

RESULTS PRESENTATION FY19

ASX: RDY

Marc Washbourne – CEO

Nimesh Shah – CFO



AGENDA


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Key Financial and Operational Highlights


FY19
Exceeded
prospectus
forecast

PRO-FORMA 
REVENUE
\$33.0^m

VS Prospectus forecast: +1%
YOY%:  13.5%

PRO-FORMA 
EBITDA
\$12.8^m

VS Prospectus forecast: +1.5%
YOY%:  20.8%

PRO-FORMA 
NPATA
\$5.7^m

VS Prospectus forecast: +9.7%
YOY%:  33.6%


CLTV*
to **CAC***

6.9^x

 FY18 = 5.8x

**AVERAGE
REVENUE PER
CLIENT**

\$8.9K

 12% (YoY)

**OPERATING
CASH FLOW
CONVERSION
RATIO**

98%

**CLIENT
REVENUE
RETENTION**

96%

CLTV: Client life time value and CAC: Customer acquisition costs

ACHIEVEMENTS

KEY ACHIEVEMENTS IN FY19



CLIENT GROWTH

- Record new business volumes with over 400 client wins
- Attracting new and higher value clients with the spend of new clients won 3.6 times greater than those that churned
- Strong progress in higher education sector and enterprise strategy demonstrating success of the dual brand strategy



GROWTH IN ARPC

- Continued growth (12% growth YOY) in ARPC through additional modules and increase in user subscriptions
- Supported by cross sell value added services of My Profiling and Esher House (behavioural science)



CUSTOMER SUCCESS

- Maintained strong net client revenue retention of 96%
- Increased headcount investment in the customer success function resulting in strong customer satisfaction scores



INVESTMENT IN R&D

- Over \$10m R&D spend for product improvements and new modules & customer value
- In the education segment - new customer value includes enhanced dashboards, student services, online enrolment and student engagement tools
- In the employment segment - early compliance with Single Touch Payroll (STP) and new modules including mobile app, Financial Controller portal and onboarding



PARTNER NETWORK

- Increased footprint of partner network including Canvas and Go1 for education and HR and workforce management partners for employment to help drive new customer referrals to ReadyTech
- Launch of the ePayroll partner network to support customer growth through accountant and bookkeeper networks

FY19 Result Exceeds Prospectus Forecasts

FY19 RESULTS						
\$ MILLION	FY19 PRO-FORMA ACTUAL	FY19 PRO-FORMA PROSPECTUS	PROSPECTUS VARIANCE %	FY18 PRO-FORMA ACTUAL		FY19 vs FY18 VARIANCE %
Revenue	33.0	32.6	1.0%	29.0		13.5%
Subscription and licence revenue	29.7	29.2	1.5%	25.6		15.8%
Implementation, training and other revenue	3.3	3.4	(3.4)%	3.4		(3.8)%
Expenses	(20.1)	(20.0)	(0.7)%	(18.4)		(9.3)%
EBITDA	12.8	12.7	1.5%	10.6		20.8%
EBITDA Margin %	39.0%	38.8%	0.2%	36.6%		2.4%

Financial Snapshot

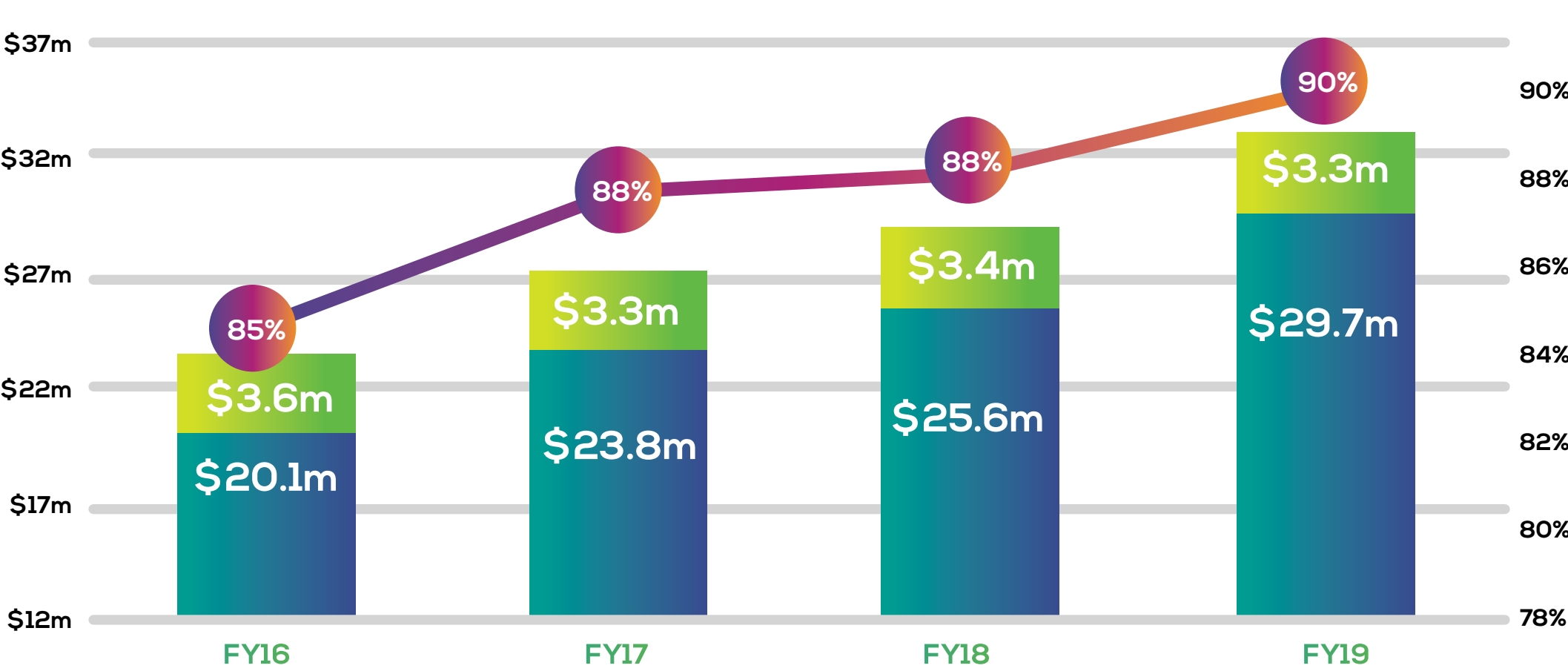
CONTINUED GROWTH
IN SUBSCRIPTION &
LICENCE REVENUE




