

2024 Half Year Results

Ended 31 March 2024



21 May 2024

Commercial in confidence

Disclosure Statement

TechnologyOne Ltd Full Year Presentation – 21 May 2024

TechnologyOne Ltd (ASX: TNE) today conducted a series of presentations relating to its 2024 Half Year results.

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

The information contained in this presentation is of a general nature and has been prepared by TechnologyOne in good faith. TechnologyOne makes no representation or warranty, either express or implied, in relation to the accuracy or completeness of the information. This presentation may also contain certain 'forward looking statements' which may include indications of, and guidance on financial position, strategies, management objectives and performance. Such forward looking statements are based on current expectations and beliefs and are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of TechnologyOne. TechnologyOne advises that no assurance can be provided that actual outcomes will not differ materially from those expressed in this presentation.

This presentation includes the following measures used by the Directors and management in assessing the on-going performance and position of TechnologyOne: EBITDAR, EBITDA, EBIT, ARR, Churn, Cash Flow Generation. These measures are non-IFRS under Regulatory Guide 230 (Disclosing non-IFRS financial information) published by the Australian Securities and Investment Commission and have not been audited or reviewed.



Agenda

- **Highlights**
- Financial Results
- Significant Achievements
- Outlook for Full Year
- Long Term Outlook

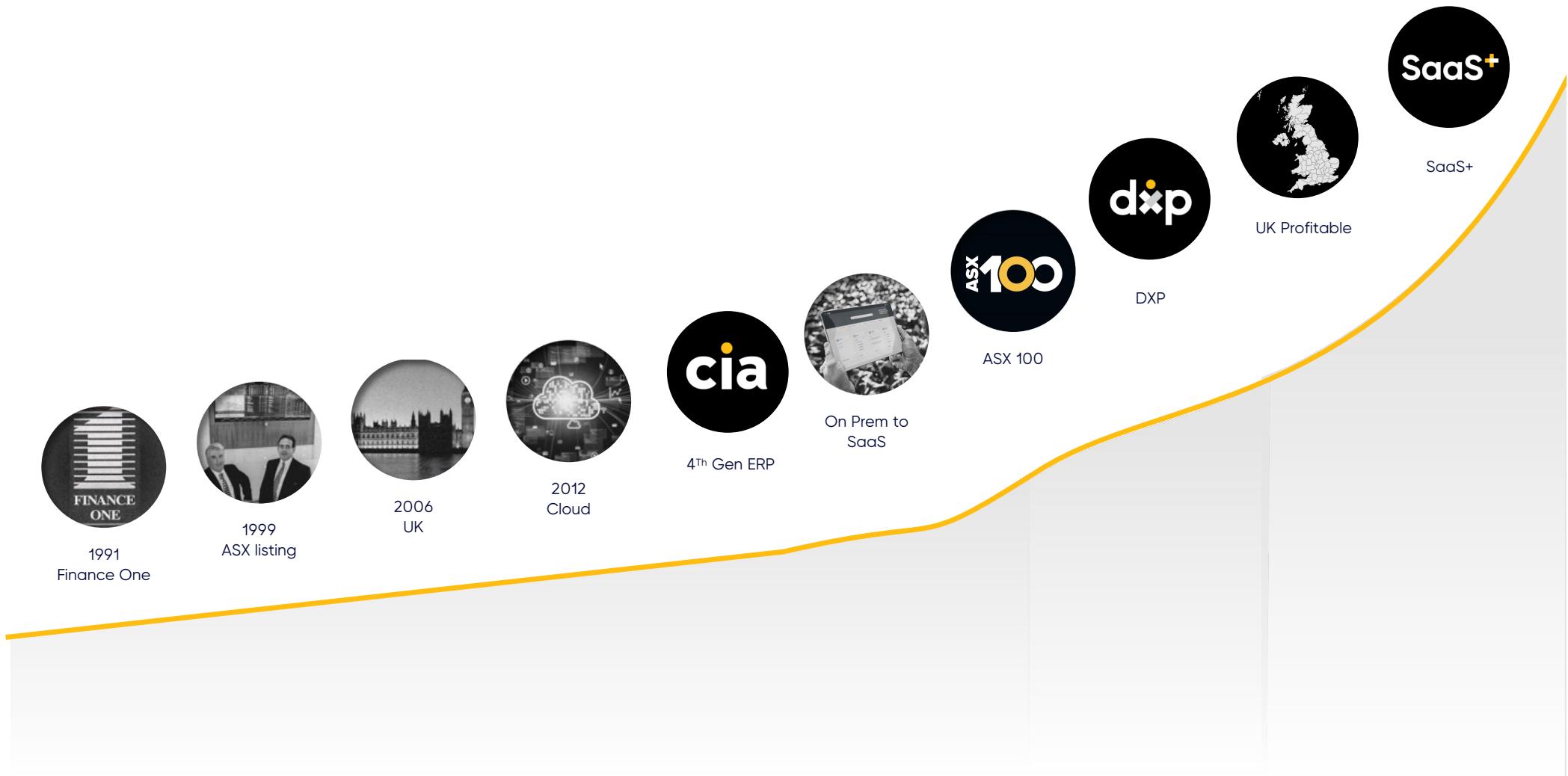
H1 FY24 Results



**ARR
growth
21%**



**Profit
growth
17%**



1987

2024

Clear Strategy



ERP software – Mission critical products

In 2008, we had 11 products, in 2023, we have 16 products and over 500 modules.



Deepest functionality for the markets we serve

Mission critical products which power our customers



Global SaaS Solution – One Global Code Line

Our SaaS customers unlock significant benefits



Any device anywhere anytime

Delivered our 4th Generation ERP, CiA



Power of one – One Vendor, One Experience

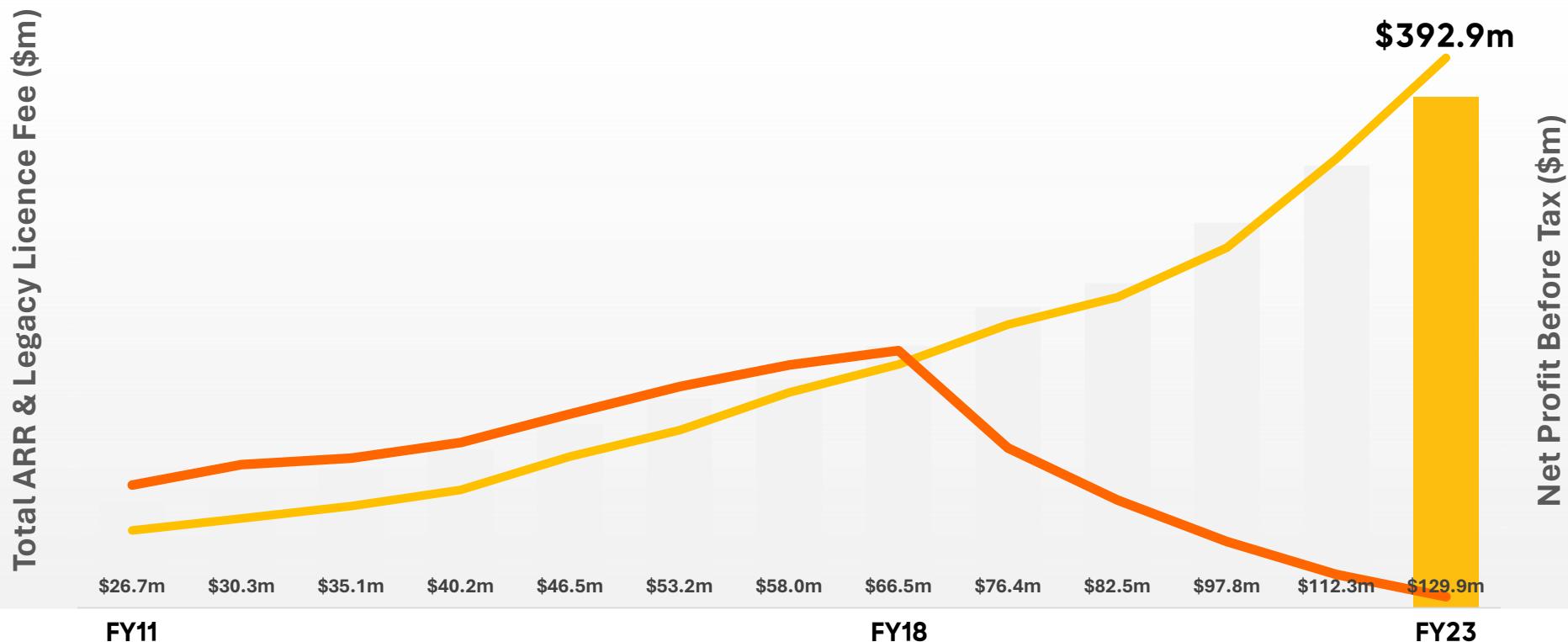
Solution as a Service



Innovation Driven Company

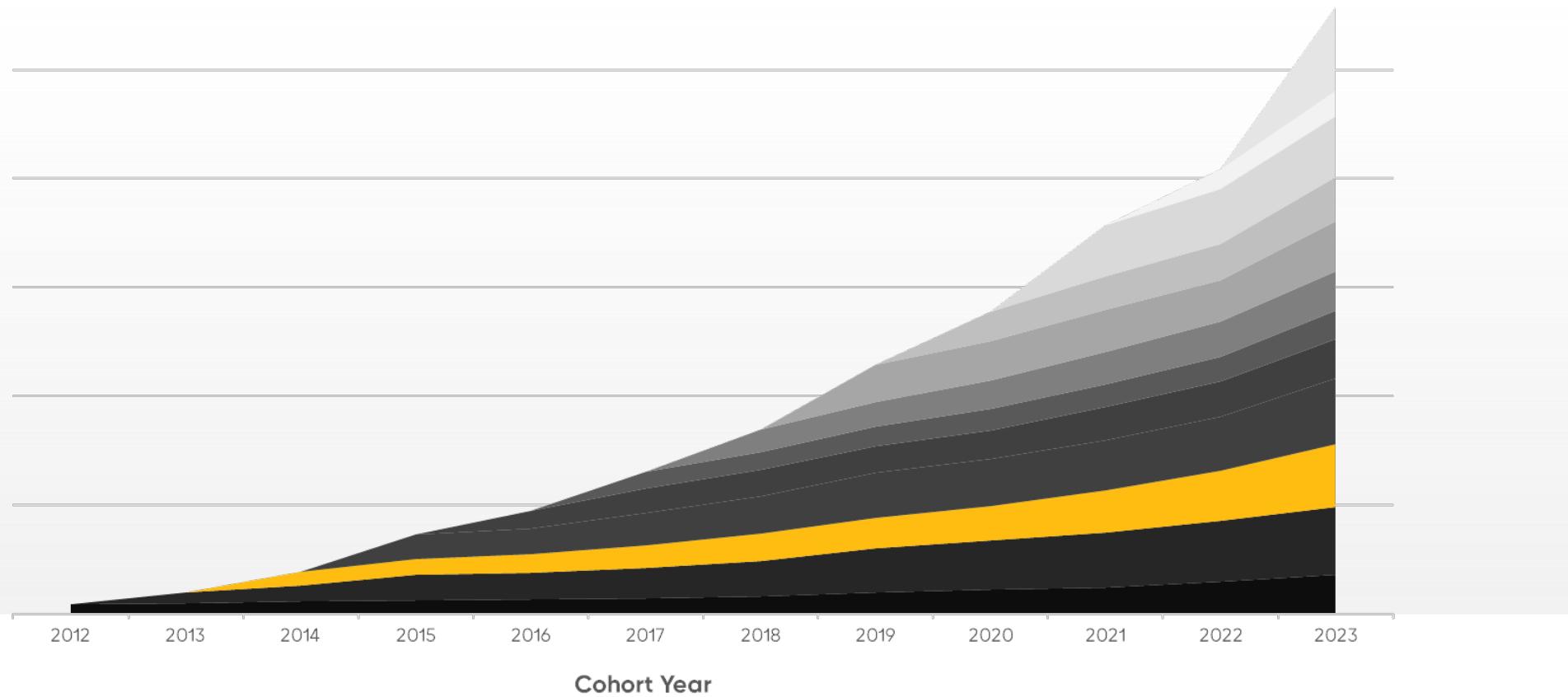
Leveraging new and emerging technology in each generation of product

Transition to SaaS - Careful reduction of legacy licence fees



Cohort Analysis

Average ARR per customer by Cohort



Clear Strategy



ERP software – Mission critical products

In 2008, we had 11 products, in 2023, we have 16 products and over 500 modules.



