

# 2023 Full Year Results

Ended 30 September 2023

technology**one**  
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](http://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 4<sup>th</sup>  
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





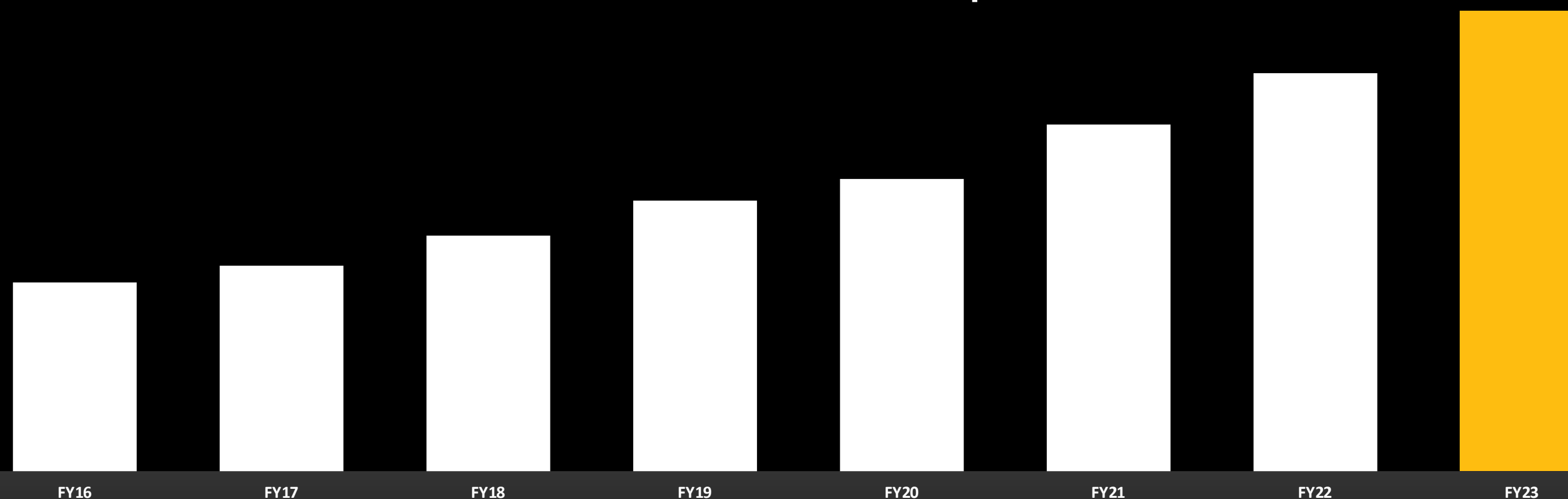


**Total ARR  
Growth of 23%**

**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**

21/11/2023

10

**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<sup>+</sup> 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 \$m	FY22 \$m	VAR \$m	VAR %
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% <sup>1</sup>	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

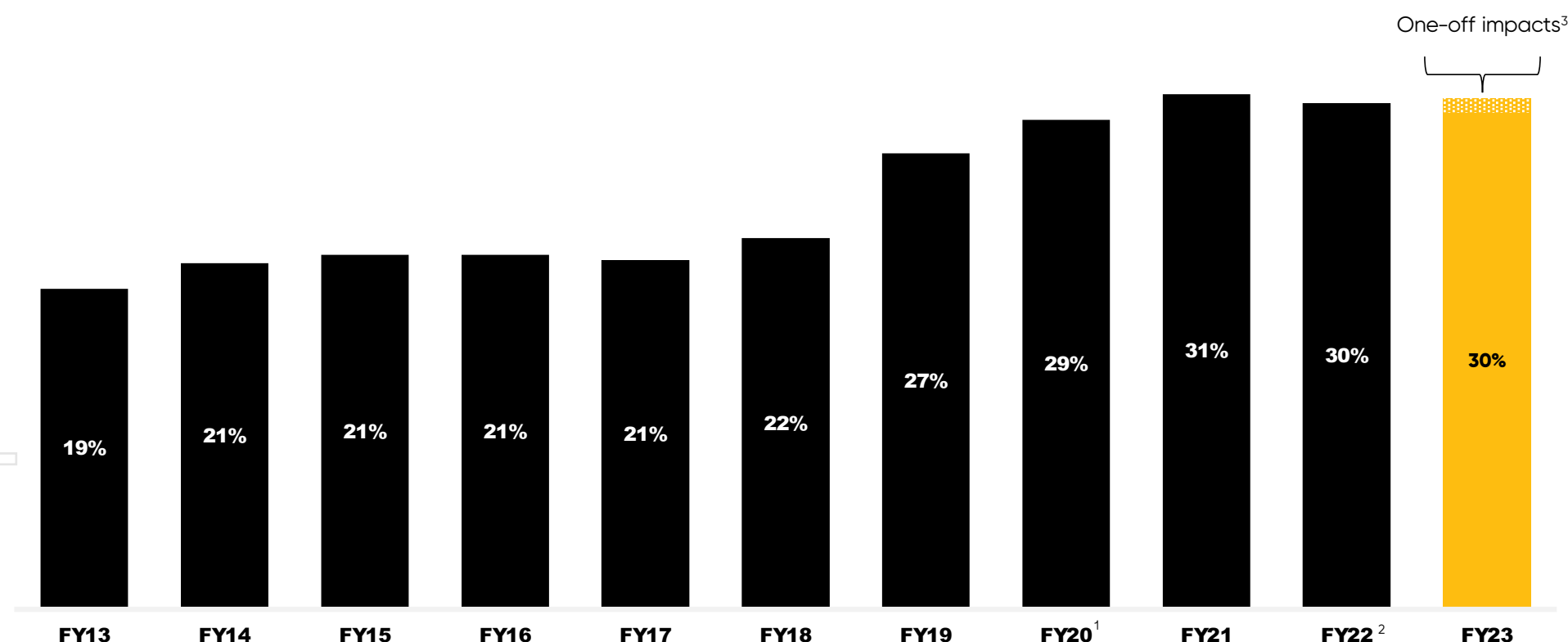
- SaaS Fees Recognised 316.2M ▲ +46%**  
Up strongly with FY23 ARR \$392.9m
- Annual Licence Fees 37.0M ▼ (46)%**  
Declining as customers migrate to SaaS
- Revenue: SaaS & Recurring 390.7M ▲ +22%**  
Recurring Revenue > 90% of total revenue<sup>1</sup>
- Legacy Licence Fees 2.8M ▼ (67)%**  
Declining as expected
- Other Revenue 12.0M ▲ +936%**  
Impacted by Scientia contingent consideration write-off (\$7.4m)
- Operating Costs (excl capitalisation) 268.7M ▲ +19%**  
Strong investment in future growth
- 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**



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 impact 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.

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

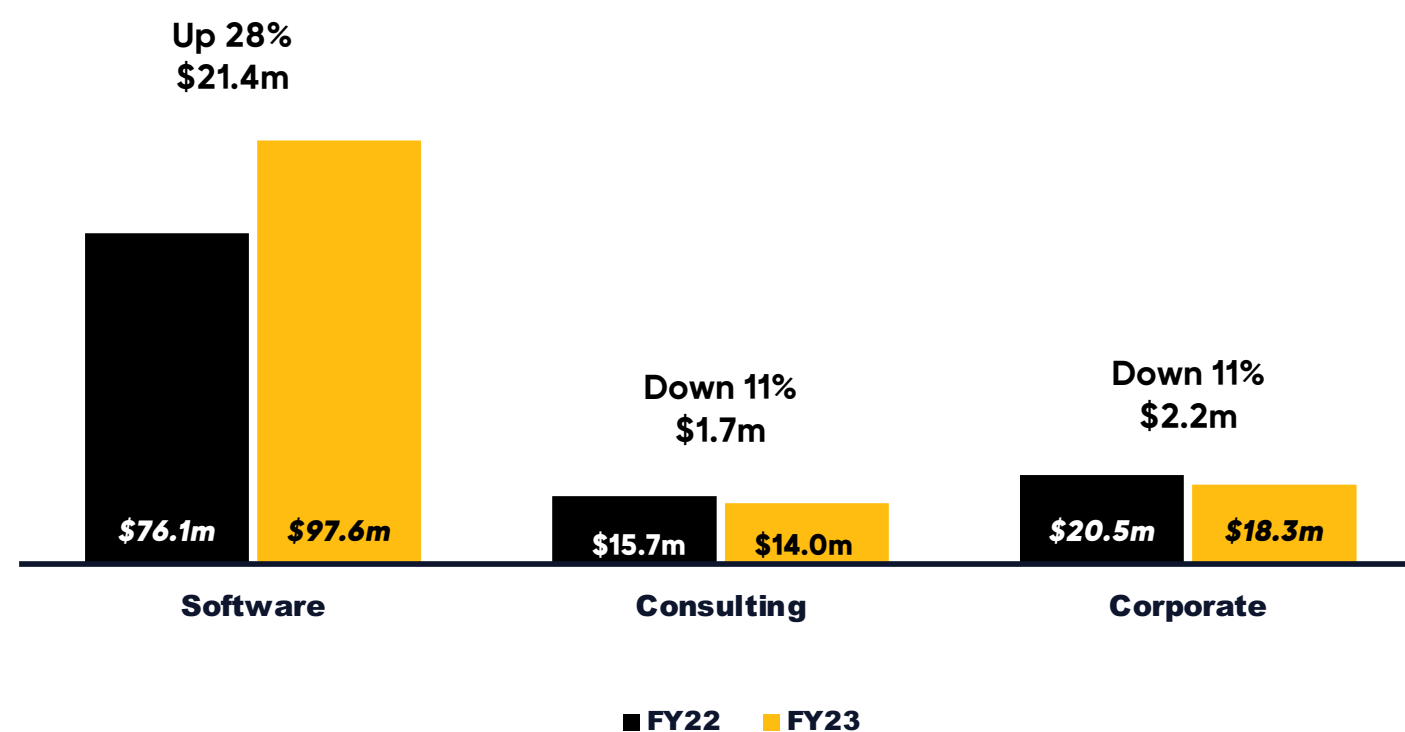
**Enabled additional  
investments for growth in**

