

ASX RELEASE**17 July 2018****TNE - IFRS and SaaS Accounting Policy Changes for FY19****No change to cash or cashflow; minimal impact on profit**

TechnologyOne (ASX:TNE), Australia's largest enterprise Software as a Service company, announces changes to its accounting policies as it adopts IFRS 15 / AASB 15 and transitions to SaaS accounting starting in the Financial Year 2019 (FY19).

TechnologyOne CEO, Mr Edward Chung said: "TechnologyOne has created a world leading SaaS platform. Our SaaS revenue is growing very fast and our SaaS business is a significant engine for future growth. We have taken our massive ERP system and built a true, multi-tenanted SaaS platform using one single global code line. The economies of scale we are delivering are unprecedented in the ERP world.

"Our reporting and accounting policies have complied with the previous accounting standards, but reflected our older 'on premise' business, which has made it difficult to compare our performance with that of our SaaS peers. Our SaaS peers recognise both revenue and R&D investment over time," Mr Chung said.

"By adopting these new accounting policies in FY19 our reporting for SaaS becomes simpler. The adoption of rateable recognition of revenue on a daily basis will result in improved predictability and we will be substantially less dependent on lumpy initial licence fees. We will no longer have a large second half profit skew. We will go into the new year with our SaaS revenue locked in, allowing us to better deliver growth. For all intents and purposes we will become an annuity-style business with the majority of our revenue locked in at the start of each financial year," he said.

"What is important to note is that cash and cashflow does not change with the adoption of these policies and we expect minimal impact on our Profit in FY19.

"We will continue to grow NPAT between 10% to 15% per annum going forward," Mr Chung said.

TechnologyOne Executive Chairman, Mr Adrian Di Marco said: "We have been preparing for the new accounting standards for revenue, IFRS 15 / AASB 15 and have taken a strategic approach. Our transition has been well planned and researched over 3+ years in conjunction with our advisors and external auditors. We have taken a holistic approach and reviewed all our accounting practices, not just IFRS 15 / AASB 15 to ensure that they reflect our fast growing SaaS business. In doing so, we will bring our accounting policies in line with the industry, making it easier to compare our performance with our SaaS peers.

"We will as a result of these changes, become a stronger, simpler and better business. These changes will support the continuing strong growth of our SaaS business in the coming years," Mr Di Marco said.

Further information

This market release should be read in conjunction with the TechnologyOne IFRS 15 / AASB 15 Investor Presentation detailing the adoption of these new accounting policies, including illustrative P&L, Balance Sheet and Cashflow. This document is available on the ASX Announcement platform.

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About TechnologyOne

TechnologyOne (ASX:TNE) is Australia's largest enterprise software company and one of Australia's top 200 ASX-listed companies, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,200 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only eight key markets: government, local government, financial services, education, health and community services, asset intensive industries, project intensive industries and corporates. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For over 30 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. Today, our software is available on TechnologyOne SaaS and across smart mobile devices.

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