



Delivering a
Cloud first,
mobile first world

2015 Annual General Meeting

17 February 2016

Adrian Di Marco, Executive Chairman

Enterprise software
as a service

Feb 2016
Commercial in confidence
FINAL (wed)



technologyone
Transforming business, making life simple

Disclosure Statement

Technology One Ltd Annual General Meeting – 17 February 2016

Technology One Ltd (ASX: TNE) today conducted its Annual General Meeting at the Brisbane Convention & Exhibition Centre.

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

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Agenda

- Results Overview
- Significant Achievements
- Remuneration & Corporate Governance
- Outlook for Full Year
- Long Term Outlook

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Results Summary

| | FY15 | FY14 | Variance % | |
|----------------------------------------------|-----------------|-----------------|------------|------------------------------|
| Revenue | \$218.7m | \$195.1m | 12% | |
| Initial Licence Fees | \$49.3m | \$42.0m | 17% | |
| Total Consulting ² | \$65.6m | \$63.4m | 3% | |
| Annual Licence Fees | \$95.3m | \$84.2m | 13% | |
| Cloud Service Fees | \$4.1m | \$1.4m | 200+% | |
| Expenses | \$172.2m | \$154.9m | 11% | |
| R&D Expenses incl. Acquisitions ¹ | \$41.0m | \$37.9m | 8% | |
| R&D Expenses excl. Acquisitions | \$40.5m | \$37.9m | 7% | |
| Expenses excl R&D | \$131.2m | \$117.0m | 12% | |
| Profit | | | | |
| Profit Before Tax | \$46.5m | \$40.2m | 16% | |
| Profit After Tax | \$35.8m | \$31.0m | 16% | |
| Other | | | | |
| Operating Cash Flow | \$37.6m | \$35.1m | 7% | |
| Cash and Cash Equivalents | \$75.5m | \$80.2m | (6%) | Refer slide: Balance Sheet |
| Profit Before Tax Margin | 21% | 21% | | Refer slide: Margin Analysis |
| Dividend | 8.78 | 8.16 | 8% | |
| Return on Equity | 30% | 30% | | |

¹19% of revenue v 19% last year

²Total Consulting includes Plus

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Margin Analysis

The TechnologyOne Cloud impacted our margins significantly

| FY15 | Company | Cloud | Company Excl. Cloud |
|----------|----------|----------|---------------------|
| Revenue | \$218.7m | \$4.1m | \$214.6m |
| Profit | \$46.6m | (\$2.5m) | \$49.0m |
| Margin % | 21% | (62%) | 23% |

Our investment in the TechnologyOne Cloud is impacting our margins in the short term. TechnologyOne Cloud will make a very positive contribution to margins in the coming years. Discussed in more detail later.

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Top End of Full Year Guidance Achieved

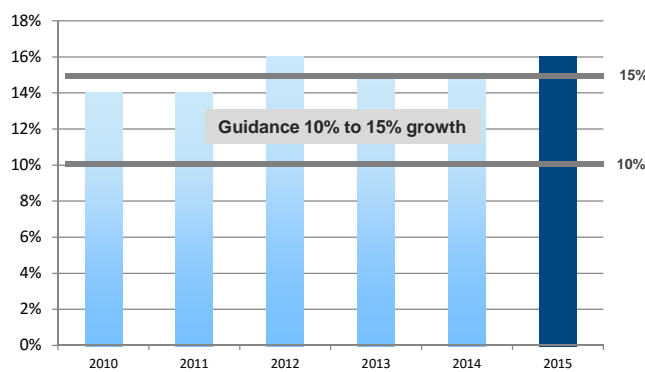
Full Year Guidance was

Continuing profit growth of 10% to 15%

- ✓ Profit Before Tax up 16%
- ✓ Profit After Tax up 16%
- ✓ Sixth year achieved top end of guidance

Percentage Profit Growth by Year

NPAT 2015 - \$35.8m, up 16%, Compound growth 15%



Over last 6 years we have consistently met the top end of our guidance (10% to 15% profit growth)

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Results Highlights

Continuing strong performance

Significant investments have continued as follows:

- United Kingdom \$400k loss (vs \$745k loss in 2014)
- TechnologyOne Cloud \$2.5m loss (vs \$2m loss in 2014)
- R&D, including Ci Anywhere \$41m (\$38m in 2014)
 - Fully expensed as incurred

