



technologyone  
business software solutions

# TechnologyOne Overview

For ABN AMRO Morgans Annual Conference

Connected Intelligence

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[www.TechnologyOneCorp.com](http://www.TechnologyOneCorp.com)

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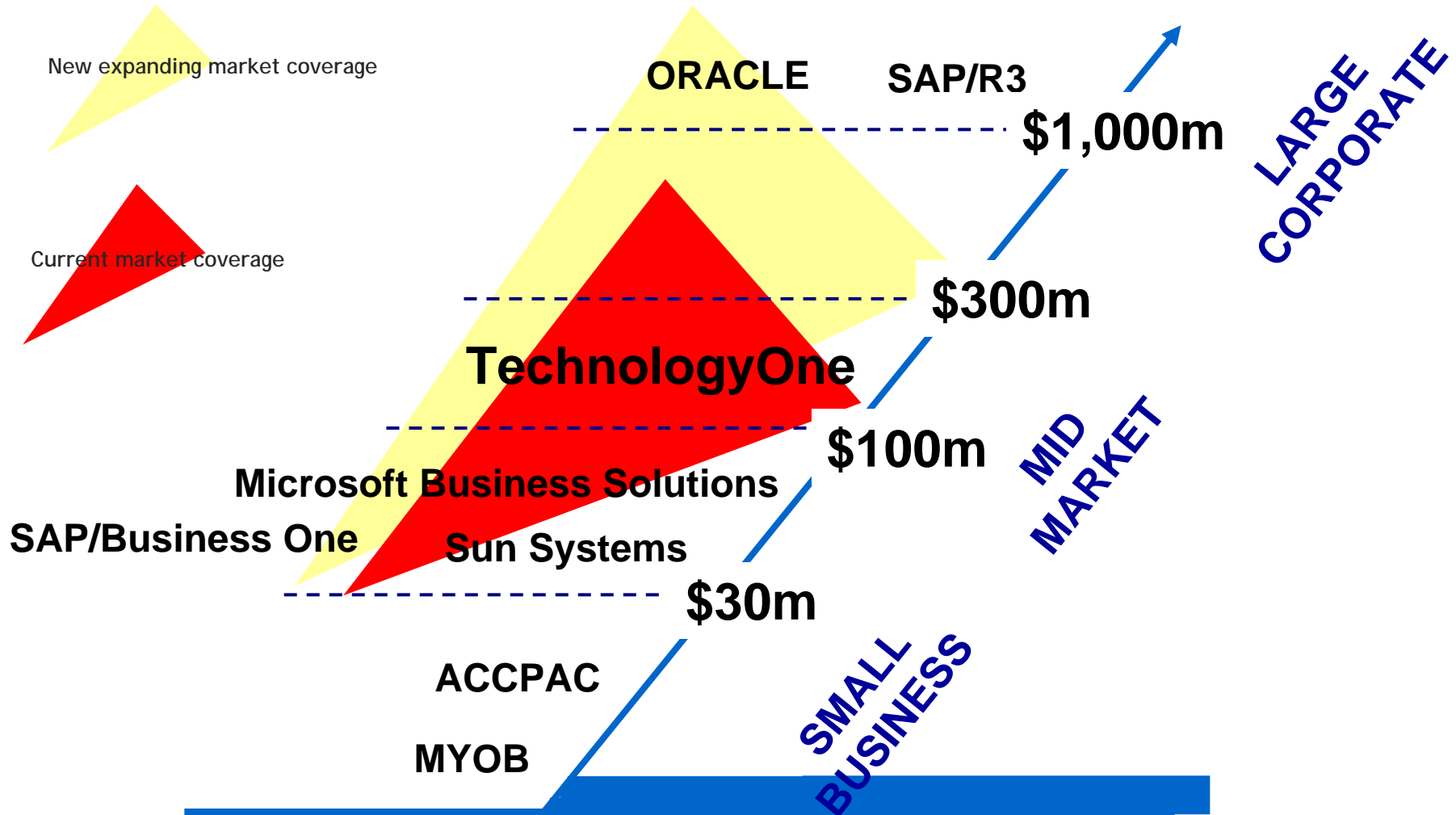
- **Overview**
  - TechnologyOne
  - Competitive Landscape
  - What Makes Us Different
  
