

2023 Full Year Results

Ended 30 September 2023

technologyone
Making life simple for our community



21 November 2023

Disclosure Statement

TechnologyOne Ltd Full Year Presentation – 21 November 2023

TechnologyOne Ltd (ASX: TNE) today conducted a series of presentations relating to its 2023 Full Year results.

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

The information contained in this presentation 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. This presentation may also contain certain 'forward looking statements' which may include indications of, and guidance on financial position, strategies, management objectives and performance. Such forward looking statements are based on current expectations and beliefs 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.

This presentation includes the following measures used by the Directors and management in assessing the on-going performance and position of TechnologyOne: EBITDAR, EBITDA, EBIT, ARR, Churn, Cash Flow Generation. These measures are non-IFRS under Regulatory Guide 230 (Disclosing non-IFRS financial information) published by the Australian Securities and Investment Commission and have not been audited or reviewed.



Agenda

- Highlights
- Financial Results
- Significant Achievements
- Building the Future
- Outlook for FY24

Clear Strategy



ERP software –
Mission critical
products
In 2008, we had 11 products,
in 2023, we have 16 products
and over 400 modules.



Deepest functionality
for the markets we
serve
Mission critical products which
power our customers



Global SaaS
Solution – One
Global Code Line
Our SaaS customers
unlock significant benefits



Any device
anywhere
anytime
Delivered our 4th
Generation ERP, CiA



Power of one –
One Vendor,
One Experience
Solution as a Service



Innovation Driven
Company
Leveraging new and emerging
technology in each generation
of product



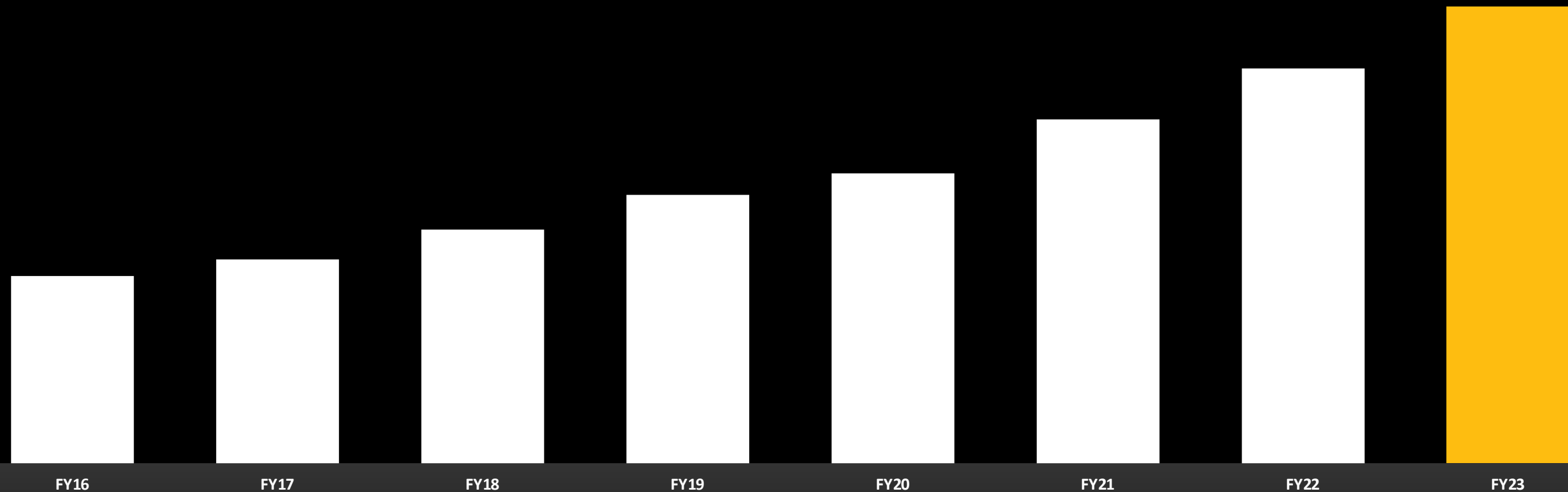


**Total ARR
Growth of 23%**

**Record
Total ARR
\$392.9m**

Profit Before Tax Growth of 16%

Record Net Profit before tax \$129.9m



Beat guidance of 10%–15% PBT growth

~~Surpass \$500m+ ARR by FY26~~

Upgrades to \$500m+ ARR by FY25



**We continue to invest in R&D to
build future platforms for growth.**

We will continue to double in size every 5 years

SaaS⁺ is the foundation of our growth

Outlook for FY24 is strong

Discussed later in more detail



FY23 Results Summary

Strong year drives momentum into FY24

**Profit
growth
16%**

**ARR
growth
23%**

**NRR
119%**

**CFG to
NPAT
102%**

	FY23	FY22	VAR	VAR
	\$m	\$m	\$m	%
Total ARR	392.9	320.7	72.2	23%
ARR Recognised	353.4	287.0	66.3	23%
Total Revenue	441.4	369.4	72.0	19%
Profit Before Tax	129.9	112.3	17.5	16%
Profit After Tax	102.9	88.8	12.4	16%
Cash Flow Generation	104.6	77.2	27.4	36%
Cash and Investments	223.3	175.9	47.4	27%
Underlying PBT Margin	30% ¹	30%		
EBITDA Margin	42%	41%		1%
EPS (cps)	31.71	27.51	4.20	15%
Total Dividend (cps)	19.52	17.02	2.50	15%

1. Excludes one-off Scientia acquisition accounting impact and the acquisition due diligence costs incurred in FY23



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FY23 Profit and Loss

Record revenue and NPBT. Exceeded ARR targets (highest quality revenue).

A\$M

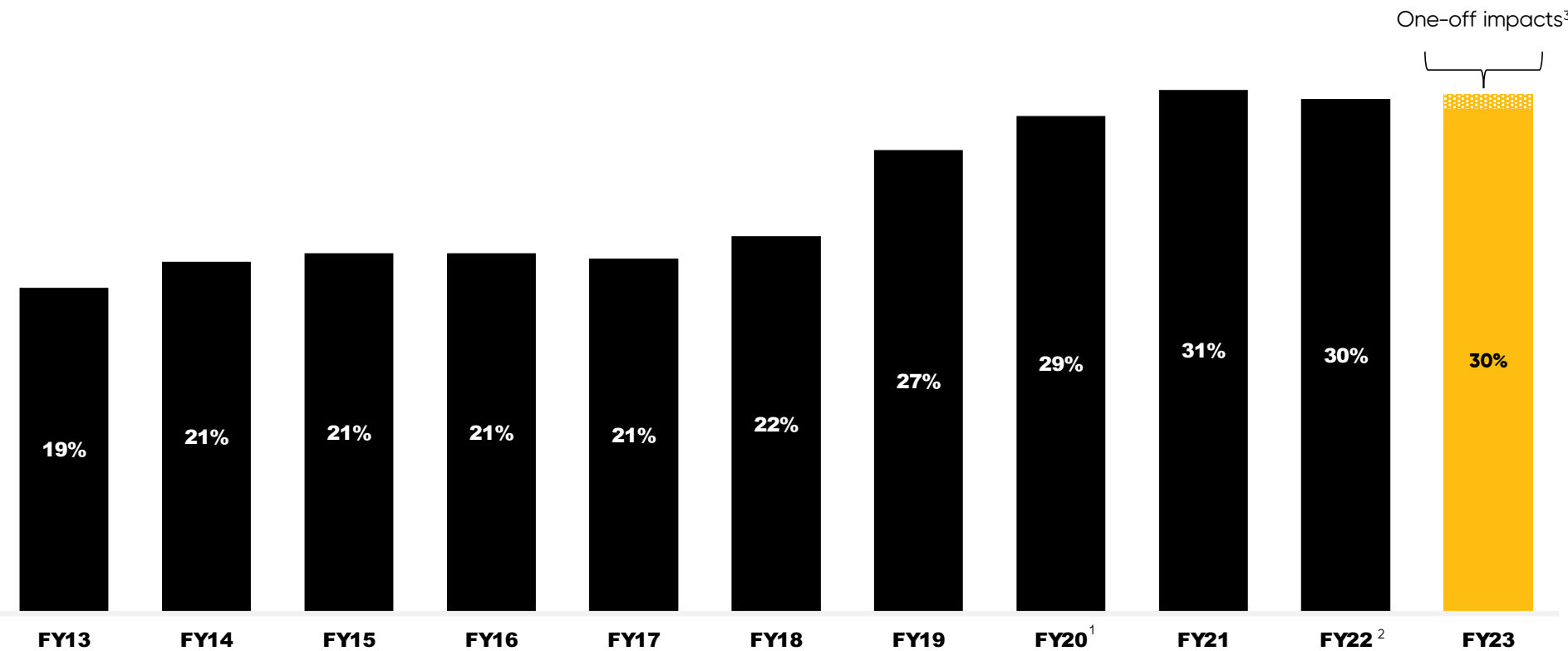
	FY23	FY22	Δ\$M	Δ%
SaaS Fees Recognised	316.2M	216.8M	+99.4M	+46
Annual Licence Fees	37.0M	69.2M	(32.2M)	(46)
Consulting - AMS Recurring	37.5M	35.4M	+2.2M	+6
= Revenue: SaaS & Recurring	390.7M	321.4M	+69.4M	+22
Legacy Licence Fees	2.8M	8.5M	(5.7M)	(67)
Associated Annual Licence Fees	0.2M	1.0M	(0.8M)	(82)
Traditional New Project Consulting	35.6M	37.3M	(1.7M)	(4)
= Revenue: Traditional & Legacy	38.6M	46.9M	(8.2M)	(18)
Other Revenue	12.0M	1.2M	+10.8M	+936
= Total Revenue	441.4M	369.4M	+72.0M	+19
Variable Costs (excl capitalisation)	78.6M	63.1M	+15.5M	+25
Net Capitalised Costs - Commission	(9.2M)	(6.1M)	(3.2M)	(52)
Operating Costs (excl capitalisation)	268.7M	226.7M	+42.0M	+19
Net Capitalised Costs - R&D	(26.5M)	(26.7M)	+0.1M	+0
= Total Expenses	311.5M	257.1M	+54.4M	+21
= Profit Before Tax	129.9M	112.3M	+17.5M	+16
Profit After Tax	102.9M	88.8M	+14.0M	+16

- ① **SaaS Fees Recognised 316.2M ▲ +46%**
Up strongly with FY23 ARR \$392.9m
- ② **Annual Licence Fees 37.0M ▼ (46)%**
Declining as customers migrate to SaaS
- ③ **Revenue: SaaS & Recurring 390.7M ▲ +22%**
Recurring Revenue > 90% of total revenue¹
- ④ **Legacy Licence Fees 2.8M ▼ (67)%**
Declining as expected
- ⑤ **Other Revenue 12.0M ▲ +936%**
Impacted by Scientia contingent consideration write-off (\$7.4m)
- ⑥ **Operating Costs (excl capitalisation) 268.7M ▲ +19%**
Strong investment in future growth
- ⑦ **Net Capitalised Costs - R&D (26.5M) ▲ +0%**
FY23 capitalisation \$60.6m less amortisation 34.1m

Profit margin to improve to 35%+ in the next few years

Driven by the significant economies of scale from our single instance global SaaS ERP solution

FY23 Profit Before Tax Margin is 30% excluding one off events



- ✓ Beat profit guidance
- ✓ Strong ARR growth
- ✓ Strong NRR
- ✓ Strong Cash Conversion
- ✓ Strong pipeline

