

2017 Annual General Meeting

year ending 30 Sept 2017

Adrian Di Marco
Executive Chairman
Chief Innovation Officer

Edward Chung
Chief Executive Officer

technologyone
Transforming business, making life simple

27 February 2018
Commercial in confidence
Final.05

Delivering a
Cloud first,
mobile first world

Disclosure Statement

Technology One Ltd Annual General Meeting – 27 February 2018

Technology One Ltd (ASX: TNE) today conducted its Annual General Meeting at the Brisbane Convention & Exhibition Centre.

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

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Agenda

- Results
- Significant Achievements
- Outlook for 2018
- Rem & Corporate Governance
- Other Matters
- Long Term Outlook

Delivering a
Cloud first,
mobile first world



8 consecutive years of:

Record revenues
Record licences
Record profit

**Our cloud first, mobile first strategy is
driving our strong results**

Annual cloud
subscription
revenue up 84%

Our cloud business continues
to grow strongly.

UP **10%**
Revenue
273m

UP **9%**
NPBT
58m

UP **22%**
Underlying
profit
65m

UP **8%**
Dividends
10.2 cps

18 YEARS of consecutive
record revenues

Profitable since
1992

UP **84%**
Annual Cloud
Subscription
18.6m

UP **10%**
Licence fees
62m

UP **11%**
Annual Licence fees
120m

Total
Consulting
Inline
71m

UP **13%**
Cash & Cash
Equivalents
93m

UP **6%**
Operating
Cash flow
46m

21%
PBT margin

59%
Return on Equity
(adjusted)

Total Dividend Up 8%

Dividends for the 2017 year:

Half 1 2.60 cps up 10% (75% franked¹)

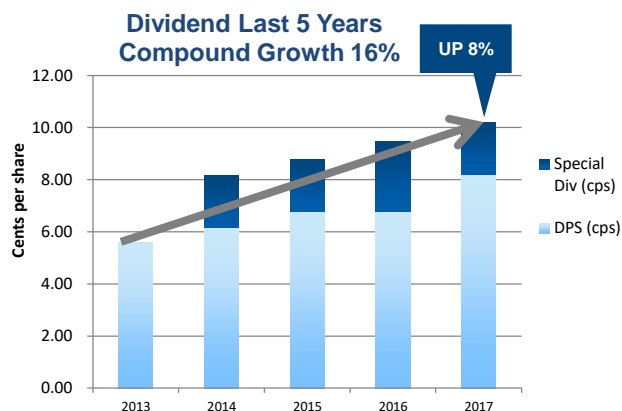
Half 2 5.60 cps up 10% (75% franked¹)

Total 8.20 cps up 10%

Special 2.00 cps (75% franked¹)

Total 10.20 cps up 8%

Dividend payout ratio is 72%



We have continuously paid a dividend for 22 years - through Dot-Com and GFC

Notes

- ¹We have paid less tax due to the R&D Tax Concession and the TechnologyOne Share Trust. We expect 2019 dividend to be fully franked again.
- 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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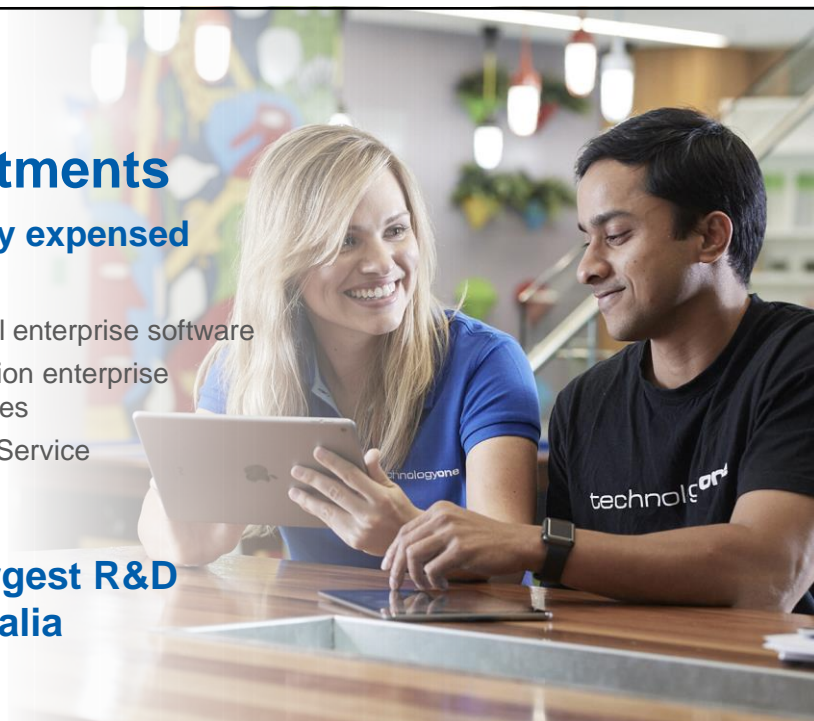
Significant investments

