard to the reviewed trading performance of ReadyTech for the 1H FY19. The Company believes that the assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the general and specific assumptions set out in Sections 4.6.1 and 4.6.2 respectively.

However, the actual results are likely to vary from the forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of the Company and the members of its Board and are not reliably predictable.

Accordingly, no assurance is given that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material positive or negative impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8.

#### 4.6.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there is no material change in the competitive and operating environments in which ReadyTech operates;
- there is no material change in the legislative regimes (including tax) and regulatory environment in which ReadyTech operates;
- there is no change in applicable AASs and IFRS that has not been identified in this Section 4 that would have a material impact on the ReadyTech Group's accounting policies, financial reporting or disclosure requirements;
- there are no material losses of customers above the assumed rate of churn in the forecast periods;
- there is no material amendment to, or termination of, any material agreement relating to ReadyTech's business other than as disclosed in this Prospectus;

## 4. Financial Overview

- there are no significant disruptions to the continuity of operations of the ReadyTech Group (and there are no other material changes in ReadyTech's business);
- there are no material acquisitions, disposals, restructures or investments for the ReadyTech Group other than as set out in this Prospectus;
- there are no material changes to the ReadyTech Group's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- there is no loss of key management personnel and the ReadyTech Group will maintain the ongoing ability to recruit and retain required personnel required to support the future growth of the business;
- there are no claims or material litigation, including industrial action or other disturbances, that will arise or be decided or settled to the detriment of the ReadyTech Group;
- there are no additional contingent liabilities that will arise or be realised to the detriment of the ReadyTech Group;
- none of the key risks set out in Section 5 eventuates, or if they do, none of them has a material adverse impact on the operations of the ReadyTech Group; and
- the Offer proceeds are received in accordance with the timetable set out on page 4 Key Offer Information of this Prospectus.

### 4.6.2 Specific assumptions

The specific assumptions that have been used in the preparation of the Forecast Financial Information are set out below:

#### 4.6.2.1 Revenue

The Forecast Financial Information is based on the following key revenue assumptions:

##### Group

- Implementation, training and other revenues are expected to remain consistent with historical experience, however expected to increase slightly reflecting the continued growth in the business.

##### Education

- ReadyTech's number of education customers is expected to increase, driven by ongoing growth in ReadyTech's student management system offering. ReadyTech's behavioural science and skills profiling products are also expected to support client growth during the forecast period. The amount of new business as a percentage of previous year billings is consistent with FY18;
- Average revenue per customer is expected to increase in line with historical experience reflecting the ongoing transition to higher value customers, upsell of additional licences and assisted by higher usage of behavioural science and skills profiling products;
- Customer revenue churn is forecast to decline which is consistent with the ongoing decline in churn experienced by ReadyTech. This decline is partly driven by the continued focus on customer service and account management and partly by an improvement in the involuntary churn rate (business liquidations, M&A transactions and other liquidity events outside of management's control) as ReadyTech transitions to larger customers who are less impacted by involuntary churn;
- The forecasts assume the full run-rate benefit of the acquisition of My Profiling, which was acquired by ReadyTech during September 2018. The impact of this acquisition has been included in the pro forma education revenues for the forecast period; and
- The forecast also assumes ReadyTech is successful in obtaining the IRAP security reaccreditation as required by the Commonwealth Department of Small Business & Jobs requiring all service providers to comply with the new framework. Refer to discussion in Section 5.2.6.



## Employment

- ReadyTech's number of employment customers is expected to increase, driven primarily by an increase in payroll software licences (under the HR3 brand);
- Average revenue per customer is expected to continue to increase in line with historical experience. Growth is also expected to be driven by upselling of additional modules of HR admin and talent management software, additional licences, and the transition of the STP introduced by the ATO from 1 July 2018, which is expected to increase usage; and
- Customer revenue churn is expected to decline reflecting the ongoing decline in churn experienced by ReadyTech.

### 4.6.2.2 Operating expenses

The Forecast Financial Information is based on the following key operating expense assumptions:

- **Salaries and wages expenses** are expected to increase reflecting the recruitment of mainly technology and sales roles and the full year impact of various employees hired during FY18 to support the growth of the business;
- **Technology infrastructure and operations expenses** are expected to increase slightly during the forecast period, reflecting the ongoing growth of ReadyTech business and the increase in hosting costs associated with servicing its cloud products; and
- **General and administrative expenses** are expected to decline slightly during the forecast period due to FY16 – FY18 impacted by one-off expenses. Overall, general and administrative expenses are expected to decline as a percentage of revenue reflecting the operating leverage within the ReadyTech business.

### 4.6.2.3 Depreciation and amortisation

The Forecast Financial Information is based on the following key depreciation and amortisation assumptions:

- **Depreciation** is based on the current property, plant and equipment's depreciation schedules and includes depreciation for planned capital expenditure;
- **Amortisation** is based on the current intangible assets' amortisation schedules (including operating leases) and includes amortisation for planned development of ReadyTech's technology platforms; and
- **Amortisation of acquired intangibles** relates to amortisation expenses in respect of acquired intangibles (including customer-related intangibles and acquired software) from prior acquisitions by ReadyTech. These are non-cash in nature and a result of the valuation of these assets as part of the purchase price allocation in respect of previous acquisitions.

### 4.6.2.4 Net finance expense

The Forecast Financial Information includes the statutory forecast net finance expense based on the existing debt facilities up until Completion, subsequent to which interest charges and costs are based on the New Banking Facilities and the assumed average level of forecast net debt from Completion through to 31 December 2019. The Pro forma Forecast Income Statements present the net finance expense based on the terms of the New Banking Facilities and the average level of pro forma forecast net debt for FY19F and CY19F, as if the New Banking Facilities were in place from 1 July 2015.

### 4.6.2.5 Income tax

The Forecast Financial Information is based on the following key income tax assumptions:

- an effective income tax rate of 30% applied across the business;
- statutory tax payments reflecting the differences between the accounting and tax cost base of the assets, and deductibility of Offer costs over a five year period; and
- pro forma tax payments excluding the impact of deductibility of Offer costs (which are excluded from Pro forma forecast earnings of the Company).

## 4. Financial Overview

### 4.6.2.6 Changes in working capital

The Forecast Financial Information is based on the following key changes in working capital assumptions:

- trade receivables and deferred revenue are consistent with the historical customer invoicing and collection experience; and
- trade and other payables are in accordance with current terms with suppliers.

### 4.6.2.7 Capital expenditure

The Forecast Financial Information is based on the following key capital expenditure assumptions:

- Forecast expenditure on further development and enhancement of ReadyTech's technology platforms as planned for FY19F and CY19F; and
- Forecast expenditure on property, plant and equipment is expected to decline in the forecast period to \$0.3 million per annum. FY18 property, plant and equipment was elevated due to one-off fit-out expenses.

### 4.6.2.8 My Profiling

The Forecast Financial Information includes deferred consideration and earn-out payments that may be payable to the previous owners of My Profiling. The acquisition by the ReadyTech Group was structured to include contingent deferred consideration (\$0.5 million) and an earn-out payment (capped at \$0.5 million) based on the achievement of revenue billing rates in FY19F.

## 4.7 Management discussion and analysis of the Pro forma Historical Financial Information and Pro forma Forecast Financial Information

Below is a discussion of the ReadyTech Group's revenues and expenses and the main drivers of the ReadyTech Group's historical operating and financial performance and which the Company expects may continue to be a driver for the Company during the period of the Forecast Financial Information.

The discussion is intended to provide a brief summary only and does not detail all the factors that had an impact on the historical operating and financial performance, nor everything which may impact ReadyTech's operating and financial performance in the future. Unless otherwise stated, all metrics and financial information presented in this section, and the related commentary is on a pro forma basis only. The information in this Section 4 should also be read in conjunction with the general and specific assumptions in Sections 4.6.1 and 4.6.2, the sensitivities in Section 4.8, key risk factors set out in Section 5 and the other information contained in this Prospectus.

### 4.7.1 Revenue

As discussed in Section 3, the ReadyTech Group has two main types of revenues:

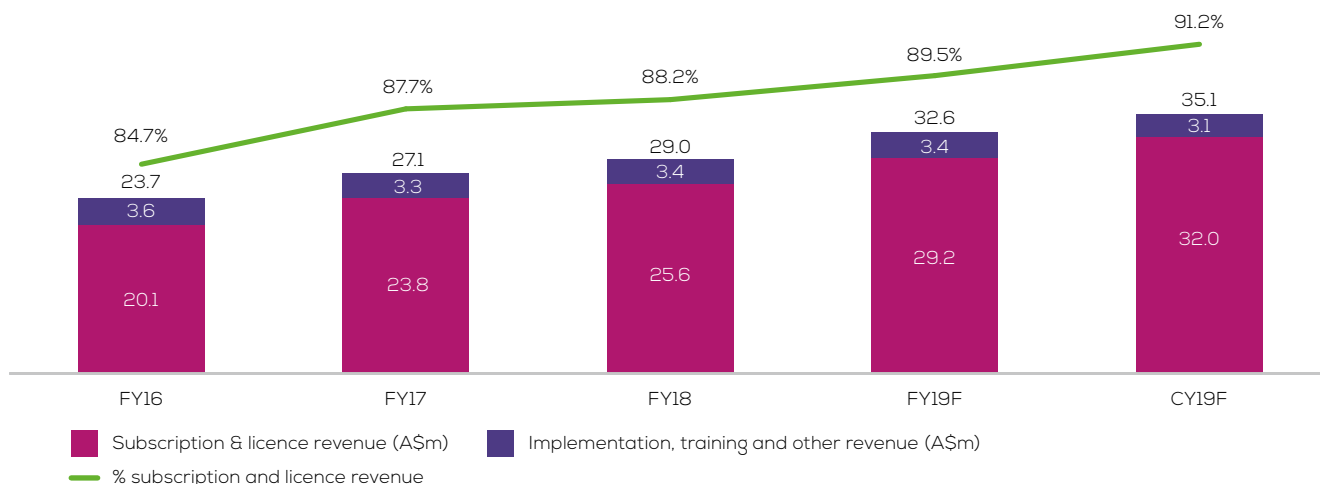
- **Subscription and licence revenues:** includes recurring subscription revenues, upfront and ongoing licence fees and assessment-based revenue. ReadyTech typically generates subscription and licence revenues by charging on a per user basis or per employee basis and by module; and
- **Implementation, training and other revenues:** fees for services including development, product implementation, maintenance fees, consulting fees, training and support fees.

In FY18, subscription and licence revenues comprised 88% of total group revenue, and implementation, training other revenues comprised 12%.

See Section 10 for further detail on ReadyTech's revenue recognition policies.

Figure 47 illustrates the historical and forecast revenue from FY16 to CY19F, split between subscription and licence revenue and implementation, training and other revenues generated from both existing and new customers. ReadyTech has high revenue visibility attributed to its predominantly subscription revenue model and strong revenue retention rates of 95% from existing customers as at FY18.

Figure 47: ReadyTech pro forma revenues (A\$m) (FY16 to CY19F)



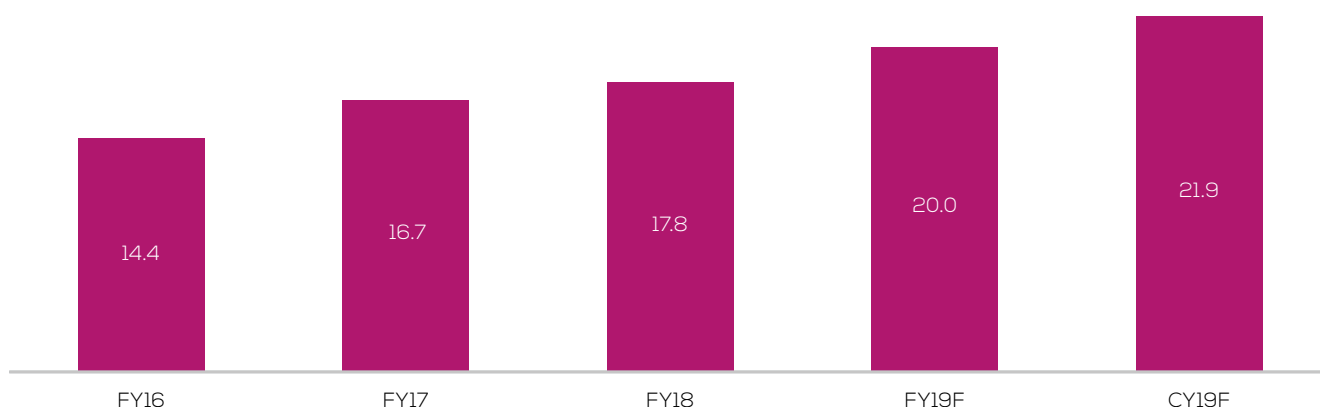
The ReadyTech Group generates revenues from its two key segments: education and employment. The historical and forecast performance for both education and employment is set out in Sections 4.7.1.1 and 4.7.1.2 respectively.

During 1H FY19, the ReadyTech Group generated \$16.0 million in revenues, representing approximately 49.2% of FY19F forecast revenues of \$32.6 million.

#### 4.7.1.1 Education revenues

Figure 48 illustrates the historical and forecast education segment revenues over FY16 to CY19F in millions of Australian dollars.

Figure 48: ReadyTech pro forma education revenues (A\$m) (FY16 to CY19F)



From FY16 to FY17, ReadyTech reported an increase in education revenues of \$2.3 million to \$16.7 million in FY17, which reflected a 16.4% increase on FY16. The key driver contributing to revenue growth in FY17 was the increase in subscription and licence revenues due to an increase in number of clients, including the addition of high value clients such as Education Co, XSEED and Academies Australia.

Revenue growth continued during FY18, with the ReadyTech Group reporting an increase in education revenues of \$1.1 million to \$17.8 million in FY18, which reflected a 6.6% increase on FY17. The growth was driven predominantly by an increase in the number of licences per client, driving an increase in average revenue per client.

FY18 revenue growth was softer than FY17 revenue growth due to the timing of new customer wins, which were weighted heavily towards the last quarter of FY18 (i.e. 4Q FY18). The factors driving the timing of these new business wins were:

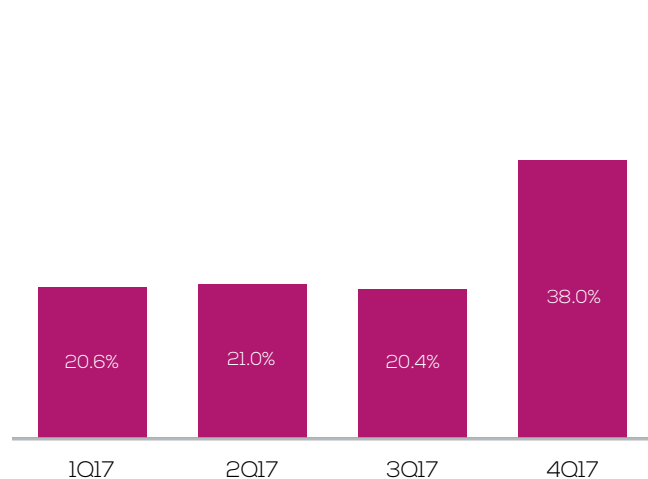
## 4. Financial Overview

- Focus on larger clients:
  - » during 1H FY18, ReadyTech directed sales, product and marketing focus for the JobReady SMS towards the higher education and English language (including international colleges) sub-sectors which typically attract a higher ARPC. Given the sales cycle associated with these higher value clients, the client wins were lower in 1H FY18 and were weighted towards the last quarter of FY18; and
  - » having refocussed the JobReady SMS towards higher ARPC clients, the sales opportunities in the VET sub-sector, which typically have lower ARPC were targeted by VETtrak. This change in approach also had a timing impact on securing client wins; and
- Focus on DES:
  - » during FY18, JobReady invested considerable effort towards winning new clients in the DES sub-sector as part of the renewal of the previous 5-year government program, which created significant one-off opportunity for ReadyTech to increase its client base in DES; and
  - » JobReady was successful in winning new client business and additional subscriptions worth \$648,000 with subscriptions effective from 1 July 2018.

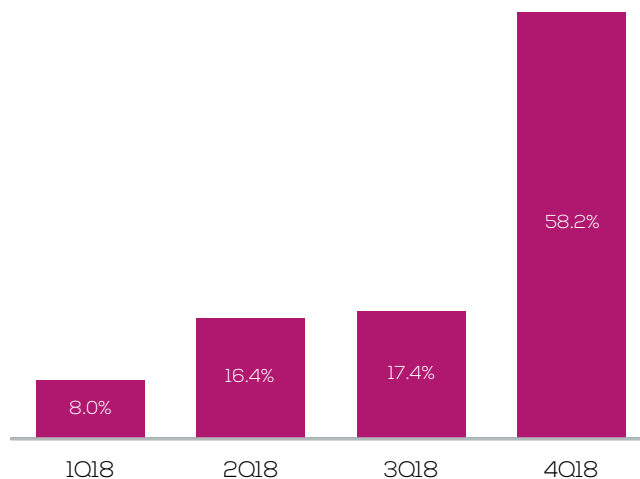
The new business wins weighting towards 4Q18 can be seen in Figure 50, which shows that in FY18, new business wins in 4Q18 represented 58.2% of total new wins for the financial year, which is much higher than the FY17 experience, where 4Q17 represented only 38.0% of total new business wins (see Figure 49).

As a result, the accrual revenue impact of these new customer wins in FY18 was relatively limited given they were weighted towards the last quarter and that implementation had to occur before revenue could be recognised. Therefore, the majority of revenue benefit is to be realised during the forecast period of FY19F and CY19F.

**Figure 49: New business wins measured in annual contract value split by quarter (% of total) – FY17**



**Figure 50: New business wins measured in annual contract value split by quarter (% of total) – FY18**



Further growth is expected in FY19F, with the Company expecting an increase in education revenues of \$2.2 million to \$20.0 million in FY19F. Key drivers contributing to revenue growth in FY19F are expected to include:

- the benefit of customer wins in 4Q FY18, which results in a full-year contribution during FY19F;
- other drivers similar to those experienced by ReadyTech during FY16 to FY18 in relation to an increase in higher value customers;
- growth in behavioural science products reflecting increased usages from existing customers and new customers; and
- new contracts that have already been entered into, but that ReadyTech is yet to recognise the revenue benefits.

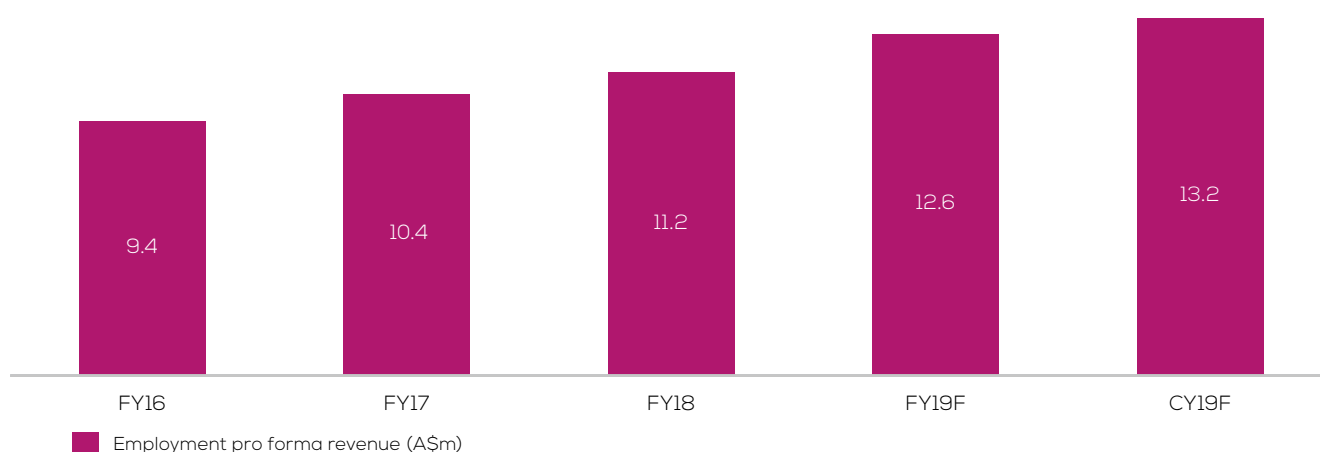
Similar to FY19F, further growth is expected in CY19F, for which an increase in revenue of \$1.9 million from FY19F and \$3.4 million from CY18 is forecast. This reflects a yearly revenue growth of 18.2% as compared to CY18. The key drivers of growth during this period are expected to include:

- the benefit of customer wins in 1H FY19, which includes the University of Queensland which was signed in 1H FY19 and revenue will be recognised when implementation occurs in 2H FY19F. The University of Queensland contract is expected to contribute \$0.15 million in 2H FY19F and \$0.35 million in 1H FY20F;
- upgrades of existing customers who are using more modules and/or greater usage of existing modules. Upsells to existing JobReady and VETtrak clients expected to contribute \$0.15 million in 1H FY20F;
- ongoing upselling of My Profiling and behavioural science products for example the AASN will spend an additional \$0.1 million on behavioural science products during 2H FY19F and \$0.2 million in 1H FY20F; and
- expected new customer wins following greater investment into sales and marketing including new DES clients expected to contribute \$0.15 million in 1H FY20F.

#### 4.7.1.2 Employment revenues

Figure 51 illustrates the historical and forecast employment segment revenues over FY16 to CY19F in millions of Australian dollars.

**Figure 51: ReadyTech pro forma employment revenues (A\$m) (FY16 to CY19F)**



From FY16 to FY17, ReadyTech reported an increase in employment revenues of \$1.0 million to \$10.4 million in FY17, which reflected an 11.0% increase on FY16. Key drivers contributing to revenue growth in FY17 included:

- an increase in implementation and training revenues due to an increase in number of new HR3 customers; and
- an increase in usage of existing customers which resulted in an increase in employment ARPC.

From FY17 to FY18, ReadyTech reported an increase in employment revenues of \$0.8 million to \$11.2 million in FY18, which reflected a 7.9% increase on FY17. Key drivers contributing to revenue growth in FY18 included:

- securing 187 new customers with a 77% higher ARPC than that of existing employment customers; and
- an increase in implementation and training revenues consistent with new customer wins.

However, growth during this year was impacted due to the following reasons:

- post acquisition of Employgroup, ReadyTech managed out unprofitable clients as part of the integration into ReadyTech in 1Q FY18, which resulted in elevated churn during the quarter (approximately \$299,000 from 84 clients); and
- gaps identified in the Employgroup sales function, which was rectified by 3Q FY18.

Resolution of both these issues has enabled Employgroup to focus on winning new clients and has resulted in 4Q FY18 being a record quarter in terms of new business and provided a strong pathway into FY19F.

## 4. Financial Overview

Further growth is expected in FY19F, with the Company expecting an increase in employment revenues of \$1.4 million to \$12.6 million in FY19F. Key drivers contributing to revenue growth in FY19F are expected to include:

- ongoing growth in number of licences sold, upselling of additional HR administration modules and roll-out of new products in the talent management sector (such as on-boarding module) to existing customers;
- growth in implementation and training revenue due to higher ongoing maintenance and support revenues;
- price increases already implemented by ReadyTech during FY19F;
- expected growth associated with customers adopting the new requirements by the ATO with Single Touch Payroll, which ReadyTech has developed compliant solutions; and
- benefit of increased sales staff recruited during FY18.

