2020 Half Year Results

Ended 31 March 2020

technologyone

Transforming business, making life simple

19 May 2020 *Commercial in confidence*

Disclosure Statement

TechnologyOne Ltd Half Year Presentation – 19 May 2020

TechnologyOne Ltd (ASX: TNE) today conducted a series of presentations relating to its 2020 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 measure 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.

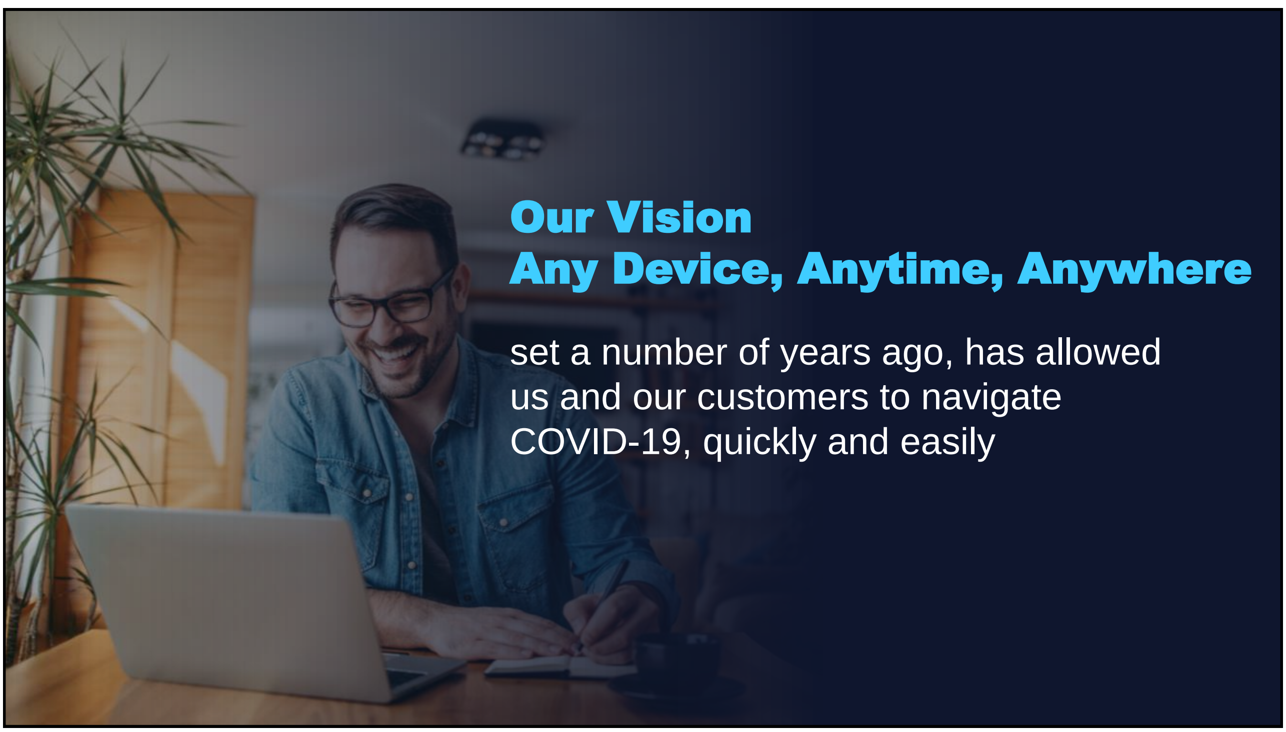
ARR (Annual Recurring Revenue) was previously referred to as ACV (Annual contract Value).

Agenda

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

Record Half Year Net Profit Before Tax of $25.9m, up 6%


TechnologyOne
Global SaaS ERP Solution
Continuing strong demand
transforms our customers’ business, and makes life simple for them


Our Vision
Any Device, Anytime, Anywhere
set a number of years ago, has allowed us and our customers to navigate COVID-19, quickly and easily

TechnologyOne Global SaaS ERP customers

"So pleased that we implemented a true SaaS Finance and HR system from TechnologyOne. In planning this we could have had no idea that anything like the Coronavirus would happen, but it being a modern SaaS solution built for remote working by all in the council has been a massive bonus for us. The move to remote working has been quick and trouble free. The change of system is also driving better data and better information."

Horsham District Council, UK

"I'm relieved that Council uses SaaS including TechnologyOne corporate systems and GIS. It has made it easier for staff to work from home. Our systems can be accessed using a web browser."

Noosa City Council

Our SaaS business continues to grow strongly

SaaS ARR $110m up 33%

ARR (Annual Recurring Revenue)

475 enterprise customers on TechnologyOne SaaS
Up 22% from 389 enterprise customers pcp

Target 1000 enterprise customers by 2022

La Trobe University · tafe Queensland · Moreton Bay Regional Council · York St John University · Curtin University · Catholic Education Diocese of Parramatta · AnglicareSA · Noosa Council

Mercy Health Care first · Inner West Council · zenitas Healthcare Limited · nib · Southern Cross University · sunsuper · Government of Western Australia Department of Planning, Lands and Heritage

Marubeni Corporation · Sydney Motorway Corporation · City of Onkaparinga · Victoria University · Australian Government Department of Health · Royal Flying Doctor Service The furthest corner. The finest care.

