

# FY22 RESULTS PRESENTATION

24 August 2022

# IMPORTANT NOTICE



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Information contained in this presentation:

- is intended to be general background information only, and is not intended that it be relied upon as advice to investors or potential investors and is not an offer or invitation for subscription, purchase, or recommendation of securities in Hansen
- should be read in conjunction with Hansen's financial reports and market releases on ASX
- includes forward-looking statements about Hansen and the environment in which Hansen operates, which are subject to significant uncertainties and contingencies, many of which are outside the control of Hansen – as such undue reliance should not be placed on any forward-looking statements as actual results or performance may differ materially from these statements
- includes statements relating to past performance, which should not be regarded as a reliable guide to future performance
- includes certain financial information not recognised under IFRS which Hansen considers useful to assist in evaluating Hansen's performance – however, such information has not been subject to audit or review in accordance with Australian Auditing Standards.

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

## Definitions

- FY21= financial year ended 30 June 2021
- FY22 = financial year ended 30 June 2022
- Reported EBITDA\* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses)
- Underlying EBITDA\* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses), not including non-recurring items
- NPAT = Net profit after tax
- NPATA\* = Net profit after tax excluding tax effected amortisation of acquired intangibles and non-recurring items
- EPSa = Earnings per share on NPATA

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

# AGENDA

- Company highlights
- FY22 financials in detail
- Dividend and outlook
- Q&A

A large-scale photograph of a solar farm. The foreground shows rows of solar panels with a white grid pattern. A prominent red semi-transparent rectangular overlay covers the middle ground, extending from the left edge to the right edge of the image. The background shows a horizon line with trees and a cloudy sky.

