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Interview with Andrew Hansen Global CEO & Managing Director Hansen Technologies Ltd

Q: Andrew, thank-you for joining me today. Let's start with the overall goal of Hansen. Can you share the company's long-term vision?

A: Hansen's long-term vision is to build a sustainable, profitable business by diversifying across regions and industries. We focus on managing critical data to help customers transition through digital changes and deliver successful, customer-centric projects.

Q: Can you tell us more about the markets you operate in?

A: We operate in the Energy & Utilities and Communications & Media sectors. We're seeing significant growth in these areas, with the global market for Customer Information Systems in Energy & Utilities growing at ~13% CAGR and IoT devices in Communications & Media expected to almost triple by 2033. Despite our strong Australian roots, we've successfully expanded our reach globally over the past decade.

Q: Let's talk about your revenue streams. How predictable are they?

A: Our revenue is highly predictable and recurring. Excluding powercloud and our data centre which closed at the end of FY24, our revenue has increased by 8.2% since FY23. Our Applications and Support Revenue, which is contractual revenue recognised evenly over the contract term plus configuration, implementation and customisation, is up 6.9% since FY23 and 7.7% CAGR since FY19 excluding powercloud and our data centre.

Q: How has the Energy & Utilities segment performed recently?

A: Excluding powercloud, our Energy & Utilities segment has grown 14.7% to \$183.2m from FY23, driven by strong organic growth across all regions. This sector has performed exceptionally well, but we anticipate the Communications & Media segment also perform well in FY25. Our Energy & Utilities products primarily serve Tier 1 and 2 companies, with strong presences in North America, Northern Europe, the UK, and Australia.

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Q: And what about the Communications & Media segment?

A: Our Communications & Media revenue is \$148.9m, up 1.2%, with APAC showing strong growth of 12.6%. Unlike Energy & Utilities, which is driven by regulatory needs and rapid change, the Communications & Media sector has been cautious with large-scale investments post-COVID. However, we expect a solid global performance in FY25, with several new opportunities in progress.

Q: Consistent cash generation is vital for any business. How has Hansen managed this over the years?

A: Hansen has a 50-year track record of consistent cash generation. As of 1H24, we were net cash positive, having rapidly paid down our borrowings from the successful acquisition of a business in 2019. Our leverage ratio at the end of FY24 remains very low at 0.3x, and we've already paid down \$12 million of the initial borrowings used to acquire powercloud. We think it's important that profits translate into cash generation and this is something Hansen has consistently achieved for decades.

Q: Speaking of powercloud, can you give us a recap of that acquisition?

A: The German market has been one that we've been interested in for some time. Whilst there is work to be done to turn the business around, we've done it before and are confident in our plans to progress the business. We remain optimistic that by Q4 FY25 the business will be EBITDA positive.

Q: What was the strategic rationale behind the powercloud acquisition?

A: The rationale behind acquiring powercloud was to leverage its retail platform and expand our presence in the DACH region, especially Germany. This move positions us to capitalise on market changes, such as the rollout of smart meters and the end of SAP's legacy product support, in a key economic market we've been eyeing for some time.

Q: Can you talk a little more around the powercloud integration into Hansen?

A: It's 101 Hansenisation. We are placing Hansen-like rigor around processes, looking to improve resource planning and productivity metrics, and establish clear ROI for R&D activities. We are beginning to see cost-saving benefits from natural synergies and good business practices. Again, it's early days, and it's a turnaround, but we are underway.

Q: Let's shift to recent leadership changes. Can you discuss the recent restructuring at Hansen?

A: The Hansen business has grown significantly over the last 10 years and these leadership changes position us for further growth both organically and inorganically and with careful succession planning at all levels.

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Niv Fernando, our Chief Strategy Officer, has rejoined us and will focus on strategic M&A and further organic growth, while David and Scott will independently manage their respective verticals.

Graeme Taylor's role as our former CEO, concluded from the 30th of June, having played a pivotal role in our recent restructuring efforts.

I've resumed the broader role of CEO & Managing Director and will continue to focus on strategic initiatives and providing overall guidance at the Executive level but with Niv focused on M&A and David and Scott managing the day-to-day operations of our two verticals.

You will recall that John May our former American President is now assisting us with the powercloud integration as the Managing Director of that business. We may look to engage Graeme on strategic projects in the future.

Q: What do these changes mean for your overall strategy moving forward?

A: Each vertical is significant in its own right and requires individualised attention. We're very fortunate to have such strong talent in the organisation that can step into these roles and help drive organic growth moving forward. Niv as a seasoned Hansen'ite is already working on our M&A strategy and was pivotal with many of our previous acquisitions.

Q: This is good time to ask about Hansen's M&A strategy and the opportunities that exist in the market.

A: We're seeing lots of opportunities and some are progressing. As always, we are assessing several interesting opportunities in different parts of the world. Valuations are varied but we have been, and will continue to be, in many data rooms. It's definitely a buoyant market for potential acquisitions.

Q: Let's discuss the competitive landscape. How does Hansen view the competition from new entrants in the Energy & Utilities market?

A: New entrants in any market are beneficial helping drive innovation and keep the industry dynamic. Hansen remains focused on our customers and their needs, continuously evolving our products and solutions. We've maintained this customer-centric approach for over 50 years and will continue to balance industry expertise with innovative thinking.

Q: How does Hansen's technology stack up against these new entrants?

A: Hansen offers both full-stack and modular solutions, providing greater options for our customers. The software we provide particularly in Northern Europe and the Nordics truly is Market leading and our best-in-breed CPQ software provides a fantastic bridge between our Energy & Utilities and Communications & Media customers.

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Q: With these new entrants also looking to expand, do you see any risks to Hansen planned growth?

A: New players come into a market when that market is itself in a dynamic and buoyant state. At Hansen, our growth is not reliant on just new customer growth. Our strategic approach to grow spans organic growth from our current customers, new customers and our M&A strategy.

Hansen's growth also does not just come from the Energy and Utilities sector but also from the Communications & Media sector. It's important shareholders remember we play in two very different and dynamic industries.

Q: How does Hansen compare to some of the more local existing players in the market?

A: Existing local players tend to concentrate on Tier 2 and 3 energy markets, primarily in Australia and the UK. In contrast, Hansen focuses on Tier 1 and 2 markets globally, across both Energy and Communications. Our diversified portfolio across customers, countries, and services reduces our risk exposure and helps ensure financial stability.

Q: Finally, what are your expectations for the future?

A: We're excited about the future and confident in our strategic direction. We expect further growth, driven by increased demand in the energy industry and a pickup in the communications sector. Today we guided to 5-7% organic growth in revenue and reaffirmed our stance that we expect powercloud to be profitable towards the end of FY25. We appreciate the support of our shareholders.

END

Thank you, Andrew

Interviewer: Peter Beamsley, Head of Investor Relations
Authorised by the Board of Hansen Technologies Limited