Enabled additional investments for growth in

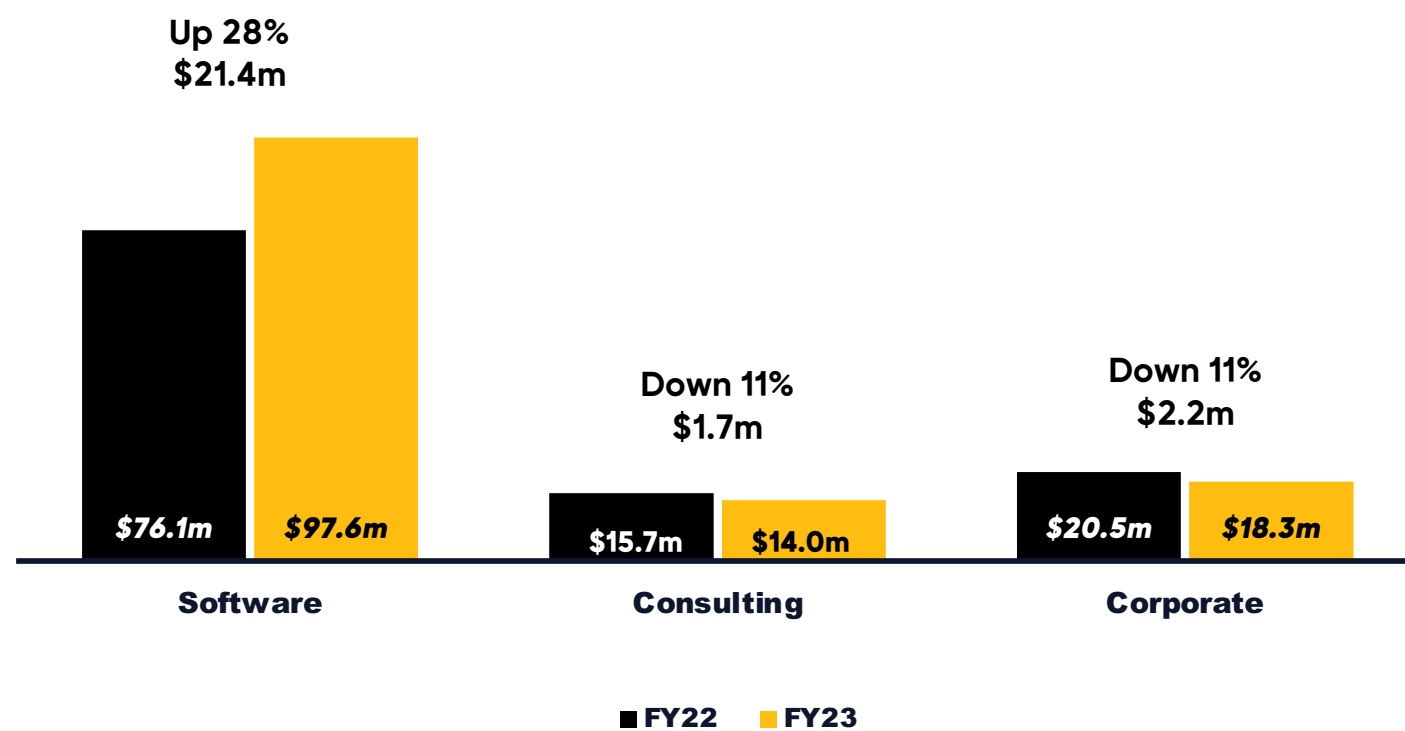
- UK
- Additional R&D Centre
- New products like DxP & AppBuilder
- SaaS+
- Acquisition

1. FY20 Profit Before Tax excludes a one-off increase in provision of \$3.6m as a result of a civil employment case.
 2. FY22 margin was impacted by acquiring negative margin business – Scientia.
 3. This represents the one-off Scientia acquisition accounting impact and the acquisition due diligence costs incurred in FY23.

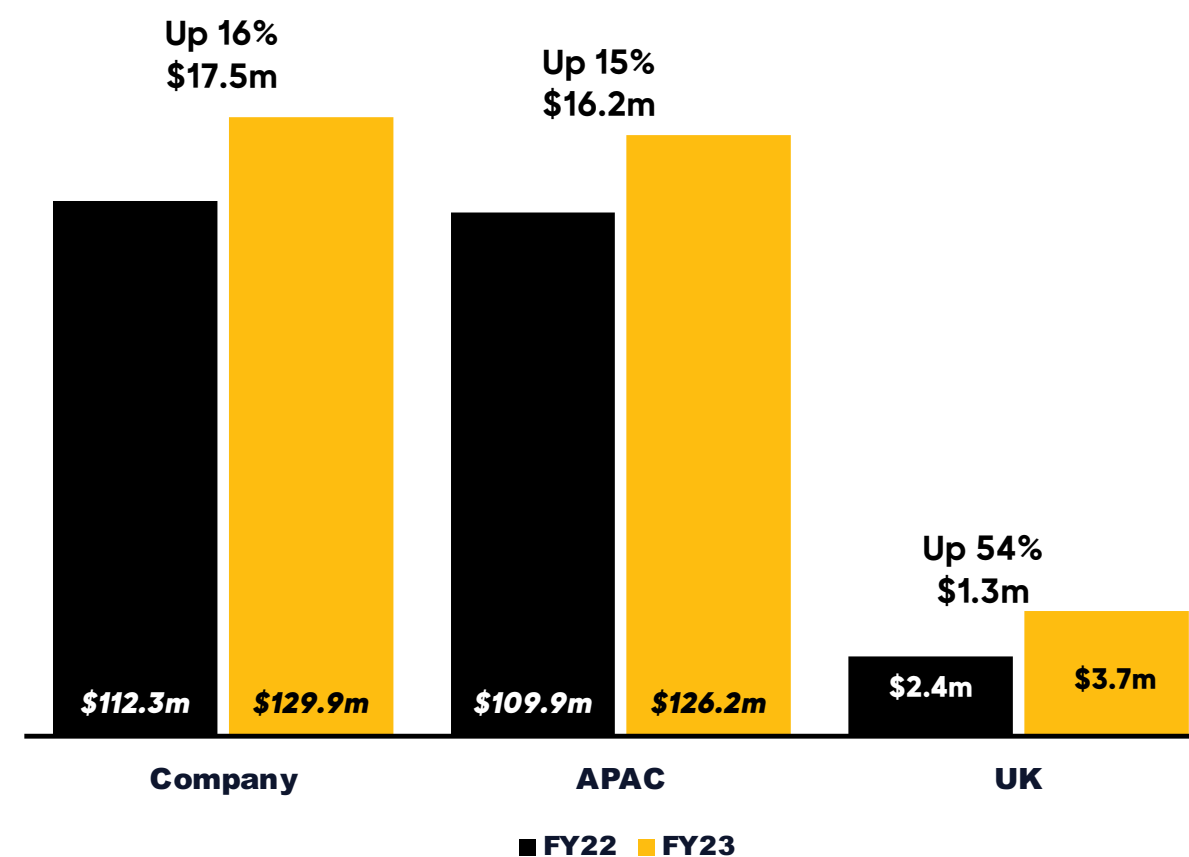
FY23 Profit by Segment

Profit Before Tax \$129.9m, up 16% \$17.5m

Operating segment analysis



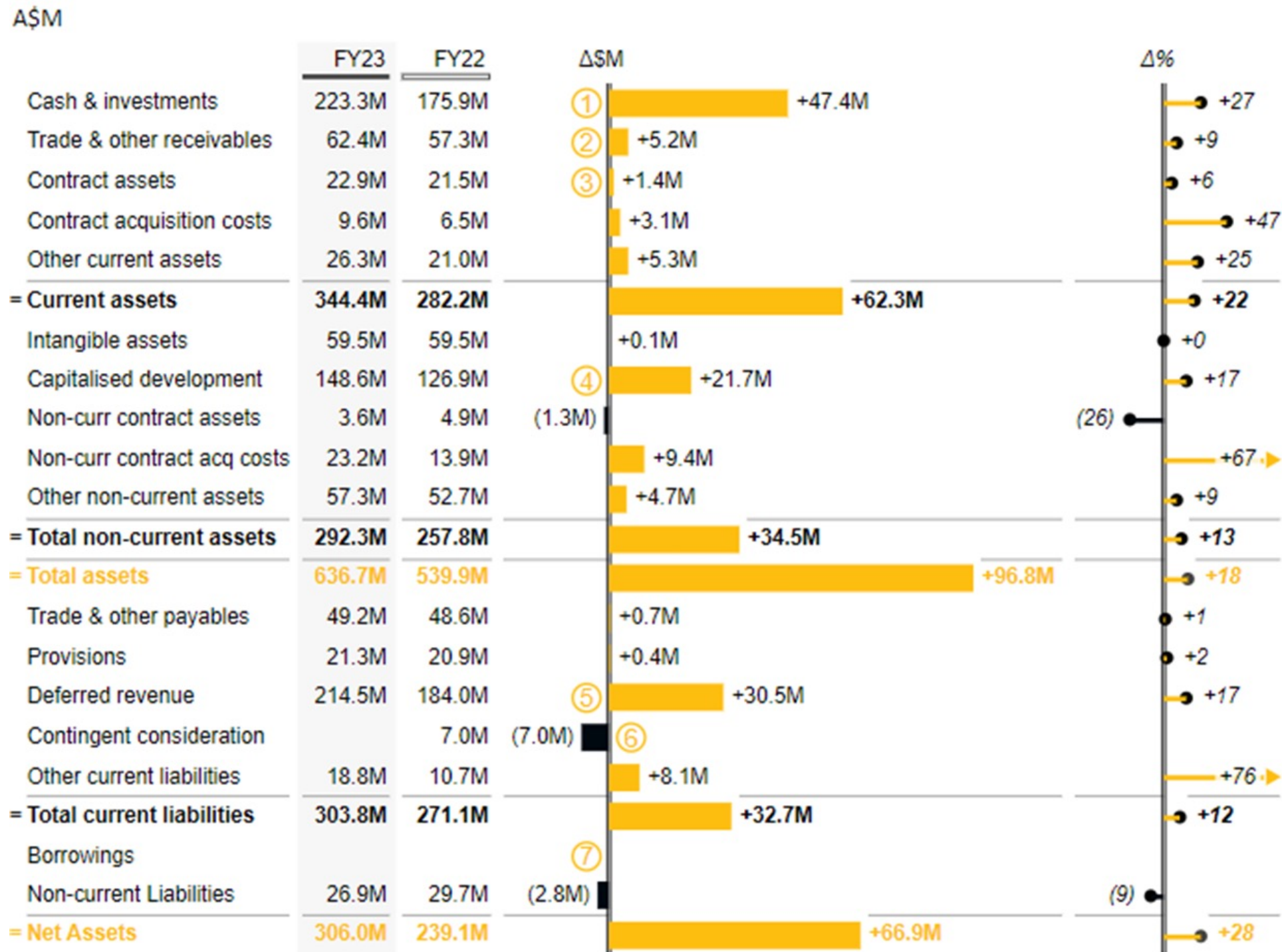
Geographic segment analysis



- Software Profit up 28%, driven by strong SaaS growth.
- Consulting Profit down 11%, as expected due to the introduction of SaaS+.
- Corporate Profit down 11% due to one-off acquisition due diligence costs.

Balance Sheet: Remains Strong

Significant cash holdings and no debt provide balance sheet flexibility for growth

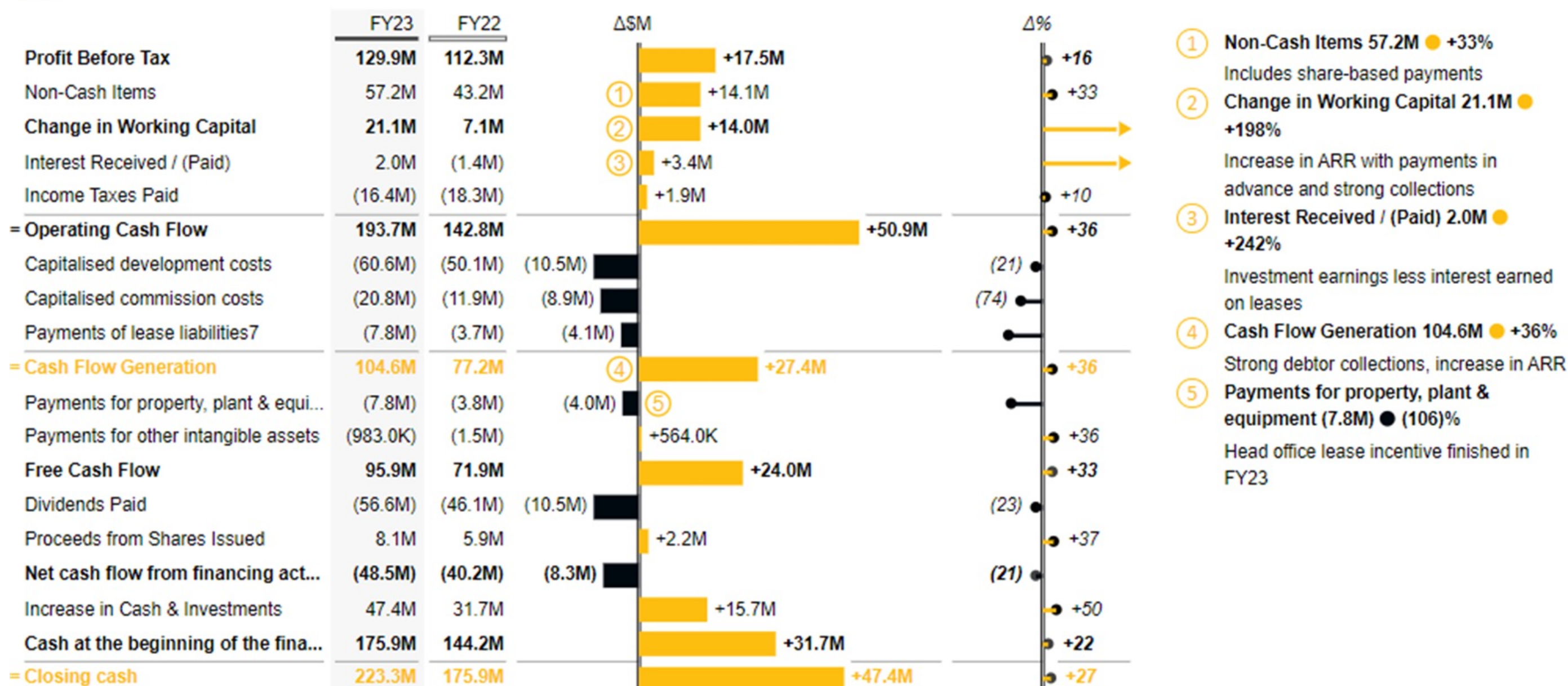


- ① **Cash & investments 223.3M ▲ +27%**
Net Cash and deposits: 68.8 cps vs 44.2 cps, up 56%
- ② **Trade & other receivables 62.4M ▲ +9%**
Increased nARR offset by greater efficiency in renewals and collections.
- ③ **Contract assets 22.9M ▲ +6%**
Driven by credit terms given to customers during implementation, will fall over time.
- ④ **Capitalised development 148.6M ▲ +17%**
Development activities capitalised during the period; less amounts amortised and impaired.
- ⑤ **Deferred revenue 214.5M ▲ +17%**
Increase due to strong SaaS ARR growth
- ⑥ **Contingent consideration**
Scientia payable written off in 1H23
- ⑦ **Borrowings**
No debt provides balance sheet flexibility