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

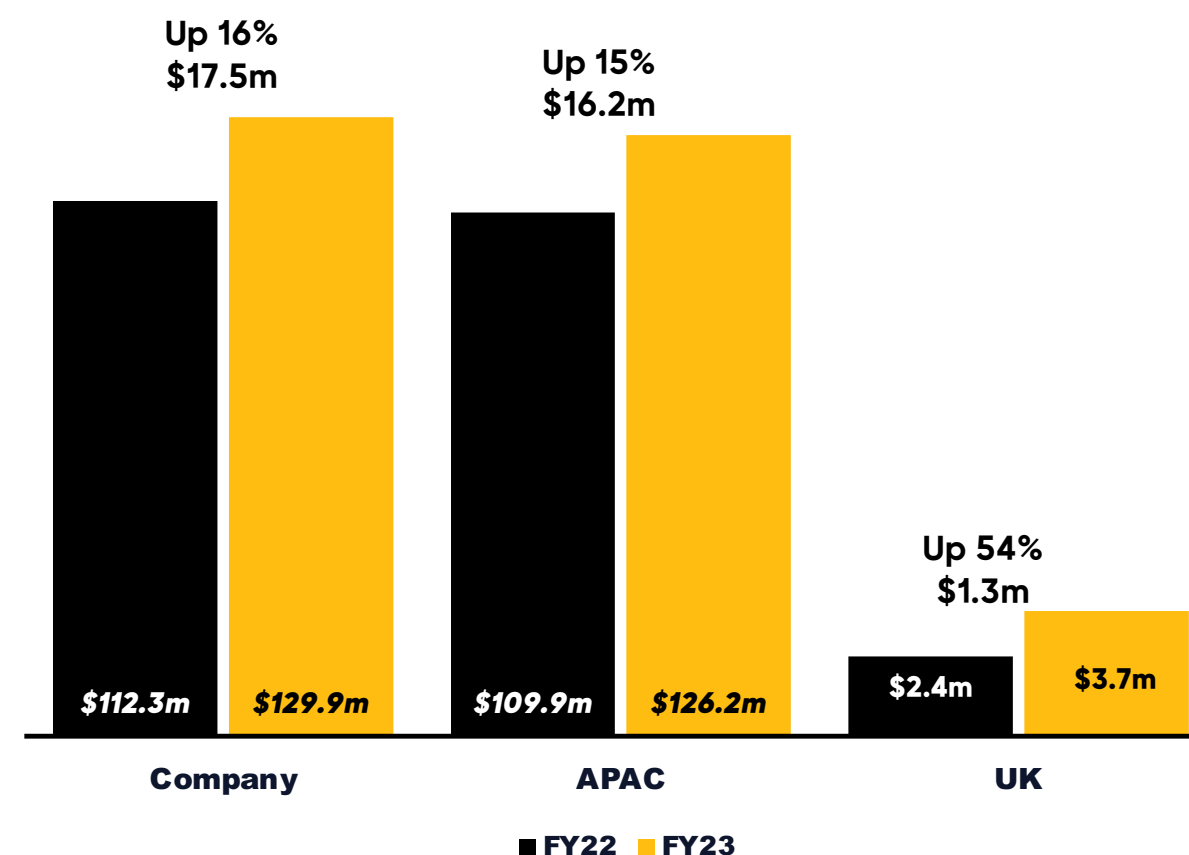
# **FY23 Profit by Segment**

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

### Operating segment analysis



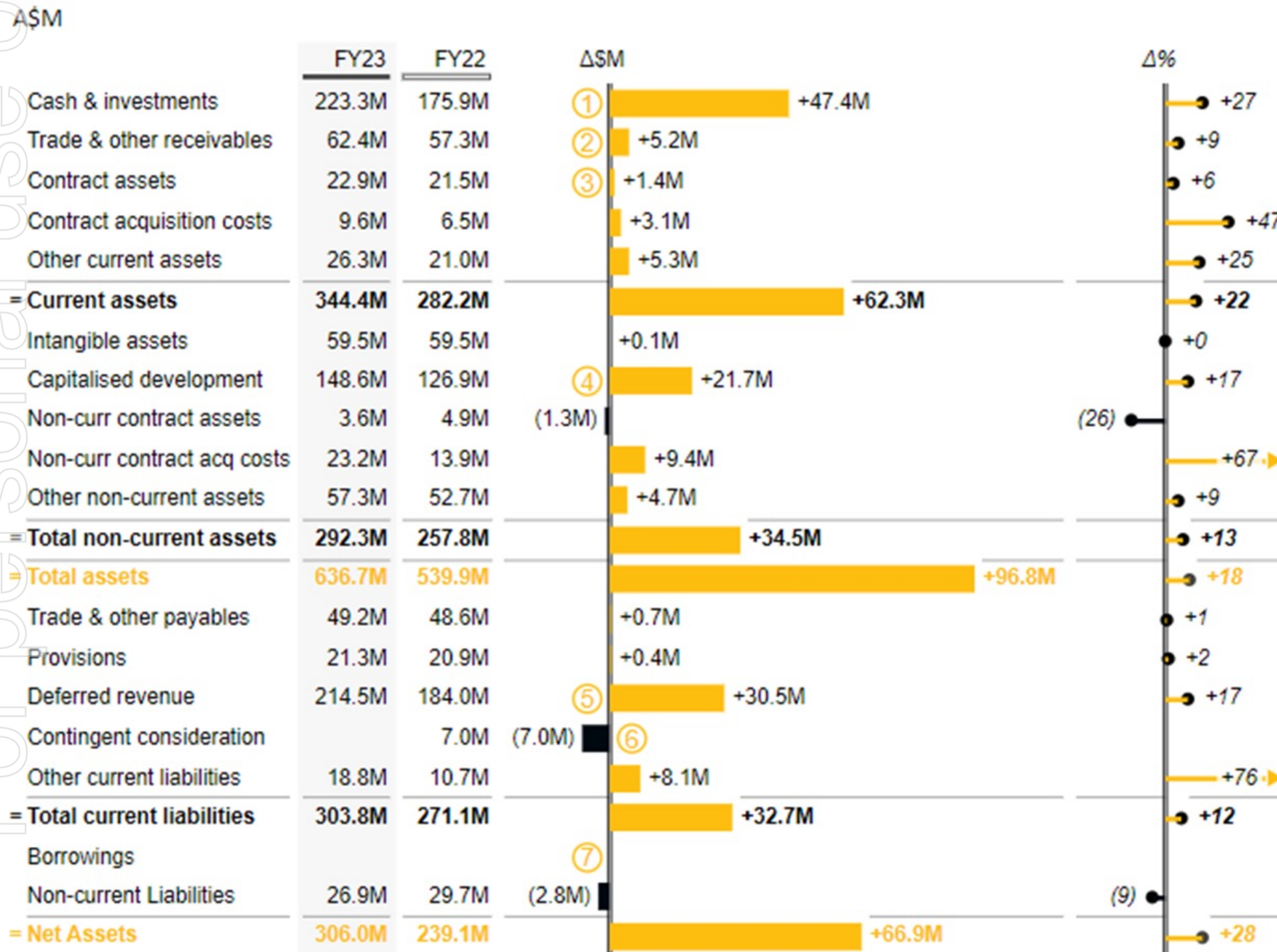
### Geographic segment analysis



- 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



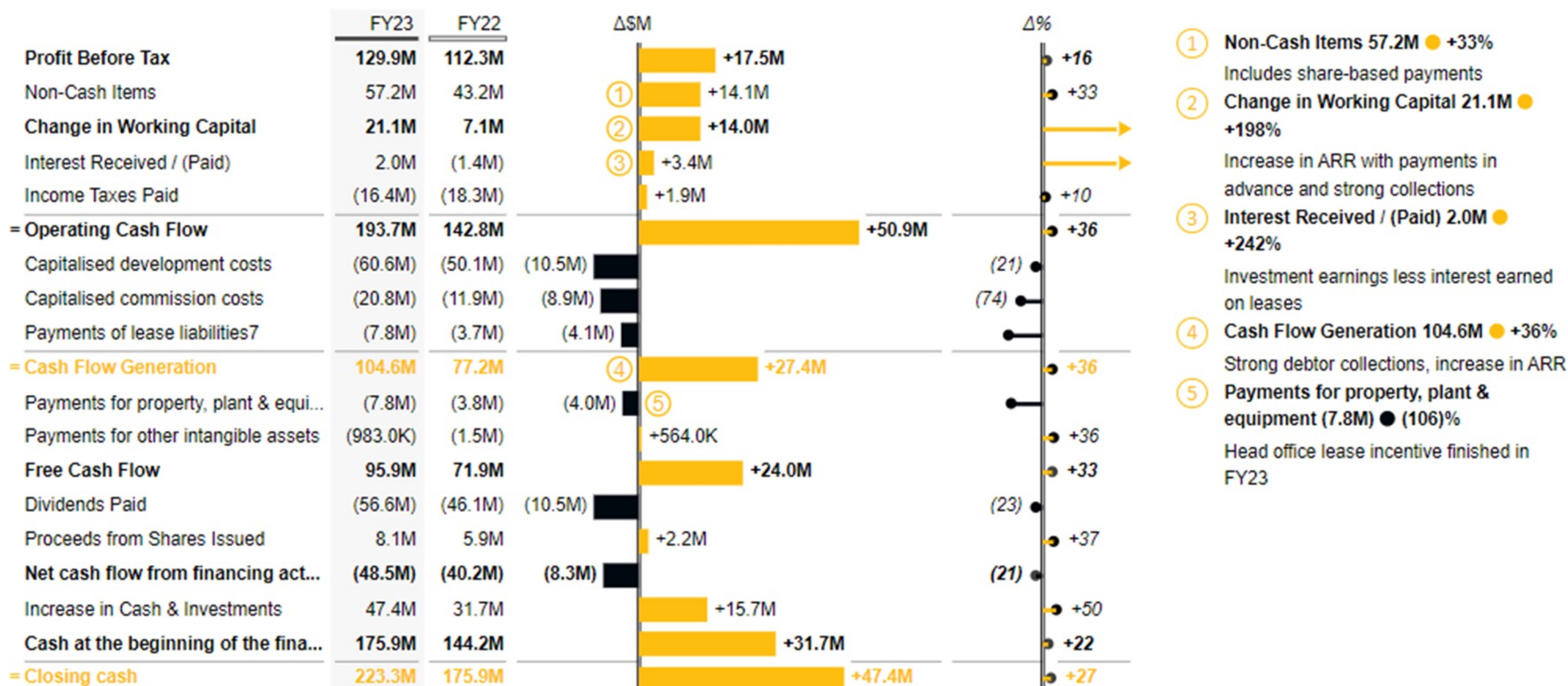
- ① **Cash & investments 223.3M ▲ +27%**  
Net Cash and deposits: 68.8 cps vs 44.2 cps, up 56%
- ② **Trade & other receivables 62.4M ▲ +9%**  
Increased nARR offset by greater efficiency in renewals and collections.
- ③ **Contract assets 22.9M ▲ +6%**  
Driven by credit terms given to customers during 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

