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# Technology One Ltd Annual General Meeting

**13 February 2013 - Technology One Ltd (ASX:TNE)** today conducted its Annual General Meeting at the Brisbane Convention & Exhibition Centre.

The attached presentation was given at this meeting by the company's Executive Chairman, Mr Adrian Di Marco.

These slides are also available on the company's web site: www.TechnologyOneCorp.com.

Transforming business, making life simple

# Annual General Meeting Presentation

Year Ending September 30th 2012

**Adrian Di Marco**

Adrian_Dimarco@TechnologyOneCorp.com

Final Feb 2013 Commercial in confidence

TechnologyOneCorp.com

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# Agenda

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- Overview
- Results
- Company Update
- Outlook for Full Year
- Long Term Outlook

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# TechnologyOne Overview

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Formed in
**1987**

Employees
**800+**

**300+** developers
in **R&D** centre

**800+**
customers - corporations, government
and statutory authorities

Revenue
**$170m**

**One of Australia's largest & most successful software companies**

Continually
**profitable**
since 1992

**Doubles in size**
Every 4 years

Invest **20%**
of revenue back into
**R&D**
**$33+m per year in R&D, fully expensed**

**14** offices in
Australia | New Zealand
South Pacific | Asia
United Kingdom

# TechnologyOne Overview

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## Financially very strong ....

| | |
|---|---|
| ▪ Cash and Equivalents | $51.1m |
| ▪ Adjusted Return on Equity* | 70+% |
| ▪ Debt/Equity | 10% |
| ▪ Interest Cover | 50 |

- Continually paid dividends since 1996 (16 years)

* Less surplus cash of $44m ; Unadjusted ROE is 32+%

# What makes Us Unique ...

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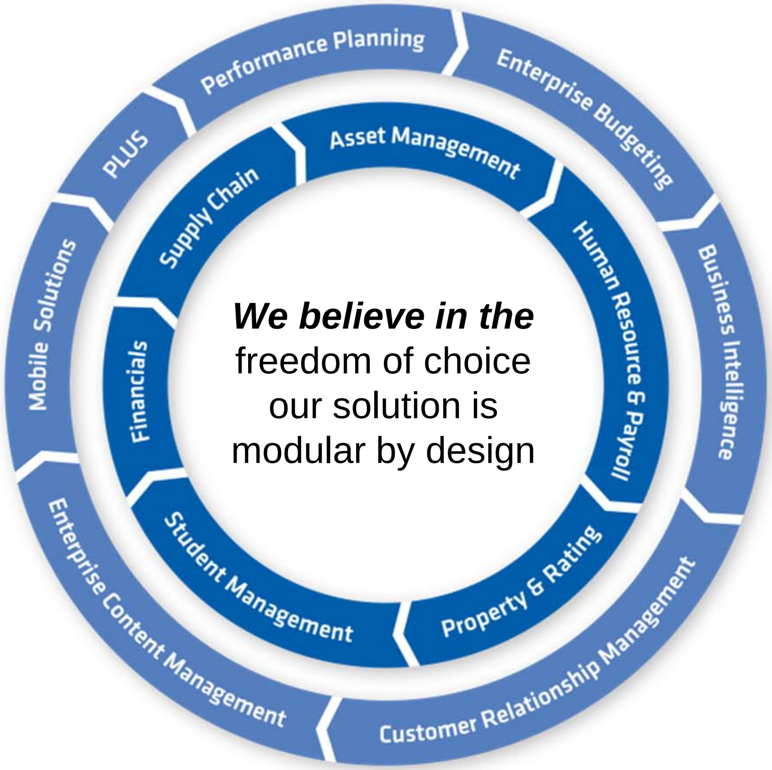
We are one of only a few Enterprise Vendors globally ...

- ✓ Suite of 12 products
- ✓ Deeply integrated
- ✓ Common platform
- ✓ Consistent user interface

The power of a single, integrated, enterprise system



# What makes Us Unique ...

## We focus on seven key markets ...

- ✓ Deep understanding and engagement in our markets
- ✓ Deeply integrated pre configured solutions
- ✓ Proven practice
- ✓ Streamlined implementations
- ✓ Reduce time, cost and risk


## Market focus & commitment

# What makes Us Unique ...

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## We do not use implementation partners or resellers

We take complete responsibility for building, marketing, selling, implementing and supporting our enterprise solution for each customer to guarantee long term success.


