

2018 Mid Year Presentation

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Chief Executive Officer

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technologyone
Transforming business, making life simple

6 March 2018
Commercial in confidence
Final.05

Delivering a
Cloud first,
mobile first world

Disclosure Statement

Technology One Ltd Mid Year Presentation – 6 March 2018

Technology One Ltd (ASX: TNE) today conducted presentations with UBS Investment Bank Australia.

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

- 2017 Full Year Results Recap
- Outlook for Full Year
- Long Term Outlook
- AGM

Appendix

- Full Year Company Update
- 2017 Full Year Results Detail
- TechnologyOne Overview


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

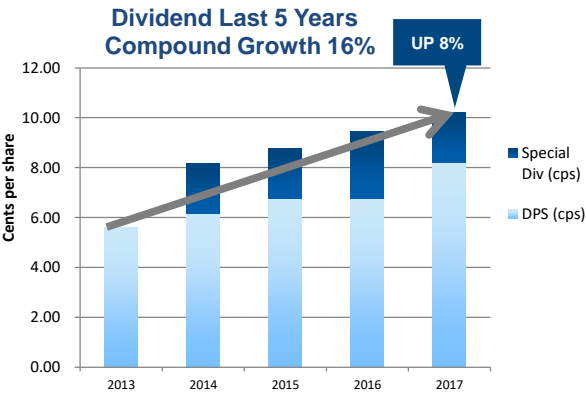
21%
PBT margin

59%
Return on Equity
(adjusted)

Total Dividend Up 8%

Dividends for the 2017 year:

Half 1	2.60 cps up 10%	(75% franked ¹)
Half 2	5.60 cps up 10%	(75% franked ¹)
Total	8.20 cps up 10%	
Special	2.00 cps	(75% franked ¹)
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

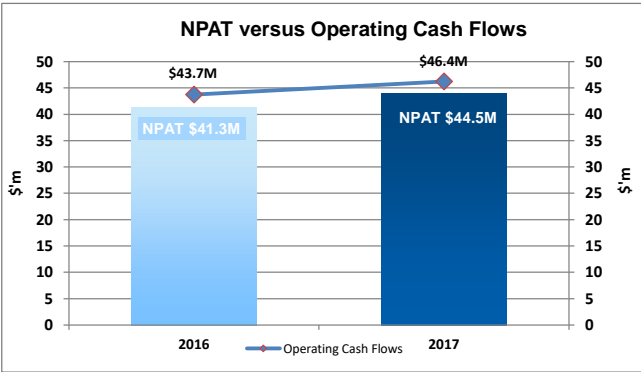
We have one of the largest R&D centres in Australia

¹R&D was \$46.0m in 2016



Operating Cash Flow strong

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



Converting Profit
Into Cash

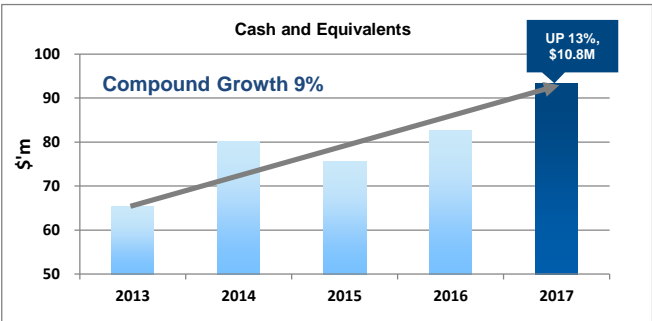
Operating Cash Flow once again exceeds Net Profit After Tax of \$44.5m

- 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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Full Year Results

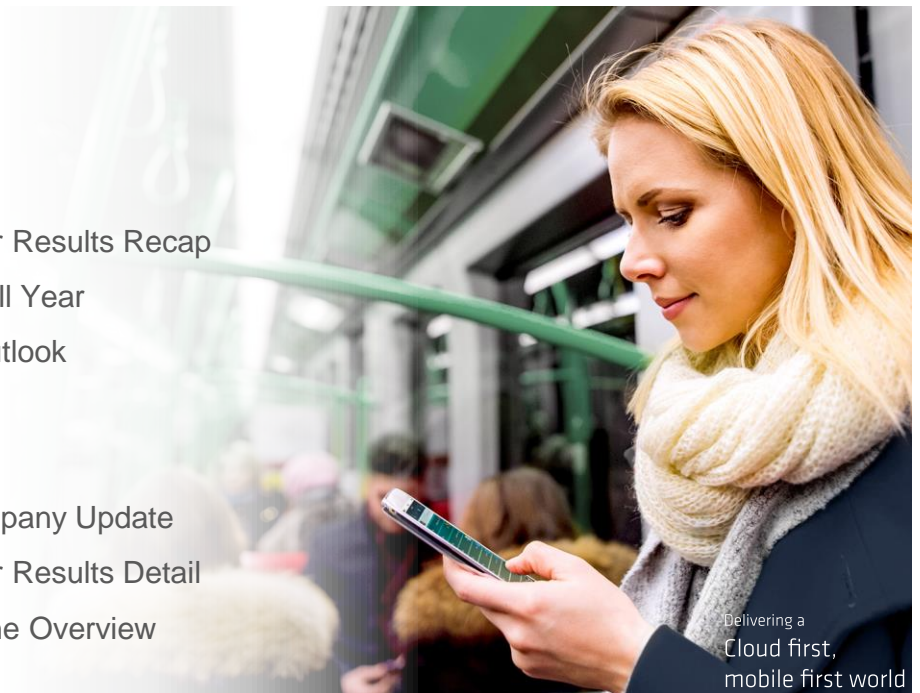
The Full year results are available in greater detail in attached Appendix

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Outlook for Full Year

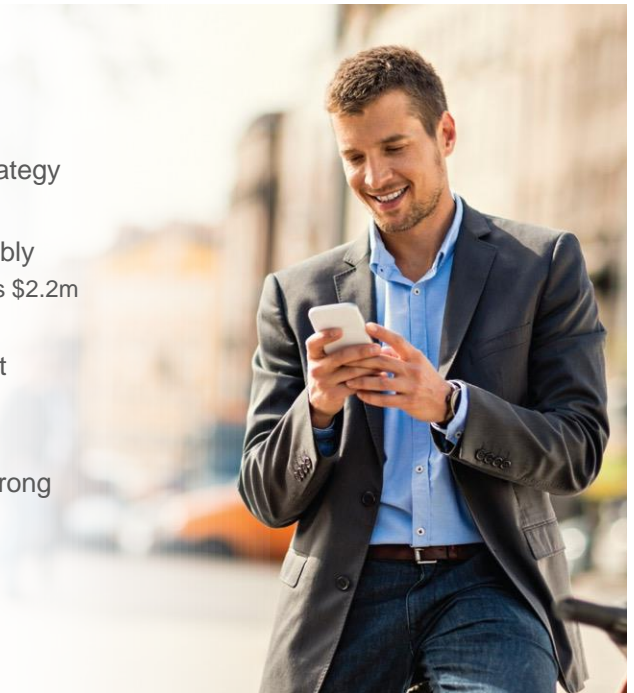
Outlook for the full year remains unchanged

Continuing strong profit growth

Transforming business, making life simple

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%

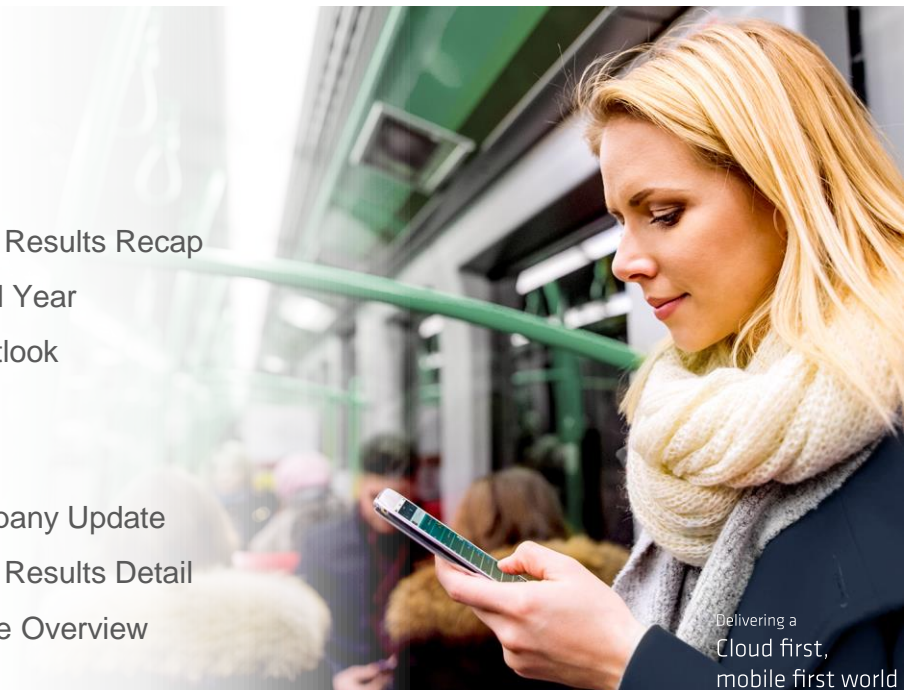
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Delivering a
Cloud first,
mobile first world

Long Term Outlook

Long Term Outlook remains unchanged

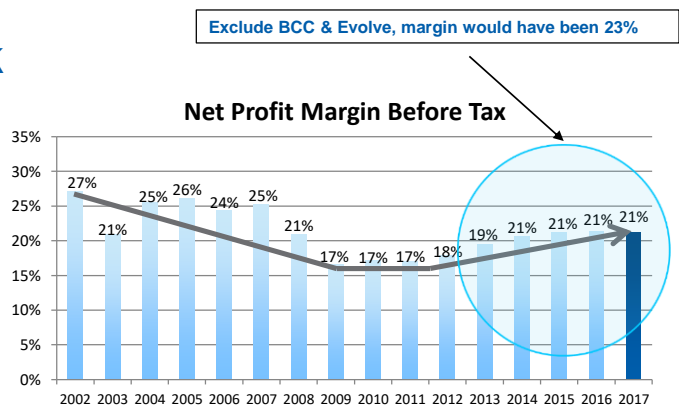
Continuing strong growth and substantial improvement in margin

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Long Term Outlook

Focus is to substantially improve PBT margins through:

- Controlled R&D growth
- Product maturity
- Cloud becomes profitable



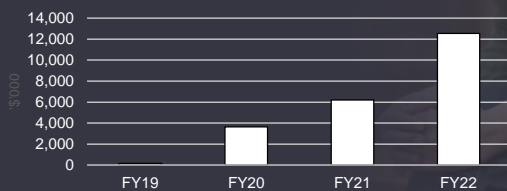
Profit margin to continue to improve to 25% in the next few years

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Future Annual Subscription licenses

- ✓ Stop selling perpetual licences, both On Premise and On Cloud
- ✓ 5 year subscription licences with break fee
- ✓ After 5 years these subscription licences will move to yearly licences, creating a future annuity stream

Future Annual Subscription Licences on completion of 5 year contracts

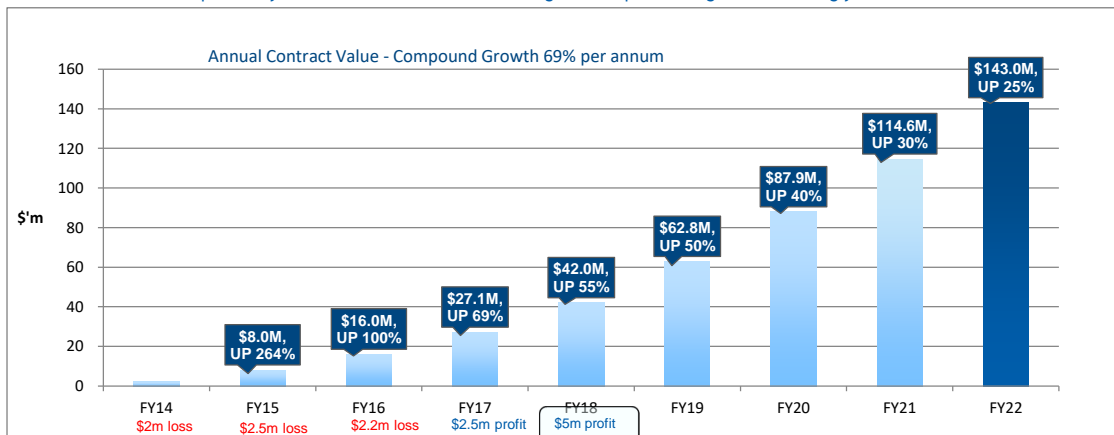


Future subscription income

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Annual Cloud Subscription Fees engine for significant profit growth in the coming years

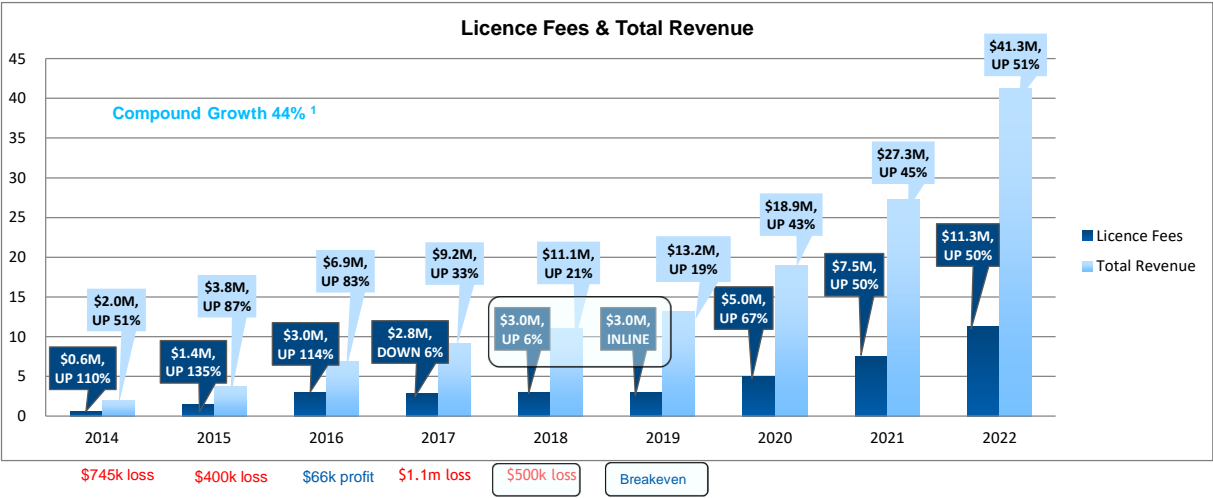
As previously stated focus has moved from ACV growth to profitable growth in coming years



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

UK Licence Fee Growth to 2022

'Customers First'

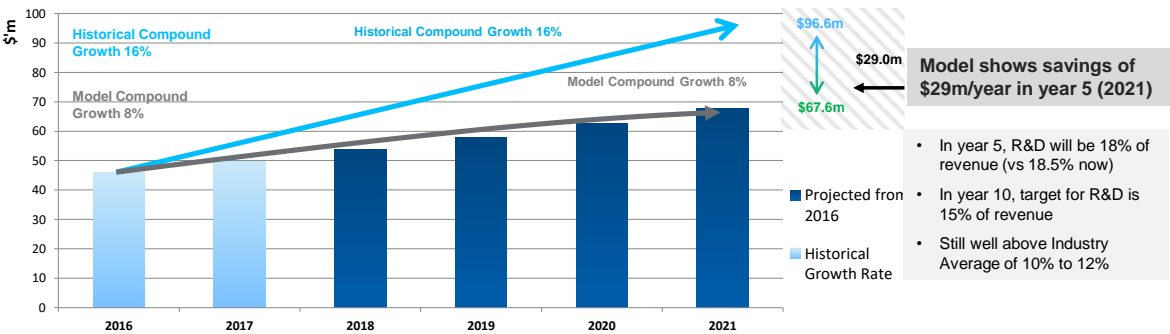


¹Licence Fee Compound Growth

Slow sales growth, and focus on customers. Licence growth will return in the 2020 financial year

R&D¹ Growth from 2016 to 2021

Save \$75m over the 5 year period

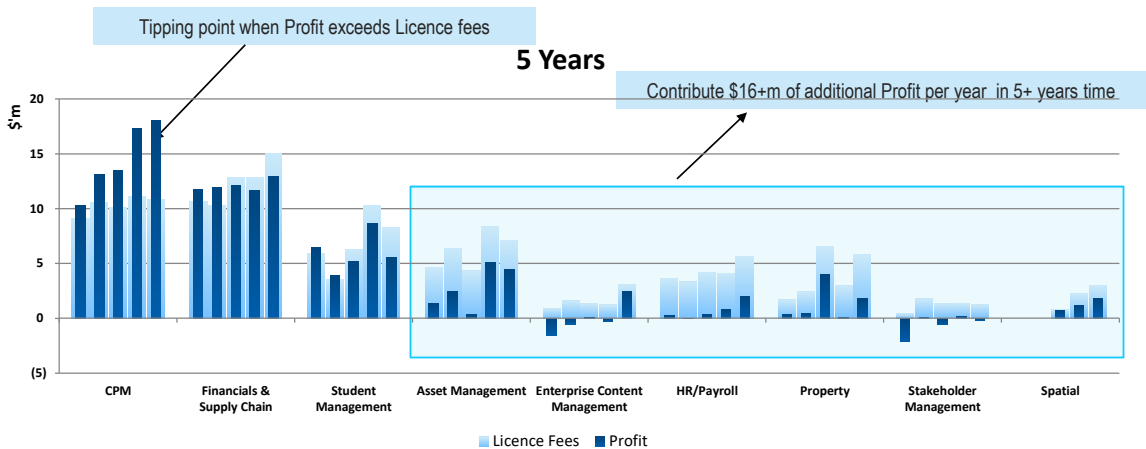


Target for R&D growth of 8% per annum compound

- Included acquisitions to date: JRA, DMS, ICON into the baseline
- Operating leverage, economy of scale, new work practices, off shore R&D centres
- Continues to be a very aggressive R&D program
- Assumes no Acquisitions in next 5 years, and continuing growth in revenue

¹ R&D excluding acquisitions, including R&D product mods / subsidies

Product Maturity



- Significant investment over the last 10 years in Assets, ECM¹, HRP², Property, Stakeholder Management
- Expected these to contribute strongly in the coming years to profitability

¹ Enterprise Content Management

² Human Resources & Payroll

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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.

Delivering a
Cloud first,
mobile first world



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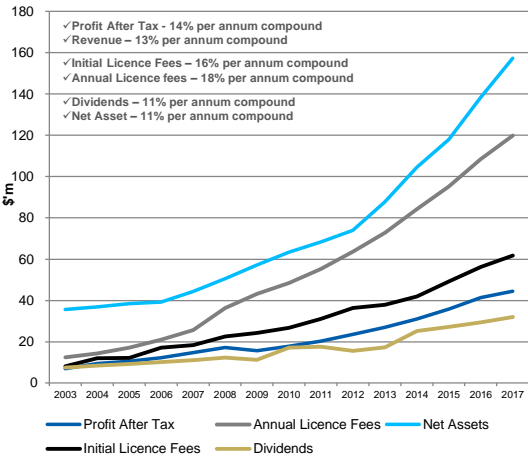
Remuneration & Corporate Governance

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



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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.**