FY19
90%

SCALABLE PLATFORM
SUPPORTS STRONG
EBITDA MARGIN

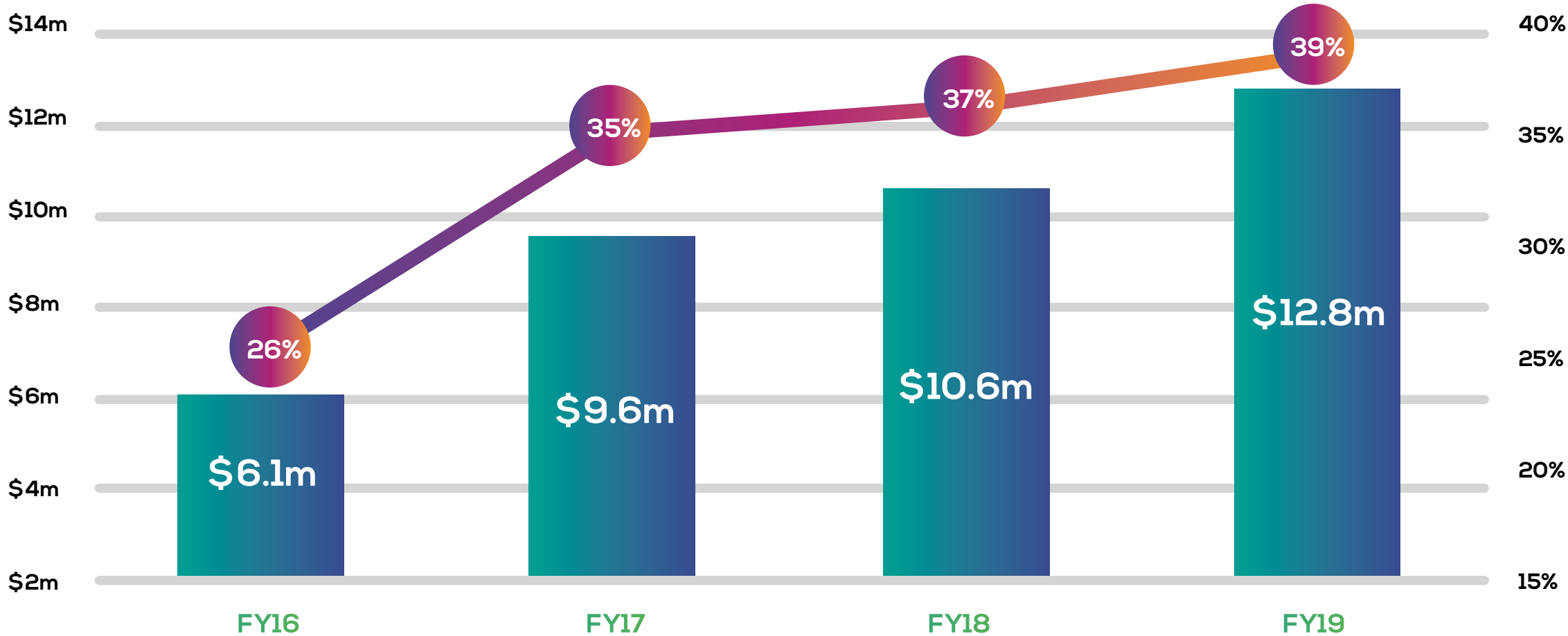
FY19
39%

Pro Forma Revenue (\$m)



 Subscription and licence revenue  Implementation, training and other revenue  % Subscription and licence revenue

Pro forma EBITDA (\$m) and EBITDA margin (%)



 EBITDA  EBITDA margin (%)