The Power of One

One vision. One vendor. One experience.

# Our Vision

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## Clear & focused vision ...

## Transforming business, making life simple

# TechnologyOne Overview

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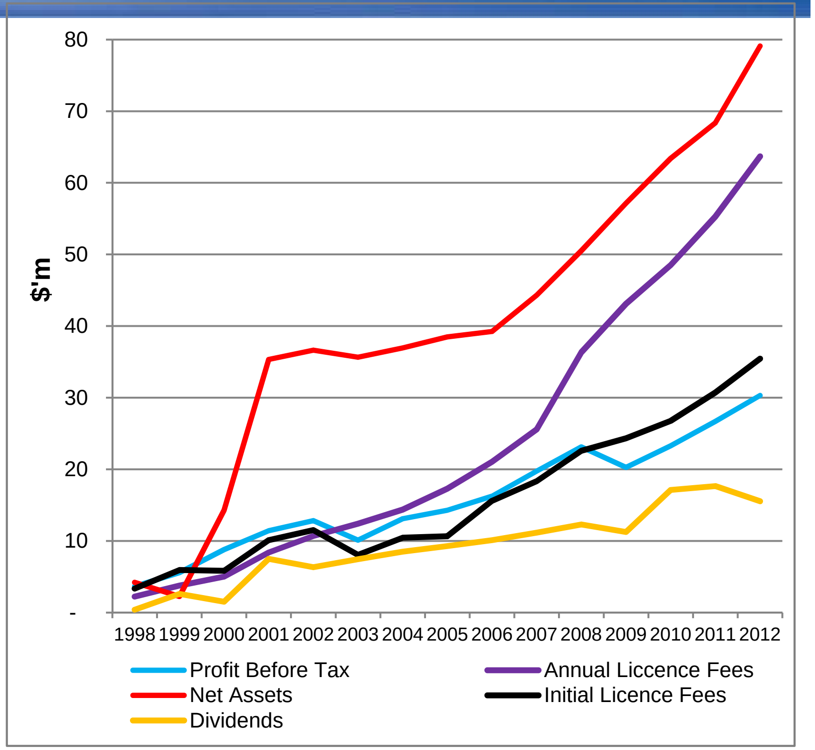
## Key metrics over last 15 years …

- ✓ Revenue - 20% per annum compound
  - Even through the Dot-Com and GFC
- ✓ Initial Licence Fees - 18% per annum compound
- ✓ Annual Licence Fees - 27% per annum compound
- ✓ Profit Before Tax - 16% per annum compound
- ✓ Dividends - 19+% per annum compound
- ✓ Net Assets - 23% per annum compound




Doubling in size every 4 years for last 15 years

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# Results Summary

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| | FY12 | FY11 | Variance % |
|---|---|---|---|
| **Revenue** | $169.1m | $156.7m | 8% |
| Initial Licence Fees | $35.4m | $30.7m | 15% |
| Consulting Services Fees | $45.4m | $41.7m | 9% |
| Annual Licence Fees | $63.7m | $55.3m | 15% |
| **Expenses** | $138.7m | $130.0m | 7% |
| R&D Expenses * | $33.5m | $31.8m | 5% |
| Expenses excl R&D | $105.2m | $98.2m | 7% |
| **Profit** | | | |
| Profit After Tax** | $23.6m | $20.3m | 16% |
| Profit Before Tax | $30.3m | $26.7m | 14% |
| **Other** | | | |
| Operating Cash Flow | $28.0m | $23.2m | 21% |
| Cash and Cash Equivalents | $51.1m | $45.4m | 13% |
| Profit Before Tax Margin | 18% | 17% | |

