

2015 Mid Year Presentation

Feb 2015

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FINAL 1.0 Feb 2015 Commercial in confidence

TechnologyOneCorp.com



Disclosure Statement

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Technology One Ltd Mid Year Presentation - 24 Feb 2015

Technology One Ltd (ASX:TNE) today conducted presentations with Merrill Lynch Australia in Sydney.

Attached is the presentation by the company's Executive Chairman, Mr Adrian Di Marco.

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

Transforming business, making life simple

Agenda

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- 2014 Full Results Recap
- Outlook for Full Year
- Long Term Outlook
- Icon Acquisition
- AGM Update
- Company Update

Appendix

- 2014 Full Year Results Detail
- TechnologyOne Overview

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2014 Full Results Recap

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| | FY14 | FY13 | Variance % |
|---------------------------------|------------------|------------------|------------|
| Profit | | | |
| Profit Before Tax | \$40.2 m | \$35.1 m | 15% |
| Profit After Tax | \$31.0 m | \$27.0 m | 15% |
| Revenue | \$195.1 m | \$180.6 m | 8% |
| Initial Licence Fees | \$42.0 m | \$38.0 m | 11% |
| Consulting Fees | \$49.7 m | \$47.6 m | 5% |
| PLUS Revenue | \$13.7 m | \$16.1 m | (15%) |
| Annual Licence Fees | \$84.2 m | \$72.8 m | 16% |
| Expenses | \$154.9 m | \$145.5 m | 6% |
| R&D Expenses* | \$37.9 m | \$35.6 m | 6% |
| Expenses excl R&D | \$117.0 m | \$109.9 m | 6% |
| Other | | | |
| Operating Cash Flow | \$35.1 m | \$33.0 m | 6% |
| Cash and Cash Equivalents | \$80.2 m | \$65.4 m | 23% |
| Profit Before Tax Margin | 21% | 19% | |
| *19% of revenue v 20% last year | | | |

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Results Highlights

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- Continuing strong performance
- Significant investments have continued as follows
 - United Kingdom (\$800k loss)
 - TechnologyOne Cloud (\$2m loss)
 - Preconfigured solutions (\$3m loss)
 - R&D, including Ci Anywhere (\$38m)
 - Fully expensed as incurred

Highlights

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Outlook for Full Year

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Outlook for the full year remains unchanged

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Outlook for Full Year

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Economic Environment

- The enterprise software markets has been one of the most resilient sectors of the IT industry in recent years
- In particular TechnologyOne markets have remained robust in recent years: government and government related businesses
- The Pipeline for 2015 supports continuing strong profit growth

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Outlook for Full Year

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Full Year - Strong Profit growth to continue in 2015

- We expect to see strong continuing growth in licence fees, revenue and profit
- In the first half of 2014 we saw a number of significant deals close early, resulting in 2014 half 1 Licence up 24%. This year the sales pipeline is weighted strongly to the second half, so we expect the first half of 2015 will be challenging and not indicative of the full year results
- We will provide further guidance at both the Annual General Meeting and with the first half results

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Outlook for Full Year

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Our focus for the financial year is ...

- ✓ Control R&D costs and Variable Costs
- ✓ Focus on our seven vertical markets – resilient & strong
- ✓ Cross sell into our large existing customer base
- ✓ Focus on our newer products
 - HRP, Asset Management, ECM
- ✓ TechnologyOne Cloud
- ✓ Ci Anywhere



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Long Term Outlook

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Long Term Outlook remains unchanged

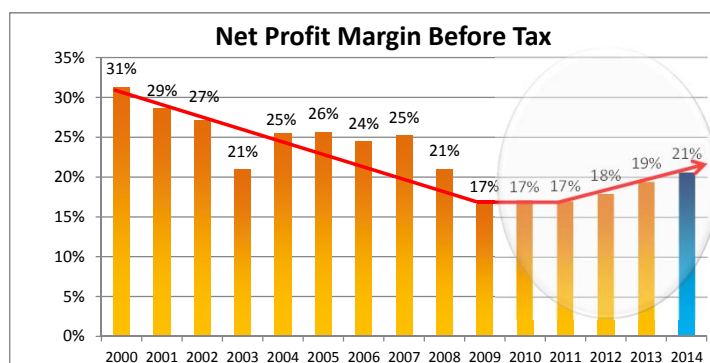
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Long Term Outlook

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Focus is to substantially improve PBT margins through:

- Controlled R&D growth
- Product Maturity



Profit margin improving, as predicted

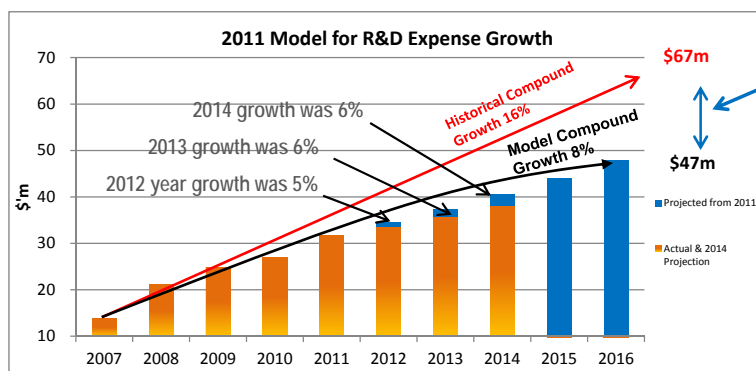
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Controlled R&D Growth

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Target for R&D growth of 8% per annum compound, over 5 years set in 2011

- Operating leverage, economy of scale, new work practices...
- In 2012 & 2013 year we demonstrated this was achievable with R&D growth of 5% and 6% respectively
- Continues to be a very aggressive R&D program
- Assumes no Acquisitions in next 5 years, and continuing growth in revenue