R&D¹ of \$50m, up 8% fully expensed

- Ci - our existing very successful enterprise software
- Ci Anywhere - our new generation enterprise software for smart mobile devices
- TechnologyOne Software as a Service

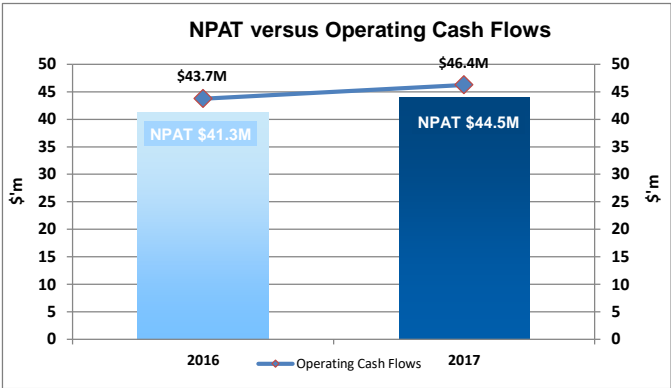
We have one of the largest R&D centres in Australia

¹R&D was \$46.0m in 2016



Operating Cash Flow strong

\$46.4m, up 6% (\$2.7m)



Converting Profit
Into Cash

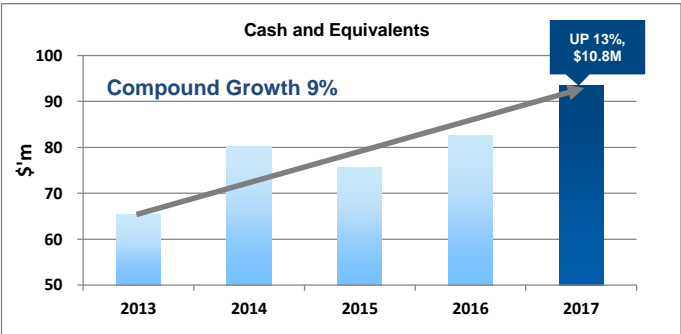
Operating Cash Flow once again exceeds Net Profit After Tax of \$44.5m

- Our target ratio is 1:1

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Balance Sheet Strong

Cash & Equivalents \$93.4m up 13% (\$10.8m)



- Net Cash: 29.6c/s (vs. 26.5c/s)
- Debt/Equity: 0.01% (vs. 0.02%)
- Net Assets: \$157.5m (vs. \$138.5m, up \$19m)
- Interest Cover: 1192 times
- Adjusted Return on Equity 59%

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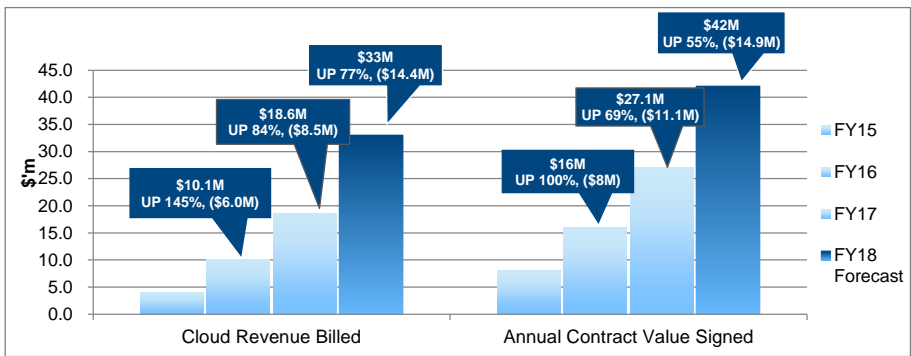
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TechnologyOne Cloud Growing Strongly