*** 20% of revenue v 20% last year ; fully expensed**

** R&D tax concession, positive impact on NPAT

# Results Highlights

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- Strong result given challenging and uncertain economic climate
- Continued strong demand for our products:
  - 15% increase in Initial Licence fees
  - 15% increase in Annual Licence Fees
- Higher end of guidance: Profit growth of 10% to 15%
- Continued significant investments in a number of key areas as follows:
  - Preconfigured solutions
  - R&D into Ci² - Next generation of our Ci suite
  - R&D into TechnologyOne Cloud
  - United Kingdom
  - These investments will drive growth in future years – discussed later

# Balance Sheet

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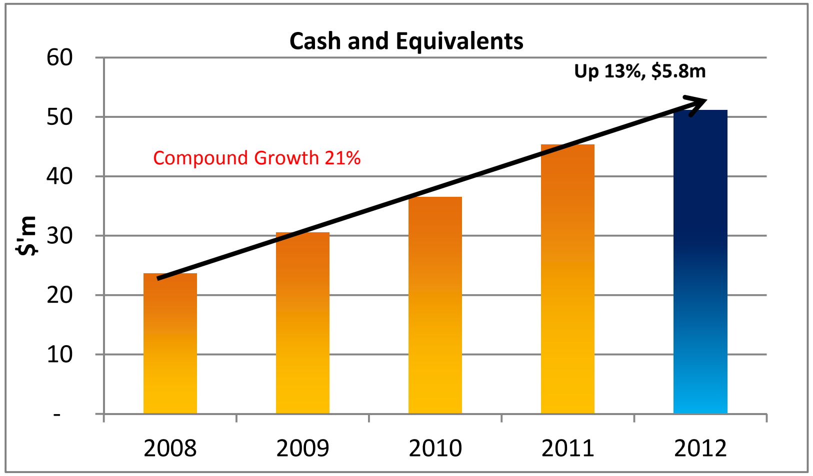
## Strong balance sheet

| | | |
|---|---|---|
| Cash & Cash Equivalents | $51.1m | (vs. $45.4m) |
| Net Cash*: | 13.7c/s | (vs.11.2c/s) |
| Debt/Equity: | 10% | (vs. 14%) |
| Net Assets: | $74m | (vs. $68m) |
| Interest Cover: | 50 times | |




*after debt per share

# Cash Flow

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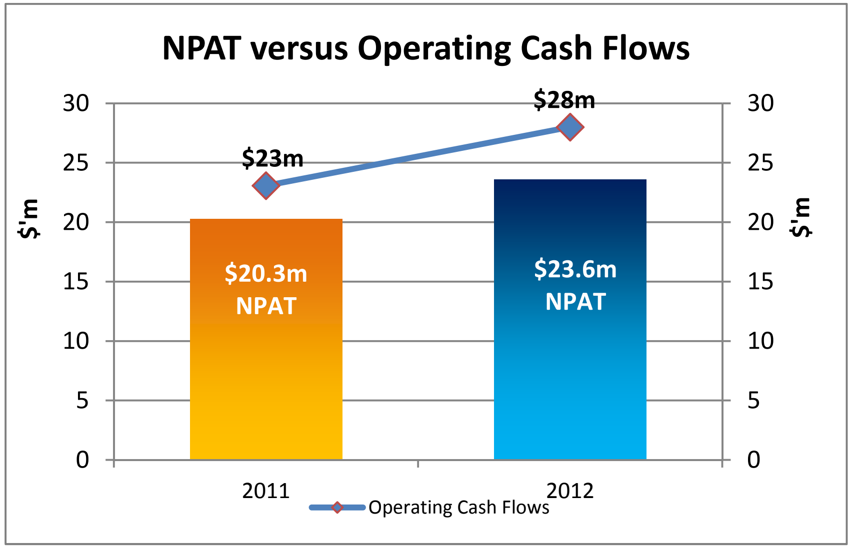
**Operating Cash Flow $28m, up 21% from $23.2m Sep11**

- Operating Cash Flow $28m (vs NPAT of $23.6m)