CEFC Clean Energy Finance Corp · Brookfield · Flinders University · The University of Melbourne · wollongong city of innovation · Summerset · pepper

CDPP Australia's Federal Prosecution Service · Australian Bureau of Statistics · ACU Australian Catholic University · Australian Institute of Marine Science · AEC Australian Electoral Commission · NZX · St Vincent de Paul Society Canberra/Goulburn good works

Australian Government Clean Energy Regulator · cua Life rich banking · Australian Government The Treasury · ACT Government · MGSM Macquarie University Graduate School of Management · Southern Cross Hospitals · UnityBank · PENDAL


Total Annual Recurring Revenues
will increase to $500+m in FY24[1]
[1]Total ARR in FY19 was $202m


SaaS continues to drive our business
Outlook for FY20 is strong
Discussed later in more detail

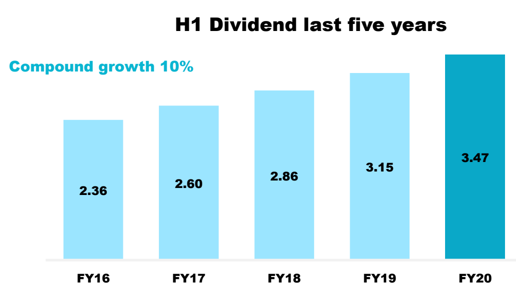
Interim dividend up 10%

We remain confident about the outlook for the full year

Dividend up 10%

3.47 cps, up 10% (60% franked[1])

Payout ratio of 58%



Notes:

- [1] Dividends are not fully franked as a result of tax benefits from the R&D Tax Concession and the TechnologyOne Share Trust
- We have continuously paid a dividend since 1996 (through Dot-Com and GFC)
- The Board continues to consider other Capital Management initiatives including acquisitions

H1 Results Summary

	H1 FY20 $'000	H1 FY19 $'000	Var $'000	Var %	
Revenue	**138,398**	**129,287**	**9,111**	**7%**	In line with expectations, not indicative of the Full Year results
SaaS Fees Recognised	**51,053**	**37,550**	**13,504**	**36%**	Our SaaS business continues to grow strongly
On Premise	**56,708**	**61,780**	**(5,072)**	**(8%)**	
Initial Licence Fees	5,451	10,981	(5,530)	(50%)	In line with expectations, refer next slide
Annual Licence Fees	51,257	50,799	458	1%	Expected as customers move from On premise to SaaS Platform
Consulting Services	**30,223**	**29,195**	**1,028**	**4%**	Refer slide: Consulting Profit
Other Revenue	413	763	(350)	(46%)	
Expenses	**112,458**	**104,806**	**(7,652)**	**(7%)**	In line with expectations
Variable Expenses	**20,972**	**19,324**	**(1,649)**	**(9%)**	
Capitalised Costs – Commission	**(1,751)**	**(957)**	**794**	**83%**	As required by AASB15
Operating Expenses (Before Capitalisation)	**106,429**	**100,444**	**(5,985)**	**(6%)**	
Capitalised Costs – Development	**(13,193)**	**(14,005)**	**(812)**	**(6%)**	Refer slide: R&D Reconciliation
Capitalisation	*(15,352)*	*(14,005)*	*1,347*	*10%*	
Amortisation	*2,159*	*0*	*(2,159)*	*(100%)*	
Profit Before Tax	**25,940**	**24,481**	**1,459**	**6%**	In line with expectations, not indicative of the Full Year results
Profit margin	19%	19%			
Other					
Cash Flow Generation[1]	**9,936**	**(6,214)**	**16,150**	**260%**	Refer: Cashflow
Cash	83,769	68,177	15,591	23%	
ARR Recognised	102,311	88,349	13,962	16%	ARR Recognised includes SaaS Fees & On Premise Annual Licence Fees
ARR Total	**211,556**	**184,718**	**26,838**	**15%**	
SaaS ARR	110,162	82,673	27,489	33%	Our SaaS business continues to grow strongly
Annual Licence ARR	101,395	102,045	(651)	(1%)	Expected as customers move from On premise to SaaS Platform

[1] Cash Flow Generation is Operating cashflow less capitalised development costs

Continued our aggressive transition to our SaaS operating model

'On Premise' initial licence fees down 50% ($5.5m) in H1 as planned

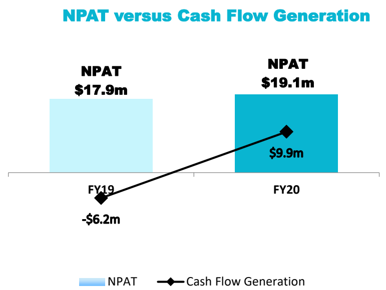
Today, 85%+ is recurring subscription revenue

Based on FY20 opening ARR and excludes Consulting Revenue, which follows from new business wins.
Recurring subscription revenue includes SaaS Fees and Annual Licence Fees

Cash Flow

Cash Flow Generation $9.9m, up $16.2m

- H1 is historically lower than H2, as anniversary dates are in H2, but revenue is recognised evenly throughout the year
- Cash Flow Generation will approximate NPAT at the full year