- 2006 Full Year Results
  
- Significant Achievements
  
- Strategy for Growth
  
- Outlook and Challenges
  
- Summary

- TechnologyOne develops, markets, sells, implements and supports a broad range of enterprise applications:
  - TechnologyOne Financials
  - TechnologyOne Supply Chain
  - TechnologyOne HR & Payroll
  - TechnologyOne Works & Assets
  - TechnologyOne Business Intelligence
  - TechnologyOne Student Management
  - TechnologyOne Property
- Presence in Australia, New Zealand, Asia and more recently United Kingdom



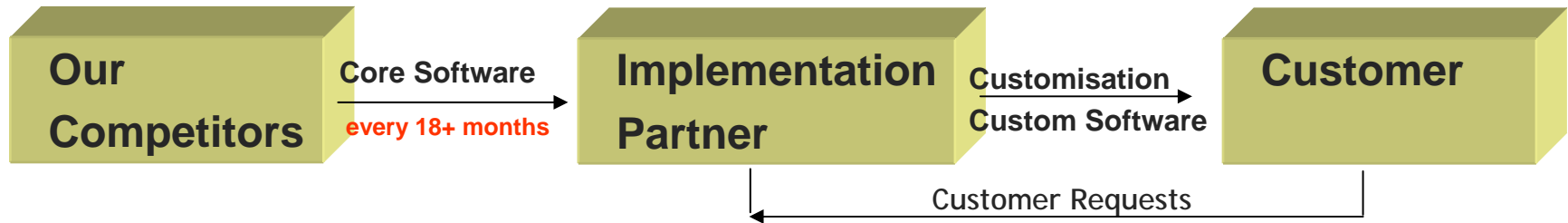
# The Competitive Landscape

The Power of



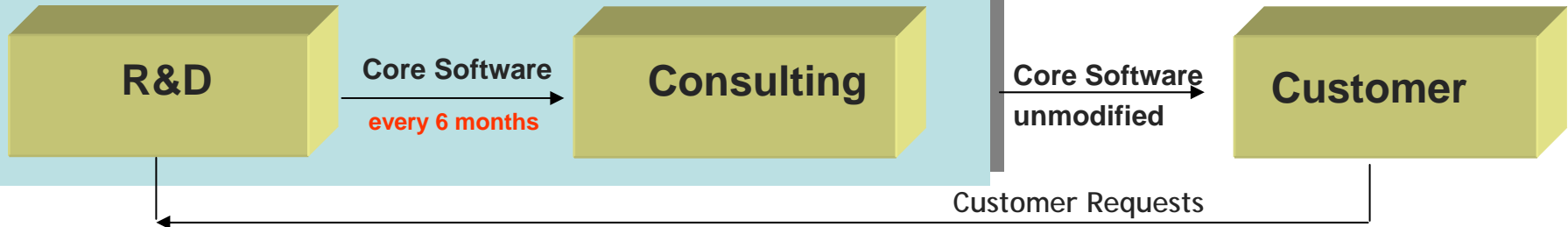
- **Oracle**
  - Acquired JD Edwards, PeopleSoft, Siebel, Retek
  - Challenge of merging these overlapping product lines with Oracle Financials – “Project Fusion”
  - Which product do they sell?
  - Strength is in manufacturing and distribution verticals
  - Oracle core business was historically database and technology
  
- **SAP**
  - 2 products: SAP (Tier One market) and Business One (mid size market)
  - Strength is in manufacturing and distribution verticals
  
- **Microsoft**
  - Acquired Great Plains, Axapta, Navision and Solomon
  - Challenge of merging these 4 overlapping product lines - “Project Green”
  - Currently branding is Dynamics GP, Dynamics Axapta, Dynamics Navision, Dynamics SL
  - Microsoft business was historically operating systems, database and technology
  