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Leveraging new and emerging technology in each generation of product

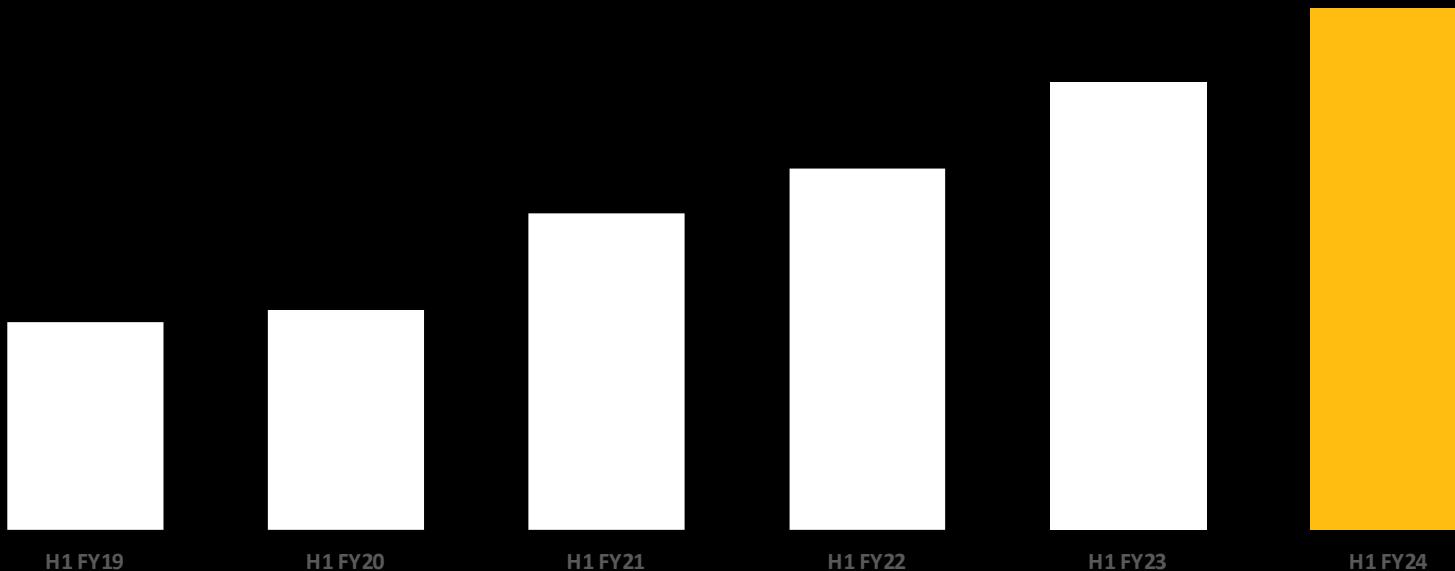


**Total ARR
Growth of 21%**

**Record
Total ARR
\$423.6m**

Profit Before Tax Growth of 17%

Record Net Profit before tax of \$61.5m



Surpass \$500m+ ARR by FY26

Upgrades to \$500m+ ARR by FY25



We continue to invest in R&D to build future platforms for growth.

We will continue to double in size every 5 years

**SaaS+ is a
game changer
and a key
platform for
growth**

Outlook for FY24 is strong

Discussed later in
more detail



H1 FY24 Results Summary

Outlook for FY24 is strong

Profit
growth
17%

ARR
growth
21%

NRR
117%

SaaS &
Recurring
Revenue
21%

	H1 FY24 \$m	H1 FY23 \$m	VAR \$m	VAR %
Total ARR	423.6	350.6	73.0	21
SaaS & Recurring Revenue	223.1	183.9	39.2	21
Total Revenue	244.8	210.3	34.5	16
Profit Before Tax	61.5	52.7	8.8	17
Profit After Tax	48.0	41.3	6.7	16
Cash Flow Generation	(3.8)	1.3	(5.1)	
Cash and Investments	172.0	139.1	32.9	24
PBT Margin	25%	25%	-	-
EPS (cps)	14.75	12.73	2.02	16
Interim Dividend (cps)	5.08	4.62	0.46	10
R&D Investment	56.9	49.4	7.5	15
R&D Investment % to Revenue	24%	24%	-	-



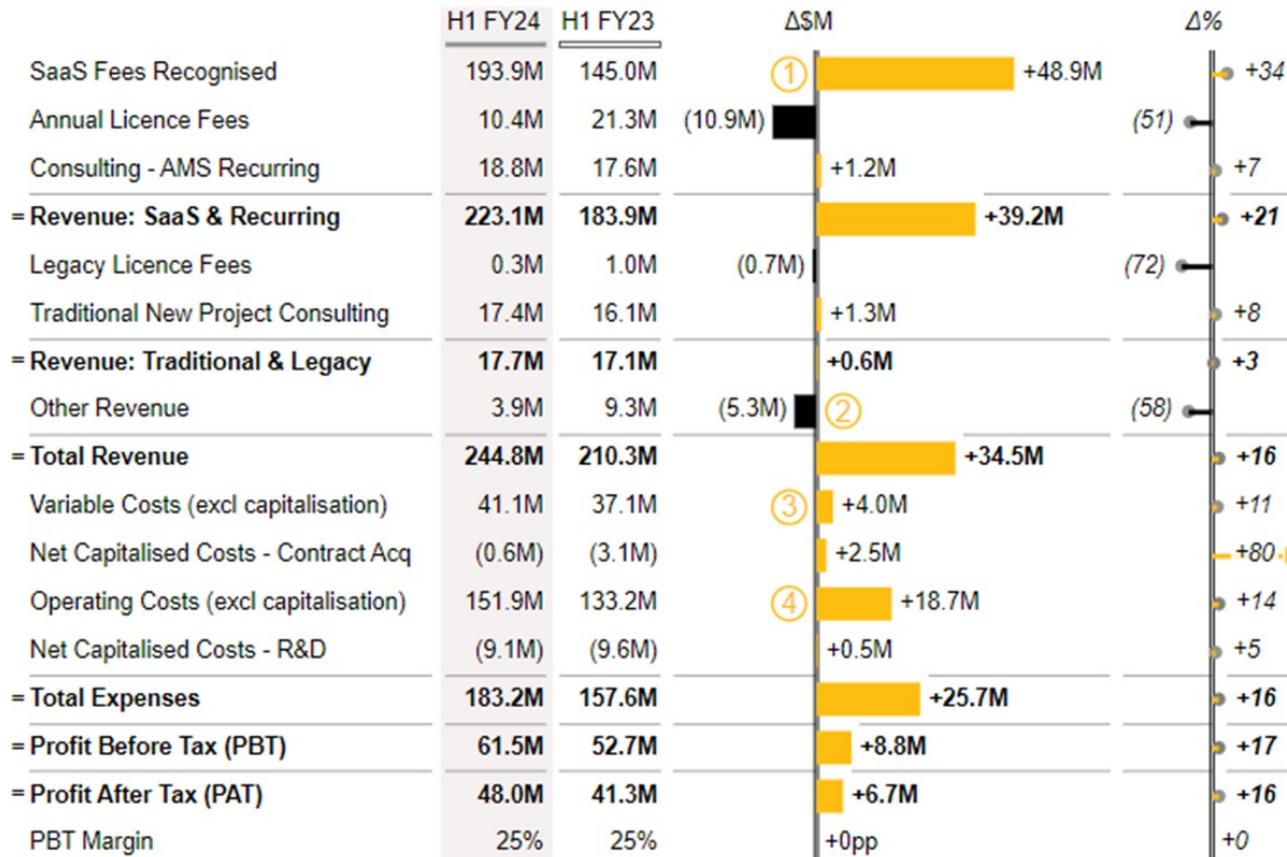
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H1 FY24 Profit and Loss

Record revenue and PBT. Exceeded ARR targets (highest quality revenue).

A\$M



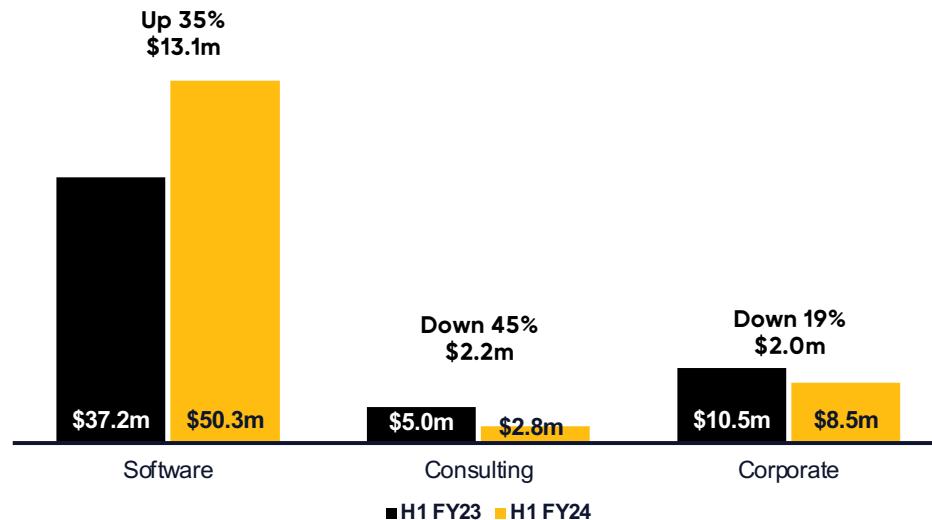
- ① SaaS Fees Recognised 193.9M ▲ +34%
Strong NRR and sales growth
- ② Other Revenue 3.9M ▼ (58)%
H1 FY23: Scientia contingent consideration write-off (\$7.4m)
- ③ Variable Costs (excl capitalisation) 41.1M ▲ +11%
Customer cloud costs increase due to migration to SaaS

These strong results includes our SaaS+ investment.
Excluding this, Net Profit Before Tax margin is ~1% better

