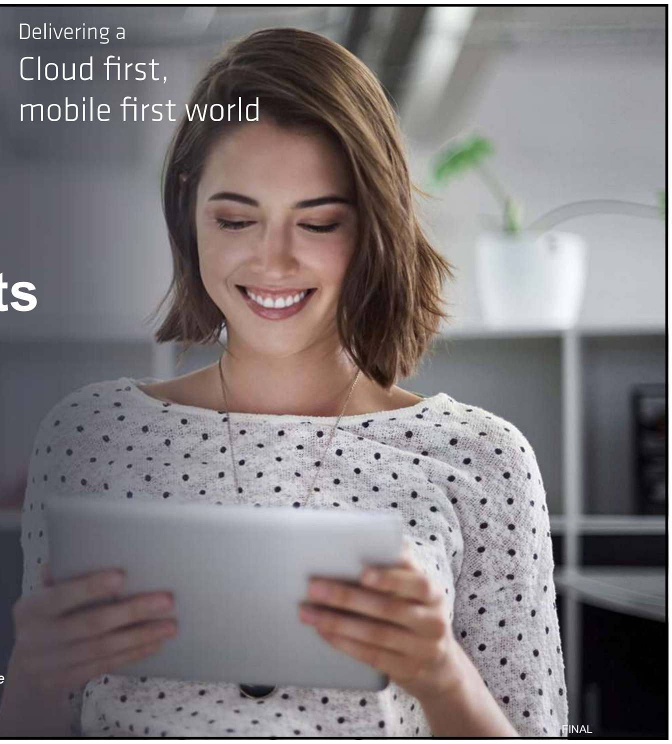
Delivering a

Cloud first,
mobile first world



# 2018 Half Year Results

ending 31 March 2018


Edward Chung
Chief Executive Officer

Stuart MacDonald
Chief Operating Officer


technologyone
Transforming business, making life simple

22 May 2018

*Commercial in confidence*

FINAL

## Disclosure Statement

### TechnologyOne Ltd Full Year Presentation – 22 May 2018

TechnologyOne Ltd (ASX: TNE) today conducted a series of presentations relating to its 2018 Half Year results.

These slides have been lodged with the ASX and are also available on the company's website: www.TechnologyOneCorp.com.

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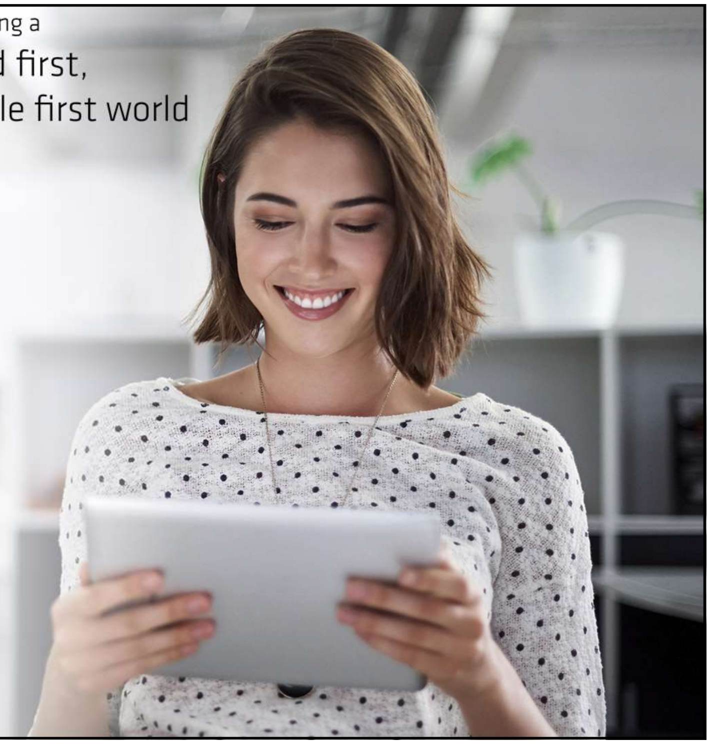
# Agenda

- ➢ Results
- Significant Achievements
- Adoption of IFRS 15
- Outlook for Full Year
- Long Term Outlook

**Appendix**

- TechnologyOne Overview



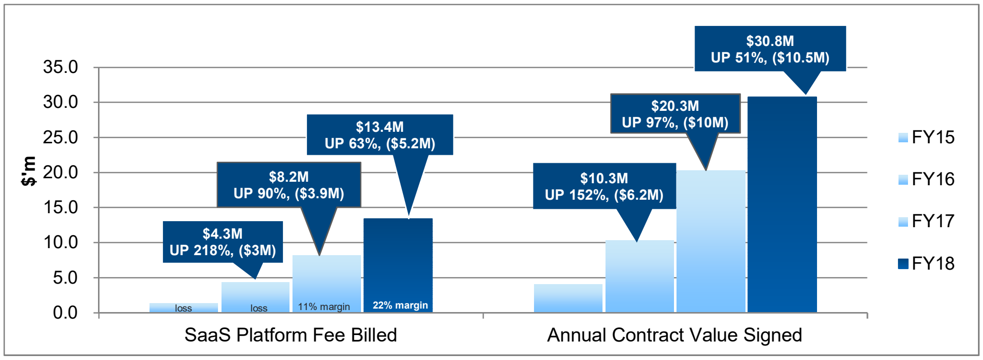
**Record Revenue, up 6%**
**Record Licences, up 7%**


Our cloud business continues to grow strongly
Annual Recurring Revenue for cloud up 63%
Annual SaaS Platform Fees of $13.4m vs $8.2m pcp. Previously called Cloud Service Fee.


Our cloud first, mobile first strategy is gaining significant momentum
SaaS Platform profit of $3m, up 216%
Revised full year profit of $7m, up 180% pcp
Previously called Cloud Profit. Profit Half 1 2017 was $937k. Forecast for 2018 full year was a profit of $5m.

## TechnologyOne SaaS Platform Growing Strongly

### Annual Contract Value of $30.8m, up 51%




**Target ACV of $42+m end 2018**

**Target ACV of $143+m end 2022**

**Target Profit Margin 30+%**

**Profit for the full year revised up from $5m to $7m (vs $2.5m Profit full year 2017)**

- Total SaaS customers now: 280 vs 199 at 31 March 2017
- Our SaaS mass production architecture is now in operation delivering a profit of $3m in H1 vs $937k pcp
- ➢ Our focus has moved from ACV growth to Profit as the key driver
- ➢ This business has significant momentum
- ➢ Platform for substantial growth in revenue & profit in coming years

[1]SaaS Platform Fee - incremental revenue to run TechnologyOne software on our SaaS Platform. Does not include associated licence Fees. Previously called Cloud Services Fee.

## Half year results exceeded guidance

*Guidance provided at the start of 2018 financial year[1]…*

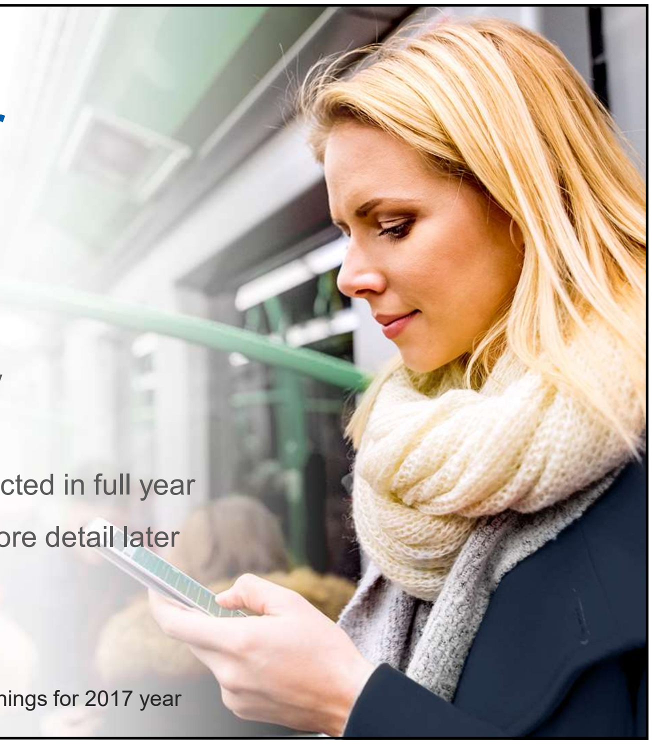
**“This coming year we see the sales pipeline weighted strongly to the second half. We also have the additional challenge that in the first half of 2016/2017 financial year we had a number of significant deals close earlier than normal, which means this year we have an abnormally high hurdle to jump over in half 1. As such, once again this year, our first half results will not be indicative of the full year results.**

**Having said this, the full year pipeline is strong and supports continuing strong profit growth over the full year”**

[1] Refer Letter to Shareholders – section Outlook 2018 , re-iterated at AGM dated 27 Feb 2018

## Updated Guidance For The Full Year

### Profit growth of 10% to 15% for the full year



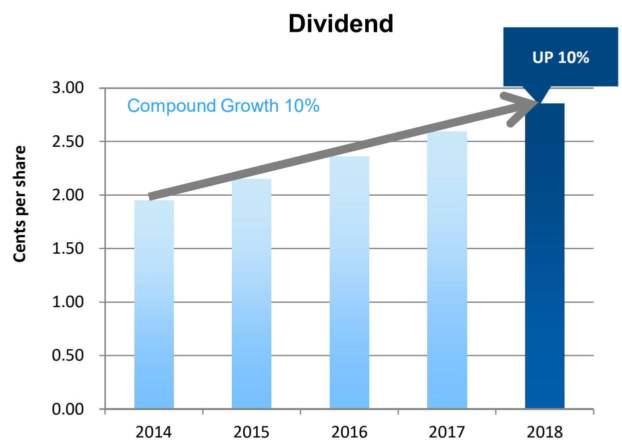
- SaaS Platform continues to grow strongly
- Pipeline for second half is strong
- Continuing growth in Licences Fees expected in full year
- Full year guidance will be discussed in more detail later

Guidance is based on TechnologyOne's reported earnings for 2017 year

## Dividend Up 10%

### Given our confidence for the full year, H1 dividend increased

- 2.86 cps up 10% *(declared, 75% franked[1])*
- Payout ratio of 111%
- Board will consider a special dividend at year end




Notes
- [1] We have paid less tax due to the R&D Tax Concession and the TechnologyOne Share Trust. Under the current R&D Tax concession we expect 2019 dividend to be fully franked again.
- We have continuously paid a dividend since 1996 (through Dot-Com and GFC)
- The Board considers the payment of a Special Dividend at the end of each year taking into consideration franking credits and other factors
- The Board continues to consider other Capital Management initiatives including acquisitions

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# Results Summary

| | H118 | H117 | Variance % |
|---|---|---|---|
| **Revenue** | **$120.4m** | **$113.9m** | **6%** |
| Initial Licence Fees | $25.9m | $24.1m | 7% |
| Total Consulting[1] | $29.8m | $32.9m | (9%) |
| **Total Annual Recurring Revenue** | **$64.1m** | **$56.1m** | **14%** |
| Annual Licence Fees | $50.7m | $47.9m | 6% |
| Annual SaaS Platform Fees[3] | $13.4m | $8.2m | 63% |
| **Expenses** | **$109.9m** | **$103.6m** | **6%** |
| R&D Expenses[2] | $25.6m | $23.6m | 8% |
| Expenses excl R&D | $84.3m | $80.0m | 5% |
| **Profit** | | | |
| Profit Before Tax | $10.4m | $10.3m | 1% |
| Profit After Tax | $8.1m | $8.1m | 1% |
| **Other** | | | |
| Operating Cash Flow | ($10.4m) | $2.6m | (100+%) |
| Cash and Cash Equivalents | $57.5m | $57.5m | 0% |
| Profit Before Tax Margin | 9% | 9% | |
| Dividend | 2.86 | 2.60 | 10% |

Refer slide: Total Consulting

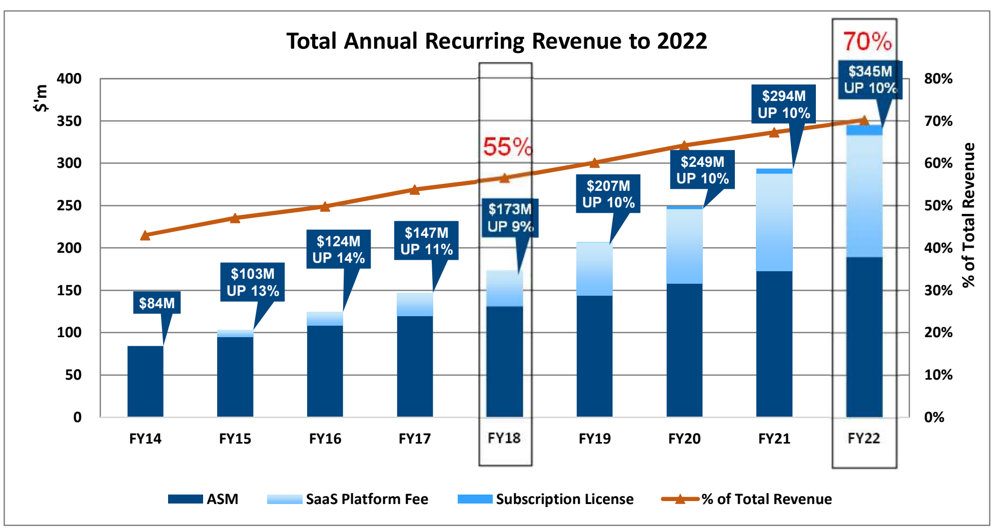
Target Total Annual Recurring Revenue by 2022 is $345+m driven by the growth of Annual SaaS Platform Fees reaching $143+m

Refer slide: Annual Licence fees

Refer slides: Cashflow

[1]Total Consulting includes Plus [2]21% of H1 revenue v 21% last year at H1 [3]Annual SasS Platform Fees – previously called Cloud Services Fee

# Total Annual Recurring Revenue is growing strongly




FY18: Annual Recurring Revenue $173m, is 55% of total Revenue

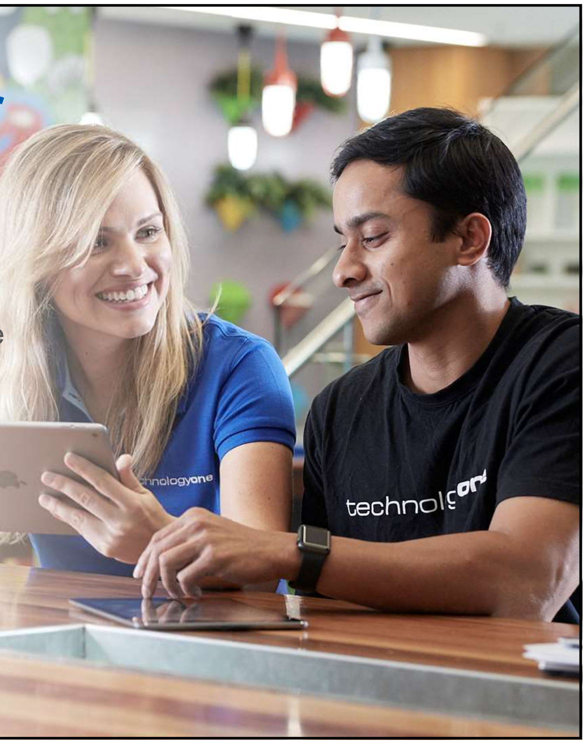
FY22: Annual Recurring Revenue $345m, is 70% of total Revenue

# Significant investments for Future Growth

## R&D of $25.6m, 21% of Revenue

- Ci - our existing very successful enterprise software
- Ci Anywhere - our new generation enterprise software for smart mobile devices
- TechnologyOne Software as a Service
- Started early research into a number of new and exciting areas
- Target R&D for the full year is $54m.

[1]R&D was $23.6 in 2017 Half1, 21% of Revenue



# Innovation is accelerating at TechnologyOne

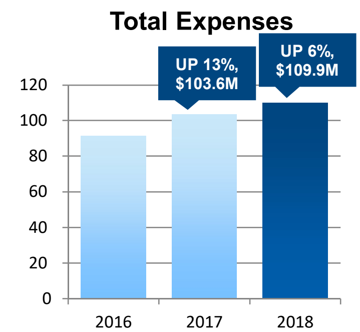
Building on the foundation of our powerful mass production SaaS platform and Ci Anywhere technology, we will release the next stage of our Digital Strategy to our customers in the coming months.

*This will enable our customers to embrace the digital revolution that is just now beginning, to simply and easily digitally enable each and every stakeholder throughout their organization be it an employee, customer or supplier, substantially streamlining their business and improving their experience. Artificial Intelligence (AI) and Machine Learning (ML) is an integral part of our Digital Strategy*

This will create a new platform for growth in the coming years.