PLEDGE
1%

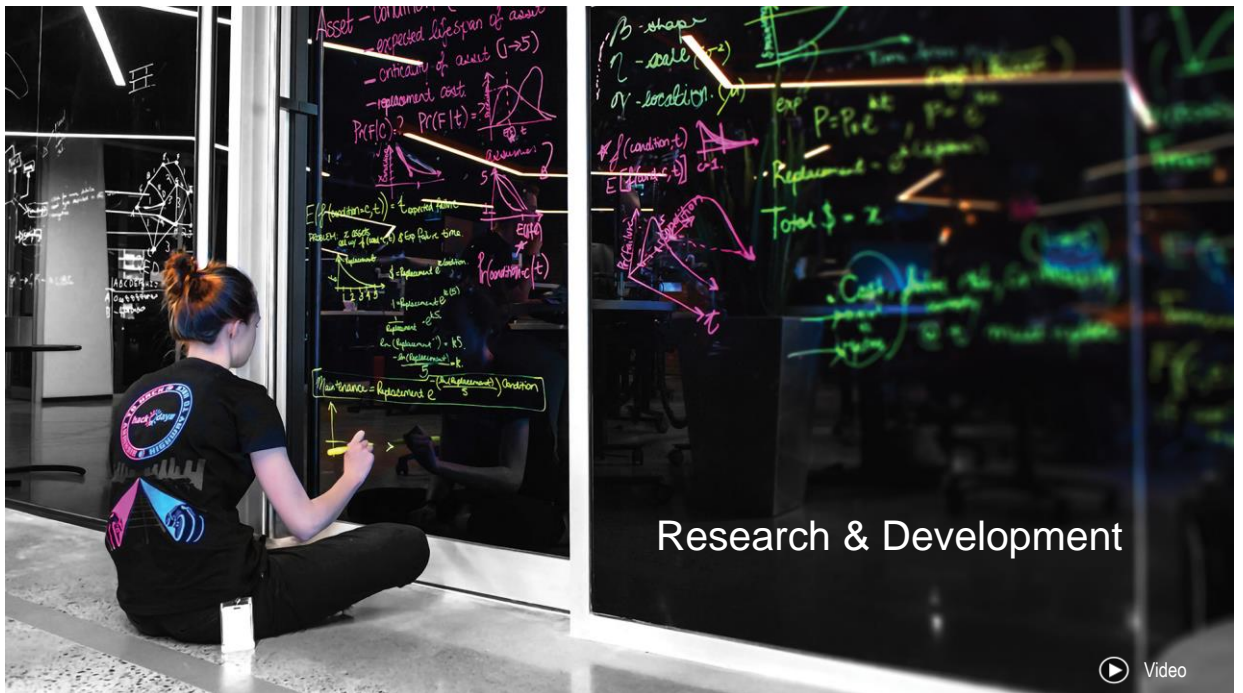
**1% of Profit,
1% of Time,
1% of Product**

technologyone | foundation

unite | donate | participate







Agenda

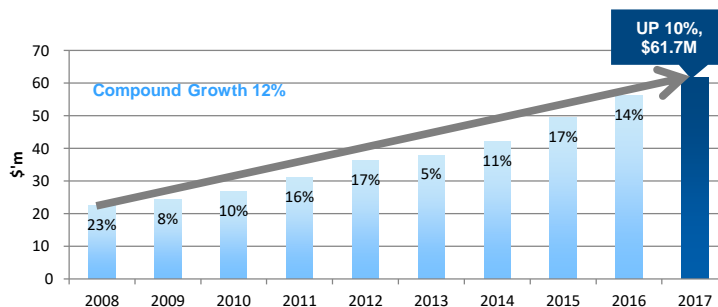
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Initial Licence Fees Up 10% 14th consecutive year of strong L/Fee growth



- Continued strong sales in Local Government: \$40m of new contracts (inc services) including Moreton Bay Council, Shoalhaven Council, NSW Amalgamations. **There was no impact from BCC dispute.**
- 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 the coming years
- Pipeline for 2018 year is strong

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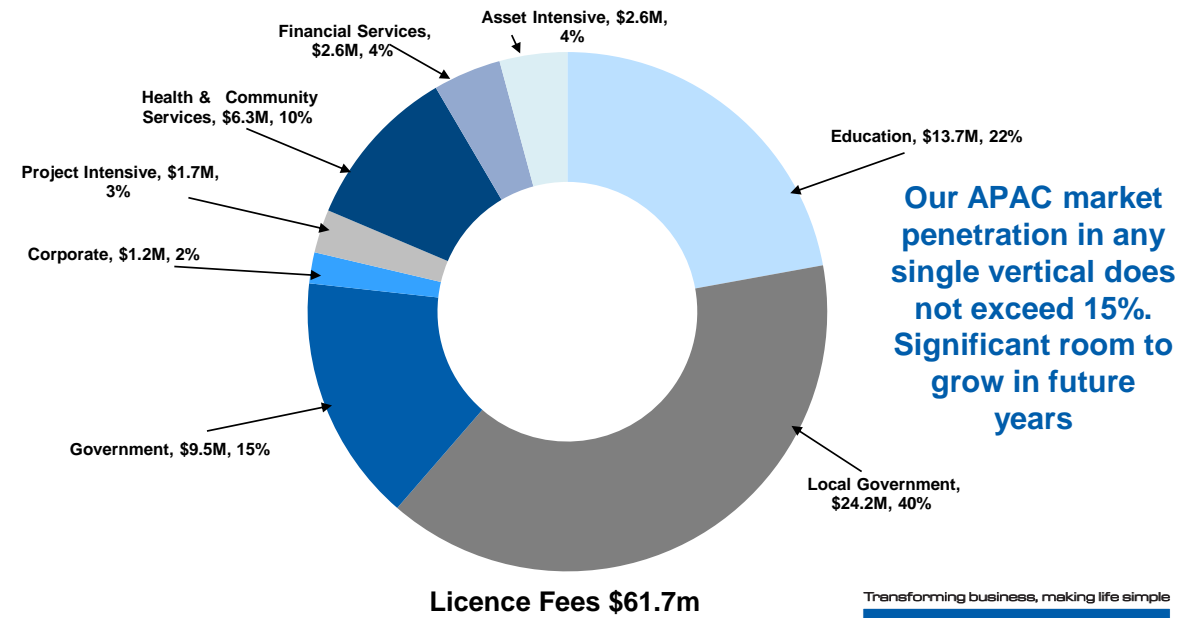
New Customers for 2017 (50)

Adur & Worthing Borough Councils	Horsham District Council	Tasplan Pty Ltd
Australian Institute of Family Studies	Inner West Council	Tasracing Pty Ltd
Australian Naval Infrastructure Pty Ltd	Irrigo Centre Limited	Tilt Renewables Limited
Best Friends Support Services Pty Ltd	Legislature-General (Parliament of Tasmania)	University of Sunderland
Bethesda Hospital Inc	Mercy Health & Aged Care ERP **	University of Sussex
Capital Insurance Group	Mid Sussex District Council	University of Worcester
CEnet - Archdiocese of Hobart	Moreton Bay Regional Council **	Victorian Planning Authority
CEnet - Diocese of Bathurst	Mount Alexander Shire Council	Waratah/Wynyard Council
CEnet - Diocese of Townsville	Mutual Marketplace Pty Ltd	Western Australia Tafe *
CEnet - Diocese of Wollongong	North Eastern Community Hospital Incorporated	WorkSafe New Zealand
CEnet - Sydney Catholic Schools Archdiocese of Sydney	Office of National Assessments	
Charters Towers Regional Council	Rotorua District Council	
Clontarf Foundation	Shoalhaven City Council	
Cumberland Council	SmashCare Australia Pty Ltd	
Department for Child Protection and Family Support	St Vincent de Paul Society (Canberra/Goulburn) Incorporated	
Department of Industry, Innovation and Science **	Statistics New Zealand	
Flourish Australia	SYC Ltd	
Forico Pty Limited	Sydney Motorway Corporation Pty Limited	
Great Lakes Council	Tamaki Redevelopment Company Limited	
HAMBS	Tasmanian Irrigation Pty Ltd	

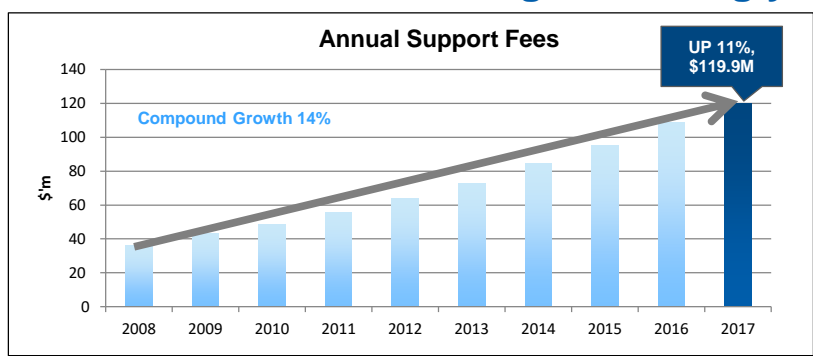
Excluding acquisitions * New to Existing ** Existing Subscription

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Licence Fee Contribution



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%

TechnologyOne Cloud

Enterprise software as a service

- ✓ TechnologyOne Cloud 5.0+ introduced the start of our mass production Software as a Service offering
- ✓ Have now migrated majority of customers seamlessly from Cloud 1.0, 2.0, 3.0, 4.0, 5.0 to Cloud 6.0
- ✓ Cloud 7.0 now released
 - ✓ Increased security accreditation: IRAP and PCI
 - ✓ Only SaaS vendor to achieve this high level of security accreditation in Australia
- Cloud 8.0 under development release H1 2018
 - Increased scalability, reliability and efficiencies, to drive profit growth
- Profit of \$2.5m vs a loss of \$2.2m pcp
- Profit growth to continue strongly in new year