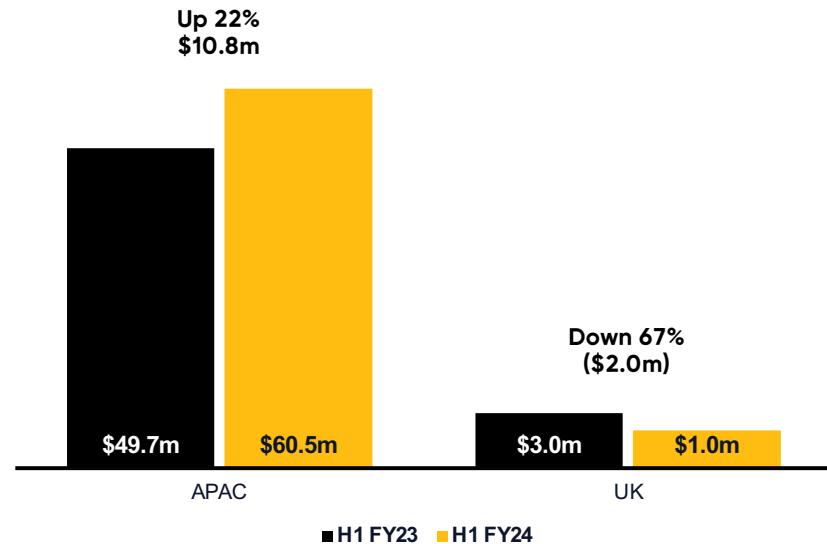
H1 FY24 Profit by Segment

Strong Company profit of \$61.5m, up 17% pcp

Operating segment analysis



Geographic segment analysis



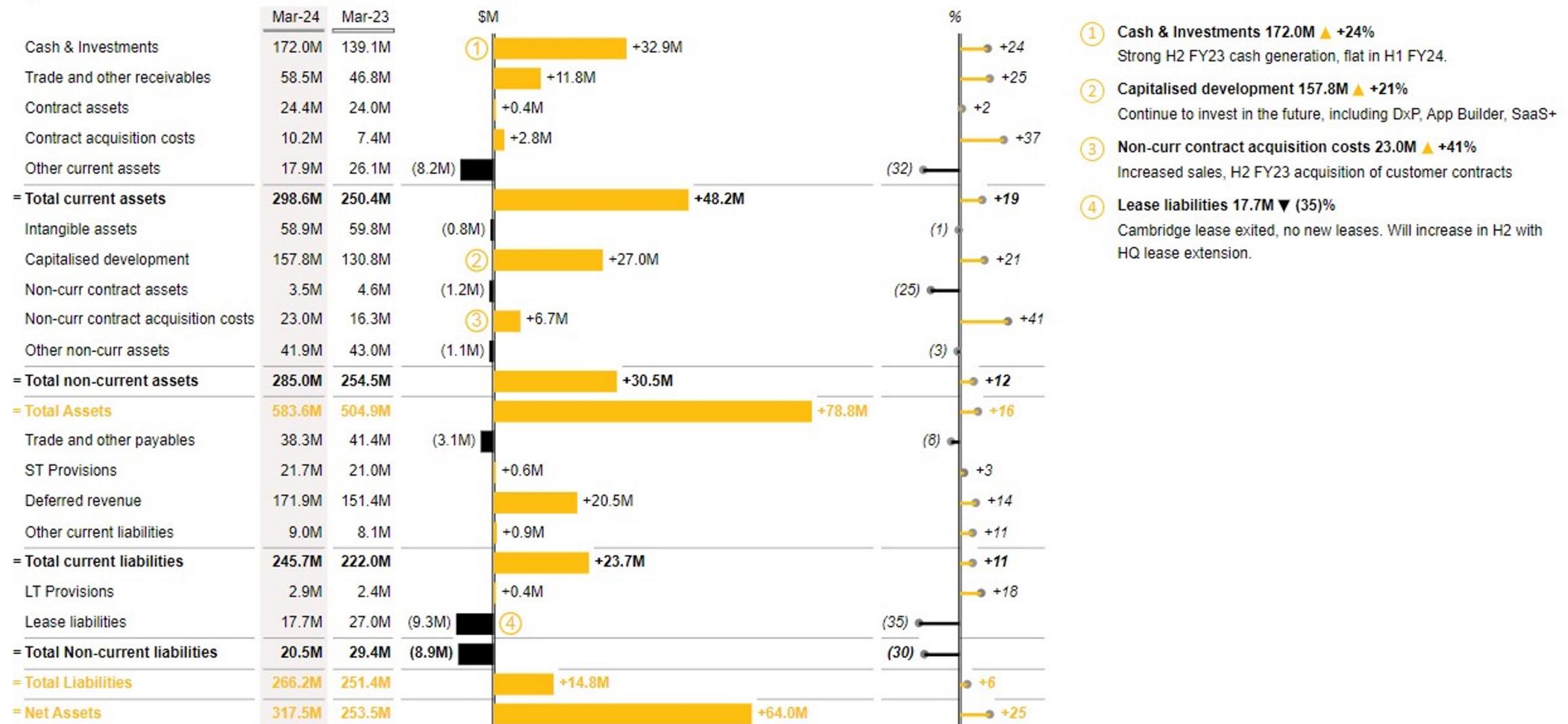
- Software Profit up 35%, driven by strong ARR growth.
- Consulting Profit down 45%, as expected due to the introduction of SaaS+.
- Corporate Profit down 19% due to non-recurring Scientia earn-out write-off.

- UK profit down 67%, as expected due to strategic investments in SaaS+, which has short term impacts on revenue profit and margin.

Balance Sheet: Remains Strong

Significant cash holdings and no debt provide balance sheet flexibility for growth

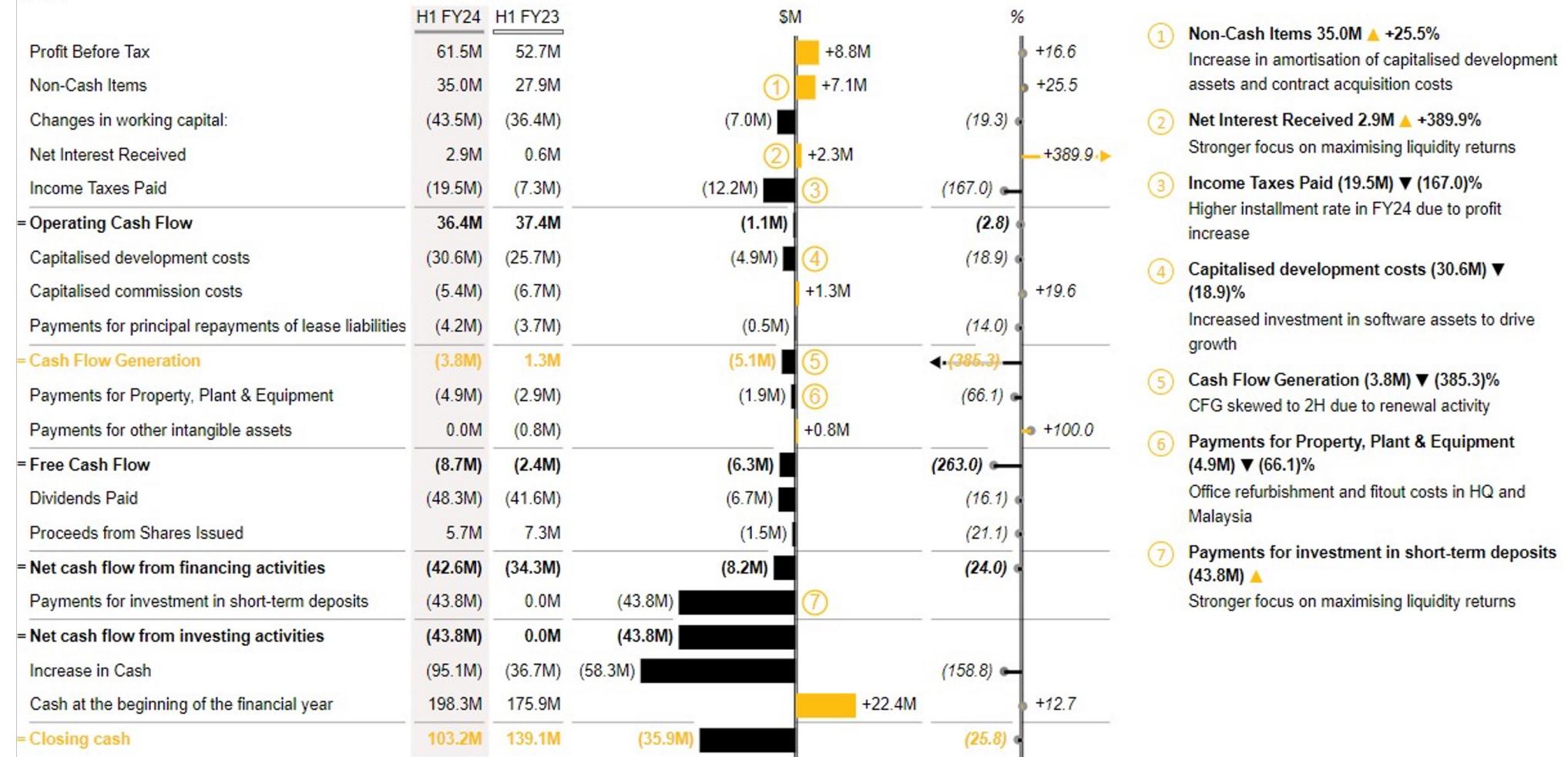
A\$M



Cash Flow

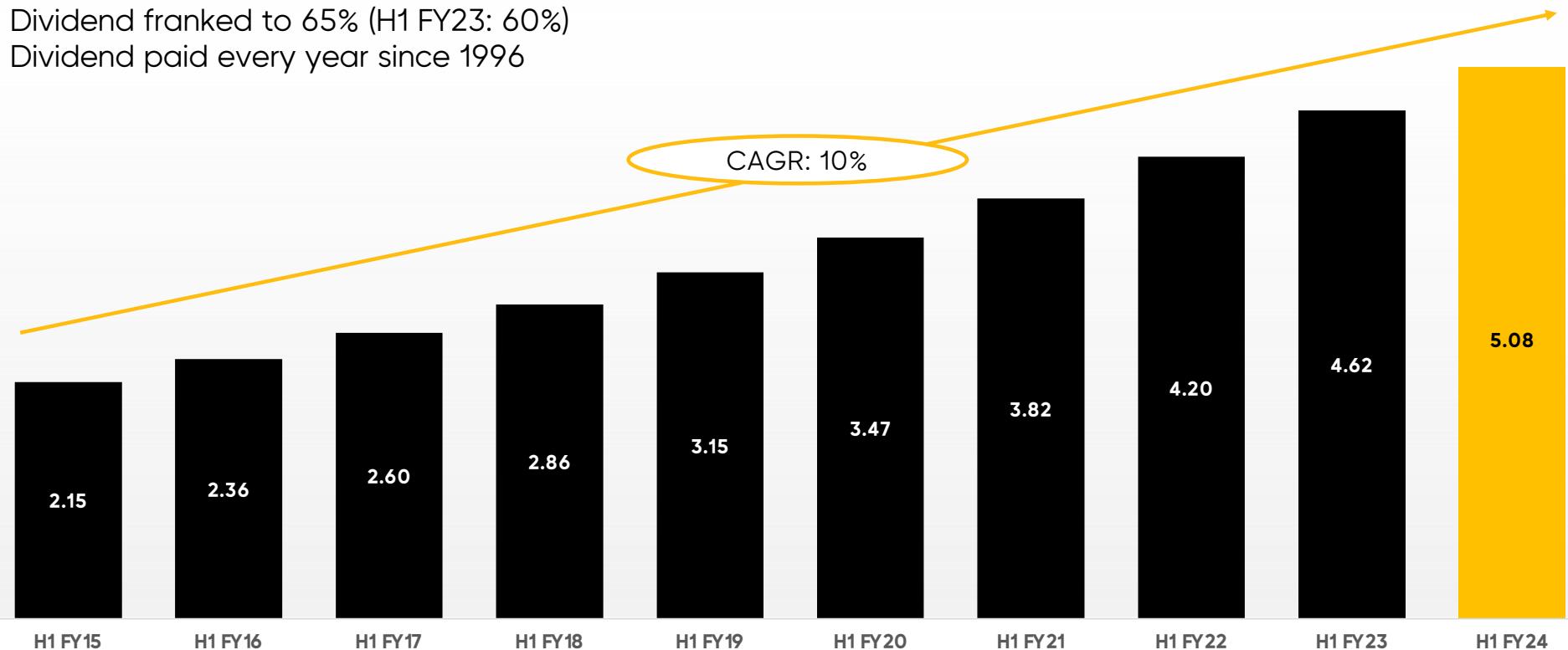
Cash Flow Generation will be strong for the full year and align with NPAT

A\$M



Dividend track record continues: Interim dividend up 10%

- H1 NPAT before tax up 17%, enabling dividend uplift
- Strong balance sheet supports dividend
- Payout ratio 34% (FY23 interim: 36%)
- Dividend franked to 65% (H1 FY23: 60%)
- Dividend paid every year since 1996





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True SaaS ERP

Deepest functionality for the markets we serve



POWER OF A SINGLE INTEGRATED ERP SOLUTION

True SaaS ERP

Deepest functionality for the markets we serve



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True SaaS ERP

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POWER OF A SINGLE INTEGRATED ERP SOLUTION