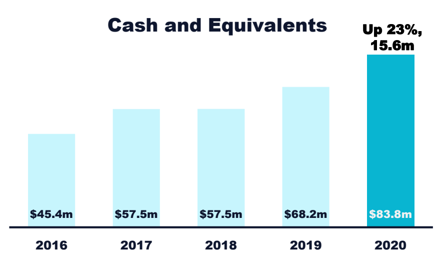
	H1 FY20 $'000	H1 FY19 $'000	Var $'000	Var %
Profit Before Tax	25,940	24,481	1,459	6%
Depreciation & Amortisation[1]	8,390	2,718	5,672	209%
Changes in working capital:				
(Increase) / Decrease in Trade and other Receivables	19,270	12,280	6,990	57%
(Increase) / Decrease in Contract assets	1,198	495	703	142%
(Increase) / Decrease in Prepaid Expenses	2,688	647	2,041	315%
Increase / (Decrease) in Payables	(6,170)	(4,000)	(2,170)	54%
Increase / (Decrease) in Prepaid Subscription Revenue[2]	(20,037)	(22,757)	2,720	(12%)
Increase / (Decrease) in Staff Entitlements	445	(284)	729	(257%)
Net Interest (paid) / received[3]	(509)	440	(949)	(216%)
Income Taxes Paid	(5,722)	(6,359)	637	(10%)
Other	(205)	130	(335)	(258%)
Operating Cash Flow	**25,288**	**7,791**	**17,497**	**225%**
Capitalised development costs	(15,352)	(14,005)	(1,347)	10%
Cash Flow Generation	**9,936**	**(6,214)**	**16,150**	**(260%)**
Payments for Property, Plant & Equipment	(1,783)	(784)	(999)	127%
Capitalised commission costs	(2,876)	(1,679)	(1,197)	71%
Payment for purchase of business[4]	(223)	(3,322)	3,099	(93%)
Free Cash Flow	**5,054**	**(11,999)**	**17,053**	**(142%)**
Dividends Paid	(27,930)	(25,861)	(2,069)	8%
Payments for principal repayments of lease liabilities[5]	(2,783)	(18)	(2,765)	15361%
Proceeds from Shares Issued	4,382	1,733	2,649	153%
Increase in Cash & Cash equivalents	**(21,277)**	**(36,145)**	**14,868**	**(41%)**

[1] Depreciation & amortisation includes amortisation of Right of Use Asset under AASB16 Leases of $3.0m. It also includes amortisation of capitalised development of $2.2m which commenced in H2 FY19.
[2] Non-refundable payments received in advance from customers for SaaS fees and on-premise annual licence fees which will be recognised as revenue in future periods. H1 FY20 Cash flow improvement from our strategy to progressively move anniversary dates to the start of our financial year
[3] H1 FY20 includes $0.7m interest expense related to lease liabilities now recognised under AASB16 Leases
[4] Payments of deferred consideration for acquisitions completed in FY16
[5] Payments for leases now recognised under AASB16 Leases. $2.7m positive impact to Operating Cash Flow and Cash Flow Generation.

Balance Sheet

Cash & Equivalents $83.8m up 23%

- Net Cash: 26.3cps vs 21.5cps, up 22%
- Net Assets: $105.4m vs $75.8m, up 39%
- We have no debt



	Mar-20 $'000	Mar-19 $'000	Var $'000	Var %
Cash & cash equivalents[1]	83,769	68,177	15,592	23%
Prepaid expenses	9,512	10,206	(694)	(7%)
Trade and other receivables[1]	29,647	35,703	(6,056)	(17%)
Contract assets	23,523	13,345	10,178	76%
Other current assets	669	823	(154)	(19%)
Current tax assets	12,025	3,999	8,026	201%
Contract acquisition costs	2,583	1,683	900	53%
Current assets	**161,728**	**133,936**	**27,792**	**21%**
Property, plant and equipment	10,734	11,960	(1,226)	(10%)
Right-of-use assets[2]	25,773	-	25,773	100%
Intangible assets	37,401	44,848	(7,447)	(17%)
Capitalised development	44,783	14,005	30,778	220%
Deferred tax assets	27,835	42,260	(14,425)	(34%)
Contract acquisition costs	6,687	4,631	2,056	44%
Non-current assets	**153,213**	**117,704**	**35,509**	**30%**
Total Assets	**314,941**	**251,640**	**63,301**	**25%**
Trade and other payables	35,704	45,035	(9,331)	(21%)
Provisions	12,933	12,744	189	1%
Prepaid subscription revenue[3]	127,521	113,655	13,866	12%
Lease liability[2]	5,593	5	5,588	100%
Current liabilities	**181,751**	**171,439**	**10,312**	**6%**
Lease liability	24,559	-	24,559	100%
Provisions	3,072	3,389	(317)	(9%)
Other non-current liabilities	162	1,040	(878)	(84%)
Non-current liabilities	**27,793**	**4,429**	**23,364**	**528%**
Total Liabilities	**209,544**	**175,868**	**33,676**	**19%**
Net Assets	**105,397**	**75,772**	**29,625**	**39%**
Issued capital	39,685	34,904	4,781	14%
Retained earnings and reserves	65,712	40,868	24,844	61%
Equity	**105,397**	**75,772**	**29,625**	**39%**

