

2024 Half Year Results

Ended 31 March 2024



21 May 2024
Commercial in confidence

Disclosure Statement

TechnologyOne Ltd Full Year Presentation – 21 May 2024

TechnologyOne Ltd (ASX: TNE) today conducted a series of presentations relating to its 2024 Half 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
- Outlook for Full Year
- Long Term Outlook

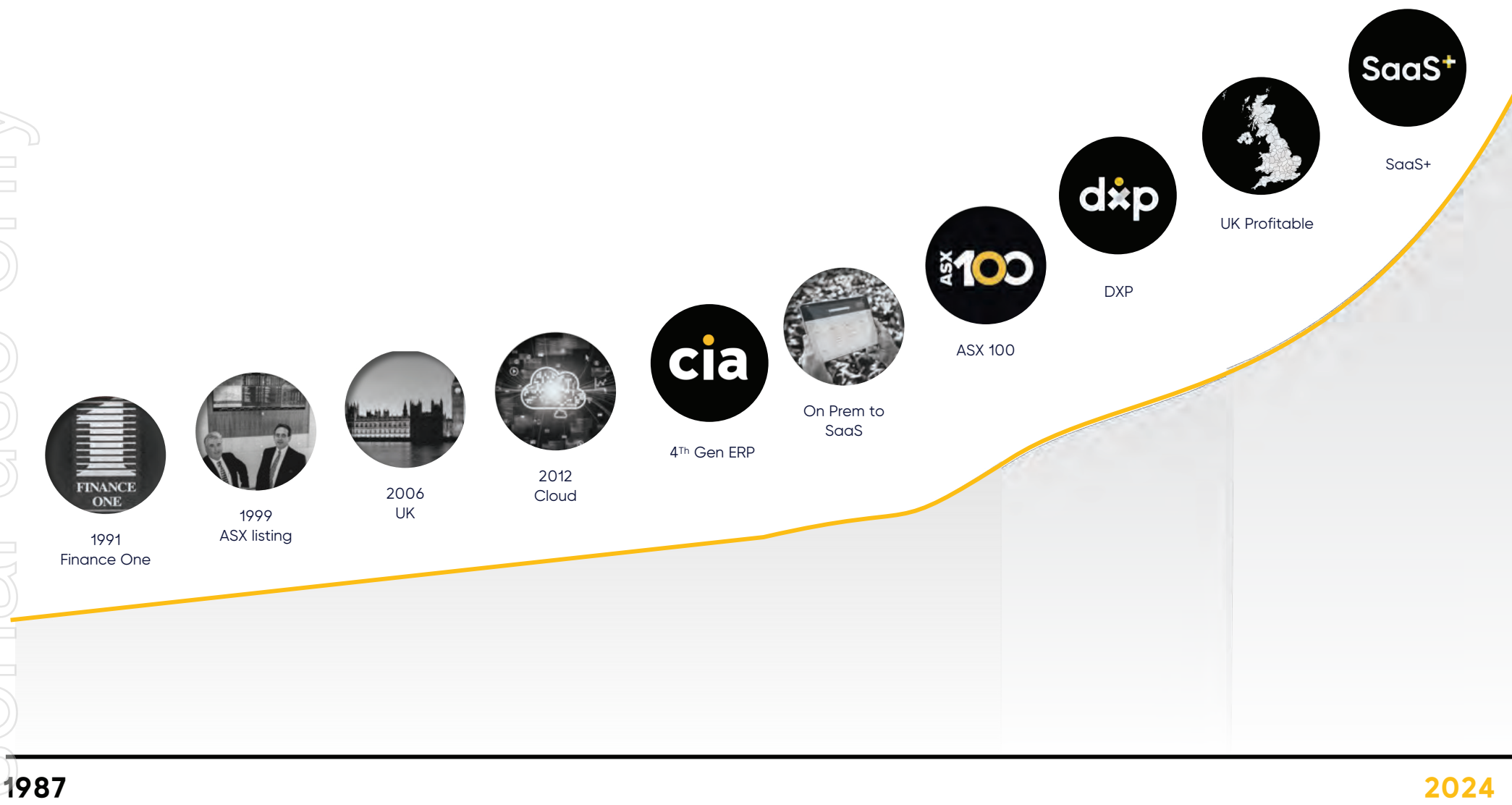
H1 FY24 Results



**ARR
growth
21%**



**Profit
growth
17%**



Clear Strategy



ERP software – Mission critical products

In 2008, we had 11 products, in 2023, we have 16 products and over 500 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