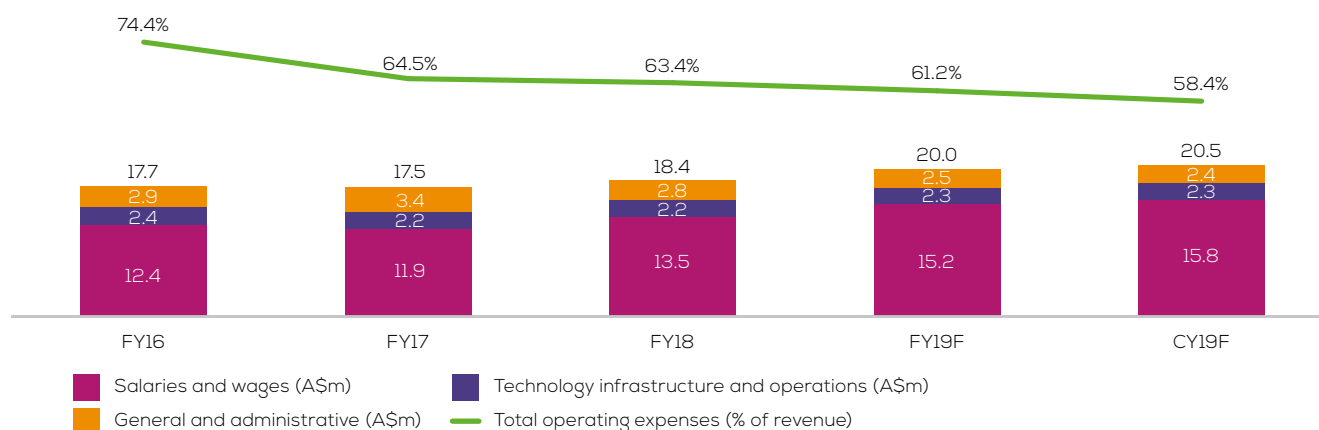
Similar to FY19F, further growth is expected in CY19F, for which an increase in revenue of \$0.6 million from FY19F and \$1.1 million from CY18F is forecast. This reflects a yearly revenue growth of 8.7% as compared to CY18F. The key drivers of growth during this period are expected to include:

- growth in the sales team to drive increased sales of new licences;
- ongoing upgrades of the product suite used by existing customers such that they use more modules and/or increase their usage of existing modules; and
- strategic alliances with accounting firms to promote ePayroll.

### 4.7.2 Expenses

Figure 52 illustrates total operating expenses and total operating expenses as a percentage of revenue from FY16 to CY19F.

**Figure 52: Operating expenses (A\$m) and operating expenses as percentage of revenue (%) – FY16 to CY19F**

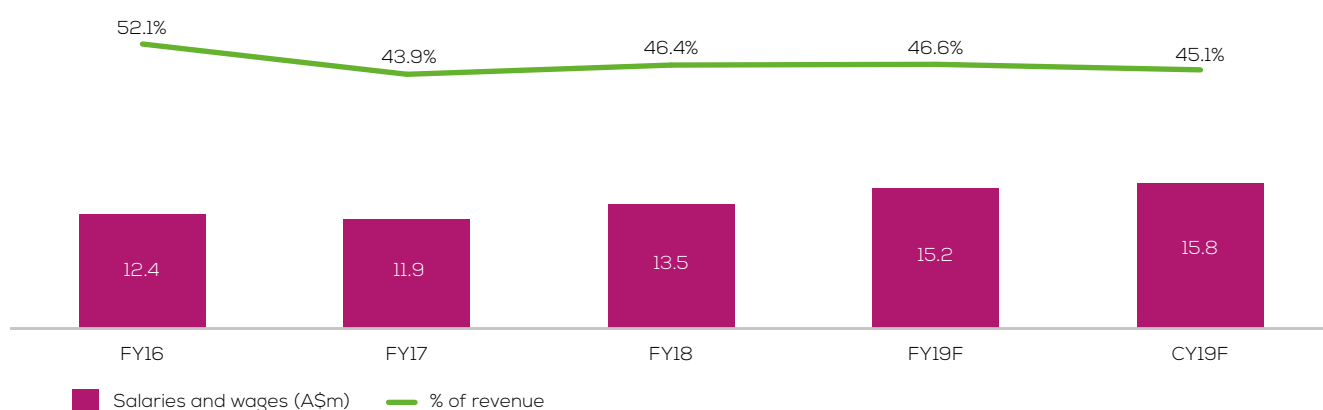


Total operating expenses as a percentage of revenue have decreased from 74.4% in FY16 to 63.4% in FY18, reflecting the operating leverage achieved from revenue growth, including increasing revenue from newer and higher value clients, while maintaining a relatively fixed cost base. Total operating expenses as a percentage of revenue are expected to decrease further to 58.4% by CY19F reflecting similar benefits of operating leverage.

#### 4.7.2.1 Salaries and wages

Salaries and wages represent the largest operating expense of the ReadyTech Group (77.3% of CY19F operating expenses). Figure 53 illustrates total salaries and wages expenses from FY16 to CY19F. Salaries and wages expense excludes capitalised development expenses (see Section 4.7.4 for further details).

**Figure 53: Salaries and wages expenses (A\$m) – FY16 to CY19F**



Salaries and wages expenses decreased by \$0.5 million from \$12.4 million in FY16 to \$11.9 million in FY17 primarily due to lower contractor costs in JobReady (with the education segment), and the impact of the co-founder of JobReady exiting the business as part of the sale to Pemba.

In FY18, salaries and wages expenses increased by \$1.6 million to \$13.5 million, primarily due to:

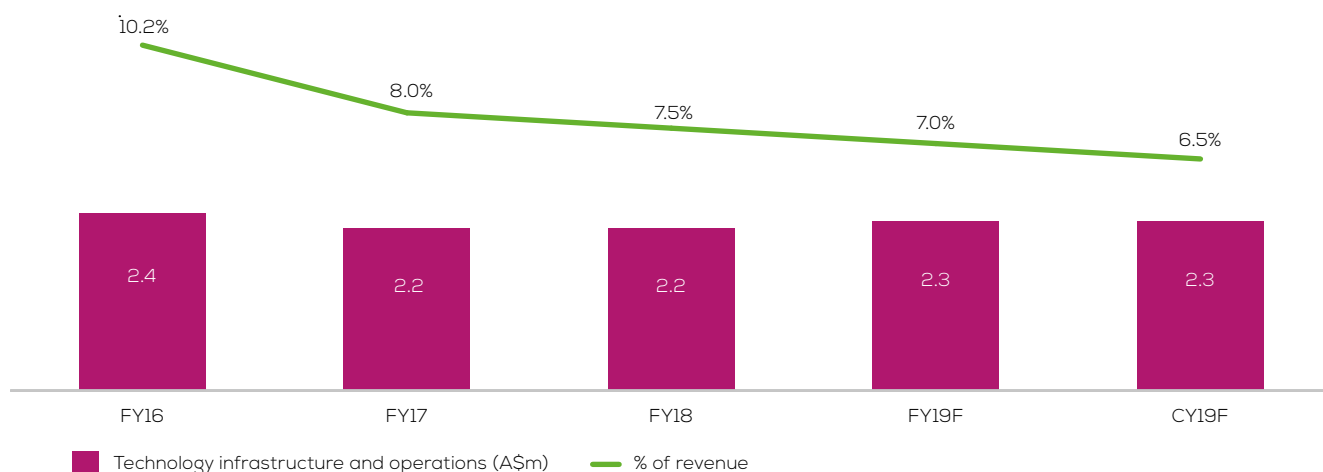
- investment in technology and sales headcount to support revenue growth; and
- investment in corporate functions including the finance team (CFO, financial controller and other).

During the forecast period, salaries and wages are expected to increase to \$15.2 million in FY19F and \$15.8 million in CY19F. The increases reflect the full year impact of an additional seven staff recruited during the course of FY18 and the anticipated recruitment of executives during CY19F to service the forecast growth of the business.

#### 4.7.2.2 Technology infrastructure and operations

Figure 54 illustrates ReadyTech's technology infrastructure and operations expenses during the historical and forecast period. These expenses are expected to increase slightly during the forecast period.

**Figure 54: Technology infrastructure and operations (A\$m) – FY16 to CY19F**





## 4. Financial Overview

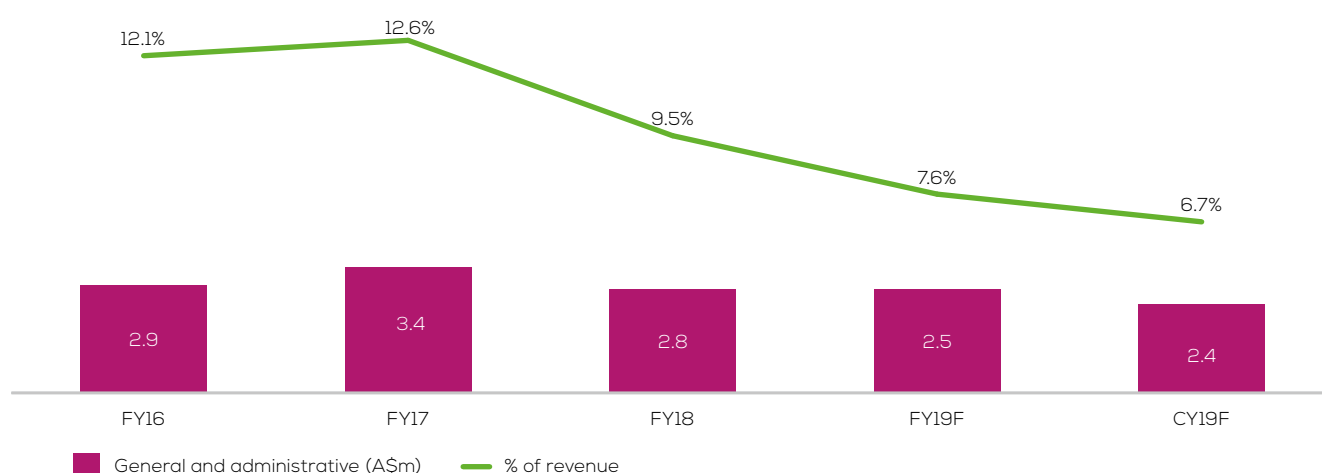
### 4.7.2.3 General and administrative

ReadyTech's general and administrative (**G&A**) expenses reflect marketing expenses (excluding labour), public company costs, professional services fees and general and administrative expenses. Figure 55 illustrates the historical and forecast G&A expenses from FY16 to CY19F.

G&A expenses increased from \$2.9 million in FY16 to \$3.4 million to FY17 reflecting increased expenditures in categories such as marketing and client related travel expenses for that year only.

G&A expenses reduced to \$2.8 million in FY18 and are expected to remain at approximately \$2.5 million during the forecast period. A key driver of the stable G&A expenses are scale benefits that ReadyTech has generated, particularly in professional services fees due to the procurement being undertaken at a group level. Therefore, ReadyTech's G&A expenses are expected to continue to decline to 6.7% of revenue by CY19F demonstrating the operating leverage within the business.

**Figure 55: General and administrative (A\$m) – FY16 to CY19F**



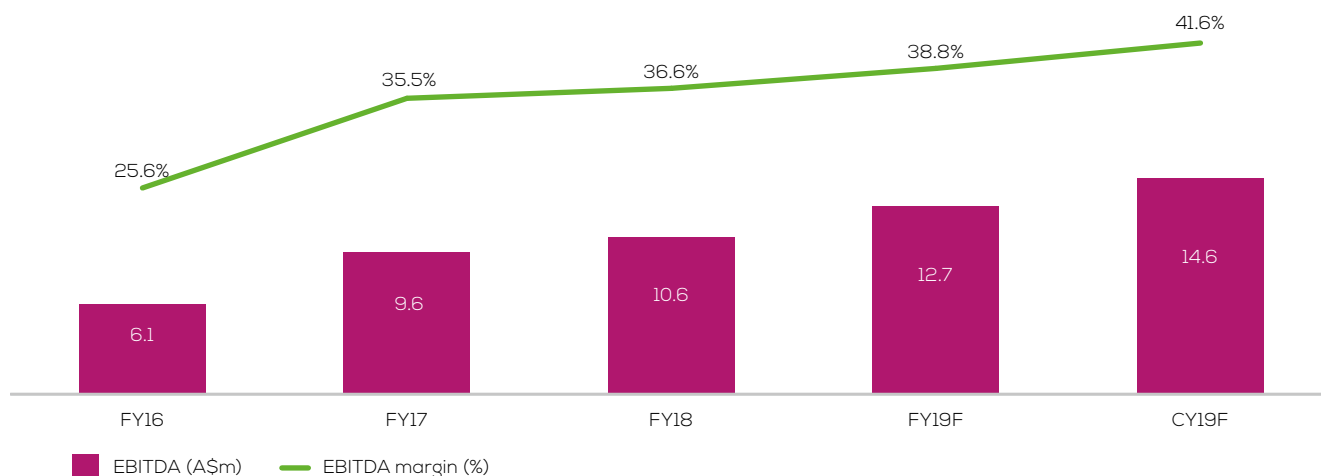
### 4.7.3 EBITDA

Figure 56 illustrates the historical EBITDA and forecast EBITDA performance for ReadyTech from FY16 to CY19F.

ReadyTech benefits from a relatively stable cost base, given salaries and wages are the largest component of the business. A large portion of revenue growth therefore converts to EBITDA, which can be seen through the improvement in EBITDA margin from 25.6% in FY16 to 36.6% in FY18 and is expected to increase to 41.6% in CY19F.

Whilst revenue growth has been the primary driver of the increase in EBITDA, cost efficiencies realised by centralising number of back office services at a group level, including accounting, audit and others also had a positive impact on EBITDA.

Figure 56: EBITDA (A\$m) and EBITDA margin (% of revenue) – FY16 to CY19F



From FY16 to FY17, ReadyTech reported an increase in EBITDA of \$3.5 million to \$9.6 million in FY17, which reflected a 58.4% increase on FY16. The key factors driving this growth were:

- \$3.4 million increase in revenues driven by growth in both education and employment; and
- \$0.2 million decrease in operating expenses driven predominantly by a reduction in salaries and wages expenses.

From FY17 to FY18, ReadyTech reported a more modest increase in EBITDA of \$1.0 million to \$10.6 million in FY18, which reflected a 10.5% increase on FY17. The key factors driving this result were:

- \$1.9 million increase in revenues, which was impacted by key customer wins in education weighted in 4Q18 (see section 4.7.1.1 for further details); and
- \$0.9 million increase in operating expenses, which was driven predominantly by an investment in headcount by ReadyTech in various corporate functions.

From FY18, ReadyTech is expected to continue to increase EBITDA to \$12.7 million in FY19F and \$14.6 million in CY19F. This growth is expected to be driven by operating leverage experienced by ReadyTech as the rate of revenue growth exceeds that of operating expense growth.

During 1H FY19, ReadyTech generated EBITDA of \$6.1 million, representing approximately 48.3% of FY19F forecast EBITDA of \$12.7 million.

#### 4.7.4 Capitalised development expenses

ReadyTech capitalises internally generated software development expenses when it is probable that the software, when completed, will generate future economic benefits (in accordance with the capitalisation criteria in *AASB 138 Intangible Assets*). The expenditure capitalised comprises direct labour and associated on-costs. In particular:

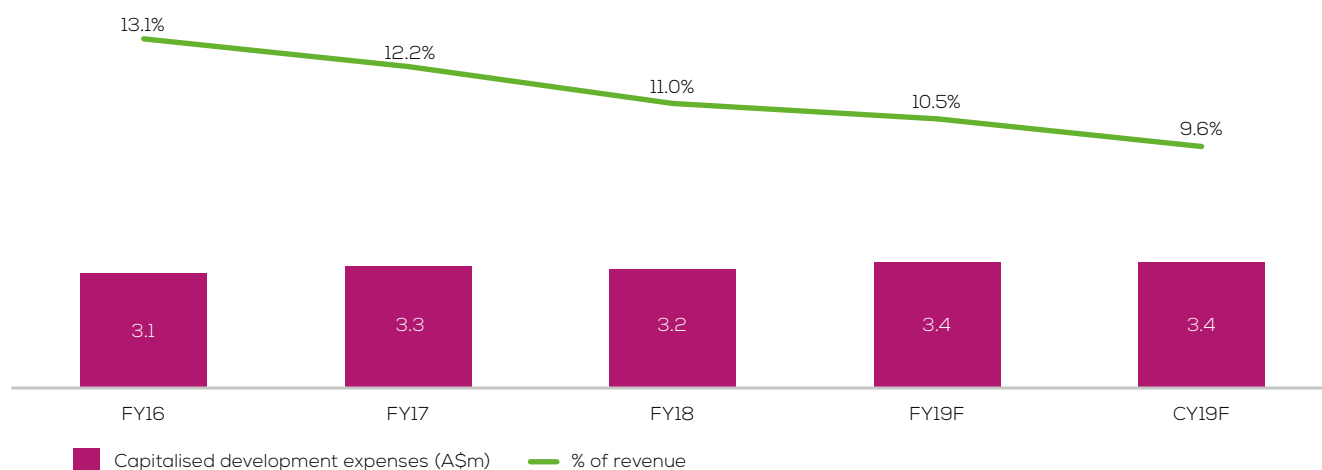
- salaries and wages of specific software engineering and technical teams based on a percentage of time spent on software projects is capitalised. This represents the salaries, wages and other employment-related costs of personnel directly engaged in generating the asset; and
- salaries and wages relating to administrative, training and other activities not directly associated with development of projects is expensed immediately.

No development expenses for behavioural science products (Esher House) or for My Profiling have been capitalised on the basis that these were not significant historically.

## 4. Financial Overview

Figure 57 illustrates the capitalised development expenses from FY16 to CY19F.

**Figure 57: Capitalised development expenses (A\$m) – FY16 to CY19F**



Capitalised development expenses have remained relatively stable and ranged between \$3.1 million and \$3.3 million between FY16 and FY18 and are forecast to remain flat at \$3.4 million in FY19F and CY19F.

### 4.7.5 Depreciation and amortisation

#### 4.7.5.1 Depreciation and amortisation

Depreciation and amortisation remained stable at \$3.0 million in FY16, \$3.2 million in FY17 and \$3.1 million in FY18. It is mostly driven by the amortisation of capitalised development expenses which are amortised over a period of between four to six years depending on the product, a policy that was adopted and applied retrospectively from 1 July 2015.

Depreciation and amortisation is expected to increase to \$3.5 million in FY19F and \$3.7 million in CY19F.

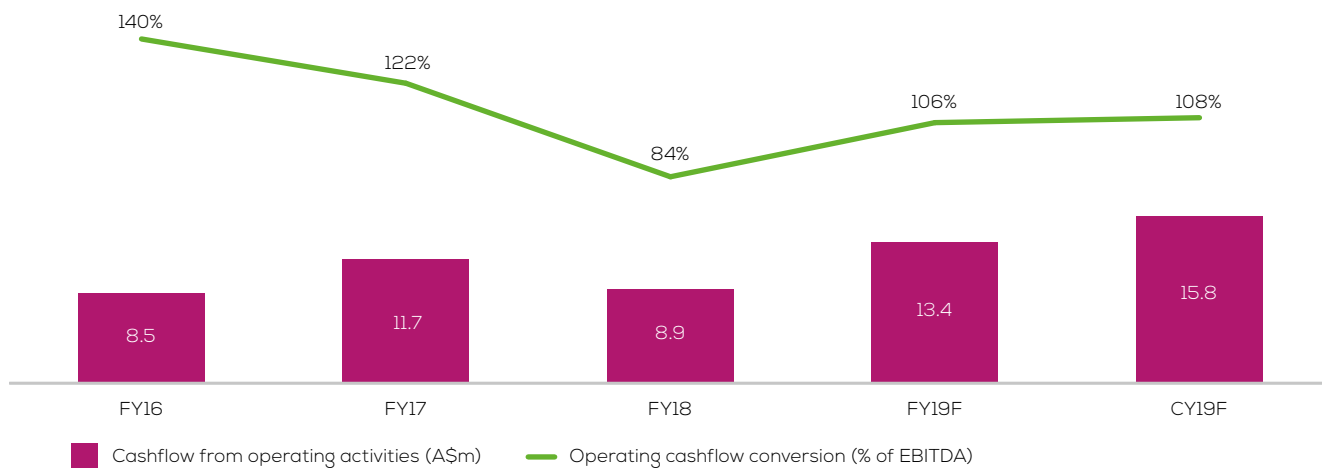
#### 4.7.5.2 Amortisation of acquired intangibles

ReadyTech started amortising acquired intangibles from FY18, with \$4.2 million expensed in FY18. During the forecast period, amortisation of acquired intangibles is forecast to increase marginally in the forecast period.

### 4.7.6 Cash flow from operating activities

ReadyTech's business model of generally charging customers upfront for 12 months or greater results in a strong cash flow from operating activities. As a result, ReadyTech had a three year average operating cash flow conversion (i.e. percentage of EBITDA) greater than 100% from FY16 to FY18.

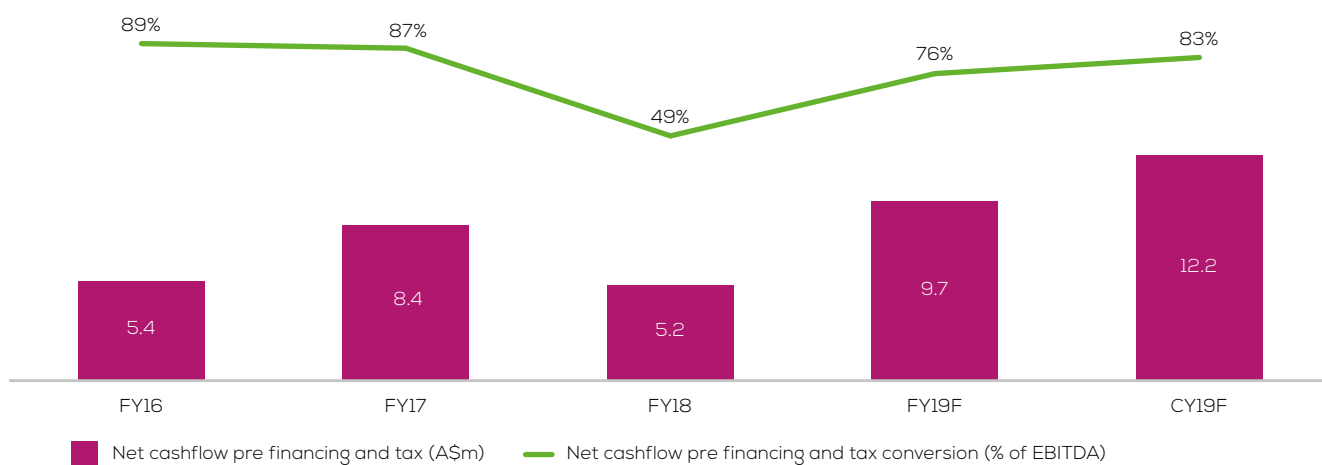
Figure 58: Operating cash flow (A\$m) and operating cash flow conversion (% of EBITDA) – FY16 to CY19F



#### 4.7.7 Net cash flow pre financing and tax

ReadyTech has strong net cash flow pre financing and tax driven by ReadyTech's strong operating cash flow and a stable capitalised development expense profile.

Figure 59: Net cash flow pre financing and tax (A\$m) and net cash flow conversion (% of EBITDA) – FY16 to CY19F



Net cash flow conversion in FY18 was impacted by:

- higher level of property, plant and equipment expenditure of \$0.6 million driven predominantly by an office fit out with associated leasehold improvement and computer equipment expenses; and
- working capital impacted in FY18 due to the multi-year contracts recognised in JobReady during FY17.

## 4. Financial Overview

### 4.8 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the members of its Board, and based upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out in Figure 60 is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that ReadyTech would respond to any adverse change in one variable by seeking to minimise the net effect on the Company's EBITDA.

**Figure 60: Sensitivity analysis on pro forma EBITDA for FY19F and CY19F (\$m)**

| Driver                                   | Increase/<br>decrease | FY19F EBITDA<br>impact (\$m) |          | CY19F EBITDA<br>impact (\$m) |          |
|--|-----------------------|------------------------------|----------|------------------------------|----------|
|  |                       | Increase                     | Decrease | Increase                     | Decrease |
| Revenue growth                           | ±2.0%                 | 0.6                          | (0.6)    | 0.6                          | (0.6)    |
| Revenue churn rate                       | ±1.0%                 | (0.3)                        | 0.3      | (0.4)                        | 0.4      |
| Salaries and wage expenses               | ±2.0%                 | (0.3)                        | 0.3      | (0.3)                        | 0.3      |
| Technology infrastructure and operations | ±5.0%                 | (0.1)                        | 0.1      | (0.1)                        | 0.1      |
| General and administrative               | ±5.0%                 | (0.1)                        | 0.1      | (0.1)                        | 0.1      |
| EBITDA margin                            | ±1.0%                 | 0.3                          | (0.3)    | 0.4                          | (0.4)    |

Note: In the increase scenario, the driver is increased by the respective rate. Conversely, in the decrease scenario, the driver is decreased by the respective rate. The impact on EBITDA as a result of increasing and decreasing these drivers is reflected in the table above.