[1] Driven by strong collections during the period

[2] Adoption of AASB16 Leases requires the recognition of Right of Use Assets and Lease Liabilities

[3] Payments received in advance from customers for SaaS fees and on-premise annual licence fees which will be recognised as revenue in future periods. These are non-refundable, and the operating costs to deliver these services are not significant. The increase reflects greater invoicing in H1 FY20 compared to H1 FY19, in part due to our strategy to progressively move anniversary dates to the start of our financial year

Results Analysis and Key Metrics, H1 FY20

	H1 FY20 $000	H1 FY19 $000	Var%
Revenue excl interest	138,163	128,847	7%
Expenses (excl R&D, interest, D & A)	88,226	88,285	0%
EBITDAR	**49,937**	**40,563**	**23%**
EBITDAR Margin	36%	31%	
R&D Expenditure (before capitalisation)	30,451	27,808	10%
R&D as % of Total Revenue[1]	22%	22%	
EBITDA	**34,838**	**26,760**	**30%**
EBITDA Margin	25%	21%	
Depreciation	4,970	1,812	174%
Amortisation	3,421	906	278%
EBIT	**26,448**	**24,042**	**10%**
Net Interest Income	(509)	440	(216%)
Profit Before Tax	**25,940**	**24,481**	**6%**
Profit Before Tax Margin	**19%**	**19%**	

	H1 FY20 $000	H1 FY19 $000	Var%
EPS (cents)	5.98	5.65	6%
Dividend (cents per share)			
Interim dividend	3.47	3.15	10%
Dividend Payout Ratio	58%	56%	
ROE	**18%**	**24%**	
Balance Sheet			
Net Assets	105,397	75,772	39%
Cash & Cash Equivalents	83,769	68,177	23%
Cash Flow Generation[2]	9,936	(6,214)	260%

Full year ROE will be 45+%

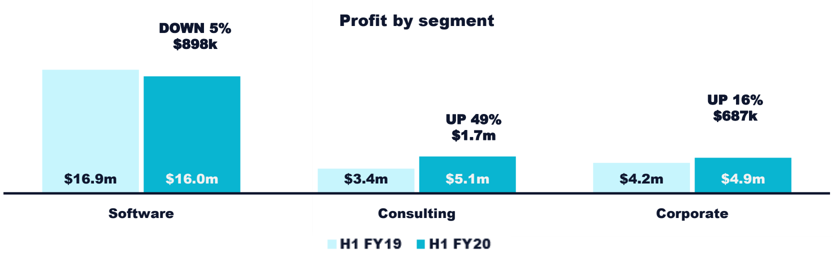
[1] R&D as % of total revenue based on R&D expenditure before capitalisation
[2] Cash Flow Generation is Operating Cash Flow less capitalised development costs

H1 FY20 Profit by Segment

Profit Before Tax $25.9m, up 6% $1.5m

As a SaaS company we now manage our business in 3 operating segments:

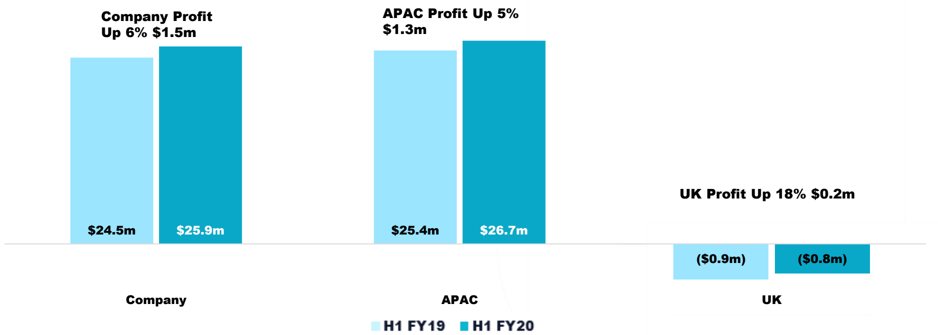
- The **Software Segment** consolidates Sales, R&D, SaaS Platform and Support. This segment also includes capitalised development costs.
- The **Consulting Segment** is responsible for implementation of our software
- The **Corporate Segment** includes the corporate functions



Half Year Profit in line with expectations and not indicative of the Full Year results

1) Software Profit Down 5%: As expected, driven by a decrease in On Premise initial licence fees ($5.5m) as customers move to SaaS.
2) Consulting Profit up 49%: Driven by improved execution. Refer slide: Consulting Profit
3) Corporate Profit up 16%: Driven by growth in SaaS ARR and resultant royalties to Corporate Segment

