



technologyone  
business software solutions

# 2006 Results Presentation

Connected Intelligence

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

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# Agenda

- **TechnologyOne Overview**
- 2006 Full Year Results
  - Summary
  - Analysis
- Significant Achievements
- Strategy for Growth
- Outlook and Challenges

# TechnologyOne Overview

- TechnologyOne develops, markets, sells, implements and supports a 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

# Agenda

- TechnologyOne Overview
- **2006 Full Year Results**
  - Summary
  - Analysis
- Significant Achievements
- Strategy for Growth
- Outlook and Challenges

# 2006 Full Year Results - Summary

- 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

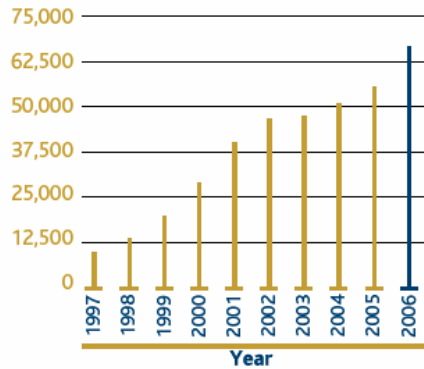
# 2006 Full Year Results - Summary

- 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

# 2006 Full Year Results - Summary

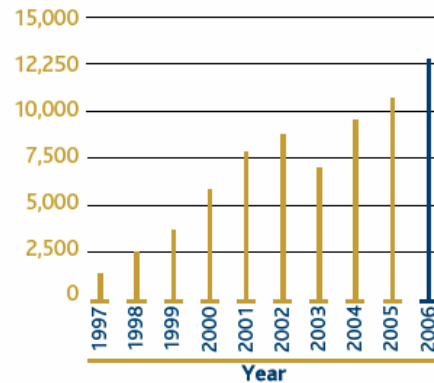
## Revenue

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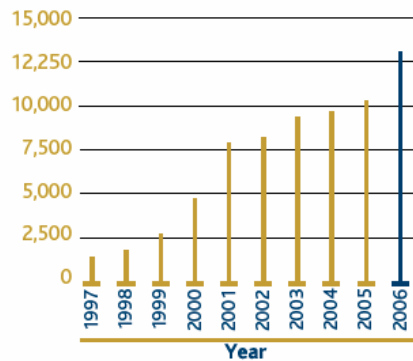
## Net Profit after Tax

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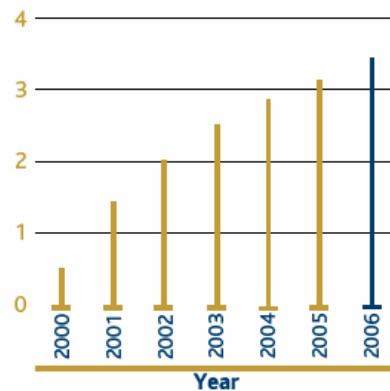
## Research and Development

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## Dividend per Share

Cents



# 2006 Full Year Results - Summary

- 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
- Operating Cash Flow of \$8.6m compared to NPAT of \$12.3m
  - Significant billings of approx \$10.7m in June, thus not converted to cash
  - Deferred payment terms associated with larger Tier One contracts
  - Note: Debt collection remains strong



# 2006 Full Year Results - Summary

Full Year 2006 v 2005	2006 v 2005			
	2006 \$ (000)	2005 \$ (000)	Variance \$ (000)	Increase %
<b>Revenue</b>	<b>65,242</b>	<b>53,850</b>	<b>11,392</b>	<b>21%</b>
Expenses	36,411	29,332	7,079	24%
<b>EBITDAR</b>	<b>28,831</b>	<b>24,518</b>	<b>4,313</b>	<b>18%</b>
<b>R&amp;D</b>	<b>12,675</b>	<b>10,220</b>	<b>2,455</b>	<b>24%</b>
EBITDA	16,156	14,298	1,858	13%
Depreciation and Amortisation	1,142	1,154	(12)	(1%)
EBIT	15,014	13,144	1,870	14%
Net Interest Income	1,243	1,285	(42)	(3%)
NPBT	16,257	14,429	1,828	13%
<b>NPAT Reported</b>	<b>12,314</b>	<b>10,597</b>	<b>1,717</b>	<b>16%</b>
<b>Earnings Per Share - Reported (Cents)</b>	<b>4.12</b>	<b>3.54</b>	<b>0.58</b>	<b>16%</b>
Dividend Per Share (Cents)	3.41	3.10	0.31	10%
Adjusted Return on Shareholders' Equity	62%	54%		
Cash and Cash Equivalents	22,279	25,623	(3,344)	(13%)
Net Operating Cash Flow	8,613	11,061	(2,448)	(22%)
Debt/Equity	3%	3%		
EBITDA Margin	24%	26%		
NPBT Margin	24%	26%		
<b>R&amp;D as Percentage of Total Revenue</b>	<b>19%</b>	<b>19%</b>		