2011 Model, shows savings of \$20m/year in year 5 (2016)

In year 5, R&D will be 18.5% of revenue (vs 19% now)

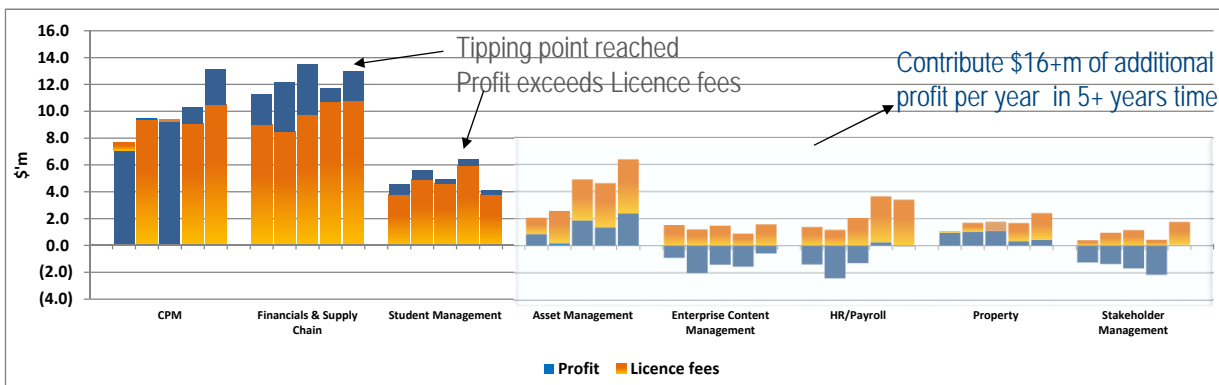
In year 10, target for R&D is 15% of revenue

Still well above Industry Average of 10% to 12%

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Product Maturity

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- Significant investment over the last 10 years in Assets, ECM¹, HRP², Property, Stakeholder Management
- Expected these to contribute strongly in the coming years to profitability

¹ Enterprise Content Management

² Human Resources & Payroll

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Long Term Outlook

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Clear strategy for continuing growth

- ✓ Resilient nature of the enterprise software market
- ✓ The breadth and depth of our product offerings
- ✓ Our enterprise vision
- ✓ Our focus on seven markets
- ✓ Our preconfigured solutions
- ✓ Our large customer base
- ✓ TechnologyOne Cloud
- ✓ Ci Anywhere – our next generation product
- ✓ United Kingdom

Clear Strategy

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Positioned well for the future...

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Cloud first, mobile first world



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Acquisitions

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ICON Software Solutions

- Local Government – Online Planning & Approval
- Strengthens our overall solution in Local Government
 - Strategic high value addition to TechnologyOne OneCouncil solution
 - Have market presence and credibility
- ICON also well positioned in state Government.
- Large install base of Pathway and Authority sites
- \$10m valuation, Earnings neutral in 2015, Earn out formula
- Significant investment to redevelop ICON on our powerful Ci Anywhere platform

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AGM Voting

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Very positive Annual General Meeting

| | FOR | AGAINST |
|-----------------------------------|-------------|------------|
| Re-election of Mr Kevin Blinco | 219,894,735 | 292,128 |
| Re-Election of Mr John Mactaggart | 211,489,071 | 8,689,783 |
| Adoption of remuneration report | 100,866,160 | 32,463,864 |

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Ci Anywhere

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Enterprise software Any device. Any where. Any time.

- ✓ Launched at Evolve Feb 2014
- ✓ Early adopters in progress, positive feedback
- ✓ Solution showcases in progress
- Deliver all products on this platform over next 2 years
 - Deliver all our enterprise functionality on this platform
- Roadmaps now finalized for Stage 2 of this exciting project
- ✓ Significant competitive advantage



TechnologyOne Cloud

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Enterprise Software as a Service Future of Enterprise Software, Today

- ✓ Launched Evolve Feb 2014
- ✓ Early adopters program finished
 - 8 customers now live, another 15 in progress
- ✓ TechnologyOne Cloud 4.0 release imminent
 - Improved scalability, elasticity & efficiency
- ✓ TechnologyOne Cloud 5.0 mid 2015
 - Significant leap forward - Shared instances
- ✓ Strategy to grow this business
 - New 'SaaS' prospects
 - New 'on premise' prospects
 - Existing 'on premise' customers



TechnologyOne Cloud

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- ✓ Expect a smooth transition of our business to the Cloud over next 5+ years
- ✓ Significant benefits for us as we transition our business to the Cloud
 - Streamline our business, reduce costs
 - Reduce time to market
 - Increase innovation and creativity
 - Improve our customers' experience
 - More resilient business model
 - Strong competitive advantage



TechnologyOne's Journey to The Cloud

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TechnologyOne's Journey to the Cloud ...

- | | |
|----------------------------------|----------|
| ▪ Email | done |
| ▪ Corporate Accounting | done |
| ▪ R&D in the Cloud | done |
| ▪ Documents & Files in the Cloud | done |
| ▪ Demonstrations via the Cloud | done |
| ▪ Consulting in the Cloud | Mar 2015 |



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Other Initiatives

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- OneSales initiative – in progress
 - Streamline our operation - Salesforce rollout
 - Consistent & disciplined sales approach - Sales Methods rollout
 - Better executive engagement
 - Upskill our existing Account Managers
 - Strategic Account Managers for high value accounts
 - TechOne Direct for smaller value accounts
- UK reorganization – in progress
 - Relocated Operating Officer from Australia to the UK
 - 5 new customers, taking us to a total of 17 customers in the UK
 - Critical mass will require 40+ customers

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Future Initiatives

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Future Initiatives

- Market focus and commitment
 - Drive harder and deeper in each of our verticals
 - Size of our organization causes challenges
 - Better alignment of our business to achieve this