GROWTH & PRODUCT STRATEGY

ASX: RDY

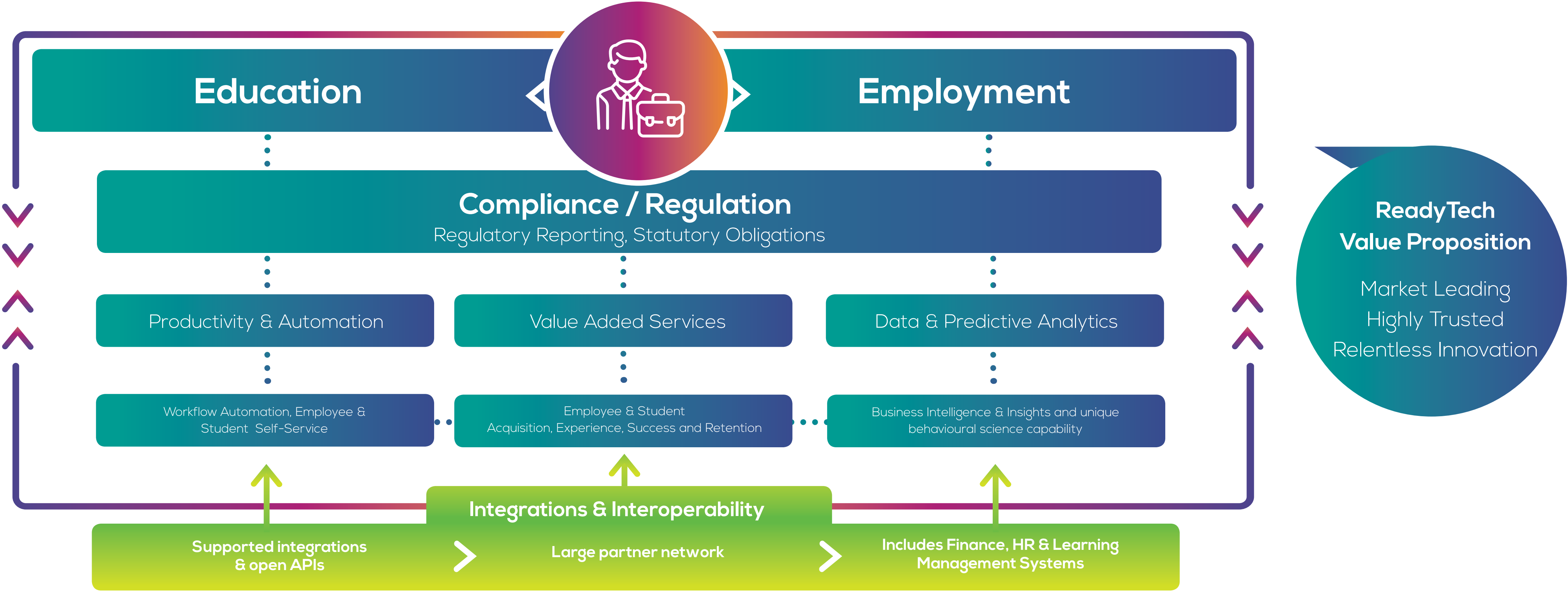
ReadyTech – What We Do

ReadyTech builds mission-critical SaaS and technology for managing people in complex regulatory environments and delivers additional customer value through a range of offerings.



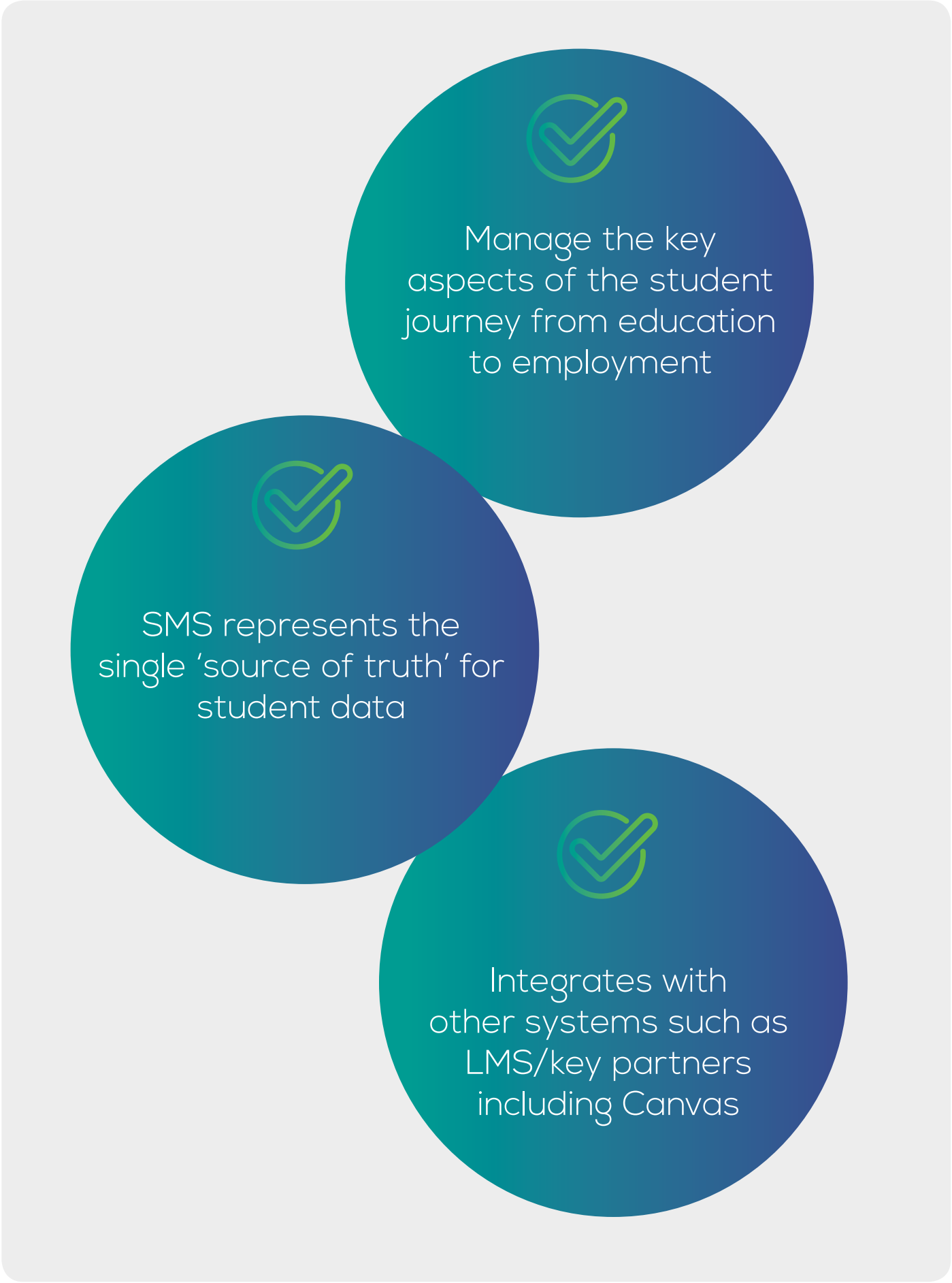
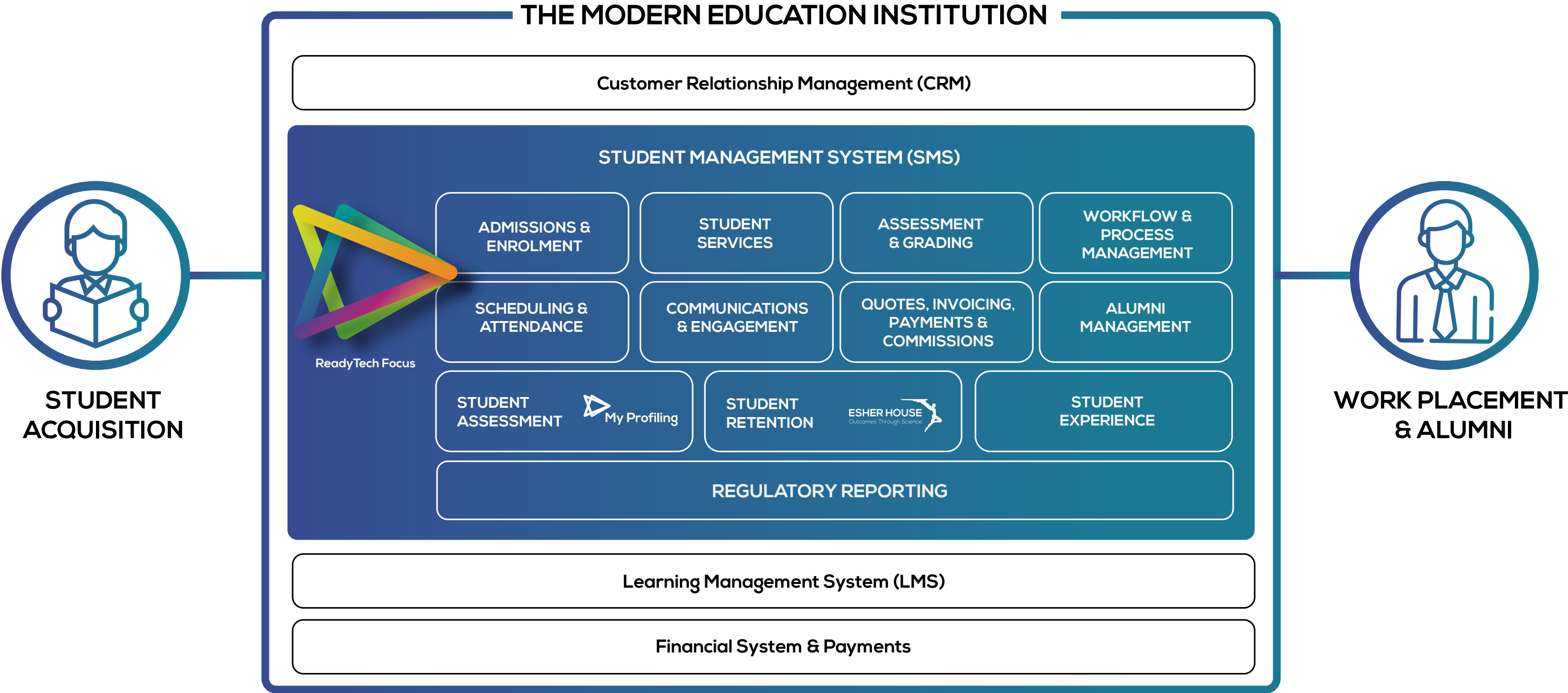
Education & Employment