- **Sun Systems**
  - Acquired by INFOR
  - Older product – not as prevalent today
  
- **ACCPAC and MYOB are not competitors**
  - target low end

# Our Competitor's Business Model The Power of



- Competitors build their core software products; Implementation Partner implements the products – Who is finally responsible for the success of the customer?
- No direct relationship between Competitor & their Customer.
- Implementation Partner modifies software on site to meet customer specific requirements.
- Customer has heavily customised software. Customer can no longer easily take new releases of software. They become isolated.
- Customer pays for all customisation on a fee for service.
- New releases shipped every 18+ months by our Competitors.
- Improvements in core software hindered significantly because of customisation done on site.

### TechnologyOne "Power of One"



- No Implementation Partner – TechnologyOne takes total responsibility from R&D, Marketing, Sales, Implementation and Support.
- Direct relationship between TechnologyOne and our Customers.
- No customer specific software modifications done on site. All work done to Core software at our R&D centre.
- Customer has 'vanilla' software. Customer can take new releases of software from us regularly.
- Customer not paying for all customisation on a fee for service.
- New releases ship every 6 months; revisions every 6 weeks allow us to work in "real time" with our customers.
- Improvement in Core software continual, in time allowing us to deliver 'functionally rich' solutions 'out of the box'.

### Competitor Business Model

- Competitors build their products; Implementation Partner implements the products – Who is finally responsible for the success of the customer?
- No direct relationship between Competitor and their Customer
- Implementation Partner modifies software on site to meet customer specific requirements
- Customer pays for all customisation for a fee
- Customer has heavily customised software. Customer can no longer easily take new releases of software. They become isolated.
- New releases shipped every 18+ months by our Competitors
- Improvement in competitor's Core software hindered significantly because of customisation done on site by implementation partners

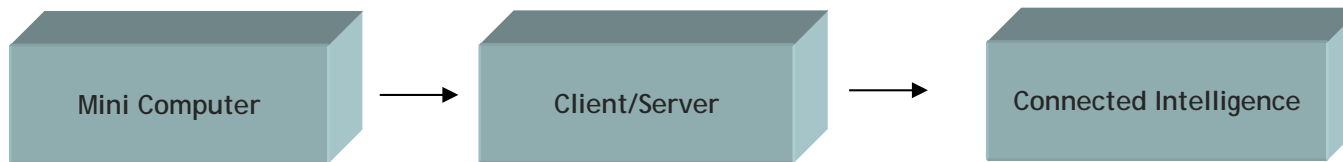
### TechnologyOne Business Model

- TechnologyOne takes total responsibility from R&D, Marketing, Sales, Implementation and Support. No Implementation Partner.
- Direct relationship between TechnologyOne and our Customers.
- No customer specific software modifications done on site. All work done to Core software at our R&D centre.
- Customer does not pay for customisation.
- Customer has 'vanilla' software. Customer can take new releases of software from us regularly.
- New releases ship every 6 months; revisions every 6 weeks allow us to work in "real time" with our customers
- Improvement in our Core software continual, in time allowing us to deliver 'functionally rich' solutions 'out of the box'



- “Power of One” Business Model
  - We develop, market, sell, implement and support our range of products
  - The only enterprise vendor that does not use third party implementers or resellers
- Operate in ‘real time’ with our customers
  - New release of our products every 6 months based on customer feedback, revisions every 6 weeks - keeps us at the leading edge
  - Industry standard is 18+ months for new releases which gives us a significant competitive advantage
- One source code baseline – our software works ‘Out of the Box’
  - No client customised software - everyone use ‘vanilla’ software from us
  - Our competitors’ software is ‘heavily customised’ making it difficult and expensive for their clients to take new software releases

- We use Technology for competitive advantage
  - Technology 'agnostic' while many of our competitors are committed to a technology platform
  - Refresh our products every 5 to 8 years based on leading edge technology
  - Our new generation product: Connected Intelligence (Ci) series now in over 150 sites