## Total Expenses Up 6% ($6.3m)

### versus Revenue up 6%




**Major contributors to expense increase were as follows:**

- Cloud Expense – Up $2.5m (Cloud Revenue up $5.2m, 63%)
- Other Expense – CPI, Accomodation & Payroll costs

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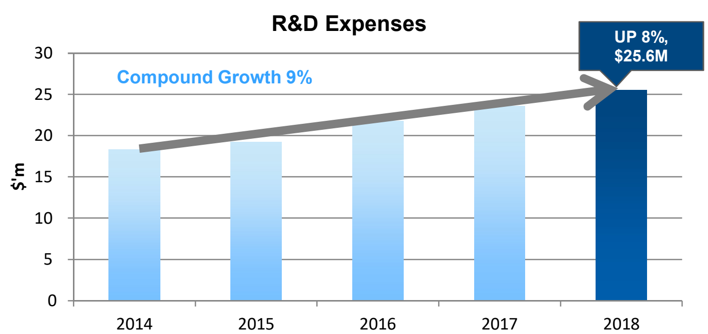
## Total R&D Expenses up 8%

### Tracking to full year target of 8%

[1]R&D fully expensed in the year it is incurred;




- Ci - existing very successful enterprise software suite
- Ci Anywhere - our new generation product for smart mobile devices
- New R&D plan for the next 5 years, which once again recommits the company to deliver CAG[2] of 8% (compared to CAG of 16% historically). **This represents a saving of $75m over a 5 year period to 2021.**

[2]CAG – Compound Annual Growth

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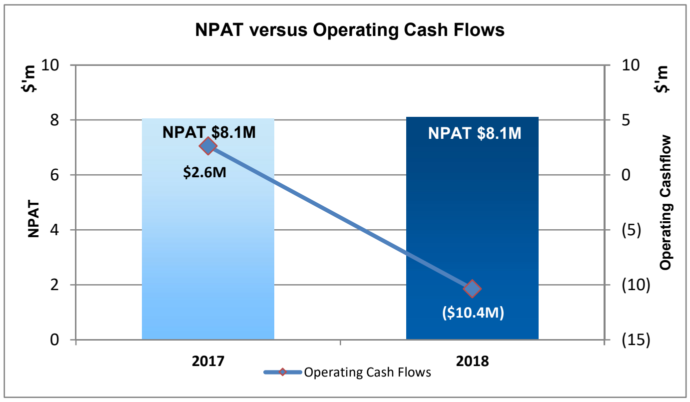
# Cash Flow

Operating Cash Flow ($10.4m), has reduced from $2.6m in prior year (down $13.0m)

- Vs Net profit after tax of $8.1m
- Caused by a few large deals signed in March
- Note: $17m received in first few weeks of April

**This will improve substantially over full year, to align to NPAT**




| | Mar-18 | Mar-17 | Var | % |
|---|---|---|---|---|
| | $ '000 | $ '000 | | |
| Profit Before Income Tax | 10,425 | 10,324 | 101 | 1% |
| Depreciation & Amortisation | 2,355 | 2,098 | 257 | 12% |
| Change in Working Capital | | | | |
| (Increase) / Decrease in Debtors[1] | (15,756) | 2,045 | (17,801) | (870%) |
| (Increase) / Decrease in Prepayments | (1,776) | (7,627) | 5,851 | 77% |
| Increase / (Decrease) in Creditors | (1,321) | (65) | (1,256) | (1,932%) |
| Increase / (Decrease) in Staff Entitlements | (73) | (593) | 520 | 88% |
| Net Interest (Paid) / Received | 340 | 302 | 38 | 13% |
| Income Taxes Paid | (4,941) | (4,522) | (419) | (9%) |
| Other | 383 | 684 | (301) | (44%) |
| **Operating Cash Flow** | **(10,364)** | **2,646** | **(13,010)** | **(492%)** |
| Capital Expenditure[2] | (1,573) | (4,417) | 2,844 | 64% |
| Payment for Purchase of Business | - | (1,246) | 1,246 | 100% |
| Proceeds from Sale of PP&E and Investments | - | - | - | 0% |
| **Free Cash Flow** | **(11,937)** | **(3,017)** | **(8,920)** | **(296%)** |
| Dividends Paid | (23,977) | (22,214) | (1,763) | (8%) |
| Repayment of Finance Lease | (3) | (16) | 13 | 81% |
| Proceeds from Shares Issued | 64 | 115 | (51) | (44%) |
| **Increase / (Decrease) in Cash & Cash Equivalents** | **(35,853)** | **(25,132)** | **(10,721)** | **(43%)** |

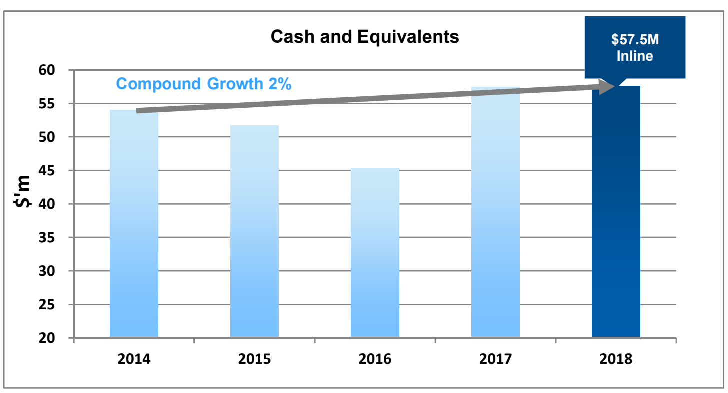
[1] Significant billings in March, leading to substantial increase in debtors.

[2] Capex was driven by a program of major office fit outs. This is now completed.

# Balance Sheet

## Cash & Equivalents $57.5m up $74k ($57.5m pcp)

- **Net Cash:** 18.23c/s (vs. 18.33c/s)
- **Debt/Equity:** 0.01% (vs. 0.01%)
- **Net Assets:** $143.6m (vs. $124.6m, up $19m)




| | Mar-18 | Mar-17 | Var | % |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | |
| Cash and cash equivalents | 57,530 | 57,456 | 74 | 0% |
| Prepayments | 9,997 | 13,517 | (3,520) | (26%) |
| Trade and other receivables[5] | 65,419 | 38,708 | 26,711 | 69% |
| Earned and unbilled revenue[1] | 14,245 | 15,668 | (1,423) | (9%) |
| Other current assets | 624 | 1,596 | (972) | (61%) |
| Current tax assets | 3,967 | 1,521 | 2,446 | 161% |
| **Current assets** | **151,782** | **128,466** | **23,316** | **18%** |
| Property, plant and equipment | 13,164 | 13,579 | (415) | (3%) |
| Intangible assets | 45,114 | 47,814 | (2,700) | (6%) |
| Earned and unbilled revenue[2] | 17,427 | 6,505 | 10,922 | 168% |
| Deferred tax assets | 4,729 | 6,789 | (2,060) | (30%) |
| **Non-current assets** | **80,434** | **74,687** | **5,747** | **8%** |
| **Total Assets** | **232,216** | **203,153** | **29,063** | **14%** |
| Trade and other payables[4] | 41,955 | 29,392 | 12,563 | 43% |
| Provisions | 11,798 | 10,637 | 1,161 | 11% |
| Current tax liabilities | 327 | - | 327 | 100% |
| Unearned revenue[3] | 29,504 | 21,605 | 7,899 | 37% |
| Borrowings | 8 | 13 | (5) | (38%) |
| **Current liabilities** | **83,592** | **61,647** | **21,945** | **36%** |
| Trade and other payables[4] | - | 11,324 | (11,324) | (100%) |
| Provisions | 3,809 | 3,854 | (45) | (1%) |
| Other non-current liabilities | 1,235 | 1,679 | (444) | (26%) |
| **Non-current liabilities** | **5,044** | **16,857** | **(11,813)** | **(70%)** |
| **Total Liabilities** | **88,636** | **78,504** | **10,132** | **13%** |
| **Net Assets** | **143,580** | **124,649** | **18,931** | **15%** |
| Issued capital and reserves | 62,013 | 54,584 | 7,429 | 14% |
| Retained earnings | 81,567 | 70,065 | 11,502 | 16% |
| **Equity** | **143,580** | **124,649** | **18,931** | **15%** |

[1] To be billed in the next 12 months – work in progress, retentions, and contracted licences to be billed

[2] To Be Billed more than 12 months – contracted licences for which a 'break fee' must be included for the total amount of revenue recognised

[3] Prepayments by customers - the majority of which relates to Prepaid Cloud Service Fees

[4] Deferred consideration on the three acquisitions reclassified from non-current to current

[5] Caused by a few large deals signed in March, leading to substantial increase in debtors. Receipts ($17m) received in first few weeks of April

## We are managing the transition to the cloud carefully
## We are generating significant cash from the cloud

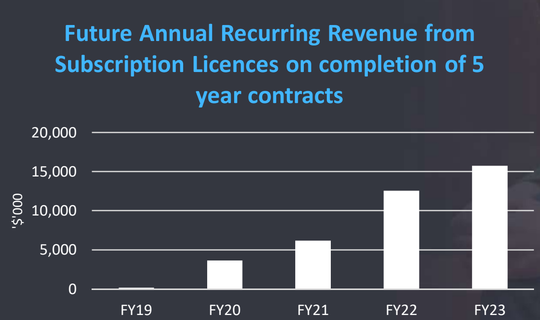
From the Balance Sheet on previous page…

| | Mar-18 | Mar-17 | |
|---|---|---|---|
| • Earned & Unbilled Revenue (non current) | ($17.4m) | ($6.5m) | Driven by licence fees - Revenue recognised & to be billed over more than 12 months – multi year contracted licences must include a ‘break fee’ for the total amount of revenue recognised. |
| • Unearned Revenue (i.e. prepayments) | $29.5m | $21.6m | Driven by the cloud - Prepayments by cloud customers - the majority of which relates to Prepaid Cloud Service Fees. We expect this to grow quickly ($143m per year recurring in 2022) |
| • **Prepayments exceed Earned & Unbilled** | **$12.1m** | **$15.1m** | **Prepayments exceed Earned & Unbilled Revenue by $12.1m which means net generation of cash. This will continue to grow quickly as Cloud ACV hits $143m per year in 2022.** |

**The cloud contributed an additional $12.1m of additional free cash flow this half**

## Subscription licenses of $16.0m, up 44% ($11.1m in FY17)

- ✓ Stop selling perpetual licences, both On Premise and On Cloud
- ✓ 5 year subscription licences with break fee
- ✓ After 5 years these subscription licences will move to yearly licences, creating a future annuity stream

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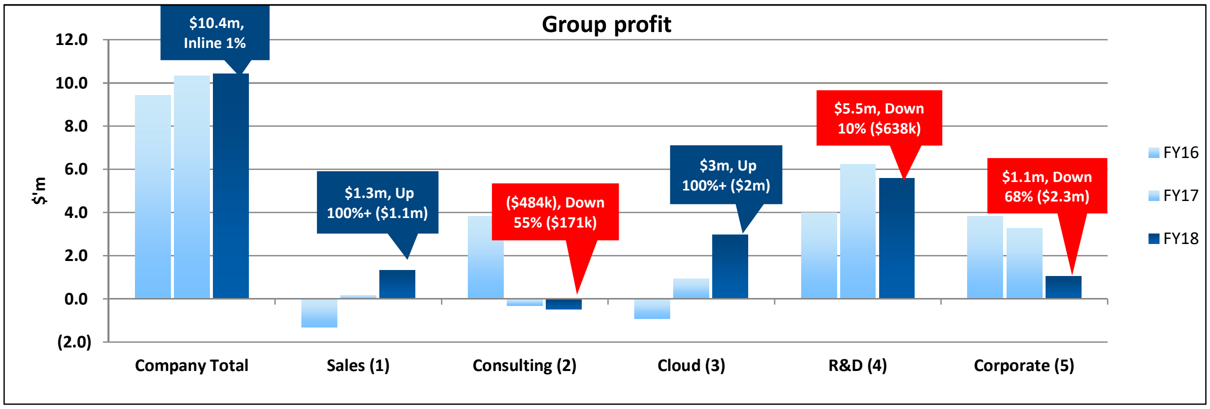
## Profit By Segment Analysis




Net Profit Before Tax $10.4M, up 1% ($100K)

(1) Sales: Licence Fees up on last year by 7%

(2) Consulting: To be discussed later

(3) Cloud: strong contribution as business reaches scale

(4) R&D: To be discussed later

(5) Corporate: increase in accommodation costs and corporate resources for future growth

## Results Analysis

| Half Year 2018 v Half Year 2017 | 2018 $'000 | 2017 $'000 | Variance $'000 | % |
|---|---|---|---|---|
| **Revenue excl interest** | **120,022** | **113,595** | **6,427** | **6%** |
| Expenses (excl R&D, interest, Depn & Amortisation) | 82,013 | 77,866 | 4,147 | 5% |
| **EBITDAR** | **38,009** | **35,729** | **2,280** | **6%** |
| R&D Expenditure | 25,569 | 23,609 | 1,960 | 8% |
| **EBITDA** | **12,440** | **12,120** | **320** | **3%** |
| Depreciation | 2,090 | 1,833 | 257 | 14% |
| Amortisation of Intangibles | 265 | 265 | (0) | (0%) |
| **EBIT** | **10,085** | **10,022** | **63** | **1%** |
| Net Interest Income | 340 | 302 | 38 | 13% |
| **Profit Before Tax** | **10,425** | **10,324** | **101** | **1%** |
| **Profit After Tax** | **8,112** | **8,054** | **58** | **1%** |

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## Results – Key Metrics

| Half Year 2018 v Half Year 2017 | 2018 | 2017 | Var % |
|---|---|---|---|
| **EPS (cents)** | **2.57** | **2.57** | **0%** |
| **Dividends (cents)** | | | |
| Standard | 2.86 | 2.60 | 10% |
| Special | - | - | |
| **Total dividends paid (cents)** | **2.86** | **2.60** | **10%** |
| Dividend Payout Ratio | 111% | 101% | |
| **Key Margin Analysis** | | | |
| EBITDAR Margin | 32% | 31% | |
| EBITDA Margin | 10% | 11% | |
| Net Profit Before Tax Margin | 9% | 9% | |
| Net Profit After Tax Margin | 7% | 7% | |

| Half Year 2018 v Half Year 2017 | 2018 | 2017 | Var % |
|---|---|---|---|
| **ROE** | | | |
| Return on equity[1] | 6% | 6% | |
| Adjusted return on equity | 8% | 10% | |
| **Balance Sheet ($'000s)** | | | |
| Net Assets | 143,580 | 124,649 | 15% |
| Cash & Cash Equivalents | 57,530 | 57,456 | 0% |
| **Operating cash flows** | **(10,364)** | **2,646** | **(100+%)** |
| Debt/Equity | 0.01% | 0.01% | |
| **R&D as % of Total Revenue** | **21%** | **21%** | |

[1]Adjusted for net cash above required working capital, which was assumed at $10m

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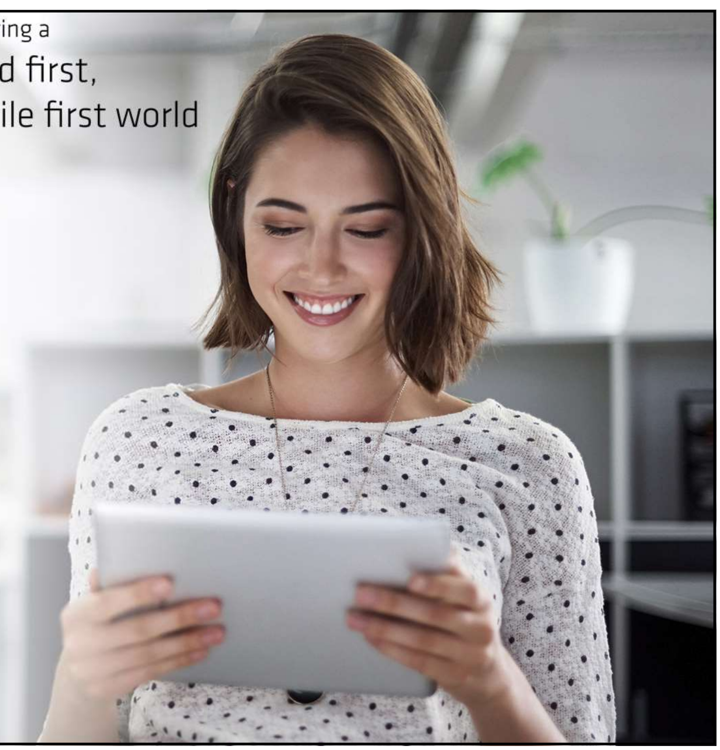


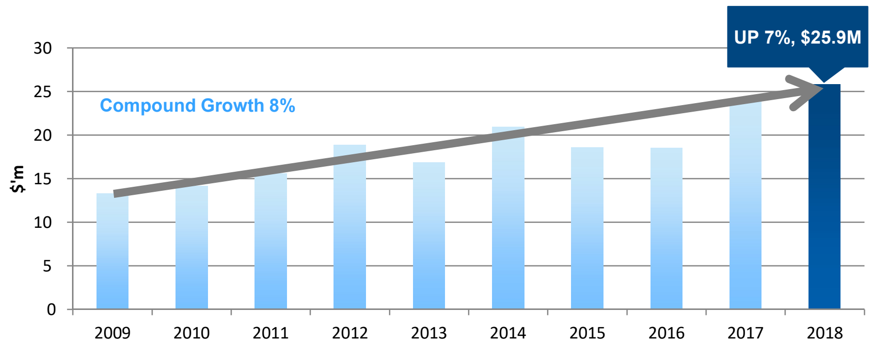
# Agenda

- ✓ Results
- Significant Achievements
- Adoption of IFRS 15
- Outlook for Full Year
- Long Term Outlook

