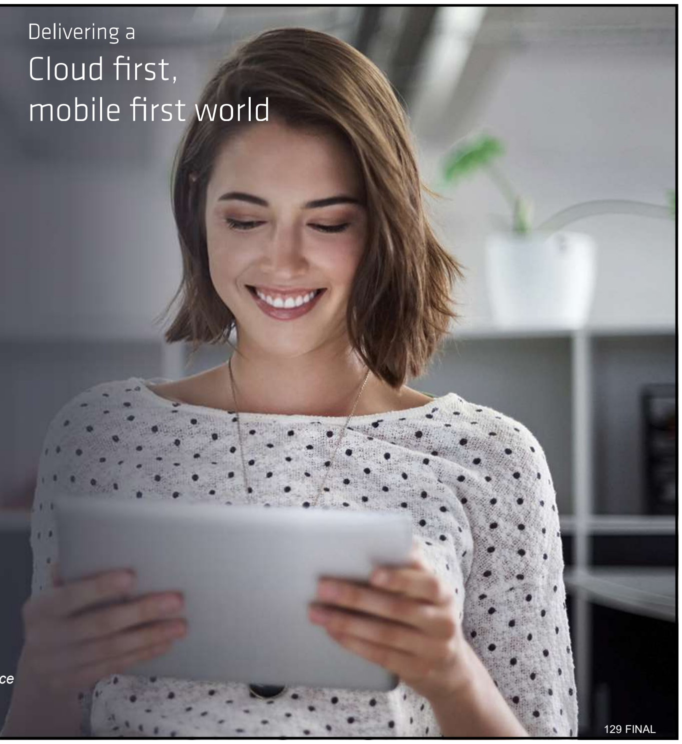


IFRS 15 / AASB 15

International Financial Reporting Standards

Edward Chung
Chief Executive Officer

Gareth Pye
Deputy Chief Financial Officer

technologyone
Transforming business, making life simple

17 July 2018

Commercial in confidence

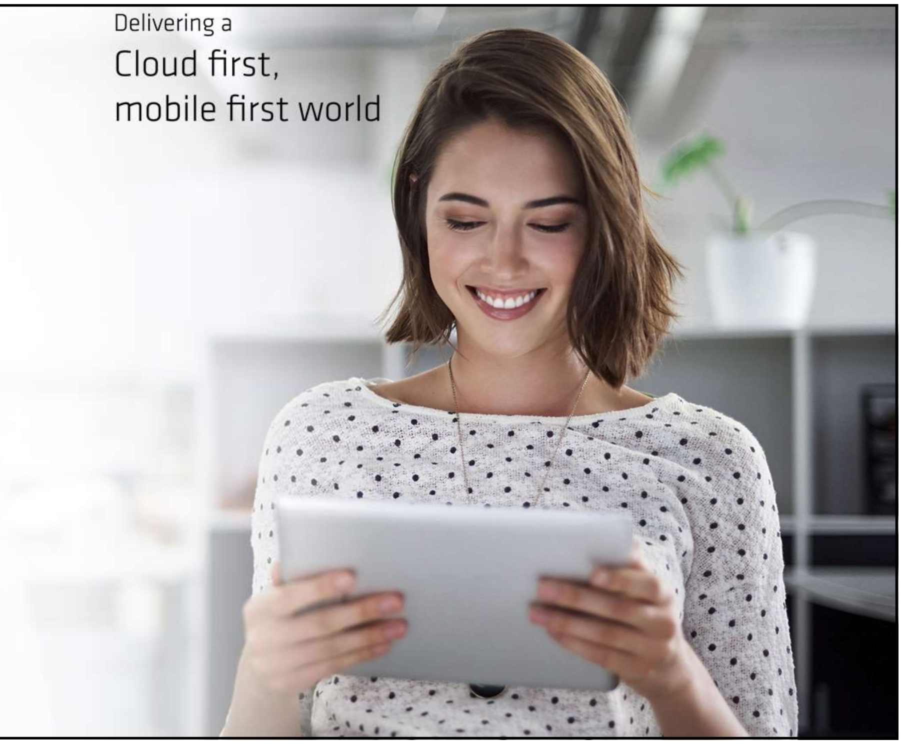
129 FINAL

Disclosure Statement

IFRS Presentation – 17 July 2018

Technology One Ltd (ASX: TNE) today conducted a series of presentations relating to its adoption of the new accounting standard IFRS 15 / AASB 15.

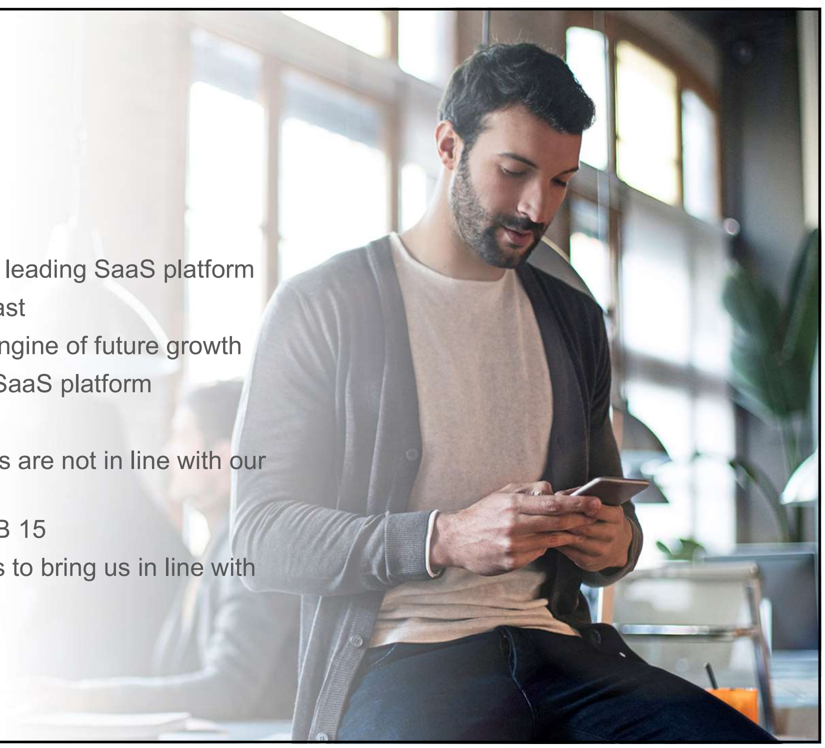
These slides have been lodged with the ASX and are also available on the Company's web site: www.TechnologyOneCorp.com.



