2015 Annual General Meeting

17 February 2016

Adrian Di Marco, Executive Chairman

Feb 2016
Commercial in confidence
FINAL (wed)

technologyone
Transforming business, making life simple

Disclosure Statement

Technology One Ltd Annual General Meeting – 17 February 2016

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

These slides have been lodged with the ASX and are also available on the company's web site: www.TechnologyOneCorp.com.

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Agenda

- Results Overview
- Significant Achievements
- Remuneration & Corporate Governance
- Outlook for Full Year
- Long Term Outlook

Results Summary

	FY15	FY14	Variance %	
Revenue	**$218.7m**	**$195.1m**	**12%**	
Initial Licence Fees	$49.3m	$42.0m	17%	
Total Consulting[2]	$65.6m	$63.4m	3%	
Annual Licence Fees	$95.3m	$84.2m	13%	
Cloud Service Fees	$4.1m	$1.4m	200+%	
Expenses	**$172.2m**	**$154.9m**	**11%**	
R&D Expenses incl. Acquisitions[1]	$41.0m	$37.9m	8%	
R&D Expenses excl. Acquisitions	$40.5m	$37.9m	7%	
Expenses excl R&D	$131.2m	$117.0m	12%	
Profit				
Profit Before Tax	$46.5m	$40.2m	16%	
Profit After Tax	$35.8m	$31.0m	16%	
Other				
Operating Cash Flow	$37.6m	$35.1m	7%	
Cash and Cash Equivalents	$75.5m	$80.2m	(6%)	Refer slide: Balance Sheet
Profit Before Tax Margin	21%	21%		Refer slide: Margin Analysis
Dividend	8.78	8.16	8%	
Return on Equity	30%	30%		

[1]19% of revenue v 19% last year

[2]Total Consulting includes Plus

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Margin Analysis

The TechnologyOne Cloud impacted our margins significantly

FY15	Company	Cloud	Company Excl. Cloud
Revenue	$218.7m	$4.1m	$214.6m
Profit	$46.5m	($2.5m)	$49.0m
Margin %	21%	(62%)	23%

Our investment in the TechnologyOne Cloud is impacting our margins in the short term.
TechnologyOne Cloud will make a very positive contribution to margins in the coming years.
Discussed in more detail later.

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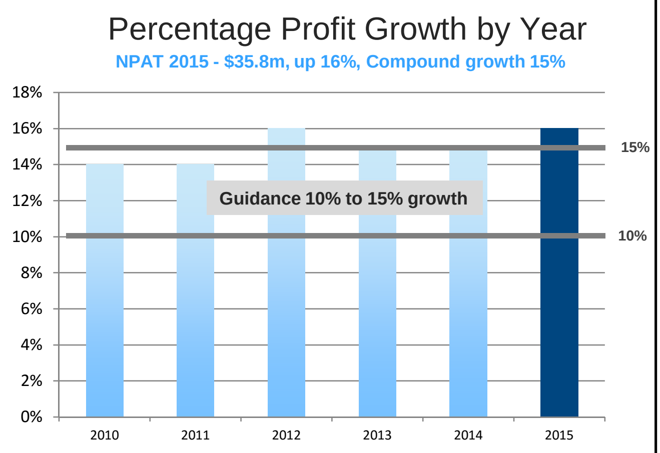
Top End of Full Year Guidance Achieved

Full Year Guidance was

Continuing profit growth of 10% to 15%

- ✓ Profit Before Tax up 16%
- ✓ Profit After Tax up 16%
- ✓ Sixth year achieved top end of guidance



Over last 6 years we have consistently met the top end of our guidance (10% to 15% profit growth)

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Results Highlights

Continuing strong performance

Significant investments have continued as follows:

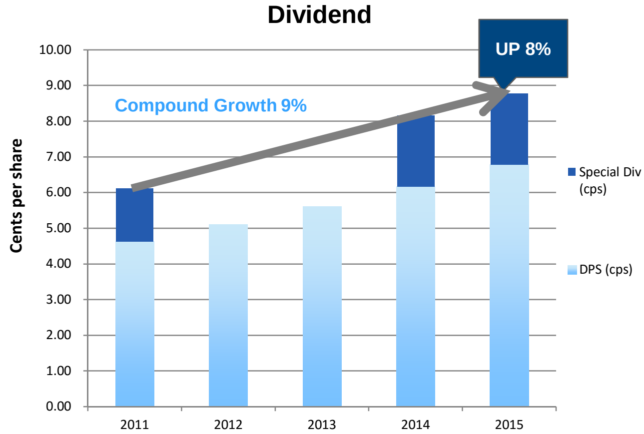
- United Kingdom $400k loss (vs $745k loss in 2014)
- TechnologyOne Cloud $2.5m loss (vs $2m loss in 2014)
- R&D, including Ci Anywhere $41m ($38m in 2014)
  - Fully expensed as incurred

Total Dividend Up 8%

Dividends for the 2015 year:

Half 1	2.15 cps up 10% (paid)
Half 2	4.63 cps up 10% (declared)
Total	**6.78 cps up 10%**
Special	2.00 cps (as per last year)
Total	**8.78 cps up 8%**

Dividend payout ratio is 76%



We have continuously paid a dividend since 1996 (through Dot-Com and GFC)

Notes

- The Board considers the payment of a Special Dividend at the end of each year taking into consideration franking credits and other factors
- The Board continues to consider other Capital Management initiatives including acquisitions
- No Special Dividend in 2012 & 2013 because of a lack of franking credits

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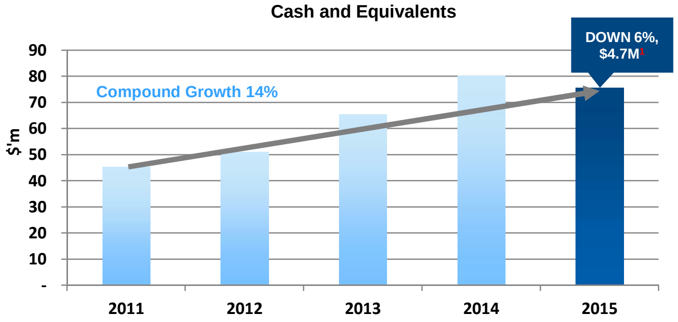
Balance Sheet

Cash and Equivalents



- **Cash & Equivalents[1]** $75.5m (vs. $80.2m, down $4.7m)
- **Net Cash[2]:** 24.42c/s (vs. 24.81c/s)
- **Debt/Equity:** 2.02% (vs. 3.5%)
- **Net Assets:** $117.9 (vs. $104.5m, up $13.4m)
- **Interest Cover:** 309 times

[1] includes $4.6m payment for ICON acquisition, $8m payment for DMS acquisition, $6m special dividend (restarted last year)

[2] after debt per share

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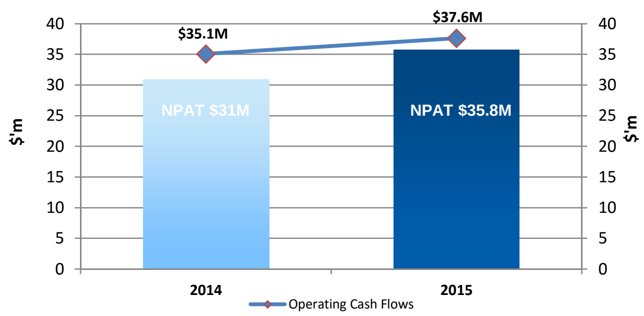
Cash Flow

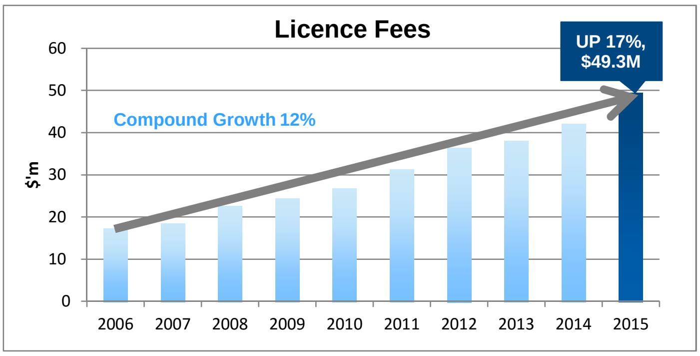
NPAT versus Operating Cash Flows



Operating Cash Flow ($37.6m), has improved substantially over the full year

- Up $2.6m, 7% from $35.1m Sept 2014
- Vs NPAT of $35.8m
- Vs negative 2.3m at the half year

Licence Fees Up 17%



Licence fees up 17 % (vs down 11% at H1)

- 12th consecutive year of strong Licence Fee growth
- Added 58 new customers, of which 18 replaced systems from Oracle, SAP, Microsoft & INFOR
- High profile wins: Brisbane City Council, Wellington City Council, Mercy Health, TAFE Qld, Department of Education & Training, Australian Bureau of Statistics, Department of Treasury etc.
- Pipeline for 2016 year is strong

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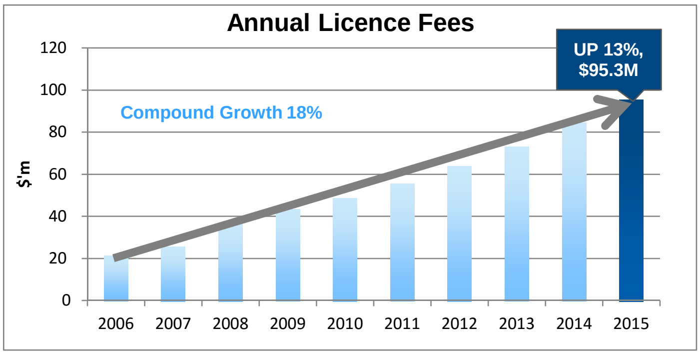
Annual Licence continue to grow strongly: up 13%