## Appendix

- TechnologyOne Overview

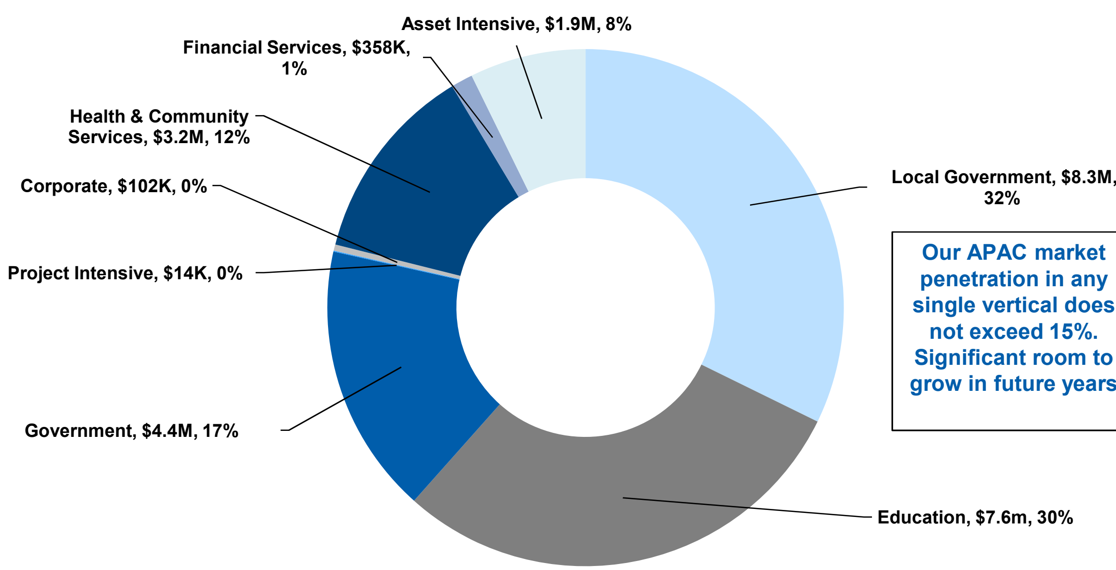
# Licence Fees continue to grow, up 7%




- Number of deals closed earlier than we expected
- New customers added this half: 17
- The pipeline for the second half remains strong, to deliver continuing Licence Fee growth over the full year



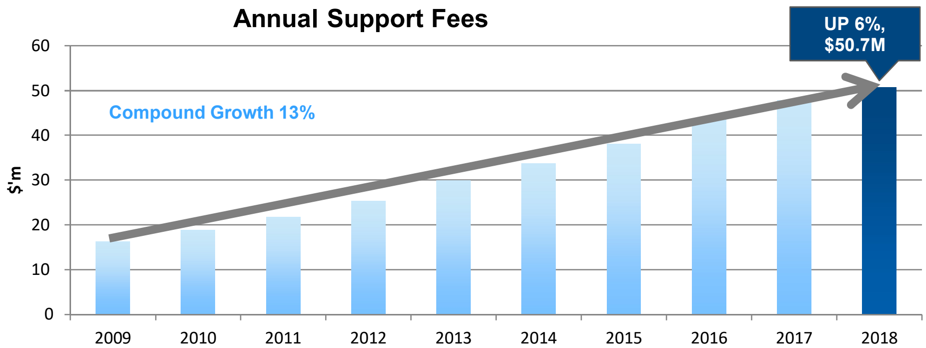
# Licence Fee Contribution - Vertical Market




**Our APAC market penetration in any single vertical does not exceed 15%. Significant room to grow in future years**

Licence Fees $25.9m

# Annual Licence continues to grow, up 6%




## Customer Retention continues at 99%+

- Compound growth over the last 10 years is 13%
- This year driven by a once off reduction in user counts in Higher Education. This impacted the R&D segment profit
- Investing in Compelling Customer Experience III, Ci Anywhere, TechnologyOne Cloud

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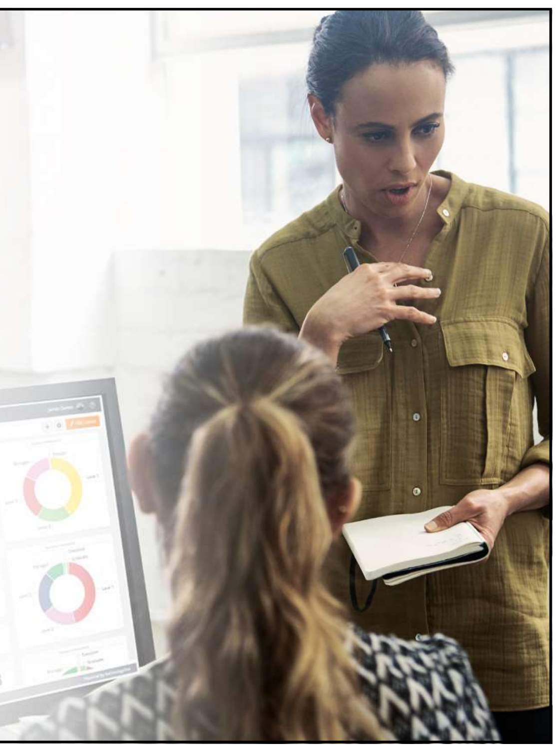
# TechnologyOne SaaS Platform

As we invest in our SaaS platform, this delivers increasing economies of scale and efficiencies which drive our margin improvement. Our customers get new features and benefits for no additional cost.

- ✓ TechnologyOne SaaS 5.0+ introduced the start of our mass production Software as a Service offering
- ✓ Have now migrated all customers seamlessly to SaaS 6.0+
- ✓ SaaS 7.0 – delivered
  - Redis cache improved performance and mass production model
  - Only SaaS vendor to achieve PCI and recommended for IRAP certification in Australia
- ✓ SaaS 8.0 – delivered
  - Postgres to substantially reduce database costs. Trial to selected customers
- ➢ SaaS 9.0 – under development
  - Postgres for all other products to follow in 2018B
- ➢ Significant benefits to our customers because of the economies of scale & mass production model
- ➢ Significant margin improvement to continue over the coming years



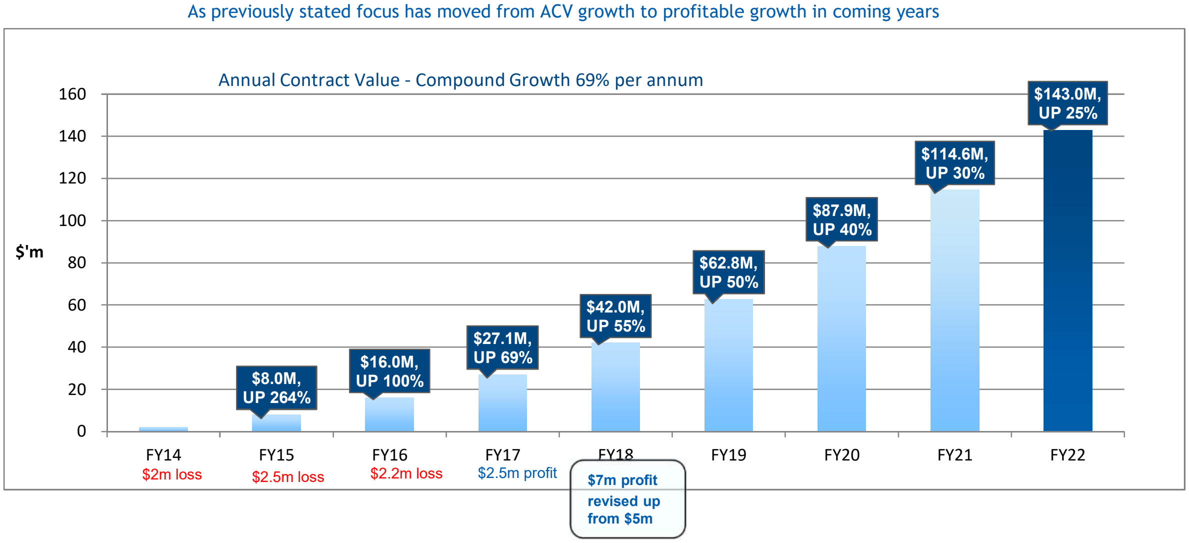
# 280 customers on TechnologyOne SaaS Platform

## versus 199 customers pcp

# Annual Recurring SaaS Platform Fees

## engine for significant profit growth in the coming years

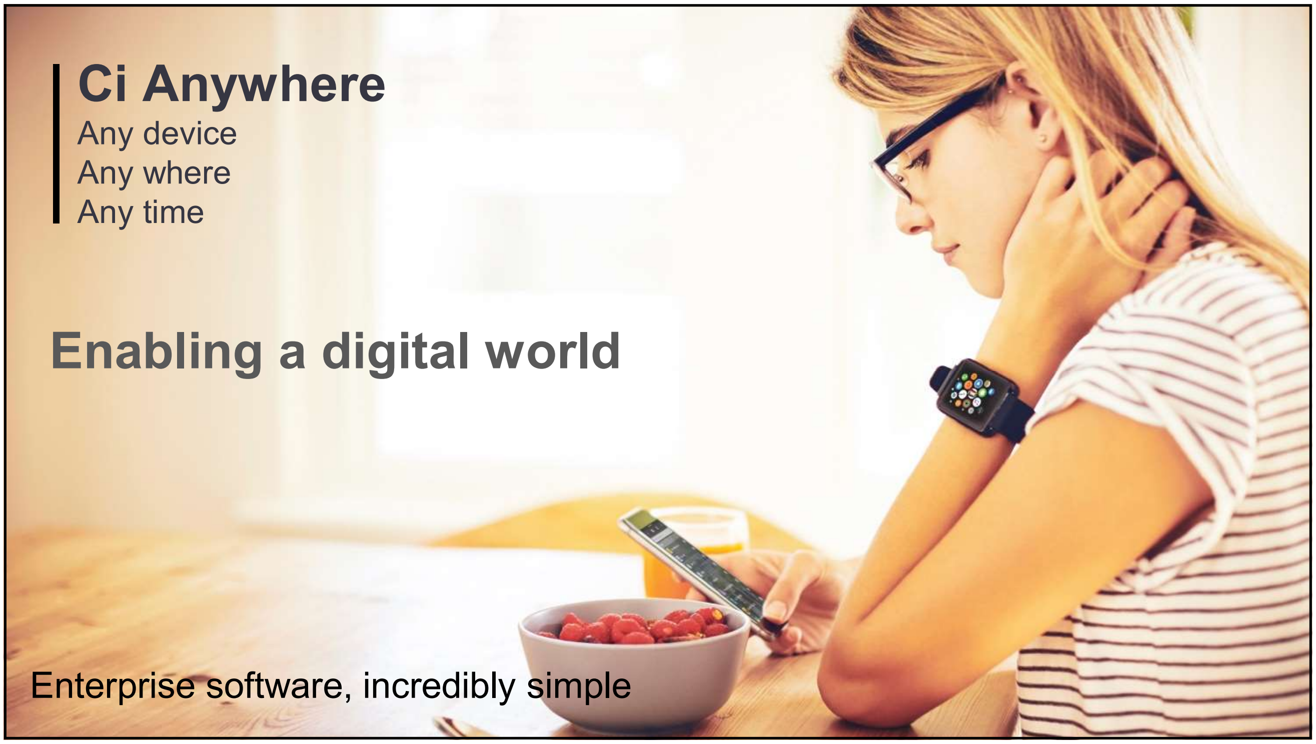
As previously stated focus has moved from ACV growth to profitable growth in coming years




Our next Target - Profit Margin of 30+% for this business

## Ci Anywhere

Any device
Any where
Any time

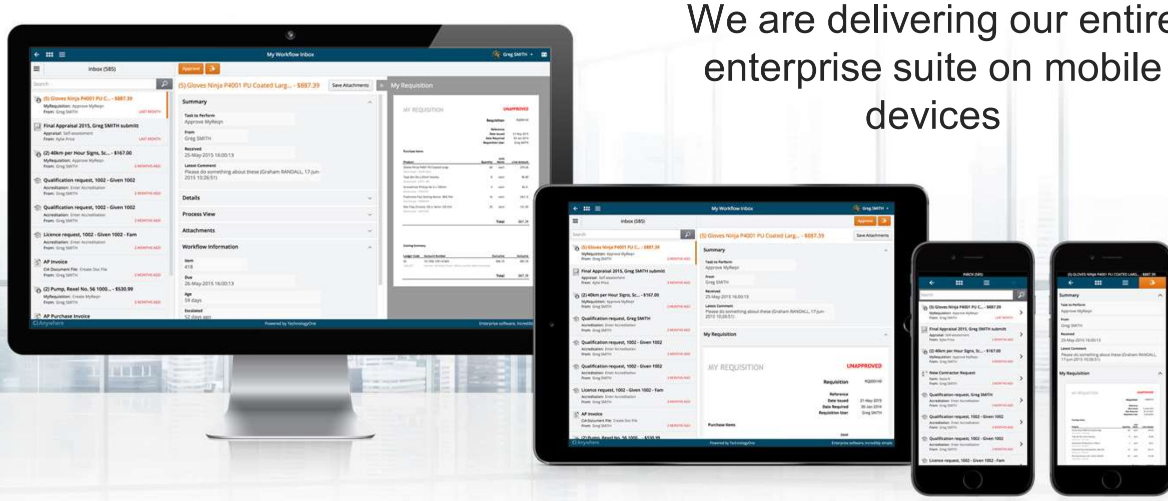


## Enabling a digital world

Enterprise software, incredibly simple

## Flow across many devices in the course of a day

We are delivering our entire enterprise suite on mobile devices



**Enterprise Software intelligently adapts to the devices**

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## Ci Anywhere

### Enterprise software, incredibly simple
### Any device. Any where. Any time.

Our SaaS customers are always on the latest release. As we decommission older releases, this reduces costs and improves services to our customers.

- ✓ 2016B & earlier releases progressively de-commissioned by mid 2018
- ✓ 2017A progressively being rolled out
- ✓ 2018A delivered – progressively rolled out to early adopters
- ➢ 2018B under development – available for early adopters July/Aug 2018
- ➢ Deliver all remaining functionality late 2018
  - ➢ Significant competitive advantage
  - ➢ Only ERP vendor committing 100% of our ERP functionality across all mobile devices
  - ➢ Specific actions required for Fin/SCM and STM


# Consulting

### Significant upside in future years

- ➢ Expect profit for the full year of $7m (vs $5.3m last year)

- Consulting H1 loss of $0.5m vs $0.3m loss pcp
  - APAC H1 profit of $2.0m v 600k profit pcp (Turn around occurring in APAC)
  - UK H1 loss of $2.5m vs 900k loss pcp (Taking longer – discussed later)

**Previously discussed at the Full Year Results**

- Consulting has not kept up with growth of the business
- Initial focus: return to profit growth
- Medium term goal is profit margin to be approx. 20%
  - E.g. 2017 revenue of $72m, profit of $14.4m vs $5.3m actual
- Implementing new strategy, business processes and methodologies to handle our fast growing business

# United Kingdom

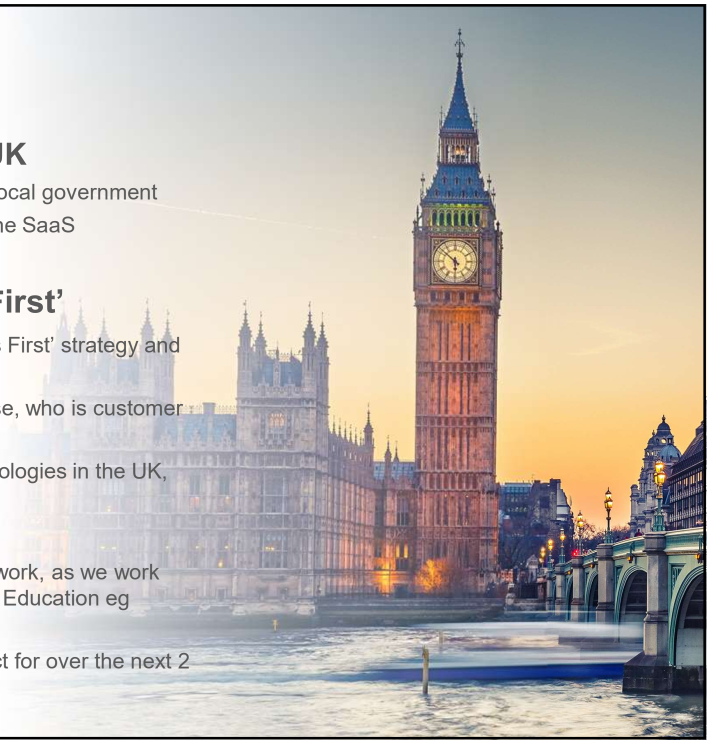
## As previously discussed

### ‘Blue ocean’ strategy working in the UK

- Provide a total ERP solution for higher education & local government
- 40+customers, all of which are on the TechnologyOne SaaS
- Pipeline for the UK is strong