Agenda

- Background
- IFRS Adoption
- Outlook
- Long Term Outlook

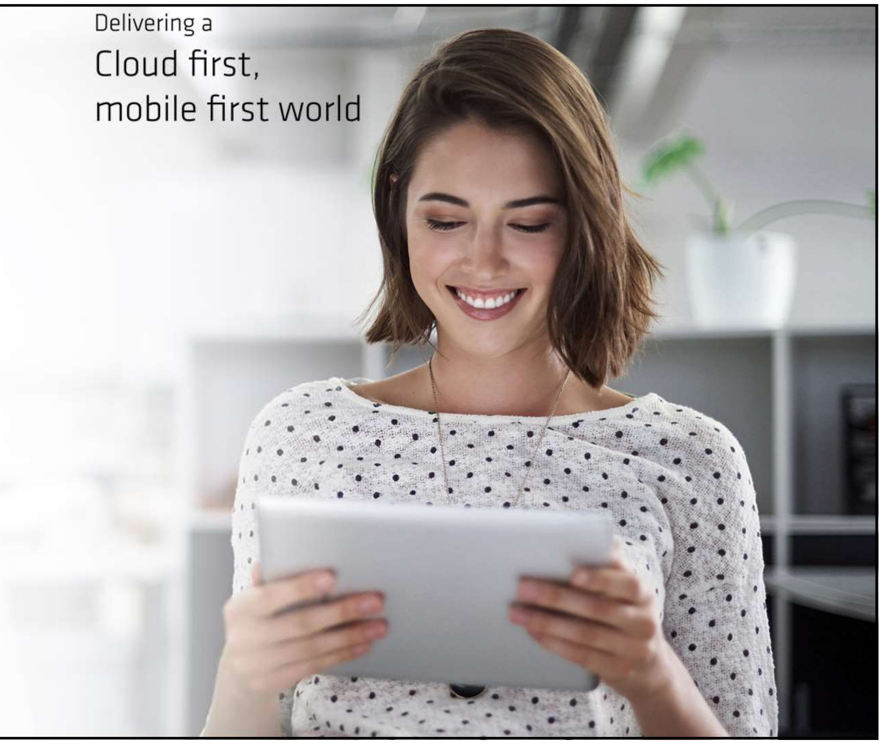
Background



- ✓ TechnologyOne has created a world leading SaaS platform
- ✓ Our SaaS revenue is growing very fast
- ✓ Our SaaS business is a significant engine of future growth
- ✓ We have built a true multi-tenanted SaaS platform
- ✓ One global code line
- ✓ Our reporting and accounting policies are not in line with our SaaS peers
- ✓ More than just about IFRS 15 / AASB 15
- ✓ Looking at all our accounting policies to bring us in line with our SaaS peers

Agenda

- Background
- IFRS Adoption
- Outlook
- Long Term Outlook



Background to IFRS 15

IFRS 15 is the international standard for “Revenue from Contracts with Customers”. In Australia it is referred to as AASB[1] 15. AASB 15 was issued by the AASB in December 2014 and replaces all revenue recognition requirements, including those as set out in AASB 118 “Revenue”.

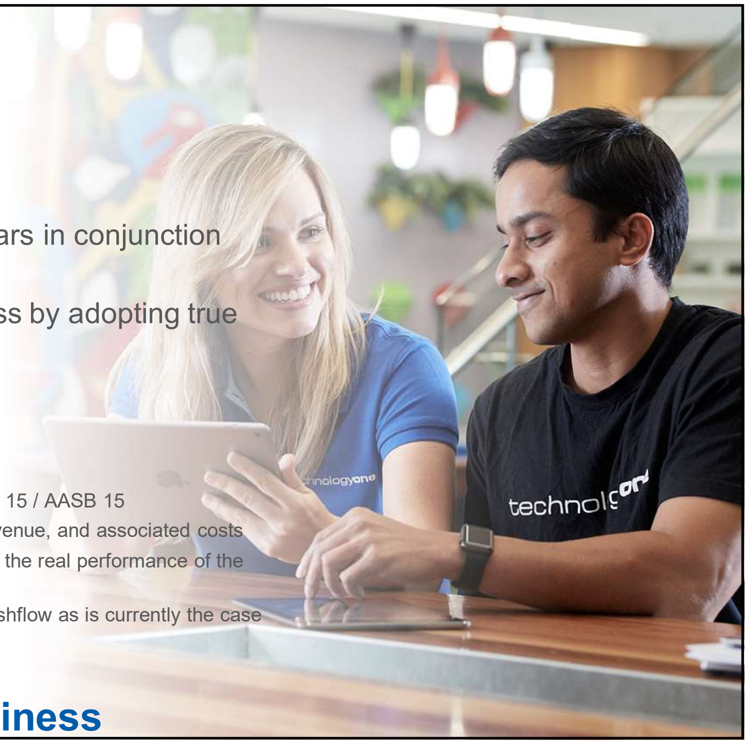
The standard contains a single model that applies to all revenue arising from contracts, unless the contracts are in the scope of other standards (e.g. leases).

The standard comes into effect from 1 Jan 2018. For TechnologyOne, it applies from the year commencing 1 Oct 2018 as it is the first full year post commencement of the new standard. So the first reporting year is year ending 30 Sept 2019.

With the 2019 financial results, we are required to re-state the prior year, as if the standard had always applied.

[1]AASB - Australian Accounting Standards Board

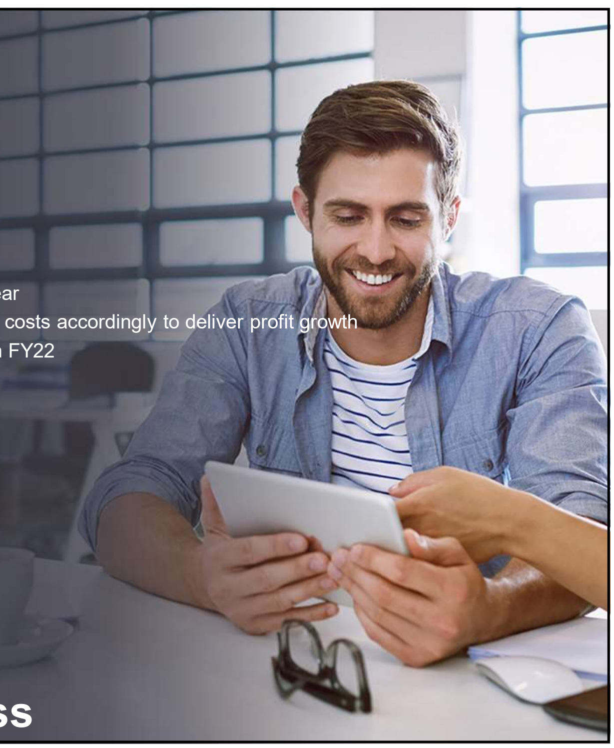
Our approach



- ✓ Strategic approach
- ✓ Well planned & researched over 3+ years in conjunction with our advisors and external auditors
- ✓ Benefit from being a true SaaS business by adopting true SaaS accounting
- ✓ Ease of comparison to our SaaS peers
  - ✓ eg WiseTech, Aconex, Xero ….
- ✓ Take a holistic approach
  - ✓ Review all our Accounting practices, not just IFRS 15 / AASB 15
  - ✓ Ensure we continue to appropriately recognise revenue, and associated costs
  - ✓ Ensure we continue reporting numbers that reflect the real performance of the business and the substance of transactions
  - ✓ Consider the alignment of Profit and Operating cashflow as is currently the case

