technology**one**

Transforming business, making life simple

23 November 2021

TechnologyOne SaaS up 43% and Profit up 19%

BRISBANE, 23 November 2021 – TechnologyOne (ASX: TNE), Australia's largest ERP Software as a Service (SaaS) company, today announced its financial results for the year ended 30 September 2021.

Highlights for the Year

Profit Before Tax up 19% - Our Profit Before Tax was up 19%, at the top end of guidance, underpinned by the continuing fast growth of the TechnologyOne Global SaaS ERP solution.

TechnologyOne SaaS ARR up 43% organically - The TechnologyOne Global SaaS ERP solution is growing rapidly, with SaaS annual recurring revenue (ARR) of $192.3m, up 43%.

End of On-Premise business by October 2024 - During the year we achieved a watershed milestone and announced the end of our On-Premise business by October 2024, which will further drive our SaaS business.

$500m+ ARR by FY26 - With our fast-growing SaaS business and the announcement of the end of our On-Premise business, we are on track to hit our target of $500m+ ARR by FY26. Given the current ARR is $257.5m, this is an additional $242.5m of Annual Recurring Revenue in the next 5 years.

Revenue from SaaS & Continuing Business was up 9%. This is our future state business. By FY24 we expect our total business to be growing by 15%+ per annum.

These points are discussed later in more detail.

Results Summary

- Profit Before Tax of $97.8m, up 19%[1]
- Revenue from our SaaS and Continuing Business of $293.6m, up 9%
- SaaS Annual Recurring Revenue (ARR)[2,5] of $192.3m, up 43%
- Total Annual Recurring Revenue (ARR)[2,5] of $257.5m, up 16%
- Total Revenue[3] of $312.0m, up 4%
- Expenses of $214.2m, down 1%
- Cash Flow Generation[4,5] of $63.9m, up 12%
- Cash and Cash Equivalents of $142.9m, up 14%
- Total Dividend of 13.91cps, up 8%
- R&D investment[5] of $77.0m before capitalisation, up 13%, which is 24% of revenue

1 Profit Before Tax of $97.8m was up 14% on FY20 Underlying Profit Before Tax

2 ARR represents future contracted annual revenue at year end.

3 Includes other income of $0.7m

4 Cash Flow Generation is cash flow from operating activities less capitalised development costs, capitalised commission costs and lease payments.

5 This is a non-IFRS financial measure and is unaudited

Continuing strong performance

TechnologyOne has consistently delivered strong results since listing on the ASX in 1999. Our ability to deliver these results for 20+ years is due to our clear vision, strategy, culture and our significant investment in R&D.

We see continuing strong growth in the future and expect to double in size again in the next five years.

TechnologyOne SaaS ARR grows 43% organically

The TechnologyOne Global SaaS ERP solution is growing rapidly, with SaaS ARR of $192.3m, up 43%. This growth is all organic and includes no acquisitions.

We added approximately 100 enterprise customers this year to our Global SaaS ERP solution, and we now have 637 large scale enterprise customers, with hundreds of thousands of users, making it the largest single instance SaaS ERP offering in Australia.

Our Global SaaS ERP solution is delivering a compelling value proposition for our customers providing them any device, any time access from anywhere around the globe, as well as a simple and cost-effective way to run their enterprise. This is allowing our customers to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies. We take care of all of this, making life simple for them.

This year we continued to win new, large enterprise customers from our competitors. 30+ organisations replaced our competitors' systems, including systems from Oracle, SAP, Microsoft, Tribal and Workday.

TechnologyOne continued to dominate in the Local Government sector, where we closed 20 major deals with $25m+ in total contract value. We have more than 300 council customers in APAC.

In the Higher Education sector, we closed 10 major deals with $30m+in total contract value, cementing our position as the dominant provider to the APAC Higher Education sector.

End of On-Premise

During the year we announced the end of our On-Premise business by October 2024. This watershed milestone gives our remaining On-Premise customers ample time to make the transition to our Global SaaS ERP solution. TechnologyOne has made the transition to our SaaS solution for our On-Premise customers simple and seamless. They can move to SaaS in weeks, not years like those using our competitors' products. We expect 90%+of all our remaining On-Premise customers to move to our SaaS solution, driving the growth of our SaaS business.

By transitioning to SaaS, our On-Premise customers will unlock the significant benefits that our SaaS customers already receive including:

- Two releases automatically available each year providing new functionality,

- Eight active data centres,

- Defence in depth security with the highest levels of cyber security certification,

- Always on the latest release,

- Always on the latest technology,

- All products and modules available, so that our customers can take on additional products without friction; and

- Save 30%+ on their total cost of ownership.

From here they can easily move to our next generation product, Ci Anywhere (CiA) and take advantage of new technologies, such as Artificial Intelligence and our new Digital Experience Platform (DXP) which we are in process of developing.

On track to hit $500m+ ARR by FY26

Our SaaS business continues to grow quickly. The quality of this revenue stream is exceptionally high, given its recurring contractual nature, combined with our very low churn rate of ~1%.

Combined with our announcement of the end of our On-Premise business, this is driving our Annual Recurring Revenue growth.

Our Total ARR is $257.5m, up 16%. We are on track to hit our target of $500m+ ARR by FY26. Given the current ARR is $257.5m, this is an additional $242.5m of annual recurring revenue in the next 5 years.

Our ARR stands at 90% of Total Revenue[1] which means the majority of our revenue is locked-in at the start of the financial year. This positions us well to achieve strong continuing growth in the new year.