Managing the Student and Employee Lifecycle



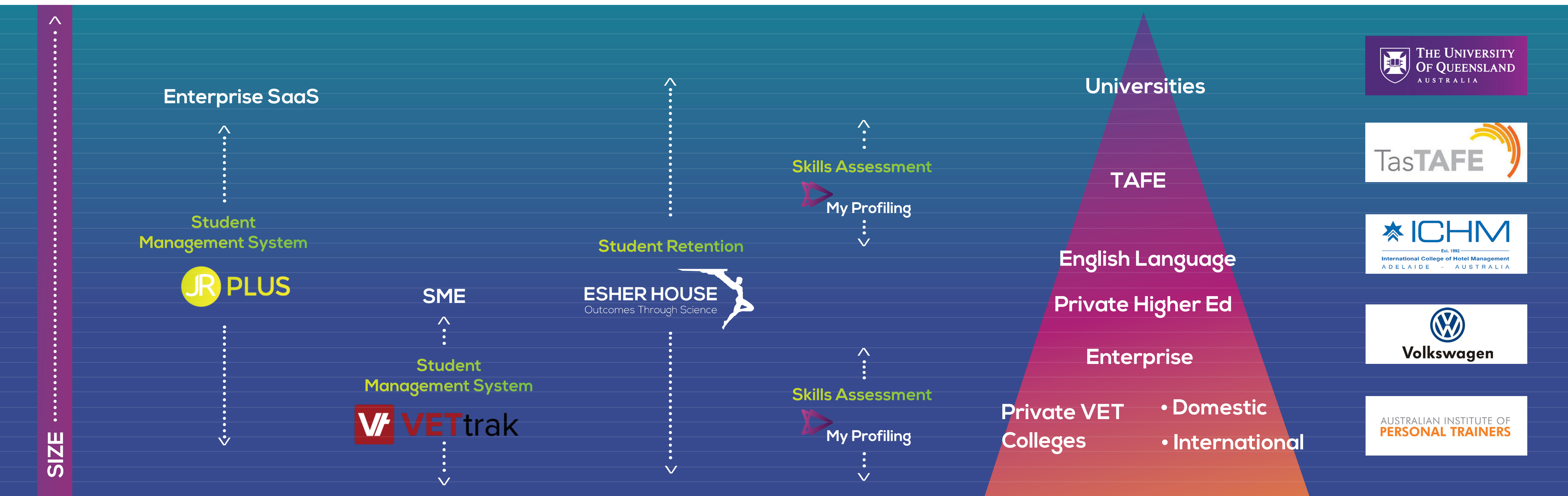
Student Management Systems (Education)

ReadyTech provides mission-critical student management systems (SMS) which are at the core of modern tertiary education institutions and then seeks to drive key performance outcomes such as improved student experience and graduation rates.



