

Delivering a  
Cloud first,  
mobile first world

## 2016 Full Year Results

Full year ending 30 September 2016

Adrian Di Marco, Executive Chairman

22 Nov 2016  
Commercial in confidence  
Final vsn



### Disclosure Statement

#### Technology One Ltd Full Year Presentation – 22 November 2016

Technology One Ltd (ASX: TNE) today conducted a series of presentations relating to its 2016 Full Year results.

These slides have been lodged with the ASX and are also available on the company's web site: [www.TechnologyOneCorp.com](http://www.TechnologyOneCorp.com).

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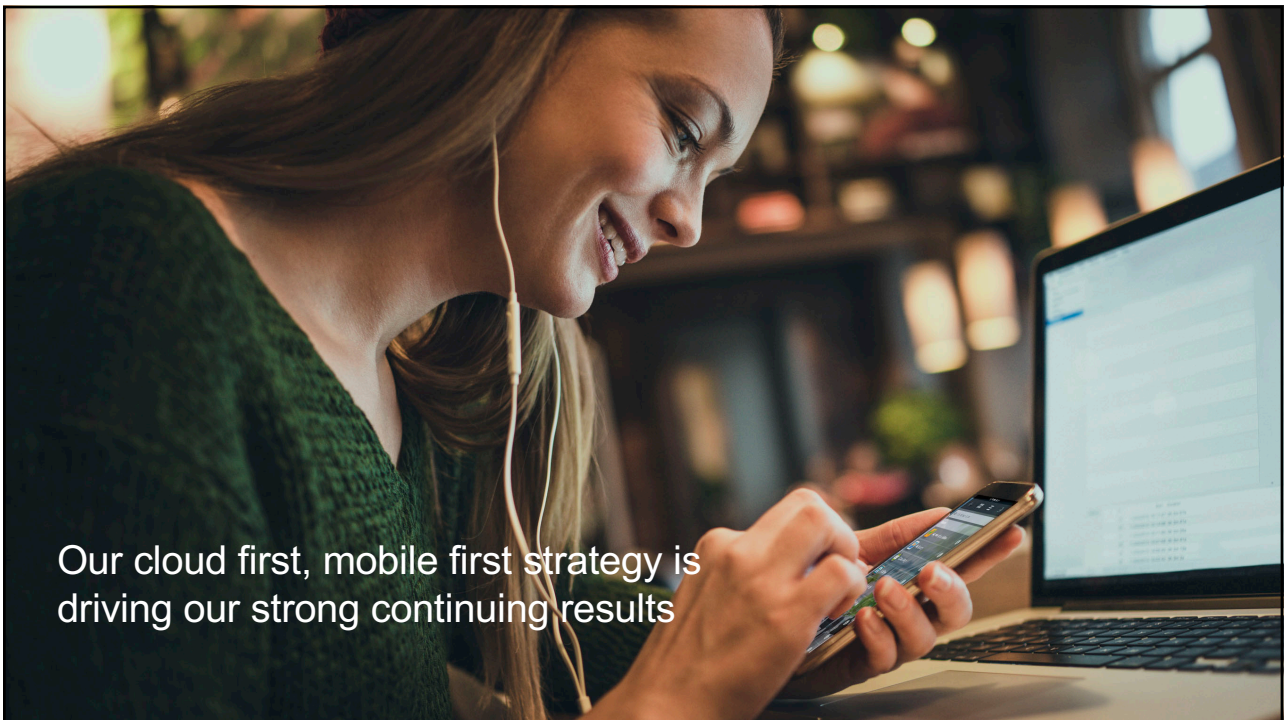
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mobile first world

## Agenda

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

## Appendix

- TechnologyOne Overview



Our cloud first, mobile first strategy is  
driving our strong continuing results



## Results Summary

	FY16	FY15	Variance %
<b>Revenue</b>	<b>\$249.0m</b>	<b>\$218.7m</b>	<b>14%</b>
Initial Licence Fees	\$56.2m	\$49.3m	14%
Total Consulting <sup>2</sup>	\$71.1m	\$65.6m	8%
Annual Licence Fees	\$108.5m	\$95.3m	14%
Cloud Service Fees	\$10.1m	\$4.1m	145%
<b>Expenses</b>	<b>\$195.8m</b>	<b>\$172.2m</b>	<b>14%</b>
R&D Expenses incl. Acquisitions <sup>1</sup>	\$46.0m	\$41.0m	12%
R&D Expenses excl. Acquisitions	\$44.3m	\$40.5m	9%
Expenses excl R&D	\$149.8m	\$131.2m	14%
<b>Profit</b>			
Profit Before Tax	\$53.2m	\$46.5m	15%
Profit After Tax	\$41.3m	\$35.8m	16%
<b>Other</b>			
Operating Cash Flow	\$43.7m	\$37.6m	16%
Cash and Cash Equivalents	\$82.6m	\$75.5m	9%
Profit Before Tax Margin	21%	21%	
Dividend	9.45	8.78	8%

Refer slide: R&amp;D

Refer slide: Margin Analysis

<sup>1</sup>19% of revenue v 19% last year<sup>2</sup>Total Consulting includes Plus

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## Margin Analysis

TechnologyOne Cloud made a \$2.2m loss  
The TechnologyOne Cloud continued to impact our margins significantly

	Company	Cloud	Company Excl. Cloud
<b>FY16</b>			
Revenue	\$249.0m	\$10.1m	\$238.9m
Profit	\$53.2m	(\$2.2m)	\$55.4m
<b>Margin %</b>	21%	(22%)	23%
<b>FY15</b>			
Revenue	\$218.7m	\$4.1m	\$214.6m
Profit	\$46.5m	(\$2.5m)	\$49.0m
<b>Margin %</b>	21%	(62%)	23%

Our investment in the TechnologyOne Cloud is impacting our margins in the short term  
TechnologyOne Cloud will make a significant contribution to margins in the coming years

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## Margin Analysis

Acquisitions added \$2.2m profit contribution  
Acquisitions had no impact on our margins

	Company	ICON	DMS	JRA	Company Excl. Acq
<b>FY16</b>					
Revenue	\$249.0m	\$1.8m	\$5.3m	\$2.3m	\$239.6m
Profit	\$53.2m	(\$28k)	\$1.6m	\$572k	\$51.0m
<b>Margin %</b>	21%	(2%)	31%	25%	21%
<b>FY15</b>					
Revenue	\$218.7m	\$1.9m	\$2.3m	\$0.0m	\$214.5m
Profit	\$46.5m	\$0.5m	\$0.6m	\$0.0m	\$45.4m
<b>Margin %</b>	21%	26%	26%	0%	21%

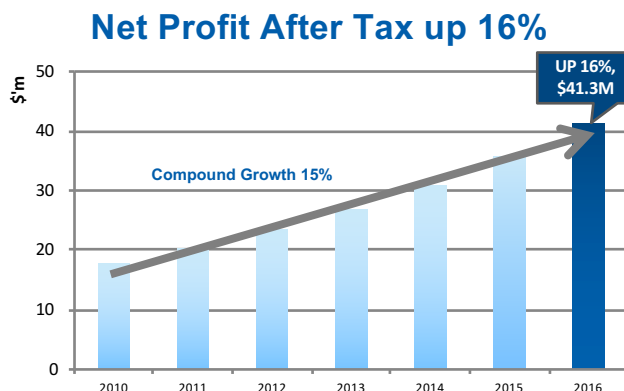
We have made substantial progress in the integration of these acquisitions into our business. The redevelopment of these products onto our powerful Ci Anywhere platform, and to deeply integrate them into our enterprise suite

The \$2.2m profit contribution from acquisitions compensated for the \$2.2m loss in the TechnologyOne Cloud

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## We continue to double in size every 4 to 5 years

Over the last seven years compound growth in NPAT has been 15% per annum.



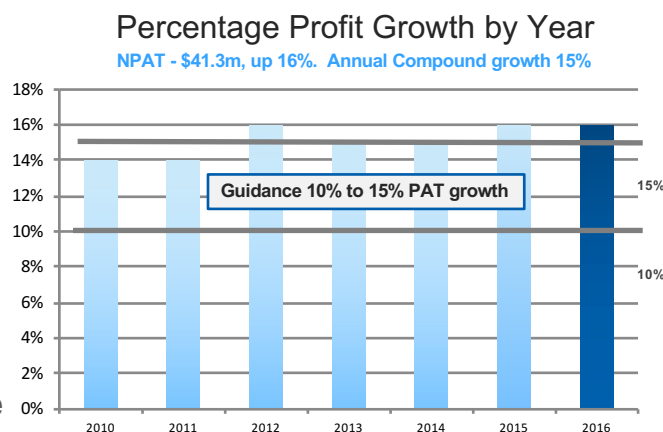
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## Top End of Full Year Guidance Achieved

### Full Year Guidance

Continuing profit growth of 10% to 15%

- ✓ Profit Before Tax up 15%
- ✓ Profit After Tax up 16%
- ✓ Seventh year achieved top end of guidance



Over last 7 years we have consistently met the top end of our guidance (10% to 15% profit growth)

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## Significant investments

TechOne Cloud \$2.2m loss (\$2.5m loss in 2015 )

R&D of \$46m, fully expensed<sup>1</sup> (\$41m in 2015)

- Ci - existing very successful enterprise software suite
- Ci Anywhere - our new generation product for smart mobile devices

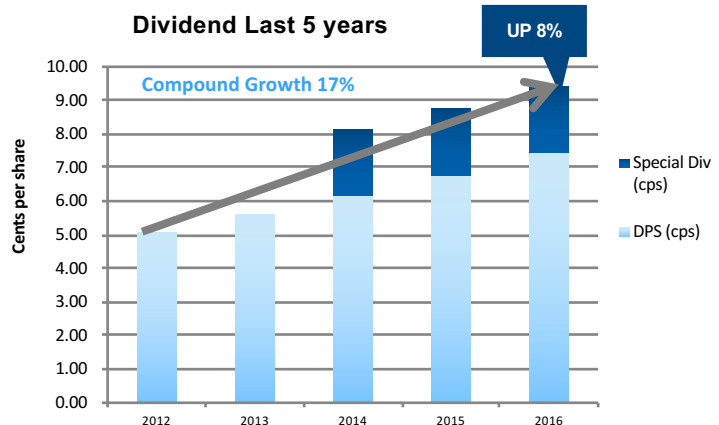
<sup>1</sup>Fully expensed in the year incurred

## Total Dividend Up 8%

### Dividends for the 2016 year:

Half 1	2.36 cps up 10% (paid)
Half 2	5.09 cps up 10% (declared)
<b>Total</b>	<b>7.45 cps up 10%</b>
Special	2.00 cps (as per last year)
<b>Total</b>	<b>9.45 cps up 8%</b>

Dividend payout ratio is 72%



#### Notes

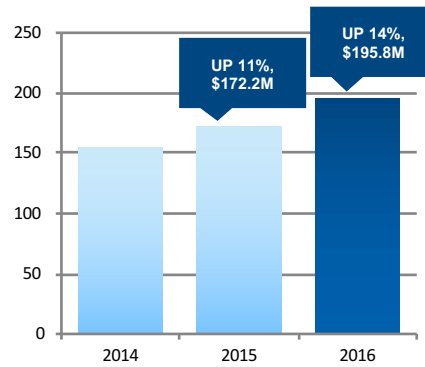
- We have continuously paid a dividend for 20 years - since 1996 (through Dot-Com and GFC)
- The Board considers the payment of a Special Dividend at the end of each year taking into consideration franking credits and other factors
- The Board continues to consider other Capital Management initiatives including acquisitions
- No Special Dividend in 2012 & 2013 because of a lack of franking credits