Stronger, Better, Simpler business

The Benefits



- ✓ True SaaS accounting – much simplified
  - Recognise revenue on a daily basis
- ✓ Improved predictability of earnings
  - No longer dependent on lumpy Licence Fees
  - No longer have a large H2 skew (85% profit in H2)
  - SaaS deals have minimal impact on our earnings in the current year
  - We go into the year with our SaaS revenue locked in, and can set costs accordingly to deliver profit growth
  - Annuity style income, for example 88% of our revenue is locked in FY22
  - Simple revenue model
- ✓ Free cash flow does not change
- ✓ Minimal net impact on P&L
- ✓ 1,200 clients – 99% retention
  - Diversity of clients that are loyal to the business

Stronger, Better, Simpler business

New Simple & Robust Revenue Model

SaaS Fee - based on usage (number of users, properties, students)

- Matrix of licensable products & modules (approx. 325 modules over 14 products)
- Revenue recognised daily, paid one year in advance

Implementation Services - fee for service

- Once off fee – invoiced as services rendered
- Revenue recognised daily, paid monthly as delivered
- 75% of Consulting Services are known at the start of the year

New Simple & Robust Revenue Model

	Year 1	Year 2	Year 3	Year 4+
Initial Buy Based on: No of Users, Products & Modules	Yearly SaaS Fee **e.g. $500k per year**	Yearly SaaS Fee **e.g. $500k per year**	Yearly SaaS Fee **e.g. $500k per year**	Yearly SaaS Fee … **e.g. $500k per year**
Buy Addn Users Additional Yearly SaaS Fee		+Yearly SaaS Fee **e.g. $50k per year**	+Yearly SaaS Fee **e.g. $50k per year**	+Yearly SaaS Fee … **e.g. $50k per year**
Buy Addn Modules Additional Yearly SaaS Fee		+Yearly SaaS Fee **e.g. $50k per year[1]**	+Yearly SaaS Fee **e.g. $50k per year[1]**	+Yearly SaaS Fee … **e.g. $50k per year[1]**
Buy Addn Product** Additional Yearly SaaS Fee		+Yearly SaaS Fee **e.g. $140k per year[2]**	+Yearly SaaS Fee **e.g. $140k per year[2]**	+Yearly SaaS Fee … **e.g. $140k per year[2]**

*** On average our customers have 5.6 products out of a product range of 14 products*

[1]Assumes two additional modules

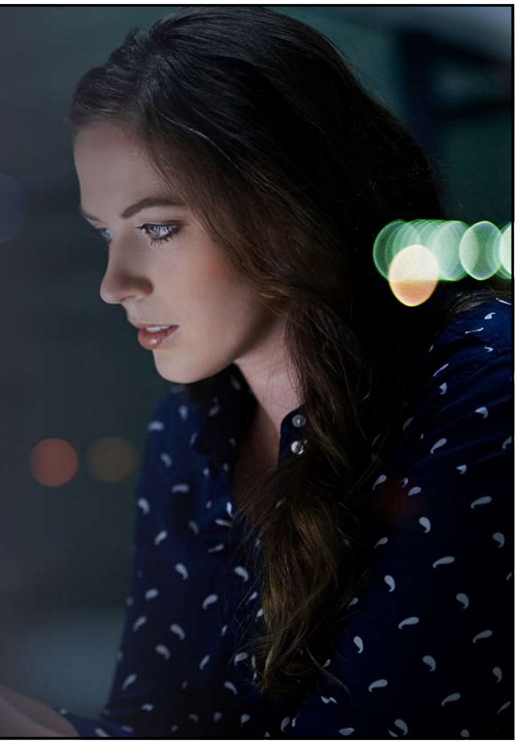
[2]Assumes one additional product

Note: typically CPI applies on subsequent years. Does not include Implementation Services.

Our SaaS Peers

Recognise the SaaS Fee over time

Recognise R&D investment over time



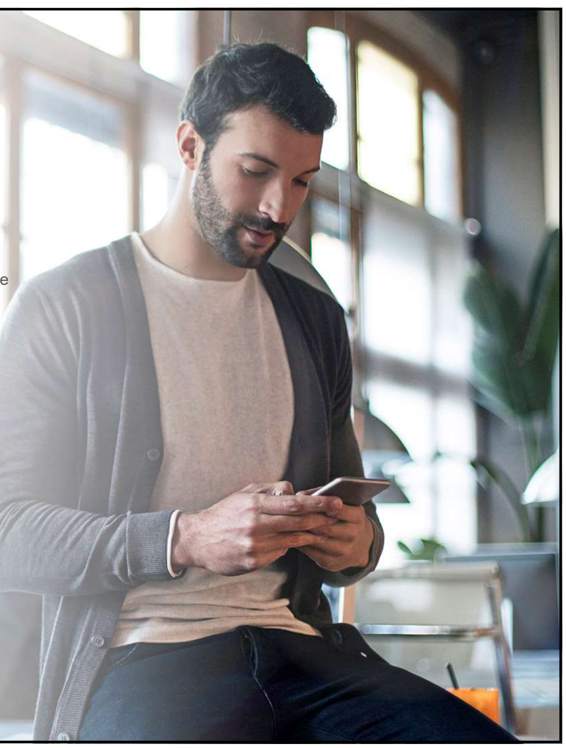
R&D

Our SaaS peers capitalise a portion of R&D

- ✓ Approx. 40% to 60% of R&D expected to be capitalised and amortised over 3 to 7 years starting in FY19
    - Based on detailed timesheets from our staff we can identify work completed on development which is to be capitalised, and work completed on research, maintenance and support will continue to be expensed
- ✓ TechnologyOne will maintain its commitment of R&D Expenditure (R&D before Capitalisation and Amortisation) growth of 8% or less

TechnologyOne has 30+ years proven track record of the successful commercialisation of our R&D