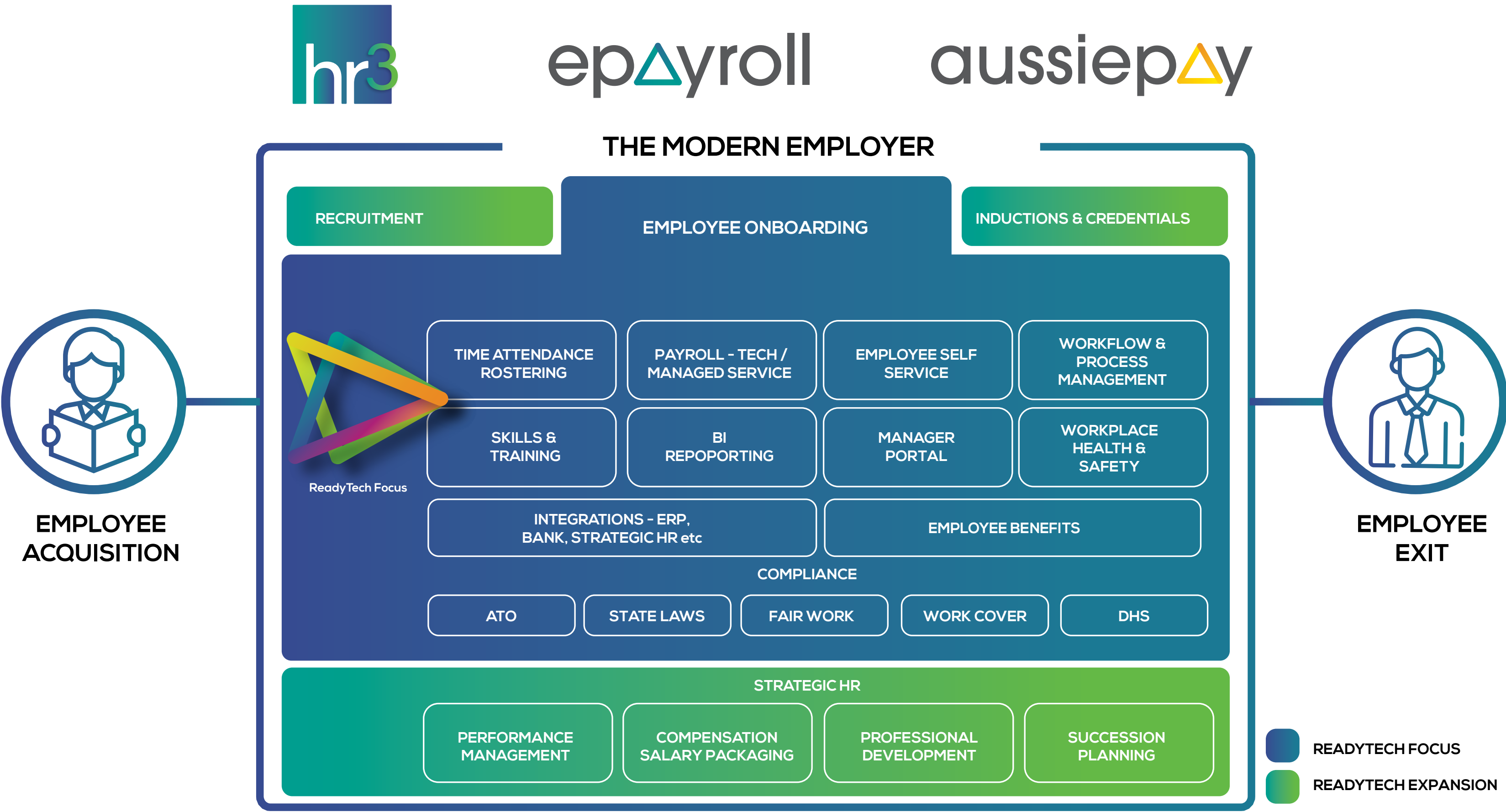
Market Opportunity – Tertiary Education

ReadyTech provides a range of market-leading technology solutions across the tertiary education sector including mission-critical Student Management Systems (SMS).



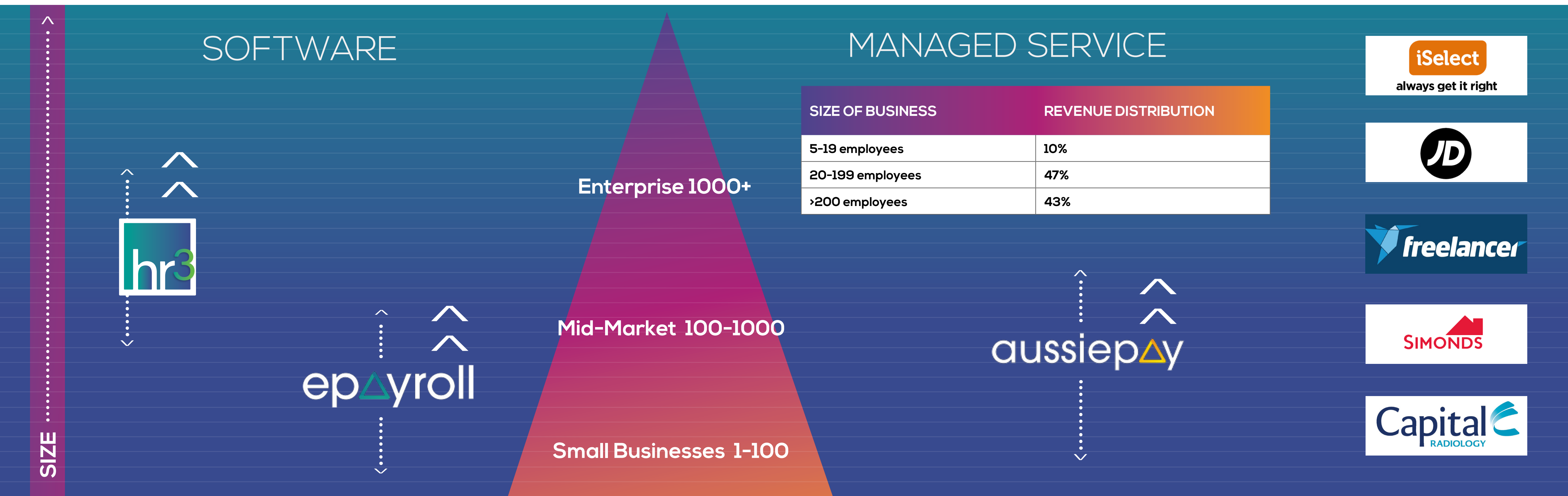
Payroll and HR Administration

ReadyTech is at the core of the employment software ecosystem offering mission-critical Payroll and HR Admin solutions.