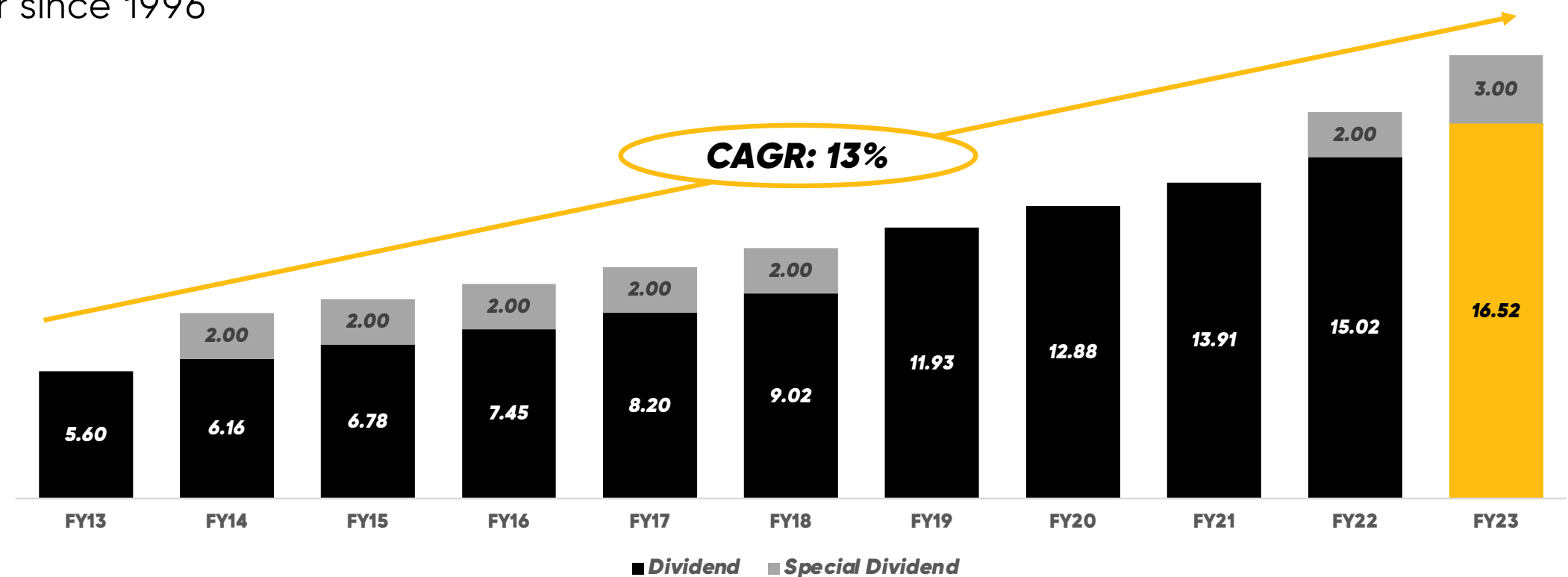
A\$M



## 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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ARR

# 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

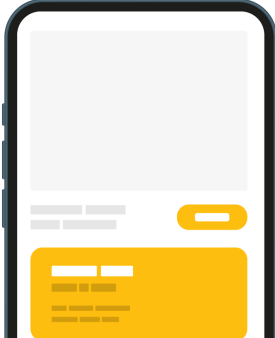
Profit margins to grow to 35%+, through significant economies of scale


**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.



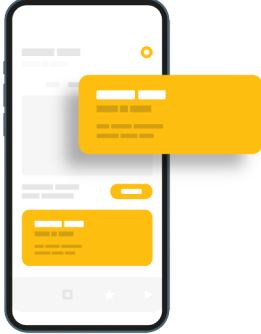
Highest level security accreditations in the industry.

**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

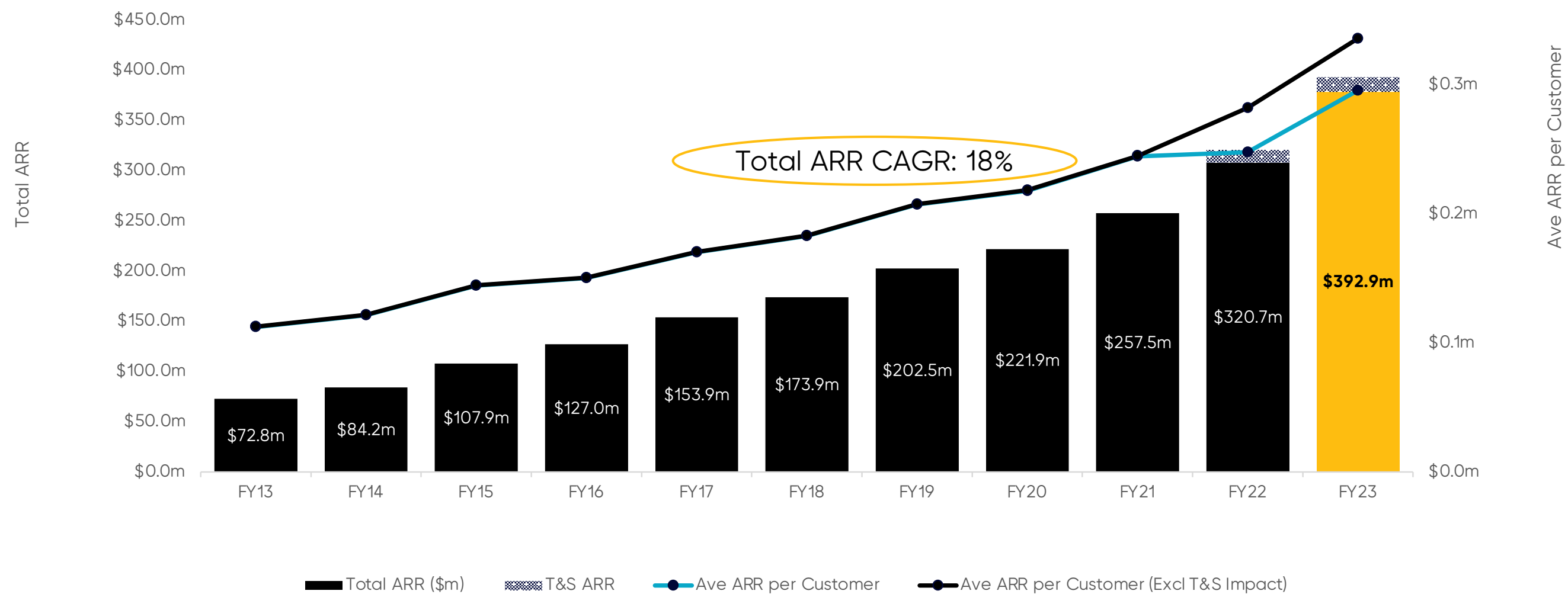
Deepest functionality for the markets we serve



POWER OF A SINGLE INTEGRATED ERP SOLUTION



# Total ARR and Average ARR per Customer

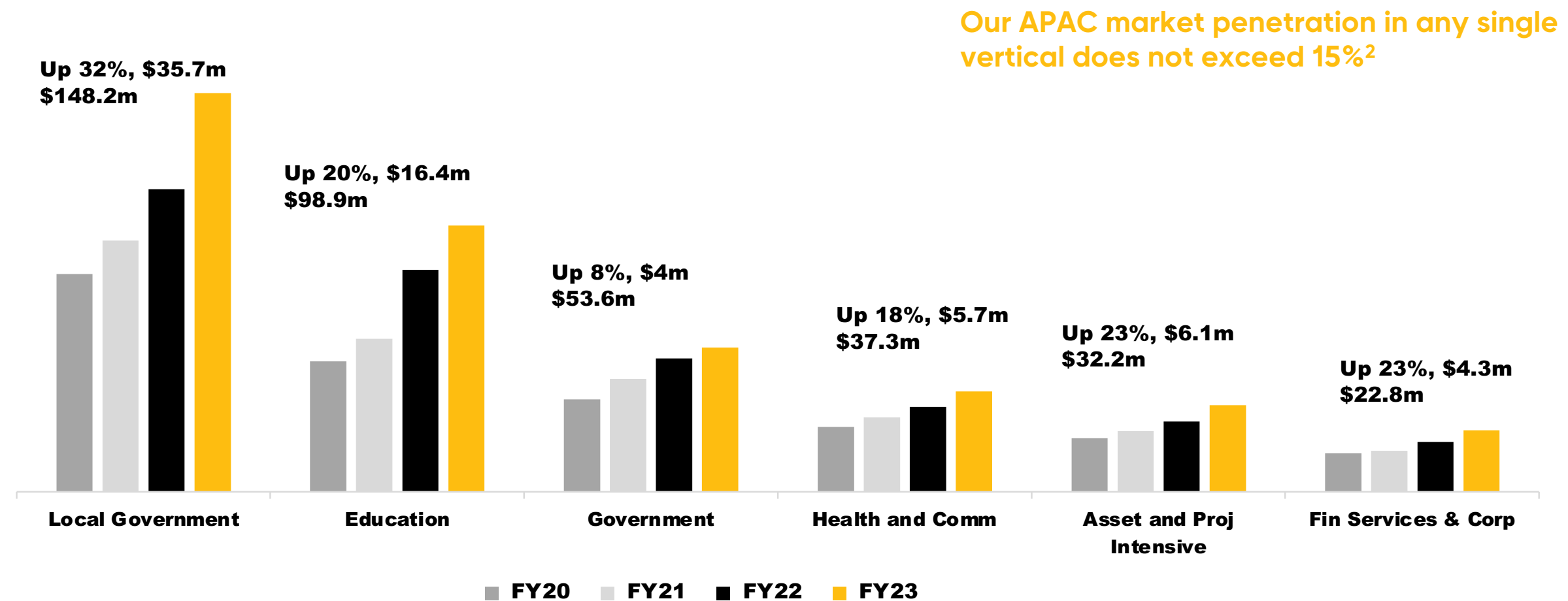


# All verticals performed strongly

## Significant room to grow in future years

### Vertical Market Analysis

ARR of \$392.9m<sup>1</sup>, Up 23% | From \$320.7m, FY22



<sup>1</sup> Balance is at 30 September 2023 and growth is for the 12 months from 30 September 2022