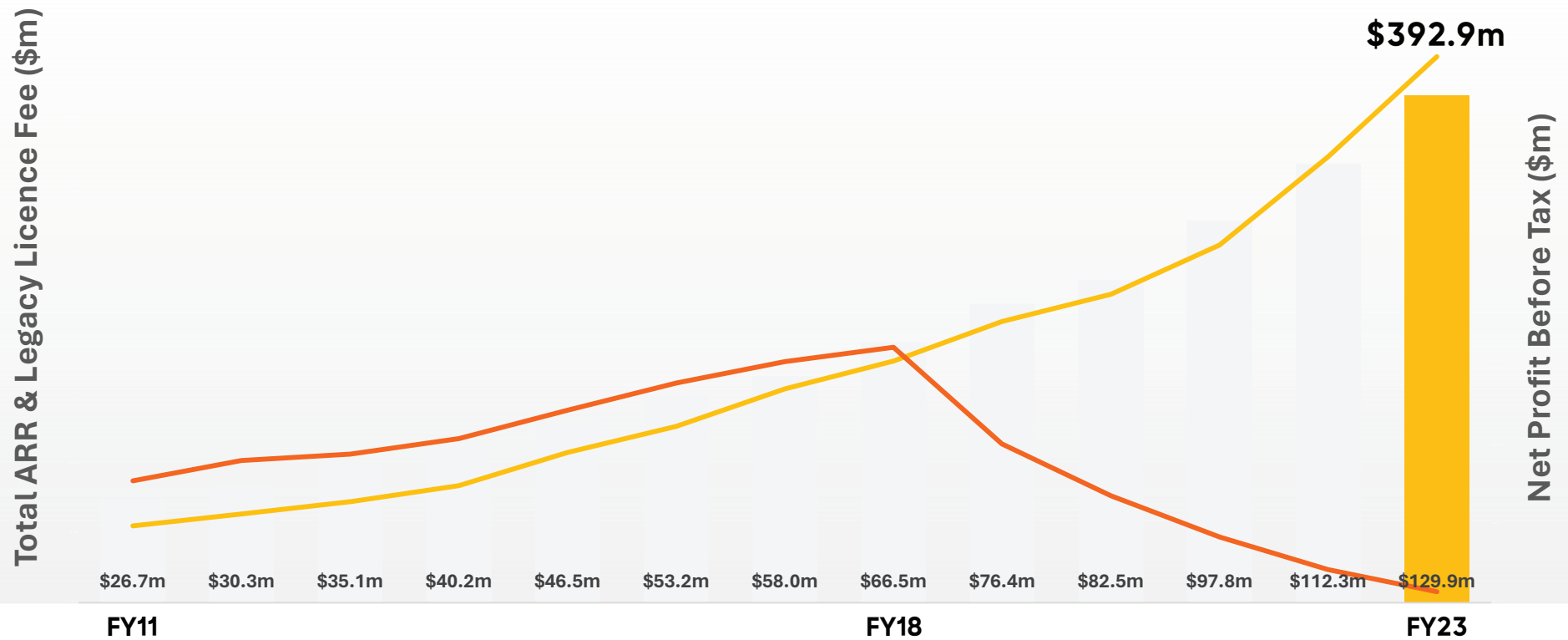


Innovation Driven Company

Leveraging new and emerging technology in each generation of product

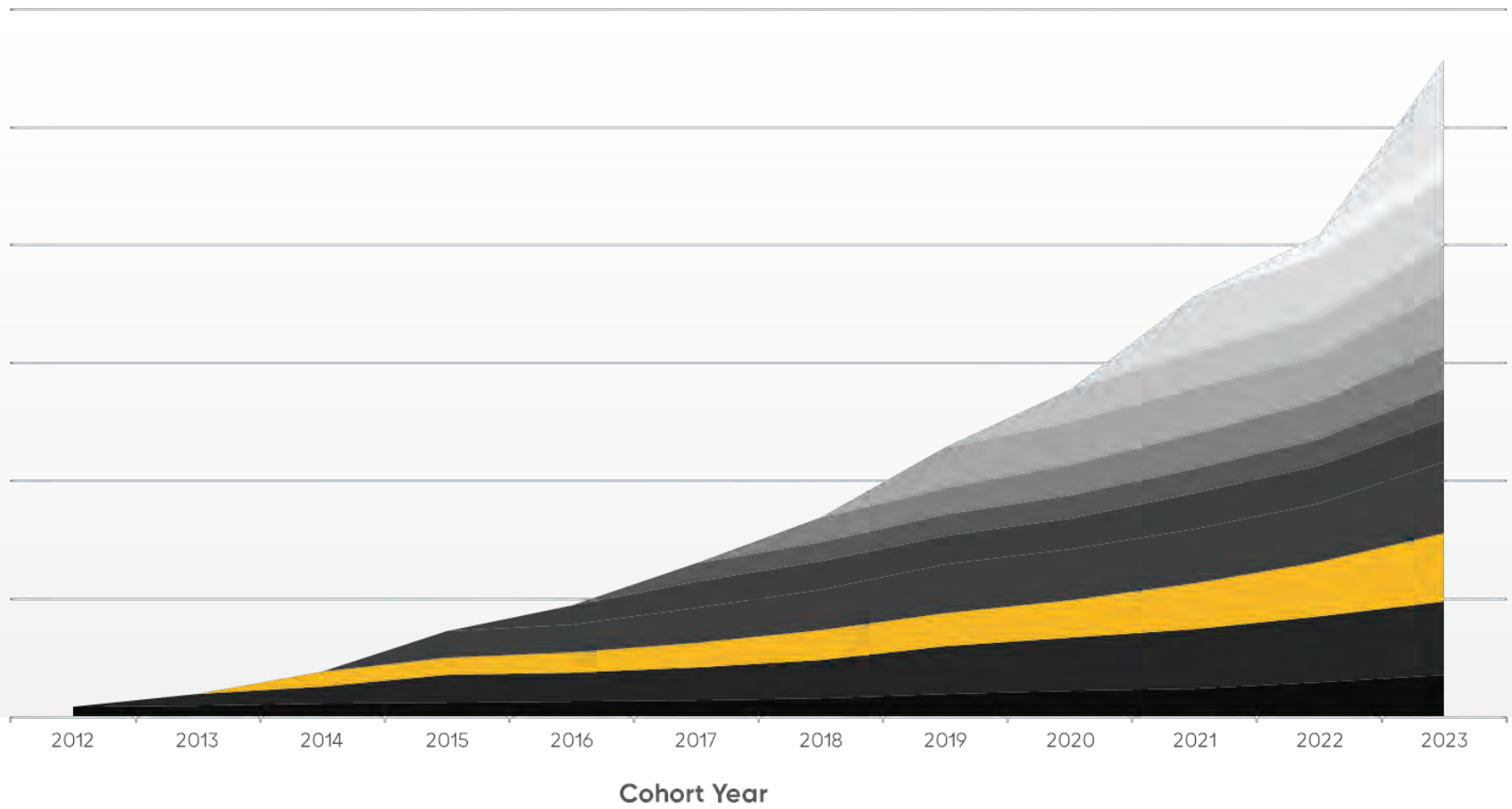


Transition to SaaS - Careful reduction of legacy licence fees



Cohort Analysis

Average ARR per customer by Cohort



Clear Strategy



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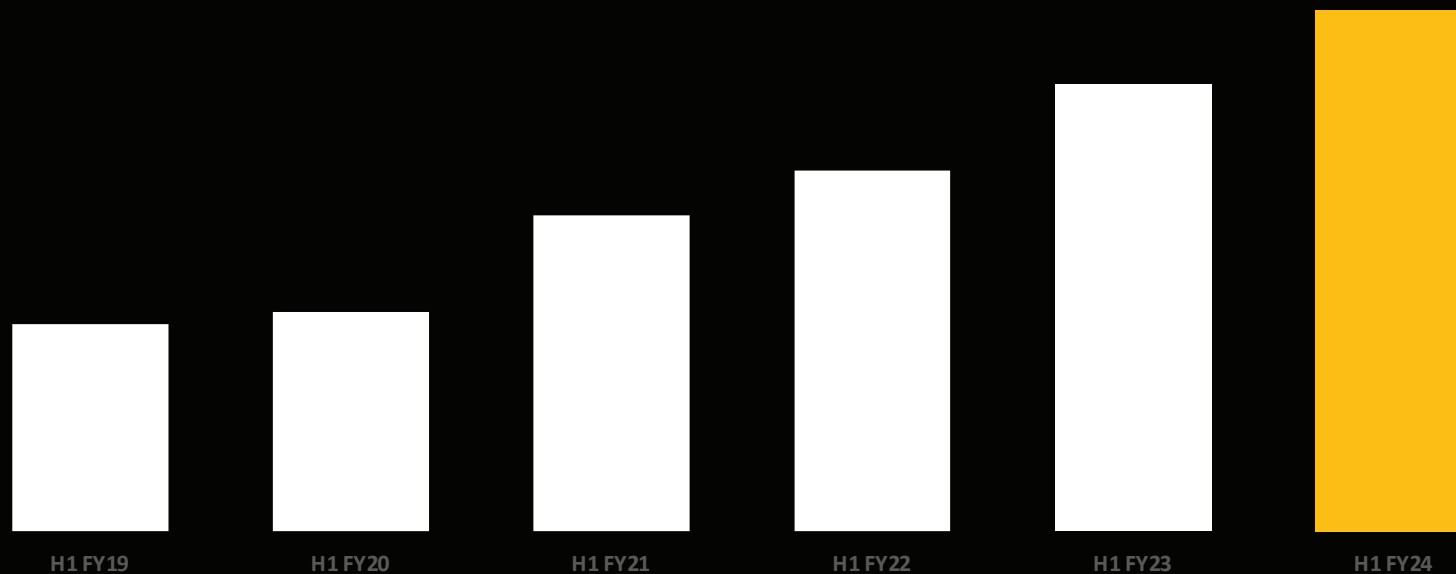


**Total ARR
Growth of 21%**

**Record
Total ARR
\$423.6m**

Profit Before Tax Growth of 17%

Record Net Profit before tax of \$61.5m



~~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

personal use only

SaaS+ is a game changer and a key platform for growth

Outlook for FY24 is strong

Discussed later in
more detail



H1 FY24 Results Summary

Outlook for FY24 is strong

**Profit
growth
17%**

**ARR
growth
21%**

**NRR
117%**

**SaaS &
Recurring
Revenue
21%**

	H1 FY24	H1 FY23	VAR	VAR
	\$m	\$m	\$m	%
Total ARR	423.6	350.6	73.0	21
SaaS & Recurring Revenue	223.1	183.9	39.2	21
Total Revenue	244.8	210.3	34.5	16
Profit Before Tax	61.5	52.7	8.8	17
Profit After Tax	48.0	41.3	6.7	16
Cash Flow Generation	(3.8)	1.3	(5.1)	
Cash and Investments	172.0	139.1	32.9	24
PBT Margin	25%	25%	-	-
EPS (cps)	14.75	12.73	2.02	16
Interim Dividend (cps)	5.08	4.62	0.46	10
R&D Investment	56.9	49.4	7.5	15
R&D Investment % to Revenue	24%	24%		-



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H1 FY24 Profit and Loss

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

A\$M

	H1 FY24	H1 FY23	Δ\$M	Δ%
SaaS Fees Recognised	193.9M	145.0M	+48.9M	+34
Annual Licence Fees	10.4M	21.3M	(10.9M)	(51)
Consulting - AMS Recurring	18.8M	17.6M	+1.2M	+7
= Revenue: SaaS & Recurring	223.1M	183.9M	+39.2M	+21
Legacy Licence Fees	0.3M	1.0M	(0.7M)	(72)
Traditional New Project Consulting	17.4M	16.1M	+1.3M	+8
= Revenue: Traditional & Legacy	17.7M	17.1M	+0.6M	+3
Other Revenue	3.9M	9.3M	(5.3M)	(58)
= Total Revenue	244.8M	210.3M	+34.5M	+16
Variable Costs (excl capitalisation)	41.1M	37.1M	+4.0M	+11
Net Capitalised Costs - Contract Acq	(0.6M)	(3.1M)	+2.5M	+80
Operating Costs (excl capitalisation)	151.9M	133.2M	+18.7M	+14
Net Capitalised Costs - R&D	(9.1M)	(9.6M)	+0.5M	+5
= Total Expenses	183.2M	157.6M	+25.7M	+16
= Profit Before Tax (PBT)	61.5M	52.7M	+8.8M	+17
= Profit After Tax (PAT)	48.0M	41.3M	+6.7M	+16
PBT Margin	25%	25%	+0pp	+0

- ① **SaaS Fees Recognised 193.9M ▲ +34%**
Strong NRR and sales growth
- ② **Other Revenue 3.9M ▼ (58)%**
H1 FY23: Scientia contingent consideration write-off (\$7.4m)
- ③ **Variable Costs (excl capitalisation) 41.1M ▲ +11%**
Customer cloud costs increase due to migration to SaaS

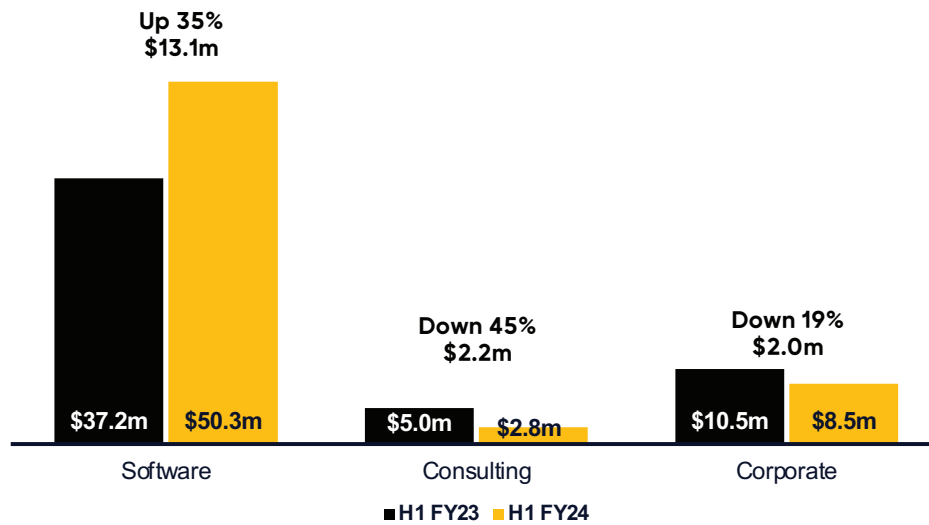
These strong results includes our SaaS+ investment.

Excluding this, Net Profit Before Tax margin is ~1% better

H1 FY24 Profit by Segment

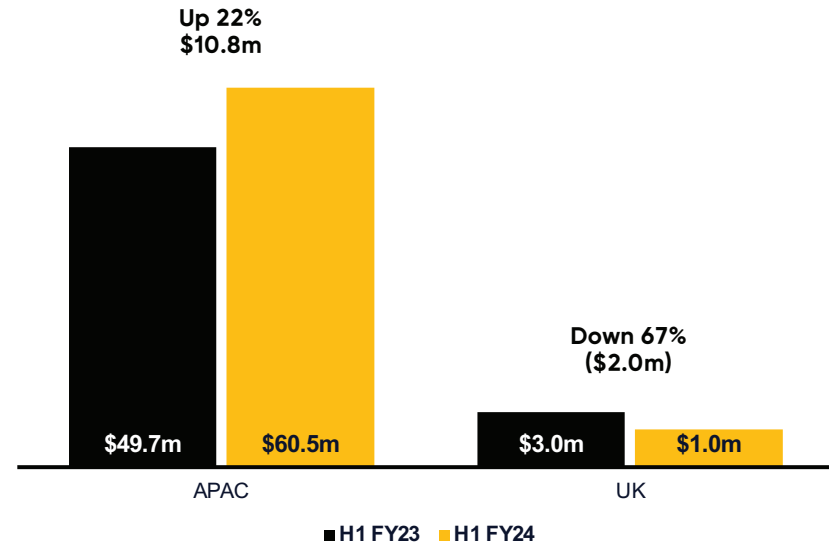
Strong Company profit of \$61.5m, up 17% pcp

Operating segment analysis



- Software Profit up 35%, driven by strong ARR growth.
- Consulting Profit down 45%, as expected due to the introduction of SaaS+.
- Corporate Profit down 19% due to non-recurring Scientia earn-out write-off.

