

**MARKET RELEASE**

**ReadyTech delivers on enterprise strategy as revenue and earnings experience strong growth in 1H FY20**

**SYDNEY, 20 February 2020** - ReadyTech (ASX: RDY) today reported strong, broad-based revenue and earnings growth for the first half FY20 and achieved its initial public offering prospectus forecasts for the calendar year ending 2019. The result is in line with the Company's continued strategic focus on securing higher value customers and realising more value from existing customers.

**Financial and operational highlights**

(All figures are in AUD and comparisons are made against H1 FY19 unless specified)

- Pro forma revenue up 19.9% to \$19.2m
- 35.9% growth in underlying earnings (EBITDA) to \$8.3m
- \$4.3m in underlying net profit excluding acquisition amortisation (NPATA), up 73.8%
- Client revenue retention of 95%
- Operating cash flow conversion ratio of 86%
- An 8% increase in average revenue per client to \$9.6K
- Achieved CY19 prospectus revenue target of \$35.1m and EBITDA target of \$14.6m (ex acquisitions)

ReadyTech CEO Marc Washbourne said the results reflected the Company's continued strategic focus on winning higher value customers across the Education and Employment segments as well as its commitment to creating more value for existing customers through complementary upselling and cross-selling.

"ReadyTech's enterprise strategy is gaining momentum. In particular, we are pleased our flagship student management system, JR Plus was selected by Bendigo TAFE and Kangan Institute in Victoria in a competitive tender to deliver a major enterprise contract with initial five-year software subscription," Mr Washbourne said.

"ReadyTech is committed to enhancing value for its customers by offering innovative new software development and complementary offerings that support their future growth and success."

**1H FY20 Group Results**

Pro forma revenue (including acquisitions) increased by 19.9% to \$19.2 million, driven by a combination of new client wins and increased sales to existing customers. On an organic basis, revenue increased by 13.2% to \$18.2 million.

ReadyTech continues to leverage the scale of its platforms to grow earnings faster than revenue, with pro forma underlying EBITDA increasing by 35.9% to \$8.3 million, up from \$6.1 million in the prior half.

The Company maintains strong cash generation with cashflow from operations increasing by 29.1% to \$7.1 million with an operating cash conversion ratio (% of EBITDA) of 86%.

Underlying NPATA was \$4.3 million compared to \$2.4 million for the prior corresponding period.

In the **Education** segment, revenue increased by 11% on the prior corresponding period to \$10.7 million. EBITDA was \$4.8 million, up 30.0% on the prior corresponding half.

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ReadyTech has made strong headway in the higher education, TAFE, international education and workforce development markets. This included the landmark enterprise contract with Bendigo TAFE and Kangan Institute in Victoria. The executed contract is valued at \$7 million including an initial five-year software subscription with commencement of revenue being recognised in Q4 FY20.

ReadyTech's strategy to cross-sell new products to existing customers is gaining momentum. Student profiling application, My Profiling, has a solid and growing pipeline, and the cross-sell of Esher House's behavioural science-driven student and apprentice retention product has netted multiple new contracts. Additional investment in customer success supports this growth.

"Our cloud-based student management systems for education are winning support from enterprise customers and we continue to impress with new innovations. This included the launch of digital credentials for vocational education in 1H FY20. We look forward to providing value to other new education clients in our pipeline."

In the **Employment** segment, revenue (including acquisitions) increased by 35.0% on the prior period to \$8.5 million. EBITDA (including acquisitions) was \$4.1 million compared to \$3.2 million in the prior corresponding half.

The complementary strategic acquisitions of workforce management and payroll software and services businesses, Zambion and Wagelink have delivered employment clients new technology and ReadyTech new customer opportunities in both the New Zealand and South Australian markets.

"Our employment business – with the integration of Zambion and Wagelink – is forging ahead by providing a leading cross-platform choice of payroll and workforce management technology for small, medium and large businesses. A new offering in the form of HR3+ in Australia is expected to drive further sales," Mr Washbourne said.

#### **Further commentary**

ReadyTech continues to invest in R&D, with over \$10 million per annum directed to product improvements and new modules to enhance customer value. In 1H FY20 this included support for digital credentials, enhancements to student services, online enrolment and student engagement in the Education segment and new workflow automation, apps, self-service and onboarding upgrades in the Employment segment.

ReadyTech's client revenue retention (95%) and high customer satisfaction scores are being supported by investment in customer success headcount. Talent retention and attraction is also a focus with the addition of new roles in enterprise sales and delivery and the creation of employee leadership and education programs.

"As we move forward into the 2020s, we believe ReadyTech is well positioned as the people lifecycle management software provider of choice for managing the increasingly complex journey of students and employees. The future of work will mean efficiency and engagement become even more critical."

#### **FY20 Outlook**

ReadyTech expects FY20 total revenue growth rate of approximately 20% with an organic revenue growth rate in the early double digits. The Company expects underlying FY20 EBITDA margin to be approximately 40%.

This announcement has been authorised for release to ASX by the Board of Directors.

#### **Analyst Conference call details**

ReadyTech is hosting an analyst/shareholder briefing conference call at **10.00am (AEDT) today 20 February 2020**

Dial in details are:

Conference ID: 127 3888

Tel +61 2 8038 5221 or 1800 123 296

**For more information:**

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**About ReadyTech**

ReadyTech is a leading provider of SaaS technology that helps providers of education and employment manage the increasingly complex human journey through study, work and career transitions. ReadyTech provides people management software to over 3,600 educators, employers and facilitators of work transitions. Bringing together the best in student management, apprenticeship management, payroll and HR admin, employment services and behavioural science technology, ReadyTech supports the development and success of tomorrow's workforce.

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