Total Dividend Up 8%

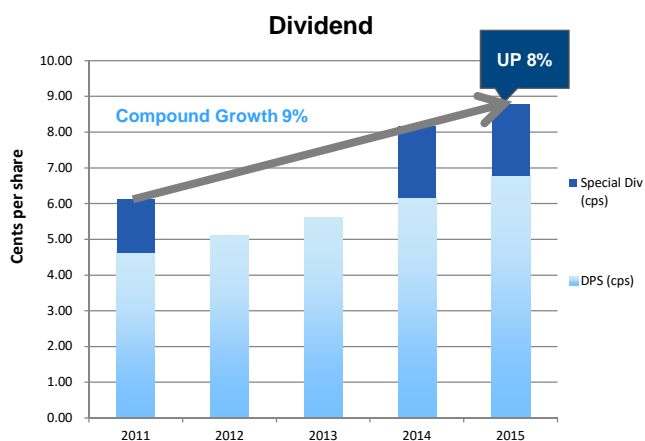
Dividends for the 2015 year:

| | |
|--------------|-----------------------------|
| Half 1 | 2.15 cps up 10% (paid) |
| Half 2 | 4.63 cps up 10% (declared) |
| Total | 6.78 cps up 10% |
| Special | 2.00 cps (as per last year) |
| Total | 8.78 cps up 8% |

Dividend payout ratio is 76%

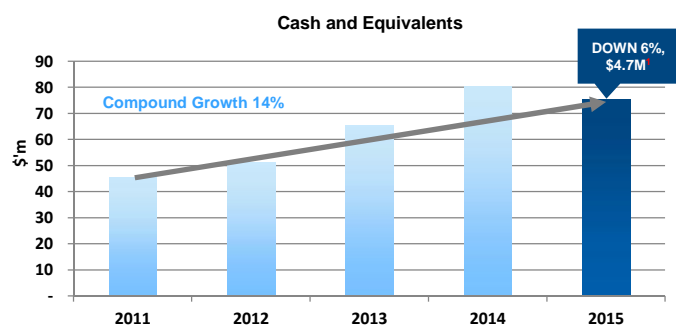
Notes

- 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
- No Special Dividend in 2012 & 2013 because of a lack of franking credits



We have continuously paid a dividend since 1996 (through Dot-Com and GFC)

Balance Sheet



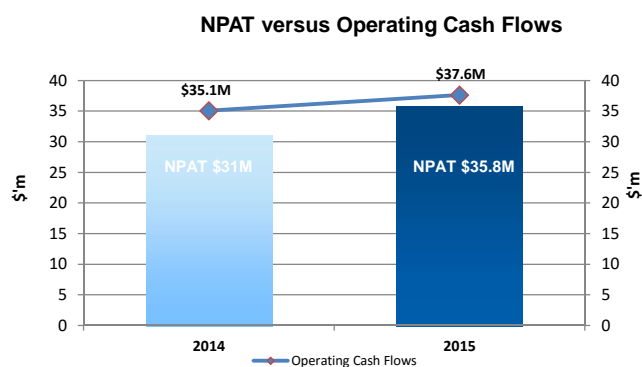
- **Cash & Equivalents¹** \$75.5m (vs. \$80.2m, down \$4.7m)
- **Net Cash²:** 24.42c/s (vs. 24.81c/s)
- **Debt/Equity:** 2.02% (vs. 3.5%)
- **Net Assets:** \$117.9 (vs. \$104.5m, up \$13.4m)
- **Interest Cover:** 309 times

¹ includes \$4.6m payment for ICON acquisition, \$8m payment for DMS acquisition, \$6m special dividend (restarted last year)

²after debt per share

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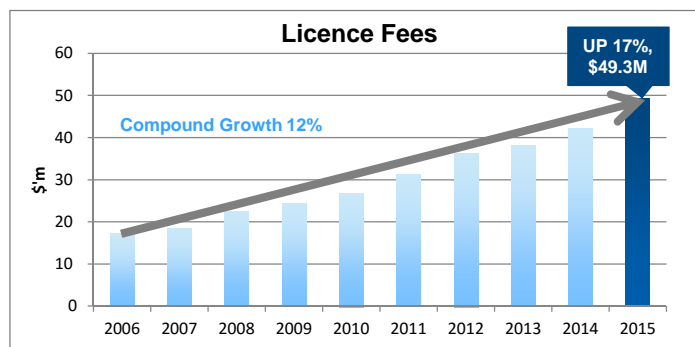
Cash Flow



Operating Cash Flow (\$37.6m), has improved substantially over the full year

- Up \$2.6m, 7% from \$35.1m Sept 2014
- Vs NPAT of \$35.8m
- Vs negative 2.3m at the half year

Licence Fees Up 17%

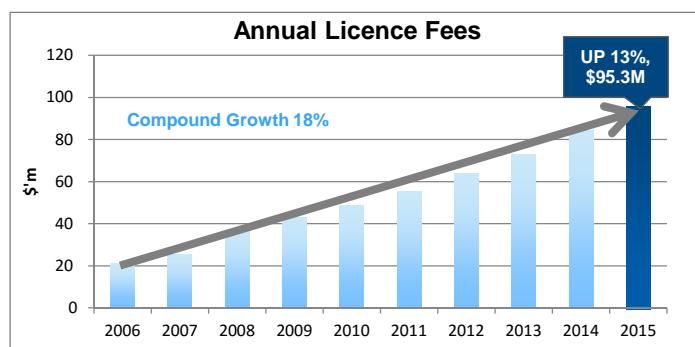


Licence fees up 17 % (vs down 11% at H1)