# 2012 Full Year Results

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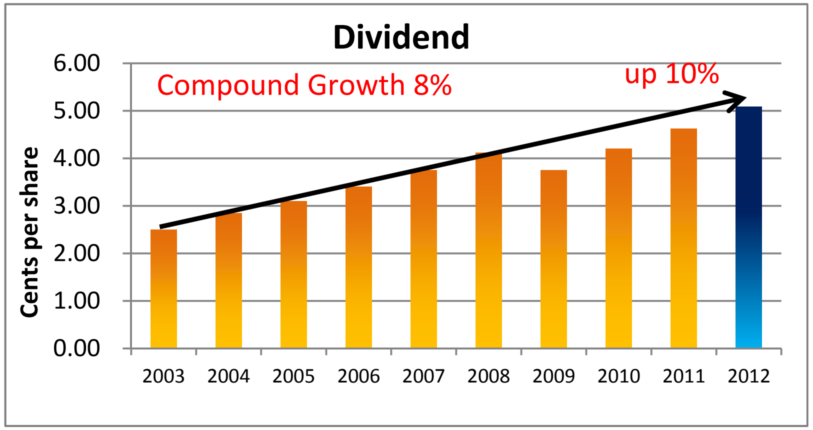
## Dividends for this year

- Half 1 1.61 cps up 10% (paid)
- Half 2* 3.48 cps up 10% (85% franked)
- Sub Total 5.09 cps up 10%
- Special Dividend** nil




## Notes

- We have continuously paid a dividend since 1996 (through Dot-Com and GFC)
- * A recent independent review of our R&D tax claims has found a substantial additional tax concession. Though this is a positive outcome, this will now unexpectedly impact the availability of franking credits. As such, our normal H2 dividend will now be 85% franked.
- We expect in future years to return to 100% franked dividends
- ** As previously advised, the Board considers the payment of a Special Dividend each year. As a result of the independent review of our R&D tax claim, and the additional tax concessions we have now received, there are no remaining franking credits, and as such the Special Dividend will not be paid this year.
- Board will consider Capital Management initiatives once again in 2013 financial year

# Agenda

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# Company Update

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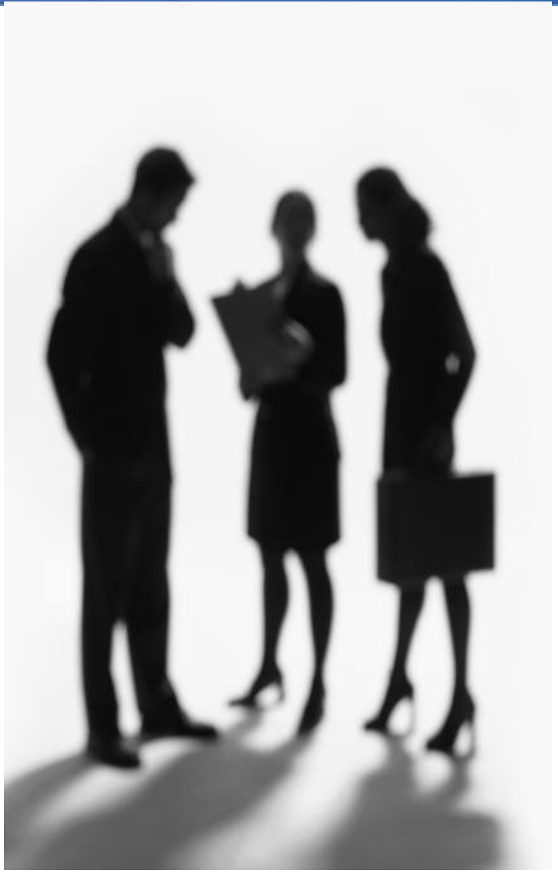
## Significant Achievements

- R&D
- TechnologyOne Ci²
- TechnologyOne Cloud
- Other Initiatives



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# R&D

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R&D  $33.5m, 20% of revenue, fully expensed as incurred

The most ambitious R&D plan in the company's 25 year history

- R&D  continuing across all our Ci products
- R&D into our new Ci² product suite
- R&D into new innovations, ideas and concepts
- R&D into the TechnologyOne Cloud
- New Off Shore R&D centre
- Significant future revenue streams and platform for continuing growth in the coming years

## Company Update

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Significant Achievements

- ✓ R&D
- ➢ TechnologyOne Ci²
- ▪ TechnologyOne Cloud
- ▪ Other Initiatives

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# TechnologyOne Ci²

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Ci² is the next generation of our Ci enterprise suite...