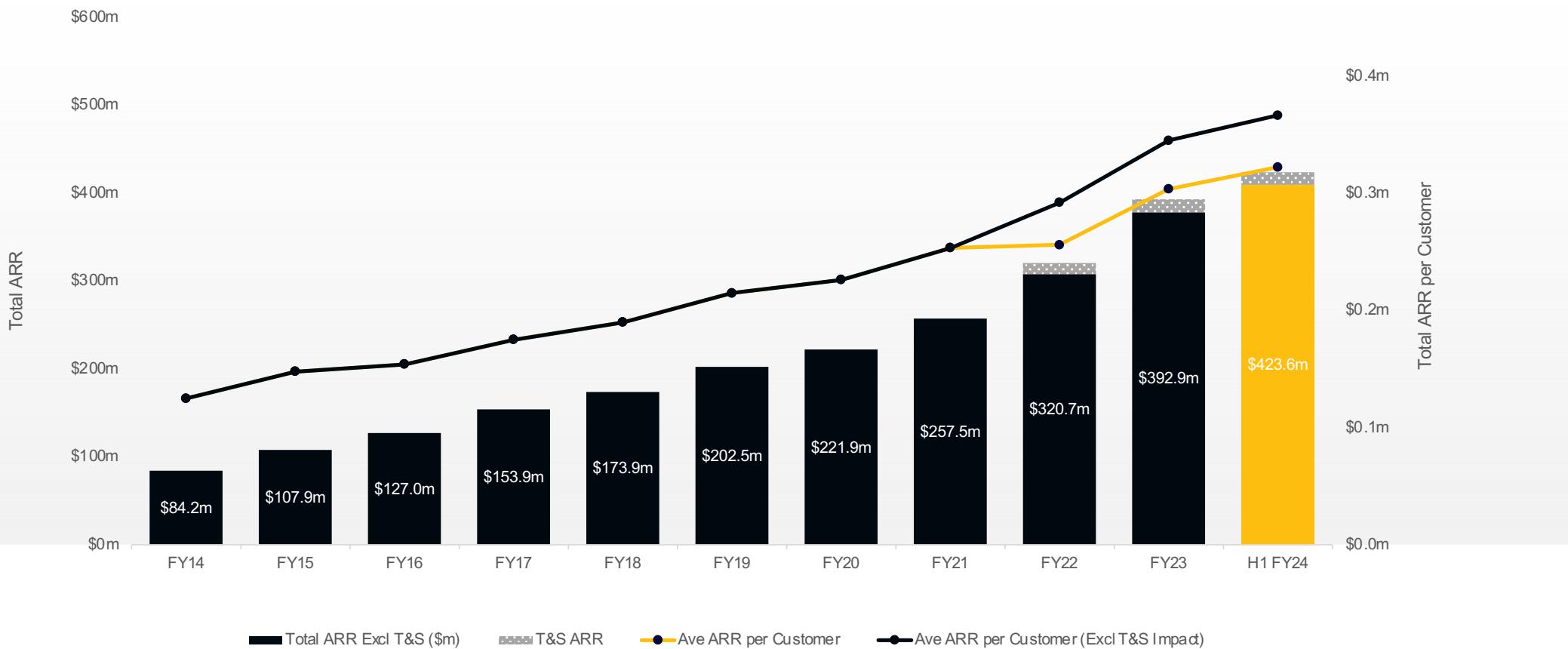
True SaaS ERP

Deepest functionality for the markets we serve



POWER OF A SINGLE INTEGRATED ERP SOLUTION

Total ARR and Average ARR per Customer



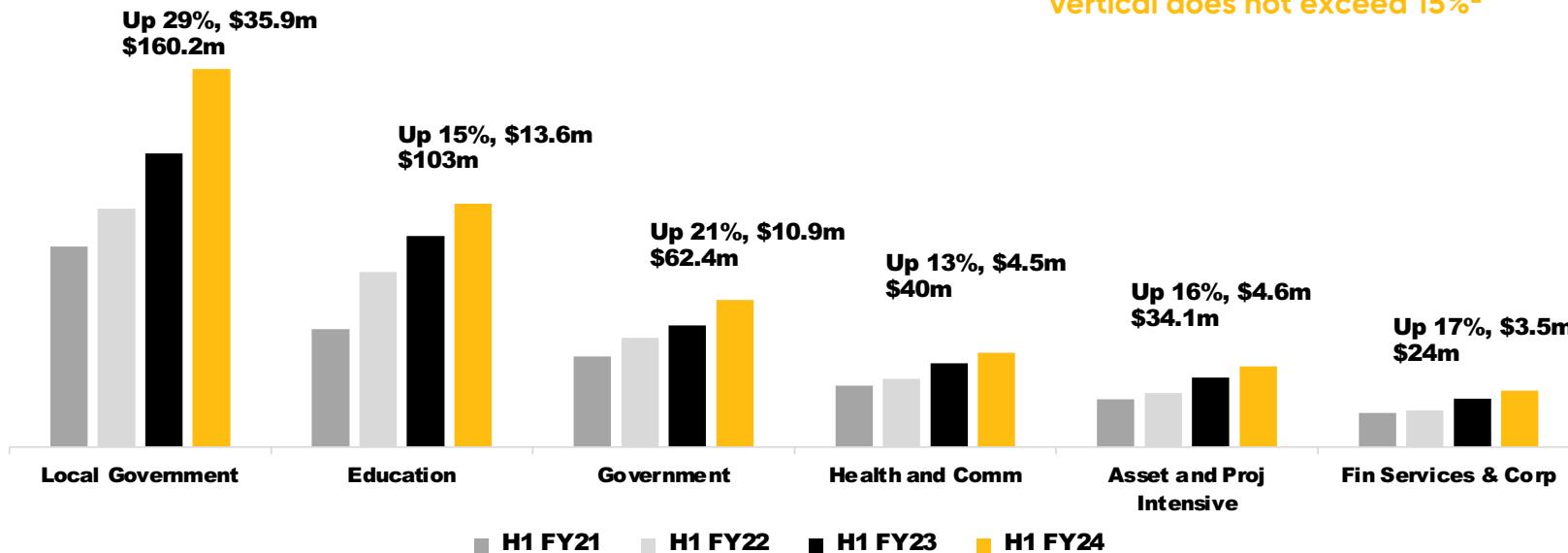
All verticals performed strongly

Significant room to grow in future years

Vertical Market Analysis

ARR of \$423.6m¹, Up 21% | From \$350.6m, H1 FY23

Our APAC market penetration in any single vertical does not exceed 15%²



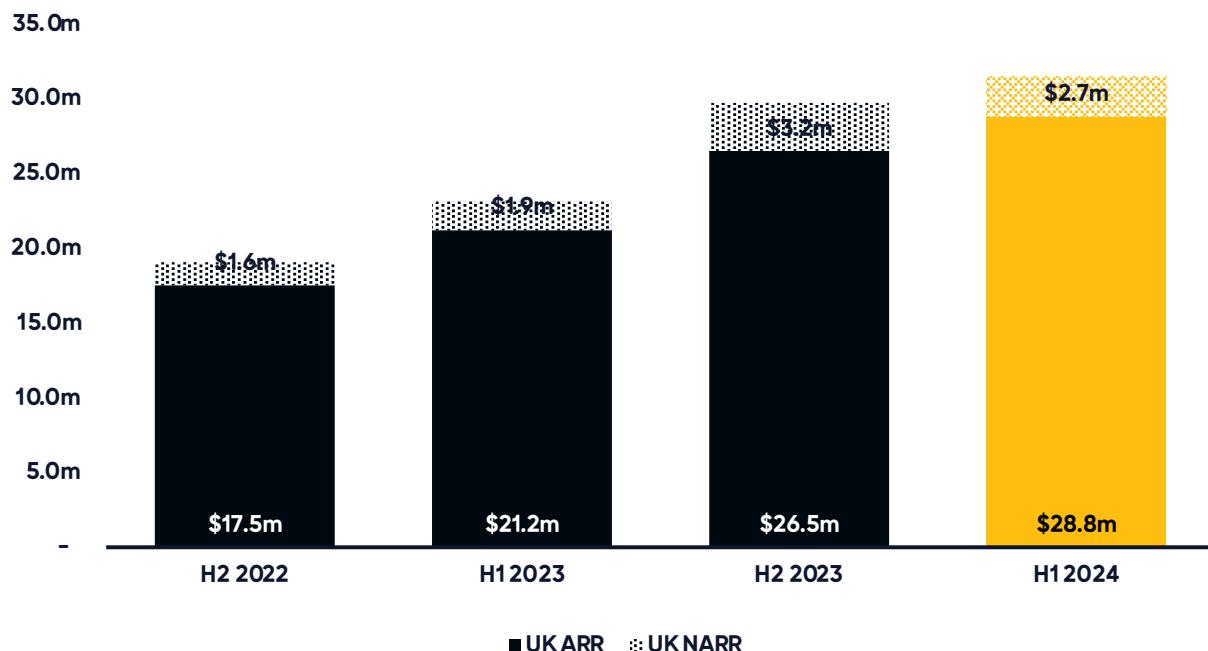
¹ Balance is at 31 March 2024 and growth is for the 12 months from 31 March 2023

² Based on our existing customers and their use of TechnologyOne products and modules as a percentage of total addressable market.

H1 FY24 United Kingdom

New Sales ARR ~40% higher than H1 2023

UK ARR up 36% to \$28.8m versus pcp
UK profit of \$1.0m
100% of consulting delivered via SaaS+ model



- ✓ UK sales team >15
- ✓ First Student+ customer win
- ✓ Strong LG Pipeline



- Largest core financials and HRP deal in UK Edu history
- Direct Award
- SaaS+
- Short Sales Cycle

McCONNELL DOWELL

CREATIVE CONSTRUCTION™

- Intense competitive sales process
- largest Asset Management deal in history
- SaaS+ differentiated to win
- Already a strong reference customer