Geographic segment analysis

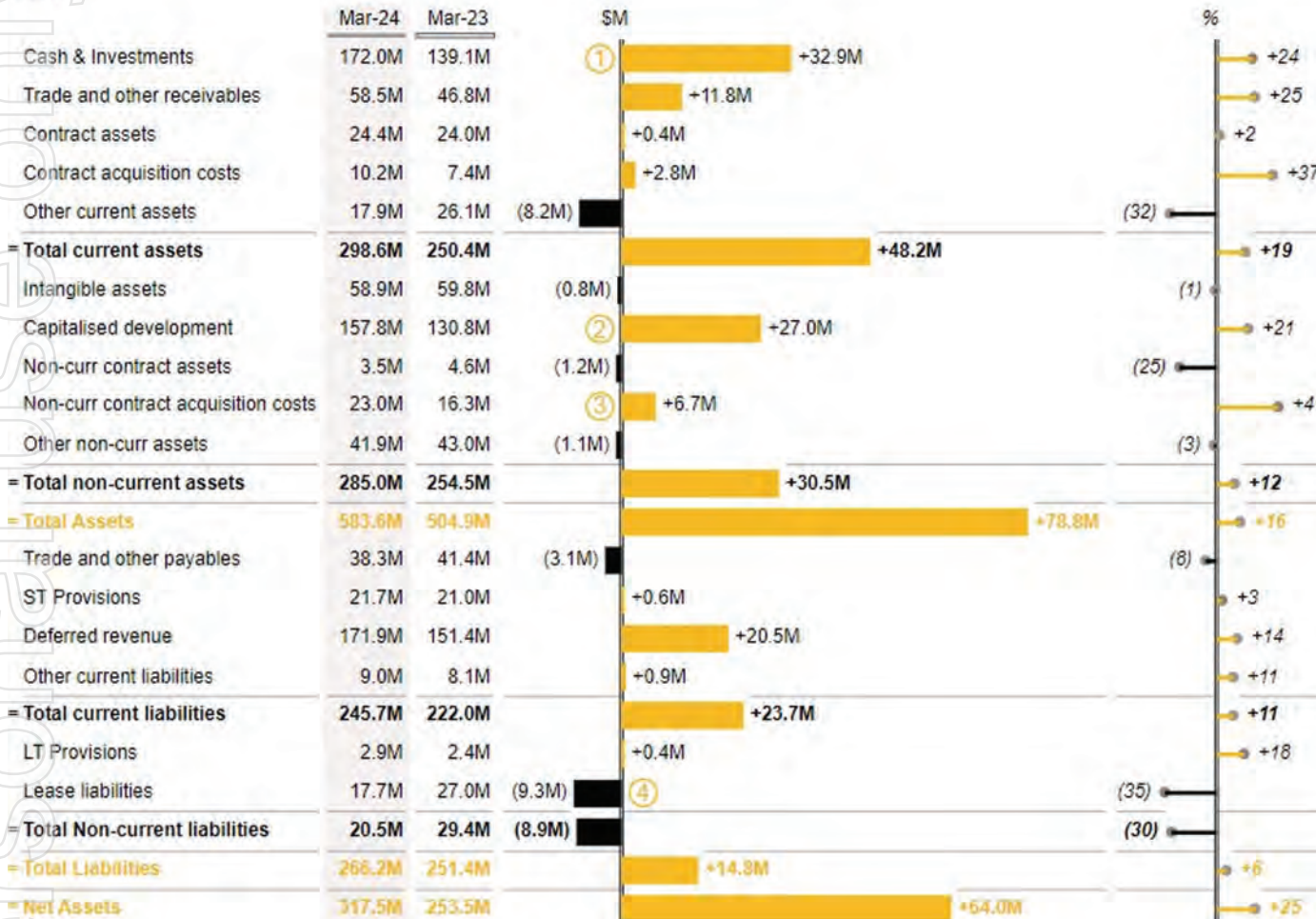


- UK profit down 67%, as expected due to strategic investments in SaaS+, which has short term impacts on revenue profit and margin.

Balance Sheet: Remains Strong

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

ASM



- ① **Cash & Investments 172.0M ▲ +24%**
Strong H2 FY23 cash generation, flat in H1 FY24.
- ② **Capitalised development 157.8M ▲ +21%**
Continue to invest in the future, including DxP, App Builder, SaaS+
- ③ **Non-curr contract acquisition costs 23.0M ▲ +41%**
Increased sales, H2 FY23 acquisition of customer contracts
- ④ **Lease liabilities 17.7M ▼ (35)%**
Cambridge lease exited, no new leases. Will increase in H2 with HQ lease extension.

Cash Flow

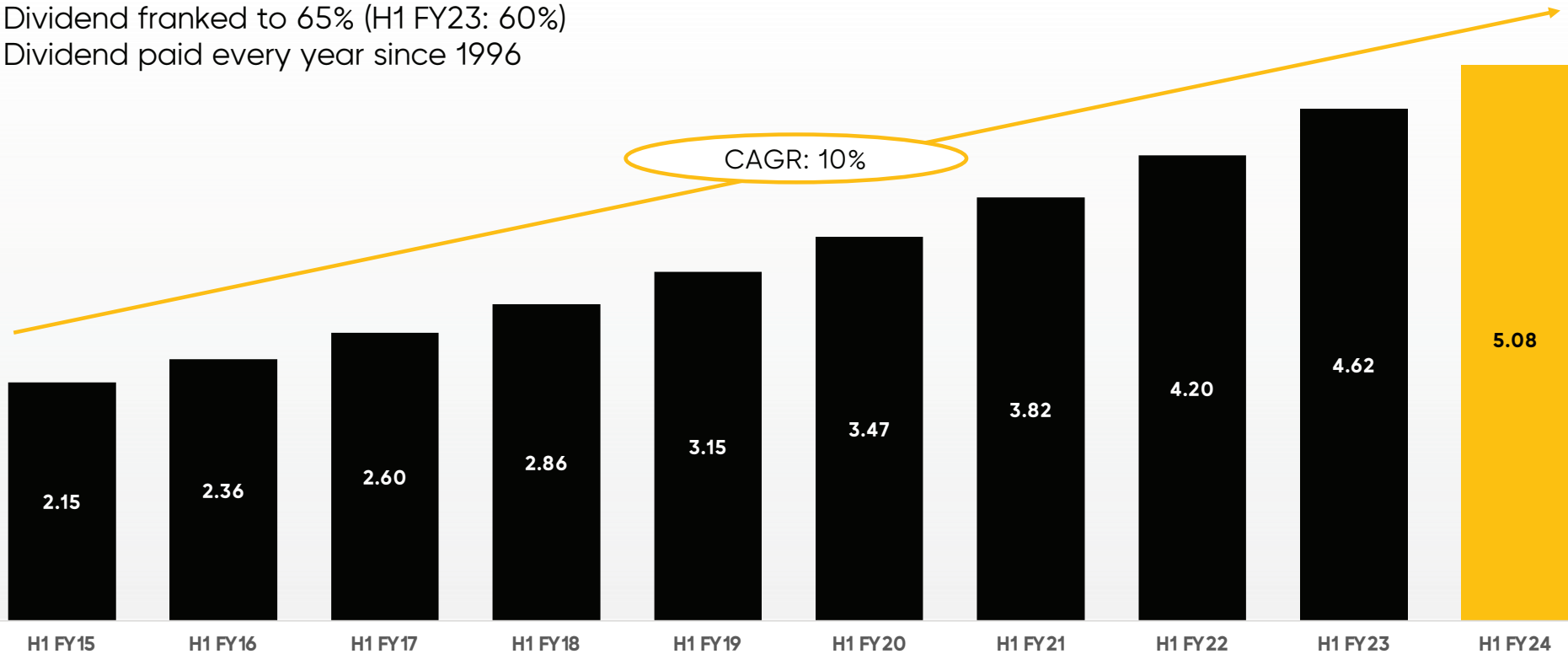
Cash Flow Generation will be strong for the full year and align with NPAT

	H1 FY24	H1 FY23	SM	%
Profit Before Tax	61.5M	52.7M	+8.8M	+16.6
Non-Cash Items	35.0M	27.9M	+7.1M	+25.5
Changes in working capital:	(43.5M)	(36.4M)	(7.0M)	(19.3)
Net Interest Received	2.9M	0.6M	+2.3M	+389.9
Income Taxes Paid	(19.5M)	(7.3M)	(12.2M)	(167.0)
= Operating Cash Flow	36.4M	37.4M	(1.1M)	(2.8)
Capitalised development costs	(30.6M)	(25.7M)	(4.9M)	(18.9)
Capitalised commission costs	(5.4M)	(6.7M)	+1.3M	+19.6
Payments for principal repayments of lease liabilities	(4.2M)	(3.7M)	(0.5M)	(14.0)
= Cash Flow Generation	(3.8M)	1.3M	(5.1M)	(385.3)
Payments for Property, Plant & Equipment	(4.9M)	(2.9M)	(1.9M)	(66.1)
Payments for other intangible assets	0.0M	(0.8M)	+0.8M	+100.0
= Free Cash Flow	(8.7M)	(2.4M)	(6.3M)	(263.0)
Dividends Paid	(48.3M)	(41.6M)	(6.7M)	(16.1)
Proceeds from Shares Issued	5.7M	7.3M	(1.5M)	(21.1)
= Net cash flow from financing activities	(42.6M)	(34.3M)	(8.2M)	(24.0)
Payments for investment in short-term deposits	(43.8M)	0.0M	(43.8M)	
= Net cash flow from investing activities	(43.8M)	0.0M	(43.8M)	
Increase in Cash	(95.1M)	(36.7M)	(58.3M)	(158.8)
Cash at the beginning of the financial year	198.3M	175.9M	+22.4M	+12.7
= Closing cash	103.2M	139.1M	(35.9M)	(25.8)

- ① **Non-Cash Items 35.0M ▲ +25.5%**
Increase in amortisation of capitalised development assets and contract acquisition costs
- ② **Net Interest Received 2.9M ▲ +389.9%**
Stronger focus on maximising liquidity returns
- ③ **Income Taxes Paid (19.5M) ▼ (167.0)%**
Higher installment rate in FY24 due to profit increase
- ④ **Capitalised development costs (30.6M) ▼ (18.9)%**
Increased investment in software assets to drive growth
- ⑤ **Cash Flow Generation (3.8M) ▼ (385.3)%**
CFG skewed to 2H due to renewal activity
- ⑥ **Payments for Property, Plant & Equipment (4.9M) ▼ (66.1)%**
Office refurbishment and fitout costs in HQ and Malaysia
- ⑦ **Payments for investment in short-term deposits (43.8M) ▲**
Stronger focus on maximising liquidity returns

Dividend track record continues: Interim dividend up 10%

- H1 NPAT before tax up 17%, enabling dividend uplift
- Strong balance sheet supports dividend
- Payout ratio 34% (FY23 interim: 36%)
- Dividend franked to 65% (H1 FY23: 60%)
- Dividend paid every year since 1996