Cash Flow

Cash Flow Generation 103% driven by ARR growth, disciplined delivery and strong collections

A\$M

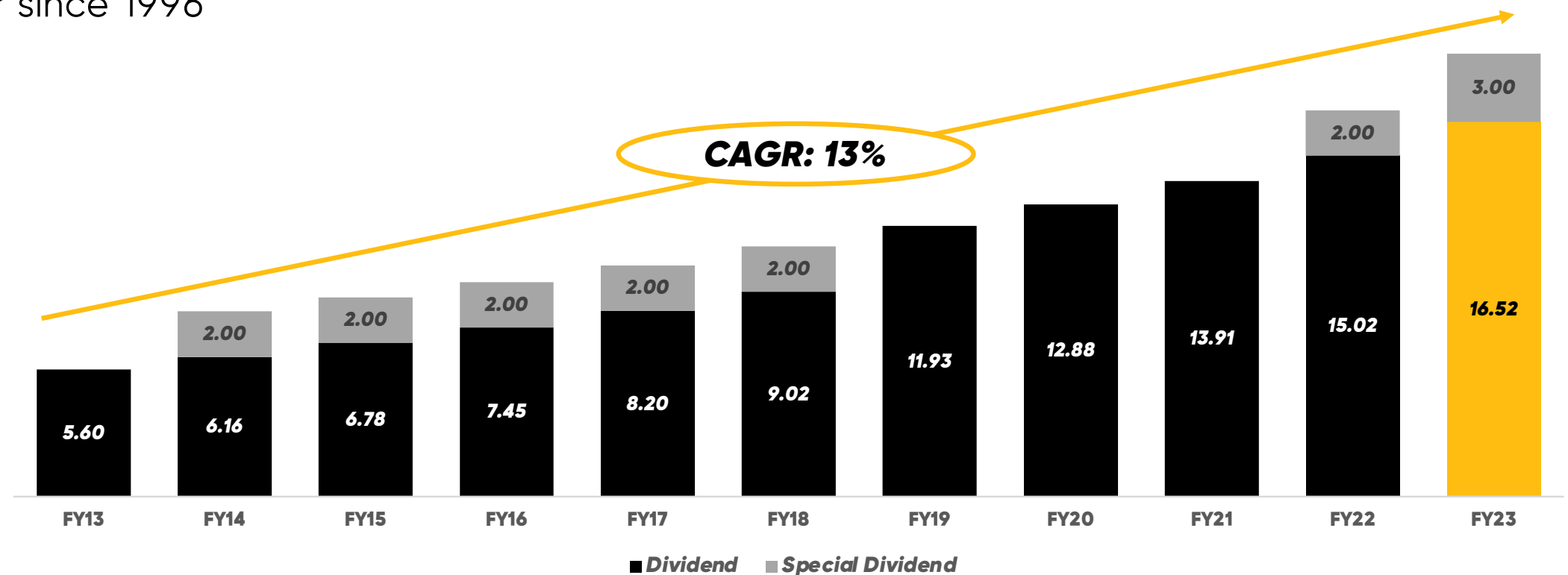


- ① Non-Cash Items 57.2M ● +33%
Includes share-based payments
- ② Change in Working Capital 21.1M ● +198%
Increase in ARR with payments in advance and strong collections
- ③ Interest Received / (Paid) 2.0M ● +242%
Investment earnings less interest earned on leases
- ④ Cash Flow Generation 104.6M ● +36%
Strong debtor collections, increase in ARR
- ⑤ Payments for property, plant & equipment (7.8M) ● (106)%
Head office lease incentive finished in FY23

FY23 dividend up 15% to 19.52cps

Increased profit enables dividend uplift

- Strong balance sheet supports dividend
- Significant cash holdings retained for inorganic growth
- Payout ratio 62% (FY22: 62%)
- Dividend franked to 60% (FY22: 60%)
- Dividend paid every year since 1996



Notes:

- We have continuously paid a dividend 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



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Multiple Platforms for Growth

Strong Net Revenue Retention (NRR) of 115-120%

\$2b of ARR whitespace in our APAC customer base

R&D over next 5 years doubles APAC ARR whitespace from \$2b to \$4b

Solution as a Service is a gamechanger, lifts ARR by 40%

Strategic acquisitions

Continuing growth in new logos in APAC

Continuing growth in the UK

Profit margins to grow to 35%+, through significant economies of scale



ARR

Our 4th Generation Global SaaS ERP Fuels our growth



16 Key products strategically focused over key industries



All systems fully integrated into the CiA platform. Anytime anywhere.

UX


One simple intuitive UX focused workplace for everything.



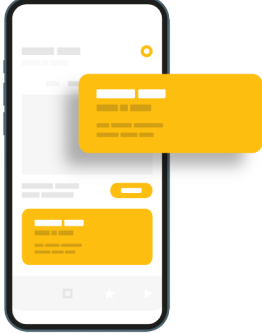
Highest level security accreditations in the industry.