- ✓ Embrace new technologies, innovations & concepts
  - ✓ Focus is Simplicity, Not Complexity
  - ✓ Browser based – no more software installs & pervasive
  - ✓ Apps and Enterprise App Store
  - ✓ Native support for the Cloud
  - ➢ Support smart mobile devices iPhone, iPad, Android etc..

- ✓ Simple, easy way forward for our Ci customers

Smart mobile devices become just 'appliances' that simply plug into Ci²

*Enterprise Software, incredibly simple*

## Company Update

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Significant Achievements

- ✓ R&D
- ✓ TechnologyOne Ci²
- ➢ TechnologyOne Cloud
- ▪ Other Initiatives

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# Today – On Premise

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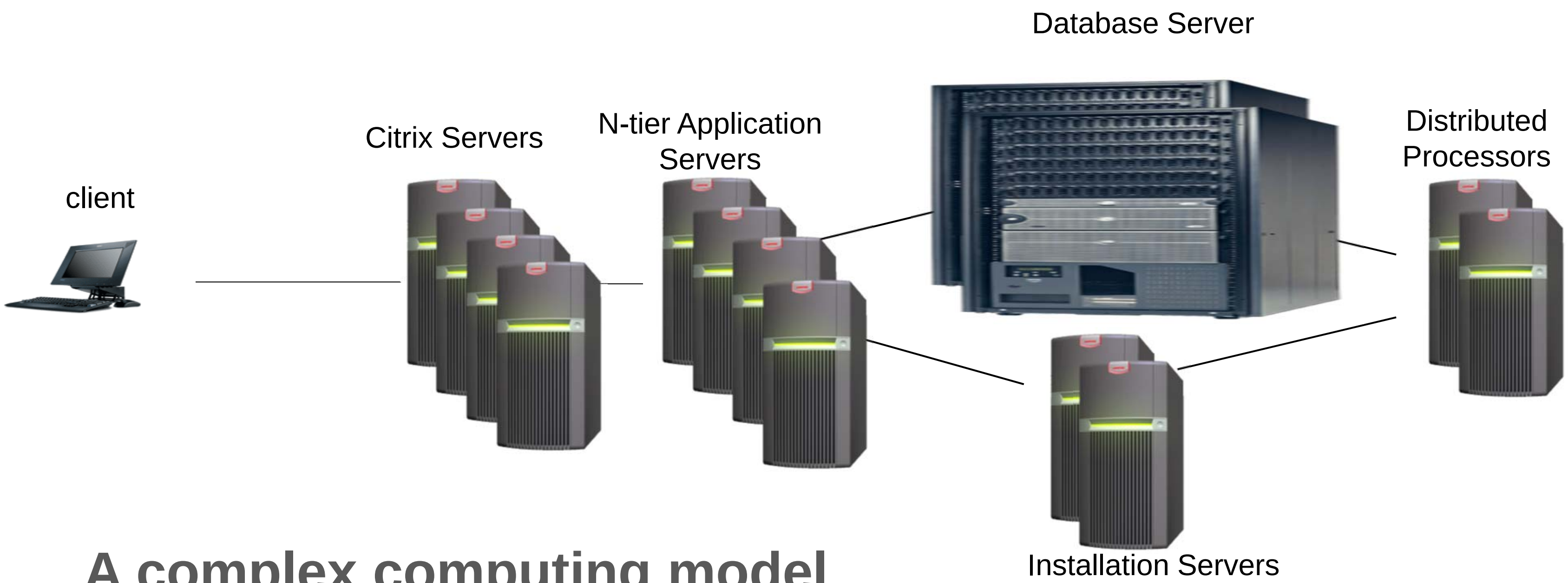
The old way
- Run your own hardware & systems On Premise

