

21 November 2023

Technology One Limited (ASX: TNE)

TechnologyOne ARR up 23% and Profit ahead of guidance up 16%

BRISBANE, 21 November 2023 – TechnologyOne (ASX: TNE), Australia's largest ERP Software as a Service (SaaS) company, today announced its financial results for the year ended 30 September 2023. We are pleased to announce our fourteenth consecutive year of record profit, record revenues, and record SaaS fees.

Highlights

- Profit Before Tax of \$129.9m, up 16%, beating guidance of 10%-15% growth
- Profit After Tax of \$102.9m, up 16%, beating guidance of 10%-15% growth
- Total Annual Recurring Revenue (ARR)¹ of \$392.9m, up 23%
- On track to surpass \$500m ARR by FY25
- Net Revenue Retention (NRR) of 119%. Above our long-term target of 115%
- Total Revenue² of \$441.4m, up 19%
- Revenue from our SaaS and Recurring Business of \$390.7m, up 22%
- Expenses of \$311.5m, up 21%³
- Cash Flow Generation⁴ of \$104.6m, up 36%
- Cash and Investments of \$223.3m, up 27%
- Total Dividend of 19.52 cps, including a special dividend of 3.0 cps, up 15%
- R&D investment of \$112.0m before capitalisation, up 21%, which is 26% of revenue

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

² Includes other income of \$12.0m, driven by the reversal of contingent consideration for Scientia of \$7.4m. The sellers did not achieve their aggressive earnout targets but exceed our business case on many facets.

³ Includes \$6.8m for Scientia intangible asset write-offs associated with the contingent consideration reversal, acquisition due diligence costs, and investments for future growth brought forward.

⁴ Cash 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. Expected to approximate NPAT in future.

TechnologyOne CEO, Ed Chung, said: “Our ARR growth of 23% and profit growth of 16% is driven by the significant value proposition of our global SaaS ERP solution for new and existing customers. Pleasingly, existing customers are also continuing to expand their use of our global SaaS ERP solution to streamline their operations, as shown by our Net Revenue Retention (NRR) of 119%. I am also pleased to share that we are on track to surpass \$500 million ARR by FY25, bringing our medium-term guidance a year forward.”

“With strong results and a confidence in our sales pipeline, we made additional investments in all our pillars for growth to enable us to continue to double in size every five years beyond \$500 million ARR. In R&D we increased investment by 21% to accelerate the development of our ground-breaking Digital Experience Platform (DxP) and our transformative AppBuilder product, the latter resonated so strongly with our customers that we are speeding up delivery

to release faster than our original targets. In the UK, we increased the size of our sales and consulting team as a result of the early success of SaaS+, with the region's ARR up 52%. All of these additional investments will support future margin targets and fast-track the development outcomes our communities deserve."

"We established our visionary SaaS+ offering, becoming the world's first SaaS+ ERP company, by combining our mission-critical global SaaS ERP solution and implementation in one single fee, removing the need for traditional, complex, long, risky and expensive consulting implementations to provide faster go-lives and therefore unlocking value for our customers more quickly."

"We returned cashflow generation to NPAT ratio of approximately 100% one year earlier than planned. With significant cash and investment holdings of \$223.3 million and no debt, our balance sheet retains flexibility and strength for inorganic growth in the future."

Continuing strong performance

TechnologyOne has consistently delivered strong results since listing on the ASX in 1999. Our ability to deliver these results for 20+ years is due to our clear vision, strategy, culture and our ongoing investment in R&D, which has been validated in March as we entered the ASX 100 index.

Total ARR up 23%

Adoption of the TechnologyOne global SaaS ERP solution exceeded our expectations, with customer adoption driving Total ARR to \$392.9 million, up 23%.

TechnologyOne continues to lead in the Local Government sector, where we closed over 25 major deals in FY23 totalling more than \$113 million in contract value. Consequently, more than 300 council customers now benefit from our high-quality products in APAC. We continue to win clients from our larger competitors, including the City of Parramatta's digital transformation project, one of several excellent wins from Infor, and another returning customer from Oracle. These Local Government customers are just a few examples of councils choosing our market-leading ERP, CiA, with the digital customer at its centre.

In the Government sector, we signed five major deals with a total contract value of more than \$23 million. TechnologyOne successfully completed the transition of our existing 230+ Government customers to SaaS. The new customers we signed validated our SaaS-for-Government vision, with the most notable being the Department of Veteran's Affairs (DVA), which was awarded to TechnologyOne at the conclusion of a competitive tender process against SAP. DVA, a large agency, chose TechnologyOne for the first stage of its digital transformation based on our proven ability to deliver within the Federal Government. Equally, the Commonwealth's National Anti-Corruption Commission, with less than 200 staff, knows they will get the same enterprise grade, built-for-Government configuration, and industry-leading cyber security standards as our largest Government customers.