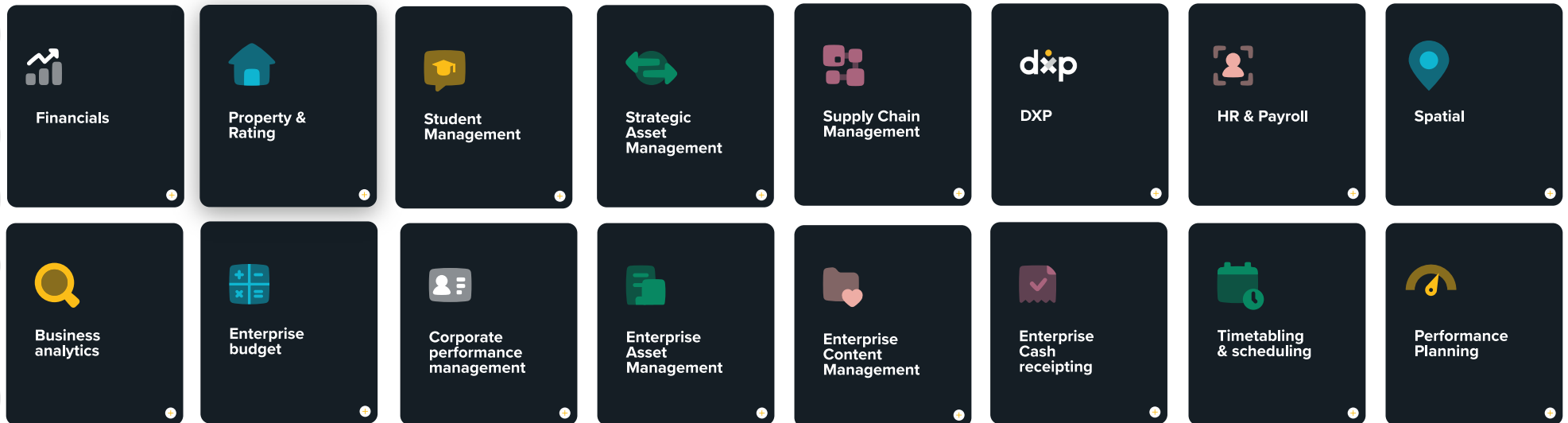


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True SaaS ERP

Deepest functionality for the markets we serve



POWER OF A SINGLE INTEGRATED ERP SOLUTION

True SaaS ERP

Deepest functionality for the markets we serve



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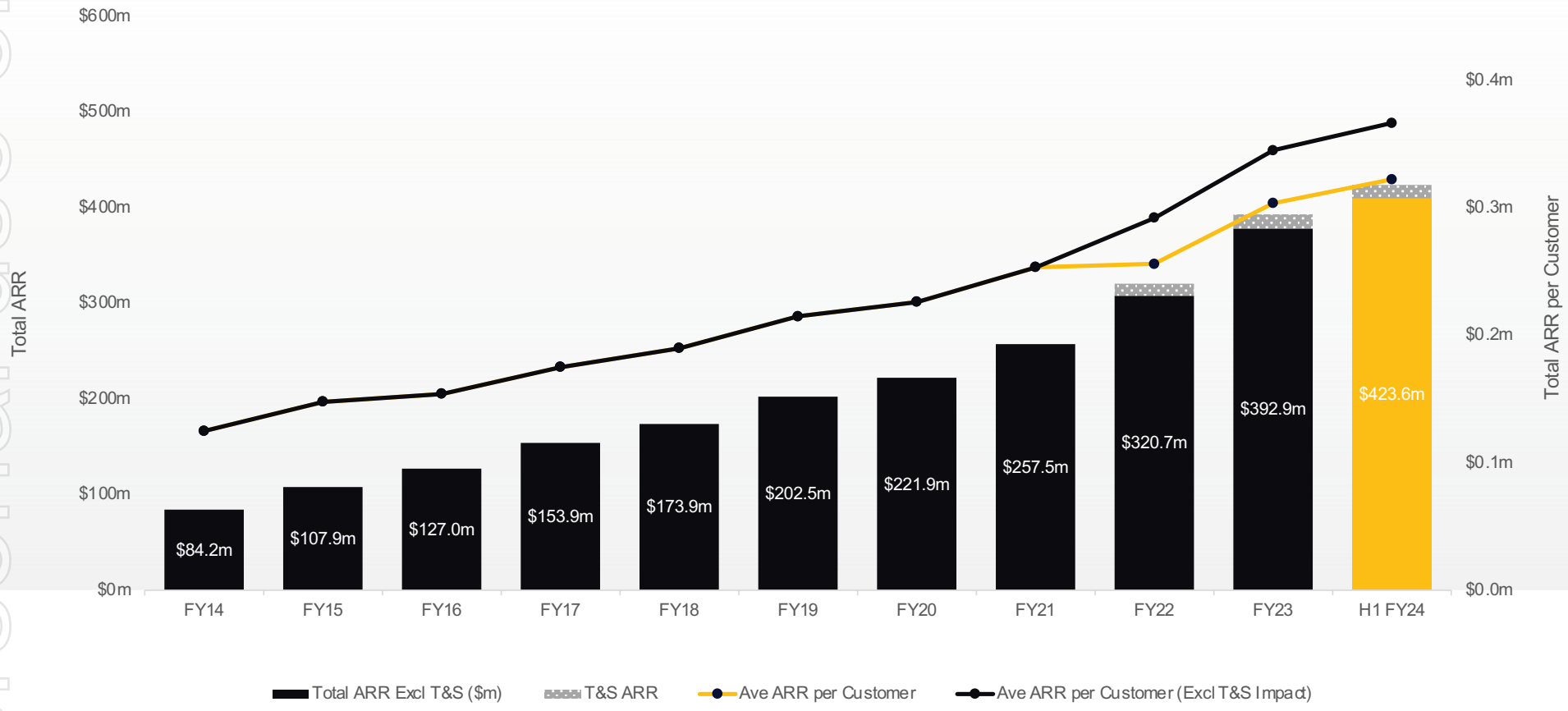
True SaaS ERP

Deepest functionality for the markets we serve



POWER OF A SINGLE INTEGRATED ERP SOLUTION

Total ARR and Average ARR per Customer



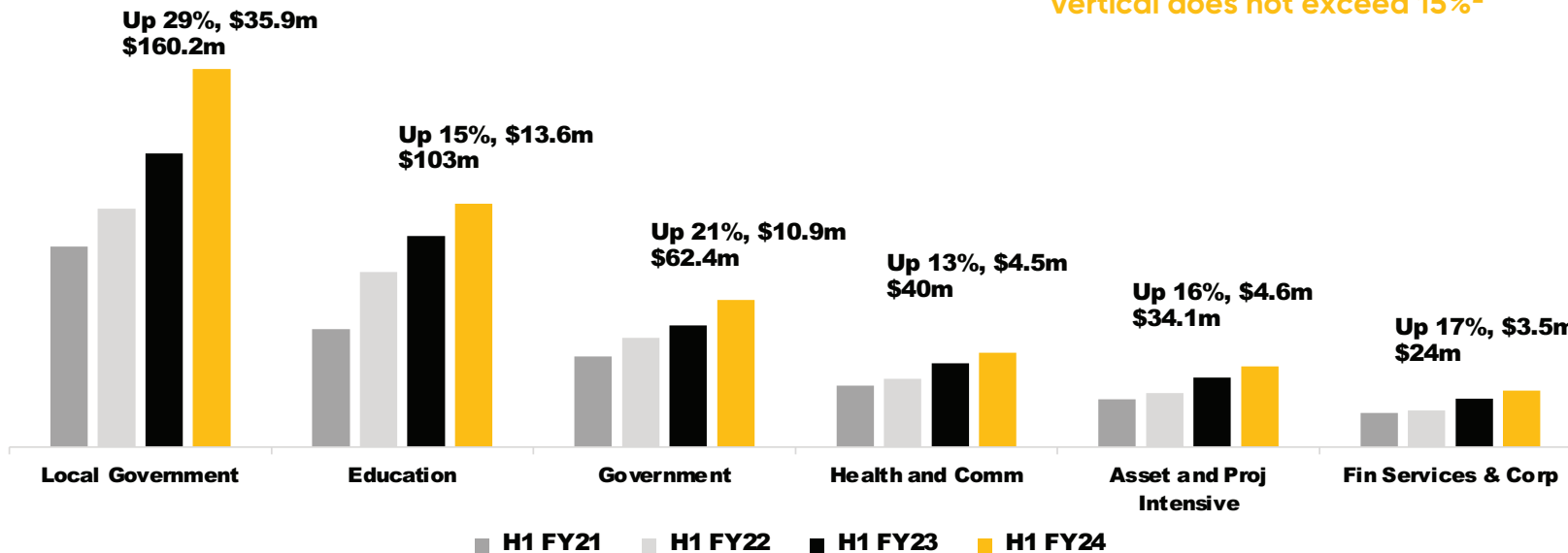
All verticals performed strongly

Significant room to grow in future years

Vertical Market Analysis

ARR of \$423.6m¹, Up 21% | From \$350.6m, H1 FY23

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



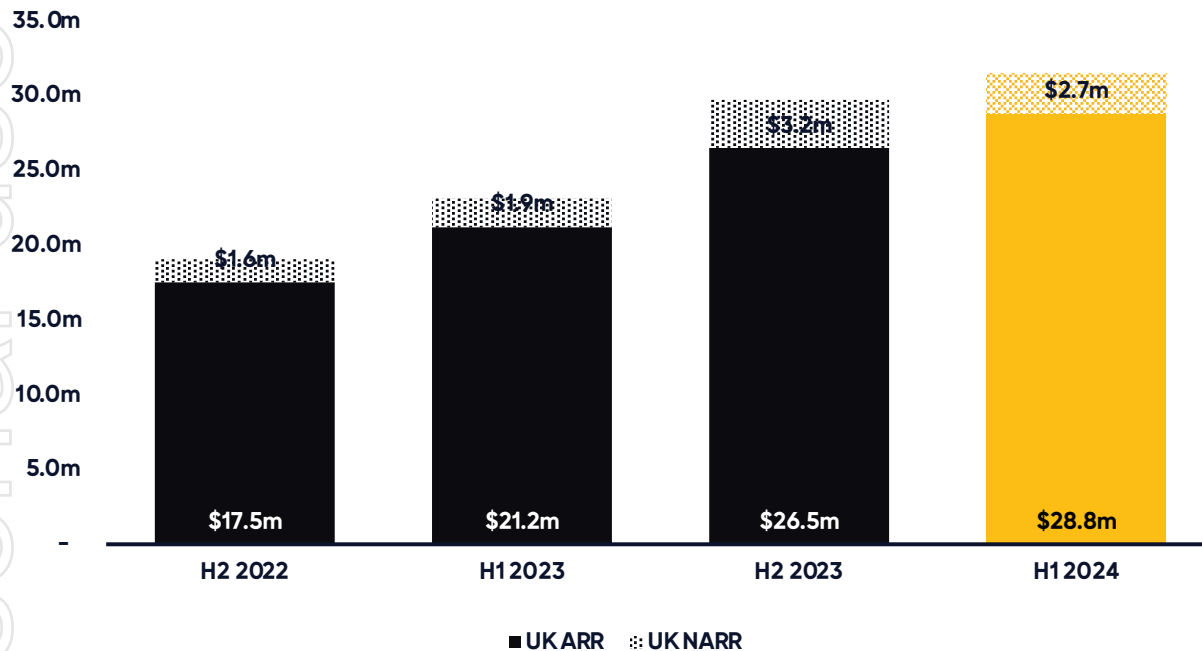
¹ Balance is at 31 March 2024 and growth is for the 12 months from 31 March 2023

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

H1 FY24 United Kingdom

New Sales ARR ~40% higher than H1 2023

UK ARR up 36% to \$28.8m versus pcp
UK profit of \$1.0m
100% of consulting delivered via SaaS+ model



- ✓UK sales team >15
- ✓First Student+ customer win
- ✓Strong LG Pipeline



- Largest core financials and HRP deal in UK Edu history
- Direct Award
- SaaS+
- Short Sales Cycle



CREATIVE CONSTRUCTION™

- Intense competitive sales process
- largest Asset Management deal in history
- SaaS+ differentiated to win
- Already a strong reference customer

