

2014 Full Year Results Presentation

Year Ending September 30th 2014

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FINAL 3.0 November 2014 Commercial in confidence

TechnologyOneCorp.com



Disclosure Statement

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Technology One Ltd Full Year Presentation - 25 Nov 2014

Technology One Ltd (ASX: TNE) today conducted presentations relating to its 2014 Full Year results.

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



- Results
- Significant Achievements
- Outlook for Full Year
- Long Term Outlook

Appendix

- TechnologyOne Overview

	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			

Results Highlights

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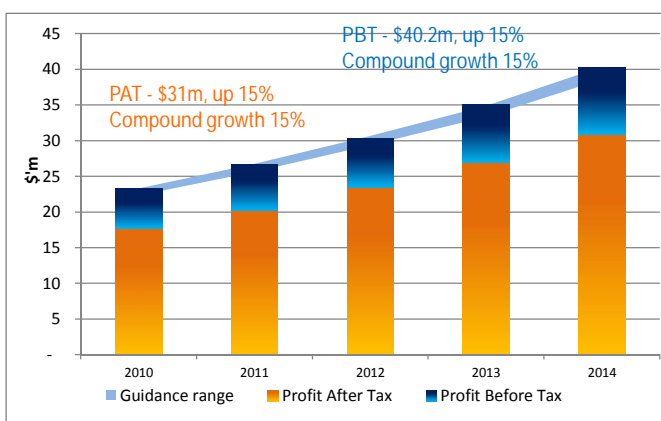
- Continuing strong performance
- Significant investments have continued as follows
 - United Kingdom (\$800k loss)
 - TechnologyOne Cloud (\$2m loss)
 - Preconfigured solutions (\$3m loss)
 - R&D, including Ci Anywhere (\$38m)
 - Fully expensed as incurred

Highlights

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Guidance

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Full Year Guidance

Continuing profit growth of 10% to 15%

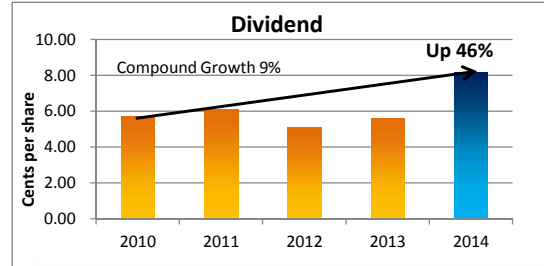
- ✓ Profit Before Tax up 15%
- ✓ Profit After Tax up 15%

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Dividend

Dividends for this year

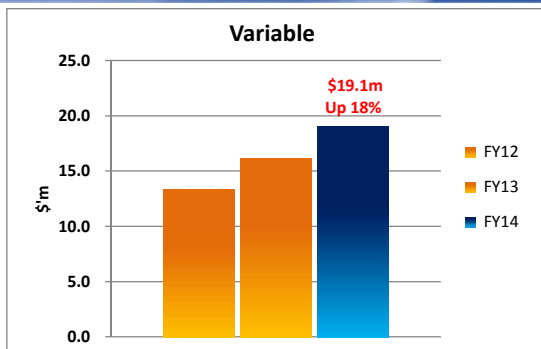
- Half 1 1.95 cps up 10% (paid)
- Half 2 4.21 cps up 10% (declared)
- Sub Total 6.16 cps up 10%
- Special Dividend 2.0 cps (declared)
- Total Dividend 2014 8.16 cps up 46%



Notes

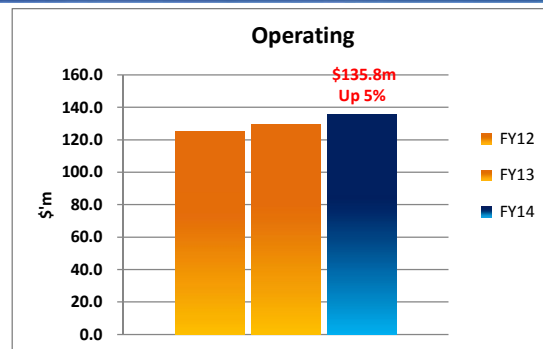
- We have continuously paid a dividend since 1996 (through Dot-Com and GFC)
- As previously advised, the Board considers the payment of a Special Dividend each year
- Dividends are 100% franked dividends
- We continue to consider other Capital Management initiatives