270 customers on TechnologyOne Cloud

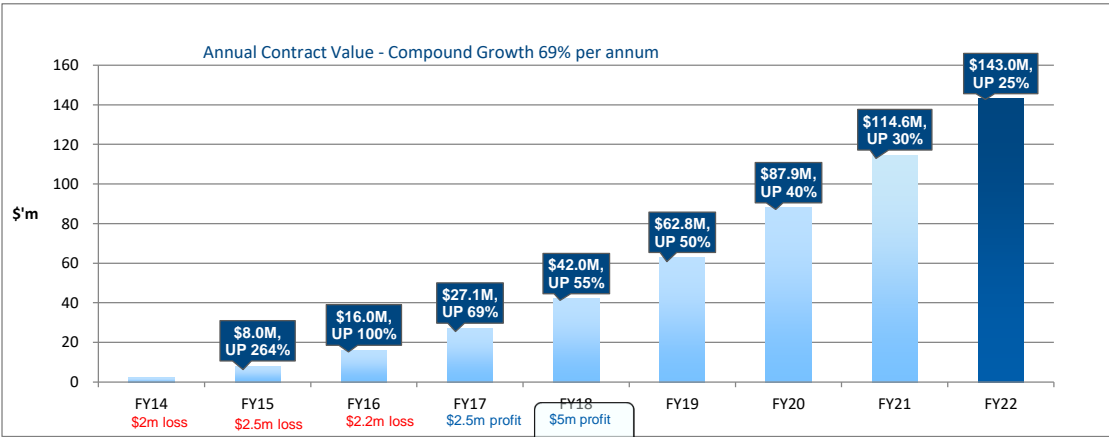
versus 150 customers pcip



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

Transforming business, making life simple

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



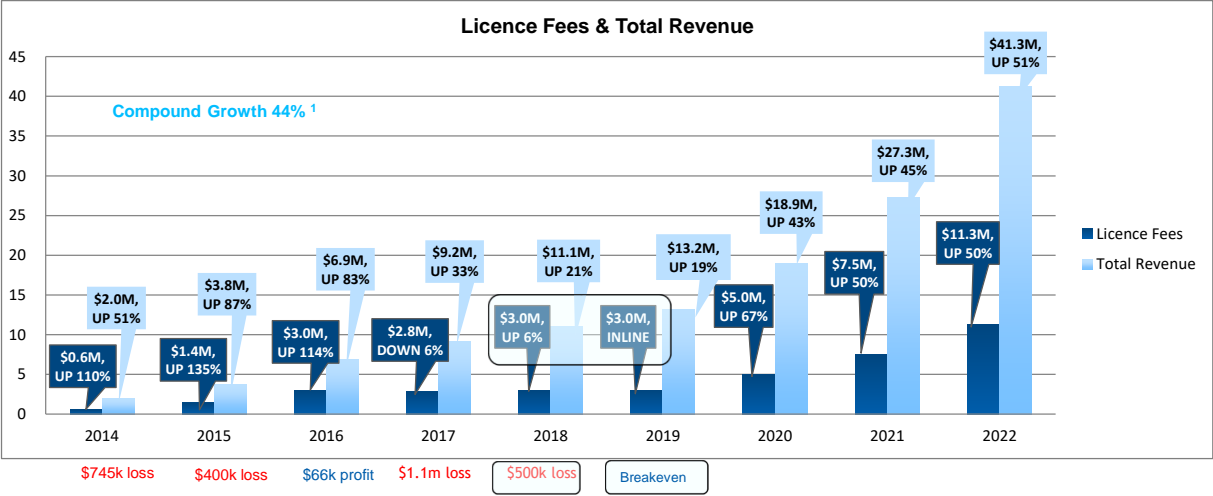
United Kingdom

- 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'



Slow sales growth, and focus on customers. Licence growth will return in the 2020 financial year

UK Customers (43)

Local Government (13)

- Adur & Worthing Borough Councils
- Aylesbury Vale District Council
- Cambridge City Council
- Clackmannanshire Council
- Horsham District Council
- Huntingdonshire District Council
- Leicester City Council
- Mid Sussex District Council
- Scarborough Borough Council
- Scottish Borders Council
- South Cambridgeshire District Council
- The East Riding of Yorkshire Council
- The Mayor and Burgesses of the London Borough of Haringey

Health & Community Services (10)

- East Dunbartonshire Leisure and Culture Trust
- Edinburgh Leisure
- Enjoy East Lothian Leisure Ltd
- Equity Housing Group
- Hereford & Worcester Fire & Rescue Services
- Ongo Partnership Ltd
- Scottish Association for Mental Health
- Strathclyde Fire & Rescue
- Strathclyde Partnership for Transport
- West Lothian Leisure Limited

Higher Education (14)

- Carnegie College
- Ealing, Hammersmith and West London College
- Glasgow Clyde College
- New College Lanarkshire
- The University of Dundee
- University of Exeter
- University of Hertfordshire
- University of Lincoln
- University of South Wales
- University of Sunderland
- University of the Highlands and Islands
- University of Worcester
- University of Sussex
- West College Scotland

Other (6)

- BT Investment Management UK
- CIPFA Business Limited
- Greater London Enterprise
- Live Borders Limited
- Livingbridge EP LLP
- Pepper Finance Ireland

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21%
PBT margin

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(adjusted)

Underlying Profit Growth of 22+⁵% Our underlying business has continued to grow very strongly

FY17	Company	Evolve	BCC	Company Ex. Evolve & BCC
Revenue	\$273.2m	¹ \$1.2m	³ \$3.6m	\$278.0m
Expense	\$215.2m	² (\$1.8m)	⁴ (\$0.7m)	\$212.7m
Profit	\$58.0m	\$3.0m	\$4.3m	\$65.3m
Margin	21%			23%
FY16	Company	Evolve	BCC	Company Ex. Evolve & BCC
Revenue	\$249.0m	-	-	\$249.0m
Expense	\$195.8m	-	-	\$195.8m
Profit	\$53.2m	-	-	\$53.2m
Margin	21%			21%
Variance Profit \$	\$4.8m			\$12.1m
Variance Profit%	9%			22%

Profit excluding Evolve & BCC was \$65.3m, up 22% (\$12.1m)

Evolve is our very successful user conference held every 3 years

Evolve items below are over & above what we would normally expect

¹Evolve revenue: \$1.2m lost revenue because consultants attended Evolve

²Evolve expenses \$1.8m: \$1.4m marketing costs, \$400K consulting staff travel to Evolve

³BCC revenue \$3.6m: \$2m lost consulting revenue, \$1.2m ASM, \$400k Cloud Services

⁴BCC expenses: \$700k legal fees not recovered

⁵ This is non IFRS and unaudited.

We do not expect further impact on our earnings in 2018

- ✓ BCC contract
- ✓ Evolve conference

With these headwinds removed (\$7.3m), this sets us up well for the 2018 financial year.

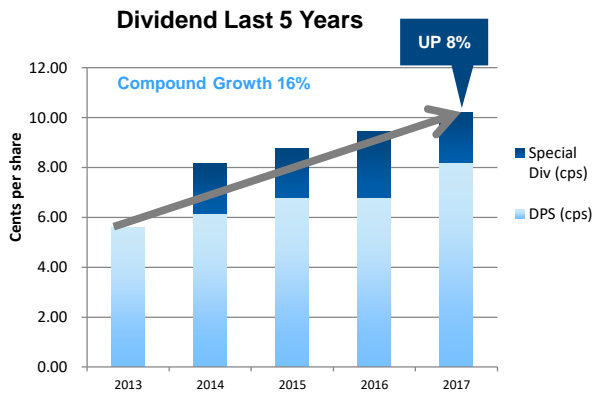


Total Dividend Up 8%

Dividends for the 2017 year:

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Half 2	5.60 cps up 10%	(75% franked ¹)
Total	8.20 cps up 10%	
Special	2.00 cps	(declared, 75% franked ¹)
Total	10.20 cps up 8%	

Dividend payout ratio is 72%



- 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.
 - We have continuously paid a dividend for 20 years - since 1996 (through Dot-Com and GFC)
 - 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
 - There was no Special Dividend in 2013 because of a lack of franking credits

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Results Summary

	FY17	FY16	Variance %	
Revenue	\$273.2m	\$249.0m	10%	
Initial Licence Fees	\$61.7m	\$56.2m	10%	
Total Consulting ¹	\$71.3m	\$71.1m	0%	
Total Annual Subscription Revenue	\$138.5m	\$118.6m	17%	<div>Target Total Annual Subscription Revenue by 2022 is \$345+m driven by growth of Annual Cloud Subscription Fee reaching \$143+m</div>
Annual Licence Fees	\$119.9m	\$108.5m	11%	
Annual Cloud Subscription Fee	\$18.6m	\$10.1m	84%	
Expenses	\$215.2m	\$195.8m	10%	
R&D Expenses ²	\$49.9m	\$46.0m	8%	
Expenses excl R&D	\$165.4m	\$149.8m	10%	
Profit				
Profit Before Tax	\$58.0m	\$53.2m	9%	
Profit After Tax	\$44.5m	\$41.3m	8%	
Other				
Operating Cash Flow	\$46.4m	\$43.7m	6%	
Cash and Cash Equivalents	\$93.4m	\$82.6m	13%	
Profit Before Tax Margin	21%	21%		
Dividend	10.20	9.45	8%	

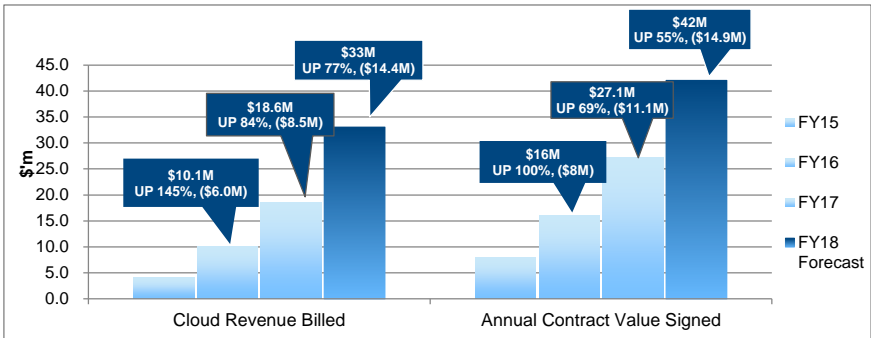
¹Total Consulting includes Plus ²18% of revenue v 18% last year

Underlying Profit Growth of 22+%

Transforming business, making life simple

TechnologyOne Cloud Growing Strongly

Profit of \$2.5m vs a loss \$2.2m in 2016
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
- Full year profit of \$2.5m (vs a loss \$2.2m in 2016)
- First enterprise vendor to be audited and recommended for certification to the Federal Government IRAP security standard
- Platform to generate significant more profits in the coming years

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

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New Cloud Customers for 2017 (112)

Adur & Worthing Borough Councils
Arvida Limited
Aust Competition & Consumer Comm'n
AUSTRAC
Australian Institute of Family Studies
Australian Institute of Marine Science
Australian Longline Pty Ltd
Australian Naval Infrastructure Pty Ltd
Australian Rail Track Corporation
Best Friends Support Services Pty Ltd
Bethesda Hospital Inc
Capital Insurance Group
Carnegie College
CEnet - Archdiocese of Hobart
CEnet - Diocese of Bathurst
CEnet - Diocese of Townsville
CEnet - Diocese of Wollongong
CEnet - Sydney Catholic Schools Archdiocese of Sydney
Central Hawkes Bay District Council
Central Highlands RC
Charters Towers Regional Council
City of Albany
City of Canning
City of Cockburn
City of Kwinana (DMS)
City of Swan
Clontarf Foundation
Cumberland Council