cia *live*

We take care of the upgrade so you can focus on the future

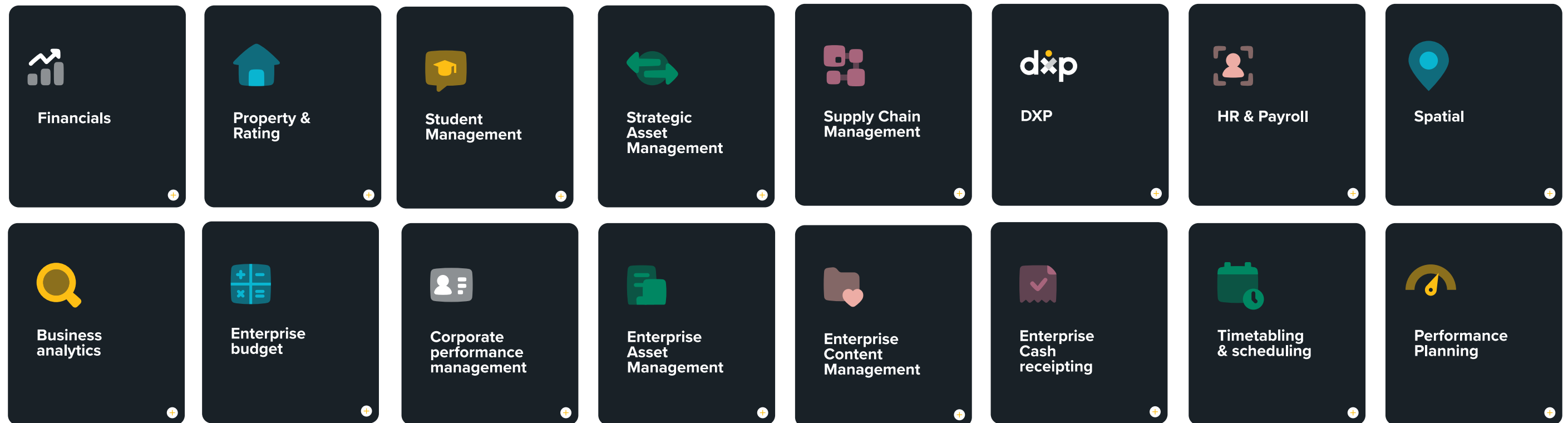


400+ modules with over 10,000 capabilities



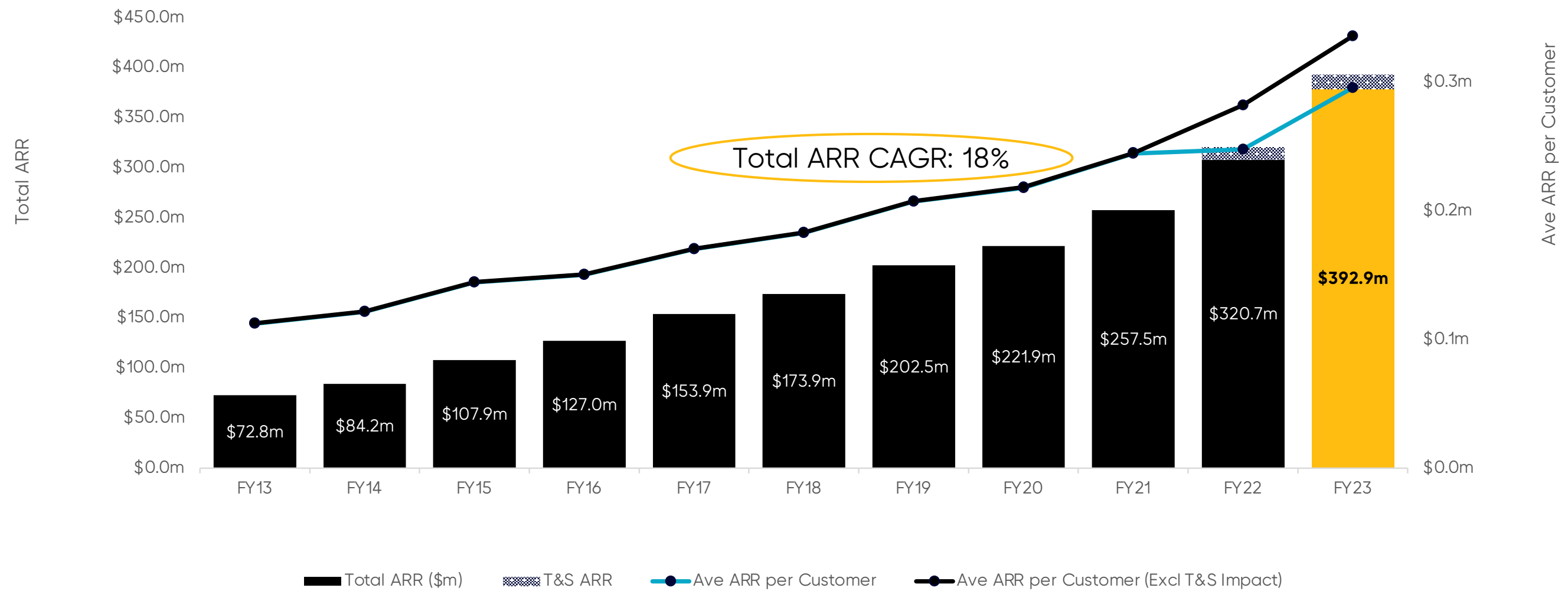
True SaaS ERP

Deepest functionality for the markets we serve



POWER OF A SINGLE INTEGRATED ERP SOLUTION

Total ARR and Average ARR per Customer



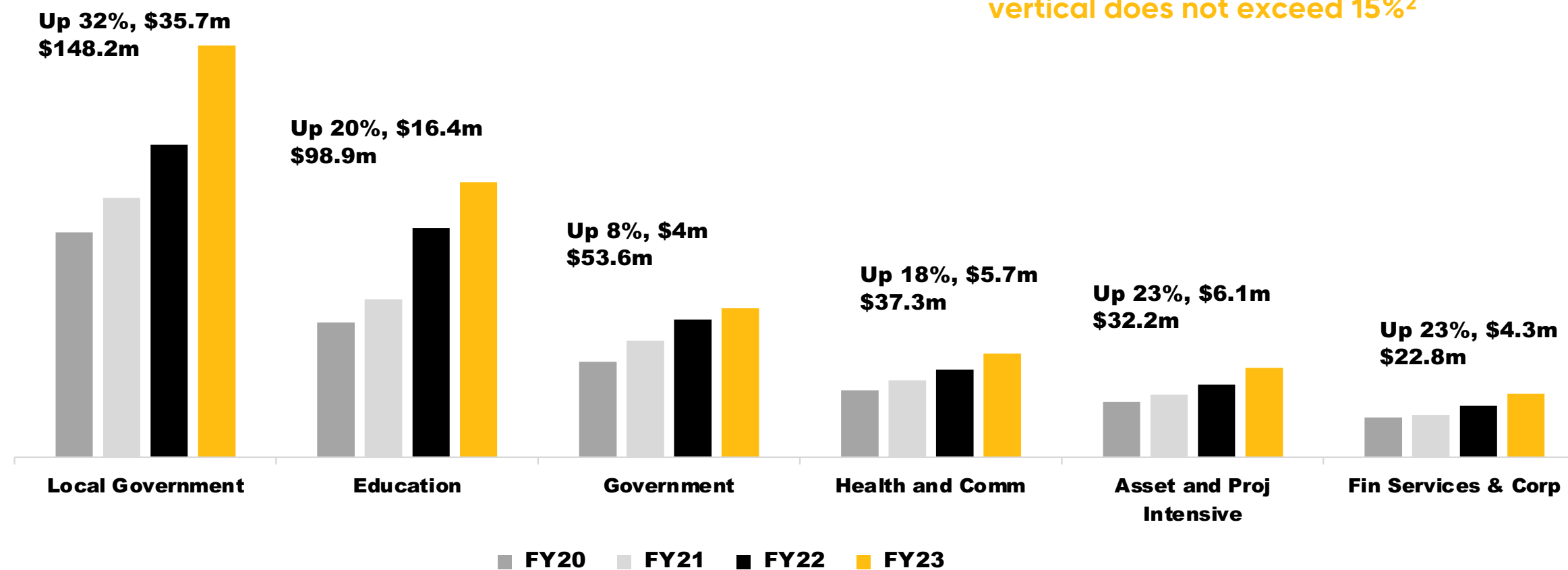
All verticals performed strongly

Significant room to grow in future years

Vertical Market Analysis

ARR of \$392.9m¹, Up 23% | From \$320.7m, FY22

Our APAC market penetration in any single vertical does not exceed 15%²



¹ Balance is at 30 September 2023 and growth is for the 12 months from 30 September 2022

² Based on our existing customers and their use of TechnologyOne products and modules as a percentage of total addressable market.



Australian Government
Department of Veterans' Affairs

- Full Department
- Selected over SAP
- OneGov – FMIS
- \$2m+ per year ARR

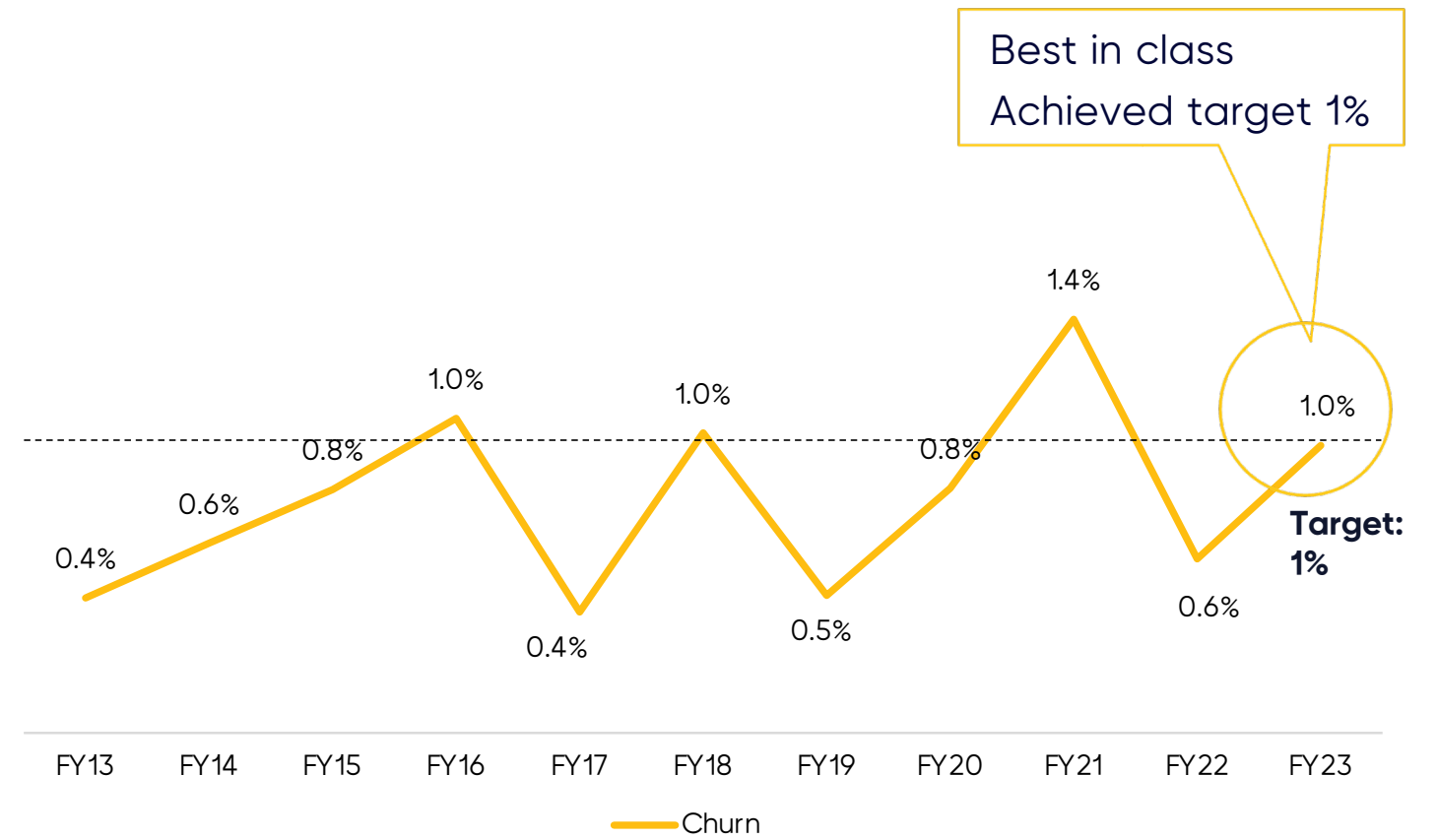
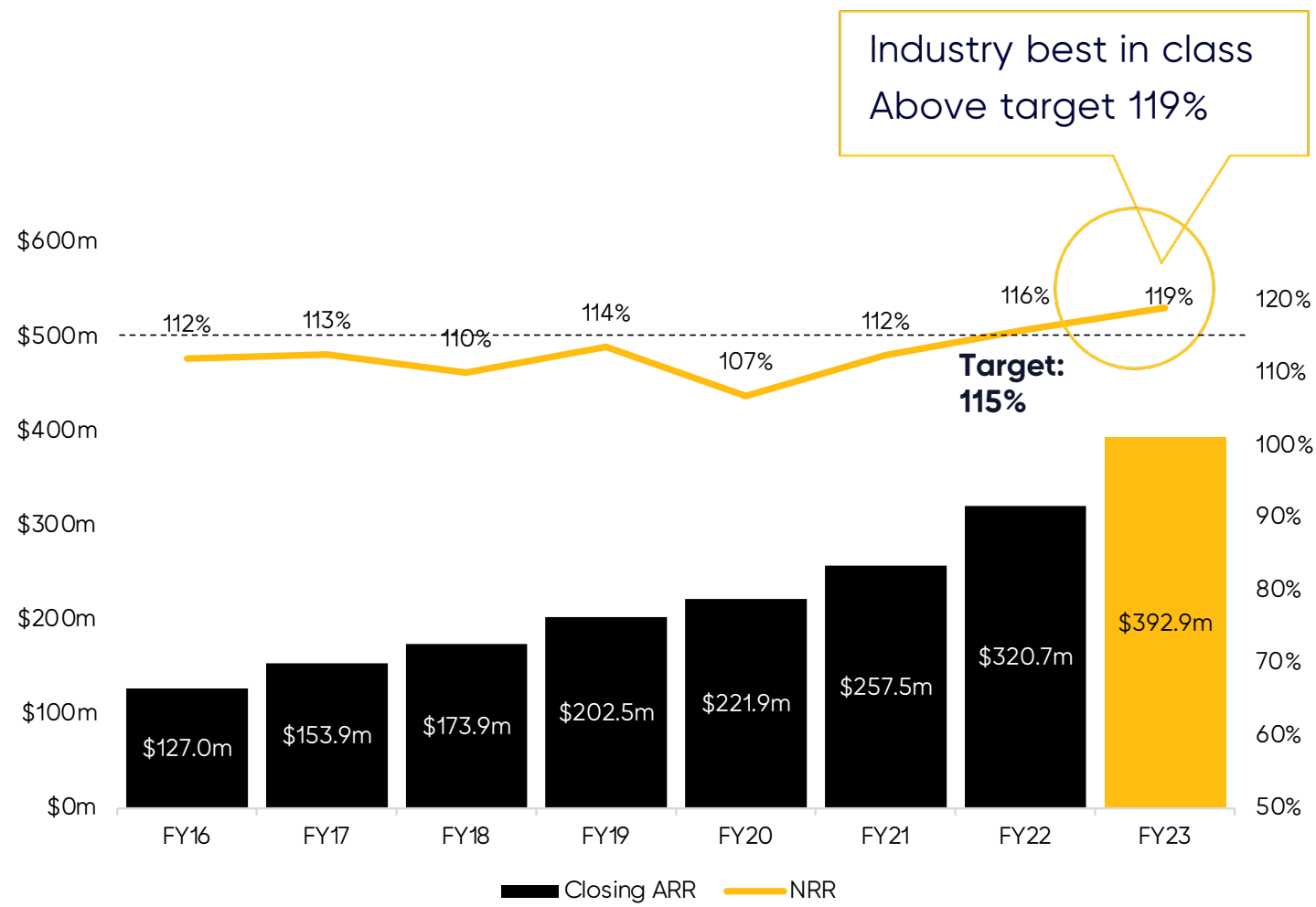


**THE UNIVERSITY OF
BUCKINGHAM**

- SaaS+
- Full One Education
- Student Management – Replace Tribal
- Financials – Replace – Unit4
- HRP – Replace – Unit4