SaaS Peers: WiseTech, Aconex, Xero…



R&D Expenses

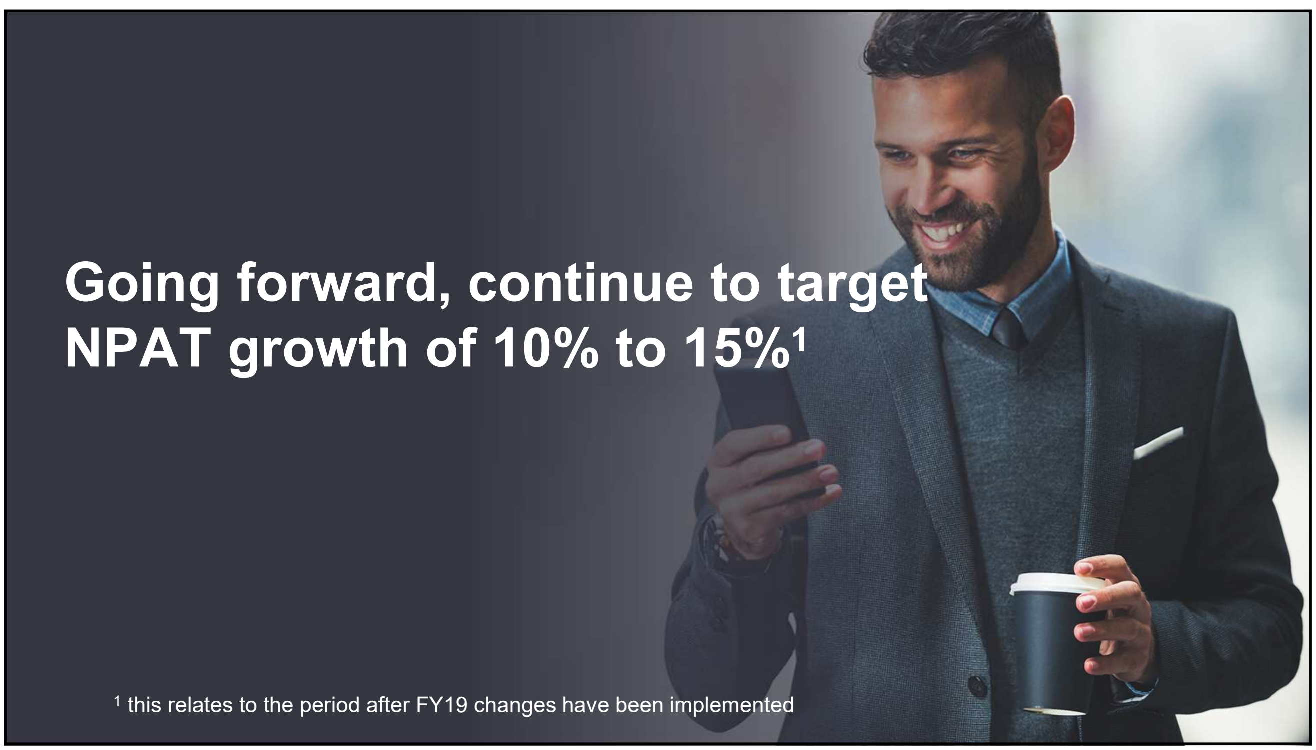
Illustrative models only
Not to be used as guidance

Profit and Loss

$m	Before FY19	After FY19	
R&D Expenditure	58	58	8% Growth as per published information
Less: R&D Capitalised	-	(29)	50% of current yr R&D is capitalised
Add: R&D Amortisation of current year R&D Capitalised	-	3	Current year capitalisation is amortised over 5 years
Total R&D Expenses	**58**	**32**	
% of Revenue	*17%*	*10%*	

Balance Sheet

$m	Before FY19	After FY19
Capitalised R&D	-	26



TechnologyOne has provided models for P&L, Balance Sheet and Cashflows to illustrate the impact of adopting new Accounting Policies

Assumptions used, for illustrative purposes only

- NPBT and NPAT growth at 15%.
- Total Revenue growth approx. 11%
- Total Expense growth approx. 10%

To support this we have made the following additional assumptions:

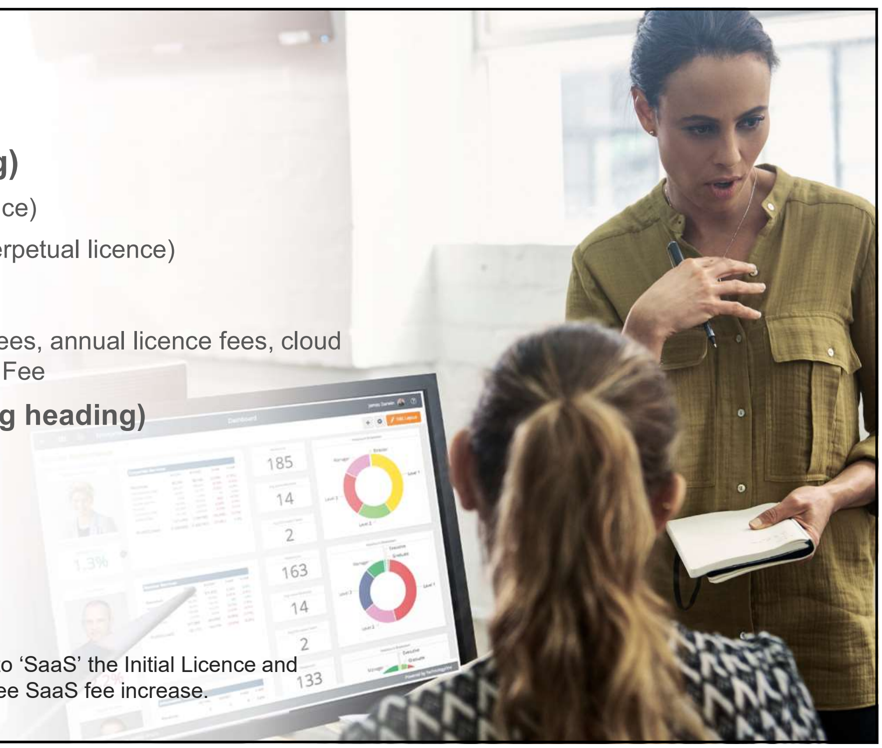
- Cloud grows as per our published model to 2022
- Continue with 99% customer retention
- R&D Expenditure growth of 8% (as achieved in previous years)
- R&D capitalisation of 50% amortised over 5 years
- Licence Fee growth of 6% (a balancing item, and not indicative. 10 year CAGR is 12%)
- Consulting growth 0% to 3% (a balancing item, and not indicative. 10 year CAGR is 8%)

This model is illustrative only and bears no relationship to what may happen. This is not Guidance.

The model is illustrative only and bears no relationship to what is expected to happen or may happen. The information contained in the following models 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. These models do not contain 'forward looking statements' or indications of, or guidance on financial position, strategies, management objectives and performance. The following models 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.

TechnologyOne will provide general FY19 guidance, as usual, with the full year results in November 2018. We will provide specific FY19 guidance in May 2019.