Expenses up 6%



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

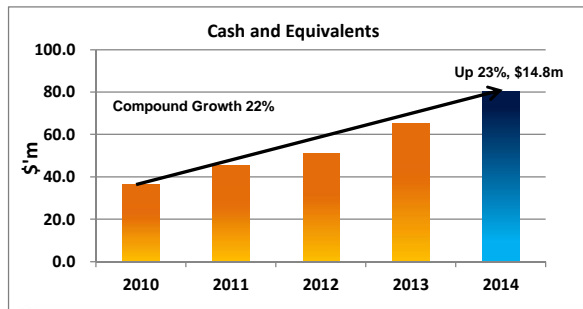
¹Costs directly associated with revenue growth

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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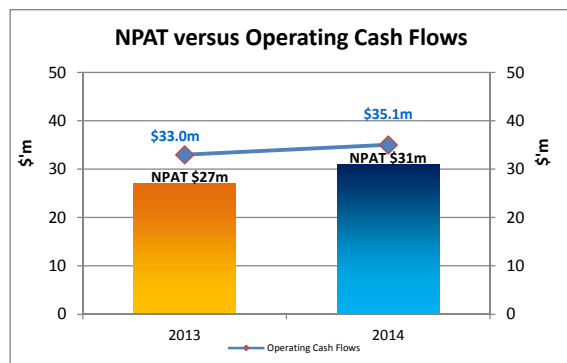
Cash Flow

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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	32,534	2,516	8%
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%					

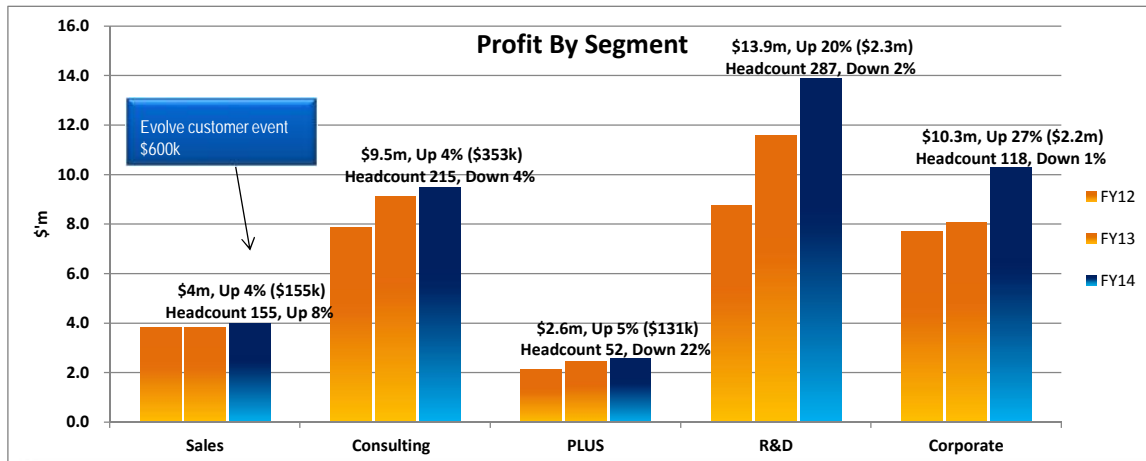
* Adjusted for net cash above required working capital, assumed at two months of staff costs

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Profit By Segment Analysis

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



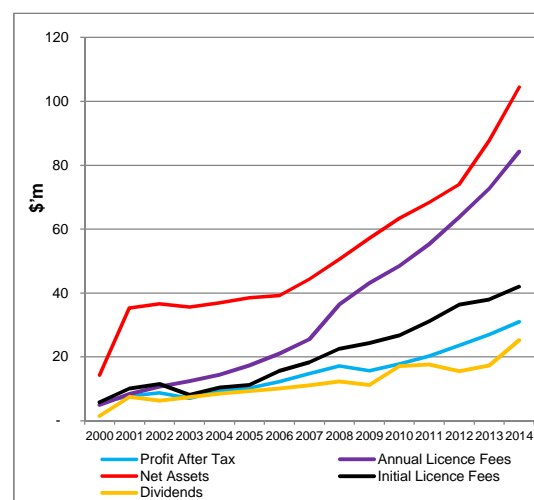
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Historical Performance

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Key metrics over last 15 years ...