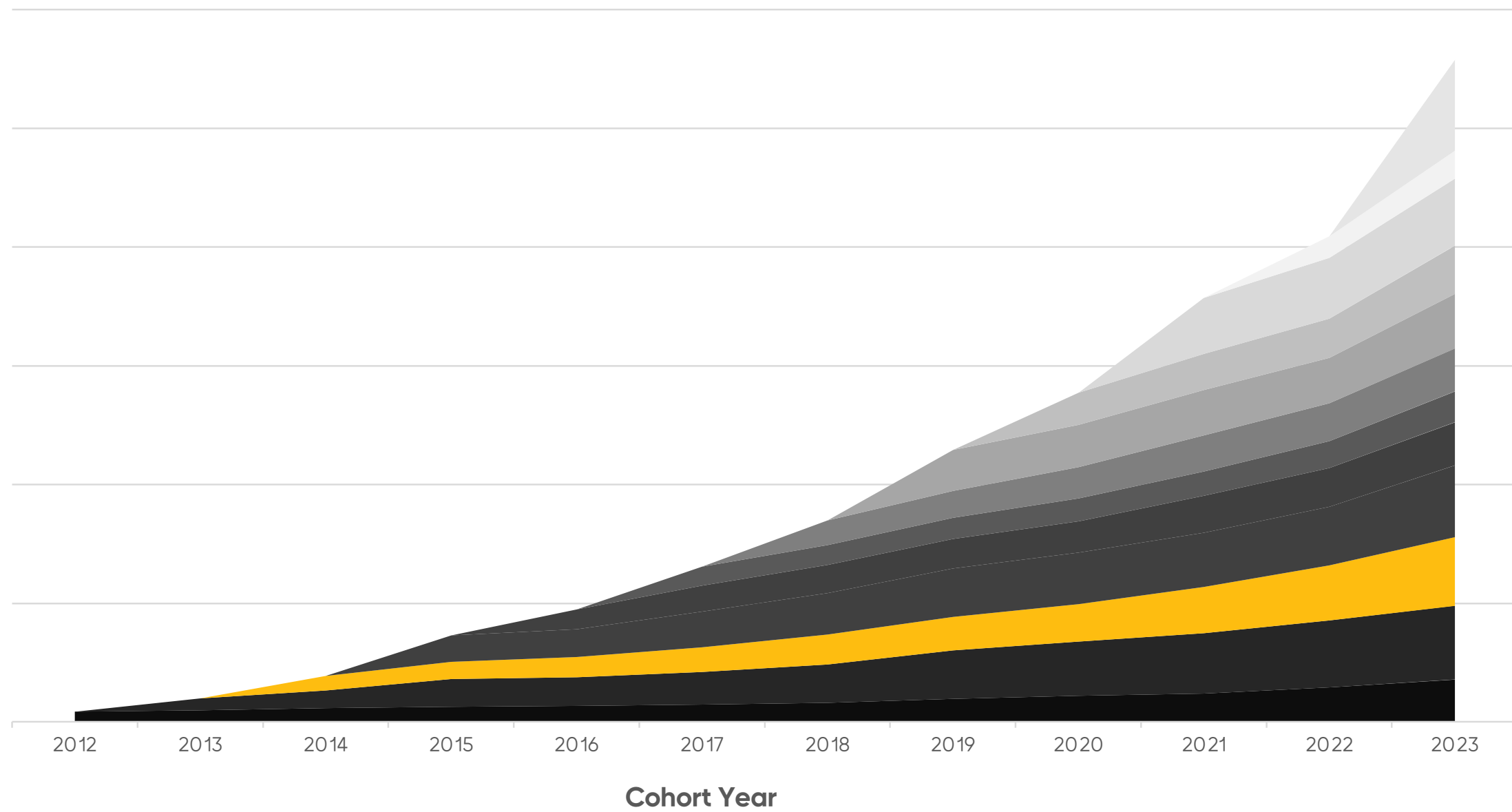


Market Leading NRR and Market Leading Churn



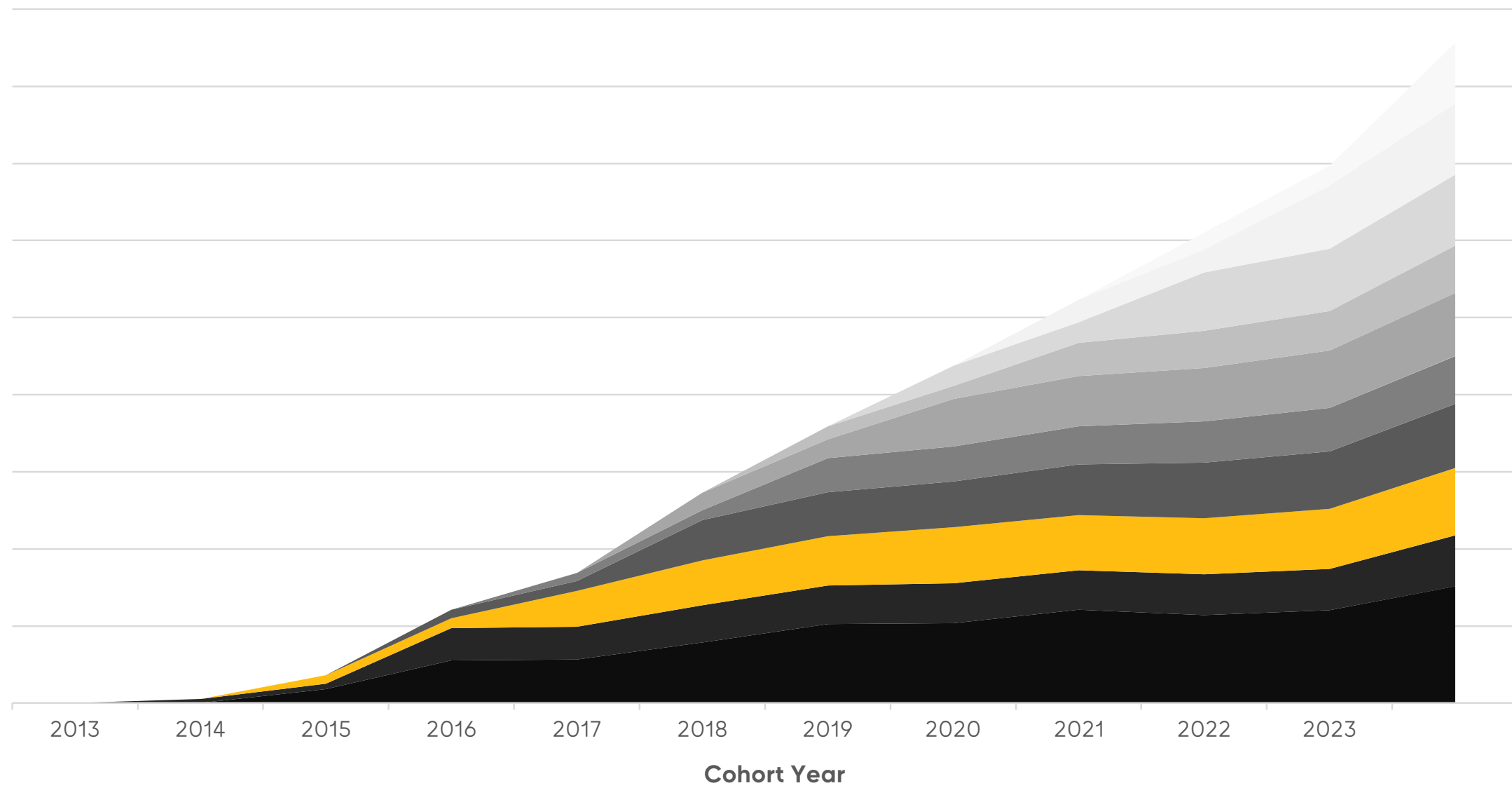
Cohort Analysis

Average ARR per customer by Cohort



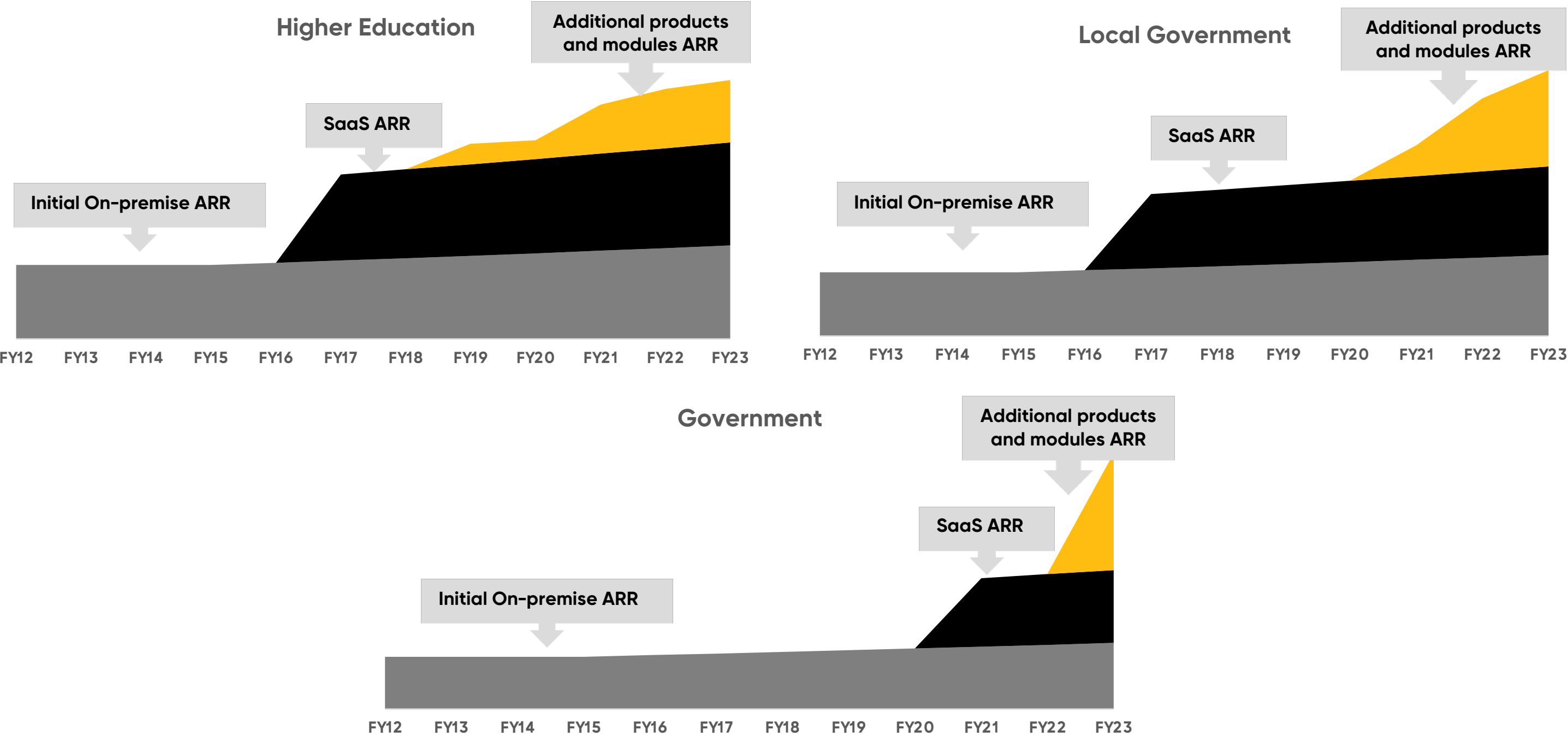
Cohort Analysis – Post SaaS Transition

Average ARR per customer by SaaS Cohort*

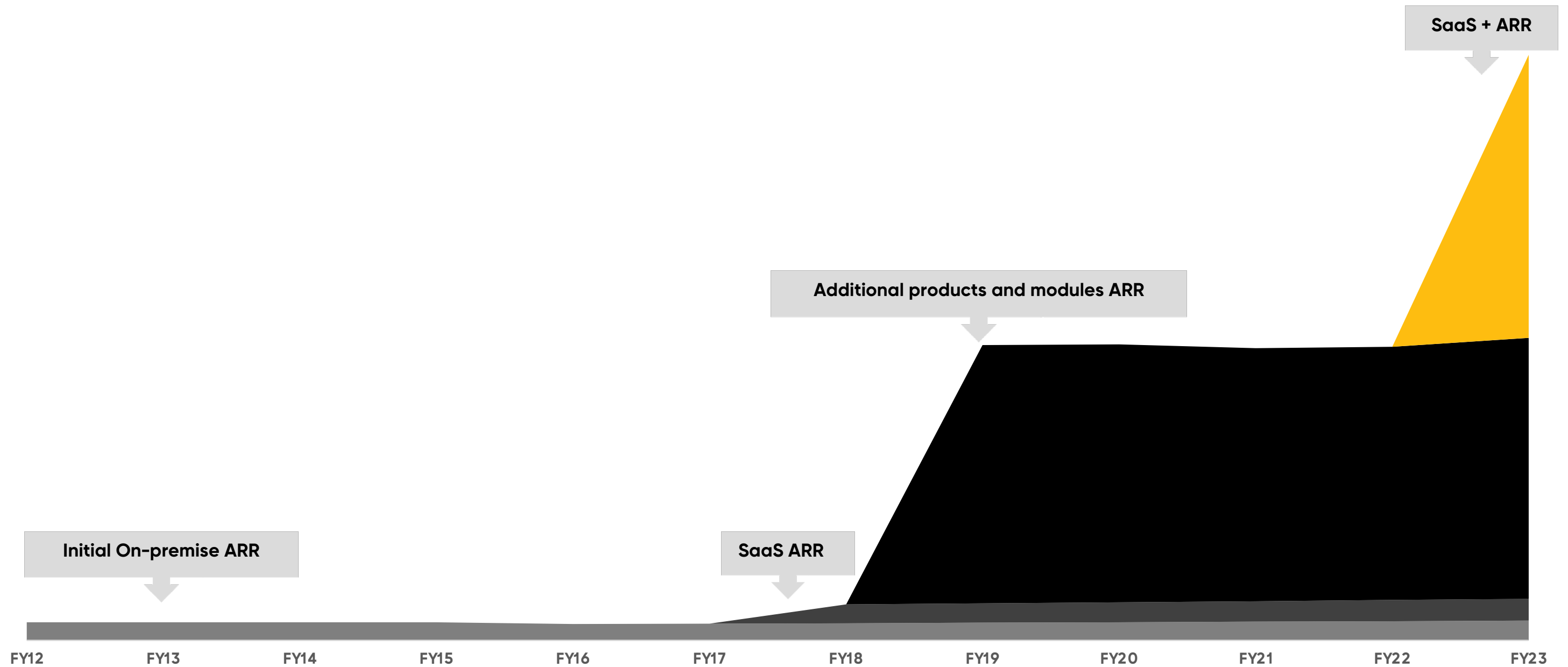


* Cohorts ARR have been rebased to zero at the time of their SaaS transition.