New P&L Headings



On Premise (new heading)

- Initial Licence[1] (perpetual licence)
- Annual Licence[1] (relating to perpetual licence)

SaaS Fees (new heading)

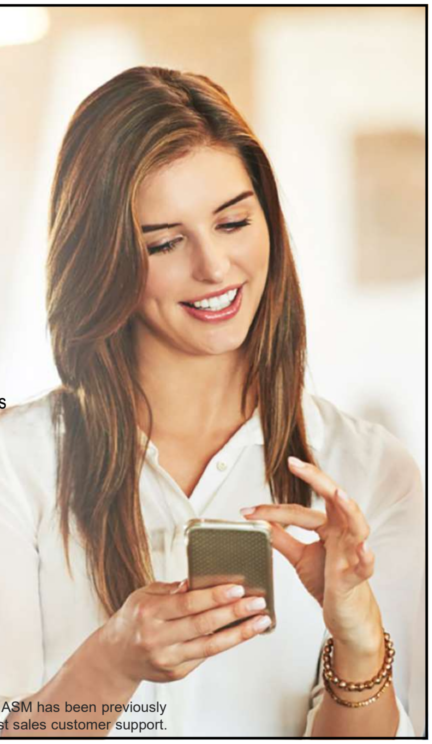
- Amalgamates: Initial Licence fees, annual licence fees, cloud fees to become a single SaaS Fee

Consulting Services (existing heading)

- Consulting

[1]As customers move from 'On Premise' to 'SaaS' the Initial Licence and Annual Licence will reduce and we will see SaaS fee increase.

Summary of Changes



On Premise – Perpetual Licence

- No change to revenue recognition. Reduces over time from $30m in FY19 as customers move to SaaS
- **Impact on P&L is nil**

On Premise – Annual Licence[1]

- Previously Annual licence component booked annually upfront on its anniversary date
- Annual Licence now booked on a daily basis
- **Impact on P&L: $10m reduction in FY19 (estimated)**

SaaS Deals (existing and new customers)

- One and Five year subscription contracts
- Previously licence fee component booked upfront based on contract period; cloud fee booked on a daily basis
- No more separation into Licence Fee, Cloud or ASM[1] – now a single SaaS Fee
- SaaS Fee is now booked on a daily basis
- **Impact on P&L: $17m reduction in FY19 (estimated)**

Capitalise R&D, amortise over 3 - 7 years

- Previously R&D fully expensed as incurred
- 40% to 60% of R&D (ie development) expected to be capitalised and amortised over 3 - 7 years
- This is consistent with our SaaS peers
- **Impact on P&L: $26m improvement in FY19 (estimated)**

Minimal net impact on P&L

[1]Annual licence / ASM has been previously referred to as Post sales customer support.

Profit & Loss

Illustrative models only
Not to be used as guidance

$'m	Before FY19		After FY19	
Initial Licence (incl 5 year subscription)	69	On Premise – Initial Licences	30	43% perpetual; 57% SaaS
ASM	142	On Premise – Annual licences	66	For on premise customers only now
Cloud	49	SaaS fees[1]	137	SaaS Fees amalgamates Initial Licence fees, ASM and Cloud fees.
		- SaaS Cloud	*49*	Same as Before
		- SaaS ASM	*66*	
		- SaaS Licence	*22*	
Consulting	74	Consulting	74	
Other Income	2	Other Income	2	
Revenue	**336**	**Revenue**	**309**	
Expenses (excluding R&D)	203	Expenses (excluding R&D)	203	No Change
		Amortisation of Capitalised R&D	3	Refer to R&D slide no 13
R&D Expenses	58	R&D Expenses	29	
Expenses	**261**	**Expenses**	**235**	
Net Profit Before Tax	**75**	**Net Profit Before Tax**	**74**	Minimal change
profit margin %	*22%*	*profit margin %*	*24%*	
Cash	**152**		**152**	No Change
Annual Recurring Revenue (ARR)				
ARR at Start of Year	173		189	ARR increases $16m FY19, in FY 22 increases approx. $40+m
ARR as % of Total Revenue	51%		61%	
ARR as % of Revenue (ex consulting)	66%		81%	Higher proportion of higher quality recurring revenue
Revenue to Chase this year				
Total Revenue	336		309	
Less: Consulting	(74)		(74)	Majority of consulting locked in with sales
Less ARR at start of year	(173)		(189)	
Revenue to Chase	89		46	Revenue to Chase is the new revenue we have to win in FY19. As a SaaS company there is approximately 50% less Revenue to win

ASM – Before	142	
Less: Rateable recognition change	(10)	
Restated ASM – After	132	
Dissected as		
- On Premise – Annual licences	66	
- ASM included in SaaS Fees	66	

SaaS Licences carried forward	18	
Current year SaaS licence	4	
Total SaaS licence recognised	22	
Current year SaaS licence		
Initial Licence – Before	69	a
Less: On Premise – Initial Licences	(30)	b
SaaS Licence fees	39	c = a – b
Annual revenue from SaaS licence	8	d = c / 5
Current yr recognition (assumes ½ yr)	4	e = d / 2

[1] SaaS Fees will not be dissected going forward

Illustrative models only
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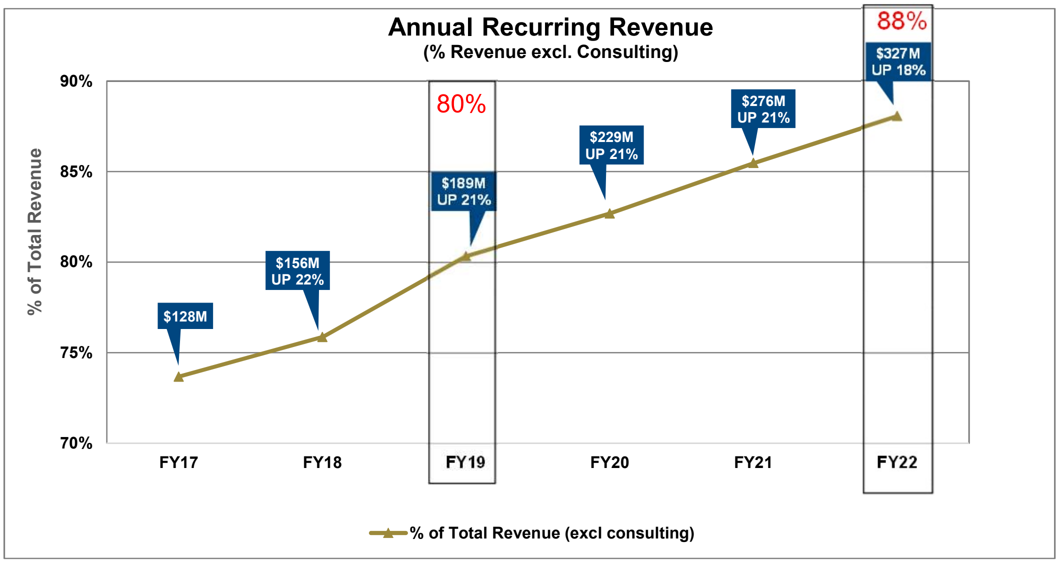
ARR is growing at approx. 20% per annum



