

MARKET RELEASE

ReadyTech delivers strong 1H FY21 results, on track to achieve FY21 guidance

SYDNEY, 17 February 2021 – ReadyTech Holdings Limited (ASX:RDY), a leading provider of SaaS technology in education and workforce solutions, is pleased to announce its results for the 6 months ended 31 December 2020 (1H FY21) in which the Company continued to achieve strong growth across all key financial metrics, positioning it to achieve FY21 guidance previously provided.

1H FY21: strong growth in revenues and key metrics¹

- Revenue up 13.4% to \$21.8 million (organic revenue up 10.3%)
 - Average annual revenue per customer up 22.3% to \$11.8k
 - Customer revenue retention rate maintained at 95%
- Underlying EBITDA up 0.5% to \$8.3 million with an EBITDA margin of 37.9%
- Underlying NPATA up 9.3% to \$4.7 million
- Operating cashflow conversion ratio of 87% (1H20: 86%)

Commenting on the 1H FY21 results, ReadyTech CEO Marc Washbourne said: “The past six months clearly reinforced the mission-critical nature of ReadyTech’s next generation SaaS solutions, and represented a strong validation of our strategy to provide cloud-based software that is people-centric and highly flexible in a fast-changing world.

“Our continued top line growth reflects the team’s focus on winning higher value customers and upselling existing customers into new feature sets. On the back of this positive revenue outcome, we have been able to reinvest back in the business as planned, both in terms of people and technological innovation, which will underpin future growth.

“The Company’s earnings are robust, with profit margins tracking in line with previously announced FY21 guidance, including the increased investment. We now look forward to welcoming the Open Office acquisition to ReadyTech which we expect to further power future growth for the Company.”

Strong top line growth and 1H FY21 profit margins in line with FY21 guidance

Over 1H FY21, the combination of new customer wins and cross-selling to existing customers underpinned 13.4% growth in revenue to \$21.8 million. Within this result, recurring revenue grew 15.6%, comprising 89% of total revenue. The strong revenue result is reflective of the digital transformation taking place in ReadyTech’s key market segments, with customers increasingly seeking to replace legacy technology with next generation cloud-based offerings.

ReadyTech continued its strategy of reinvesting for future growth, with operating expenses up 24.4% to \$13.6 million. Sales and marketing costs are now 9.6% of revenue, up from 7.4% in 1H FY20.

¹ All figures are in AUD and comparisons are made against 1H FY20 unless specified.

Extensive investment in research and development continues, with the majority of the year-on-year increased expense to \$11.8 million reflecting an annualisation of investment made during FY20 (FY20 R&D: \$11.4 million).

Increased investment in R&D balanced with profitability means the 1H FY21's 37.9% EBITDA margin is tracking within the FY21 guidance range. Likewise, return on investment remains compelling with Customer Lifetime Value to Customer Acquisition Cost (CLTV to CAC) of 9.4x (1H20: 7.2x).

Customer growth and uptake of new modules underpins growth in Education

Education revenue was up 9.5% to \$11.7 million, with operating leverage driving 11.7% growth in EBITDA to \$5.4 million. These results reflected strong new customer wins, increased customer engagement and significant upgrades from existing customers.

New business is increasingly driven by mid to enterprise sized deals, with 68% growth in average revenue per new customer. Notable customer conversions during the period included Australia's largest Employment Services provider MAX Solutions, diversified VET community college St George & Sutherland Community College and Audi Australia. The landmark Bendigo TAFE and Kangan Institute (BKI TAFE) project is also progressing well with go live targeted for 1H FY22.

"Activity and demand remain strong in the Back-to-Work and Skills sectors and is expected to continue with the Government support through the \$2 billion JobTrainer program. We are also seeing strong interest in the enterprise segment on the back of our BKI TAFE deployment and the recent launch of our next generation Learning Management System," said Mr Washbourne.

High growth in Workforce Solutions

Workforce Solutions delivered strong top line growth of 19.4%, with particular new business strength in the all-in-one workforce management platform, as well as managed services. Profitability for 1H FY21 has grown at a comparatively moderate pace, reflecting the Company's reinvestment strategy, particularly in sales and marketing where costs have as planned increased to 8.7% of revenue (1H20: 6.8%).

ReadyTech's integrated workforce management platform is generating strong traction in the market, with customers seeking accuracy and efficiencies in rostering, payroll and human capital management. Key wins on the back of this full service offering over the first half included building product retailer Dahlsens Building Centres, leading day spa network Endota Spa and childcare centre group Precious Cargo. The Company also sees good prospects for existing customer upsell, having achieved an average revenue uplift of 3 times on customers that have converted from payroll only to ReadyTech's full product suite.

Proposed acquisition of Open Office

A key pillar of ReadyTech's growth strategy is to explore new and attractive verticals for mission-critical SaaS, and to enter those verticals via acquisition where compelling opportunities exist.

In line with that strategy, ReadyTech has committed to acquire leading government SaaS provider, Open Office. The value of the acquisition is for an upfront consideration of \$54 million and earn out consideration of up to an additional \$26 million.

As announced on 15 February 2021, ReadyTech will hold an Extraordinary General Meeting on 19 March 2021 to seek shareholder approval of the Open Office acquisition (amongst other resolutions). If approved, ReadyTech is targeting completion of the proposed acquisition of Open Office to occur on 23 March 2021, subject to satisfaction or waiver of the conditions precedent.

Strong cash flow generation and balance sheet

Operating cashflow was \$7.2 million equating to 87% conversion (from EBITDA, on a pre-interest and tax basis) supported by continued growth in customers prepaying annual subscription fees. ReadyTech had net cash of \$33.2 million on the balance sheet at 31 December 2020, post the capital raising associated with the proposed Open Office acquisition. ReadyTech remains conservatively geared and post Open Office acquisition is in a strong position to drive both organic and inorganic growth opportunities.

Reaffirm previous FY21 earnings guidance

Commenting on ReadyTech's outlook, Mr Washbourne said: "With businesses and education providers having navigated COVID-19, their focus is now on digital strategies for remote and flexible work and learning. We expect this will drive an acceleration of digital transformation in both education and workforce solutions. Federal and State Government programs targeted at jobs and skills will further enhance our market segments, with a large part of the JobTrainer stimulus still to flow through the sectors.

"With this supportive market backdrop and our investment in sales and marketing, we have generated a strong pipeline of new revenue opportunities that currently stands at \$13 million with a win rate of 65% over the last 12 months. Having delivered 49% growth in average revenue of new customers in 1H FY21, we are confident of solid pipeline conversion and demand for our software in the period ahead.

"A positive outlook and strong momentum in 1H FY21 allows ReadyTech to reaffirm the previously provided earnings guidance. ReadyTech expects FY21 revenue growth rate in the mid-teens, with EBITDA margin in the range of 37%-39%, excluding the Open Office transaction."

Analyst conference call details:

An investor call will be hosted by Marc Washbourne (CEO) and Nimesh Shah (CFO) at 10:30am AEDT today, Wednesday 17 February 2021. Those wishing to dial into the briefing are encouraged to pre-register via the following link: <https://s1.c-conf.com/diamondpass/10012291-js7g3v.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.

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About ReadyTech

ReadyTech (ASX:RDY) is a leading Australian provider of next generation SaaS technology for educators and employers managing the complex human journey through study, work and career transitions. ReadyTech provides people management software to over 4,000 educators, employers and facilitators of work transitions. Bringing together the best in student management, apprenticeship management, workforce management, employment services and behavioural science technology, ReadyTech's technology ecosystem supports the development and success of tomorrow's workforce.