

TechnologyOne SaaS ARR up 40% and H1 FY23 Profit After Tax up 24%

BRISBANE, 23 May 2023 – One of Australia's largest enterprise Software-as-a-Service (SaaS) companies, TechnologyOne (ASX:TNE), today announced its financial results for the half year ended 31 March 2023, showing its 14th year of record first half profit, with SaaS ARR up 40% and Profit After Tax up 24%, underpinned by continuing strong demand for the TechnologyOne global SaaS ERP solution.

TechnologyOne's SaaS and Continuing Business now has revenue of \$200.0m for the half year, up 18%, representing 98%+ of our business, reflecting a huge shift from our legacy licence business.

Key results were as follows:

- Profit After Tax of \$41.3m, up 24%
- Profit Before Tax of \$52.7m, up 24%
- SaaS Annual Recurring Revenue (ARR)¹ of \$316.3m, up 40%
- Revenue from our SaaS and Continuing Business of \$200.0m, up 18%
- Total Revenue of \$210.3m, up 22%²
- Total Expenses of \$157.6m, up 21%³
- Cash and Cash Equivalents of \$139.1m, up 20% from 31 March 2022
- Cash Flow Generation⁴ of \$1.3m as expected, and will be strong over the full year
- Interim Dividend of 4.62cps, up 10%
- R&D expenditure (before capitalisation) of \$49.4m, up 19%, which is 24% of revenue
- UK profit of \$3.0m, up 29%

¹ ARR represents future contracted annual recurring revenue at period end. This is a non-IFRS financial measure and is unaudited.

²Total Revenue includes a gain of \$7.4m as a result of the Scientia earn-out stretch targets not being achieved. However, the Scientia product is performing strongly, in line with our expectations and will continue to support UK growth.

³Total expenses includes the partial derecognition of acquired Scientia intangible assets for \$6.8m.

⁴Cash Flow Generation is Cash flow from operating activities less capitalised development costs, capitalised commission costs and lease payments. This is a non-IFRS financial measure and is unaudited.

TechnologyOne CEO, Edward Chung said: "I am pleased to announce we have delivered our 14th year of record first half profit, record revenue and record SaaS fees.

"Our Profit After Tax for the half is up 24%. Our SaaS Annual Recurring Revenue (ARR) is up 40%, as we increased the number of large-scale enterprise SaaS customers by 27% to 903. Our SaaS business continues to grow strongly.

We have a clear and consistent strategy, and our team are executing very well, delivering significant value for our customers.

"We saw an acceleration of customers move to our global SaaS ERP solution, with more than 189 large enterprise customers committing to make the shift in the last 12 months, the highest number to date for any comparable period."

"Our global SaaS ERP is the future of enterprise software. It provides our enterprise customers a mission critical solution to run their entire business on any device, anywhere, at anytime. It also allows them to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies. This makes life simple for them."

"These are strong half year results for TechnologyOne and validate the strength of our SaaS strategy, which continues our strong growth trajectory in both Australia and the UK."

"We continue to have many strong customer wins driving organic growth. Twenty-five large scale enterprise customers partnered with us in the first half, including Hume City Council, City of Parramatta Council and six Victorian water authorities in Australia, Waikato District Council and Massey University in New Zealand and London Business School, Liverpool School of Tropical Medicine and Ashfield District Council in the UK. All of these organisations partnered with us to find efficiencies through transforming their operations to enable more free time and resources, which can then be invested back into their customers and community," Mr Chung said.

Net Revenue Retention (NRR), which is the net amount of new ARR won and retained from existing customers, was 119% for the 12 months to 31 March, compared to 114% for the same period last year. This was an outstanding result given best practice in the ERP market is between 115% and 120%.

"We expect to meet our 115% target for the full year. By growing NRR at 115% we can double the size of our business every five years, which shows the strength and resilience of our strategy and deep customer relationships," Mr Chung continued.

The UK business delivered almost the same amount of new ARR in the first half of FY23 as it did for the full year in FY22 and delivered profit before tax of \$3.0m for the half-year, up 29%.