### Next phase of the UK is ‘Customers First’

- Slow sales over next 2 years to focus on ‘Customers First’ strategy and get UK Consulting back on track
- Appointed a new Operating Officer for this next phase, who is customer focused
- Implement the new systems, processes and methodologies in the UK, as we are across the company
- Ensure all new customers are strong references
- Finish Product Regionalisation – significant body of work, as we work with early adopters in Local Government and Higher Education eg UCAS, UKVI, HESA, SLC etc..
- Very selective on the new business we bid & contract for over the next 2 years



# United Kingdom

## Significant investment for future growth

### Remain confident this will be a significant contributor in future years

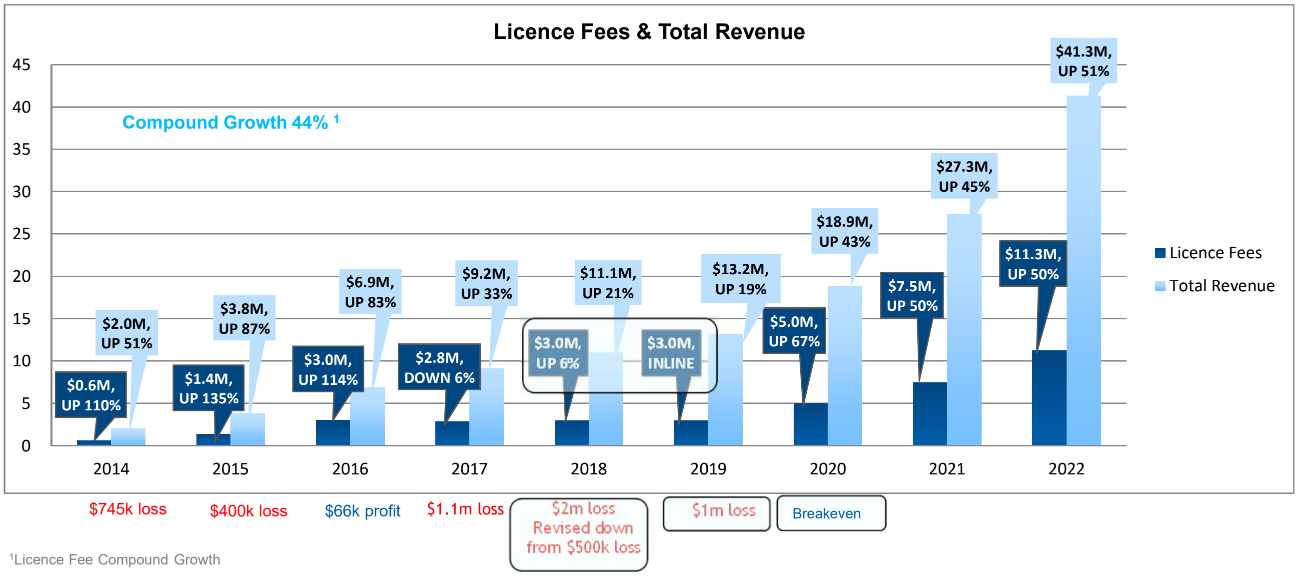
**UK loss $2.7m vs loss $1.3m pcp**

- UK Consulting Loss of $2.5m vs loss $900k pcp as we invest to build our consulting business and invest in our early adopter Higher Education customers
- ➢ Based upon the review by our new UK OO, this will take an additional 12 months longer than expected to turn around
- ➢ We know what needs to be done, and we are making progress
- ➢ We also now have our COO and senior managers regularly in the UK
- ➢ We see significant upside in the UK in the coming years

Previously stated that we expected challenges in building our UK consulting practice

# UK Licence Fee Growth to 2022

## 'Customers First'




[1]Licence Fee Compound Growth

**Slow sales growth, and focus on customers. Licence growth will return in the 2020 financial year**

# Strong Customer Base in the UK (45)

## Critical mass is 50 customers

**Local Government (13)**
- Adur & Worthing Borough Councils
- Aylesbury Vale District Council
- Cambridge City Council
- Clackmannanshire Council
- Horsham District Council
- Huntingdonshire District Council
- Leicester City Council
- Mid Sussex District Council
- Scarborough Borough Council
- Scottish Borders Council
- South Cambridgeshire District Council
- The East Riding of Yorkshire Council
- The Mayor and Burgesses of the London Borough of Haringey

**Health & Community Services (10)**
- East Dunbartonshire Leisure and Culture Trust
- Edinburgh Leisure
- Enjoy East Lothian Leisure Ltd
- Equity Housing Group
- Hereford & Worcester Fire & Rescue Services
- Ongo Partnership Ltd
- Scottish Association for Mental Health
- Strathclyde Fire & Rescue
- Strathclyde Partnership for Transport
- West Lothian Leisure Limited

**Higher Education (15)**
- Carnegie College
- Ealing, Hammersmith and West London College
- Glasgow Clyde College
- London School of Economics and Political Science
- New College Lanarkshire
- The University of Dundee
- University of Exeter
- University of Hertfordshire
- University of Lincoln
- University of South Wales
- University of Sunderland
- University of the Highlands and Islands
- University of Worcester
- University of Sussex
- West College Scotland

**Other (7)**
- BT Investment Management UK
- CIPFA Business Limited
- Greater London Enterprise
- Live Borders Limited
- Livingbridge EP LLP
- Pepper Finance Ireland
- Science Museum Group

Transforming business, making life simple

Delivering a

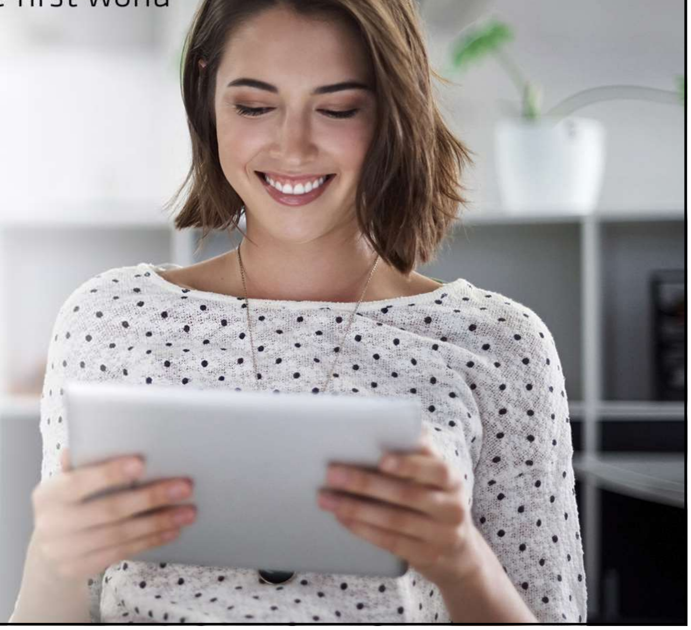
Cloud first,
mobile first world

# Agenda

- ✓ Results
- ✓ Significant Achievements
- Adoption of IFRS 15
- Outlook for Full Year
- Long Term Outlook

**Appendix**

- TechnologyOne Overview



# IFRS 15 / AASB 15

## Our approach on adopting IFRS 15 / AASB 15

- ✓ Strategic approach
- ✓ Well planned & researched over 3+ years
- ✓ Transition to a true SaaS business
- ✓ Look at other SaaS businesses & identify best practice
- ✓ Take a holistic approach
  - ✓ Continue to look at all our Accounting practices not just IFRS
  - ✓ Ensure we continue to appropriately recognize revenue, and associated costs
  - ✓ Ensure we continue reporting numbers that reflect the real performance of the business and the substance of the transactions
  - ✓ Consider the continuing alignment of Profit and Operating cashflow

Stronger, better business

# Timeline for the adoption of IFRS 15 / AASB 15

TechnologyOne is

- Currently finalising its position in respect of IFRS with its Auditors and Board
- Reviewing all its accounting policies in light of IFRS and moving to true SaaS business
- Building illustrative models for P&L, Balance Sheet and Cashflows to demonstrate any possible impact of adopting IFRS and moving to a true SaaS business

**We will be publishing detailed information on our adoption of IFRS in the coming months at a Mid Year Roadshow**

TechnologyOne's first reporting year under IFRS will be the year ending 30 Sept 2019. At this time TechnologyOne will re-state the prior year, as if the standard had always applied.

There is no impact to this financial year (ie: year ending 30 Sept 2018) from IFRS

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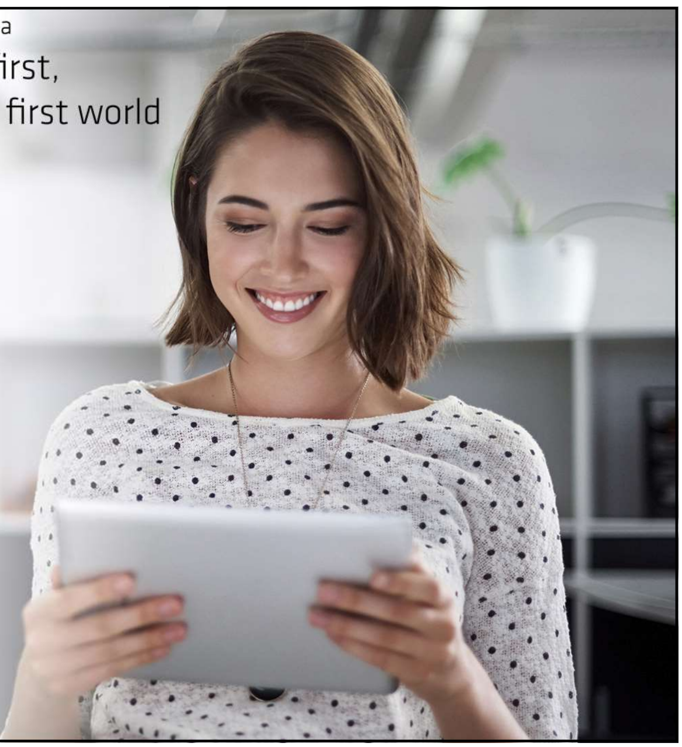

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**Appendix**

- TechnologyOne Overview

## Outlook for 2018 Year

**We expect profit growth of 10% to 15% for the full year**

Guidance is based on TechnologyOne's reported earnings for 2017 year

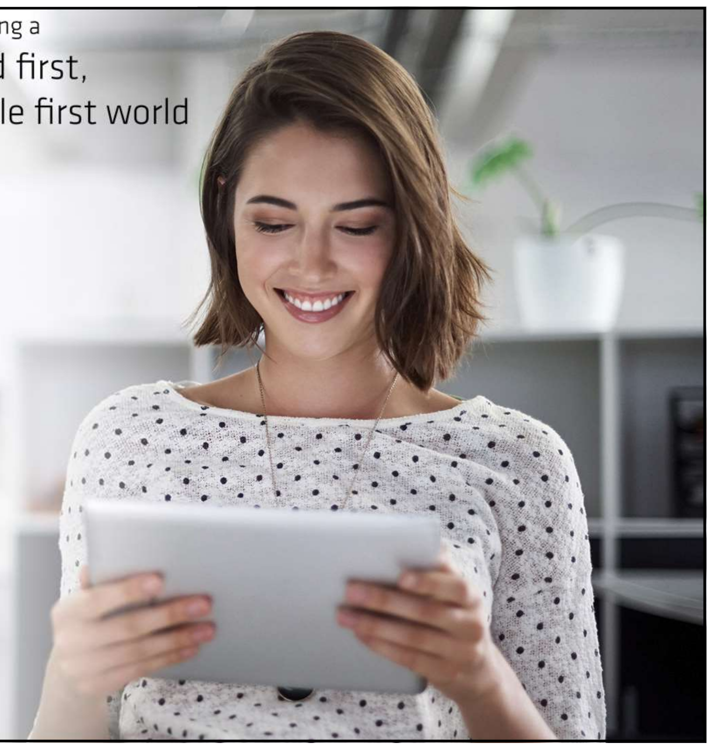
## Outlook for 2018 Year

### Assumptions

- The current pipeline remains strong for the second half
- Substantial base of committed Annual Licence fees heavily weighted to the second half
- Total Consulting Profit will be $7m (vs $5.3m pcp)
- SaaS Platform Profit will be $7m (revised up from $5m, vs pcp of $2.5m)
- Total Expenses will be up 6% for the full year (vs up 6% at the end of Half 1)
  - Operating expenses up 5%
  - R&D expense up 8%
- United Kingdom loss will be $2m (revised from $500k loss)
- No new acquisitions in the second half

## Our focus this financial year

- ✓ Continue developing our Mass Production SaaS platform & deliver $7m profit in 2018
- ✓ Implement Consulting Strategy & deliver $7m profit
- ✓ Continue to grow our initial licence fees
- ✓ Grow our 5 year subscription licences
  - Creating additional recurring revenues after the 5 year period ends
- ✓ United Kingdom 'Customer First' strategy, and control loss to $2m
- ✓ Control costs, and ensure R&D growth is 8%



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mobile first world

## Agenda

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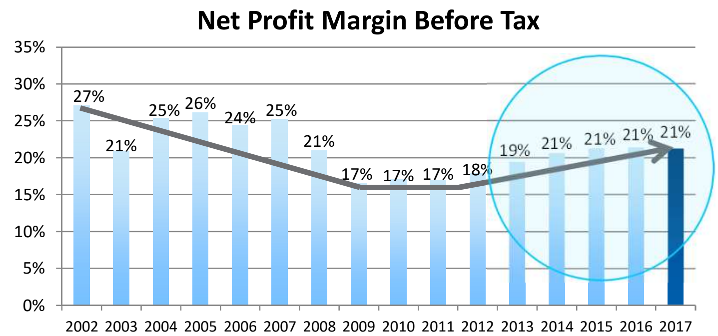
- TechnologyOne Overview

# Long Term Growth

## Focus is to substantially improve PBT margins through:

- SaaS margin increasing to 30+%
- Controlled R&D growth saving $75m over 5 years
- New Product contribution of $16+m per year
- UK moves to profitability




*Profit margin to continue to improve to 25% in the next few years, and then continue to 30%*

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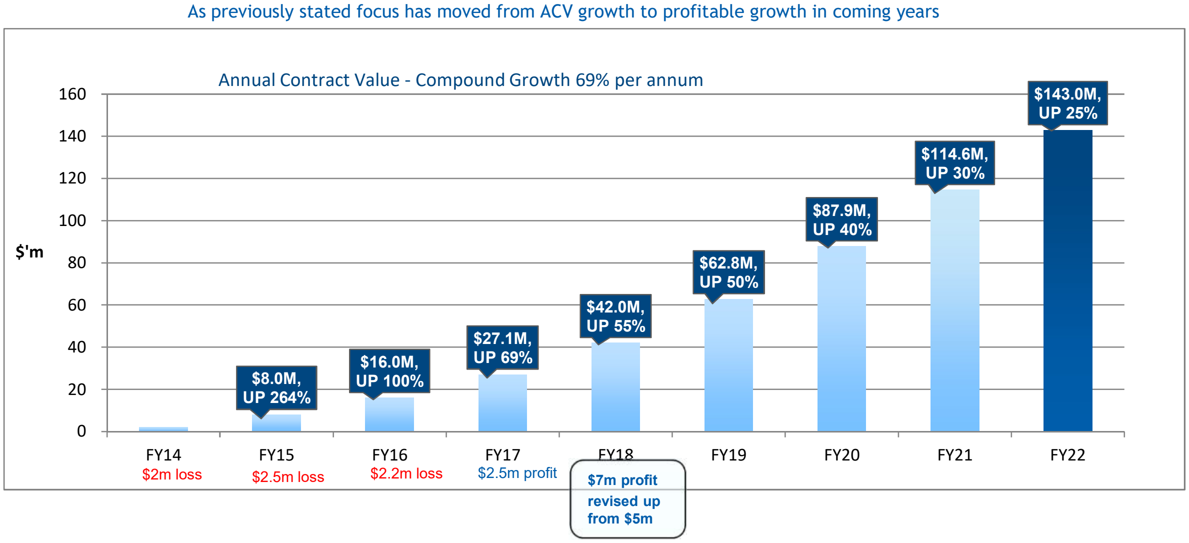
# Annual Recurring SaaS Platform Fees