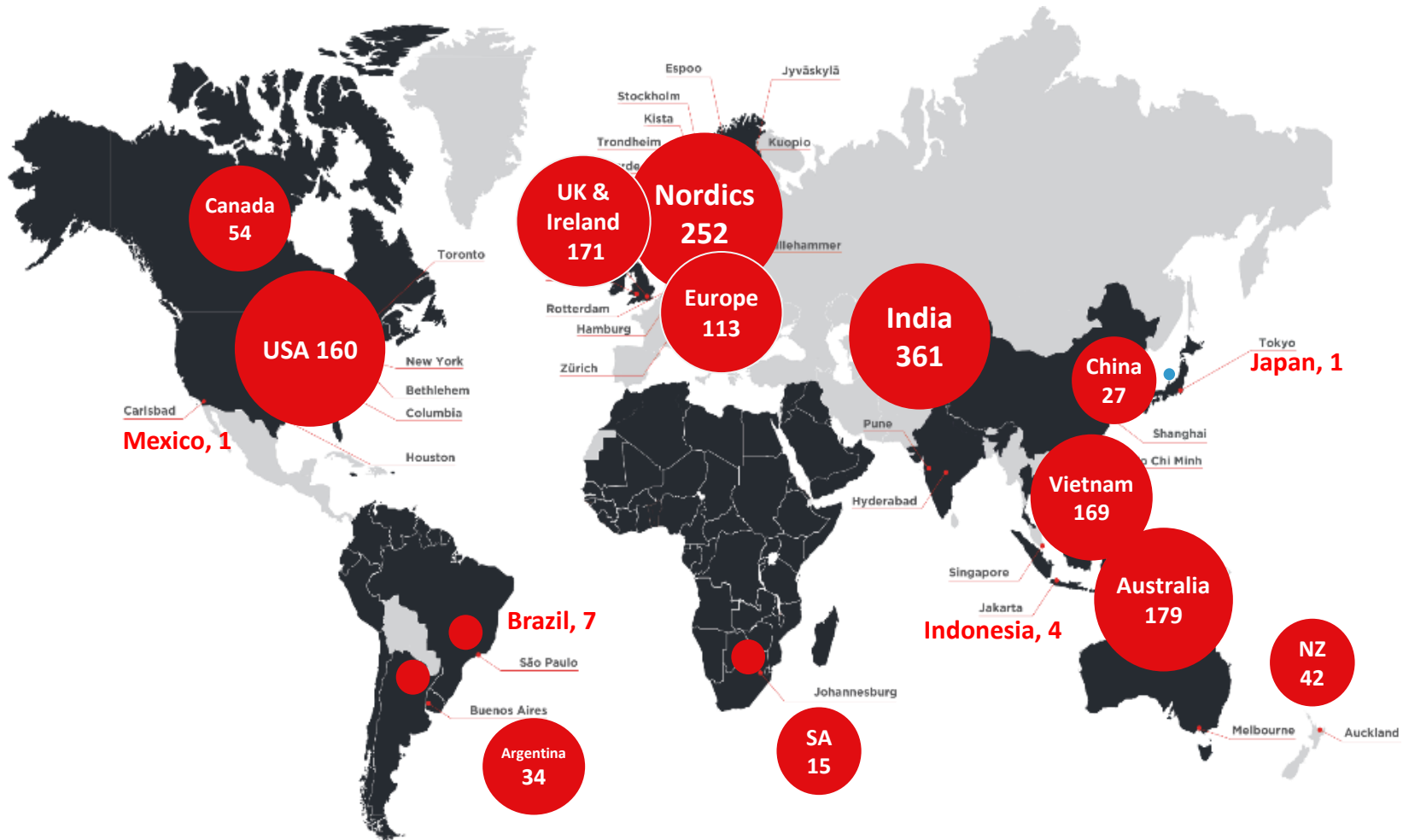
# COMPANY HIGHLIGHTS

# INTRODUCTION TO HANSEN

- Proud 50+ year history
  - Providing mission-critical IT solutions globally across the essential Energy, Water and Communications industries
- Strong reputation of customer delivery
  - Results in long-term (10+ years) partnering relationships with customers
- Highly experienced and loyal leadership team
  - Strongly aligned with investors via incentive programs based on strategic outcomes
- Strong financial principles deliver consistently positive cash flows
  - Ensures equity injections are only part of how we deliver strategic growth opportunities to investors

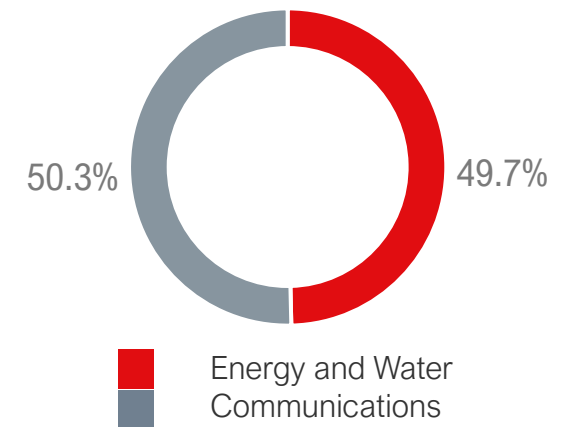


# HANSEN IS A GLOBAL BUSINESS



**1,550+** TOTAL FTE  
**600+** CUSTOMERS (TIER 1 & 2)  
**80+** COUNTRIES

## REVENUE BY VERTICAL



# HANSEN'S DEFENSIVE POSITION DELIVERS

## FULLY DIVERSIFIED

- Servicing recession-proof industry verticals
  - Energy and Water
  - Communications
- 600+ customers spread with a global geographic footprint
- Focus on tier 1 & 2 customers that can withstand volatile commodity prices or geopolitical factors
- Trusted technical and industry intellect delivering thought leadership to the entire customer base

## CONSISTENT GROWTH

- Industry segments providing organic growth across different revenue profiles
- Modular approach to Product Suite delivering organic and inorganic revenue opportunities
- Acquisition targets offering expansion opportunities across existing and complementary new verticals

## CUSTOMER FOCUSED

- New logo wins driven by a strong reputation and references
- Products delivering efficiency while meeting regulatory requirements
- Long-term (10 years +) customer relationships
- Low customer churn (<2% per annum)
- R&D investment driven by known market and customer requirements

## SOUND PRINCIPLES

- Treat the Company funds as if they are your own
- Ensure you understand the return before you invest
- Confirm that the company's cashflow remains consistently positive
- Review your strategic direction and maintain a profitable trajectory
- Consider environmental impact in decision making