### 4.9 Dividend policy

It is the current intention of the Board to target a payout ratio of between 40% and 60% of pro forma NPATA (subject to the availability of profits and the financial position of the Company). The current intention of the Board is for the dividends to be fully franked to the extent franking credits are available. The actual payout ratio may vary between periods depending upon on a number of factors including the general business environment, the operating results and financial condition of ReadyTech, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits and imputation credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company (including those under the New Banking Facilities) and any other factors the Directors consider relevant. It is expected that dividends will be franked to the maximum extent possible, which will depend on the amount of tax payable by the Company.

The Directors currently expect that the first dividend will be in respect of the period from 1st July to 31st December 2019 and will be paid in March or April 2020. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. There may be periods in respect of which dividends are not paid. Please read the Forecast Financial Information in conjunction with the assumptions underlying its preparation as set out in Section 4 and the risk factors set out in Section 5.



## 5. Risks



## 5. Risks

### 5.1 Introduction

The future performance or financial position of ReadyTech and the future performance of an investment in Shares may be influenced by a range of factors, many of which are outside the control of ReadyTech, the Directors and its senior management team. This Section 5 describes what ReadyTech believes to be the key risks associated with ReadyTech's business, the industry in which it operates, and the general risks associated with an investment in its Shares. It does not purport to list every risk that may be associated with ReadyTech's business or the industry in which it operates or with an investment in ReadyTech now or in the future. The occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of ReadyTech, its Directors and senior management team.

The selection of risks has been based on the assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact if the risk did occur. That assessment is based on the knowledge of the Directors and ReadyTech's senior management team as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge. Any of these risks, and any other risks that may emerge, may in isolation or in combination, if they eventuate, have a material adverse effect on ReadyTech's business, future financial position and future financial performance, cash flows or prospects, or the market price of the Shares. There can be no guarantee that ReadyTech will achieve its stated objectives or that the Forecast Financial Information or any forward looking statements contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks described in this Section 5 and all of the other information set out in this Prospectus and consider whether Shares are a suitable investment for you, having regard to your personal circumstances, investment objectives, financial circumstances and needs (including financial and tax issues). If you are unclear in relation to any matter set out in this Prospectus or are uncertain as to whether ReadyTech is a suitable investment for you, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest.

### 5.2 Risks specific to an investment in ReadyTech

#### 5.2.1 Failure to retain existing clients and attract new business

ReadyTech's business is dependent on its ability to retain a portion of its existing clients and attract new business. ReadyTech sells its products under various subscription and licence models, all of which are exposed to the risk of expiry, non-renewal, and pricing risks.

ReadyTech may fail to retain sufficient existing customers or attract sufficient new business for a number of reasons, such as the failure to meet customer expectations, poor customer service, technology disruptions, pricing, competition, or delayed conversion of customers with longer sale cycles. ReadyTech's ability to renew existing contracts and win new contracts may also be impacted by broader factors affecting the dynamics of the education and employment industries and their respective sectors, changes in law or changes in regulation of the industries in which ReadyTech operates more generally.

ReadyTech may be unable to retain existing clients and their current level of usage or attract new clients at the rate, over the timeframes or with pricing, revenues and costs it currently expects (and is not able to off-set this with additional revenue from existing customers). ReadyTech may also be unable to, or experience delays in, converting pipeline customers into new customers, especially larger customers who generally have longer sales cycles and procurement and tender processes. If these risks eventuate, this may have a material adverse impact on the financial performance of ReadyTech.

#### 5.2.2 Increased level of competition in the industries which ReadyTech operates

ReadyTech competes with a number of specialist software vendors in the education and employment industries. Both industries are subject to competition based on factors including price, service, quality, performance standards, information security, innovation and the ability to provide customers with an appropriate range of reliable and tailored services in a timely manner. Please see Sections 2.2 to 2.5 (inclusive) for a description of the competitive environments of the education and employment industries respectively in which ReadyTech operates in.

Any increase in the foregoing competitive factors, or others, may impact ReadyTech's ability to retain existing clients and attract new clients. As such, there is a risk that:

- competitors offer more cost efficient products than those of ReadyTech, which may, in particular, result in ReadyTech being required to introduce price reductions to retain existing clients or attract new clients, resulting in reduced profitability;
- competitors develop software with functionality that ReadyTech's products do not have, requiring ReadyTech to incur capital expenditure to develop products which can effectively compete with those offered by its competitors. If ReadyTech is unable to adapt its products, it may lose existing clients and/or be unable to attract new clients; and/or
- existing or potential competitors may have significantly greater resources than those of ReadyTech, which may enable them to develop superior products or adapt more quickly to new technologies, evolving industry trends or changing client or regulatory requirements.

These factors could in turn have an adverse impact on ReadyTech's future financial performance and business activities.

### **5.2.3 Disruption to, or failure of, technology systems and software, including security breaches**

As a provider of education and employment software solutions, ReadyTech and its customers are dependent on the effective performance, reliability and availability of ReadyTech's technology platforms, communications systems, servers, the internet, hosting services and the on-premise and cloud-based environments in which it provides such software solutions. ReadyTech relies on third party service providers for the delivery of its software solutions and, accordingly, many potential operational issues are outside ReadyTech's control.

There is a risk that ReadyTech's systems and software may be adversely affected by damaged or faulty equipment, misuse by staff or contractors, disruption, failure, service outages or data corruption, that could occur as a result of computer viruses, "worms", malware, internal or external misuse by websites, hacking or cyber-attacks, or other disruptions including natural disasters, power surges or outages, terrorist attacks, or other similar events. There is also a risk that security and technical precaution measures taken by ReadyTech and its third party operators will not be sufficient to prevent unauthorised access to ReadyTech's networks, systems and databases.

Such disruptions could compromise or breach the technology rendering the software unavailable for a period of time while the software is restored or resulting in the loss, theft or corruption of sensitive data (including confidential client or customer data).

Operational or business delays, and damage to reputation, may result from any disruption or failure of ReadyTech's information systems and product delivery platforms, which may be caused by events outside ReadyTech's control. This could lead to claims against ReadyTech by its customers, reduce the attractiveness of ReadyTech's software and services to its clients, subject ReadyTech to legal action and/or regulatory scrutiny and the potential termination of customer contracts,

Furthermore, ReadyTech's third party technology supplier contracts may not entitle ReadyTech to recover all of the losses that it may suffer as result of such disruptions or failures. In addition, certain of ReadyTech's material third party supplier contracts can be terminated at short notice. If such contracts were to be terminated, ReadyTech may not have sufficient time to procure a replacement provider in a timely manner and at an equivalent cost.

Any disruption or failure of ReadyTech's software solution systems, including those provided by third party providers, may adversely affect ReadyTech's business and financial position.

There is no guarantee that insurance cover will be available and adequate to cover all financial exposure arising from one or more of the circumstances described above. In addition, any significant claim against such a policy may lead to either or both of increased premium on renewal and additional exclusions to the terms of future policies.



## 5. Risks

### 5.2.4 Failure to realise benefits from product research and development

Developing software and technology is expensive and often involves an extended period of time to achieve a return on investment. An important aspect of ReadyTech's business is to continue to invest in innovation and related product development opportunities. ReadyTech believes that it must continue to dedicate resources to its innovation efforts to develop ReadyTech's software and technology product offering and maintain ReadyTech's competitive position.

ReadyTech may not however, receive benefits from these investments for several years or at all. ReadyTech makes assumptions about the expected future benefits generated by investment in product research and development and the expected timeframe in which the benefits will be realised. These assumptions involve both known and unknown risks that are beyond the control of the Company and are thus subject to change. Any change to the assumptions may have an adverse impact on ReadyTech's ability to realise benefits from innovation and product development related costs.

### 5.2.5 Failure to keep abreast of changes in compliance and regulatory environments

ReadyTech's products are significantly influenced and affected by government policy and regulations which apply to the education and employment industries in which ReadyTech operates. There is a risk that ReadyTech may fail to keep abreast of such policy and regulations and potential changes to the same, which may have an adverse impact on its business, operations and financial performance.

While ReadyTech is well versed in adapting its products to changing regulations and policies, any material new or altered law, regulation or policy which impacts ReadyTech's products could require ReadyTech to increase spending and employee resources on regulatory compliance and/or change its business practices, which would adversely affect ReadyTech's operations and profitability. Further, there is a risk that customers may reduce their usage of ReadyTech's products, or that ReadyTech may fail to attract new customers, if ReadyTech fails to offer solutions with appropriate coverage of compliance or regulatory requirements as sought by its customers.

### 5.2.6 Failure to maintain security accreditations

ReadyTech's security accreditations, which include ISO 27001 and IRAP, are important accreditations that customers expect when dealing with software providers in the industries in which ReadyTech operates. In certain circumstances, such accreditations are also required to be maintained in order to allow ReadyTech to tender for, and offer, its product offering to, certain clients (e.g. Government entities). Failure to maintain these security accreditations would impact ReadyTech's ability to attract new clients and may cause existing customers to stop using ReadyTech products.

ReadyTech understands that the Commonwealth Department of Jobs & Small Business (**Department**) has communicated to industry participants that the security threat landscape in Australia has changed and that, consequently, the scope of, and requirements for accreditation will be broadened so to include application-specific functionality. ReadyTech has received a draft reaccreditation framework from the Department which sets out requirements in order for ReadyTech to obtain reaccreditation for its SaaS-based product offerings, JobReady's Neptune System (**JR Live**), with the first of three stages of reaccreditation submitted to the Department in December 2018. ReadyTech is currently undertaking an assessment of the steps that will be required (and the likely costs involved) in order for ReadyTech to satisfy the requirements of the reaccreditation framework. While ReadyTech believes it will be able to obtain reaccreditation, were accreditations not to be achieved, there would be a likely commercial and financial impact for ReadyTech.

The above risks may result in the inability of ReadyTech to protect and/or use the intellectual property in question which may materially adversely impact ReadyTech's business activities, revenue, legal expenses and profitability.

### 5.2.7 Delays or inability to complete software implementation projects

New customers or existing customers changing projects, may require ReadyTech to undertake implementation projects, in order to integrate ReadyTech's solutions into such customers' internal IT solutions and workflows. Delays or inability to complete such implementation projects, creates the risk that these customers begin paying later or decide to no longer proceed with using ReadyTech's solutions. This risk becomes a more pertinent consideration with larger, higher value customers with more complex deployment processes.

### **5.2.8 ReadyTech may not be able to attract or retain key personnel**

ReadyTech's success depends to some extent on its ability to retain key personnel, in particular the senior Management team discussed at Section 6.3. ReadyTech's senior Management team have extensive experience in, and knowledge of, the education and employment industries in which ReadyTech operates. The loss of key personnel may adversely affect ReadyTech's ability to develop its products or implement its business strategies and may adversely affect its future financial performance.

### **5.2.9 Protection of, and exposure to, intellectual property**

ReadyTech relies on laws relating to intellectual property including copyright and trademarks to assist in protecting the proprietary rights in its products. There is a risk that unauthorised use or copying of ReadyTech's intellectual property (including its data or software) may occur. There is also a risk that ReadyTech will be unable to register intellectual property or otherwise protect or stop competitors using new intellectual property it develops in the future. In addition, there is a risk that the validity, ownership or authorised use of intellectual property relevant to ReadyTech's business may be successfully challenged by third parties. A successful challenge could lead to the granting of a court injunction which could materially affect ReadyTech's business operations and performance.

These above risks may result in the inability of ReadyTech to protect and/or use the intellectual property in question, which may materially adversely impact ReadyTech's business activities, revenue, legal expenses and profitability.

### **5.2.10 ReadyTech relies on third party technology and development services**

ReadyTech relies on third party software, hardware and technologies, for the development, implementation and operation of ReadyTech's software and services. ReadyTech also outsources certain of its software development activities to third party providers.

ReadyTech's operations would be materially impacted if existing third party suppliers no longer made their software, hardware and technologies available to ReadyTech or materially increased the price of the use of their software, hardware or technologies. In such circumstances, ReadyTech may be required to undertake additional development tasks internally, or find new suppliers of such software, hardware and technologies who may offer less favourable terms.

From time to time, ReadyTech contracts with third party providers located in emerging economies. A change in the laws, regulations, policies, government or political and legal system in any jurisdiction in which a third party provider to ReadyTech is located could impact ReadyTech's business (including because the terms of such contracts may be unenforceable or invalid), although ReadyTech believes it could readily source other providers or develop the capability in-house in the short term.

### **5.2.11 Changes to government funding arrangements or regulations for education and employment providers**

ReadyTech services a significant number of education customers (with student management systems and other solutions) and employment customers. Many of these customers (including VET, CRICOS, ELICOS, higher education, pathways and back-to-work providers) derive either all of some of their revenues from government from programs or contracts which are government funded. Some of the providers are also subject to a significant amount of regulation. There is a risk that if:

- a significant number of ReadyTech's customers have their contracts with the government terminated or not renewed (whether for underperformance or otherwise);
- either Federal or State Governments reduce or stop funding to all or some of the relevant education or employment programs; or
- a significant number of ReadyTech's customers are unable to comply with government regulations as they may change (or as the enforcement of them may change) over time such that they are unable to participate in the relevant education or employment programs,

there would be a material adverse impact on the demand for ReadyTech's solutions. These risks may be exacerbated by any change in Government and it is noted that a New South Wales State election will occur in March 2019 and a Federal election is due by November 2019.

## 5. Risks

In addition to funding, the Commonwealth Government provides support to eligible students via income-contingent loans for VET or higher education programs, funding all or part of the tuition costs for eligible students, with the student repaying the loan to the Commonwealth Government through the tax system once the student reaches the minimum income threshold level for repayment. There is a risk that the Commonwealth Government could either alter or remove this policy (e.g. change the minimum income threshold level for repayment or reduce the availability of student loans), which may reduce the number of students who elect to study these courses with ReadyTech's customers.

ReadyTech also understands that the Commonwealth Department of Jobs & Small Business proposes to digitise certain components of its existing jobactive program which may change the way in which employment service providers contract with the Department. Changes to the jobactive program could result in the failure to renew contracts which existing employment service providers have in place with the Department and changes to the funding arrangements which are in place between employment services providers and the Department, which may impact the demand for ReadyTech's solutions.

As a result, any change in the government policy or funding for programs in which ReadyTech's clients participate could have a material adverse impact on ReadyTech's financial performance.

### 5.2.12 ReadyTech is exposed to risks from past and future business combinations

From time to time, ReadyTech investigates and undertakes product and /or adjacent market acquisitions, and other growth initiatives that are consistent with its stated growth strategy. Implementing such projects can be time consuming and costly, and the process of integration may create unforeseen operating difficulties and expenditure. The risks ReadyTech may face in connection with its expansions, acquisitions and other growth initiatives include:

- difficulty in integrating and migrating the operations, systems, technologies and employees of the acquired business;
- disruption to ReadyTech's existing business and diversion of management's attention on transition and integration of the acquired business;
- difficulty in entering markets in which ReadyTech has limited direct or prior experience and where competitors have established market positions;
- potential loss of key employees, clients or suppliers of the acquired business;
- assumption of liabilities and incurrence of debt to fund acquisitions;
- assumption of contractual obligations that contain terms that are not beneficial to ReadyTech;
- failure to realise the expected synergies and increases in revenue, margins and net profit from acquisitions; and
- limited experience with local laws, regulations and business customs in new and unfamiliar markets.

The occurrence of any of the above events may result in the expansion, acquisition or other growth initiative failing to meet strategic objectives, generate the anticipated improvement in financial performance or produce other expected synergies.

In addition, the availability or opportunity for future expansion, acquisition or other growth initiatives may be affected by factors outside the control of ReadyTech, the Directors and its senior management team, and are not reliably predictable (including without limitation, commercial or regulatory changes).

### 5.2.13 Risks associated with expansion into new and adjacent markets

If ReadyTech expands its operations into adjacent markets (for example: Human Resources talent management software) and/or new geographic markets, its obligations under the various legal and regulatory regimes may become increasingly complex, and potentially conflicting. If ReadyTech were to expand into new geographies, it may also be exposed to risks due to unfamiliarity with the relevant markets and legal systems, potentially leading to misinterpretation and/or non-compliance with laws and regulations.

ReadyTech's product development efforts carry an inherent risk that any developments in functionality and capabilities will not be successful, will not find acceptance among customers and may generate losses and result in significant expenses and capital expenditures in undertaking these expansions.

#### **5.2.14 ReadyTech's brands may diminish in reputation and value**

Maintaining the strength of ReadyTech's brands and their reputation in the industries in which ReadyTech operates is important to retaining and increasing ReadyTech's client base and to enabling ReadyTech to successfully grow the business going forward. There is a risk that the reputation of ReadyTech's brands could be affected by the actions of third parties, such as business partners, technology providers and its client base (e.g. the incorrect processing of payroll by a client). There is also a risk that unforeseen issues or events may arise that adversely affect ReadyTech's reputation, including the reputational impact of other risks outlined in this Prospectus.

For instance, any system failure associated with ReadyTech's products, the failure of a key contract, or any reduction in the quality of ReadyTech's products may adversely affect ReadyTech's brand reputation and value. In addition, if ReadyTech is unable to respond quickly to rectify any system failure, this may also adversely impact its brand reputation and value. If ReadyTech's reputation is diminished, this could result in clients or third party technology providers or partners ceasing to do business with ReadyTech. It may also impede ReadyTech's ability to compete successfully and may adversely affect ReadyTech's future financial performance.

#### **5.2.15 ReadyTech may fail to execute its growth strategy**

ReadyTech's growth strategy outlined in Section 3.10 is focussed on:

- winning new and higher value customers;
- greater spend per customer;
- behavioural science;
- partnerships and strategic alliances; and
- buy and build.

ReadyTech may not be successful in identifying opportunities, assessing the value, strengths and weaknesses of these opportunities and finalising acquisitions or implementation of other opportunities on acceptable terms or, if completed, realise expected synergies and other benefits. In addition, ReadyTech may compete for certain opportunities/acquisition targets with companies having greater financial resources than it does.

In respect of acquisitions, there is a risk that the integration of any acquisition may take longer or cost more than expected by ReadyTech, or lead to technical difficulties or disruption of service, which would impact on the profitability of the Company. There is no guarantee the acquired businesses will operate as profitably after integration as they did prior to their acquisition by ReadyTech. To the extent ReadyTech is not able to execute its strategy, its business and growth prospects may be adversely impacted.

#### **5.2.16 Failure to effectively manage growth**

ReadyTech has experienced a period of considerable growth in both revenue, employee numbers and customer base. Based on ReadyTech's projections, ReadyTech expects further growth in the future which could place significant strain on current management, operational and finance resources as well as the infrastructure supporting ReadyTech's current products. ReadyTech's future success depends on its ability to effectively manage this growth. Failure to appropriately manage growth could result in failure to retain existing customers and a failure to attract new customers, which could adversely affect ReadyTech's operating and financial performance.

#### **5.2.17 Impairment of intangible assets**

ReadyTech has a material amount of intangible assets on its balance sheet relating to the goodwill from past business combinations. Under Australian Accounting Standards, goodwill and indefinite intangible assets must be regularly tested for impairment. If impaired, ReadyTech would need to write down the value of its intangible assets, which would result in an expense in the income statement, thereby potentially materially impacting ReadyTech's financial condition and reported earnings.

## 5. Risks

### 5.2.18 Failure to meet forecasts

The forward looking statements, opinions and estimates provided in this Prospectus, including the Forecast Financial Information, rely on various contingencies and assumptions, some of which are described in Section 4. Various factors, both known and unknown, may impact upon the performance of ReadyTech and cause actual performance to vary significantly from expected results. There can be no guarantee that ReadyTech will achieve its stated objectives or that any forward looking statement or forecast will eventuate.

## 5.3 General risks

### 5.3.1 Economic and government risks

Once ReadyTech becomes a publicly listed company on ASX, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. The future viability of ReadyTech will be dependent on a number of other factors affecting performance of all industries and listed entities, which may result in fluctuations in the prices of Shares that are not explained by the fundamental operations and activities of ReadyTech. These include, but are not limited to:

- the number of potential buyers or sellers of Shares on ASX at any given time;
- the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards technology stocks in particular;
- general economic conditions in Australia including unemployment rates, commodity and oil prices, and changes to government fiscal, monetary or regulatory policies, taxation, legislation or regulation;
- movement in, or outlook on, interest rates and inflation rates in jurisdictions in which ReadyTech operates;
- recommendations by brokers or analysts;
- inclusion of ReadyTech in, or removal from, market indices;
- global hostilities, tensions, and acts of terrorism;
- natural disasters, social upheaval or war in jurisdictions in which ReadyTech operates; and
- general operational and business risks.

ReadyTech is also indirectly subject to inherent risks arising from the state of the global financial markets. After mid-2008, the global economy experienced a period of significant turbulence and uncertainty which triggered widespread problems including recessionary conditions and trends in many economies around the world. The widespread deterioration in these economies adversely affected, among other things, government spending, business spending (including technology), consumer confidence, levels of employment, sales volumes and interest rates. Financial turbulence may re-emerge or ongoing progress towards a return to more normal economic conditions patterns may fail.

Any of the factors described above could have a material adverse impact on ReadyTech's business, financial performance and operations, and may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following quotation on the ASX, even if ReadyTech earnings increase.

### 5.3.2 Liquidity of Shares

There is currently no public market through which existing Shares may be sold. On Completion, there can be no guarantee that an active market will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares, or disposing of Shares they acquire under the Offer.

The Escrowed Shareholders will hold approximately 56.4% of the Shares following Completion, which may impact on liquidity. The Escrowed Shareholders have entered into voluntary escrow arrangements in relation to all of the Shares they hold immediately following Completion. A summary of the escrow arrangements is set out in Section 7.8. The absence of any sale of Shares by the Escrowed Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

### **5.3.3 Concentration of shareholdings**

After the Offer is completed, Pemba will hold approximately 43.2% of the total Shares on issue and will continue to be able to exert significant influence over ReadyTech, including in relation to the election of Directors, the appointment of new management and the potential outcome of matters submitted to the vote of shareholders.

There is a risk that the interests of Pemba may be different from the interests of investors who acquire Shares under the Offer. There is also a risk that the continued shareholding of Pemba, in particular until the end of the escrow period, may cause or contribute to a limited liquidity in the market for Shares, which could affect the market price at which other Shareholders are able to sell. There is also a risk that a significant sale of Shares by Pemba after the end of the escrow period, or the perception that such a sale might occur, could adversely impact the price of Shares. The continued shareholding of Pemba may also negatively impact the timing and effectiveness of any capital raising activities of ReadyTech, which could adversely impact ReadyTech's cost of capital and financial position.

### **5.3.4 Ability to access debt and equity markets on attractive terms**

In the future, if ReadyTech was required to raise capital through public or private financing or other arrangements such financing may not be available on acceptable terms, or at all, and a failure to raise capital when needed could harm ReadyTech's business and prospects. If ReadyTech cannot raise funds on acceptable terms, it may not be able to sustain its operations or grow its business or respond to competitive pressures.

ReadyTech may rely on debt funding to help fund its business operations in the future. If debt financing is used in the future, ReadyTech will face refinancing risk if it is unable to refinance its debt when it falls due. If this occurs, the terms available to ReadyTech (including in relation to pricing) on refinancing with a new debt facility may not be as favourable as those under its existing debt facilities at the time and, if there is a deterioration in the level of debt market liquidity, this may prevent ReadyTech from being able to refinance some or all of its debt.

### **5.3.5 Risk of shareholder dilution**

In the future, ReadyTech may elect to issue Shares or engage in capital raisings to facilitate employee share plans, or fund expansion, acquisitions, or other growth initiatives. While ReadyTech will be subject to the ASX Listing Rules regarding the percentage of capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such capital raisings and issues of Shares.