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## Total Expenses Up 14% (\$23.5m)

versus Revenue up 14%

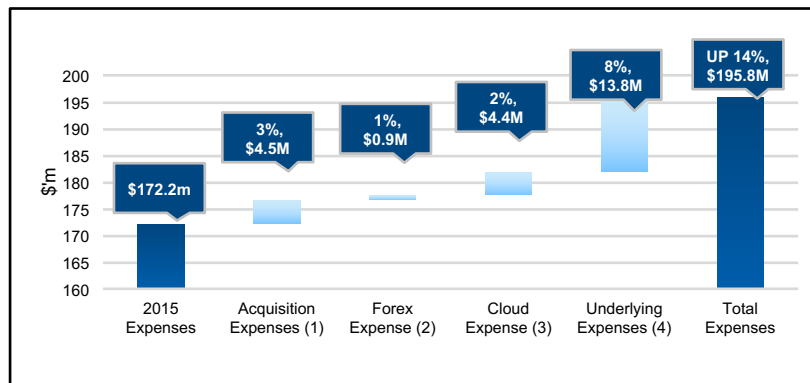
Total Expenses



Total Expenses above guidance of 11% growth

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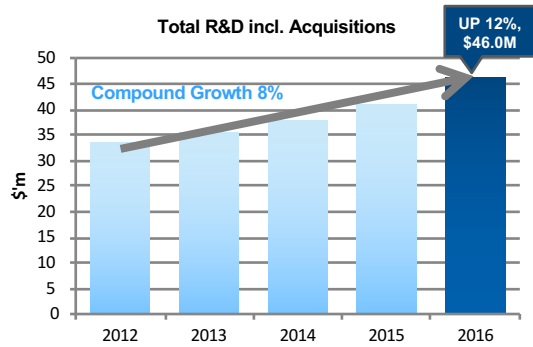
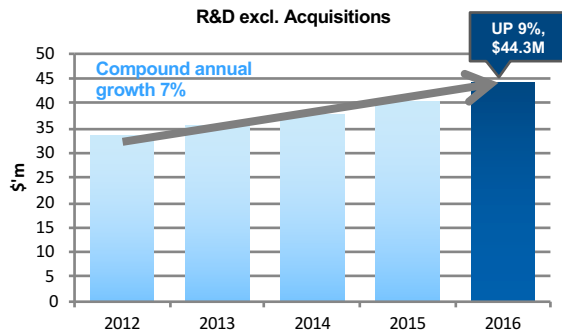
## Total Expenses Up 14% (\$23.5m)



- 1) Acquisitions: additional \$4.5m in costs for the full year
- 2) Forex: \$900k loss in H1 – we are no longer holding USD
- 3) Cloud costs up \$4.4m - additional \$1m in cloud costs due to slower rollout of cloud 5.0
- 4) Staff cost increase contributed 72% of cost increase – this is to support stronger than expected growth across the business (consulting and cloud) and focus on fast tracking Ci Anywhere development in 2017

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## Total R&D Expenses up 12% fully expensed



### R&D<sup>1</sup> expenses excluding acquisitions up 9%

- The CAG<sup>2</sup> of 7% over the period remains below 8% target set in 2011
- New R&D plan for the next 5 years, which once again recommits the company to deliver CAG of 8% or less over that period.

### R&D expenses including acquisitions up 12%

<sup>1</sup>The 8% target was set excluding acquisitions

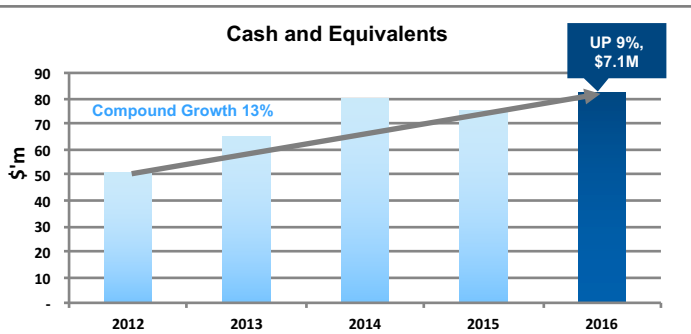
<sup>2</sup>CAG – Compound Annual Growth

<sup>3</sup>R&D fully expensed in the year it is incurred

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## Balance Sheet

- **Cash & Cash Equivalents<sup>1</sup>** \$82.6m (vs. \$75.5m, up \$7.1m)
- **Net Cash<sup>2</sup>:** 26.49c/s (vs. 24.42c/s)
- **Debt/Equity:** 0.02% (vs. 2.02%)
- **Net Assets:** \$138.5m (vs. \$117.9m, up \$20.6m)
- **Interest Cover:** 683 times



<sup>1</sup> includes \$2m payment for JRA acquisition, \$4m extra prepayment for cloud infrastructure

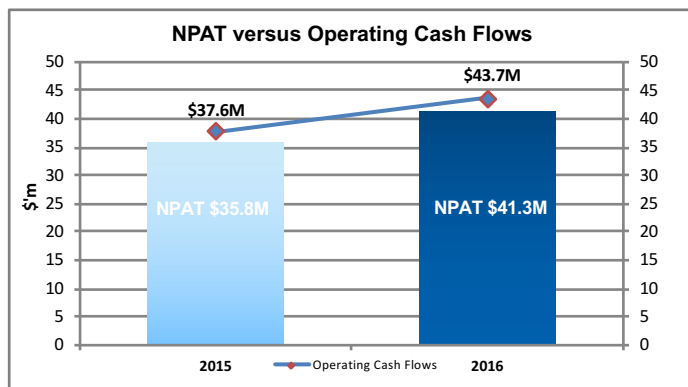
	Sep-16 \$'000	Sep-15 \$'000	Var \$'000	%
Cash & cash equivalents	82,588	75,536	7,052	9%
Prepayments	5,817	1,802	4,015	223%
Trade and other receivables	41,642	38,273	3,369	9%
Earned and unbilled income	16,421	10,230	6,191	61%
Other current assets	793	355	438	123%
<b>Current assets</b>	<b>147,261</b>	<b>126,196</b>	<b>21,065</b>	<b>17%</b>
Property, plant and equipment	11,681	10,012	1,669	17%
Intangible assets	48,088	37,245	10,843	29%
Earned and unbilled income	3,980	1,880	2,100	112%
Deferred tax assets	7,512	7,314	198	3%
<b>Non-current assets</b>	<b>71,261</b>	<b>56,451</b>	<b>14,810</b>	<b>26%</b>
<b>Total Assets</b>	<b>218,522</b>	<b>182,647</b>	<b>35,875</b>	<b>20%</b>
Trade and other payables	39,483	30,539	8,944	29%
Provisions	16,921	13,930	2,991	21%
Current tax liabilities	1,085	3,479	(2,394)	(69%)
Unearned revenue	20,885	12,672	8,213	65%
Borrowings	29	2,392	(2,363)	(99%)
Other non-current liabilities	1,625	1,695	(69)	(4%)
<b>Liabilities</b>	<b>80,028</b>	<b>64,707</b>	<b>15,322</b>	<b>24%</b>
<b>Net Assets</b>	<b>138,494</b>	<b>117,940</b>	<b>20,554</b>	<b>17%</b>
Issued Capital and Reserves	68,334	59,556	8,778	15%
Retained earnings	70,160	58,384	11,776	20%
<b>Equity</b>	<b>138,494</b>	<b>117,940</b>	<b>20,554</b>	<b>17%</b>

<sup>2</sup>after debt per share

## Cash Flow

**Operating Cash Flow (\$43.7m), has improved substantially over the full year**

- Up \$6.1m, 16% from \$37.6m Sept 2015
- Vs NPAT of \$41.3m
- Vs negative \$3.3m at the half year



	Sep-16 \$ '000	Sep-15 \$ '000	Var	%
NPBT	53,240	46,494	6,746	15%
Depreciation & Amortisation	3,924	4,157	(233)	(6%)
Change in working Capital				
(Increase) / Decrease in Debtors	(3,913)	(6,415)	2,502	39%
(Increase) / Decrease in Prepayments	(3,996)	(583)	(3,413)	(585%)
Increase / (Decrease) in Creditors	1,560	2,445	(885)	(36%)
Increase / (Decrease) in Staff Entitlements	1,139	1,516	(377)	(25%)
Net Interest Paid	934	1,152	(218)	(19%)
Income Taxes paid	(10,711)	(10,699)	(12)	(0%)
Other	1,563	(425)	1,988	468%
<b>Operating Cash Flow</b>	<b>43,741</b>	<b>37,642</b>	<b>6,099</b>	<b>16%</b>
Capital Expenditure	(4,889)	(4,338)	(551)	(13%)
Payment for purchase of business <sup>1</sup>	(3,017)	(12,556)	9,539	76%
Net of cash acquired	0	567	(567)	(100%)
Proceeds from Sale of PP&E and Investments	13	6	7	118%
<b>Free Cash Flow</b>	<b>35,848</b>	<b>21,321</b>	<b>14,527</b>	<b>68%</b>
Dividends Paid	(27,958)	(25,868)	(2,090)	(8%)
Repayment of finance lease	(2,363)	(1,137)	(1,226)	(108%)
Proceeds from Shares issued	1,525	1,011	514	51%
<b>Increase / (Decrease) in Cash &amp; Cash equivalents</b>	<b>7,052</b>	<b>(4,673)</b>	<b>11,724</b>	<b>251%</b>

<sup>1</sup> Acquisition of JRA

## Results - Analysis

Full Year 2016 v Full Year 2015	FY16 \$'000	FY15 \$'000	Variance \$'000	%
<b>Revenue excl interest</b>	<b>248,142</b>	<b>217,113</b>	<b>31,029</b>	<b>14%</b>
Expenses (excl R&D, interest, Depn & Amortisation)	145,768	126,887	18,881	15%
<b>EBITDAR</b>	<b>102,374</b>	<b>90,226</b>	<b>12,148</b>	<b>13%</b>
R&D Expenditure	46,009	41,041	4,968	12%
<b>EBITDA</b>	<b>56,365</b>	<b>49,185</b>	<b>7,180</b>	<b>15%</b>
Depreciation	3,394	3,478	(84)	(2%)
Amortisation of Intangibles	530	678	(148)	(22%)
<b>EBIT</b>	<b>52,441</b>	<b>45,029</b>	<b>7,412</b>	<b>16%</b>
Net Interest Income	799	1,465	(666)	(45%)
<b>Profit Before Tax</b>	<b>53,240</b>	<b>46,494</b>	<b>6,746</b>	<b>15%</b>
<b>Profit After Tax</b>	<b>41,344</b>	<b>35,785</b>	<b>5,559</b>	<b>16%</b>

**R&D is a significant expenditure we incur today, to build the platform for our continuing strong growth in the future**

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## Results – Key Metrics

Full Year 2016 v Full Year 2015	2016	2015	Variance %
<b>EPS (cents)</b>	<b>13.26</b>	<b>11.57</b>	<b>15%</b>
<b>Dividends (cents)</b>			
Standard	7.45	6.78	10%
Special	2.00	2.00	-
<b>Total dividends paid (cents)</b>	<b>9.45</b>	<b>8.78</b>	<b>8%</b>
Dividend Payout Ratio	72%	76%	
<b>Key Margin Analysis</b>			
EBITDAR Margin	41%	41%	
EBITDA Margin	22%	22%	
Net Profit Before Tax Margin	21%	21%	