Annual licence fees continue to grow strongly: up 13%

- Compound growth over the last 10 years is 18%
- Customer retention is important
- Investing in Compelling Customer Experience III, Ci Anywhere, TechnologyOne Cloud

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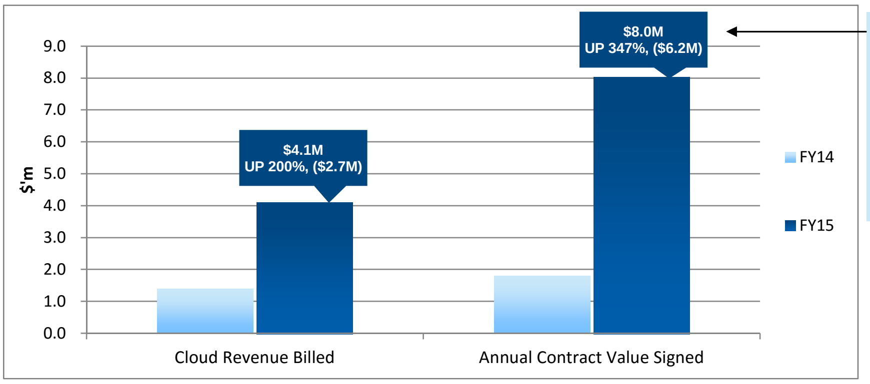
Cloud Service Fees continue to grow strongly: $8m, up 100%



Target for Dec 2015 was:
$8m Contract Value (vs $4.1m H1)

Strong momentum to continue in future years

Target for Dec 2016 is:
$16m Contract Value (vs $8m 2015)

Annual Contract Value continues to grow strongly: $8.0m, up 100%+ ($6.2m)

- Cloud Customers: 70 vs 21 at 30 Sept 2014
- New Customer this year: 49 includes Brisbane City Council, Department of Treasury, Mercy Health, Wellington City Council, TAFE Queensland, Australian Bureau of Statistics etc.
- Full year loss of $2.5m (vs a loss $2m in 2014; and $1.6m at H1)
- ➢ Loss reduces to $1m in 2015/2016 year with our new Cloud 5.0 architecture and increasing customer base

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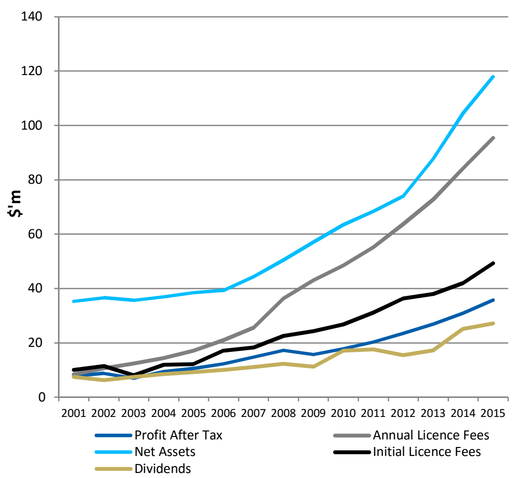
Historical Performance

Key metrics over last 15 years …

- ✓ **Revenue** - 13% per annum compound
  - – Even through the Dot-Com and GFC
- ✓ **Initial Licence Fees** - 12% per annum compound
- ✓ **Annual Licence Fees** - 19% per annum compound
- ✓ **Profit After Tax** - 12% per annum compound
- ✓ **Dividends** - 10% per annum compound
- ✓ **Net Assets** - 9% per annum compound



Doubling in size every 5 years for last 15 years

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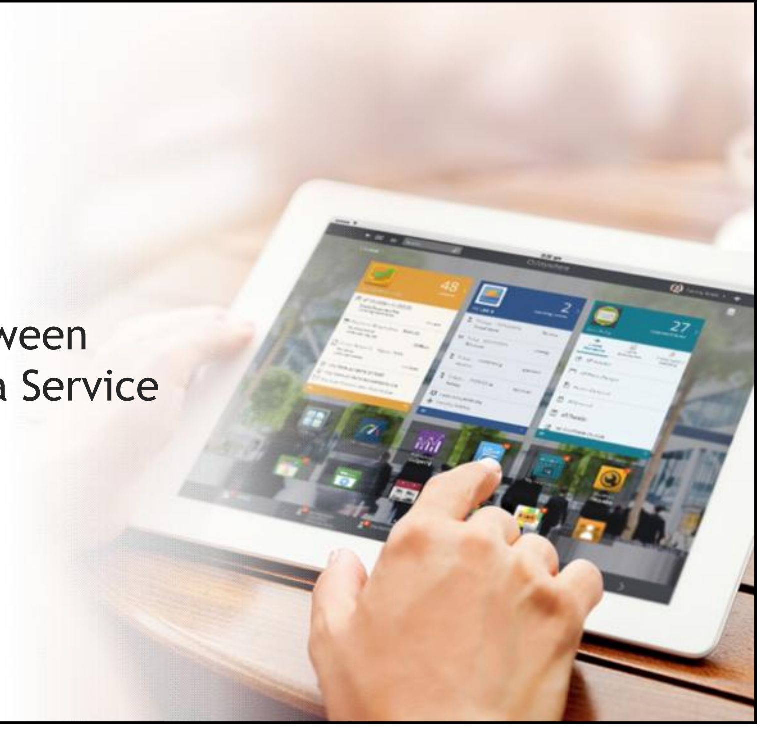
Ci Anywhere

Enterprise software, incredibly simple
Any device. Any where. Any time.