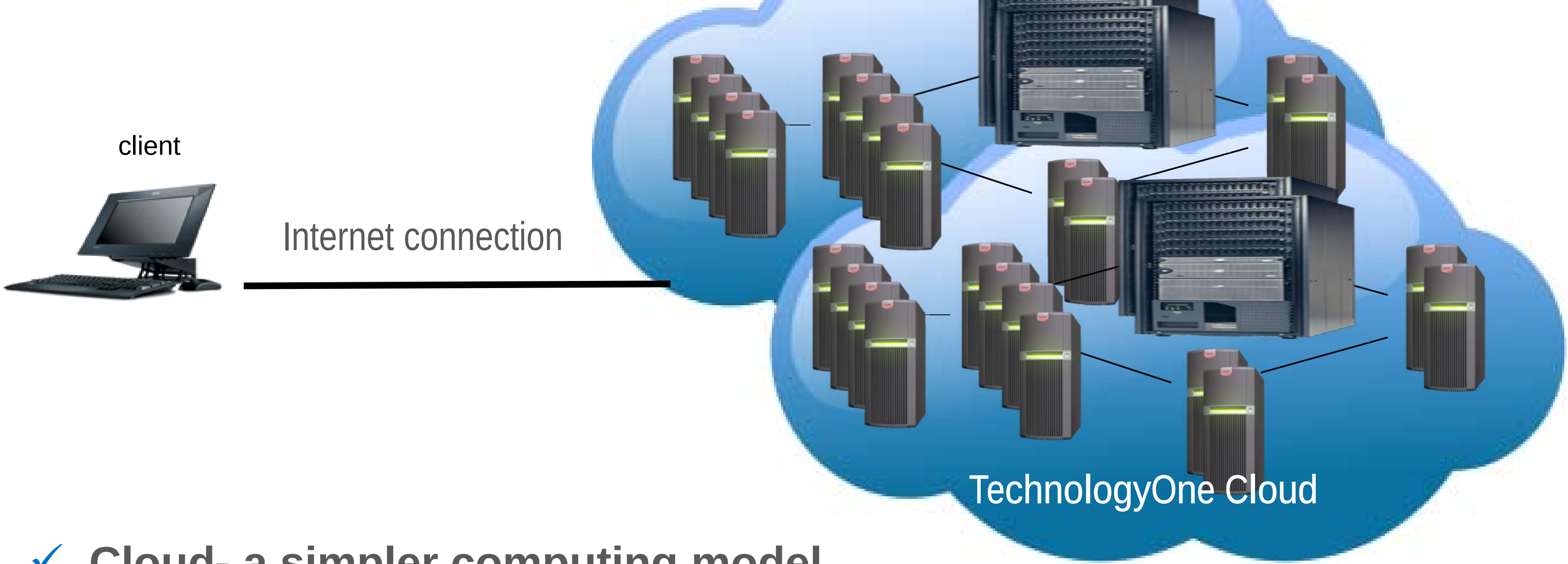



**A complex computing model**

# What is cloud

The new way

- Sign onto TechnologyOne Cloud service




✓ **Cloud- a simpler computing model**

# The TechnologyOne Cloud

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**TechnologyOne Enterprise Suite in the cloud today, delivered in a browser.**

**TechnologyOne takes care of everything**

**A simple and easy experience**

# The TechnologyOne Cloud

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- ✓ Partnerships with global Infrastructure As a Services (IAS) providers
- ✓ Data centres now commissioned in Sydney
- ✓ TechnologyOne Enterprise suite now optimised for the Cloud
- ✓ TechnologyOne Corporate now running on TechOne Cloud
- ✓ Early adopters starting early 2013
- ✓ Ramp up of TechnologyOne Cloud business expected in 2014
- ➢ All TechnologyOne Cloud costs are being fully expensed as incurred

# Company Update

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## Significant Achievements

- ✓ R&D
- ✓ TechnologyOne Ci$^2$
- ✓ TechnologyOne Cloud
- ➢ Other Initiatives

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# Other Strategic Initiatives