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Results Highlights

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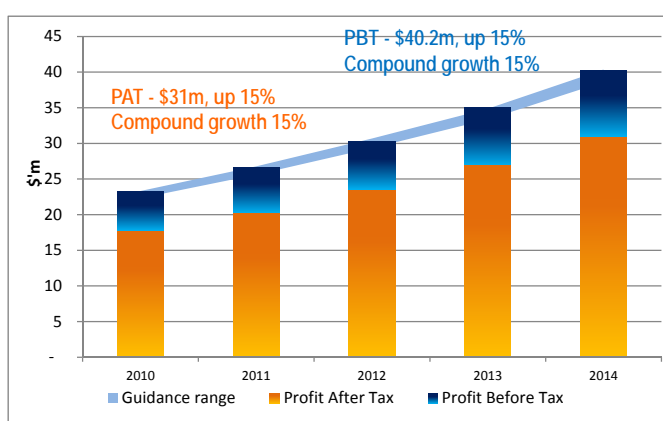
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Highlights

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Guidance

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Full Year Guidance

Continuing profit growth of 10% to 15%

- ✓ Profit Before Tax up 15%
- ✓ Profit After Tax up 15%

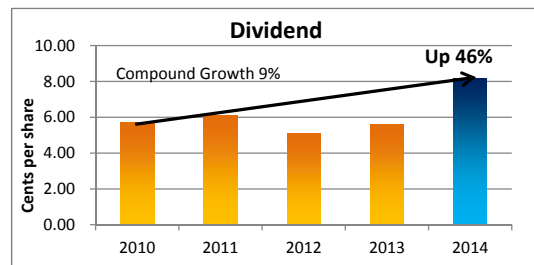
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Dividend

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Dividends for this year

- Half 1 1.95 cps up 10% (paid)
- Half 2 4.21 cps up 10% (declared)
- Sub Total 6.16 cps up 10%
- Special Dividend 2.0 cps (declared)
- Total Dividend 2014 8.16 cps up 46%



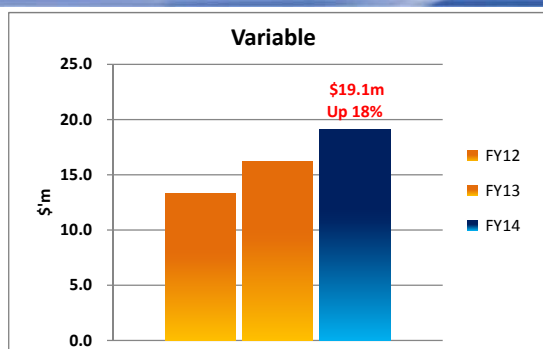
Notes

- We have continuously paid a dividend since 1996 (through Dot-Com and GFC)
- As previously advised, the Board considers the payment of a Special Dividend each year
- Dividends are 100% franked dividends
- We continue to consider other Capital Management initiatives

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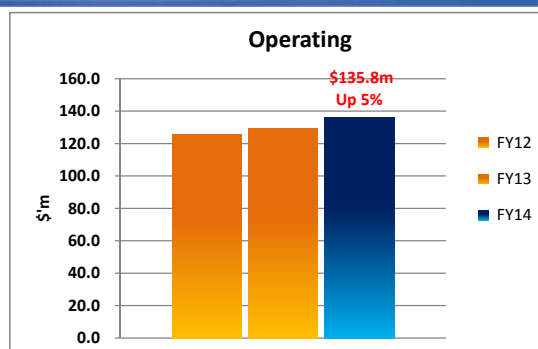
Expenses up 6%

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Variable costs¹ up 18% on prior year

- Commissions and third party costs up 13%
 - inline with increased Licence fees up 11%
- Cloud costs associated with TechOne Cloud (up 100+%)



Operating costs up 5% on prior year

- Full year target was 5%
- Excluding the following costs, operating costs are up 4%
 - Evolve costs \$600k
 - Onerous Contract provision for office accommodation sublease - \$820k accounted for 3 year rent shortfall

¹Costs directly associated with revenue growth

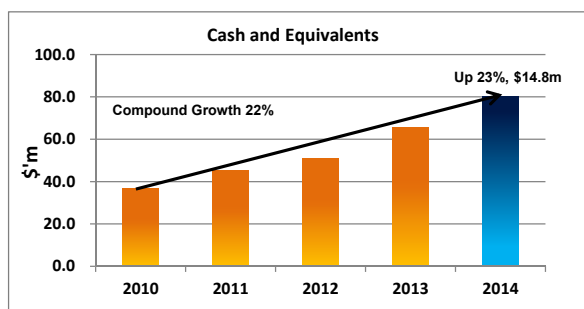
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Balance Sheet

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Strong balance sheet

- Cash & Cash Equivalents \$80.2m (up \$14.8m)
- Net Cash*: 24.8c/s (vs. 19.5c/s)
- Debt/Equity: 3.5% (vs. 6.3%)
- Net Assets: \$104.5m (up \$16.8m)
- Interest Cover: 168 times



