

FY18 RESULT PRESENTATION.

17 AUGUST 2018

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

1H18 = six months ended 31 December 2017

2H18 = six months ended 30 June 2018

1H19 = six months ended 31 December 2018

2H19 = six months ended 30 June 2019

FY17 = financial year ended 30 June 2017

FY18 = financial year ended 30 June 2018

FY19 = financial year ended 30 June 2019

EBITDA* = Earnings before interest, tax, depreciation and amortisation, excluding net foreign exchange gains (losses)

EBIT* = Earnings before interest and tax, excluding net foreign exchange gains (losses)

NPAT = Net profit after tax

NPATA* = Net profit after tax excluding amortisation of acquired intangibles

Recurring revenue* = recurring maintenance, support, dedicated service and licence revenue

Non-recurring revenue* = service/project revenue, non-recurring licence revenue and hardware/software sales

*EBITDA, EBIT, NPATA, Recurring revenue and Non-recurring revenue are non-IFRS measures that have not been audited



Since 1971 Hansen has been a leader in billing and customer care solutions to the Energy, Telecommunications and Pay-TV industries.

Through global expansion, today millions of people around the world rely on our software for a secure, accurate and reliable billing experience.

TRUSTED SINCE 1971

1000+ EXPERTS

FOCUSED ON CORE STRENGTHS

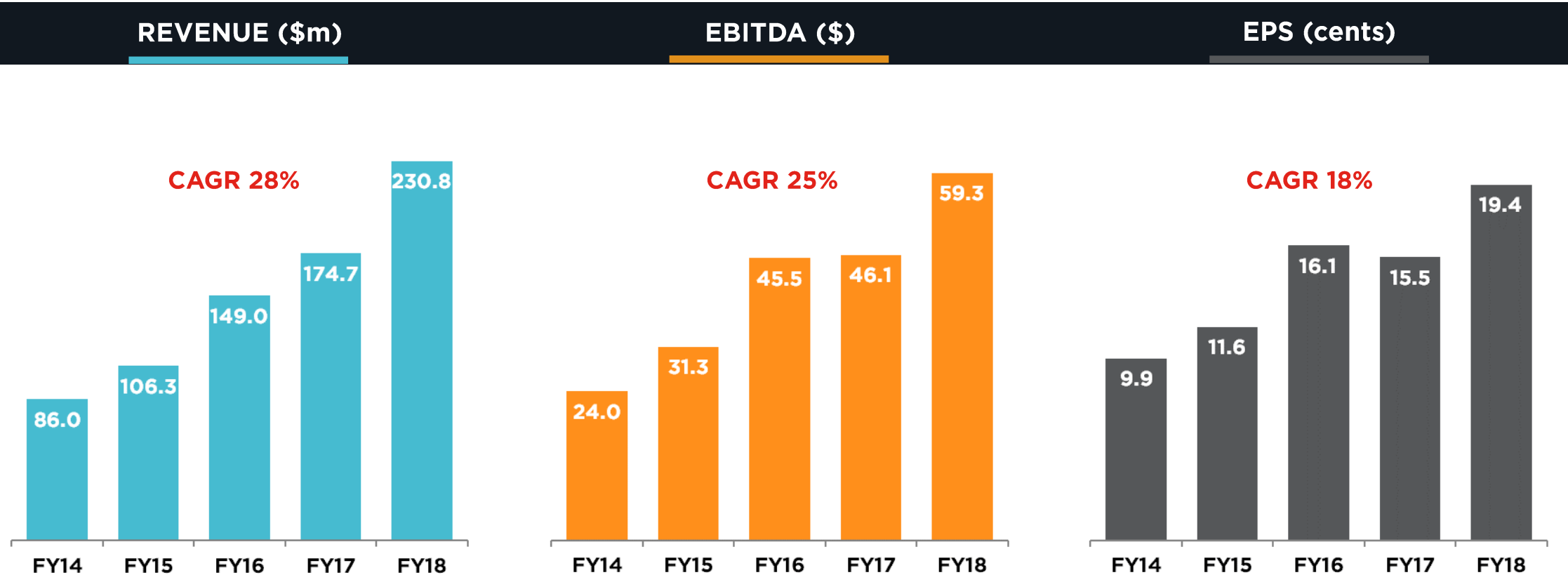
MARKET LEADING

The Hansen **journey**

... growing and diversifying by geography, industry, proprietary products and customers