Total ARR and Pre and Post SaaS Transition



Local Council Customer Journey from On-prem to SaaS Transition to SaaS+

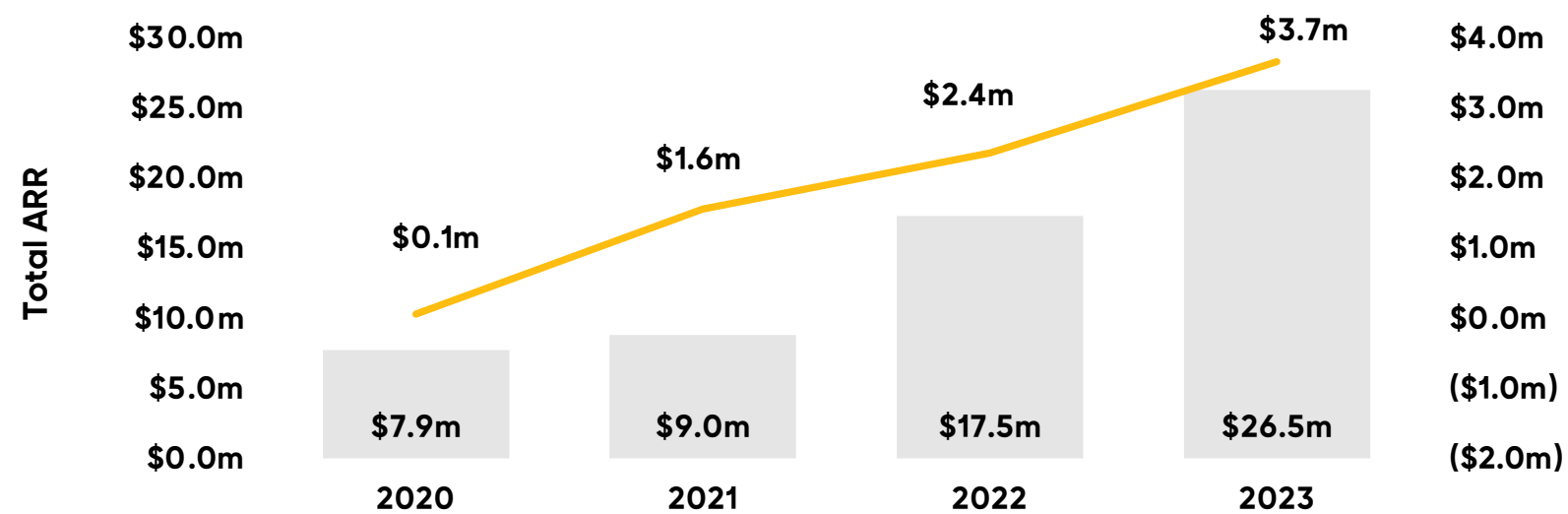


United Kingdom

Significant investment for future growth

UK ARR up 52% to \$26.5m
Profit of 3.7m, up 54% pcp

Total ARR and Profit



- ✓ 2 Student Management Deals Closed
- ✓ Strong Sales Team
- ✓ Skilled Consulting Team
- ✓ Significant Pipeline Growth
- ✓ Referenceable Products and Customers

R&D Significant Investment for future growth

23^B
540 new features

23^B
Fastest Adoption

Continuous R&D staff investment

App builder
Build an app faster without having to code

dxp
Google to outcome experience

SaaS+

R&D investment of \$112.0m¹

26% of revenue²

¹ R&D expenditure before capitalisation

² FY23 revenue excludes one-off contingent consideration reversal of \$7.4m

technologyone | *Foundation*
unite | donate | participate



Office
upgrades



TechOne
way refresh



Health labs



Share plan



eNPS

LEADERSHIP COMMUNITY
Summit.



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FY23 Summary



Record profit
and revenue,
record total ARR



Cashflow
Generation up
36% to \$104.6m



Revenue –
SaaS & recurring
Business up 22%
to \$390.7m

UK ARR
up 52%
to \$26.5m

Profit Before Tax
up 16%
to \$129.9m

Cash and
Investments
up 27% to
\$223.3m



Surpass \$500m+
ARR by FY25



Total ARR
up 23%
to \$392.9m



NRR of 119%
(116% pcp)



Additional
investments for
growth



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Upgrade to \$500m+ ARR by FY25

Continue to double in size every 5 years

Multiple Platforms for Growth

Strong Net Revenue Retention (NRR) of 115-120%

\$2b of ARR whitespace in our APAC customer base

R&D over next 5 years doubles APAC ARR whitespace from \$2b to \$4b

Solution as a Service is a gamechanger, lifts ARR by 40%

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Continuing growth in new logos in APAC

Continuing growth in the UK

Profit margins to grow to 35%+, through significant economies of scale



ARR

SaaS+

Solution as a Service



SaaS+ lifts
ARR by 40%



Acquisition Criteria



**Local
Government
and
Education**



Unique IP



**APAC
and UK
Regions**



SaaS



**Attractive
Financial
Metrics**



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Outlook for FY24

Strong ARR and Profit growth to continue in FY24

- The markets we serve are resilient. TechnologyOne provides mission critical software with deep functionality for the markets we serve.
- Our Global SaaS ERP allows our customers to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies, making life simple for them.
- SaaS+ is creating significant opportunities for us. The pipeline for 2024 is strong.
- We expect to see strong continuing growth in ARR and profit.
- We will provide further guidance at both the Annual General Meeting and with the first half results.

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

On track to surpass \$500m+ ARR by FY25

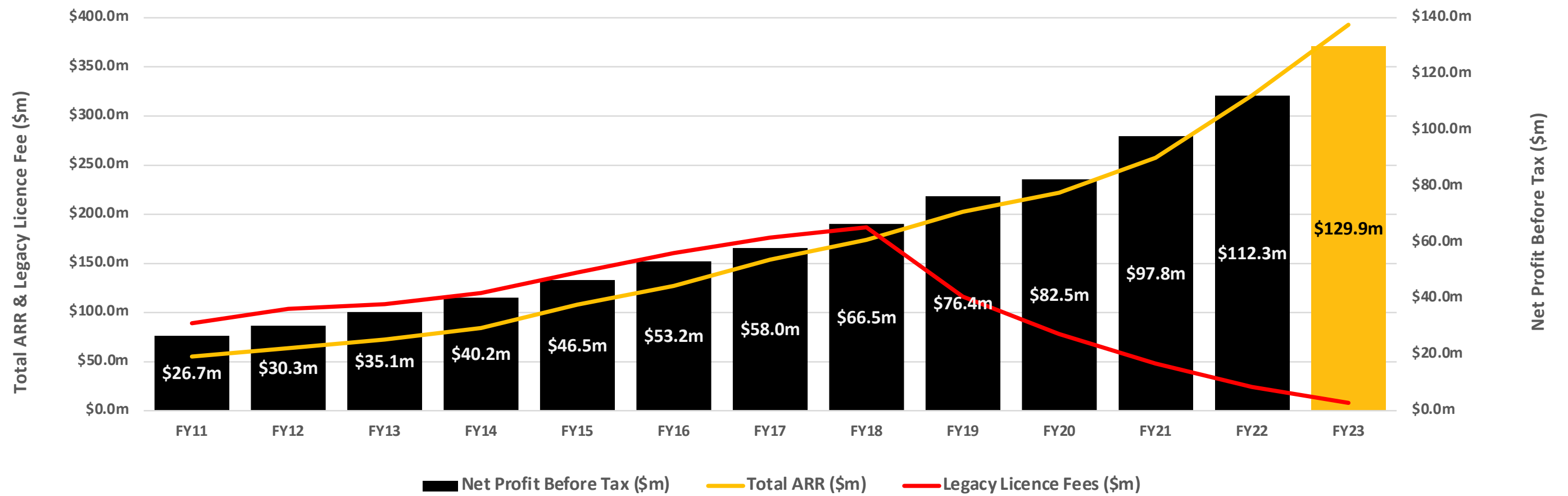
technology**one**
Making life simple for our community

Appendices

- Appendix A – Transition to SaaS – Careful reduction of legacy licence fees
- Appendix B – FY23 Consulting Profit
- Appendix C – R&D Disciplined and Transparent
- Appendix D – Long History of Strong Cash Flow Generation
- Appendix E – FY23 Results Analysis and Key Metrics
- Appendix F – Product Penetration
- Appendix G – Drivers for Long Term Growth
- Appendix H – Scientia Acquisition Accounting Impacts
- Appendix I – Glossary

Appendix A: Transition to SaaS - Careful reduction of legacy licence fees

Total ARR vs. Legacy Licence Fees vs. Net Profit Before Tax (\$m)



**Successfully transitioned to SaaS
with continued growth in profit and customers**

Appendix B: **FY23 Consulting Profit of \$14.0m¹**

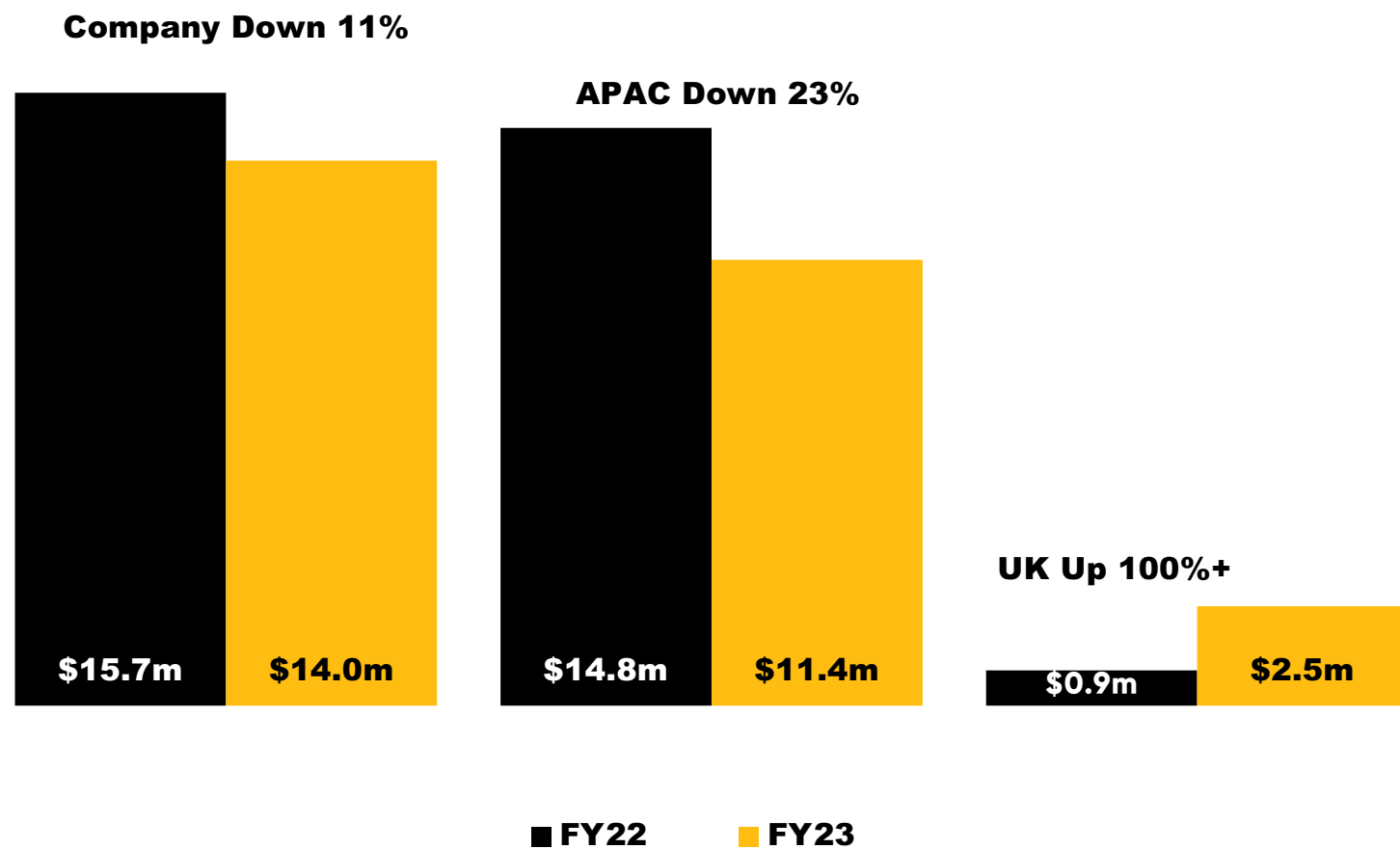
Profit as planned as we make the careful and strategic transition from traditional consulting to SaaS+

Consulting is responsible for services in relation to our software

Two focussed divisions

- New Projects
- Applications Managed Services (AMS) for existing customers

Disciplined use of implementation methodology



¹ Consulting profit excludes SaaS+ and CIA live.