**ONGOING PROFITABLE CASH GENERATIVE GROWTH**



# LED BY AN EXPERIENCED TEAM



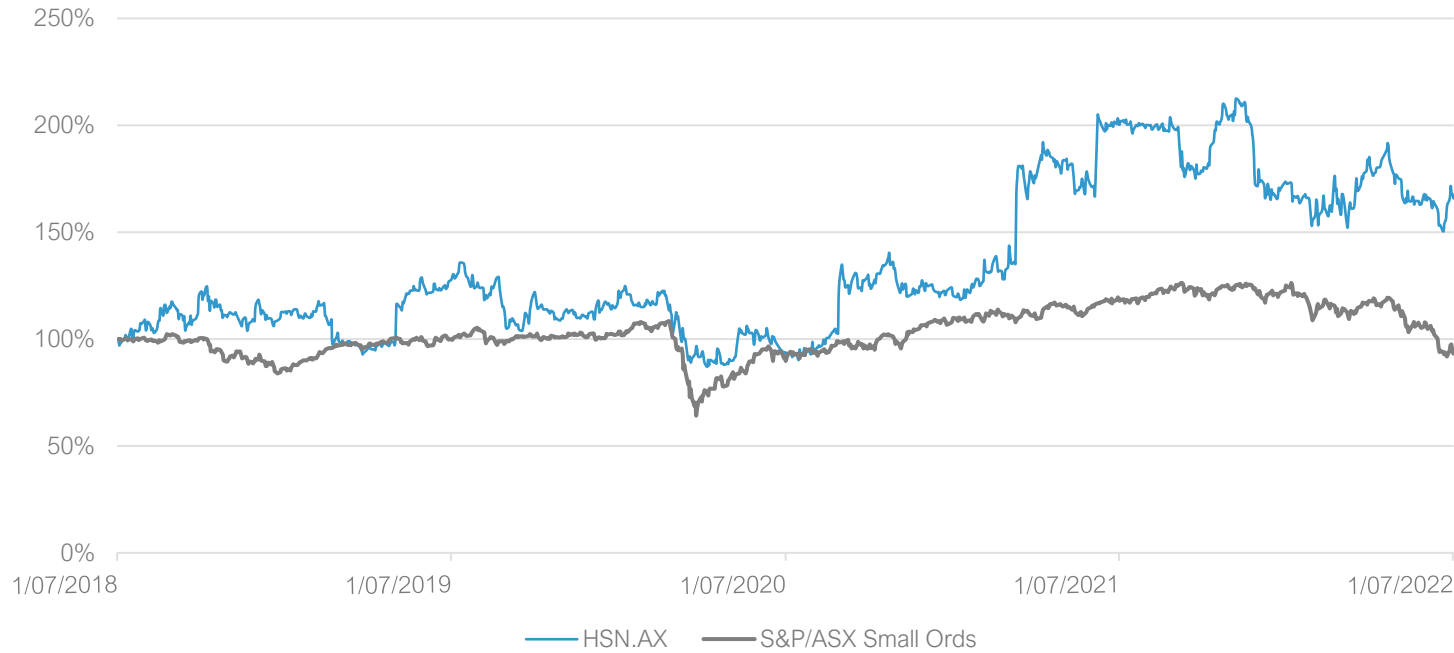
- Founder-led business with focused, highly skilled leadership team
- Team brings more than 175 years of Hansen experience and many more in overall business experience
- Complemented by strong local leadership and local talent providing industry-specific support to local customers
- Culturally aware Management aligned to local social norms

**This team has worked together delivering consistently to shareholders, despite the challenges of a global financial crisis, a global recession and more recently a global pandemic**





# DELIVERING STRONG SHAREHOLDER VALUE



**EPSa Growth:**  
+70% since 2019



**Debt levels:**  
-\$122m  
since 2019



**57% of Net Profit  
after Tax**  
returned to  
shareholders during  
FY22

Through consistent focus and a strategic view of the future



# REPUTATION BUILT ON CUSTOMER SATISFACTION

Resulting in strong customer retention and recurring revenue

## Functional & Flexible Offering

- End-to-end B2B & B2C billing and customer information system (CIS) solutions on prem, hosted and SaaS
- Enabling digital transformation to help customers increase operational efficiencies and grow new business models
- Hansen's capability allows for offering of both fully integrated tech stacks or modular products

## Partnerships & Co-development

- Long term relationships (10+ years)
- Software Development on point and not speculative
- Software delivers real solutions to identified business problems

## Customer Satisfaction, Retention & References

- Low customer churn (<2% per annum) and track record
- Growing demand for upgrades, renewals, geographic expansion and addition of modules to core base
- New wins on the back of strong references from existing customers

## Targeted R&D

- Targeted R&D strategy focused on future market requirements and common customer requests; e.g. modular, cloud native, 5G and smart metering
- FY22 R&D spend was 5.4% of revenue
- Specialised development is co funded with IP retained by Hansen