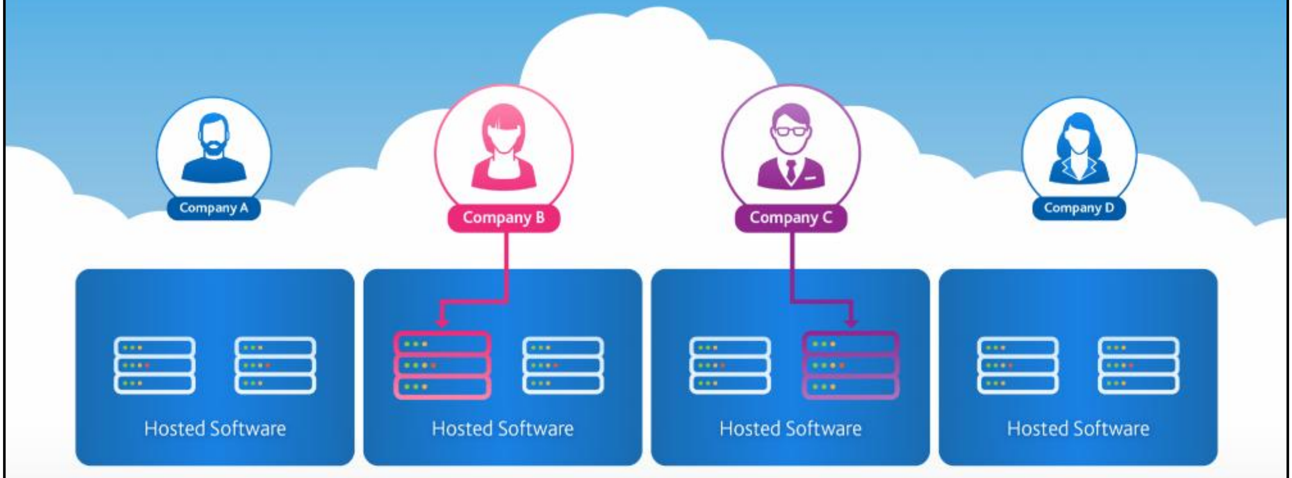
- ✓ Early adopters in progress, positive feedback
- ✓ Front Office mobile apps now completed
- ➢ Deliver all remaining functionality on this platform by mid 2017
- ✓ Significant competitive advantage

Cloud

Significant confusion between Hosting and Software as a Service



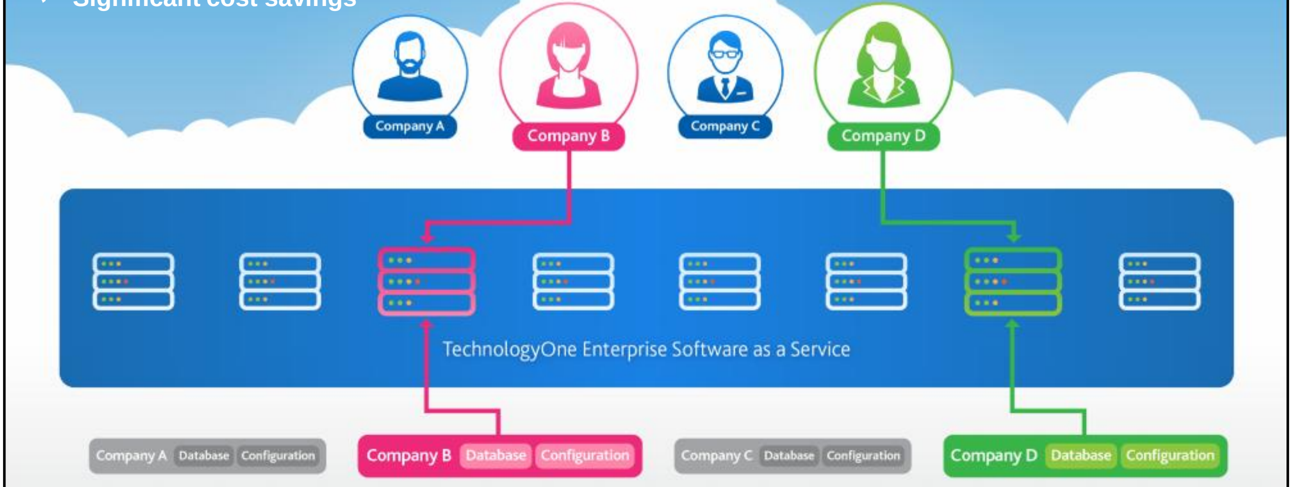
Traditional Hosting Customised



Hand crafted to your specific needs – you only get what you pay for

TechnologyOne SaaS Mass Production

- ✓ **Economy of scale**
  - Massively scalable, Highly efficient , Cost effective
- ✓ **Highly resilient & fault tolerant**
- ✓ **Elastic -** add capacity dynamically
- ✓ **Significant cost savings**