Market Opportunity – Employment

ReadyTech provides Payroll & HR administration technology and managed services across the employment market and increasingly targets higher value customers.



Growth Initiatives

ReadyTech enjoys a range of opportunities to maintain strong rates of growth into the future.

Technology	Talent	Existing Customers	New Customers	M&A/Partnerships
Continued investment in SaaS products – R&D spend of \$10M pa	Invest in new talent to drive growth	Grow APRC with Licence growth, upsell of modules and cross sell of value added services	Win new and higher value customers	M&A strategy and strategic partnerships
<p>Education – investment in enterprise/higher education product strategy including:</p> <ul style="list-style-type: none">• New apps• Student services• Integrations <p>Employment – investment in new modules including:</p> <ul style="list-style-type: none">• Onboarding• Workflow automation• CFO Reporting Portal• Enhanced User Interface <p>Security – ongoing commitment to invest in InfoSec – ISO27001 and IRAP compliance.</p>	<p>Sales – Investment in enterprise/higher education enterprise sales strategy. Expect to grow incrementally sales and marketing spend from the current 8% of revenue.</p> <p>Customer Success – Invest in customer success to grow advocacy, APRC and secure retention rates.</p> <p>R&D – Building talent attraction strategies and talent pipeline to underpin future growth. Expand R&D capabilities such as data analytics and AI.</p>	<p>ARPC – 12% growth in average revenue per customer from FY18 to FY19.</p> <p>Growth – in user subscriptions on the back of strong macro trends in Tertiary education and employment sectors.</p> <p>New Value – Offer new modules including self-service, WHS and business intelligence.</p> <p>Cross-Sell – My Profiling and behavioural science cross-sell delivering growth and pipeline growing strongly into FY20.</p>	<p>Pipeline – Current pipeline of >\$15m of potential opportunities with a number of recently added higher value deals in the tertiary education sector.</p> <p>Higher Value – New clients on average 3.6x larger than average client churn.</p> <p>Target – Employment to target sectors with payroll complexity including retail (e.g. client win Glue Store) and construction sectors.</p> <p>Enterprise – Continued development of enterprise sales and marketing capability.</p>	<p>M&A – well capitalised and pipeline to acquire complementary technology and/or customer base with focus in the employment sector.</p> <p>New Partnerships Focus on new partnerships to deliver value to customers and referrals.</p> <div> Employee Benefits</div> <p>Consultants – Launch of Education Certified Consultant Program.</p>



GROUP FINANCIAL RESULTS

ASX: RDY

Strong Revenue and Earnings Growth

PRO FORMA \$ MILLIONS				
	FY19	FY18	% Change YOY	% change vs Prospectus
Subscription and licence revenue	29.7	25.6	15.8%	1.5%
Implementation, training and other revenue	3.3	3.4	(3.8%)	(3.4)%
Total revenue	33.0	29.0	13.5%	1.0%
Salaries and wages	(15.2)	(13.5)	(12.7)%	0.2%
Technology infrastructure and operations	(2.5)	(2.2)	(12.9)%	(7.5)%
General and administrative	(2.5)	(2.8)	10.4%	(0.0)%
Total operating expenses	(20.1)	(18.4)	(9.3)%	(0.7)%
EBITDA	12.8	10.6	20.8%	1.5%
Depreciation and amortisation	(8.1)	(7.3)	(10.5)%	2.5%
EBIT	4.7	3.3	43.4%	9%
Net finance expenses	(1.6)	(1.4)	(16.2)%	0.2%
PBT	3.1	1.9	63.2%	14.5%
Income tax expense (Effective rate 30%)	(0.9)	(0.5)	(57.7)%	(10.7)%
NPAT	2.2	1.4	65.5%	16.2%
Add: amortisation of acquired intangibles (post-tax)	3.5	2.9	(19.0)%	(5.9)%
NPATA	5.7	4.3	33.6%	9.7%

Highlights

- 
 Revenue grew by 13.5% driven by new client wins and increased sales to existing clients
- 
 Operating expenses grew 9.3% driven by investment in new Sales and Marketing roles and R&D, as well as increased client hosting costs
- 
 Benefits of a scalable platform sees a 13.5% revenue increase delivering a 20.8% increase in EBITDA
- 
 Depreciation and amortisation figures comparable to capitalised development costs which are amortised over 5 years
- 
 Pro-forma net finance expenses based on the terms of new Banking facilities as if they were in place from 1st of July 2017

Strong Operating Leverage

Total Operating Expenses (A\$m)



Capitalised Development Expenses (A\$m)



Segment Results - Education

\$M EDUCATION					
	FY19	FY18	YoY \$ Growth	YoY % Growth	vs Prospectus %
Education Revenue	20.0	17.8	2.1	12%	0%
Education EBITDA	8.1	7.1	1.1	15%	2%
EBITDA Margin %	41%	40%		3%	1%

Highlights

 Strong client growth with the average value of client wins 3.6x greater than churned customers on average	 Benefit of enterprise sales staff is paying dividends
 Greater existing customer spend due to user base growth and/or uptake of more modules	 Upsell of My Profiling and Esher House performed well and pipeline strong
 Continued growth expected through high value qualified leads especially in pathways and higher education sectors. University of Queensland project tracking well	 CLTV to CAC ratio of 6.2X (FY18 = 5.2X)

Segment Results - Employment

\$M EMPLOYMENT					
	FY19	FY18	YoY \$ Growth	YoY % Growth	vs Prospectus %
Employment Revenue	13.0	11.3	1.7	15%	3%
Employment EBITDA	6.2	5.1	1.2	23%	0%
EBITDA Margin %	48%	45%		7%	-1%

Highlights

 Increase in existing client spend driven by employee growth and additional module uptake through targeted campaigns and account management team	 Benefit of increased business development staff and national coverage
 Compliance with Single Touch Payroll (STP) increased customer spend and switching to ReadyTech	 Strategic alliances with partners and accounting firms delivered new customer wins
 CLTV to CAC ratio of 7.1X (FY18 = 6.1X)	

