

Technology One Limited announces Half Year Results

record revenue, record licence fees and continuing very strong growth in cloud

BRISBANE, 22 May 2018 - Australia's largest enterprise software company, TechnologyOne (ASX:TNE) today announced a stronger first half result than originally expected, exceeding previous guidance that the first half ending 31 March 2018 would be challenging.

Highlights of the results were as follows:

- Net Profit Before Tax of \$10.4m, up 1%
- Revenue of \$120m, up 6%
- Total Expenses of \$110m, up 6%
- R&D of \$25.6m fully expensed, up 8%
- Total Annual Recurring Revenue of \$64.1m, up 14%
- Annual Licence Fees of \$51m, up 6%
- Annual SaaS Platform Contract Value of \$31m, up 51%
- Initial Licence Fees of \$25.9m, up 7%

Total Annual Recurring Revenue includes Annual Licence Fees and Annual SaaS Platform Fee
Annual SaaS Platform Fee was previously called Cloud Services Fee

TechnologyOne CEO Mr Edward Chung said: "This half TechnologyOne has delivered record revenue, record licence fees and continuing very strong growth in our cloud business."

"TechnologyOne is on track to deliver profit growth of between 10% to 15% over the full year.

"Our SaaS business continued to grow very fast with Annual SaaS Platform Contract Value (ACV) up 51% to \$31m per annum, and is on track to reach \$143m per annum in the next 4 years.

"Our cloud also delivered a profit of \$3m, up 217%. We have revised the cloud profit for the full year to \$7m, up from a previous forecast of \$5m. Our single instance, mass production, Software as a Service (SaaS) offering is gaining momentum and fast becoming a significant engine for growth. Margin for this business is expected to continue to expand because of the mass production architecture to exceed 30% in the coming years.

"Our SaaS offering is delivering a compelling value proposition to our customers providing them with new software features, 'any device, anytime access from anywhere around the globe', defence in depth security, as well as a simple and cost-effective way to run our enterprise software. This is allowing our customers to innovate and meet the challenges ahead with greater agility and speed, without having to worry about the underlying technologies. We take care of all of this.

“TechnologyOne now has 280 large scale enterprise customers, with many tens of thousands of users, making it the largest single instance ERP SaaS offering in Australia.

“Total Annual Recurring Revenue is on track to reach \$173m this year, representing 55% of our Total Revenue. We are forecasting Total Annual Recurring Revenue to reach \$345m in 2022, representing 70% of our Total Revenue.

“TechnologyOne Initial Licence Fee was stronger than was originally anticipated in the first half, up 7%. This was unexpected as our sales pipeline was heavily weighted to the second half of the year, but a number of deals closed earlier than expected, and this positions us well for the full year. We continued to dominate the local government and higher education markets.

“We also continued to make significant investments in the UK for future growth. We remain confident that the UK is an exciting and large market for our products and will become a significant contributor of profit growth in future years. The investment in the UK was in the expansion of our consulting business.

“TechnologyOne also continued to invest heavily in Research and Development, which was \$25.6m fully expensed, up 8%. The company plans to invest \$54 million dollars in R&D over the full year,” Mr Chung said.

TechnologyOne Executive Chairman Mr Adrian Di Marco said “Our cloud first, mobile first strategy is driving our continuing strong results. The market is clearly seeing the benefits of our single instance, mass production, Software as a Service (SaaS) offering has over our competitors.

“TechnologyOne innovation is accelerating, as we plan to invest \$54+ million dollars in R&D over the full year. This is a significant expenditure for us, and the benefits will be felt by our customers as we roll it out in the future.

“TechnologyOne will in the coming months release the next stage of our Digital Strategy, which will build upon the powerful foundations we have created - our mass production SaaS platform and our Ci Anywhere technology. This will enable our customers to embrace the digital revolution that is now gaining momentum, simply and easily to digitally enable each and every stakeholder throughout their organization be it an employee, customer, supplier, student, rate payer etc. substantially streamlining their business and improving their experience. Artificial Intelligence (AI) and Machine Learning (ML) is an integral part of our Digital Strategy. We will now be able to roll out our enterprise system to tens of thousands of stakeholders quickly and easily as has never before been possible to truly enable the digital revolution. This will create the platform for our next stage of growth.

Mr Di Marco also said “These strong results would not have been possible without the talented and committed people who make up TechnologyOne lead by our CEO Edward Chung. In light of the company’s strong results, the dividend for the first half was increased to 2.86 cents per share, up 10% on the prior year.”

Further information

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

Results teleconference

TechnologyOne will present the results to analysts on a conference call on Tuesday 22 May at 11am AEDT (10am AEST). Details will be provided to invited attendees. Alternatively, you can register for the webcast at TechnologyOneCorp.com/about-us/shareholders.

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Media Enquiries

Lisa Watson
Corporate Communications Manager
P: +61 7 3167 7991
M: +61 401 203 284
E: Lisa_Watson@technologyonecorp.com

Jennifer McCarthy
Executive Assistant
P: +61 7 3167 72225
M: +61 433 394 787
E: jennifer_mccarthy@technologyonecorp.com

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 create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,200 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only eight key markets: government, local government, financial services, education, health and community services, asset intensive industries, project intensive industries and corporates. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For 30 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. Today, our software is available on the TechnologyOne Cloud and across smart mobile devices.