22 February 2019

1H19 Result

Hansen Technologies Limited (ASX: HSN), a leading global provider of customer information systems and data management systems, today announced its results for the six months ended 31 December 2018.

Result Summary

<table>
<thead>
<tr>
<th>A$m</th>
<th>1H18</th>
<th>2H18</th>
<th>1H19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue(^1)</td>
<td>118.4</td>
<td>112.4</td>
<td>112.4</td>
</tr>
<tr>
<td>EBITDA(^2)</td>
<td>33.8</td>
<td>25.5</td>
<td>28.5</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>28.6%</td>
<td>22.7%</td>
<td>25.3%</td>
</tr>
<tr>
<td>NPAT</td>
<td>18.0</td>
<td>10.9</td>
<td>12.9</td>
</tr>
<tr>
<td>NPATA(^3)</td>
<td>22.7</td>
<td>15.3</td>
<td>17.7</td>
</tr>
<tr>
<td>Adjusted EPS(^4) – basic (cents)</td>
<td>11.7</td>
<td>7.8</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Hansen Chief Executive Officer, Andrew Hansen, said: "First half 2019 was a pleasing result. While revenue was down on 1H18 due to lower non-recurring revenue, it was consistent with 2H18, and with the containment of expenses we were able to deliver EBITDA of $28.5 million, which equated to an EBITDA margin of 25.3%.

Enoro continues to track well with the business now integrated.

During the half the group won new contracts in Australia, Finland and Sweden, emphasising the global nature of our business as we leverage our portfolio of products. In addition, we commenced client upgrades to the new version of our US municipalities billing system, and our new utility analytics SaaS product continues to gain momentum with several new implementations.

We also further strengthened our regional management structures with the appointment of Regional Finance Directors for both EMEA and the Americas, as well as Senior VP Accounts and Senior VP Sales for EMEA, and we continued to grow the Vietnam development centre, which now has 70 people.

We remain on track to achieve our full year 2019 guidance."

Revenue

Operating revenue for 1H19 was $112.4m, $6.0m (5.1%) down on 1H18 and consistent with 2H18. While recurring revenues have been broadly consistent over the past year, the reduced overall operating revenue compared to 1H18 was due to lower non-recurring revenues – a function of both lower project work following the large body of work completed in 1H18 associated with implementing Power of Choice for our customers in Australia and lower one-off licence fees.

Recurring revenue represented 63% of total revenue in 1H19 – this follows the implementation of the new accounting standard AASB 15 (which has the effect of reducing reported recurring revenue) and a reclassification of some of Enoro’s revenues which also lowered recurring revenue.

Notes:
1. 1H19 revenue is in accordance with the new accounting standard for revenue recognition, AASB 15. 1H18 and 2H18 revenue has not been restated in accordance with the new standard
2. Net foreign exchange gains (losses) are excluded from EBITDA
3. NPATA = Net profit after tax excluding tax-effected amortisation of acquired customer and technology intangibles
4. Adjusted Basic EPS based on NPATA
5. EBITDA and NPATA are non-IFRS measures that have not been audited or reviewed by Hansen’s auditors
EBITDA

1H19 EBITDA was $28.5m, $5.3m lower than 1H18 and $3.0m higher than 2H18. From an EBITDA margin perspective, 1H19 was 25.3%, lower than the 28.6% in 1H18, but improved on the 22.7% in 2H18.

The 1H18 margin was helped by the elevated amount of non-recurring revenue, which was higher margin. While revenue was consistent from 2H18 to 1H19, an improved margin was achieved in 1H19 due to both lower employee expenses as well as lower “other” expenses – due to reduced contractor, occupancy and travel costs.

Cash Flow and Debt

Free cash flow for 1H19 was $10.1m, with a net $8.0m increase in working capital. Key contributing factors to the increase in working capital were a $2.6m negative impact on working capital from the adoption of AASB 15 that will unwind over time, and a seasonal increase in Enoro’s working capital.

January 2019 saw a $3.2m improvement in the working capital position across the group.

Debt repayments of $4.7m during the half left gross outstanding debt of $22.7m at period end, and a net debt position of $0.6m, leaving the balance sheet in a strong position to fund future growth.

Dividend

The Board has declared an interim fully franked dividend of 3.0 cents per share, consistent with last year. The record date for the interim dividend is 7 March 2019 and the payment date 29 March 2019. The Dividend Reinvestment Plan (DRP) will again be available to shareholders with no discount. The DRP election cut-off date will be 8 March 2019.

FY19 Outlook

Our overall expectations for FY19 remain unchanged from the guidance provided on 17 August 2018. The only exception is that due to 1H19 revenue being somewhat higher than anticipated, we now anticipate 2H19 revenue to be consistent with 1H19, whereas our previous guidance was for a stronger 2H19 relative to 1H19.

Recapping the guidance for the full year FY19:

- Operating revenue is expected to be slightly below FY18 – largely as a result of:
  - a lower level of non-recurring licence fees and services revenue following the elevated levels achieved in 1H18
  - termination by us in June 2018 of an underperforming call centre contract within the US Solutions business which will result in the loss of approximately $1.9m of revenue in FY19 compared with FY18
- Our expense base for the full FY19 year is expected to remain consistent with FY18, with a higher expense base expected in 2H19 compared with 1H19 as we continue to invest in our global platform to support future growth.

Conference Call

An investor briefing and Q&A session to discuss the 1H19 results will be held at 10:30am (Melbourne time) today. Dial-in details to participate in the conference call:

Toll free (within Australia): 1800 123 296
Toll: +61 2 8038 5221
Conference ID: 5890684
For further information:

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About Hansen

Hansen Technologies (ASX: HSN) is a leading global provider of customer information systems, billing software and data management systems to four industry verticals: energy, water, telecommunications and pay TV. For over 40 years Hansen has worked alongside clients enabling them to continuously optimise their critical billing. Every day 1000 Hansen experts globally are focused on 500+ clients; helping to streamline billing and operational processes, manage and analyse consumption data and ultimately improve their customers’ experience.

Important notice

Information contained in this release:
• 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 other 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; and
• 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.