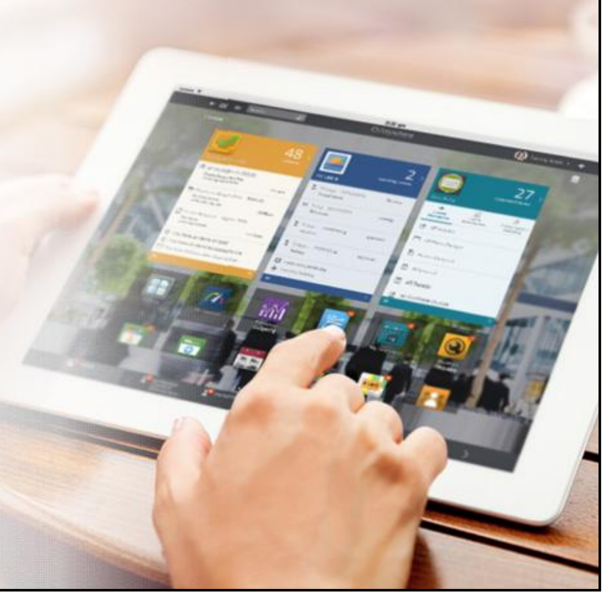


Future proof - We invest millions annually to make our production line and software better

TechnologyOne Cloud

Enterprise software as a service

- ✓ TechnologyOne Cloud 5.0 - Mass Production Model now avail to early adopters
- ✓ Significant leap forward
- ✓ Huge economies of scale
- ✓ Shared instance architecture key
- ➢ Migrate customers seamlessly from Cloud 1.0, 2.0, 3.0, 4.0 to Cloud 5.0
- ➢ Cloud 6.0 & Cloud 7.0 under development for availability in 2016



TechnologyOne Cloud

- ✓ Expect a smooth transition of our business to the Cloud over next 5+ years
- ✓ Significant benefits for us as we transition our business to the Cloud
  - Streamline our business, reduce costs
  - Reduce time to market
  - Increase innovation and creativity
  - Improve our customers’ experience
  - More resilient business model
  - Strong competitive advantage

TechnologyOne’s Journey to The Cloud

• Email	done
• Corporate Accounting	done
• R&D in the Cloud	done
• Documents & Files in the Cloud	done
• Demonstrations via the Cloud	done
• Consulting in the Cloud	done

Acquisition Strategy

- TechnologyOne is not an acquisition driven business
  - Prefer organic growth because of the significant cost, time, effort and management distraction that accompanies an acquisition.
- TechnologyOne considers acquisitions when the opportunity arises to acquire Intellectual Property (IP) that extends our enterprise footprint
  - Into new areas that we do not currently support, and which would take an inordinate amount of time, money and risk for us to develop
- Our acquisition strategy is to deeply integrate the acquired business; and redevelop the acquired IP onto our Ci Anywhere platform
- This is the case with three acquisitions we have undertaken in the last 12 months

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Acquisitions Update

✓ ICON Software – Local Government Online Planning
- Completed 2015[1]: $10m valuation, Earnings neutral in 2015, Earn out formula over 3 years
- **Contribution of $500k to our 2015 earnings**

✓ DMS – Digital Mapping Software
- Completed 2015[1]: $12m valuation, Earnings neutral 2015, Earn out formula over 3 years
- **Contribution of $580k to our 2015 earnings**

✓ JRA - Strategic Asset Management
- Completed 2016[1]: $10m valuation, Earnings neutral 2016, Earn out formula over 3 years
- **Contribution nil to our 2015 earnings, as acquisition concluded Oct 2015**

We will redevelop the acquired IP onto our Ci Anywhere platform

[1] Year Ending date

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United Kingdom

- Relocated Operating Officer from Australia to the UK
- 9 new customers of which 8 are on the TechnologyOne Cloud
- Total of 26 customers in the UK now
- Critical mass will require 40+ customers
- Our strategy is to move to the 'blue ocean'
  - Critical we bring our HRP[1] offering into the UK market – target date late 2016
  - Next will be our Student System – target date mid/late 2017

[1] Human Resource & Payroll

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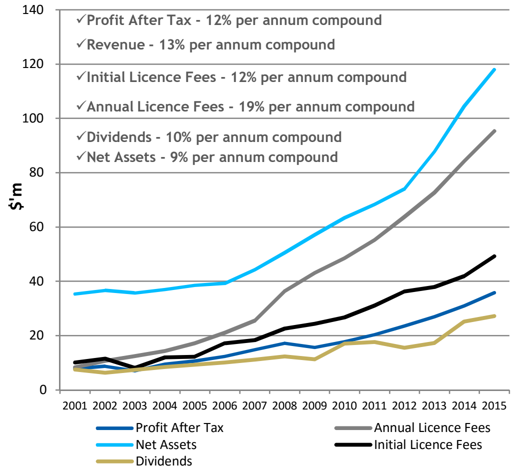
Remuneration Framework

