

21 November 2017

Technology One Limited announces 8th consecutive year of record revenues, record licence fees and record profits, driven by the TechnologyOne Cloud

Australia's largest enterprise software company, TechnologyOne (ASX:TNE) today announced its 8th consecutive year of record revenues, record licence fees and record profits; its strong results underpinned by the continuing fast growth of the TechnologyOne Cloud.

Key results were as follows:

- Net Profit Before Tax of \$58m, up 9%
- Underlying profit growth excluding significant events of \$65m, up 22%
- Revenue of \$273m, up 10%
- Total Expenses of \$215m, up 10%
- Total R&D of \$49.9m fully expensed, up 8%, which is 18% of revenue
- Total Annual Subscription Revenue of \$139m, up 17%.
 - Annual Licence Fees of \$120m, up 11%
 - Annual Cloud Contract Value (ACV) of \$27.1m, up 69%¹
- Initial Licence Fees of \$62m, up 10%
- Total Consulting Fees \$71m, in line

¹Annual Cloud Revenue recognized this financial year was \$19m, up 84%

TechnologyOne CEO Mr Edward Chung today said: "Our cloud first, mobile first strategy is driving our continuing strong results. Our Cloud business continues to grow very fast with Cloud Annual Contract Value (ACV) up 69% to \$27m. Our target is to once again grow this business strongly with Cloud ACV to reach \$42m in the next 12 months, an increase of 55%. The company is on track to reach Cloud ACV of \$143m by 2022."

As previously forecasted the TechnologyOne Cloud achieved a major milestone this year, contributing a profit of \$2.5m, versus a loss of \$2.2m last year, as our single instance, mass production, Software as a Service (SaaS) offering achieved critical mass. TechnologyOne added 112 new customers to the TechnologyOne Cloud this year, taking the number of enterprise customers on the TechnologyOne Cloud to over 270 customers. All large contract wins this year were based on the TechnologyOne Cloud.

Total Annual Subscription revenue for the company hit \$139m, which was up 17%.

TechnologyOne Executive Chairman, Mr Adrian Di Marco said "The market is clearly distinguishing between older generation 'hosted enterprise systems' like those provided by our competitors, and a true Software as a Service (SaaS) enterprise system provided by TechnologyOne, and the significant advantages our mass production, single instance, platform can deliver."

"Providing a single comprehensive enterprise software system, as a service, to thousands of customers simultaneously from a single software instance provides an economy of scale, and long term strategic benefit that has never been achieved before in the enterprise software market. Our customers lose nothing by going

to our offering and gain everything – they still have their data in their own database, and are still able to configure our offering to meet their exact business requirements. Coupled with two releases automatically provided every year, with new features, functions, technologies and security capabilities it is making life simple for our customers. It is the future of enterprise software today.

“Unlike companies such as Workday, TechnologyOne is providing a full end-to-end enterprise system as a service, and our customers data is safe, in their own database – it is not all mashed together in a multi-tenanted data store that relies on security to keep their data safe and that throws away all the advantages of a relational database that we have come to rely on.

“Furthermore, we are guaranteeing to make 100% of all our enterprise software work on all devices from mobile phones to tablets, and traditional laptops and computers,” Mr Di Marco said.

TechnologyOne remains confident that as we continue to achieve greater scale in our cloud business, it will become a platform for the generation of significantly more profits in the coming years.

Mr Chung said: “The strength and diversity of our underlying business has allowed us to continue to grow strongly. Adjusting our results to exclude ‘one-off’ significant events this year, our underlying profit growth was even stronger, in excess of 22%. Looking to the 2018 year, with these headwinds removed, this sets TechnologyOne up for another strong performance in the 2018 financial year.”

“TechnologyOne continued to dominate in the local government sector, where we closed 10 new major deals totalling \$40 million in contract revenue in the last quarter across Queensland, New South Wales, Victoria, South Australia and Western Australia. TechnologyOne had a 90+% win rate. TechnologyOne secured 240 new deals across Australia, New Zealand and the UK in FY17 in local government.

“We have more than 300 council customers and are continuing to grow fast. We continue to deliver exceptional projects at breakneck speed with several recent SaaS go lives being implemented in less than 12 weeks,” Mr Chung said.

In light of the company's strong results, the dividend for the second half was increased to 5.60 cents per share, up 10% on the prior year. The Board also proposed once again a special dividend of 2 cents per share, taking the total dividend, including special dividend, for the year to 10.20 cents per share, an increase of 8% on the prior year.

TechnologyOne continued to invest heavily in Research and Development, which was \$49.9m for the year.

Outlook

TechnologyOne sees the sales pipeline for the new financial year as continuing to be strong. The TechnologyOne Cloud business is expected to continue to grow strongly and profitably. This supports the outlook for continuing strong profit growth once again over the full year.

The company will provide further guidance at both the Annual General Meeting and with the first half results.

Further information

This market release should be read in conjunction with the TechnologyOne Investor Presentation and the TechnologyOne Statutory Accounts attached to the Appendix 4E. All documents are available on the ASX Announcement platform.

Results teleconference

TechnologyOne Executive Chairman Adrian Di Marco, Chief Executive Officer Edward Chung and Chief Financial Officer Tony Ristevski will present the results to analysts on a conference call on Tuesday 21

November at 11am AEDT (10am AEST). Details will be provided to invited attendees. Alternatively, you can register for the webcast at TechnologyOneCorp.com/about-us/shareholders.

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About TechnologyOne

TechnologyOne (ASX:TNE) is Australia's largest enterprise software company and one of Australia's top 200 ASX-listed companies, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,200 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only eight key markets: government, local government, financial services, education, health and community services, asset intensive industries, project intensive industries and corporates. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For 30 years, we have been providing our customers enterprise software that evolves and adapts to new and emerging technologies, allowing them to focus on their business and not technology. Today, our software is available on the TechnologyOne Cloud and across smart mobile devices.