

Hansen Technologies (ASX: HSN)

Hansen Technologies is quintessentially a provider of software solutions, and a family company. It was founded in 1971 and floated in 2000. While it has a history of growth by acquisition, profits are down recently with no real explanation of *why* other than “we live in interesting times”.

Over 56% of the company is owned by the Hansen Family (Othonna Pty Ltd), and no other shareholder owns more than 5% of the company. Hansen Technology sells billing software, data management (for example, for smart meters), and superannuation management software.

Management announced their focus on marketing and sales in the 2011 report, but foreshadowed that the return on that investment may not be evident in 2012 due to the (supposedly) lengthy lead times in the industry.

Numbers at a Glance

Share Price	87c (recent range 85.5-87c)
Latest Report	2012 Annual Report, released 22 November 2012
P/E	Approx 11
P/B	Approx 2.5
5 years NPAT (Chronological Order)	\$13,533,422; \$1285863; \$11,139,573; \$8,131,000; \$6,515,000
EPS (past 5 years)	4.3cps; 5.3cps; 7.2cps; 8.6cps; 8.1cps
DPS (past 5 years)	5c,5c,5c,6c,6c
Payout Ratio (most recent)	is 74%
Dividend Yield at 90c	is 6.6%
... if div is cut to 5c...	is 5.55%

NB: NPAT doesn't include proceeds of sale of business in 2008

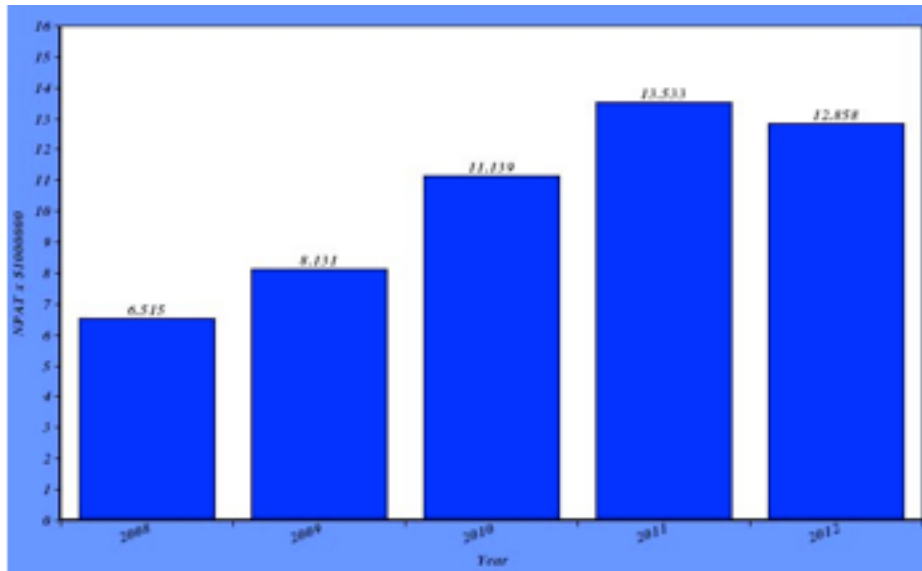
Dividend and Capital Return

Hansen Technologies has demonstrated its commitment to return profits to shareholders. They have demonstrated a desire to keep a stable or growing dividend over the last 5 years. The board has also had the company buy back shares, a decision that has proved to be positive for the company (so far).

With the recent drop in earnings, the dividend payout ratio approaches unsustainable levels, especially for a company that is considering borrowing to fund acquisitions.

Growth

In the latest report, Hansen's profits are more than 5% off their highs, the share price is down well over 10% from recent highs. The market is pricing HSN for a further reduction of profit, and Pattersons' Securities is forecasting EPS of just 6.7cps in 2013, growing to 7.1cps in 2014. The NPAT for the last 5 years is represented in this graph.



Data is Visible in "Numbers at a Glance," above.

The above graph demonstrates that Hansen is not growing profits every year. The company continues to pursue organic growth, and also seeks appropriate acquisitions.

The Directors' hesitance in making acquisitions suggests that if Hansen will not buy another company rashly.

The company is leveraged to society waking up to the need for smart meters, and (to a lesser extent) Vision Super (and to growth in potential client super funds).

Revenue is falling in 2 out of 3 geographic markets.

Revenue from external customers attributed to individual countries is detailed as follows:

	2012 \$000	2011 \$000
Australasia	32,046	34,135
North America	11,618	12,840
Europe	12,890	10,600
Total revenue	56,554	57,575

Profits are derived from billing software, IT outsourcing and superannuation administration software ('Other' in the reports).

Revenue by segment

2012 Financial Year		
Billing	Outsourcing	Other
46,317	6,908	3,329
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It's worth noting also, that revenue in 2012 from billing is *less* than in 2011, while revenue from the other two segments is slightly up.

Major Stakeholder Information

The 5 top holders are: Hansen family, RBC clients, HSBC Clients, Rubi Holdings Pty Ltd, JP Morgan Clients, James Lucas & Lesley Dormer.

Hunter Hall was selling in 2011

Picton Cove Pty Ltd (IVF millionaire Dr Penelope Foster) selling between 2011 and 2012 reporting periods.

The Rubino family, of Mondepholous fame, have a holding.

HSN pays to the Hansen family just under \$900,000 p.a. as rent.

CEO pay is almost \$1.1million

Management pay is \$215,000 - \$375,000

Balance Sheet

Debt	No debt
All Debt/ Liquid Assets	No debt
Liquid Assets (definition: Cash + 10% of Receivables)	is \$25,000,000
Shares on Issue (last 3 years)	153,575,594 (2010); 154,836,901 (2011); 158,072,120 (2012),
Liquid assets per share (assuming further dilution)	15c

Ethical Factors

Measured against 3 Ethical Criteria

Don't be evil: There is no evidence the company is hurting anyone, or the earth itself, in doing its business. This is not necessarily true of all clients.

Best in class: Hansen does not stand out positively or negatively in terms of Corporate Social Responsibility or Environmental Reporting.

Positive profits: Hansen Technology has a vested interest in encouraging the roll out of smart meter technology. Hansen stands to profit both from the management of smart meter data, and also the added layer of complexity required in billing smart meter customers (p4, Annual Report 2012). Hansen's services are of fundamental importance to the transition to a more efficient energy distribution network, a fairer pricing of energy, and all the social benefits that arise from that.

Concluding Thoughts

Hansen is an interesting long-term bet. It is positioned for survival, (and paying a decent yield). A well-timed synergistic acquisition (excuse the jargon) could add substantial value. The meta-trend towards outsourcing IT benefits HSN. The meta-trend (one hopes) of smart metering benefits HSN. Most importantly, the management team at Hansen seems to be of a high quality. If the increased marketing efforts announced previously begin to pay off in 2013, and this company grows profits, then modest gains could be realised. If earnings continue to fall, the fall in share price will be somewhat mitigated by the dividend yield (even if the dividend is cut). On the upside, if smart metering gains momentum, HSN is in a position to benefit from that quite significantly.