

24 November 2020

Technology One Limited (ASX: TNE)

TechnologyOne SaaS up 32% and Underlying Profit up 13%

BRISBANE, 2 October 2020 – TechnologyOne (ASX: TNE), Australia's largest ERP Software as a Service (SaaS) company, today announced its financial results for the year ended 30 September 2020, showing continuing strong growth with Underlying Profit up 13% on the prior year, underpinned by the continuing fast growth of the TechnologyOne Global SaaS ERP solution.

Revenue from our SaaS & Continuing Business, a key measure of the strength of our fast-growing SaaS business, was up 12%.

Our Global SaaS ERP solution is transforming our customers' business and makes life simple for them. When COVID-19 hit, our solution enabled our SaaS customers to seamlessly shift to remote working. COVID-19 has reinforced the significant value proposition of our Global SaaS ERP solution which provides mission critical systems and enables our customers' staff to work on any device, anywhere, any time, seamlessly without interruptions. This has also resonated strongly with the market driving our continuing strong results.

Results Summary

Key results were as follows:

- Underlying Profit Before Tax¹ of \$86.1m, up 13%
- Revenue from our SaaS and Continuing Business of \$269.8m, up 12%
- SaaS Annual Recurring Revenue (ARR)² of \$134.6m, up 32%
- Reported Profit Before Tax of \$82.5m, up 8%¹
- Total Revenue³ of \$299.0m, up 4%
- Expenses of \$216.5m, up 3%
- Cash Flow Generation⁴ of \$66.4m, up 49%
- Cash and Cash Equivalents of \$125.2m, up 19%
- Total Dividend of 12.88cps, up 8%
- R&D investment of \$68.1m before capitalisation, up 13%, which is 22% of revenue

¹ For details on Profit Before Tax and Underlying Profit refer section below

² ARR represents future contracted annual revenue at year end. This is a non-IFRS financial measure and is unaudited

³ Includes other income of \$0.7m

⁴ Cash Flow Generation is Cash flow from operating activities less capitalised development costs. 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 like we have in the past 32 years, we expect to double in size again in the next 5 years.

TechnologyOne SaaS ARR grows 32%

The TechnologyOne Global SaaS ERP solution is growing very fast with SaaS Annual Recurring Revenue (ARR) of \$134.6m, up 32%. This growth is all organic and includes no acquisitions.

We added 104 enterprise customers this year to our Global SaaS ERP solution and we now have 539 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, and Infor.

TechnologyOne continued to dominate in the Local Government sector, where we closed 40 major deals with \$45+ million in total contract value. We have more than 300 council customers.

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

Recurring Revenue underpins quality of our business

As 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%.

Today our Total Annual Recurring Revenue (ARR) has hit \$222m and is set to exceed \$500m in the coming years.

Our ARR stands at 86% of Total Revenue¹ which means the majority of our revenue is locked-in at the start of the financial year which positions us well to achieve strong continuing growth in the new year.

¹ Excludes consulting revenue as it flows from business wins

Strong Result as we transition from our Legacy Licence business to SaaS

This is a very strong result, as we continue to transition from our Legacy Licence business to SaaS. Our Legacy Licence business was down 34% as planned, which had an immediate P&L reduction of \$14m in FY20. The reason we are aggressively pursuing our SaaS strategy is because of the significant benefits to both our customers and TechnologyOne.

Revenue from our SaaS and Continuing Business, a key measure, up 12%.

Total Revenue was up 4%, but we believe this is not a true indication of the growth of our business, 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 34% (\$14.7m), as we continued to transition our customers to SaaS.

If we remove the Legacy Licence business from both FY19 and FY20, our Revenue from SaaS and Continuing Business, which is a key measure of the strength of our business, has grown 12%.

The reason we are aggressively pursuing our SaaS strategy is because of the significant benefits to both our customers and TechnologyOne. We note that the recurring nature of SaaS revenue, means it is a much higher quality revenue compared to legacy licence fee revenue.

UK breaks even

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 \$7.5m, up 22%. We delivered a breakeven result and we see significant opportunities in the coming years.

Consulting profit before tax of \$13.7m, up 38%

Our Consulting division delivered profit before tax of \$13.7m up 38% through continued improvement in culture, systems and processes and disciplined use of our solution implementation methodology. We delivered all go-lives and continue to support our customers remotely during the COVID-19 restrictions. The turnaround of the UK consulting division continued during the year, profit improving \$1.6m to deliver a breakeven result. The total consulting group profit before tax margin has improved from 8% in 2017 to 22% in 2020. Our Application Managed Services business for existing customers is moving to recurring revenue with \$14m now locked in as recurring revenue².

²Not included in our Total ARR.

Investment in R&D up 13%

TechnologyOne invested \$68.1 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 this year to accelerate R&D into a number of new and exciting areas.

We continue to invest in new exciting ideas and innovation including our new Digital Experience Platform for Local Government which we will ship in 2021.

This year we achieved a significant milestone, becoming the first and only Global SaaS ERP solution to achieve 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 in the coming years 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 next year to return back to the benchmark growth of 8% or less.

Reported Profit up 8%

Reported Profit was impacted by a once-off increase in legal provisions, due to an unexpected judgement against TechnologyOne in a civil employment case. The company has retained very experienced counsel to expediate an appeal to the Full Federal Court. Our notice of appeal alleges 12 errors of law and fact. TechnologyOne has previously issued an ASX statement on this matter. As the matter remains before the Courts, we are unable to comment further at this time.

Strong Balance Sheet and Cashflows

TechnologyOne continues to have a strong balance sheet with net assets of \$142m up 33% and cash and cash equivalents of \$125.2 million up 19%. Cash Flow Generation was once again strong at \$66.4m million for the full year, versus a Net Profit After Tax of \$62.9m million. TechnologyOne continues its long history of strong cashflow generation which will continue to grow in line with Net Profit After Tax.

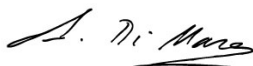
Underlying Profit Before Tax Margin Increases to 29%

Underlying Profit Before Tax margin increased to 29%, compared to 27% pcp. 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.

Dividend

In light of the company's strong results, and our confidence going forward, the dividend for the full year has increased to 12.88 cents per share, up 8% on the prior year.



Adrian Di Marco

Executive Chairman



Edward Chung

Chief Executive Officer

- Ends -

Authorised for release by the CEO and Chairman.

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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

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