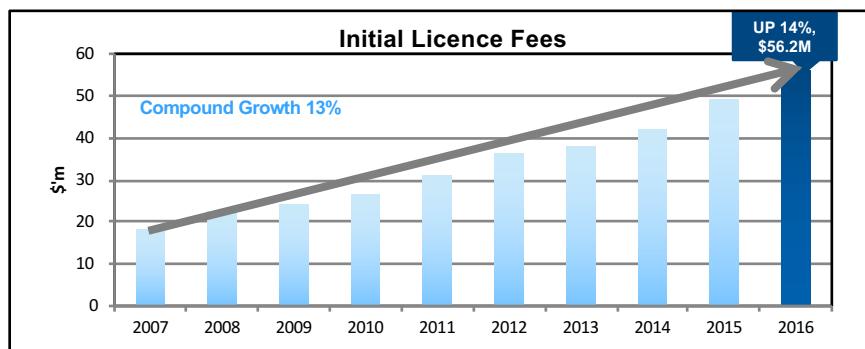
  

Full Year 2016 v Full Year 2015	2016	2015	Variance %
<b>ROE</b>			
Return on equity	31%	30%	
Adjusted return on equity <sup>1</sup>	61%	63%	
<b>Balance Sheet (\$'000s)</b>			
Net Assets	138,494	117,940	17%
Cash & Cash Equivalents	82,588	75,536	9%
<b>Operating cash flows</b>	<b>43,741</b>	<b>37,642</b>	<b>16%</b>
Debt/Equity	0.02%	2%	
<b>R&amp;D as % of Total Revenue</b>	<b>19%</b>	<b>19%</b>	

<sup>1</sup>Adjusted for net cash above required working capital, which was assumed at \$12m

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## Initial Licence Fees Up 14% vs In line at the half



- 13th consecutive year of strong L/Fee growth
- Added 64 new customers, of which 12 replaced systems from Oracle, SAP, Microsoft & INFOR
- High profile wins: TAFE Queensland, Department of Agriculture & Water Resources, Department of Health NT, Department of Finance (ACT), Commonwealth Director of Public Prosecutions (ACT)
- Pipeline for 2017 year is strong

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## New Customers for 2016 (64)

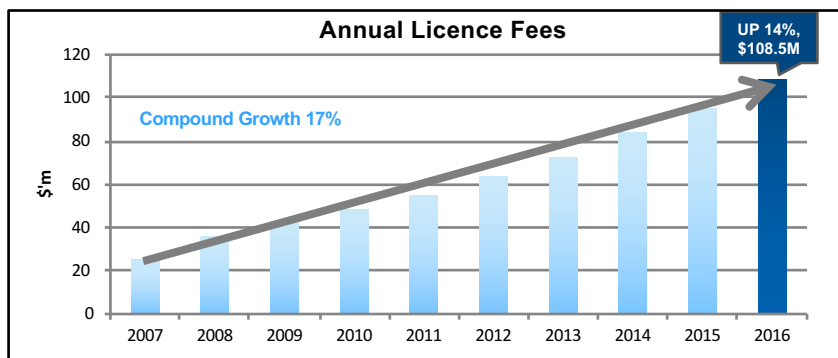
Alpine Energy Limited	Department of Finance	Ngati Hine Trust Board	University of Exeter
Anglicare WA	Department of Health NT	Ongo Partnership Ltd	VicSuper Pty Ltd
Arvida Limited	Ealing, Hammersmith & West London College	Parkes Shire Council	West College Scotland
Australian Catholic University Limited	Equity Housing Group	Police Health Limited	Western Victoria Primary Health Network
Bairnsdale Regional Health Service	Eurobodalla Shire Council	Qattro Pty Ltd	
Bass Coast Shire Council	Glasgow Clyde College	Queensland Catholic Education Commission	
Borough of Queenscliffe	Goldfields Money Limited	Queensland Police Citizens Youth Welfare	
Building Qld	Governor's Establishment	Queensland Teachers Union of Employees	
Cambridge City Council	Harness Racing NSW	REO Investment Pty Ltd	
Camden Council	Hornsby Shire Council	Road Safety Commission	
Catholic Schools Office Maitland-Newcastle	Huntingdonshire District Council	Seasons Living Australia Pty Ltd	
CBHS Health Fund Limited	Investment Fiji	South Cambridgeshire District Council	
Cenet	JR & EG Richards Pty Ltd	South Western Sydney Primary Health Network Ltd	
CIPFA Business Limited	Kumul Consolidated Holdings	Stanlake Private Hospital Pty Ltd	
City of Canning	Latrobe University**	TAFE Queensland**	
Clarence City Council	Legal Practice Board Western Australia	The Cootharinga Society of North Queensland	
Clinical Laboratories Pty Ltd	Leicester City Council	The Schizophrenia Fellowship of Queensland Inc	
Commonwealth Director of Public Prosecutions	Live Borders Limited	The Selwyn Foundation	
Credit Union Australia	Mercy Community Services SEQ Limited	The University of Dundee	
Department of Agriculture and Water Resources	National Judicial Staff Services	Tonga Power Limited	

Excluding acquisitions

\*\*New to Existing

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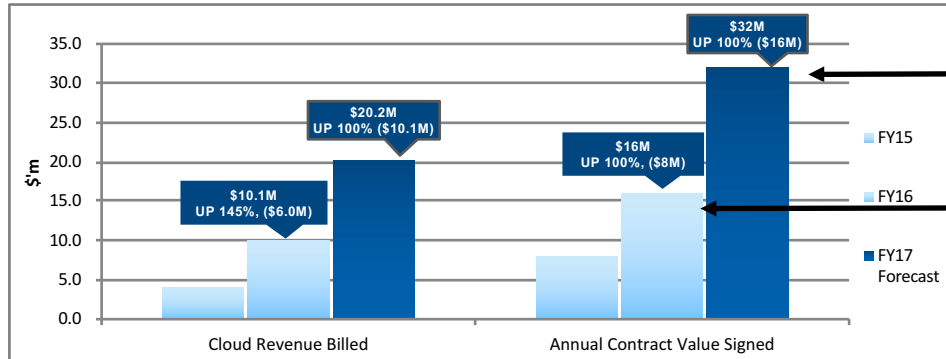
## Annual Licence continues grow strongly: up 14%



- Compound growth over the last 10 years is 17%
- Customer retention is important – remains at 99+%
- Ci Anywhere and TechnologyOne Cloud are critical to the ongoing retention of customers

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## Cloud Service Fees<sup>1</sup> growing strongly: \$16m ACV, up 100%



**Target for Dec 2017 is:**  
\$32m ACV

Strong momentum to continue in future years

**Target for Dec 2016 was:**  
\$16m ACV achieved early, 30 Sep

<sup>1</sup>Cloud Service Fee – incremental revenue to run our software in our cloud. Does not include licence Fees.

ACV – Annual Contract Value

- Cloud Customers: 158 vs 101 at 30 Sept 2015
- New Customer this year: 57 includes LaTrobe University, Commonwealth Department of Public Prosecutions, Department of Finance, Queensland TAFE
- Full year loss of \$2.2m (vs a loss \$2.5m in 2015) – discussed later.
- Focus moves from revenue growth to profitable growth
- Significant contributor to profit in subsequent years

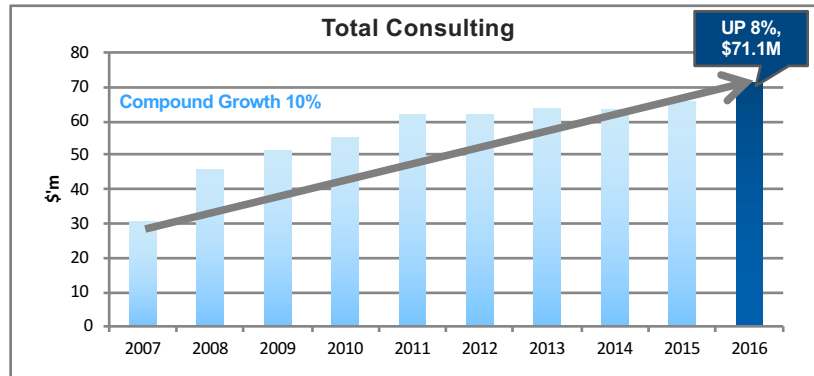
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## New Cloud Customers for 2016 (57)

- |  |   |  |
|--|---|--|
| Aust Communications Authority                | Department of Health                                  | Qld Rural Adjustment Authority                           |
| Australian Catholic University Limited       | Ealing, Hammersmith and West London College           | QLD Treasury Corporation                                 |
| Australian Insurance Holdings                | Equity Housing Group                                  | Queensland Catholic Education Commission                 |
| Bairnsdale Regional Health Service           | Glasgow Clyde College                                 | REO Investment Pty Ltd                                   |
| Bass Coast Shire Council                     | Goldfields Money Limited                              | Ruah Community Services                                  |
| Cambridge City Council                       | Governor's Establishment                              | Salvation Army NSW                                       |
| Catholic Schools Office Maitland-Newcastle   | Hornsby Shire Council                                 | Salvation Army Southern Territory                        |
| CatholicCare Broken Bay                      | Huntingdonshire District Council                      | Seasons Living Australia Pty Ltd                         |
| CBHS Health Fund Limited                     | Latrobe University                                    | South Cambridgeshire District Council                    |
| CEnet  | Legal Practice Board Western Australia                | TAFE Queensland  |
| CIPFA Business Limited                       | Leicester City Council                                | Tasmania Medicare Local Limited                          |
| City of Holdfast Bay                         | Metro South Medicare Local Ltd                        | The Salvation Army - New Zealand, Fiji & Tonga Territory |
| Clarence City Council                        | Mission Providence Pty Ltd                            | The University of Dundee                                 |
| Clinical Laboratories Pty Ltd                | National Centre for Vocational Education Research Ltd | University of Exeter                                     |
| Commonwealth Director of Public Prosecutions | National Heart Foundation                             | University of Sunshine Coast                             |
| Converga                                     | National Portrait Gallery (DPM)                       | West College Scotland                                    |
| Credit Union Australia                       | New Zealand Racing Board                              | Wilson's Administration Services Pty Ltd                 |
| Department of Education & Training           | Ongo Partnership Ltd                                  | Workways Australia Limited                               |
| Department of Finance                        | Palm Island Aboriginal Council                        | Wotif.com Holdings Limited                               |

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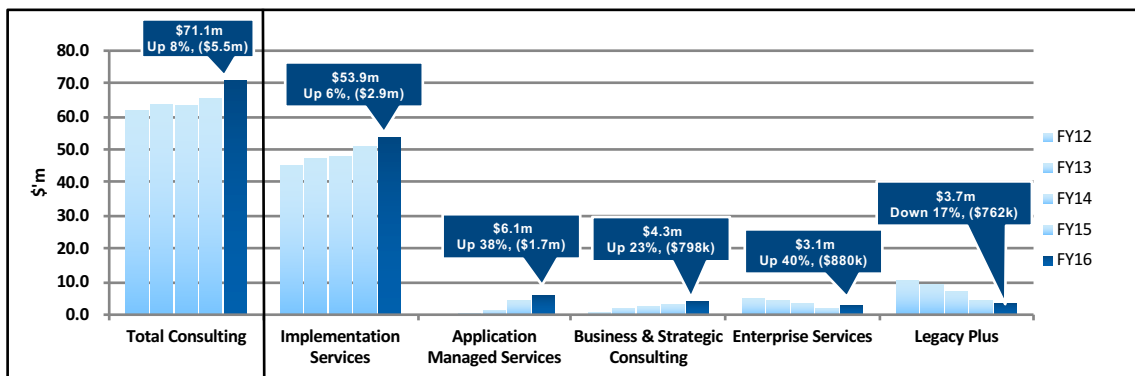
### Total Consulting Revenue up 8% (\$5.5m)



- Compound growth over the last 10 years is 10%
- Profit contribution down 6% (\$596k)
- Instigated changes – discussed later

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### Total Consulting Revenue up 8% (\$5.5m)