<sup>2</sup> 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



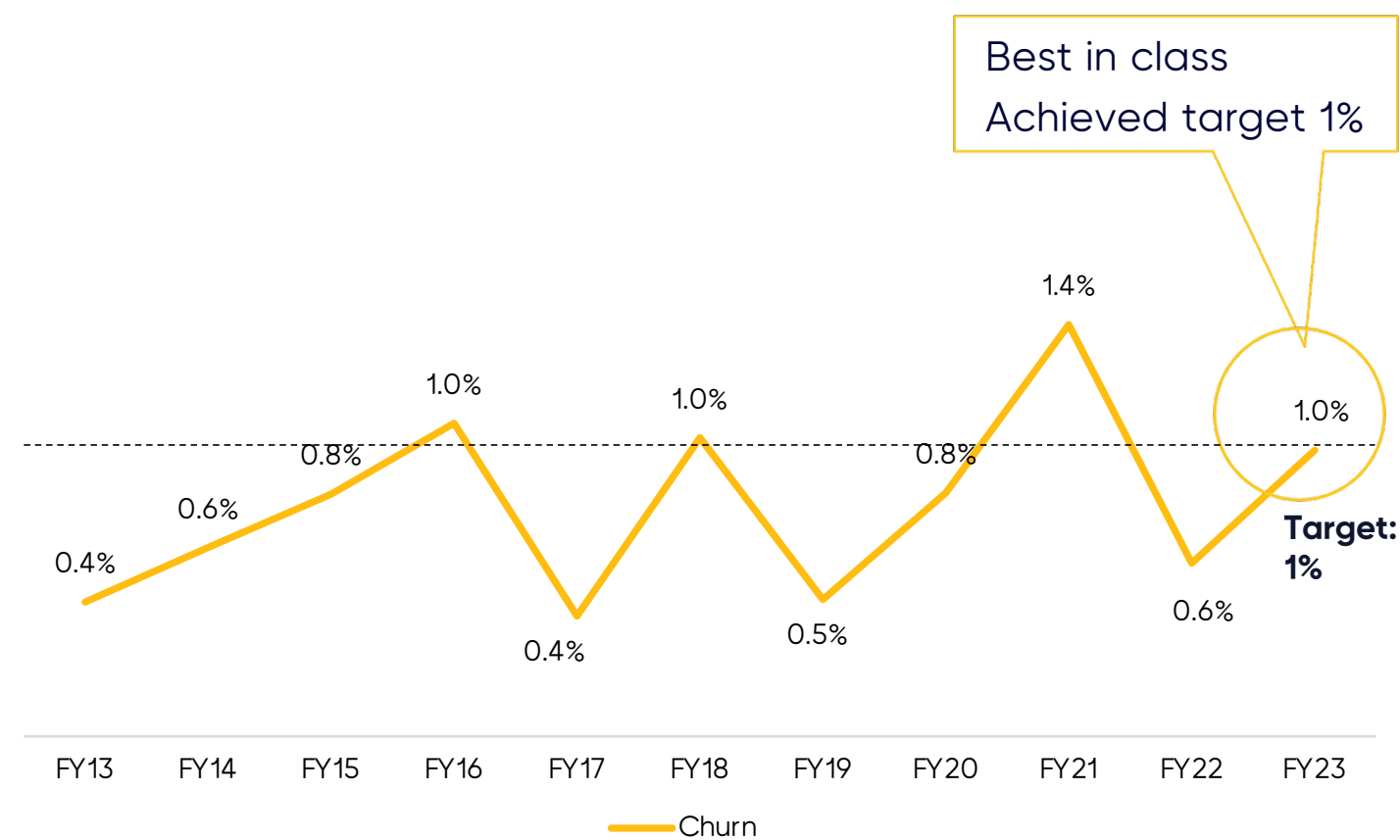
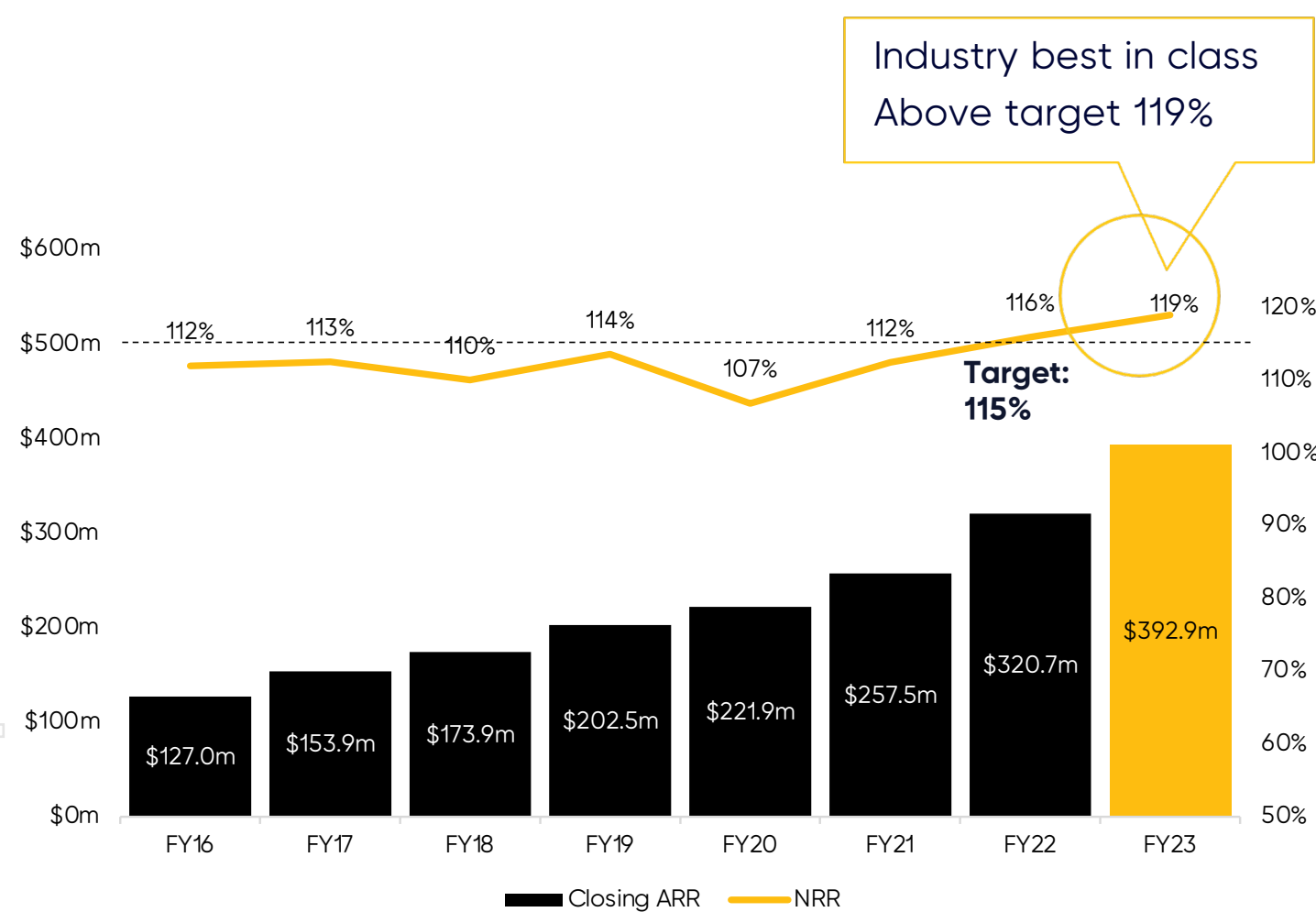
**THE UNIVERSITY OF  
BUCKINGHAM**