H1 FY20 Profit Contribution
APAC and UK



UK on track to break even by end FY20, improvement of $1.9m

Agenda

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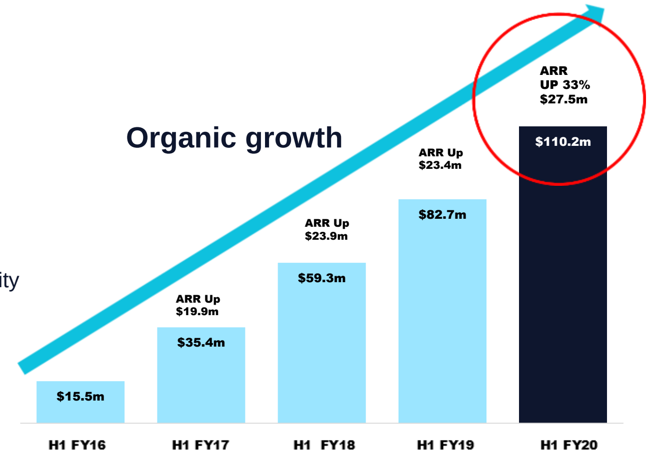
Our SaaS business is growing strongly

H1 SaaS ARR up 33%

Compelling value proposition of TechnologyOne Enterprise SaaS

- ✓ One global code line
- ✓ Massive economies of scale
- ✓ 8 active-active data centres
- ✓ Defence-in-depth security
- ✓ Always on the latest technology
- ✓ Always on the latest release
- ✓ 2 releases each year providing new functionality
- ✓ Fast migration for existing on-premise customers to TechnologyOne SaaS
- ✓ Customers save 30+% on their total cost
- ✓ Take-on additional products quickly