Department for Child Protection and Family Support
Department of Industry, Innovation and Science
Dept of Indigenous Affairs
Flinders University
Flourish Australia
Forico Pty Limited
Gladstone Area Water Board
Great Lakes Council
Hawkes Bay District Health Board
Hawkes Bay Regional Council
Hilltops Council
Hornsby Shire Council
Horsham District Council
Illawarra Credit Union
Inner West Council
Irrigo Centre Limited
J.J. Richards & Sons
Land Information New Zealand
Live Borders Limited
Local Govt Assoc QLD
Manawatu District Council
Maroondah City Council
MDA Ltd
Mercy Community Services SEQ Limited
Mid Sussex District Council
Moiria Shire Council
Moreton Bay Regional Council **
Mutual Marketplace Pty Ltd

National Film and Sound Archive
Neami Limited
North Central Catchment Management Authority
North Eastern Community Hospital Incorporated
NZX Limited
Office of National Assessments
Otorohanga District Council
Outsource Australia
Porirua City Council
PrixCar
Qld Airports Ltd
ReNu Energy Limited
Royal Automobile Club of Tasmania Ltd
Royal Flying Doctors Service (WA)
Ruapehu District Council
Shire of Augusta Margaret River
Shire of Coolgardie
Shire of Murray
Shoalhaven City Council
SmashCare Australia Pty Ltd
South Burnett Regional Council
South Waikato District Council
Southern Cross Hospitals
St Andrew's Toowoomba Hospital
St Vincent de Paul Society (Canberra/Goulburn) Incorporated
State Services Commission
Statistics New Zealand
Stratford District Council

Strathbogie Shire Council
SYC Ltd
Sydney Motorway Corporation Pty Limited
TAFE Queensland
Tamaki Redevelopment Company Limited
Tararua District Council
Tasmanian Irrigation Pty Ltd
Tasracing Pty Ltd
Thames Coromandel District Council
The Roman Catholic Archbishop of Perth Corporation Sole
Ticketek Pty Ltd
Tilt Renewables Limited
Town of Bassendean
Unitywater
University of Hertfordshire
University of Sussex
University of Worcester
Urban Maintenance Systems
Victoria University of Technology
Victorian Institute of Teaching
Waikato District Council
Waikato Portal Group
Waipā District Council
Wairoa District Council
Wairarapa District Council
Whanganui District Council
Wise Management Services Limited
WorkSafe New Zealand

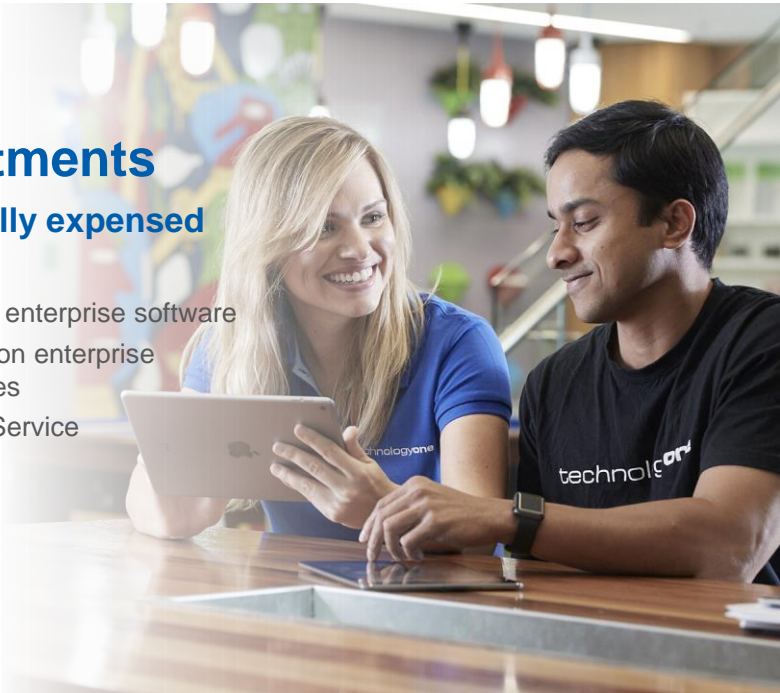
** Existing Subscription

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Significant investments

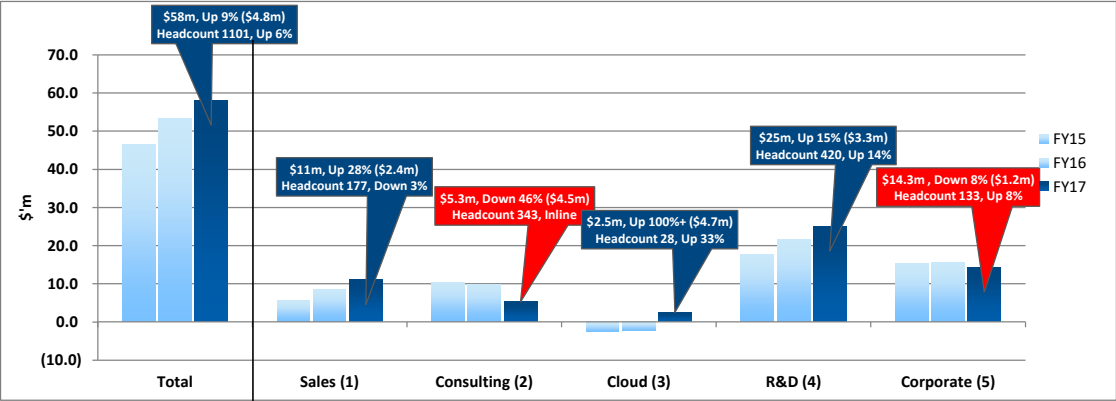
R&D¹ of \$49.9m, up 8% fully expensed

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



¹R&D was \$46.0 in 2016

Profit By Segment Analysis



Net Profit Before Tax \$58.0m, up 9% (\$4.8m)

Notes are as follows:

- (1) Sales: Licence Fees up \$5.5m (10%)
- (2) Consulting: Profit down \$4.5m: BCC (\$2m), Evolve (\$1.6m). Significant upside in the coming years. Refer Slide: Consulting Services
- (3) Cloud: strong profit contribution growth to continue as business reaches scale
- (4) R&D: Profit up due to Licence fees and controlled expenses
- (5) Corporate – BCC Legal expense \$700K

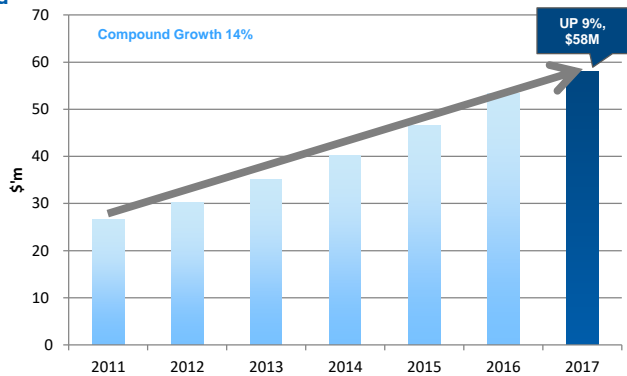
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Net Profit Before Tax up 9%

Profit growth to move back to historical trends in the near future with the head winds removed

We have seen continuing good growth in profit. NPBT up 9%, is less than the historical average over the last 7 years of 14%. Profit growth to move back to historical average.

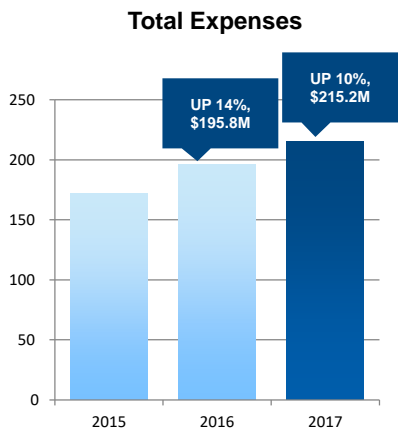
This is discussed later in section Guidance above.



Underlying profit excluding significant events would have been up 22+%

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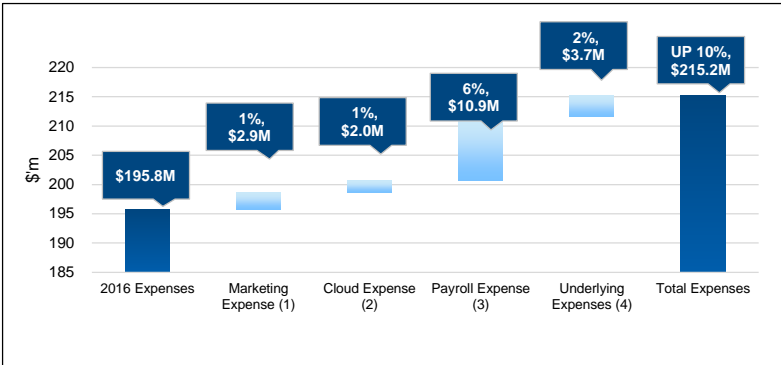
Total Expenses Up 10% (\$215.2m) versus Revenue up 10%



Disciplined control of expenses

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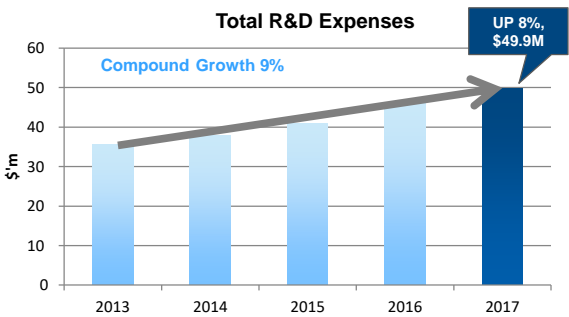
Total Expenses Up 10% (\$19.5m)



- (1) Marketing: additional \$2.9m in costs for the full year mainly due to Evolve (\$1.4m), Showcases (\$1m)
 (2) Cloud costs up \$2.0m – as a result of increased Annual Cloud Subscription Fees, up 84%
 (3) Staff cost increase contributed 56% of cost increase – this is to support stronger than expected growth across the business (ie cloud) and focus on fast tracking Ci Anywhere development in 2017
 (4) In line with CPI

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Total R&D¹ Expenses up 8% fully expensed



¹R&D fully expensed in the year it is incurred; and includes any R&D subsidies

²CAG – Compound Annual Growth

R&D remains high at 18% of Revenue compared to industry standard of 10+%

- Ci - existing very successful enterprise software suite
- Ci Anywhere - our new generation product for smart mobile devices
- TechnologyOne Cloud
- Our R&D plan which commits the company to restrict R&D growth to CAG² of 8% (compared to CAG of 16% historically). This represents a saving of \$75m over a 5 year period. Refer slide: R&D Growth from 2016 to 2021.