FY19: ARR at start of year is $189m, is 80% of total Revenue

FY22: ARR at start of year is $327m, is 88% of total Revenue

Illustrative models only
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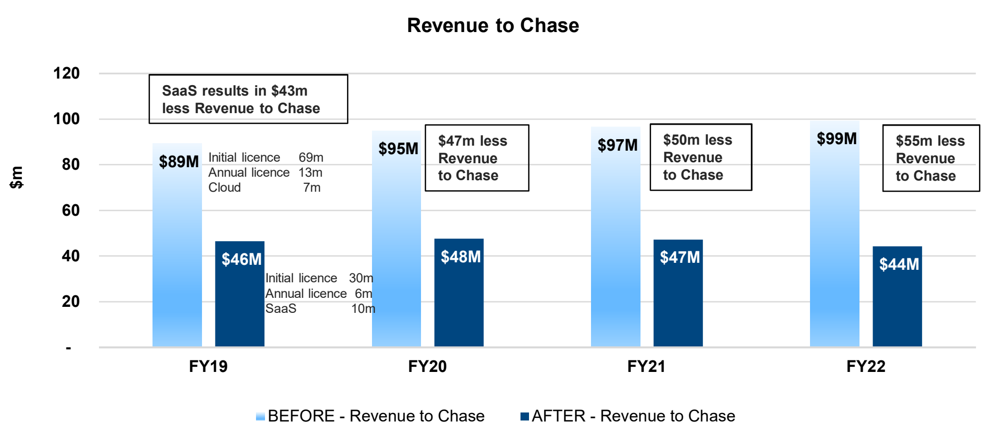
Substantially less revenue to chase each year

SaaS is a high quality recurring revenue business

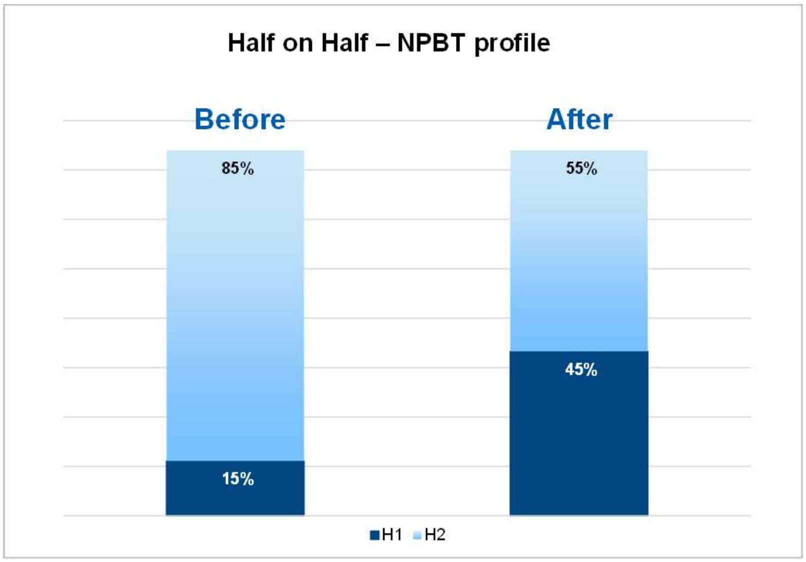


Stronger, Better, Simpler business

Illustrative models only
Not to be used as guidance

No longer have a large H2 skew (85% profit)

No longer dependent on lumpy licence fees



Illustrative models only
Not to be used as guidance

Balance Sheet

$m	Before FY19	After FY19	
Cash & cash equivalents	152	152	No change to cash
Prepayments	8	8	
Trade and other receivables	57	57	
Earned and unbilled revenue	14	6	Dramatically reduced. No more 5yr subscription licences recognised upfront. True SaaS accounting.
Other current assets	1	1	
Current assets	**232**	**224**	
Property, plant and equipment	16	16	
Capitalised R&D	-	26	New - refer to R&D slide 13
Intangible assets	46	46	
Earned and unbilled revenue	22	2	Dramatically reduced. No more 5yr subscription licences recognised upfront. True SaaS accounting.
Deferred tax assets	6	41	
Non-current assets	**90**	**131**	
Total assets	**322**	**355**	
Trade and other payables	46	46	
Provisions	14	14	
Current tax liabilities	-	-	
Unearned revenue	52	156	Increased. Prepaid SaaS fees prepaid annually upfront and recognised rateably
Borrowings	-	-	
Current liabilities	**112**	**216**	
Trade and other payables	10	10	
Provisions	4	4	
Unearned revenue	-	28	New Prepaid SaaS fees more than 1 year in advance
Other non-current liabilities	1	1	
Non-current liabilities	**15**	**43**	
Total liabilities	**127**	**259**	
Net assets	**195**	**96**	
Issued capital and reserves	70	70	
Retained earnings	125	125	
Retained earnings adjustment	-	(99)	Retrospective application of IFRS 15 / AASB 15
Total equity	**195**	**96**	

Illustrative models only
Not to be used as guidance

No Change to Cashflow

Cashflow	Before	After	
$m	**FY19**	**FY19**	
Operating cash flow	69	98	
Investing cash flow	(6)	(35)	
Free cash flow	**63**	**63**	No change to cashflow
Net profit after tax ("NPAT")	58	56	
NPAT ratio[1,2]	1.19	1.75	

[1] NPAT ratio is calculated as Operating cash flow divided by NPAT.

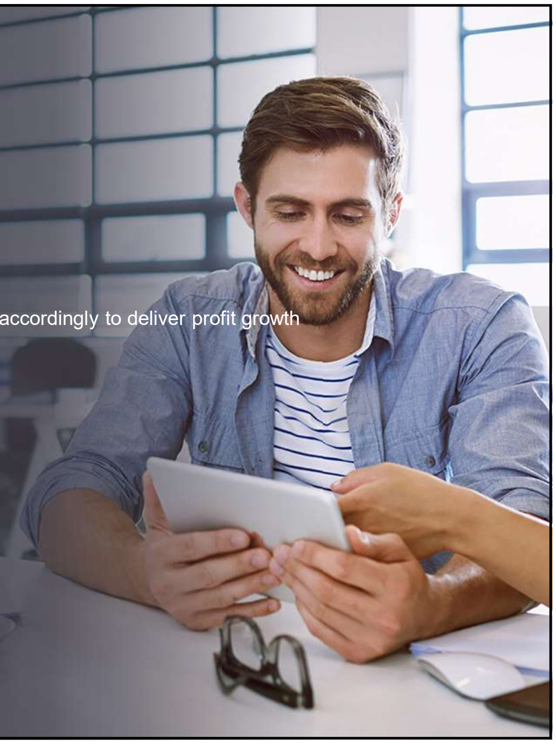
[2] Operating cash flow and NPAT is presented after the effects of capitalisation, and associated amortisation, of R&D expenditure.