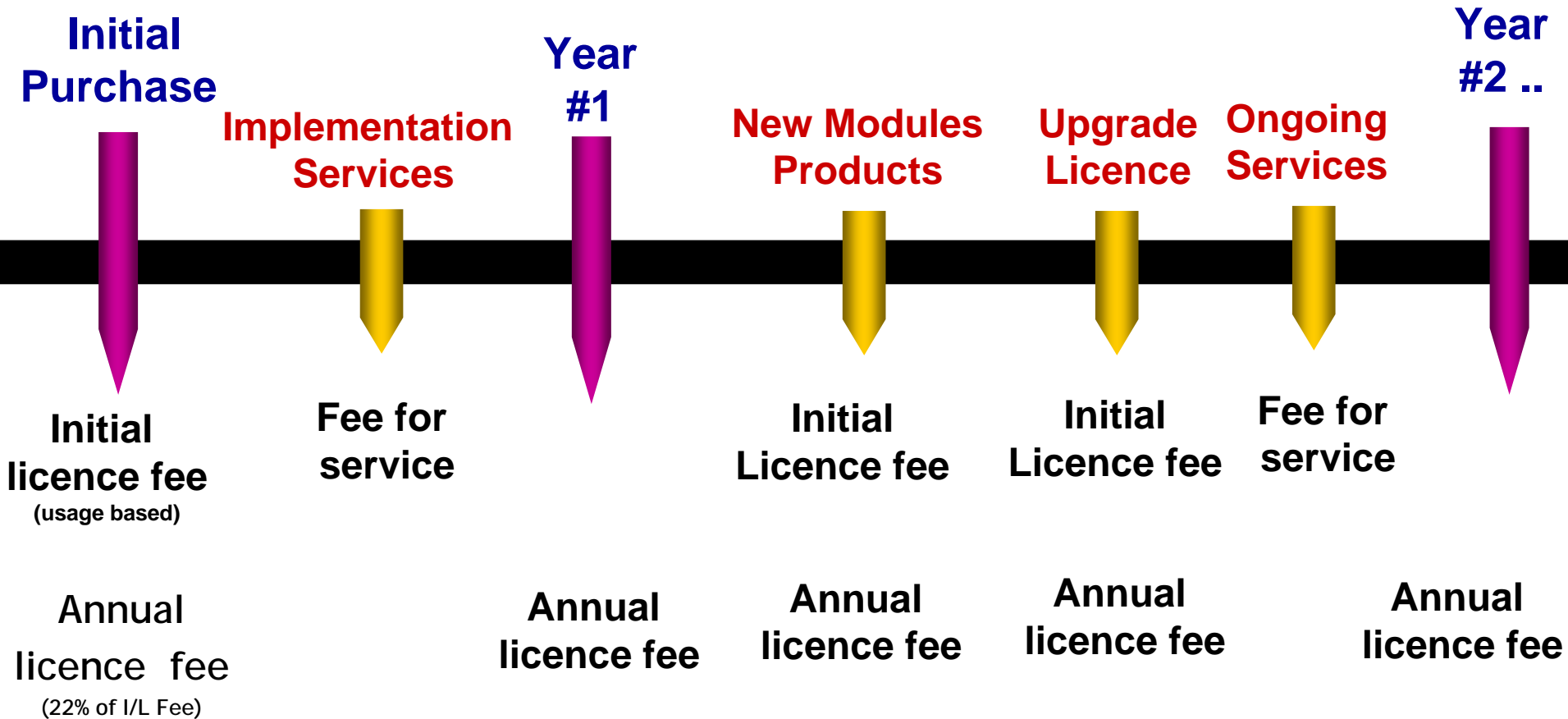
## TechnologyOne Product Evolution

- We focus on industry markets that our competitors have no significant advantage:
  - Local Government
  - State/Federal Government
  - Higher Education
  - Financial Services
  - Health & Community Services
  - Utilities
  - Managed Services
- Simplicity and ease of use
  - Competitor's products are monolithic in nature