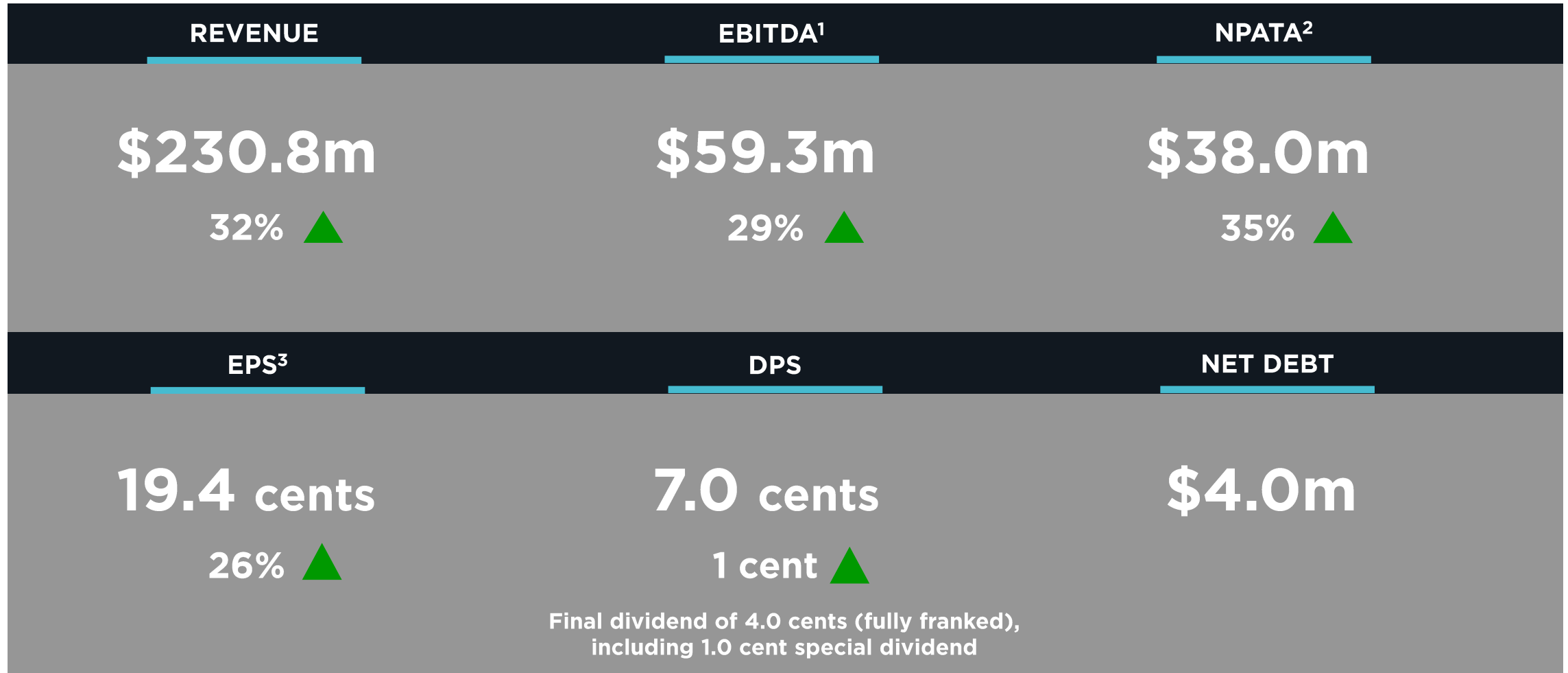
	EARLY 1990'S	TODAY
REVENUE BY GEOGRAPHY		
INDUSTRY VERTICALS		   
CUSTOMER EXPOSURE	 70%	 <7%
INTELLECTUAL PROPERTY OWNERSHIP		
EMPLOYEES		

A track record of **growth**



Strong track record of growth ... underpinned by expansion through acquisitions

FY18 financial dashboard ... **a record year**



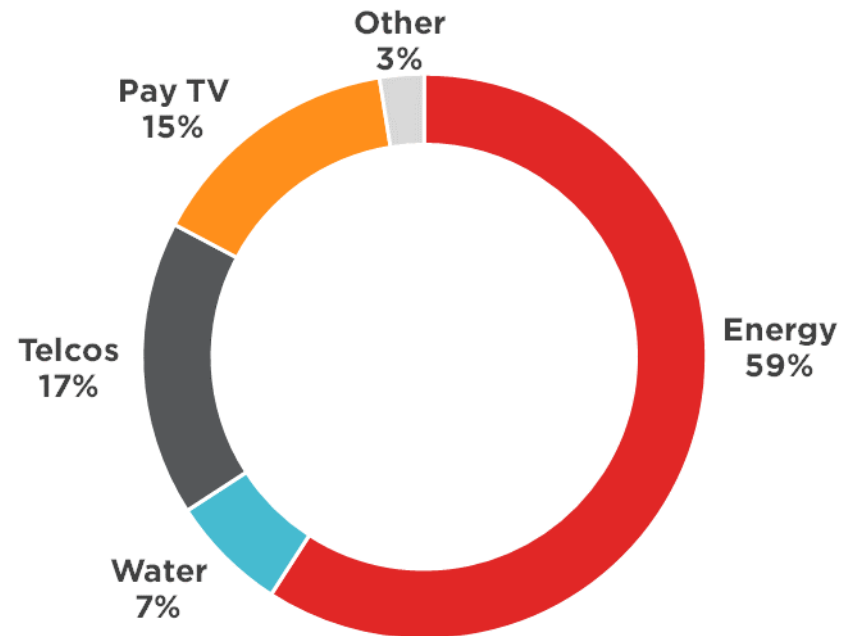
1. As of this reporting period (FY18), net foreign exchange gains (losses) are no longer included within EBITDA and EBIT. The comparative figures have been adjusted accordingly.
2. NPATA = Net profit after tax excluding amortisation of acquired intangibles (refer page 18 for reconciliation). The tax adjustment for amortisation of acquired intangibles is now based on the actual applicable tax relating to each business combination, as opposed to the previously used 30% tax rate applied across all businesses. The comparative figures have been adjusted accordingly.
3. Basic EPS based on NPATA