Annual Contract Value of \$27.1m, up 69%
Added 112 new cloud customers



Target ACV of
\$42+m in 2018

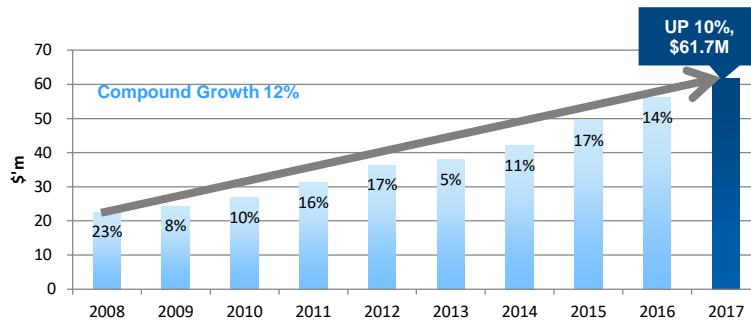
Target ACV
of \$143+m
in 2022

- As previously stated focus has moved from ACV growth to Profit growth
- Added 112 new cloud customers: 270 vs 158 at 30 Sept 2016
- New Customer this year: 112 includes the Department of Industry, Flinders University, Cumberland Council & Moreton Bay District Council
- Our mass production architecture is now in operation
- First enterprise vendor to be audited and recommended for certification to the Federal Government IRAP security standard
- Platform to generate significant profits in the coming years

¹incremental revenue to run our software in our cloud.
Does not include associated licence Fees

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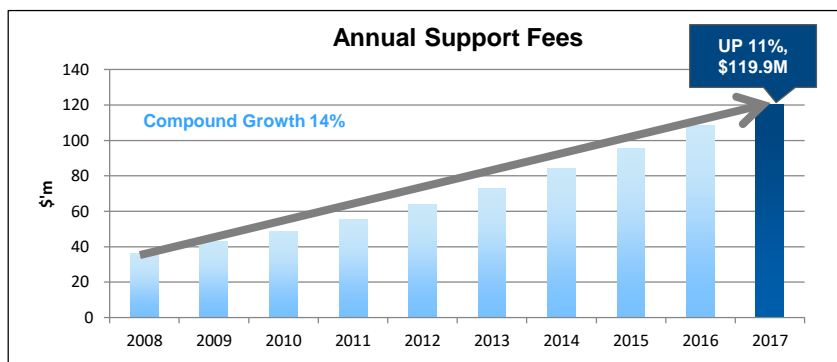
Initial Licence Fees Up 10% 14th consecutive year of strong L/Fee growth



- Continued strong sales in Local Government: \$40m of new contracts (inc services) including Moreton Bay Council, Shoalhaven Council, NSW Amalgamations.
- Continued strong sales in Federal Government: DIIS and Treasury are providing shared services to other departments using TechnologyOne SaaS
- Continued strong sales into Education: Victoria Uni, Uni of Sussex, Sydney Catholic Schools
- Added 50 new customers, of which 7 replaced systems from Oracle, SAP, Microsoft & INFOR
- First enterprise vendor to be audited and recommended for certification to the Federal Government IRAP security standard which will drive significant licence & cloud sales in the coming years
- Pipeline for 2018 year is strong

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Annual Licence continues grow strongly: up 11%



- Compound growth over the last 10 years is 14%
- Customer retention is important – remains at 99+%
- Ci Anywhere and TechnologyOne Cloud are critical to the ongoing retention of customers

¹Impacted by BCC (\$1.2m) - excluding BCC would have been up 12%

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Enterprise software as a service