### **5.3.6 Inability to pay dividends or make other distributions or to frank dividends**

The payment of dividends by the Company is determined by the Board from time to time at its discretion, depending on the profitability and cash flow of ReadyTech's business and its financial position at the time. Circumstances may arise where the Company is required to reduce or cease paying dividends for a period of time.

To the extent that the Company pays dividends, the Company may not have sufficient franking credits in the future to frank dividends, or the franking system may be subject to review or reform. In addition, if the proportion of ReadyTech's earnings from offshore operations increases, it may not be possible to frank dividends. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

### **5.3.7 Potential changes to tax rates or laws**

Changes in tax law (including transfer pricing, GST, stamp duties and the ability to claim R&D offsets), or changes in the way tax laws are interpreted, may impact the tax liabilities of ReadyTech, Shareholder returns, the level of dividend imputation or franking, or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. Furthermore, the status of some key tax reforms remains unclear at this stage.

## 5. Risks

In addition, tax authorities may review the tax treatment of transactions entered into, or tax deductions or similar claimed (whether in respect of GST, stamp duty or R&D tax offsets) by ReadyTech in any jurisdictions in which ReadyTech operates or has activities. Any actual or alleged failure to comply with, or any change in the application, interpretation or enforcement of, tax rules applied in respect of such transactions, could increase ReadyTech's tax liabilities or expose it to legal, regulatory or other actions.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective shareholder is encouraged to seek professional tax advice in connection with any investment in ReadyTech.

### 5.3.8 Litigation risk

ReadyTech may be subject to litigation or other proceedings in the course of its business including employment disputes, contractual disputes, indemnity claims, occupational and personal claims, which could be costly, disrupt its business operations and cause damage to its reputation.

### 5.3.9 Australian Accounting Standards

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the control of the Company, the Directors and its senior management team. The AASB may introduce new or refined AAS, which may affect future measurement and recognition of key statement of profit or loss and statement of financial position items, including revenue and receivables.

There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key statement of profit or loss and statement of financial position items, including revenue and receivables, may differ.

Changes to AAS issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in ReadyTech's consolidated financial statements.

### 5.3.10 Force majeure events

Events may occur within or outside the jurisdictions in which ReadyTech operates, that could impact upon the economies of those jurisdictions or the global economy, the operations of ReadyTech and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for ReadyTech's software and services and its ability to conduct business. ReadyTech has only a limited ability to insure against some of these risks.

### 5.3.11 No guarantee in respect of investment

The above list of risk factors is not an exhaustive list of the risks faced by ReadyTech or by the investors in ReadyTech. The above factors, and others not specifically referred to above, may materially affect the business, operations and financial performance of ReadyTech, and the value of the Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. In addition, past performance and the Forecast Financial Information provides no indication or guarantee of ReadyTech's performance in the future.

Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of Shareholders to sell their Shares. Prospective investors should consult professional advisers before deciding whether to apply for Shares under the Offer.





## 6. Board of Directors and Senior Management



## 6. Board of Directors and Senior Management

### 6.1 Board of Directors


The Board and senior management comprise a selection of individuals with experience and expertise in the SaaS industry. The Board consists of 5 members, of which 4 are Non-executive Directors with Marc Washbourne, the Group's Chief Executive Officer, being the only Executive Director.

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, IP, IT, financial management and corporate governance experience.

The composition of the Board committees and details of the Board's key corporate governance policies are set out in Section 6.5.

Each Director below has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Director without constraint from other commitments.

**Figure 61: Board of Directors overview**

| Position   | Experience and qualifications   |
|--|---|
|  | <p><b>Tony Faure</b><br/><b>Independent Non-Executive Chairman</b></p> <ul style="list-style-type: none"><li>• Tony Faure was appointed to the Board on 8 March 2019 as an Independent Non-Executive Director and is the Chairman. Tony is also a member of the Audit and Risk Committee and Remuneration and Nomination Committee.</li><li>• Tony brings to ReadyTech deep experience and the successful leadership of some of Australia's leading technology and digital media companies.</li><li>• Tony is currently the chairman of ASX-listed company oOh!media Limited, data intelligence platform PredictHQ Ltd and start-up accelerator Pollenizer Pty Ltd, as well as a non-executive director of digital mortgage company uno Home Loans (Planwise AU Pty Ltd).</li><li>• Previously Tony has been a board member of several companies including Australian Independent Business Media Pty Ltd (publisher of Business Spectator/Eureka Report), Junkee Media Pty Ltd, Torque Data, iSelect Ltd, biNu Pty Limited, Lasttix (Tickets Pty Ltd), Stackla Pty Ltd, Medical Channel Pty Limited and Private Media Pty Ltd.</li><li>• He was CEO of ninemsn Pty Ltd between 2006 and 2008; CEO of HomeScreen Entertainment Pty Ltd between 2003 and 2005; Regional Vice President, South Asia for Yahoo! Inc between 2001 and 2002 and the launch Managing Director of Yahoo! Australia &amp; NZ (Holdings) Pty Limited between 1997 and 2001. Before this Tony worked in magazine publishing, including with VNU Business Publications Ltd in London between 1983 and 1995.</li><li>• Tony was also a member of the Starlight Children's Foundation Australia's NSW Advisory Board between 2005 and 2017.</li></ul> |

**Position****Experience and qualifications**

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**Marc Washbourne****Chief Executive Officer**

- Marc Washbourne was appointed to the Board on 8 March 2019.
- Marc Washbourne was one of the founders of the JobReady business and was appointed CEO in 2006.
- Marc brings to ReadyTech over 22 years of experience in technology and software solutions within the education and employment industries. Marc has been an active member of the CEO Institute since 2011 and is a member of the advisory board of Year 13 Pty Ltd.
- A former software developer, Marc couples his technical background with a strategic approach to drive the vision and growth of ReadyTech as well as leading the strategy on the SaaS and value-added services delivered to ReadyTech customers.
- Marc was educated in the United Kingdom at the Royal Grammar School of High Wycombe and achieved a first-class degree in History from the University of Leeds.

**Elizabeth Crouch****Independent Non-Executive Director**

- Elizabeth Crouch was appointed to the Board on 8 March 2019 as an Independent Non-Executive Director. Elizabeth is also the Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.
  - Elizabeth is an experienced non-executive director having previously held roles with Chandler, Macleod Group Limited, McGrath Estate Agents (McGrath Limited), and Macquarie University Hospital.
  - Elizabeth chairs the Boards of the Customer Owned Banking Association and SGS Economics and Planning Pty Ltd and is an Emeritus Deputy Chancellor of Macquarie University having served the governing Council for 17 years.
  - Elizabeth is on the Board of the NSW Government's Institute of Sport, Health Infrastructure and the Western Sydney Local Health District and chairs the NSW Government's Non-Government Schools Advisory Council.
  - Elizabeth also chairs audit committees for the City of Sydney, the NSW Office of Environment and Heritage and RailCorp and works with Optimize International, LLC, a strategic consultancy firm as well as supporting a range of community and sporting bodies including as the Chair of the Women's University Rugby 7s and Deputy Chair of the Macquarie University Sydney Rays rugby franchise.
  - Elizabeth is an executive coach and moderator for The Orijen Group and spent 16 years with the Federal government before moving into the private sector, where she held various positions including as Chief Executive of the Housing Industry Association Limited. She is a member of Women on Boards and is a Fellow of the Australian Institute of Company Directors.
  - Elizabeth holds a Bachelor of Economics and is currently completing a Master of Cyber Security.
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## 6. Board of Directors and Senior Management

### Position

### Experience and qualifications



#### **Timothy Ebbeck**

##### **Independent Non-Executive Director**

- Timothy Ebbeck was appointed to the Board on 8 March 2019 as an Independent Non-Executive Director. Timothy is also the Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.
- Timothy has over 30 years of board, executive and advisory experience across a breadth of industries including technology, media, consulting, and finance industries.
- Timothy's previous executive experience includes being the chief financial officer of Unisys South Pacific and Compaq Computers South Pacific, being chief financial officer of TMP Worldwide (Asia Pacific and Japan), chief financial officer and chief executive officer of SAP (ANZ), chief commercial officer of NBN Co, and Managing Director of Oracle (ANZ). Timothy is currently the Managing Director and Senior Vice President of Automation Anywhere (ANZ).
- Timothy also has significant board experience having previously been a non-executive director for SkynetGlobal Limited, CPA Australia, Nextgen Distribution, NVOI Limited, and GeoOp Limited. Timothy has also been a non-executive Chairman at Insite Organisation Pty Ltd, Co-Chairman at NSW Maharashtra Cup, Syndicate Chairman at the CEO Institute and Executive Chairman at IXUP Limited.
- Timothy is also an experienced board advisor having advised DNS IT Pty Ltd, been a member of the Sustainable Growth Taskforce and member of the Innovation Taskforce for the Business Council of Australia, and presently is a Trustee of the Museum of Applied Arts & Sciences NSW (Powerhouse Museum, Sydney Observatory), advisor to MyWave Limited, and to Techfront Australia.
- Timothy has a Bachelor of Economics from Macquarie University, is a Fellow of CPA Australia, a Fellow of the Australian Institute of Management, a Graduate Member of the Australian Institute of Company Directors, and a Member of the Australian Computer Society.



#### **Tom Matthews**

##### **Non-Executive Director**

(Representative of Pemba)

- Tom Matthews was appointed to the Board on 8 March 2019 as a Non-Executive Director.
- Tom is a Partner at Pemba, a leading private equity manager focussed on investments in small and mid-sized private businesses in Australia and New Zealand. Pemba (and its associated entities) will hold 43.2% of the Shares of the Company on completion of the Offer.
- Tom has over 15 years of experience in private equity, principal investment, investment banking and middle market advisory and valuations.
- Tom joined Pemba in 2015 and has led a number of transactions across Pemba's areas of sector focus. These include investments into HR3 Pty Ltd, JobReady (Pet Tech Pty Ltd) and Vital Software (Vital Software Pty Ltd and Vital Software Limited).
- Tom joined Pemba from Sovereign Capital Partners LLP, the UK 'Buy & Build' specialist private equity fund, where he was based in London and focussed on investing in mid-market consolidators in the healthcare, education and business services sectors. Tom was previously with the Investment Banking Group at Macquarie Bank Limited, and focussed on principal investment opportunities across a variety of sectors. Prior to Macquarie Bank Limited, Tom gained substantial transaction experience at Deloitte Corporate Finance both in Sydney and London. Tom's primary areas of expertise at Deloitte Corporate Finance involved business valuations, independent expert's reports and corporate advice.
- Tom is a CFA charter holder, a member of the Sydney CFA Society and also has a Masters of Applied Finance and Investment from the Financial Services Institute of Australasia. In 2001, Tom was awarded a Bachelor of Sciences honours degree in Management Sciences from the London School of Economics.




## 6.2 Director disclosure

No Director has been:




- an officer of any company that has entered into a form of external administration because of insolvency during the time the Director was an officer or within the 12 month period afterwards; and
- subject to any legal or disciplinary action that is less than 10 years old.

## 6.3 Senior management

Figure 62: Management overview

| Director  | Experience  |
|---|---|
|    | <p><b>Marc Washbourne</b><br/>Chief Executive Officer</p> <ul style="list-style-type: none"><li>• See Section 6.1</li></ul>   |
|   | <p><b>Nimesh Shah</b><br/>Chief Financial Officer</p> <ul style="list-style-type: none"><li>• Nimesh Shah has been the Chief Financial Officer of ReadyTech since August 2017.</li><li>• Nimesh has over 20 years' experience as an executive in technology and online digital industries, utilising experience gained working across Australia and many parts of Asia.</li><li>• Nimesh was Global CFO for pioneering social networking site, Friendster, Inc. Nimesh was also Finance Director at Fairfax Digital Australia &amp; New Zealand Pty Limited for seven years, playing an instrumental role in navigating the company into the world of online publishing and transaction businesses. Prior to his appointment at Fairfax Digital, Nimesh worked at Dell Computer Pty Ltd in the UK, Arthur Andersen LLP and Ernst &amp; Young.</li><li>• Nimesh was also the Chief Financial Officer and Company Secretary of ASX-listed iSentia Group Limited, a position which he held until July 2017, where he played an instrumental role in transitioning iSentia to become a leading media intelligence organisation in Asia Pacific.</li><li>• Nimesh holds an MBA from the Australian Graduate School of Management and a Bachelor of Commerce with Merit from the University of New South Wales. Nimesh is also a member of The Institute of Chartered Accountants in Australia.</li></ul> |
|  | <p><b>Tony Jones</b><br/>General Manager, JobReady</p> <ul style="list-style-type: none"><li>• Tony Jones is an experienced member of the ReadyTech Management team, joining the organisation in an operational role in 2006.</li><li>• Tony previously worked on major IT transformation projects at Universal Music Group in UK (Universal Music Operations Limited).</li><li>• Tony has overseen many key projects at ReadyTech, including responsibility as Project Director of the successful implementation of AVETARS for ACT State Government.</li><li>• Tony is a strong proponent of agile methodology and over many years, played role of scrum master in many successful projects for ReadyTech.</li></ul>  |

## 6. Board of Directors and Senior Management

| Director  | Experience  |
|---|---|
|    | <p><b>Trevor Fairweather</b><br/><b>General Manager, VETtrak</b></p> <ul style="list-style-type: none"><li>Trevor Fairweather has been General Manager of VETtrak since January 2018.</li><li>Trevor has over 20 years' experience in senior management and executive roles across the technology sector in Australia, New Zealand and Asia.</li><li>Trevor started his career at MYOB Australia Pty Ltd in 1996, where he spent 16 years playing an instrumental role in building the business and helping the business transition from desktop to online accounting solutions. At MYOB, Trevor held general management and senior management roles leading large teams responsible for sales, client service, change management, and delivery. Following MYOB, Trevor joined NGA.NET (now known as Acendre Pty Ltd), a human capital management software provider as Director, Client Experience. Following NGA.NET, Trevor joined a construction tech start-up business, EstimateOne Pty Ltd as General Manager helping scale the business.</li><li>Trevor holds various qualifications in business accounting, consulting, leadership and management.</li></ul>   |
|   | <p><b>Daniel Wyner</b><br/><b>General Manager, Employgroup</b></p> <ul style="list-style-type: none"><li>Daniel Wyner is an experienced business leader with a passion for innovation and best practice in payroll management and HR. Daniel joined Employgroup in mid-2018, he brings over 10 years' experience as an executive in the information, software and services industry as well as a Practising Accountant.</li><li>Daniel is a former Asia Pacific Regional Director at CCH Australia Limited, owned by Wolters Kluwer N.V. a multinational global provider of professional information, software solutions and services listed on the Amsterdam Stock Exchange. During his tenure at Wolters Kluwer he also held the role of Head of Strategy, Mergers &amp; Acquisitions, General Manager of Sales and General Manager of Global Product Management.</li><li>Prior to joining Wolters Kluwer Daniel served as an Accountant in a BRW top 100 firms primarily undertaking Audit and Business services work on both public and private companies.</li><li>Daniel holds a Professional Certificate in Mergers &amp; Acquisitions from New York Institute of Finance and Building New Businesses in Established Organisations from Harvard Business School. Daniel also holds a Bachelor's of Commerce from Deakin University.</li></ul> |
|  | <p><b>Darren Coppin</b><br/><b>General Manager, Esher House</b></p> <ul style="list-style-type: none"><li>Darren Coppin founded Esher House in 2010.</li><li>Darren previously grew a government-funded education and employment provider twelvefold in the UK before selling it to Anglia Ruskin University in 2010.</li><li>Darren has just completed his Doctoral thesis on behavioural change for final submission this year and has been peer-reviewed for publication in academic journals.</li><li>Darren is a frequent keynote speaker on behavioural science, employment, youth, well-being, resilience and education.</li><li>Darren holds an MBA from Cranfield School of Management (UK), where he was voted "most likely to succeed" by his fellow students.</li></ul>   |

## 6.4 Interests and Benefits

This Section 6.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed director of the Company or SaleCo;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company or SaleCo; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company or SaleCo;
- property acquired or proposed to be acquired by the Company or SaleCo in connection with its formation or promotion; or
- the Offer,

and, other than as set out in this Prospectus, no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company, SaleCo or the Offer or to any Director or proposed Director of the Company or Director or proposed Director of SaleCo to induce them to become, or qualify as, a Director.

### 6.4.1 Interests of advisers

The nature and extent of the interests and fees of professional advisers engaged by the Company is set out at Sections 9.5.1 and 9.14.

### 6.4.2 Directors' interests and remuneration

#### 6.4.2.1 Chief Executive Officer

The Company has entered into an employment agreement with Mr Washbourne to govern his employment with the Group. Mr Washbourne is employed in the position of Chief Executive Officer of the Group. Refer to Section 6.4.3.1 for further details.

#### 6.4.2.2 Non-Executive Director remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$750,000. For the financial year ending 30 June 2019, the fees payable to the current Directors (whether in cash or securities) will not exceed \$600,000 in aggregate.

The annual Directors' fees currently agreed to be paid by the Company are inclusive of superannuation and are \$150,000 to the Chairman and \$70,000 (inclusive of superannuation) to each of the other Independent Non-Executive Directors. The remuneration of Directors must not include a commission on, or a percentage of, the profits or income of the Company.

Neither the Chair of the Audit and Risk Committee nor the Chair of the Remuneration and Nomination Committee nor any other member of these committees will be paid any additional fees for serving on these Committees.

As consideration for his agreement to assume the role of Chairman, ReadyTech HoldCo has issued 100,000 shares (which will be exchanged for 174,000 Shares under the Security Sale Deed) to Mr Faure.

The Non-Executive Directors will not be entitled to participate in any employee incentive scheme established by the Company.

## 6. Board of Directors and Senior Management

### 6.4.2.3 Deeds of access, indemnity and insurance

The Company has entered into a deed of indemnity, access and insurance with each Director which confirms the Director's right of access to certain books and records of the Group for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before that seven year period expires.

Pursuant to the Constitution, the Company may indemnify Directors and employees, past and present, against liabilities allowed under law. Under the deeds of indemnity, access and insurance, the Company indemnifies each Director against all liabilities to another person that may arise from their position as a Director of the Company or its subsidiaries to the extent permitted by law.

The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses. Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of indemnity, insurance and access, the Company must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

### 6.4.2.4 Other information

Directors may be paid for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from Board or committees of the Board or general meetings. Any Director who devotes special attention to the business of the Group or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

In addition, ReadyTech has agreed to pay each of Elizabeth Crouch and Timothy Ebbeck a one-off fee of \$49,000 and \$17,000 respectively for services provided by those individuals during the due diligence process undertaken in connection with the Offer.

Under the Security Sale Deed, the Existing Shareholders are entitled to receive consideration for their ReadyTech Shares in the form of Shares.

### 6.4.2.5 Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the number of Shares held by the Directors will be as outlined in Section 7.1.4. Some of these Shares will be subject to voluntary escrow arrangements. Please refer to Section 7.8 for further details.

## 6.4.3 Executive remuneration

### 6.4.3.1 Chief Executive Officer

The Company has entered into an employment contract with Mr Washbourne to document his employment as CEO of the Group.

Mr Washbourne is the CEO of the ReadyTech Group. Mr Washbourne will receive an annual fixed remuneration of \$310,000 (exclusive of superannuation). Mr Washbourne's current employment contract does not provide for a short term incentives or cash bonus payments.

Mr Washbourne may terminate his employment contract by giving 6 months' notice in writing at any time.

The Company may terminate Mr Washbourne's employment by giving 6 months' notice in writing to Mr Washbourne.

The Company can dismiss Mr Washbourne immediately in the event of serious misconduct by Mr Washbourne.

Upon the termination of Mr Washbourne's employment contract, Mr Washbourne will be subject to post employment restraints for up to 12 months (the restraints prevent solicitation of the Company's clients and employees for a period of 12 months and engagement in any business or activity that is in competition with the business conducted by the Company).



#### **6.4.3.2 Other members of senior management**

Each other member of the Group's senior management is employed under an executive employment agreement. These agreements provide for total compensation including a base salary and superannuation contribution.

Either the relevant Group entity or the executive may terminate the relevant executive's employment by providing between 3 to 6 months' notice in writing.

Upon termination of employment, the executives are subject to post employment restraints for up to 12 months (the restraints prevent solicitation of the Group's clients and employees and engagement in any business or activity that is in competition with the business conducted by the Company).

#### **6.4.3.3 Incentive arrangements**

The Company has established various incentive arrangements to assist in the attraction, motivation and retention of management and employees of the Group as set out below. However, as at the Prospectus Date, the Company has not put in place any equity incentive plan. The Company may, however, consider putting such arrangements in place in the future. Any issue of equity in the Company under such a plan will, if required under the ASX Listing Rules, be subject to Shareholder approval.

The Board has determined that to align the interests of the Group's executive team and the goals of the Group, the remuneration packages of the CEO and the senior executives of the Group should comprise the following components:

- fixed annual cash reward (inclusive of superannuation and fringe benefits); and
- cash-based short-term incentives.

The Board may, in the future, also consider putting in place equity-based long-term incentives for the CEO and the Group's executive team.

Payment of cash under the short-term incentives is generally subject to the achievement of performance criteria or hurdles set by the Board.

The remuneration packages of the CEO and executive team are recommended by the Remuneration and Nomination Committee and approved by the Board. The remuneration of the executives will be reviewed annually by the Remuneration and Nomination Committee. At the absolute discretion of the Remuneration and Nomination Committee, the Company may seek external advice on the appropriate level and structure of the remuneration packages of the executive team from time to time.

#### **6.4.3.4 Short term incentives**

The Group currently provides certain members of its senior management team with annual incentives which become payable upon satisfaction of specified performance criteria. These incentives are set out in each employee's employment agreement.

Going forward, payment of short term incentives in any given year will be determined by the Company and will be conditional upon achievement of:

- performance criteria tailored to each respective role (if any); and
- the Group's financial performance against criteria set by the Company.

No award of short-term incentive will be payable if the performance criteria set by the Company is not met by the relevant employee with respect to his or her short-term incentive award.

#### **6.4.4 SaleCo indemnity**

The Company has entered into a deed of indemnity under which the Company indemnifies SaleCo and its directors against losses incurred in respect of the Offer by them as a result, among other things, of defects in, or the distribution of, this Prospectus or any advertising or marketing in respect of the Offer published by the Company. The indemnity does not extend to losses resulting from fraud, recklessness, wilful misconduct or gross negligence of an indemnified party or to the extent the indemnity would be illegal, void or unenforceable under any law.



## 6. Board of Directors and Senior Management

### 6.5 Corporate governance

This Section 6.5 explains how the Board will oversee the management of the Group's business. The Board is responsible for the overall corporate governance of the Group. The Board monitors the operational and financial position and performance of the Group and oversees its business strategy, including approving the strategic goals of the Group and considering and approving a business plan and an annual budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Group. In conducting business with these objectives in mind, the Board seeks to ensure that the Group is properly managed to protect and enhance Shareholder interests, and that the Group and its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Group, and has adopted or is developing relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Group's business and which are designed to promote the responsible management and conduct of the Group.

The main policies adopted by the Company, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. The Company's code of conduct outlines the standards of conduct expected of the Company's business and personnel in a range of circumstances. In particular, the code articulates the high standards of honesty, integrity, ethical and law abiding behaviour expected of Directors, management and employees. Details of the Company's key policies and the charters for the Board and each of its committees will be available from Listing at <https://investors.readytech.com.au>. The Company's current operational practices include comprehensive occupational health and safety and business continuity protocols, and otherwise reflect its position as an established privately owned business and having regard to the nature, breadth and geographic reach of its operations. Following Listing, the Company will develop further practices consistent with the policies summarised below.

#### 6.5.1 Corporate governance principles

The ASX Corporate Governance Council has developed and released the third edition of its ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) for ASX listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Except as set out below, the Company intends to comply with all of the ASX Recommendations with effect from Listing.

#### 6.5.2 Board of Directors

The Board of Directors comprises 4 Non-Executive Directors, including the Chairman, and 1 Executive Director. Detailed biographies of the Directors are provided in Section 6.1.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent and unfettered exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis.