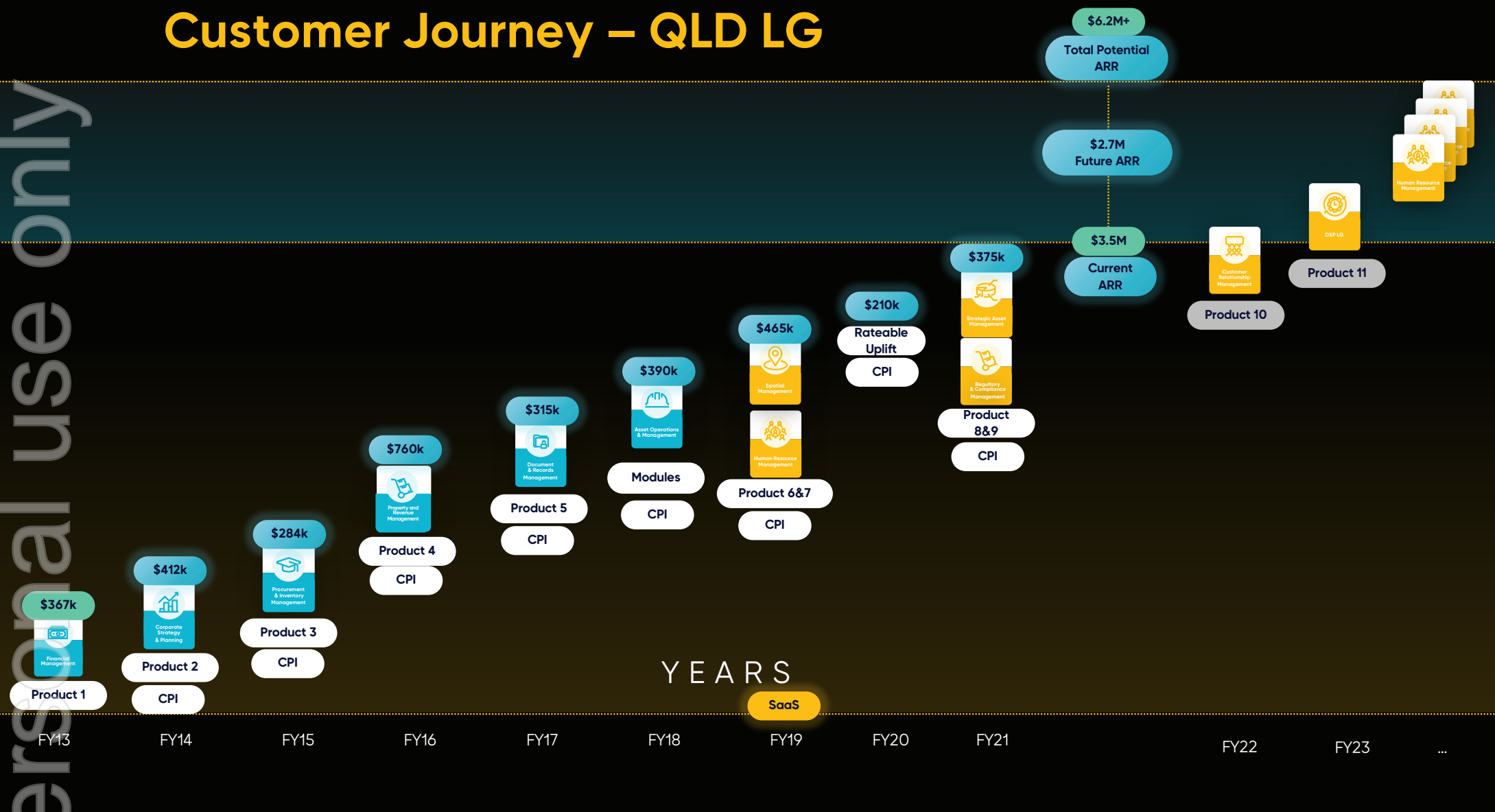


ASIC
Australian Securities &
Investments Commission

- Replace Oracle
- Very large value contract
- OneGov Solution
- Cyber security key differentiator

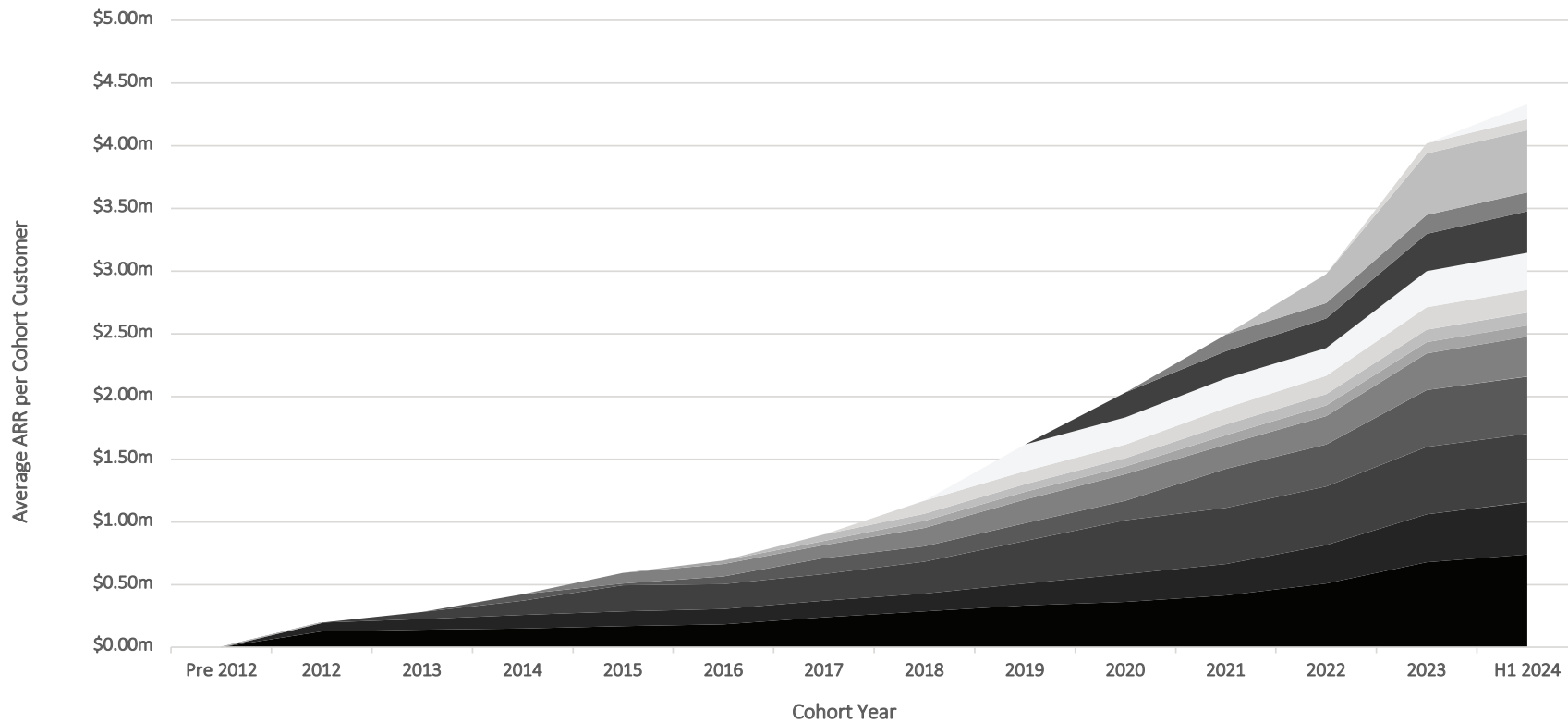
Customer Journey – QLD LG

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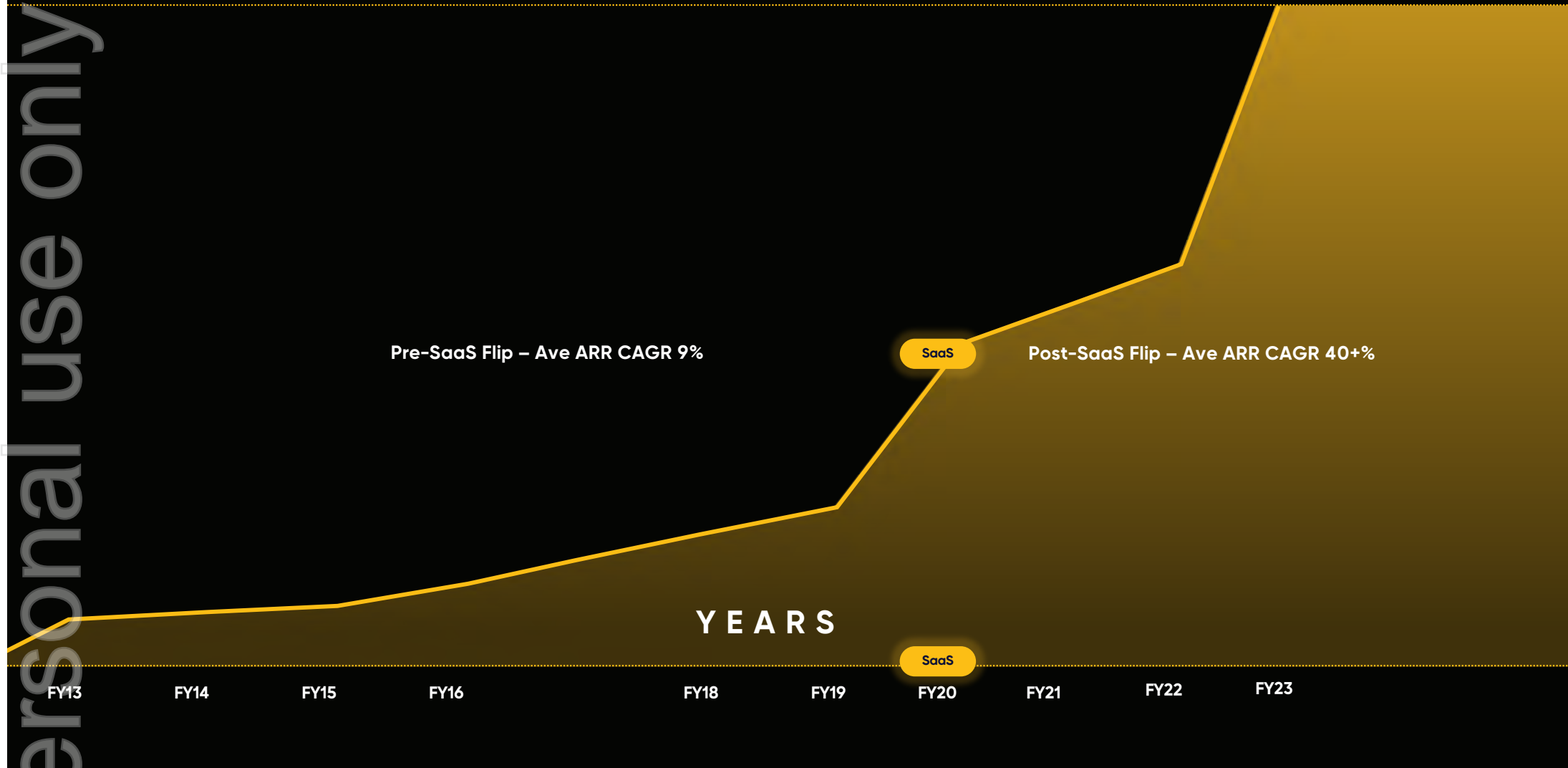
Cohort Analysis - LG

Average ARR per customer by Cohort (LG)