- 12th consecutive year of strong Licence Fee growth
- Added 58 new customers, of which 18 replaced systems from Oracle, SAP, Microsoft & INFOR
- High profile wins: Brisbane City Council, Wellington City Council, Mercy Health, TAFE Qld, Department of Education & Training, Australian Bureau of Statistics, Department of Treasury etc.
- Pipeline for 2016 year is strong

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Annual Licence continue to grow strongly: up 13%

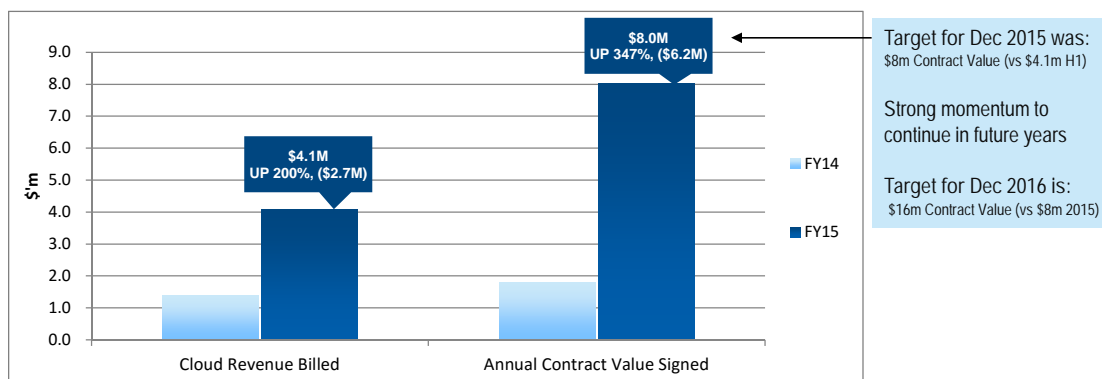


Annual licence fees continue to grow strongly: up 13%

- Compound growth over the last 10 years is 18%
- Customer retention is important
- Investing in Compelling Customer Experience III, Ci Anywhere, TechnologyOne Cloud

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Cloud Service Fees continue to grow strongly: \$8m, up 100%



Annual Contract Value continues to grow strongly: \$8.0m, up 100%+ (\$6.2m)

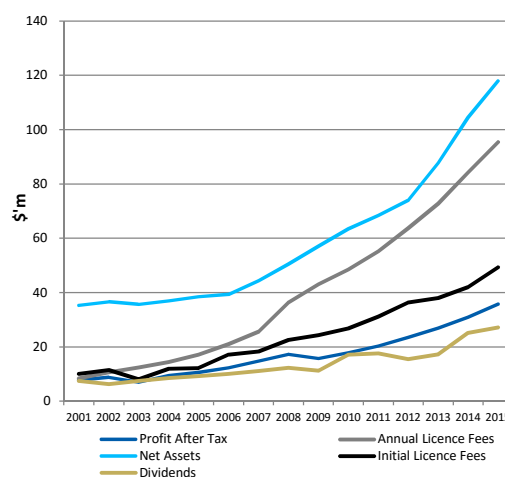
- Cloud Customers: 70 vs 21 at 30 Sept 2014
- New Customer this year: 49 includes Brisbane City Council, Department of Treasury, Mercy Health, Wellington City Council, TAFE Queensland, Australian Bureau of Statistics etc.
- Full year loss of \$2.5m (vs a loss \$2m in 2014; and \$1.6m at H1)
- Loss reduces to \$1m in 2015/2016 year with our new Cloud 5.0 architecture and increasing customer base

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Historical Performance

Key metrics over last 15 years ...

- ✓ **Revenue** - 13% per annum compound
 - Even through the Dot-Com and GFC
- ✓ **Initial Licence Fees** - 12% per annum compound
- ✓ **Annual Licence Fees** - 19% per annum compound
- ✓ **Profit After Tax** - 12% per annum compound
- ✓ **Dividends** - 10% per annum compound
- ✓ **Net Assets** - 9% per annum compound