FY18 **operational** highlights

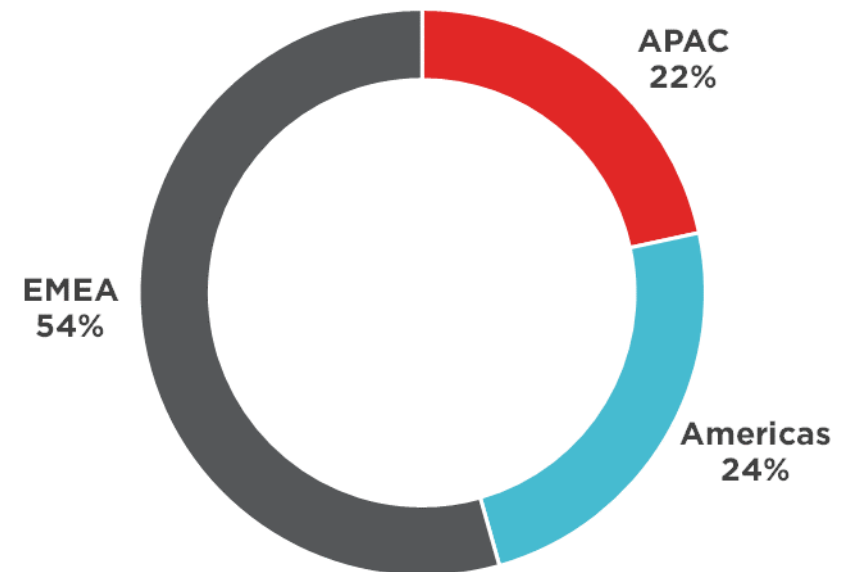
OUR BIGGEST ACQUISITION TO DATE	▪ Completion of our 9th earnings-accretive acquisition in 10 years ▪ Nordic-based Enoro was acquired effective 1 July 2017 for an enterprise value of A\$94.7m — Business performed strongly during the year, generating A\$57.7m of operating revenue which exceeded expectations
LAUNCH OF OUR ONE GLOBAL BRAND	▪ Launch of our new unifying brand – HansenCX ▪ Amalgamates all our global products and our people under one brand ▪ One company, one brand
PRODUCT DEVELOPMENT	▪ FY18 was a year of significant development across all of our products – of particular note was: — First Go-Live of EnoroCX billing system in new markets – Finland and Sweden — Cross-selling the new utility analytics SaaS product to multiple customers across the Nordics — Release of a major upgrade of our billing system for US municipalities — Conversion of an existing product to expand our SaaS offering
PEOPLE DEVELOPMENT	▪ John May appointed President of the EMEA region ▪ John Baksa appointed President of Americas ▪ David Castree appointed President of APAC (combining ANZ and Asia) ▪ Vietnam development centre established and delivering positively

FY18 revenue split

REVENUE BY VERTICAL



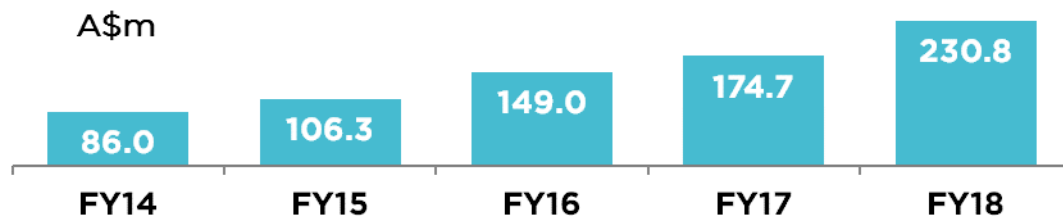
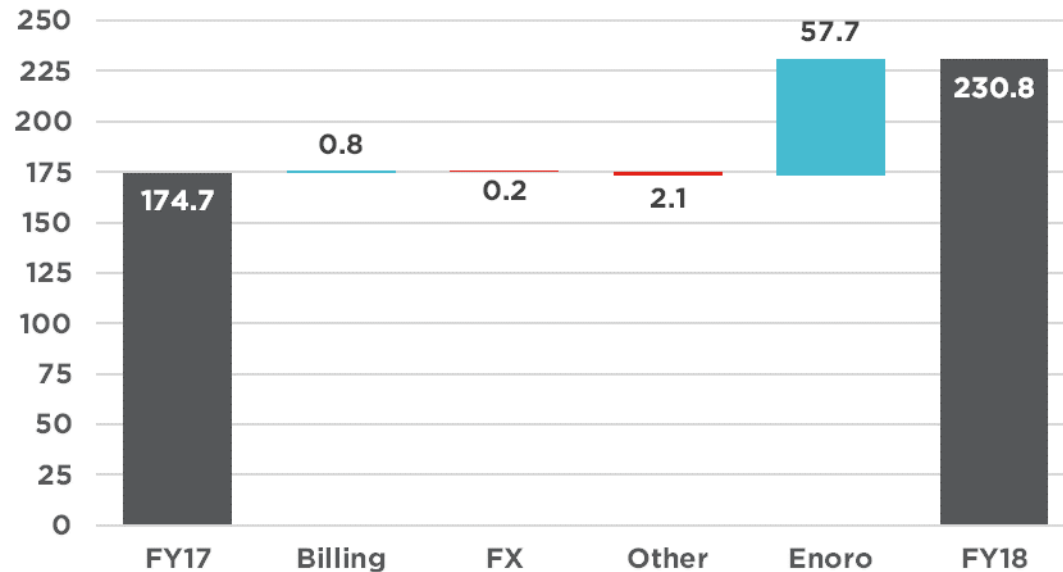
REVENUE BY GEOGRAPHY



With the acquisition of Enoro:

- Energy is now 59% of revenue by vertical, compared to 43% in FY17
- EMEA is now 54% of revenue by geography, compared to 41% in FY17

