

TechnologyOne SaaS Soars up 44% and drives Strong Profit Growth

BRISBANE, 19 November 2019 – One of Australia's largest enterprise Software as a Service (SaaS) companies, TechnologyOne (ASX: TNE), today announced its financial results for the year ended 30 September 2019, showing continuing strong growth with profit up 208% on the prior year statutory profit restated for AASB15, and up 50% on the prior year comparable profitⁱ, underpinned by the continuing fast growth of the TechnologyOne SaaS ERP solution.

Key results on AASB15 statutory basis¹ were as follows:

- Net Profit Before Tax of \$76.4m, up 208%
- SaaS Annual Recurring Revenue (ARR)ⁱ of \$102m, up 44%
- Revenue of \$286m², up 13%
- Expenses of \$210m, down 9%
- Cashflow Generation³ of \$45m, down 14%
- Cash and Cash Equivalents of \$105m, up 1%
- Total Dividend of 11.93cps, up 8%
- R&D investment of \$60m before capitalisation, up 11%, which is 21% of revenue

¹ AASB15 statutory basis restates FY18 results applying the AAS15 standard.

R&D costs were not capitalised in FY18. As a SaaS company, R&D costs are capitalised from FY19 onwards, which is the common practice of our SaaS peers. AASB15 statutory basis sets a lower bar for the prior comparable period (FY18) and as such is not how we measure the performance of the business. Please refer to the table below called 'Key results on a Comparable basis' which sets a higher bar for the prior comparable period (FY18) to measure the performance of our business.

² Includes other income of \$1.4m.

³ Cashflow Generation is Cashflow from operating activities less capitalised development costs. This is a non IFRS financial measure.

The profit before tax of \$76.4m was up 15% on the prior year reported result before the introduction of AASB15 of \$66.5m.

Key results on Comparable¹basis were as follows:

- Net Profit Before Tax of \$76.4m, up 50% on comparable basis¹
- SaaS Annual Recurring Revenue (ARR)ⁱ of \$102m, up 44%
- Revenue of \$286m², up 13%
- Expenses of \$210m, up 3%
- Cashflow Generation³ of \$45m, down 14%
- Cash and Cash Equivalents of \$105m, up 1%
- Total Dividend of 11.93cps, up 8%
- R&D investment of \$60m before capitalisation, up 11%, which is 21% of revenue

¹ Comparable method restates FY18 applying AASB15. It also assumes non-IFRS proforma capitalisation of R&D costs (50%, \$26m) for the FY18 year and is unaudited. As a SaaS company, R&D costs are capitalised from FY19 onwards, which is the common practice of our SaaS peers. We measure our performance using the comparable method because it is a better reflection of the performance of our business, setting a higher bar for the prior comparable period (FY18) than the AASB15 statutory reporting. It allows for a 'like for like' comparison of the performance of the business, assuming R&D costs were capitalised in FY18. The AASB15 Statutory Profit for FY18 is \$24.8m versus the Comparable Profit for FY18 of \$50.8m

² Includes other income of \$1.4m.

³ Cashflow Generation is Cashflow from operating activities less capitalised development costs. This is a non IFRS financial measure.

The profit before tax of \$76.4m was up 15% on the prior year reported result before the introduction of AASB15 of \$66.5m.

TechnologyOne CEO, Mr Edward Chung said: "I am pleased to announce our tenth consecutive year of record profit and record Annual Recurring Revenue (ARR) for TechnologyOne.

"Our global SaaS ERP solution is transforming our customers' business and makes life simple for them. This is resonating strongly with the market, driving our continuing strong results.

"The TechnologyOne global SaaS ERP solution is growing very fast with SaaS ARR of \$102m, up 44%. This growth is all organic and includes no acquisitions. We added 88 enterprise customers this year to our global SaaS solution.

We now have 435 large scale enterprise customers, with hundreds of thousands of users, making it the largest single instance SaaS ERP offering in Australia.

"Our Total Annual Recurring Revenue has now hit \$202m and is set to exceed \$500m in FY24.