We have successfully completed our transition from an on-premise legacy licence business to a SaaS business. Our plan to reduce on-premise legacy licence fees from a high of circa \$75 million to zero over five years is complete. We have aggressively grown our SaaS recurring revenue business to replace that revenue, delivering increasing earnings every year.

This transition was extremely complex as we re-engineered all parts of our business, including our products, our structure, our policies, processes, and disciplines. No other ERP company in the world has successfully made this transition without negatively impacting either its customers or its profit growth.

TechnologyOne made the transition to our SaaS solution for our on-premise customers simple and seamless. Customers can move to SaaS in weeks, not years, in stark contrast to those using our competitors' products.

From their first step to SaaS, our customers can easily move to our next generation SaaS ERP, CiA, and take advantage of new technologies, such as Artificial Intelligence and our new Digital Experience Platform (DXP).

Revenue Retention (NRR) of 119%, up from 116% pcp

In FY23, we delivered Net Revenue Retention of 119%, which is industry-leading in the ERP market and above our long-term target of 115%. At 115% per annum, we will continue to double in size every five years.

This clearly shows our products and solutions are resonating with the market. Customers are continuing to take up more products and modules from us as they embrace our enterprise vision and the significant efficiencies and productivity lift that come with it.

Our focus is to land a customer with products such as Financials, Property and Rating, or Student Management and then expand with other products and modules over time. As the only true SaaS ERP vendor in the market, our SaaS customers have all products and modules available at all times and are always on the latest software release. This open licence approach removes the friction from TechnologyOne selling and from our customers taking up new products and modules to streamline their business.

We continue to invest in our products and modules to provide even deeper mission-critical functionality for the markets we serve. In doing so, we increase the available whitespace and runway for our team to sell additional value to our existing customers.

Our SaaS customers continue to take up products and modules at a faster rate than we had seen for our on-premise customers. The average ARR from our customers has grown from \$100,000 in FY12 to almost \$400,000 in FY23.

UK ARR of \$26.5 million, up 52%

We have seen our UK business continue to grow, with ARR up 52% to \$26.5 million. We delivered a profit of \$3.7 million, up from a profit of \$2.4 million last year, and we see significant opportunities in the coming years in this market, which exceeds the size of the APAC market considerably.

The regionalisation of our OneEducation solution is now complete for our Student Management and Human Resources and Payroll (HRP) products, and we signed two new Student Management deals this year in the UK. Our ERP offering and the breadth and depth of functionality that we bring to the Local Government and Higher Education markets are unique in the UK, and our pipeline is growing strongly. We continue to invest in products, sales, marketing, and all other functionality in the UK to further accelerate our growth.

Upgrade to medium-term guidance, on track to surpass \$500 million ARR by FY25

The quality of the revenue from our latest generation global SaaS ERP business is exceptionally high, given its recurring contractual nature, combined with our industry-leading low churn rate of ~1%.

Our ARR stands at 90% of Total Revenue¹, which means most of our revenue is locked in at the start of the financial year. This positions us well to achieve strong continuing growth in the new year.

Today, our Total ARR is \$392.2 million, up 23%. We are upgrading our medium-term target to surpass \$500 million ARR by FY25 (previously, “we will surpass \$500 million ARR by FY26”).

Investing in the future

TechnologyOne invested \$112 million in R&D this year, up 21%. Our R&D program continues to be at the leading edge of our industry as we embrace new technologies, new concepts, and new paradigms.

Our R&D team is focused on extending the functionality and capabilities of our global SaaS ERP solution, CiA, which increases the whitespace in the verticals we serve.

We continue to invest in new, exciting ideas and innovations, including SaaS+, AppBuilder and Digital Experience Platform (DXP) for Local Government and Higher Education. Our 16th product, DXP LG, was released for general adoption and extends our ERP from traditional back-office users to residents.

We became the world's first SaaS+ ERP company

SaaS+ will be a game changer in the ERP industry. It is the next logical evolution of SaaS where TechnologyOne delivers the entire outcome faster, with little risk and in one single

¹ Total revenue less traditional and legacy revenue and excluding Scientia contingent consideration reversal

annual fee to our customers. SaaS+ will deliver faster time to value as we continue to dramatically drive down implementation timeframes, removing the need for traditional, long-drawn-out, risky implementations. Through the “Power of One”, TechnologyOne is the only SaaS ERP provider able to deliver on this compelling proposition as we own all parts of the value chain with deep mission-critical products, industry-specific IP built over 36 years and our highly skilled in-house consulting team.

During FY23 TechnologyOne launched our new SaaS+ offering, which was embraced by 34 customers across all our industry verticals, surpassing all our initial expectations and demonstrating a very positive outlook for our future approach to sales and delivery. Queensland Parliamentary Services was the first government example, recognising how crucial time to value is for government agencies in times of economic and budget uncertainty. Other notable examples include the London Business School of Economics in the UK and our first full OneCouncil solution, inclusive of Property & Rating, at Whitsunday Regional Council in Australia.