Doubling in size every 5 years for last 15 years

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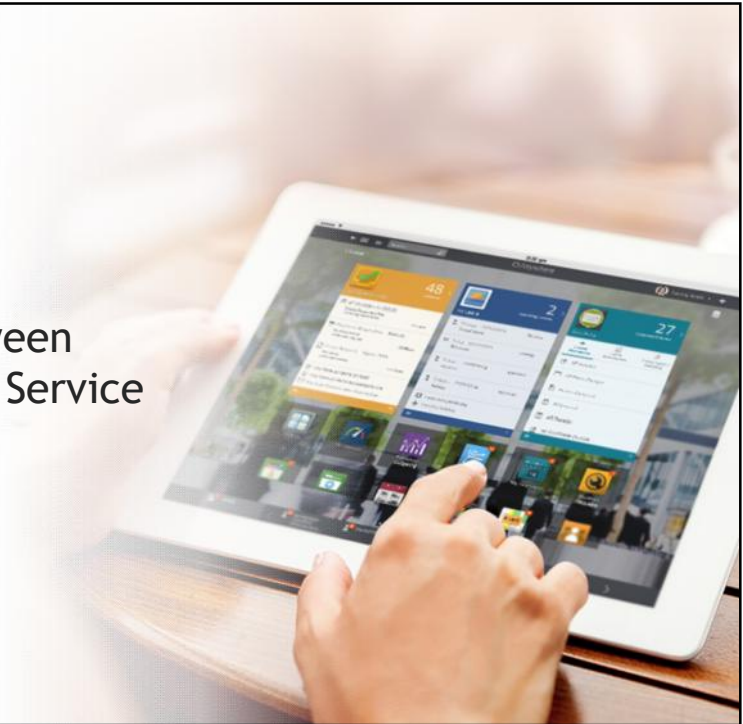
Ci Anywhere

Enterprise software, incredibly simple
Any device. Any where. Any time.

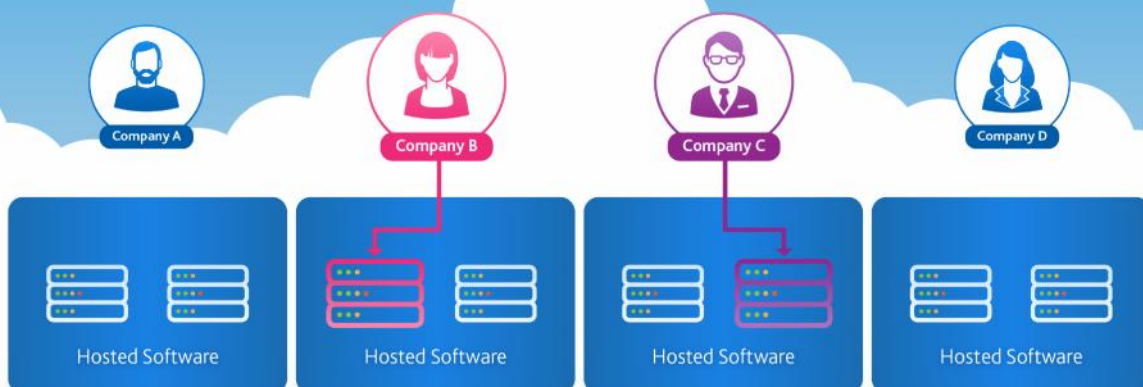
- ✓ Early adopters in progress, positive feedback
- ✓ Front Office mobile apps now completed
- Deliver all remaining functionality on this platform by mid 2017
- ✓ Significant competitive advantage

Cloud

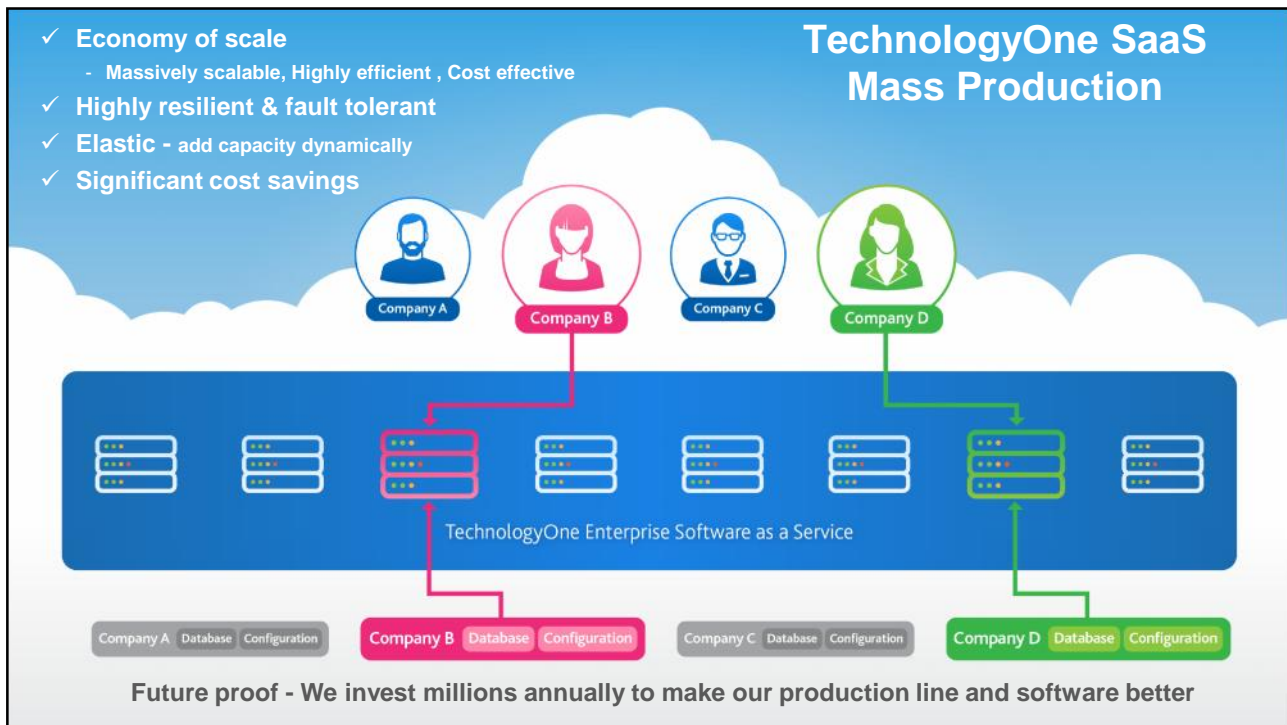
Significant confusion between
Hosting and Software as a Service