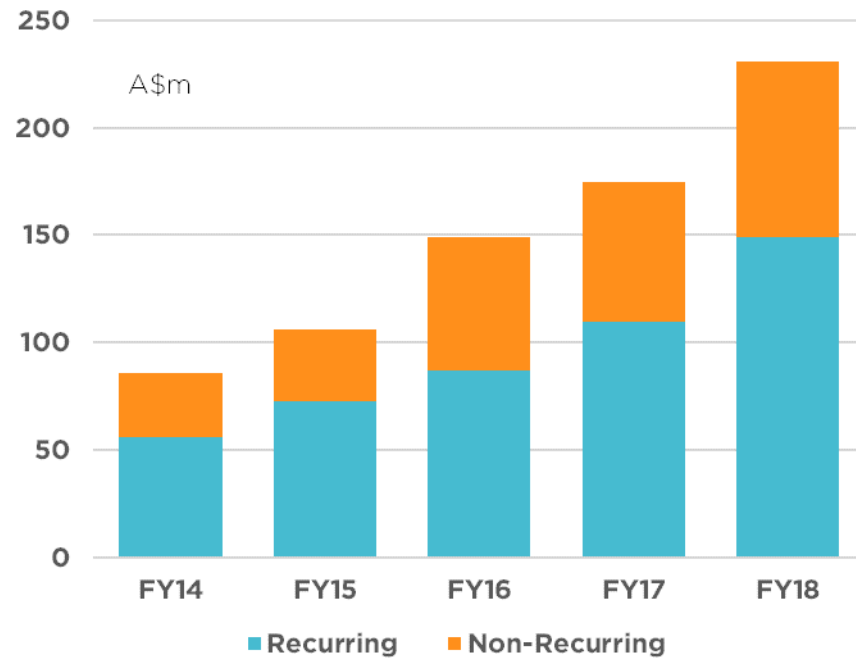
Operating revenue bridge FY17 to FY18



- **Billing** revenue excluding Enoro was essentially flat on a constant currency basis
- **FX** movements resulted in a minor \$0.2m reduction in revenue on a constant currency basis
- **Other¹** revenue was \$2.1m lower (reducing from \$11.4m to \$9.3m) – which includes a \$2.2m reduction (from \$5.6m to \$3.4m) of call-centre only revenue within the Solutions business
- **Enoro**, acquired effective 1 July 2017, contributed \$57.7m for the year

¹ Other revenue comprises data centre and call-centre only revenue

Recurring revenue growth



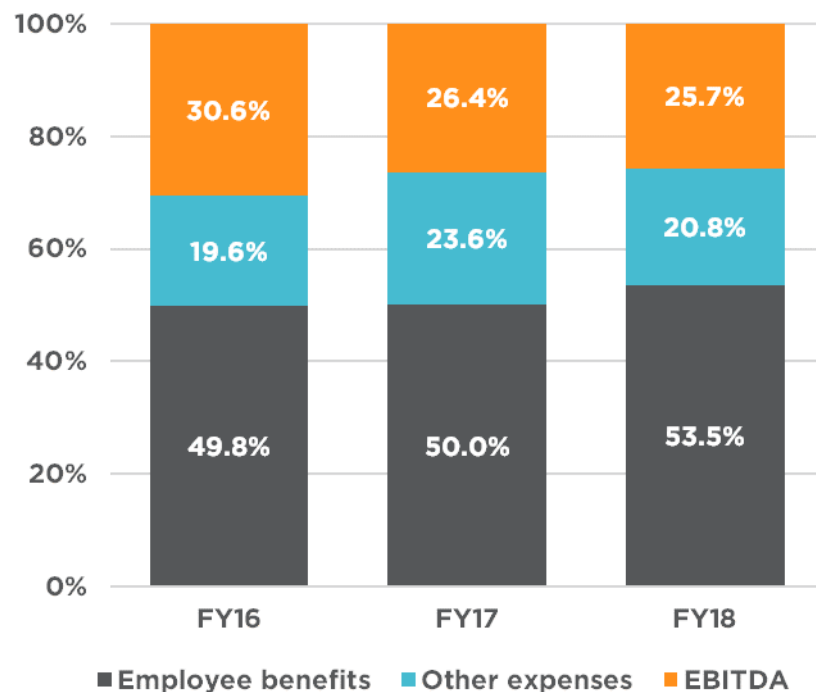
- With the acquisition of Enoro, recurring revenue grew strongly in FY18 to represent 65% of operational revenue, compared to 63% in FY17 and 58% in FY16
- Comparing FY18 excluding Enoro to FY17, recurring revenue was marginally higher

Recurring revenue = recurring maintenance, support, dedicated service and licence revenue

Non-recurring revenue = service/project revenue, non-recurring licence revenue and hardware/software sales

Expenses and **EBITDA** margin

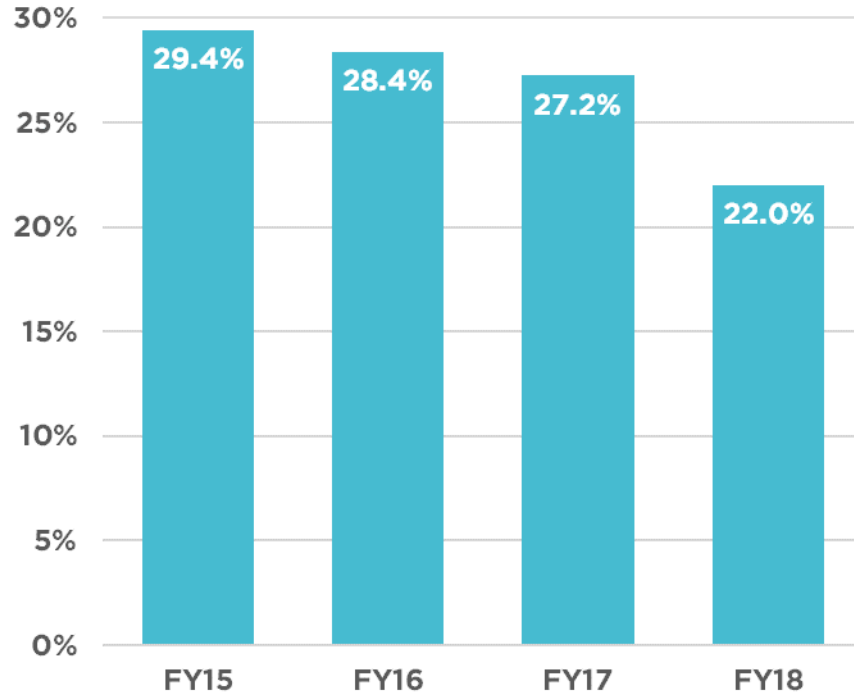
OPERATING EXPENSES & EBITDA AS A % OF REVENUE



For the purpose of the above FY18 calculations, a \$0.6m grant received by Enoro in 2H18 and included in “other revenue” has been netted off against “employee benefits” rather than “other expenses”