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## Advanced Initiatives

- ✓ Transformation of Consulting Business – One Consulting
- ✓ Transformation of R&D Business – One R&D
- ✓ Preconfigured Solutions – 14 solutions now available
- ✓ Compelling Customer Experience Training Program
- ✓ TechnologyOne Training College
- ✓ United Kingdom Expansion – 3 new contracts this year

## New Initiatives

- ➢ TechnologyOne Leadership Program
- ➢ Transformation of Marketing – One Marketing

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# Outlook for Full Year

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## Economic Environment

- The global economic climate remains uncertain, and challenging.
- The enterprise software markets has been one of the most resilient sectors of the IT industry in recent years.
- In particular TechnologyOne markets have remained robust: government and government related businesses.

➢ The Pipeline for 2013 remains good to support continuing growth

# **Outlook** for Full Year

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2013 Full Year - Profit growth to continue

- We expect to see continuing growth in licence fees and revenue
- We will need to once again carefully monitor and manage the sale cycle for potential contract delays given the economic climate
- As in previous years we note that the half year results may not be indicative of the full year results, depending on timing of when new contracts close
- We will provide further guidance with the first half results

# Outlook for Full Year

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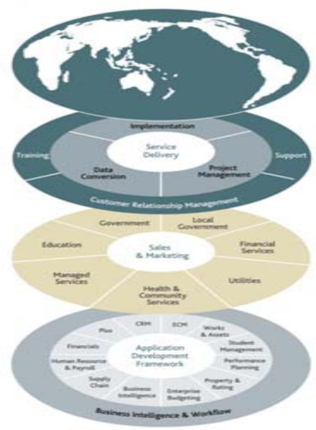
Our focus next financial year is ...

- Leverage our broad & fast maturing product portfolio
- Focus on our seven vertical markets – resilient & strong
- Cross sell into our large existing customer base
- Contain R&D costs

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# Improved Margins

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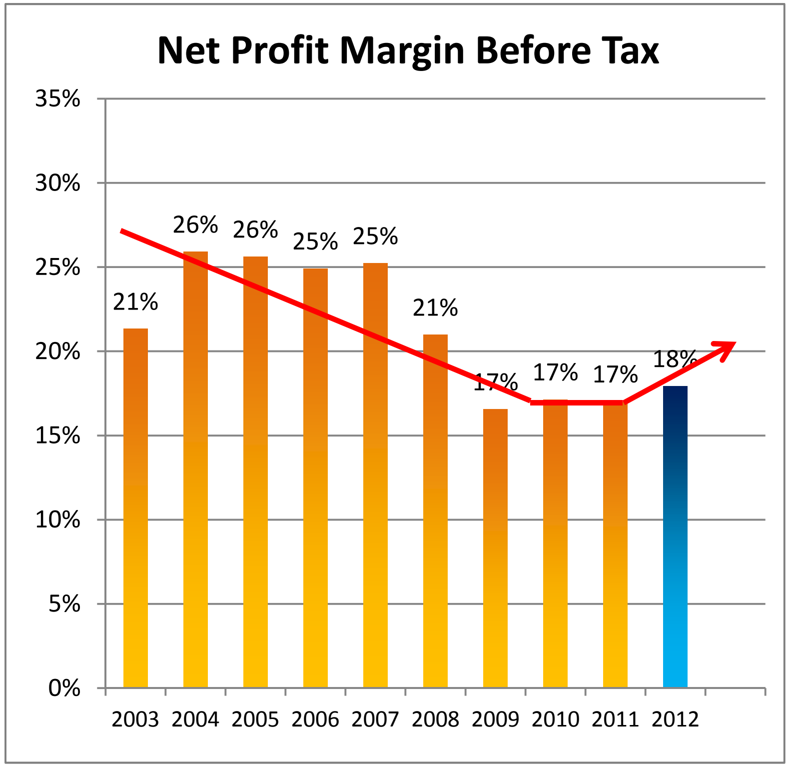
Profit margin has contracted over the last 10 years

- Expanded our product range investment
- Profit margin now started to improve, as predicted
- Focus is to substantially improve margins over next five years



