HANSEN

ASX / Media Release

Hansen Outlook Strong, Reaffirming FY25 guidance

19 February 2025

Hansen Technologies Limited (ASX: HSN) ('Hansen', the 'Company', the 'Group'), a leading provider of industry-specific software products and expertise, today announced a 6.1% increase in operating revenue, and reaffirmed its full year guidance.

The Group expects the second half of 2025 will be significantly stronger than the first half due to the timing of licence fees and major upgrade projects. On 3 February 2025, Hansen announced a A$50m five-year master agreement with VMO2, a communications joint venture between Telefónica and Liberty Global in the UK which has contributed $15m of licence fee revenue in the 2H25.

Results Summary

Hansen Group (A$m)	1H25	1H24	Movement %
Operating Revenue	178.0	167.7	6.1
Underlying EBITDA [1, 2, 4]	38.1	52.1	(26.9)
Cash EBITDA [1, 2, 4, 5]	29.1	46.2	(37.0)
Underlying NPAT [1, 4]	4.6	20.1	(77.1)
Underlying NPATA [1, 3, 4]	12.6	27.0	(53.3)
Basic Earnings Per Share (EPS) (cents)	0.03	8.68	(99.7)
Basic EPSa based on Underlying NPATA (EPSa) (cents) [1, 3]	6.19	13.28	(53.4)

1. The Directors believe the information additional to IFRS measures included in the press release is relevant and useful in measuring the financial performance of the Group. These include: EBITDA, NPATA and EPSa.
2. EBITDA is a non-IFRS term, defined as earnings before interest, tax, depreciation and amortisation and excluding net foreign exchange gains (losses).
3. NPATA is a non-IFRS term, defined as net profit after tax, excluding tax-effected amortisation of acquired intangibles.
4. Underlying EBITDA, underlying NPAT and underlying NPATA exclude separately disclosed items, which represent the one-off costs during the period. Further details of the separately disclosed items are outlined in Note 3 to the Financial Report which can be found on the Company's web site.
5. Cash EBITDA is Underlying EBITDA excluding capitalised development costs

Note: This ASX announcement should be read in conjunction with the Annual Report which can be found on the Company's website.

Hansen's Global Chief Executive Officer and Managing Director, Andrew Hansen, said:

"We expect tailwinds across both verticals due to the transformative industry changes driven by 5G, AI, IoT, rollout of renewable energy technologies, smart grids, virtual power plants and EVs. The Group has secured several wins in the first half of the year including the City of Kingsport's modernisation of water-billing systems, Å Entelios' expansion into Denmark and the expansion of our relationship with Vattenfall and Stockholm Exergi. This highlights our commitment to delivering scalable, innovative solutions that empower clients globally to adapt to dynamic market conditions, while enhancing customer experiences. We expect to see the positive impact of these and other wins in 2H25."

"Since acquiring powercloud, we have streamlined the workforce from approximately 390 staff to 140 staff. By actively engaging with powercloud customers, we are delivering mutually beneficial outcomes and have redirected our R&D efforts towards the Retail Core Service system to better align with client needs. We have reduced fixed costs by approximately A$31m annually with further potential savings in the medium term. Our strategic rationale for acquiring powercloud remains strong, with significant potential upside as the German energy market transforms over the medium term."

"In November 2024, the Group invested approximately A$2.2 (CAD $2m) for a 30% stake in Dial AI, based in Vancouver, Canada. Dial AI has developed an advanced AI-powered tool designed to enhance customer interactions through automation and intelligent responses. This tool directly helps businesses address key digital engagement challenges by streamlining communication, improving efficiency and providing a seamless customer experience."

"In terms of M&A, our balance sheet is in excellent shape with a leverage ratio of just 0.5 times and the M&A pipeline remains robust. We remain ready and willing to transact for the right acquisition."

"With regards to our technology investment, innovation is at the heart of everything we do at Hansen. We continuously invest in R&D to ensure that our solutions are cutting-edge and aligned with the latest technological advancements."