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



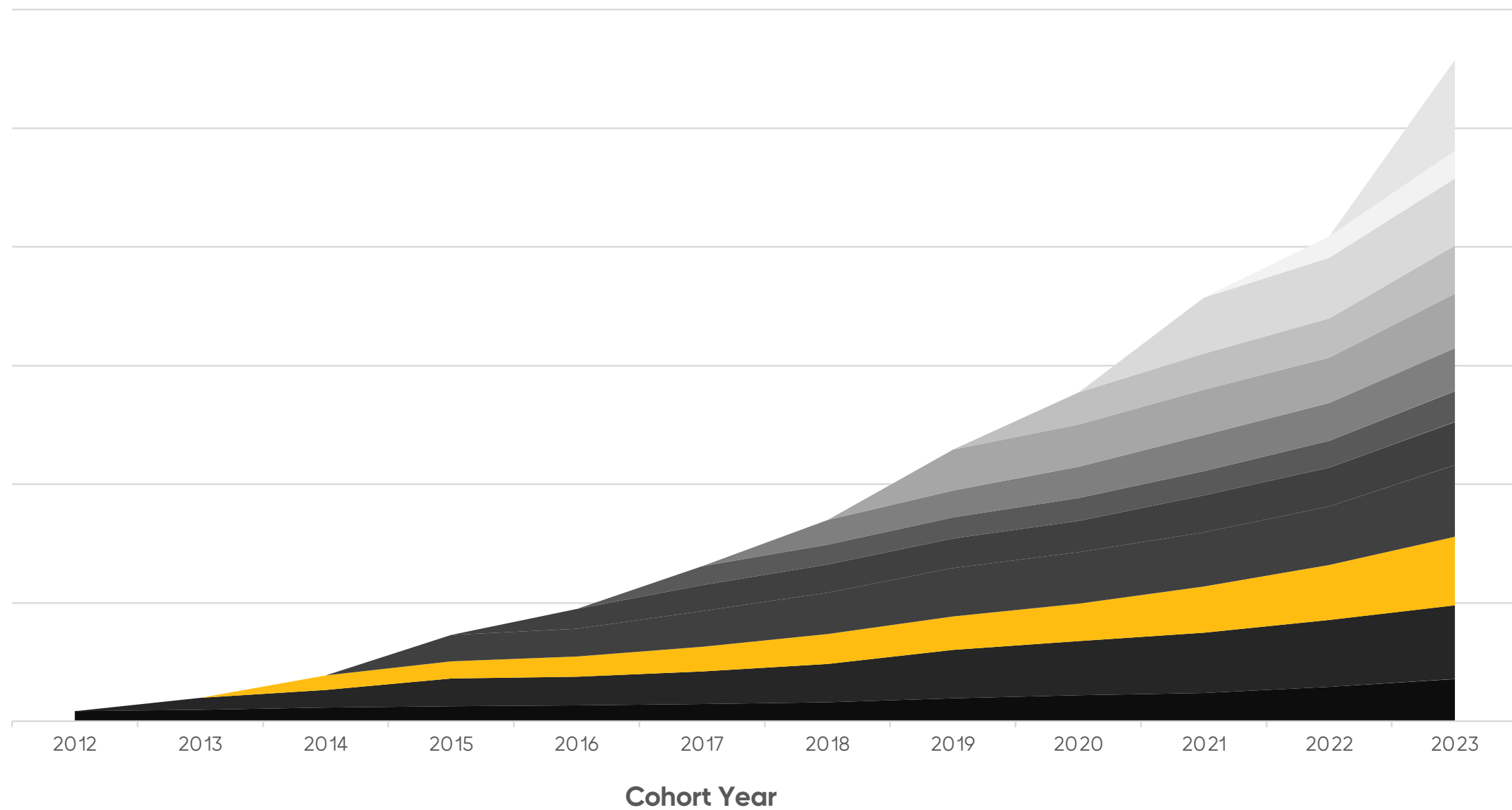


# Market Leading NRR and Market Leading Churn



## Cohort Analysis

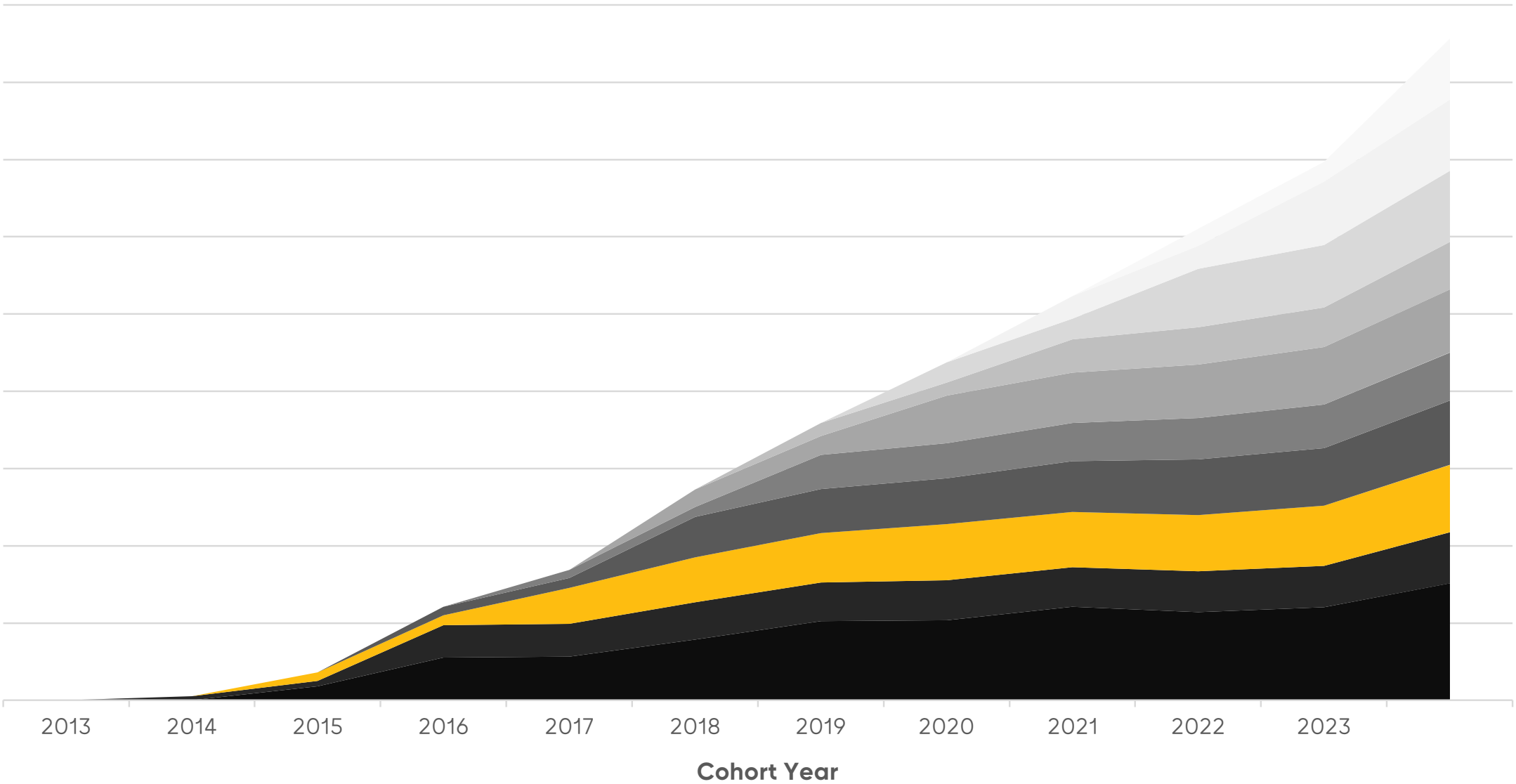
Average ARR per customer by Cohort



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# Cohort Analysis – Post SaaS Transition

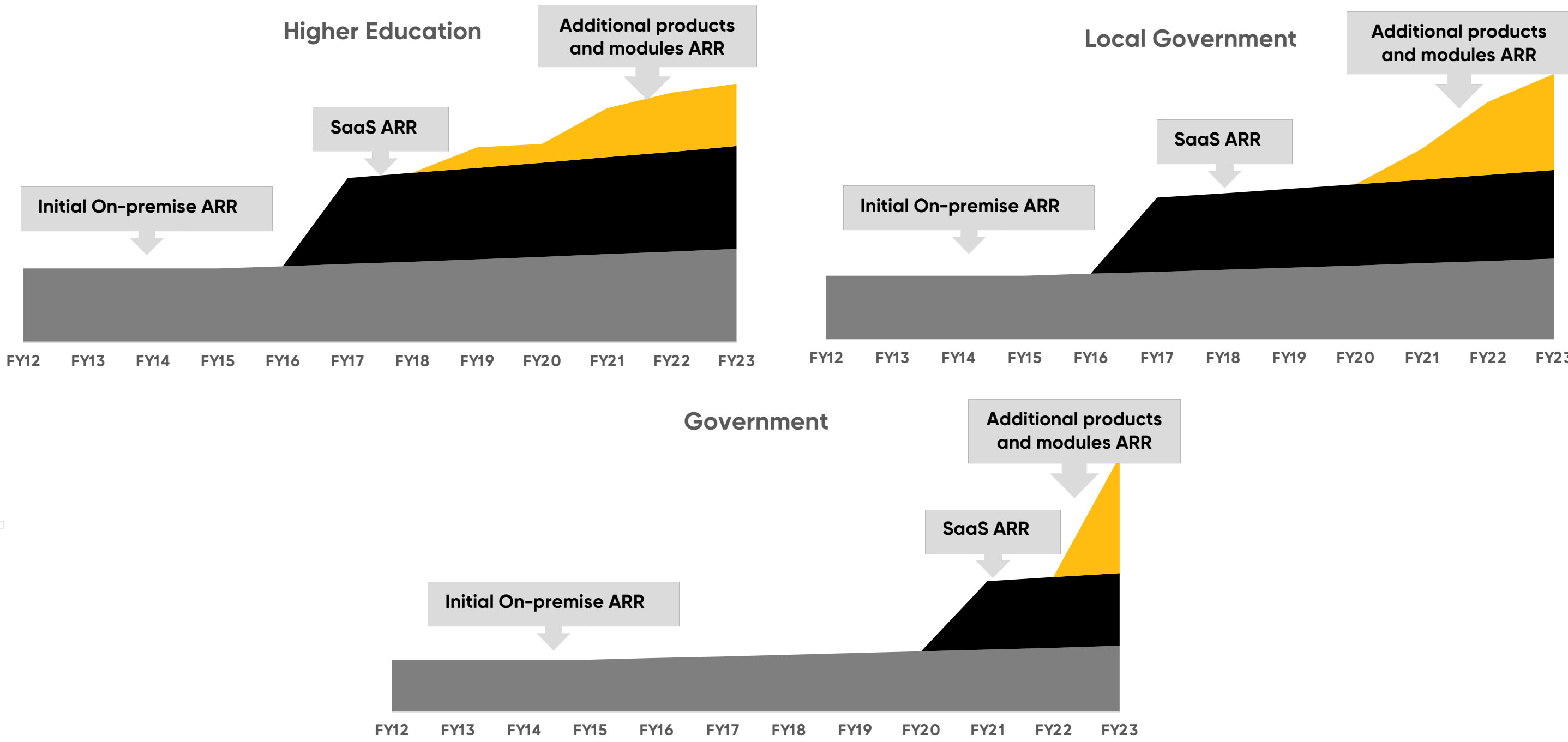
Average ARR per customer by SaaS Cohort\*