The Board regularly reviews the independence of each Director in light of information disclosed by each Director to the Board. The Board considers that each of Tony Faure, Elizabeth Crouch, and Timothy Ebbeck is an independent director, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Director's judgement and each is able to fulfil the role of an independent director for the purposes of ASX Recommendations. None of these Directors are acting as nominees or representatives of any current or former shareholder of any entity within the Group, nor as nominees or representatives of the Joint Lead Managers or suppliers to the Group.

Tom Matthews is the representative of Pemba (an entity which will be a substantial holder of the Company on Completion of the Offer). Tom Matthews is also a director of, and minority investor in, certain entities controlled by Pemba. As Pemba will be a substantial Shareholder of the Company on Completion of the Offer, the Directors consider that this position results in him not being an independent Director of the Company having regard to the nature of his involvement in the Company. Notwithstanding his role at Pemba, the Board considers that Tom Matthews will add significant value to Board deliberations given his experience and skills.

Mr Washbourne is considered by the Board not to be independent for the purposes of ASX Recommendations as he is the Chief Executive Officer of the Group.

### **6.5.3 Board charter**

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and Management; and
- the authority delegated by the Board to Management and Board committees.

The Board's role is to, among other things:

- represent and serve the interests of Shareholders by overseeing and appraising the Group's strategies, policies and performance;
- oversee the ReadyTech Group, including providing leadership and setting its objectives;
- approve and monitor systems of risk management, internal compliance, accountability and control, codes of conduct and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- set the risk appetite within which the Board expects Management to operate;
- monitor senior management's performance and approve remuneration policies and practices;
- monitor implementation of strategy and ensure appropriate resources are available;
- approve and monitor the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approve budgets;
- approve and monitor the corporate, financial and other reporting systems of the Group, including external audit, and oversee their integrity;
- adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure information that a reasonable person would expect to have a material effect on the price or value of the Shares is appropriately and accurately disclosed on a timely basis in accordance with all legal and regulatory requirements; and
- monitor the effectiveness of the Group's governance practices.

Matters which are specifically reserved for the Board or its committees include:

- appointment of the Chairman;
- appointment and removal of the CEO and CFO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- issues of securities;
- review of corporate codes of conduct;

## 6. Board of Directors and Senior Management

- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to Management;
- calling of meetings of Directors or Shareholders; and
- any other specific matters nominated by the Board from time to time.

The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by officers to whom the management function is properly delegated by the CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate. The Board collectively, and each Director individually, has the right to seek independent professional advice at the Company's expense, subject to the reasonable approval of the Chairman of the Board and provided that the advice received is made available to the Board as a whole.

### 6.5.4 Board committees

The Board may, from time-to-time, establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee and the Remuneration and Nomination Committee. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Group, relevant legislative and other requirements and the skills and experience of individual Directors.

#### 6.5.4.1 Audit and Risk Committee

Under its charter, this committee must have at least three members, a majority of whom must be independent Directors and all of whom must be Non-Executive Directors. The committee must also have an independent chairman who is not the Chairman of the Board. In addition, all members of this committee must be financially literate and have familiarity with financial and accounting matters and at least one member must be a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters.

The Committee currently comprises Elizabeth Crouch (Chair), Tony Faure and Timothy Ebbeck (whose relevant qualifications and experience is set out in Section 6.1). They are all financially literate.

The primary role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including:

- engaging in the oversight of, and assessing the adequacy of, the Group's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process;
- assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- assessing the appropriateness of any significant accounting estimates, judgements or choices contained in the Group's financial reports;
- reviewing all half-yearly and annual reports with management, advisers, and the external auditors (as appropriate) and recommending the applicable accounts' adoption by the Board if those reports reflect the understanding of the members of the committee, and otherwise provide a true and fair view of the financial position of the Group;
- overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficacy of those systems;
- approving the terms of engagement with the external auditor at the beginning of each financial year;
- approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation; and
- meeting periodically with the external auditor and inviting them to attend committee meetings to assist the committee to discharge its obligations.

Under the charter, it is the policy of the Company that its external auditing firm must be independent of it. The committee will review and assess the independence of the external auditor on an annual basis.

The Company will comply with the ASX Recommendations in relation to composition and operation of the Audit and Risk Committee.

#### 6.5.4.2 Remuneration and Nomination Committee

Under its charter, this committee must have at least three members, a majority of whom (including the chairman) must be independent Directors and all of whom must be Non-Executive Directors.

The Committee comprises Timothy Ebbeck (Chair), Tony Faure and Elizabeth Crouch.

The responsibilities of the Remuneration and Nomination Committee include:

- reviewing and recommending to the Board the size and composition of the Board, including reviewing Board succession plans and the succession of the Chairman and CEO, having regard to the objective that the Board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- reviewing and recommending to the Board the criteria for Board membership;
- reviewing and recommending to the Board the composition and membership of the Board;
- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies;
- on an annual basis, reviewing the effectiveness of the Company's diversity policy and the strategies or the way in which they are implemented;
- reviewing and recommending arrangements for the CEO and any other Executive Directors, and the executives reporting to the CEO, including contract terms, annual remuneration and participation in the Company's short and long-term incentive plans;
- reviewing major changes and developments in the Group's remuneration, recruitment, retention and termination policies and procedures for senior Management;
- reviewing the Management performance assessment processes and results as they reflect the capability of Management to realise the business strategy;
- reviewing and approving short-term incentive strategy, performance targets and bonus payments;
- reviewing and recommending to the Board major changes and developments to the Company's employee equity incentive plans;
- recommending whether offers are to be made under any or all of the Group's employee equity incentive plans in respect of a financial year;
- in respect of the Group's employee equity incentive plans, reviewing and approving the proposed terms of, and authorise the making of, offers to eligible employees of the Group, including determining the eligibility criteria applying in respect of an offer, in respect of a financial year;
- reviewing and recommending to the Board the remuneration arrangements for the Chairman and the Non-Executive Directors of the Board, including fees, travel and other benefits;
- ensuring coherent remuneration policies and practices are in place which enable the Group to attract and retain executives and Directors who will create value for Shareholders; and
- evaluating the performance of the Board, individual Directors and executives on (at least) an annual basis.

## 6. Board of Directors and Senior Management

### 6.5.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to ASX Recommendations and which are available on the Company's website at <https://investors.readytech.com.au>.

#### 6.5.5.1 Risk management policy

The identification and proper management of the Group's risks are an important priority of the Board. The Company has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to the Group's operations and the Group's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies. The Board has responsibility for identifying major risk areas and implementing risk management systems and setting the risk appetite for the Group. The Board is responsible for monitoring risk management and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The Board may delegate these functions to the Audit and Risk Committee.

The Company will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the CEO or CFO and Company Secretary to provide declarations required under section 295A of the Corporations Act.

The Company will implement a system whereby management may be required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

A copy of this risk management policy will be available on the Company's website at <https://www.readytech.com.au>.

#### 6.5.5.2 Diversity policy

The Company values a strong and diverse workforce and is committed to developing measurable objectives of diversity and inclusion in its workplace. The Company has implemented a diversity policy, with meritocracy the guiding principle, which is overseen by the Board and which aligns the Group's management systems with the commitment to develop a culture that values and achieves diversity in its workforce and on its Board. In its annual report, the Company will also disclose the proportion of women in the whole organisation, women in senior executive positions and women on the Board. The diversity policy also includes a Board "skills matrix" requiring the Board as a whole to feature diversity, business acquisition and integration experience, financial literacy and legal and regulatory knowledge, among other things.

A copy of this diversity policy will be available on the Company's website at <https://www.readytech.com.au>.

#### 6.5.5.3 Continuous disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a policy to take effect from Listing which establishes procedures that are aimed at ensuring that Directors and Management are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information. Under the continuous disclosure policy, the Board will be responsible for managing the Company's compliance with its continuous disclosure obligations. Continuous disclosure announcements will also be made available on the Company's website at <https://www.readytech.com.au>.

#### **6.5.5.4 Securities trading policy**

The Company has adopted a securities trading policy which will apply to the Company and its Directors, officers, employees and management, including those persons having authority and responsibility for planning, directing and controlling the activities of the Group, whether directly or indirectly.

The policy is intended to explain the types of conduct in relation to dealings in securities that are prohibited under the Corporations Act and establish procedures in relation to Directors, Management or employees dealing in securities to ensure that public confidence is maintained in the reputation of the Company, the Directors, Management and employees and in the trading of the Company's securities.

The policy provides that Directors, Management and employees must not deal in the Company's securities when they are aware of "inside" information. Directors and certain restricted employees must not deal in the Company's securities during any of the following blackout periods:

- the period from the close of trading on the ASX on 30 June each year until the day following the announcement to ASX of the full-year results;
- the period from the close of trading on the ASX on 31 December each year until the day following the announcement to ASX of the half-year results; and
- any other period that the Board specifies from time to time.

Directors and restricted employees must receive prior approval for any proposed dealing in the Company's securities outside of the above blackout periods (including any proposed dealing by one of their connected persons).

In all instances, buying or selling of Shares is not permitted at any time by any person who possesses inside information.

A copy of this securities trading policy will be available on the Company's website at <https://www.readytech.com.au>.

#### **6.5.5.5 Code of conduct**

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by all employees and officers. The key aspects of the code are to:

- act with honesty, integrity, fairness and responsibility and ethically and in the best interests of the Group;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use the Group's resources and property properly.

The code of conduct sets out the Company's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information, integrity, conflicts of interest and corporate social responsibility.

A copy of this code of conduct will be available on the Company's website at <https://www.readytech.com.au>.

## 6. Board of Directors and Senior Management

### 6.5.5.6 Communications with Shareholders

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Group and that Shareholders are kept informed of all major developments affecting the state of affairs of the Group in accordance with all applicable laws. In addition to the Company's continuous disclosure obligations, the Company has a policy of seeking to keep Shareholders informed. All ASX announcements made to the market, including annual and half-year financial results, are posted on the Company's website at <https://investors.readytech.com.au> as soon as they have been released by ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report, key policies, the charters of its Board committees and copies of all investor presentations made to analysts and media briefings will be posted on the Company's website. The website also contains a facility for the Shareholders to direct queries to the Company.

### 6.5.6 Privacy policy

The Company is committed to protecting the safety and security of its registered users of its sites and is sensitive to their concerns about the safety of their personal information provided to the Group. The privacy policy details how any personal information collected by the Group is used and is available on the Company's website at <https://www.readytech.com.au>.

### 6.5.7 Related party transactions

Other than as disclosed in this Prospectus, the Group is not party to any material related party arrangements.



A man and a woman are sitting at a desk, looking at a laptop. The man is wearing glasses and a light blue shirt, and the woman is wearing a white shirt. They are both smiling and looking at the screen. A large, stylized 'X' graphic is overlaid on the image, composed of several thick, colored lines in yellow, green, blue, and purple. The background is a soft, out-of-focus office setting.

## 7. Details of the Offer

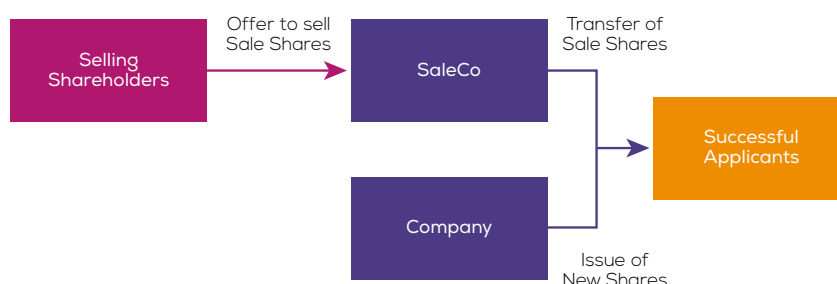


## 7. Details of the Offer

### 7.1 The Offer

This Prospectus relates to an initial public offering of 33.1 million Shares, based on the issue of 11.3 million New Shares by the Company and the sale of 21.9 million Sale Shares by SaleCo. The total number of Shares on issue at Completion of the Offer is expected to be 80.0 million and all Shares will rank equally with each other. The Shares offered under this Prospectus will represent approximately 41.4% of the Shares on issue on Completion of the Offer. The Offer structure is described in the diagram below.

Figure 63: Offer structure



The Selling Shareholders have irrevocably offered to sell the Sale Shares to SaleCo free from encumbrances and third party rights and conditional on Settlement and undertaken to deliver Sale Shares to, or as directed by, SaleCo on Completion of the Offer.

SaleCo may accept the irrevocable offers at any time after Settlement.

The Offer is expected to raise \$50.0 million based on the Offer Price. This comprises \$17.0 million for the issue of New Shares (which proceeds will be received by the Company) and \$33.0 million for the sale of Sale Shares by SaleCo, which SaleCo will pay to the Selling Shareholders net of costs.

#### 7.1.1 Structure of the Offer

The Offer comprises:

- the **Retail Offer** which includes:
  - the **Broker Firm Offer** – which is open to Australian and New Zealand resident institutional and retail clients of participating Brokers, who receive an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States or a US Person;
  - the **Priority Offer** – which is open to selected investors nominated by the Company in Australia and New Zealand, who have received a Priority Offer invitation to acquire Shares under this Prospectus; and
- the **Institutional Offer**, which consisted of an offer to Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions, made under this Prospectus.

**No general public offer of Shares will be made under the Offer.**

For further details of the:

- Broker Firm Offer and the allocation policy under it, see Section 7.3;
- Priority Offer and the allocation policy under it, see Section 7.4; and
- Institutional Offer and the allocation policy under it, see Section 7.5.

The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Joint Lead Managers and the Company.

The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, are set out in Section 9.5.1.

#### 7.1.2 Purpose of the Offer

The purpose of the Offer is to provide:

- Selling Shareholders with an opportunity to realise part of their investment in the Company;

- a liquid market for Shares and an opportunity for others to invest in the Company;
- the Group with access to the capital markets to improve capital management flexibility and to access funds for future acquisitions and other expansion opportunities;
- funds to pay the transaction costs associated with the Offer; and
- funds for the repayment of debt, in order to strengthen its balance sheet and provide financial flexibility to pursue identified growth opportunities.

### 7.1.3 Sources and use of funds

At the Offer Price, the Offer is expected to raise approximately \$50.0 million.

**Figure 64: Sources and uses**

| Sources                                     | \$ millions | Uses   | \$ millions |
|---|-------------|--|-------------|
| Offer proceeds from the sale of Sale Shares | 33.0        | Payment of proceeds from the sale of Sale Shares to the Selling Shareholders | 33.0        |
| Offer proceeds from the issue of New Shares | 17.0        | Offer costs  | 6.8         |
|   |             | Repayment of debt  | 3.5         |
|   |             | Cash to pursue growth opportunities  | 6.7         |
| <b>Total sources</b>                        | <b>50.0</b> | <b>Total uses</b>  | <b>50.0</b> |

### 7.1.4 Shareholding structure

The details of the ownership of the Company immediately prior to Completion of the Offer, and immediately following Completion of the Offer are set out below.

**Figure 65: Ownership**

| Shareholder  | ReadyTech Shares held immediately prior to Completion of the Offer <sup>1</sup> | ReadyTech Shares held immediately prior to Completion of the Offer and assuming completion of the transactions under the Security Sale Deed has occurred <sup>1,5</sup> | Shares held in the Company immediately after Completion of the Offer |
|--|---|---|--|
|  | Shares  | Shares  | Shares   |
| Pemba <sup>2</sup>   | 30,630,323  | 53,296,762  | 34,539,611   |
| Board and other members of ReadyTech management <sup>3,4</sup> | 4,265,379   | 7,421,758   | 7,839,838  |
| Marc Washbourne  | 2,795,631   | 4,864,398   | 4,008,414  |
| Other shareholders   | 680,105   | 1,183,383   | 504,910  |
| New shareholders   | –   |   | 33,112,594   |
| <b>Total</b>   | <b>38,371,438</b>   | <b>66,766,301</b>   | <b>80,005,367</b>  |

#### Notes

1. ReadyTech Shares will, immediately prior to Completion of the Offer, be exchanged for Shares on a one for 1.74 basis (see Section 9.4 for further details).
2. Excludes 600,000 DBL Shares. The ReadyTech DBL Shares will be transferred to the Company for no consideration immediately prior to Completion.
3. Excludes 1,025,000 ReadyTech DC Shares. The ReadyTech DC Shares will be exchanged for a number of Shares which when multiplied by the Offer Price will equal the proportion of the Company's market capitalisation implied by the Offer Price equal to 38.8% of the proportion of the aggregate EBITDA of Esher House over the last 12 months to the aggregate EBITDA of ReadyTech over the last 12 months.
4. Tom Matthews (and other persons associated with him and Pemba) is entitled to receive a proportion of the distributions from the sale of the ReadyTech Shares held by Pemba. The entitlements to distributions may be determined by both reference to such persons being direct or indirect investors in the Pemba managed funds which are Existing Shareholders and through profit share arrangements relating to the returns of those Pemba funds as a whole.
5. Assumes the completion of the transactions the subject of the Security Sale Deed where the Existing Holders have agreed to transfer their ReadyTech Shares to the Company on a one for 1.74 basis.

## 7. Details of the Offer

At Completion 56.4% of the Shares will be subject to voluntary escrow arrangements. See Section 7.8 for further information.

### 7.1.5 Control implications of the Offer

While the Existing Shareholders are expected to hold 58.6% of the Shares on issue on Completion of the Offer, the Directors do not expect any Shareholders to control the Company on Completion of the Offer (as defined in Section 50AA of the Corporations Act).

### 7.1.6 Potential effect of the Offer on the future of ReadyTech

The Directors believe that on Completion, the Company will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the Company's stated business objectives.

## 7.2 Terms and conditions of the Offer

| Topic  | Summary  |
|--|--|
| <b>What is the type of security being offered?</b>                                     | Shares (being fully paid ordinary shares in the Company).  |
| <b>What are the rights and liabilities attached to the securities?</b>                 | A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.14.1.   |
| <b>What is the consideration payable for each Share being offered under the Offer?</b> | The Offer Price is \$1.51 per Share.   |
| <b>What is the Retail Offer Period?</b>  | <p>The Retail Offer opens at 9am on Monday, 8 April 2019.</p> <p>The Retail Offer closes at 5pm on Friday, 12 April 2019.</p> <p>The key dates, including details of the Offer Period, are set out on page 4. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time.</p> <p>The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants).</p> <p>If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.</p> <p>Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.</p> |
| <b>What are the cash proceeds to be raised under the Offer?</b>                        | \$50.0 million is expected to be raised under the Offer.   |
| <b>Is the Offer underwritten?</b>  | Yes. The Offer is fully underwritten by the Joint Lead Managers. Details of the underwriting arrangements is set out in Section 9.5.1.   |

| Topic  | Summary   |
|--|---|
| <b>What is the minimum and maximum Application size under the Offer?</b>         | <p>The minimum Application size under the Broker Firm Offer is \$2,000 of Shares in aggregate. There is no maximum Application under the Broker Firm Offer.</p> <p>The minimum Application size under the Priority Offer is \$2,000 of Shares in aggregate. Priority Offer Applicants may apply for the value of Shares indicated in their Priority Offer invitation.</p> <p>The Company, SaleCo and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than applied for. In addition, the Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than \$250,000 of Shares.</p>  |
| <b>What is the allocation policy?</b>  | <p>The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Company, SaleCo and the Joint Lead Managers having regard to the allocation policies outlined in Sections 7.3.6, 7.4.6 and 7.5.2.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible clients.</p> <p>The allocation of Shares among Applicants in the Priority Offer will be determined at the absolute discretion of the Company, subject to a guaranteed minimum allocation of up to and including the amount indicated on an Applicant's Priority Invitation.</p> <p>The allocation of Shares among Applicants in the Institutional Offer was determined by the Company, SaleCo and the Joint Lead Managers. For further information on the Broker Firm Offer, Priority Offer and the Institutional Offer, see Sections 7.3, 7.4 and 7.5 respectively.</p>  |
| <b>When will I receive confirmation that my Application has been successful?</b> | <p>It is expected that initial holding statements will be dispatched by standard post on or about 18 April 2019.</p> <p>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.</p>   |
| <b>Will the Shares be quoted on ASX?</b>   | <p>The Company will apply to ASX within seven days of the Prospectus Date for admission to the Official List of, and quotation of its Shares by, the ASX (under the code 'RDY'). It is anticipated that quotation will initially be on a deferred settlement basis.</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.</p> |

## 7. Details of the Offer

| Topic  | Summary   |
|--|---|
| <b>When are the Shares expected to commence trading?</b>                                       | <p>It is expected that trading of the Shares on ASX will commence on or about 17 April 2019 on a deferred settlement basis until the Company has advised ASX that holding statements have been dispatched to Shareholders.</p> <p>Normal settlement trading is expected to commence on or about 23 April 2019.</p> <p><b>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</b></p> <p>The Company, SaleCo and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving a holding statement, even if such person received confirmation of allocation from the ReadyTech Offer Information Line or confirmed their firm allocation through a Broker.</p> |
| <b>Are there any escrow arrangements?</b>  | Yes. Details are provided in Section 7.8.   |
| <b>Has any ASIC relief or ASX waivers or confirmations been sought, obtained or relied on?</b> | Yes. Details are provided in Sections 7.11 and 7.12.  |
| <b>Are there any tax considerations?</b>   | Yes. Refer to Section 9.8.  |
| <b>Is there any brokerage, commission or stamp duty considerations?</b>                        | <p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p> <p>See Section 9.5.1 for details of various fees payable by the Company to the Joint Lead Managers and by the Joint Lead Managers to the Co-Lead Manager and Brokers.</p>  |
| <b>What should you do with any enquiries?</b>  | <p>All enquiries in relation to this Prospectus should be directed to the ReadyTech Offer Information Line on 1800 622 202 (within Australia) or +61 1800 622 202 (outside Australia) from 8.30am to 5.30pm (Sydney Time), Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in the Company.</p>   |

### 7.3 Broker Firm Offer

#### 7.3.1 Who can apply?

The Broker Firm Offer is open only to Australian and New Zealand resident investors who have received an invitation from their Broker to participate. If you have received an invitation to participate from your Broker, you will be treated as a Broker Firm Applicant under the Broker Firm Offer. You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

### **7.3.2 How to apply?**

If you have received an invitation to participate from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to complete and lodge your Broker Firm Offer Application Form and for payment instructions. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or ReadyTech Offer Information Line on 1800 622 202 (toll free within Australia) or +61 1800 622 202 (outside Australia) to request a Prospectus and Application Form, or download a copy at <https://www.readytech.com.au>. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Sydney Time) on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum application under the Broker Firm Offer is \$2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer which are for more than \$250,000 worth of Shares. The Company and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in their discretion in compliance with applicable laws.

The Company, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Sydney Time) on 8 April 2019 and is expected to close at 5.00pm (Sydney Time) on 12 April 2019. The Company and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

### **7.3.3 How to pay?**

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

### **7.3.4 Application Monies**

The Company and SaleCo reserve the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to successful Applicants.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

## 7. Details of the Offer

### 7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company or SaleCo to apply for Shares specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus), and the Application Form and the conditions regarding quotation on ASX in Section 7.13.1; and the acknowledgements in Section 7.6. To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted by the Company, SaleCo and the Joint Lead Managers in respect of the full number of Shares specified on the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract with respect to the Shares allocated to successful Applicants. The Joint Lead Managers, in agreement with the Company reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any error made by the Applicant in completing the Application.

### 7.3.6 Broker Firm Offer allocation policy

The allocation of Shares to Brokers has been determined by the Joint Lead Managers, the Company and SaleCo. Shares which have been allocated to Brokers for allocation to their Australian and New Zealand resident clients will be issued to Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of the Company, SaleCo and the Joint Lead Managers to reject or scale back Applications which are for more than \$250,000). It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that clients who have received a firm allocation from them receive the relevant Shares.