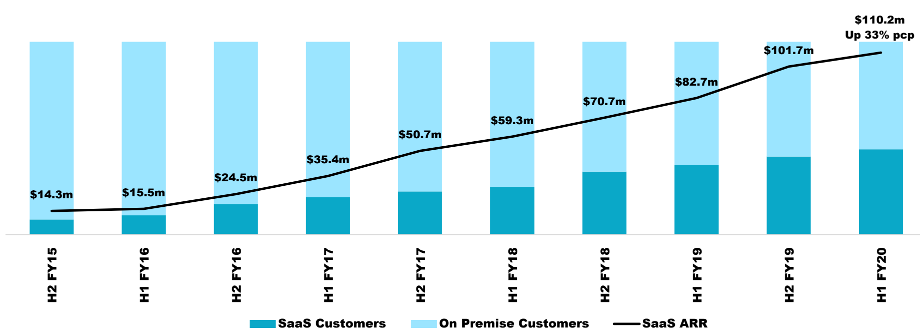
Making life simple for our Customers



Substantial Growth in SaaS ARR going forward

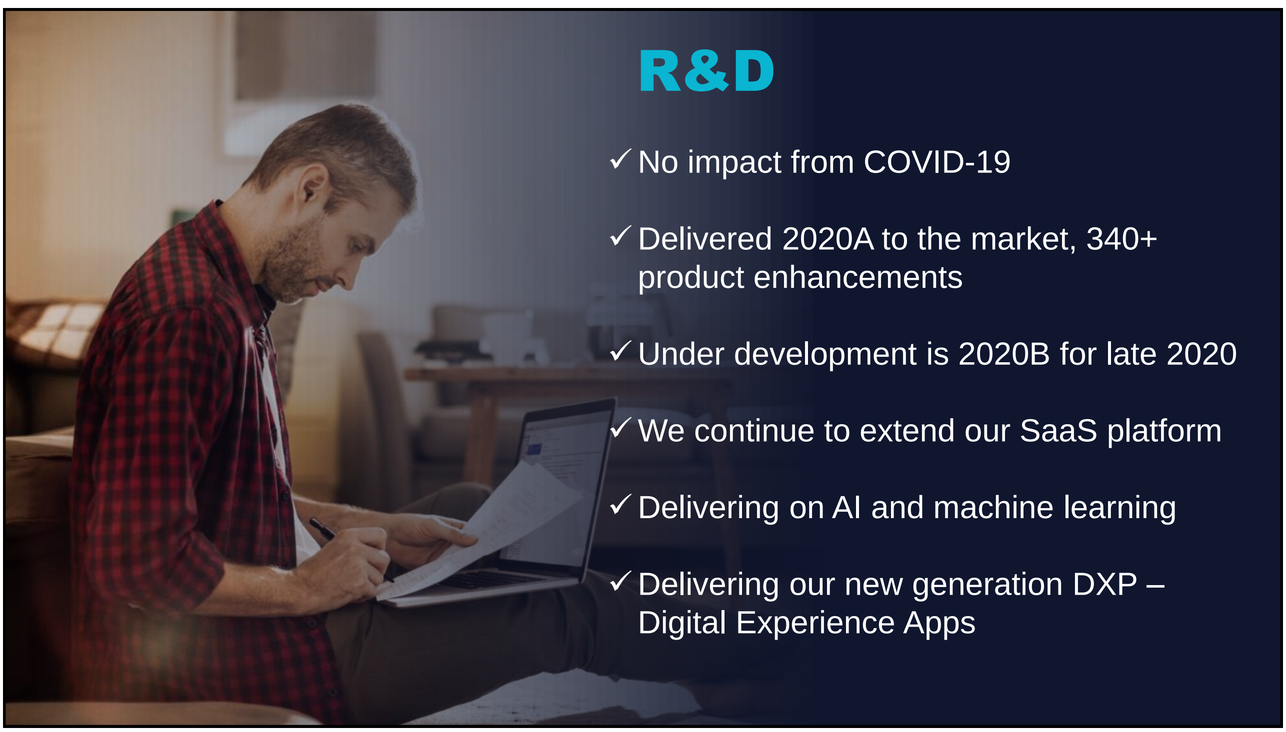
SaaS customers vs On Premise

SaaS Customer Proportion of Total Customers



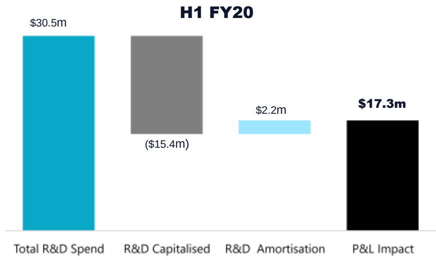
We expect 80+% of On Premise to move to SaaS by FY22


Significant investment for future growth
R&D investment of $30.5m[1], 22% of Revenue, up 10%
R&D Expense growth will return to 8% going forward
[1]R&D expenditure before capitalisation

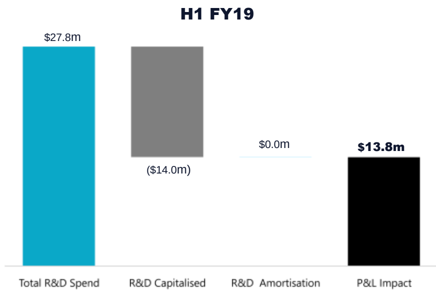

R&D
✓ No impact from COVID-19
✓ Delivered 2020A to the market, 340+ product enhancements
✓ Under development is 2020B for late 2020
✓ We continue to extend our SaaS platform
✓ Delivering on AI and machine learning
✓ Delivering our new generation DXP – Digital Experience Apps

R&D Reconciliation

Highly Disciplined approach to R&D.
We expense maintenance and research. We capitalise development based on actual timesheets for eligible projects. Capitalisation is independently audited with financial statements.



H1 FY20	
$30.5m	R&D investment before capitalisation, up 10% on pcp
($15.4m)	50% capitalised development
$2.2m	Amortisation commenced in H2 FY19
$17.3m	**Net Expense through P&L, up 25% on pcp**

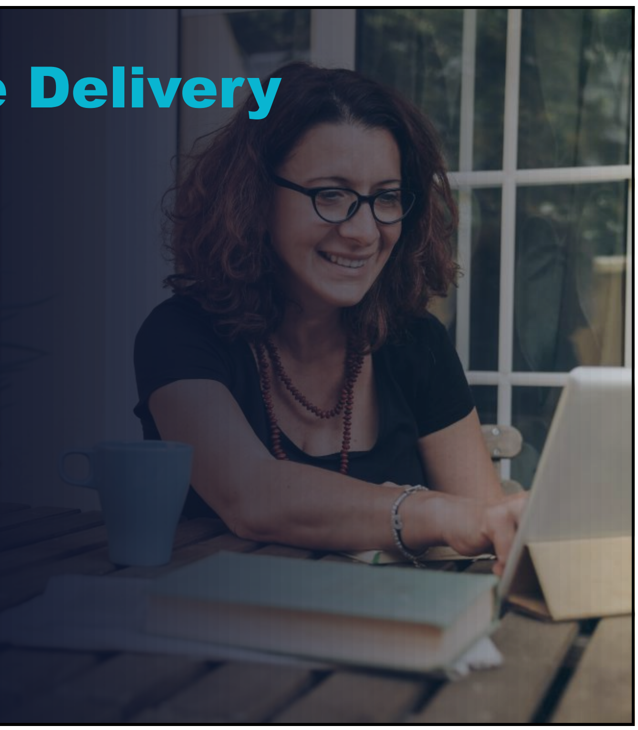


H1 FY19	
$27.8m	R&D investment before capitalisation
($14.0m)	50% capitalised development
$0.0m	Amortisation commenced in H2 FY19
$13.8m	**Net Expense through P&L**

COVID-19 – Remote Delivery

Go Lives

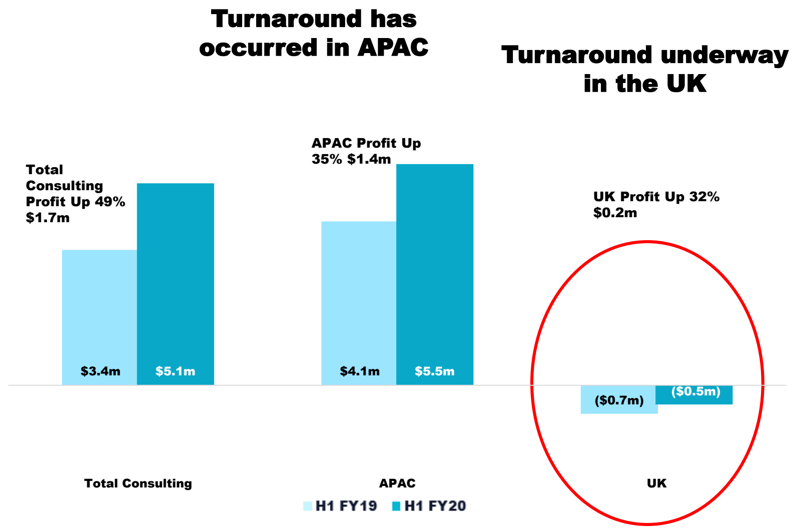
Cairns Regional Council
AEC Australian Electoral Commission
GETcapital
The School of St Jude
NZ Transport Agency Waka Kotahi
Whangarei District Council