Traditional Hosting Customised



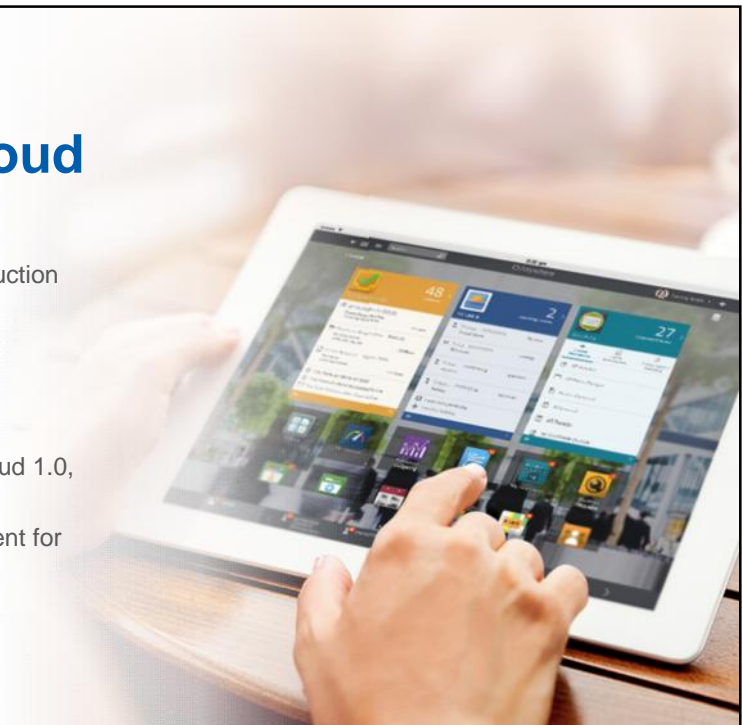
Hand crafted to your specific needs – you only get what you pay for



TechnologyOne Cloud

Enterprise software as a service

- ✓ TechnologyOne Cloud 5.0 - Mass Production Model now avail to early adopters
- ✓ Significant leap forward
- ✓ Huge economies of scale
- ✓ Shared instance architecture key
- Migrate customers seamlessly from Cloud 1.0, 2.0, 3.0, 4.0 to Cloud 5.0
- Cloud 6.0 & Cloud 7.0 under development for availability in 2016



TechnologyOne Cloud

- ✓ 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

- | | |
|----------------------------------|------|
| • 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 | done |

Acquisition Strategy

- TechnologyOne is not an acquisition driven business
 - Prefer organic growth because of the significant cost, time, effort and management distraction that accompanies an acquisition.
- TechnologyOne considers acquisitions when the opportunity arises to acquire Intellectual Property (IP) that extends our enterprise footprint
 - Into new areas that we do not currently support, and which would take an inordinate amount of time, money and risk for us to develop
- Our acquisition strategy is to deeply integrate the acquired business; and redevelop the acquired IP onto our Ci Anywhere platform
- This is the case with three acquisitions we have undertaken in the last 12 months

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Acquisitions Update

- ✓ **ICON Software – Local Government Online Planning**
 - Completed 2015¹: \$10m valuation, Earnings neutral in 2015, Earn out formula over 3 years
 - **Contribution of \$500k to our 2015 earnings**
- ✓ **DMS – Digital Mapping Software**
 - Completed 2015¹: \$12m valuation, Earnings neutral 2015, Earn out formula over 3 years
 - **Contribution of \$580k to our 2015 earnings**
- ✓ **JRA - Strategic Asset Management**
 - Completed 2016¹: \$10m valuation, Earnings neutral 2016, Earn out formula over 3 years
 - **Contribution nil to our 2015 earnings, as acquisition concluded Oct 2015**