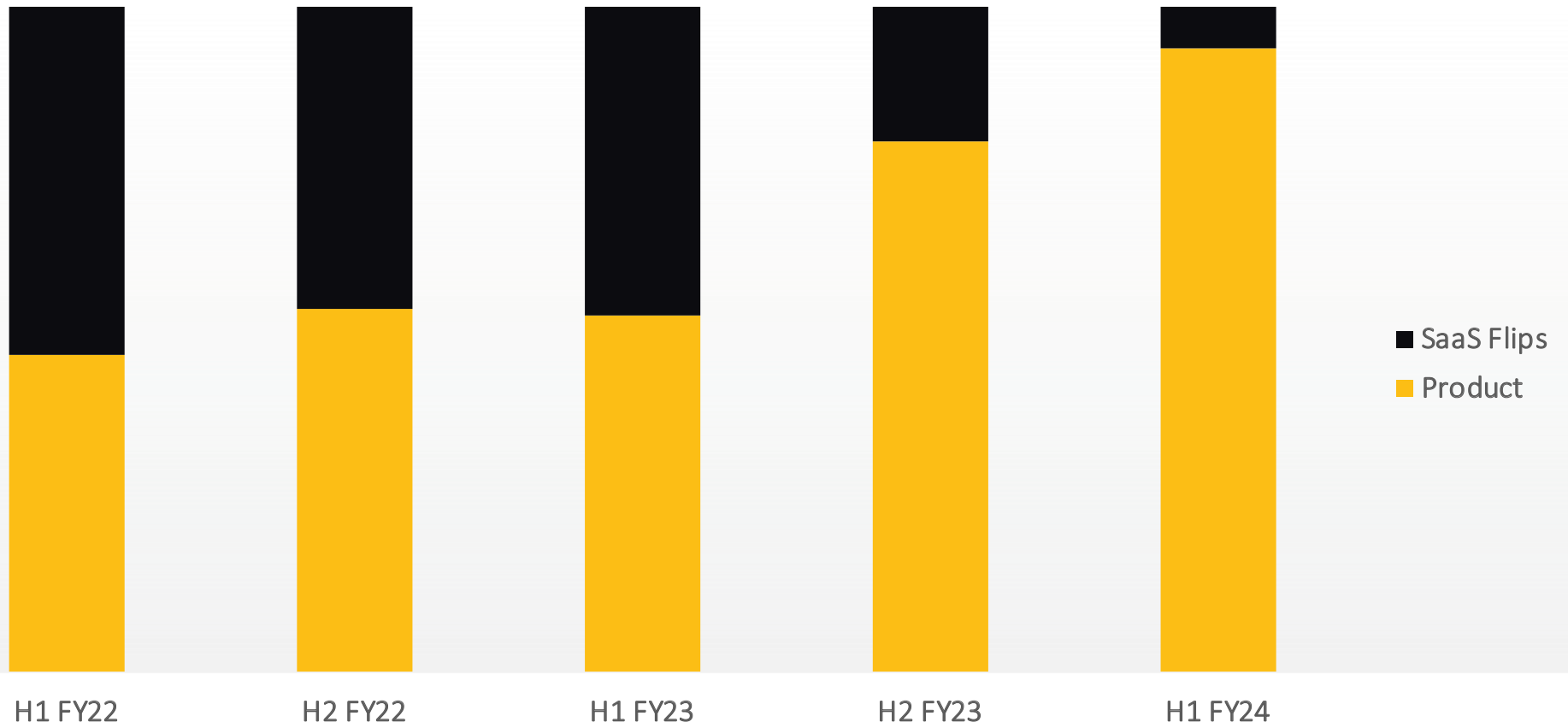


Customer Journey – LG

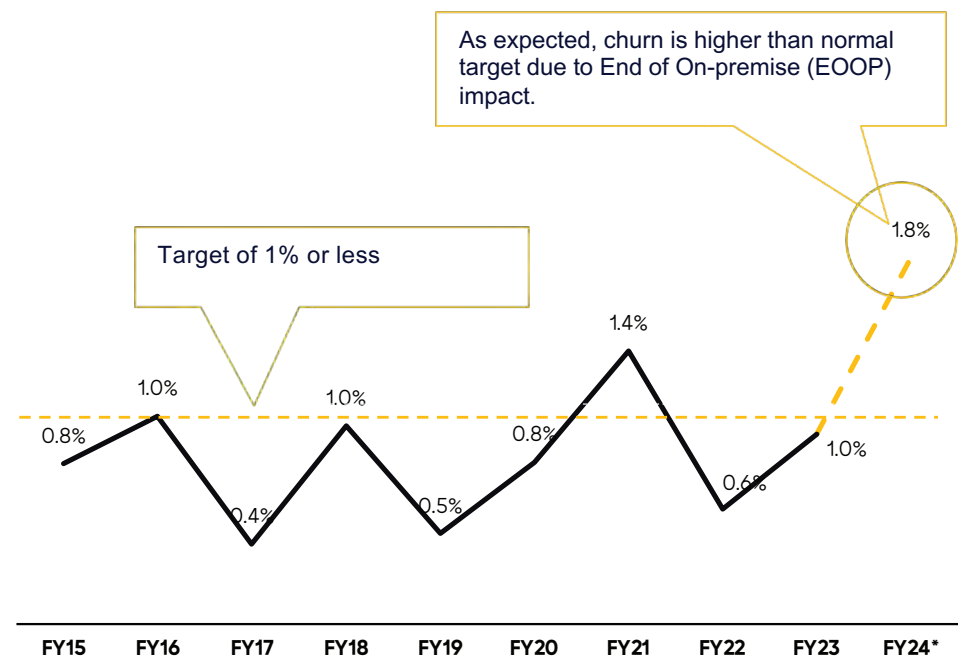
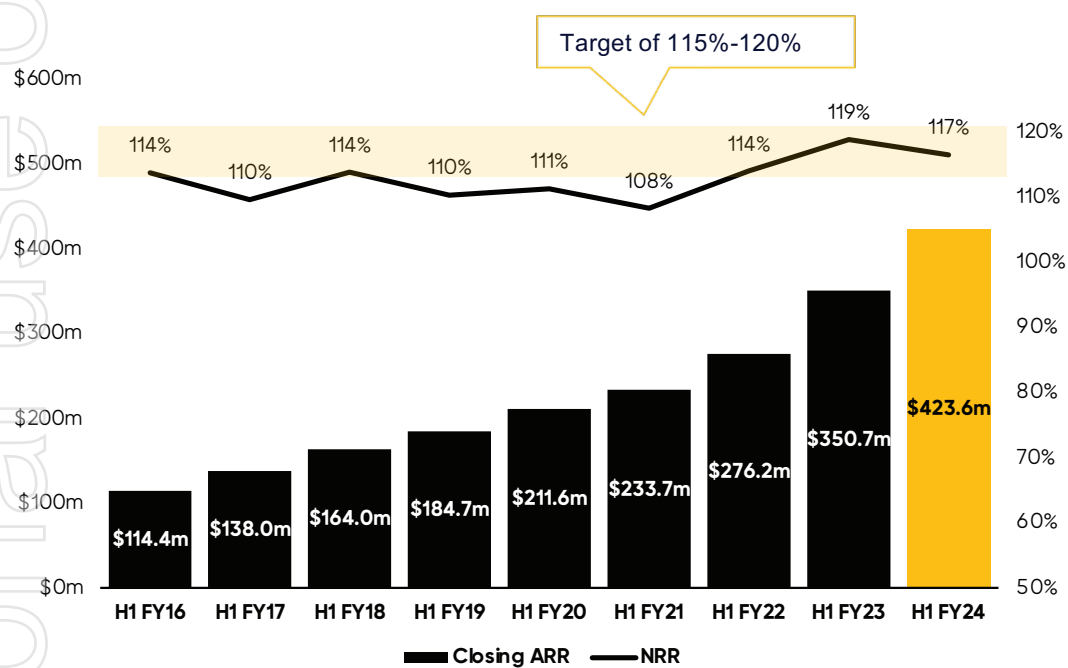
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Product sales accelerates; SaaS Flips complete



