

22 November 2022

Technology One Limited (ASX: TNE)

TechnologyOne SaaS ARR up 43% and Profit up 22%

BRISBANE, 22 November 2022 – TechnologyOne (ASX: TNE), Australia's largest ERP Software as a Service (SaaS) company, today announced its financial results for the year ended 30 September 2022. We are pleased to announce our thirteenth consecutive year of record profit, record revenues, and record SaaS fees.

Results highlights

- Profit After Tax of \$88.8m, up 22%
- Profit Before Tax of \$112.3m, up 15%, at the top end of guidance
- SaaS Annual Recurring Revenue (ARR)² of \$274.2m, up 43%
- Total Annual Recurring Revenue (ARR)² of \$320.7m, up 25%
- Total Revenue¹ of \$369.4m, up 18%
- Revenue from our SaaS and Continuing Business of \$358.7m, up 22%
- Expenses of \$257.1m, up 20%³
- Cash Flow Generation⁴ of \$77.2m, up 21%,
- Cash and Cash Equivalents of \$175.9m, up 22%
- Total Dividend of 17.02cps, including a special dividend of 2.0 cps, up 22%
- R&D investment of \$92.2m before capitalisation, up 19.6%, which is 25% of revenue

¹ Includes other income of \$1.2m

² ARR represents future contracted annual revenue at year end. This is a non-IFRS financial measure and is unaudited

³ Impacted by Scientia acquisition. Synergies delivered in FY22 will reduce Scientia expenses in FY23

⁴ 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. 87% of NPAT as expected. As previously disclosed aligns with NPAT from FY24 onwards

Ed Chung, CEO of TechnologyOne said: "Our ability to deliver these results is due to TechnologyOne's clear vision, strategy, culture and our significant investment in R&D.

"Our strategy is clear – we strive to deliver a compelling customer proposition, providing our customers with any device, any time access from anywhere around the globe, as well as a simple and cost-effective way to run their enterprise.

"We also exceeded our ambitious annual recurring revenue (ARR) targets and ended legacy licences. I'm proud to announce that we have successfully completed our strategy ahead of schedule.

“No other ERP company in the world has successfully made the transition to SaaS without impacting its customers and/or its profit growth.

“I’m thrilled to see that adoption of the TechnologyOne global SaaS ERP solution (CiA) is exceeding our expectations, with customers driving SaaS annual recurring revenue (ARR) of \$274.2m, up 43%. This is record growth for the company, as is our total ARR of \$320.7m which is up 25%.

“Our Profit After Tax was also up 22%.

“With our SaaS business growing faster than expected, TechnologyOne is on track to surpass our target of \$500m+ ARR by FY26,” Mr Chung said.

“During the year, we completed our fourth generation global SaaS ERP, CiA, having re-engineered our entire ERP code base using SaaS technology. We have showcased exciting new products and solutions that underpins our ability to continue to double in size every 5 years.”

TechnologyOne SaaS ARR grows 43%

Adoption of the TechnologyOne global SaaS ERP solution is exceeding our expectations, with customer adoption driving SaaS annual recurring revenue (ARR) of \$274.2m, up 43%.

We now have over 800 large scale enterprise organisations, with millions of users, leveraging our fourth generation SaaS ERP, CiA, for mission critical activities for them and their customers. This makes TechnologyOne the largest single instance SaaS ERP offering in Australia.

Our global SaaS ERP 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 and their customers.

TechnologyOne continues to lead in the Local Government sector, where we closed 20 major deals in FY22 with \$63.9 million in total contract value and we now have more than 320 council customers in APAC. Mornington Peninsula is an excellent example of a Local Government customer that came back from Oracle and is extending their original TechnologyOne footprint and moving to our latest generation ERP, CiA.

In the Higher Education sector, we closed 10 major deals in FY22 worth \$47m in total contract value, cementing our position as the leading provider to the APAC Higher Education sector, including large deals at customers such as Queensland University of Technology and University of Technology Sydney.

