

MARKET RELEASE (ASX:RDY)

ReadyTech enterprise strategy underpins sustainable revenue performance, strong margins and growth outlook

22 February 2023 – ReadyTech Holdings Limited (ASX:RDY) (**ReadyTech** or **Company**) (ABN 25 632 137 216), a next-generation SaaS cloud-based software provider to the education, workforce, government and justice sectors is pleased to announce its results for the six months ended 31 December 2022 (1H FY23). Buoyed by a strong transformation agenda across all customer verticals, the Company delivered continued growth and strong margins underpinned by the successful execution of its enterprise strategy.

1H FY23¹: strategic focus delivers sustainable revenue growth

- Revenue up 34.1% to \$47.9 million
 - Like-for-like² revenue growth of 13.4%
 - Net revenue retention at 103%
- Subscription and licence revenue of \$40.3 million representing 84% of total revenue
- 6 major landmark enterprise contracts signed totalling \$9m in deal value³
- New wins lifting average revenue per new customer by 40% to \$72.3k
- Underlying EBITDA⁴ of \$15.6 million (excluding LTIP)
- Underlying EBITDA margin of 35% including ITV 32.6%

Commenting on the 1H FY23 result, ReadyTech Co-Founder and CEO, Marc Washbourne said:

"The success of ReadyTech's highly focused enterprise strategy has delivered substantial growth opportunities driven by the movement to cloud-based, next-generation technology that transforms the way customers operate. ReadyTech's ongoing investment in product development and R&D keeps us agile in responding to customer and market demand. ReadyTech's reputation as the vendor of choice for highly configurable, interoperable, and scalable enterprise software continues to grow with 24 new high-value customers across all our customer segments."

"The integration of IT Vision is continuing at speed with ReadyTech's growth strategy greatly enhanced by opportunities for cloud upgrades within the customer base and new customer wins."

"We're excited by the diverse range of opportunities ahead for ReadyTech leveraging the capability of our talented and dedicated team. Additionally, \$9 million across 6 landmark enterprise deals will underpin a strong 2H, with sizeable new business pipeline opportunities of over \$27 million across all segments." Washbourne said.

¹ All figures are in AUD and comparisons are made against 1H FY22 unless specified. 1H FY23 underlying results excludes LTIP costs of \$0.7m and non-recurring costs of \$3.5m which includes the impact of takeover defence and acquisition related transaction costs \$2.0m and the accounting impact of contingent consideration of \$1.5m.

² Like-for-like compares organic revenue contribution from acquisitions of Open Windows and PhoenixHRIS against respective prior corresponding periods. IT Vision revenue since acquisition is \$5.5m.

³ Deal value equals annualised subscription and implementation fees.

⁴ 1H FY23 underlying results excludes LTIP costs of \$0.7m and non-recurring costs of \$3.5m which includes the impact of takeover defence and acquisition related transaction costs \$2.0m and the accounting impact of contingent consideration of \$1.5m.



Continued growth in revenue coupled with strong margins

Revenue was \$47.9 million, up 13.4% on a like-for-like basis⁵. High-quality subscription revenue reached \$40.3 million, representing 84% of total revenue. Net revenue retention was 103% (1H FY22: 104%) reflecting low churn, customer expansion and successful upsell and cross-sell.

Organic growth was underpinned by ReadyTech's ability to grow share of wallet with existing customers via upsell and cross-sell, as well as new user subscription and module upgrades.

ReadyTech's targeted strategy to win high value, enterprise customers is proving successful with new customer wins lifting average revenue per new customer by 40% to \$72,300, including 24 new high-value customers generating aggregate annualised revenue and implementation fees of \$10.8 million.

ReadyTech's high-quality subscription revenue and scalability support strong margins with underlying EBITDA of \$15.6 million, reflecting a margin of 32.6% (excl. LTIP). Excluding the impact of IT Vision of \$0.8 million, EBITDA was \$14.9 million with a margin of 35.0%.

The strong momentum is expected to continue in 2H FY23 with revenue flowing from \$9 million deal value signed from 6 recent enterprise deals and the strong and growing high-conviction pipeline.