Our SaaS+ proposition is resonating with the market. Our shift from traditional new project consulting revenue to SaaS+ revenue will mirror our successful transition from legacy license fees to SaaS revenue, which is now complete. This strategic move enhances our focus on high-quality, recurring revenue.

We are excited about the opportunities these investments will bring to our APAC and UK customers. Importantly, SaaS+ has become the go-to-market sales approach in the UK.

These investments in R&D and SaaS+, to build our future platforms for growth, enable our ability to continue to double in size every five years. We will manage this significant investment within our total cost base, continuing to balance strong profit growth with investment for future growth beyond \$500 million ARR.

Profit Before Tax margin to return to growth in FY24

As we transitioned to SaaS and continue to build deep pipelines, our profit and loss has become more predictable. Early in our second half, we could see with confidence that we were going to have a strong full year. We have delivered above guidance profit before tax growth of 16%, strong ARR growth of 23%, NRR of 119% (above our long-term target of 115%) and cashflow generation to NPAT of 102% for the year, one year earlier than planned.

Combined with a strong pipeline, this allowed us to make additional investments in our ambitious R&D program earlier than planned. These long-term investments, including DXP, AppBuilder, additional modules, and SaaS+, will enable us to grow beyond \$500 million ARR and continue to double in size every five years. We also invested in the UK and in scaling our service centre in Malaysia.

In considering future growth opportunities, TechnologyOne continues to pursue potential deals that will unlock further value for shareholders and strengthen our product offering. During the year, we made an approximately \$2 million investment in due diligence and put forward a non-binding and indicative proposal for a public-listed UK-based higher education software provider. Following significant and disciplined due diligence, we did not proceed as

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the potential acquisition did not meet our criteria and the prudent decision was made not to proceed. TechnologyOne remains in a strong position to explore other appropriate M&A opportunities in the near and medium term given the company's strong balance sheet.

These planned additional investments resulted in a flat underlying profit before tax margin of 30%. We expect margin growth to return in FY24, and we see Group margins continuing to improve to 35% in the coming years, driven by the significant economies of scale from our single instance multi-tenanted global SaaS ERP solution.

Investment in people and culture

Our people solve incredibly complex business problems for our customers and have delivered our massively broad and deep global SaaS ERP solution. We compete and win against the world's largest multinational software companies, which have R&D teams with tens of thousands of staff.

We have set an ambitious target Employee Net Promoter Score (eNPS) of +50 by FY26. Our eNPS score increased to +34, driven by new and exciting people programs and initiatives delivered in FY23.

Since inception, we have been extremely successful, by any measure, because of our consistent strategy, mission, purpose, core beliefs, values, leadership philosophies and compelling customer experience. During the year, we refined and simplified our core beliefs and compelling customer experience philosophies and relaunched them to our team through our Culture Book, a collection of stories that explain to new starters and remind long-timers what makes TechnologyOne special and how we make the impossible, possible. This completes the 24-month refresh of the TechOne Way, the key artefact that describes the DNA of our business to our staff.

During the year, we promoted 130 team members across all areas of our business. We continued our focus on diversity and strategies to increase the number of women across the organisation. Women now hold more than 42% of senior roles against an industry average of 25%. Our overall representation of women across all roles at TechnologyOne has increased to 38%.

We have also launched Australia's best Employee Share Plan, which provides one free share for every two shares purchased by our employees. In the year, 44% of our team members elected to become owners of TechnologyOne to share in the growth of our great company.

To continue to double in size every five years, we launched our ongoing investment in our leaders through our Leadership Summit. This initiative is designed to grow our leaders, teach them the TechOne Way and equip them to lead our teams to make the impossible possible. The first cohort graduated in FY23 and cohort two commenced this year.

Strong balance sheet and Strong cashflow generation at 102% of NPAT

TechnologyOne continues to have a strong balance sheet with net assets of \$306.0 million, up 28% and cash and investments of \$223.3 million, up 27%. Cash Flow Generation (CFG) was once again strong at \$104.6 million for the full year, versus a Net Profit After Tax of \$102.9 million, a CFG to NPAT ratio >100%, which is one year earlier than planned.

TechnologyOne continues its long history of strong CFG, which we expect will continue to approximate Net Profit After Tax in FY24 and beyond.

Dividend

Considering the company's strong results, our confidence in the future, and the significant capacity in our balance sheet to invest in growth and opportunities that may arise, we have announced a Special Dividend of 3.0 cents per share in addition to our final FY23 dividend of 11.90 cents per share.

For the full year, our dividend has increased to 19.52 cents per share (including the Special Dividend), up 15% on the prior year and in line with our Net Profit After Tax growth of 16%.

Pat O'Sullivan
Chairman

Edward Chung
Chief Executive Officer

- Ends -

Authorised for release by the CEO and Chairman.

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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 locations 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 any time 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

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