

TechnologyOne SaaS  
Enterprise Software as a Service

# CEO Address

2018 Annual General Meeting

Edward Chung  
Chief Executive Officer

**technologyone**  
Transforming business, making life simple

26 February 2019

*Commercial in confidence*

## Agenda

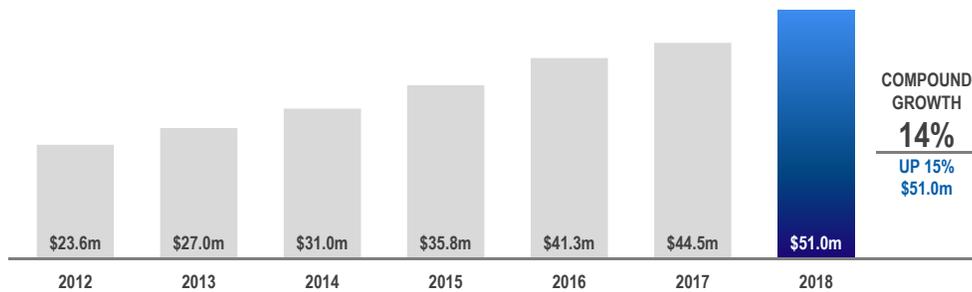
- Results
- Adoption of AASB 15
- Outlook for New Year
- Long Term Outlook

Total Annual Recurring Revenue recognised of \$169m, up 22%

<sup>1</sup> Recurring Revenue Recognised in FY18 under current Australian Accounting Standards

**We continue to double in size every 4 to 5 years**

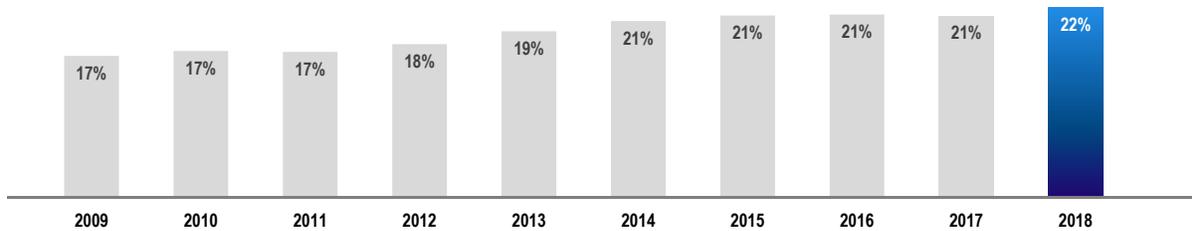
**Net Profit After Tax up 15%**



Over the last six years compound growth in NPAT has been 14% per annum.

## Margin improved to 22%

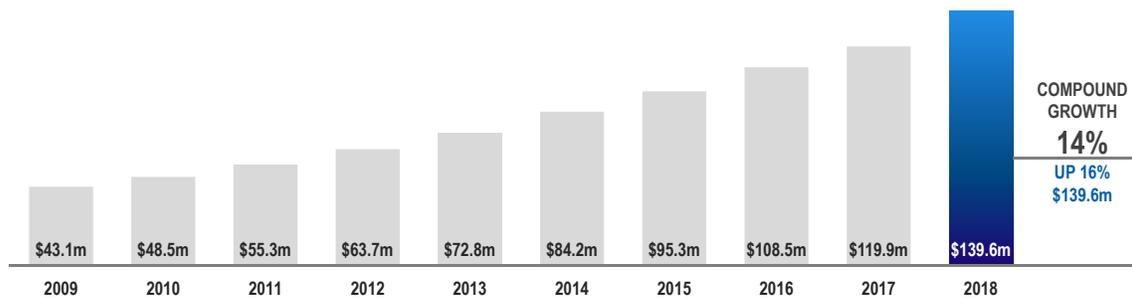
### Net Profit Margin Before Tax



#### Margin improvement

- Powered by TechnologyOne SaaS
- Cost control

## Annual Licence continues to grow strongly: Up 16%



- Customer retention is important – remains at 99+%
- Ci Anywhere and TechnologyOne SaaS Platform are critical to the ongoing retention of customers