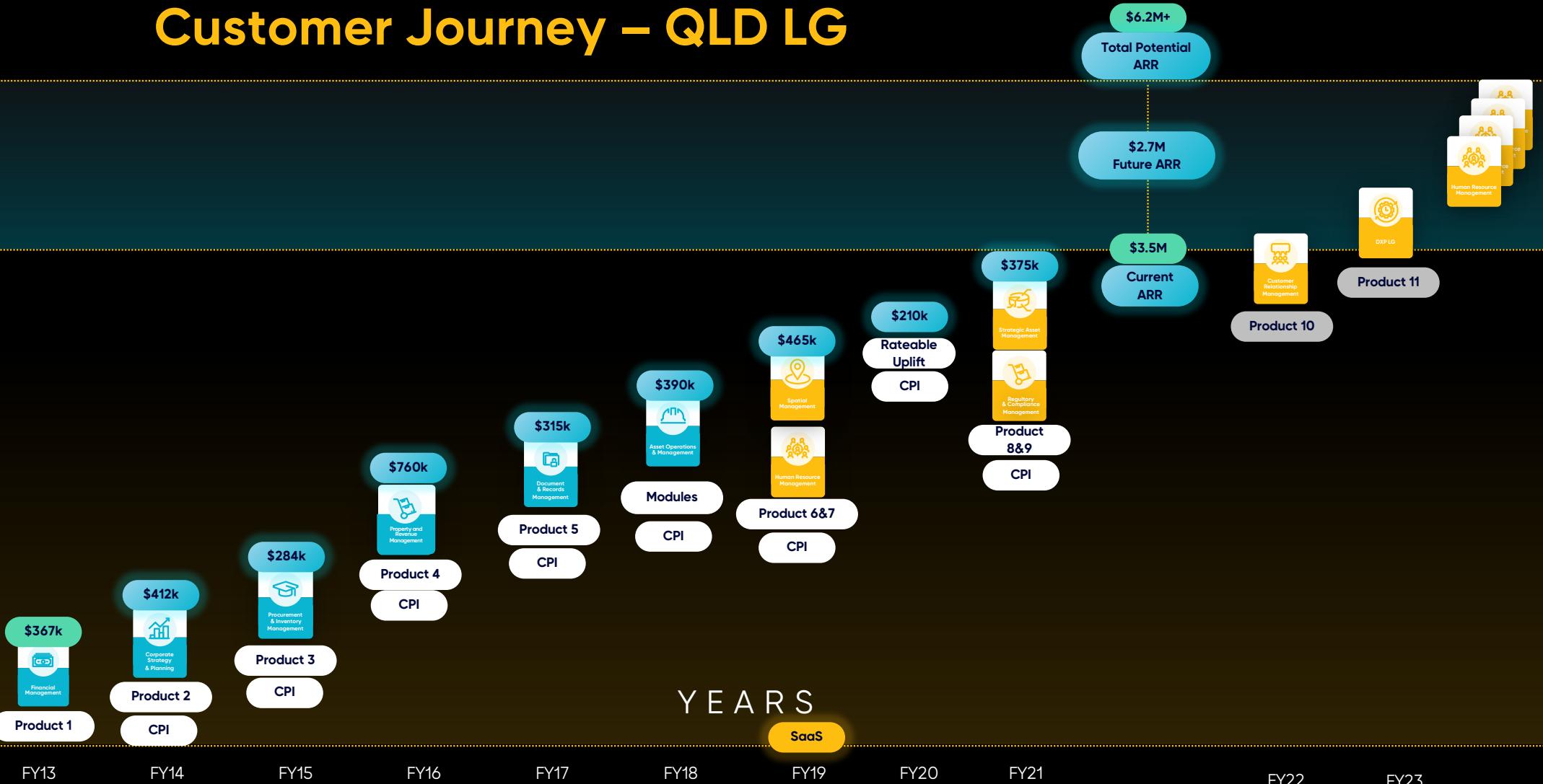


ASIC

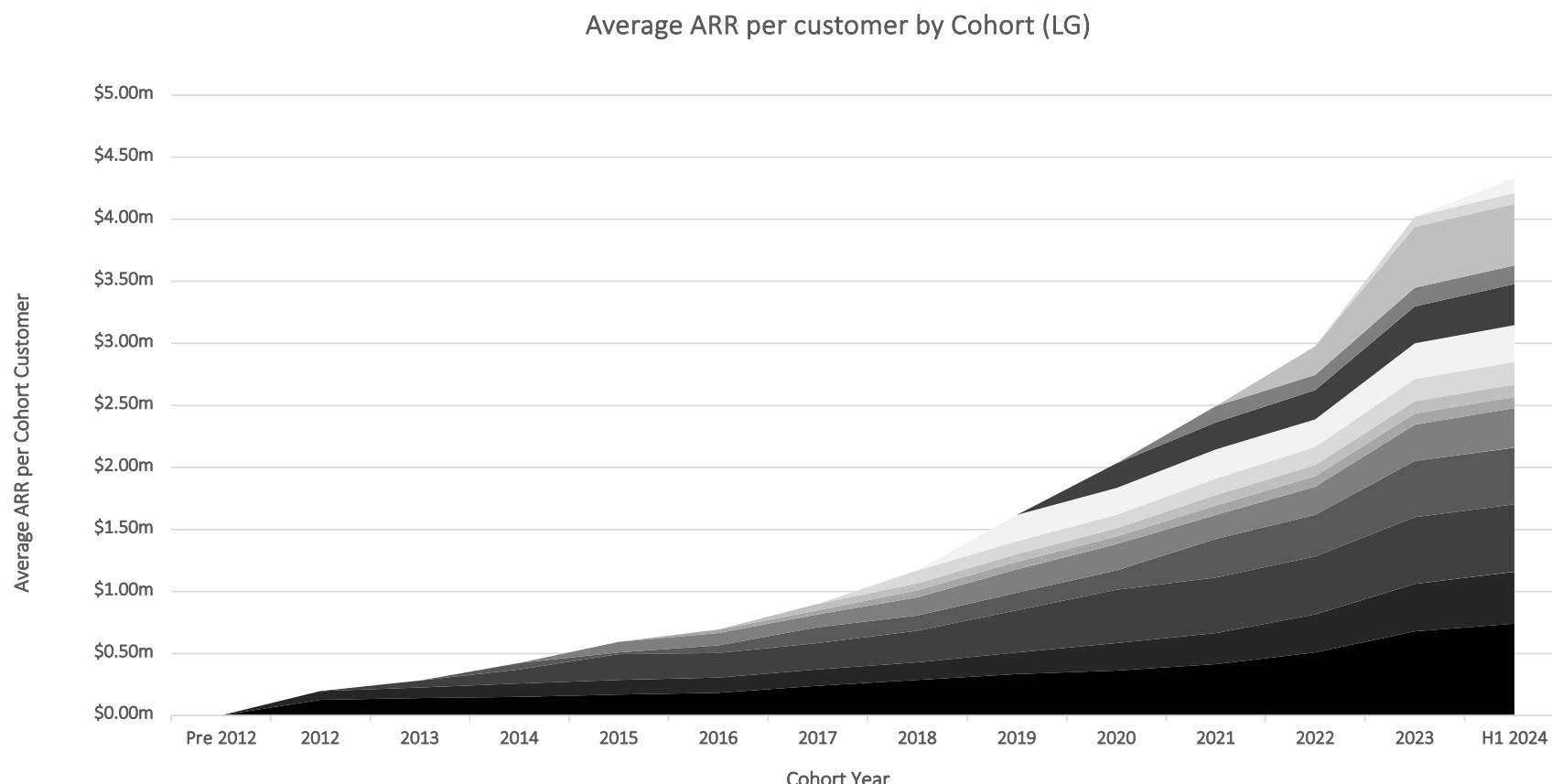
Australian Securities &
Investments Commission

- Replace Oracle
- Very large value contract
- OneGov Solution
- Cyber security key differentiator