Strong Cash Flow Conversion Maintained

\$ MILLIONS	PRO FORMA FINANCIALS		
	FY19	FY18	FY17
EBITDA	12.8	10.6	9.6
Changes in working capital	(0.3)	(1.7)	2.1
Cash flow from operating activities	12.5	8.9	11.7
% conversion (as % of EBITDA)	98%	84%	122%
Capitalised development costs	(3.4)	(3.2)	(3.3)
Other capital expenditure	(0.5)	(0.6)	(0.0)
Net cash flow pre financing and tax	8.6	5.2	8.4
% conversion (as % of EBITDA)	67%	54%	87%

Highlights



Changes in net working capital

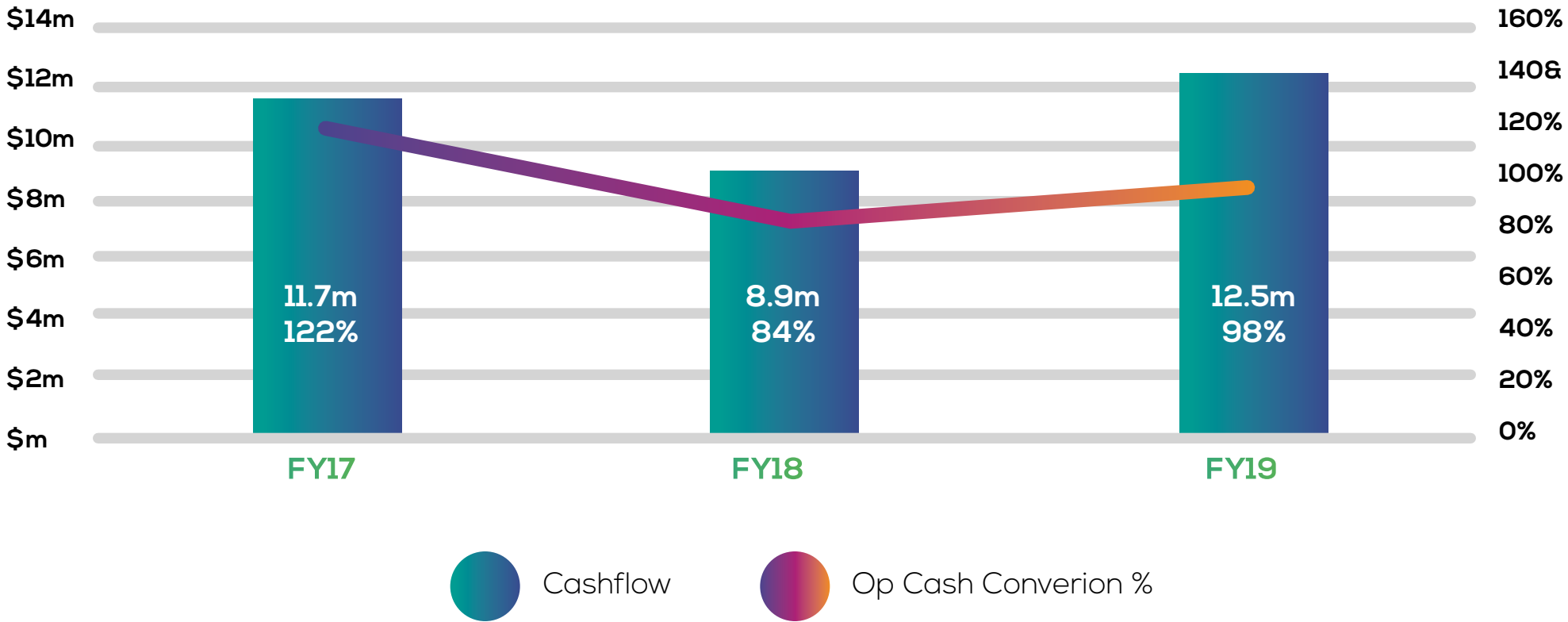
Negative working capital due to customers billed upfront
FY18 working capital impacted by significant amount of Q1
FY18 billings



Capital expenditure

Stable capitalised development costs and capital expenditure
broadly in line with depreciation and amortisation

Strong Cash Flow Conversion



Group Financial Highlights – Capital Structure

PRO FORMA NET DEBT AS AT FY19		
\$ Millions	Facility Committed	Pro Forma
Facility A	21.5	21.5
Facility B	6.0	-
Total Debt	27.5	21.5
Cash and cash equivalents		6.3
FY19 Net debt		15.2
FY19 PF EBITDA		12.8
FY19 Net debt / PF EBITDA		1.2x

Highlights



New debt facility in place post listing > Total facility size \$27.5M – Fully drawn at IPO

Facility A – \$21.5M and 3 year amortising non-revolving cash advance facility

Facility B – \$6M and 3 year revolving multi-option working capital facility



Available cash for use \$12.3M which reflects \$6.3m of Cash and Cash equivalents and \$6M prepaid Facility B



Pro-forma net debt to EBITDA ratio of 1.2x. Bank covenants 2.5x from 30 September 2019 to 30 June 2020 and 2x from 30 September 2020 to 30 September 2021

OUTLOOK

ASX: RDY



ReadyTech maintains the prospectus forecast for CY19

Pro-forma Revenue: \$35.1M – 14% yoy growth compared to CY18

Pro-forma EBITDA : \$14.6M – 28% yoy growth compared to CY18



Business performing to forecast in the first 8 weeks of FY20



New business pipeline will continue to drive revenue growth for both employment and education segments



Continue to assess complementary technologies and / or customer bases.