Illustrative models only
Not to be used as guidance

Key Metrics	Before	After	
	FY19	**FY19**	
EPS (cents)	**18.2**	**17.8**	
Key Margin Analysis			
EBITDA Margin	24%	26%	
Net Profit Before Tax Margin	22%	24%	
ROE			
Return on equity	29%	59%	
Cash	**152**	**152**	No change to cash
Operating cash flow NPAT conversion ratio	1.19	1.75	
Operating cashflow to EBITDA ratio	0.87	1.20	
R&D expenditure before capitalisation and amortisation	**58**	**58**	
ARR at start of year	**173**	**189**	Higher proportion of higher quality recurring revenue
Revenue to chase	**89**	**46**	As a SaaS company there is approximately 50% less Revenue to chase
Customer data			
Customer retention ratio	99%	99%	
Number of customers	1,250	1,250	
Average products per customer	5.6	5.6	

The Benefits

- ✓ True SaaS accounting – much simplified
  - Recognise revenue on a daily basis
- ✓ Improved predictability of earnings
  - No longer dependent on lumpy Licence Fees
  - No longer have a large H2 skew (85% profit in H2)
  - SaaS deals have minimal impact on our earnings in the current year
  - We go into the year with our SaaS revenue locked in, and can set costs accordingly to deliver profit growth
  - Annuity style income, for example 88% of our revenue is locked in FY22
  - Simple revenue model
- ✓ Free cash flow does not change
- ✓ Minimal net impact on P&L
- ✓ 1,200 clients – 99% retention
  - Diversity of clients that are loyal to the business



Stronger, Better, Simpler business

Delivering a
Cloud first,
mobile first world

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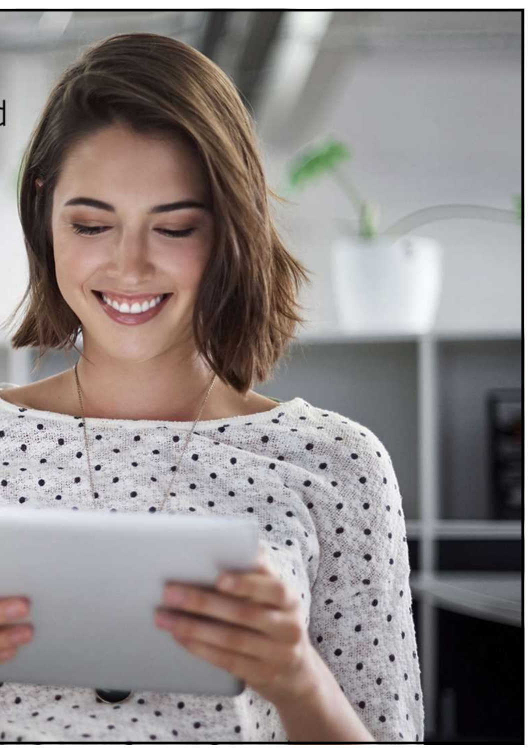
- Long Term Outlook



Outlook for Full Year

Outlook for the full year remains unchanged

Assumptions also remain unchanged

Outlook for 2018 Year

We expect NPAT growth of 10% to 15% for the full year

We also expect underlying profit growth of 10% to 15% for the full year

Guidance is based on TechnologyOne's reported earnings for 2017 year

Outlook for 2018 Year

Assumptions

- The current pipeline remains strong for the second half
- Substantial base of committed Annual Licence fees heavily weighted to the second half
- Total Consulting Profit will be $7m (vs $5.3m pcp)
- SaaS Platform Profit will be $7m (revised up from $5m, vs pcp of $2.5m)
- Total Expenses will be up 6% for the full year (vs up 6% at the end of Half 1)
    - Operating expenses up 5%
    - R&D expense up 8%
- United Kingdom loss will be $2m (revised from $500k loss)
- No new acquisitions in the second half

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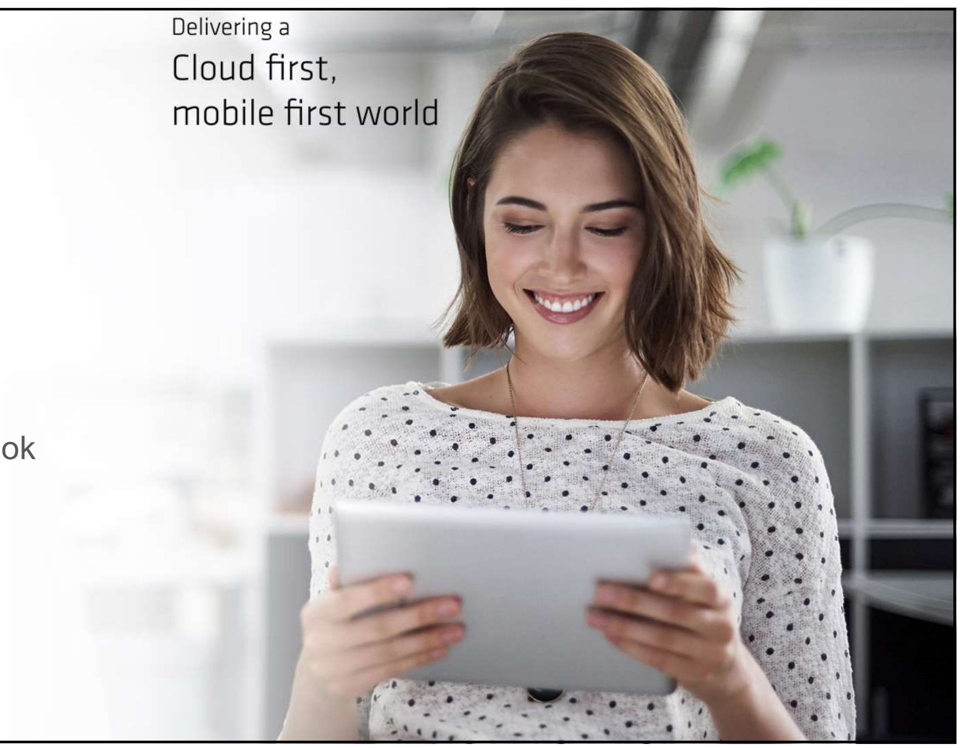


Long Term Outlook

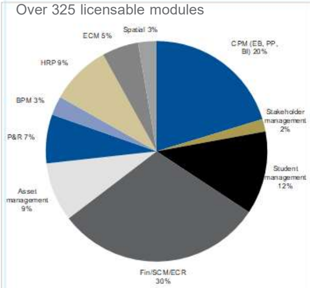
Continuing strong profit growth

Foundations for long term growth

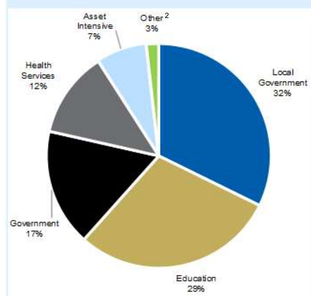
Diversified revenue streams

14 Licensable products[1]

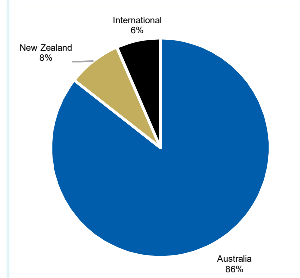
Over 325 licensable modules



8 Vertical markets[1]



Diversified geographies[3]