*after debt per share

| | Sep-14 \$'000 | Sep-13 \$'000 | Var \$'000 | % |
|-------------------------------|------------------|------------------|----------------|-------------|
| Cash & cash equivalents | 80,209 | 65,397 | 14,812 | 23% |
| Trade and other receivables | 30,844 | 30,509 | 335 | 1% |
| Earned and unbilled revenue | 7,774 | 7,395 | 379 | 5% |
| Other current assets | 1,524 | 1,760 | (236) | (13%) |
| Current assets | 120,351 | 105,061 | 15,290 | 15% |
| Property, plant and equipment | 8,875 | 11,617 | (2,742) | (24%) |
| Intangible assets | 15,684 | 15,938 | (254) | (2%) |
| Other non-current assets | 6,451 | 4,952 | 1,499 | 30% |
| Non-current assets | 31,010 | 32,507 | (1,497) | (5%) |
| Total Assets | 151,361 | 137,568 | 13,793 | 10% |
| Trade and other payables | 17,826 | 19,673 | (1,847) | (9%) |
| Provisions | 11,998 | 10,642 | 1,356 | 13% |
| Unearned revenue | 8,123 | 7,566 | 557 | 7% |
| Borrowings | 3,606 | 5,367 | (1,761) | (33%) |
| Other liabilities | 5,309 | 6,584 | (1,275) | (19%) |
| Total Liabilities | 46,862 | 49,832 | (2,970) | (6%) |
| Net Assets | 104,499 | 87,736 | 16,763 | 19% |
| Issued Capital and Reserves | 54,598 | 43,602 | 10,996 | 25% |
| Retained earnings | 49,901 | 44,134 | 5,767 | 13% |
| Equity | 104,499 | 87,736 | 16,763 | 19% |

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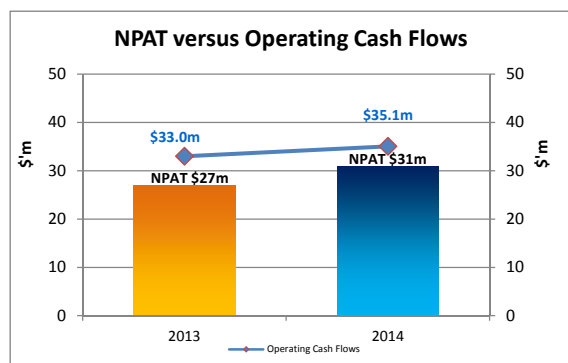
Cash Flow

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Operating Cash Flow \$35m

- Up 6% from \$33m*
- Versus NPAT of \$31m

* As at September 2013



| | Sep-14 \$'000 | Sep-13 \$'000 | Var | % |
|--|------------------|------------------|----------------|-------------|
| EBIT | 38,684 | 33,804 | 4,880 | 14% |
| Depreciation & Amortisation | 4,792 | 5,497 | (705) | (13%) |
| Change in working Capital | | | | |
| (Increase) / Decrease in Debtors | (89) | (7,148) | 7,059 | 99% |
| Increase / (Decrease) in Creditors | (3,206) | 3,798 | (7,004) | (184%) |
| Increase / (Decrease) in Staff Entitlements | 763 | 894 | (131) | (15%) |
| Net Interest Received | 1,550 | 1,293 | 257 | 20% |
| Income Taxes paid | (8,826) | (5,751) | (3,075) | (53%) |
| Other | 1,382 | 597 | 785 | 131% |
| Operating Cash Flow | 35,050 | 32,984 | 2,066 | 6% |
| Capital Expenditure | (1,555) | (1,519) | (36) | (2%) |
| Proceeds from Sale of PP&E and Investments | 0 | 2,158 | (2,158) | (100%) |
| Free Cash Flow | 33,495 | 33,623 | (128) | (0%) |
| Dividends Paid | (17,782) | (16,100) | (1,682) | 10% |
| Repayment of finance lease | (1,637) | (1,873) | 236 | 13% |
| Proceeds from leasing of PPE | 0 | 0 | 0 | 0% |
| Proceeds from Shares issued | 736 | 717 | 19 | 3% |
| Increase in Cash & Cash equivalents | 14,812 | 16,367 | (1,555) | (9%) |

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2014 Full Year Results – Key Metrics

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| Full Year 2014 v Full Year 2013 | 2014 \$'000 | 2013 \$'000 | Variance \$'000 | % |
|--|----------------|----------------|--------------------|------------|
| Revenue excl interest | 193,353 | 179,297 | 14,056 | 8% |
| Expenses (excl R&D, Depn & Amortisation) | 111,994 | 104,401 | 7,593 | 7% |
| EBITDAR | 81,359 | 74,896 | 6,463 | 9% |
| R&D Expenditure | 37,873 | 35,595 | 2,278 | 6% |
| EBITDA | 43,486 | 39,301 | 4,185 | 11% |
| Depreciation | 4,539 | 5,244 | (705) | (13%) |
| Amortisation of Intangibles | 253 | 253 | - | 0% |
| EBIT | 38,694 | 33,804 | 4,890 | 14% |
| Net Interest Income | 1,541 | 1,293 | 248 | 19% |
| Profit Before Tax | 40,235 | 35,097 | 5,138 | 15% |
| Profit After Tax | 30,967 | 26,984 | 3,983 | 15% |

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2014 Full Year Results – Key Metrics

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| Full Year 2014 v Full Year 2013 | 2014 | 2013 | Variance % | Full Year 2014 v Full Year 2013 | 2014 | 2013 | Variance % |
|-------------------------------------|--------------|-------------|------------|--------------------------------------|---------------|---------------|------------|
| EPS (cents) | 10.06 | 8.80 | 14% | ROE | | | |
| Dividends (cents) | | | | Return on equity | 30% | 31% | |
| Standard | 6.16 | 5.60 | 10% | Adjusted return on equity * | 76+% | 70+% | |
| Special | 2.00 | - | 100% | Balance Sheet (\$'000s) | | | |
| Total dividends paid (cents) | 8.16 | 5.60 | 46% | Net Assets | 104,499 | 87,736 | 19% |
| Dividend Payout Ratio | 81% | 64% | | Cash & Cash Equivalents | 80,209 | 65,397 | 23% |
| Key Margin Analysis | | | | Operating cash flows | 35,051 | 32,984 | 6% |
| EBITDAR Margin | 42% | 42% | | Debt/Equity | 4% | 6% | |
| EBITDA Margin | 22% | 22% | | R&D as % of Total Revenue | 19% | 20% | |
| Net Profit Before Tax Margin | 21% | 19% | | | | | |
| Net Profit After Tax Margin | 16% | 15% | | | | | |