# Control R&D Costs

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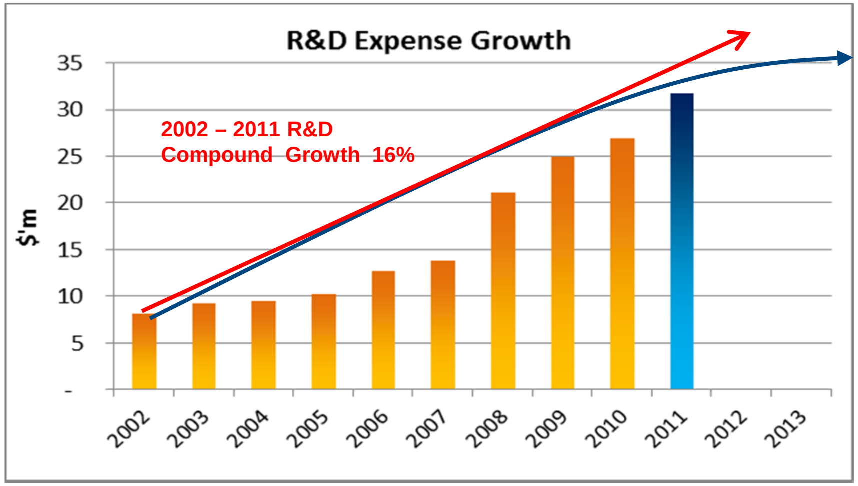


Control R&D expenses ...

- Leveraging our new Offshore R&D centre
- Economies of scale

# R&D Growth Projections

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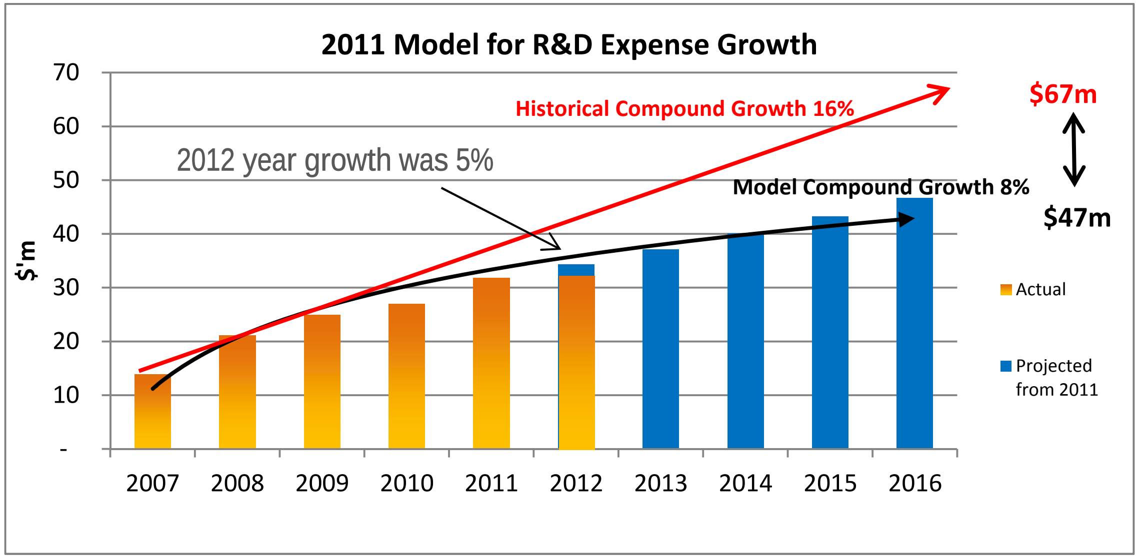
## Target set in 2011 - R&D growth of 8% per annum compound, over 5 years

- This year we demonstrated this is achievable with R&D growth of 5%
- Continues to be a very aggressive R&D program
- Operating leverage & economy of scale
- Assumes no Acquisitions in next 5 years




**2011 Model, shows savings in R&D costs of $20m/year in year 5**

**In year 5, R&D will be 18.5% of revenue (vs 20% now)**

**In year 10, target for R&D is 15% of revenue**

**Still well above Industry Average of 10% to 12%**

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