Existing remuneration framework critical to our success over last 25+ years

- ✓ Company doubling in size every 5 years
- ✓ Created substantial shareholder wealth[1]
- ✓ TechnologyOne executive pay is in the mid to lower quartile of our peers
- ✓ Proven to be very effective



Key metrics last 15 years

[1]TSR last 12 months 24% , TSR last 5 years 34% compound per year, TSR last 10 years 23% compound per year

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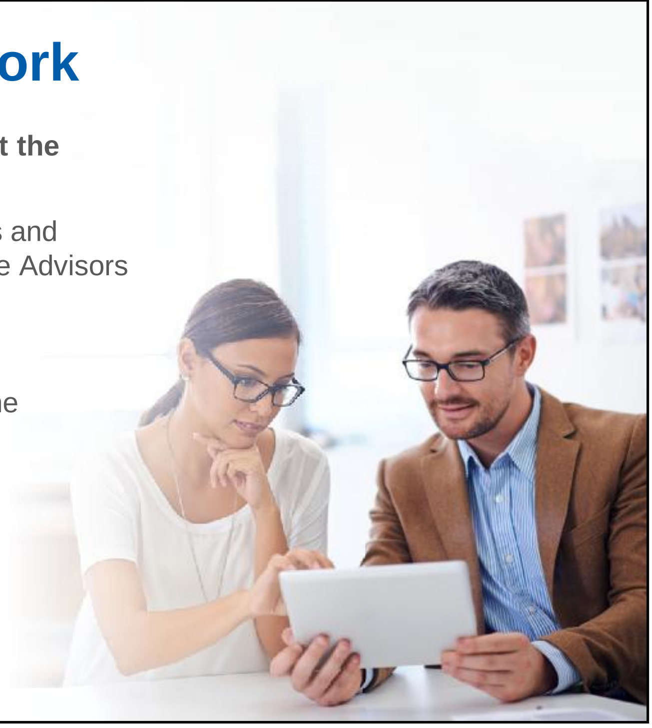
Remuneration Framework

Last year we had a substantial vote against the Remuneration Report of 24.3%

- Board has engaged Independent Advisors and implemented recommendations from these Advisors
- Aim to get better alignment with other ASX200 companies
- Board has made substantial changes to the TechnologyOne remuneration framework



Remuneration Framework

- Changes to our remuneration framework in 2015:
  - ✓ Additional disclosure/information on our remuneration structure and policies
  - ✓ Discontinued the use of Options for Long Term Incentives (LTI) for KMP
  - ✓ A new Executive Performance Right (EPR) plan for LTI for KMP
  - ✓ Introduced mandatory performance hurdles for all LTI issued to KMP under the new EPR plan
  - ✓ Introduced a mandatory shareholding for directors
- ➢ Some of these changes are a concern to us
- ➢ Substantial distraction to the Board and the Management team
- ➢ Introduces risk as we transition from our current successful remuneration framework

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Recommendations by Proxy Advisors

- Ownership Matters, CGI Glass Lewis & ASA in favour of all resolutions
- ISS Proxy Advisory Services
  - Recommended against the Rem Report & increase of Directors Fee
  - Gave us the lowest possible score for Corporate Governance
- We note re ISS Proxy Advisory Services report
  - We engaged with ISS in the creation of our new Remuneration Report
  - Significant mistakes in ISS report
    - Rem Report was not passed just on a ‘show of hands’ last year as they say
  - ISS did not consult with us to clarify their interpretation of our Remuneration Report before publishing their report
  - ISS dismissed the actual facts

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The Facts

	Technology One CEO	Median ASX 100-150
Fixed Remuneration	$551,000	$1,024,343
Short Term Incentive (Cash)	$797,485	$330,012
Long Term Incentive (Shares)	$0 (waved by TNE CEO)	$354,025
Other Remuneration	$0	$12,909
Total	$1,348,641	$1,883,491

	TechnologyOne Board	Median ASX 100-150
Directors Fee	$74,022	$130,024

- ✓ TNE rem is substantially below comparable companies
- ✓ TNE rem is highly effective with a much greater 'at risk' component than other companies
- ✓ TNE is one of the best performing stocks on the ASX measured over 12 months, 5 years, 10 years
- ✓ Clear alignment between Exec Remuneration and creation of shareholder wealth

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ISS Proxy Advisory Services

- Issue of 'Appearance over Substance'
  - TNE strong record in Corp Governance and Rem in alignment with shareholder wealth creation
- Issue of 'One size fits all' approach
  - Versus ASX approach of 'if not, why not' which is far superior
- Issue of ISS attempting to impose their will on us
  - LTI - forced to move from very effective Options to EPRs with hurdles
  - STI - want us to change our STI, which will lead to a lower STI / higher base
- ISS did not check their facts with us before publishing their report
- Concerned about the lack of accountability of Proxy Advisors generally
- We have significant concerns about Proxy Advisors providing recommendations, rather than compliance checks
- We have significant concerns about Institutional Investors blindly following the recommendations from Proxy Advisors without question