- Our New Connected Intelligence series vs Competitors' older products
- Market confusion for our competitors' clients after all the acquisitions – which of their products will survive long term?
- Many of our competitors' clients have heavily customised software and can not easily take new software releases – they are stranded and becoming increasingly unhappy
- 10 year replacement cycle is now starting
- Traditional Tier One organisations are looking for alternatives over and above the current limited choices (SAP & Oracle) and now open to consider alternatives such as TechnologyOne
- Our target markets have no clear market leader.
- Consolidation is inevitable. Opportunity for us to become 'last man standing'.
  - Providing a 'total integrated enterprise solution' to these markets, which to-date has not been done

# Our Revenue Model

The Power of



Note: 50+% of revenue comes from existing customers each year

- Diversity of revenue streams
  - Geographies
  - Products
  - Vertical markets
- Strong, very loyal blue chip customer base
  - We provide a mission critical solution
  - 50% of our revenues generated from existing customers each year
  - Opportunities going forward to extend our relationship
- Conservative accounts
  - All R&D fully expensed as incurred

- TechnologyOne Overview
- **2006 Full Year Results**
- Significant Achievements
- Strategy for Growth
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- Record Revenue, up 21%
  - To \$65.2m, increase of \$11.3m
- Record Net Profit After Tax (NPAT), up 16%
  - To \$12.3m, increase of \$1.7m
- Record Net Profit Before Tax (NPBT), up 13%
  - To \$16.3m, increase of \$1.8m
  - NPBT up 13% vs 16% NPAT
  - Tax benefits associated with the move to Tax Consolidation

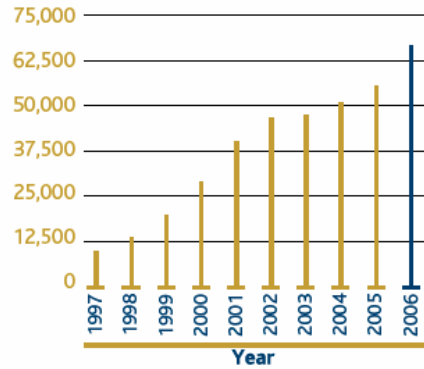


- Record R&D expenditure remained strong, up 24%
  - To \$12.7m, an increase of \$2.5m
  - Representing 19% of Revenue
  - R&D fully expensed as incurred
- Expenses excluding R&D/Depreciation up 24%
  - To \$36.4m, increase of \$7.0m
- Dividend of 3.41 cents fully franked, up 10%
  - Yield of 5% fully franked, based on a share price of 68 cents
  - Payout ratio of 83%
  - Sixth consecutive year of increasing dividends

- Return on Equity (ROE) of 32% (vs 26% last year)
  - Among top publicly listed companies in Australia
  - 24% ROE over 5 years, makes us #35 of all publicly listed companies\*
  - Adjusted ROE of 62% (adjusted for non working capital cash)
- Strong balance sheet
  - Debt/Equity of 3%
  - Cash and Cash Equivalents of \$22.3m

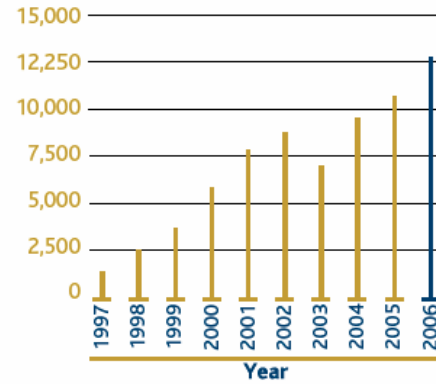
### Revenue

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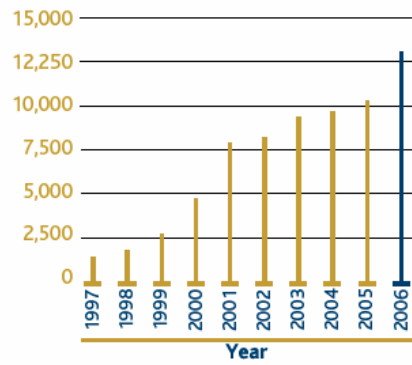
### Net Profit after Tax