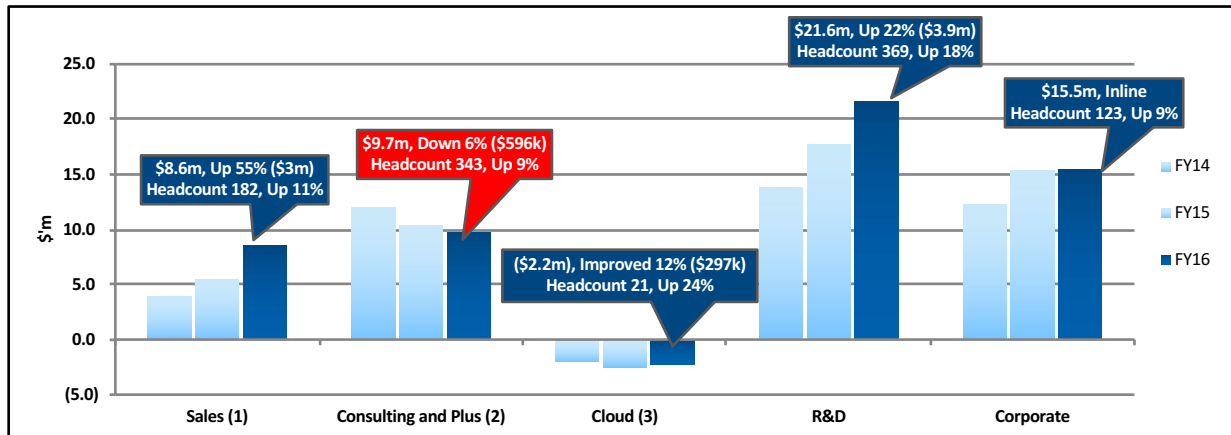


- Implementation Services, revenue up 6% (\$2.9m)
- Application Managed Services<sup>1</sup>, revenue up 38% (\$1.6m). Momentum to continue in 2017 year.
- Business and Strategic Consulting revenue up 23% (\$798k).
- Enterprise Services, revenue up 40% (\$880k)
- Legacy Plus, revenue down 17% (\$762k)
  - Continuing deterioration expected as we wind down 'legacy' services'
  - Strategy to move this business to 'value added' services around our CI products

<sup>1</sup> a new service to allow our customers to outsource the administration and management of their enterprise software back to us

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## Profit By Segment Analysis



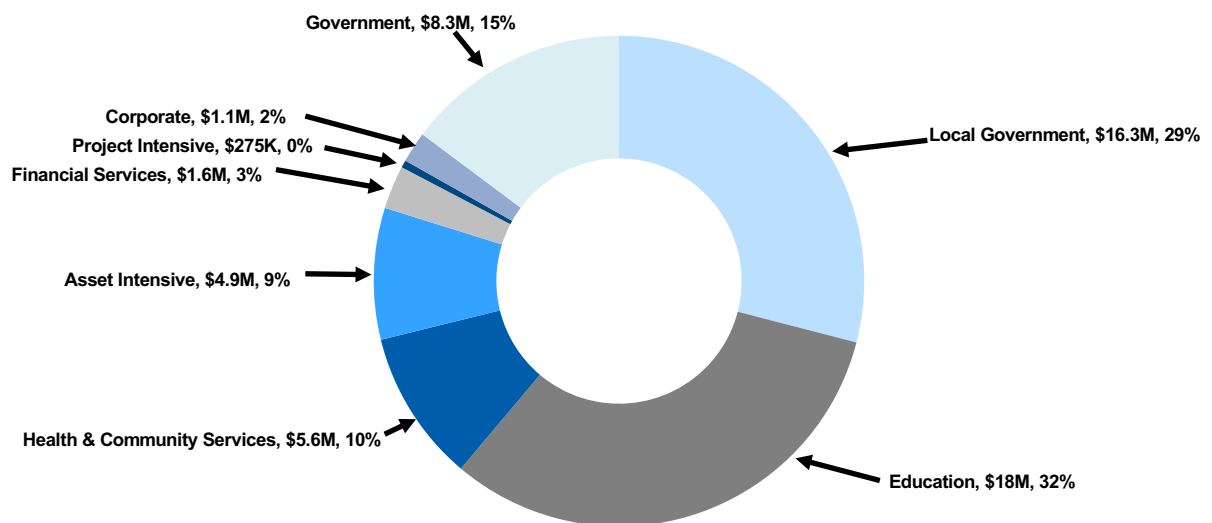
**Net Profit Before Tax \$53.2m, up 15% (\$6.7m)**

Notes are as follows:

- (1) Sales: Licence Fees up \$6.9m (14%)
- (2) Consulting: Discussed later
- (3) Cloud: Continued investment as expected in TechnologyOne Cloud. Strong contributor to profit in 2016/2017

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## Licence Fee Contribution - Vertical Market



**Licence Fees \$56.2m**

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Delivering a  
Cloud first,  
mobile first world

## Agenda

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

## Appendix

- TechnologyOne Overview

✓ TechnologyOne Cloud

✓ Ci Anywhere

Well positioned for  
the digital revolution



Technology Partner of the Year



ERP Cloud Product of the Year



Global Best SaaS Product for Not For Profit or Education



HM Government  
**G-Cloud**  
Supplier

Australian Government  
Shared Services for SaaS

# TechnologyOne Cloud

Enterprise Software as a Service

## 150+ customers on TechnologyOne cloud

The image displays a grid of logos for various customers using TechnologyOne cloud. The logos are arranged in approximately 10 rows and 15 columns. Some of the prominent logos include:

- Government and Public Sector:** Australian Government, The Treasury, Queensland Government, NSW Government, Victoria Government, Western Australian Government, Tasmanian Government, South Australian Government, ACT Government, Northern Territory Government, and various local councils like Brisbane City Council, Whangarei District Council, and Wellington City Council.
- Education:** TAFE Queensland, Macquarie University, University of South Wales, University of Lincoln, University of the Highlands and Islands, and various other educational institutions.
- Healthcare:** Mercy Health, Royal Flying Doctor Service, and various medical centers.
- Business and Industry:** BSA, RBF, You&me B&E, CatholicCare, The City of Newcastle, Clackmannanshire Council, Brookfield, and many others.
- Other:** AsureQuality, ACCESS HOUSING, and various other service providers.

<b>Hosting Providers</b>			<b>TechOne Cloud today</b>			<b>+3 years</b>	
↓					↓		↓
Citrix	Active Active	AutoScale Self Heal	Browser No Citrix	Mass Prodn Multi Tenant	Most Trusted Cloud		

**TechnologyOne Cloud is evolving fast**

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ISO/IEC 27001	ISO/IEC 27017	ISO/IEC 27018
SOC 1	SOC 2	UK G-Cloud

**Most Trusted Cloud**

## TechnologyOne Cloud

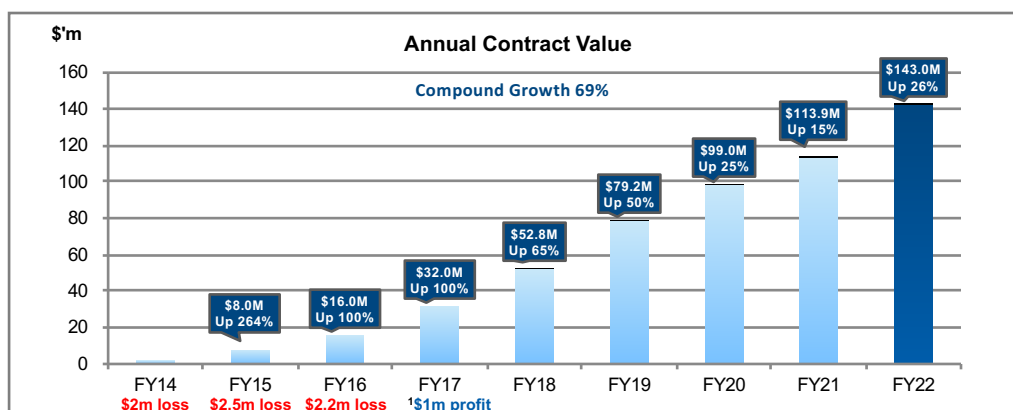
### Enterprise software as a service

- ✓ TechnologyOne Cloud 5.0 introduced the start of our mass production Software as a Service offering
- ✓ We have just released TechnologyOne Cloud 6.0, which continues to deliver further economies of scale, and enhanced security.
- ✓ Migrate customers seamlessly from Cloud 1.0, 2.0, 3.0, 4.0, 5.0 to Cloud 6.0
- ✓ Cloud 7.0 under development for mid 2017
- Loss of \$2.2m vs guidance of \$1m loss
  - Due to migration of earlier cloud customers slower than expected. Plan to be finished Q1 2017



## TechnologyOne Cloud Growth To 2022

\$143m / year (recurring) in 2022



Based on a calendar year

<sup>1</sup>Revised from breakeven to \$1m profit

**\$1m profit contribution in 2016/2017 year. Platform for substantial profit growth in coming years**

Absolutely essential in a digital world

**Ci Anywhere**  
Any device. Any where. Any time.  
Enterprise software, incredibly simple



Flow across many devices in the course of a day

We are delivering our entire enterprise suite on mobile devices



Enterprise Software intelligently adapts to the devices

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## Ci Anywhere

Enterprise software, incredibly simple  
Any device. Any where. Any time.

- ✓ 2016B now released to early adopters
- ✓ 2017A under development for Mid 2017
- Deliver all remaining Ci Anywhere functionality late 2017 calendar year
- ✓ Significant competitive advantage
  - We are the only ERP vendor committing 100% of our ERP functionality across all mobile devices



## Evolve Customer Conference

Engage, Enhance, Empower

- ✓ October 2016, Brisbane Convention Centre
- ✓ 2300 attendees, 3 days, 11 streams, 100+ sessions, 80 speakers, large exhibition area
- ✓ Create sales momentum for TechnologyOne Cloud and Ci Anywhere over coming years
- Solution show cases now planned for mid 2017 to continue momentum



## Capitalizing on our Vision

## Consulting Review

- Separation into 2 focused / separate business units to deliver excellence
  - Consulting New Customers vs Consulting Existing Customers
- Different culture, systems, processes
- Consulting New
  - Project focused, new business focused, 'on time and to budget', improved business processes and methodologies
- Consulting Existing
  - Account focused, service delivery managers, guaranteed service levels, catalogue of services, monthly reporting, premium support
  - Application Managed Services (AMS) will take this over
- Profitability to improve in 2016/2017



## United Kingdom

- United Kingdom \$66k profit<sup>1</sup>, one year earlier than expected
- 13 new customers, all of which are on the TechnologyOne Cloud
- Total of 40 customers in the UK now – critical mass achieved
- Our strategy is to move to the 'blue ocean'
  - Our target markets are higher education & local government
  - HRP<sup>2</sup> availability - target date mid 2017
    - University of Dundee will be an early adopter
  - Student Management availability - target date phase 1 mid/late 2017 ; phase 2 mid/late 2018
    - University of Lincoln will be an early adopter
- Focus to build a profitable Consulting practice
  - Going from 7 to 24 FTE consultants by December 2016
  - Expect challenges as we build our UK business

<sup>1</sup> Using like for like cost allocation for UK

<sup>2</sup> Human Resource & Payroll

**We are now entering a period of substantial growth for the UK business.**

## New UK Customers for 2016 (13)

Cambridge City Council  
 CIPFA Business Limited  
 Ealing, Hammersmith & West London College  
 Equity Housing Group  
 Glasgow Clyde College  
 Huntingdonshire District Council  
 Leicester City Council  
 Live Borders Limited  
 Ongo Partnership Ltd  
 South Cambridgeshire District Council  
 The University of Dundee  
 University of Exeter  
 West College Scotland

Excluding acquisitions

\*\*New to Existing

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## UK Customers (40)