Applicants in the Broker Firm Offer will be able to call the ReadyTech Offer Information Line on 1800 622 202 (within Australia) or +61 1800 622 202 (outside Australia) from 8.30am to 5.30pm (Sydney Time) to confirm their allocation. Applicants under the Broker Firm Offer, including those in New Zealand, will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the ReadyTech Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

## 7.4 Priority Offer

### 7.4.1 Who can apply?

The Priority Offer is open to selected investors in Australia who have received a Priority Invitation to participate. A Priority Invitation is a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons in the United States or a US Person.

Your Priority Invitation will indicate an amount of Shares that you may apply for.

### 7.4.2 How to apply?

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation for how to apply under the Offer.

You may apply for an amount up to and including the amount indicated on your Priority Invitation. Applications under the Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$1,000 worth of Shares thereafter.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

### **7.4.3 How to pay?**

Priority Invitation recipients may only apply for Shares by applying online at <https://investors.readytech.com.au> using the online Application Form and by paying their Application Monies by BPAY, cheque or otherwise in accordance with instructions on their personalised invitation and the online Application Form. For more details, Priority Invitation recipients should refer to <https://investors.readytech.com.au> or contact the ReadyTech Offer Information Line on 1800 622 202 (toll free within Australia) or +61 1800 622 202 (outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday (Business Days only). If completing your payment by BPAY, please make sure to use the specific biller code and unique Customer Reference Number (CRN) generated by the online Application Form. Application Monies under the Priority Offer must be received by the Share Registry by no later than 5.00pm on 12 April 2019 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to payment and you should therefore take this into consideration when making payment. Neither the Company, SaleCo nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

### **7.4.4 Application Monies**

An Application in the Priority Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus), and the Application Form and the conditions regarding quotation on ASX in Section 7.13.1 and the acknowledgements in Section 7.6. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company, SaleCo and the Joint Lead Managers in respect of the full number of Shares specified on the Application Form or any of them, without further notice to the Applicant. Subject to any guaranteed allocation referred to in Section 7.2, the Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected. Acceptance of an Application will give rise to a binding contract.

### **7.4.5 Acceptance of Applications**

An Application in the Priority Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus), and the Application Form and the conditions regarding quotation on ASX in Section 7.13.1 and the acknowledgements in Section 7.6. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company, SaleCo and the Joint Lead Managers in respect of the full number of Shares specified on the Application Form or any of them, without further notice to the Applicant. Subject to any guaranteed allocation referred to in Section 7.2, the Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.



## 7. Details of the Offer

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected. Acceptance of an Application will give rise to a binding contract.

### 7.4.6 Priority Offer allocation policy

The Allocation of Shares among Applicants in the Priority Offer will be determined by the Company in its absolute discretion. There is no assurance that any Applicant will be allocated any Shares under the Priority Offer, or the number of Shares for which the Applicant applied.

## 7.5 Institutional Offer

### 7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia, New Zealand and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

### 7.5.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers, the Company and SaleCo. The Joint Lead Managers, the Company and SaleCo had absolute discretion regarding the basis of allocation of Shares among Institutional Investors and there was no assurance that any Institutional Investor would be allocated any Shares, or the number of Shares for which it had bid.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

## 7.6 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company, SaleCo or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;

- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company, SaleCo and the Joint Lead Managers, and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Retail Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States, except in accordance with US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States or a US Person;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S;
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold; and
- each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

## 7.7 Underwriting arrangements

The Offer is fully underwritten pursuant to an Underwriting Agreement under which the Joint Lead Managers have been appointed to arrange, manage and act as Joint Lead Managers, bookrunner and underwriter of the Offer. The Joint Lead Managers have agreed, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the conditions precedent and termination provisions, is provided in Section 9.5.1.

## 7.8 Voluntary escrow arrangements

Shares held by Existing Holders on Completion will be subject to voluntary escrow arrangements. Each Escrowed Shareholder has agreed to enter into an escrow deed in respect of their escrowed Shares, which prevents them from disposing of their respective Escrowed Shares for the applicable escrow period as described in this section 7.8. Under the terms of the escrow arrangement, and subject to customary exceptions, Escrowed Shares held by the Escrowed Shareholders on Completion, other than those held by Pemba, the Company's CEO and CFO, may only be sold following the date of release of the Company's half-year results to the ASX for the half-year ending 31 December 2019.

## 7. Details of the Offer

With respect to the Escrowed Shares held by Pemba, the Company's CEO and CFO:

- 50% of the Escrowed Shares held by these parties may only be sold following the date of release of the Company's half-year results to the ASX for the half-year ending 31 December 2019; and
- the remaining 50% of the Escrowed Shares held by these parties will be escrowed for a further 12 months, and may only be sold following the date of release of the Company's half-year results to the ASX for the half-year ending 31 December 2020. However, in the event the price of the Shares in any 20 consecutive trading day period following the release of the Company's financial results for the year ended 30 June 2020 exceeds the Offer Price by 30%, these Shares will be released from escrow following such period.

The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Shares, encumbering or granting a security interest over the Shares (except to the extent permitted by the deed as outlined in this Section 7.8), doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid;
- the Escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act; or
- Escrowed Shareholders to participate in an equal access buy-back or equal return of capital or other similar pro rata re-organisation;

During the escrow period, the Escrowed Shareholders whose Shares are subject to escrow may also:

- transfer their Shares in the event of death, serious disability or incapacity;
- dispose of their Shares to immediate family members and certain other related entities; and
- deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

In aggregate 45.1 million Shares will be the subject of these escrow arrangements. This is not expected to have an effect on the liquidity of trading Shares on the ASX.

The number of Shares in respect of which the Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with the Company are set out in the table below.

**Figure 66: Escrowed shareholdings**

| Name of Escrowed Shareholder                    | Shares held on Completion of the Offer | Number of Shares held in escrow |
|---|--|---------------------------------|
| Pemba   | 34,539,611                             | 34,539,611                      |
| Board and other members of ReadyTech management | 7,839,838                              | 6,539,648                       |
| Marc Washbourne                                 | 4,008,414                              | 4,008,414                       |
| <b>Total</b>                                    | <b>46,387,863</b>                      | <b>45,087,673</b>               |

### 7.9 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities laws.

### **7.10 Discretion regarding the Offer**

The Company and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Joint Lead Managers, the Company and SaleCo also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than those applied for.

### **7.11 ASX waivers and confirmations**

The Company has applied to ASX for the customary Listing Rule confirmation that its Constitution is consistent with the ASX Listing Rules.

### **7.12 ASIC exemptions, modifications and relief**

The Company has applied to ASIC for:

- modification of section 707 of the Corporations Act to the extent necessary to permit the Shares to be issued to the Existing Shareholders under the Security Sale Deed and to any Institutional Investors acquiring Shares otherwise than under this Prospectus, to be able to be sold on ASX within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that sale; and
- for relief from the short selling provisions of the Corporations Act to allow the offer by SaleCo, of the Shares, into the Offer at a time prior to settlement under the SaleCo Deed.

### **7.13 ASX Listing, registers and holding statements and deferred settlement trading**

#### **7.13.1 Application to ASX for listing of the Company and quotation of Shares**

The Company will apply to ASX within seven days of the Prospectus Date, for admission to the Official List and quotation of the Shares on ASX under the code 'RDY'. Completion of the Offer is conditional on ASX approving this application. If approval is not given for the official quotation of the Shares on ASX within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Group or the Shares offered for subscription.

#### **7.13.2 CHESS and issuer sponsored holdings**

The Company will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

## 7. Details of the Offer

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a HIN for CHESS holders or, where applicable, the SRN of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

### 7.13.3 Deferred settlement trading and selling Shares on-market

It is expected that the Shares will commence trading on the ASX on 17 April 2019 on a deferred settlement basis.

The contracts formed on acceptance of Applications and bids in the bookbuild will be conditional on ASX agreeing to quote the Shares on ASX, the issue of Shares to successful Applicants under the Offer & Settlement occurring.

Trading will continue on a deferred settlement basis until the Company has advised the ASX that holding statements have been dispatched to Shareholders, which is expected to be on or around 28 April 2019. Normal settlement trading is expected to commence on or around 23 April 2019.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, SaleCo, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the ReadyTech Offer Information Line.

## 7.14 Description of Shares

### 7.14.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, does not constitute a definitive statement of the rights and liabilities of Shareholders and is qualified by the fuller terms of the Constitution. The summary assumes that the Company is admitted to the Official List.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally.

### 7.14.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which

the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

#### **7.14.3 Meetings of members**

Each Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at, general meetings of the Company and to receive all financial statements, notices and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules. The Company must give Shareholders at least 28 days' written notice of a general meeting.

#### **7.14.4 Dividends**

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies. The Directors may fix the amount, time and method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attached to any shares or class of shares, all dividends must be paid equally on all Shares and in proportion to the number of, and the amounts paid on, the Shares held.

#### **7.14.5 Transfer of Shares**

Subject to the Constitution and to any restrictions attached to a member's Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, the Corporations Act (and Corporations Regulations 2001 (Cth)) and ASX Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may decline to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

#### **7.14.6 Issue of further Shares**

Subject to the Constitution, the Listing Rules, the ASX Settlement Operating Rules and the Corporations Act, the Directors may issue Shares or grant options over unissued Shares to any person and they may do so at such times and on the conditions they think fit. The Shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

#### **7.14.7 Preference shares**

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

#### **7.14.8 Winding up**

If the Company is wound up, then subject to the Constitution and the rights or restrictions attached to any shares or class of shares, any surplus must be divided among the Company's members in the proportion to the number of shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these shares at the time of distribution.

#### **7.14.9 Sale of non-marketable parcels**

Provided that the procedures set out in the Constitution are followed, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of Shares is defined in the Listing Rules and is, generally, a holding of Shares with a market value of less than \$500.

## 7. Details of the Offer

### 7.14.10 Share buy-backs

The Company may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the Listing Rules.

### 7.14.11 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval before any proportional takeover bid can proceed. The provision will lapse three years from the date of adoption of the Constitution unless it is renewed by special resolution of Shareholders in a general meeting.

### 7.14.12 Variation of class rights

At present, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares of the Company may be varied or cancelled:

- with the consent in writing of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

### 7.14.13 Reduction of share capital

Subject to the Constitution, Corporations Act and Listing Rules, the Company may reduce its share capital in any way permissible by the Corporations Act.

### 7.14.14 Dividend reinvestment plans

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan. It is not currently intended that a dividend reinvestment plan will be implemented.

### 7.14.15 Employee share plans

The Directors may implement an employee share plan for officers or employees of the Company on such terms and conditions as they think fit.

### 7.14.16 Directors – appointments and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is eight or such lower number as the Directors determine provided the proposed lower number has been authorised by general meeting of the Company's members if required under the Corporations Act. The Company may elect directors by resolution. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting. A Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

### 7.14.17 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote.

### 7.14.18 Directors remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total amount provided to all Directors (other than Executive Directors) for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed at \$750,000 with the initial remuneration of the Non-Executive Directors set out in Section 6.4.2. The remuneration of a Director (who is not a managing director) must not include a commission on, or a percentage of, profits or operating revenue.

The Constitution also makes provision for the Company to pay travel and other expenses of Directors incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Any Director who devotes special attention to the business of the Company or who performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director may be remunerated for the services (as determined by the Board) out of the funds of the Company.

#### **7.14.19 Power and duties of Directors**

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or by the Constitution to be exercised by the Company in general meeting.

#### **7.14.20 Indemnities**

The Company, to the extent permitted by law, indemnifies each person who is a current or former director, executive officer or officer of the Company and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine against all losses or liability incurred by that person as an officer of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer or officer of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any liability incurred by the person as an officer of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company has entered into deeds of access, insurance and indemnity with each Director. These are summarised in Section 6.4.2.3.

#### **7.14.21 Amendment**

The Constitution may be amended only by special resolution passed by Shareholders.





## 8. Investigating Accountant's Report

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The Directors  
ReadyTech Holdings Limited  
Level 1, 35 Saunders Street  
Pyrmont NSW 2009

The Directors  
ReadyTech SaleCo Limited  
Level 1, 35 Saunders Street  
Pyrmont NSW 2009

29 March 2019

Dear Directors

### **INVESTIGATING ACCOUNTANT'S REPORT ON THE HISTORICAL AND FORECAST FINANCIAL INFORMATION OF READYTECH HOLDINGS LIMITED AND THE FINANCIAL SERVICES GUIDE**

#### **Introduction**

This report has been prepared at the request of the directors of ReadyTech Holdings Limited (ACN 632 137 225) (the Company) (the Directors) for inclusion in the prospectus to be issued by the Company and ReadyTech SaleCo Limited (ACN 632 137 216) (SaleCo) (the Prospectus) in respect of the initial public offering of fully paid ordinary shares in the Company by way of issue by the Company and transfer by SaleCo (the Offer), and listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 (Cth) for the issue of this report.

References to the Company mean prior to the allotment of fully paid ordinary shares under the Offer, ReadyTech HoldCo Pty Ltd (ACN 616 170 775) and its controlled entities, and after allotment of such shares under the Offer, ReadyTech Holdings Limited and its controlled entities (which will include ReadyTech HoldCo Pty Ltd and its controlled entities), or where the context requires, the business described in the Prospectus.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

#### **Scope**

##### ***Historical Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the historical financial information of the Company, being:

- the historical statements of profit or loss and other comprehensive income for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018, and the half-year ended 31 December 2018;
- the historical statement of financial position as at 31 December 2018; and
- the historical statements of cash flows before financing activities and tax for the financial years ended 30 June 2016 and 30 June 2017 and 30 June 2018, and the half-year ended 31 December 2018,

as set out in Figures 39 and 37, Figure 44, and Figures 42 and 41 respectively of the Prospectus (the Historical Financial Information).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

## 8. Investigating Accountant's Report



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The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Historical Financial Information for the full years has been extracted from the special purpose financial report of the Company covering the financial years ended 30 June 2016 and 30 June 2017 (the Aggregated Financial Information), and from the general purpose financial report of the Company for the financial year ended 30 June 2018. The Aggregated Financial Information and the general purpose financial reports were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards.

The half-year financial information has been extracted from the interim financial report for the half-year ended 31 December 2018, which was reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards.

Deloitte Touche Tohmatsu issued an unmodified audit or review opinion, as relevant, on each of the financial reports, except with respect to the basis of accounting for the Aggregated Financial Information. The opinion in respect of the Aggregated Financial Information included a 'Basis of Accounting' paragraph which draws attention to the notes to the financial report that set out the basis of accounting used including the principles of aggregation of the accounts.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

### ***Pro forma Historical Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the pro forma historical financial information of the Company, being:

- the pro forma historical statements of profit or loss and other comprehensive income for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018, the half-year ended 31 December 2018, and the calendar year ended 31 December 2018;
- the pro forma historical statement of financial position as at 31 December 2018; and
- the pro forma historical statements of cash flows before financing activities and tax for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018, the half-year ended 31 December 2018, and the calendar year ended 31 December 2018,

as set out in Figures 32 and 33, Figure 44, and Figures 40 and 41 respectively of the Prospectus (the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Section 4.3.3, Section 4.5.1 and Section 4.4.2 of the Prospectus (the Pro forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial performance, financial position and/or cash flows.

### ***Forecast Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the forecast financial information of the Company, being:

- the statutory forecast consolidated statement of profit or loss and other comprehensive income and the statutory forecast consolidated net cash flow of the Company for the financial year ending 30 June 2019 and the half-year ending 31 December 2019, as set out in Figures 32 and 33, and Figures 40 and 41, respectively of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.6 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast

Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and

- the pro forma forecast consolidated statement of profit or loss and other comprehensive income and the pro forma forecast net cash flow of the Company for the financial year ending 30 June 2019, the calendar year ending 31 December 2019 and the half-year ending 31 December 2019, as set out in Figures 32 and 33, and Figures 40 and 41, respectively of the Prospectus (the Pro forma Forecast Financial Information). The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro forma Adjustments described in Section 4.3.3 and Section 4.4.2 respectively of the Prospectus.

An audit/review has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred prior to 1 July 2018.

Due to its nature, the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the financial year ending 30 June 2019, the half-year ending 31 December 2019 or the calendar year ending 31 December 2019,

(together, the Forecast Financial Information).

The Forecast Financial Information has been prepared by management of the Company and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance and cash flows of the Company for the financial year ending 30 June 2019, the half-year ending 31 December 2019 and the calendar year ending 31 December 2019. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management of the Company expect to occur and actions that management of the Company expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly, prospective investors should have regard to the investment risks and sensitivities set out in Section 5 and Section 4.8 of the Prospectus.

The sensitivity analysis set out in Section 4.8 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.



### **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of the Pro forma Adjustments made to the Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro forma Historical Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

#### **Historical Financial Information**

- consideration of work papers, accounting records and other documents of the Company, including those dealing with the extraction and compilation of the Historical Financial Information from the Aggregated Financial Information of the Company covering the financial years ended 30 June 2016 and 30 June 2017, the audited general purpose financial report of the Company for the financial year ended 30 June 2018, and the reviewed interim financial report of the Company for the half-year ended 31 December 2018;
- analytical procedures on the Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors;
- a review of the application of Australian Accounting Standards; and
- enquiry of the Directors, management and other relevant persons in relation to the Historical Financial Information.

#### **Pro forma Historical Financial Information**

- consideration of work papers, accounting records and other documents of the Company, including those dealing with the extraction and compilation of the Historical Financial Information from the audited Aggregated Financial Information of the Company covering the financial years ended 30 June 2016 and

30 June 2017, the audited general purpose financial report of the Company for the financial year ended 30 June 2018, and the reviewed interim financial report of the Company for the half-year ended 31 December 2018;

- consideration of the appropriateness of the Pro forma Adjustments described in Section 4.3.3, Section 4.5.1 and Section 4.4.2 of the Prospectus;
- enquiry of the Directors, management, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies adopted and used by the Company over the relevant periods for consistency of application.

### **Forecast Financial Information**

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used by the Company in the preparation of the Forecast Financial Information; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.

### **Conclusions**

#### **Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

#### **Pro forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

#### **Statutory Forecast Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- (ii) in all material respects, the Statutory Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.6 of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and
- (iii) the Statutory Forecast Financial Information itself is unreasonable.



## 8. Investigating Accountant's Report



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29 March 2019

### **Pro forma Forecast Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;
- (ii) in all material respects, the Pro forma Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.6 of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred as at 1 July 2018; and
- (iii) the Pro forma Forecast Financial Information itself is unreasonable.

### **Restrictions on Use**

Without modifying our conclusions, we draw attention to Section 4.2 and the 'Important Notices' pages of the Prospectus, which describe the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

### **Consent**

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

### **Disclosure of Interest**

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

### **DELOITTE CORPORATE FINANCE PTY LIMITED**

**Tapan Verma**  
Authorised Representative of  
Deloitte Corporate Finance Pty Limited  
(AFSL Number 241457)  
AR number 1009181

## Financial Services Guide (FSG)

### What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

### Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

### How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS). FOS provides fair and independent financial services dispute resolution free to consumers.

[www.fos.org.au](http://www.fos.org.au)  
1800 367 287 (free call)  
Financial Ombudsman Service  
GPO Box 3 Melbourne VIC 3001

### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).



A woman with dark hair, wearing a patterned top and a necklace, is smiling and looking down at a tablet device. She is sitting at a desk with papers and a pen. In the background, another person is visible, slightly out of focus. The image has a warm, yellowish-green tint. A large, colorful geometric shape, composed of overlapping triangles in shades of blue, orange, yellow, and purple, is overlaid on the left side of the image.

## 9. Additional Information

## 9. Additional Information

### 9.1 Registration

The Company was incorporated in New South Wales, Australia on 8 March 2019 as an Australian public company limited by shares. As at the Prospectus Date, the Company had one Share on issue held by Marc Washbourne.

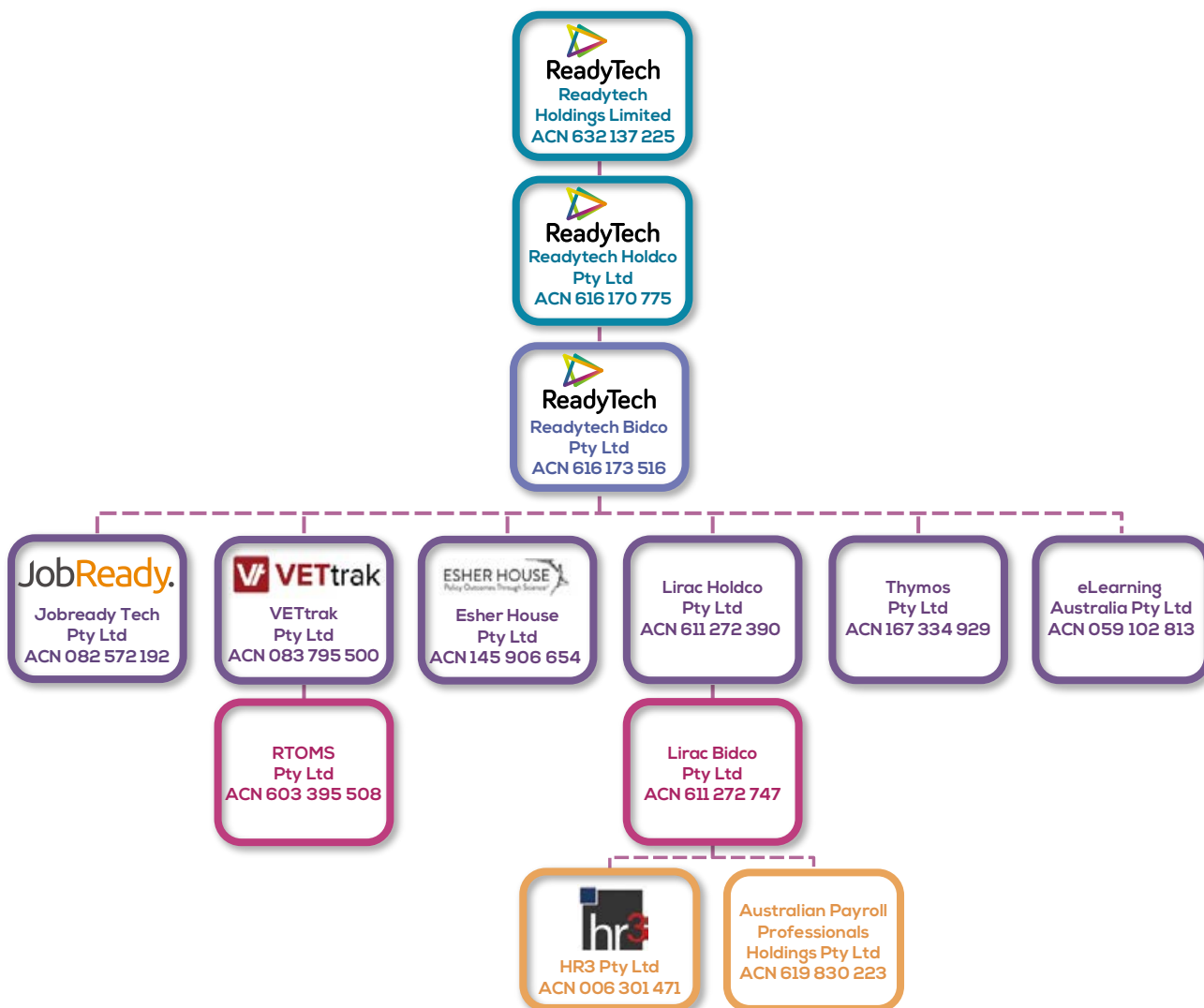
SaleCo was incorporated in New South Wales on 8 March 2019 as an Australian public company limited by shares. As at the Prospectus Date, SaleCo had one share on issue held by Marc Washbourne.

### 9.2 Company tax status

The Company will be taxed as an Australian tax resident public company for the purpose of Australian income tax law.

### 9.3 Corporate structure

The following diagram shows a high level corporate structure of the Company on Completion of the Offer. Refer to Section 9.4 for further details of the internal restructure.