- Profit of \$2.5m vs a loss of \$2.2m pcp**
Profit of \$5m+ this year



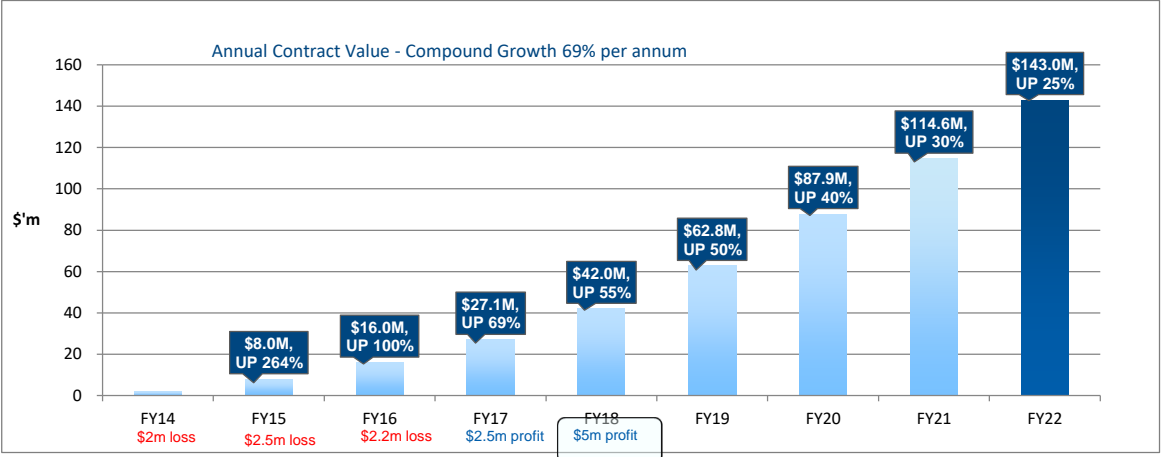
versus 158 customers pcp



Annual Cloud Subscription 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



\$143m / year (recurring) in 2022, recalibrated by financial year

Ci Anywhere

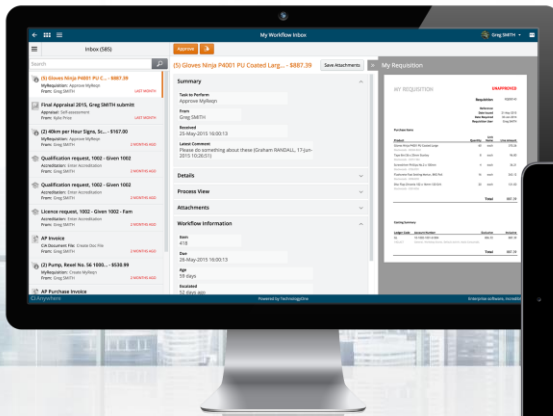
Any device
Any where
Any time

Absolutely essential
in 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.

- 2016B & earlier releases progressively de-commissioned by mid 2017
- 2017A progressively being rolled out
- 2018A under development – tentative release date half 1 2018
- Deliver all remaining functionality late 2018
 - Significant competitive advantage
 - We are the only ERP vendor committing 100% of our ERP functionality across all mobile devices



Showcases

Insights, Inspiration, Innovation

- ✓ Following success of Evolve
- ✓ Create sales momentum for TechnologyOne Cloud and Ci Anywhere
- Solution showcases delivered for Brisbane, Sydney, Melbourne. Approx cost was \$1m
- Remaining showcases planned to late 2018 to continue momentum: New Zealand, ACT, UK

Capitalising on Evolve

Consulting

Significant upside in future years

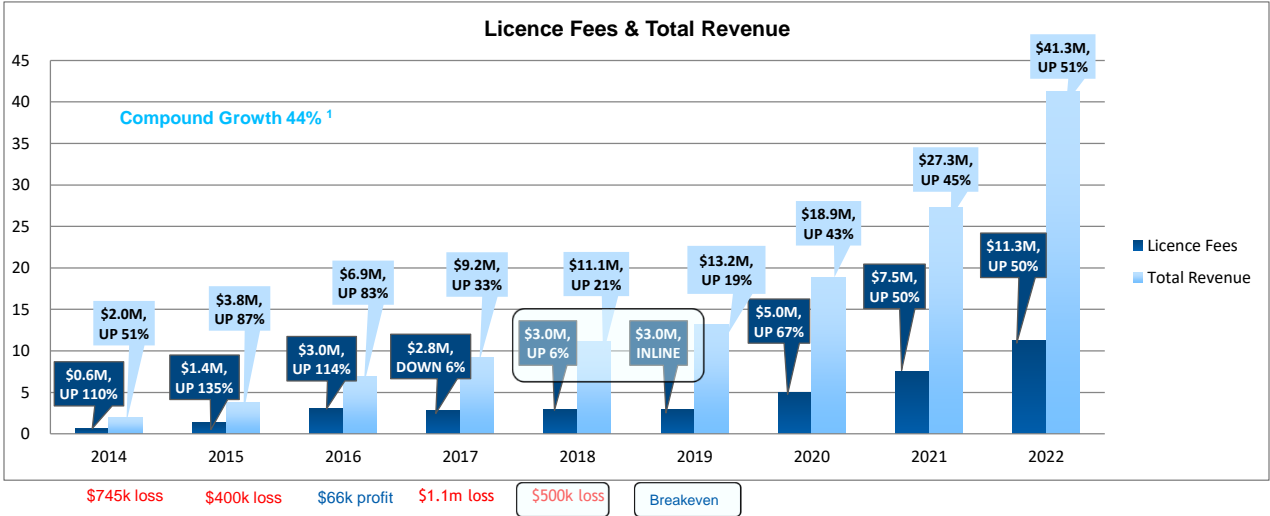
- Consulting profit \$5.3m, down 46% (\$4.5m)
- Consulting has not kept up with growth of the business
- Initial focus: return to profit growth
- Medium term goal is profit margin to be approx. 20%
 - E.g. 2017 revenue of \$72m, profit of \$14.4m vs \$5.3m actual
- Implementing new strategy, business processes and methodologies to handle our fast growing business
 - Separation into 2 focused / separate business units
 - Consulting New Customers vs Consulting Existing Customers
 - Different culture, systems, processes, methodologies
 - Significantly more disciplined approach including our successful 'countdown' approach