"I'm also proud to share that Hansen has been awarded the "Committed" badge by EcoVadis, a globally recognised platform that rigorously assesses companies' sustainability performance. The badge signifies that we are steadfast in our commitment to achieving our sustainability goals and making progress each day. Our Australian operations have been certified as Carbon Neutral by Climate Active for three years running with the fourth-year certification process underway. We have achieved a 40% reduction in our total emissions since FY22, all while growing our business topline."

"I would like to thank the entire Hansen team for what we have achieved in the 1H25. The customer wins and upgrades we have secured this half and project milestones delivered are due to their talent, hard work and their deep technical and industry knowledge. We are looking forward to a very strong 2H25."

Revenue

In 1H25 Hansen operating revenue increased 6.1% to $178.0m driven by the acquisition of powercloud completed on the 12 February 2024 and growth in the Communications & Media vertical. Excluding the impact of powercloud, revenue declined 7.2%, largely due to the timing of licence fees and delays in major implementation projects caused by customer constraints. Additionally, 1H24 experienced significant recognition of licence fees which typically renew over three to seven-year cycles. 1H25 licence fees were comparatively low but are anticipated to be significantly stronger in the second half of the financial year partly due to the agreement with VMO2.

Hansen's revenue is diverse across geography, currency, product and industry with no single customer making up more than 8% of revenue. Customer churn rates remain consistently low, and the customer base is largely tier 1 and 2. The rapid transformation in both the Energy & Utilities and Communications & Media industries is creating opportunities for organic growth across both verticals.

The Energy & Utilities vertical had a number of large licence renewals during 1H24 and revenue for a material upgrade in APAC was largely completed and recognised during 1H24 while customer delays during 1H25 resulted in key upgrade works being pushed back to 2H25. This resulted in a 14.8% revenue decline excluding powercloud, however 2H25 is expected to be significantly stronger.

Including powercloud, the Energy & Utilities vertical revenue grew 8.0% compared to 1H24. This growth was supported by key client engagements such as Å Entelios' expansion into Denmark, the City of Kingsport's modernisation of water-billing systems and the expansion of our relationship with Vattenfall and Stockholm Exergi.

The Communications & Media vertical increased revenue 3.6% compared to 1H24. As many communication companies grapple with complex legacy systems that impact speed to market and cost to serve, there is a growing demand for best-in-class software to improve customer support and overall offerings. With our market-leading product suite and robust pipeline, we remain well-positioned for further growth in the communications sector.

In February, Hansen signed a five-year master agreement with VMO2, a communications joint venture between Telefónica and Liberty Global in the UK. Valued at approximately A$50m, this agreement will enable VMO2 to modernise its legacy systems, streamline operations, and significantly reduce the cost-of-service delivery. The benefits from this transformational deal will begin to materialise in 2H25.

Underlying & Cash EBITDA

Underlying EBITDA for 1H25 was A$38.1m, which represents a decrease of 26.9% when compared to 1H24. Cash EBITDA[1] for 1H25 was A$29.1m which represents a decrease of 37.0% when compared to 1H24. This decline was anticipated and largely driven by:

- Licence Fees: Margin rich licence fees were very strong in 1H24 whilst 1H25 licence fees were comparatively low.
- Application revenue: Customer delays during 1H25 have resulted in key upgrade works being pushed back to 2H25. This impacts the timing of revenue and resulted in some latent capacity during 1H25.
- Building headcount: Focused on growing and leveraging the capacity and capability in the accounts management and sales teams, to continue to win new logos and upgrades.

Cash Flow and Net Cash

Operating cash flow decreased by $20.0m from 1H24 to $10.4m impacted by lower EBITDA and an increase in working capital. Customer related receivables, including accrued income less unearned revenue, increased by $14.2m when compared to 1H24 driven by the acquisition of powercloud, as well as upgrades and implementations that are being billed on a milestone basis. Whilst a significant portion of accrued income will be billed and collected in 2H25, there is approximately $20m that relates specifically to IFRS15 accounting standards and will be unwound in the short to medium term. The Group expects a significant inflow of cash in 2H25.

[1] Cash EBITDA is Underlying EBITDA excluding capitalised development costs.