Exceeding ARR targets and ended legacy licences

In 2018, we detailed our strategy to transition from an on-premise legacy licence business to a SaaS business. We set a plan to reduce on-premise legacy licence fees from a high of circa \$70m to zero over 5 years, whilst aggressively growing our SaaS recurring revenue business without impacting profit growth and without impacting our customers. We have now delivered this strategy, exceeding our ARR target in FY22, and allowing us to bring to an end our legacy licence fee business. This transition was extremely complex as we re-engineered all parts of

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our business including our products, our structure, our policies, processes and disciplines. No other ERP company in the world has successfully made this transition without impacting its customers and/or its profit growth.

Our philosophy of “transforming business, making life simple”, made the transition to our SaaS solution for our on-premise customers simple and seamless. They move to SaaS in weeks, not years, like those using our competitors’ products.

Our SaaS customers unlock significant benefits including:

- Two releases each year providing new functionality
- Eight active data centres
- Defence in depth security with the highest levels of cyber security certification
- Always on the latest release
- Always on the latest technology
- All products and modules available, so that our customers can take on additional products without friction
- Save 30%+ on their total cost of ownership

From here, they can easily move to our next generation SaaS ERP, CiA, and take advantage of new technologies, such as Artificial Intelligence and our new Digital Experience Platform (DXP).

Surpass \$500m+ ARR by FY26

The quality of the revenue from our latest generation global SaaS ERP business is exceptionally high, given its recurring contractual nature, combined with our industry leading low churn rate of ~1%.

Today, our Total Annual Recurring Revenue (ARR) is \$320.7m, up 25%. We are on track to surpass our target of \$500m+ ARR by FY26.

Our ARR stands at 90% of Total Revenue which means the majority of our revenue is locked-in at the start of the financial year. This positions us well to achieve strong continuing growth in the new year.

Building the future, enabling us to continue to double in size every 5 years

Investment in R&D of \$92.2m up 19.6% delivered our fourth generation SaaS ERP, CiA and underpins our future platforms for growth

During the year, we launched our fourth generation global SaaS ERP, CiA, having re-engineered our entire ERP code base using SaaS technology. This is the fourth time we have successfully re-engineered our entire code base, enabling our customers to always be on the latest technology. No other ERP provider has been able to achieve this.

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This truly is a feat in making the impossible possible, as our global SaaS ERP, is extremely broad, deep, complex and rich in functionality providing mission critical applications that run local governments, higher education institutions, governments and large-scale infrastructure providers.

TechnologyOne invested \$92.2 million in R&D this year, up 19.6%, with the first full year of ownership of Scientia, locked in key R&D talent with remuneration increases and long-term incentives and took the opportunity to accelerate R&D into a number of new and exciting areas.

Our R&D is also focused on extending the functionality and capabilities of our global SaaS ERP. Our R&D program continues to be at the leading edge of our industry, as we embrace new technologies, new concepts and new paradigms.

We continue to invest in new, exciting ideas and innovations, including Solution as a Service, App Builder and our Digital Experience Platform (DXP) for Local Government and Higher Education. Our 16th product, DXP LG, was released for general adoption in June 2022.

Solution as a Service underpins our future platforms for growth

Solution as a Service will be a game changer in the ERP industry and is the next logical evolution of SaaS where TechnologyOne delivers the entire outcome faster, with little risk and in one single annual fee to our customer. Solution as a Service will deliver faster time to value as we continue to dramatically drive down implementation timeframes, removing the need for traditional risky and long-drawn-out implementations. Through the “power of one”, TechnologyOne is the only SaaS ERP provider who will be able to deliver on this compelling proposition as we own all parts of the value chain with deep mission critical products, industry specific IP and expertise and our highly skilled inhouse consulting team which has been built up over 35 years.

We are excited about the opportunities these investments will bring to our APAC and UK customers.

It is these investments in R&D and Solution as a Service to build our future platforms for growth which underpins our ability to continue to double in size every 5 years. We manage this significant investment within our total cost base, continuing to achieve profit margin growth from the efficiencies gained through our single instance global SaaS ERP.

UK delivers ARR growth of \$17.5m up 95%. Doubling our investments in sales and marketing

We have seen our UK business continue to grow, with ARR of \$17.5m up 95%. We delivered profit of \$2.4 million, up from a profit \$1.6m last year, and we see significant opportunities in the coming years.