United Kingdom

- Our 'blue ocean' strategy works in the UK
 - Provide a total ERP solution for higher education & local government
 - 6 new customers, all of which are on the TechnologyOne Cloud
- UK loss \$1.1m - flow on effect from the broader consulting issues discussed earlier
- 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 from UNIT4 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..
 - Regionalisation will now be completed late 2018 (additional 12 months)
 - ✓ Very selective on the new business we bid & contract for over the next 2 years

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

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

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Outlook for 2018 Year Assumptions

- TechnologyOne Cloud First, Mobile First strategy is gaining strong traction
- Cloud continues to grow strongly and profitably
 - Cloud profit of \$5m expected vs \$2.5m (2017) vs \$2.2m loss (2016)
- Consulting expected to return to strong profit growth
 - Consulting was \$5.3m, down \$4.7m pcp
- The pipeline for 2018 supports continuing strong profit growth

Outlook for 2018 Year

Full Year - Strong Profit growth to continue in 2018

- We expect to see strong continuing growth
- There was a significant number of deals close earlier than normal in 2017 half 1¹ and we do not expect this happening in 2018. As such we expect the first half of 2018 will not be indicative of the full year results
- We will provide further guidance with the first half results

¹ Half 1 2017 licence fees were up 30%

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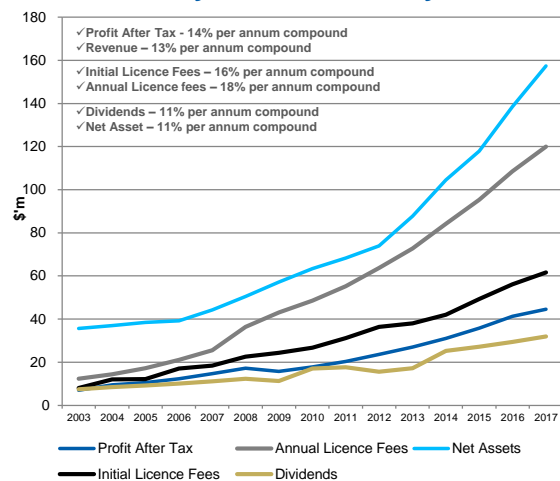
Remuneration & Corporate Governance

This has been critical to our success over last 30+ years

- ✓ Company doubling in size every 5 years
- ✓ Created substantial shareholder wealth
- ✓ TechnologyOne executive pay is in the mid to lower quartile of our peers
- ✓ Strong alignment between shareholder returns and executive compensation
- ✓ Proven to be very effective

**TSR of 22% compound per year
Over last 15 years**


Key metrics last 15 years



TechnologyOne continues to evolve our Remuneration and Corporate Governance framework