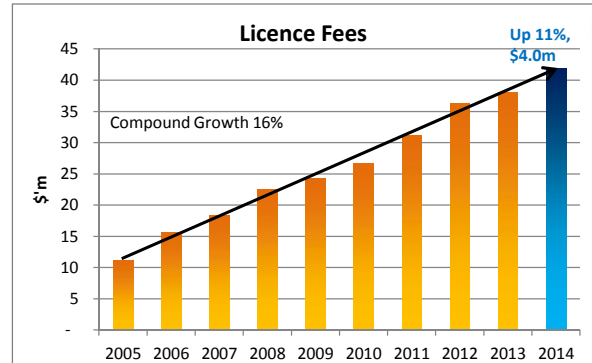
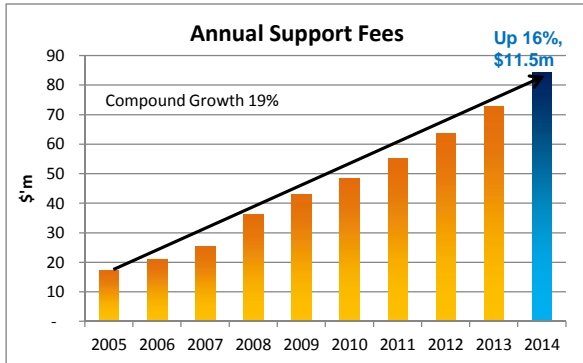
- ✓ Revenue - 15% per annum compound
 - Even through the Dot-Com and GFC
- ✓ Initial Licence Fees - 15% per annum compound
- ✓ Annual Licence Fees - 22% per annum compound
- ✓ Profit After Tax - 13% per annum compound
- ✓ Dividends - 22% per annum compound
- ✓ Net Assets - 15% per annum compound



Doubling in size every 4+ years for last 15 years

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Revenue Streams



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%

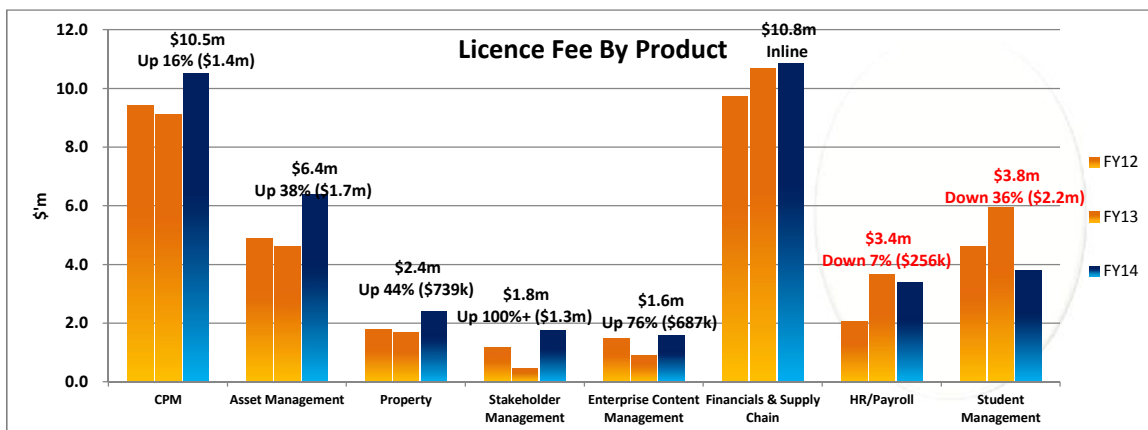
Initial licence fees up 11%

- 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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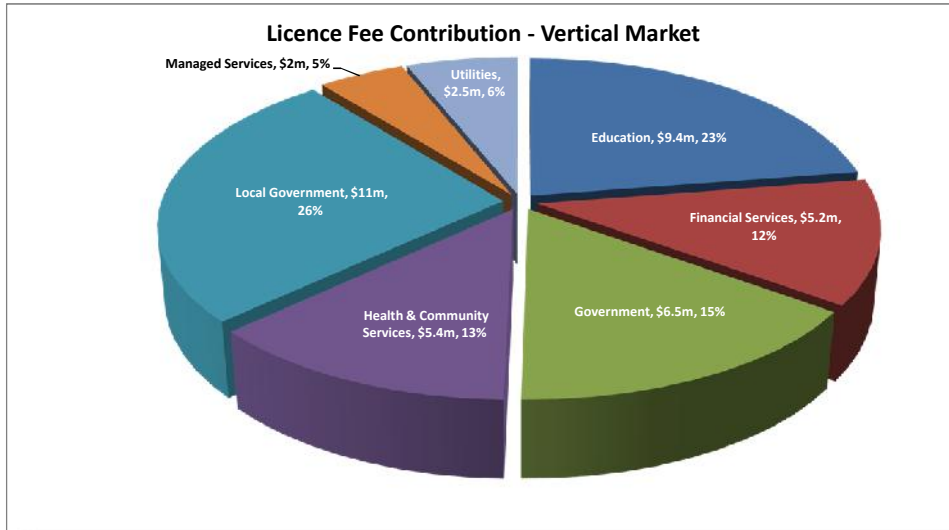
Licence Fee by Product