### Local Government (10)

Aylesbury Vale District Council  
 Cambridge City Council  
 Clackmannanshire Council  
 Huntingdonshire District Council  
 Leicester City Council  
 Scarborough Borough Council  
 Scottish Borders Council  
 South Cambridgeshire District Council  
 The East Riding of Yorkshire Council  
 The Mayor and Burgesses of the London Borough of Haringey

### Higher Education (12)

Carnegie College  
 Ealing, Hammersmith and West London College  
 Glasgow Clyde College  
 Institute of Education  
 New College Lanarkshire  
 The University of Dundee  
 University of Exeter  
 University of Hertfordshire  
 University of Lincoln  
 University of South Wales  
 University of the Highlands and Islands  
 West College Scotland

### Health & Community Services (10)

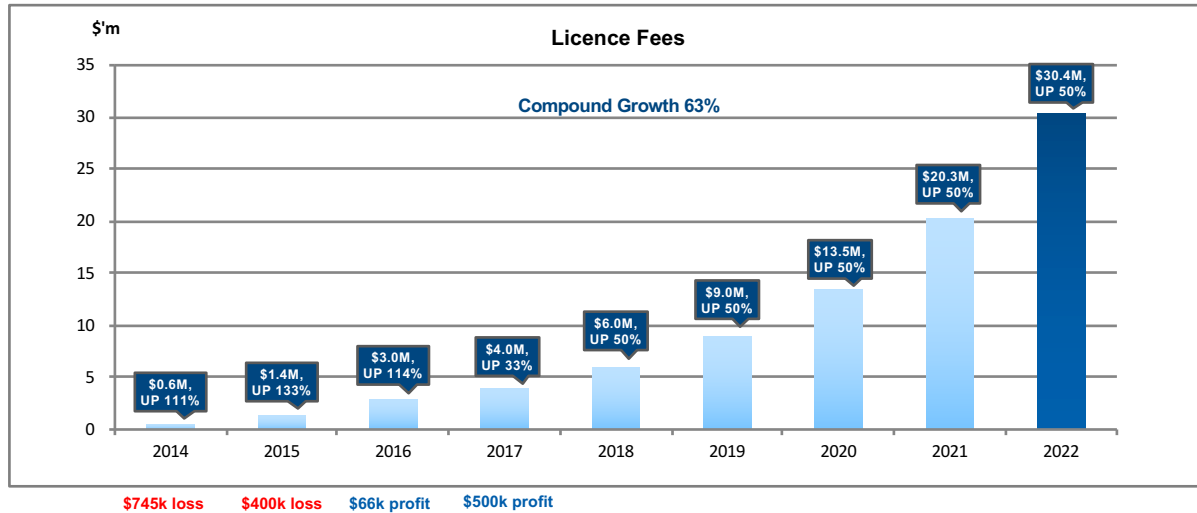
East Dunbartonshire Leisure and Culture Trust  
 Edinburgh Leisure  
 Enjoy East Lothian Leisure Ltd  
 Equity Housing Group  
 Hereford & Worcester Fire & Rescue Services  
 Ongo Partnership Ltd  
 Scottish Association for Mental Health  
 Strathclyde Fire & Rescue  
 Strathclyde Partnership for Transport  
 West Lothian Leisure Limited

### Other (8)

BT Investment Management UK  
 CIPFA Business Limited  
 Dickinson Dees LLP  
 Greater London Enterprise  
 Live Borders Limited  
 Livingbridge EP LLP  
 Pepper Europe (UK) Limited  
 Pepper Finance Ireland

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## UK Licence Fee Growth to 2022



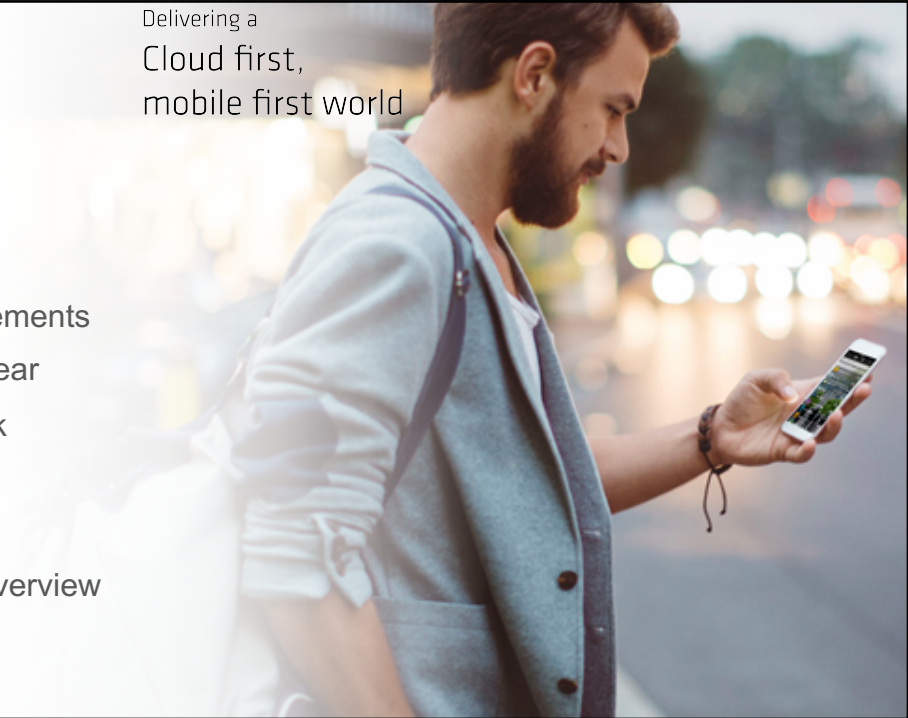
\$500k profit contribution in 2016/2017 year. Platform for substantial profit growth in coming years

### TechnologyOne is committed to continuous improvement of our Remuneration Report and Corporate Governance

- Our Remuneration and Corporate Governance has created substantial shareholder wealth; our Rem has been in the mid quartile of our peers
- We need to carefully navigate a way forward, so that we maintain a high performing culture while moving our Remuneration Framework and Corporate Governance forward
- Substantial changes implemented brings us into line with ASX 200
  - LTIs based on options now issued at market price
  - Performance Hurdles for Long Term Incentives (LTI)
  - Performance hurdles are all 'hard targets' that will generate significant shareholder wealth
  - Greater level of disclosure on all aspects of Rem
  - Poll now taken at AGM for all resolutions
- Added an additional independent director



Seek continued support of our shareholders, as some Proxy Advisors have opposed our Rem Report in the past because of a 'tick the box' approach and focus on 'form over substance'



Delivering a  
Cloud first,  
mobile first world

## Agenda

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

### Appendix

- TechnologyOne Overview



## Outlook for 2017 Year

### Continuing strong growth

- 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 strong over many years: government and government related businesses
- The Pipeline for 2017 supports continuing strong profit growth

## Outlook for 2017 Year

### Full Year - Strong Profit growth to once again continue in 2017

- We expect to see strong continuing growth in licence fees, revenue and profit
- This year the sales pipeline is once again weighted strongly to the second half, and we have the additional challenge of our Evolve conference with an additional 'once off' impact in half 1 of \$3m
- We expect the first half of 2017 will once again not be indicative of the full year results
- We will provide further guidance at both the Annual General Meeting and with the first half results

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## Our focus this financial year

- ✓ Control costs: R&D, Cloud, Consulting etc..
- ✓ Cloud to deliver \$1m profit in 2017
- ✓ United Kingdom to deliver \$500k profit in 2017
- ✓ Consulting improve profitability
- ✓ Transition our business: TechnologyOne Cloud & Ci Anywhere
- ✓ Focus on our eight vertical markets – resilient & strong
- ✓ Cross sell into our large existing customer base
- ✓ Focus on HRP, Asset Management, ECM

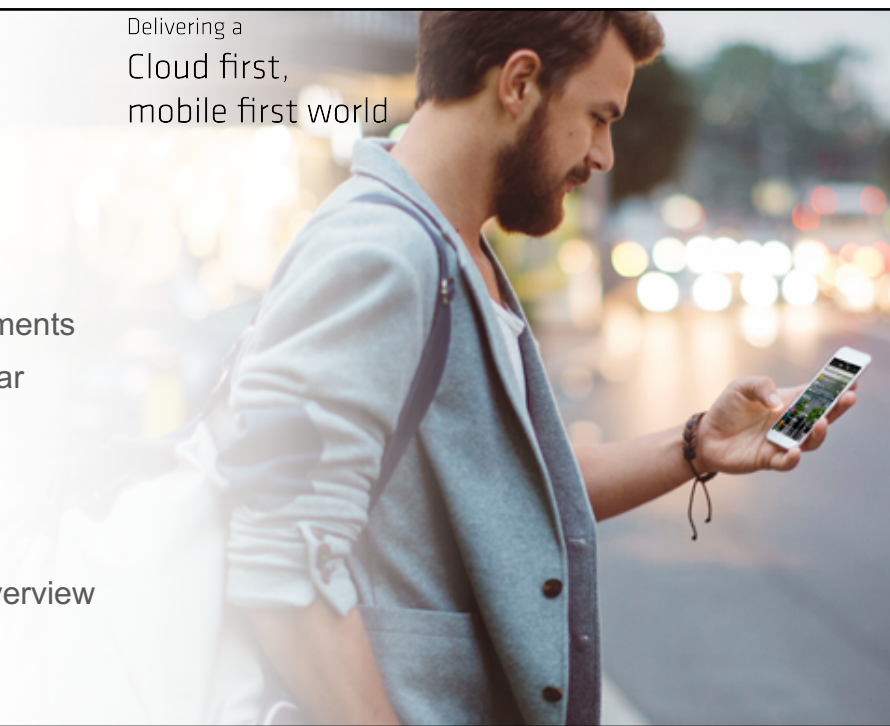
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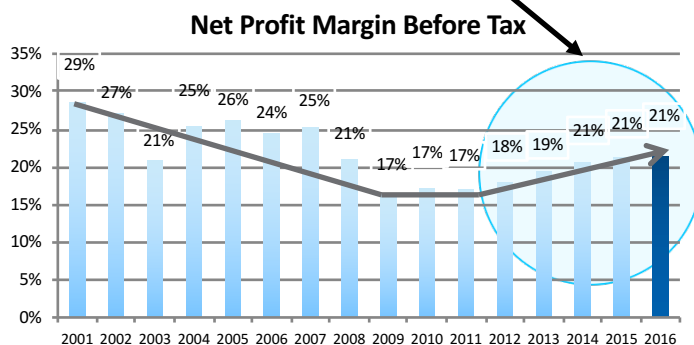


## Long Term Outlook

Focus is to substantially improve PBT margins through:

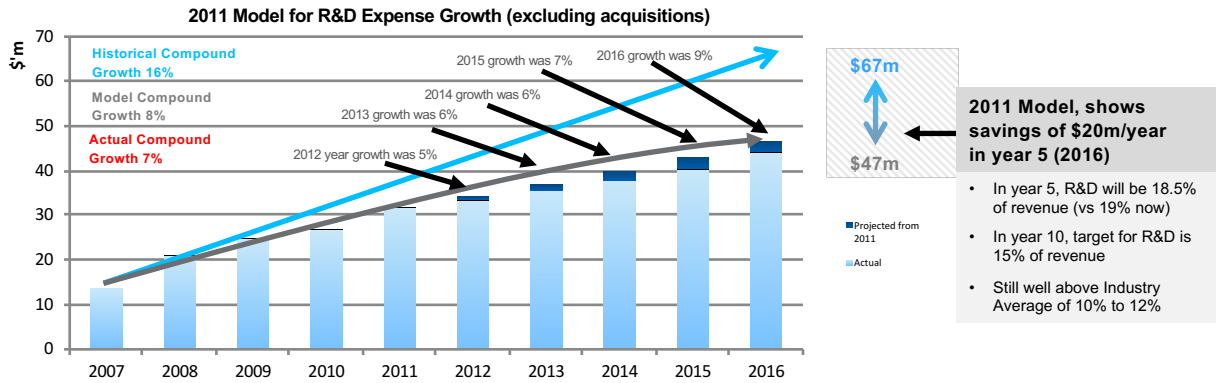
- Controlled R&D growth
- Product maturity
- Cloud becomes profitable