## engine for significant profit growth in the coming years

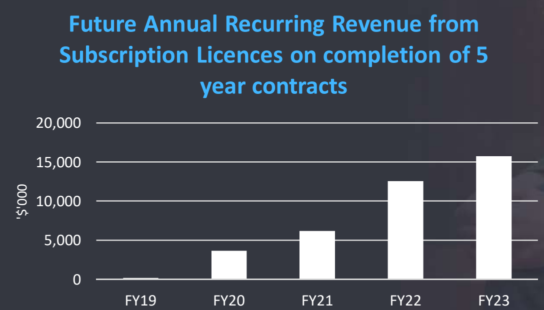
As previously stated focus has moved from ACV growth to profitable growth in coming years




Next Target is Profit Margin of 30+% for this business

# Future Annual Subscription licenses

- ✓ Stop selling perpetual licences, both On Premise and On Cloud
- ✓ 5 year subscription licences with <u>break fee</u>
- ✓ After 5 years these subscription licences will move to yearly licences, creating a future annuity stream

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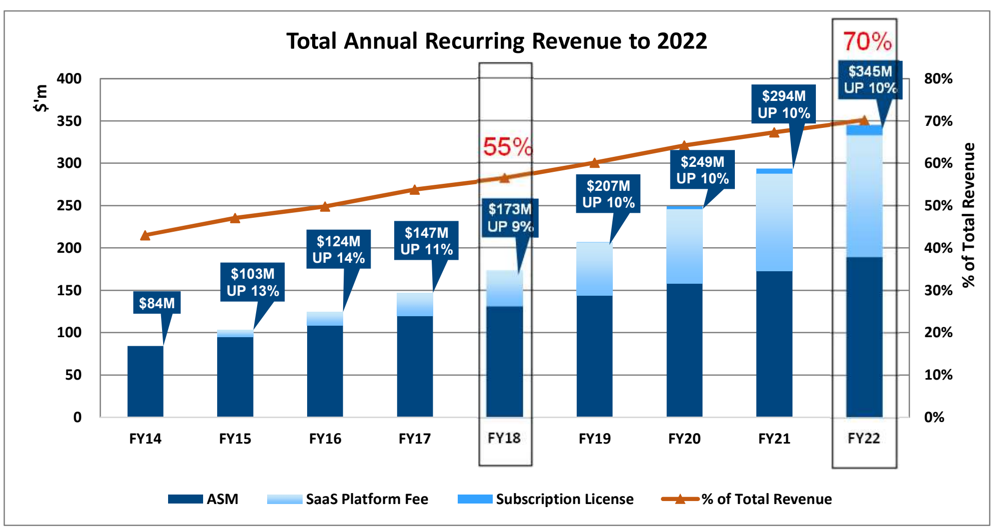
# Total Annual Recurring Revenue to 2022

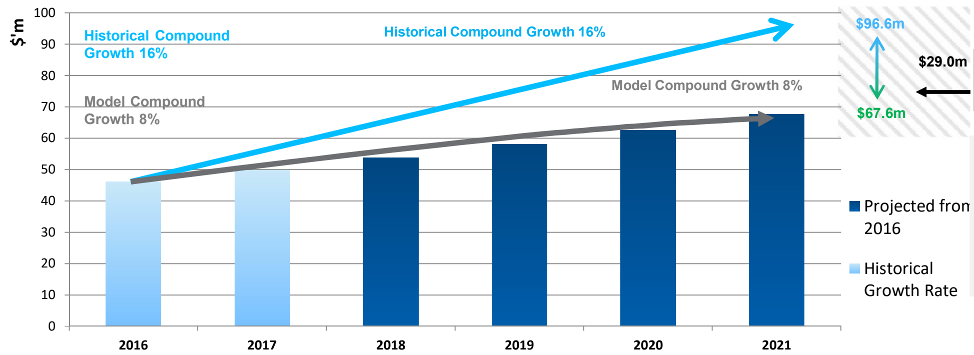



FY18: Annual Recurring Revenue $173m, is 55% of total Revenue

FY22: Annual Recurring Revenue $345m, is 70% of total Revenue

# R&D Growth from 2016 to 2021

## Save $75m over the 5 year period




**Model shows savings of $29m/year in year 5 (2021)**

- In year 5, R&D will be 18% of revenue (vs 18.5% now)
- In year 10, target for R&D is 15% of revenue
- Still well above Industry Average of 10% to 12%

**Target for R&D growth of 8% per annum compound**

- Included acquisitions to date: JRA, DMS, ICON into the baseline
- Operating leverage, economy of scale, new work practices, off shore R&D centres
- Continues to be a very aggressive R&D program
- ➢ Assumes no Acquisitions in next 5 years, and continuing growth in revenue

[1] R&D excluding acquisitions, including R&D product mods / subsidies

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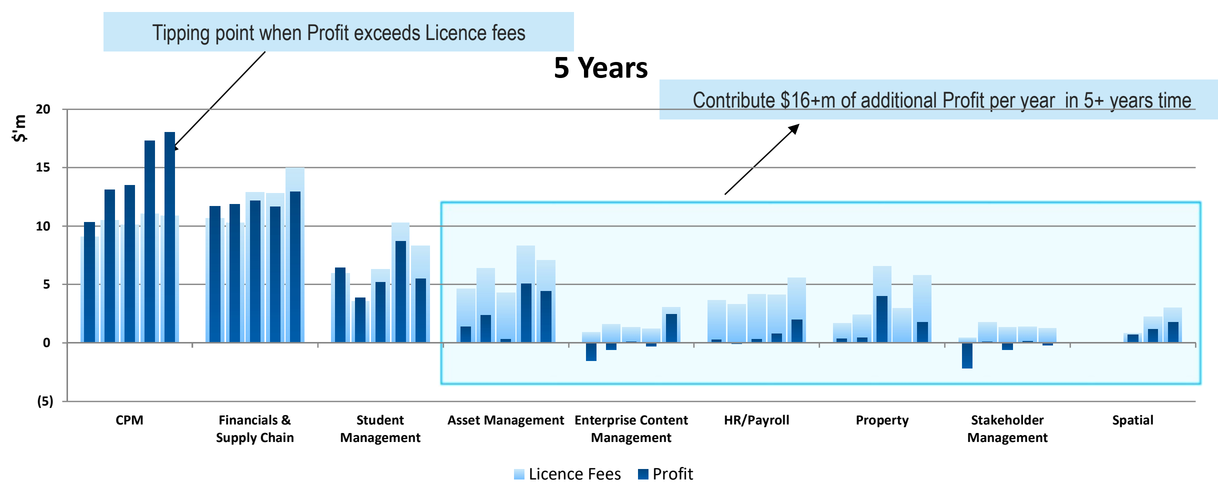
# New Products Contribution




- Significant investment in Assets, ECM[1], HRP[2], Property, Stakeholder Management
- Expected these to contribute strongly in the coming years to profitability

[1] Enterprise Content Management [2] Human Resources & Payroll

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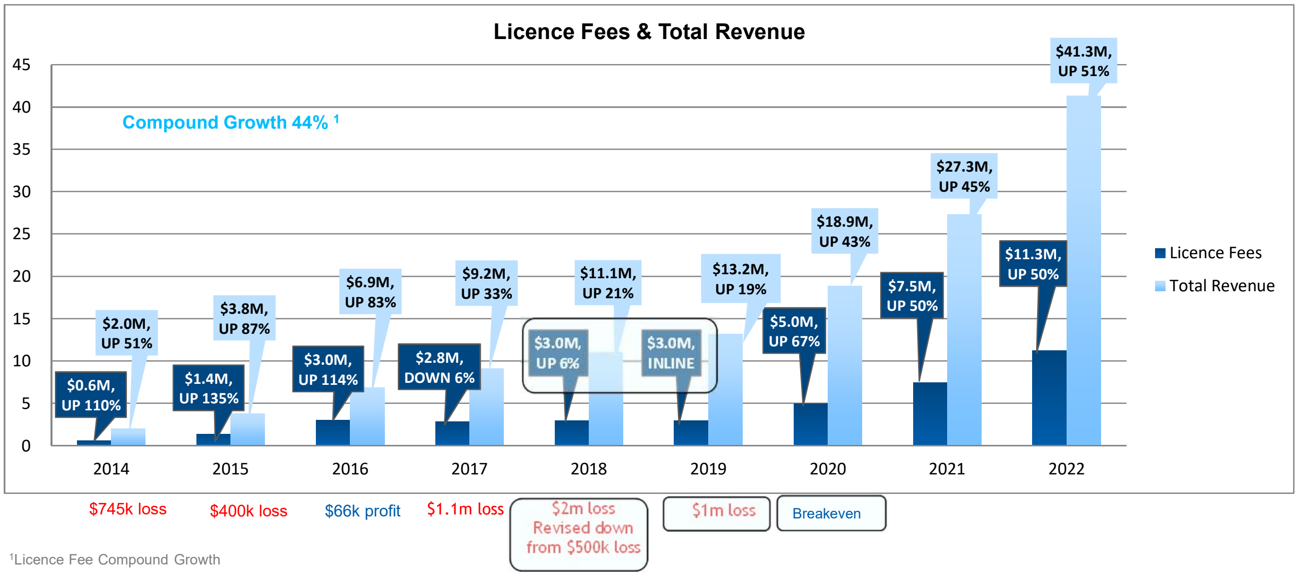
# UK Licence Fee Growth to 2022

## 'Customers First'

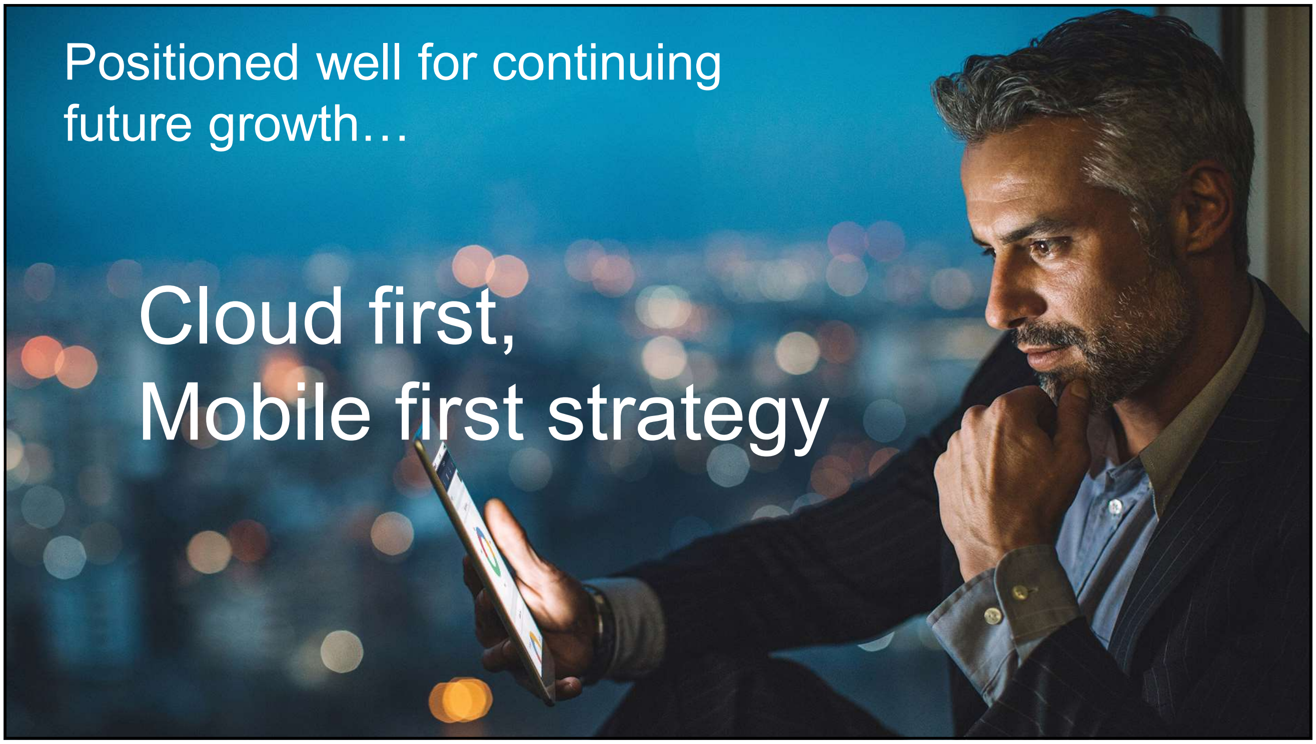


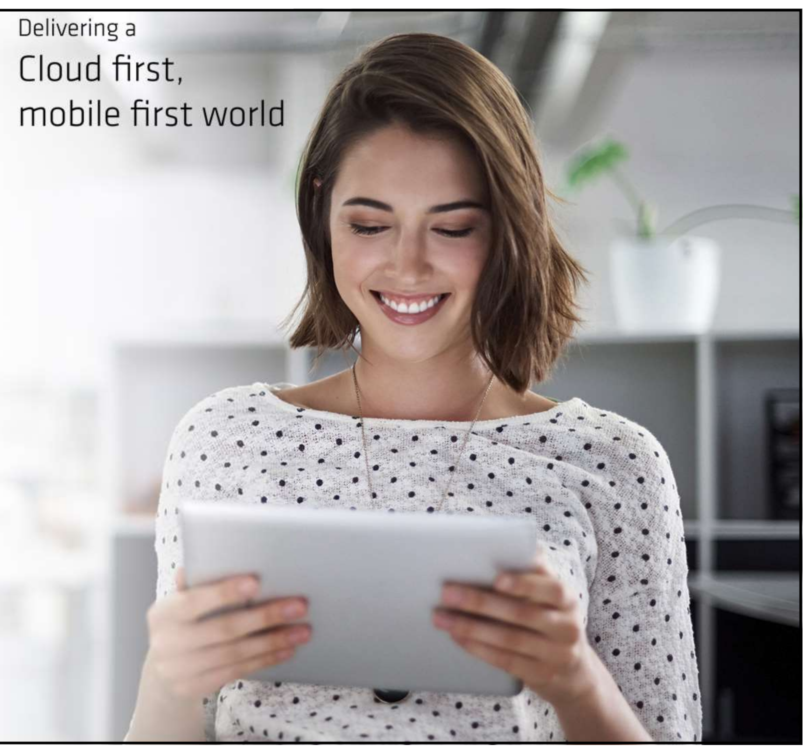

¹Licence Fee Compound Growth

**Slow sales growth, and focus on customers. Licence growth will return in the 2020 financial year**

# Clear strategy for continuing long term growth

- ✓ TechnologyOne SaaS mass production architecture reaches scale
- ✓ Ci Anywhere – our next generation product
- ✓ Resilient nature of the enterprise software market
- ✓ The breadth and depth of our product offerings
- ✓ Our enterprise vision
- ✓ Our focus on eight markets
- ✓ Our preconfigured solutions
- ✓ Our large customer base
- ✓ United Kingdom