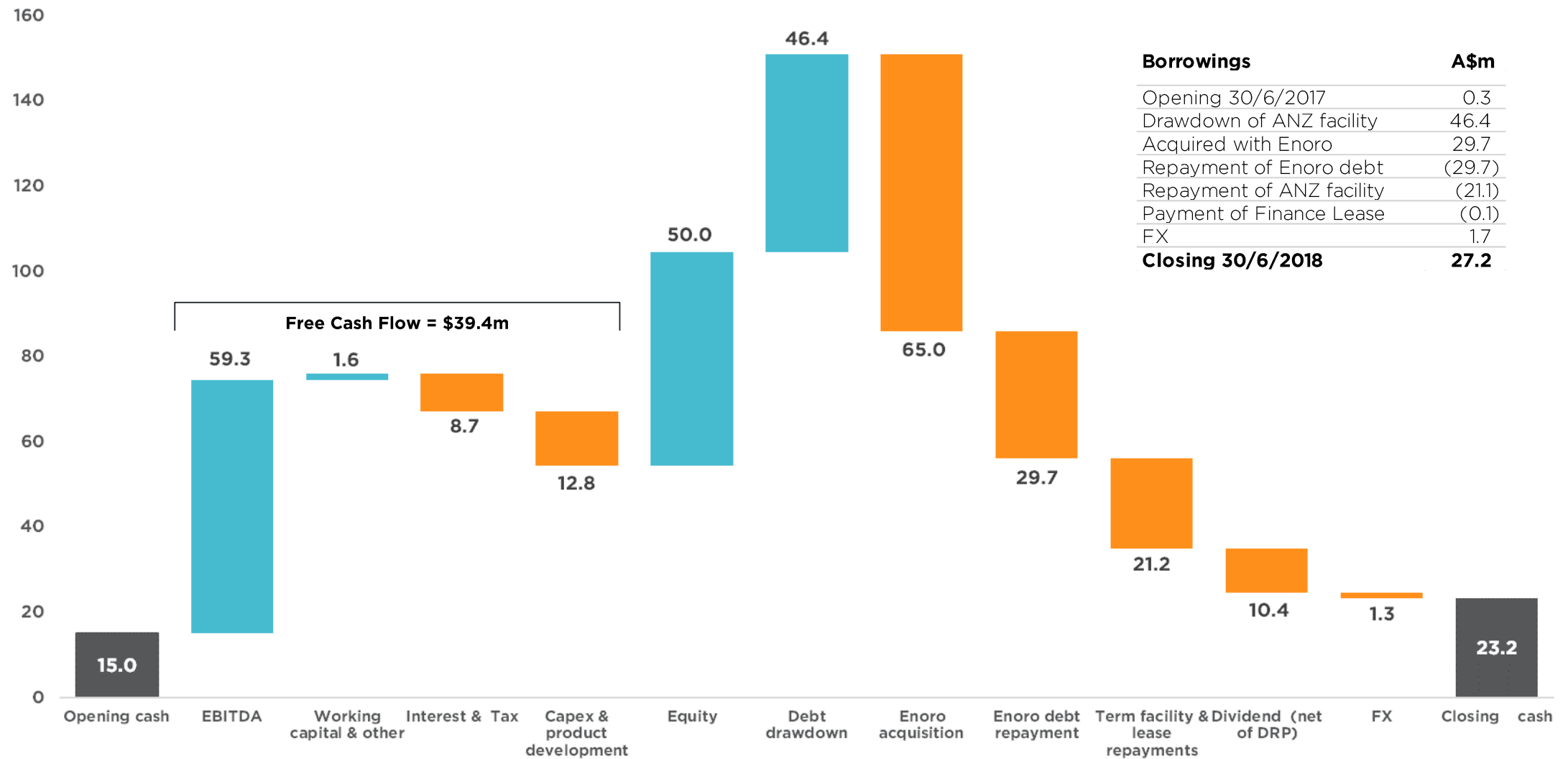
- FY18 EBITDA margin for the Group excluding Enoro was 28.9%, compared to 26.4% in FY17
- FY18 EBITDA margin for Enoro was in-line with guidance at 16.0%, which diluted the overall FY18 EBITDA margin to 25.7%
 - In commencing our planned margin improvement within Enoro, a restructuring was undertaken late in the FY18 year which resulted in a \$0.8m charge. Without the restructuring charge, the margin within Enoro would have been 17.5%
- Group EBITDA margin contracted from 28.6% in 1H18 to 22.7% in 2H18. Main contributing factors were:
 - weaker 2H18 contribution from Enoro – particularly with restructuring charge
 - lower non-recurring revenue within the Group ex-Enoro – which was high margin
- **The establishment of a development centre in Vietnam is part of our medium-term strategy to lower costs and increase margin**

Effective **tax rate**



- The Group's **lower effective tax rate of 22.0%** in FY18 is largely as a function of:
 - The reduction in the US federal corporate tax rate from 35% to a transitional rate of 28% for FY18, which will further reduce to 21% in FY19. For FY18, the transition to the lower rate had the one-off benefit of revaluing downwards the deferred tax liability applicable to the US entities, which reduced income tax expense
 - The corporate tax rates of 24% in Norway and 20% in Finland applicable to Enoro's profits
- The FY19 effective tax rate is anticipated to be approximately 24%, dependent on the profit mix by jurisdiction

FY18 **Cash flow** ... strong cash conversion



Borrowings	A\$m
Opening 30/6/2017	0.3
Drawdown of ANZ facility	46.4
Acquired with Enoro	29.7
Repayment of Enoro debt	(29.7)
Repayment of ANZ facility	(21.1)
Payment of Finance Lease	(0.1)
FX	1.7
Closing 30/6/2018	27.2