The regionalisation of our OneEducation solution is now complete as we delivered the first go-lives for our Student Management and Human Resources and Payroll products. Combined with the additional mission critical product, Timetabling and Scheduling through the acquisition of Scientia, we are now doubling our investments in sales and marketing to accelerate growth.

Integration of Timetabling and Scheduling (Scientia acquisition)

During the year, we progressed the integration of Scientia's mission critical Timetabling and Scheduling product. We created the first full SaaS offering of the product in just six months, with 16 customers now contracted to transition onto our SaaS platform. Customer feedback is exceedingly positive. These customers now have full visibility and access to TechnologyOne's entire ERP, reducing the friction for them to adopt the rest of the CiA product suite.

Profit Before Tax margin remained strong at 30%

We generated organic Profit Before Tax margin of 32%, compared to 31% pcp. Reported Profit Before Tax margin remained high at 30% and the temporary decrease was expected and caused by Scientia's lower margin. Synergies delivered in FY22 will reduce Scientia expenses in FY23 and we expect margin growth to return in FY23. We see group margins continuing to improve to 35%+ in the coming years, driven by the significant economies of scale from our single instance multi-tenanted global SaaS ERP solution.

Investment in people and culture

Our people solve incredibly complex business problems for our customers and have delivered our massively broad and deep global SaaS ERP. We compete and win against the world's largest multinational software companies, who have R&D teams with tens of thousands of staff.

During the year, we set a target Employee Net Promoter Score (eNPS) of +50 by FY26. Our current eNPS score increased from +17 to +33 on the back of some new and exciting people programs and initiatives.

We have been an extremely successful company by any measure for our first 35 years because of our consistent strategy, mission, purpose, core beliefs, values, leadership philosophies and compelling customer experience. During the year, we refined and simplified our values and relaunched them to our team through our Culture Book, a collection of stories which explains to new starters and reminds long timers what makes TechnologyOne special and how we make the impossible possible.

We rolled out a career framework to the entire organisation, to underpin team development and enable us to have robust succession and promotion plans. During the year, we promoted 148 team members across all areas of our business. We continued our focus on diversity and strategies to increase the number of women in senior roles. During the year we achieved a gender equality rate of 37.4% across all roles at TechnologyOne.

During the year, we have put a deliberate focus on wellbeing, launching a number of wellbeing initiatives for our people. We have signed Stephanie Gilmore (8 x world surfing champion and greatest of all time) as our new brand ambassador to focus on the importance of physical and mental wellbeing. We have also launched an Employee Share Plan which provides 1 free share for every 2 shares purchased by our employees. This financial wellbeing initiative

enables all team members to become owners of TechnologyOne and share in the growth of this great company.

In order to continue to double in size every five years, we launched our ongoing investment in our leaders through our Leadership Summit, designed to grow our leaders, teach the TechnologyOne Way and equip them to lead our teams to make the impossible possible.

Strong balance sheet and cashflows

TechnologyOne continues to have a strong balance sheet with net assets of \$239.1m, up 26% and cash and cash equivalents of \$175.9 million, up 22%. Cash Flow Generation was once again strong at \$77.2 million for the full year, versus a Net Profit After Tax of \$88.8 million. TechnologyOne continues its long history of strong cash flow generation which we expect to progressively grow to match Net Profit After Tax from FY24 onwards.

Dividend

In light of the company's strong results, our confidence going forward, and the significant fire power in our balance sheet to invest in growth and opportunities that may arise, we have announced a Special Dividend of 2.0 cents per share in addition to our final dividend of 10.82 cents per share.

The dividend for the full year has increased to 17.02 cents per share (including the Special Dividend), up 22% on the prior year, and in line with our Net Profit After Tax growth of 22%.



Pat O'Sullivan
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 4E. All documents are available on the ASX Announcement platform.

Results teleconference

TechnologyOne will present the 2022 Full Year results to analysts on a conference call on Tuesday 22 November at 11am AEDT. You can register for the webcast at TechnologyOneCorp.com/company/investors

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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 150 ASX-listed companies, with locations globally. 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 any time 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)

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