## Independent Industry Recognition

- 2022 Frost & Sullivan – Product Innovation Award in the Energy and Utilities customer care and engagement category
- Inclusion in six analyst reports including Gartner (2), IDC, Futurum, Frost Radar, Telco Republic

# STRONG CUSTOMER MOMENTUM

Industry related products are delivering positive results

## NEW LOGO WIN



- Exelon Corporation contract to provide Hansen Market-Message
- Contract term of 7 years with associated revenue of c. US\$24.6m
- Exelon is the largest utility company in North America

## PRODUCT EXPANSION



- Upgrade existing Hansen CIS contract to also provide Hansen MDM (Meter Data Management)
- Additional contract term of 5 years with associated revenue of c. A\$45m



- Expansion of product set to include both Hansen CIS and Hansen MDM in order to future proof Essential Energy's business
- Additional contract term of 3 years with associated revenue of c. A\$12.7m

## REGIONAL EXPANSION



- Expanded long-standing partnership with Hansen CIS in Finland and Norway into Sweden
- Also upgraded to allow the use of Hansen Trade for operations in Finland and Norway

**Hansen is well positioned to continue its customer momentum into new and expanding growth markets**



# Addressing the challenges in the current global market

# TACKLING THE GLOBAL CHALLENGES

With 50+ years of industry experience we approach these challenges with confidence

## LABOUR CHURN

- The IT industry has experienced high levels of churn with the pandemic accelerating the need for a digital presence
- A 9% improvement in Staff Retention indicates that our Global Initiatives are having an impact
- As many tech companies show signs of strain (and increase lay-offs) Hansen seen as financially stable home (with rewarding careers) for new and returning employees
- Positive expansion in key IT labour markets of Argentina, Vietnam and India provide us with a geographically diversified work force

## INFLATIONARY PRESSURE

- Inflation is close to peaking in many countries due to ongoing supply chain disruptions and the Russian / Ukraine conflict
- Resulting in increased costs but Hansen has been factoring this into new contract pricing
- In current contracts, Hansen has optionality to pass on increased cost to customers
- “Hansenisation” across the business continues to improve efficiency and reduce cost

## RISING INTEREST RATES

- Central banks frontloading rate hiking cycles – eager to get too ‘neutral’ quickly
- Current Leverage at a low 0.3x
- Hansen’s strong cash generation supports levels of gearing to fund growth at higher interest rates
- Hansen continues to be well supported by banking arrangements
- Underlying business is fiscally strong and does not require equity support

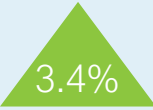
## M&A STRATEGY

- The Global Pandemic and prohibitory high valuations has made it difficult for Hansen to find strategic value and pursue targets to completion
- More opportunities coming to market, reopening of travel making opportunities easier to assess
- Valuations slowly returning to more realistic levels
- Dedicated M+A Team considering new verticals that could benefit from Hansen’s existing experience

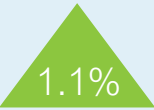
**Hansen’s balance sheet and cash flow generation allows us to weather any potential storm.**

# FY22 FINANCIAL SUMMARY


Revenue<sup>1</sup>

\$296.5m  3.4%

Underlying EBITDA<sup>1</sup>

\$100.3m  1.1%


Underlying NPATA<sup>1</sup>

\$58.2m  6.2%

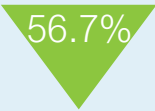
Adjusted EPSa<sup>1 3</sup>

29.0¢  5.4%

Dividend

12.0¢  20.0%  
(7¢ interim paid +  
5¢ final)