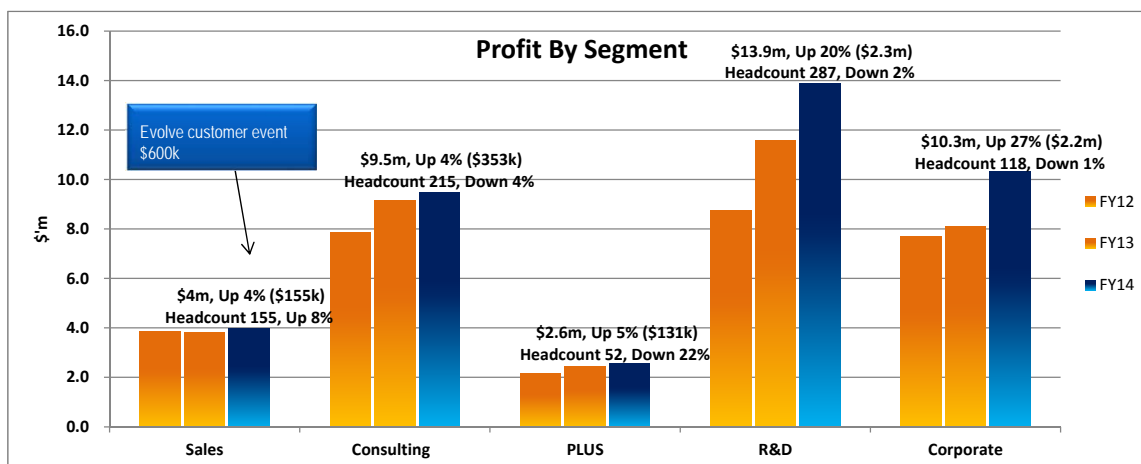
* Adjusted for net cash above required working capital, assumed at two months of staff costs

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Profit By Segment Analysis

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Net Profit Before Tax \$40.2m, up 15% (\$5.1m)

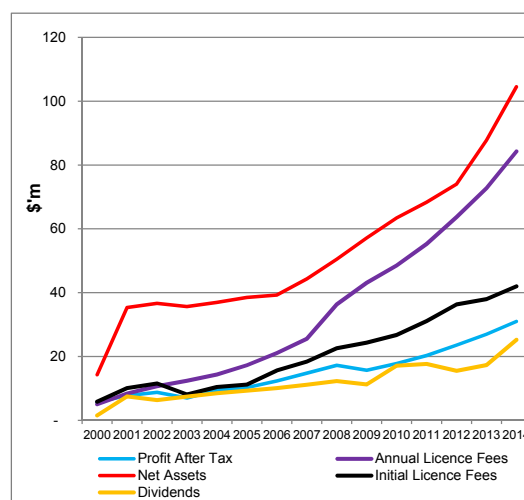


Historical Performance

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Key metrics over last 15 years ...

- ✓ Revenue - 15% per annum compound
 - Even through the Dot-Com and GFC
- ✓ Initial Licence Fees - 15% per annum compound
- ✓ Annual Licence Fees - 22% per annum compound
- ✓ Profit After Tax - 13% per annum compound
- ✓ Dividends - 22% per annum compound
- ✓ Net Assets - 15% per annum compound

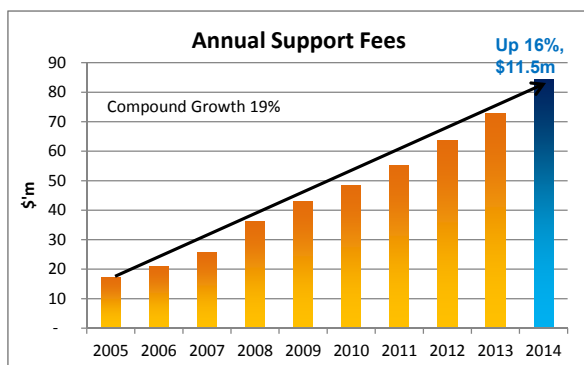


Doubling in size every 4+ years for last 15 years

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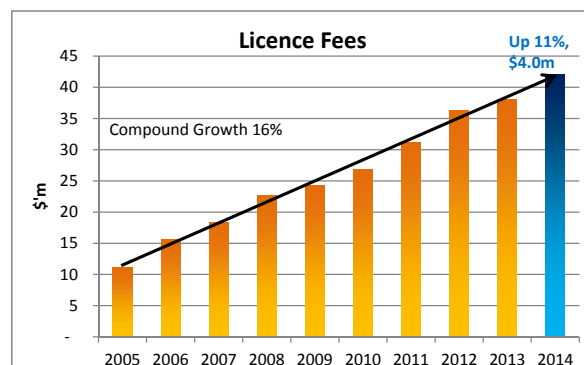
Revenue Streams

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Annual support fees up 16%

- Customer retention is critical to our continuing success
 - Ci Anywhere
 - TechnologyOne Cloud
 - Our Compelling Customer Experience program
- Compound growth last 10 years: 19%