ReadyTech

Ready for the Future of Work



APPENDIX

STATUTORY TO PRO-FORMA RESULTS RECONCILIATION

\$ MILLIONS		
	FY19	FY18
Statutory revenue	32.7	25.6
Employgroup and HR3	-	2.9
My Profiling (3 months)	0.3	0.8
R&D tax offset income	-	(0.3)
Pro forma revenue	33.0	29.0
Statutory EBITDA	7.4	5.3
Employgroup and HR3	-	1.3
My Profiling (3 months) and Earnout trueup	(0.1)	0.4
R&D tax offset income	-	(0.3)
Impact of lease accounting	-	0.5
Offer and related IPO costs including Esher house vendor payment	5.6	2.8
Legacy ownership and structuring	-	1.4
Incremental public company costs	(0.3)	(0.7)
Transaction costs	0.2	-
Pro forma EBITDA	12.8	10.6

\$ MILLIONS		
	FY19	FY18
Statutory NPAT	(1.5)	(2.3)
Employgroup and HR3	-	1.1
My Profiling (3 months) and Earnout trueup	(0.1)	0.4
R&D tax offset income	-	(0.3)
Offer and related IPO costs including Esher house vendor payment	5.6	2.8
Legacy ownership and structuring	-	1.4
Incremental public company costs	(0.3)	(0.7)
Transaction costs	0.2	-
New debt facility	0.3	(0.2)
Amortisation of capitalised development expenses	-	(0.4)
Amortisation of acquired intangibles	4.9	4.2
Tax effect	(3.4)	(1.6)
Pro forma NPATA	5.7	4.3

Board of Directors



Tony Faure
Independent Non-Executive Chairman

- Currently the Chairman of ASX-listed oOh!-media, data intelligence platform PredictHQ and start-up accelerator Pollenizer
- Previously a board member of Australian Independent Business Media, Junkee Media, Torque Data, iSelect, biNu, Lasttix, and Stackla
- Previously CEO of ninemsn, and HomeScreen Entertainment, and Managing Director at the launch of Yahoo! Australia & NZ
- Tony is also a member of the Audit and Risk Committee, and Remuneration and Nomination Committee



Marc Washbourne
CEO

See management slide



Elizabeth Crouch
Independent Non-Executive Director

- Currently the Chairman of Customer Owned Banking Association, SGS Economics and Planning, and NSW Government's Non-Government Schools Advisory Council, and is an Emeritus Deputy Chancellor of Macquarie University having served the governing council for 17 years
- Currently on the board of the NSW Government's Institute of Sport, Health Infrastructure and the Western Sydney Local Health District
- Previously a Non-Executive Director at Chandler Macleod Group, McGrath Estate Agents, and Macquarie University Hospital
- Elizabeth is also Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee



Timothy Ebbeck
Independent Non-Executive Chairman

- Over 30 years of board, executive and advisory experience across a breadth of industries including technology, media, consulting and finance
- Currently the Managing Director and Senior Vice President of Automation Anywhere (ANZ)
- Previously CFO of Unisys South Pacific, Compaq Computers South Pacific, TMP Worldwide (Asia Pacific and Japan), CFO and CEO of SAP (ANZ), Chief Commercial Officer of NBN Co, and Managing Director of Oracle (ANZ),
- Tim is also Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee



Tom Matthews
Non-Executive Director
(Pemba Representative)

- Over 15 years of experience in private equity, principal investment, investment banking and middle market advisory and valuations
- Partner at Pemba, a leading private equity manager investing in small and mid-sized private businesses in Australia and New Zealand
- Prior to Pemba, Tom worked at UK-based specialist private equity fund Sovereign Capital Partners where he focussed on healthcare, education and businesses services sectors
- Tom previously worked with the investment banking group at Macquarie Bank focussing on principal investment opportunities, and gained experience at Deloitte Corporate Finance focussing on business valuations, independent expert's reports and corporate advice



Mark Summerhayes
Non-Executive Director
(Alternate Director to Tom Mathews)

- Currently Managing Director at Pemba Capital Partners, a leading investor in small and mid-sized private businesses in Australia and New Zealand
- Currently Chairman of the Board at Coverforce and a Director of Ausreo, Instant Access, InteriorCo and ReadyTech
- Previously a co-founder of SB Capital Partners, Managing Director at Smedvig Capital and a board member of Device Technologies
- Previously at Bain & Company advising corporates on a mix of strategy, M&A, and operational improvement projects

Management Team

Senior management



Marc Washbourne
CEO

- Marc Washbourne was one of the founders of the JobReady business and was appointed CEO in 2006
- As a former software developer, Marc brings to ReadyTech over 20 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
- Marc was educated in the U.K. at the Royal Grammar School of High Wycombe and achieved a first-class degree in History from the University of Leeds



Nimesh Shah
CFO

- Nimesh has been the CFO of ReadyTech since August 2017
- Nimesh has over 20 years' experience as an executive in technology and online digital industries across Australia and many parts of Asia including over 7 years as Finance Director of Fairfax Digital
- Previous CFO experience for companies including pioneering social networking site, Friendster, Inc., and ASX-listed leading media intelligence organisation, iSentia Group Limited
- 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

Business leadership



Tony Jones
GM, JobReady

- Joined JobReady in an operational role in 2006
- Project Director of AVETARS for ACT State Government
- Previously worked on major IT transformation projects at Universal Music Group in UK



Trevor Fairweather
GM, VETtrak

- GM of VETtrak since 2018
- Over 20 years of experience in senior management and executive roles in the technology sector
- Previous experience at MYOB, Acendre and EstimateOne



Daniel Wyner
GM, Employgroup

- GM of Employgroup since 2018
- Over 10 years of experience as an executive in the information, software and service industry
- Former Asia Pacific Regional Director at CCH Australia, owned by multinational global provider of professional information software solutions and services Wolters Kluwer. Previously Head of Strategy, Mergers & Acquisitions



Michael Benyon
GM, HR3

- GM of HR3, Michael has experience spanning 35 years in payroll software.
- Michael has been instrumental in building HR3's trust, growth and influence in the payroll industry.
- Most recently, Michael worked with an advisory group with the ATO on the roll-out of Single Touch Payroll (STP) initiative.

A2E	Assess2Educate, a ReadyTech product
ACV	Annual contract value
ARPC	Average revenue per customer
CAC	Customer acquisition cost
CAGR	Compounded annual growth rate
CLTV	Customer lifetime value
CY	Refers to the calendar year ending 31 December
DHS	Department of Human Services
FY	Refers to the financial year ending 30 June
LMS	Learning management system
NPATA	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
SMS	Student management system
STP	Single Touch Payroll
WHS	Work, health and safety