Net Debt<sup>4</sup>

\$28.8m  56.7%

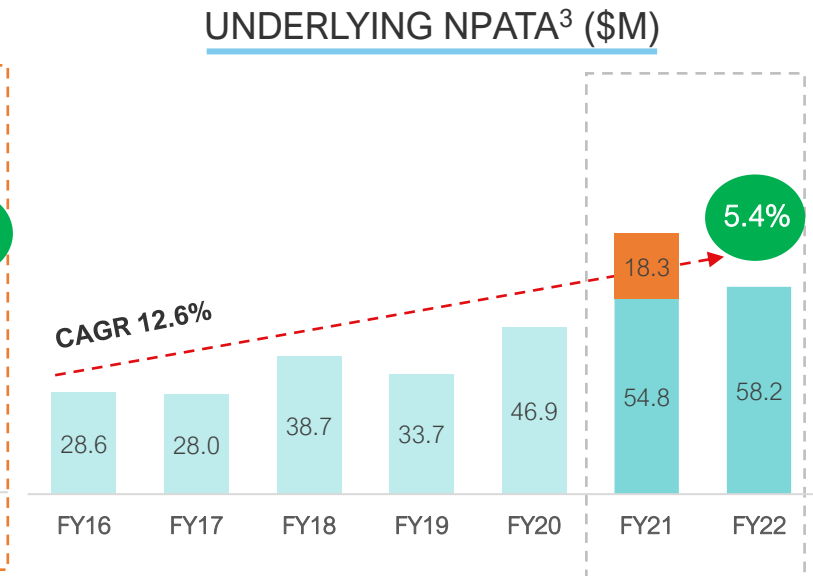
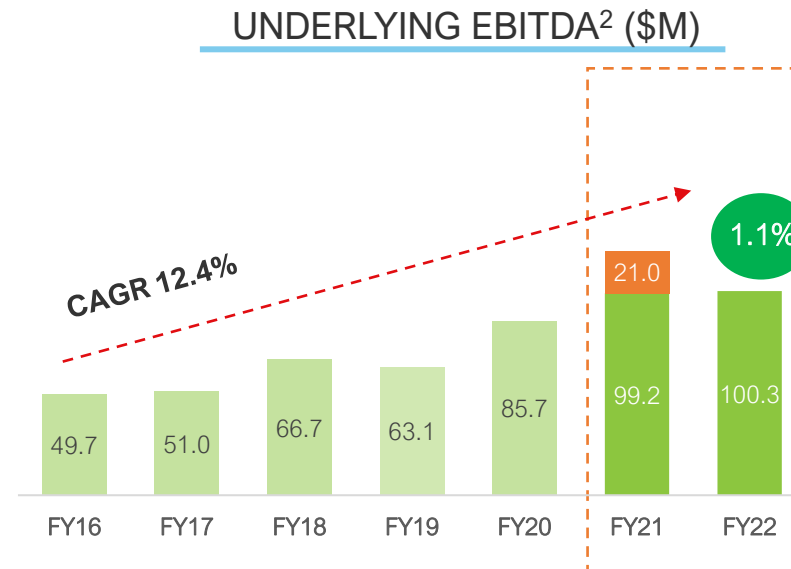
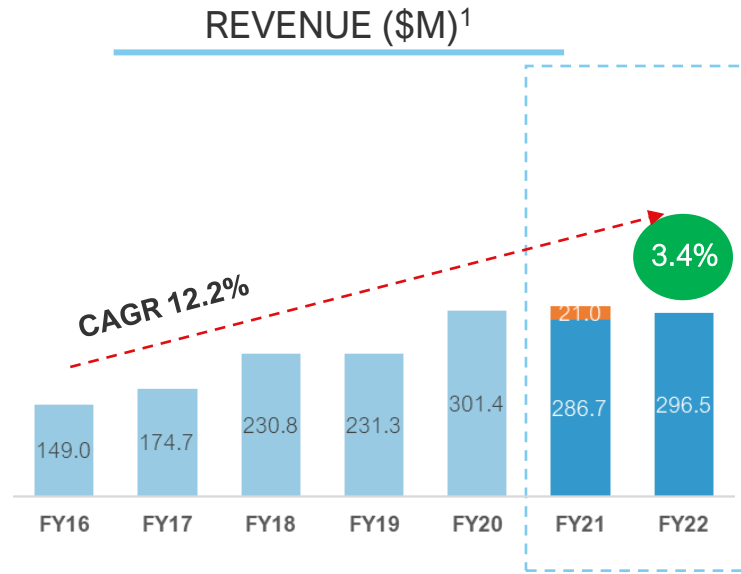
Notes:

1. These metrics are presented after adjusting the FY21 full year result for the impact of the initial Telefonica licence (\$21M)
2. Underlying NPATA = Net profit after tax excluding tax effected amortisation of acquired intangibles and non-recurring items
3. Underlying Basic EPSa, based on NPATA: 5.4% improvement is based on EPSa against prior period after adjusting for the Telefonica licence
4. Net Debt borrowing (excluding pre-paid costs and IFRS16) less cash

A black and white photograph of a telecommunications tower with various antennas and equipment. A large, semi-transparent red circle is centered on the tower's structure. A horizontal red band is overlaid across the middle of the image, containing the main title text.

