

21 May 2024

Technology One Limited (ASX: TNE)

TechnologyOne ARR up 21% and H1 Profit Before Tax up 17%

BRISBANE, 21 May 2024 – TechnologyOne (ASX:TNE), Australia's largest ERP Software as a Service (SaaS) company, today announced its financial results for the half year ended 31 March 2024, showing its 15th year of record first half profit, record revenues, and record SaaS fees.

Key results were as follows:

- Profit Before Tax of \$61.5m, up 17%
- Profit After Tax of \$48.0m, up 16%
- Total Annual Recurring Revenue (ARR)¹ of \$423.6m, up 21%
- Net Revenue Retention (NRR) of 117%, above our target of 115%
- Revenue from our SaaS and Recurring business of \$223.1m, up 21%
- Total Revenue of \$244.8m, up 16%
- Total Expenses of \$183.2m, up 16%
- Cash Flow Generation² of (\$3.8m) as expected in H1, and will be strong over the full year
- Cash and Investments of \$172.0m, up 24%
- Record Interim Dividend of 5.08 cps, up 10%
- R&D Investment (before capitalisation) of \$56.9m, up 15%, which is 24% of revenue³
- UK ARR \$28.8m, up 36%

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

² 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.

³ Revenue excluding interests

Highlights

TechnologyOne CEO, Ed Chung, said: “I am pleased to announce we have delivered our 15th year of record first half profit, revenue and SaaS fees.

“Our ARR growth of 21% and profit before tax growth of 17% is driven by the significant value proposition of our global SaaS ERP solution for new and existing customers. We are one of only a few companies globally that have successfully transitioned from a traditional on-premise software company to a SaaS company, with all but a few customers now live on SaaS. Our existing customers continue to expand their use of our global SaaS ERP solution, taking additional products and modules to streamline their operations, as shown by our Net Revenue Retention (NRR) of 117%. We are on track to surpass \$500 million ARR by FY25, a target that was brought forward at the FY23 full year results.

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

"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 worrying about underlying technologies. This makes life simple for our community.

"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.

"Our organic growth has continued in the first half through being chosen as a partner by many of the most forward-thinking councils in Australia and New Zealand, such as Newcastle City Council and New Plymouth District Council. In the Education Sector, we secured strong wins with TAFE WA and continued our growth in the UK Education market signing new customers such as Solent University Southampton. Government departments in APAC are increasingly turning to TechnologyOne with first half wins at ASIC and the Department of Primary Industries. These organisations are selecting TechnologyOne as their ERP provider, due to our deep industry knowledge, local presence, innovative delivery models and our focus on putting our customers and community first," Mr Chung said.

Net Revenue Retention (NRR), which is the net amount of new ARR from existing customers, was 117% for the 12 months to 31 March. This was an outstanding result given that best-in-class in the ERP market is considered 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.

"Our UK business continues to accelerate its growth with first half new sales ARR up 40% compared to the prior comparative period. Our UK business is the pioneer for our SaaS Plus strategy, where the value proposition is resonating with the market, and we have successfully delivered implementations to many customers in very fast timeframes. The sales pipeline and momentum continue to grow strongly.

Mr Chung said: "We expect strong growth for the full year FY24 and the company sees significant growth opportunities in the coming years."

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

"Traditionally, TechnologyOne's cash flow generation is weighted to the second half, aligned with customer anniversary payment dates. This half year, we delivered a close-to-break-even cash flow generation result, with cash and investments up 24% versus pcp. Cash Flow Generation will be strong over the full year, and we expect it to align with full year Net Profit After Tax," 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 5.08 cents per share, up 10% on the prior year."

**Guidance for FY24 – profit up 12% to 16%,
Underpinned by Strong ARR growth up 15%-20% and Net Profit before tax margin growth of
approximately 1% for the full year**

The company is well positioned to deliver continuing strong growth over the full year. We expect Net Profit Before Tax growth for FY24 of 12% to 16% compared to FY23.

“We expect to see our ARR continuing to grow strongly, up 15%-20% over the full year,” Mr Chung said.

“As we continue to win more customers and our SaaS Platform continues to scale globally, we expect our net profit before tax margin to expand by approximately 1% over the full year and progressively to 35% over the medium term.

“We have become the world’s first SaaS Plus company, removing the need for traditional long, complex, expensive and risky implementations. We are driving down the days to implement our solution, reducing the risk for our customers by reducing their time to value, delivered in one single SaaS Plus fee. As we continue to grow our SaaS Plus business, we will also continue to reduce our traditional new project implementation business. While this has an immediate impact on our revenue, profit and margin in FY24, this is an integral part of our strategy to grow our SaaS business and the recurring revenue base in the long-term.”

Over the past 37 years, we have continued to grow strongly through all types of economic conditions and we will continue to do so for 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;
- Our Global SaaS ERP allows our customers to innovate and meet the challenges ahead with greater agility and speed, without worrying about underlying technologies, making life simple for them. They look to us to automate and streamline their business and they save 30%+ by using our global SaaS ERP;
- SaaS Plus is creating significant opportunities for us. The pipeline for 2024 is strong;
- We will 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 Plus, DXP, App Builder and our UK business.” Ed Chung said.

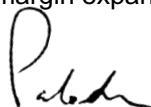
Long-term outlook

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

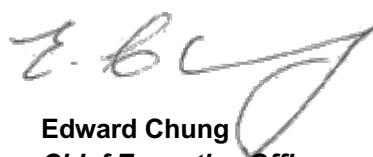
"Over the next few years, our SaaS and Recurring Business is expected to grow strongly," Mr Chung said.

"We are on track to surpass total ARR of \$500m+ by FY25, from our current base of \$424m. We will continue to invest for the long-term 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
and Managing Director*

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 2024 half year results to analysts on a conference call on Tuesday 21 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 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