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

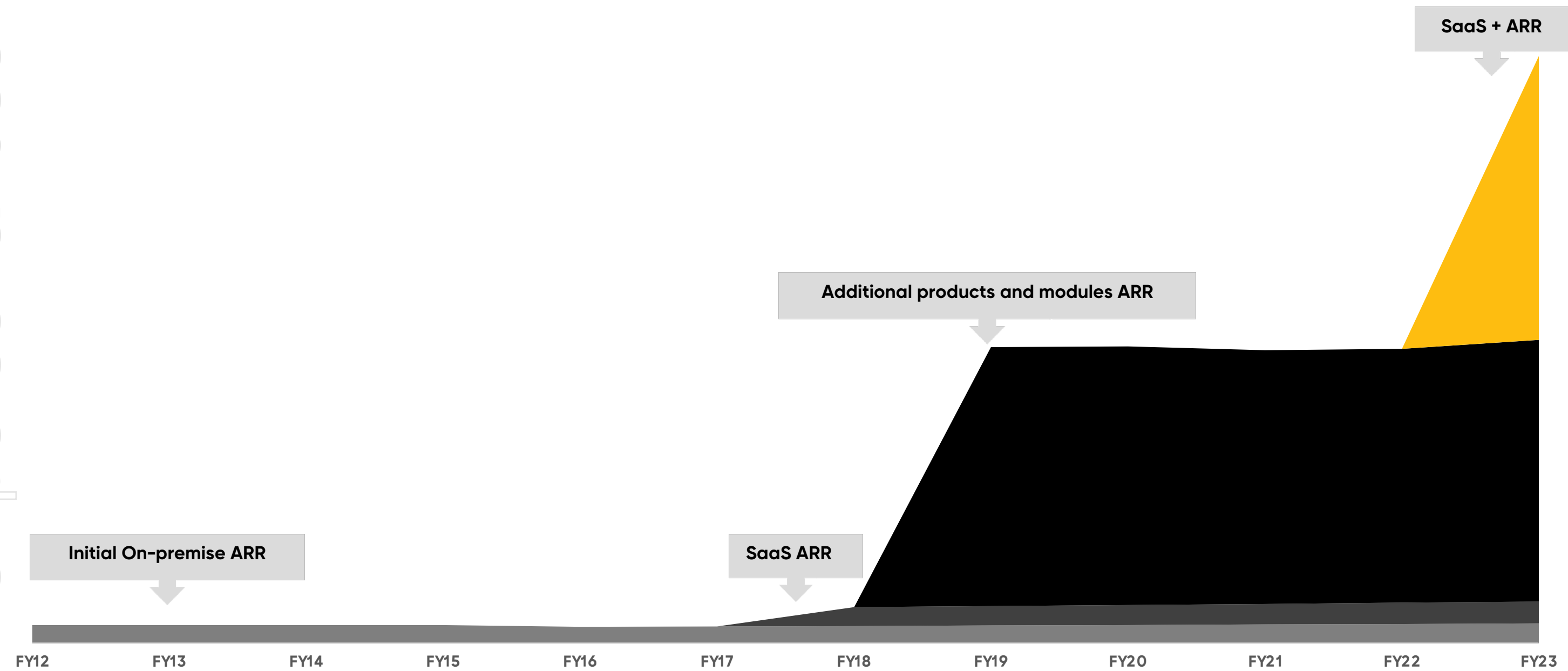


# Total ARR and Pre and Post SaaS Transition



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

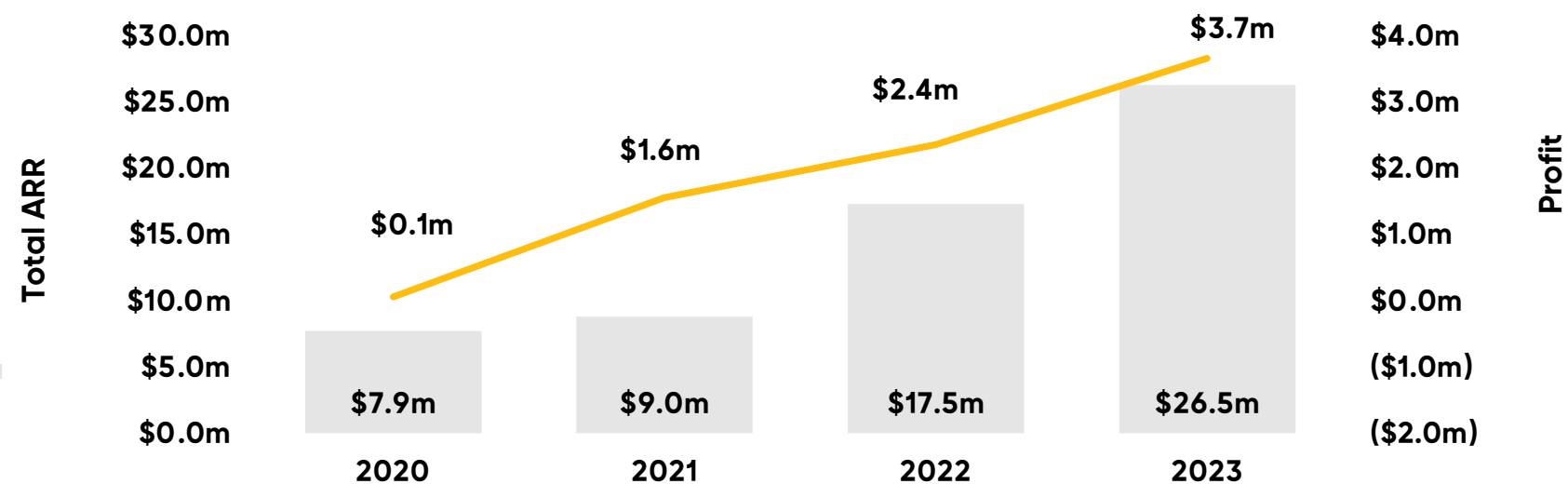


## United Kingdom

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




540 new features



Fastest Adoption




Continuous R&D staff investment



Build an app faster without having to code



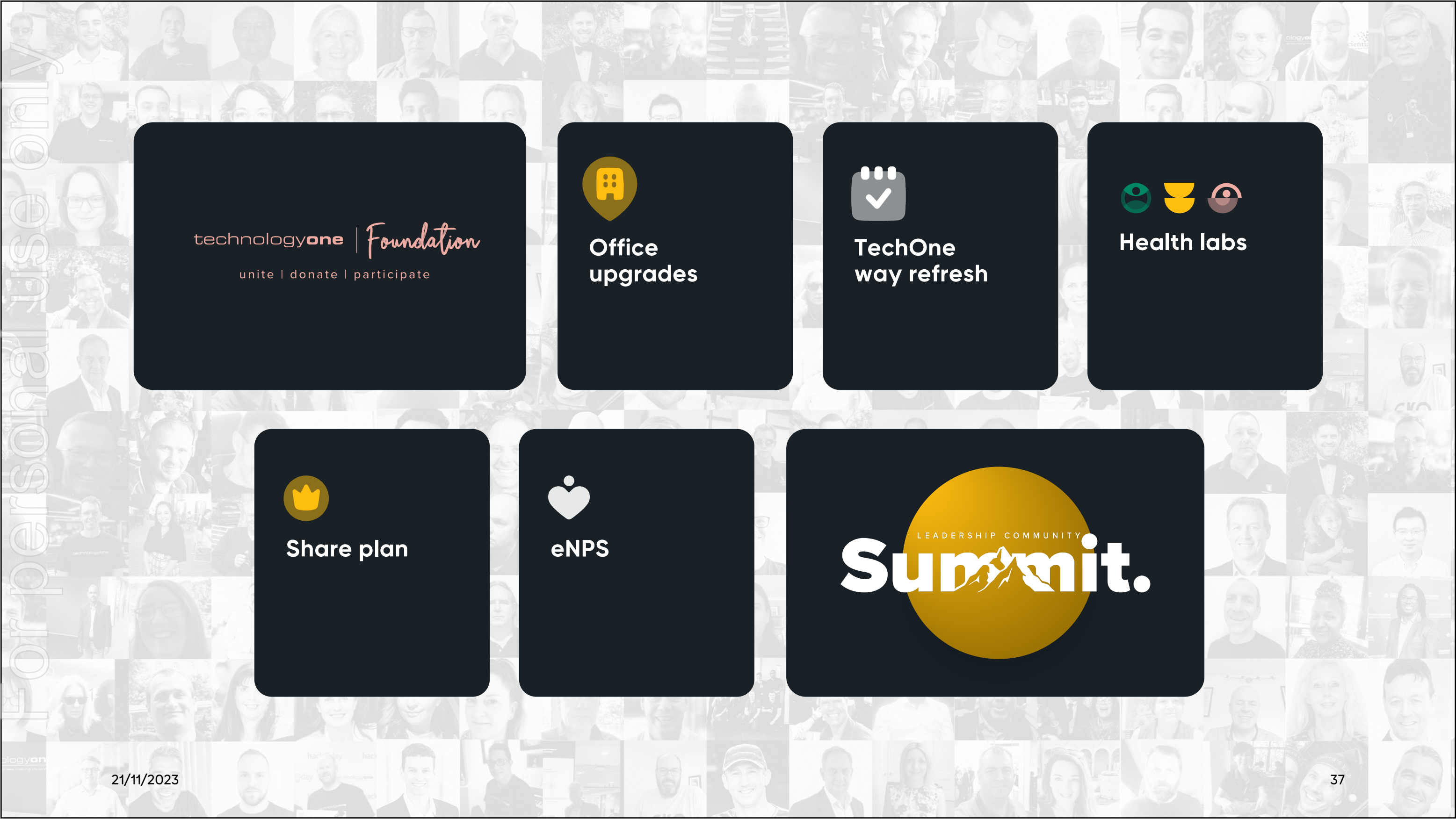
Google to outcome experience



R&D investment of \$112.0m<sup>1</sup>


26% of revenue<sup>2</sup>


<sup>1</sup> R&D expenditure before capitalisation  
<sup>2</sup> FY23 revenue excludes one-off contingent consideration reversal of \$7.4m





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technologyone | *Foundation*  
unite | donate | participate

  
Office  
upgrades

  
TechOne  
way refresh

  
Health labs

  
Share plan

  
eNPS

LEADERSHIP COMMUNITY  
**Summit.**

21/11/2023

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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% pcg)