# FY22 FINANCIALS IN DETAIL

# STRONG PERFORMANCE DESPITE HEADWINDS



- After adjusting for Telefonica revenue growth of 3.4% delivered for the full year
- A combination of customer upgrades and new business contributing to growth
- New deal momentum delivering revenue into FY23
- Growth continuing across multiple regions

- Underlying EBITDA at 34% for the full year

- Effective tax rate is lower than expected with higher level of profit in tax jurisdictions allowing accelerated use of tax losses

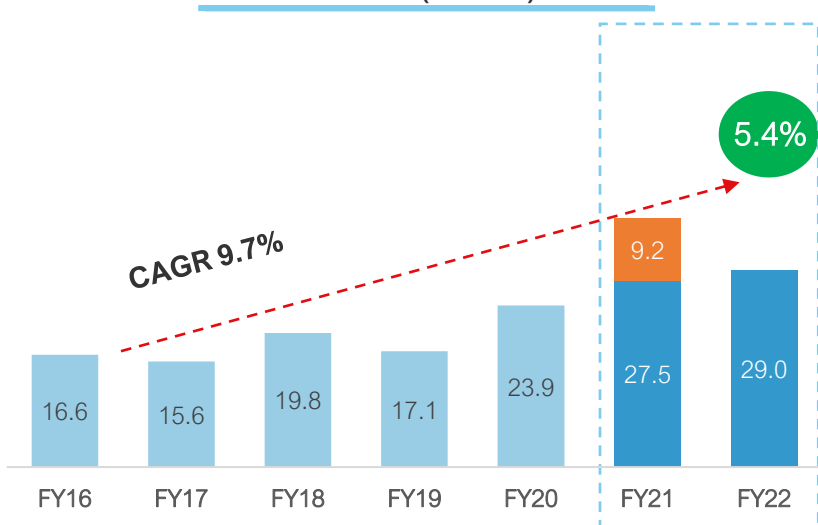
Notes:

1. These numbers are presented after adjusting the FY21 full year result for the impact of the initial Telefonica licence (\$21M)
2. FY22 underlying EBITDA excludes \$306k of non-recurring items; currency impact of \$2.4m
3. Underlying NPATA = net profit after tax excluding tax effected amortisation of acquired intangibles and non-recurring items of \$306k