Temporary hiatus due to Cloud loss of \$2.2m on revenues of \$10.1m  
Excluding Cloud business, margin is 23%.  
Cloud becomes profitable 2017 financial year, margin improvement to resume



*Profit margin to continue to improve to 25% in the next few years*

## Controlled R&D Growth

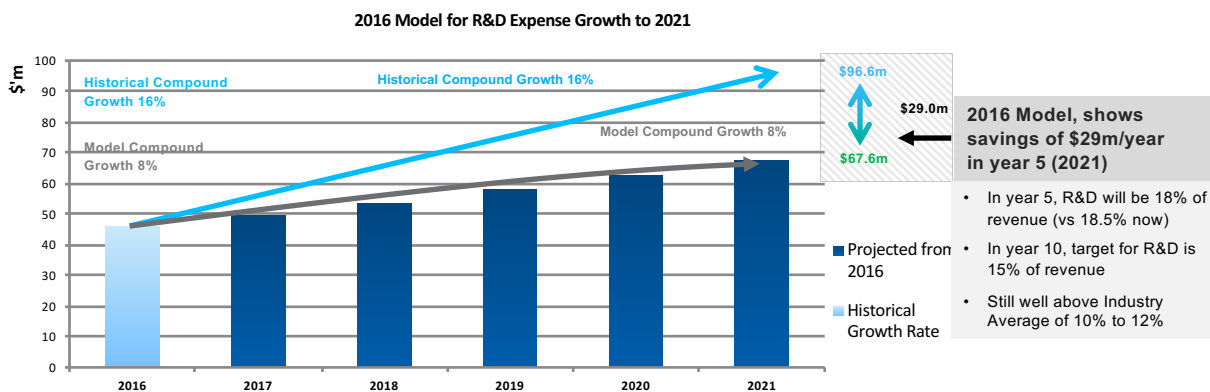


### Target for R&D growth of 8% per annum compound, over 5 years set in 2011

- Operating leverage, economy of scale, new work practices...
- Compound annual growth has been 7%, below the 8% target set in 2011
- Continues to be a very aggressive R&D program
- Assumes no acquisitions in next 5 years, and continuing growth in revenue

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## R&D Growth from 2016 to 2021



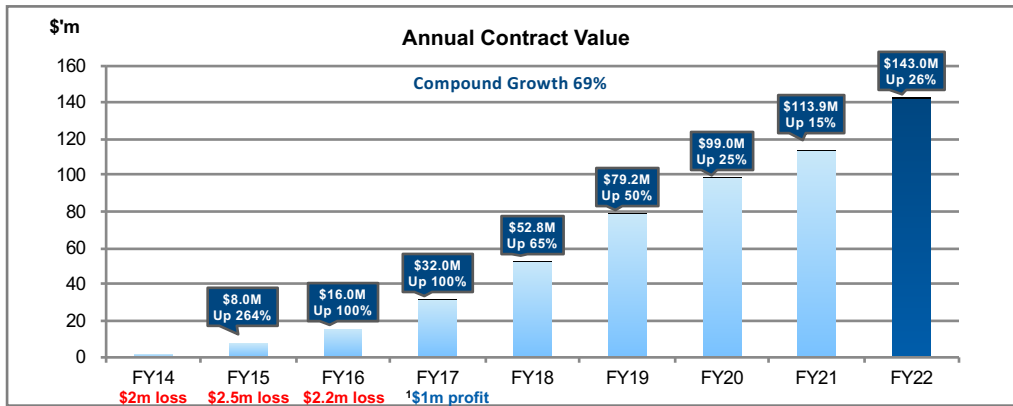
### Target for R&D growth including acquisitions of 8% per annum compound, over 5 years set in 2016

- Included acquisitions to date: JRA, DMS, ICON into the baseline
- Operating leverage, economy of scale, new work practices...
- Continues to be a very aggressive R&D program
- Assumes no Acquisitions in next 5 years, and continuing growth in revenue

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## TechnologyOne Cloud Growth To 2022

\$143m / year (recurring) in 2022

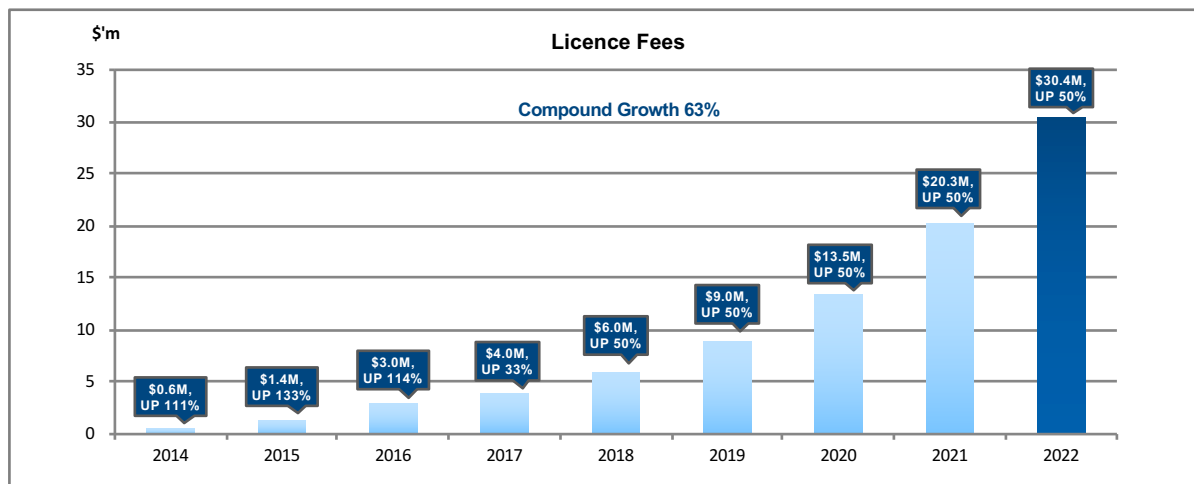


Based on a calendar year

<sup>1</sup>Revised from breakeven to \$1m profit

\$1m profit contribution in 2016/2017 year. Platform for substantial profit growth in coming years

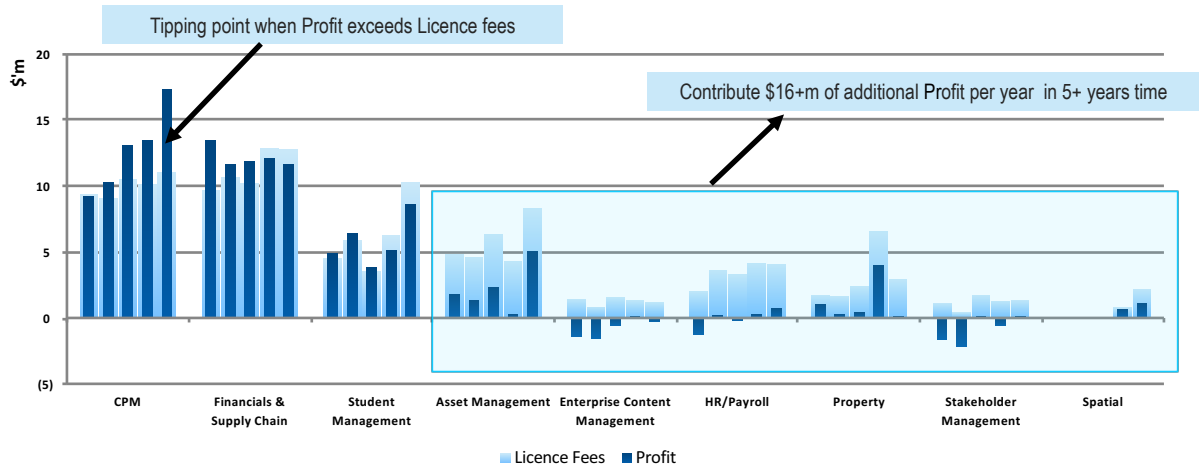
## UK Licence Fee Growth to 2022



\$745k loss    \$400k loss    \$66k profit    \$500k profit

\$500k profit contribution in 2016/2017 year. Platform for substantial profit growth in coming years

## Product Maturity



- Significant investment over the last 10 years in Assets, ECM<sup>1</sup>, HRP<sup>2</sup>, Property, Stakeholder Management
- Expected these to contribute strongly in the coming years to profitability

<sup>1</sup> Enterprise Content Management

<sup>2</sup> Human Resources & Payroll

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## Clear strategy for continuing long term growth

- ✓ Resilient nature of the enterprise software market
- ✓ The breadth and depth of our product offerings
- ✓ Our enterprise vision
- ✓ Our focus on eight markets
- ✓ Our preconfigured solutions
- ✓ Our large customer base
- ✓ TechnologyOne Cloud
- ✓ Ci Anywhere – our next generation product
- ✓ United Kingdom



## Positioned well for the future...

Delivering a  
Cloud first,  
mobile first world



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mobile first world

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## Australia's largest enterprise software company

Formed in **1987**

**1000+**  
Corporate, government and statutory authorities

Continually profitable  
For over 25 years

1000+ employees

Largest R&D centre in Australia

300+ developers

Invest **\$46m+**  
Back into R&D

Profit **\$53m**

Revenue **\$249m**

Cash **\$83m**

Market Capitalisation **\$1.8b**

Double in size  
Every 4 to 5 years

**14 international offices**  
Australia, New Zealand, South Pacific, Asia and United Kingdom

## 1000+ high profile customers

The image displays a collection of logos for various high-profile customers. The logos include:

- Bendigo Bank
- Mission Australia
- LA TROBE UNIVERSITY AUSTRALIA
- WIN
- Healthscope
- Tasmania
- Bond UNIVERSITY BRINGING AMBITION TO LIFE
- Australian Red Cross THE POWER OF HUMANITY
- YMCA
- Newcastle PORT CORPORATION
- Brisbane Airport Queensland Australia
- The SALVATION ARMY
- nib
- HCF More for members.
- Epworth HealthCare
- CITY OF MELBOURNE
- ARAB BANK
- City of Casey
- Australian Government The Treasury
- Australian Government Department of the Prime Minister and Cabinet
- Australian Government Department of Foreign Affairs and Trade
- Southern Cross Hospitals
- seqwater WATER FOR LIFE
- BT Investment Management
- THE UNIVERSITY OF MELBOURNE
- University of Hertfordshire

## Financially Very Strong

- Cash and Equivalents \$82.6m
- Return on Equity 30+%
- Adjusted Return on Equity<sup>1</sup> 61%
- Debt/Equity 0.02%
- Interest Cover 683
- Continually paid dividends since 1996 (21 years)
- Continually profitable since 1992 (25 years)

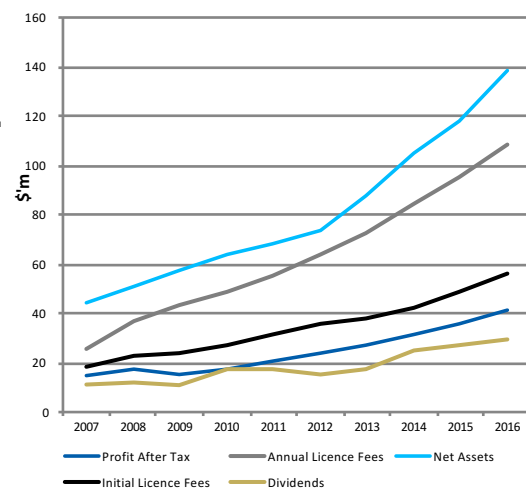
As at 30<sup>th</sup> Sept 2016 <sup>1</sup>Adjusted for net cash above required working capital, assumed at two months of staff costs