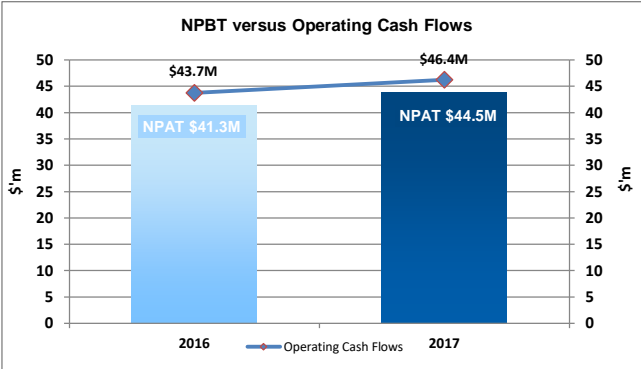
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Cash Flow

Operating Cash Flow strong at \$46.4m

- Exceeds Net Profit After Tax of \$44.5m (exceeds our ratio 1:1)
- Up \$2.7m, 6% from September 2016
- Significant improvement from half year, which was \$2.6m

Increased our Cash & Cash Equivalents by \$10.8m over the year



	Sep-17	Sep-16	Var	%
	\$ '000	\$ '000		
EBIT	58,019	53,240	4,779	9%
Depreciation & Amortisation	4,237	3,924	313	8%
Change in working Capital				
(Increase) / Decrease in Debtors ¹	(10,222)	(3,913)	(6,309)	(161%)
(Increase) / Decrease in Prepayments	(2,470)	(3,996)	1,526	38%
Increase / (Decrease) in Creditors	5,950	1,560	4,390	281%
Increase / (Decrease) in Staff Entitlements	(319)	1,139	(1,458)	(128%)
Net Interest (Paid) / Received	680	934	(254)	(27%)
Income Taxes paid	(10,507)	(10,711)	204	2%
Other	1,075	1,563	(488)	(31%)
Operating Cash Flow	46,442	43,741	2,701	6%
Capital Expenditure	(6,109)	(4,889)	(1,220)	(25%)
Payment for purchase of business ²	(1,322)	(3,017)	1,695	56%
Proceeds from Sale of PP&E and Investments	3	13	(10)	(79%)
Free Cash Flow	39,015	35,847	3,168	9%
Dividends Paid	(30,370)	(27,958)	(2,412)	(9%)
Repayment of finance lease	(18)	(2,363)	2,345	99%
Proceeds from Shares issued	2,169	1,525	644	42%
Increase / (Decrease) in Cash & Cash equivalents	10,795	7,052	3,743	53%

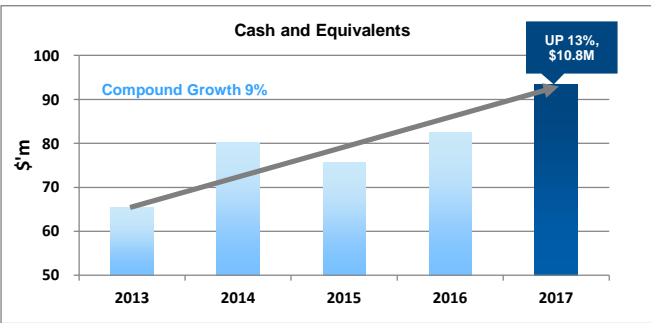
¹ Late September billing

² Acquisitions - final guaranteed second tranche payments.

Balance Sheet

Cash & Equivalents \$93.4m up \$10.8m (\$82.6m pcg)

- 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



¹Significant billings in September

²To be billed in the next 12 months – work in progress, retentions, and contracted licences to be billed

³To Be Billed more than 12 months – contracted licences for which the contract must include a 'break fee' for the total amount revenue recognized

⁴Prepayments by customers - the majority of which relates to Prepaid Cloud Service Fees

	Sep-17	Sep-16	Var	%
	\$'000	\$'000	\$'000	
Cash & cash equivalents	93,383	82,588	10,795	13%
Prepayments	8,220	5,817	2,403	41%
Trade and other receivables ¹	53,262	41,642	11,620	28%
Earned and unbilled revenue ²	14,305	16,421	(2,116)	(13%)
Other current assets	798	793	5	1%
Current assets	169,968	147,261	22,707	15%
Property, plant and equipment	13,525	11,681	1,844	16%
Intangible assets	47,549	48,088	(539)	(1%)
Earned and unbilled revenue ³	11,914	3,980	7,934	199%
Deferred tax assets	5,482	7,512	(2,030)	(27%)
Non-current assets	78,470	71,261	7,209	10%
Total Assets	248,438	218,522	29,916	14%
Trade and other payables	38,253	24,587	13,666	56%
Provisions	11,270	11,194	76	1%
Current tax liabilities	392	1,085	(693)	(64%)
Prepaid & uneamed revenue ⁴	27,862	20,885	6,977	33%
Borrowings	10	29	(19)	(66%)
Current liabilities	77,787	57,780	20,007	35%
Trade and other payables	8,370	16,068	(7,698)	(48%)
Provisions	3,338	4,555	(1,217)	(27%)
Other non-current liabilities	1,423	1,625	(202)	(12%)
Non-current liabilities	13,131	22,248	(9,117)	(41%)
Total Liabilities	90,918	80,028	10,890	14%
Net Assets	157,520	138,494	19,026	14%
Issued Capital and Reserves	64,839	68,334	(3,495)	(5%)
Retained earnings	92,681	70,160	22,521	32%
Equity	157,520	138,494	19,026	14%

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We are generating significant cash from the cloud

From the Balance Sheet on previous page...

	Sep-17	Sep-16	
• Earned & Unbilled Revenue (non current) ¹	(\$11.9m)	(\$4.0m)	Driven by cloud - Revenue recognised & to be billed over more than 12 months – multi year contracted licences <u>must</u> include a 'break fee' for the total amount revenue recognised. We expect this to grow more slowly because of the Commitment fee (i.e. deposit) we are requesting be paid upfront.
• Prepaid & unearned Revenue ²	\$27.8m	\$20.9m	Driven by the cloud - Prepayments by cloud customers - the majority of which relates to Prepaid Cloud Service Fees. We expect this to grow quickly (\$143m per year recurring in 2022)
• Prepayments exceed Earned & Unbilled	\$15.9m	\$16.9m	Prepayments exceed Earned & Unbilled Revenue by \$15.9m which means net generation of cash. This will continue to grow quickly as Cloud ACV hits \$143m per year in 2022.

The cloud contributed an additional \$15.9m of additional free cash flow this year

¹To Be Billed more than 12 months – contracted licences for which the contract must include a 'break fee' for the total amount revenue recognized

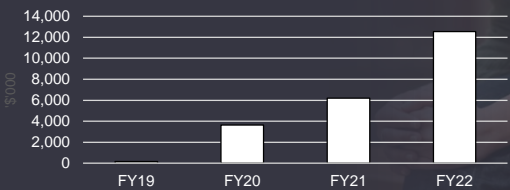
² Prepayments by customers - the majority of which relates to Prepaid Cloud Service Fees

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Subscription licenses of \$31.7m, up 150% (\$12.7m in FY16)

- ✓ Stop selling perpetual licences, both On Premise and On Cloud
- ✓ 5 year subscription licences with break fee
- ✓ After 5 years these subscription licences will move to yearly licences, creating a future annuity stream

Future Annual Subscription Licences on completion of 5 year contracts



Future subscription income

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Results - Analysis

Full Year 2017 v Full Year 2016	FY17 \$'000	FY16 \$'000	Variance \$'000	%
Revenue excl interest	272,525	248,142	24,384	10%
Expenses (excl R&D, interest, Depn & Amortisation)	161,094	145,768	15,326	11%
EBITDAR	111,432	102,374	9,058	9%
R&D Expenditure	49,856	46,009	3,847	8%
EBITDA	61,576	56,365	5,211	9%
Depreciation	3,707	3,394	313	9%
Amortisation of Intangibles	530	530		
EBIT	57,339	52,441	4,898	9%
Net Interest Income	680	799	(119)	(15%)
Profit Before Tax	58,019	53,240	4,779	9%
Profit After Tax	44,494	41,342	3,152	8%

R&D is a significant expenditure we incur today, to build the platform for our continuing strong growth in the future

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Results – Key Metrics

Full Year 2017 v Full Year 2016	2017	2016	Variance %	Full Year 2017 v Full Year 2016	2017	2016	Variance %
EPS (cents)	14.18	13.26	7%	ROE			
Dividends (cents)				Return on equity	28%	30%	
Standard	8.20	7.45	10%	Adjusted return on equity ¹	59%	61%	
Special	2.00	2.00		Balance Sheet (\$'000s)			
Total dividends paid (cents)	10.20	9.45	8%	Net Assets	157,520	138,494	14%
Dividend Payout Ratio	72%	71%		Cash & Cash Equivalents	93,383	82,588	13%
Key Margin Analysis				Operating cash flows	46,442	43,740	6%
EBITDAR Margin	41%	41%		Debt/Equity	0.01%	0.02%	
EBITDA Margin	23%	23%		R&D as % of Total Revenue	21%	21%	
Net Profit Before Tax Margin	21%	21%					

¹Adjusted for net cash above required working capital, which was assumed at \$12m

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Agenda

- 2017 Full Year Results Recap
- Outlook for Full Year
- Long Term Outlook
- AGM

Appendix

- Full Year Company Update
- 2017 Full Year Results Detail
- TechnologyOne Overview

Delivering a
Cloud first,
mobile first world

Australia’s largest enterprise software company



1200+ High Profile customers



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Financially Very Strong

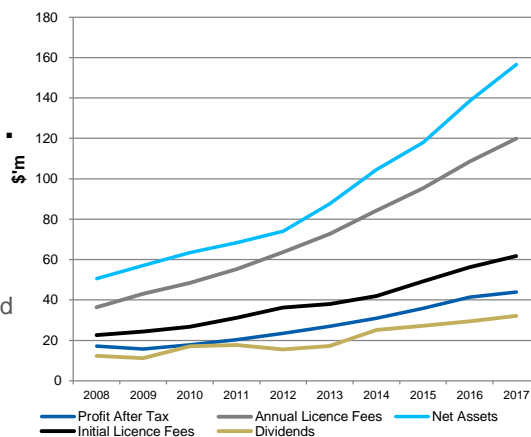
• Cash and Equivalents	\$93.4m
• Return on Equity	28+%
• Adjusted Return on Equity ¹	59%
• Debt/Equity	0.01%
• Interest Cover	1,192
• Continually paid dividends since 1996	(22 years)
• Continually profitable since 1992	(26 years)

As at 30th Sept 2017 ¹Adjusted for net cash above required working capital, assumed at two months of staff costs

Historical Performance

Key metrics over last 10 years ...

