

ReadyTech Holdings Limited
ABN 25 632 137 216

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FOR IMMEDIATE RELEASE

ReadyTech strengthens position in employment segment with two strategic acquisitions

- **ReadyTech acquires leading payroll and workforce management software and services businesses, Zambion and WageLink, for total combined consideration of \$12M¹**
- **Strong strategic rationale providing ReadyTech with enhanced capability to maximise the customer value proposition, adapt to changing customer preferences and add to its client portfolio with recurring revenue streams in core employment segment**
- **Transactions immediately EPS accretive in FY20 on a pro-forma basis before synergies and excluding transaction and integration costs**
- **ReadyTech is trading in line with CY19 prospectus forecast**

ReadyTech Holdings Limited (ASX:RDY) has further strengthened its presence in the employment segment, today announcing the strategic acquisitions of two businesses - Zambion and WageLink - for a total combined consideration of \$12 million¹.

Zambion is a leading web and app-based payroll and workforce management software company with a customer base in New Zealand and Australia. WageLink is an outsourced payroll managed service provider, based in South Australia.

The two acquisitions are consistent with ReadyTech's strategy to acquire complementary technologies, capabilities and new customer bases, targeting higher value customers. The two acquisitions also provide ReadyTech with further geographic expansion opportunities into the New Zealand and South Australia markets.

ReadyTech is a leading software-as-a-service (SaaS) provider of mission-critical people management systems across both the education and employment segments. In the

¹ \$6.3m of approximately \$12m of consideration is a deferred payment, subject to Zambion meeting recurring revenue targets.

employment segment, the company provides payroll and HR administration software solutions as well as technology-led, outsourced payroll services.

ReadyTech has acquired Zambion for an initial upfront payment of \$4.2 million plus a deferred payment of \$6.3 million subject to Zambion meeting recurring revenue targets of which \$4.5 million is expected to be paid in H2 FY20. ReadyTech has acquired WageLink for \$1.6 million.

Combined purchase price represents a multiple of 7.0 times FY20 forecast EBITDA and 4.6 times FY21 forecast EBITDA, assuming the earn-out is paid in full.

Both transactions are legally binding and were signed and completed on 9th of October 2019.

For ReadyTech's CY19 results, the transactions are expected to deliver incremental to prospectus targets, revenue of approximately \$700,000 and EBITDA of approximately \$200,000, being a part year benefit given the acquisitions are taking place in October.

Strong strategic rationale

ReadyTech Chief Executive Officer, Marc Washbourne, said the acquisitions are strategically compelling for ReadyTech, enabling the company to accelerate its growth in the employment segment.

“Both Zambion and WageLink are high-quality businesses, providing over 480 clients with leading payroll and workforce management software and services with loyal customer bases exhibiting strong satisfaction and advocacy.

As such they are highly complementary to our employment business and will allow us to leverage their capabilities to further enhance our product and service offering for existing clients, continue to maximise the customer value proposition and adapt to changing customer preferences.

In addition, the transactions deliver incremental recurring revenue adding to ReadyTech's existing strong subscription revenue streams.

Zambion provides web and app-based payroll and workforce management software, with functionality that includes employee rostering and time and attendance.

Zambion's modern SaaS platform and workforce management capabilities add significant value to existing ReadyTech employment clients while positioning our software suite as an even more compelling choice for employers.

The acquisition of WageLink adds a leading payroll managed service business and new client base to ReadyTech's existing managed service offering.

In addition, the Zambion and WageLink acquisitions provide ReadyTech with a strong foothold in New Zealand and South Australia from which we can further grow our client base in those locations.”

Acquisition funding

The total consideration for both transactions (including transaction and integration costs) and assuming full earn-out payment for Zambion is \$12.6 million.

The initial up-front payments of \$6.3 million will be funded from existing ReadyTech cash.

Post transactions, ReadyTech will have \$27.5 million in drawn debt facilities with Debt/EBITDA leverage ratio expected to be less than 1.7 times such that ReadyTech continues operate comfortably within its banking covenants.

The earn-out payment, subject to Zambion achieving annual recurring revenue targets, will be paid either in cash or in ReadyTech shares.

Should the earn-out payment be paid in cash, the ReadyTech Board will review and may defer the timing of the interim dividend which was anticipated to be paid in March or April 2020.

The combined transactions are expected to deliver incremental EBITDA of approximately \$900,000 being a part-year benefit from October 2019 before any benefit of synergies in FY20 (before transaction and integration costs).

The transactions are immediately EPS accretive in FY20 on a pro-forma basis before synergies and excluding transaction and integration costs

Investor Conference Call

ReadyTech will host an investor conference call **today** to provide further detail on the acquisitions. Dial in details are:

Date: Thursday 10 October 2019
Time: 10.30am AEDT
Conference ID: 3770629
Tel: +61 2 8038 5221 or 1800 123 296

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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.