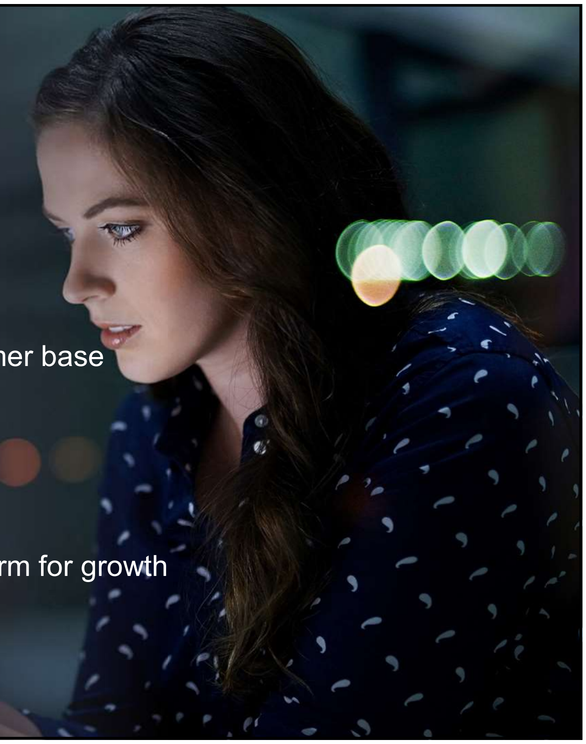


Strong, very loyal customer base

- Provides missions critical solution – 'sticky customer base'
- 80+% of our revenue is now recurring
- 99%+ customer retention rate

1 Based on H1 FY18 Licence Fees
2 Includes financial services, project intensive and corporate services.
3 Based on H1 FY18 Revenue

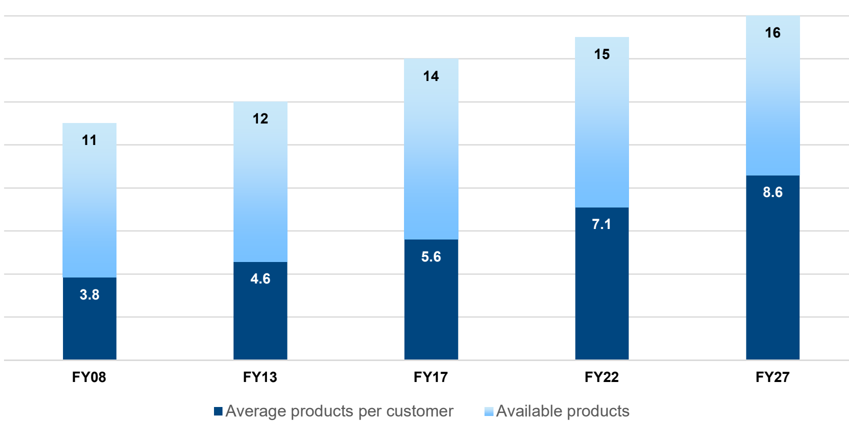
We have many platforms for continuing strong growth



- ✓ Substantial future growth in our existing customer base
- ✓ SaaS Platform to continue to grow strongly
- ✓ Continuing growth in APAC
- ✓ Continuing growth in the UK
- ✓ DXP – Digital Experience Apps, our next platform for growth

Substantial growth in our existing customer base

$420m of new ARR by FY2027



In FY17, customers have on average 40% of our 14 products

For the products they do have, they have on average only 60% of the modules

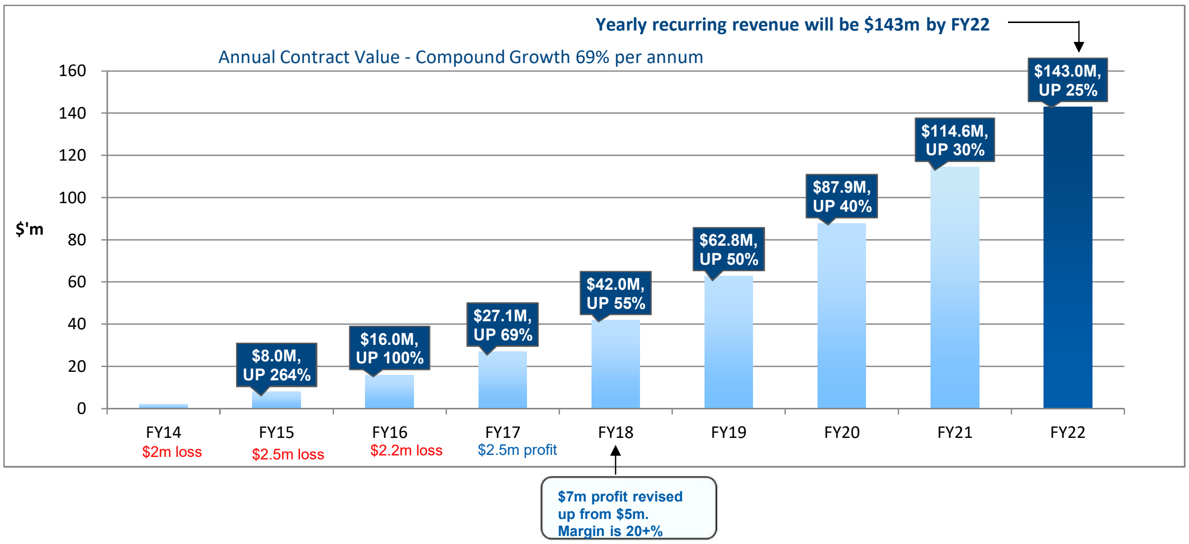
[1]based on 1,000 SaaS customers

If we were to add one more product to our customer base, this will generate $140+m of revenue per year recurring[1]. In FY17, on average, our customers have 5.6 out of 14 products. We expect this to increase to an average of 8.6 products per customer by FY27 which will generate $420m ARR.

SaaS Platform to continue to grow strongly

$143m ARR in FY22

Incremental revenue generated from our SaaS platform not cannibalising our other revenue streams



Transforming business, making life simple

Continuing growth in APAC in our existing 8 vertical markets

Continuing growth in the UK

The UK market is 3x the size of Australian market for our enterprise system

Our ‘Blue Ocean’ strategy is succeeding

UK to move to profit in 2021

DXP – The Digital Experience

Incorporating AI and ML

Empowering thousands of stakeholders
The next platform for growth because our licensing is based per user


Positioned well for the future and to continue to double in size every 5 years.
Cloud first,
Mobile first strategy

Questions ?

Appendix 1 - SaaS peers
R&D Capitalisation

Company	Capitalise R&D	% of R&D Spend Capitalised	Amortisation period
Wisetech	Yes	44%	3 – 10 years
Aconex	Yes	43%	3 years
Xero	Yes	44%	3 – 5 years

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