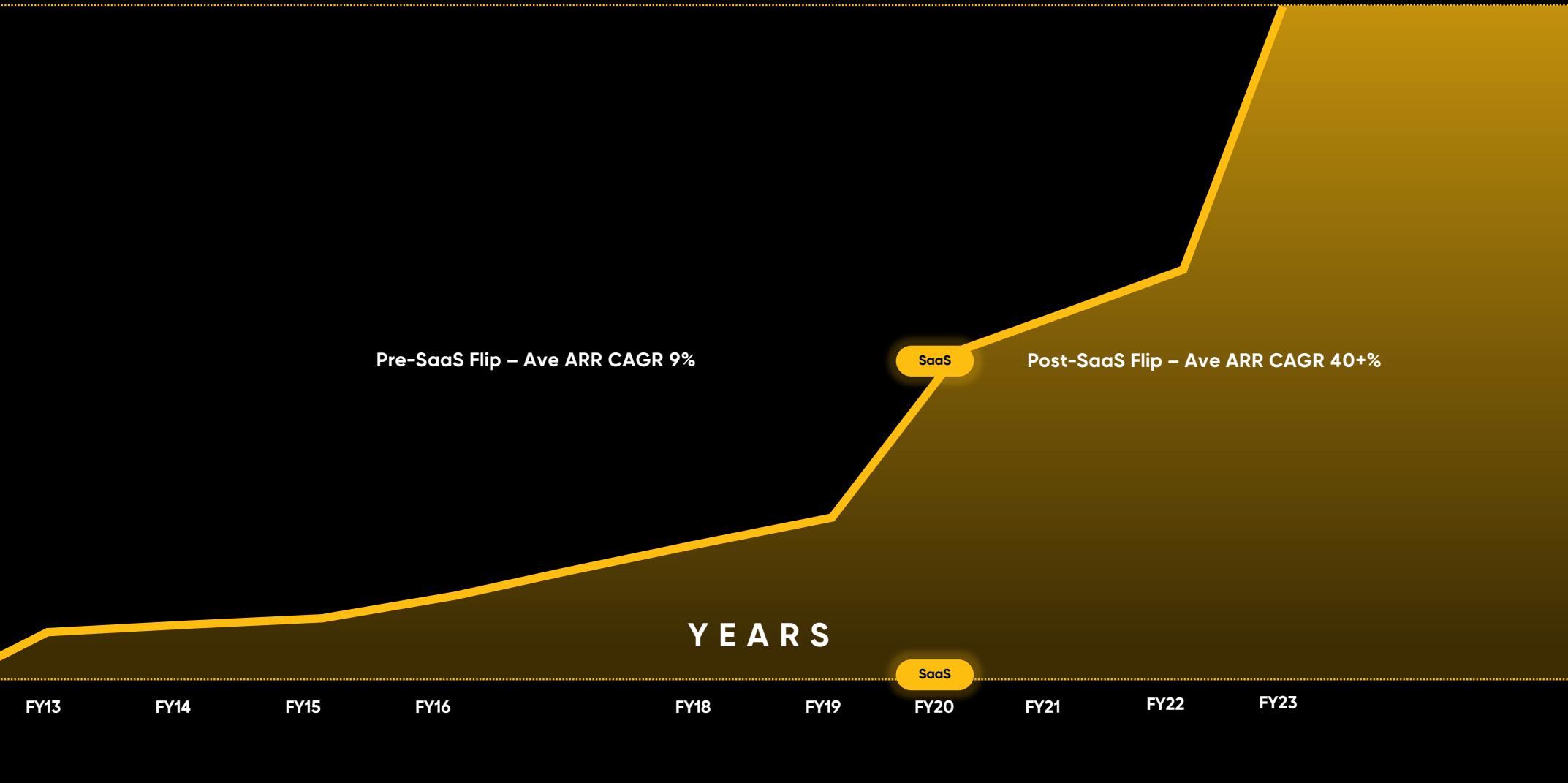
Customer Journey – QLD LG



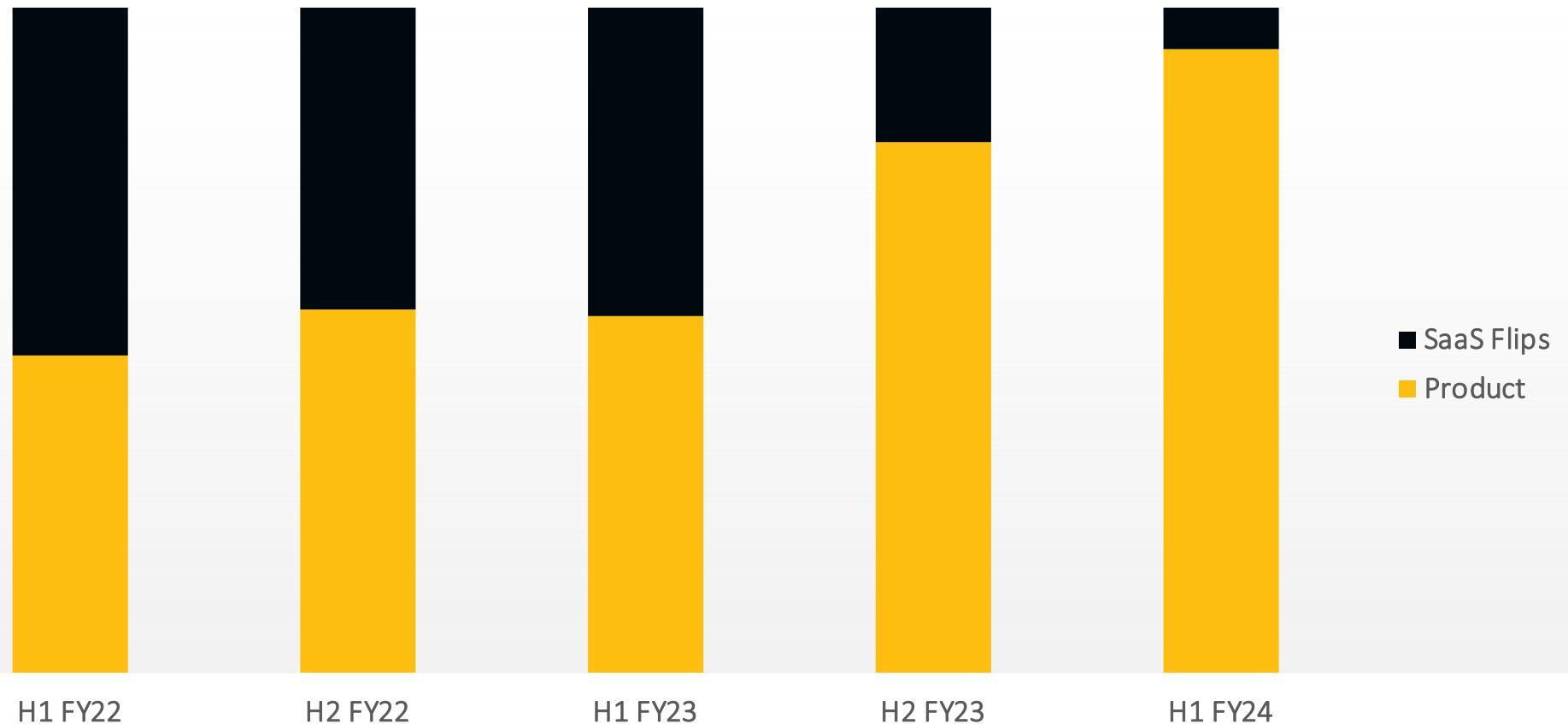
Cohort Analysis - LG



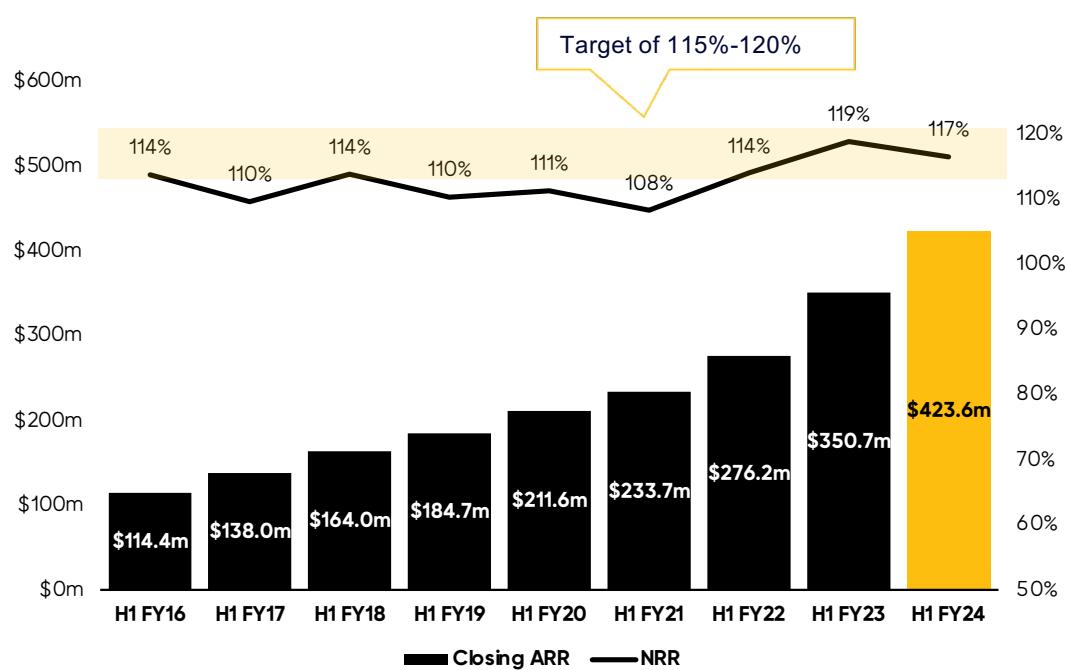
Customer Journey – LG



Product sales accelerates; SaaS Flips complete

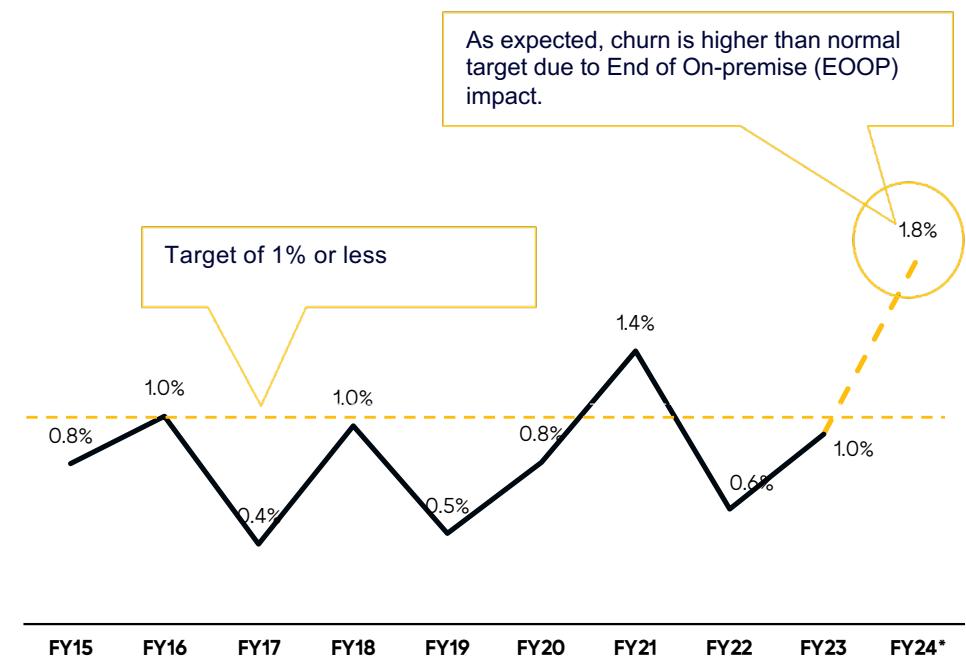


Market Leading NRR and Market Leading Churn



Target of 115%-120%

As expected, churn is higher than normal target due to End of On-premise (EOOP) impact.



- Full year forecast

SaaS+

Solution as a Service



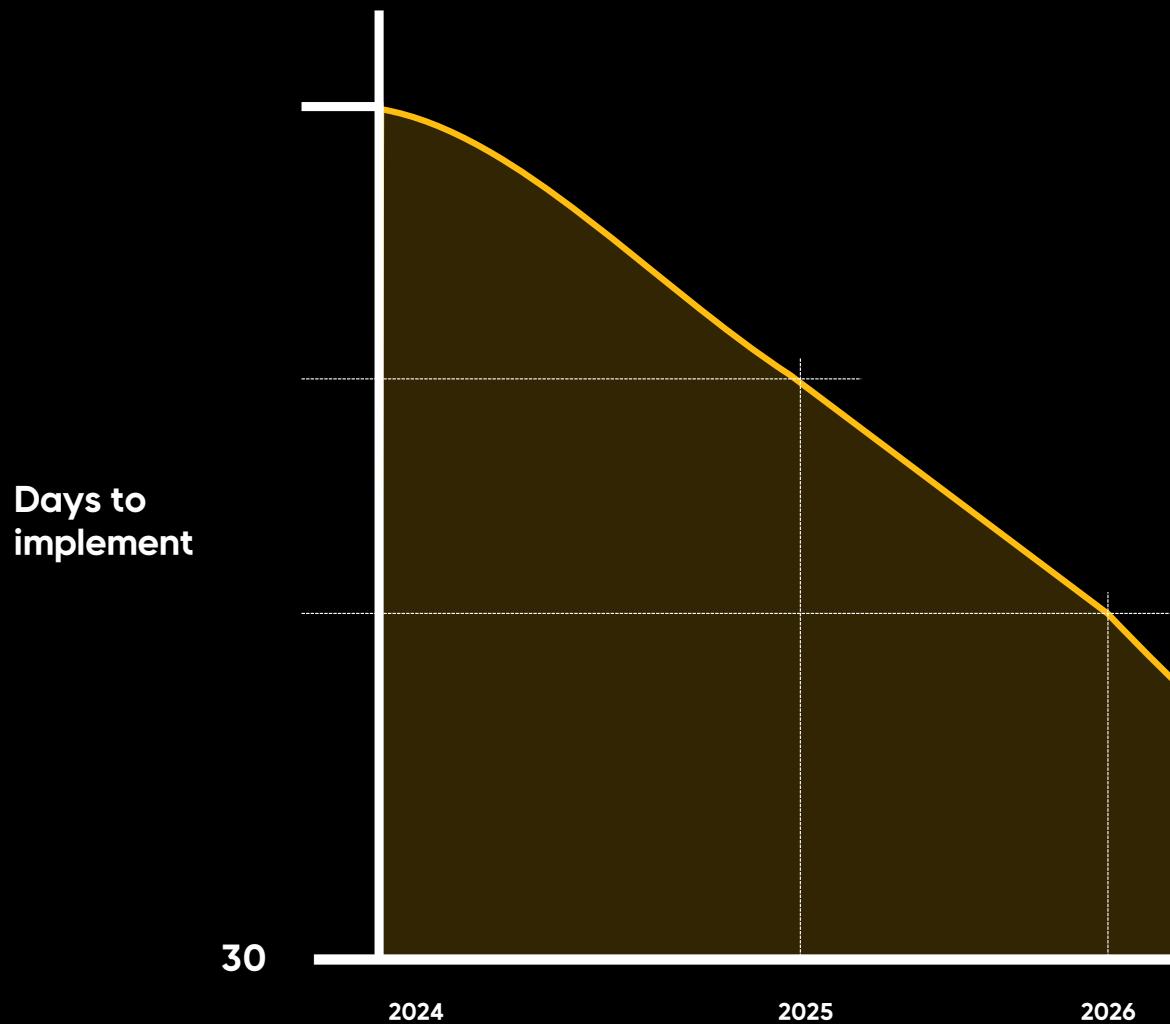
SaaS+ lifts
ARR by 40%



The Technology to Heal, the Mission to Care



Path to ERP in 30 days



Powered by 

The 'ai' logo is located inside a rounded square frame, with the 'a' in white and the 'i' in yellow.

R&D Significant Investment for future growth

24^a

440 new
features

24^a

Fastest
Adoption



Continuous
R&D staff
investment

App
builder

Build an app
faster without
having to code

dotxp

Google to
outcome
experience

SaaS⁺

R&D
investment
of \$56.9m¹

24% of
revenue²

¹R&D expenditure before capitalisation

²Revenue excluding other income

H1 FY24 Summary

UK Sales ARR
up 40% pcp
to \$2.7m

Profit Before Tax
up 17% pcp
to \$61.5m

NRR of 117%
above target of
115%



Surpass \$500m+
ARR by FY25



Total ARR
up 21%
to \$423.6m



Interim Dividend
up 10%
to 5.08 cps



R&D investment
for future growth
of \$56.9m, up 15%
pcp



Record profit,
revenue, and
ARR



Cash and
Investments
up 24% pcp to
\$172.0m



SaaS & recurring
Revenue
up 21% pcp
to \$223.1 m



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Outlook

**Strong ARR growth
of 15% to 20%**

**Planned reduction of lower
quality one-off Traditional
Consulting Fees replaced with
high quality SaaS+ revenue**

**Full year NPBT
margin growth of 1%**

- The markets we serve are resilient. TechnologyOne provides mission critical software with deep functionality for the markets we serve.
- Our Global SaaS ERP allows our customers to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies, making life simple for them.
- SaaS+ 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 will
continue to
double in
size every
5 years**

On track to surpass \$500m+ ARR by FY25



Outlook for 2024 Full Year

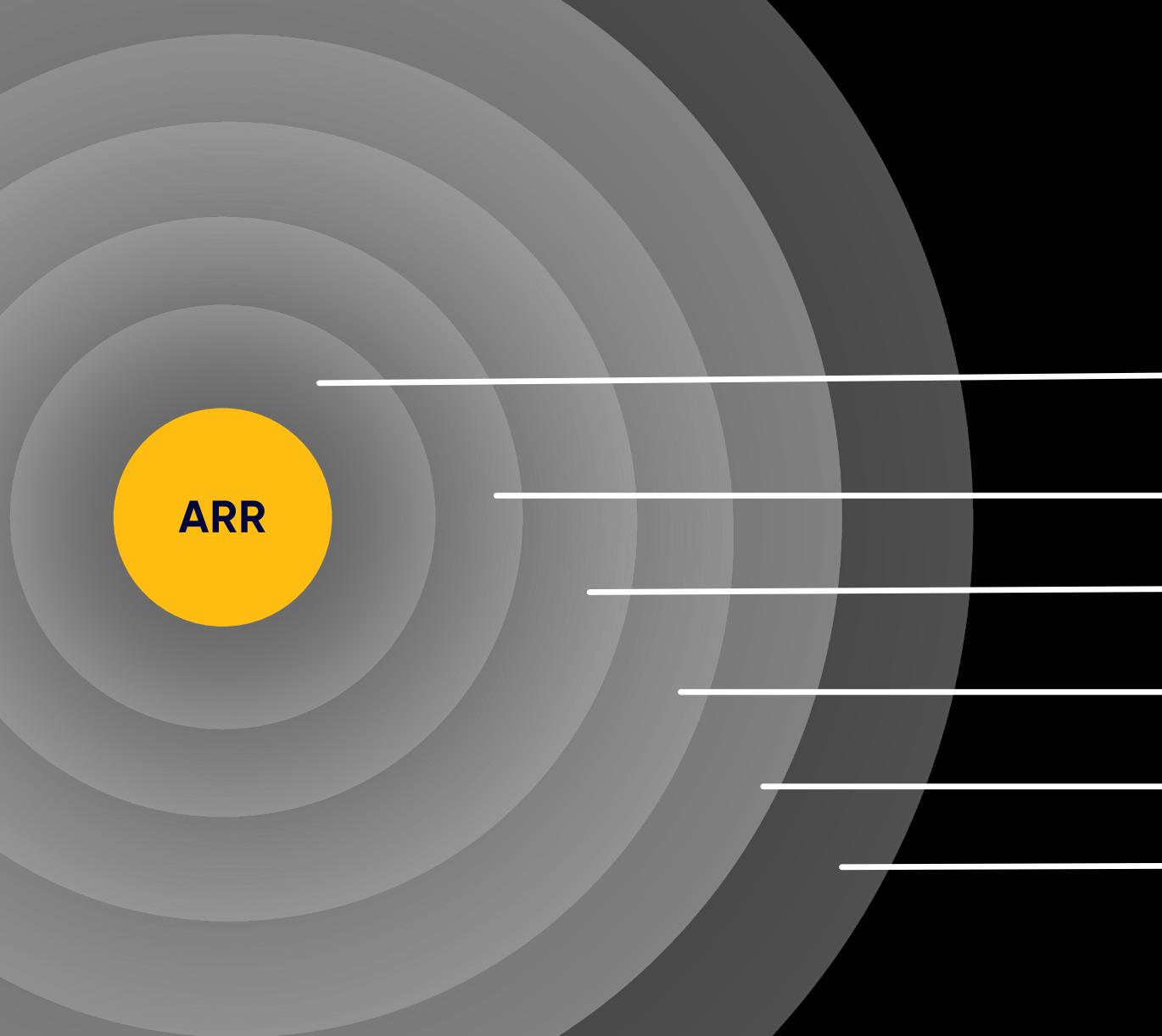
**Strong consistent and
steady profit growth**

