

MARKET RELEASE (ASX:RDY)

ReadyTech continues to deliver profitable growth underpinned by successful execution of enterprise strategy

27 February 2024 – ReadyTech Holdings Limited (ASX:RDY) (**ReadyTech or Company**), a SaaS provider of next generation cloud-based software to the education, workforce, government and justice sectors, is pleased to announce its results for the six months ended 31 December 2023 (**1H FY24**), a period that saw the Company continue to deliver a combination of solid revenue growth and strong margins.

1H FY24¹ – continued solid growth across all key metrics:

- Total revenue up 14.2% to \$54.7 million
- Subscription revenue of \$47.2 million, up 17.1% on PCP, with recurring revenue representing 86.3% of total
- 16 major enterprise contracts signed, totalling \$7.0 million in deal value² with a pipeline of over \$30.0 million in high conviction opportunities
- 29% increase in average revenue per new customer to \$123.2k
- Underlying EBITDA³ of \$17.4 million, up 10.6%
 - Underlying EBITDA margin of 31.8% (1H FY23: 32.6%)
 - Underlying cash EBITDA⁴ margin of 14.3% (1H FY23: 12.6%)
- Revised outlook for FY24 reflects the expected timing of some enterprise contracts shifting to FY25
- Updated medium-term outlook with organic revenue expected to exceed \$170.0 million and EBITDA margin to reach high 30% by FY27

Commenting on the 1H FY24 result, ReadyTech Co-Founder and CEO Marc Washbourne said:

“ReadyTech has continued to successfully deliver on its enterprise strategy with 16 new contracts signed in the first half of FY24. Total revenue increased 14.2% and subscription revenue grew by 17.1%, with each of our segments – Education & Work Pathways, Workforce Solutions and Government & Justice – growing at a double-digit rate. EBITDA margins remained strong driven by our success in signing new higher value enterprise customers and by upgrading and upselling to our existing customer base.”

“Our strategy has been to focus on carefully selected verticals with sizeable serviceable markets and with similar customer challenges. We have gained significant momentum in attracting large enterprises and I believe we are in a great position to continue to win further major contracts. Pleasingly, we have a strong pipeline of high conviction opportunities to the value of \$30.0 million, and

¹ All figures are in AUD and comparisons are made against 1H FY23 unless specified.

² Deal value equals first-year annualised subscription and implementation fees.

³ 1H FY24 underlying results exclude LTIP costs of \$0.9m and non-recurring costs of \$2.7m which includes the accounting impact of contingent consideration of \$1.5m as well as Integration, acquisition-related transaction and other costs of \$1.2m.

⁴ Underlying Cash EBITDA includes lease and labour capitalisation and excludes the impact of LTIP.



though a number of opportunities have experienced extended deal lifecycles, we expect to sustain our conversion rate, providing a solid platform for further growth.”

New higher value enterprise contracts and successful upsell delivers continued growth

ReadyTech generated total revenue of \$54.7 million in 1H FY24, an increase of 14.2% on prior corresponding period (PCP). Subscription and license revenue grew 17.1% to \$47.2 million, with the highly attractive recurring revenue stream now representing 86.3% of total revenue.

Over 1H FY24, the Company signed 16 new enterprise contracts with annualised deal value totalling \$7.0 million. The average revenue per new contract increased 29% to \$123.2k driven by new higher-value enterprise contracts.

Expenses increased 15.5% to \$35.3 million representing ongoing investment in R&D and Sales & Marketing growth engines, which represented 30.1% and 8.0% of revenue respectively.

Underlying EBITDA for the half grew 10.6% to \$17.4 million, representing a margin of 31.8% (1H FY23: 32.6%). Underlying cash EBITDA margin improved by 1.7% to 14.3%.

Strong customer retention underpins growth and strong margins across all verticals

Education & Work Pathways revenue increased 12.4% to \$19.0 million driven by cloud upgrade of AVAXA customers and successful upsell of ReadyTech's Learning Management System to existing customers. Education & Work Pathways won several new customers over the first half, with further growth expected as more educational institutions upgrade their legacy competitor software to cloud-based solutions. The segment delivered a strong EBITDA margin of 43.2% in 1H FY24, in line with PCP.

Workforce Solutions, which provides cloud-based payroll and all-in-one workforce management software to enterprises, delivered 11.1% revenue growth in 1H FY24. The segment's software grew 15.4% driven by new customer wins in the targeted stand-up economy verticals and existing platform upgrades. At 36.0% margin, the division delivered EBITDA of \$5.4 million (+5.9% vs PCP).

The Government & Justice segment delivered another period of strong growth with revenue up 18.3% to \$20.7 million. Growth was driven primarily by new customer wins across local government and procurement software products, as well as the continued cloud upgrade of IT Vision customers. EBITDA margin was broadly in line with prior year at 27.1%.

Growth initiatives supported by strong balance sheet and cash flow

ReadyTech remains in a strong financial position with \$21.9 million of cash available for use at 31 December 2023 and a net leverage ratio of 0.7x, well within the Company's target range.

The Company's growth initiatives are further supported by strong and growing cash flow. In 1H FY24, ReadyTech generated \$18.7 million in cash flow from operating activities (1H FY23: 14.4 million), representing 113% of EBITDA, and driven by continued SaaS revenue growth and customers pre-paying their annual subscription fees.

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Medium term target updated

Commenting on ReadyTech's outlook, Mr Washbourne said:

"ReadyTech is set to continue to benefit from major digital transformation tailwinds as more large organisations within education, workforce, government and justice sectors transition from their legacy competitor systems to our next generation cloud-based solutions. We continue to invest in R&D to drive customer value, including within the AI revolution, to ensure ReadyTech stays at the forefront of this movement, providing our customers great flexibility with open ecosystem, improved user experience and ongoing product innovation."

"Due to timing of a number of high conviction enterprise contracts shifting to FY25, we now expect the growth rate for FY24 to be in the low double digits. Accordingly, we have updated our medium-term target to exceed organic revenue growth of \$170.0 million by FY27.

"We expect EBITDA margin to improve further as we continue to attract higher value enterprise contracts and benefit from strong operating leverage. For FY24, we retain our EBITDA margin in the range of 34-35% (excluding the impact of LTIP) and expect to reach high 30% by FY27."

Analyst conference call details:

An investor call will be hosted by Marc Washbourne (Co-Founder and CEO) and Nimesh Shah (CFO) at 10:30am AEST today.

Attendees can register for the call via the following link, and will receive their dial-in details upon registration: <https://sl.c-conf.com/diamondpass/10035680-mklao1.html>

– ENDS –

This announcement has been authorised for release by the Board of Directors of ReadyTech Holdings Limited.

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About ReadyTech

ReadyTech is a leading provider of mission-critical SaaS for the education, employment services, workforce management, government and justice sectors. Bringing together the best in people management systems from students and apprentices to payroll, employment services, and community engagement, ReadyTech creates awesome technology that helps their customers navigate complexity, while also delivering meaningful outcomes. To learn more about ReadyTech's people-centric approach to technology, please visit www.readytech.io.

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