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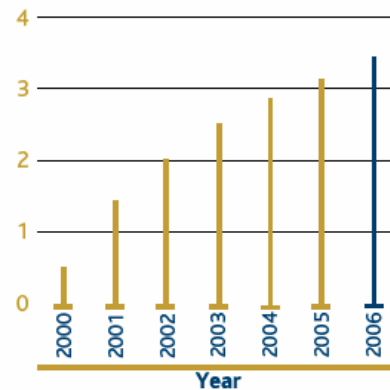
### Research and Development

\$(000)



### Dividend per Share

Cents



- All key indicators are up strongly
- Licence fees up 47% (vs 17% last year)
- Annual licence and support revenue of \$21.1m, up 23% (vs 19% last year)
- Implementation and consulting services revenue of \$18.1m up 22% (vs 11% last year)
- 53% of our revenues now generated from existing clients

- Strong results particularly taking into consideration:
  - Project Services/Integration Services Revenue decrease of 6% to \$7.2m a reduction of \$437k
  - TechnologyOne HR & Payroll had an R&D loss of \$676k
  - TechnologyOne Supply Chain had an R&D loss of \$1.1m
  - TechnologyOne Property licence fees down 30%, a decrease of \$518k
  - Malaysia had a loss of \$548k
  - United Kingdom had an expected loss of \$512k, as we invested to open up this market
  - Performance of Central Region below potential – estimate of \$1m+
  
- Demonstrates the strength and diversity of our business
  - Geographical diversity – North-West, Central, New Zealand, Asia and in future UK
  - Market diversity – Local Government, State and Federal Government, Financial Services, Higher Education, Health & Community Services, Utilities, Managed Services
  - Product diversity – Financials, Supply Chain, HR & Payroll, Works & Assets, Business Intelligence, Student Management, Property

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- **Continued Strong New Business**
- Continued Strong R&D program
- Continued Organisational Changes
- TechnologyOne United Kingdom

- Licence fees to new customers up 58%
  - Strong indicator of the increasing success of our new Connected Intelligence (Ci) product line
  - General Commercial - 38 new customers
  - Local Government - 12 new councils, giving us 103 councils in total
  - State & Federal Government - 5 new agencies
  - Higher Education - 4 new customers
  - HR & Payroll - 38 new customers, giving us 141 customers in total
- Traction in Tier One customer space:
  - Government of PNG, Adelaide Bank, Ministry of Justice NZ, Queensland University of Technology, Ministry of Economic Development NZ
  - Continuing opportunities going forward



- Continued Strong New Business
- **Continued Strong R&D program**
- Continued Organisational Changes
- TechnologyOne United Kingdom

- Record R&D expenditure remained strong, up 24%
  - To \$12.7m, an increase of \$2.5m
  - Representing 19% of revenue
  - R&D fully expensed as incurred
- **Goal:** Integrated enterprise software suite with ‘out of the box’ deep functionality based on the very latest technology and software design concepts:
  - Financials
  - HR & Payroll
  - Supply Chain
  - Works & Assets
  - Business Intelligence
  - Student Management
  - Property
- Our new Connected Intelligence (Ci) series has been a major area of investment to achieve the above goal

- TechnologyOne Financials Ci has been very successful to date:
  - Involved in all new deals
  - 150 sites committed; 120 sites now live
  - Opened up opportunities in Tier One customer space
  - R11.2 now available – critical for United Kingdom
- R&D accelerated to bring remaining products onto the Ci platform in 2006/07 timeframe:
  - TechnologyOne Student Management
  - TechnologyOne Property
  - TechnologyOne HR & Payroll
  - TechnologyOne Supply Chain