- ✓ **Revenue** - 11% per annum compound
 - Even through the Dot-Com and GFC
- ✓ **Initial Licence fees** - 12% per annum compound
- ✓ **Annual Licence fees** - 14% per annum compound
- ✓ **Profit After Tax** - 11% per annum compound
- ✓ **Dividends** - 11% per annum compound
- ✓ **Net Assets** - 13% per annum compound



Doubling in size every 5+ years

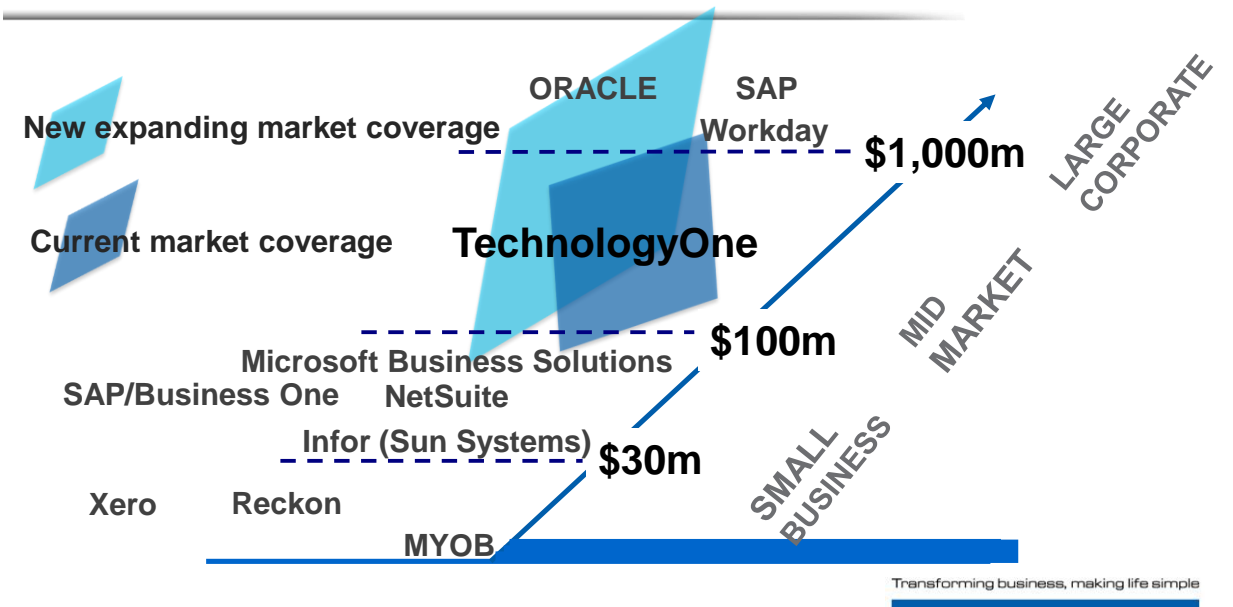
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Delivering a
Cloud first,
mobile first world

Technology One

.. Additional Information

The Competitive Landscape



Our enterprise vision

The power of a single integrated enterprise solution



Our enterprise vision

- We are one of only a few global enterprise vendors



The power of a single, integrated, enterprise solution to streamline your business, reduce costs and embrace new technologies

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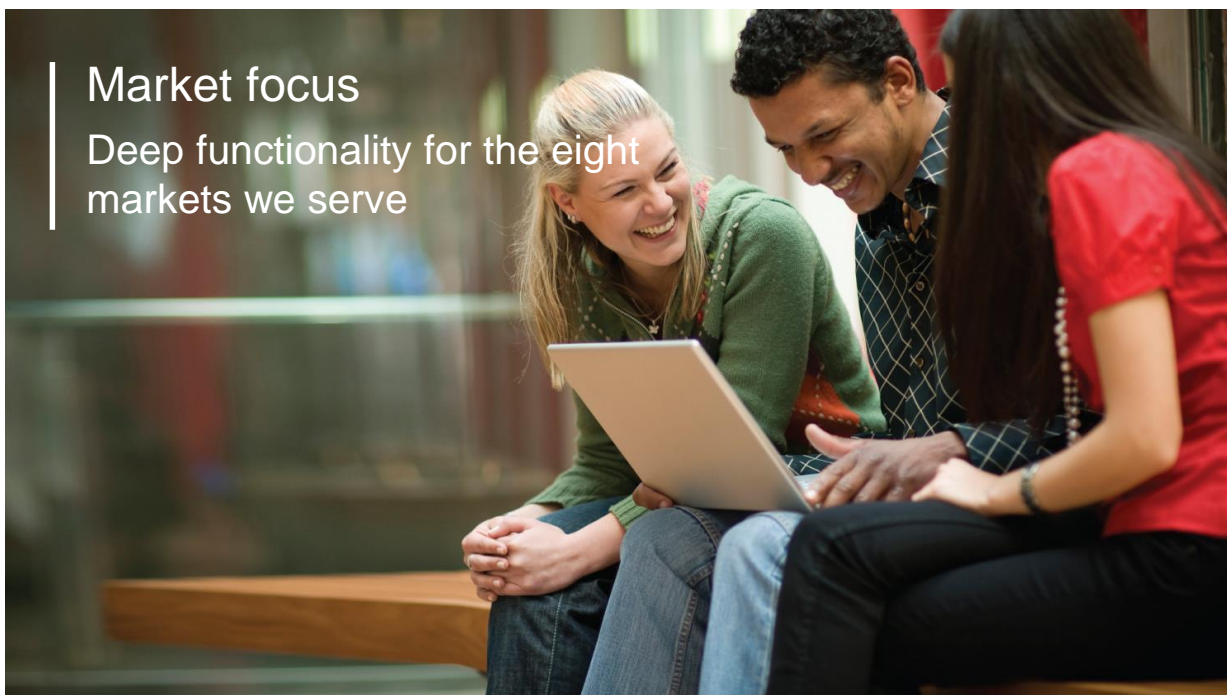
The power of one

- One vision
- One vendor
- One code-line
- One experience

We take complete responsibility for building, marketing, selling, implementing, supporting and running our enterprise solution for each customer to guarantee long-term success.

Market focus

Deep functionality for the eight markets we serve



We focus on eight key markets



Government



Local
government



Financial
services



Health
and community
services



Asset
intensive
industries



Project intensive
industries



Education



Corporates

We sell to asset and service intensive organisations.

We do not service retail, distribution or manufacturing industries.

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Preconfigured solutions

- Proven practice preconfigured solutions designed to meet the needs of each market
- ✓ Tailored configuration
- ✓ Proven practice
- ✓ Streamlined implementation
- ✓ Reduced time, cost and risk

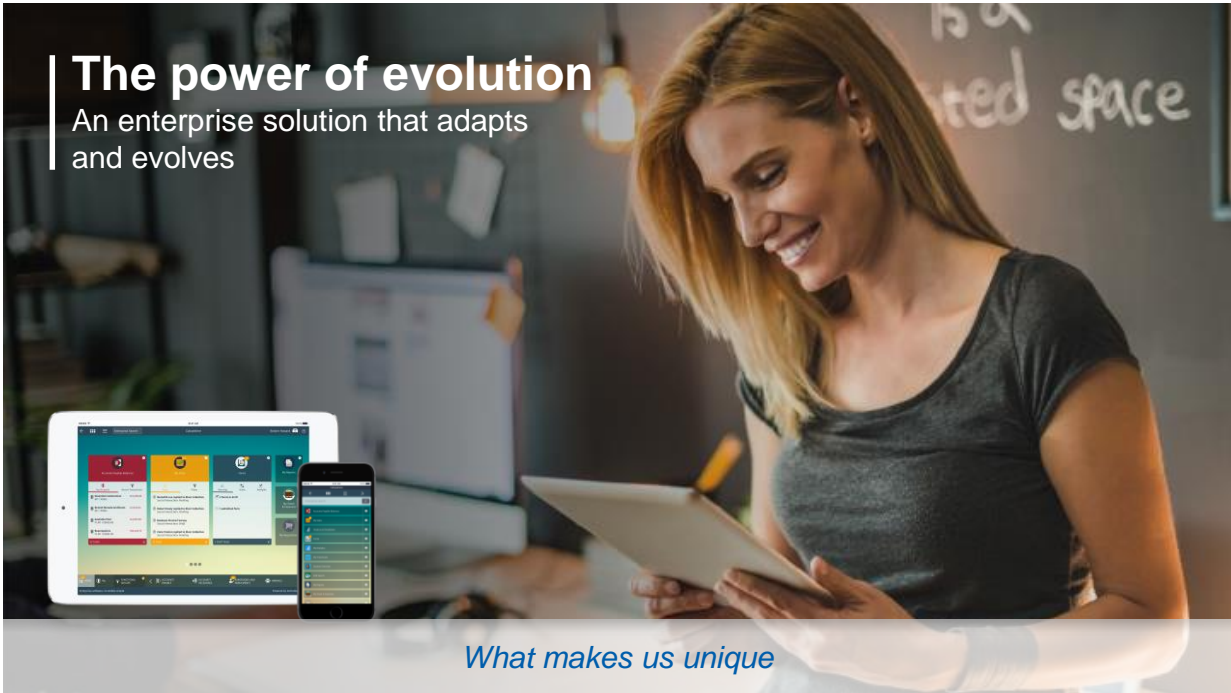


The power of evolution

An enterprise solution that adapts and evolves



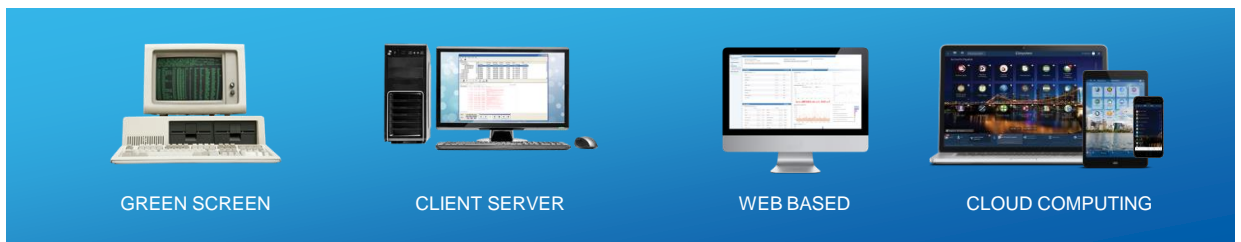
What makes us unique



The power of evolution

Substantial investment into R&D each year

- New releases encompass new technologies, concepts and innovations
- Configuration and not customisation