Mergers and Acquisitions

The Group invested a further $13m in powercloud to restructure the business, reduce its fixed cost base and implement Hansen systems and processes. Through prudent cost containment measures, powercloud has realised approximately $31m in annualised cost savings. The Group continues to expect significant potential upside in Germany, the world's third largest economy. As the German energy market transforms, there's a growing demand for scalable, innovative solutions. The marketplace is relatively immature compared to many parts of EMEA, with the roll-out of smart meters only recently commencing. The Group expects strong potential for growth as these changes unfold over the medium term.

Innovation remains central to Hansen's strategy, supported by continued investment in R&D. In November 2024 Hansen has reinforced its commitment to innovation with a strategic investment in Dial AI, a Vancouver-based artificial intelligence company transforming customer service. The Group has acquired a 30% stake for CAD $2 million (~A$2.2 million). This partnership will accelerate the development, integration, and global distribution of AI-powered customer engagement solutions as part of Hansen's end-to-end offering.

Dial AI's advanced generative AI platform is designed specifically for call center optimisation. Seamlessly integrating with backend systems, including billing and CRM platforms—it enables 24/7 omnichannel support across voice, web, mobile, and email.

Key capabilities include:

- Real-Time Sentiment Analysis: Continuously improves interactions with live learning.
- Dynamic Conversation Orchestration: Enhances efficiency with AI-driven task execution.
- Scalability & Speed: Manages hundreds of simultaneous interactions, reducing wait times.
- Intelligent Monitoring & Analytics: Provides real-time insights for continuous optimisation.

Hansen and Dial AI will collaborate to enhance, integrate, and globally distribute Generative AI solutions as part of Hansen's end-to-end offering.

Dividend

The Board has declared a first half dividend of 5.0 cents per share, partially franked to 3.3 cents per share. The record date for the interim dividend is 25 February 2025 and the payment date is 27 March 2025. The Dividend Reinvestment Plan (DRP) will again be available to shareholders with no discount. The DRP election cut-off date will be 26 February 2025.

January Trading Update

The unaudited results for January 2025 have recently been completed. The Group delivered Operating revenue of A$52.0m and Underlying EBITDA of A$29.1m in the month of January. As a result of this particularly strong performance, driven by the VMO2 contract, other licence renewals and an increase in application revenue, the January YTD unaudited position for the Group is Operating revenue of A$230.0m and Underlying EBITDA of A$67.2m.

The foreign exchange impact year-to-date through January 2025 is immaterial. Hansen operates with a broad mix of currencies and primarily incurs costs in the same countries where it generates revenue.

Outlook

Hansen remains on track to deliver its FY25 guidance first announced in August 2024 and reaffirmed earlier this month following the announcement of the transformative agreement with VMO2, a major EMEA based telecommunications company.

- Revenues: A$398m – $405m
- Underlying EBITDA: A$92m - $101m
- Cash EBITDA[2]: A$76m - $85m

The FY25 Underlying EBITDA margin is expected to be between 23-25% and Cash EBITDA Margins of 19-21%.

Industry tailwinds from both Hansen verticals are driving increased demand for the Group products and services globally. The Group is optimistic about its earnings potential for 2H25 and beyond.

[2] Cash EBITDA is Underlying EBITDA excluding capitalised development costs.

Investor and Analyst Briefing

An investor and analyst briefing will be held on 19 February 2025 at 10am Melbourne time to discuss the 1H25 results. The briefing will be webcast and accessible via the link below. Once pre-registered, you will be invited to add the Webcast to your calendar.

https://webcast.openbriefing.com/hsn-hyr-2025/

For further information:

Investor and analyst enquiries

Peter Beamsley
Head of Investor Relations
+61 438 799 631
Investor.Relations@hansencx.com

About Hansen

Hansen Technologies (ASX: HSN) is a leading global provider of software and services to the Energy & Utilities and Communications & Media industries. With its award-winning software portfolio, Hansen serves customers in over 80 countries, helping them to create, sell, and deliver new products and services, manage and analyse customer data, and control critical revenue management and customer support processes.

For more information, visit www.hansencx.com