**Net Profit Before Tax
growth of 12% to 16%**



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Multiple Platforms for Growth

Strong Net Revenue Retention (NRR)
of 115-120%

\$2b of ARR whitespace in our APAC customer
base

R&D over next 5 years doubles APAC ARR
whitespace from \$2b to \$4b

Solution as a Service is a
gamechanger, lifts ARR by 40%

Strategic acquisitions

Continuing growth in new logos in APAC

Continuing growth in the UK

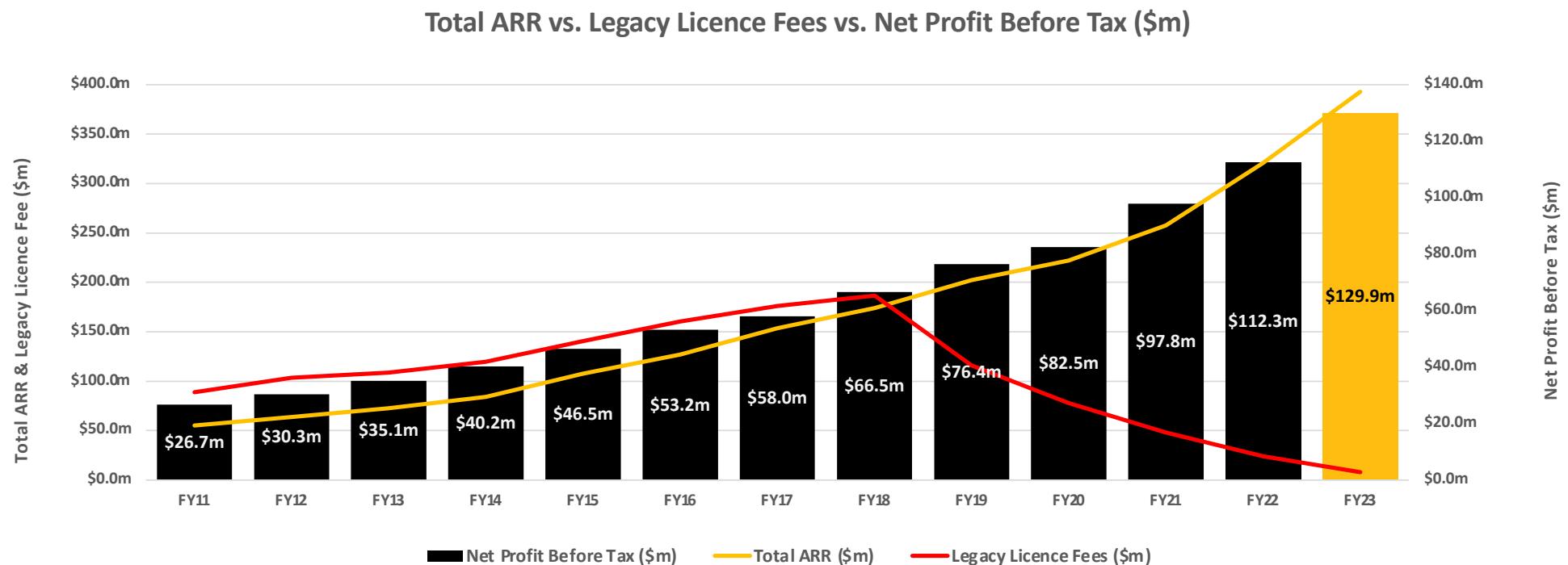
Profit margins to grow to 35%+,
through significant economies of
scale



Appendices

- Appendix A – Transition to SaaS - Careful reduction of legacy licence fees
- Appendix B – Consulting Profit
- Appendix C – R&D Disciplined and Transparent
- Appendix D – Long History of Strong Cash Flow Generation
- Appendix E – Results Analysis and Key Metrics
- Appendix F – Drivers for Long Term Growth
- Appendix G – Scientia Acquisition Accounting Impacts
- Appendix H – Glossary

Appendix A: Transition to SaaS – Careful reduction of legacy licence fees

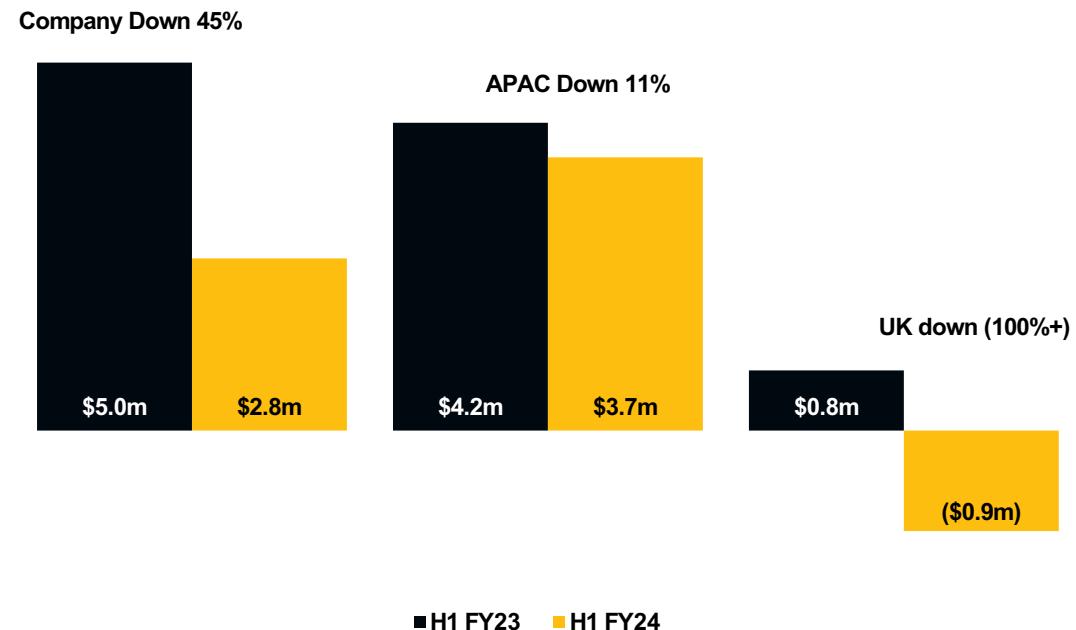


Appendix B:

H1 FY24 Consulting Profit of \$2.8m

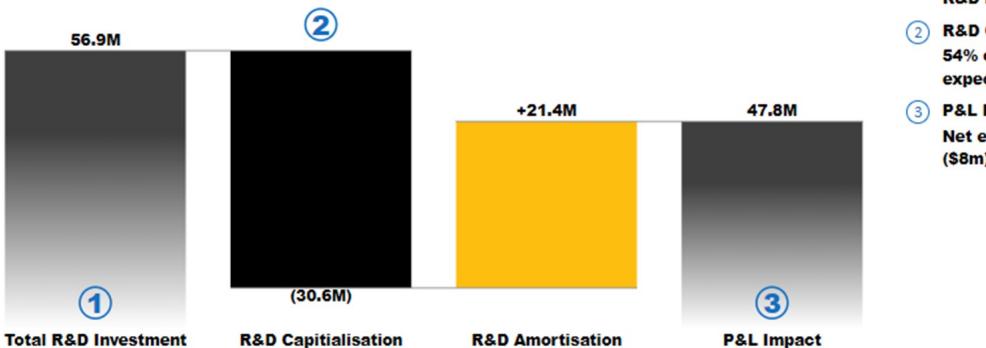
New Project and AMS

Profit as planned as we make the careful and strategic transition from traditional consulting to SaaS+



Appendix C: R&D Disciplined and Transparent

H1 FY24



- ① Total R&D Investment 56.9M ▲
R&D investment up 15% Pcp
- ② R&D Capitalisation (30.6M) ▼
54% capitalised, in line with expectations
- ③ P&L Impact 47.8M ▲
Net expense through P&L, up 20% (\$8m) on pcp

Highly Disciplined approach to R&D

We expense maintenance and research.

We only capitalise development based on actual timesheets for eligible projects.

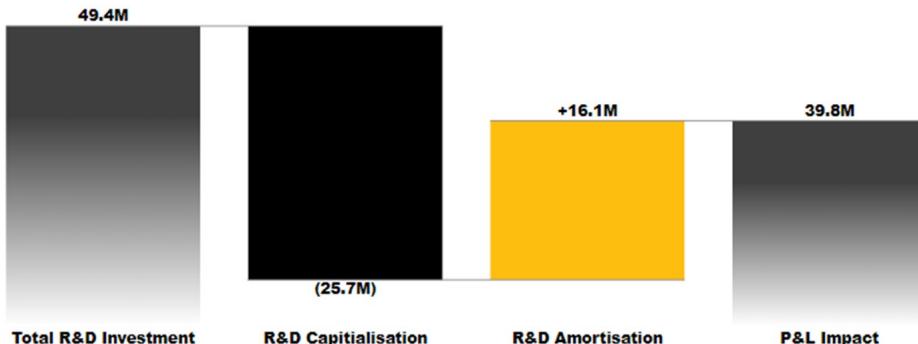
Capitalisation and amortisation are independently audited along with Financial Statements.