- R&D accelerated to develop new modules/functionality in following areas:
  - TechnologyOne Works & Assets
  - TechnologyOne Business Intelligence
  - TechnologyOne Student Management
  - TechnologyOne Property

- TechnologyOne Business Intelligence (BI) – significant new direction
  - BI “out of the box” across all our products
  - Lower cost of ownership; TechnologyOne data aware; able to incorporate other non-TechnologyOne data sources
  - **Objective:** Consolidate our approach to BI and Corporate Performance Management across all our products
  - Significant opportunities going forward
- TechnologyOne CRM (Customer Relationship Management)
  - Early stage R&D started – proof of concept completed mid 2007 calendar year

- Continued Strong New Business
- Continued Strong R&D program
- **Continued Organisational Changes**
- TechnologyOne United Kingdom

# Continued Organisational Changes The Power of

- Continue to evolve as our business grows rapidly
- New executive team 'bedded down' and responsibilities reassigned
- Exceptional Sales and Marketing Initiative
  - All sales and marketing now under one Operating Officer
  - Marketing now aligned to sales
  - Identified and committed to seven well defined markets to achieve dominant position:
    - Government
    - Local Government
    - Financial Services
    - Higher Education
    - Health and Community Services
    - Utilities
    - Managed Services
  - Focus on 'pipeline management' and 'named accounts'

- **Exceptional Customer Service Initiative**
  - All consulting now under one Operating Officer
  - Consistent business practices across all regions
  
- **Awesome Software Initiative**
  - Smaller, empowered 'domain teams' to increase ownership, commitment and innovation
  - Consolidated Financials, HR & Payroll, Supply Chain, Works & Assets and Business Intelligence under one senior manager – now called Core Enterprise Team



# Continued Organisational Changes The Power of

- Creation of AANZ – Australia, New Zealand and Asia
  - Asia now reports into Australia Executive Team
  - Appointment of new Asian Manager to revisit our approach to Asia
  - Allows one senior executive to focus on developing our United Kingdom business

- Continued Strong New Business
- Continued Strong R&D program
- Continued Organisational Changes
- **TechnologyOne United Kingdom**

- First European office opened in Maidenhead United Kingdom
  - Opportunities for substantial growth – market estimated to be 3+ times size of Australian market
- Country Manager appointed with extensive experience and contacts
- Key Australian staff relocated into United Kingdom as culture and knowledge carriers
- Strategy finalised:
  - TechnologyOne Financials Ci first product into United Kingdom
  - 'Power of One' Business Model

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- Focus on our seven key markets
  - Goal to achieve a dominant market presence in each market
  - Re-align sales, marketing, consulting, R&D and acquisitions/partnerships
- Connected Intelligence (Ci) increasing our 'win rate' in our financial business
  - Accelerate R&D to move all products to Ci platform over next two years
- Tier One opportunities opening to us
  - Capitalise on our competitors "confused strategy" and customer dissatisfaction
  - Focus to improve our products and services for larger Tier One sites

- Higher Education – strong pipeline of opportunities now
  - TechnologyOne now ‘last man standing’
  - Need to pro-actively manage opportunities and build infrastructure for growth
  - Good candidate for United Kingdom to continue growth in this sector
  - Extend product breadth to ‘add more value’ for our existing customers
- Business Intelligence (BI) – strong pipeline of opportunities for 2008
  - Official release early 2007
  - Powerful and unified BI across all our products, ‘out of the box’
  - Potential to be embraced by majority of our customers
  - Strong differentiator to our competitors
  - Strong opportunities going forward

- Focus now on HR & Payroll to become ‘best in class’
  - Work with existing customers to achieve this
  - Significant revenue stream in medium term, as companies look for a totally integrated solution from one vendor
  - Will make this a highly profitable product line (\$676k loss in 2006)
  
- Local Government - Highly fragmented market
  - 3 major players - rationalisation inevitable over next 3 years
  - ‘Last Man Standing’ strategy
    - Increase focus on customer satisfaction
    - Property Ci and “One System” initiative
    - Increase solution breadth to provide a totally integrated solution: Works & Assets, Business Intelligence and partnerships
  - Open up a significant revenue stream