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Institutional Investors Voted Against Rem Report

9% vote against our Rem Report this year

- Vanguard Australia Share Index Fund
- Vanguard Total International Index Fund
- Dimensional Funds Australia (DFA)
- SunSuper
- Australian Ethical Fund
- Bank of New York
- UniPension FAIF
- Retirement Benefits Fund

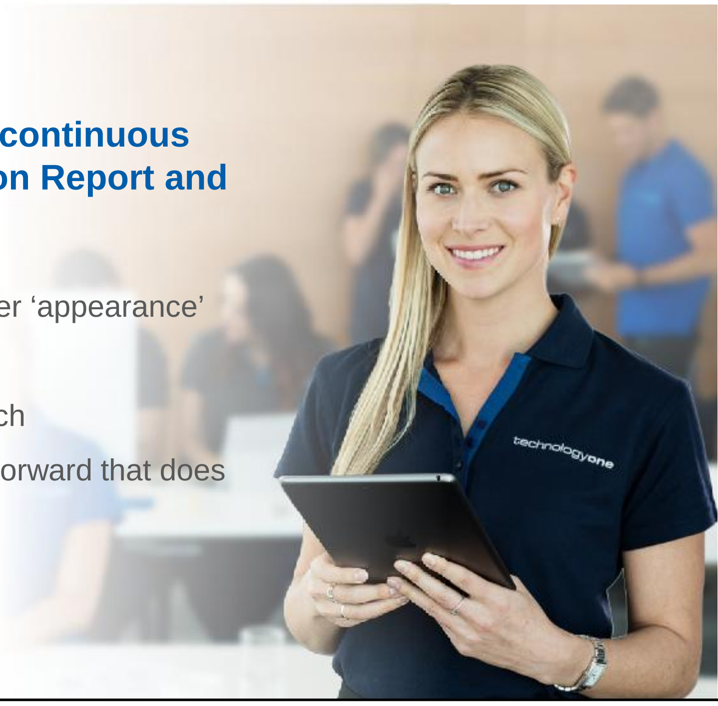
Corporate Governance

- TechnologyOne has always preferred a small and accountable Board (5 members)
- Some independent advisors did not accept Mr McLean as independent which caused our Board & Committees to be seen as not majority independent
  - Major shareholders Adrian Di Marco and John Mactaggart also not classified as independent
- Board Committees now changed to ensure a majority of independent directors and independent chair with the removal of Mr McLean from these committees
- Decision to increase board to 8 over time
  - Add an independent director in 2016, in 2017 and in 2018
  - Opportunity to address the gender diversity requirement

➢ Introduces risk as we are in the middle of a significant company transformation program (Ci Anywhere & TechnologyOne Cloud)

TechnologyOne is committed to continuous improvement of our Remuneration Report and Corporate Governance

- Must be recognition of ‘substance’ over ‘appearance’
- Sensibly, over time
- Can not be ‘One Size Fits All’ approach
- We need to carefully navigate a way forward that does not endanger our business



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Appendix

- Technology One Overview

Outlook for 2016 Year

Continuing strong profit growth

- 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 in recent years: government and government related businesses
- The pipeline for 2016 supports continuing strong profit growth for the full year

Outlook for 2016 Year

Expect strong profit growth again in 2016 full year

- Strong growth in licences, revenue and profit in the full year
- Sales pipeline is once again weighted to the second half
- We expect the first half of 2016 will once again be <u>challenging</u> and not indicative of the full year results
- We will provide further guidance with the first half results

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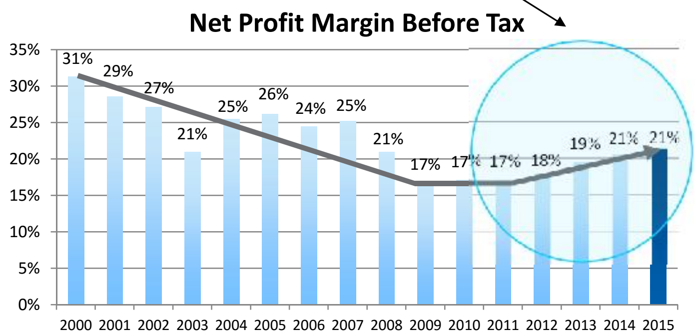
Appendix

- Technology One Overview

Long Term Outlook

Temporary hiatus due to Cloud loss of $2.5m on Revenues of $4.1m.
Excluding Cloud business, margin is 23%.