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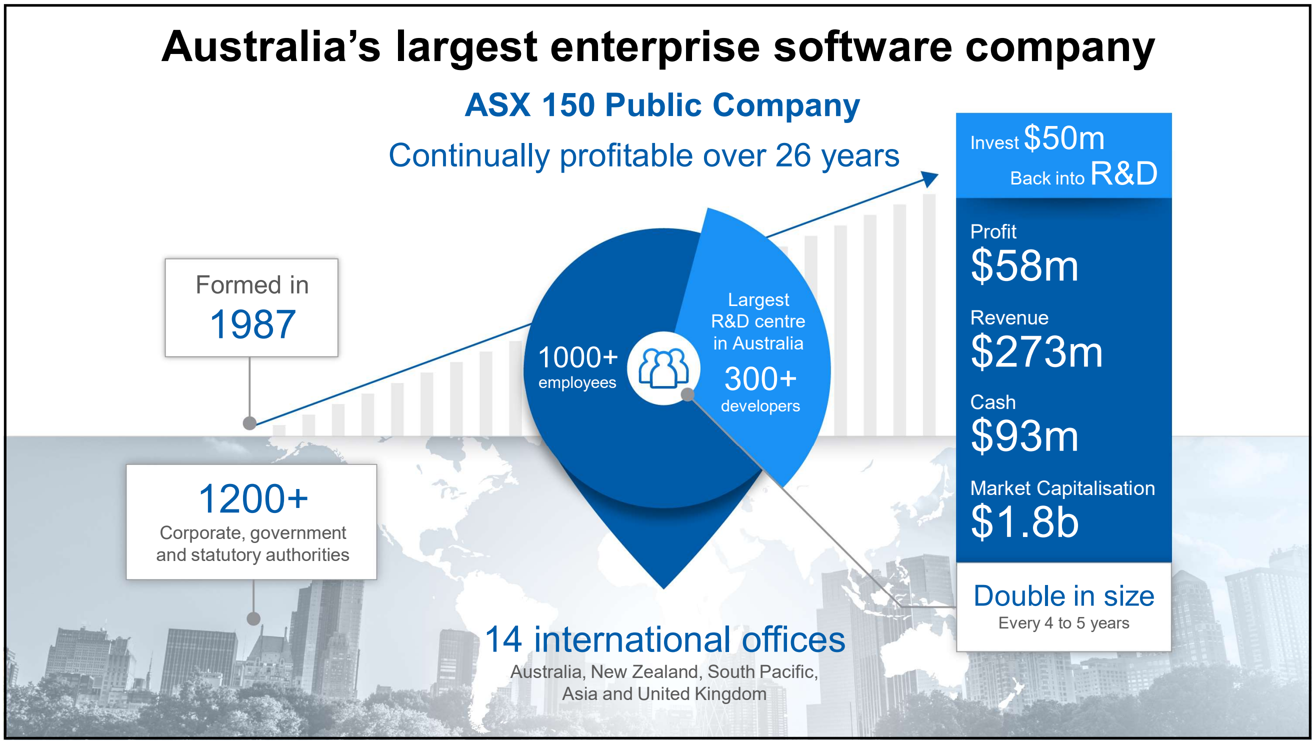
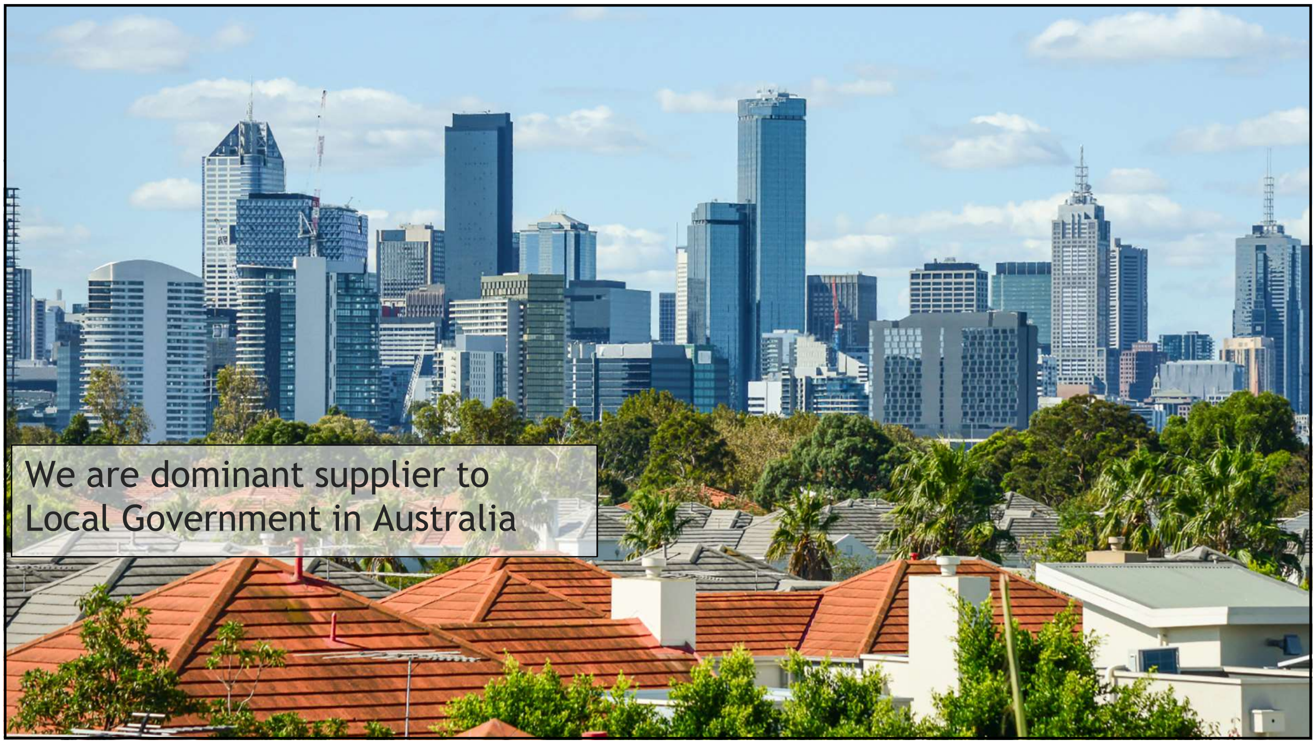
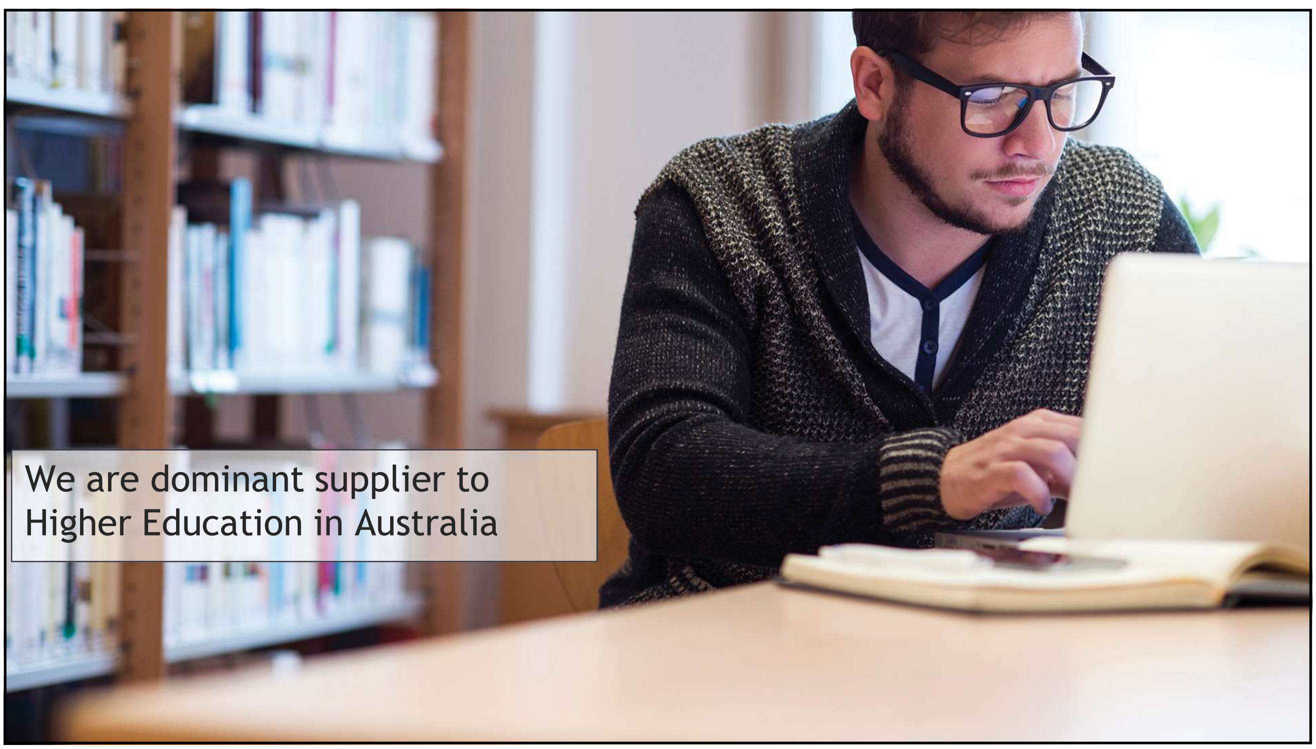

Australia's largest enterprise software company
ASX 150 Public Company
Continually profitable over 26 years
Formed in
1987
1200+
Corporate, government and statutory authorities
1000+
employees
Largest R&D centre in Australia
300+
developers
Invest $50m
Back into R&D
Profit
$58m
Revenue
$273m
Cash
$93m
Market Capitalisation
$1.8b
Double in size
Every 4 to 5 years
14 international offices
Australia, New Zealand, South Pacific, Asia and United Kingdom


1200+ High Profile customers
Bendigo Bank
TattsGroup
LA TROBE UNIVERSITY
BOND UNIVERSITY
Absolutely Positively Wellington City Council
Me Heke Ki Pōneke
Mission Australia
Healthscope
Australian Red Cross
THE POWER OF HUMANITY
Tasmania
Explore the possibilities
WIN NETWORK
NSW GOVERNMENT
Transport for NSW
THE UNIVERSITY OF MELBOURNE
CITY OF ADELAIDE
Ministry of JUSTICE
BT Investment Management
Southern Cross Hospitals
University of Hertfordshire
UH
manpower
HCF
seqwater
WATER FOR LIFE
البنك العربي
ARAB BANK
CITY OF MELBOURNE
City of Casey
Baptist Community Services
nib
YMCA
NEWCASTLE PORT CORPORATION
Epworth HealthCare
Brisbane Airport
GOVERNMENT OF WESTERN AUSTRALIA
AVDC
Papua New Guinea
THE SALVATION ARMY
QUT
Australian Government
Department of the Prime Minister and Cabinet
Australian Government
The Treasury
Australian Government
Department of Foreign Affairs and Trade

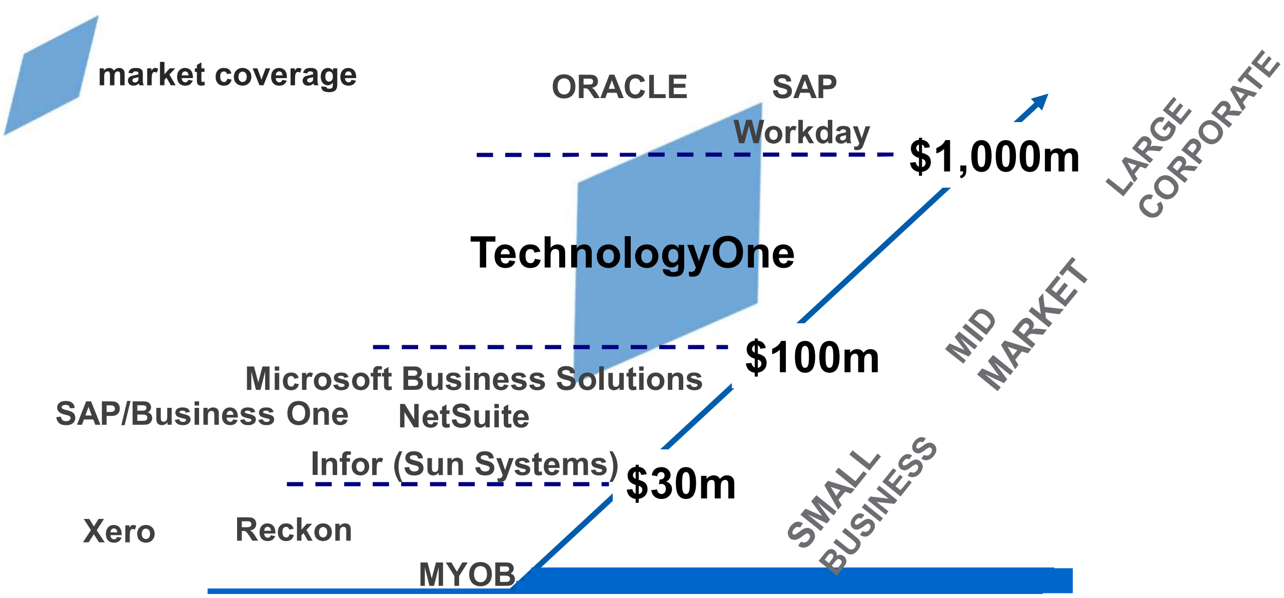

We are dominant supplier to
Local Government in Australia


We are dominant supplier to
Higher Education in Australia


Financially Very Strong
$93.4M
Cash and Equivalents
28%
Return on Equity
59%
Adjusted Return on Equity*
0.01%
Debt Equity
1,192
Interest Cover
22 YEARS
Dividends continually paid since 1996
26 YEARS
Continually profitable since 1996
(*As at 30th Sept 2017. Adjusted for net cash above required working capital, assumed at two months of staff costs)

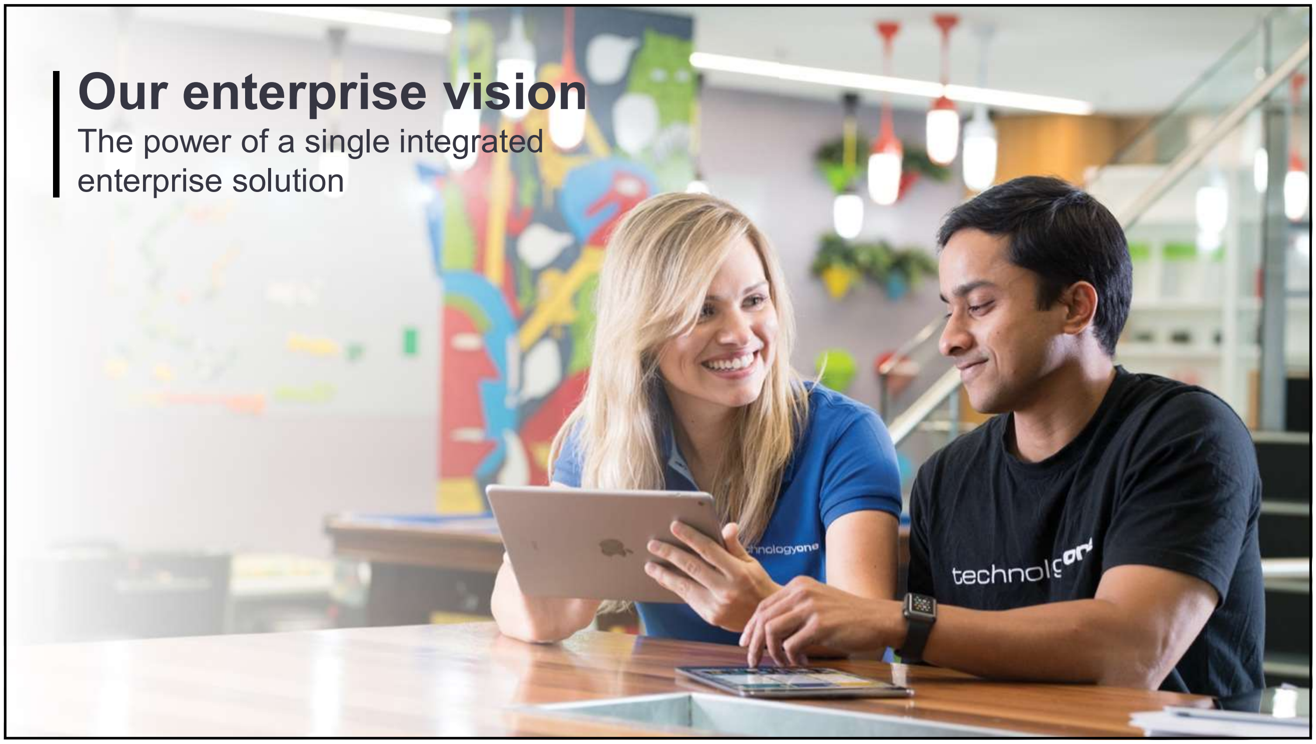

Historical Performance
KEY METRICS OVER THE LAST 10 YEARS
REVENUE
11%
per annum compound
Through Dot-Com & GFC
ANNUAL LICENCE FEES
14%
per annum compound
DIVIDENDS
11%
per annum compound
INITIAL LICENCE FEES
12%
per annum compound
NET ASSETS
13%
per annum compound
PROFIT AFTER TAX
11%
per annum compound
DOUBLE IN SIZE EVERY 5+ YEARS