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



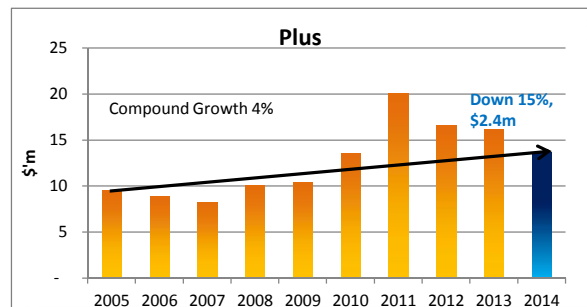
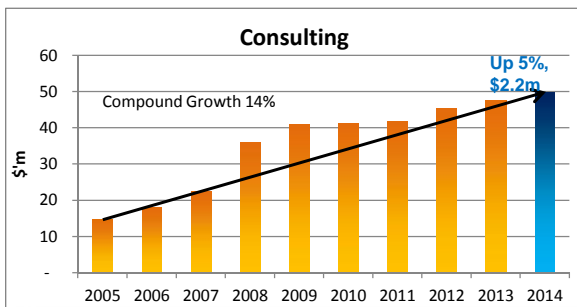
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Licence Fee Contribution - Vertical Market



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Revenue Streams



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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Ci Anywhere

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



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



- ✓ 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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Strengthen Our Executive Team

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Focus on greater experience and depth across the Executive team

- Martin Harwood appointed to OO¹ Sales & Marketing
 - Previously OO Product & Solutions
- Edward Chung appointed to OO¹ Product & Solutions
 - Previously OO Corporate Services
- Gareth Pye appointed to OO¹ Corporate Services
 - Previously Financial Controller
- Paul Rogers remains OO Consulting

¹Operating Officer

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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

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



- Results
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- TechnologyOne Overview

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

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

Our focus next 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



Agenda

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- Results
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- TechnologyOne Overview

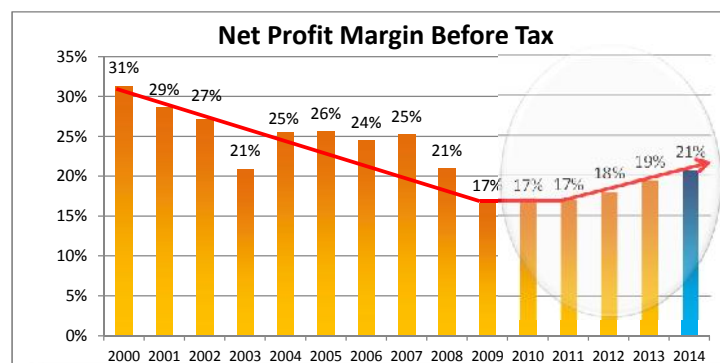
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Long Term Outlook

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Focus is to substantially improve PBT margins through:

- Controlled R&D growth
- Product Maturity



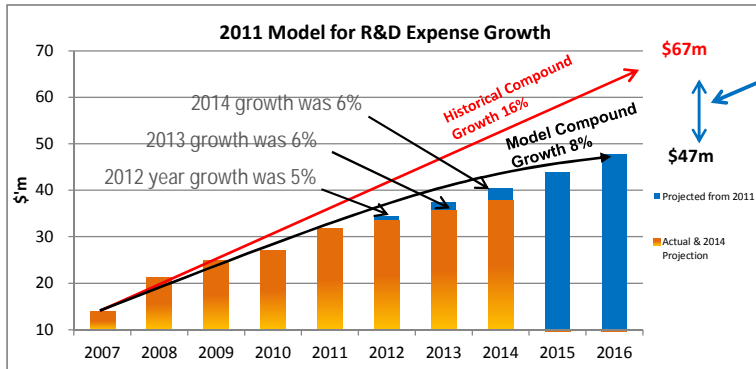
Profit margin improving, as predicted

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Controlled R&D Growth

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



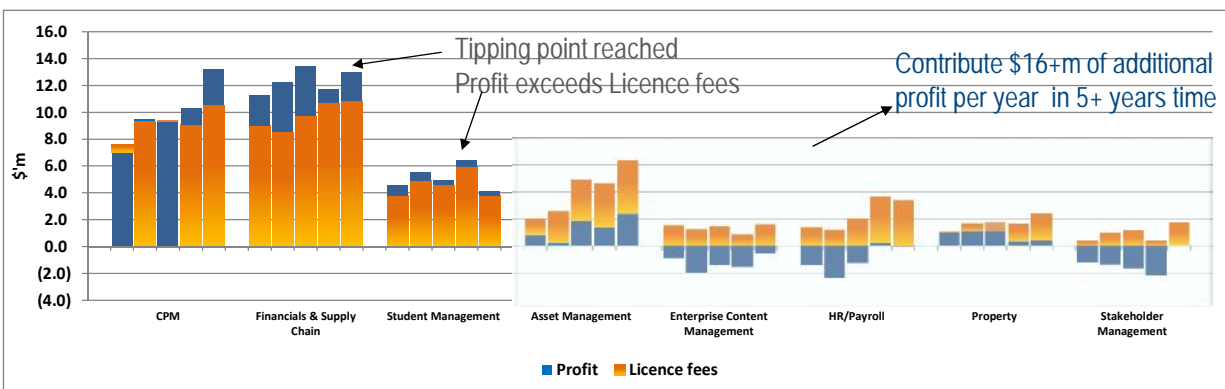
2011 Model, shows savings of \$20m/year in year 5 (2016)

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%

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

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
Clear Strategy

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Positioned well for the future...

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**Cloud first,
mobile first world**



Agenda



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- TechnologyOne Overview



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TechnologyOne Overview



Formed in **1987** Employees **900+** **300+** developers in R&D centre **1000+** Corporations, government and statutory authorities Revenue **\$195+m**

One of Australia's most successful software companies

Continually **profitable** for over 23 years **Doubles in size** Every 4+ years Invest **20%** of revenue back into R&D **14** International offices in Australia | New Zealand | South Pacific | Asia | United Kingdom

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1000+ high profile customers





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TechnologyOne Overview

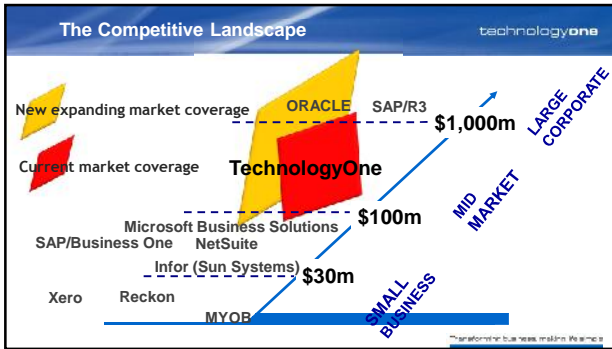


Financially very strong¹

- 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

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

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

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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

We sell to asset and service intensive organisations.
We do not service retail, distribution or manufacturing industries.

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.

Compelling Customer Experience

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

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What makes us unique ... technologyone

The power of evolution

Our enterprise solution adapts and evolves to new technologies

Green screen Client server Connected Intelligence Cloud Computing and Smart Mobile Devices

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

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Our Vision technologyone

Clear & focused vision ...

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Robust Revenue Model technologyone

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 technologyone

	Initial Licence	Implementation Service	Annual Licence	Annual Licence	Annual Licence	...
Initial Buy	[Blue arrow spanning all columns]					
-Based on: No of Users, Products & Modules						
Buy Addn Users - Additional Fee	Initial Licence	Annual Licence	Annual Licence	Annual Licence	Annual Licence	...
Buy Addn Modules - Additional Fee	Initial Licence	Implementation Service	Annual Licence	Annual Licence	Annual Licence	...
Buy Addn Products** - Additional Fee	Initial Licence	Implementation Service	Annual Licence	Annual Licence	Annual Licence	...

** 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



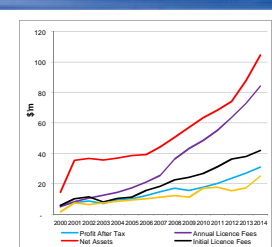
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Historical Performance

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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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