## 9. Additional Information

### 9.4 Internal restructure and capital structure

#### 9.4.1 Security Sale Deed

Under the Security Sale Deed, each of the Existing Shareholders has agreed to sell all of its ReadyTech Shares to the Company, free from encumbrances, in exchange for the issue of Shares. The number of Shares issued will equal the indicative market capitalisation referenced in this Prospectus divided by the Offer Price. The holders of ReadyTech DC Shares and ReadyTech DBL Shares will receive an aggregate value of Shares (at the Offer Price) calculated by reference to the proportion that the EBITDA of Esher House Pty Ltd (a wholly-owned subsidiary of ReadyTech) and Development Beyond Learning Pty Ltd (a wholly-owned subsidiary of ReadyTech until it was sold in February 2018), respectively, bear to the EBITDA of the Group for the 12 months to 28 February 2019. The balance of the Shares will be issued to the remaining Existing Shareholders in proportion to their holdings of ReadyTech Shares on a one for 1.74 basis.

Completion of the sale of ReadyTech Shares under the Security Sale Deed is conditional on Settlement and will occur immediately prior to Completion of the Offer. The Shares issued to certain of the Existing Shareholders will be subject to escrow arrangements as set out in Section 7.8. Shares offered to Existing Shareholders under the Security Sale Deed are issued with disclosure under this Prospectus and on the terms set out in this Prospectus.

#### 9.4.2 Sale of Sale Shares

SaleCo has been established so that the Selling Shareholders can sell the Sale Shares and realise part of their investment in the Company. Each Selling Shareholder has entered into the SaleCo Deed in favour of SaleCo under which they irrevocably offer to sell Sale Shares to SaleCo free from encumbrances and third party rights conditional on Settlement and to deliver Sale Shares on Completion of the Offer to or as directed by SaleCo.

As at the Prospectus Date, Selling Shareholders have offered to sell 21.9 million Sale Shares to SaleCo, which comprise the Sale Shares.

The Sale Shares which SaleCo will agree to acquire from the Selling Shareholders upon its acceptance of the SaleCo Deed will be transferred to Applicants allocated Sale Shares under the Offer, as directed by SaleCo. The price payable for the Sale Shares will be the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interest in the irrevocable offers and the SaleCo Deed (under which the Company indemnifies SaleCo and its directors against any loss or liability that they may suffer or incur as a result of the Offer). The directors of SaleCo are Marc Washbourne, Elizabeth Crouch, Tony Faure, Timothy Ebbeck, and Tom Matthews. The sole shareholder of SaleCo is Marc Washbourne. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and under the SaleCo Deed has agreed to pay SaleCo's costs in respect of the Offer.

#### 9.4.3 Shares to be issued and transferred under the Offer

The details of the ownership of the Shares as at the Prospectus Date and the expected ownership of the Shares on Completion of the Offer are set out in Section 7.14.

The total number of Shares on issue upon Completion of the Offer will be 80,005,367.

### 9.5 Material contracts

Summaries of contracts set out in this Prospectus are included for the information of potential investors, but do not purport to be complete and are guided by the text of the contracts themselves.

#### 9.5.1 Underwriting Agreement

The Company, SaleCo, ReadyTech HoldCo and the Joint Lead Managers have entered into an Underwriting Agreement dated 29 March 2019 with respect to the management of the Offer. Under the Underwriting Agreement, the Joint Lead Managers have agreed to underwrite and manage the Offer, including the bookbuild, and to provide settlement support for the settlement obligations of successful Applicants under the Broker Firm Offer and Institutional Offer.

ReadyTech HoldCo has agreed to guarantee the performance of the Company's and SaleCo's obligations under the Underwriting Agreement.

For the purpose of this Section 9.5.1, 'Offer Documents' includes any of the following documents issued or published by, or on behalf of, and with the authorisation of, the Company and SaleCo (with their prior written consent) in respect of the Offer:

- this Prospectus, the Application Forms and any supplementary or replacement prospectus;
- the pathfinder version of this Prospectus (including any cover email) that was used by or on behalf of the Company to conduct the Offer;
- the marketing, roadshow presentation and/or other publicity documents used by or on behalf of the Company to conduct the Offer; and
- any advertising or publicity documents, notices or reports.

For the purposes of this Section 9.5.1, Total Proceeds of the Offer is the amount calculated as the number of Shares issued or sold under the Offer multiplied by the Offer Price.

### Commissions, fees and expenses

The Company must pay: (a) to Macquarie Capital (Australia) Limited, the Joint Lead Managers in accordance with the Underwriting Agreement a fee of 2.75% of the Total Proceeds of the Offer on the date of Settlement (comprising 0.55% to be paid as an underwriting fee (paid solely as consideration for underwriting the Offer) and 2.20% to be paid as a management fee (paid solely as consideration for lead managing the Offer and arranging the bookbuild)); and (b) to Wilsons Corporate Finance Limited, in accordance with the Underwriting Agreement, a fee, being the higher of: (i) 0.90% of the Total Proceeds of the Offer on the date of Settlement (comprising 0.18% to be paid as an underwriting fee (paid solely as consideration for underwriting the Offer) and 0.72% to be paid as a management fee (paid solely as consideration for lead managing the Offer and arranging the bookbuild)); and (ii) \$700,000 on the date of Settlement (comprising an underwriting fee of \$140,000 and a management fee of \$560,000).

The Company may also elect, at its absolute discretion, to pay the Joint Lead Managers an incentive fee of up to 1.00% of the Total Proceeds of the Offer on the date of Settlement. The Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

The Joint Lead Managers will be responsible for all fees and costs payable to any Co-Lead Manager and/or brokers appointed by the Joint Lead Managers with respect to the Offer.

### Termination events

Each Joint Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 4.00pm on the date of Settlement of the Offer by notice to the Company and SaleCo if any of the following events, among others, occur:

- **(supplementary prospectus)** the Company and SaleCo issue or are required to issue, a supplementary or replacement prospectus, or the Joint Lead Managers form the view (acting reasonably) that a supplementary or replacement prospectus must be lodged with ASIC under the Corporations Act);
- **(disclosures)** a statement contained in the Prospectus is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from the Prospectus;
- **(forecasts)** the Prospectus includes any forecast, expression of opinion, belief, intention or expectation which is not, in all material respects, based on reasonable grounds taken as a whole, or any financial forecast that appears in the Prospectus is or becomes incapable of being met or, in the reasonable opinion of the Joint Lead Managers, is unlikely to be met in the projected time;
- **(new circumstances)** there occurs a new circumstance that arises after the Prospectus is lodged, that would have been required to be included in the Prospectus if it had arisen before lodgement and that is materially adverse from the point of view of an investor;
- **(withdrawal of consent)** any person whose consent to the issue of the Prospectus or any supplementary or replacement prospectus and who has previously consented to the issue of the Prospectus or any supplementary or replacement prospectus withdraws such consent, any person (other than the Joint Lead Managers) gives a



## 9. Additional Information

notice under section 733(3) of the Corporations Act or any person (other than the Joint Lead Managers) who has previously consented to the inclusion of their name or any statement in the Prospectus or any supplementary or replacement prospectus withdraws that consent;

- **(approvals)** written approval for the admission of the Company to the Official List and for official quotation of the Offer Shares withdrawn, qualified (other than by conditions acceptable to the Joint Lead Managers, acting reasonably) or withheld (or ASX indicates to the Company or the Joint Lead Managers that the approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld);
- **(index fall)** the S&P/ASX 300 Index published by ASX is more than 12.5% below its level as at 5pm on the business day immediately preceding the date of the Underwriting Agreement:
  - (a) for at least two consecutive business days before Settlement; or
  - (b) at the close of trading on the business day immediately before Settlement;
- **(ASIC notifications)** any of the following notifications are made in respect of the Offer:
  - » ASIC issues an order (including an interim order) under Section 739 of the Corporations Act and such order is not withdrawn within two business days, or if it is made within the two business days before Settlement of the Offer, it has not been withdrawn by the day before Settlement of the Offer;
  - » ASIC holds a hearing under Section 739(2) of the Corporations Act and such hearing is not withdrawn within two business days, or if it is commenced within the two business days before Settlement of the Offer, it has not been withdrawn by the day before the Settlement of the Offer;
  - » an application is made by ASIC for an order under Part 9.5 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer Documents or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer Documents and any such application, investigation or hearing is not withdrawn within two business days, or if it is made within the two business days before Settlement of the Offer, it has not been withdrawn by the day before the Settlement of the Offer;
  - » any person gives a notice under Section 730 of the Corporations Act in relation to the Prospectus;
- **(closing certificate)** the Company or SaleCo do not provide a closing certificate as and when required by the Underwriting Agreement;
- **(withdrawal of Prospectus or Offer)** the Offer or the Prospectus is withdrawn;
- **(mutual recognition)** the Company or SaleCo fail to comply with the requirements of the NZ Mutual Recognition Regime to enable the Offer to proceed on the basis of the Prospectus, under those regulations;
- **(unable to issue or transfer)** the Company is prevented from issuing the New Shares or SaleCo is prevented from transferring the Sale Shares within the time required by the timetable for the Offer, the Offer Documents, the ASX Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, an order of a court of competent jurisdiction or a governmental agency;
- the Company other than as disclosed in the Prospectus or as permitted under the Underwriting Agreement, alters the issued capital of the Company or alters its constitution;
- **(ASX waivers and ASIC modifications)** ASX withdraws, revokes or amends any waivers of the Listing Rules granted by ASX in connection with the Offer or ASIC withdraws, revokes or amends any modifications of the Corporations Act granted by it in connection with the Offer;
- **(fraud)** any of the following occur:
  - » a director of the Company or SaleCo or member of senior Management engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence; or
  - » the Company or any other member of the Group engages in fraudulent conduct or activity, whether or not in connection with the Offer;

- **(prosecution)** any of the following occur:
  - » the commencement of legal proceedings against the Company, SaleCo or any other member of the Group;
  - » any government agency commences any investigation, claim, inquiry, proceedings or public action against the Company, SaleCo, a member of the Group any of the directors of the Company or SaleCo (in their capacity as directors) or any member of senior Management or announces that it intends to take that action; or
  - » any director of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- **(Authorisations)** a government agency withdraws, revokes, amends in an adverse manner or does not reaccredit any authorisation necessary to the conduct of the Group's business as a whole;
- **(SaleCo Deed)** the SaleCo Deed:
  - » is not, or ceases to be, valid, binding and enforceable in accordance with their terms;
  - » is varied without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed); or
  - » is not performed in accordance with its terms;
- **(escrow deeds)** any of the voluntary escrow deeds entered into with the Escrowed Shareholders:
  - » are not, or cease to be, valid, binding and enforceable in accordance with their terms;
  - » are varied without the prior written consent of the Joint Lead Managers; or
  - » are not performed in accordance with their terms;
- **(timetable)** any event specified in the timetable for the Offer is delayed for more than one business day (other than a delay agreed between the Company, SaleCo and the Joint Lead Managers).
- **(insolvency)** the Company becomes insolvent, or an act occurs or an omission is made which may result in the Company becoming insolvent;
- **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive, request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Underwriting Agreement, or which makes it illegal for a Joint Lead Manager to market, promote or settle the Offer;
- **(debt facilities)** in relation to the New Banking Facilities:
  - (a) any member of the Group breaches, or defaults under, any provision, undertaking, covenant or ratio of the New Banking Facilities or any related documentation to which that entity is a party which has, or may have, a material adverse effect; or
  - (b) there occurs:
    - a. an event of default;
    - b. a review event which gives a lender or financier the right to accelerate or require repayment of the debt or financing; or
    - c. any other similar event,
 under or with respect to the New Banking Facilities or related documentation and the lender under the New Banking Facilities has not waived its rights under such facilities in connection with such event occurring (1) within one business day of such event occurring; or (2) if such event occurs on the business day prior to Settlement or on Settlement, by 10:00am on the date of Settlement;
- **(material contracts)** any material contract (set out in Section 9) or any other contract, deed or other agreement which is material to the making of an informed investment decision in relation to the subscription for Shares under the Offer is terminated, rescinded, altered or amended without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld) or is found to be void or voidable.

## 9. Additional Information

### Termination subject to materiality

Each Joint Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before Completion by notice to the other parties, if any of the following events, among others, occur and the Joint Lead Manager has reasonable grounds to believe that the event (i) has had or is likely to have a material adverse effect on the success of the Offer, the ability of the Joint Lead Managers to market or promote the Offer or the willingness of persons to apply for, or settle obligations to subscribe for, Shares under the Offer or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or their affiliate of, any applicable law:

- **(due diligence disclosures)** the due diligence report, verification materials or any other information provided by or on behalf of the Company and SaleCo to the Joint Lead Managers concerning the Group or the Offer, is or becomes false, misleading or deceptive, or likely to mislead or deceive including by way of omission;
- **(change in directors or management)** a change in directors of the Company or SaleCo or in the senior Management occurs;
- **(breach of laws)** the Company or SaleCo, before Completion, commits, is involved in or acquiesces in any activity which breaches certain laws or regulations specified in the Underwriting Agreement or their respective constituent documents;
- **(charges)** the Company or any of its affiliates charges, or agrees to charge, the whole or a substantial part of the business or property of the Company other than a charge over any fees or commissions to which the Company is or will be entitled or as disclosed in the Prospectus;
- **(insolvency)** any member of the Group (other than the Company) becomes insolvent, or an act occurs or an omission is made which may result in a Group Member becoming insolvent;
- **(change in law)** a new law is introduced, or there is a public announcement of a proposal to introduce a new law, into the Parliament of Australia, or any state or territory of Australia, or the Reserve Bank of Australia, or any Commonwealth or state authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy that has been announced before the date of the Underwriting Agreement);
- **(breach)** the Company or SaleCo fail to comply with any of their obligations under the Underwriting Agreement;
- **(representations and warranties)** a representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo (as the case may be) is breached, becomes not true or correct or is not performed;
- **(closing certificate)** a closing certificate that the Company or SaleCo (as the case may be) provides under the Underwriting Agreement is false, misleading or deceptive (including by way of omission);
- **(adverse change)** there is an adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the assets and liabilities, financial position and performance, profits and losses or prospects of the Group from that described in this Prospectus;
- **(hostilities)** in respect of any one or more of Australia, New Zealand, the United States of America, any member state of the European Union, Japan, Russia, the People's Republic of China, North Korea or South Korea:
  - » hostilities not presently existing commence (whether or not war has been declared);
  - » a major escalation in existing hostilities occurs (whether or not war has been declared);
  - » a declaration is made of a national emergency or war; or
  - » a terrorist act is perpetrated in any of those countries or a diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world; and
- **(adverse change in financial markets)** any of the following occurs: (i) a general moratorium on commercial banking activities in Australia, the United States, the United Kingdom or Hong Kong is declared by the relevant central banking authority in those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries, (ii) any adverse change or disruption to the political conditions or financial markets of Australia, Hong Kong, the United Kingdom, the United States of America or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions; or (iii) trading in all securities quoted or listed on the

ASX, the New York Stock Exchange or the London Stock Exchange is suspended or limited in a material respect for one consecutive trading day on which that exchange is open for trading.

#### **Conditions, warranties, undertakings and other terms**

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers (as well as common conditions precedent, including the entry into a voluntary escrow deed by certain of the Escrowed Shareholders and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Company and SaleCo relate to matters such as the conduct of the Company and SaleCo, power and authorisations, information provided by the Company and SaleCo, financial information, information in this Prospectus, the conduct of the Offer, and compliance with laws, the Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including in relation to its assets, litigation, non-disposal of Escrowed Shares, entitlements of third parties, tax, insurance, authorisations, eligibility for Listing and internal accounting controls. The Company's undertakings include that it will not, during the period following the date of the Underwriting Agreement until 120 days after Shares have been issued under the Offer, issue any equity securities or dispose (or permit any other member of the Group to dispose) of all or any material part of its or their business, assets or property or acquire any material asset except in the ordinary course without the consent of the Joint Lead Managers subject to certain exceptions.

#### **Indemnity**

Subject to certain exclusions relating to, among other things, gross negligence, fraud or wilful misconduct of an indemnified party, the Company and SaleCo have agreed in the Underwriting Agreement to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

#### **9.5.2 Acquisition of My Profiling business**

On 18 September 2018, ReadyTech BidCo Pty Ltd (a wholly-owned subsidiary of ReadyTech) acquired eLearning Australia Pty Ltd (which operates a suite of technology, including My Profiling, focussed on competency based training and general software to assist RTOs around Australia) (**My Profiling Acquisition**). The total consideration payable for the My Profiling Acquisition was an upfront cash payment of \$1,828,292 plus two additional amounts linked to FY19 revenue performance with each such amount not to exceed \$500,000. Customary representations, warranties and indemnities for a transaction of the nature of the My Profiling Acquisition were also provided by ReadyTech BidCo Pty Ltd in connection with the acquisition.

#### **9.6 Description of the syndicate**

The Joint Lead Managers of the Offer are Macquarie Capital (Australia) Limited and Wilsons Corporate Finance Limited. Bell Potter Securities Limited is the Co-Lead Manager of the Offer.

#### **9.7 Foreign and other ownership restrictions**

##### **9.7.1 Foreign ownership restrictions**

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person and Shares may not be offered or sold, in any country outside Australia except as provided below.

##### **9.7.2 Other ownership restrictions**

The sale and purchase of shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in contribution with others).



## 9. Additional Information

### 9.8 Taxation considerations

#### 9.8.1 Summary of taxation issues for Australian tax resident investors

The following comments provide a general summary of Australian taxation issues for Australian tax resident investors who acquire Shares under this Prospectus.

The categories of investors considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their shares on capital account.

This summary does not consider the consequences for non-Australian tax resident investors, or Australian tax resident investors who are insurance companies, banks, investors that hold their Shares on revenue account or carry on a business of trading in shares or investors who are exempt from Australian tax. This summary also does not cover the consequences for Australian tax resident investors who are subject to Division 230 of the Income Tax Assessment Act 1997 (the **Taxation of Financial Arrangements** or “TOFA” regime).

This summary is based on the law in Australia in force at the date of this Prospectus. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each investor’s specific circumstances.

Investors should obtain their own advice on the taxation implications of holding or disposing of the Shares, considering their specific circumstances.

#### 9.8.2 Income tax treatment of dividends received by Australian tax resident shareholders

##### 9.8.2.1 Individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, together with any franking credit attached to that dividend if they are a “qualified person” (refer to the further comments below). Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a “qualified person” or where the investor receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the investor’s taxable income. Where the tax offset exceeds the tax payable on the investor’s taxable income in an income year, such investors should be entitled to a tax refund.

Where a dividend paid is unfranked, the investor will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

##### 9.8.2.2 Corporate investors

Corporate investors are required to include both the dividend and associated franking credit in their assessable income. Subject to being a “qualified person”, a tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate investors can then pass on the benefit of the franking credits to their own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

##### 9.8.2.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a “qualified person”, the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the franking credit received by the trust or partnership.

##### 9.8.2.4 Shares held at risk

The benefit of franking credits can be denied where an investor is not a “qualified person” in which case the investor will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, an investor must satisfy the holding period rule including, if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares “at risk” for more than 45 days continuously, measured as the period commencing the day after the investor acquires the Shares and ending on the 45th day after the Shares become ex-dividend. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares “at risk”. This holding period rule is subject to certain exceptions. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where an investor or their associate passes on the benefit of the franking credit to another person. The related payment rule requires the investor to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another person. Investors should obtain their own tax advice to determine if these requirements have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received. Investors should consider the impact of these rules having regard to their own personal circumstances.

### **9.8.3 Disposal of Shares**

The disposal of a Share by an investor will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm’s length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the net capital gain where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any net capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting the current year or prior year capital losses. For a complying superannuation entity, any net capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the investor is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

### **9.8.4 Goods and Services Tax (“GST”)**

Investors should not be liable for GST in respect of their investment in Shares. Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect.

### **9.8.5 Stamp duty**

Investors should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of the listed Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

## 9. Additional Information

### 9.8.6 Tax file numbers ("TFN")

Resident investors may, if they choose, notify the Issuer of their TFN, Australian Business Number or a relevant exemption from withholding tax with respect to dividends. In the event the Issuer is not so notified, tax will automatically be deducted as the highest marginal rate, including where relevant, the Medicare Levy and Temporary Budget Repair Levy, from unfranked dividends and/or distributions.

Resident investors may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

### 9.9 Consent to be named and inclusion of statement of disclaimers of responsibility

Chapter 6D of the Corporations Act imposes a liability regime on the Company and SaleCo (as the offerors of the Shares), the directors of the Company and SaleCo, persons named in the Prospectus with their consent as proposed directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company and SaleCo bear primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- Macquarie Capital (Australia) Limited;
- Wilsons Corporate Finance Limited;
- Bell Potter Securities Limited;
- Luminis Partners;
- MinterEllison;
- Deloitte Corporate Finance Pty Limited;
- Deloitte Tax Services Pty Ltd;
- Frost & Sullivan; and
- Link Market Services Limited.

Deloitte Corporate Finance Pty Limited has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its name and its Investigating Accountant's Report in Section 8 in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

Deloitte Tax Services Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its name and the statements in Section 9.8 in this Prospectus, in the form and context in which they are included (and all other references to those statements) in this Prospectus.

### 9.10 Litigation

The Company is from time to time party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date, there are no legal proceedings to which the Company is a party that it believes are likely to have a material adverse impact on its future financial results and the Company is not aware of any such legal proceedings that are pending or threatened.

### 9.11 Regulatory

The Company believes it complies with known SaaS related regulations in each jurisdiction in which the Company has operations.

### 9.12 Claims and insurance

The Company has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities.

These policies include professional indemnity insurance, which is held by all member companies of the Group, along with workers compensation insurance for all states and territories in which the Group has employees. There are additional, more specific policies in place to cover other relevant business risks, including property, cyber, corporate travel and public and products liability insurance.

### 9.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

### 9.14 Costs of the offer

The Company has engaged the following professional advisors in relation to the Offer:

- The Joint Lead Managers have acted as Joint Lead Managers of the Offer. The Company has agreed to pay the Joint Lead Managers the fees described in Section 9.5.1 for these services;
- Bell Potter Securities Limited have acted as Co-Lead Manager of the Offer. The Joint Lead Managers will be responsible for all fees and costs payable to any Co-Lead Manager and/or brokers appointed by the Joint Lead Managers with respect to the Offer.
- Luminis Partners have acted as financial adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$1.1 million (excluding GST) for these services up until the Prospectus Date;
- MinterEllison has acted as Australian legal advisor (other than in respect of taxation matters) in relation to the Offer. The Company has paid, or agreed to pay, approximately \$0.7 million (excluding GST) for these services up until the Prospectus Date. Further amounts may be paid to MinterEllison for other work in accordance with its normal time-based charges;
- Deloitte Corporate Finance Pty Limited has acted as the Investigating Accountant on, and performed work in relation to, the Financial Information and has performed work in relation to its Investigating Accountant's Report on Historical Financial Information, Pro forma Historical Financial Information and the Forecast Financial Information. The Company has paid, or agreed to pay, approximately \$0.8 million (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Deloitte Corporate Finance Pty Limited for other work in accordance with its normal time-based charges; and
- Deloitte Tax Services Pty Ltd has acted as Australian tax advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay, fees of approximately \$0.2 million (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Deloitte Tax Services in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.4.

### 9.15 Statement of Directors

This Prospectus has been authorised by each director of the Company and by each director of SaleCo, who each consent to its lodgement with ASIC and its issue and has not withdrawn that consent.



## 10. Summary of Key Accounting Policies



## 10. Summary of Key Accounting Policies

### 10.1 Basis of preparation

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 of this Prospectus are set out below. These accounting policies are consistent with the last statutory general purpose financial statements of ReadyTech for the half-year ended 31 December 2018 which were audited in line with the Australian Auditing Standards.

#### (a) Functional and presentation currency

The financial statements are presented in Australian dollars, which is ReadyTech's functional and presentation currency.

#### (b) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### (c) Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Actual results may differ from these estimates.

### 10.2 Significant accounting policies

As discussed in Section 4, ReadyTech has prepared aggregated special purpose financial statements for FY16 and FY17 (Aggregated Financial Information) reflecting the financial information of the entities that formed part of ReadyTech as at 30 June 2018, as if each of the individual businesses were owned by ReadyTech from 1 July 2015. This included each of the operating businesses within the group except My Profiling, which was acquired in September 2018.