"Our global SaaS ERP solution is delivering a compelling value proposition for our customers providing them any device, anytime 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 acquire new, large enterprise customers from our competitors. 18 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 24 major deals with \$65 million in total contract value. We have more than 300 council customers and are continuing to grow fast. In Education, we closed 13 major deals with \$50m in total contract value, cementing our position as the dominant provider to the APAC education sector.

“The APAC region performed strongly with profit up 40%, underpinned by strong SaaS growth from our market leading enterprise SaaS offering. We continued to invest strongly in the UK and its result improved by 64%.

“We remain excited about the significant opportunities for the coming years in both our SaaS offering and the UK market.

“We will continue to grow quickly, and like we have in the past 32 years, we expect to double in size again in the next 5 years” Mr Chung said.

Mr Chung said “TechnologyOne has consistently delivered strong and growing results since listing on the ASX in 1999. Our ability to deliver these results for 20 years is due to our clear vision, strategy and our significant investment in R&D.

“TechnologyOne invested over \$60 million in R&D this year and we continue to invest in new exciting ideas and innovation including Artificial Intelligence and Machine Learning, which we will ship in our 2020A release in the first half of 2020.”

TechnologyOne Executive Chairman, Mr Adrian Di Marco said “2019 was a transition year to the new AASB15 accounting standard and reporting as a SaaS company. Over the last few years we have made the transition to a SaaS company, reengineering our business, systems and processes, and retrained our entire organisation. It is pleasing today to release these strong results after all the hard work.

“We have now also become the ‘go to standard’ for SaaS ERP solutions for both Local Government and Higher Education. Today, we have over 150 local councils and universities using our SaaS ERP solution to run their organisations, transforming their business and making their life incredibly simple. This is a significant achievement.

“We are also seeing significant growth for our global SaaS ERP solution in other industries such as Government, Health & Community Services and Asset/Project Intensive industries.

“We have not seen any significant competitive threat in our markets from the older generation products typified by large multi-national vendors. These older products cannot offer a simple and easy transition from their traditional on premise enterprise solution to a fully functional multi-tenanted global SaaS ERP solution. Our customers are able to move in as little as two weeks, to two months for our very large customers, from on premise to our multi-tenanted massively scale

SaaS solution, with no loss of functionality. They see immediate benefit of a much more efficient, simpler and cost effective solution that is also 'future proof' as we continually add new features, new capabilities and new technologies.

"We have also not seen any significant competitive threat from any of the newer SaaS players, which are still many years from being able to offer an enterprise footprint that comes close to ours.

"We have seen the proliferation of 'best of breed' point solution in the SaaS world because, up until now, there was not a fully functional SaaS ERP solution available. This has all changed now with the TechnologyOne global SaaS ERP solution, and demand for our solution has been significant. We saw the proliferation of 'best of breed' systems in the 'on premise world', but this all changed when ERP solutions became available. We are seeing the same phenomenon happening in the SaaS world, and we are well placed to capitalise on this trend.

"The clarity of our vision, coupled with our market leading global SaaS ERP solution, will continue to underpin strong growth in the years to come both here in ANZ and in the UK.

"These strong results would not have been possible without the talented and committed people who make up TechnologyOne led by our CEO, Edward Chung.

"In light of the company's strong results, and our confidence going forward, the dividend for the full year has increased to 11.93 cents per share, up 8% on the prior year." Mr Di Marco said.

Outlook

Our sales pipeline for the new financial year remains strong and the TechnologyOne SaaS business will continue to grow strongly in the new financial year. This supports the outlook for continuing strong profit growth once again over the full year.

The company will provide further guidance at both the Annual General Meeting and with the FY20 first half results.

Further information

This market release should be read in conjunction with the TechnologyOne Investor Presentation and the TechnologyOne Statutory Accounts attached to the Appendix 4E. All documents are available on the ASX Announcement platform.

Results teleconference

TechnologyOne will present the 2019 full year results to analysts on a conference call on Tuesday 19 November at 11am AEDT (10am AEST). Details will be provided to invited attendees. You can register for the webcast at TechnologyOneCorp.com/about-us/shareholders.

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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.

ⁱ An unaudited non-IFRS financial measure