H1 FY20 Consulting Profit of $5.1m, up 49%

Consulting is responsible for implementation of our software

Turnaround driven by:
- ✓ New leadership
- ✓ Two focussed divisions
  - New Projects
  - Applications Managed Services for our existing customers
- ✓ Improvement in systems and processes
- ✓ Improvements in culture
- ✓ Disciplined use of new implementation methodology

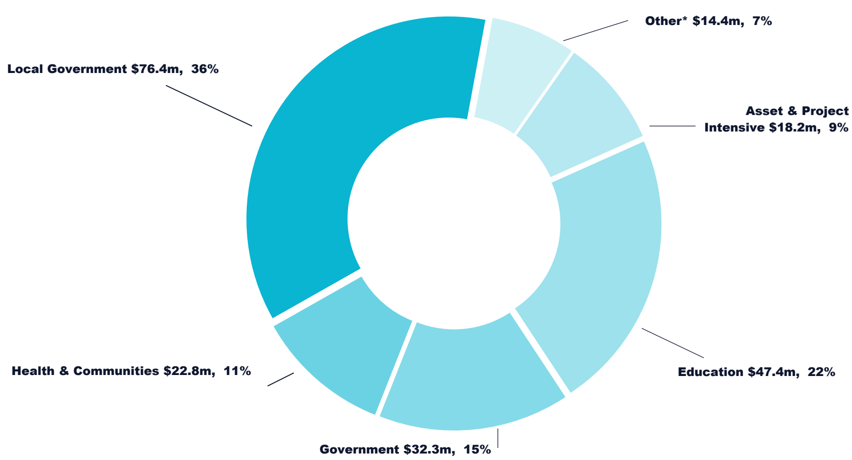


Consulting profit is always stronger in H2

Vertical Market Analysis
H1 FY20 ARR of $211.6m up 15%

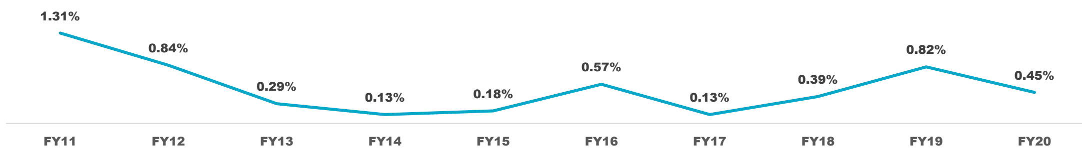
99% customer retention across all markets

Our APAC market penetration in any single vertical does not exceed 15%. Significant room to grow in future years.



*Other includes Financial, Corporate vertical markets

Customer Churn 10 Years



* FY20 is for the half year ending

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Outlook for 2020 Full Year

Strong Profit growth to continue in 2020

- The markets we serve are generally resilient
- TechnologyOne provides mission critical software with deep functionality for the markets we serve
- Our Global SaaS ERP solution enables 'any device, anytime' access from anywhere around the world. This is allowing 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 ARR growth, which is a key indicator of the strength of the company's offering in the market, is expected to be up 30%+
- Our pipeline remains strong. We have a high proportion of locked in recurring revenues, no debt and a strong balance sheet
- Having said this, COVID-19 is an evolving situation, and as such we have reflected this is our guidance for the full year

Profit growth of 8% to 12% for the full year

We continue to double in size every 4 to 5 years

Outlook for 2020 Full Year

Key metrics

- SaaS ARR of $133m, up 31% (vs $101.7m pcp)
- 'On Premise' initial licence fees to reduce 40%, to $23.5m – as planned (vs $40.5m pcp)
- Total Consulting Profit of $12.7m, up 28% (vs $9.9m pcp)
- United Kingdom to break-even

H1 FY20 Summary

- ✓ Record profit, revenue, SaaS Fees, SaaS ARR
- ✓ Profit of $25.9m, up 6%
- ✓ SaaS Fees Recognised of $51m, up 36%
- ✓ SaaS ARR of $110m up 33%
- ✓ Total ARR of $211.6m, up 15%
- ✓ Interim dividend up 10%
- ✓ Total Consulting profit $5.1m, up 49%
- ✓ Strong growth for FY20 with Profit Before Tax growth of 8% - 12%

We continue to double in size every 4 to 5 years

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Positioned well for the future and to continue to double in size every 4 to 5 years

- ✓ SaaS continues to grow strongly
- ✓ Annual recurring revenues to grow to $500+m in FY24
- ✓ Harvest substantial opportunities in our customer base
- ✓ Continuing growth in APAC
- ✓ Continuing growth in the UK
- ✓ Profit margins to grow to 35%, through significant economies of scale

Profit margin to grow to 35+%

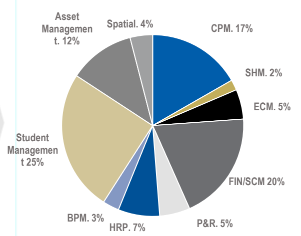
Driven by the significant economies of scale from our single instance global SaaS ERP solution