UP <b>15%</b> NPBT \$66.5m	UP <b>22%</b> ARR Recognized \$169m	UP <b>41%</b> SaaS Platform ARR \$38m	<b>19 YEARS</b> of consecutive record revenue		
Profitable since <b>1992</b>	UP <b>16%</b> Annual Licence Fees \$140m	UP <b>9%</b> Revenue \$299m	UP <b>14%</b> Consulting Profit \$6.0m	UP <b>8%</b> Dividends 11.02 CPS	UP <b>14%</b> Earnings Per Share 16.10 (CPS)
UP <b>12%</b> Cash & Cash Equivalents \$104.3m	UP <b>5%</b> Operating Cash Flow \$48.6m	UP <b>6%</b> Initial Licence Fees \$65m	<b>22%</b> PBT Margin (21% last year)	<b>28%</b> Return on Equity	

<sup>1</sup>ARR – Annual Recurring Revenue




## SaaS Platform Profit of \$7m, up 175%

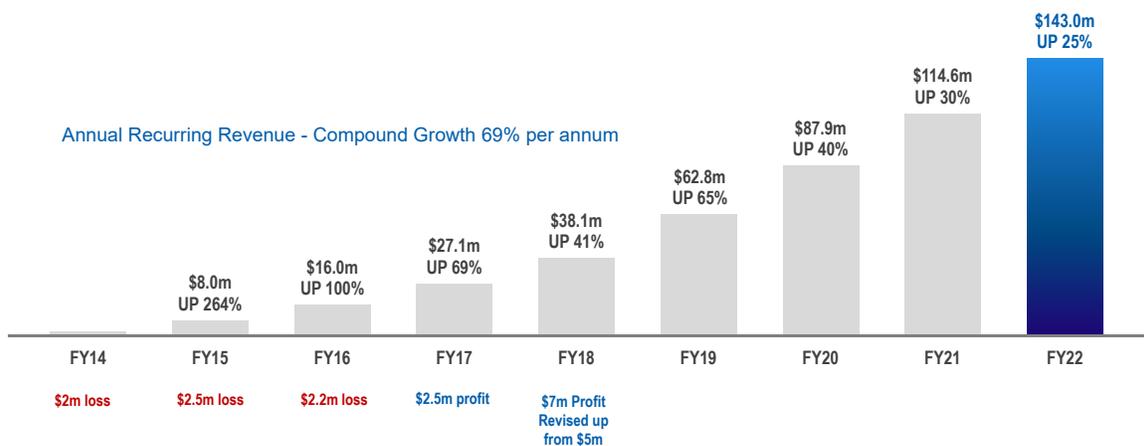
Previous year SaaS Platform profit was \$2.5m. Original Forecast for 2018 full year was a profit of \$5m.



## Annual Recurring SaaS Platform Fees

Engine for significant profit growth in the coming years

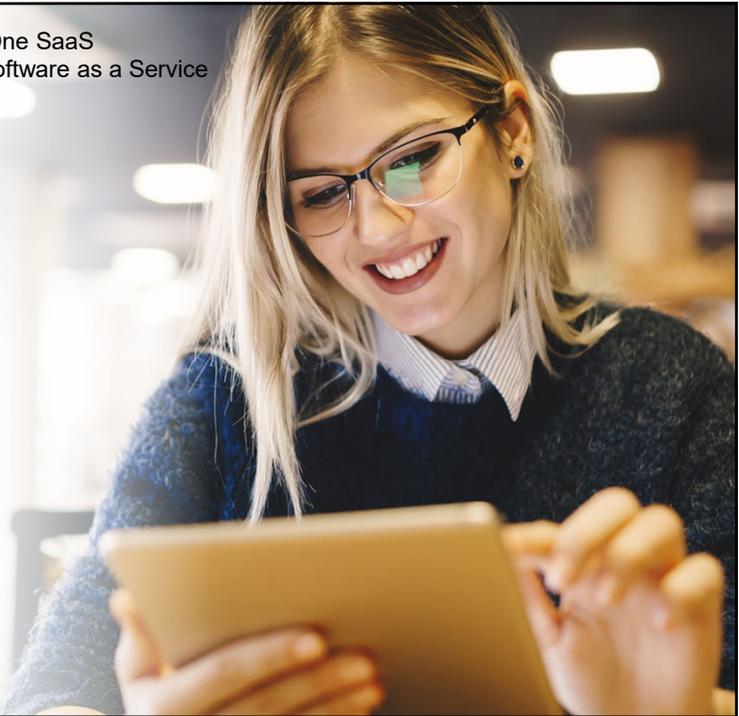
As previously stated focus has moved from ARR growth to profitable growth in coming years



Our next Target - Profit Margin of 30+% for this business

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## Background to AASB 15

IFRS 15 is the international standard for “Revenue from Contracts with Customers”. In Australia it is referred to as AASB<sup>1</sup> 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.