Because we are a SaaS ERP provider, we expect the norm to be as follows:

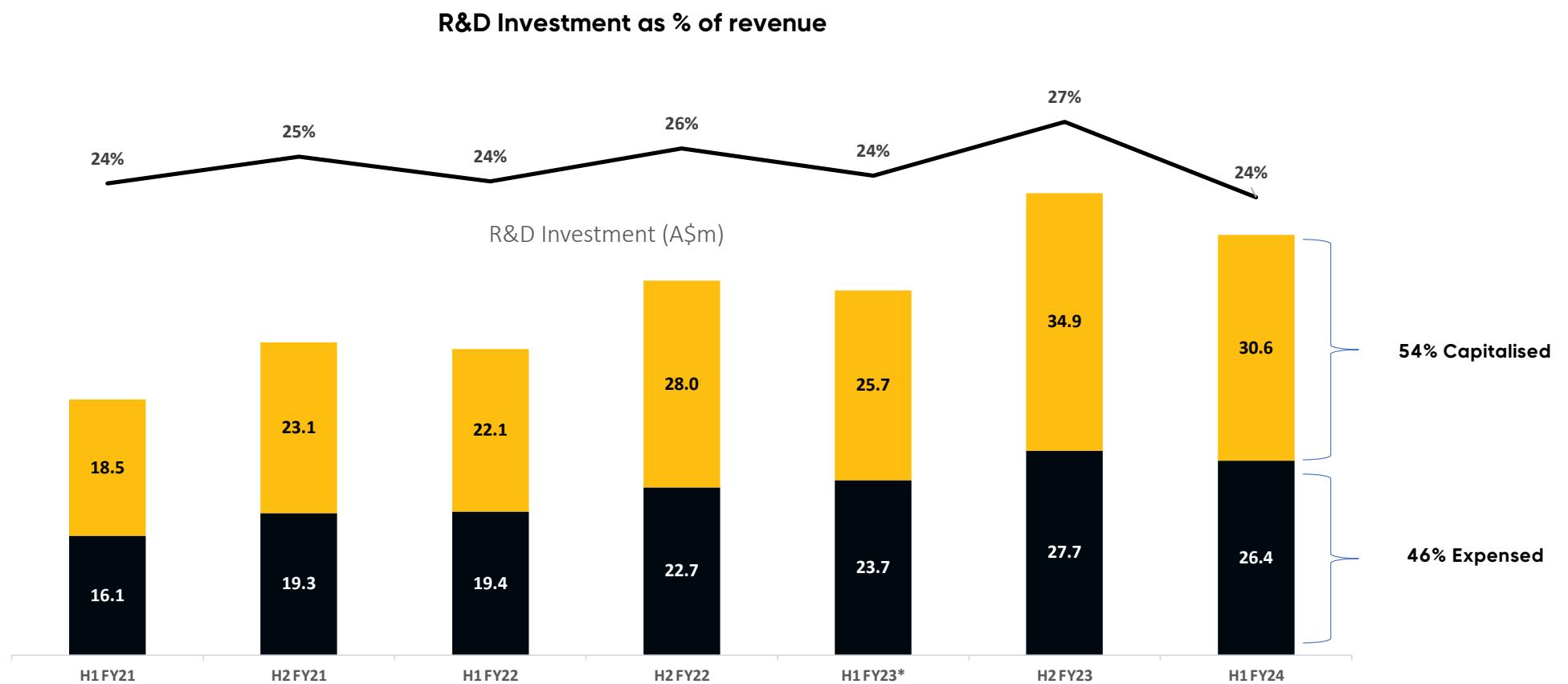
- The expected range of capitalisation is 50-55%
- Five year amortisation period

If we vary from this we will provide detailed reasons.

H1 FY23



Appendix C: R&D Investment

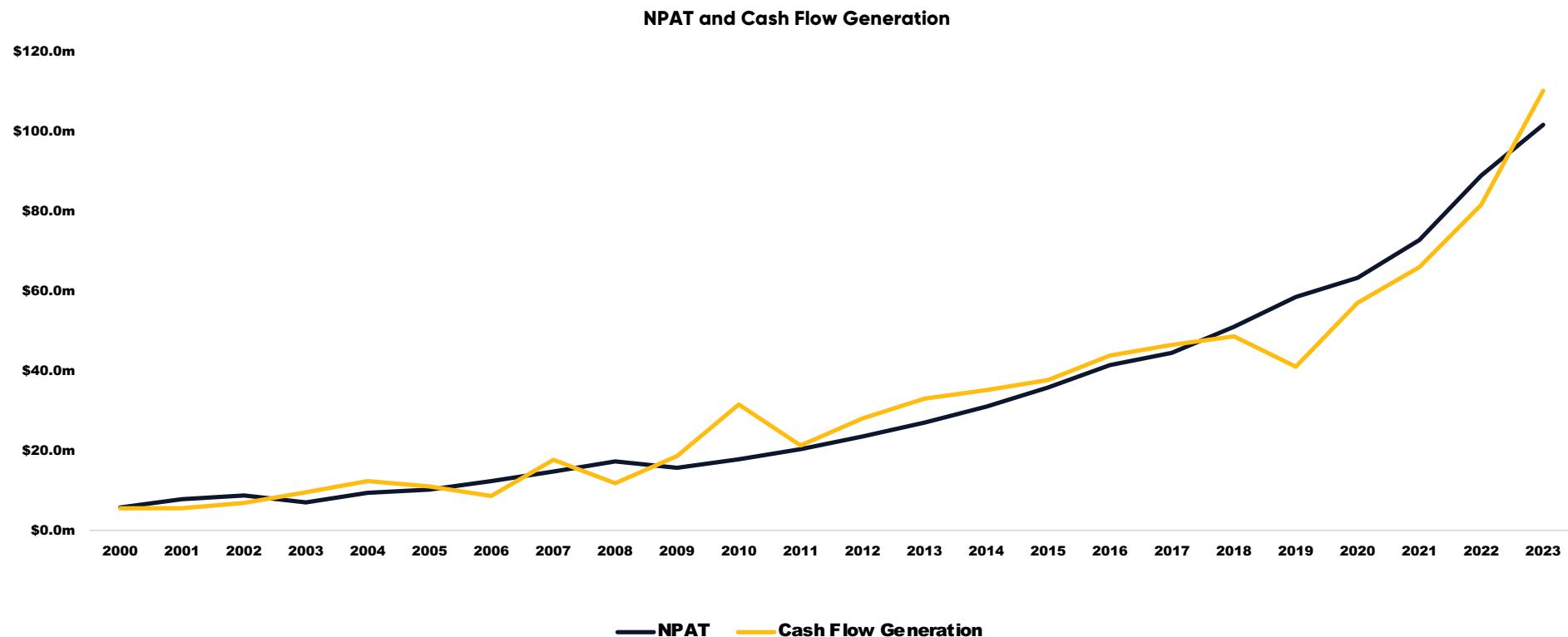


Appendix C: R&D Disciplined & Transparent

	Software			Amortisation Expense (\$'000)	Amortisation Period Years	Net Expense through P&L (\$'000)
	R&D Development - Investment (\$'000)	R&D Development - Capitalised (\$'000)	Percent Capitalised %			
FY21	77,005	41,858	54.4%	13,429	5	48,576
FY22	92,197	50,060	54.3%	23,400	5	65,537
FY23	111,995	60,605	54.1%	34,055	5	85,445
	(\$'000)	(\$'000)	%	(\$'000)	Years	(\$'000)
H1 FY23	49,388	25,701	52.0%	16,077	5	39,764
H1 FY24	56,929	30,562	53.7%	21,446	5	47,813

Appendix D: Long History of Strong Cash Flow Generation

Cash Flow Generation¹ will continue to grow as NPAT² grows



¹ Cash flow generation is operating cash flow from operations less capitalised development costs, capitalised commissions and lease payments

² This graph shows previously reported NPAT to FY18 and has not been restated for AASB 15

Appendix E:

H1 FY24 Results Analysis and Key Metrics

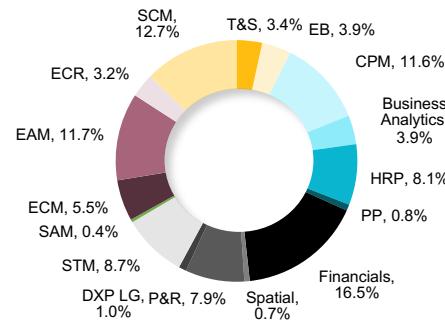
	H1 FY24	H1 FY23	Var		H1 FY24	H1 FY23	Var
	\$'000	\$'000	%	EPS (cents)	\$'000	\$'000	%
Revenue excl interest	240,954	208,710¹	15	Dividend (cents per share)			
					14.75	12.73	16
Expenses (excl R&D, interest, D & A)	123,297	107,378²	15	Interim dividend	5.08	4.62	10
				Dividend Payout Ratio	34%	36%	(2pts)
EBITDAR	117,657	101,332	16	ROE			
					15%	16%	(1pts)
EBITDAR Margin	49%	49%		Balance Sheet			
R&D Expenditure (before capitalisation)	56,929	49,388	15	Net Assets	317,450	253,458	25
R&D as % of Revenue ³	24%	24%		Cash & Investments	172,000	139,131	24
R&D Capitalisation	30,562	25,701	19	Cash Flow Generation ⁴	(3,789)	1,329	
EBITDA	91,290	77,643	18				
EBITDA Margin	38%	37%					
Depreciation	1,944	1,369	42				
Amortisation	30,678	24,111	27				
EBIT	58,667	52,163	13				
Net Interest Income / (Expense)	2,861	584		¹ H1 FY23 revenue includes a gain of \$7.4m due to the reversal of contingent consideration (earnout) related to Scientia			
Profit Before Tax	61,529	52,747	17	² Expenses includes derecognition of acquired intangible assets of \$6.8m related to Scientia			
Profit After Tax	48,003	41,281	16	³ R&D as % of revenue exclude interests based on R&D expenditure before capitalisation			
				⁴ Cash Flow Generation is Operating Cash Flow less capitalised development costs, capitalised commission costs and lease payments			

Appendix F: Drivers for Long Term Growth

Diversified revenue streams

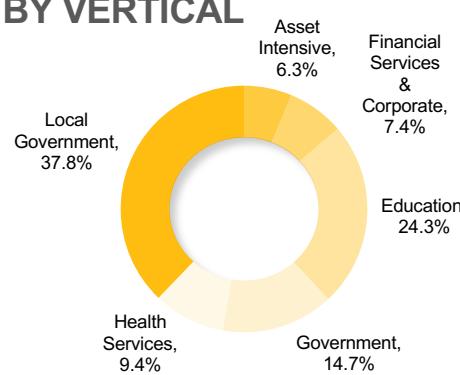
Increase Product Penetration
16 Licensable products¹
Over 500+ licensable modules

BY PRODUCT

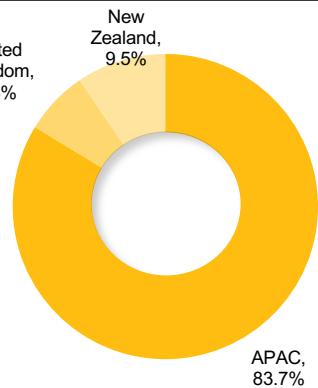


Increase Market Penetration
6 Vertical markets¹

BY VERTICAL



Expand Geographies
APAC & UK¹



Strong,
very loyal
customer
base

PROVIDES MISSION CRITICAL SOLUTION – 'STICKY CUSTOMER BASE'

99 %+ CUSTOMER RETENTION RATE

90 %+ OF OUR REVENUE IS NOW SAAS and RECURRING²

TECHNOLOGYONE GLOBAL SAAS ERP SOLUTION

¹ Based on total ARR

Appendix G: **Scientia Acquisition Accounting Impacts**

Scientia was an excellent acquisition:

- ✓ A world class Timetable and Scheduling product, with a broad customer base and strong cash flows.
 - ✓ The acquisition has opened the opportunity to sell our ERP (primary focus is Student Management) into the ~100 acquired Scientia customers in the UK alone.
 - ✓ Further enhances our Student DXP offering which is in development.

The sellers did not achieve their aggressive earnout targets, but exceeded our business case on many facets:

- contingent consideration reversed (\$7.4m gain).
 - acquired intangible assets were derecognised (\$6.8m expense).

	TechOne (excl Scientia Write-back)				Scientia Write-back				TechOne (incl Scientia Write-back)			
	H1 FY24	H1 FY23	Var \$	PCP %	H1 FY24	H1 FY23	Var \$	Var %	H1 FY24	H1 FY23	Var \$	PCP %
Total Revenue	244,771	202,901	41,870	21%	0	7,400	-7,400		244,771	210,301	34,470	16%
Total Expenses	183,242	150,753	32,489	22%	0	6,800	-6,800		183,242	157,553	25,689	16%
Profit before tax	61,529	52,147	9,382	18%	0	600	-600		61,529	52,747	8,782	17%

Appendix H:

Glossary

Annual Licence ARR	Annual Recurring Revenue relating to annual licence fees for On-premise customers
APAC	Asia Pacific – Includes Australia, New Zealand, Malaysia and the South Pacific
ARR	Annual Recurring Revenue
Cash Flow Generation (CFG)	Cash flow from Operating Cash Flow less capitalised development costs, capitalised commission costs and lease payments
Churn	Lost customers
CPS	Cents per share
DXP	Digital Experience Platform
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EBITDAR	Earnings before interest, taxes, depreciation, amortisation, and research and development costs
EPS	Earnings per share
Legacy Licence Fees	On-premise licence fees / Perpetual licence fees
LG DXP	Local Government Digital Experience Platform
NPAT	Net Profit After Tax
NRR	Net Revenue Retention
PBT	Profit Before Tax
PCP	Prior Corresponding Period
R&D	Research & Development
ROE	Return on Equity
R4Q	Rolling Four (4) Quarters
SaaS ARR	Annual Recurring Revenue relating to customers on SaaS
SaaS +	Solution as a Service
TAM	Total Addressable Market