# 2006 Full Year Results - Analysis

- 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

# 2006 Full Year Results - Analysis

- TechnologyOne Financials licence fees up 44% (vs 7% last year)
  - Involved in almost all deals
- TechnologyOne Business Intelligence licence fees of \$1.3m in first full year
- TechnologyOne Student Management licence fees up 151%

# 2006 Full Year Results - Analysis

- North-West region (QLD, SA, WA, TAS & NZ) performed strongly
  - Profit contribution up 114% to \$5.5m, an increase of \$2.9m
  - Licence fees up 97% to \$9.2m, an increase of \$4.5m
  - Consulting (Total) up 38% to \$9.8m, an increase of \$2.7m
  - New Zealand and Queensland very strong performance
  - Growing pains in New Zealand coming under control
- Central region (NSW, VIC & ACT) performed below their potential
  - Profit contribution down 3% to \$2.4m, a decrease of \$70k
  - Licence fees down 15% to \$3.8m, a decrease of \$653k
  - Consulting (Total) up 17% to \$7.4m, an increase of \$1.1m
  - Actions taken to remedy this situation

# 2006 Full Year Results - Analysis

- 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
  - 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 and Community Services, Utilities, Managed Services
  - Product diversity – Financials, Supply Chain, HR & Payroll, Works & Assets, Business Intelligence, Student Management, Property

# Agenda

- TechnologyOne Overview
- 2006 Full Year Results
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  - Analysis
- **Significant Achievements**
- Strategy for Growth
- Outlook and Challenges

# Significant Achievements

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

# Continued Strong New Business

- 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



# Significant Achievements

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

# Continued Strong R&D Program

- 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

# Continued Strong R&D Program

- 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

# Continued Strong R&D Program

- R&D accelerated to develop new modules/functionality in following areas:
  - TechnologyOne Works & Assets
  - TechnologyOne Business Intelligence
- R&D planned to develop new modules/functionality in following areas over 2006/07:
  - TechnologyOne Student Management
  - TechnologyOne Property

# Continued Strong R&D Program

- 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

# Significant Achievements

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

# Continued Organisational Changes

- Continue to evolve as our business grows rapidly
- New executive team 'bedded down' and responsibilities reassigned
- **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

- Exceptional Customer Service Initiative
  - All consulting now under one Operating Officer
  - Consistent business practices across all regions
  
- Exceptional Sales and Marketing Initiative
  - All sales and marketing now under one Operating Officer
  - Marketing now aligned to sales
  - Identified and committed to 7 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'



# Continued Organisational Changes

- 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

# Significant Achievements

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

# 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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- **Strategy for Growth**
- Outlook and Challenges

# Strategy for Growth

- 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 2 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

# Strategy for Growth

- 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

# Strategy for Growth

- 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

# Strategy for Growth

- TechnologyOne Works & Assets
  - New product, needs to be carefully managed
  - Extend product breadth rapidly over next few years
  - Potential new markets for TechnologyOne
- Need to re-look at our strategies for:
  - TechnologyOne Supply Chain
  - TechnologyOne Project Services



# Strategy for Growth

- 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

# Strategy for Growth

- 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
  - Moving existing customers to our new Ci platform is critical
  - Looking at a more proactive and effective account management strategy to underpin this
- Need to achieve greater success for our expanding product line
  - Supply Chain, HR & Payroll, Property, Works & Assets, Business Intelligence
  - 'Core Financials' focus and culture is too pervasive
  - More effective and focused organisational structure to bring a focus on each product line

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- **Outlook and Focus**

# Outlook 2007

- 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

# Outlook – Long Term

- 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

# Focus in 2007/2008

- 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

***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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