<sup>1</sup>AASB - Australian Accounting Standards Board

# FY19 Adopt AASB15

## SaaS Accounting policies

### Stronger, better business

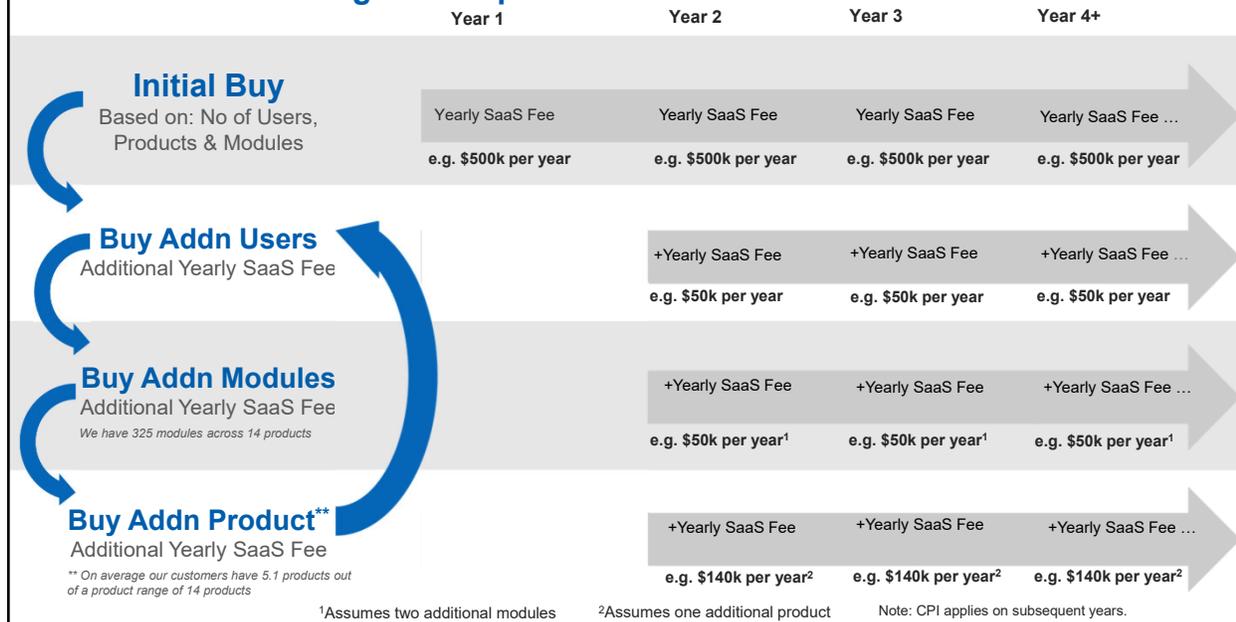
- ✓ Revenue recognized on a daily basis
- ✓ Free cashflow does not change
- ✓ Minimal impact on P&L
- ✓ Simpler revenue model
- ✓ Improved predictability of earnings
- ✓ H1:H2 skew reduces to 45%:55% over next 5 years<sup>1</sup>
- ✓ Positions us for continuing strong growth
- ✓ TechnologyOne is now like our SaaS peers

For further information please refer to the TechnologyOne IFRS Presentation submitted to the ASX on 17 July 2018

<sup>1</sup> as we continue to move our on premise customers to our SaaS Platform