Initial licence fees up 11%

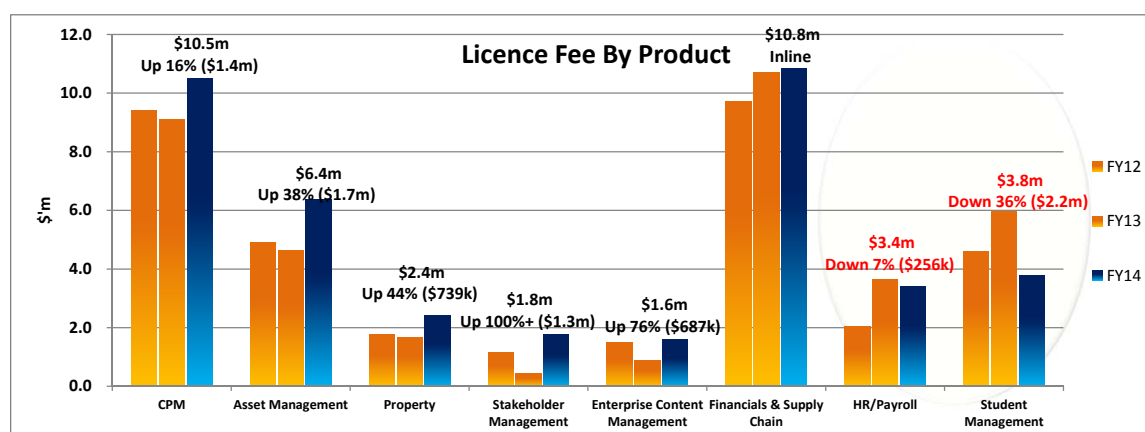
- 11th consecutive year of record licence fees
- Added 50+ new customers, 18 were for replacement of our competitors' systems incl Oracle, SAP, Msoft
- Growth to continue in future years with Ci Anywhere, TechnologyOne Cloud, Newer Products

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Licence Fee by Product

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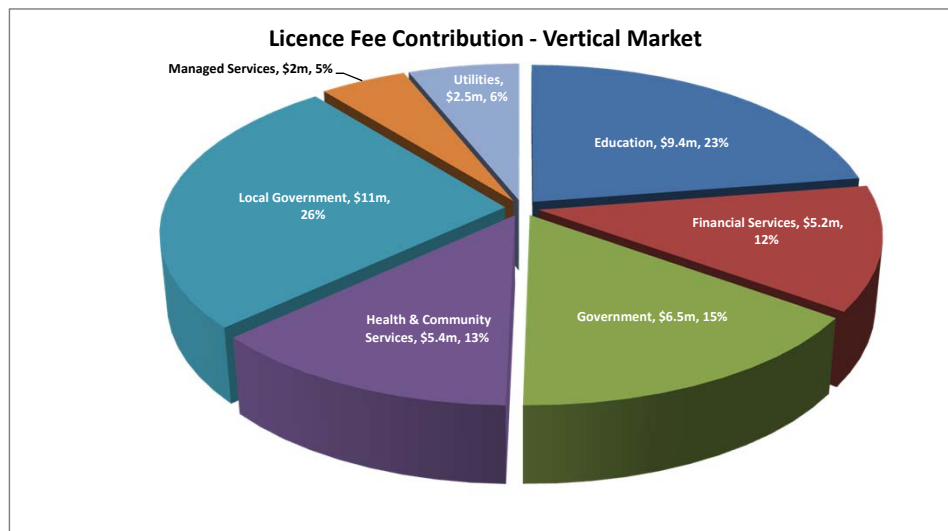
Licence fees \$42.0m, up 11% (\$4.0m)



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Licence Fee Contribution - Vertical Market

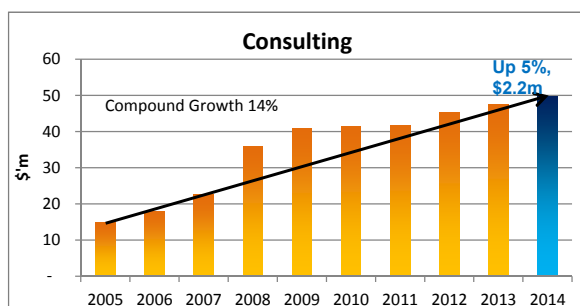
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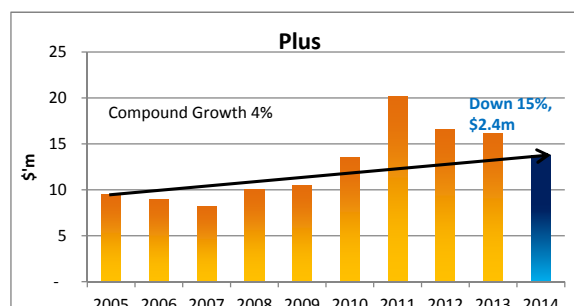
Revenue Streams

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Product Consulting¹ revenue up 5%

- Consulting profit up \$353k, 4% through better utilisation
- AMS² – new business, \$1.7m; expected to grow quickly
- Compound growth the last 10 years: 14%



Plus (non product consulting) revenue down 15%

- Plus profit is up \$131k, 5% on prior year
- Market for non Ci product services declining, as predicted
- Strategy to move this business to more strategic 'value added' services around our Ci products

¹Consulting Excluding Plus

²AMS – Application Managed Services, allowing our customers to outsource the administration and management of our enterprise software to TechnologyOne

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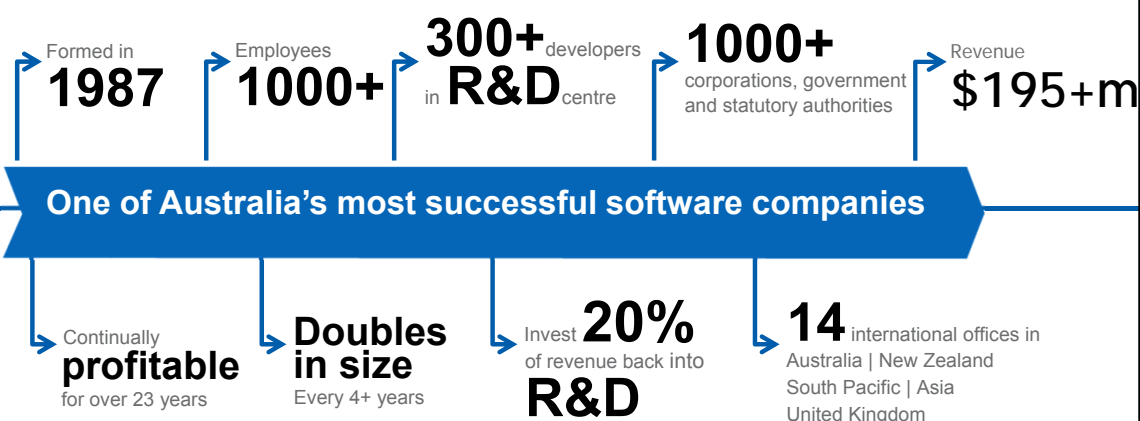
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TechnologyOne Overview