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## Historical Performance

### Key metrics over last 10 years ...

- ✓ **Revenue** - 14% per annum compound
  - Even through the Dot-Com and GFC
- ✓ **Initial Licence fees** - 13% per annum compound
- ✓ **Annual Licence fees** - 17% per annum compound
- ✓ **Profit After Tax** - 12% per annum compound
- ✓ **Dividends** - 11% per annum compound
- ✓ **Net Assets** - 13% per annum compound

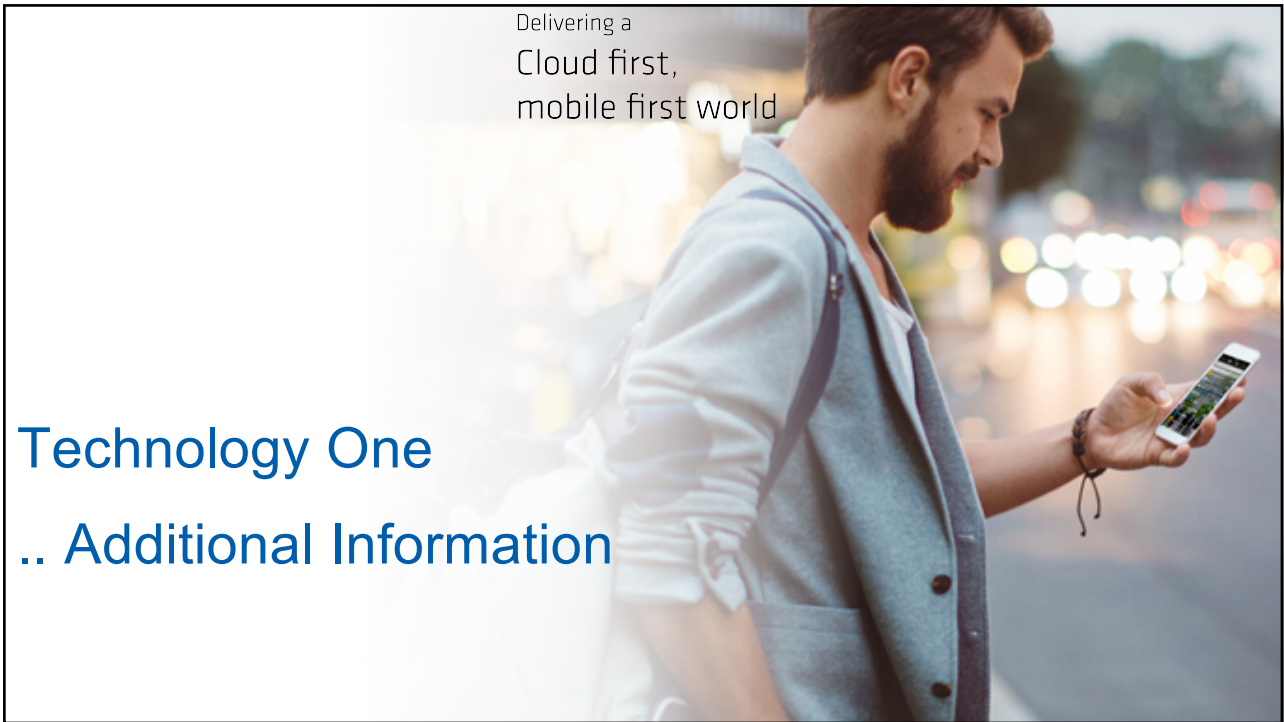


*Doubling in size every 5+ years*

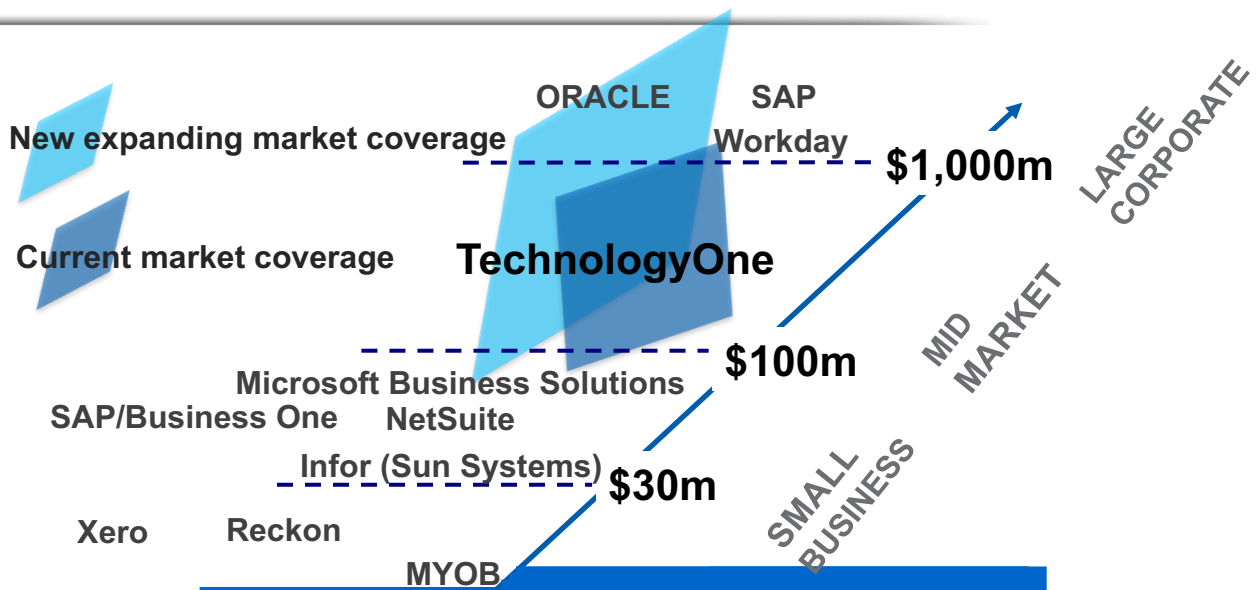
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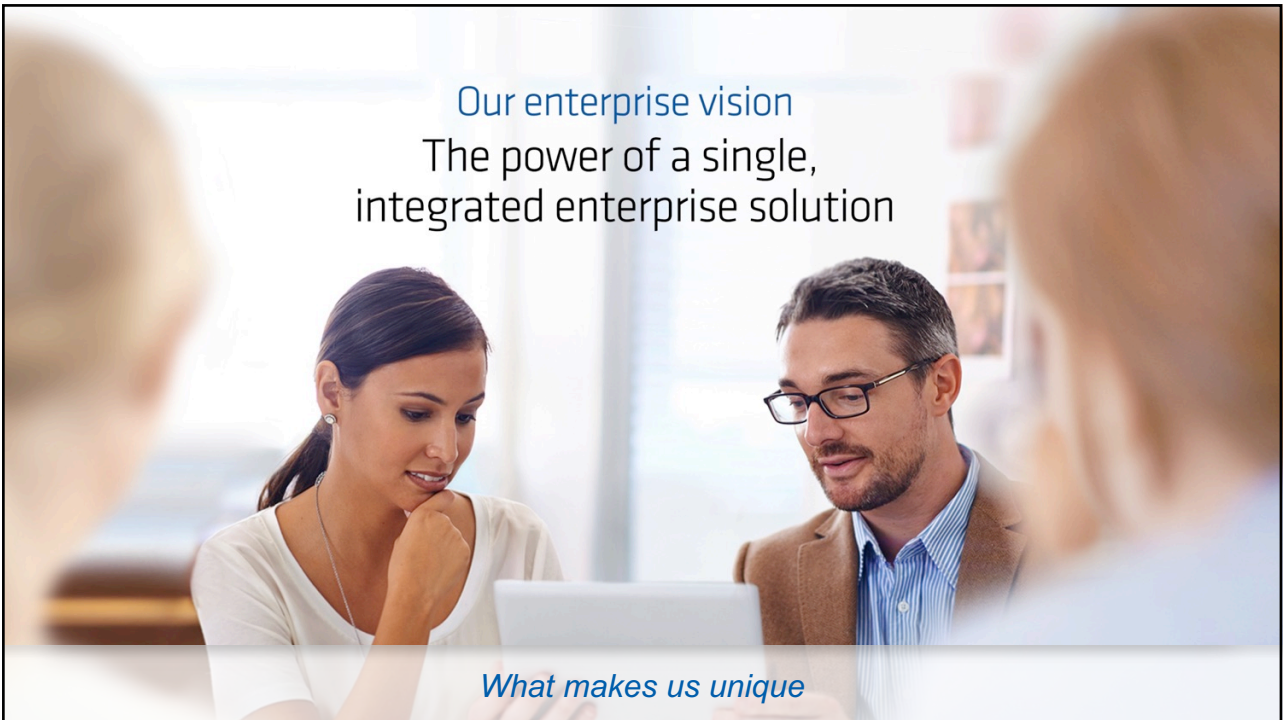
Technology One  
.. Additional Information



### The Competitive Landscape



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**What makes us unique...**

**Our enterprise vision**  
**We are one of only a few global enterprise vendors**

- Suite of 14 products
- Deeply integrated
- Best of Breed functionality
- Common platform
- Consistent user interface

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

			Student Management	Budgeting & Forecasting
		Asset Management	Supply Chain	Property & Rating
	Financials	Performance Planning	Human Resource & Payroll	Spatial
		Enterprise Cash Receipting	Stakeholder Management	Business Process Management
			Enterprise Content Management	Business Intelligence



### What makes us unique...

## The power of one

### 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

*One vision. One vendor. One experience.*

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## What makes us unique...

### We focus on eight 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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## Preconfigured solutions

### Proven practice preconfigured solutions designed to meet the needs of each sector

- Tailored configuration
- Proven practice
- Streamlined implementation
- Reduced time, cost and risk

*Faster, cheaper, safer, better*



### What makes us unique...

#### The power of evolution

**Substantial investment into R&D each year**

- New releases encompass new technologies, concepts and innovations
- Configuration and not customisation

Green screen      Client server      Web based      Cloud computing & smart mobile devices

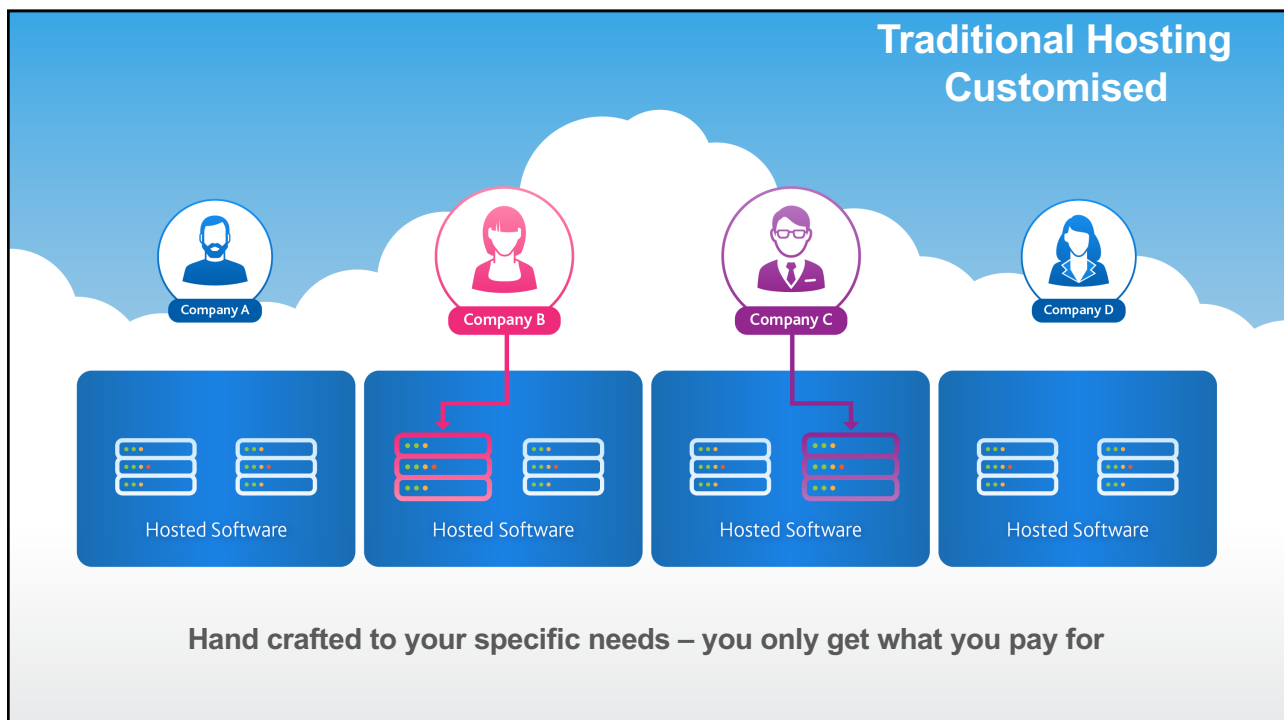
*99% retention rate of customers who have continued with us throughout our evolutionary journey*