- **Substantial changes implemented to our REM driven by Proxy Advisors**
 - ✓ LTIs based on options now issued at market price
 - ✓ Performance hurdles for Long Term Incentives (LTI)
 - ✓ Performance hurdles are all 'hard targets' to generate significant shareholder wealth
 - ✓ Greater level of disclosure on all aspects of Remuneration
 - ✓ Poll now taken at AGM for all resolutions
 - ✓ Mandatory shareholding by directors equal to one year's directors fee
- Executives had a significant portion of their 2017 LTI (i.e. options) forfeited for not meeting hard targets in 2017, even though it was another record year at TNE
- **Board renewal in progress**
 - Carefully manage the renewal of our high performing Board
 - Appointed new independent female director (Jane Andrews)
 - Second independent director on track to be appointed early 2018
 - Third independent director to be appointed early 2019
 - We will continue to focus on gender diversity. Search far & wide, but any appointment will in the end, be to the best candidate irrespective of gender

Seek continued support of our shareholders



Maintaining a high performance culture is challenging as an ASX 150 company

Specifically highlight the substantial changes we have had to make to our Remuneration.



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PLEDGE
1%

1% of Profit,
1% of Time,
1% of Product

technology**one** | foundation

unite | donate | participate

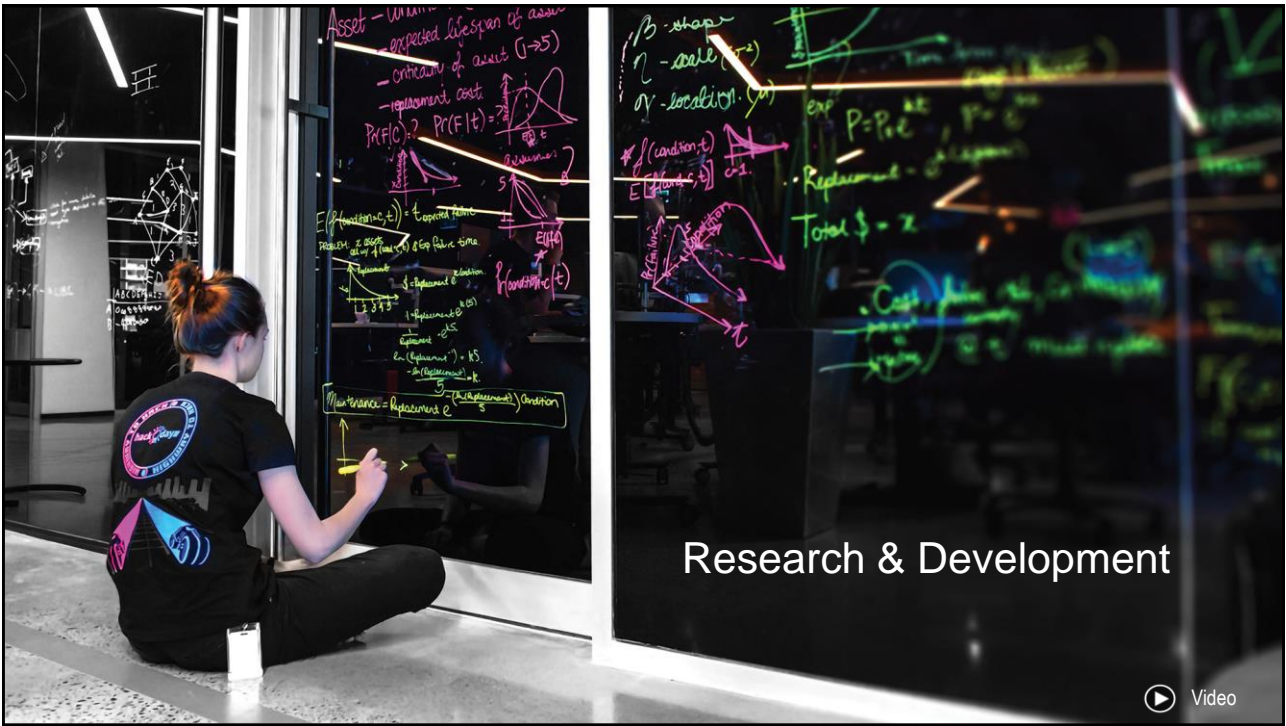


technology**one** | foundation

unite | donate | participate







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**PROUD OF WHAT
WE'VE ACHIEVED.**

**EXCITED ABOUT WHAT
WE'LL CREATE.**

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Clear strategy for continuing long term growth

- ✓ TechnologyOne Cloud mass production architecture is a significant generator of profits in the coming years
- ✓ 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 large customer base
- ✓ United Kingdom

Positioned well for the
future.

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