Focus is to substantially improve PBT margins through:

- Controlled R&D growth
- Product Maturity
- Cloud becomes profitable

Profit margin to continue to improve to 25% in the next few years

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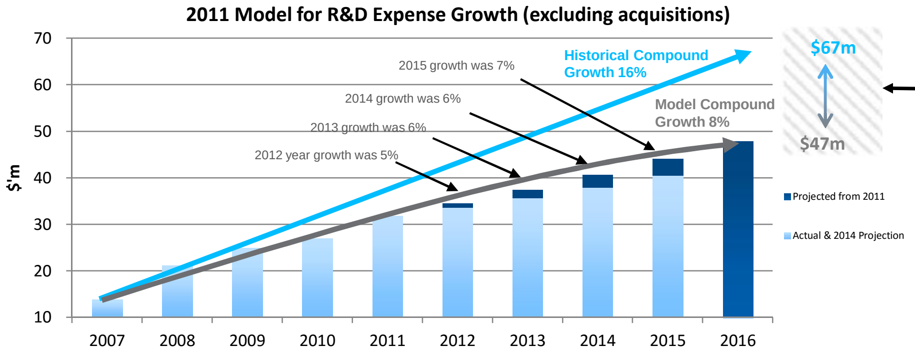
Controlled R&D Growth



2011 Model, shows savings of $20m/year in year 5 (2016)

- In year 5, R&D will be 18.5% of revenue (vs 19% now)
- In year 10, target for R&D is 15% of revenue
- Still well above Industry Average of 10% to 12%

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

- Operating leverage, economy of scale, new work practices...
- In 2012, 2013, 2014 & 2015 year we demonstrated this was achievable with R&D growth of 5%, 6%, 6% and 7% respectively
- Continues to be a very aggressive R&D program
- ➢ Assumes no acquisitions in next 5 years, and continuing growth in revenue

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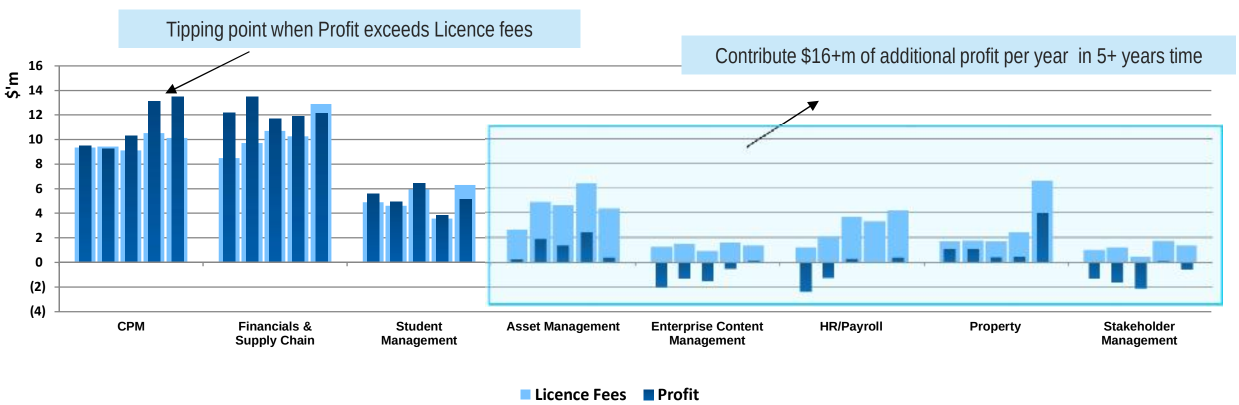
Product Maturity



- Significant investment over the last 10 years in Assets, ECM[1], HRP[2], Property, Stakeholder Management
- Expected these to contribute strongly in the coming years to profitability

[1] Enterprise Content Management [2] Human Resources & Payroll

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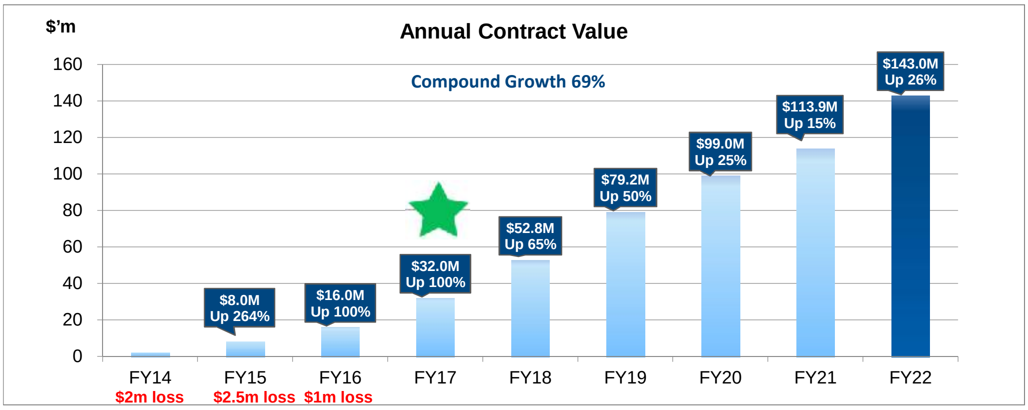
TechnologyOne Cloud Growth to 2022

$143m / year (recurring) in 2022



Based on a calendar year

★ Cloud becomes profitable in 2017

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Positioned well for the future…

Delivering a
Cloud first,
mobile first world

technologyone

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