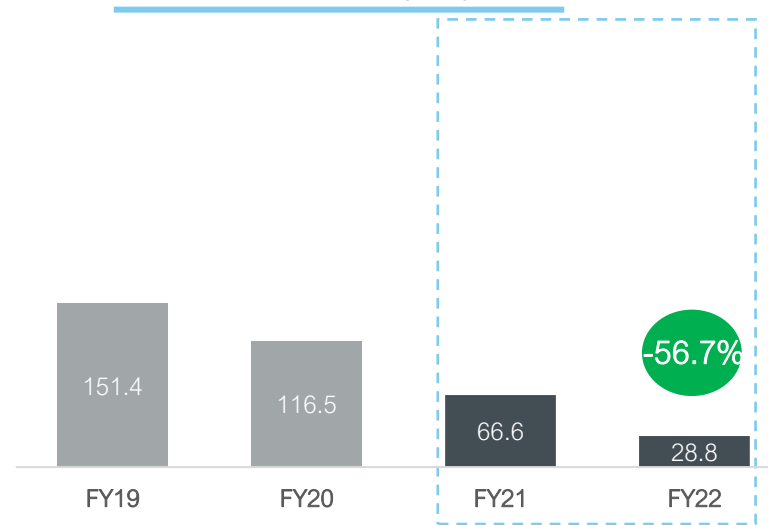


# CONTINUED POSITIVE CASH GENERATION

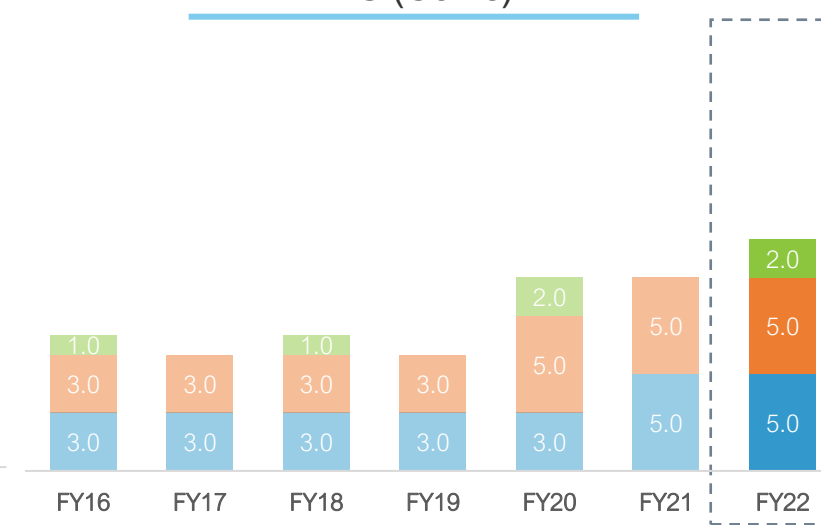
EPSa<sup>1</sup> (Cents)



NET DEBT<sup>2</sup> (\$M)



DPS (Cents)



- 57% of Net Profit after Tax returned to shareholders in the form of dividends
- Hansen performing well against the S&P Small Ordinaries Index.
- Shareholders not subject to calls on capital to run the business

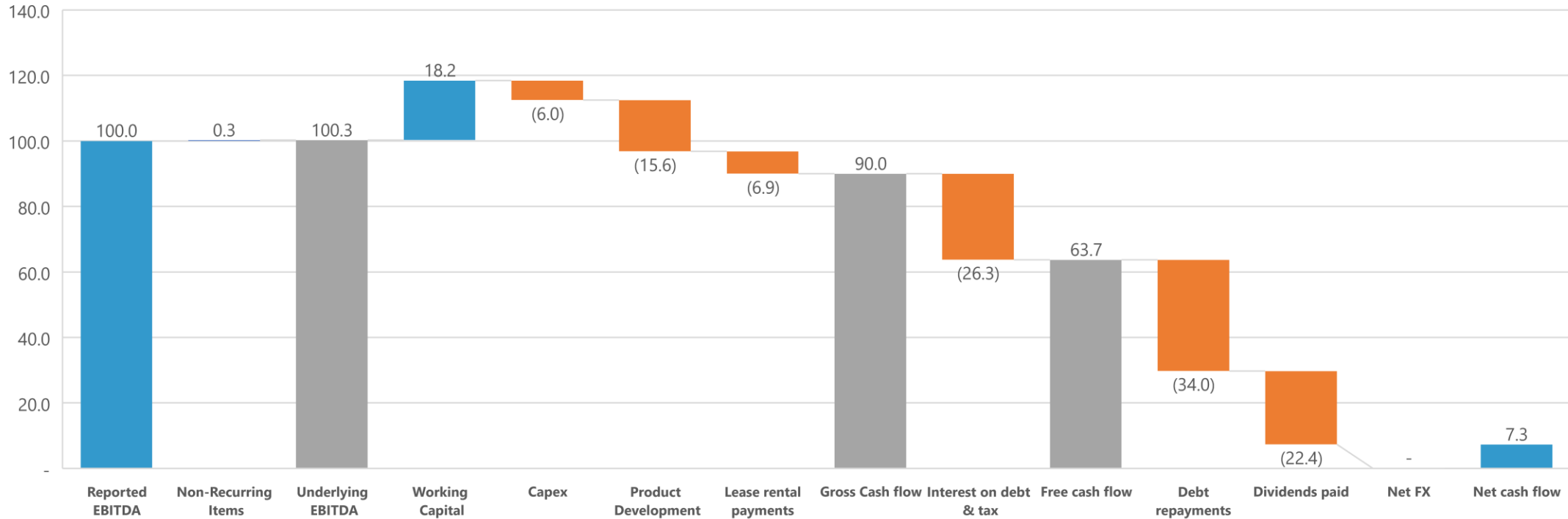
- Strong sustainable cash flows enabling significant reduction in net debt
- Strong capital structure and liquidity position supports current dividend strategy
- Significant debt available to fund future strategic targets

- Full year dividend of 12c includes a special of 2c returning cash to investors

Notes:

1. Underlying Basic EPSa, based on NPATA: 5.4% improvement is based on EPSa against prior period after adjusting for the Telefonica licence.
2. Net Debt excluding AASB 16 lease liabilities and pre-paid borrowing costs.