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%

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

# 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**

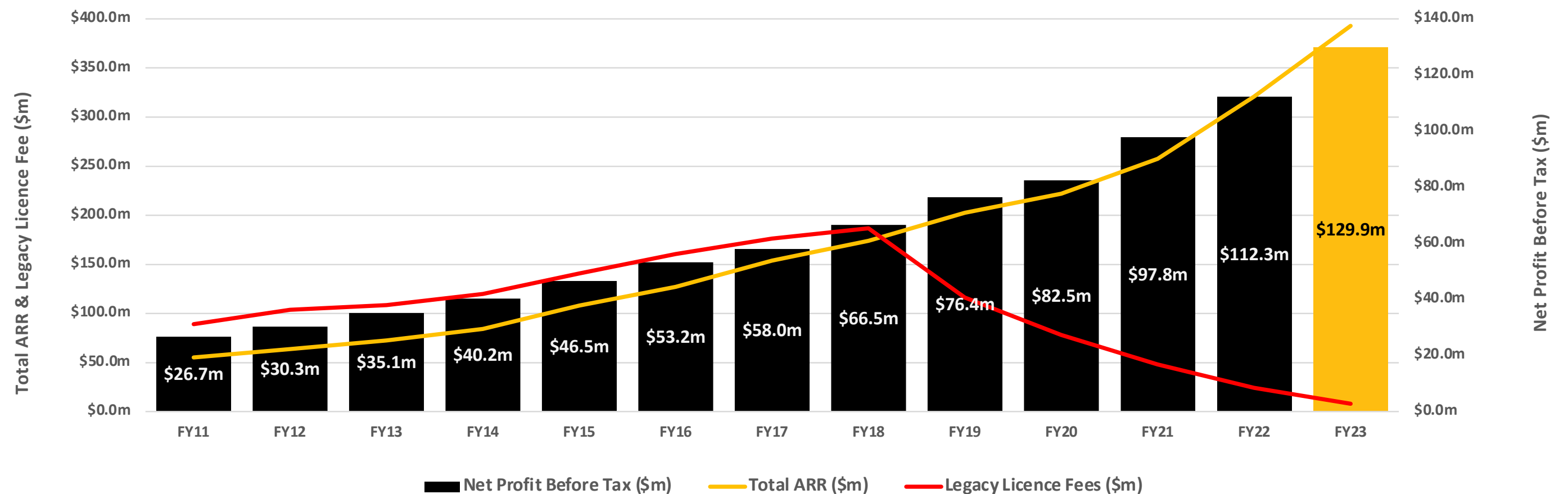
Making life simple for our community

# 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 \$14.0m<sup>1</sup>**

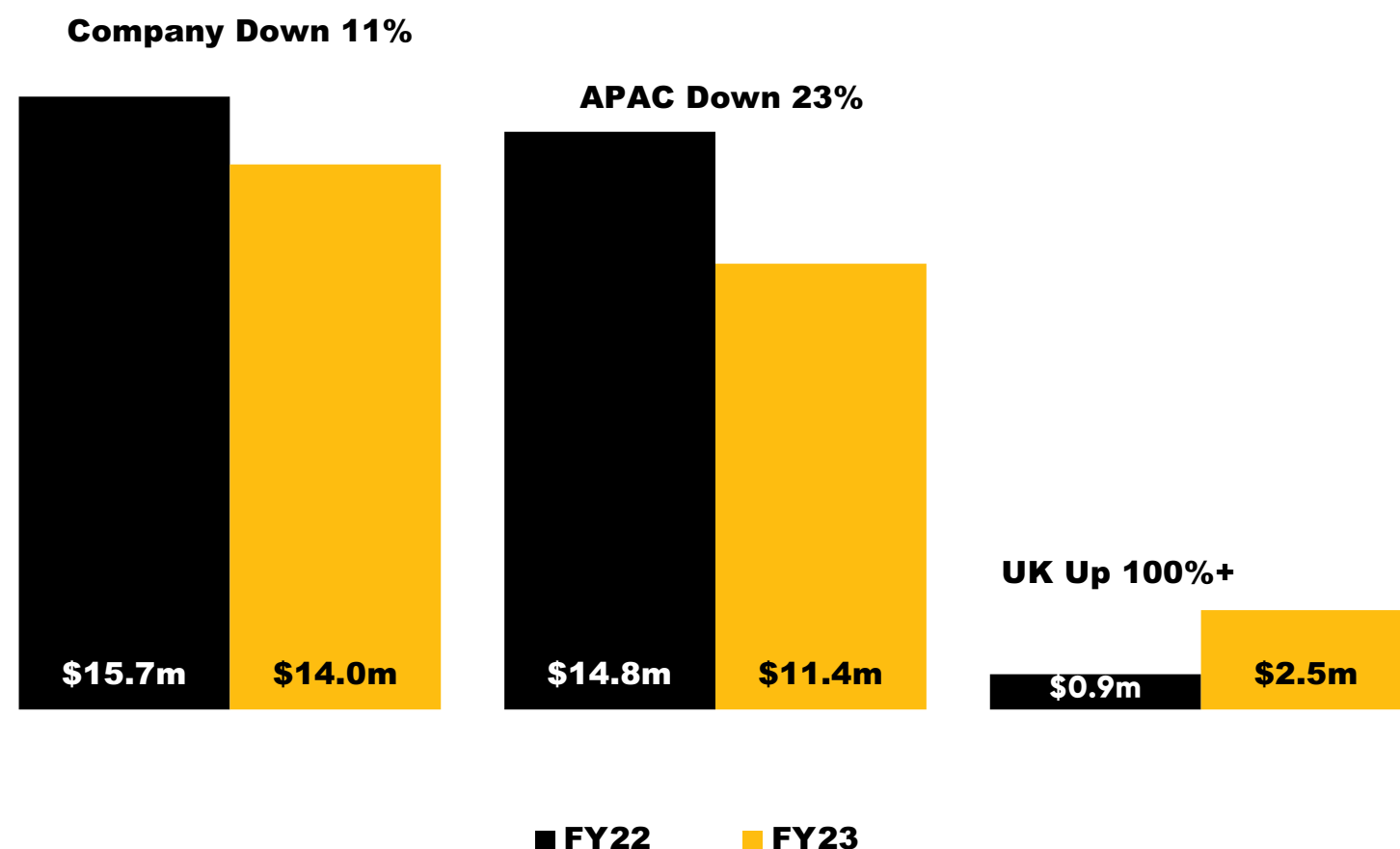
Profit as planned as we make the careful and strategic transition from traditional consulting to SaaS+

**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**



<sup>1</sup> 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

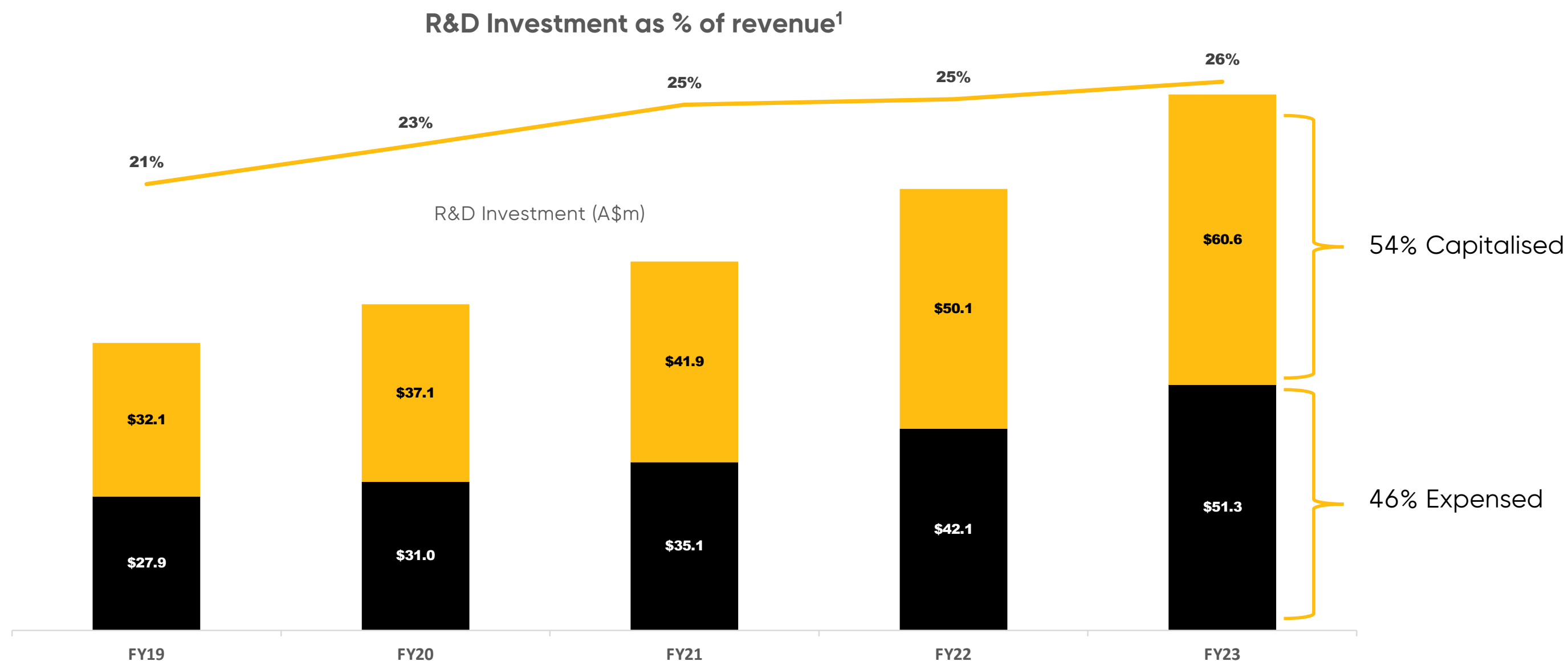
If we vary from this we will provided detailed reasons.