Strong growth in Workforce Solutions underpinned by continued growth in software subscription revenue

Workforce Solutions delivered 18.3% revenue growth to \$13.6 million, including a 20.5% increase in software revenue to \$8.8 million. Growth was driven by 33 new customer wins in 1H FY23, with the majority from the all-in-one platform as well as module and cloud upgrades from existing customers. EBITDA (excl. LTIP) grew 21.4% to \$5.1 million at a margin of 37.5%.

Momentum is building with the release of Ready People, connecting the ecosystem of employee experience while offering high mobility for the stand-up economy. This segment will provide strong support for the next stages of growth.

Continued growth in Education & Work Pathways revenue and earnings

The Education & Work Pathways segment delivered 13.1% growth in revenue to \$16.8 million, driven by new customer wins and strong customer retention. The recurring revenue base of \$14.3 million increased 13.3% through continued upsell and cross-sell of core products.

ReadyTech is advancing across multiple education vertical opportunities in markets ready for change and ripe for transformation with cloud, next generation technology. Noteworthy wins in 1H FY23 including with UNSW Global, Jobs Statewide and Training Services NSW (phase 2 project) underline a successful growth strategy.

New customer wins underpin growing revenue and earnings in Government & Justice

Revenue excluding IT Vision was up 9.1% to \$12.0 million on a like-for-like basis, and recurring revenue increased to 85% of total revenue (1H FY22: ~62%).

ReadyTech's growth in the Government & Justice segment will flow into 2H FY23, as multiple new enterprise customers including City of Salisbury, Glenorchy City Council and Auckland Council were signed in late 2022 and commenced onboarding in Q3 FY23. These contracts will contribute to revenue and earnings in FY24 and beyond.

⁵ Like-for-like compares organic revenue contribution from acquisitions of Open Windows and PhoenixHRIS against respective prior corresponding periods. ITV revenue since acquisition is \$5.5m.



In 1H FY23, the Company completed the acquisition of IT Vision, which has performed well with \$5.5 million of revenue and \$0.8 million EBITDA since acquisition. Based on strong progress across integration strategy, cloud upgrades and recent wins of new customers such as City of Salisbury, this business is on track to meet FY23 revenue guidance of \$12.6 million and an EBITDA margin of 22%-24%.

FY23 outlook and FY26 organic revenue target re-affirmed

Commenting on ReadyTech's growth outlook, Mr Washbourne said:

"ReadyTech is well positioned and on track to achieve its FY23 guidance of organic revenue growth in the mid-teens, with \$2 million incremental revenue contribution from FY22 acquisitions, and EBITDA margin in the range of 35% to 36% excluding the impact of LTIP."

"Our enterprise customer wins, together with our high conviction pipeline of over \$27 million, provides us with the confidence to reaffirm our long-term outlook of over \$160 million of organic revenue in FY26. We remain focused on delivering sustainable growth in FY23 and beyond."

Investor conference call details:

An investor call will be hosted by Marc Washbourne (Co-Founder and CEO) and Nimesh Shah (CFO) at 10:30am AEDT today.

Those wishing to dial into the briefing are encouraged to pre-register via the following link:
<https://s1.c-conf.com/diamondpass/10028236-gfte5d.html>

Registered participants will receive their dial in number upon registration.

– ENDS –

This announcement has been authorised for release by the Board of Directors of ReadyTech Holdings Limited.

For more information, please contact:

Ronn Bechler
Investor Relations
p. +61 400 009 774
e. ronn.bechler@atomicgroup.com.au
Nimesh Shah

Chief Financial Officer
p. +61 437 980 296
e. nimesh.shah@readytech.io

About ReadyTech

ReadyTech is a leading provider of mission-critical SaaS for the education, employment services, workforce management, government and justice sectors. Bringing together the best in people management systems from students and apprentices to payroll, employment services, and community engagement, ReadyTech creates awesome technology that helps their customers navigate complexity, while also delivering meaningful outcomes. To learn more about ReadyTech's people-centric approach to technology, please visit www.readytech.io.