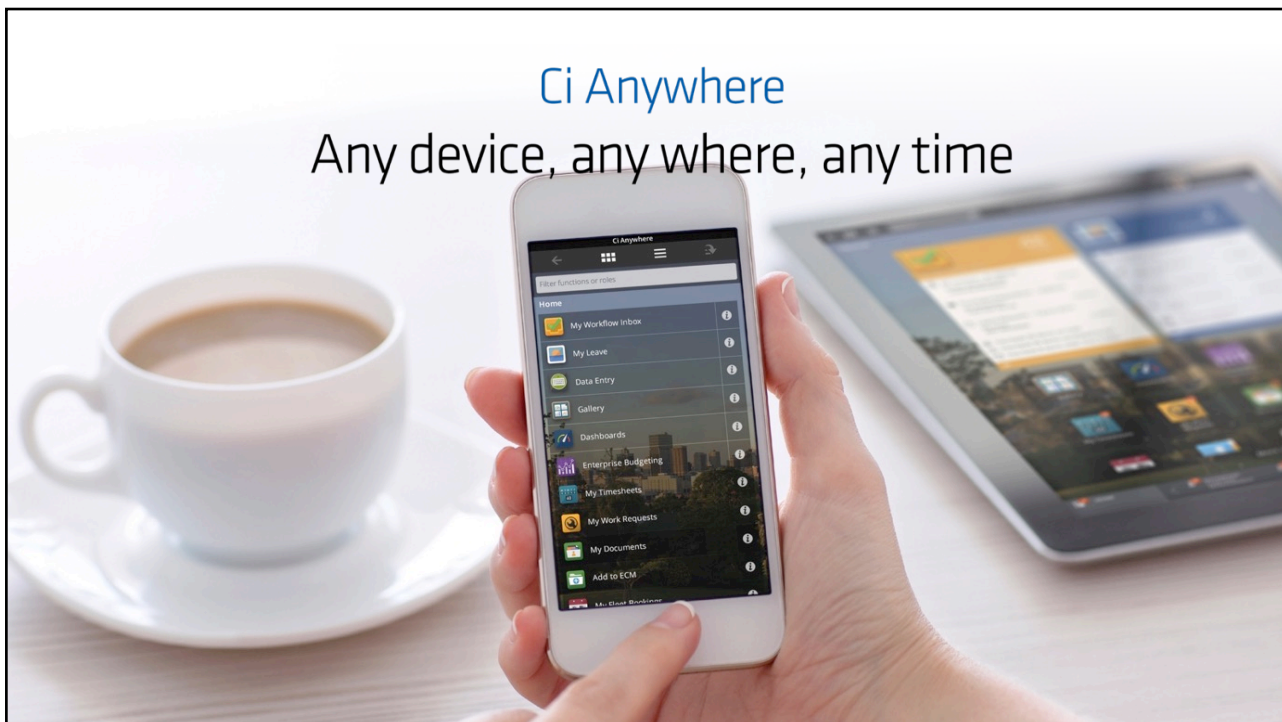
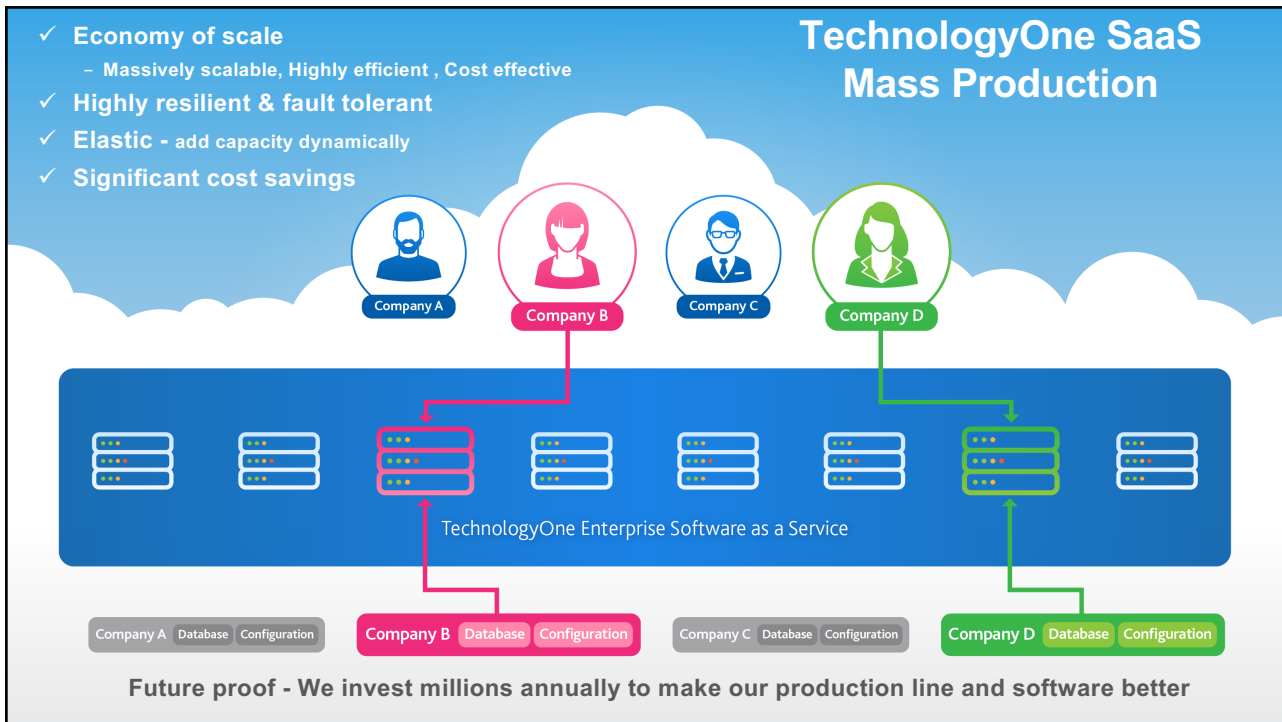
## TechnologyOne Cloud

### Enterprise software as a service

- We run our own enterprise software through the cloud
- We take responsibility to provide a simple, cost effective and highly elastic model of computing
- Unique mass production model delivers economies of scale and strategic benefits to our customers
- Focus on your business not the technology

*The future of enterprise software, today*





## Ci Anywhere

### Enterprise software, incredibly simple

- Embraces smart mobile devices including iPad, iPhone and Android
- Allows users to flow across any and all devices during the course of their day
- Consumer concepts deliver powerful enterprise software that is incredibly easy to use
- Browser based – no installing software

*Any device. Any where. Any time.*



TechnologyOne is delivering...

**Cloud first,  
mobile first world**



## Other Facts

### Diversity of revenue streams from multiple:

- Products 14
- Vertical markets 8
- 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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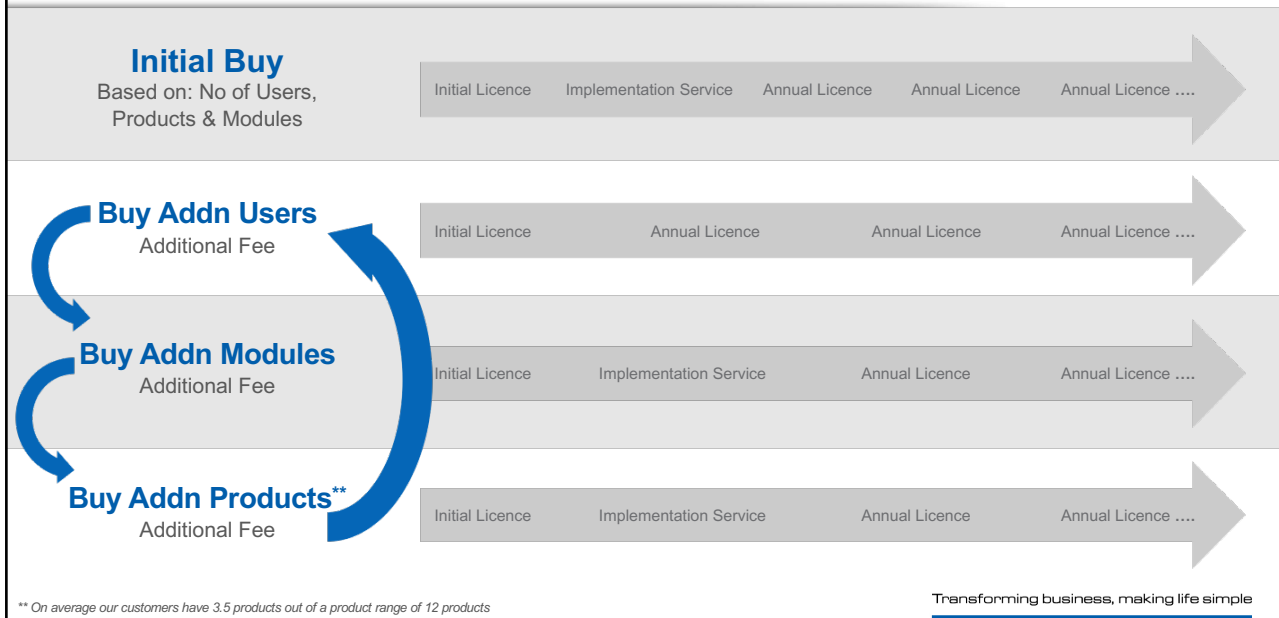
## Robust Revenue Model

- **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
  - Recurring every year



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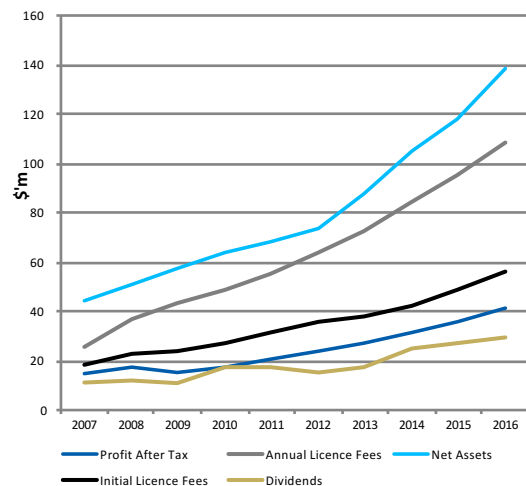
## Robust Revenue Model



## Historical Performance

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*Doubling in size every 5+ years*

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Clear and focused vision...  
**Transforming business,  
making life simple**