Appendix C: R&D Disciplined and Transparent

Highly Disciplined approach to R&D

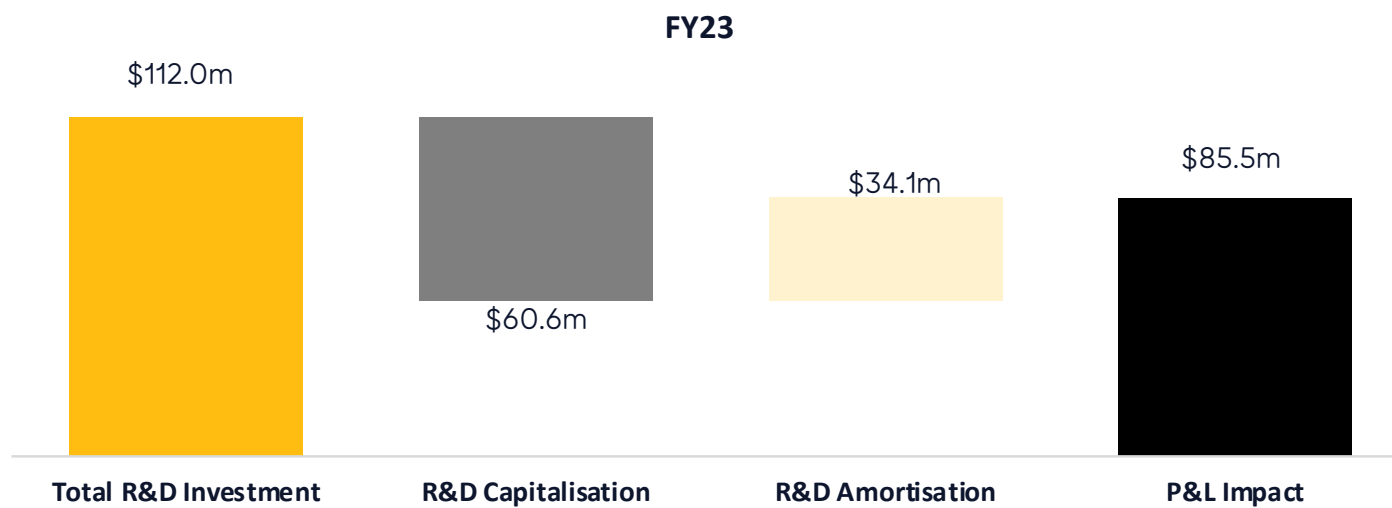
We expense maintenance and research.

We only capitalise development based on actual timesheets for eligible projects. Capitalisation and amortisation are independently audited along with Financial Statements.

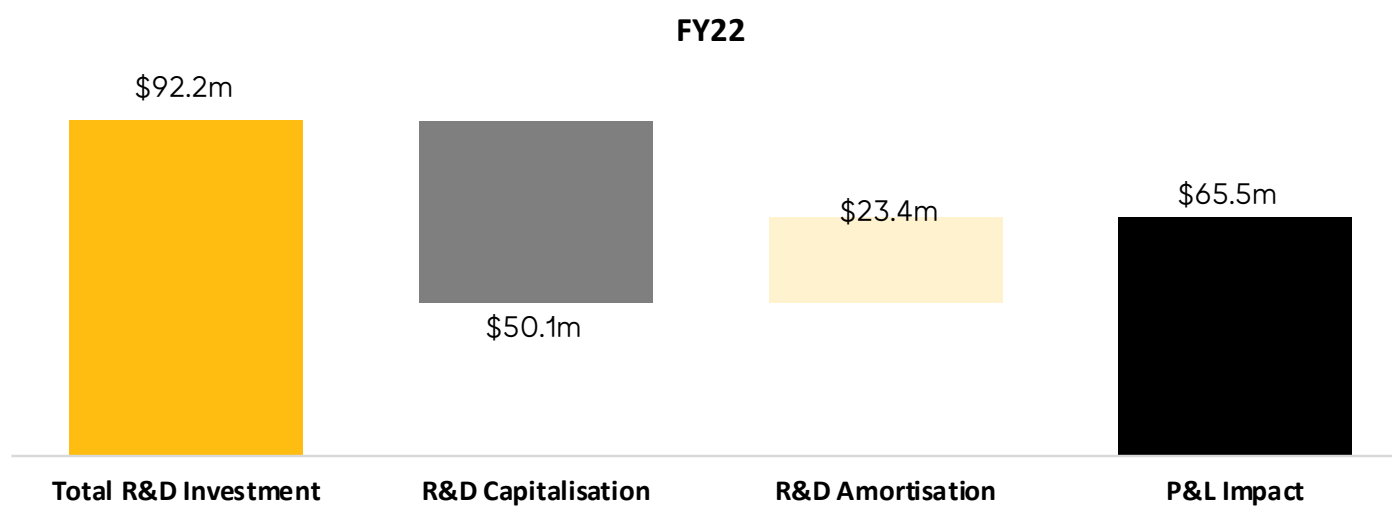
Because we are a SaaS ERP provider, we expect the norm to be as follows:

- The expected range of capitalisation is 50-55%
- Five year amortisation period

If we vary from this we will provide detailed reasons.

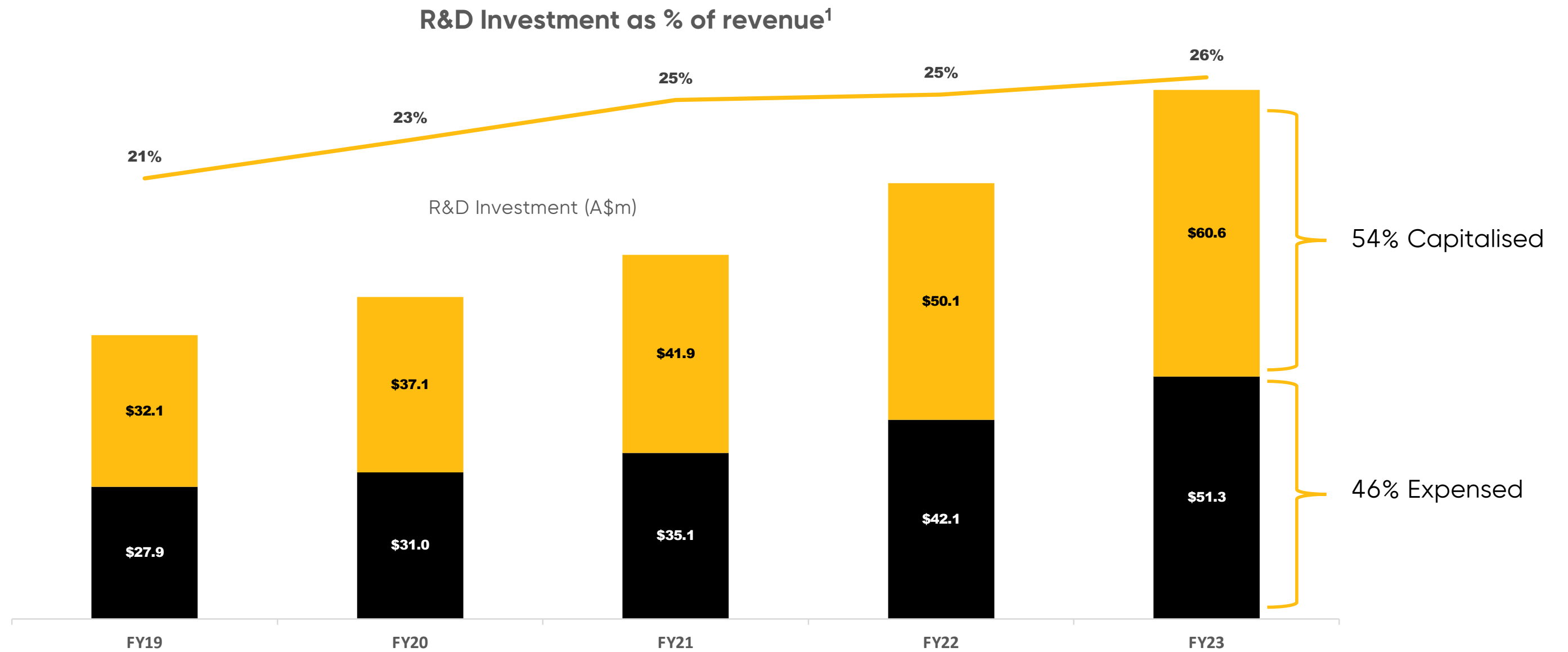


FY23	
\$112.0m	R&D investment before capitalisation, (up 21%)
(\$60.6m)	54% capitalised, in line with expectations
\$34.1m	Amortisation commenced in H2 FY19
<u>\$85.5m</u>	Net expense through P&L, up 31% (\$20.0m) on pcp



FY22	
\$92.2m	R&D investment before capitalisation
(\$50.1m)	54% capitalised
\$23.4m	Amortisation commenced in H2 FY19
<u>\$65.5m</u>	Net expense through P&L

Appendix C: R&D Disciplined & Transparent



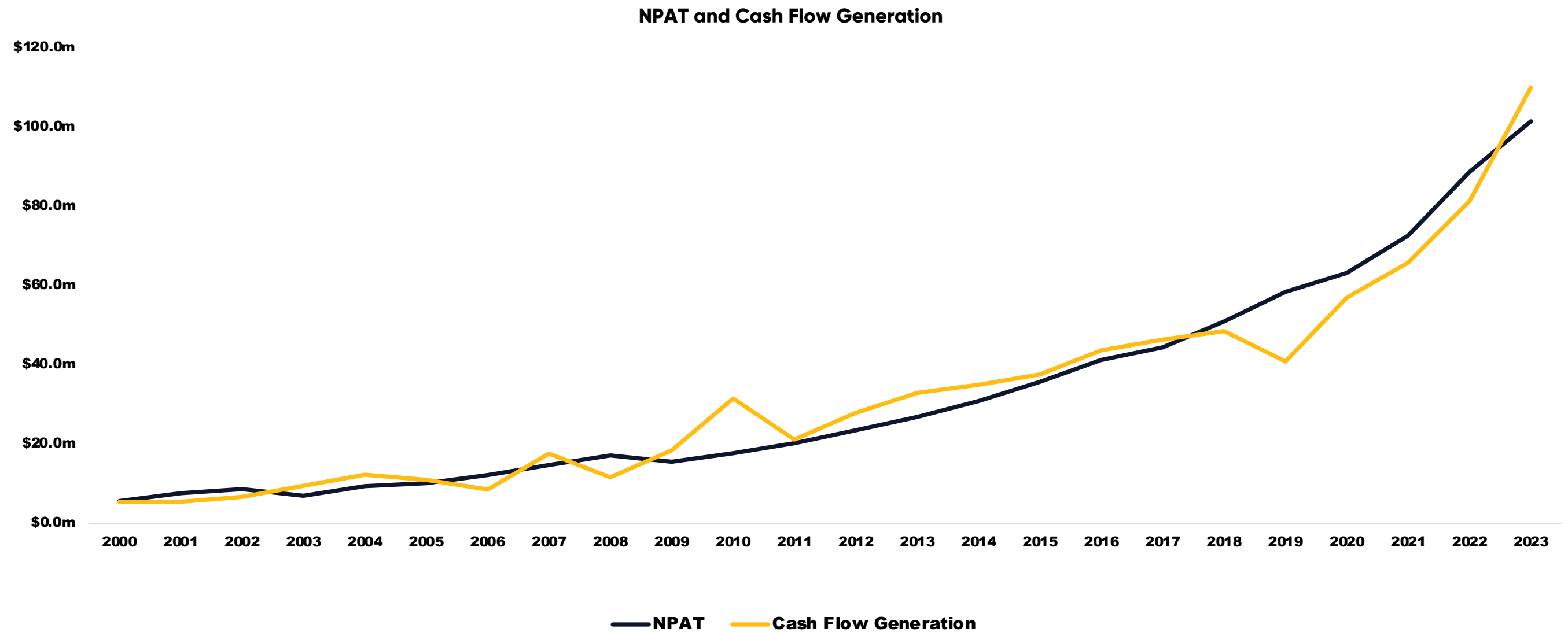
¹FY23 revenue excludes one off contingent consideration reversal of \$7.4m