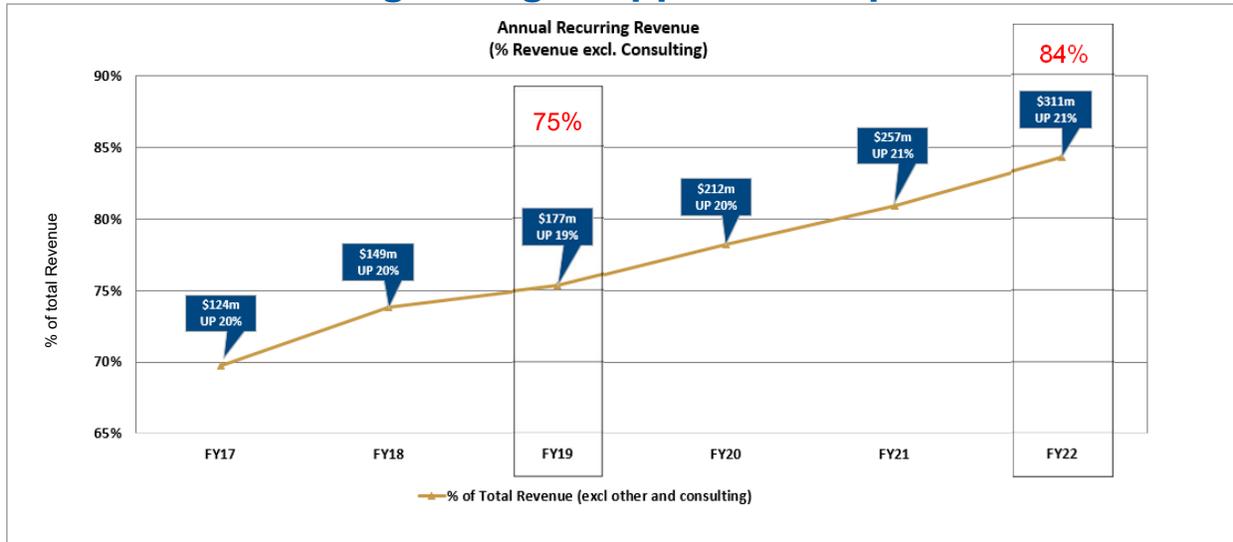


## Simple & Robust SaaS Revenue Model – Annual Recurring Subscription Revenue



Illustrative models only  
Not to be used as guidance

## ARR is growing at approx. 20% per annum

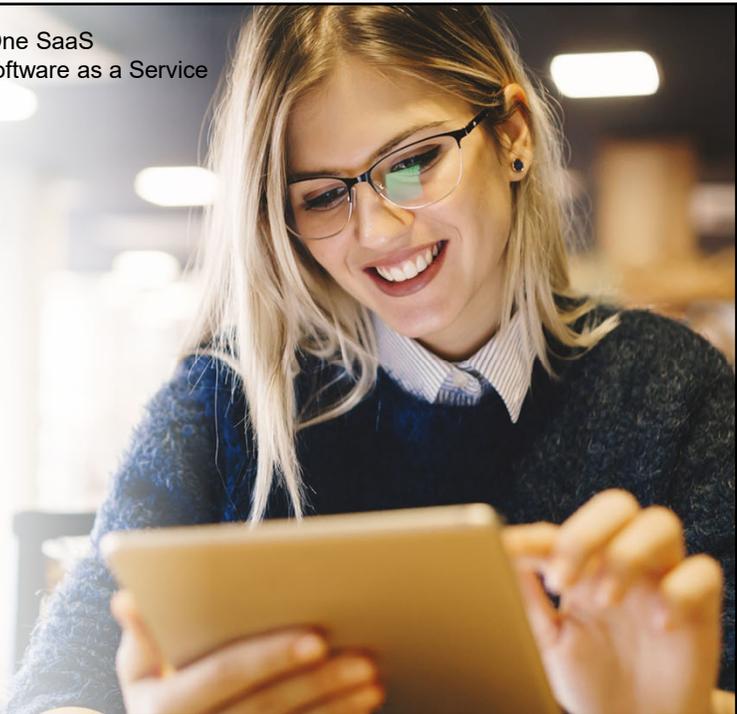


FY19: ARR at start of year is \$177m, is 75% of total Revenue  
FY22: ARR at start of year is \$311m, is 85% of total Revenue

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## Outlook for 2019 Year

### Continuing strong growth

- The enterprise software market continues to be resilient
- TechnologyOne enterprise SaaS solution is driving our continuing success
- In particular TechnologyOne markets have remained strong over many years: Local government, higher education, government and government related businesses
- The Pipeline for 2019 is strong



## Outlook for 2019 Year

### Full Year - Strong Profit growth to continue in 2019

- We expect to see strong continuing growth in 2019
- As we have seen in prior years the sales pipeline is weighted strongly to the second half. As such we expect the first half of 2019 will not be indicative of the full year results
- Having said this, the magnitude of the difference between the first and second half will not be as great as in prior years because of the size of our SaaS business recurring revenue base<sup>1</sup>
- We will provide further guidance with the first half results

<sup>1</sup> H1:H2 skew reduces to 45%:55% over next 5 years as we continue to move our on premise customers to our SaaS Platform

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Positioned well for the future  
and to continue to double in  
size every 5 years.

- ✓ Substantial future growth in our existing customer base
- ✓ Continuing growth in APAC
- ✓ Continuing growth in the UK
- ✓ SaaS continues to grow strongly



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