- TechnologyOne Works & Assets
  - New product, needs to be carefully managed
  - Extend product breadth rapidly over next few years
  - Potential new markets for TechnologyOne



- New Zealand – continuing strong growth
  - Continue to build our management team
  
- Geographical expansion provide significant growth opportunity in medium term
  - Continue to invest in the UK
    - \$1m loss for 2007 financial year
    - Medium term strong contributor to growth
    - Critical to get first 10 sites – “early adopter” program initiated
  - Continue to invest in Asia
    - Breakeven in 2007 financial year
    - New Asian regional manager appointed; and region under AANZ structure
  - Long term – continue geographical expansion
    - USA or China

- Significant opportunities in our existing customer base
  - Powerful proposition: ‘provide customers with complete integrated solution from one company’
  - Cross-sell existing TechnologyOne products
  - Acquisition/partnerships of other third party products to sell into our customer base
  - Moving existing customers to our new Ci platform is critical
  - Looking at a more proactive and effective account management strategy to underpin this

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- Continuing strong growth
  - Market conditions continue to improve generally
  - Continuing strong growth in New Zealand and Australia
  - Improvements in 2 largest states NSW and Victoria
  - Increased win rate from our Connected Intelligence series
  - Tier One opportunities
  - Increased penetration of
    - TechnologyOne Financials
    - TechnologyOne Student Management
    - TechnologyOne Works & Assets
    - TechnologyOne Business Intelligence
  - Limit our investment in the UK to \$1m loss
  - R&D target as 17% of revenue in 2007
  - Breakeven in Asia
  
- Expect profit growth of 15% to 20% in 2007
  
- Expect dividend to increase by 10% again next year

- Opportunities for continuing strong growth
  - Financials - further Tier One opportunities in ANZ due to acceptance of our Ci platform
  - Financials – growth in United Kingdom market
  - Higher Education continuing strong market in ANZ
  - Higher Education opportunities in United Kingdom
  - Local Government market consolidates in ANZ with TechnologyOne ‘Last Man Standing’
  - Business Intelligence new market opportunity
  - HR & Payroll becomes ‘best in class’ and a stand alone product line
  - Better management of our customer relationship and cross-selling products
  - Acquisitions/partnership to increase product breadth

- Manage the migration of all our customers to our new Ci platform
- Progressively develop and release other Ci products
  - TechnologyOne Property Ci
  - TechnologyOne Student Management Ci
- Consolidate TechnologyOne HR & Payroll position in the market
- Manage rollout of TechnologyOne Works & Assets into the market
- Manage rollout of our new TechnologyOne Business Intelligence into the market
- United Kingdom expansion
- Further organisational changes to handle our broad range of products and expanding international operation:
  - Sales/Marketing
  - Consulting/Implementations
  - Account Management
- Manage our cost base inline with expected growth

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- Robust Revenue Model – Initial Licences, Annual Licences, Implementation Fees
- Unique Business Model - “Power Of One”
  - No implementation partners – direct relationship with our customers
  - No customised software – all clients use vanilla TechnologyOne software
- Sticky ‘blue chip’ customer base – 50+% of our revenue comes from existing customers
- Extensive R&D program – 18% of revenue; fully expensed
- Technology Neutral – use industry standard component technology for competitive advantage
- Extensive range of enterprise applications
- Target seven vertical markets where there is no clear leader and considerable room to grow
- New Connected Intelligence series of products give us a significant competitive advantage
- Our “Last Man Standing” strategy for Higher Education, Local Government, HR & Payroll
- Opportunity to cross sell more products and services into our customer base
- Opportunities as our product range continues to mature and as we expand into new areas
- Opportunities as our geographies expand
- Diversity in geographies, products, markets we target



***These slides are now available from our web site:  
[www.TechnologyOneCorp.com](http://www.TechnologyOneCorp.com) under  
the investor relations section.***



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