# TAKING PROFITS TO THE BANK



- Very strong Free Cash Flow of \$63.7m after funding tax obligations associated with record profits in FY21 (down from \$70.1m in FY21)
- Net debt reduced by \$34.0m (50%) to \$28.8m
- Leverage ratio<sup>1</sup> of 0.31x (down 44%) from 0.55x in FY21, highlighting significant headroom for future borrowing capacity
- The year concluded with cash reserves of \$60m up from \$52m at the close of FY21

Notes:

1. Leverage ratio: net debt (including pre-paid borrowing costs) / EBITDA excluding impact of IFRS16 and non-recurring items.

A silhouette of a three-bladed wind turbine is positioned on the right side of the slide, partially overlapping the red banner and extending into the background image of a cloudy sky.

# DIVIDEND AND OUTLOOK

# RESILIENCE PAYS DIVIDENDS, REDUCES DEBT

Strong business principles focused on customer needs delivers results

## Our position:

- Strong consistent cash flows have retired over \$120m of debt in a little over 3 years
- Consistent free cash flow has delivered an improved return to shareholders over the same period
- A strong balance sheet places the business in a great position to responsibly leverage the business to take advantage of growth opportunities.

## Capital management philosophy:

- With 12c paid in dividends across the year 57% of Net Profit after tax has been returned to shareholders in FY22.
- Equity raisings reserved for strategic growth opportunities that drive shareholder value.
- Management's equity holdings align outcomes to long term shareholder value.

**Leverage ratio<sup>1</sup> 0.31x at 30 June 2022; down from 1.46x at 30 June 2020.**

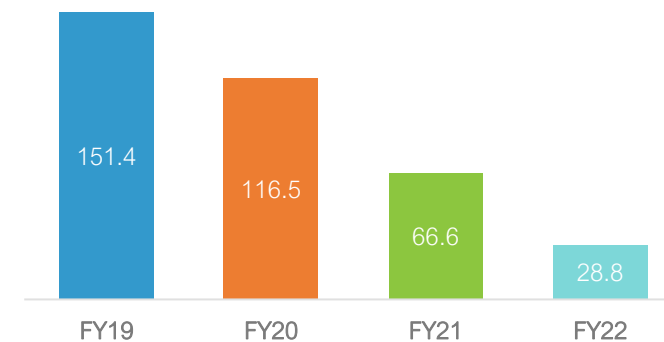
Notes:

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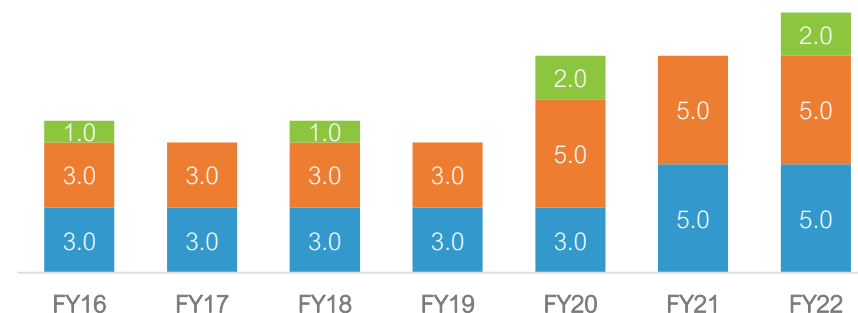
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NET DEBT (\$M)



DIVIDEND (Cents)



HANSEN

# NOW AND THE FUTURE

## Where we are today

- Hansen offers a stable predictable platform for growth servicing essential market verticals of Energy, Water and Communications
- Product offerings are focussed to customer requirements and deliver predictable revenue growth
- Hansen's reputation of delivering on time and on budget drives new business opportunity
- Our existing business provides a strong defensive platform for growth

# NOW AND THE FUTURE

## Looking to the Future

- Due to current economic conditions we expect modest organic revenue growth driven by a combination of new product sales into our existing customer base and new logo wins
- Labour churn expected to stabilise, with labour costs to moderate in the longer term. This presents an opportunity to rebuild our bench
- We expect to face some margin pressure driven by unrecovered revenues and cost inflation but expect to maintain underlying EBITDA margins above our ongoing target of 30%
- Building out our ESG framework and expanding our carbon neutral status across our geographies

# Q&A



The logo features a stylized red 'H' icon on the left, composed of two vertical bars and a horizontal bar that curves at the bottom. To the right of the icon, the word 'HANSEN' is written in a white, uppercase, sans-serif font.

HANSEN