[1] Excludes consulting revenue as it flows from business wins and is based on opening ARR of $221.9m.

Our Future State Business is expected to grow at 15%+ per annum in the next few years, with the cessation of our On-Premise business

Total Revenue was up 4%, but this is not a true indication of our growth, as it includes our Legacy Licence business, which we are aggressively reducing as we grow our SaaS business.

As planned, our Legacy Licence business was down 38% ($10.8m), as we continue to build our SaaS business and walk away from traditional On-Premise licences.

If we remove the Legacy Licence business from both FY21 and FY20, our Revenue from SaaS and Continuing Business, which is a key measure of the strength of our business, has grown 9%.

We expect by FY24 our Total Revenue will be growing by 15%+ per annum with the cessation of our On-Premise business.

UK delivers Profit Before Tax of $1.6m, versus breakeven in the prior year

The UK regionalisation of our Global SaaS ERP solution is nearing completion, and we have seen our UK business continue to grow, with SaaS ARR of $9.0m up 20%. We delivered a profit of $1.6 million versus a break even result last year and we see significant opportunities in the coming years.

Consulting Profit Before Tax of $15.6m, up 14%

Our Consulting division delivered Profit Before Tax of $15.6 million, up 14% through continued improvement in culture, systems and processes, and disciplined use of our solution implementation methodology. The turnaround of the UK Consulting division continued during the year, with efficiency improving to deliver a profit of $1m versus a breakeven result last year. The total Consulting division's Profit Before Tax margin has improved from 7% in 2017 to 24% in 2021. Our Application Managed Services business for existing customers is moving to recurring revenue with $19.7million now locked in as recurring revenue[2].

[2]Not included in our Total ARR.

Investment in R&D up 13%

TechnologyOne invested $77.0 million in R&D this year, up 13%. This was significantly higher than our normal benchmark of R&D growth of 8%, as we took the opportunity to accelerate R&D into a number of new and exciting areas.

We continued to invest in new exciting ideas and innovations, including our new Digital Experience Platform (DXP) for Local Government and Higher Education. The first phase of our Local Government DXP was shipped in 2021. Customer feedback has been excellent and our DXP will set the new standard for ERP.

This year we elevated our Federal Government customers to a new cyber security level as we delivered our Global SaaS ERP solution with IRAP Protected certification. We continue to invest millions of dollars and set the bar higher each year as we deliver the most trusted SaaS solution to our customers. It is not feasible for individual organisations to keep up with increasing costs and complexity of cyber security unless they have adopted a SaaS first strategy.

Our R&D is also focused on extending the functionality and capabilities of our Global SaaS ERP solution.

Our R&D program continues to be at the leading edge of our industry as we embrace new technologies, new concepts and new paradigms.

We expect R&D growth over the next few years to return back to the benchmark growth of 8% or less.

Acquisition of Scientia

In September we acquired Scientia Resource Management Limited (Scientia), a United Kingdom company servicing the higher education sector. The impact on our FY21 profit was insignificant.

This acquisition forms part of our strategic focus to deliver the deepest functionality for Higher Education and it will accelerate our growth and competitive position in the UK as well as have significant benefits in the Australian Higher Education market.

Scientia's market leading product Syllabus Plus provides mission critical advanced academic timetabling and resource scheduling for over 150 leading universities across the United Kingdom and Australia.

The acquisition further expands our Global SaaS ERP solution for Higher Education. The integration of the Scientia's advanced academic timetabling and resource scheduling capabilities, combined with our market leading Student Management, HR & Payroll, Enterprise Asset Management and Finance capabilities, will provide smarter decision-making for customers, eliminating underutilisation of space and resources that is paramount for Higher Education across the globe in a post-COVID world.

This is our first international acquisition and demonstrates our deep commitment to both Higher Education and the UK market. The unique IP and market-leading functionality of Syllabus Plus supports our vision of delivering enterprise software that is incredibly easy to use and that substantially enhances our customers' experience in the Higher Education sector. We are excited about the opportunities this will bring to both our UK and Australian customers in the coming years.

Strong balance sheet and cashflows

TechnologyOne continues to have a strong balance sheet with net assets of $190.2 million, up 34% and cash and cash equivalents of $142.9 million, up 14% after making the initial payment for the Scientia acquisition of $11.6 million. Cash Flow Generation was once again strong at $63.9 million for the full year, versus a Net Profit After Tax of $72.7 million. TechnologyOne continues its long history of strong cash flow generation which we expect to progressively grow to match Net Profit After Tax in FY24.
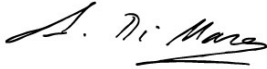
Profit Before Tax margin increases to 31%

Profit Before Tax margin increased to 31% compared to 28% for the prior year. We see margins continuing to improve to 35%+ in the coming years, driven by the significant economies of scale from our single instance multi-tenanted Global SaaS ERP solution.

We are on track to double the size of our business once again in the next five years.

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Dividend

In light of the company's strong results, and our confidence going forward, the dividends for the full year has increased to 13.91 cents per share, up 8% on the prior year.

Adrian Di Marco

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- Ends –

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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 provide a global SaaS ERP solution that transforms business and makes life simple for our customers. Our deeply integrated enterprise SaaS solution is available on Any device, Anywhere and Anytime and is incredibly easy to use. Over 1,200 leading corporations, government agencies, local councils and universities are powered by our software.

For more than 32 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.

For further information, please visit: TechnologyOneCorp.com