**We will redevelop the acquired IP onto
our Ci Anywhere platform**

¹ Year Ending date

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United Kingdom

- Relocated Operating Officer from Australia to the UK
- 9 new customers of which 8 are on the TechnologyOne Cloud
- Total of 26 customers in the UK now
- Critical mass will require 40+ customers
- Our strategy is to move to the 'blue ocean'
 - Critical we bring our HRP¹ offering into the UK market – target date late 2016
 - Next will be our Student System – target date mid/late 2017

¹ Human Resource & Payroll

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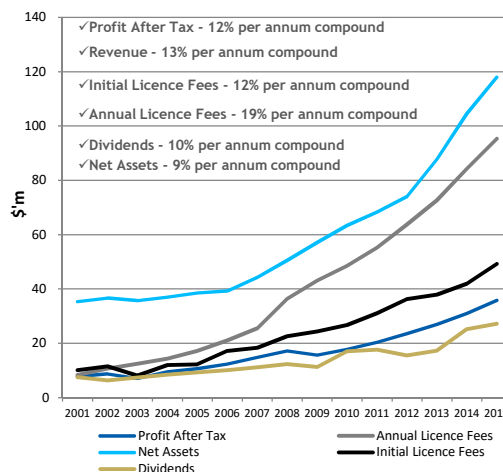
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Remuneration Framework

Existing remuneration framework critical to our success over last 25+ years

- ✓ Company doubling in size every 5 years
- ✓ Created substantial shareholder wealth¹
- ✓ TechnologyOne executive pay is in the mid to lower quartile of our peers
- ✓ Proven to be very effective



Key metrics last 15 years

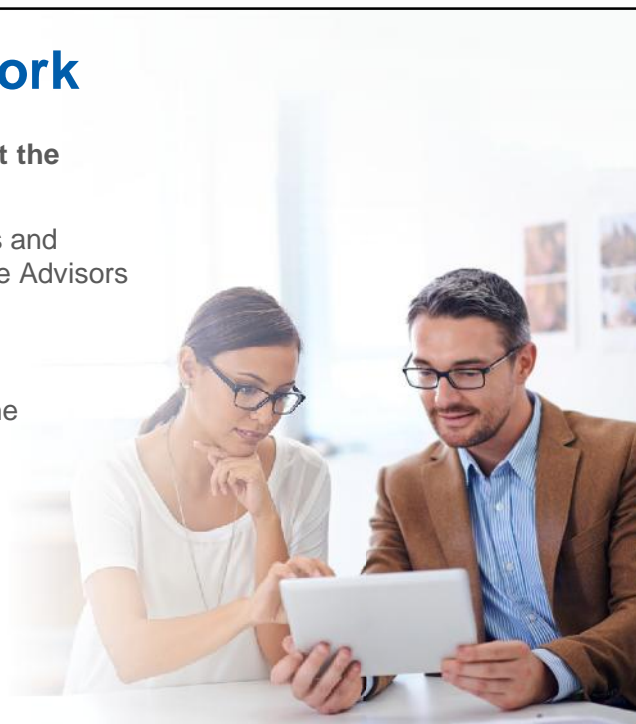
¹TSR last 12 months 24% , TSR last 5 years 34% compound per year, TSR last 10 years 23% compound per year

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Remuneration Framework

Last year we had a substantial vote against the Remuneration Report of 24.3%

- Board has engaged Independent Advisors and implemented recommendations from these Advisors
- Aim to get better alignment with other ASX200 companies
- Board has made substantial changes to the TechnologyOne remuneration framework



Remuneration Framework

- Changes to our remuneration framework in 2015:
 - ✓ Additional disclosure/information on our remuneration structure and policies
 - ✓ Discontinued the use of Options for Long Term Incentives (LTI) for KMP
 - ✓ A new Executive Performance Right (EPR) plan for LTI for KMP
 - ✓ Introduced mandatory performance hurdles for all LTI issued to KMP under the new EPR plan
 - ✓ Introduced a mandatory shareholding for directors
- Some of these changes are a concern to us
- Substantial distraction to the Board and the Management team
- Introduces risk as we transition from our current successful remuneration framework

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Recommendations by Proxy Advisors

- Ownership Matters, CGI Glass Lewis & ASA in favour of all resolutions
- ISS Proxy Advisory Services
 - Recommended against the Rem Report & increase of Directors Fee
 - Gave us the lowest possible score for Corporate Governance
- We note re ISS Proxy Advisory Services report
 - We engaged with ISS in the creation of our new Remuneration Report
 - Significant mistakes in ISS report
 - Rem Report was not passed just on a 'show of hands' last year as they say
 - ISS did not consult with us to clarify their interpretation of our Remuneration Report before publishing their report
 - ISS dismissed the actual facts