Market Leading NRR and Market Leading Churn



• Full year forecast

SaaS+

Solution as a Service

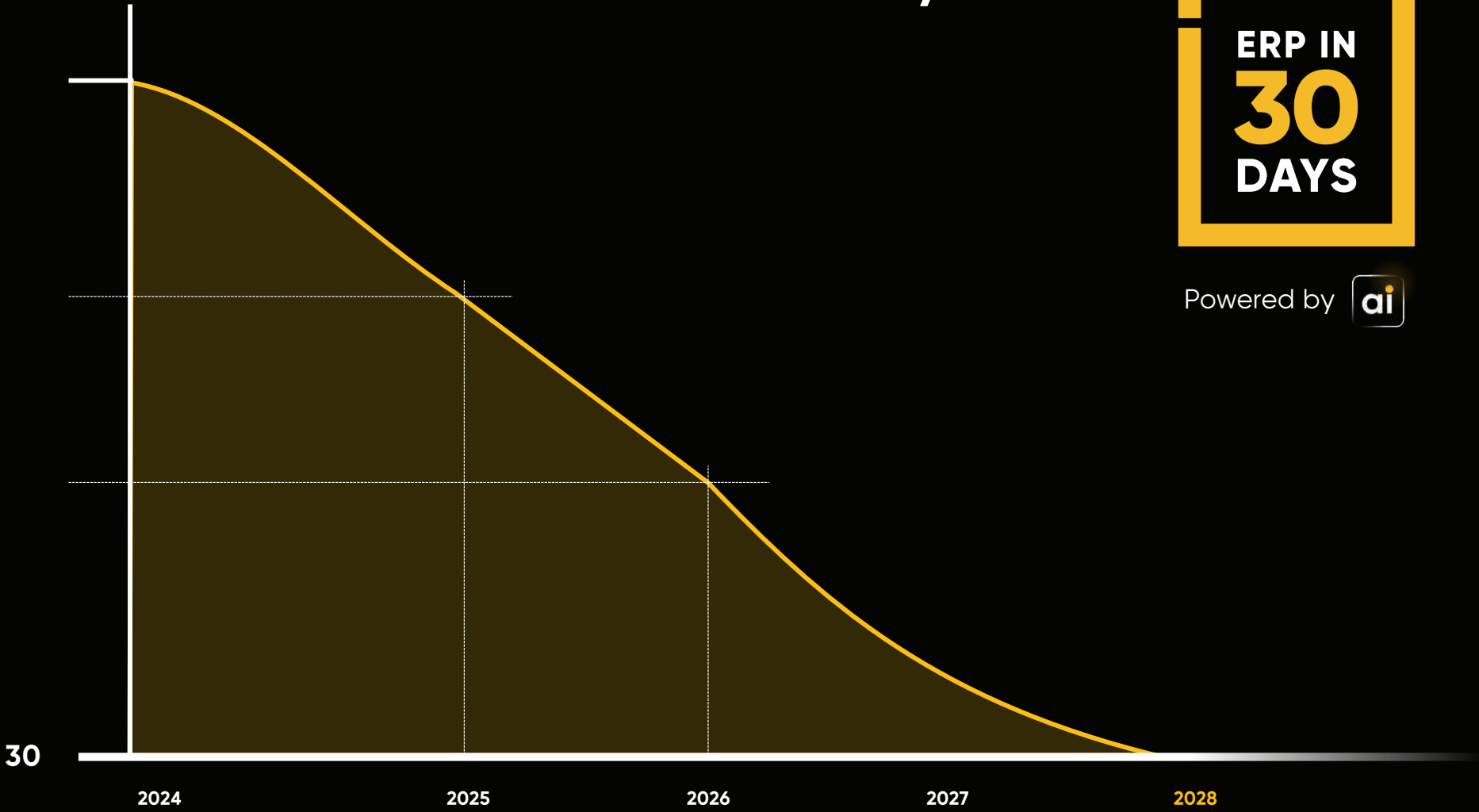


SaaS+ lifts
ARR by 40%



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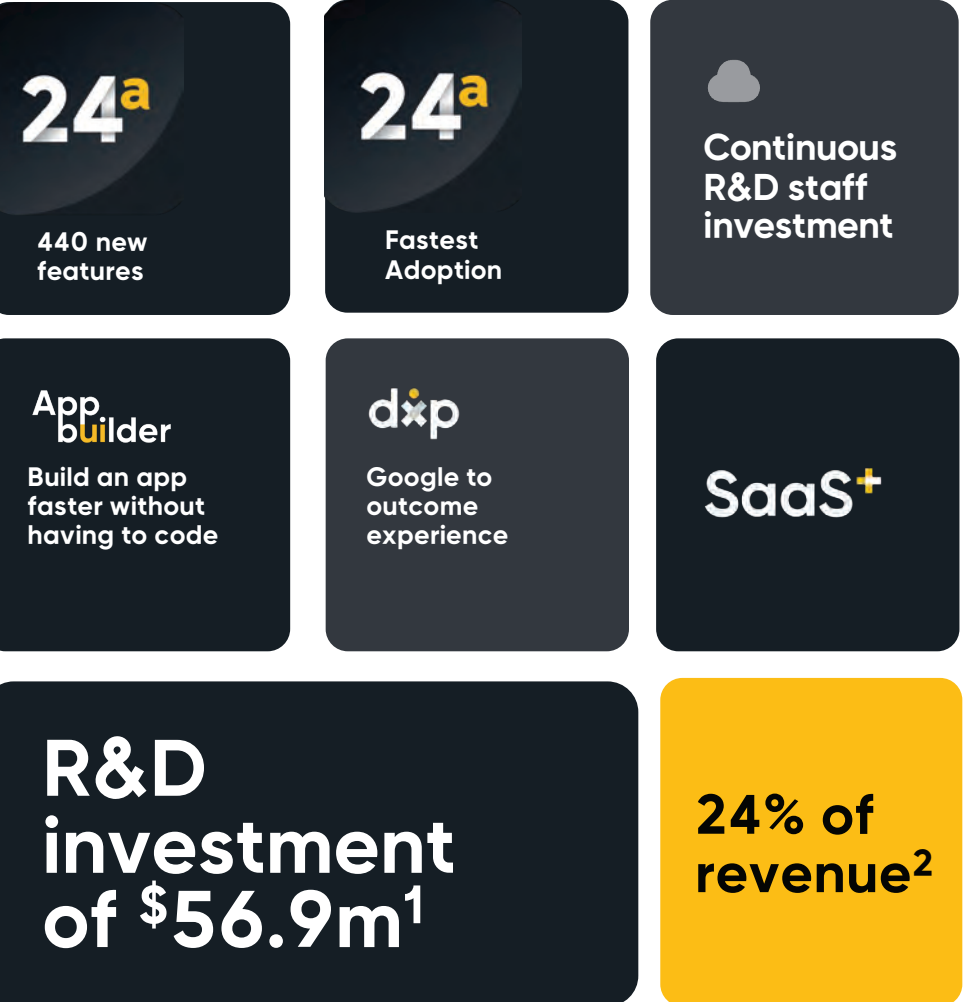
Path to ERP in 30 days



ERP IN
30
DAYS

Powered by 

R&D Significant Investment for future growth



¹R&D expenditure before capitalisation

² Revenue excluding other income

H1 FY24 Summary



Record profit,
revenue, and
ARR



Cash and
Investments
up 24% pcp to
\$172.0m



SaaS & recurring
Revenue
up 21% pcp
to \$223.1 m

UK Sales ARR
up 40% pcp
to \$2.7m

Profit Before Tax
up 17% pcp
to \$61.5m

NRR of 117%
above target of
115%



Surpass \$500m+
ARR by FY25



Total ARR
up 21%
to \$423.6m



Interim Dividend
up 10%
to 5.08 cps



R&D investment
for future growth
of \$56.9m, up 15%
pcp



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Outlook

Strong ARR growth of 15% to 20%

Planned reduction of lower quality one-off Traditional Consulting Fees replaced with high quality SaaS+ revenue

Full year NPBT margin growth of 1%

- 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 will continue to benefit from improving margins because of the significant economies of scale from our single instance Global SaaS ERP solution

We will continue to double in size every 5 years

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



Outlook for 2024 Full Year

**Strong consistent and
steady profit growth**

**Net Profit Before Tax
growth of 12% to 16%**



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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



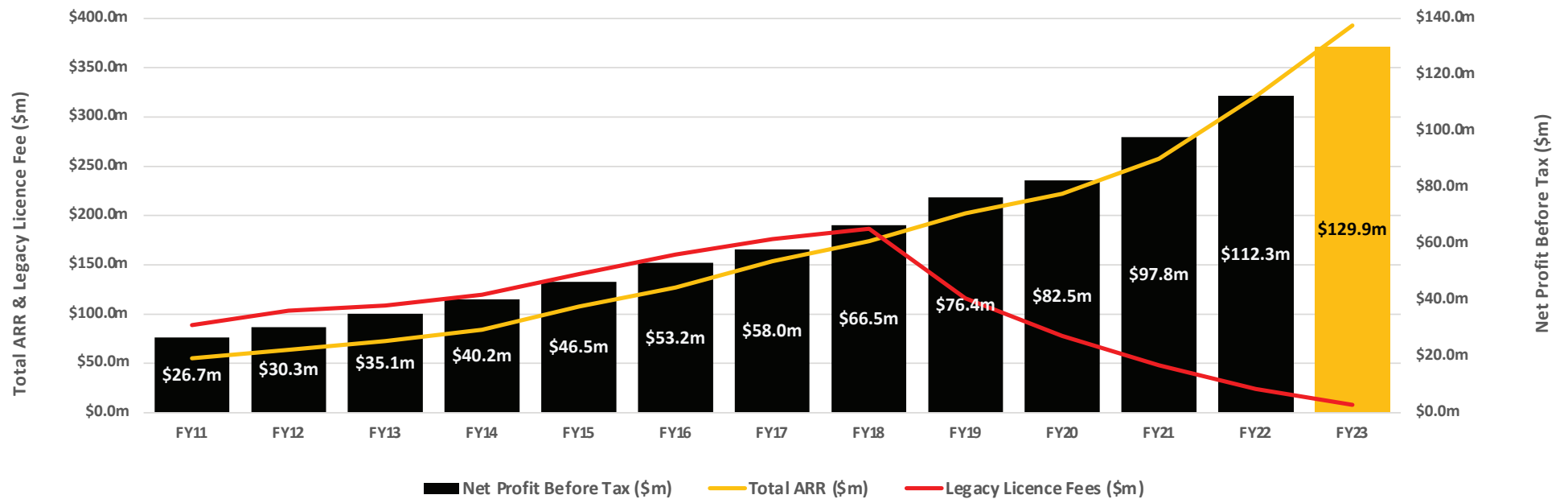
Appendices

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

Appendix A:

Transition to SaaS - Careful reduction of legacy licence fees

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



Appendix B:

H1 FY24 Consulting Profit of \$2.8m

New Project and AMS

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 focused divisions

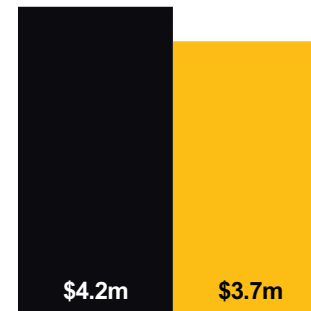
- New Projects
- Applications Managed Services (AMS) for existing customers

Disciplined use of implementation methodology

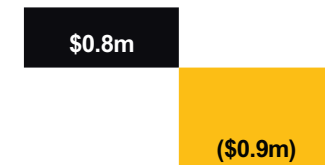
Company Down 45%



APAC Down 11%



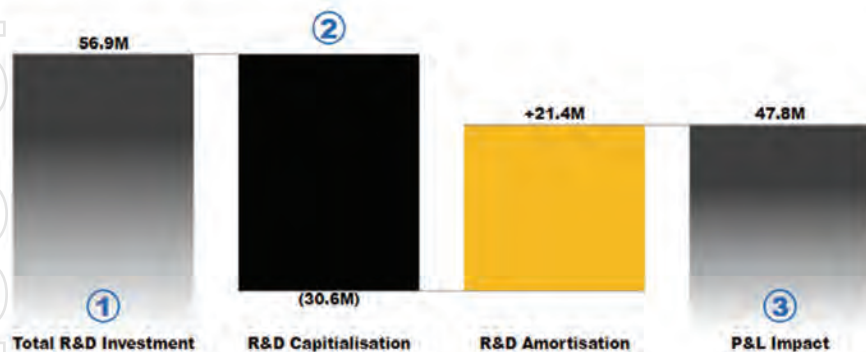
UK down (100%+)



■ H1 FY23 ■ H1 FY24

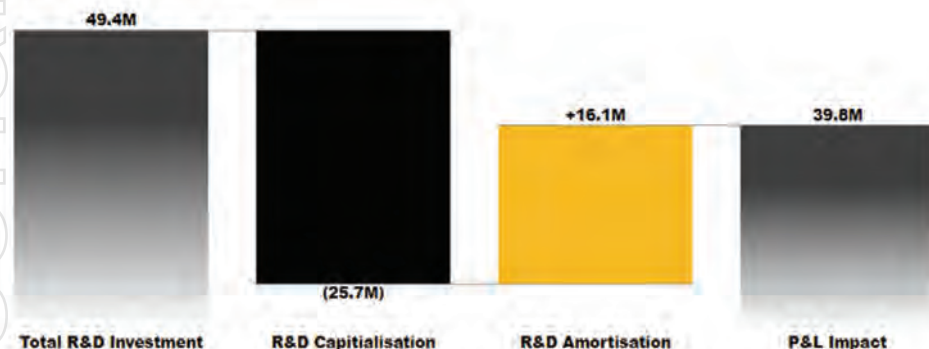
Appendix C: R&D Disciplined and Transparent

H1 FY24



- ① Total R&D Investment 56.9M ▲
R&D investment up 15% PcP
- ② R&D Capitalisation (30.6M) ▼
54% capitalised, in line with expectations
- ③ P&L Impact 47.8M ▲
Net expense through P&L, up 20% (\$8m) on pcP

H1 FY23



Highly Disciplined approach to R&D

We expense maintenance and research.

We only capitalise development based on actual timesheets for eligible projects.