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
\$85.5m	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
\$65.5m	Net expense through P&L

## Appendix C: R&D Disciplined & Transparent



<sup>1</sup> FY23 revenue excludes one off contingent consideration reversal of \$7.4m

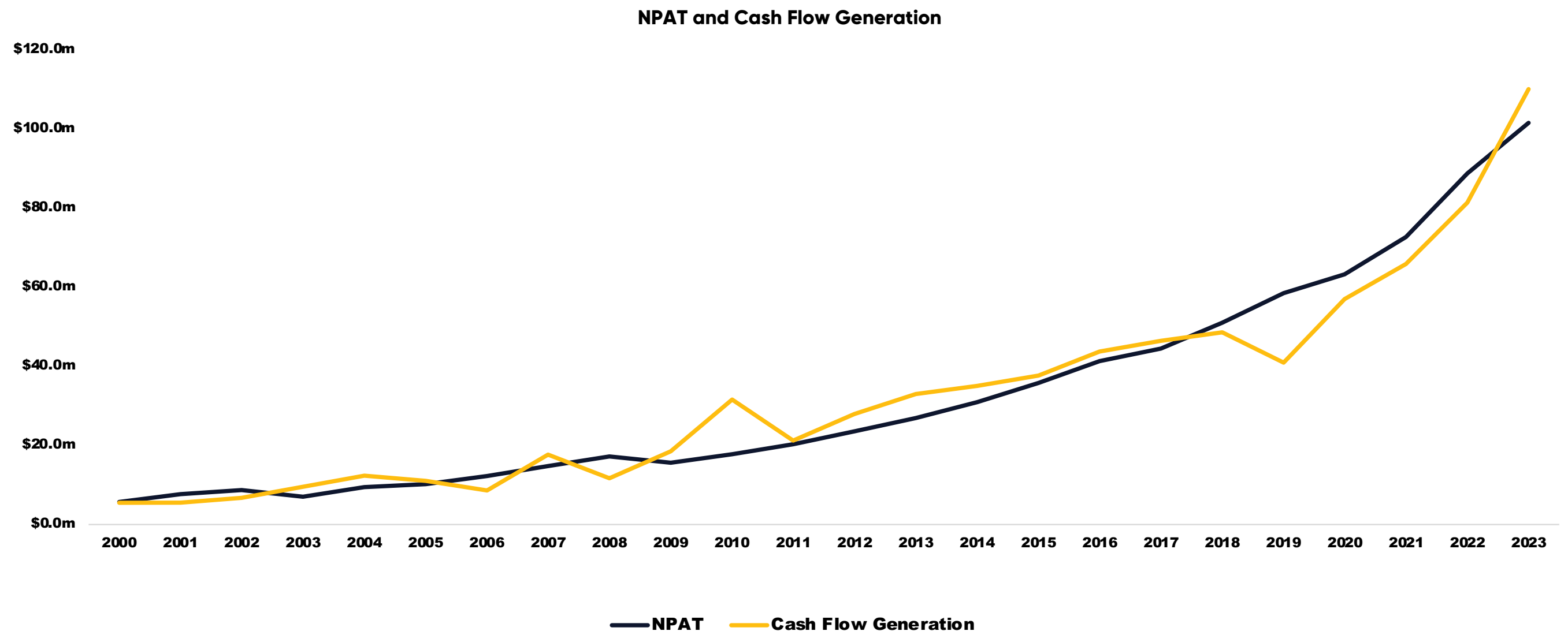
## Appendix C: R&D Disciplined & Transparent

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



# Appendix D: Long History of Strong Cash Flow Generation

Cash Flow Generation<sup>1</sup> will continue to grow as NPAT<sup>2</sup> grows



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

<sup>2</sup> 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	%
Revenue <sup>1</sup> excl interest	437,224	368,968	18%
Expenses <sup>2</sup> (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 <sup>3</sup>	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%

### EPS (cents)

### Dividend (cents per share)

Ordinary dividend

Special dividend

### Total Dividend (cents per share)

Dividend Payout Ratio

### ROE

### Balance Sheet

Net Assets

Cash & Investments

Cash Flow Generation<sup>4</sup>

	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 <sup>4</sup>	104,618	77,176	36%

Full year  
ROE 34%

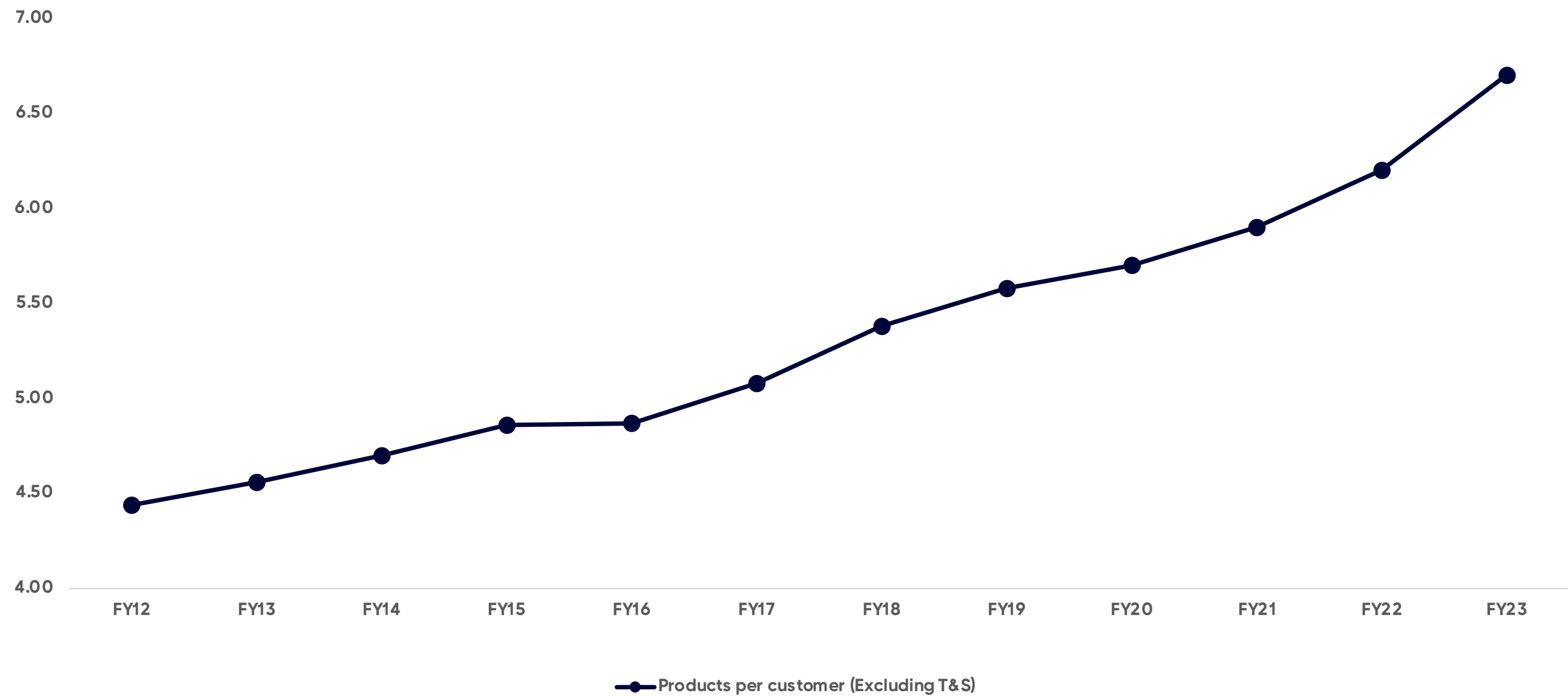
<sup>1</sup> Revenue includes a gain of \$7.4m due to the reversal of contingent consideration (earnout) related to Scientia

<sup>2</sup> Expenses includes derecognition of acquired intangible assets of \$6.8m related to Scientia

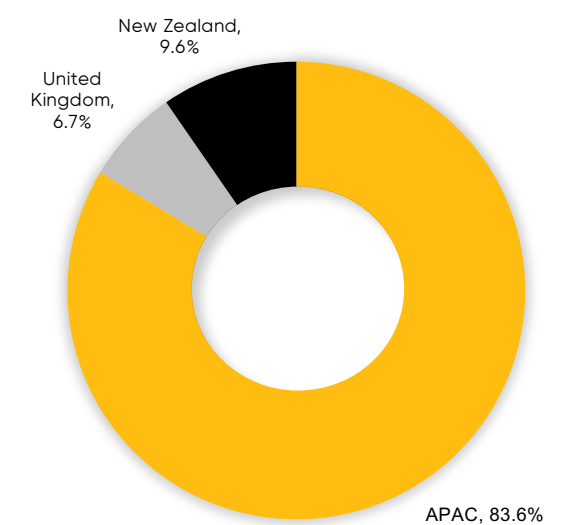
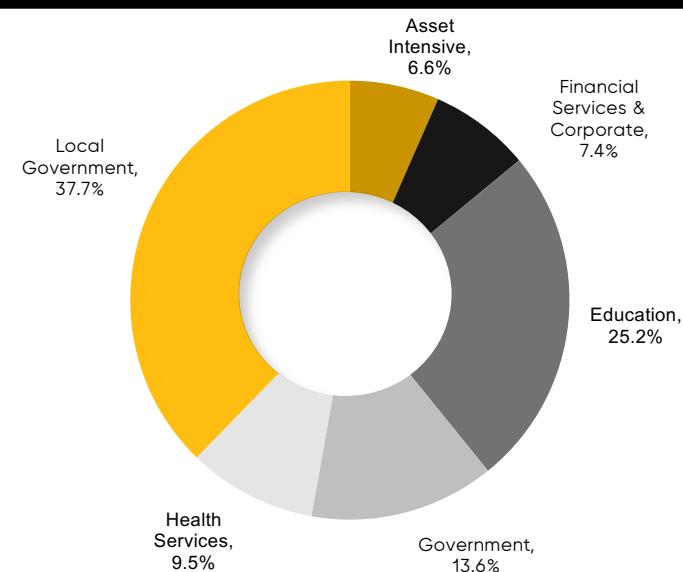
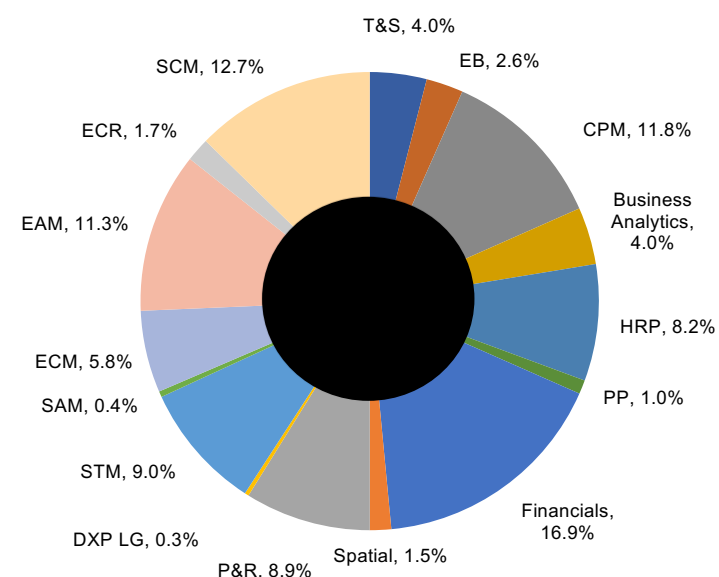
<sup>3</sup> R&D as % of total revenue based on R&D expenditure before capitalisation

<sup>4</sup> Cash Flow Generation is Operating Cash Flow less capitalised development costs, capitalised commission costs and lease payments

## Appendix F: Product Penetration



Strong,  
very loyal  
customer  
base



# TECHNOLOGYONE GLOBAL SAAS ERP SOLUTION

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

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

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