Drivers for long term growth

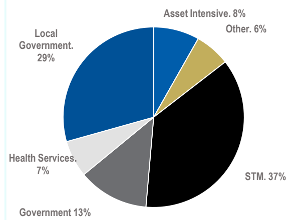
Diversified revenue streams

14 Licensable products[1]

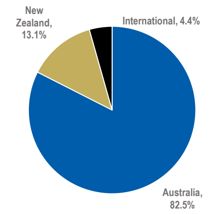
Over 325 licensable modules



6 Vertical markets



Diversified geographies[2]



Strong, very loyal customer base

- Provides mission critical solution – 'sticky customer base'
- 99%+ customer retention rate
- 80+% of our revenue is now recurring[3]
- TechnologyOne global enterprise SaaS solution

1,2 Based on FY19 Licence Fees
3 Total Revenue less consulting

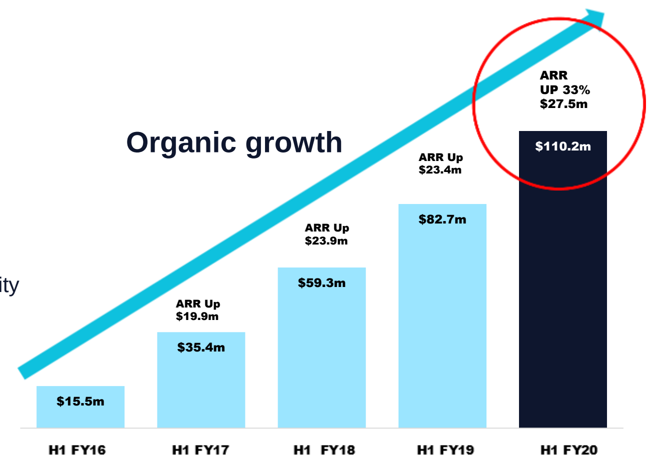
Our SaaS business is growing strongly

SaaS ARR is growing at 33% per annum

Compelling value proposition of TechnologyOne Enterprise SaaS

- ✓ One global code line
- ✓ Massive economies of scale
- ✓ 8 active-active data centres
- ✓ Defence-in-depth security
- ✓ Always on the latest technology
- ✓ Always on the latest release
- ✓ 2 releases each year providing new functionality
- ✓ Fast migration for existing on-premise customers to TechnologyOne SaaS
- ✓ Customers save 30+% on their total cost
- ✓ Take-on additional products quickly

Making life simple for our Customers



Total Annual Recurring Revenues will increase to $500+m in FY24 an additional $300m ARR[1]

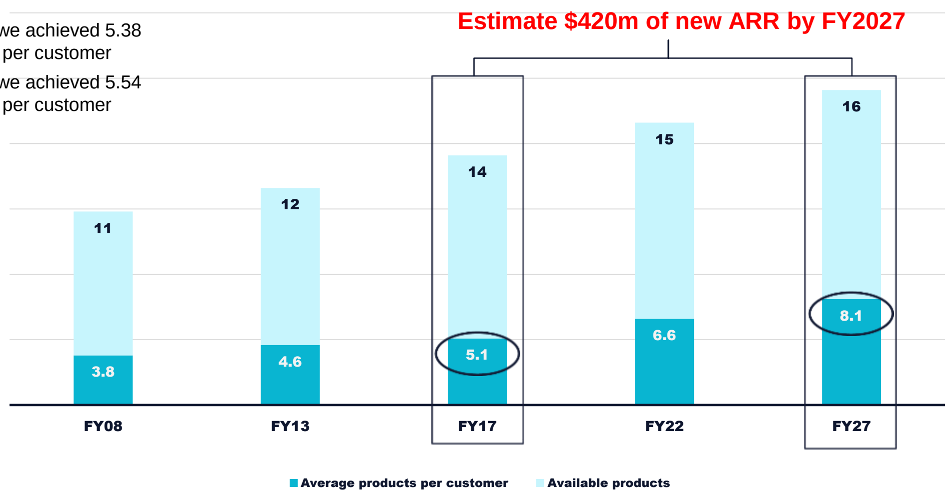
[1]Total ARR in FY19 was $202m.

Harvest substantial opportunities in our customer base

Illustrative model only
Not to be used as guidance

In FY18 we achieved 5.38 products per customer

In FY19 we achieved 5.54 products per customer



Only 50% Product Penetration In FY27

If we were to add one more product to our customer base, this will generate additional $140+m of revenue per year recurring[1]. In FY17, on average, our customers had 5.1 out of 14 products. We expect this to increase to an average of 8.1 products per customer by FY27 which will generate $420m ARR

1 Based on 1,000 SaaS Customers


Continuing growth in APAC
✓ Local Government
✓ Education
✓ Government
✓ Health & Community Services
✓ Asset & Project Intensive Industries
✓ Financial Services & Corporates
Our APAC market penetration does not exceed 15%
Significant room to grow in future years


Continuing growth in the UK
The UK market is 3x the size of Australian market for our enterprise system
Approaching critical mass

technology**one**

transforming business, making life simple