Historical financial statements for FY18 have been prepared as general purpose consolidated financial statements, which include the full twelve months of contribution from JobReady, VETtrak and Esher House and nine months of contribution from Employgroup and HR3 (being the period commencing on the date on which these businesses were acquired by ReadyTech HoldCo).

Investors should note that the FY16 and FY17 Aggregated Financial Information above does not follow the principles of consolidation in accordance with the AAS, as not all entities were controlled by ReadyTech HoldCo for those years. The principal accounting policies adopted in the preparation of the financial statements which form the basis of the Historical Financial Information in Section 4 are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### (a) Principles of consolidation

For the year ending 30 June 2018, the consolidated financial statements incorporated the assets and liabilities of all subsidiaries of ReadyTech HoldCo as at 30 June 2018 and the results of all subsidiaries for the period then ended. ReadyTech HoldCo and its subsidiaries together are referred to in these financial statements as the 'Group' in this Section 10.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 10. Summary of Key Accounting Policies

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **(b) Foreign currency translation**

The financial statements are presented in Australian dollars, which is ReadyTech HoldCo's functional and presentation currency.

#### **Foreign currency transactions**

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### **Foreign operations**

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **(c) Revenue**

The principal activities of the Group during the year consisted of:

- Education: provider of student management system to vocational education and training, international and English Language and higher education providers; and
- Employment: provider of payroll and employee management solutions from cloud-based technology to outsourcing of human resource function.

#### **Subscription revenue**

Subscription revenue includes sales from cloud based solutions that provide customers with software, services, platforms and content such as Aussiepay, eCorporate, ePayroll, JobReady.Plus, JobReady.Live, HR3 Payroll, HR3 Human Resources, VETtrak Student Portal and VETtrak Trainer Portal. Subscription based revenue can either be hosted on the Group's servers, or on premise, available to be purchased by the customer which allows immediate download.

#### **Training revenue**

Training revenue includes assessment and behavioural intervention programs that deliver outcomes for government policy objectives – particularly with adult, youth and disabled unemployed initiatives.

#### **Revenue Recognition**

AASB introduces a 5-step approach to revenue recognition. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer.



Revenue is recognised upon transfer of control of promised products and services to customers at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue is recognised net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

#### **Revenue from contracts with customers**

The Group provides cloud based hosted student management systems software, and employee and payroll management software to its customers. Customers licence the use of the hosted Intellectual Property Software via licence subscription fees, which provide them access to the software over the licence fee term. The Group can provide subscription licences, hosting, implementation and monitoring services within these contracts. The sale of software subscription licenses in conjunction with integration services (including hosting) is treated as a single performance obligation ('software solution services') as the licence, integration and hosting are integrated services promised in the contract into an integrated bundle of services that represent the combined output for which the customer has contracted.

Revenue is recognised on the basis of stage of completion. ReadyTech determines stage of completion based on output method (time) under AASB 15. Fees billed in advance are recognised in the balance sheet as contract liabilities and brought to account when the performance obligation has been satisfied.

Hosting is bundled with the provision of the licenced software over time. Right of access subscription license revenue is earned over time as the customers use the software.

Revenue from the subscription license of software products is recognised when the control of goods and services have been transferred to the customer. Revenue from subscription license of software products can be categorised into the following streams:

##### **(i) Off premise licences, integration and hosting**

ReadyTech has assessed and concluded that the performance obligations for the sale of software subscription licences, related installation and hosting services are not distinct. The company assessed that the promise to the customer is provision of the software subscription licence that is integrated to the customers' network and hosted by ReadyTech. Hence, under AASB 15, ReadyTech considers the sale of subscription licence, related installation and hosting service as a single performance obligation as the subscription licence, integration and hosting are integrated services promised in the contract into an integrated bundle of services that represent the combined output for which the customer has contracted. The related installation and hosting should be bundled as one performance obligation and recognised over the period of the contract. The subscription license component of the contract is not considered to be predominant.

##### **(ii) On-premise licences**

Certain products are available to be purchased by the customer which allows immediate download. These products are not tailored for customer use throughout the duration of the contract and no maintenance / training services are included. However there is optionality for customer to purchase additional support and maintenance.

Accordingly, the sale of a licence represents a right of use license that a customer obtains of an entity's intellectual property, and revenue is recognised when the license transfers to the customer. For on premise licenses, this is assessed to be at the point of sale.

Training and other revenue is earned as the services are delivered at a point in time.

## 10. Summary of Key Accounting Policies

### Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when revenue is recognised prior to invoicing, or deferred income when revenue is recognised subsequent to invoicing. For multi-year agreements, we generally invoice customers at the beginning of the contract.

Deferred income is comprised mainly of unearned revenue related to subscription licences, which are cloud based. Deferred income is generally invoiced at the beginning of each contract period.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers, such as invoicing at the beginning of a subscription term with revenue recognised using the output method (time) over the contract period, or to provide customers with financing.

### Loss making contracts

A provision under AASB 137 is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

### Other income

Other income is recognised when it is received or when the right to receive payment is established. The revenue is measured at the transaction price agreed under the contract.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### Dividend income is recognised when the dividend is declared.

Research and Development ('R&D') Tax Credits are recognised as grant income in the period which R&D incentive is received.

### (d) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

ReadyTech HoldCo (the '**head entity**') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

#### **(e) Discontinued operations**

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

#### **(f) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### **(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(h) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when

## 10. Summary of Key Accounting Policies

there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### (i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

|                        |            |
|------------------------|------------|
| Leasehold improvements | 3-5 years  |
| Fixtures and fittings  | 3-10 years |
| Computer equipment     | 3-5 years  |
| Office equipment       | 3-5 years  |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### (j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### (k) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life

intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research costs are expensed in the period in which they are incurred.

#### **Goodwill**

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### **Customer relationships**

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 9-14 years.

#### **Software**

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

### **(l) Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **(m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **(n) Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### **(o) Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **(p) Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount

## 10. Summary of Key Accounting Policies

of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **(q) Employee benefits**

#### **Short-term employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### **Other long-term employee benefits**

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### **Defined contribution superannuation expense**

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### **(r) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **(s) Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(t) Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

#### **Business combinations under common control**

Common control transactions are specifically scoped out of AASB3 'Business Combinations'. Common control transactions are accounted for in the consolidated financial statements prospectively from the date of obtaining the ownership interest. The directors have elected to use existing book values of assets and liabilities of the entities subject to the business combination and record the difference between the purchase price paid by the company and the existing book value of the entity acquired immediately prior to the business combination as a reserve. Where equity instruments are issued as part of the consideration, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

#### **(u) Goods and Services Tax and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.





## 11. Glossary

## 11. Glossary

| Term                                  | Definition  |
|---------------------------------------|---|
| <b>\$, A\$ or AUD</b>                 | means Australian dollar   |
| <b>1H FY19</b>                        | means the historical half-year ending 31 December 2018  |
| <b>1H FY20F</b>                       | means the forecast half-year ending 31 December 2019  |
| <b>A2E</b>                            | means Assess2Educate, a ReadyTech product   |
| <b>AASN</b>                           | means Australian Apprenticeships Support Network  |
| <b>ABN</b>                            | means Australian Business Number  |
| <b>ABS</b>                            | means Australian Bureau of Statistics   |
| <b>Acquisition Amortisation</b>       | means non-cash amortisation relating to finite life intangible assets (including customer relationships and software assets) recognised as part of acquisitions undertaken by ReadyTech |
| <b>ACV</b>                            | means annual contract value   |
| <b>API</b>                            | means application programming interface   |
| <b>Applicant</b>                      | means a person who submits an Application under this Prospectus   |
| <b>Application</b>                    | means the application for Shares made by an Applicant in respect of the Offer   |
| <b>Application Form</b>               | means the application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)                                       |
| <b>Application Monies</b>             | means the amount accompanying an Application Form submitted by an Applicant   |
| <b>ARPC</b>                           | means average revenue per customer  |
| <b>ASQA</b>                           | means Australian Skills Quality Authority   |
| <b>ASIC</b>                           | means the Australian Securities and Investments Commission  |
| <b>ASX</b>                            | means the Australian Securities Exchange  |
| <b>ASX Listing Rules</b>              | means the listing rules of ASX, as amended, modified or waived from time to time  |
| <b>ASX Recommendations</b>            | means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (fourth edition)   |
| <b>ASX Settlement Operating Rules</b> | means the operating rules of ASX Settlement Pty Limited (ABN 49 008 504 532)  |
| <b>ATO</b>                            | means Australian Taxation Office  |
| <b>Audit and Risk Committee</b>       | means the audit and risk committee established by the Board as described in Section 6.5.4.1   |

## 11. Glossary

| Term  | Definition  |
|---|---|
| <b>Australian Accounting Standards or AAS</b> | means the Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board  |
| <b>AVETARS</b>                                | means Australian Capital Territory Vocational Education and Training Administration Records System  |
| <b>AVETMISS</b>                               | means Australian Vocational Education and Training Management Information Statistical Standard  |
| <b>BI</b>                                     | means business intelligence   |
| <b>Board</b>                                  | means the board of directors of the Company   |
| <b>Board Charter</b>                          | has the meaning given in Section 6.5.3  |
| <b>Broker</b>                                 | means any ASX participating organisation selected by the Company, SaleCo and the Joint Lead Managers to act as a broker to the Offer  |
| <b>Broker Firm Offer</b>                      | means the offer of Shares under this Prospectus to Australian and New Zealand resident institutional and retail clients of Brokers who have received a firm allocation of Shares from their Broker and who have a registered address in Australia or New Zealand and are not located in the United States as described in Section 7.3 |
| <b>Business Day</b>                           | means a day on which (a) ASX is open for trading in securities and (b) banks are open for general banking business in Sydney  |
| <b>CAC</b>                                    | means customer acquisition cost   |
| <b>CAGR</b>                                   | means compound annual growth rate   |
| <b>CEO</b>                                    | means Chief Executive Officer of the Group  |
| <b>CFO</b>                                    | means Chief Financial Officer of the Group  |
| <b>Chairman</b>                               | means the chairman of the Board   |
| <b>CHESS</b>                                  | means the Clearing House Electronic Subregister System operated in accordance with the Corporations Act   |
| <b>Closing Date</b>                           | means the date on which the Offer is expected to close being 12 April 2019 in respect of the Broker Firm Offer and the Priority Offer, unless varied  |
| <b>CLTV</b>                                   | means customer lifetime value   |
| <b>Co-Lead Manager</b>                        | means Bell Potter Securities Limited (ACN 006 390 772)  |
| <b>Company</b>                                | means ReadyTech Holdings Limited (ACN 632 137 216), including, as the context requires its subsidiaries   |
| <b>Company Secretary</b>                      | means the company secretary of the Company from time to time  |
| <b>Completion</b>                             | means completion of the issue and transfer of Shares pursuant to the Offer  |

| Term                         | Definition  |
|------------------------------|---|
| <b>Constitution</b>          | means the constitution of the Company from time to time   |
| <b>Corporations Act</b>      | means the <i>Corporations Act 2001</i> (Cth)  |
| <b>CRICOS</b>                | means Commonwealth Register of Institutions and Courses for Overseas Students   |
| <b>CRM</b>                   | means customer relationship management  |
| <b>Cth</b>                   | means the Commonwealth of Australia   |
| <b>CY18</b>                  | means the historical calendar year ending 31 December 2018  |
| <b>CY19F</b>                 | means the forecast calendar year ending 31 December 2019  |
| <b>Deloitte</b>              | means Deloitte Corporate Finance Pty Limited (ACN 003 833 127).   |
| <b>Deloitte Tax Services</b> | means Deloitte Tax Services Pty Ltd (ACN 092 223 240)   |
| <b>DES</b>                   | means Disability Employment Services  |
| <b>DET</b>                   | means Department of Education and Training  |
| <b>Director</b>              | means each of the directors of the Company from time to time  |
| <b>EBIT</b>                  | has the meaning given in Section 4.2.5  |
| <b>EBITDA</b>                | has the meaning given in Section 4.2.5  |
| <b>ELICOS</b>                | means English Language Intensive Courses for Overseas Students  |
| <b>ERP</b>                   | means enterprise resource planning  |
| <b>Escrowed Shareholders</b> | means certain Existing Shareholders that hold Shares on Completion of the Offer   |
| <b>Escrowed Shares</b>       | means certain of the Shares held by the Escrowed Shareholders on Completion of the Offer  |
| <b>ESS</b>                   | means employee self-service   |
| <b>Executive Director</b>    | means a Director who performs executive functions in connection with the management and administration of the Company   |
| <b>Existing Shareholders</b> | means the holders of ordinary shares, DC shares and DBL shares in ReadyTech as at the date of this Prospectus (who will become Shareholders pursuant to the Security Sale Deed immediately before Completion) |
| <b>Expiry Date</b>           | means the date on which this Prospectus expires (being the date which is 13 months after the Prospectus Date)   |
| <b>Exposure Period</b>       | means the seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an application must not be accepted                                      |

## 11. Glossary

| Term                                       | Definition  |
|--|---|
| <b>FATA</b>                                | means the Foreign Acquisitions and Takeovers Act 1975 (Cth)   |
| <b>Financial Information</b>               | means the financial information of ReadyTech contained in Section 4   |
| <b>Financial Services Guide</b>            | means the financial services guide provided by the provider of the Independent Limited Assurance Report on the Financial Information to Australian Retail Investors in relation to its independent review under the Corporations Act, and which is provided in Section 8          |
| <b>Forecast Financial Information</b>      | has the meaning given in Section 4.1.1  |
| <b>Frost &amp; Sullivan</b>                | means Frost & Sullivan Australia Pty Ltd (ACN 096 869 108)  |
| <b>Frost &amp; Sullivan Report</b>         | means Frost & Sullivan, 'The Education and Employment Software Markets in Australia' (September 2018)   |
| <b>FTE</b>                                 | means full-time equivalent  |
| <b>FWO</b>                                 | means Fair Work Ombudsman   |
| <b>FY16</b>                                | means the historical financial year ending 30 June 2016   |
| <b>FY17</b>                                | means the historical financial year ending 30 June 2017   |
| <b>FY18</b>                                | means the historical financial year ending 20 June 2018   |
| <b>FY19F</b>                               | means the forecast financial year ending 30 June 2019   |
| <b>Group, ReadyTech Group or ReadyTech</b> | means: <ul style="list-style-type: none"> <li>• prior to Settlement, ReadyTech and its subsidiaries; and</li> <li>• after Settlement, the Company and its subsidiaries (including ReadyTech) or, where the context requires, the business described in this Prospectus</li> </ul> |
| <b>GST</b>                                 | means the goods and services or similar tax imposed in Australia  |
| <b>GTO</b>                                 | means Group Training Organisation   |
| <b>HES Framework</b>                       | means Higher Education Standards Framework  |
| <b>HIN</b>                                 | means Holder Identification Number  |
| <b>Historical Financial Information</b>    | has the meaning given in Section 4.1.1  |
| <b>HCM</b>                                 | means human capital management  |
| <b>HR</b>                                  | means human resource  |
| <b>HRIS</b>                                | means human resource information systems  |
| <b>HRM</b>                                 | means human resource management   |



| Term                            | Definition   |
|---------------------------------|--|
| <b>ICT</b>                      | means information and communications technology  |
| <b>IFRS</b>                     | means International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board   |
| <b>Institutional Investor</b>   | <p>means an investor:</p> <ul style="list-style-type: none"> <li>• in Australia who is a “wholesale client” for the purpose of section 761G of the Corporations Act and who is either a “sophisticated investor” or “professional investor” under sections 708(8) and 708(11) of the Corporations Act respectively; or</li> <li>• in certain other jurisdictions, as agreed between the Company, SaleCo and the Joint Lead Managers, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing, in its absolute discretion, to comply),</li> </ul> <p>provided that in each such case such investor is not in the United States or acting for the account or benefit of a person in the United States</p> |
| <b>Institutional Offer</b>      | means the offer of Shares under this Prospectus to Institutional Investors in Australia and certain other eligible jurisdictions outside the United States, as described in Section 7.5  |
| <b>Investigating Accountant</b> | means Deloitte Corporate Finance Pty Limited (ACN 003 833 127)   |
| <b>IP</b>                       | means intellectual property  |
| <b>IRAP</b>                     | means Information Security Registered Assessors Program  |
| <b>IT</b>                       | means information technology   |
| <b>Joint Lead Managers</b>      | means Macquarie Capital and Wilsons in respect of the Offer  |
| <b>Listing</b>                  | means the date on which the Company is admitted to the Official List   |
| <b>Listing Rules</b>            | means the official listing rules of ASX  |
| <b>LMS</b>                      | means learning management system   |
| <b>Lodgement Date</b>           | means the date this Prospectus was lodged with ASIC  |
| <b>Luminis Partners</b>         | means Luminis Partners Pty Ltd (ACN 602 701 235)   |
| <b>Macquarie Capital</b>        | means Macquarie Capital (Australia) Limited (ACN 123 199 548)  |
| <b>Management</b>               | means the Company’s management team, led by Marc Washbourne (CEO)  |
| <b>Management Shareholder</b>   | means a member of ReadyTech management who is a Shareholder as at the date of this Prospectus  |
| <b>My Profiling</b>             | means competency assessment and skills profiling business, My Profiling, acquired by ReadyTech   |

## 11. Glossary

| Term                   | Definition   |
|------------------------|--|
| NCVER                  | means National Centre for Vocational Education Research  |
| NES                    | means National Employment Standards  |
| New Banking Facilities | has the meaning given in Section 4.5.3   |
| New Shares             | means the Shares to be issued by the Company pursuant to this Prospectus   |
| Non-Executive Director | means a Director who is not an Executive Director  |
| Non-RTO                | means non-registered training organisations  |
| NPAT                   | means net profit/(loss) after tax  |
| NPATA                  | means net profit after tax but excluding Acquisition Amortisation  |
| NSW                    | means the New South Wales, an Australian state   |
| Offer                  | means an offer of the issue of 11.3 million Shares by the Company, and the sale of 21.9 million Shares by SaleCo through the Retail Offer and the Institutional Offer                                  |
| Offer Price            | means \$1.51 per Share   |
| Official List          | means the official list of entities that ASX has admitted to and not removed from listing  |
| PAYG                   | means Pay-As-You-Go  |
| Pemba                  | means Pemba Fund I Partnership, LP and Pemba Capital Partners Pty Limited ACN 121 906 045 in its personal capacity and as trustee for the Pemba Capital Co-Investment Trust and the Lirac Trust        |
| PPS                    | means post placement support   |
| Priority Invitation    | means the invitation under this Prospectus to selected investors nominated by the Company to participate in the Priority Offer on a firm basis up to the allocation of Shares nominated by the Company |
| Priority Offer         | means the component of the Offer under which investors who have received an invitation can apply for Shares, as discussed in Section 7.4   |
| Prospectus             | means this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document  |
| Prospectus Date        | means the date on which a copy of this Prospectus was lodged with ASIC, being 29 March 2019  |
| R&D                    | means research and development   |
| ReadyTech HoldCo       | means ReadyTech Holdco Pty Ltd (ACN 616 170 775)   |
| ReadyTech Shares       | means a share in the capital of ReadyTech HoldCo   |



| Term   | Definition   |
|--|--|
| <b>ReadyTech Offer Information Line</b>      | means 1800 622 202 (toll free within Australia) or +61 1800 622 202 (outside Australia) from 8.30am to 5.30pm (Sydney Time), Monday to Friday (Business Days only)   |
| <b>Regulation S</b>                          | means Regulation S promulgated under the US Securities Act   |
| <b>Relevant Interest</b>                     | has the meaning given in the Corporations Act. In summary, a person has a relevant interest in a security if that person is the holder of the security or if that person has the power to control the voting or disposal of the security |
| <b>Remuneration and Nomination Committee</b> | means the remuneration and nomination committee established by the Board as described in Section 6.5.4.2   |
| <b>Retail Offer</b>                          | means the Broker Firm Offer or the Priority Offer  |
| <b>RPL</b>                                   | means recognition of prior learning  |
| <b>RTO</b>                                   | means Registered Training Organisation   |
| <b>SaaS</b>                                  | means Software-as-a-Service  |
| <b>Sale Shares</b>                           | means the Shares offered for sale by SaleCo pursuant to this Prospectus  |
| <b>SaleCo</b>                                | means ReadyTech SaleCo Ltd (ACN 632 137 225)   |
| <b>SaleCo Deed</b>                           | means a deed under which one or more Existing Shareholders irrevocably offers some of their Sale Shares to SaleCo  |
| <b>Security Sale Deed</b>                    | means the Security Sale Deed dated on or around 29 March 2019 executed by the Company and the Existing Shareholders  |
| <b>Selling Shareholders</b>                  | means those Existing Shareholders who are selling Shares to SaleCo as part of the Offer  |
| <b>Settlement</b>                            | means Settlement in respect of the Shares the subject of the Offer occurring as described in the Underwriting Agreement  |
| <b>Share</b>                                 | means a fully paid ordinary share in the capital of the Company  |
| <b>Share Registry</b>                        | means Link Market Services Limited   |
| <b>Shareholder</b>                           | means the registered holder of a Share from time to time   |
| <b>SMS</b>                                   | means student management system  |
| <b>SRN</b>                                   | means Securityholder Reference Number  |
| <b>SRO</b>                                   | means State Revenue Office   |
| <b>STA</b>                                   | means State Training Authority   |
| <b>STP</b>                                   | means Single Touch Payroll   |

## 11. Glossary

| Term                          | Definition  |
|-------------------------------|---|
| <b>Sydney Time</b>            | means the time in Sydney, Australia   |
| <b>TAFE</b>                   | means Technical and Further Education   |
| <b>TAC</b>                    | means Training Accreditation Council  |
| <b>TEQSA</b>                  | means Tertiary Education Quality and Standards Agency   |
| <b>TFN</b>                    | means tax file number   |
| <b>UI</b>                     | means user interface  |
| <b>Underwriting Agreement</b> | means the underwriting agreement dated on or about the Prospectus Date between the Joint Lead Managers, the Company, SaleCo and ReadyTech summarised at Section 9.5.1   |
| <b>US Securities Act</b>      | means the United States Securities Act of 1933, as amended  |
| <b>UX</b>                     | means user experience   |
| <b>VET</b>                    | means vocational education and training   |
| <b>VET FEE-HELP</b>           | means a government loan scheme that assists eligible students to pay their tuition fees for higher-level vocational education and training courses undertaken at approved providers, now superseded by VET Student Loans                      |
| <b>VET Student Loans</b>      | means a government loan scheme that assists eligible students to pay their tuition fees for higher-level vocational education and training courses undertaken at approved providers, which commenced 1 January 2017 and replaced VET FEE-HELP |
| <b>VRQA</b>                   | means Victorian Registration and Qualifications Authority   |
| <b>WHS</b>                    | means workplace health and safety   |
| <b>Wilsons</b>                | Wilsons Corporate Finance Limited (ACN 057 547 323)   |

# Corporate Directory

## ReadyTech

### Registered office

Level 1, 35 Saunders Street  
Pyrmont, NSW 2009, Australia

## Financial Adviser

### Luminis Partners

Level 32, Aurora Place, 88 Phillip Street  
Sydney, NSW 2000, Australia

## Joint Lead Managers

### Macquarie Capital (Australia) Limited

50 Martin Place  
Sydney, NSW 2000, Australia

### Wilsons Corporate Finance Limited

Level 32, Governor Macquarie Tower, 1 Farrer Place  
Sydney, NSW 2000, Australia

## Legal Adviser

### MinterEllison

Level 40, Governor Macquarie Tower, 1 Farrer Place  
Sydney, NSW 2000, Australia

## Investigating Accountant

### Deloitte Corporate Finance Pty Limited

Level 9, Grosvenor Place, 225 George Street  
Sydney, NSW 2000, Australia

## Auditor

### Deloitte Touche Tohmatsu

Level 9, Grosvenor Place, 225 George Street  
Sydney, NSW 2000, Australia

## Share Registry

### Link Market Services Limited

Level 12, 680 George Street  
Sydney, NSW 2000, Australia

## Offer website

<https://investors.readytech.com.au>

## Corporate website

<https://www.readytech.com.au>



[www.readytech.com.au](http://www.readytech.com.au)