Strategic expansion via acquisition

... the major growth driver for Hansen

- Having made 9 value-accretive acquisitions over the past 10 years, which now includes Enoro (our largest to date), the learnings from them give us strong confidence in our ability to continue to deliver for shareholders on this growth strategy
- Our approach remains unchanged – we look for targets that:
 - are businesses within or adjacent to our core competencies of billing and customer care;
 - own the intellectual property in their products;
 - have high levels of annuity/recurring revenue streams; and
 - extend Hansen’s footprint into an attractive market segment, geography or industry vertical
- What we acquire – and absolutely aim to retain – is three-fold: a customer base; proprietary software; and a team of people that are experts in that software
- We integrate the businesses into the Hansen way ... and then set about achieving synergies through leveraging our global experience (and take learnings, best in breed, from the new business too)
- The 9 acquisitions over the past 10 years have cost A\$187m – which have been funded by equity of \$76m, debt of \$27m (as at 30 June 2018) and the balance of \$84m by cash flow
- With net debt of only \$4m (as at 30 June 2018), we have significant funding capacity available to us
- We are continually reviewing acquisition opportunities. Our universe of available targets is increasing as we expand the size and scope of Hansen

An enviable track record of value-accretive acquisitions

Strategic expansion through acquisitions over the past **10 years**

	ACQUISITION	VERTICAL	GEOGRAPHY	RATIONALE
2008	PEACE	ENERGY	USA/AUS	• US entry for energy + expansion in AUS – clients are mass market network operators
	NIRVANASOFT	ENERGY	USA	• Expansion of US energy offering – complex billing for commercial & industrial customers
	ICC	PAY-TV	GLOBAL	• Entry to Pay TV vertical – emerging market focus
	UTILISOFT	ENERGY	AUS	• Expansion of AUS energy offering – management of meter & network data
	BANNER	WATER/ENERGY	NTH AMERICA/ CARRIBEAN	• Entry to water vertical + expansion of US energy offering – municipality focus
	TELEBILLING	TELCO/PAY-TV	NORTHERN EUROPE	• Quadplay product – focus is Tier 1&2 Telcos in Northern Europe
	SOLUTIONS	ENERGY	USA	• Expansion of US energy offering – billing and outsourcing solution for new entrants
	HIAFFINITY	WATER	UK/AUS/ EMERGING MKTS	• Expansion of water billing presence
2017	ENORO	ENERGY	NORTHERN EUROPE	• European entry for energy, expanding into Analytics

Hansen **footprint**

While we are already well represented on a global basis across our industry verticals, **there remains significant scope to further extend and deepen our footprint ...**

	AUSTRALIA	ASIA	NORTH AMERICA	SOUTH AMERICA	UK/ IRELAND	NORDICS	WESTERN EUROPE	EASTERN EUROPE	MIDDLE EAST AFRICA
ENERGY	Strong	Emerging	Strong	Nil	Emerging	Strong	Moderate	Nil	Nil
WATER	Emerging	Nil	Moderate	Nil	Moderate	Nil	Nil	Nil	Nil
TELCOS	Nil	Nil	Nil	Nil	Moderate	Strong	Emerging	Nil	Nil
PAYTV	Nil	Strong	Nil	Strong	Nil	Emerging	Nil	Nil	Strong

PRESENCE:

Strong	Strong
Moderate	Moderate
Emerging	Emerging
Nil	Nil

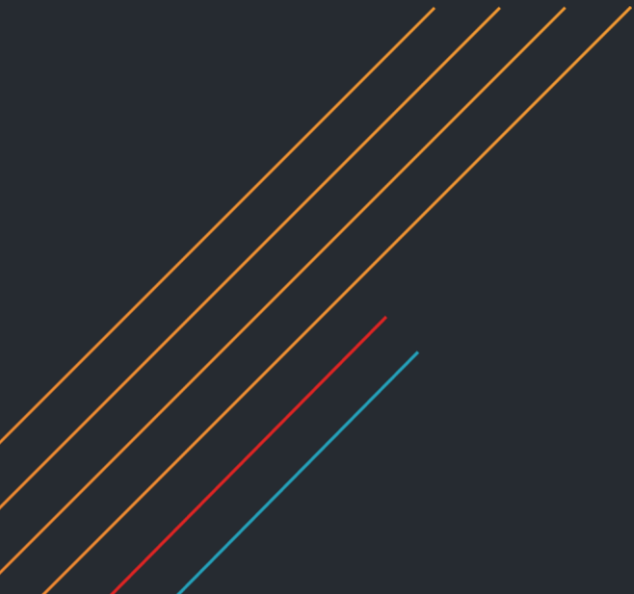
FY19 outlook

- Consistent with what was stated on 22 June 2018 – for FY19:
 - Underlying recurring revenue is anticipated to be higher
 - Total operating revenue, however, is expected to be slightly below FY18 as a result of:
 - 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; and
 - a lower level of non-recurring licence fees and services revenue following the elevated levels achieved in 1H18
 - While total revenue in FY19 is anticipated to be relatively subdued, our expense base is expected to remain consistent with FY18 as we continue to invest in our global platform to support expected future growth
- The effective tax rate is anticipated to be approximately 24%, dependent on the profit mix by jurisdiction
- Expectations are for a stronger 2H19 relative to 1H19 – which is the opposite of the previous two years

Adoption of AASB 15 Revenue from Contracts with Customers

- AASB 15 is a new revenue standard that will supersede all current revenue recognition accounting standards. Hansen will first report under the new standard in FY19
- The implementation of the new standard is not expected to have a material impact on the Group's revenue in a given period. However, for a small number of our customer contracts, rather than recognising the revenue evenly over the contracted period, a portion of the revenue will be recognised early in the contracted period. This is expected to result in an increase in retained earnings by approximately \$2m at 1 July 2018

APPENDICES.