## The Competitive Landscape



## Our enterprise vision

The power of a single integrated enterprise solution

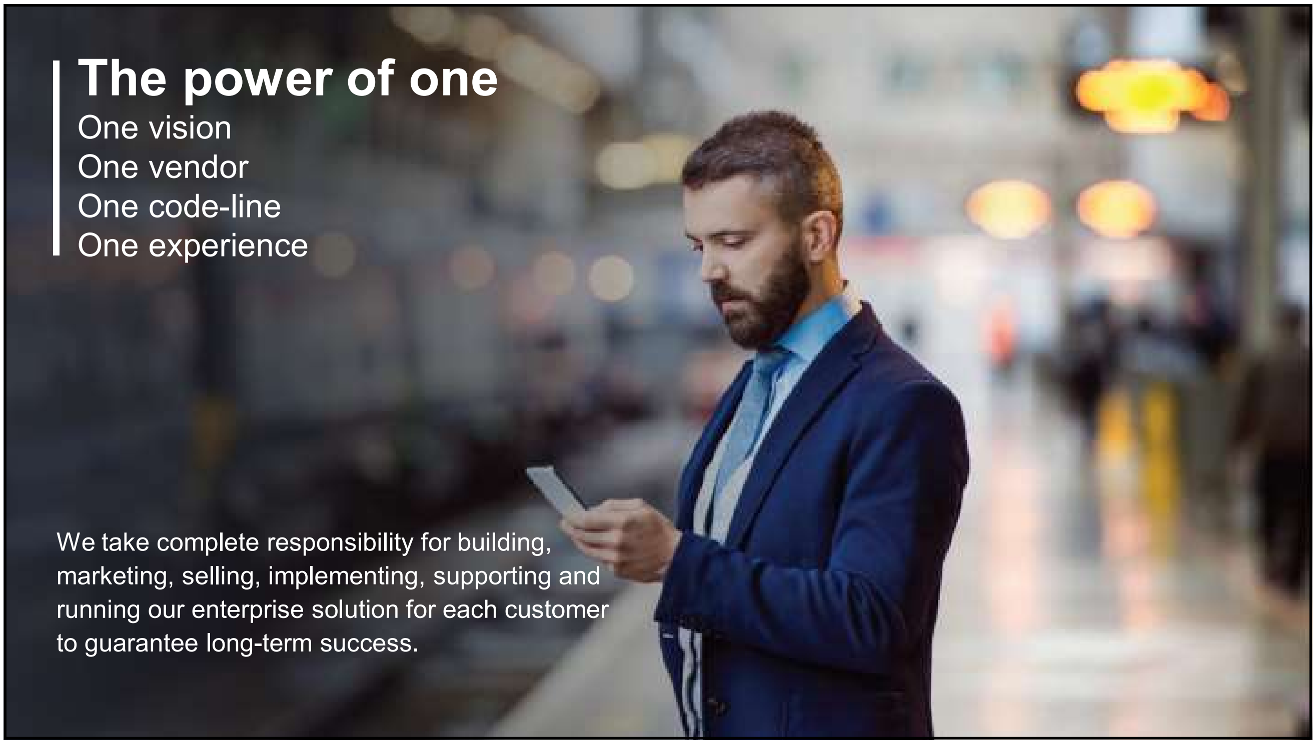


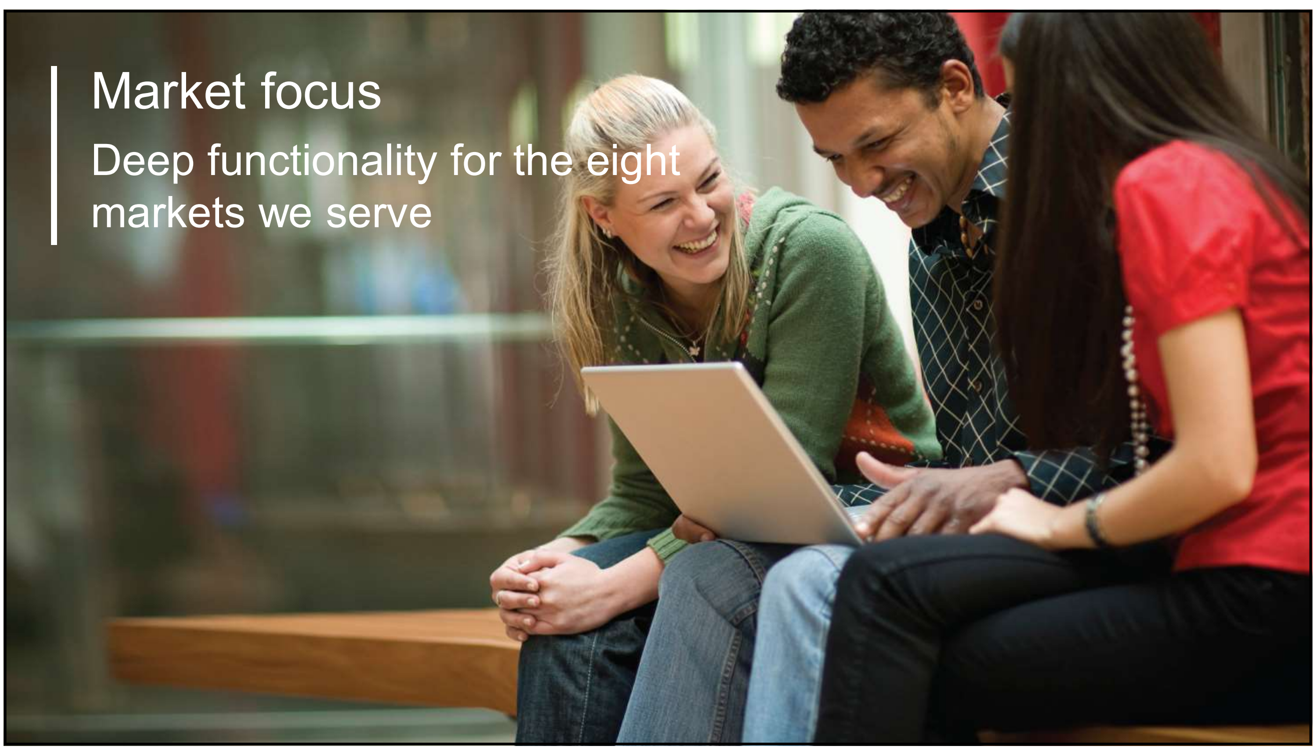
## Our enterprise vision

We are one of only a few global enterprise vendors

- Asset Management
- Financials
- HR & Payroll
- Enterprise Budgeting
- Supply Chain
- Property & Rating
- Student Management
- Business Intelligence
- Enterprise Content Management
- Performance Planning
- Spatial
- Enterprise Cash Receipting
- Stakeholder Management
- Business Process Management

The power of a single, integrated, enterprise solution to streamline your business, reduce costs and embrace new technologies


The power of one
One vision
One vendor
One code-line
One experience
We take complete responsibility for building, marketing, selling, implementing, supporting and running our enterprise solution for each customer to guarantee long-term success.


Market focus
Deep functionality for the eight markets we serve

# We focus on eight key markets

| Government | Local government | Financial services | Health and community services | Asset intensive industries | Project intensive industries | Education | Corporates |
|---|---|---|---|---|---|---|---|

***We sell to asset and service intensive organisations.***

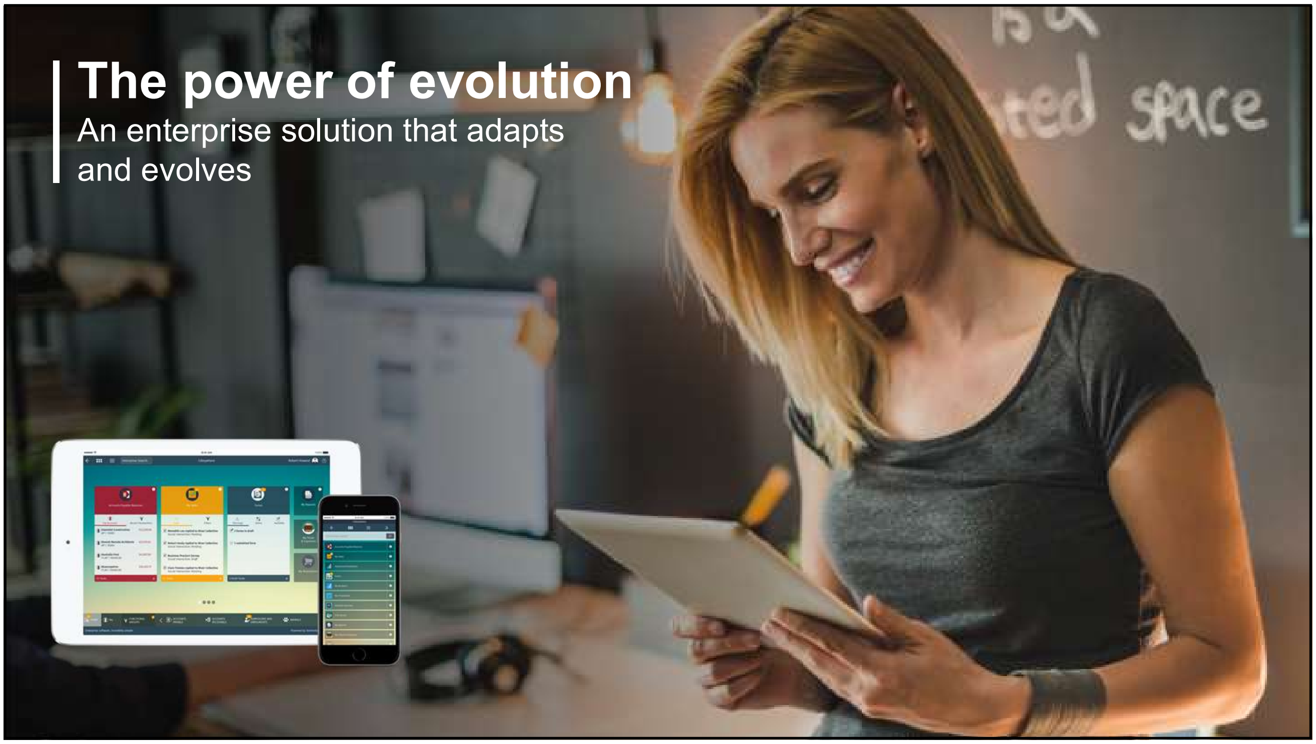
We do not service retail, distribution or manufacturing industries.



# Preconfigured solutions

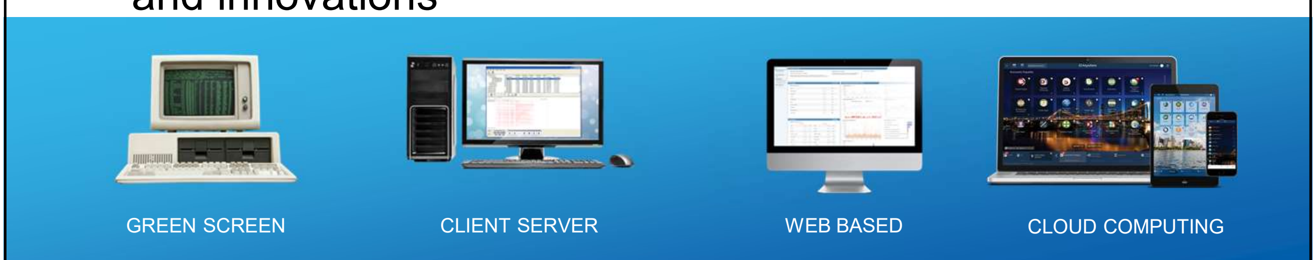
Proven practice preconfigured solutions designed to meet the needs of each market

- ✓Tailored configuration
- ✓Proven practice
- ✓Streamlined implementation
- ✓Reduced time, cost and risk

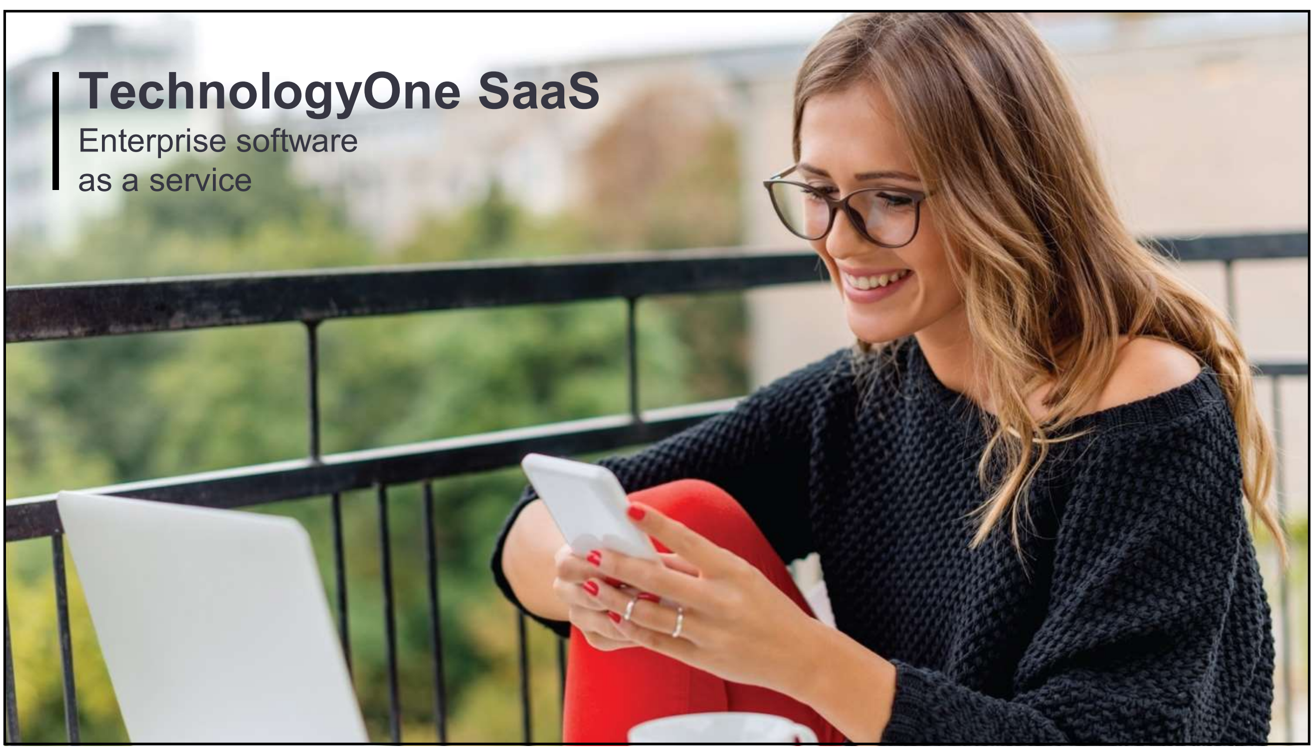

## The power of evolution

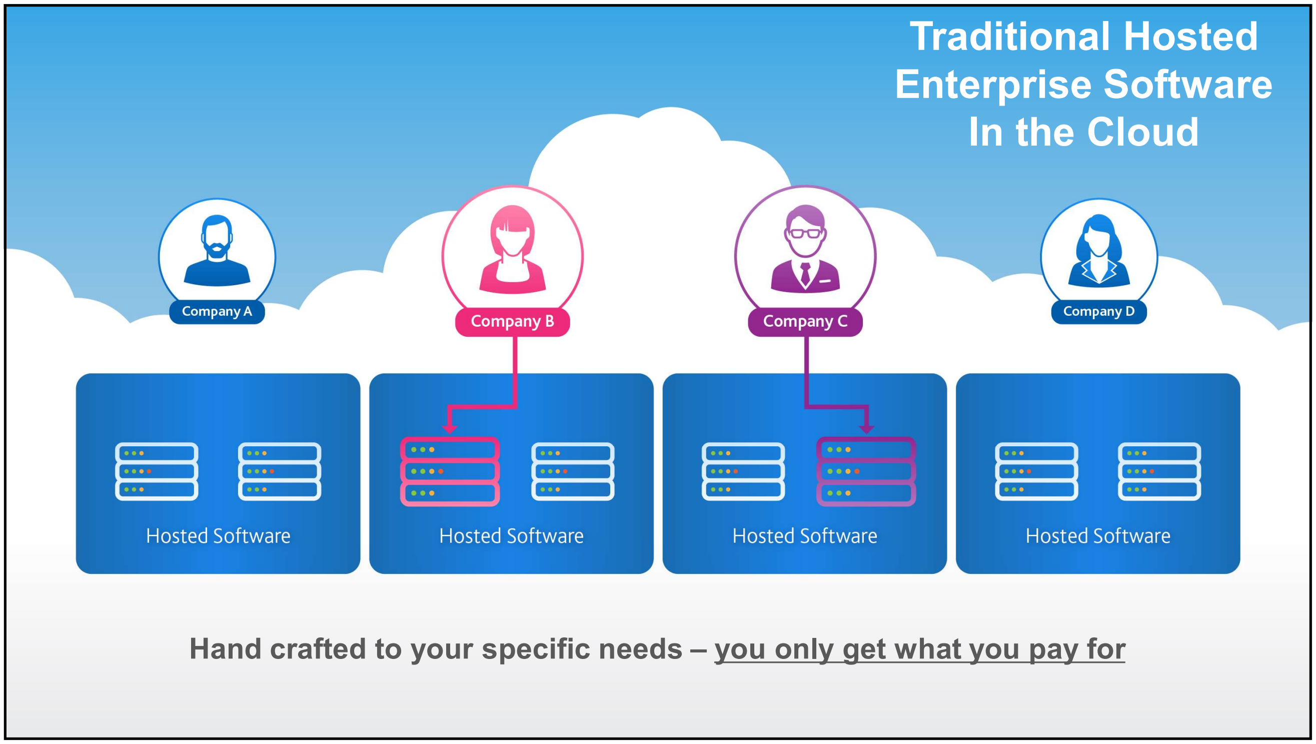
- Substantial investment into R&D each year
- New releases encompass new technologies, concepts and innovations