99% retention rate of customers who have continued with us throughout our evolutionary journey

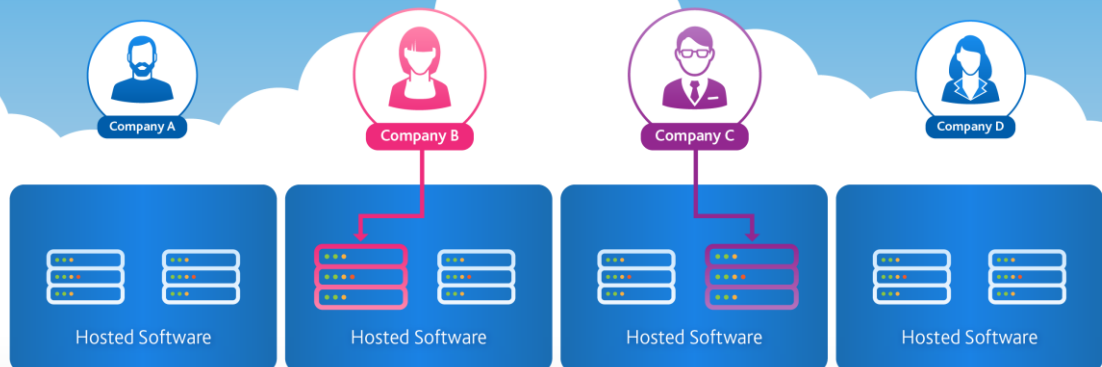


TechnologyOne SaaS

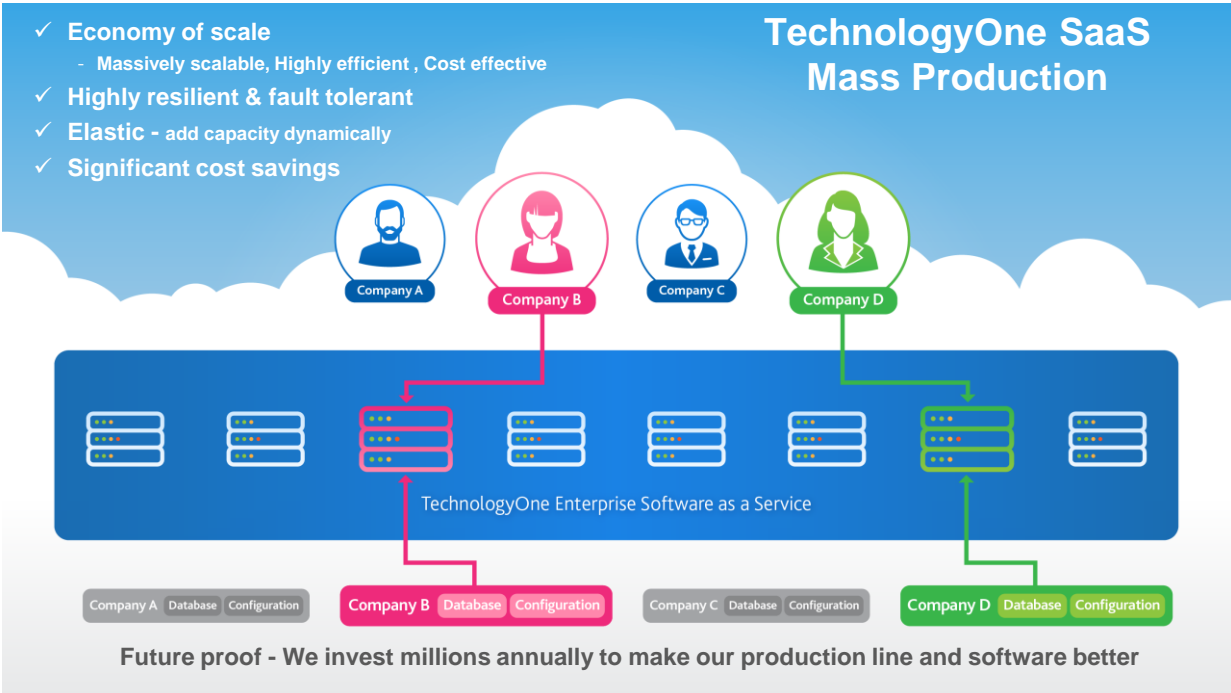
Enterprise software as a service
The future of enterprise software today



Traditional Hosting Customised



Hand crafted to your specific needs – you only get what you pay for



Smart Mobile Devices



Ci Anywhere Enterprise Software

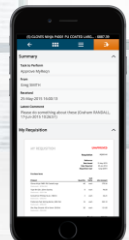
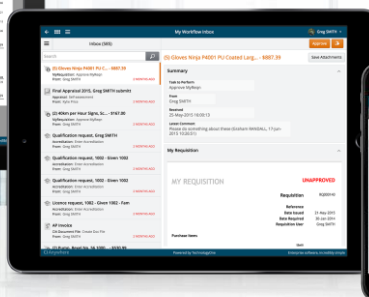
Any device, Any where, Any time

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



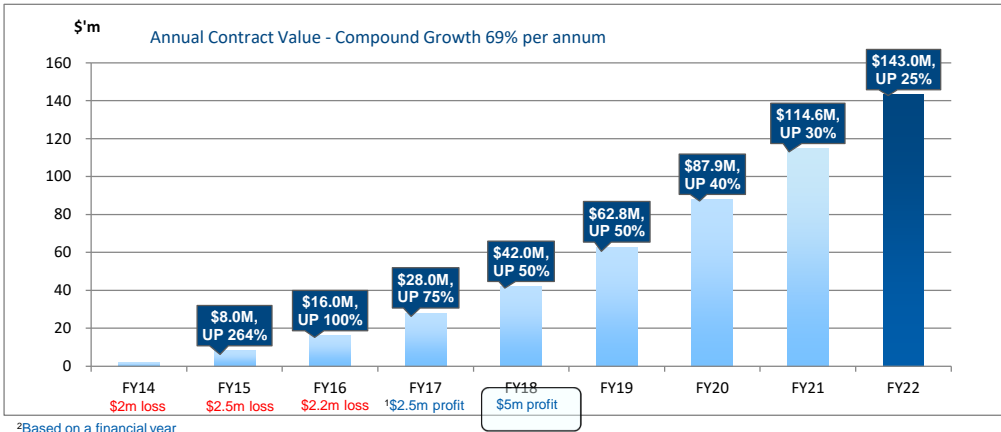
Enterprise Software intelligently adapts to the devices

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TechnologyOne SaaS Growth To 2022

\$143m / year (recurring) in 2022

new revenue stream and does not cannibalise existing revenue streams



¹Revised from \$1m to \$2.5m profit

³Cloud Services Fee – new incremental revenue, does not cannibalise Initial or Annual Fees

Profit contribution in 2017/2018 year to be \$5m.

PLEDGE
1%

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

technologyone | foundation

unite | donate | participate





Other Facts

Diversity of revenue streams from multiple:

- Products 14
- Vertical markets 8
- Geographies 12
 - All states of Australia, New Zealand, South Pacific, Asia and UK

Strong, very loyal blue chip customer base

- We provide a mission critical solution – ‘sticky customer base’
- 60%+ of our revenues generated from existing customers each year
 - Annual licences, increase usage, new modules, new products, ongoing services etc..

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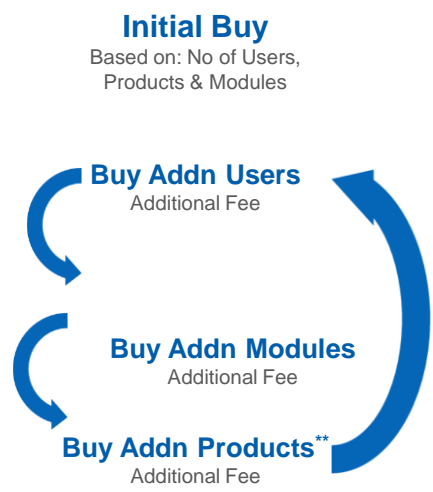
Robust Revenue Model

- **Initial Licence - based on usage (number of users)**
 - Matrix of licensable products & modules (approx 300 modules over 14 products)
 - Once off fee – invoiced on contract signing
- **Implementation services - fee for service**
 - \$1 Services : \$1 Initial licence
 - Once off fee – invoiced as services rendered
- **Annual Licence fee**
 - 22.5% of Initial Licence
 - Recurring every year



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Robust Revenue Model



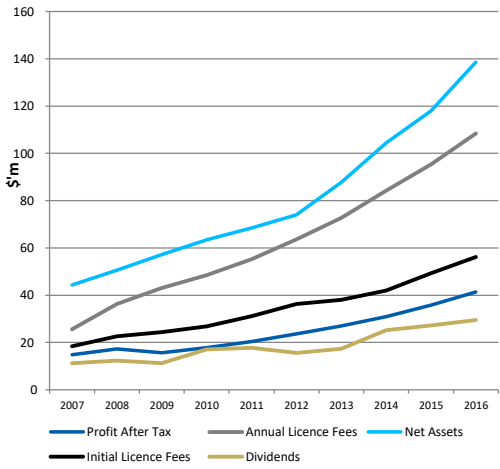
** On average our customers have 3.5 products out of a product range of 12 products

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Historical Performance

Key metrics over last 10 years ...

- ✓ **Revenue** - 14% per annum compound
 - Even through the Dot-Com and GFC
- ✓ **Initial Licence fees** - 13% per annum compound
- ✓ **Annual Licence fees** - 17% per annum compound
- ✓ **Profit After Tax** - 12% per annum compound
- ✓ **Dividends** - 11% per annum compound
- ✓ **Net Assets** - 13% per annum compound



Doubling in size every 4 to 5 years

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Positioned well for the
future.

Delivering a
Cloud first,
mobile first world