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1000+ high profile customers

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The collage includes logos for the following organizations:

- Baptist Community Services
- Bendigo Bank
- FKP
- Tatts Group
- Papua New Guinea
- Wilson HTM Investment Group
- AsureQuality
- Mission Australia
- LA TROBE UNIVERSITY AUSTRALIA
- WIN
- University of Hertfordshire
- BOND UNIVERSITY
- nib
- THE SALVATION ARMY
- OAMPS
- Epworth HealthCare
- GWM Water
- Healthscope
- HCF
- CITIMARK
- MITRE 10
- Brisbane Airport
- RBF
- homecare
- DELAIDE CITY COUNCIL
- More for members.
- sojitz
- Queensland Australia
- Ministry of JUSTICE
- Tasmania
- CITY OF MELBOURNE
- The Whiddon Group
- City of Casey
- TICKETEK
- Australian Central
- seqwater
- Southern Cross Hospitals
- THE UNIVERSITY OF MELBOURNE
- ARAB BANK
- QUT
- SOUTH EAST WATER
- QIC

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TechnologyOne Overview

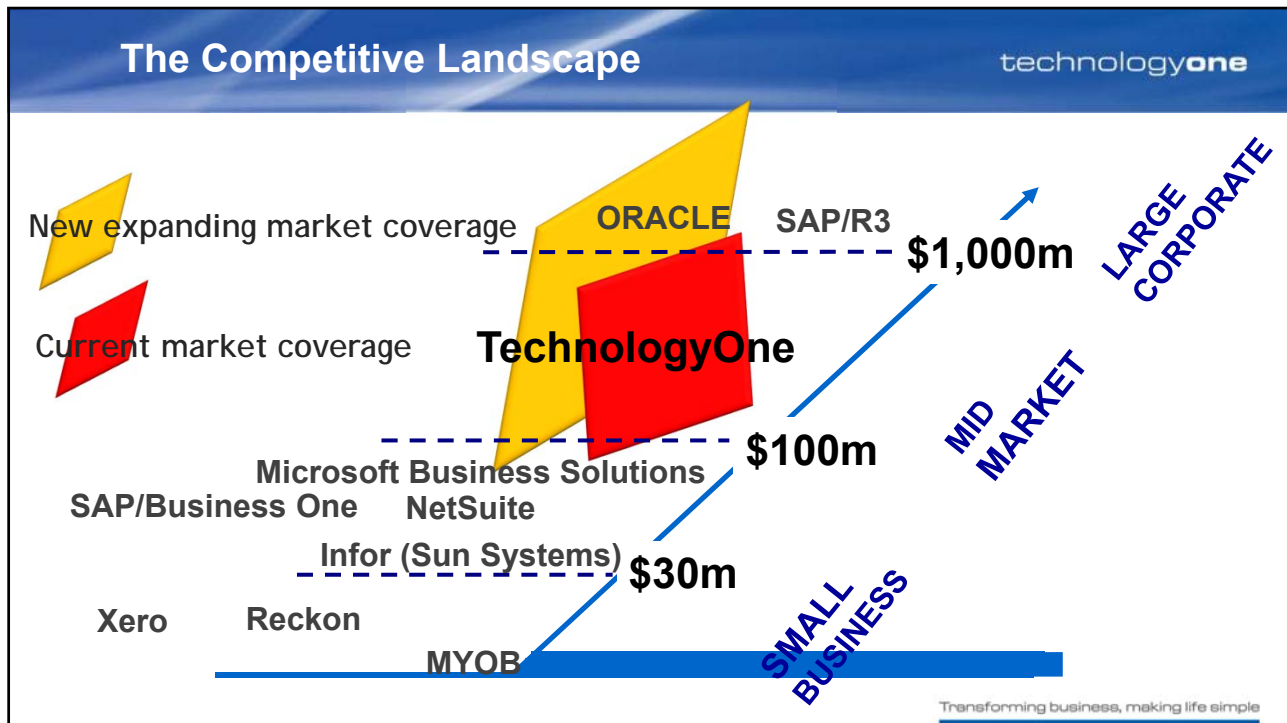
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Financially very strong¹

- Cash and Equivalents \$80.2m
- Return on Equity 30+%
- Adjusted Return on Equity² 76+%
- Debt/Equity 4%
- Interest Cover 168
- Continually paid dividends since 1996 (19 years)
- Continually profitable since 1992 (23 years)

¹as at 30th Sept 2014 ²Adjusted for net cash above required working capital, assumed at two months of staff costs

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What makes us unique ...

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We are one of only a few Enterprise Vendors globally...

- ✓ Single supplier of a suite of 12 products
- ✓ Best of Breed functionality
- ✓ Deeply integrated
- ✓ Common platform
- ✓ Consistent user interface
- ✓ Embraces new & emerging technologies

The power of a single, integrated, enterprise system to streamline your business, reduce costs and embrace new technologies

We believe in the freedom of choice our solution is modular by design

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What makes us unique ...