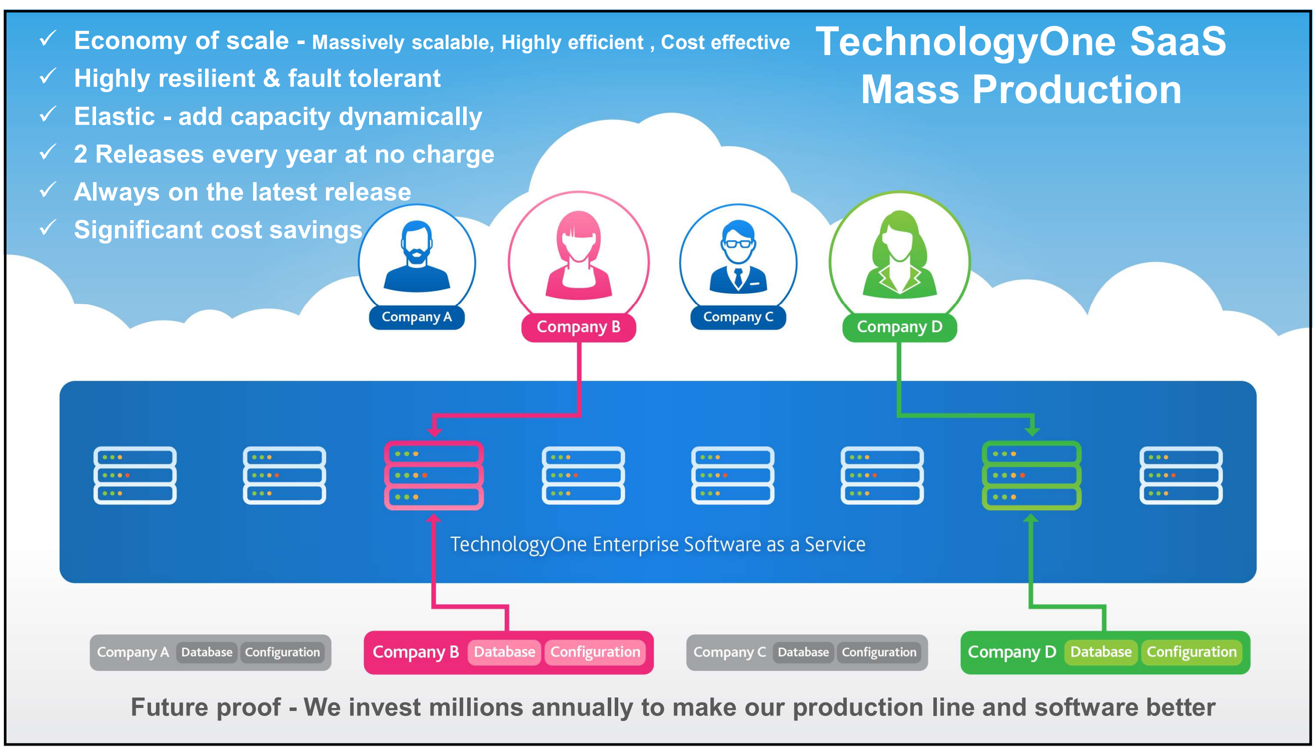


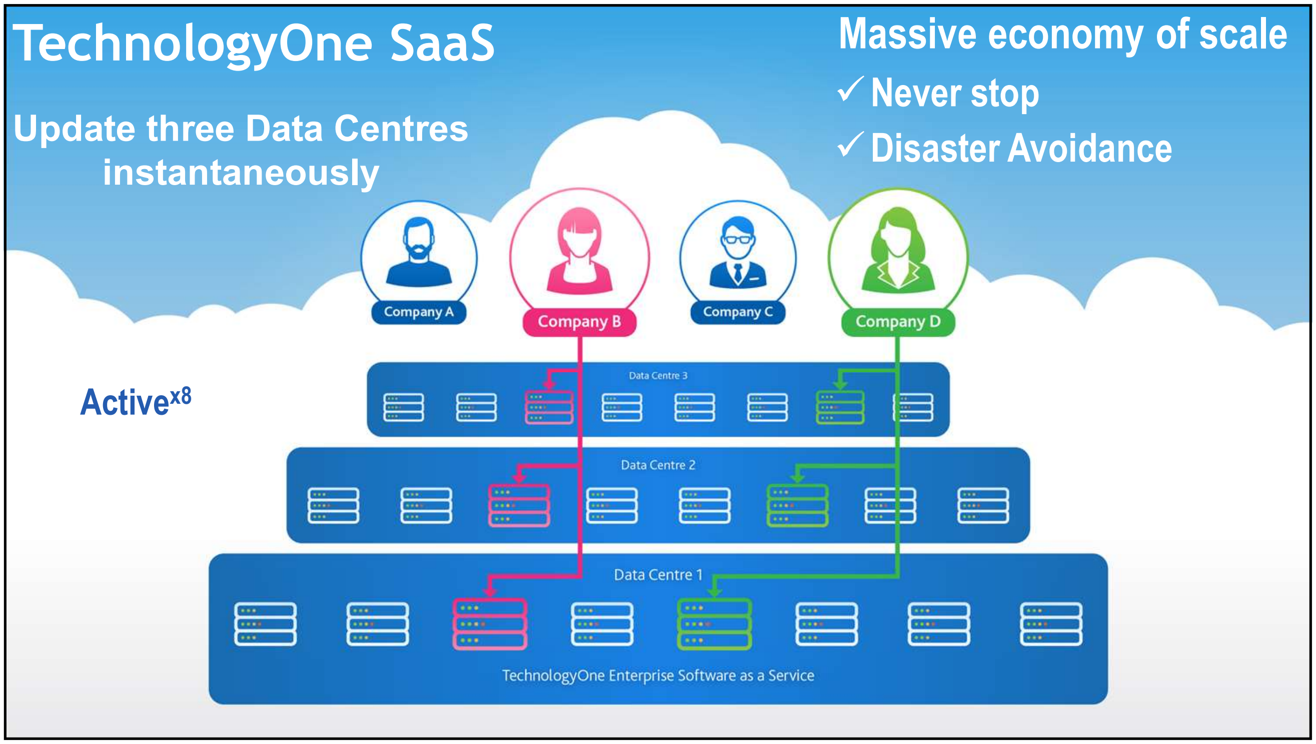

99% retention rate of customers who have continued with us throughout our evolutionary journey


We are living through a
digital revolution


TechnologyOne SaaS
Enterprise software
as a service


Traditional Hosted Enterprise Software In the Cloud
Company A
Company B
Company C
Company D
Hosted Software
Hosted Software
Hosted Software
Hosted Software
Hand crafted to your specific needs – you only get what you pay for


✓ Economy of scale - Massively scalable, Highly efficient , Cost effective
✓ Highly resilient & fault tolerant
✓ Elastic - add capacity dynamically
✓ 2 Releases every year at no charge
✓ Always on the latest release
✓ Significant cost savings
TechnologyOne SaaS Mass Production
Company A
Company B
Company C
Company D
TechnologyOne Enterprise Software as a Service
Company A Database Configuration
Company B Database Configuration
Company C Database Configuration
Company D Database Configuration
Future proof - We invest millions annually to make our production line and software better


TechnologyOne SaaS
Update three Data Centres instantaneously
Massive economy of scale
✓ Never stop
✓ Disaster Avoidance
Company A
Company B
Company C
Company D
Activex8
Data Centre 3
Data Centre 2
Data Centre 1
TechnologyOne Enterprise Software as a Service

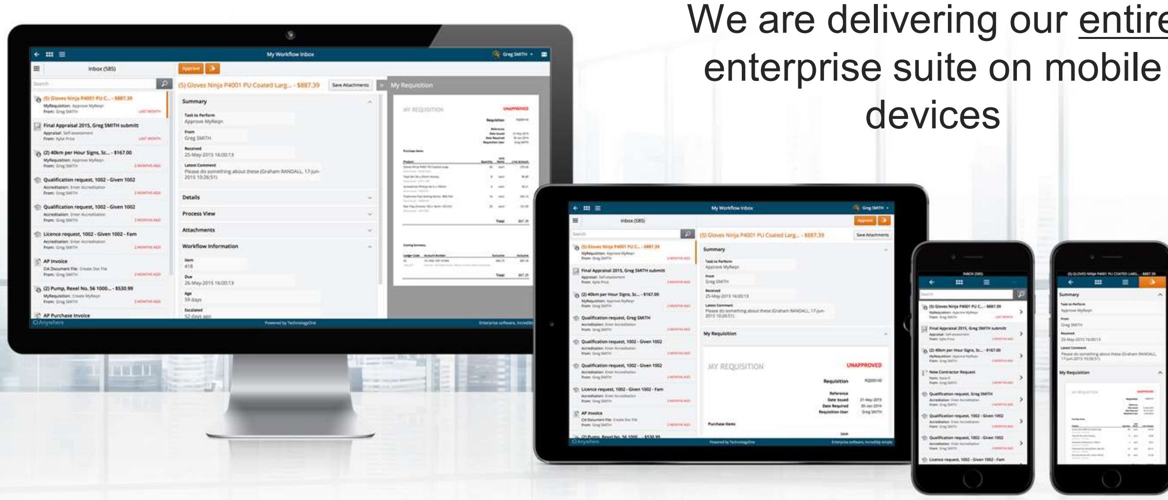

ISO 27001
International Organization for Standardization
ISO 27017
International Organization for Standardization
ISO 27018
International Organization for Standardization
AICPA SERVICE ORGANIZATIONS SOC aicpa.org/soc Formerly SAS 70 Reports
SOC 1
Audit Controls
AICPA SERVICE ORGANIZATIONS SOC aicpa.org/soc Formerly SAS 70 Reports
SOC 2
Compliance Controls
HM Government G-Cloud Supplier
U.K G-Cloud
irap
Australian Federal Government Security Standard
PCI Security Standards Council
PCI DSS 3.2 SAQ-D
The most Trusted Cloud by design


Smart Mobile Devices
8:30 am
100%
My Workflow Inbox
Recents
Shared With Me
Report
My Requisitions
My Timesheets
My Leave


Ci Anywhere
Enterprise Software
Any device, Any where, Any time
Enabling a digital world
Enterprise software, incredibly simple

## Flow across many devices in the course of a day

We are delivering our <u>entire</u> enterprise suite on mobile devices



**Enterprise Software intelligently adapts to the devices**

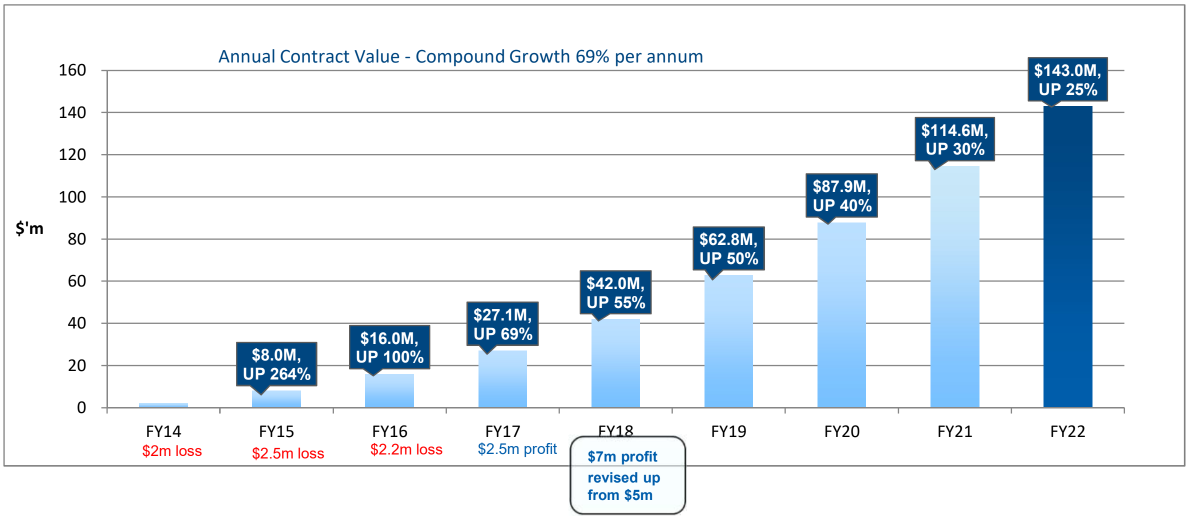
## 280 customers on TechnologyOne SaaS Platform

### Target 1200 enterprise customers by 2022

# Annual Recurring SaaS Platform Fees

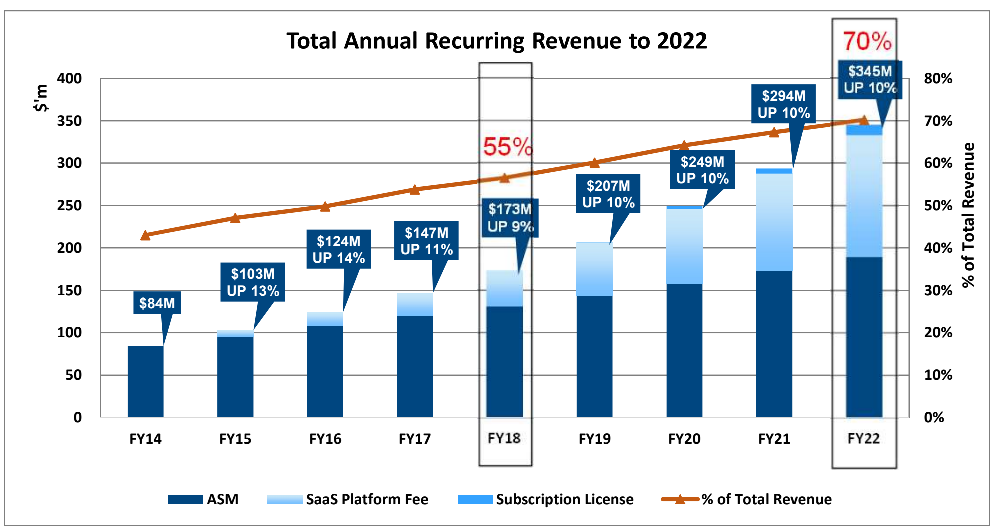
## engine for significant profit growth in the coming years

As previously stated focus has moved from ACV growth to profitable growth in coming years




Next Target is Profit Margin of 30+% for this business

# Total Annual Recurring Revenue to 2022




FY18: Annual Recurring Revenue $173m, is 55% of total Revenue

FY22: Annual Recurring Revenue $345m, is 70% of total Revenue

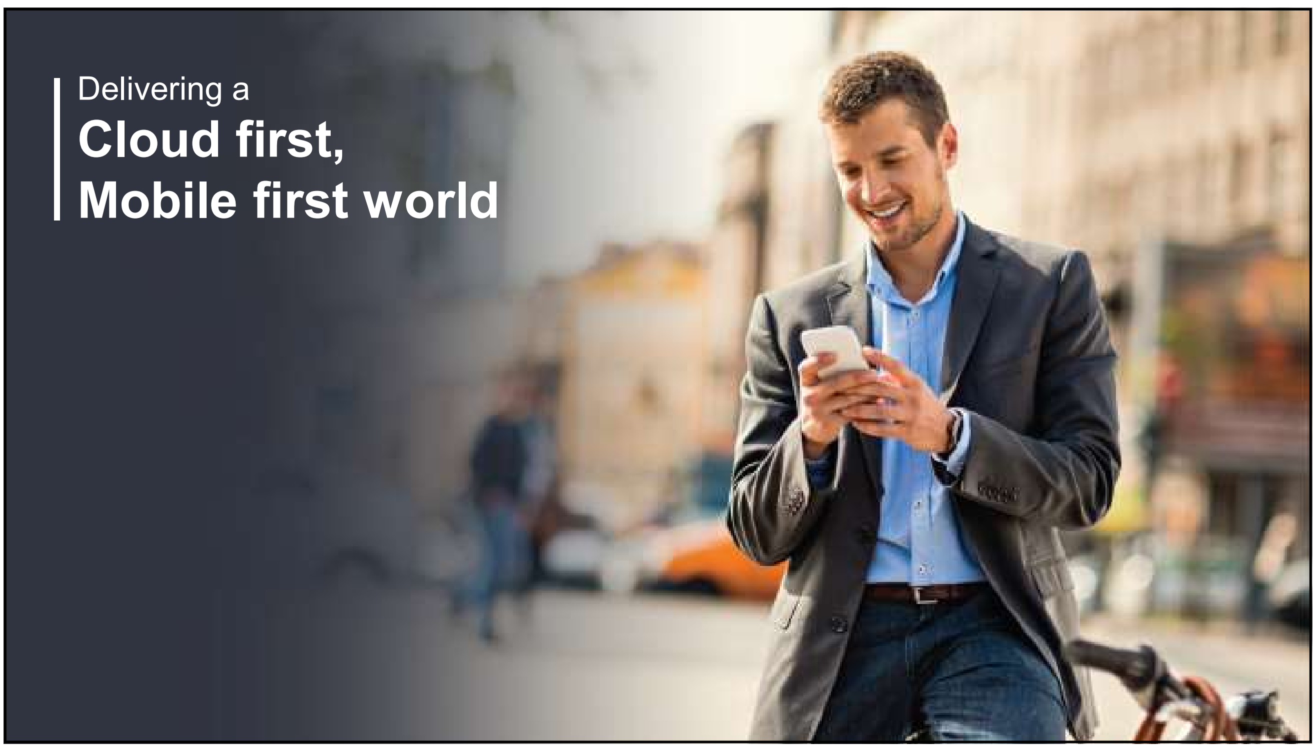
## Other Facts

### Diversity of revenue streams from multiple:

- Products 14
- Vertical markets 8
- Geographies 12
    - All states of Australia, New Zealand, South Pacific, Asia and UK

### Strong, very loyal blue chip customer base

- We provide a mission critical solution – 'sticky customer base'
- 99+% customer retention rate
- 60%+ of our revenues generated from existing customers each year
    - Annual licences, increase usage, new modules, new products, ongoing services etc.



technologyone

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