Profit overview

A\$m	FY17	1H18	2H18	FY18	Variance
Operating revenue	174.7	118.4	112.4	230.8	▲ 32.1%
Other income	0.3	0.7	1.1	1.8	
Operating expenses	(128.9)	(85.4)	(88.0)	(173.4)	
EBITDA	46.1	33.8	25.5	59.3	▲ 28.7%
Depreciation	(3.0)	(1.9)	(2.0)	(3.9)	
Amortisation of R&D	(3.9)	(2.4)	(2.7)	(5.1)	
EBITA	39.1	29.6	20.7	50.3	▲ 28.7%
Amortisation of acquired intangibles ¹	(5.4)	(5.9)	(5.5)	(11.4)	
EBIT	33.7	23.7	15.2	38.9	
Net interest	0.1	(0.9)	(1.1)	(2.0)	
Net FX gains (losses) ²	(0.9)	0.6	(0.5)	0.0	
Profit before tax	32.8	23.4	13.6	37.0	
Income tax	(8.9)	(5.4)	(2.7)	(8.1)	
NPAT	23.9	18.0	10.9	28.8	
Add back: amortisation of acquired intangibles	5.4	5.9	5.5	11.4	
Add back: tax adjustment on amortisation ³	(1.3)	(1.2)	(1.1)	(2.3)	
NPATA	28.0	22.7	15.3	38.0	▲ 35.5%
EPS (Based on NPATA)	15.5			19.4	▲ 25.7%
EPS (Based on NPAT)	13.2			14.8	
EBITDA margin ⁴	26.4%	28.6%	22.7%	25.7%	
Effective tax rate	27.2%	23.1%	20.1%	22.0%	

1. Amortisation of acquired intangibles is the amortisation of identifiable intangible assets (namely technology, trademarks and customer contracts) arising from business combinations
2. As of this reporting period (FY18), net foreign exchange gains (losses) are no longer included within EBITDA and EBIT. The comparative figures have been adjusted accordingly.
EBITDA and EBIT are non-IFRS measures that have not been audited
3. The tax adjustment for amortisation of acquired intangibles is now based on the actual applicable tax relating to each business combination, as opposed to the previously used 30% tax rate applied across all businesses
4. Defined as EBITDA divided by operating revenue

Cash flow

A\$m	FY17	1H18	2H18	FY18
EBITDA	46.1	33.8	25.5	59.3
Working capital/other	(5.7)	(2.7)	4.3	1.6
Net interest	0.1	(0.9)	(1.1)	(2.0)
Income tax	(9.3)	(3.4)	(3.4)	(6.8)
Operating cash flow	31.1	26.8	25.3	52.1
Capex	(5.2)	(1.5)	(1.3)	(2.7)
Capitalised development costs	(7.8)	(4.9)	(5.2)	(10.0)
Free Cash Flow	18.1	20.5	18.8	39.4
Acquisitions	(22.7)	(65.0)	0.0	(65.0)
Share issues	2.0	49.6	0.5	50.0
Borrowing proceeds (payments)		11.6	(16.1)	(4.5)
Dividends (net of DRP)	(11.4)	(5.2)	(5.2)	(10.4)
Net Cash Flow	(14.0)	11.5	(2.0)	9.5
FX impact on cash balances	(1.2)	(2.2)	0.9	(1.3)
Cash Balance	15.0	24.3	23.2	23.2

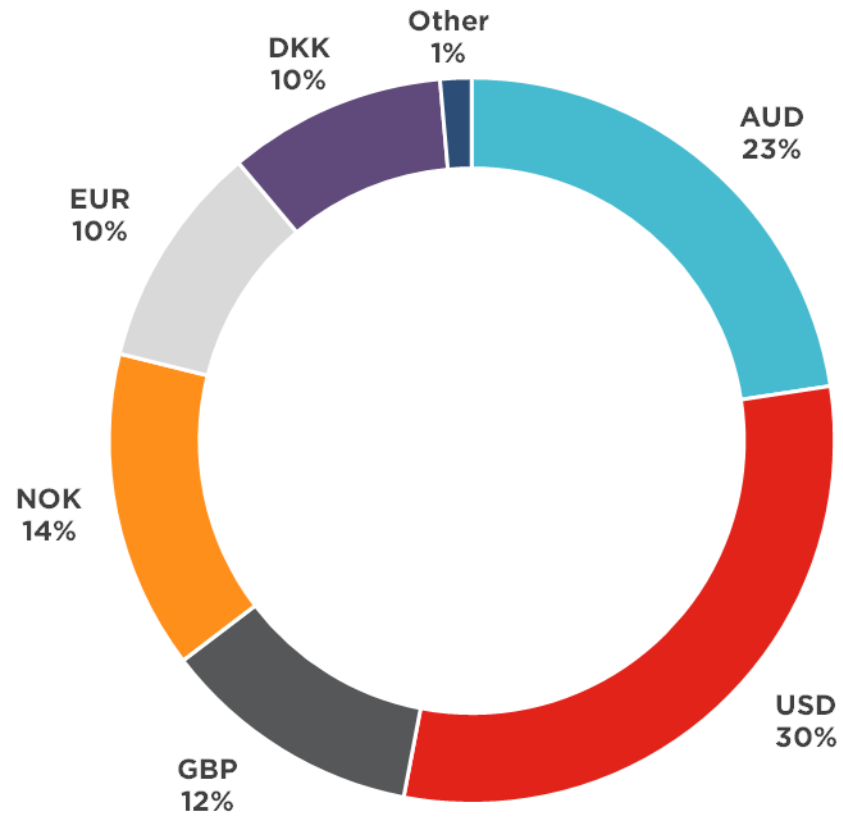
Balance sheet

A\$m	Jun 17	Dec 17	Jun 18
Cash	15.0	24.3	23.2
Receivables	37.7	43.2	37.3
Accrued revenue	4.7	6.8	5.8
Prepayments / other	3.0	5.3	5.4
PPE	8.9	11.0	10.6
Intangibles	125.5	234.5	243.4
Deferred tax assets	4.8	4.4	4.1
Total Assets	199.6	329.5	329.8
Payables	9.7	18.8	16.5
Borrowings	0.3	41.6	27.2
Current tax	1.1	3.8	3.2
Provisions	10.8	13.4	13.9
Unearned income	19.4	24.1	22.9
Deferred tax liabilities	6.7	16.5	16.2
Other liabilities	0.0	0.0	0.0
Total Liabilities	47.9	118.1	99.8
Net Assets	151.6	211.4	229.9
Net Cash (Debt)	14.7	(17.2)	(4.0)