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The Facts

| | Technology One CEO | Median ASX 100-150 |
|------------------------------|------------------------|--------------------|
| Fixed Remuneration | \$551,000 | \$1,024,343 |
| Short Term Incentive (Cash) | \$797,485 | \$330,012 |
| Long Term Incentive (Shares) | \$0 (waved by TNE CEO) | \$354,025 |
| Other Remuneration | \$0 | \$12,909 |
| Total | \$1,348,641 | \$1,883,491 |

✓ TNE rem is substantially below comparable companies

✓ TNE rem is highly effective with a much greater 'at risk' component than other companies

✓ TNE is one of the best performing stocks on the ASX measured over 12 months, 5 years, 10 years

✓ Clear alignment between Exec Remuneration and creation of shareholder wealth

| | TechnologyOne Board | Median ASX 100-150 |
|---------------|---------------------|--------------------|
| Directors Fee | \$74,022 | \$130,024 |

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ISS Proxy Advisory Services

- Issue of 'Appearance over Substance'
 - TNE strong record in Corp Governance and Rem in alignment with shareholder wealth creation
- Issue of 'One size fits all' approach
 - Versus ASX approach of 'if not, why not' which is far superior
- Issue of ISS attempting to impose their will on us
 - LTI - forced to move from very effective Options to EPRs with hurdles
 - STI - want us to change our STI, which will lead to a lower STI / higher base
- ISS did not check their facts with us before publishing their report
- Concerned about the lack of accountability of Proxy Advisors generally
- We have significant concerns about Proxy Advisors providing recommendations, rather than compliance checks
- We have significant concerns about Institutional Investors blindly following the recommendations from Proxy Advisors without question

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Institutional Investors Voted Against Rem Report

9% vote against our Rem Report this year

- Vanguard Australia Share Index Fund
- Vanguard Total International Index Fund
- Dimensional Funds Australia (DFA)
- SunSuper
- Australian Ethical Fund
- Bank of New York
- UniPension FAIF
- Retirement Benefits Fund

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Corporate Governance

- TechnologyOne has always preferred a small and accountable Board (5 members)
- Some independent advisors did not accept Mr McLean as independent which caused our Board & Committees to be seen as not majority independent
 - Major shareholders Adrian Di Marco and John Mactaggart also not classified as independent
- Board Committees now changed to ensure a majority of independent directors and independent chair with the removal of Mr McLean from these committees
- Decision to increase board to 8 over time
 - Add an independent director in 2016, in 2017 and in 2018
 - Opportunity to address the gender diversity requirement
- Introduces risk as we are in the middle of a significant company transformation program (Ci Anywhere & TechnologyOne Cloud)

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TechnologyOne is committed to continuous improvement of our Remuneration Report and Corporate Governance

- Must be recognition of 'substance' over 'appearance'
- Sensibly, over time
- Can not be 'One Size Fits All' approach
- We need to carefully navigate a way forward that does not endanger our business



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- Technology One Overview

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Outlook for 2016 Year

Continuing strong profit growth

- 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 2016 supports continuing strong profit growth for the full year



Outlook for 2016 Year

Expect strong profit growth again in 2016 full year

- Strong growth in licences, revenue and profit in the full year
- Sales pipeline is once again weighted to the second half
- We expect the first half of 2016 will once again be challenging and not indicative of the full year results
- We will provide further guidance with the first half results



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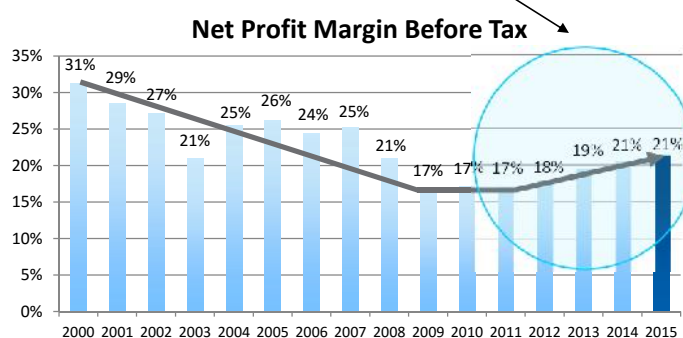
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Long Term Outlook

Focus is to substantially improve PBT margins through:

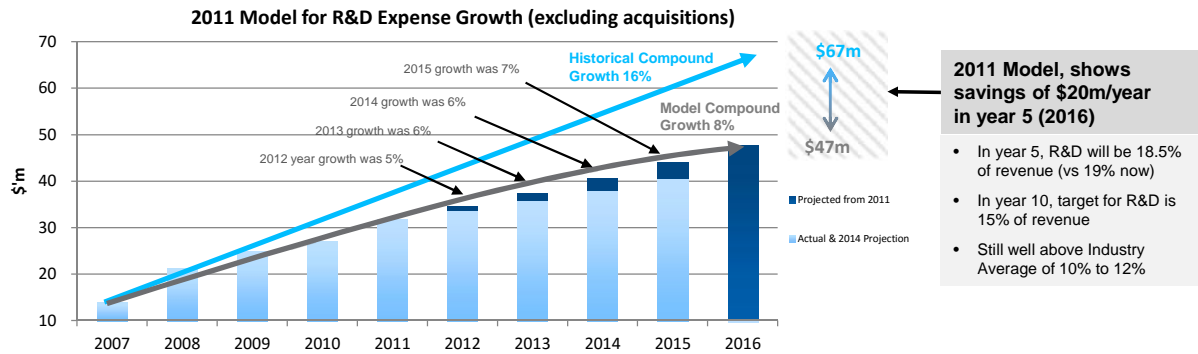
- Controlled R&D growth
- Product Maturity
- Cloud becomes profitable

Temporary hiatus due to Cloud loss of \$2.5m on Revenues of \$4.1m.
Excluding Cloud business, margin is 23%.



Profit margin to continue to improve to 25% in the next few years

Controlled R&D Growth

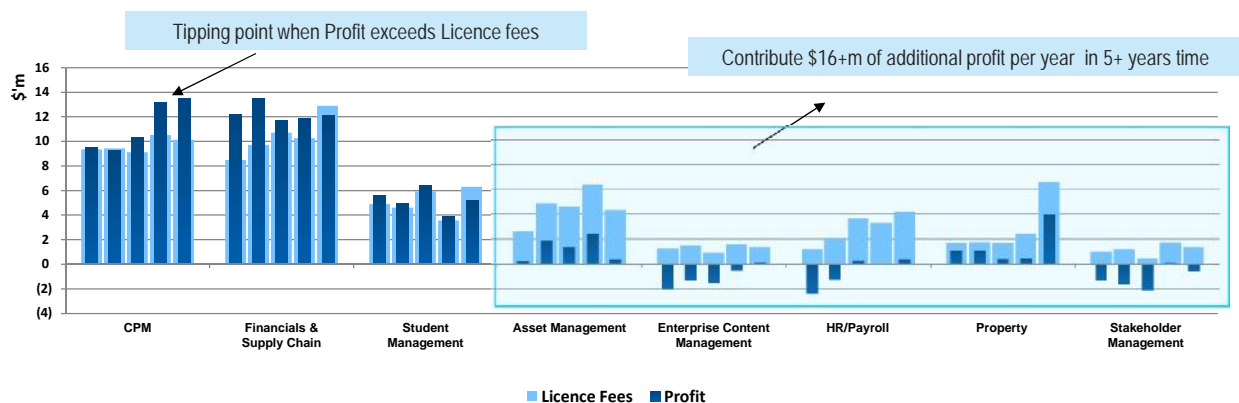


Target for R&D growth of 8% per annum compound, over 5 years set in 2011

- Operating leverage, economy of scale, new work practices...
- In 2012, 2013, 2014 & 2015 year we demonstrated this was achievable with R&D growth of 5%, 6%, 6% and 7% respectively
- Continues to be a very aggressive R&D program
- Assumes no acquisitions in next 5 years, and continuing growth in revenue

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Product Maturity



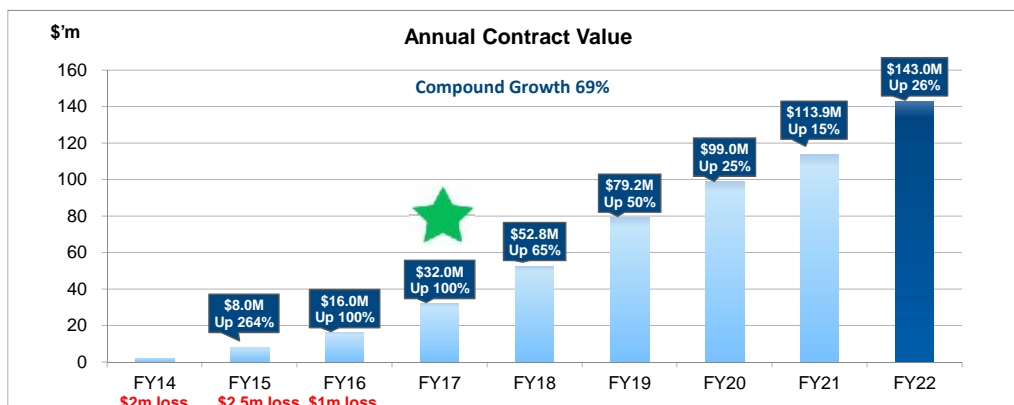
- Significant investment over the last 10 years in Assets, ECM¹, HRP², Property, Stakeholder Management
- Expected these to contribute strongly in the coming years to profitability

¹ Enterprise Content Management ² Human Resources & Payroll

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TechnologyOne Cloud Growth to 2022

\$143m / year (recurring) in 2022



★ Cloud becomes profitable in 2017

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**Positioned well
for the future...**

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