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We focus on seven key markets...

- ✓ Deep understanding and engagement in our markets
- ✓ Deeply integrated preconfigured solutions
- ✓ Proven practice
- ✓ Streamlined implementations
- ✓ Reduce time, cost and risk



Market focus and commitment

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What makes us unique ...

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We do not use implementation partners or resellers

We take complete responsibility for building, marketing, selling, implementing, supporting and running our enterprise solution for each customer to guarantee long term success.



The Power of One One vision. One vendor. One experience.

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What makes us unique ...

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The power of evolution

Our enterprise solution adapts and evolves to new technologies



✓ **99% of customers have continued with us through this journey ...**

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Our Vision

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Clear & focused vision ...

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Robust Revenue Model

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Robust Revenue Model ...

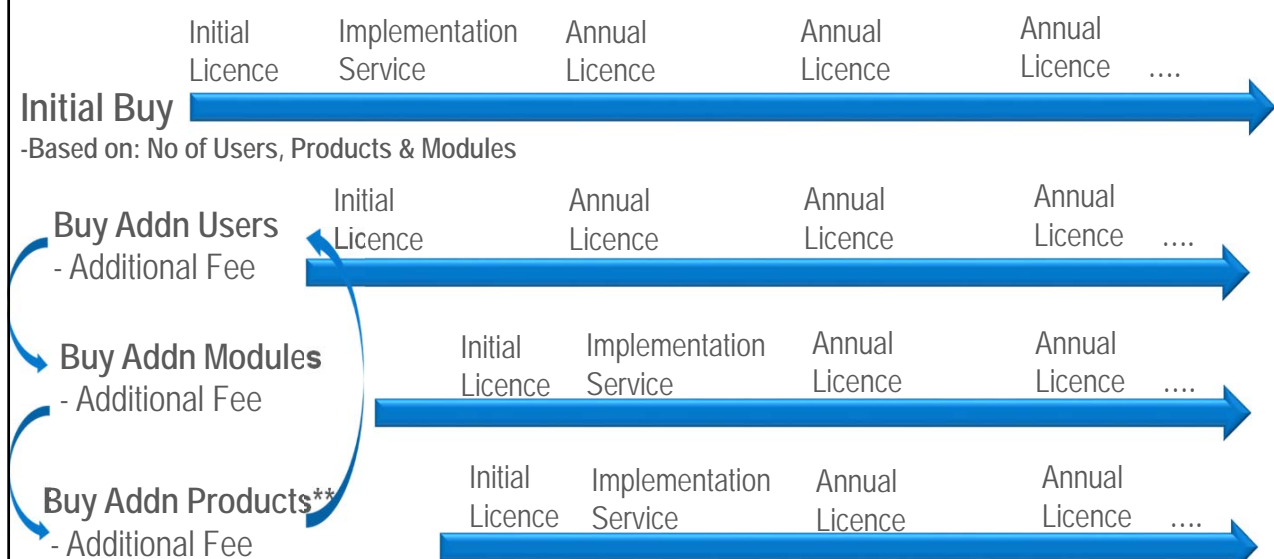
- **Initial Licence - based on usage (number of users)**
 - Matrix of licensable products & modules (approx 300 modules over 12 products)
 - Once off fee – invoiced on contract signing
- **Implementation Services - fee for service**
 - \$1 Services : \$1 Initial licence
 - Once off fee – invoiced as services rendered
- **Annual Licence Fee**
 - 22.5% of Initial Licence
 - Re-occurring every year



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Robust Revenue Model

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** On average our customers have 3.5 products out of a product range of 12 products

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TechnologyOne Overview

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Diversity of revenue streams from multiple:

- Products (12)
- Vertical markets (7)
- Geographies (12)
 - All states of Australia, New Zealand, South Pacific, Asia and UK

Strong, very loyal blue chip customer base

- We provide a mission critical solution – 'sticky customer base'
- 60+% of our revenues generated from existing customers each year
 - Annual licences, increase usage, new modules, new products, ongoing services etc..

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TechnologyOne Overview

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- One of Australia's largest software houses, specialising in the research, development and commercialisation of enterprise software – invest \$37m+ in R&D per year
- Connected Intelligence (Ci) is our current generation enterprise suite
- Next generation of our enterprise suite, Ci Anywhere is now released
- TechnologyOne Cloud is now available
- Diversity of revenue streams from...
 - Multiple geographies, 12 products, seven vertical markets



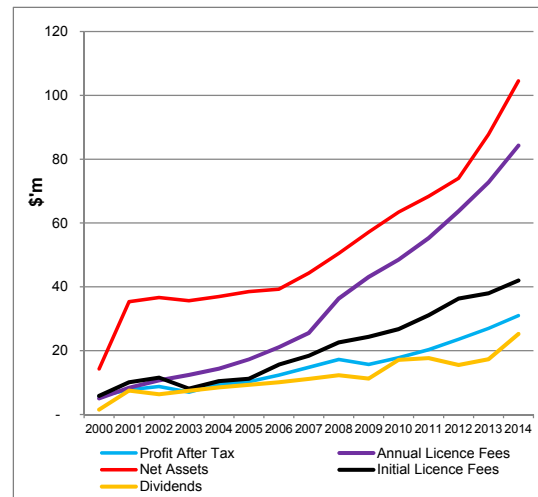
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Historical Performance

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Key metrics over last 15 years ...

- ✓ Revenue - 15% per annum compound
 - Even through the Dot-Com and GFC
- ✓ Initial Licence Fees - 15% per annum compound
- ✓ Annual Licence Fees - 22% per annum compound
- ✓ Profit After Tax - 13% per annum compound
- ✓ Dividends - 22% per annum compound
- ✓ Net Assets - 15% per annum compound



Doubling in size every 4+ years for last 15 years

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