

TechnologyOne SaaS ARR up 44% and H1 FY22 Profit After Tax up 18%

BRISBANE, 24 May 2022 – One of Australia's largest enterprise Software as a Service (SaaS) companies, TechnologyOne (ASX:TNE), today announced its financial results for the half year ended 31 March 2022, showing its 13th year of record first half profit, with SaaS ARR up 44% and Profit After Tax up 18%, underpinned by continuing strong demand for the TechnologyOne global SaaS ERP solution.

TechnologyOne's SaaS and Continuing Business now has revenue of \$169.5 million for the half year, up 21%, representing 97%+ of our business, reflecting a huge shift from our legacy licence business. We are now at the completion of our SaaS transformation.

Key results were as follows:

- Profit After Tax of \$33.2m, up 18%
- Profit Before Tax of \$42.6m, up 14%
- SaaS Annual Recurring Revenue (ARR)¹ of \$225.1m, up 44%
- Revenue from our SaaS and Continuing Business of \$169.5m, up 21%
- Total Revenue of \$172.5m, up 19%
- Expenses of \$129.9m, up 21%
- Cash and Cash Equivalents of \$116.4m, up 16% from 31 March 2021
- Cash Flow Generation² of \$1.6m as expected, and will be strong over the full year
- Interim Dividend of 4.2cps, up 10%
- R&D expenditure (before capitalisation) of \$41.5m, up 20%, which is 24% of revenue
- UK profit up 100%+

¹ ARR represents future contracted annual recurring revenue at period end. This is a non-IFRS financial measure and is unaudited

² Cash Flow Generation is Cash flow from operating activities less capitalised development costs, capitalised commission costs and lease payments. This is a non-IFRS financial measure and is unaudited

TechnologyOne CEO, Edward Chung said: "I am pleased to announce that we have delivered our 13th year of record first half profit, record revenue and record SaaS fees.

"Our Profit After Tax for the half is up 18%. And our SaaS Annual Recurring Revenue (ARR) is up 44%, as we increased the number of large-scale enterprise SaaS customers by 24% to 714. Our SaaS business continues to grow strongly.

"We saw an acceleration of customers move to our global SaaS ERP solution, with more than 138 large enterprise customers making the shift, the highest number to date for any comparable period. This was driven by our 'end of on-premise program', with the majority of remaining on-premise customers now also committing to transition before 2024.

"Our global SaaS ERP is the future of enterprise software. It provides our enterprise customers a mission critical solution to run their entire business on any device, anywhere, at anytime. It also allows them to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies. This makes life simple for them.

"These are strong half year results for TechnologyOne and validate the strength of our SaaS strategy, which continues our strong growth trajectory in both Australia and the UK.

"We have also had many strong wins and organic growth. Nineteen large scale enterprise customers partnered with us in the first half, including Shire of Mornington Peninsula and City of Manningham in Australia, Gisborne District Council and Ministry of Justice in New Zealand and Newport City Council, Derby City Council and Royal Conservatoire of Scotland in the UK, all of whom are keen to transform their operations and free up time and resources which can then be invested into their customers and community," Mr Chung said.

In late calendar 2021, TechnologyOne acquired Scientia as a strategic addition to its ERP, and to drive growth in higher education both in the UK and Australia.

"We are already seeing good traction with this acquisition. Scientia's unique IP and market-leading functionality brings opportunities to expand our enterprise footprint in higher education and drive our growth into this important market," Mr Chung said.

TechnologyOne's UK business has continued to flourish, with profit before tax of \$2.3m for the half-year, up 100%+. Mr Chung said the company sees significant growth opportunities in the coming years and TechnologyOne is on track to deliver continuing strong growth over the full year in the UK. The total addressable market in the UK is 3 times its APAC addressable market.

For the period, expenses including Scientia (first full half year) were up 21% as expected. Expenses excluding Scientia were up 13%. Mr Chung said he expects revenue growth and expense growth to align over the full year.

"As we continue to win more customers and our SaaS Platform continues to scale globally, our profit margin will continue to expand," Mr Chung said.

TechnologyOne also announced significant R&D investment in extending the functionality and capabilities of the company's global SaaS ERP solution, including a new Local Government - Digital Experience Platform (LG DXP).

Mr Chung said: “LG DXP, will revolutionise how residents interact with councils. The initial feedback from our group of early adopters has been excellent and we believe our DXP strategy will create an additional long-term platform for future growth.

“Traditionally, cash flow generation for TechnologyOne is weighted to the second half, aligned with customer payment anniversary dates, resulting in negative cash flow in the first half. This half-year, we delivered a break-even cash flow generation result, with cash and cash equivalents up 16%. Cash flow generation will be strong over the full year, and we expect it to represent approximately 85% of net profit after tax. Cash flow generation will progressively align to NPAT by FY24,” he said.

TechnologyOne Chair, Adrian Di Marco added: “Our results are due to the continuing strong demand for our global SaaS ERP solution. Today, 97%+ of our revenue comes from our SaaS and Continuing Business. This is an outstanding achievement for the company to have transitioned from a traditional on-premise company to a SaaS company over the last 5+ years.”

“In light of the company’s strong results, and our confidence going forward, the dividend for the half year has increased to 4.20 cents per share, up 10% on the prior year,” Mr Di Marco said.

Guidance for FY22 – Profit up 10% to 15%, and SaaS ARR up 40%+

The company is well positioned to deliver continuing strong growth over the full year, expecting Net Profit Before Tax growth for FY22 up 10% to 15% on FY21,” Mr Chung said.

“We expect to see our SaaS ARR continuing to grow strongly, up more than 40%+ over the full year.

Mr Chung added: “There is concern in the financial press about the deteriorating economic environment because of inflation and increasing interest rates. Over the past 35 years we have continued to grow strongly in challenging economic environments such as this. We will do so again because of the following reasons:

- The markets we serve such as local government, higher education and government are resilient
- TechnologyOne provides mission critical software with deep functionality for these markets
- In times like this, these customers turn to ERP software to achieve greater efficiencies in their business. They save 30%+ by using our global SaaS ERP
- Our subscription revenue contracts pass on inflation
- We continue to benefit from improving margins because of the significant economies of scale from our single instance global SaaS ERP solution

“In particular, as we continue to aggressively grow our SaaS business, we will also continue to reduce our legacy licence fee business, which will be down to approximately \$12m over the full year (v \$18m pcp). While this has a significant immediate impact on our P&L over the full year, this is an integral part of our strategy to grow our SaaS business and the recurring revenue base.

“TechnologyOne will also continue to invest in talented staff and new areas of growth.” Ed Chung said.

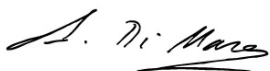
Long Term Outlook

TechnologyOne sees long-term continuing strong growth driven by its global SaaS ERP solution, increased product adoption by existing customers, new customers and expansion globally.

“Over the next few years, our SaaS and Continuing Business is expected to continue to grow strongly as our legacy licence fee business comes to an end,” Mr Chung said.

“We are on track to deliver Total ARR of \$500m+ by FY26, from our current base of \$288m.

“The economies of scale from our global SaaS ERP solution will also see continuing Profit Before Tax margin expansion to 35%.”



Adrian Di Marco
Executive Chair



Edward Chung
Chief Executive Officer

Further information

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

Results teleconference

TechnologyOne will present the 2022 half year results to analysts on a conference call on Tuesday 24 May at 11am AEST. You can register for the webcast at TechnologyOneCorp.com/about-us/shareholders.

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Authorised for release by the CEO and Chair.

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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 35 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.

For further information, please visit: [TechnologyOneCorp.com](https://www.technologyonecorp.com)