Mr Chung said: "We expect strong growth for the full year FY23, and the company sees significant growth opportunities in the coming years."

"As we continue to win more customers and our SaaS Platform continues to scale globally, our profit margin will continue to expand."

TechnologyOne also continued significant R&D investment in platforms for growth including SaaS+ (Solution as a Service), App Builder, its Digital Experience Platform (DXP) and extending the functionality and capabilities of the company's global SaaS ERP solution.

"Traditionally, cash flow generation for TechnologyOne is weighted to the second half, aligned with customer payment anniversary dates, resulting in negative cash flow in the first half. This half-year, we delivered a break-even cash flow generation result, with cash and cash equivalents up 20% pcp. Cash Flow Generation will be strong over the full year, and we expect it to represent approximately 90% of Net Profit After Tax. Cash Flow Generation will progressively align to NPAT from FY24," Mr Chung said.

"In light of the company's strong results, and our confidence going forward, the dividend for the half year has increased to 4.62 cents per share, up 10% on the prior year."

Guidance for FY23 – profit up 10% to 15%, and SaaS ARR up 40%+

The company is well positioned to deliver continuing strong growth over the full year, expecting Net Profit Before Tax growth for FY23 up 10% to 15% on FY22.

"We expect to see our SaaS ARR continuing to grow strongly, circa 40% over the full year," Mr Chung said.

"As we continue to aggressively grow our SaaS business, we will also continue to reduce our legacy licence fee business, which will be down to approximately \$2.0m over the full year (vs \$10.0m pcp). While this has a significant immediate impact on our P&L over the full year, this is an integral part of our strategy to grow our SaaS business and the recurring revenue base."

"There is concern in the financial press about the deteriorating economic environment because of inflation and increasing interest rates. Over the past 36 years we have continued to grow strongly in challenging economic environments such as this. We will do so again because of the following reasons:

- The markets we serve such as local government, higher education and government are resilient;
- TechnologyOne provides mission critical software with deep functionality for these markets;
- In times like this, these customers turn to ERP software to achieve greater efficiencies in their business. They save 30%+ by using our global SaaS ERP;
- Our subscription revenue contracts pass on inflation;
- We continue to benefit from improving margins because of the significant economies of scale from our single instance global SaaS ERP solution."

"We have clear visibility and confidence in our pipeline, which enables us to continue to invest in talented staff and new areas of growth such as SaaS+ (Solution as a Service), DXP, App Builder and our UK business." Ed Chung said.

Long-term outlook

TechnologyOne sees long-term continuing strong growth driven by its global SaaS ERP solution, increased product adoption by existing customers, new customers and expansion globally.

"Over the next few years, our SaaS and Continuing Business is expected to continue to grow strongly," Mr Chung said.

"We are on track to surpass Total ARR of \$500m+ by FY26, from our current base of \$350.6m. We continue our significant long-term investments in R&D to build platforms for growth to continue to double in size every 5 years."

"The economies of scale from our global SaaS ERP solution will also see continuing Profit Before Tax margin expansion to 35%+."



Pat O'Sullivan
Chair



Edward Chung
Chief Executive Officer

Further information

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

Results teleconference

TechnologyOne will present the 2023 half year results to analysts on a conference call on Tuesday 23 May at 11am AEST. You can register for the webcast at TechnologyOneCorp.com/about-us/shareholders.

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Authorised for release by the CEO and Chair.

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About TechnologyOne

TechnologyOne (ASX: TNE) is Australia's largest enterprise software company and one of Australia's top 100 ASX-listed companies, with offices across six countries. We provide a global SaaS ERP solution that transforms business and makes life simple for our customers. Our deeply integrated enterprise SaaS solution is available on Any device, Anywhere and Anytime and is incredibly easy to use. Over 1,300 leading corporations, government agencies, local councils and universities are powered by our software.

For more than 36 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.

For further information, please visit: TechnologyOneCorp.com