Enoro Purchase Consideration Allocation	A\$m
Net identifiable liabilities excl borrowings	(9.1)
Borrowings acquired	(29.7)
Technology & customer contracts	55.6
Goodwill	57.3
Deferred tax liability	(9.1)
Total purchase consideration	65.0

FY18 **Currency split**

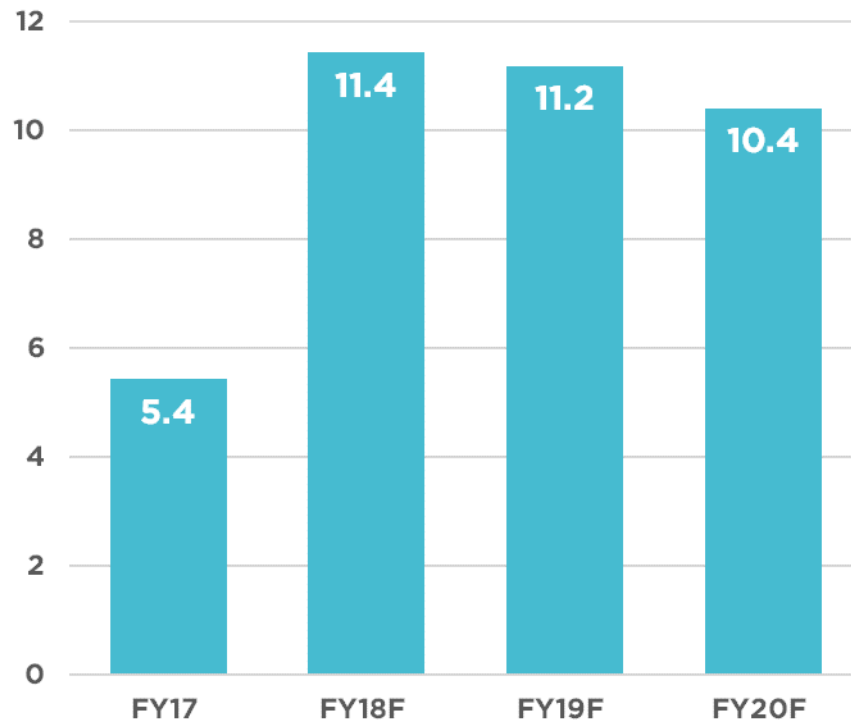
REVENUE BY CURRENCY



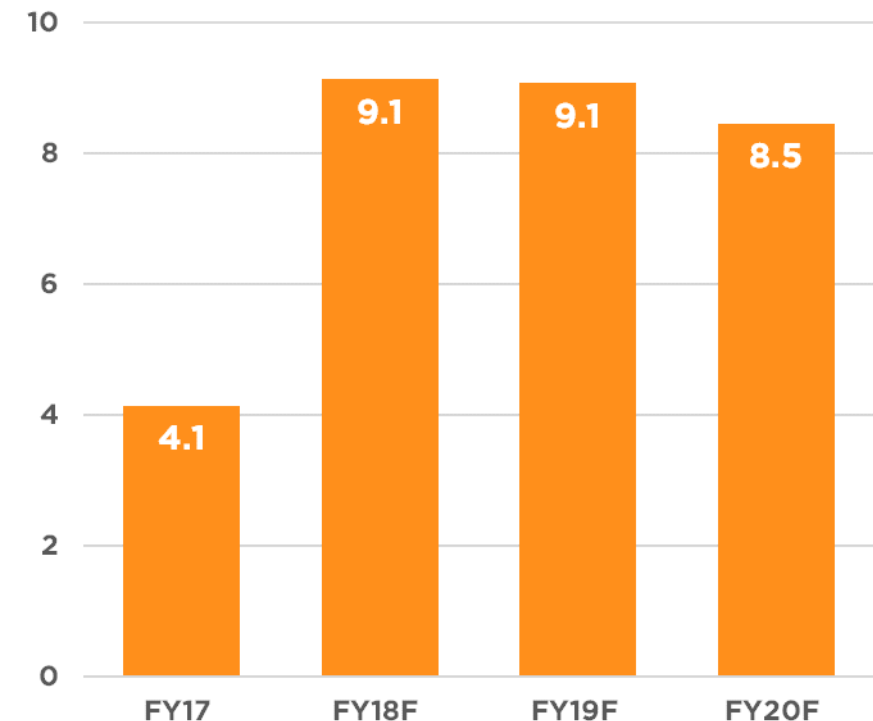
Forecast **amortisation of acquired intangibles**

Based on acquisitions to 30 June 2018

GROSS AMORTISATION (\$M)



AMORTISATION AFTER TAX (\$M)



Note:

1. The above forecasts are based on asset balances, country tax rates and foreign exchange rates at 30 June 2018, and make no allowance for further acquisitions beyond that date

About **HANSEN.**



OUR COMPANY

- Founded in 1971
- Listed & Headquartered in Australia
- 31 global offices



OUR TEAM

- Over 1000 staff worldwide
- IT staff seniority is double the industry standard
- Average length of tenure ~10 years



OUR TECHNOLOGY

- Billing and Customer Care solutions for Utilities, Pay-TV and Telecom Industries
- Analytics solutions for Utilities industry
- Hosted solutions available

THANK YOU.