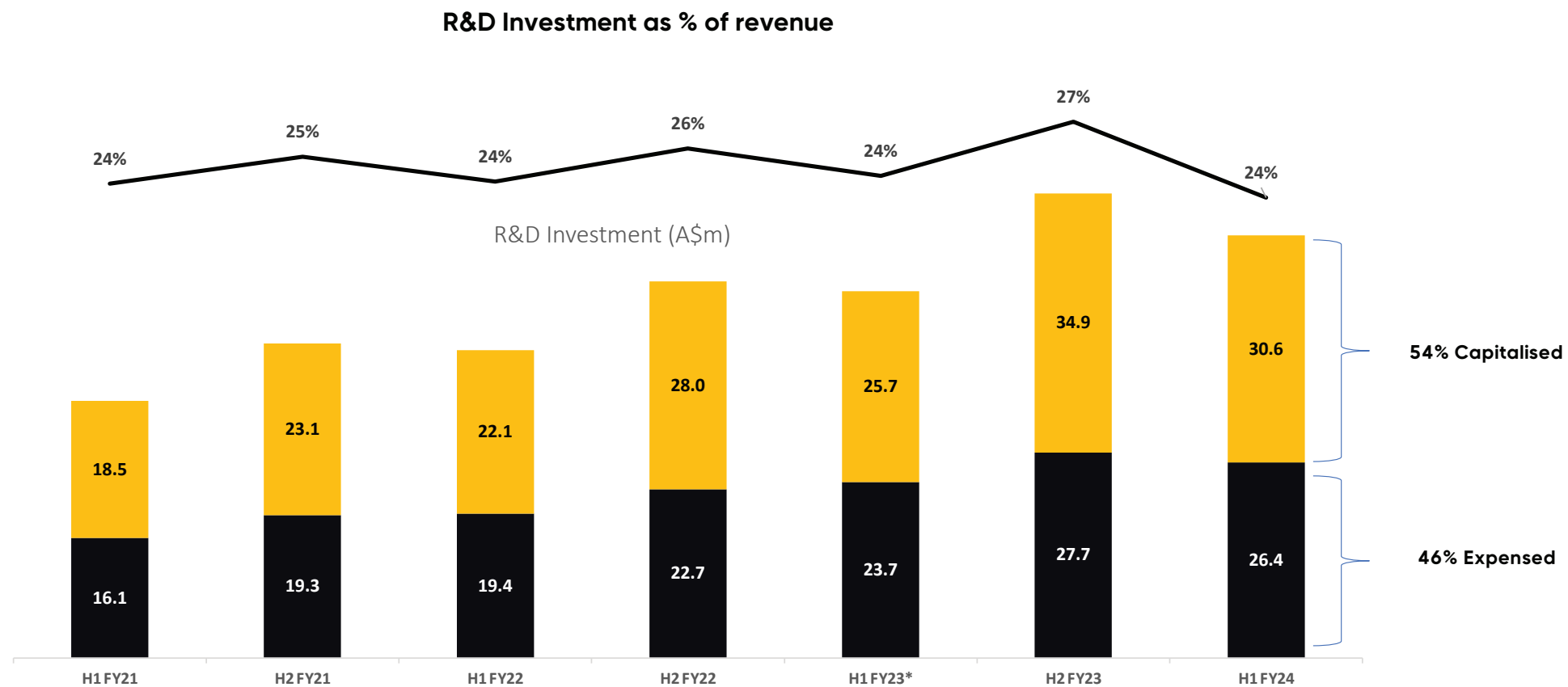
Capitalisation and amortisation are independently audited along with Financial Statements.

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.

Appendix C: R&D Investment



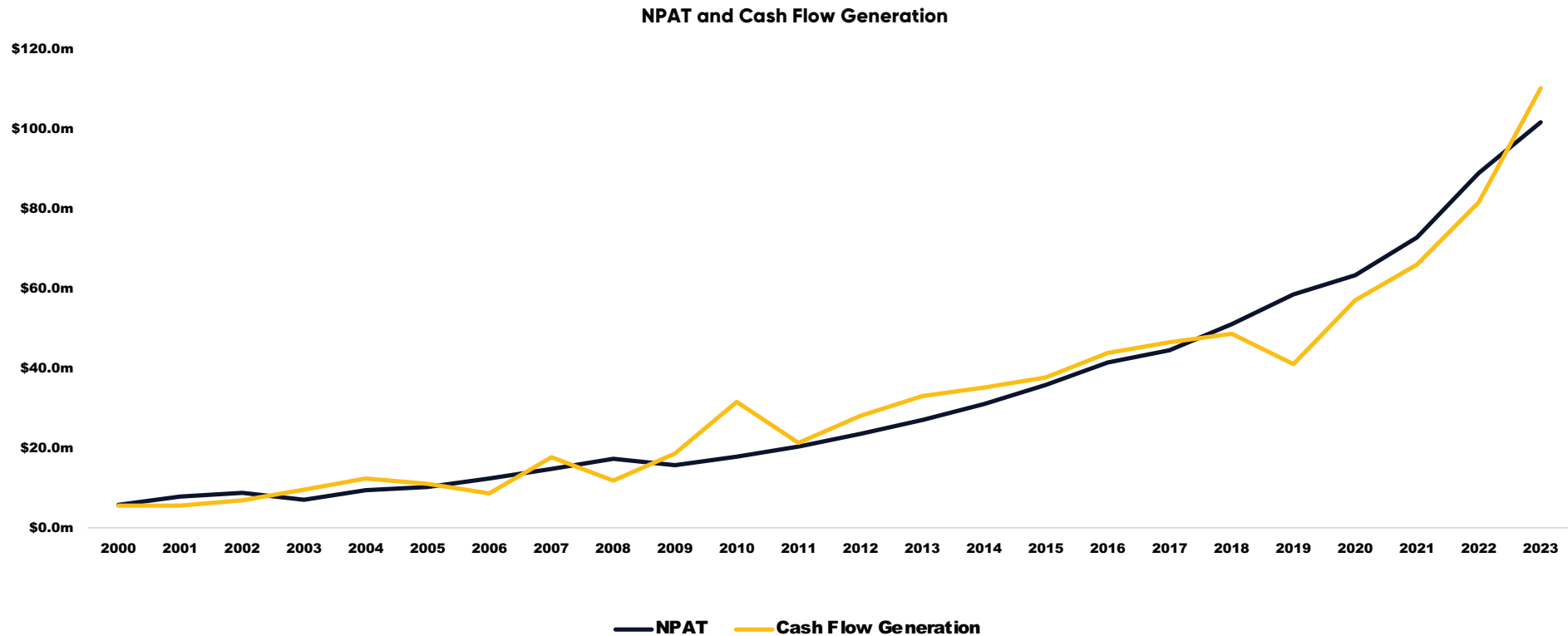
*H1 FY23 revenue excludes one off contingent consideration reversal of \$7.4m

Appendix C: R&D Disciplined & Transparent

	R&D Investment (\$'000)	Software R&D Development - Capitalised (\$'000)	Percent Capitalised %	Amortisation Expense (\$'000)	Amortisation Period Years	Net Expense through P&L (\$'000)
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
H1 FY24	56,929	30,562	53.7%	21,446	5	47,813

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:

H1 FY24 Results Analysis and Key Metrics

	H1 FY24	H1 FY23	Var
	\$'000	\$'000	%
Revenue excl interest	240,954	208,710¹	15
Expenses (excl R&D, interest, D & A)	123,297	107,378²	15
EBITDAR	117,657	101,332	16
EBITDAR Margin	49%	49%	
R&D Expenditure (before capitalisation)	56,929	49,388	15
R&D as % of Revenue ³	24%	24%	
R&D Capitalisation	30,562	25,701	19
EBITDA	91,290	77,643	18
EBITDA Margin	38%	37%	
Depreciation	1,944	1,369	42
Amortisation	30,678	24,111	27
EBIT	58,667	52,163	13
Net Interest Income / (Expense)	2,861	584	
Profit Before Tax	61,529	52,747	17
Profit After Tax	48,003	41,281	16

	H1 FY24	H1 FY23	Var
	\$'000	\$'000	%
EPS (cents)	14.75	12.73	16
Dividend (cents per share)			
Interim dividend	5.08	4.62	10
Dividend Payout Ratio	34%	36%	(2pts)
ROE	15%	16%	(1pts)
Balance Sheet			
Net Assets	317,450	253,458	25
Cash & Investments	172,000	139,131	24
Cash Flow Generation ⁴	(3,789)	1,329	

¹ H1 FY23 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 revenue exclude interests based on R&D expenditure before capitalisation

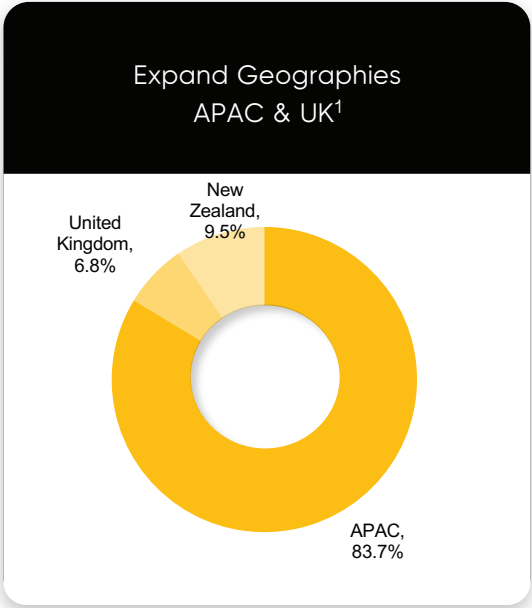
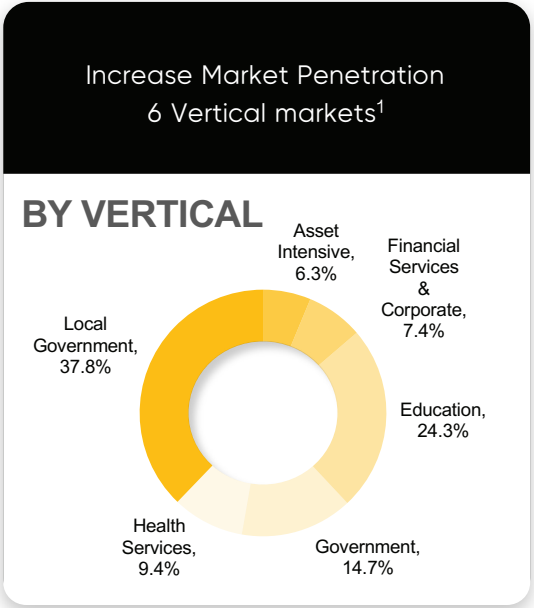
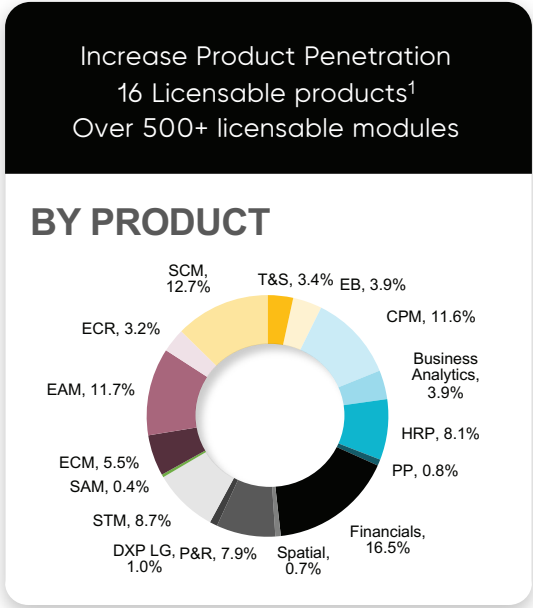
⁴ Cash Flow Generation is Operating Cash Flow less capitalised development costs, capitalised commission costs and lease payments

Appendix F: Drivers for Long Term Growth

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Diversified revenue streams

Strong, very loyal customer base



- 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

Appendix G:

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)			
	H1 FY24	H1 FY23	Var \$	PCP %	H1 FY24	H1 FY23	Var \$	Var %	H1 FY24	H1 FY23	Var \$	PCP %
Total Revenue	244,771	202,901	41,870	21%	0	7,400	-7,400		244,771	210,301	34,470	16%
Total Expenses	183,242	150,753	32,489	22%	0	6,800	-6,800		183,242	157,553	25,689	16%
Profit before tax	61,529	52,147	9,382	18%	0	600	-600		61,529	52,747	8,782	17%

Reversal of contingent consideration

Derecognition of acquired intangible assets

Appendix H: 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