Appendix C: R&D Disciplined & Transparent

	R&D Investment (\$'000)	Software Development - Capitalised (\$'000)	Percent Capitalised %	Amortisation Expense (\$'000)	Amortisation Period Years	Net Expense through P&L (\$'000)
FY20	68,102	37,069	54.4%	6,103	5	37,136
FY21	77,005	41,858	54.4%	13,429	5	48,576
FY22	92,197	50,060	54.3%	23,400	5	65,537
FY23	111,995	60,605	54.1%	34,055	5	85,445
	(\$'000)	(\$'000)	%	(\$'000)	Years	(\$'000)
H1 FY23	49,388	25,701	52.0%	16,077	5	39,764
H2 FY23	62,607	34,904	55.8%	17,978	5	45,681

Appendix D: Long History of Strong Cash Flow Generation

Cash Flow Generation¹ will continue to grow as NPAT² grows



¹ Cash flow generation is operating cash flow from operations less capitalised development costs, capitalised commissions and lease payments

² This graph shows previously reported NPAT to FY18 and has not been restated for AASB 15

Appendix E: FY23 Results Analysis and Key Metrics

	FY23	FY22	Var
	\$'000	\$'000	%
Revenue¹ excl interest	437,224	368,968	18%
Expenses² (excl R&D, interest, D & A)	204,495	174,980	17%
EBITDAR	232,730	193,988	20%
EBITDAR Margin	53%	53%	
R&D Expenditure (before capitalisation)	111,995	92,197	21%
R&D as % of Total Revenue ³	26%	25%	
R&D Capitalisation	60,605	50,060	21%
EBITDA	185,371	151,851	22%
EBITDA Margin	42%	41%	
Depreciation	2,957	2,627	13%
Amortisation	50,545	35,483	42%
EBIT	131,870	113,741	16%
Net Interest Expense	(2,016)	1,421	(242%)
Profit Before Tax	129,854	112,320	16%
Profit Before Tax Margin	30%	30%	
Profit After Tax	102,876	88,843	16%

	FY23	FY22	Var
	\$'000	\$'000	%
EPS (cents)	31.71	27.51	15%
Dividend (cents per share)			
Ordinary dividend	16.52	15.02	
Special dividend	3.00	2.00	
Total Dividend (cents per share)	19.52	17.02	15%
Dividend Payout Ratio	62%	62%	
ROE	34%	37%	(3pts)
Balance Sheet			
Net Assets	306,006	239,097	28%
Cash & Investments	223,265	175,865	27%
Cash Flow Generation ⁴	104,618	77,176	36%

**Full year
ROE 34%**

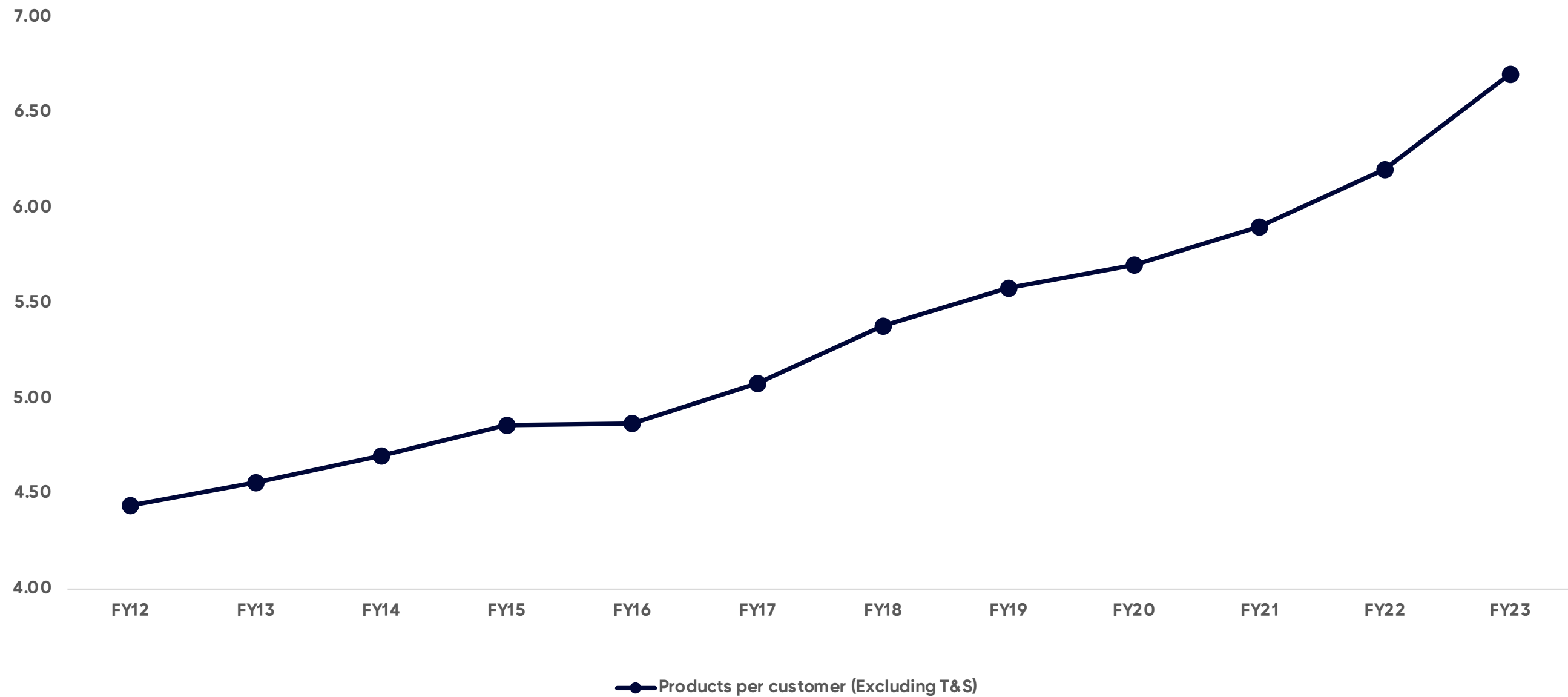
¹ Revenue includes a gain of \$7.4m due to the reversal of contingent consideration (earnout) related to Scientia

² Expenses includes derecognition of acquired intangible assets of \$6.8m related to Scientia

³ R&D as % of total revenue based on R&D expenditure before capitalisation

⁴ Cash Flow Generation is Operating Cash Flow less capitalised development costs, capitalised commission costs and lease payments

Appendix F: Product Penetration

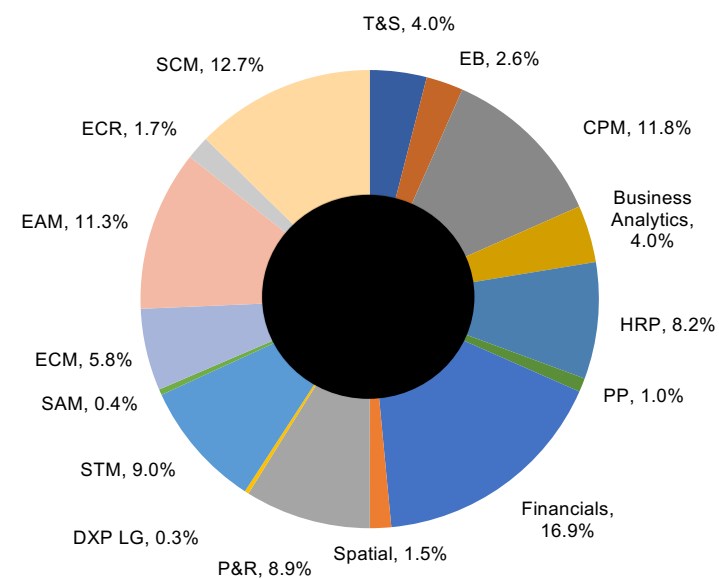


Appendix G: Drivers for Long Term Growth

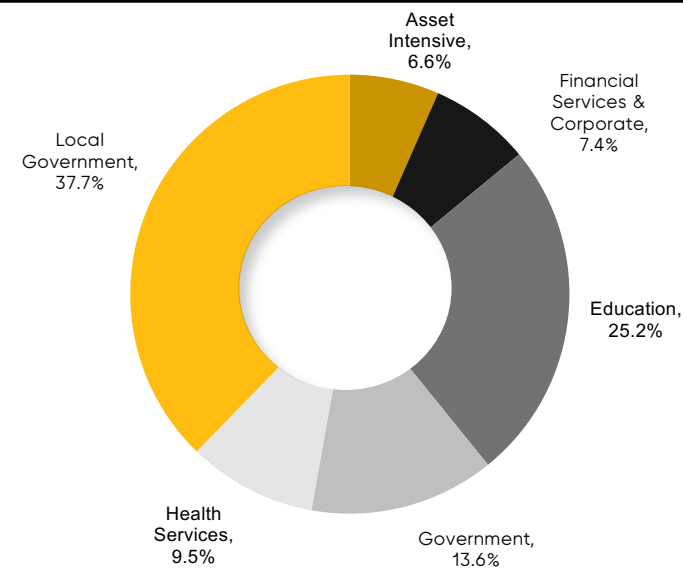
Diversified revenue streams

Strong, very loyal customer base

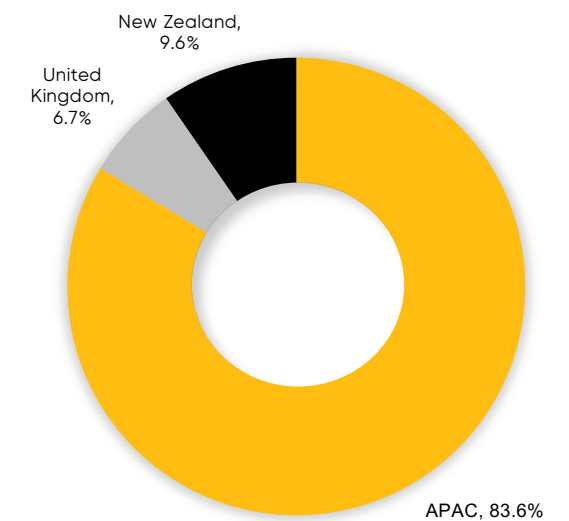
Increase Product Penetration
16 Licensable products¹
Over 400+ licensable modules



Increase Market Penetration
6 Vertical markets¹



Expand Geographies
APAC & UK¹



PROVIDES MISSION CRITICAL SOLUTION – 'STICKY CUSTOMER BASE'

99%+ CUSTOMER RETENTION RATE

90%+ OF OUR REVENUE IS NOW SAAS and RECURRING²

TECHNOLOGYONE GLOBAL SAAS ERP SOLUTION

¹ Based on total ARR

² Total revenue less Traditional and Legacy revenue and excluding Scientia contingent consideration reversal of

Appendix H: Scientia Acquisition Accounting Impacts

Scientia was an excellent acquisition:

- ✓ A world class Timetable and Scheduling product, with a broad customer base and strong cash flows.
- ✓ The acquisition has opened the opportunity to sell our ERP (primary focus is Student Management) into the ~100 acquired Scientia customers in the UK alone.
- ✓ Further enhances our Student DXP offering which is in development.

The sellers did not achieve their aggressive earnout targets, but exceed our business case on many facets:

- contingent consideration reversed (\$7.4m gain).
- acquired intangible assets were derecognised (\$6.8m expense).

	TechOne (excl Scientia Write-back)				Scientia Write-back				TechOne (incl Scientia Write-back)			
	FY23	FY22	Var \$	PCP %	FY23	FY22	Var \$	Var %	FY23	FY22	Var \$	PCP %
Total Revenue	433,963	369,391	64,572	17%	7,400	-	7,400		441,363	369,391	71,972	19%
Total Expenses	304,709	257,071	47,638	19%	6,800	-	6,800		311,509	257,071	54,438	21%
Profit before tax	129,254	112,320	16,934	15%	600	-	600		129,854	112,320	17,534	16%

Reversal of contingent consideration

Derecognition of acquired intangible assets

Appendix I: Glossary

Annual Licence ARR	Annual Recurring Revenue relating to annual licence fees for On-premise customers
APAC	Asia Pacific - Includes Australia, New Zealand, Malaysia and the South Pacific
ARR	Annual Recurring Revenue
Cash Flow Generation (CFG)	Cash flow from Operating Cash Flow less capitalised development costs, capitalised commission costs and lease payments
Churn	Lost customers
CPS	Cents per share
DXP	Digital Experience Platform
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EBITDAR	Earnings before interest, taxes, depreciation, amortisation, and research and development costs
EPS	Earnings per share
Legacy Licence Fees	On-premise licence fees / Perpetual licence fees
LG DXP	Local Government Digital Experience Platform
NPAT	Net Profit After Tax
NRR	Net Revenue Retention
PBT	Profit Before Tax
PCP	Prior Corresponding Period
R&D	Research & Development
ROE	Return on Equity
R4Q	Rolling Four (4) Quarters
SaaS ARR	Annual Recurring Revenue relating to customers on SaaS
SaaS +	Solution as a Service
TAM	Total Addressable Market

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